



# **Earnings Briefing Materials for the First Six Months of the Fiscal Year Ending June 30, 2021**

July 1, 2020 – December 31, 2020

February 12, 2021  
User Local, Inc.

Securities code: 3984  
<https://www.userlocal.jp/>



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- 1 Initiatives to Promote DX Using Data and AI**
- 2 Company Outline
- 3 Earnings Outline (1H FY6/21)
- 4 Future Focus Areas

# Increasing Importance of DX Promotion

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**People's social activities and patterns of consumption have changed as a result of COVID-19**



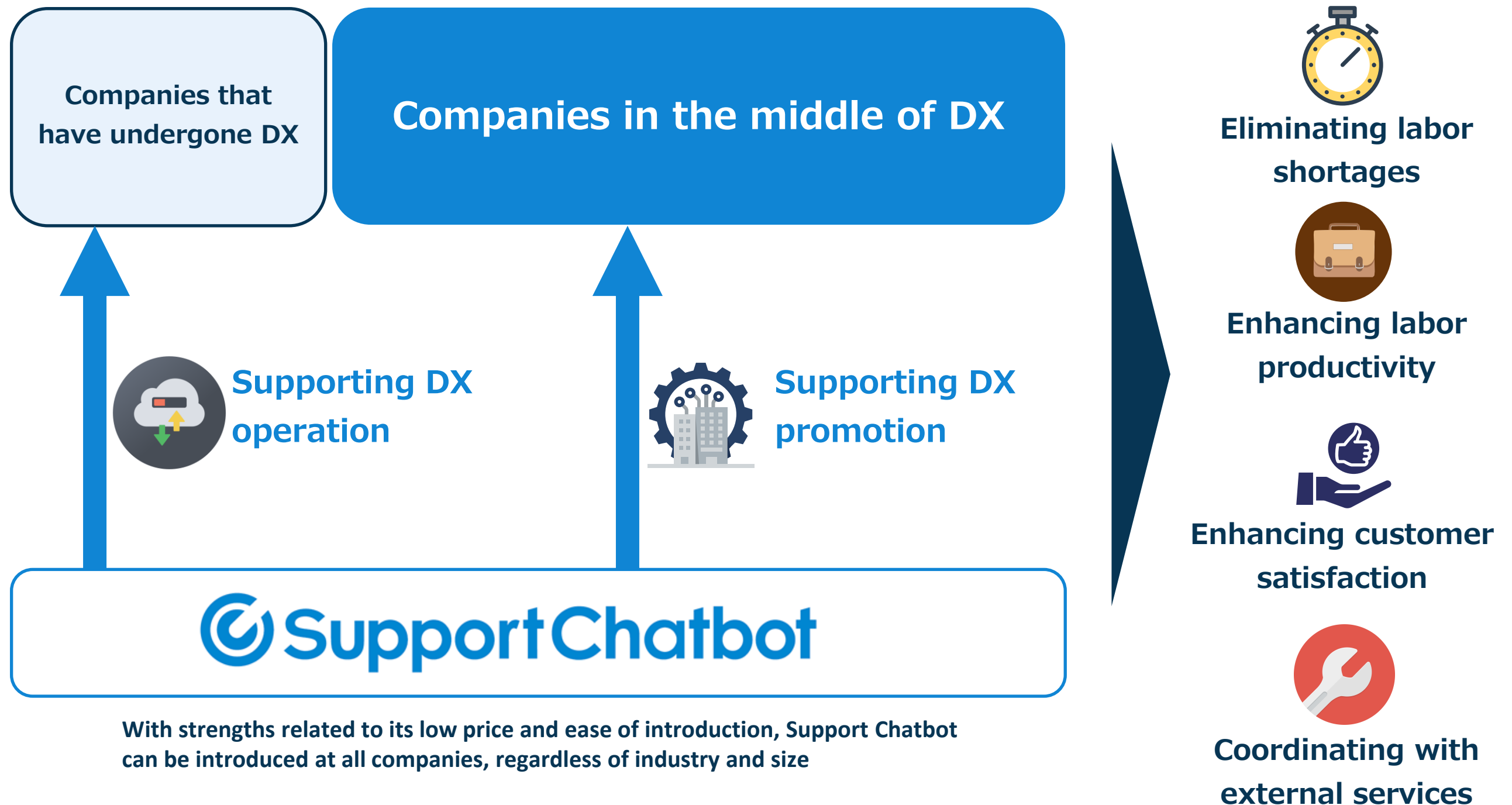
**The utilization of digital technologies is becoming essential for responding to changes in the business environment and continuing to generate new value**

## **DX (Digital Transformation)**

When companies respond to rapid changes in the business environment and utilize data and digital technologies to transform products, services, and business models based on the needs of customers and society, while at the same time transforming operations themselves, teams, processes, and corporate culture, and thereby establishing competitive superiority

# Support Chatbot Supports DX Promotion

**Democratizing AI and contributing to the promotion of its introduction at many companies**



# DX Promotion with Chatbots

## Achieving DX (digital transformation) by automating helpdesk operations with AI

### Customer support operations

E-commerce, recruitment, real estate, finance, education, etc.



Support operations can become more efficient, while also being available 24 hours a day. Chatbots are also effective in eliminating the number of calls to call centers and reducing waiting times.

### Support for internal inquiries

Information systems, personnel, general affairs, accounting, etc.



Eliminate communication costs by quickly answering questions related to internal procedures and operational regulations, such as expense applications.

# Enhancing Functions for DX Promotion

Strengthening coordination with external communication tools such as Teams and Zoom in response to rising demand for chatbots in the remote work environment created by COVID-19

 Support Chatbot



Teams



Zoom



LINE  
WORKS



LINE



Slack



Google  
Chat



Messenger



Chatwork

## December 2020 Promoting DX at companies through coordination with Google Calendar

① 予定の確認

今後の予定を教えてください

今後の予定は以下の通りです

- 12/20 15:00 ミーティング
- 12/20 18:00 報告会
- 12/21 11:00 商談
- 12/21 15:00 ミーティング
- 12/21 18:00 報告会
- 12/22 9:00 朝礼
- 12/22 15:00 ミーティング

② ミーティング調整

ミーティングを設定したい

日時  
2020/12/20

参加者  
Aさん、Bさん

場所  
会議室C

以下の時間でセットできます

- 12/20 10:00~
- 12/20 11:00~
- 12/20 12:00~
- 12/20 16:00~

③ 予定の作成

予定を追加したい

タイトル  
説明会

日時  
2020/12/23 11:00  
2020/12/23 12:30

予定を作成しました

Making it possible to change calendar schedules with chatbots and arrange meeting times



# Introduction Examples

## Ministry of Health, Labour and Welfare (MHLW)



December 2020

Began providing chatbots on special website for the "Plan for Supporting the Activities of the Hiring Freeze Generation" operated by the MHLW

## Okasan Online Securities




December 2020

Support chatbots were adopted on Okasan Online Securities' website to enhance search performance and enable 24-hour support for inquiries

# User Local Chatbots Also Used at Government Agencies and Local Governments

## Tondabayashi City, Osaka

とっぴーに質問する



こんにちは！とっぴーです。ただいま勉強中です！  
聞きたいことがあったら選択肢から選んでね。文字を入力して直接質問もできます♪  
新型コロナウイルスに関する質問を追加しています。以下の項目からご覧ください。

▶ [新型コロナウイルスについて](#)


▶ [住民票、戸籍、マイナンバー、パスポートなど](#)

▶ [税金について](#)

▶ [みみについて](#)

<https://www.city.tondabayashi.lg.jp/>

## Edogawa Ward, Tokyo



こんにちは。江戸川区児童手当チャットボットです。  
江戸川区の児童手当・子ども医療費助成・乳児養育手当について24時間365日AIがお答えします。  
下記の選択肢から選択してください。  
質問を直接入力することもできます。短文・単語で質問してみてください。

[令和2年度子育て世帯への臨時特別給付金【1万円の給付金】について](#)

[児童手当について](#)

[【現況届】について](#) [\[児童手当\]](#)

[子ども医療費助成制度について](#)

[乳児養育手当について](#)

<https://www.city.edogawa.tokyo.jp/>



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- ④ Future Focus Areas

# Management Philosophy

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**Driving global evolution by  
combining big data and AI**

**Solving social and corporate issues with data analysis and  
AI technologies**

# Product Development to Drive Global Evolution

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**Data analysis tools**

**to support corporate digital marketing**



**AI chatbots**

**to automate responding to inquiries**

**Product development and sales utilizing big data, AI, and  
other IT technologies**

# Company Outline

Name	User Local, Inc.
Businesses	Big data analysis, AI
Paid-in capital	1,132mn yen (as of June 30, 2020)
Employees	69 (as of June 30, 2020)
Head office	Shiba 5-20-6, Minato Ward, Tokyo
History	<p>2008 Releases "User Insight" access analysis tool</p> <p>2012 Releases "Social Insight" social media analysis tool</p> <p>2017 Releases "Support Chatbot" support operations support system</p> <p>2017 Shares listed on TSE Mothers</p> <p>2019 Listing changed to TSE First Section</p>

# Management and Governance Structure to Drive Global Evolution



## Masao Ito, Representative Director

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.



## Kazuyuki Watanabe, Director and COO

Graduated from the Faculty of Law, Politics and Economics, Chiba University  
Assumed his current role after working at Rakuten, Inc.



## Daisuke Iwamoto, Director and CFO

Graduated from the Graduate School of Strategic Business Administration, Chuo University  
Assumed his current role after working at METAWATER Co., Ltd.



## Ryota Matsuzaki, Outside Director

Representative Director of Kibidango, Inc.  
Outside Director of Synchro Food Co., Ltd.



## Taku Ito, Outside Director

Attorney, Midosuji LPC  
Outside Director of People Co., Ltd.  
Outside Corporate Auditor of CDG Co., Ltd.



## Shunsuke Mikami, Executive Officer

Graduated from Master's Program in Computer Science, Systems and Information Engineering, Graduate School of Science and Technology, University of Tsukuba



## Hiroshi Hongo, Executive Officer

Graduated from Graduate School of Frontier Sciences, University of Tokyo



# User Local Strengths Driving Innovation



- 1 Providing in-demand services**
- 2 Virtuous cycle of algorithm improvements**
- 3 Securing tech personnel**
- 4 Big data and AI technology R&D**
- 5 Continuous growth based on high profitability**

# User Local Strengths Driving 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 27, and many employees with post-grad degrees working on R&D

4

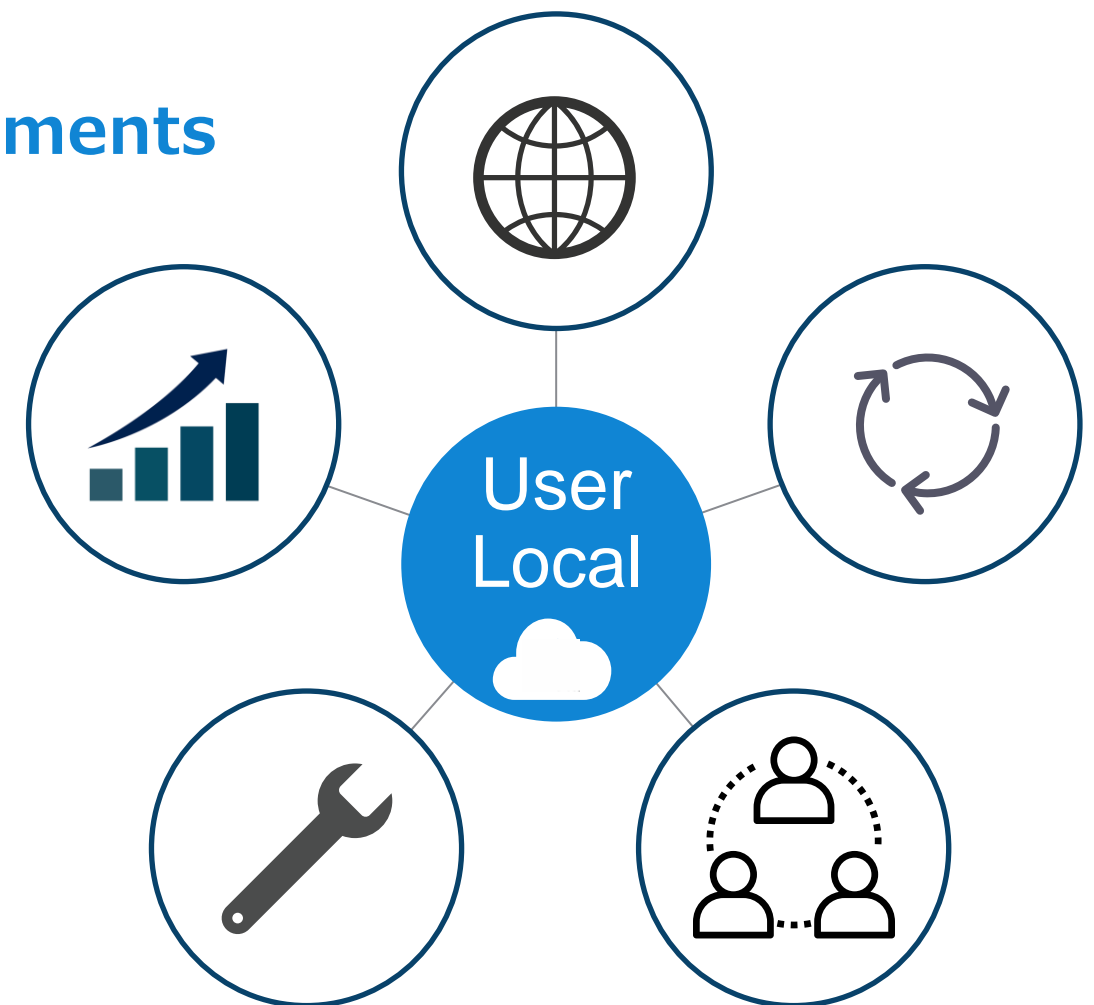
## Big data and AI technology R&D

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 and low-cost operations with a client base of well over 2,000 companies in a wide-range of industries

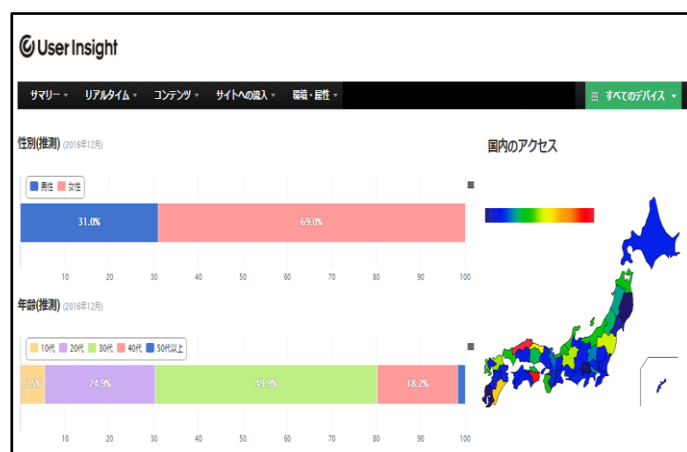
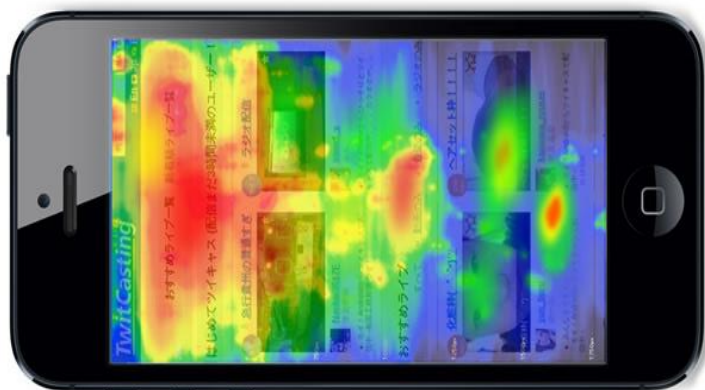


# Business Development in Growth Markets of Big Data and AI

## Marketing support with big data technologies

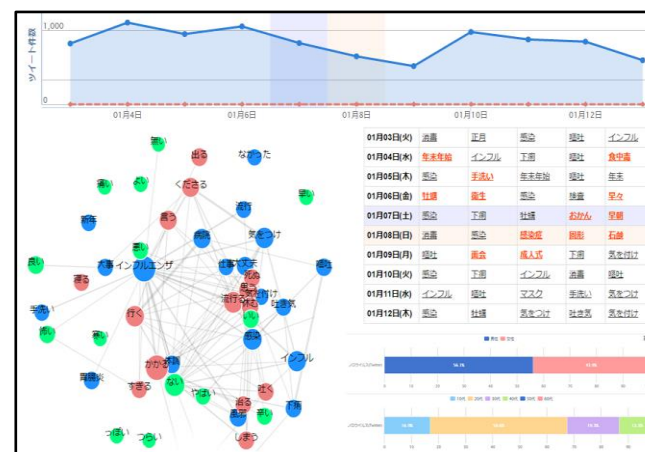
 **User Insight**

### Website analysis



 **Social Insight**

### Social media analysis



## Support automation with AI

 **Support Chatbot**

### Chatbot

▶ 返品・キャンセルについて

▶ 故障・欠陥など商品のトラブルについて

ちょっとお聞きしたいのですが

はい、どのようなご質問ですか？

プレゼント用のラッピングはできますか？

プレゼントラッピング/メッセージ添付は無料で承っております。ご購入の際に「ご注文確認ページ」で受け付けておりますのでご利用くださいませ。

問題は解決しましたか？

はい いいえ

質問を入力してください。

送信

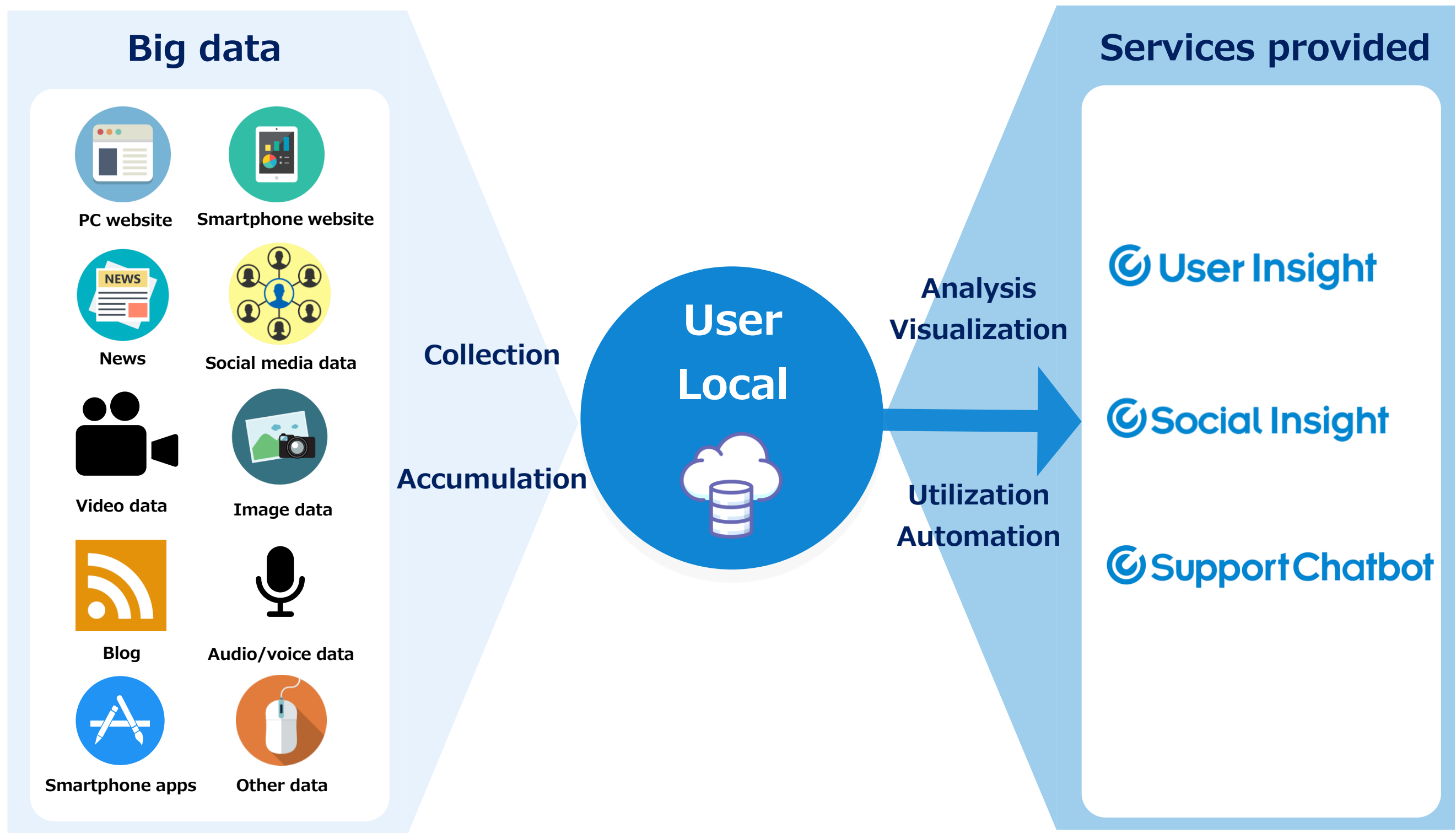
ビッグデータ分析ツールやチャットボットを提供する会社です。こちらから詳しい情報をご覧ください。  
<http://www.userlocal.jp/>

ユーザーローカルってどんな会社なのか教えて

質問を入力してください

送信

"Accumulation" → "Analysis" → "Visualization" of Large Amounts of Data





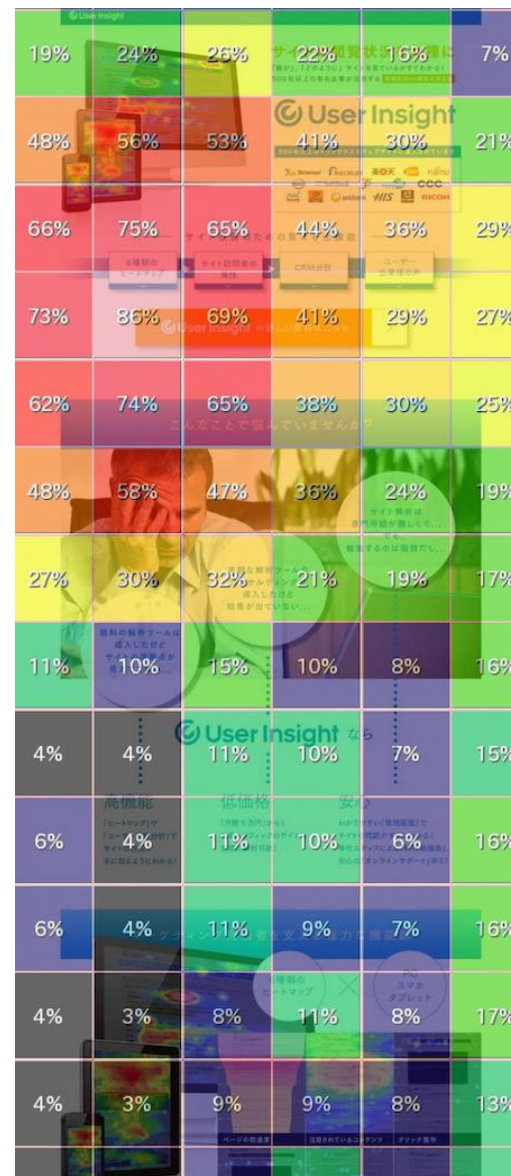
# User Insight User Insight

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

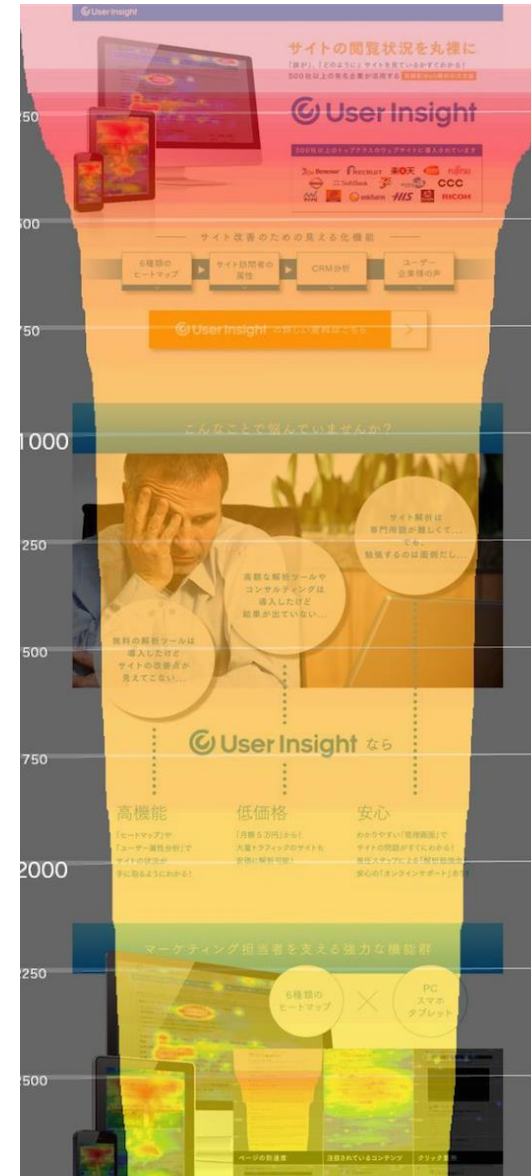
Where was users' attention focused?



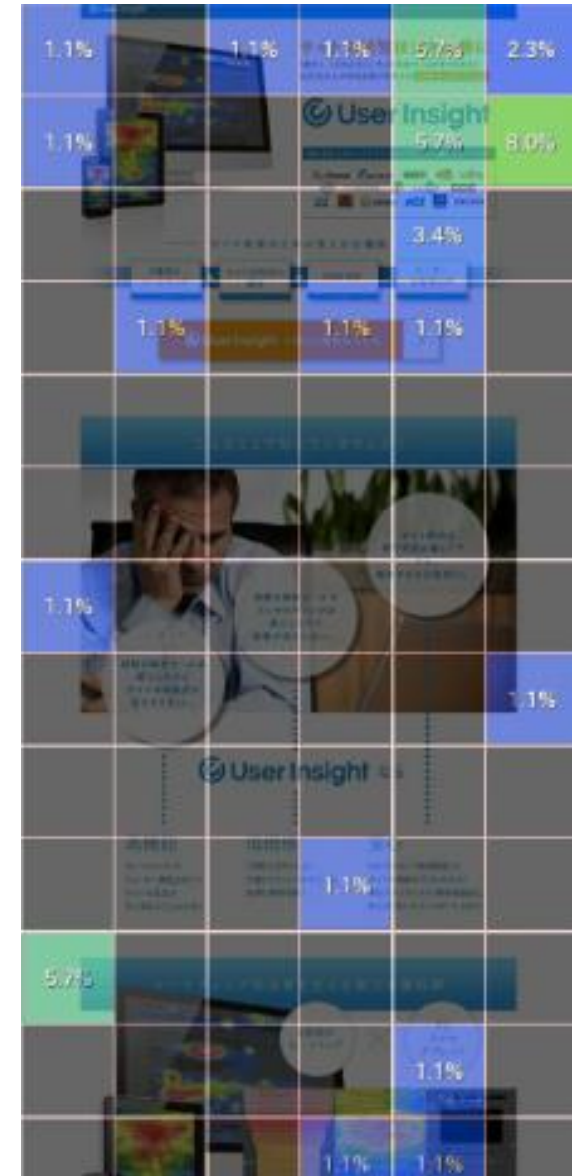
Viewing ratio per area



How much did users read?



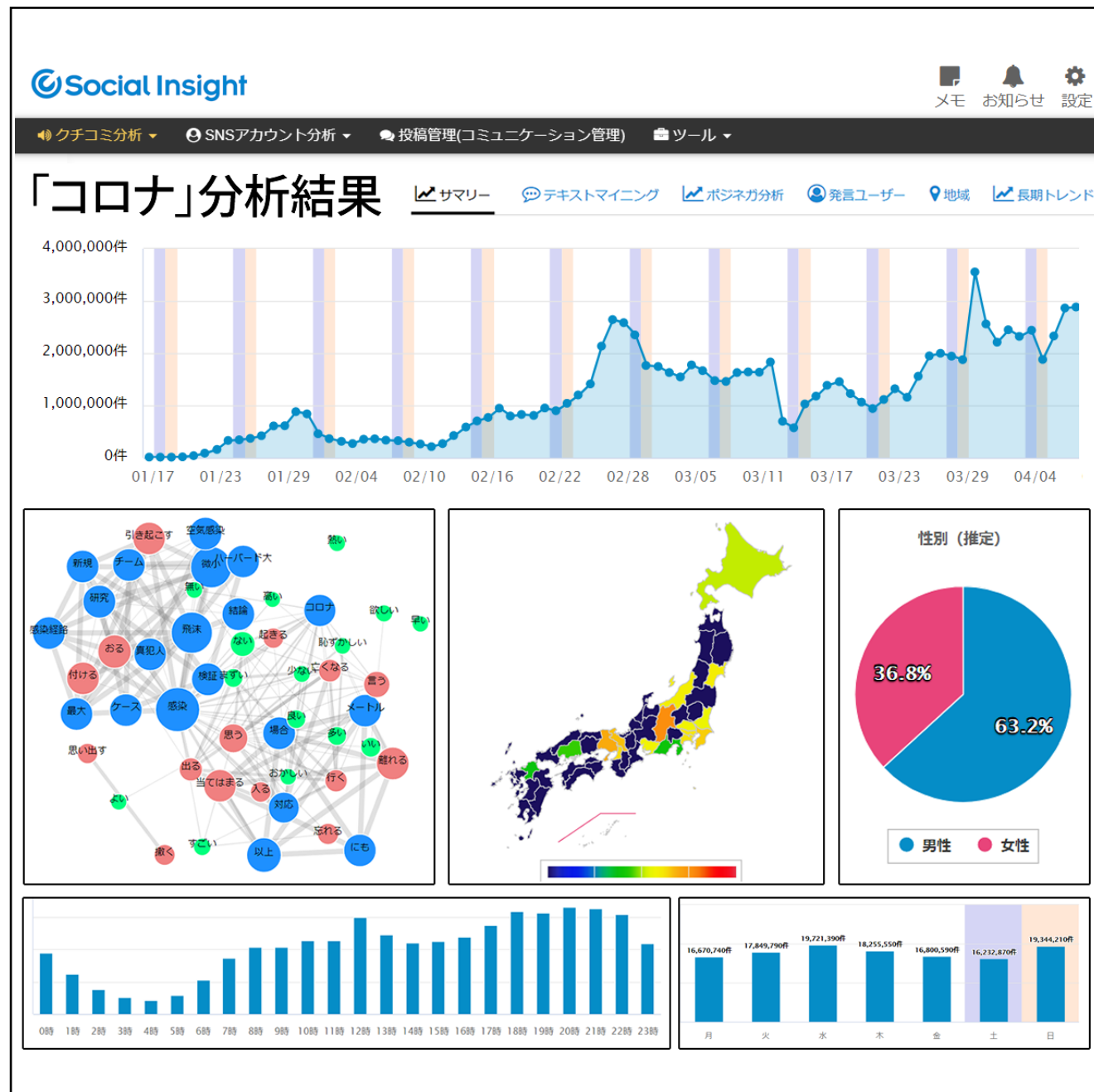
Areas clicked





# Social Insight Social Insight

Social analysis tool for analyzing social media data



Covers all data required for social media marketing



# Enhancement of Marketing Support Services

Enhancement of automation functions to enable the broad utilization of  
"automatic marketing tools"

 **User Insight**

 **Social Insight**

## Analysis tools

**Measurement, analysis,  
visualization**

Listening

Promotional campaign  
effectiveness measurement

Content valuation



## Automatic marketing tools

**Utilization and automation**

Automatic alerts, report creation

Automatic promotional campaign  
functions

Content optimization

# Support Chatbot

An AI tool to automate customer support operations and support increases in efficiency and user satisfaction

▶ [返品・キャンセルについて](#)

▶ [故障・欠陥など商品のトラブルについて](#)

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プレゼントラッピング／メッセージ添付は無料で承っております。  
ご購入の際に「ご注文確認ページ」で受け付けておりますのでご利用くださいませ。

問題は解決しましたか？

[はい](#) [いいえ](#)

質問を入力してください。 [送信](#)

**24-hour real-time responses**

**Also able to respond to demand related to inquiries from internal parties working at home**

**Can also work with expanded functionality to enhance the efficiency of support operations as a whole**

**+ Voice**

**+ Animation**

**+ FAQ websites**

# Also Suitable for Dialogue with Voice and Animation

## Support Chatbot



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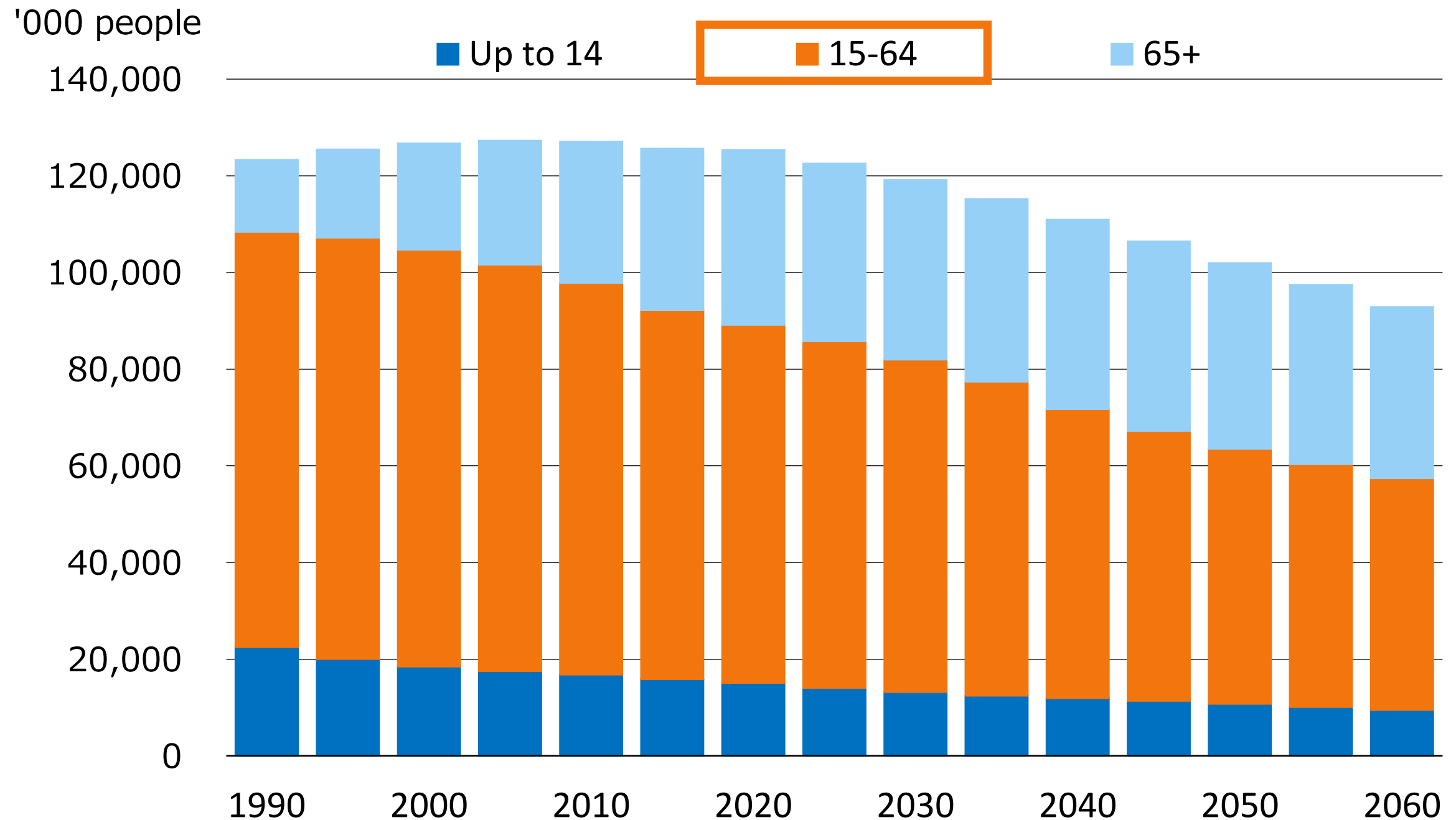
ユーザーローカルってどんな会社なのか教えて

質問を入力してください



送信

# Declining Domestic Labor Force is Becoming a Serious Issue



Source: "National Census Results," Statistics Bureau of Japan up to 2015, and "Population Projection for Japan," National Institute of Population and Social Security Research from 2020 onward



# Response to Issues Related to the Structure of Society in Japan

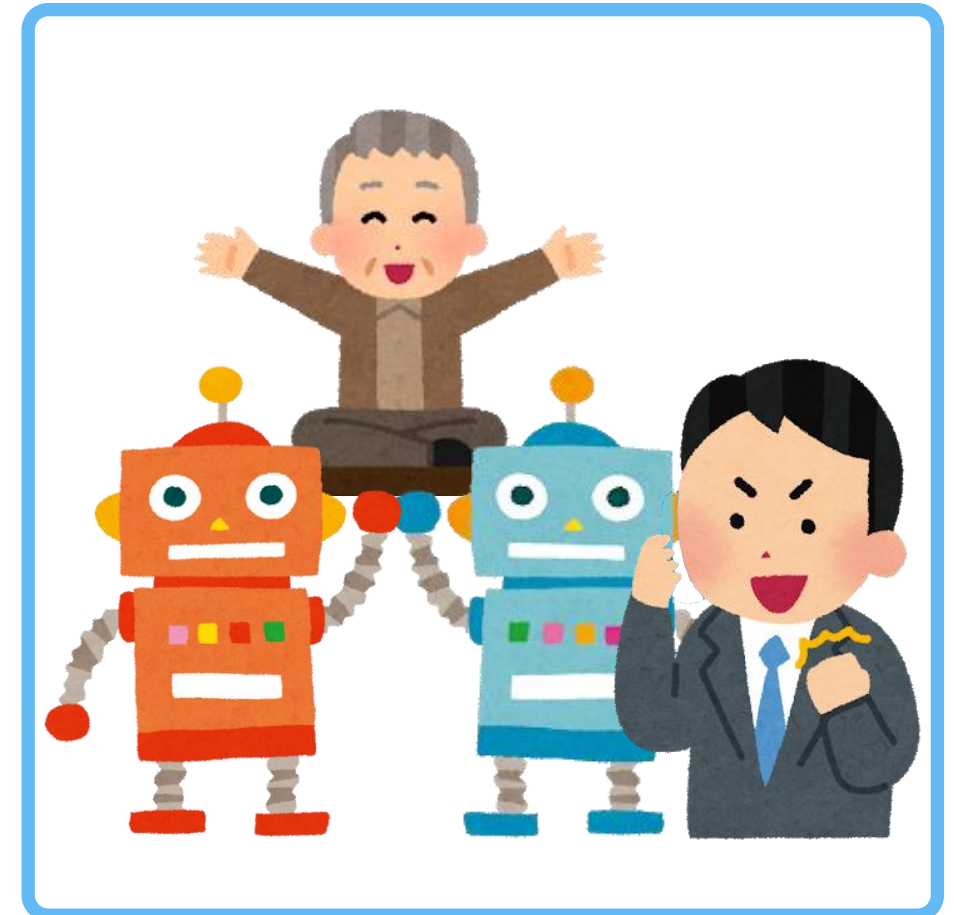
**Society until the 20th century**



**Future projection**



**Enhancing labor capabilities with AI**



In response to the projected decline in the domestic working population, Local User aims to use data and AI to enhance productivity and achieve automation

# Suitable for Various Industries and Operations

## Internal use

## External use



# Introduced by Well Over 2,000 Companies in a Broad Range of Industries, Thanks to Superior Service Capabilities

Introduction examples	
<b>Government agencies, etc.</b> Government agencies, local governments, educational institutions, etc.	  
<b>Manufacturers</b> Electronic devices, automobiles, food products, etc.	      
<b>ICT</b> Software, information communications, etc.	    
<b>Financial institutions</b> Banks, securities, etc.	   
<b>Media</b> Publishing, newspaper companies, etc.	   
<b>Other</b>	  

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# 1H FY6/21 Earnings Summary

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- Net sales and profit at each stage exceeded the same period of the previous year

Net sales	973mn yen (25.3% YoY)
Operating profit	450mn yen (25.1% YoY)

- Making good progress on full-year targets for net sales and each stage of profit

Net sales progress ratio	50.6%
Operating profit progress ratio	58.5%

- Actively investing in R&D in order to develop new services

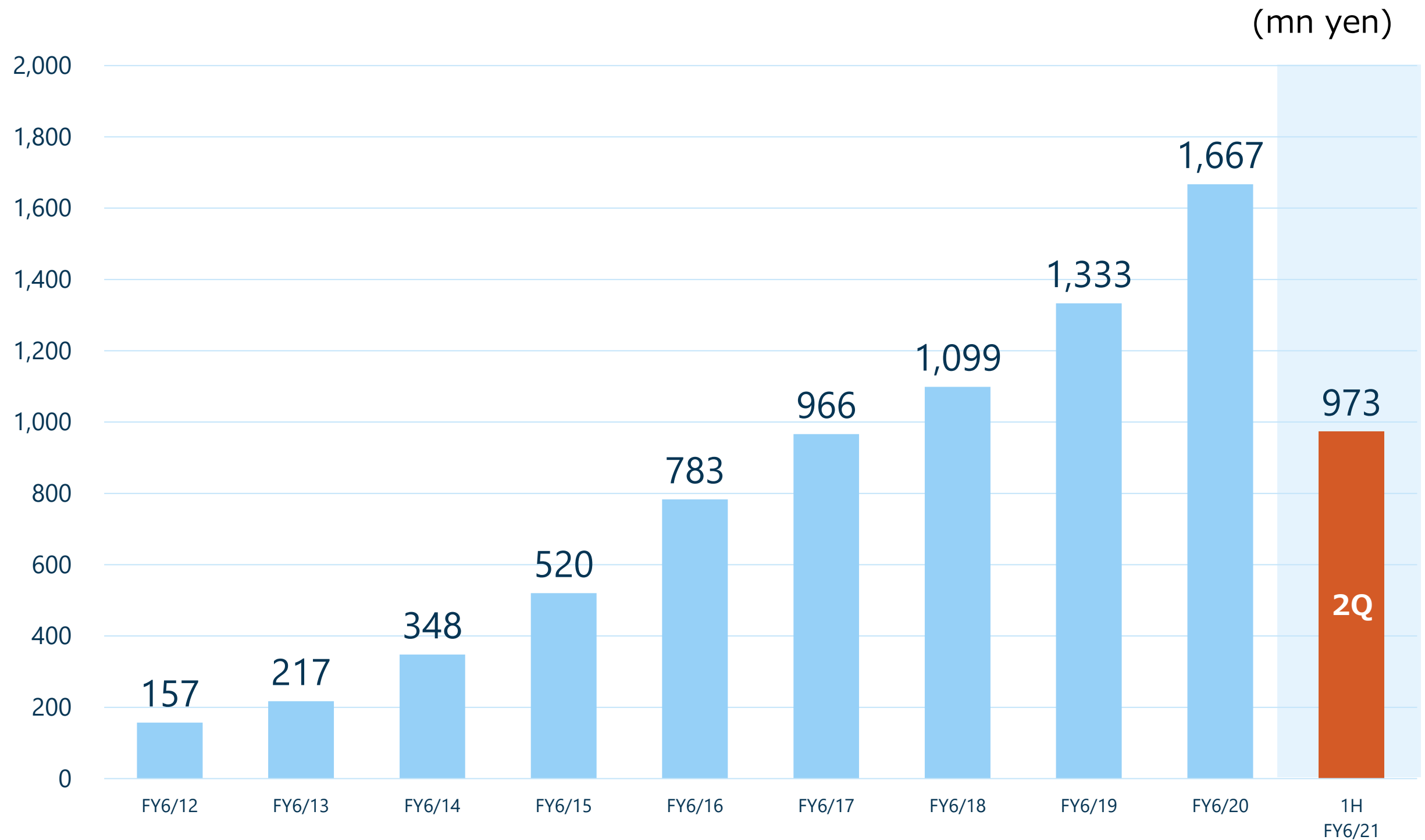


# Outline of Earnings Performance in 1H FY6/21

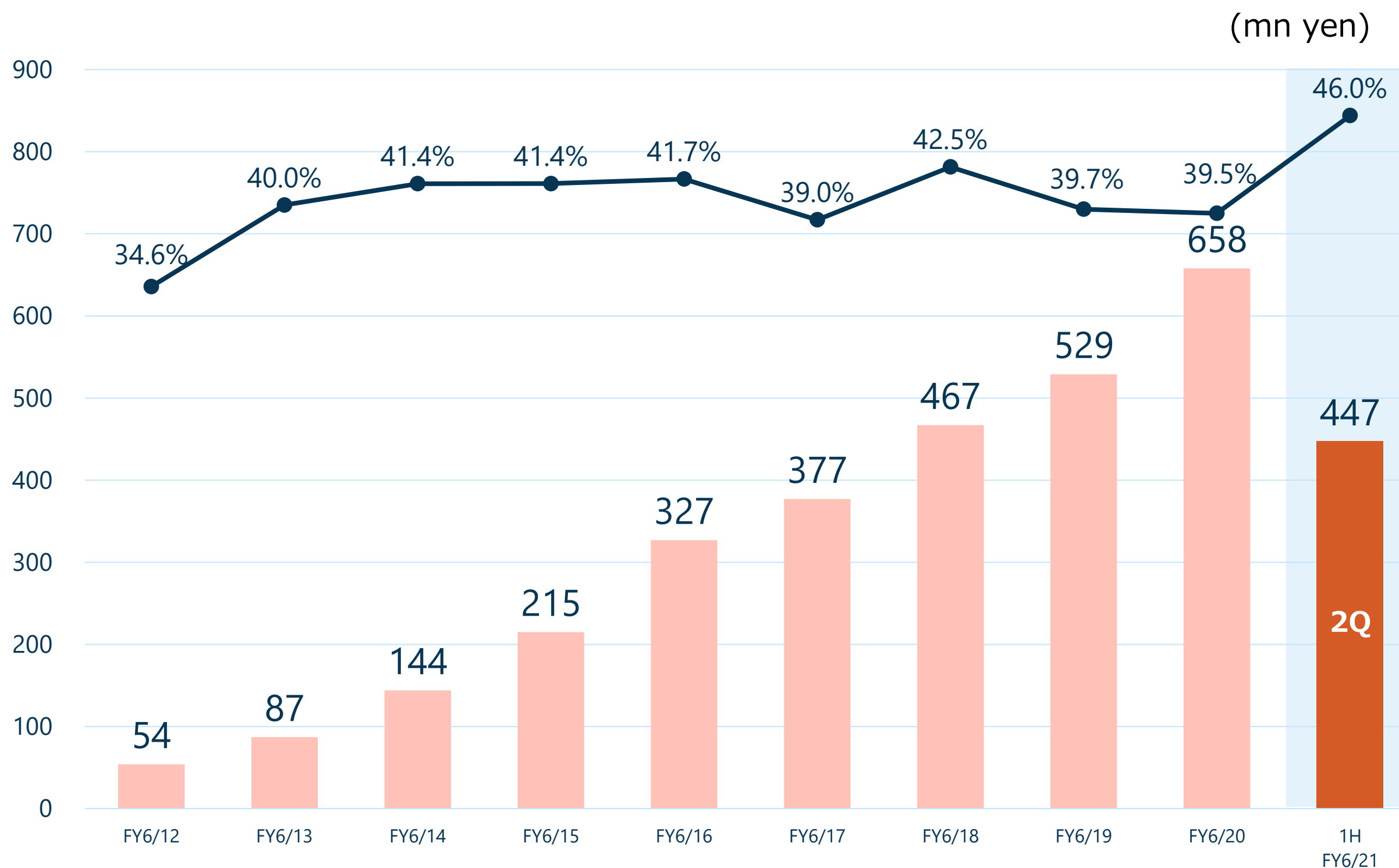
Net sales increased **25.3%** YoY, and operating profit increased **25.1%** YoY

(mn yen)	1H FY6/20	1H FY6/21	YoY change
Net sales	776	973	+25.3%
Operating profit	360	450	+25.1%
Ordinary profit	330	447	+35.2%
Profit	206	279	+35.4%

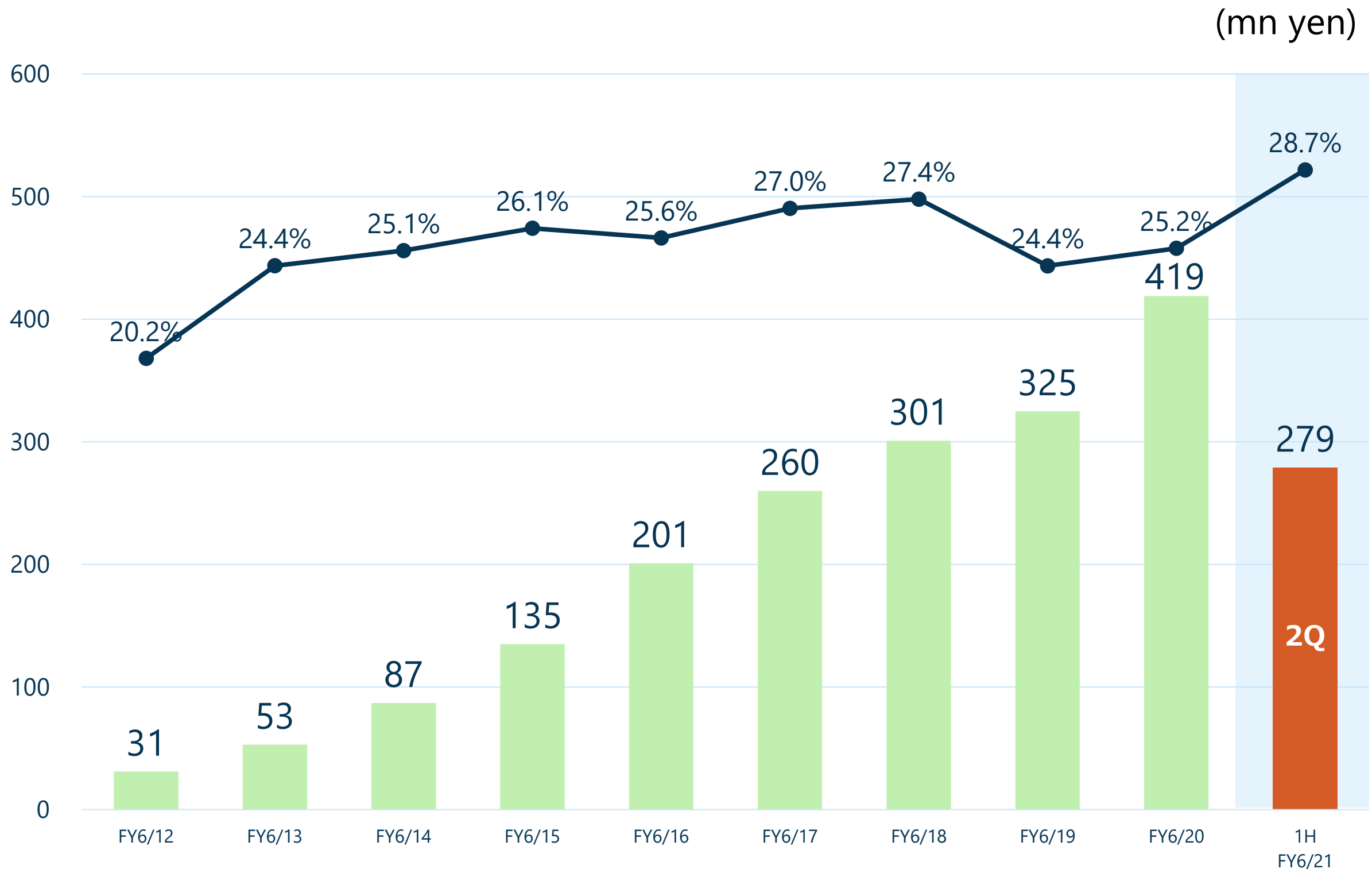
# 1H FY6/21 Net Sales



# 1H FY6/21 Ordinary Profit and Ordinary Profit Margin



# 1H FY6/21 Profit and Net Profit Margin



# 1H FY6/21 Financial Position

Net assets increased **311 mn yen**, and the equity ratio remained high, at **90.1%**

(mn yen)	FY6/20	1H FY6/21	Amount of YoY change
Current assets	4,211	4,515	+304
Non-current assets	207	198	△9
<b>Total assets</b>	<b>4,419</b>	<b>4,713</b>	<b>+294</b>
Current liabilities	481	464	△17
Non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>481</b>	<b>464</b>	<b>△17</b>
<b>Net assets</b>	<b>3,938</b>	<b>4,249</b>	<b>+311</b>

# 1H FY6/21 Progress Toward Earnings Forecasts

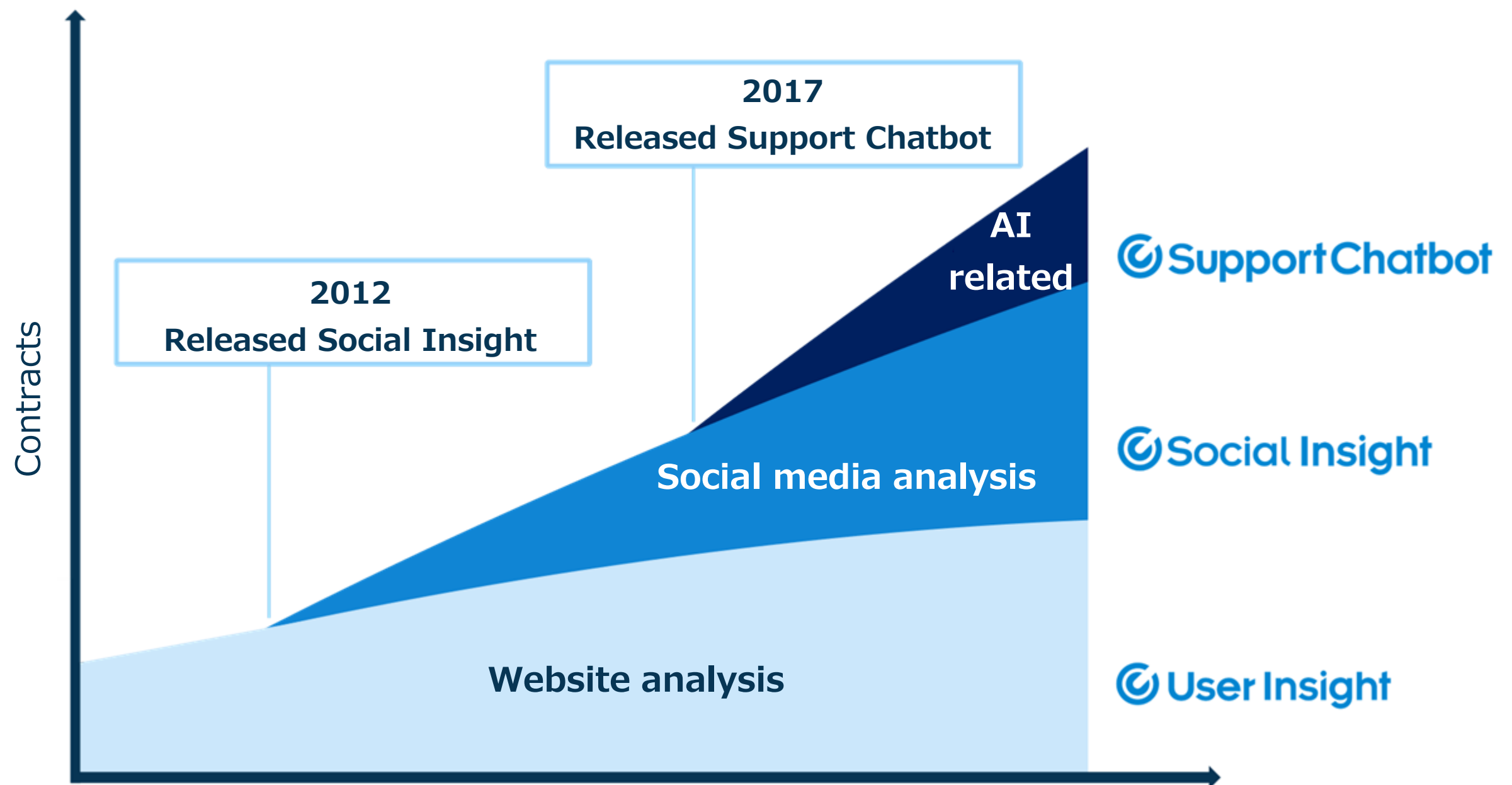
Made good progress toward full-year targets for net sales and each stage of profit

(mn yen)	FY6/21 earnings forecast	1H FY6/21	Progress
Net sales	1,923	973	50.6%
Operating profit	769	450	58.5%
Ordinary profit	769	447	58.1%
Profit	500	279	55.8%



## Number of Introductions Increasing in line with Increase in Services

### Achieving sustainable growth by developing new services



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# Will AI Compete with Humans in Future?



Human doctor

VS.



AI doctor



Human attorney

VS.



AI attorney

# In Fact, Competition will be Between People who Use AI and Those who Do Not

Hospital without AI



Attorney without AI



VS.

Hospital using AI



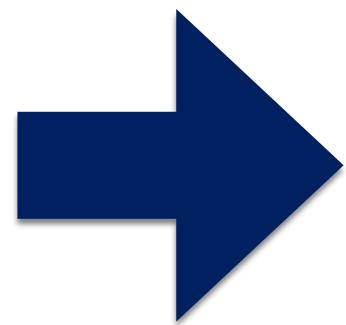
Attorney using AI



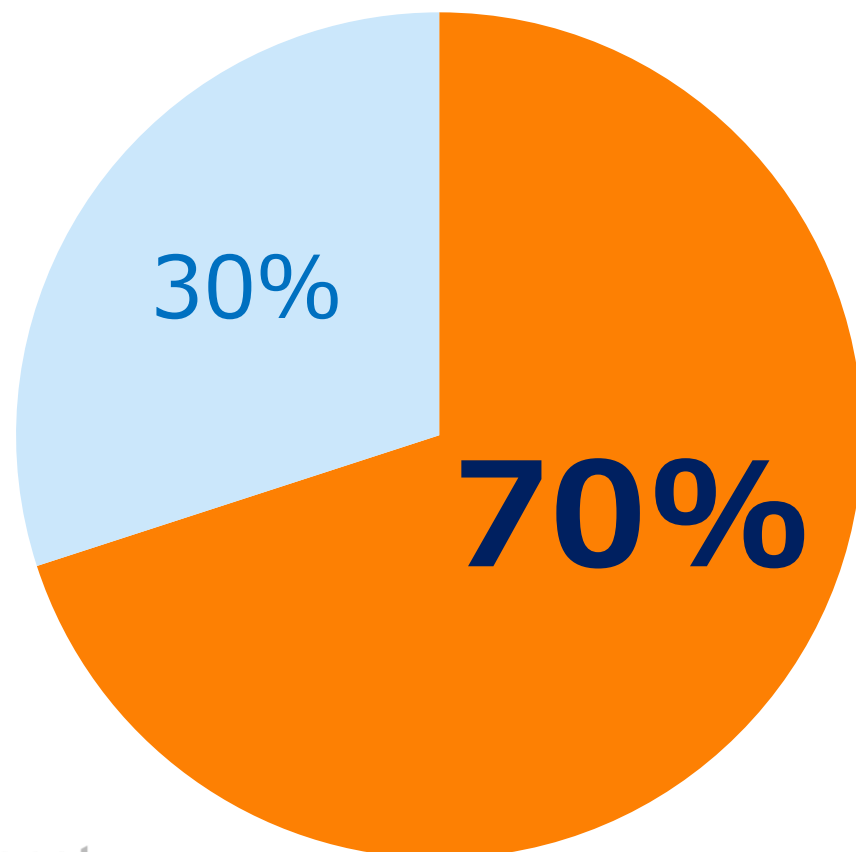
VS.

# Hiring AI Engineers and Strengthening Internal Education

There will be solid progress in the development of AI technologies and their application in society over the next 10 years



**In response to this demand, User Local will increase the proportion of AI engineers among in-house engineers to 70% (target for FY6/21)**



## AI engineer tasks

- AI algorithm development
- Combining algorithms and implementing them in products
- Coordinating with cloud and edge computing

# Three Focus Areas

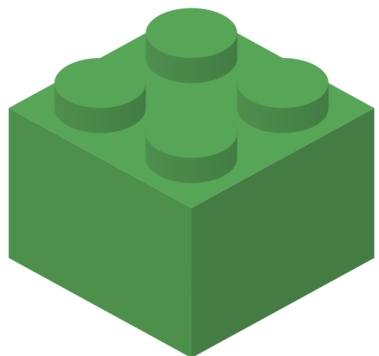
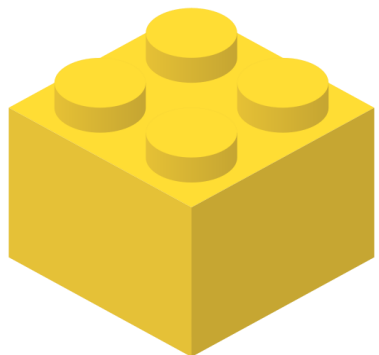
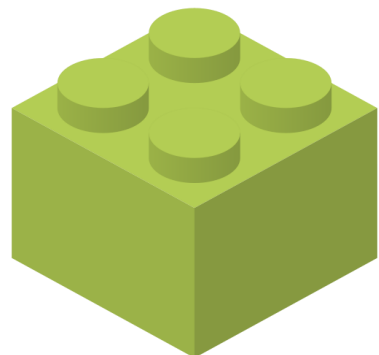
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- (1) Expansion of in-house AI algorithms**
- (2) Application of AI algorithms to existing services**
- (3) New development of AI services**

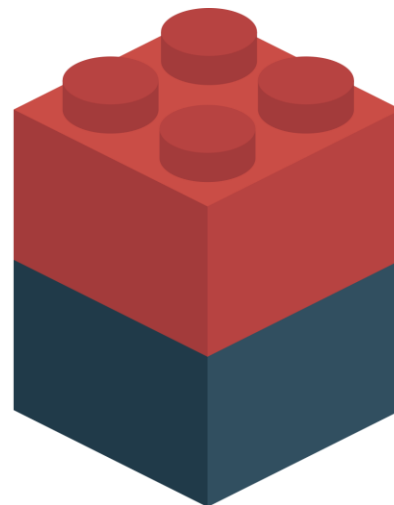


# Create Products from New Combinations of Individual AI Algorithms

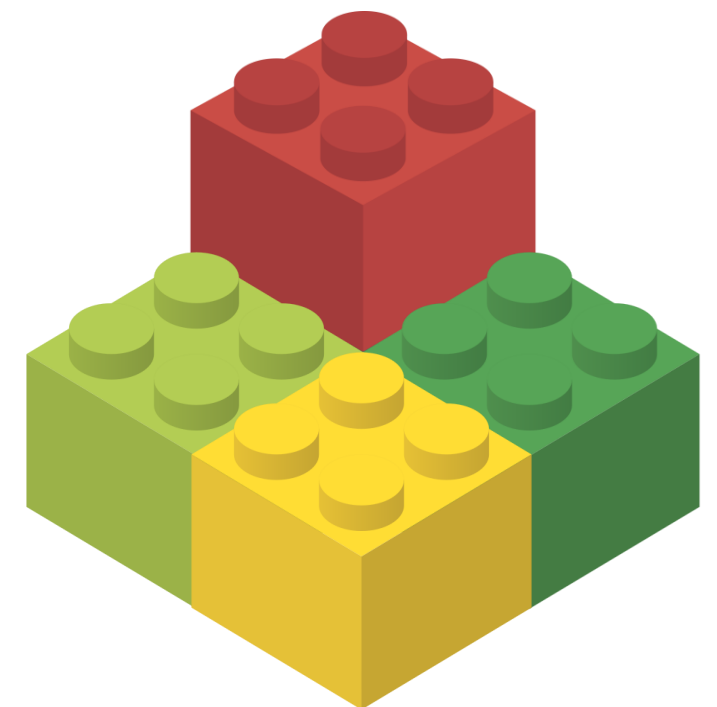
Individual AI algorithms



Big data and processing infrastructure already held



More sophisticated versions of existing products



Existing product line-up

New AI services

# Three Focus Areas

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- (1) Expansion of in-house AI algorithms**
- (2) Application of AI algorithms to existing services**
- (3) New development of AI services**

# Expansion of In-house AI Algorithms (Language and Image Processing)

## Position inference AI

Automatic detection of skeletal movement



## Line of sight inference AI

Automatic detection of changes in where one is looking



## Expression Inference AI

Reading of emotions from facial images



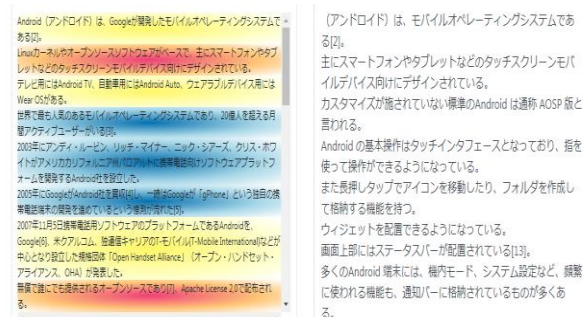
## Facial recognition AI

Age and gender identification from facial images



## Automatic text summarization AI

Extraction of key passages from text



## Personal information processing AI

Processing of personal information



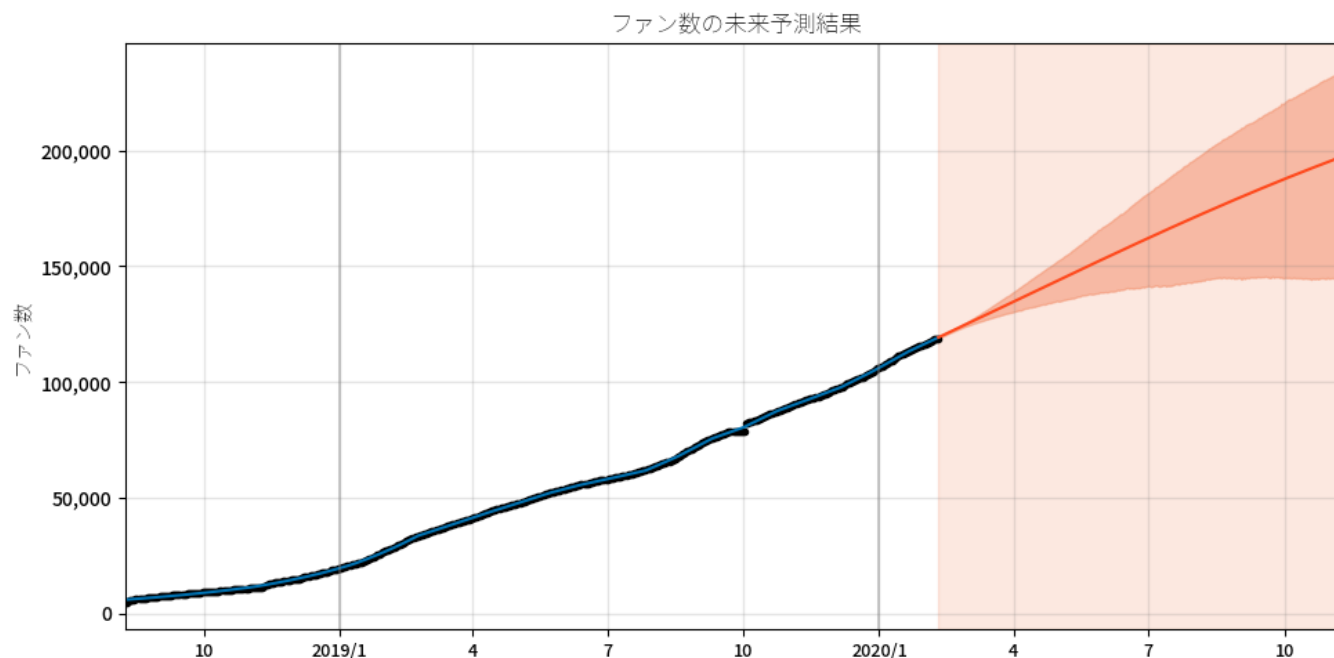
# Three Focus Areas

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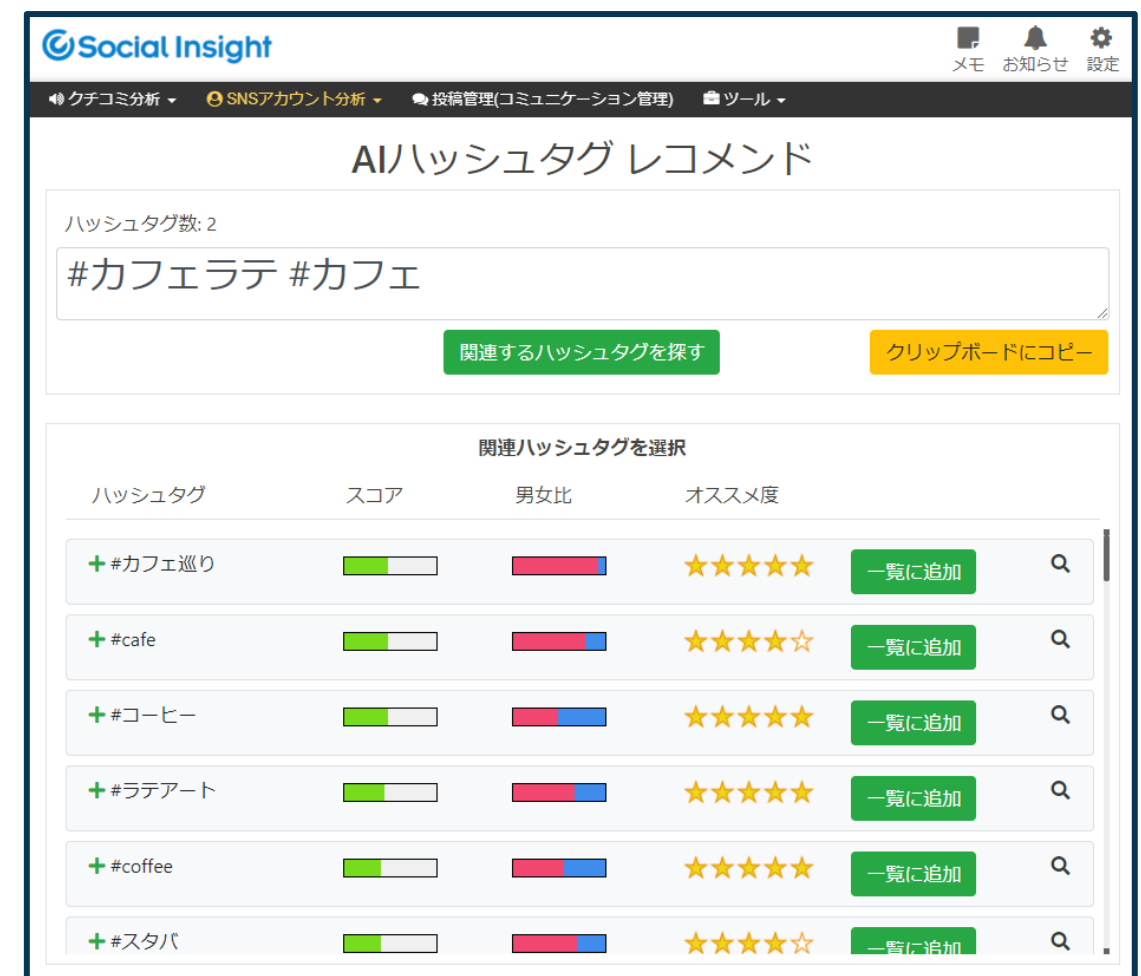
- (1) Expansion of in-house AI algorithms
- (2) Application of AI algorithms to existing services**
- (3) New development of AI services

# Introduction of AI Algorithms in Big Data Analysis Products

## Automatic forecasting of future growth in page views and fan numbers



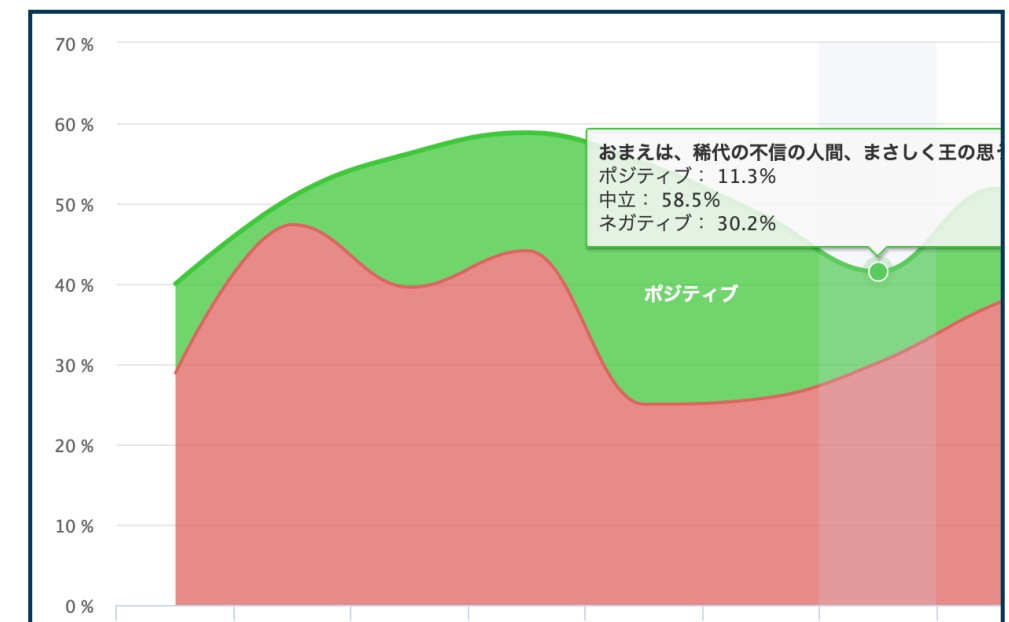
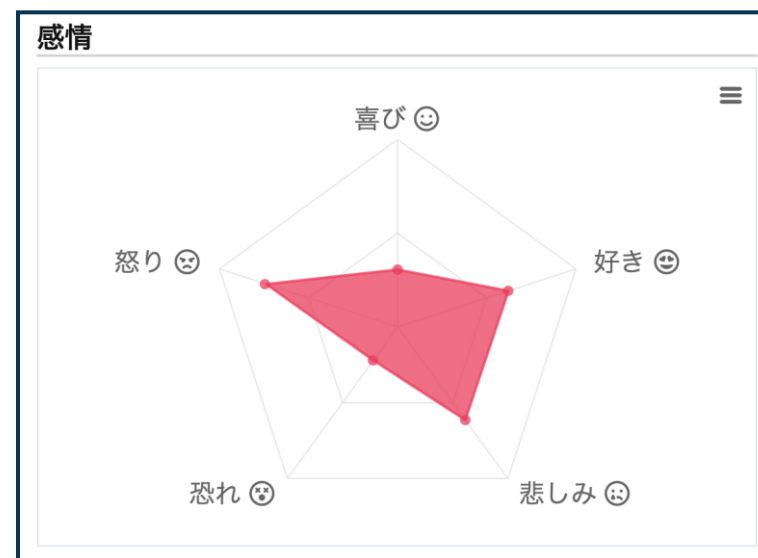
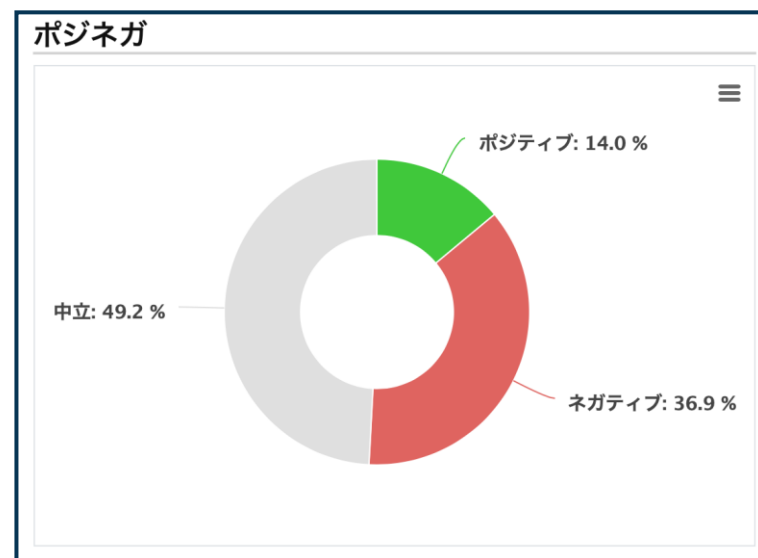
## Optimization of content based on hashtag recommendations



Strengthening User Insight and Social Insight analysis capabilities

# Introduction of AI Algorithms in Text Mining Tools

## Application of emotional recognition based on deep learning to text mining



AI uses text mining tools to process the results of surveys and comment and review text, thus supporting marketing



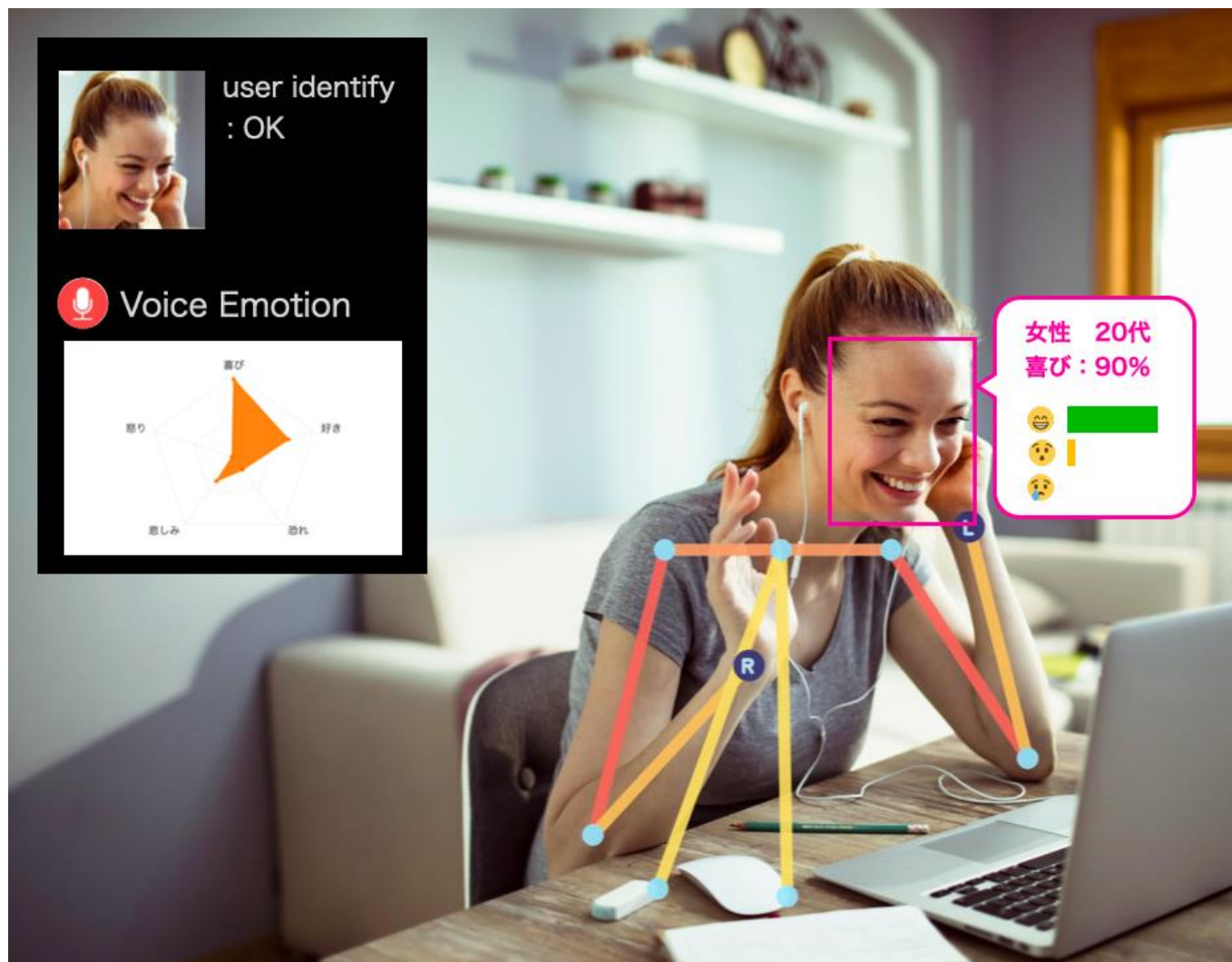
# Three Focus Areas

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- (1) Expansion of in-house AI algorithms
- (2) Application of AI algorithms to existing services
- (3) New development of AI services**

# Character Analysis AI

All-in-one AIs capable of analyzing people's actions, expressions, attention, voice, and other information in a cross-sectional, multifaceted manner



By combining multiple functions, these AIs can be used in various industries

(Main utilization examples)

## Store and facility visitor analysis

Age inference

Gender inference

Emotion inference

Identify verification

## Movie, game, and other content assessment

Emotion inference

Attention and head position inference

Voice and emotion recognition

## Assessment of communication operations

Emotion inference

Voice and emotion inference

## Sports, medicine, and healthcare fields

Position inference

## Education field

Position inference

Emotion inference

Attention and head position inference

Text emotion recognition

## Crime prevention and monitoring

Position inference

Emotion inference

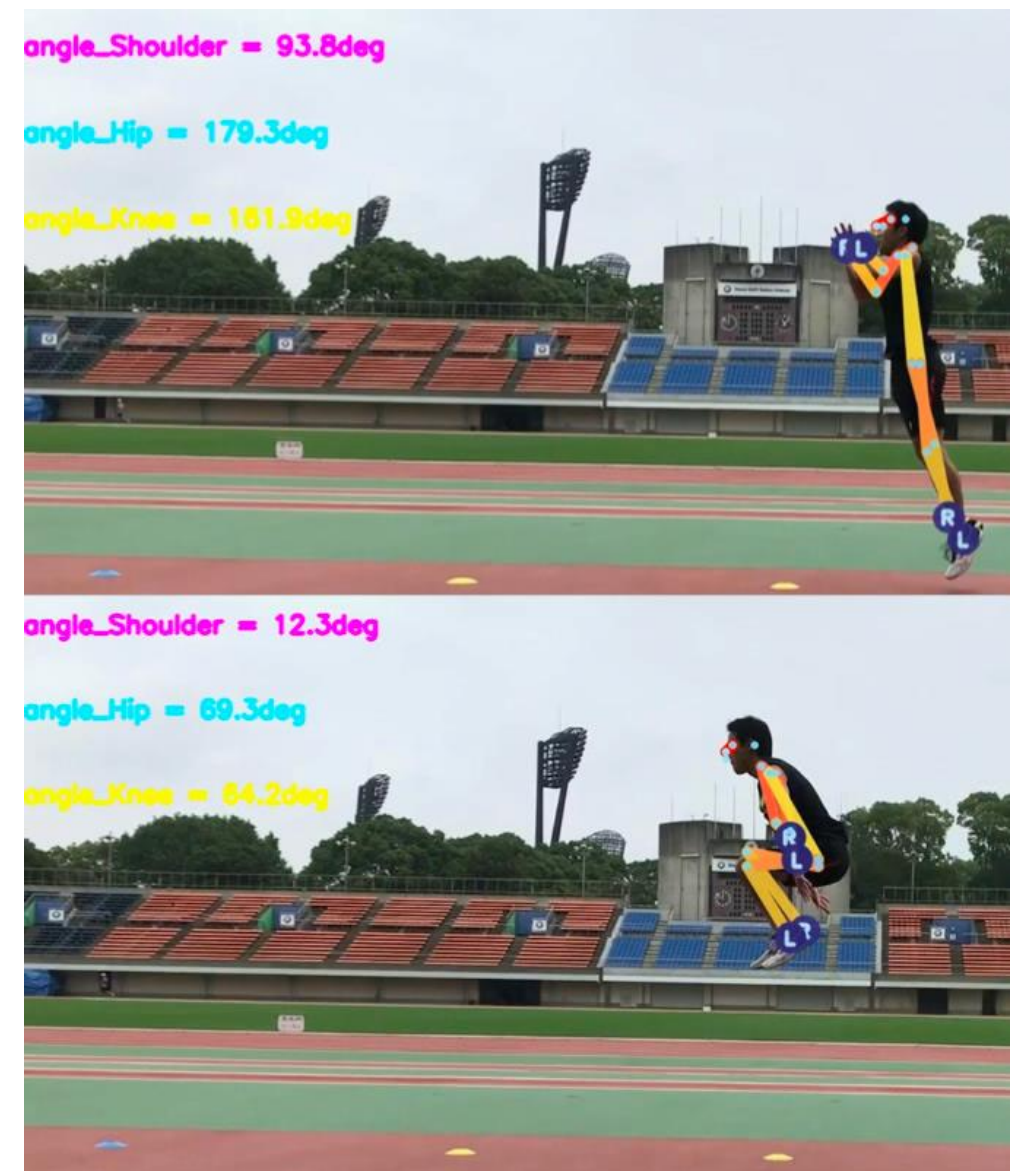
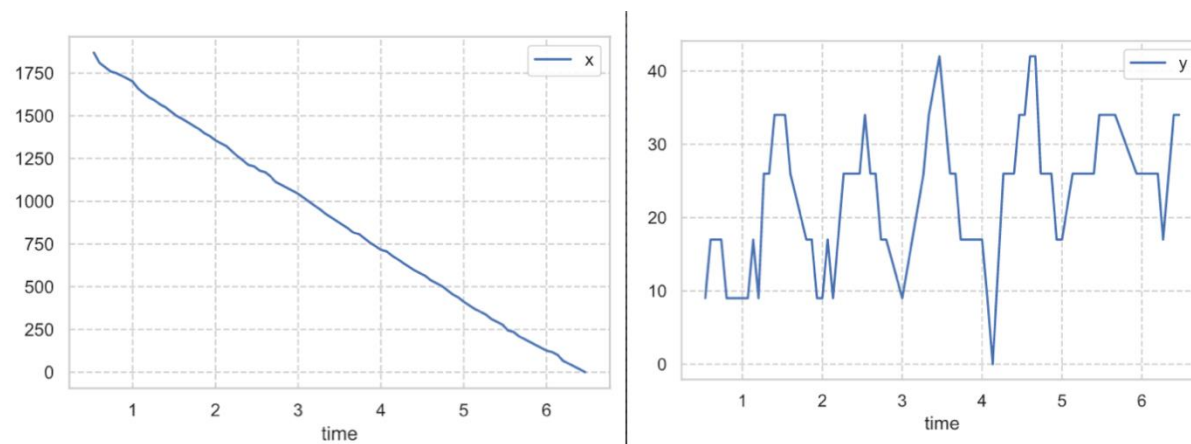
# Character Analysis AIs: Example Usage





# Position Inference AI

Since 2020, the HULFT Track and Field Team at Saison Information Systems has implemented analysis using "position inference AI," in order to enhance the efficiency and quality of data analysis



# AI for Automatic Classification of Document Categories

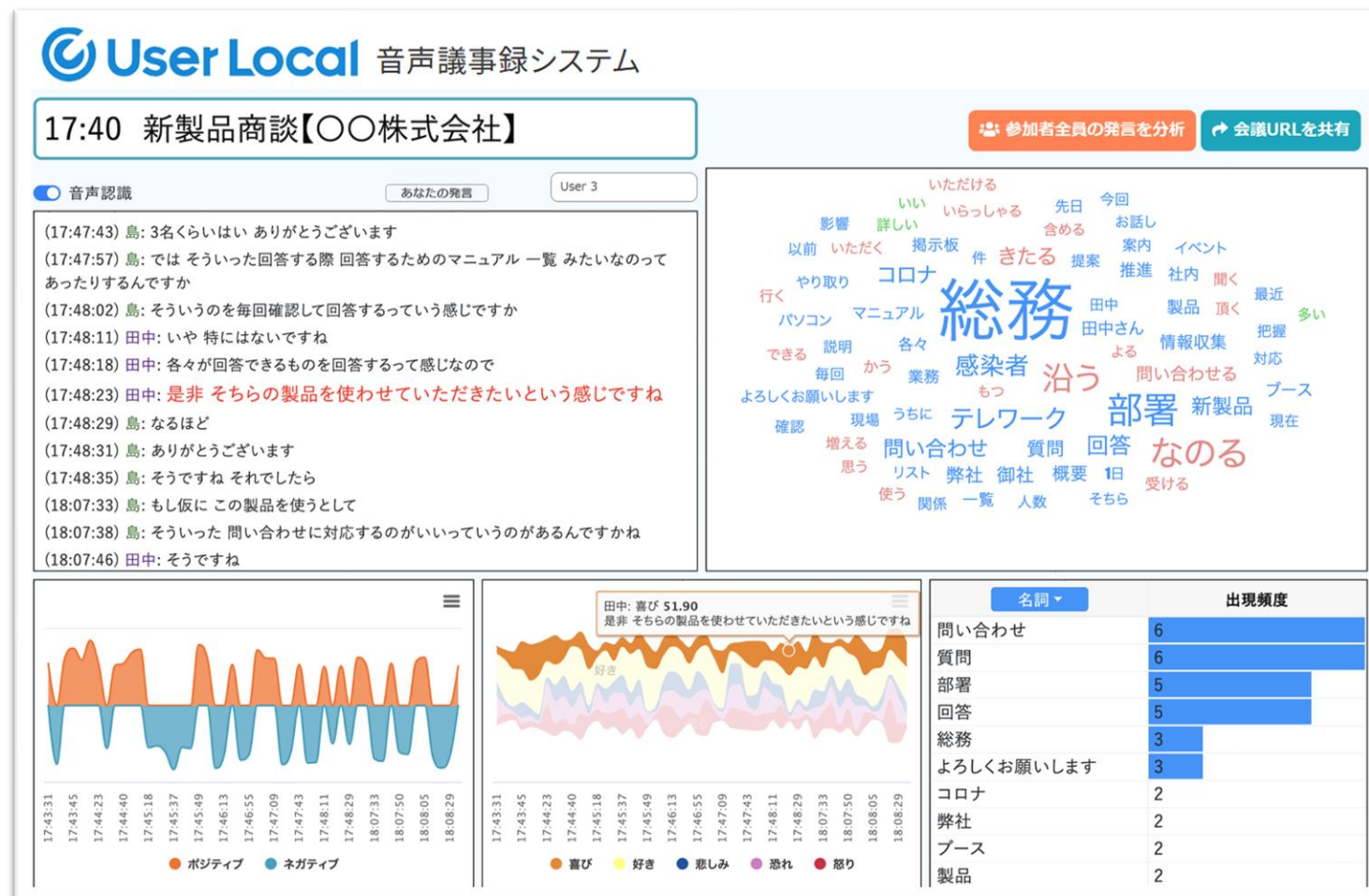
If document data is entered on a web browser, the AI immediately automatically assesses what category the content matches and visualizes this information in a radar chart





# Automatic Online Meeting Minutes Creation Service

Not only can this service automatically create minutes of online meetings, which previously required significant work, but it can also visualize the flow of the meeting with text mining technology



- (1) Capable of voice recognition of multiple speakers
- (2) Visualizes what sort of topics came up frequently during the meeting with text mining
- (3) Able to assess the emotions and positive/negative sentiment in chronological order with deep learning



# Voice Emotional Recognition AI for Reading Emotions from Voices


User Local has begun offering a "voice recognition AI" free of charge. This AI uses deep learning to read emotions from voices

 **User Local** 音声感情認識AI

 **音声の感情を認識**  
ディープラーニングを用いた解析AIが、入力された音声から感情を読み取ります

 **音声を録音**

**認識結果**  
**怒り**の感情が強い音声です  
 **結果をシェア**

**入力された音声**  


**感情の強さ**  

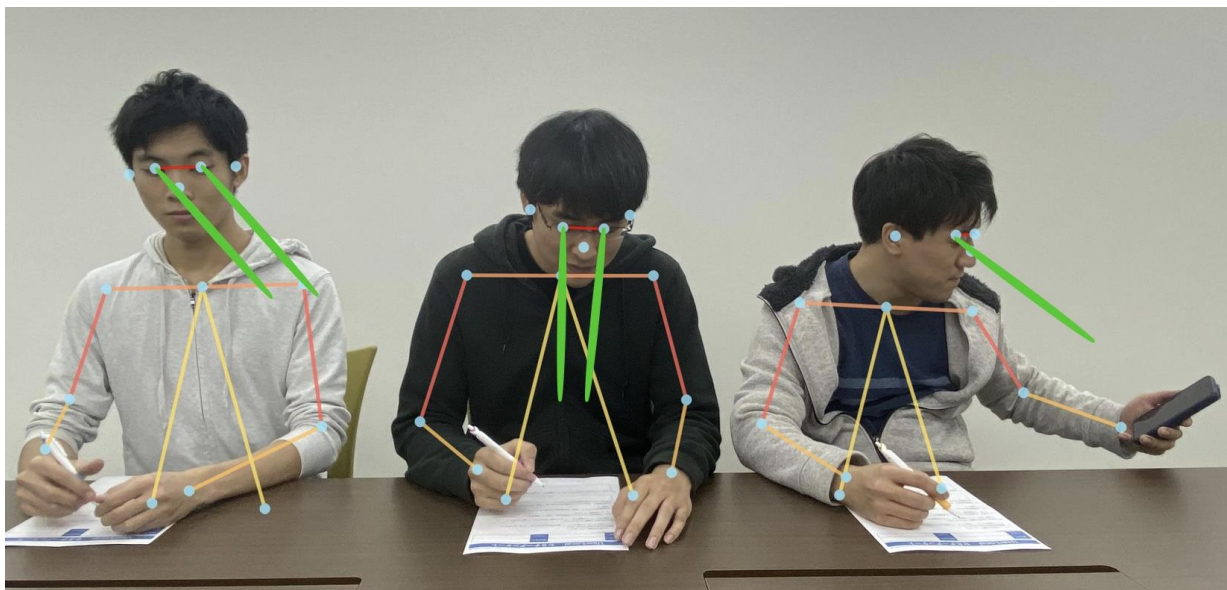

**音声ファイルのアップロード**  
クリックまたはファイルをドロップしてアップロード  
※ wavまたはmp3ファイルにのみ対応しています。  
※ アップロードできる音声の長さは1~30秒以内です。

# Cheating Prevention AI

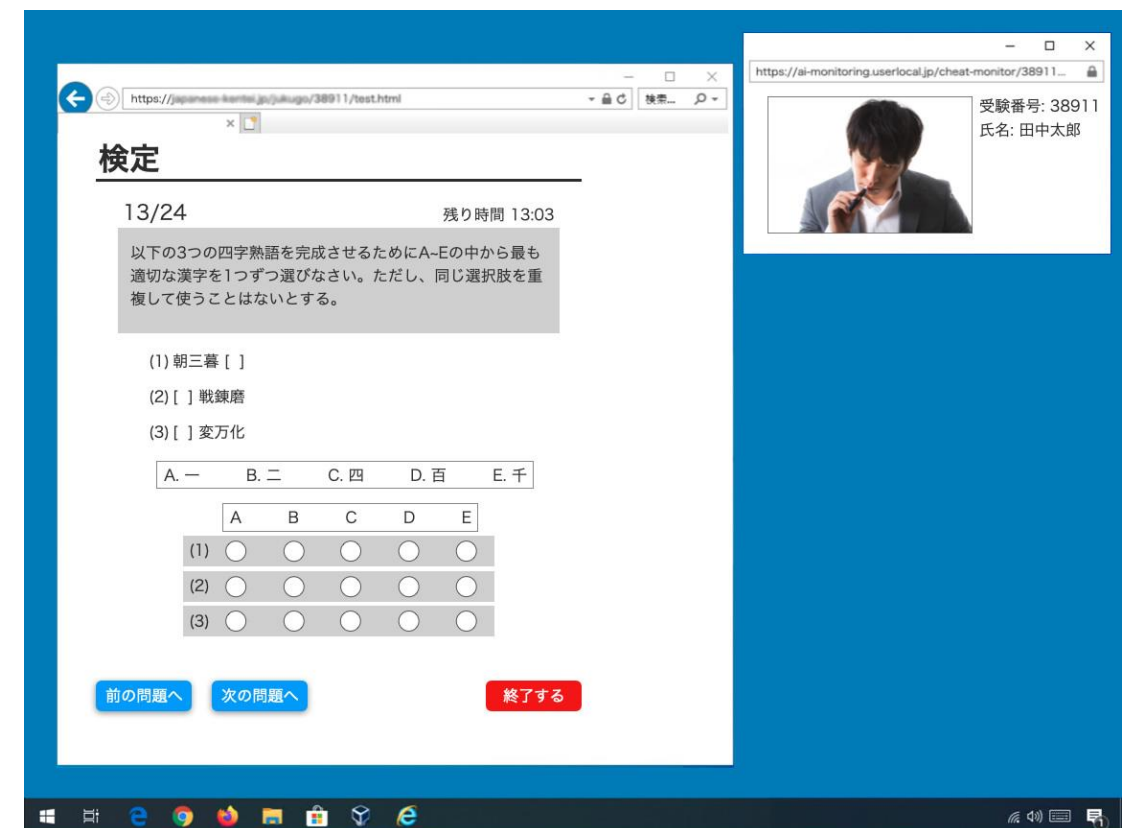
## Deep learning identifies cheating in exams

Uses attention inference, skeletal inference, and facial detection AI

### For on-site exams



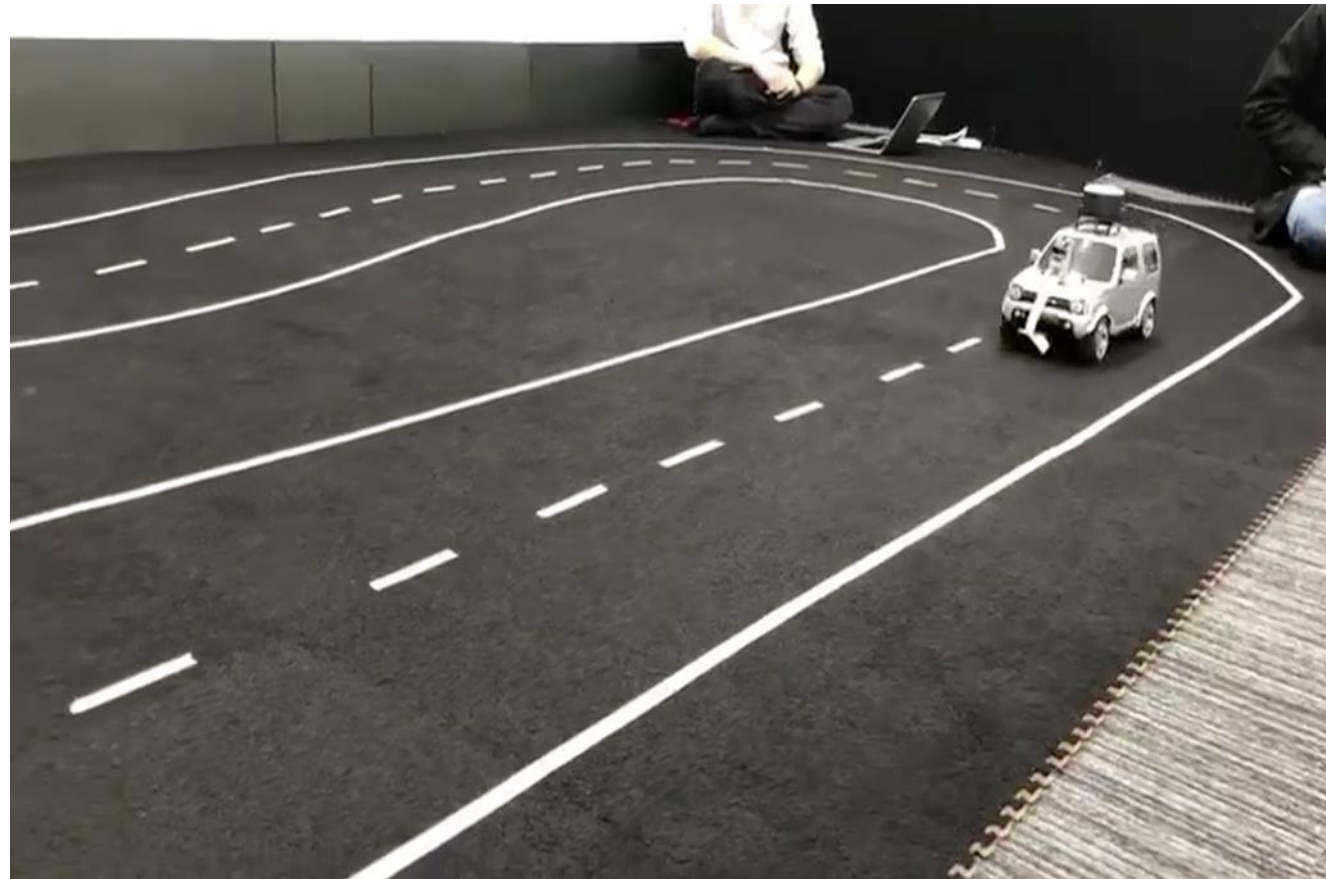
### For online exams



Camera video is used to automatically detect identity fraud and cheating

# Self-driving AI Training / Car Image Processing AI

User Local holds seminars on developing skills for self-driving software development and deep-learning technology application



## Joined MONET Consortium



### **MONET Consortium**

MONET Consortium is an organization established by MONET Technologies Inc., a joint venture whose investors include SoftBank and Toyota Motor. MONET Consortium promotes coordination between companies with the aim of promoting next-generation mobility services, finding solutions to social issues related to transportation, and new value creation.



# Self-driving AI Training / Car Image Processing AI

The AI recognizes only the target vehicle and blurs number plates and the background

Before processing



Assessment processing



After processing



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# Future Measures to Accelerate the Growth of User Local in a Non-continuous Manner

## Continuously strengthen product lifecycles to create new corporate value



### (1) R&D

(Creation of new services)



### (2) Hardware investment

(Servers, SSDs, and GPUs)

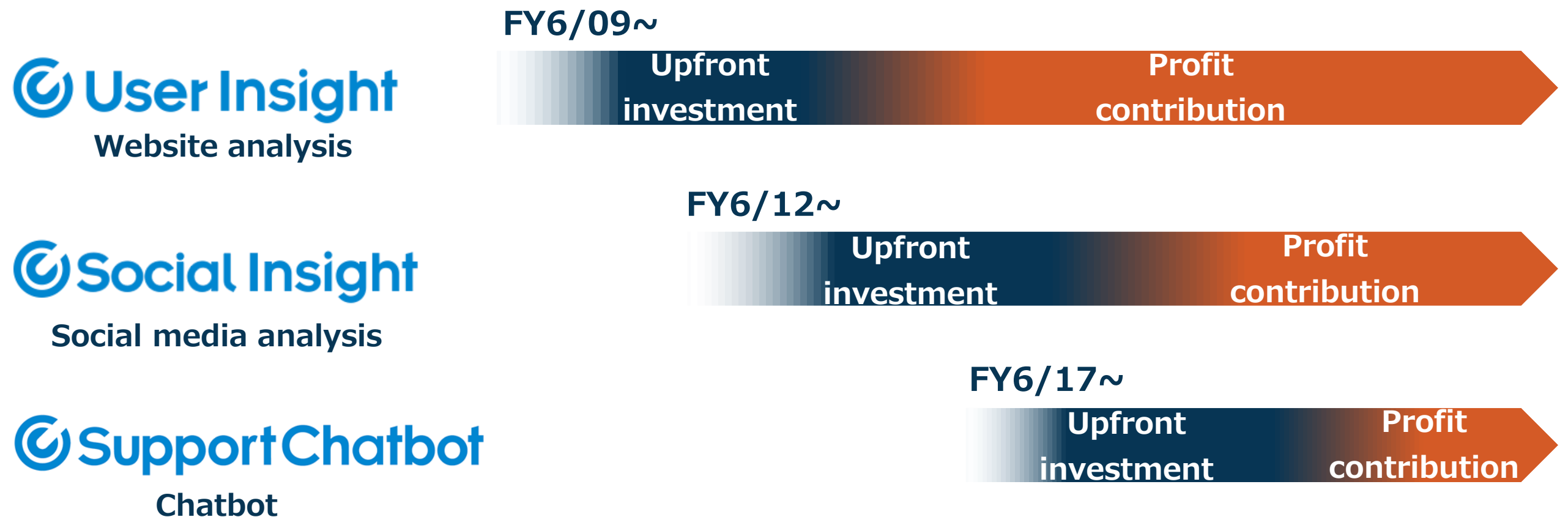


### (3) Actively expanding sales

(Strengthening personnel and  
boosting awareness)

# Product Lifecycles

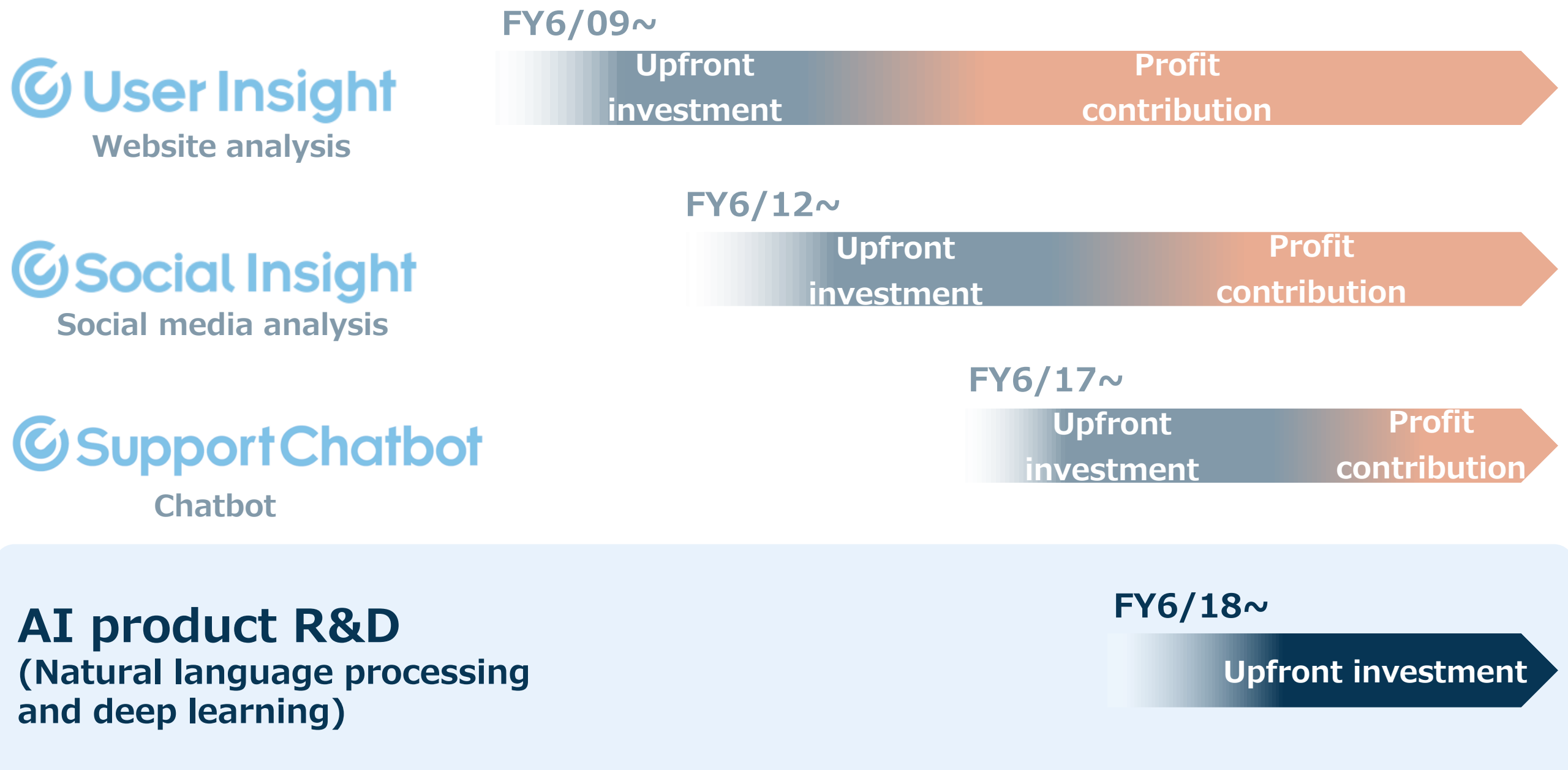
Entering new fields becomes possible with the growth of existing services





# Product Lifecycles

Entering new fields becomes possible with the growth of existing services



# Expanding the Areas where Big Data and AI are Utilized

## Future areas



Automatic text processing



Public administration support



E-commerce customer service support



Robot controls



Education support

## Existing areas



Data aggregation and visualization



Website UX measurement



Social media operation support



Content assessment



Image recognition



Automated responses



Fraud detection



Internal management tools

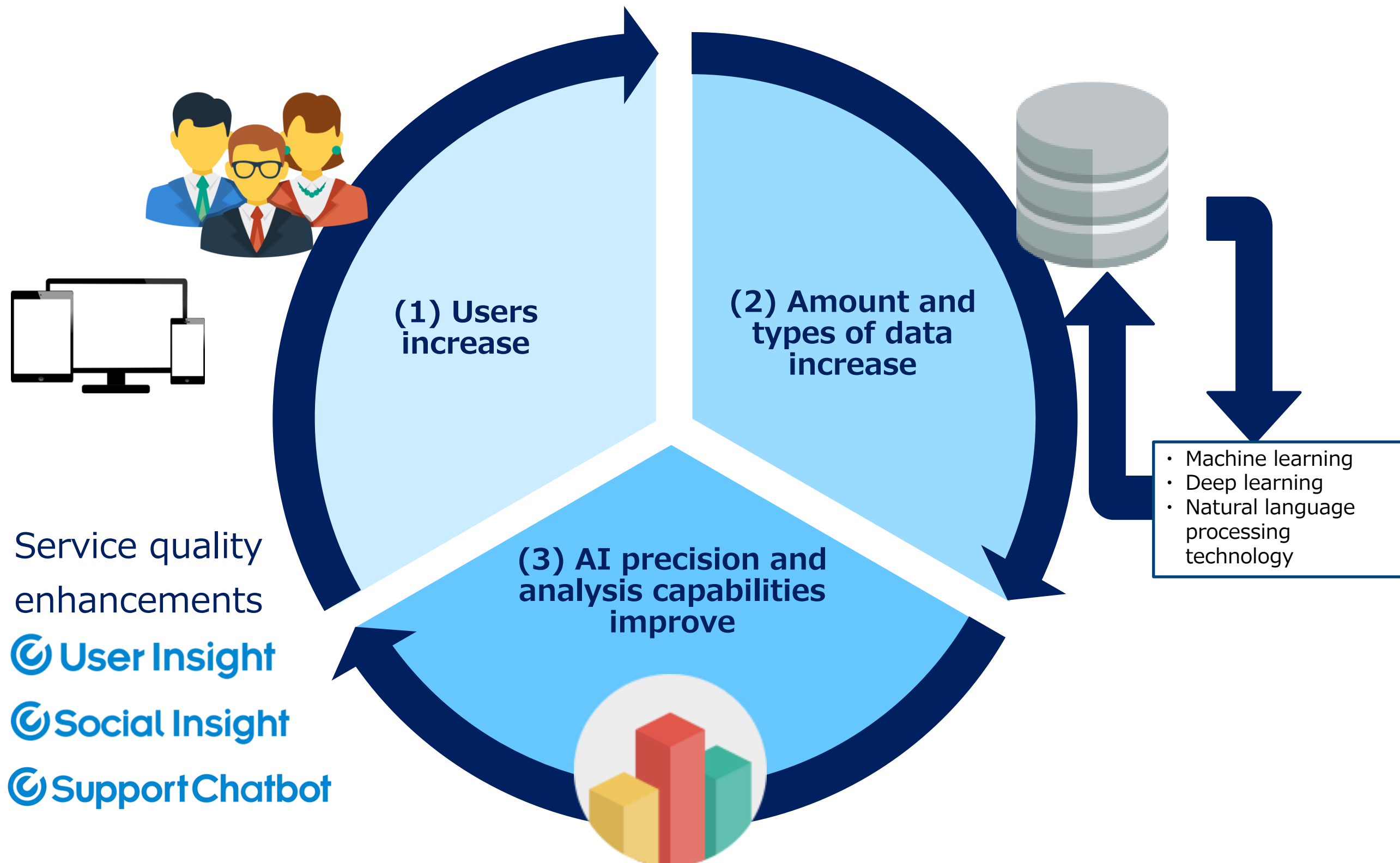


Privacy protection



Sales and marketing support

# Virtuous Cycle of Algorithm Improvement from Increase in Users



# Promoting the "Democratization of AI"

## Current status

Certain companies overseas have a monopoly on supply

Only companies with significant financial resources can utilize AI






Only some engineers can enjoy the benefits of AI

## Target

**Drive evolution toward a world where citizens enjoy the benefits of automation and enhanced efficiency from AI**

# ESG and SDG Initiatives

Enhance corporate value over the long-term by actively focusing on issues related to ESG and SDGs

	Main initiatives	Related SDGs
Environment	<p>Introduction of energy-saving facilities</p> <p>Move toward paperless operations</p>	 
Social	<p>Social contribution through tools developed in-house</p> <p>Nurturing of diverse human resources</p>	 
Governance	<p>Thorough implementation of information security measures</p>	

# Caution Regarding These Materials

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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 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.



Origins of the company name

"User Local" incorporates the idea of a place where various tools are kept, in the same way as the `/usr/local` folder on a hard disk. At the same time, it also incorporates the idea of a "company that is close (local) to users."