

Third Quarter of Fiscal Year ending June 30, 2024 Supplementary Material on Financial Statements

May 14, 2024

i Cubed Systems, Inc.

TSE Growth : 4495

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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 FY6/24

Operating income grew year on year against a backdrop of solid growth in net sales. Our customer base is expanding steadily, with the acquisition of more than 1,200 new corporate clients during the cumulative 3rd quarter.


Net sales

2,173million yen

YoY: +9.4% 

Operating income

530million yen

YoY: +8.3% 

Number of corporations
introducing our services

6,154corporations

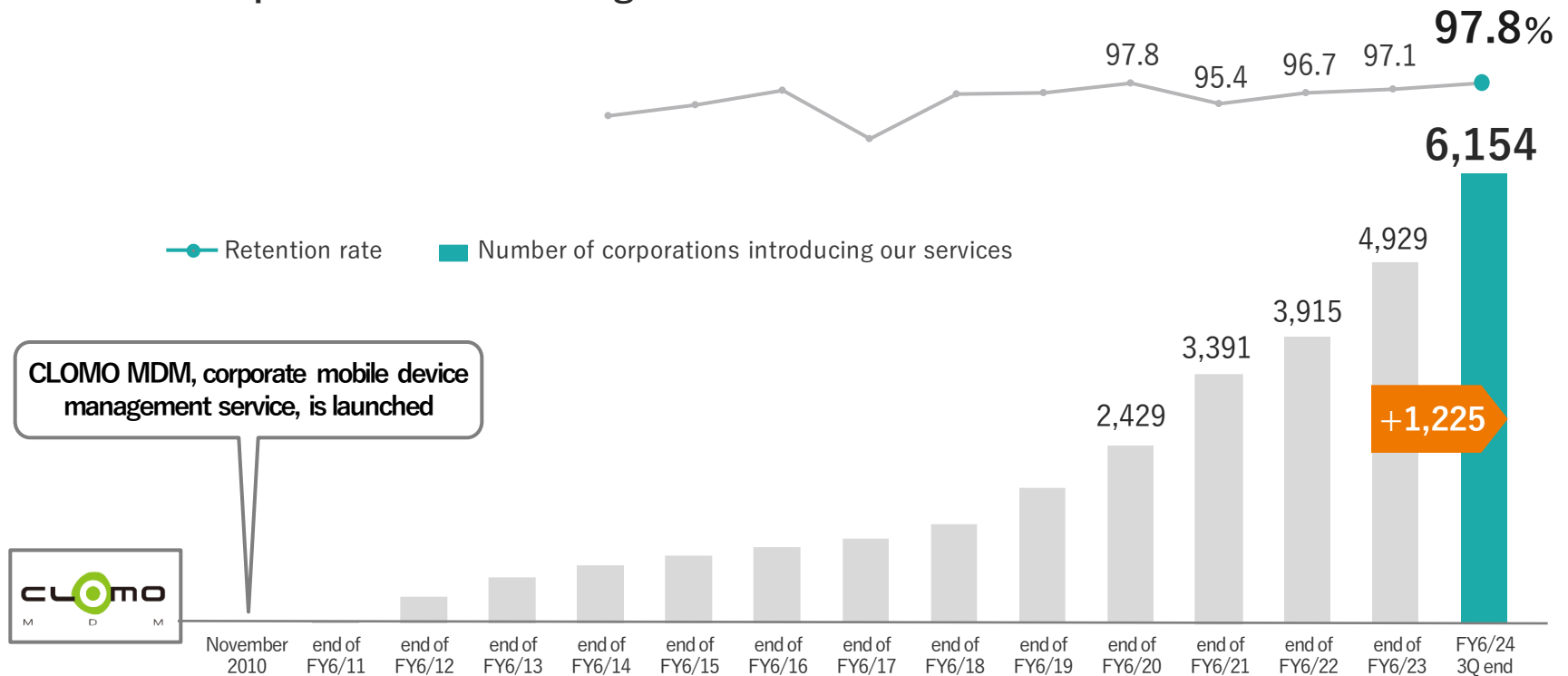
+24.9%  from the end
of the previous period

2. Financial Results for 3rd Quarter of Fiscal Year ending June 30, 2024

CLOMO business KPI① Number of corporations introducing our services/Retention rate

Through the promotion of initiatives to expand the customer base, the number of companies deploying our services increased by 1,225 during the cumulative 3rd quarter. By promoting improved retention through customer success activities, the retention rate⁽¹⁾ is at a high 97.8%.

Number of corporations introducing our services and Retention rate



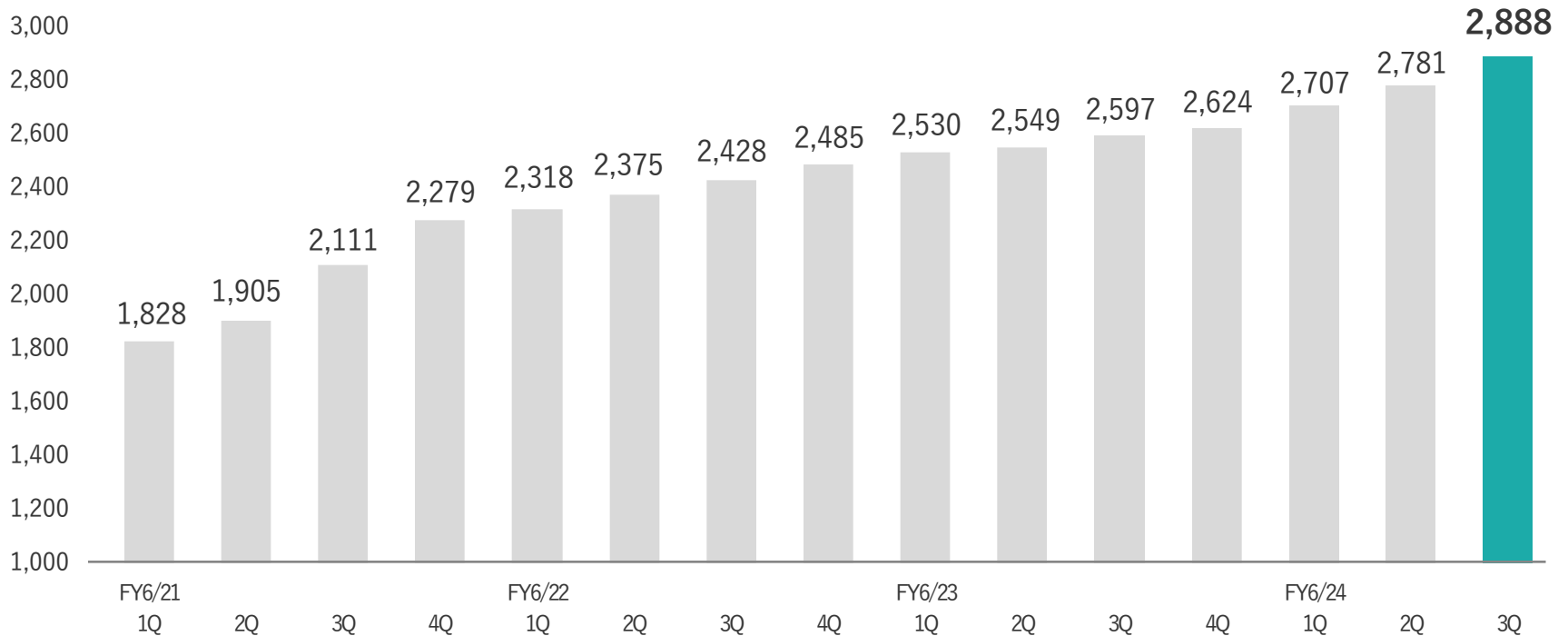
Note :
1. Retention rate is calculated by subtracting the number of cancellations in the last 12 months from the number of licenses at the end of the same month of the previous year and dividing it by the number of licenses at the end of the same month of the previous year.

CLOMO business KPI② Trend of ARR

ARR⁽¹⁾, which is the main KPI for subscription business, continued to increase against the background of steady expansion in the user base and reached 2,888 million yen at the end of 3rd quarter (+11.2% YoY).

ARR trends as of the end of each quarter

(millions of yen)



Note :

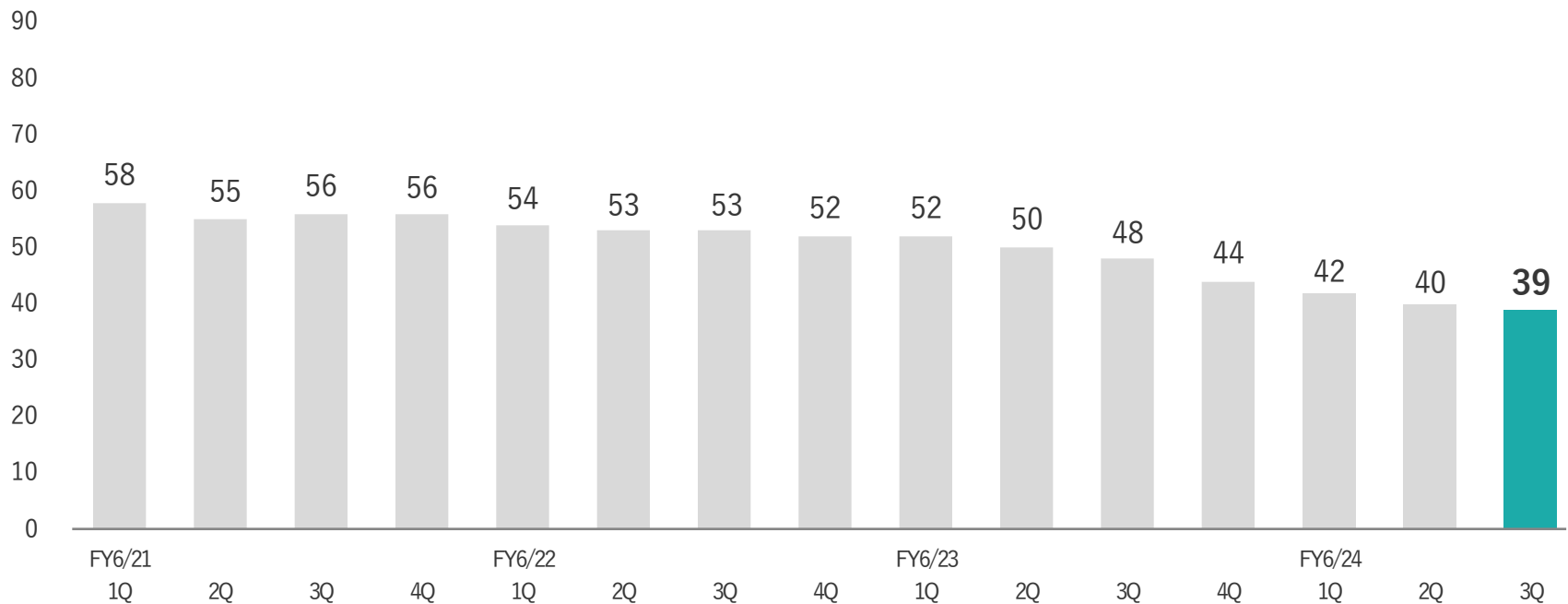
1. ARR: Annual Recurring Revenue. Calculated by multiplying the MRR for each month by 12, where MRR is the sum of the monthly fees for corporations deploying our services as of the end of the targeted month, excluding temporary costs.

CLOMO business KPI③ Trend of ARPU

The steady progress of our customer base expansion strategy, centered on provision on an OEM basis, has led to an acceleration in deployment of MDM by small and medium-sized companies, and ARPU⁽¹⁾ continues to trend downward.

ARPU trends as of the end of each quarter

(thousands of yen)



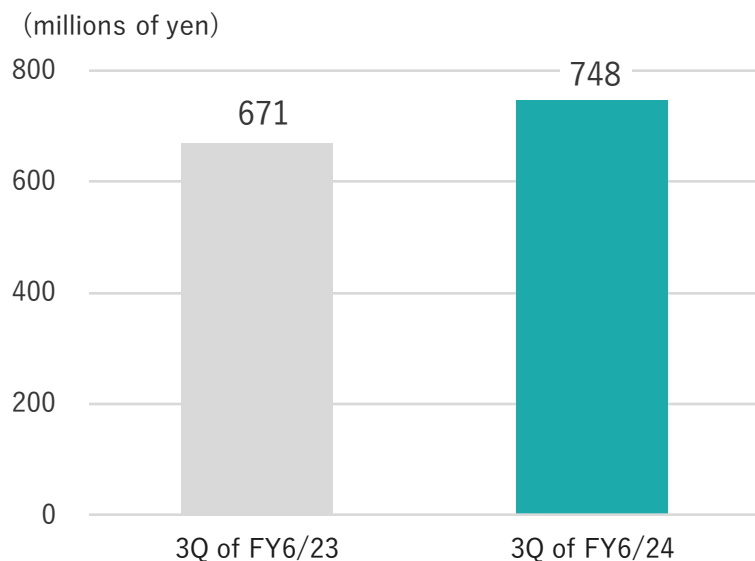
Note:

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.

Consolidated net sales and operating income for 3rd quarter of FY6/24

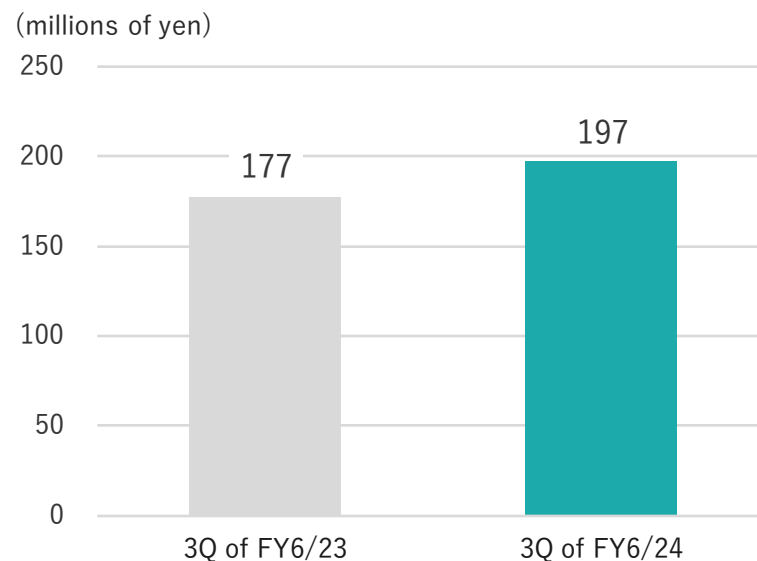
Net sales in the 3rd quarter (January - March) were 748 million yen (+11.3% YoY), and operating income was 197 million yen (+11.2% YoY).

Net sales



3Q of FY6/23	3Q of FY6/24	Year on year
671 million yen	748 million yen	111.3% (+76 million yen)

Operating income



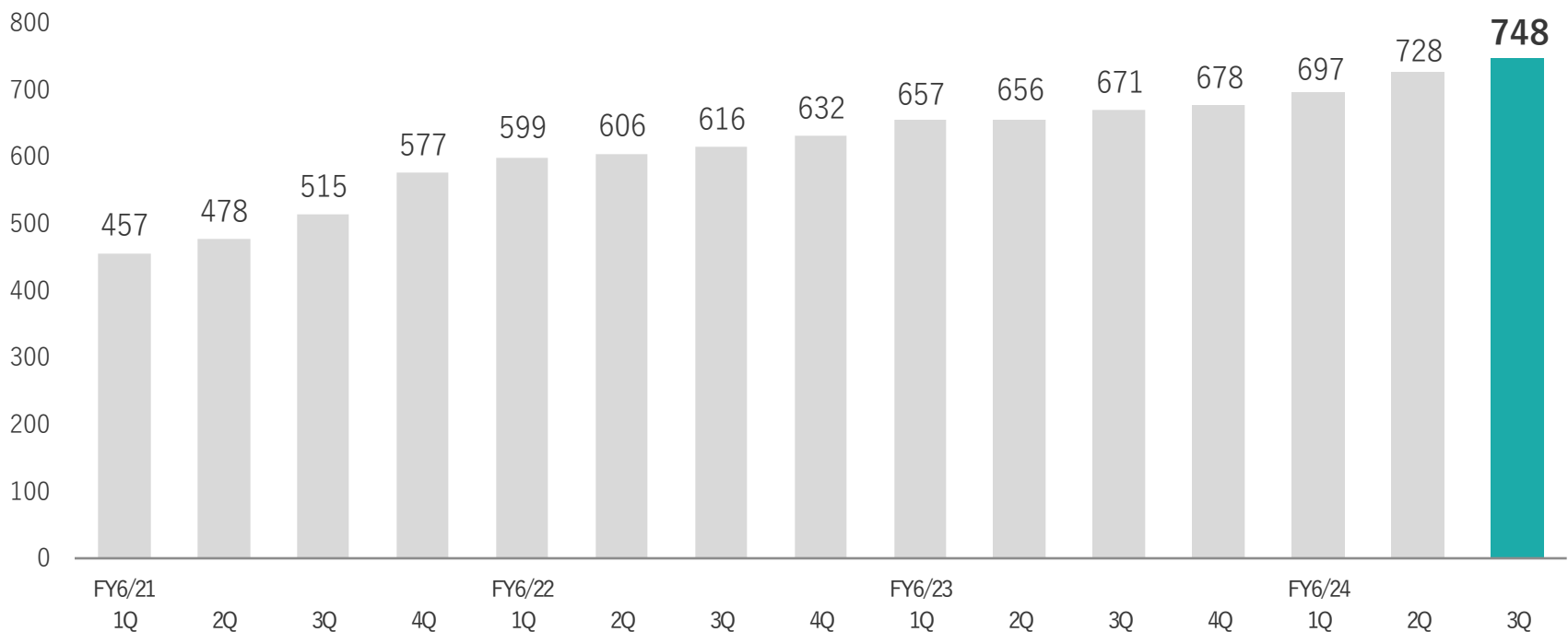
3Q of FY6/23	3Q of FY6/24	Year on year
177 million yen	197 million yen	111.2% (+19 million yen)

Quarterly trend in CLOMO Business net sales

Net sales in the CLOMO Business have continued to grow steadily, with quarterly sales progressively rising in FY6/24 (CAGR 13.2%).

CLOMO Business net sales (quarterly total)

(millions of yen)

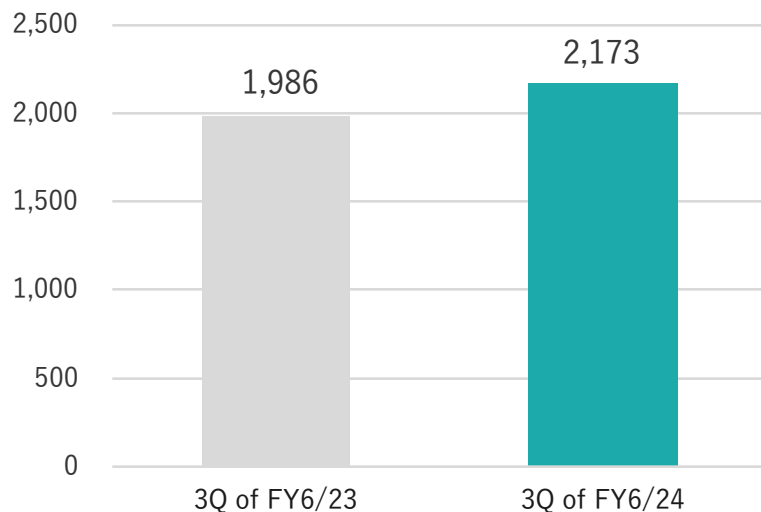


Cumulative consolidated net sales/operating income for 3rd quarter of FY6/24

Cumulative consolidated net sales for 3rd quarter (July-March) were 2,173 million yen (+9.4% YoY), and operating income was 530 million yen (+8.3% YoY).

Net sales

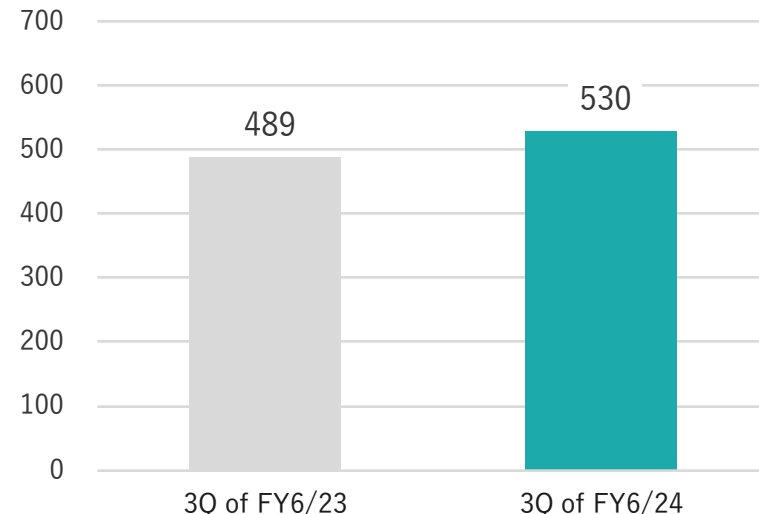
(millions of yen)



3Q of FY6/23	3Q of FY6/24	Year on year
1,986 million yen	2,173 million yen	109.4% (+187 million yen)

Operating income

(millions of yen)



3Q of FY6/23	3Q of FY6/24	Year on year
489 million yen	530 million yen	108.3% (+40 million yen)

Consolidated income statement for 3rd quarter of FY6/24

Net sales were 748 million yen (+11.3% YoY), and operating income was 197 million yen (+11.2% YoY).

(units: millions of yen)	3Q of FY6/23 (Composition rate)	3Q of FY6/24 (Composition rate)	Rate of change
Net sales	671 (100.0%)	748 (100.0%)	+ 11.3%
CLOMO Business	671 (100.0%)	748 (100.0%)	+ 11.3%
Investment Business	— (—%)	— (—%)	—%
Cost of sales	157 (23.4%)	203 (27.2%)	+ 29.2%
CLOMO Business	157 (23.4%)	178 (23.9%)	+ 13.7%
Depreciation expenses	36 (5.4%)	77 (10.3%)	+ 111.7%
Manufacturing costs	100 (14.9%)	82 (11.1%)	△17.4%
Others	20 (3.1%)	19 (2.5%)	△8.6%
Investment Business	— (—%)	24 (3.3%)	—%
Gross profit	514 (76.6%)	544 (72.8%)	+ 5.9%
Selling, general and administrative expenses	337 (50.2%)	347 (46.4%)	+ 3.0%
Labor expenses, etc.	244 (36.3%)	234 (31.3%)	△4.0%
Others	93 (13.9%)	113 (15.1%)	+ 21.5%
Operating income	177 (26.4%)	197 (26.4%)	+ 11.2%
Ordinary profit	176 (26.3%)	181 (24.3%)	+ 3.0%
Corporate income taxes	56 (8.4%)	64 (8.6%)	+ 14.7%
Profit attributable to owners of parent	120 (17.9%)	117 (15.8%)	△2.3%

Cumulative consolidated income statement for 3rd quarter of FY6/24

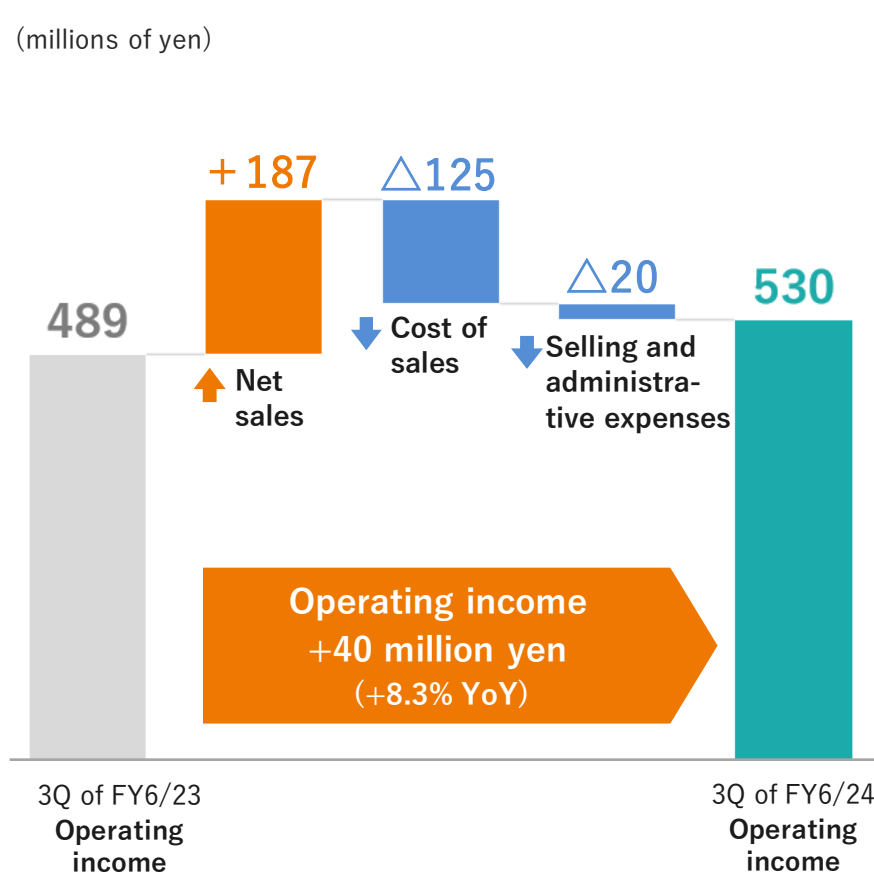
Net sales were 2,173 million yen (+9.4% YoY), operating income was 530 million yen (+8.3% YoY).

(units: millions of yen)	3Q of FY6/23 (Composition rate)	3Q of FY6/24 (Composition rate)	Rate of change
Net sales	1,986 (100.0%)	2,173 (100.0%)	+ 9.4%
CLOMO Business	1,986 (100.0%)	2,173 (100.0%)	+ 9.4%
Investment Business	— (—%)	— (—%)	—%
Cost of sales	437 (22.0%)	562 (25.9%)	+ 28.8%
CLOMO Business	437 (22.0%)	538 (24.8%)	+ 23.2%
Depreciation expenses	101 (5.1%)	236 (10.9%)	+ 132.2%
Manufacturing costs	275 (13.8%)	246 (11.4%)	△10.3%
Others	60 (3.0%)	54 (2.5%)	△8.6%
Investment Business	— (—%)	24 (1.1%)	—%
Gross profit	1,549 (78.0%)	1,610 (74.1%)	+ 4.0%
Selling, general and administrative expenses	1,059 (53.3%)	1,080 (49.7%)	+ 1.9%
Labor expenses, etc.	744 (37.5%)	707 (32.5%)	△4.9%
Others	315 (15.9%)	372 (17.2%)	+ 18.2%
Operating income	489 (24.7%)	530 (24.4%)	+ 8.3%
Ordinary profit	488 (24.6%)	513 (23.6%)	+ 5.1%
Corporate income taxes	155 (7.8%)	173 (8.0%)	+ 11.2%
Profit attributable to owners of parent	332 (16.7%)	340 (15.7%)	+ 2.4%

Factors behind changes in operating income

The expansion of the CLOMO Business has led to steady growth in net sales, and investment in development is proceeding according to plan. Selling and administrative expenses rose slightly due to the recording of costs associated with M&A⁽¹⁾.

(millions of yen)



↑ Increase in net sales (+187)

- CLOMO business expansion

↓ Increase in cost of sales (△125)

- 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
- Loss on valuation for some investments in the Investment Business

↓ Increase in selling and administrative expenses (△20)

- Expenses incurred in relation to procedures for making a software development company located in Vietnam a subsidiary of i Cubed Systems
- This fiscal year our recruitment plans are centered on the hiring of new graduates, and the reduction in mid-career hires has led to a decline in recruitment costs. The number of employees as of March 31, 2024 was 120 (down 3 person YoY)
- Registration with ISMAP⁽²⁾ was completed in February 2024. Auditing expenses associated with maintaining this registration will continue to occur going forward

Notes:

1. For an overview of the M&A transaction, please refer to the following release dated October 11, 2023: "Notification of the acquisition of the shares of 10KN JOINT STOCK COMPANY (making it a subsidiary)."
2. 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 FY6/24

While moving forward with investments for growth, we have maintained a stable financial base, and an equity ratio of 76.9%.

Cash and deposits decreased due to a temporary increase in securities (scheduled to be liquidated in 4th quarter).

(units: millions of yen)	FY6/23	3Q of FY6/24	Change
Current assets	2,645	2,555	△90
Cash and deposits	2,055	1,710	△345
Receivables	260	310	+50
Securities ⁽¹⁾	0	200	+200
Operational investment securities	240	245	+5
Fixed assets	753	1,019	+266
Software	210	112	△98
Software in progress	174	233	+59
Total assets	3,399	3,574	+175
Current Liabilities	825	814	△11
Contract liabilities	471	434	△37
Fixed liabilities	—	—	—
Total liabilities	825	814	△11
Total net assets	2,573	2,760	+187
Total liabilities and net assets	3,399	3,574	+175

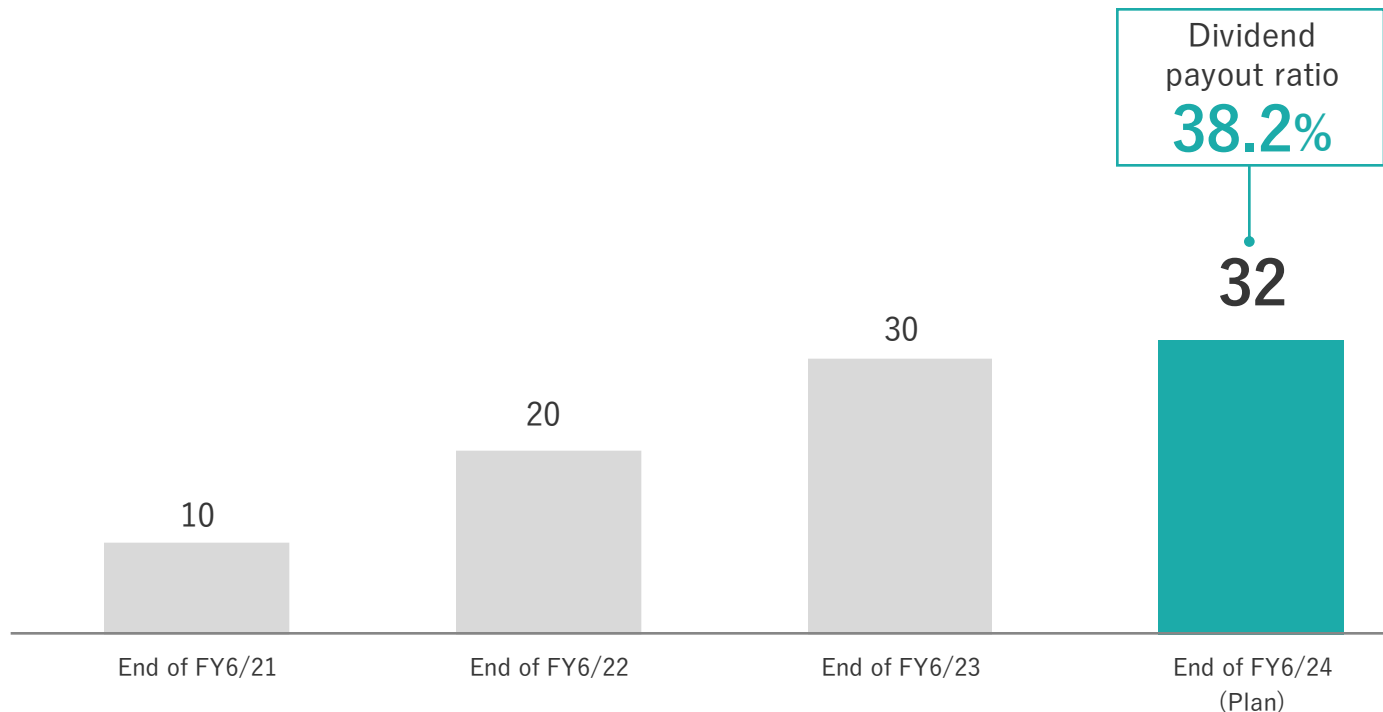
Notes:

1. To facilitate the smooth progress of our investment activities, we acquired a short-term jointly managed designated money trust of ¥200 million, which is scheduled to be liquidated in the fourth quarter of the fiscal year ending June 30, 2024, when it matures.

Shareholder return policy

Maintaining our policy of actively returning profits to shareholders who have high expectations for our company's medium- to long-term growth, we have revised up the year-end dividend forecast for FY6/24 by 2 yen to 32 yen ⁽¹⁾.

Dividends over time (yen)



Notes:

1. For details, please refer to the following release dated May 14, 2024: "Notice Regarding Revision of Dividend Forecast (Dividend Increase) ."

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	411,026,100 yen
Founded in	September 2001
Representative	President and CEO Tsutomu Sasaki
Main Business	CLOMO business / Investment business
Partner	Apple Consultants Network Android Enterprise Partner Program Microsoft AI Cloud Partner Program
Group Company	i Cubed Ventures, Inc.

※Information as of the end of March 2024.

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

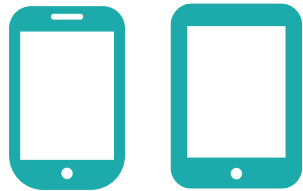
Purpose : Become the matrix for realizing unknown ideas that lead to smiles

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

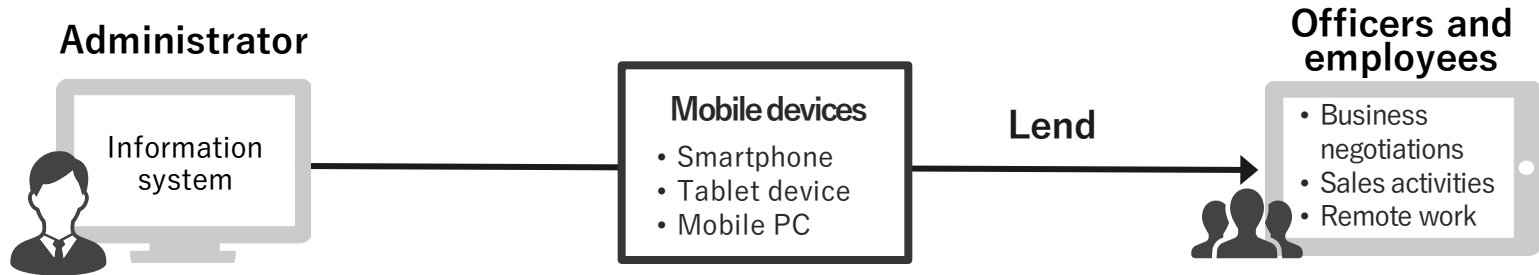
Investment Business





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

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.

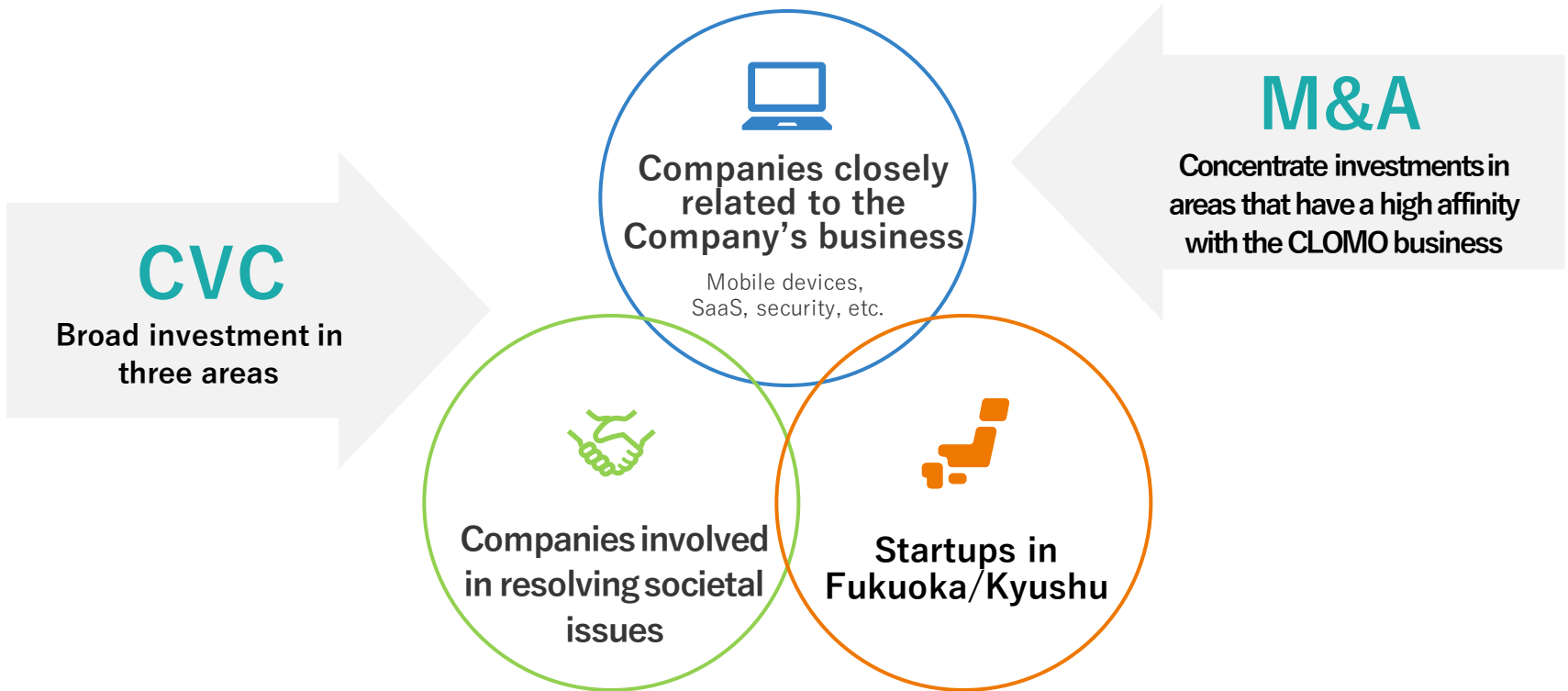


		Visualization of utilization status “Status monitoring”	Function restrictions And settings “Application of utilization rules”	Security measures “Measures for preventing information leakage”
<p>Management</p> <p>Basic functions for smooth management</p> 	<p>Remotely assess the utilization status in real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

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



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

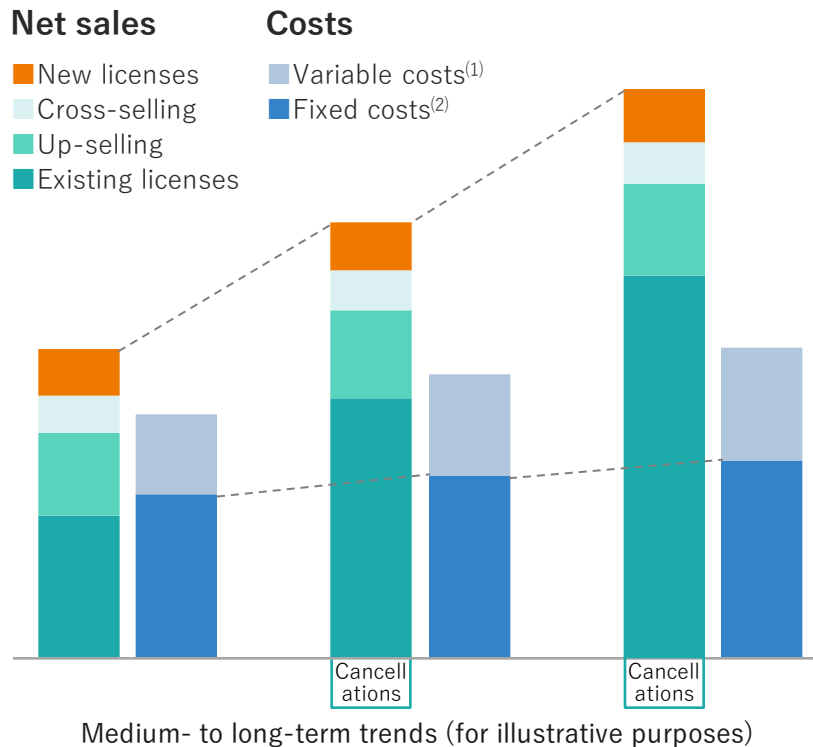
1 Competitive advantage of CLOMO Business

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

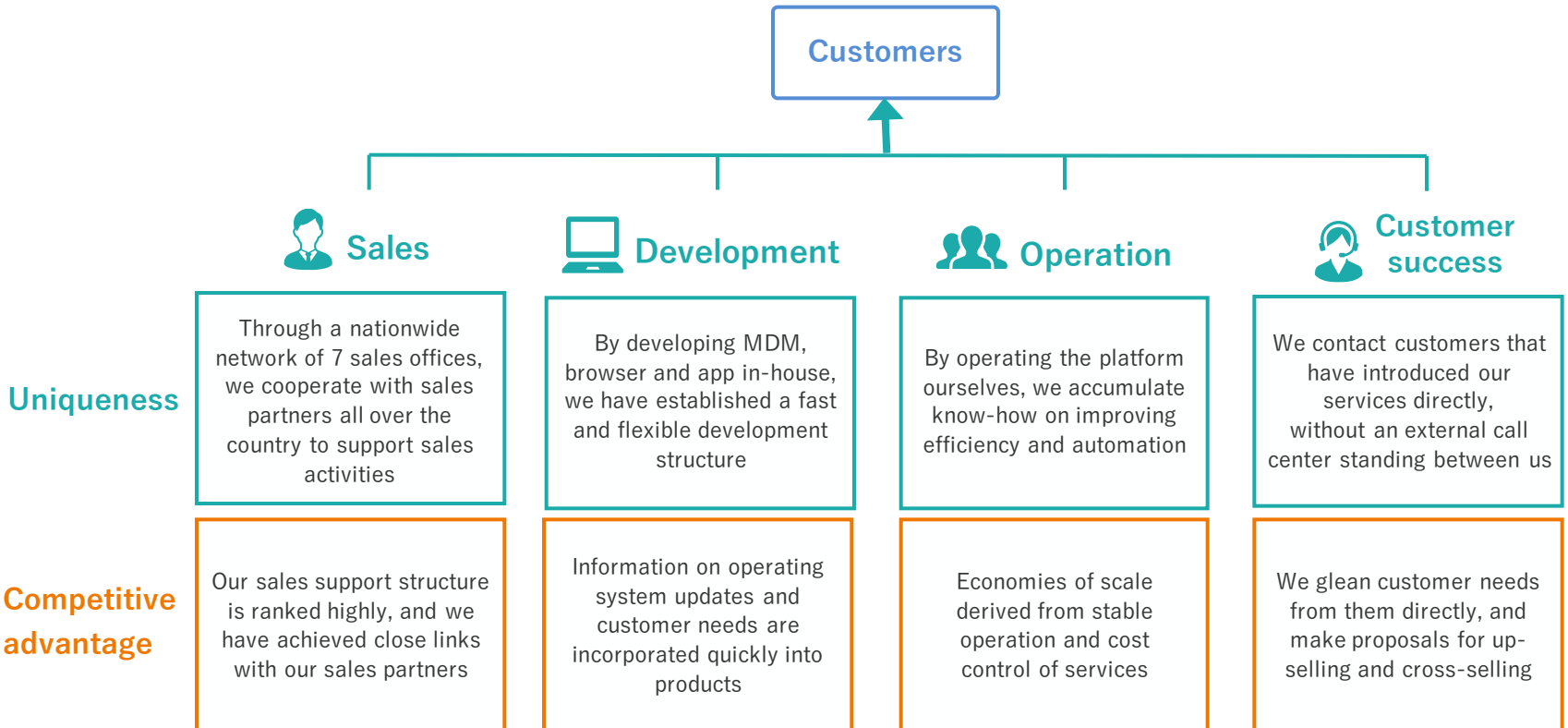
1 Competitive advantage of CLOMO Business

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



1 Competitive advantage of CLOMO Business

Partnership with OS developers and high evaluation

As one of 16 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

Scalefusion / Tectoro Consulting Private Ltd. / AXSEED, Inc / IBM MaaS360 / Ivanti / Knox Manage / Microsoft* / SHARP CORPORATION / SoftBank Corp / SOTI / VMware Workspace ONE / 360° Pulsus / 42Gears / ISB CORPORATION / Urmobo

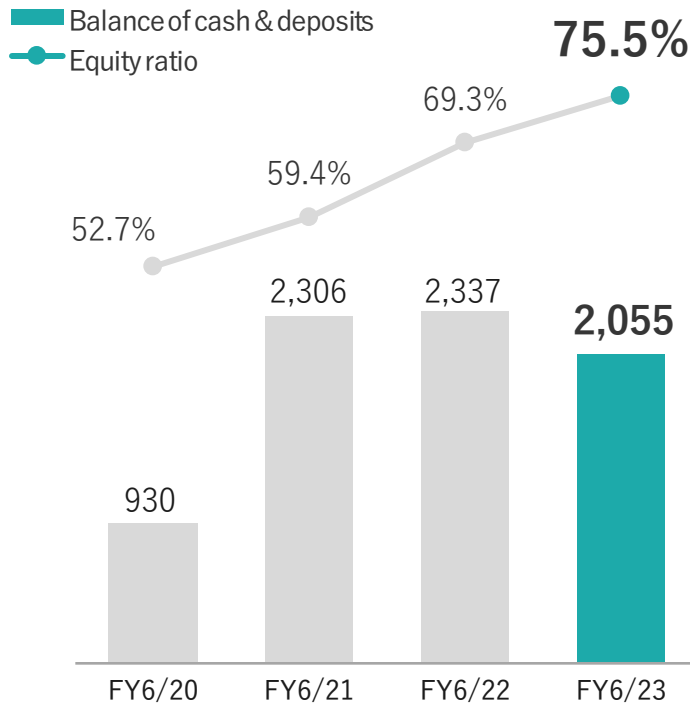
Source: Android Enterprise Recommended website (https://www.android.com/intl/ja_jp/enterprise/), as of 30 April 2024.

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.

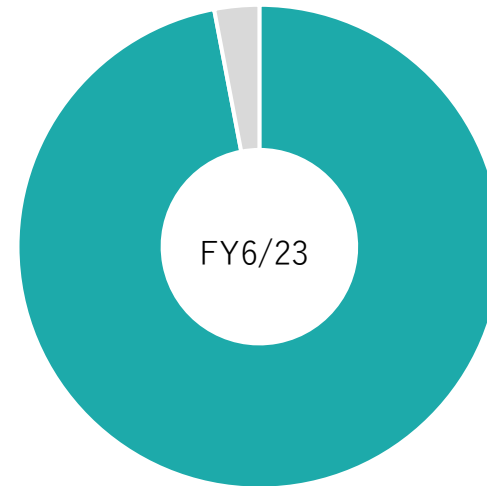
Trend in balance of cash & deposits and equity ratio

(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

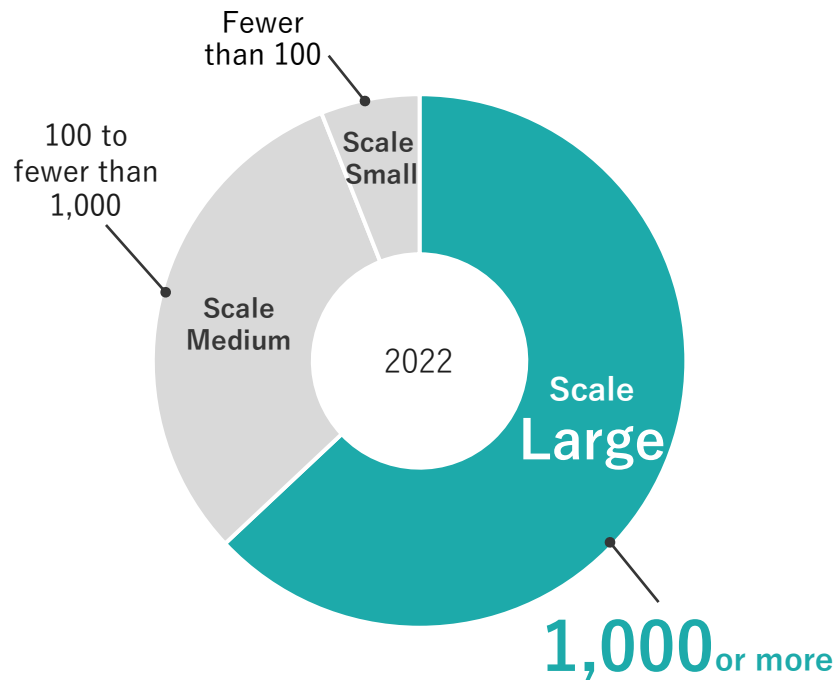
2 Management resources

Strong customer base

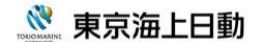
More than 6,000 existing companies form a strong customer base various of industries, mainly large companies.

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 4 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:

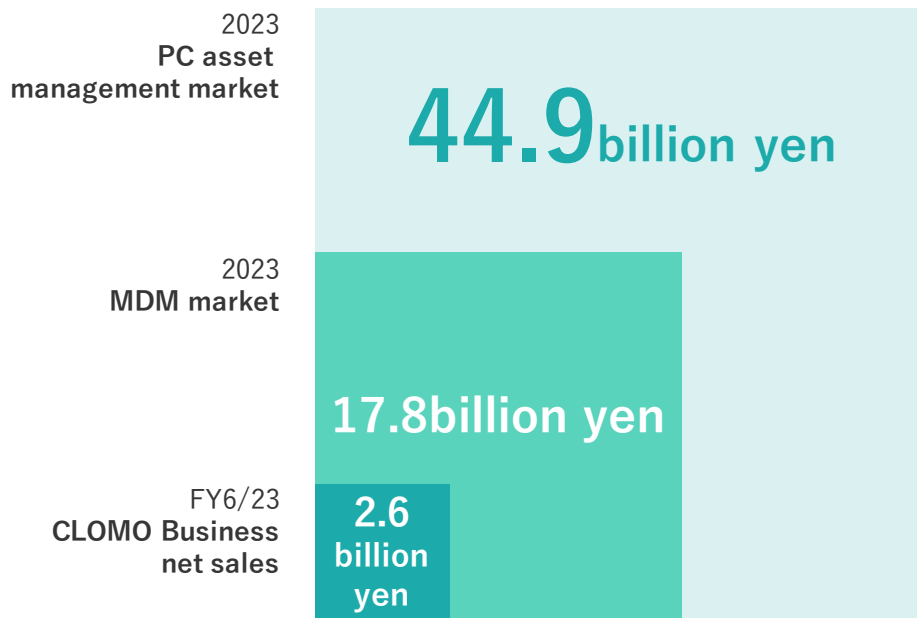
1. The Company was recognized by the Great Place to Work® Institute Japan, which performs awareness surveys of employees in accordance with global standards, and which has scored i Cubed Systems highly for four consecutive years in the 2021-2024 editions of the Best Workplaces rankings.

2. Figures are as of the end of June 2023, rounded to the nearest whole number.

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

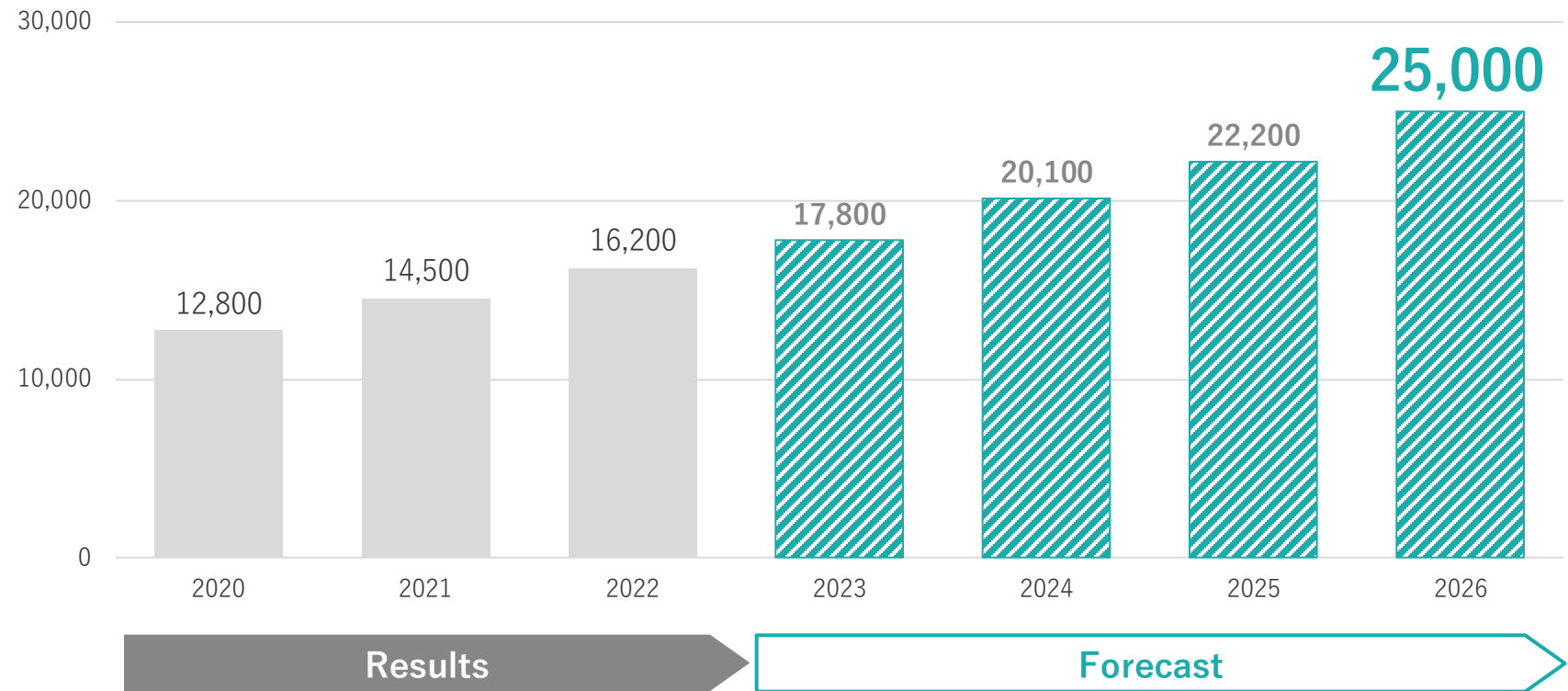
- Shift to SaaS for PC asset management and security software accelerating
- As a result of growing demand for integrated management with mobile devices, we expect opportunities for MDM vendors to enter market

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)

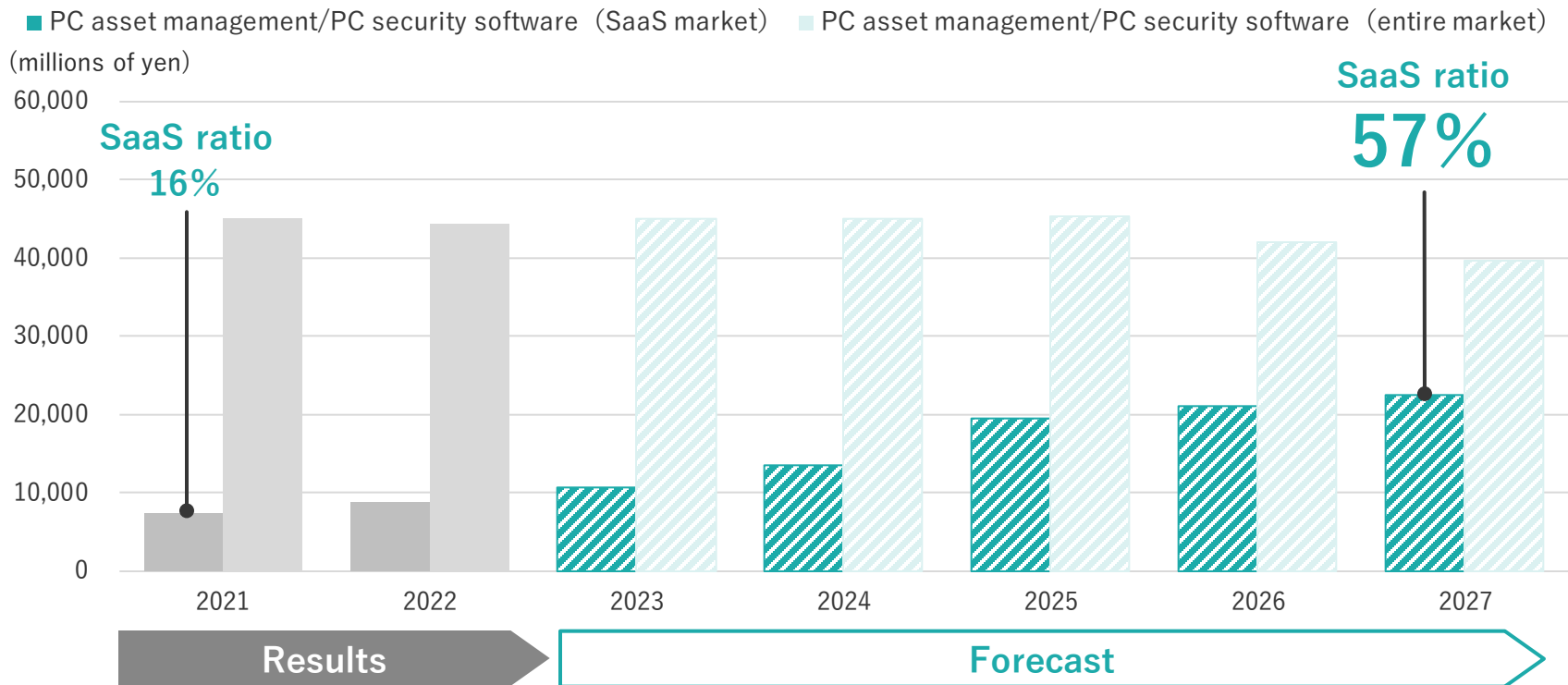


Source) Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Market Outlook of Collaboration/Contents & Mobile Management Packaged Software" 2022 edition

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.

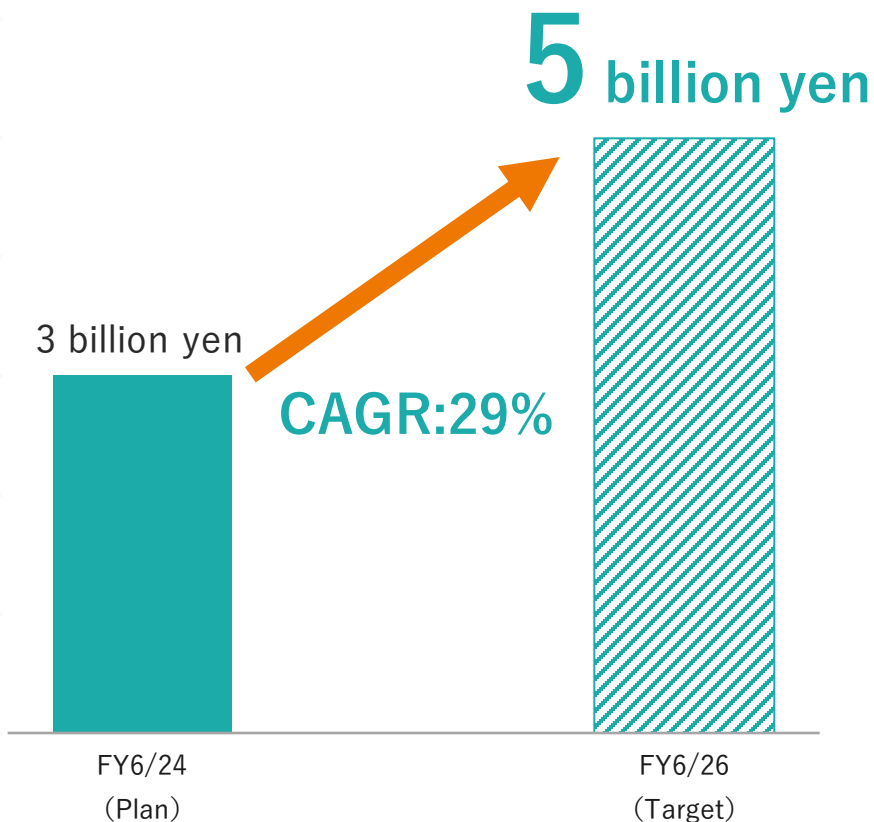
PC asset management market is transitioning steadily from on-premise model to SaaS



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

Medium-Term Sales Targets of the Group (FY6/24-26)

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.



- **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**

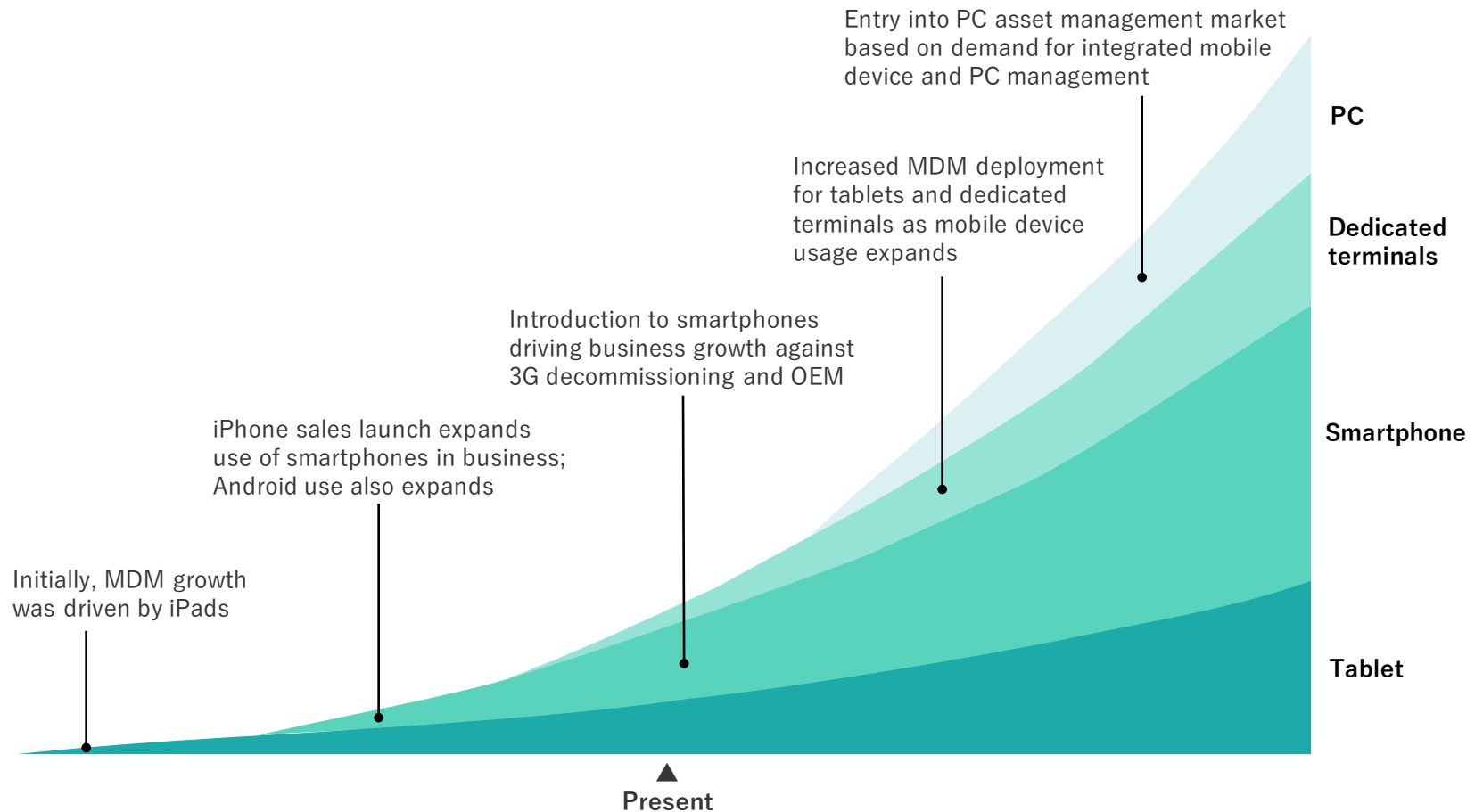
We aim to develop new businesses targeting a wide range of business areas including IT. In addition to utilizing external resources such as through M&As, we are actively looking into the commercialization of ideas generated in-house.

- **Promotion of the Investment Business**

Continuing CVC investment through our group's CVC fund, which is worth 1 billion yen. In addition, we will work to identify investment opportunities for creating new businesses.

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