CUBE SYSTEM

CUBE SYSTEM

October 2022

Integrated Report
2022

## Management Philosophy

Companies thrive through the support of various people.

Business must continue in order to ensure people's well-being, including our employees.

The source of business continuation and development is profit, and profit is generated by customers.

Based on this philosophy, we go forward to create a globally acclaimed company.

## Basic Policy

| Customer first | Clear prioritization | Company-wide sales-minded approach |
|---|---|---|

## Our Commitment in Our Name

Founded on the basic policy of placing "Customer first," demonstrate an advanced "Brainpower (intelligence and knowledge)" in developing solutions that create "Excitement."

### CU    B    E    SYSTEM

**CU**stomer
"Customer first"

**B**rainpower
"Intelligence and Knowledge"

**E**xcitement
"create Excitement"

"Synthesis of CUBE elements"

This expresses our desire to "grow through utilizing our multi-faceted versatility, symbolized by the shape of the CUBE (regular hexahedron)."

As an independent systems integrator, we accumulate leading-edge technologies and knowhow in various fields.

We are building a global and versatile business model, focusing on collaboration with overseas business partners and offshore software development.

Innovativeness   Internationality

Humanity   Technology

Vitality   Youthfulness

We engage in candid dialogue with customers through one-to-one interaction, and develop human resources with high level communication skills.

We are acquiring a range of elemental technologies based on our wide-ranging in-depth knowledge and expertise.

As an independent business creator, we take on challenges and pursue what is best for our customers, for our partners, and ultimately, for ourselves.

Through continuous reinvention, we are developing a youthful, adaptable corporate organization and culture by valuing self-reliance and the initiative of our employees.

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### ■ Editorial Policy

CUBE SYSTEM believes in the importance of accurate, prompt and voluntary disclosure of information regarding its ESG-related initiatives in its business activities.

Founded on this policy, our financial data and non-financial data have been organized and systematized into an integrated report.

The objective of the report is to give greater clarity in information disclosure so that it is easier for our shareholders, investors and other stakeholders to understand how our group plans to achieve sustainable growth.

● Organizations covered: CUBE SYSTEM INC., and its consolidated subsidiaries in Japan and overseas

● Period covered: FY2021 (April 2021–March 2022)
  * Some information not related to the fiscal term may be included in the report.

● Date of publication: October 1, 2022

● Frequency of publication: Annual

● Information disclosure policy:
  We will disclose information accurately, promptly and voluntarily to build long-term relationships of trust with our shareholders, investors and other stakeholders.

### ■ Reference guidelines:

● International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)

● Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)

● GRI Standards, Global Reporting Initiative (GRI)

### ■ Important notes regarding forecasts

Business plans, forecasts and strategies in the report are founded on decision-making and assumptions made based on the data available at the date of publication.

Please accept that actual business performance may deviate significantly from forecasts as a result of changing circumstances.

### ■ Publication Department:

Business Planning Dept.

### ■ For further inquiries, contact:

https://www.cubesystem.co.jp/en/contact/

### ■ IR Data:

https://www.cubesystem.co.jp/en/ir/

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## Contents

# The History of Value Creation at CUBE SYSTEM

Since its establishment in 1972, CUBE SYSTEM has relentlessly tackled challenges in creating new value.

With change over time, we have moved on to making contributions toward development of a sustainable society and implementing business changes.

Net sales (million yen)  
Operating income (million yen)

Net sales ■ Operating income ●

**2020**
Our own solution
Smile Share Products developed.

**2008**
Lehman Brothers crisis

**2014**
Listed on the First Section of the Tokyo Stock Exchange.

**2009**
CUBE SYSTEM SHANGHAI Co., Ltd., established.

**1999**
Collapse of the IT bubble economy

**2008**
CUBE SYSTEM VIETNAM Co., Ltd., established.

**2006**
Listed on the Second Section of the Tokyo Stock Exchange.

**2002**
Listed on JASDAQ (OTC).

**1991**
Collapse of the bubble economy

**1995**
Development and sales of Swap Management System, a financial derivative trading management tool.

**1990**
• Company name changed to CUBE SYSTEM INC.
• HOKKAIDO CUBE SYSTEM INC. established.

**1985**
Osaka Sales Office (currently West Japan Solution Business Division) opened.

Net sales: 17,000 / 16,000 / 15,000 / 10,000 / 5,000 / 0
Operating income: 1,700 / 1,600 / 1,500 / 1,000 / 500

V2020 ———— V2026

Fiscal years: 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 — 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 (fiscal year)

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◆ **July 1972**
### Customer Engineers Co., Ltd., established.
The company was established in Shinagawa-ku, Tokyo, for software development and system administration and management services.

◆ **April 1985**
### Osaka Sales Office opened.
The office was opened in Osaka City, Osaka to explore business in the Kansai region and boost the scale of business for the entire company.

◆ **October 1990**
### Company name changed to CUBE SYSTEM INC.
The company name was changed to bring greater clarity to its business field and management philosophy and to pursue further business growth.

◆ **October 2002**
### Listed on JASDAQ (OTC).
CUBE SYSTEM stocks were listed on JASDAQ.

◆ **March 2014**
### Listed on the First Section of the Tokyo Stock Exchange.
Stock listing was changed to TSE First Section 12 years after JASDAQ listing.

◆ **May 2019**
### Nagoya Office opened.
An office was opened in Nagoya City, Aichi to expand business in the Chubu region and expand its solutions service business.

◆ **March 2022**
### Acquired 100% ownership of HOKKAIDO CUBE SYSTEM Inc.
Group management efficiency was promoted.

◆ **April 2022**
### Transition to the Prime Market, Tokyo Stock Exchange.
According to the reorganization of the market sections of the Tokyo Stock Exchange, the Prime Market was selected.

## Business expansion

**June 1984** — **Service agreement concluded with Fujitsu Limited.**
Systems engineering service agreement was concluded with Fujitsu Limited. Systems integration service started under the agreement.

**March 1988** — **A basic agreement on a system development service was concluded with Nomura Research Institute, Ltd.**
A basic agreement on a system development service was concluded with Nomura Research Institute, Ltd. Systems integration and system outsourcing services started under the agreement.

**December 1990** — **HOKKAIDO CUBE SYSTEM INC., established.**
HOKKAIDO CUBE SYSTEM INC. (currently a consolidated subsidiary) was established to strengthened business in the Tohoku and Hokkaido regions.

**May 2005** — **Capital and business partnership agreement concluded with Systemcreate Co., Ltd.**
A capital and business partnership agreement was concluded with Systemcreate Co., Ltd. to expand the company's business operations.

**March 2008** — **CUBE SYSTEM VIETNAM Co., Ltd., established.**
CUBE SYSTEM VIETNAM Co., Ltd. (currently a consolidated subsidiary) was established in Ho Chi Minh City, Socialist Republic of Vietnam.

**July 2009** — **CUBE SHENYA SYSTEM SHANGHAI Co., Ltd. (currently CUBE SYSTEM SHANGHAI Co., Ltd.), established.**
CUBE SHENYA SYSTEM SHANGHAI Co., Ltd. (currently CUBE SYSTEM SHANGHAI Co., Ltd.) was established in Shanghai City, People's Republic of China.

**August 2018** — **Capital and business partnership agreement concluded with Tripleize Co., Ltd.**
A capital and business partnership agreement was concluded with Tripleize Co., Ltd. for the development of new business and for business growth utilizing AI, IoT and blockchain technologies.

**August 2018** — **Oracle Certification Award 2018**
The company placed first in the Oracle Cloud Platform (PaaS/IaaS) category of the Oracle Certification Awards 2018.

**November 2020** — **Partnership agreement concluded with Kinaxis Japan K.K.**
A business partnership was formed with Kinaxis Japan K.K., the Japanese subsidiary of Kinaxis Inc. (TSX:KXS), to bolster support in the Asia-Pacific region.

**February 2021** — **Obtained a patent for our touchless payment service that uses an AI-based facial recognition system provided through the DX business.**
The patent was granted for "a series of input system/program and methods to make payments by recognizing the face of the user and a specific payment gesture."

**April 2021** — **Certified partnership agreement concluded with ServiceNow Japan.**
A certified partnership agreement was concluded with ServiceNow Japan for transition into service operations founded on a unified platform, to achieve greater process efficiency and remote operation and to promote new workstyles in the age of the new normal.
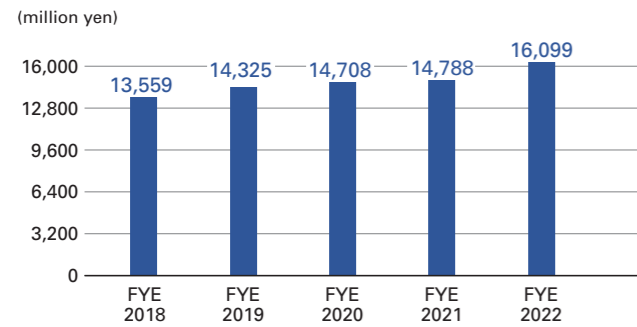
### Certification in management systems standards

• **Quality**
March 2001 — ISO9001 certification acquired.

• **Information security**
December 2003 — Certification was acquired under the information systems management system (ISMS) conformity assessment program and BS7799 standard.

February 2006 — ISO/IEC27001 certification acquired.

• **Environment**
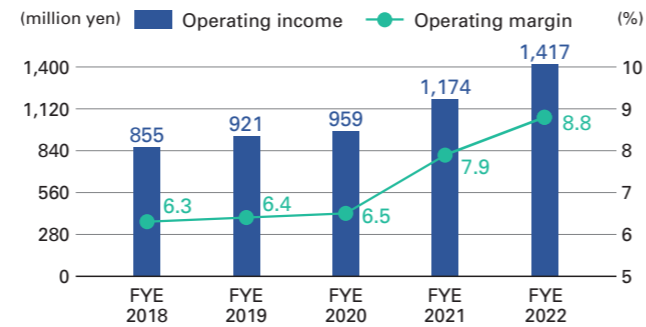July 2005 — ISO14001 certification acquired.
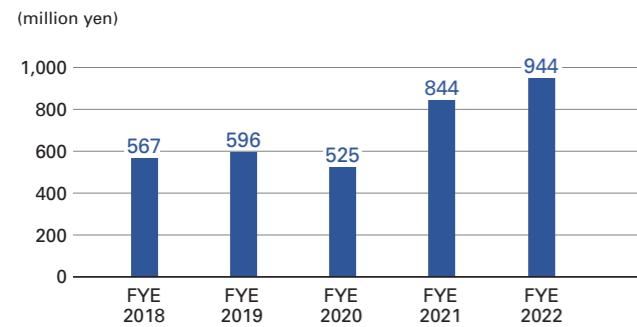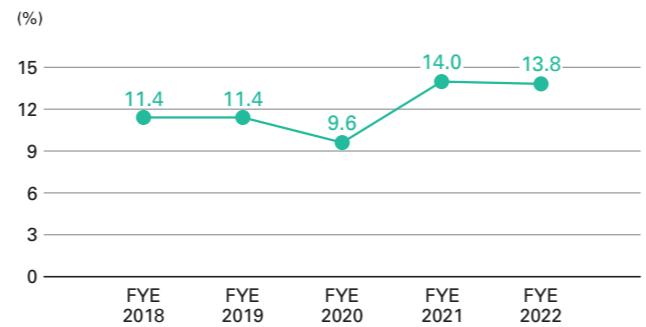
# Financial and Non-Financial Highlights

## Net Sales

(million yen)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 13,559 | 14,325 | 14,708 | 14,788 | 16,099 |

## Operating Income/Operating Margin

(million yen) ■ Operating income ●— Operating margin (%)

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Operating income | 855 | 921 | 959 | 1,174 | 1,417 |
| Operating margin | 6.3 | 6.4 | 6.5 | 7.9 | 8.8 |

## Current Net Income Belonging to Parent Company Stockholders

(million yen)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 567 | 596 | 525 | 844 | 944 |

## Return on Equity

(%)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 11.4 | 11.4 | 9.6 | 14.0 | 13.8 |

## Cash Flows

(million yen) ■ CFs from operating activities ■ CFs from investing activities ■ CFs from financing activities ●— Free CFs

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| CFs from operating activities | 388 | 727 | 721 | 984 | 881 |
| CFs from investing activities | -392 | 773 | 747 | 1,043 | 1,015 |
| CFs from financing activities | | -531 | -339 | -215 | -324 |
| Free CFs | 28 | 46 | 25 | 58 | -134 |
| | 360 | | | | |

## Research and Development Expenses

(million yen)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 83 | 68 | 32 | 24 | 100 |

## Earnings per Share (yen)

(Yen)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 40.59 | 43.25 | 38.69 | 62.11 | 69.82 |
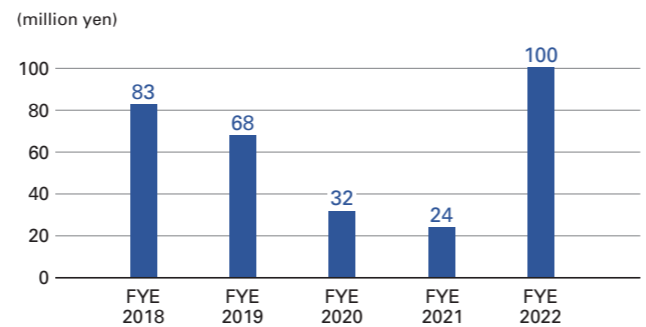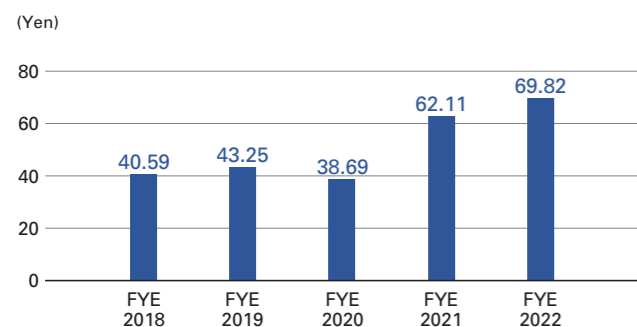
## Dividends per Share/Dividend Payout Ratio

(Yen) ■ Annual dividends (yen) ■ Interim dividends (yen) ●— Dividend payout ratio (%) (%)

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Annual dividends (yen) | 16 | 16 | 18 | 20 | 23 |
| Interim dividends (yen) | | | (interim) 8 | (interim) 8 | (interim) 8 |
| Dividend payout ratio (%) | 39.4 | 37.0 | 46.5 | 32.2 | 32.9 |
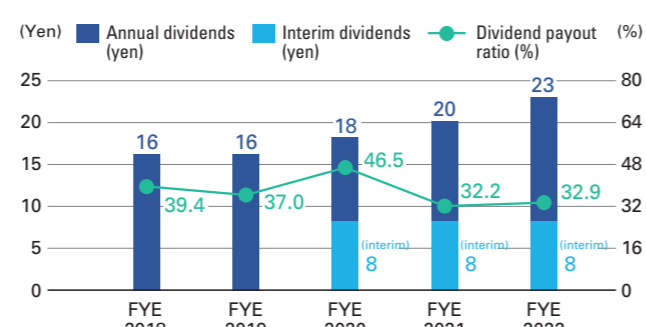
* Dividends implemented at the end of term during FYE2018 to FYE2019.

## Number of Employees (Group Total/Japan/overseas)

■ Japan ■ Overseas

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Total | 694 | 720 | 737 | 781 | 830 |
| Japan | 612 | 627 | 652 | 689 | 714 |
| Overseas | 82 | 93 | 85 | 92 | 116 |
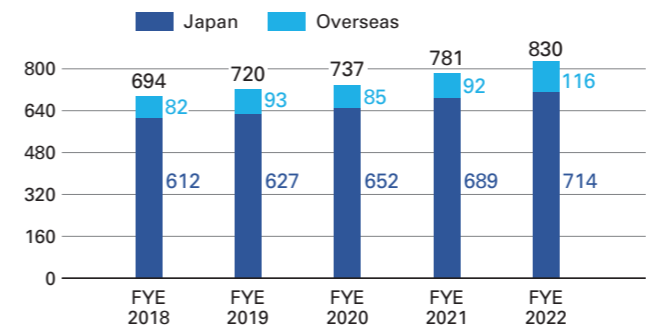
## Employment (new hires and mid-career hires)

■ New hires ■ Mid-career hires

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| New hires | 50 | 49 | 52 | 63 | 57 |
| Mid-career hires | 21 | 20 | 18 | 15 | 13 |
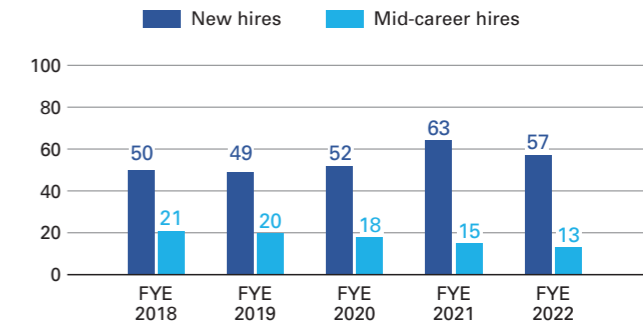
## Ratio of Female JP-A*/Ratio of Female Employees (non-consolidated)

(%) ●— Ratio of female employee ●— Ratio of female JP-A*

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Ratio of female employee | 25.7 | 29.9 | 38.8 | 39.7 | 47.8 |
| Ratio of female JP-A* | 14.1 | 18.0 | 17.5 | 18.3 | 16.7 |
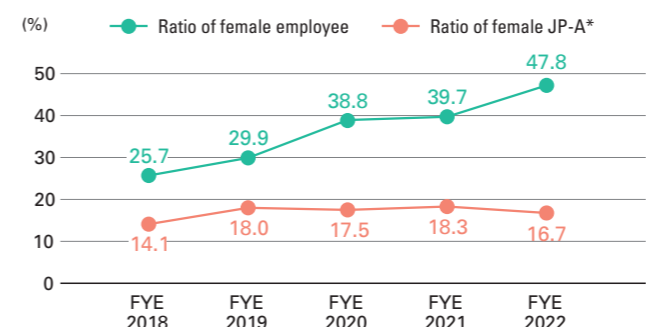
* Ratio of female employees in section manager posts

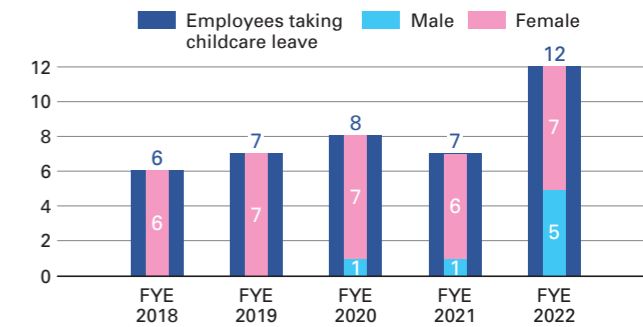## Total Working Hours/Average Overtime Hours of Employees per Month (non-consolidated)

(hours) ■ Total working hours ●— Average overtime hours of employees per month (hours)

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Total working hours | | 567,828 | 517,013 | 569,993 | 596,283 |
| Average overtime hours of employees per month | | 27.84 | 26.88 | 24.67 | 28.60 |
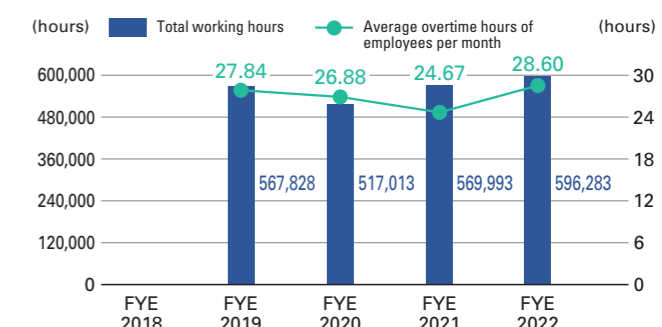
* No calculation results in FYE2018

## Employees Taking Annual Paid Leave (non-consolidated)

(%)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| | 61.1 | 67.0 | 56.6 | 59.8 |
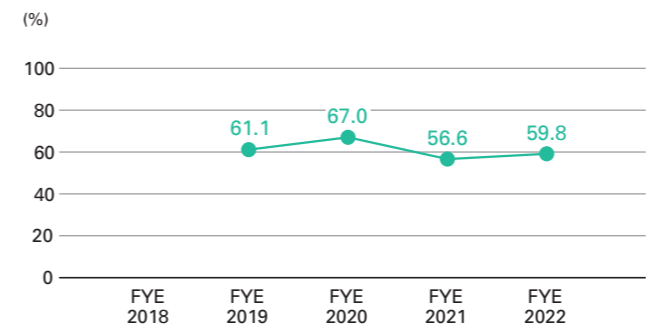
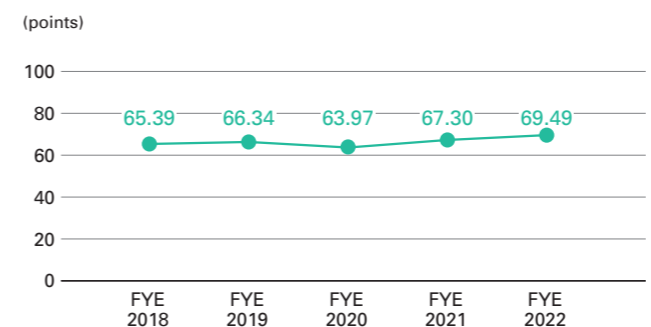* No calculation results in FYE2018

## Employees Taking Childcare and Nursing Care Leave (non-consolidated)

■ Employees taking childcare leave ■ Male ■ Female

| | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|---|
| Employees taking childcare leave | 6 | 7 | 8 | 7 | 12 |
| Male | | | 1 | 1 | 5 |
| Female | 6 | 7 | 7 | 6 | 7 |

* No Employees Taking Nursing Care Leave during FYE2018 to FYE2022.

## Customer Satisfaction

(points)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 65.39 | 66.34 | 63.97 | 67.30 | 69.49 |

* Each evaluation point (quality, improvements of issues, comparison among competitors, etc.) is calculated to a 100-point maximum.

## GHG Emissions (Scope 1 and 2) in Japan

(t-CO$_2$e)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 180 | 188 | 183 | 189 | 182 |
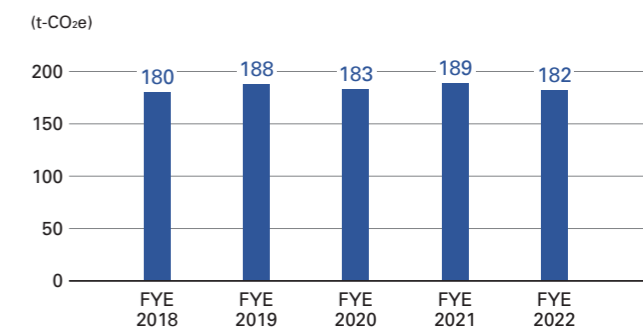
* Only for Head Office, Osaki Wiz Tower (non-consolidated)

# Message from the President

**Grounded on our 50 year-experience, we will visualize the future over the next 50 years and take an active role in a future society supported by IT.**

中西 雅洋

Masahiro Nakanishi

Representative Director
President & COO
CDO (Chief Digital Officer)

## Preface

In July 2022, we celebrated the 50th anniversary of our foundation. We would like to express our appreciation to all of you who have supported us over the years.

On the day of our anniversary, we placed a newspaper advertisement with the message: "CUBE with YOU!" The YOU in this message means all of our stakeholders.

Through this message we would like to express just how much importance we place on our relationships with our shareholders and investors, customers, employees and business partners, and we continue to stay with them. We ask you for a continued support as we take on the challenges presented by the digital society of the future.

## Aiming to grow sustainably in a technologically innovative and ever-changing social environment

Since our foundation, companies belonging to the IT industry like us have been developing their businesses in response to the evolving technologies. New technologies are being created day by day and such technologies in turn generate new services. The IT industry has to provide substantial support for this process. We have never been afraid of such changes and always tackle on them directly. In this way, we have been tackling change fully and growing our business. Each and every employee is seeking the spirit of innovation and contributing to society through our software engineering abilities with the two wheels of technology and creativity. We will never change this attitude.

At the same time, responding to recent social needs,

many companies are now actively adopting digital technology for DX to strengthen their competitiveness. This trend was accelerated by the expansion of the COVID-19 pandemic. The lifestyle changes have also affected the technologies required for the transformations occurring in our daily lives, such as the technology needed for teleworking to minimize direct human contact, the diverse range of new payment methods and the intensifying competition for "last mile delivery." Against this backdrop, our future mission, which is becoming more important, is to continue to create new value, either by developing new IT-based businesses and services or through innovation of business processes.

## VISION 2026, turning environmental change into a chance for growth

Social changes include the accelerated evolution of digital technology usage and the growing social demand to counteract global warming, increasing cyber security issues and the COVID-19 pandemic. Seeing these changes as a chance to grow, we introduced our new medium- to long-term management plan, VISION 2026, in FY2021. We endeavor to reform our business portfolio to focus on the following three business models.

### [1] Digital Business
For many companies promoting further advances in their DX, we will develop IP (intellectual property) such

as consulting services and product solutions that consolidate our know-how. We aim to use our IP to create new businesses together with our customers.

### [2] SI Business (Lift & Shift)
As our customers progress their DX, they tend to require two tasks from us. One is to transfer their system from a legacy environment to the cloud (Lift) and the other is to transfer their system to new services such as those using micro services (Shift). As the advantages of the cloud become widely known, many industries are now rapidly adopting cloud services. To ensure that we respond fully

to these demands, we focus on providing micro service technique in a high-quality cloud environment among the various other cloud service methods, aiming for high customer satisfaction as well as high profitability.

### [3] System Enhancement Business

This is our most important business asset that we have built up over the years. We plan to refine this business model, which is where our strength lies, to ensure continuing productivity and profitability. We will use the know-how and resources we have accumulated through this business model to expand our Digital and SI Businesses.

Worth noting is that our Digital Business and SI Business were actually derived from our conventional System Enhancement Business. For example, one of our teams builds, operates and monitors a product management system for a major fresh food distributor. The team identified an underlying demand for which the customer wanted to optimize their product assortment to reduce food losses. This led the team to offer an AI-based demand prediction system. This is a great example of producing new business by raising our eye level higher from that of a contractor who merely handles a given task to one that shares the same point of view as the customer. We have also built close collaborative relationships with the top-ranking SIers over many years. The know-how

consisting of system development technique, project management and so on, that we obtained through such collaboration has become another of our assets. We have developed a new pioneering business utilizing existing knowledge and expertise from our System Enhancement Business. We take pride in our own business expansion scenario based on this story, and it appears to fit this time of environmental change. This is not just our own view as we have received high appraisals from our investors.

On the other hand, we are aware that companies are increasingly building and operating their own in-house systems, and from this aspect, it is said services such as ours may decline in the future. However, I do not hold such concerns about our company. In the process of developing their own systems, there may be a lot of issues that are overlooked and processes that require more time to solve. Against this backdrop, I believe that new forms of collaborative consultation services will be created through which we can offer implementation in a shorter period and delivery time using our high-speed PoC development skills, as one of our strengths.

Not only sticking to the existing contract-type business, we plan to utilize our client base by offering and providing our own solutions for the potential business requirements that we identify through our efforts to see beyond the given tasks. We will continue to realize medium- to long-term growth while further solidifying our customer base.

### Results of the first year of the First Medium-Term Management Plan and issues

VISION 2026 comprises two three-year medium-term management plans. The first medium-term management plan spans FY2021 to 2023, and has a set of Key Performance Indicators (KPIs) in its financial and non-financial aspects.

In FY2021, the first year of the plan, we were able to achieve very satisfactory results in our financial indicators, including return on equity (ROE), compound annual growth rate (CAGR) in sales and operating margin. However, productivity indicators indicate that sales per person requires improvement. We will ensure that we meet this indicator by the final year of the plan by improving the productivity of individual projects through the enhancement of automation and multitasking.

In terms of the non-financial indicators this year,

there are many issues remaining to be addressed. Our business relies on human capital and we are aware that workstyle reform for our employees is indispensable for sustainable business improvement. We have to give the highest priority to addressing this issue in the future.

On the 50th anniversary ceremony of our foundation, I emphasized to our employees the importance of well-being for the company to continue growing and contributing to society. I believe that well-being means that employees are mentally and physically healthy, work with a sense of fulfillment in an appropriate environment and experience their own growth in their work. To reinforce the system that will ensure that we grow into such a corporation, we are putting our full efforts into the four areas of the non-financial indicators: promotion of

diversity, workstyle reform, active communications and human resource development.

The COVID-19 pandemic turned over our strong business style of working together with face-to-face communications. However, we have to take this change as a business chance for the CUBE SYSTEM Group. How could we achieve a physically "gathering" workstyle using different means? We pressed forward with our desire to diversify our own way of working by employing our specialty—the power of IT.

### Promoting Sustainable Management

In November 2021, we established our Sustainability Management Basic Policy and fully introduced Sustainable Management to increase our corporate value and resolve social issues. The most important business resource for our Sustainable Management is human capital. Human capital is the source of our intellectual property (IP) and reinforcing IP has the highest priority in our business. Through Sustainable Management, we aim to achieve a fruitful sense of well-being through which both employees and the company can grow and share results together, while also ensuring our business remains sound and sustainable. We are improving personnel system and revising human resources development programs to achieve our purpose.

We aim to nurture the six capitals, including human capital, and create financial value by utilizing these to provide valued services to customers. The financial capital created through such efforts together with human resources who possess advanced expertise and skills then create further new value. Retaining and improving this cycle forms the value creation process in our Sustainable Management.

Communications & Mutual Respect is our basic attitude toward Sustainable Management. I cherish every opportunity for dialogue with all our stakeholders. This kind of dialogue, whether direct or indirect, is the only way that we can share our thoughts and communication. We will be able to resolve difficult issues if we can respect each other regardless of differences in experience and standpoint. I manage CUBE SYSTEM based on this belief.

### Developing professionals

As already mentioned, improving our human capital is extremely important for our Sustainable Management. At the same time, one aspect of the problem is that the IT industry is said to face a shortage of skilled engineer. This is a well-known problem that is expected to become even more serious. If we take the wrong measures, this problem may even hinder maintenance of the IT infrastructure that is indispensable for daily life, and have a negative impact

not only on our company but on society as a whole. To address this problem, we are determined to direct our efforts over the long term to developing skilled engineers.

As a first step, we plan to reform our management style to enable managers to see their work from a higher viewpoint and give more time to medium- to long-term issues while continuing to manage their ongoing project. Our group leaders are expected to act on their

own initiative to start and run their projects while paying attention to organization management. However, to fulfil both roles, they may sometimes need to put a lower priority on non-urgent but important themes which, I think, have a negative influence on our medium- to long-term business. Therefore, I would like our managers to actively focus on those issues that would address the company's medium- to long-term issues. We will consider concrete actions for this purpose, as well as for the development of a management infrastructure, which is one of the priority measures in our first medium-term management plan.

For young employees, who support the current leaders and are candidates to be next leaders in the future, we have a training curriculum that includes clear requirements for the skills and abilities that they need to acquire between their second and seventh year of employment. We are also considering preparing multiple career paths so that employees can plan and choose their own careers with our training curriculum.

In addition to these systems, I would like our employees to continue to broaden their vision with self-directed learning so that they develop into engineers with multiple skills. If they can adopt the customer's viewpoint when engaging in their day-to-day tasks, they will naturally be able to see what they have to do next. "While stacking the bricks, visualize the building and the people who will gather there." This is the view that I would like my employees to have. I hope that each of our employees grows into a professional possessing a broad viewpoint and who can gain the deep trust of our customers and lead the future of CUBE SYSTEM.

### Maintaining an excellent presense in the future

Fifty years ago, for business corporations a computer was a mere support machine for paperwork in an office. It was originally a single task machine. Then it grew into a multitasking system that processed multiple jobs, and which now operates across companies, networked with databases and many other services.

The children of today who carry the future use smartphones and tablets naturally and they learn simple programming to develop their logical thinking. They are native to digital technology and have become increasingly IT literate. By the time they grow up to adult, IT will have advanced more than it has done in the last 50 years. I assume that most things will be networked over the next 50 years and that connectivity will contribute to resolving many social issues. I hope that our CUBE SYSTEM will be a part of such a large network. To realize this, it is an absolute requirement to maintain the high quality of our work. One small failure in a large network could have a negative effect on the whole of society. Such a future is imminent. Our desire to constantly provide high quality stable technologies and services will remain the same in the future.

To consolidate our position in the future, we want to be recognized as a true partner by our customers by providing systems and solutions that are one step ahead of their expectations. Through these efforts, we commit to sustainable growth for our stockholders and investors.

The future of CUBE SYSTEM will actually be created by each employee. Therefore, I would like to serve this company and create an organization in which all employees look upwards at a high target and willingly strive toward it. My faith is to "think, resolve the issue, and create the future always together with our employees."

Please stay with us to see how we grow toward the future.

# Sustainability Management

CUBE SYSTEM Group believes it is important to contribute to society by connecting the resolution of social issues to its business. Our Sustainability Management Basic Policy was established in November 2021 to promote Sustainable management that leads to an improved corporate value and resolution of social issues.

## Sustainability Management Basic Policy

CUBE SYSTEM Group understands the responsibilities and roles it must fulfill for the development of society and works on improving its corporate value and resolving social issues with the business and community activities of each and every one of its employees.

### 🔷 Sound business management
- Achieve highly effective, transparent and reliable business management by sharing its empathy, thoughts and co-creation ideas with all of its stakeholders.

### 🔷 Compliance
- Execute its business activities with transparency, equity and integrity in compliance with social norms.

### 🔷 Respect for human rights
- Support international norms on human rights and respect for human rights in all its business activities.

### 🔷 Fair trade
- Reinforce its trust with business partners through free and equitable competition and fair trade.

### 🔷 Sustainable services
- Contribute to the growth of its clients' business and maximize client value.
- Provide services with originality, innovativeness and high added value.

### 🔷 Workplace that nurtures work fulfillment
- Build and develop workplaces where diverse employees are able to work with a sense of fulfillment, as well as sound mental and physical health, and where each employee can exert their own distinctive characteristics and capabilities to the full extent.

### 🔷 Contribution to local communities and society
- Contribute to the development of lively and comfortable local communities and societies.

### 🔷 Environmental preservation
- Practice environmentally friendly management through business activities to contribute to reducing the environmental impact and developing a sustainable society.

November 2021

# Value Creation Model

Each of our employees contributes to society through our business activities with the aim of increasing our corporate value. The opinions from our stakeholders are reflected in our business management and we will disseminate our value creation model to achieve sustainable growth resolve social issues and contribute to SDGs.
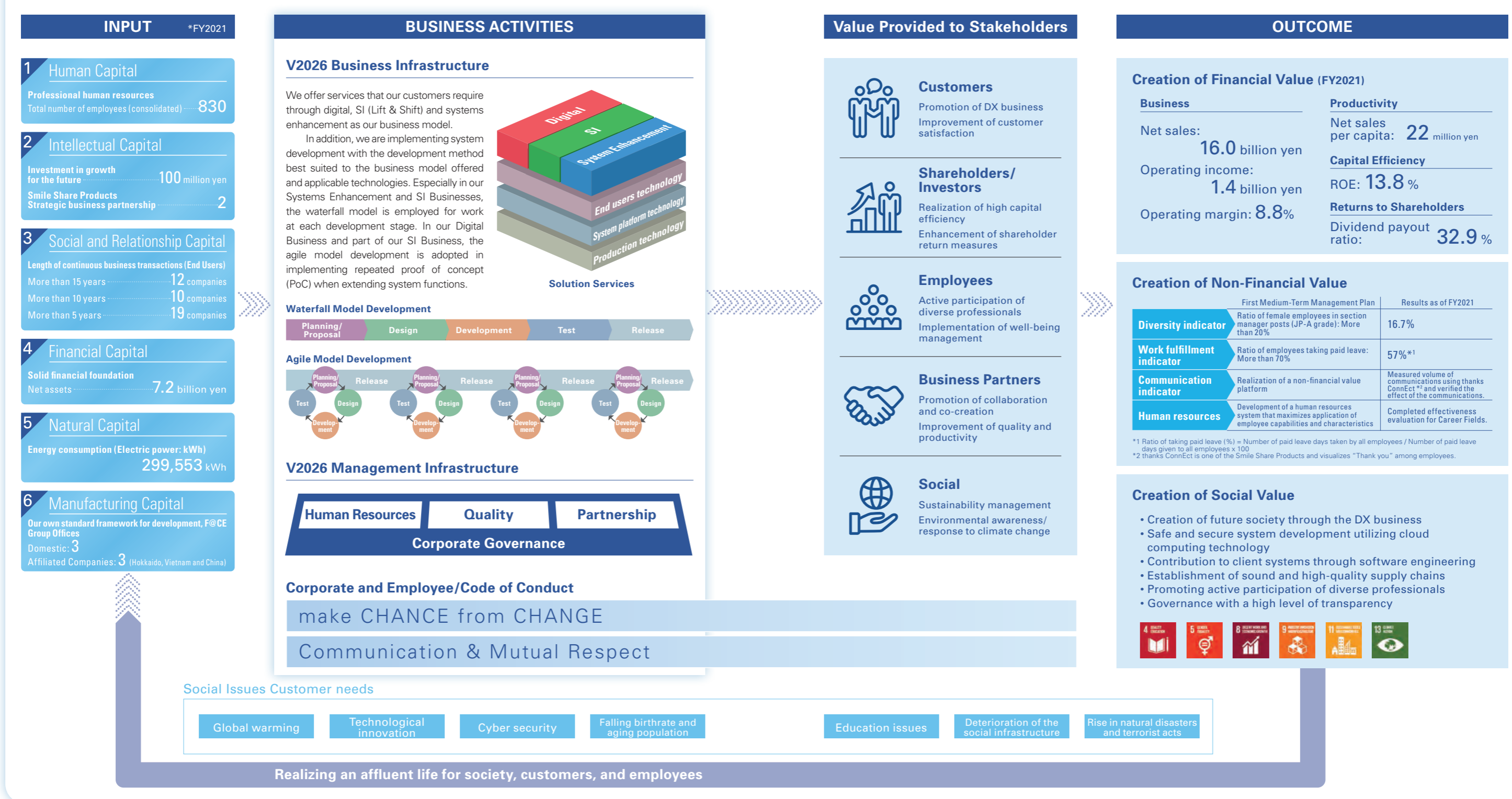
## Implementation of the　　　Corporate Philosophy

**V2026**

**All of our employees will contribute to society through our business activities to increase our corporate value.**

Employees think and act on their own initiative, pursuing their own ambitions and applying their own business mentality. Achieve business growth through planning and contract-type business.

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### INPUT *FY2021

**1 Human Capital**

Professional human resources
Total number of employees (consolidated) **830**

**2 Intellectual Capital**

Investment in growth for the future **100** million yen
Smile Share Products Strategic business partnership **2**

**3 Social and Relationship Capital**

Length of continuous business transactions (End Users)
More than 15 years **12** companies
More than 10 years **10** companies
More than 5 years **19** companies

**4 Financial Capital**

Solid financial foundation
Net assets **7.2** billion yen

**5 Natural Capital**

Energy consumption (Electric power: kWh)
**299,553** kWh

**6 Manufacturing Capital**

Our own standard framework for development, F@CE Group Offices
Domestic: **3**
Affiliated Companies: **3** (Hokkaido, Vietnam and China)

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### BUSINESS ACTIVITIES

#### V2026 Business Infrastructure

We offer services that our customers require through digital, SI (Lift & Shift) and systems enhancement as our business model.

In addition, we are implementing system development with the development method best suited to the business model offered and applicable technologies. Especially in our Systems Enhancement and SI Businesses, the waterfall model is employed for work at each development stage. In our Digital Business and part of our SI Business, the agile model development is adopted in implementing repeated proof of concept (PoC) when extending system functions.

Digital / SI / System Enhancement
End users technology
System platform technology
Production technology

**Solution Services**

**Waterfall Model Development**

Planning/Proposal → Design → Development → Test → Release

**Agile Model Development**

Planning/Proposal → Release (Test, Design, Development) ×4

#### V2026 Management Infrastructure

Human Resources | Quality | Partnership
**Corporate Governance**

#### Corporate and Employee/Code of Conduct

**make CHANCE from CHANGE**

**Communication & Mutual Respect**

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### Value Provided to Stakeholders

**Customers**
Promotion of DX business
Improvement of customer satisfaction

**Shareholders/Investors**
Realization of high capital efficiency
Enhancement of shareholder return measures

**Employees**
Active participation of diverse professionals
Implementation of well-being management

**Business Partners**
Promotion of collaboration and co-creation
Improvement of quality and productivity

**Social**
Sustainability management
Environmental awareness/response to climate change

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### OUTCOME

#### Creation of Financial Value (FY2021)

**Business**

Net sales: **16.0** billion yen
Operating income: **1.4** billion yen
Operating margin: **8.8%**

**Productivity**

Net sales per capita: **22** million yen

**Capital Efficiency**

ROE: **13.8** %

**Returns to Shareholders**

Dividend payout ratio: **32.9** %

#### Creation of Non-Financial Value

| | First Medium-Term Management Plan | Results as of FY2021 |
|---|---|---|
| **Diversity indicator** | Ratio of female employees in section manager posts (JP-A grade): More than 20% | 16.7% |
| **Work fulfillment indicator** | Ratio of employees taking paid leave: More than 70% | 57%*1 |
| **Communication indicator** | Realization of a non-financial value platform | Measured volume of communications using thanks ConnEct *2 and verified the effect of the communications. |
| **Human resources** | Development of a human resources system that maximizes application of employee capabilities and characteristics | Completed effectiveness evaluation for Career Fields. |

*1 Ratio of taking paid leave (%) = Number of paid leave days taken by all employees / Number of paid leave days given to all employees x 100
*2 thanks ConnEct is one of the Smile Share Products and visualizes "Thank you" among employees.

#### Creation of Social Value

- Creation of future society through the DX business
- Safe and secure system development utilizing cloud computing technology
- Contribution to client systems through software engineering
- Establishment of sound and high-quality supply chains
- Promoting active participation of diverse professionals
- Governance with a high level of transparency

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**Social Issues Customer needs**

Global warming | Technological innovation | Cyber security | Falling birthrate and aging population | Education issues | Deterioration of the social infrastructure | Rise in natural disasters and terrorist acts

**Realizing an affluent life for society, customers, and employees**

# 1 Human Capital

## Importance

One of the main elements in our management infrastructure is "our human resources." It is important for our sustainable growth that each employee fully exerts their ability as a professional in diverse fields. We regard our human resources system and related training programs to maximize their talents as important factors, and promote efforts for such systems and programs.

## Our Strength

Our system engineers are responsible for the entire process of customer communications, from initial meetings and offering various things through proposals, service operation and maintenance. Also, our training programs are tailored to improve expertise, transforming engineers into professionals with appropriate skills. Through these efforts our system engineers are playing active roles not only through their technical capabilities but also with a comprehensive business perspective.

## Efforts for Capital Improvement

### Our Approach Toward Human Resources

We seek "human resources with high expected value to achieve results and who grow together with our organization." The company cultivates such human resources into "self-reliant business persons."

The human resources we seek are those who can create business in a self-driven manner while respecting each other, and who can provide better social contributions through their growth as corporate members.

Our fundamental human resource approach is "We aim to reward employees based on their achievements and expected value."

The results we refer to concern the degree to which they are able to exert their skills in their daily business activities against their set action targets. Our results-based approach is designed to increase such effort. Based on past results, employees are expected the future performance and are thereby given a chance to grow. Such expectations drive the motivation of employees toward further growth and results, and in turn improve their rewards.

We believe that an organization as one team would enjoy enhanced results when such "self-reliant business persons" work together with mutual respect, sharing their excitement and joy of work. A corporate culture that embraces such joy in teamwork will create and improve both its corporate and social value.

Based on this idea, we continuously utilize the Plan-Do-Check-Act (PDCA) cycle to improve our human capital aiming to cultivate and empower diverse professional human resources.

### ● Human resource system

Our human resource system comprises the Skill and Qualification system that determines an employee's rewards based on their business capabilities, and the "Mission Grade system" that determines employees' job grades based on their performance results and expected value.

Each employee creates their career plan based on their vision of themselves in three years time, and sets targets that align with our organizational targets. Based on this, they create an action plan. The achievements realized toward their set targets are regularly reviewed and assessed.

Promotion opportunity is triggered and considered by their self-recommendation, in principle.

### Human resource career plan

We have a job grading system, in which a corporate mission is allocated to each individual and the individual's achievements are measured based on their mission roles. This is known as the mission grading system and such grading is composed of two types of job roles: managerial roles and professional roles.

Those in managerial roles are given organizational missions to take responsibility for developing human resources and carrying out the business plan while managing the organization and building trust with customers.

The professionals take responsibility for their given missions, such as gaining customer satisfaction or conducting high risk and complex projects, utilizing their intellectual value. Professionals up to and including the JP-A grade are trainees who will become future managers or professionals in the MP-B grade or higher.

### Human Resource Framework

| Grades | | Roles | |
|---|---|---|---|
| Classifications | Standard | Professionals Grades | Managers Grades |
| Executive | Equivalent to ITSS L4 (Advanced level of knowledge and business contribution) | SP | GD |
| Senior | Equivalent to ITSS L3 (Applied level of knowledge and business contribution) | MP-A | GM |
| | | MP-B | MG |
| Middle | Equivalent to ITSS L2 (Basic level of knowledge and business contribution) | JP-A | |
| | | JP-B | |
| Junior | Below ITSS L2 | General employees | |

## Human Resources Development

### ● New efforts in human resources development

To achieve the goals set in V2026, our medium- to long-term management vision, our human resources development aims and goals were determined as "Develop human resources who support our future business, thereby forming the necessary human resource portfolio." Our priority goals include establishing a human resources development scheme to support individual growth and creating a nurturing corporate culture that values human resources development, and we are promoting these.
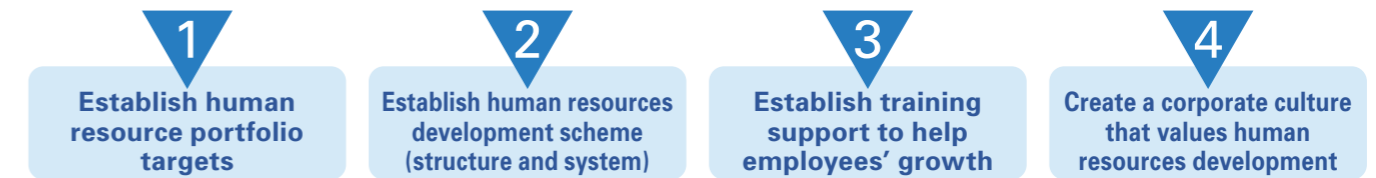
There are three types of human resources to be developed: (1) Professional IT-related human resources; (2) Corporate administration; and (3) Organizational managers. We are initially focusing on developing professional IT-related human resources.

### ● Defining career fields

In terms of developing "professional IT-related human resources", we defined 10 "career fields" as the framework of human resource types required by the company to internally recognize the concrete concept of "fields where every employee can play an active role." In clarifying the career directions and goals at which individual employees can aim through these "career fields" we aim to make it possible for each employee to work with a sense of purpose and grow with a clearer image of their future career.

Each career field is defined "an IT activity area," "achievements as a professional," and "contribution to business." Each employee sets their goals in these areas according to their career fields. Working toward these set goals should develop the employees and increase their human value.

### Priority Actions in Human Resources Development

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| Establish human resource portfolio targets | Establish human resources development scheme (structure and system) | Establish training support to help employees' growth | Create a corporate culture that values human resources development |

### Definition of Career Fields

| | | | |
|---|---|---|---|
| Professional IT-related human resources | Sales specialist | SS | Collect customer information, manage customer relationships, offer solutions to solve customer issues, plan and offer packaged solutions. |
| | System consultant | SC | Responsible for system consultation to solve various issues, including customers' business or management strategies. |
| | Project management specialist | PS | An assistant project manager. Oversee projects to manage their progress, handle issues & LIB management, etc. |
| | Project manager | PM | Manage (new) development projects, liaising between customers and team members. |
| | Application specialist | AS | Develop and maintain systems utilizing their advanced business and system-related expertise in a specific business field. |
| | Application engineer | AE | Develop and maintain systems by understanding customers' business issues and designing optimum solutions to such issues. |
| | Technical specialist | TS | Verify non-functional requirements related to methods, implementation, and performance assessment etc. utilizing their advanced expertise, including knowledge of latest technologies. |
| | Technical engineer | TE | Verify non-functional requirements related to methods, implementation, reliability, and performance assessment etc. utilizing their specialized techniques. |
| | Service manager | SM | Comprehensively manage operational services, such as system operations, monitoring, and help desks. |
| | Service engineer | SE | Assist in operational services, such as system operations, monitoring, and help desks. |
| Corporate administration | | CS | Administration members, including those in the departments of business planning, finance, accounting, human resources, general affairs, human resources development, and quality assurance, etc. |
| Organizational manager | | MG | Manage organizational targets, business progress, quality assurance, human resources development, labor affairs management, etc. |

### Developing professional IT-related human resources

Professional IT-related human resources in our company acquire "skills in a step-by-step" manner according to their career stage. For younger employees, their annual goal is to accumulate the basic skills. Then they increase their range of experience and work record by being involved in various projects, aiming to become a high-end engineer within their specialized field.

To realize this development procedure, it is important to offer "opportunities" under an appropriate mentor, "selecting both the timing and the skills to be acquired" and "motivating employees to work for their growth." As we believe that OJT is the most important means of human resources development, we are encouraging our mentors to develop human resources in a purposeful and systematic manner.

### Human Resources Development Program

#### Human Resources Development Guidelines

Based on our Management Philosophy, Basic Policy and the ideal human resources we seek, as well as our business plan and industry trends, we develop human resources according to our overall development framework, "Human Resources Development Guidelines." Led by our Center for Future Human Resources Development, we raise awareness and disseminate this guidelines among our employees. We defined "six basic skills" that combine a Balanced Scorecard criteria and our unique values. Our human resources are required to have these "six basic skills" and a further "three applied skills."

### Distributing the Groupwide Human Resource Development Handbook

We created and distributed a handbook for employees to help deepen their understanding of career fields of professional IT-related human resources. The book is used for employees to confirm results, range of work, the roles, qualifications, skills, and project results required per career field. The aim of the handbook is to renew employees' aware of the concrete skills and abilities expected in their own career fields and encourage them to pursue a higher position. We continue to offer a range of support for employees to set up clear goals and grow towards them in a planned manner.

### Groupwide training

Groupwide training was revised to systematize it with the aim of creating a training cycle that would motivate employees to strive to "acquire the right knowledge, skills, and mindset at the appropriate time." We divided our training programs into two categories: "Professional Training," to improve specialized knowledge as a professional; and "Job Level Training," to provide the skills and mindset necessary as one of our employees. These programs are arranged and offered in the order of priority. In-house training content is being updated into a consistent program by reinforcing the basic IT skills of young human resources and making the goals and expected roles clear at each job level.

### Support for qualifications

One of our viewpoints, the "Human Resources Development/Inspiration Ability," required within the Technical Skills area, is indispensable to increasing corporate value.

To provide the optimum training and edification programs to each employee, we offer an incentive program for IT and customer communication qualifications, in addition to paying for certification examination fees.

#### Number of Qualified Employees (as of April 2022)

| | | |
|---|---|---|
| IT engineers | Basic IT engineers | 371 |
| | Applied IT engineers | 124 |
| | Advanced IT engineers | 60 |
| | Oracle DB | 158 |
| Advanced technologies | Oracle Cloud | 28 |
| | AWS | 104 |
| | LinuC | 64 |
| | JDLA G-certificate, E-certificate | G-certificate: 23 E-certificate: 6 |
| Customer communications | Retail Marketing Certification (Grades 2 and 3) | Total 107 persons |
| | Sales Representative Qualification (Class 2) | 5 |

### Achieved AWS 50 APN Certification Distinction

AWS Certification verifies the technical skills and knowledge associated with the Amazon Web Service (AWS) cloud technology. As the number of AWS Certifications within our engineers reaches over 50, we achieved "AWS 50 APN Certification Distinction."

### Cultivating DX human resources

We provide the "Top Runner Program" to train people in order to accelerate our digital business, which is a part of our Medium- to Long-Term Management Vision, V2026, and the growth strategy of the First Medium-Term Business Plan. We plan to increase the number and diversity of DX-oriented human resources by encouraging employees to obtain qualifications in the DX areas—including AI and by providing In-house education.

#### AI Top Runner activity

We established a groupwide community, "AI Top Runner," in 2019. The group members deepen their knowledge of AI from the viewpoint of AI implementation in business corporations. Activities planned in FY2022 include participation in an external AI model competition to gain practical experience, providing online and offline in-house training programs to raise the level of basic skills, and supporting the acquisition of qualifications for AI engineers, AI planners, and data scientists.

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**Professional IT-Related Human Resources Development**



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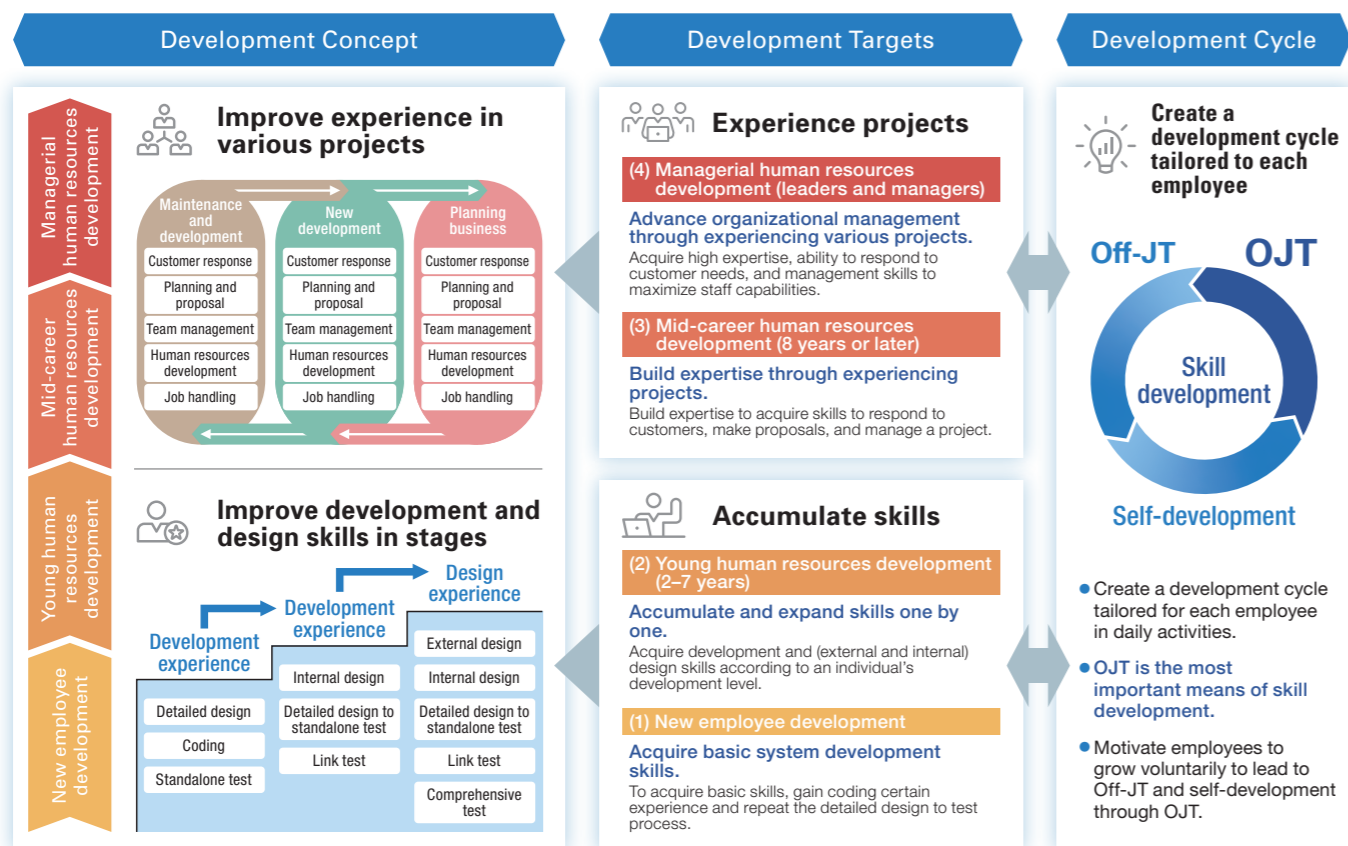
## CUBE SYSTEM's Human Resource Strategy

We are working to reform our business model according to our medium- to long-term management plan, V2026. We must exert our competitiveness amidst dramatic social changes in which DX is accelerating. For this purpose, it is essential that individual employees differentiate themselves through specialized knowledge and skills and aim at quality improvement in quality, human aspects, and skills.

To produce such optimum human resources, we established the Center for Future Human Resources Development in April 2021. "Future Human Resources" refers to all employees who are supporting the future of CUBE SYSTEM. The Center plays a pivotal role in groupwide human resources development, including building a systematic and continuous human resources development system.

As the first step in this plan, we have defined and clarified "career field" so that all employees can have a clear career image that fits their aptitude and growth levels.

In April 2022, we established the "Future Human Resources Portal" website to disseminate information concerning human resources development for our employees across our company. The website provides various information, such as our human resources development policy, the ideal human resources we seek, the medium- to long-term human resources development plan, Human Resources Development Guidelines, and details of career fields. It also offers information about employees who are ideal role models, including their skills, leadership style (i.e. how they exercise leadership), and work ethos. The corporate newsletter, "Future Human Resources/New Plus," is also available on the site.

The Center continues to implement "systematic human resources development" that will remain deeply within the company, rather than relying on "an ad hoc human resources approach." We will promote a corporate culture that develops new human resources for the future.

**Toshiro Kato**

Director, Center for Future Human Resources Development

# 2 Intellectual Capital

## Importance

Research and development (R&D) are required for development and improvement of business infrastructure from the medium- to long-term viewpoint. They are the essential driving force of our business development as new services and the continuing renovation of existing businesses realized by such R&D will directly lead to a profitable business. We continue to focus on R&D, aiming to contribute to resolving social issues through their results.

## Our Strength

The CUBE SYSTEM Group is researching and developing cloud solutions, AI, blockchains, etc. as part of active investment in advanced technologies, creation of new businesses and development of new technology within the Group. In particular, our demonstration experiment of DX technology is showing certain results. We are also improving the services we provide through collaborations with other technology companies.

## Efforts for Capital Improvement

### Approach to Research and Development

Our R&D activities are categorized into Fundamental R&D and Developmental R&D.

Fundamental R&D is research required for the development and improvement of business infrastructure from the medium-term viewpoint. This includes research on the latest information technologies (ITs) and their feasibility investigation. Developmental R&D covers research to make various ITs market-ready—such as commercialization of new services, renovation of existing businesses, reform of production methods, etc., aiming at monetization or utilization in a profitable business after completing R&D.

### Smile Share Products

#### ◼ Utilization of AI and blockchain technologies

The lack of communication that resulted from the diversification in working styles encouraged by the COVID-19 pandemic has made some people feel anxious and they may find it difficult to stay motivated. We have developed a unique solution to this social issue with our Smile Share Products, which use IT to resolve issues with employee engagement and non-contact communication in the new era of teleworking.

#### ◼ Patent granted for contactless AI facial recognition system

In February 2021 we obtained a patent for our touchless payment service that uses an AI-based facial recognition system. The patent was granted for "a series of input system/program and methods to make payments by recognizing the face of the user and a specific payment gesture." This technology is used in our own non-contact payment service, Smile Regi.

### ◼ Function expansion of internal cryptocurrency

In August 2021, we added a self-gift function to an e-gift exchange service, combining the digital gift service "giftee for Business," provided by giftee Inc., and our own internal cryptocurrency, Cubecoin. This service allows employees to receive corporate welfare wherever they are, especially in these times of work-at-home when working styles are varying. We plan to expand the scope of the service by the usage analysis of the service in the company.

**Smile Share Products**

| Sending "Thank you" | Users | Use collected "Thank you" points |
|---|---|---|
| thanks ConnEct | Cubecoin | Smile Regi |
| Visualize "Thank you" via our internal SNS platform | Peer-to-peer bonuses can be given using internal points | Non-contact payment using smile and peace sign delivers communications at breaktime |

Visualized "Thank you" can be sent to each other

**Peer-to-Peer Bonus Network* Cubecoin**

Supports engagement among employees using blockchain technology

\* Peer-to-Peer Bonus Network: A network through which colleagues can send their appreciation to each other as cryptocurrency to acknowledge work results, advice received, or study group and social contribution efforts.

### \<thanks ConnEct>
### Usable as management support tool

Employees can collect a "Like!" through the internal SNS platform. This visualizes the quantity and quality of employee communications. We are able to identify if there are employees being left out in their groups or key members in the organization and community.

### \<Cubecoin>
### Internal blockchain platform using Ethereum

Appreciation among employees can be expressed with internal points as a peer-to-peer bonus. Such casual appreciation encourages their engagement to work and builds a better ground for communications.

Cubecoin is given as a gift for attending an internal event, as a company award, as a reward for cooperation support, at Christmas time, etc.

### \<Smile Regi>
### Payment in three seconds—non-contact payment service with patented facial recognition technology

Smile Regi is a payment service using Cubecoin exchanged among employees. Cubecoin can be sent to start up communications or as a self-gift. The service is combined with the facial recognition engine, AIZE, and an AI hand recognition model (patent number 6839324)

Employees can pay with a smile and a peace sign without cash or mobile payment.

### Improving well-being

Employees can receive Cubecoin by exchanging a "Like!" through the SNS used inside the company. This encourages employee communications and improves their well-being. Accumulated Cubecoin can be used for themselves or given to colleagues, together with a message, to express appreciation. This is expected to produce a positive workplace atmosphere as someone's appreciation is visualized in the form of our internal cryptocurrency, thereby fulfilling the need for approval.

Our Smile Share Products should contribute to society as a series of services that promotes "an appreciation economy," through which people recognize and praise each other. This can be utilized between a company and its employees, or among employees. We are also starting to use this Smile Share Products as a "non-financial value platform" that contributes to our employees' well-being and increases our company's exclusive value. The product is also being implemented in overseas subsidiaries. Based on the usage trials in our group companies, we will enhance service commercialization in the next fiscal year to contribute to resolving the issues faced by our customers.

## Promotion of Research and Development

We conduct groupwide research and development of cloud solutions, AI, and blockchain for new business development and internal implementation of new technologies. We are currently surveying and assessing SaaS-related technologies and developing solutions that can be adopted into our services.

### ◼ Partnerships with solution vendors

#### Business and capital alliance with Tripleize Co., Ltd.

In August 2018, we concluded an agreement for a business and capital alliance with Tripleize Co., Ltd. Tripleize specializes in AI image recognition technology and provides a range of AI platforms. We are accelerating our business expansion though joint research and development towards the creation of new DX-based businesses and promoting DX-related human resources development through joint AI training programs and projects.

#### Business partnership with Kinaxis Japan K.K.

We concluded a business partnership agreement with Kinaxis Japan K.K. in November 2020. We are now training our employees by building knowledge and technological skills concerning the RapidResponse® supply chain management platform provided by Kinaxis, while also participating in actual projects. We will keenly continue such collaboration with the company to expand into new business areas.

\* RapidResponse is a trademark or  a registered trademark of Kinaxis Corp.

#### Certified partnership with ServiceNow Japan

We concluded a Certified Partnership Agreement with ServiceNow Japan in April 2021. The ServiceNow components further empower our system operation knowhow and skills so that we can reform existing business models effectively.

## Patent/Registered Trademark

We regard the value of our services and business models as an important factor that contributes to improving corporate value and further developing our business. Therefore, our DX Promotion Office leads active acquisition and protection of the trademarks and rights to such services and models.

| | FY2019 | FY2020 | FY2021 | Total |
|---|---|---|---|---|
| Number of registered trademarks | 6 | 9 | 8 | 23 |
| Number of registered patents | 0 | 1 | 1 | 2 |

# 3 Social and Relationship Capital

## Importance

It is indispensable for our sustainable growth to build relationships with the various stakeholders that surround our business, including customers, business partners, stockholders, investors, and employees. We are working to build such relationships from a medium- to long-term perspective.

## Our Strength

Our systems engineers communicate directly with customers, listening to their issues and the challenges they face. This helps us to gain the trust of our customers and ensure that they are satisfied. We build a solid customer base and trusting relationships through our software engineering services that result in customers being able to utilize our technologies and services and enjoy their value for a long time.

## Efforts for Capital Improvement

### Solid Client Base

We support customers' businesses through our long-term partnerships. We have been providing our services to the industry's top-class corporations through partnerships with major system integrators and IT subsidiaries.

Through such long-term business partnerships, we have built up our business performance, experience, and knowhow. These are our important assets, and we continue to contribute to client business development through our software engineering.

A Client Base (End Users) That Spans Industry Boundaries

Others
Net Sales: 3.3 billion yen
Central government
Electric Power company
Education business company

Manufacturing industry
Net Sales: 1.2 billion yen
Construction machine manufacturer
Food manufacturer

Transportation and Telecommunication industries
Net Sales: 4.2 billion yen
Comprehensive telecommunications company
Shipping company
Mobile telecommunications company

Finance industry
Net Sales: 3.9 billion yen
Bank
Life insurance company
General insurance company
Securities company

Distribution industry
Net Sales: 3.3 billion yen
GMS (General merchandise store)
Apparel company
General trading company
Mass merchandizer

Results of FYE2022
21% / 24% / 21% / 27% / 7%
Composition (%)

Length of Continuous Business Transactions (End Users)

| More than 15 years: 12 companies | Major retailer, major bank, major GMS (General merchandise store), central government, major DIY store, securities company, etc. |
|---|---|
| More than 10 years: 10 companies | Major credit card company, manufacturers, major telecommunications company, education business company, etc. |
| More than 5 years: 19 companies | Major gas supplier, major life insurance company, major mobile telecommunications company, etc. |

### Nomura Research Institute, Ltd.

Since the conclusion of a basic agreement in March 1988, we have continued to provide system solution services to Nomura Research Institute. After building up our long-term trust, we were specified as an e-e partner in 2008.

### Fujitsu Limited

Since the conclusion of a service agreement with Fujitsu Limited in June 1984, we have been providing system solution services for their projects in the finance industry, telecommunication industry, and in central government.

#### Customer satisfaction survey

We conduct a customer satisfaction survey every year with the goal of "creating customer benefits" and "creating customer satisfaction." "Customer satisfaction is not a result, but a goal we should set and aim at from the start of a project." Based on this idea, we reflect the survey results into our management plans. As a result of these efforts, every year many customers express their high level of satisfaction in this survey.

Customer Satisfaction
(points)
100
80 — 65.39 / 66.34 / 63.97 / 67.30 / 69.49
60
40
20
0
FYE 2018 / FYE 2019 / FYE 2020 / FYE 2021 / FYE 2022
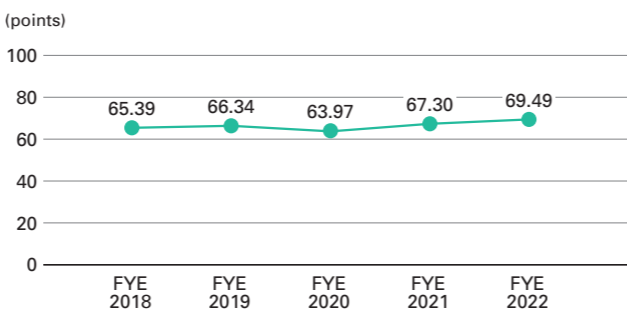
* Each evaluation point (quality, improvements of issues, comparison among competitors, etc.) is calculated to a 100-point maximum.
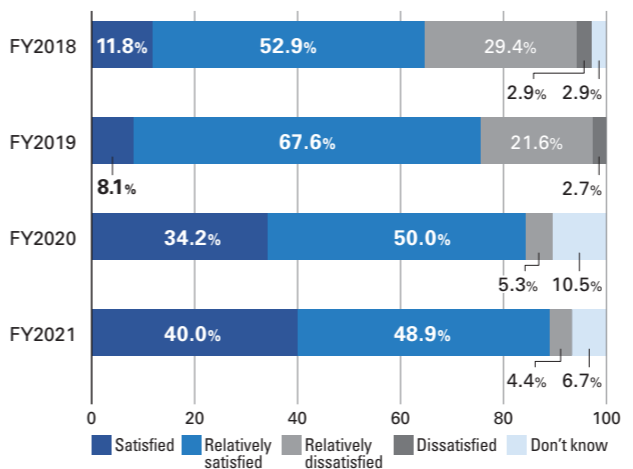
#### Survey results summary

The FY2021 survey results showed better customer satisfaction than the previous year. The respondents gave a high appraisal of the communications skills and expertise of project managers, and the QCD* of the projects. At the same time, we learned that we have an issue with human resources development and service proposals. In FY2022, we will implement efforts to improve customer satisfaction based on these survey results.

* QCD: Quality, Cost, and Delivery.

### Evaluation of project quality

We have introduced a customer satisfaction survey to evaluate project quality as well. In the FY2021 results, 88.9% of customers were satisfied with the quality of the project output (total of "Satisfied" and "Relatively satisfied" in the table below), and this percentage has increased for three consecutive years since FY2018. The fact that the percentage of "Satisfied" has grown to 40.0% indicates that the quality of our projects has improved over the years.

Evaluation of Project Quality

FY2018: 11.8% / 52.9% / 29.4% / 2.9% / 2.9%
FY2019: 8.1% / 67.6% / 21.6% / 2.7%
FY2020: 34.2% / 50.0% / 5.3% / 10.5%
FY2021: 40.0% / 48.9% / 4.4% / 6.7%

Satisfied / Relatively satisfied / Relatively dissatisfied / Dissatisfied / Don't know

### Collaborations with Business Partners

Trustworthy relationships with our external business partners are indispensable for providing system solution services to our customers that lead to sustainable growth.

We share medium- to long-term challenges with our major business partners to maintain open and trusted cooperation. Particularly for those business partners with whom we can share our medium- to long-term vision, we enhance our collaboration beyond simply joint business projects to mutually increase corporate value.

#### Business plan briefing for business partners

We provide a business plan briefing for business partners every year. The briefing covers the performance of the previous fiscal year, organizational structure for the current fiscal year, business and market outlook, business plans of the DX Promotion Office and each solution business division, and details of collaboration with business partners. This briefing is to raise the level of understanding of our businesses and reinforce cooperation with partners.

In FY2021, we held this briefing online due to the COVID-19 pandemic.

#### Concluding capital and business partnership agreement

**Systemcreate Co., Ltd. (May 2005)**

Agreement summary: The agreement is to jointly work on business channel expansion, quality and technological enhancement, information security management, and improving and streamlining business management methods related to human resources development programs.

**Tripleize Co., Ltd. (August 2018)**

Agreement summary: The agreement is to develop new businesses and expand business fields, as well as developing human resources with AI, IoT, and blockchain technologies.

## Communications with Stakeholders

We appropriately disclose information related to our business activities to stakeholders though different media, including our official website. We constantly offer various communication opportunities for our stakeholders to give us their comments and evaluations, which we then reflect in our business activities.

#### IR activities for individual investors

We are keen on IR activities for individual investors. In FY2021, we participated in a webinar for individual investors held by Nomura Investor Relations Co., Ltd. In March 2022, President Nakanishi appeared in an IR program on the Nikkei CNBC channel, "Aggressive IR—Market Breakthrough" and talked about our business details, strengths, growth strategy, and returns to stockholders.

For individual investors meeting
https://www.cubesystem.co.jp/en/presentation/

#### Participating in the Blockchain EXPO

We participated in the Blockchain EXPOs held in April and October 2021, and displayed our own products, the Smile Share Products. In the October EXPO, some 300 visitors tried our Smile Regi demonstration. Explanations about the background and approach of product development by our booth members successfully enabled many visitors to gain a better understanding of our intellectual property (IP).

Communication Opportunities with Our Stakeholders

| Stakeholders | Communication opportunities |
|---|---|
| Customers | • Satisfaction survey • ACR* activities |
| Shareholders & investors | • Shareholders meetings<br>• Letters to shareholders<br>• Seminars for individual investors |
| Employees/ Employees' families | • Various training programs<br>• Dialogues with top management<br>• Communication events<br>• Thanksgiving Day (Family Day) |
| Business partners | • Information sharing meetings<br>• Business plan briefings<br>• Partner hotline |
| Society | • Free lecture donations<br>• Participation in community activities |

* Advanced Customer Relationship. This is a report activity of the project with comprehensive PDCA cycle results.

# 4 Financial Capital

## Importance

Maintaining and strengthening a sound and secure financial structure is one of the key factors in our sustainable growth. We also regard returning profits to shareholders as one of the most important factors in business management. Therefore, we value maintaining the management infrastructure to ensure business continuity.

## Our Strength

Since our foundation, we have been maintaining our growth power, which in turn steadily increases our sales. Our capital efficiency and operating margin have been stable over the years, retaining substantial profitability. Based on this sound financial operation, we are realizing sustainable growth through active investments as well as returning profits to shareholders.

## Measures for Capital Increase

### Business Management Indicators

We established a Medium- to Long-Term Management Vision, V2026, and the First Medium-Term Business Plan, which spans FYE2022 to FYE2024 and focuses on the following three indicators. The table below shows the indicators and their results as of FYE2022

| Business Indices and Results | Indicators (FYE2022 to FYE2024) | Results as of FYE2022 |
|---|---|---|
| ROE | 13% or higher | 13.8% |
| Consolidated operating margin | 9.0%*1 | 8.8% |
| Consolidated net sales per capita*2 | 23,000,000 yen | 22,548,000 yen |

*1 The target was amended upwards from 8.0%, as reported in the Announcement of Amendment in Financial Targets in the Medium-Term Management Plan, released on May 11, 2022.
*2 Excluding overseas subsidiary employees

### Financial Status as of FYE2022 (Consolidated)

**Assets ●** Our current assets totaled 7,805 million yen, which was a 551 million yen increase over the previous fiscal year. This was mainly due to the 590 million yen increase in cash and savings. Non-current assets totaled 2.259 million yen, with an increase of 68 million yen over the previous fiscal year. This was mainly due to the 108 million yen increase in investment securities and a 44 million yen decrease in deferred tax assets. As a result, total assets reached 10,064 million yen, an increase of 620 million yen compared to the previous fiscal year.

**Liabilities ●** Current liabilities totaled 2,199 million yen, showing a 158 million yen decrease from the previous fiscal year. This was mainly due to a 139 million yen decrease in the corporate income tax payable and a 40 million yen decrease in short-term loans payable. Non-current liabilities were 650 million yen due to a 79 million yen increase from the previous fiscal year. This was mainly due to an 80 million yen increase in the share-based allowances reserve. As a result, total liabilities were 2,850 million yen, a decrease of 78 million yen compared to the previous fiscal year.

**Net Assets ●** Net assets totaled 7,214 million yen, which was a 698 million yen increase over the previous fiscal year. This was mainly due to a 438 million yen increase through decreasing our treasury stocks, as well as a 357 million yen increase in retained earnings.

### Investment Evaluation Committee

To grow our company, we need to be a pioneer and develop a process to generate new businesses and new business fields. At the same time, some risk is inevitable when starting something new. Therefore, decision-making and control processes are essential to protect corporate value and business. We established the Investment Evaluation Committee, chaired by an appointed director, to ensure that investments and capital injections are based on management judgement rules. The Committee met eight times in FY2021 to deliberate on assessments of R&D for our products, make interim reports, and create and evaluate investment plan for collaborations with cloud vendors. To ensure that our business resources are allocated properly, the Committee assesses the appropriateness of investments, R&D, and investment in business reforms.

### Dividend Policy

We believe that it is a listed company's responsibility to return profits to shareholders, and we regard this as one of the most important factors in business management. We endeavor to improve our performance and increase shareholders' asset value through stable dividends and increasing market capitalization value. While securing the internal reserves necessary to strengthen our management structure, we will maintain steady dividends, with a dividend payout ratio of about 35% on a consolidated basis as a return to shareholders.

**Changes in Total Amount of Dividends** (million yen)

| FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|---|---|---|---|
| 224 | 222 | 251 | 278 | 324 |
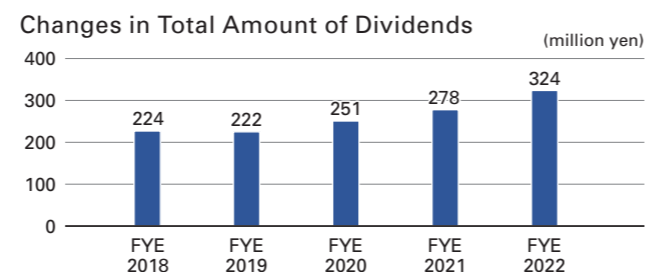
# 5 Natural Capital

## Importance

As a part of our sustainability management, we recognize the importance of the issues addressed in the SDGs and are actively working to contribute to them. Particularly for environmental issues, we established our Environmental Policy to constantly improve the company's environmental management system.

## Our Strength

We are promoting corporate activities to help resolve environmental issues, such as obtaining ISO 14001, the international environmental management certification, and announcing our endorsement of the TCFD. We are operating an environmentally conscious business to contribute to issues concerning our customers' environmental risks.

## Efforts for Capital Improvement

### Environmental Management

Our Environmental Policy states, "Practicing environmentally friendly management through business and contributing to reducing our environmental impact and building a sustainable society" to continuously improve the environmental management system. We obtained ISO 14001 in 2005 and our business activities comply with this standard.

We continue paying careful attention to the environment in our business activities by setting concrete targets and improving environmental performance through regular reviews.

### Efforts for TCFD

**● Governance**

The CUBE SYSTEM Group regards climate change as an important management issue. Our awareness of the importance of climate-related financial disclosure led to our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Report in November 2021. We are steadily disclosing our environmental information in compliance with this report.

Based on Science-Based Targets (SBT), we will set targets to reduce our greenhouse gas emissions. We will also promote initiatives to reduce all our emissions.

**● Strategy**

We conducted a scenario analysis on our business to clarify risks and opportunities derived from climate change and establish a strategy to minimize such risks and maximize the opportunities. We created a 2°C and a 4°C scenario. We estimated the financial impact on the Group's business and accounting from climate change according to each scenario (a sales-based calculation was used for the estimates per net sales or operating income), and those with an impact of 100 million yen or greater were categorized as "large impact," those between 10 million yen to less than 100 million yen were "medium impact," and those with less than 10 million yen were "low impact." We aim to establish sustainable management by applying our findings related to risks and opportunities obtained through this scenario analysis to our business strategy.

**Risks and Opportunities Identified by Scenario Analysis** (as of March 2022)

Legend
[Risks & opportunities] Opportunity: ○ Risk: ×
[Business and financial impact] Large impact: ↑, Medium impact: ↗, Small impact: →

| Types of risks and opportunities | | Categories | Categories Expected changes (examples) | Risks & opportunities* | Business and financial impact | |
|---|---|---|---|---|---|---|
| | | | | | 2°C scenario | 4°C scenario |
| Transitional risks and opportunities | Policy | • Decarbonization | Introduction of carbon tax | × | → | |
| | Technology | | Expansion of demand for energy-related services (e.g. blockchain carbon accounting, and related management system) | ○ | ↑ | |
| | | | Shift to more power-efficient cloud systems | ○ | ↑ | |
| | Efficient resource usage | • Reduction in labor population • Increase in remote working population | Communication issues due to increase in remote working | ○ | ↑ | |
| | | | Acceleration of accepting medium- to long-term foreign workers | ○ | → | |
| | Market | • Increase in environmental awareness • Reinforcement of regulations | Consideration of investors' ESG factors | × | → | |
| Physical risks and opportunities | Long-term | • Climate changes • More frequent natural disasters | Extreme weather (damage from storms) | × | | ↗ |
| | | | Rise in average temperatures | × | | → |

* Risks and opportunities are defined in accordance with TCFD types and categories.

# 6 Manufacturing Capital

## Importance

Providing high-quality services that satisfy customers leads to their safety and to the trust they put in us. We are working with the emphasis on the development of an organization and environment to provide even higher quality services.

## Our Strength

We have been providing system solution services to a number of customers over the years, enabling us to gain a range of knowhow. Utilizing such knowhow, we are building a quality control system to ensure we continue to provide high quality services. We are also actively improving our service quality through developing a new platform for project development and management.

## Efforts for Capital Improvement

### Basic Approach of Quality Management

With our customer first policy, we have established a quality policy that defines the fundamental attitude and initiatives needed to provide services that excel in quality and satisfy the customer. We work to ensure that the quality policy is understood by all employees when providing service as IT specialists.

#### ◼ Quality Policy

In mobilizing its technical, management and organizational capabilities to provide quality services that ensure customer satisfaction, guidelines and relevant rules and regulations have been established for the following activities.

1. Appropriate execution of project management through clear definition of the objectives and goals of the project and development of project plan.
2. Assessment of project status through review meetings for early detection of risks.
3. Third-party monitoring of projects to provide organizational support depending on the project status.
4. Analysis of the differences between plan and performance in each process (phase) for quality evaluation.
5. In the event of faults or problems, swift escalation of an investigation into the root causes to introduce measures to prevent any recurrence.
6. In ongoing business relationships, continuous business improvement activities are organized in response to changes in customer needs and environmental conditions.
7. F@CE (our own standard framework for development) has been established to allow methodologies and knowhow in system development, administration and management to be shared and for improvements in quality and productivity.

#### ◼ Framework to provide high quality

We have been providing system solution services to many customers over the years, and through our experience we have acquired and improved our service provision knowhow. Integrating such knowhow, we created our own standard framework for development, F@CE*, (patent number 6483227) that standardizes processes, activities, and tasks relating to service provision. We develop high quality systems by sharing and utilizing this framework across the Company.

\* Framework@CUBE's Engineering

#### ◼ Quality management structure

Placing the highest priority on our quality policy, we have established Project Management Regulations and Project Management Guidelines, which lay down the principles that employees need to be familiar with and follow when managing our system solutions services. We also use F@CE to implement our concrete development procedure and knowhow.

Quality Management Structure

- Basic Policy — Quality Policy
- Project Management Regulations / Project Management Guidelines
- Our own standard framework for development F@CE (Framework@CUBE's Engineering)
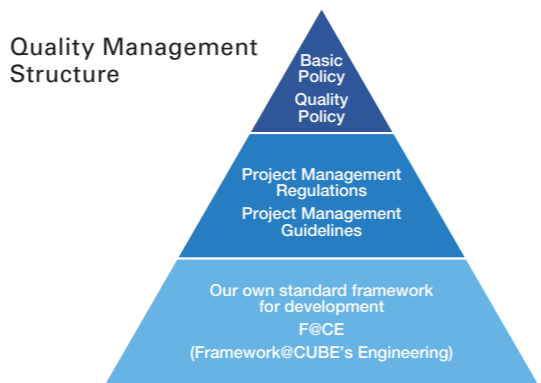
### Project Management System

We facilitate smooth project administration and early detection/swift response to project risks through project risk management at each sales division, as well as throughout the Group, in order to prevent project losses.

## Quality Management System

Under our Quality Policy, we acquired ISO 9001 certification in 2001 for continual improvement of our quality management system and to provide customer satisfaction with our quality and efficiency. For future improvements in customer satisfaction, we are making efforts to introduce greater advances in our quality improvement activities.
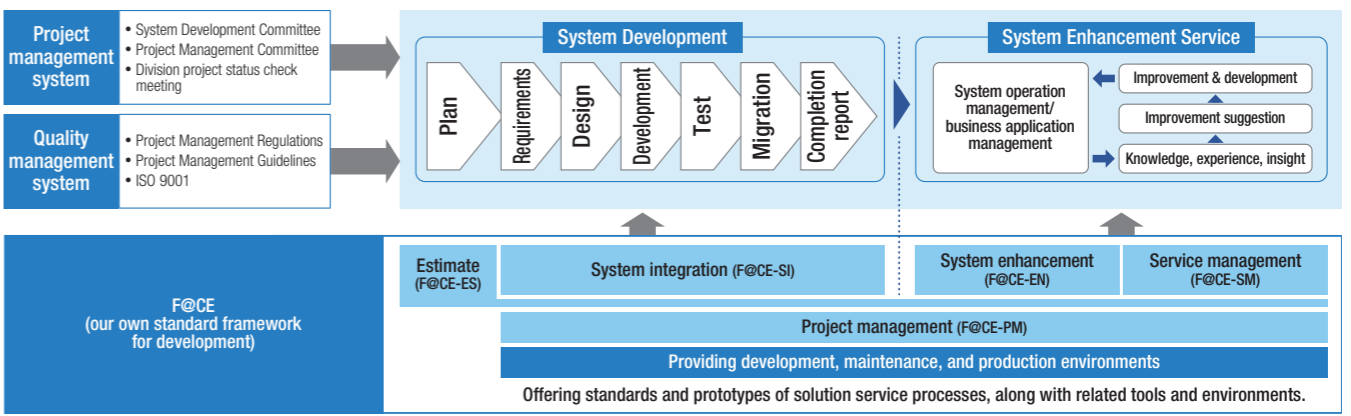
## System Development Committee

We are holding the Systems Development Committee as a means of powerfully supporting the ongoing projects in our Company. This Committee is held under the concept of "a mechanism to support frontline workers with attention to quality." Experts are invited to the Committee according to the varying risks that a project encounters, such as highly advanced technologies, specialized business knowledge, and security, to assess system contents and project management. The experts then offer practical advice suitable to the frontline situations of the project to ensure the quality of our service.

## F@CE Cloud

F@CE Cloud is our standard project management platform. Recent software development requires short delivery times, at low cost, and with high quality. Among them, prompt project start-up and appropriate project management are the most important issues. F@CE Cloud, which is packed with our project management knowhow, accelerates project launch and improves system quality and productivity.

F@CE Cloud ®

## F@CE DX

F@CE DX is a system development platform for small and medium-sized DX projects. The platform, which was made based on the accumulated best practices of high-speed development, provides an environment in which engineers can start system development on the day of installation.

DX projects associated with customers' business reforms require engineers to produce an MVP* in a short period, even though the system requirements may not be fixed as customers themselves often do not know what is necessary and what is the best way to achieve it. To work around this issue, we advance the development at the same time as clarifying requirements by repeating the cycle of planning, design, implementation, and testing in an agile project management. F@CE DX provides a great support and competitive superiority to manage such clarification in projects.

\* Minimum Viable Product: A product that can provide the minimum necessary value to customers.

## System Enhancement Services and Offshore & Nearshore Development

We do not regard the maintenance of systems and platforms simply as regular checks to be performed. We see it as an activity to "increase the value of the system by improving the system performance and quality to adapt to changes in customers' business environments and the emergence and evolution of new technologies." We also see it as an opportunity to "offer new business." This is our System Enhancement Service that increases customers' satisfaction.

Our strength lies in this system enhancement service, and we visualize our service as well as improving and reforming our business process based on the knowhow and software engineering skills that we have cultivated over the years. Through such activities, we drive forward system stabilization and operation streamlining to offer high satisfaction to our customers.

We are also expanding our offshore and nearshore system enhancement services, utilizing our experience of offshore software development in China and Vietnam, and nearshore software development in Hokkaido.

Quality Management Initiatives

| Project management system | • System Development Committee • Project Management Committee • Division project status check meeting |
| Quality management system | • Project Management Regulations • Project Management Guidelines • ISO 9001 |

System Development: Plan → Requirements → Design → Development → Test → Migration → Completion report

System Enhancement Service: System operation management/ business application management → Improvement & development / Improvement suggestion / Knowledge, experience, insight

F@CE (our own standard framework for development)

- Estimate (F@CE-ES)
- System integration (F@CE-SI)
- System enhancement (F@CE-EN)
- Service management (F@CE-SM)
- Project management (F@CE-PM)
- Providing development, maintenance, and production environments
- Offering standards and prototypes of solution service processes, along with related tools and environments.

1972 > >2022

# 50th Year Anniversary Project

We celebrated the 50th anniversary of our foundation in July 2022. As a part of our 50th anniversary project, we are leading various initiatives to reinforce relationships with our stakeholders.

## To Create Value Together with Stakeholders

### Corporate Message

On July 5, 2022, the day of our foundation anniversary, we placed an advertisement in the Nikkei newspaper. It has been 50 years since CUBE SYSTEM was born. Riding the tide of computerization, we have been contributing to the development of our customers' businesses and society through software engineering. Software cannot offer its value without hardware. Thanks to our customers and stakeholders, this will enable us to display the value of our technological skills and creativity.

"CUBE with YOU!"
This was the message for our 50th anniversary, published with our thoughts of cherishing our relationship with you—our various customers and stakeholders—and wish to always stay with you into the future.
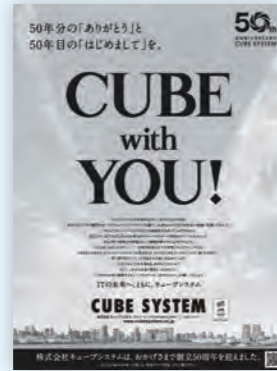
### Promoting the Understanding of CUBE SYSTEM

We established a special 50th anniversary page on our official website to promote understanding and empathy for our company. Along with messages of appreciation from our chairman and president, articles on thoughts for the 50th anniversary logomark and our history were also introduced.

https://www.cubesystem.co.jp/50th/

### Empathy, Thoughts, and Co-creation—that is the concept

Our 50th year anniversary concept is Empathy, Thoughts, and Co-creation. Centered around this concept, we plan to grow in a sustainable manner.

### Empathy

Looking back over the 50 years of our history we learn how the company was formed and grasp its roots—thereby gaining a deeper understanding of the stakeholders who have supported us.

### Thoughts

Sharing our achievements, strengths, values, and philosophy to increase expectations for the future CUBE SYSTEM.

### Co-creation

Keep growing and creating new added value together with stakeholders.

### Foundation Anniversary Ceremony

On the anniversary day of our foundation, we organized an internal event with consideration for COVID-19 countermeasures, held simultaneously onsite and online. The chairman, president, and other directors talked about the early days of the company and gave their thoughts on the 50th anniversary, as well as sharing their visions for the future. All employees joined together to celebrate this event.

## 50th ANNIVERSARY CUBE SYSTEM

### —50th Anniversary Logomark—

We created an anniversary logomark with the idea of our future ideal company. Our 50th anniversary concept, Empathy, Thoughts, and Co-creation forms a Cube. The rotating ring represents our strengths with no weakness.

### Survey on Our Future Working at Cube System

To further improve our corporate value, it is important that each employee has their own dreams and goals, and the company and employees grow together by sharing these dreams and goals. Based on this idea, we conducted a questionnaire survey on our future working at Cube System. As a part of the survey, each employee created a slogan for their own plans under the theme of "Guidepost to the Future."
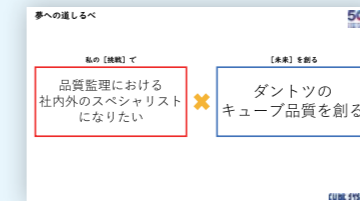
### Compiling a Corporate History

We are currently compiling a book about CUBE SYSTEM's history. We hope that, by sharing the history of our company and the thoughts of our employees, this book will give everyone an opportunity to realize that they are what

## To Empower Employees

actually makes CUBE SYSTEM, and that this will serve as an inspiration they can come back to at times when they feel unsure about themselves.

### Anniversary Booth

We have created an anniversary booth where employees can see and experience our corporate history. The booth is equipped with a Cube Smile Station, a Smile Regi with which employees can buy 50th year anniversary chocolate and regional sweets from areas where our affiliated companies are located using our internal cryptocurrency, Cubecoin, and its 50th anniversary version.

### 50th Anniversary Internal Cryptocurrency Coin

We are currently offering a special 50th anniversary version of our internal cryptocurrency. The anniversary coin is given to employees who share in our anniversary concept, Empathy, Thoughts and Co-creation, encouraging them to actively participate in the anniversary project. The anniversary coin can be used in the same way as Cubecoin, at a Smile Regi in the office or as a self-gift.

### Future Creation Workshop

We held an online workshop for employees. The participants were grouped regardless of their age, career, or position and held discussions on our strengths and the values we can offer to our stakeholders. They also freely exchanged their thoughts on how CUBE SYSTEM should be as we move toward 2050. The workshop created a real opportunity to experience Empathy and Thoughts.

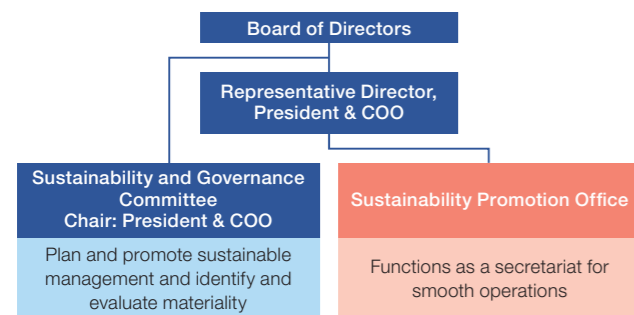# Important Issues to Be Addressed by Sustainable Management

## CUBE SYSTEM Group's Sustainable Management

Social life has changed significantly and so has people's demand for products and services. Companies that provide such products and services are now working hard to reform their businesses and processes through DX. We support these companies' DX utilizing our advanced software engineering skills. We pursue our sustainable management by regarding social issues that customers face as a business opportunity.

## Sustainability Promotion Structure

We established the Sustainability and Governance Committee, chaired by the President & COO, in order to drive forward our sustainable management. The business management system is established with this Committee.

### Sustainability Promotion Structure

- Board of Directors
- Representative Director, President & COO
- Sustainability and Governance Committee — Chair: President & COO — Plan and promote sustainable management and identify and evaluate materiality
- Sustainability Promotion Office — Functions as a secretariat for smooth operations

## Important Issues Addressed by Sustainable Management

We identified the important issues to be addressed by our sustainable management through which we practice our Management Philosophy and achieve our Medium-to Long-Term Management Vision.

### Important Issue Analysis



Materiality matrix — Social issues — High / Low — Materiality for stakeholders — Materiality assessment — Materiality for business — High — Materiality (important issues)
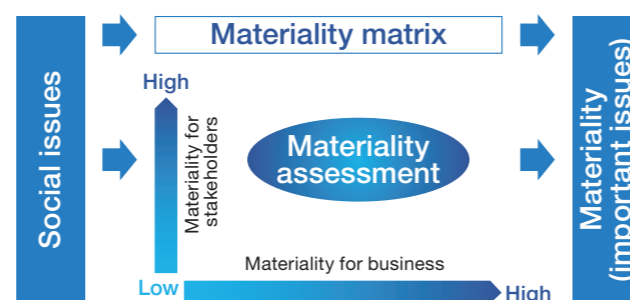
### Important Issue Identification Process

**STEP 1 — Materiality assessment from the stakeholders' viewpoint**

(1) Regarding 169 SDGs as social issues that we should address and assess their materiality to us.
(2) Taking the assessment items listed in the FTSE and DJSI rankings as external stakeholders' viewpoints, we weighed the materiality of the 169 SDGs to stakeholders as social issues.

**STEP 2 — Materiality assessment from our viewpoint**

To understand the materiality to us, we weighed the 169 SDGs as we did in STEP 1 based on the services we provide and the Medium- to Long-Term Management Vision.

**STEP 3 — Mapping**

We mapped the points obtained in STEPS 1 and 2 in the above matrix to identify the important issues.

**STEP 4 — Determination in the Sustainability and Governance Committee**

The Sustainability and Governance Committee discussed the results and determined the important issues.

## Contribution to SDGs

Building a sustainable society as the aim through achieving SDGs is closely related to practicing our management philosophy.

We will contribute to achieving SDGs by creating and offering high value-added IT services not only to customers, but also to customers' individual stakeholders and to society as a whole.

## Important Issues (Materiality) to Address

| | Important issues (materiality) | Main initiatives | Related SDGs |
|---|---|---|---|
| Creating a future society through DX business | Contribute to development of customers' business through innovative businesses and services working together with customers and business partners.<br>● Promote Smile Share Products<br>● Promote IP conversion and product conversion<br>● Promote joint consultation business and exclusive SI business | **\<DX business\>**<br>● Complete Proof of Concept (PoC) for the Smile Share Products. Achieve "well-being improvement" by conducting a range of measures related to "spirit, health, and security." (PoC coverage: employees and customers).<br>● Promote IP conversion and product conversion. Sustainably improve corporate value (by visualizing non-financial value) and start building a "new accounting system" that contributes to appropriate and prompt business decision making. | Direct contribution |
| Offering safe and secure systems using cloud technology | Provide platforms to run businesses with higher reliability to contribute to quality improvement of business activities.<br>● Provide new services based on multi-cloud and micro services<br>● Provide system security through collaboration with cloud vendors<br>● Provide new services through product consultation and reforming system operation models | **\<Cloud technology\>**<br>● Address customers' DX needs (material business issues) through building micro service-based cloud systems.<br>● Collaborate with cloud vendors to build more reliable systems with better quality. Actively train DX engineers who can work with vendors. | Indirect contribution |
| Contributing to client system improvement through software engineering | Contribute to maintaining, improving, and streamlining client system operations through our software engineering expertise.<br>● Pursue high productivity and high added-value | **\<System Enhancement\>**<br>● Promote three business measures: New enhance business models; improve our corporate added-value by enhancing their profitability; and improve our productivity by enlarging our service coverage.<br>● Contribute especially with new enhance business models by enabling multitasking, automation, and utilization of overseas resources, to maintain, improve, and streamline client system operation. | |
| Solving social issues through business activities such as reinforcement and improvement of value creation platforms. | We provide safe and secure high-quality services through a sound supply chain. We also maintain transparent corporate governance by practicing the spirit of diversity and inclusion, and employing and training diverse professional human resources.<br>● Improve quality and productivity through closer collaboration with business partners<br>● Improve quality in projects and development processes<br>● Constantly develop human resources and support for career development in various fields<br>● Reform working styles to enable active participation by diverse human resources<br>● Reinforce corporate governance, maintain sound compliance, reinforce information security measures, and minimize environmental impact | **\<Platforms\>**<br>● Reinforce collaboration with business partners (selection and concentration)<br>● Improve the system development meeting and improve project quality by reinforcing the functions of the Project Management Office (PMO)<br>● Human resources development (career field definition and training curriculum revision and promotion)<br>● Climate change countermeasures (response to TCFD)<br>● Work style reform in the COVID-19 pandemic (promoting a mixture of working from home and at the office)<br>● Reorganize the working environment and improve working hours and contents | |

# History of Our Medium- to Long-Term Management Vision

## V2020 (FY2012-2020)

- To aim at becoming a company recognized as the best partner for our customers
- To build a corporate culture that drives growth both for our employees and the company (individuals and organization)

| 1st Step First Medium-Term Management Plan (FY2012–2014) | 2nd Step Second Medium-Term Management Plan (FY2015–2017) | 3rd Step Third Medium-Term Management Plan (FY2018–2020) |
|---|---|---|
| Enhancing our strengths | Starting up SI Business | Creation of a services menu |

**Business Policy**

| | | |
|---|---|---|
| Build a management platform that achieves double-digit sales growth, sustainable profits and raises corporate value. | Boldly tackle the challenge of reforming the corporate culture and achieve the top performance in the industry. | Expand our SI solution services and at the same time contribute to developing our customers' businesses and maximizing customer value by creating new service menus and service businesses. |

**Management Indicators**

| Net sales 12 billion yen (Target) ▶ 12.5 billion yen (Final fiscal year) | Net sales 15 billion yen (Target) ▶ 13.5 billion yen (Final fiscal year) | Net sales 18.5 billion yen (Target) ▶ 14.7 billion yen (Final fiscal year) |
|---|---|---|
| Operating margin 7.5% (Target) ▶ 7.7% (Final fiscal year) | Operating margin More than 9% (Target) ▶ 6.3% (Final fiscal year) | Operating margin 9.6% (Target) ▶ 7.9% (Final fiscal year) |

**Priority Measures**

| | | |
|---|---|---|
| **<Enhancing the strengths of our existing businesses>**<br>• Introduce a head office system with industry focus.<br>• Raise the level of our System Enhancement Business and create SEs for the field.<br>**<Establishing a system capable of handling large-scale SI projects>**<br>• Develop and secure human resources capable of executing SI business.<br>• Reinforce project management function.<br>**<Reinforcing our capability to respond to changes in market environments and customer needs>**<br>• Reinforce and expand overseas business (in China & Vietnam).<br>• Strengthen competitiveness by investing in advanced technologies. | **<Expanding core businesses and creating new businesses>**<br>• Strengthen accounts strategy.<br>• Develop the SI business.<br>• Develop new businesses.<br>**<Reinforcing technical capabilities/Aggressive investment>**<br>• Comprehensive action to assure quality and productivity.<br>• Enhance competitiveness through R&D.<br>• Reinforce collaboration among industrial, public and academic sectors.<br>**<Strengthening management infrastructure>**<br>• Workstyle reform<br>• Reinforce governance<br>• Develop CUBE SYSTEM's uniqueness. | **<Domestic business/Overseas business>**<br>• Strengthen profit base by reforming the business model.<br>• Use our strengths to expand business into new growth areas.<br>• Global business operations with a focus on Asia<br>**<New business development/Technology investment>**<br>• Create optimized services offering originality, innovativeness and high added value through aggressive investment in technology.<br>**<Strengthening management infrastructure>**<br>• Improve customer satisfaction by reforming our business processes.<br>• Reinforce governance functions that promote growth. |

**Results and Issues**

| | | |
|---|---|---|
| **<Outcome>**<br>Create a new quality management organization for building a system capable of large-scale SI projects and improve project control capabilities.<br>**<Issues>**<br>• Transition away from the person-month type business.<br>• Build own competitive development capabilities.<br>• Expand and improve business partners/overseas subsidiaries. | **<Outcome>**<br>Aggressively engage in business model reform and develop new businesses, including cultivating new projects and customers as challenges for the SI business.<br>**<Issues>**<br>• Cultivate new customers.<br>• Further improve quality and productivity. | **<Outcome>**<br>Expand into new growth areas and focus on business model reform and growth of overseas businesses.<br>**<Issues>**<br>• Secure human resources.<br>• Expand into new areas.<br>• Create an original service menu.<br>• Develop and manage career paths. |

## V2026 (FY2021-2026)

All of our employees will contribute to society through our business activities to increase our corporate value.

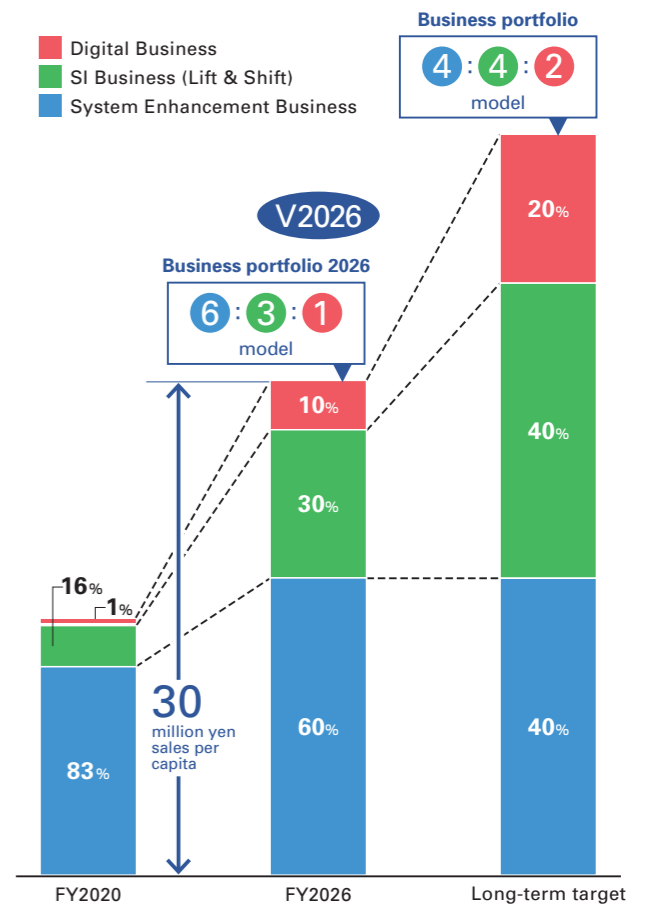| First Medium-Term Management Plan (FY2021-2023) | Second Medium-Term Management Plan (FY2024-2026) |
|---|---|
| Development of Management and Business Infrastructure<br>Time for New Business Reform | Reform to lead to achievements and accelerated growth |

Employees think and act on their own initiative, pursuing their own ambitions and applying their own business mentality.
Achieve business growth through planning and contract-type business.

| Net sales | Operating margin | ROE |
|---|---|---|
| 19 billion yen | 9% | More than 13% |

### Business Model Direction and Initiatives

**Digital Business**

| Tackling totally new approaches | • Planning-type approach<br>• Investment through alliance with others |
|---|---|

- Execution of business reform themes through collaborations in consulting
- Development and implementation of new business model utilizing digital technologies

**SI Business (Lift & Shift)**

| Growth in business share through the two approaches and strength | Large-scale — Achievement through partnership with SIers |
|---|---|
| | Medium and small scale — Proposal of solutions |

- Active promotion of proposals in cloud integration projects
- Utilization of our own agile model development
- Development/implementation of new systems operation model

**System Enhancement Business**

| Development and implementation of new systems enhancement model | • Aggressive pursuit of higher level of productivity and high added value (higher profitability) |
|---|---|

- Wider scope of enhancement for core business and information systems
- Aggressive proposal of process reform and derivative development
- Greater productivity through higher quality and efficient resource utilization

### Image of Net Sales by Business Model

- Digital Business
- SI Business (Lift & Shift)
- System Enhancement Business

Business portfolio: 4 : 4 : 2 model

V2026

Business portfolio 2026: 6 : 3 : 1 model

| | FY2020 | FY2026 | Long-term target |
|---|---|---|---|
| Digital Business | 1% | 10% | 20% |
| SI Business (Lift & Shift) | 16% | 30% | 40% |
| System Enhancement Business | 83% | 60% | 40% |

30 million yen sales per capita

# VISION 2026
# First Medium-Term Management Plan (FY2021-2023)

## Business Direction

### Time for New Business Reform / Development of Management and Business Infrastructure

Under VISION 2026, our First Medium-Term Management Plan, we will build our business assets to reform and develop a new business portfolio composition. We will establish an infrastructure for business growth by focusing our energies on system design and system improvement to solidify our business growth.

To achieve our targets, we are promoting priority measures to build three business models for the Digital Business, SI Business and System Enhancement Business, along with the Management Infrastructure, with awareness of the issues that various stakeholders face.

We will promote digital solutions services in our Digital Business and build and expand our strength in Lift & Shift for the SI Business. In the System Enhancement Business, we will build and execute a new enhancement service model by optimizing resources while focusing on improvements in productivity. In Management Infrastructure, we will reinforce group governance and internal control, responding to the various risks involved in changes in the internal and external environment and business reform, including human resources development and system design.

Founded on the infrastructure built under our First Medium-Term Management Plan, our Second Plan, covering FY2024 to FY2026, aims to increase profits through vastly improved productivity in the System Enhancement Business and dramatic business growth in the Digital and SI Businesses.

## Current Priority Areas and Businesses for CUBE SYSTEM
### (Mapping of Customer Type x Sales Volume)



## Priority Measure for Each Business Model

### Digital Business
**Promotion of Digital Solution Services**
- Develop our own products (including social solutions).
- Develop a collaborative consulting business for major SIers / planning-type SI Business for end users.

### SI Business (Lift & Shift)
**Build of strength in Lift & Shift**
- Systems services centering on cloud-based micro services and reform of new operation model
- Technology development with major SIers and application to other customers

### System Enhancement Business
**Build and Execution of New Systems Enhancement Model**
- Optimization of resources through utilization of group collaboration model and consolidated business partnerships
- Growth in scale and improved profitability through build and management of our own development/operation platform

### Management Infrastructure
**Reinforcement of Human Resources Development, Group Governance, and Internal Control**
- Recruitment of human resources capable of supporting business infrastructure; promotion of human resources development strategy; work style reform and revitalization.
- Promotion of dialogue with investors; action to deal with prime markets.

## Key Performance Indicators

| | | Key performance indicators (KGIs) | Results as of FYE2021 | First Medium-Term Management Plan | Medium/long-term business direction |
|---|---|---|---|---|---|
| Financial | Capital efficiency | ROE (FY2020: 14.0%) | 13.8% | Maintained continuously at 13.0% or higher | |
| | Productivity | Net sales per capita (FY2020: 21 million yen) | 22.5 million yen | 23 million yen | 30 million yen |
| | Business model reform | Ratio in net sales | SI Business +2 billion yen (over FY2020 level) | SI Business +3.3 billion yen (over FY2020 level) | Digital Business +2 billion yen (over FY2023 level) |
| | | | | Target sales ratio of System Enhancement, SI and Digital to be 6:3:1. | |
| | Growth potential | Net sales CAGR | 8.9%*1 | Approx. 8% | Approx. 9% |
| | Profit indicator | Operating margin (FY2020: 7.9%) | 8.8% | 9% | Approx. 10% |
| | | | | Implement measures for continual improvement in profitability and productivity | |
| Non-financial (By using IT) | Diversity promotion | Ratio of female employees in section manager posts | 16.7% | More than 20% | Empowerment of women, employment of persons with disabilities, contribution and support of childcare and nursing care |
| | Workstyle reform | Percentage of employees taking annual paid leave | 57%*2 | More than 70% | Setting and promotion of indicators on work fulfillment, mental & physical health, vitality and dynamism in the workplace, etc. |
| | Communication encouragement | Smile Share Products | Measured volume of communications using thanks ConnEct*3 and verified the effect of the communications. | Building a "non-financial value platform" | "Thank you" and "Like" indicators based on our Smile Share Products |
| | Human resources development | Diverse career paths and development | Completed effectiveness evaluation for Career Fields. | Establishing HR system that maximizes employee capabilities and characteristics | Active participation of diverse professional human resources |

*1 The figures for FYE2022 are a year-on-year comparison to total sales for FYE2021.
*2 Ratio of taking paid leave (%) = Number of paid leave days taken by all employees / Number of paid leave days given to all employees x 100
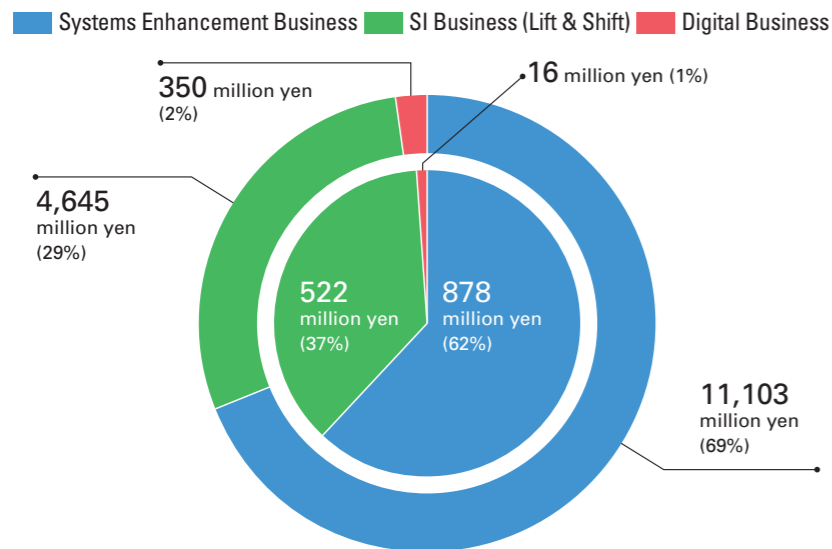*3 thanks ConnEct is one of the Smile Share Products and visualizes "Thank you" among employees.

# Results in FY2021/Highlights in Business Performance

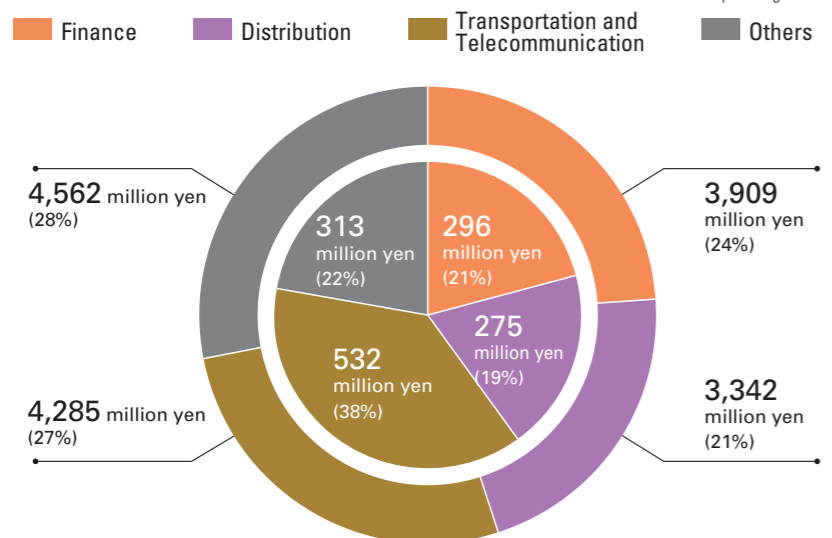## Results in FY2021 (fiscal year ended in March 2022)

**Net Sales: 16 billion yen**    **Operating Income: 1.4 billion yen**

In FYE2022, with our responsive reallocation of human resources and other measures, we achieved an increase in sales as a result of increased orders for system construction projects from shipping companies and telecommunication companies. In addition, we realized the high profitability resulting from our concentrating resources into the SI business (Lift & Shift) as a measure to reform our business structure model and increased our sales as a result of expansion of derivative development projects beyond existing markets.

**Composition ratio of net sales model and operating income by business model**

Outer circle: net sales
Inner circle: operating income

■ Systems Enhancement Business    ■ SI Business (Lift & Shift)    ■ Digital Business

- 16 million yen (1%)
- 350 million yen (2%)
- 4,645 million yen (29%)
- 522 million yen (37%)
- 878 million yen (62%)
- 11,103 million yen (69%)

**Composition ratio of net sales and operating income by industry**

Outer circle: net sales
Inner circle: operating income

■ Finance    ■ Distribution    ■ Transportation and Telecommunication    ■ Others

- 4,562 million yen (28%)
- 313 million yen (22%)
- 296 million yen (21%)
- 3,909 million yen (24%)
- 275 million yen (19%)
- 532 million yen (38%)
- 4,285 million yen (27%)
- 3,342 million yen (21%)

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| | Results in FY2021 (fiscal year ended in March 2022) | Policy for FY2022 (fiscal year ended in March 2023) |
|---|---|---|
| **Digital Business**<br>Promotion of Digital Solution Services | We have developed our own service, the Smile Share Products, in our company as an MVP* to gain operation knowhow of such products. We also focus on the collaborative consultation business for major SIers to create a number of opportunities to offer our services. We are making steady progress in expanding our planning-type SI business for end users. Promoting F@CE DX, which provides a high-speed DX development environment, is part of this effort.<br><br>* MVP: Minimum Viable Product. A product that can offer the minimum necessary value for users. | **<Improving brand value>**<br>We plan to accumulate valuable results even though their scale may be small. Aiming to improve our brand value, we are promoting the Smile Share Products to outside clients. We are also expanding the range of customers in our collaborative consultation business for major SIers and planning-type SI business for end users. |
| **SI Business (Lift & Shift)**<br>Development of strength in Lift & Shift | Providing systems based on cloud-based microservices and focusing on converting to a new operating model enabled us to build our systems integration knowhow and achieve solid business results. We also strengthened technological development and related systems to offer new cloud solutions under collaborations with major SIers. | **<Accelerating business growth>**<br>We are preparing to offer a full-scale service of cloud solutions under collaborations with major SIers. We will also proactively expand the cloud-based micro services, and will enhance the solution-type business contents to further accelerate the already-expanding growth curve. |
| **System Enhancement Business**<br>Development and Execution of New Systems Enhancement Model | We optimized human resources by utilizing our group collaboration model and validating business partnership. To establish a new systems enhance model, we have built our own development and operation platform, adopting them in multiple existing projects to identify values and issues to be addressed. | **<Further improvement of profitability and productivity>**<br>We are expanding a newly created development and operation platform across all divisions. We will also accelerate improvements in profitability and productivity by consolidating our technological and developmental environment, advancement of employees' ability, streamlining and optimization of working procedures. |
| **Management Infrastructure**<br>Reinforcement of Human Resources Development, Group Governance, and Internal Control | We focused on the improvement of human resources that support our management infrastructure. We focused our efforts on recruitment and introduced a new framework for developing human resources, which we ran as a trial program in some divisions. We also continue our workstyle reform. Further, as we transited to the Prime Market of the Tokyo Stock Exchange, we are reinforcing our internal controls and meeting organizations concerning management, as well as encouraging dialogue with investors, including issuing a comprehensive corporate report and disclosing other financial information. | **<Improving Human Capital>**<br>We aim to increase the number of employees and improve their skills. At every opportunity, we will actively recruit new and mid-career employees. To broaden our employees' skills, we are also reorganizing the training environment for DX, platform, and operational engineers to develop their abilities. Further, we will expand both nearshore and offshore development and actively utilize external human resources such as outsourcing partners. |

# Corporate Governance

The CUBE SYSTEM Group pursues the advancement of its corporate value through assurance of equity and transparency in business management and response to the expectations of its stakeholders by continual reinforcement of corporate governance.

## Basic Approach

We believe that improvement to corporate governance is an important issue in fair and efficient business management and continuing to provide solutions and services that satisfy our customers. For this purpose, we are directing our efforts to the development of a business management system that ensures precise and transparent decision-making, swift business execution and proper and appropriate supervision and monitoring. At the same time, actions are taken to assure that our officers and employees comply with laws and regulations. Furthermore, our basic policy on corporate governance is to improve corporate value to meet the expectations of our shareholders, customers and other stakeholders.

## The Reasons for the Current Corporate Governance Structure

We are managing with a board of auditors which supervises our business management. At the same time, we have an executive officer system in which the board of directors is responsible for business decision-making and supervision and our executive officers are responsible for business execution. The auditors, who are all outside auditors, provide advice and recommendations from external and specialized perspectives at important management meetings and are promoting improvements to the business monitoring function. We have adopted the existing corporate governance structure to ensure that the outside auditors exercise a high level of independence and to build a highly transparent and equitable management system by our outside auditors.

## Board of Directors

Through efficient and practical corporate governance, the Board of Directors is responsible for our sustainable growth and corporate value improvement, and realization of the medium- to long-term increase in common interests of shareholders. The Board of Directors exercises its supervisory function and makes its optimal decisions based upon ethical judgement. The Board of Directors consists of seven directors, of which three are independent directors, and is chaired by the Representative Director & Chairman. In addition to the monthly meeting of the Board of Directors, extraordinary meetings are held as needed to make decisions on important management issues and at the same time supervise business execution by each executive officer. In addition, independent directors are appointed to strengthen its supervisory function from a neutral and external perspective and ensure transparency and equity in business management.

## Board of Auditors

The auditors audit the state of business execution and governance from a neutral standpoint and audit the business performance of the directors, participating in important meetings of the Board of Directors and Management Committee and investigating the status of our business operations and assets. The board of auditors consists of three full-time auditors who are all outside auditors. The Board of Auditors comprises three fulltime outside auditors. Through their audits, they provide appropriate opinions from various viewpoints to ensure our sustainable growth and the medium- to long-term improvement of corporate value.

## Corporate Governance Structure (as of June 24, 2022)
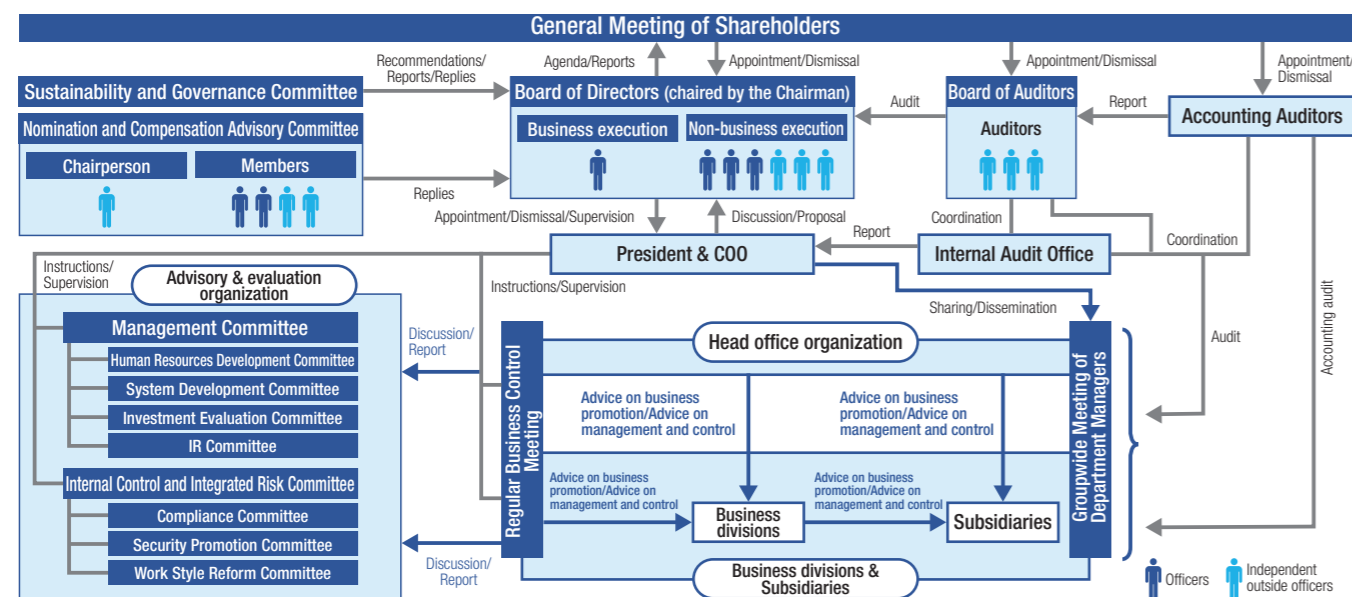


## ▶ Role and Activities of Committees and Meetings

| Name | Purpose and scope of responsibilities | Head of organization |
|---|---|---|
| Board of Directors | The Board of Directors makes decisions on important management issues and monitors business execution by each executive officer. | Representative Director & Chairman |
| Board of Auditors | The Board of Auditors oversees the company's business execution and governance from a neutral standpoint. Members participate in important meetings, such as those of the Board of Directors and the Management Committee and audit business execution by the directors through investigating the business operations and assets. | Outside auditor |
| Management Committee | The Management Committee discusses important issues concerning the general management of the Company and Group. | President & COO |
| System Development Committee | The System Development Committee minimizes project risks concerning orders for complex projects by inspecting and reviewing estimates and project planning. To secure quality throughout the project, the Committee also assesses each process and the released product. | Officer in charge of the System Development Committee |
| Human Resources Development Committee | The Human Resources Development Committee monitors the succession plan for next manager candidates. The Committee also assesses and verifies optimum human resource assignments and opportunities for growth to accelerate development of the human resources required by the Company. | Officer in charge of the Human Resources Development Committee |
| Investment Evaluation Committee | The Investment Evaluation Committee assesses the appropriateness of investments, R&D, and investment for business reforms based on the management's decision-making principles. | Officer in charge of the Investment Evaluation Committee |
| IR Committee | The IR Committee reinforces investor relations functions, plans and verifies IR strategy, assesses and verifies the legality and validity of information for timely disclosure, verifies the effectiveness of PR contents, and assesses the validity of disclosure. | Officer in charge of business planning |
| Internal Control and Integrated Risk Committee | The Internal Control and Integrated Risk Committee identifies possible business risks and reinforces management foundations, such as internal controls, environmental issues, and information security, in a multifaceted manner from a comprehensive risk management viewpoint. | President and COO |
| Groupwide Meeting of Department Managers | The Groupwide Meeting of Department Managers shares details of the current corporate situation among department managers to ensure a consistent understanding across the entire Group. | President and COO |
| Regular Business Control Meeting | The Regular Business Control Meeting shares and disseminates an understanding of the management framework across the Company, including management decisions and regulations, reasons for guideline revisions, notes on guideline implementation, and regulation compliance status. | Officer in charge of quality management |
| Nomination and Compensation Advisory Committee | The Nomination and Compensation Advisory Committee is a voluntary advisory organ of the Board of Directors, and deliberates and advises on the basic policy, criteria, and appropriateness for appointing directors and executive officers, as well as on the executive compensation provided to directors and officers. | Independent outside director |
| Sustainability and Governance Committee | The Sustainability and Governance Committee is a voluntary advisory organ of the Board of Directors, and evaluates and analyzes the basic policy on governance and the functionality of the Board of Directors as a whole. | President and COO |

## Evaluation of the Functionality of the Board of Directors

To improve the functioning of the Board of Directors, we review evaluations of and opinions on the operation of the Board. Then we analyze and evaluate the functionality of the Board. Under the instructions of the Sustainability and Governance Committee, the voluntary advisory organ of the Board of Directors, the Secretariat of the Committee interviews all directors. After evaluating and analyzing the interviews, the secretariat discusses the evaluation, proposes measures to improve the functionality of the Board of Directors and gives the Board advice and recommendations. For FYE2022, all of the interview items were confirmed to be generally executed appropriately, assuring the functionality of the Board.

## Executive Compensation

### ▶ Basic policy

We pursue continual growth and improvement of our corporate value as an IT business by providing our customers, shareholders and other stakeholders with new value and a high level of technical capability and creativity. Our executive compensation is aimed at securing the outstanding management talent necessary for this purpose and to function effectively as an incentive in achieving the anticipated results.

### ▶ Compensation decision-making process

Compensation for directors is deliberated on by the Nomination and Compensation Advisory Committee, taking comprehensive account of each director's level of responsibility for our management and the progress of the Medium-Term Management Plan. In response to the Committee's proposals, the Board of Directors determines the compensation within the limits specified at the shareholders' meeting. A director's compensation comprises basic compensation, with stock options as retirement compensation. An auditor's compensation comprises basic compensation only, and is determined by the Board of Auditors within the limits specified at the shareholders' meeting.

### ▶ Compensation standards

Executive compensation is decided based on the general economic and social conditions, compensation levels at competing businesses, balance with employee compensation, the level of our business performance, etc.

#### Fixed Compensation

| a. Basic compensation (for directors) |
|---|
| Basic compensation is paid for the role and responsibilities of each officers and is decided on the officer's business performance, the number of years in office and expected value, in balance with compensation levels at competing businesses and for other directors. 1/12 of the annual compensation is paid on a monthly basis. |

| b. Equity compensation issued on resignation from office (for directors other than independent directors) |
|---|
| As a long-term incentive designed to maintain a consistency of perspectives among officers and shareholders, fixed points are given to each director, corresponding to their rank, for a designated period of time after the end of each fiscal year, and equity compensation is awarded on resignation from office. |

#### Variable Compensation

| a. Bonus (for directors holding concurrent executive officer posts) |
|---|
| As an incentive for short-term business performance, an amount decided based on a comprehensive examination of performance against plan, performance compared to the preceding fiscal year, company business performance, etc., and based on the consolidated operating income for the fiscal year in question, is paid at a certain period of time following the end of each fiscal year. |

| b. Equity compensation linked to business performance (for directors holding concurrent executive officer posts) |
|---|
| As an incentive for achieving the targets of the medium-term management plan (both financial and non-financial), points corresponding to the degree of accomplishment of the targets in the medium-term management plan are given at a designated period of time following the end of the fiscal year, and equity compensation is issued at the end of the final year of the medium-term management plan. |

# List of Officers
(As of June 24, 2022)

## Directors

**Chairman**
**Osamu Sakiyama**

Date of birth: July 16, 1950
| | |
|---|---|
| July 1972 | Established CUBE SYSTEM INC. |
| October 1975 | Appointed Director of the Company |
| May 1989 | Appointed Representative Director & President |
| June 2015 | Appointed Representative Director, President & COO |
| April 2020 | Appointed Chairman (present position) |

**Representative Director, President & COO and CDO (Chief Digital Officer)**
**Masahiro Nakanishi**

Date of birth: November 6, 1958
| | |
|---|---|
| April 1982 | Joined Nomura Computer Systems Co., Ltd. (current Nomura Research Institute, Ltd.) |
| April 2002 | Manager, Business Planning Department, Distribution & Social Solution Division, Nomura Computer Systems |
| April 2008 | Manager, Operational Administration Department, Services & Industrial System Division, Nomura Computer Systems |
| October 2009 | General Manager, Chubu Regional Headquarters, Nomura Computer Systems |
| April 2017 | Executive Officer of the Company |
| April 2018 | Executive Managing Officer |
| April 2020 | President & COO and CDO (Chief Digital Officer) (present position) |
| June 2020 | Representative Director (present position) |

**Director**
**Masaki Tochizawa**

Date of birth: January 14, 1953
| | |
|---|---|
| April 1975 | Joined Nomura Computer Systems Co., Ltd., (current Nomura Research Institute, Inc.) |
| April 2006 | Senior Managing Directors and President, Kansai Regional Headquarters |
| April 2008 | Executive Officer of the Company |
| June 2008 | Director |
| June 2012 | Executive Managing Officer |
| June 2015 | Director & Senior Executive Managing Officer |
| April 2020 | Director (present position) |

**Director**
**Toshio Uchida**

Date of birth: November 24, 1953
| | |
|---|---|
| April 1975 | Joined the Company |
| June 1988 | Director |
| June 1995 | Managing Director |
| June 2002 | Senior Managing Director |
| June 2015 | Director & Vice President |
| April 2018 | Director (present position) |

**Director (Independent)**
**Hiroki Sekibata**

Date of birth: October 25, 1970
| | |
|---|---|
| April 1998 | Registration as attorney at Law (Tokyo Bar Association) |
| | Joined Shin-Tokyo Law Office |
| July 2006 | Partner of the Office |
| October 2007 | Joined Bingham McCutchen Murase, Sakai Mimura Aizawa (Foreign Law Joint Enterprise) as a Partner |
| June 2014 | Independent Director of the Company (present position) |
| April 2015 | Joined Anderson Mōri & Tomotsune (Foreign Law Joint Firm) as a Partner (present position) |

**Director (Independent)**
**Takao Shiino**

Date of birth: September 17, 1954
| | |
|---|---|
| April 1979 | Joined Nomura Research Institute, Inc. (NRI) |
| June 2000 | Director of NRI |
| April 2002 | Division Manager, Distribution & Social Solutions Division, Senior Corporate Managing Director, Members of the Board, NRI |
| April 2007 | Counselor of NRI |
| May 2007 | Executive Director of the Japan Information Technology Services Industry Association |
| April 2009 | Director of the Japan Data Center Council |
| July 2010 | Chair, The Green Grid Japan Liaison Committee |
| April 2012 | President, Nomura School of Advanced Management |
| June 2012 | Executive Director of the School |
| June 2015 | Independent Director of the Company (present position) |

**Director (Independent)**
**Hanae Nagata**

Date of birth: December 5, 1986
| | |
|---|---|
| April 2012 | Acquired medical license |
| April 2012 | Joined Japanese Red Cross Musashino Hospital |
| May 2016 | Industrial physician of Yahoo Japan Corporation (current Z Holdings Corporation) |
| May 2018 | Representative Director of PhileLife (present position) |
| June 2020 | Independent Director of the Company (present position) |

## Auditors

**Full-time Auditor**
**Takashi Tomita**

Date of birth: August 8, 1958
| | |
|---|---|
| April 1981 | Joined Mitsubishi Corporation |
| December 2003 | Vice President of Mitsubishi Fuso Truck & Bus Australia |
| December 2007 | Vice President of Vinaster Motor Corporation |
| July 2010 | Manager, Market Development, Isuzu Business Division, Mitsubishi Corporation |
| May 2011 | Vice President of Isuzu Philippines Corp. |
| June 2019 | Auditor of the Company (present position) |

**Full-time Auditor**
**Kunihiko Fukumoto**

Date of birth: July 6, 1958
| | |
|---|---|
| April 1982 | Joined Mitsubishi Corporation |
| July 2004 | Manager of Chemical Products Department, Riyadh Office, Mitsubishi Corporation |
| April 2010 | Manager of Riyadh Branch and Representative for Saudi Arabia, Mitsubishi Corporation |
| June 2013 | Manager of Petrochemical Business Planning & General Manager, Saudi Arabia Petrochemical Business, Mitsubishi Corporation |
| February 2017 | Manager, Internal Audit Office, & Manager, General Affairs, SPDC Ltd., |
| June 2020 | Auditor of the Company (present position) |

**Full-time Auditor**
**Tatsuo Nonaka**

Date of birth: October 25, 1958
| | |
|---|---|
| April 1982 | Joined Mitsubishi Corporation |
| March 1996 | Director & Treasurer of Mitsubishi Motors Credit of America, Inc. |
| February 2009 | Leasing Business Unit of Mitsubishi Corporation |
| May 2010 | Executive Vice President & General Manager of Financial Affairs, Mitsubishi Auto Leasing Corporation |
| October 2018 | Retired from Mitsubishi Corporation Transfer to Mitsubishi Auto Leasing Corporation |
| April 2021 | Executive Vice President of Mitsubishi Auto Leasing |
| June 2021 | Auditor of the Company (present position) |

## Skill Matrices of the Officers (as of June 24, 2022)

| Name | Attributes | Current positions of the Company | Nomination and Compensation Advisory Committee | Particular expertise and skills | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Governance/ Business management | Law and legislation/ Compliance | IT Services | DX/New technology/ Consulting | Production technology/ Quality management | Finance/ Sustainability | Human resources/ Health and Productivity Management |
| Osamu Sakiyama | | Chairman | Member | ○ | | | ○ | | | |
| Masahiro Nakanishi | | President & COO and CDO | Member | | | ○ | ○ | | | ○ |
| Masaki Tochizawa | | Director | | | | ○ | | | | |
| Toshio Uchida | | Director | | ○ | | | | ○ | ○ | |
| Hiroki Sekibata | Independent Outside | Independent director | Member | | ○ | | | | | |
| Takao Shiino | Independent Outside | Independent director | Chairperson | ○ | | ○ | ○ | | | |
| Hanae Nagata | Independent Outside | Independent director | Member | | | | | | | ○ |
| Takashi Tomita | Independent Outside | Full-time auditor | | ○ | ○ | | | | | |
| Kunihiko Fukumoto | Independent Outside | Full-time auditor | | | ○ | | | | | ○ |
| Tatsuo Nonaka | Independent Outside | Full-time auditor | | | ○ | | | | ○ | |

## Executive Officers (As of April 1, 2022)

**President & COO and CDO**
**Masahiro Nakanishi**

**Executive Managing Officer**
**Kenichiro Iida**

**Executive Managing Officer**
**Hideaki Nishimura**

**Executive Managing Officer**
**Kenkichi Kumagai**

**Executive Managing Officer**
**Minoru Odaka**

**Seniority Executive Officer**
**Toshiro Kato**

**Seniority Executive Officer**
**Hirohumi Kitagaki**

**Executive Officer**
**Satoshi Yoneda**

**Executive Officer**
**Hiroaki Hayase**

**Executive Officer**
**Koji Aihara**

**Executive Officer**
**Daiki Wakamatsu**

# Risk Management

To achieve sustainable growth and improve the corporate value of the CUBE SYSTEM Group, we identify risks that may be involved in our business activities and implement continuous risk management for the entire Group.

## Policy on Internal Control and Integrated Risk Committee

We have developed an internal control system for recognition of risks in an appropriate manner and to prevent losses and damages. To strengthen continuous improvement and reinforcement of the internal control function, we have appointed officers in charge of internal control and integrated risk management, along with establishing an office for the supervision of risk management.

The level of risk and its importance are evaluated from the four perspectives of compliance with laws, trustworthiness of our financial reports, efficiency and effectiveness of business operations and resources/assets. We develop and introduce measures that are required for groupwide implementation.

For the maintenance and improvement of internal control, we monitor the state of operation and conduct reviews and deliberations under the Internal Control and Integrated Risk Committee. The findings and conditions are reported to the Board of Directors to reinforce and improve the groupwide internal control system.

### Target Themes and Actions

| | Theme | Response Measures |
|---|---|---|
| ① | Natural disasters/BCP/IT-BCP | • Arrangement of initial response to natural disasters<br>• Establishment of risk management system |
| ② | Information security and information management<br>Cyber security measures | • Development and dissemination of policy on cyber security<br>• Training programs for all employees across the Group |
| ③ | Response to law violation (industry laws and regulations) | • Information sharing and check regarding the state of compliance at the Regular Business Control Meeting |
| ④ | Labor affairs management /Manager awareness reform | • Check at the Regular Business Control Meeting<br>• Labor affairs management (manager training) |
| ⑤ | Ethical conduct | • Management and establishment of the newly introduced whistleblowing (Hotto Box) system<br>• Improvement activities by the Compliance Committee<br>• Harassment training |
| ⑥ | Greater information transmission and communication | • Improvement of communication measures<br>• Improvement of internal portal sites operation |
| ⑦ | Human capital/ Retention | • Extension of the follow-up interviews from the first year to seventh the year<br>• Human resource rotation |

### Internal Control and Integrated Risk Committee: Internal Control System
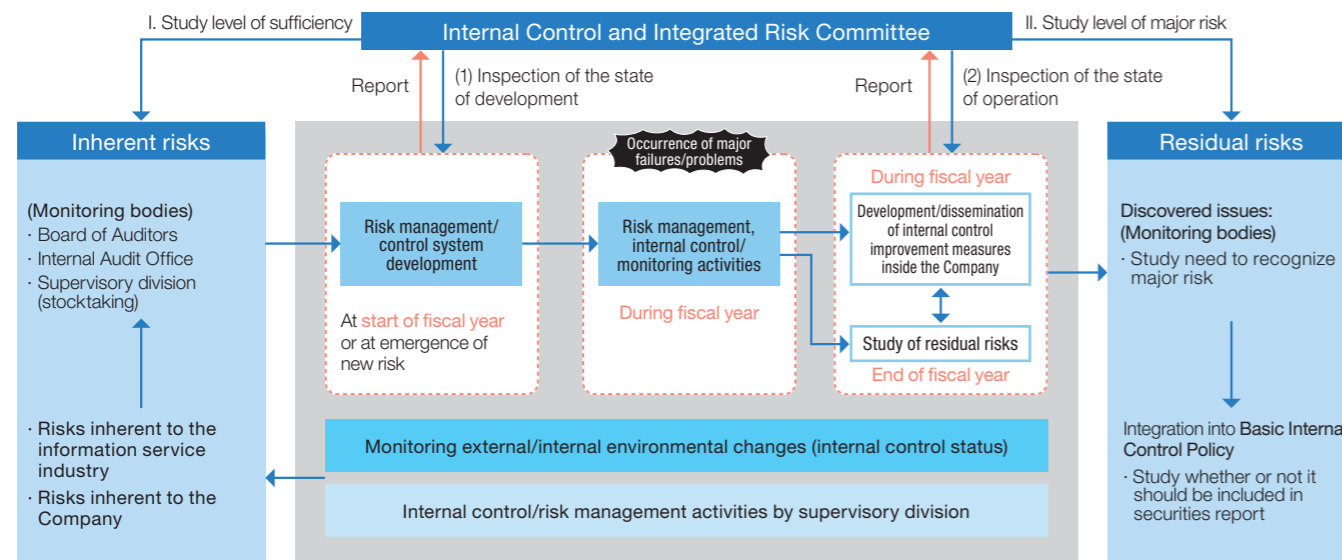


## Policy on Project Risk Management

In offering our system solution services, we have established practical guidelines and are promoting recognition among all employees with groupwide monitoring for early detection of and a swift response to project risks.

## Structure of Project Risk Management

Project risk management is classified into four processes: project estimate proposal, planning, implementation and completion. In each of the processes, risk is managed by defining what the project should do, what the departments/divisions should do and what the Quality Management Department should do as part of our groupwide function.

Specifically, we have clarified project management roles and established a meeting body for project risk management to manage projects properly according to the level of risk (monitoring levels and response difficulties) and the condition and status of the project.

### ▶ Risk assessment

We set risk ranks for each project for effective and smooth project monitoring. In particular, projects that fall under "groupwide monitoring" require groupwide monitoring and must be reported to the System Development Committee and the Individual Project Management Committee. We also conduct risk assessments at each project site using our own risk assessment sheet, as part of our efforts to assess various risks both from management and on-site perspectives.

### ▶ Response to risks

In addition to monitoring the state of the project with each division, risk sharing and the operations needed to resolve issues, etc., we monitor projects groupwide depending on the risk involved in the project and promote activities of the System Development Committee.

### ▶ System Development Committee

In providing solutions services, the System Development Committee assesses the various processes, including project estimate proposal, planning, implementation and completion for each project. In addition, the results are shared with top management for better decision-making and support by the Company and to contribute to effective project management.

## Activities by Internal Audit Office

We have an Internal Audit Office as an independent organization directly under the control of the president. This office regularly conducts an internal audit of each CUBE SYSTEM department, as well as group companies. The office also performs ad hoc internal audits as required. Further, they are responsible for verification, analysis, and assessment of whether the group's business activities are appropriately and rationally carried out in accordance with the management policies, plans, and regulations, and whether they are functioning duly and efficiently toward management targets, such as increasing corporate value and sound business development.

The internal audit results are reported at Management Committee, and the final evaluation results of the entire company are reported to the President & COO at the end of the fiscal year. Records related to audits are kept in an appropriate manner. Also, the representative director, auditors, and accounting auditors closely collaborate to exchange information and opinions to continuously improve the effectiveness and efficiency of internal audits and internal controls.

### Project Risk Management System
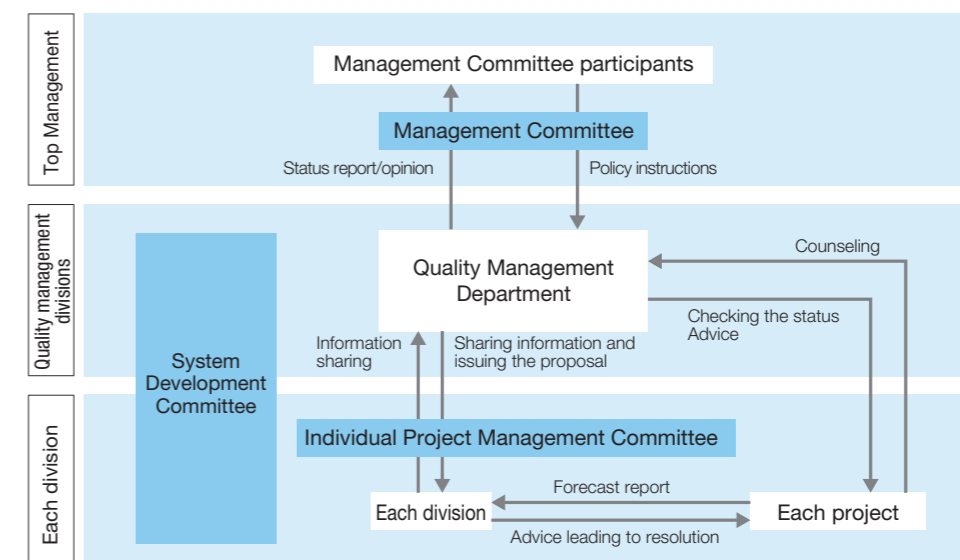
# Information Security

Because we handle information assets from customers in our business operations, information security is a major management issue. We see it as our responsibility to ensure the safety of customer's information assets as well as our own.

## Basic Approach and Policy

In providing solutions services, we recognize that proper handling of the information assets of private or corporate customers and our own information assets is essential in building and maintaining trust with our customers.

For this purpose, we have established a basic policy on information security, defining the requirements in accordance with the established official guidelines, and we are putting this policy into practice.

An information security management structure led by officers in charge of information security has been established for planning, execution and verification of measures to manage the secure and maximum utilization of information assets. In addition, we develop human resources with high ethical standards founded on awareness and our responsibility as an IT company.

We are working to ensure the proper protection and use of personal information based on our Personal Information Protection Policy.

Information Security Policy
https://www.cubesystem.co.jp/en/security/

## Management System (ISMS)

Based on laws, regulations and official guidelines on information security, we have established Regulations on Confidential Information Management and Information Security Guidelines that define the requirements and organizational management of information security at the Company and the management of our information security management system.

### ▶ Information security management system

We have established an Information Security Policy and Information Security Guidelines for ongoing management of our groupwide security measures. As part of these effort, in December 2003 we acquired certification under the Information Security Management System (ISMS) conformity assessment scheme and to the BS7799 standard. Migration to ISO/IEC 27001 has been approved for continuing certification. We will continue to upgrade and improve our security level.

ISO/IEC 27001 Certification Details

| | |
|---|---|
| Date of registration | December 23, 2003 |
| Scope of registration | Software development design and maintenance services |
| Certification standard | ISO/IEC 27001: 2014 |
| Registered organization | CUBE SYSTEM INC. HOKKAIDO CUBE SYSTEM INC. |
| Registration number | JUSE-IR-152 |
| Expiry date | September 28, 2024 |
| Certification body | The Union of Japanese Scientists and Engineers (JUSE) ISO Center |

Information Security Management Structure



| | | |
|---|---|---|
| Top management | | |
| Internal Control and Integrated Risk Committee | | Decision-making on actions to address incidents reported by the Security Promotion Committee Plan approval |
| Security Promotion Committee | | Risk assessment Developing rules and regulations Developing a plan and evaluating its operation |
| Quality Management Department | | Security Promotion Committee Management promotion |
| Each department and office | | Compliance with laws, regulations and guidelines Incident report Report on compliance status |
| Subsidiaries | | |

## ▶ Information Security Management Structure

We have established a Security Promotion Committee for our information security management structure to conduct risk assessments for the entire organization, develop rules and regulations and review measures vis-à-vis internal and external risks.

Committee members have been selected from the managers of our various organizations, departments and offices for cross-sectoral activity.

Additionally, the Internal Control and Integrated Risk Committee, the supervisory body for the Committee, is responsible for reporting developments to top management and for deciding actions to be taken in the event of security risks and incidents.

## Response to Incidents

Should a security incident occur, our actions to identify the cause and prevent any recurrence are determined by the incident rank in compliance with the information security guidelines.

Measures against incidents

| | |
|---|---|
| Response in the event of an incident | For response in the event of a security incident, a security-related reporting channel has been defined clearly for each division and department/office, to ensure swift reporting and response. We are required to report and respond promptly even when there is only a small risk of a security incident. |
| Measures against cyber attacks | In the event of a cyber-attack, a dedicated response team takes swift action to localize and curb the spread of damage. Specifically, system measures are in place to give protection, including installation of antivirus (anti-malware) software (Symantec), hardware encryption, installation of IT management & control software (SKYSEA Client View), firewalls and two-step identity recognition. In the event of a cyber-attack, we share information on the incident throughout the organization as needed, and take action to prevent a security incident. |

## ▶ Measures against cyberattacks

As security risks from external cyberattacks increase, we have established strict rules for changing passwords according to the password policy and for using web services such as cloud services. Ensuring groupwide compliance with these rules prevents information leaks as a result of unauthorized access and other similar breaches.

## Information Security Training

We conduct regularly information security training based on our information security rules and recent developments in information security to raise employee awareness of information security.

In addition, we implement orientation training on security rules at our offices and project sites for new project members (including those from business partners).

## ▶ Information Security and Compliance Handbook

To ensure information security and compliance, we have published a handbook to ensure comprehensive understanding and awareness of the rules.

To maintain awareness of information security and compliance rules in the course of business operations, we check all relevant organizations and projects monthly to ensure that they are operating in compliance with the rules. We update the Information Security Compliance Handbook each fiscal year in step with the emergence of new internal and external risks.

The Handbook is distributed to our employees and to all officers and business partners participating in our projects, to ensure that they are always aware of the content and availability of the Handbook in the course of their work, to ensure swift action and to maintain the necessary security level.
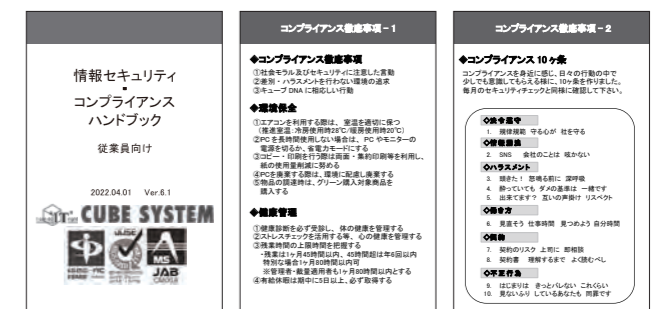


Information Security and Compliance Handbook (for employees)

## Handling personal information

We are protecting and using personal information obtained from business partners, shareholders, employees, etc., in accordance with our Personal Information Protection Policy. In handling personal information, we comply with relevant laws and official guidelines, with measures that limit the acquisition and use, and ban the use of this information for purposes other than the objectives. Except when permitted by laws, we ensure that personal information is not disclosed or provided to third parties without the consent of the person in question.

Specific personal information including My Number (personal identification number) is handled safely and appropriately in accordance with our Personal Information Privacy Policy.

Personal Information Protection Policy
https://www.cubesystem.co.jp/en/privacy/

# Compliance

We regard compliance with laws and regulations as a top priority issue in business management and works to improve and reinforce our compliance systems. Additionally, we have established our own policy on human rights, so that our businesses are managed with attention given to the basic human rights of our employees, our business partners and all other stakeholders.

## Basic Approach

We regard compliance as one of its most important management issues and is committed to our comprehensive implementation as the base for our business management. Compliance is not only simple respect for and observation of laws and regulations but "responding to the trust of all of our stakeholders." We are committed to honesty, equity and transparency in our business activities and our corporate conduct is based on each and every one of our self-reliant employees demonstrating respect for the values and ethics required of a good corporate citizen and member of society.

🌐 Basic Policy on Compliance
https://www.cubesystem.co.jp/en/csr/compliance/

## Compliance Code of Conduct

Level I:    Conduct in accordance with our corporate culture
Level II:   Conduct in accordance with ethics, social norms, etc.
Level III:  Conduct in line with internal control and risk management in compliance with internal regulations and manuals, etc.
Level IV:   Conduct in accordance with laws and regulations, etc.

## Compliance Initiatives

### ▶ Internal whistleblowing system

We accept reports of misconduct or problems related to compliance from employees in supervisory roles and Compliance Committee members serving as the internal whistleblowing office. In addition to the existing reporting channel, we have established an internal whistleblowing system for swift reporting of misconduct, etc. via a third-party organization that functions as a whistleblowing counseling office. The counseling office has created a system for appropriate action on inquiries and reports regarding organizational or personal violation of laws, to promote early identification and correction.

### ▶ Training

We provide annual compliance training for all employees. The training program is designed not only to reinforce the importance of compliance but also to raise greater awareness of compliance, greater understanding of the issues by each employee through group work and discussion and to implement more comprehensive compliance management.

### ▶ Compliance Committee activities

Compliance Committee arranges various activities each year for compliance training and for continuous improvements of all compliance activities.

In addition, employees from each division are appointed as compliance leaders in their respective departments to promote activities in the area.

The Compliance Committee conduct reviews and introduce ideas from a variety of perspectives to improve compliance activities.

### Training and case study sharing for organizational managers

In addition to our groupwide compliance training, in FY2021, we provided a training program focused on "labor affairs management" for managers in each division who serve as project leaders and organizational supervisors, along with group discussions. We also held a case sharing meetings to learn about various contract cases under the theme of "contract management" for department and division managers.

### Discussion in a study session for compliance leaders

In FY2021, we provided a study session with compliance leaders, many of whom are in JP-B* positions, grouped into different teams to discuss various topics, such as labor affairs management. The team given the topic of "compliance risks in home working" identified various risks and later shared their discussion results as a part of a groupwide training program.

* JP-B is equivalent to a team leader.

### Compliance Manual

We publish our own Compliance Manual as one of our compliance awareness activities for use in training programs, etc. The Committee reviews and revises this publication appropriately to improve our compliance activities.
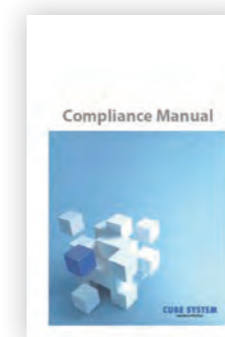
### ▶ Compliance comments box—"Hotto Box"

Our Hotto Box is a contact point through which employees can casually raise any whistleblowing concerns related to compliance issues. Employees can submit cases that they wish to consult on or ask questions about to the Hotto Box using an internal communication tool, and a contact person responds to the issue after clarifying the facts. The response results are then reported to the poster. When possible, the issue may be included in training materials as a sample case. To ensure the confidentiality of the poster, the responsible persons are only appointed from employees of our Compliance Committee. Also, the poster can remain anonymous. Hotto Box is more accessible than our previous whistleblowing system, through which the whistleblower had to contact directly with an external organization. It also allows the whistleblower to remain anonymous, which means that violations of compliance could be identified when reported. We plan to utilize Hotto Box to improve our business activities across the Group.

## Initiatives regarding Human Rights

We recognize that respect for human rights is the basis for sustainability management. In accordance with our Sustainability Management Basic Policy, we established a Human Rights Policy in November 2021 based on international standards and principles including the International Bill of Human Rights and the Guiding Principles on Business and Human Rights, to ensure that our businesses respect human rights. This policy prohibits all forms of discrimination and harassment. In addition, we do not condone forced labor or child labor in any form. We are committed to respecting human rights and urge our business partners not to violate human rights. To ensure that respect for human rights is firmly established in our business, we plan to implement human rights due diligence for ourselves and our group companies. We are committed to making continued improvements in this area.

🌐 Human Rights Policy
https://www.cubesystem.co.jp/en/csr/human_rights/

Compliance Manual

### Compliance Counseling and Action Flow
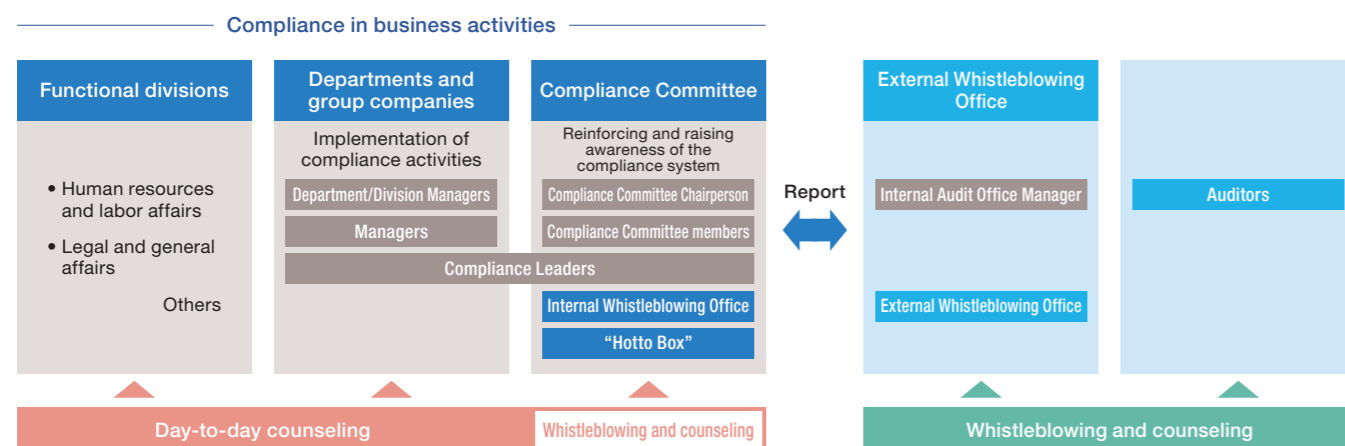


### Hotto Box Consulting Flow
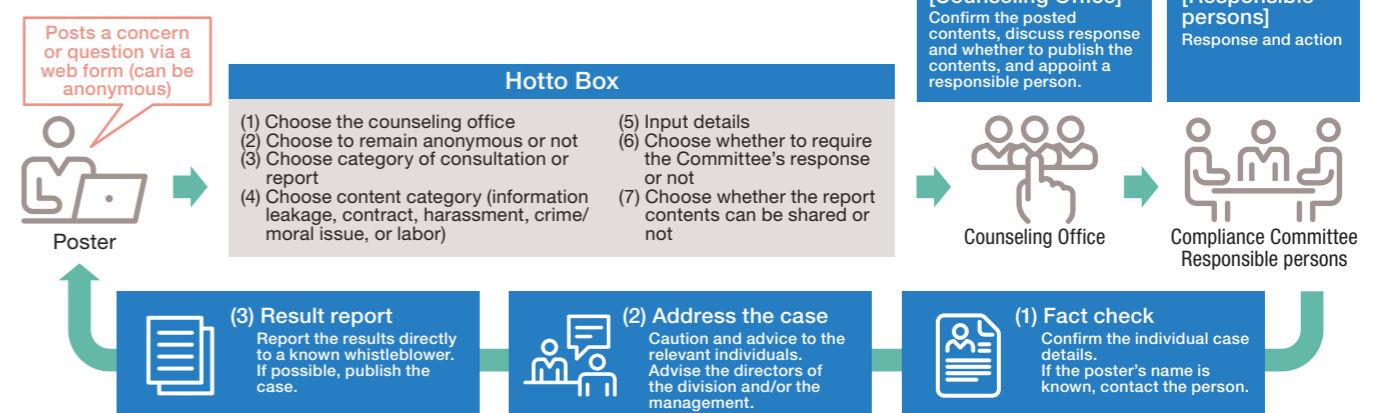
# Health and Productivity Management

Under the company's management philosophy that "companies thrive through the support of various people," we have implemented activities to build an environment and systems that allow diverse human resources to demonstrate their potential, aiming at management that supports their well-being.

## Approach to Health and Productivity Management

The CUBE SYSTEM Group and its employees are working in concert to develop the spirit (human capabilities), techniques (knowledge, technology and skills) and the body (mental and physical health).

Among the initiatives underway, we are implementing various measures with the conviction that the health of each employee is vital and "Health and Productivity Management" is an essential employee health policy for the sustainable growth of our Group.

### ▶ Health and Productivity Management Policy

For sustainable business growth and long-term advancement of our corporate value, we are implementing initiatives on the health and productivity management designed to improve the mental and physical health of our employees and to create a better workplace.

### ▶ 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program

We were selected for the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program organized jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This is a program that recognizes outstanding performance in health and productivity management, based on efforts to address regional health issues and health-related challenges promoted by Nippon Kenko Kaigi. We will continue to implement initiatives to create a better workplace for our employees that will support their mental and physical health.

**2022 健康経営優良法人** Health and productivity

## Developing Diverse Human Resources through IT

### ▶ Promoting diversity and inclusion

We are working to upgrade our systems, programs and work environment and to implement awareness reforms that enable our diverse human resources to work and grow in ways suited to their respective conditions, founded on mutual recognition and respect regardless of nationality, age, gender, social status, disability or values.

In the fiscal year ended in March 2022, we held in-house seminars and work sessions to promote the recruitment of women and their appointment to managerial posts.

### ▶ More lively communication

Workstyle diversification brings many communication issues, such as absence of personal contact and diversification of work sites.

To ensure that each employee understands our business management and VISION 2026 and to encourage their active participation in our business, we organized meetings to provide all departments and offices with opportunities for personal contact with our President.

In this age of the new normal, our Smile Share Products are designed to foster greater engagement among employees and closer communication.

CUBE SYSTEM's Smile Share Products
https://www.cubesystem.co.jp/en/service/smile/

*Katarou-kai* communication program

*Katarou-kai*: Watch and speak online with the president was held on the 10th and 15th of November 2021. It is an internal event organized for employees to foster their understanding of the Medium- to Long-Term Management Vision, V2026. Employees were able to use the live-streaming function of the communication tool to view the Management Strategy Meeting, and the President and executive officers could answer employees' questions in real time. The questionnaire survey conducted after the event showed that 95% of the participants were "interested in participating again." Similar events were held in May and June in FY2022.

### ▶ Workstyle reform

We believe that each employee will be able to perform best in working for customers in an environment where each person is able to maintain good mental and physical health while they work. A workstyle reform promotion committee was formed in 2017. We set "work fulfillment" indicators to measure each employee's sense of fulfillment at work, their state of mental and physical health and sense of vitality and dynamism in the workplace and to promote work styles that are adapted to external changes.

### ▶ Selected to the Top Hundred Telework Pioneers

In the company's efforts to actively promote the telework scheme, we were selected as one of the FY2020 Top 100 Telework Pioneers, a program organized by the Ministry of Internal Affairs and Communications.

**TW100 Telework Pioneer**

# Environment

The CUBE SYSTEM Group engages in environmentally friendly business management based on our environmental policy. We are committed to resolving the environmental issues of our customers through our business and creating a sustainable society.

## Basic Approach

We established an environmental policy in April 2005 and implement energy and resource conservation in our business activities. We recognize that climate changes in recent years have had a serious impact on human lives and business activities and are an important issue in our business strategy. We established an environmental policy in November 2021 to define our stance in resolving these problems.

## Environmental Policy

### ▶ Environmental Policy

"Practicing environmentally friendly management through business and contributing to reducing our environmental impact and building a sustainable society."

As our environmentally friendly promotion items, we are working to prevent pollution by our environmental management system and pursuing continual improvements by defining concrete numerical targets and conducting regular reviews.

In addition, we are disclosing relevant information from the four core elements—governance, strategy, risk management and metrics and targets—through assessment of risks and opportunities for our business brought on by climate changes in compliance with the TCFD final report.

## Environmental Management System

Under our environmental policy, we are practicing environmentally friendly management through sustainable improvement of environmental performance (energy and resource conservation). We acquired ISO14001 certification in 2005 and are working to continuously improve our environmental management system.

We are committed to implementing environmentally friendly action under all conditions as our contribution to society.

### ISO14001 Certification Details

| | |
|---|---|
| Date of registration | July 11, 2005 |
| Scope of registration | Software development design and maintenance services |
| Certification standard | ISO 14001:2015 |
| Registration number | JUSE-EG-417 |
| Registered organization | CUBE SYSTEM INC. |
| Expiry date | July 7, 2023 |
| Certification body | The Union of Japanese Scientists and Engineers (JUSE) ISO Center |

## Support for Environmentally Conscious Action

We registered our support for the COOL CHOICE program of the Ministry of the Environment and the objectives of the low-carbon society action plan of the Japan Information Technology Services Association (JISA) in October 2021.

**COOL CHOICE** **ECO**

In November 2021, we announced that we would endorse the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD). We are reinforcing our actions on mitigation and adaptation to climate change and making the necessary information disclosures to ensure longer-term advancements in our corporate value.

**TCFD** TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

# Roundtable Discussion with Independent Directors



Independent Director
## Hanae Nagata

✕

Independent Director
## Takao Shiino

✕

Independent Director
## Hiroki Sekibata

## Contributing to society with its IT capabilities and looking forward to establishing an organization that provides its employees with a sense of growth

### Initiatives aiming at raising effectiveness of the functionality of the Board of Directors

**Shiino** I find the atmosphere at the Board of Directors conducive to lively discussions. One reason is that the chairperson encourages independent directors to speak out after an explanation of the agenda, and state their opinions freely. As preliminary briefings are held for independent directors a week before the Board meeting, it is very good for independent directors to align their understanding and confirm the issues.

**Sekibata** We receive a detailed explanation of issues in the preliminary briefing and are able to attend Board meetings with a fuller understanding. An understanding of the background enables us to have more in-depth discussions. I think that by asking honest and simple questions on issues that are regarded as common sense in the Company, we are able to give new awareness for the internal directors and executive officers.

**Nagata** I agree. By looking at the details at the preliminary briefing, we are able to resolve our doubts and reexamine our opinions. Accordingly, we are able to make insightful questions and more specific discussion and reaffirm future issues and urgent problems. I feel that the Company now has an environment for discussion that enhances substance and quality.

**Sekibata** If we are to identify difficulties, one is the problem of flexibility regarding time. When there are a lot of items on the agenda, we may move on to the next agenda without enough time for sufficient discussion. I believe there is room for improvement. On the other hand, attention and time are given to evaluating the functionality of the Board. The objective views were included in FY2021 by introducing external organization for evaluation.

**Shiino** It is good that functionality is evaluated by a combination of a questionnaire and interviews. In addition, when independent directors indicated that there were management risks that needed to be looked at by the Board of Directors, those issues have been dealt with on several occasions, indicating that real improvements are being made.

**Nagata** Information on the meetings President Nakanishi holds with institutional investors is also shared now. This was also something that was requested in the functionality evaluation.

**Shiino** Because an independent director speaks for investors, it is important to confirm what the investors' opinions are and to ensure that our perspective is in line with the opinions of our investors.

**Sekibata** Additionally, some aspects that we independent directors thought were adequate were actually not so when seen from the inside. This is extremely important. It is dangerous for the the members of the Board, regardless of internal and external directors, that their thoughts and opinions become identical. The role of an independent director is to present a view that is different from the Company's own view and give an opinion. Clarification of this point in the effectiveness evaluation indicates that the Board is functioning correctly.



## Hiroki Sekibata

**Profile**
Joined Shin-Tokyo Law Offices in 1998 and became a partner in 2006. After serving as a partner in Bingham Sakai Mimura Aizawa (Foreign Law Joint Enterprise), he is currently a partner in Anderson Mōri & Tomotsune (Foreign Law Joint Firm). He was appointed as an independent director of CUBE SYSTEM INC. in 2014.

### Evaluation of VISION 2026 and issues in achieving the targets

**Shiino** I highly evaluate the policy direction announced in V2026, the medium- and long-term management plan, to "focus energy on three business models and develop business by enhancing the per-person added value." As long as each employee has a strong resolution to enhance their individual added value, I think the targets can be achieved. For the future, my expectations are for a digital transformation (DX) that is unique to the Company. Discussions took place during the development of the medium- to long-term management vision and medium-term management plan, but concrete details have yet to be clarified. Since DX is an area that is drawing huge attention currently in society, I think the Company should present its own unique CUBE SYSTEM form of DX, founded on collaboration with its business partners. I feel that this will help raise employee motivation.

**Nagata** I have been focusing on sustainability management, which forms the core of our business strategies. V2026 includes both financial indicators and non-financial indicators. Here the word is "and" not "or", which is important, because both indicators are important. Because I am a physician, I look at the management of

## Roundtable Discussion with Independent Directors

the Company in terms of its health. I believe that business growth can be achieved only by protecting the health of our employees. Although I understand that non-financial indicators are difficult to quantify, I would encourage the Company to implement sustainable management, and to remember that the degree of organizational revitalization and employee's work fulfillment are linked to achieving the financial targets.

Sekibata   Recently, lively debate is taking place in the Company, with a strong focus on ESG management and SDGs. I feel that the medium- and long-term management visions of the Company, which is now transited to the Prime Market, must emphasize not only its business execution and strong governance but also how to continue to operate as a business beneficial to society. I also evaluate the Company's standing on environmental matters highly, thinking that support for the environmental actions of its customers through its technologies and systems leads to CUBE SYSTEM's contribution to environmental issues.

Shiino   IT is a powerful tool to eliminate inefficiencies and operations that are not very productive. In FY2021, for example, our technology has improved the efficiency of logistics by helping to reduce fuel consumption and $CO_2$ emissions, as well as reduce workloads. Thus, the Company has contributed to environmental and social issues through IT.

### Takao Shiino

Profile

After joining Nomura Research Institute, Ltd. (NRI) in 1979, he was appointed director of the NRI in 2000. He has served as executive director of the Japan Information Technology Services Industry Association (JISA), director of the Japan Data Center Council, chair of The Green Grid Japan Liaison Committee and executive director of the Nomura School of Advanced Management. He was appointed as an independent director of CUBE SYSTEM INC. in 2015.

### Expanding human capital

Shiino   One of the current issues for our company is how to strengthen the management team. This is something often emphasized in President Nakanishi's messages, and as chairperson of the Nomination and Compensation Advisory Committee, I can strongly agree. Active discussions are taking place in the Committee regarding executive training and the appointment process.

Nagata   I feel steady improvements are underway in making the executive appointment decision-making criteria and the basis used for executive evaluation more transparent. Independent directors do not work with employees all the time and a clear basis helps us in our discussions.

Shiino   On the other hand, I want employees to have a management point of view. Many executive officers and department managers often tend to take short-term views on their own jobs in system development and project management. I am afraid that we may face the risk of business slowdowns afterwards if they don't have a stronger focus on a long-term broader perspective from which they can tackle the key issues for sustainable, long-term growth.

Sekibata   To address these issues, discussion is underway to create systems and mechanisms that develop future management human resources. I find the approach, involving building these systems systematically over several years, to be very good and I hope the efforts continue, although some time will be needed.

Shiino   Developing human resources based on a succession plan is very important. To develop human resources who will become leaders of CUBE SYSTEM in the future, I believe that my contribution should be to direct the attention of executive officers and managers to higher goals. At recent reporting occasions from them, we have been at the stage of asking questions that raise their ideas to a higher level.

Nagata   This is related to the human resources strategy of CUBE SYSTEM as a whole. At the current Board of Directors meetings, I feel there should be more discussion of a human resources strategy that is linked to management strategy. As mentioned earlier, I feel that discussion is essential in achieving both financial and non-financial values. ISO 30414, the guideline on human capital information disclosure, is attracting more and more interest today. It not only covers human resources

development, but also serves as an important indicator for our company's policy of placing an emphasis on human capital. I believe that any delay in acting will lead to risks.

Shiino   I think that job rotation based on our human resources strategy is working effectively in general. In the Company, there are few opportunities to organize job rotations between business divisions, but I think that job rotation across job categories may be possible, such as from the sales division to the head office organization and vice versa. Needless to say, building up experience in different jobs broadens the scope of their duties and will improve job performance.

Sekibata   From the standpoint of a lawyer, gaining knowledge of corporate accounting and laws at an early stage is extremely important in building human resources for management. As the Company expands its business operations, it is likely to encounter various risks, including legal risks and country risks. Whether or not a manager has a knowledge of the basics will have a dramatic effect on the response in need.

Nagata   Human capital management is an essential area that is closely related with health and productivity management. Our company was selected under Selected under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program, and I believe this shows a rising momentum inside the Company. President Nakanishi is also addressing "Well-Being Management" frequently, and it appears that a climate that encourages employees to work with vitality and a sense of fulfillment is beginning to develop. In this area, receiving certification of some kind is not the objective. What is really important is to implement Health and Productivity Management that has substance. Most recently, employees are voluntarily submitting requests for lectures on infertility treatment, women's health and mental health. Although there are still issues to be addressed, I have great hopes for the future.

### Expectations for future CUBE SYSTEM

Shiino   Contributing to society with IT capabilities. Doing this "with you." That is our company's stance. Our goal is to build "with you" relations with our customers and business partners, while employees keep motivation for

### Hanae Nagata

Profile

After acquiring a medical license in 2012, she joined Japanese Red Cross Musashino Hospital the same year. She served as an industrial physician of Yahoo Japan Corporation (current Z Holdings Corporation) and is presently a representative director of PhileLife. She was appointed as an independent director of CUBE SYSTEM INC. in 2020.

working with enthusiasm and gain fulfillment from work. I look forward to seeing the creation of this kind of strong organization and to building the future for IT.

Nagata   In terms of our company's BCP, I think the introduction of the remote working under COVID-19 was very significant. Amid rising environmental risks, we were able to build the foundations for business continuity even under difficult circumstance for working at the office and to confirm our proactive stance in responding to social changes. In addition, we were able to turn the risk of an unknown infectious disease into a business opportunity, resulting in a major contribution to society. I would like all employees to bear in mind the purpose of the Company and to pursue self-growth –- to feel proud that they are working in IT industry, which is essential for social growth.

Sekibata   With the Company marking its 50th anniversary, I look forward to CUBE SYSTEM taking a leadership position in the IT industry. Our efforts should be focused on expanding our customer base and tackling cutting-edge technologies such as AI and block chain. As we move forward through such efforts, we look forward to the Company celebrating its centennial anniversary.

# Major Financial Data (Consolidated)

Fiscal year: April 1 to March 31 next year
Please refer also to our Fact Book.

IR Information: Financial results brief, etc.
https://www.cubesystem.co.jp/en/ir/library/library

(Unit: thousand yen)

| | Japanese GAAP | | | | | | | | | |
| | Medium- to Long-Term Management Vision, V2020 1st Step | | | V2020 2nd Step | | | V2020 3rd Step | | | V2026 1st Step |
| | FYE2013 | FYE2014 | FYE2015 | FYE2016 | FYE2017 | FYE2018 | FYE2019 | FYE2020 | FYE2021 | FYE2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated Statements of Income** | | | | | | | | | | |
| Net sales | 9,241,606 | 11,217,129 | 12,527,151 | 12,622,672 | 12,899,073 | 13,559,365 | 14,325,325 | 14,708,096 | 14,788,890 | 16,099,838 |
| Gross profit | 1,431,636 | 1,555,779 | 2,035,419 | 2,146,479 | 1,985,868 | 2,344,212 | 2,448,834 | 2,503,098 | 2,840,663 | 3,450,166 |
| Total selling, general and administrative expenses | 830,206 | 890,925 | 1,071,048 | 1,197,015 | 1,204,853 | 1,489,096 | 1,527,243 | 1,544,085 | 1,665,796 | 2,032,280 |
| Operating income | 601,429 | 664,853 | 964,370 | 949,463 | 781,015 | 855,116 | 921,590 | 959,012 | 1,174,867 | 1,417,886 |
| Ordinary Income | 606,024 | 701,775 | 980,606 | 960,090 | 811,401 | 892,818 | 959,928 | 976,182 | 1,295,324 | 1,432,724 |
| Current net income belonging to parent company stockholder | 337,643 | 386,552 | 594,252 | 628,914 | 551,317 | 567,491 | 596,613 | 525,318 | 844,004 | 944,696 |
| **Consolidated Balance Sheets** | | | | | | | | | | |
| Current assets | 5,043,813 | 5,285,756 | 5,024,867 | 5,221,694 | 5,549,653 | 5,763,971 | 6,156,586 | 6,241,570 | 7,253,810 | 7,805,500 |
| Non-current assets | 942,371 | 1,374,325 | 1,873,866 | 2,103,085 | 1,853,954 | 1,771,581 | 1,989,317 | 1,805,711 | 2,190,382 | 2,259,029 |
| Total assets | 5,986,184 | 6,660,082 | 6,898,734 | 7,324,780 | 7,403,608 | 7,535,552 | 8,145,904 | 8,047,282 | 9,444,193 | 10,064,530 |
| Current Liabilities | 1,485,078 | 1,927,331 | 1,942,400 | 1,790,876 | 1,713,470 | 1,860,775 | 2,249,681 | 1,874,225 | 2,357,766 | 2,199,418 |
| Non-current liabilities | 352,485 | 305,358 | 310,715 | 815,147 | 824,603 | 518,646 | 532,770 | 540,267 | 571,106 | 650,792 |
| Total liabilities | 1,837,564 | 2,232,690 | 2,253,115 | 2,606,023 | 2,538,073 | 2,379,422 | 2,782,451 | 2,414,493 | 2,928,872 | 2,850,211 |
| Total net assets | 4,148,619 | 4,427,391 | 4,645,618 | 4,718,757 | 4,865,534 | 5,156,130 | 5,363,452 | 5,632,788 | 6,515,320 | 7,214,319 |
| Total liabilities and net assets | 5,986,184 | 6,660,082 | 6,898,734 | 7,324,780 | 7,403,608 | 7,535,552 | 8,145,904 | 8,047,282 | 9,444,193 | 10,064,530 |
| **Consolidated Statements of Cash Flows** | | | | | | | | | | |
| Cash flows from operating activities | 451,334 | 317,999 | 503,348 | 527,316 | 936,428 | 388,839 | 773,119 | 747,331 | 1,043,068 | 1,015,804 |
| Cash flows from investing activities | △ 321,680 | △ 172,463 | △ 307,421 | 33,243 | 94,825 | 28,280 | 46,902 | 25,957 | 58,501 | △ 134,344 |
| Cash flows from financing activities | △ 151,339 | △ 188,964 | △ 439,289 | △ 241,980 | △ 610,986 | △ 392,054 | △ 531,081 | △ 339,283 | △ 215,207 | △ 324,105 |
| Effects of exchange rate change on cash and cash equivalents (△ means decrease) | △ 490 | △ 777 | 3,311 | △ 9,315 | △ 6,057 | △ 1,381 | △ 4,031 | △ 7,796 | 4,169 | 10,831 |
| Net increase (△ means decrease) in cash and cash equivalents | △ 22,175 | △ 44,205 | △ 240,050 | 309,263 | 414,210 | 23,684 | 284,907 | 426,209 | 890,531 | 568,185 |
| Cash and cash equivalents at end of period | 2,382,991 | 2,338,785 | 2,098,734 | 2,407,998 | 2,822,208 | 2,845,893 | 3,130,800 | 3,557,010 | 4,447,541 | 5,015,727 |
| **Per Share Information** | | | | | | | | | | |
| Earnings per share (yen) | 22.51 | 25.77 | 39.75 | 43.22 | 39.15 | 40.59 | 43.25 | 38.69 | 62.11 | 69.82 |
| Book value per share (yen) | 275.34 | 293.86 | 316.67 | 322.76 | 346.47 | 372.23 | 393.29 | 411.96 | 476.52 | 531.14 |
| Dividends per share (yen) | 11.00 | 11.00 | 14.00 | 14.00 | 14.00 | 16.00 | 16.00 | 18.00 | 20.00 | 23.00 |
| **Financial Ratios** | | | | | | | | | | |
| Equity ratio (%) | 69.0 | 66.2 | 67.0 | 64.1 | 65.4 | 68.1 | 65.4 | 69.6 | 68.6 | 71.2 |
| Return on equity (%) | 8.4 | 9.1 | 13.2 | 13.5 | 11.6 | 11.4 | 11.4 | 9.6 | 14.0 | 13.8 |
| Total asset turnover ratio (times) | 1.5 | 1.7 | 1.8 | 1.7 | 1.7 | 1.8 | 1.8 | 1.8 | 1.6 | 1.6 |
| Financial leverage (times) | 1.4 | 1.5 | 1.5 | 1.6 | 1.5 | 1.5 | 1.5 | 1.4 | 1.5 | 1.4 |
| Return on assets (%) | 10.6 | 11.1 | 14.5 | 13.5 | 11.0 | 12.0 | 12.3 | 12.3 | 14.8 | 14.7 |
| Ratio of operating income on sales (%) | 6.5 | 5.9 | 7.7 | 7.5 | 6.1 | 6.3 | 6.4 | 6.5 | 7.9 | 8.8 |
| Ratio of earnings on sales (%) | 3.7 | 3.4 | 4.7 | 5.0 | 4.3 | 4.2 | 4.2 | 3.6 | 5.7 | 5.9 |
| Dividend payout ratio (%) | 48.9 | 42.7 | 35.2 | 32.4 | 35.8 | 39.4 | 37.0 | 46.5 | 32.2 | 32.9 |

\* With the application of the Accounting Standards on Business Combinations (ASBJ Statement No. 21, September 13, 2013), "current net income" has been defined as "current net income belonging to parent company stockholder," starting in FYE2016.
\* Stock split at a ratio of 1:2 was implemented on October 1, 2014. However, this stock split is assumed to have been executed at the start of FYE2015. Hence, current net income value per share and net assets per share for each fiscal term have been calculated accordingly.

\* The impact of the 1:2 ratio stock split in October 1, 2014 has been applied retroactively to the annual dividend per share.

# ESG Data

## Environment

### CO$_2$ Emissions (in Japan)

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Total emissions Scope 1 (t-CO$_2$e) | 47 | 50 | 46 | 55 | 49 |
| Total emissions Scope 2 (t-CO$_2$e) | 132 | 138 | 137 | 135 | 133 |
| Scope 1+Scope 2 (t-CO$_2$e) | 180 | 188 | 183 | 189 | 182 |

* Covers Osaki Wiz Tower (Osaki Office) only
* Emissions under Scope 1 and Scope 2 have been calculated using the following equation. (The emission factor is as set in the Act on the Promotion of Global Warming Countermeasures.)
  Scope 1 emissions: Consumption of each fuel type × Energy conversion factor × Emission factor
  Scope 2 emissions: Electricity consumption × Emission factor
* In fiscal 2022, we revised the Scope 1 and 2 coverage and the adopted emission factor. We then recalculated the emission volumes up to and including FY2016.

### Energy Consumption

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Energy consumption (Electricity kWh) | 279,472 | 298,443 | 301,343 | 304,310 | 299,553 |

* Covers Osaki Wiz Tower (Osaki Office) only

## Social  * Non-consolidated data

### Proportion of the Employees

|  |  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|---|
| Number of Employees (persons) | Male | 433 | 441 | 447 | 461 | 447 |
|  | Female | 124 | 131 | 144 | 164 | 192 |
| By region (persons) | Japan | 556 | 569 | 588 | 622 | 634 |
|  | Ho Chi Minh | 1 | 2 | 2 | 2 | 2 |
|  | Shanghai | 1 | 1 | 1 | 1 | 3 |
| Gender ratio | Male | 78% | 77% | 76% | 74% | 70% |
|  | Female | 22% | 23% | 24% | 26% | 30% |
| Number of managerial personnel (persons) | Male | 81 | 92 | 102 | 106 | 104 |
|  | Female | 3 | 3 | 4 | 5 | 7 |
| Number of new graduate new hires (persons) | Male | 37 | 35 | 33 | 39 | 33 |
|  | Female | 13 | 14 | 19 | 24 | 24 |
| Number of mid-career hires (persons) | Male | 16 | 13 | 11 | 8 | 4 |
|  | Female | 5 | 7 | 7 | 7 | 9 |
| Number of retired employees (persons) |  | 30 | 57 | 54 | 40 | 57 |
| Average length of employment(years) |  | 7.7 | 7.9 | 8.2 | 8.3 | 8.5 |
| Average annual compensation (in thousand yen) |  | 4,884 | 5,114 | 5,080 | 5,018 | 5,261 |
| Job retention rate for new graduate new hires after three years |  | 91% | 75% | 78% | 65% | 83% |

* The number of employees include those on overseas assignments.

### Employment of Employees with Disabilities

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Number of employees with disabilities (persons) | 6.5 | 5.5 | 9.5 | 10 | 10 |
| Rate of employees with disabilities | 1.2% | 0.9% | 1.6% | 1.6% | 1.6% |

### FY2021 Childcare Leave-Taking Status

|  | Total | Male | Female |
|---|---|---|---|
| Number of employees qualified for childcare leave (persons) | 643 | 451 | 192 |
| Number who took childcare leave (persons) | 12 | 5 | 7 |
| Employees who returned from childcare leave during the term of this report | 6 | 3 | 3 |
| Employees who are enrolled more than 12 months after returning from childcare leave | 6 | 3 | 3 |
| Job return rate after childcare leave | 100% | 100% | 100% |
| Job retention rate after childcare leave | 100% | 0% | 100% |

### Health and Productivity Management

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Number of workplace accidents (cases) | 0 | 5 | 1 | 0 | 0 |
| Workplace accident rate* | 0% | 0% | 0% | 0% | 0% |

* Figure represents the number of either fatal accidents or incidents necessitating four or more days' leave due to a casualty accident.

### Annual Training Cost per Employee

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Training cost per employee (in thousand yen) | 108 | 95 | 85 | 60 | 99 |

## Governance  *Non-consolidated data

### Proportion of directors

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Total directors (persons) | 7 | 7 | 7 | 7 | 7 |
| Independent directors (persons) | 2 | 2 | 2 | 3 | 3 |
| Female directors (persons) | 0 | 0 | 0 | 1 | 1 |

### Board of Directors Meetings

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Number of meetings (times) | 18 | 14 | 15 | 15 | 17 |
| Average attendance rate | 100% | 100% | 100% | 100% | 100% |
| Average attendance rate for independent directors | 94% | 100% | 100% | 100% | 94% |
| Average attendance rate for outside auditors | 100% | 100% | 100% | 100% | 100% |

### Board of Auditors Meetings

|  | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|---|---|---|---|---|
| Number of meetings (times) | 15 | 16 | 15 | 18 | 19 |
| Average attendance rate for all auditors | 100% | 100% | 100% | 100% | 100% |
| Average attendance rate for outside auditors | 100% | 100% | 100% | 100% | 100% |

# Corporate Information

## Corporate Information

| Company name | CUBE SYSTEM INC. | Establishment | July 5, 1972 |
|---|---|---|---|
| Head office | Osaki Wiz Tower, 2-11-1 Osaki, Shinagawa-ku, Tokyo | Capital | 768.97 million yen |
|  |  | Number of employees (consolidated) | 886 (as of April 1, 2022) |

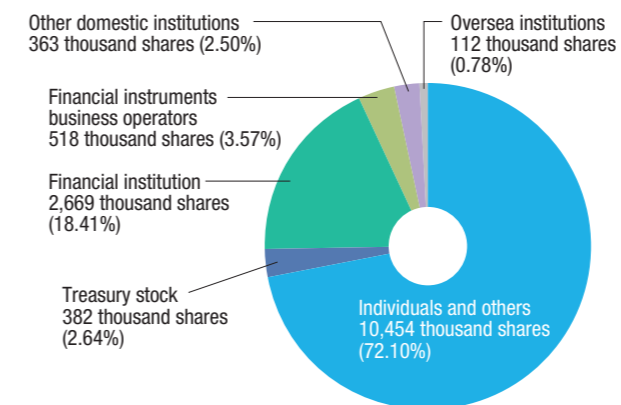## Stock Information                    (As of March 31, 2022)

Total number of issuable shares    22,364,000

Total number of issued shares    14,500,000

Number of Shareholders    9,248

### Shareholder Classification (by ownership)
*Includes treasury stock



Other domestic institutions 363 thousand shares (2.50%)
Oversea institutions 112 thousand shares (0.78%)
Financial instruments business operators 518 thousand shares (3.57%)
Financial institution 2,669 thousand shares (18.41%)
Treasury stock 382 thousand shares (2.64%)
Individuals and others 10,454 thousand shares (72.10%)

### Major Shareholders (Top 10)

| Name of shareholder | Number of shares held (thousands of shares) | Shareholding ratio (%) |
|---|---|---|
| Osamu Sakiyama | 1,613 | 11.12% |
| CUBE SYSTEM Employee Stockholding Meeting | 1,531 | 10.55% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 958 | 6.61% |
| The Japan Master Trust Bank, Ltd. (Executive Remuneration BIP Trust Account) | 617 | 4.26% |
| Akemi Onuki | 401 | 2.76% |
| CUBE SYSTEM INC. | 382 | 2.63% |
| Toshio Uchida | 329 | 2.27% |
| Masatsugu Sakurai | 287 | 1.98% |
| SMBC Nikko Securities Inc. | 281 | 1.94% |
| MUFG Bank, Ltd. | 258 | 1.77% |

## Offices

**Domestic offices (in Japan)**
**❶ Head office**
Osaki Wiz Tower, 2-11-1 Osaki, Shinagawa-ku, Tokyo

**❷ West Japan Solutions Business Division**
6F, Ichigo Sakaisuji Honmachi Building, 1-6-16 Honmachi, Chuo-ku, Osaka

**❸ Nagoya Office**
7F, Kumada Shirakawa Building, 2-11-19 Sakae, Naka-ku, Nagoya, Aichi

**Related company**
**❹ HOKKAIDO CUBE SYSTEM INC.**
6F, Pacific Marks Sapporo Kita-Ichijo, 7-4-4 Kita-Ichijo Nishi, Chuo-ku, Sapporo, Hokkaido

**❺ CUBE SYSTEM VIETNAM Co., Ltd.**
6F, JVPE Building, Quang Trung Software City, Tan Chanh Hiep Ward, Dist 12, Ho Chi Minh City, Vietnam

**❻ CUBE SYSTEM SHANGHAI Co., Ltd.**
Room 605, No.2 Building, No.641 Tianshan Road Changning District Shanghai City, China