Fiscal Year Ended June 30, 2021
Explanatory Material on Financial Statements

August 12, 2021

i³ Systems, Inc.

TSE Mothers : 4495

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Summary of FY6/21

Financial results steadily improved, exceeding the figures planned at the beginning of the fiscal year, resulting in net sales of 2,029 million yen (+ 1.3% from the initial forecast) and operating income of 569 million yen (+26.5% from the initial forecast)

Net sales

2,029 million yen

YoY: +23.6% ↑
vs initial forecast: +1.3%

Operating income

569 million yen

YoY: +38.2% ↑
vs initial forecast: +26.5%

Corporations that introduced our services

3,391 corporations

YoY: +39.6% ↑

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1. Business Summary

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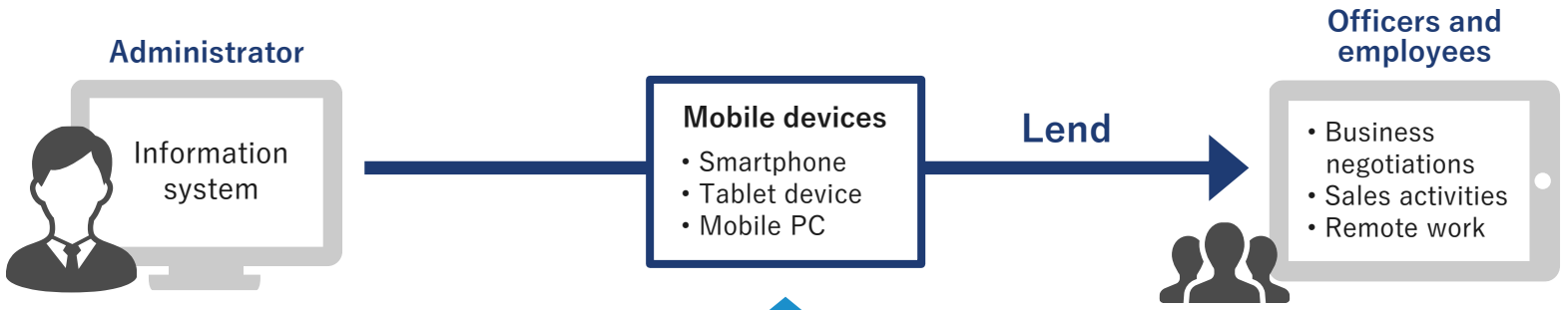
Overview of the CLOMO Business

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		

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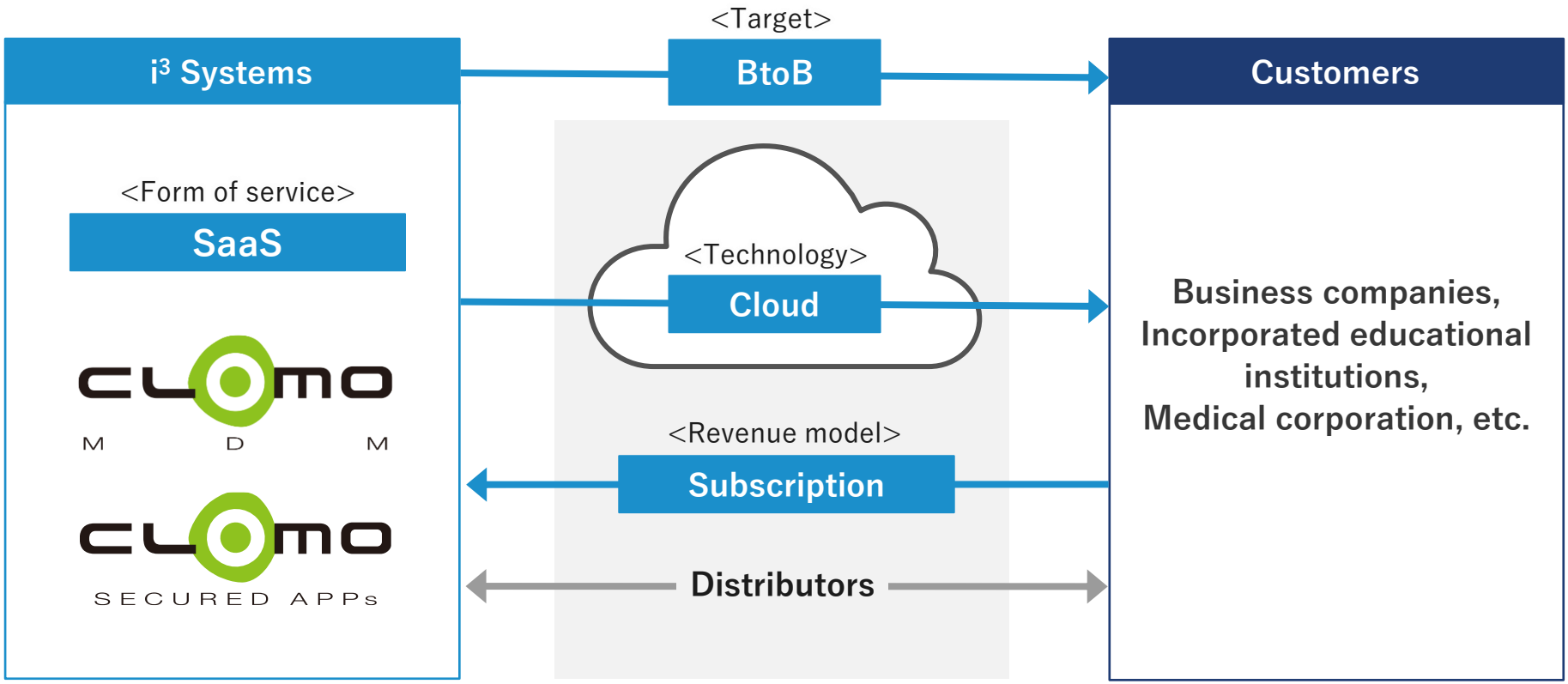
Characteristics as a business platform

Use cloud to provide BtoB SaaS in the form of a subscription
Sell services to customers (users) mainly through distributors



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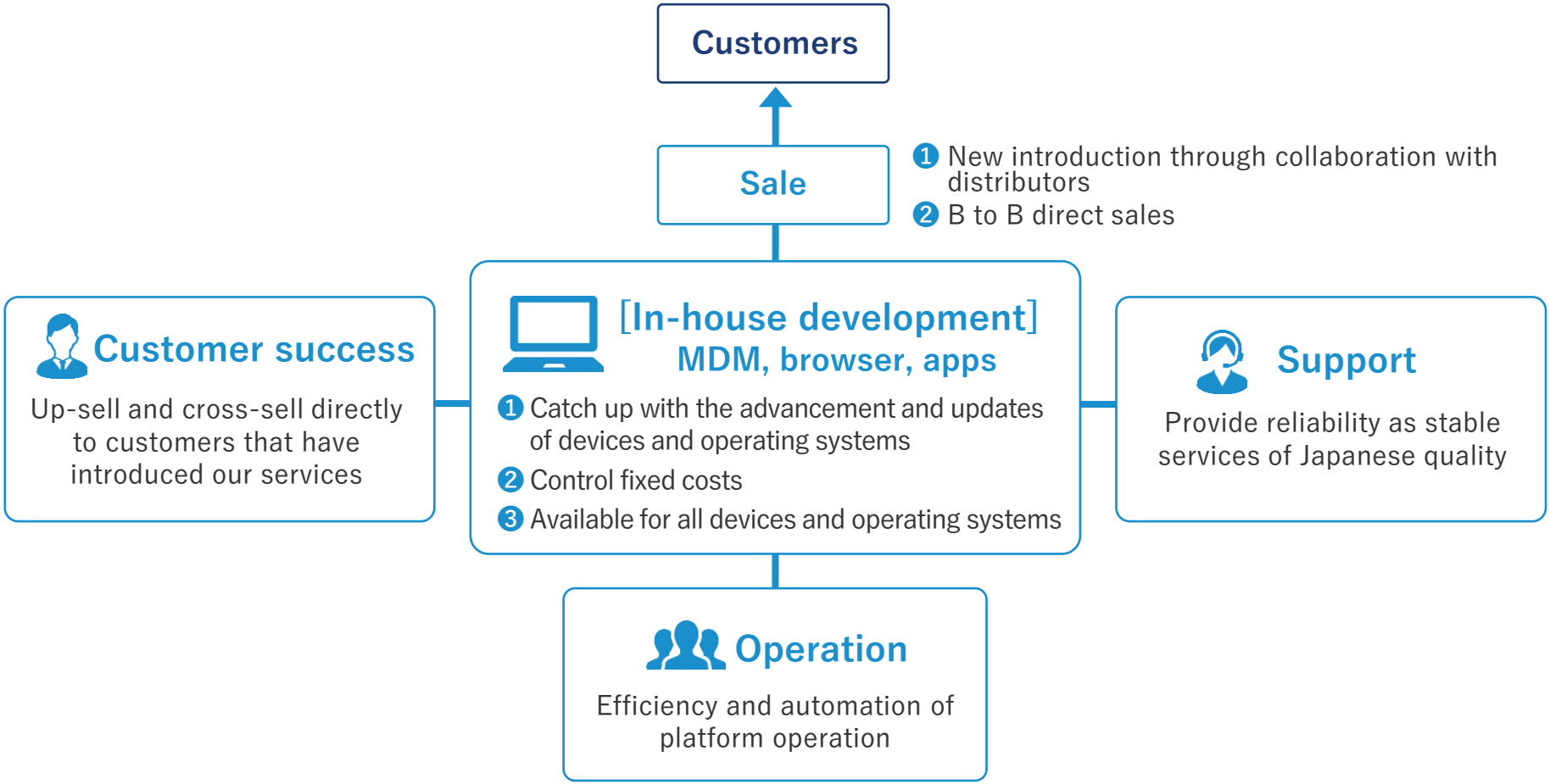
Source of competitiveness

In-house development of MDM, browser and apps is a decisive differentiator
In contrast to our competitors, we have direct contact with more than 3,300 customers.



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2. Business Highlights

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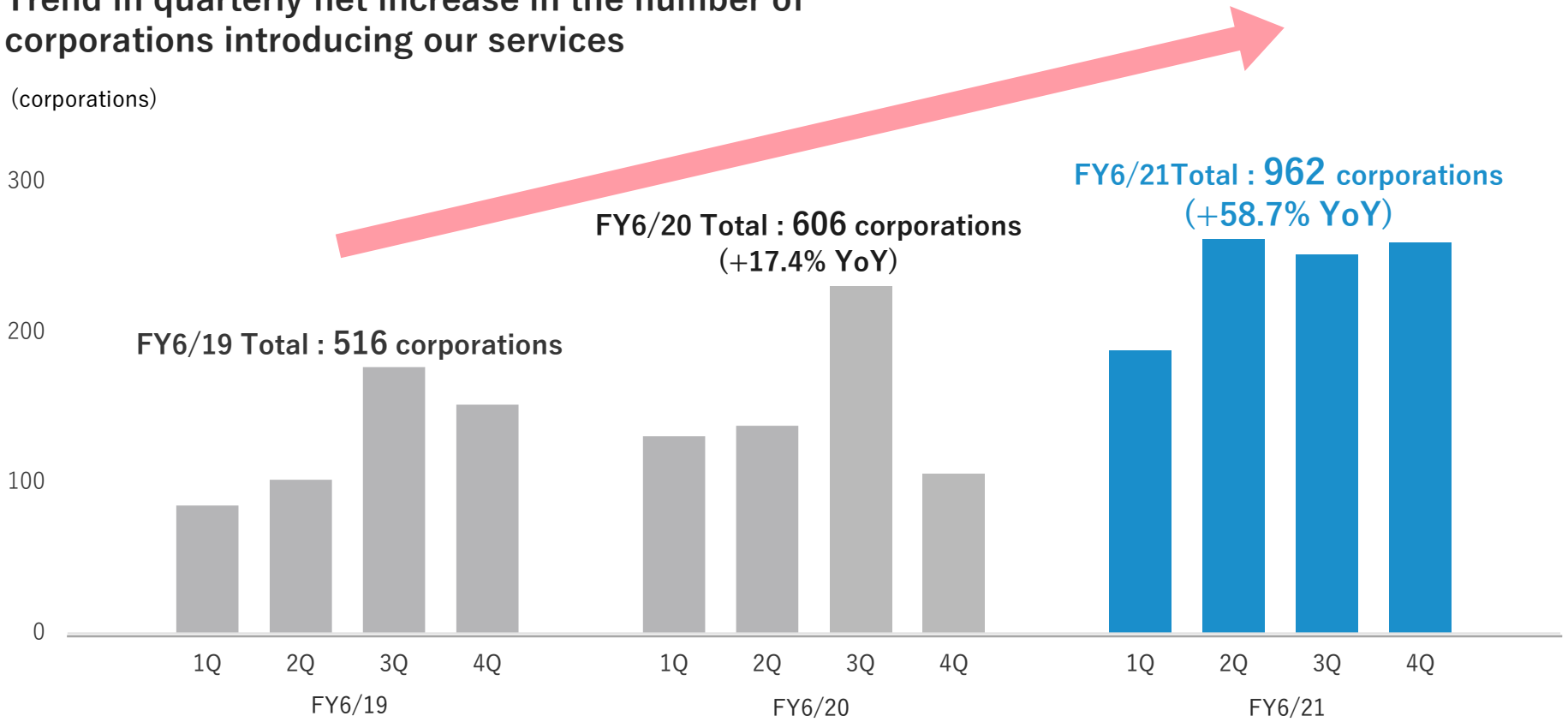
Highest Net Increase in the Number of Corporations Introducing Our Services

The net increase in the number of corporations introducing our services in FY6/21 was a record high of 962 corporations (+58.7% YoY)

Trend in quarterly net increase in the number of corporations introducing our services



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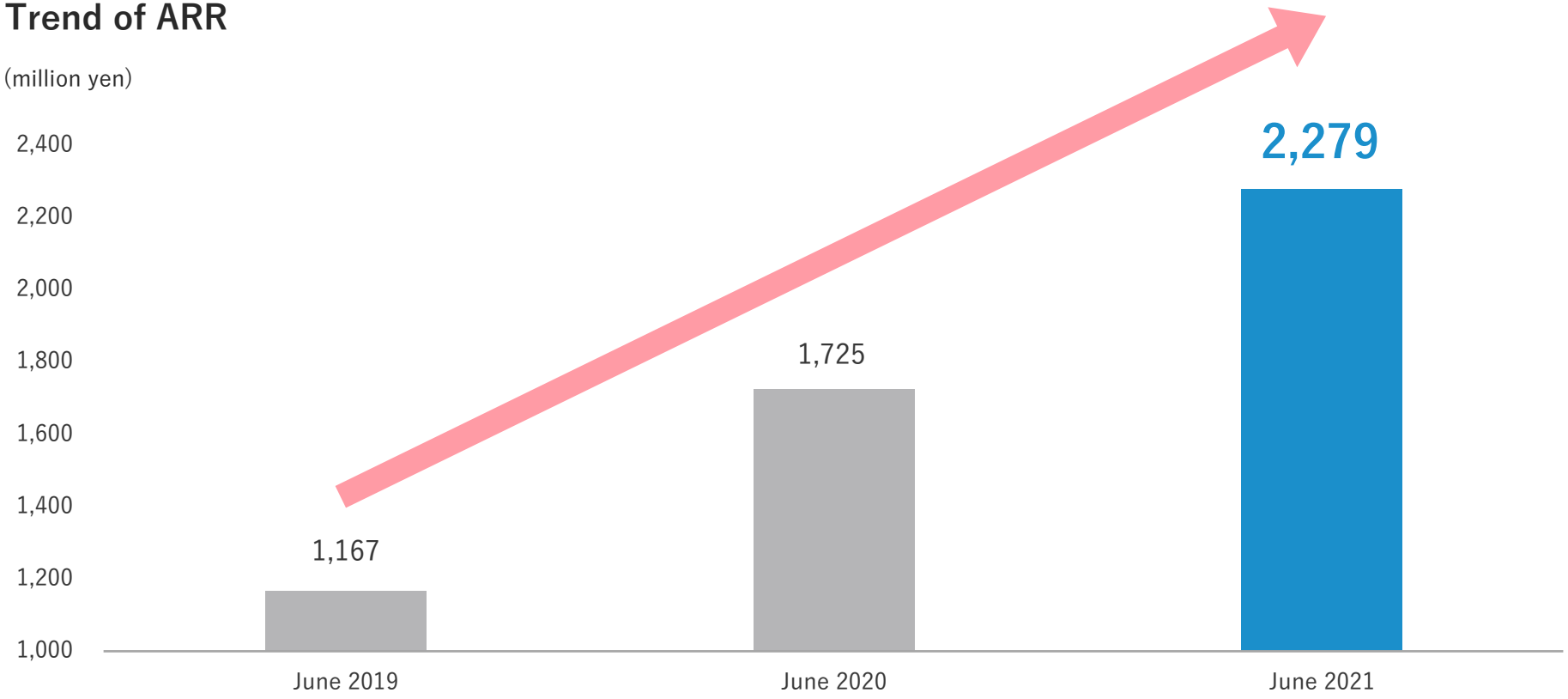
ARR* Roughly Doubled in the Most Recent Two Fiscal Years

The number of corporations newly introducing our services steadily increased, so that ARR rose 554 million yen YoY as of June 2021

Trend of ARR



＊ARR: Abbreviation for Annual Recurring Revenue, which is calculated by multiplying MRR in June of each fiscal year by 12.

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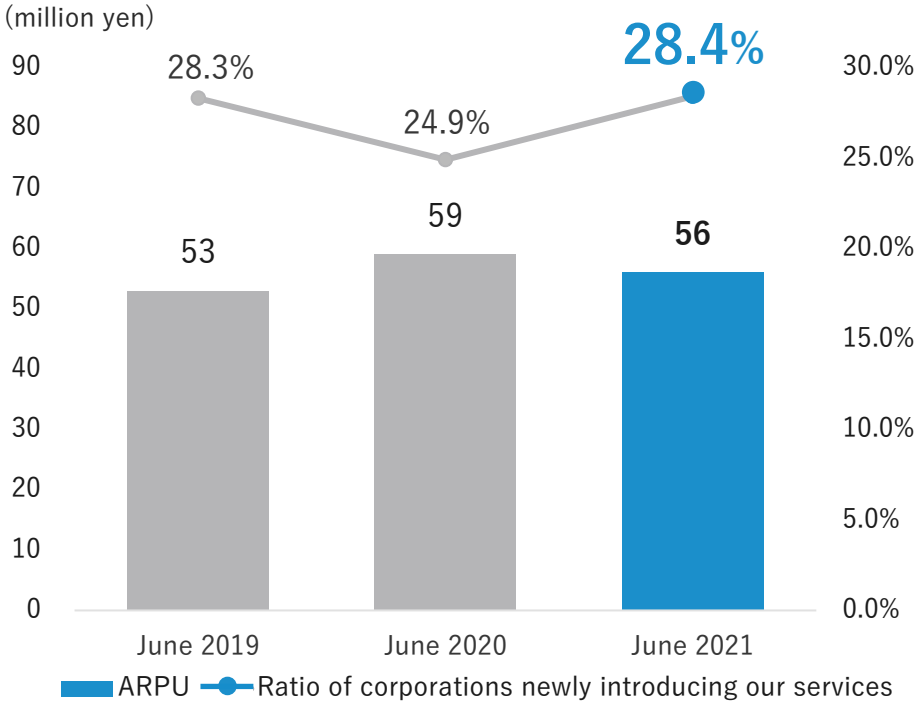
ARPU*1 Maintained at a High Level

With an accelerated increase in the number of corporations introducing our services, the ratio of the net increase in the number of corporations introducing our services to the number of those introducing our services as of the end of the fiscal year increased by 3.5 points YoY, while ARPU was maintained at a high level through upselling.

Trend in ARPU and the ratio of the net increase in the number of corporations introducing our services*2



Increased ratio of the net increase in the number of corporations introducing our services

Because many customers made a small start with the minimum number of licenses required, the significant net increase in the number of corporations introducing our services was a factor depressing ARPU.

Introduction of additional licenses by existing customers

The increasing introduction of additional licenses by existing customers having already used our services limited the decline in ARPU caused by the significant net increase in the number of corporations introducing our services.

*1 ARPU: Abbreviation for Average Revenue Per User, which means average monthly unit price per corporation introducing our services.
It is calculated by dividing one twelfth of ARP as of June of each fiscal year by the number of corporations introducing our services as of the end of the relevant fiscal year.
*2 Ratio of the net increase in the number of corporations introducing our services: Ratio of the net increase in the number of corporations introducing our services in the fiscal year under review to the number of those introducing our services as of June 30 of the fiscal year.

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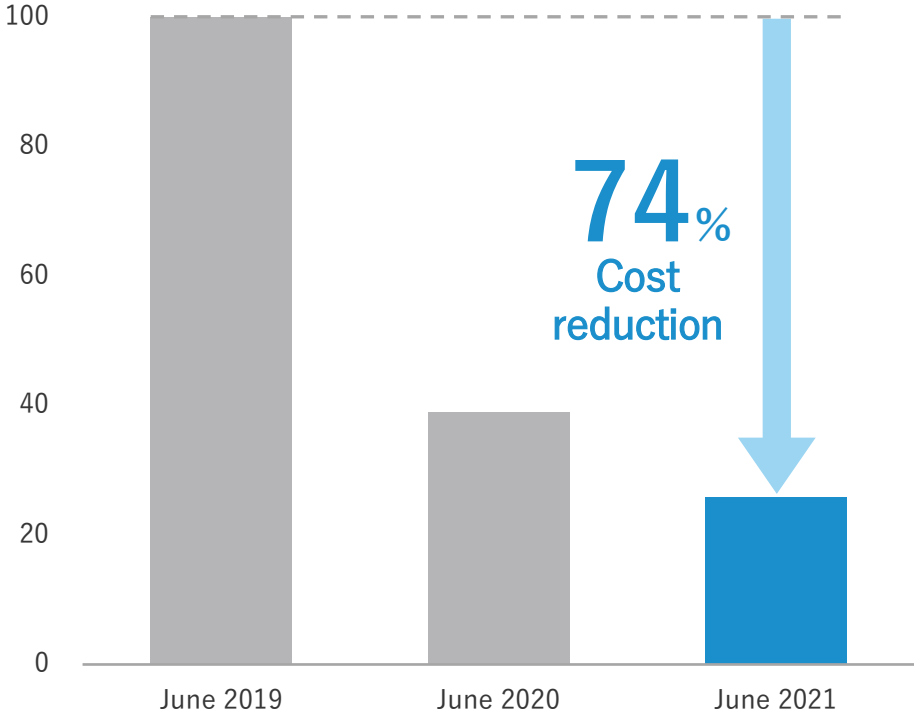
Reduction of Platform Operation Costs*

Platform operation costs per device was reduced 74% in the recent two fiscal years.
We aim to further reduce the costs with aggressive investment going forward to realize low costs to prepare for IoT advances.

Trends in platform operation costs per device

(Taking the level in June 2019 as a base of 100)



＊Costs required for platform operation including cloud usage fees and expenses for security measures

Investment in new technologies

New technologies improve operation efficiency and reduce operation costs to an extent that exceeds the amount invested.

Increase in the number of licenses introduced

Utilizing cloud technology makes our service more secure and maximizes economies of scale.

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Change in Dividend Policy

The Company announced change in dividend policy and revision of dividend forecast on May 12, 2021. Dividend is started from FY6/21, aiming to provide stable and continuous return of profits in accordance with the business growth.

■ Dividend policy

The Company considers the return of profits to shareholders to be an important issue for management, taking into consideration a balance among business investment to expand existing businesses, strategic investment to increase corporate value, and the return of profits. The Company's basic policy is to pay stable and continuous dividends to shareholders in line with its business growth, while contributing to comprehensive and sustainable economic growth.

■ Dividend amount

FY6/21 : 10 yen per share (Dividend payout ratio : 12.4%)

■ Policy on dividend increase/decrease in the future

As mentioned in the dividend policy, the Company is still in a growth phase that necessitates business investment and strategic investment. Accordingly, the payment of dividends will continue to be based on the dividend results in view of business performance, investments, the surrounding environment, and other factors.

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3. Financial Results for FY6/21

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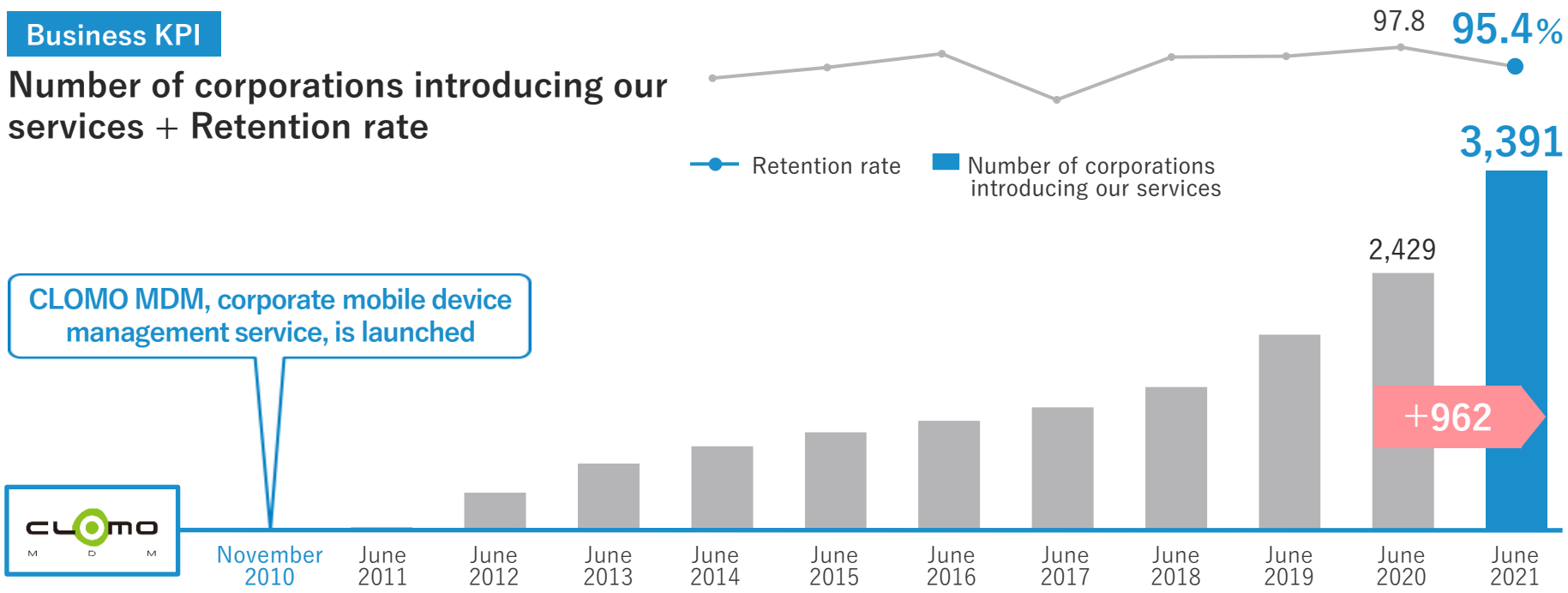
Key Indicators

The net increase in the number of corporations introducing our services in the 4th quarter was 260 (+145% YoY).
The number of corporations introducing our services as of the end of the fiscal year under review was 3,391 (+962 YoY) and the retention rate was 95.4% (-2.4% YoY).

Business KPI

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 month of order acceptance to the month when billing starts. The number of corporations introducing our services in June 2020 became 2,429 based on these changes.
*The 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.
* To disclose the trends in CLOMO service, we changed the method of calculating the retention rate in FY6/21, and changed from the use of the number of all licenses of CLOMO services to the use of the number of licenses of only CLOMO MDM (the main service). Consequently, the retention rate in FY6/20 became 97.8%.

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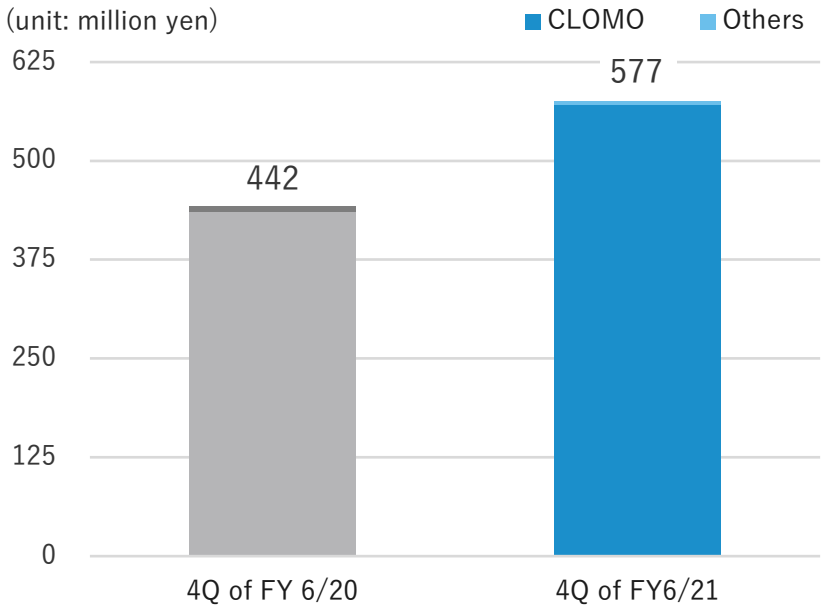
Net sales and operating income for 4th quarter of FY6/21

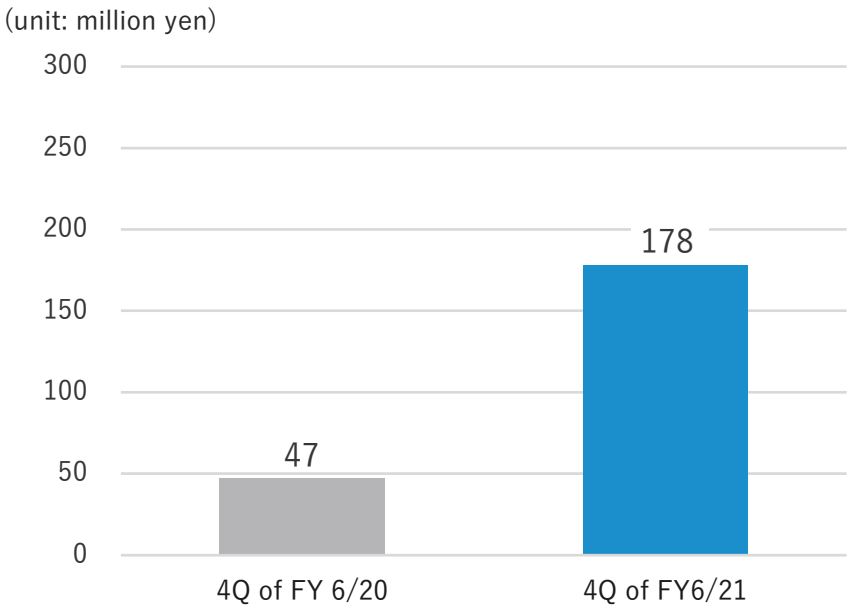
Regarding results for 4th quarter (April ~ June), net sales were 577 million yen (+30.6% YoY) and operating income was 178 million yen (+275.4% YoY).

Net sales



4Q of FY6/20	4Q of FY6/21	Year-on-year
442 million yen	577 million yen	130.6% (+135 million yen)

Net income



4Q of FY6/20	4Q of FY6/21	Year-on-year
47 million yen	178 million yen	375.4% (+131 million yen)

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Income statement for 4th quarter of FY6/21

Net sales in the CLOMO business were 571 million yen (+31.3% YoY).
Due to decreased depreciation expenses, the cost of sales became 95 million yen (-13.4% YoY) while the cost to sales ratio was 16.6%.

(units: million yen)	4Q of FY6/20 (Composition rate)	4Q of FY6/21 (Composition rate)	Rate of change
Net sales	**442** (100.0%)	**577** (100.0%)	**+30.6%**
CLOMO business	**435** (98.4%)	**571** (99.0%)	**+31.3%**
Other businesses	**7** (1.6%)	**5** (1.0%)	**-17.3%**
Cost of sales	**110** (25.0%)	**95** (16.6%)	**-13.4%**
Depreciation expenses	**30** (6.9%)	**14** (2.5%)	**-53.0%**
Manufacturing costs	**62** (14.1%)	**63** (11.0%)	**+1.8%**
Others	**18** (4.1%)	**18** (3.2%)	**+0.9%**
Gross profit	**331** (75.0%)	**481** (83.4%)	**+45.2%**
Selling, general and administrative expenses	**284** (64.2%)	**303** (52.5%)	**+6.7%**
Labor expenses, etc	**154** (34.9%)	**189** (32.8%)	**+22.7%**
Others	**129** (29.3%)	**113** (19.6%)	**-12.4%**
Operating income	**47** (10.8%)	**178** (30.9%)	**+275.4%**
Ordinary profit	**44** (10.1%)	**178** (31.0%)	**+301.7%**
Corporate income taxes	**38** (8.7%)	**22** (4.0%)	**-40.4%**
Net income	**6** (1.4%)	**156** (27.0%)	**+2430.2%**

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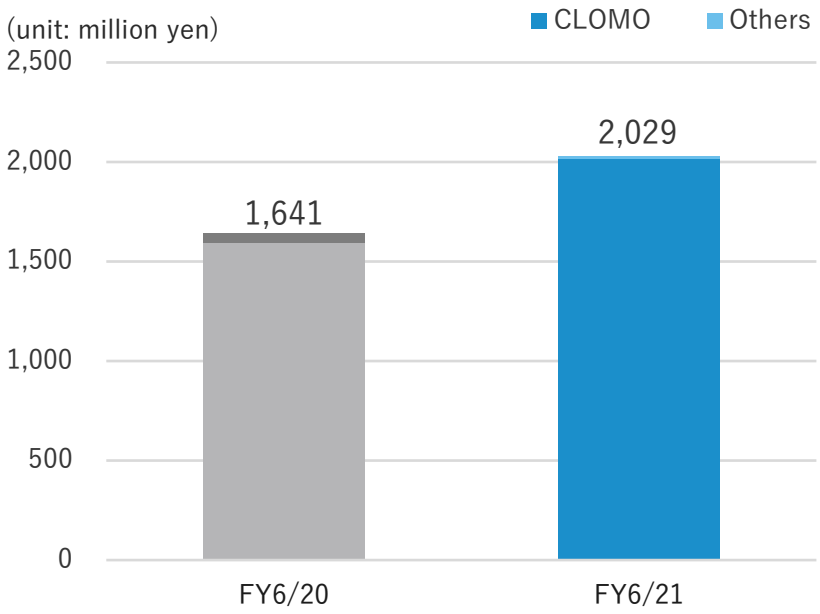
Net sales and operating income for FY6/21

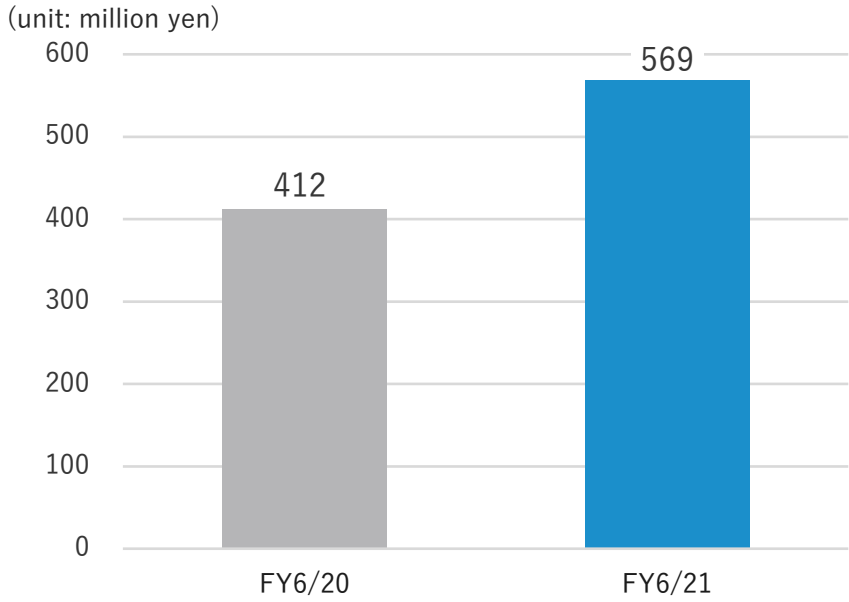
Regarding the full year results, net sales amounted to 2,029 million yen (+23.6% YoY) and operating income 569 million yen (+38.2% YoY)

Net sales



FY6/20	FY6/21	Year-on-year
1,641 million yen	2,029 million yen	123.6% (+387million yen)

Net income



FY6/20	FY6/21	Year-on-year
412 million yen	569 million yen	138.2% (+157 million yen)

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Income statement for FY6/21

Net sales in the CLOMO business amounted to 2,015 million yen (+26.4% YoY) and operating income 28.1% (+3.0 points YoY)

(units: million yen)	FY6/20 (Composition rate)	FY6/21 (Composition rate)	Rate of change
Net sales	**1,641** (100.0%)	**2,029** (100.0%)	**+23.6%**
CLOMO business	**1,594** (97.2%)	**2,015** (99.3%)	**+26.4%**
Other businesses	**46** (2.8%)	**14** (0.7%)	**-69.8%**
Cost of sales	**342** (20.9%)	**446** (22.0%)	**+30.2%**
Depreciation expenses	**54** (3.3%)	**129** (6.4%)	**+138.3%**
Manufacturing costs	**190** (11.6%)	**252** (12.4%)	**+32.7%**
Others	**98** (6.0%)	**64** (3.2%)	**-34.4%**
Gross profit	**1,298** (79.1%)	**1,582** (78.0%)	**+21.9%**
Selling, general and administrative expenses	**886** (54.0%)	**1,013** (49.9%)	**+14.3%**
Labor expenses, etc	**552** (33.7%)	**668** (33.0%)	**+21.0%**
Others	**333** (20.3%)	**344** (17.0%)	**+3.2%**
Operating income	**412** (25.1%)	**569** (28.1%)	**+38.2%**
Ordinary profit	**401** (24.5%)	**559** (27.6%)	**+39.3%**
Corporate income taxes	**81** (5.0%)	**139** (6.9%)	**+71.8%**
Net income	**318** (19.4%)	**420** (20.7%)	**+32.1%**

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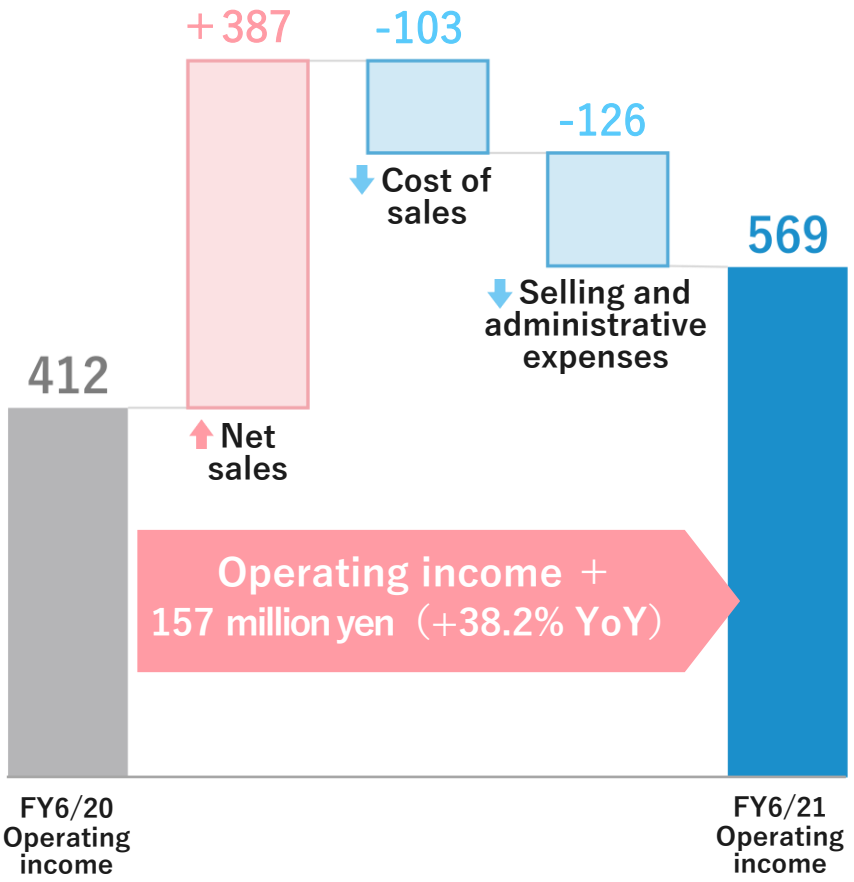
Factors behind changes in operating income

While investing aggressively in business expansion, the Company steadily increased net sales. Consequently, operating income increased by 157 million yen from the previous year



Increase in net sales (+387)

- CLOMO business expansion
- Contraction of other businesses (contract development, etc.)

Increase in cost of sales (-103)

- Investment in product development to improve quality/ customer satisfaction
- Increased depreciation expenses affected by the timing of software release (concentrated at the end of FY6/20)
- Platform operation costs per device decreased 30% YoY

Increase in selling and administrative expenses (-126)

- Investment in human resources centered on Sales/ Customer Success divisions
- System-related investment to improve internal infrastructure to expand the business scale

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Balance sheet for FY6/21

Cash and deposits were 2,306 million yen (+1,375 million yen YoY) and the equity ratio was 59.4% (+6.7% YoY). In parallel with the investment of funds raised at the time of listing, a stable financial base was built for future investment in growth

(units: million yen)	FY6/20	FY6/21	Change
Current assets	**1,091**	**2,560**	**+1,469**
Cash and deposits	**930**	**2,306**	**+1,375**
Receivables	**114**	**196**	**+82**
Fixed assets	**244**	**270**	**+25**
Total assets	**1,336**	**2,830**	**+1,494**
Current Liabilities	**618**	**1,049**	**+430**
Unearned income	**358**	**547**	**+188**
Fixed liabilities	**13**	**100**	**+86**
Total liabilities	**631**	**1,149**	**+517**
Total net assets	**704**	**1,681**	**+976**
Total liabilities and net assets	**1,336**	**2,830**	**+1,494**

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4. Future Growth Strategy

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Business Environment

Mobile Device Management (MDM) market is expected to grow to the scale of 19.6 billion yen through 2024.
Aim to expand share in the fields of mobile PCs and terminals for business where needs for device management are expected to increase.

Forecast of Mobile Device Management (MDM) market scale (million yen)



Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. “Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2020 edition

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Medium- to Long-term Goals

In a business environment where the mobile device management market has seen continuous growth, we endeavor to achieve growth in net sales and high profitability in the CLOMO business by FY6/24

Net sales

To gain dominant share in the MDM market in Japan

To achieve continuous growth of over 125% every year

Operating margin

Establishing a highly profitable system in the CLOMO business

To aim to achieve 40%

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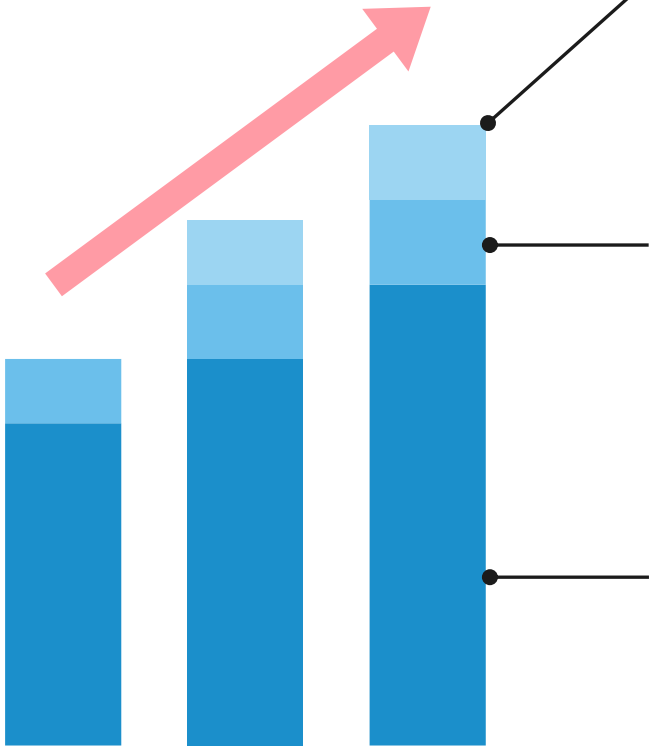
Medium- to Long-term Growth Prospect

Continuous growth of the CLOMO service taking advantage of the subscription-based revenue model and creation of new revenue sources



※This graph is for illustrative purposes only

Creation of new revenue sources

- Development of new business, new products and new services
- M&A focusing on synergy with the CLOMO service
- Establishment of CVC to promote open innovation with other enterprises

Acquisition of corporations newly introducing our services

- Demand caused by the transition from feature phone/PHS to smartphones is expected to continue until around 2026
- Expansion of introduction targets to new management terminals such as mobile PCs and terminals for business
- Expansion of sales area through online sales activities in tandem with increasing sales offices

Construction of stable revenue base

- Promote product utilization and customer retention by providing customer success activities and achieve a high retention rate
- Measures to improve ARPU through up-selling and cross-selling
- Reduction of platform operation costs per device through economies of scale resulting a highly profitable system

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5. Forecast of Financial Results for FY6/22

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Corporate Strategies for FY6/22

Aiming to gain the dominant share in the MDM market in Japan and establish a highly profitable system in CLOMO business, continue aggressive investment in further sales growth and business expansion of the CLOMO service in the medium- to long-term.

■ Accelerate collaboration with NTT DOCOMO by increasing sales offices

Establish new sales offices following Tokyo and Osaka to accelerate collaboration with NTT DOCOMO and other sales partners to steadily capture demand for MDM generated by telework and other factors in local areas.

■ Invest in product development for business expansion in the medium- to long-term

Increase the number of engineers including development partners to enhance the functions of products such as mobile PCs and terminals for business, while promoting modernization such as improving efficiency with modernized design.

■ Develop branding activities to firmly establish a position as the top maker

Launch investment in advertising to raise brand awareness to firmly establish a position as the top maker holding the No. 1 share in the domestic MDM market (own brand) for ten consecutive years.

■ Systematize internal operations to promote efficient business operations

Continue investment in system development to prevent an increase in internal operations associated with further business expansion and promote efficient business operations.

■ M&A and CVC to improve corporate value with open innovation

Consider M&A candidates focusing on synergy with the CLOMO service and launch the CVC business.

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Forecast of financial results for FY6/22

Cost to sales ratio is expected to be 18.3% (-3.7% YoY) and operating margin 28.5% (+0.4% YoY)

(units: million yen)	FY6/21 Results (Composition rate)	FY6/22 Forecast (Composition rate)	Change (Rate of change)
Net sales	**2,029** (100.0%)	**2,569** (100.0%)	**+540** (+26.6%)
CLOMO business	**2,015** (99.3%)	**2,550** (99.3%)	**+535** (+26.6%)
Other businesses	**14** (0.7%)	**18** (0.7%)	**+4** (+33.0%)
Cost of sales	**446** (22.0%)	**470** (18.3%)	**+24** (+5.4%)
Depreciation expenses	**129** (6.4%)	**104** (4.1%)	**-24** (-19.0%)
Manufacturing costs	**252** (12.4%)	**298** (11.6%)	**+45** (+18.1%)
Others	**64** (3.2%)	**67** (2.6%)	**+2** (+4.5%)
Gross profit	**1,582** (78.0%)	**2,098** (81.7%)	**+516** (+32.6%)
Selling, general and administrative expenses	**1,013** (49.9%)	**1,366** (53.2%)	**+352** (+34.8%)
Labor expenses, etc.	**686** (33.8%)	**858** (33.4%)	**+171** (+25.0%)
Others	**326** (16.1%)	**507** (19.8%)	**+181** (+55.4%)
Operating income	**569** (28.1%)	**732** (28.5%)	**+163** (+28.6%)
Ordinary profit	**559** (27.6%)	**734** (28.6%)	**+174** (+31.1%)
Corporate income taxes	**139** (6.9%)	**264** (10.3%)	**+125** (+89.6%)
Net income	**420** (20.7%)	**469** (18.3%)	**+49** (+11.7%)

From FY6/22, revised classification is used for “labor expenses, etc.” and “others” of SG&A, and the results of FY6/21 were shown based on the revised classification. Due to the revision, labor expenses, etc. and others in SG&A of FY6/21 were changed to 686 million yen and 326 million yen, respectively.

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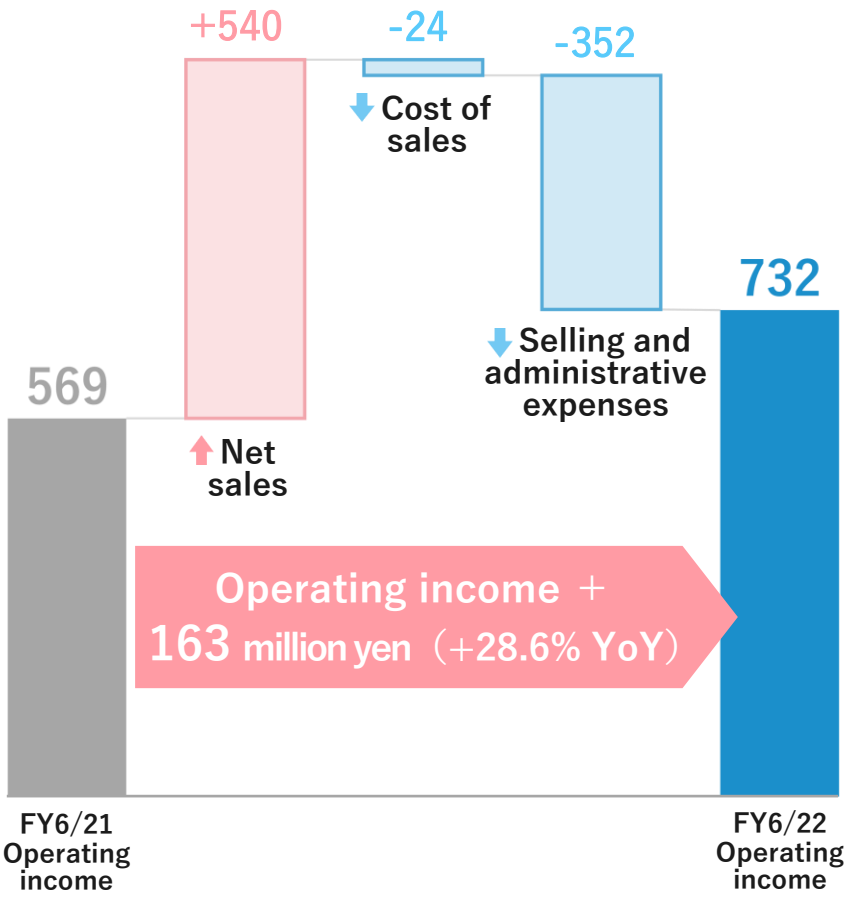
Forecast of Operating Income

Operating income is projected to increase by 163 million yen YoY with continued aggressive investment in expansion and new business development as well as a steady increase in net sales



Increase in net sales (+540)

- CLOMO business expansion

Increase in cost of sales (-24)

- Investment in product development to improve quality/ customer satisfaction
- Decreased depreciation expenses affected by software release timings (concentrated at the 4th quarter of FY6/20)

Increase in selling and administrative expenses (-352)

- Investment in advertising to raise brand awareness
- Investment in new business development
- M&A and CVC related expenses

Investment in earnest from FY6/22

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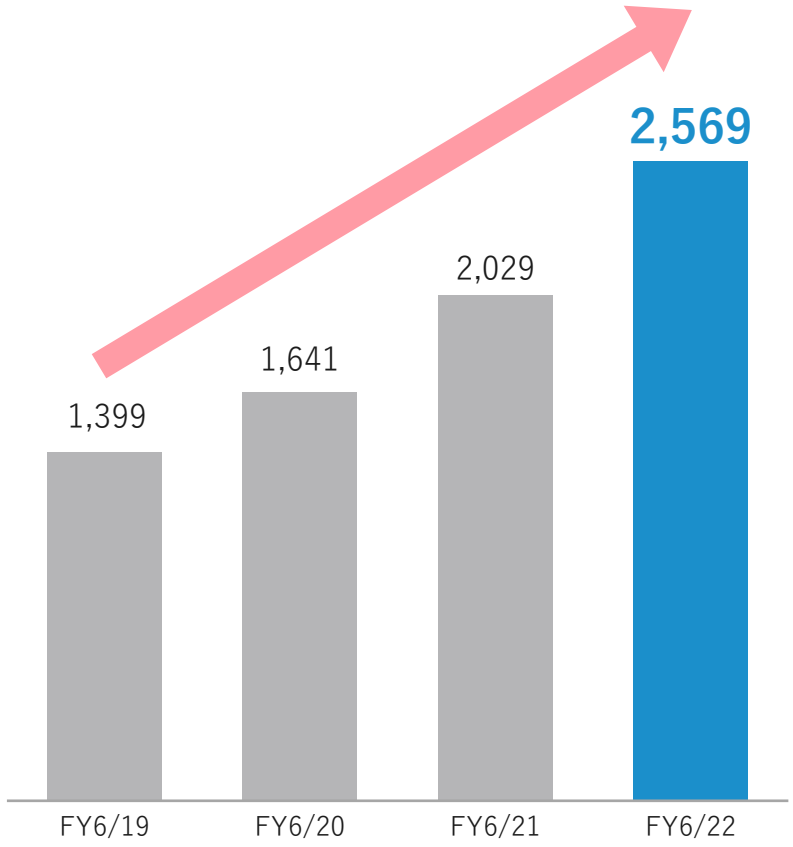
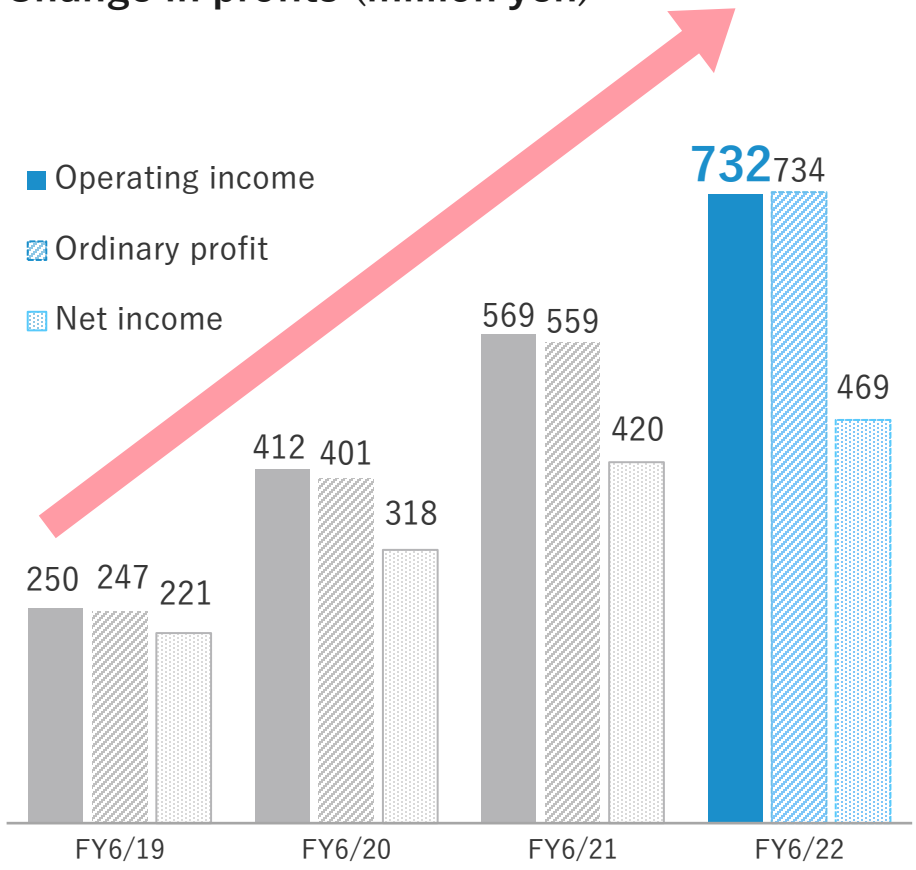
Forecast of financial results for FY6/22

Net sales are expected to be 2,569 million yen (CAGR 22.5%) and operating income 732 million yen (CAGR 42.9%)

Change in net sales (million yen)



Change in profits (million yen)



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6. Reference Materials

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Company Profile

Company Name	i³ Systems, Inc.
Locations	Headquarters: 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: Hilton Plaza West Office Tower, Umeda 2-2-2, Kita-ku, Osaka-shi, Osaka
Capital	378,504,500 yen (As of June 30, 2021)
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	Development and sale of cloud-based mobile device management services for corporations Development and sale of applications for businesses
Partner	Amazon Web Services LLC / AWS Advanced Technology Partner Apple Japan / Apple Consultants Network Google Japan G.K. / Google Enterprise Partner Microsoft / Microsoft Partner Network Gold Cloud Platform & Silver Cloud Productivity

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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.

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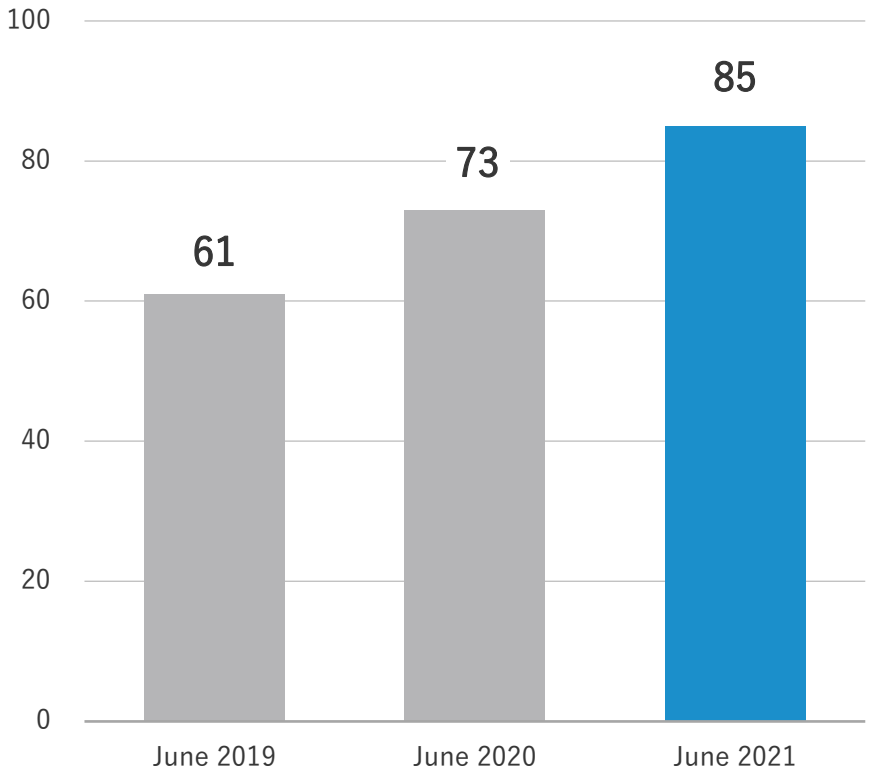
Changes in Number of Employees

Number of employees (people)

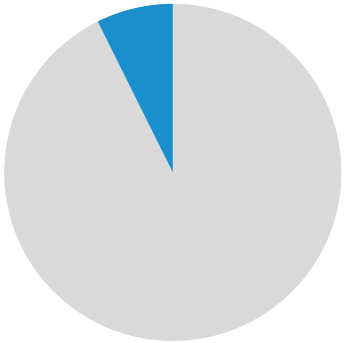


Male-to-female ratio

Approximately

7 : 3

Percentage of foreign national employees



Approximately

7%

* Data as of June 30, 2021
* Gender ratio as of June 30 is 67.1% male : 32.9% female.

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Shareholder Composition

❶ Number of outstanding shares, etc.

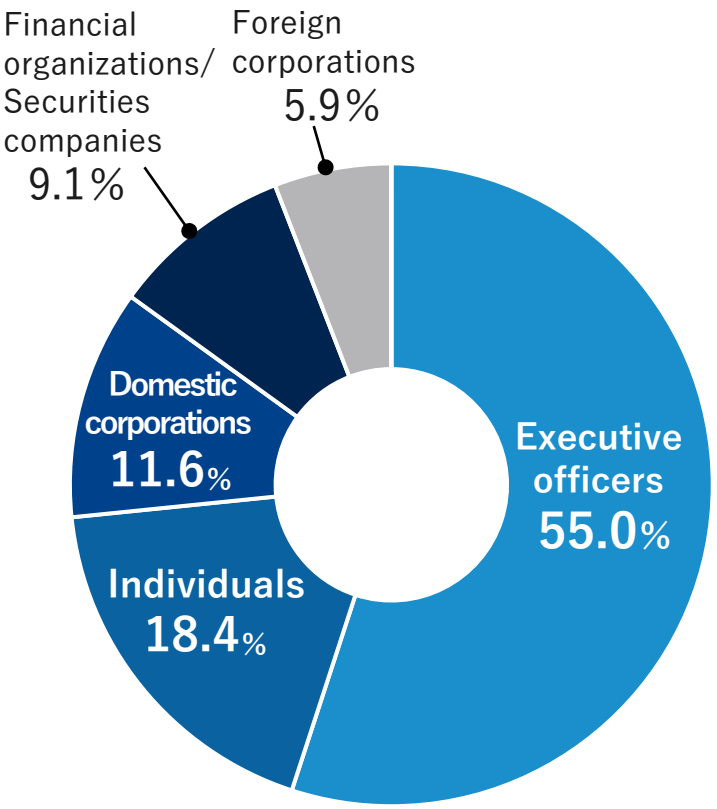
Number of outstanding shares	5,238,350
Number of shareholders (with voting rights)	1,539

❸ Top 10 shareholders

Rank	Shareholder name	No. of shares owned	Ownership ratio
1	Tsutomu Sasaki	2,711,330	51.8%
2	JAFCO SV4 Shared Investment Limited Partnership	493,170	9.4%
3	Yosuke Hatanaka	403,730	7.7%
4	Nomura Securities Co., Ltd.	245,900	4.7%
5	NOMURA PB NOMINEES	136,700	2.6%
6	BNY GCM CLIENT ACCOUNT JPRD AC ISG	125,373	2.4%
7	Tsuyoshi Taira	88,000	1.7%
8	SBI Neo trade Securities Co., Ltd.	75,900	1.4%
9	Hisashi Ono	60,000	1.1%
10	Big Field Management Co., Ltd.	48,600	1.1%

＊ Data as of June 30, 2021

❷ Shareholder composition per attribute



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Handling of this document

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

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

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

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

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