

# Explanatory Materials regarding Business Plan and Growth Potential

December 14, 2021



i3 Systems, Inc.

TSE Mothers : 4495

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# **1. Company profile and business model**

# Company Profile

Company Name	i³ 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	399,739,500 yen (As of November 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," i<sup>3</sup> 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.

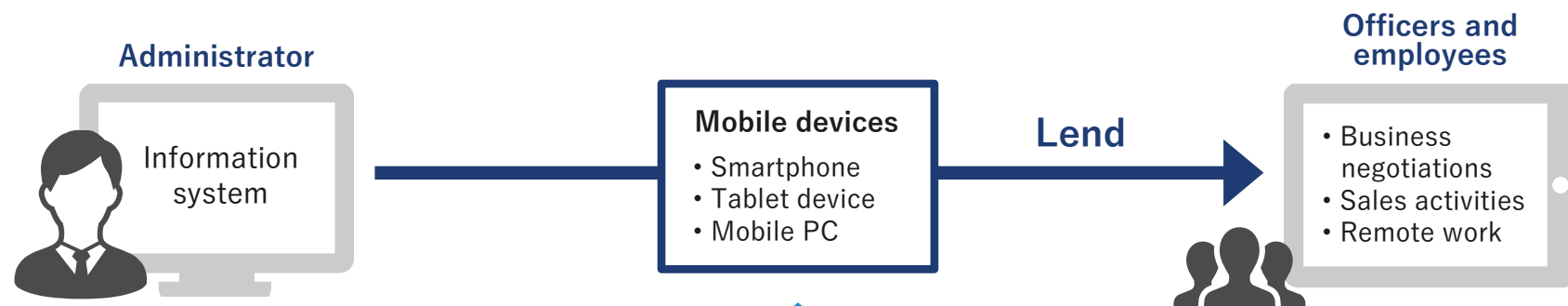
## Vision



### 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. i<sup>3</sup> 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

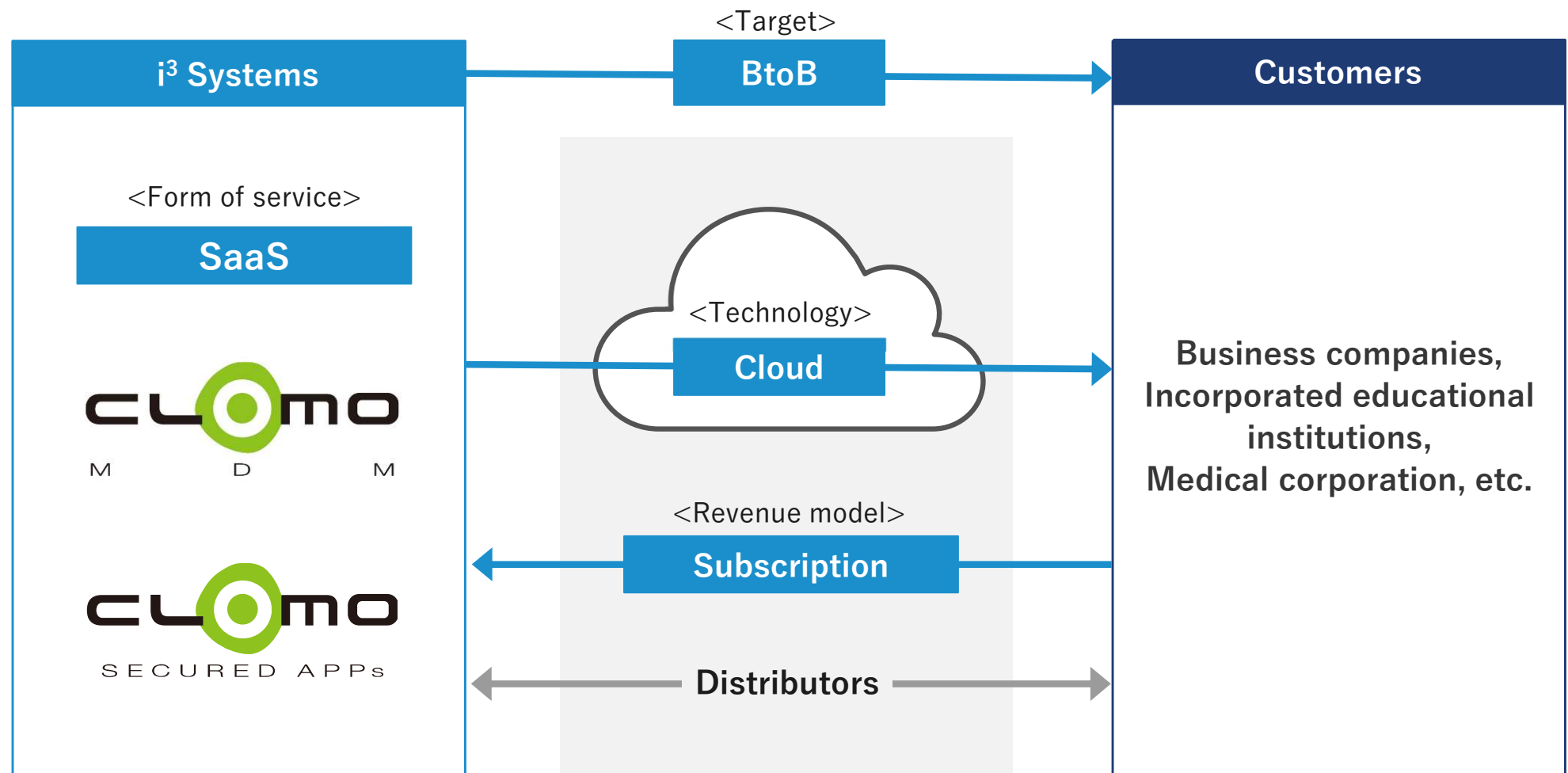
Two product lines to support user management and utilization



		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

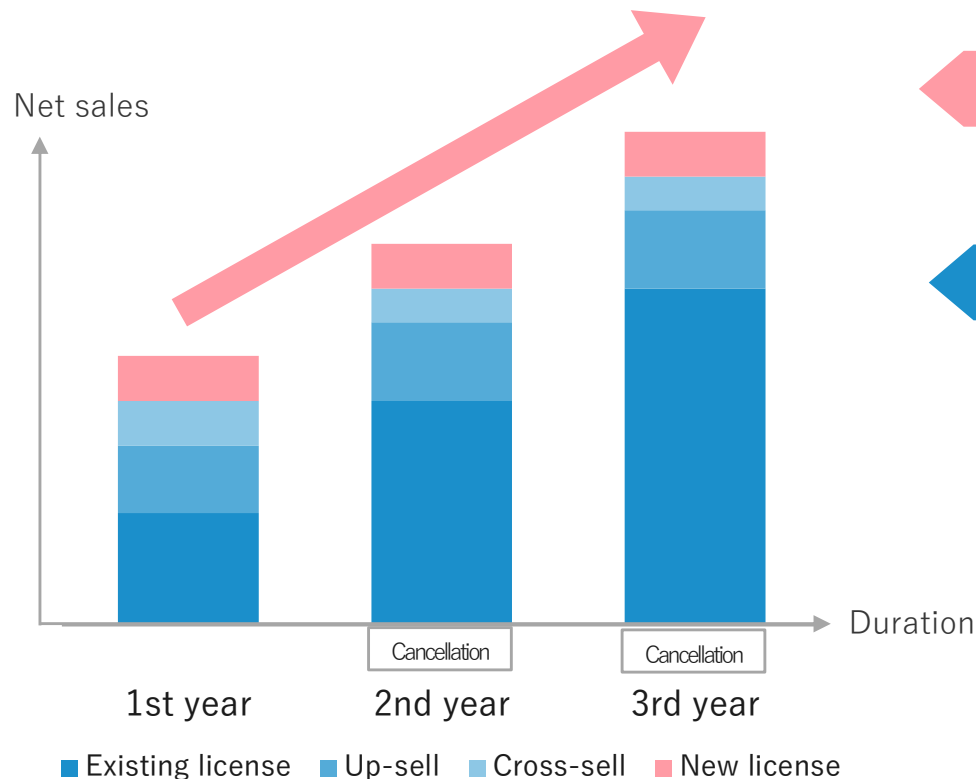


# Stable revenue base with subscription model

Stock business through accumulation of new orders

Profits stably acquired through prospect of continuous sales

## Subscription model



### New customer acquisition

Distributors

Collaborate with distributors to increase the number of new customers

### Customer success

Our company

Promote up-sell and cross-sell through direct approach

#### Holding user meetings

- Once to twice a year, with the participation of more than 100 users
- Google, Microsoft, and other large enterprises give lectures

#### Holding seminars

- Twice to three times a month, with the participation of administrators and system personnel
- In depth discussions of technologies and services

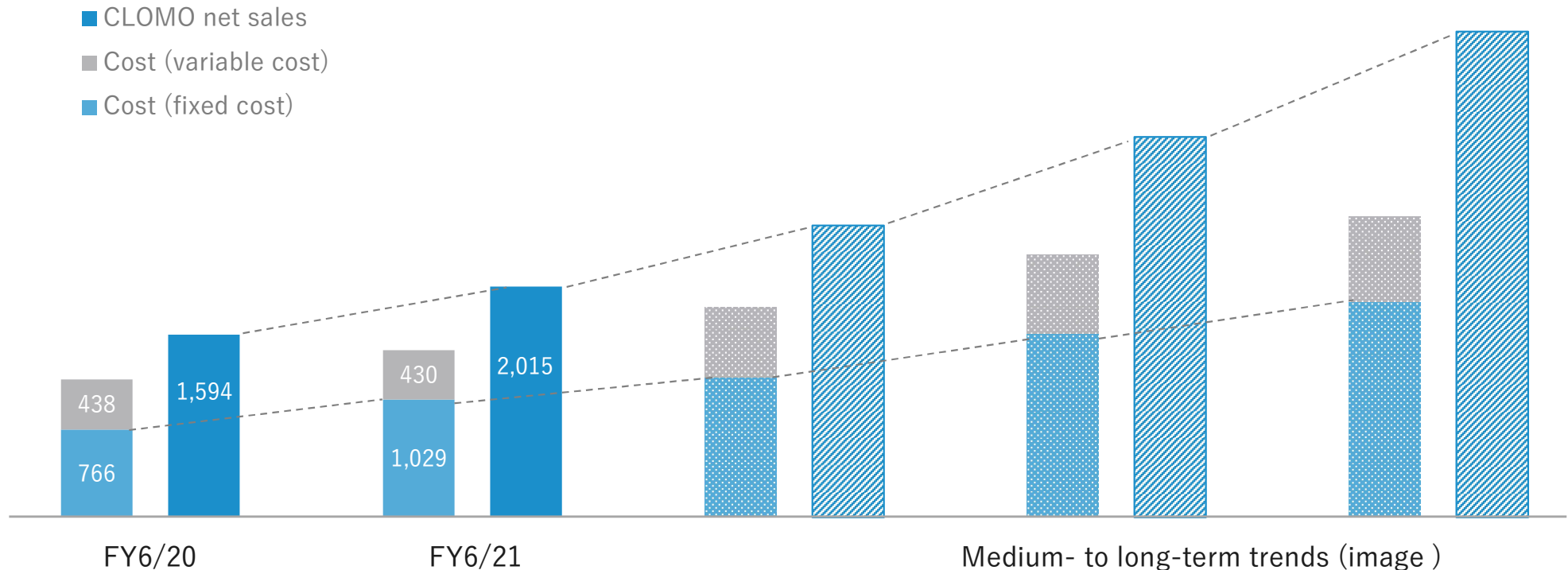


# Cost structure that produces economies of scale

In SaaS business, making use of the cloud, cost increases are constrained in contrast with growth in business scale and net sales

Work to establish a highly profitable system through further business growth and economies of scale in the future

## Breakdown of costs and comparison with net sales



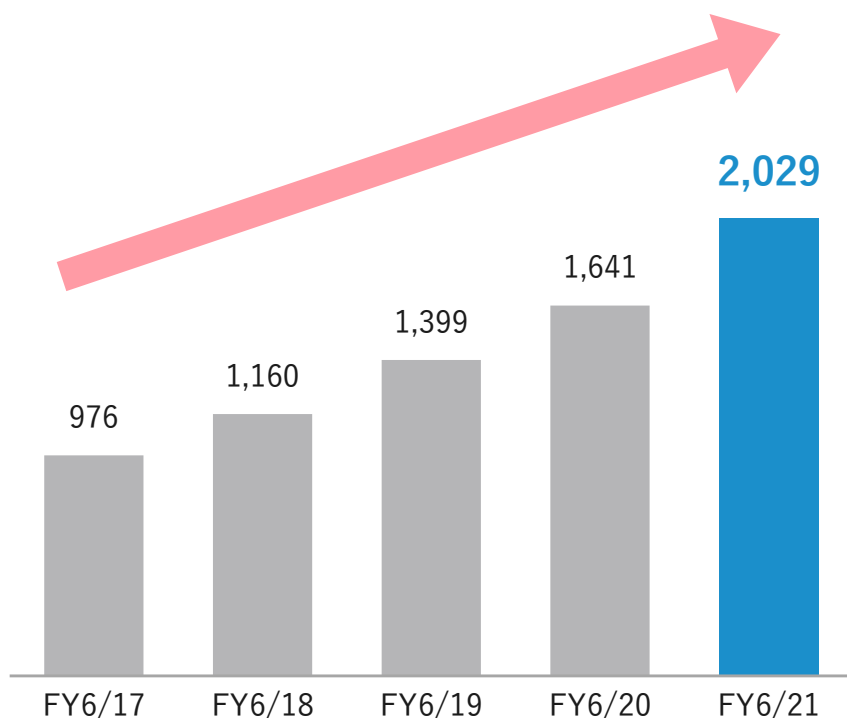
\* Cost (fixed cost): Calculated as “depreciation expenses (cost of sales) of in-house product software + manufacturing cost (cost of sales) related to product development and operation + personnel cost (SG & A expenses) + property cost (SG & A expenses)”

\* Cost (variable cost): Calculated as “other expenses (cost of sales) + advertising expenses (SG & A expenses) + R & D expenses (SG & A expenses) + other expenses (SG & A expenses)”

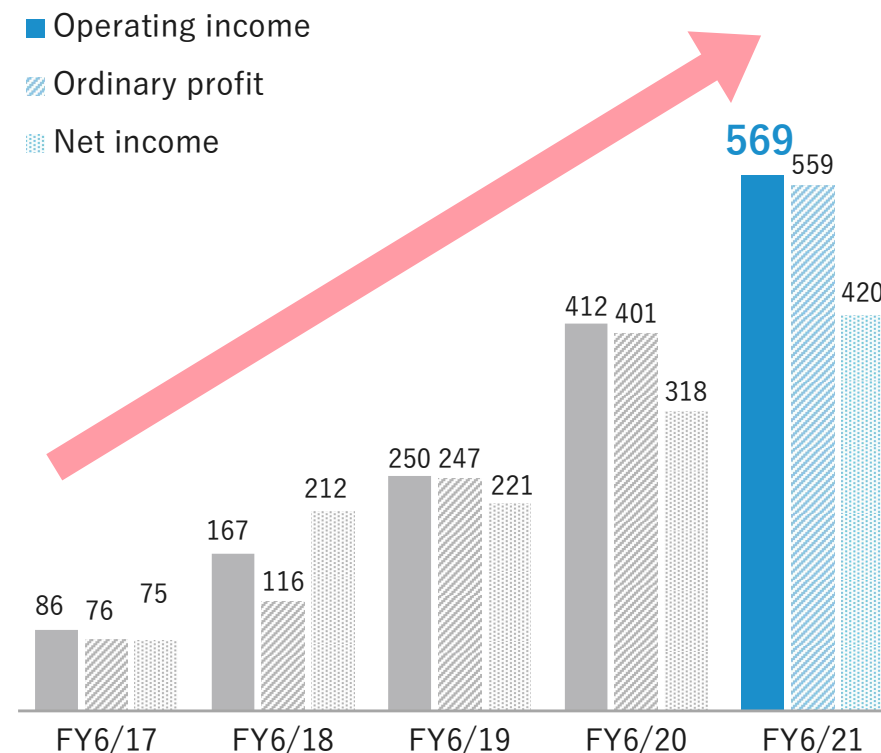
# Performance trends

Profit grew rapidly more than 6 times from FY6/17 to FY6/21

## Change in net sales (million yen)



## Change in profits (million yen)

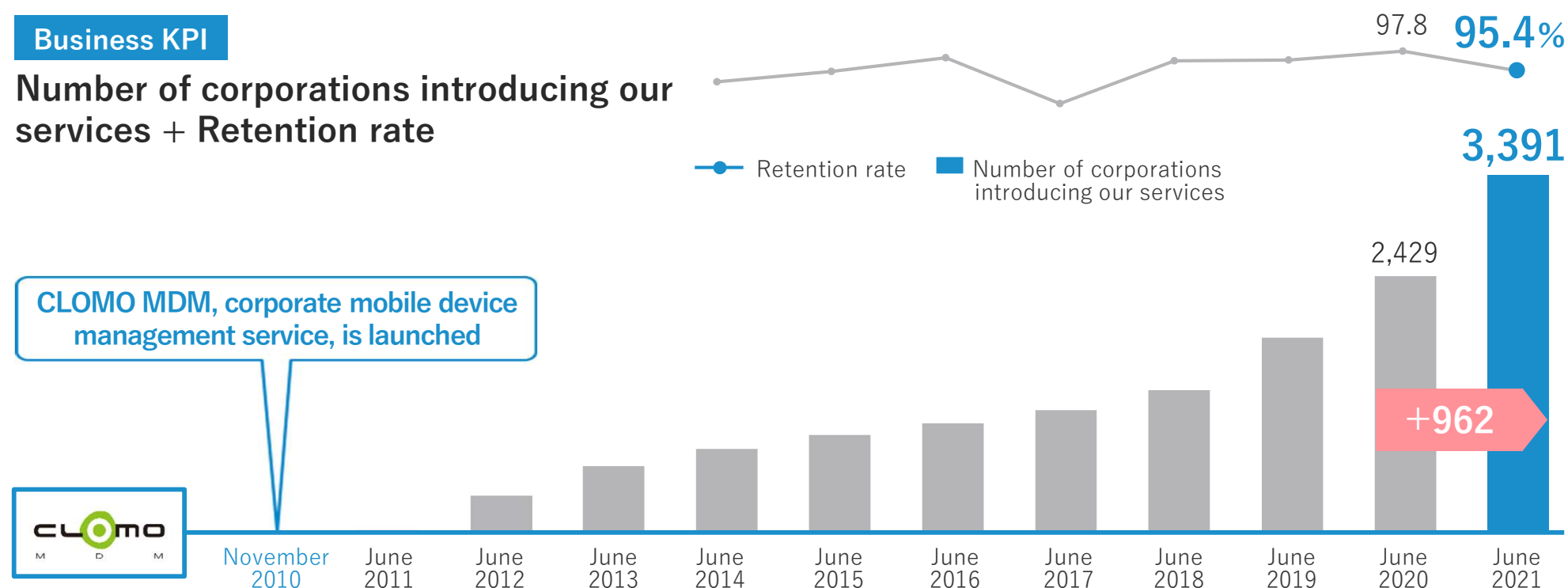


# Key Indicators

Number of corporations introducing our services as of June 30, 2021 was 3,391 (962 increase year on year), and retention rate was 95.4% (2.4% decrease year on year)

## Business KPI

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 month of order acceptance to the month when billing starts. The number of corporations introducing our services in June 2020 became 2,429 based on these changes.

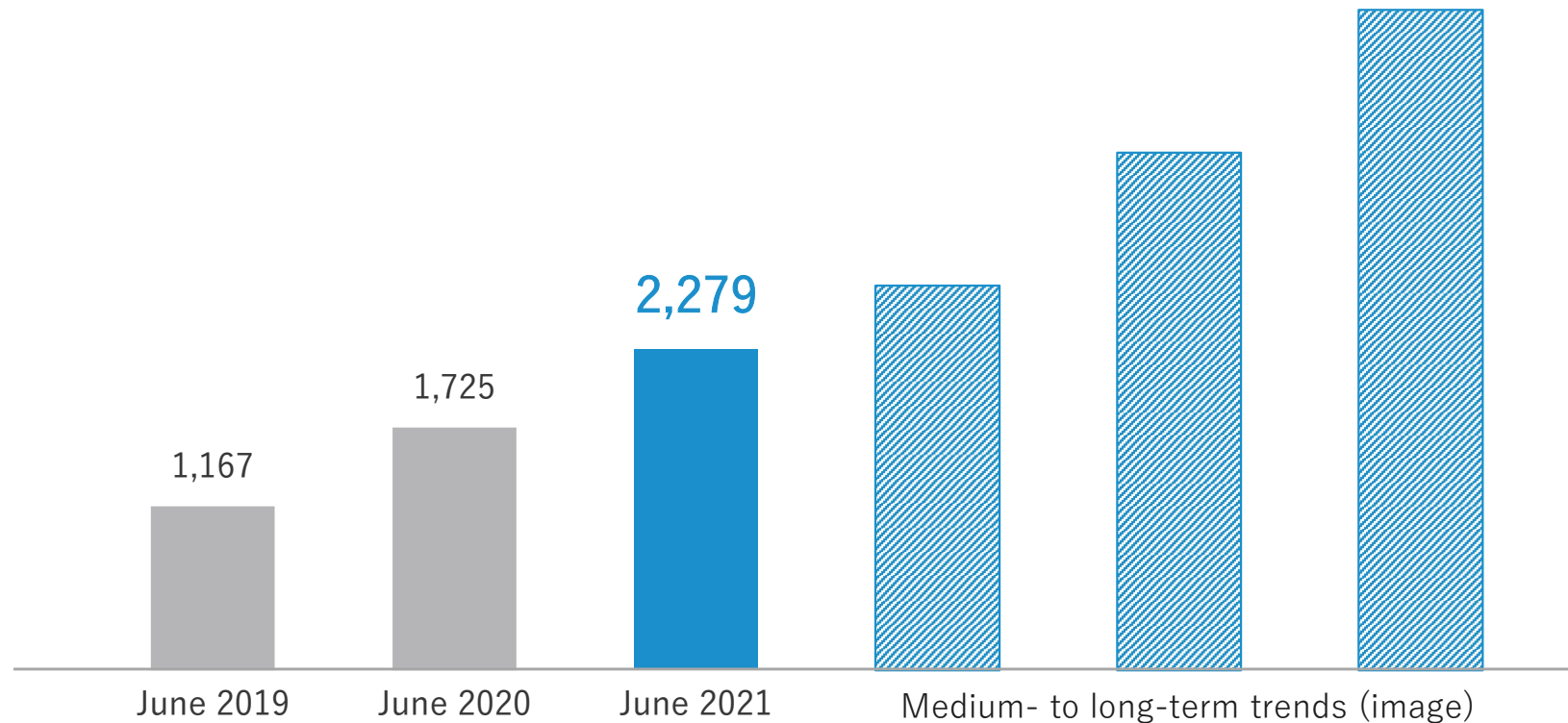
\*The retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

\*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%.

# Continuous growth of ARR

ARR\*, which is the major KPI of the subscription business, has grown steadily  
Strive for continuous growth by acquiring new customers and upsell/cross-sell to existing customers

**ARR trends as of the end of each period (millions of yen)**



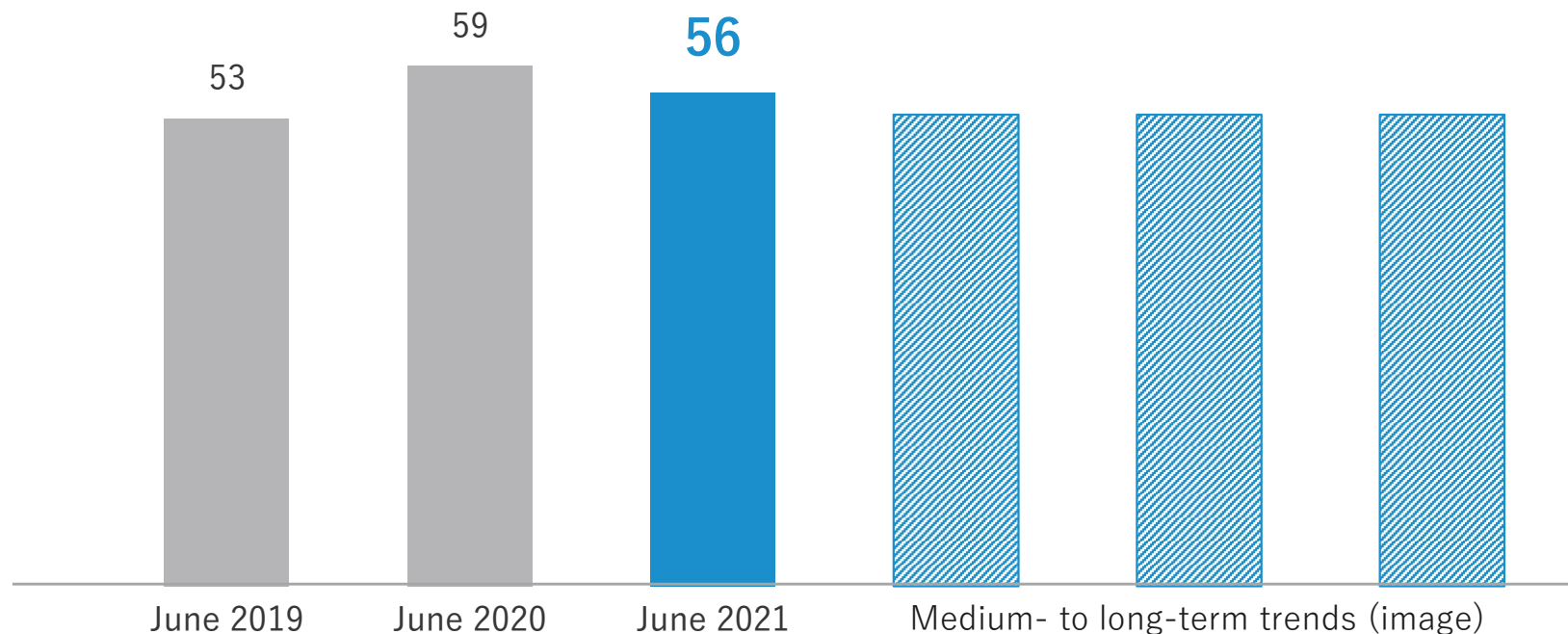
\* ARR: Abbreviation for Annual Recurring Revenue. Calculated by multiplying the MRR (the total amount of monthly charges for corporations introducing our services as of the end of the target month, excluding temporal expenses) of each month by 12.

# ARPU maintenance and improvement

Maintaining a certain level, although the increase in the number of new corporations introducing our services has the effect of depressing ARPU\*

Work on maintenance and improvement of existing customers by upsel/cross-sell (introduction of additional licenses, etc.)

## ARPU trend as of the end of each period (thousands of yen)



\*ARPU: Abbreviation for Average Revenue Per User, which means average monthly unit price per corporation introducing our services. Calculated by dividing one-twelfth of ARR as of the point of each month by the number of corporations introducing our services as of the end of the target month

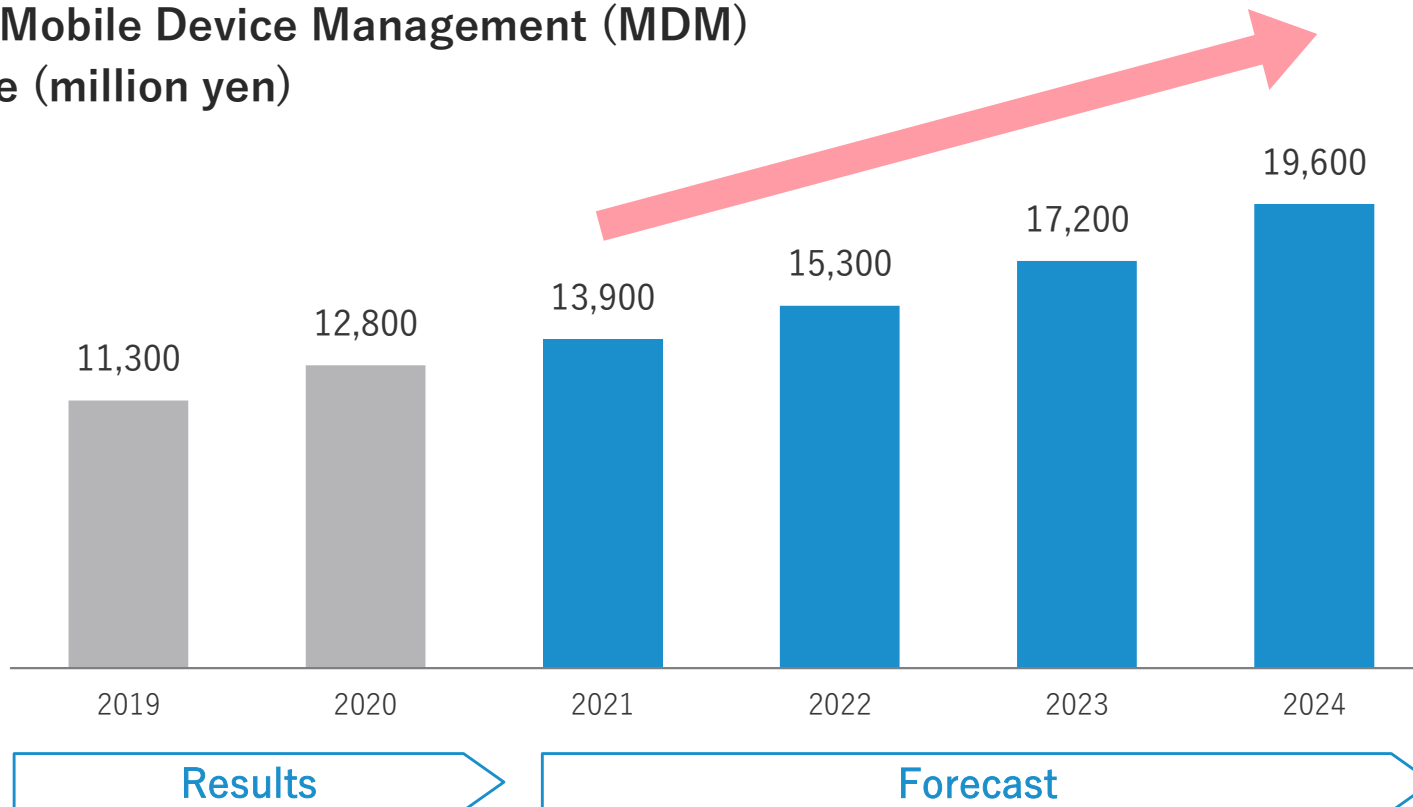
## 2. Market environment

# 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



# Expansion of use scenes of MDM service

Use scenarios have expanded such as utilization of mobile terminals to improve work efficiency and customer and/or employee satisfaction

Continue to support social transformation such as DX through MDM services

## New utilization scenarios



### Realize autonomous ways of working by introducing mobile devices to factory sites

- By sharing information in real time , cooperate across departmental boundaries increase naturally
- Introduce mobile devices to analog workplaces to change employee awareness and work styles.



### Support ward nurses by utilizing mobile devices and apps

- Reduce the burden of communication with foreign patients using a translation app
- Introduce the one-touch support request function to provide a sense of security in emergency response



### Improve customer satisfaction and store management efficiency by utilizing mobile apps

- Improve customer convenience and satisfaction by introducing a smartphone app that allows priority reservations and orders based on history data .
- Improve store visit rate by pre-payment with app and customer service by utilizing order history. Improve store operational efficiency by reducing time.

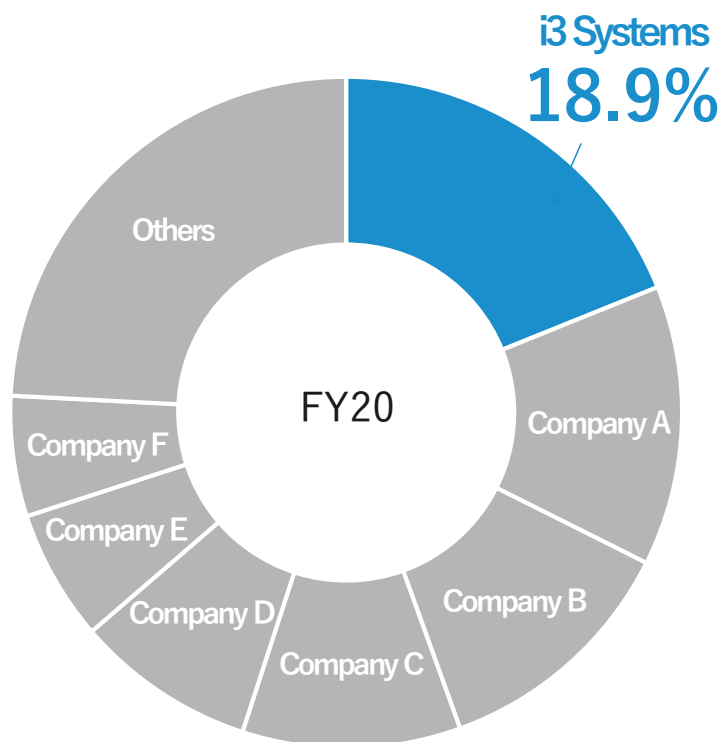


# Market share and customer base

Shipping amount of private brand is top share in industry

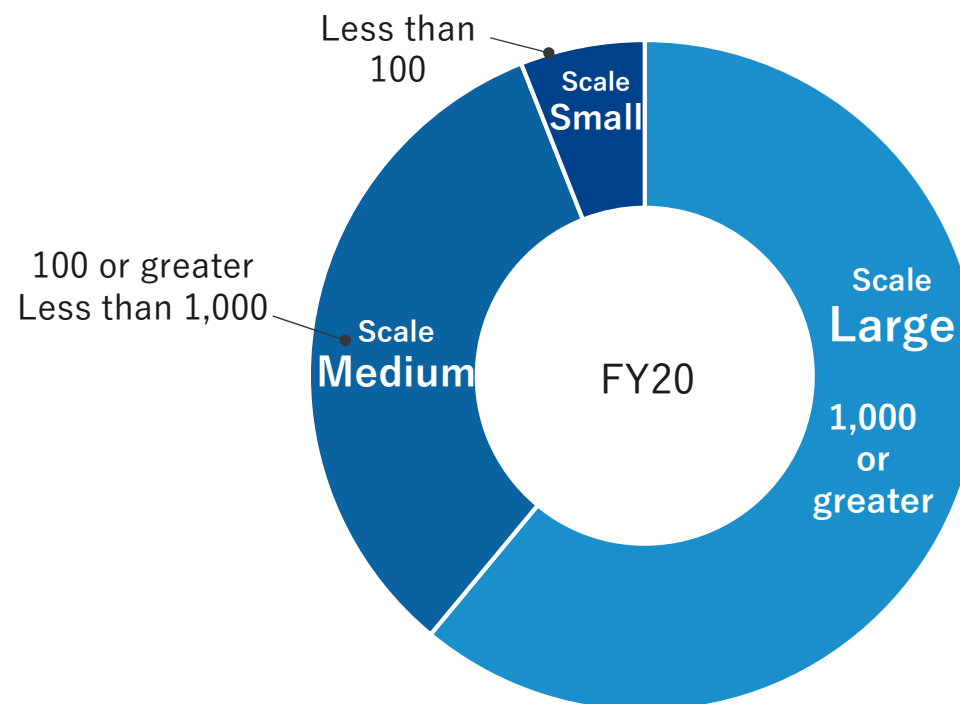
Large domestic companies with over 1,000 employees are major customers

MDM's private brand shipping amount share



Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd.  
MDMprivate brand market 2020

Sales composition by customer scale  
(number of employees)

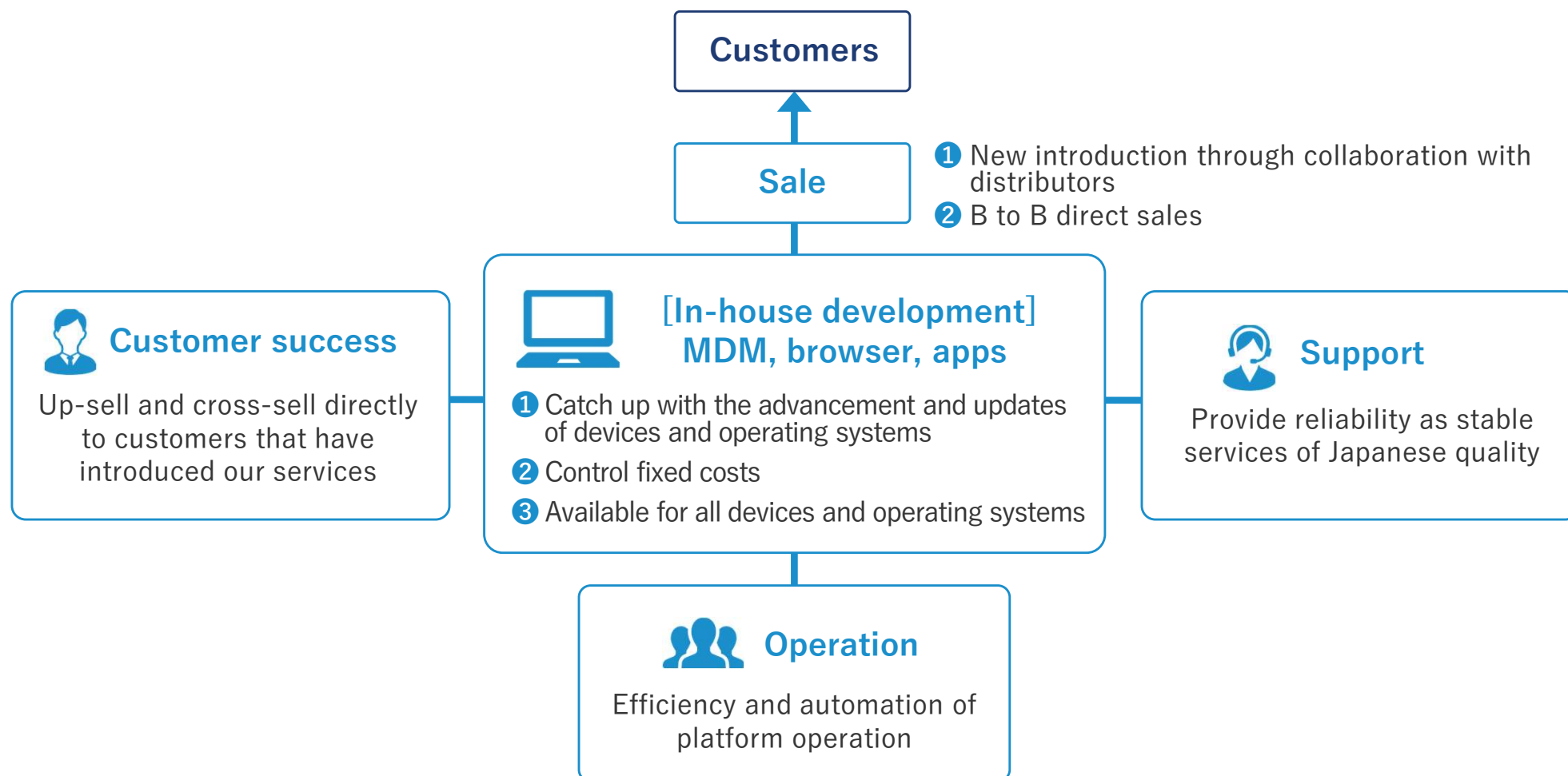


Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2020 edition

# Source of competitiveness=Integration capability

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.



# Partnership with OS developers and high evaluation (1)

Technical and service capabilities to deal with all operating systems, including iOS

October  
2010

In response to **Apple** Inc. limited disclosure of the iOS MDM specifications, CLOMO MDM, Japan's first corporate MDM service, was launched in November 2010

October  
2015

Collaboration started with **Microsoft Japan Co., Ltd.** in the mobile device/IoT market

January  
2019

MDM service CLOMO MDM acquired **Android Enterprise Recommended\***

\*A program that empowers corporations to confidently select, distribute, and manage Android devices and services validated by Google that satisfy stringent corporate requirements

Prompt response to the latest technology and OS

Product development that meets customer needs

# Partnership with OS developers and high evaluation (2)



As one of the 10 global companies that have acquired Android Enterprise Recommended in the EMM field, we have cleared four high hurdles.

i3 Systems



## 1 Advanced functions

Validate the advanced functions of the Android Enterprise management set

## 3 Enterprise-level support

Established support system with Google.  
Documentation guide for setup and migration

## 2 Technological innovation backed by achievements

Standardized product console as the primary method to set up Android device management

## 4 Introduction capability based on achievements

With a wealth of experience and expertise on relevant services and technologies, provide support to the customer engagement team

## Nine other companies that acquired Android Enterprise Recommended

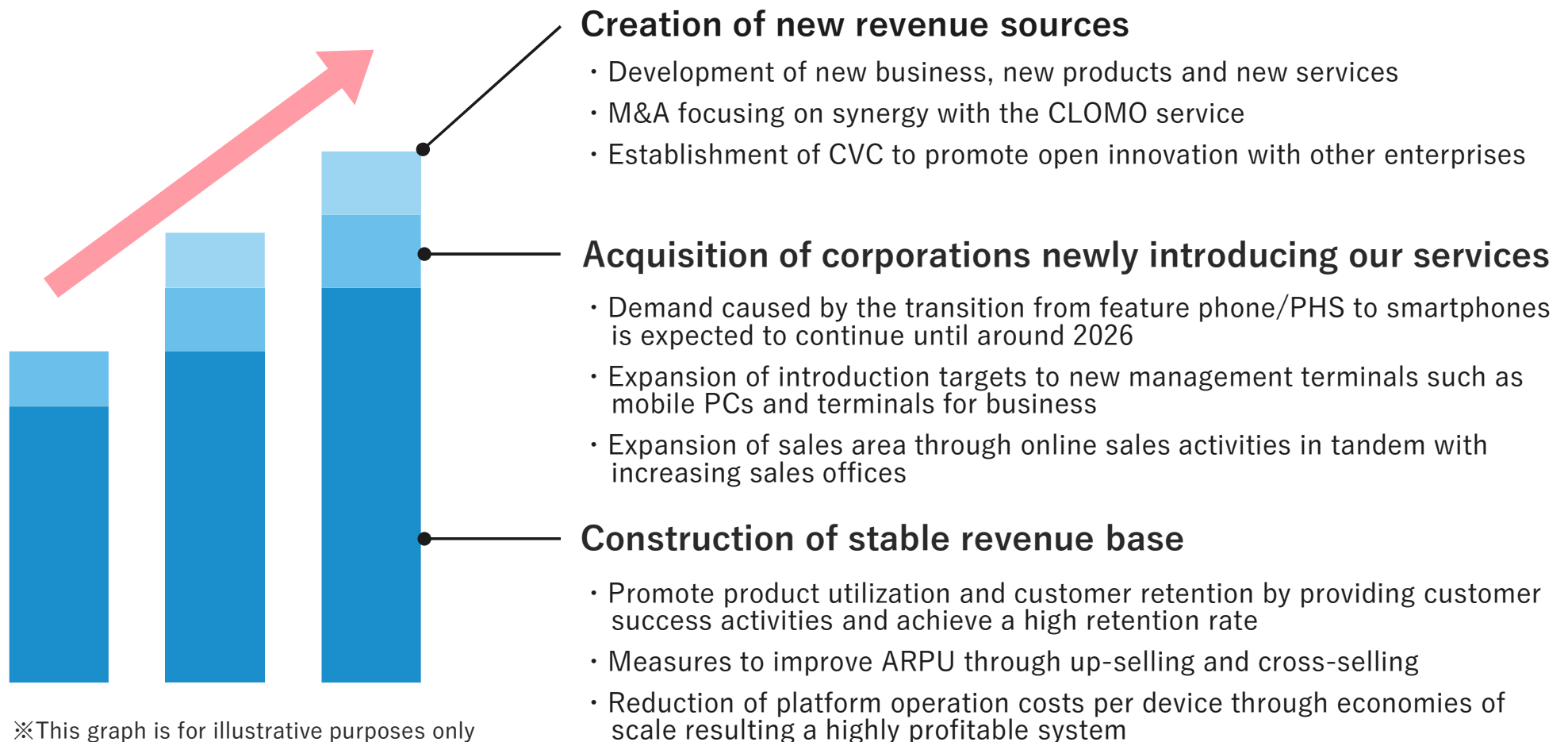
SPPM / BlackBerry / SAMSUNG Knox Manage / IBM MaaS360 with Watson / Microsoft / mobileiron /  
Business Concierge Device Management SoftBank Corp. / SOTI / VMware Workspace ONE

Source: Website of Android Enterprise Recommended ([https://www.android.com/intl/ja\\_jp/enterprise/](https://www.android.com/intl/ja_jp/enterprise/)), as 25 November 2021.

# 3. Business plan

# 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



# 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%**

# Corporate Strategies for FY6/22

Aiming to gain the dominant share in the MDM market in Japan and establish a highly profitable system in CLOMO business, continue aggressive investment in further sales growth and business expansion of the CLOMO service in the medium to long term.

## ■ Accelerate collaboration with NTT DOCOMO by increasing sales offices

Establish new sales offices following Tokyo and Osaka to accelerate collaboration with NTT DOCOMO and other sales partners to steadily capture demand for MDM generated by telework and other factors in local areas.

## ■ Invest in product development for business expansion in the medium-to long-term

Increase the number of engineers including development partners to enhance the functions of products such as mobile PCs and terminals for business, while promoting modernization of CLOMO products such as improving efficiency with modernized design.

## ■ Develop branding activities to firmly establish a position as the top maker

Launch investment in advertising to raise brand awareness to firmly establish a position as the top maker holding the No. 1 share in the domestic MDM market (own brand) for ten consecutive years.

## ■ Systematize internal operations to promote efficient business operations

Continue investment in system development to prevent an increase in internal operations associated with further business expansion and promote efficient business operations.

## ■ M&A and CVC to improve corporate value with open innovation

Consider M&A candidates focusing on synergy with the CLOMO service and launch the CVC business.



## 4. Risk information

# 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	Our 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.
About the risks of being a single business	If the growth of the mobile device management market (MDM market) to which we belong does not progress as expected, or if we cannot respond appropriately to changes in the business environment, it may affect our financial position and business results.	As the mobile terminals that provide our service are, in addition to tablets such as iPads and smartphones such as iPhones and Androids, newly expanded into the PC management market, we are building a new sales network and working to respond to changes in the business environment.

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.

# 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 2022.