FY2024 Q2 (Apr.-Jun.)

Financial Results Q2 Fiscal Year 2024

GLAD CUBE Inc.

Security code：9561

Aug 14, 2024

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1 Company Overview

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1. **Company Overview** – Mission, Vision, Values

In conjunction with the business segment changes for the fiscal year 2024, we have refreshed our Mission, Vision, Values, and company logo

Mission

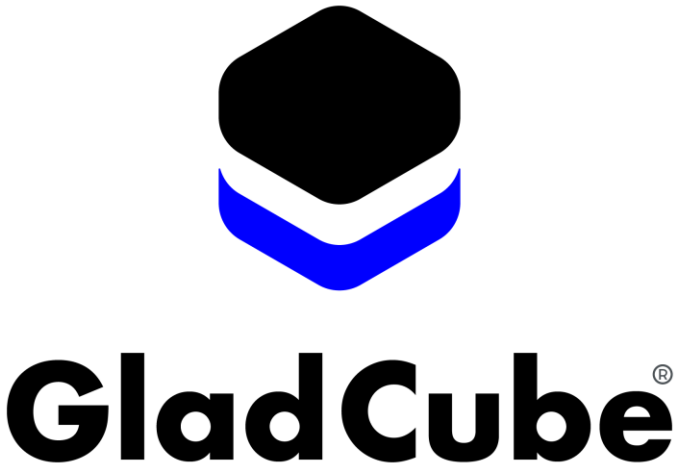
Changing the world with compassionate technology

Vision

The world's kindest, strongest, and most fun tech company

Value

Humanitech [Humanity × Technology]



The Vision Behind the New Logo

We incorporated the “G” from Glad and the name “Cube” to create a motif of a “box.” The box symbolizes a place to “store, present, provide, deliver” and carries the image of a precious container for valuable items such as jewels or gifts. It also conveys the idea of “solidify, unit, stack.” As a company, our wish is to be a cherished “box” with a significant and beloved presence, reflecting the sentiment of holding and treasuring important things

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1. FY24 Business Policies

With a new mission of "Changing the world with compassionate technology," we aim to create new value for society as a company that brings joy to people. Additionally, we will actively invest in and fully enter the fields of Web 3.0 and generative AI, which have the potential to become central to our business in the future.



Talent Strategy

We will focus on improving the quality of both new hires and existing employees We will continue to actively invest in our people

- Amid intensifying competition for talent, we conduct recruitment activities focused on the quality of our workforce, aiming to be a company chosen by top-tier talent.
- We prioritize developing the next generation of leaders with equality across all genders, practicing sustainable growth for both our employees and the company.



Customer Strategy

We aim to maximize operating profit by implementing effective methods to improve LTV

- Due to changes in our business domain, we are integrating business units to strengthen collaboration and enhance our sales capabilities.
- We aim to acquire new customer segments from new business ventures and cross-sell to them, targeting improved sales efficiency and reduced promotional costs.



Corporate Strategy

We are actively considering M&A opportunities that will expand our growth foundation and are seeking opportunities for strategic investments

- We are actively pursuing M&A activities that leverage synergy effects to expand the distribution of products and services, leading to the growth of our customer base.
- We aim to secure core resources in AI-related businesses to facilitate product development and the development of new services.

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2 FY2024 Q2 Financial Highlights

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2. Executive Summary

FY24 Q2 Performance

- The sales revenue for the Q2 (first half) of the FY ending Dec 2024 **maintained a growth trend with a YoY increase of +7.6%.**
- The sales revenue for the Marketing DX Division **exceeded the plan by +10.3% and is performing steadily.**
- Regarding the revenue of the Technology Division, although the plan fell short due to the restructuring that involved eliminating some unprofitable businesses, **we achieved a significant YoY growth of +152.1%.**
- Due to factors such as proactive investments for future growth, operating profit, ordinary profit, and net income **progressed as expected.**

Sales
778 Million Yen
Same Period Last Year
723 Million Yen
Plan comparison ＋7.6%

Operating Profit
-105 Million Yen
Same Period Last Year
138 Million Yen
Plan comparison -

Ordinary Profit
-108 Million Yen
Same Period Last Year
141 Million Yen
Plan comparison -

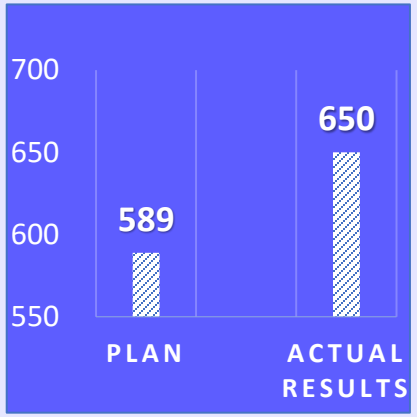
*As announced in the "Notice Regarding Changes to Reporting Segments" released on Dec 5, 2023, we have changed our reporting segments effective from the Q1 of the FY24. Therefore, the segment performance is reported under the new business unit names following the change.

FY24 Q2 Segment Performance

Marketing DX Division

Sales
650 Million Yen

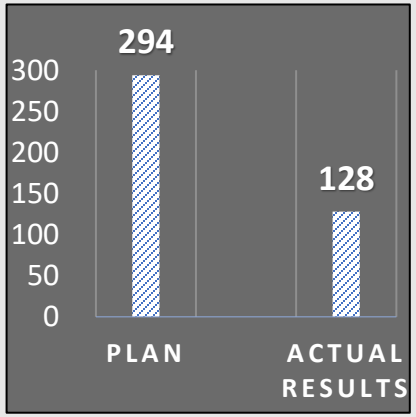
Plan comparison
+10.3%



Technology Division

Sales
128 Million Yen

Plan comparison
- 56.5%

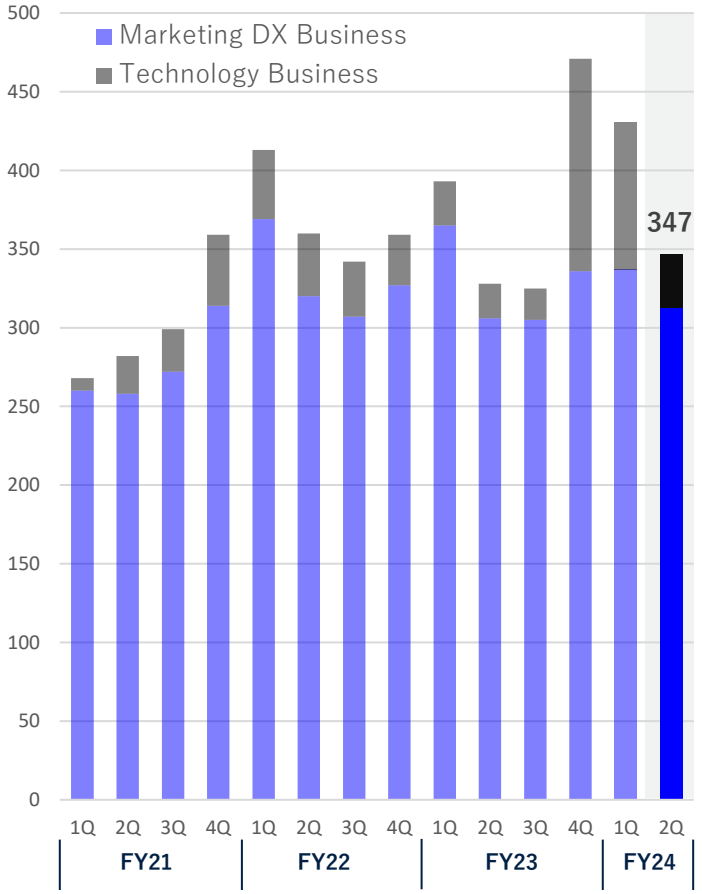


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2. FY2024 Q2 Financial Highlights Performance Trends

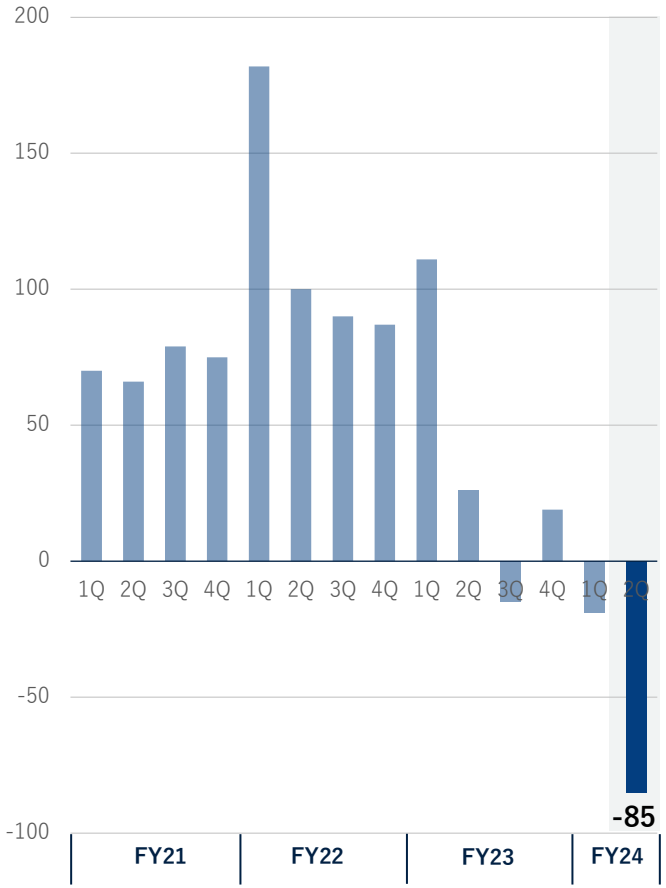
Sales

(Unit: million of JPY)



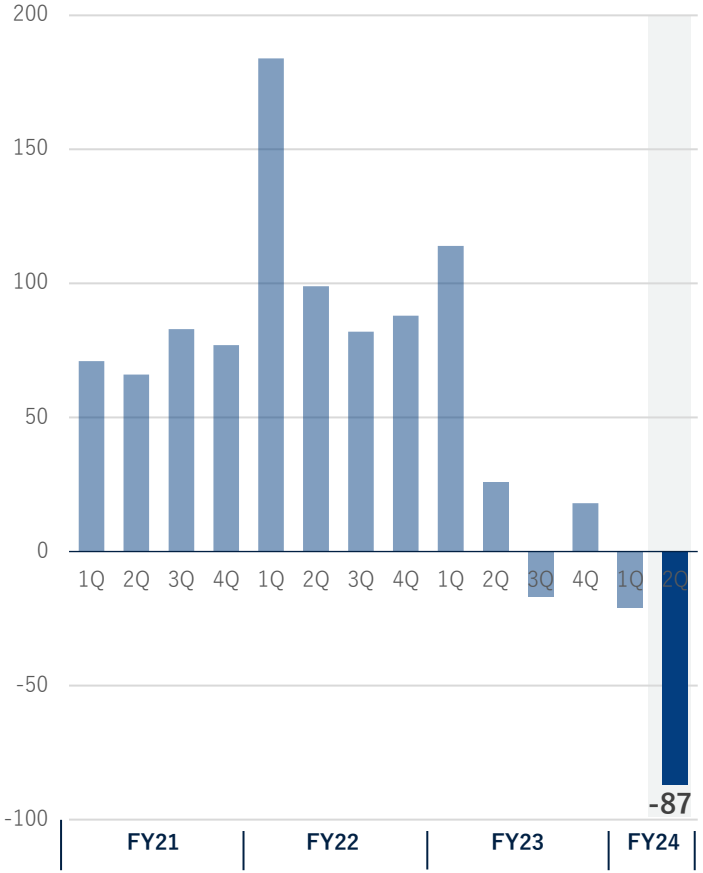
Operating Profit

(Unit: million of JPY)



Ordinary Income

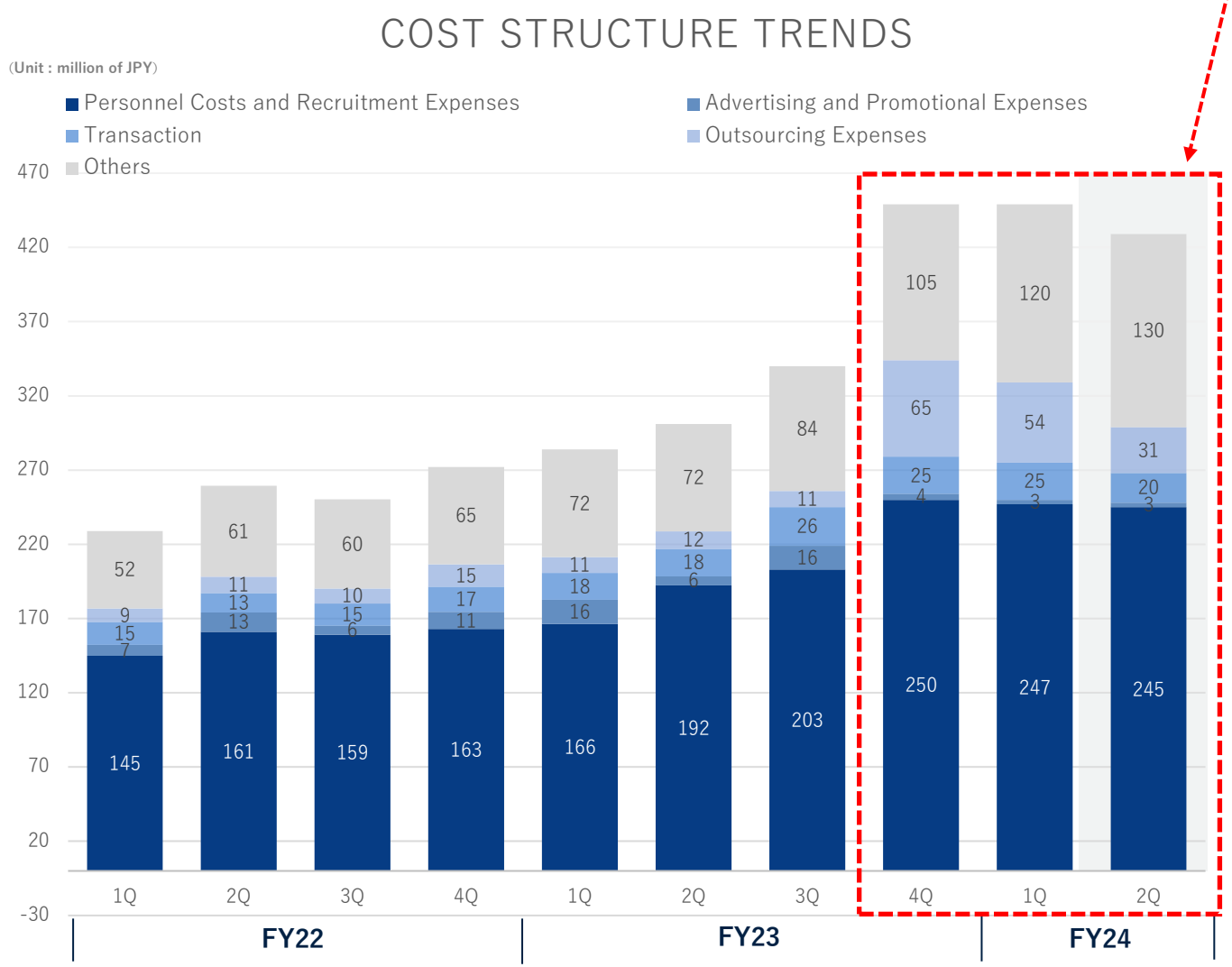
(Unit: million of JPY)



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2. FY2024 Q2 Financial Highlights Cost Composition Trends

In pursuit of **"Enhancing Corporate Strength, Scaling Up Company Size, and Accelerating Business Operations,"** we have been making proactive investments since the end of the previous FY. In FY24 Q2, costs decreased due to the elimination of some unprofitable businesses.



Cost Structure Topics

Personnel Costs and Recruitment Expenses

- Proactive recruitment of high-caliber talent aimed at strengthening our growth foundation has been implemented (＋27.5% compared to the same period last year).

Outsourcing Expenses

- The main factor was the increase in outsourcing costs related to product development, system development in the AI field, and commissioned development projects for web services.
- Compared to FY24 Q1, outsourcing costs decreased due to the elimination of unprofitable businesses, successfully reducing costs (＋146.7% compared to the same period last year).

Others

- Increased rent due to the lease of a new office to accommodate the increase in employees.
- To ensure that our technological capabilities are effectively translated into revenue, we have invested in systems and other resources to enhance development efficiency and optimization.
- Increased costs due to the expansion of servers to accommodate the rise in development projects.
- Increased goodwill amortization costs due to the partial business acquisition from Workhouse Inc. (＋80.3% compared to the same period last year).

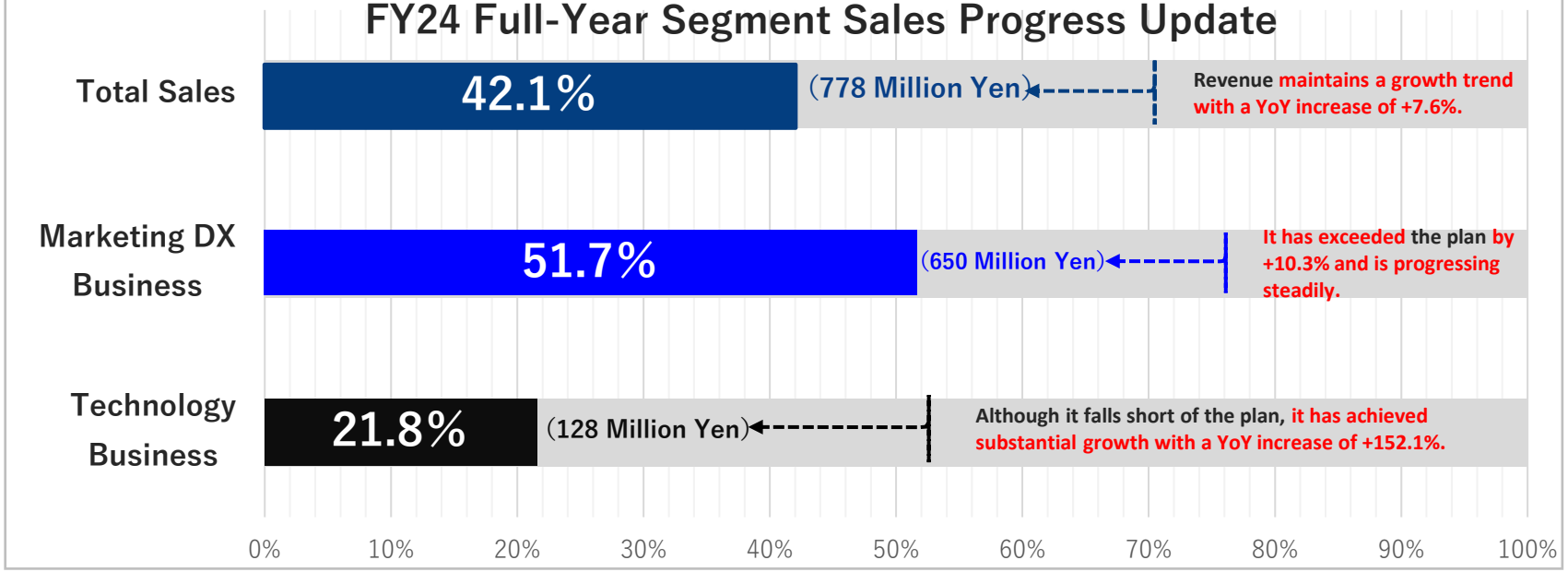
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2. FY2024 Q2 Financial Highlights
Segment-wise Sales and Operating Profit Progress in Financial Results

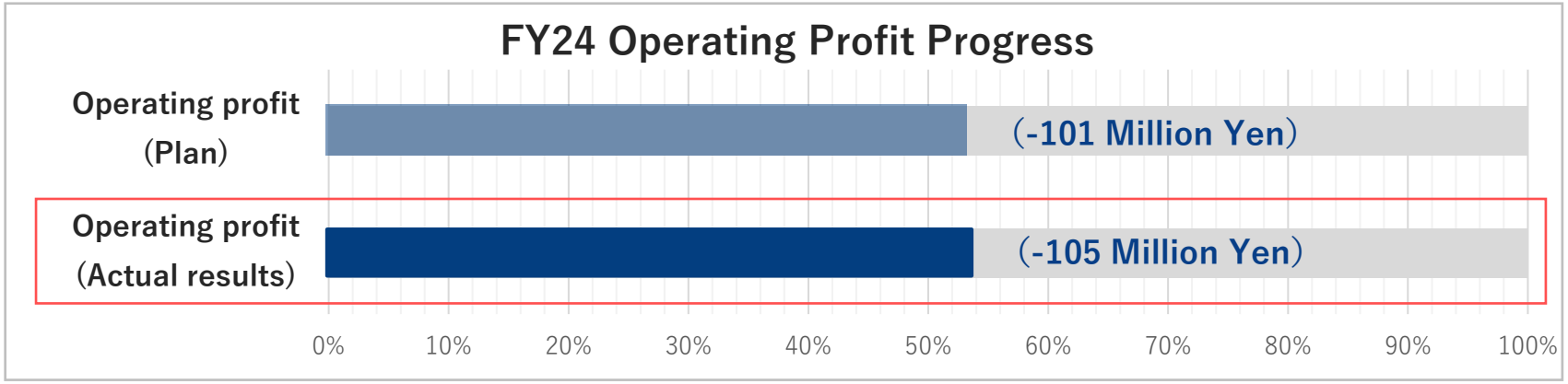
Topics

- For the Marketing DX Division, progress exceeded the plan due to the launch of new reskilling services.
  In the Technology Division, revenue fell short of the plan due to the elimination of some unprofitable businesses.
- Operating profit progressed as planned.

FY24 Full-Year Segment Sales Progress Update



FY24 Operating Profit Progress



FY24 Full-Year Performance Forecast

Sales

1,847 Million Yen YoY (+21.3%)

Breakdown

Marketing DX Business
1,258 Million Yen

Technology Business
589 Million Yen

Operating Profit

-203 Million Yen YoY (142 Million Yen)

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2. FY2024 Q2 Financial Highlights By business

Marketing DX Business

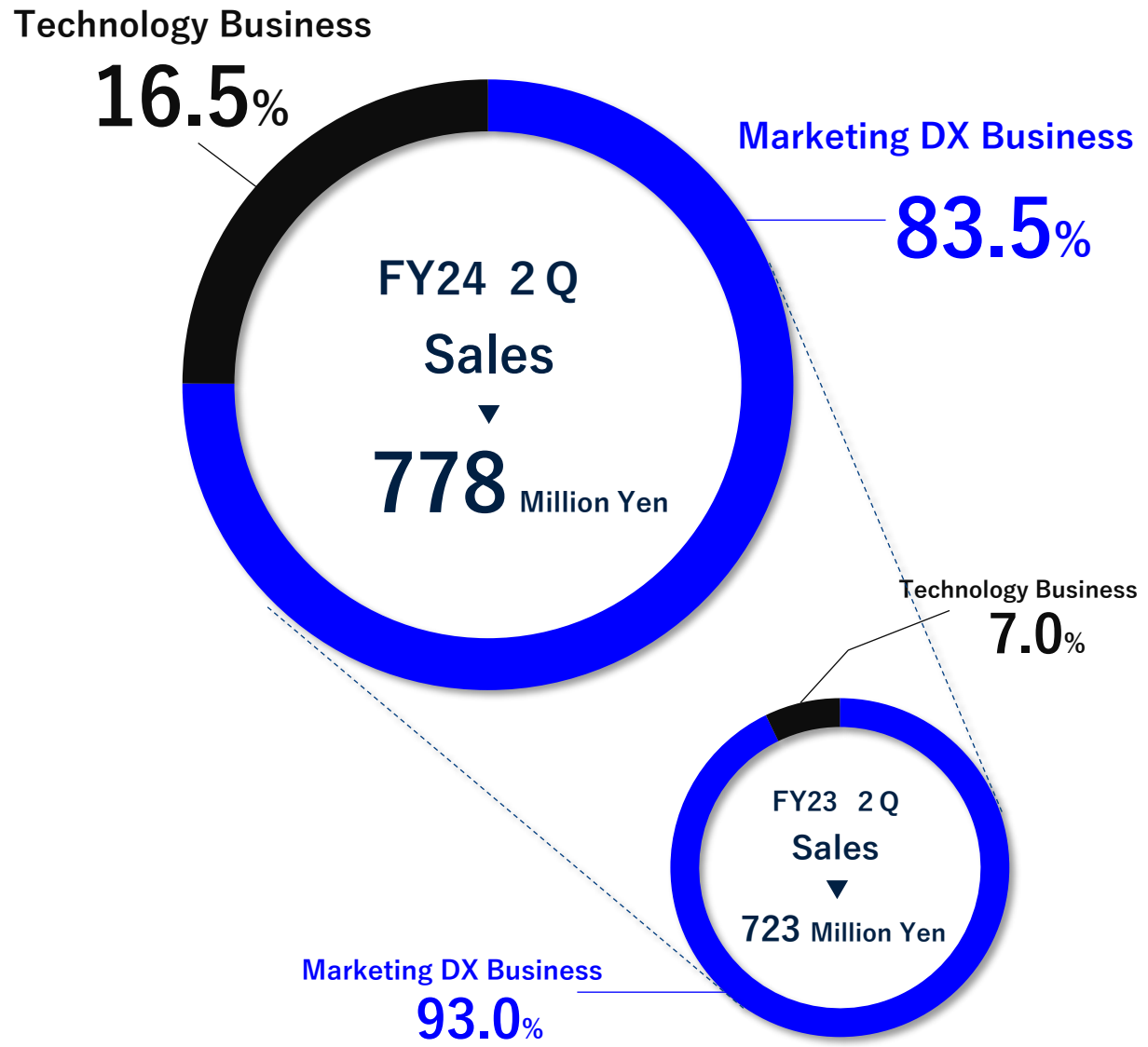
2 Q Sales	Planned Ratio
650 Million Yen	+10.3%

The new service “Resnavi“ is also progressing smoothly, and both the acquisition of existing advertising projects and the sale of tools have seen revenue growth. As a result, **it has exceeded the plan by +10.3%.**

Technology Business

2 Q Sales	Planned Ratio
128 Million Yen	-56.5%

Due to the acquisition of certain businesses from Workhouse Inc., revenue from contract development has been incorporated, **resulting in a significant YoY increase of +152.1%.** However, due to the elimination of some unprofitable operations, revenue fell short of the planned expectations.



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3 Business Overview / Performance Trends by Business Segment

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3. Business Overview

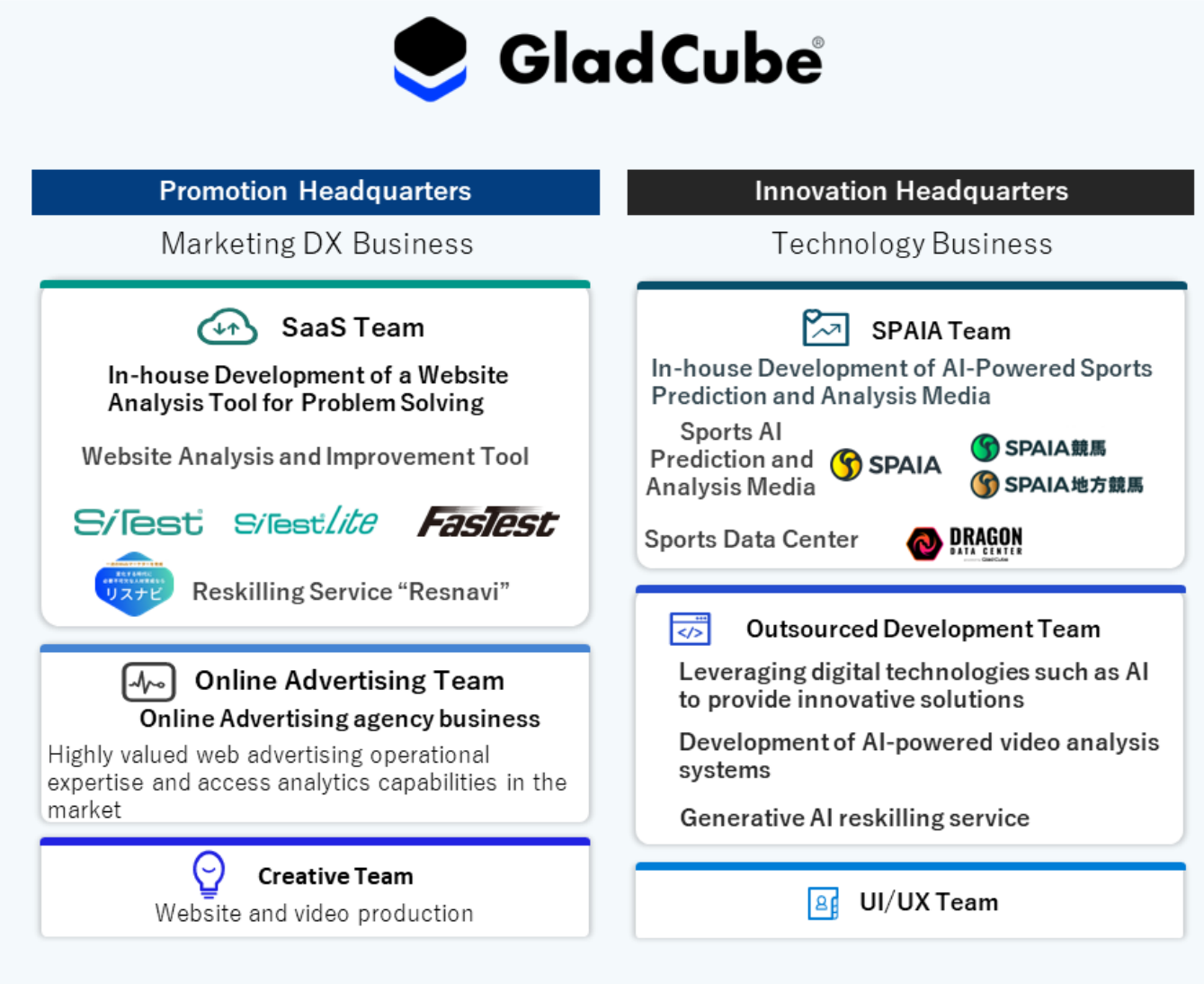
To realize the business that our customers seek, leveraging our strength in AI-powered data analysis, we will restructure into a two-division system starting in 2024

◆ Marketing DX Business

- To develop the reskilling service as a new pillar of the business, we are accelerating the development of educational content to train personnel who can address corporate challenges.
- We are currently preparing a new service in the digital marketing field.

◆ Technology Business

- We are expanding our data coverage for major and amateur sports and strengthening collaboration with major media and data-handling companies.
- We are currently preparing a new business related to generative AI.



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3. Business Overview and Business Model – Business Domain

- Securing core talents in the AI field and acquiring new technological capabilities have enabled us to undertake innovative product development and research in the AI domain. This has made it possible to enter new market segments
- In the future, we will leverage our strength in AI-based data analytics to provide customers with optimal problem-solving solutions as demanded

		BtoB	BtoC
Marketing DX Business	SaaS	✓	
	Online Advertising	✓	
	Creative	✓	
Technology Business	SPAIA	✓	✓
	Outsourced Development	✓	
	UI/UX	✓	

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3-1 | Marketing DX Business

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3-1. Service Overview （Marketing DX Business）

SaaS Team

In-house Development of a Website Analysis Tool for Problem Solving

Website Analysis and Improvement Tool

SiTest® SiTest® Lite

FasTest

Reskilling Service “Resnavi”

Revenue Model

- Direct and agency-based tool sales
- Provision of website analysis consulting
- Creative expenses for website creation, etc

Online Advertising Team

We handle a wide range of Online Advertising including listing ads, social media ads, DSP management, and offer reskilling with “Resnavi”

Online Advertising agency business

Highly valued web advertising operational expertise and access analytics capabilities in the market

Revenue Model

- Advertising operation agency fees
- Tool sales in collaboration with the SaaS team (cross-selling revenue)

Creative Team

We create websites and landing pages that are integrated with advertising, tailored to meet the specific requirements of our clients

Revenue Model

- Landing page, video production, and shooting expenses
- Production, support, and operation of landing pages, banners, and videos linked with advertising

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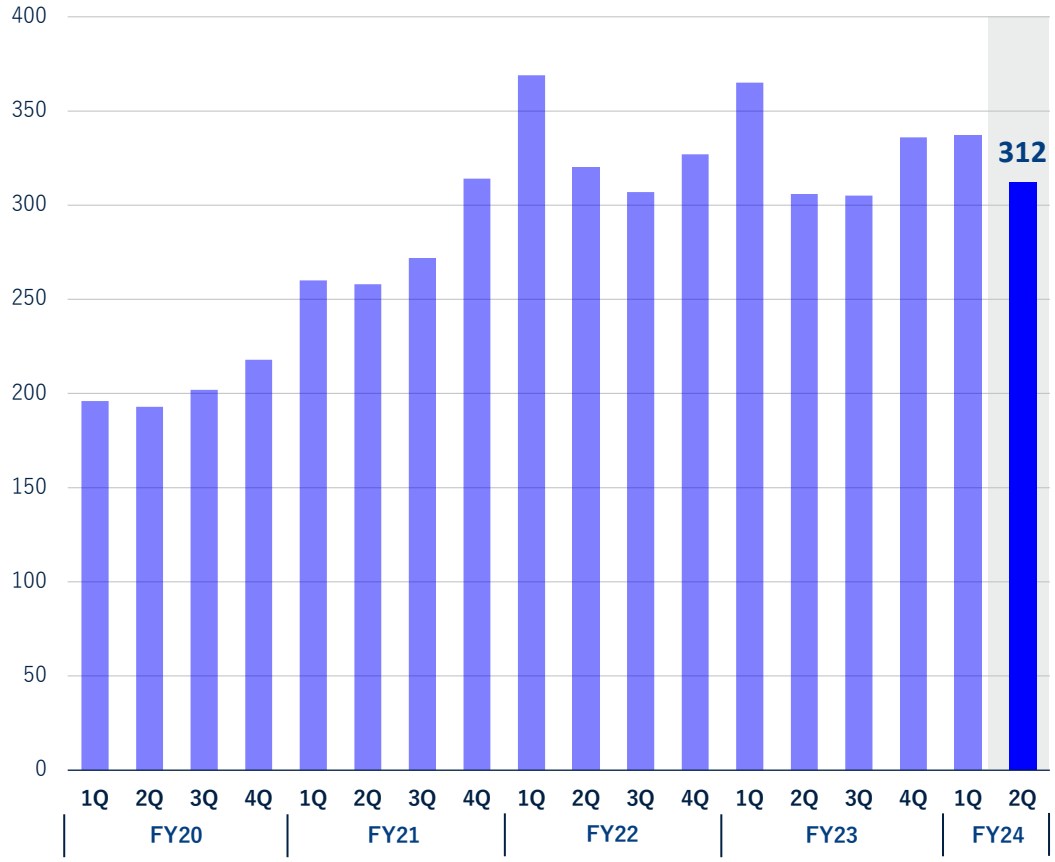
3-1. Marketing DX Business Performance

Topics

- **Full-year forecast progress rate Sales Revenue: 51.7%**
- **Regarding revenue, the sales of the new reskilling service are progressing smoothly, and there has been strong performance in acquiring advertising projects and tool sales. As a result, the performance is progressing well, exceeding the plan by +10.3%**
- **Operating profit has also recovered steadily, with a YoY increase of +31.5%**

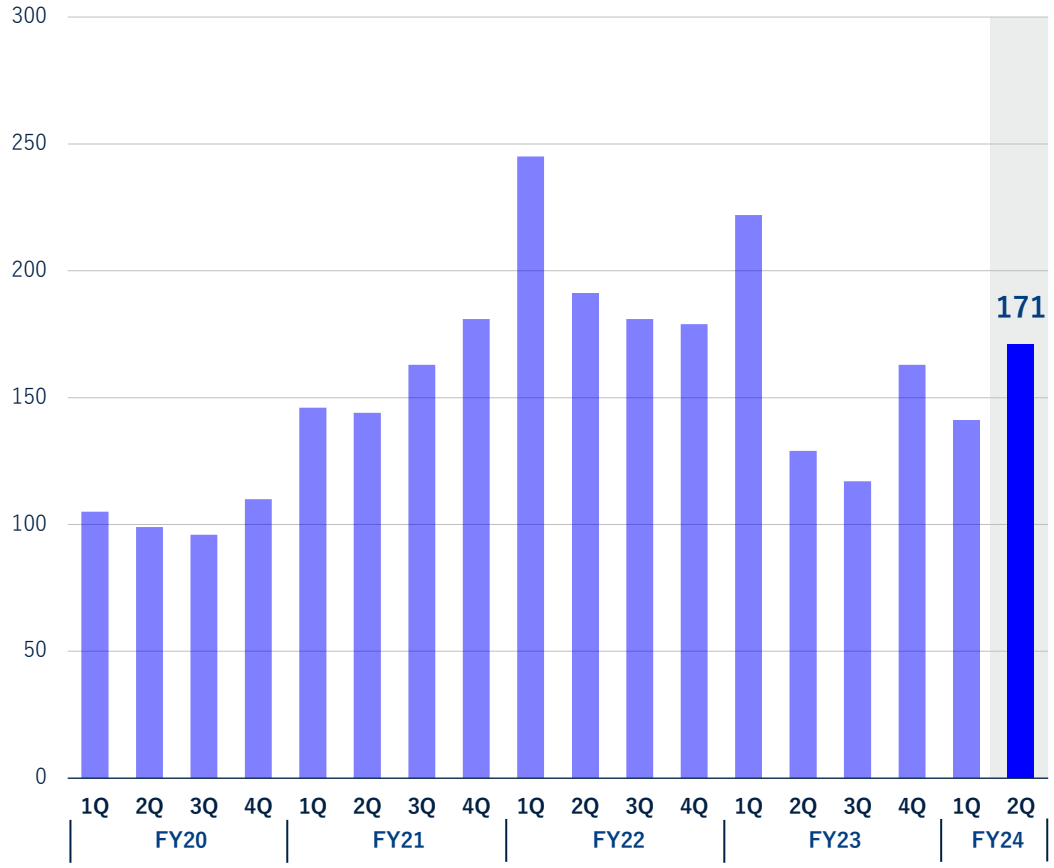
Sales

(Unit: Million of JPY)



Operating Profit

(Unit: Million of JPY)



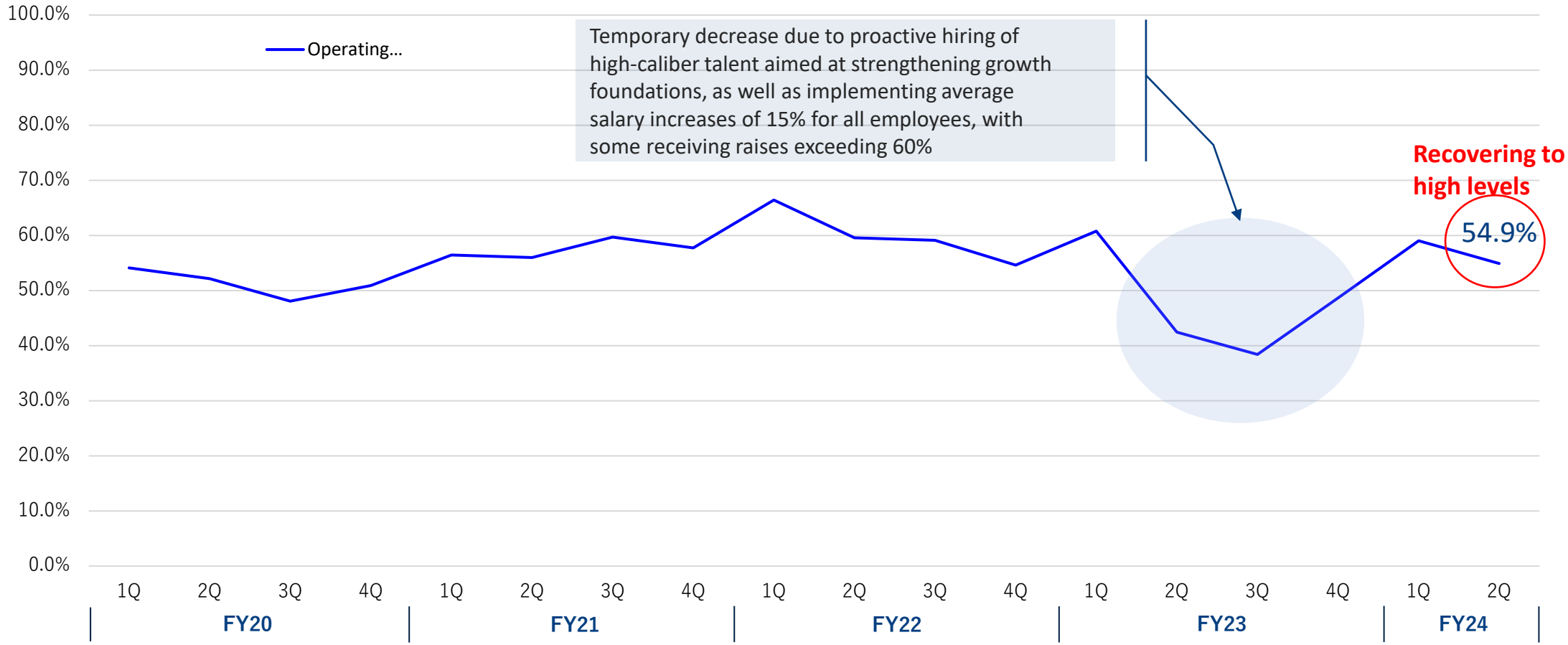
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3-1. Our Strength Top-tier Profit Margins in the Similar Industry

In the Marketing DX Business, due to unique know-how and educational systems related to highly productive operations,

- **We have established lead shares across three teams (SaaS, online advertising, and creative), which complement each other**
- **Since our founding, inbound orders have been achieved through content marketing strategies, allowing us to keep advertising and promotional expenses to a minimum**

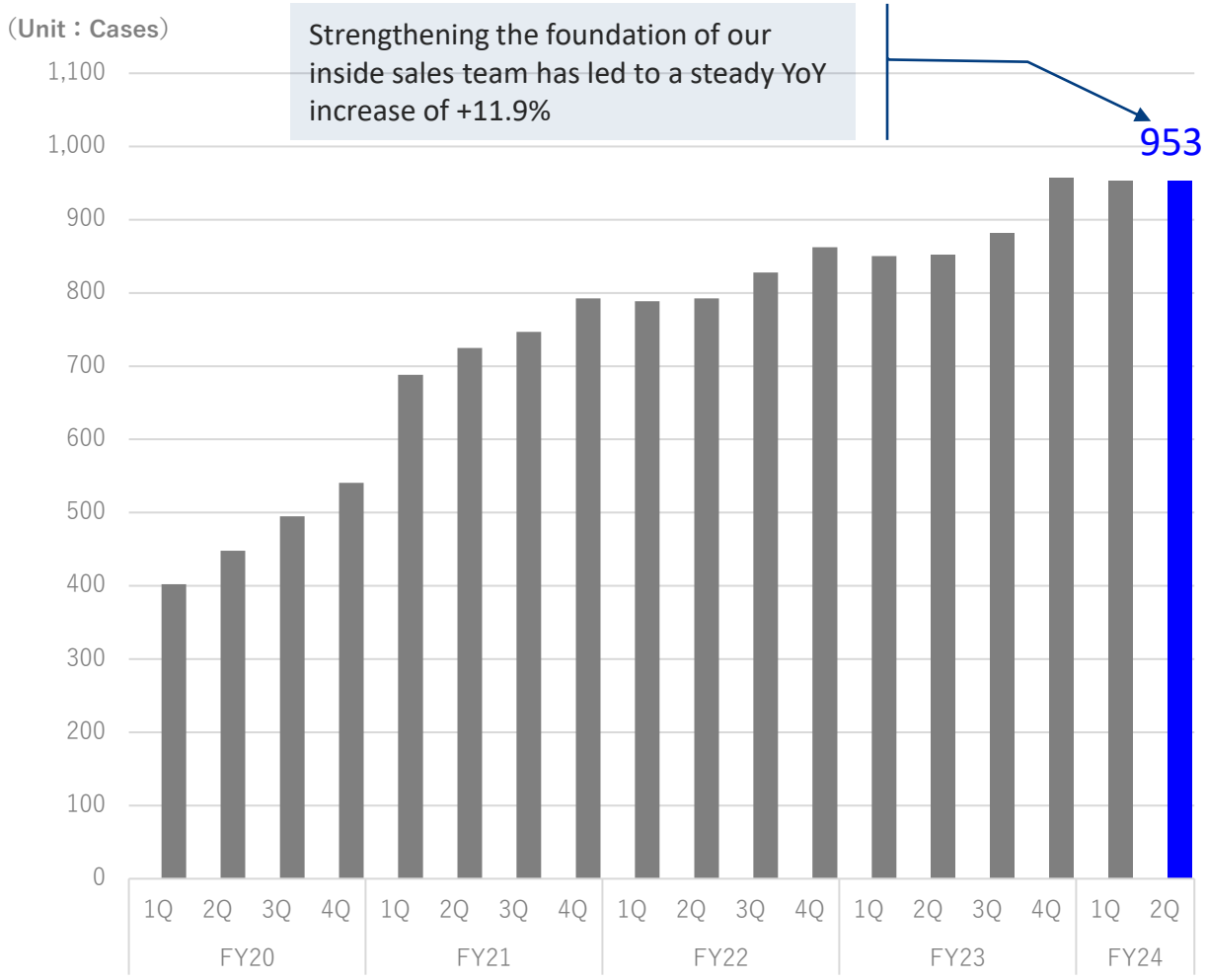
└ As a result, we have established a system that allows us to focus on supporting our customers, leading to a high operating profit margin



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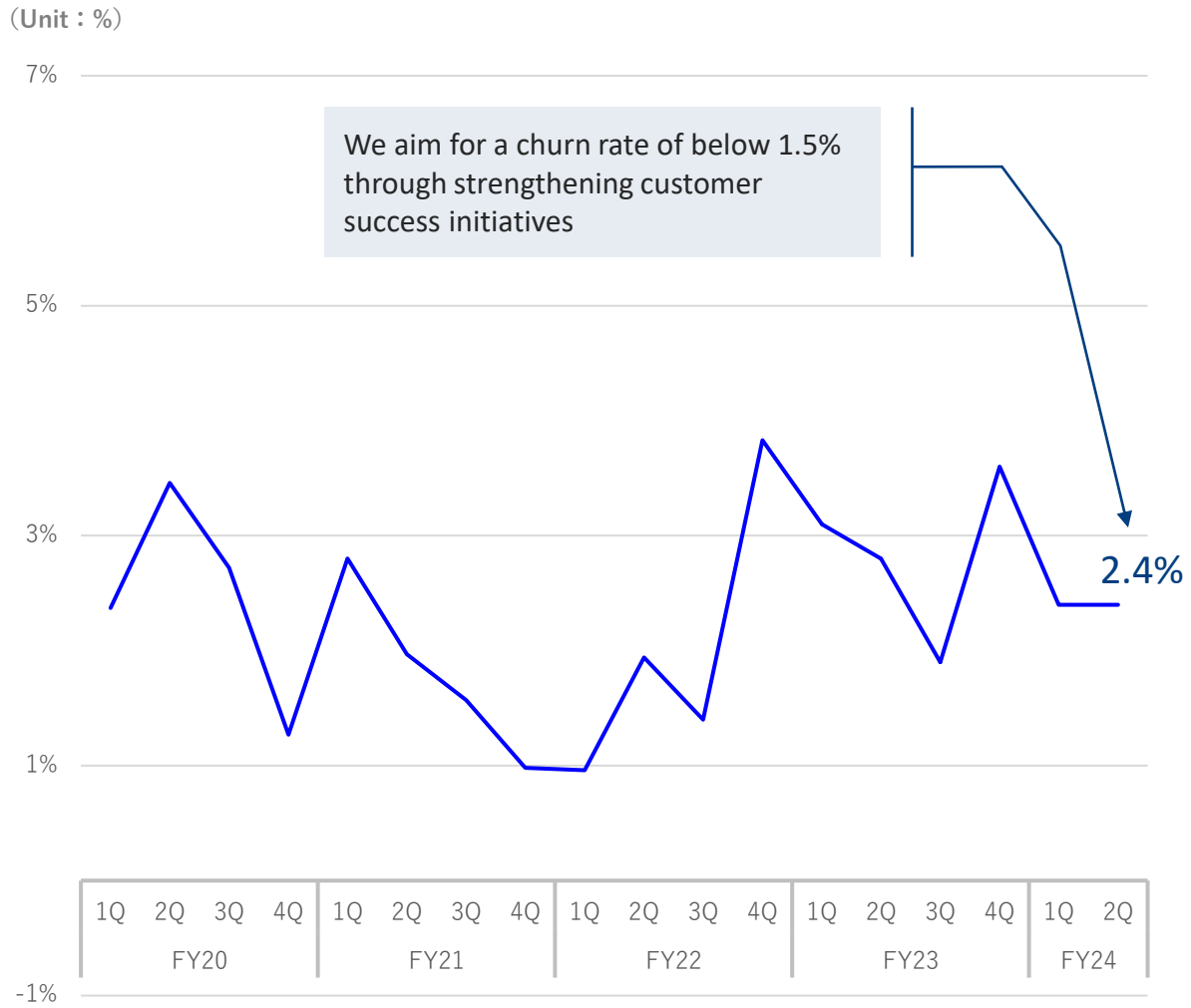
3-1. Marketing DX Business KPI Trends

■ Trend in Quarterly Average Active Accounts (SaaS + Online Advertising)



Definition: Total number of customers for the SaaS team and the online advertising team

■ SiTest： Quarterly Average Churn Rate Trends （Net Revenue Churn Rate）



Definition: (Lost Monthly Recurring Revenue - Increased Monthly Recurring Revenue from Existing Customers) / Monthly Recurring Revenue at the beginning of the month (end of the previous month)

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3-2 Technology Business

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3-2. Service Overview (Technology Business)

SPAIA Team

In-house Development of AI-Powered Sports Prediction and Analysis Media

Sports AI Prediction and Analysis Media

SPAIA

SPAIA競馬

SPAIA地方競馬

Sports Data Center

DRAGON DATA CENTER powered by GladCube

Revenue Model

- Subscription by Paid Members
- Article Advertisements and Contributions
- Sale of Widgets for Live Ball Reports and Outcome Predictions
- Fees for Providing Analytical Data

Outsourced Development Team

Leveraging digital technologies such as AI to provide innovative solutions

Providing comprehensive support from development design to customer sales strategies, inclusive of comprehensive marketing support

Revenue Model

- Development of Web3.0, gami-fi, etc
- Development of AI-powered video analysis systems
- Development consulting
- System development costs, business strategy design
- Planning-oriented marketing support
- Generative AI reskilling service

UI/UX Team

SPAIA/DRAGON, a team structure that collaborates with contract development and new business development

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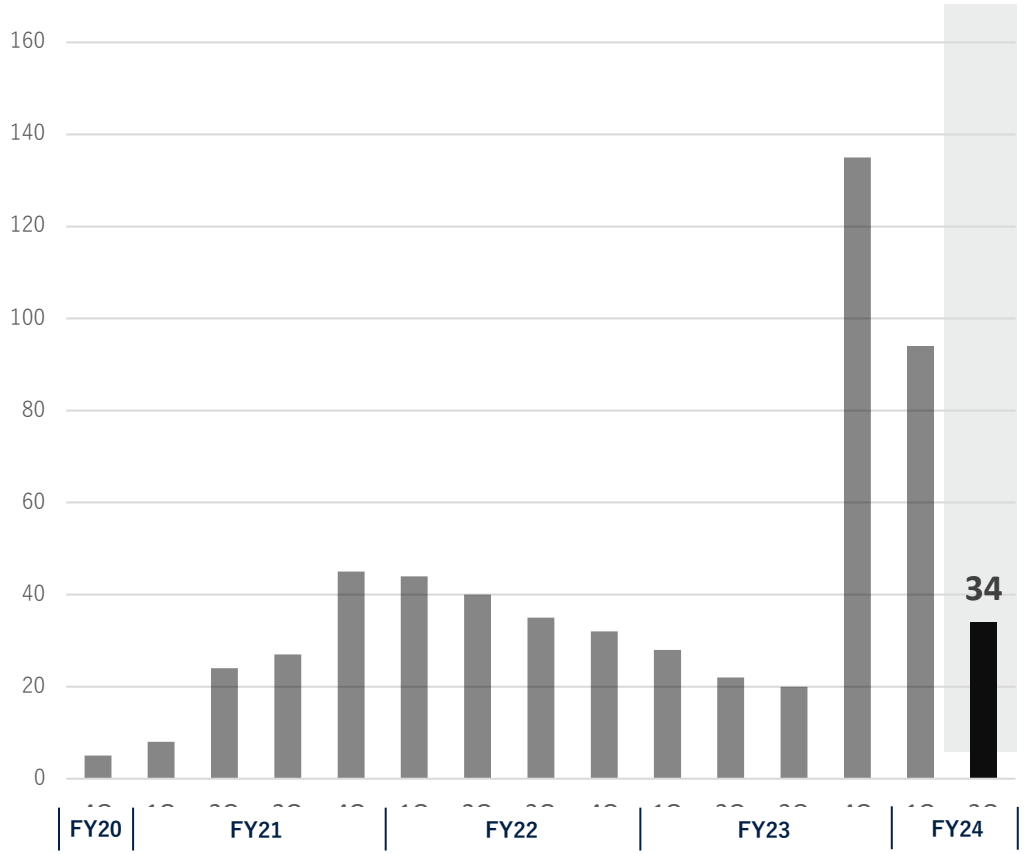
3-2. Technology Business Performance

Topics

- Full-year forecast progress rate Sales Revenue: 21.8%
- The total number of SPAIA members has increased to 132,000, up YoY by +15.6%, showing steady progress.
- To boost the number of paid subscription members, we are continuing to enhance UI/UX, develop new products, and improve content, with ongoing system development and service improvement measures
- As part of our structural reform, the elimination of some unprofitable businesses has resulted in revenue falling short of the plan by -56.5%

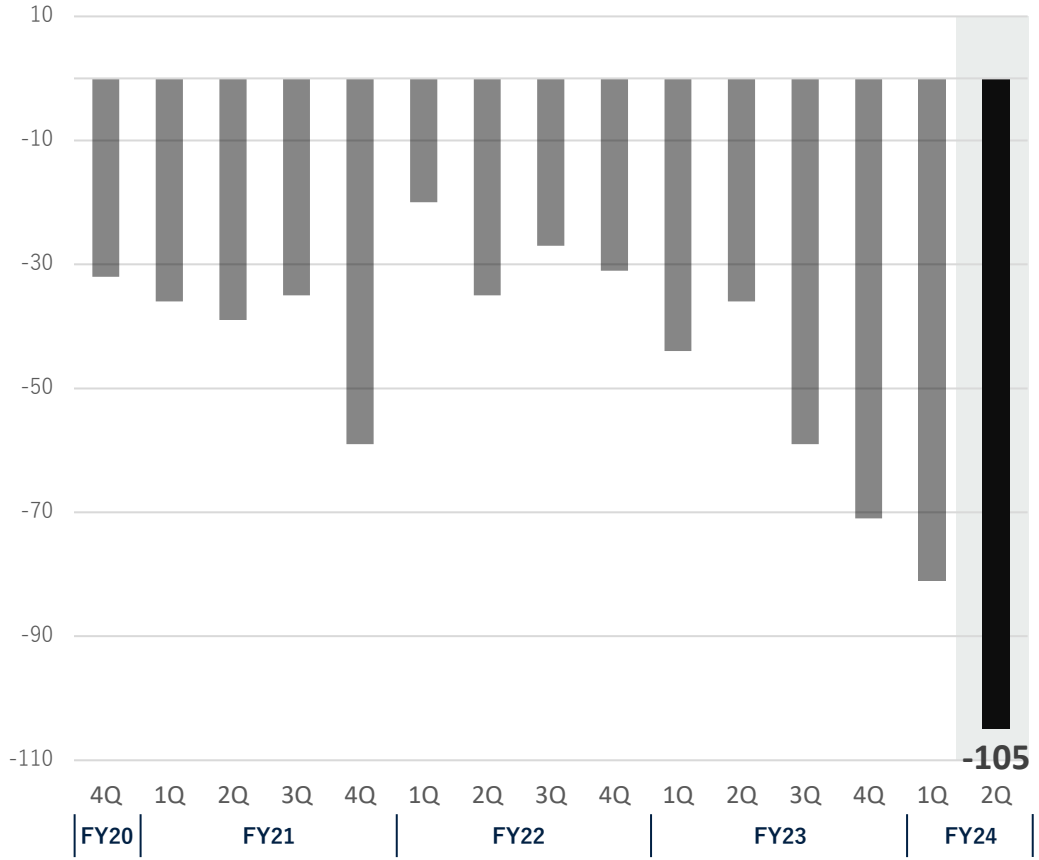
Sales

(Unit: Million of JPY)



Operating profit

(Unit: Million of JPY)



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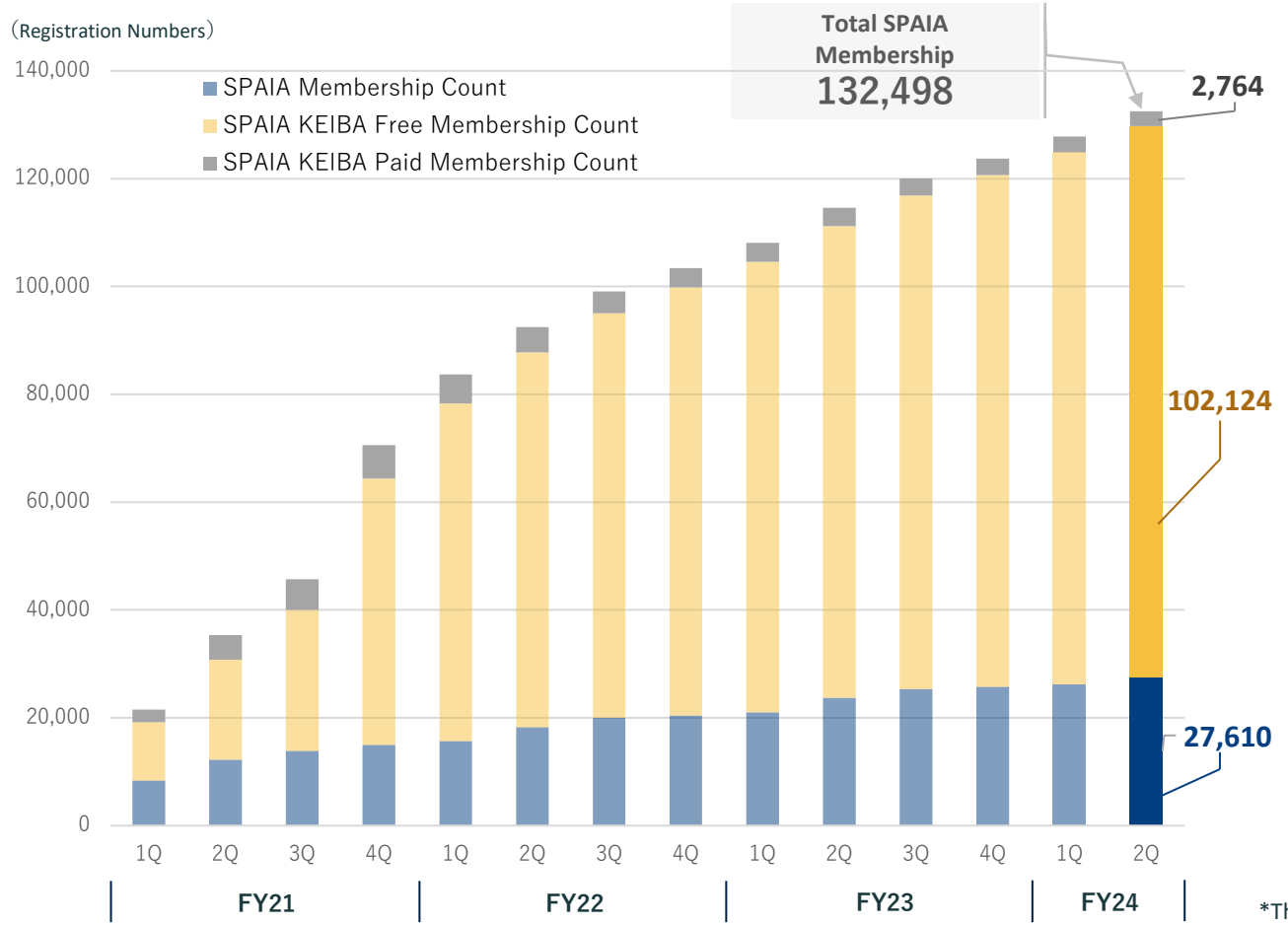
3-2. Technology Business　SPAIA Quarterly Average Membership Count Trend

Topics

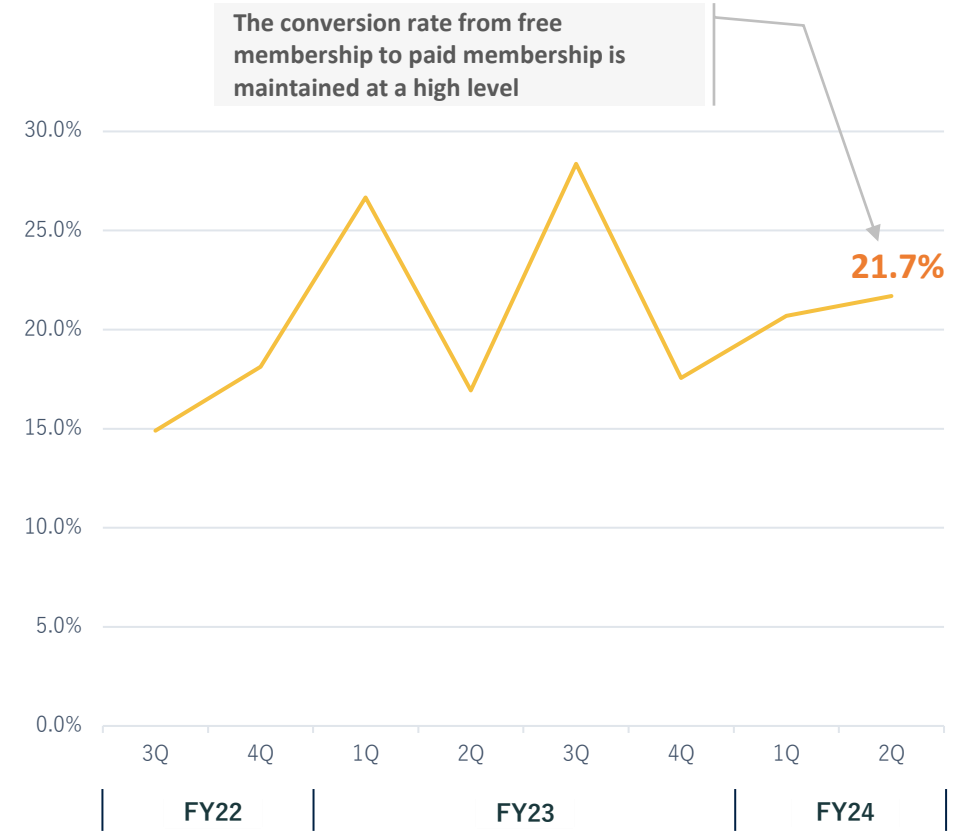
- SPAIA is enhancing its content through collaboration with major sports media
- The conversion rate to paid memberships has been high Efforts continue to strengthen acquisition of free members
- SPAIA has started providing AI prediction data for horse racing to sports news-related TV programs

SPAIA
SPAIA競馬
SPAIA地方競馬

SPAIA and SPAIA KEIBA Membership Trends



SPAIA KEIBA Paid Conversion Rate



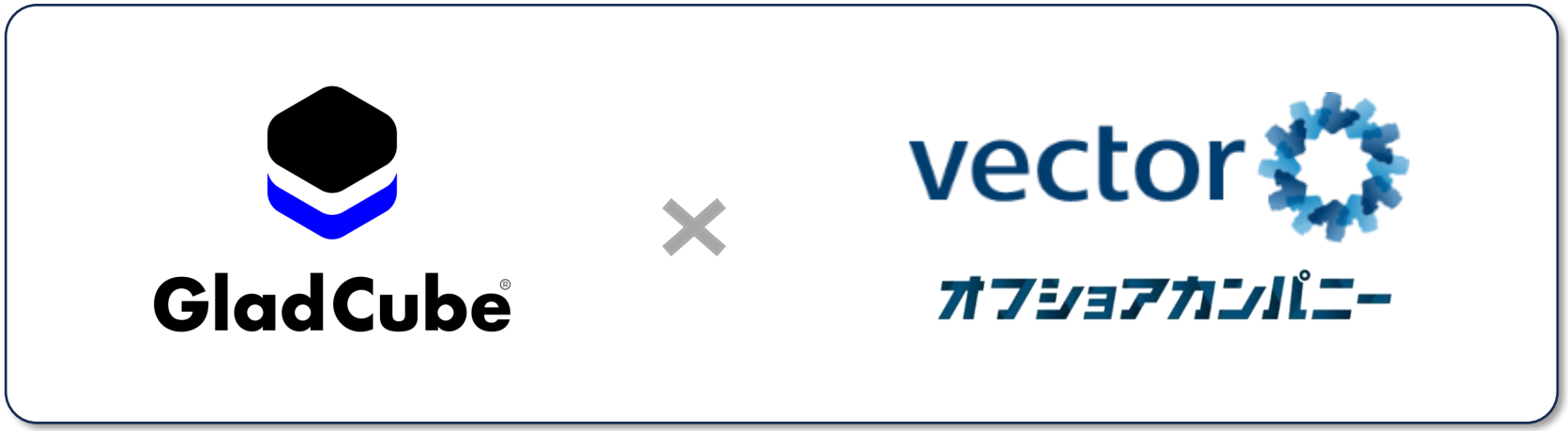
*The paid conversion rate has been calculated since September 2022. The paid conversion rate is reported as the average for each quarter

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3-2. Technology Business　Alliance

Entered into a strategic business partnership with Vector Group, the leading comprehensive PR company in Japan and Asia

Vector Inc. (TSE Prime: 6058) is composed of 48 group companies. It provides comprehensive support for communication strategies with consumers using media through its PR and public relations business, press release distribution services, direct marketing business centered on online sales of goods, HR services including personnel evaluation cloud services and recruitment platforms, and investment activities in venture companies, among other activities.



Through this partnership, GLAD CUBE will provide its expertise in generative AI system development to Vector Group. This will enable Vector Group to build a rapid development system for large-scale system development projects, overcoming the resource shortages that previously hindered such initiatives

With this partnership as a starting point, **we will further strengthen our collaboration with Vector Group.** By leveraging our achievements and expertise in generative AI system development to the fullest and combining them with Vector Group's development resources, **we aim to address client business challenges and create new value**

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4 Growth Strategy

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4. Marketing DX Business　Growth Strategy

Marketing DX Business

SaaS, online advertising, creative domains, and new services

- Starting April 2024, launch of the new service “Resnavi”
- Creation of new SaaS products
- New services in the digital marketing domain
- Development of a foundation for post-cookie measurement strategies
- Strengthening the foundation of inside sales operations
- Enhancing the system to increase site production orders
- Conducting proactive M&A and business partnerships

Not only enhancing existing products and services but also creating new businesses and establishing new promotional support activities

Starting June 2024, we will launch a new feature called "No-Code Widget" for the website analytics and improvement SaaS "SiTest"

- The "No-Code Widget" feature enables faster achievement of results and more efficient analysis
- Even users without programming skills can create and save widgets (patterns of various elements) for corporate websites and other sites using no-code tools



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4. Technology Business　Growth Strategy

Technology Business

SPAIA and UI/UX domains

Creation of data providers for the growth of DRAGON Data Center

New app "SPAIA Horse Racing Assist" scheduled for Q3 launch

Orders for development and operation of media widgets

Increasing advertising exposure through mass production of articles using generative AI

Improving UI/UX to increase paid subscription members and enhancing unique data to differentiate from competitors

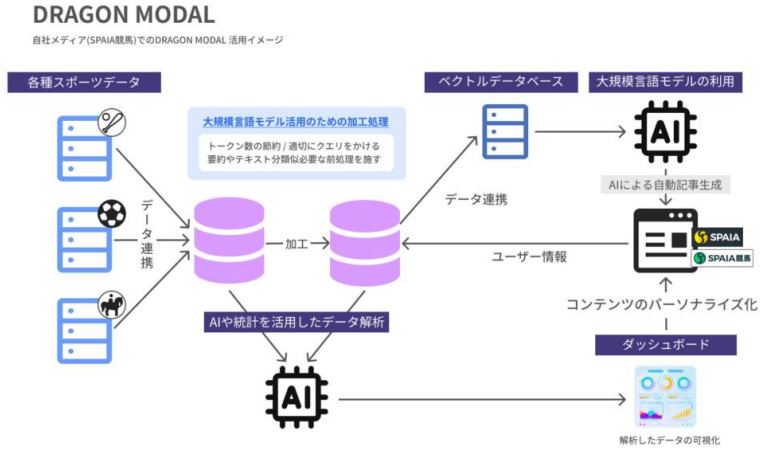
Providing unique data for amateur sports using blockchain technology

Outsourced Development domains

Strengthening the system for stable contract development

Solution service for automatically generating personalized video ads (CM)

Starting May 2024, full-scale launch of "DRAGON MODAL" utilizing data from DRAGON DATA CENTER



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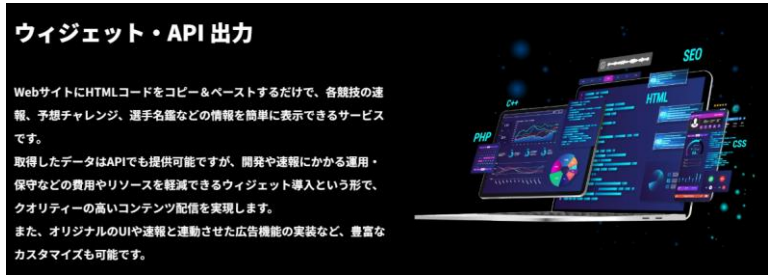
4. Technology Business　Growth Strategy

Overview of “DRAGON DATA CENTER”



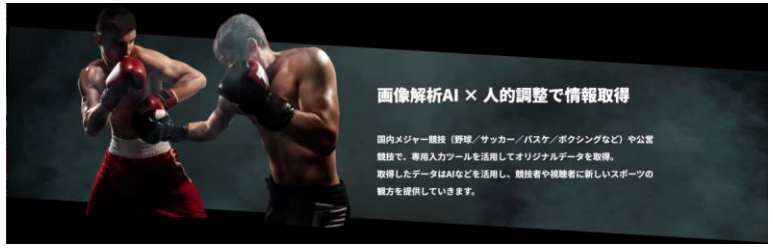












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4. Initiatives for business capital partnerships and M&A

Promotion Headquarters

Marketing DX Business

Synergy effects from teams	・Expansion of products and services	Target companies（1）	・**Business analytics market domain** ・**Business model with expected synergy effects with our site analytics services**
Synergy effects from teams	・Expansion of customer base	Target companies（2）	・**Internet advertising agencies** ・**Business model with expected synergy effects with our business**

Innovation Headquarters

Technology Business

Synergy effects from teams	・Expansion of service domains	Target companies（1）	・**Contract development companies and SES handling companies** ・**Business model with expected synergy effects for realizing Web 3.0** ・**Companies providing DX support and DX services**
Synergy effects from teams	・Securing core resources in AI-related businesses for product development and the development of new services	Target companies（2）	・**Next-generation new services utilizing technologies such as generative AI, VR (virtual reality), AR (augmented reality), NFTs, and the metaverse, as well as AI-powered automated response systems (chatbots) for web services and apps**

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4. Growth vision aimed at achieving annual sales of over 10 billion yen

Channel strategy

Actively pursue synergistic M&A and business partnerships to expand scale and increase market share

Product / service strategy

- Develop new products while maintaining high profit margins
- Acquire new sports data, provide data to international markets, and expand into public sports

Entry into new domains

Enter the medical data domain and the large sports betting market

M&A ＋ Alliance

Promotion Headquarters

- Business analytics market domain
- Creative market domain
- Internet advertising agencies

Innovation Headquarters

- Sports-related services
- DX-related
- Next-generation new services utilizing generative AI
- Next-generation new services utilizing VR and AR technologies

SaaS domain

Reskilling service	Launch of "Resnavi"	Started in FY24
New SaaS features	Launch of no-code widget	Started in FY24
Reskilling service	Expansion of reskilling programs	From FY25 onward
New services in the SaaS domain	Creation of new products	From FY25 onward

Online advertising domain

New services in the SaaS domain	Creation of new products	From FY25 onward

SPAIA・DRAGON DATA CENTER domain

Full-scale launch of DRAGON DATA CENTER	Possessing a wide range of sports data and starting to provide it to major sports media	Started in FY24
Start of winter sports data provision	Starting to provide to major sports media	Around fall FY24
Launch of the new SPAIA horse racing app	Launch of SPAIA Horse Racing Assist	Around fall FY24
Launch of SPAIA boat racing	Horizontal expansion of SPAIA Horse Racing	From FY25 onward
Launch of SPAIA keirin	Horizontal expansion of SPAIA Horse Racing	From FY26 onward

Areas for developing new business models

From FY25 onward

Entry into the medical data domain

Collecting and analyzing data related to the "human body" through sports

From FY27 onward

Entry into the sports betting industry

Full-scale entry into domestic and international sports betting markets

* In Japan, entry will begin after the legalization of sports betting

* The medium- to long-term growth image represents management goals and does not imply a specific timeframe or guarantee realization

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5 Appendix

Financial Results Q2 Fiscal Year 2024（P/L・B/S）	P.32～P.33
Company History	P.34
Human resources　Number of Employees	P.35
Human resources　Commitment to ESG Initiatives	P.36

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5. Financial Results Q2 Fiscal Year 2024（PL）

	2023.12 2Q Cumulative (Million of JPY)	2024.12 2Q Cumulative (Million of JPY)	YoY Change in Amount	YoY Rate of Change	Full-Year Forecast (Million of JPY)	Progress Rate
Sales	**723**	**778**	55	7.7%	1,847	42.1%
Gross Profit	**649**	**647**	△2	△0.3%	1,322	48.9%
（Profit Margin）	89.9%	83.1%	△6.7%		71.6%	
Selling and General Administrative Expenses	**551**	**752**	241	47.2%	1,526	
Operating Profit	**138**	**△105**	△244	–	△203	–
（Profit Margin）	19.2%	–	–		–	
Ordinary Profit	**141**	**△108**	△250	–	△214	–
（Profit Margin）	19.5%	–	–		–	
Net Profit for the Period	**96**	**△85**	△182	–	△235	–

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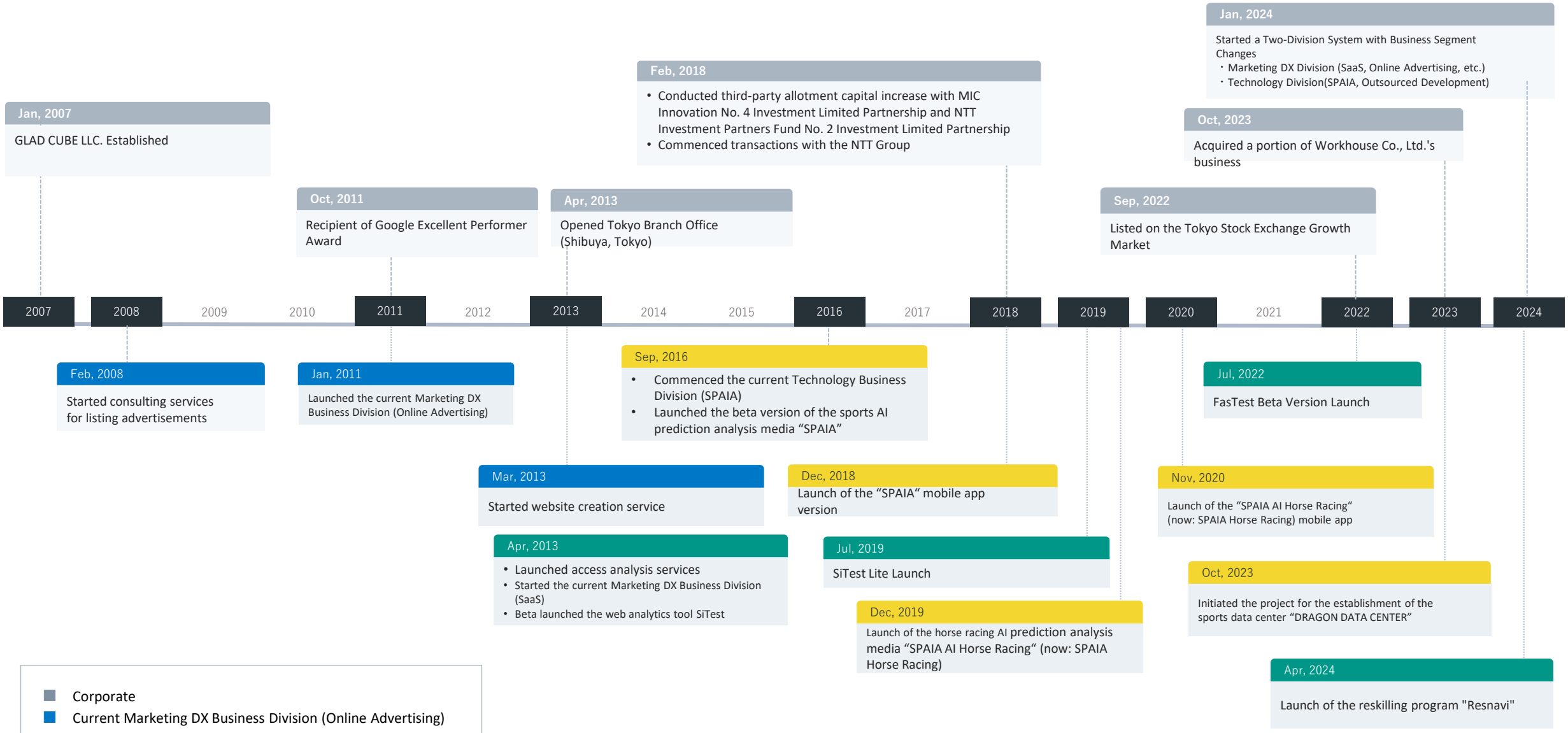
5. Financial Results Q2 Fiscal Year 2024（BS）

	Dec 2023 2Q (Million of JPY)	Dec 2023 End of the fiscal year (Million of JPY)	Dec 2024 2Q (Million of JPY)
Current Assets	**2,640**	**2,572**	**2,287**
Cash and Deposits	2,103	1,738	1,609
Accounts Receivable	375	601	415
Advances Paid	136	159	164
Others	24	72	98
Fixed assets	**242**	**646**	**668**
Tangible Fixed Assets	17	18	34
Intangible Fixed Assets	79	312	308
Investments and Other Assets	144	315	325
Deferred Assets	**6**	**5**	**4**
Total Assets	**2,889**	**3,224**	**2,960**

	Dec 2023 2Q (Million of JPY)	Dec 2023 End of the fiscal year (Million of JPY)	Dec 2024 2Q (Million of JPY)
Current Liabilities	**1,008**	**1,167**	**1,113**
Accounts Payable	338	493	414
Current Portion of Long-Term Debt, etc.	200	265	250
Accrued Liabilities	138	156	96
Others	331	251	351
Fixed Liabilities	**467**	**679**	**554**
Total Liabilities	**1,476**	**1,846**	**1,668**
Total Net Assets	**1,413**	**1,378**	**1,292**
Total Liabilities and Net Assets	**2,889**	**3,224**	**2,960**

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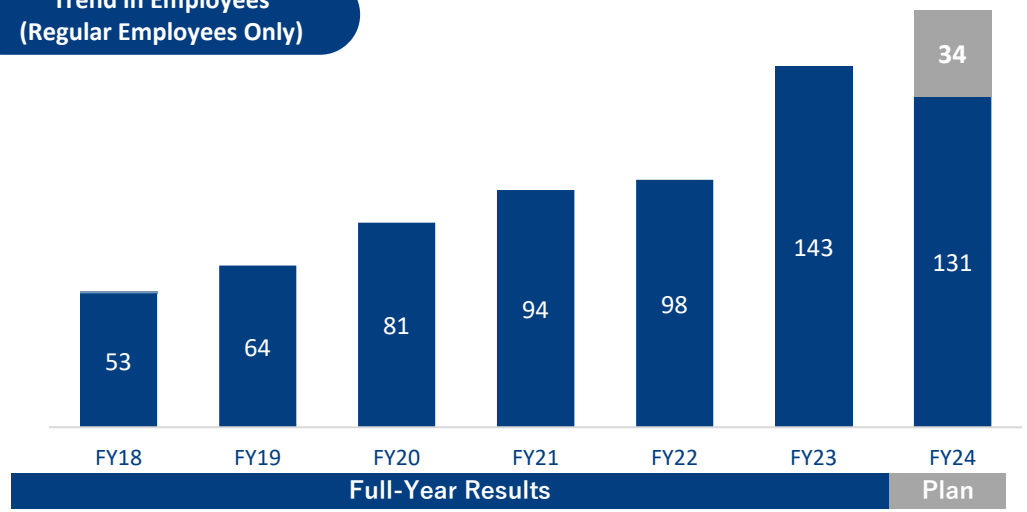
5. Company History



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5. Human resources Number of Employees

Trend in Employees (Regular Employees Only)



As of the end of June 2024, the number of employees is 131, against a target of 165 by the end of FY2024. (This includes 8 new hires and 11 offer acceptances as of the end of June.)

FY24 Recruitment Progress (Regular Employees Only)

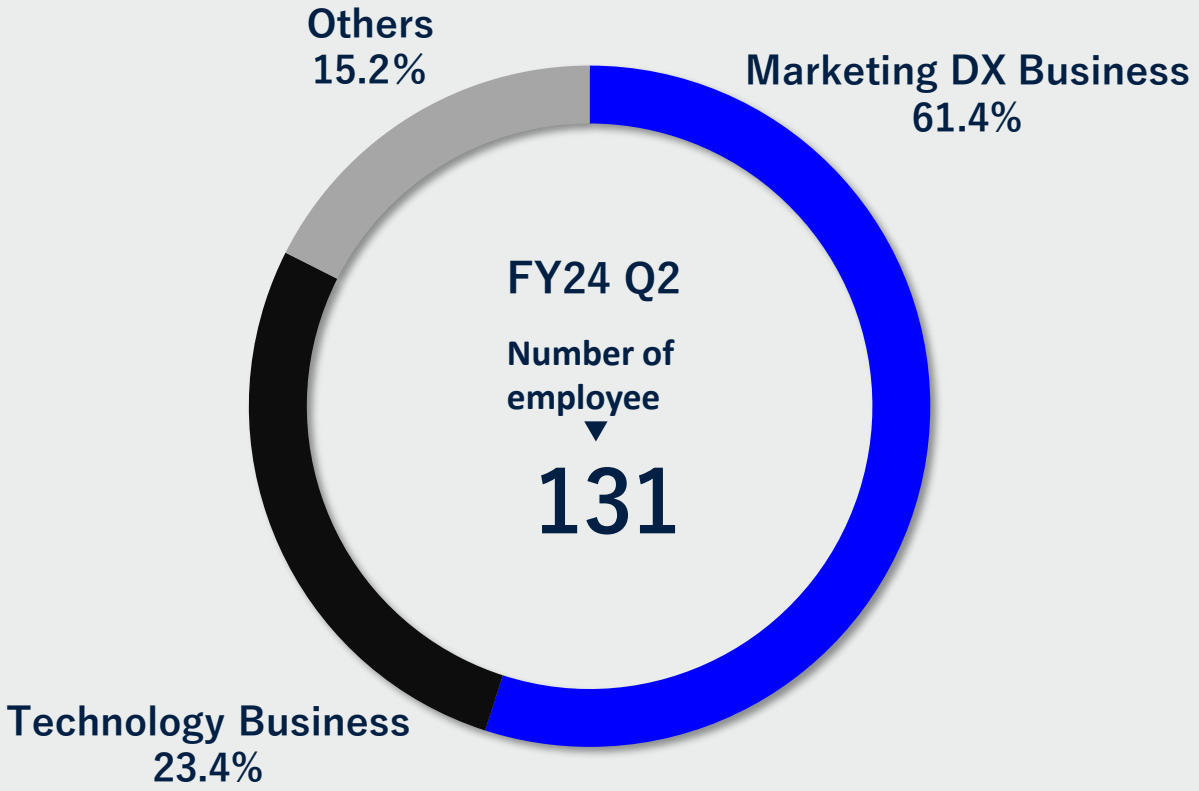
Jul Joiners	3	(Marketing DX Business 2 and Technology Business 1)
Aug Joiners	0	
Joining from Sep Onwards	Undecided	

Retirement Rate

FY 2021	21.0%
FY 2022	23.0%
FY 2023	20.5%
FY 2024	20.1%

In the digital marketing support domain, this fiscal year will focus exclusively on experienced professionals. Recruitment for development roles has been closed following last year's successful hires

Personnel Composition



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5. Human resources Commitment to ESG Initiatives

GladCube

Vision

Eliminating discrimination based on factors such as age, gender, nationality, and educational background to embody 21st-century management

Our goals

We have formulated an action plan for general employers based on the Act on Promotion of Women's Participation and Advancement in the Workplace

To establish an employment environment where women can further thrive, we are formulating a general action plan for business owners for the four-year period from Apr 1, 2022, to Dec 31, 2026.

1. **To achieve a female executive ratio of 30% or higher**

2. **We disseminate information about various systems such as childcare leave under the Childcare and Family Care Leave Law, childcare leave benefits under the Employment Insurance Law, and maternity leave under the Labor Insurance Law. Additionally, we are building a support system for work-life balance support programs**

Status of Women's Participation

At the end of Jun 2024

Ratio of Female Executives	33.0%
Ratio of Full-Time Female Executives	60.0%
Ratio of Female Regular Employees	33.3%
Ratio of Female Managers (Breakdown of Managerial Positions)	22.7%
Ratio of Female Managers (equivalent to department managers)	15.3%
Ratio of Female Leaders (equivalent to section managers)	33.3%

* Although leadership positions are not legally recognized as “management and supervisory positions” under labor laws, we consider them as managerial positions, specifically as 'management positions,' responsible for overseeing teams

As of Sep 1, 2023, our company has been certified with three stars in the "Osaka City Leading Company for Women’s Empowerment" certification program implemented by Osaka City

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Disclaimer

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Factors that may affect the actual results include changes in domestic and international economic conditions, industry trends in the sectors in which the company operates, among others, but are not limited to these.
Additionally, information regarding matters and organizations other than our company is based on generally available information, and we have not verified the accuracy or suitability of such publicly available information and do not guarantee it.