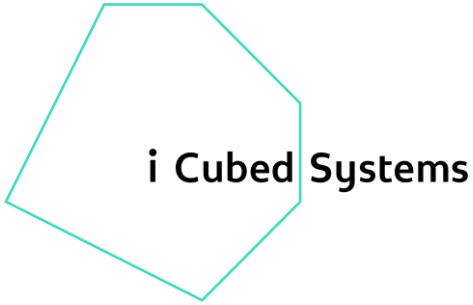


First Quarter of Fiscal Year ending June 30, 2023 Supplementary Material on Financial Statements

November 9, 2022

i Cubed Systems, Inc.

TSE Growth：4495

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Table of Contents

1. Summary P. 2

2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2023 P. 4

3. Reference Materials P.13

Disclaimer

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.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

i Cubed Systems

1. Summary

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Summary of 1Q of FY6/23

Net sales are expanding steadily, but with semiconductor shortages continuing to have an impact(1) on new customers, the result of investments for growth to expand the business in line with plans was a year-on-year decline in operating income.

Net sales	Operating income	Number of corporations introducing our services
657 million yen	165 million yen	4,053 corporations
YoY: +9.8% ↑	YoY: −28.5% ↓	+3.5% ↑ from the end of the previous period

Note:
1. Some customers postponed commencement of contracts due to the semiconductor shortage causing delays in the procurement of mobile devices

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

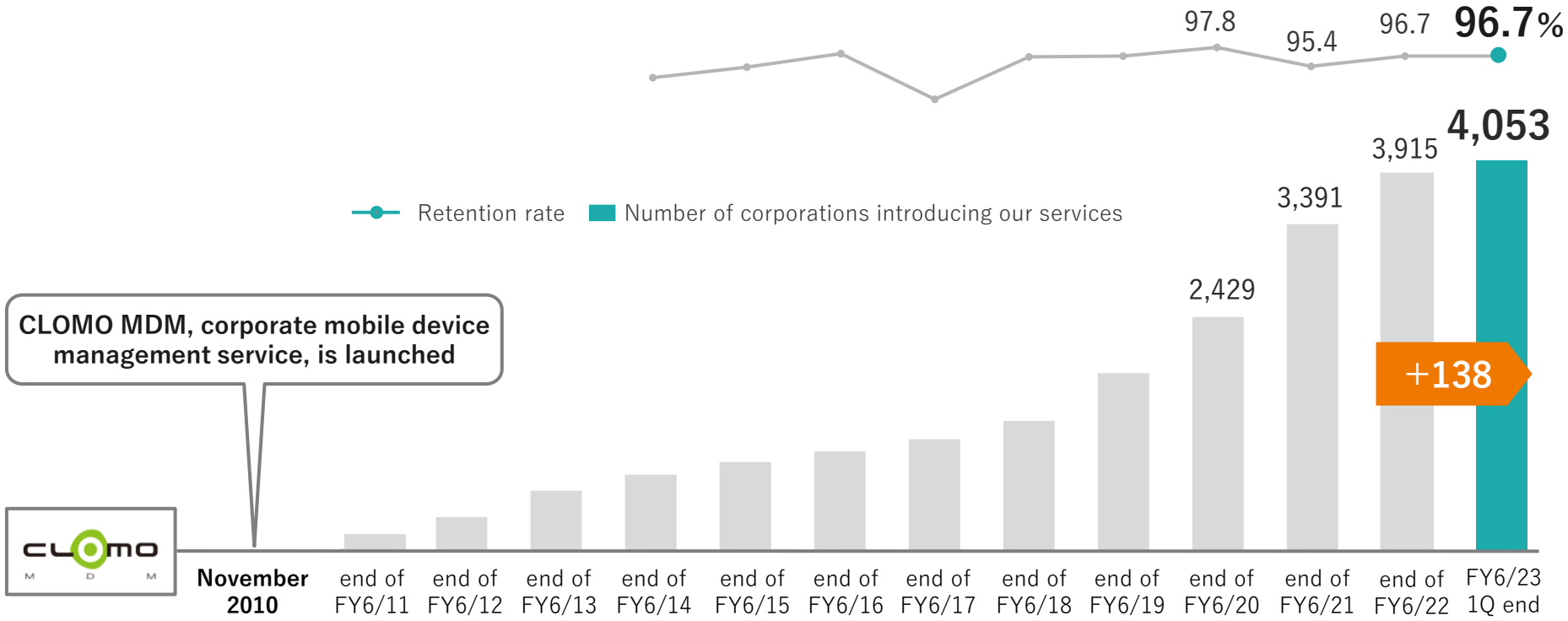
2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2023

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

CLOMO business KPI① Number of corporations introducing our services/Retention rate

The number of corporations introducing our services has exceeded 4,000, and the customer base is expanding steadily.
By promoting improved retention through customer success activities, the retention rate(1) is at a high 96.7%.

Number of corporations introducing our services and Retention rate



Note：

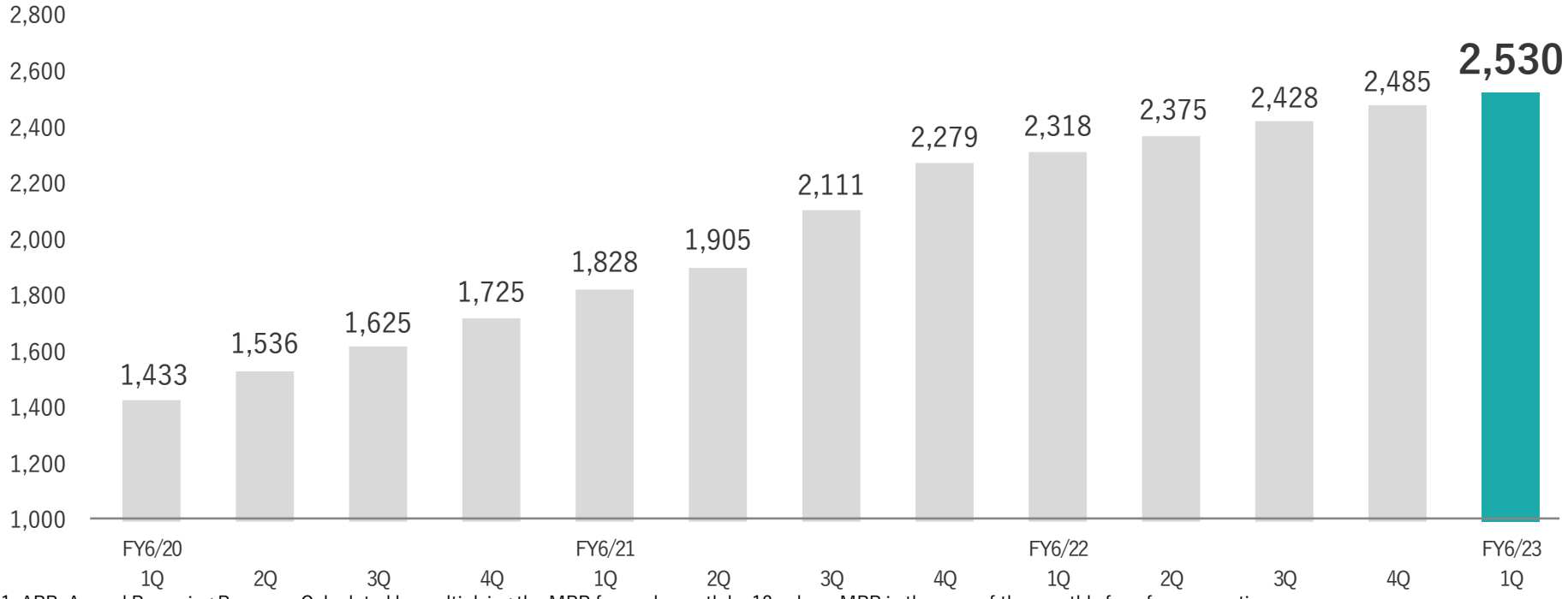
1. Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

CLOMO business KPI②　Trend of ARR

ARR[1], which is the main KPI used for the subscription business, was 2,530 million yen (+9.2% YoY).

ARR trends as of the end of each quarter



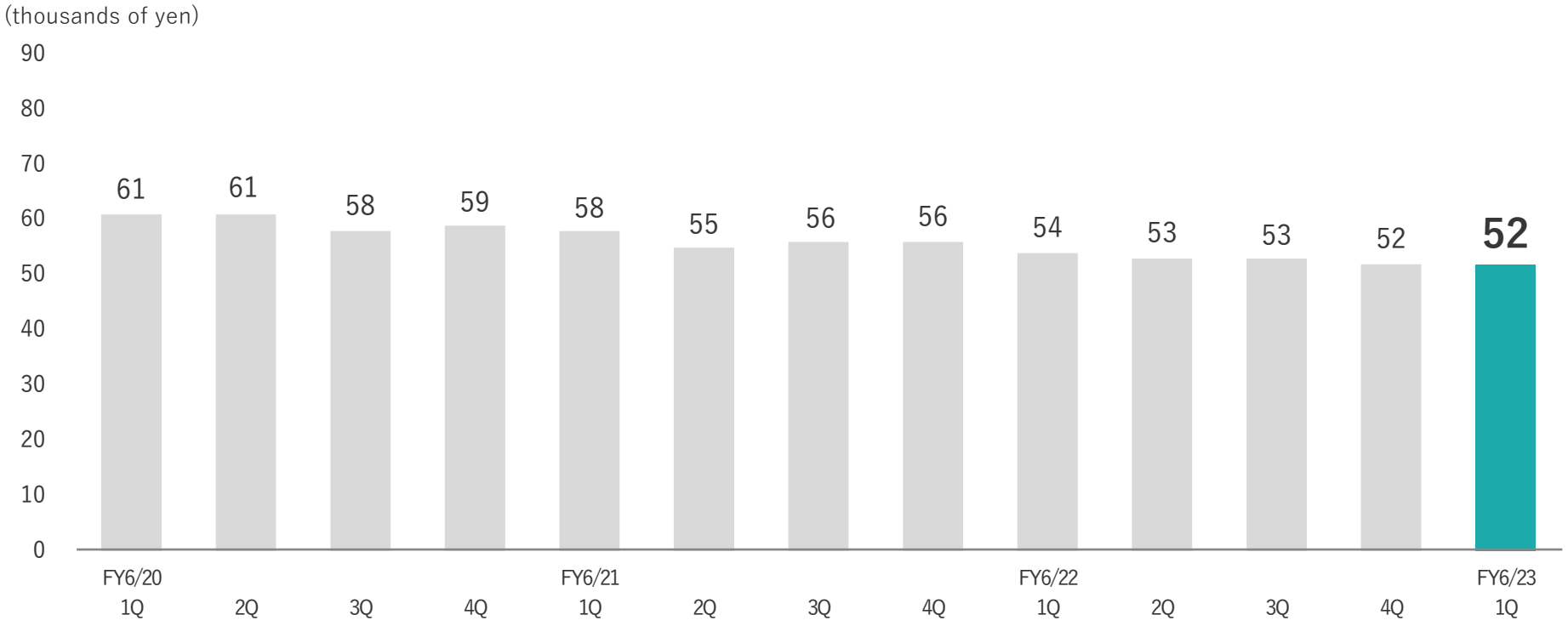
1. ARR: Annual Recurring Revenue. Calculated by multiplying the MRR for each month by 12, where MRR is the sum of the monthly fees for corporations deploying our services as of the end of the targeted month, excluding temporary costs.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

CLOMO business KPI③　Trend of ARPU

Although ARPU(1) is on a gradual downward trend, it has maintained a certain level.
Going forward we aim to raise ARPU by expanding sales of newly launched services(2).

ARPU trends as of the end of each quarter



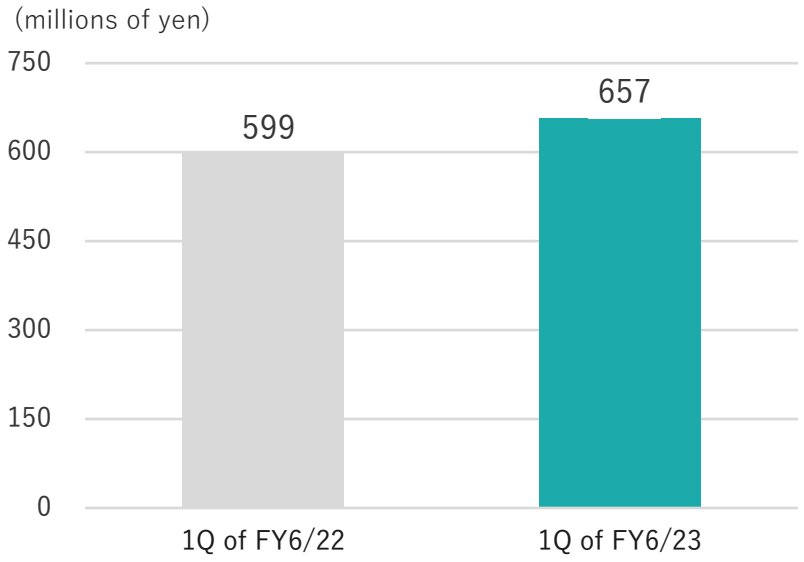
Note:
1. ARPU: Average Revenue Per User, which is the average monthly unit price per corporation introducing our services. Calculated by dividing 1/12 of ARR as of each month by the number of corporations introducing our services as of the end of the month concerned.
2. In April 2022, we launched the “CLOMO Operation Service” to support the operation of CLOMO MDM, and in September 2022, we launched the “CLOMO Kitting Service” to support the initial settings of CLOMO MDM.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Consolidated net sales and operating income for 1st quarter of FY6/23

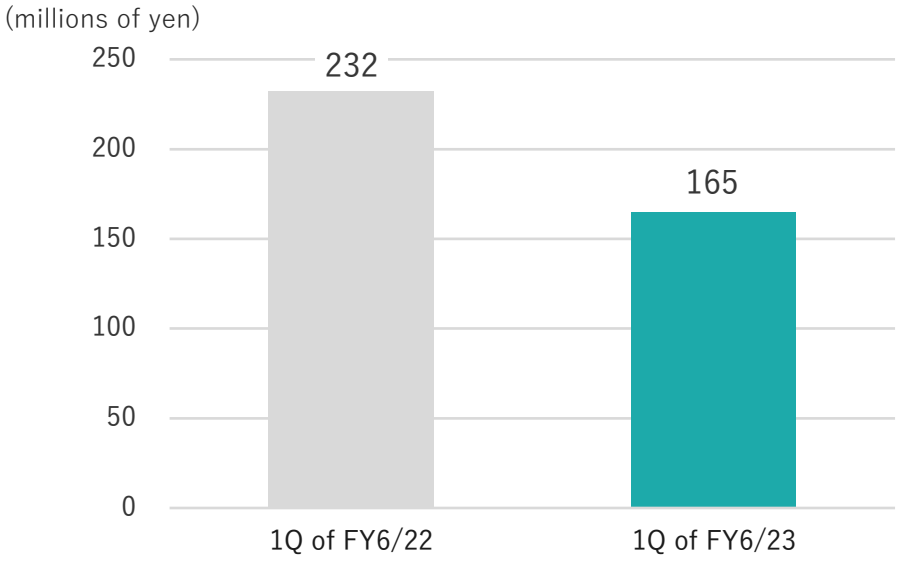
Net sales in the 1st quarter (July - September) were 657 million yen (+9.8% YoY), and operating income was 165 million yen (-28.5% YoY). Both are progressing in line with consolidated full-year forecasts.

Net sales



1Q of FY6/22	1Q of FY6/23	Year on year
599 million yen	657 million yen	109.8% (+58 million yen)

Operating income



1Q of FY6/22	1Q of FY6/23	Year on year
232 million yen	165 million yen	71.5% (−66 million yen)

* Because the Company transitioned to consolidated settlement of accounts beginning with the three months ended December 31, 2021 , non-consolidated accounts are presented for the three months ended September 30, 2021, and consolidated accounts for the three months ended September 30, 2022.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

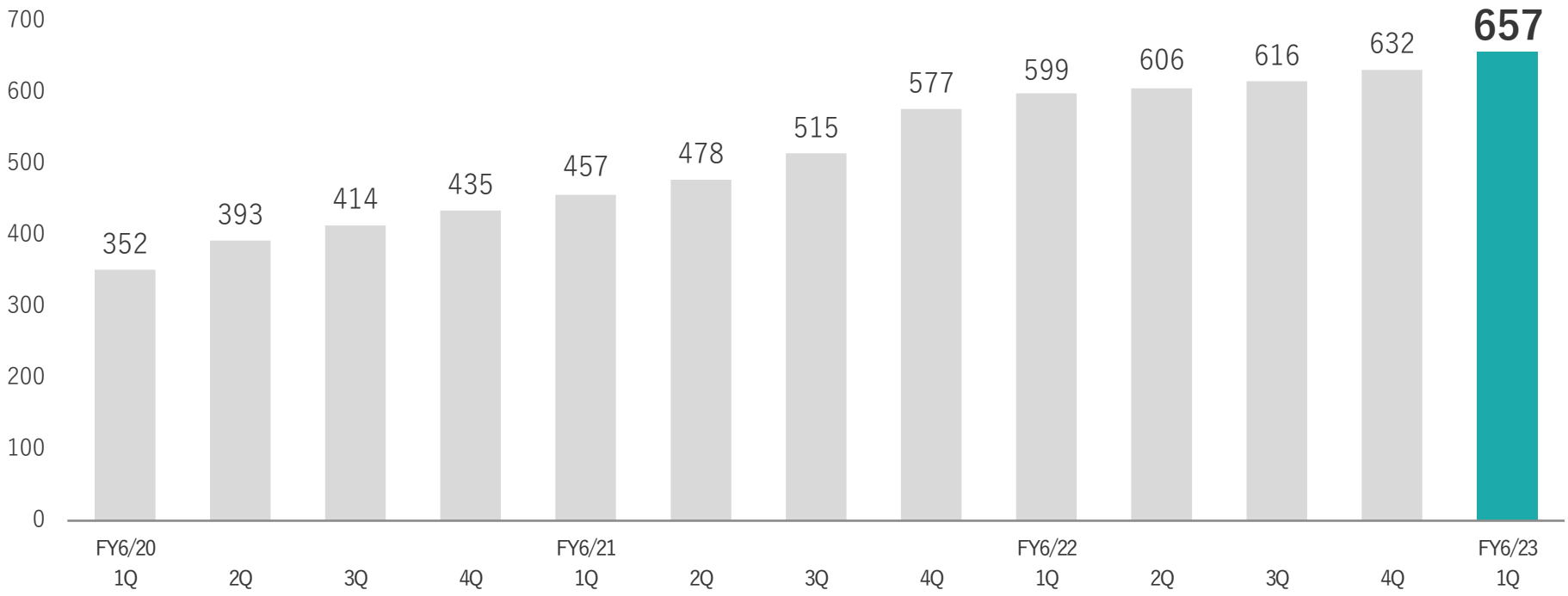
i Cubed Systems

Quarterly trend in CLOMO Business net sales

Net sales in the mainstay CLOMO Business continue to grow steadily each quarter (CAGR 23.1%).

CLOMO Business net sales (quarterly total)

(millions of yen)



Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

i Cubed Systems

Consolidated income statement for 1st quarter of FY6/23

Net sales were 657 million yen (+9.8% YoY), operating income was 165 million yen (-28.5% YoY). Progress rates for net sales and operating income vs. full-year forecast were 24.1%, and 25.3% respectively, with neither running behind plan.

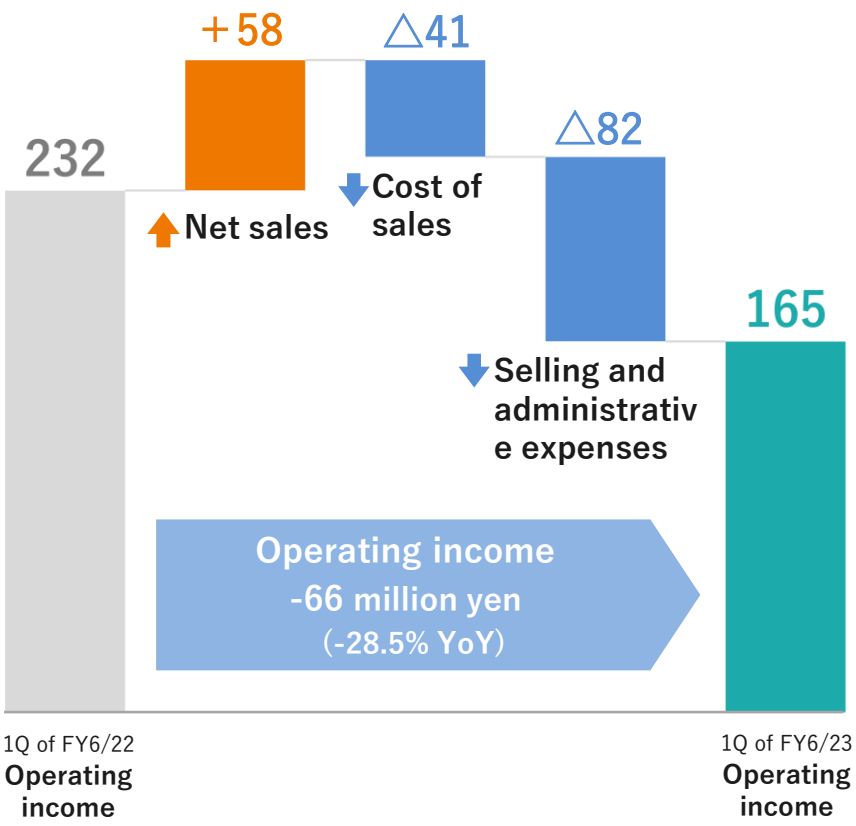
(units: millions of yen)	1Q of FY6/22 (Composition rate)	1Q of FY6/23 (Composition rate)	Rate of change
Net sales	**599** (100.0%)	**657** (100.0%)	**+9.8%**
CLOMO Business	**599** (100.0%)	**657** (100.0%)	**+9.8%**
Investment Business	— (−%)	— (−%)	**−%**
Cost of sales	**81** (13.6%)	**123** (18.8%)	**+51.3%**
Depreciation expenses	**9** (1.5%)	**25** (3.9%)	**+179.3%**
Manufacturing costs	**53** (9.0%)	**82** (12.5%)	**+52.6%**
Others	**18** (3.1%)	**15** (2.4%)	**△15.3%**
Gross profit	**517** (86.4%)	**534** (81.2%)	**+3.3%**
Selling, general and administrative expenses	**285** (47.6%)	**368** (56.0%)	**+29.1%**
Labor expenses, etc.	**201** (33.7%)	**247** (37.7%)	**+22.8%**
Others	**83** (14.0%)	**120** (18.3%)	**+44.1%**
Operating income	**232** (38.7%)	**165** (25.2%)	**△28.5%**
Ordinary profit	**232** (38.8%)	**165** (25.1%)	**△28.9%**
Corporate income taxes	**71** (11.9%)	**52** (8.0%)	**△25.9%**
Profit attributable to owners of parent	**161** (26.9%)	**112** (17.1%)	**△30.2%**

*Because the Company transitioned to consolidated settlement of accounts beginning with the three months ended December 31, 2021, non-consolidated accounts are presented for the three months ended September 30, 2021, and consolidated accounts for the three months ended September 30, 2022.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Factors behind changes in operating income

Because investments for growth to expand the business (mainly personnel reinforcement) proceeded as planned, cost of sales and SG&A expenses increased, and operating income declined by 66 million yen year on year.



Increase in net sales (+58)

- CLOMO business expansion

Increase in cost of sales (△41)

- Increase in depreciation expenses due to the timing of software releases

Increase in selling and administrative expenses (△82)

- Personnel expenses aimed at increasing staff
  The number of employees at the end of September 2022 is 107 (an increase of 8 from the end of the previous fiscal year)
- Expenses aimed at strengthening information security systems

*Because the Company transitioned to consolidated settlement of accounts beginning with the three months ended December 31, 2021, non-consolidated accounts are presented for the three months ended September 30, 2021, and consolidated accounts for the three months ended September 30, 2022.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Balance sheet for 1st quarter of FY6/23

Equity ratio was 70.5% (up 1.2 points from the end of the previous period), demonstrating that the financial base remains stable.
Decrease in cash and deposits is mainly due to payment of dividends and corporate income taxes.

(units: millions of yen)	FY6/22	1Q of FY6/23	Change
Current assets	**2,780**	**2,661**	**△119**
Cash and deposits	**2,337**	**2,166**	**△171**
Receivables	**234**	**254**	**＋20**
Operational investment securities	**149**	**149**	**±0**
Fixed assets	**422**	**497**	**＋75**
Total assets	**3,202**	**3,159**	**△43**
Current Liabilities	**978**	**926**	**△52**
Contract liabilities	**496**	**614**	**＋118**
Fixed liabilities	**－**	**－**	**－**
Total liabilities	**978**	**926**	**△52**
Total net assets	**2,223**	**2,232**	**＋9**
Total liabilities and net assets	**3,202**	**3,159**	**△43**

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

3. Reference Materials

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Company Profile

Company Name	i Cubed Systems, Inc.
Locations	Headquarters : Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka Sales office : Sapporo／Tokyo／Nagoya／Osaka／Hiroshima
Capital	405,044,500 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Google Android Enterprise Recommended Microsoft Partner Network Gold Competency

※Information as of the end of September 2022.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Corporate brand

Brand slogan

Enjoy challenges.

We ourselves will enjoy taking on challenges,
help people and organizations to take on their own challenges,
and help to realize all kinds of ideas to make many people smile.

Brand concept

Purpose： Become the matrix for realizing unknown ideas that lead to smiles

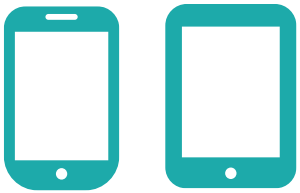
Value proposition：Using the power of design and engineering to support those who take on challenges

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Structure of the Group’s business

CLOMO Business is the main focus of business development for the Group.
Investment Business was launched in June 2022 to further expand CLOMO Business and to accelerate growth of the Group as a whole.

CLOMO Business



Main business and revenue base of the Group, providing CLOMO MDM and CLOMO SECURED APPs to support use and management of mobile devices by corporates

Investment Business

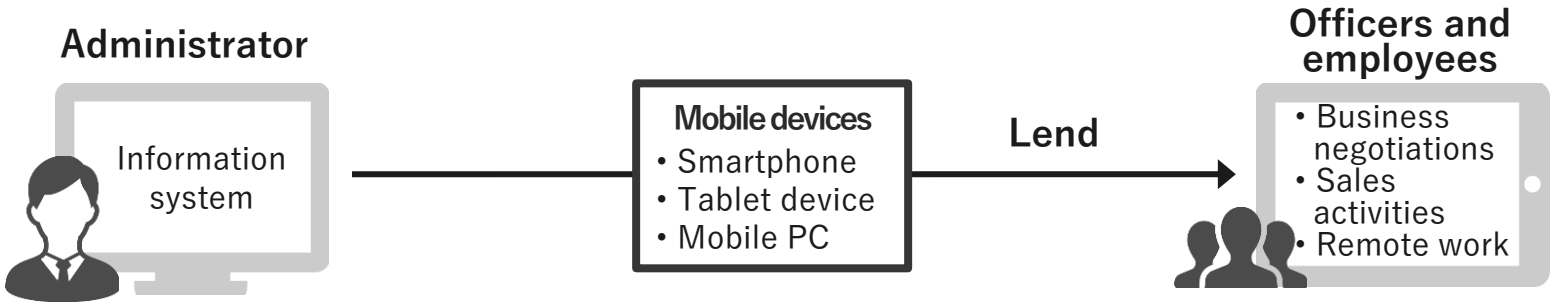


Investment activities, such as CVC, aimed at generating business opportunities for CLOMO Business and execution of M&A aimed at further expansion of CLOMO Business and creation of new businesses

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Overview of the CLOMO Business

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



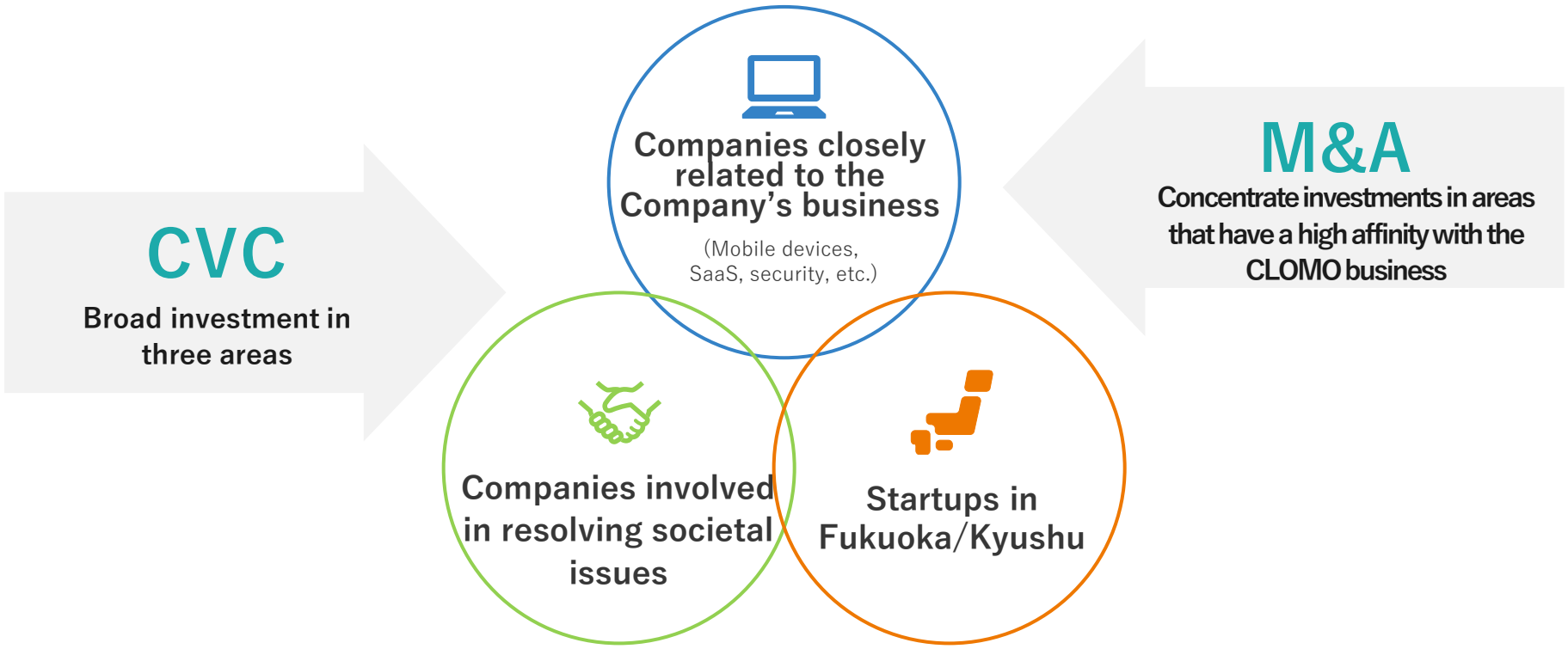
		Visualization of utilization status “Status monitoring”	Function restrictions And settings “Application of utilization rules”	Security measures “Measures for preventing information leakage”
Manage-ment	**Basic functions for smooth management** CLOMO MDM	Remotely assess the utilization status in real 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** CLOMO SECURED APPs	Efficiently assess the utilization status	Efficiently use business software	Provide apps that meet security requirements
		【Browser / Mailer / Calendar / Contacts / Docs】		

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Overview of the Investment Business

We actively explore M&A in order to accelerate the opening up of new businesses and creation of new revenue sources.
Additionally, we established a venture capital subsidiary and fund, and started investment activities.

Focus areas within investments



Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Source of competitiveness

1 Competitive advantage of CLOMO Business

1. Stable revenue base and highly profitable structure
2. Integration capabilities
3. Partnership with OS developers and high evaluation

2 Management resources

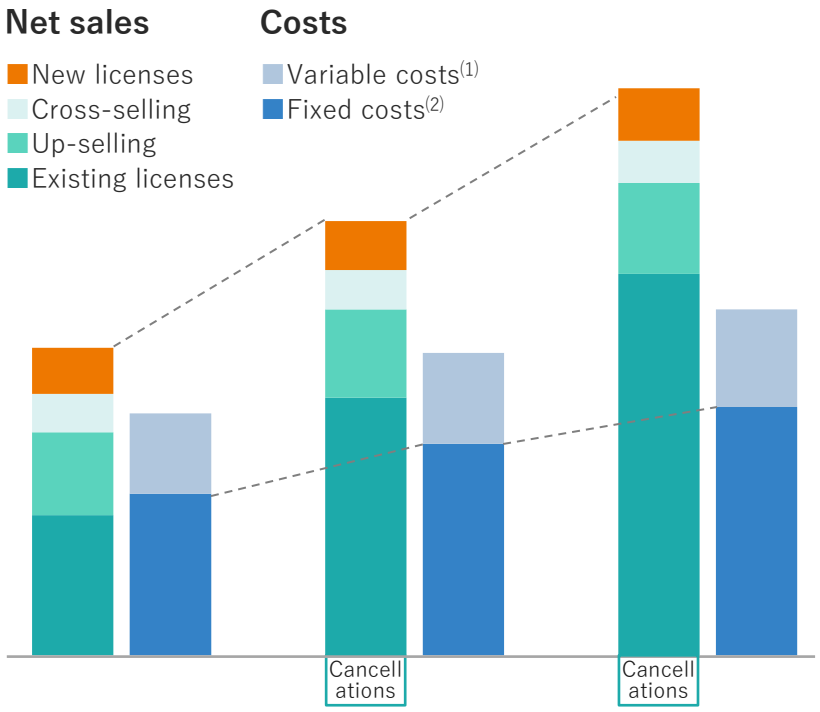
1. Stable financial base
2. Strong customer base
3. Diverse and flexible organization

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Stable revenue base and highly profitable structure

SaaS business using both subscription model and cloud technology.
It is possible to obtain stable revenue through continuous sales and establish a highly profitable structure through economies of scale.

Structure of net sales and costs



Medium- to long-term trends (for illustrative purposes)

Features of net sales breakdown

Newly acquired (distributors)

Corporate with distributors to increase number of new customers

Customer success (our company)

Approach directly, promote up-selling and cross-selling

Features of cost breakdown

Variable costs

Utilize new technology to control increases in operating costs for servers, etc. following expansion in scale of business

Fixed costs

Furthermore, sales costs are controlled by means of marketing activities led by distributors, so that locations need to be opened only in core areas

Note:
1. Calculated as “other expenses (cost of sales) + advertising expenses (SG&A expenses) + R&D expenses (SG&A expenses) + other expenses (SG&A expenses)”
2. Calculated as “depreciation expenses (cost of sales) of in-house product software + manufacturing cost (cost of sales) related to product development and operations + personnel cost (SG&A expenses) + property cost (SG&A expenses)”

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Integration capabilities

Achieving services with high customer satisfaction through the integrated capability of performing all development, operation, sales, and support in-house

Integration capabilities

Enables close cooperation with customers and the provision of service that scores highly for satisfaction

Customers

Our pursuit of quality for both functionality and support results in secure and reliable mobile device use for customers

Sales

- Marketing activities for sales partners
- Accompany/support customers in resolving issues

Sales partners

Our sales support and customer support structures are highly ranked, which accelerates corporation

Support
Customer success

- Prompt support by email and telephone
- Apply up-selling and cross-selling directly to customers introducing our services

[In-house development]
MDM, browser, apps

① Respond rapidly to OS updates
② Control fixed costs
③ Reflect needs of customers in product

Operation

- Control costs through greater efficiency and automation of platform operation

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Partnership with OS developers and high evaluation

As one of 10 global companies that have acquired Android Enterprise Recommended certification in the EMM field, we have cleared high hurdles required by Google.

android enterprise recommended

A program that shows that a service satisfies Google's stringent requirements for the safe and secure use of Android devices by companies

Satisfies Google's stringent requirements

- **Development of advanced and highly sophisticated management functions**
- **Courteous and caring support structure**
- **Extensive track record and abundant deployment know-how**

Helps acquire customers in the area of Android devices for corporates

- Provision of management and operations tailored to Android devices that have received Android Enterprise Recommended certification enables sophisticated device and app control
- Recognition of our superior technical capabilities in Android device management promotes acquisition of customers in the area of Android devices for corporates, where their use is expanding

The 9 other companies that have acquired Android Enterprise Recommended

SPPM / BlackBerry / SAMSUNG Knox Manage/ IBM MaaS360 with Watson / Microsoft / MobileIron / Business Concierge Device Management SoftBank Corp. / SOTI / VMware Workspace ONE

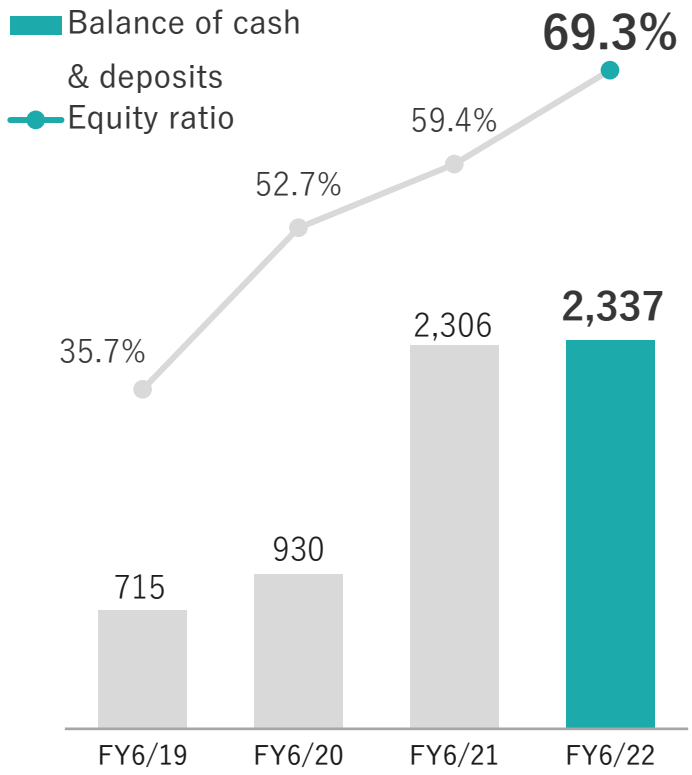
Source: Android Enterprise Recommended website (https://www.android.com/intl/ja_jp/enterprise/), as of 30 June 2022

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Stable financial base

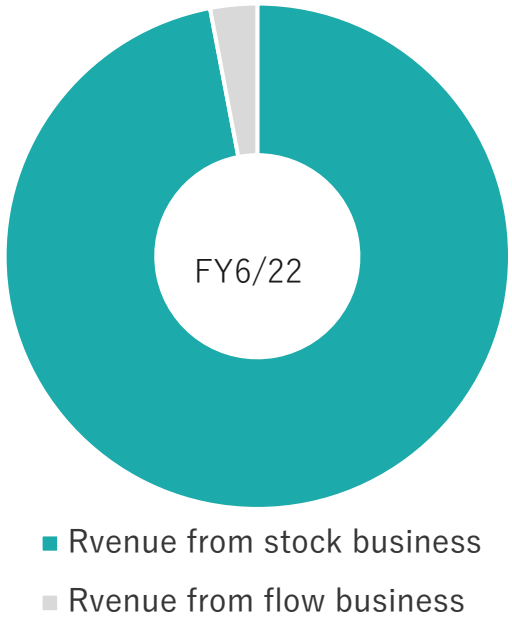
As of June 30, 2022, the amount of cash and deposits exceeded 2,000 million yen, with an equity ratio of 69.3%.
Use of subscription model enables us to build a stable financial base for future growth of the Company.

Trend in balance of cash & deposits and equity ratio



Ratio of revenue from stock business

97% of consolidated net sales consists of stock business

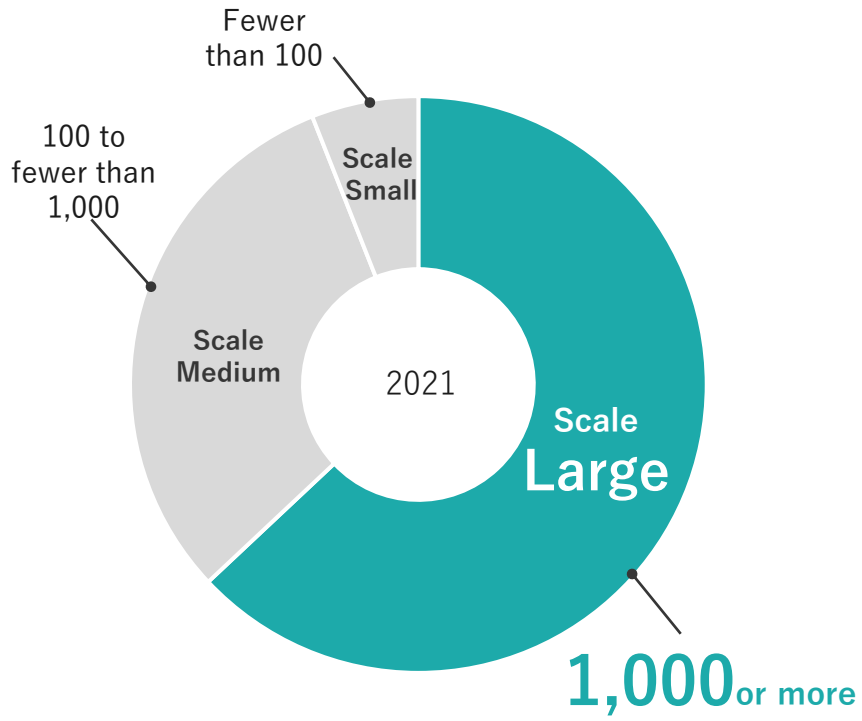


Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Strong customer base

More than 4,000 existing companies form a strong customer base various of industries, mainly large companies.
Can be used as a base for future corporate growth.

Sales composition by customer scale (number of employees)



Deployment track record

大林組 / すしざんまい / KIRIN
SEKISUI / 東京慈恵会医科大学 / 東京海上日動
佐賀県 / JR西日本 / SHIPS
NOEVIR GROUP / MONEX GROUP / 琉球銀行

And many others

Source:Deloitte Tohmatsu MIC Research Institute Co., Ltd.
“Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2021 edition

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Diverse and flexible organization

Recognized for three consecutive years in the Best Workplaces(1) rankings and promotes flexible work styles. By building a diverse organization and providing support for personal growth, we have fostered a culture that actively takes on challenges.

Building of a diverse organization

- **Diverse employee composition**

Male-to-female ratio(2)	Percentage of foreign national employees(2)
6:4	9%

- Promote the creation of a diverse organization through free recruitment activities regardless of gender, nationality, or place of residence

- **Flexible work styles**

- Adopt remote work and flextime (without core time restrictions) for entire company

Percentage taking childcare leave	Hours worked outside regular hours
Ratio taking leave 100%	6.4hours/month
Actual figure for FY6/22	Actual figure for FY6/22

Fostering a culture that takes on challenges

- **Support for personal growth**
  - Whether new graduates or mid-career hires, we actively recruit engineers of foreign nationality and provide support for relocation to Japan
  - Attendance at overseas conferences
  - Development and training of core human resources

- **Corporate logo represents “challenge”**



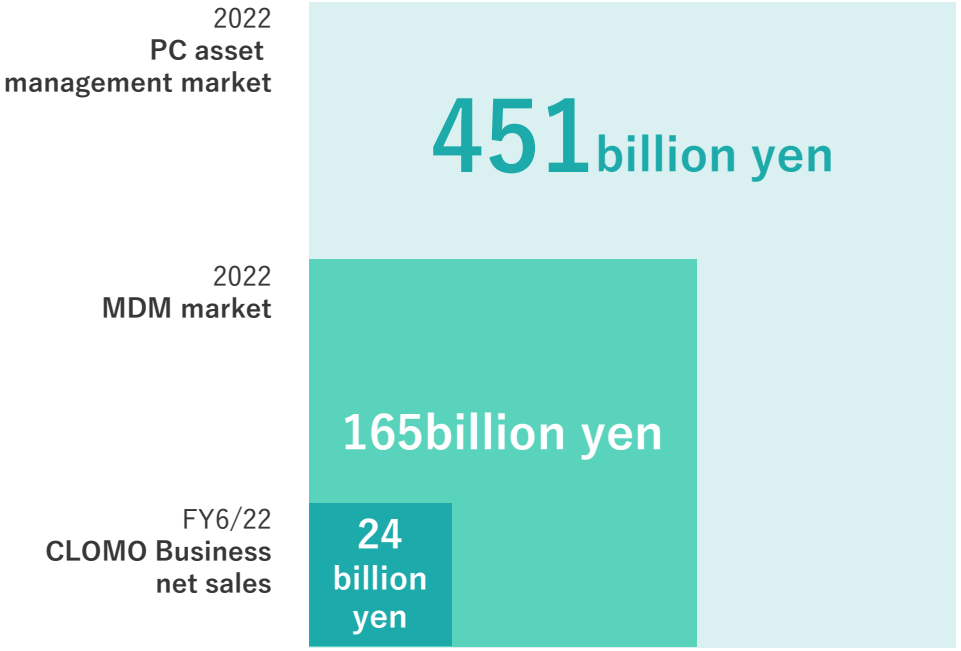
  - Switch to variable logo that forms different shapes around the central “i” motif
  - Represents the Company’s active approach to challenges and its willingness to change

Note:
1. The Company was recognized by the Great Place to Work® Institute Japan, which performs awareness surveys of employees in accordance with global standards, and which has scored i Cubed Systems highly for three consecutive years in the 2021-2023 editions of the Best Workplaces rankings.
2. Figures are as of the end of June 2022, rounded to the nearest whole number.

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Markets targeted by the CLOMO Business

The CLOMO Business seeks to further expand its share of the MDM market, which is expected to record continuous growth, as well as aiming for a full-fledged entry into the PC asset management market.



MDM market

- Switch to smartphones accelerating ahead of decommissioning of 3G
- DX leading to increase in deployments of mobile devices at medical, manufacturing, and logistics sites, resulting in expansion of devices to be managed
- Growing demand for mobile PC management due to increase in remote work and work style reforms

PC asset management market

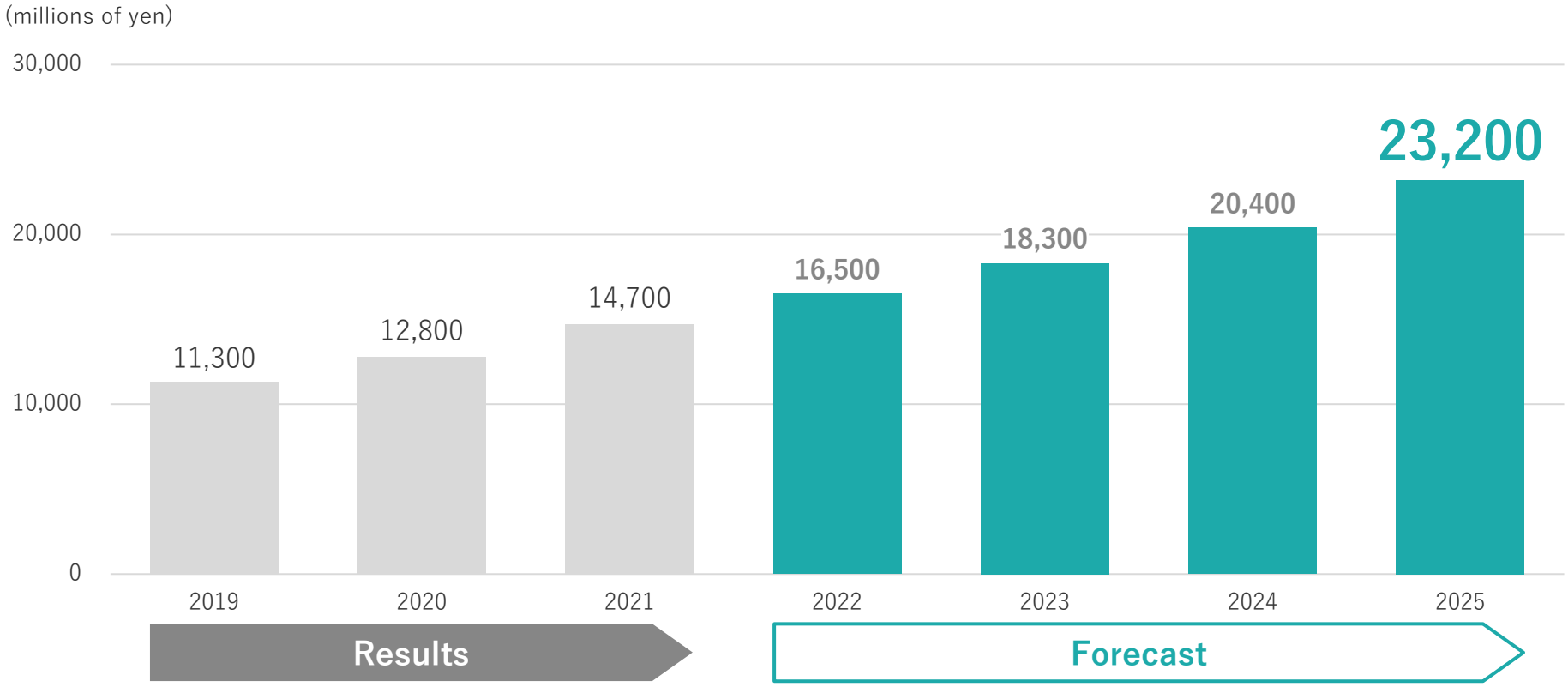
- Shift to SaaS for PC asset management and security software accelerating
- As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

MDM market size forecasts (shipment value)

Strong growth is expected for the MDM market, centered on smartphones and tablets.

It is expected to expand to a size of 23.2 billion yen by 2025



Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. “Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2021 edition

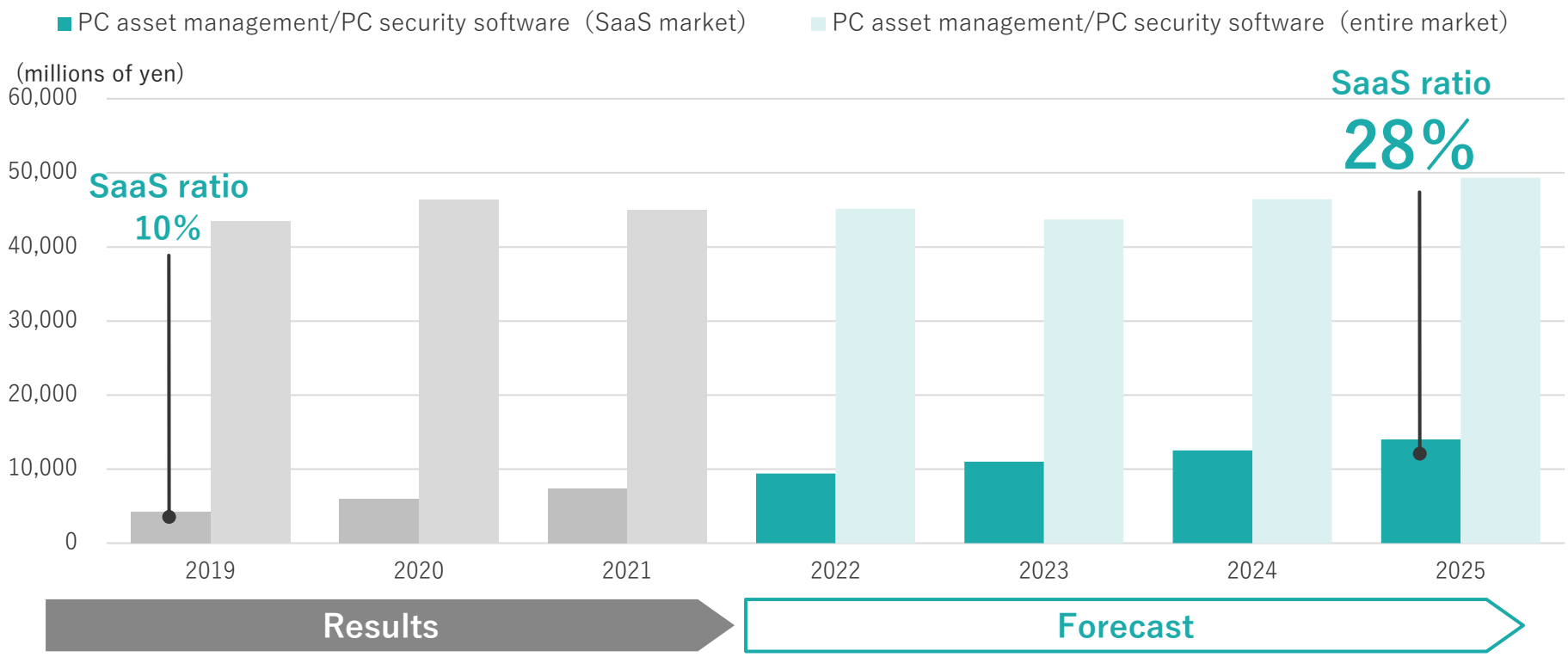
Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

i Cubed Systems

Opportunities to enter PC asset management market

Transition to SaaS making progress in PC asset management market, which is more than twice the size of MDM market.
Aiming to enter PC asset management market against backdrop of growing demand for integrated management of mobile devices/PCs.

PC asset management market is transitioning steadily from on-premise model to SaaS



Source: Techno Systems Research Co., Ltd. “2020-2021 Endpoint Management Market Marketing Analysis” and “2021-2022 Endpoint Management Market Marketing Analysis”

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Medium-to Long-term Goals

We endeavor to achieve growth in net sales and high profitability in the CLOMO business.

Net sales

Aiming for CLOMO business to gain dominant market share

To achieve continuous growth of over 125% every year

Operating margin

Establishing a highly profitable system in the CLOMO business

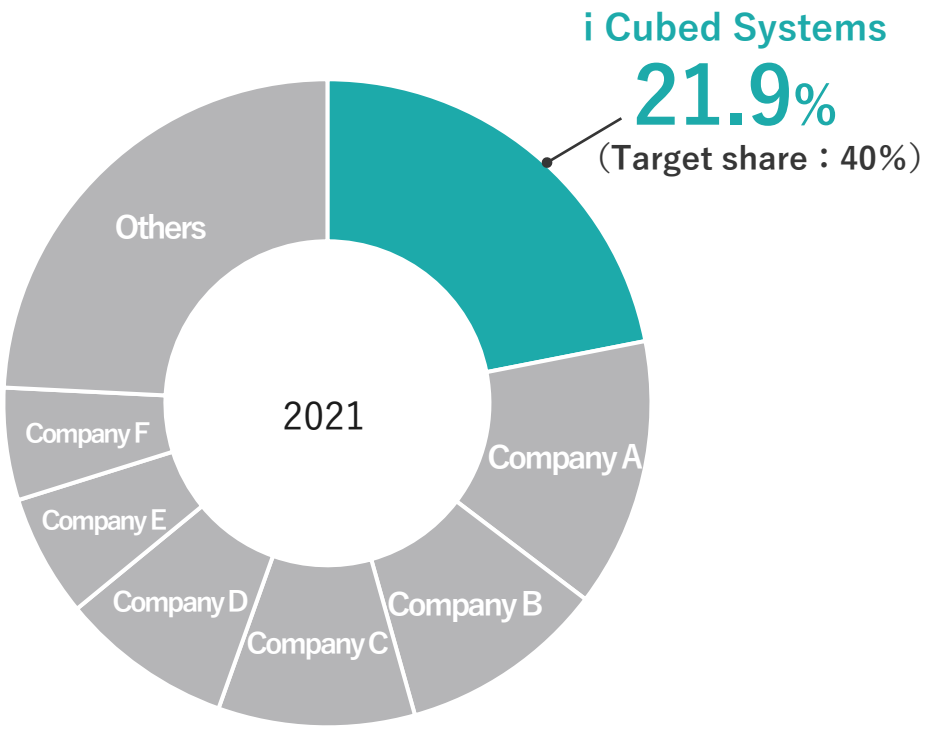
To aim to achieve 40%

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

i Cubed Systems positioning within MDM market

We have highest share in the industry by own-brand shipment value.
Targeting 40% share centered on our strategy of partnership with NTT DOCOMO Group.

MDM share by own-brand shipment value





- **No.1 for 11 consecutive years**

  Have maintained highest share in the domestic MDM market (own-brand) for 11 consecutive years

- **Partnership with NTT DOCOMO Group**

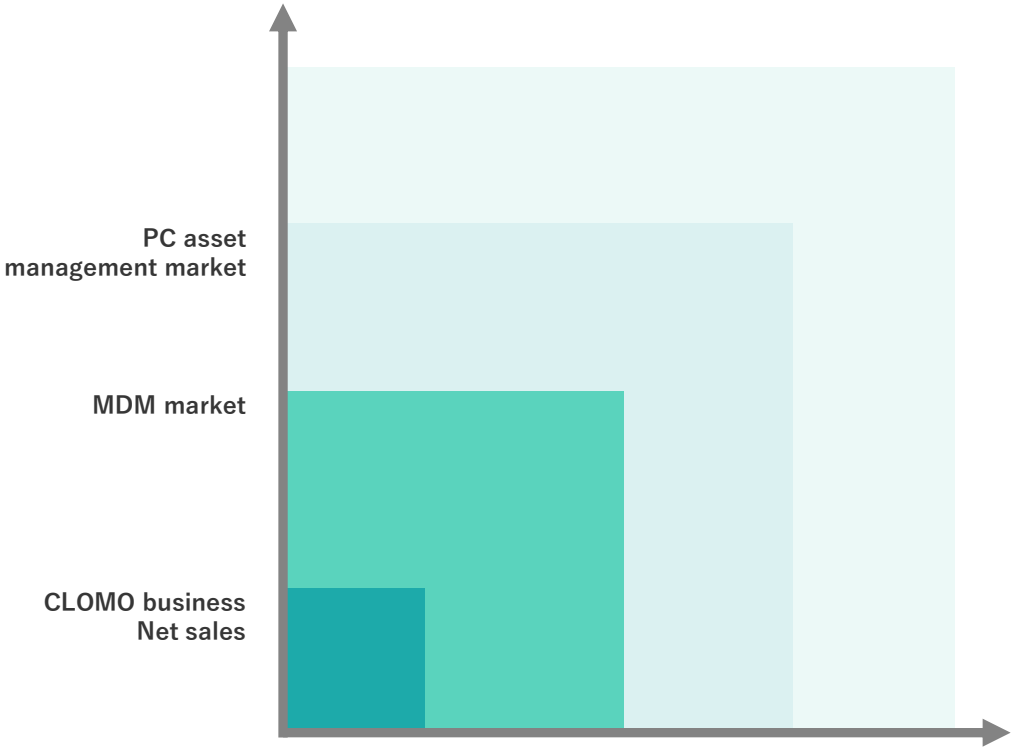
  Acquire demand arising from switch from feature phones to smartphones to drive further growth

Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. “MDM private brand market 2021”

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

Potential market area

Through M&A and CVC, as well as accelerating net sales growth in the CLOMO Business to over 125%, we aim to enter new market areas by rolling out new businesses.



Entry into new market areas

- Development of new businesses, products and services
- Development of new businesses through M&A and CVC

Acceleration of growth in the CLOMO Business

- Further growth in share of MDM market
- Entry into PC asset management market
- M&A focused on synergies with CLOMO services

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.

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.

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

Copyright©2022 i Cubed Systems, Inc. All Rights Reserved.