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August 9, 2024

Non-consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4372
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 Scheduled date to file interim report: August 9, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (For analysts and institutional investors, individual investors)

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

1. Non-consolidated financial results for the first six months (interim period) of the fiscal year ending December 31, 2024 (from January 1, 2024 to June 30, 2024)

(1) Non-consolidated operating results (cumulative)

(Percentages 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								
June 30, 2024	1,307	15.5	304	13.1	304	12.9	210	13.0
June 30, 2023	1,132	2.9	269	11.4	269	11.3	186	11.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	54.90	-
June 30, 2023	48.79	-

(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
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	3,083	2,587	83.9
December 31, 2023	2,780	2,374	85.4

Reference: Equity

As of June 30, 2024: ¥2,587 million

Fiscal year ended December 31, 2023: ¥2,374 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, 2023	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2024	—	0.00			
Fiscal year ending December 31, 2024 (Forecast)			—	0.00	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, 2024 (from January 1, 2024 to December 31, 2024)

(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, 2024	2,570	11.0	610	3.0	610	3.0	420	2.7	109.79

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

*** Notes**

(1) Special accounting methods used in the preparation of the interim financial statement 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, 2024	3,892,600 shares
As of December 31, 2023	3,892,600 shares

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

As of June 30, 2024	60,837 shares
As of December 31, 2023	62,837 shares

(iii) Average number of shares during the period (interim period)

Six months ending December 31, 2024	3,830,260 shares
Six months ended December 31, 2023	3,813,986 shares

* Second quarter (interim period) financial results reports are exempt from 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 3 of the attached material "1. Qualitative Information for the Interim Period Financial Results, (3) Explanation Concerning Results Forecast and Other Future Forecast Information."

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

We are planning to hold a briefing for institutional investors on August 20 (Tue), 2024 and for individual investors on August 27 (Tue). Additionally, the results summary will be disclosed on TDnet on August 9 (Fri), 2024, with a financial results explanatory video being created separately and scheduled to be posted to our website on a later date.

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1. Qualitative Information for the Interim Financial Results

(1) Explanation of Operating Results

Despite a modest ongoing recovery, the economic outlook in Japan remained uncertain in this interim accounting period due to factors including soaring resource costs.

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 interim accounting period.

Since June 2024, the SMS delivery service Cuenote SMS has been linked with the OSORA* call system for inbound sales. This linkage will allow companies who use OSORA to use SMS messages to provide guidance in addition to voice-based guidance from call centers. The ability to instantly send SMS messages to the telephone number of the caller reduces the burden on operators when providing guidance that is difficult to communicate verbally, such as guidance related to websites and application forms, and increases convenience for customers.

In the same month, we started a support service in collaboration with Cybervision Hosting Co., Ltd. for the implementation and operation of DMARC and BIMi given an increase in the security requirements for email senders.

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 this interim period, stock-based revenue was 1,258,077,000 yen (a year-on-year increase of 13.6%) 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 interim period was 218,160,000 yen (a year-on-year increase of 14.8%).

- 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 alongside growth in software license sales, cumulative net sales up to the end of the interim period were 49,388,000 yen (102.0% increase year-on-year).

In light of the above, business performance in the first six months of the current fiscal year resulted in net sales of 1,307,465,000 yen, operating profit of 304,959,000 yen, ordinary profit of 304,381,000 yen, and interim net profit of 210,267,000 yen.

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

*Provided by Scene Live Inc., OSORA is a call service for inbound sales that streamlines call management. API integration enables excellent system scalability and integration with CRM and other tools. It is equipped with a wealth of functions that are required for inbound sales: including full-call recording, IVR (interactive voice response), incoming call pop ups, and analysis functions.

(2) Explanation of Financial Position

i. Status of assets, liabilities, and net assets

Compared to the end of the previous fiscal year, the financial situation at the end of the interim period was favorable due to an increase in net assets of 213,339,000 yen through interim 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 interim accounting period increased by 303,176,000 yen to 3,083,881,000 yen. This is mainly from recovery of accounts receivable and an increase in cash and deposits of 230,438,000 yen, an increase of 37,709,000 yen in accounts receivable due to factors including an increase in the number of contract customers, and an increase of 26,935,000 yen in deferred tax.

(Liabilities)

Compared to the end of the previous fiscal year, total liabilities at the end of the interim period increased by 89,837,000 yen to 496,453,000 yen. This is due mainly to factors including a decrease in accrued expenses for bonuses of 33,673,000 yen, an increase in bonus reserves of 80,174,000 yen, and an increase in advances received of 37,658,000 yen.

(Net assets)

Compared to the end of the previous fiscal year, total net assets at the end of the interim period increased by 213,339,000 yen to 2,587,428,000 yen. This is due to an increase in retained earnings of 209,981,000 yen from the recording of an interim net profit, and an increase in disposal of treasury stock as restricted stock units of 3,357,000 yen.

ii. Cash flow status

The balance of cash and cash equivalents (hereinafter, “capital”) at the end of the interim accounting period in question increased compared to the end of the previous fiscal year by 230,438,000 yen to 2,319,588,000 yen.

The status of each type of cash flow in the interim accounting period and the reasons thereof are as shown below.

(Cash flow due to business activities)

270,162,000 yen of capital was obtained as a result of business activities. The major breakdown of income has profit before tax for the interim accounting period in question at 304,381,000 yen, bonus reserve increase at 80,174,000 yen, depreciation costs at 38,562,000 yen, and stock based compensation expenses at 7,150,000 yen. As for the major breakdown of expenditures, trade receivables increases and decreases show a negative 37,709,000 yen, arrears a negative 33,673,000 yen, and payment of income taxes at 109,058,000 yen.

(Cash flow due to investment activities)

39,724,000 yen of capital was used as a result of investment activities. Capital saw a reduction through expenditures of 38,416,000 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 year ending December 2024 from that published in the “Summary of financial results for the year ended December 2023” dated February 13, 2024.

2. Interim Financial Statements and Main Notes

(1) Interim Balance Sheet

(Unit: 1,000 yen)

	Previous fiscal year (December 31, 2023)	First six months of the current fiscal year (June 30, 2024)
Assets		
Current assets		
Cash and deposits	2,089,150	2,319,588
Accounts receivable - trade	308,179	345,888
Raw materials	2,579	2,005
Other	67,306	67,067
Allowance for doubtful accounts	△ 833	△ 685
Total current assets	2,466,381	2,733,864
Non-current assets		
Property, plant and equipment		
Buildings	29,366	27,861
Tools, furniture and fixtures	136,316	141,152
Total tangible fixed assets	165,682	169,013
Intangible assets	17,292	14,840
Investments and other assets		
Leasehold and guarantee deposits	89,559	88,376
Other	41,787	77,787
Total investments and other assets	131,347	166,163
Total non-current assets	314,323	350,017
Total assets	2,780,705	3,083,881
Liabilities		
Current liabilities		
Accounts payable - trade	37,574	44,841
Accrued expenses	132,911	99,238
Advances received	29,565	67,223
Income taxes payable	118,671	131,366
Bonus reserve	-	80,174
Other	87,893	73,610
Total current liabilities	406,616	496,453
Total liabilities	406,616	496,453
Net assets		
Shareholders' equity		
Share capital	273,853	273,853
Capital surplus	191,351	191,351
Retained earnings	1,996,792	2,206,773
Treasury shares	△ 87,908	△ 84,551
Total shareholders' equity	2,374,089	2,587,428
Total net assets	2,374,089	2,587,428
Total liabilities and net assets	2,780,705	3,083,881

(2) Interim Income Statement

(First six months of the current fiscal year)

(Unit: 1,000 yen)

	First six months of the previous fiscal year (from January 1, 2023 to June 30, 2023)	First six months of the current fiscal year (from January 1, 2024 to June 30, 2024)
Net sales	1,132,278	1,307,465
Cost of sales	361,281	446,164
Gross profit	770,996	861,301
Selling, general and administrative expenses	501,333	556,341
Operating profit	269,662	304,959
Non-operating income		
Interest income	8	9
Total non-operating income	8	9
Non-operating expenses		
Commission expenses	2	0
Loss on extinguishment of stock based compensation expenses	-	349
Casualty loss	-	238
Total non-operating expenses	2	587
Ordinary profit	269,668	304,381
Pre-tax interim net profit	269,668	304,381
Income taxes - current	105,538	121,049
Income taxes - deferred	△21,965	△26,935
Total income taxes	83,572	94,114
Interim net profit	186,096	210,267

(3) Interim Cash Flow Statement

(Unit: 1,000 yen)

	First six months of the previous fiscal year (from January 1, 2023 to June 30, 2023)	First six months of the current fiscal year (from January 1, 2024 to June 30, 2024)
Cash flow due to business activities		
Pre-tax interim net profit	269,668	304,381
Depreciation expenses	36,586	38,562
Stock based compensation expenses	6,018	7,150
Increase (△ for decrease) in allowance for doubtful accounts	△26	△147
Interest and dividend income	△8	△9
Loss on extinguishment of stock based compensation expenses	-	349
Decrease (△ for increase) in trade receivables	1,777	△37,709
Decrease (△ for increase) in inventories	△3,031	578
Increase (△ for decrease) in trade payables	18,729	7,266
Increase (△ for decrease) in accrued consumption taxes	△5,980	△432
Increase (△ for decrease) in accounts payable - other	△33,056	△14,214
Increase (△ for decrease) in accrued expenses	△100,826	△33,673
Decrease (△ for increase) in prepaid expenses	△9,132	5,260
Decrease (△ for increase) in long-term prepaid expenses	296	△8,467
Increase (△ for decrease) in bonus reserves	63,305	80,174
Other	9,687	30,145
Subtotal	254,007	379,212
Interest and dividends received	6	8
Income taxes paid	△104,547	△109,058
Cash flow due to business activities	149,466	270,162
Cash flow due to investment activities		
Purchase of property, plant and equipment	△26,534	△38,416
Purchase of intangible assets	△290	△1,554
Income from recovery of leasehold and guarantee deposits	-	246
Cash flow due to investment activities	△26,824	△39,724
Cash flow due to financial activities		
Cash flow due to financial activities	-	-
Net increase (△ for decrease) in cash and cash equivalents	122,641	230,438
Cash and cash equivalents at beginning of the period	1,721,203	2,089,150
Cash and cash equivalents at end of the interim period	1,843,845	2,319,588

(4) Notes Concerning the Interim 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 12, 2024, 2,400 shares of treasury stock have been disposed of as Restricted Stock Units. As a result, in the interim period, retained earnings decreased by 285,000 yen and treasury stock decreased by 3,357,000 yen, resulting in retained earnings of 2,206,773,000 yen and treasury stock of 84,551,000 yen at the end of the interim accounting period.

(Notes on interim income statement)

*The main costs and amounts among selling, general and administrative expenses are as set out below.

	First six months of the previous fiscal year (from January 1, 2023 to June 30, 2023)	First six months of the current fiscal year (from January 1, 2024 to June 30, 2024)
Salaries and allowances	177,504,000 yen	212,112,000 yen
Land and building rent	41,549,000	40,705,000
Statutory benefit costs	37,752,000	44,629,000
Bonus reserve provision	38,684,000	47,971,000
Depreciation expenses	6,668,000	6,137,000

(Notes on interim cash flow statement)

*The relationship between the cash and cash equivalents at end of the interim period and the amounts in the account titles indicated in the interim balance sheet are as set out below.

	First six months of the previous fiscal year (from January 1, 2023 to June 30, 2023)	First six months of the current fiscal year (from January 1, 2024 to June 30, 2024)
Cash and deposits	1,843,845,000 yen	2,319,588,000 yen
Cash and cash equivalents	1,843,845,000	2,319,588,000

(Additional information)

(Business combination through acquisition)

At a meeting of the Board of Directors on June 14, 2024, YMIRLINK resolved to make ROC inc. (hereinafter, "ROC") a subsidiary by means of stock acquisition. A stock transfer agreement was entered into on June 17, 2024; we plan to acquire 90% of ROC shares on September 2, 2024, and the remaining 10% on September 1, 2027.

1. Overview of business combination

(1) Name of company to be acquired and details of business

Name of company to be acquired: ROC inc.

Business details: Social media solutions business, SaaS business

(2) Reasons for business combination

Based on our corporate philosophy of aiming to be a company that contributes to society through the creation and provision of high-value information services, and a company from which great things are anticipated, we provide the Cuenote messaging platform to businesses, mainly in the form of SaaS. The means for businesses to communicate with and market to customers have diversified over recent years, and YMIRLINK has expanded its field of business by diversifying methods of communication in Cuenote.

ROC is a pioneer that has offered management services for Facebook, Instagram, TikTok, and other social media accounts and has been engaged in the SaaS business based on social media operation improvement software since 2016. By making ROC a subsidiary, YMIRLINK aims to achieve improved corporate value through a synergy that includes acquiring the social media marketing know-how of ROC, SaaS system integration, and sharing of customers between the companies.

(3) Date of business combination

September 2, 2024 (date of share acquisition)

October 31, 2024 (presumed date of acquisition)

- (4) Legal form of business combination
Share acquisition
- (5) Post-combination company name
No change.
- (6) Ratio of voting rights to be acquired
90% on September 2, 2024 (planned) and 100% on September 1, 2027 (planned)
- (7) Main grounds for deciding on business acquisition
This acquisition of shares is in exchange for cash.

2. Acquisition cost of company for acquisition, and breakdown of compensation by type

Value of acquisition	Cash	73,000,000 yen
<hr/>		
Acquisition costs		73,000,000

- 3. Details and amounts of main acquisition-related costs
Compensation, fees, etc., for advisory: Not fixed at present.
- 4. Amount of goodwill incurred, cause of incurring, depreciation method and period
Not fixed at present.
- 5. Value of assets and liabilities to be received on date of business combination, and main breakdown
Not fixed at present.

(Notes on segment information, etc.)

[Segment information]

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

(Significant events after reporting period)

N/A