

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 2, 2022

Company name: CUBE SYSTEM INC.
 Stock exchange listing: Tokyo
 Stock code: 2335 URL <https://www.cubesystem.co.jp/en/>
 Representative: Representative Director and President Masahiro Nakanishi
 Seniority Corporate Officer, Hirofumi Kitagaki
 Inquiries: President's Office TEL 03-5487-6030
 Scheduled date to file Quarterly Securities Report: November 9, 2022
 Scheduled date to commence dividend payments: December 2, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2022 | 7,892 | (2.1) | 598 | (19.9) | 594 | (21.0) | 388 | (22.6) |
| Six months ended September 30, 2021 | 8,060 | 13.8 | 746 | 35.1 | 752 | 24.6 | 501 | 25.3 |

| | Earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Six months ended September 30, 2022 | 28.73 | – |
| Six months ended September 30, 2021 | 37.00 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of September 30, 2022 | 10,270 | 7,533 | 73.4 | 556.76 |
| As of March 31, 2022 | 10,064 | 7,214 | 71.2 | 531.14 |

2. Cash dividends

| | Annual dividends per share | | | | |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2022 | – | 8.00 | – | 15.00 | 23.00 |
| Year ending March 31, 2023 | – | 23.00 | – | – | – |
| Year ending March 31, 2023 (Forecast) | – | – | – | 27.00 | 50.00 |

(Note)

Breakdown of interim dividend for the six months ended September 30, 2022:

Ordinary dividend of ¥11.00, and 50th anniversary commemorative dividend of ¥12.00

Breakdown of year-end dividend for the fiscal year ended March 31, 2023 (Forecasts):

Ordinary dividend of ¥15.00, and 50th anniversary commemorative dividend of ¥12.00

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|-----|------------------|-----|-----------------|-----|---|-----|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 17,300 | 7.5 | 1,530 | 7.9 | 1,545 | 7.8 | 1,000 | 5.9 | 73.91 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

| | | | |
|--------------------------|-------------------|----------------------|-------------------|
| As of September 30, 2022 | 14,500,000 shares | As of March 31, 2022 | 14,500,000 shares |
|--------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|----------------|----------------------|------------------|
| As of September 30, 2022 | 968,792 shares | As of March 31, 2022 | 1,000,392 shares |
|--------------------------|----------------|----------------------|------------------|

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

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Six months ended September 30, 2022 | 13,518,041 shares | Six months ended September 30, 2021 | 13,559,941 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,058,095 | 5,046,843 |
| Accounts receivable-trade and contract assets | 2,584,355 | 2,457,566 |
| Securities | – | 100,000 |
| Work in process | 16,439 | 23,138 |
| Other | 147,277 | 160,884 |
| Allowance for doubtful accounts | (667) | – |
| Total current assets | 7,805,500 | 7,788,432 |
| Non-current assets | | |
| Property, plant and equipment | 169,139 | 147,841 |
| Intangible assets | 4,954 | 4,142 |
| Investments and other assets | | |
| Investment securities | 1,278,721 | 1,532,283 |
| Retirement benefit asset | 194,324 | 196,082 |
| Other | 611,890 | 601,514 |
| Total investments and other assets | 2,084,936 | 2,329,880 |
| Total non-current assets | 2,259,029 | 2,481,864 |
| Total assets | 10,064,530 | 10,270,297 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 753,109 | 727,893 |
| Short-term borrowings | 240,000 | 240,000 |
| Income taxes payable | 231,054 | 242,611 |
| Provision for bonuses | 364,188 | 420,000 |
| Provision for bonuses for directors (and other officers) | 10,200 | 5,092 |
| Provision for loss on orders received | 3,382 | 4,287 |
| Other | 597,483 | 388,337 |
| Total current liabilities | 2,199,418 | 2,028,222 |
| Non-current liabilities | | |
| Provision for share-based compensation | 309,136 | 316,859 |
| Asset retirement obligations | 138,558 | 138,812 |
| Other | 203,097 | 252,778 |
| Total non-current liabilities | 650,792 | 708,450 |
| Total liabilities | 2,850,211 | 2,736,672 |

(Thousands of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|---|----------------------|--------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 768,978 | 768,978 |
| Capital surplus | 705,435 | 704,842 |
| Retained earnings | 6,006,514 | 6,182,426 |
| Treasury shares | (759,459) | (731,977) |
| Total shareholders' equity | 6,721,467 | 6,924,269 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 370,912 | 526,104 |
| Foreign currency translation adjustment | 21,851 | 41,759 |
| Remeasurements of defined benefit plans | 55,932 | 41,490 |
| Total accumulated other comprehensive income | 448,696 | 609,354 |
| Non-controlling interests | 44,155 | – |
| Total net assets | 7,214,319 | 7,533,624 |
| Total liabilities and net assets | 10,064,530 | 10,270,297 |

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

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Net sales | 8,060,499 | 7,892,164 |
| Cost of sales | 6,342,228 | 6,241,203 |
| Gross profit | 1,718,270 | 1,650,961 |
| Selling, general and administrative expenses | | |
| Provision for bonuses for directors (and other officers) | 5,125 | 5,092 |
| Salaries and allowances | 249,099 | 289,518 |
| Provision for bonuses | 73,865 | 66,633 |
| Retirement benefit expenses | 10,001 | 13,584 |
| Provision of allowance for share-based compensation | 42,278 | 35,205 |
| Other | 590,999 | 642,467 |
| Total selling, general and administrative expenses | 971,369 | 1,052,501 |
| Operating profit | 746,900 | 598,459 |
| Non-operating income | | |
| Interest income | 1,290 | 1,586 |
| Dividend income | 4,449 | 4,850 |
| Difference on consumption tax | 4,682 | 2,221 |
| Other | 1,415 | 1,877 |
| Total non-operating income | 11,837 | 10,535 |
| Non-operating expenses | | |
| Interest expenses | 876 | 716 |
| Foreign exchange losses | 2,771 | 9,282 |
| Other | 2,696 | 4,321 |
| Total non-operating expenses | 6,344 | 14,319 |
| Ordinary profit | 752,393 | 594,675 |
| Profit before income taxes | 752,393 | 594,675 |
| Income taxes | 249,083 | 206,304 |
| Profit | 503,309 | 388,371 |
| Profit attributable to non-controlling interests | 1,635 | – |
| Profit attributable to owners of parent | 501,674 | 388,371 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Profit | 503,309 | 388,371 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 71,235 | 155,192 |
| Foreign currency translation adjustment | 4,881 | 19,908 |
| Remeasurements of defined benefit plans, net of tax | (24,946) | (15,190) |
| Total other comprehensive income | 51,170 | 159,910 |
| Comprehensive income | 554,480 | 548,281 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 553,017 | 548,281 |
| Comprehensive income attributable to non-controlling interests | 1,463 | – |

Consolidated statements of cash flows

(Thousands of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 752,393 | 594,675 |
| Depreciation | 29,352 | 25,444 |
| Increase (decrease) in provisions | 138,058 | 85,193 |
| Increase (decrease) in assets and liabilities related to retirement benefits | (44,070) | (23,794) |
| Interest and dividend income | (5,739) | (6,436) |
| Interest expenses | 876 | 716 |
| Decrease (increase) in trade receivables | 36,042 | 129,322 |
| Decrease (increase) in inventories | 62,543 | (5,939) |
| Increase (decrease) in trade payables | (18,359) | (25,803) |
| Increase (decrease) in accrued consumption taxes | (36,153) | (74,548) |
| Increase (decrease) in accounts payable - other | (75,328) | (89,818) |
| Increase (decrease) in deposits received | (39,454) | (48,400) |
| Other, net | 32,971 | (38,634) |
| Subtotal | 833,131 | 521,975 |
| Interest and dividends received | 8,975 | 8,155 |
| Interest paid | (861) | (714) |
| Income taxes paid | (337,710) | (201,161) |
| Income taxes refund | – | 1,086 |
| Net cash provided by (used in) operating activities | 503,534 | 329,341 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (29,842) | (7,776) |
| Purchase of investment securities | (29,026) | (139,041) |
| Proceeds from sale of investment securities | 8,936 | 6,396 |
| Purchase of membership | (5,000) | – |
| Other, net | (13,823) | 4,295 |
| Net cash provided by (used in) investing activities | (68,755) | (136,126) |
| Cash flows from financing activities | | |
| Repayments of short-term borrowings | (40,000) | – |
| Dividends paid | (169,672) | (211,170) |
| Dividends paid to non-controlling interests | (600) | (700) |
| Repayments of lease liabilities | (419) | (419) |
| Net cash provided by (used in) financing activities | (210,692) | (212,290) |
| Effect of exchange rate change on cash and cash equivalents | 1,344 | 4,200 |
| Net increase (decrease) in cash and cash equivalents | 225,431 | (14,874) |
| Cash and cash equivalents at beginning of period | 4,447,541 | 5,015,727 |
| Cash and cash equivalents at end of period | 4,672,972 | 5,000,853 |