

CUBE SYSTEM

May. 11, 2022



Fiscal Year Ended March 31, 2022

Supplementary Information Material for Financial Results

Securities code: 2335

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Fiscal Year Ended
March 31, 2022

Overview of Financial Results

1. Overview of Consolidated Statements of Income
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(Compared to the Previous Fiscal Year)
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1-1. Overview of Consolidated Statements of Income

Continue to reform the business structure model

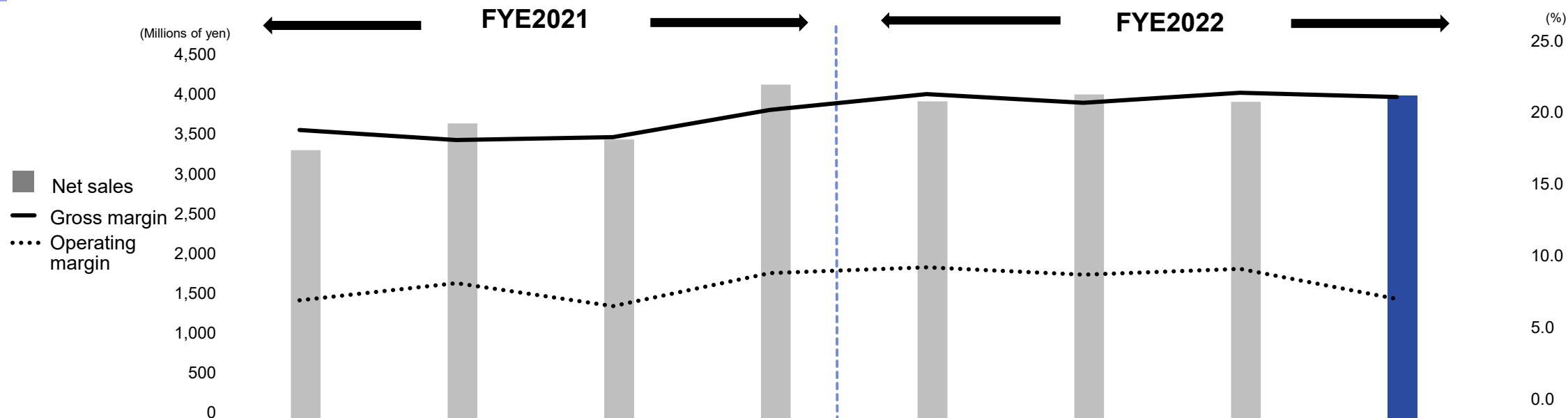
Increase in sales and profit due to optimization of resources with a focus on SI business(*1 Lift & Shift)

		2022/03 Actual (YoY)	2021/03 Actual	FYE 2022 Forecast ^{1*2} (Achievement %)	
(Unit: millions of yen)					
Net sales	Up 8.9% from the previous fiscal year Achievement rate for earnings forecast: 100.6% Steady performance due to expansion of system building projects for a shipping company and a telecommunications company.	16,099 (+8.9%)	14,788	16,000 (100.6%)	
		Operating Profit	1,174	1,400 (101.3%)	
		Margin (%)	8.8%	7.9%	8.8%
Operating Profit	Up 20.7% from the previous fiscal year Achievement rate for earnings forecast: 101.3% Achievement of high profit through resource optimization and consolidation for high margin SI business (Lift & Shift).	1,432 (+10.6%)	1,295	1,420 (100.9%)	
		Margin (%)	8.9%	8.8%	8.9%
		Net Profit attributable to owners of parent	944 (+11.9%)	844	950 (99.4%)
		Margin (%)	5.9%	5.7%	5.9%

*1 Migrate customer's system from legacy environments to cloud one (Lift), followed by proceeding with system restructuring in stages while optimizing for cloud environments (Shift).

*2 The figure above announced on November 4, 2021 (revision of business forecast).

1-2. Trends in Transition by Accounting Period

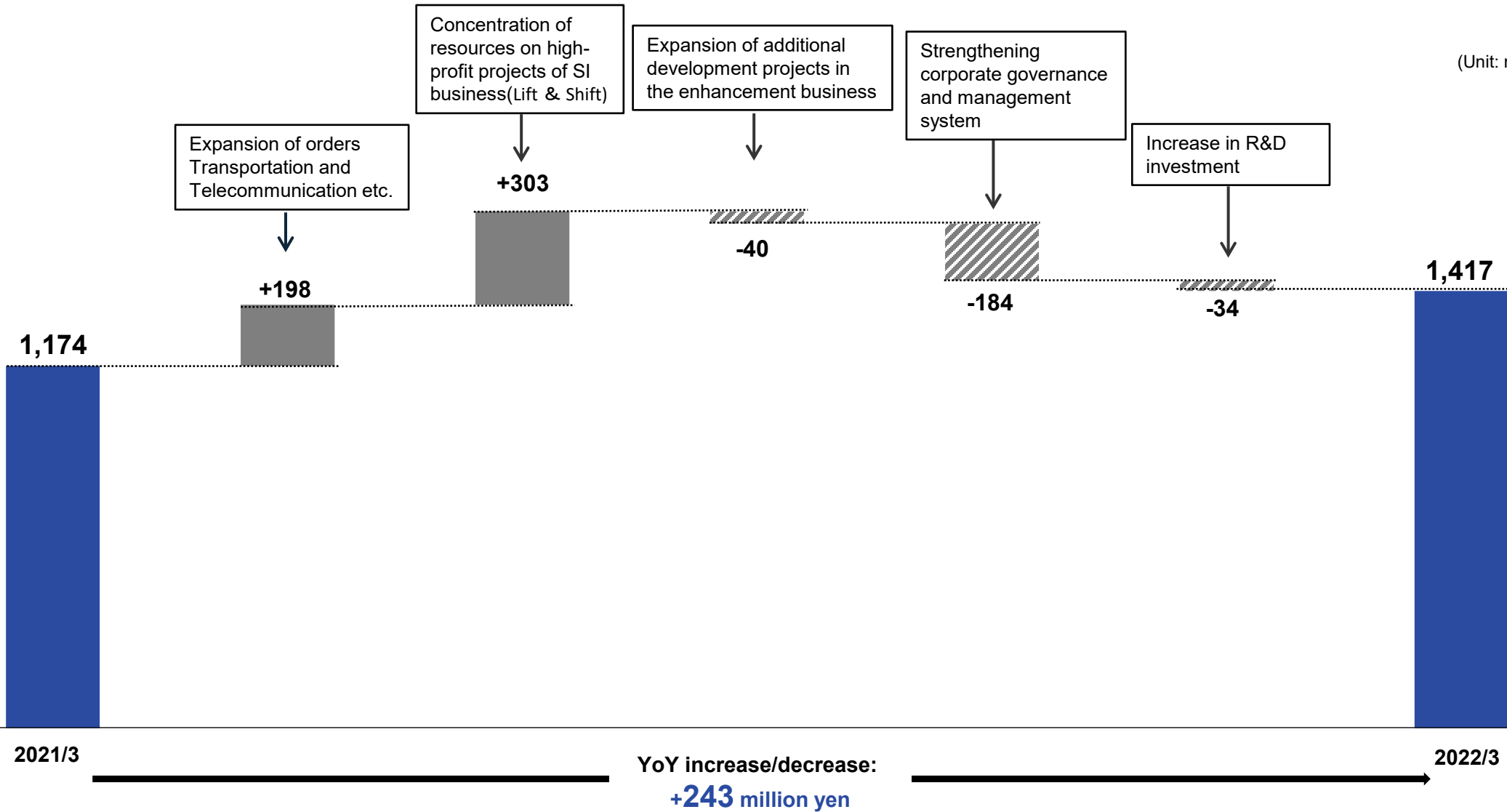


	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar
Net sales	3,373	3,710	3,508	4,197	3,987	4,073	3,981	4,058
Cost of sales	2,730	3,027	2,854	3,335	3,124	3,217	3,118	3,188
Gross profit	642 (19.1%)	683 (18.4%)	653 (18.6%)	861 (20.5%)	862 (21.6%)	855 (21.0%)	862 (21.7%)	869 (21.4%)
Selling, general and administrative expenses	400	372	413	478	483	487	486	574
Operating profit	242 (7.2%)	310 (8.4%)	239 (6.8%)	382 (9.1%)	378 (9.5%)	368 (9.0%)	375 (9.4%)	295 (7.3%)
Ordinary profit	248 (7.4%)	355 (9.6%)	318 (9.1%)	372 (8.9%)	390 (9.8%)	362 (8.9%)	380 (9.6%)	299 (7.4%)
Quarterly net profit attributable to owners of parent	165 (4.9%)	235 (6.3%)	196 (5.6%)	247 (5.9%)	262 (6.6%)	238 (5.9%)	253 (6.4%)	189 (4.7%)

1-3. Factors Leading to Changes in Operating Profit

(Compared to the Previous Fiscal Year)

(Unit: millions of yen)



1-4. Summary of Consolidated Balance Sheets and Consolidated Statements of Cash Flows

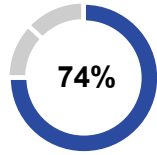
(Unit: millions of yen)

Consolidated Balance Sheets	2021/03	2022/03	Increase/Decrease	Remarks
Current assets	7,253	7,805	+551	Increase in cash and deposits
Non-current assets	2,190	2,259	+68	Increase in investment securities
Total assets	9,444	10,064	+620	
Current liabilities	2,357	2,199	-158	Decrease in income taxes payable
Non-current liabilities	571	650	+79	
Total liabilities	2,928	2,850	-78	
Total shareholder's equity	6,046	6,721	+674	Decrease in treasury stock
Total accumulated other comprehensive income	429	448	+19	
Non-controlling interest	39	44	+4	
Total net assets	6,515	7,214	+698	

Consolidated Statements of Cash Flows	2021/03	2022/03	Increase/Decrease	Remarks
Cash flows from operations	1,043	1,015	-27	Decrease in funds due to payment of income taxes
Cash flows from investments	58	-134	-192	Payments for purchase of investment securities
Cash flows from financing	-215	-324	-108	Increase in cash dividends paid
Effects of exchange rate change on cash and cash equivalents	4	10	+6	
Net increase in cash and cash equivalents	890	568	-322	
Cash and cash equivalents at beginning of period	3,557	4,447	+890	
Cash and cash equivalents at end of period	4,447	5,015	+568	

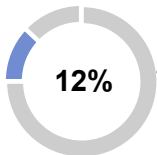
1-5. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[Fiscal Year Ended March 31, 2022]



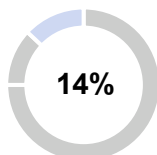
System Integration Services

- Expansion of system building projects for the transportation industry
- Expansion of system building projects for GMS in the distribution industry
- Expansion of system building projects for the retailers in the distribution industry



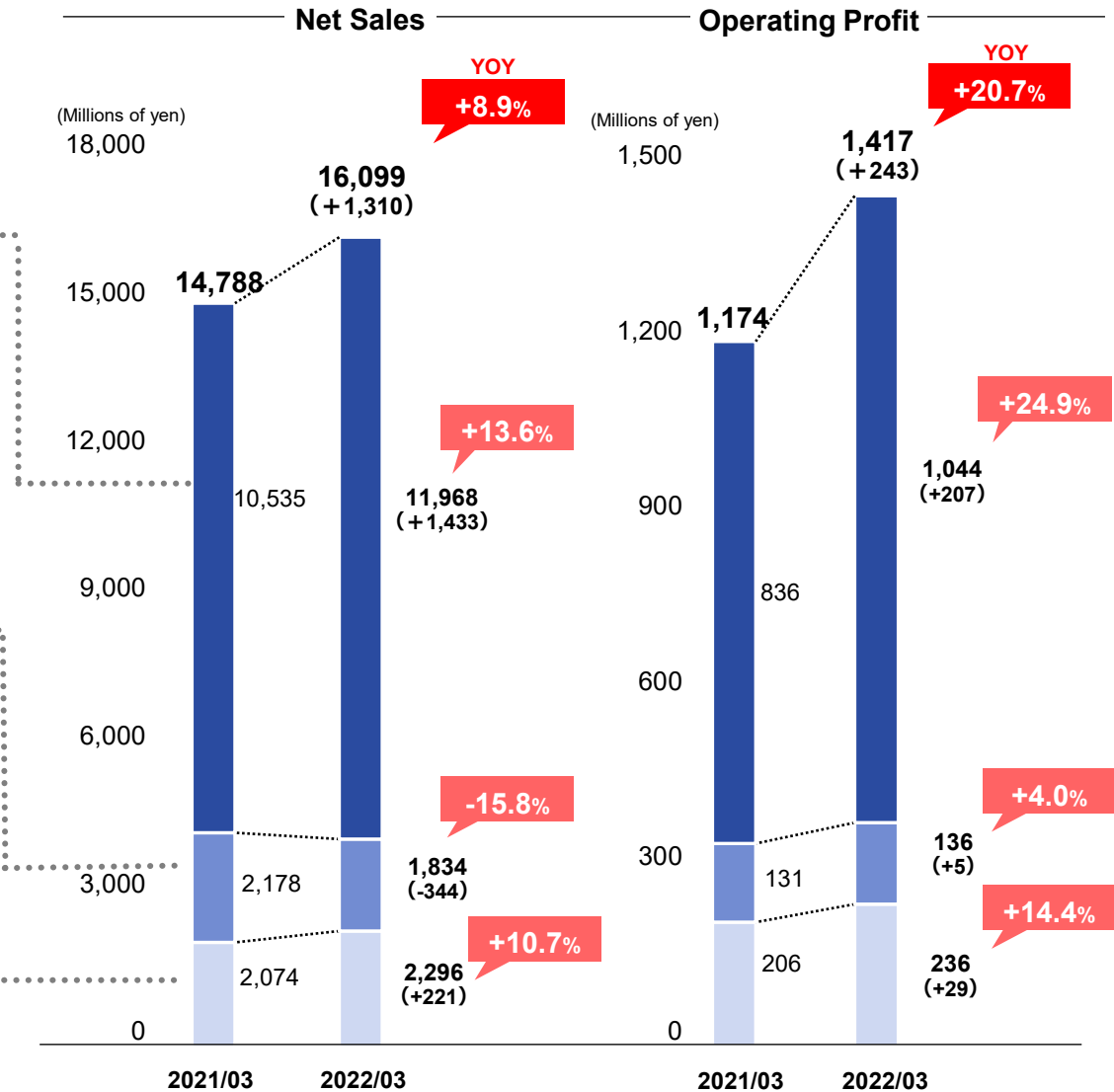
System Outsourcing Services

- Decrease of system building projects for credit card companies in the financial industry
- Scale reduction of projects for data centers due to completion



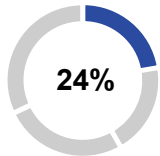
Professional Services

- Expansion of system building projects for the telecommunication industry
- Expansion of system building projects for the distribution industry



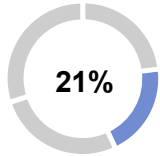
1-6. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[Fiscal Year Ended March 31, 2022]



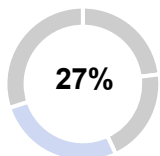
Finance Banking: 8% / Insurance & Securities: 12% / Other Finance: 4%

- Scale reduction of system building projects for a credit card company
- Scale reduction of system building projects for online banks



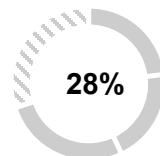
Distribution Retail & Wholesale: 21%

- Expansion of system building project for retailers
- Expansion of additional system building projects for cooperatives



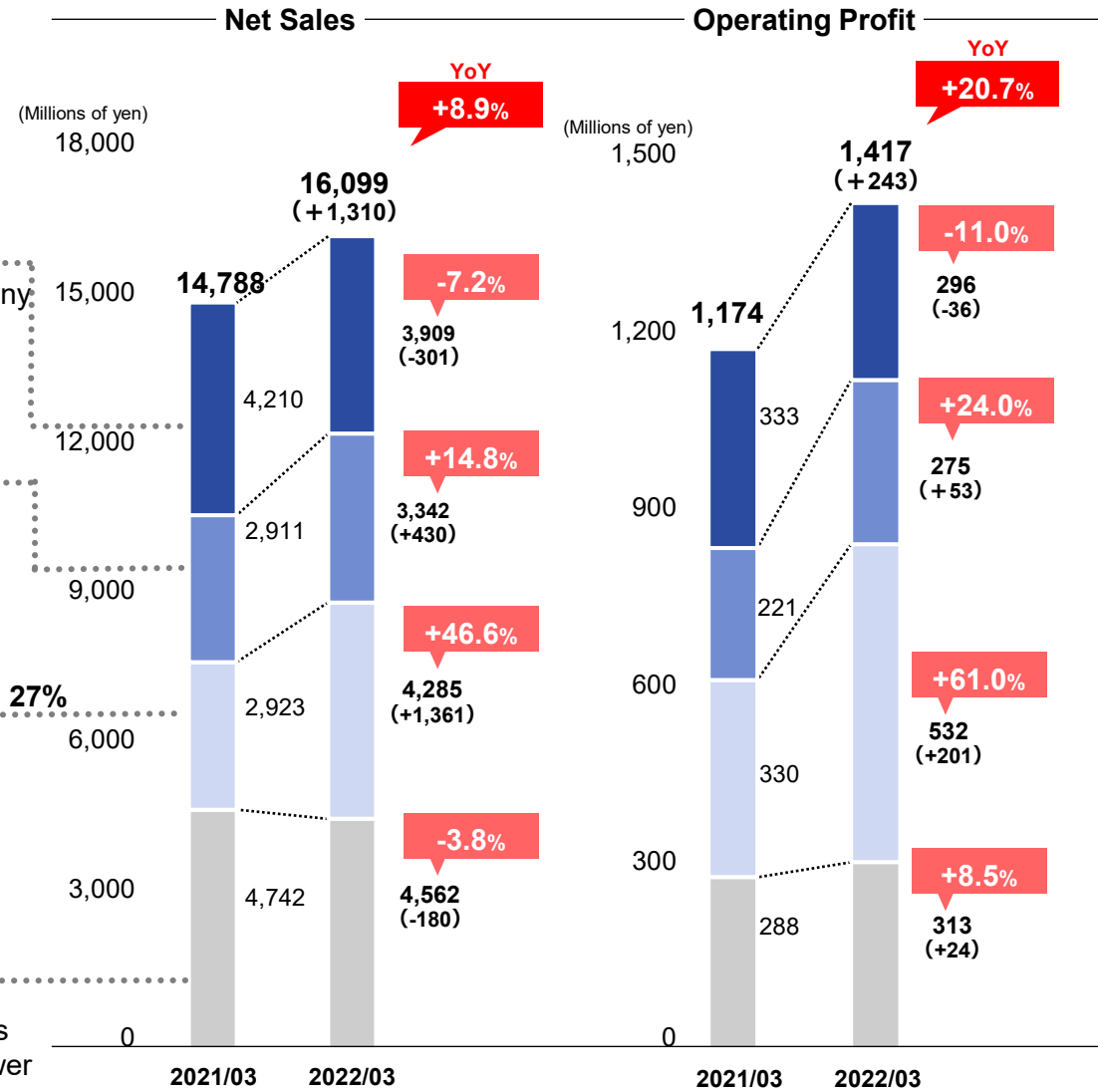
Transportation and Telecommunication Transportation & Telecommunication 27%

- Expansion of system building projects for a shipping company
- Expansion of system building projects for a telecommunications company



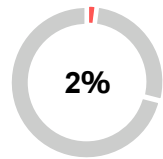
Others Central Government: 6% / Manufacturing: 7% / Others: 15%

- Scale reduction of system building projects for education companies
- Expansion of additional system building projects for an electric power company



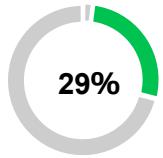
1-7. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[Fiscal Year Ended March 31, 2022]



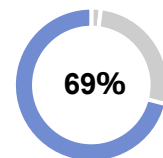
Digital Business

- Acquisition of new projects collaboration with consulting partners(SIers)
Expansion of projects in existing field of current customers
- Acquisition of new PoC projects (Proof of Concept projects) for end users
- In-house product development, progressing as planned



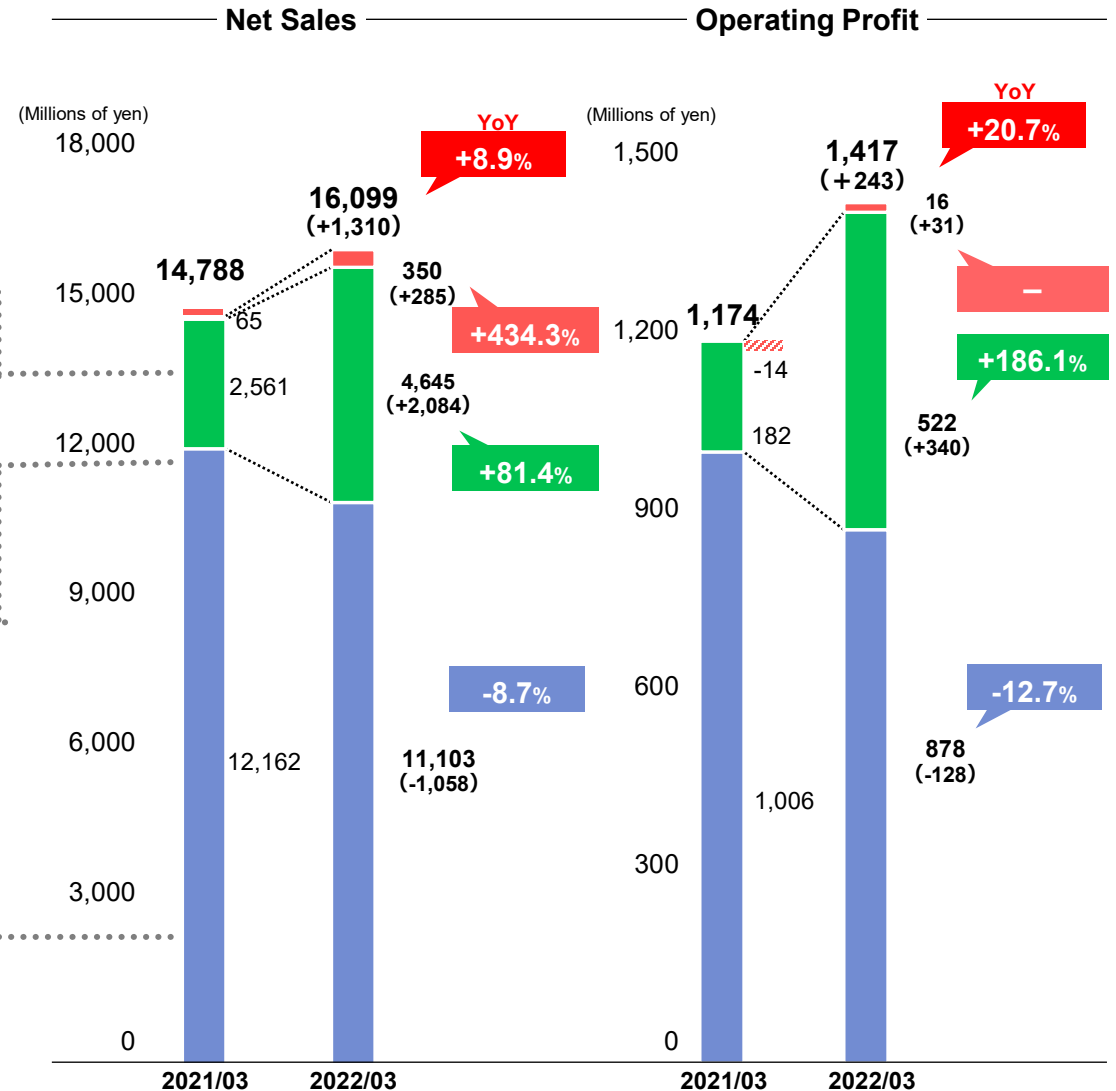
SI Business (Lift & Shift)

- Expansio of system construction projects for a shipping company
- Acquisition of cloud system construction projects (microservices*related projects)
- Focus on promoting co-creation with cloud vendors



Enhancement Business

- Scale reduction of the projects in financial and other industries

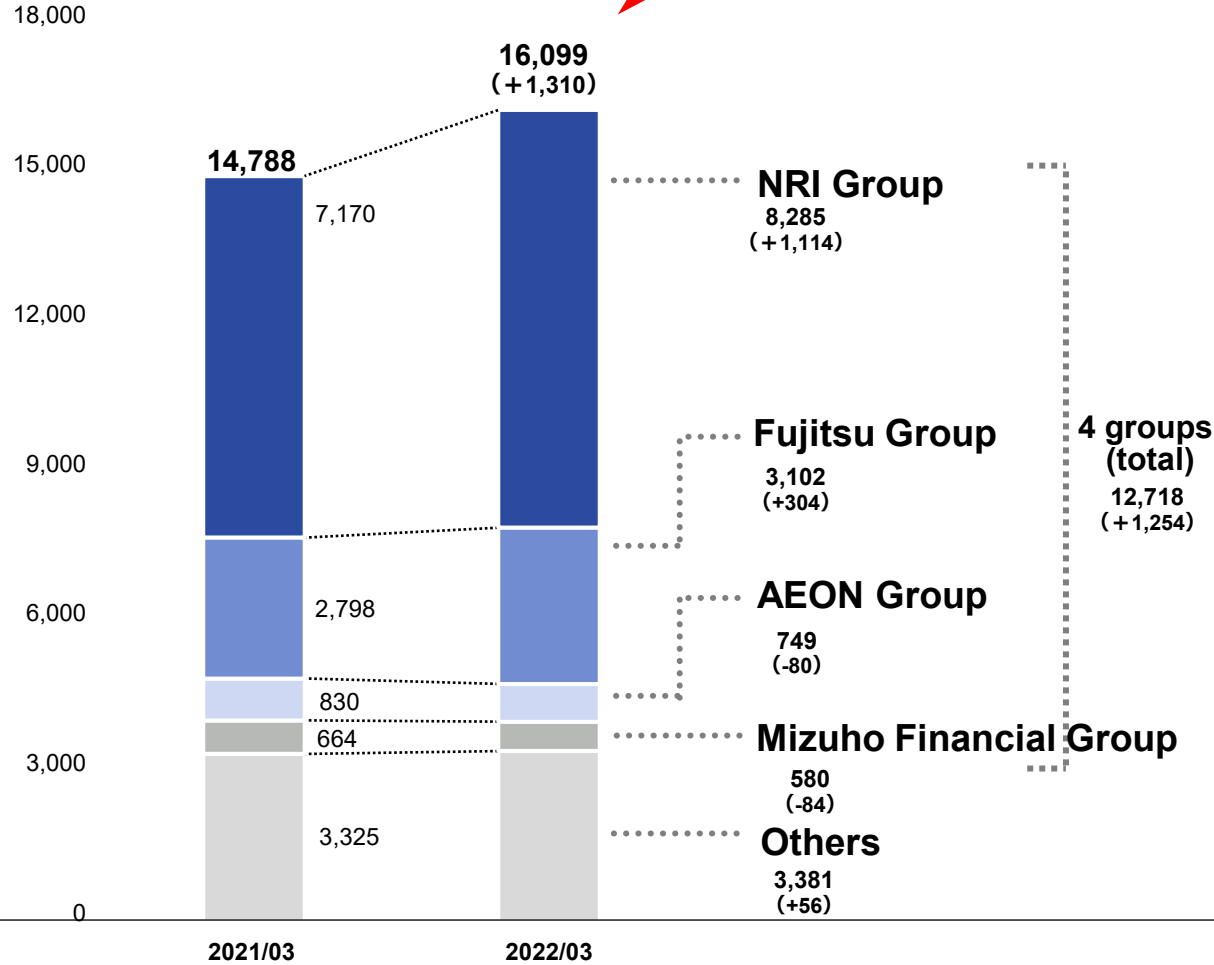


* A technique of software development that combines small individually developed components and services.

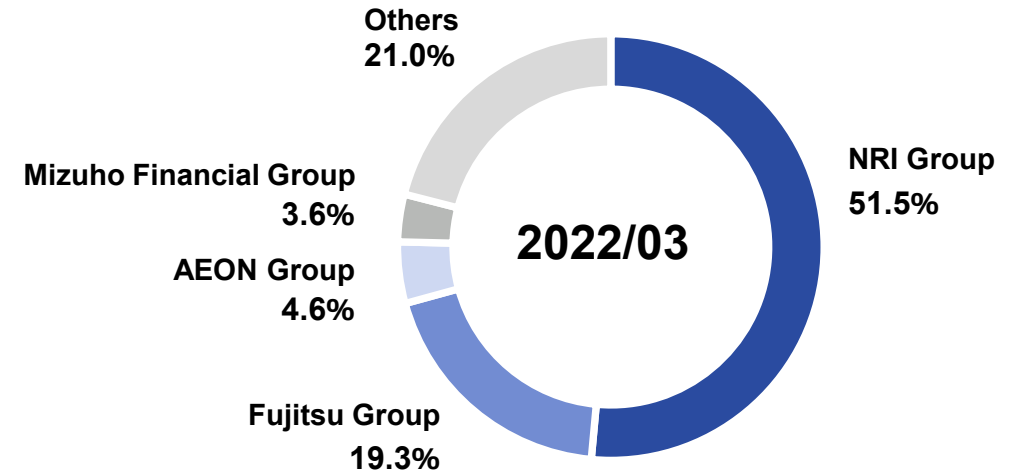
1-8 Trends in Net Sales to Customer Group Companies

Net Sales

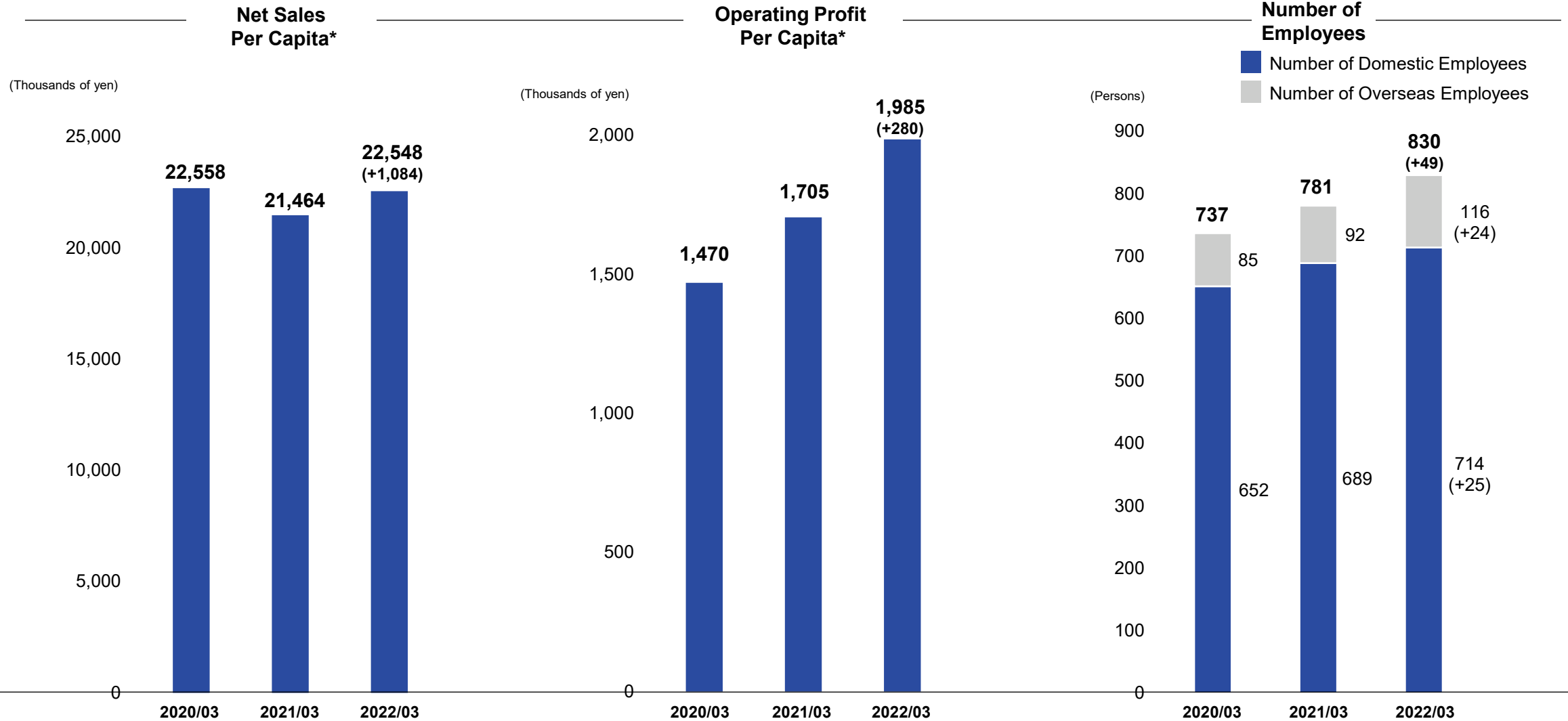
(Millions of yen)



Net Sales Composition [fiscal year ended March 31, 2022]



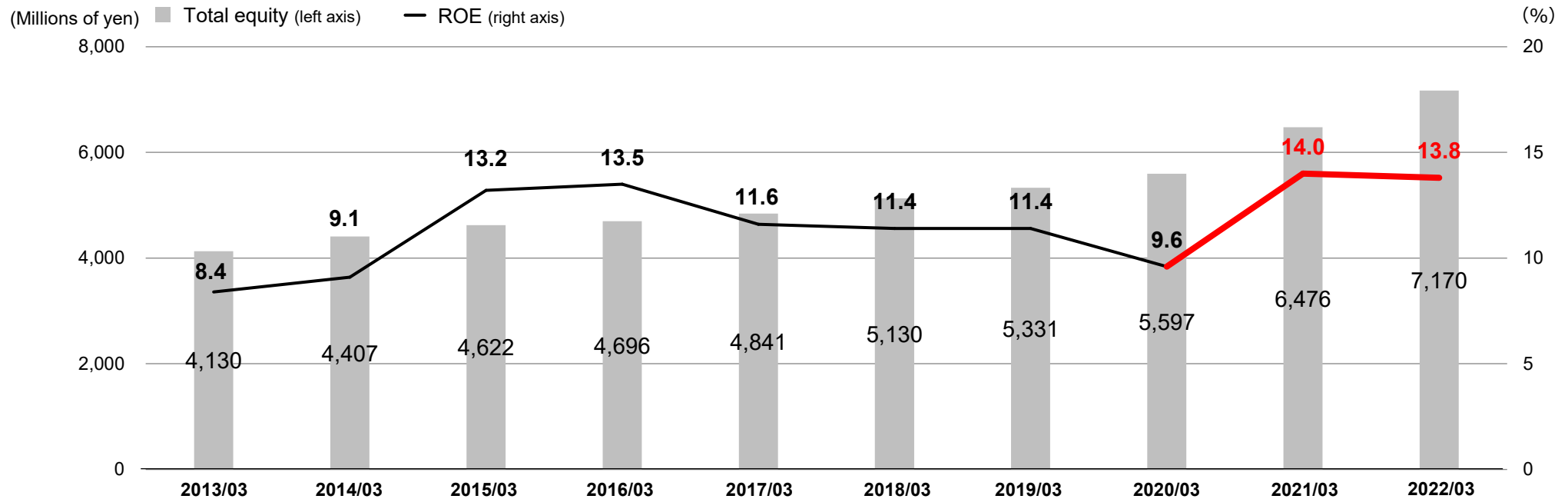
1-9. Index Per Capita



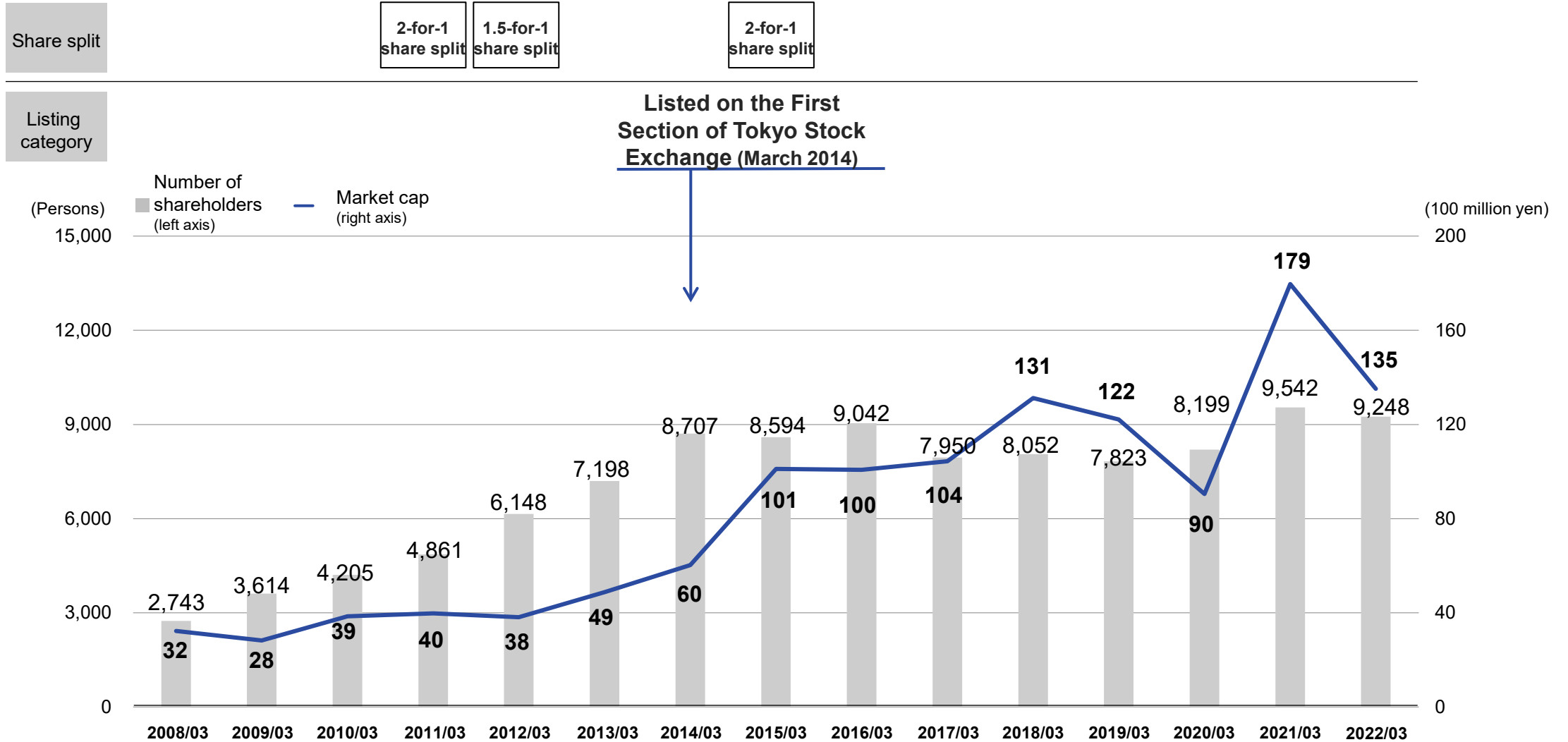
*Calculated based on the number of domestic employees.

1-10. Trends in Total Equity and ROE

Our continuous target for **ROE is 13% or higher** with efforts to enhance capital efficiency and profit margin.



1-11. Trends in Number of Shareholders and Market Cap



**Fiscal Year Ending
March 31, 2023**

2 Outlook

1. Overview of Earnings Outlook
2. Order Status by Industry
3. Order Status by Business Model
4. Net Sales Outlook by Industry
5. Net Sales Outlook by Business Model
6. Trends in Dividends and Dividend Payout Ratio

2-1. Overview of Earnings Outlook

Net sales

A YoY **increase** of **7.5%** is expected

- Proactively acquire clients' strategic IT investment projects (digital business/SI business)
- Expansion of area of responsibility in enhancement projects and expansion of orders for derivative development projects

Operating Profit

A YoY **increase** of **7.9%** is expected

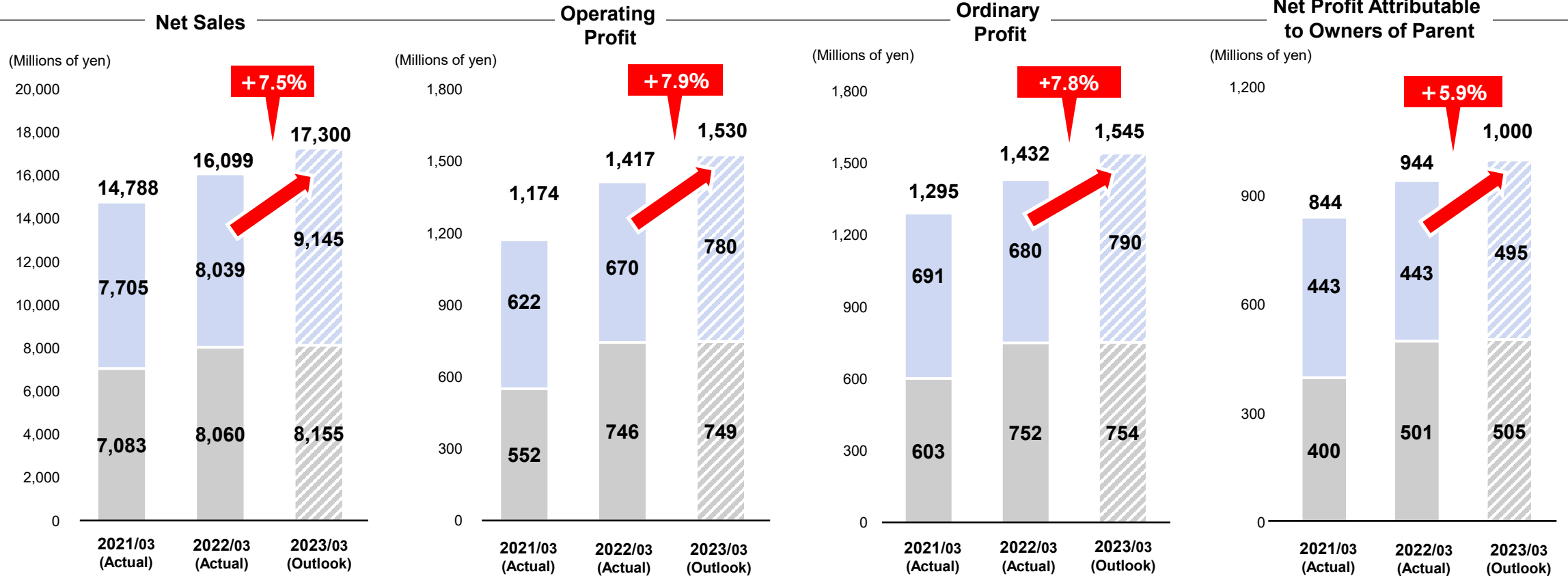
- Promote in-house digitalization to improve operational production and boost productivity through advancement of enhancement services
- Establish development systems that realize optimization of resources

	FYE 2023 Earnings forecast (Increase/decrease from the previous fiscal year)	FYE 2022 Actual
(Unit: millions of yen)		
Net sales	17,300 (+1,200 / +7.5%)	16,099
Operating Profit	1,530 (+112 / +7.9%)	1,417
Margin (%)	8.8%	8.8%
Ordinary Profit	1,545 (+112 / +7.8%)	1,432
Margin (%)	8.9%	8.9%
Net Profit attributable to owners of parent	1,000 (+55 / +5.9%)	944
Margin (%)	5.8%	5.9%

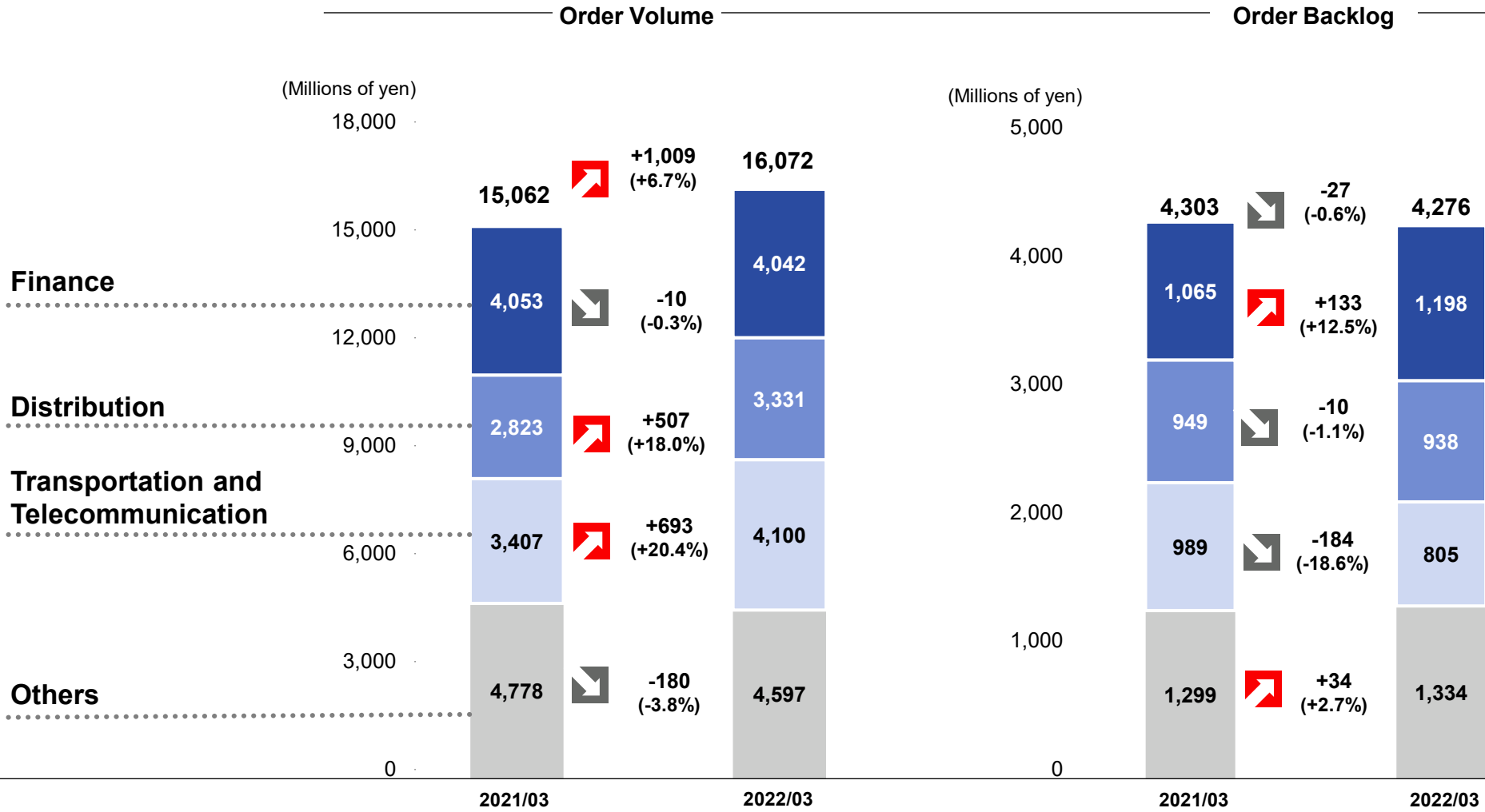
2-1. Overview of Earnings Outlook

Outlook

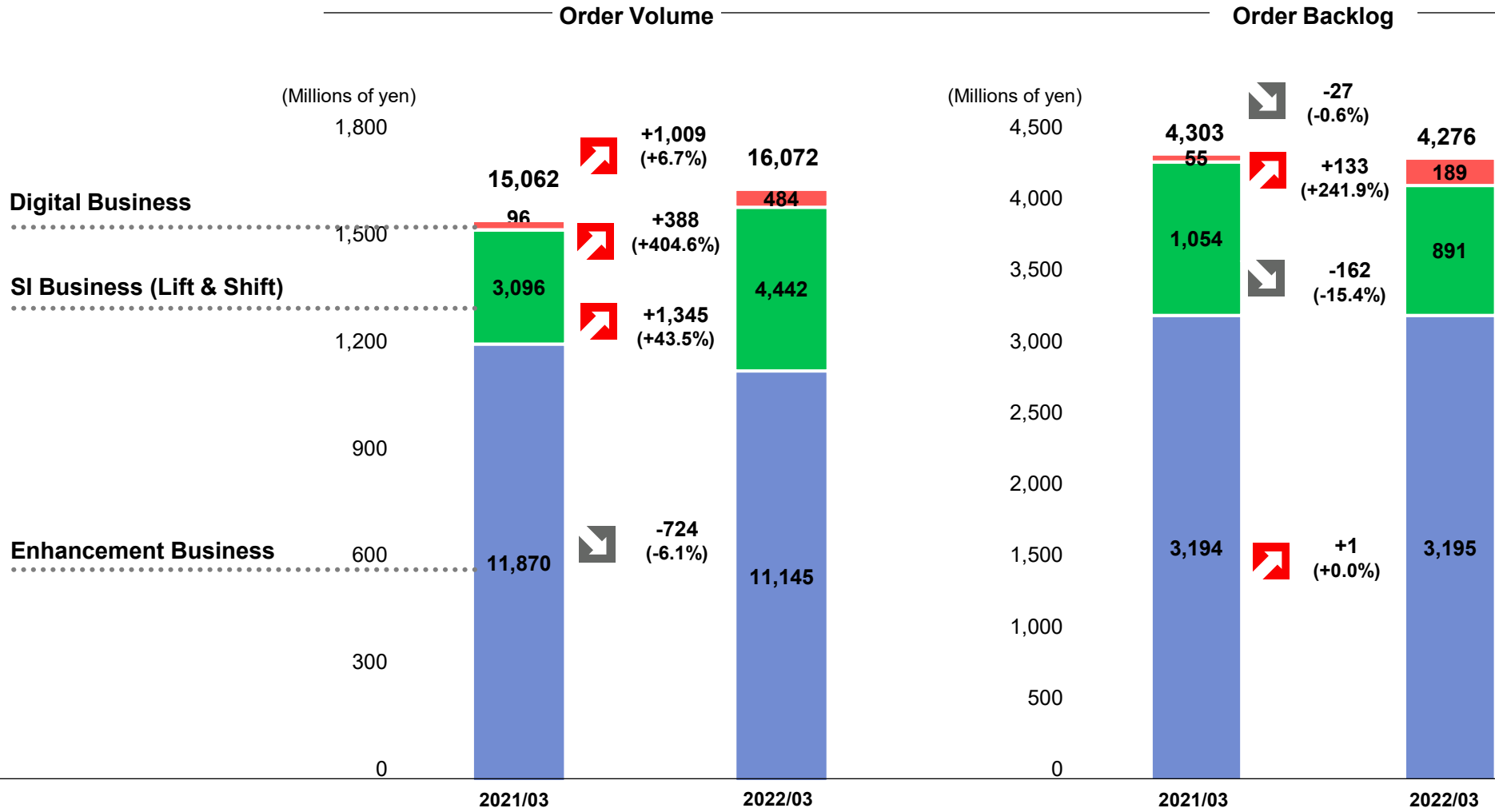
■ First half of the year
 ■ Second half of the year



2-2. Order Status by Industry

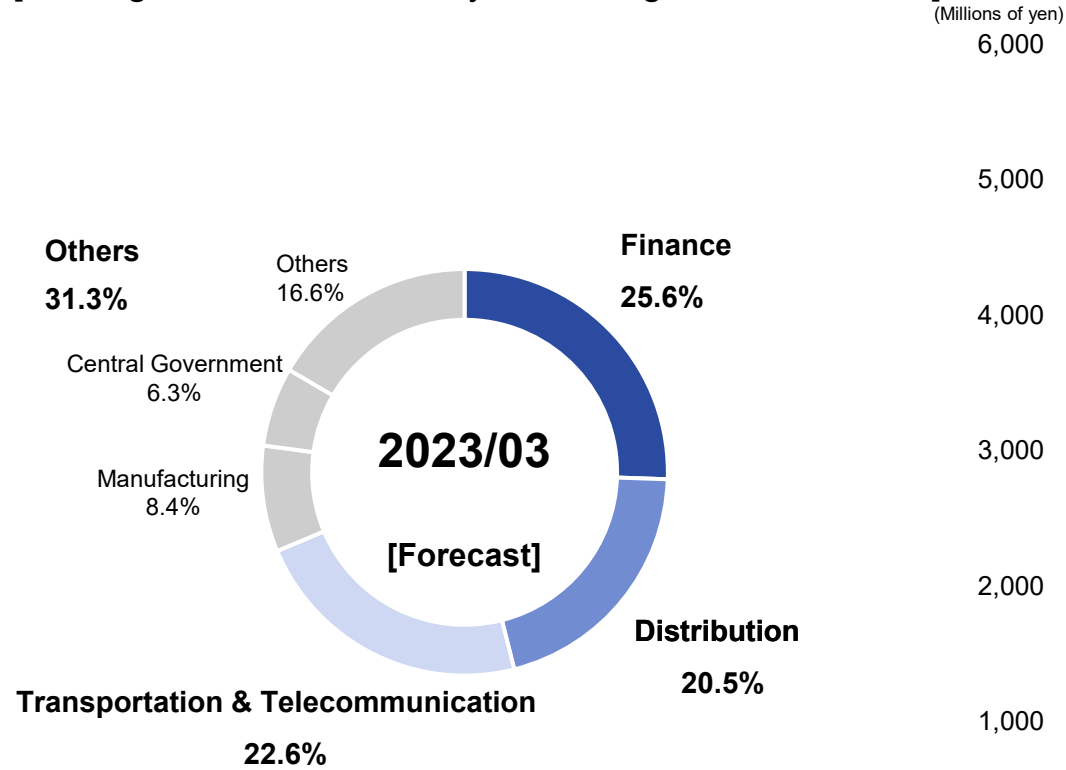


2-3. Order Status by Business Model

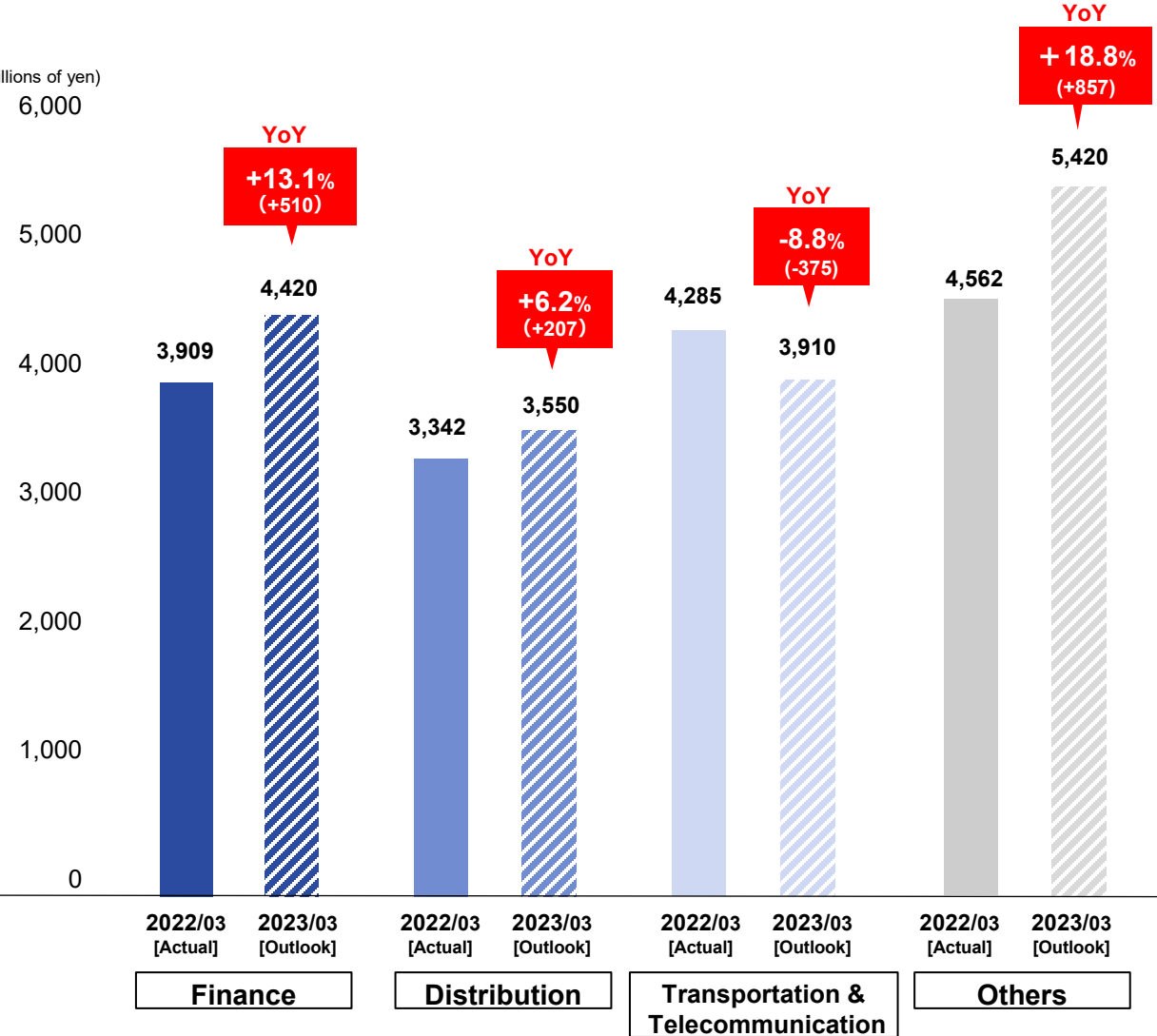


2-4. Net Sales Outlook by Industry

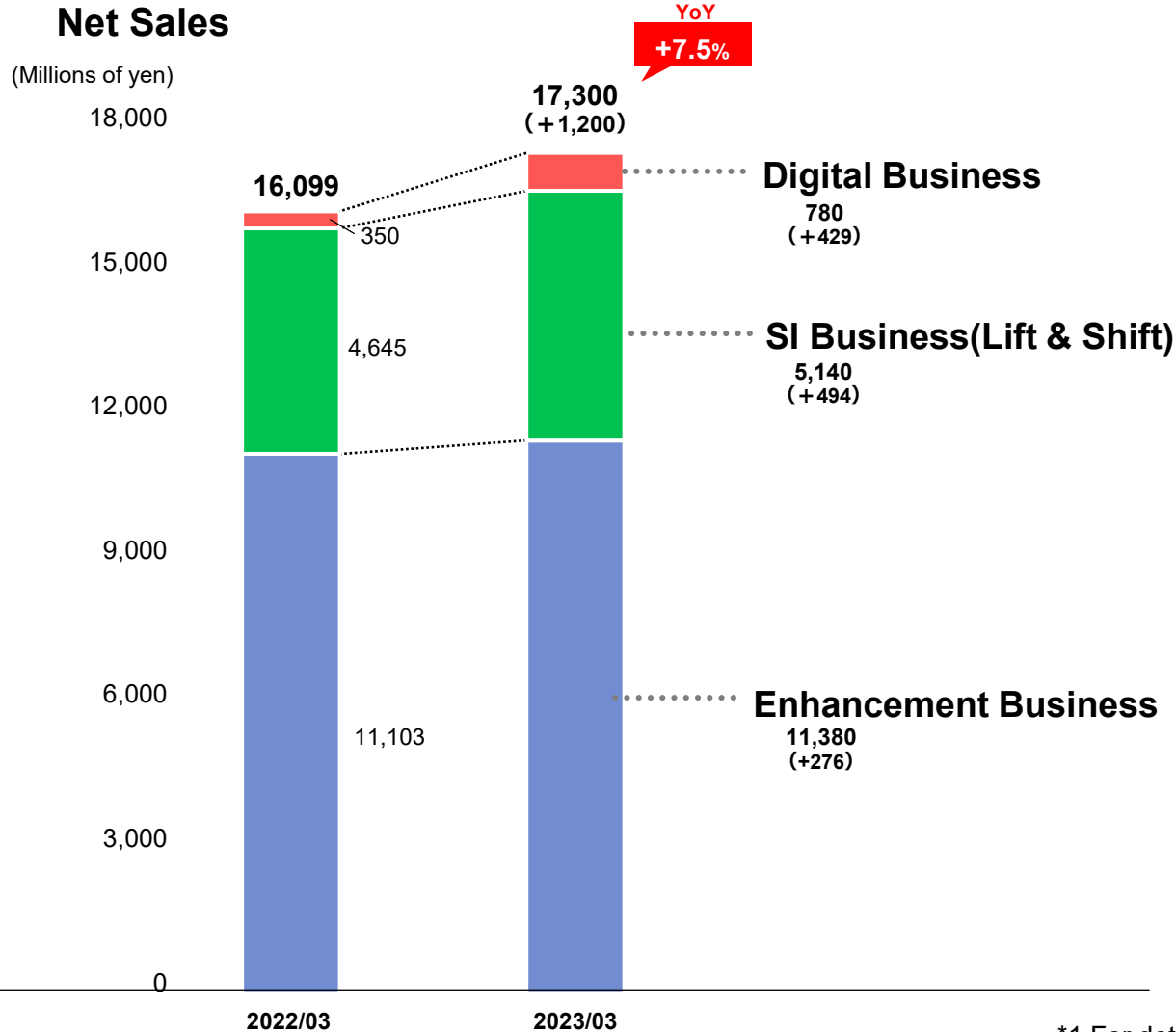
Net Sales Composition Ratio by Industry
 [earnings forecast for fiscal year ending March 31, 2023]



Trends in Consolidated Net Sales by Industry



2-5. Net Sales Outlook by Business Model



Digital Business

- Promotion of collaborative consultation models
- Sales expansion of Smile Share Product *1
- Reinforcement and promotion of agile software development for end users
(Utilization and promotion of the F@CE DX*2)

SI Business (Lift & Shift)

- Increase orders received through active expansion of multi-cloud and microservices projects
- Increase orders received by promoting co-creation with cloud vendors
(Solution + Operating model transformation)

Enhancement Business

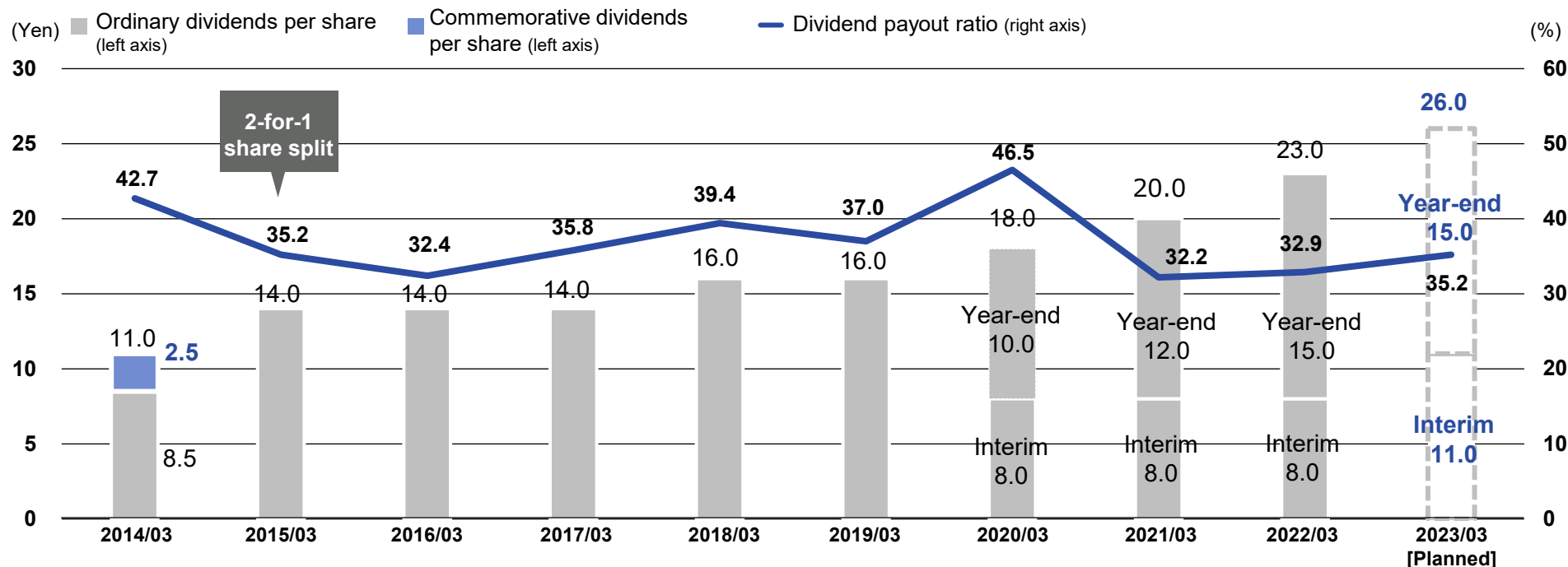
- Increase orders received through active proposals of derivative development projects
- Expansion of target area (scope)
- Utilization of high-quality and efficient resources

*1 For details, see our website. <https://www.cubesystem.co.jp/en/service/smile/>

*2 Our original modern software development standard that realizes rapid development of PoC for DX (F@CE : Framework @ Cube's Engineering)

2-6. Trends in Dividends and Dividend Payout Ratio

Our basic policy is to continue paying stable dividends, so as to achieve a 35% consolidated dividend payout ratio, while securing necessary internal reserves.

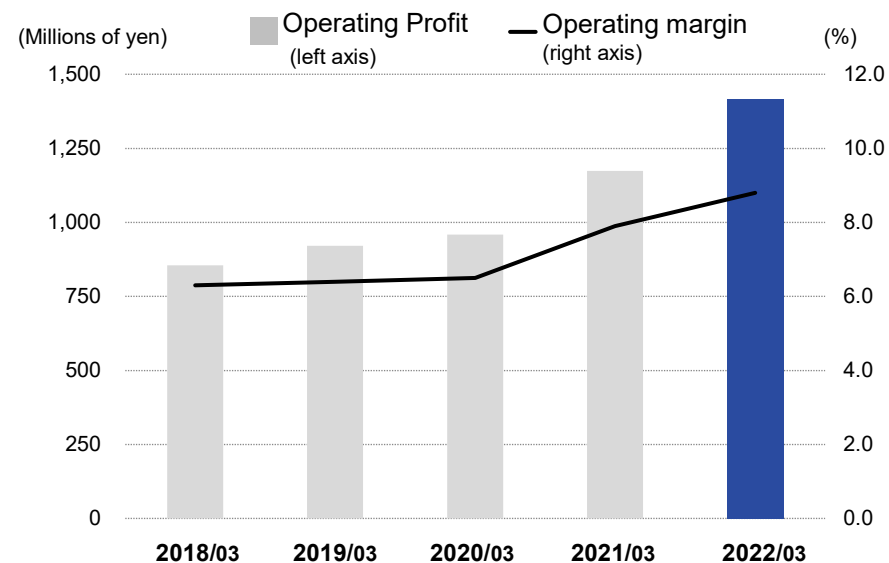
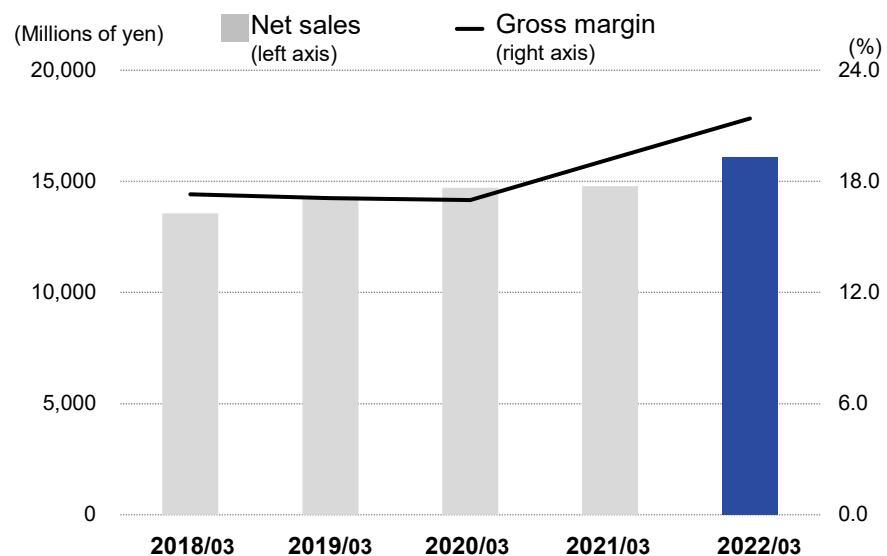


* Dividends are retroactively adjusted with the effect of the 2-for-1 share split on October 1, 2014.

3 Appendix

1. Five Year Summary
2. Consolidated Balance Sheets: Major Items
3. Net Sales and Operating Profit by Service Segment
4. Net Sales and Operating Profit by Industry
5. Assets and Capital-Related Items
6. Share Price and Equity-Related Items

3-1. Five Year Summary



(Unit: millions of yen)

	2018/03	2019/03	2020/03	2021/03	2022/03	YoY
Net sales	13,559	14,325	14,708	14,788	16,099	+8.9%
Cost of sales	11,215	11,876	12,204	11,948	12,649	+5.9%
Gross profit	2,344 (17.3%)	2,448 (17.1%)	2,503 (17.0%)	2,840 (19.2%)	3,450 (21.4%)	+21.5%
Selling, general and administrative expenses	1,489	1,527	1,544	1,665	2,032	+22.0%
Operating Profit	855 (6.3%)	921 (6.4%)	959 (6.5%)	1,174 (7.9%)	1,417 (8.8%)	+20.7%
Ordinary Profit	892 (6.6%)	959 (6.7%)	976 (6.6%)	1,295 (8.8%)	1,432 (8.9%)	+10.6%
Net Profit attributable to owners of parent	567 (4.2%)	596 (4.2%)	525 (3.6%)	844 (5.7%)	944 (5.9%)	+11.9%

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2021/03	2022/03	Increase/ Decrease
Current assets	7,253	7,805	+551
Cash and deposits	4,467	5,058	+590
Accounts receivable and contract assets	2,584	2,584	-0
Work in process	83	16	-67
Allowance for doubtful accounts	-0	-0	-0
Others	118	147	+28
Non-current assets	2,190	2,259	+68
Property, plant and equipment	193	169	-24
Intangible assets	8	4	-3
Investments and other assets	1,988	2,084	+96
Total assets	9,444	10,064	+620

Liabilities	2021/03	2022/03	Increase/ Decrease
Current liabilities	2,357	2,199	-158
Accounts payable - trade	775	753	-21
Short-term borrowings	280	240	-40
Others	1,302	1,206	-96
Non-current liabilities	571	650	+79
Total liabilities	2,928	2,850	-78
Net assets	2021/03	2022/03	Increase/ Decrease
Shareholder's equity	6,046	6,721	+674
Accumulated other comprehensive income	429	448	+19
Non-controlling interests	39	44	+4
Total net assets	6,515	7,214	+698
Total liabilities and net assets	9,444	10,064	+620

3-3. Net Sales and Operating Profit by Service Segment

(Unit: millions of yen)

Net Sales and Operating Profit by Service Segment		2021/03	2022/03	YoY
System Integration Services	Net sales	10,535	11,968	+13.6%
	Operating profit	836	1,044	+24.9%
	Operating margin	7.9%	8.7%	
System Outsourcing Services	Net sales	2,178	1,834	-15.8%
	Operating profit	131	136	+4.0%
	Operating margin	6.0%	7.5%	
Professional Services	Net sales	2,074	2,296	+10.7%
	Operating profit	206	236	+14.4%
	Operating margin	10.0%	10.3%	
Total	Net sales	14,788	16,099	+8.9%
	Operating profit	1,174	1,417	+20.7%
	Operating margin	7.9%	8.8%	

-4. Net Sales and Operating Profit by Industry

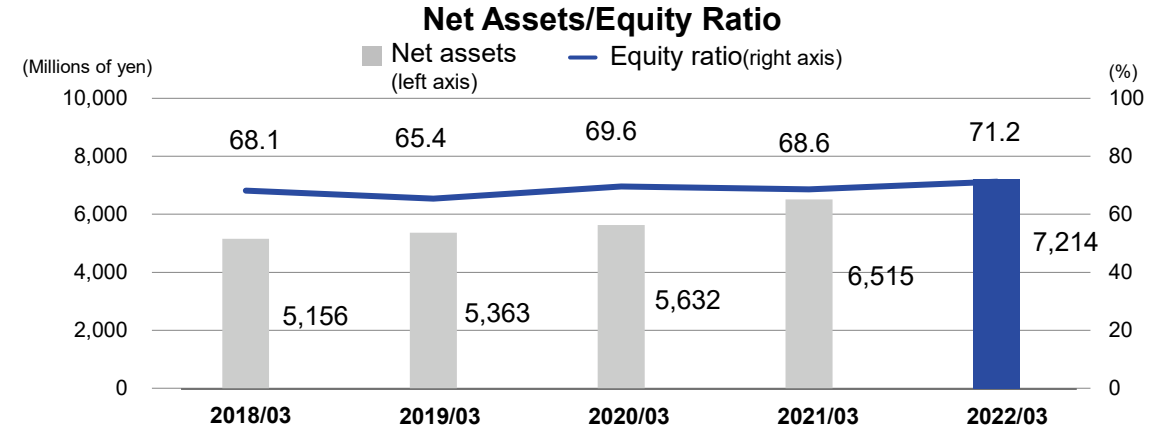
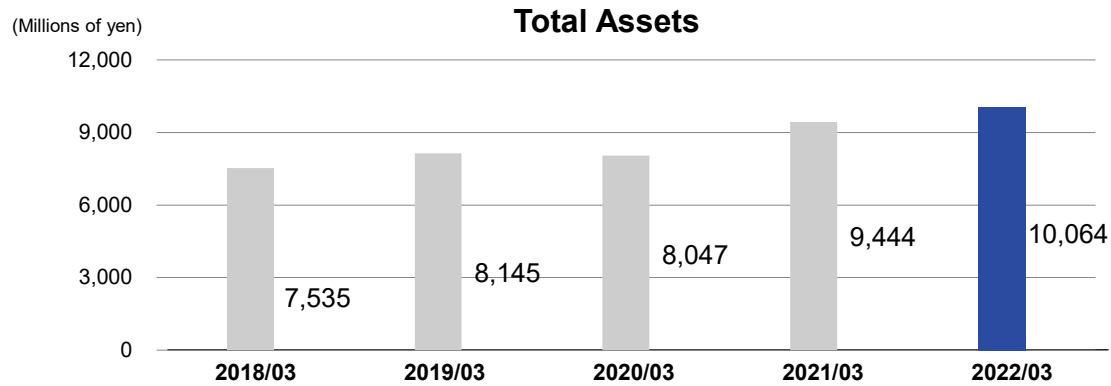
(Unit: millions of yen)

Net Sales and Operating Profit by Industry		2021/03	2022/03	YoY
Finance	Net sales	4,210	3,909	-7.2%
	Operating profit	333	296	-11.0%
	Operating margin	7.9%	7.6%	-
Distribution	Net sales	2,911	3,342	+14.8%
	Operating profit	221	275	+24.0%
	Operating margin	7.6%	8.2%	-
Transportation and Telecommunication	Net sales	2,923	4,285	+46.6%
	Operating profit	330	532	+61.0%
	Operating margin	11.3%	12.4%	-
Manufacturing	Net sales	1,344	1,223	-9.0%
	Operating profit	89	51	-41.6%
	Operating margin	6.6%	4.2%	-
Central Government	Net sales	909	918	+1.0%
	Operating profit	73	70	-3.8%
	Operating margin	8.1%	7.7%	-
Others	Net sales	2,488	2,420	-2.7%
	Operating profit	126	190	+51.0%
	Operating margin	5.1%	7.9%	-

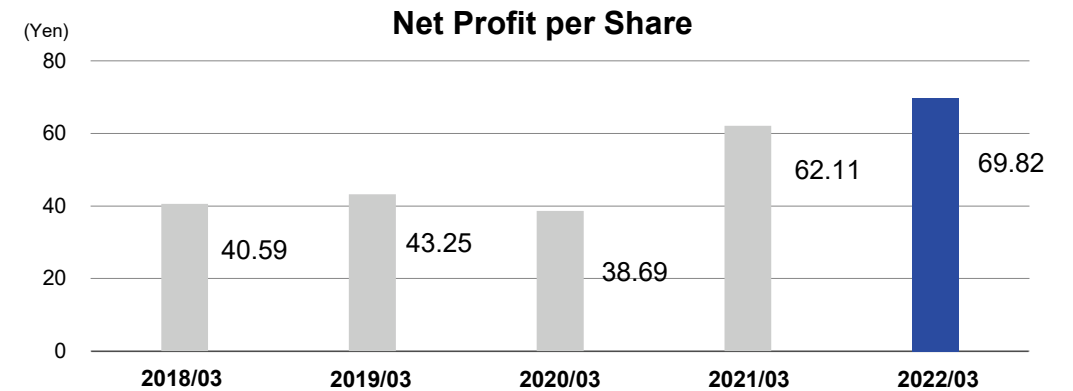
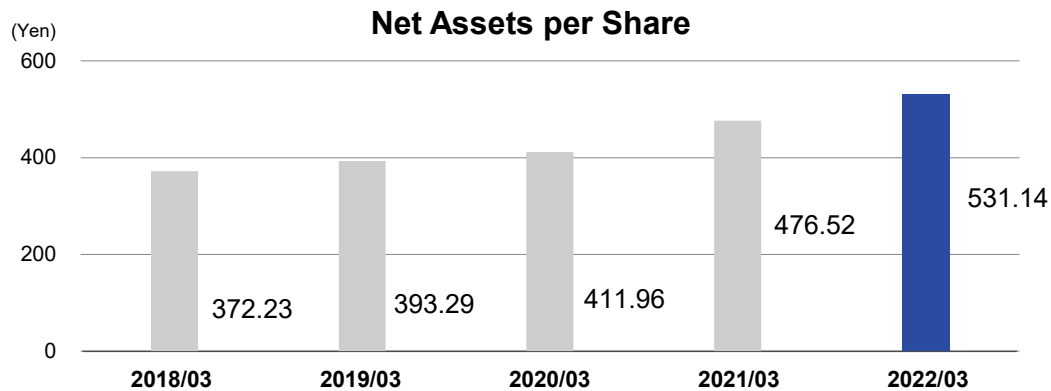
3-5. Assets and Capital-Related Items

-6. Share Price and Equity-Related Items

Assets and Capital-Related Items

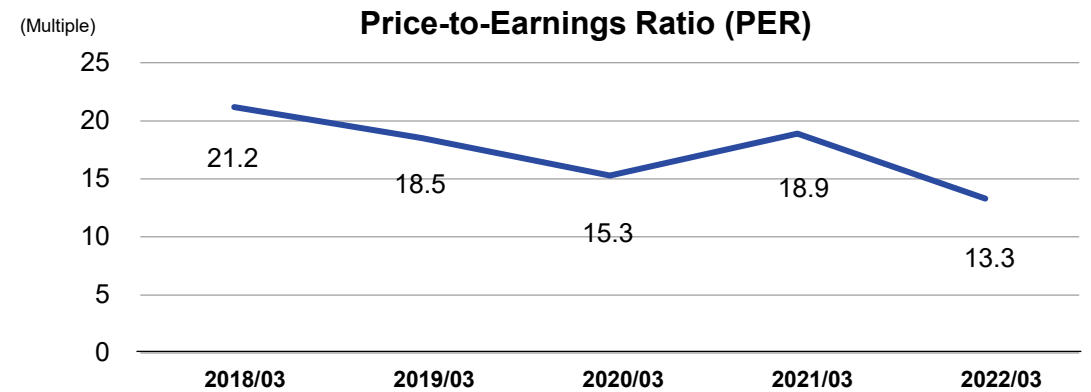
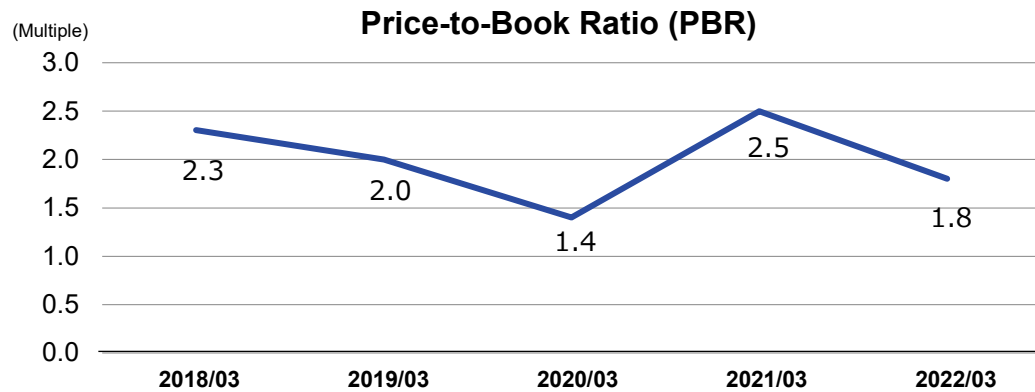
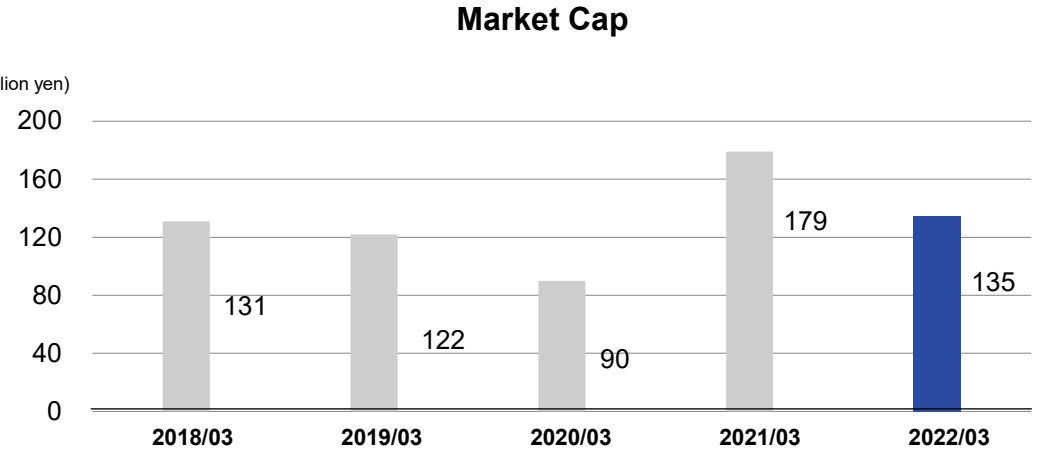
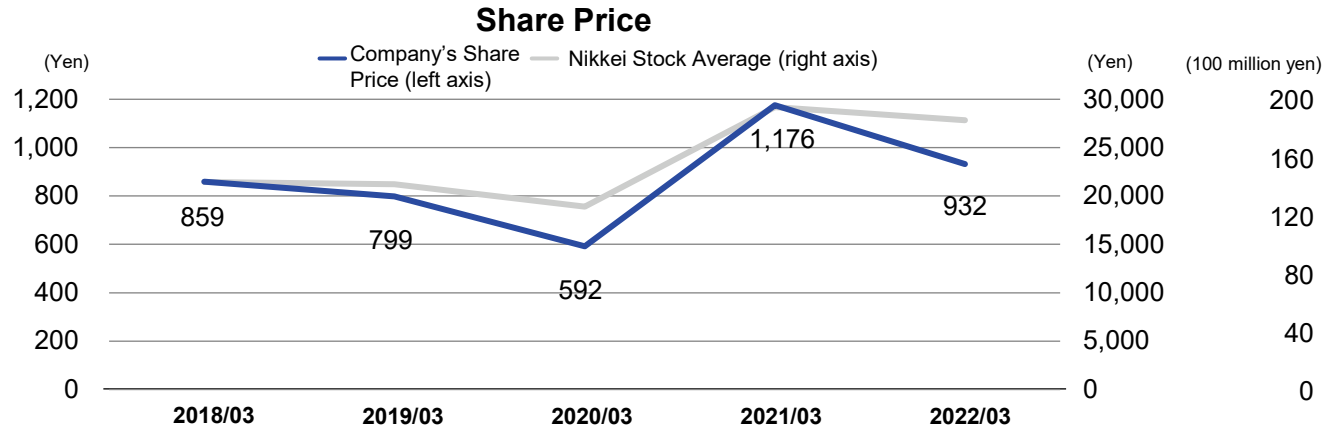


Share Price and Equity-Related Items



3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items



CUBE SYSTEM

<https://www.cubesystem.co.jp/en/>

The earnings outlook and other forward-looking statements provided in this material are based on the information currently available to the Company and are subject to potential risks and uncertainties.

Please understand that there is a large possibility that actual results may differ significantly from the outlook presented herein due to the impact of various external factors.