



Non-consolidated Financial Results **for the Three Months Ended September 30, 2021** **[Japanese GAAP]**

November 9, 2021

Company name: i³ Systems, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4495

URL: <https://www.i3-systems.com/>

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Scheduled date of filing quarterly securities report: November 9, 2021

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Three Months Ended September 30, 2021 (July 1, 2021 - September 30, 2021)

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended September 30, 2021	599	30.8	232	65.9	232	79.7	161	79.5
September 30, 2020	457	—	139	—	129	—	89	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended September 30, 2021	30.74	30.13
September 30, 2020	17.39	16.96

(Notes) 1. No financial statements have been prepared for the three months ended September 30, 2019. Accordingly, figures indicating changes from the previous corresponding period for the three months ended September 30, 2020 are not provided.

2. The Company's shares were listed on the Mothers market of the Tokyo Stock Exchange on July 15, 2020. For this reason, the average share price for the period between the date of the initial listing and September 30, 2020 is used to calculate the diluted earnings per share for the three months ended September 30, 2020.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	2,649	1,791	67.6
As of June 30, 2021	2,830	1,681	59.4

(Reference) Equity: As of September 30, 2021: ¥1,790 million

As of June 30, 2021: ¥1,681 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	—	0.00	—	10.00	10.00
Fiscal year ending June 30, 2022	—				
Fiscal year ending June 30, 2022 (Forecast)		0.00	—	10.00	10.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 – June 30, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,569	26.6	732	28.6	734	31.1	469	11.7	89.60

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Accounting methods adopted particularly for the preparation of quarterly financial statements: Yes
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

September 30, 2021:	5,241,350 shares
June 30, 2021:	5,238,350 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2021:	121 shares
June 30, 2021:	121 shares
 - 3) Average number of shares outstanding during the period:

Three months ended September 30, 2021:	5,238,937 shares
Three months ended September 30, 2020:	5,159,537 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions considered to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecasts and notes on their use, please refer to “(3) Explanation of Financial Results Forecast and Other Forward-looking Information in 1. Qualitative Information on Quarterly Financial Results” on page 3 of the attached material.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Financial Statements and Principal Notes	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income	5
(3) Notes to Quarterly Financial Statements	6
(Notes on going concern assumption)	6
(Notes in case of significant changes in shareholders' equity)	6
(Accounting methods adopted particularly for the preparation of quarterly financial statements) ..	6
(Changes in accounting policies)	6
(Significant subsequent events)	6

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended September 30, 2021, vaccination against the COVID-19 progressed, although the government decided to extend the state of emergency for some prefectures. There were also concerns about a sixth wave of infections. With no prospects for completely containing the pandemic, the economic environment remained uncertain.

Under such a market environment, the Company provides cloud-based B2B SaaS services in the form of subscription, with CLOMO MDM, a mobile device management service, launched in 2010, and CLOMO SECURED APPs, an apps service for mobile device as its core businesses, under the mission of Making IT More Accessible. The Company has achieved the number one position in the MDM market (own brand) share for ten consecutive years since fiscal 2011, as published in December 2020 (Note 1).

During the three months ended September 30, 2021, the Company promoted sales activities to expand the number of corporations introducing our services by utilizing remote sales via the web conference system, as in the previous fiscal year. We have worked to promote better understanding of how to use our CLOMO services and their quality by aggressively disclosing articles on the cases of introducing our services to meet new demand for MDM caused by social changes such as mobile device management at elementary and secondary schools for the GIGA School Concept (Note 2), IT asset management for remote working, and managing terminals for business to promote digital transformation (DX) in manufacturing and transportation industries. In addition, for measures to raise awareness of our CLOMO services, we are preparing to increase their exposure in the second quarter and beyond.

In terms of development, the Company has continued to focus its efforts on improving the functions to meet customer needs in addition to enhancing the functions needed for its CLOMO services to gain a share of the PC management market. Furthermore, we continue to utilize recent technologies such as Azure Kubernetes Service (AKS) (Note 3) and Xamarin (Note 4) as our initiatives to increase product value and reduce costs by product development and enhanced efficiency of service operations.

The Company is aggressively recruiting human resources, particularly in Product Development Division, Sales Division, and Customer Success Division in order to strengthen its workforce for continuous business growth in the future. The Company has been recognized as a great place to work in the 2022 edition of the Great Place to Work ranking, which is based on an employee survey conducted by the Great Place to Work[®] Institute Japan in accordance with a global standard, for two consecutive years. The Company is aggressively working to develop the working environment to acquire and retain excellent human resources. In addition, 20% of new graduates who are set to join the Company in April 2022 are foreign nationals, which represents the Company's ongoing commitment to building a diverse organization.

As a result of these efforts, the number of corporations introducing our services reached 3,555, an increase of 164 (up 4.8%) compared to the end of the previous fiscal year.

Regarding the impact of the spread of COVID-19 on our business and operating results, the impact on the operating results for the three months ended September 30, 2021 and the management indicators targeted by the Company (i.e., increasing the number of corporations introducing CLOMO and license retention rate) was extremely minimal.

Consequently, for the three months ended September 30, 2021, the Company reported ¥599,144 thousand in net sales (up 30.8% year-on-year), ¥232,049 thousand in operating profit (up 65.9% year-on-year), ¥232,497 thousand in ordinary profit (up 79.7% year-on-year), and ¥161,030 thousand in profit (up 79.5% year-on-year).

As the Company operates in a single business segment, the license sales business, overview of net sales by segment is omitted. The breakdown of net sales by service is as follows:

CLOMO MDM:	¥545,659 thousand
SECURED APPs:	¥47,544 thousand
Others:	¥5,940 thousand

- (Notes) 1. Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. “Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2011 - 2018 editions, “MIC IT Report Dec 2020 issue” Actual shipment value in FY 2019 and predicted shipment value in FY 2020
2. The initiative launched by the Ministry of Education, Culture, Sports, Science and Technology in December 2019 that aims to further enrich learning activities and improve classes from the perspective of proactive, interactive and deep learning by ensuring one device for one student with a high-speed network in schools.
 3. Containerization technology provided by Microsoft. The Company is working to improve reliability and reduce operational workload and costs by making the CLOMO system container-based.
 4. Platform for application development provided by Microsoft. The Company is working to improve development speed and save labor by sharing source codes for CLOMO applications running in different environments such as iOS, Android, and Windows.

(2) Explanation of Financial Position

The financial position as of September 30, 2021 is as follows:

(Assets)

Total assets amounted to ¥2,649,232 thousand, a decrease of ¥181,460 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of ¥214,545 thousand and an increase in software in progress of ¥31,306 thousand.

(Liabilities)

Total liabilities amounted to ¥857,527 thousand, a decrease of ¥291,859 thousand compared to the end of the previous fiscal year. This was mainly due to decreases in income taxes payable of ¥157,764 thousand, contract liabilities of ¥53,222 thousand, provision for bonuses of ¥22,072 thousand, and other of ¥58,615 thousand.

(Net assets)

Total net assets amounted to ¥1,791,704 thousand, an increase of ¥110,398 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥161,030 thousand resulted from recording of profit, and a decrease in retained earnings of ¥52,382 thousand resulted from distribution of surplus. Accordingly, the equity ratio stood at 67.6% (59.4% as of the end of the previous fiscal year).

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending June 30, 2022 remains unchanged from the financial results forecast announced on August 12, 2021.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousands of yen)

	As of June 30, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	2,306,485	2,091,940
Accounts receivable - trade	196,899	216,150
Other	57,225	45,510
Total current assets	2,560,611	2,353,601
Non-current assets		
Property, plant and equipment	36,888	35,563
Intangible assets		
Software	23,168	17,012
Software in progress	62,590	93,896
Total intangible assets	85,758	110,909
Investments and other assets	147,434	149,157
Total non-current assets	270,081	295,630
Total assets	2,830,693	2,649,232
Liabilities		
Current liabilities		
Accounts payable - trade	31,950	31,767
Income taxes payable	234,644	76,879
Unearned revenue	547,718	—
Contract liabilities	—	594,552
Provision for bonuses	48,506	26,433
Other	186,510	127,894
Total current liabilities	1,049,330	857,527
Non-current liabilities		
Long-term unearned revenue	100,056	—
Total non-current liabilities	100,056	—
Total liabilities	1,149,386	857,527
Net assets		
Shareholders' equity		
Share capital	378,504	379,037
Capital surplus	278,504	279,037
Retained earnings	1,024,730	1,133,379
Treasury shares	(661)	(661)
Total shareholders' equity	1,681,077	1,790,791
Share acquisition rights	228	913
Total net assets	1,681,306	1,791,704
Total liabilities and net assets	2,830,693	2,649,232

(2) Quarterly Statements of Income

Quarterly Statements of Income

Three Months Ended September 30

(Thousands of yen)

	For the three months ended September 30, 2020	For the three months ended September 30, 2021
Net sales	457,977	599,144
Cost of sales	113,686	81,706
Gross profit	344,291	517,438
Selling, general and administrative expenses	204,422	285,388
Operating profit	139,868	232,049
Non-operating income		
Interest income	19	23
Other	2	469
Total non-operating income	21	492
Non-operating expenses		
Listing expenses	10,417	—
Other	79	44
Total non-operating expenses	10,497	44
Ordinary profit	129,392	232,497
Profit before income taxes	129,392	232,497
Income taxes	39,675	71,466
Profit	89,716	161,030

(3) Notes to Quarterly Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly financial statements)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, which includes the three months ended September 30, 2021, and multiplying the profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. since the beginning of the three months ended September 30, 2021. This application has no impact on profit, loss, or retained earnings at the beginning of period.

As a result of application of the Revenue Recognition Accounting Standard, etc., "unearned revenue" stated under "current liabilities" and "long-term unearned revenue" stated under "non-current liabilities" in the balance sheet for the previous fiscal year are included in "contract liabilities" under "current liabilities" for the three months ended September 30, 2021.

The Company has made no reclassification for the previous fiscal year by using the new presentation method in accordance with the transitional treatment as provided for in Paragraph 89-2 of the Revenue Recognition Accounting Standard. Furthermore, the Company does not state information on the breakdown of revenue generated from the contracts with customers for the three months ended September 30, 2020 in accordance with the transitional treatment as provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

(Significant subsequent events)

(Issuance of new shares as restricted stock compensation)

The Board of Directors meeting, held on October 12, 2021, passed a resolution to issue new shares as restricted stock compensation, with November 11, 2021 as the payment date. The outline is as follows:

1. Overview of issuance

Payment date	November 11, 2021
Class and number of shares to be issued	10,000 shares of the common stock of the Company
Issue price	¥3,790 per share
Total value of issuance	¥37,900,000
Amount to be incorporated into the stated capital	¥1,895 per share
Total amount to be incorporated into the stated capital	¥18,950,000
Method of offering or allotment	Allotment of specified restricted stock
Method of contribution	In-kind contribution of monetary compensation receivables

Persons who will receive the allotment of shares, number of such persons, and number of such shares	6 Directors of the Company (excluding Outside Directors), 10,000 shares
Transfer restriction period	November 11, 2021 through November 10, 2051

2. Purposes of and reasons for issuance

The Company's Board of Directors meeting, held on September 8, 2020, passed a resolution to introduce a restricted stock compensation plan as a new compensation plan for the purposes of providing mid- and long-term incentives for eligible Directors and to share shareholder value. In addition, at the 19th Annual General Meeting of Shareholders held on September 24, 2020, the Company obtained approval from its shareholders for delivering monetary compensation receivables of no more than ¥100 million per year to eligible Directors as monetary compensation to be used as properties contributed in kind for acquisition of the restricted stocks, and for setting the transfer restriction period for such restricted stocks to be a period determined by the Board of Directors of the Company between 3 and 30 years, based on the plan.

(Significant event relating to investment)

The Company's Board of Directors meeting, held on November 1, 2021, passed a resolution to purchase a money trust. The outline is as follows:

1. Overview of money trust

Type of money trust	Jointly managed designated money trust
Management company	Mitsubishi UFJ Trust and Banking Corporation
Amount to be purchased	¥1,000,000,000
Scheduled trade date	November 30, 2021

2. Purpose of acquisition

To meet requirements for a qualified institutional investor for making a notification to the Financial Services Agency.

3. Significant impact on profit and loss

The impact of the acquisition of the money trust on the operating results for the fiscal year ending June 30, 2022 is minimal.