Second Quarter of Fiscal Year ending June 30, 2021
Explanatory Material on Financial Statements

February 9, 2021

i3 Systems, Inc.

TSE Mothers：4495

Table of Contents

1. Business Summary P.03

2. Business Highlights P.07

3. New Measures P.14

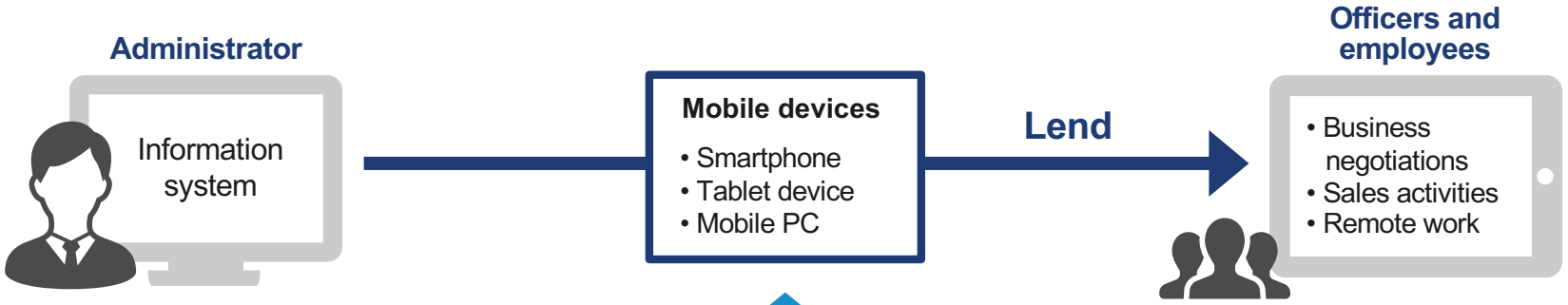
4. Financial Results for 2nd Quarter of Fiscal Year ending June 30, 2021 P.17

5. Reference Materials P.24

1. Business Summary

Overview of the CLOMO Business

Two product lines to support user management and utilization

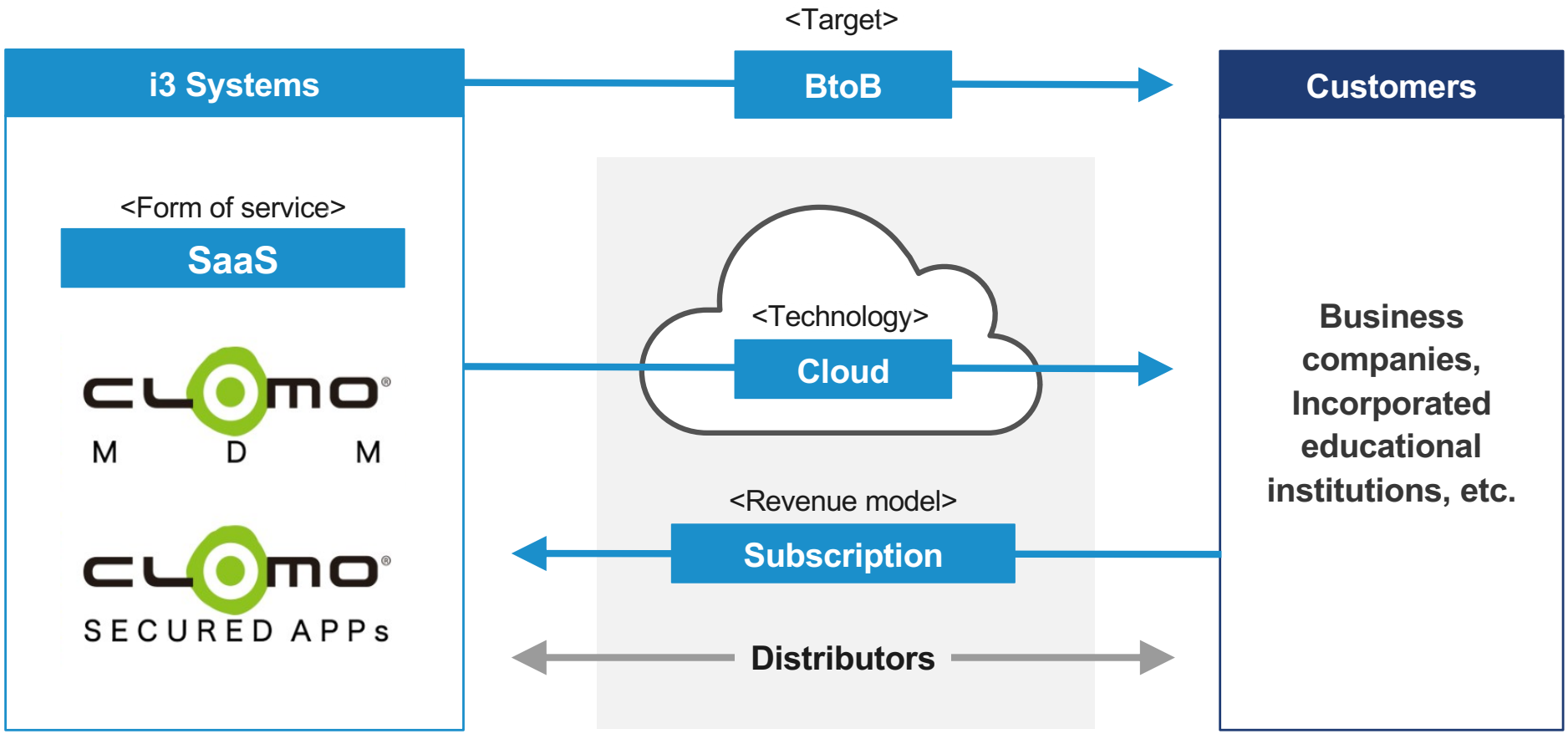


		Visualization of utilization status "Status monitoring"	Function restrictions And settings "Application of utilization rules"	Security measures "Measures for preventing information leakage"
Manage-ment	Basic functions for smooth management	Remotely assess the utilization status in real time	Properly 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		

Characteristics as a business platform

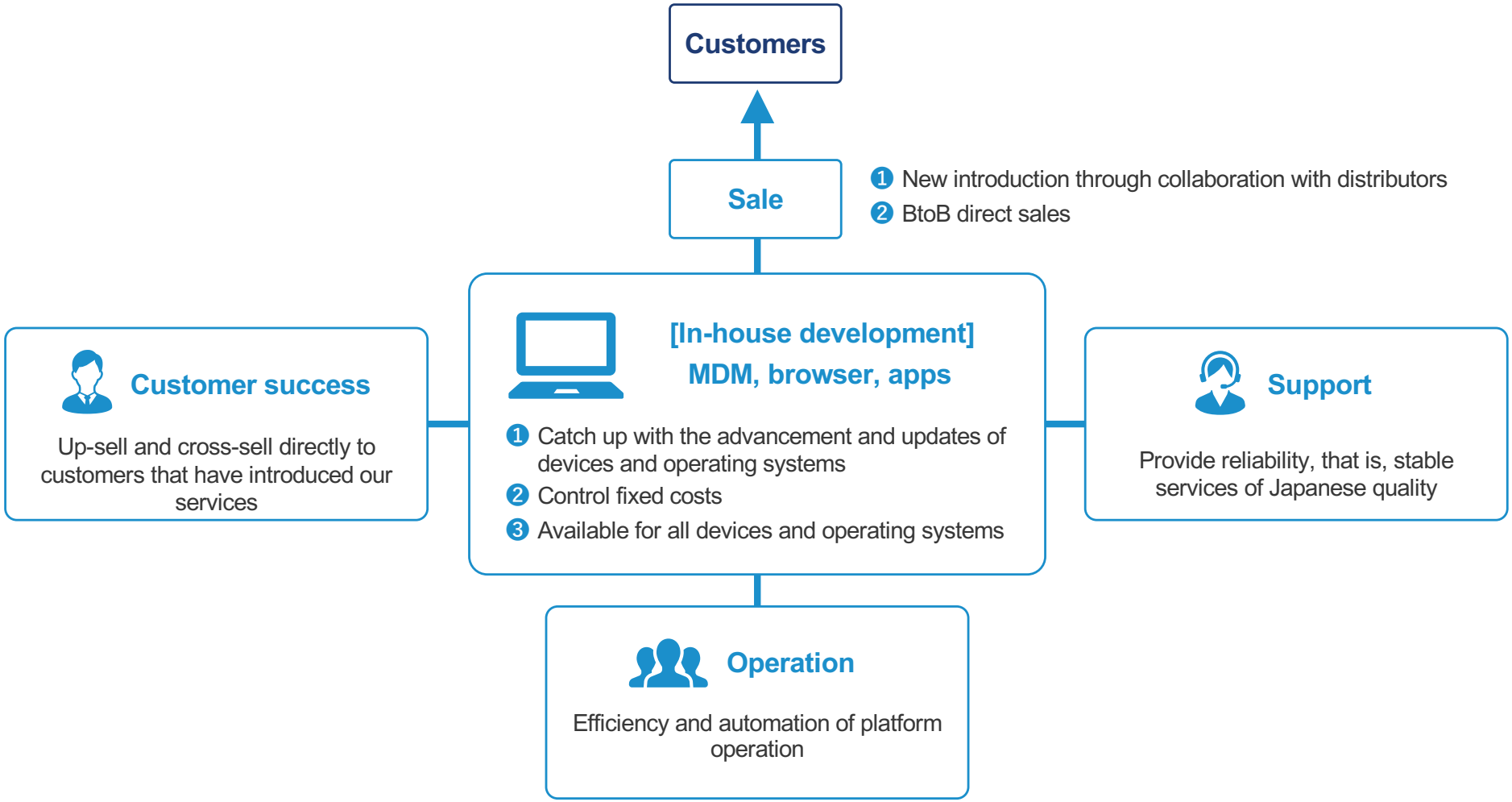
Use cloud to provide BtoB SaaS in the form of a subscription

Sell services to customers (users) mainly through distributors



Source of competitiveness

In-house development of MDM, browser and apps is a decisive differentiator



2. Business Highlights

Achieved top market share of domestic MDM market for 10 consecutive years

Achieved the top share from fiscal 2011 to 2020 for the domestic MDM *1 market (In-house brand) for 10 consecutive years

The Standard of MDM

CLOMO®

Top MDM market share for 10 years in Japan*2

*1: MDM stands for Mobile Device Management. It refers to functions required for security measures when installing and operating devices and their management and operation.

*2: Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2011 - 2018 editions, "MIC IT Report Dec 2020 issue" Actual shipment value in FY 2019 and predicted shipment value in FY 2020

AER 2020 Acquisition and Investment in New Technologies

Acquired Android Enterprise Recommended 2020 certification against a background of advanced technological capability
Proactively invested in new technologies to improve product value and reduce costs

AER2020 Acquisition

＊1

One of only 11 global companies in the EMM field to be certified as “Android Enterprise Recommended”

Investment in new technologies

＊2

＊3

Efficient product development and service operation by utilizing new technologies

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*1: Android Enterprise Recommended (AER) – Google certification for EMM solutions that attain certain Google-specified requirements
Four high hurdles – specifically: (1) Advanced functionality, (2) Technological innovation backed by achievements, (3) Enterprise-level support, and (4) Introduction capability based on achievements – need to be cleared.

*2: Azure Kubernetes Service (AKS) – Microsoft-provided containerization technology. Promotes improved reliability and reduced operational burden and operating costs with the container-based CLOMO system.

*3: Xamarin – Microsoft-provided platform for application development. Speeds up development and promotes energy-saving by sharing CLOMO application source code across different environments, i.e. iOS, Android, and Windows.

Expansion of Online Sales Activities

Direct contact with over 500 information system personnel via online exhibition
Over 1,000 participants from across Japan for the online seminar for sales staff of distributing agents

日経 XTECH EXPO 2020



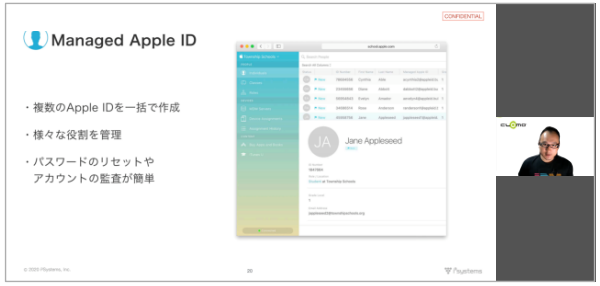
SeminarShelf



CLOMO MDM online seminar



Practical device management seminar: Android edition



Practical device management seminar: iOS edition

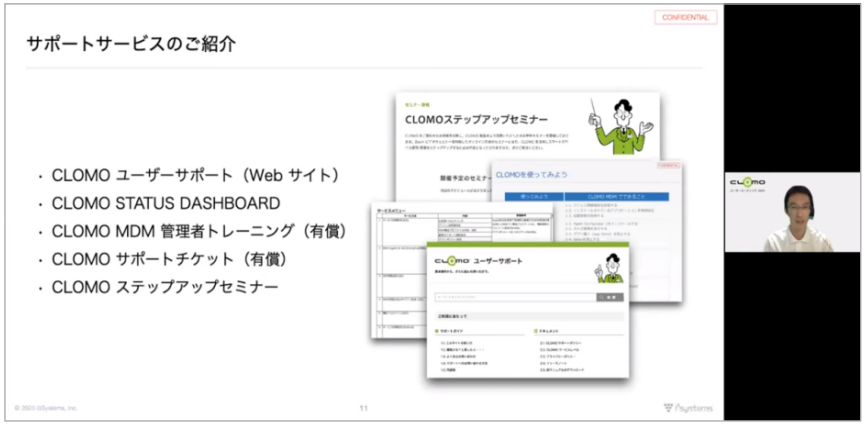


GIGA school concept preparation seminar

Expansion of Online User Support Activities

Strengthening online user support activities
Over 10 times more users participated in the online training seminar than face-to-face seminars

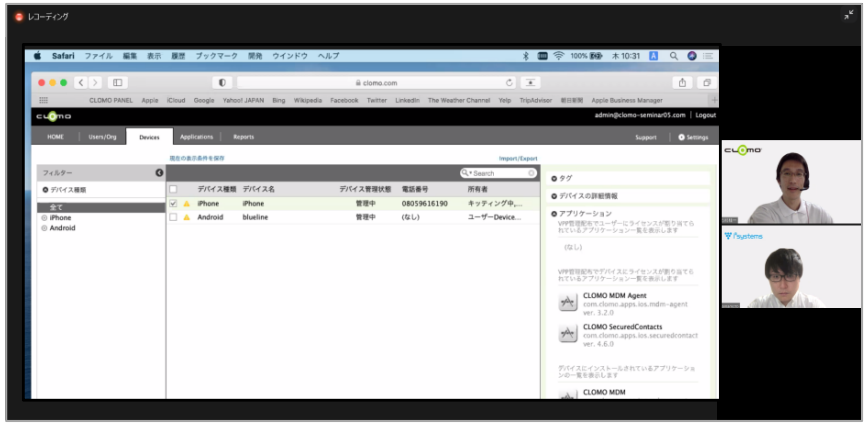
Hosting of fourth CLOMO user meeting



CLOMO user meeting

- Annual event
- Fourth event held online, attracting 118 participants

Strengthening training seminars



Training seminars

- Held periodically
- 10 times more participants at on-line seminars than on-site seminars

Optimization of Office Function for Teleworking

Teleworking promoted throughout the company, including for product development, operations, and back office
Optimize functions for teleworking while all offices specialize in group work

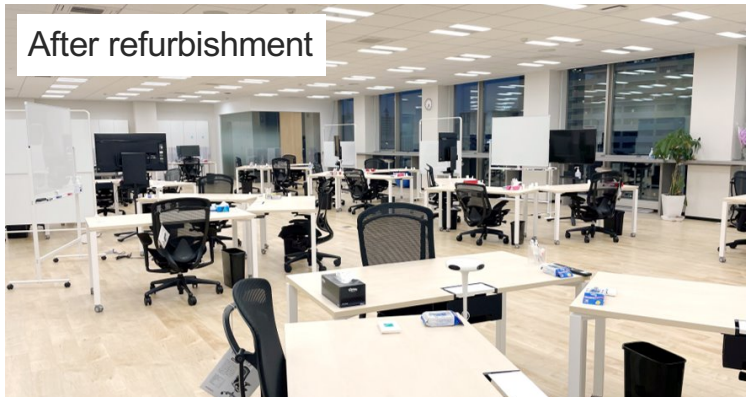
Preparation of telework environment

- Leasing of monitors and office chairs, purchasing essential equipment
- Allowance for utility and communication expenses for homeworking
- Assisting with initial expense for setting up Internet connectivity

Changes in office layout

- Rearranging the office to prevent the spread of infectious diseases
- Applying antibacterial coating to offices





Promotion of diversity

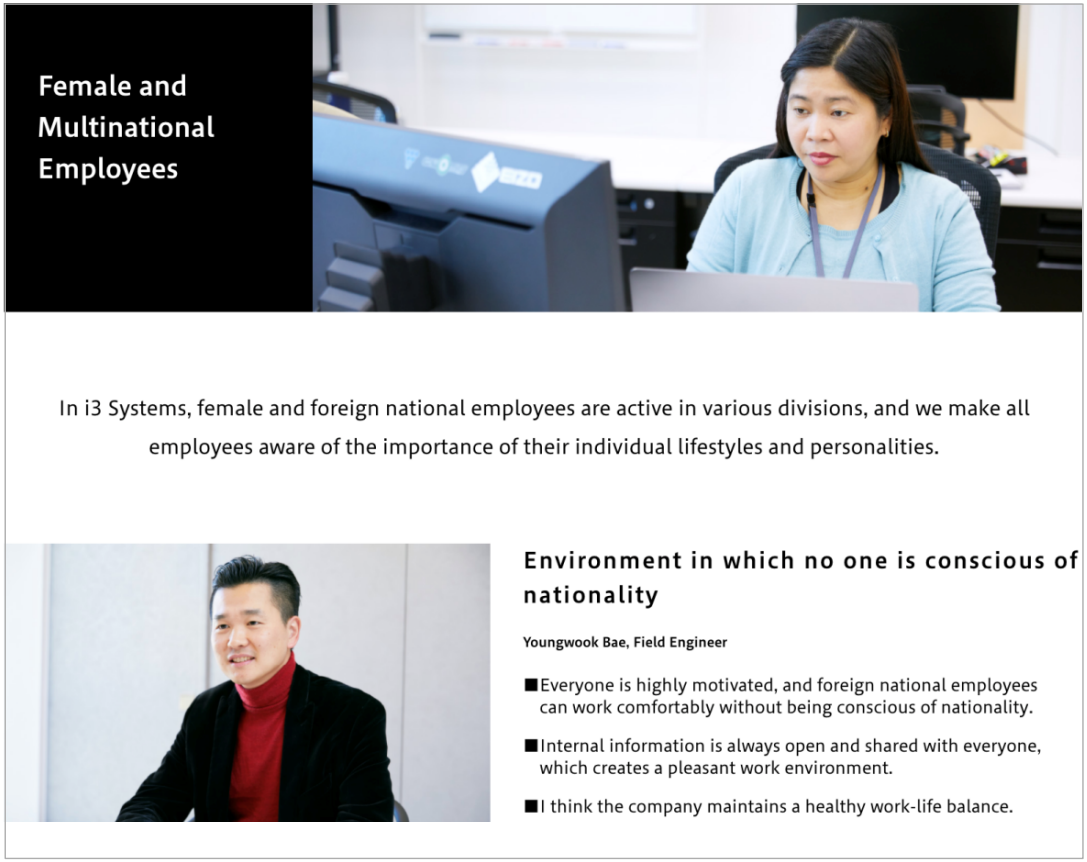
Proactively hiring female and multinational employees
Promoting the creation of a diverse organization as well as appointing female managers

Proactively hiring female and multinational employees

- Of employees hired in the first half, 75% are female and 25% are multinational
- In particular, we aim to retain excellent personnel by expanding engineering recruitment globally

Promoting more women to managerial positions

- 15% of new managers in the first half are female



3. New Measures

Release of new “CLOMO Launcher” products

Release of new optional CLOMO MDM service
Weaponizing user-oriented service to further accelerate market development

「CLOMO Launcher」

Sales price

- Monthly: ¥100(excluding tax)per device
- Annually: ¥1,200(excluding tax)per device

Launch date

- February 2, 2021(Tuesday)

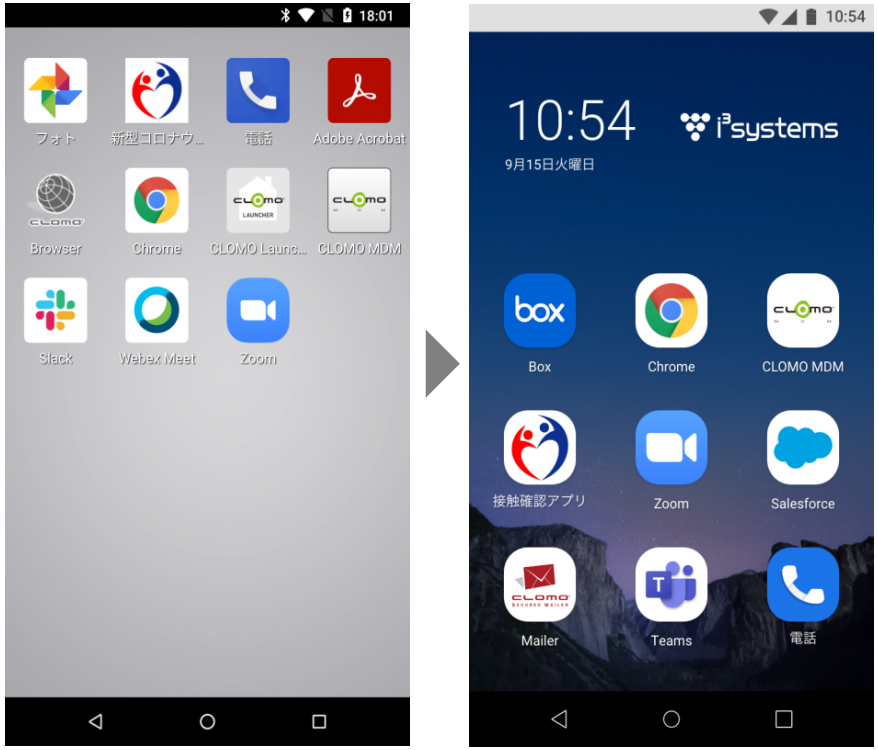
List of available functions

- Designation of logo image
- Display of date and time
- Designation of apps to be displayed(up to nine)
- Layout changes(automatically adjusts to number of apps)

Usage example

Integrates home screen when switching from PHS to Android devices at medical organizations, and improves operability

Example of CLOMO Launcher-controlled home screen



Ordinary home screen　　Controlled home screen

Narrowed-down marketing activities

Developing effective marketing activities targeting medical care market (with transition to smartphones due to termination of PHS service) and educational market (introduction of mobile devices based on GIGA school concept)

Marketing activities for medical care market

Posting of case examples in specialist medical management journals and other media





Where published

「経営の時代」の羅針盤 最新医療経営 PHASE3 フェイズ・スリー

ヘルスケア・マネジメント.com

- Number of issues: 30,000
- Readers: Hospital directors and assistant directors, presidents, etc.

Marketing activities for educational market

Posting of case examples on school information websites and other media





Where published

教育家庭新聞

日本教育新聞 NIKKYO WEB

マイナビニュース

ICT 教育ニュース

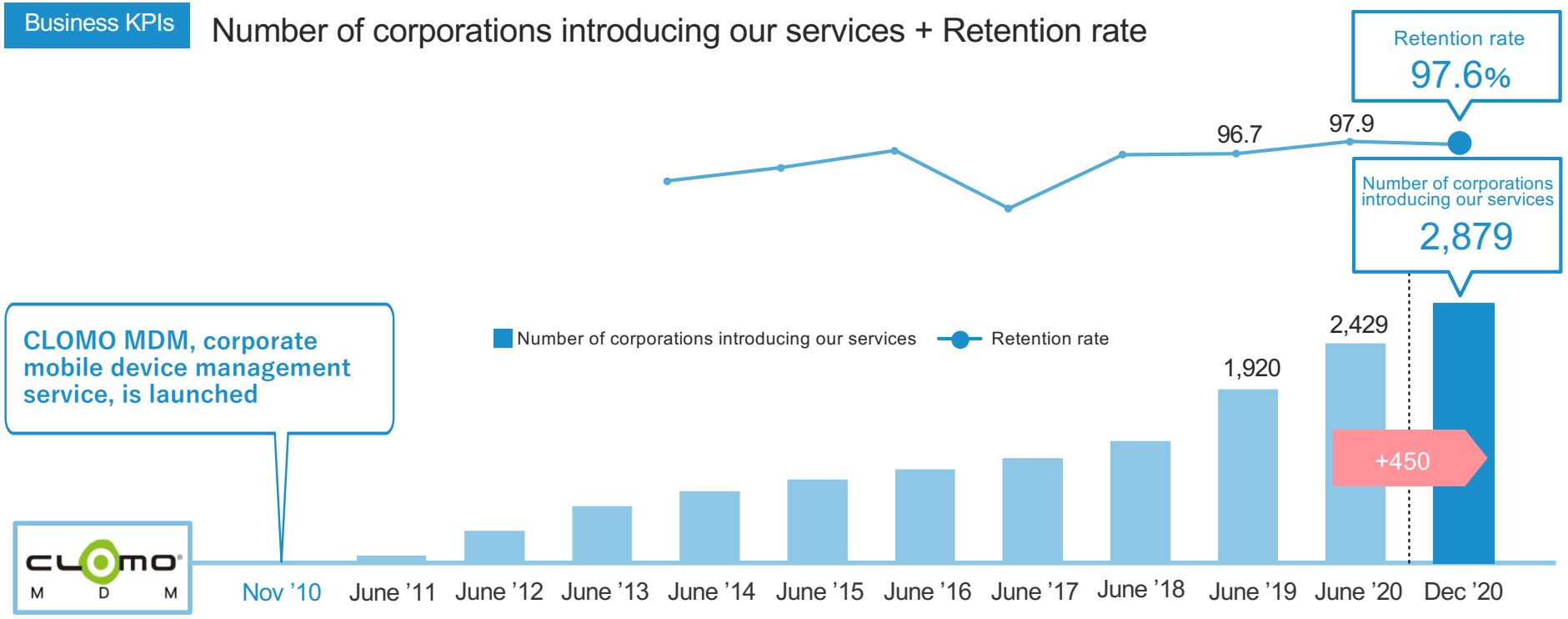
4. Financial Results for 2nd Quarter of Fiscal Year ending June 30, 2021

Key indicators

The number of corporations introducing our services and the retention rate are set as KPIs

Delivered value Increase in user productivity and security

Business KPIs Number of corporations introducing our services + Retention rate



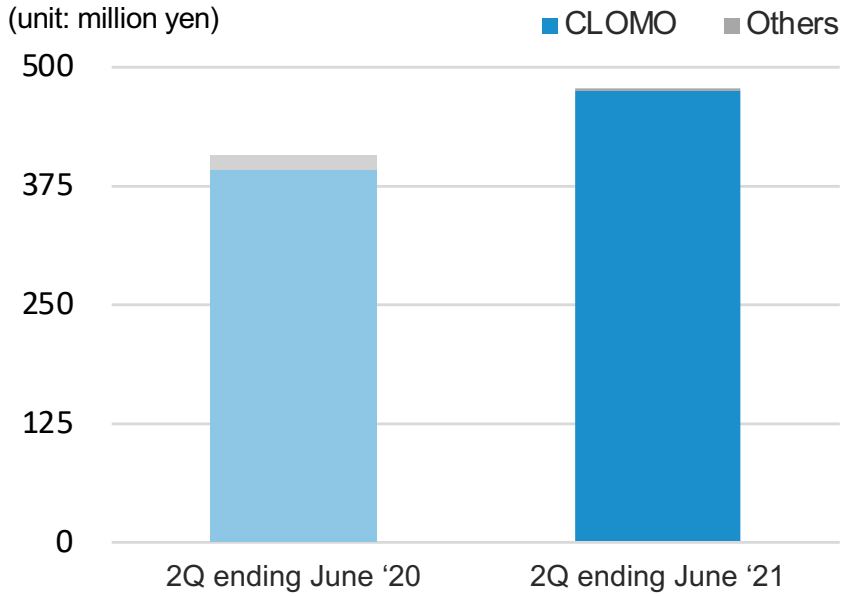
*We changed the counting method for the number of corporations introducing our services in July 2020, and changed the timing of when our products are introduced to end users from the order-acceptance month to the billing-start month. The number of corporations introducing our services in June 2020 became 2,429 based on these changes.

*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.

Net sales and operating income for 2nd quarter of fiscal year ending June 30, 2021

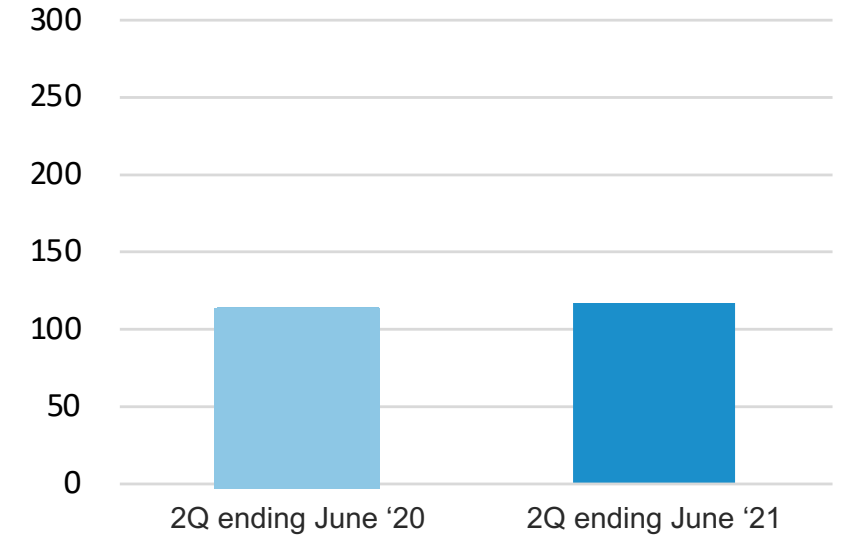
Regarding results for 2nd quarter (October ~ December),
net sales increased by 17.3% YoY, and operating income increased by 2.1% YoY

Net sales



2Q ending June '20	2Q ending June '21	Year-on-year
407 million yen	478 million yen	117.3% (+70 million yen)

Net income



2Q ending June '20	2Q ending June '21	Year-on-year
114 million yen	117 million yen	102.1% (+2 million yen)

Income statement for 2nd quarter of fiscal year ending June 30, 2021

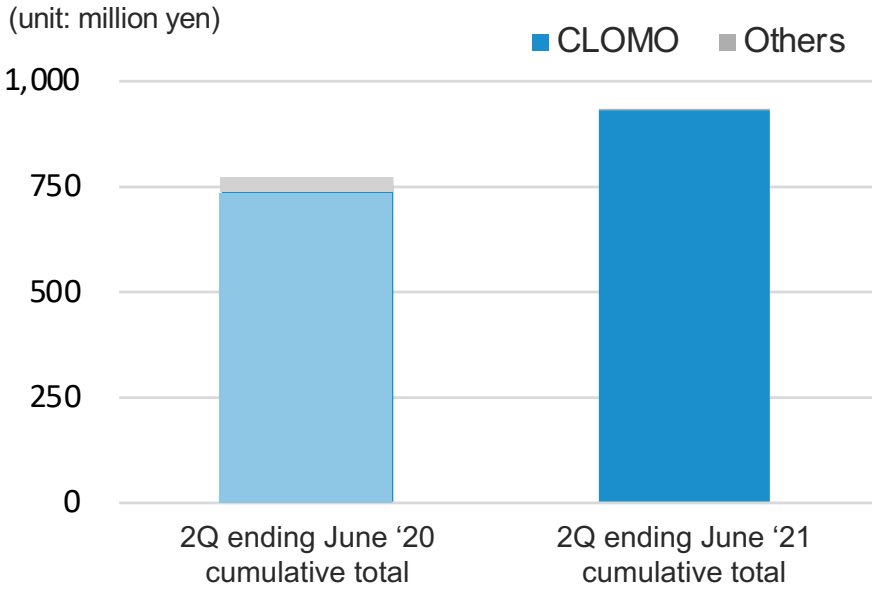
(units: million yen)	2Q ending June '20 (Composition rate)	2Q ending June '21 (Composition rate)	Rate of change
Net sales	407 (100.0%)	478 (100.0%)	+17.3%
CLOMO business	393 (96.4%)	474 (99.3%)	+20.8%
Other businesses	14 (3.6%)	3 (0.7%)	△76.3%
Cost of sales	75 (18.4%)	114 (23.9%)	+51.9%
Depreciation expenses	6 (1.6%)	40 (8.4%)	+498.1%
Manufacturing costs	40 (9.8%)	60 (12.6%)	+50.1%
Others	28 (7.0%)	13 (2.9%)	△51.2%
Gross profit	332 (81.6%)	364 (76.1%)	+9.5%
Selling, general and administrative expenses	217 (53.4%)	246 (51.6%)	+13.4%
Labor expenses, etc.	138 (34.0%)	163 (34.1%)	+17.8%
Others	79 (19.4%)	83 (17.5%)	+5.7%
Operating income	114 (28.2%)	117 (24.5%)	+2.1%
Ordinary profit	114 (28.1%)	117 (24.6%)	+3.0%
Corporate income taxes	20 (4.9%)	36 (7.6%)	+80.4%
Net income	91 (22.5%)	81 (17.1%)	△11.0%

*As the company was listed in July 2020, cumulative figures for the second quarter of the fiscal year ending in June 2020 are not subject to accounting audit by an auditing firm.

Cumulative net sales and operating income for 2nd quarter of the fiscal year ending June 30, 2021

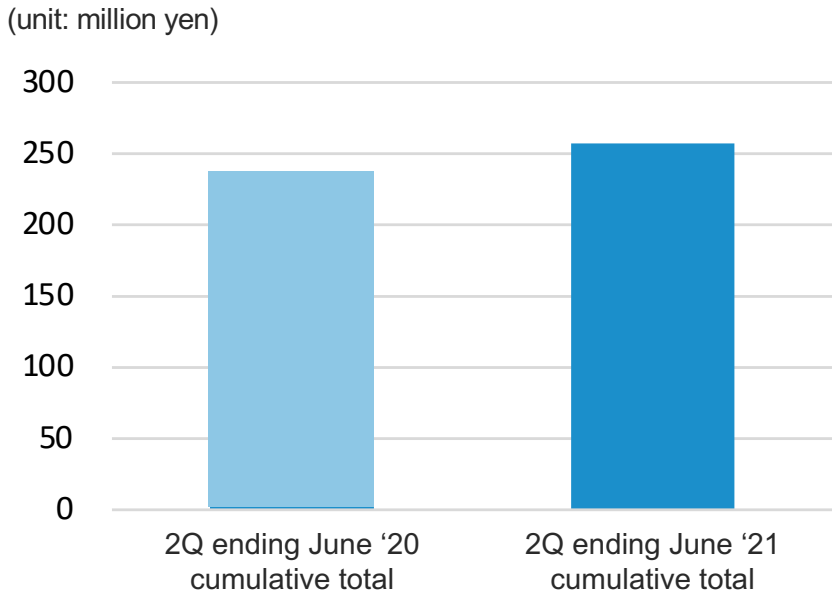
Regarding the cumulative results for the second quarter (July ~ December), net sales increased by 21.1% YoY, and operating income increased by 13.1% YoY

Net sales



2Q ending June '20 cumulative total	2Q ending June '21 cumulative total	Year-on-year
773 million yen	936 million yen	121.1% (+163 million yen)

Net income



2Q ending June '20 cumulative total	2Q ending June '21 cumulative total	Year-on-year
227 million yen	257 million yen	113.1% (+29 million yen)

Cumulative income statement for the second quarter of the fiscal year ended June 30, 2021

(units: million yen)	2Q ending June '20 Cumulative total (Composition rate)	2Q ending June '21 Cumulative total (Composition rate)	Rate of change
Net sales	773 (100.0%)	936 (100.0%)	+21.1%
CLOMO business	745 (96.4%)	932 (99.6%)	+25.1%
Other businesses	27 (3.6%)	3 (0.4%)	△86.3%
Cost of sales	151 (19.5%)	227 (24.3%)	+50.9%
Depreciation expenses	14 (1.9%)	78 (8.4%)	+444.8%
Manufacturing costs	81 (10.5%)	118 (12.7%)	+45.6%
Others	54 (7.1%)	30 (3.2%)	△45.0%
Gross profit	622 (80.5%)	708 (75.7%)	+13.8%
Selling, general and administrative expenses	394 (51.0%)	451 (48.2%)	+14.3%
Labor expenses, etc.	259 (33.5%)	306 (32.7%)	+18.2%
Others	135 (17.5%)	144 (15.5%)	+6.9%
Operating income	227 (29.4%)	257 (27.5%)	+13.1%
Ordinary profit	226 (29.3%)	247 (26.4%)	+9.2%
Corporate income taxes	27 (3.5%)	75 (8.1%)	+179.9%
Net income	196 (25.4%)	171 (18.3%)	△12.8%

*As the company was listed in July 2020, cumulative figures for the second quarter of the fiscal year ending in June 2020 are not subject to accounting audit by an auditing firm.

Balance sheet for 2nd quarter of fiscal year ending June 30, 2021

(units: million yen)	Term ending June '20	2Q ending June '21	Change
Current assets	1,091	1,985	+893
Cash and deposits	930	① 1,770	+839
Receivables	114	139	+24
Fixed assets	244	193	△51
Total assets	1,336	2,178	+841
Current Liabilities	618	706	+87
Unearned income	358	442	+84
Fixed liabilities	13	46	+32
Total liabilities	631	752	+120
Total net assets	704	1,425	+721
Total liabilities and net assets	1,336	2,178	+841

① Within cash and deposits, funds raised at the time of listing are mainly being invested in advertising activities, recruiting more employees, and developing software to improve operational efficiency.

5. Reference Materials

Company profile

Company name	i3 Systems, Inc.
Headquarters	4th Floor, Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka
Representative	President and CEO Tsutomu Sasaki
Founded in	September 2001
Capital	375,479,500 yen (As of January 31, 2021)
Number of employees	73 (As of December 31, 2020)
Business description	Develop businesses focusing on the provision of management services (management and operation services) for smartphones, tablets, computers, and other mobile devices
Location	Fukuoka HQ:Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka Tokyo Office:Hamamatsucho DS Building, Hamamatsucho 1-27-16, Minato-ku, Tokyo Osaka Office:Servcorp Umeda Hilton Plaza West, 19th Floor, Hilton Plaza West Office Tower, Umeda 2-2-2, Kita-ku, Osaka-shi, Osaka (Started operating on March 2, 2020)

Mission and Vision

Mission　Making IT More Accessible

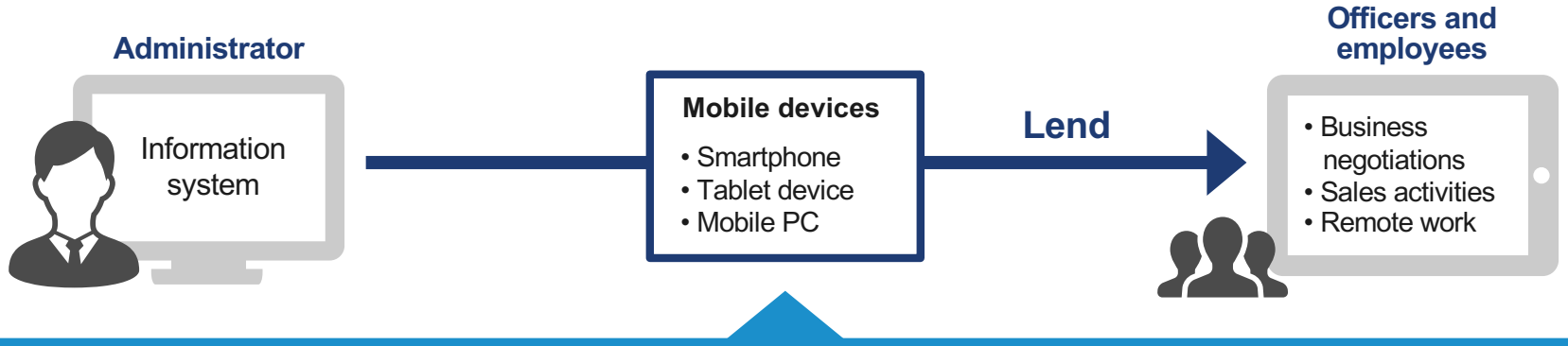
With the founding concept of "Cube Innovation," i3 Systems continues to create services that lead to a chain of innovations.
Our services aim at bringing innovation to corporate activities, enriching people's lives, and making IT even more accessible.

Vision　A Solution Company that Brings Smiles

People smile when they are happy, having fun, feeling fulfilled, and filled with appreciation.
We contribute to the creation of new values for a better society and a future filled with smiles.
i3 Systems engages in sound and healthy services through the best technology and the highest level of engineering to provide solutions that bring smiles to everyone - our customers, our employees, and their families.

Overview of the CLOMO Business

Two product lines to support user management and utilization



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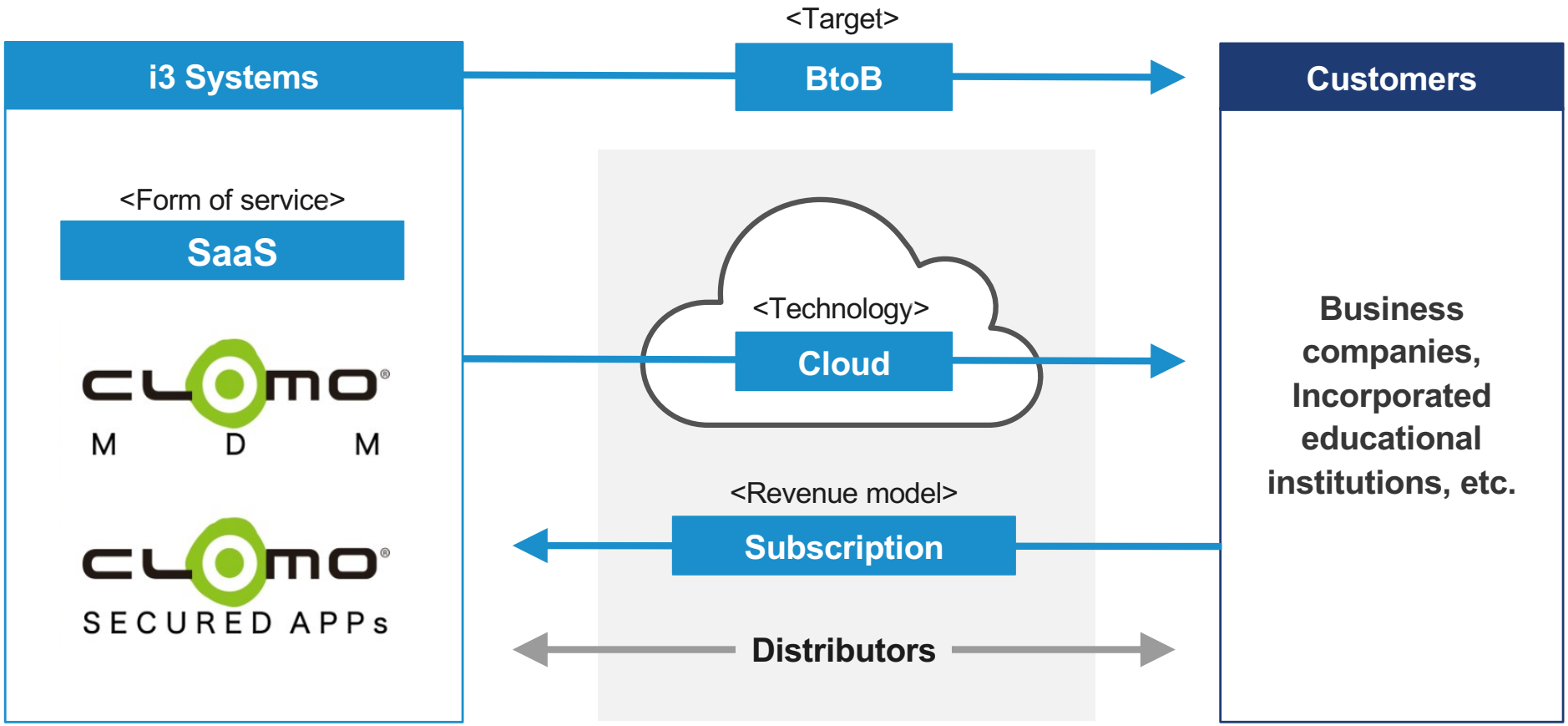

Source of competitiveness

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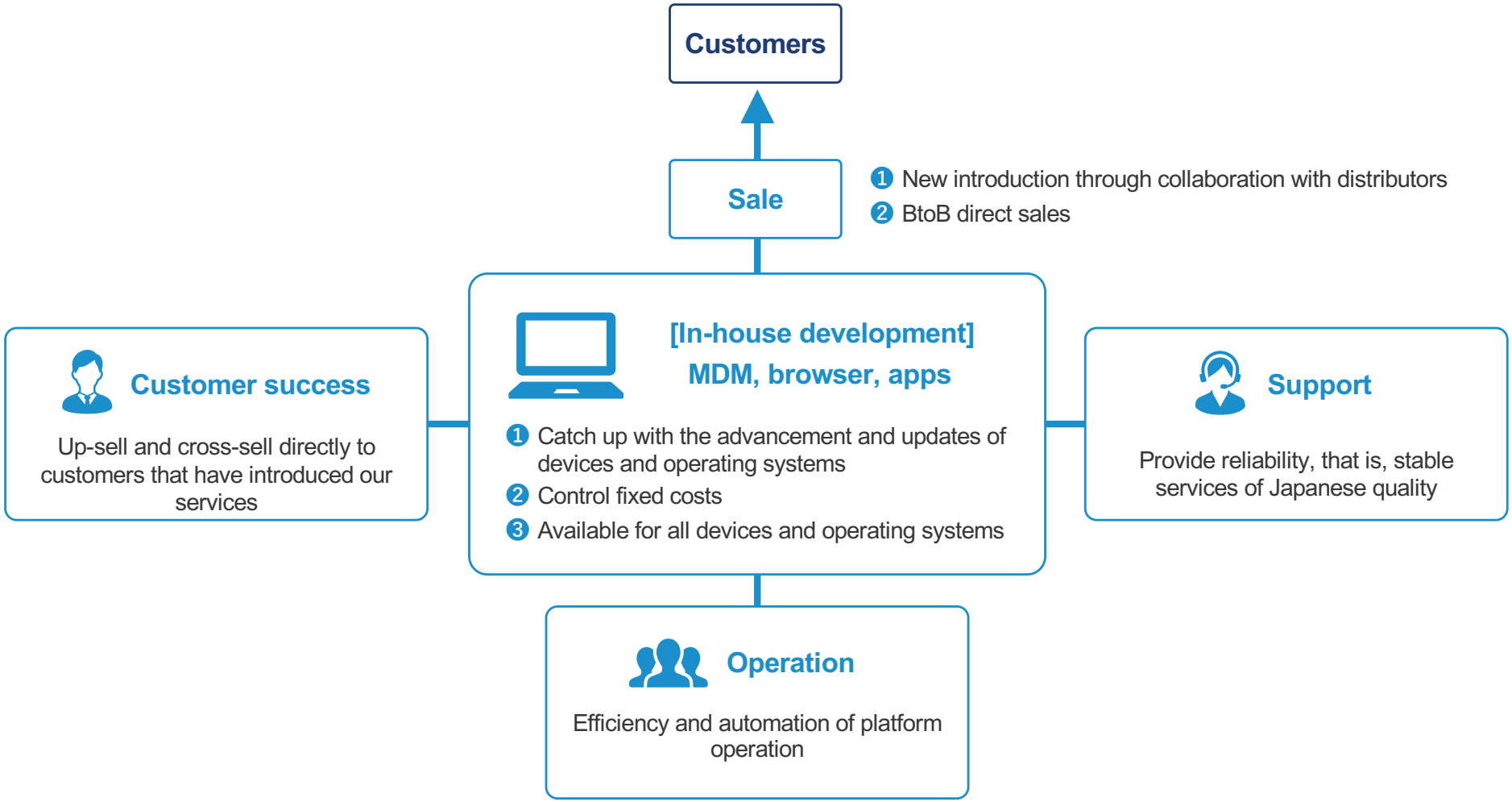
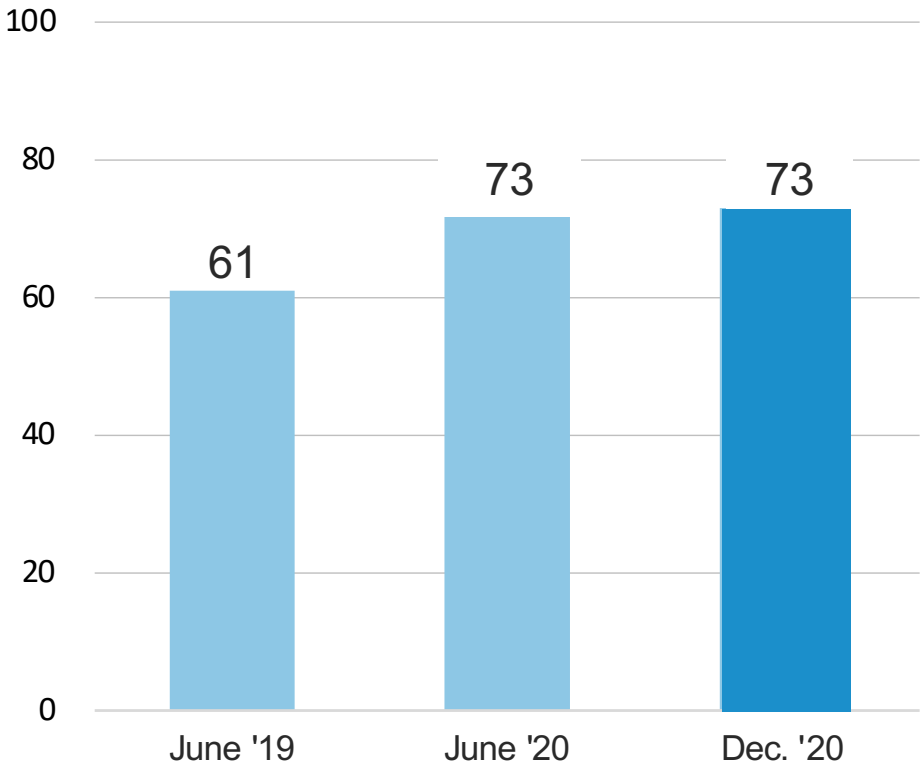


Change in number of employees

Number of employees (people)

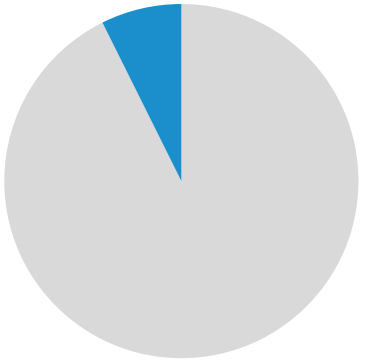


Male-to-female ratio

Approximately

6 : 4

Ratio of multinational employees



Approximately

7 %

* Data as of December 31, 2020.
* Gender ratio as of December 31 is 64.3% male : 35.7% female

Shareholder composition

1 Number of outstanding shares, etc.

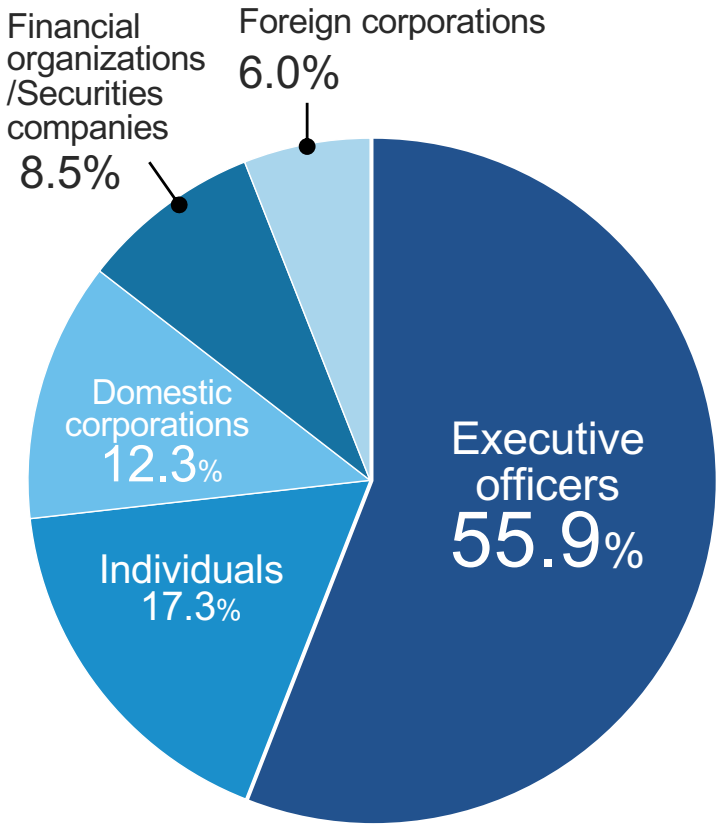
Number of outstanding shares	5,209,850
Number of shareholders (with voting rights)	1,370

3 Top 10 shareholders

Rank	Shareholder name	No. of shares owned	Ownership ratio
1	Tsutomu Sasaki	2,711,330	52.0%
2	JAFCO SV4 Shared Investment Limited Partnership	520,970	10.0%
3	Yosuke Hatanaka	402,730	7.7%
4	Nomura Securities Co., Ltd.	263,100	5.1%
5	NOMURA PB NOMINEES	147,000	2.8%
6	Tsuyoshi Taira	90,000	1.7%
7	Takeo Minomiya	80,000	1.5%
8	Hisashi Ono	60,000	1.2%
9	Big Field Management Co., Ltd.	60,000	1.2%
10	Kazumasa Obuchi	48,600	0.9%

* Data as of December 31, 2020.

2 Shareholder composition per attribute



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.

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