

Financial Results Briefing Materials For FY2024 Q2

February 7, 2024

User Local, Inc. (TSE Code: 3984, TSE Prime Market)

<https://www.userlocal.jp/>



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1

Business Highlights

Executive-Summary FY2024 Q2

Both net sales and each profit reached record highs for Q2

The need to promote Digital Transformation (DX) remained high, and our main services performed well, the company achieved record-high Q2 results with increased sales and profit.

2Q Cumulative

Net Sales	Operating Profits	EBITDA	Profits
¥1,876 million	¥857 million	¥868 million	¥593 million
(+19.5% YoY)	(+28.1% YoY)	(+27.6% YoY)	(+29.4% YoY)

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

In addition to "ChatGPT" implemented in our existing product, Started provision of "UserLocal ChatAI (powered by GPT-4)" etc.

Revisions to dividend forecast upward for FY2024 to 8.00 yen per share

Considering business performance and financial position up to 2Q, the company decided to revise the year-end dividend forecast for the current fiscal year to 8.00 yen per share from 5.00 yen per share.

Released new products that utilizes generative AI

UserLocal ChatAI



Platform for easy and safe use of generative AI and answers to company's own internal documents

UserLocal Slides GenAI



AI automatically generates presentation materials by simply selecting presentation objectives and editing text

UserLocal Proofreading AI



AI suggests correction of easily mistaken Kanji characters, correction of difficult-to-understand expressions, etc.,

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

2

Company Profile · Business

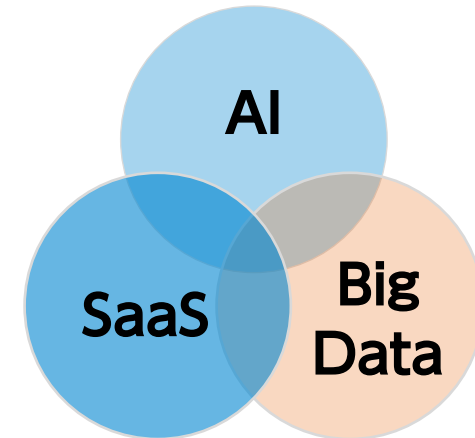
About Company

Management philosophy

Driving global evolution by combining Big data and AI

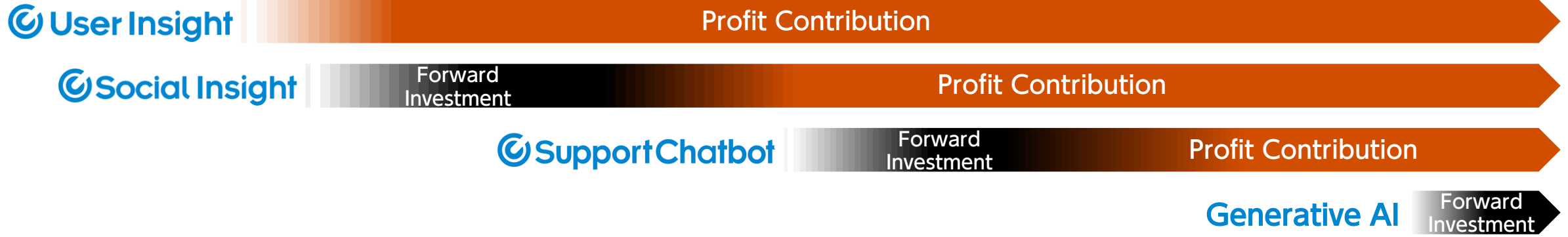
Solving social and corporate issues with data analysis and AI technologies Aiming for a society where everyone can benefit from automation and efficiency

Name	User Local, Inc.
Business	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

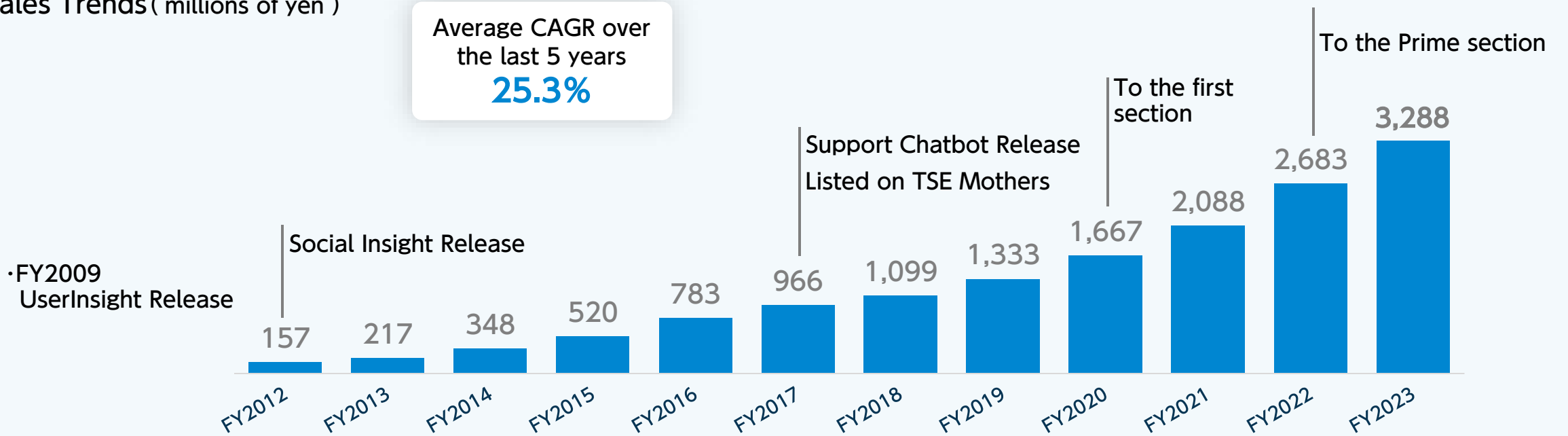


Advanced Big Data Analysis and Natural language processing technology based on analysis of over 34 billions data
Providing proprietary AI services in SaaS format
Installed in more than 4,000 companies

Company outline



Sales Trends (millions of yen)



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.



**Outside Director
Ryota Matsuzaki**

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



**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
Taku Ito**

Graduated from the Faculty of Law, University of Tokyo
Attorney, Midosuji LPC
Outside Director of People Co., Ltd.



**Executive Officer
Hiroshi Hongo**

Graduated from Graduate School of Frontier Sciences, University of Tokyo

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



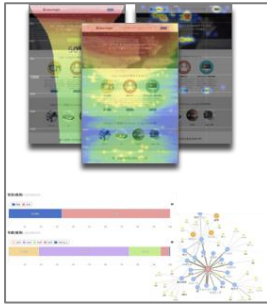
Providing in-demand services・Core values of each service

Business Development in Growth Markets of Big Data and AI

① Digital Marketing by SaaS

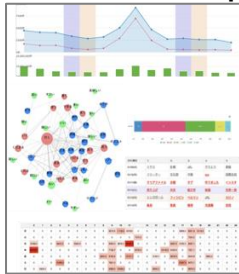
User Insight

All-in-One Web Analysis Tool



Social Insight

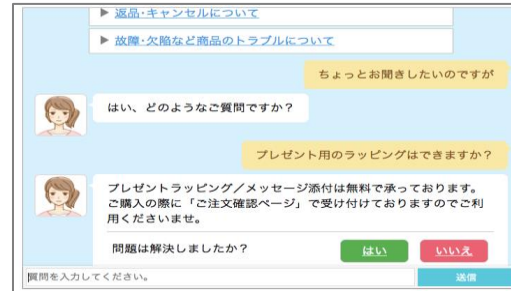
Analysis and operation tools to streamline SNS operations



② AI DX by SaaS

Support Chatbot

AI chatbot tool to automate support operations



User Local ChatAI

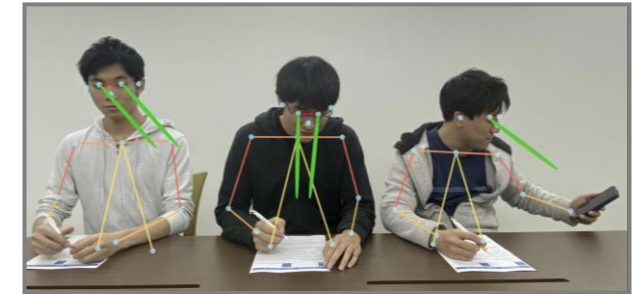
Powered by GPT-4
Platform of Generative AI



③ AI R&D Products

～ Exploring New Areas ～

Cheating Prevention AI

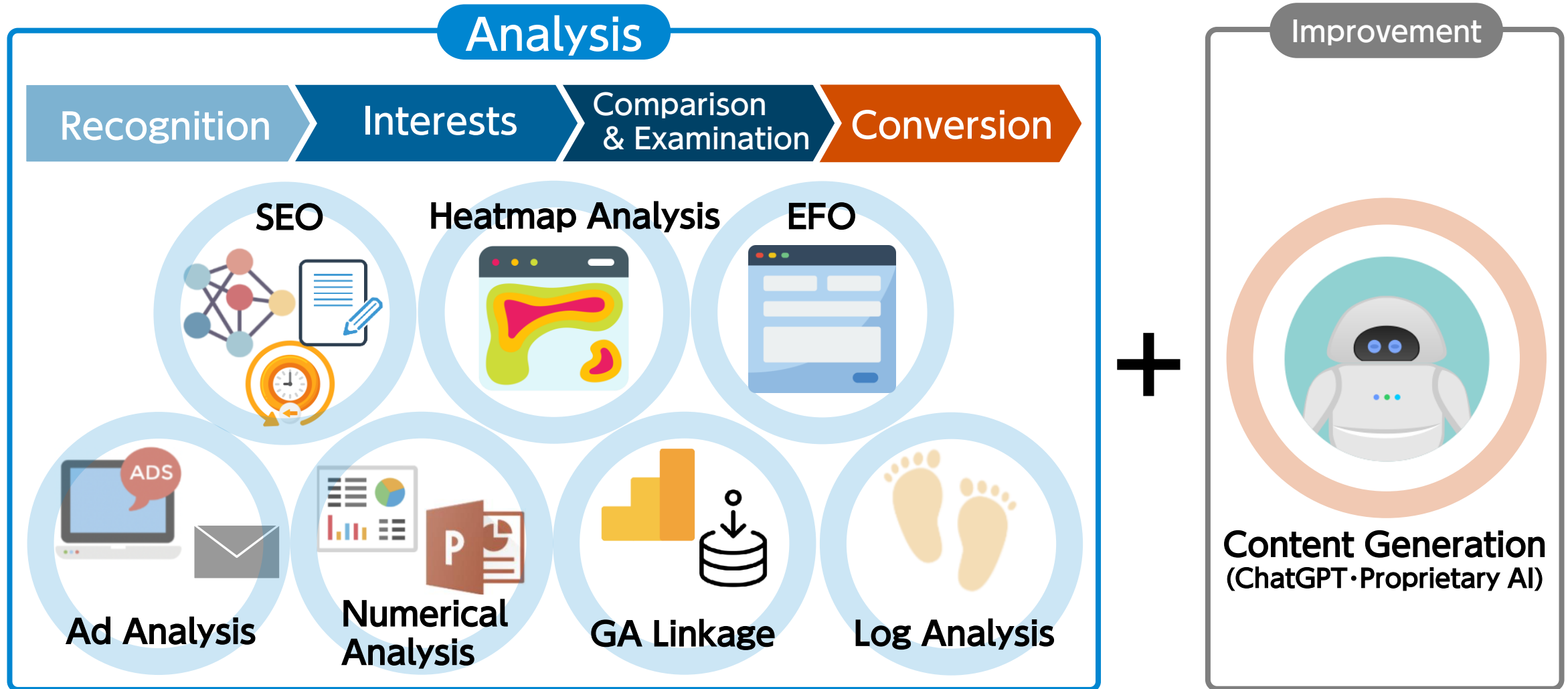


AI Text Mining



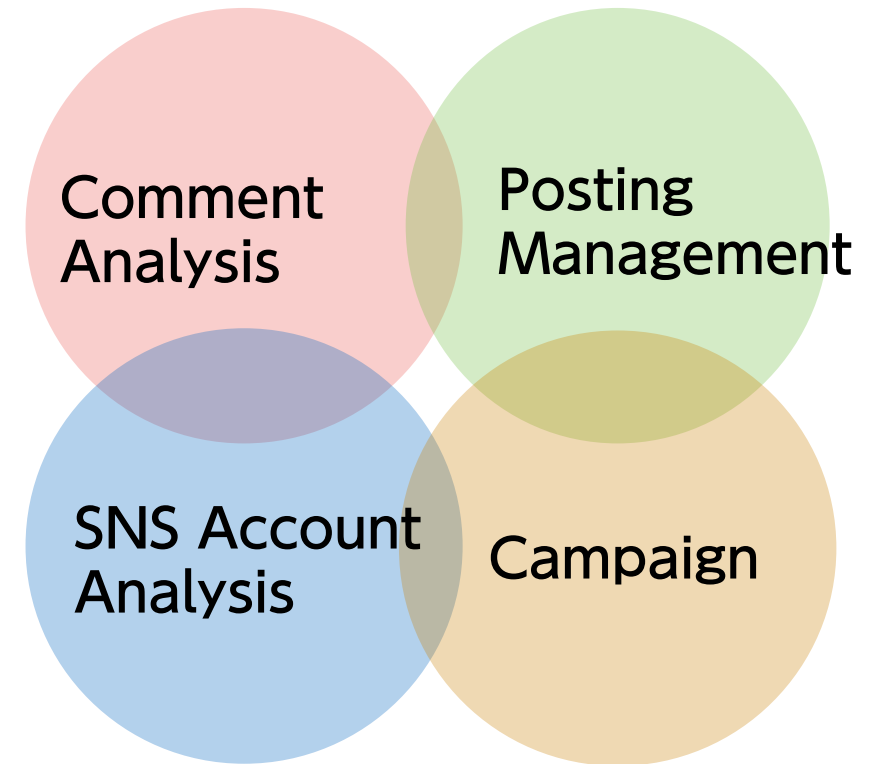
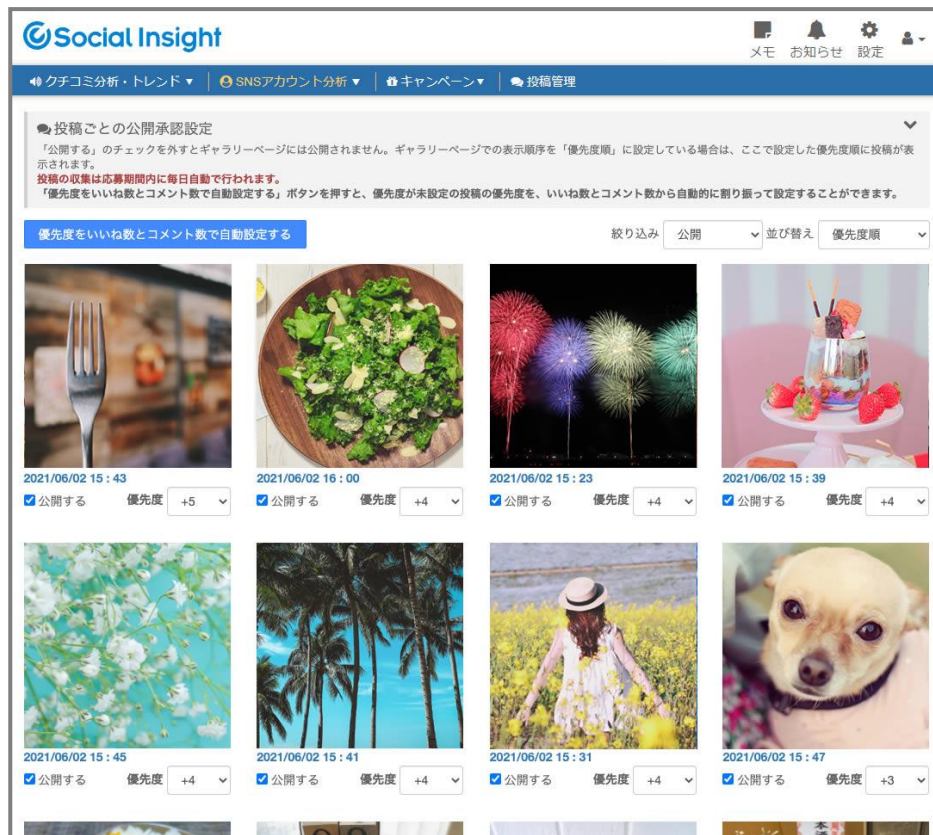
① Digital Marketing by SaaS

Supporting for site operation by Stored Data+ChatGPT· Proprietary AI



① Digital Marketing by SaaS

Social analysis tools that support from SNS operation to analysis

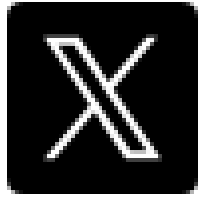


- Comprehensive support for SNS utilization
- Largest number of users in Japan

① Digital Marketing by SaaS



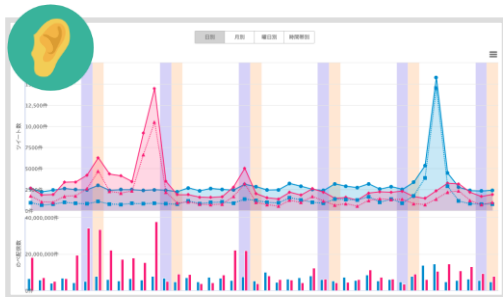
Various SNS have emerged, and companies and brands have opened accounts on each SNS



Streamlining operations such as information dissemination, monitoring, and promotion on SNS

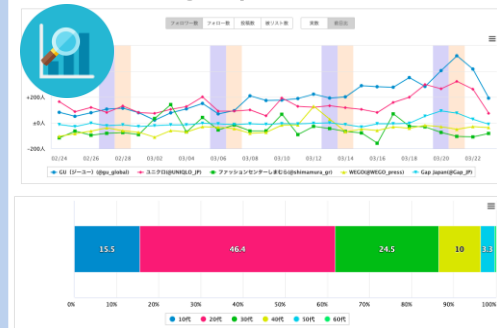
Comment Analysis

Brand research, competitive product research, measuring the effectiveness of PR measures, and monitoring and early response to the risk of fire



SNS Account Analysis

Increased complexity of researching each of the company's SNS accounts, comparing them to competitors, and creating reports



Auto-posting

Examining postings, scheduling and distributing postings, and responding to replies received to postings



Campaign

Execute campaign measures to gain new followers, increase awareness, and enhance brand value



② AI DX SaaS

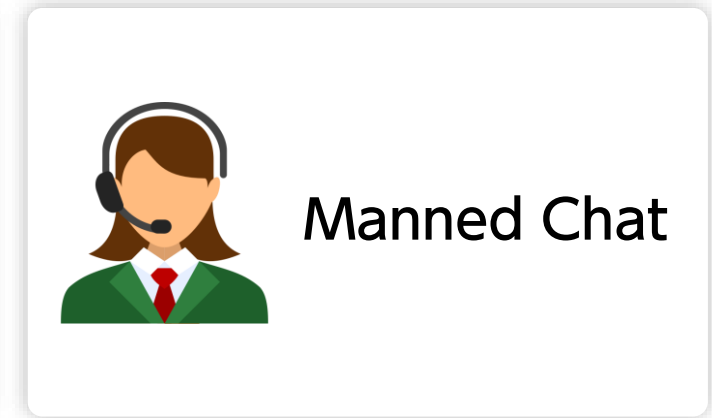
AI Services that automates the inquiry handling process to support efficient operations and improve user satisfaction



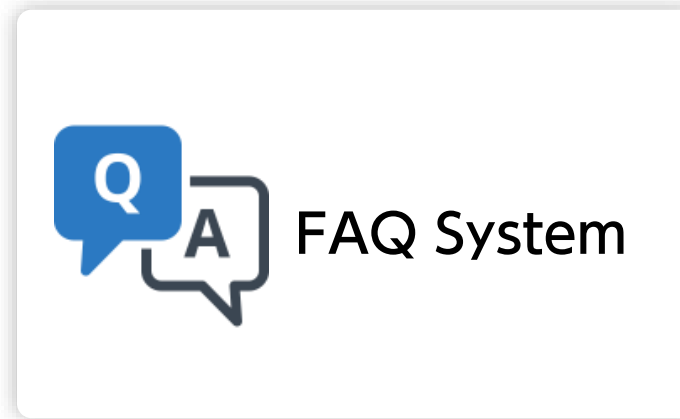
AI for the best query experience



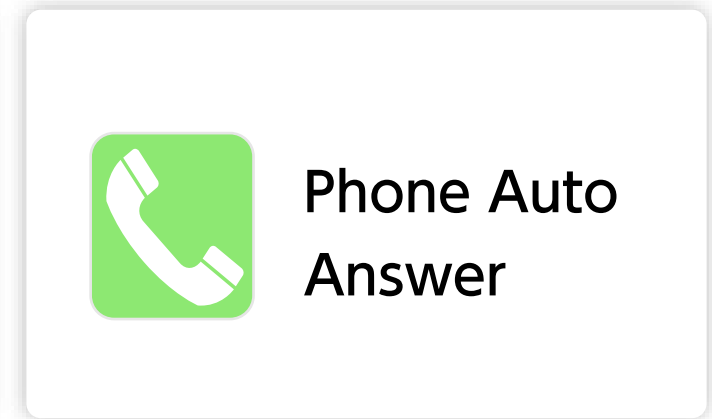
AI Chatbot



Manned Chat



FAQ System



Phone Auto Answer

Automate internal and external inquiry response tasks

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



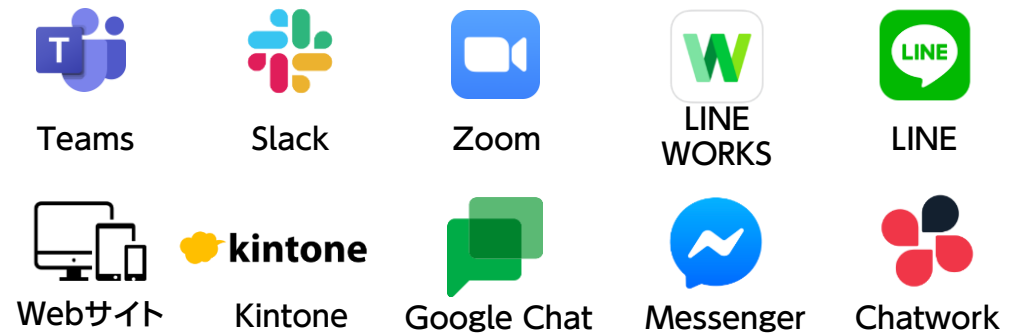
Sales and marketing support

② AI DX SaaS Expanding the use of Chatbot functions

Automatic Q&A generation in conjunction with ChatGPT



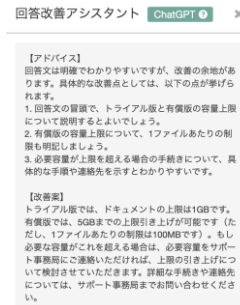
Strengthening coordination with external communication tools



Automatic detection of personal information during chat



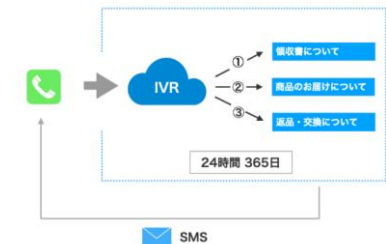
Assistance to improve answers



Support for automatic translation into over 100 languages



Launch of Automated Telephone Inquiry Response AI



② AI DX SaaS Customer Case Support Chatbot

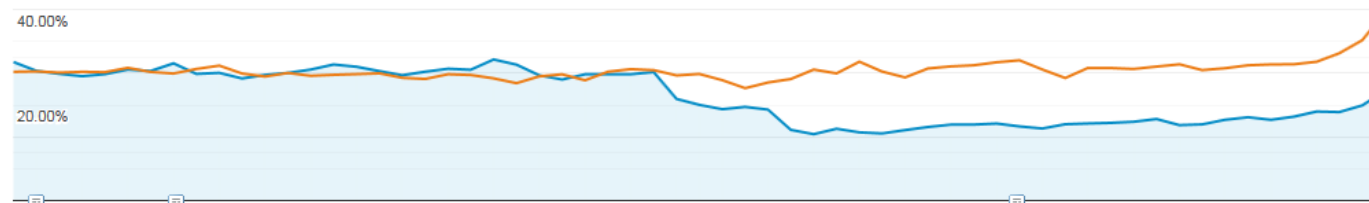


Chatbot Introduced
to KITAMURA
Co.,Ltd.'s New
Year's Card Printing
Website



- **50% reduction** in the number of emails asking questions during the year-end and New Year's busy season, in the second month of implementation
- Reduced support team work hours by **400 hours**
- **20% improvement** in site abandonment rate by having a chatbot solve questions on the spot

<Site abandonment rate of New Year's Card Printing Website>

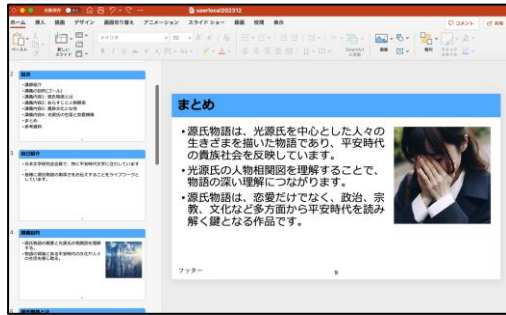


Quoted from the presentation material of KITAMURA Co., Ltd.

③ AI R&D Products

Slides GenAI

Automatically creates presentation materials by AI



AI Writer

Easy creates the articles you want to write by linking proprietary AI and ChatGPT



Personal Information Anonymization AI

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



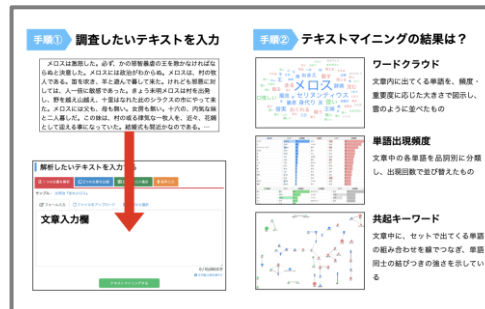
Proofreading AI

AI suggests correction of easily mistaken Kanji characters, correction of difficult-to-understand expressions, etc.,



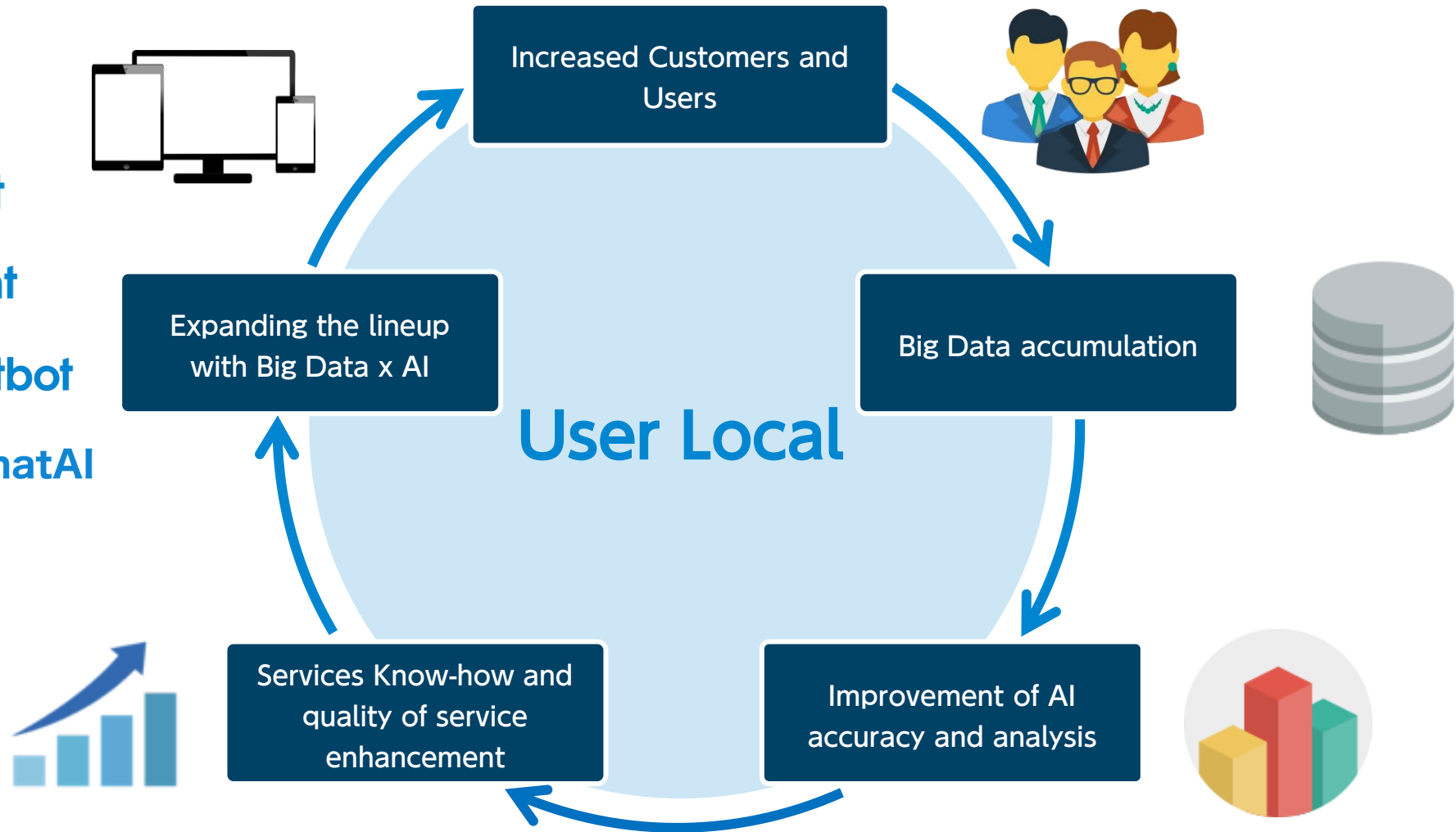
Text Mining Tool

Analyzes and visualizes the emotions and other information in sentences



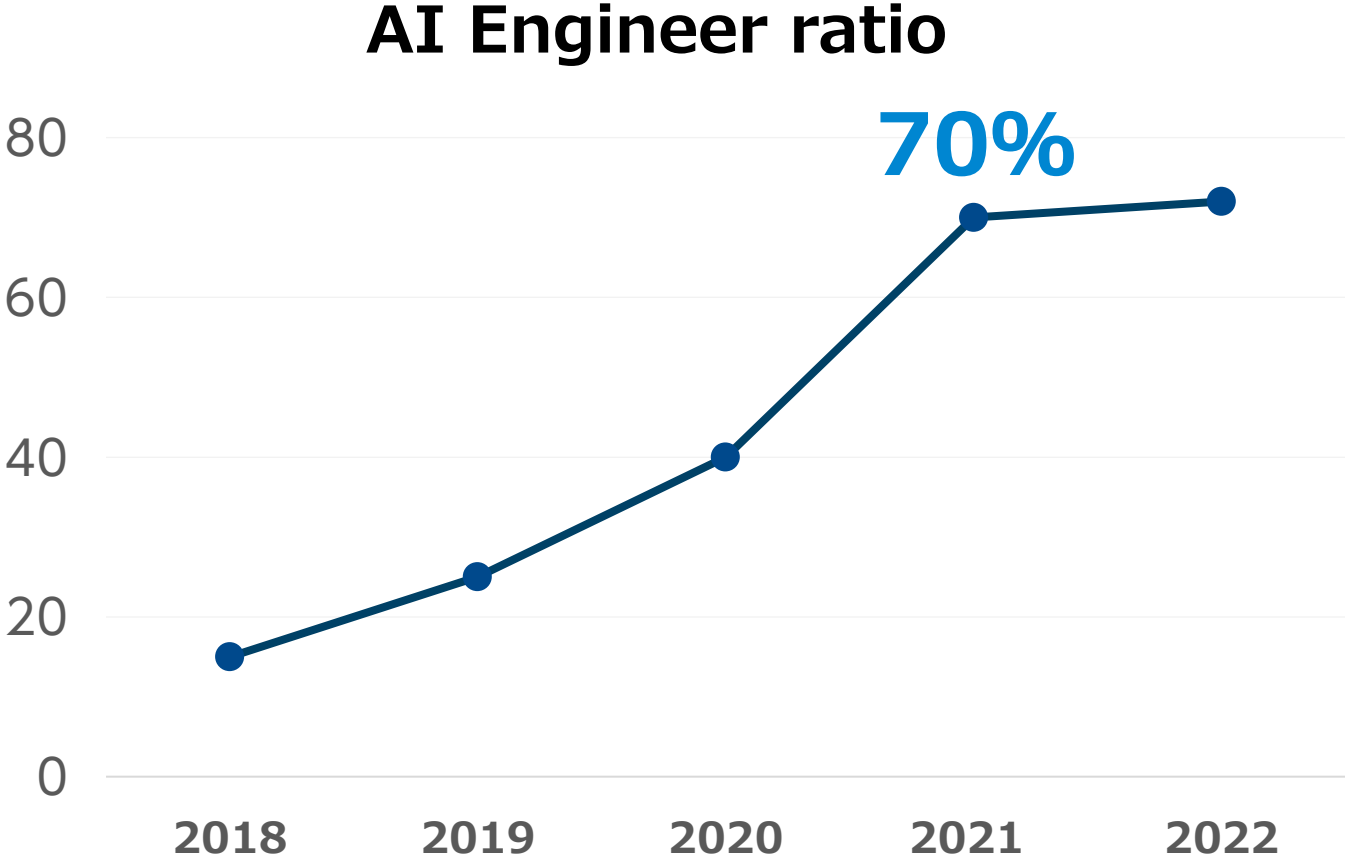
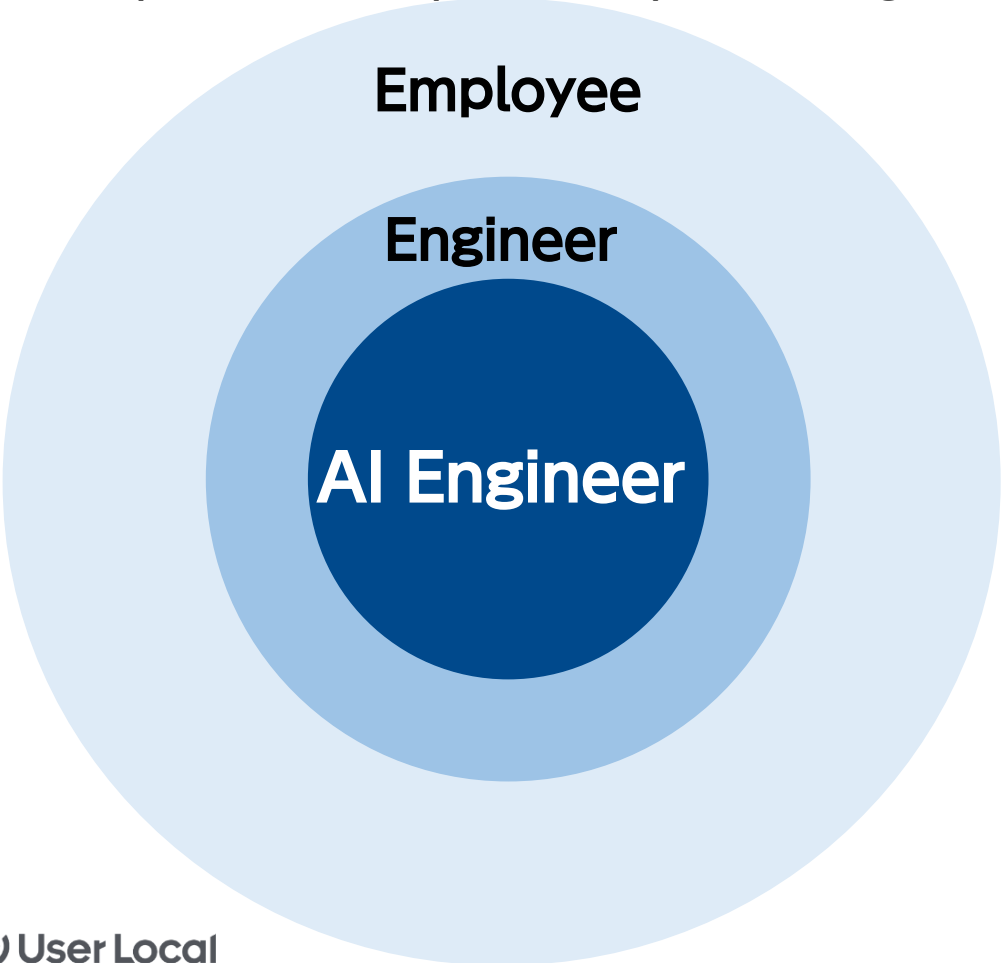
Virtuous cycle of algorithm Improvements

- 🌀 User Insight
- 🌀 Social Insight
- 🌀 Support Chatbot
- 🌀 User Local ChatAI
Powered by GPT-4

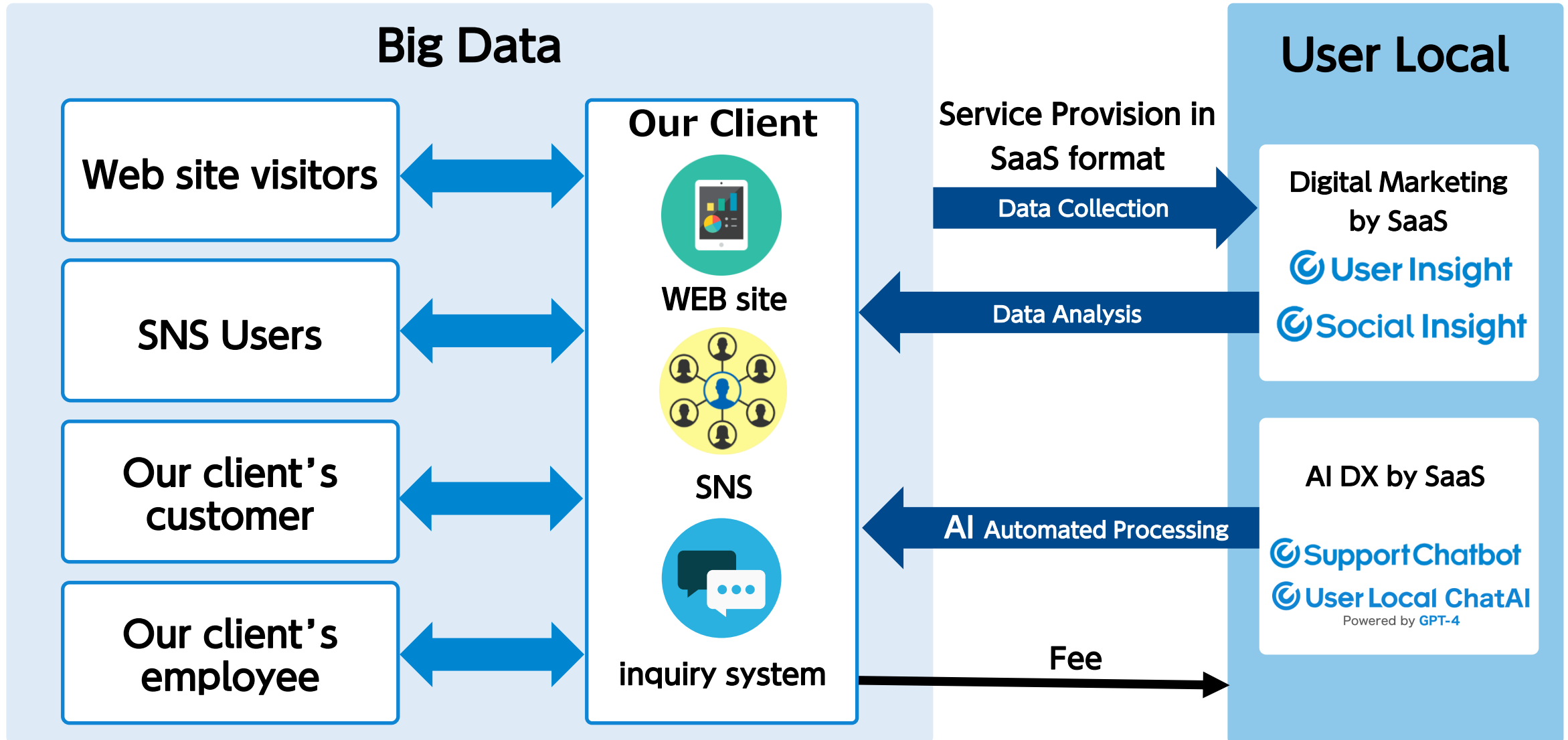


Securing tech personnel and R&D of Big Data and AI

- Strengthening hiring and in-house training of AI engineers to respond to the progress of AI technology and needs for social implementation
- Ratio of AI engineers in the Development Department increased to more than 70%, accelerating research and development of our proprietary technologies and Customer-oriented service implementation is progressing



Business model for stable growth based on high profitability



Recognized for our outstanding service and introduced to more than 4,000 companies

Government Agencies Local Governments, Universities



Manufacturer Electronic devices, automobiles, food, etc.

Panasonic



FUJIFILM

SUNTORY



SHISEIDO

ICT Software, Information and communication, etc.

SoftBank

LINE

YAHOO! JAPAN

Rakuten

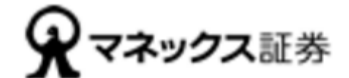
J:COM

dwango

Financial Institutions Banks, securities, etc.



大和ネクスト銀行 Daiwa Next Bank



Media Publishing, newspapers, etc.



DIAMOND online

ITmedia

Others



dinos

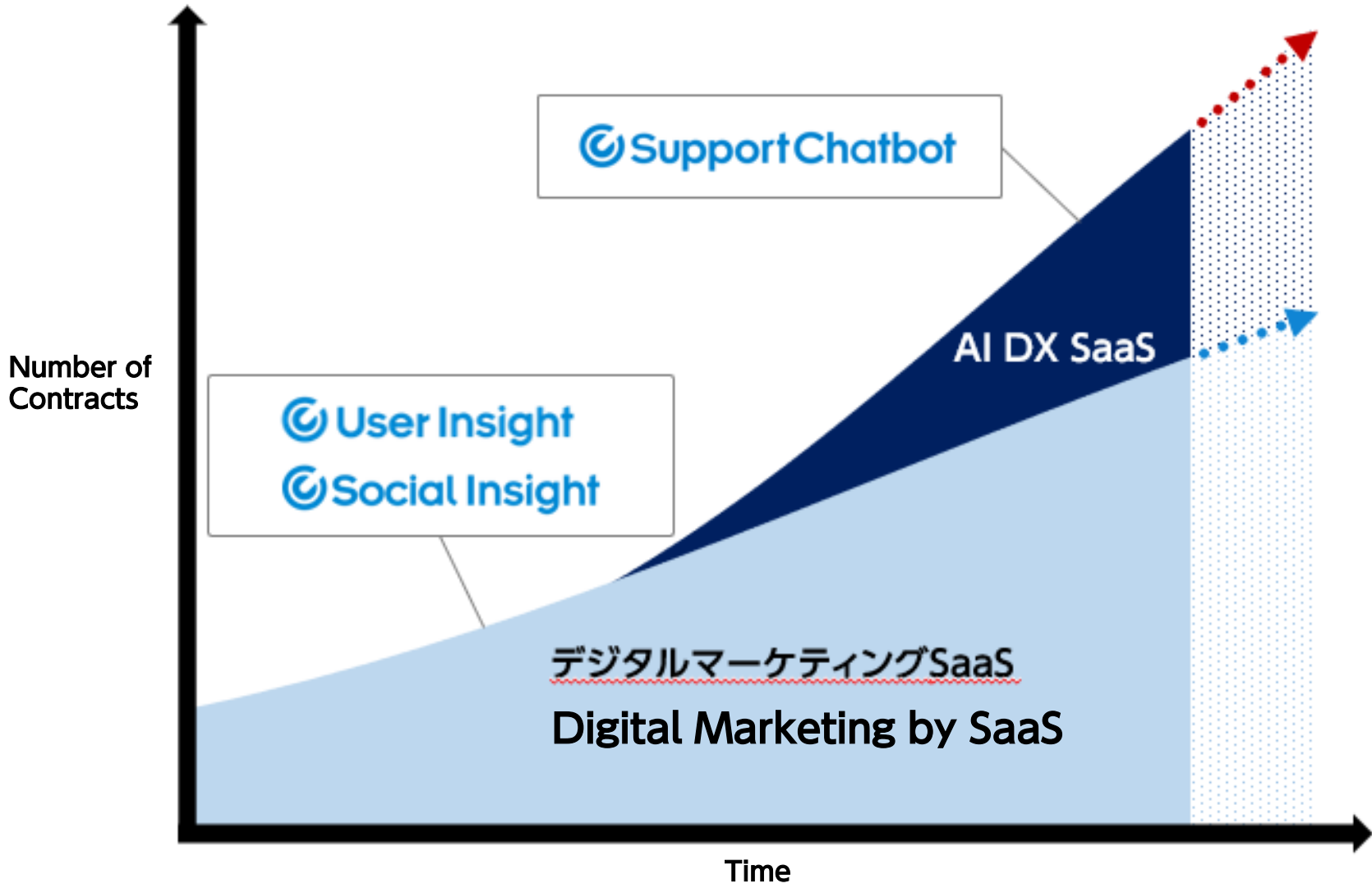
GDO

LIXIL

TOKYO GAS

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

Developing new services lead to sustainable growth



3

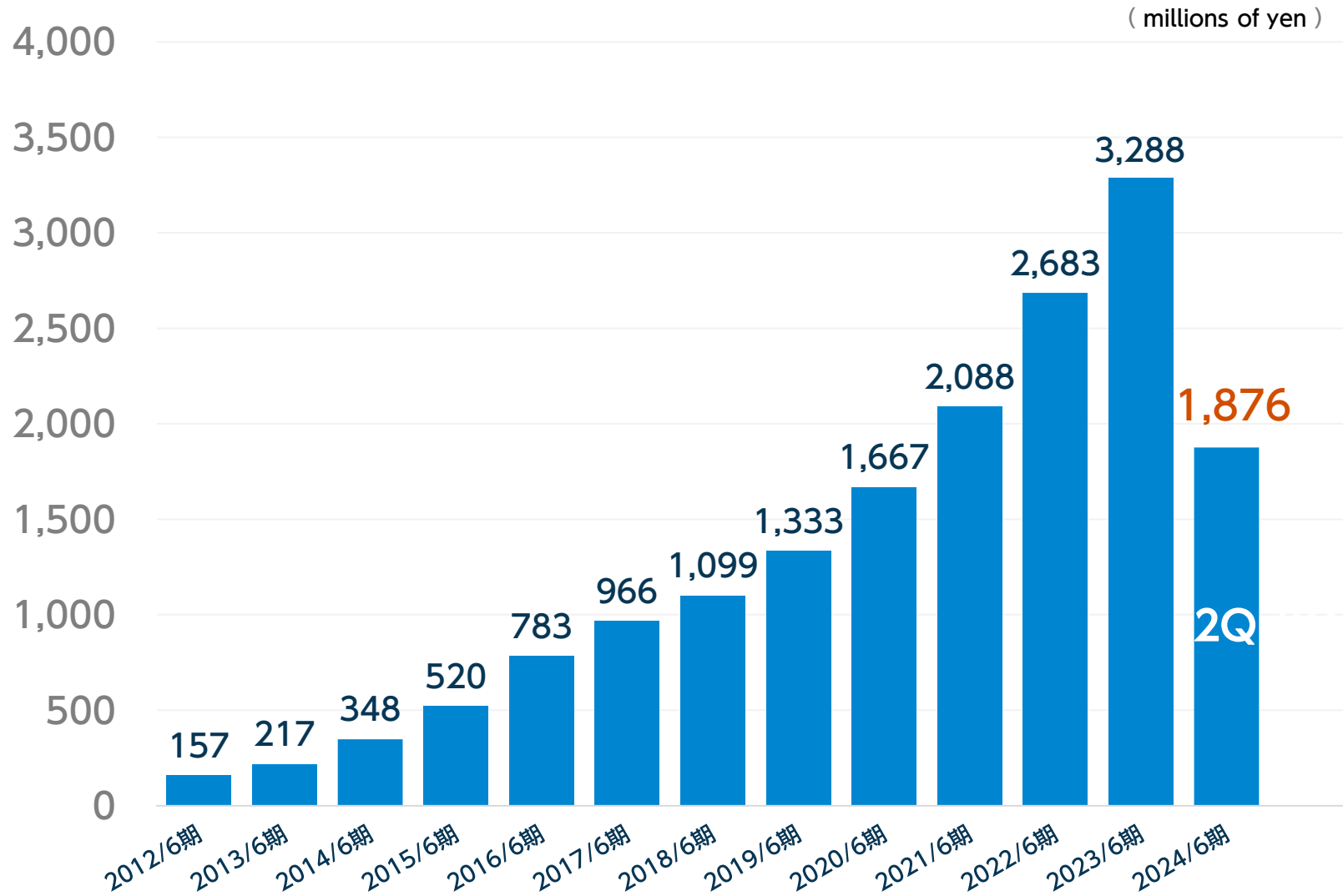
Financial Results for FY2024 Q2

FY2024 Comparison of full-year forecasts and actual results

Sales progress is **48.1%**、Operating profit progress is **55.1%**

(millions of yen)	FY2023 Q2	FY2024 Q2	YoY	FY2024 Full-year forecasts	Progress rate
Net Sales	1,569	1,876	+19.5%	3,903	48.1%
Operating Profit	669	857	+28.1%	1,556	55.1%
Ordinary Profit	662	857	+29.4%	1,556	55.1%
Profit	458	593	+29.4%	1,074	55.2%

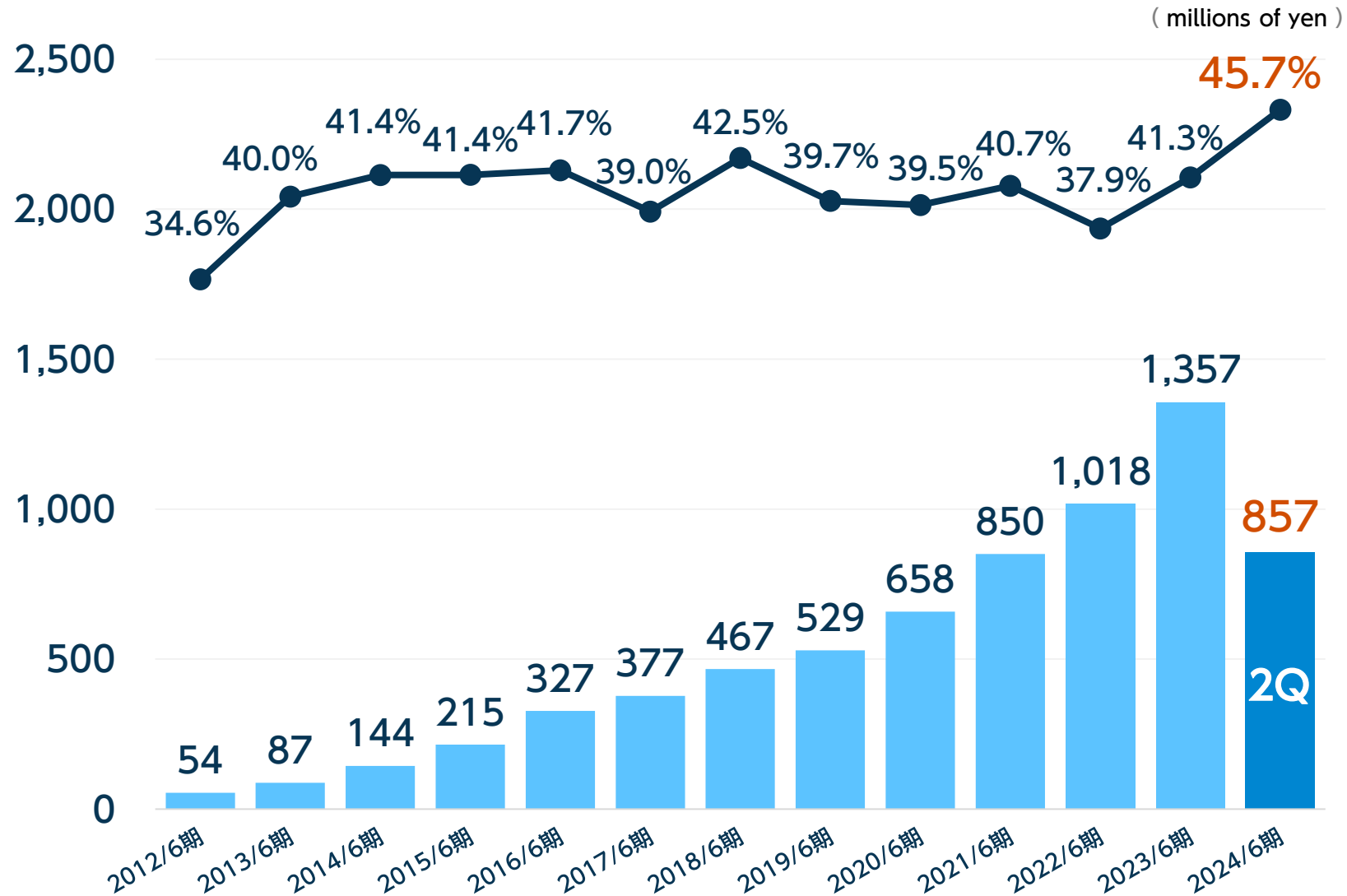
Net Sales



Increased by **19.5%**
YoY,
reaching a **new**
record high for 2Q

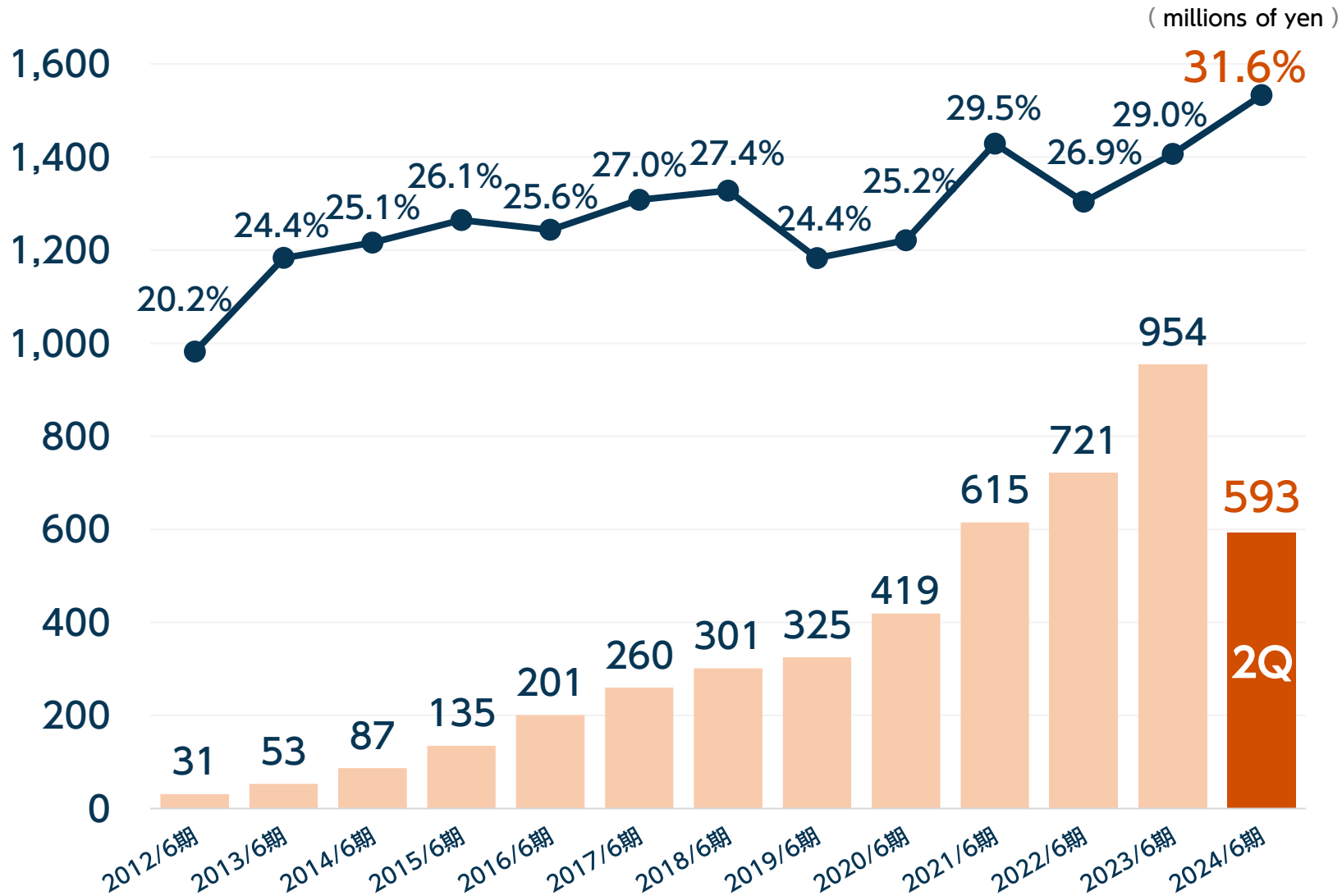
2Q

Ordinary Profit and Ordinary Profit Margin



Ordinary Profit
increased by
29.4% YoY

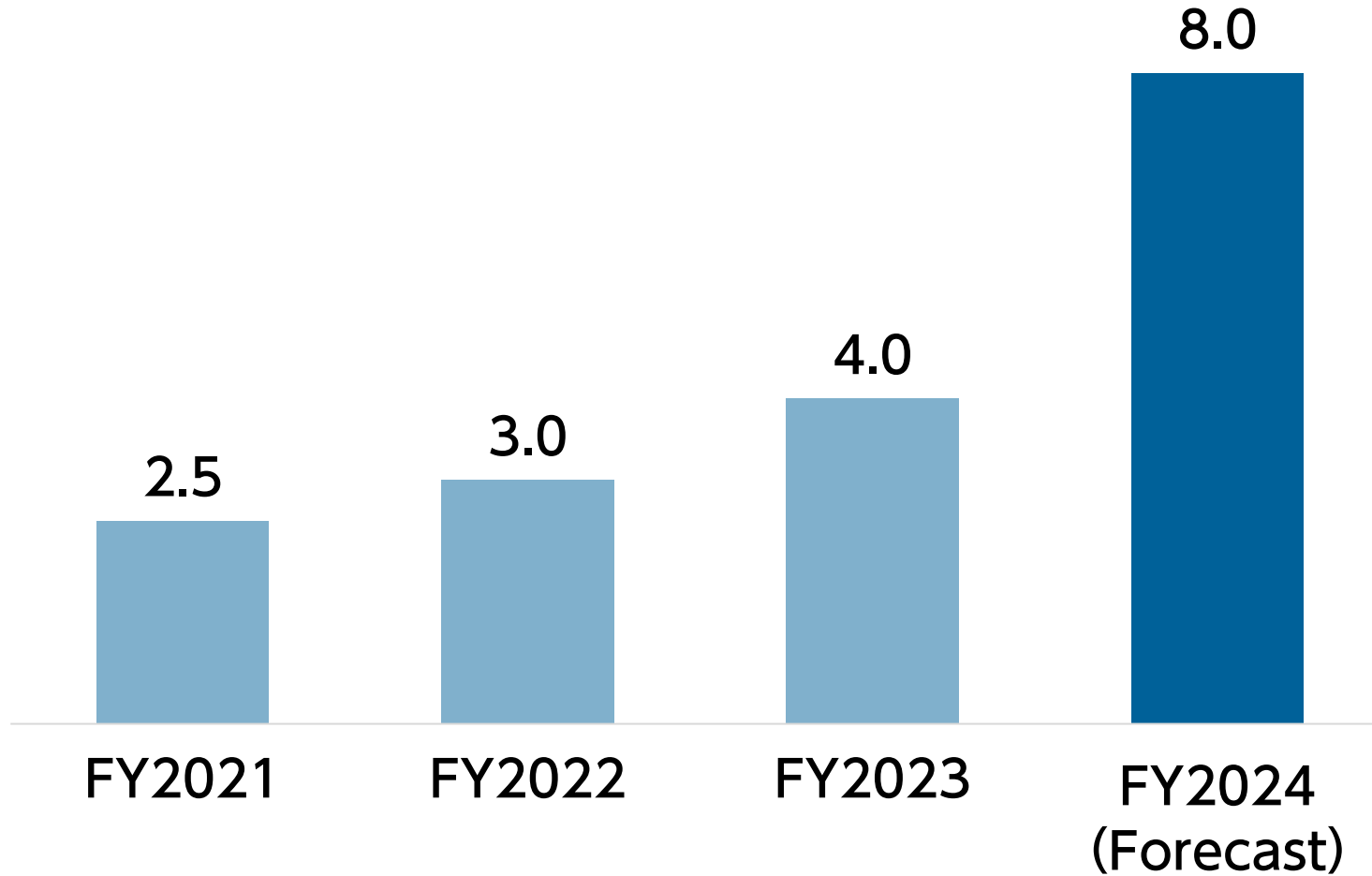
Profit and Net Profit Margin



Profit increased by
29.4% YoY

Return to Shareholders

Dividends per share (yen)



Upward revision to dividend forecast from 5.0 yen to 8.0 yen per share

Dividends has increased for 4 consecutive terms

4

Future Focus Areas

Focus Areas to Drive Global Evolution and External Environment

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

Reasons to Focus

1 Decrease
in domestic workforce

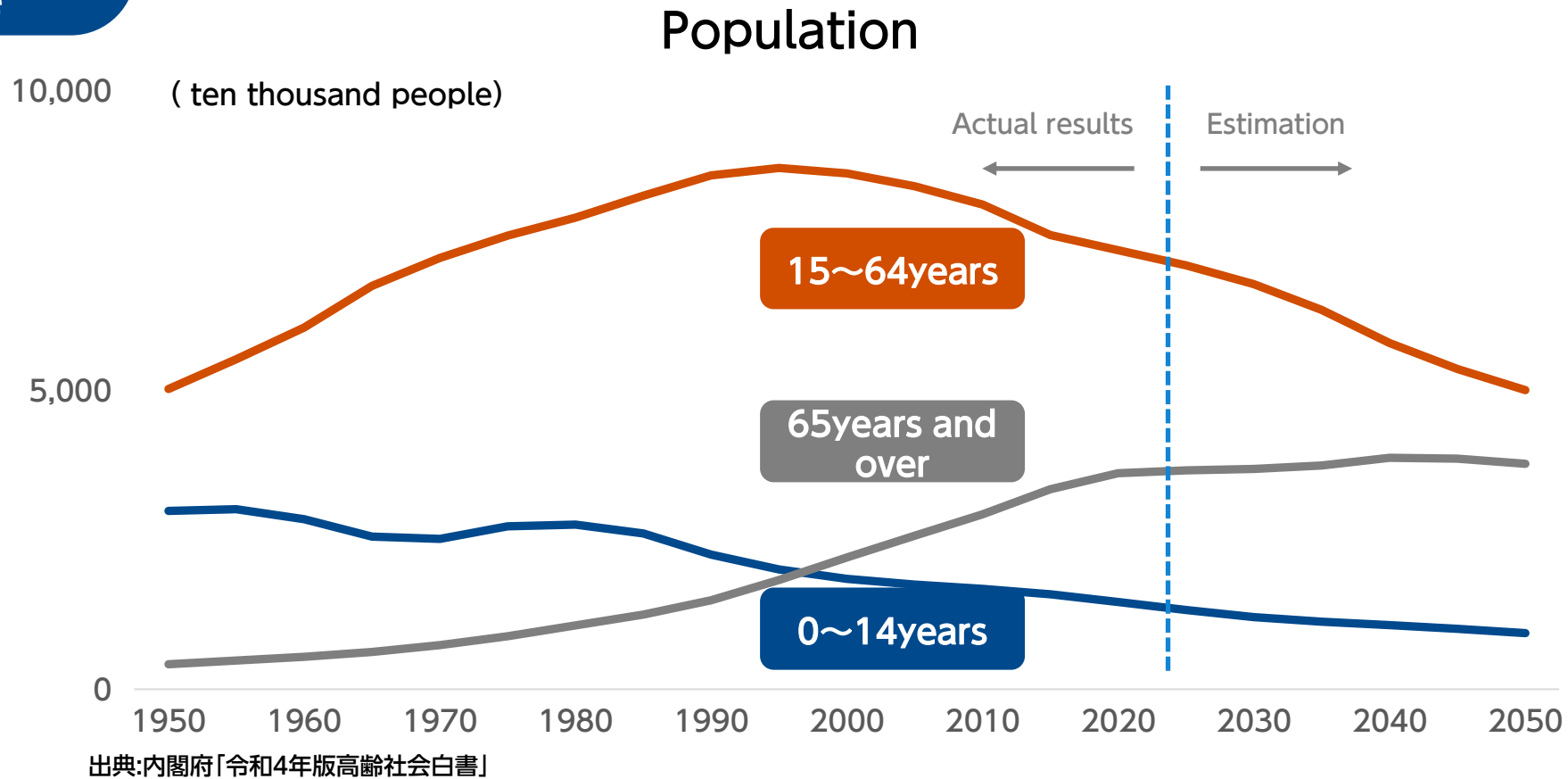
2 Work styles change

3 Developments in
Generative AI

Market
Expansion

External Environment ① Declining domestic workforce poses serious challenges

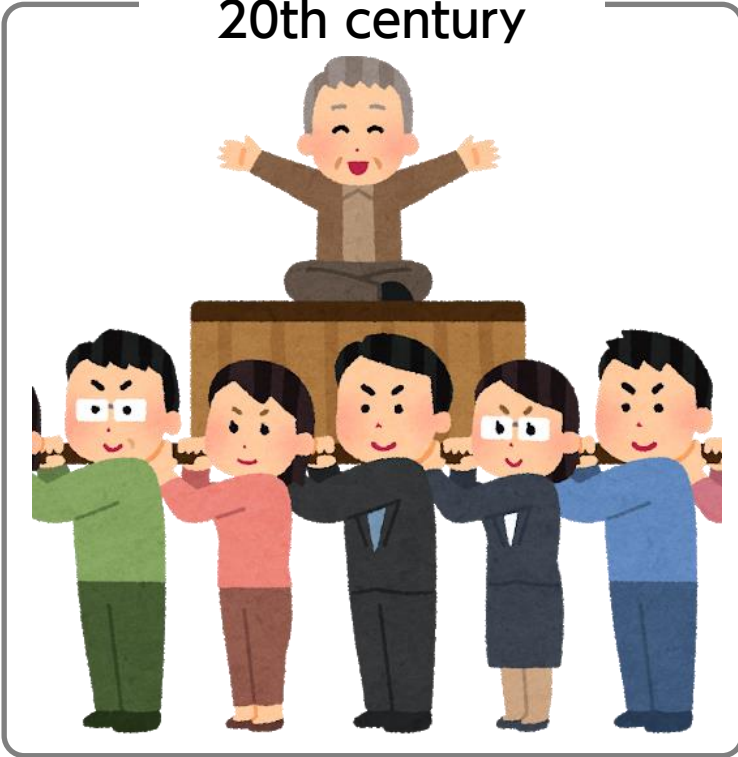
Declining domestic workforce



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

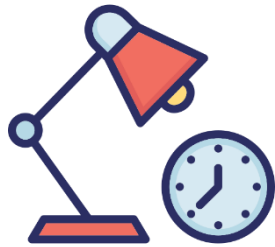
External Environment ② DX promotion through work styles change

Work styles change

Diverse work styles



Telework



Reduction of overtime hours



Improvement of paid leave utilization rate



Balancing Childcare and Work

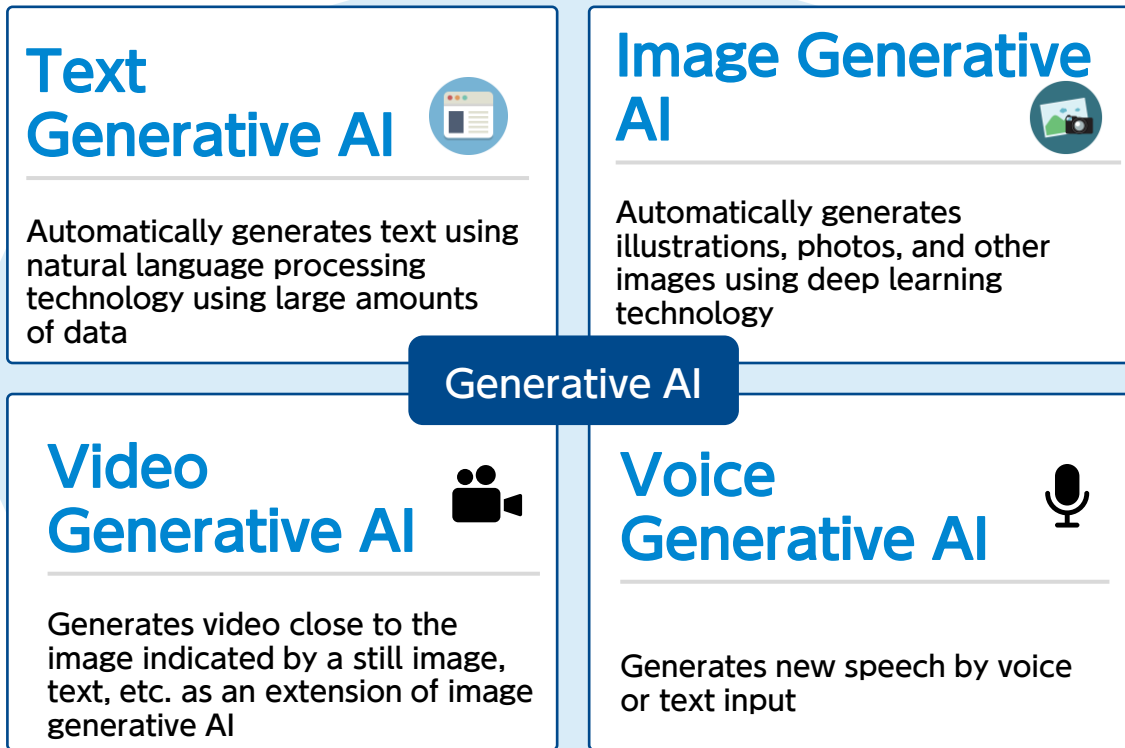


Balancing Nursing care and Work

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



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

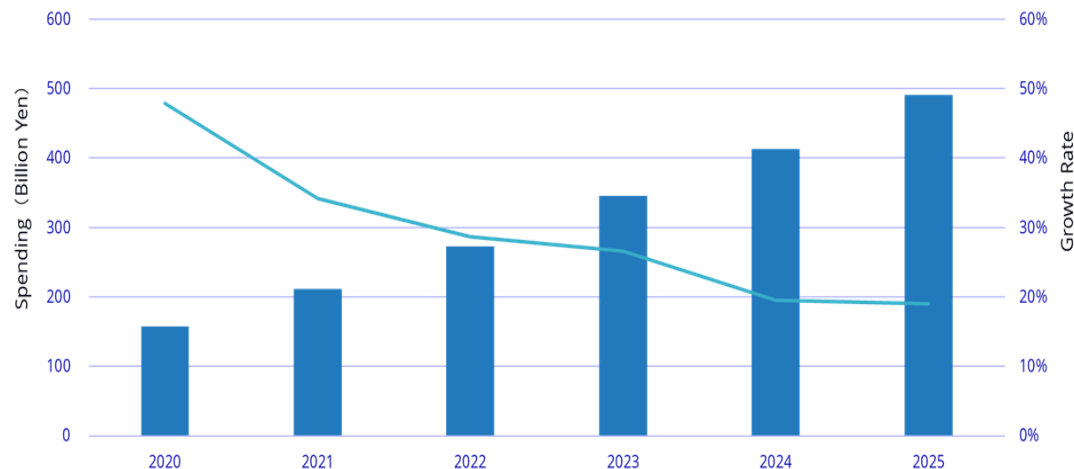
User Local is developing tools that are easy for anyone to utilize, combined with proprietary AI.

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

Productivity improvement by using generative AI in various fields

B to B

Accounting



Legal



Recruiting



Advertising



Sales



IT



B to C

Travel



Education



Ceremonies



Housing



Cooking

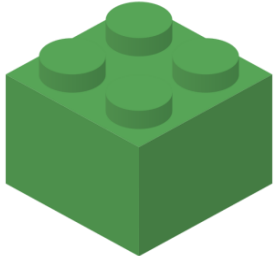
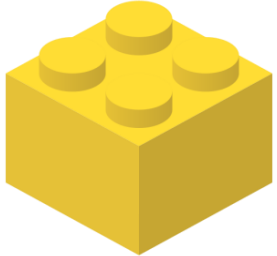
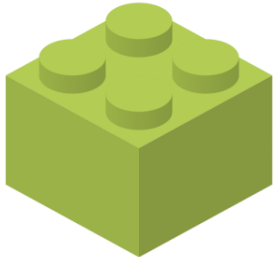


Investment



Create Products from New Combinations of Individual AI Algorithms

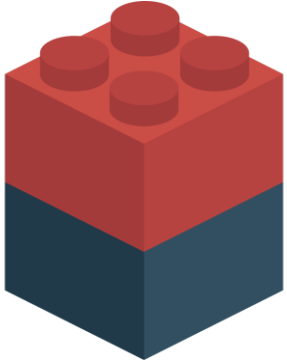
Individual AI algorithms



Generative AI



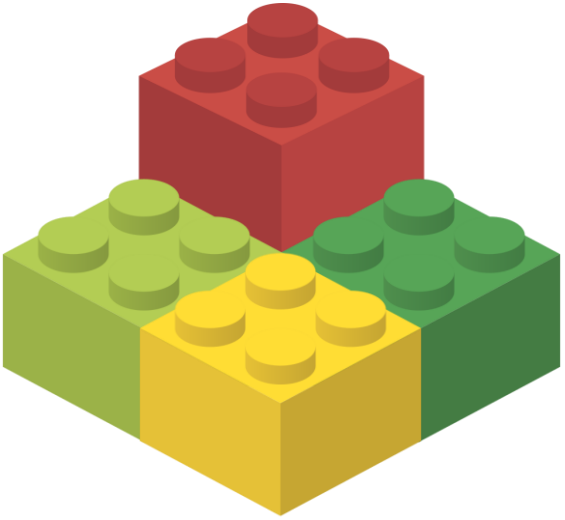
Existing product line-up



Big data and processing Infrastructure already held



More sophisticated versions of existing products




New AI services

Incorporating Generative AI into our products

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

User Insight



AI記事自動生成 (beta)

OneGPTを使って、ウェブページの見出しから記事を生産します。

対策キーワード エアコン 電気代 [タイトルを生成](#)

タイトル
エアコンの電気代を節約したい方必見！おすすめの省エネ術！

見出し [この見出しから記事を生産](#)

記事

2,158文字

「夏休みっていいですね！海に行ったり、プールで遊んだり、思いっきり楽しむチャンスです。皆さんはどんな夏休みを過ごしましたか？私は今年は自然豊かな場所で行く予定です！みんなの夏思い出話、お待ちしております！#夏休み #思い出話」

[ChatGPTで文章生成](#)

[クリップボードにコピー](#)

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

Social Insight



AIテキスト作成ツール

入力された質問についてChatGPT AIが回答します。
*回答は正確でない場合があります

目的

- 記念日について確認する
- キーワードからツイートを作成する
- キーワードからキャッチコピーを生成する
- キーワードをよく使うTwitterユーザー向けの文章を生成する
- ハッシュタグをよく使うInstagramユーザー向けの文章を生成する
- キーワードに関連する文章を生成する(UserLocal AI Writerを利用)

キーワード


夏休み

[ChatGPTで文章生成](#)

[クリップボードにコピー](#)

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

Support Chatbot



SupportChatbot

シナリオ作成アシスタント ChatGPT

質問の内容から、回答を自動的に作成します。

Excelで数字の合計を求めたい場合は？

[回答を作成](#)

自動作成された回答

Excelで数字の合計を求めるには、SUM関数を使います。SUM関数は、引数として与えられたセル範囲の合計値を返します。

たとえば、A1セルからA5セルまでの数字の合計を求めたい場合は、以下のようにSUM関数を使います。

=SUM(A1:A5)

この式を入力することで、A1セルからA5セルまでの数字の合計が求められます。範囲指定部分は必要に応じて変更することができます。

[回答をコピー](#) [シナリオに登録する](#)

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

「UserLocal ChatAI (powered by GPT-4)」to be launched

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 examples 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 Automatic creation of presentation materials [UserLocal Slides GenAI]

Automates all the tedious work of creating presentation materials



The screenshot shows the 'UserLocal パワポ生成AI' interface. At the top, it says '新規作成' (New Creation). The main heading is 'パワポを生成する' (Generate PowerPoint). Below this, there's a description: 'アウトライン（章立てメモ）の内容をもとにパワポ(.pptx)ファイルを作成します。「アウトライン自動生成」タブでは、キーワードからアウトラインをAI自動生成できます。' (Create a PowerPoint (.pptx) file based on the outline (chapter setting memo) content. In the 'Automatic Outline Generation' tab, you can automatically generate an outline from keywords.)

There are two main buttons: 'アウトライン入力' (Outline Input) and 'アウトライン自動生成' (Automatic Outline Generation). Below these, there's a 'テンプレートを選択' (Select Template) section with radio buttons for various categories like '企画書・提案書' (Proposal), 'レポート' (Report), '新商品の紹介' (New Product Introduction), etc. The '新商品の紹介' option is selected.

Underneath, there's a section 'アウトライン（章立てメモ）を編集してください' (Edit the Outline (Chapter Setting Memo)). It shows a list of items to be included in the presentation, such as 'プレゼンテーションタイトル' (Presentation Title), '株式会社○○○製作所' (Company Name), '目次' (Table of Contents), '本企画の概要' (Overview of this project), '課題' (Issues), '提案内容' (Proposal Content), '企画の概要' (Project Overview), '企画のコンセプト' (Project Concept), and '提案の背景' (Background of the proposal).

At the bottom, there's a 'テーマカラー設定' (Theme Color Setting) section with color selection options: 水色 (Light Blue), 赤 (Red), オレンジ (Orange), 緑 (Green), 黄色 (Yellow), 灰色 (Grey), and 無地 (No Color). A blue button at the bottom says 'パワポ(.pptx)ファイルをダウンロード' (Download PowerPoint (.pptx) File).

Service Features

1. Simply select the purpose and edit the text to create PowerPoint materials

Automatically generates an outline of the slides by selecting the template you want to create such as “Proposals” or “New Product Introduction”, etc. You can create the materials in Microsoft PowerPoint(.pptx).

2. Automatically generate outline by generative AI

Just select the “Automatic Outline Generation” tab and enter a few keywords, and a rough synopsis is created by the generative AI.

3. Automatically insert images into the slides

Automatically insert images into created documents. Planning to provide a function that automatically creates image materials according to the content using image generative AI.

※Microsoft, Powerpoint is Microsoft Corporation's registered trademarks or trademarks in the United States and other countries.

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



Select keywords

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.

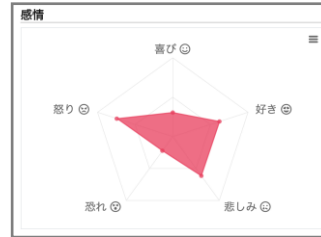
Article Generation by AI

In-house development of AI algorithms

Natural Language Processing

Module

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



Products

AI Text Mining
Personal Information Masking AI Tool
Generative AI Checker

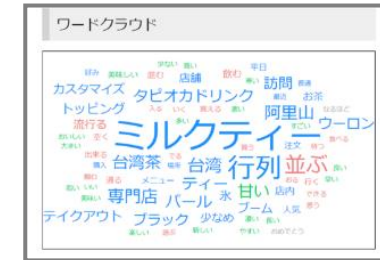
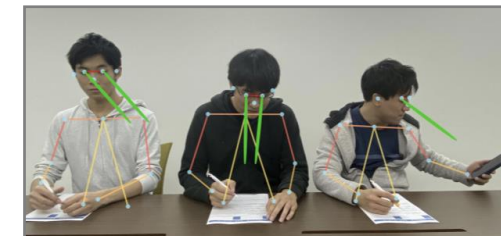


Image Processing

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

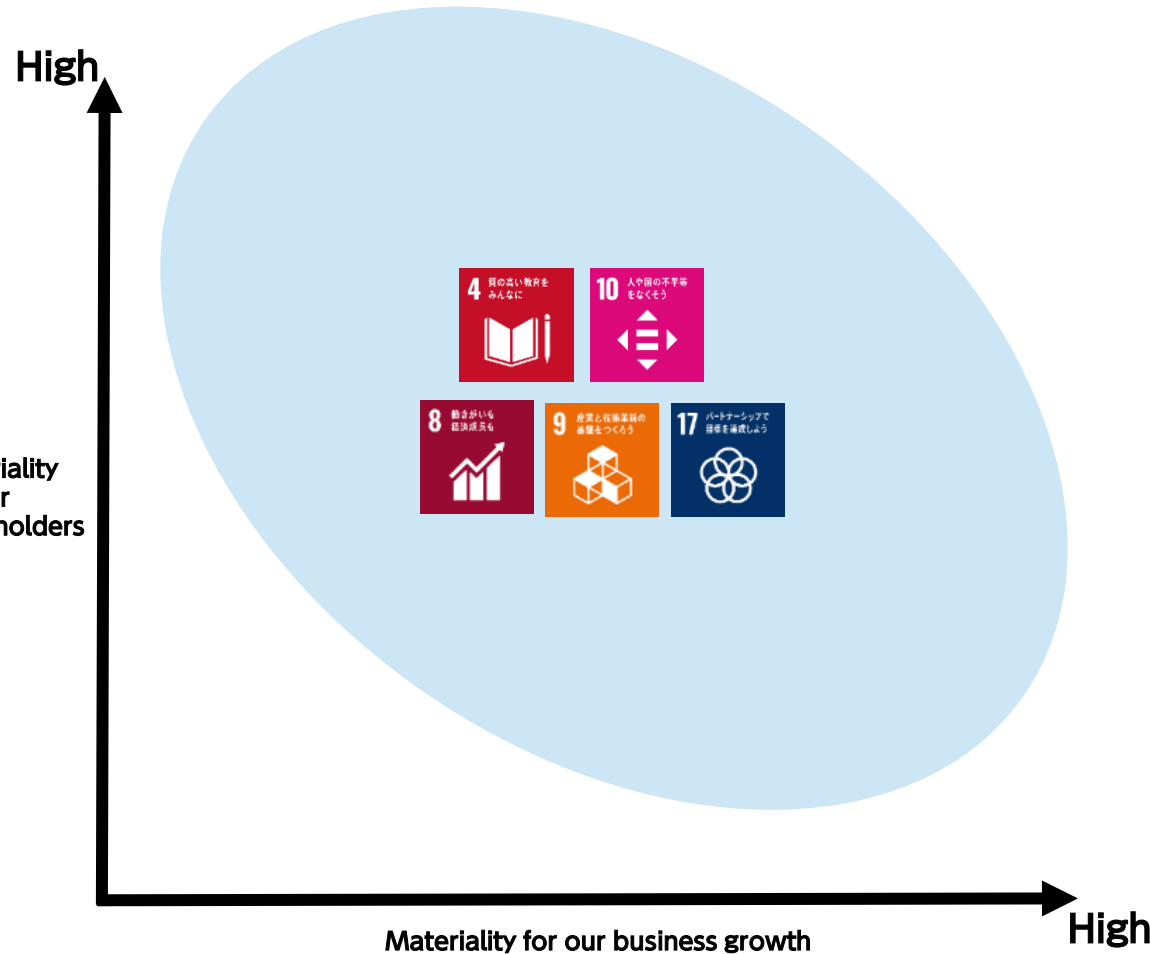


Handwritten OCR tools
Cheating Prevention AI



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.

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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.

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