i Cubed Systems

Explanatory Materials regarding Business Plan and Growth Potential

September 25, 2024

i Cubed Systems, Inc.

TSE Growth：4495

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1. Company Profile

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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	413,018,600 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Member Android Enterprise Gold Partner Microsoft AI Cloud Partner
Group Company	i Cubed Ventures, Inc. 10KN COMPANY LIMITED

※Information as of the end of June 2024.

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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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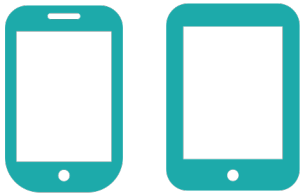
2. Business Summary

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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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Reasons why MDM is gaining attention

Business use of mobile devices is expanding in a wide variety of industries with the promotion of DX and paperless operations. At the same time, there is a growing need to address risks arising from loss, theft, etc. of mobile devices.

Mobile device use cases (partial list)

● Smartphone

Device lent to employees (mobile phone for business use)
Extension tool at medical institutions

● Tablet

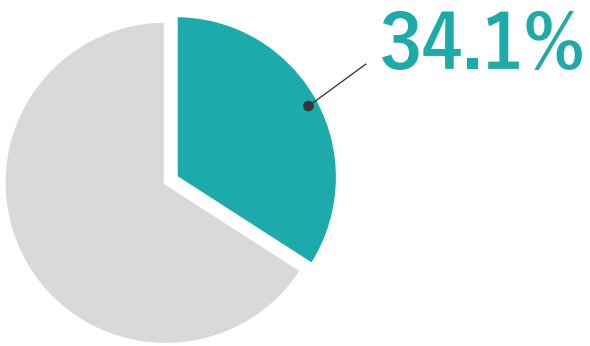
Devices lent to children in classrooms
Devices for reservations, inventory control, and payment at stores that have customer interaction

● Dedicated terminals

Devices for delivery management by delivery personnel in the forwarding industry
Devices for checking drawings and communication in the manufacturing industry

Necessity of mobile device management (MDM)

1 in 3 companies has experienced loss or theft of data or information devices by employees



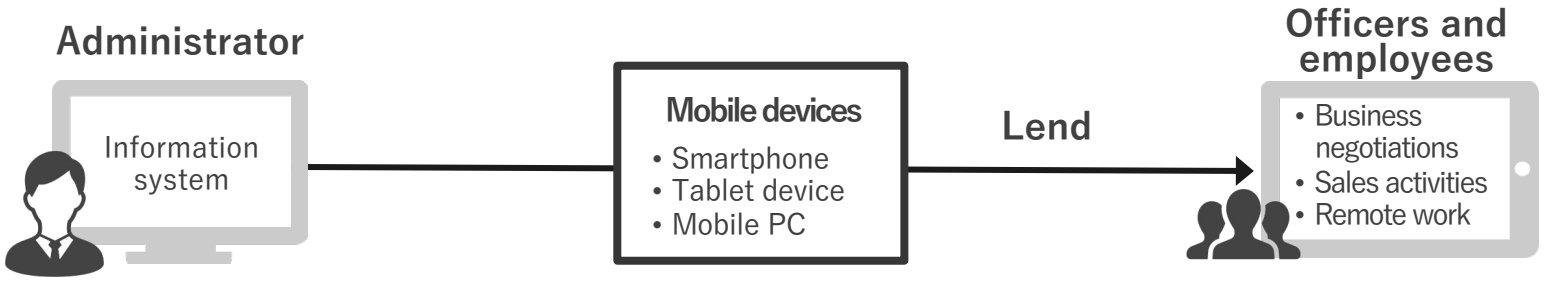
The most common security incident experienced by companies over the past year was loss or theft of data or information equipment by employees at 34.1%

Source) JIPDEC “JIPDEC IT-REPORT 2023 Spring”

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Overview of the CLOMO Business (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"
Management	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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Achieved top market share of domestic MDM market for 13 consecutive years

CLOMO MDM continues to expand its customer base since the launch of service in 2010. It has maintained No. 1(1) share in the domestic MDM market (own-brand) for 13 consecutive years.

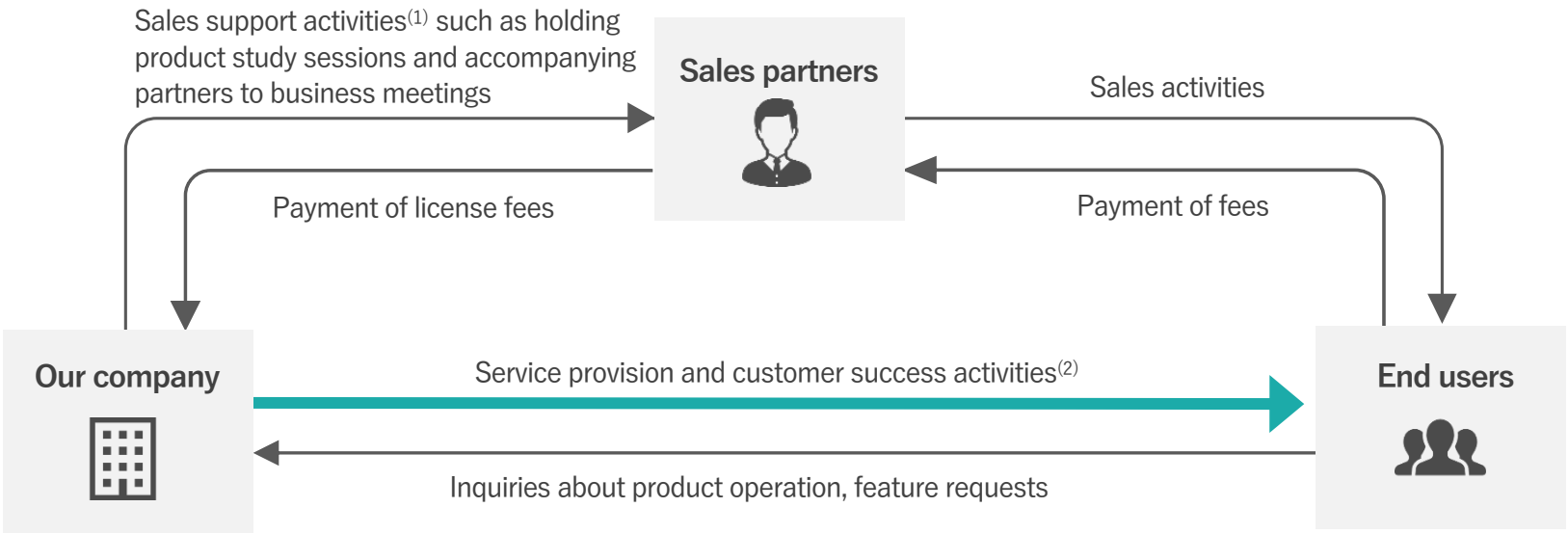


Note:
1. Deloitte Tohmatsu MIC Research Institute Co., Ltd. “Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” (https://mic-r.co.jp/mr/00755/) for actual shipment value in FY 2011-2013, and “MDM private brand market” (MIC IT Report Dec 2023 issue; https://mic-r.co.jp/micit/2023/) for actual shipment value in FY 2014-2022 and predicted shipment value in FY 2023.

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Overview of the CLOMO Business (Sales structure)

We focus on service expansion in collaboration with sales partners. Meanwhile, our Customer Success Division, which has extensive product knowledge, provides direct support to customers who have installed our products.

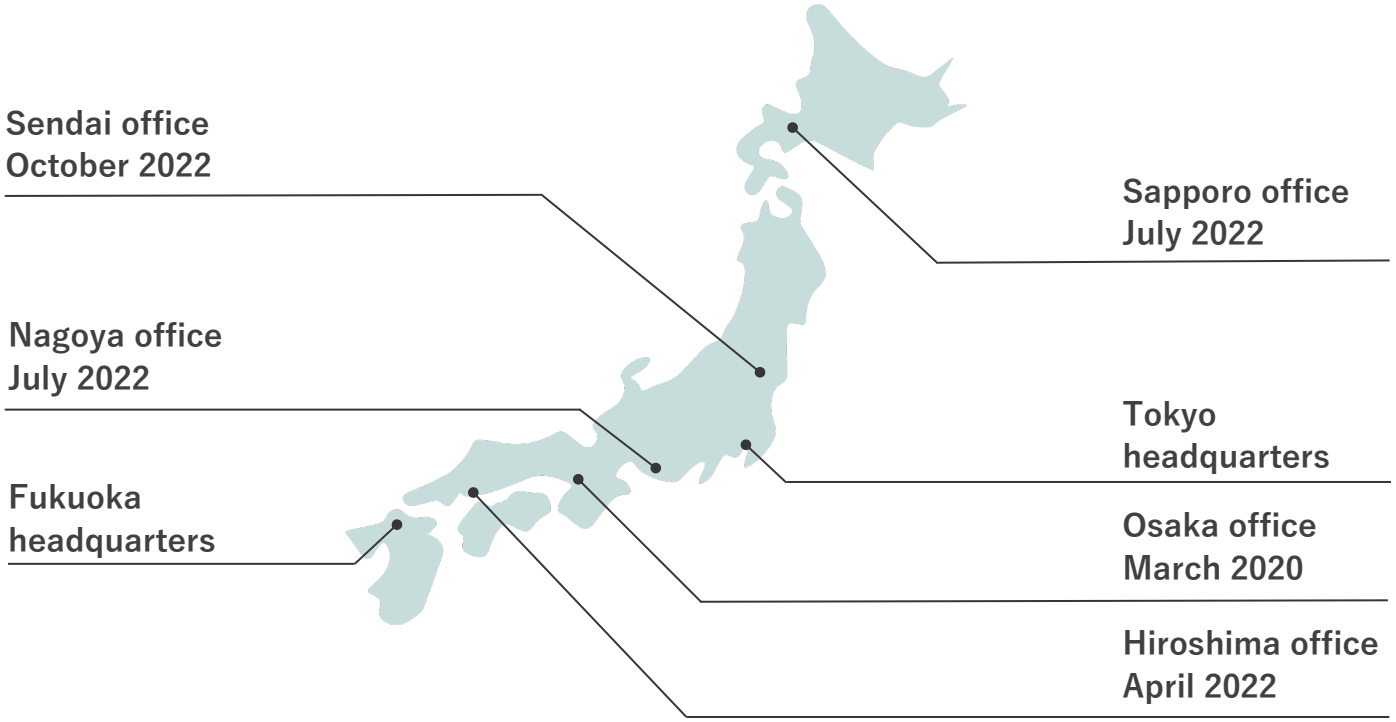


Notes:
1. In addition to sales support activities for sales partners, we carry out marketing activities targeting potential customers, mainly through case study ads and participation in seminars and events.
2. Our customer success activities include providing support for customer inquiries, conducting regular customer interviews, holding seminars and user meetings on product operation, and up-sells/cross-sells.

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Nationwide network of sales offices

We completed providing broad coverage throughout Japan from seven locations. We established a sales structure capable of supporting local customers and sales partners.

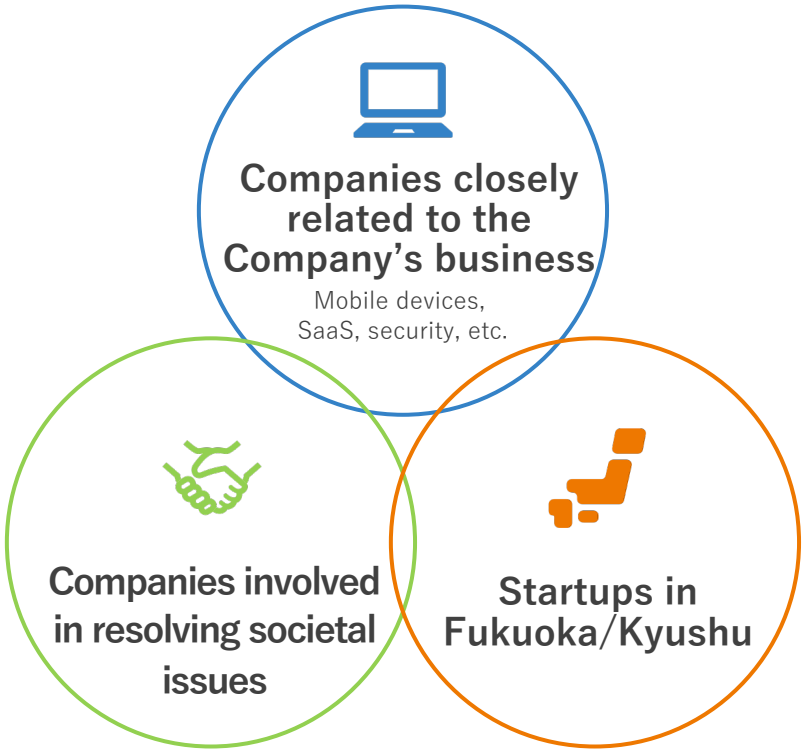


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Overview of the Investment Business

We are conducting startup investments across a wide range of fields through our CVC subsidiary, i Cubed Ventures, Inc., aiming to further grow our company group through these investment activities.

Focus areas within investments



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3. Source of Competitiveness

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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. Robust partnership with OS developers

2 Management resources

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

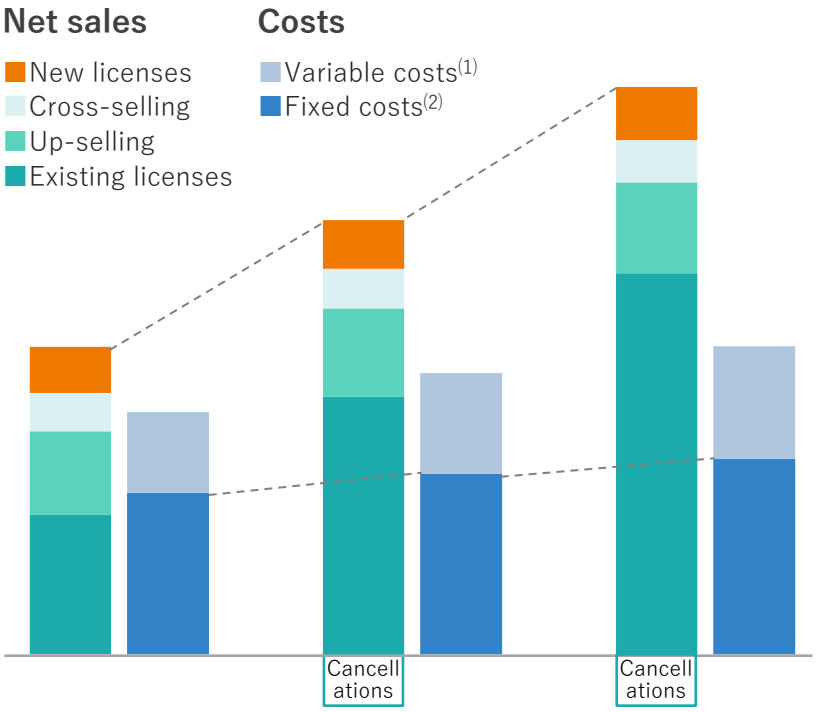
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1 Competitive advantage of CLOMO Business

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

Acquisition of new customers

Corporate with distributors to increase number of new customers

Revenue growth from existing customers

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

Notes:
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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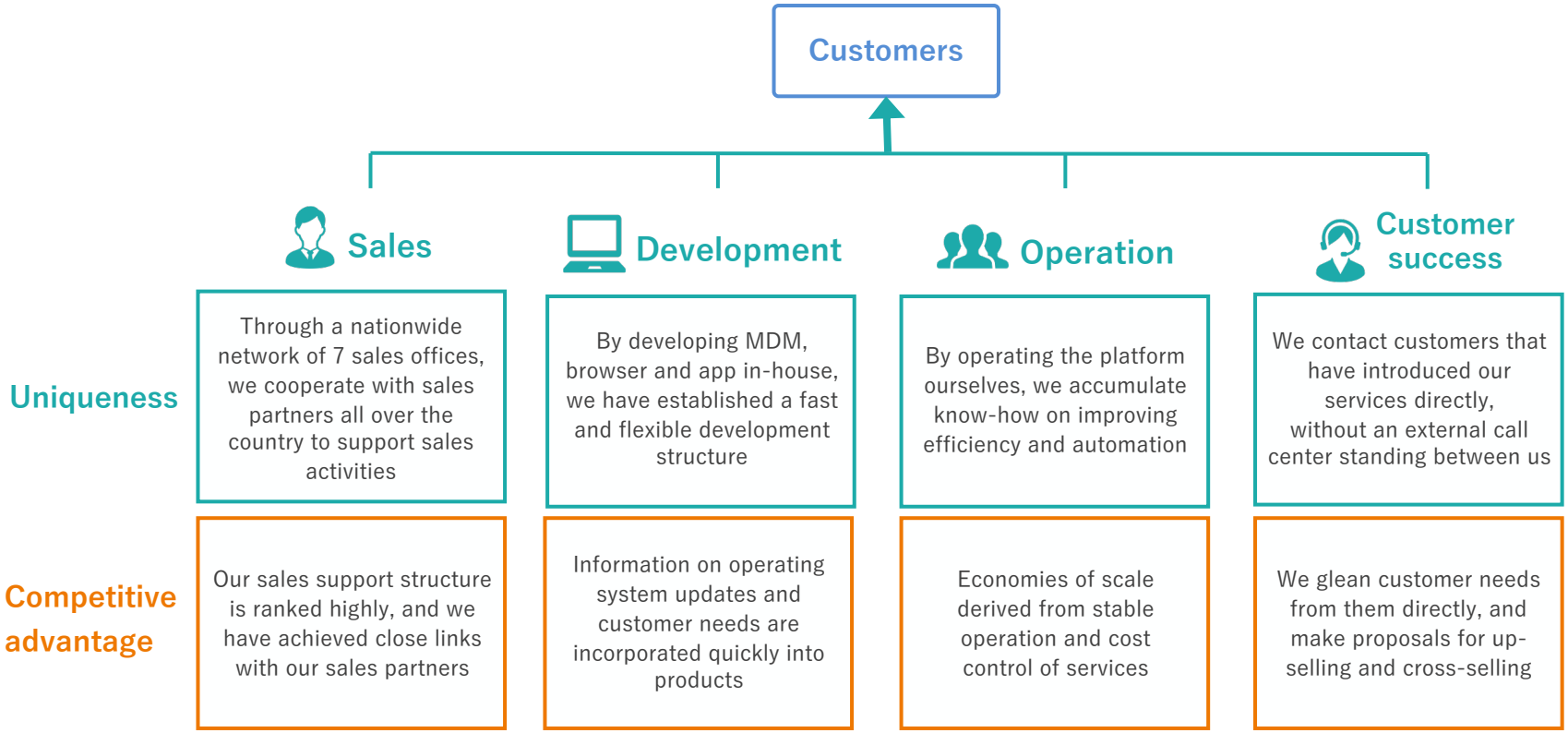
1 Competitive advantage of CLOMO Business

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

Robust partnerships with OS developers

Certified as Gold Partner in “Android Enterprise Partner Program” provided by Google.
Promoting acquisition of new customers in area of Android devices, while enhancing product capabilities through partnership.



Recognition of our superior technical capabilities, extensive track record in deploying CLOMO Services, and courteous and caring customer support has led to the Company being certified as a Gold Partner

Improve product quality through partnerships

By participating in conferences, etc. held by Google, and being able to receive priority technical support, we have consistently improved the quality of CLOMO product development and customer support

Acquisition of new customers in area of Android devices

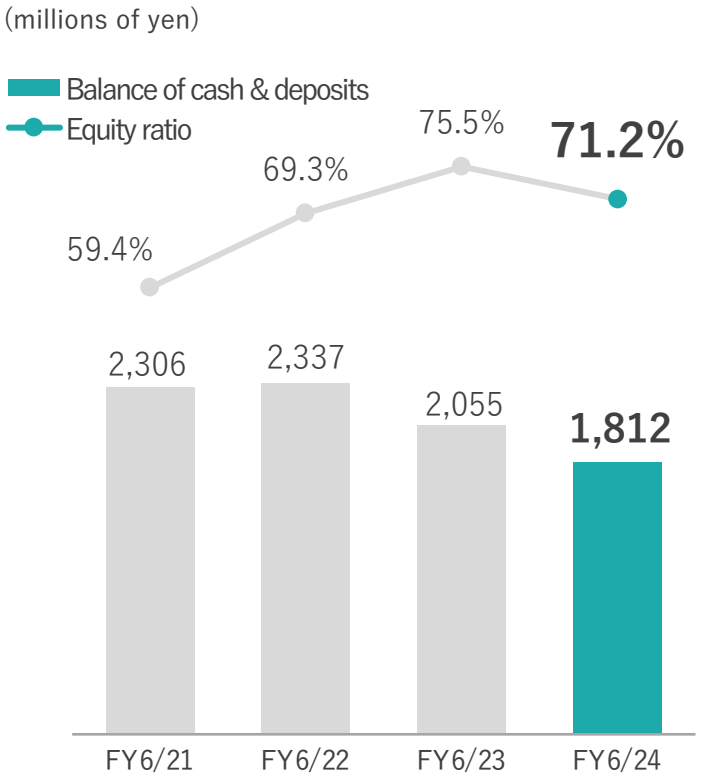
CLOMO has continuously received the “Android Enterprise Recommended” designation for products that satisfy the high level of technical capabilities required by Google, and we are promoting the acquisition of new customers in the area of Android devices for corporates

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Stable financial base

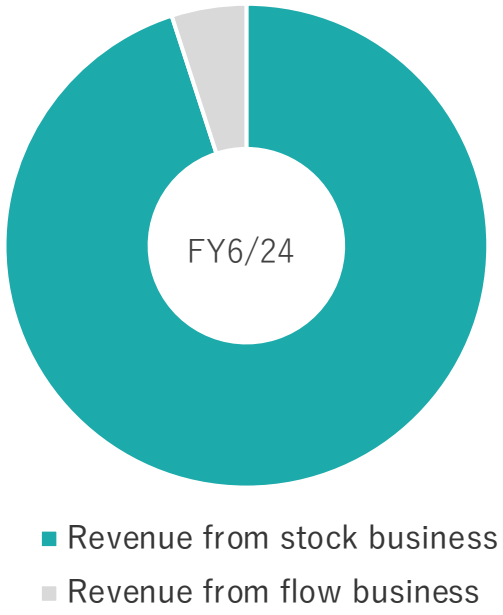
Despite small year-on-year decline caused by purchase of treasury shares, etc., we maintained a certain level of cash and deposits and equity ratio.
Use of subscription model enables building of a stable financial platform for the future growth of the organization.

Trend in balance of cash & deposits and equity ratio



Ratio of revenue from stock business

95% of consolidated net sales consists of stock business



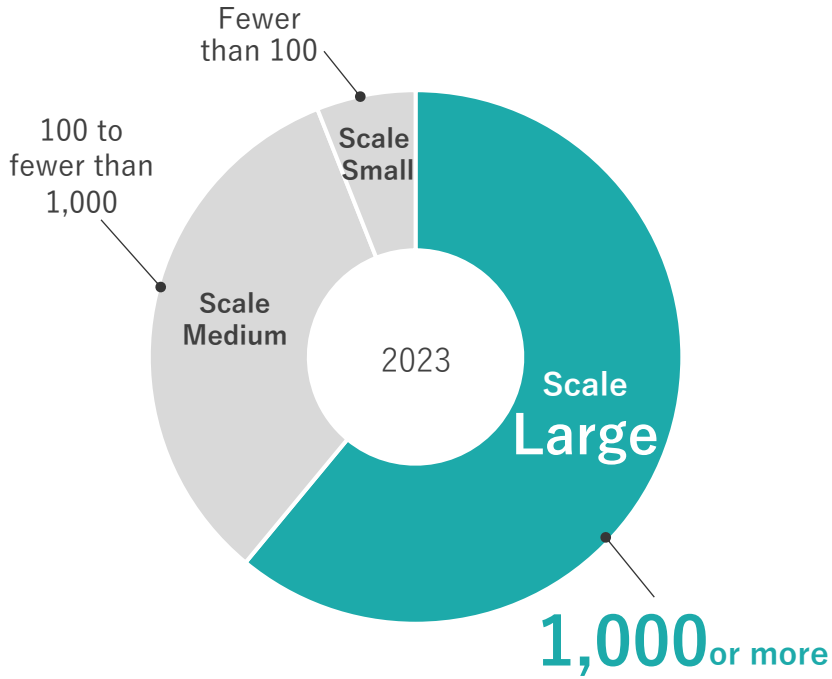
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2 Management resources

Strong customer base

More than 6,700 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
SUSHIZANMAI
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.
"Delivering the Optimal Solution for Hybrid Work: Market Outlook for Collaboration and Mobile Management Software, 2023 Edition (https://mic-r.co.jp/mr/02880/)"

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2 Management resources

Diverse and flexible organization

By building a diverse organization and promoting flexible work styles, we have fostered a culture that actively takes on challenges. Recognized for 4 consecutive years in the Best Workplaces(1) rankings, recipient of Stress Free Company(2) award for 3 consecutive years.

Diverse organization and flexible work styles(3)

Male-to-female ratio

6:4

Percentage of foreign national employees

7%

Percentage taking childcare leave

100%

Average hours worked outside regular hours

4.5 hours

Certifications from external organizations

Best Workplaces Certified for four consecutive years

Great Place To Work® Certified SEP 2023-SEP 2024 JAPAN™

Stress Free Company Awarded for three consecutive years

ストレスフリーカンパニー 2024

Notes:
1. A system whereby Great Place to Work® Institute Japan performs awareness surveys of employees in accordance with global standards, and certifies those that exceed a certain level as Best Workplaces companies.
2. A system whereby HRDataLab Inc. uses the results of a stress check based on the “The Brief Job Stress Questionnaire” recommended by the Ministry of Health, Labour and Welfare to award Stress Free Company status to corporations.
3. All indicators are based on actual figures for the parent company on a standalone basis as of June 30, 2024, rounded to the nearest whole number. As of June 30, 2024, the total number of employees at the consolidated level was 157, of which the percentage of foreign nationals is approximately 23.0%.

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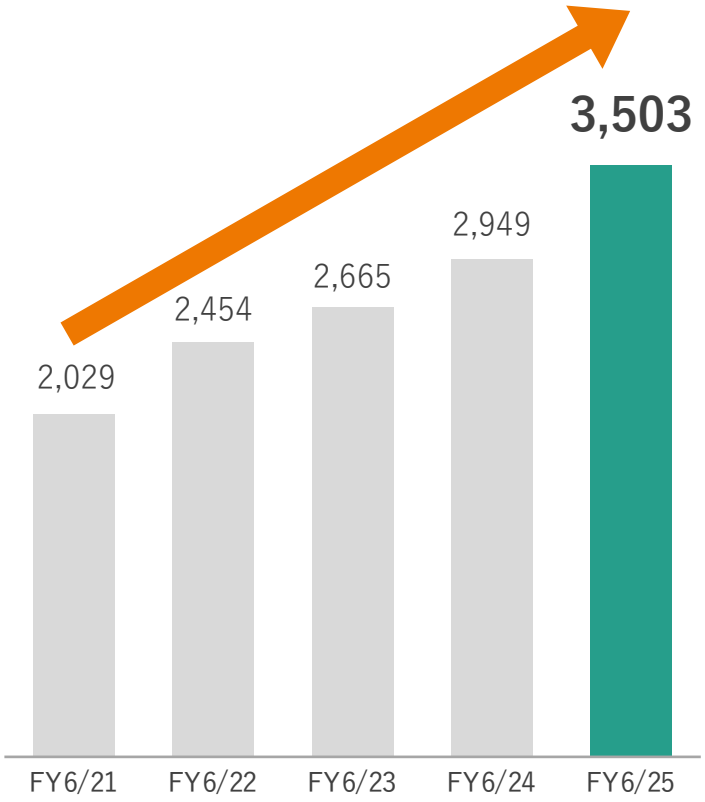
4. Financial Results

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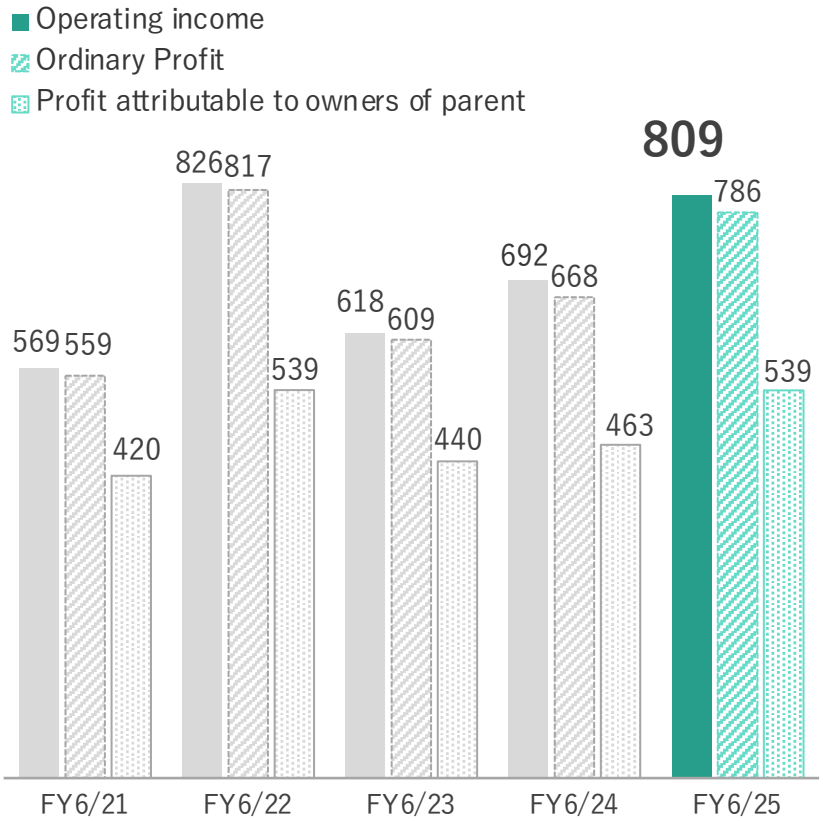
Forecast of consolidated financial results for FY6/25

Net sales are expected to be 3,503 million yen (CAGR 14.6%) and operating income 809 million yen (CAGR 9.2%).

Change in net sales (millions of yen)



Change in profits (millions of yen)



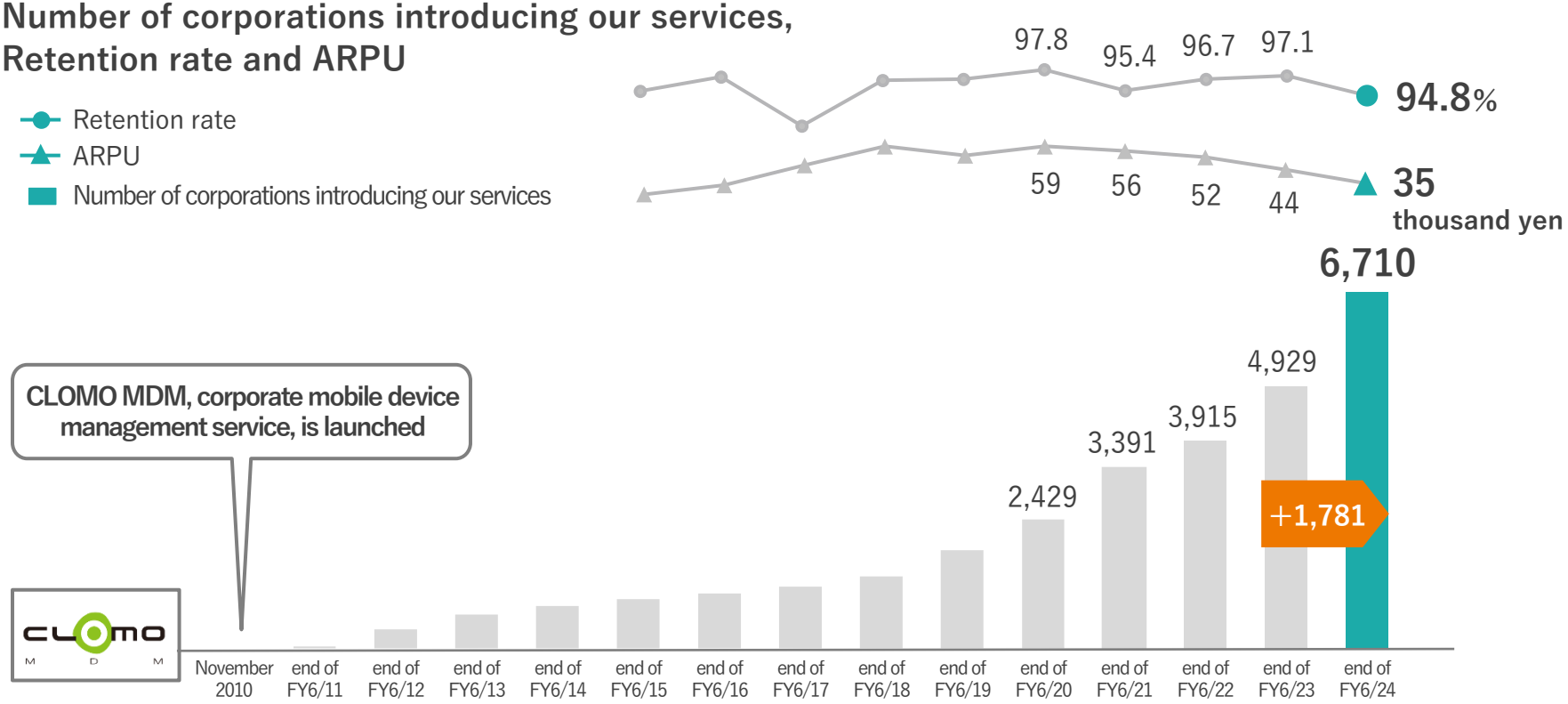
※Because the Company transitioned to consolidated settlement of accounts from FY6/22, non-consolidated accounts are presented up to FY6/21, and consolidated accounts from FY6/22.

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CLOMO business KPI　Number of corporations introducing our services/Retention rate/ARPU

As a result of progress made in measures to expand the customer base, the number of companies introducing our products has increased significantly, although the downward trend in ARPU(1) continues.
Following the expiry of certain time-limited major projects the retention rate(2) has dipped temporarily, but is in line with plans.

Number of corporations introducing our services, Retention rate and ARPU



Notes：
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. 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.

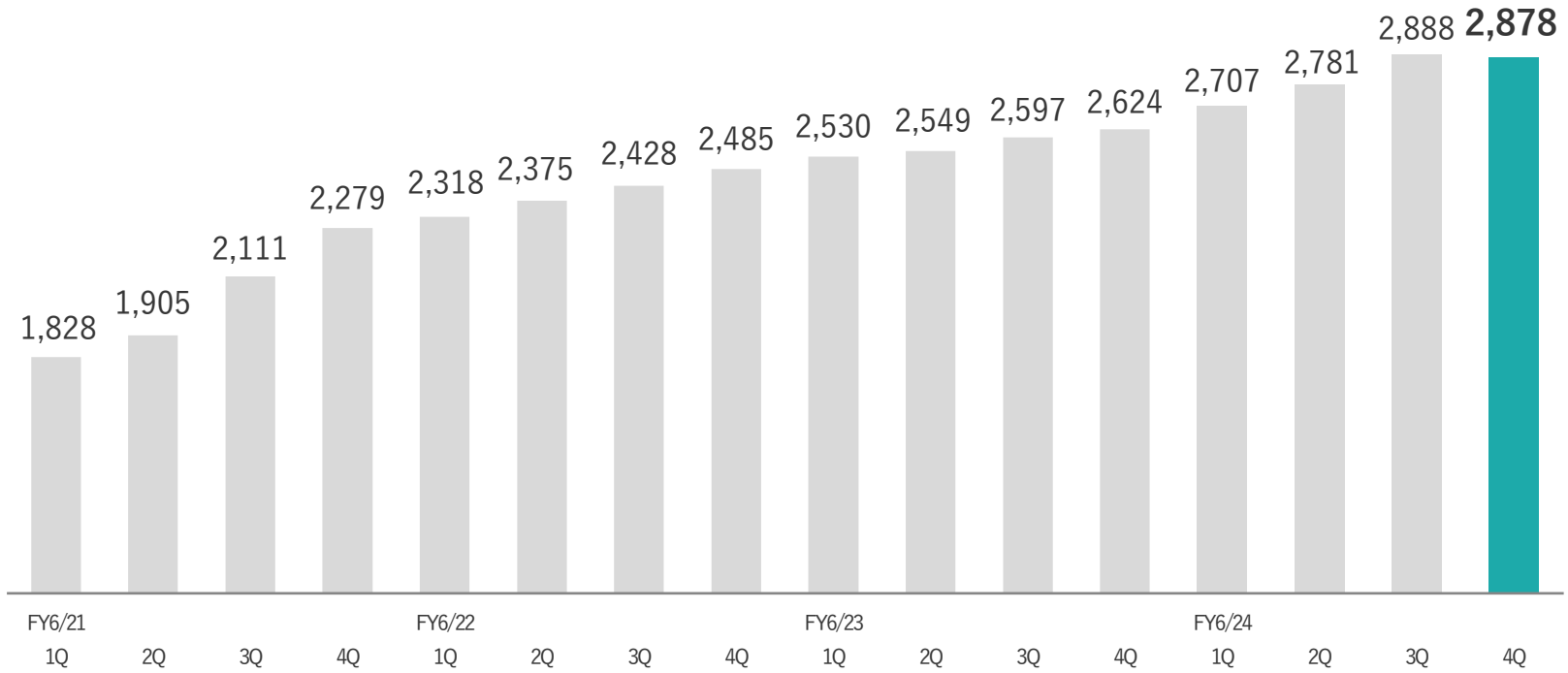
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CLOMO business KPI　ARR

ARR(1) , which is the main KPI for the subscription business, declined slightly over the most recent 3Q due to the expiry of contracts for time-limited projects, but is performing strongly against the background of the expansion in the customer base, achieving growth of 9.7% year on year.

ARR trends as of the end of each quarter

(millions of yen)



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.

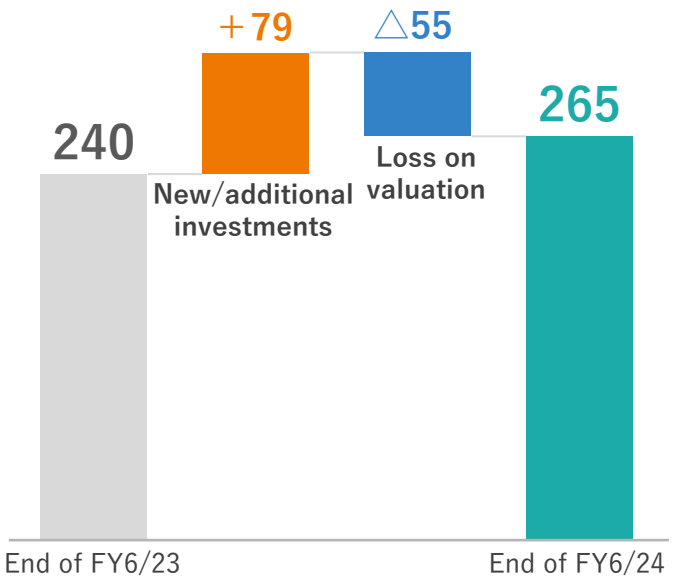
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Investment activities

Promoting startup investments through subsidiary i Cubed Ventures, Inc.
In FY6/24, investments were made in two new companies, bringing the total number of investors to seven.

Breakdown of change in operational investment securities(1)

(millions of yen)



New investments in FY6/24

- **Japan Wind Tunnel Manufacturing Inc.**

Fudo 日本風洞製作所 JAPAN WIND TUNNEL MANUFACTURING Inc.

Development and provision of fluid equipment such as wind tunnel test equipment, wind power generation equipment, and hydro power generation equipment

- **Space Shift Inc.**

SPACE SHIFT

Sale of analytical data derived from image data recorded by SAR satellites that do not require sunlight

Note:
1. Our consolidated equity of the total amount managed by our consolidated subsidiary, i Cubed-1 Investment Limited Partnership.

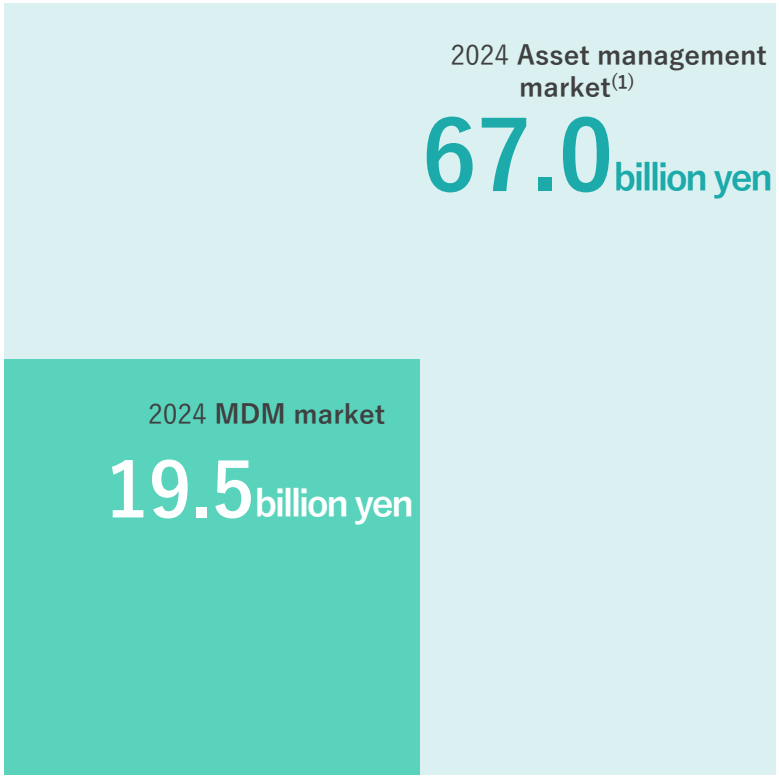
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5. Market Environment

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Markets targeted by the CLOMO Business

The size of the mainstay MDM market is 19.5 billion yen.
The size of the market that we are targeting is 67.0 billion yen overall, so the potential for the CLOMO Business is significant.



Market Growth Factors

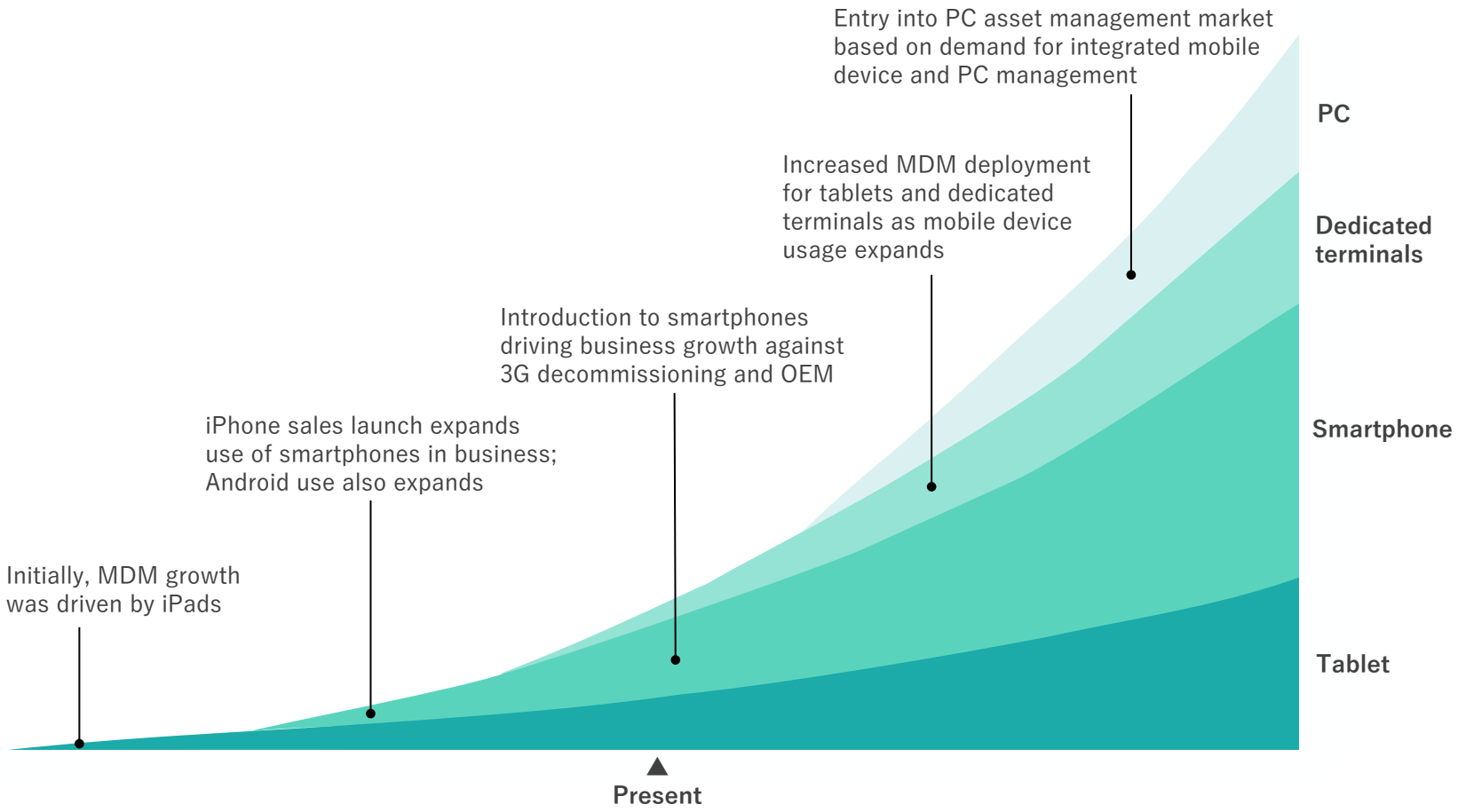
- Switch to smartphones accelerating ahead of decommissioning of 3G increase opportunity to introduce MDM.
- DX leading to increase in deployments of mobile devices at medical, manufacturing, and logistics sites, resulting in expansion of devices to be managed
- Shift to SaaS for PC asset management 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

Note:
1. This figure is the sum of the 2024 market size forecast for the MDM market and for the PC asset management market. For details on the market size of each market, please refer to the following pages.

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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.

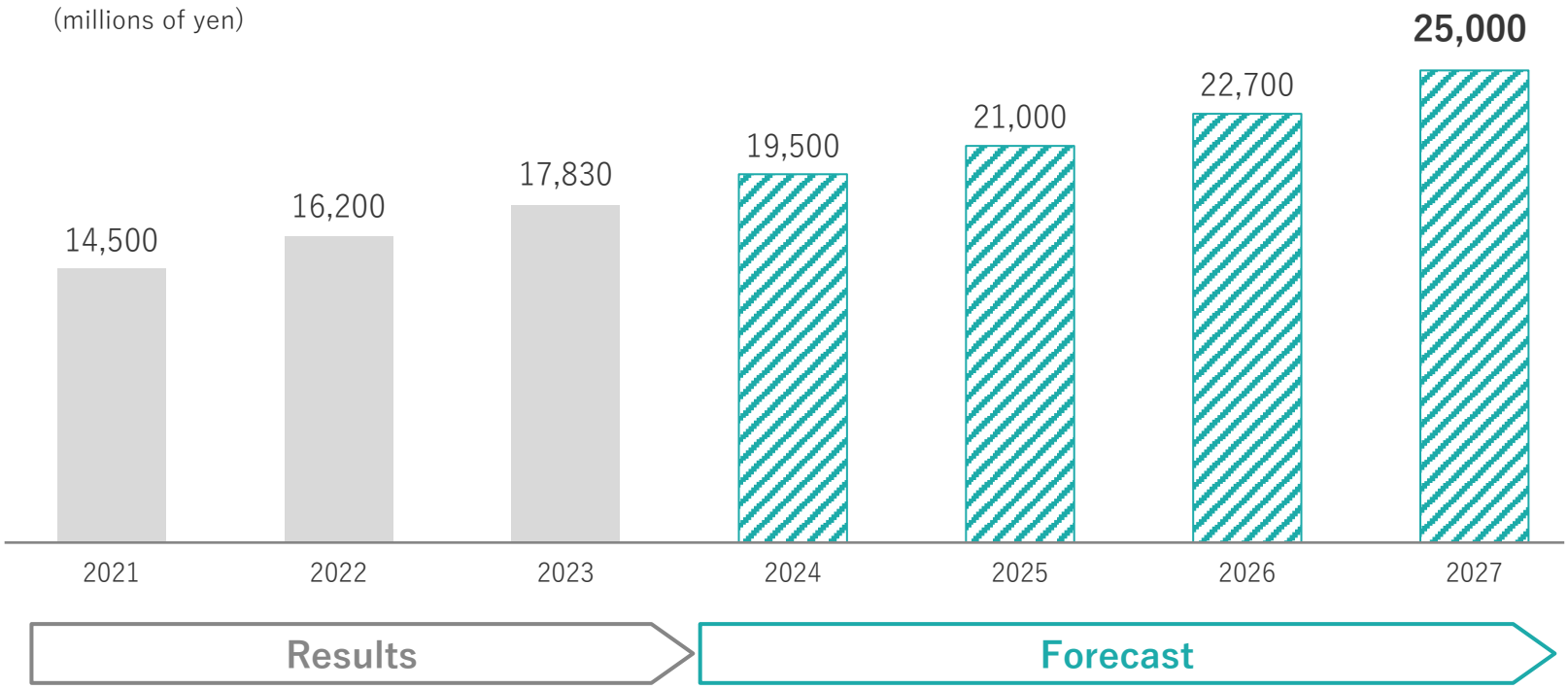


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MDM market size forecasts (shipment value)

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

It is expected to expand to a size of 25.0 billion yen by 2027



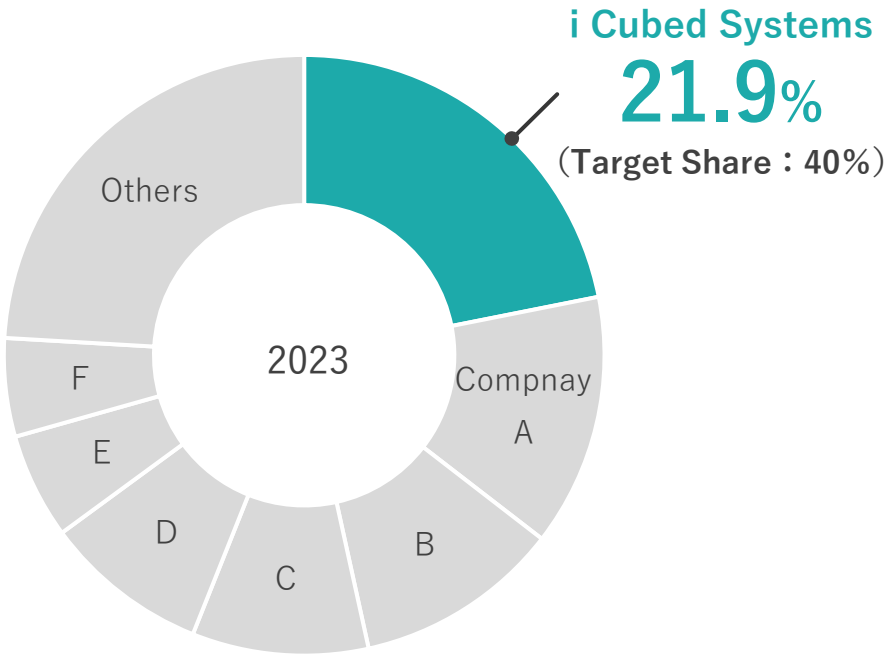
Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd.
"Delivering the Optimal Solution for Hybrid Work: Market Outlook for Collaboration and Mobile Management Software, 2023 Edition (https://mic-r.co.jp/mr/02880/)"

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Share of domestic MDM market (own brand)

Achieved the No.1 share of domestic MDM market (own brand) for 13 consecutive years.
Aiming to achieve future target share of 40%.

MDM share by own-brand shipment value



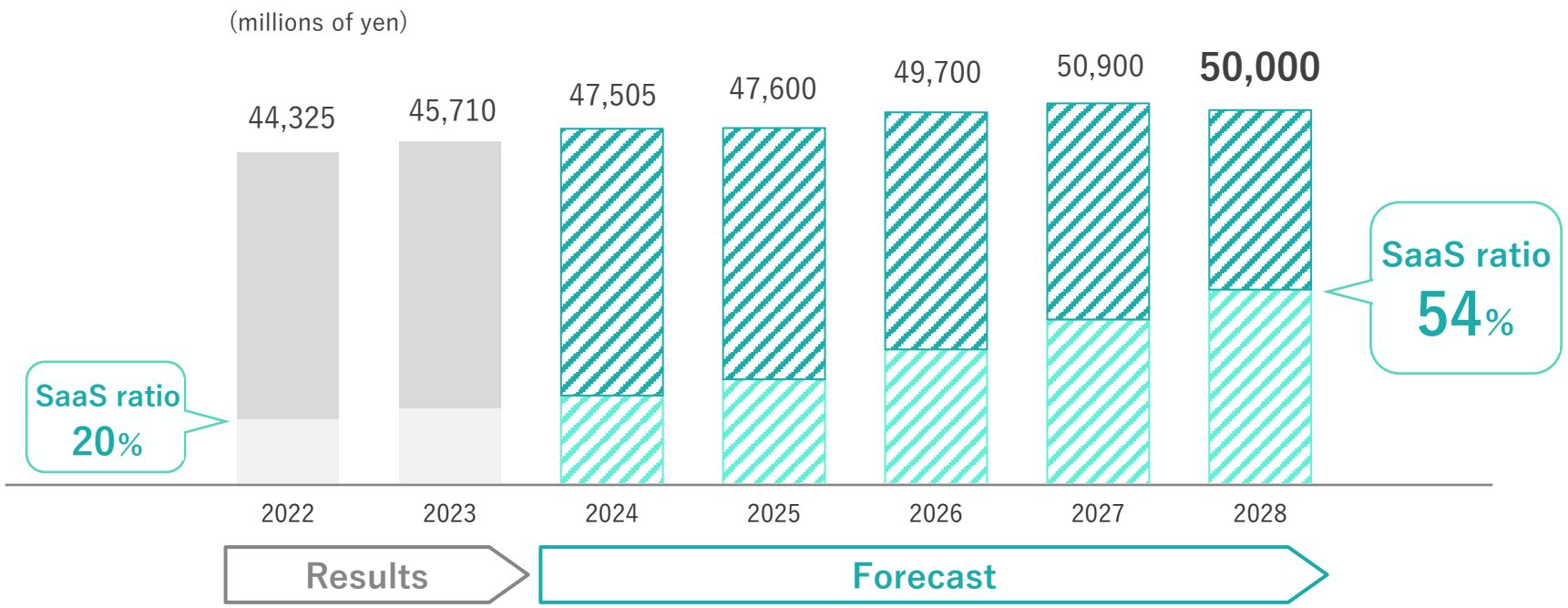
Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. “MDM own brand market (MIC IT Report Dec 2023 issue: https://mic-r.co.jp/micit/2023/)”
※The shipment amount share applies only to own branded products and does not include the shipment amounts from OEM.

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PC asset management market size forecasts (shipment value)

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.

SaaS ratio is expected to grow to 54% by 2028



Source: Techno Systems Research Co., Ltd. “2024 Endpoint Management Market Marketing Analysis”

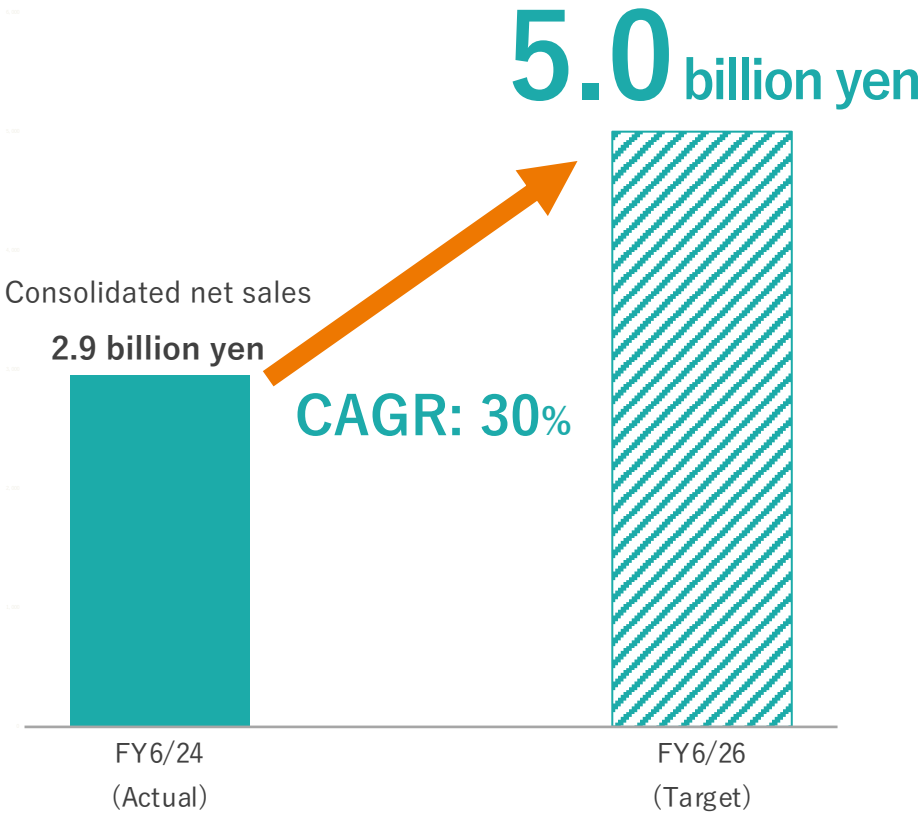
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6. Business Plan and Growth Strategy

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Growth strategy and medium-term sales targets (FY2024-2026)

Utilizing internal resources and M&A, we will focus most of our efforts on growing the top line of the CLOMO Business and creating new businesses.
We will work to build a foundation for the sustainable growth of the 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 enter new areas, targeting a wide range of fields, including IT. In addition to utilizing external resources such as M&A, we are aiming to commercialize ideas generated in-house, and set up a specialist department in July 2024.

- **Promotion of the Investment Business**

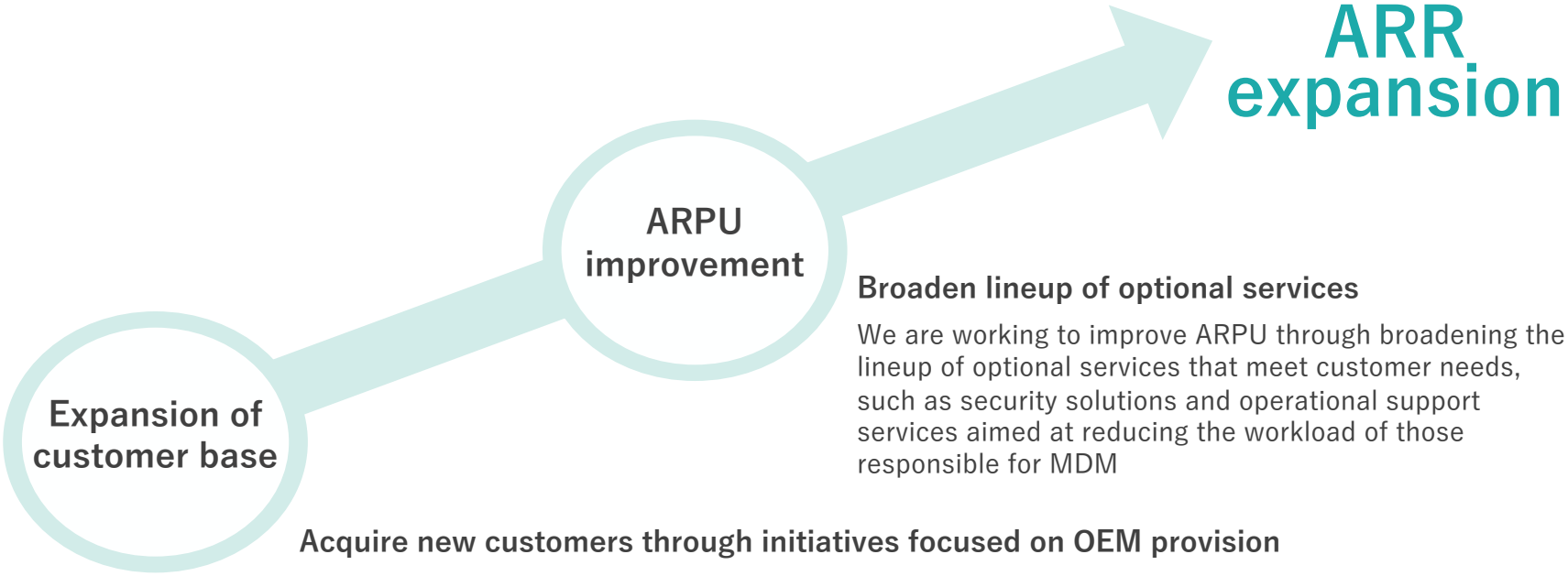
  We will continue to move forward with startup investments through the Group's CVC fund (around 1.0 billion yen).

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Promoting measures to maximize ARR

Our policy in FY6/25 will be to continuously implement measures to increase ARR against the background of the steady expansion of the customer base.
We aim to achieve improvements in ARPU through cross-selling proposals that utilize the customer base, leading to growth in the CLOMO Business as a whole.

Measures to expand CLOMO Business ARR



Broaden lineup of optional services

We are working to improve ARPU through broadening the lineup of optional services that meet customer needs, such as security solutions and operational support services aimed at reducing the workload of those responsible for MDM

Acquire new customers through initiatives focused on OEM provision

In addition to working to further expand the customer base by growing services provided on an OEM basis, we will leverage the advantages of ISMAP registration to actively approach governmental and administrative agencies

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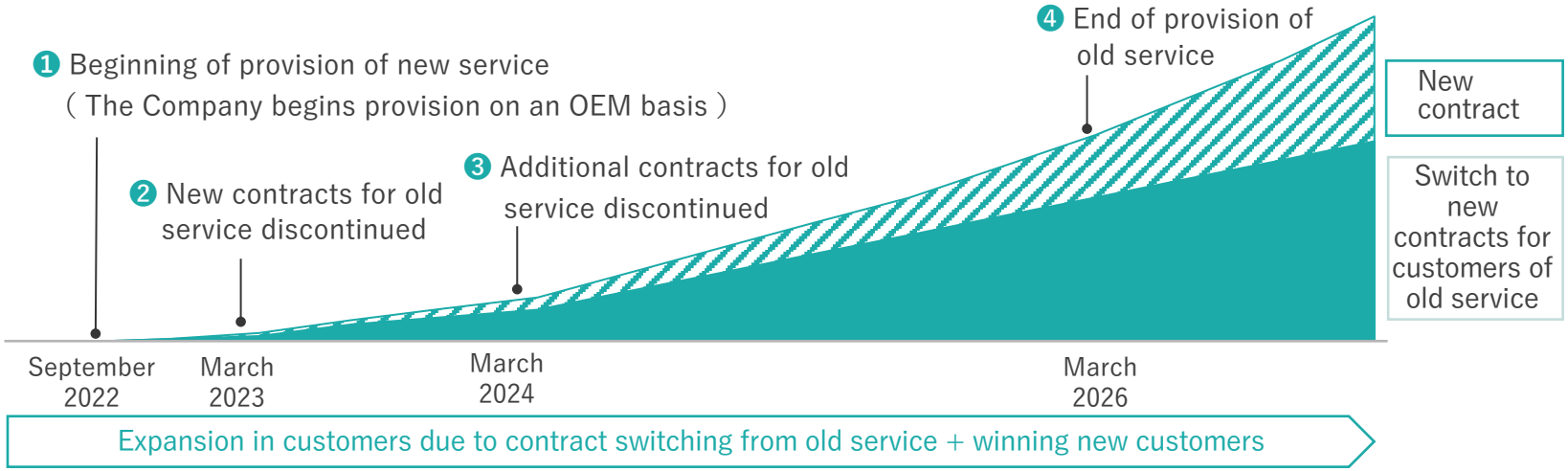
Expansion of customer base

Medium- to long-term customer expansion through OEM

Customer expansion based on OEM provision is expected to accelerate up to March 2026, and we are encouraging this switch with a variety of measures. Furthermore, we will open up new customers via sales offices by strengthening our cooperation with NTT DOCOMO Group.

Increase in customers driven by OEM sales (for illustrative purposes)

1. Following the renewal of MDM services provided by NTT DOCOMO Group (the “old service”), the Company began providing a new service called Anshin Manager NEXT (the “new service”) on an OEM basis
2. Acceptance of new contracts for the old service was discontinued in March 2023, leading to the beginning of full-fledged acquisition of new contracts for the new service
3. Acceptance of additional contracts for the old service was discontinued in March 2024, leading to accelerating migration to the new service
4. We will encourage customers of the old service to switch to the new service by the end of provision of the old service in March 2026



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ARPU improvement

Cross-selling tailored to customer needs

By promoting measures to increase the number of optional services we will achieve a service lineup tailored to customer needs. While moving ahead with incremental development of collaborative functions, we will focus on cross-selling to new and existing customers to improve ARPU.

Security measures

NEW
secured by Deep Instinct



Use AI to protect against not only known threats but also unknown threats

secured by Cybertrust



Easily achieve robust device authorization by digital certificates for devices

secured by One Be



Restrict the area in which Windows devices may be used, and detect unauthorized removal

NEW
Harmony Mobile



Provides comprehensive protection for mobile devices from a variety of cyber attacks

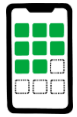
Enhanced functionality

MOBILE APP PORTAL



Distribute apps to devices, build in-house app portals

Launcher



Create home screen displaying only the necessary apps for each application

NEW
Team Viewer Remote



Remote access tool for accessing devices in remote locations

Operational support

NEW
Onboarding Service



Consistent support from initial settings to launch of operations

NEW
Kitting Service



MDM professionals perform kitting work for administrators

Support tickets



Reducing the burden on administrators and supporting smooth deployment and operations

Proxy operation service



MDM professionals manage operations for administrators

Remote operation services



Respond to lost devices 24/365

※Services labelled NEW are those that were launched in FY6/23 or later.

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Progress of growing strategy for CLOMO business

By implementing various measures based on the growth strategy, business progress is generally on track with the plans. In particular, Customer base continues to expand steadily, driving sales growth in the CLOMO business.

Category	Growing Strategy	Notable progress
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	・Growth in the number of customers accelerated by sales provided on an OEM basis ・Promoting measures to strengthen cooperation with existing sales partners, such as sales support activities and product study sessions(1)
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	・Actively promoting two new optional services, which have been launched in FY6/24, cross-selling proposals to both new and existing customers(1)
Service value improvement	・Improve reliability of CLOMO services by acquiring ISMAP certification in FY6/24 ・Develop collaborative functions with other companies’ products ・Investigate and develop additional functions to enter PC asset management market ・Facilitate development and support activities by strengthening collaboration with OS partners	・In February 2024, CLOMO services have acquired ISMAP certification(1) ・ Releasing collaborative functions to use with CLOMO MDM for ”Team Viewer”, which has just been launched as a new optional service ・Continuing to make progress on other strategic initiatives

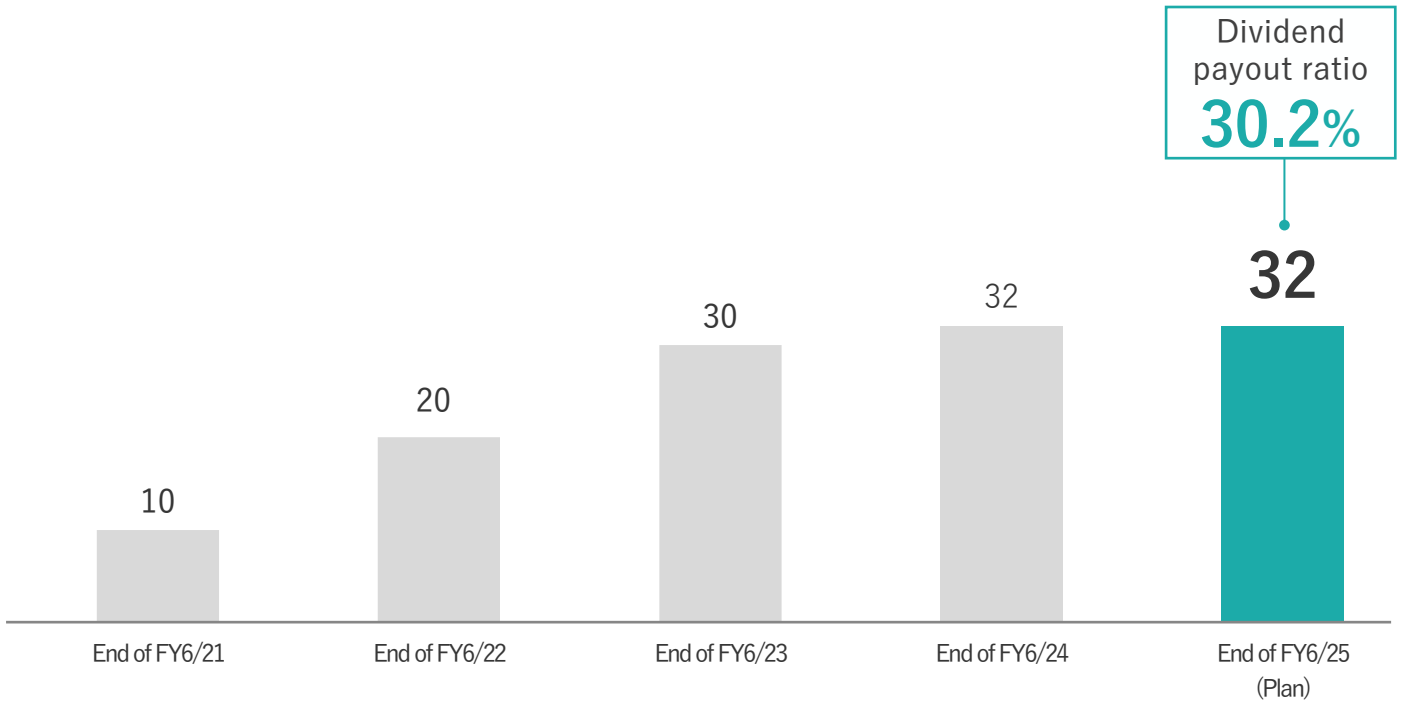
Note:
1. The progress of the growth strategy described is described in the "Fiscal Year Ended June 30, 2024 Explanatory Material on Financial Statements" disclosed on August 14, 2024 and others.

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Shareholder return policy

We are maintaining our policy of actively returning profits to shareholders who have high expectations for our company's medium- to long-term growth, and plan for the year-end dividend for FY6/25 to be unchanged from the previous year's level of 32 yen.

Dividends over time (yen)



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7. Risk information

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Risk to be Recognized and measures

Key risks recognized as having the potential to have a significant impact on our business and response measures.

Issues	Major risks	Risk response measures
Market trends and primary business, change of business environment	CLOMO business depends on domestic and overseas economic conditions and trends at client companies and in addition, the evolution of technology is remarkable, and customer needs are diversifying, so if the response to these is delayed, it may affect our financial condition and business results.	We provide customer support directly to end users, and by promptly reflecting the customer needs obtained thereby in product development with high technology, we are working to provide services that adapt to the changing times.
Dependence on specific business partners	If a good relationship is damaged due to an unexpected change in the sales policy of the customer or a serious defect caused by the Company, it may affect our financial condition and business results.	We have a good relationship with our customers while maintaining close cooperation with them, and our relationships are stable. Through customer success activities, we are working to reduce the impact of risks by building close relationships with end users.
Dependence on specific businesses	If the growth of the mobile device management (MDM) market in which the CLOMO Business operates does not progress as expected, or if we cannot respond appropriately to changes in the business environment, it may affect our financial condition and business results.	It is our policy to develop new businesses in order to diversify its sources of revenue, and we will move ahead with initiatives to build an alternative revenue base.

※All of the above risks have a reasonable likelihood of materializing, and we recognize that the timing of materialization is medium to long term.
For other risks, please refer to “Business Risks” in the securities report.

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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.

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

- The next disclosure of " Explanatory Materials regarding Business Plan and Growth Potential " is scheduled for September 2025.

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