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February 7, 2024

Summary of Financial Results for the Six Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: User Local, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3984
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 Scheduled date to file quarterly report: February 7, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts, for individual investors)

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

1. Financial results for the first six months of the fiscal year ended June 31, 2024 (from July 1, 2023 to December 31, 2023)

(1) Operating results

(% indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
December 31, 2023	1,876	19.5	857	28.1	857	29.4	593	29.4
December 31, 2022	1,569	24.3	669	17.6	662	16.9	458	17.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
December 31, 2023	37.06	36.85
December 31, 2022	28.65	28.43

(2) Financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	7,738	6,905	89.2
June 30, 2023	7,211	6,340	87.9

Reference: Equity

As of December 31, 2023: ¥6,905 million
 As of June 30, 2023: ¥6,340 million

2. Cash dividends

	Annual dividends per share				Total
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	
Fiscal year ended 30 June, 2023	Yen —	Yen 0.00	Yen —	Yen 4.00	Yen 4.00
Fiscal year ended 30 June, 2024	—	0.00			
Fiscal year ended 30 June, 2024 (Forecast)	—	0.00	—	8.00	8.00

(Note) Revisions to dividend forecasts published most recently.: Yes

Regarding the revisions to dividend forecast, please refer to the announcement “Notice regarding Revisions to Dividend Forecast “released today (February 7 2024).

3. Earnings Forecast for the Fiscal Year Ended 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	67.01

(Note) Revisions to dividend forecasts published most recently. : None

* Notes

(1) Application of special accounting methods for preparing quarterly financial statements: None

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2023	16,160,700 shares
As of June 30, 2023	16,115,600 shares

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

As of December 31, 2023	131,125 shares
As of June 30, 2023	144,125 shares

(iii) Average number of shares outstanding during the period

For the six months ended December 31, 2023	16,011,251 shares
For the six months ended December 31, 2022	16,007,022 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.

Table of Contents

1. Qualitative information regarding results for the period	4
(1) Explanation of operating results	4
(2) Explanation of financial position	4
(3) Explanation of earnings forecasts and other forward-looking information	5
2. Financial statements and significant notes thereto	6
(1) Balance sheet	6
(2) Statement of income	7
(3) Statement of cash flows	8
(4) Notes to financial statements	9
Notes on assumption of going concern	9
Notes on significant changes in the amount of shareholders' equity	9

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 growing worldwide interest in the impact of AI on society and the promotion of the Digital Transformation have been continuously recognized by society. 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. We will continue to focus on building a stable core system and training data scientists to further improve the quality of our services. Especially on the new development of AI services, we have actively promoted product development for the linking interactive generative AI such as Chat GPT with our services.

In sales activities, we 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 first six months of the fiscal year under review, net sales were ¥1,876,176 thousand (up 19.5% year on year), operating profit was ¥857,397 thousand (up 28.1% year on year), ordinary profit was ¥857,458 thousand (up 29.4% year on year) and profit was ¥593,337 thousand (up 29.4% year on year).

(2) Explanation of financial position

Assets, liabilities and net assets

(Assets)

Assets at the end of the first six months of the fiscal year under review were ¥7,738,693 thousand, an increase of ¥526,948 thousand from the end of the previous fiscal year. The main factors were increases of ¥589,554 thousand in cash and deposits and decrease of ¥45,329 thousand in prepaid expenses.

(Liabilities)

Liabilities at the end of the first six months of the fiscal year under review were ¥832,889 thousand, a decrease of ¥38,623 thousand from the end of the previous fiscal year. The main factors were increases of ¥92,149 thousand in income tax payable and decrease of ¥48,037 thousand in advances received and ¥21,481 thousand in Accounts payable.

(Net assets)

Total net assets at the end of the first six months of the fiscal year under review were ¥6,905,804 thousand, an increase of ¥565,571 thousand from the end of the previous fiscal year. The main factors were increases of ¥529,452 thousand in retained earnings.

Cash flows

Cash and cash equivalents increased by ¥589,554 thousand year on year to ¥6,956,411 thousand in the first six months of 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 ¥644,250 thousand (¥520,371 thousand in net cash provided of the previous fiscal year). This was mainly due to profit before income taxes of ¥857,458 thousand, payment of ¥193,560 thousand in income taxes payable, record of share-based payment expenses of ¥69,529 thousand, decreases of ¥48,037 thousand in advances received and increases of ¥26,332 thousand in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4,464 thousand (¥14,399 thousand in net cash used of the previous fiscal year). This was mainly due to ¥4,464 thousand in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥50,231 thousand (¥337,778 thousand in net cash used of the previous fiscal year). This was mainly due to dividends payment of ¥63,704 thousand.

(3) Explanation of earnings forecasts and other forward-looking information

There are no changes to the earnings forecasts for the fiscal year ended June 30, 2024 announced on August 9, 2023 in the “Summary of the Financial Results for the Fiscal Year Ended June 30, 2023”. These forecasts are based on information available as of the date of publication of this document. Actual results may differ from these forecasts due to various factors.

2. Financial statements and significant notes thereto

(1) Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	6,366,856	6,956,411
Accounts receivable - trade	205,585	231,918
Prepaid expenses	208,914	163,585
Other	30,983	-
Allowance for doubtful accounts	△2,098	△2,345
Total current assets	6,810,242	7,349,569
Non-current assets		
Property, plant and equipment	50,318	43,336
Investments and other assets	351,184	345,787
Total non-current assets	401,502	389,124
Total assets	7,211,745	7,738,693
Liabilities		
Current liabilities		
Accounts payable - other	124,757	103,276
Income taxes payable	215,664	307,813
Advances received	379,407	331,370
Other	151,682	90,428
Total current liabilities	871,512	832,889
Total liabilities	871,512	832,889
Net assets		
Shareholders' equity		
Share capital	1,198,588	1,205,324
Capital surplus	1,278,440	1,290,306
Retained earnings	4,057,406	4,586,858
Treasury shares	△194,202	△176,685
Total shareholders' equity	6,340,233	6,905,804
Total net assets	6,340,233	6,905,804
Total liabilities and net assets	7,211,745	7,738,693

(2) Statement of income

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	1,569,435	1,876,176
Cost of sales	113,309	158,163
Gross profit	1,456,126	1,718,013
Selling, general and administrative expenses	786,855	860,615
Operating profit	669,270	857,397
Non-operating income		
Interest income	48	59
Other	0	1
Total non-operating income	48	60
Non-operating expenses		
Share-based payment expenses	5,753	-
Other	904	-
Total non-operating expenses	6,657	-
Ordinary profit	662,661	857,458
Profit before income taxes	662,661	857,458
Income taxes - current	221,053	286,875
Income taxes - deferred	△16,937	△22,755
Total income taxes	204,115	264,120
Profit	458,545	593,337

(3) Statement of cash flows

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	662,661	857,458
Depreciation	11,637	11,446
Increase (decrease) in allowance for doubtful accounts	△116	247
Interest income	△48	△59
Share-based payment expenses	90,513	69,529
Decrease (increase) in trade receivables	△20,270	△26,332
Increase (decrease) in advances received	△27,596	△48,037
Increase (decrease) in accounts payable - other	△27,405	△21,481
Increase (decrease) in accrued consumption taxes	△2,514	△22,614
Other, net	26,617	17,596
Subtotal	713,477	837,751
Interest received	48	59
Income taxes paid	△193,154	△193,560
Net cash provided by (used in) operating activities	520,371	644,250
Cash flows from investing activities		
Purchase of property, plant and equipment	△14,399	△4,464
Net cash provided by (used in) investing activities	△14,399	△4,464
Cash flows from financing activities		
Proceeds from issuance of share acquisition rights	10,040	13,473
Purchase of treasury shares	△144,577	-
increase (decrease) in deposits for purchase of treasury shares	△155,422	-
Dividends paid	△47,819	△63,704
Net cash provided by (used in) financing activities	△337,778	△50,231
Net increase (decrease) in cash and cash equivalents	168,192	589,554
Cash and cash equivalents at beginning of period	5,319,663	6,366,856
Cash and cash equivalents at end of period	5,487,856	6,956,411

(4) Notes to financial statements
(Notes on assumption of going concern)
Not applicable.

(Notes on significant changes in the amount of shareholders' equity)
Not applicable.