i Cubed Systems

First Quarter of Fiscal Year ending June 30, 2025 Supplementary Material on Financial Statements

November 13, 2024

i Cubed Systems, Inc.
TSE Growth：4495

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1. Summary

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Summary of 1Q of FY6/25

Significant year-on-year growth in net sales, driven by expansion of the CLOMO Business and recording of revenue in the investment business.
Number of corporations deploying CLOMO Business services surges past 7,000, customer base is expanding steadily.

Net sales	Operating income	Number of corporations introducing our services
903million yen	211million yen	7,228corporations
YoY: +29.7% ↑	YoY: +54.1% ↑	+7.7% ↑ from the end of the previous period

※The consolidation of the statements of income has begun in the three months ended September 30, 2024, of 10KN COMPANY LIMITED, which was made a wholly owned subsidiary in April 2024.

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2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2025

－ CLOMO Business －

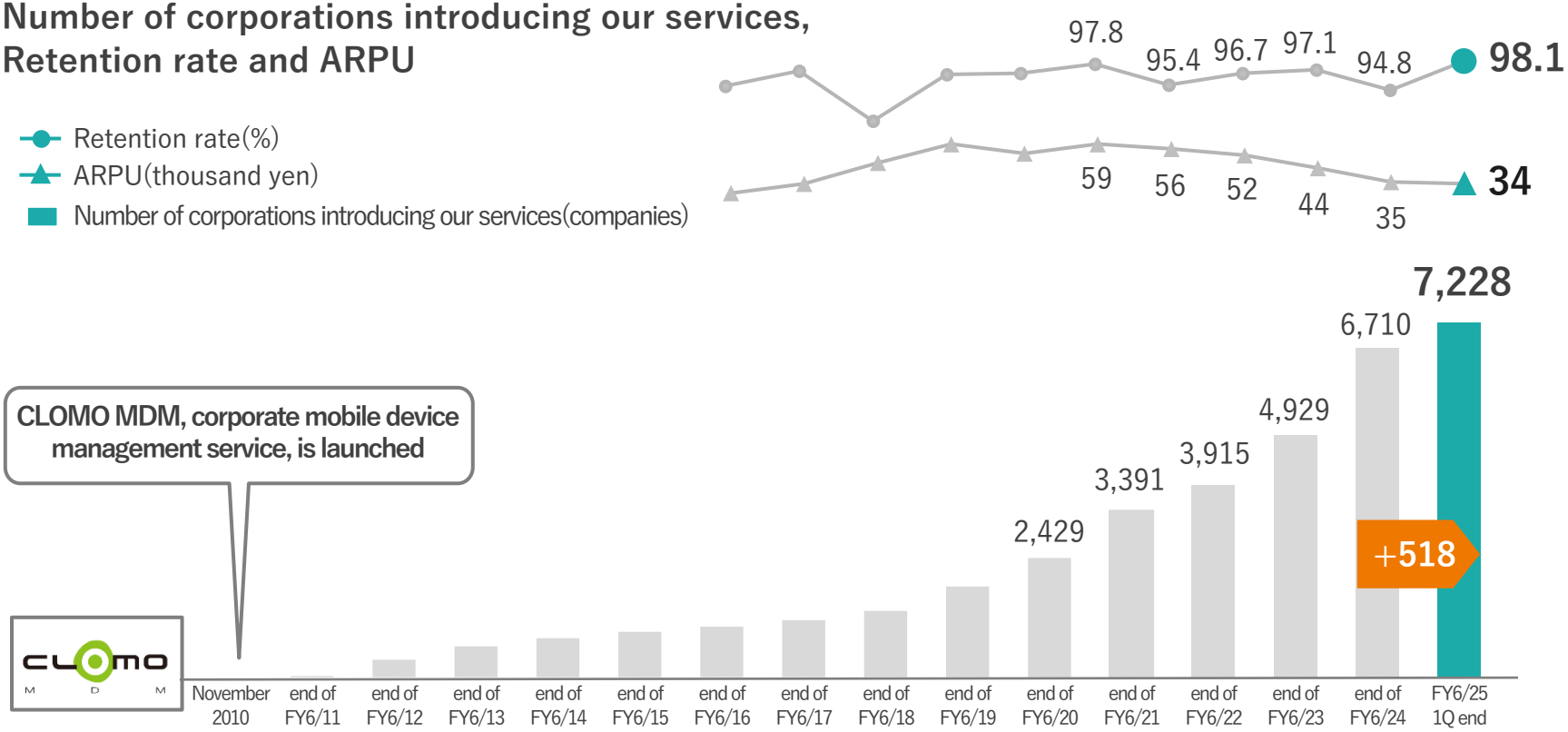
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CLOMO business KPI

Number of corporations introducing our services/Retention rate/ARPU

As a result of progress made in measures to expand customer base, number of companies introducing our products has increased significantly, although downward trend in ARPU(1) continues. Retention rate(2) maintained at a high 98.1%.

Number of corporations introducing our services, Retention rate and ARPU



Notes：
1. ARPU: Average Revenue Per User, which is the average monthly unit price per corporation introducing our services. Calculated by dividing 1/12 of ARR as of each month by the number of corporations introducing our services as of the end of the month concerned.
2. Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

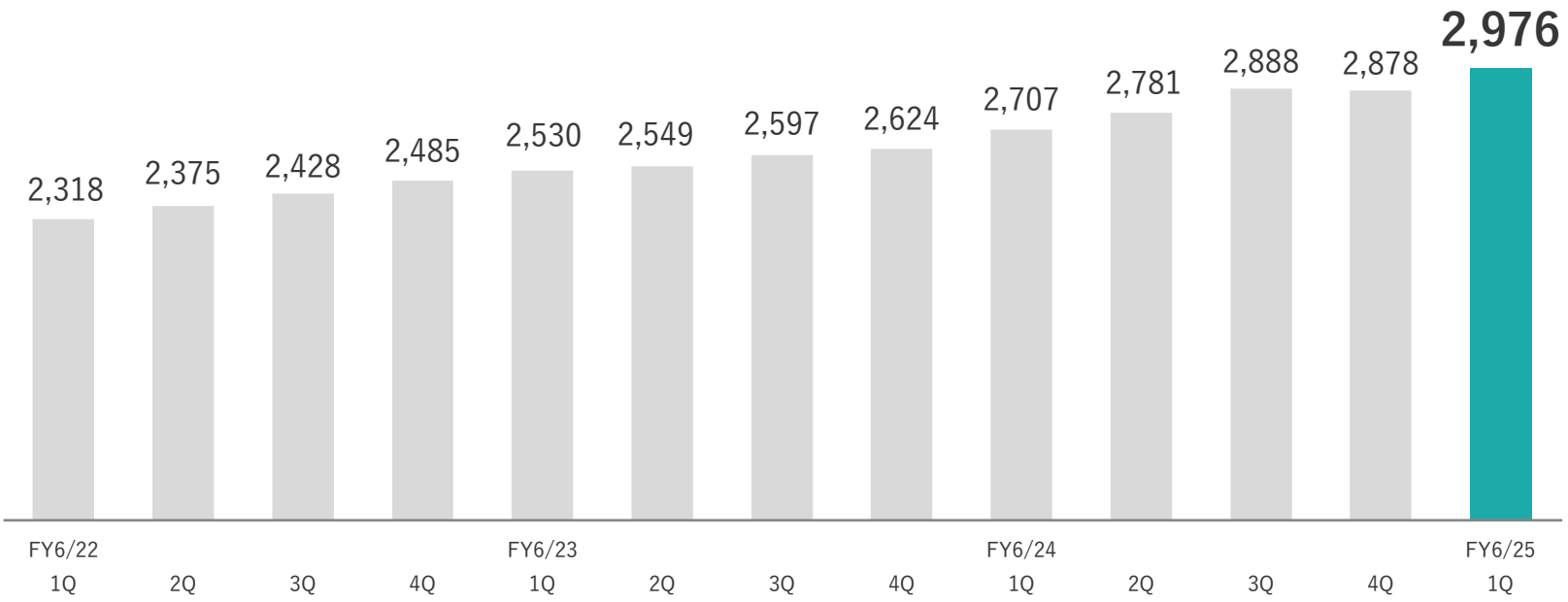
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CLOMO business KPI　ARR

ARR(1), the main KPI for the subscription business, grew mainly as a result of winning new customers through provision on an OEM basis, expanding 10.0% YoY.

ARR trends as of the end of each quarter

(millions of yen)



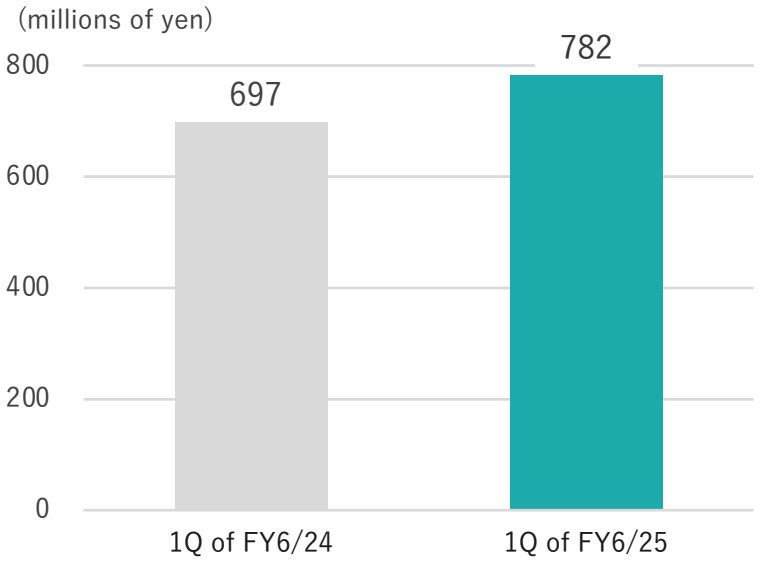
Note：
1. ARR: Annual Recurring Revenue. Calculated by multiplying the MRR for each month by 12, where MRR is the sum of the monthly fees for corporations deploying our services as of the end of the targeted month, excluding temporary costs.

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CLOMO business net sales and operating income for 1Q of FY6/24

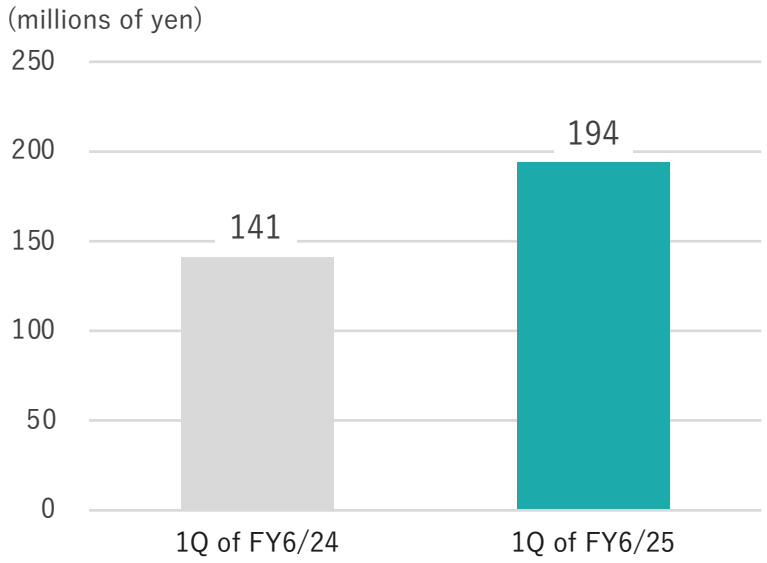
Net sales in the 1st quarter (July - September) were 782 million yen (+12.3% YoY),
and operating income was 194 million yen (+37.6% YoY) , with an operating margin of 24.9%.

Net sales



1Q of FY6/24	1Q of FY6/25	Year on year
697 million yen	782 million yen	+12.3% (+85 million yen)

Operating income



1Q of FY6/24	1Q of FY6/25	Year on year
141 million yen	194 million yen	+37.6% (+53 million yen)

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2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2025

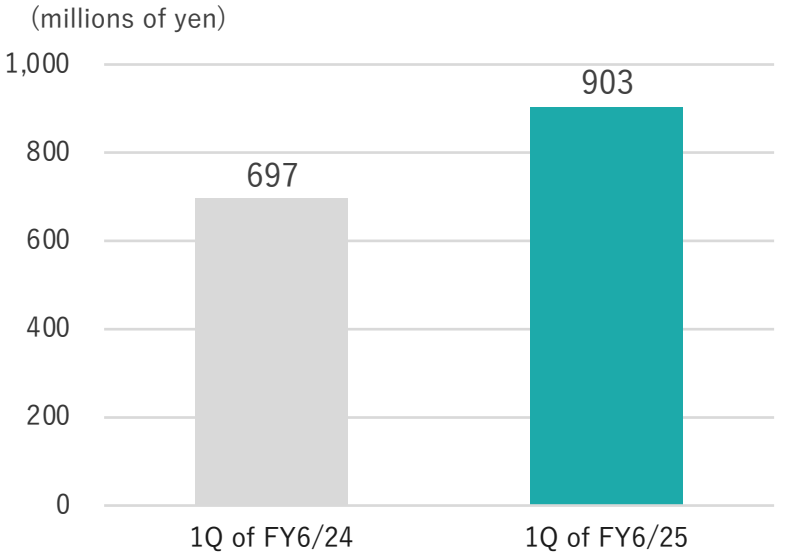
－ Group-wide results －

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Consolidated net sales and operating income for 1Q of FY6/25

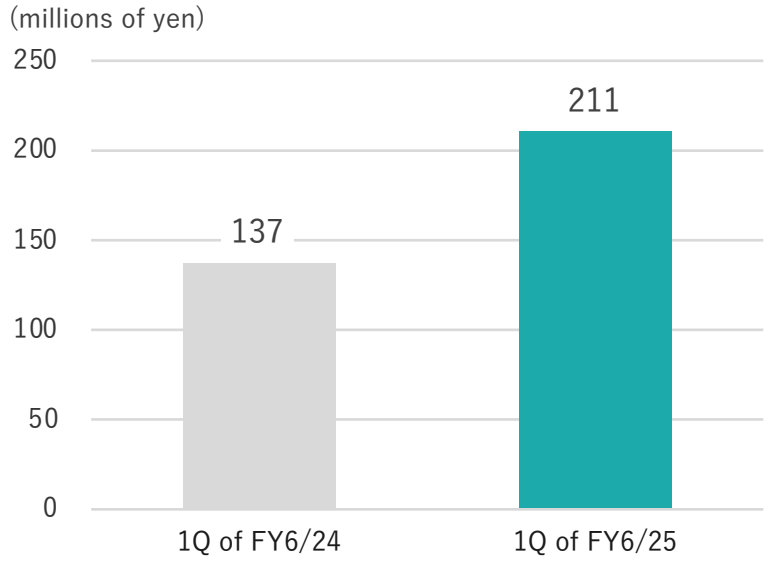
Net sales in the 1st quarter (July - September) were 903 million yen (+29.7% YoY), and operating income was 211 million yen (+54.1% YoY).

Net sales



1Q of FY6/24	1Q of FY6/25	Year on year
697 million yen	903 million yen	+29.7% (+206 million yen)

Operating income



1Q of FY6/24	1Q of FY6/25	Year on year
137 million yen	211 million yen	+54.1% (+74 million yen)

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Consolidated income statement for 1Q of FY6/25

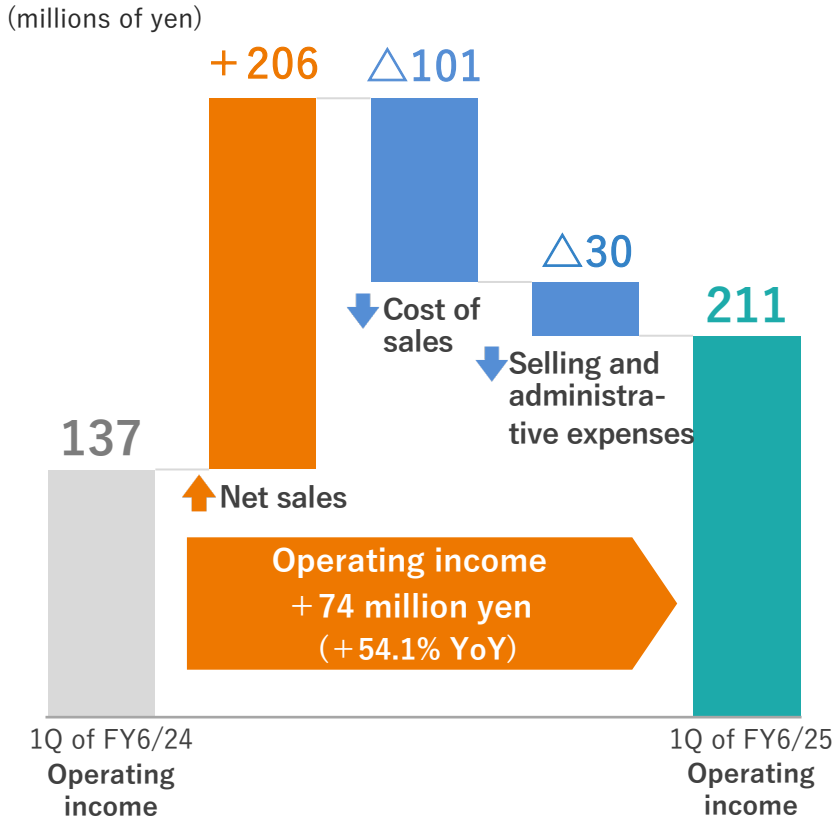
Net sales were 903 million yen (+29.7% YoY),
and operating income was 211 million yen (+54.1% YoY).

(units: millions of yen)	1Q of FY6/24 (Composition rate)	1Q of FY6/25 (Composition rate)	Change (Rate of change)
Net sales	**697** (100.0%)	**903** (100.0%)	**+206** (+29.7%)
Cost of sales	**191** (27.4%)	**292** (32.4%)	**+101** (+53.3%)
Depreciation expenses	84 (12.1%)	72 (8.1%)	△11 (△14.0%)
Manufacturing costs	88 (12.7%)	85 (9.5%)	△3 (△3.5%)
Others	17 (2.5%)	134 (14.9%)	+116 (+660.1%)
Gross profit	**505** (72.6%)	**610** (67.6%)	**+104** (+20.7%)
Selling, general and administrative expenses	**368** (52.9%)	**399** (44.2%)	**+30** (+8.3%)
Labor expenses, etc.	234 (33.6%)	254 (28.2%)	+20 (+8.7%)
Others	134 (19.3%)	144 (16.0%)	+10 (+7.6%)
Operating income	**137** (19.7%)	**211** (23.4%)	**+74** (+54.1%)
Ordinary profit	**137** (19.7%)	**212** (23.5%)	**+75** (+54.8%)

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Factors behind changes in consolidated operating income

Steady growth in net sales, driven by expansion of the CLOMO Business and recording of revenue in the investment business. Operating income grew 54.1% YoY, with an operating margin of 23.4%.



Increase in net sales (+206)

- CLOMO business expansion
- Sales (120 million yen) recorded in Investment Business as a result of disposal of operational investment securities

Increase in cost of sales (△101)

- Cost of sales (99 million yen) recorded in Investment Business as a result of disposal of operational investment securities

Increase in selling and administrative expenses (△30)

- Personnel expenses increased against a background of rising headcount, driven by M&A(1) and a proactive approach to recruitment
  Number of consolidated employees as of September 30, 2024 was 159 (up 37 persons YoY)

Note：
1. 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, led to an increase in headcount and personnel expenses for the Group.

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Balance sheet for 1Q of FY6/25

Despite moving forward with investments for growth and returns to shareholders, we have maintained a stable financial base, and an equity ratio of 75.9%.
Decrease in cash and deposits is mainly due to payment of dividends and corporate income taxes.

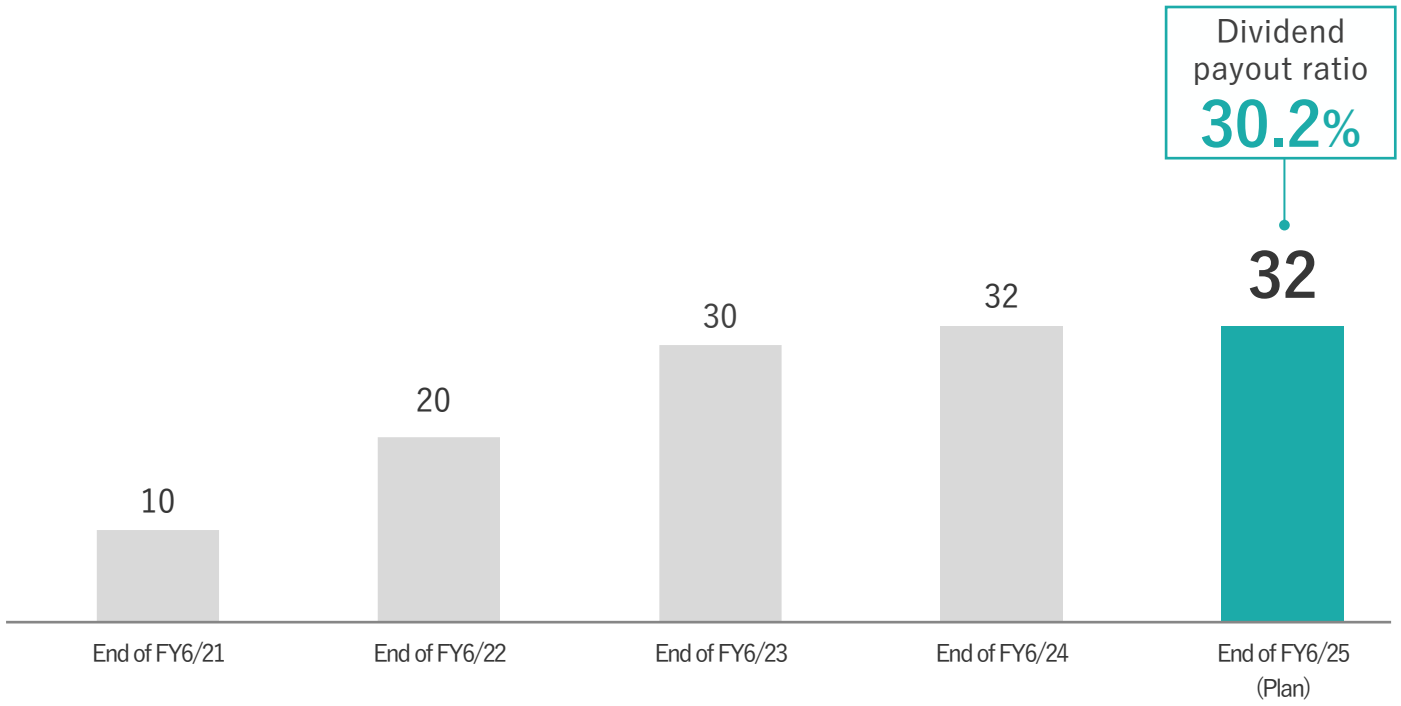
(units: millions of yen)	FY6/24	1Q of FY6/25	Change
Current assets	**2,525**	**2,284**	**△241**
Cash and deposits	1,812	1,701	△111
Receivables	332	321	△11
Operational investment securities	265	165	△100
Fixed assets	**1,083**	**1,088**	**+5**
Software	246	184	△62
Software in progress	103	156	+53
Total assets	**3,609**	**3,372**	**△237**
Current Liabilities	**1,029**	**801**	**△228**
Contract liabilities	483	448	△35
Fixed liabilities	–	–	–
Total liabilities	**1,029**	**801**	**△228**
Total net assets	**2,579**	**2,570**	**△9**

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Shareholder return policy

We are maintaining our policy of actively returning profits to shareholders who have high expectations for our company's medium- to long-term growth, and plan for the year-end dividend for FY6/25 to be unchanged from the previous year's level of 32 yen.

Dividends over time (yen)



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3. Reference Materials

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Company Profile

Company Name	i Cubed Systems, Inc.
Locations	Fukuoka HQ : Daiichi Myojo Building, 4-1-37 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka Tokyo HQ : Hamamatsucho DS Building, 1-27-16 Hamamatsucho, Minato-ku, Tokyo Sales office : Sapporo／Sendai／Nagoya／Osaka／Hiroshima
Capital	413,018,600 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Member Android Enterprise Gold Partner Microsoft AI Cloud Partner
Group Company	i Cubed Ventures, Inc. 10KN COMPANY LIMITED

※Information as of the end of September 2024.

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Corporate brand

Brand slogan

Enjoy challenges.

We ourselves will enjoy taking on challenges,
help people and organizations to take on their own challenges,
and help to realize all kinds of ideas to make many people smile.

Brand concept

Purpose： Become the matrix for realizing unknown ideas that lead to smiles

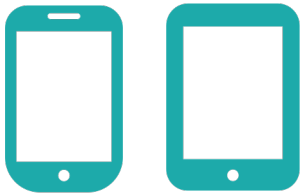
Value proposition：Using the power of design and engineering to support those who take on challenges

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Structure of the Group’s business

CLOMO Business is the main focus of business development for the Group.
Investment Business was launched in June 2022 to further expand CLOMO Business and to accelerate growth of the Group as a whole.

CLOMO Business



Main business and revenue base of the Group, providing CLOMO MDM and CLOMO SECURED APPs to support use and management of mobile devices by corporates

Investment Business

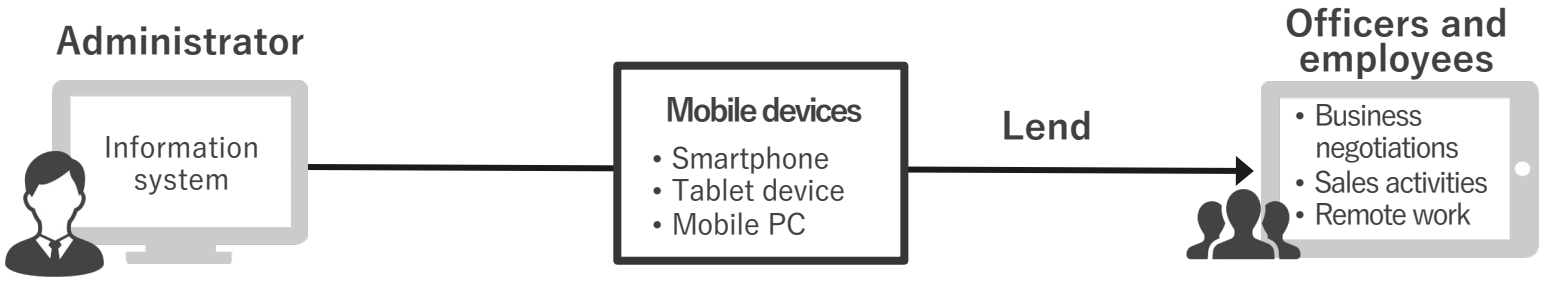


Investment activities, such as CVC, aimed at generating business opportunities for CLOMO Business and execution of M&A aimed at further expansion of CLOMO Business and creation of new businesses

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Overview of the CLOMO Business (Service)

We provide MDM services to reduce the security risks of mobile devices for business use, and application services to enable more efficient use of mobile devices.

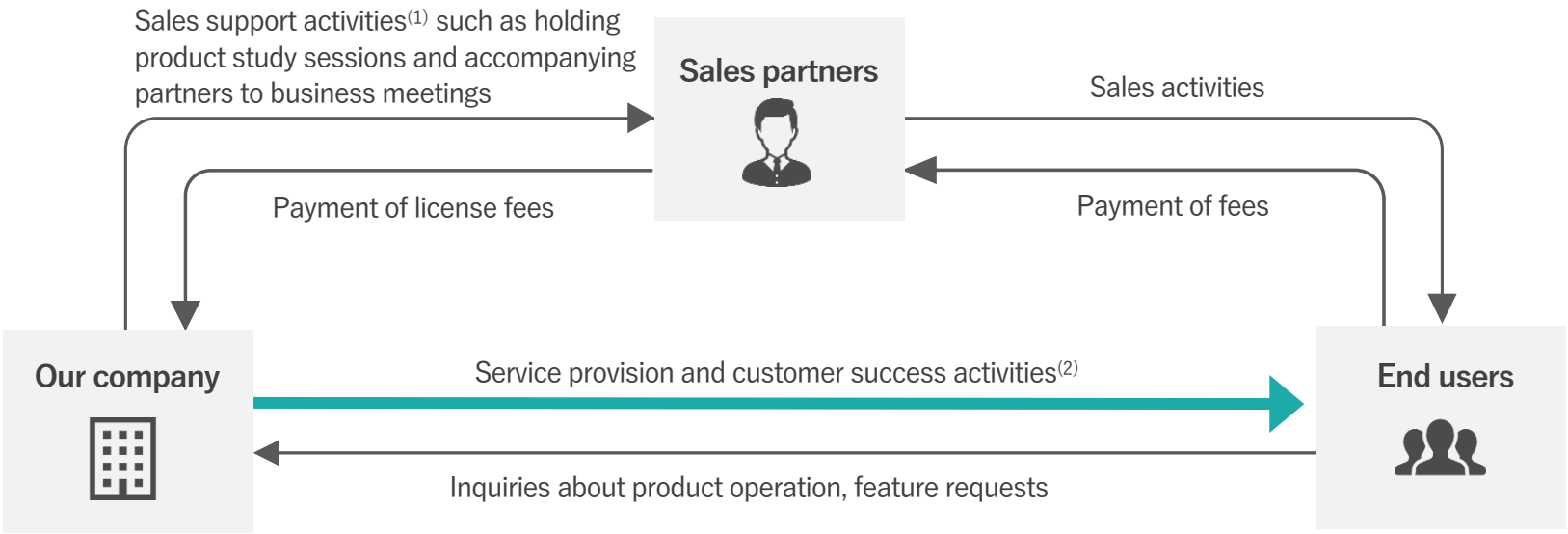


		Visualization of utilization status "Status monitoring"	Function restrictions And settings "Application of utilization rules"	Security measures "Measures for preventing information leakage"
Manage-ment	Basic functions for smooth management	Remotely assess the utilization status in real time	Properly set and restrict functions	Device lock and data erasure when the device is lost or stolen
Utilization	In combination with MDM, ensure both safety and convenience	Efficiently assess the utilization status	Efficiently use business software	Provide apps that meet security requirements
		【Browser / Mailer / Calendar / Contacts / Docs】		

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Overview of the CLOMO Business (Sales structure)

We focus on service expansion in collaboration with sales partners. Meanwhile, our Customer Success Division, which has extensive product knowledge, provides direct support to customers who have installed our products.



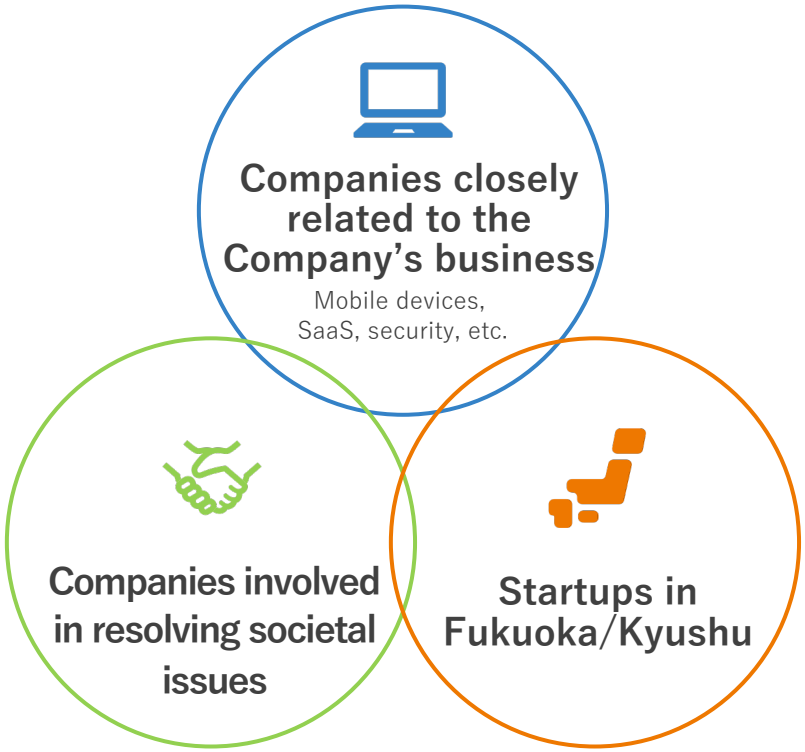
Notes:
1. In addition to sales support activities for sales partners, we carry out marketing activities targeting potential customers, mainly through case study ads and participation in seminars and events.
2. Our customer success activities include providing support for customer inquiries, conducting regular customer interviews, holding seminars and user meetings on product operation, and up-sells/cross-sells.

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Overview of the Investment Business

We are conducting startup investments across a wide range of fields through our CVC subsidiary, i Cubed Ventures, Inc., aiming to further grow our company group through these investment activities.

Focus areas within investments



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Source of competitiveness

1 Competitive advantage of CLOMO Business

1. Stable revenue base and highly profitable structure
2. Integration capabilities
3. Robust partnership with OS developers

2 Management resources

1. Stable financial base
2. Strong customer base
3. Diverse and flexible organization

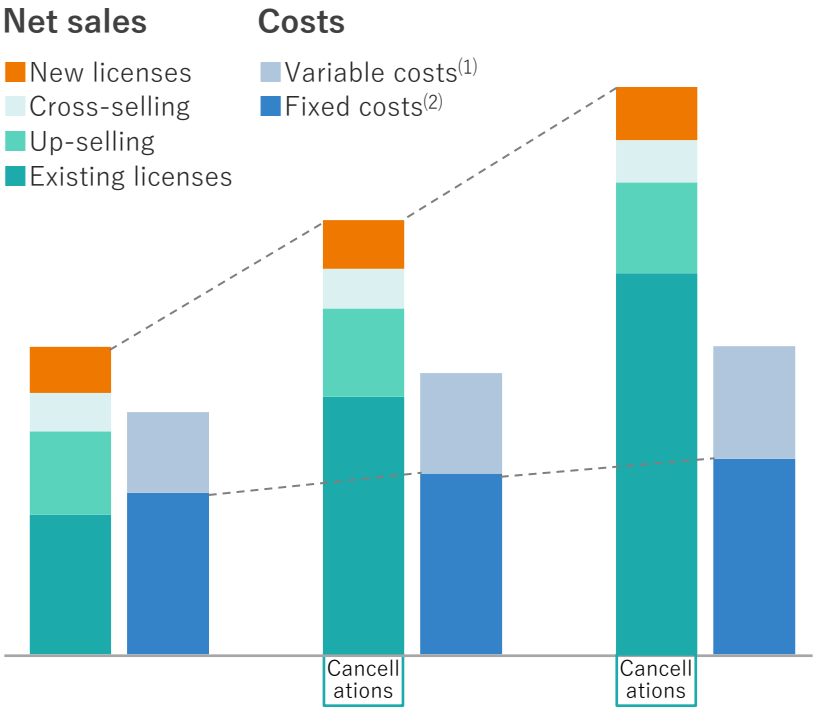
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1 Competitive advantage of CLOMO Business

Stable revenue base and highly profitable structure

SaaS business using both subscription model and cloud technology.
It is possible to obtain stable revenue through continuous sales and establish a highly profitable structure through economies of scale.

Structure of net sales and costs



Medium- to long-term trends (for illustrative purposes)

Features of net sales breakdown

Acquisition of new customers

Corporate with distributors to increase number of new customers

Revenue growth from existing customers

Approach directly, promote up-selling and cross-selling

Features of cost breakdown

Variable costs

Utilize new technology to control increases in operating costs for servers, etc. following expansion in scale of business

Fixed costs

Furthermore, sales costs are controlled by means of marketing activities led by distributors, so that locations need to be opened only in core areas

Notes:
1. Calculated as “other expenses (cost of sales) + advertising expenses (SG&A expenses) + R&D expenses (SG&A expenses) + other expenses (SG&A expenses)”.
2. Calculated as “depreciation expenses (cost of sales) of in-house product software + manufacturing cost (cost of sales) related to product development and operations + personnel cost (SG&A expenses) + property cost (SG&A expenses)”.

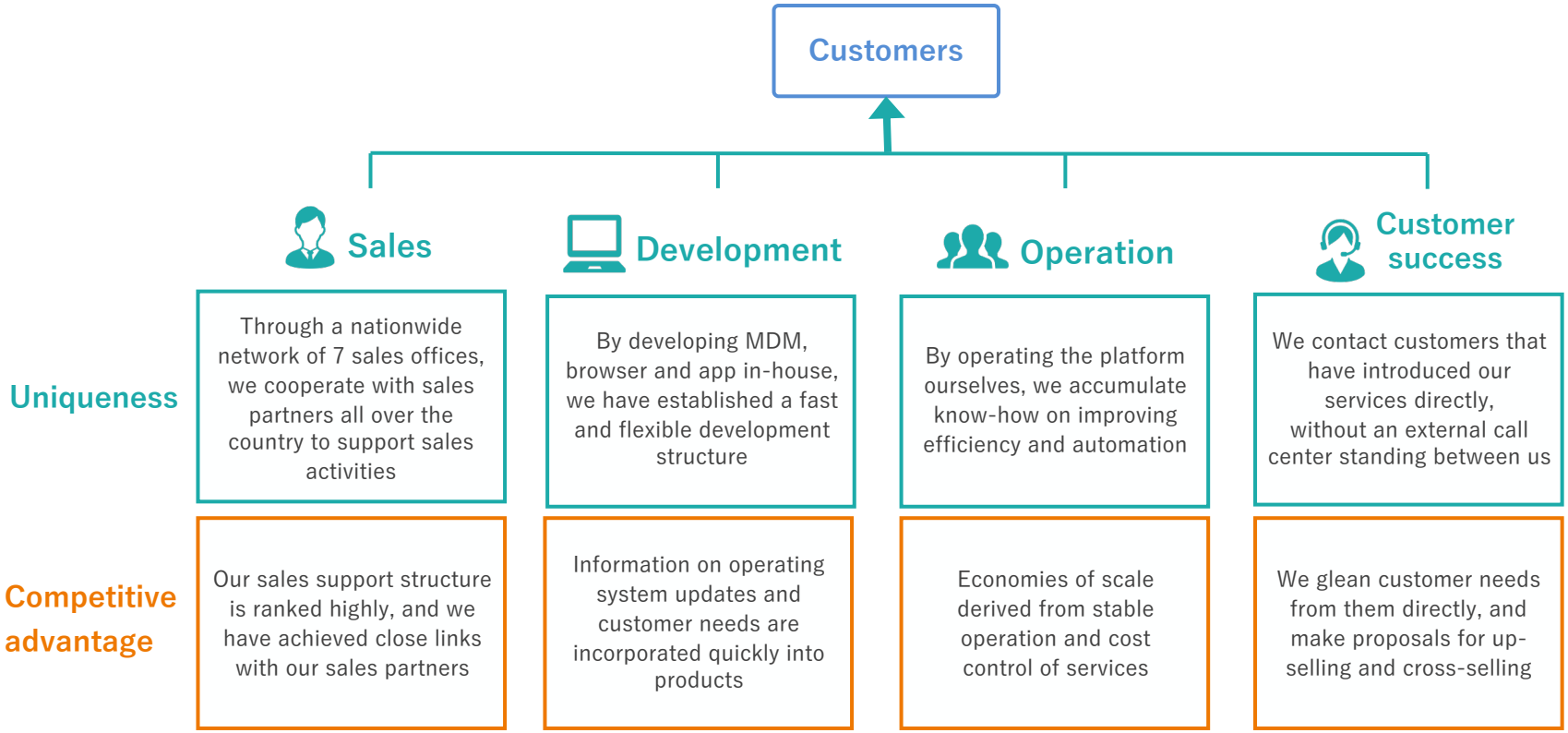
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1 Competitive advantage of CLOMO Business

Integration capabilities

Achieving services with high customer satisfaction through the integrated capability of performing all sales, development, operations, and support in-house.

Integration capabilities Enables close cooperation with customers and the provision of service that scores highly for satisfaction



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1 Competitive advantage of CLOMO Business

Robust partnerships with OS developers

Certified as Gold Partner in “Android Enterprise Partner Program” provided by Google.
Promoting acquisition of new customers in area of Android devices, while enhancing product capabilities through partnership.



Recognition of our superior technical capabilities, extensive track record in deploying CLOMO Services, and courteous and caring customer support has led to the Company being certified as a Gold Partner

Improve product quality through partnerships

By participating in conferences, etc. held by Google, and being able to receive priority technical support, we have consistently improved the quality of CLOMO product development and customer support

Acquisition of new customers in area of Android devices

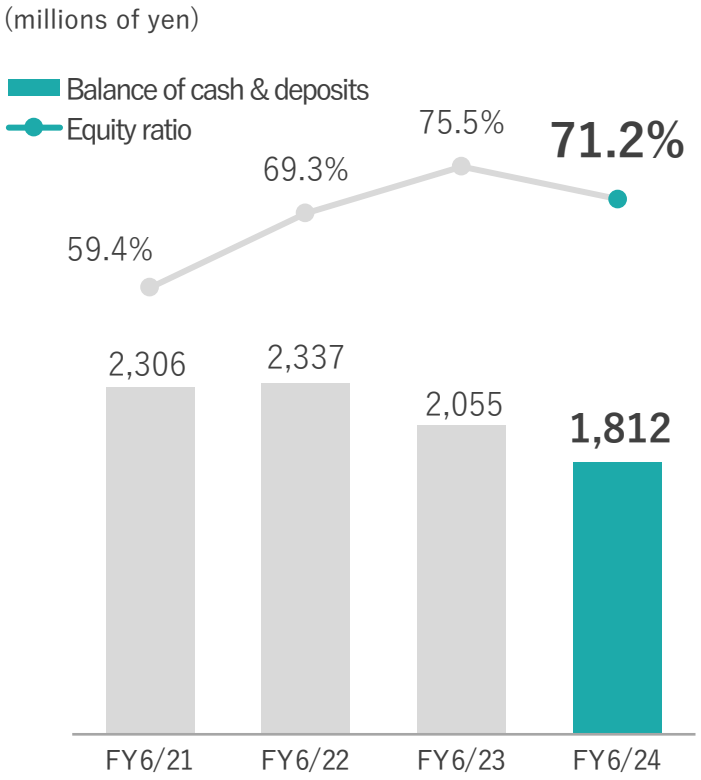
CLOMO has continuously received the “Android Enterprise Recommended” designation for products that satisfy the high level of technical capabilities required by Google, and we are promoting the acquisition of new customers in the area of Android devices for corporates

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Stable financial base

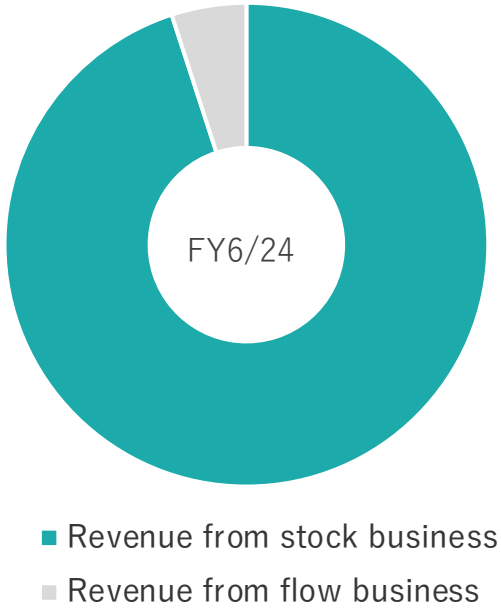
Despite small year-on-year decline caused by purchase of treasury shares, etc., we maintained a certain level of cash and deposits and equity ratio.
Use of subscription model enables building of a stable financial platform for the future growth of the organization.

Trend in balance of cash & deposits and equity ratio



Ratio of revenue from stock business

95% of consolidated net sales consists of stock business



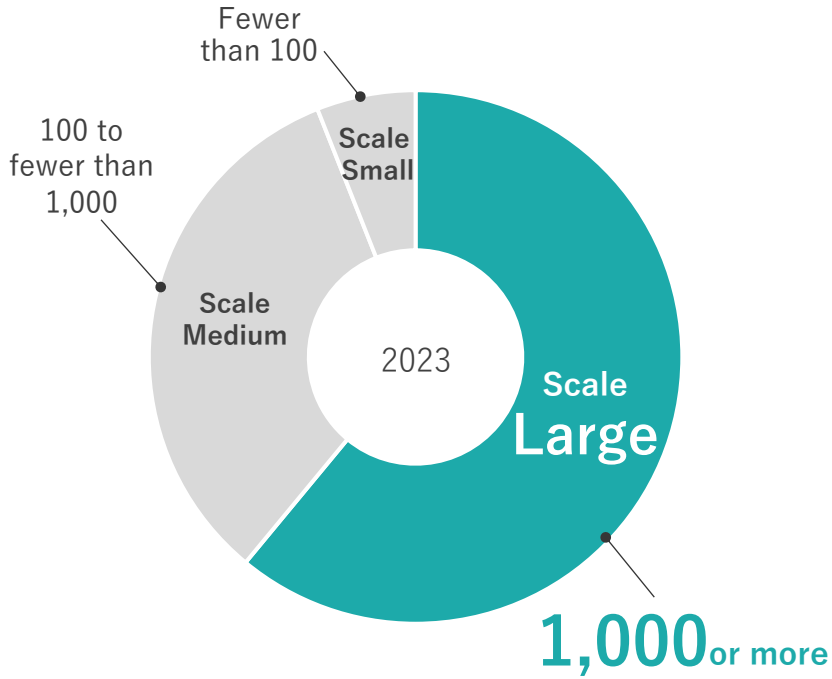
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2 Management resources

Strong customer base

More than 7,000 existing companies form a strong customer base various of industries, mainly large companies. In recent years, it has also been introduced to small and medium-sized companies, promoting growth of the company.

Sales composition by customer scale (number of employees)



Deployment track record

大林組
SUSHIZANMAI
KIRIN
SEKISUI
東京慈恵会医科大学
東京海上日動
佐賀県
JR西日本
SHIPS
NOEVIR GROUP
MONEX GROUP
琉球銀行

And many others

Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd.
"Delivering the Optimal Solution for Hybrid Work: Market Outlook for Collaboration and Mobile Management Software, 2023 Edition (https://mic-r.co.jp/mr/02880/)"

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Diverse and flexible organization

By building a diverse organization and promoting flexible work styles, we have fostered a culture that actively takes on challenges. Recognized for 5 consecutive years in the Best Workplaces(1) rankings, recipient of Stress Free Company(2) award for 3 consecutive years.

Diverse organization and flexible work styles(3)

Male-to-female ratio
6:4

Percentage of foreign national employees
7%

Percentage taking childcare leave
100%

Average hours worked outside regular hours
4.5 hours

Certifications from external organizations

Best Workplaces Certified for four consecutive years

Great Place To Work.® Certified SEP 2023-SEP 2024 JAPAN™

Stress Free Company Awarded for three consecutive years

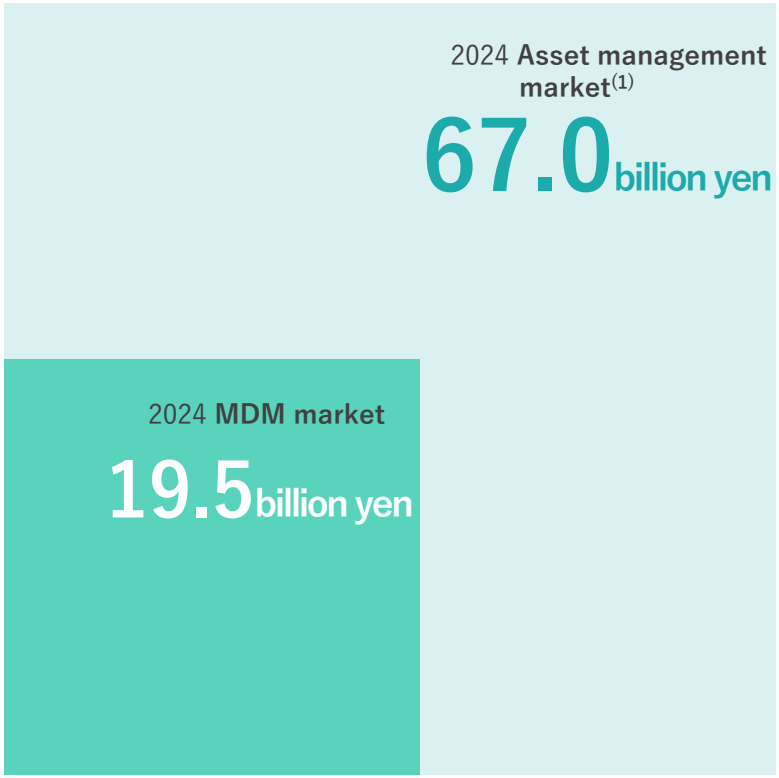
ストレスフリーカンパニー 2024

Notes:
1. A system whereby Great Place to Work® Institute Japan performs awareness surveys of employees in accordance with global standards, and certifies those that exceed a certain level as Best Workplaces companies.
2. A system whereby HRDataLab Inc. uses the results of a stress check based on the “The Brief Job Stress Questionnaire” recommended by the Ministry of Health, Labour and Welfare to award Stress Free Company status to corporations.
3. All indicators are based on actual figures for the parent company on a standalone basis as of June 30, 2024, rounded to the nearest whole number. As of June 30, 2024, the total number of employees at the consolidated level was 157, of which the percentage of foreign nationals is approximately 23.0%.

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Markets targeted by the CLOMO Business

The size of the mainstay MDM market is 19.5 billion yen.
The size of the market that we are targeting is 67.0 billion yen overall, so the potential for the CLOMO Business is significant.



Market Growth Factors

- Switch to smartphones accelerating ahead of decommissioning of 3G increase opportunity to introduce MDM.
- DX leading to increase in deployments of mobile devices at medical, manufacturing, and logistics sites, resulting in expansion of devices to be managed
- Shift to SaaS for PC asset management and security software accelerating. As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

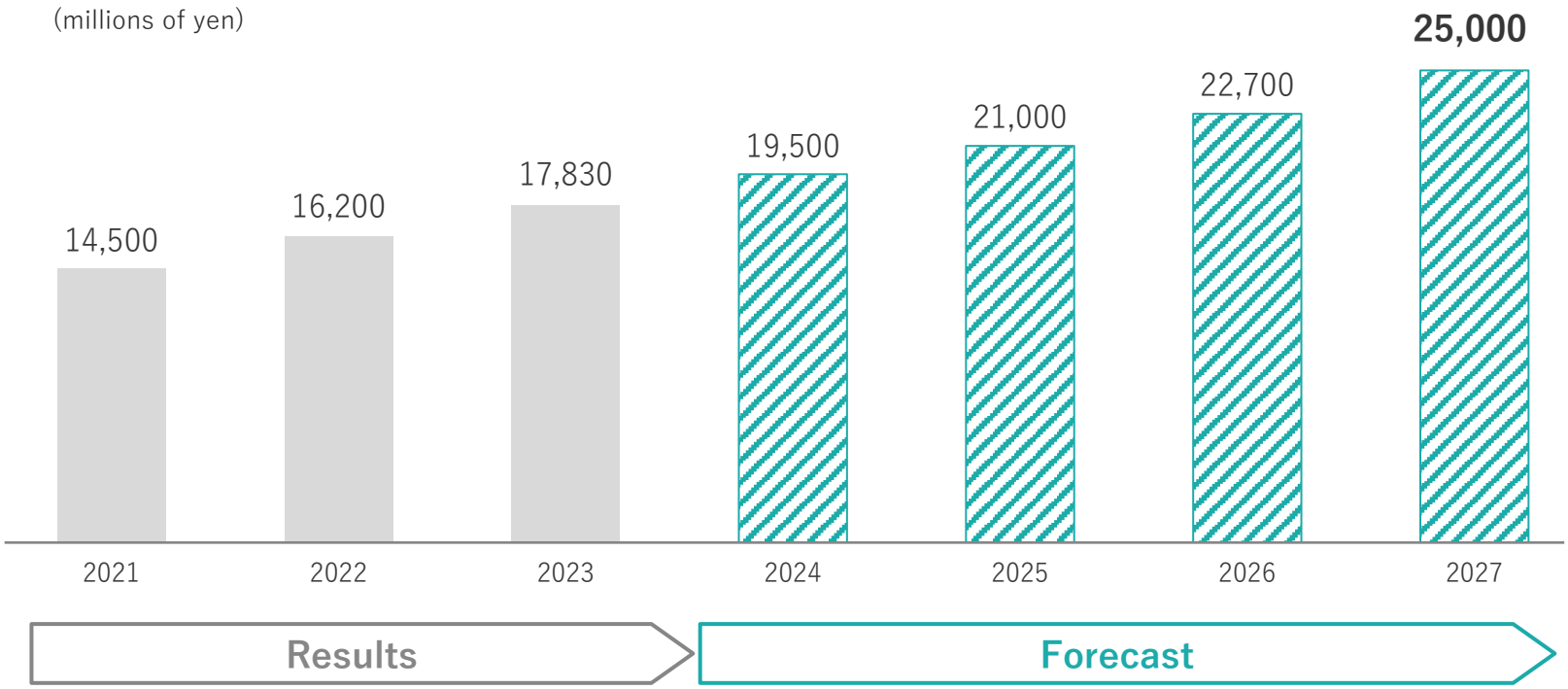
Note:
1. This figure is the sum of the 2024 market size forecast for the MDM market and for the PC asset management market. For details on the market size of each market, please refer to the following pages.

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MDM market size forecasts (shipment value)

Strong growth is expected for the MDM market, centered on smartphones and tablets.

It is expected to expand to a size of 25.0 billion yen by 2027



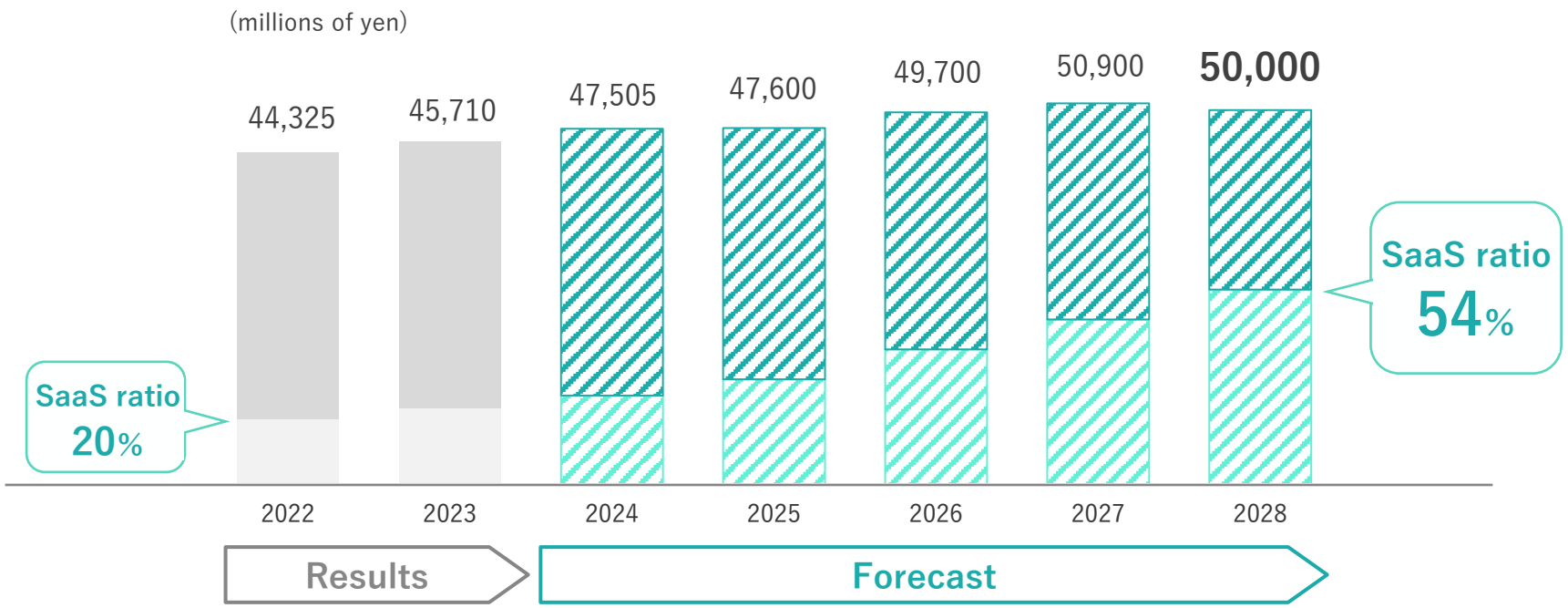
Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd.
"Delivering the Optimal Solution for Hybrid Work: Market Outlook for Collaboration and Mobile Management Software, 2023 Edition (https://mic-r.co.jp/mr/02880/)"

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PC asset management market size forecasts (shipment value)

Transition to SaaS making progress in PC asset management market, which is more than twice the size of MDM market. Opportunities have emerged for MDM vendors to enter against a backdrop of growing demand for integrated management of mobile devices/PCs.

SaaS ratio is expected to grow to 54% by 2028

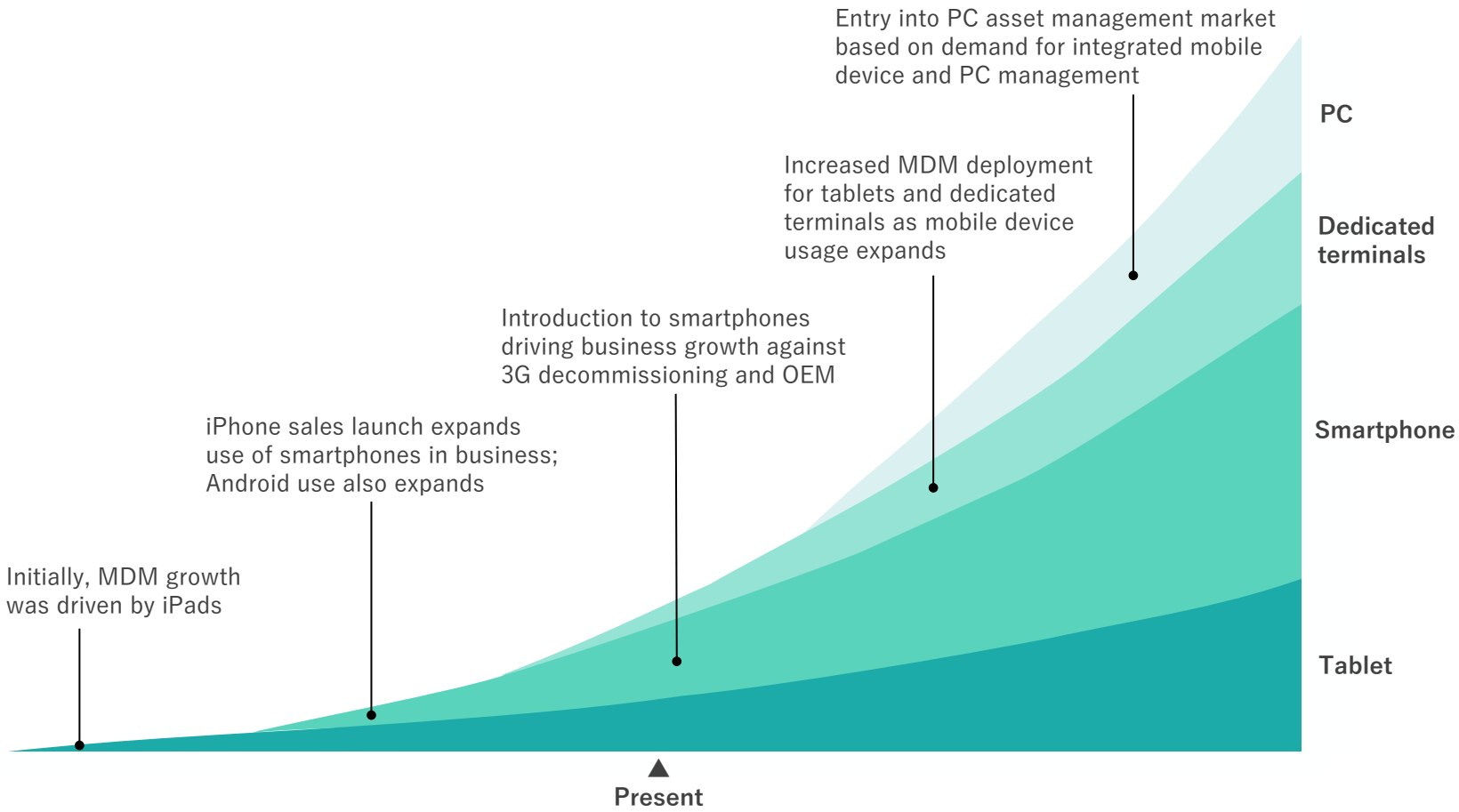


Source: Techno Systems Research Co., Ltd. “2024 Endpoint Management Market Marketing Analysis”

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Sales growth image of CLOMO business

Our business has been growing steadily up to now as business use of smartphones has expanded.
We expect further business growth as the market expands to include new devices to be managed.



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Handling of this document

- This document contains outlooks, future plans, and management objectives related to the Company. These outlooks are based on current assumptions on future events and trends, and there is no guarantee that these assumptions are accurate.
  Owing to various factors, actual results may differ materially from those indicated in this document.

- Unless otherwise stated, the financial data provided in this document is presented in accordance with generally accepted accounting principles in Japan.

- The Company does not necessarily revise any statements on future outlooks which have already been made, regardless of future events, except as required by the Disclosure Rules.

- Information about other companies is based on publicly known information.

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