



Consolidated Financial Results for the Nine Months Ended March 31, 2023 [Japanese GAAP]

May 11, 2023

Company name: i Cubed Systems, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4495
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 Scheduled date of filing quarterly securities report: May 11, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary explanatory materials on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended March 31, 2023 (July 1, 2022 - March 31, 2023)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	1,986	9.0	489	(26.4)	488	(26.8)	332	(27.8)
March 31, 2022	1,821	—	665	—	666	—	460	—

(Note) Comprehensive income:

Nine months ended March 31, 2023: ¥332 million [(27.8%)]

Nine months ended March 31, 2022: ¥460 million [— %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2023	62.98	62.22
March 31, 2022	87.71	86.09

(Note) The Company did not begin preparing quarterly consolidated financial statements until the second quarter of the fiscal year ended June 30, 2022, and therefore year-on-year changes are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	3,131	2,460	78.4
As of June 30, 2022	3,202	2,223	69.3

(Reference) Shareholders' equity: As of March 31, 2023: ¥2,454 million
 As of June 30, 2022: ¥2,220 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2022	Yen —	Yen 0.00	Yen —	Yen 20.00	Yen 20.00
Fiscal year ending June 30, 2023	—	0.00	—		
Fiscal year ending June 30, 2023 (Forecast)				20.00	20.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 – June 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,734	11.4	657	(20.5)	658	(19.5)	452	(16.2)	85.76

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Changes in significant subsidiaries during the period: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly added: – companies

Excluded: – companies

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2023:	5,281,350 shares
June 30, 2022:	5,274,850 shares

2) Total number of treasury shares at the end of the period:

March 31, 2023:	168 shares
June 30, 2022:	121 shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2023:	5,278,868 shares
Nine months ended March 31, 2022:	5,250,574 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions considered to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecasts and notes on their use, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information in 1. Qualitative Information on Quarterly Financial Results” on page 5 of the attached material.

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The nine months ended March 31, 2023 saw a progressive normalization of social and economic activity following the loosening of restrictions on movement related to COVID-19 and of countermeasures aimed at preventing the ingress of infection through national borders. However, the prolongation of concerns about price increases caused by soaring prices for raw materials, about the direction of monetary policy in various countries, and about other factors led to a continuation of uncertainty regarding the future.

In this market environment, the i Cubed Group, which has designated the period since it was listed in July 2020 as the third phase of its founding, implemented a renewal of the corporate brand in June 2022. We have redefined our purpose as “Become the matrix for realizing unknown ideas that lead to smiles,” and our value proposition as “Using the power of design and engineering to support those who take on challenges,” while adopting “Enjoy challenges” as our brand slogan. By fostering a culture that thrives on challenge, we aim to become a company that uses IT as the basis for actively taking on new challenges.

In addition, the Company was recently recognized for the third consecutive year by the Great Place to Work® Institute Japan, which performs awareness surveys of employees in accordance with global standards, and which scored i Cubed Systems highly in the 2023 edition of the Best Workplaces rankings. The Company promotes flexible work styles, which includes a company-wide remote working system and flextime that does not specify core hours. The Company seeks to build a diverse organization through recruitment that does not emphasize gender, nationality, or place of residence. By providing growth support such as training for human resources development and other initiatives, we work to foster a culture that actively takes on new challenges.

In the CLOMO Business during the nine months ended March 31, 2023, the number of companies deploying our services increased steadily despite the impact of the external environment in the form of continuing delays in the procurement of smartphones for corporations and other factors. Furthermore, some one-off sales were generated in the form of outsourced development operations and so on after we began providing the product on an OEM basis, leading to an increase in net sales. In terms of costs, with the objective of strengthening our product development capabilities, we took proactive steps to invest in development in partnership with outsourcing companies with which we have recently cultivated relationships, leading to increases in releases of software products and resulting in a year-on-year rise in the cost of sales, which includes depreciation. Selling, general and administrative expenses also recorded a year-on-year increase due to investments aimed at augmenting personnel following the increase in the number of sales offices and those aimed at strengthening our information security structure, as well as increases in base salaries for employees following a review of salary structure and evaluation systems that we implemented as a human capital initiative.

As a result of such initiatives, consolidated net sales in the nine months ended March 31, 2023 were ¥1,986,693 thousand (up 9.0% year on year), operating profit was ¥489,798 thousand (down 26.4% year on year), ordinary profit came to ¥488,198 thousand (down 26.8% year on year), and profit attributable to owners of parent was ¥332,487 thousand (down 27.8% year on year).

Operating performance by segment was as follows.

(i) CLOMO Business

In the CLOMO Business we offer subscription-based B-to-B SaaS using the cloud, mainly the CLOMO MDM mobile device management service, which we first began providing in 2010, and the CLOMO SECURED APPS service for mobile devices (“CLOMO Services”). In December 2022, it was announced that we had achieved the No.1 share of the MDM market (own brand) for the 12th consecutive year since FY 2011 (Note 1).

In the nine months ended March 31, 2023, we established new sales offices in Hokkaido, Miyagi and Aichi prefectures. We completed our planned rollout of new sales offices for the fiscal year ending June 30, 2023, and strengthened our support structure for customers nationwide. Following the renewal of the MDM services that it provided, NTT Docomo, Inc., our main sales partner, adopted our CLOMO MDM product, which we began

providing to it on an OEM basis. Acceptance of new contracts for the pre-renewal “Anshin Manager” service was discontinued in March 2023, and provision of the service itself is also expected to come to an end in March 2026. For this reason, the transition to “Anshin Manager NEXT” (Note 2) is expected to be completed by March 2026. Through cooperation with our sales partners and sales on an OEM basis, we will work to expand sales of CLOMO Services.

In terms of functionality, we are promoting CLOMO Services in conjunction with endpoint security solutions to protect mobile devices from a variety of threats, such as cyber attacks, thus enabling customers to use their mobile devices safely and securely. Accordingly, in October 2022 we began offering “CLOMO MDM Endpoint Security secured by Deep Instinct,” which combines CLOMO MDM with the “Deep Instinct” platform (Note 3) developed and provided by Deep Instinct.

In addition, we launched the CLOMO Kitting Service, whereby the work of initial setup and other tasks when deploying mobile devices is outsourced to the Company. The Company provides other services such as Support Ticket, which provides assistance with initial setup of CLOMO MDM, and CLOMO Operation Service, which performs operations on behalf of customers. Through services such as these that provide a wide range of support from deployment to operation of mobile devices, we not only help to reduce the operational workload of MDM operations managers of the customer companies but also improve customer retention rates and ARPU.

We also worked to promote deeper understanding of the quality of CLOMO Services and how they can be used, proactively releasing case studies on deploying our services to meet new demand for MDM that has arisen from social changes. These include mobile device management at medical institutions where efforts to improve operational efficiency and digitalization initiatives are progressing, as well as management of IT assets for remote working, and management of dedicated terminals used to promote digital transformation (DX) in the manufacturing and transportation industries. In addition, we took steps to open up relationships with new distributors who have particular strengths in our field. Furthermore, we are engaged in educational activities aimed at raising brand awareness and increasing the rate of MDM deployment by providing an ongoing series of informational articles about utilizing mobile devices via the “Narumo” owned media that we launched in September 2022.

In customer success activities, in addition to conducting meetings on a regular basis to deepen relationships with customers, we offer “CLOMO Step-up Seminars” held several times a month, at which users can study everything from basic usage of CLOMO MDM to more effective ways of utilizing the system. In January 2023 we held the 6th CLOMO User Meeting online, which was attended by 160 MDM operations managers. In this way, we maintain regular contact with a large number of customers, promoting the use of CLOMO Services in order to preserve high retention rates.

As for development, we continued to focus our efforts on improving functions to address customer needs, including enhancing Windows device functions required for CLOMO Services to gain market share in PC asset management, and cooperating with endpoint security products from other companies. We continue to utilize new technologies such as Azure Kubernetes Service (AKS) (Note 4) and Xamarin (Note 5), and to work on raising productivity. As we have made progress in strengthening our development capabilities by cultivating relationships with outsourcing companies to outsource some product development, we are also investing resources in researching new technology and in development activities aimed at future enhancements to product value.

As a result of these initiatives, the number of corporations deploying our services rose to 4,461, an increase of 546 (up 13.9%) from the end of the previous fiscal year.

Regarding the impact of the spread of COVID-19 on our business, the direct impact on consolidated operating results and on management indicators targeted by the Group (the increase in the number of corporations deploying CLOMO Services, and the license retention rate) was minimal during the nine months ended March 31, 2023. Conversely, in an extension of the situation of the previous fiscal year, difficulties in procuring smartphones for corporations during the nine months ended March 31, 2023 resulted in some customers postponing the commencement of contracts for the use of services.

As a result, net sales were ¥1,986,693 thousand (up 9.0% year on year) and operating profit was ¥500,989 thousand (down 25.2% year on year).

The breakdown of net sales by service is as follows:

CLOMO MDM:	¥1,810,574 thousand
SECURED APPs:	¥119,017 thousand
Others:	¥57,100 thousand

(ii) Investment Business

The Investment Business is a new area that commenced operations in the fiscal year ended June 30, 2022.

i Cubed Ventures, Inc. was established as a venture capital subsidiary in November 2021. Through this subsidiary, we established i Cubed-1 Investment Limited Partnership, which began investment activities as a CVC (corporate venture capital) fund in January 2022. In the fiscal year ending June 30, 2023, we have made investments in three additional companies (Note 6), bringing the total to five companies.

Investments will mainly target mobile, SaaS, security, and other areas closely related to the Company's business domain, as well as companies involved in resolving societal issues and companies active in Kyushu, where the i Cubed Group has its headquarters.

We are also taking a proactive approach to developing new businesses through M&A in order to enter new areas of the market and generate additional sources of revenue.

This resulted in an operating loss of ¥11,191 thousand (operating loss of ¥3,450 thousand in the same period of the previous fiscal year).

(Notes)

1. Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2011-2020 editions, "MIC IT Report Dec 2022 issue" Actual shipment value in FY 2021 and predicted shipment value in FY 2022.
2. A mobile device management service provided by NTT Docomo, Inc. It consists mainly of lock/initialization functions that are effective when a device loaned to employees or students has been lost or stolen, security functions that include controlling the use of the camera or restricting the apps that can be used, and distribution of apps and other functions to enhance the efficiency of device management.
3. An endpoint security solution developed in-house by Deep Instinct that uses the world's first deep learning model built specifically for cyber security (source: research by Deep Instinct, December 2020), and which predicts malware, zero-day attacks, and other unknown threats that could occur in future to prevent infiltration of mobile devices, PCs, and other equipment before it occurs.
4. A Microsoft containerization technology. The Company is working to improve reliability while reducing operational workload and costs by making the CLOMO system container-based.
5. A platform for application development provided by Microsoft. The Company is working to improve development speed and save labor by sharing source code for CLOMO applications running in different environments such as iOS, Android, and Windows.
6. The accounts of i Cubed-1 Investment Limited Partnership are settled on a different date to that on which the consolidated accounts are settled, and the consolidated accounts for the nine months ended March 31, 2023, therefore incorporate the financial statements of the Partnership for the quarterly period ended December 31, 2022. For that reason, of these investments, those made on or after January 1, 2023 are not reflected in the consolidated financial statements for the nine months ended March 31, 2023.

(2) Explanation of Financial Position

The financial position as of March 31, 2023 is as follows:

(Assets)

Total assets amounted to ¥3,131,025 thousand, a decrease of ¥71,729 thousand compared to the end of the previous fiscal year. This was mainly due to increases in accounts receivable - trade of ¥22,766 thousand, operational investment securities of ¥59,996 thousand, other current assets of ¥14,177 thousand, software of ¥34,744 thousand, software in progress of ¥114,126 thousand, and investments and other assets of ¥122,706 thousand, partially offset by a decrease in cash and deposits of ¥445,138 thousand.

(Liabilities)

Liabilities amounted to ¥670,198 thousand, a decrease of ¥308,628 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in income taxes payable of ¥167,425 thousand, contract liabilities of ¥76,189 thousand, and other current liabilities of ¥66,834 thousand.

(Net assets)

Net assets amounted to ¥2,460,827 thousand, an increase of ¥236,898 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥332,487 thousand resulting from the recording of profit attributable to owners of parent, and a decrease in retained earnings of ¥105,494 thousand resulting from distribution of surplus. Accordingly, the equity ratio stood at 78.4% (69.3% as of the end of the previous fiscal year).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending June 30, 2023 remains unchanged from the financial forecast announced on August 9, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	2,337,409	1,892,270
Accounts receivable - trade	234,349	257,115
Operational investment securities	149,992	209,989
Other	58,597	72,775
Total current assets	2,780,348	2,432,151
Non-current assets		
Property, plant and equipment	31,901	34,371
Intangible assets		
Software	51,537	86,281
Software in progress	169,222	283,349
Other	6,083	8,503
Total intangible assets	226,843	378,134
Investments and other assets	163,662	286,368
Total non-current assets	422,406	698,874
Total assets	3,202,755	3,131,025
Liabilities		
Current liabilities		
Accounts payable - trade	59,190	64,153
Income taxes payable	185,677	18,252
Contract liabilities	496,925	420,735
Provision for bonuses	49,866	46,724
Other	187,166	120,332
Total current liabilities	978,826	670,198
Total liabilities	978,826	670,198
Net assets		
Shareholders' equity		
Share capital	404,412	408,030
Capital surplus	304,412	308,030
Retained earnings	1,511,877	1,738,870
Treasury shares	(661)	(774)
Total shareholders' equity	2,220,039	2,454,156
Share acquisition rights	1,950	3,915
Non-controlling interests	1,938	2,755
Total net assets	2,223,929	2,460,827
Total liabilities and net assets	3,202,755	3,131,025

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended March 31

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Net sales	1,821,880	1,986,693
Cost of sales	265,549	437,108
Gross profit	1,556,330	1,549,584
Selling, general and administrative expenses	890,425	1,059,785
Operating profit	665,905	489,798
Non-operating income		
Interest income	42	33
Dividend income	739	—
Other	433	157
Total non-operating income	1,215	191
Non-operating expenses		
Other	320	1,792
Total non-operating expenses	320	1,792
Ordinary profit	666,800	488,198
Profit before income tax	666,800	488,198
Income taxes	206,276	155,893
Profit	460,524	332,304
Profit (loss) attributable to non-controlling interests	—	(183)
Net income attributable to owners of parent	460,524	332,487

Quarterly Consolidated Statement of Comprehensive Income

Nine Months Ended March 31

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Net income	460,524	332,304
Comprehensive income	460,524	332,304
Total comprehensive income attributable to:		
Owners of the parent	460,524	332,487
Non-controlling interests	—	(183)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the third quarter of the fiscal year ending June 30, 2023, and multiplying the profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

[Segment Information]

Nine months ended March 31, 2022 (July 1, 2021 to March 31, 2022)

Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segments			Consolidated (Note)
	CLOMO Business	Investment Business	Total	
Net sales				
Net sales to external customers	1,821,880	—	1,821,880	1,821,880
Inter-segment net sales or transfers	—	—	—	—
Total	1,821,880	—	1,821,880	1,821,880
Segment profit (loss)	669,356	(3,450)	665,905	665,905

(Note) Segment profit (loss) matches operating profit in the quarterly consolidated statements of income.

Nine months ended March 31, 2023 (July 1, 2022 to March 31, 2023)

Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segments			Consolidated (Note)
	CLOMO Business	Investment Business	Total	
Net sales				
Net sales to external customers	1,986,693	—	1,986,693	1,986,693
Inter-segment net sales or transfers	—	—	—	—
Total	1,986,693	—	1,986,693	1,986,693
Segment profit (loss)	500,989	(11,191)	489,798	489,798

(Note) Segment profit (loss) matches operating profit in the quarterly consolidated statements of income.

(Significant subsequent events)

Not applicable.