

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 4, 2021

Company name: CUBE SYSTEM INC.
 Stock exchange listing: Tokyo
 Stock code: 2335 URL <https://www.cubesystem.co.jp/en/>
 Representative: Representative Director and President Masahiro Nakanishi
 Seniority Corporate Officer, Hirofumi Kitagaki
 Inquiries: President's Office TEL 03-5487-6030
 Scheduled date to file Quarterly Securities Report: November 10, 2021
 Scheduled date to commence dividend payments: December 2, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	8,060	13.8	746	35.1	752	24.6	501	25.3
Six months ended September 30, 2020	7,083	0.2	552	41.0	603	51.7	400	65.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	37.00		-	
Six months ended September 30, 2020	29.47		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of September 30, 2021	9,675		6,911		71.0		509.03	
As of March 31, 2021	9,444		6,515		68.6		476.52	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	-	8.00	-	12.00	20.00
Year ending March 31, 2022	-	8.00	-	-	-
Year ending March 31, 2022 (Forecast)	-	-	-	15.00	23.00

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,000	8.2	1,400	19.2	1,420	9.6	950	12.6	66.69

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	14,500,000 shares	As of March 31, 2021	15,279,840 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2021	1,000,392 shares	As of March 31, 2021	1,689,732 shares
--------------------------	------------------	----------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	13,559,941 shares	Six months ended September 30, 2020	13,588,107 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	4,467,541	4,702,966
Accounts receivable-trade and contract assets	2,584,796	2,549,660
Work in process	83,449	21,192
Other	118,578	121,492
Allowance for doubtful accounts	(554)	(495)
Total current assets	7,253,810	7,394,818
Non-current assets		
Property, plant and equipment	193,249	175,900
Intangible assets	8,774	6,864
Investments and other assets		
Investment securities	1,169,963	1,291,843
Retirement benefit asset	162,786	170,779
Other	655,607	635,278
Total investments and other assets	1,988,358	2,097,901
Total non-current assets	2,190,382	2,280,665
Total assets	9,444,193	9,675,483
Liabilities		
Current liabilities		
Accounts payable-trade	775,081	756,953
Short-term borrowings	280,000	240,000
Income taxes payable	370,648	279,098
Provision for bonuses	337,488	462,618
Provision for bonuses for directors (and other officers)	36,700	5,125
Provision for loss on order received	–	2,633
Other	557,847	403,872
Total current liabilities	2,357,766	2,150,300
Non-current liabilities		
Provision for share-based compensation	228,511	270,789
Asset retirement obligations	138,007	138,282
Other	204,587	204,167
Total non-current liabilities	571,106	613,239
Total liabilities	2,928,872	2,763,540

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	768,978	768,978
Capital surplus	826,828	708,018
Retained earnings	5,649,012	5,517,718
Treasury shares	(1,197,851)	(603,331)
Total shareholders' equity	6,046,968	6,391,384
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	336,160	407,396
Foreign currency translation adjustment	428	5,310
Remeasurements of defined benefit plans	92,442	67,668
Total accumulated other comprehensive income	429,032	480,374
Non-controlling interests	39,319	40,183
Total net assets	6,515,320	6,911,942
Total liabilities and net assets	9,444,193	9,675,483

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	7,083,596	8,060,499
Cost of sales	5,757,629	6,342,228
Gross profit	1,325,966	1,718,270
Selling, general and administrative expenses		
Provision for bonuses for directors (and other officers)	15,753	5,125
Salaries and allowances	207,298	249,099
Provision for bonuses	46,332	73,865
Retirement benefit expenses	14,386	10,001
Provision of allowance for share-based compensation	34,416	42,278
Other	455,081	590,999
Total selling, general and administrative expenses	773,268	971,369
Operating profit	552,698	746,900
Non-operating income		
Interest income	1,231	1,290
Dividend income	4,776	4,449
Difference on consumption tax	2,263	4,682
Other	46,550	1,415
Total non-operating income	54,821	11,837
Non-operating expenses		
Interest expenses	818	876
Foreign exchange losses	1,438	2,771
Commission expenses	1,554	1,554
Other	14	1,142
Total non-operating expenses	3,825	6,344
Ordinary profit	603,694	752,393
Profit before income taxes	603,694	752,393
Income taxes	201,907	249,083
Profit	401,786	503,309
Profit attributable to non-controlling interests	1,398	1,635
Profit attributable to owners of parent	400,388	501,674

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	401,786	503,309
Other comprehensive income		
Valuation difference on available-for-sale securities	109,247	71,235
Foreign currency translation adjustment	544	4,881
Remeasurements of defined benefit plans, net of tax	9,424	(24,946)
Total other comprehensive income	119,215	51,170
Comprehensive income	521,002	554,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	519,565	553,017
Comprehensive income attributable to non-controlling interests	1,437	1,463

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	603,694	752,393
Depreciation	26,495	29,352
Increase (decrease) in provisions	92,207	138,058
Increase (decrease) in assets and liabilities related to retirement benefits	6,728	(44,070)
Interest and dividend income	(6,007)	(5,739)
Interest expenses	818	876
Decrease (increase) in trade receivables	228,020	36,042
Decrease (increase) in inventories	(124,706)	62,543
Increase (decrease) in trade payables	(36,990)	(18,359)
Increase (decrease) in accrued consumption taxes	(33,724)	(36,153)
Increase (decrease) in accounts payable - other	(11,367)	(75,328)
Increase (decrease) in deposits received	(36,152)	(39,454)
Other, net	22,157	32,971
Subtotal	731,172	833,131
Interest and dividends received	6,773	8,975
Interest paid	(815)	(861)
Income taxes paid	(124,594)	(337,710)
Income taxes refund	7,055	–
Net cash provided by (used in) operating activities	619,591	503,534
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,638)	(29,842)
Purchase of investment securities	(106,398)	(29,026)
Proceeds from sale of investment securities	68,316	8,936
Purchase of membership	–	(5,000)
Other, net	(5,155)	(13,823)
Net cash provided by (used in) investing activities	(54,875)	(68,755)
Cash flows from financing activities		
Proceeds from short-term borrowings	40,000	–
Repayments of short-term borrowings	–	(40,000)
Decrease (increase) in treasury shares	(128)	–
Dividends paid	(139,187)	(169,672)
Dividends paid to non-controlling interests	(600)	(600)
Repayments of lease obligations	(2,495)	(419)
Net cash provided by (used in) financing activities	(102,412)	(210,692)
Effect of exchange rate change on cash and cash equivalents	(714)	1,344
Net increase (decrease) in cash and cash equivalents	461,589	225,431
Cash and cash equivalents at beginning of period	3,557,010	4,447,541
Cash and cash equivalents at end of period	4,018,599	4,672,972