



Consolidated Financial Results for the Three Months Ended September 30, 2023 [Japanese GAAP]

November 14, 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: November 14, 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 Three Months Ended September 30, 2023 (July 1, 2023 - September 30, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended September 30, 2023	697	5.9	137	(17.3)	137	(16.8)	93	(16.8)
September 30, 2022	657	—	165	—	165	—	112	—

(Note) Comprehensive income:

Three Months ended September 30, 2023: ¥93 million [(16.8%)]

Three Months ended September 30, 2022: ¥112 million [— %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	17.67	17.50
September 30, 2022	21.30	21.03

(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 for the three months ended September 30, 2022 are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	3,317	2,509	75.4
As of June 30, 2023	3,399	2,573	75.5

(Reference) Shareholders' equity: As of September 30, 2023: ¥2,500 million
 As of June 30, 2023: ¥2,565 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	0.00	—	30.00	30.00
Fiscal year ending June 30, 2024	—				
Fiscal year ending June 30, 2024 (Forecast)		0.00	—	30.00	30.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 – June 30, 2024)

(% 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	3,002	12.7	649	5.0	649	6.5	443	0.7	83.75

(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):

September 30, 2023:	5,293,450 shares
June 30, 2023:	5,292,350 shares

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

September 30, 2023:	168 shares
June 30, 2023:	168 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2023:	5,292,793 shares
Three months ended September 30, 2022:	5,276,702 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 4 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.

Table of Contents - Attachments

- 1. Qualitative Information on Quarterly Financial Results..... 2
 - (1) Explanation of Operating Results..... 2
 - (2) Explanation of Financial Position 4
 - (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information 4

- 2. Quarterly Consolidated Financial Statements and Principal Notes 5
 - (1) Quarterly Consolidated Balance Sheets 5
 - (2) Quarterly Consolidated Statements of Income and Comprehensive Income 6
 - (3) Notes to Quarterly Consolidated Financial Statements..... 8
 - (Notes on going concern assumption)..... 8
 - (Notes in case of significant changes in shareholders’ equity) 8
 - (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements) 8
 - (Segment information, etc.)..... 9
 - (Significant subsequent events)..... 10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended September 30, 2023, although the economic environment in Japan showed moderate improvements due to recoveries in personal consumption and inbound-tourism demand, the prolongation of concerns about the situation in Ukraine, the direction of monetary policy in various countries, and other factors resulted in continued uncertainty.

In this market environment, the i Cubed Group has redefined its purpose as “Become the matrix for realizing unknown ideas that lead to smiles” and its value proposition as “Using the power of design and engineering to support those who take on challenges,” while adopting “Enjoy challenges” as its 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 terms of the businesses operated by the Group, the mainstay is the CLOMO Business, which provides a software service as SaaS (Software as a Service) that unifies management and operation of mobile devices that are increasingly used on the front line in corporate, educational, and healthcare environments. In addition, the Group operates an Investment Business with the objective of achieving sustainable growth for the Group via CVC and M&A investment activities, and of supporting startups as they work to create new value.

During the three months ended September 30, 2023, net sales rose year on year as a result of progress made in winning new customers for the CLOMO Business, which is the mainstay of the Group, and of steady increases in the number of companies deploying our services. In terms of costs, with the objective of strengthening our product development capabilities, in the previous fiscal year we took proactive steps to invest in development in partnership with outsourcing companies with which we have recently cultivated relationships, resulting in increases in releases of software products and also leading to a year-on-year rise in the cost of sales, mainly depreciation. Conversely, our recruitment plans for this fiscal year call for hiring to be concentrated on new graduates with the objective of contributing to the sustainable growth of the Company, with the result that recruitment costs associated with mid-career hires have declined, leading to a year-on-year reduction in selling, general and administrative expenses.

As a result of such initiatives, consolidated net sales in the three months ended September 30, 2023 were ¥697,023 thousand (up 5.9% year on year), operating profit was ¥137,222 thousand (down 17.3% year on year), ordinary profit came to ¥137,469 thousand (down 16.8% year on year), and profit attributable to owners of parent was ¥93,508 thousand (down 16.8% 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 software 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).

During the three months ended September 30, 2023, we continued to hold product study sessions for CLOMO Services in all areas of the country, and worked to develop new sales partners in addition to strengthening our cooperation with existing sales partners. In September 2022 we began providing our CLOMO MDM product on an OEM basis for the “Anshin Manager NEXT” (Note 2) MDM service provided by our main sales partner, NTT Docomo, Inc., and we are taking steps to expand our OEM offerings as well as selling own-brand products. The result of these initiatives to expand the customer base was a 2.8x year-on-year increase in the number of corporations deploying our services, from 138 in the three months ended September 30, 2022, to 385 in the three months ended September 30, 2023, showing that we are making steady progress in winning new customers.

As part of our strategy to expand optional services in order to increase ARPU, we began a cooperation with TeamViewer Japan KK and have started to offer the “TeamViewer Remote” remote access tool developed and provided by that company. With the diversification in the ways in which mobile devices are used, in recent years

there has been an increase in situations where it is necessary to access mobile devices at remote locations, such as to remotely manage an automated mobile device installed at a store or some other location, or to deal with IT problems occurring at a distant office. TeamViewer Remote is a service that enables a variety of mobile devices to be accessed and operated remotely while maintaining high levels of security, and going forward we plan to further enhance convenience by releasing functions that allow it to work with CLOMO MDM.

In terms of product 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 enabling interoperability with products from other companies. We are continuously working to strengthen our partnerships with OS developers, and were certified as a Gold Partner in the Android Enterprise Partner Program (Note 3) provided by Google LLC, on the strength of our extensive deployment track record and superior product capabilities, as well as our structure for support both during and after deployment, which is provided by staff with abundant knowledge of Android Enterprise.

As a result of these initiatives, the number of corporations introducing our services reached 5,314, an increase of 385 (up 7.8%) compared to the end of the previous fiscal year.

As a result, net sales were ¥697,023 thousand (up 5.9% year on year) and operating profit was ¥141,511 thousand (down 16.9% year on year).

The breakdown of net sales by service is as follows:

CLOMO MDM:	¥641,135 thousand
SECURED APPs:	¥38,530 thousand
Others:	¥17,357 thousand

(ii) Investment Business

The Investment Business was launched in the fiscal year ended June 30, 2022, and 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.

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.

In the three months ended September 30, 2023, we used a wide range of information sources to continue exploring potential investments. Through the Group CVC fund we have now made investments in a total of five companies.

This resulted in an operating loss of ¥4,289 thousand (operating loss of ¥4,269 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 is equipped mainly with 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. A program provided by Google LLC to partner companies that aims to support the development and sales of products, services, and solutions that meet Android Enterprise specifications.

(2) Explanation of Financial Position

The financial position as of September 30, 2023 is as follows:

(Assets)

Total assets amounted to ¥3,317,189 thousand, a decrease of ¥82,222 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in cash and deposits of ¥74,957 thousand and software of ¥34,153 thousand, partially offset by increases in accounts receivable - trade of ¥16,466 thousand and software in progress of ¥16,198 thousand.

(Liabilities)

Liabilities amounted to ¥807,729 thousand, a decrease of ¥18,175 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in provision for bonuses of ¥34,780 thousand, of accounts-payable trade of ¥19,099 thousand, income taxes payable of ¥17,242 thousand, and contract liabilities of ¥15,804 thousand, which were partially offset by an increase in other current liabilities of ¥68,751 thousand.

(Net assets)

Net assets amounted to ¥2,509,459 thousand, a decrease of ¥64,047 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥93,508 thousand resulting from the recording of profit attributable to owners of parent, and a decrease in retained earnings of ¥158,765 thousand resulting from distribution of surplus. Accordingly, the equity ratio stood at 75.4% (75.5% 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, 2024 remains unchanged from the financial forecast announced on August 9, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	2,055,977	1,981,020
Accounts receivable - trade	260,991	277,457
Operational investment securities	240,589	240,589
Other	88,225	81,302
Total current assets	2,645,783	2,580,369
Non-current assets		
Property, plant and equipment	33,884	34,167
Intangible assets		
Software	210,793	176,639
Software in progress	174,184	190,383
Other	8,286	8,069
Total intangible assets	393,264	375,092
Investments and other assets	326,478	327,559
Total non-current assets	753,627	736,819
Total assets	3,399,411	3,317,189
Liabilities		
Current liabilities		
Accounts payable - trade	64,668	45,569
Income taxes payable	67,008	49,765
Contract liabilities	471,087	455,282
Provision for bonuses	83,858	49,078
Other	139,281	208,033
Total current liabilities	825,904	807,729
Total liabilities	825,904	807,729
Net assets		
Shareholders' equity		
Share capital	409,787	410,082
Capital surplus	309,787	310,082
Retained earnings	1,846,481	1,781,224
Treasury shares	(774)	(774)
Total shareholders' equity	2,565,282	2,500,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(167)	(167)
Total accumulated other comprehensive income	(167)	(167)
Share acquisition rights	4,701	5,387
Non-controlling interests	3,690	3,624
Total net assets	2,573,506	2,509,459
Total liabilities and net assets	3,399,411	3,317,189

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended September 30

(Thousands of yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Net sales	657,885	697,023
Cost of sales	123,614	191,047
Gross profit	534,271	505,976
Selling, general and administrative expenses	368,308	368,754
Operating profit	165,963	137,222
Non-operating income		
Interest income	15	12
Other	92	913
Total non-operating income	108	926
Non-operating expenses		
Other	790	679
Total non-operating expenses	790	679
Ordinary profit	165,280	137,469
Profit before income tax	165,280	137,469
Income taxes	52,930	44,026
Profit	112,349	93,442
Profit (loss) attributable to non-controlling interests	(66)	(65)
Profit attributable to owners of parent	112,416	93,508

Quarterly Consolidated Statement of Comprehensive Income

Three Months Ended September 30

(Thousands of yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Net income	112,349	93,442
Comprehensive income	112,349	93,442
Total comprehensive income attributable to:		
Owners of the parent	112,416	93,508
Non-controlling interests	(66)	(65)

(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 first quarter of the fiscal year ending June 30, 2024, and multiplying the profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

[Segment Information]

Three months ended September 30, 2022 (July 1, 2022 to September 30, 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	657,885	—	657,885	657,885
Inter-segment net sales or transfers	—	—	—	—
Total	657,885	—	657,885	657,885
Segment profit (loss)	170,232	(4,269)	165,963	165,963

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

Three months ended September 30, 2023 (July 1, 2023 to September 30, 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	697,023	—	697,023	697,023
Inter-segment net sales or transfers	—	—	—	—
Total	697,023	—	697,023	697,023
Segment profit (loss)	141,511	(4,289)	137,222	137,222

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

(Significant subsequent events)

(Issuance of new shares as restricted stock compensation)

The Board of Directors meeting, held on October 11, 2023, passed a resolution to issue new shares as restricted stock compensation, with November 10, 2023 as the payment date. The outline is as follows:

1. Overview of issuance

Payment date	November 10, 2023
Class and number of shares to be issued	1,200 shares of the common stock of the Company
Issue price	¥1,385 per share
Total value of issuance	¥1,662,000
Amount to be incorporated into the stated capital	¥692.5 per share
Total amount to be incorporated into the stated capital	¥831,000
Method of offering or allotment	Allotment of specified restricted stock
Method of contribution	In-kind contribution of monetary compensation receivables
Persons who will receive the allotment of shares, number of such persons, and number of such shares	2 Directors of the Company (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) 1,200 shares
Transfer restriction period	November 10, 2023 through November 9, 2053

2. Purposes of and reasons for issuance

At the 21st Annual General Meeting of Shareholders held on September 28, 2022, the Company obtained approval, amongst other matters, for delivering monetary compensation receivables of no more than ¥100 million per year, with said monetary compensation receivables to be used as contributions in kind for the granting of restricted stock amounting to no more than 10,000 shares per year, and for setting the transfer restriction period for such restricted stock to a period to be determined by the Board of Directors of the Company of between 3 and 30 years, based on a new restricted stock compensation plan (“the Plan”) introduced for the purposes of providing mid- and long-term incentives for Directors of the Company (excluding Outside Directors and Directors who are Audit & Supervisory Board Members) and to share shareholder value.

This issuance of shares is being implemented for eligible Directors as part of these plans.