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August 9, 2023

Non-consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4372
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 Scheduled date to file quarterly securities report: August 9, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (For analysts and institutional investors)

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

1. Non-consolidated financial results for the first six months of the fiscal year ending December 31, 2023 (from January 1, 2023 to June 30, 2023)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	1,132	2.9	269	11.4	269	11.3	186	11.4
June 30, 2022	1,100	20.6	242	35.0	242	36.3	167	37.0

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	48.79	—
June 30, 2022	42.92	—

(Note) The diluted net profit per share for the fiscal years in question is not listed, as there are no dilutive shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	2,561	2,150	83.9
December 31, 2022	2,376	1,936	81.5

Reference: Equity

As of June 30, 2023: ¥2,150 million

As of December 31, 2022: ¥1,936 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	0.00	—
Fiscal year ending December 31, 2023	—	0.00			
Fiscal year ending December 31, 2023 (Forecast)			—	0.00	—

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Non-consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Basic earnings		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2023	2,400	10.1	575	10.4	575	10.5	396	10.3	104.11

Note: Revisions to the forecast of cash dividends most recently announced: None

*** Notes**

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated 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 June 30, 2023	3,892,600 shares
As of December 31, 2022	3,892,600 shares

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

As of June 30, 2023	62,837 shares
As of December 31, 2022	84,637 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	3,813,986 shares
Six months ended June 30, 2022	3,892,600 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Note regarding projections, etc.)

This communication contains financial forecasts and other projections. These projections are forward-looking statements that are based on the information that is currently available and on the assumptions that the company deems to be reasonable. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the company. Actual results are subject to a variety of factors and may vary greatly. For information on the assumptions on which result forecasts are based and precautions when using the results forecasts, refer to page 5 of the attached material “1. Qualitative Information for the Quarterly Financial Results, (3) Explanation Concerning Results Forecast and Other Future Forecast Information.”

(Itinerary for quarterly results briefing for investors and how to obtain a quarterly results summary)

We are planning to hold a briefing for institutional investors on August 18 (Fri), 2023 and for individual investors on August 22 (Tue). Additionally, the quarterly results summary will be disclosed on TDnet on August 9 (Wed), 2023, with a financial results explanatory video being created separately and scheduled to be posted to our website on the same day.

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1. Qualitative Information for the Quarterly Financial Results

(1) Explanation of Operating Results

While in the first six months of the current fiscal year, the Japanese economy saw the reclassification of COVID-19 as a Class 5 infectious disease lead to economic activities heading toward normalization, the economic outlook remains uncertain due to the increase in the cost of raw materials by the prolonging of the situation between Russia and Ukraine among other such factors.

In such circumstances, YMIRLINK proactively undertook initiatives to grow its SaaS business and increase perceived value for customers.

We have continued to expand services such as the following in the first six months of the current fiscal year.

• Cuenote SMS (SMS delivery service)

In April 2023, provision commenced of service with common number (common short code) support across the four mobile companies when using the two-way SMS function. Until now, companies needed a different number for each of the four mobile carriers to exchange SMS messages with users on their respective carriers, but with support for a common number across the four carriers, it is possible to send SMS messages such as ID verification messages, important notifications, administrative messages, and promotions using a single number. Common numbers are issued by the four carriers to companies, and these numbers make it easier for users to recognize company numbers. They will reduce sender spoofing and fishing scams and lead to the use of a safe and secure messaging service between companies and individuals.

As well as adding a delivery result callback function with support for Webhook in June 2023, functions were added to the service with the goal of improving usability, and provision has commenced. Until this point, to obtain the results of delivery of SMS sent from Cuenote SMS using the API, it was necessary to manually retrieve the results regularly. But using the delivery results callback function with support for Webhook that was added here enables the results of SMS delivery to be received in real time.

• Cuenote Survey (Online survey and form system)

We have commenced provision of the latest version that supports Google's tag management system Google Tag Manager (GTM), which Google started provision of in May 2023. GTM is a tag management system provided by Google, and enables efficient management of the tags that are essential for website effect measurement, analysis, and other such activities. Support for GTM enables efficient effect measurement, analysis, and management of questionnaires and forms.

The following is a summary of net sales by service type.

- Stock-based Revenue: This includes Cuenote SaaS subscriptions (service usage) sales and software maintenance sales. In the first six months of the current fiscal year, stock-based revenue was 1,107,831,000 yen (a year-on-year increase of 2.9%) due to implementation at more enterprise companies in addition to a continued increase in the number of deliveries, while the amount from fixed-term contracts at the end of the second quarter was 190,033,000 yen (a year-on-year decrease of 10.8%).

- Spot revenue: This includes Cuenote SaaS sales for newly contracted customers (that include the fees for initial use registration, customization, and proxy acquisition of security certificates, etc.) and software license sales (on-premise). Given robust growth in new SaaS sales, net sales in the second quarter cumulative earnings period were 24,446,000 yen (5.6% increase year-on-year).

In light of the above, business performance for the first six months of the current fiscal year resulted in net sales of 1,132,278,000 yen, operating profit of 269,662,000 yen, ordinary profit of 269,668,000 yen, and quarterly net profit of 186,096,000 yen.

Please note that we have omitted segment breakdown information as YMIRLINK's messaging solution business is in a single segment.

(2) Explanation of Financial Position

1. Status of assets, liabilities, and net assets

Compared to the end of the previous fiscal year, the financial situation at the end of the second quarter of this accounting period was favorable due to an increase in net assets of 214,654,000 yen through quarterly net profit.

The following is the financial situation by assets, liabilities, and net assets.

(Assets)

Compared to the end of the previous fiscal year, total assets at the end of the second quarter of this accounting period increased by 185,482,000 yen to 2,561,812,000 yen. This is mainly from recovery of accounts receivable and an increase in cash and deposits of 122,641,000 yen, an increase of 28,746,000 in prepaid expenses for the awarding of restricted stock, and an increase of 16,740,000 yen in increase in tools, furniture, and fixtures through investment in facilities.

(Liabilities)

Compared to the end of the previous fiscal year, total liabilities at the end of the second quarter of this accounting period decreased by 29,171,000 yen to 411,014,000 yen. This is due mainly to factors including a bonus reserve increase of 63,305,000 yen combined with an accounts payable increase of 18,729,000 yen, a decrease in accrued expenses for bonuses of 100,826,000 yen and a decrease in other current liabilities of 23,668,000 yen.

(Net assets)

Compared to the end of the previous fiscal year, total net assets at the end of the second quarter of this accounting period increased by 214,654,000 yen to 2,150,798,000 yen. This is due to an increase in retained earnings of 184,155,000 yen from the recording of a quarterly net profit, and an increase in disposal of treasury stock as restricted stock units of 30,498,000 yen.

2. Cash flow status

The balance of cash and cash equivalents (hereinafter, “capital”) in the six months of the fiscal year increased compared to the end of the previous fiscal year by 122,641,000 yen to 1,843,845,000 yen.

The status of each type of cash flow in the first six months of the fiscal year and the reasons thereof are as shown below.

(Cash flow due to business activities)

149,466,000 of capital was obtained as a result of business activities. A breakdown of the main details for income has quarterly profit before tax at 269,668,000 yen, an increase/decrease in bonus reserves of 63,305,000 yen, depreciation at 36,586,000 yen, and stock unit costs of 6,018,000 yen. A breakdown of the main details for expenditures includes an increase/decrease in arrears of 100,826,000 yen, and paid income taxes of 104,547,000 yen.

(Cash flow due to investment activities)

26,824,000 yen of capital was used as a result of investment activities. Capital saw a reduction through expenditures of 26,534,000 yen due to the acquisition of property, plant and equipment such as data center equipment.

(Cash flow due to financial activities)

N/A

(3) Explanation Concerning Results Forecast and Other Future Forecast Information

There is no change in the results forecast for the fiscal year ending December 31, 2023, from that published in the “Summary of financial results for the year ended December 31, 2022” dated February 10, 2023.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit: 1,000 yen)

	Previous fiscal year (December 31, 2022)	First six months of the current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and deposits	1,721,203	1,843,845
Accounts receivable - trade	296,870	295,092
Raw materials	236	3,268
Other	52,574	77,545
Allowance for doubtful accounts	△592	△566
Total current assets	2,070,292	2,219,186
Non-current assets		
Property, plant and equipment		
Buildings	32,491	30,929
Tools, furniture and fixtures	124,306	141,760
Total tangible fixed assets	156,798	172,689
Intangible assets	24,662	20,168
Investments and other assets		
Leasehold and guarantee deposits	89,559	89,559
Other	35,017	60,209
Total investments and other assets	124,577	149,768
Total non-current assets	306,037	342,626
Total assets	2,376,330	2,561,812
Liabilities		
Current liabilities		
Accounts payable - trade	14,216	32,946
Accrued expenses	169,294	68,467
Advances received	27,548	40,229
Income taxes payable	114,173	114,802
Bonus reserve	-	63,305
Other	114,952	91,264
Total current liabilities	440,185	411,014
Total liabilities	440,185	411,014
Net assets		
Shareholders' equity		
Share capital	273,853	273,853
Capital surplus	191,351	191,351
Retained earnings	1,589,345	1,773,501
Treasury shares	△118,406	△87,908
Total shareholders' equity	1,936,144	2,150,798
Total net assets	1,936,144	2,150,798
Total liabilities and net assets	2,376,330	2,561,812

(2) Quarterly Profit and Loss Statement
(First six months of the fiscal year)

(Unit: 1,000 yen)

	First six months of the previous fiscal year (from January 1, 2022 to June 30, 2022)	First six months of the current fiscal year (from January 1, 2023 to June 30, 2023)
Net sales	1,100,111	1,132,278
Cost of sales	388,132	361,281
Gross profit	711,978	770,996
Selling, general and administrative expenses	469,871	501,333
Operating profit	242,107	269,662
Non-operating income		
Interest income	7	8
Other	73	-
Total non-operating income	80	8
Non-operating expenses		
Commission expenses	-	2
Total non-operating expenses	-	2
Ordinary profit	242,188	269,668
Pre-tax quarterly net profit	242,188	269,668
Income taxes - current	94,224	105,538
Income taxes - deferred	△19,105	△21,965
Total income taxes	75,118	83,572
Quarterly net profit	167,069	186,096

(3) Quarterly Cash Flow Statement

(Unit: 1,000 yen)

	First six months of the previous fiscal year (from January 1, 2022 to June 30, 2022)	First six months of the current fiscal year (from January 1, 2023 to June 30, 2023)
Cash flow due to business activities		
Pre-tax quarterly net profit	242,188	269,668
Depreciation expenses	33,507	36,586
Stock unit costs	-	6,018
Increase (△ for decrease) in allowance for doubtful accounts	393	△26
Interest and dividend income	△7	△8
Decrease (△ for increase) in trade receivables	△62,775	1,777
Decrease (△ for increase) in inventories	371	△3,031
Increase (△ for decrease) in trade payables	△554	18,729
Increase (△ for decrease) in accrued consumption taxes	△3,999	△5,980
Increase (△ for decrease) in accounts payable - other	18,089	△33,056
Increase (△ for decrease) in accrued expenses	△106,822	△100,826
Decrease (△ for increase) in prepaid expenses	△15,885	△9,132
Decrease (△ for increase) in long-term prepaid expenses	2,933	296
Increase (△ for decrease) in bonus reserves	68,435	63,305
Other	14,298	9,687
Subtotal	190,173	254,007
Interest and dividends received	5	6
Income taxes paid	△60,525	△104,547
Cash flow due to business activities	129,654	149,466
Cash flow due to investment activities		
Purchase of property, plant and equipment	△51,713	△26,534
Purchase of intangible assets	-	△290
Cash flow due to investment activities	△51,713	△26,824
Cash flow due to financial activities		
Cash flow due to financial activities	-	-
Net increase (△ for decrease) in cash and cash equivalents	77,940	122,641
Cash and cash equivalents at beginning of period	1,513,197	1,721,203
Cash and cash equivalents at end of the quarter	1,591,138	1,843,845

(4) Notes Concerning the Quarterly Financial Statements

(Notes on being a going concern)

N/A

(Notes on remarkable changes in shareholder equity amounts if there are any)

Based on a resolution of the board of directors meeting held on April 14, 2023, 21,800 shares of treasury stock have been disposed of as Restricted Stock Units. As a result, in the first six months of this fiscal year, retained earnings decreased by 1,940,000 yen and treasury stock decreased by 30,498,000 yen, resulting in retained earnings of 1,773,221,000 yen and treasury stock of 87,908,000 yen at the end of the second quarter accounting period.

(Segment information, etc.)

[Segment information]

We have omitted this section as YMIRLINK's messaging solution business is in a single segment.