Financial Results Briefing Materials for FY2023

August 9, 2023
User Local, Inc.(Securities Code:3984)
https://www.userlocal.jp/

User Local

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Business Highlights (FY2023)

Executive-summary FY2023

Both net sales and each profit reached record highs

Net Sales up 22.5% YoY, to ¥3,288 million and Operating profit up 34.0% YoY, to ¥1,372 million
Record-high sales and profit growth for 16 consecutive fiscal years due to high need to promote Digital Transformation(DX) and strong sales of our main services

Focus on ”ChatGPT” related R&D provided by OpenAI, a U.S. research institute

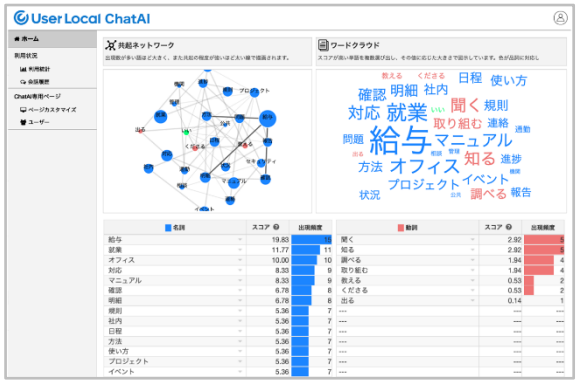
In addition to “ChatGPT” implemented in our existing product,
Started free provision of “UserLocal ChatAI (powered by GPT-4)”

Aggressive investment in advertising to attract more customers

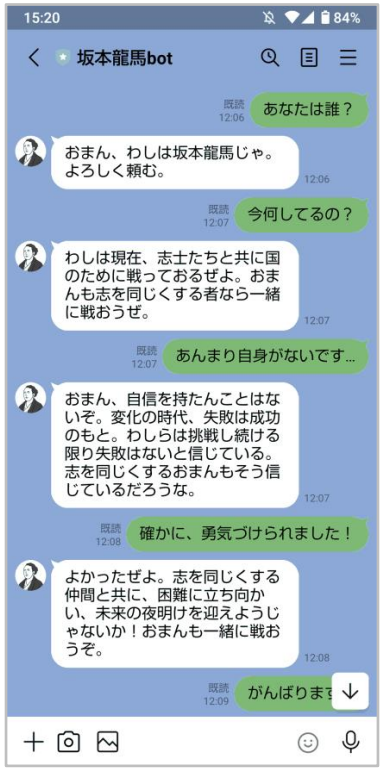
Aggressive investment, mainly in web advertising, to improve brand strength of main services and further market development contributing to steady increase in sales and budget achievement

Released new products that utilizes generative AI

UserLocal
ChatAI



UserLocal
LINE Bot Maker



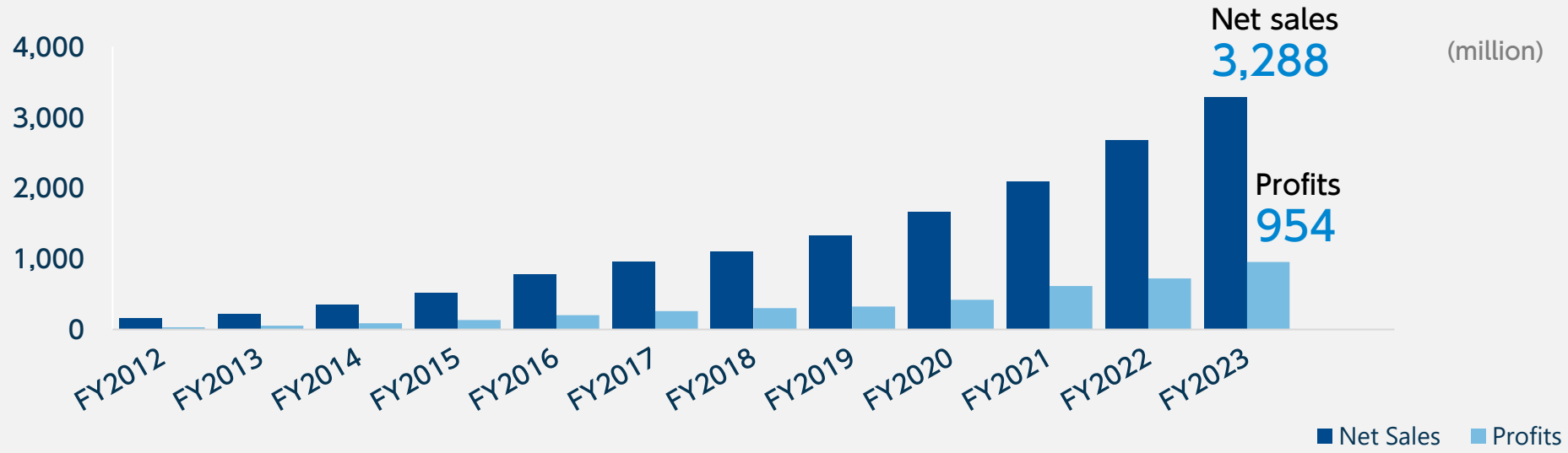
UserLocal
AI Writer

New products combining ChatGPT and our proprietary AI will be developed.

Highlights (FY2023)

Record-high sales and profit growth for 16 consecutive fiscal years

Net Sales	Operating Profits	EBITDA ※EBITDA＝Operating Profits + Depreciation	Profits
¥3,288 million	¥1,372 million	¥1,397 million	¥954 million
(+22.5% YoY)	(+34.0% YoY)	(+33.3% YoY)	(+32.2% YoY)



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Company Profile・Business

Company Outline

Name	User Local, Inc.
Businesses	Big data analysis, AI
Capital	1,198 million yen (as of June 30, 2023)
Employees	93 (as of June 30, 2023)
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

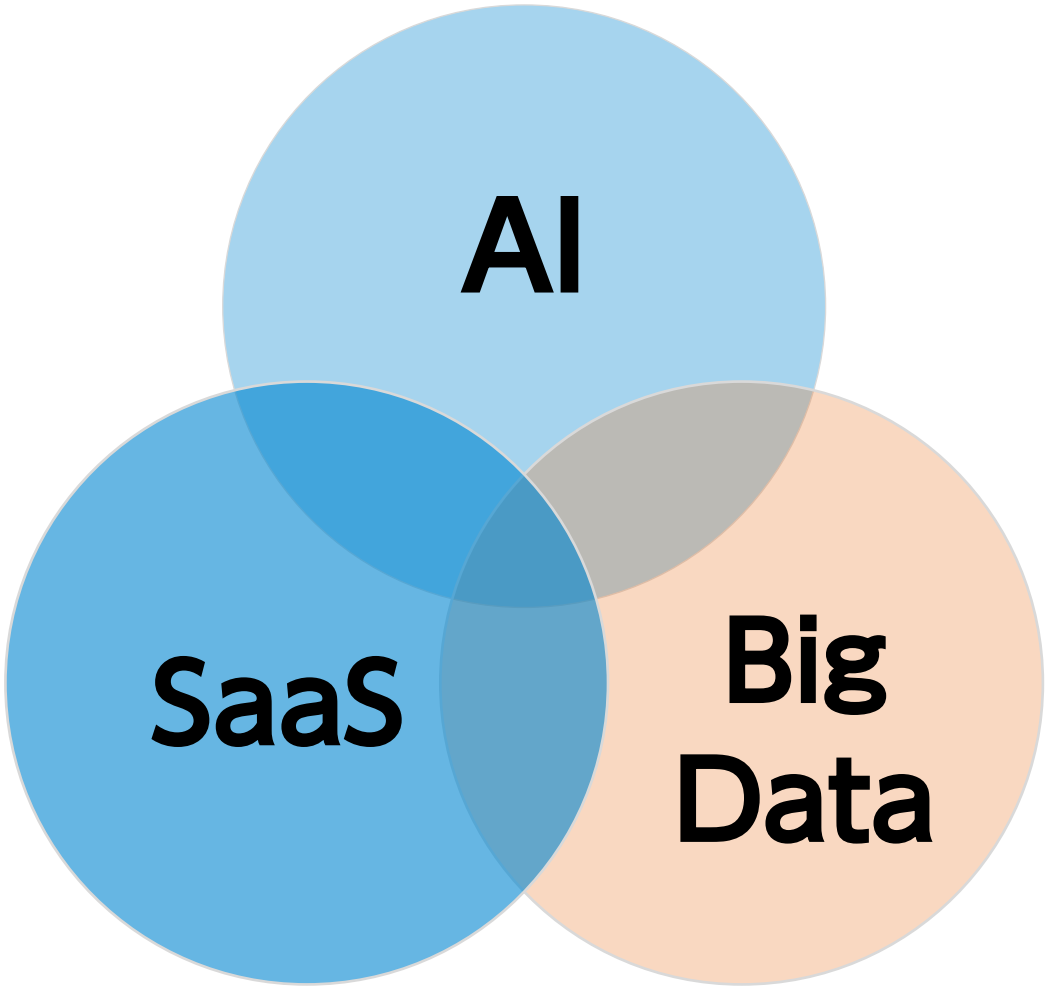
Executive Officer
Hiroshi Hongo
Graduated from Graduate School of Frontier Sciences, University of Tokyo

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

Providing AI and Big Data services in SaaS



Advanced Big Data Analysis and Natural language processing technology based on analysis of over 34 billions 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

3. Securing tech personnel

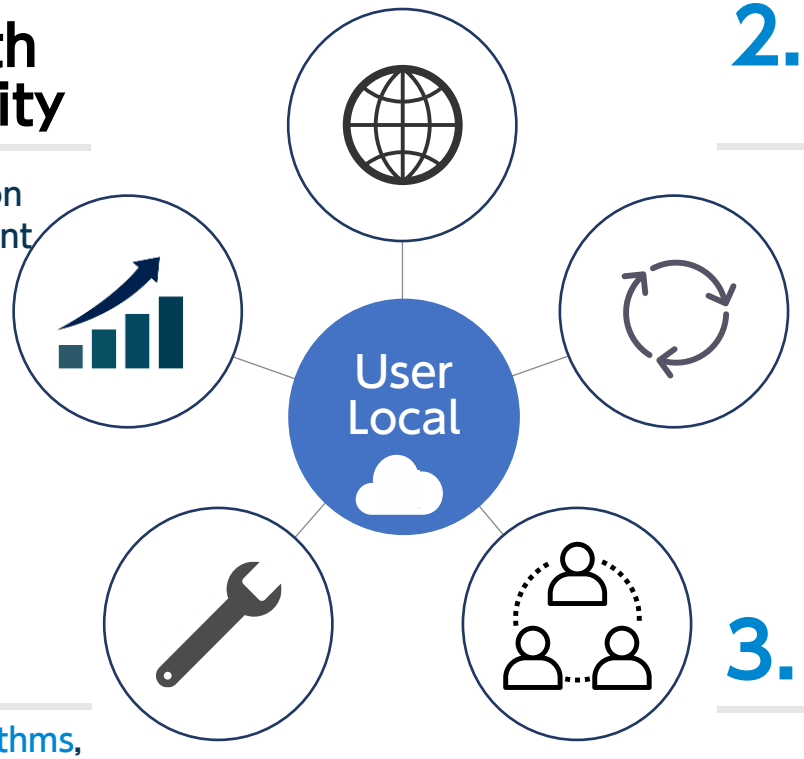
User Local is a youthful company, with an average employee age of 28, and many employees with post-grad degrees working on R&D

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

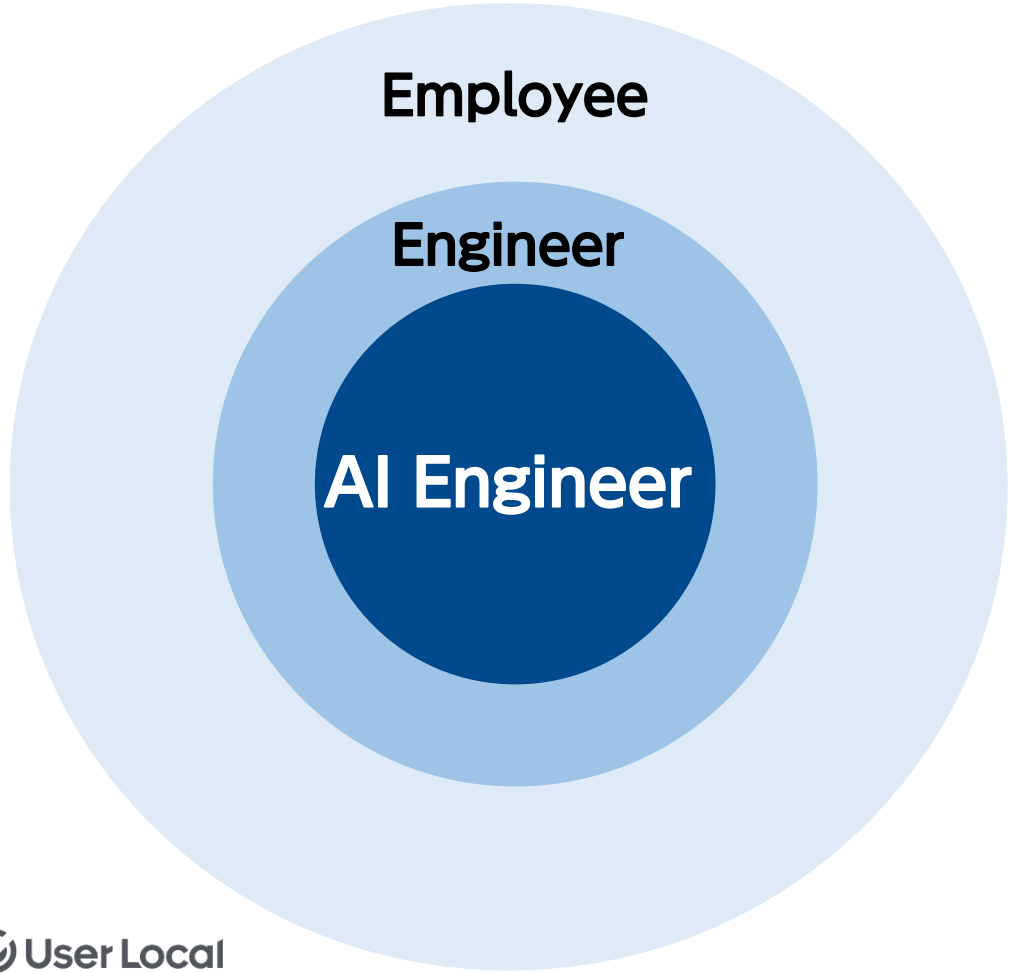
5. Continuous stable growth based on high profitability

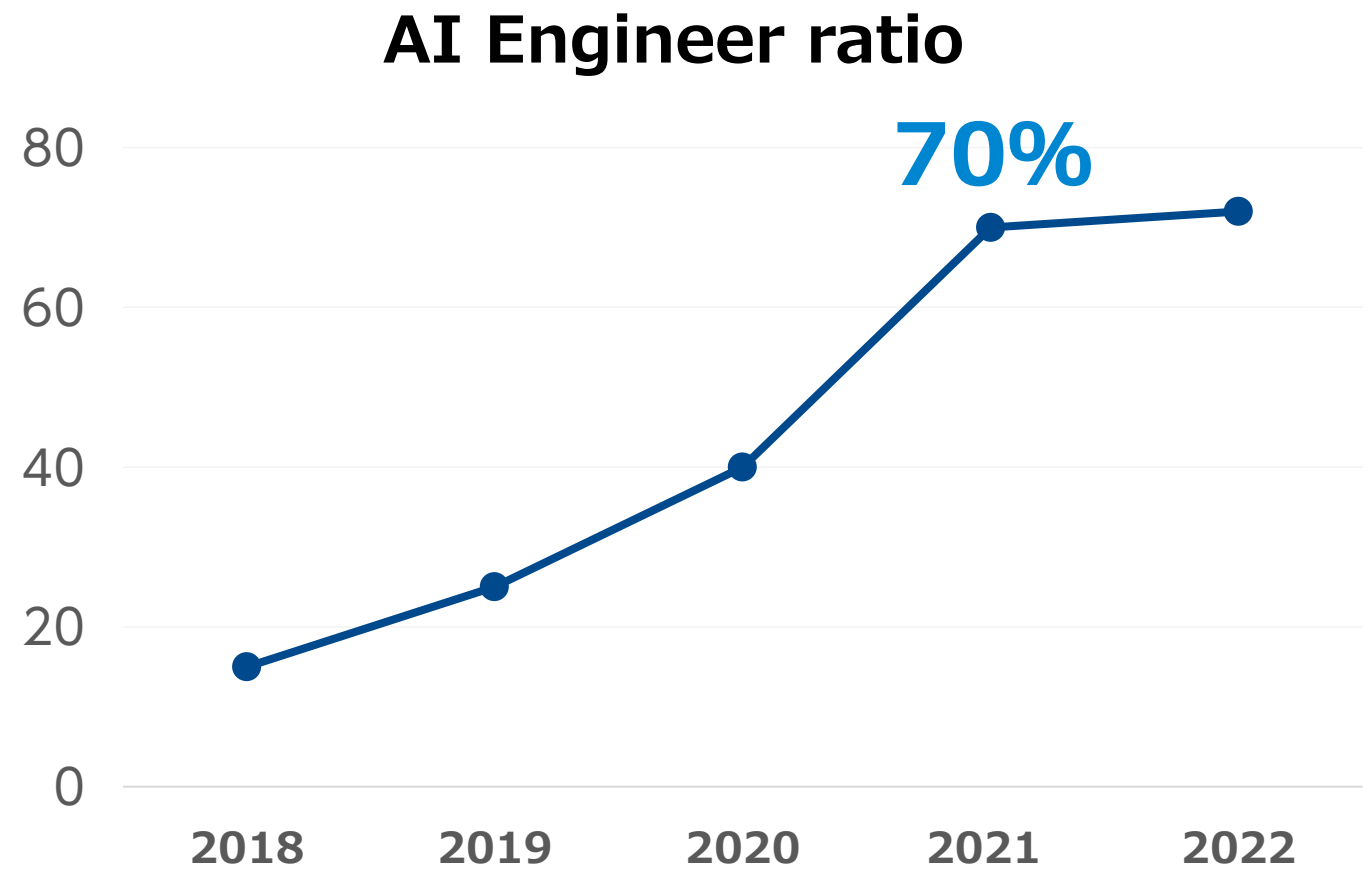
Achieving continuous stable growth based on high profitability with a broad corporate client base and low-cost operations



Securing tech personnel and R&D of Big Data and AI

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





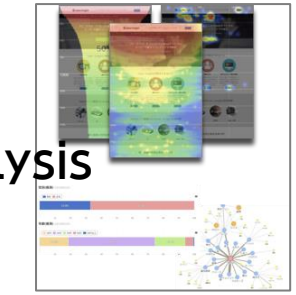
Providing in-demand services

Business Development in Growth Markets of Big Data and AI

①Digital Marketing by SaaS

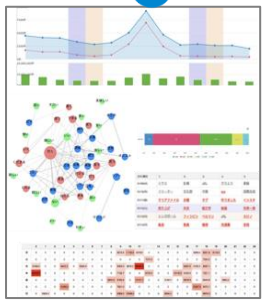
User Insight

Web Site Analysis



Social Insight

SNS Analysis

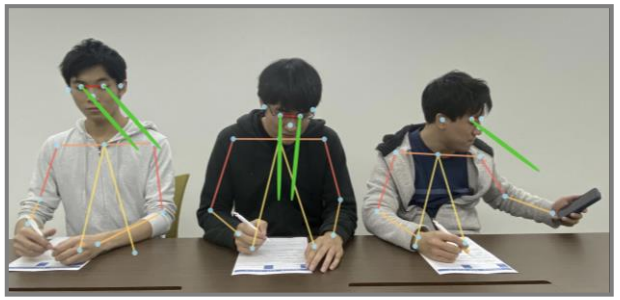


②AI DX by SaaS

SupportChatbot

③AI R&D Products

Cheating Prevention AI

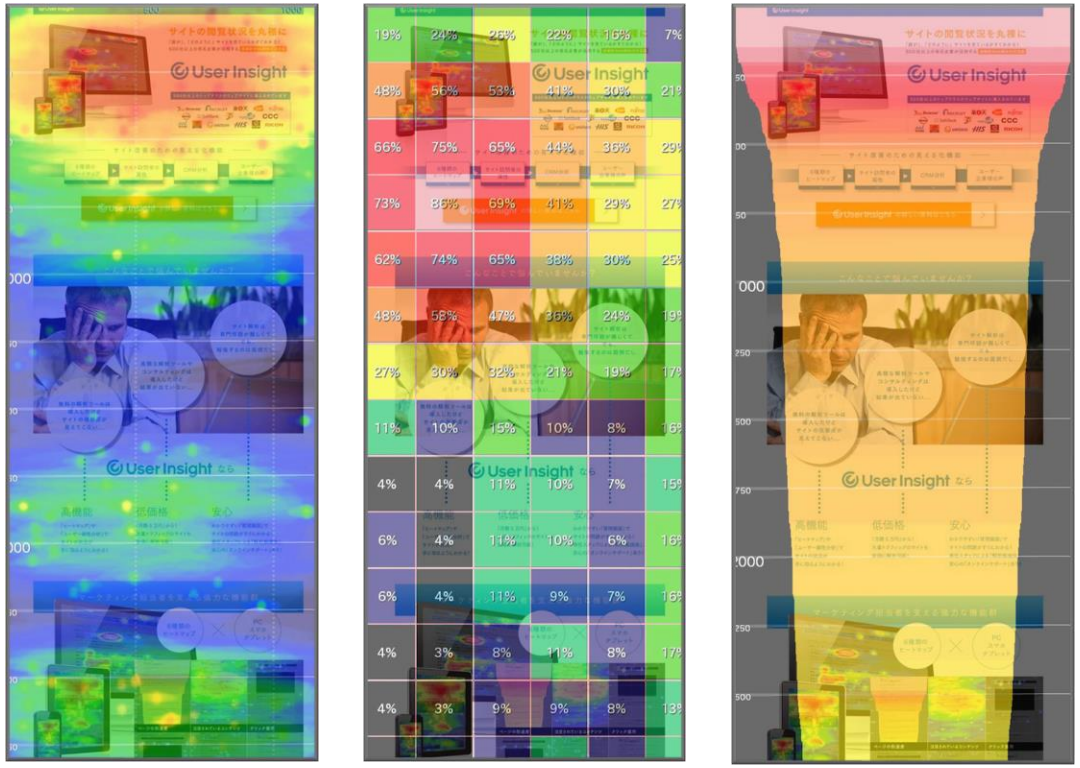


AI Text Mining

① Digital Marketing by SaaS

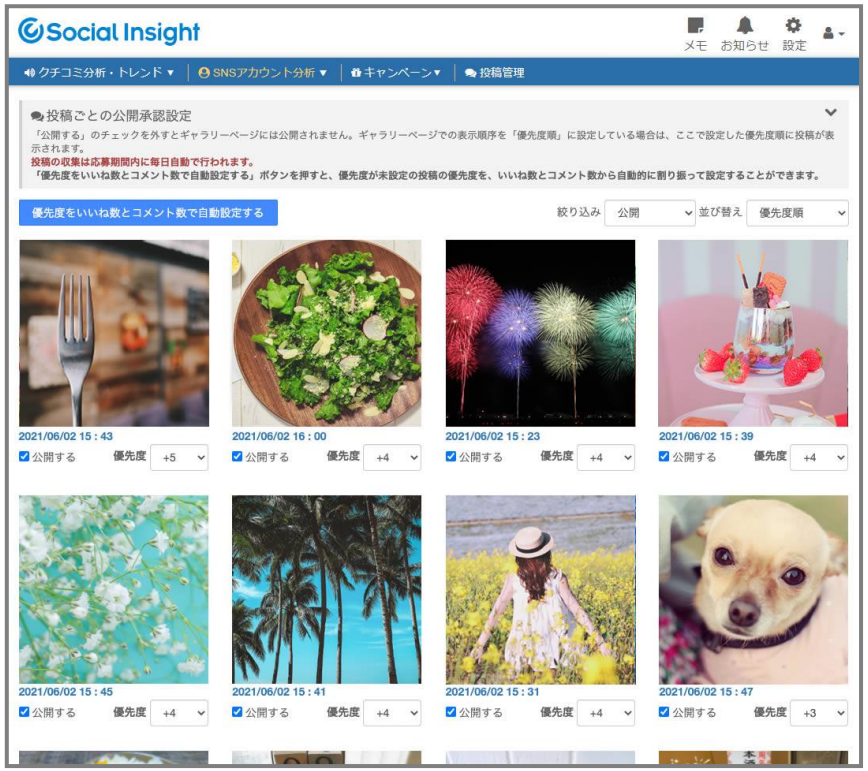
User Insight

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



Social Insight

Social analysis tools that support from SNS operation to analysis



②AI DX by SaaS　AI for the best query experience

SupportChatbot

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

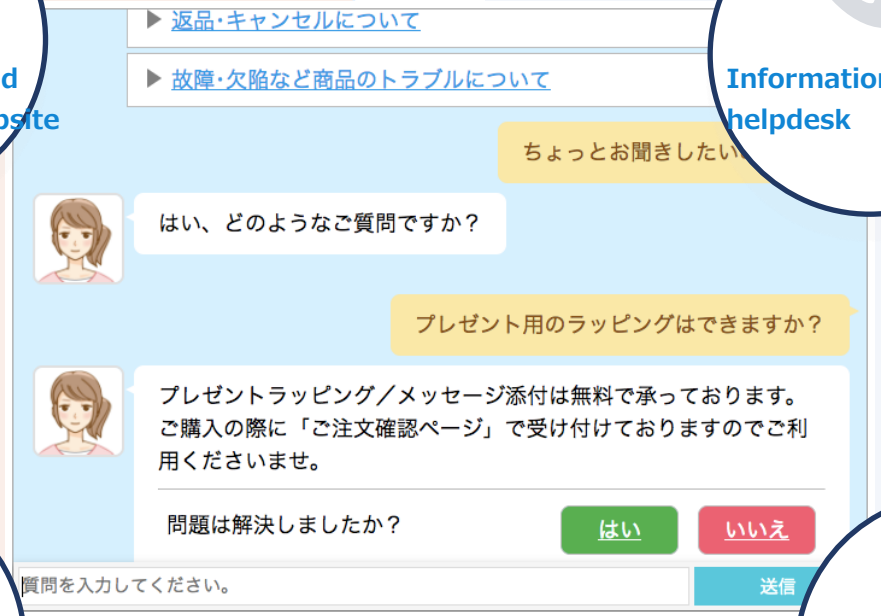
②AI DX by SaaS　Suitable for Various Industries and Operations

External Use

Responding to e-commerce and reservation website inquiries

Call center response operations

Public institution contact point responses



Internal Use

Information systems helpdesk

General affairs, personnel, and accounting operations

Sales and marketing support

②AI DX SaaS Expanding the use of Chatbot functions

Automatic answer generation function in conjunction with ChatGPT

Strengthening coordination with external communication tools

Teams　Slack　Zoom　LINE WORKS　LINE

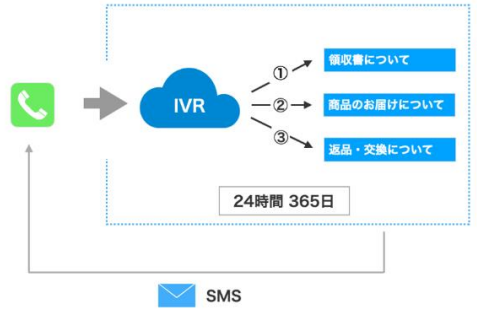
Webサイト　Kintone　Google Chat　Messenger　Chatwork

Automatic detection of personal information during chat

Support for automatic translation into over 100 languages

100以上の言語に対応

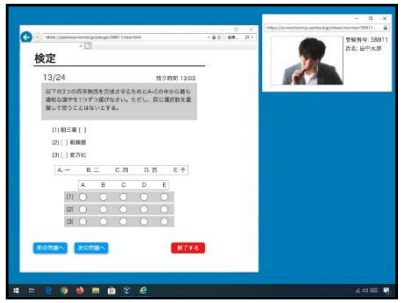
Launch of Automated Telephone Inquiry Response AI



③AI R&D Products

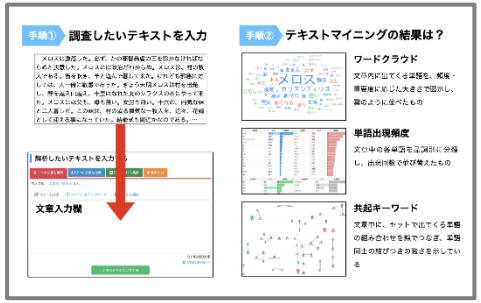
Cheating Prevention AI

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



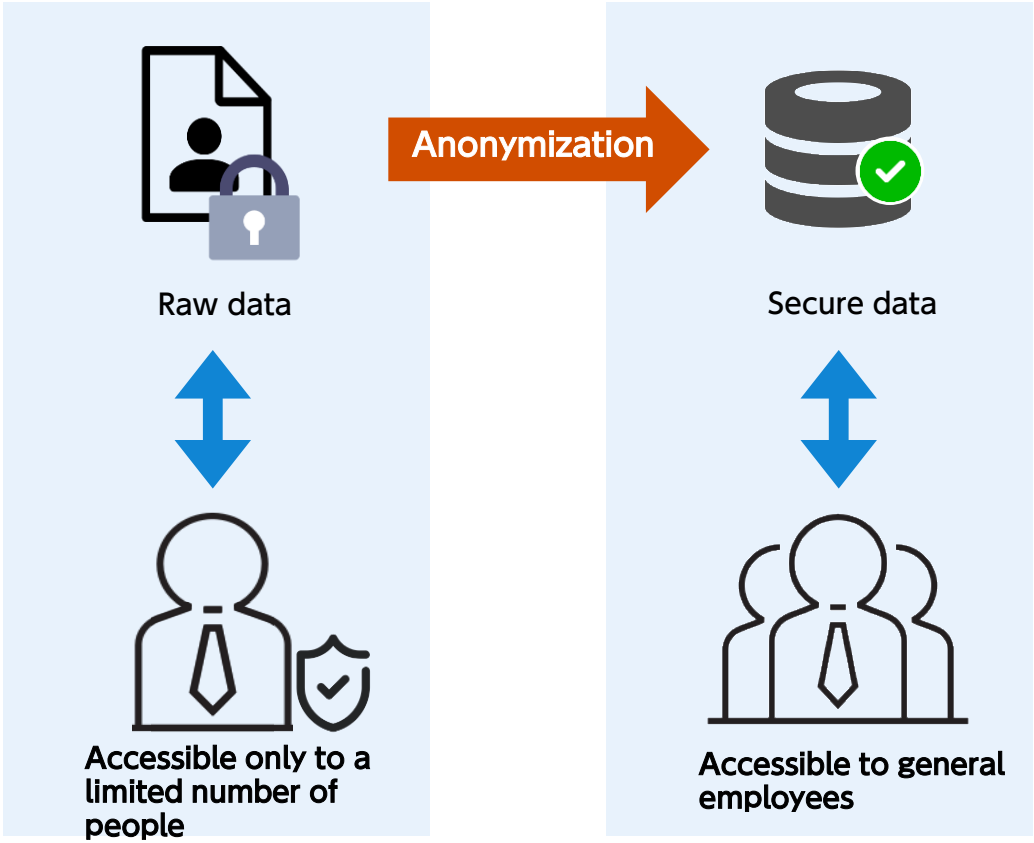
Text Mining Tool

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

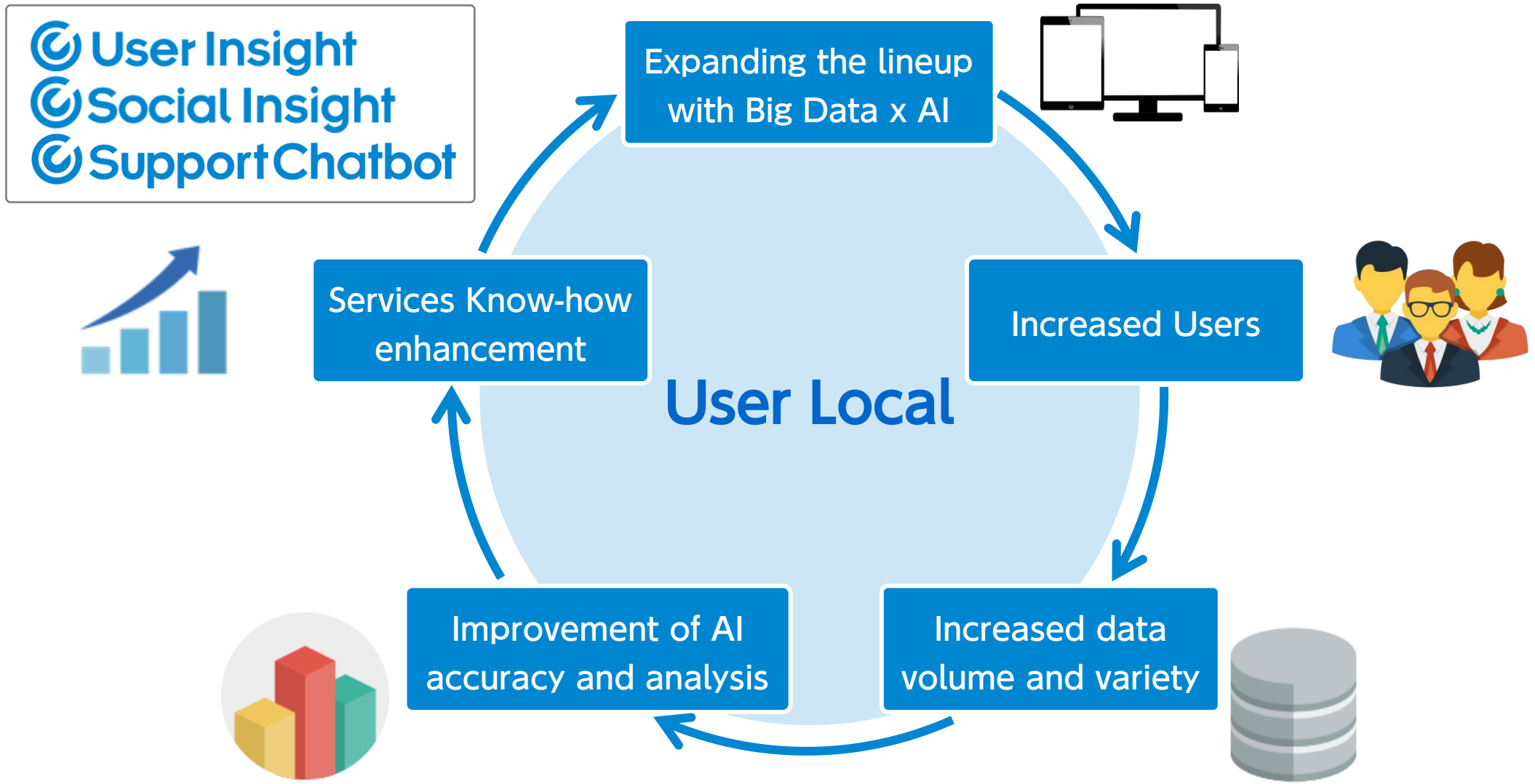


Personal Information Anonymization AI

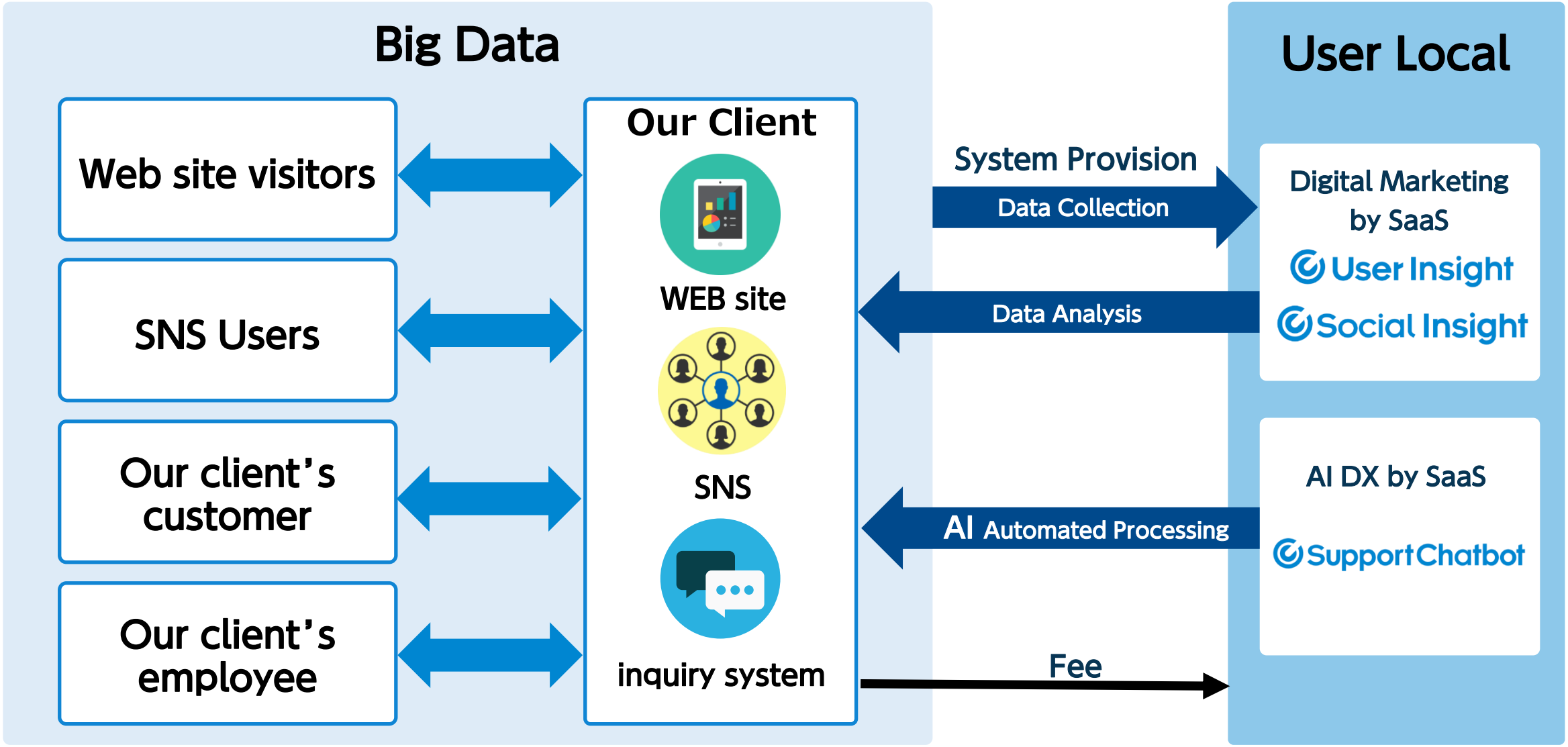
AI automatically anonymizes personal information contained in electronic documents
Secure data and promote data utilization



Virtuous cycle of algorithm Improvements



Business model for stable growth based on high profitability

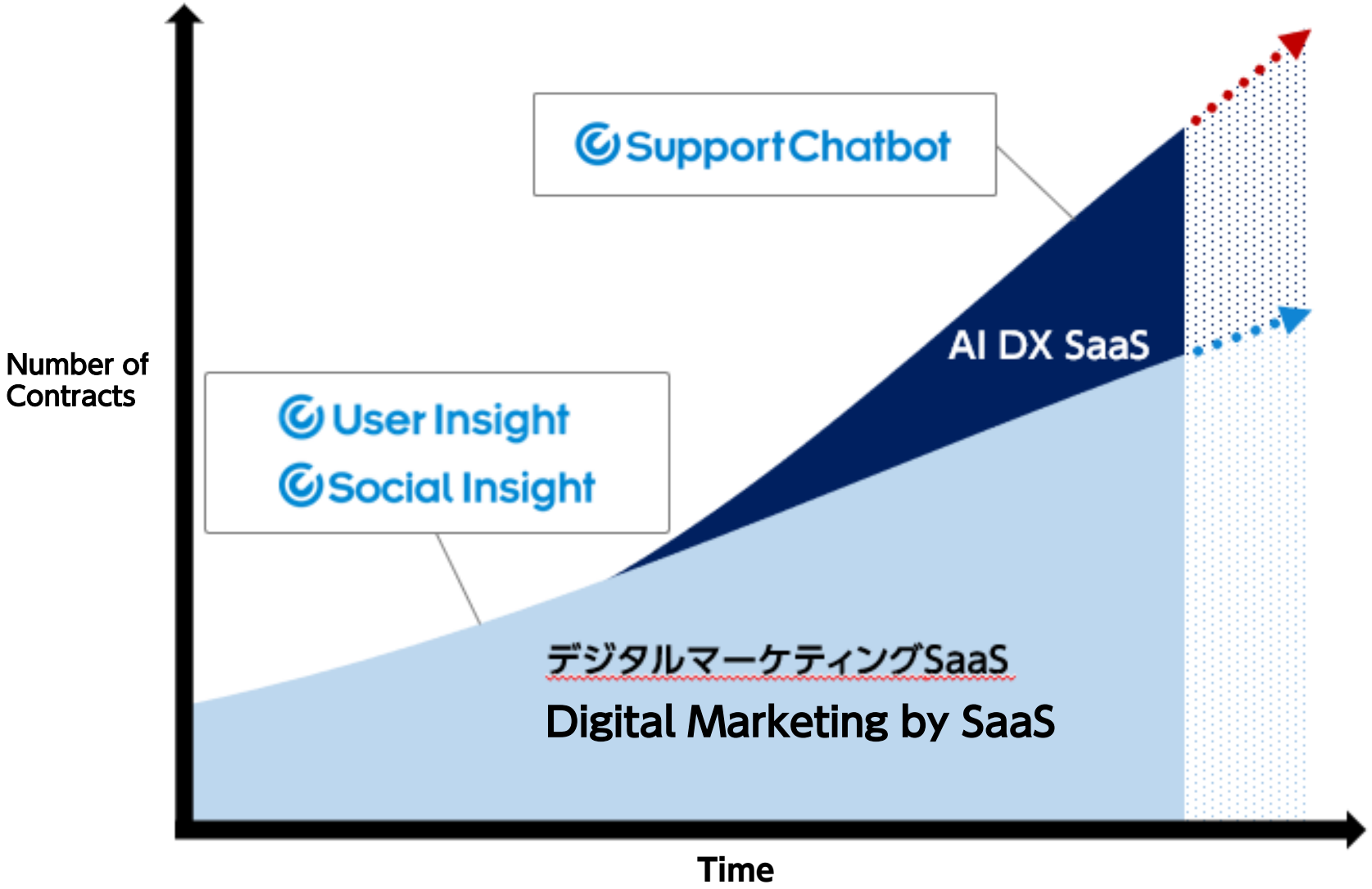


Recognized for our outstanding service and introduced to more than 3,000 companies

Government Agencies Local Governments, Universities	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 / NISSAN / FUJIFILM / SUNTORY / Wacoal / SHISEIDO
ICT Software, Information and communication, etc.	LINE / SoftBank / YAHOO! JAPAN / Rakuten / J:COM / dwango
Financial Institutions Banks, securities, etc.	JP BANK 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 / ITmedia
Others	SEVEN & I HOLDINGS / dinos / GDO / LIXIL / TOKYO GAS

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

Developing new services lead to sustainable growth



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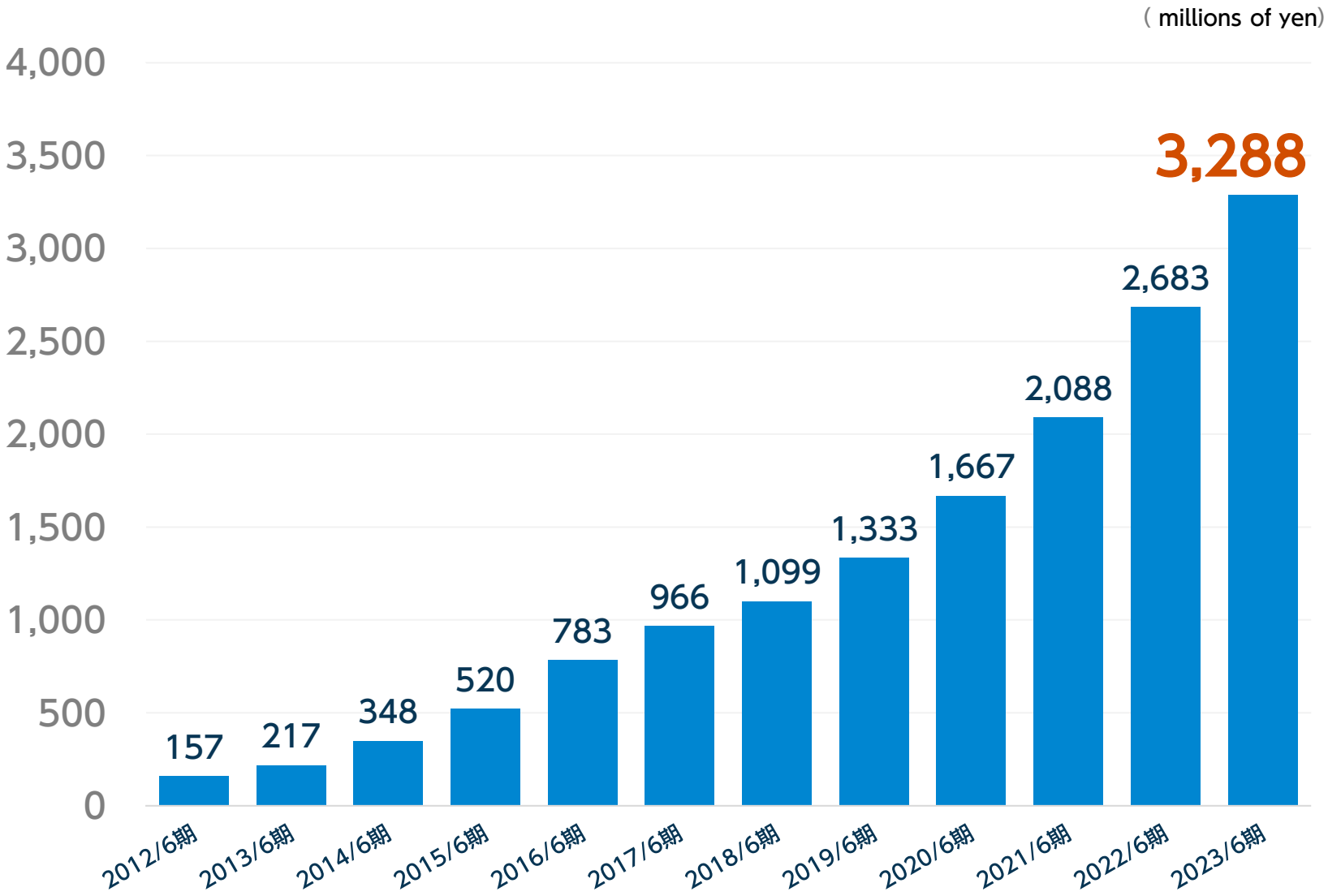
Financial Results for FY2023

Outline of Earnings Performance in FY2023

Net sales achieved 101.6%, and operating profit achieved 116.5%

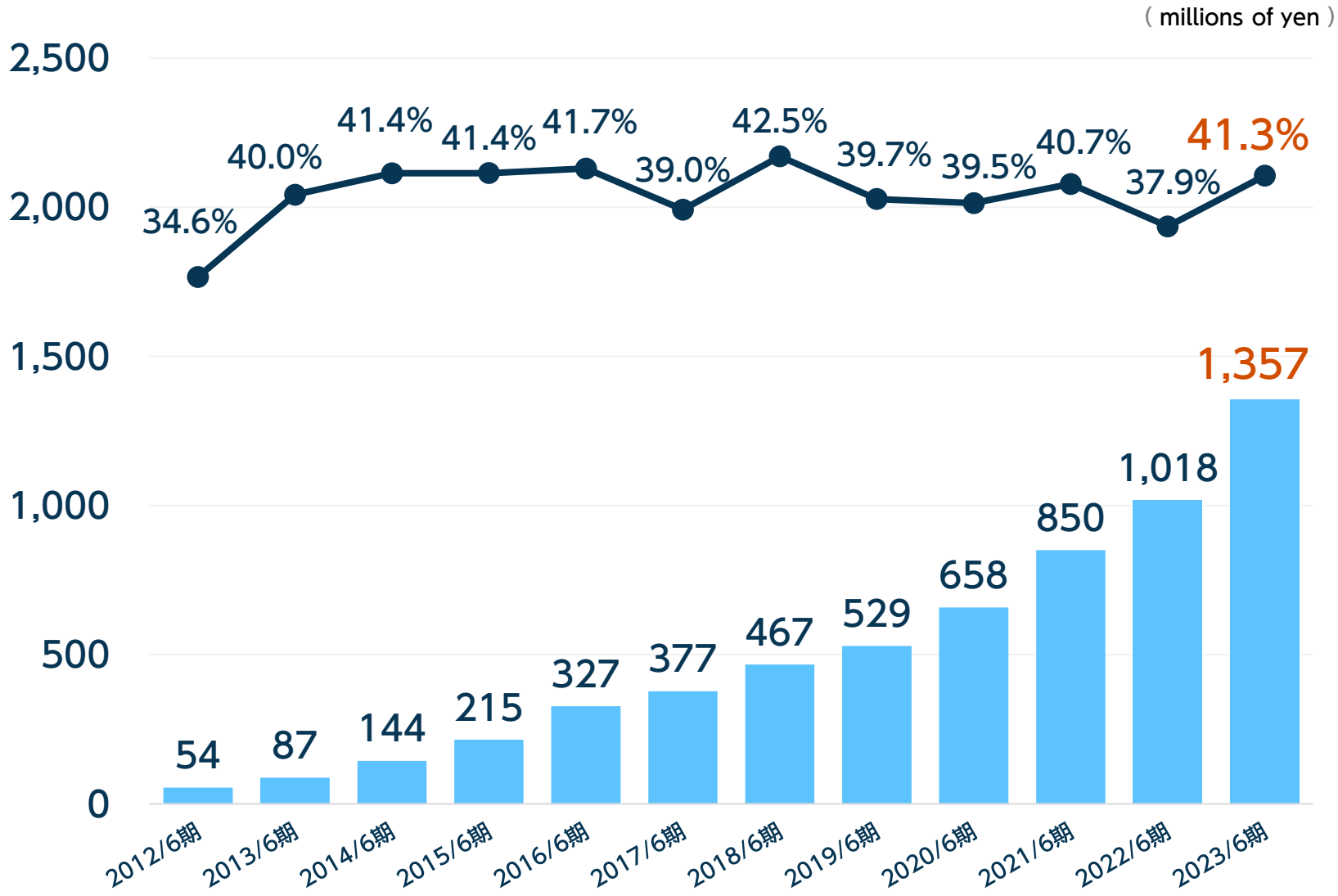
(millions of yen)	FY2023 Forecast	FY2023 Rsults	Rate of achievement
Net Sales	3,236	3,288	101.6%
Operating Profit	1,178	1,372	116.5%
Ordinary Profit	1,178	1,357	115.2%
Profit	813	954	117.4%

FY2023 Net Sales



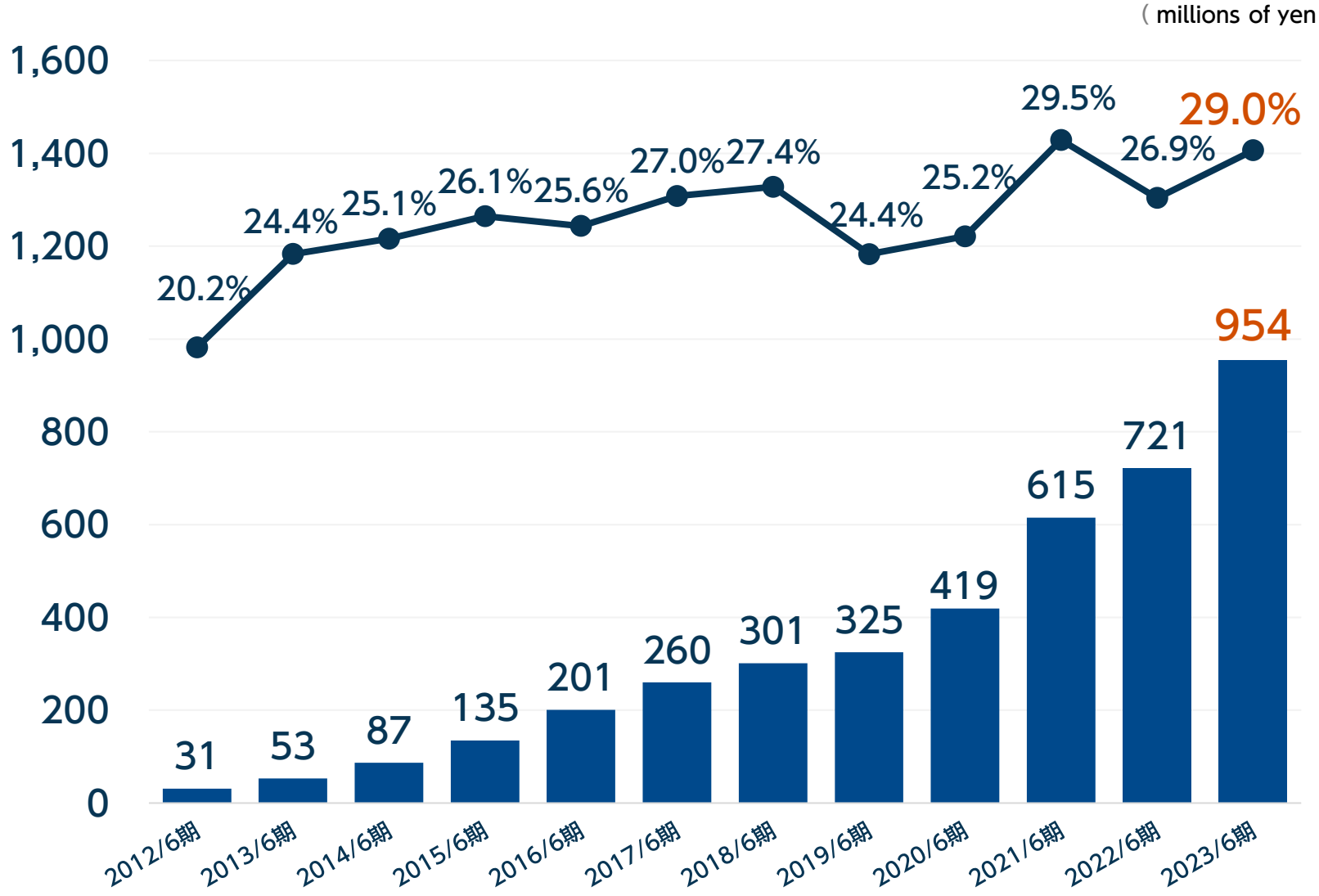
Increased **22.5%** from the previous year, reaching **a new record high**

FY2023 Ordinary Profit and Ordinary Profit Margin



Ordinary Profit
+33.3% YoY,
achieved
continuous profit growth

FY2023 Profit and Net Profit Margin



Profit +32.2% YoY, achieved continuous profit growth

4

Full-Year Forecasts for FY2024

Full-Year Forecasts for FY2024

Aggressive investment for growth, targeting **record sales ¥3,903 million**

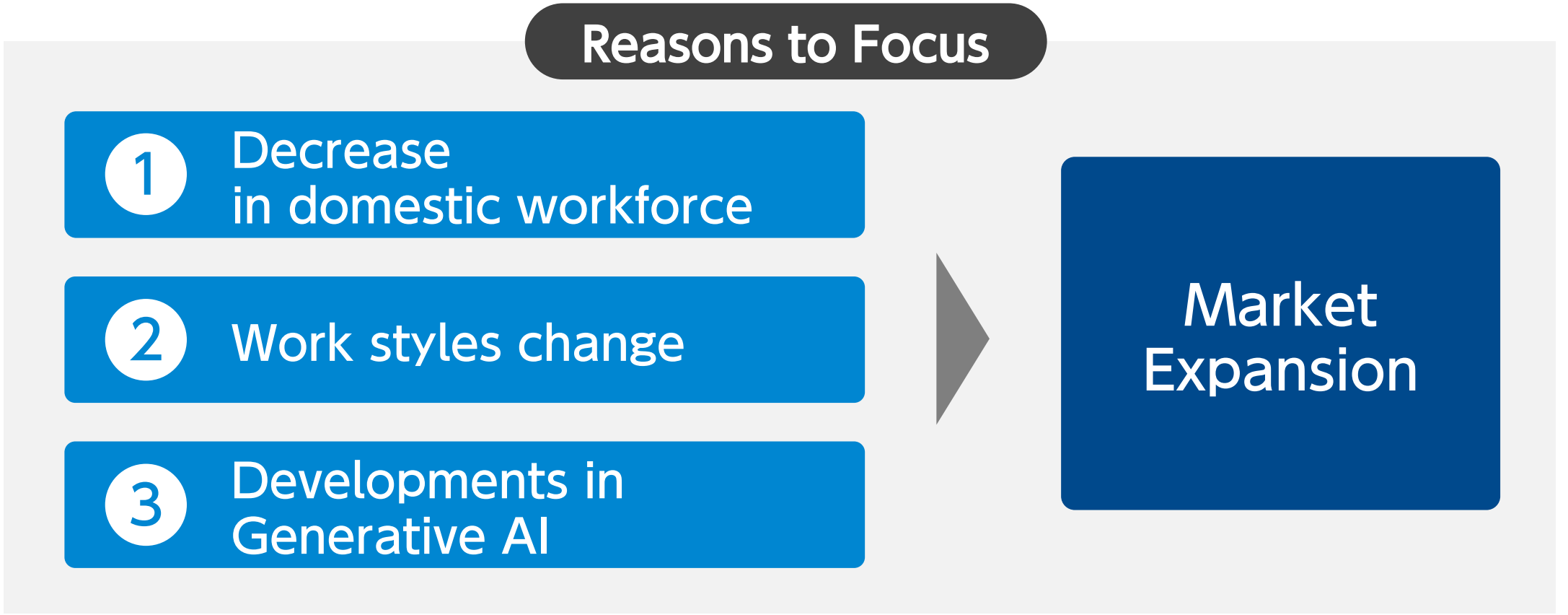
(millions of yen)	FY2023 Rsults	FY2024 Forecast	Increase /decrease	YoY change
Net Sales	3,288	3,903	+614	18.7%
Operating Profit	1,372	1,556	+184	13.4%
Ordinary Profit	1,357	1,556	+199	14.7%
Profit	954	1,074	+119	12.6%

5

Future Focus Areas

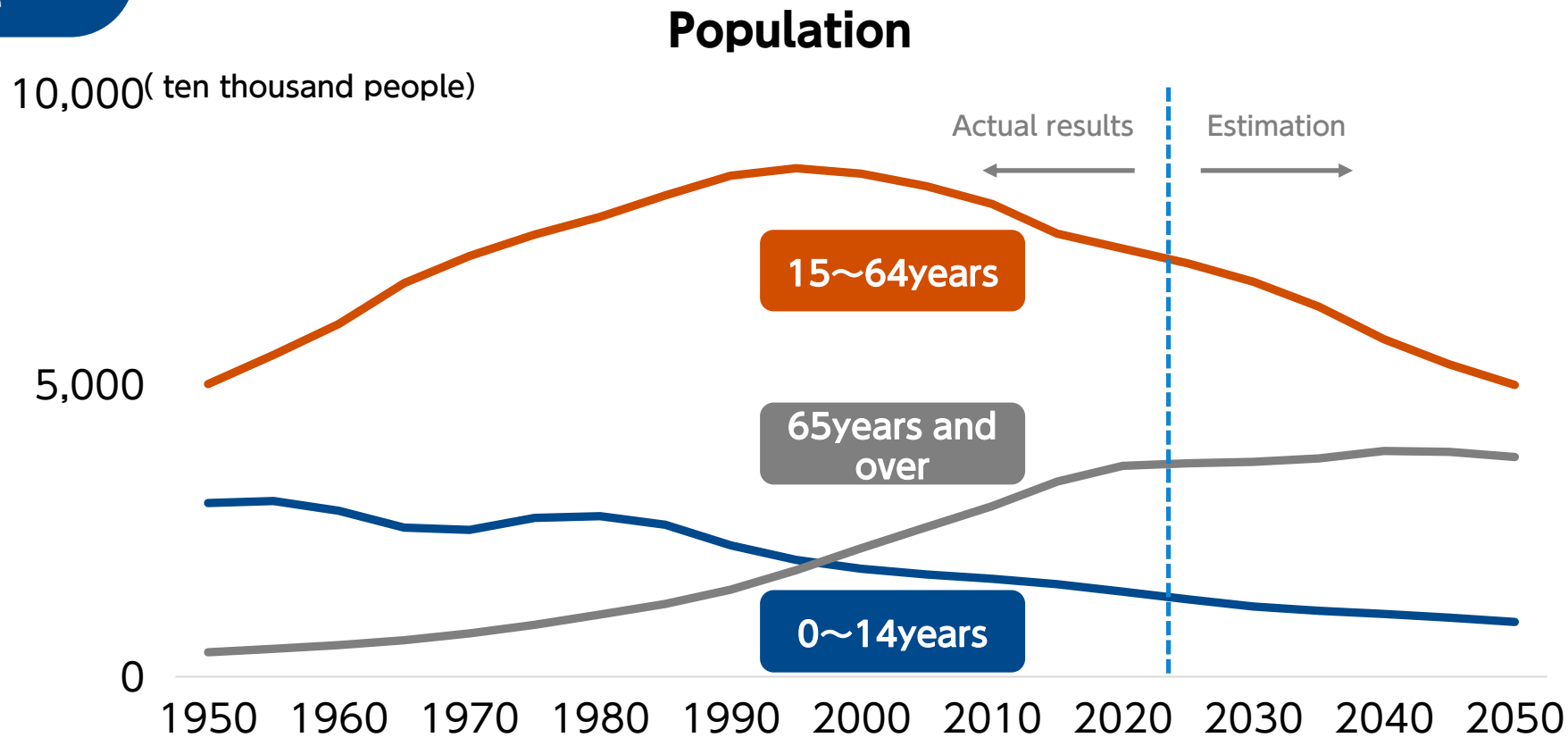
Focus Areas to Drive Global Evolution and External Environment

Proactively utilize generative AI for Digital Marketing and AI DX Product development



External Environment ① Declining domestic workforce poses serious challenges

Declining domestic workforce



出典:内閣府「令和4年版高齢社会白書」

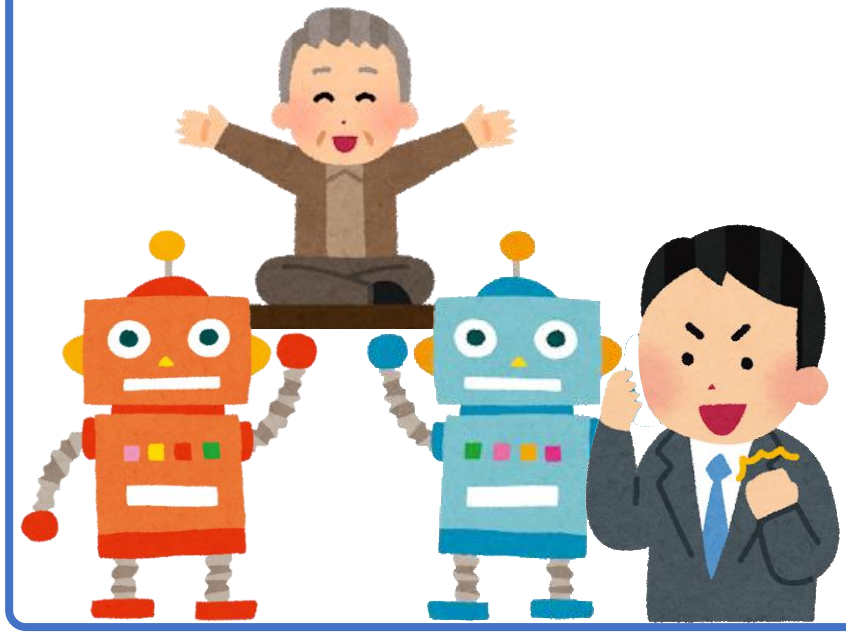
Declining absolute numbers of the working population is a social structural challenge in Japan

Response to issues related to the structure of society in Japan

Society until the 20th century

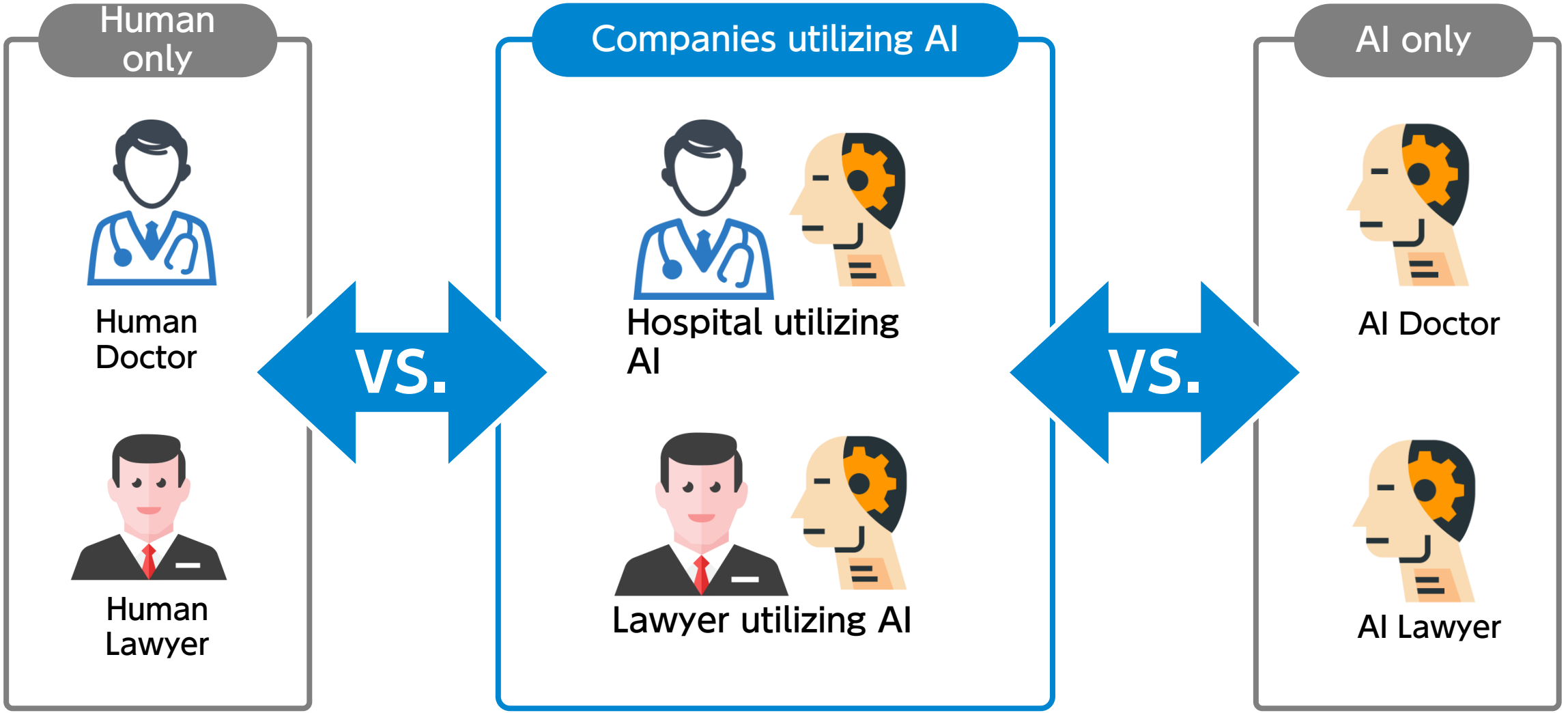
Current Status and Issues

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

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



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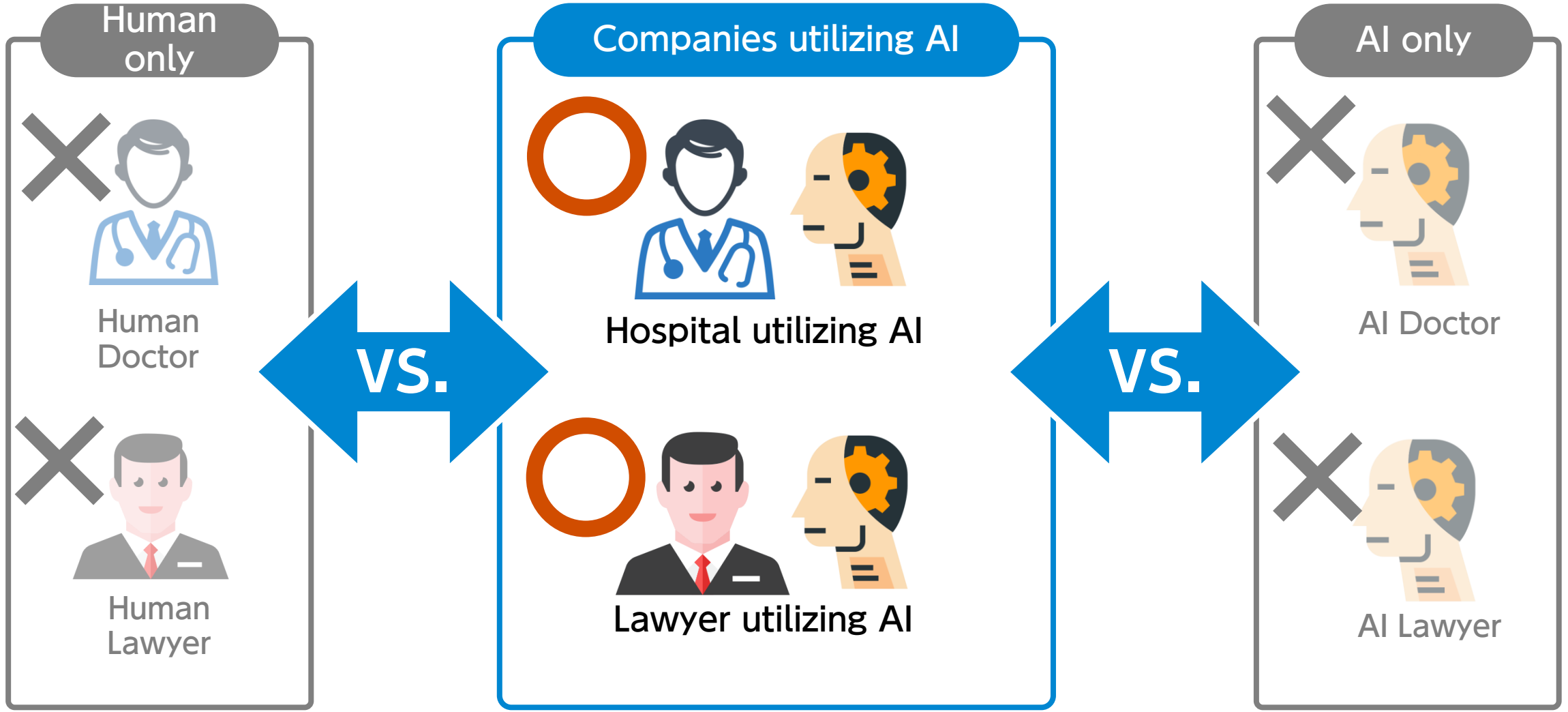
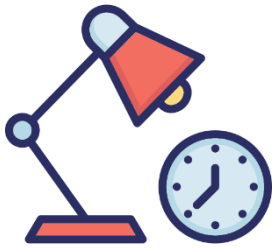


External Environment ② DX promotion through work styles change

Work styles change

Diverse work styles

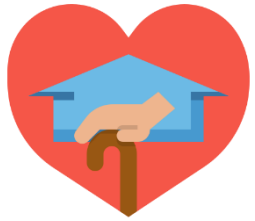
Telework



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 Developments in Generative AI and Growing needs for its Utilization

Developments in Generative AI

Text Generation AI

Automatically generates text using natural language processing technology using large amounts of data

Image Generation AI

Automatically generates illustrations, photos, and other images using deep learning technology

Generative AI

Video Generation AI

Generates video close to the image indicated by a still image, text, etc. as an extension of image generation AI

Voice Generation AI

Generates new speech by voice or text input

Expanding utilization in many areas

- Automatic generation of advertising text, blog posts, news articles, etc.
- Automatic generation of draft answers to FAQs
- Generation of illustrations, designs, videos, music, and other content
- Automatic answering for voice assistants and voice call services

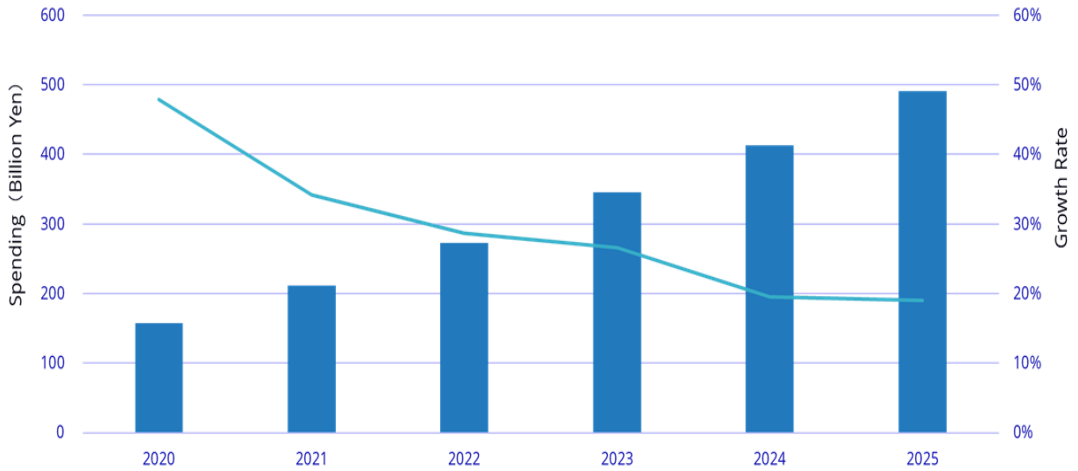
User Local is developing tools that are easy for anyone to utilize, combined with proprietary AI.

External Environment 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)

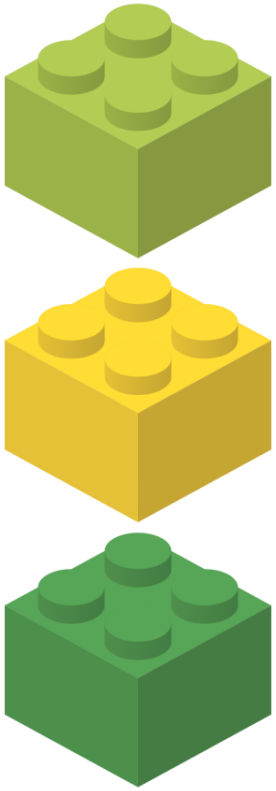
【DX domestic market research】

Exceeding 5 trillion yen by FY2030 (100 millions yen)

DX domestic market (Investment amount)	2020	Forecast for 2030	Compared to 2020
Manufacturing	1,620	5,450	3.4 times
Distribution/Retail	441	2,455	5.6 times
Finance	1,887	6,211	3.3 times
Medical / long-term care	731	2,115	2.9 times
Transportation	2,780	12,740	4.6 times
Real estate	220	970	4.4 times
Municipality	409	4,900	12.0 times
Social Infrastructure/Construction/Other industries	499	2,078	4.2 times
Sales / marketing	1,564	4,500	2.9 times
Customer service	410	802	1.9 times
Communication	760	2,290	3.0 times
Strategy/Foundation	2,500	7,446	3.0 times
Total	13,821	51,957	3.8 times

Create Products from New Combinations of Individual AI Algorithms

Individual AI algorithms



Generative AI

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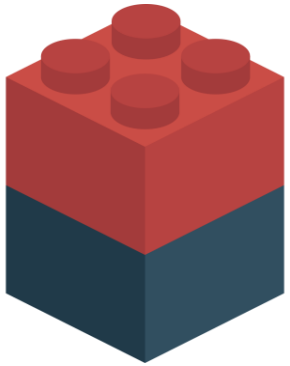
Existing product line-up



Big data and processing Infrastructure already held

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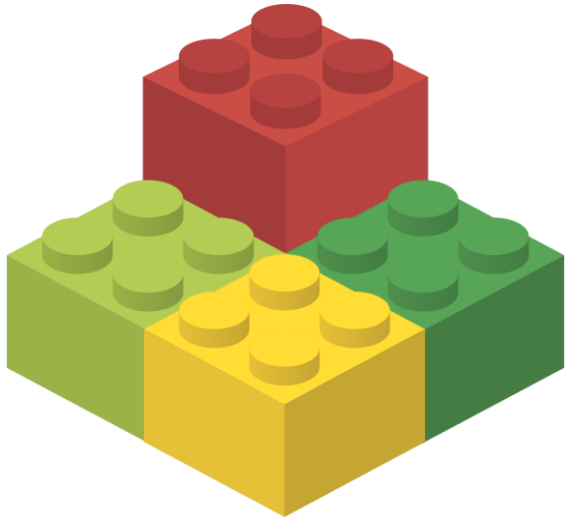
More sophisticated versions of existing products

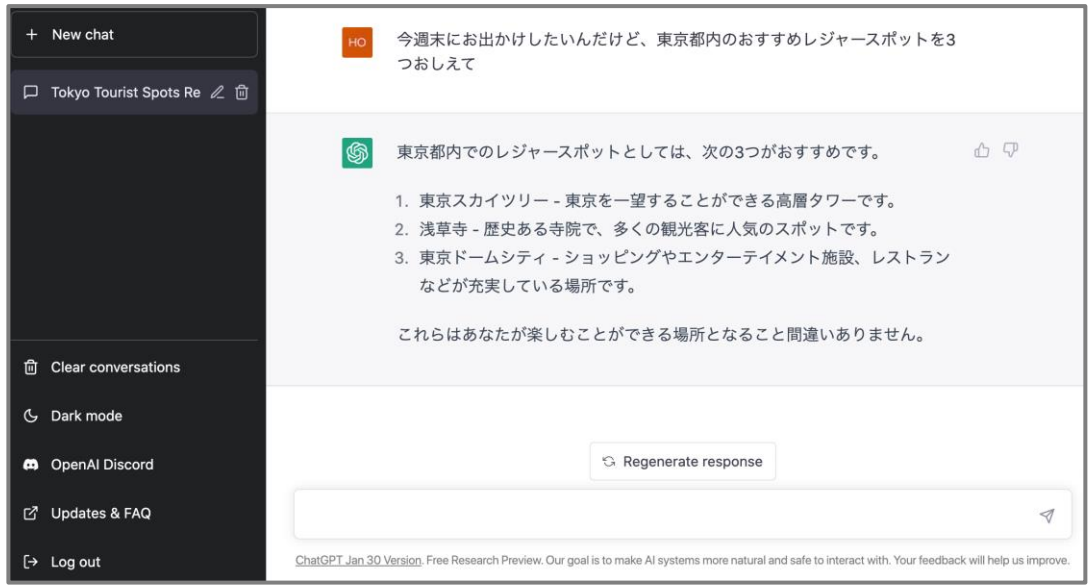


New AI services

Incorporating Text generation AI 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

Incorporating Generative AI into our products

Incorporating generative AI makes existing products more convenient and easier to use.

User Insight

Just enter keywords, generates articles, taking into account related words and information on top search pages

Social Insight

Generates catch copy and text from entered keywords to support SNS operations

SupportChatbot

Automatically generates draft answers to Q&A questions, reducing the time required to prepare answers by more than half

Development of「UserLocal ChatAI (powered by GPT-4)」

Development of Generative AI platform for enterprises「UserLocal ChatAI (powered by GPT-4)」

UserLocal ChatAI (powered by GPT-4)　URL : https://chat-ai.userlocal.jp/

Function of Service

1. **Prevent leakage of confidential data and protect privacy**

Alerts users when confidential information or NG words are included in the message they input, and allows them to use ChatGPT after filtering out important information.

2. **Enable to ask questions via chat from the contents of in-house documents**

By registering internal documents such as PDFs and Word documents, you can ask questions about the contents of these documents in a chat format.

3. **Enable to ask In-house proprietary FAQs on the same screen**

Questions such as company rules and attendance that are difficult to answer in ChatGPT, can be looked up on the same screen.

4. **Visualize keywords by text mining input content**

Visualize at a glance what users of the tool are having trouble with and what they want to know by text mining the contents of FAQs using proprietary natural language processing technology.

Introduction of UserLocal ChatAI

Oricon Inc.

Comments from the person in charge of introduction

We introduced UserLocal ChatAI that allow us to use GPT4 safely as part of our DX (Digital Transformation) promotion. We expect that the use of generative AI technology in each service of Oricon group will lead to more sophisticated data analysis, improved productivity, and the development of a new menu of solutions.

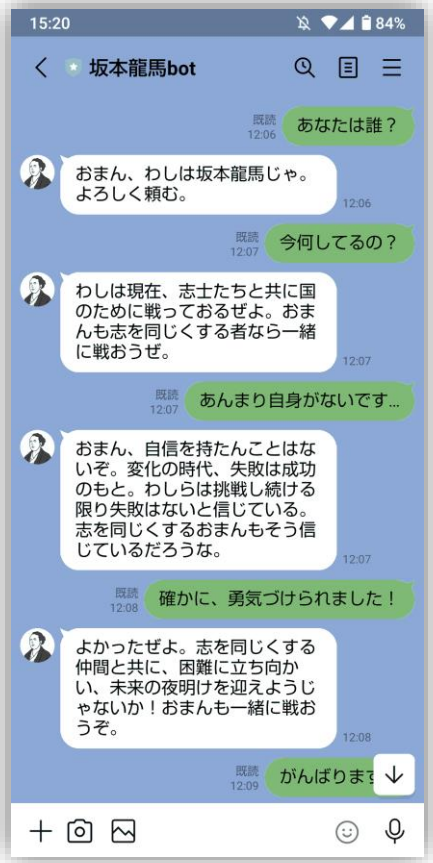
FM RADIO NIIGATA

Comments from the person in charge of introduction

UserLocal ChatAI allows in-house use of ChatGPT after filtering out important information, and since all data is encrypted, you can use it with peace of mind. The system is also easy to use within the company because it keeps a history of internal users' usage, so it is possible to visualize how the system is being used and to share knowledge on how to use it well.

Started providing free of charge of Generative AI「LINE Bot Maker」

Started with「LINE Bot Maker」that allows you to create ChatGPT-powered LINE bots easily



UserLocal LINE Bot Maker URL：https://gpt-bot.userlocal.jp/

Started providing free of charge of Long-text articles Generative AI「UserLocal AI Writer」

Easy creation of articles you want to write by linking proprietary AI and ChatGPT

Keyword Select

Enter a few words that come to mind, and the proprietary AI, which also supports current terminology, quickly lists related keywords.

Select the title

AI suggests multiple title suggestions based on the selected keywords.
The user selects the title of the article that most closely resembles the image.

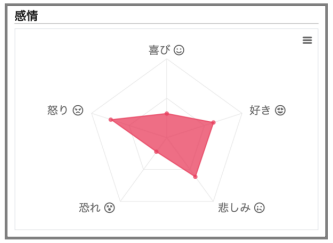
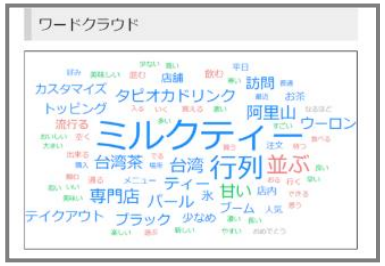
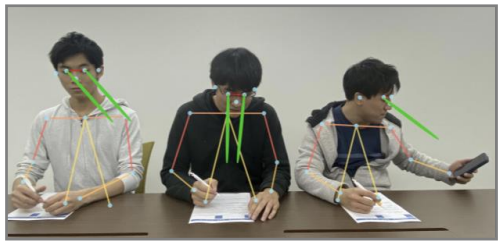
Text Structure Editing

The text structure drafts of automatic generation using ChatGPT's GPT-4 algorithm can be edited on the screen to customize the content to your liking.

Article Generation by AI

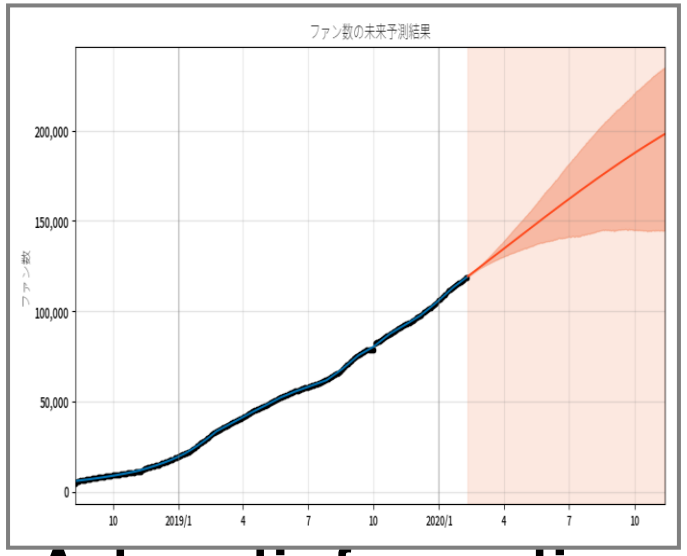
UserLocal AI Writer URL : https://ai-writer.userlocal.jp/

In-house development of AI algorithms

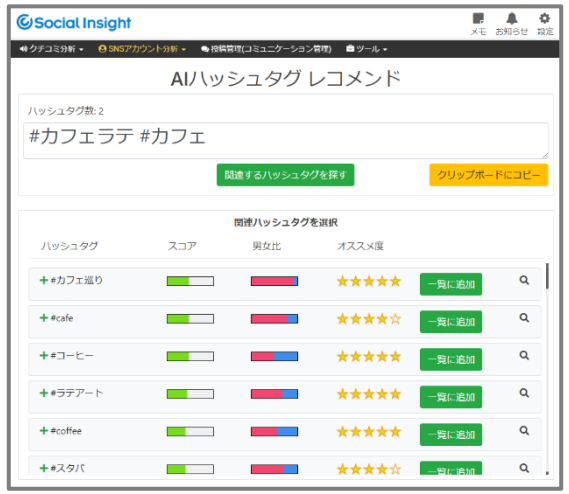
	Module	Products
Natural Language Processing	Personal Information Processing AI Automatic text summarization AI Recognition of emotions on text AI 	AI Text Mining Personal Information Masking AI Tool 
Image Processing	Handwritten Character Recognition AI Estimation from facial expressions AI Face recognition AI Posture estimation AI Line of sight estimatio AI 	Handwritten OCR tools Cheating Prevention AI 

Application of AI algorithms to existing services

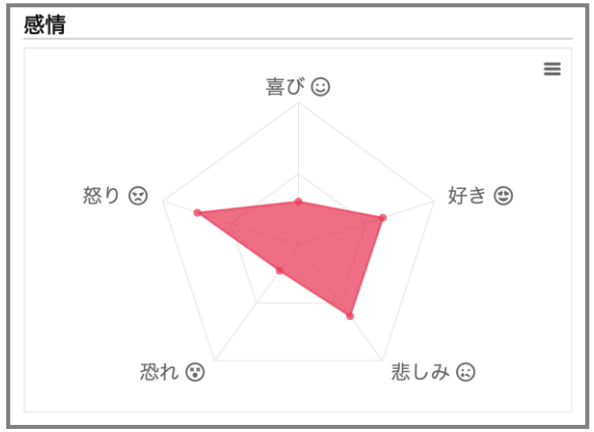
Strengthening User Insight and Social Insight analysis capabilities to be widely used as an automated marketing tool



Automatic forecasting of future growth in page views and fan numbers



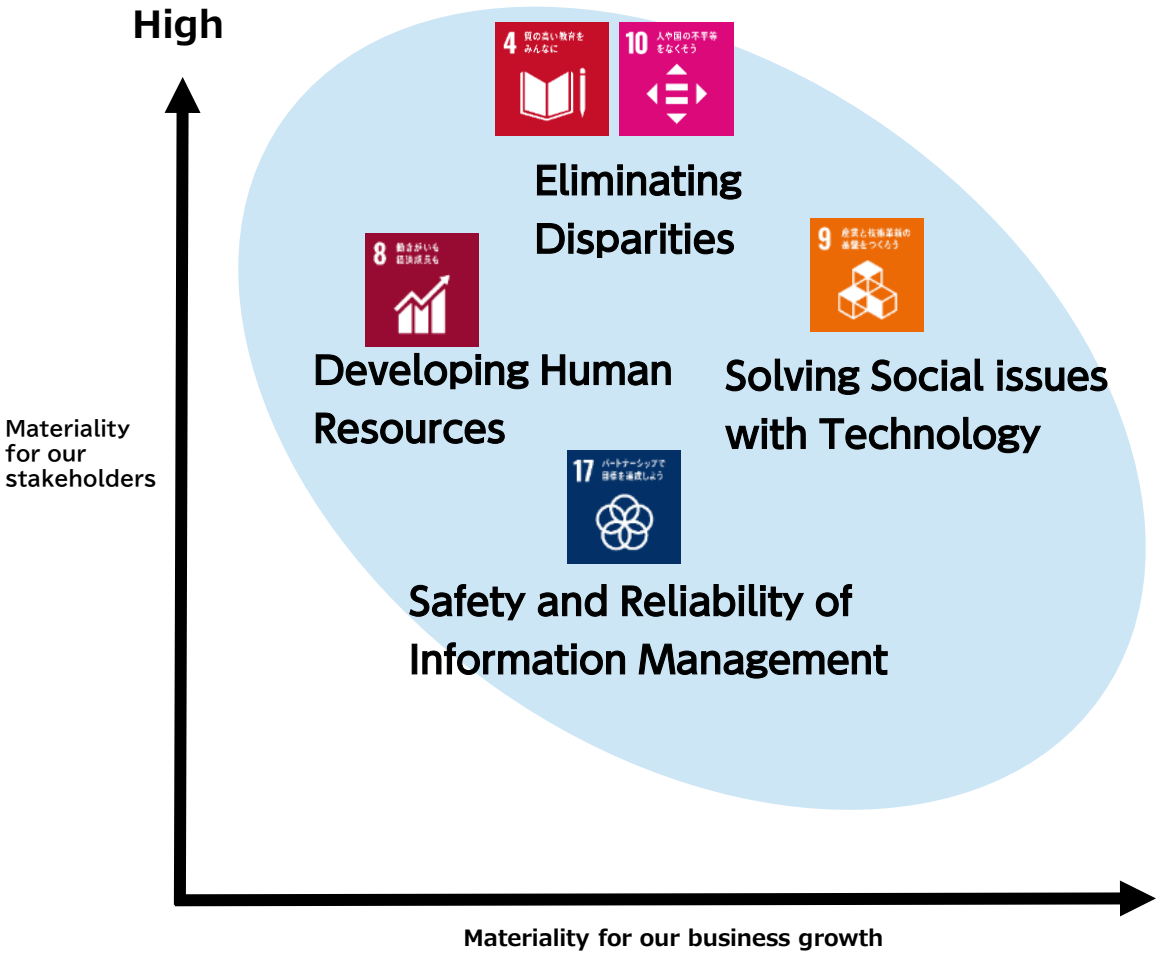
Optimization of content based on hashtag recommendations



Application of emotional recognition based on deep learning to text mining

Commitment to Sustainability

Four Materialities and Specific Initiatives



Eliminating Disparities

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

Developing Human Resources

- Lecture activities in the Universities
- AI training for students
- AI education for students in the high school textbook ”Information I.“

Solving Social issues with Technology

- Provide high-quality, easy-to-introduce services through SaaS business
- Promoting DX in school education by providing Cheating Prevention AI

Safety and Reliability of Information Management

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

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.

User Local