

CUBE SYSTEM

Aug 3, 2022



1st Quarter of the Fiscal Year Ending March 31, 2023

Supplementary Information Material for Financial Results

Securities code: 2335

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1Q of the Fiscal Year
Ending March 31, 2023

Overview of Financial Results

1. Overview of Consolidated Statements of Income
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5. Trends in Net Sales and Operating Profit by Industry
6. Trends in Net Sales and Operating Profit by Business Model
7. Index Per Capita

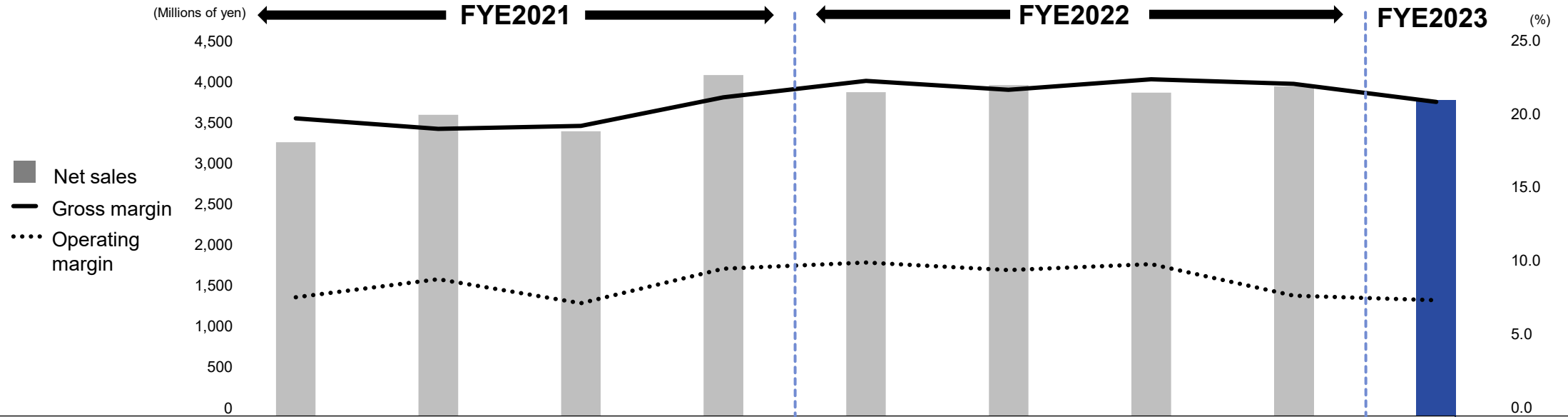
1-1. Overview of Consolidated Statements of Income

Continue to reform the structure of Business model

Decrease in sales and income due to delay in occurrence of some projects and reinforcement of management base

		FYE 2023 1Q (Actual) (% change)	FYE 2022 1Q (Actual)	FYE 2023 (Forecast) (Progress %)
		(Unit: millions of yen)		
Net sales	Down 2.4% from the previous fiscal year Achievement rate for earnings forecast: 22.5%	3,892 (-2.4%)	3,987	17,300 (22.5%)
	Maintained the same level as the previous fiscal year, fulfilling the expansion of system construction projects in the financial and telecommunications industries, despite a decrease in system construction projects for a shipping company.			
Operating Profit	Down 28.1% from the previous fiscal year Achievement rate for earnings forecast: 17.8%	272 (-28.1%)	378	1,530 (17.8%)
	Made efforts to enhance the sophistication of enhancement services and increase orders for derivative development projects, though, delays in some projects and the effects of measures to improve profit margins were less than expected. Implement measures to strengthen management base (human resource development and investment in IT system for in-house use)			
		7.0%	9.5%	8.8%
		271 (-30.5%)	390	1,545 (17.5%)
		7.0%	9.8%	8.9%
		173 (-34.0%)	262	1,000 (17.3%)
		4.5%	6.6%	5.8%

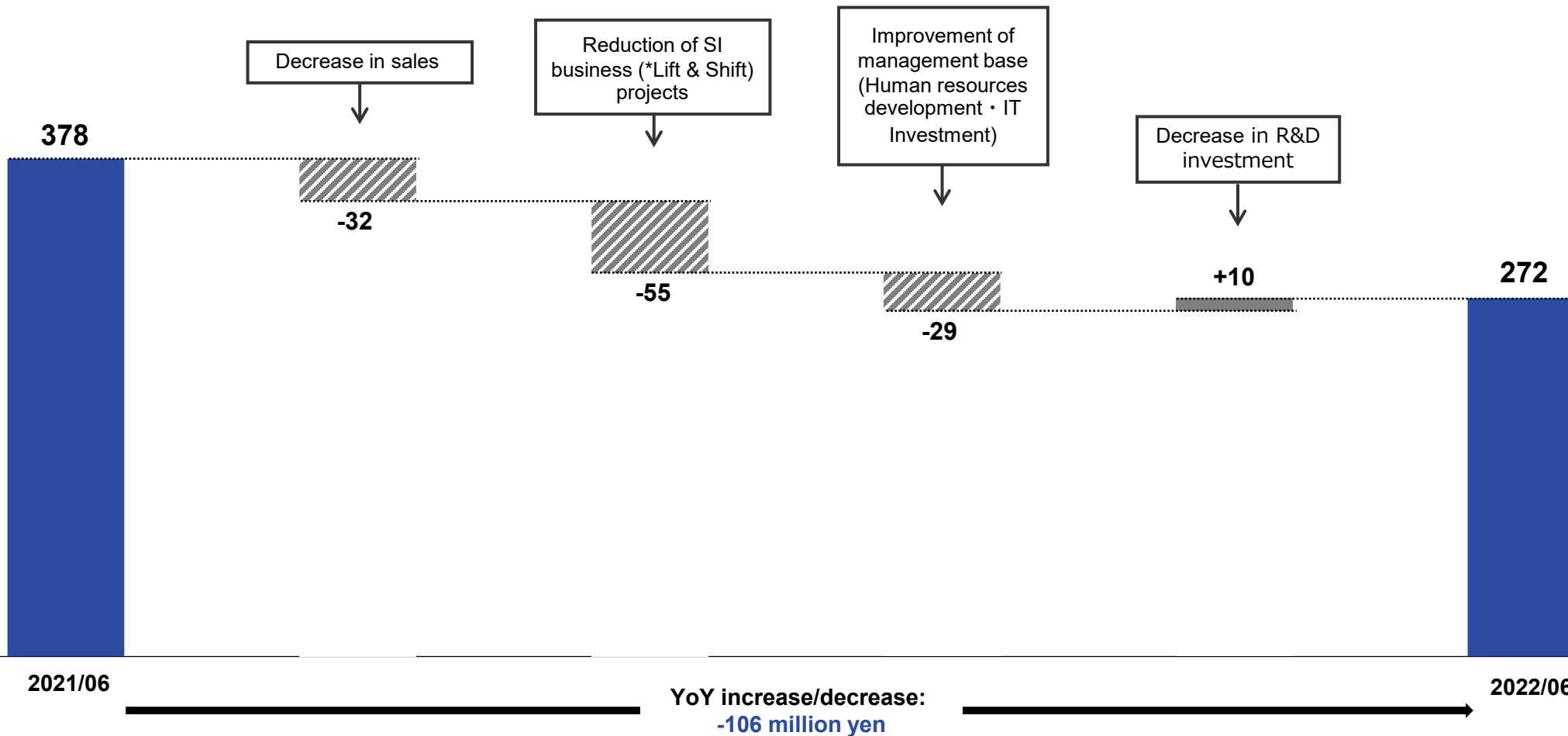
1-2. Trends in Transition by Accounting Period



	FYE2021				FYE2022				FYE2023
	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun
Net sales	3,373	3,710	3,508	4,197	3,987	4,073	3,981	4,058	3,892
Cost of sales	2,730	3,027	2,854	3,335	3,124	3,217	3,118	3,188	3,107
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%)	785 (20.2%)
Selling, general and administrative expenses	400	372	413	478	483	487	486	574	513
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%)	272 (7.0%)
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%)	271 (7.0%)
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%)	173 (4.5%)

1-3. Factors Leading to Changes in Operating Profit (Compared to the Previous Fiscal Year)

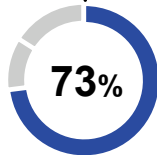
(Unit: millions of yen)



*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).

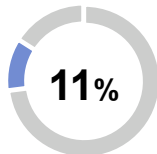
1-4. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[1Q Fiscal Year Ending March 31, 2023]



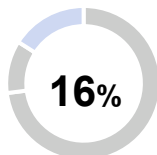
System Integration Services

- Decrease of system building projects for a shipping company in the transportation industry
- Decrease of system building projects for the central government
- Expansion of system building projects for a credit card company in the financial industry



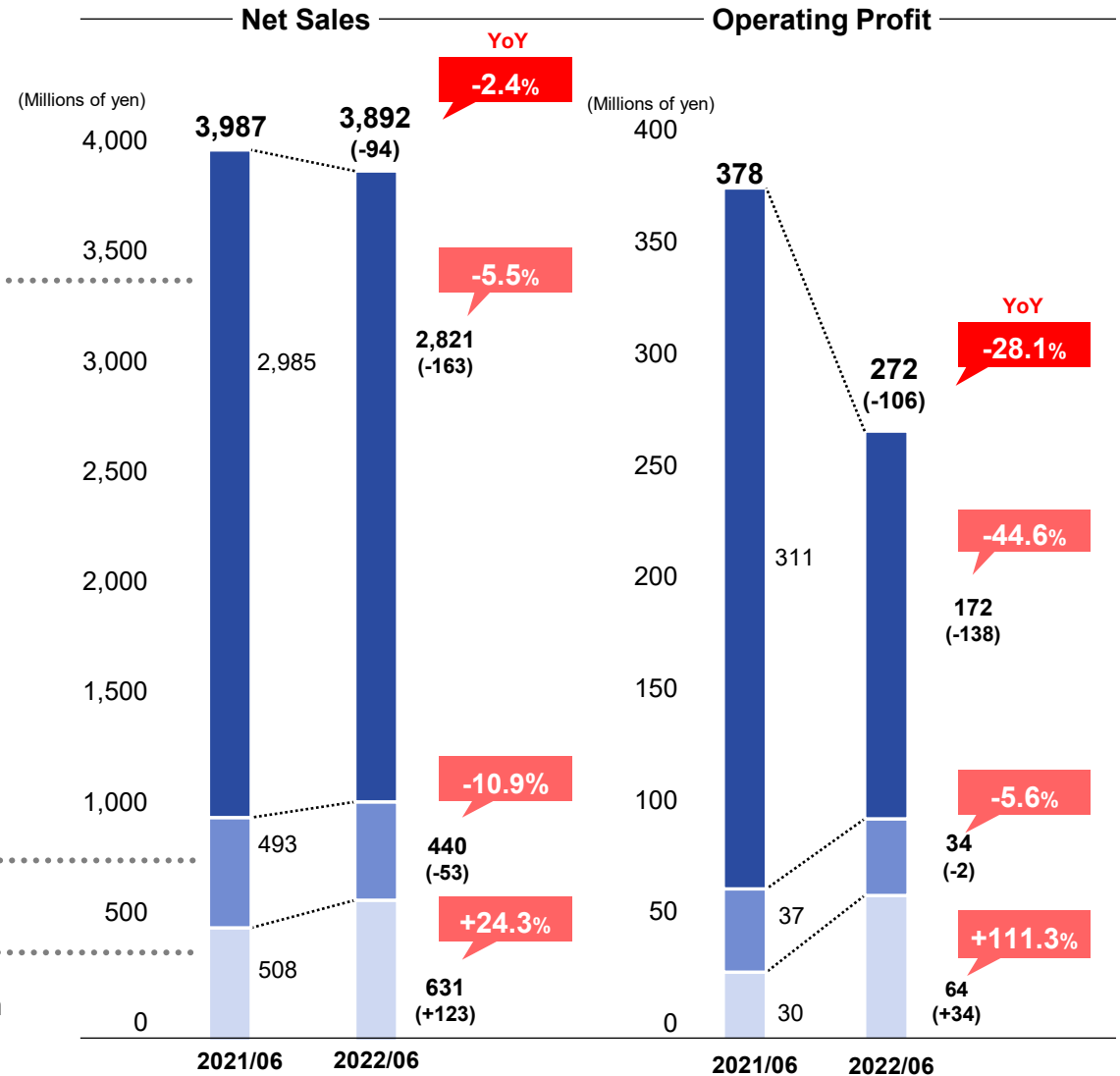
System Outsourcing Services

- Decrease of system building projects for GMS in the distribution industry
- Expansion of system building projects for a retailer in the distribution industry



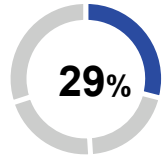
Professional Services

- Consulting business expansion of :
- system building projects for a telecommunications company in the telecommunication industry and system building projects for the financial industry



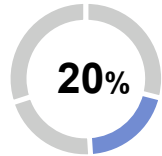
1-5. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[1Q Fiscal Year Ending March 31, 2023]



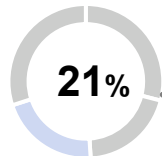
Finance Banking: 9% / Insurance & Securities: 16% / Other Finance: 4%

- Expansion of system building projects: for a credit card companies and an insurance company and a securities company



Distribution Retail & Wholesale: 20%

- Decrease of system building projects for a home appliance retailer
- Expansion of system building projects for a retailer



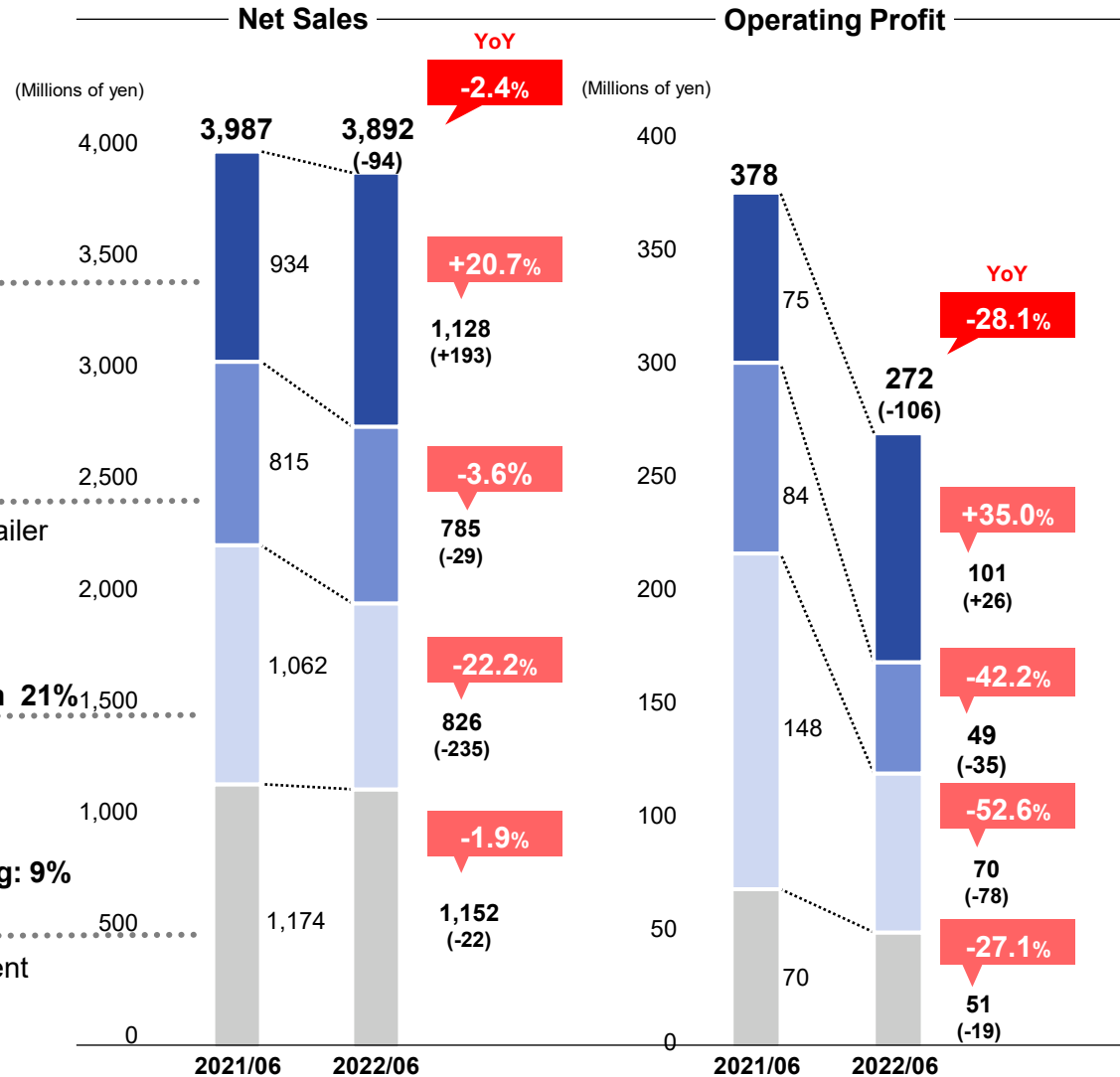
Transportation and Telecommunication Transportation & Telecommunication 21%

- Decrease of system building projects for a shipping company
- Expansion of system building projects for a telecommunication company



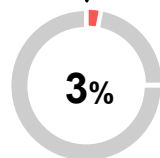
Others Central Government: 5% / Manufacturing: 9% / Others: 16%

- Decrease of system building projects for the central government
- Expansion of system building for the manufacturing industry



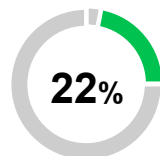
1-6. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[1Q Fiscal Year Ending March 31, 2023]



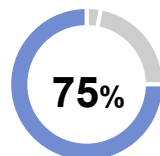
Digital Business

- 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
- Start of trial use of in-house product



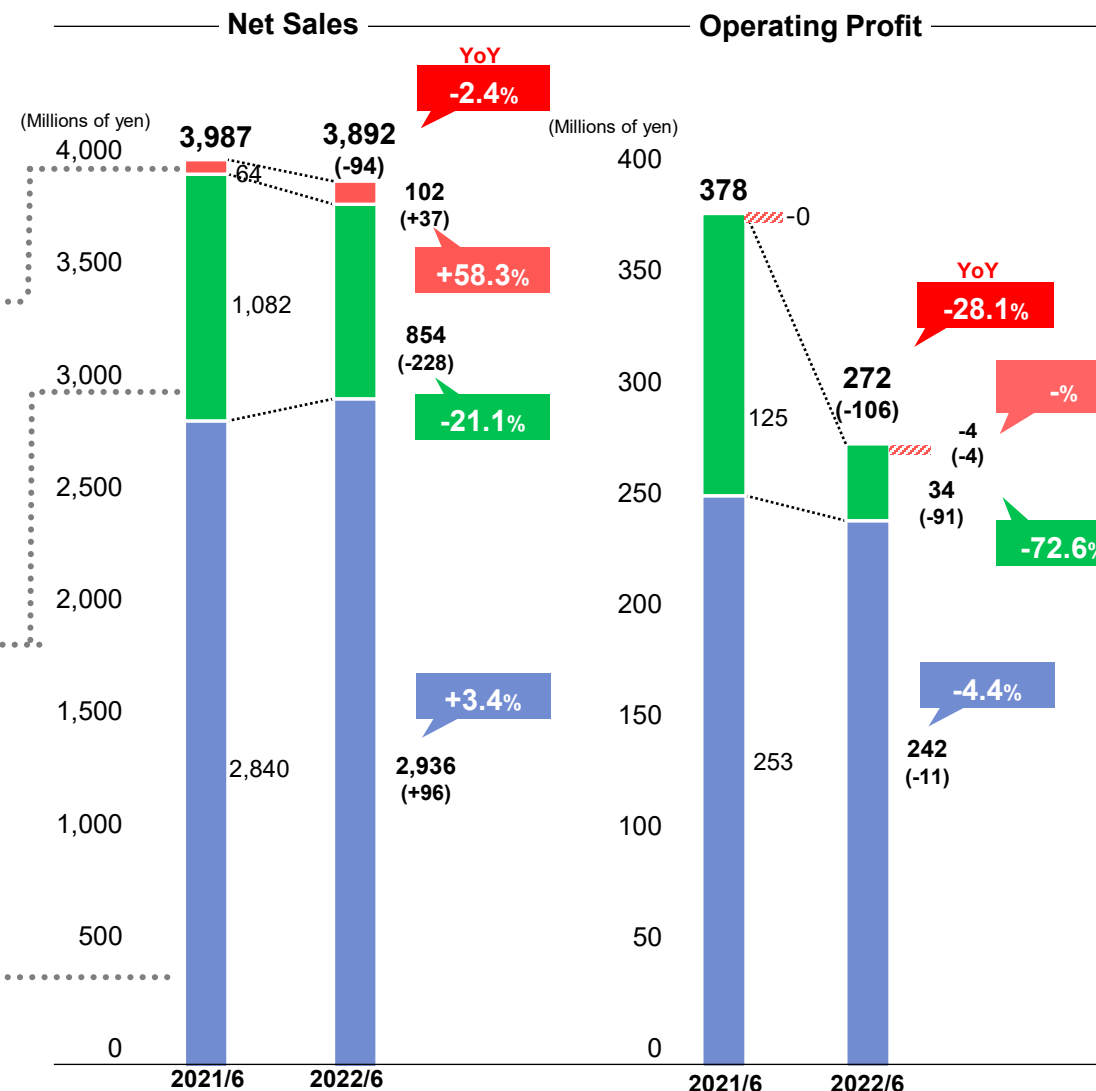
SI Business (Lift & Shift)

- Decrease of system building projects for a shipping company
- Reinforcement into promoting co-creation with cloud vendors

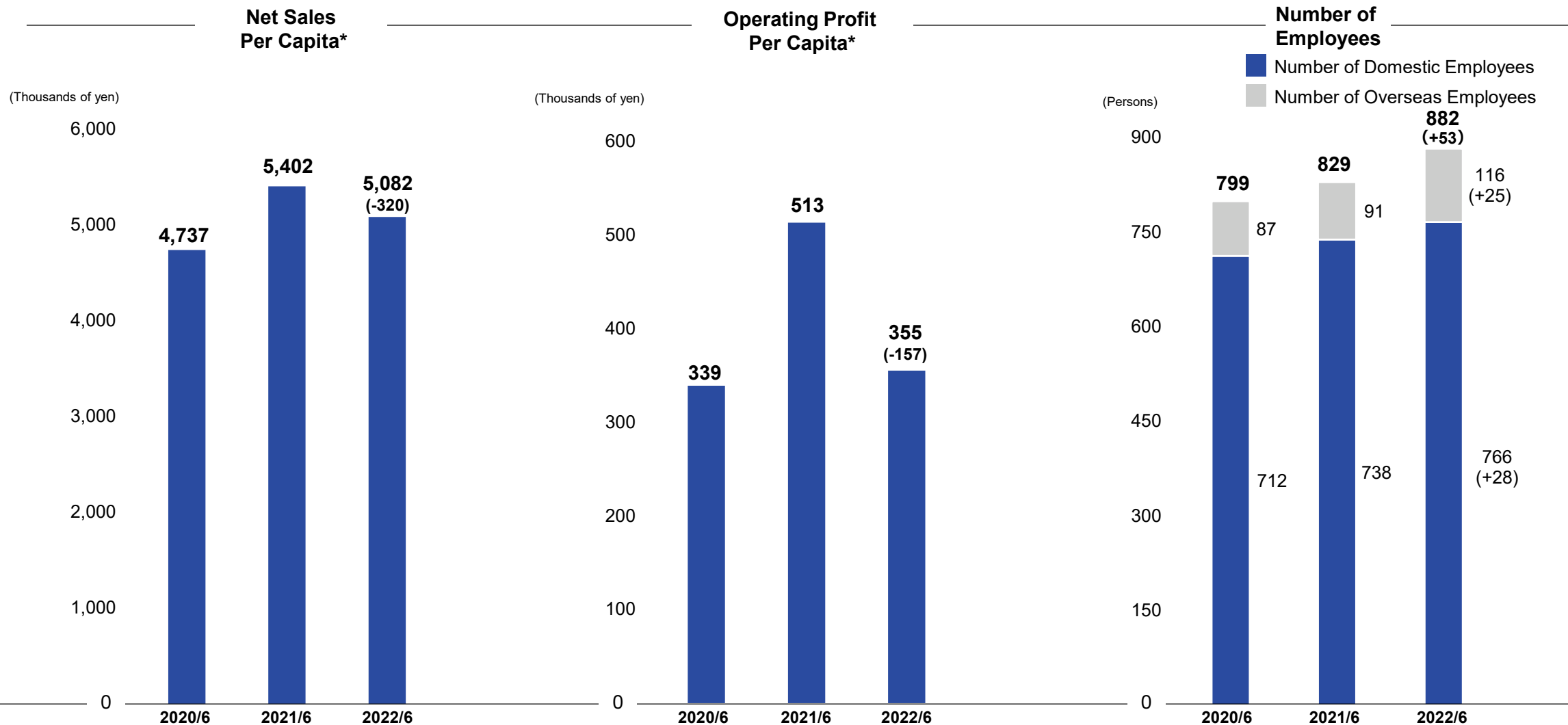


Enhancement Business

- Expansion of the projects in financial and telecommunications industries



1-7. Index Per Capita



*Calculated based on the number of domestic employees.

**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

(Unit: millions of yen)	FYE 2023 Earnings forecast (Increase/decrease from the previous fiscal year)	FYE 2023 1Q Actual (Progress %)
Net sales	17,300 (+1,200 / +7.5%)	3,892 (22.5%)
Operating Profit	1,530 (+112 / +7.9%)	272 (17.8%)
Margin (%)	8.8%	7.0%
Ordinary Profit	1,545 (+112 / +7.8%)	271 (17.5%)
Margin (%)	8.9%	7.0%
Net Profit attributable to owners of parent	1,000 (+55 / +5.9%)	173 (17.3%)
Margin (%)	5.8%	4.5%

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

Net sales

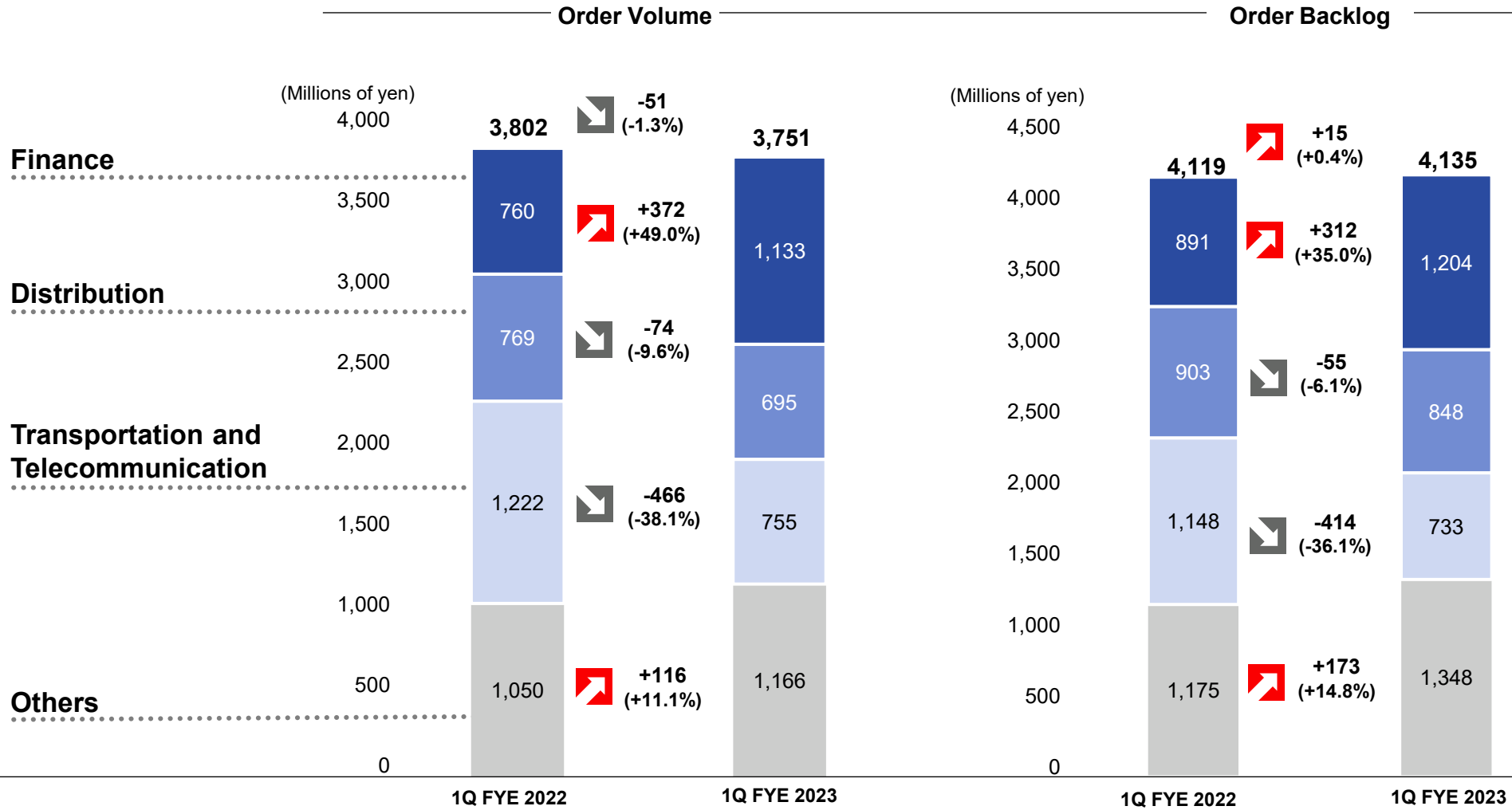
- Proactively acquire clients' strategic IT investment projects (digital business/SI business)
- Expand area of responsibility in enhancement projects and orders acquisition for derivative development projects

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

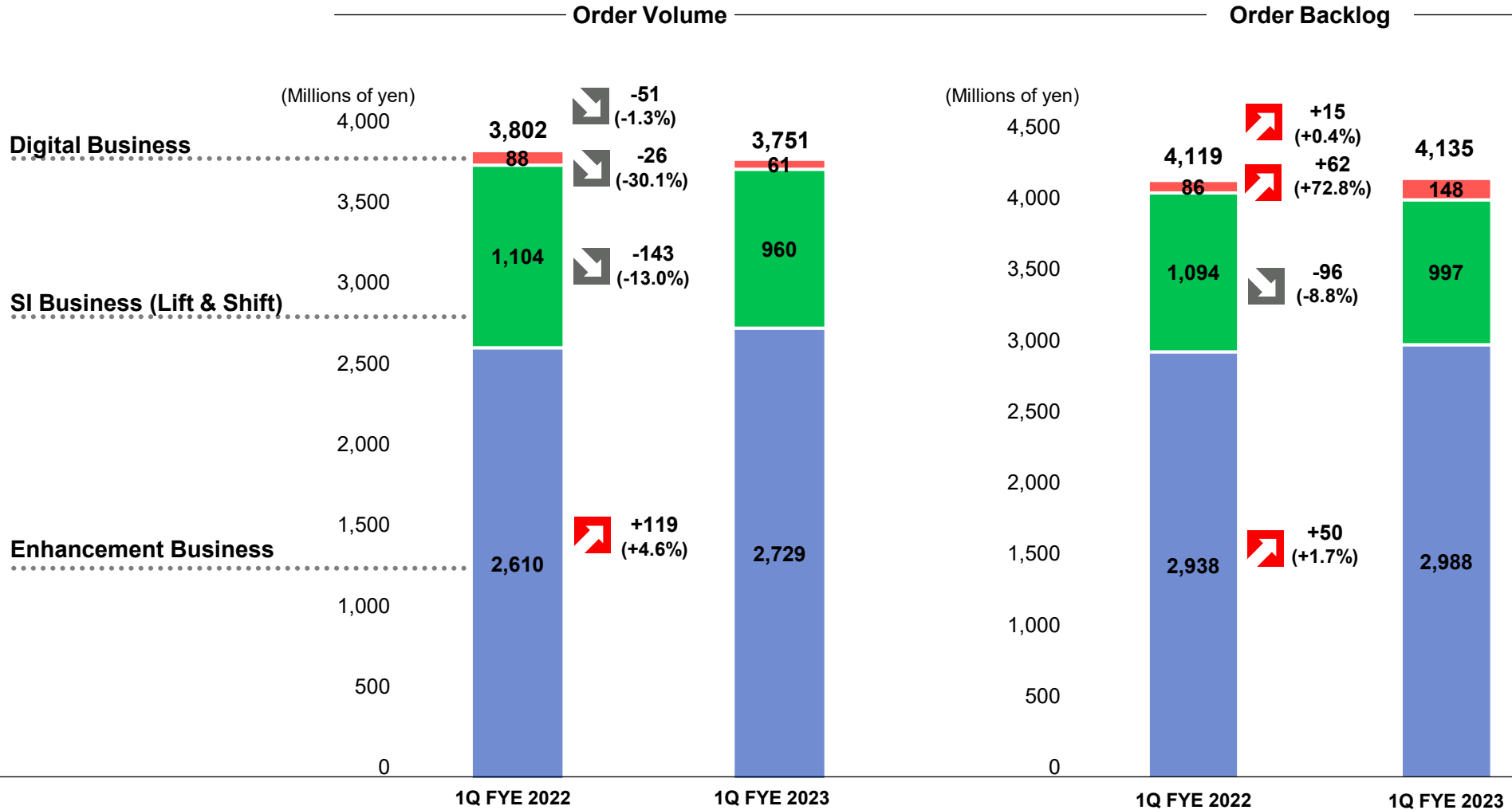
Operating Profit

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

2-2. Order Status by Industry

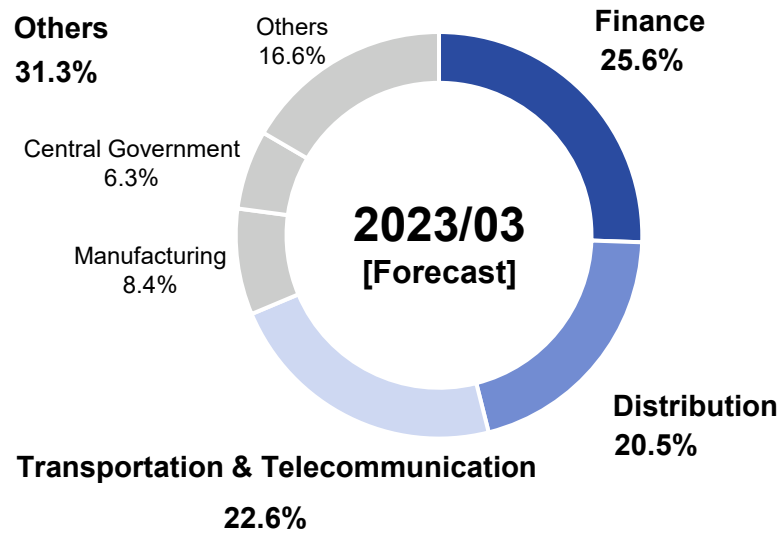


2-3. Order Status by Business Model

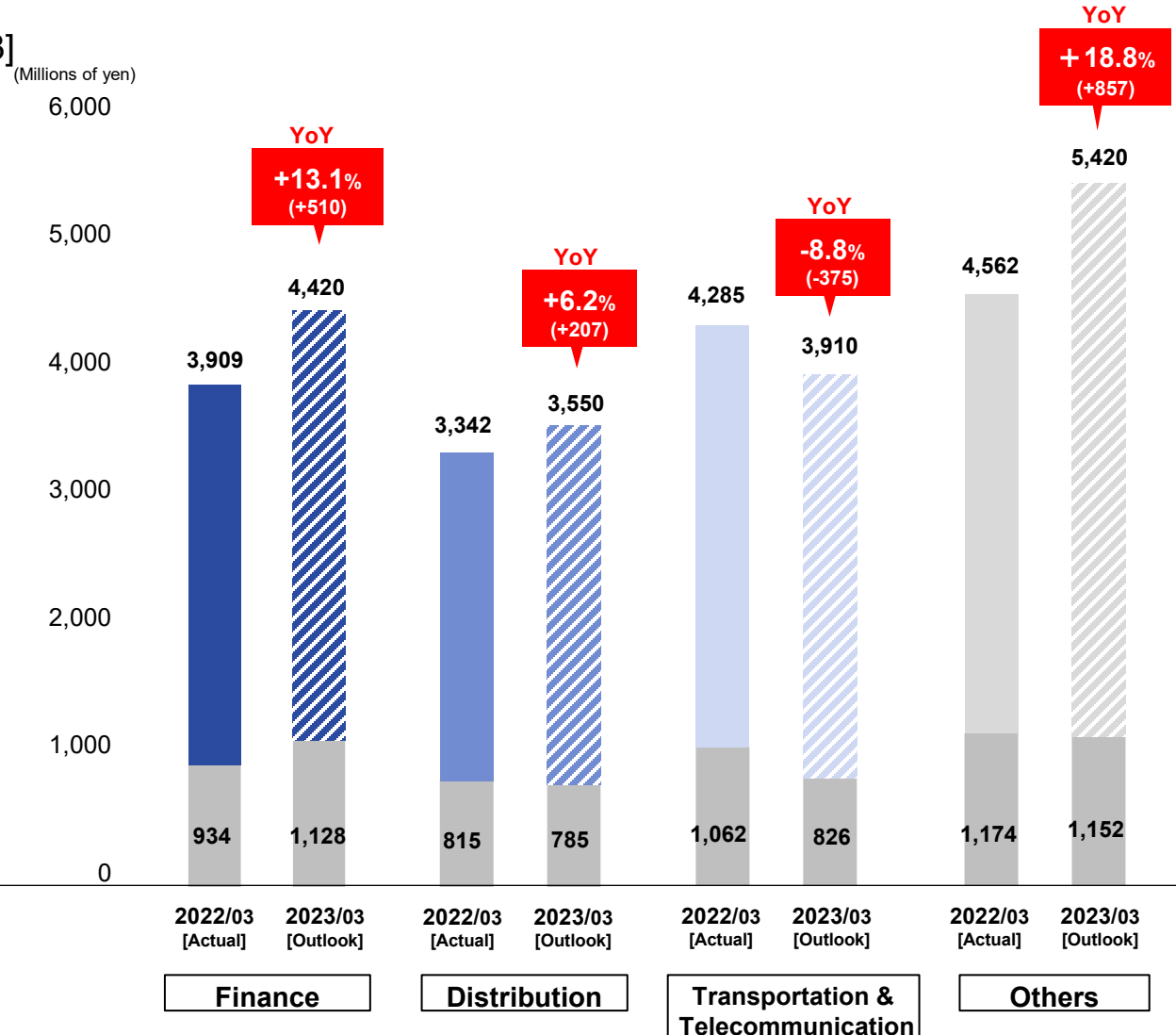


2-4. Net Sales Outlook by Industry

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

Net Sales

(Millions of yen)

18,000

16,099

15,000

12,000

9,000

6,000

3,000

0

16,099

350

4,645

11,103

2022/03
[Actual]

17,300
(+1,200)

YoY
+7.5%

Digital Business

780
(+429)

SI Business(Lift & Shift)

5,140
(+494)

Enhancement Business

11,380
(+276)

2023/03
[Outlook]

Digital Business

- Promotion of collaborative consultation models
- Sales expansion of Smile Share Product *1
- Reinforcement and promotion of agile software development system 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*3 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 Developed in-house, for details, see our website. <https://www.cubesystem.co.jp/en/service/smile/>

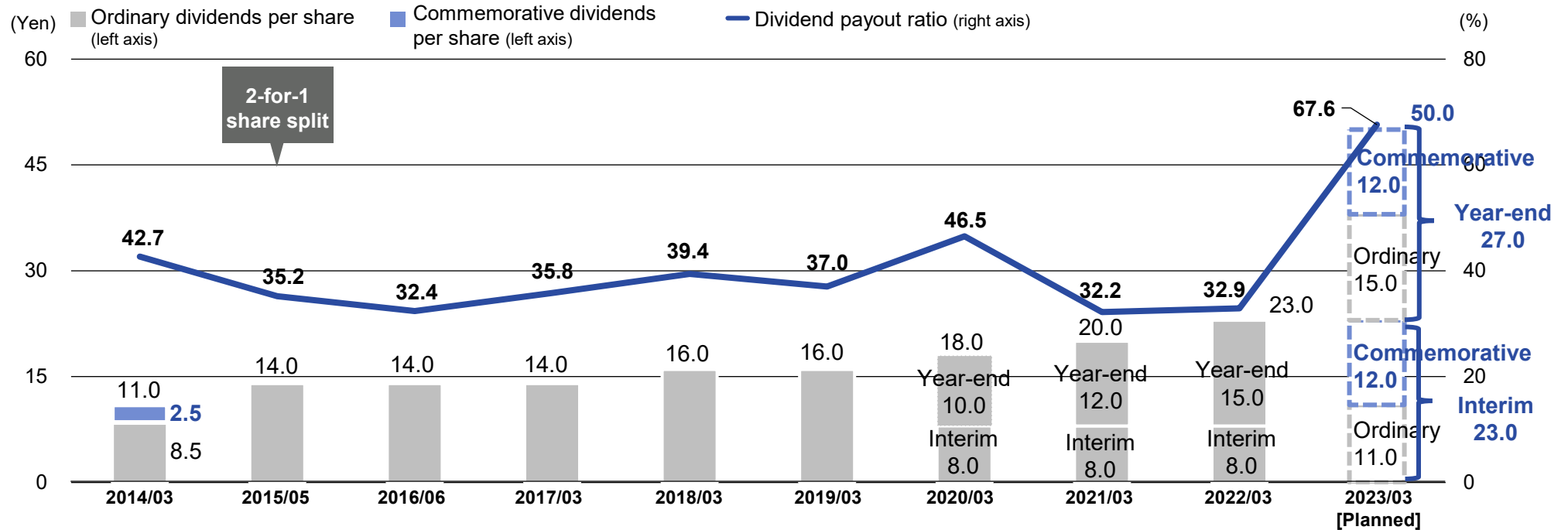
*2 Our original modern software development standard, which realizes rapid development of PoC for DX (F@CE : Framework @ Cube's Engineering)

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

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. This year, in commemoration of our 50th anniversary, 24 yen per share as commemorative dividends is to be implemented.

The annual dividend for the fiscal year end, March 31, 2023 is to be 50 yen per share.

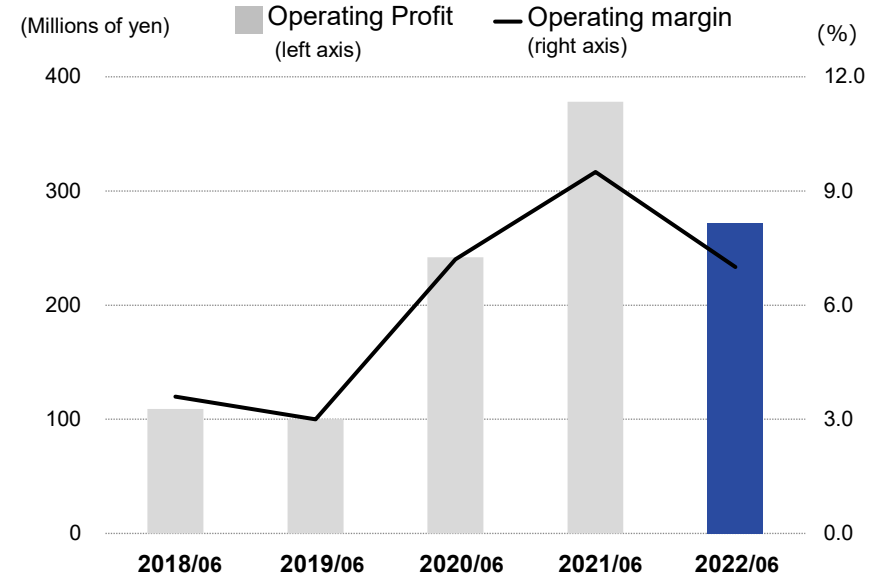
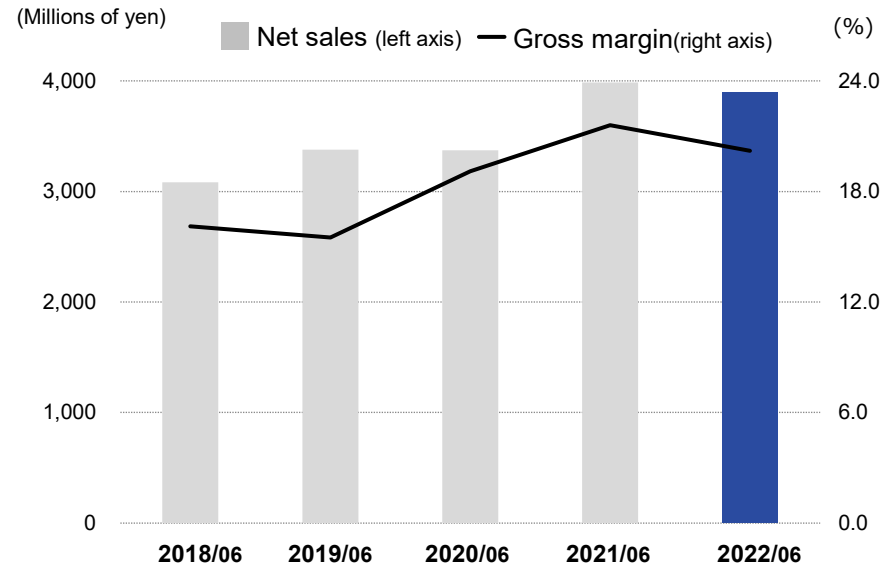


* Dividends are retroactively adjusted with the effect of the 2-for-1 share split on October 1, 2014.

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)

	2018/06	2019/06	2020/06	2021/06	2022/06	YoY
Net sales	3,082	3,379	3,373	3,987	3,892	-2.4%
Cost of sales	2,586	2,855	2,730	3,124	3,107	-0.6%
Gross profit	495	524	642	862	785	-8.9%
	(16.1%)	(15.5%)	(19.1%)	(21.6%)	(20.2%)	
Selling, general and administrative expenses	385	423	400	483	513	+6.1%
Operating Profit	109	100	242	378	272	-28.1%
	(3.6%)	(3.0%)	(7.2%)	(9.5%)	(7.0%)	
Ordinary Profit	132	107	248	390	271	-30.5%
	(4.3%)	(3.2%)	(7.4%)	(9.8%)	(7.0%)	
Net Profit attributable to owners of parent	76	50	165	262	173	-34.0%
	(2.5%)	(1.5%)	(4.9%)	(6.6%)	(4.5%)	

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2022/3	2022/6	Increase/ Decrease
Current assets	7,805	7,541	-264
Cash and deposits	5,058	4,883	-174
Accounts receivable and contract assets	2,584	2,357	-226
Securities	-	100	+100
Current assets	16	17	+0
Others	146	183	+36
Non-current assets	2,259	2,412	+153
Property, plant and equipment	169	156	-12
Intangible assets	4	4	-0
Investments and other assets	2,084	2,250	+166
Total assets	10,064	9,953	-110

Liabilities	2022/3	2022/6	Increase/ Decrease
Current liabilities	2,199	1,797	-401
Accounts payable - trade	753	729	-23
Short-term borrowings	240	240	-
Others	1,206	828	-378
Non-current liabilities	650	809	+158
Total liabilities	2,850	2,607	-243
Net assets	2022/3	2022/6	Increase/ Decrease
Shareholder's equity	6,721	6,695	-25
Accumulated other comprehensive income	448	650	+202
Non-controlling interests	44	-	-44
Total net assets	7,214	7,346	+132
Total liabilities and net assets	10,064	9,953	-110

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

Net Sales and Operating Profit by Service Segment		(Unit: millions of yen)		
		2021/6	2022/6	YoY
System Integration Services	Net sales	2,985	2,821	-5.5%
	Operating profit	311	172	-44.6%
	Operating margin	10.4%	6.1%	
System Outsourcing Services	Net sales	493	440	-10.9%
	Operating profit	37	34	-5.6%
	Operating margin	7.5%	7.9%	
Professional Services	Net sales	508	631	+24.3%
	Operating profit	30	64	+111.3%
	Operating margin	6.1%	10.3%	
Total	Net sales	3,987	3,892	-2.4%
	Operating profit	378	272	-28.1%
	Operating margin	9.5%	7.0%	

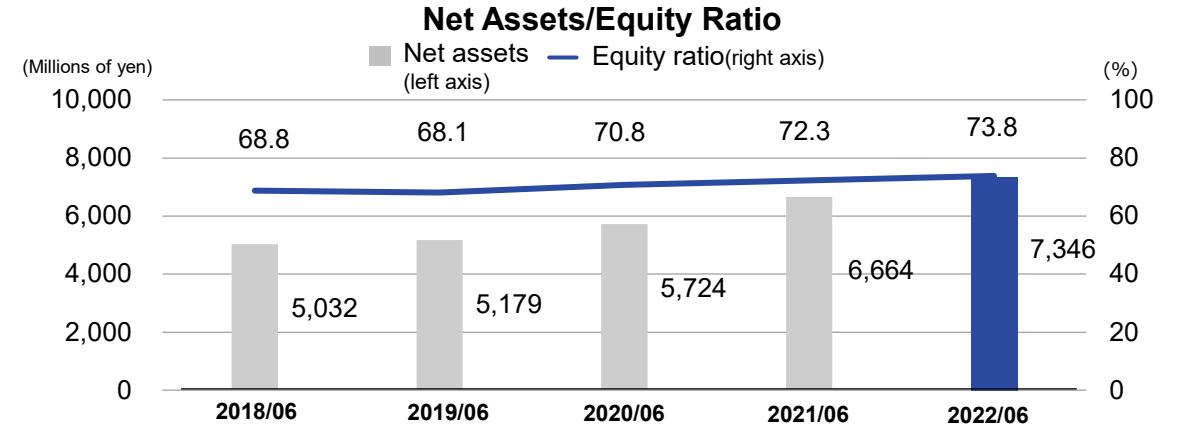
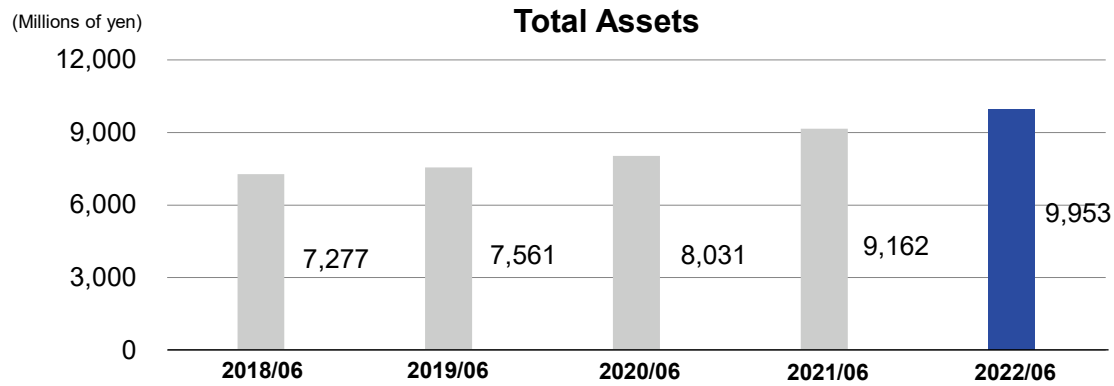
-4. Net Sales and Operating Profit by Industry

Net Sales and Operating Profit by Industry		(Unit: millions of yen)		
		2021/6	2022/6	YoY
Finance	Net sales	934	1,128	+20.7%
	Operating profit	75	101	+35.0%
	Operating margin	8.1%	9.0%	-
Distribution	Net sales	815	785	-3.6%
	Operating profit	84	49	-42.2%
	Operating margin	10.4%	6.3%	-
Transportation and Telecommunication	Net sales	1,062	826	-22.2%
	Operating profit	148	70	-52.6%
	Operating margin	14.0%	8.5%	-
Manufacturing	Net sales	318	344	+7.9%
	Operating profit	20	5	-72.1%
	Operating margin	6.5%	1.7%	-
Central Government	Net sales	244	206	-15.7%
	Operating profit	24	11	-55.5%
	Operating margin	10.2%	5.4%	-
Others	Net sales	610	601	-1.5%
	Operating profit	24	34	+39.8%
	Operating margin	4.0%	5.7%	-

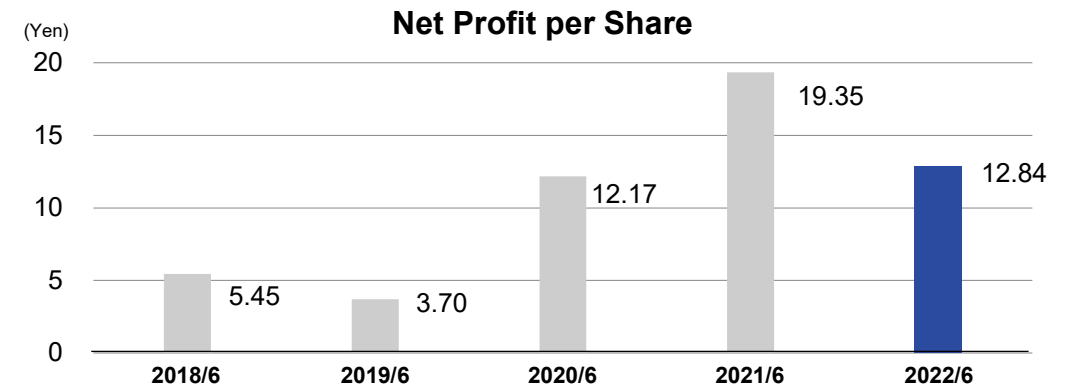
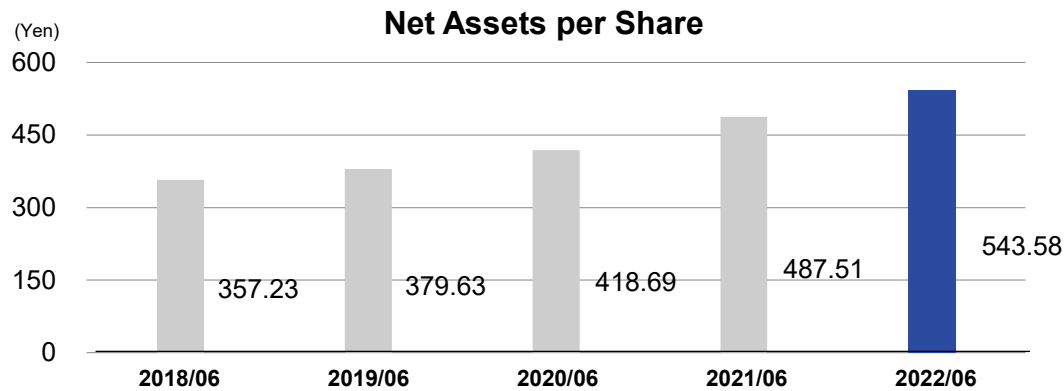
3-5. Assets and Capital-Related Items

-6. Share Price and Equity-Related Items

Assets and Capital-Related Items

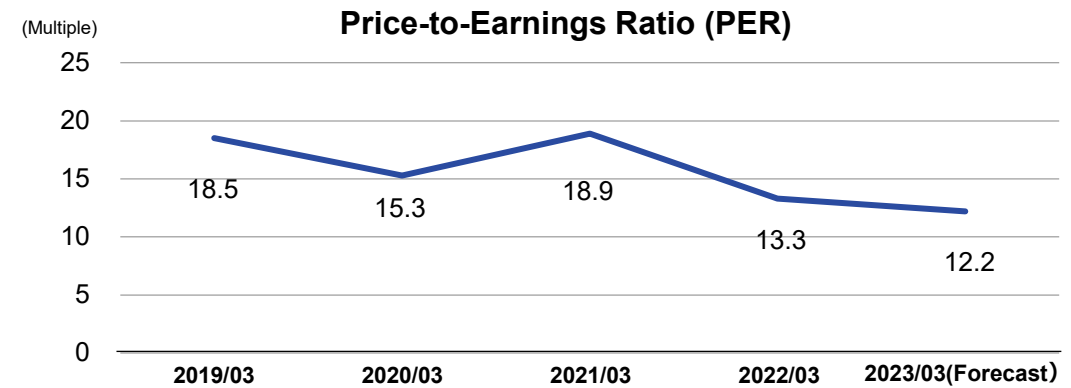
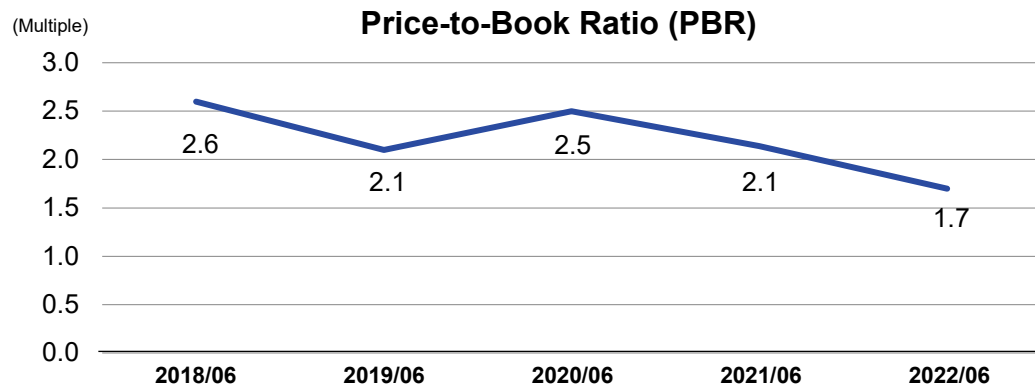
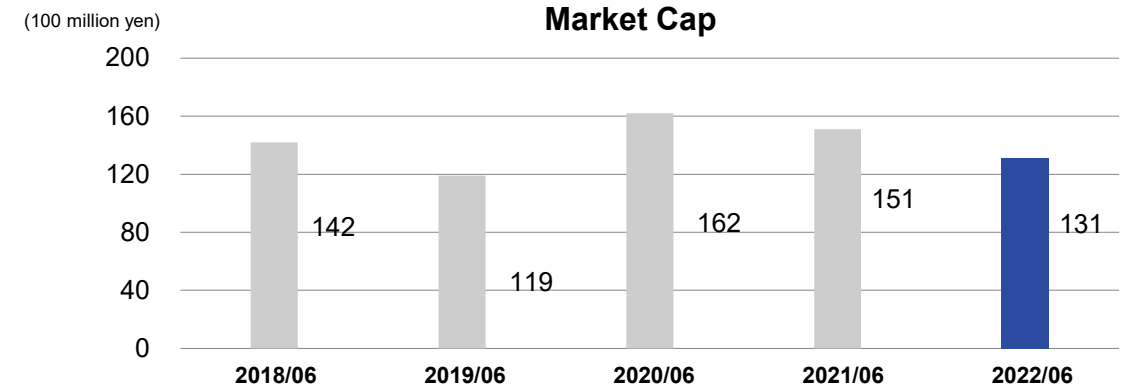
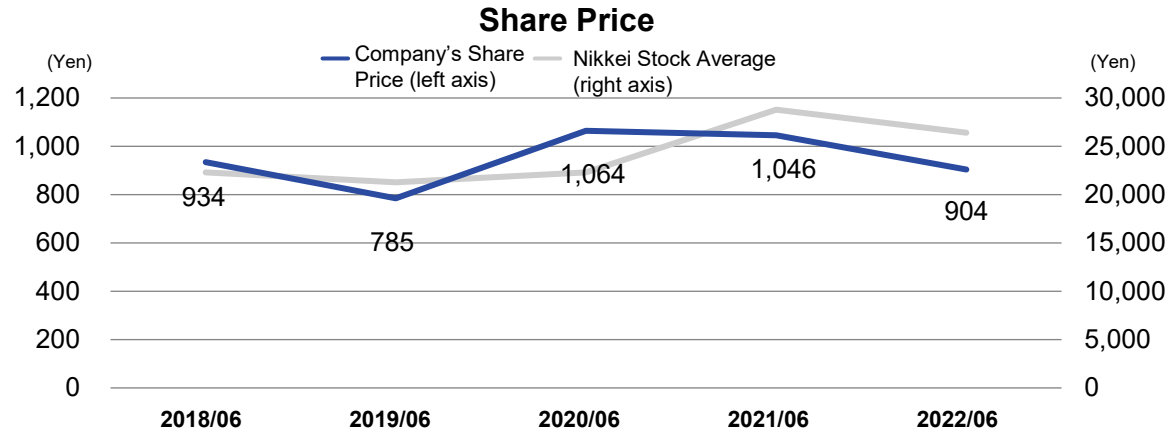


Share Price and Equity-Related Items



3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items



*Fiscal year ending March 31, 2023 (forecast) is calculated using the stock price as of the end of June and net profit per share in the full-year earnings forecast.

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.