Consolidated Financial Results for the Three Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: i Cubed Systems, Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4495
URL: https://www.i3-systems.com/
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Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on financial results: Yes
Schedule of 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, 2024 (July 1, 2024 - September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	903	29.7	211	54.1	212	54.8	148	58.8
September 30, 2023	697	5.9	137	(17.3)	137	(16.8)	93	(16.8)

(Note) Comprehensive income:
Three Months ended September 30, 2024: ¥153 million [64.8%]
Three Months ended September 30, 2023: ¥93 million [(16.8%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2024	29.09	28.84
September 30, 2023	17.67	17.50

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	3,372	2,570	75.9
As of June 30, 2024	3,609	2,579	71.2

(Reference) Shareholders' equity: As of September 30, 2024: ¥2,560 million
As of June 30, 2024: ¥2,570 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, 2024	–	0.00	–	32.00	32.00
Fiscal year ending June 30, 2025	–				
Fiscal year ending June 30, 2025 (Forecast)		0.00	–	32.00	32.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 – June 30, 2025)

(% 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	3,503	18.8	809	17.0	786	17.7	539	16.5	105.80

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

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, 2024:	5,303,750 shares
June 30, 2024:	5,303,750 shares

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

September 30, 2024:	200,168 shares
June 30, 2024:	200,168 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2024:	5,103,582 shares
Three months ended September 30, 2023:	5,292,793 shares

* Review of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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. Overview of Operating Results, etc.” 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. Overview of Operating Results, etc. 2
(1) Overview of Operating Results for the Period 2
(2) Overview of Financial Position for the Period 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
(Notes to statement of cash flows) 9
(Significant subsequent events) 10

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period

The i Cubed Group has defined 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.

Our primary focus is the “CLOMO Business,” which provides SaaS (Software as a Service) to perform the centralized management and operation of mobile devices used at corporate, educational, and medical sites. The Company also operates an “Investment Business” that supports the sustainable growth of the Group and the creation of new value by startups through investment activities using CVC (Corporate Venture Capital) and M&A.

In terms of organizational issues, we have established various systems to implement work styles that allow a flexible response to various life events, and are seeking to build a diverse organization through recruitment that does not emphasize gender or nationality. Moreover, 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. As a result of such initiatives, the Company was recently recognized for the fifth 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 2025 edition of the Best Workplaces rankings.

During the three months ended September 30, 2024, we worked to strengthen the structure of the organization with the objective of achieving our medium-term sales targets. Specifically, we conducted a reorganization aimed at promoting a flexible growth strategy for the CLOMO Business. We have also established a specialist department in order to accelerate initiatives aimed at the creation of new businesses.

In terms of operating results, in addition to making progress in winning new customers as a result of OEM provision in the CLOMO Business, sales were recorded in the Investment Business following the disposal of operational investment securities, leading to a year-on-year increase in net sales overall. Although depreciation decreased following a reduction in product releases caused by the CLOMO Business prioritizing minor revisions to software in response to customer requests, the cost of sales was recorded in the Investment Business, leading to a year-on-year increase in the cost of sales overall. In addition to a proactive approach to recruitment, the year-on-year increase in selling, general, and administrative expenses was caused mainly by a rise in personal expenses following the consolidation of the statements of income, beginning in the three months ended September 30, 2024, of 10KN COMPANY LIMITED, which was made a wholly owned subsidiary in April 2024.

As a result of such initiatives, consolidated net sales in the three months ended September 30, 2024 were ¥903,896 thousand (up 29.7% year on year), operating profit was ¥211,524 thousand (up 54.1% year on year), ordinary profit came to ¥212,751 thousand (up 54.8% year on year), and profit attributable to owners of parent was ¥148,460 thousand (up 58.8% 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 2023, it was announced that we had achieved the No.1 share of the MDM market (own brand) for the 13th consecutive year since FY 2011 (Note 1). Moreover, in February 2024 CLOMO Services was registered for the Information system “Security Management and Assessment Program” (ISMAP, Note 2), thus being recognized as having cleared the high level of security required by the government.

During the three months ended September 30, 2024, we continued to strengthen cooperation with existing and new sales partners, and to enhance and expand the sales network. In addition to selling CLOMO MDM as an own-brand product, we are also working on OEM, such as supplying CLOMO MDM for the “Anshin Manager NEXT” (Note 3) MDM service provided by NTT Docomo, Inc. Following the growth in that service, the

customer base for the CLOMO Business has been expanding steadily, with a net year-on-year increase of 518 corporations deploying our services for the period under review, compared to a net year-on-year increase of 385 for the same period of the previous fiscal year.

Because increasing ARPU (Note 4) is also important, we are promoting a strategy of expanding optional services, in addition to expanding the customer base in preparation for the further growth of the CLOMO Business. Specifically, we are working to improve ARPU by offering and cross-selling security countermeasures, operational support and other MDM peripheral services in our lineup.

In terms of product development, we are focusing our efforts on development activities to address customer needs, which include enhancing Windows device functions required for CLOMO Services to gain market share in PC asset management, enabling interoperability with products from other companies, and extending the functionality of optional services.

As a result of these initiatives, the number of corporations introducing our services reached 7,228, an increase of 518 (up 7.7%) compared to the end of the previous fiscal year.

As a result, net sales were ¥782,905 thousand (up 12.3% year on year) and operating profit was ¥194,784 thousand (up 37.6% year on year).

The breakdown of net sales by service is as follows:

CLOMO MDM:	¥710,187 thousand
SECURED APPs:	¥37,948 thousand
Others:	¥34,770 thousand

(ii) Investment Business

In the Investment Business, venture capital subsidiary i Cubed Ventures Inc. established i Cubed-1 Investment Limited Partnership, and moved forward with investment activities as a CVC fund.

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.

As of the end of the three months ended September 30, 2024, the i Cubed Group had invested in a total of seven companies. In addition, income was recorded during the three months ended September 30, 2024, as a result of the sale of operational investment securities by i Cubed-1 Investment Limited Partnership.

As a result, net sales were ¥120,991 thousand (zero net sales in the same period of the previous fiscal year) and operating profit was ¥16,739 thousand (operating loss of ¥4,289 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" (https://mic-r.co.jp/mr/00755/) for actual shipment value in FY 2011-2013, and "MDM private brand market" (MIC IT Report Dec 2023 issue; https://mic-r.co.jp/micit/2023/) for actual shipment value in FY 2014-2022 and predicted shipment value in FY 2023.

2. This is a system that seeks to guarantee the level of security in governmental procurement of cloud services and facilitate their smooth deployment by evaluating and registering cloud services that fulfill the government's security requirements in advance. The system is operated by the Cabinet Cyber Security Center, the Digital Agency, the Ministry of Internal Affairs and Communications, and the Ministry of Economy, Trade and Industry in accordance with the "Basic Framework of the Security Assessment System for Cloud Services in Government Information Systems" (decided by the Cybersecurity Strategic Headquarters on January 30, 2020).

3. A mobile device management service provided by NTT Docomo, Inc. It is equipped mainly with lock/initialization functions that are effective when a mobile 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.

4. An abbreviation for Average Revenue Per User, which is the average monthly unit price per corporation introducing our services.

(2) Overview of Financial Position for the Period

The financial position as of September 30, 2024 is as follows:

(Assets)

Total assets amounted to ¥3,372,456 thousand, a decrease of ¥236,782 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in cash and deposits of ¥111,499 thousand, operational investment securities of ¥99,992 thousand, and software of ¥62,657 thousand, and increases in software in progress of ¥52,870 thousand, and investments and other assets of ¥17,260 thousand.

(Liabilities)

Liabilities amounted to ¥801,813 thousand, a decrease of ¥227,860 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in income taxes payable of ¥118,618 thousand, provision for bonuses of ¥39,124 thousand, and contract liabilities of ¥35,558 thousand.

(Net assets)

Net assets amounted to ¥2,570,643 thousand, a decrease of ¥8,921 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥148,460 thousand resulting from the recording of profit attributable to owners of parent, and a decrease in retained earnings of ¥163,314 thousand resulting from distribution of surplus. Accordingly, the equity ratio stood at 75.9% (71.2% 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, 2025 remains unchanged from the financial forecast announced on August 14, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,812,591	1,701,091
Accounts receivable - trade	332,127	321,965
Operational investment securities	265,391	165,398
Other	115,215	95,782
Total current assets	2,525,326	2,284,238
Non-current assets		
Property, plant and equipment	44,061	43,208
Intangible assets		
Software	246,828	184,170
Software in progress	103,978	156,848
Goodwill	133,248	131,151
Other	7,417	7,200
Total intangible assets	491,473	479,371
Investments and other assets	548,377	565,637
Total non-current assets	1,083,912	1,088,218
Total assets	3,609,238	3,372,456
Liabilities		
Current liabilities		
Accounts payable - trade	46,590	44,415
Income taxes payable	189,136	70,518
Contract liabilities	483,634	448,075
Provision for bonuses	89,506	50,381
Other	220,805	188,421
Total current liabilities	1,029,673	801,813
Total liabilities	1,029,673	801,813
Net assets		
Shareholders' equity		
Share capital	413,018	413,018
Capital surplus	313,018	313,018
Retained earnings	2,151,179	2,136,325
Treasury shares	(299,174)	(299,174)
Total shareholders' equity	2,578,042	2,563,188
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,090	1,090
Foreign currency translation adjustment	(8,944)	(3,584)
Total accumulated other comprehensive income	(7,854)	(2,494)
Share acquisition rights	6,486	7,114
Non-controlling interests	2,890	2,834
Total net assets	2,579,565	2,570,643
Total liabilities and net assets	3,609,238	3,372,456

(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, 2023	For the three months ended September 30, 2024
Net sales	697,023	903,896
Cost of sales	191,047	292,968
Gross profit	505,976	610,928
Selling, general and administrative expenses	368,754	399,403
Operating profit	137,222	211,524
Non-operating income		
Interest income	12	148
Other	913	1,084
Total non-operating income	926	1,233
Non-operating expenses		
Other	679	6
Total non-operating expenses	679	6
Ordinary profit	137,469	212,751
Profit before income tax	137,469	212,751
Income taxes	44,026	64,146
Profit	93,442	148,605
Profit (loss) attributable to non-controlling interests	(65)	144
Profit attributable to owners of parent	93,508	148,460

Quarterly Consolidated Statement of Comprehensive Income
Three Months Ended September 30

(Thousands of yen)

	For the three months ended September 30, 2023	For the three months ended September 30, 2024
Net income	93,442	148,605
Other comprehensive income		
Foreign currency translation adjustment	–	5,359
Total other comprehensive income	–	5,359
Comprehensive income	93,442	153,964
Total comprehensive income attributable to:		
Owners of the parent	93,508	153,820
Non-controlling interests	(65)	144

(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, 2025, and multiplying the profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

[Segment Information]

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.

Three months ended September 30, 2024 (July 1, 2024 to September 30, 2024)

Information on net sales and profit by reportable segment

(Thousands of yen)

	Reportable segments			Consolidated (Note)
	CLOMO Business	Investment Business	Total	
Net sales				
Net sales to external customers	782,905	120,991	903,896	903,896
Inter-segment net sales or transfers	–	–	–	–
Total	782,905	120,991	903,896	903,896
Segment profit	194,784	16,739	211,524	211,524

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

(Notes to statement of cash flows)

A consolidated statement of cash flows for the three months ended September 30, 2024, has not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the three months ended September 30, 2024 was as follows.

	Three Months Ended September 30, 2023 (July 1, 2023 - September 30, 2023)	Three Months Ended September 30, 2024 (July 1, 2024 - September 30, 2024)
Depreciation	87,670 thousand yen	77,887 thousand yen
Amortization of goodwill	– thousand yen	6,717 thousand yen

(Significant subsequent events)

Not applicable.