

# **Third Quarter of Fiscal Year ending June 30, 2023 Supplementary Material on Financial Statements**

**May 11, 2023**

i Cubed Systems, Inc.

TSE Growth : 4495

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### Disclaimer

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# 1. Summary


# Summary of 3Q of FY6/23

Despite continued delays in the procurement of smartphones for corporations <sup>(1)</sup>, net sales grew steadily.

More than 4,400 corporations have deployed our services and investments for growth to prepare for business expansion are proceeding according to plan.


## Net sales

**1,986**million yen

YoY: +9.0% 

## Operating income

**489**million yen

YoY: -26.4% 

## Number of corporations introducing our services

**4,461**corporations

+13.9%  from the end of the previous period

Note:

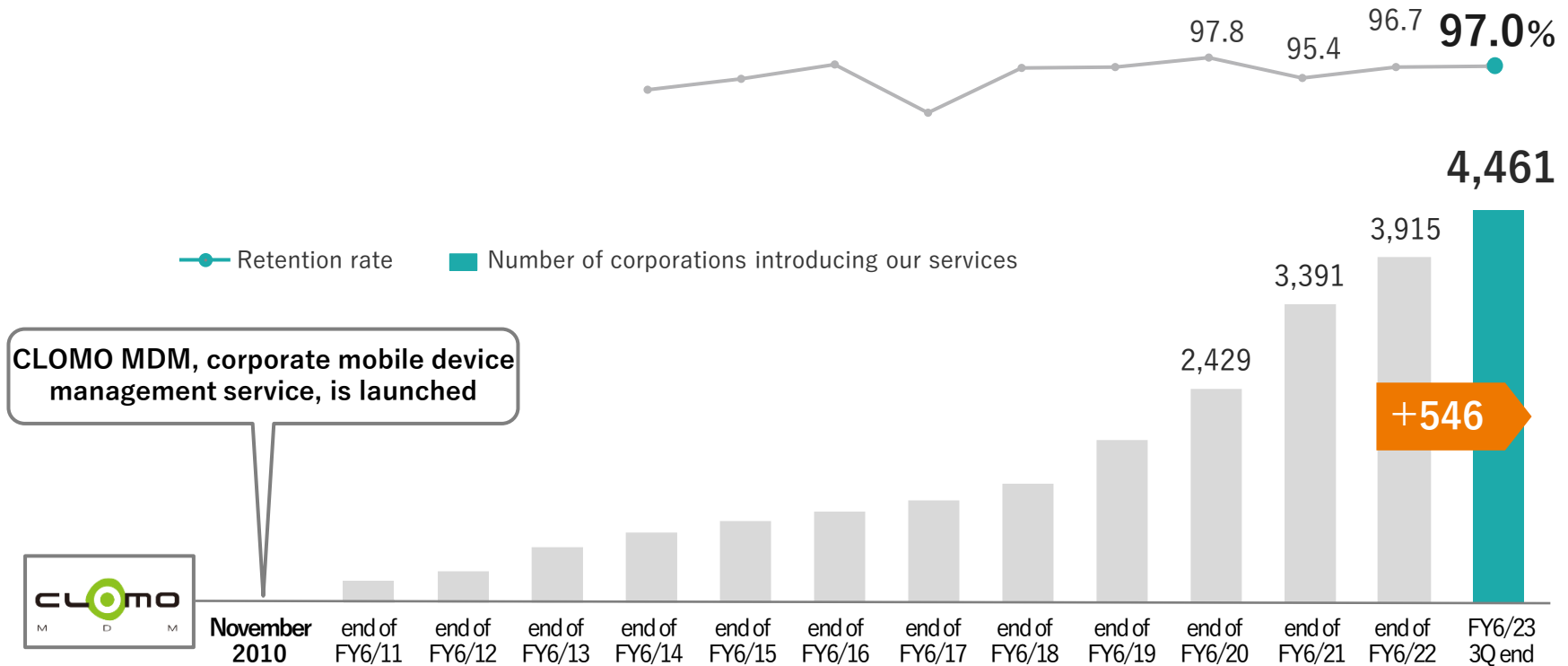
1. In Japan there has been a decline in the distribution of smartphones, for which demand for corporate use is strong, and procurement of mobile devices continues to take time

## **2. Financial Results for 3rd Quarter of Fiscal Year ending June 30, 2023**

# CLOMO business KPI<sup>①</sup> Number of corporations introducing our services/Retention rate

Growth in the number of corporations deploying our services accelerated as a result of sales provided on an OEM basis, and increased by 260 in the third quarter. By promoting improved retention through customer success activities, the retention rate<sup>(1)</sup> is at a high 97.0%.

## Number of corporations introducing our services and Retention rate



Note :

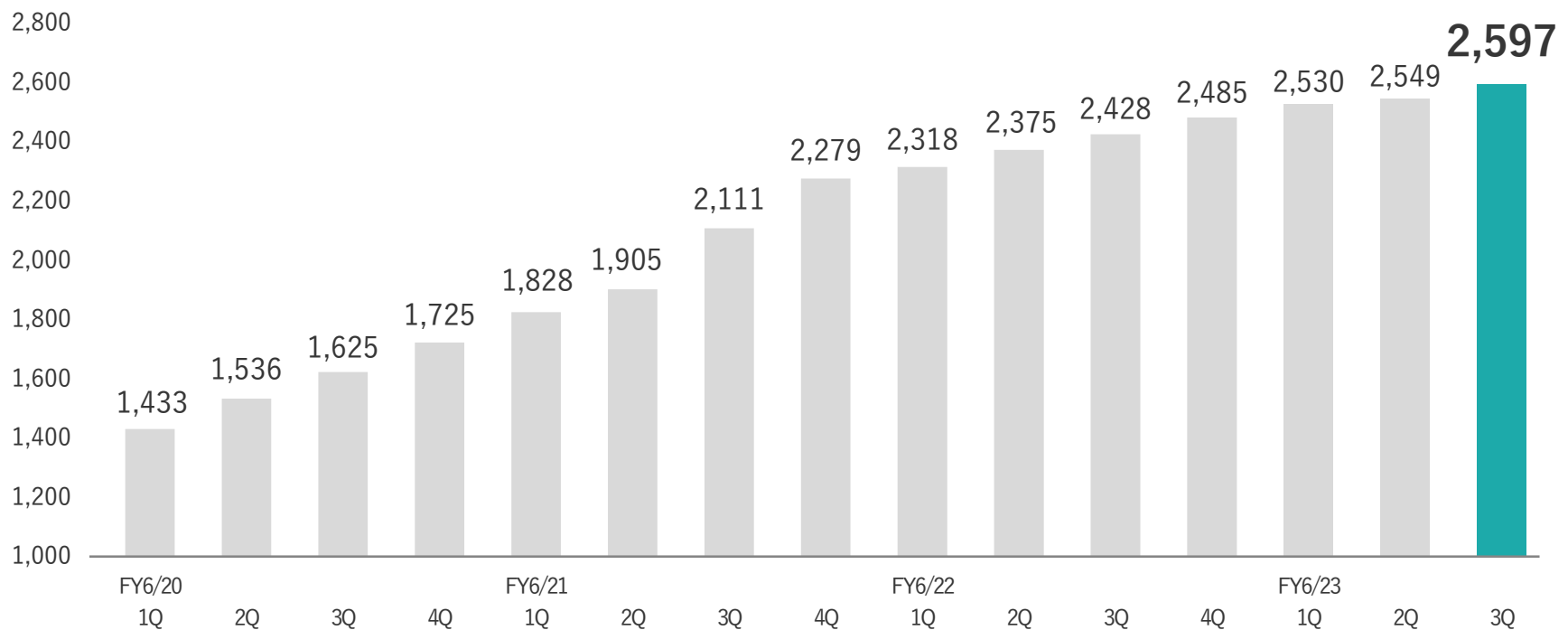
1. Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

# CLOMO business KPI② Trend of ARR

ARR<sup>(1)</sup>, which is the main KPI used for the subscription business, was 2,597 million yen (+7.0% YoY).

## ARR trends as of the end of each quarter

(millions of yen)



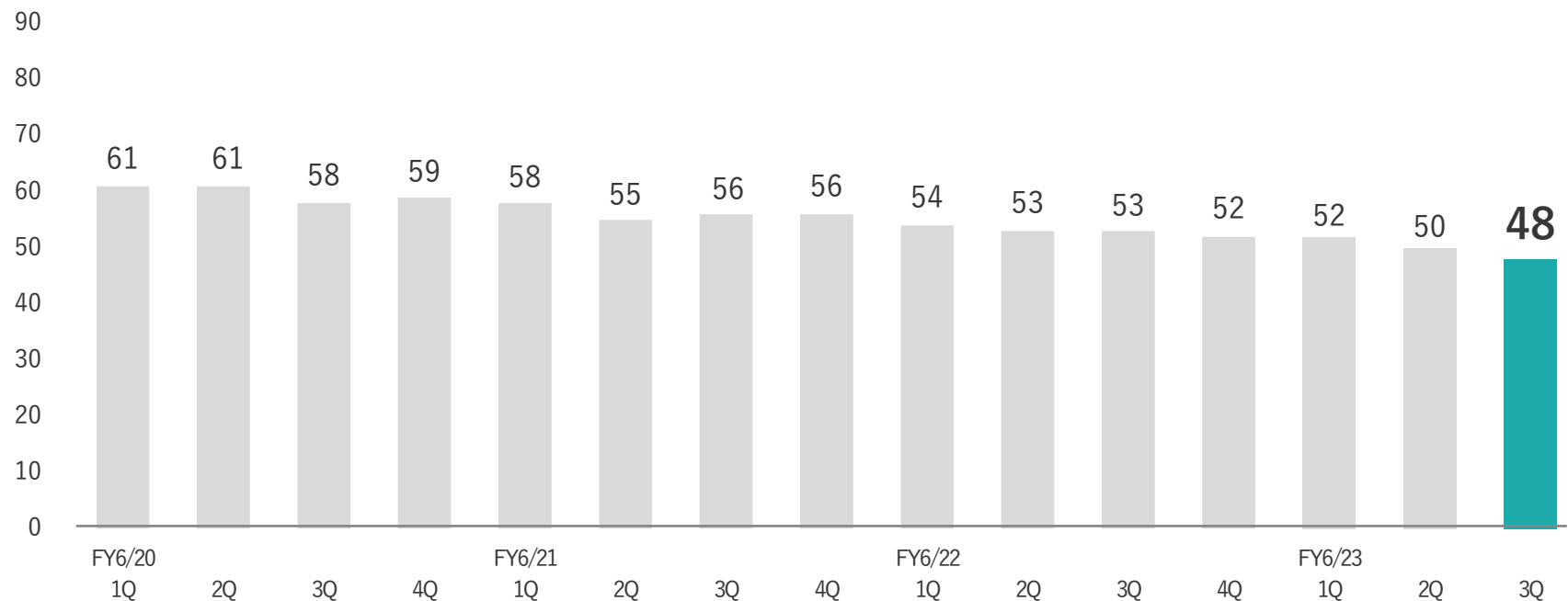
1. ARR: Annual Recurring Revenue. Calculated by multiplying the MRR for each month by 12, where MRR is the sum of the monthly fees for corporations deploying our services as of the end of the targeted month, excluding temporary costs.

# CLOMO business KPI③ Trend of ARPU

Beginning provision on an OEM basis has resulted in further progress in deployment of MDM by small and medium-sized enterprises, and ARPU<sup>(1)</sup> is on a gradual downward trend. While working to expand the customer base, we will strive to enhance ARPU through sales of optional services<sup>(2)</sup>.

## ARPU trends as of the end of each quarter

(thousands of yen)



Note:  
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. In April 2022, we launched the “CLOMO Operation Service” to support the operation of CLOMO MDM, and in September 2022, we launched the “CLOMO Kitting Service” to support the initial settings of CLOMO MDM. Also, from October 2022, in collaboration with Deep Instinct, we launched “CLOMO MDM Endpoint Security secured by Deep Instinct”.

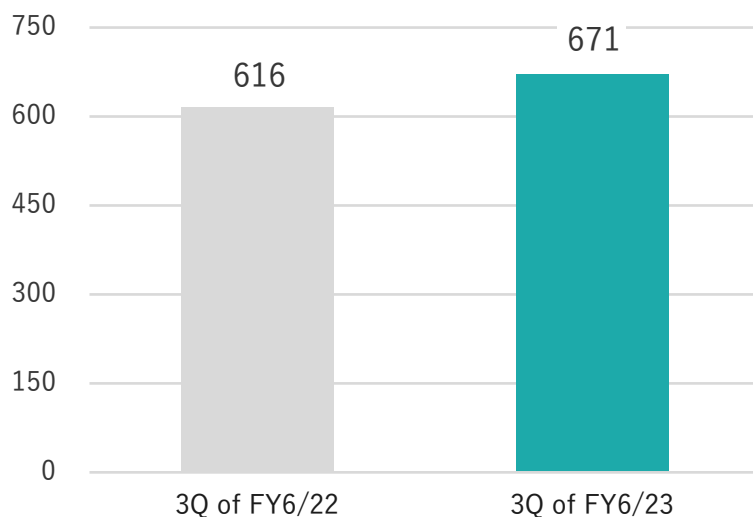


# Consolidated net sales and operating income for 3rd quarter of FY6/23

Net sales in the 3rd quarter (January - March) were 671 million yen (+9.0% YoY), and operating income was 177 million yen (-16.5% YoY).

## Net sales

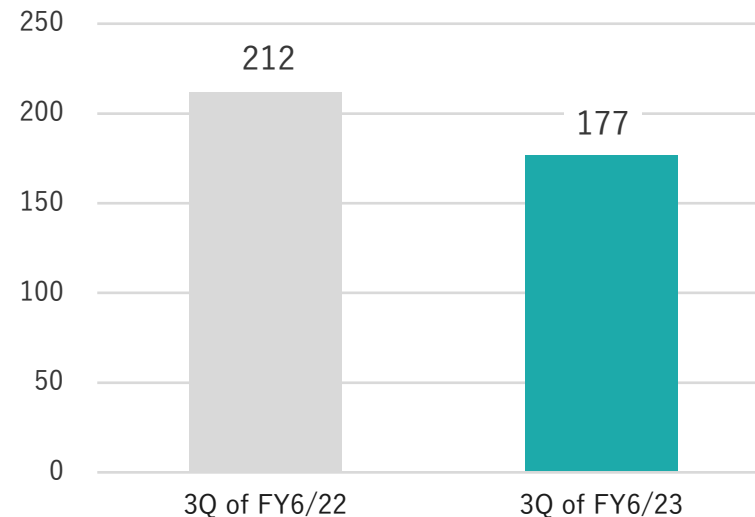
(millions of yen)



3Q of FY6/22	3Q of FY6/23	Year on year
616 million yen	671 million yen	109.0% (+55 million yen)

## Operating income

(millions of yen)



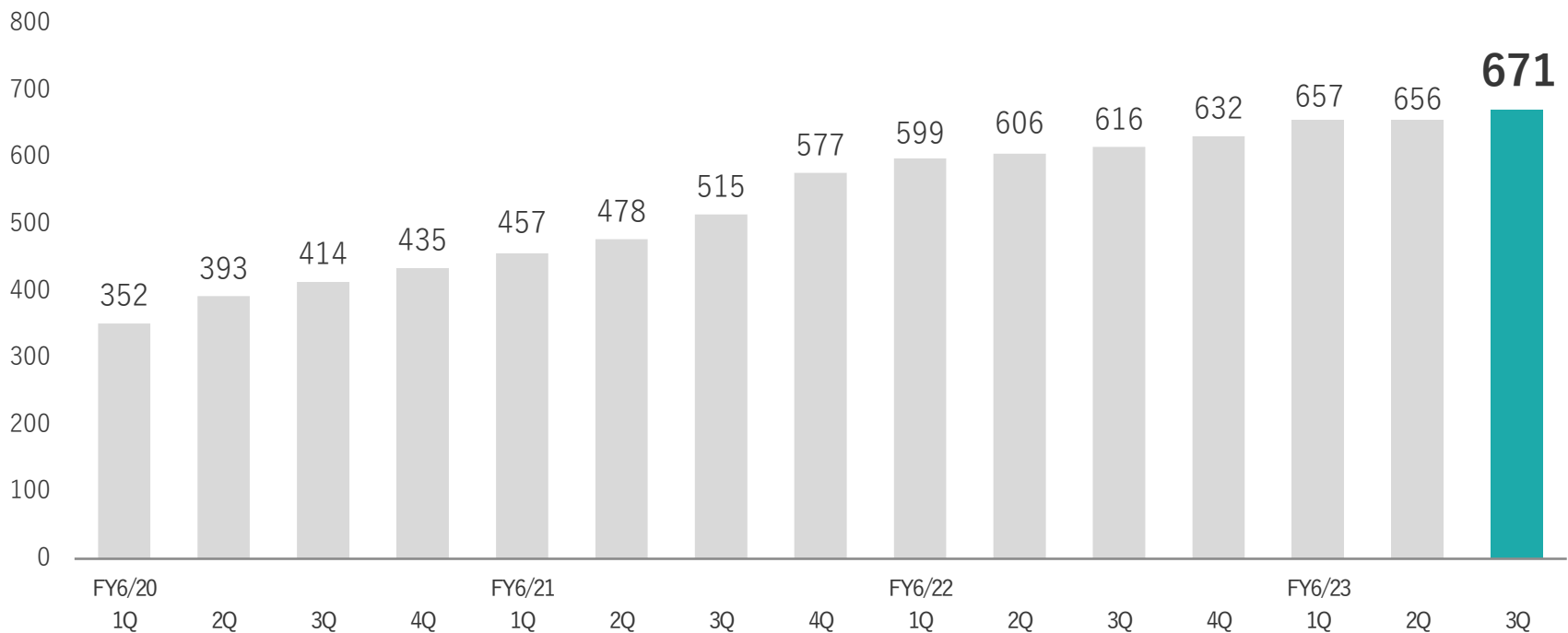
3Q of FY6/22	3Q of FY6/23	Year on year
212 million yen	177 million yen	83.5% (-35 million yen)

# Quarterly trend in CLOMO Business net sales

Due to a temporary surge in sales caused by the beginning of OEM sales in 1Q, net sales in 2Q decreased slightly, but growth resumed and remained stable in 3Q (CAGR 17.5%) .

## CLOMO Business net sales (quarterly total)

(millions of yen)

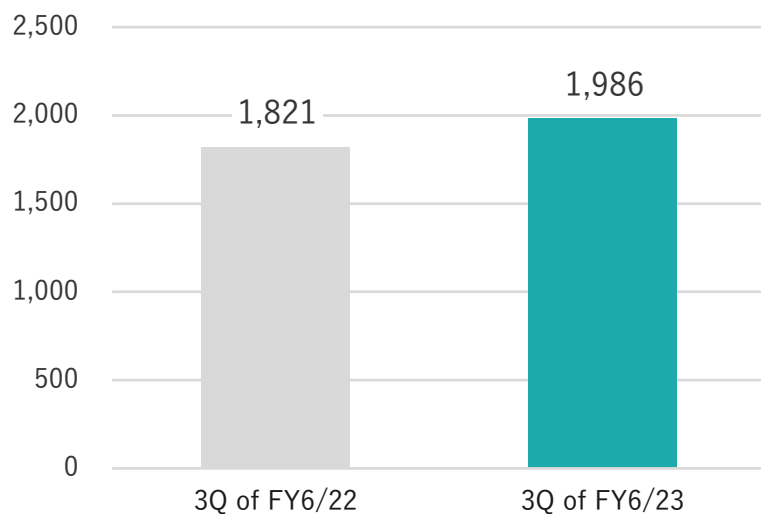


# Cumulative consolidated net sales/operating income for 3rd quarter of FY6/23

Cumulative consolidated net sales for 3rd quarter (July-March) were 1,986 million yen (+9.0% YoY), and operating income was 489 million yen (-26.4% YoY).

## Net sales

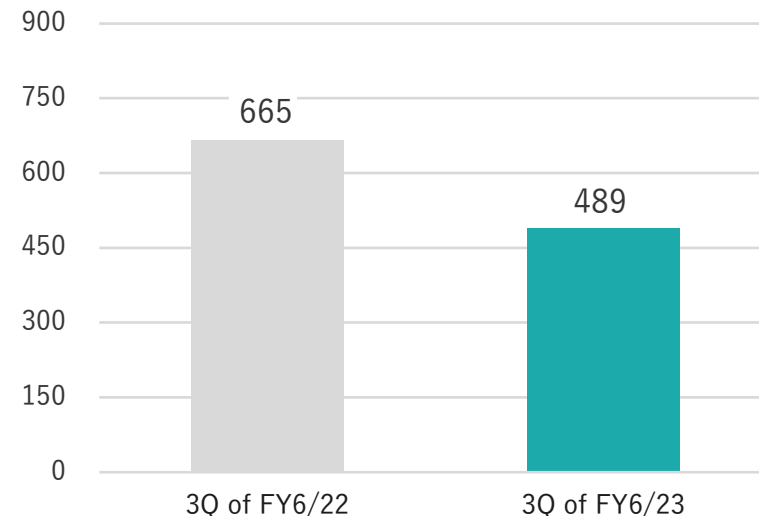
(millions of yen)



3Q of FY6/22	3Q of FY6/23	Year on year
1,821 million yen	1,986 million yen	109.0% (+164 million yen)

## Operating income

(millions of yen)



3Q of FY6/22	3Q of FY6/23	Year on year
665 million yen	489 million yen	73.6% (-176 million yen)

# Consolidated income statement for 3rd quarter of FY6/23

Net sales were 671 million yen (+9.0% YoY), and operating income was 177 million yen (-16.5% YoY). Following the cultivation of relationships with outsourcing companies, investment in development and releases of software products increased, leading to a rise in cost of sales.

(units: millions of yen)	3Q of FY6/22 (Composition rate)	3Q of FY6/23 (Composition rate)	Rate of change
<b>Net sales</b>	<b>616</b> (100.0%)	<b>671</b> (100.0%)	<b>+ 9.0%</b>
CLOMO Business	<b>616</b> (100.0%)	<b>671</b> (100.0%)	<b>+ 9.0%</b>
Investment Business	— (— %)	— (— %)	— %
<b>Cost of sales</b>	<b>96</b> (15.6%)	<b>157</b> (23.4%)	<b>+ 63.3%</b>
Depreciation expenses	<b>18</b> (3.0%)	<b>36</b> (5.4%)	<b>+ 96.2%</b>
Manufacturing costs	<b>59</b> (9.6%)	<b>100</b> (14.9%)	<b>+ 68.5%</b>
Others	<b>18</b> (3.0%)	<b>20</b> (3.1%)	<b>+ 13.1%</b>
<b>Gross profit</b>	<b>520</b> (84.4%)	<b>514</b> (76.6%)	<b>△1.1%</b>
<b>Selling, general and administrative expenses</b>	<b>307</b> (49.9%)	<b>337</b> (50.2%)	<b>+ 9.6%</b>
Labor expenses, etc.	<b>204</b> (33.2%)	<b>244</b> (36.3%)	<b>+ 19.1%</b>
Others	<b>102</b> (16.7%)	<b>93</b> (13.9%)	<b>△9.3%</b>
<b>Operating income</b>	<b>212</b> (34.4%)	<b>177</b> (26.4%)	<b>△16.5%</b>
<b>Ordinary profit</b>	<b>213</b> (34.6%)	<b>176</b> (26.3%)	<b>△17.1%</b>
<b>Corporate income taxes</b>	<b>66</b> (10.8%)	<b>56</b> (8.4%)	<b>△15.6%</b>
<b>Profit attributable to owners of parent</b>	<b>146</b> (23.8%)	<b>120</b> (17.9%)	<b>△17.7%</b>

# Cumulative consolidated income statement for 3rd quarter of FY6/23

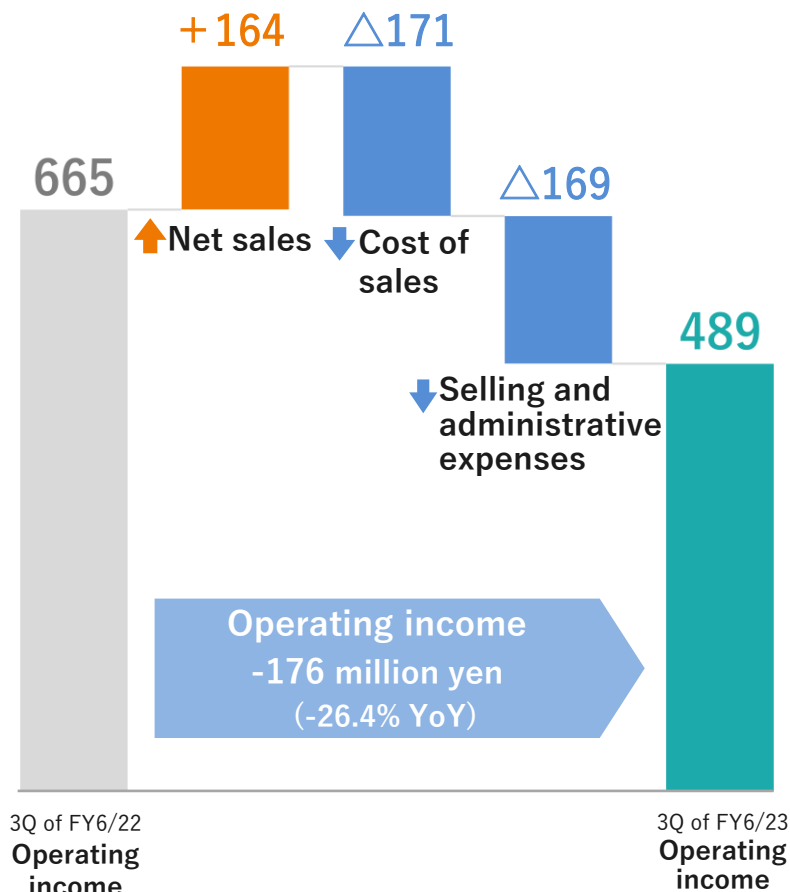
Net sales were 1,986 million yen (+9.0% YoY), operating income was 489 million yen (-26.4% YoY).

(units: millions of yen)	3Q of FY6/22 (Composition rate)	3Q of FY6/23 (Composition rate)	Rate of change
<b>Net sales</b>	<b>1,821</b> (100.0%)	<b>1,986</b> (100.0%)	<b>+ 9.0%</b>
CLOMO Business	<b>1,821</b> (100.0%)	<b>1,986</b> (100.0%)	<b>+ 9.0%</b>
Investment Business	— (— %)	— (— %)	— %
<b>Cost of sales</b>	<b>265</b> (14.6%)	<b>437</b> (22.0%)	<b>+ 64.6%</b>
Depreciation expenses	<b>37</b> (2.1%)	<b>101</b> (5.1%)	<b>+ 168.9%</b>
Manufacturing costs	<b>171</b> (9.4%)	<b>275</b> (13.8%)	<b>+ 60.0%</b>
Others	<b>55</b> (3.1%)	<b>60</b> (3.0%)	<b>+ 7.7%</b>
<b>Gross profit</b>	<b>1,556</b> (85.4%)	<b>1,549</b> (78.0%)	<b>△0.4%</b>
<b>Selling, general and administrative expenses</b>	<b>890</b> (48.9%)	<b>1,059</b> (53.3%)	<b>+ 19.0%</b>
Labor expenses, etc.	<b>605</b> (33.2%)	<b>744</b> (37.5%)	<b>+ 22.9%</b>
Others	<b>285</b> (15.6%)	<b>315</b> (15.9%)	<b>+ 10.7%</b>
<b>Operating income</b>	<b>665</b> (36.6%)	<b>489</b> (24.7%)	<b>△26.4%</b>
<b>Ordinary profit</b>	<b>666</b> (36.6%)	<b>488</b> (24.6%)	<b>△26.8%</b>
<b>Corporate income taxes</b>	<b>206</b> (11.3%)	<b>155</b> (7.8%)	<b>△24.4%</b>
<b>Profit attributable to owners of parent</b>	<b>460</b> (25.3%)	<b>332</b> (16.7%)	<b>△27.8%</b>

# Factors behind changes in operating income

Net sales grew strongly due to expansion in the CLOMO Business.

Investments for growth aimed at business expansion proceeded according to plan, and focused on augmenting personnel following the increase in the number of sales offices.



## ↑ Increase in net sales (+164)

- CLOMO business expansion

## ↓ Increase in cost of sales (△171)

- As a result of steady progress in cultivating relationships with outsourcing companies, with the aim of outsourcing some product development, investment in development and releases of software products increased

## ↓ Increase in selling and administrative expenses (△169)

- Personnel expenses aimed at increasing staff  
The number of employees at the end of March 2023 is 113 (an increase of 14 from the end of the previous fiscal year)
- Auditing expenses incurred in preparation for acquiring ISMAP<sup>(1)</sup> certification. Moving ahead with the objective of acquiring certification in FY6/24

Note:  
1. An abbreviation of "Information system Security Management and Assessment Program." A system for evaluating the security of cloud services utilized by the government, established by the Cabinet Secretariat, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry. By acquiring ISMAP certification, the Company seeks to improve the reliability of CLOMO Services and win market share at public agencies.

# Balance sheet for 3rd quarter of FY6/23

Equity ratio was 78.4% (up 9.1 points from the end of the previous period), demonstrating that the financial base remains stable.

Decrease in cash and deposits is mainly due to payment of equity stakes taken by the Investment Business and corporate income taxes.

(units: millions of yen)	FY6/22	3Q of FY6/23	Change
<b>Current assets</b>	<b>2,780</b>	<b>2,432</b>	<b>△348</b>
Cash and deposits	2,337	1,892	△445
Receivables	234	257	+23
Operational investment securities	149	209	+60
<b>Fixed assets</b>	<b>422</b>	<b>698</b>	<b>+276</b>
Software	51	86	+35
Software in progress	169	283	+114
<b>Total assets</b>	<b>3,202</b>	<b>3,131</b>	<b>△71</b>
<b>Current Liabilities</b>	<b>978</b>	<b>670</b>	<b>△308</b>
Contract liabilities	496	420	△76
<b>Fixed liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total liabilities</b>	<b>978</b>	<b>670</b>	<b>△308</b>
<b>Total net assets</b>	<b>2,223</b>	<b>2,460</b>	<b>+237</b>
<b>Total liabilities and net assets</b>	<b>3,202</b>	<b>3,131</b>	<b>△71</b>

# **3. Reference Materials**



# 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	408,030,100 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Google Android Enterprise Recommended Microsoft Partner Network Gold Competency

※Information as of the end of March 2023.

# 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

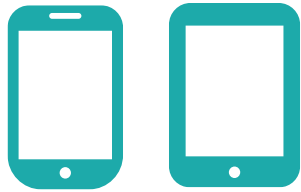
**Purpose : Become the matrix for realizing unknown ideas that lead to smiles**

**Value proposition : Using the power of design and engineering to support those who take on challenges**

# 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

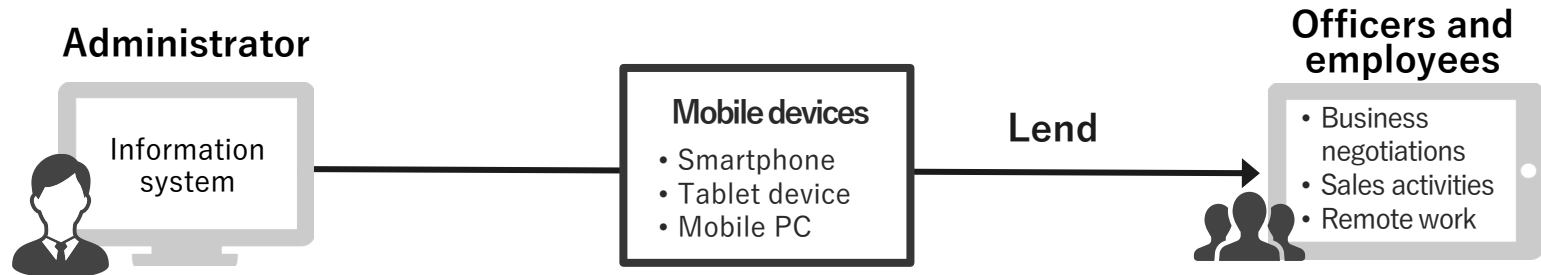
## Investment Business





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

# Overview of the CLOMO Business

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



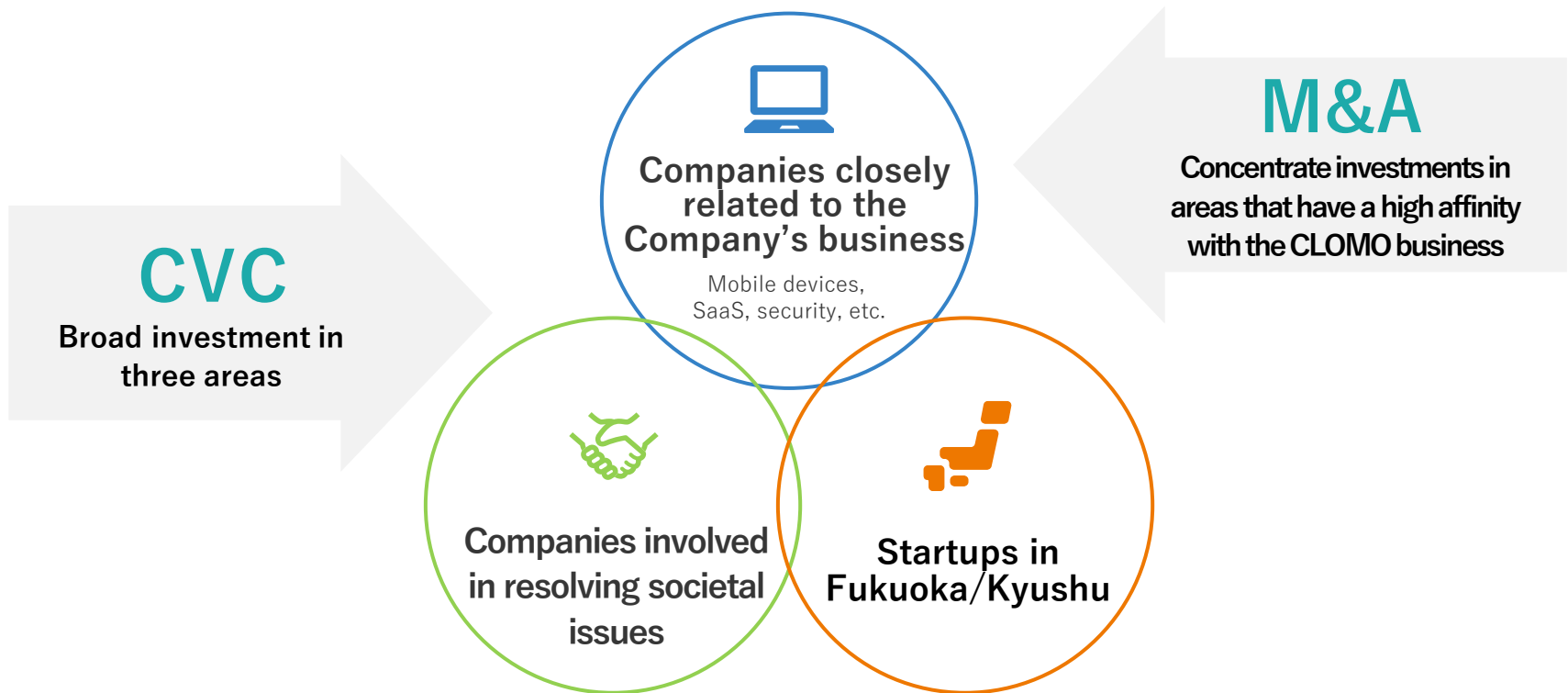
			Visualization of utilization status “Status monitoring”	Function restrictions And settings “Application of utilization rules”	Security measures “Measures for preventing information leakage”
<div>Management</div> <div>Basic functions for smooth management</div>		Remotely assess the utilization status in real time	Properly set and restrict functions	Device lock and data erasure when the device is lost or stolen	
<div>Utilization</div> <div>In combination with MDM, ensure both safety and convenience</div>		Efficiently assess the utilization status	Efficiently use business software <b>【Browser / Mailer / Calendar / Contacts / Docs】</b>	Provide apps that meet security requirements	

# Overview of the Investment Business

We actively explore M&A in order to accelerate the opening up of new businesses and creation of new revenue sources.

Additionally, we established a venture capital subsidiary and fund, and started investment activities.

## Focus areas within investments



# Source of competitiveness

## **1 Competitive advantage of CLOMO Business**

1. Stable revenue base and highly profitable structure
2. Integration capabilities
3. Partnership with OS developers and high evaluation

## **2 Management resources**

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

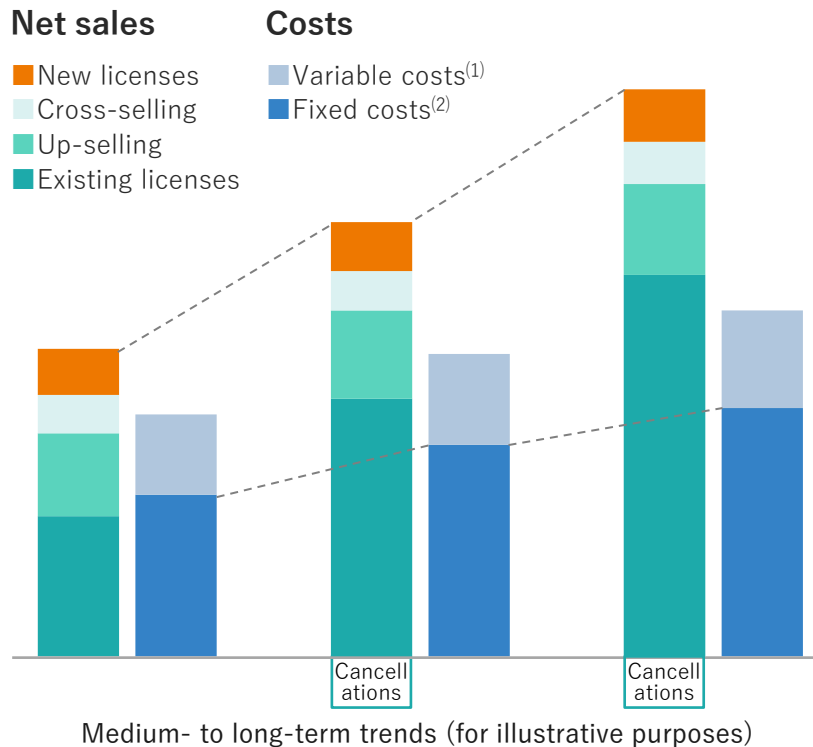
## 1 Competitive advantage of CLOMO Business

# 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



Note:

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)”

## Features of net sales breakdown

- Newly acquired (distributors)**  
Corporate with distributors to increase number of new customers
- Customer success (our company)**  
Approach directly, promote up-selling and cross-selling

## Features of cost breakdown

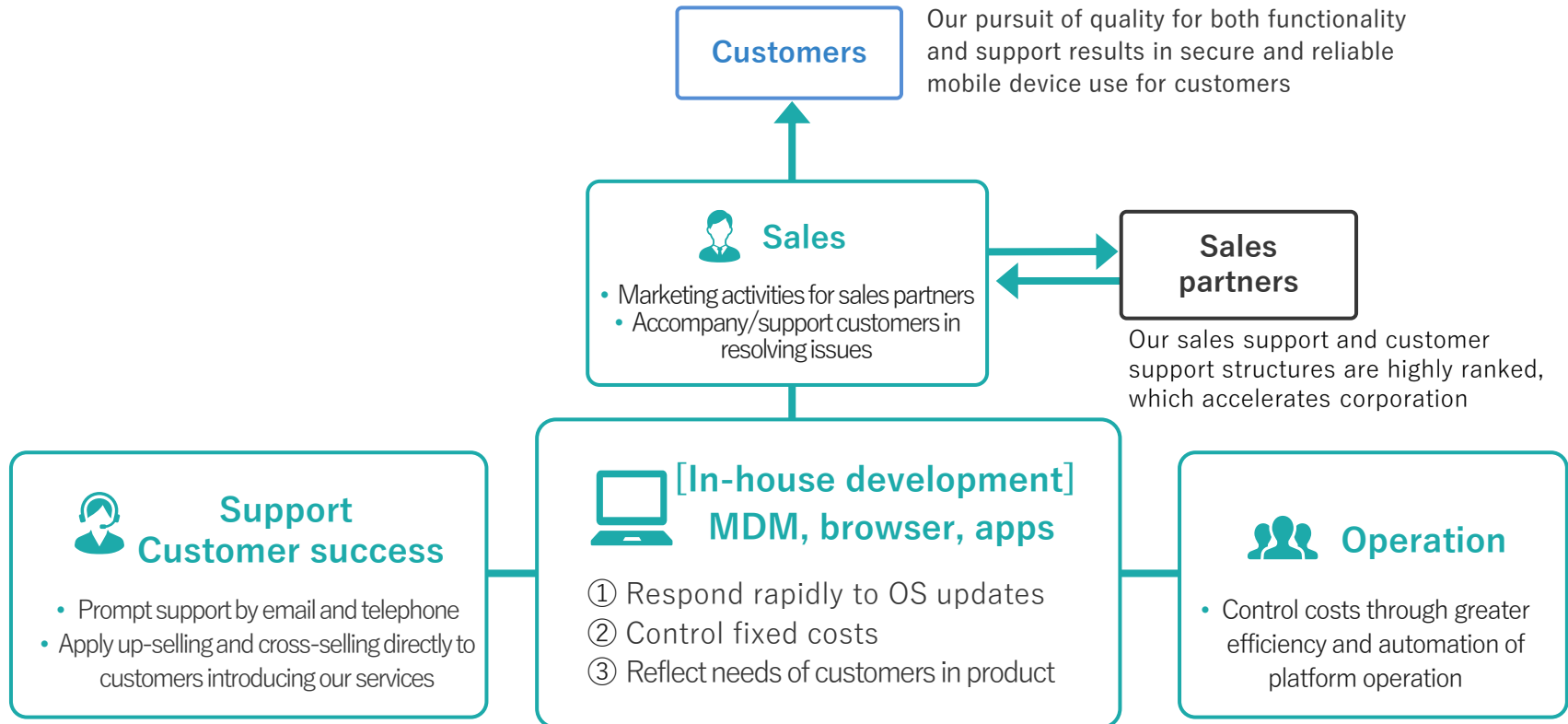
- Variable costs**  
Utilize new technology to control increases in operating costs for servers, etc. following expansion in scale of business
- Fixed costs**  
Furthermore, sales costs are controlled by means of marketing activities led by distributors, so that locations need to be opened only in core areas

# Integration capabilities

Achieving services with high customer satisfaction through the integrated capability of performing all development, operation, sales, and support in-house

## Integration capabilities

Enables close cooperation with customers and the provision of service that scores highly for satisfaction





# Partnership with OS developers and high evaluation

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



A program that shows that a service satisfies Google's stringent requirements for the safe and secure use of Android devices by companies

## Satisfies Google's stringent requirements

- **Development of advanced and highly sophisticated management functions**
- **Courteous and caring support structure**
- **Extensive track record and abundant deployment know-how**

## Helps acquire customers in the area of Android devices for corporates

- Provision of management and operations tailored to Android devices that have received Android Enterprise Recommended certification enables sophisticated device and app control
- Recognition of our superior technical capabilities in Android device management promotes acquisition of customers in the area of Android devices for corporates, where their use is expanding

## The 9 other companies that have 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

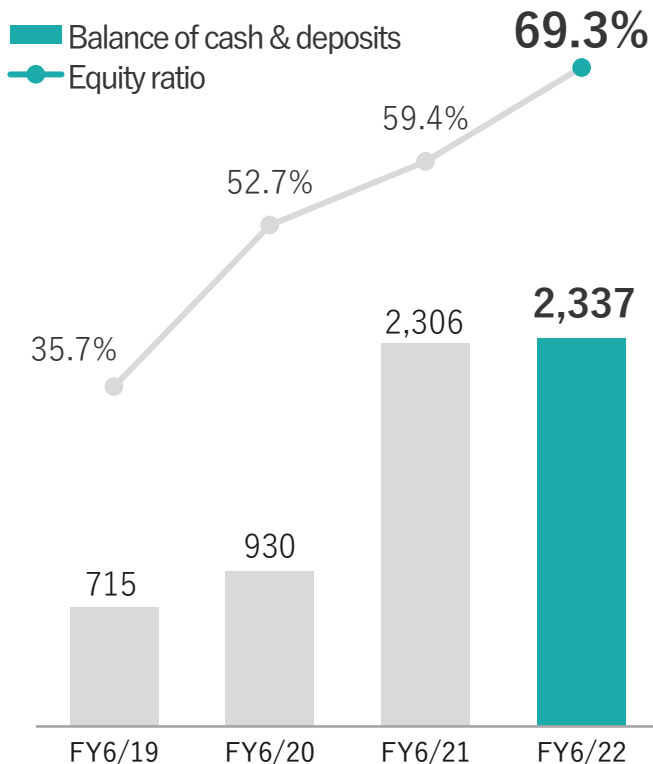
Source: Android Enterprise Recommended website ([https://www.android.com/intl/ja\\_jp/enterprise/](https://www.android.com/intl/ja_jp/enterprise/)), as of 30 June 2022

## Stable financial base

As of June 30, 2022, the amount of cash and deposits exceeded 2,000 million yen, with an equity ratio of 69.3%.

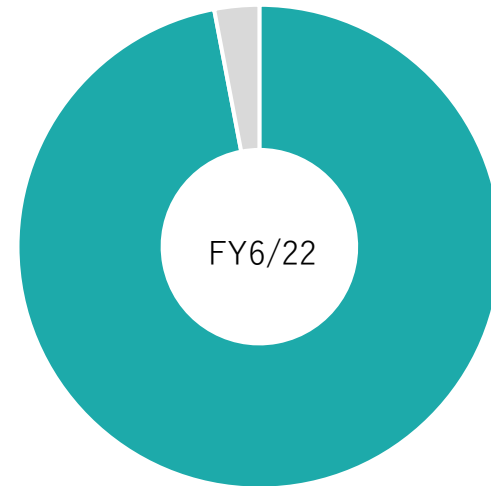
Use of subscription model enables us to build a stable financial base for future growth of the Company.

### Trend in balance of cash & deposits and equity ratio



### Ratio of revenue from stock business

**97%** of consolidated net sales consists of stock business



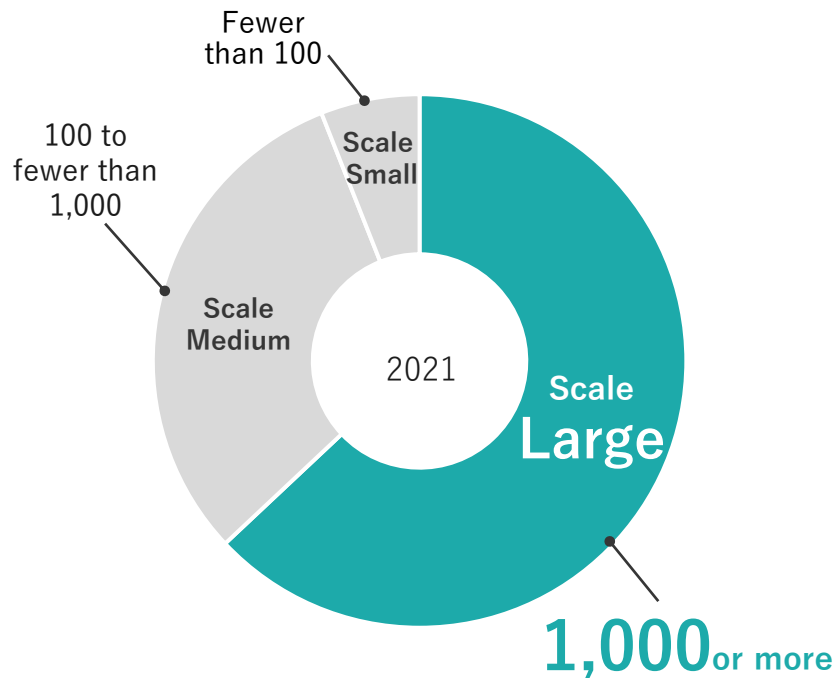
- Revenue from stock business
- Revenue from flow business

# Strong customer base

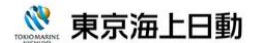
More than 4,400 existing companies form a strong customer base various of industries, mainly large companies.

Can be used as a base for future corporate growth.

Sales composition by customer scale  
(number of employees)



Deployment track record



And many others

Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd.  
“Market Outlook of Collaboration/Contents & Mobile Management Packaged Software” 2021 edition

# Diverse and flexible organization

Recognized for three consecutive years in the Best Workplaces<sup>(1)</sup> rankings and promotes flexible work styles.

By building a diverse organization and providing support for personal growth, we have fostered a culture that actively takes on challenges.

## Building of a diverse organization

### ● Diverse employee composition

Male-to-female  
ratio<sup>(2)</sup>

6:4

Percentage of foreign  
national employees<sup>(2)</sup>

9%

- Promote the creation of a diverse organization through free recruitment activities regardless of gender, nationality, or place of residence

### ● Flexible work styles

- Adopt remote work and flextime (without core time restrictions) for entire company

Percentage taking  
childcare leave

Ratio taking leave  
100%

Actual figure for FY6/22

Hours worked outside  
regular hours

6.4hours/month

Actual figure for FY6/22

## Fostering a culture that takes on challenges

### ● Support for personal growth

- Whether new graduates or mid-career hires, we actively recruit engineers of foreign nationality and provide support for relocation to Japan
- Attendance at overseas conferences
- Development and training of core human resources

### ● Corporate logo represents “challenge”



- Switch to variable logo that forms different shapes around the central “i” motif
- Represents the Company’s active approach to challenges and its willingness to change

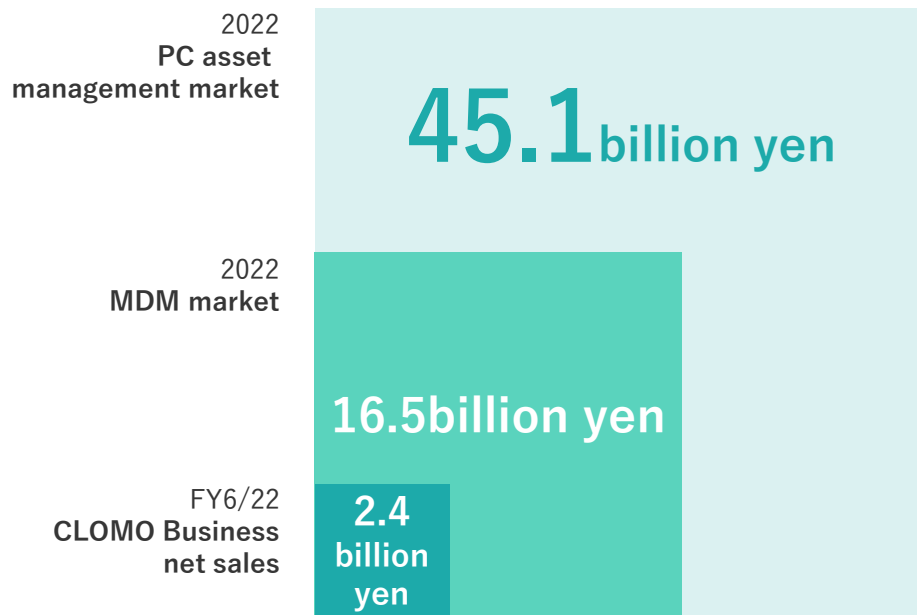
Note:

1. The Company was recognized by the Great Place to Work® Institute Japan, which performs awareness surveys of employees in accordance with global standards, and which has scored i Cubed Systems highly for three consecutive years in the 2021-2023 editions of the Best Workplaces rankings.

2. Figures are as of the end of June 2022, rounded to the nearest whole number.

# Markets targeted by the CLOMO Business

The CLOMO Business seeks to further expand its share of the MDM market, which is expected to record continuous growth, as well as aiming for a full-fledged entry into the PC asset management market.



## MDM market

- Switch to smartphones accelerating ahead of decommissioning of 3G
- DX leading to increase in deployments of mobile devices at medical, manufacturing, and logistics sites, resulting in expansion of devices to be managed
- Growing demand for mobile PC management due to increase in remote work and work style reforms

## PC asset management market

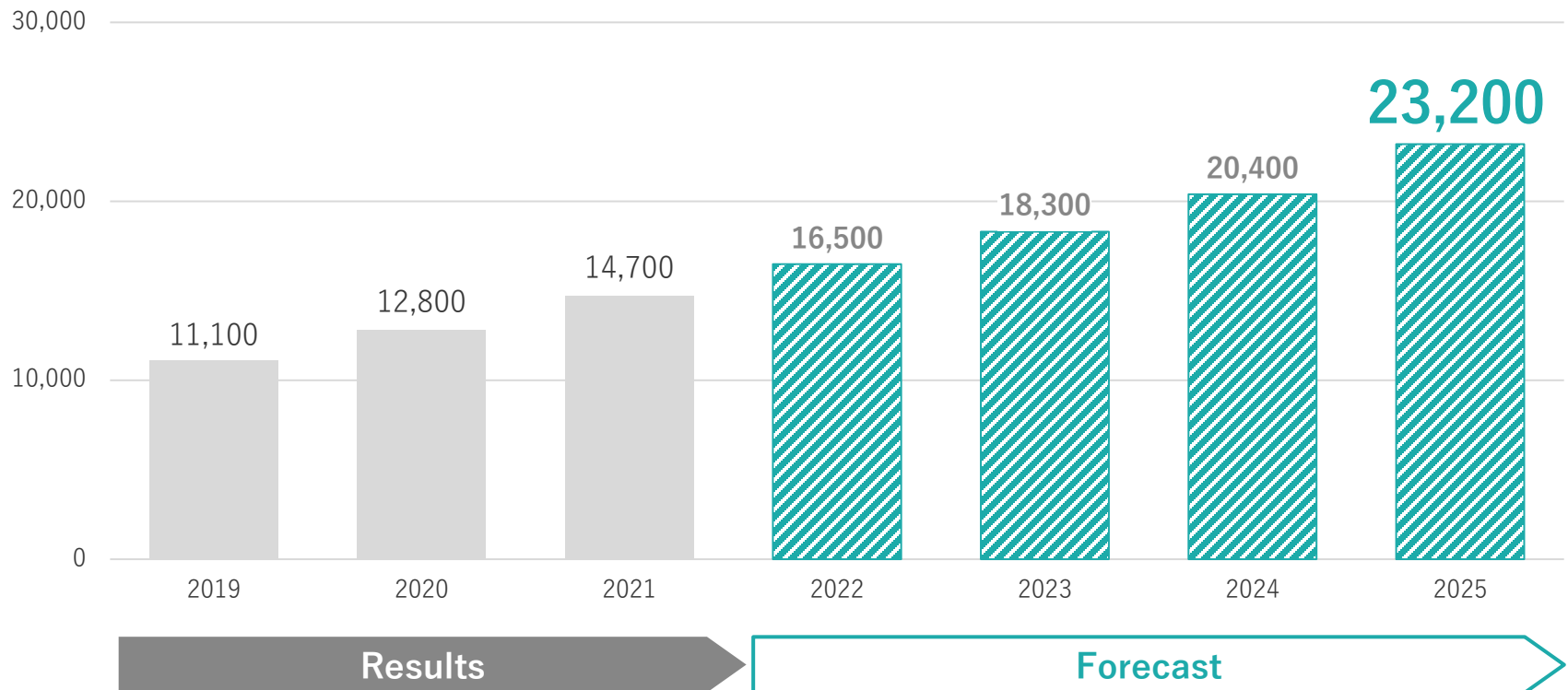
- Shift to SaaS for PC asset management and security software accelerating
- As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

# 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 23.2 billion yen** by 2025

(millions of yen)



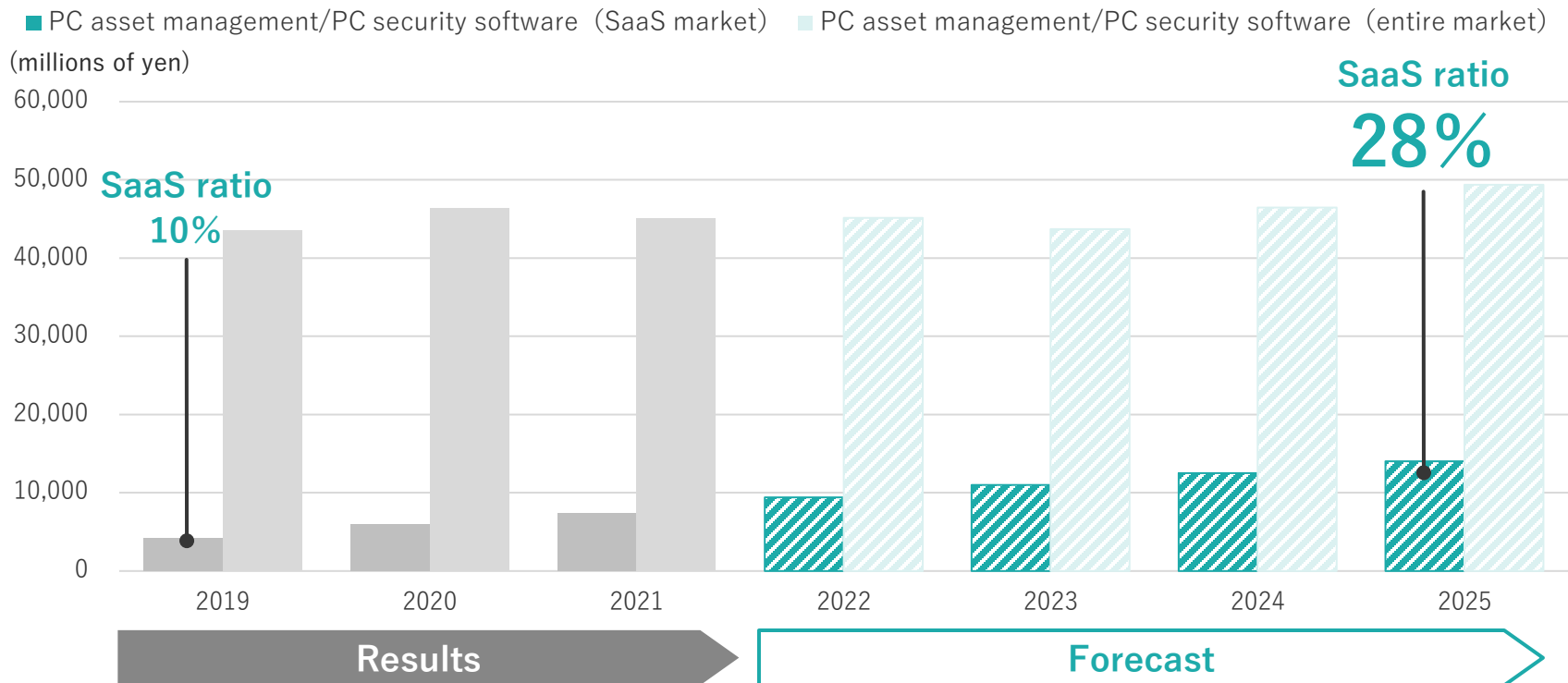
Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2021 edition

# Opportunities to enter PC asset management market

Transition to SaaS making progress in PC asset management market, which is more than twice the size of MDM market.

Aiming to enter PC asset management market against backdrop of growing demand for integrated management of mobile devices/PCs.

## PC asset management market is transitioning steadily from on-premise model to SaaS



Source: Techno Systems Research Co., Ltd. "2020-2021 Endpoint Management Market Marketing Analysis" and "2021-2022 Endpoint Management Market Marketing Analysis"

# Medium-to Long-term Goals

We endeavor to achieve growth in net sales and high profitability in the CLOMO business.

## Net sales

Aiming for CLOMO business to gain dominant market share

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

## Operating margin

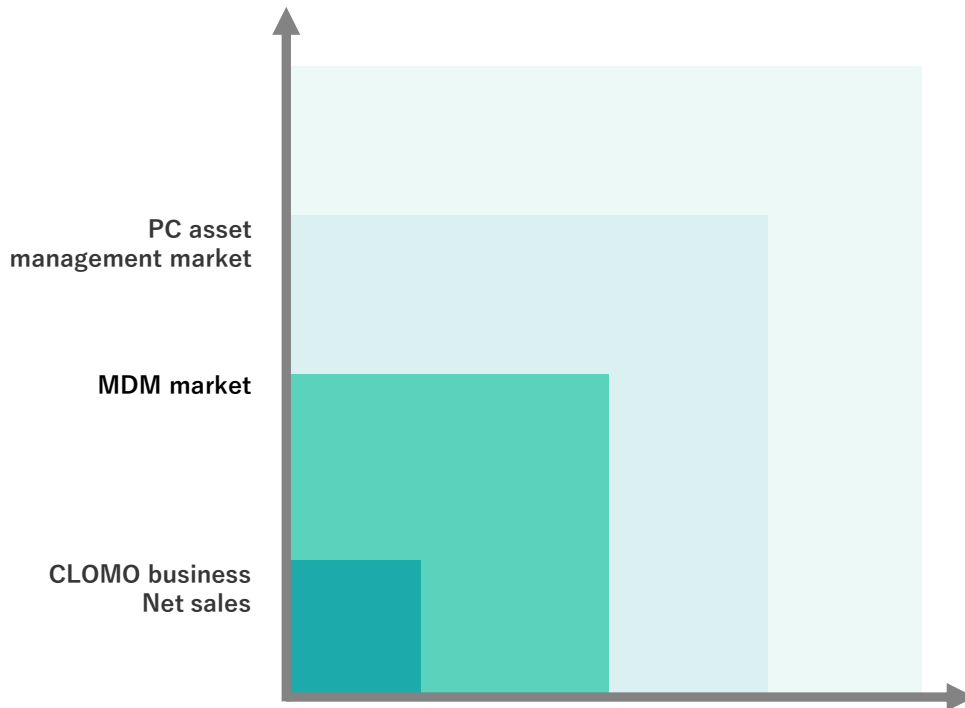
Establishing a highly profitable system  
in the CLOMO business

To aim to  
achieve **40%**



# Potential market area

Through M&A and CVC, as well as accelerating net sales growth in the CLOMO Business to over 125%, we aim to enter new market areas by rolling out new businesses.



## Entry into new market areas

- Development of new businesses, products and services
- Development of new businesses through M&A and CVC

## Acceleration of growth in the CLOMO Business

- Further growth in share of MDM market
- Entry into PC asset management market
- M&A focused on synergies with CLOMO services

# 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.