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May 11, 2023

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

Company name: YMIRLINK, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4372
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 Scheduled date to file quarterly securities report: May 11, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

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

(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	%
Three months ended								
March 31, 2023	551	3.8	129	9.8	129	9.8	89	10.3
March 31, 2022	531	–	117	–	117	–	81	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2023	23.54	–
March 31, 2022	20.89	–

- (Note) 1. There is no year-on-year rate of increase/decrease for the first three months of the fiscal year ended December 31, 2022, as the quarterly financial statements have not been created for the first three months of the fiscal year ended December 31, 2021.
2. The diluted net profit per share for the current fiscal year 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			
March 31, 2023	2,309	2,025	87.7
December 31, 2022	2,376	1,936	81.5

Reference: Equity

As of March 31, 2023: ¥2,025 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	0.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (Forecast)		0.00	–	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, 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 March 31, 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 March 31, 2023	84,637 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)

Three months ended March 31, 2023	3,807,963 shares
Three months ended March 31, 2022	3,892,600 shares

(Note) We, as of April 30, 2021, have gone with a stock split at a ratio of 1 to 100 for our common stocks. The calculations for the number of issued shares at the end of the period and the average number of shares outstanding during the period assume that the stock split took place at the beginning of the fiscal year ended December 2021.

* 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 2 of the attached material “1. Qualitative Information for the Financial Results for the First Nine Months of the Current Fiscal Year, (3) Explanation Concerning Results Forecast and Other Future Forecast Information.”

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results will be published on the TDnet on the same day. It will also be available on our website.

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1. Qualitative Information for the Financial Results for the First Three Months of the Current Fiscal Year

(1) Explanation of Operating Results

While the Japanese economy saw an easing of the restrictions that came with COVID-19 in the first three months of the current fiscal year and economic activities are gradually normalizing, 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.

In the first quarter of 2023, we broke our record for the most deliveries in our message delivery service in March, delivering 7.6 billion messages in a month. We also launched Cuenote SMS for LGWAN that enables SMS sending across local government wide area networks (LGWAN) in March. This is an SMS delivery service for administrative bodies and local governments to send SMS messages from a secure network to residents.

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 three months of the current fiscal year, stock-based revenue was 545,602,000 yen (a year-on-year increase of 5.0%) due to an increase in the number of contracts for high-priced plans and a suppression of cancellations, while the amount from fixed-term contracts at the end of the first quarter was 183,612,000 yen (a year-on-year increase of 8.3%).

- 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). In spite of robust growth in new SaaS sales, net sales in the first three months of the current fiscal year were 6,296,000 yen (a year-on-year decrease of 47.2%).

In light of the above, business performance for the first three months of the current fiscal year resulted in net sales of 551,898,000 yen, operating profit of 129,474,000 yen, ordinary profit of 129,482,000 yen, and quarterly net profit of 89,639,000 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

Compared to the end of the previous fiscal year, the financial situation at the end of the first quarter of this accounting period was favorable due to an increase in net assets to 89,639,000 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 first quarter of this accounting period decreased by 67,048,000 to 2,309,282,000 yen.

This is mainly from a decrease in cash and deposits of 19,015,000 yen and of accounts receivable of 44,315,000 yen, both of which were the result of payments for bonuses and income tax.

(Liabilities)

Compared to the end of the previous fiscal year, total liabilities at the end of the first quarter of this accounting period decreased by 156,687,000 to 283,498,000 yen. This is mainly due to factors including a decrease in accrued expenses of 108,076,000 yen for bonuses and a decrease of 65,974,000 yen in income taxes payable through the payment of income taxes.

(Net assets)

Compared to the end of the previous fiscal year, total net assets at the end of the first quarter of this accounting period increased by 89,639,000 yen to 2,025,783,000 yen. This is due to an increase in retained earnings of 89,639,000 yen from the recording of a quarterly net profit.

(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 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 three months of the current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	1,721,203	1,702,187
Accounts receivable - trade	296,870	252,554
Raw materials	236	72
Other	52,574	48,795
Allowance for doubtful accounts	△592	△453
Total current assets	2,070,292	2,003,157
Non-current assets		
Property, plant and equipment		
Buildings	32,491	31,710
Tools, furniture and fixtures	124,306	125,020
Total tangible fixed assets	156,798	156,730
Intangible assets	24,662	22,377
Investments and other assets		
Leasehold and guarantee deposits	89,559	89,559
Other	35,017	37,457
Total investments and other assets	124,577	127,016
Total non-current assets	306,037	306,124
Total assets	2,376,330	2,309,282
Liabilities		
Current liabilities		
Accounts payable - trade	14,216	14,327
Accrued expenses	169,294	61,217
Advances received	27,548	22,569
Income taxes payable	114,173	48,199
Bonus reserve	-	35,914
Other	114,952	101,270
Total current liabilities	440,185	283,498
Total liabilities	440,185	283,498
Net assets		
Shareholders' equity		
Share capital	273,853	273,853
Capital surplus	191,351	191,351
Retained earnings	1,589,345	1,678,984
Treasury shares	△118,406	△118,406
Total shareholders' equity	1,936,144	2,025,783
Total net assets	1,936,144	2,025,783
Total liabilities and net assets	2,376,330	2,309,282

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

(Unit: 1,000 yen)

	First three months of the previous fiscal year (from January 1, 2022 to March 31, 2022)	First three months of the current fiscal year (from January 1, 2023 to March 31, 2023)
Net sales	531,486	551,898
Cost of sales	174,578	177,550
Gross profit	356,908	374,348
Selling, general and administrative expenses	239,021	244,874
Operating profit	117,886	129,474
Non-operating income		
Interest income	7	8
Total non-operating income	7	8
Ordinary profit	117,893	129,482
Pre-tax quarterly net profit	117,893	129,482
Income taxes - current	40,182	43,928
Income taxes - deferred	△3,588	△4,085
Total income taxes	36,593	39,842
Quarterly net profit	81,300	89,639

(3) 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)

N/A

(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)

(Disposition of treasury shares as Restricted Stock Units)

At the board of directors meeting held on April 14, 2023, it was decided that treasury shares would be disposed of (hereinafter, "disposition of treasury shares" or "disposition") as Restricted Stock Units.

1. Overview of Disposition

(1) Disposition date	May 12, 2023
(2) Type and number of shares to be disposed of	YMIRLINK common shares, 21,800 shares
(3) Disposed value	1,310 yen per share
(4) Overall disposition amount	28,558,000 yen
(5) Staff whose shares are subject to disposition, the number of staff, and the number of shares to be disposed of	YMIRLINK directors (excluding external directors and nonexecutive directors): 3 directors, 17,400 shares YMIRLINK employees: 7 employees, 4,400 shares
(6) Other	This disposition of treasury shares will be submitted in the annual securities report based on the Financial Instruments and Exchange Act.

2. Objectives and Reasons for Disposition

At the board of directors meeting held on February 10, 2023, it was decided that we would introduce the Restricted Stock Unit System (hereinafter, the "System") as a new compensation system that targets our directors (hereinafter, "subject directors," which exclude external directors and nonexecutive directors) with the goal of providing said subject directors with incentives to sustainably improve our corporate value and to further promote value consensus with all of our shareholders. Additionally, at the 25th regular general meeting of shareholders on March 30, 2023, it was approved that, based on this System, as compensation for restricted stock unit investment assets, subject directors will be provisioned with yearly monetary claims of 30,000,000 yen or less and that 30,000 or fewer shares will be issued or disposed to them annually. It was also approved that the restricted stock units are subject to a vesting schedule agreed upon between YMIRLINK and the subject directors in the restricted stock unit allocation contract and cannot be transferred from the date they have received the allocation of YMIRLINK common shares until immediately after they retire from the specific director positions of YMIRLINK and YMIRLINK subsidiaries decided on beforehand by the YMIRLINK board of directors.

Further, at the board of directors meeting held on February 10, 2023, it was decided that we would introduce an incentive system utilizing a Restricted Stock Unit System similar to that of subject directors for YMIRLINK employees with the goal of providing incentives to sustainably improve our corporate value and to further promote value consensus with all of our shareholders.