i Cubed Systems

First Quarter of Fiscal Year ending June 30, 2024 Supplementary Material on Financial Statements

November 14, 2023

i Cubed Systems, Inc.
TSE Growth：4495

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1. Summary

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Summary of 1Q of FY6/24

With net sales growing steadily, we proactively made investments for growth to expand the business further.
Number of corporations deploying our services has surged past 5,000, and the customer base is expanding steadily.

Net sales	Operating income	Number of corporations introducing our services
697 million yen	137 million yen	5,314 corporations
YoY: +5.9% ↑	YoY: −17.3% ↓	+7.8% ↑ from the end of the previous period

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2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2024

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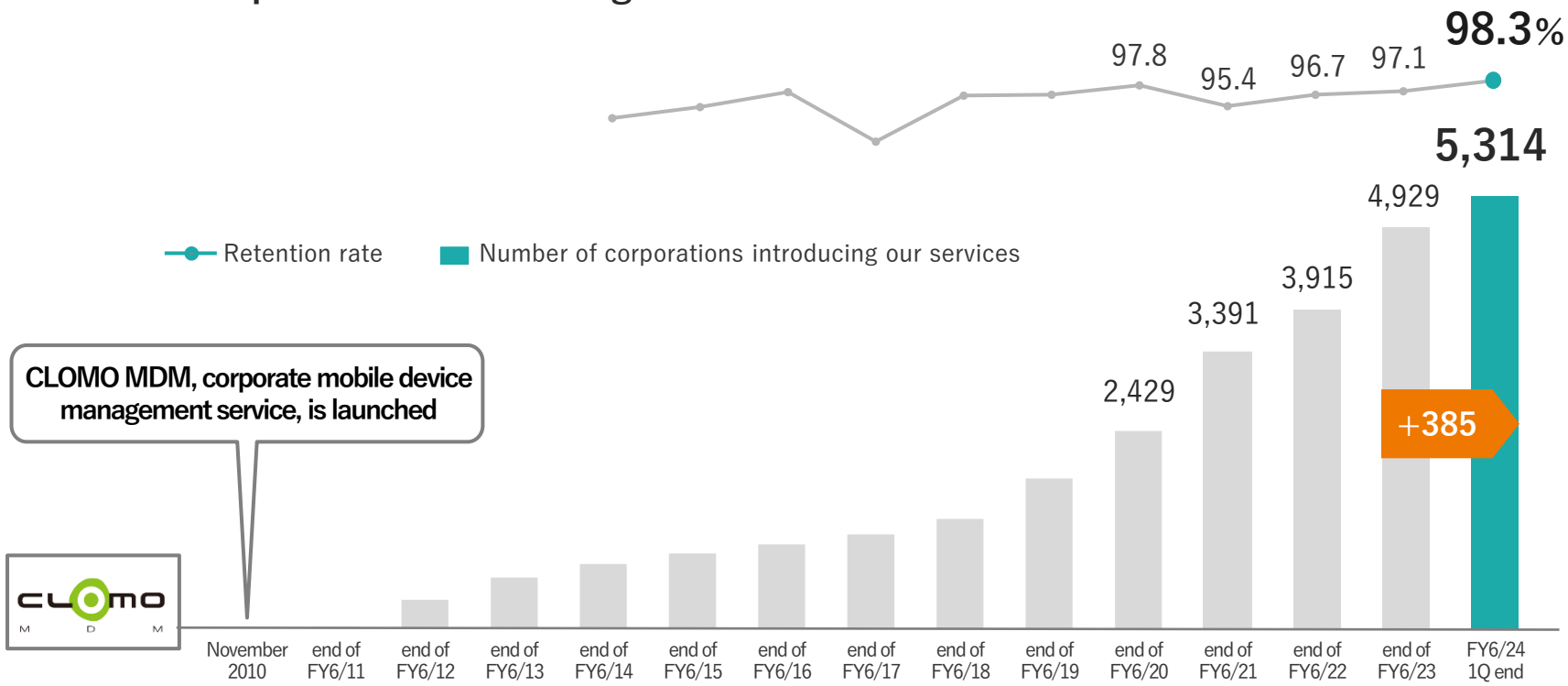
CLOMO business KPI① Number of corporations introducing our services/Retention rate

Through the promotion of initiatives to expand the customer base, the number of companies deploying our services grew 2.8 times YoY in 1Q, to 385 companies.
By promoting improved retention through customer success activities, the retention rate(1) is at a high 98.3%.

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.

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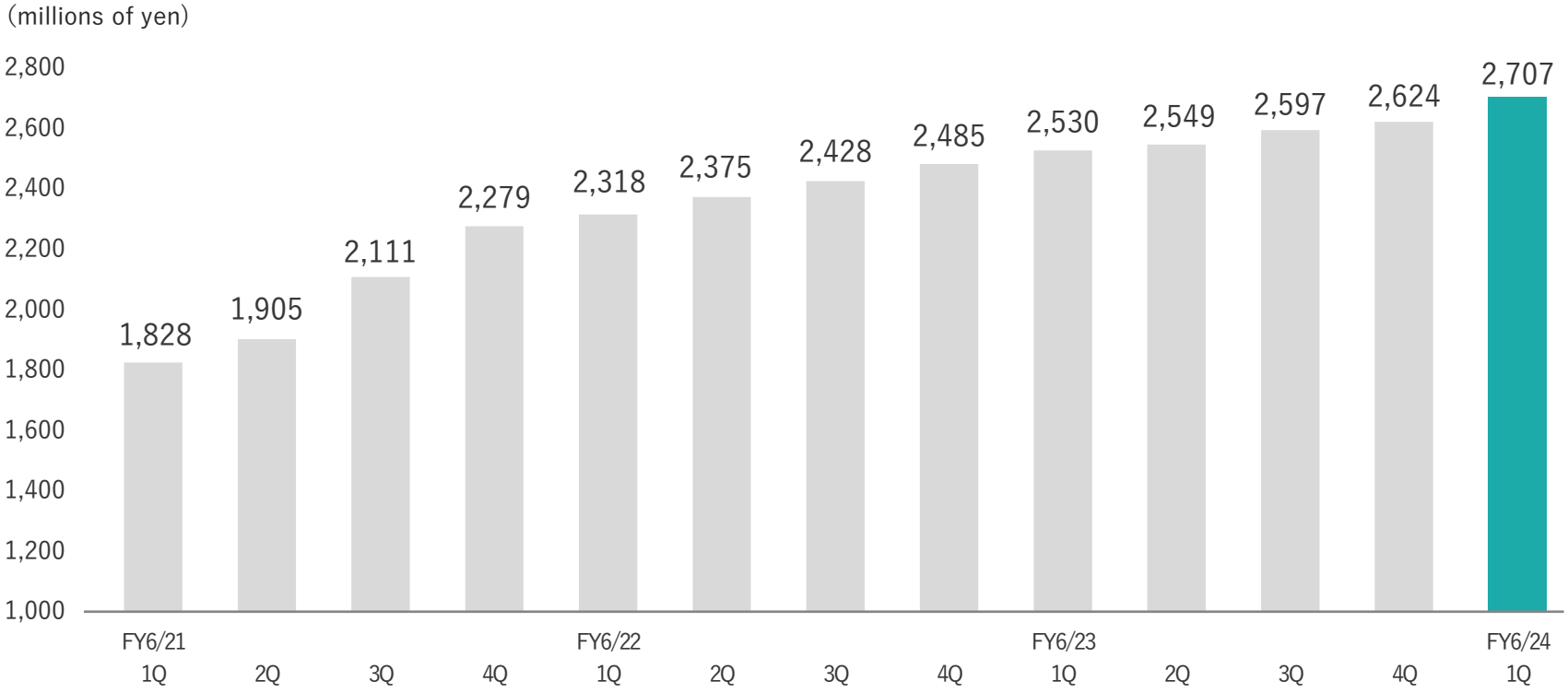
CLOMO business KPI②　Trend of ARR

ARR[(1)], which is the main KPI for the subscription business, continued to grow in 1Q and reached 2,707 million yen (+7.0% YoY).

ARR trends as of the end of each quarter



Note：
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.

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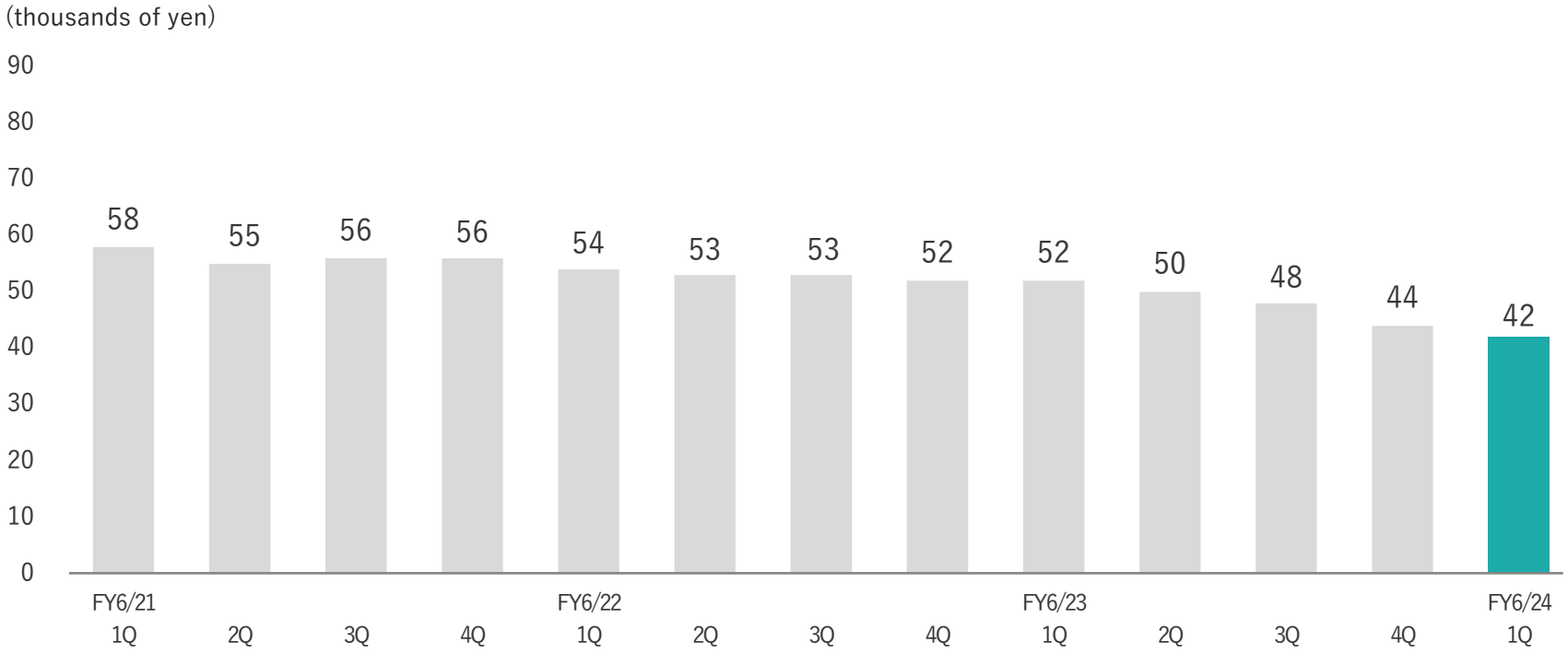
CLOMO business KPI③　Trend of ARPU

The steady progress of our customer base expansion strategy, centered on provision on an OEM basis, has led to an acceleration in deployment of MDM by small and medium-sized companies, and ARPU(1) continues to trend downward.

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.

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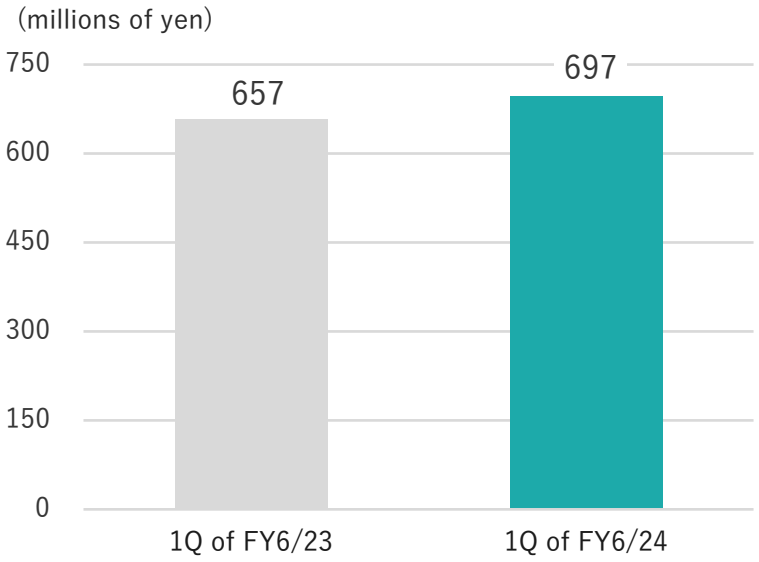
Consolidated net sales and operating income for 1st quarter of FY6/24

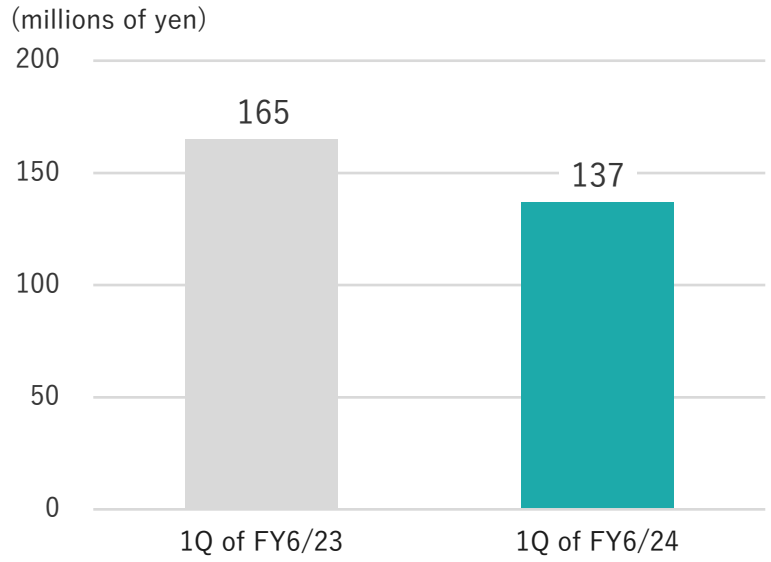
Net sales in the 1st quarter (July - September) were 697 million yen (+5.9% YoY), and operating income was 137 million yen (-17.3% YoY).

Net sales



1Q of FY6/23	1Q of FY6/24	Year on year
657 million yen	697 million yen	105.9% (+39 million yen)

Operating income



1Q of FY6/23	1Q of FY6/24	Year on year
165 million yen	137 million yen	82.7% (−28 million yen)

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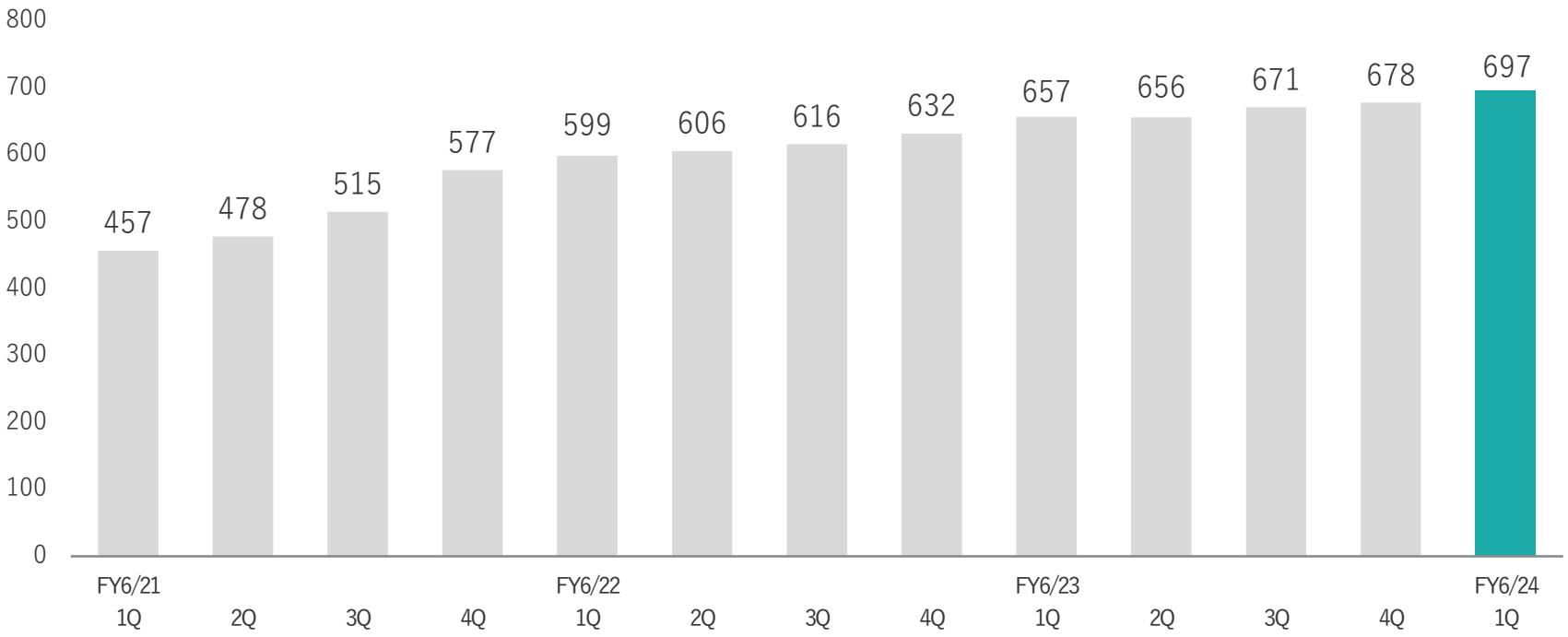
Quarterly trend in CLOMO Business net sales

Net sales in the CLOMO Business continued to grow steadily (CAGR 15.1%).

CLOMO Business net sales (quarterly total)



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Consolidated income statement for 1st quarter of FY6/24

Net sales were 697 million yen (+5.9% YoY), and operating income was 137 million yen (-17.3% YoY). The increase in software product releases has led to a rise in the cost of sales, mainly depreciation expenses.

(units: millions of yen)	1Q of FY6/23 (Composition rate)	1Q of FY6/24 (Composition rate)	Rate of change
Net sales	**657** (100.0%)	**697** (100.0%)	**+5.9%**
CLOMO Business	**657** (100.0%)	**697** (100.0%)	**+5.9%**
Investment Business	— (−%)	— (−%)	−%
Cost of sales	**123** (18.8%)	**191** (27.4%)	**+54.6%**
Depreciation expenses	**25** (3.9%)	**84** (12.1%)	**+230.9%**
Manufacturing costs	**82** (12.5%)	**88** (12.7%)	**+7.9%**
Others	**15** (2.4%)	**17** (2.5%)	**+12.0%**
Gross profit	**534** (81.2%)	**505** (72.6%)	**△5.3%**
Selling, general and administrative expenses	**368** (56.0%)	**368** (52.9%)	**+0.1%**
Labor expenses, etc.	**247** (37.7%)	**234** (33.6%)	**△5.4%**
Others	**120** (18.3%)	**134** (19.3%)	**+11.4%**
Operating income	**165** (25.2%)	**137** (19.7%)	**△17.3%**
Ordinary profit	**165** (25.1%)	**137** (19.7%)	**△16.8%**
Corporate income taxes	**52** (8.0%)	**44** (6.3%)	**△16.8%**
Profit attributable to owners of parent	**112** (17.1%)	**93** (13.4%)	**△16.8%**

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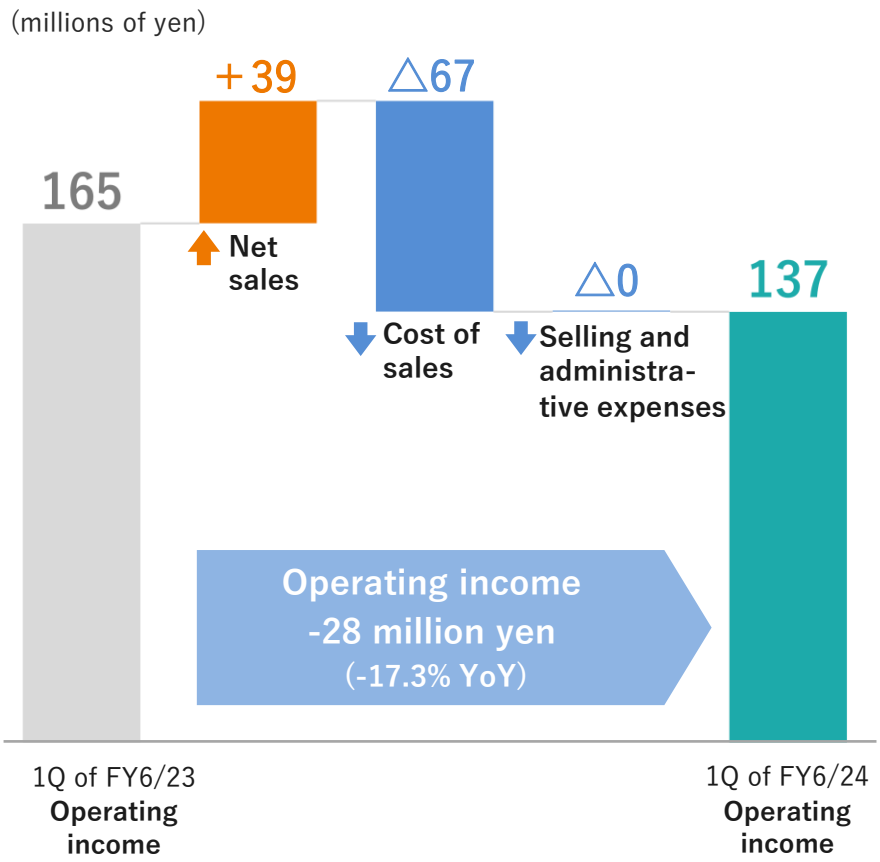
Factors behind changes in operating income

The expansion of the CLOMO Business has led to steady growth in net sales, and investment in development is proceeding according to plan. Selling and administrative expenses rose slightly due to the recording of costs associated with M&A(1).



Increase in net sales (+39)

・CLOMO business expansion

Increase in cost of sales (△67)

・As a result of steady progress in cultivating relationships with outsourcing companies, with the aim of outsourcing some product development, investment in development and releases of software products increased

Increase in selling and administrative expenses (△0)

・Expenses incurred in relation to making a development company located in Vietnam a subsidiary of i Cubed Systems

・This fiscal year our recruitment plans are centered on the hiring of new graduates, and the reduction in mid-career hires has led to a decline in recruitment costs. The number of employees as of September 30, 2023 was 122 (down 1 person YoY)

・We continue to incur auditing expenses in preparation for acquiring ISMAP(2) certification. Moving ahead with the objective of acquiring certification in FY6/24

Notes:
1. For an overview of the M&A transaction, please refer to the following release dated October 11, 2023: “Notification of the acquisition of the shares of 10KN JOINT STOCK COMPANY (making it a subsidiary).”
2. An abbreviation of “Information system Security Management and Assessment Program.” A system for evaluating the security of cloud services utilized by the government, established by the Cabinet Secretariat, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry. By acquiring ISMAP certification, the Company seeks to improve the reliability of CLOMO Services and win market share at public agencies.

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Balance sheet for 1st quarter of FY6/24

While moving forward with investments for growth, we have maintained a stable financial base, and an equity ratio of 75.4%.
Decrease in cash and deposits is mainly due to payment of dividends and corporate income taxes.

(units: millions of yen)	FY6/23	1Q of FY6/24	Change
Current assets	**2,645**	**2,580**	**△65**
Cash and deposits	**2,055**	**1,981**	**△74**
Receivables	**260**	**277**	**＋17**
Operational investment securities	**240**	**240**	**±0**
Fixed assets	**753**	**736**	**△17**
Software	**210**	**176**	**△34**
Software in progress	**174**	**190**	**＋16**
Total assets	**3,399**	**3,317**	**△82**
Current Liabilities	**825**	**807**	**△18**
Contract liabilities	**471**	**455**	**△16**
Fixed liabilities	**－**	**－**	**－**
Total liabilities	**825**	**807**	**△18**
Total net assets	**2,573**	**2,509**	**△64**
Total liabilities and net assets	**3,399**	**3,317**	**△82**

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3. Reference Materials

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Company Profile

Company Name	i Cubed Systems, Inc.
Locations	Fukuoka HQ : Daiichi Myojo Building, 4-1-37 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka Tokyo HQ : Hamamatsucho DS Building, 1-27-16 Hamamatsucho, Minato-ku, Tokyo Sales office : Sapporo／Sendai／Nagoya／Osaka／Hiroshima
Capital	410,082,600 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Android Enterprise Program Gold Partner Microsoft Partner Network Gold Competency
Group Company	i Cubed Ventures, Inc.

※Information as of the end of September 2023.

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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

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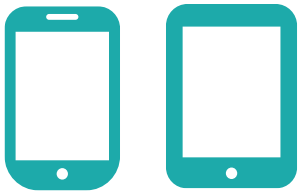
Structure of the Group’s business

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

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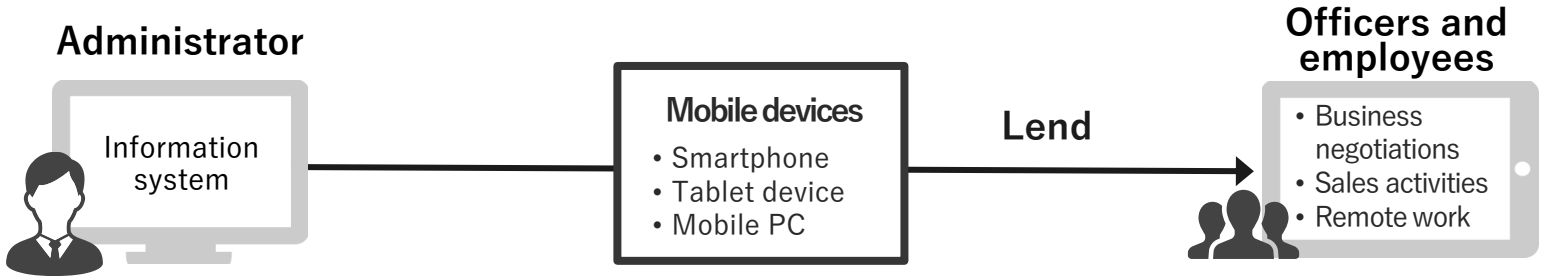
Main features of the CLOMO service

We provide MDM services to reduce the security risks of mobile devices for business use, and application services to enable more efficient use of mobile devices.



		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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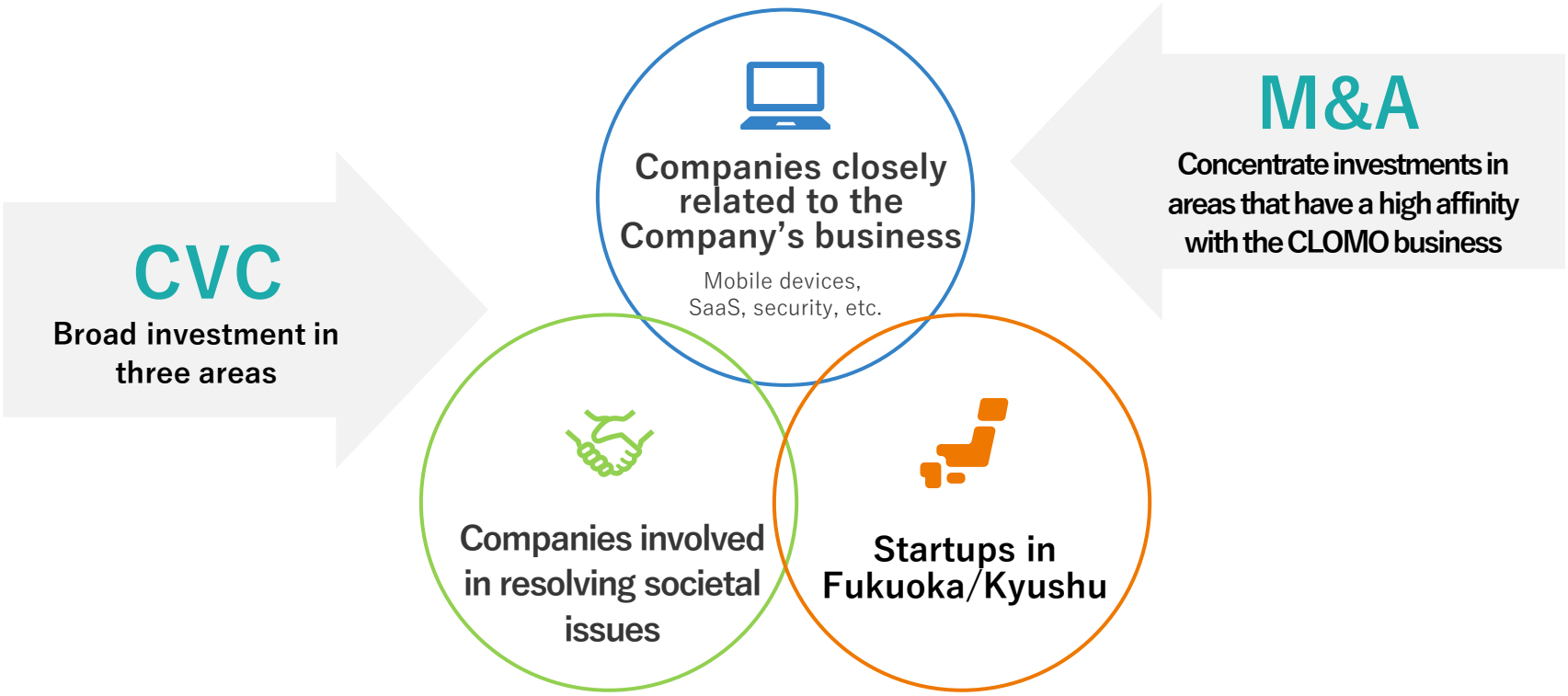
Overview of the Investment Business

We explore M&A and invest in CVC funds in order to accelerate the opening up of new businesses and creation of new revenue sources. Also invest in VC funds to improve the efficiency of information gathering in investment activities.

Focus areas within investments



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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

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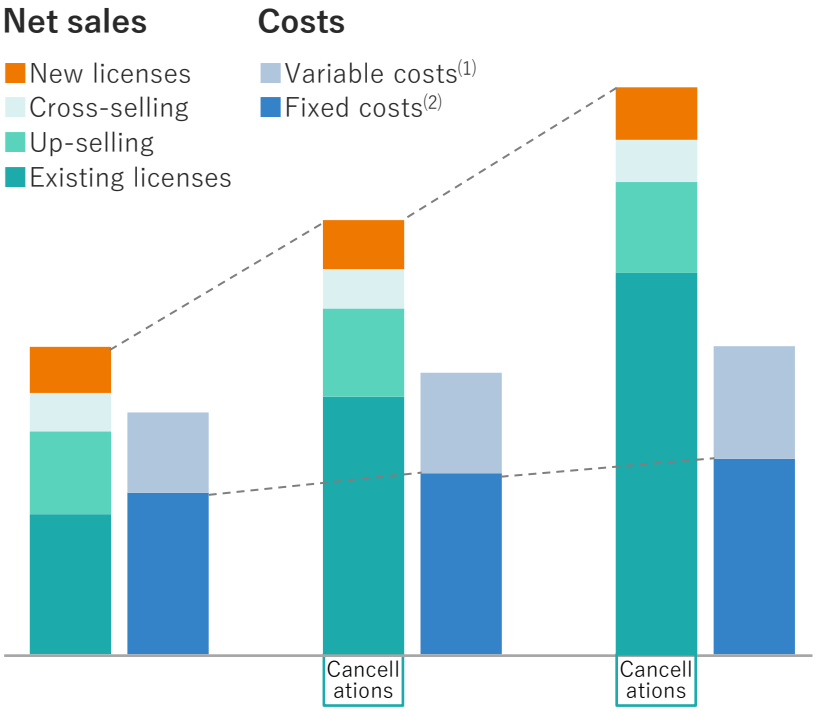
1 Competitive advantage of CLOMO Business

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)”.

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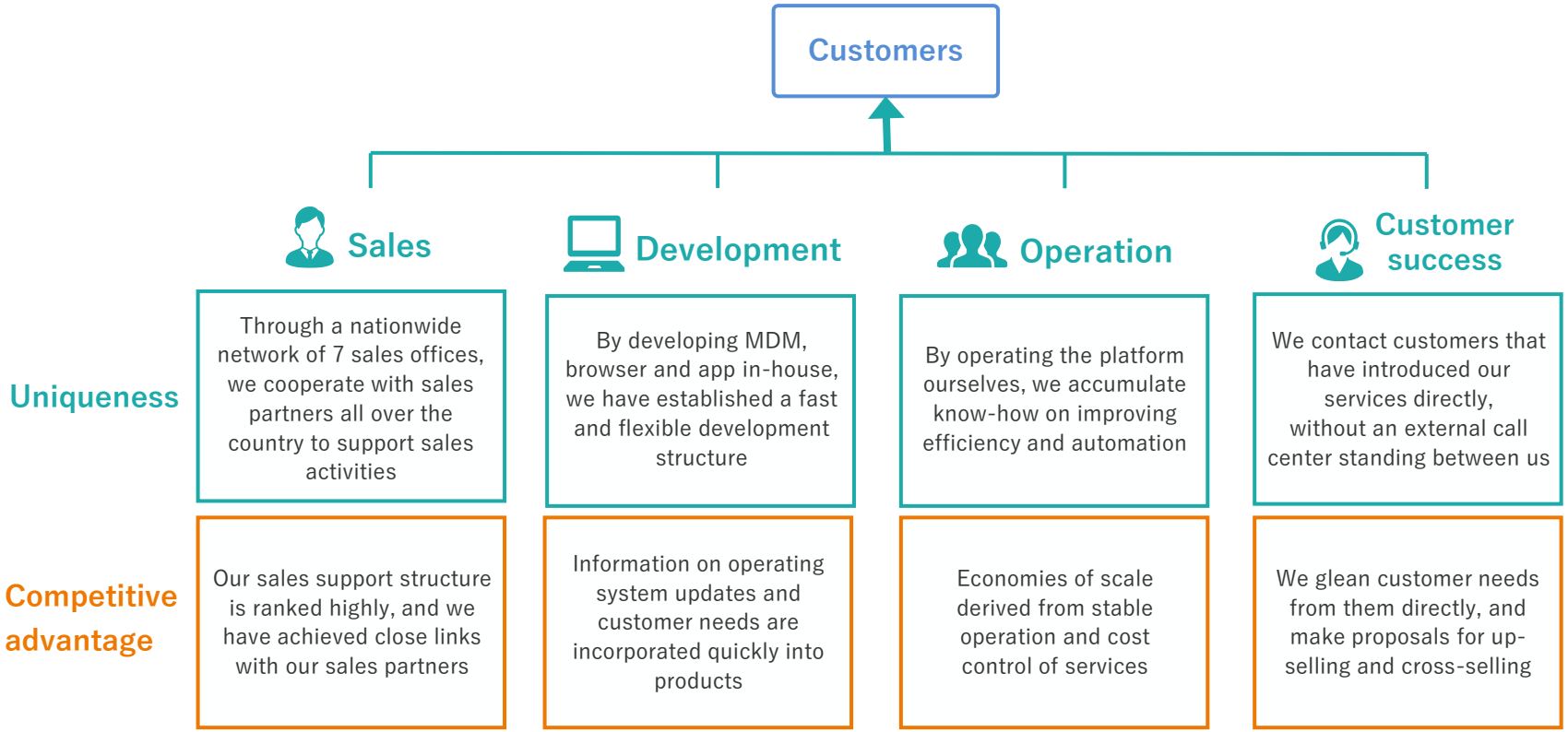
Integration capabilities

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

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



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1 Competitive advantage of CLOMO Business

Partnership with OS developers and high evaluation

As one of 13 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 other that have acquired Android Enterprise Recommended

Tectoro Consulting Private Ltd. ／ AXSEED, Inc ／ IBM MaaS360 ／ Ivanti ／ Knox Manage ／ Microsoft* ／ SHARP CORPORATION ／ SoftBank Corp ／ SOTI ／ VMware Workspace ONE ／ 360° Pulsus ／ 42Gears Mobility Systems

Source: Android Enterprise Recommended website (https://www.android.com/intl/ja_jp/enterprise/), as of 31 October 2023.

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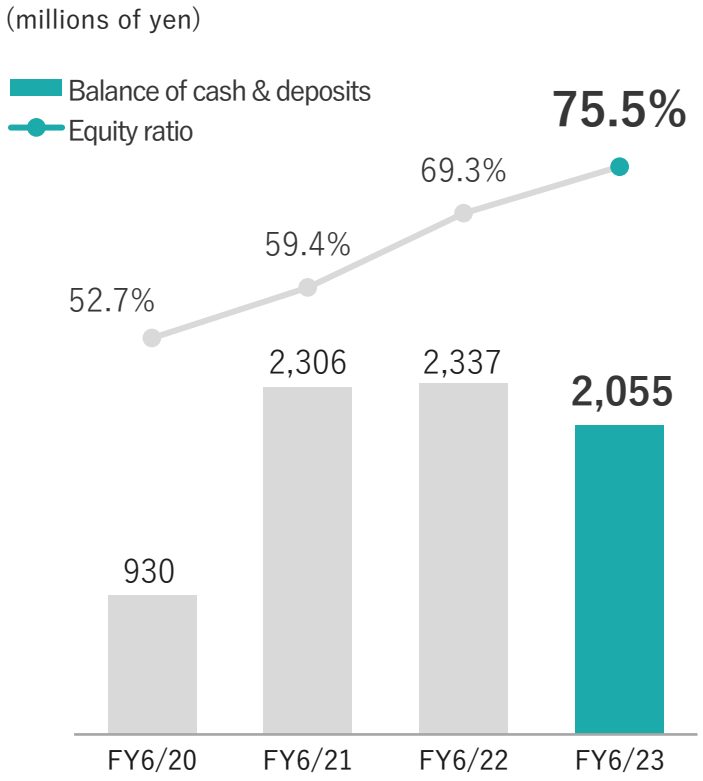
Stable financial base

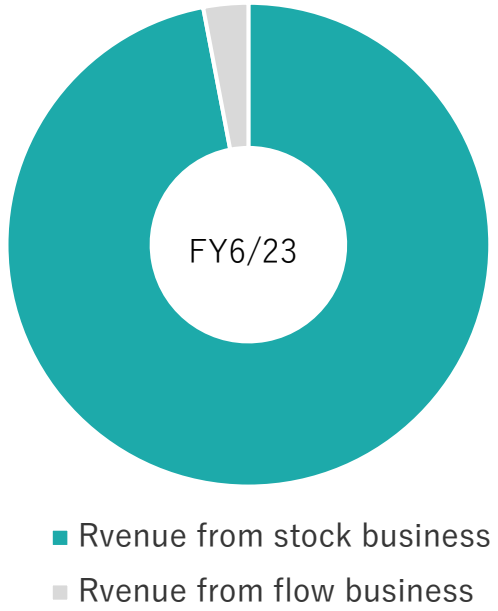
As of June 30, 2023, the amount of cash and deposits exceeded 2.0 billion yen, with an equity ratio of 75.5%. Use of subscription model enables us to build a stable financial base for future growth of the Company.

Trend in balance of cash & deposits and equity ratio



Ratio of revenue from stock business

96% of consolidated net sales consists of stock business



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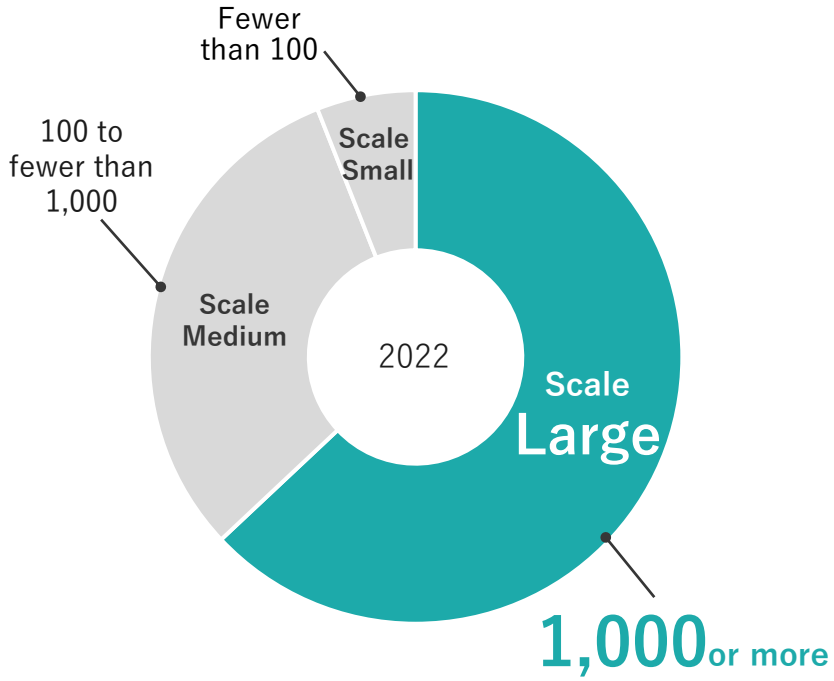
Strong customer base

More than 5,000 existing companies form a strong customer base various of industries, mainly large companies.
In recent years, it has also been introduced to small and medium-sized companies, promoting growth of the company.

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” 2022 edition

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Diverse and flexible organization

Recognized for 4 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)
6:4

Percentage of foreign national employees(2)
10%

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

Flexible work styles

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

Percentage taking childcare leave
Ratio taking leave 100%
Actual figure for FY6/23

Hours worked outside regular hours
5.1hours/month
Actual figure for FY6/23

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 2021-2024 editions of the Best Workplaces rankings.
2. Figures are as of the end of June 2023, rounded to the nearest whole number.

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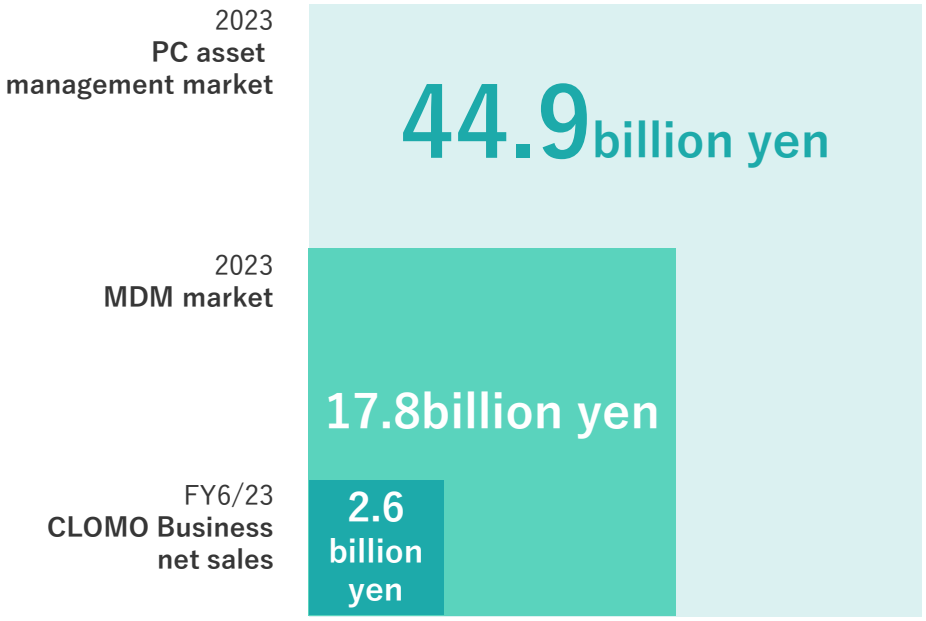
Markets targeted by the CLOMO Business

The mainstay MDM market is 17.8 billion yen.
The PC asset management market is 2.5x larger at 44.9 billion yen, so the total size of the target market is 62.7 billion yen.



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

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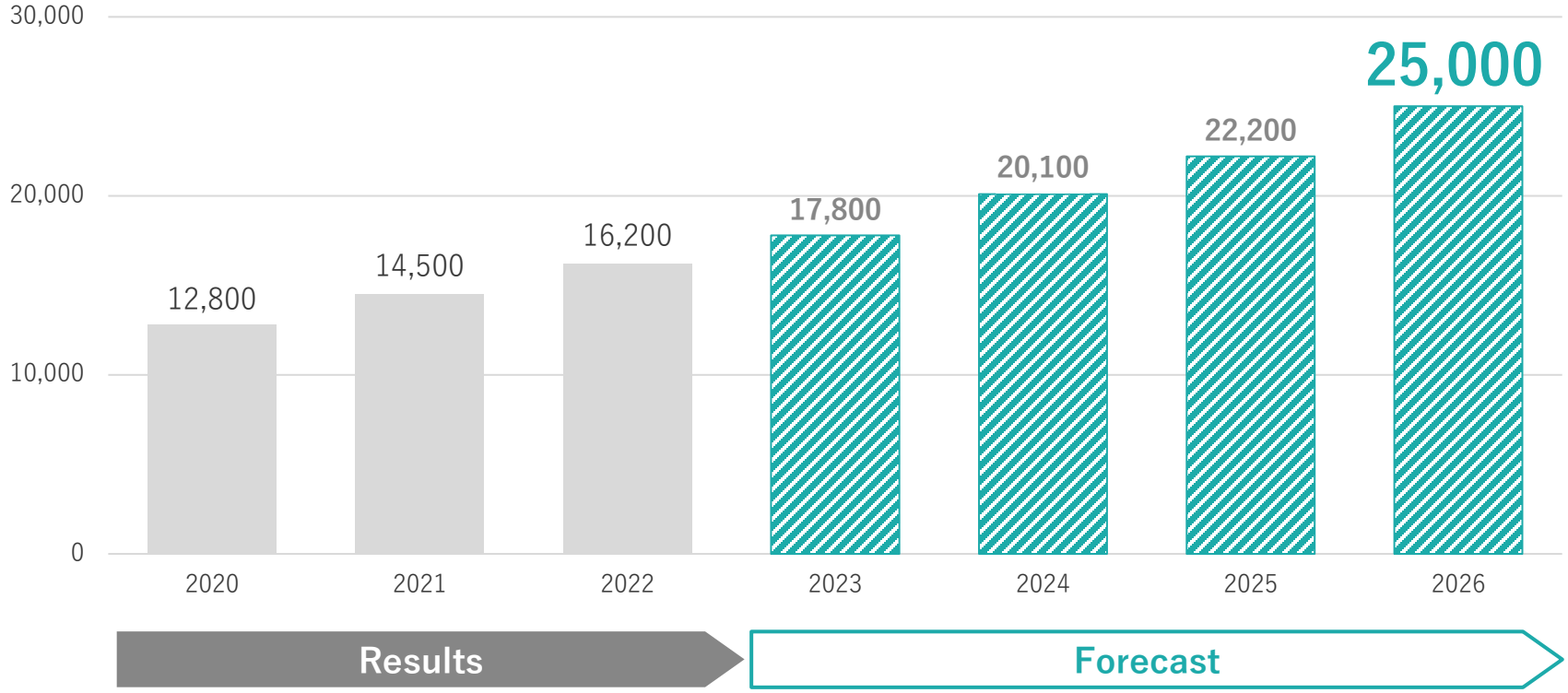
MDM market size forecasts (shipment value)

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

It is expected to expand to a size of 25 billion yen by 2026



Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. “Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2022 edition

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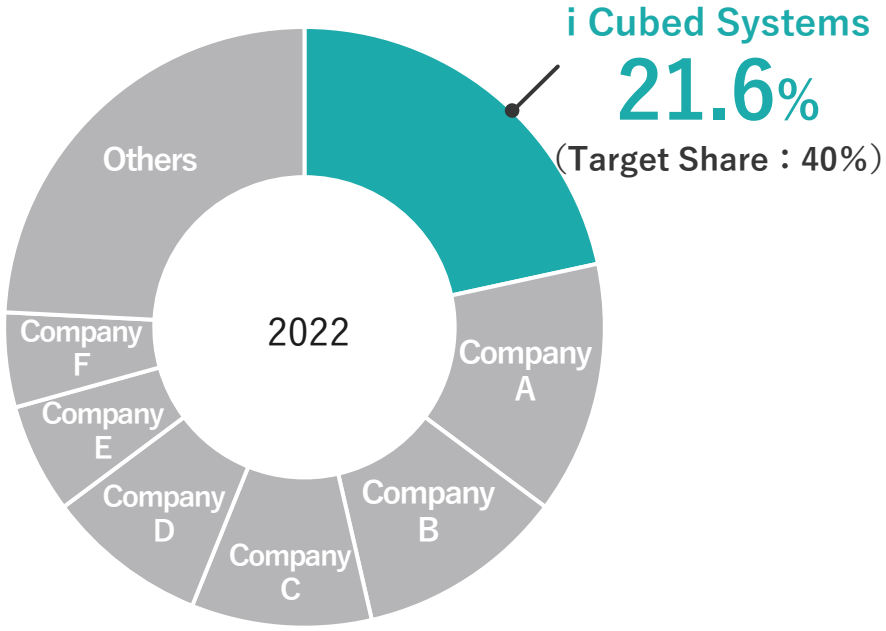
Share of domestic MDM market (own brand)

Achieved the No.1 share of domestic MDM market (own brand) for 12 consecutive years.
Aiming to achieve future target share of 40%.

MDM share by own-brand shipment value



Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. “MDM private brand market 2022”

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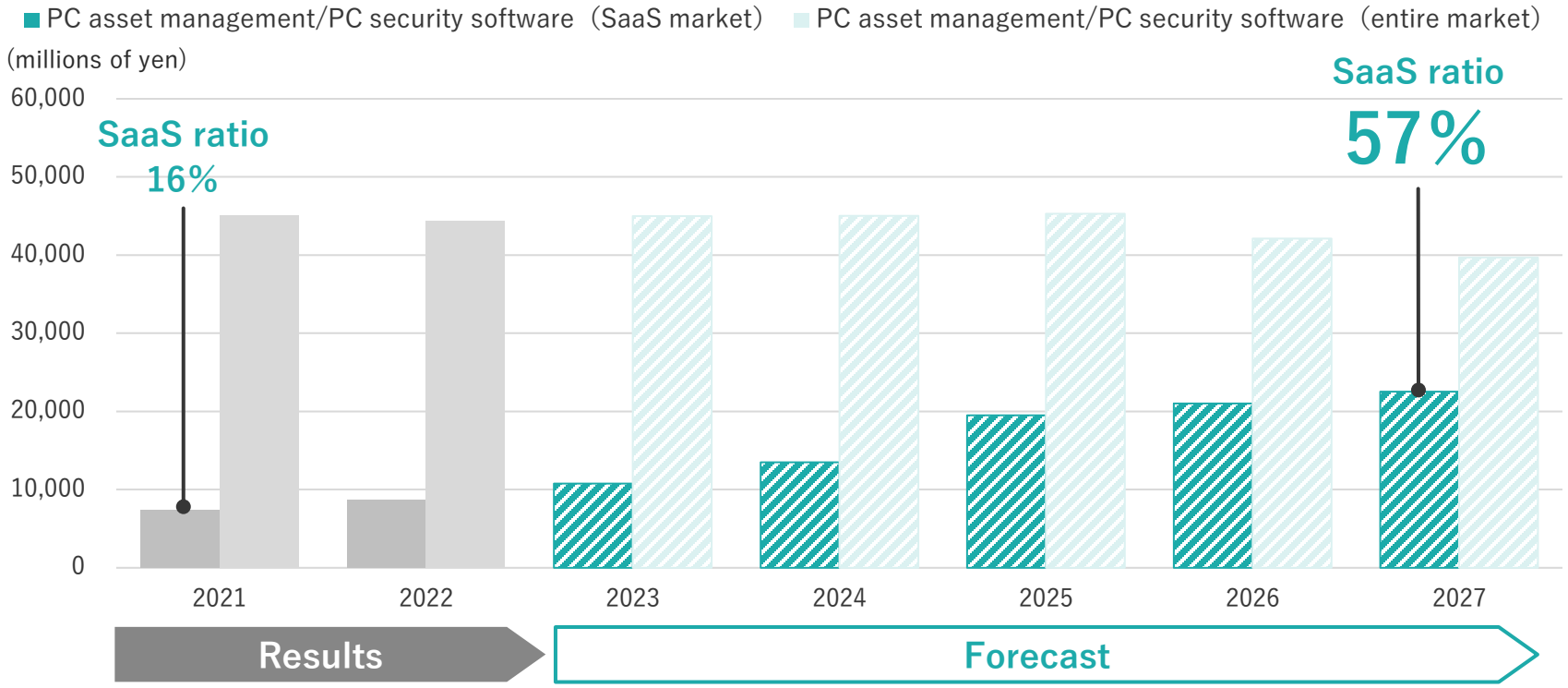
Opportunities to enter PC asset management market

Transition to SaaS making progress in PC asset management market, which is more than twice the size of MDM market. Opportunities have emerged for MDM vendors to enter against a 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. “2023 Endpoint Management Market Marketing Analysis”

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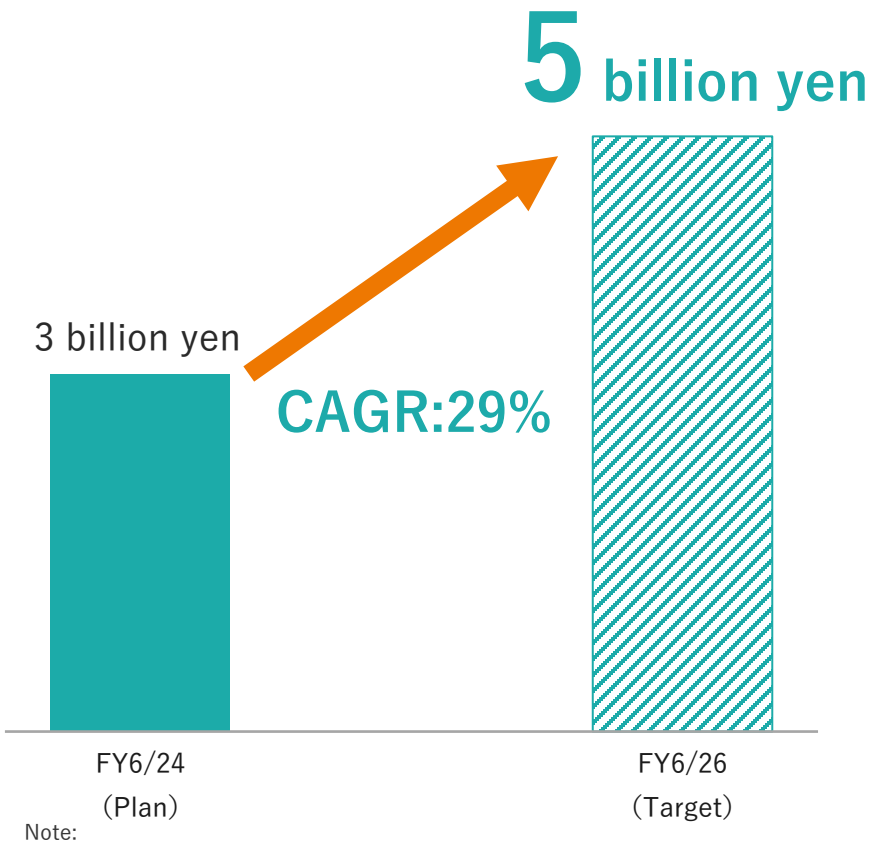
Medium-Term Sales Targets of the Group (FY24-26)

During the three years through the fiscal year ending June 30, 2026, we will focus on expanding the top line and creating new businesses other than the CLOMO business to build a foundation for the sustainable growth of our group.



- **Expansion of the CLOMO Business**

  Further increase sales by promoting the expansion of the customer base through OEM provision to NTT DOCOMO Group and by improving ARPU through the expansion of optional services.

- **Creation of new businesses**

  We aim to develop new businesses targeting a wide range of business areas including IT. In addition to utilizing external resources such as through M&As, we are actively looking into the commercialization of ideas generated in-house.

- **Promotion of the Investment Business**

  We plan to reach a cumulative investment of 1 billion yen(1) by FY6/26. In addition to continuing CVC investments, we will work to identify investment opportunities for creating new businesses.

Note:
1. The cumulative investment of 1 billion yen through FY6/26 is the planned amount of investment through our own CVC fund. It does not include LP investments in VC funds or M&As.

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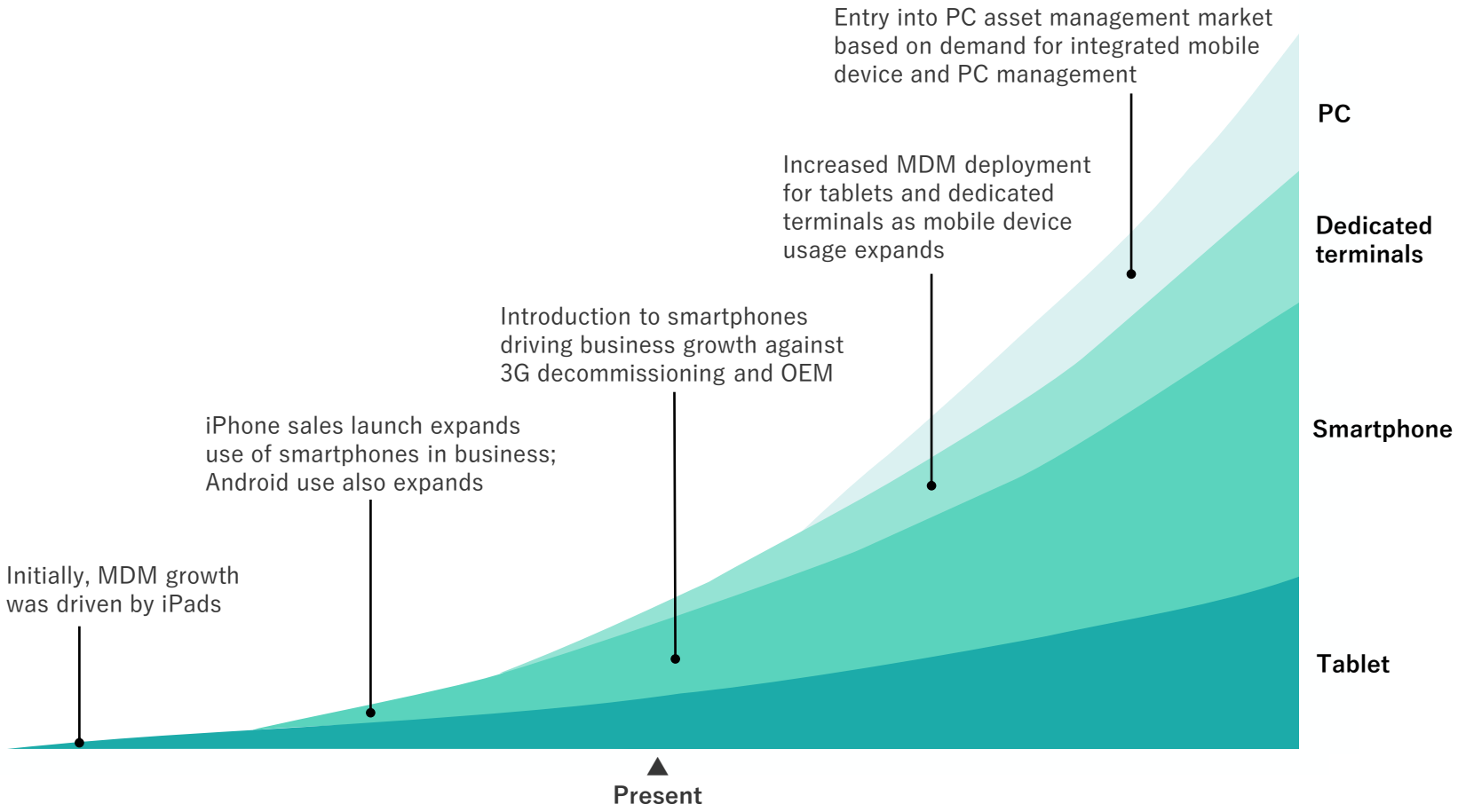
Sales growth image of CLOMO business

Our business has been growing steadily up to now as business use of smartphones has expanded. We expect further business growth as the market expands to include new devices to be managed.



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CLOMO Business growth strategy

To reach sales of 5 billion yen, the expansion of the CLOMO business is positioned as the most important mission. Aiming to achieve its medium-term sales target by executing the growth strategy.

1 Expansion of customer base

- Increase number of customers through provision of OEM for Anshin Manager NEXT
- Strengthen development of sales partners to leverage nationwide sales offices

2 ARPU improvement

- Further expand optional services
- Strengthen cross-selling product proposal system and implement sales strategies that meet customer needs, such as product bundling options

3 Service value improvement

- Investigate and develop additional functions to enter PC asset management market
- Improve reliability of CLOMO services by acquiring ISMAP certification in FY6/24
- Develop collaborative functions with other companies' security products
- Facilitate development and support activities by strengthening collaboration with OS partners

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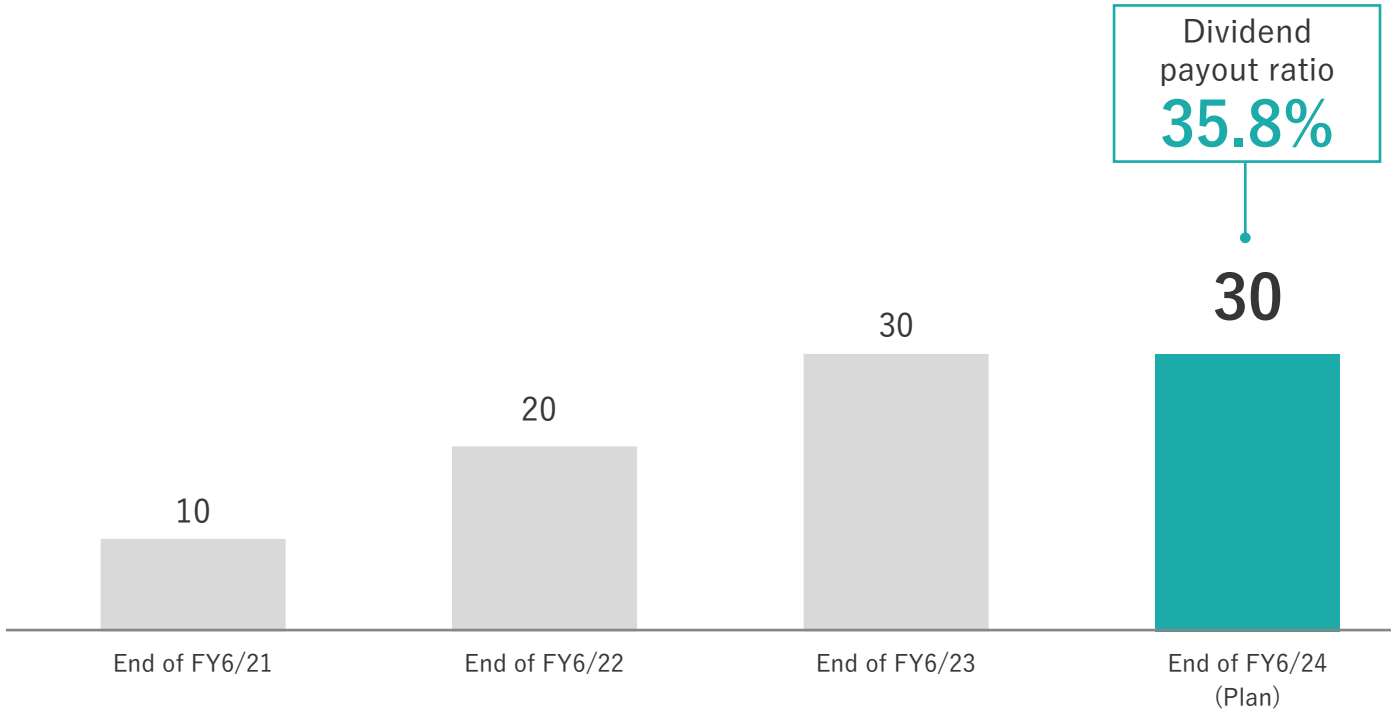
Shareholder return policy

Maintain policy to actively return profits to shareholders who have high expectations for our company’s medium- to long-term growth.

Dividends over time (yen)



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