

Explanatory Materials regarding Business Plan and Growth Potential

September 27, 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. Company Profile

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	409,787,600 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business／ Investment business
Partner	Apple Consultants Network Android Enterprise Program Gold Partner Microsoft Partner Network Gold Competency

※Information as of the end of June 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

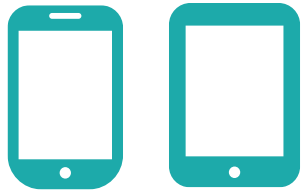
Value proposition : Using the power of design and engineering to support those who take on challenges

2. Business Summary

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

Issues our company hopes to solve

Business use of mobile devices is expanding in a wide variety of industries with the promotion of DX and paperless operations. At the same time, there is a growing need to address risks arising from loss, theft, etc. of mobile devices.

Mobile device use cases (partial list)

● Smartphone

Device lent to employees (mobile phone for business use)
Extension tool at medical institutions

● Tablet

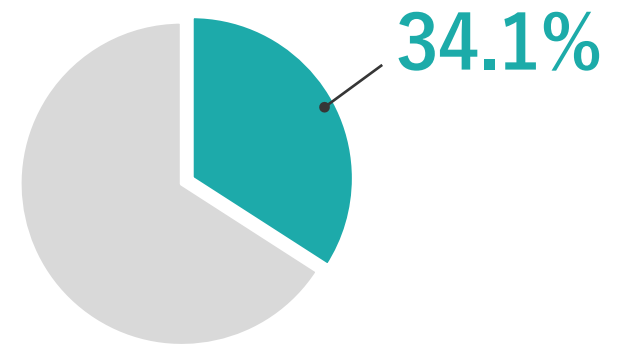
Devices lent to children in classrooms
Devices for reservations, inventory control, and payment
at stores that have customer interaction

● Dedicated terminals

Devices for delivery management by delivery personnel
in the forwarding industry
Devices for checking drawings and communication in the
manufacturing industry

Necessity of mobile device management (MDM)

1 in 3 companies has experienced loss or theft of
data or information devices by employees

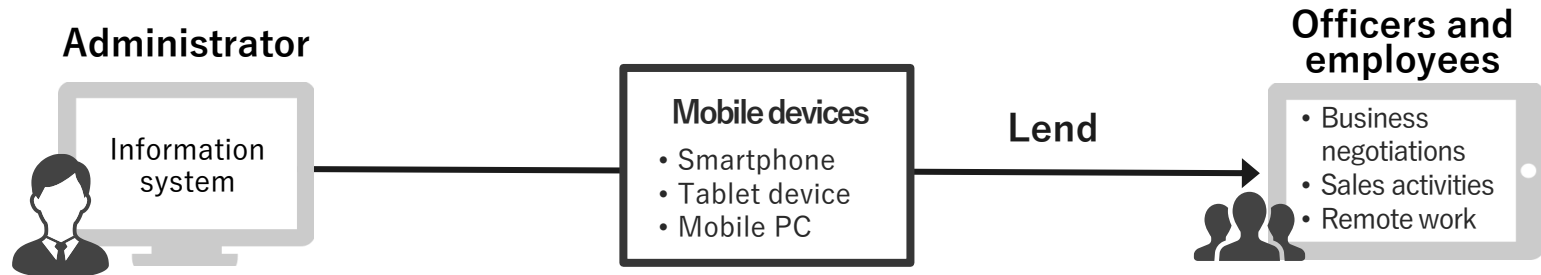




The most common security incident experienced by companies over the past year was loss or theft of data or information equipment by employees at 34.1%

Source) JIPDEC "JIPDEC IT-REPORT 2023 Spring"

Main features of the CLOMO service

We provide MDM services to reduce the security risks of mobile devices for business use, and application services to enable more efficient use of mobile devices.



			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 【Browser / Mailer / Calendar / Contacts / Docs】	Provide apps that meet security requirements	

Achieved top market share of domestic MDM market for 12 consecutive years

CLOMO MDM continues to expand its customer base since the launch of service in 2010. Have maintained No. 1⁽¹⁾ share in the domestic MDM market (own-brand) for 12 consecutive years.

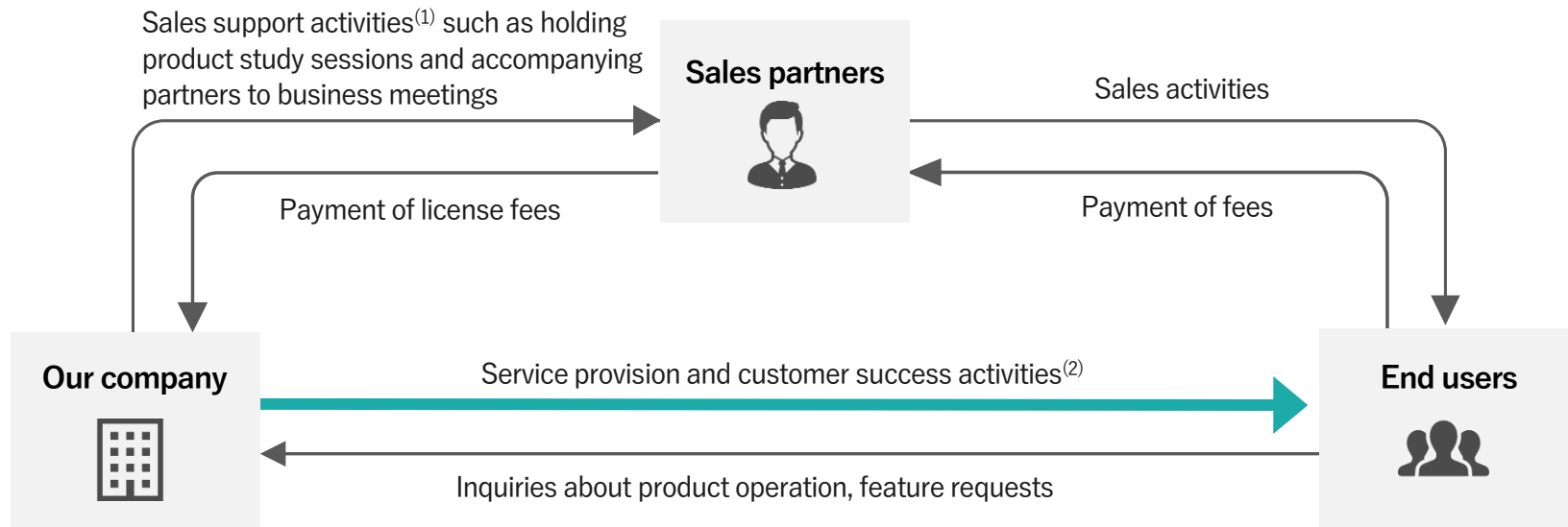


Note:

1. Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2011-2020 editions, "MIC IT Report Dec 2022 issue" Actual shipment value in FY 2021 and predicted shipment value in FY 2022

Service expansion via partners

We focus on service expansion in collaboration with sales partners. Meanwhile, our Customer Success Division, which has extensive product knowledge, provides direct support to customers who have installed our products.

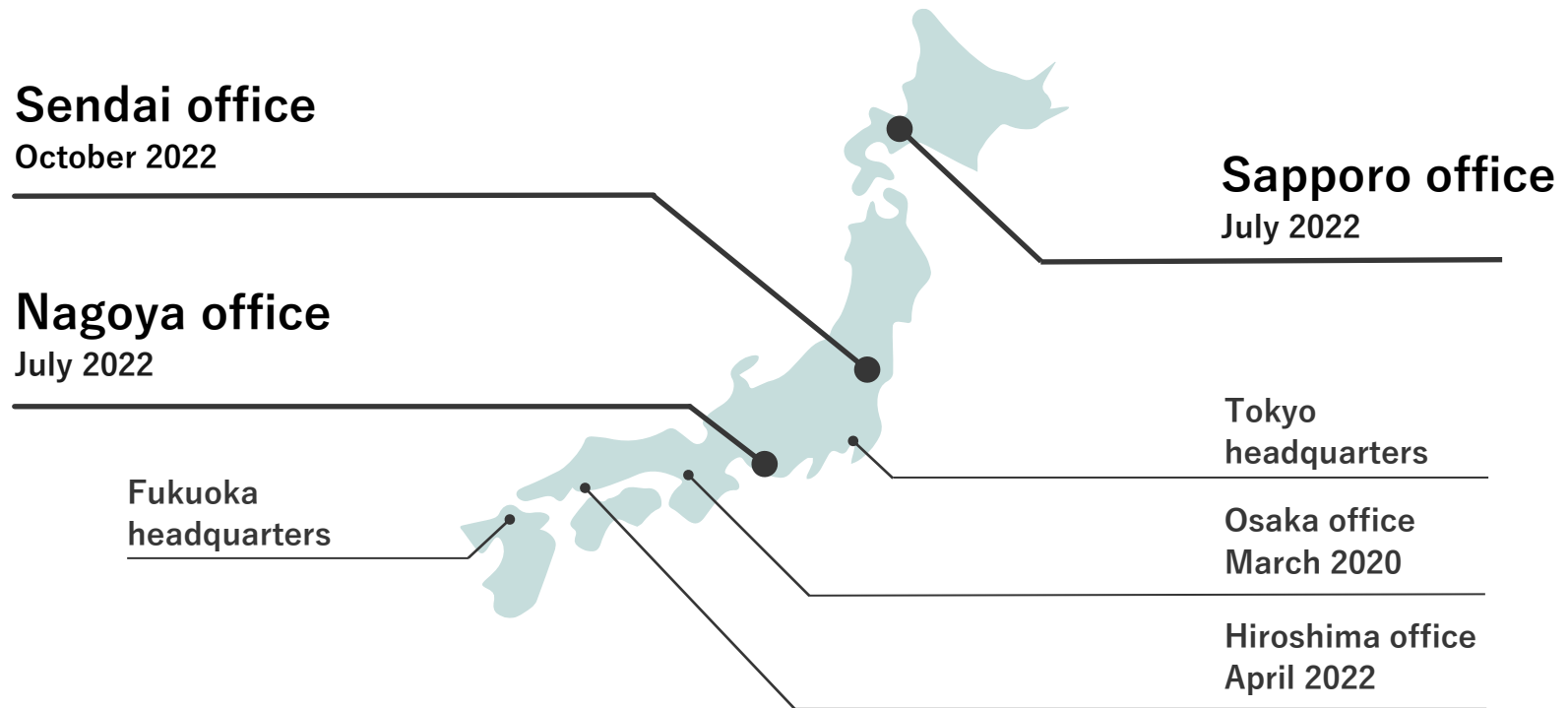


Notes:

1. In addition to sales support activities for sales partners, we carry out marketing activities targeting potential customers, mainly through case study ads and participation in seminars and events.
2. Our customer success activities include providing support for customer inquiries, conducting regular customer interviews, holding seminars and user meetings on product operation, and up-sells/cross-sells.

Nationwide network of sales offices

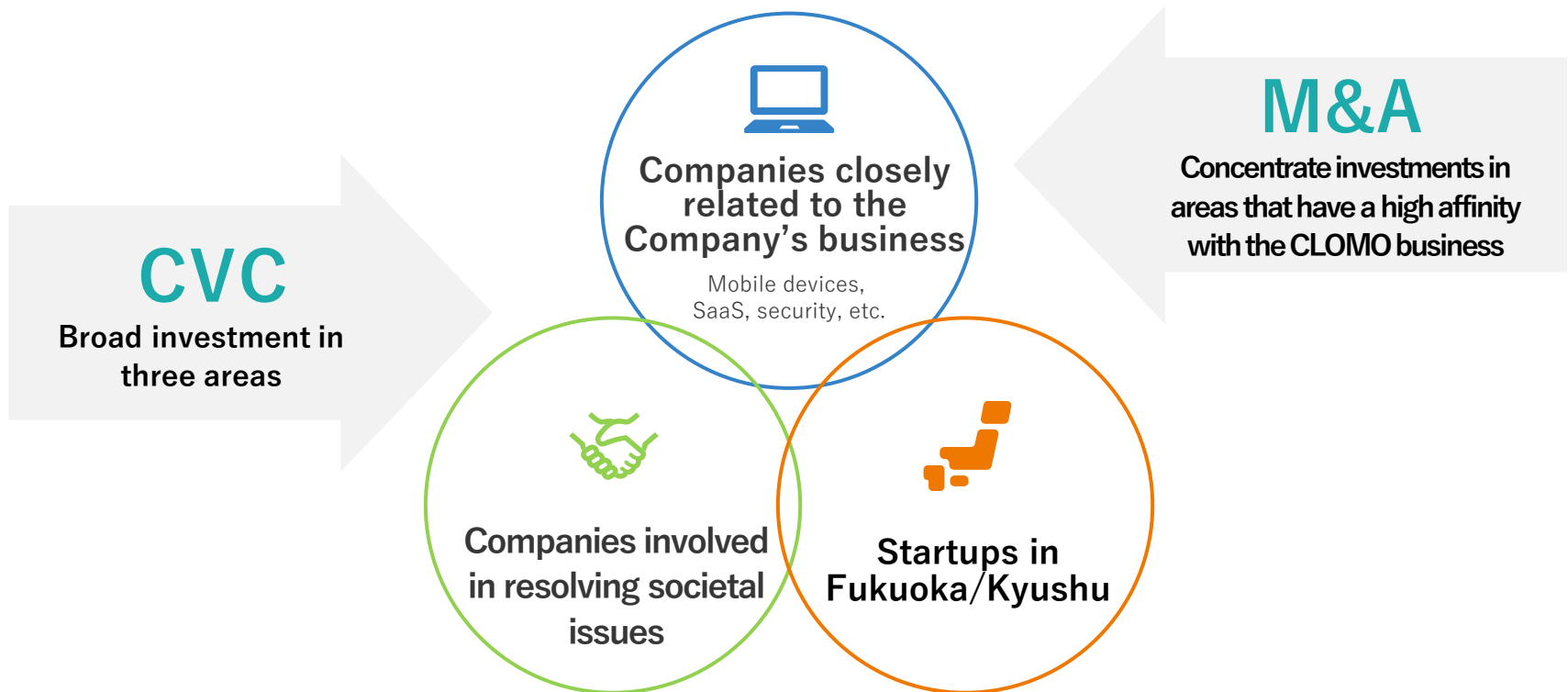
We added three new locations in FY6/23, providing broad coverage throughout Japan from seven locations. We established a sales structure capable of supporting local customers and sales partners.



Overview of the Investment Business

We explore M&A and invest in CVC funds in order to accelerate the opening up of new businesses and creation of new revenue sources. Also invest in VC funds to improve the efficiency of information gathering in investment activities.

Focus areas within investments



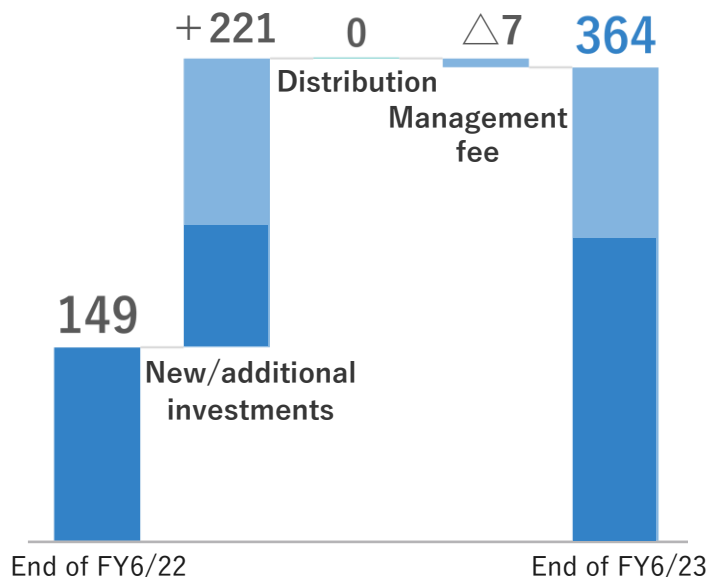
Investment Results

The Group has invested in five companies through its CVC fund to date. In addition, we have invested in VC funds to improve the efficiency of information gathering in investing activities.

Analysis of change in total amount invested

(millions of yen)

- Investments via CVC fund⁽¹⁾
- LP Investments in VC fund⁽²⁾



Investments to date

Investments via the CVC fund

CYDAS

AGRIST

leifras
SPORTS & SOCIAL BUSINESS COMPANY

Daytner

WizWe

LP Investments in VC fund

INCUBATEFUND

JAFECO

Notes:

1. Total amount managed by our consolidated subsidiary, i Cubed-1 Investment Limited Partnership.

2. The portion owned by the Company of the assets of the venture capital fund in which the Company has made investments as a limited partner. Since the main purpose of this investment is to strengthen M&A and sourcing of cooperative partners in the CLOMO business, it is included in the assets (investment securities) of the CLOMO business in the segment.

3. Source of Competitiveness

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

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.

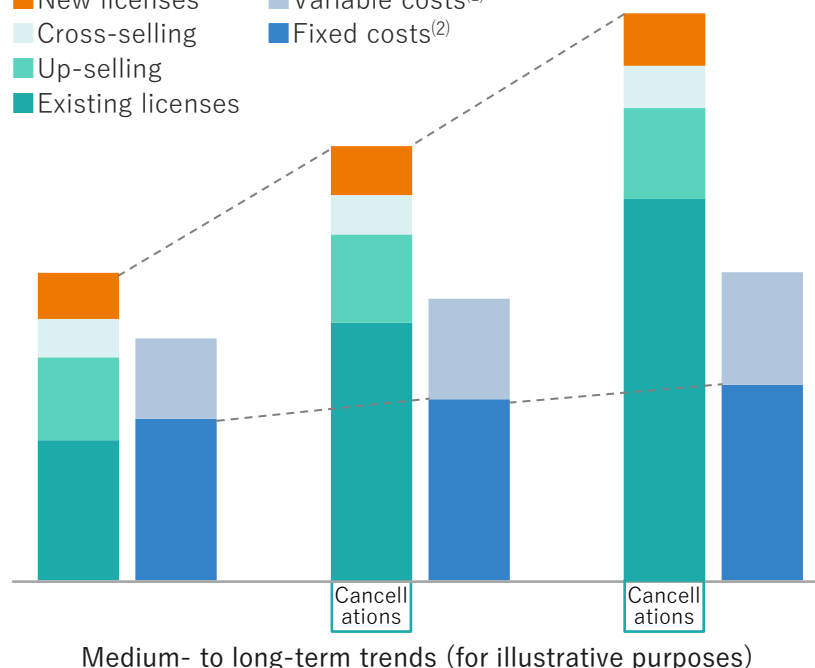
Structure of net sales and costs

Net sales

- New licenses
- Cross-selling
- Up-selling
- Existing licenses

Costs

- Variable costs⁽¹⁾
- Fixed costs⁽²⁾



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

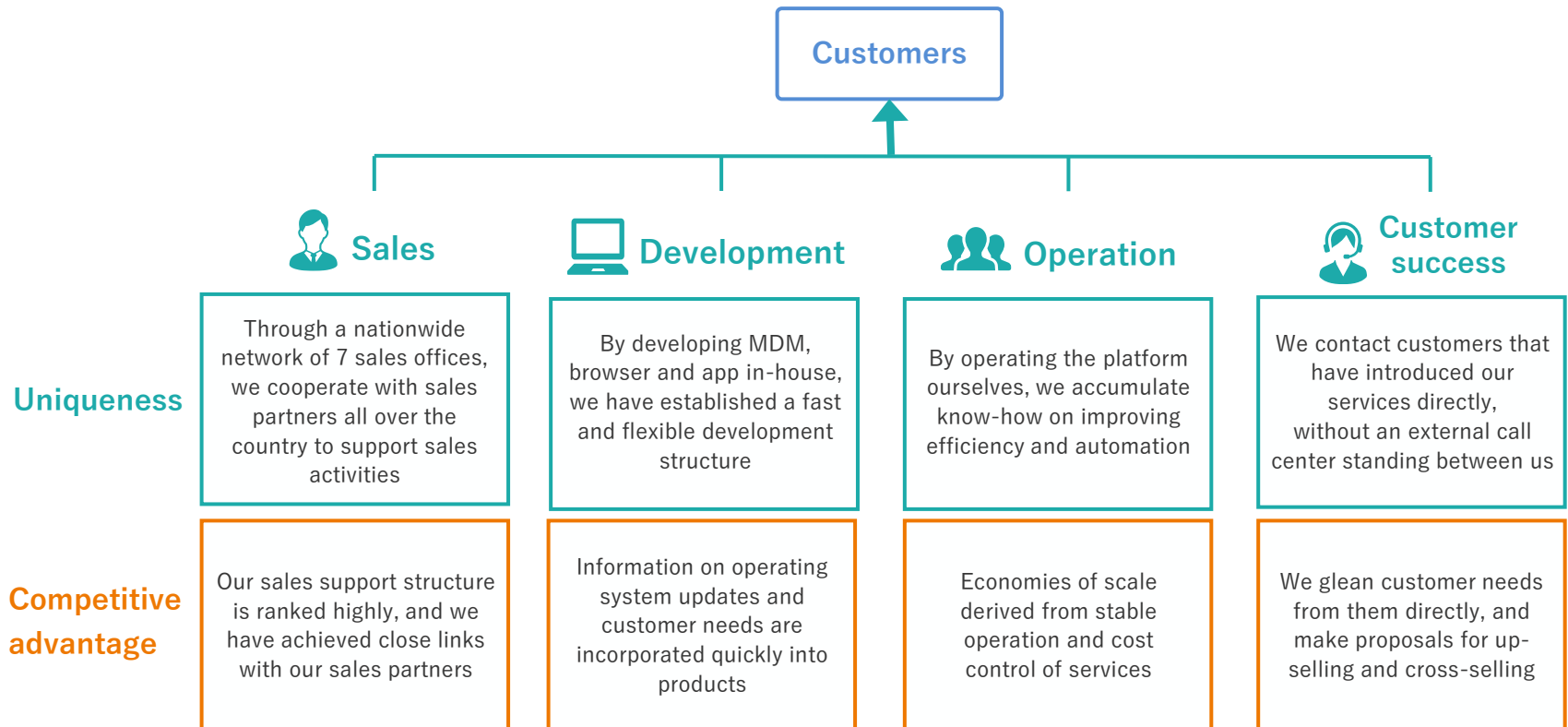
Furthermore, sales costs are controlled by means of marketing activities led by distributors, so that locations need to be opened only in core areas

Integration capabilities

Achieving services with high customer satisfaction through the integrated capability of performing all sales, development, operations, 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 11 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 other that have acquired Android Enterprise Recommended

Tectoro Consulting Private Ltd. / AXSEED, Inc / IBM MaaS360 / Ivanti / Knox Manage / Microsoft* / SoftBank Corp / SOTI / VMware Workspace ONE / 360° Pulsus

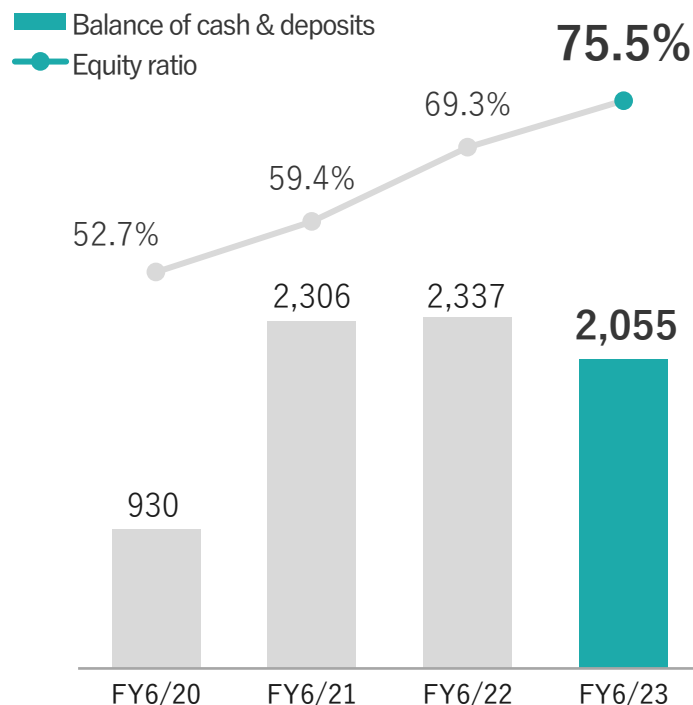
Source: Android Enterprise Recommended website (https://www.android.com/intl/ja_jp/enterprise/), as of 30 June 2023.

Stable financial base

As of June 30, 2023, the amount of cash and deposits exceeded 2.0 billion yen, with an equity ratio of 75.5%. Use of subscription model enables us to build a stable financial base for future growth of the Company.

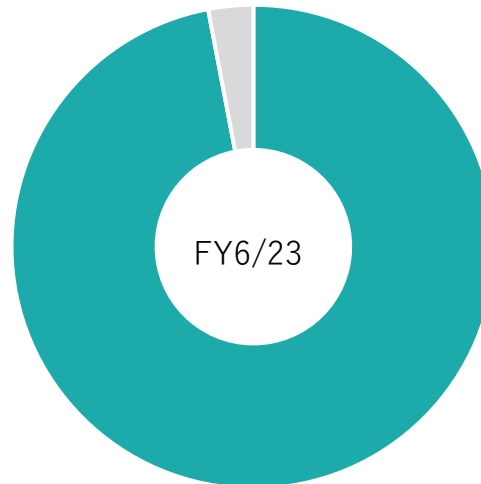
Trend in balance of cash & deposits and equity ratio

(millions of yen)



Ratio of revenue from stock business

96% of consolidated net sales consists of stock business



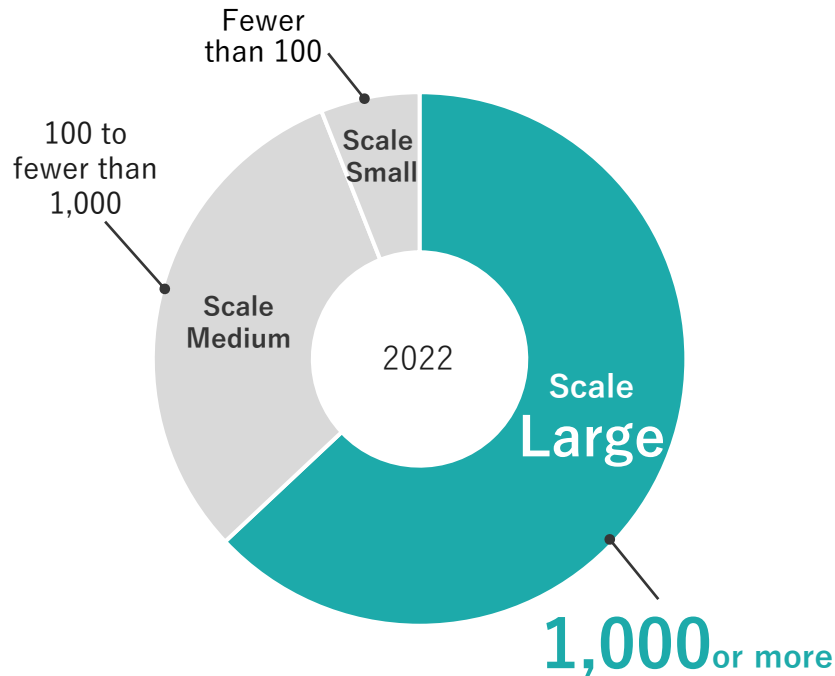
- Revenue from stock business
- Revenue from flow business

Strong customer base

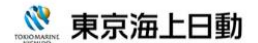
More than 4,900 existing companies form a strong customer base various of industries, mainly large companies.

In recent years, it has also been introduced to small and medium-sized companies, promoting growth of the company.

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” 2022 edition

Diverse and flexible organization

Recognized for three consecutive years in the Best Workplaces⁽¹⁾ 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⁽²⁾

6:4

Percentage of foreign
national employees⁽²⁾

10%

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

● 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 FY6/23

Hours worked outside
regular hours

5.1 hours/month

Actual figure for FY6/23

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 2023, rounded to the nearest whole number.

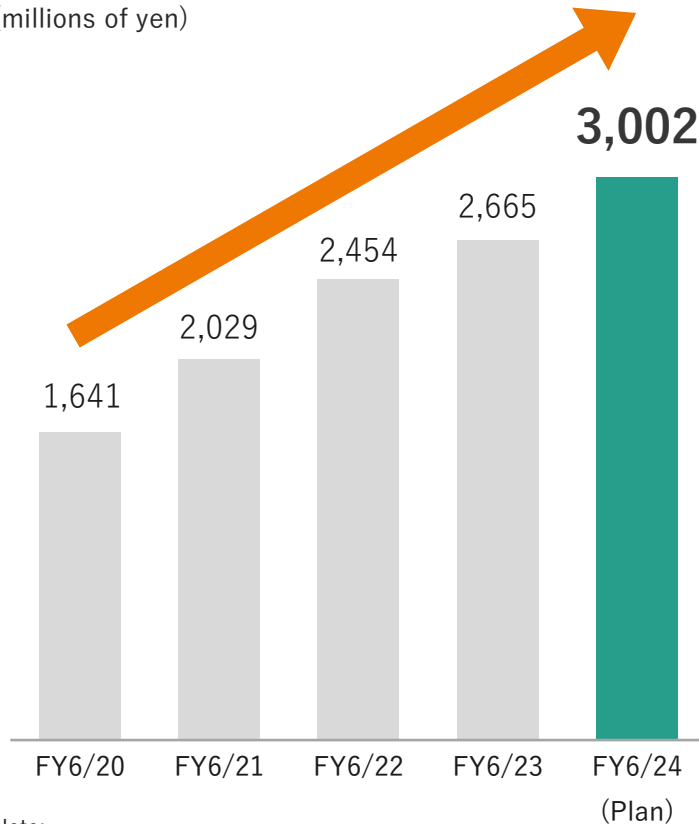
4. Financial Results

Forecast of consolidated financial results for FY6/24

Net sales are expected to be 3,002 million yen (CAGR 16.3%) and operating income 649 million yen (CAGR 12.0%).

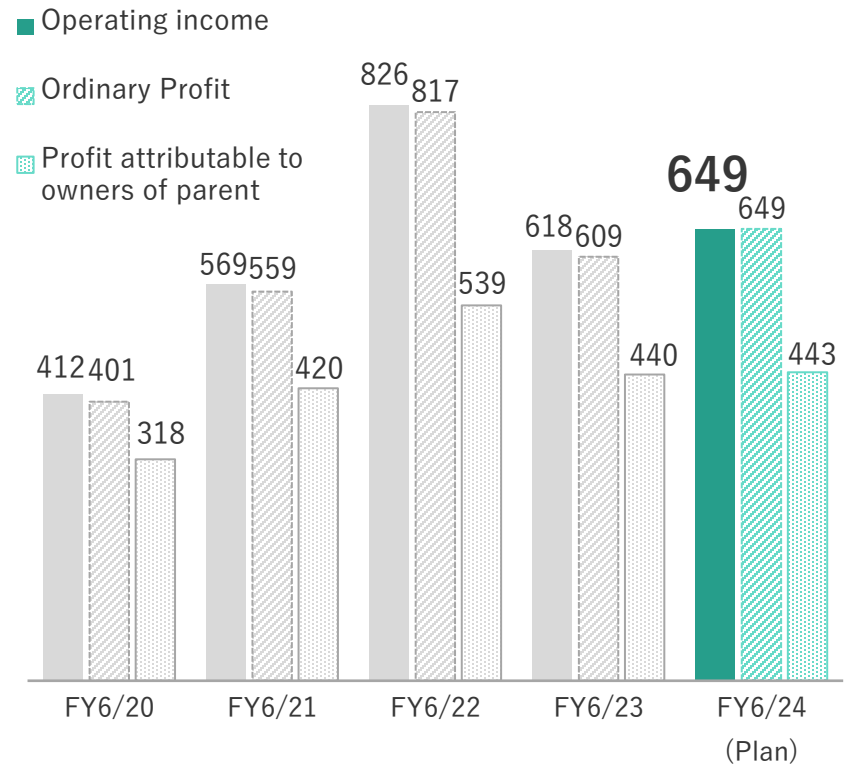
Change in net sales

(millions of yen)



Change in profits

(millions of yen)



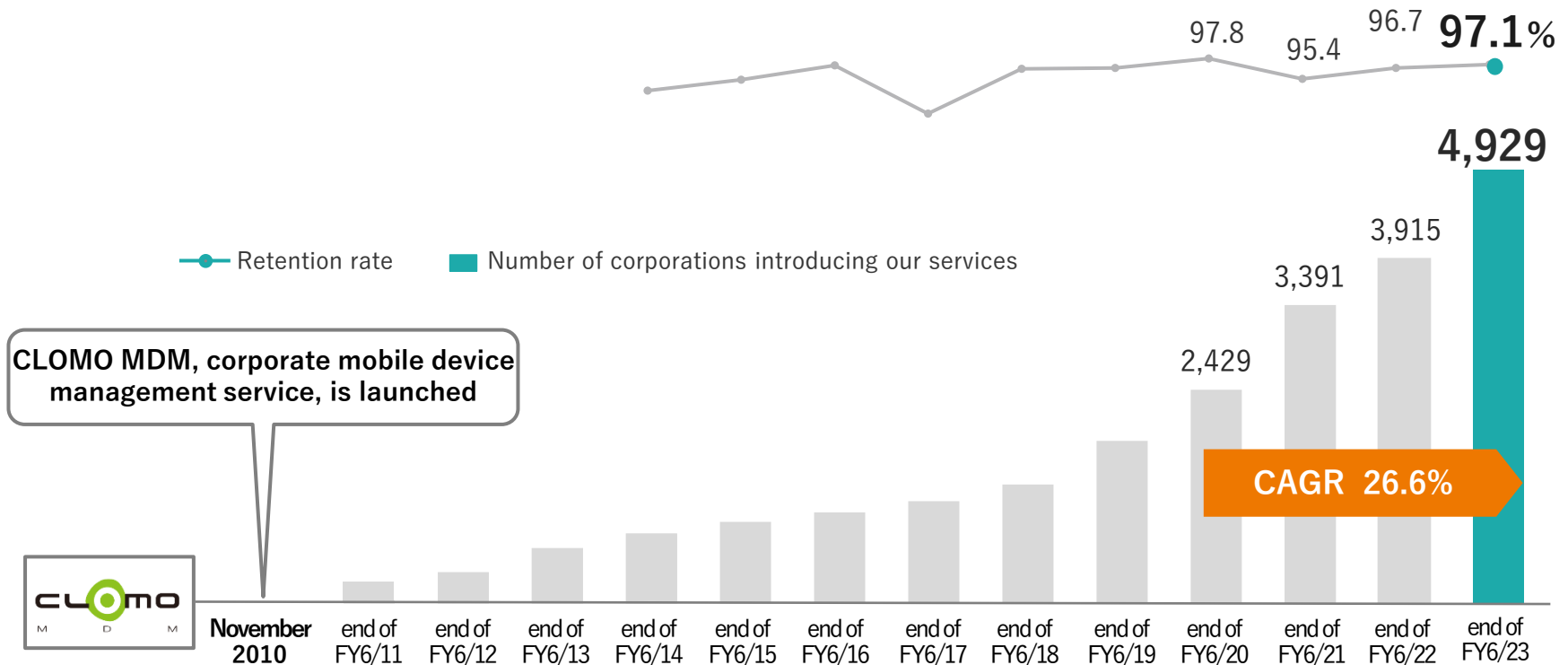
Note:

Because the Company transitioned to consolidated settlement of accounts from FY6/22, non-consolidated accounts are presented up to FY6/21, and consolidated accounts from FY6/22.

CLOMO business KPI① 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 1,014 in FY6/23. By promoting improved retention through customer success activities, the retention rate⁽¹⁾ is at a high 97.1%.

Number of corporations introducing our services and Retention rate



Note:

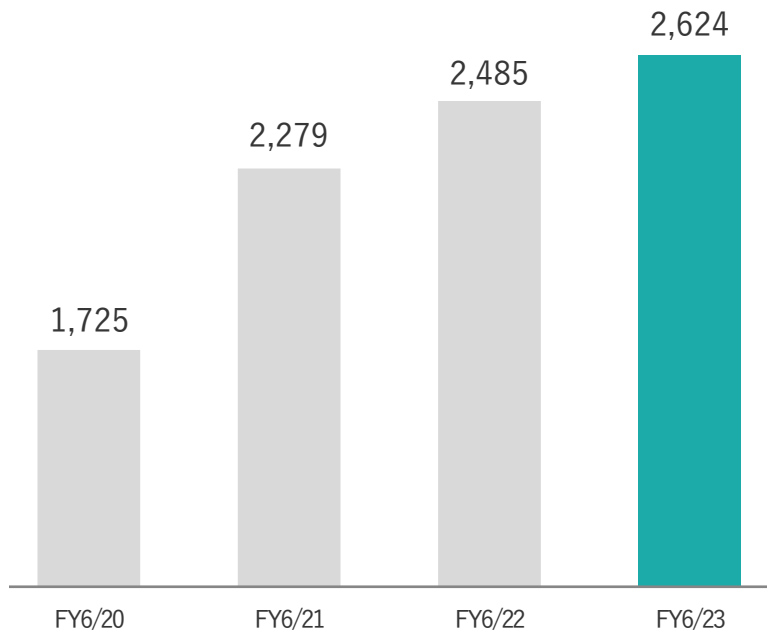
1. Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

CLOMO business KPI② ARR • ARPU

ARR⁽¹⁾, which is the main KPI used for the subscription business, has grown 1.5x over four years. ARPU⁽²⁾ remains on the decline as the number of small- and medium-sized corporate customers increases owing to our strategy to expand our customer base.

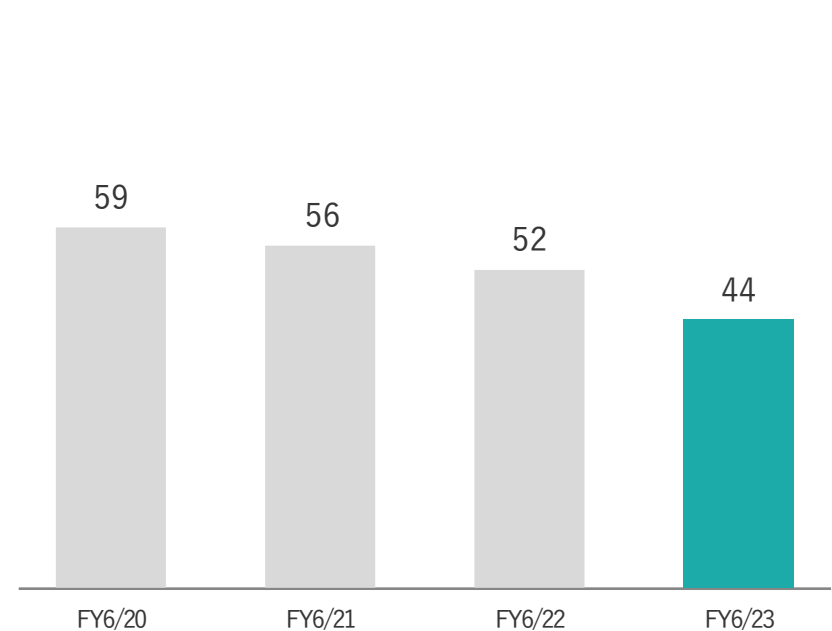
Trend of ARR

(millions of yen)



Trend of ARPU

(thousands of yen)



Note:

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.

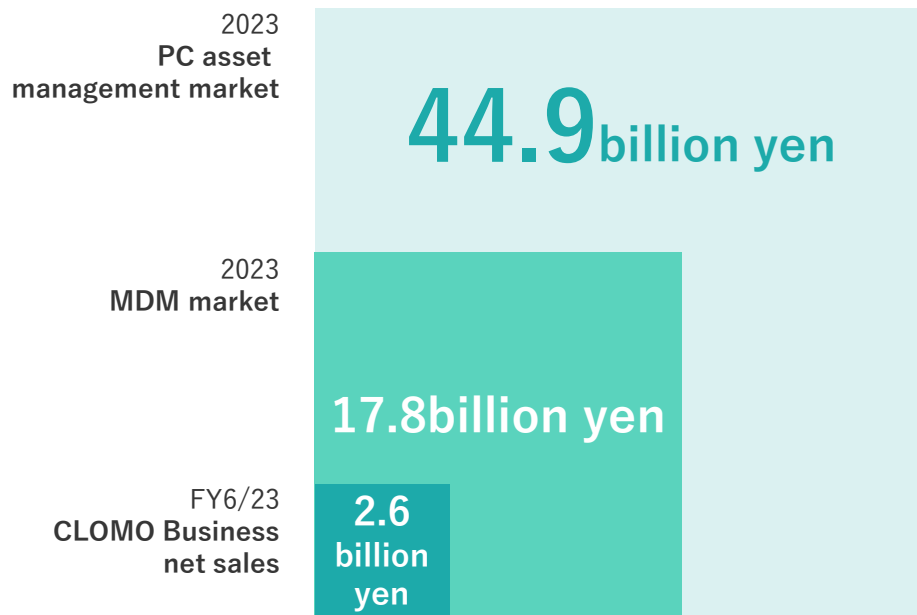
2. ARPU: Average Revenue Per User, which is the average monthly unit price per corporation introducing our services. Calculated by dividing 1/12 of ARR as of each month by the number of corporations introducing our services as of the end of the month concerned.

5. Market Environment

Markets targeted by the CLOMO Business

The mainstay MDM market is 17.8 billion yen.

The PC asset management market is 2.5x larger at 44.9 billion yen, so the total size of the target market is 62.7 billion yen.



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

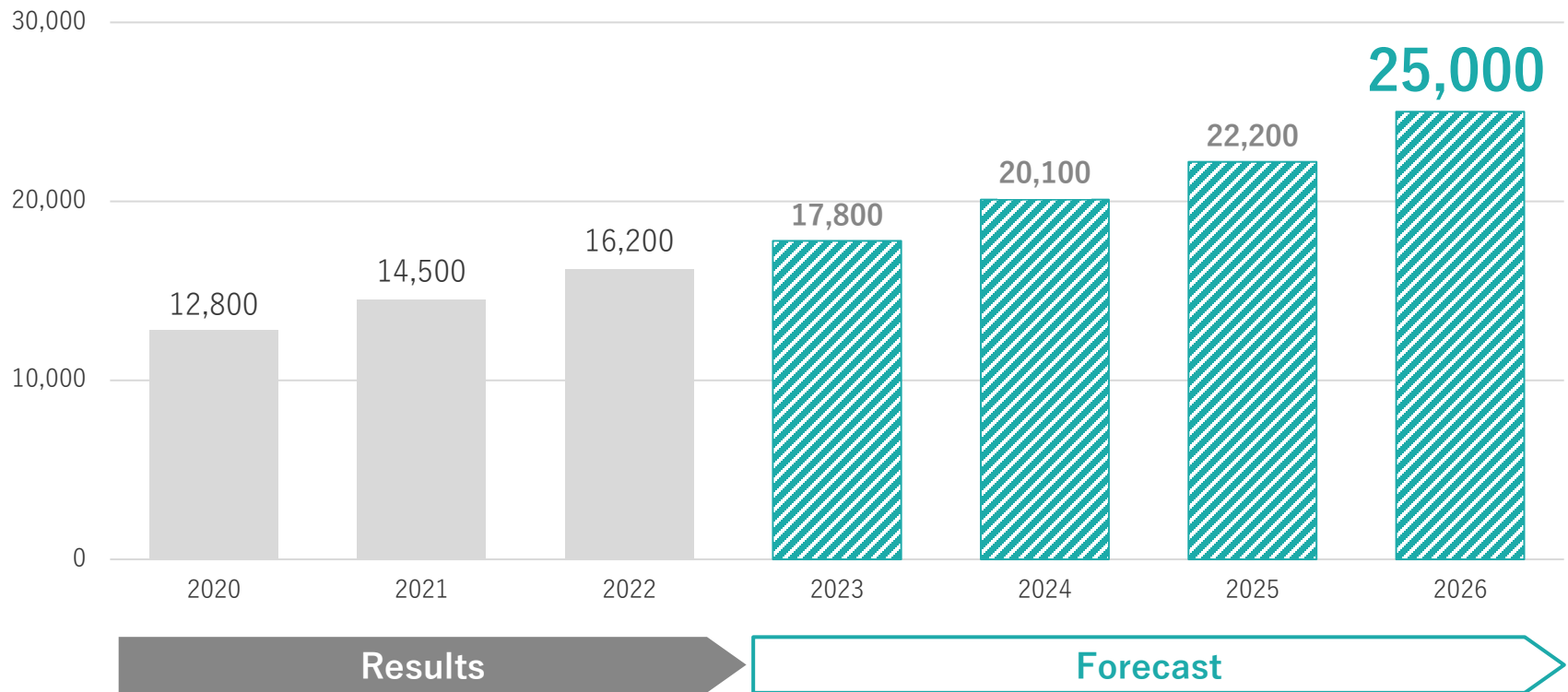
- Shift to SaaS for PC asset management and security software accelerating
- As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

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 25 billion yen** by 2026

(millions of yen)



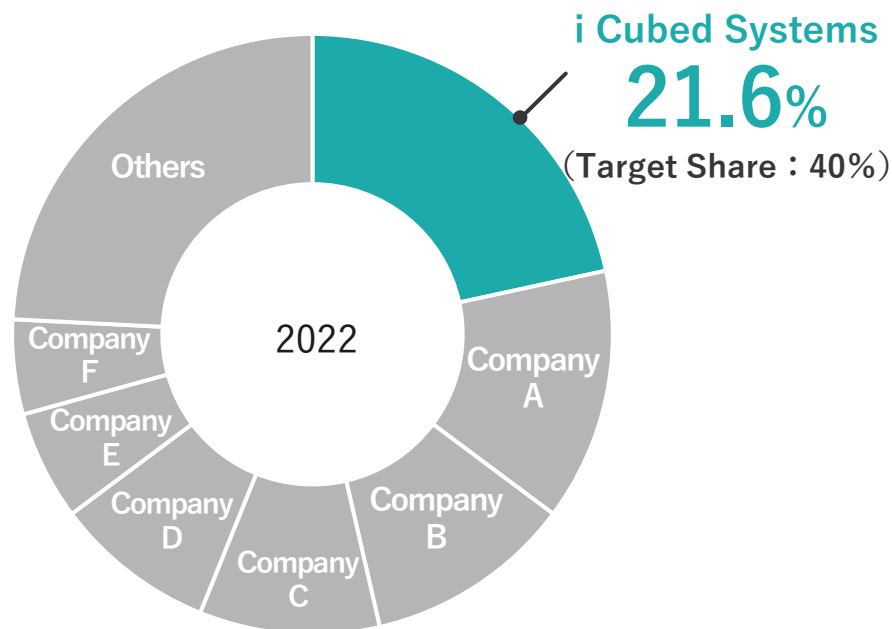
Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2022 edition

Share of domestic MDM market (own brand)

Achieved the No.1 share of domestic MDM market (own brand) for 12 consecutive years.

Aiming to achieve future target share of 40%.

MDM share by own-brand shipment value

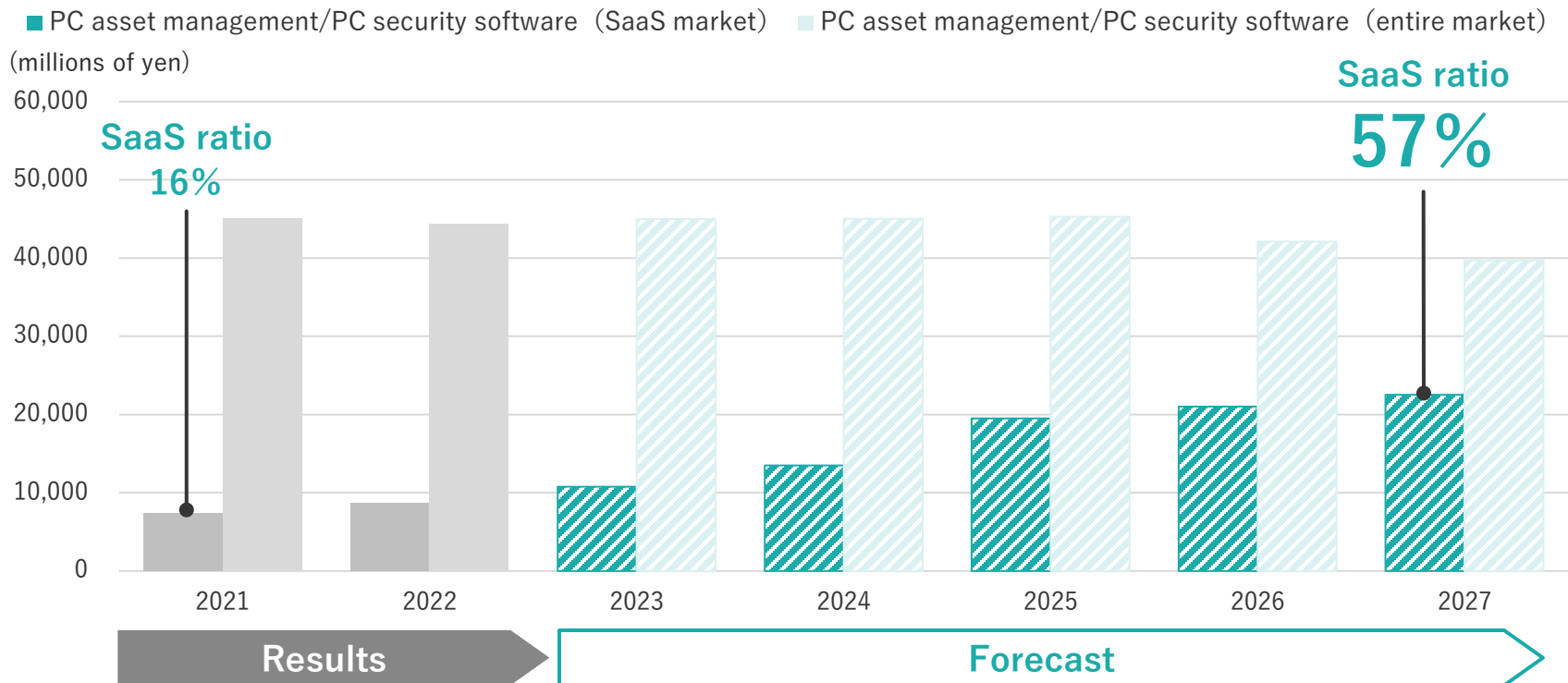


Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "MDM private brand market 2022"

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. Opportunities have emerged for MDM vendors to enter against a backdrop of growing demand for integrated management of mobile devices/PCs.

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

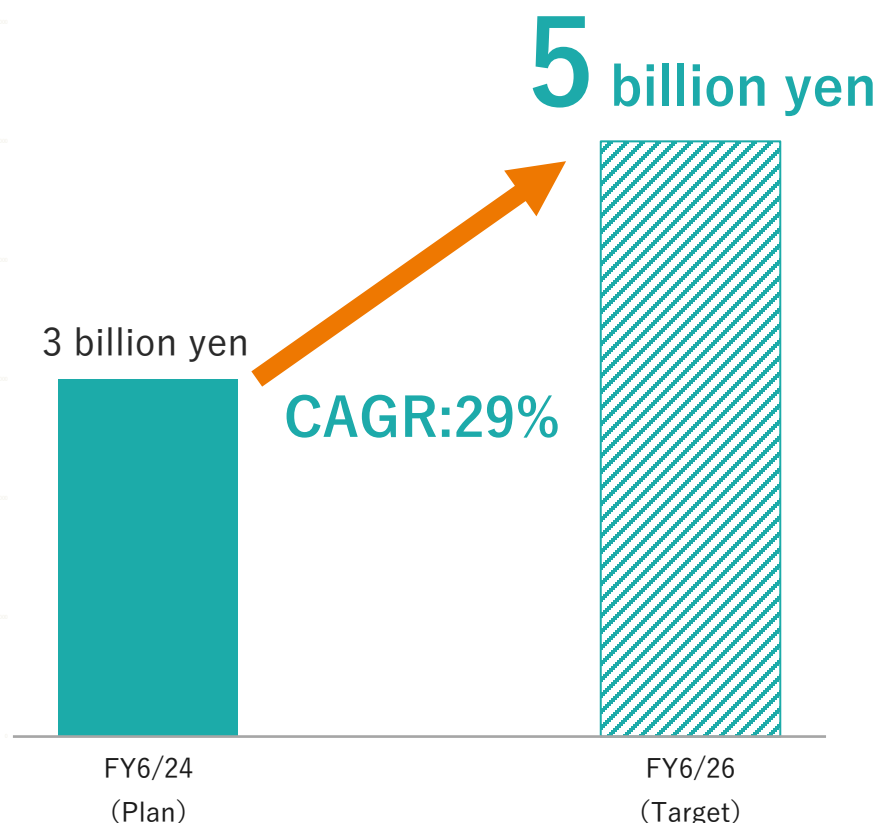


Source) Techno Systems Research Co., Ltd. "2023 Endpoint Management Market Marketing Analysis"

6. Business Plan and Growth Strategy

Medium-Term Sales Targets of the Group (FY24-26)

During the three years through the fiscal year ending June 30, 2026, we will focus on expanding the top line and creating new businesses other than the CLOMO business to build a foundation for the sustainable growth of our group.⁽¹⁾



- **Expansion of the CLOMO Business**

Further increase sales by promoting the expansion of the customer base through OEM provision to NTT DOCOMO Group and by improving ARPU through the expansion of optional services.

- **Creation of new businesses**

We aim to develop new businesses targeting a wide range of business areas including IT. In addition to utilizing external resources such as through M&As, we are actively looking into the commercialization of ideas generated in-house.

- **Promotion of the Investment Business**

We plan to reach a cumulative investment of 1 billion yen⁽²⁾ by FY6/26. In addition to continuing CVC investments, we will work to identify investment opportunities for creating new businesses.

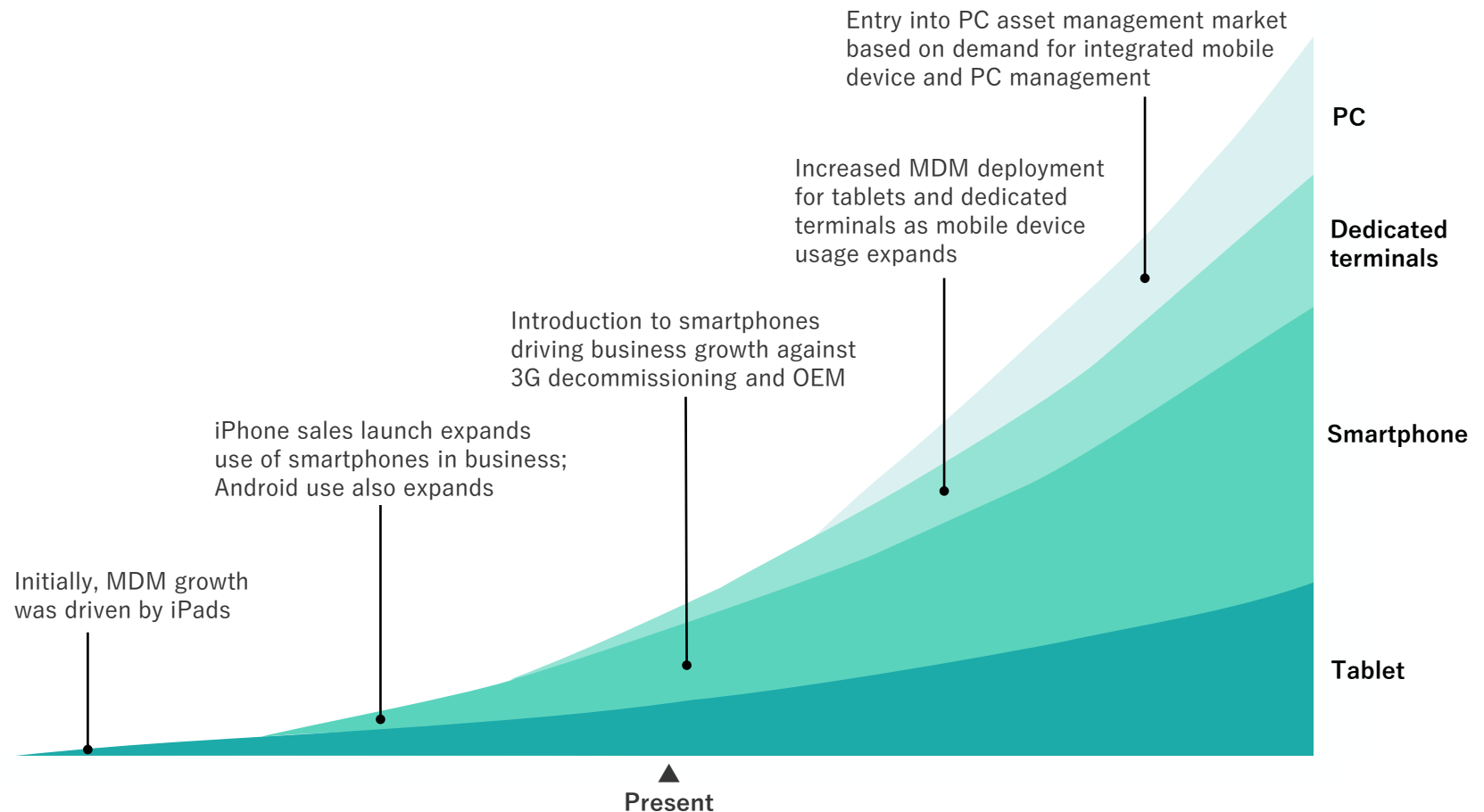
Note:

1. The medium- to long-term target for operating income margin that was stated in the previous fiscal year's presentation, we have withdrawn the target from this presentation because it is difficult to calculate the precise amount of operating income and operating income margin at this time due to our policy of flexible and agile growth investment aimed at sales growth through the fiscal year ending June 30, 2026.

2. The cumulative investment of 1 billion yen through FY6/26 is the planned amount of investment through our own CVC fund. It does not include LP investments in VC funds or M&As.

Sales growth image of CLOMO business

Our business has been growing steadily up to now as business use of smartphones has expanded. We expect further business growth as the market expands to include new devices to be managed.



CLOMO Business growth strategy

To reach sales of 5 billion yen, the expansion of the CLOMO business is positioned as the most important mission. Aiming to achieve its medium-term sales target by executing the growth strategy.

1 Expansion of customer base

- Increase number of customers through provision of OEM for Anshin Manager NEXT
- Strengthen development of sales partners to leverage nationwide sales offices

2 ARPU improvement

- Further expand optional services
- Strengthen cross-selling product proposal system and implement sales strategies that meet customer needs, such as product bundling options

3 Service value improvement

- Investigate and develop additional functions to enter PC asset management market
- Improve reliability of CLOMO services by acquiring ISMAP certification in FY6/24
- Develop collaborative functions with other companies' security products
- Facilitate development and support activities by strengthening collaboration with OS partners

Note:

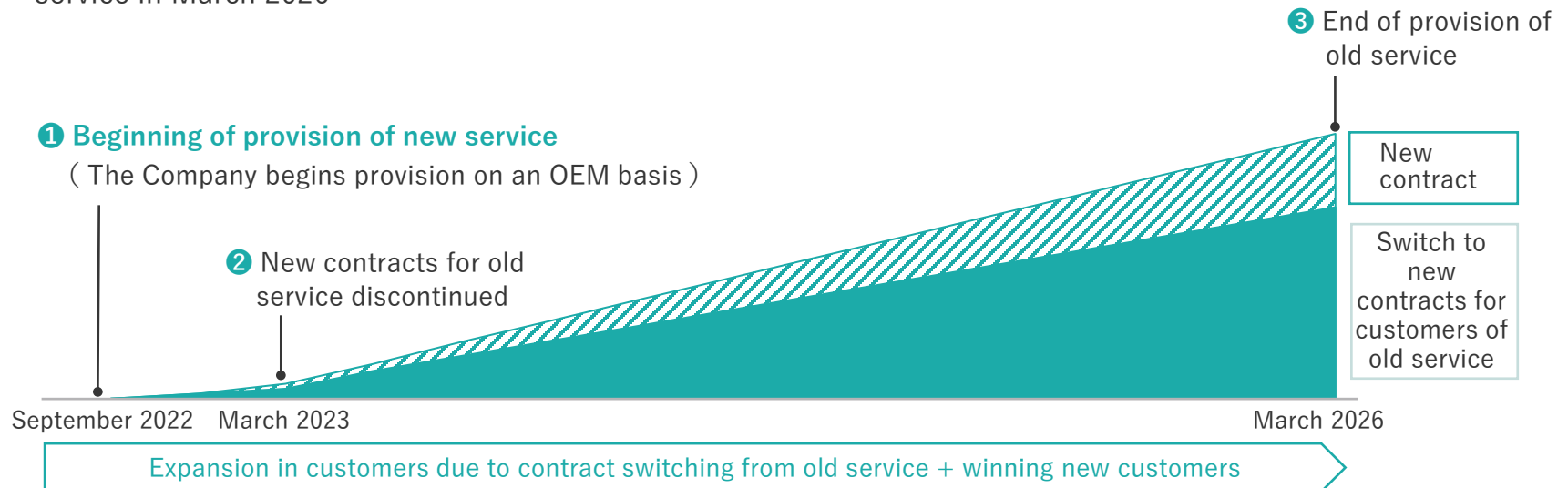
The progress of the growth strategy described in the "Explanatory Materials regarding Business Plan and Growth Potential" disclosed on September 28, 2022, is described in the "Fiscal Year Ended June 30, 2023 Explanatory Material on Financial Statements" disclosed on August 9, 2023 and others.

Medium- to long-term customer expansion through OEM

We expect the expansion of sales derived from OEM sales to accelerate during the three years to FY6/26. In addition, we will open up new customers via sales offices by strengthening our cooperation with NTT DOCOMO Group.

Increase in customers driven by OEM sales (for illustrative purposes)

- 1 Following the renewal of MDM services provided by NTT DOCOMO Group (the “old service”), the Company began providing a new service called Anshin Manager NEXT (the “new service”) on an OEM basis
- 2 Acceptance of new contracts for the old service was discontinued in March 2023, leading to the beginning of full-fledged acquisition of new contracts for the new service
- 3 We will encourage customers of the old service to switch to the new service by the end of provision of the old service in March 2026



Active cross-selling aimed at improving ARPU

Continuing to expand optional services which support MDM operations and encourage use of mobile devices. Work to improve ARPU by making cross-selling proposals to both new customers and existing customers.

Security measures

NEW

secured by
Deep Instinct



Use AI to protect against not only known threats but also unknown threats

secured by
Cybertrust



Easily achieve robust device authorization by digital certificates for devices

secured by
One Be



Restrict the area in which Windows devices may be used, and detect unauthorized removal

Enhanced functionality

MOBILE APP
PORTAL



Distribute apps to devices, build in-house app portals

Launcher



Create home screen displaying only the necessary apps for each application

NEW
Team Viewer
Remote



Remote access tools for remote devices

Operational support

NEW

Onboarding
Service



Consistent support from initial settings to launch of operations

NEW

Kitting
Service



MDM professionals perform kitting work for administrators

Support tickets



Reducing the burden on administrators and supporting smooth deployment and operations

Proxy operation service



MDM professionals manage operations for administrators

Remote operation
services



Respond to lost devices 24/365

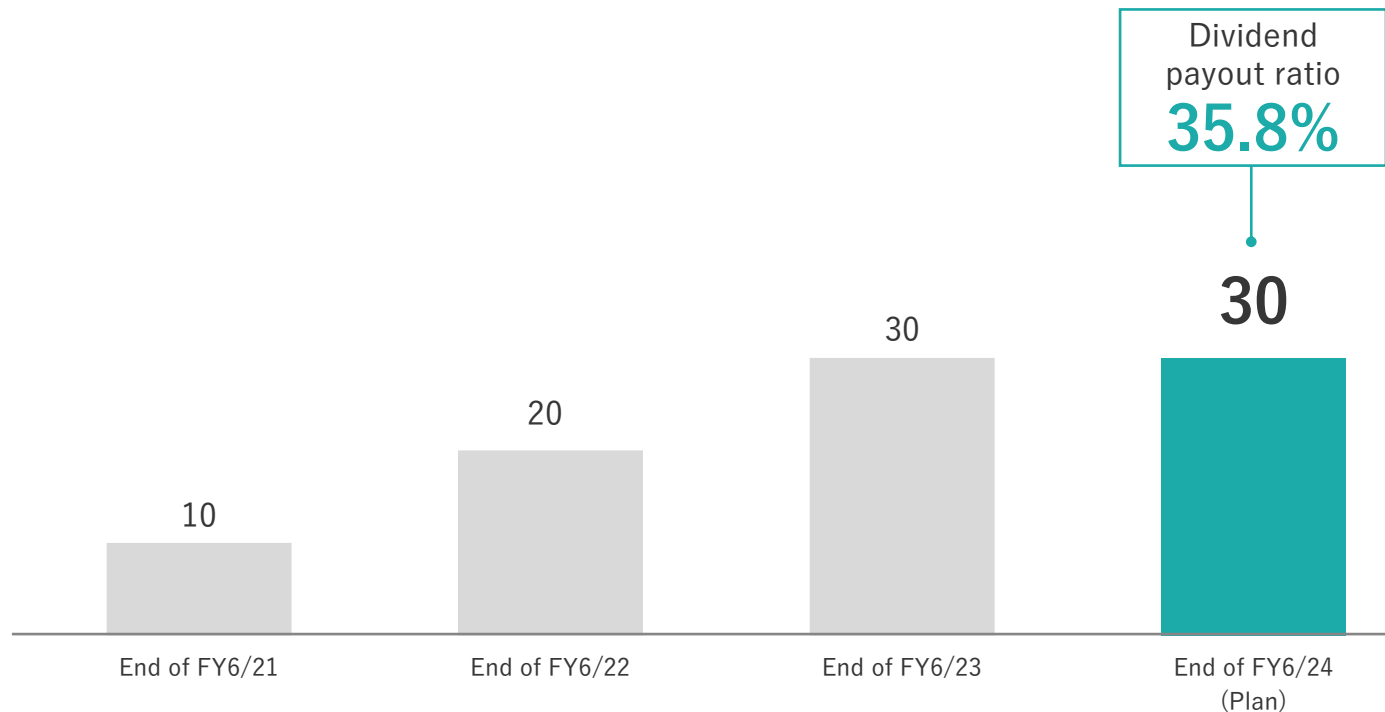
Note:

Services labelled NEW are those that were launched after FY6/23.

Shareholder return policy

Maintain policy to actively return profits to shareholders who have high expectations for our company's medium- to long-term growth.

Dividends over time (yen)



7. 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	CLOMO 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.
Dependence on specific businesses	If the growth of the mobile device management (MDM) market in which the CLOMO Business operates does not progress as expected, or if we cannot respond appropriately to changes in the business environment, it may affect our financial condition and business results.	It is our policy to develop new businesses in order to diversify its sources of revenue, and we will move ahead with initiatives to build an alternative revenue base.

Note:

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 2024.