

Explanatory Materials regarding Business Plan and Growth Potential

September 28, 2022

i Cubed Systems, Inc.

TSE Growth : 4495

目次

1. Company Profile	P. 2
2. Business Summary	P. 5
3. Source of Competitiveness	P. 9
4. Financial Results	P.17
5. Market Environment and Business Plan	P.21
6. Growth Strategy	P.32
7. Risk information	P.36

1. Company Profile

Company Profile

Company Name	i Cubed Systems, Inc.
Locations	Headquarters : Dai-ichi Myojo Building, Tenjin 4-1-37, Chuo-ku, Fukuoka-shi, Fukuoka Sales office : Tokyo / Osaka / Hiroshima / Nagoya / Sapporo
Capital	404,412,000 yen(As of June 30, 2022)
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

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

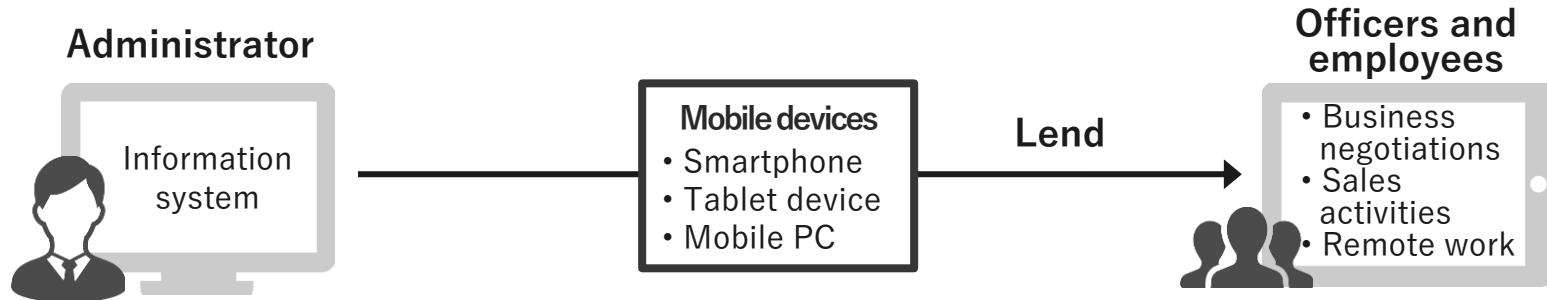
Investment Business







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

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.



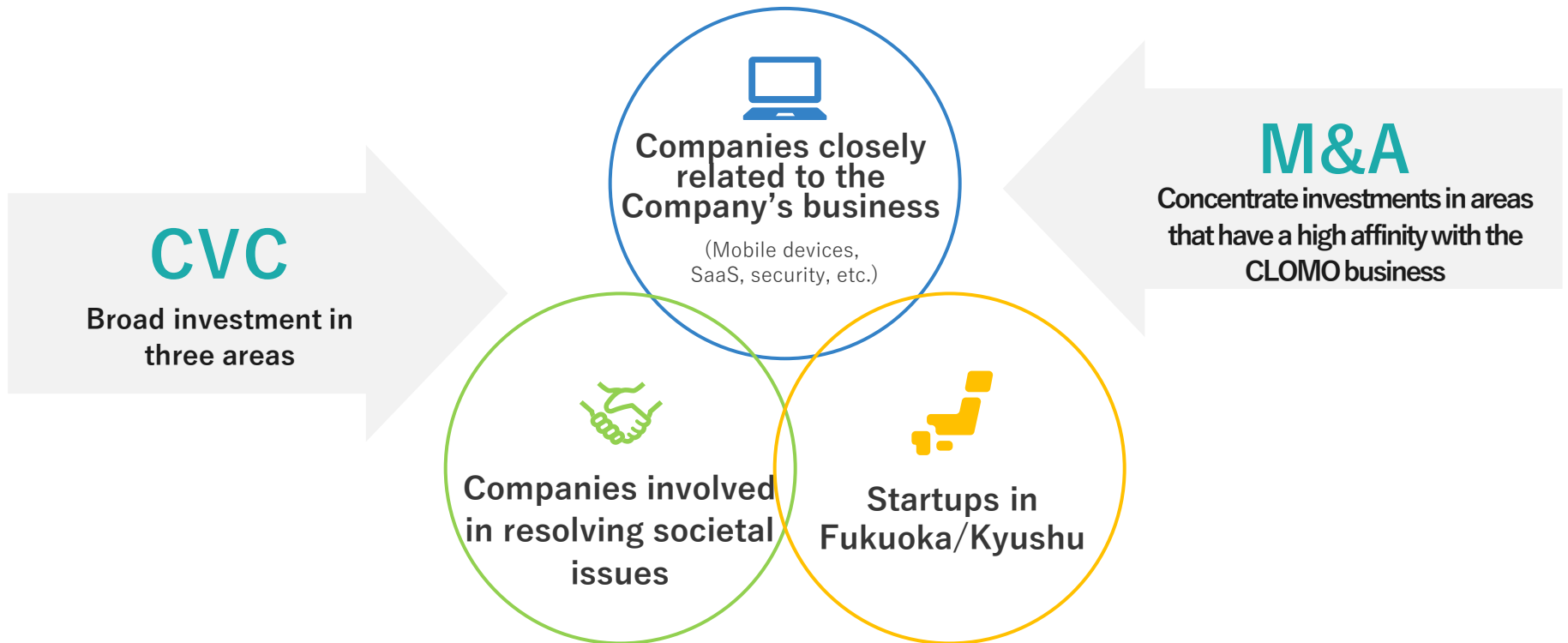
		Visualization of utilization status "Status monitoring"	Function restrictions And settings "Application of utilization rules"	Security measures "Measures for preventing information leakage"
 Management Basic functions for smooth management		Remotely assess the utilization status in real time	Properly 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]				

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



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

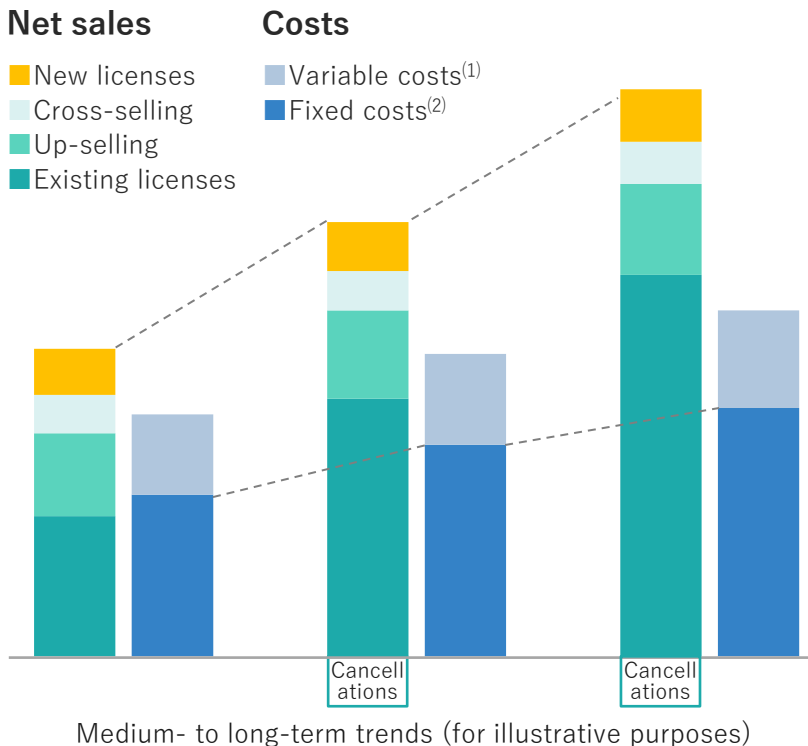
2 Management resources

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



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

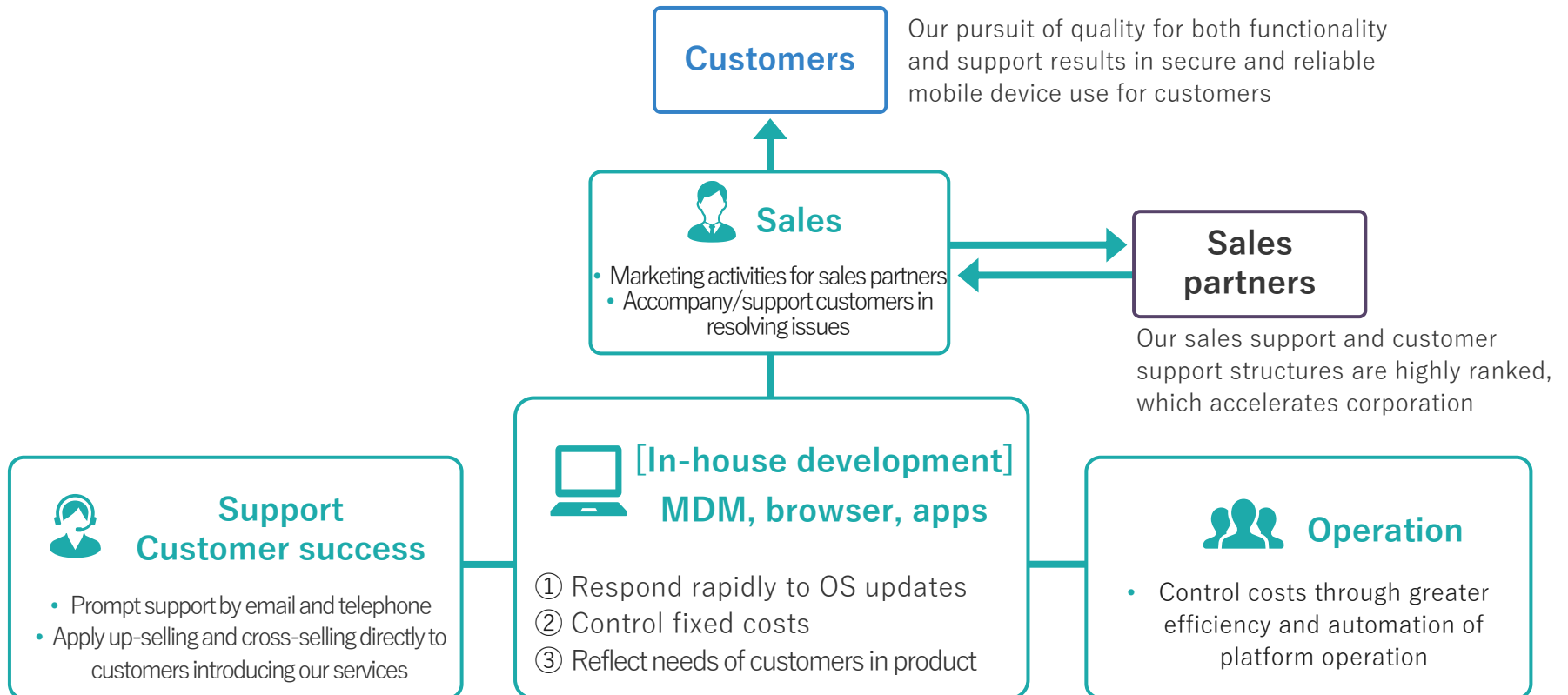
Note:
 1. Calculated as “other expenses (cost of sales) + advertising expenses (SG&A expenses) + R&D expenses (SG&A expenses) + other expenses (SG&A expenses)”
 2. Calculated as “depreciation expenses (cost of sales) of in-house product software + manufacturing cost (cost of sales) related to product development and operations + personnel cost (SG&A expenses) + property cost (SG&A expenses)”

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

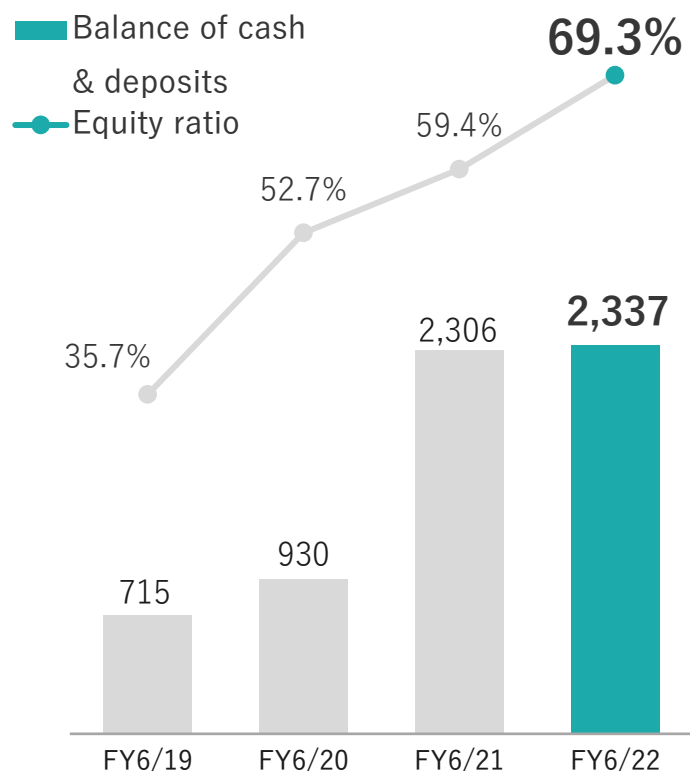
Source: Android Enterprise Recommended website (https://www.android.com/intl/ja_jp/enterprise/), as of 30 June 2022

Stable financial base

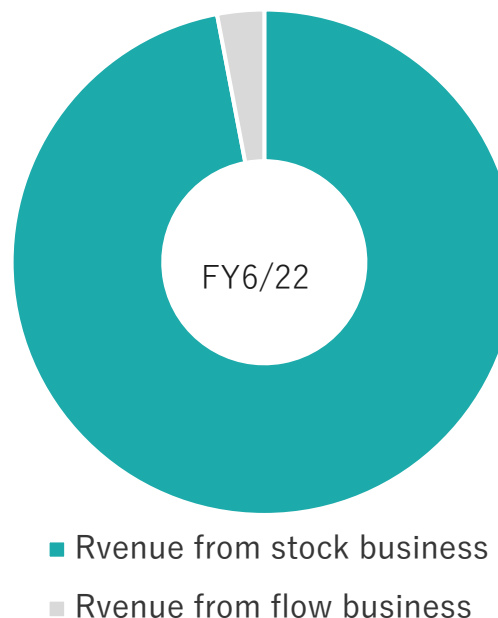
As of June 30, 2022, the amount of cash and deposits exceeded 2,000 million yen, with an equity ratio of 69.3%.

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

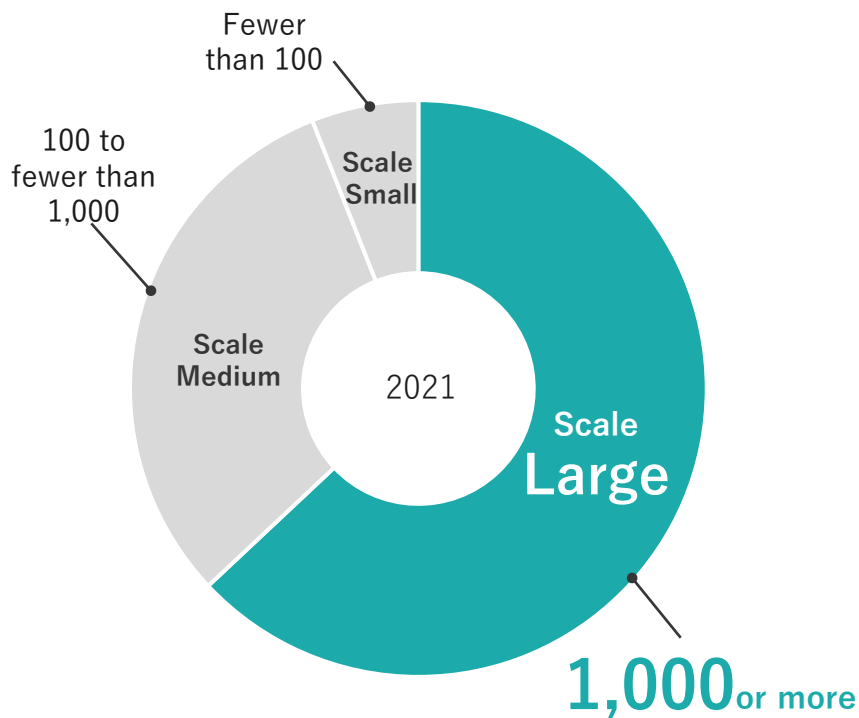


Strong customer base

More than 3,900 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⁽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⁾

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

6.4 hours/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:

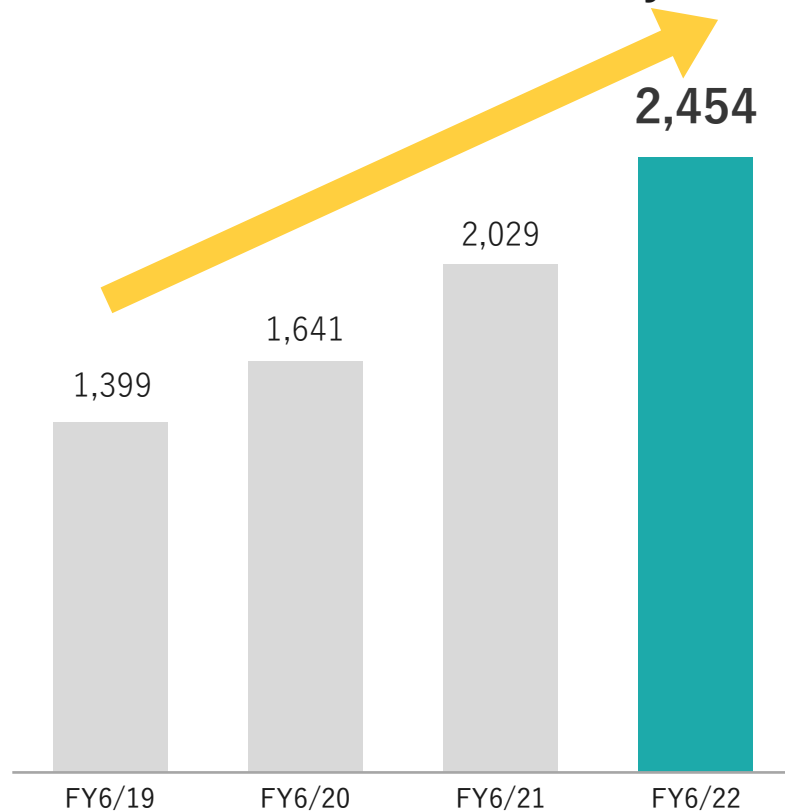
1. The Company was recognized by the Great Place to Work® Institute Japan, which performs awareness surveys of employees in accordance with global standards, and which has scored i Cubed Systems highly for three consecutive years in the 2021-2023 editions of the Best Workplaces rankings.
2. Figures are as of the end of June 2022, rounded to the nearest whole number.

4. Financial Results

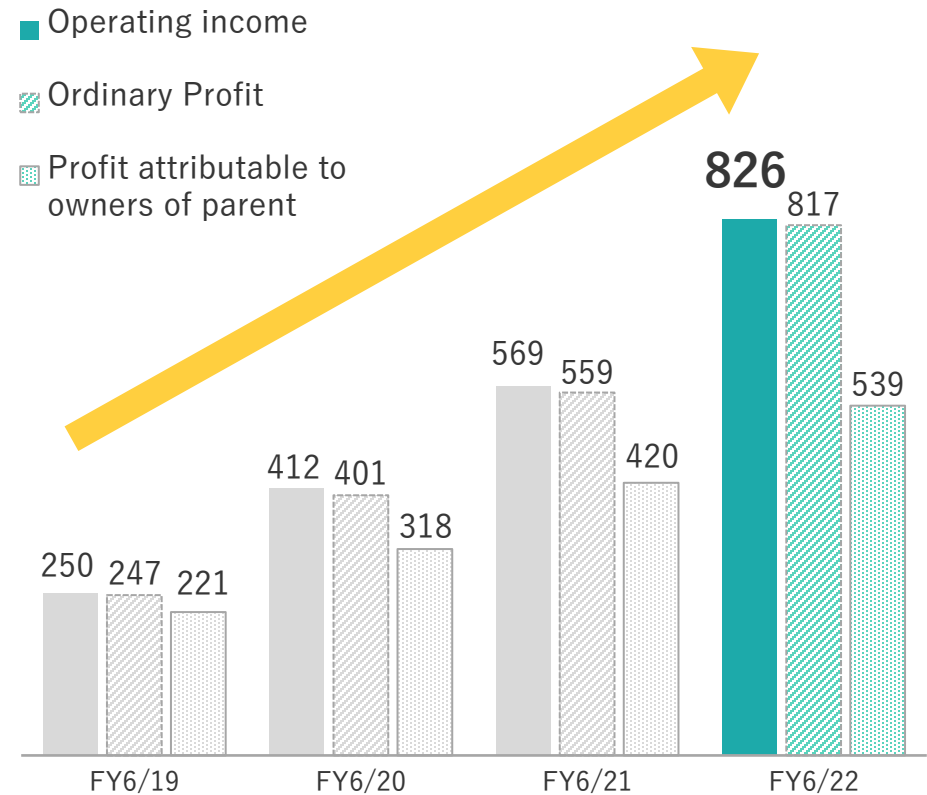
Trend of consolidated financial results

Net sales grew more than 1.75 times, operating income grew more than 3 times from FY6/19 to FY6/22. The investment business has a minor impact on PL as of FY6/22 but aims to generate profits in the medium to long term.

Trend of net sales (millions of yen)



Change in profits (millions of yen)

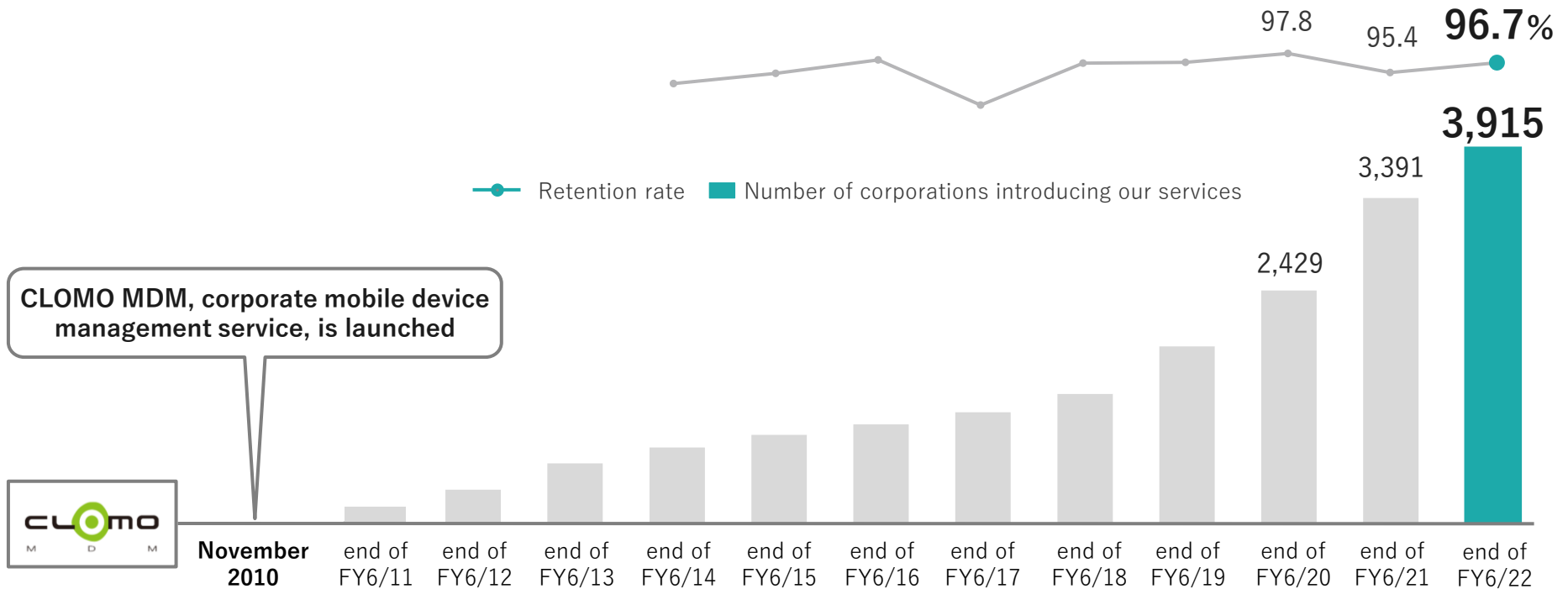


*Because the Company transitioned to consolidated settlement of accounts beginning with the three months ended December 31, 2021, non-consolidated accounts are presented up to FY6/21, and consolidated accounts from FY6/22.

CLOMO business KPI^① Number of corporations introducing our services/Retention rate

More than 3,900 corporations introduce our services, the customer base is steadily expanding. Retention rate⁽¹⁾ is at a high level of 96.7% due to promotion of customer retention through customer success activities

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.

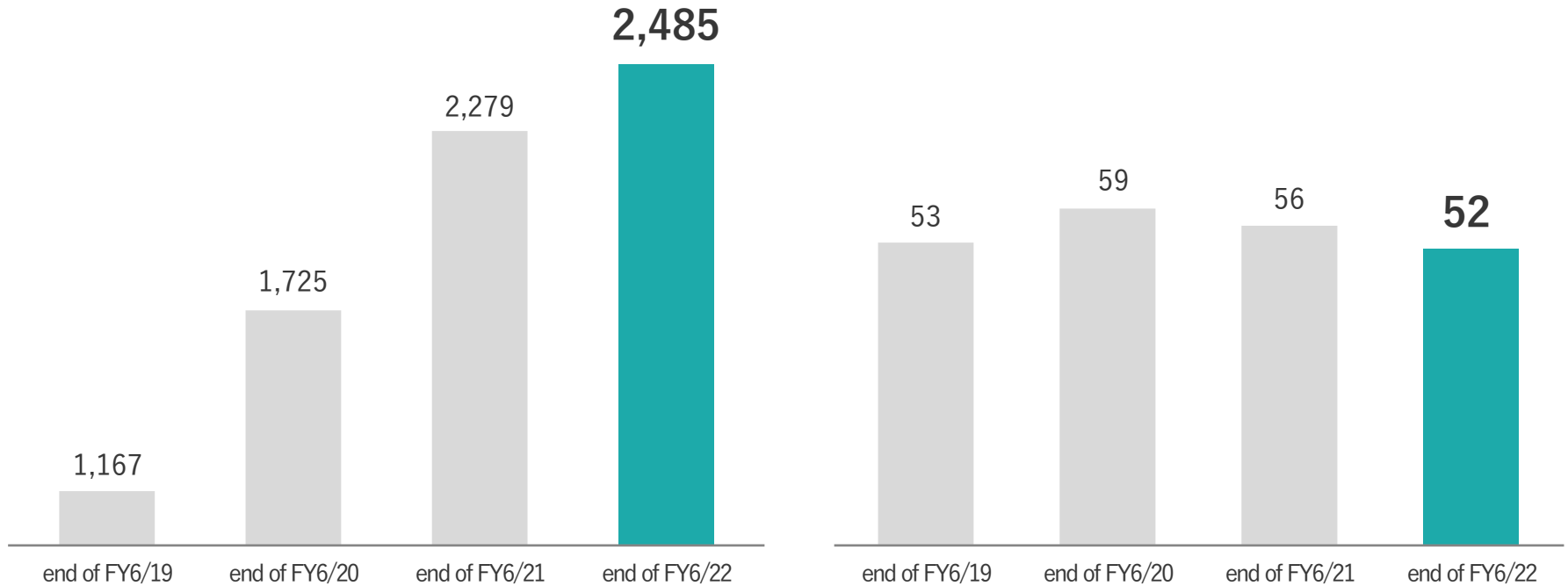
CLOMO business KPI② ARR · ARPU

ARR⁽¹⁾, which is the main KPI used for the subscription business grew more than 2times, from FY6/19 to FY6/22.

Although ARPU⁽¹⁾ had been on a gradual downward trend due to the increase in the number of new corporations introducing our services, it has remained at a certain level.

Trend of ARR (millions of yen)

Trend of ARPU(millions of yen)

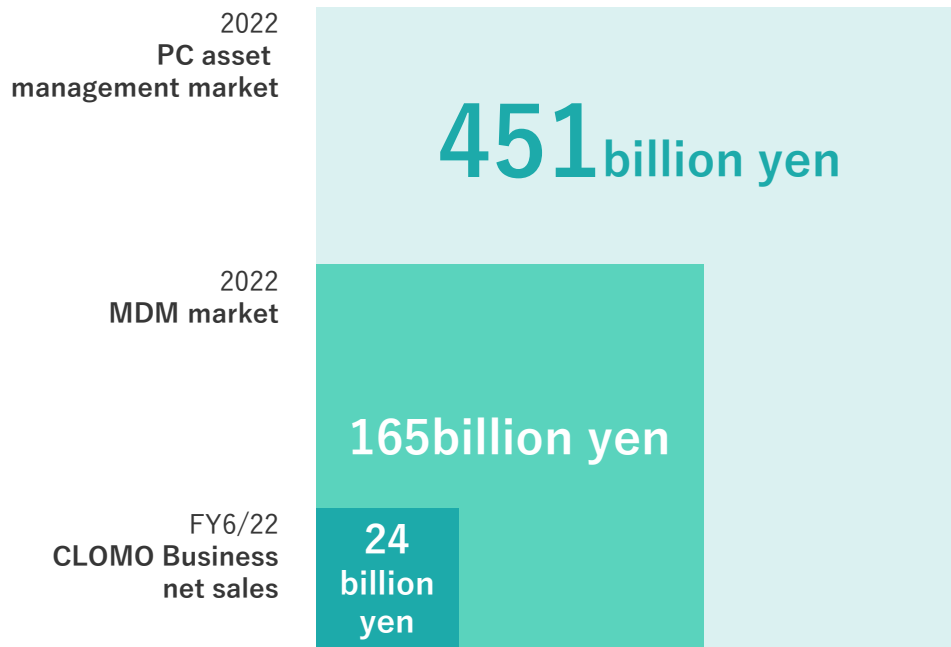


Note:
1. ARR: Annual Recurring Revenue. Calculated by multiplying the MRR for each month by 12, where MRR is the sum of the monthly fees for corporations deploying our services as of the end of the targeted month, excluding temporary costs.
2. ARPU: Average Revenue Per User, which is the average monthly 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 and Business Plan

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

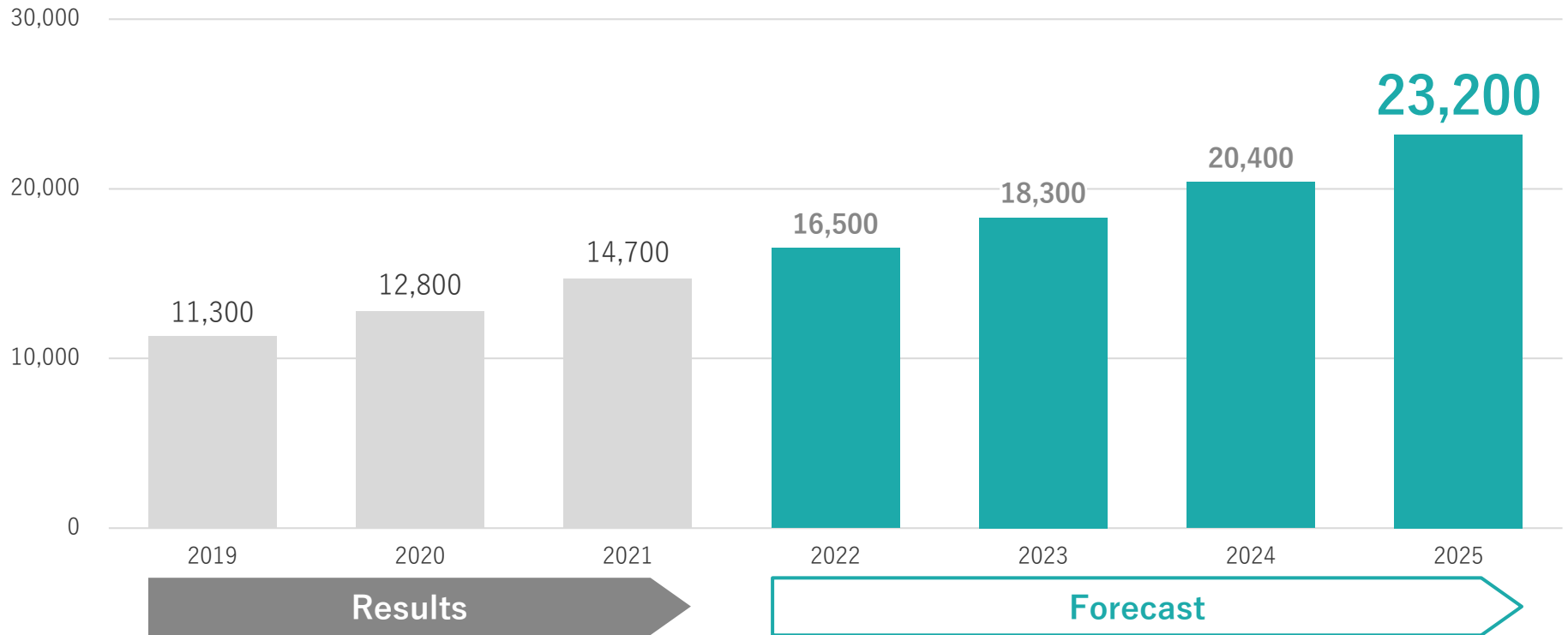
- Shift to SaaS for PC asset management and security software accelerating
- As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

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)



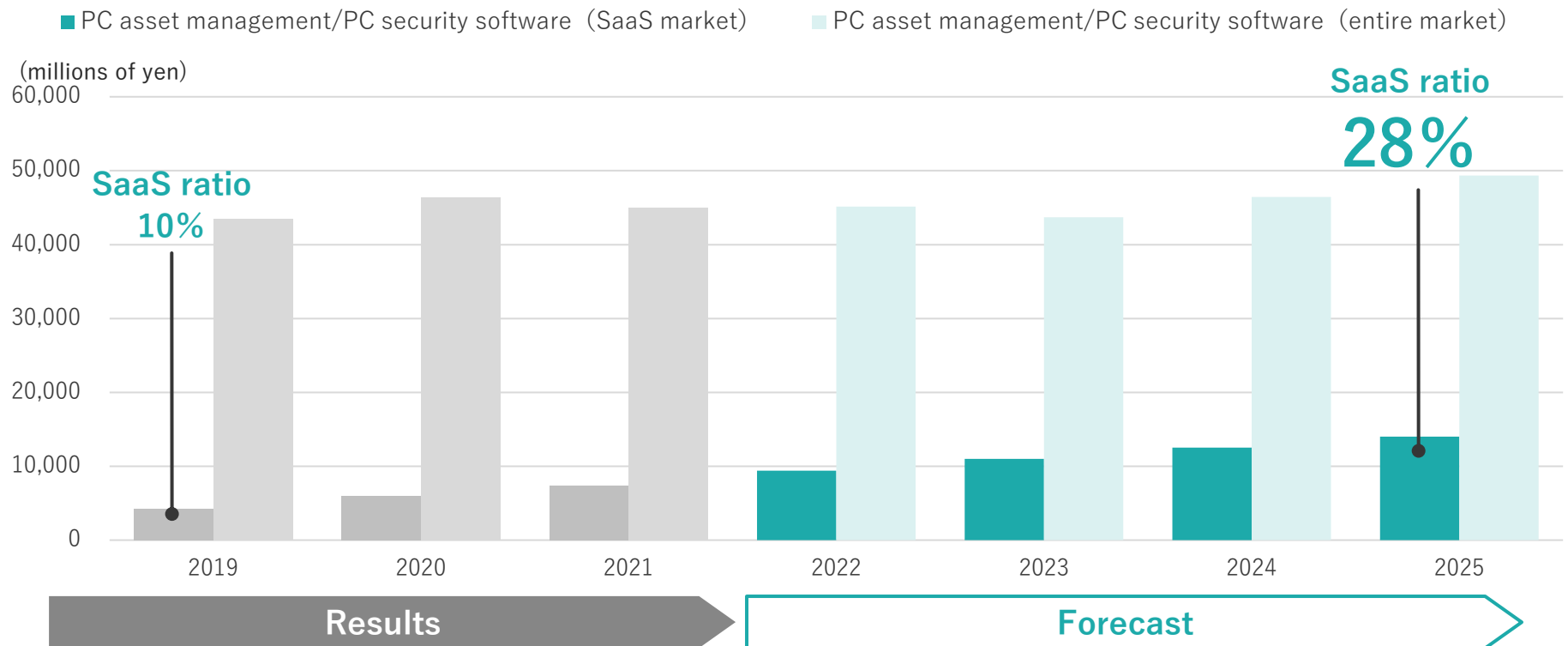
Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2021 edition

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

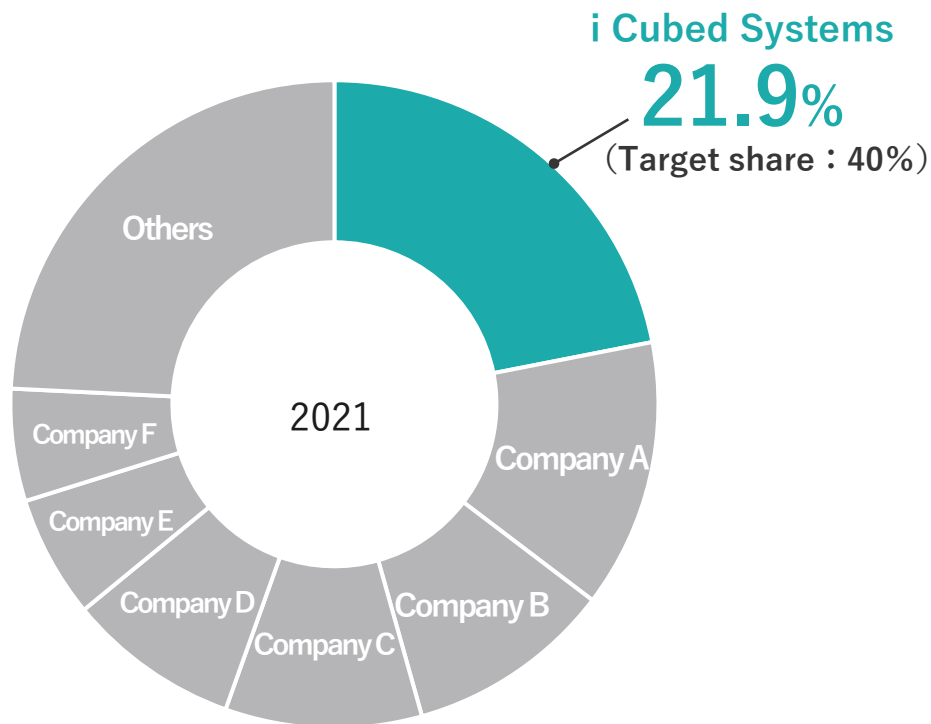
Establishing a highly profitable system in the CLOMO business

To aim to achieve **40%**

i Cubed Systems positioning within MDM market

We have highest share in the industry by own-brand shipment value.
Targeting 40% share centered on our strategy of partnership with NTT DOCOMO Group.

MDM share by own-brand shipment value



- **No.1 for 11 consecutive years**
Have maintained highest share in the domestic MDM market (own-brand) for 11 consecutive years
- **Partnership with NTT DOCOMO Group**
Acquire demand arising from switch from feature phones to smartphones to drive further growth

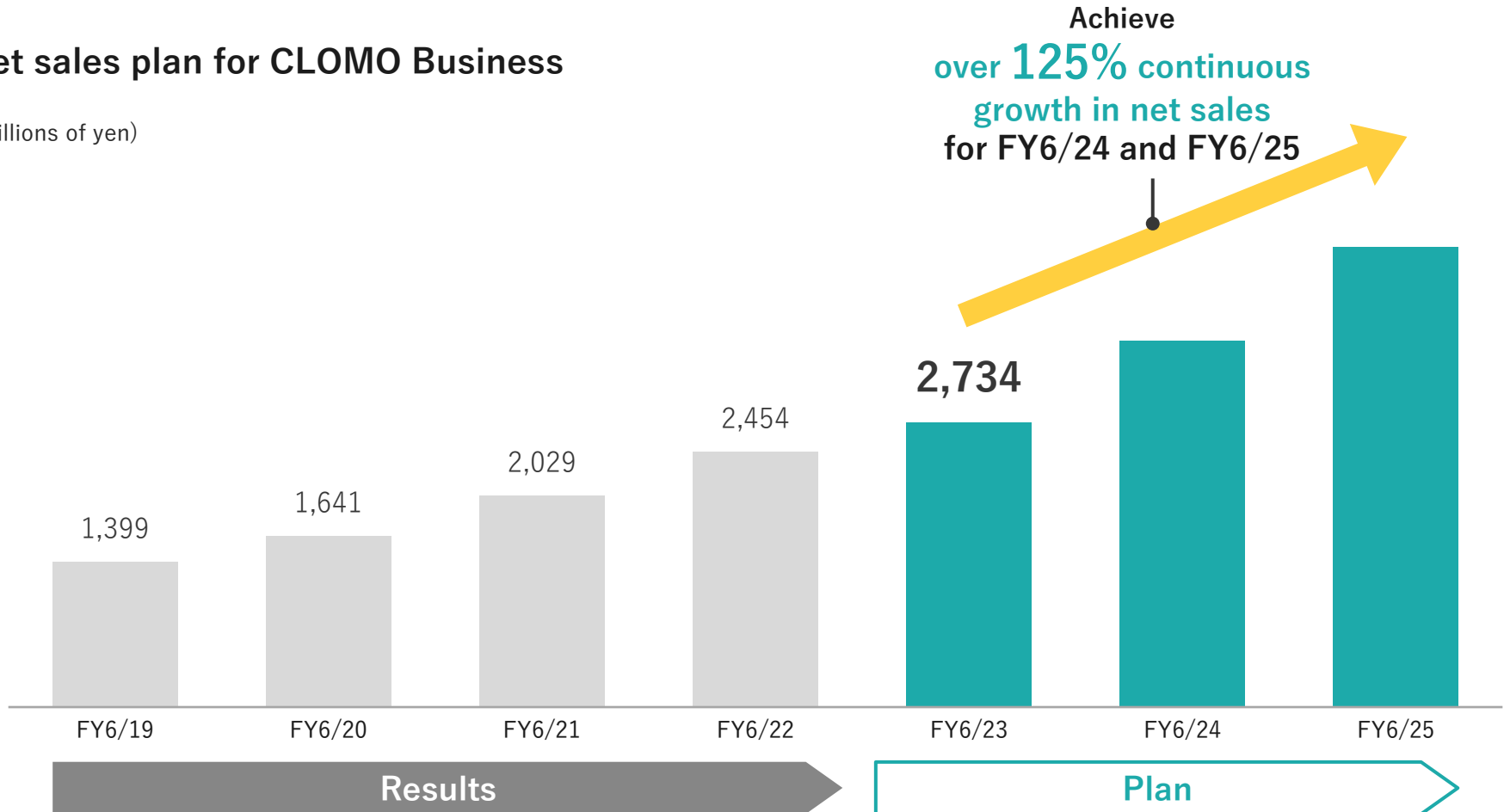
Source: Deloitte Tohmatu MIC Research Institute Co., Ltd. "MDM private brand market 2021"

Net sales plan up to FY6/25

Planning continuous growth in net sales of over 125% in FY6/24 and FY6/25, by improvements in external environment and execution of growth strategy.

Net sales plan for CLOMO Business

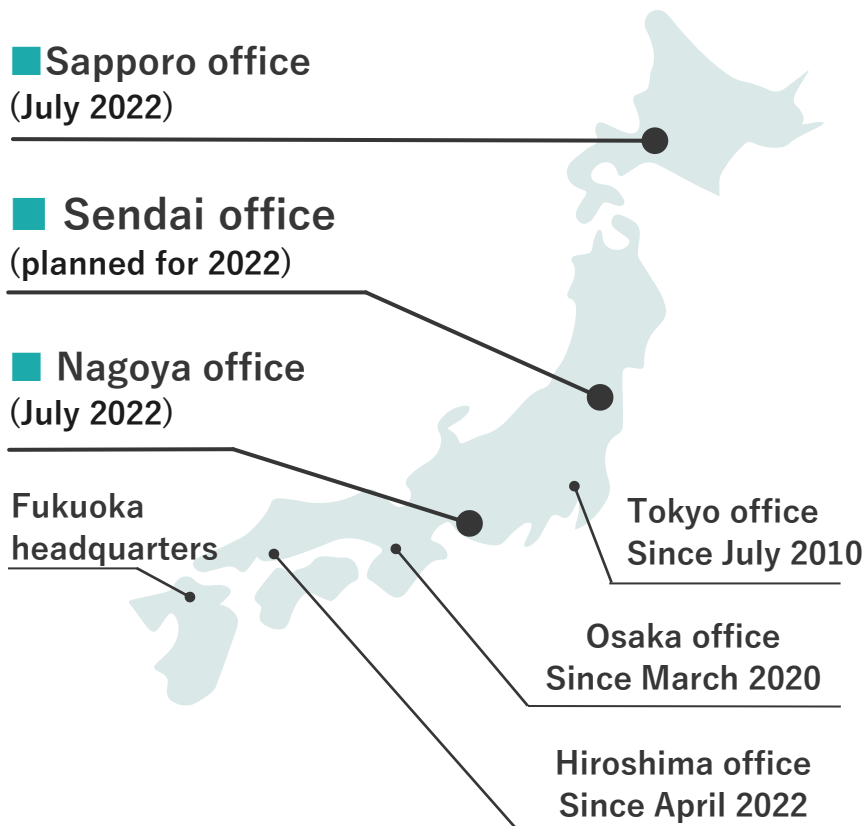
(millions of yen)



Initiatives to expand sales

We will expand sales areas to strengthen cooperation with regional sales partners to bolster our share with local companies, and roll out sales strategy in new fields such as medical, manufacturing, public agencies, logistics, etc.

Sales office expansion



Roll out in new fields

● Medical

The switch to smartphones following the termination of the PHS service continues, and we aim to acquire further customers by publishing deployment case studies and exhibiting at events.

● Public agencies

Working to strengthen our information security systems.

Gaining recognition for high levels of security will lead to opportunities for acquiring customers among public agencies and local governments.

● Manufacturing and logistics industries

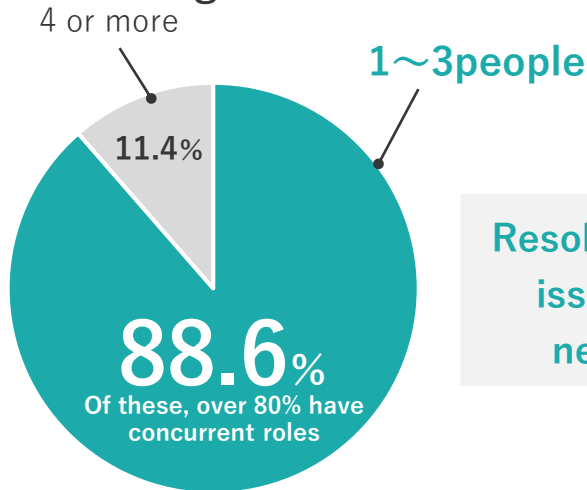
The promotion of DX has led to deployment of mobile devices for business at manufacturing and logistics industry sites, and growing demand for device management.

We have begun cooperation with sales partners that handle mobile devices for business in preparation for expanding sales channels.

Providing new services to improve ARPU

For customers with a shortage of administrators, we are promoting enhanced LCM services⁽¹⁾. Through all-encompassing support from deployment to operation, we aim to improve customer retention rates and ARPU.

Breakdown of those responsible for mobile device management



Resolving customer issues through new services

Even in cases where services are deployed to address perceived problems with mobile device management, they may not be fully utilized due to companies operating with a small number of staff and people performing concurrent roles

Note:

1. LCM services: An abbreviation of Life Cycle Management, which refers to services to support IT asset management within each process of the life cycle



Deployment

NEW Service launched in September 2022

CLOMO Kitting Service

Performing unpacking and labeling of devices, at time of mobile device deployment or replacement, on behalf of customers



Setup

Support Ticket

Support for initial setup of CLOMO MDM



Operation

NEW Service launched in April 2022

CLOMO Operation Proxy Service

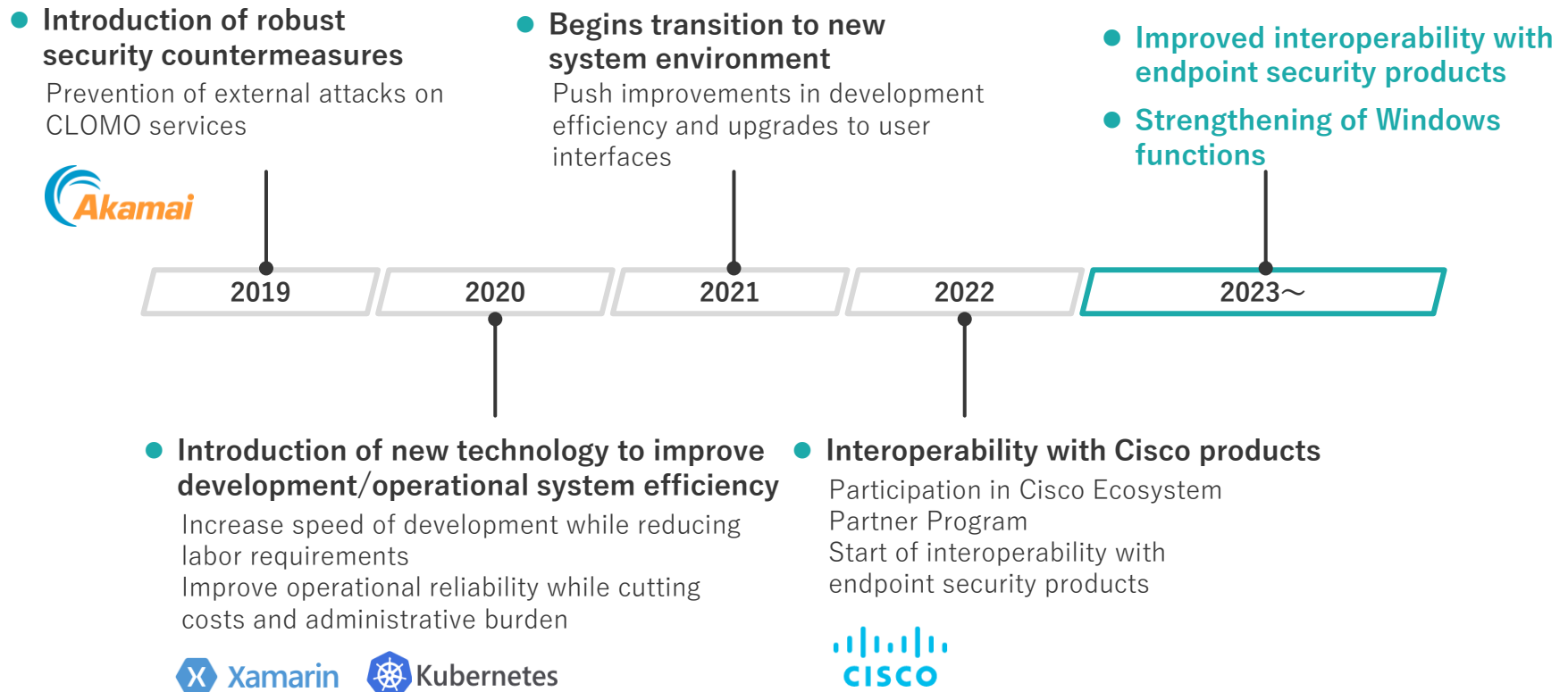
Proxy issuance of CLOMO MDM operation reports and performance of annual upgrades

Development/operational initiatives aimed at improving customer satisfaction

Increase customer retention rates by reflecting existing customer requests in the product, and working continuously on the evolution of our development and operational structures.

Promoting interoperability with products from other companies and enhancing functionality in order to acquire new customers and prepare for entry into the PC asset management market.

Main initiatives and plans for development and operation

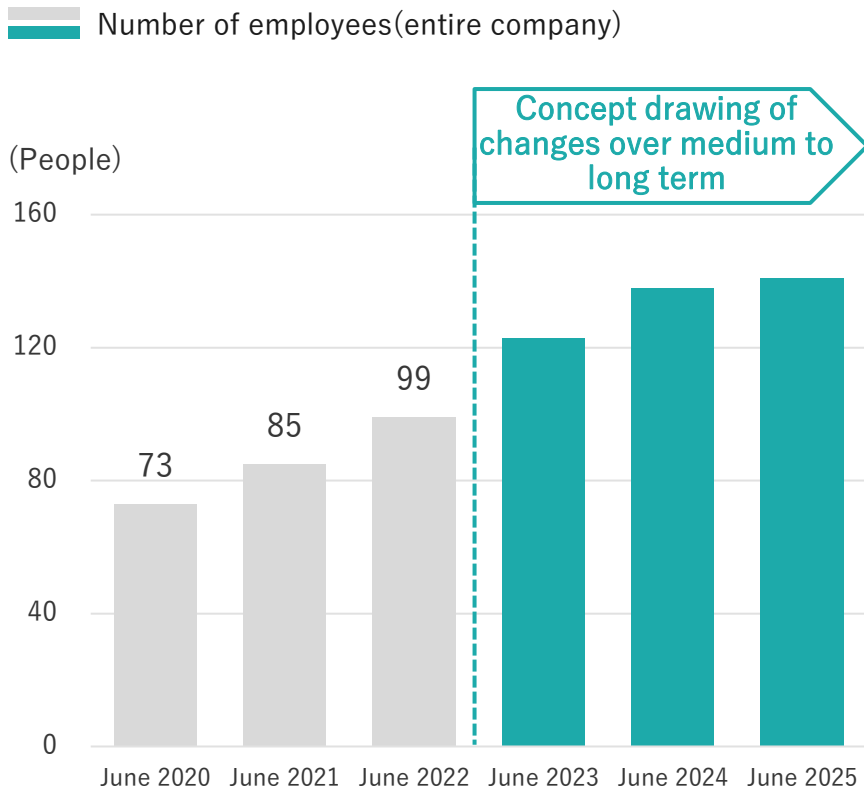


Aggressive investment in human resources in preparation for achieving medium- to long-term targets

Promote HR investments centered on Development/Sales/Customer Success divisions.

The development division, which is the core of our business, will actively hire foreign engineers to strengthen its development capabilities.

Changes in number of employees and forecast



Recruitment initiatives

- Strengthen advertising activities aimed at promoting recruitment
- Promoting flexible working styles
- Disseminate information through engineer blogs
- Make operations more attractive by aggressively adopting the latest technology
- Aggressively recruit engineers of foreign nationality, whether as new graduates or mid-career hires

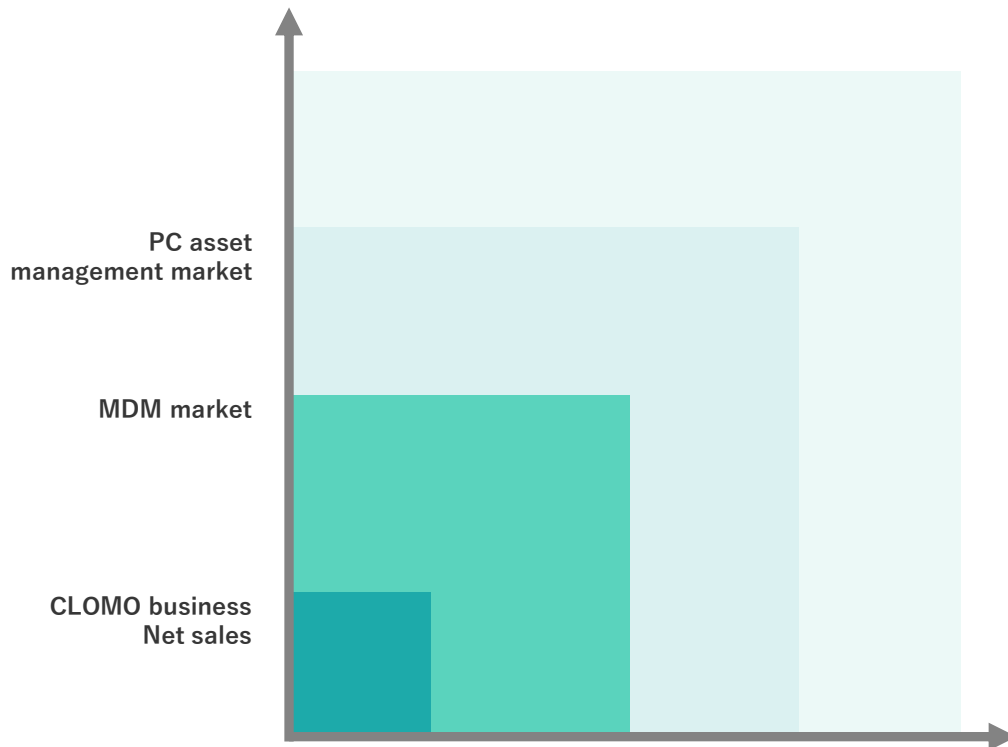


▲ Roll out a variety of advertising, such as bus stop advertisements / digital movies / and buying up all the advertising space in stations (in Fukuoka district)

6. Growth Strategy

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

Investment and business development activities aimed at accelerating growth

In addition to investment activities aimed at the expansion of the CLOMO Business and entry into new markets, we have begun initiatives to encourage the development of new businesses internally, and are taking up the challenge of accelerating corporate growth with maximizing the use of management resources.

Investment Business



● Launch of Investment Business

- Through the fund managed by our venture capital subsidiary (total of 1.0 billion yen), we executed investments of 150 million yen in FY6/22
- Promoting investment activities in a wide range of investment areas, focused on mobile, SaaS, and security, and unearthing business opportunities in new market areas
- M&A aimed at expanding CLOMO Business and creating new business

Development of new businesses



● “Project System” launched

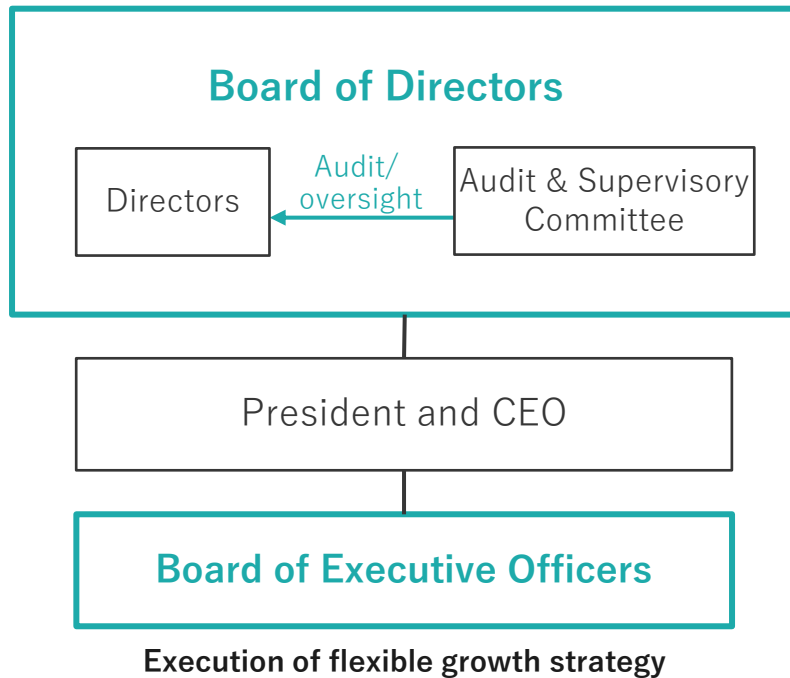
- Under this system all employees, regardless of position, can draw up ideas for the growth of the Company and take on the challenge of implementing it as an interdepartmental project
- With commercialization in mind, we will execute projects in a variety of forms and aim to generate new businesses within the Company
- Fostering a culture to match the slogan “Enjoy challenges.”

Establishing a management structure in preparation for executing a flexible growth strategy

Separating the oversight and business execution functions of management and transitioning to a management structure that can execute the growth strategy with flexibility.

Strengthening the oversight functions of the Board of Directors in preparation for expanding the business over the medium to long term.

Our new organizational structure



Enhance management flexibility

- Establish executive officer system
- Separate the oversight and business execution functions of management, and execute the growth strategy with flexibility

Strengthen oversight functions of Board of Directors

- Transition to company with Audit & Supervisory Committee
- Appoint independent outside directors to a majority of positions in order to strengthen the independence of the Board of Directors

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	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.
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.

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 2023.