

Third Quarter of Fiscal Year ending June 30, 2021 Supplementary Material on Financial Statements

May 12, 2021



i3 Systems, Inc.

TSE Mothers : 4495

Table of Contents

1. Revisions to Results Forecasts for the Fiscal Year ending June 30, 2021	P.03
2. Financial Results for 3rd Quarter of Fiscal Year ending June 30, 2021	P.06
3. Reference Materials	P.13

1. Revisions to Results Forecasts for the Fiscal Year Ending June 30, 2021

Revisions to Results Forecasts for the Fiscal Year Ending June 30, 2021

Net sales increased by 23.4% YoY, to 2,025 million yen,
and operating income increased by 29.3% YoY, to 532 million yen

(Unit: million yen)	① Full-year results forecast for FY6/21 (Announced at the beginning of the fiscal year)	② Full-year results forecast for FY6/21 (Announced this time)	Rate of Change (②－①)	Progress rate in 3Q of FY6/21
Net sales	2,004 (+22.1%)	2,025 (+23.4%)	+ 1.0%	71.7%
Operating income	450 (+9.3%)	532 (+29.3%)	+ 18.2%	73.4%
Ordinary profit	430 (+7.2%)	522 (+30.1%)	+ 21.4%	72.9%
Net income	281 (△11.4%)	387 (+21.8%)	+ 37.7%	68.2%
Net income per share	54.42 yen	74.45 yen		

* Figures in the parentheses indicate year-on-year rate of change.

Reasons for the revisions to the full-year results forecasts for the fiscal year ending June 30, 2021

① Increase in net sales due to the introduction of telework and improvements in the security environment

Triggered by the explosive spread of COVID-19, corporations' introduction of telework together with the security and other measures associated with that introduction have been expanding more rapidly than expected at the beginning of the fiscal year, so that the pace of increase in the number of corporations having introduced our service accelerated. As a result, full-year net sales are expected to exceed the initial forecast.

The number of corporations having introduced our service amounted to 3,131, and net increase in the number of these corporations was 702 (40.4% YoY) as of the end of 3Q of the current fiscal year.

For the above reason, the net sales forecast was revised.

② Reduction of expenses due to COVID-19 pandemic and decrease in tax expenses

Because sales activities have been handled remotely, selling, general and administrative expenses are decreasing, so that operating income is expected to exceed the initial forecast. In addition, as a result of carefully examining the collectability of deferred tax assets, the amount posted for deferred tax assets is expected to increase while income taxes-deferred is to be decreased. Consequently, the amount of income taxes is expected to decrease.

For this reason, the forecast for operating income and following profit at each level was revised.

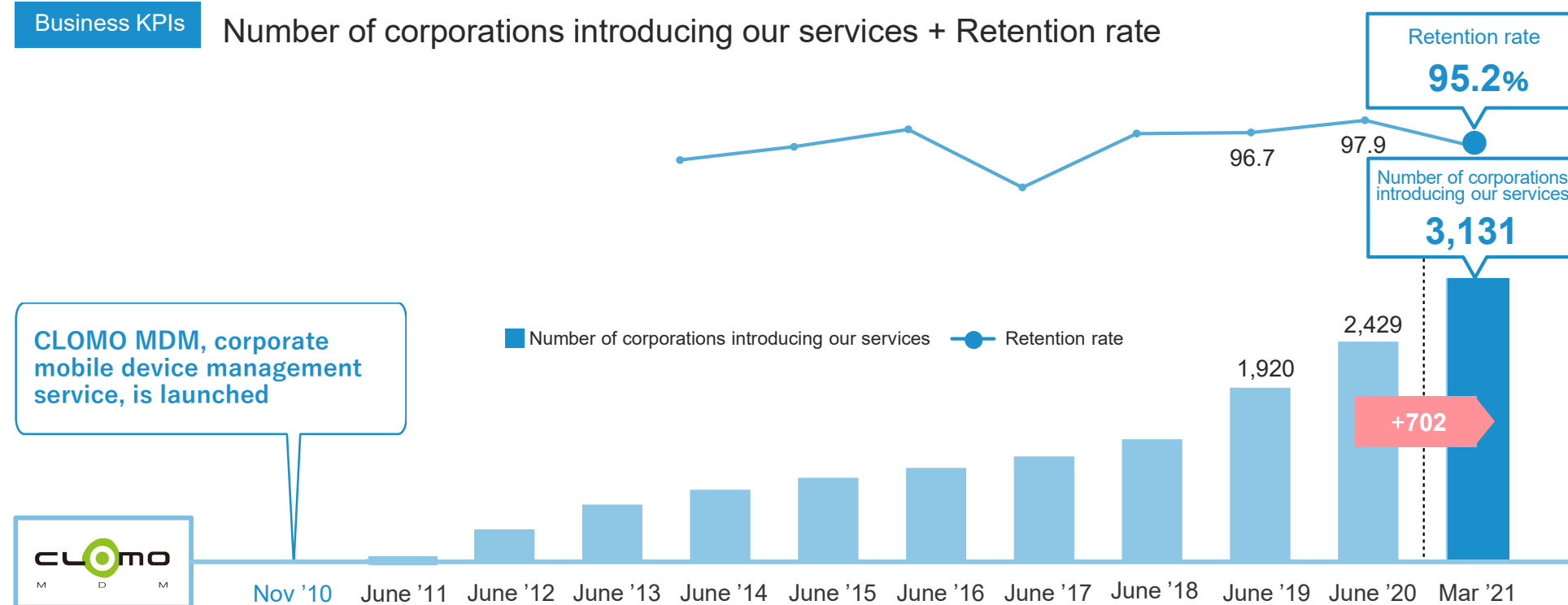
2. Financial Results for 3rd Quarter of Fiscal Year ending June 30, 2021

Key indicators

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

Delivered value Increase in user productivity and security

Business KPIs Number of corporations introducing our services + Retention rate



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

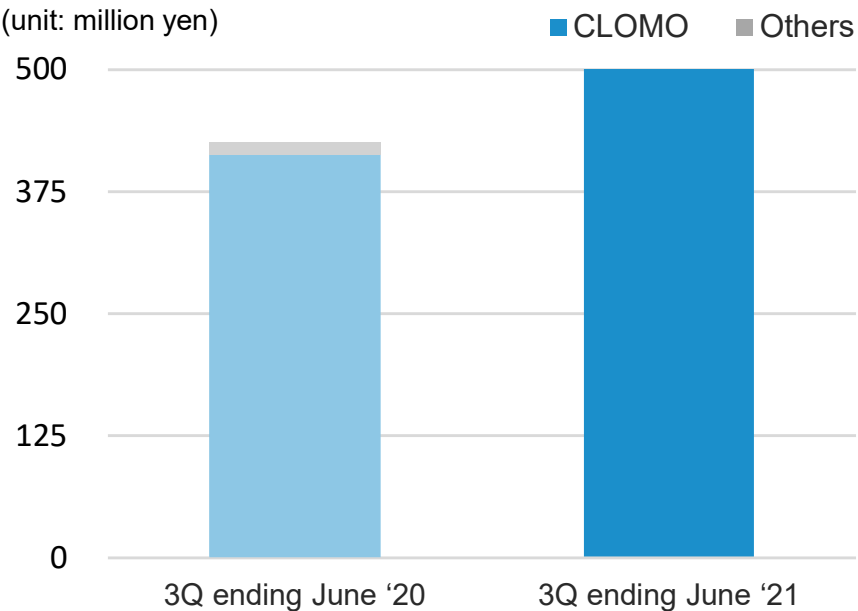
*Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

Net sales and operating income for 3rd quarter of fiscal year ending June 30, 2021

Regarding results for 3rd quarter (January ~ March),
net sales increased by 21.1% YoY, and operating income decreased by 2.5% YoY

Net sales

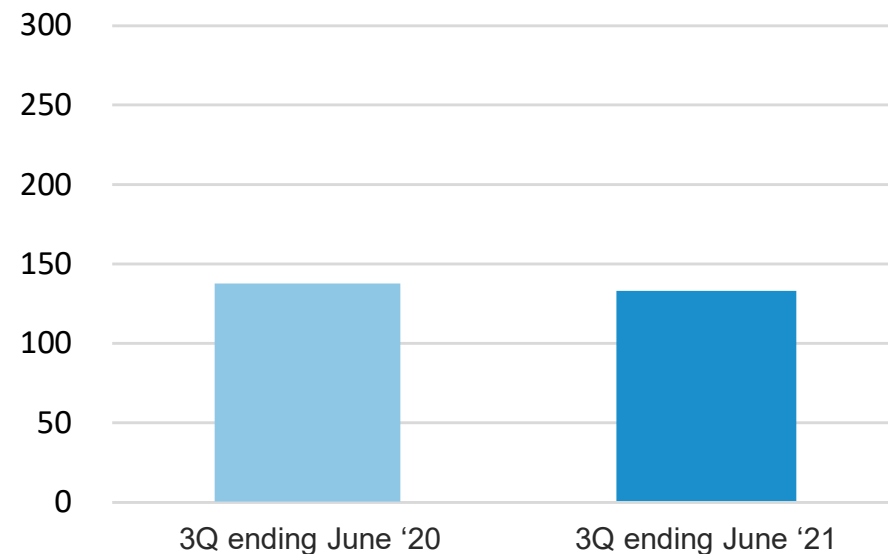
(unit: million yen)



3Q ending June '20	3Q ending June '21	Year-on-year
425 million yen	515 million yen	121.1% (+89 million yen)

Net income

(unit: million yen)



3Q ending June '20	3Q ending June '21	Year-on-year
136 million yen	133 million yen	97.5% (Δ3 million yen)

Income statement for 3rd quarter of fiscal year ending June 30, 2021

(units: million yen)	3Q ending June '20 (Composition rate)	3Q ending June '21 (Composition rate)	Rate of change
Net sales	425 (100.0%)	515 (100.0%)	+ 21.1%
CLOMO business	414 (97.3%)	① 510 (99.2%)	+ 23.4%
Other businesses	11 (2.7%)	4 (0.8%)	△62.3%
Cost of sales	81 (19.1%)	122 (23.8%)	+ 51.2%
Depreciation expenses	9 (2.2%)	② 36 (7.0%)	+ 287.2%
Manufacturing costs	46 (10.9%)	70 (13.7%)	+ 51.5%
Others	25 (5.9%)	15 (3.1%)	△36.8%
Gross profit	344 (80.9%)	392 (76.2%)	+ 14.0%
Selling, general and administrative expenses	207 (48.7%)	③ 258 (50.3%)	+ 24.8%
Labor expenses, etc.	138 (32.6%)	172 (33.5%)	+ 24.4%
Others	68 (16.1%)	86 (16.7%)	+ 25.7%
Operating income	136 (32.2%)	133 (25.9%)	△2.5%
Ordinary profit	130 (30.8%)	133 (25.9%)	+ 2.0%
Corporate income taxes	15 (3.7%)	40 (8.0%)	+ 158.7%
Net income	115 (27.1%)	92 (18.0%)	△19.5%

① Sales in the CLOMO business, our core business, increased +23.4%.

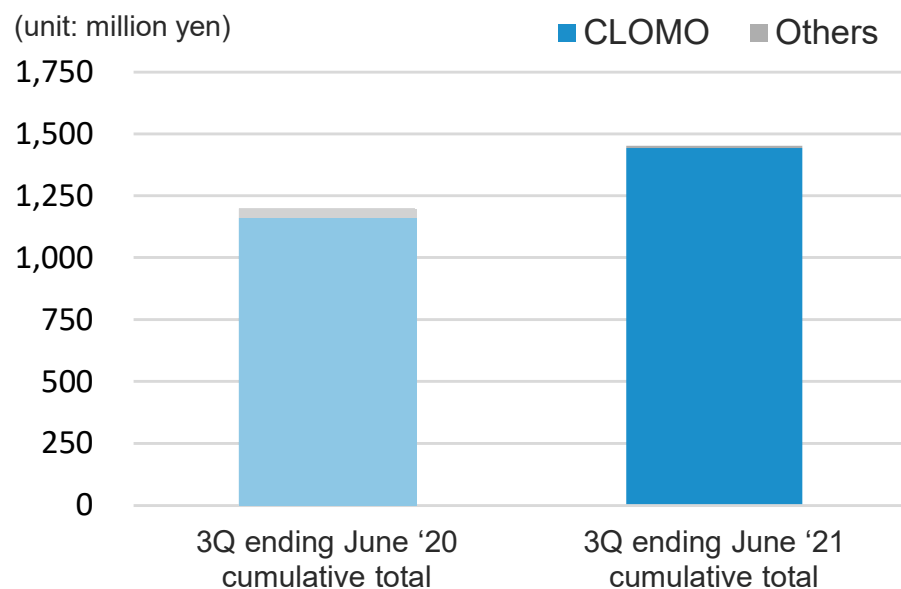
② The increase in cost of sales was due to an increase in depreciation expenses of the current fiscal year, mainly affected by the timing of the release of software products. The Company depreciates software over one year, and depreciation expenses are expected to decrease toward 4Q of the current fiscal year.

③ The increase in selling, general and administrative expenses is primarily attributable to an increase in recruiting expenses and personnel expenses due to a rise in the number of personnel, as the Company has made proactive investments to strengthen its organization.

Cumulative net sales and operating income for 3rd quarter of the fiscal year ending June 30, 2021

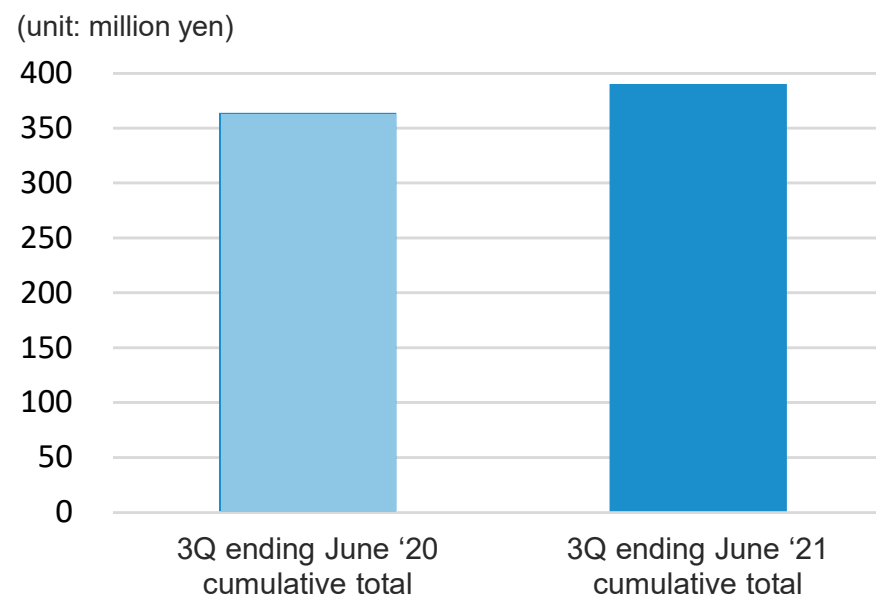
Regarding the cumulative results for the 3rd quarter (July ~ March), net sales increased by 21.1% YoY, and operating income increased by 7.2% YoY

Net sales



3Q ending June '20 cumulative total	3Q ending June '21 cumulative total	Year-on-year
1,198 million yen	1,451 million yen	121.1% (+252 million yen)

Net income



3Q ending June '20 cumulative total	3Q ending June '21 cumulative total	Year-on-year
364 million yen	390 million yen	107.2% (+26 million yen)

Cumulative income statement for the 3rd quarter of the fiscal year ended June 30, 2021

(units: million yen)	3Q ending June '20 Cumulative total (Composition rate)	3Q ending June '21 Cumulative total (Composition rate)	Rate of change
Net sales	1,198 (100.0%)	1,451 (100.0%)	+ 21.1%
CLOMO business	1,159 (96.7%)	① 1,443 (99.4%)	+ 24.5%
Other businesses	39 (3.3%)	② 8 (0.6%)	△79.3%
Cost of sales	232 (19.4%)	350 (24.1%)	+ 51.0%
Depreciation expenses	23 (2.0%)	③ 115 (7.9%)	+ 382.9%
Manufacturing costs	128 (10.7%)	189 (13.0%)	+ 47.7%
Others	80 (6.7%)	46 (3.2%)	△42.4%
Gross profit	966 (80.6%)	1,101 (75.9%)	+ 13.9%
Selling, general and administrative expenses	602 (50.2%)	④ 710 (48.9%)	+ 17.9%
Labor expenses, etc.	397 (33.2%)	479 (33.0%)	+ 20.4%
Others	204 (17.0%)	231 (15.9%)	+ 13.2%
Operating income	364 (30.4%)	390 (26.9%)	+ 7.2%
Ordinary profit	357 (29.8%)	380 (26.2%)	+ 6.6%
Corporate income taxes	42 (3.6%)	116 (8.0%)	+ 172.1%
Net income	311 (26.0%)	⑤ 264 (18.2%)	△15.3%

① Sales in the CLOMO business, our core business, increased +24.5%.

② The decrease in other businesses was attributable to the quitting of contracted development and maintenance services.

③ The increase in cost of sales was due to an increase in depreciation expenses of the current fiscal year, mainly affected by the timing of the release of software products. The Company depreciates software over one year, and depreciation expenses are expected to decrease toward 4Q of the current fiscal year.

④ The increase in selling, general and administrative expenses is primarily attributable to an increase in recruiting expenses and personnel expenses due to a rise in the number of personnel, as the Company has made proactive investments to strengthen its organization.

⑤ The decrease in net income reflected an increase in income taxes in the current fiscal year because a loss carried forward was eliminated and thus income taxes were calculated based on the normal effective tax rate.

Balance sheet for 3rd quarter of fiscal year ending June 30, 2021

(units: million yen)	Term ending June '20	3Q ending June '21	Change
Current assets	1,091	2,046	+ 955
Cash and deposits	930	① 1,828	+ 898
Receivables	114	159	+ 45
Fixed assets	244	② 163	△81
Total assets	1,336	2,209	+ 873
Current Liabilities	618	627	+ 9
Unearned income	358	339	△19
Fixed liabilities	13	62	+ 49
Total liabilities	631	689	+ 58
Total net assets	704	1,519	+ 815
Total liabilities and net assets	1,336	2,209	+ 873

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

② The decrease in fixed assets was mainly due to depreciation of the Company's software.

3. Reference Materials

Company profile

Company name	i3 Systems, Inc.
Headquarters	4th Floor, Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka
Representative	President and CEO Tsutomu Sasaki
Founded in	September 2001
Capital	375,642,000 yen (As of March 31, 2021)
Number of employees	76 (As of March 31, 2021)
Business description	Develop businesses focusing on the provision of management services (management and operation services) for smartphones, tablets, computers, and other mobile devices
Location	<p>Fukuoka HQ : Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka</p> <p>Tokyo Office : Hamamatsucho DS Building, Hamamatsucho 1-27-16, Minato-ku, Tokyo</p> <p>Osaka Office : Servcorp Umeda Hilton Plaza West, 19th Floor, Hilton Plaza West Office Tower, Umeda 2-2-2, Kita-ku, Osaka-shi, Osaka (Started operating on March 2, 2020)</p>

Mission and Vision

Mission

Making IT More Accessible

With the founding concept of "Cube Innovation," i3 Systems continues to create services that lead to a chain of innovations.

Our services aim at bringing innovation to corporate activities, enriching people's lives, and making IT even more accessible.

Vision

A Solution Company that Brings Smiles

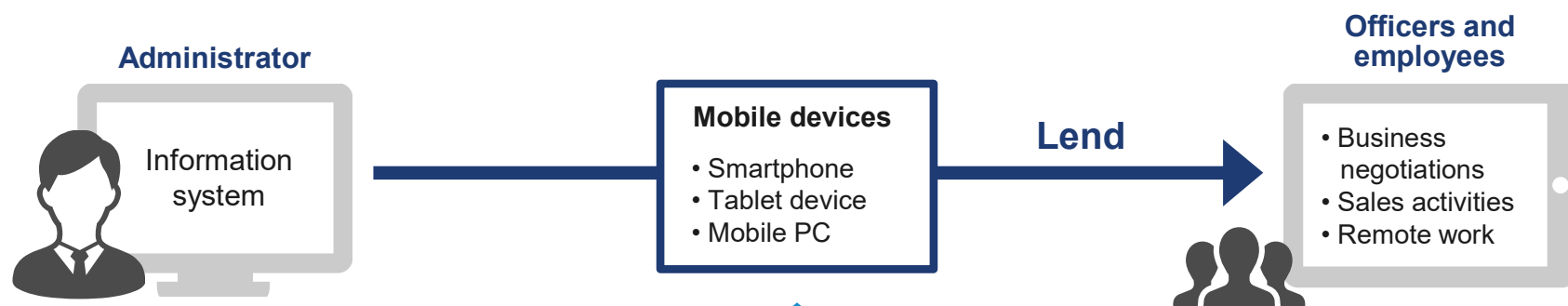
People smile when they are happy, having fun, feeling fulfilled, and filled with appreciation.



We contribute to the creation of new values for a better society and a future filled with smiles.

i3 Systems engages in sound and healthy services through the best technology and the highest level of engineering to provide solutions that bring smiles to everyone - our customers, our employees, and their families.

Overview of the CLOMO Business

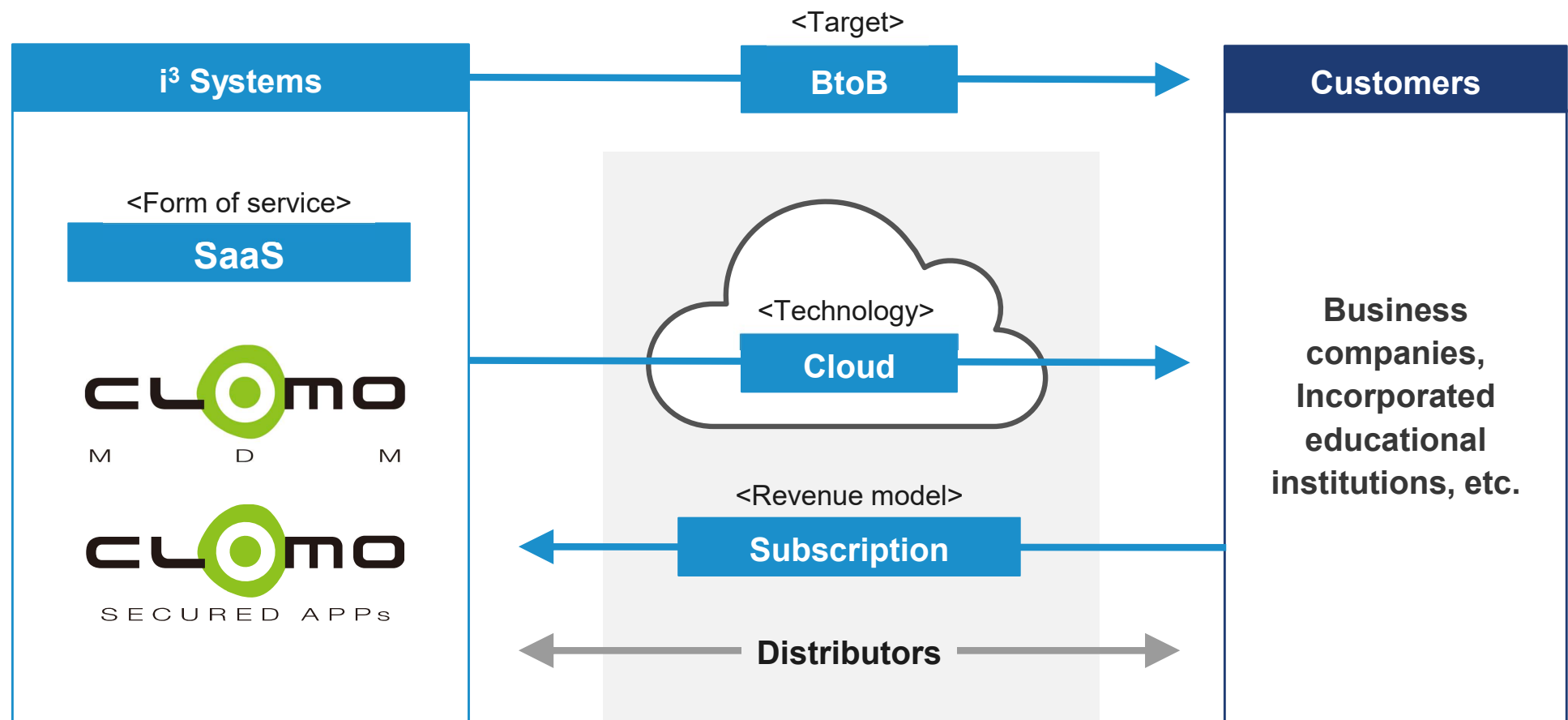
Two product lines to support user management and utilization



		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				

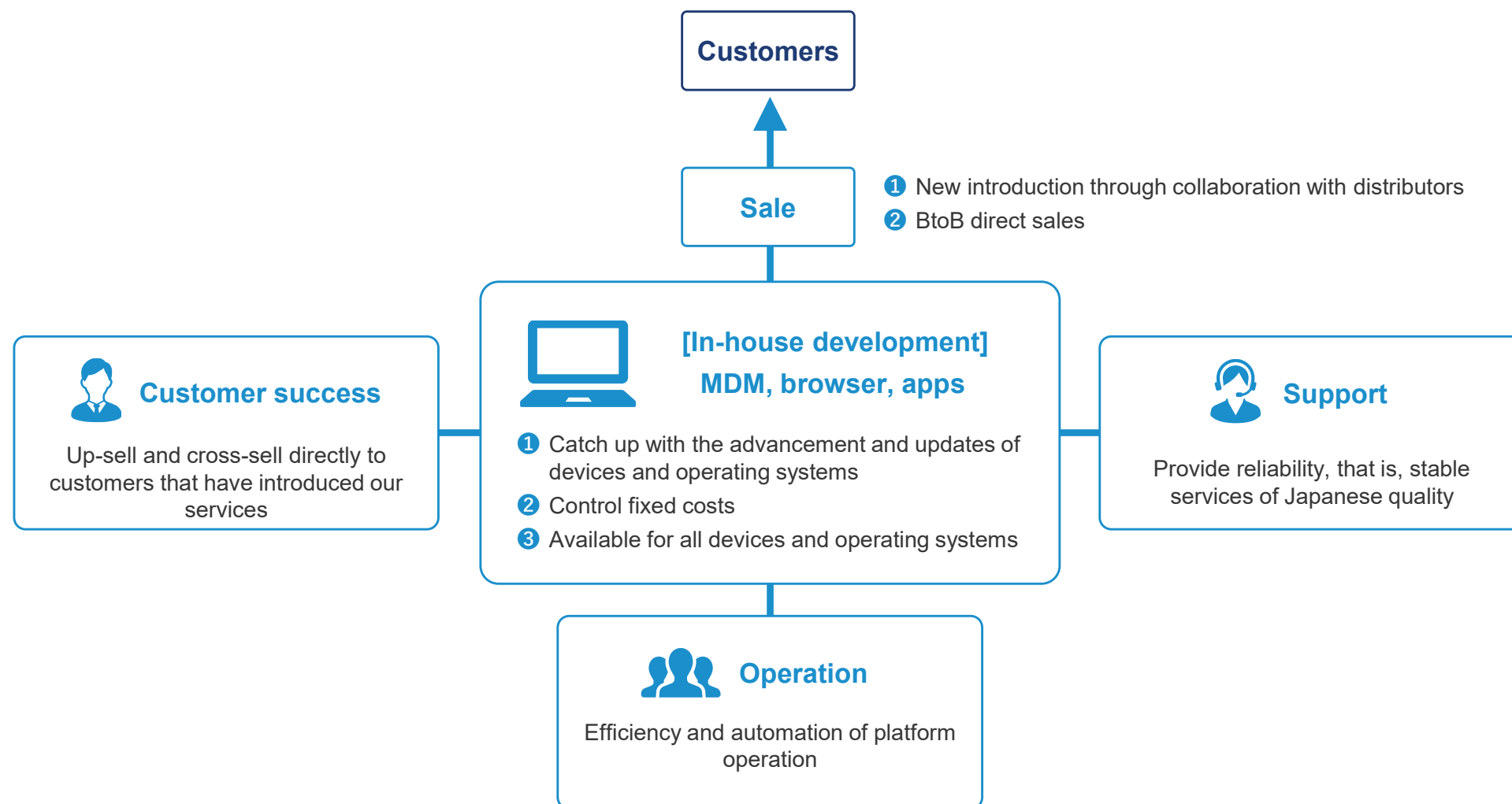
Characteristics as a business platform

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



Source of competitiveness

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



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.
- Any and all rights to any part of this document shall belong to the Company. No part of this document may be reproduced or transmitted in any case or by any means, whether electronic or mechanical, without permission.