



Consolidated Financial Results for the Nine Months Ended March 31, 2024 [Japanese GAAP]

May 14, 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 filing quarterly securities report: May 14, 2024

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended March 31, 2024

(July 1, 2023 - March 31, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
March 31, 2024	2,173	9.4	530	8.3	513	5.1	340	2.4
March 31, 2023	1,986	9.0	489	(26.4)	488	(26.8)	332	(27.8)

(Note) Comprehensive income:

Nine Months ended March 31, 2024: ¥341 million [2.6%]

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

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	64.28	63.68
March 31, 2023	62.98	62.22

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	3,574	2,760	76.9
As of June 30, 2023	3,399	2,573	75.5

(Reference) Shareholders' equity: As of March 31, 2024: ¥2,750 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	—	0.00	—		
Fiscal year ending June 30, 2024 (Forecast)				32.00	32.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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):

March 31, 2024:	5,295,550 shares
June 30, 2023:	5,292,350 shares

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

March 31, 2024:	168 shares
June 30, 2023:	168 shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2024:	5,293,872 shares
Nine months ended March 31, 2023:	5,278,868 shares

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

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

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended March 31, 2024, although there were signs of improvement in the economic environment, such as the recording of a record high by the Nikkei 225, there were continuing concerns about the prolongation of the Ukraine and Israel situations and the direction of monetary policy in various countries, and the outlook remained uncertain.

In this market environment, 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.

In addition, the Company was recently recognized for the fourth 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 2024 edition of the Best Workplaces rankings. 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.

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.

In October 2023, the Group entered into a share transfer agreement to acquire all of the shares of 10KN JOINT STOCK COMPANY (10KN) and make it a wholly owned subsidiary. 10KN is a software development company headquartered in Hanoi, Vietnam, which employs many young engineers with extensive experience and a high level of development skill. The company also undertakes system, website, application, and other development projects outsourced from Japanese companies. Our objective in welcoming 10KN to the Group is to strengthen our development resources over the medium to long term, and to further expand the business. We are moving forward with procedures to obtain the approval of the Vietnamese authorities, and expect the process of registering 10KN and making it a consolidated subsidiary to be completed in April 2024.

During the nine months ended March 31, 2024, 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. 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 in the CLOMO Business, driven mainly by depreciation. The cost of sales in the Investment Business rose year on year as a result of a loss on valuation for investments made via the Group CVC fund. Selling, general, and administrative expenses have increased year on year, primarily due to various expenses related to M&A, although recruitment costs associated with mid-career hires have declined as a result of our focus this fiscal year on recruiting new graduates with the objective of contributing to the sustainable growth of the Company.

As a result of such initiatives, consolidated net sales in the nine months ended March 31, 2024 were ¥2,173,719 thousand (up 9.4% year on year), operating profit was ¥530,543 thousand (up 8.3% year on year), ordinary profit came to ¥513,196 thousand (up 5.1% year on year), and profit attributable to owners of parent was ¥340,302 thousand (up 2.4% 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).

In the nine months ended March 31, 2024, we continued to strengthen our cooperation with existing sales partners, as well as working to develop new sales partners in all areas of the country. 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 that the number of corporations deploying our services more than doubled, from 546 in the nine months ended March 31, 2023 to 1,225 in the nine months ended March 31, 2024, demonstrating solid progress in winning new customers.

Moreover, CLOMO Services was registered for the Information system “Security Management and Assessment Program” (ISMAP, Note 3) in February 2024, thus being recognized as having cleared the high level of security required by the government. We believe that this will enhance the reliability of CLOMO Services in the eyes not only of government and administrative agencies but also of other customers, and make a contribution to winning new clients.

As part of our strategy to expand optional services in order to increase ARPU (Note 4), we began a cooperation with TeamViewer Japan KK and have started to offer the “TeamViewer Remote” remote access tool provided by that company in September 2023. 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 addition, we began providing the “Harmony Mobile” mobile security solution developed by Check Point Software Technologies Ltd in December 2023. Harmony Mobile is a security solution that enables multifaceted defense of mobile devices by providing comprehensive protection from malicious apps, and network/OS attacks. Combining Harmony Mobile with CLOMO MDM gives mobile device management the ability to counter sophisticated threats, thus supporting the safe and secure use of mobile devices by corporations. By offering MDM peripheral services in our lineup of optional services in this way, we are focusing on cross-selling to raise ARPU.

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 5) 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 6,154, an increase of 1,225 (up 24.9%) compared to the end of the previous fiscal year.

As a result, net sales were ¥2,173,719 thousand (up 9.4% year on year) and operating profit was ¥566,444 thousand (up 13.1% year on year).

The breakdown of net sales by service is as follows:

CLOMO MDM:	¥1,991,281 thousand
SECURED APPs:	¥114,913 thousand
Others:	¥67,524 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 nine months ended March 31, 2024, we used a wide range of information sources to continue exploring potential investments. In January 2024, we made one additional investment (Note 6), bringing the number of investments made through the Group CVC fund to a total of seven companies.

This resulted in an operating loss of ¥35,901 thousand (operating loss of ¥11,191 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. 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. 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).
 4. An abbreviation for Average Revenue Per User, which is the average monthly unit price per corporation introducing our services.
 5. 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.
 6. The accounts of i Cubed-1 Investment Limited Partnership are settled on a different date to that on which the consolidated accounts are settled, and the consolidated accounts for the nine months ended March 31, 2024, therefore incorporate the financial statements of the Partnership for the quarterly period ended December 31, 2023. For that reason, this investment is not reflected in the consolidated financial statements for the nine months ended March 31, 2024.

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

The financial position as of March 31, 2024 is as follows:

(Assets)

Total assets amounted to ¥3,574,873 thousand, an increase of ¥175,461 thousand compared to the end of the previous fiscal year. This was mainly due to increases in investments and other assets of ¥302,319 thousand, securities of ¥200,000 thousand, software in progress of ¥59,511 thousand, and accounts receivable - trade of ¥49,133 thousand, partially offset by decreases in cash and deposits of ¥345,729 thousand and software of ¥98,242 thousand.

(Liabilities)

Liabilities amounted to ¥814,004 thousand, a decrease of ¥11,900 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in provision for bonuses of ¥37,046 thousand, contract liabilities of ¥36,216 thousand, and accounts payable - trade of ¥18,580 thousand, while other current liabilities increased by ¥67,253 thousand and income taxes payable rose by ¥12,688 thousand.

(Net assets)

Net assets amounted to ¥2,760,869 thousand, an increase of ¥187,362 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥340,302 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 76.9% (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 March 31, 2024
Assets		
Current assets		
Cash and deposits	2,055,977	1,710,248
Accounts receivable - trade	260,991	310,124
Operational investment securities	240,589	245,991
Securities	—	200,000
Other	88,225	88,847
Total current assets	2,645,783	2,555,212
Non-current assets		
Property, plant and equipment	33,884	36,980
Intangible assets		
Software	210,793	112,551
Software in progress	174,184	233,696
Other	8,286	7,634
Total intangible assets	393,264	353,882
Investments and other assets	326,478	628,798
Total non-current assets	753,627	1,019,661
Total assets	3,399,411	3,574,873
Liabilities		
Current liabilities		
Accounts payable - trade	64,668	46,088
Income taxes payable	67,008	79,696
Contract liabilities	471,087	434,870
Provision for bonuses	83,858	46,812
Other	139,281	206,535
Total current liabilities	825,904	814,004
Total liabilities	825,904	814,004
Net assets		
Shareholders' equity		
Share capital	409,787	411,026
Capital surplus	309,787	311,026
Retained earnings	1,846,481	2,028,018
Treasury shares	(774)	(774)
Total shareholders' equity	2,565,282	2,749,296
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(167)	1,017
Total accumulated other comprehensive income	(167)	1,017
Share acquisition rights	4,701	7,294
Non-controlling interests	3,690	3,261
Total net assets	2,573,506	2,760,869
Total liabilities and net assets	3,399,411	3,574,873

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended March 31, 2024

(Thousands of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Net sales	1,986,693	2,173,719
Cost of sales	437,108	562,837
Gross profit	1,549,584	1,610,881
Selling, general and administrative expenses	1,059,785	1,080,338
Operating profit	489,798	530,543
Non-operating income		
Interest income	33	34
Dividend income	—	373
Other	157	1,563
Total non-operating income	191	1,972
Non-operating expenses		
Loss on investments in investment partnerships	—	16,529
Other	1,792	2,790
Total non-operating expenses	1,792	19,319
Ordinary profit	488,198	513,196
Profit before income tax	488,198	513,196
Income taxes	155,893	173,323
Profit	332,304	339,872
Profit (loss) attributable to non-controlling interests	(183)	(429)
Profit attributable to owners of parent	332,487	340,302

Quarterly Consolidated Statement of Comprehensive Income

Nine Months Ended March 31, 2024

(Thousands of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Net income	332,304	339,872
Other comprehensive income		
Valuation difference on available-for-sale securities	—	1,184
Total other comprehensive income	—	1,184
Comprehensive income	332,304	341,057
Total comprehensive income attributable to:		
Owners of the parent	332,487	341,486
Non-controlling interests	(183)	(429)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

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

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the third quarter of the fiscal year ending June 30, 2024, and multiplying the profit before income taxes by this estimated effective tax rate.

(Segment information, etc.)

[Segment Information]

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

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

(Thousands of yen)

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

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

Nine months ended March 31, 2024 (July 1, 2023 to March 31, 2024)

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	2,173,719	—	2,173,719	2,173,719
Inter-segment net sales or transfers	—	—	—	—
Total	2,173,719	—	2,173,719	2,173,719
Segment profit (loss)	566,444	(35,901)	530,543	530,543

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

(Significant subsequent events)

[Acquisition of treasury shares]

At the meeting of the Board of Directors held on May 14, 2024, the Company resolved to acquire its own shares pursuant to Article 156 and Article 165-3 of the Japanese Companies Act and decided the specific method of acquisition.

For details, please refer to "Notification of Acquisition of Treasury Shares through Off-Auction Own Share Repurchase Trading (ToSTNeT-3)" released today (May 14, 2024).