

CUBE SYSTEM

Nov 2, 2022



2nd Quarter of the Fiscal Year Ending March 31, 2023 Supplementary Information Material for Financial Results

Securities code: 2335

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2Q of the Fiscal Year
Ending March 31, 2023

Overview of Financial Results

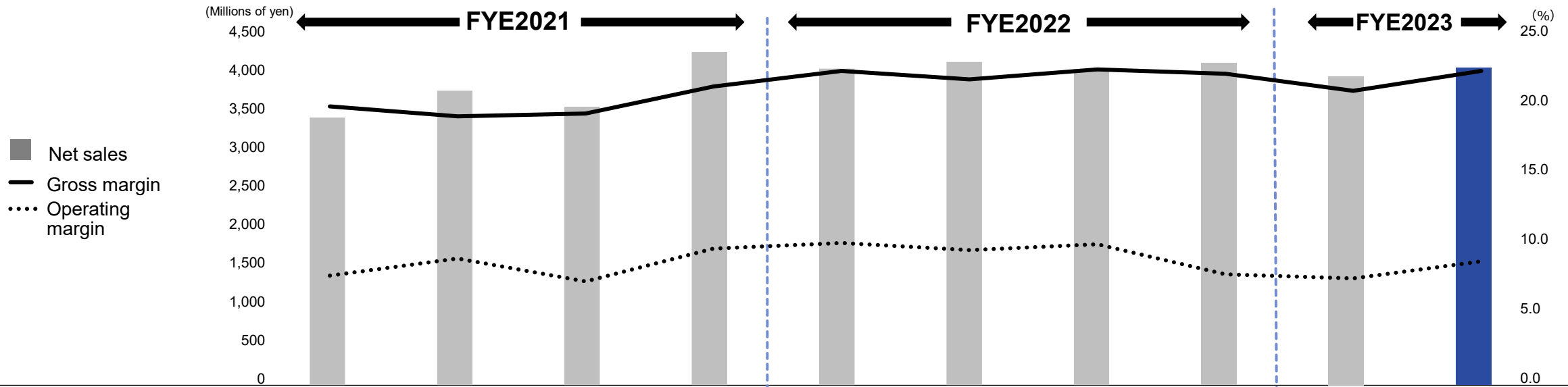
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1-1. Overview of Consolidated Statements of Income

Continue to improve management base and reform the structure of Business model

		(Unit: millions of yen)	FYE 2023 2Q (Actual) (% change)	FYE 2022 2Q (Actual)	FYE 2023 (Forecast) (Progress %)
	<p>Down 2.1% from the previous fiscal year Achievement rate for earnings forecast: 45.6%</p>				
Net sales	<p>Steady performance in Digital Business and Enhancement Business. Slight decrease because relocation of resources could not keep up with changes in IT investment policies of client companies, though, the participations in upstream processes for large-scale projects started in SI Business.</p>		7,892 (-2.1%)	8,060	17,300 (45.6%)
			Operating Profit	746	1,530 (39.1%)
			Margin (%)	9.3%	8.8%
	<p>Down 19.9% from the previous fiscal year Achievement rate for earnings forecast: 39.1%</p>				
Operating Profit	<p>Made efforts to enhance the sophistication of enhancement services and increase orders for derivative development projects in spite of the effects of measures to improve profit margins. Implement measures to strengthen management base (human resource development and investment in IT system for in-house use).</p>		594 (-21.0%)	752	1,545 (38.5%)
			Margin (%)	9.3%	8.9%
			Net Profit attributable to owners of parent	501	1,000 (38.8%)
			Margin (%)	6.2%	5.8%

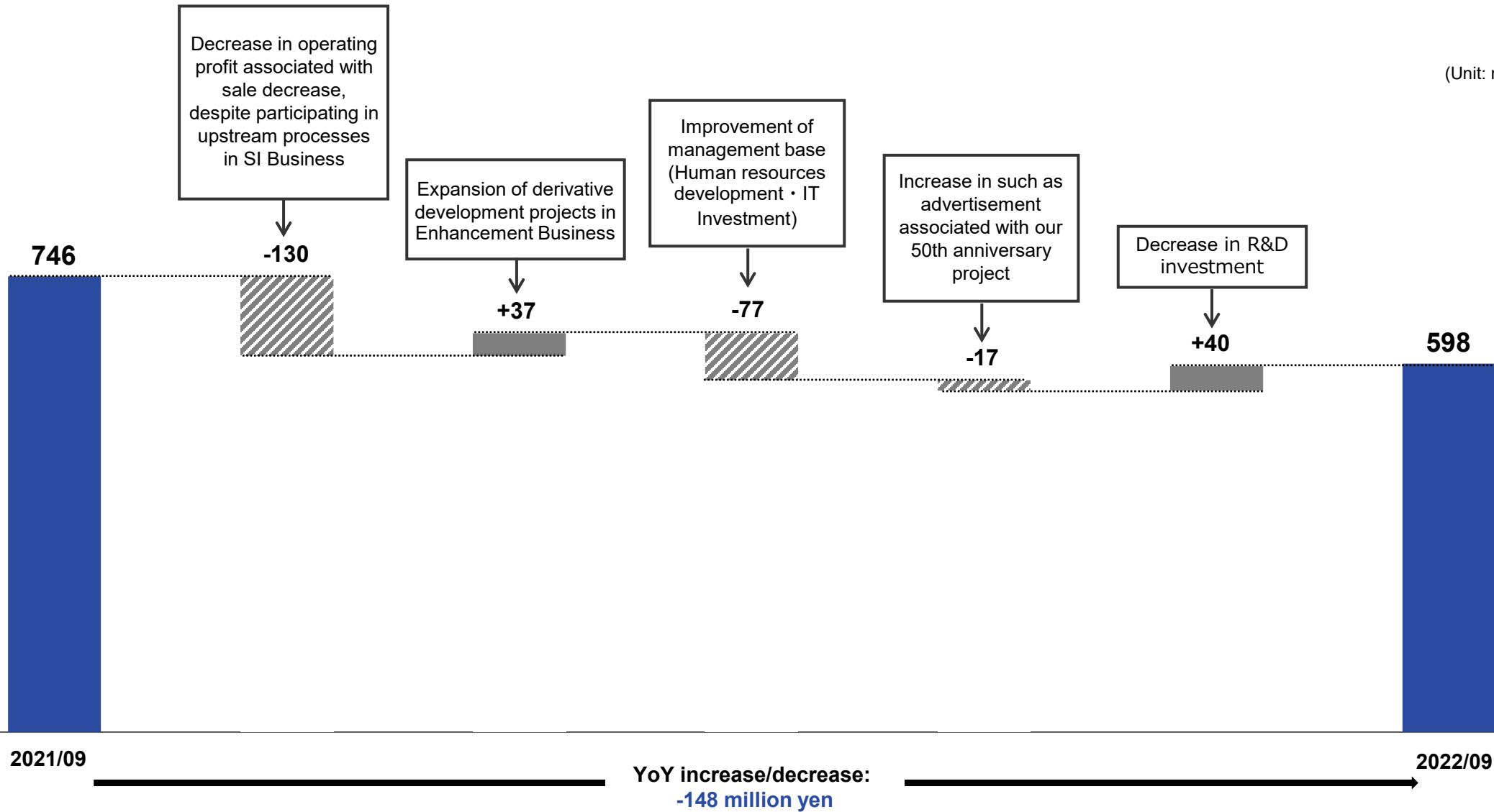
1-2. Trends in Transition by Accounting Period



	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun	2Q Jul-Sep
Net sales	3,373	3,710	3,508	4,197	3,987	4,073	3,981	4,058	3,892	3,999
Cost of sales	2,730	3,027	2,854	3,335	3,124	3,217	3,118	3,188	3,107	3,133
Gross profit	642 (19.1%)	683 (18.4%)	653 (18.6%)	861 (20.5%)	862 (21.6%)	855 (21.0%)	862 (21.7%)	869 (21.4%)	785 (20.2%)	865 (21.6%)
Selling, general and administrative expenses	400	372	413	478	483	487	486	574	513	539
Operating profit	242 (7.2%)	310 (8.4%)	239 (6.8%)	382 (9.1%)	378 (9.5%)	368 (9.0%)	375 (9.4%)	295 (7.3%)	272 (7.0%)	326 (8.2%)
Ordinary profit	248 (7.4%)	355 (9.6%)	318 (9.1%)	372 (8.9%)	390 (9.8%)	362 (8.9%)	380 (9.6%)	299 (7.4%)	271 (7.0%)	323 (8.1%)
Quarterly net income attributable to owners of parent	165 (4.9%)	235 (6.3%)	196 (5.6%)	247 (5.9%)	262 (6.6%)	238 (5.9%)	253 (6.4%)	189 (4.7%)	173 (4.5%)	214 (5.4%)

1-3. Factors Leading to Changes in Operating Profit

(Unit: millions of yen)

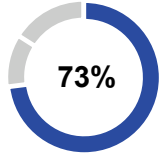


1-4. Summary of Consolidated Balance Sheets and Consolidated Statements of Cash Flows

Consolidated Balance Sheets	2022/03	2022/09	Increase/Decrease	Remarks	(Unit: millions of yen)
Current assets	7,805	7,788	-17	Decrease in accounts receivable, contract assets and increase in securities	
Non-current assets	2,259	2,481	+222	Increase in investment securities	
Total assets	10,064	10,270	+205		
Current liabilities	2,199	2,028	-171	Decrease in accounts payable – other	
Non-current liabilities	650	708	+57		
Total liabilities	2,850	2,736	-113		
Total shareholder's equity	6,721	6,924	+202		
Total accumulated other comprehensive income	448	609	+160		
Non-controlling shareholder share	44	-	-44		
Total net assets	7,214	7,533	+319	Increase in retained earnings and valuation difference on available-for-sale securities	
Consolidated Statements of Cash Flows	2021/09	2022/09	Increase/Decrease	Remarks	(Unit: millions of yen)
Cash flows from operations	503	329	-174	Decrease in both income before income taxes and minority interests and income taxes paid	
Cash flows from investments	-68	-136	-67	Payments for acquisition of investment securities	
Cash flows from financing	-210	-212	-1	Increase in cash dividends paid	
Effects of exchange rate change on cash and cash equivalents	1	4	+2		
Net increase in cash and cash equivalents	225	-14	-240		
Cash and cash equivalents at beginning of period	4,447	5,015	+568		
Cash and cash equivalents at end of period	4,672	5,000	+327		

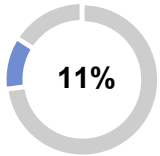
1-5. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2023]



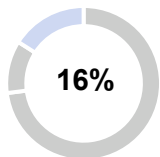
System Integration Services

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



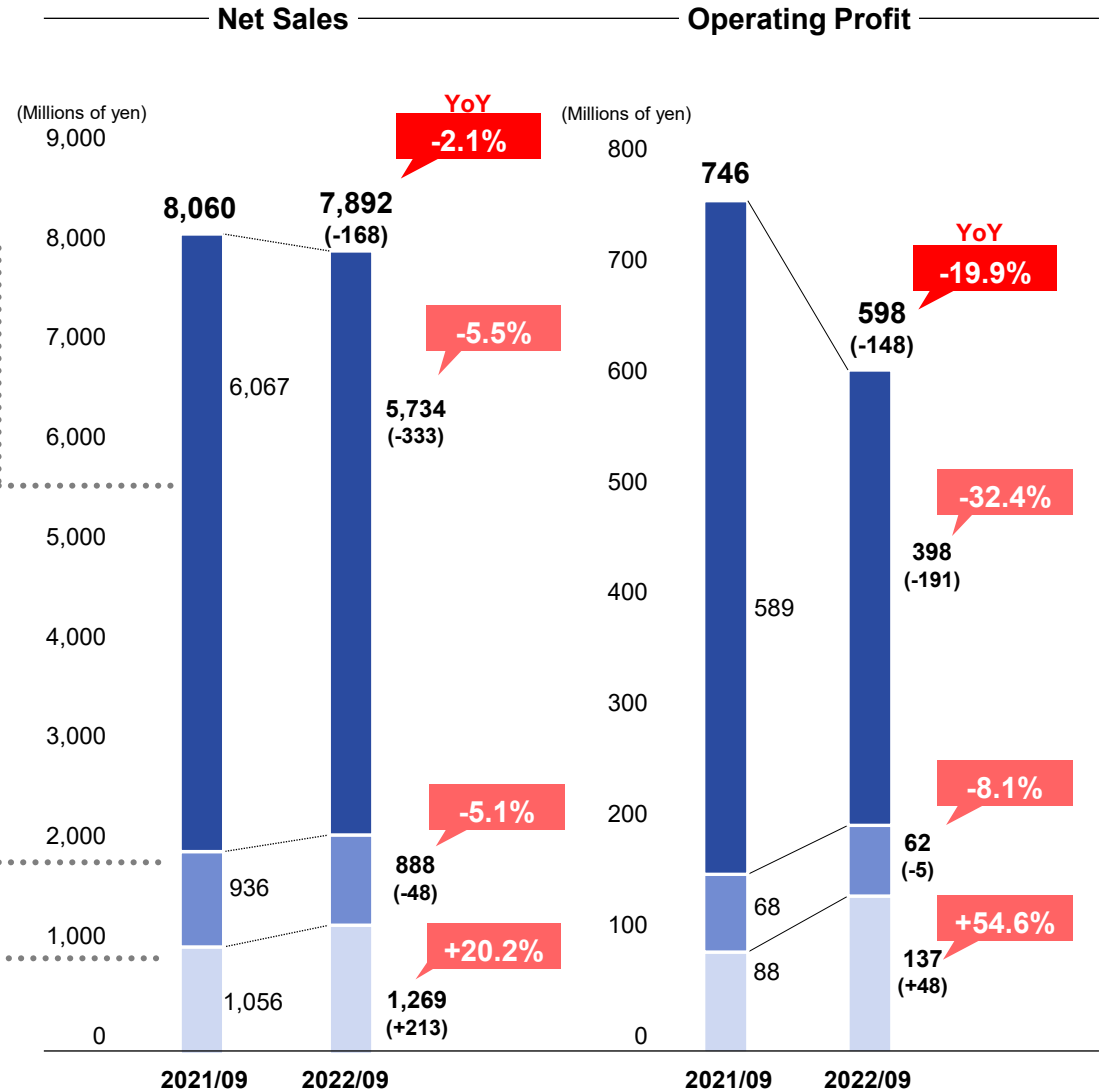
System Outsourcing Services

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



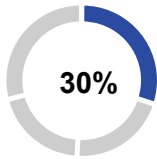
Professional Services

- Expansion of system building projects: for a telecommunication company and a postal company in the telecommunication industry



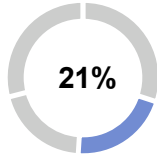
1-6. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2023]



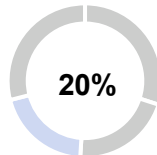
Finance Banking: 10% / Insurance & Securities: 16% / Other Finance: 4%

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



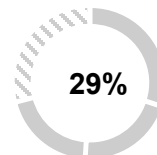
Distribution Retail & Wholesale: 21%

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



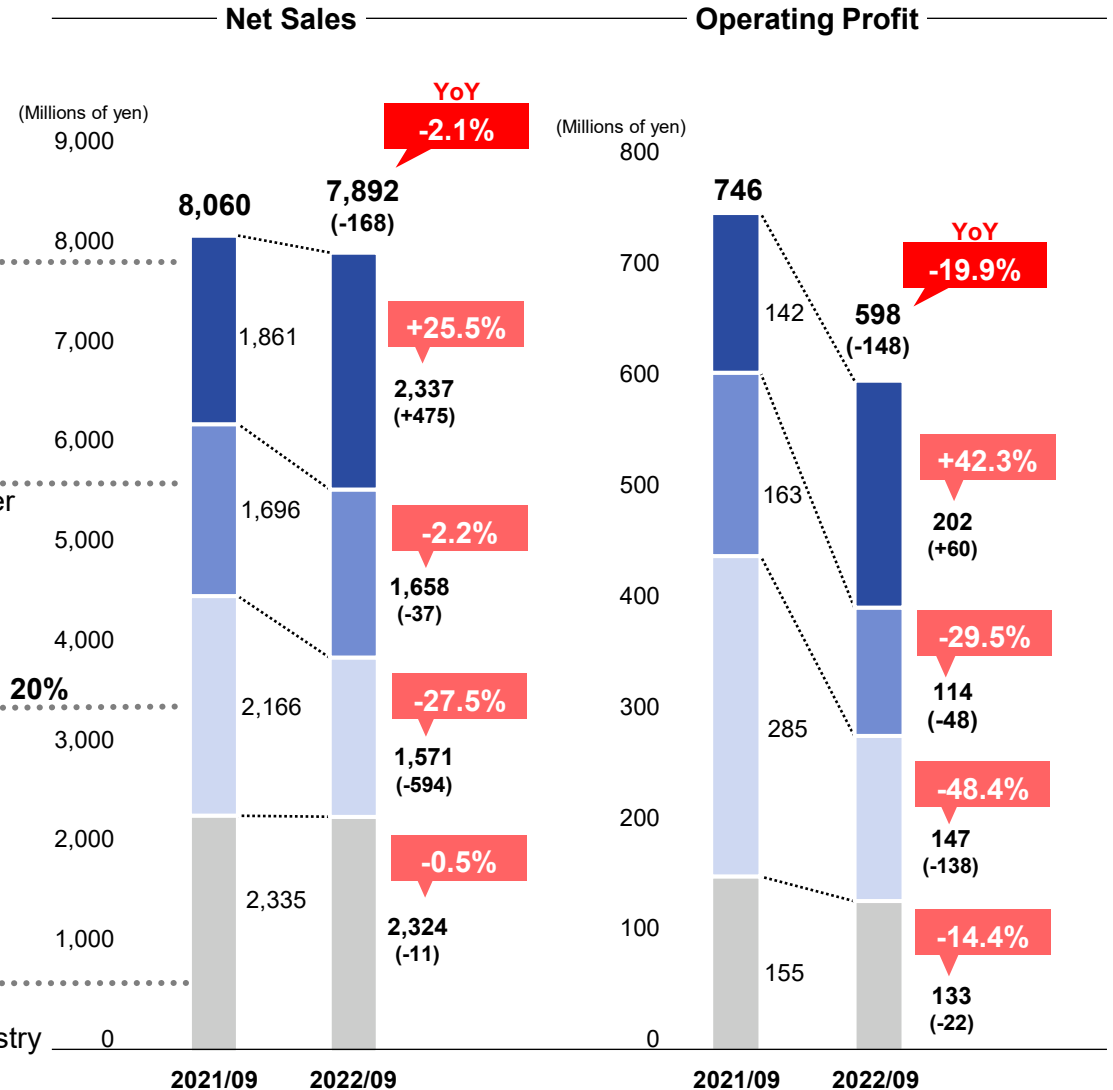
Transportation and Telecommunication Transportation & Telecommunication 20%

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



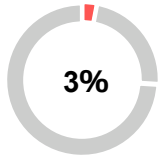
Others Manufacturing: 9% / Central Government: 5% / Others: 15%

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



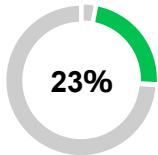
1-7. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2023]



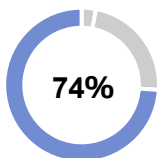
Digital Business

- Expansion of DX projects for end users in the distributing industry
- Acquisition of new projects collaboration with consulting partners(SIers), expansion of projects in existing field of current customers
- Trial introduction of in-house products



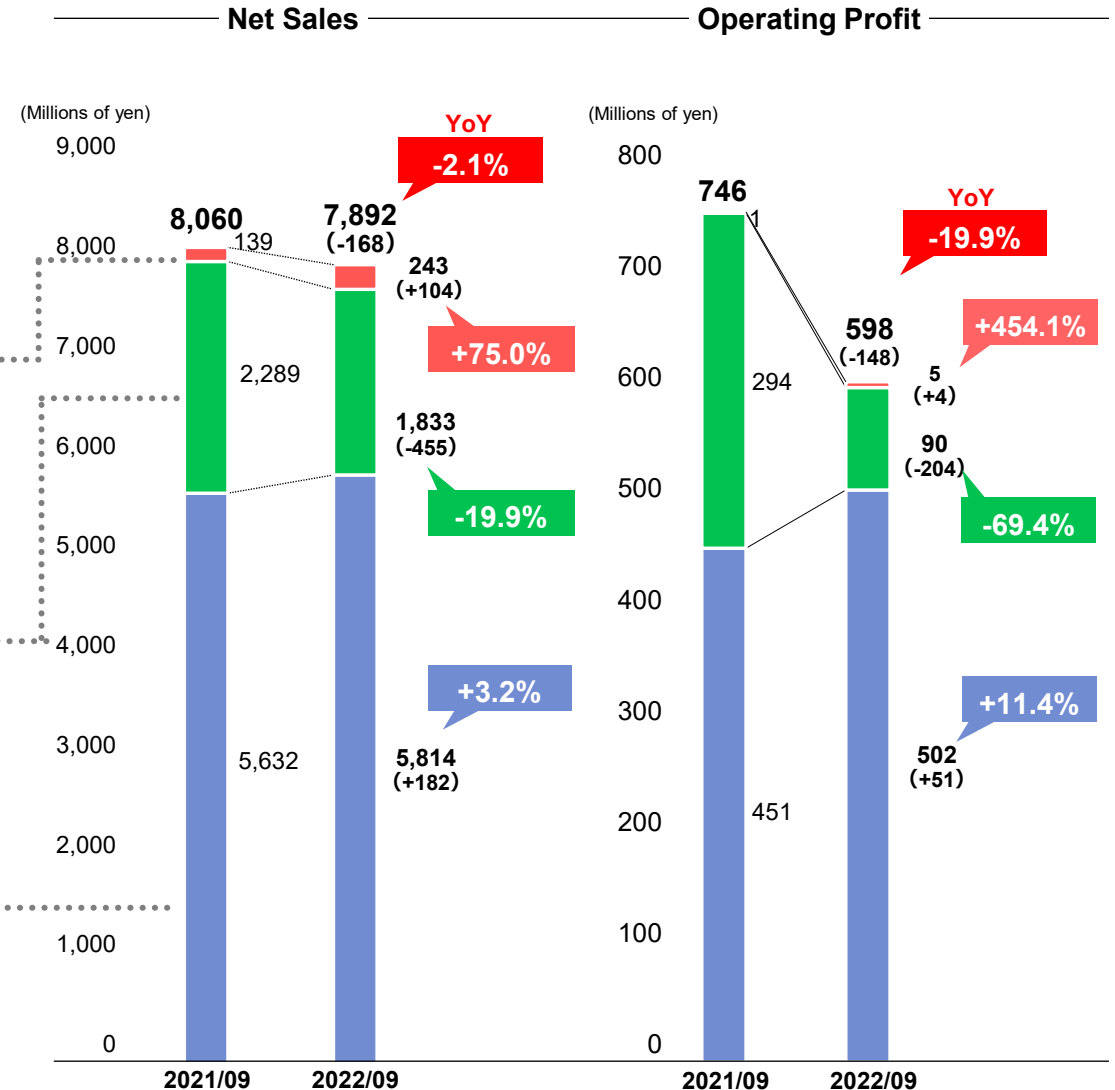
SI Business (Lift & Shift*)

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



Enhancement Business

- Expansion of the projects for a credit card company and for a telecommunication company and retailers

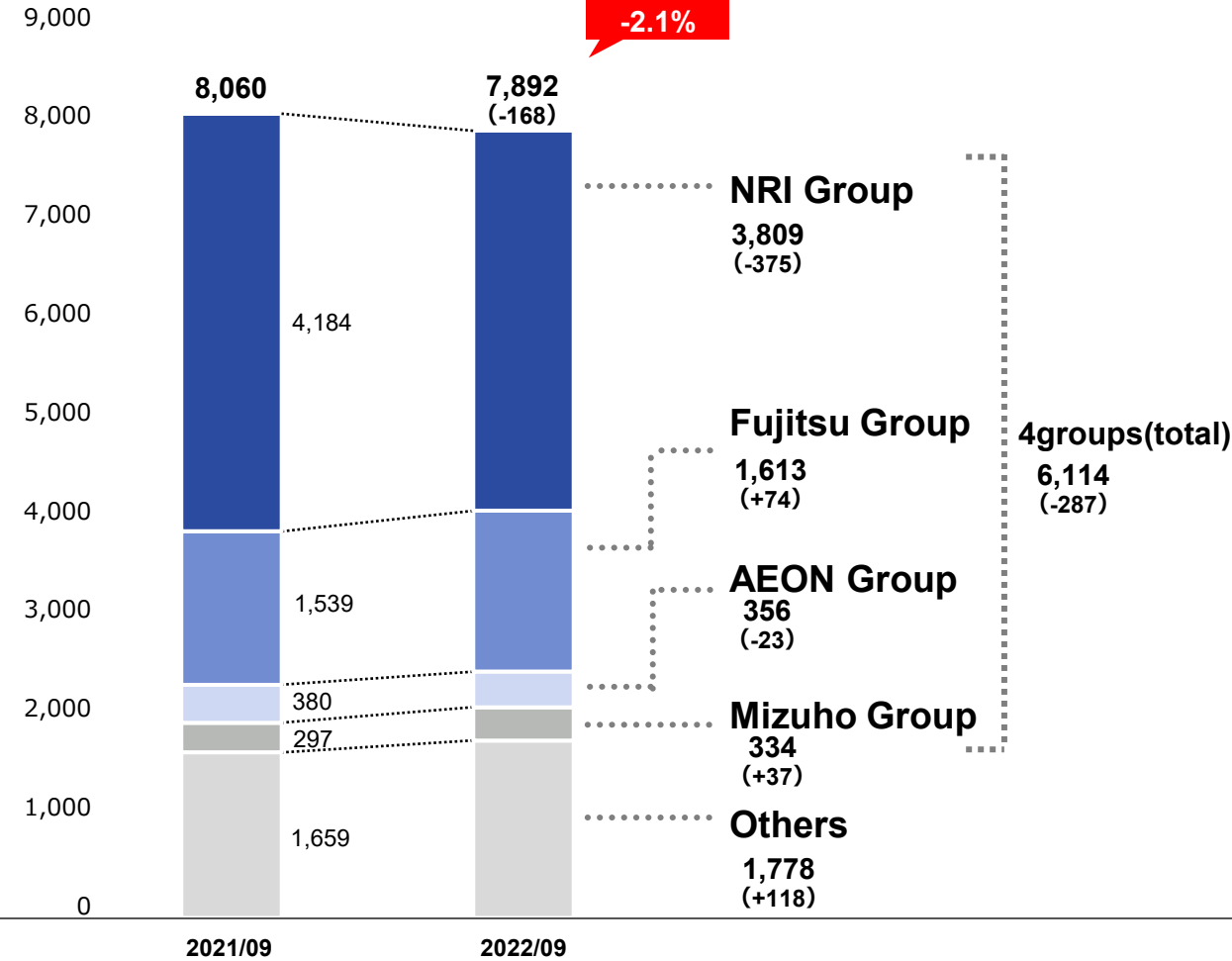


*Migrate customer's system from legacy environments to cloud one (Lift), followed by proceeding with system restructuring in stages while optimizing for cloud environments (Shift).

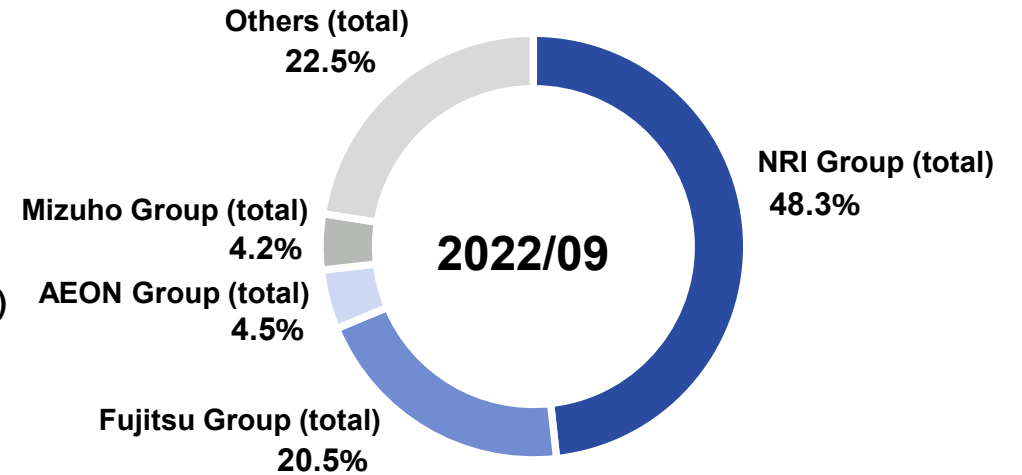
1-8. Net Sales to Customer Group Companies

Net Sales

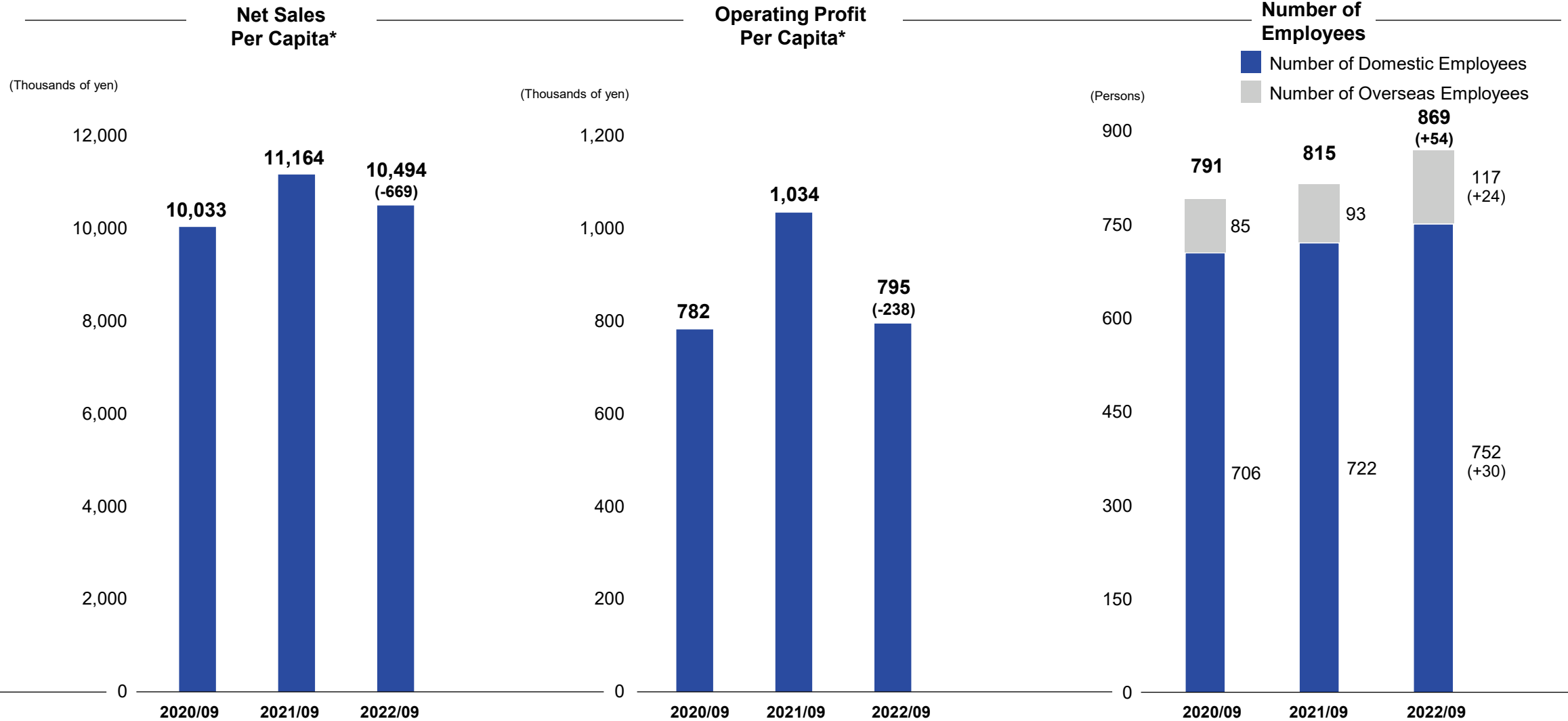
(Millions of yen)



Sales Composition [2022/09]



1-9. Index Per Capita



*Calculated based on the number of domestic employees.

**Fiscal Year Ending
March 31, 2023**

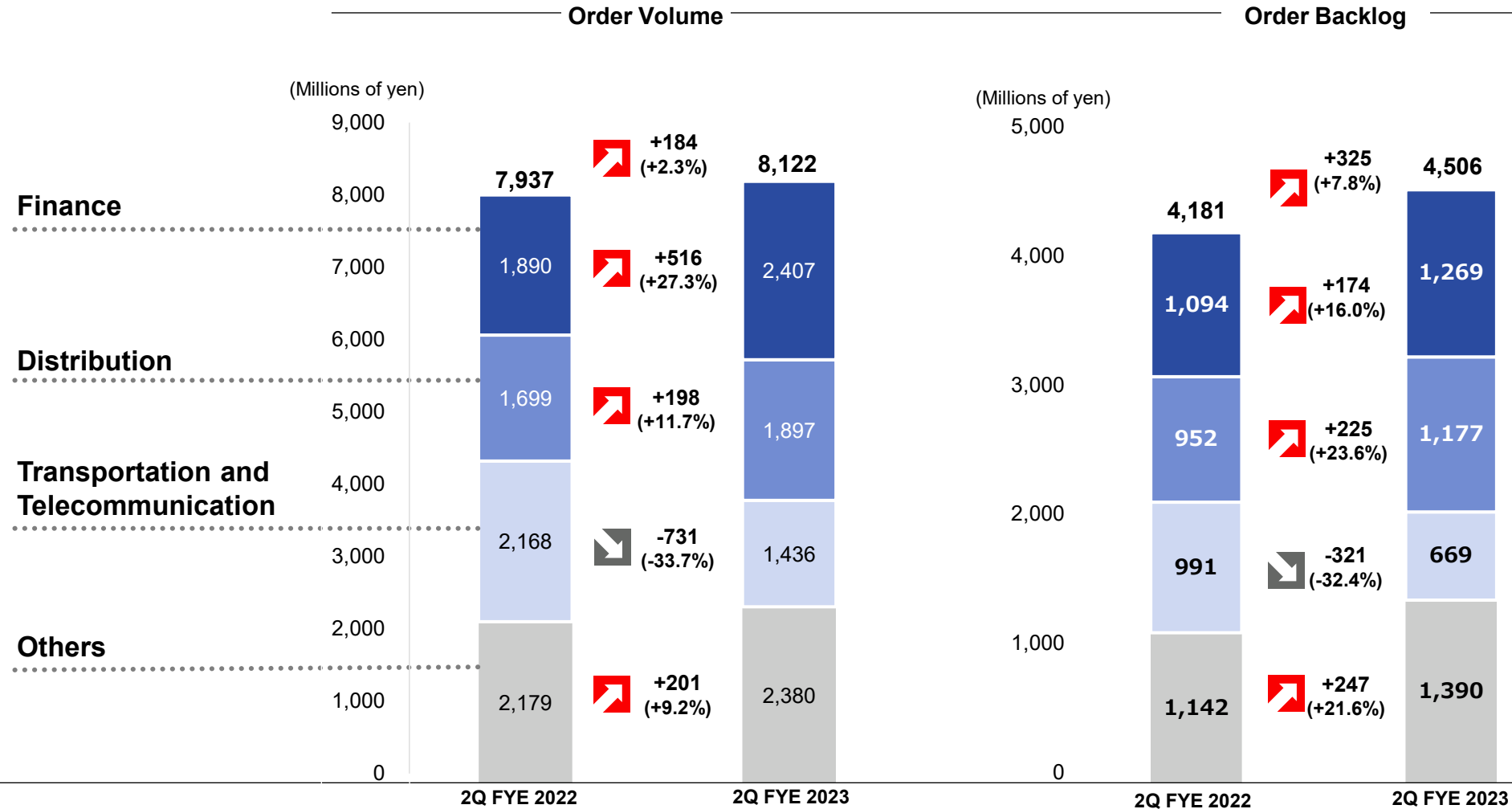
2 Outlook

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

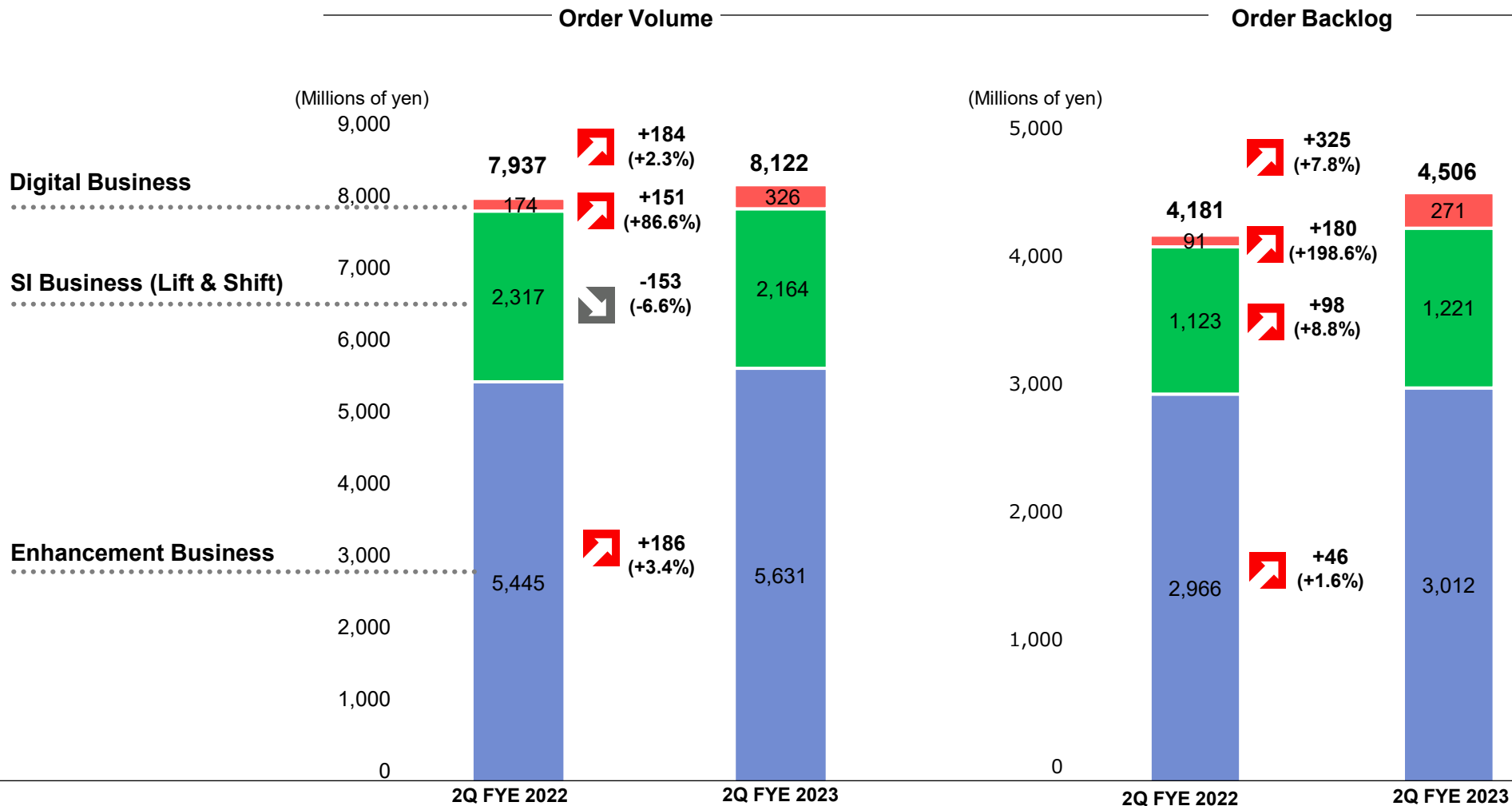
2-1. Overview of Earnings Outlook

		(Unit: millions of yen)	FYE 2023 Earnings forecast (Increase/decrease from the previous fiscal year)	FYE 2022 Actual	FYE 2023 2Q Actual (Progress %)
<p>Net sales</p> <p>A YoY increase of 7.5% is expected</p> <ul style="list-style-type: none"> - Proactively acquire clients' strategic IT investment projects (Digital Business/SI Business) - Expand area of responsibility in enhancement projects and orders acquisition for derivative development projects 			17,300 (+7.5%)	16,099	7,892 (45.6%)
<p>Operating Profit</p> <p>A YoY increase of 7.9% is expected</p> <ul style="list-style-type: none"> - Boost productivity through advancement of enhancement services - Establish development systems that realize optimization of resources - Promote in-house digitalization to improve operational efficiency 			1,530 (+7.9%)	1,417	598 (39.1%)
			Margin (%)	8.8%	7.6%
			Ordinary Profit	1,432	594 (38.5%)
			Margin (%)	8.9%	7.5%
			Net Profit attributable to owners of parent	944	388 (38.8%)
			Margin (%)	5.9%	4.9%

2-2. Order Status by Industry

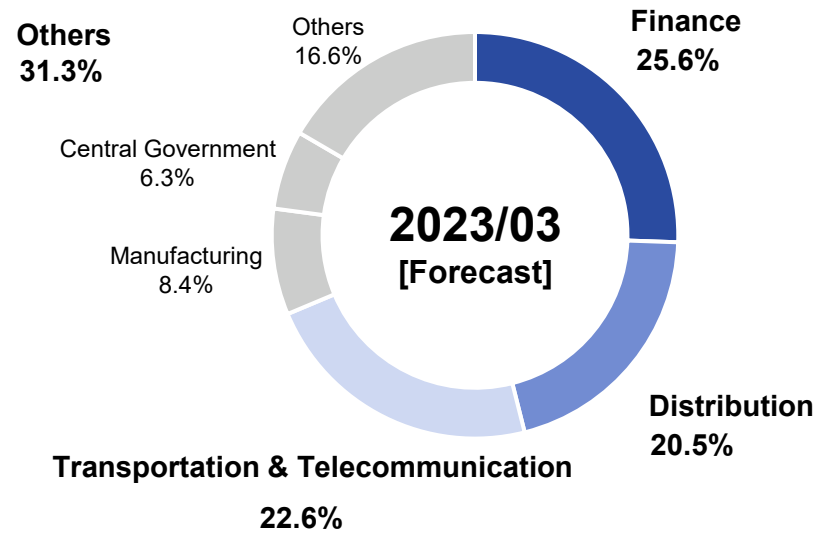


2-3. Order Status by Business Model

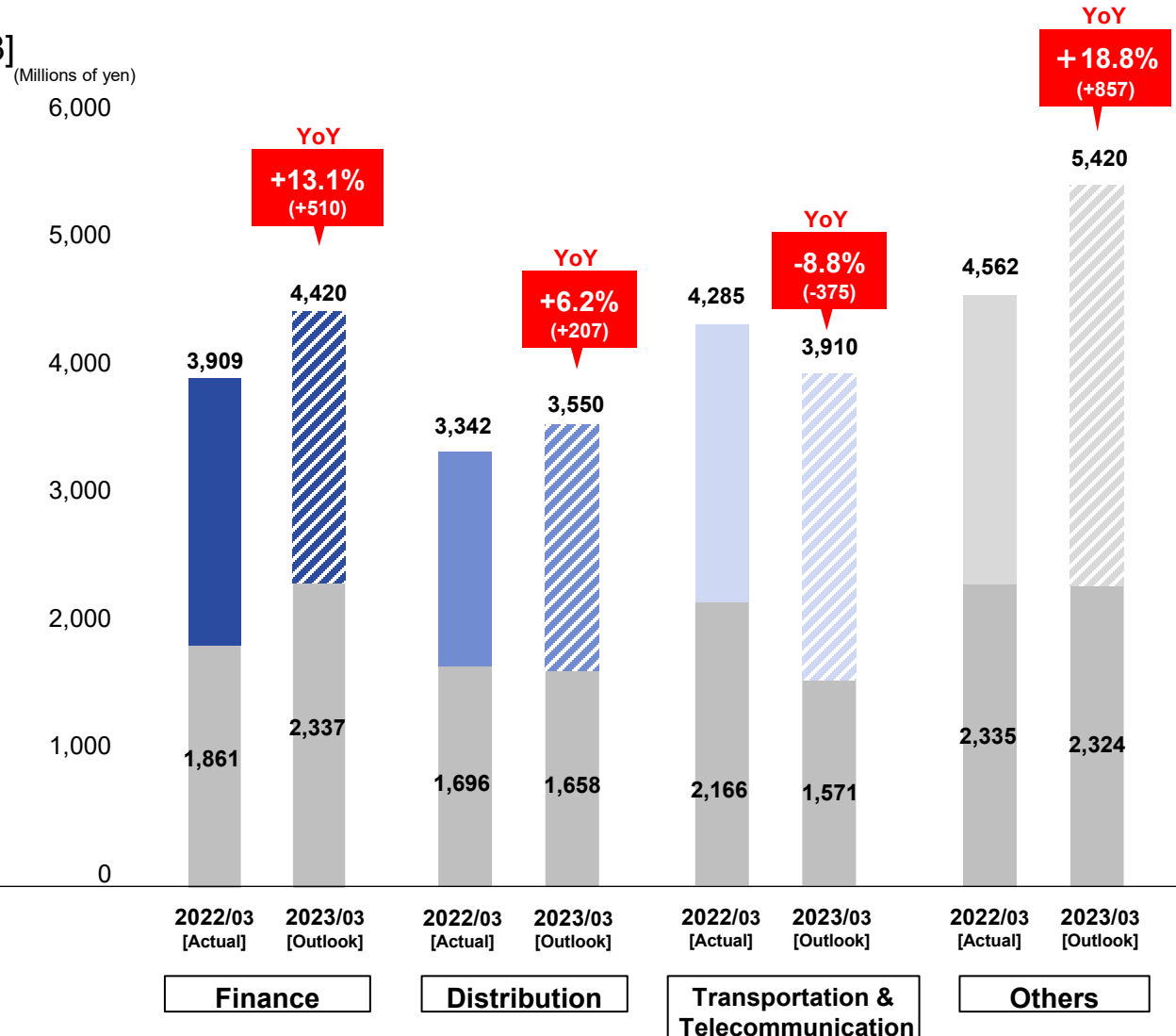


2-4. Net Sales Outlook by Industry

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



Trends in Consolidated Net Sales by Industry



2-5. Net Sales Outlook by Business Model

Net Sales

(Millions of yen)

18,000

16,099

15,000

12,000

9,000

6,000

3,000

0

16,099

350

4,645

11,103

2022/03
[Actual]

17,300
(+1,200)

YoY
+7.5%

Digital Business

780
(+429)

SI Business(Lift & Shift)

5,140
(+494)

Enhancement Business

11,380
(+276)

2023/03
[Outlook]

Digital Business

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

SI Business (Lift & Shift)

- Increase orders received through active expansion of multi-cloud and microservices*3 projects
- Increase orders received by promoting co-creation with cloud vendors
(Solution + Operating model transformation)

Enhancement Business

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

*1 Developed in-house, for details, see our website. <https://www.cubesystem.co.jp/en/service/smile/>

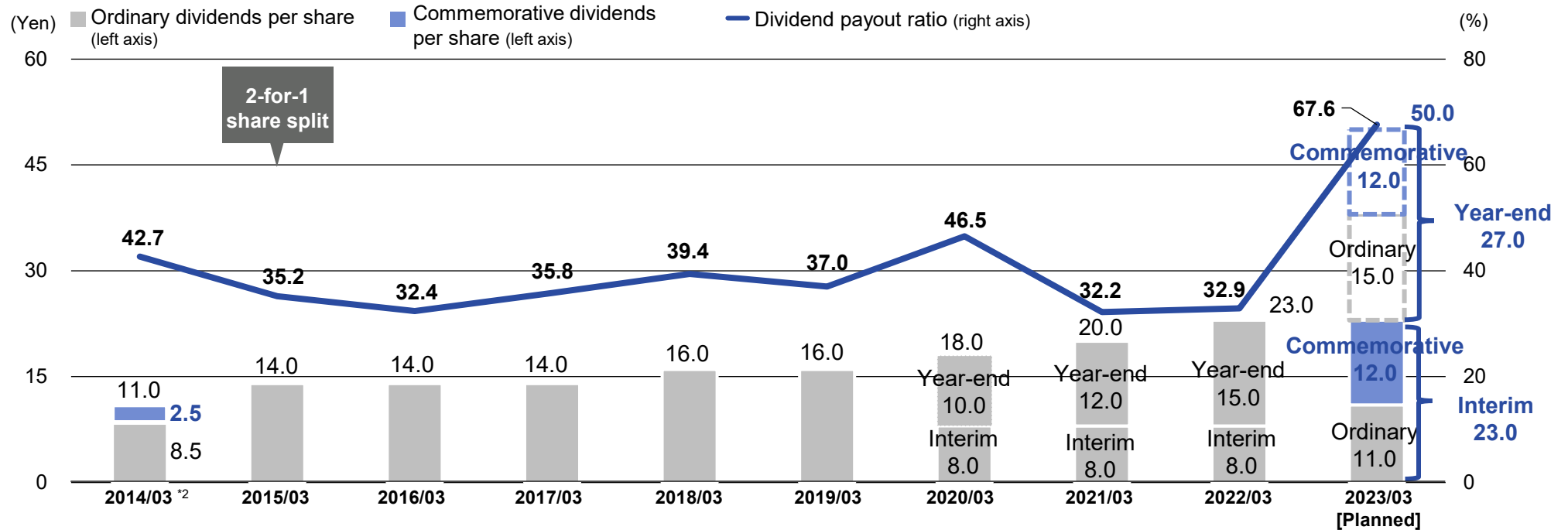
*2 Our original modern software development standard, which realizes rapid development of PoC for DX (F@CE : Framework @ Cube's Engineering)

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

2-6. Trends in Dividends and Dividend Payout Ratio

Our basic policy is to continue paying stable dividends, so as to achieve a 35% consolidated dividend payout ratio, while securing necessary internal reserves. This year, in commemoration of our 50th anniversary, 24 yen per share as commemorative dividends is to be implemented*1.

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



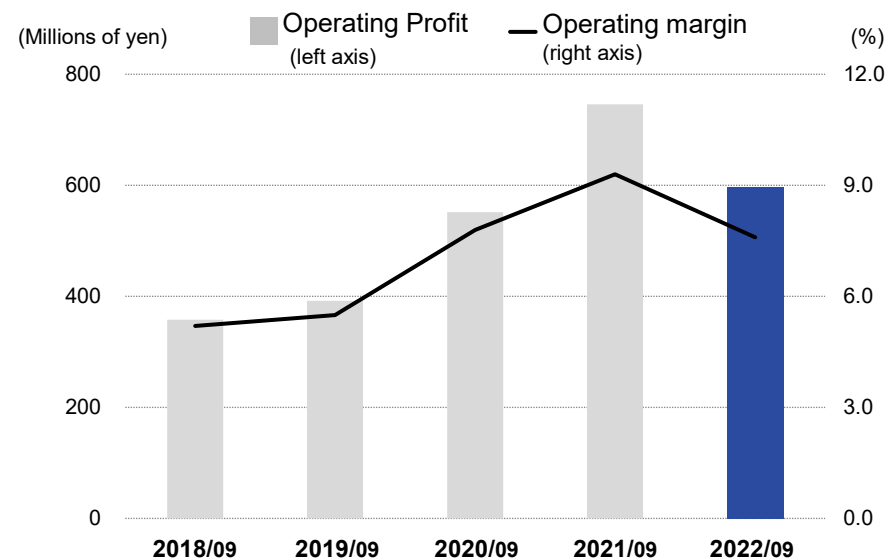
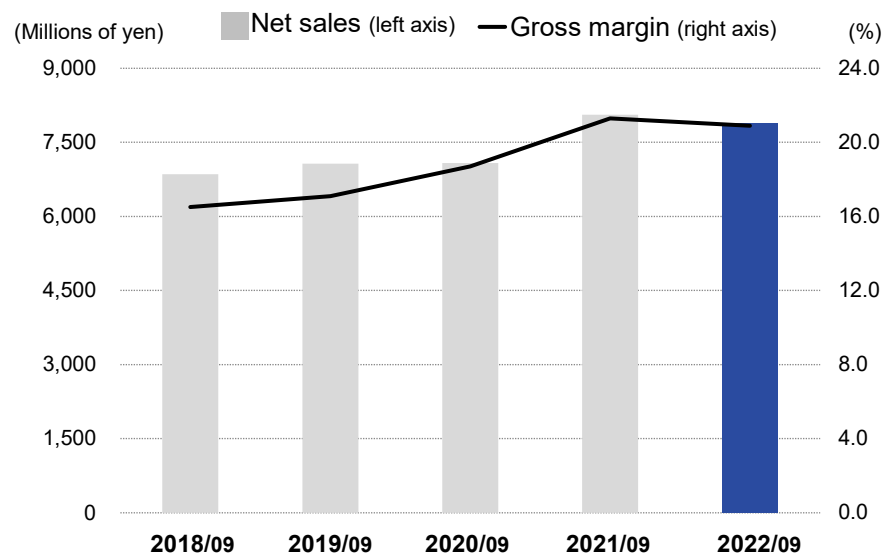
*1 Our 50th anniversary commemorative dividend was approved by the Board of Directors on July 5, 2022. <https://ssl4.eir-parts.net/doc/2335/tdnet/2154361/00.pdf>

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

3 Appendix

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

3-1. Five Year Summary



(Unit: millions of yen)

	2018/09	2019/09	2020/09	2021/09	2022/09	YoY
Net sales	6,852	7,071	7,083	8,060	7,892	-2.1%
Cost of sales	5,721	5,863	5,757	6,342	6,241	-1.6%
Gross profit	1,131 (16.5%)	1,207 (17.1%)	1,325 (18.7%)	1,718 (21.3%)	1,650 (20.9%)	-3.9%
Selling, general and administrative expenses	772	815	773	971	1,052	+8.4%
Operating Profit	358 (5.2%)	392 (5.5%)	552 (7.8%)	746 (9.3%)	598 (7.6%)	-19.9%
Ordinary Profit	376 (5.5%)	397 (5.6%)	603 (8.5%)	752 (9.3%)	594 (7.5%)	-21.0%
Net Profit attributable to owners of parent	225 (3.3%)	241 (3.4%)	400 (5.7%)	501 (6.2%)	388 (4.9%)	-22.6%

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2022/3	2022/9	Increase/ Decrease
Current assets	7,805	7,788	-17
Cash and deposits	5,058	5,046	-11
Accounts receivable and contract assets	2,584	2,457	-126
Securities	-	100	+100
Current assets	16	23	+6
Others	146	160	+14
Non-current assets	2,259	2,481	+222
Property, plant and equipment	169	147	-21
Intangible assets	4	4	-0
Investments and other assets	2,084	2,329	+244
Total assets	10,064	10,270	+205

Liabilities	2022/3	2022/9	Increase/ Decrease
Current liabilities	2,199	2,028	-171
Accounts payable - trade	753	727	-25
Short-term borrowings	240	240	-
Others	1,206	1,060	-145
Non-current liabilities	650	708	+57
Total liabilities	2,850	2,736	-113
Net assets	2022/3	2022/9	Increase/ Decrease
Shareholder's equity	6,721	6,924	+202
Accumulated other comprehensive income	448	609	+160
Non-controlling interests	44	-	-44
Total net assets	7,214	7,533	+319
Total liabilities and net assets	10,064	10,270	+205

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

(Unit: millions of yen)

Net Sales and Operating Profit by Service Segment		2021/09	2022/09	YoY
System Integration Services	Net sales	6,067	5,734	-5.5%
	Operating profit	589	398	-32.4%
	Operating margin	9.7%	6.9%	
System Outsourcing Services	Net sales	936	888	-5.1%
	Operating profit	68	62	-8.1%
	Operating margin	7.3%	7.1%	
Professional Services	Net sales	1,056	1,269	+20.2%
	Operating profit	88	137	+54.6%
	Operating margin	8.4%	10.8%	
Total	Net sales	8,060	7,892	-2.1%
	Operating profit	746	598	-19.9%
	Operating margin	9.3%	7.6%	

-4. Net Sales and Operating Profit by Industry

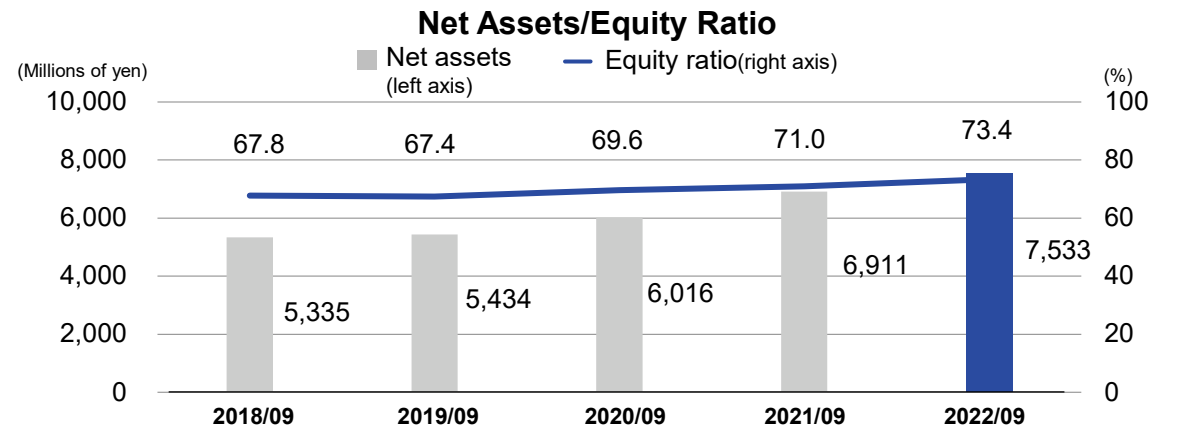
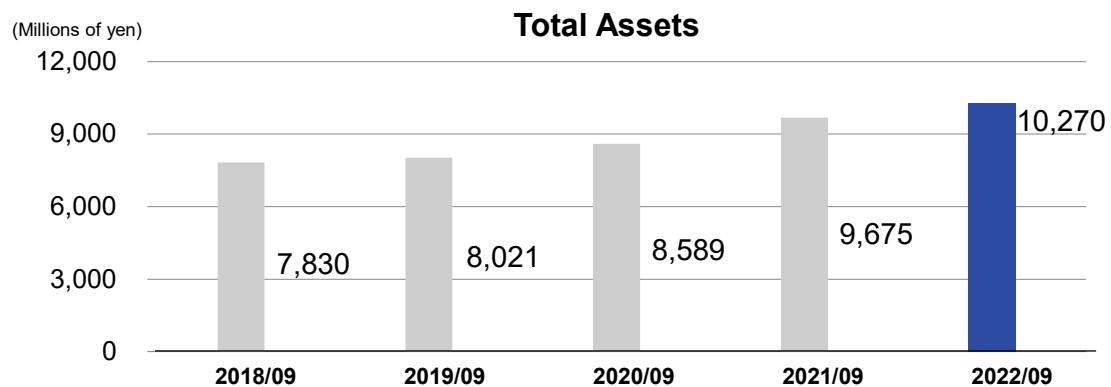
(Unit: millions of yen)

Net Sales and Operating Profit by Industry		2021/09	2022/09	YoY
Finance	Net sales	1,861	2,337	+25.5%
	Operating profit	142	202	+42.3%
	Operating margin	7.7%	8.7%	-
Distribution	Net sales	1,696	1,658	-2.2%
	Operating profit	163	114	-29.5%
	Operating margin	9.6%	6.9%	-
Transportation and Telecommunication	Net sales	2,166	1,571	-27.5%
	Operating profit	285	147	-48.4%
	Operating margin	13.2%	9.4%	-
Manufacturing	Net sales	657	723	+10.1%
	Operating profit	34	17	-48.5%
	Operating margin	5.2%	2.5%	-
Central Government	Net sales	476	427	+10.3%
	Operating profit	40	23	-42.4%
	Operating margin	8.6%	5.5%	-
Others	Net sales	1,201	1,173	-2.4%
	Operating profit	80	91	+14.4%
	Operating margin	6.7%	7.8%	-

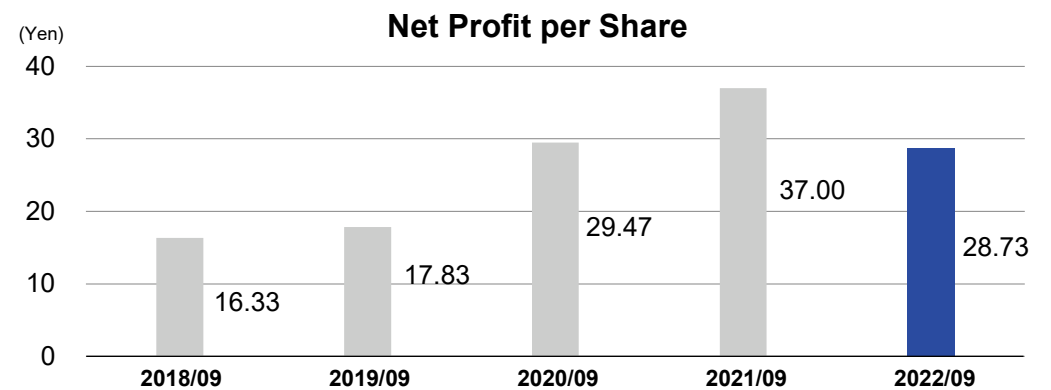
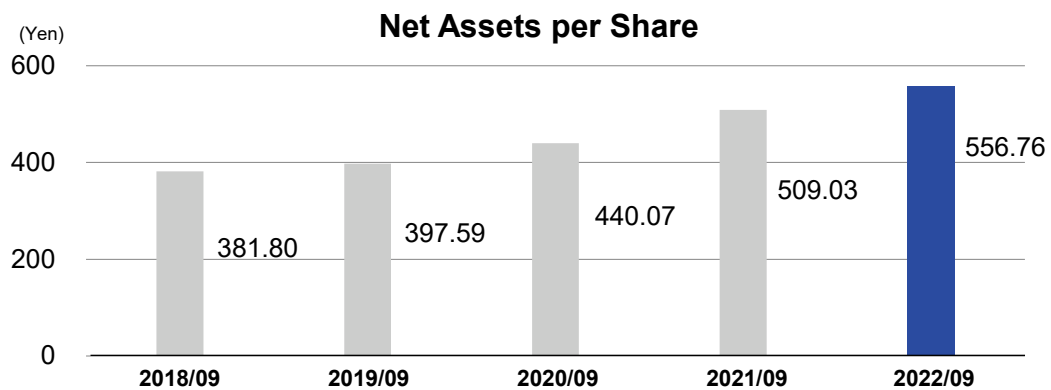
3-5. Assets and Capital-Related Items

-6. Share Price and Equity-Related Items

Assets and Capital-Related Items



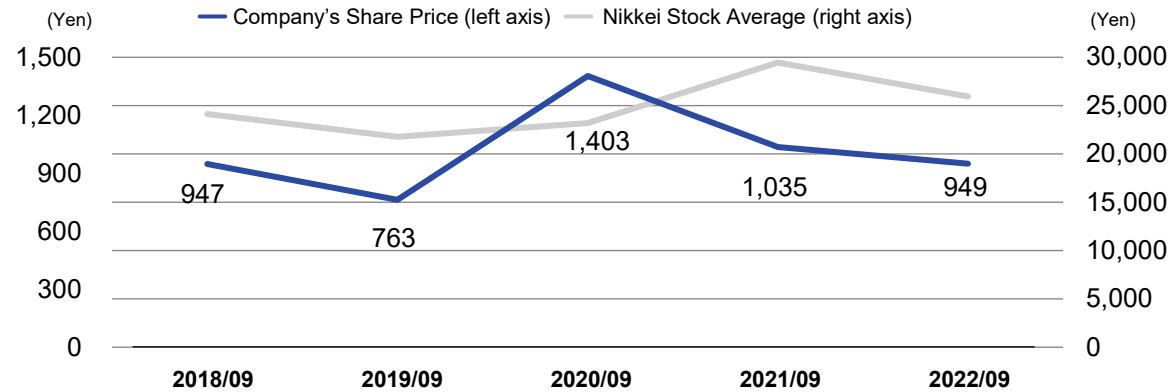
Share Price and Equity-Related Items



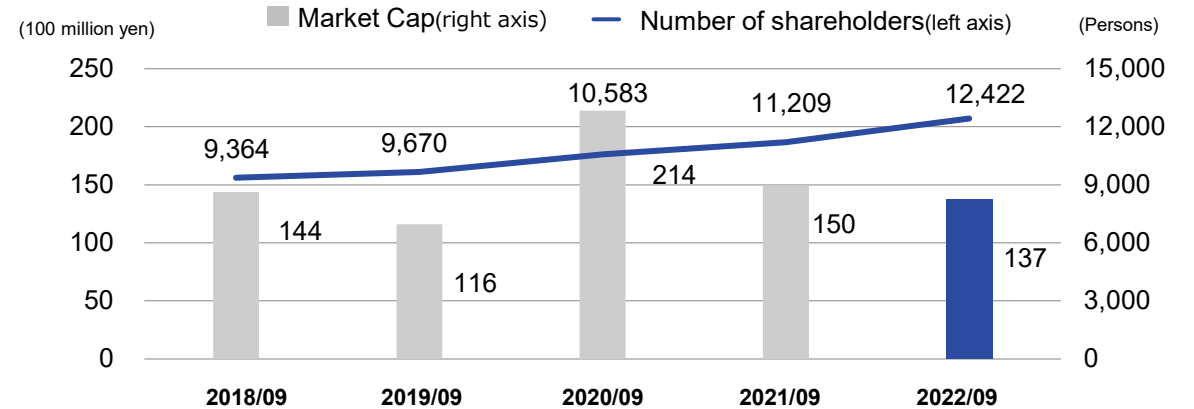
3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items

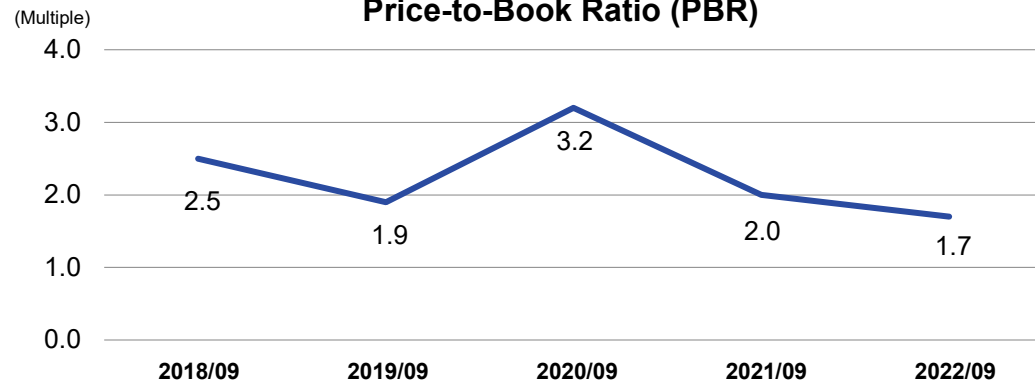
Share Price



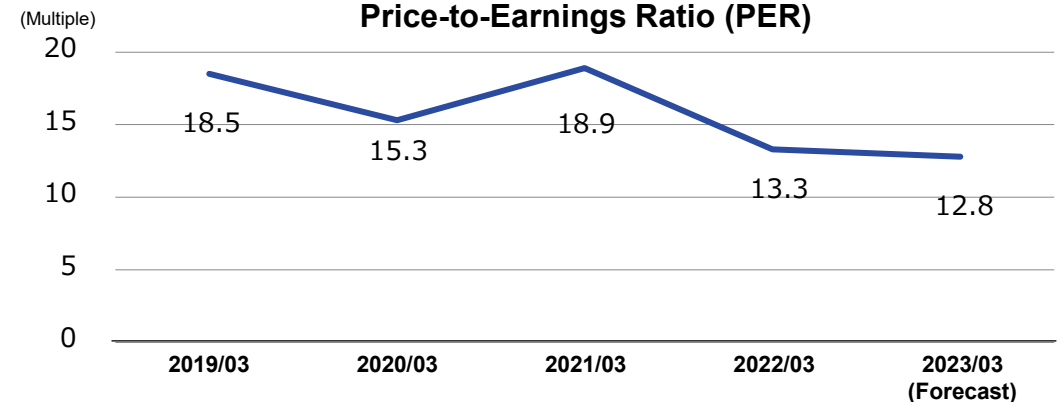
Market Cap / Number of shareholders



Price-to-Book Ratio (PBR)



Price-to-Earnings Ratio (PER)



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

CUBE SYSTEM

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

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

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