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August 9, 2023

## Summary of Financial Results for the Fiscal Year Ended June 30, 2023 (Under Japanese GAAP)

Company name: User Local, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 3984  
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Scheduled date of ordinary general meeting of shareholders : September 22, 2023  
 Scheduled date to file annual securities report : September 22, 2023  
 Scheduled date to commence dividend payments : September 26, 2023  
 Preparation of supplementary material on financial results : Yes  
 Holding of financial results briefing : Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Financial results for the fiscal year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

#### (1) Operating results

(% indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	3,288	22.5	1,372	34.0	1,357	33.3	954	32.2
June 30, 2022	2,683	28.5	1,024	19.9	1,018	19.7	721	17.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
June 30, 2023	59.80	59.21	16.1	20.2	41.7
June 30, 2022	45.42	44.73	14.1	17.7	38.2

#### (2) Financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2023	7,211	6,340	87.9	396.97
June 30, 2022	6,238	5,538	88.8	346.18

Reference: Equity

As of June 30, 2023: ¥6,340 million  
 As of June 30, 2022: ¥5,538 million

### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2023	1,313	△28	△238	6,366
June 30, 2022	911	△120	△167	5,319

### 2. Cash dividends

	Annual dividends per share				Total dividends	Payout ratio	Dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end			
	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 30 June, 2022	—	0.00	—	3.00	47	6.6	0.9
Fiscal year ended 30 June, 2023	—	0.00	—	4.00	63	6.7	1.1
Fiscal year ending 30 June, 2024 (Forecast)	—	0.00	—	5.00		7.4	

### 3. Earnings Forecast for the Fiscal Year Ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(% indicate changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Profit		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	3,903	18.7	1,556	13.4	1,556	14.7	1,074	12.6	67.26

### \* Notes

#### (1) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

#### (2) Number of issued shares (common shares)

##### (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	16,115,600 shares
As of June 30, 2022	16,024,800 shares

##### (ii) Number of treasury shares at the end of the period

As of June 30, 2023	144,125 shares
As of June 30, 2022	25,901 shares

##### (iii) Average number of shares outstanding during the period

For the fiscal year ended June 30, 2023	15,960,121 shares
For the fiscal year ended June 30, 2022	15,894,213 shares

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

Forward-looking statements are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the forecasts due to various factors.

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## 1. Qualitative information regarding results for the period

### (1) Explanation of operating results

During the fiscal year under review, the outlook for the Japanese economy, both in Japan and overseas, remained uncertain due to the impact of rising prices and the tense situation in Ukraine. On the other hand, the promotion of the Digital Transformation has been recognized and the utilization of Big Data and AI has been expanded, and companies have continued to make active IT investments. We believe that the need for and interest in the services we provide will further increase.

In such a business environment, we have a management philosophy that “Driving global evolution by combining Big data and AI “and we work on improvement in quality and sales promotions for our core products, marketing support service” User Insight” and “Social Insight”, and AI-based customer support automation services “Support Chatbot” which are provided in SaaS format.

In R&D activities, we focus mainly on (1) Expansion of in-house AI algorithms (2) AI algorithm implementation for existing services (3) New development of AI services in order to solve all kinds of problems using big data analysis and AI. We will continue to focus on building a stable core system and training data scientists to further improve the quality of our services.

In sales activities, we increased the number of personnel engaged in sales of services and strengthened its sales management and customer success systems in order to expand its business by developing new clients and conducting other sales promotion activities.

As a result, during the fiscal year under review, net sales were ¥3,288,826 thousand (up 22.5% year on year), operating profit was ¥1,372,366 thousand (up 34.0% year on year), ordinary profit was ¥1,357,584 thousand (up 33.3% year on year) and profit was ¥954,352 thousand (up 32.2% year on year).

As we operate in a single segment, data cloud business, segment information is omitted.

### (2) Explanation of financial position

#### Assets, liabilities and net assets

##### (Assets)

Assets during the fiscal year under review were ¥7,211,745 thousand, an increase of ¥972,766 thousand from the previous fiscal year. The main factors were increases of ¥1,047,193 thousand in cash and deposits and decrease of ¥100,450 thousand in investment securities.

##### (Liabilities)

Liabilities during the fiscal year under review were ¥871,512 thousand, an increase of ¥171,012 thousand from the previous fiscal year. The main factors were increases of ¥71,495 thousand in advances received, ¥32,879 thousand in deposits received and ¥29,182 thousand in accrued consumption taxes.

##### (Net assets)

Total net assets during the fiscal year under review were ¥6,340,233 thousand, an increase of ¥801,753 thousand from the previous fiscal year. The main factors were increases of ¥13,344 thousand in share capital, ¥37,078 thousand in capital surplus, ¥906,355 thousand in retained earnings, and increases of ¥155,025 thousand in treasury shares.

### (3) Explanation of cash flows

Cash and cash equivalents increased by ¥1,047,193 thousand year on year to ¥6,366,856 thousand in the fiscal year under review. Cash flows and the respective factors contributing thereto during the fiscal year under review were as follows.

#### (Cash flows from operating activities)

Net cash provided in operating activities amounted to ¥1,313,447 thousand (¥911,547 thousand in net cash provided of the previous fiscal year). This was mainly due to profit before income taxes of ¥1,257,133 thousand, and record of share-based payment expenses of ¥177,655 thousand, and payment of ¥349,885 thousand in income taxes payable.

#### (Cash flows from investing activities)

Net cash used in investing activities amounted to ¥28,034 thousand (¥120,498 thousand in net cash used of the previous fiscal year). This was mainly due to ¥23,397 thousand in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥238,220 thousand (¥167,258 thousand in net cash used of the previous fiscal year). This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥26,689 thousand, purchase of treasury shares of ¥217,050 thousand and dividends payment of ¥47,858 thousand.

(4) Explanation of earnings guidance and other forward-looking statements

We will continue to make aggressive upfront investments in new product development, brand enhancement, and new market development. We plan net sales of ¥3,903 million (up 18.7% year on year), operating profit of ¥1,556 million (up 13.4% year on year), ordinary profit of ¥1,556 million (up 14.7% year on year) and profit of ¥1,074 million (up 12.6% year on year).

2. Basic concept regarding selections of accounting standards

We apply Japanese accounting standards to ensure comparability with peer companies within Japan. We intend to consider the application of International Financial Reporting Standards in light of its shareholder composition and the trends of other domestic companies in the same industry.

### 3. Financial statements and significant notes thereto

#### (1) Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,319,663	6,366,856
Account receivable – trade	172,220	205,585
Prepaid expenses	231,385	208,914
Account receivable – other	225	30,983
Allowance for doubtful accounts	△1,955	△2,098
Total current assets	5,721,540	6,810,242
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Facilities attached to buildings	22,518	22,518
Accumulated depreciation	△4,763	△9,296
Facilities attached to buildings, net	17,755	13,221
Tools, furniture and fixtures	202,103	223,767
Accumulated depreciation	△168,780	△186,670
Tools, furniture and fixtures, net	33,323	37,096
Total Property, plant and equipment	51,078	50,318
<b>Investments and other assets</b>		
Investment securities	100,450	0
Guarantee deposits	79,146	72,346
Insurance funds	49,557	54,193
Long-term prepaid expenses	176,002	115,933
Deferred tax assets	61,202	108,711
Total investments and other assets	466,359	351,184
Total non-current assets	517,438	401,502
Total Assets	6,238,978	7,211,745

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	103,548	124,757
Income taxes payable	211,347	215,664
Advances received	307,912	379,407
Deposits received	12,813	45,692
Accrued consumption taxes	54,912	84,095
Other	9,965	21,895
Total current liabilities	700,499	871,512
Total liabilities	700,499	871,512
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,185,243	1,198,588
Capital surplus		
Legal capital surplus	1,170,243	1,183,588
Other capital surplus	71,118	94,852
Total capital surplus	1,241,362	1,278,440
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,151,050	4,057,406
Total retained earnings	3,151,050	4,057,406
Treasury shares	△39,177	△194,202
Total Shareholders' equity	5,538,479	6,340,233
Total net assets	5,538,479	6,340,233
Total liabilities and net assets	6,238,978	7,211,745



## (2) Statement of income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net Sales	2,683,662	3,288,826
Cost of sales	204,658	236,668
Gross profit	2,479,003	3,052,158
Selling, general and administrative expenses	1,454,468	1,679,791
Operating profits	1,024,535	1,372,366
Non-operating income		
Interest income	63	102
Other	1	-
Total non-operating income	64	102
Non-operating expenses		
Share-based payment expenses	5,249	13,546
Commission for purchase of treasury shares	996	1,294
Other	20	43
Total non-operating expenses	6,266	14,884
Ordinary profit	1,018,333	1,357,584
Extraordinary losses		
Loss on revaluation of investment securities	-	100,450
Loss on retirement of noncurrent assets	1,492	-
Total extraordinary losses	1,492	100,450
Profit before income taxes	1,016,841	1,257,133
Income taxes –current	313,710	350,289
Income taxes - deferred	△18,761	△47,508
Total income taxes	294,948	302,781
Profit	721,892	954,352

## Statement of cost of sales

Division	Note	Fiscal year ended June 30, 2022		Fiscal year ended June 30, 2023	
		(Thousands of yen)	%	(Thousands of yen)	%
I Labor Costs		98,823	48.3	115,282	48.7
II Other costs	※	105,835	51.7	121,385	51.3
Total of cost of sales		204,658	100.0	236,668	100.0

(Cost accounting method)

The Company calculates costs on a specific cost basis.

Note ※The main breakdown is as follows.

(Thousands of yen)

Items	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Depreciation	19,234	20,122
Supplies expenses	16,531	14,547
Rent expenses	23,515	25,988

(3) Statement of changes in equity  
Fiscal year ended June 30, 2022

(Thousands of yen)

	Shareholders' equity								Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total of shareholders equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at beginning of period	1,165,562	1,150,562	36,259	1,186,821	2,468,663	2,468,663	△115,026	4,706,020	4,706,020
Change during period									
Issuance of new shares	19,681	19,681		19,681				39,362	39,362
Dividends of surplus					△39,505	△39,505		△39,505	△39,505
Profit					721,892	721,892		721,892	721,892
Purchase of treasury shares							△166,185	△166,185	△166,185
Disposal of treasury shares			34,859	34,859			242,035	276,895	276,895
Total change during period	19,681	19,681	34,859	54,540	682,387	682,387	75,849	832,459	832,459
Balance at end of period	1,185,243	1,170,243	71,118	1,241,362	3,151,050	3,151,050	△39,177	5,538,479	5,538,479

Fiscal year ended June 30, 2023

(Thousands of yen)

	Shareholders' equity								Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total of shareholders equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at beginning of period	1,185,243	1,170,243	71,118	1,241,362	3,151,050	3,151,050	△39,177	5,538,479	5,538,479
Change during period									
Issuance of new shares	13,344	13,344		13,344				26,689	26,689
Dividends of surplus					△47,996	△47,996		△47,996	△47,996
Profit					954,352	954,352		954,352	954,352
Purchase of treasury shares							△215,756	△215,756	△215,756
Disposal of treasury shares			23,734	23,734			60,730	84,465	84,465
Total change during period	13,344	13,344	23,734	37,078	906,355	906,355	△155,025	801,753	801,753
Balance at end of period	1,198,588	1,183,588	94,852	1,278,440	4,057,406	4,057,406	△194,202	6,340,233	6,340,233

## (4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,016,841	1,257,133
Depreciation	23,878	24,656
Increase (decrease) in allowance for doubtful accounts	1,502	143
Interest income	△63	△102
Share-based payment expenses	80,942	177,655
Loss (gain) on valuation of investment securities	—	100,450
Loss on retirement of non-current assets	1,492	0
Decrease (increase) in account receivables	△43,130	△33,365
Increase (decrease) in advances received	62,809	71,495
Increase (decrease) in accounts payable-other	21,676	20,711
Increase (decrease) in accrued consumption taxes	6,824	29,138
Other	△10,456	15,313
Subtotal	1,162,317	1,663,230
Interest received	63	102
Income taxes paid	△250,833	△349,885
Net cash provided by (used in) operating activities	911,547	1,313,447
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	△42,245	△23,397
Purchase of investment securities	△100,450	—
Purchase of insurance funds	△4,636	△4,636
Proceeds from refund of guarantee deposits	41,024	—
Payment for asset retirement obligations	△14,190	—
Net cash flows from investing activities	△120,498	△28,034
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	39,362	26,689
Purchase of treasury shares	△167,181	△217,050
Dividends paid	△39,438	△47,858
Net cash provided by (used in) financing activities	△167,258	△238,220
Net increase (decrease) in cash and cash equivalents	623,791	1,047,193
Cash and cash equivalents at beginning of period	4,695,872	5,319,663
Cash and cash equivalents at end of period	5,319,663	6,366,856

(5) Notes to financial statements  
(Notes regarding assumption of going concern)  
Not applicable.

(Equity in earnings)  
Not applicable.

(Segment information)  
Fiscal year ended June 30, 2022  
The company omitted the information because it operates in a single segment, data cloud business.  
Fiscal year ended June 30, 2023  
The company omitted the information because it operates in a single segment, data cloud business.

**【Related information】**  
Fiscal year ended June 30, 2022

1. Information by product and service  
This has been omitted because net sales to external customers in a single product or service category account for more than 90% of net sales on the statements of income.

2. Regional Information

(1) Net sales

This has been omitted because net sales to external customers in Japan account for more than 90% of net sales on the statements of income.

(2) Property, plant and equipment

This has been omitted because there are no property, plant and equipment located outside of Japan.

3. Information by major customer

This has been omitted because there are no external customers whose net sales account for 10% or more of net sales on the statements of income.

Fiscal year ended June 30, 2023

1. Information by product and service

This has been omitted because net sales to external customers in a single product or service category account for more than 90% of net sales on the statements of income.

2. Regional Information

(1) Net sales

This has been omitted because net sales to external customers in Japan account for more than 90% of net sales on the statements of income.

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**【Information on impairment losses on non-current assets by reportable segment】**

Not applicable.

**【Information on the amount of amortization of goodwill and the unamortized balance by reportable segment】**

Not applicable.

**【Information on gain on bargain purchase by reportable segment】**

Not applicable.

(Per share information)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net assets per share	¥346.18	¥396.97
Basic earnings per share	¥45.42	¥59.80
Diluted earnings per share	¥44.73	¥59.21

Note: Basis for calculation of "profit per share" and "Diluted profit per share" is as follows.

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Basic earnings per share		
Profit (Thousands of yen)	721,892	954,352
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent of common shares (Thousands of yen)	721,892	954,352
Average number of shares of common shares during the period	15,894,213	15,960,121
Diluted earnings per share		
Profit adjustments (Thousands of yen)	—	—
Increase in common share (Shares)	243,421	158,833
(Common share of stock option (Shares))	(243,421)	(158,833)
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

(Significant subsequent events)

Not applicable.