

First Quarter of Fiscal Year ending June 30, 2022 Supplementary Material on Financial Statements

November 9, 2021



i³ Systems, Inc.

TSE Mothers : 4495

Table of Contents

1. Summary	P. 2
2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2022	P. 6
3. Reference Materials	P.13

1. Summary

Summary of 1Q of FY6/22

The rate of progress for the yearly forecast was 23.3% for net sales (22.6% for the same period of the previous year*) and 31.7% for operating income (24.6% for the same period of the previous year), showing steady progress over the previous year.



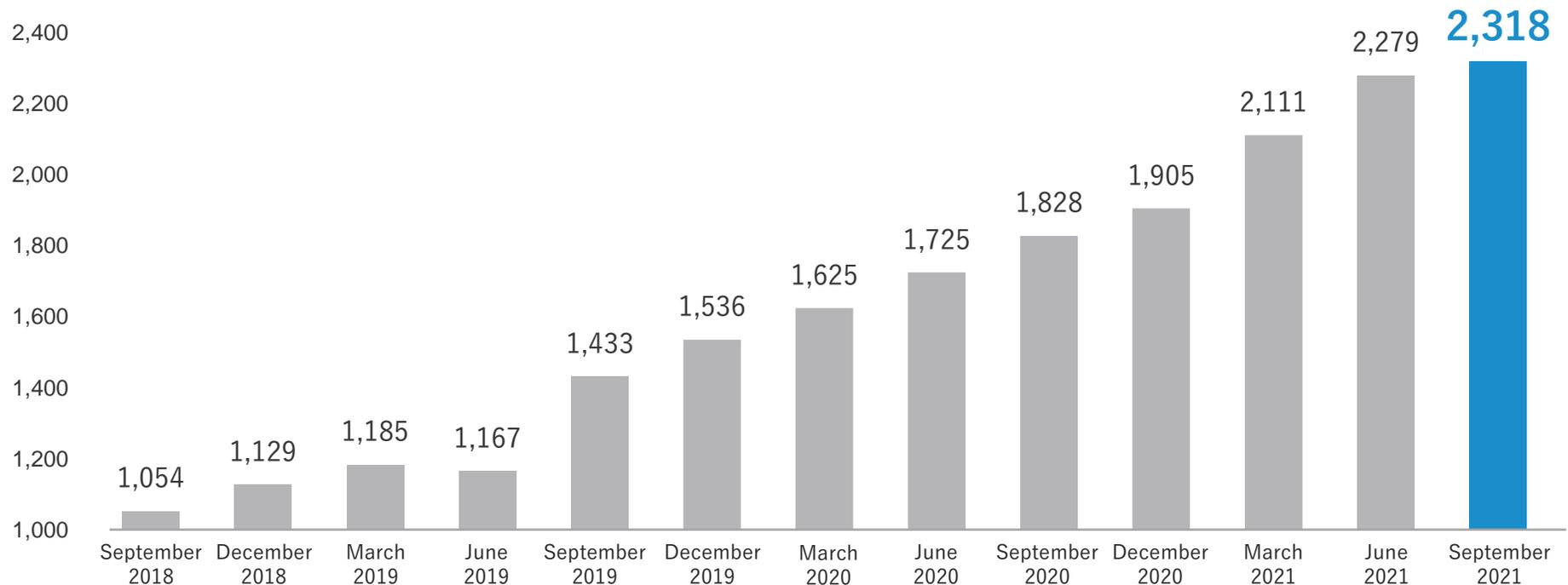
* Progress rate for the same period of the previous year: calculated by dividing the results for 1Q of FY6/21 by the full-year results for FY6/21.

Trend of ARR

ARR*, a key KPI for the subscription business, was 2,318 million yen. (up 26.8% YoY)
Although the increase was moderate from the end of the previous quarter due to seasonal factors, growth has been steady.

ARR trends as of the end of each quarter

(millions of yen)



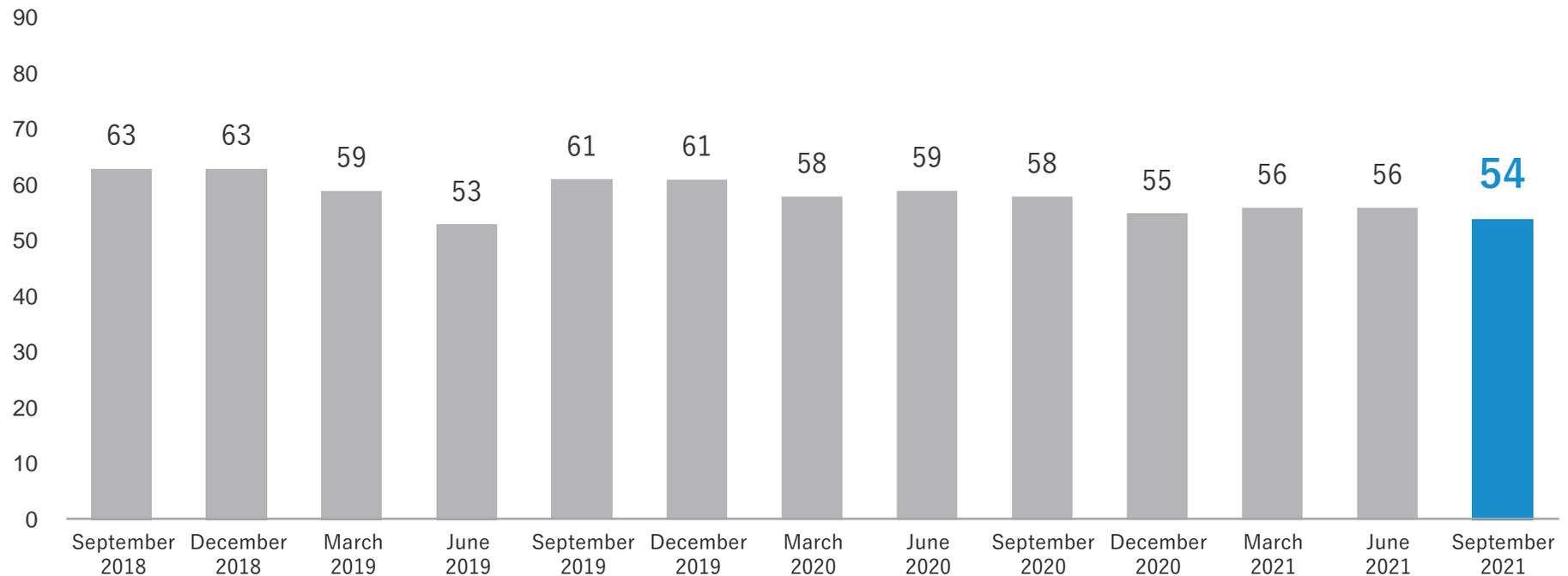
*ARR : Abbreviation for Annual Recurring Revenue, calculated by multiplying each month's MRR (the sum of the monthly fees for corporations introducing our services as of the end of the targeted month, excluding temporary costs) by 12.

Trend of ARPU

Although ARPU* is on a gradual downward trend due to an increase in the number of new corporations introducing our services, it remained at a certain level due to the introduction of additional licenses by existing customers.

ARPU trends as of the end of each quarter

(thousands of yen)



*ARPU: Abbreviation for Average Revenue Per User, which means 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.

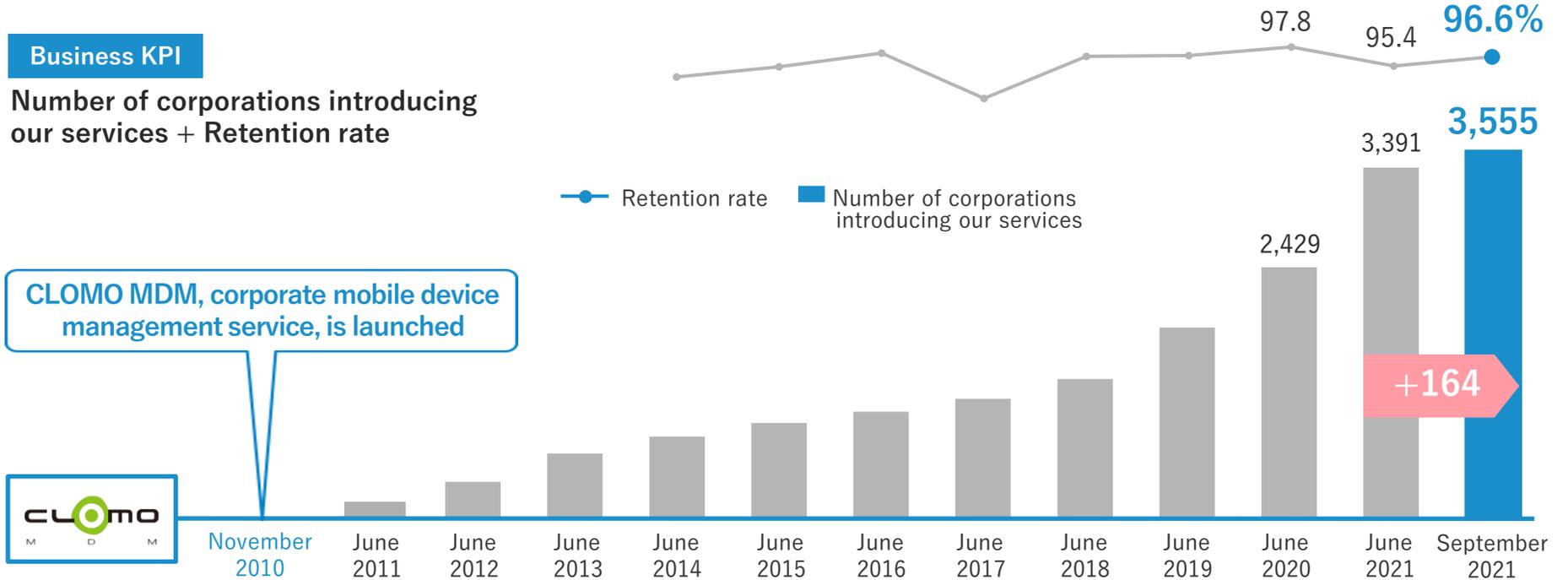
2. Financial Results for 1st Quarter of Fiscal Year ending June 30, 2022

Number of corporations introducing our services/ Retention rate

Net increase in the number of corporations introducing our services in 1st quarter was 164 companies, and the number of corporations introducing our services as of the end of the 1st quarter was 3,555 companies. The retention rate was 96.6% (up 1.2% from the end of the previous quarter).

Business KPI

Number of corporations introducing our services + Retention rate



CLOMO MDM, corporate mobile device management service, is launched



* 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.

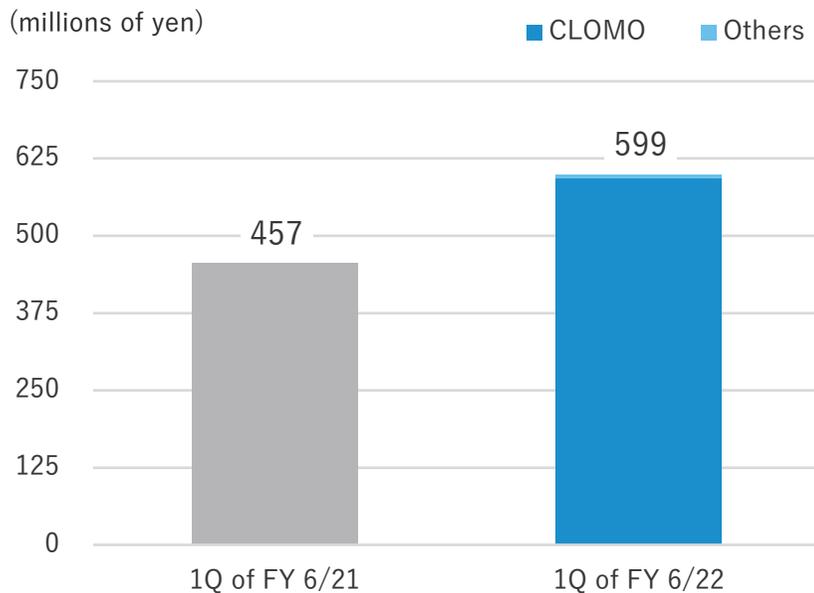
* Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

* To disclose the trends in CLOMO service, we changed the method of calculating the retention rate in FY6/21, and changed from the use of the number of all licenses of CLOMO services to the use of the number of licenses of only CLOMO MDM (the main service). Consequently, the retention rate in FY6/20 became 97.8%.

Net sales and operating income for 1st quarter of FY6/22

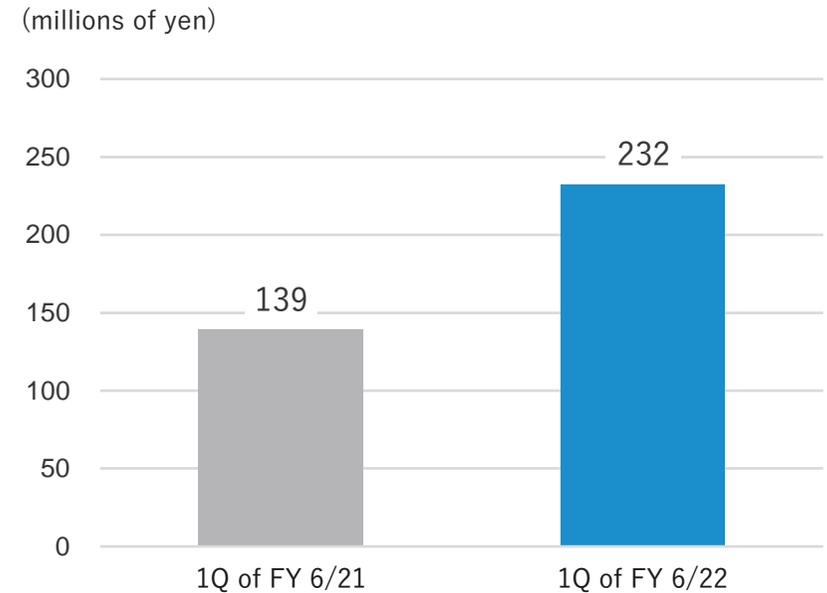
Regarding results for 1st quarter (July ~ September), net sales were 599 million yen (+30.8% YoY) and operating income was 232 million yen (+65.9% YoY).

Net sales



1Q of FY6/21	1Q of FY6/22	Year on year
457 million yen	599 million yen	130.8% (+141 million yen)

Operating income



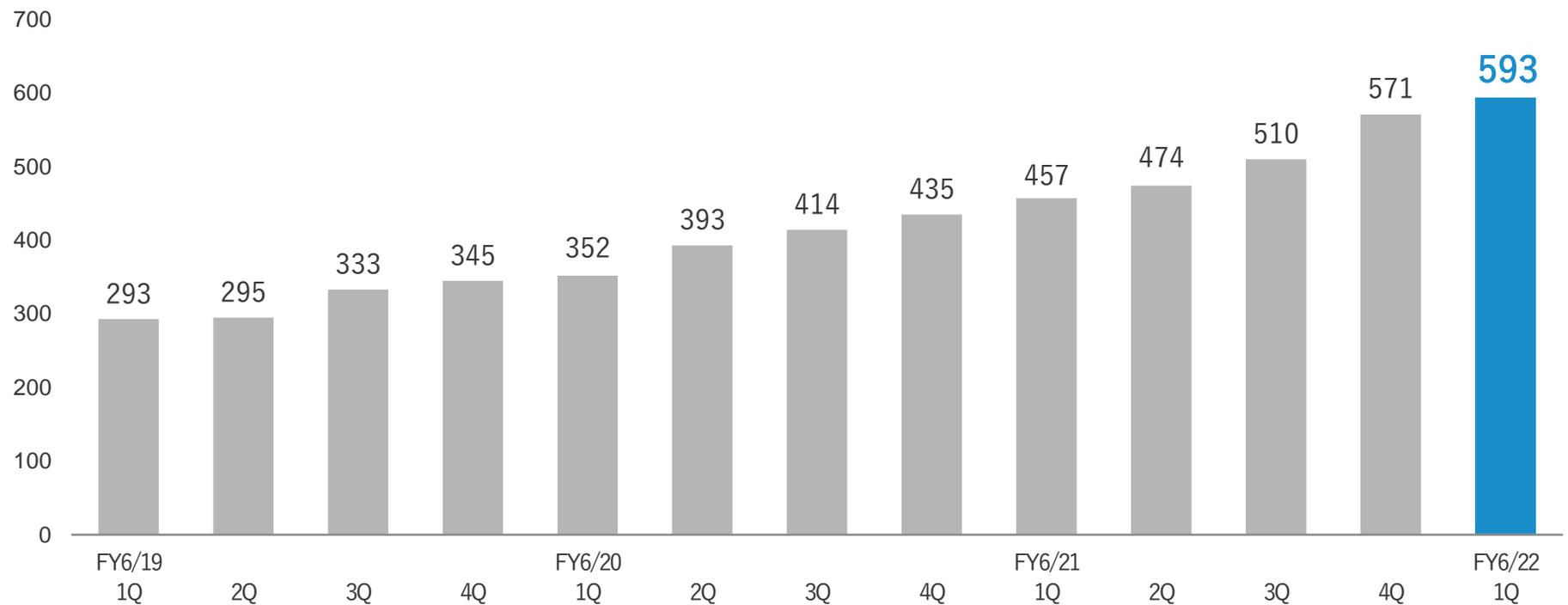
1Q of FY6/21	1Q of FY6/22	Year on year
139 million yen	232 million yen	165.9% (+92 million yen)

Quarterly trend in CLOMO business net sales

Net sales in the CLOMO business continue to grow steadily each quarter (CAGR 26.5%)

CLOMO business net sales (quarterly total)

(millions of yen)



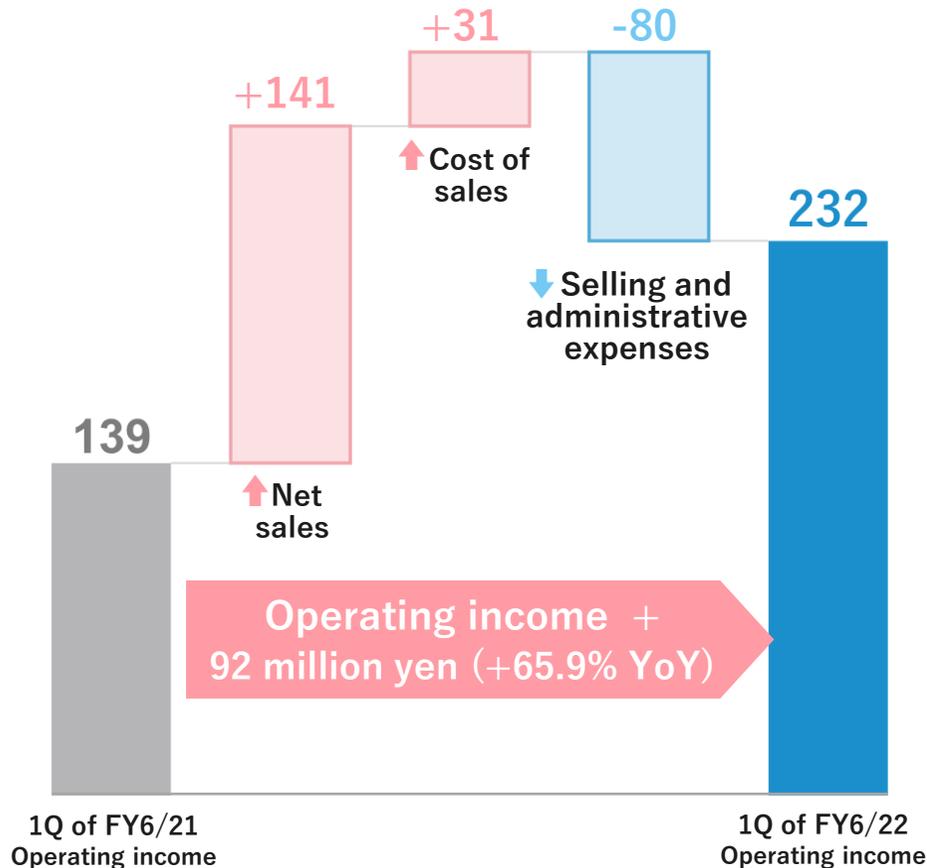
Income statement for 1st quarter of FY6/22

In the CLOMO business, net sales were 593 million yen (up 29.6% YoY), operating income was 232 million yen (up 65.9% YoY), and the operating margin was 38.7% (up 8.2 points YoY)

(units: million yen)	1Q of FY6/21 (Composition rate)	1Q of FY6/22 (Composition rate)	Rate of change
Net sales	457 (100.0%)	599 (100.0%)	+30.8%
CLOMO business	457 (99.9%)	593 (99.0%)	+29.6%
Other businesses	0 (0.1%)	5 (1.0%)	+1463.2%
Cost of sales	113 (24.8%)	81 (13.6%)	-28.1%
Depreciation expenses	38 (8.4%)	9 (1.5%)	-76.3%
Manufacturing costs	58 (12.8%)	53 (9.0%)	-8.1%
Others	16 (3.6%)	18 (3.1%)	+13.6%
Gross profit	344 (75.2%)	517 (86.4%)	+50.3%
Selling, general and administrative expenses	204 (44.6%)	285 (47.6%)	+39.6%
Labor expenses, etc.	143 (31.2%)	201 (33.7%)	+41.0%
Others	61 (13.4%)	83 (14.0%)	+36.3%
Operating income	139 (30.5%)	232 (38.7%)	+65.9%
Ordinary profit	129 (28.3%)	232 (38.8%)	+79.7%
Corporate income taxes	39 (8.7%)	71 (11.9%)	+80.1%
Net income	89 (19.6%)	161 (26.9%)	+79.5%

Factors behind changes in operating income

Operating income increased by 92 million yen year on year due to steady increase in net sales and decrease in cost of sales, while promoting investment for business expansion, mainly in personnel reinforcement and system improvement.



↑ Increase in net sales (+141)

- CLOMO business expansion

↑ Decrease in cost of sales (+31)

- Decrease in depreciation expenses due to the completion of the depreciation period for software (one year) whose release was concentrated in 4Q of FY6/20

↓ Increase in selling and administrative expenses (-80)

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

Balance sheet for 1st quarter of FY6/22

Cash and deposits were 2,091 million yen (-214 million yen YoY)
and the equity ratio was 67.6 % (+8.2% YoY).

Decrease in cash and deposits is mainly due to payment of dividends and corporate income taxes

(units: million yen)	FY6/21	1Q of FY 6/22	Change
Current assets	2,560	2,353	-207
Cash and deposits	2,306	2,091	-214
Receivables	196	216	+19
Fixed assets	270	295	+25
Total assets	2,830	2,649	-181
Current Liabilities	1,049	857	-191
Unearned income*	547	-	-547
Contact liabilities*	-	594	+594
Fixed liabilities	100	-	-100
Total liabilities	1,149	857	-291
Total net assets	1,681	1,791	+110
Total liabilities and net assets	2,830	2,649	-181

* As the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other related standards have been applied from the beginning of the 1st quarter accounting period, "unearned income," which was presented as "current liabilities" in the balance sheet for the previous fiscal year, and "long-term unearned income," which was presented as "fixed liabilities" there, have been reclassified and indicated as "contract liabilities" in "current liabilities" from this 1st quarter accounting period.

3. Reference Materials

Company Profile

Company Name	i ³ Systems, Inc.
Locations	Headquarters : Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka Tokyo Office : Hamamatsucho DS Building, Hamamatsucho 1-27-16, Minato-ku, Tokyo Osaka Office : Hilton Plaza West Office Tower, Umeda 2-2-2, Kita-ku, Osaka-shi, Osaka
Capital	378,504,500 yen (As of September 30, 2021)
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	Development and sale of cloud-based mobile device management services for corporations Development and sale of applications for businesses
Partner	Apple Consultants Network Google Android Enterprise Recommended Microsoft Partner Network Gold Competency

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.

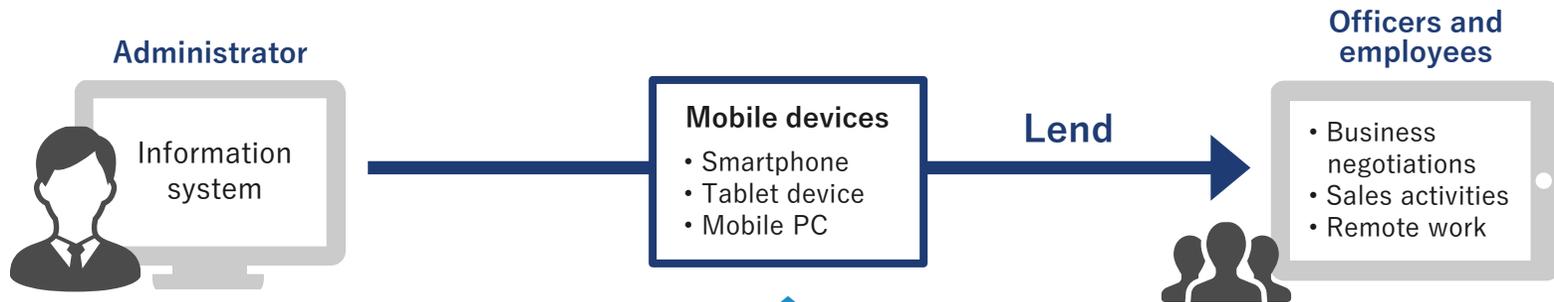
Vision

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

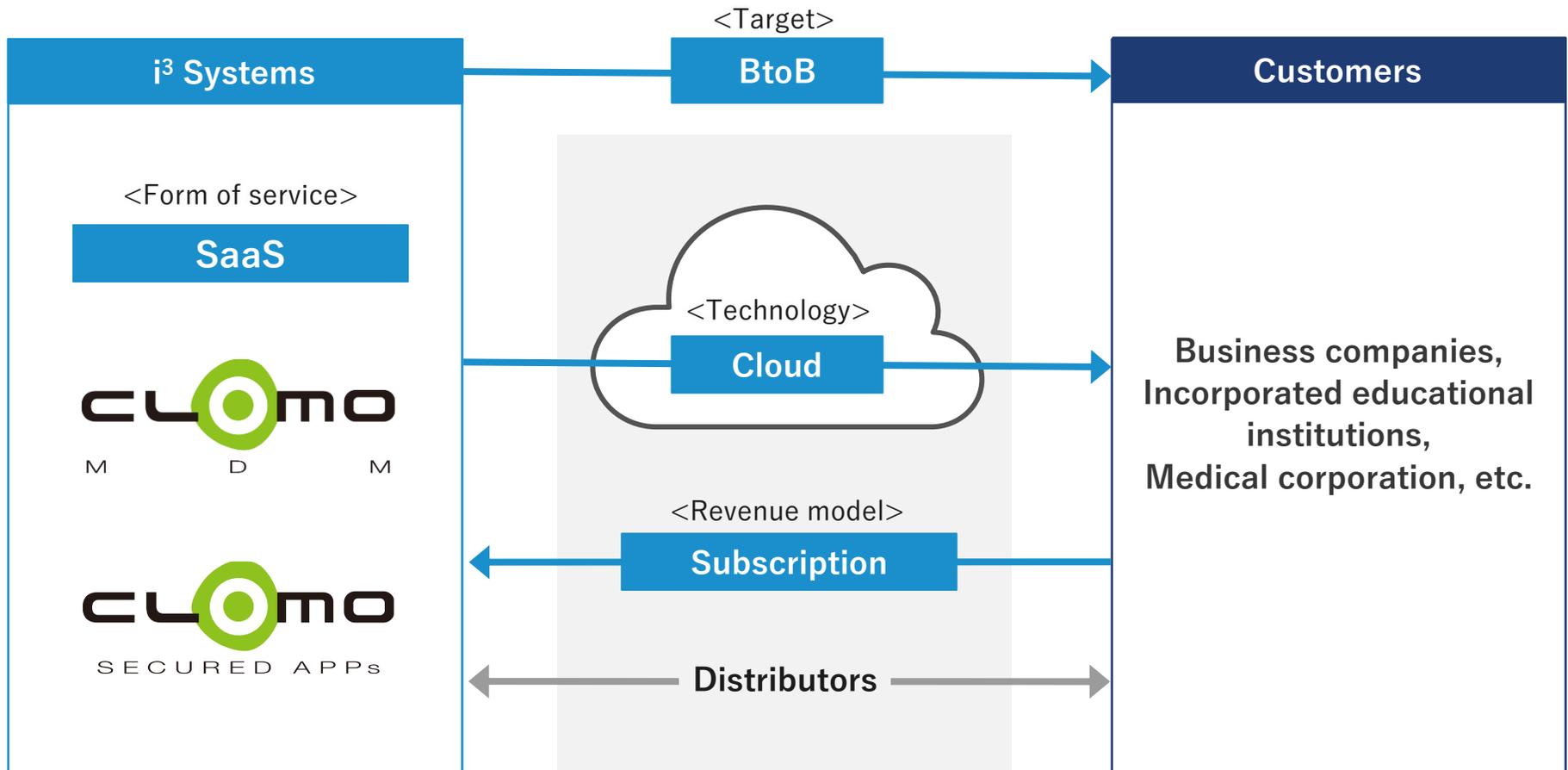
Two product lines to support user management and utilization



		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				

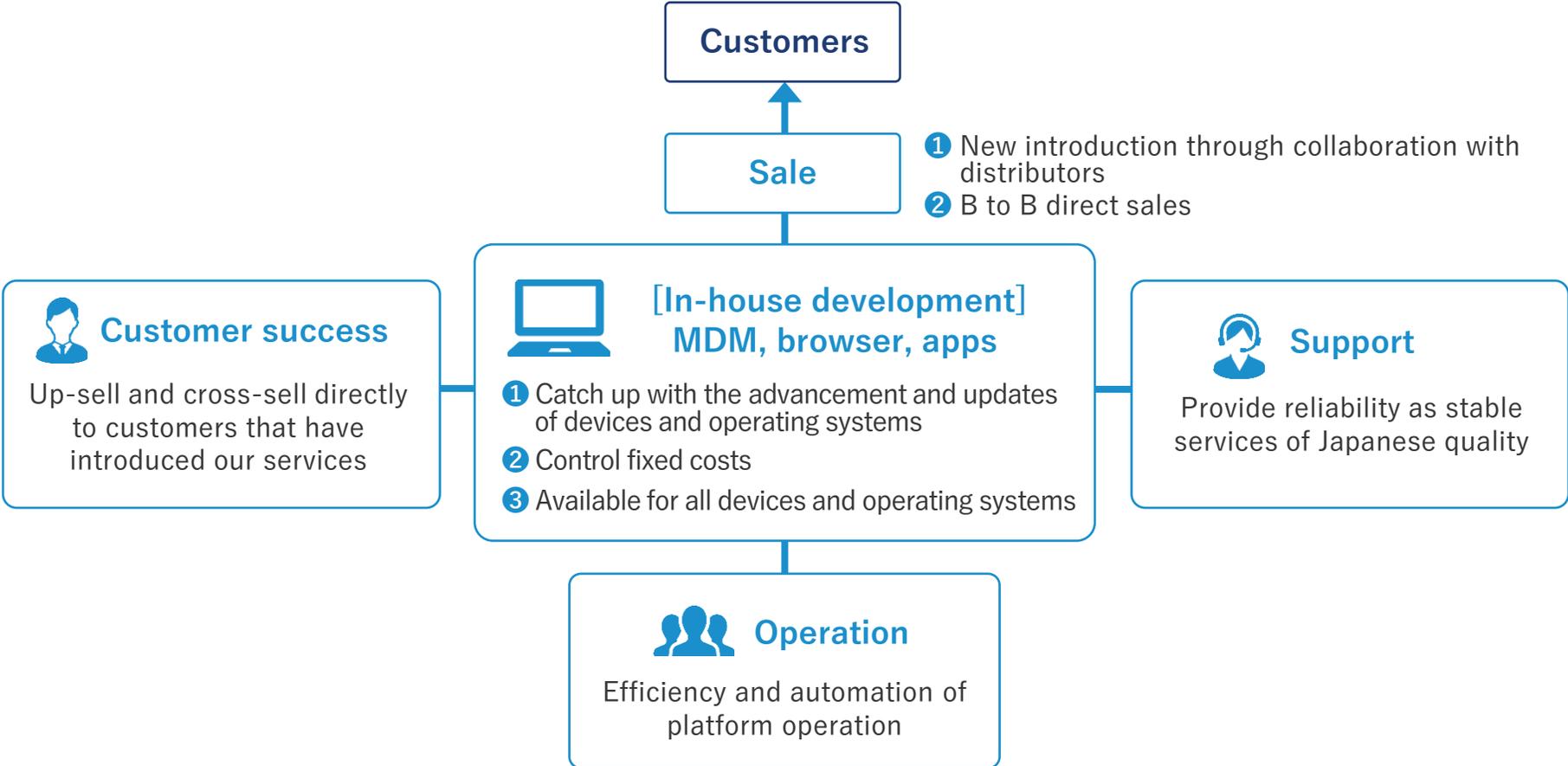
Characteristics as a business platform

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
In contrast to our competitors, we have direct contact with more than 3,300 customers.

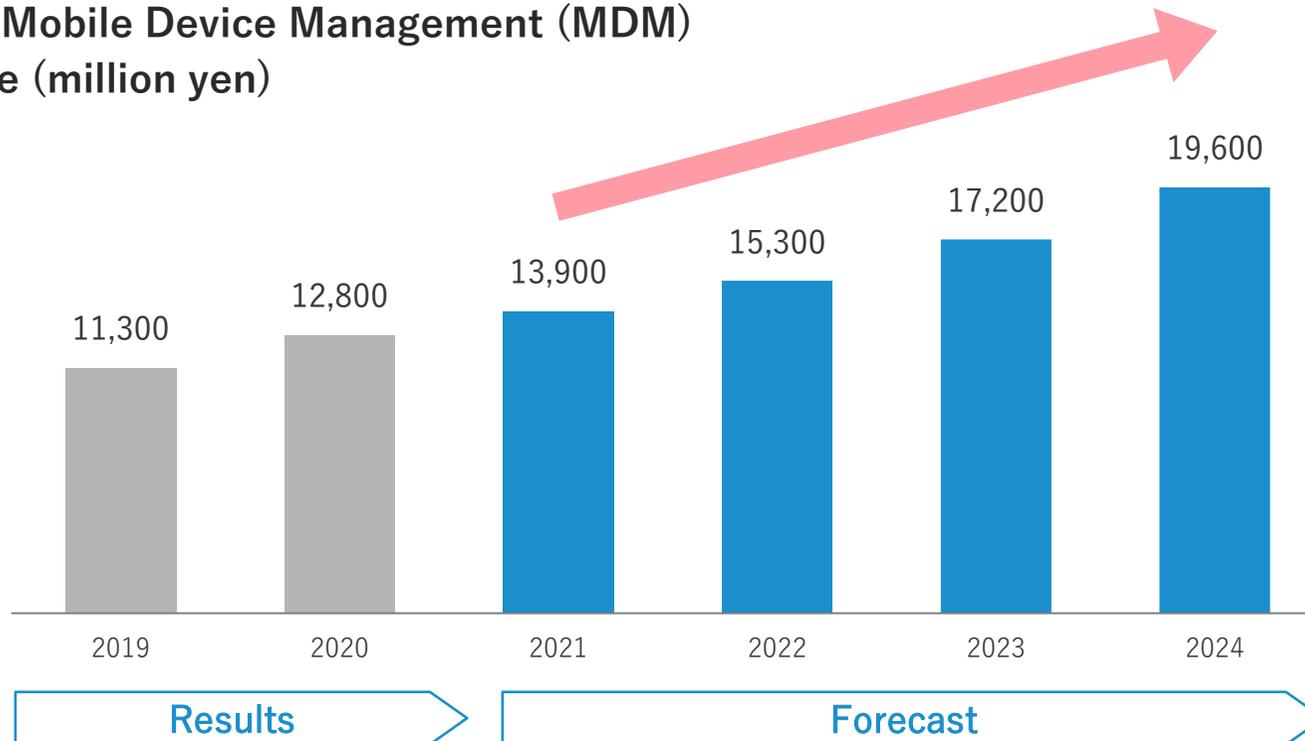


Business Environment

Mobile Device Management (MDM) market is expected to grow to the scale of 19.6 billion yen through 2024.

Aim to expand share in the fields of mobile PCs and terminals for business where needs for device management are expected to increase.

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



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

Medium- to Long-term Goals

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

Net sales

To gain dominant share in the MDM market in Japan

**To achieve continuous
growth of over
125% every year**

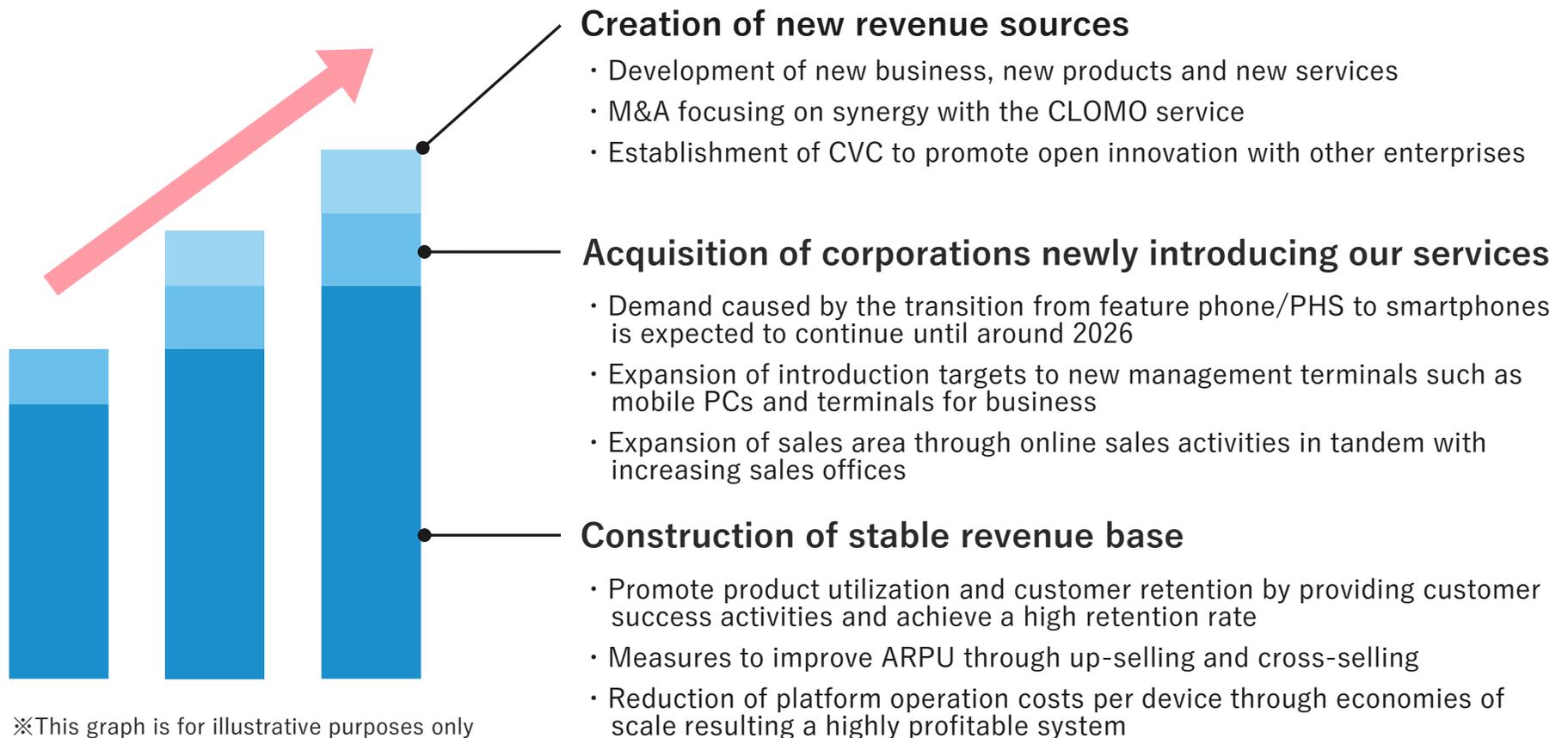
Operating margin

Establishing a highly profitable system
in the CLOMO business

**To aim to
achieve 40%**

Medium- to Long-term Growth Prospect

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



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.

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