



Consolidated Financial Results for the Six Months Ended December 31, 2023 [Japanese GAAP]

February 13, 2024

Company name: i Cubed Systems, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4495

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Scheduled date of filing quarterly securities report: February 13, 2024

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2023

(July 1, 2023 - December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended December 31, 2023	1,425	8.4	333	6.7	331	6.3	222	5.0
December 31, 2022	1,314	9.1	312	(31.1)	311	(31.3)	211	(32.5)

(Note) Comprehensive income:

Six Months ended December 31, 2023: ¥222 million [5.0%]

Six Months ended December 31, 2022: ¥211 million [(32.6 %)]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	42.02	41.63
December 31, 2022	40.15	39.65

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	3,631	2,640	72.5
As of June 30, 2023	3,399	2,573	75.5

(Reference) Shareholders' equity: As of December 31, 2023: ¥2,631 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)			—	30.00	30.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024

(July 1, 2023 – June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,002	12.7	649	5.0	649	6.5	443	0.7	83.75

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

Notes:

(1) Changes in significant subsidiaries during the period: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly added: – companies

Excluded: – companies

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

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

December 31, 2023:	5,294,650 shares
June 30, 2023:	5,292,350 shares

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

December 31, 2023:	168 shares
June 30, 2023:	168 shares

3) Average number of shares outstanding during the period:

Six months ended December 31, 2023:	5,293,377 shares
Six months ended December 31, 2022:	5,277,737 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 six months ended December 31, 2023, the economic environment in Japan was characterized by strong corporate earnings, ongoing improvements in employment and income against a backdrop of rising prices and labor shortages, and a recovery in inbound-tourism demand, which led to moderate improvements in the domestic economy. On the other hand, there are concerns about the prolongation of the situation in Ukraine, the increasing seriousness of the situation in Israel, trends in the monetary policies of various countries, and other issues, which have led to continued uncertainty regarding the future.

In this market environment, the i Cubed Group has redefined its purpose as “Become the matrix for realizing unknown ideas that lead to smiles” and its value proposition as “Using the power of design and engineering to support those who take on challenges,” while adopting “Enjoy challenges” as its brand slogan. By fostering a culture that thrives on challenge, we aim to become a company that uses IT as the basis for actively taking on new challenges.

In 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. The process of registering 10KN and making it a consolidated subsidiary is scheduled to take place in January 2024 or thereafter, after approval has been obtained from the Vietnamese authorities.

During the six months ended December 31, 2023, net sales rose year on year as a result of progress made in winning new customers for the CLOMO Business, which is the mainstay of the Group, and of steady increases in the number of companies deploying our services. In terms of costs, with the objective of strengthening our product development capabilities, in the previous fiscal year we took proactive steps to invest in development in partnership with outsourcing companies with which we have recently cultivated relationships, resulting in increases in releases of software products and also leading to a year-on-year rise in the cost of sales, mainly depreciation. In this fiscal year, our recruitment plans focus on new graduates with the objective of contributing to the sustainable growth of the Company. Although recruitment costs associated with mid-career hires have declined, selling, general, and administrative expenses have increased year on year, primarily due to various expenses related to M&A.

As a result of such initiatives, consolidated net sales in the six months ended December 31, 2023 were ¥1,425,640 thousand (up 8.4% year on year), operating profit was ¥333,376 thousand (up 6.7% year on year), ordinary profit came to ¥331,244 thousand (up 6.3% year on year), and profit attributable to owners of parent was ¥222,445 thousand (up 5.0% 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 six months ended December 31, 2023, 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 a 2.9x year-on-year increase in the number of corporations deploying our services, from 286 in the six months ended December 31, 2022, to 822 in the six months ended December 31, 2023, showing that we are making steady progress in winning new customers.

As part of our strategy to expand optional services in order to increase ARPU (Note 3), in September 2023 we began a cooperation with TeamViewer Japan KK and have started to offer the “TeamViewer Remote” remote access tool provided by that company. With the diversification in the ways in which mobile devices are used, in recent years there has been an increase in situations where it is necessary to access mobile devices at remote locations, such as to remotely manage an automated mobile device installed at a store or some other location, or to deal with IT problems occurring at a distant office. TeamViewer Remote is a service that enables a variety of mobile devices to be accessed and operated remotely while maintaining high levels of security, and going forward we plan to further enhance convenience by releasing functions that allow it to work with CLOMO MDM.

In addition, in December 2023 we began providing the “Harmony Mobile” mobile security solution developed by Check Point Software Technologies Ltd. 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 incorporating MDM peripheral services into our lineup of optional services in this way, we are focusing on cross-selling to raise ARPU.

In terms of customer success activities, in December 2023 we held the 7th CLOMO User Meeting, where we shared useful knowledge about the management and use of mobile devices not only by explaining newly launched optional services to participants but also by providing case studies on CLOMO MDM and optional services.

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 4) provided by Google LLC, on the strength of our extensive deployment track record and superior product capabilities, as well as our structure for support both during and after deployment, which is provided by staff with abundant knowledge of Android Enterprise.

As a result of these initiatives, the number of corporations introducing our services reached 5,751, an increase of 822 (up 16.7%) compared to the end of the previous fiscal year.

As a result, net sales were ¥1,425,640 thousand (up 8.4% year on year) and operating profit was ¥341,286 thousand (up 6.6% year on year).

The breakdown of net sales by service is as follows:

CLOMO MDM:	¥1,306,356 thousand
SECURED APPs:	¥76,532 thousand
Others:	¥42,750 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 six months ended December 31, 2023, we used a wide range of information sources to continue exploring potential investments. In October 2023, we made one additional investment (Note 5), bringing the number of investments made through the Group CVC fund to a total of six companies.

This resulted in an operating loss of ¥7,909 thousand (operating loss of ¥7,721 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. An abbreviation for Average Revenue Per User, which is the average monthly unit price per corporation introducing our services.
 4. 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.
 5. 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 six months ended December 31, 2023, therefore incorporate the financial statements of the Partnership for the quarterly period ended September 30, 2023. For that reason, these investments are not reflected in the consolidated financial statements for the three months ended December 31, 2023.

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

The financial position as of December 31, 2023 is as follows:

(Assets)

Total assets amounted to ¥3,631,036 thousand, an increase of ¥231,624 thousand compared to the end of the previous fiscal year. This was mainly due to increases in securities of ¥500,000 thousand, investments and other assets of ¥244,478 thousand, accounts receivable - trade of ¥38,771 thousand, software in progress of ¥20,823 thousand, and other current assets of ¥10,767 thousand, partially offset by decreases in cash and deposits of ¥537,032 thousand, and in software of ¥45,669 thousand.

(Liabilities)

Liabilities amounted to ¥990,173 thousand, an increase of ¥164,268 thousand compared to the end of the previous fiscal year. This was mainly due to increases in contract liabilities of ¥81,546 thousand, income taxes payable of ¥53,399 thousand, and other current liabilities of ¥38,671 thousand, partially offset by a decrease in accounts payable - trade of ¥18,172 thousand.

(Net assets)

Net assets amounted to ¥2,640,863 thousand, an increase of ¥67,356 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥222,445 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 72.5% (75.5% as of the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents (“cash”) at the end of the six months ended December 31, 2023 came to ¥1,518,945 thousand, a decrease of ¥537,032 thousand compared to the end of the previous fiscal year.

Cash flows and their major components for the six months ended December 31, 2023 were as follows.

(Cash flows from operating activities)

Net cash provided in operating activities was ¥517,549 thousand (net cash provided in operating activities was ¥166,299 thousand in the same period of the previous fiscal year). The main components of this were profit before income tax of ¥331,244 thousand, depreciation of ¥165,594 thousand, an increase in trade receivables of ¥38,771 thousand, a decrease in trade payables of ¥18,142 thousand, an increase in contract liabilities of ¥81,546 thousand, an increase in other operating activities of ¥51,766 thousand, and income taxes paid of ¥67,008 thousand.

(Cash flows from investing activities)

Net cash used in investing activities was ¥896,544 thousand (net cash used in investing activities was ¥265,280 thousand in the same period of the previous fiscal year). The main components of this were purchase of securities of ¥500,000 thousand, purchase of intangible assets of ¥140,377 thousand, and other outflows in investing activities of ¥251,347 thousand.

(Cash flows from financing activities)

Net cash used in financing activities was ¥158,037 thousand (net cash used in financing activities was ¥103,584 thousand in the same period of the previous fiscal year). The main component of this was dividends paid of ¥158,627 thousand.

(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 December 31, 2023
Assets		
Current assets		
Cash and deposits	2,055,977	1,518,945
Accounts receivable - trade	260,991	299,762
Operational investment securities	240,589	240,589
Securities	—	500,000
Other	88,225	98,992
Total current assets	2,645,783	2,658,290
Non-current assets		
Property, plant and equipment	33,884	33,804
Intangible assets		
Software	210,793	165,124
Software in progress	174,184	195,007
Other	8,286	7,852
Total intangible assets	393,264	367,984
Investments and other assets	326,478	570,957
Total non-current assets	753,627	972,746
Total assets	3,399,411	3,631,036
Liabilities		
Current liabilities		
Accounts payable - trade	64,668	46,496
Income taxes payable	67,008	120,407
Contract liabilities	471,087	552,633
Provision for bonuses	83,858	92,681
Other	139,281	177,953
Total current liabilities	825,904	990,173
Total liabilities	825,904	990,173
Net assets		
Shareholders' equity		
Share capital	409,787	410,913
Capital surplus	309,787	310,913
Retained earnings	1,846,481	1,910,161
Treasury shares	(774)	(774)
Total shareholders' equity	2,565,282	2,631,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(167)	(167)
Total accumulated other comprehensive income	(167)	(167)
Share acquisition rights	4,701	6,251
Non-controlling interests	3,690	3,565
Total net assets	2,573,506	2,640,863
Total liabilities and net assets	3,399,411	3,631,036

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended December 31

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Net sales	1,314,745	1,425,640
Cost of sales	279,692	359,395
Gross profit	1,035,052	1,066,244
Selling, general and administrative expenses	722,493	732,867
Operating profit	312,559	333,376
Non-operating income		
Interest income	19	15
Other	126	1,482
Total non-operating income	146	1,498
Non-operating expenses		
Loss on retirement of non-current assets	0	2,496
Other	1,192	1,134
Total non-operating expenses	1,192	3,631
Ordinary profit	311,512	331,244
Profit before income tax	311,512	331,244
Income taxes	99,743	108,924
Profit	211,769	222,320
Profit (loss) attributable to non-controlling interests	(124)	(125)
Profit attributable to owners of parent	211,893	222,445

Quarterly Consolidated Statement of Comprehensive Income

Six Months Ended December 31

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Net income	211,769	222,320
Comprehensive income	211,769	222,320
Total comprehensive income attributable to:		
Owners of the parent	211,893	222,445
Non-controlling interests	(124)	(125)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Cash flows from operating activities		
Profit before income tax	311,512	331,244
Depreciation	69,806	165,594
Increase (decrease) in provision for bonuses	29,074	8,823
Interest income	(19)	(15)
Loss on retirement of non-current assets	0	2,496
Decrease (increase) in trade receivables	(9,563)	(38,771)
Increase (decrease) in trade payables	2,897	(18,142)
Increase (decrease) in contract liabilities	35,405	81,546
Other	(87,156)	51,766
Subtotal	351,958	584,542
Interest and dividends received	19	15
Income taxes paid	(185,677)	(67,008)
Net cash provided by (used in) operating activities	166,299	517,549
Cash flows from investing activities		
Purchase of securities	—	(500,000)
Purchase of property, plant and equipment	(3,133)	(4,819)
Purchase of intangible assets	(180,976)	(140,377)
Other	(81,171)	(251,347)
Net cash provided by (used in) investing activities	(265,280)	(896,544)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,905	590
Dividends paid	(105,377)	(158,627)
Purchase of treasury shares	(112)	—
Net cash provided by (used in) financing activities	(103,584)	(158,037)
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	(202,564)	(537,032)
Cash and cash equivalents at beginning of period	2,337,409	2,055,977
Cash and cash equivalents at end of period	2,134,844	1,518,945

(4) 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 second 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]

Six months ended December 31, 2022 (July 1, 2022 to December 31, 2022)

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

(Thousands of yen)

	Reportable segments			Consolidated (Note)
	CLOMO Business	Investment Business	Total	
Net sales				
Net sales to external customers	1,314,745	—	1,314,745	1,314,745
Inter-segment net sales or transfers	—	—	—	—
Total	1,314,745	—	1,314,745	1,314,745
Segment profit (loss)	320,280	(7,721)	312,559	312,559

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

Six months ended December 31, 2023 (July 1, 2023 to December 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	1,425,640	—	1,425,640	1,425,640
Inter-segment net sales or transfers	—	—	—	—
Total	1,425,640	—	1,425,640	1,425,640
Segment profit (loss)	341,286	(7,909)	333,376	333,376

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

(Significant subsequent events)

Not applicable.