

CUBE SYSTEM

Feb 8, 2023



3rd Quarter of the Fiscal Year Ending March 31, 2023

Supplementary Information Material for Financial Results

Securities code: **2335**

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3Q of the Fiscal Year
Ending March 31, 2023

Overview of Financial Results

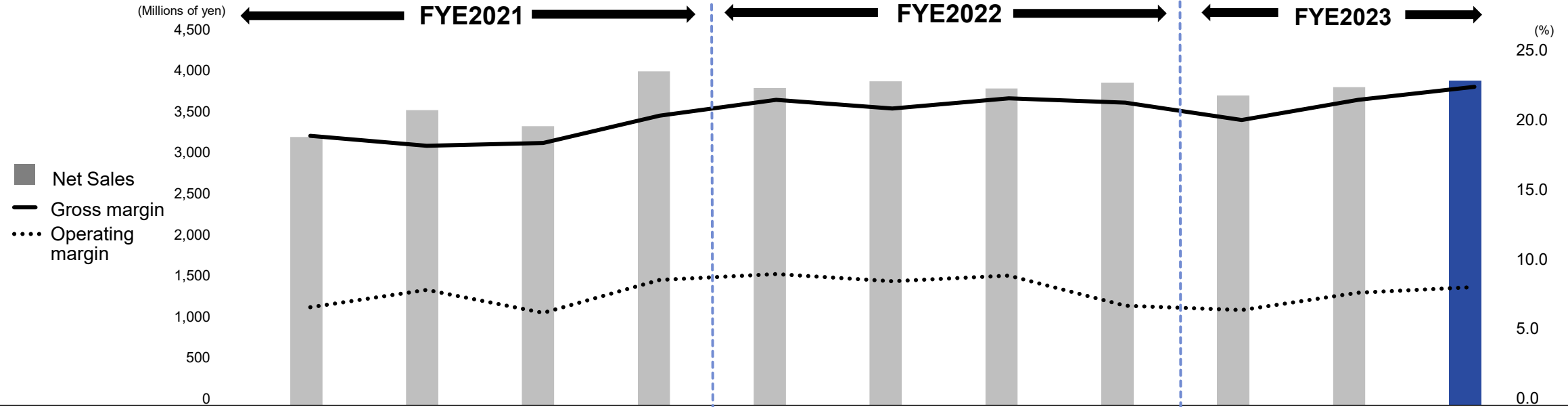
1. Overview of Consolidated Statements of Income
2. Trends in Transition by Accounting Period
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1-1. Overview of Consolidated Statements of Income

Continue to improve management foundation and reform the structure of Business Model

		FYE 2023 3Q Actual (% change)	FYE 2022 3Q Actual	FYE 2023 Forecast (After revision) (Progress %)
Net Sales	<p>Down 0.6% from the previous fiscal year</p> <p>Achievement rate for earnings forecast: 73.9%</p> <p>Steady performance in Digital Business and Enhancement Business. Unable to make up for the decline in sales up to the second quarter despite expansion of order receivment due to the participations in upstream processes for large-scale projects in SI Business.</p>	(Unit: millions of yen)		
		11,972 (-0.6%)	12,041	16,200 (73.9%)
Operating Profit	<p>Down 15.3% from the previous fiscal year</p> <p>Achievement rate for earnings forecast: 67.0%</p> <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 foundation (people development and investment in IT system for in-house use).</p>			
		951 (-15.3%)	1,122	1,420 (67.0%)
		7.9%	9.3%	8.8%
Outlook	<p>Because of delay of resources reallocation in SI Business, we have revised our financial results forecast. For more information, please refer to the revision of financial results forecast announced on February 8, 2023.</p>			
		953 (-15.8%)	1,133	1,445 (66.0%)
		8.0%	9.4%	8.9%
		628 (-16.8%)	755	950 (66.1%)
		5.2%	6.3%	5.9%

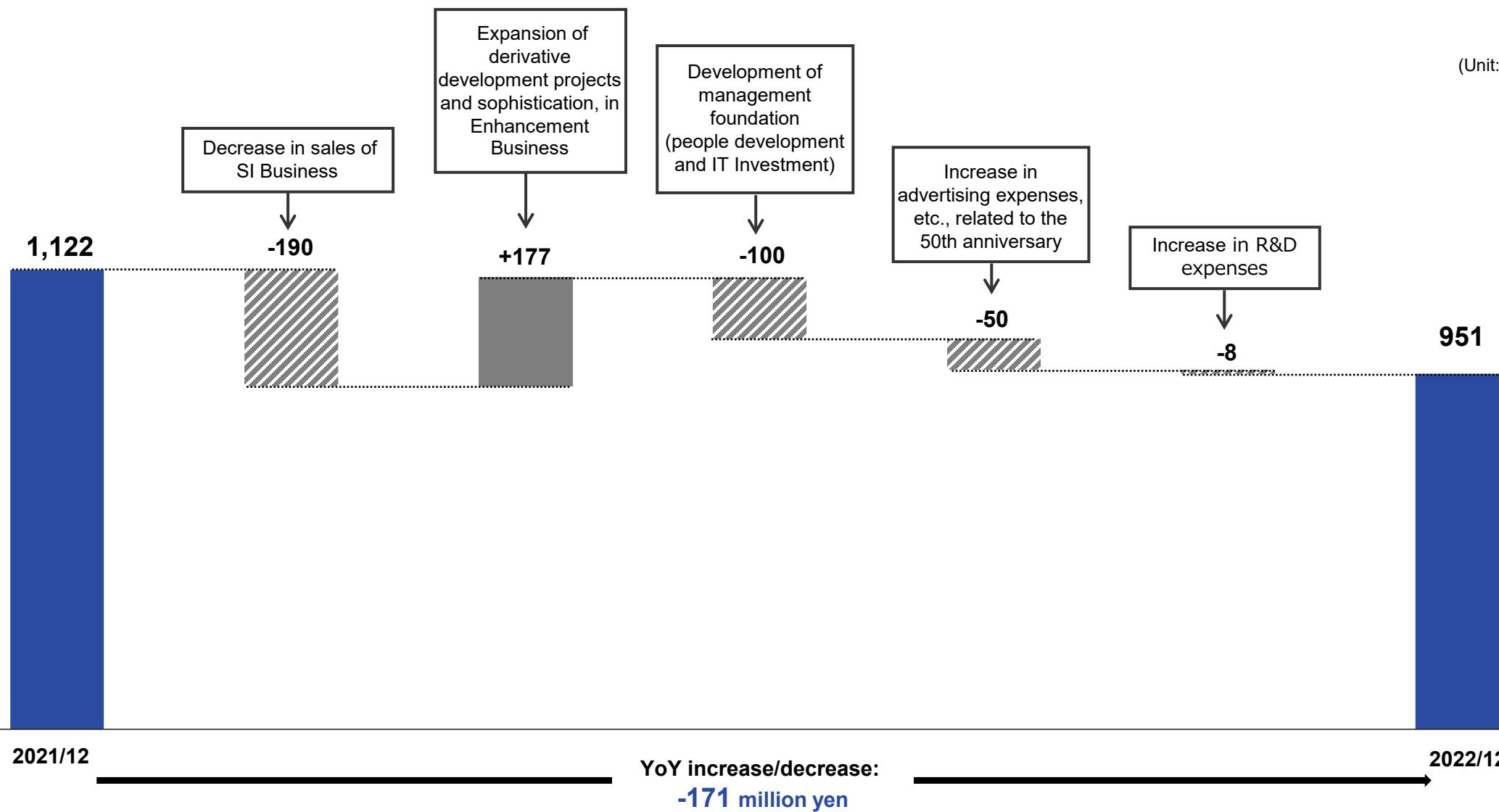
1-2. Trends in Transition by Accounting Period



	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	3Q Oct-Dec
Net Sales	3,373	3,710	3,508	4,197	3,987	4,073	3,981	4,058	3,892	3,999	4,080
Cost of sales	2,730	3,027	2,854	3,335	3,124	3,217	3,118	3,188	3,107	3,133	3,163
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%)	917 (22.5%)
Selling, general and administrative expenses	400	372	413	478	483	487	486	574	513	539	564
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%)	352 (8.6%)
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%)	359 (8.8%)
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%)	239 (5.9%)

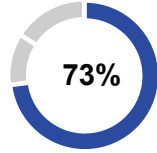
1-3. Factors Leading to Changes in Operating Profit

(Unit: millions of yen)



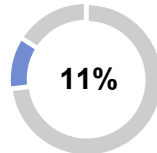
1-4. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[3Q Fiscal Year Ending March 31, 2023]



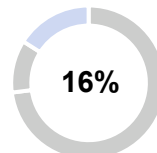
System Integration Services

- Decrease of system building projects for a shipping company in the transportation industry
- Expansion of system building projects for an oil company in the manufacturing industry



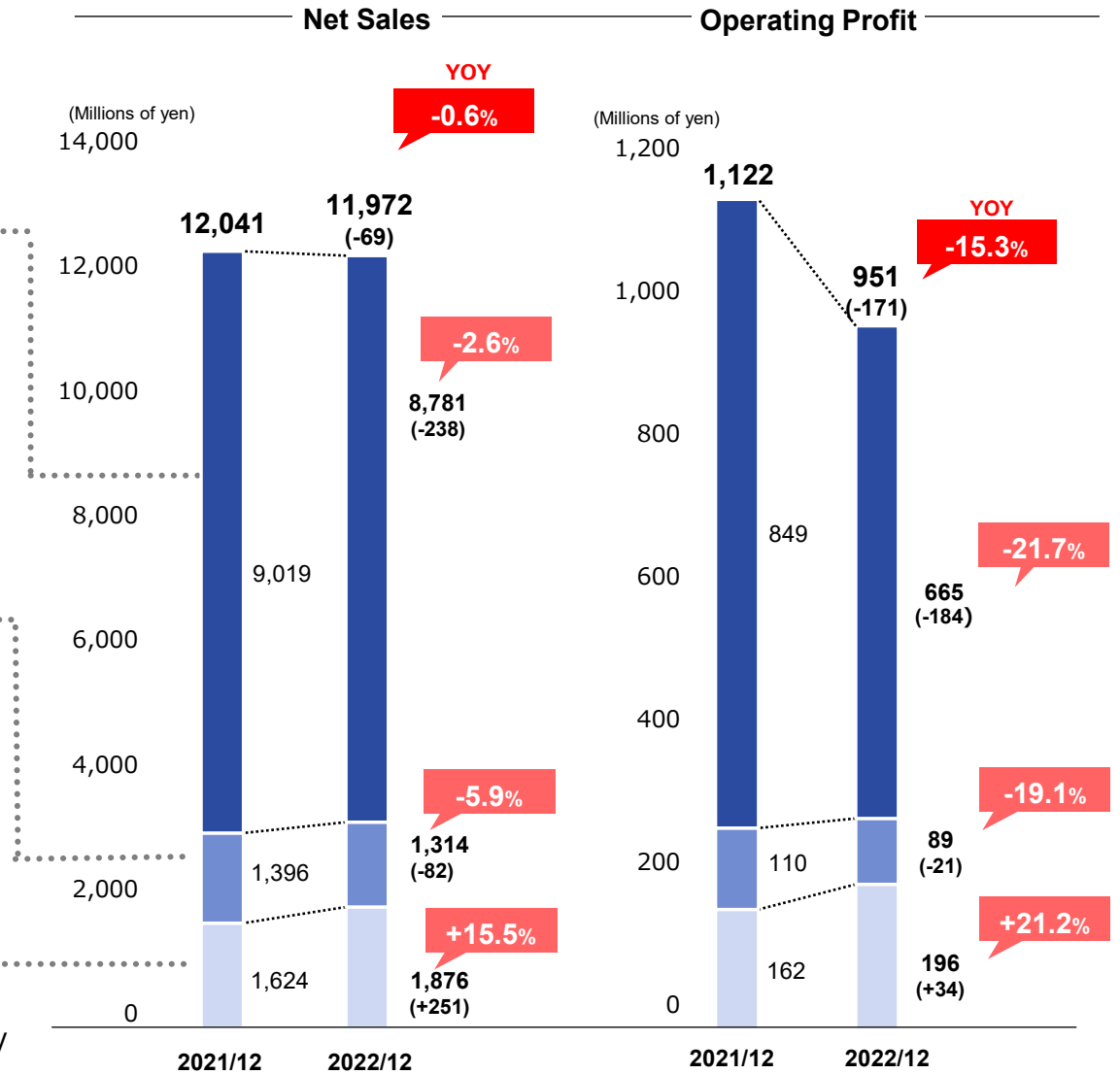
System Outsourcing Services

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



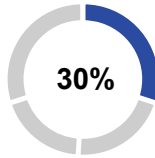
Professional Services

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



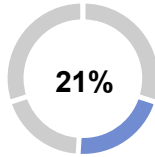
1-5. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[3Q Fiscal Year Ending March 31, 2023]



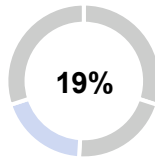
Finance Banking: 10% / Insurance & Securities: 16% / Other Finance: 4%

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



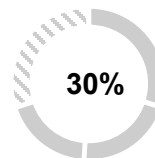
Distribution Retail & Wholesale: 21%

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



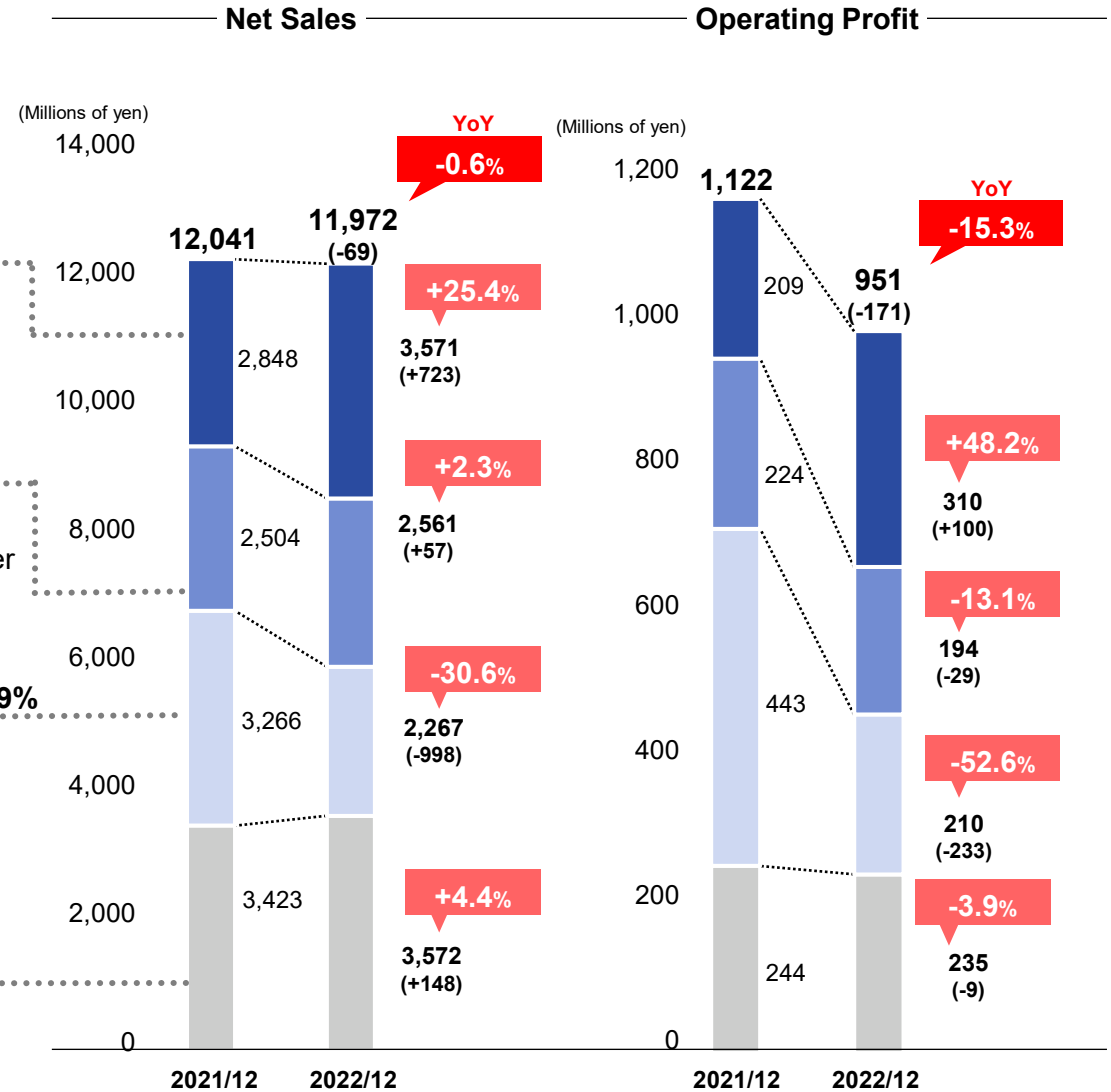
Transportation and Telecommunication Transportation & Telecommunication: 19%

- Decrease of system building projects for a shipping company
- Expansion of system building projects for a postal service company



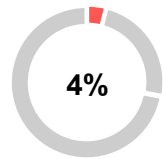
Others Manufacturing: 10% / Central Government: 5% / Others: 15%

- Decrease of system building projects for the central government
- Expansion of system building projects for an oil company



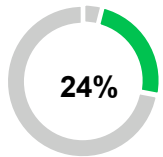
1-6. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[3Q Fiscal Year Ending March 31, 2023]



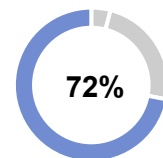
Digital Business

- Expansion of DX projects for end users in the distributing industry and the retail industry
- Expansion of DX projects for the construction industry



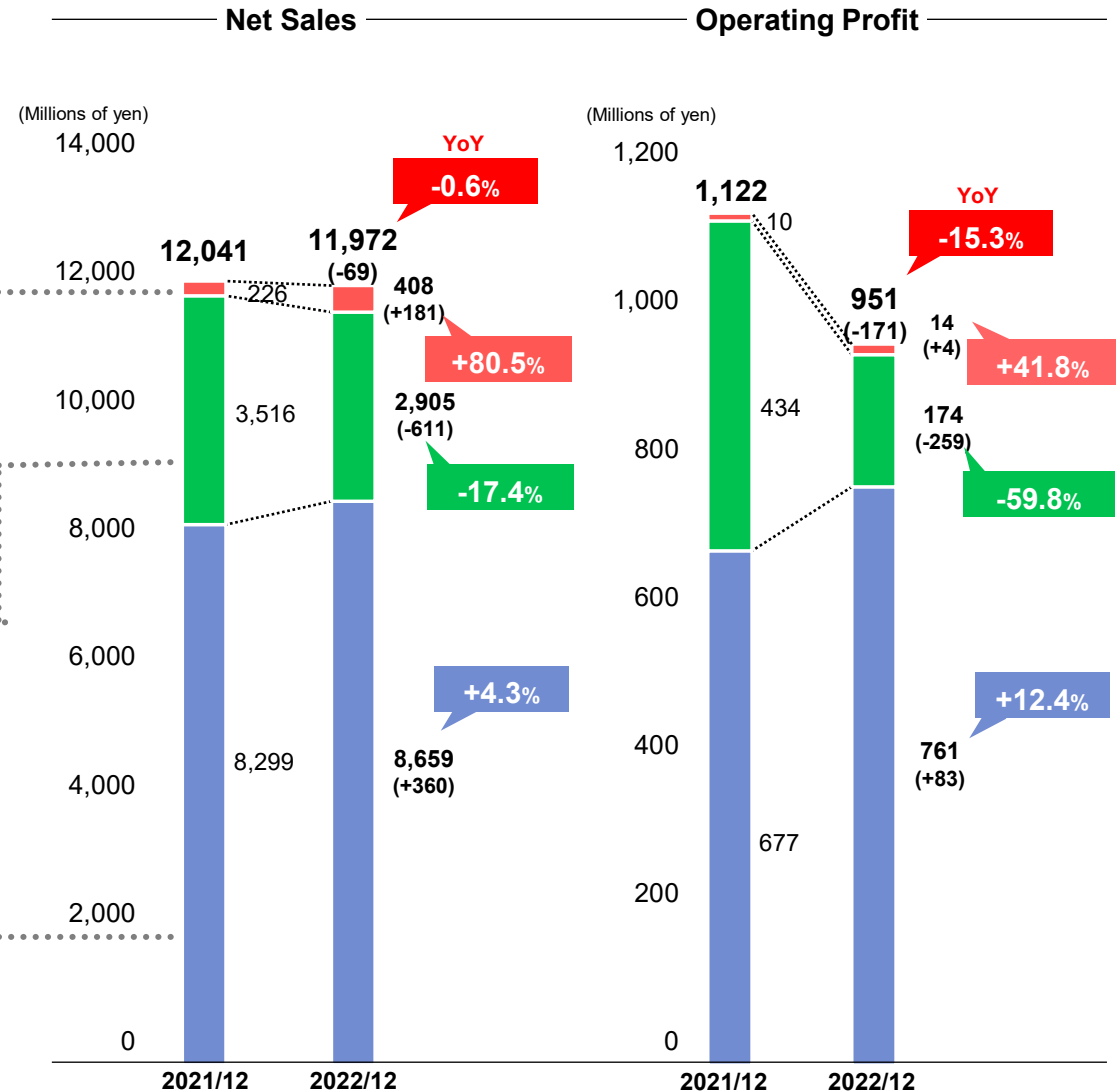
SI Business (Lift & Shift*)

- Decrease of system building projects for a shipping company
- Expansion of system building projects for an oil company



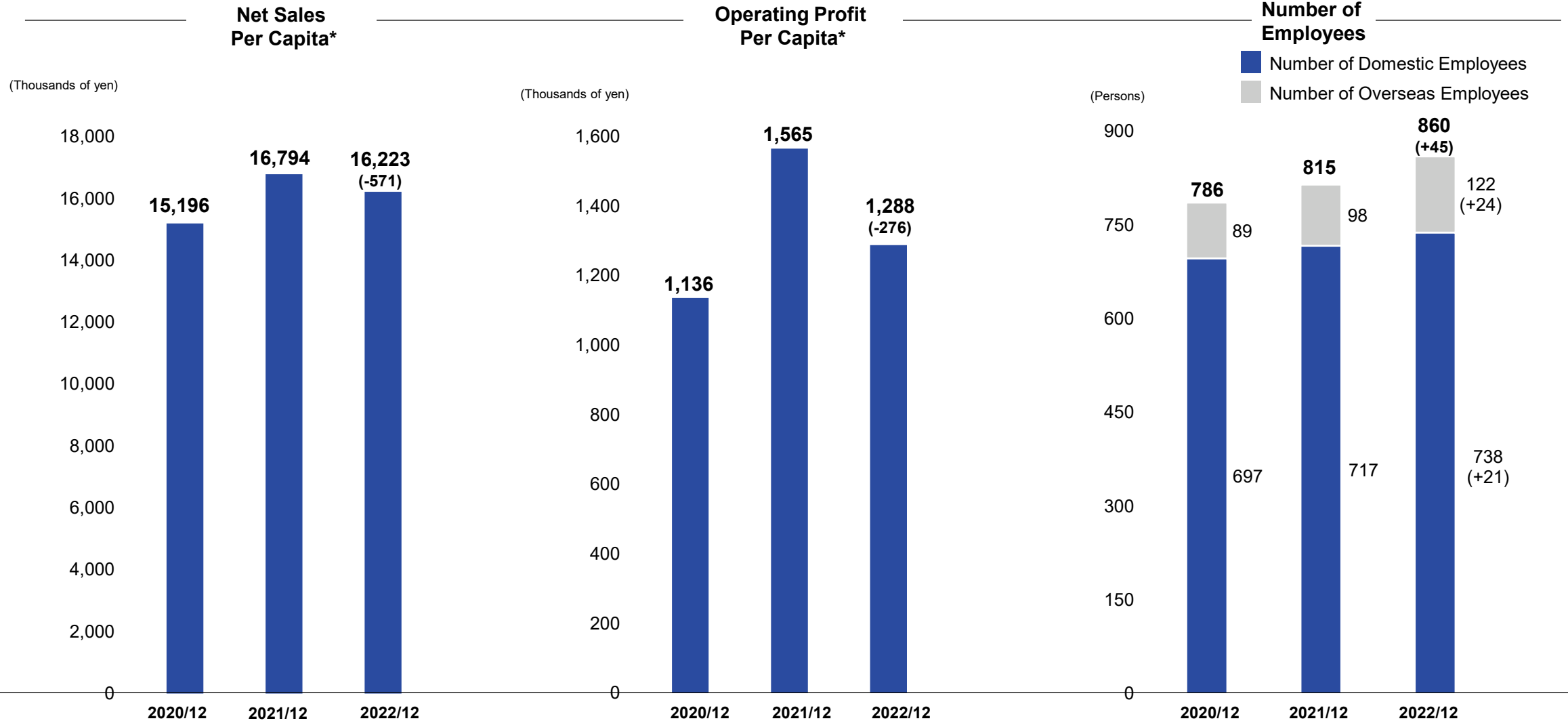
Enhancement Business

- Expansion of the projects for a postal service company and a cooperative
- Expansion of the projects for online banks and for a credit card company



*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).

1-7. Index Per Capita



*Calculated based on the number of domestic employees.

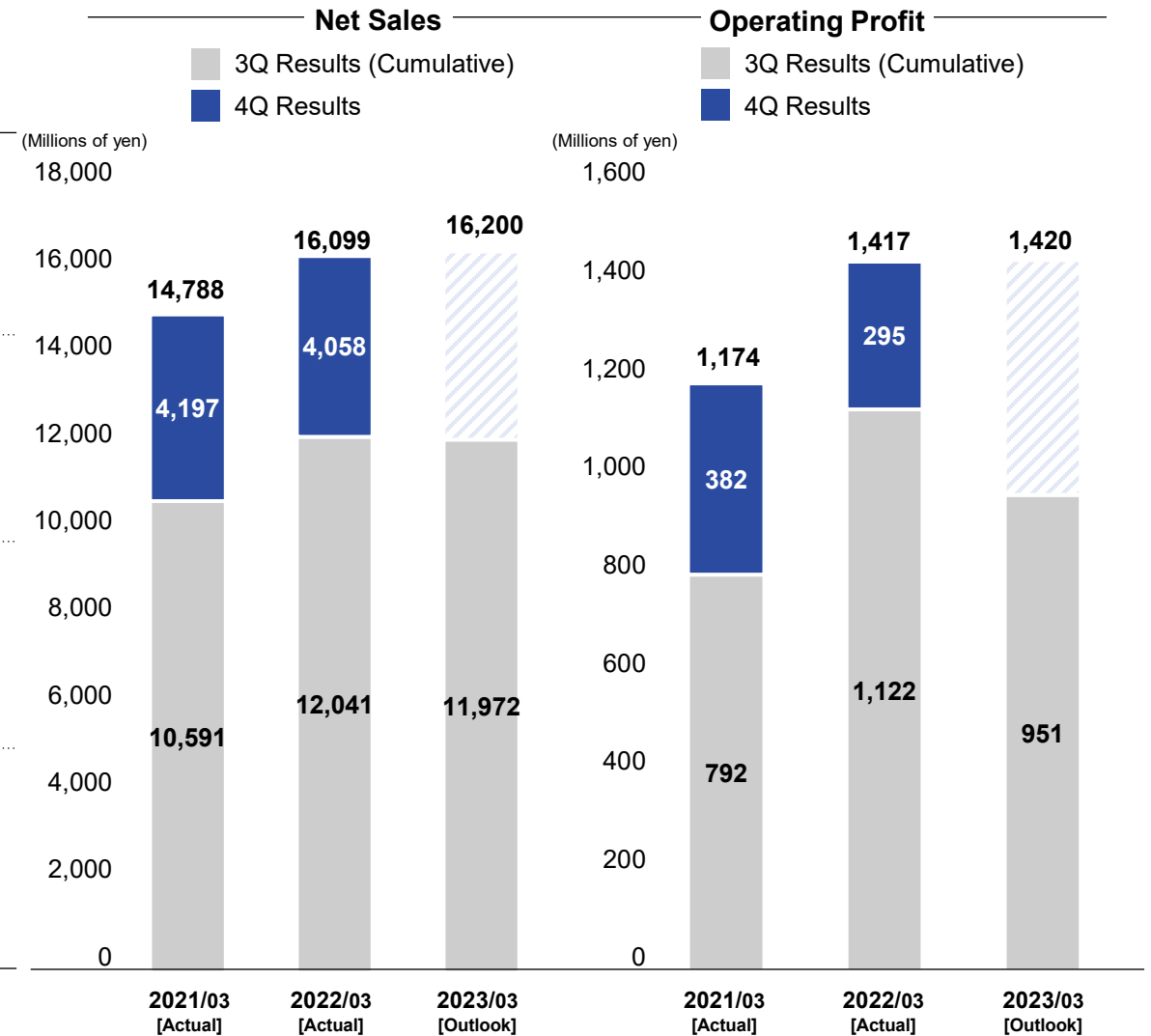
Fiscal Year Ending
March 31, 2023

2 Outlook

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

2-1. Overview of Earnings Outlook

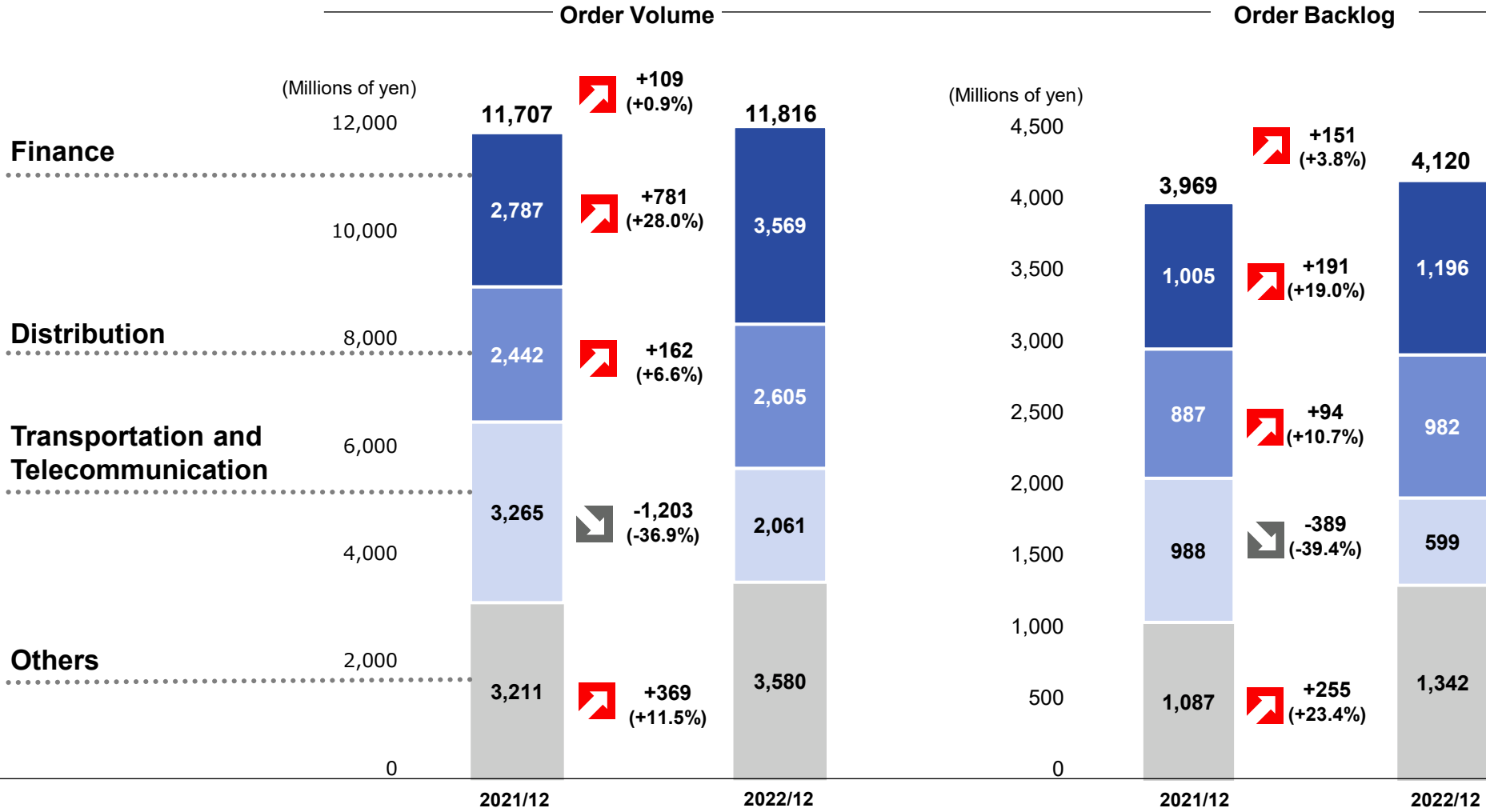
	FYE 2023 Earnings forecast (After revision) (Increase/decrease from the previous fiscal year)	FYE 2022 Actual	FYE 2023 3Q Actual (Progress %)
(Unit: millions of yen)			
Net Sales	16,200 (+0.6%)	16,099	11,972 (73.9%)
Operating Profit	1,420 (+0.1%)	1,417	951 (67.0%)
Margin (%)	8.8%	8.8%	7.9%
Ordinary Profit	1,445 (+0.9%)	1,432	953 (66.0%)
Margin (%)	8.9%	8.9%	8.0%
Net Profit attributable to owners of parent	950 (+0.6%)	944	628 (66.1%)
Margin (%)	5.9%	5.9%	5.2%



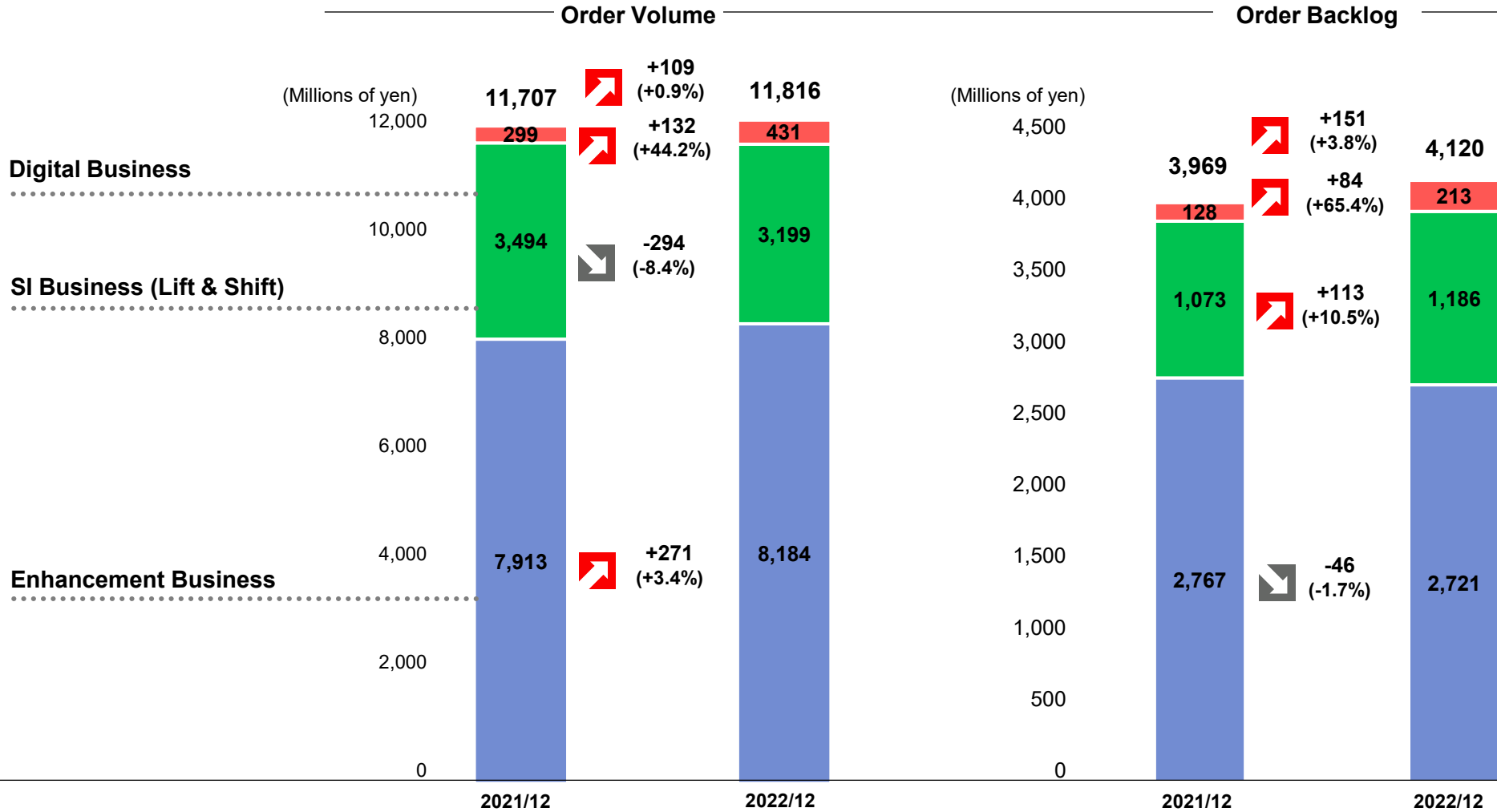
* Due to the inability to keep up with the reallocation of resources in SI Business, we have revised our earnings forecast, as we expect to fall short of the initial forecast.

For more information, please refer to the revision of financial results forecast announced on February 8, 2023.

2-2. Order Status by Industry

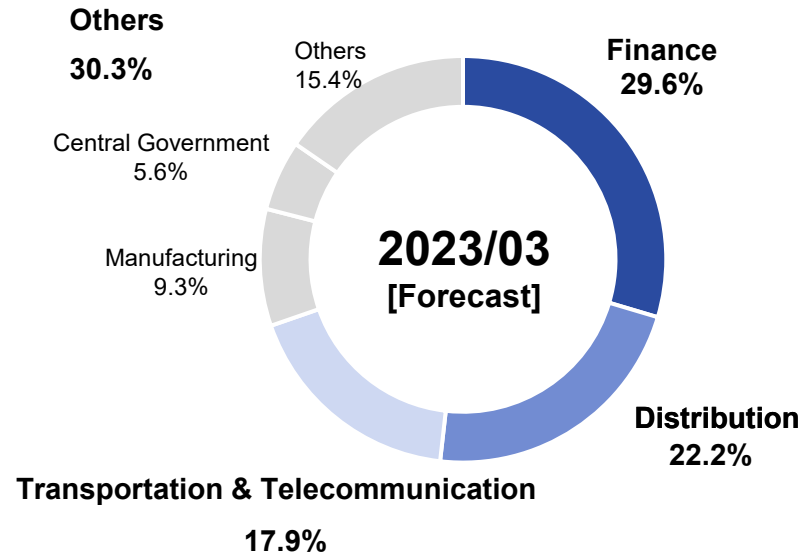


2-3. Order Status by Business Model

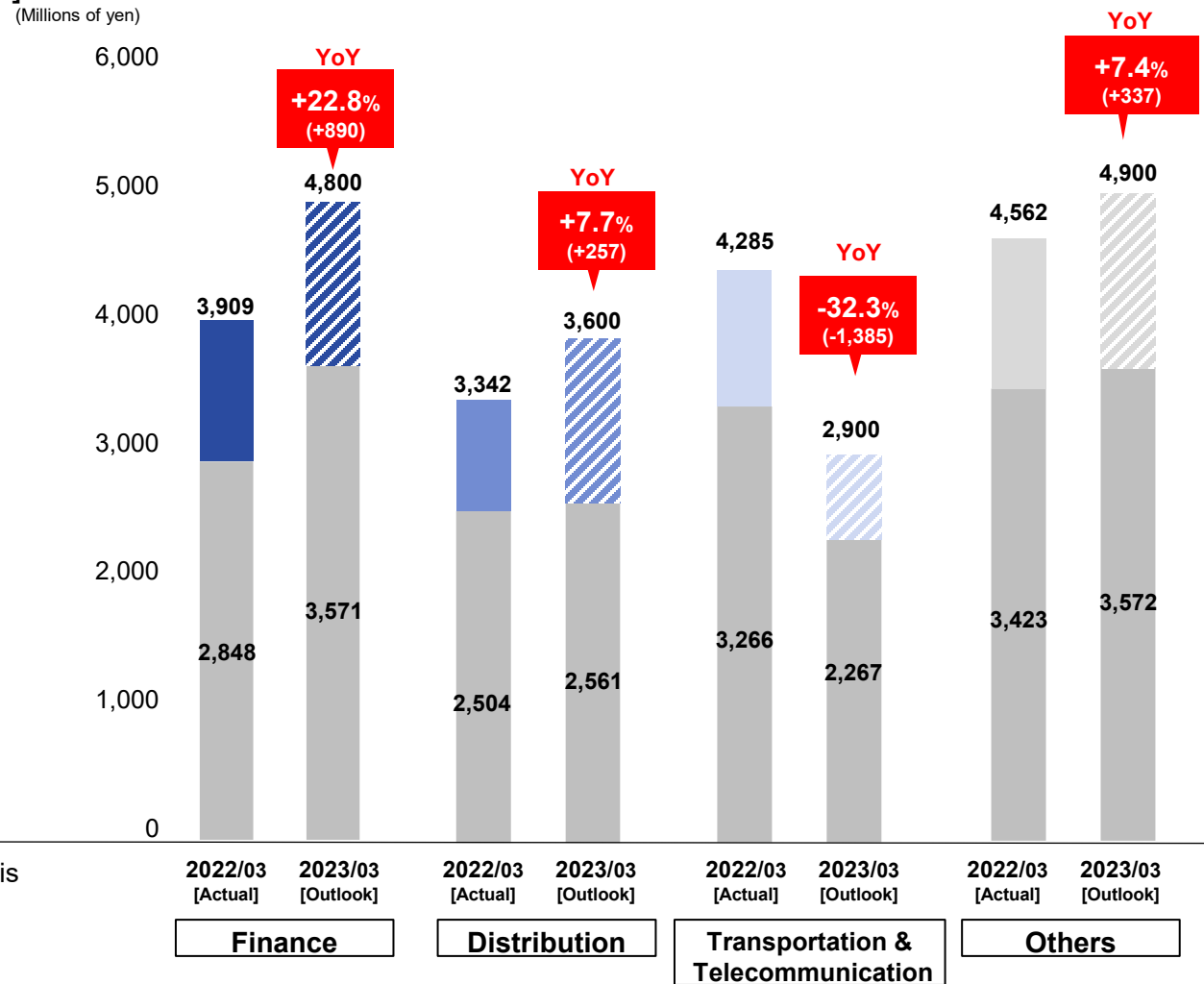


2-4. Net Sales Outlook by Industry

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



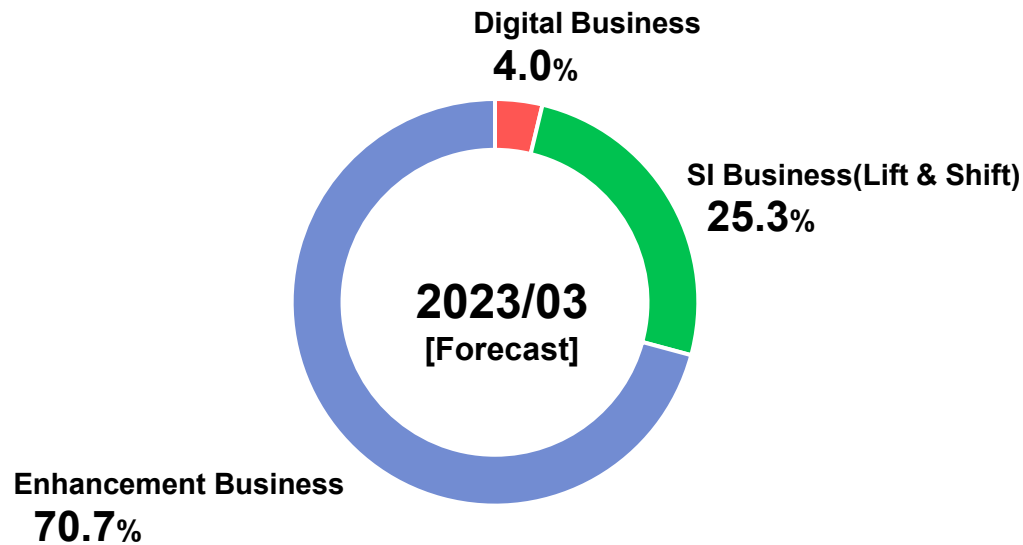
Trends in Consolidated Net Sales by Industry (After revision)



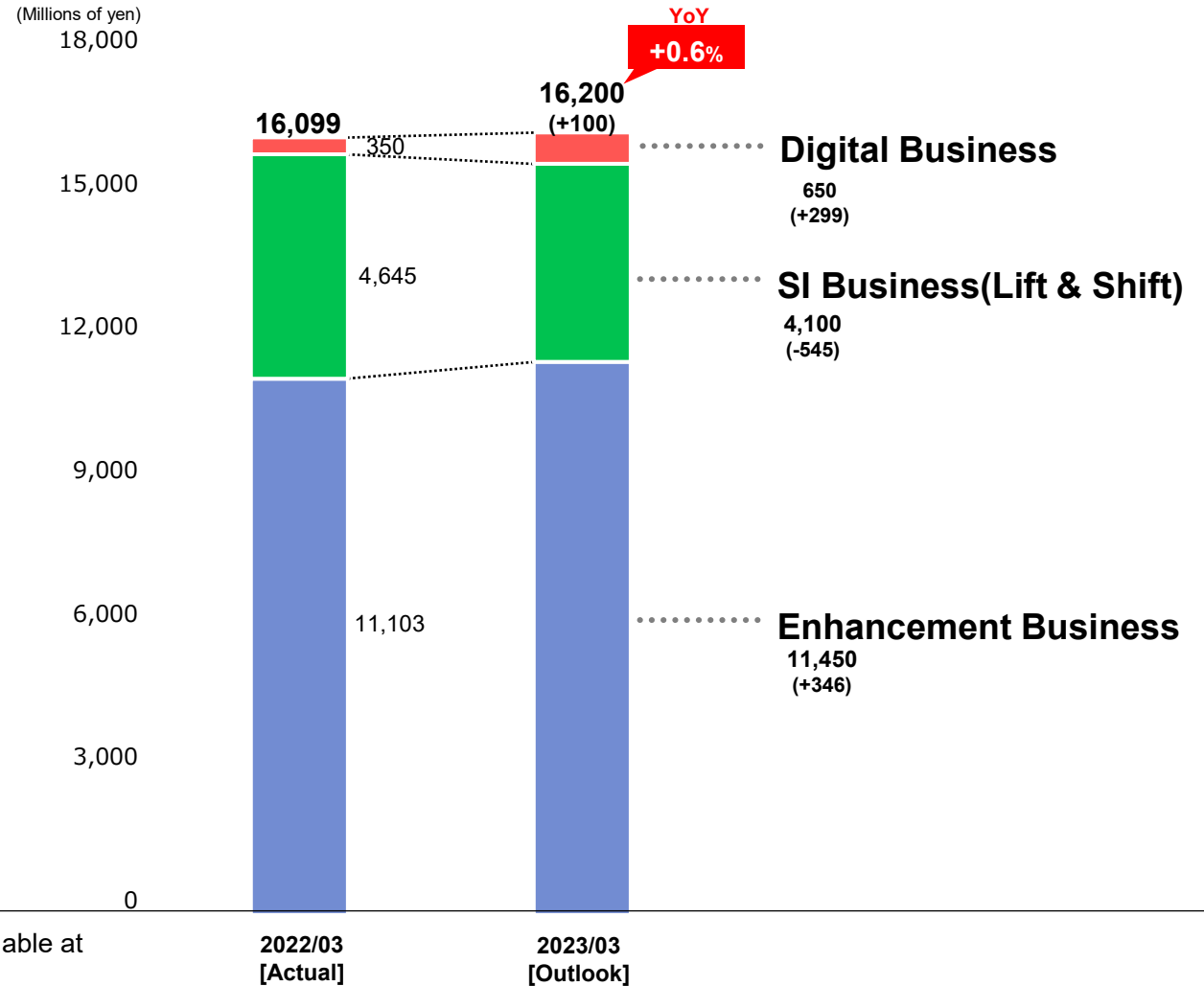
*The forecast for sales by industry is based on the estimate available at this time, in addition to the actual results up to the third quarter. The total net sales have been changed to the revision of financial results forecast announced on February 8, 2023.

2-5. Net Sales Outlook by Business Model

Net Sales composition by Business Model (After revision)
 [earnings forecast for fiscal year ending March 31, 2023]



Trends in Consolidated Net Sales by Business Model (After revision)

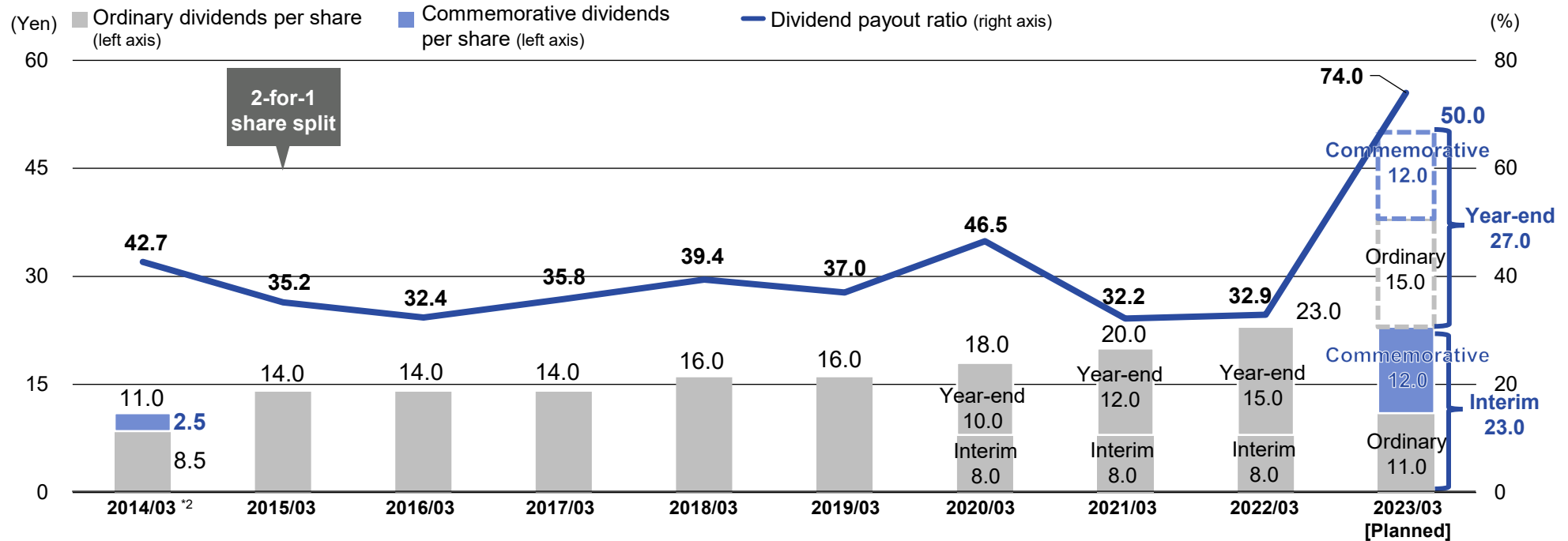


*The forecast for sales by business model is based on the estimate available at this time, in addition to the actual results up to the third quarter. The total net sales have been changed to the revision of financial results forecast announced on February 8, 2023.

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.



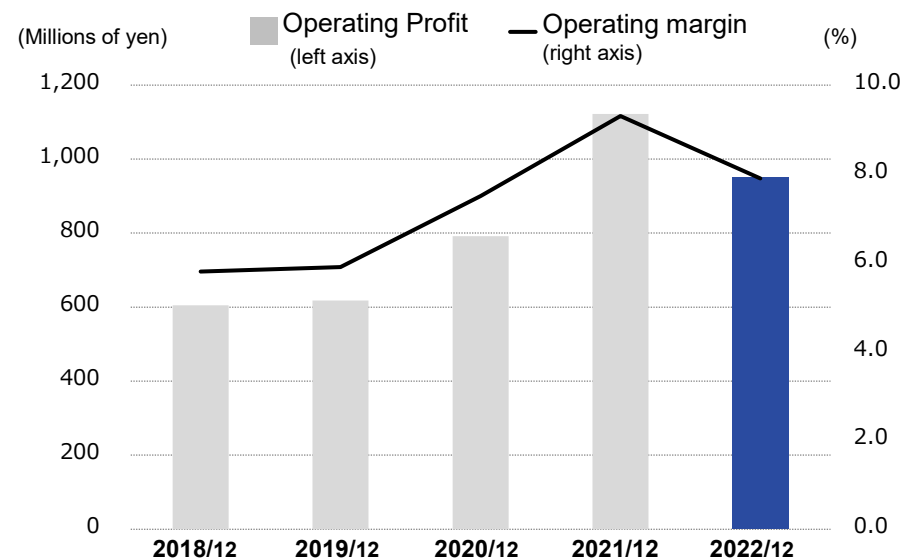
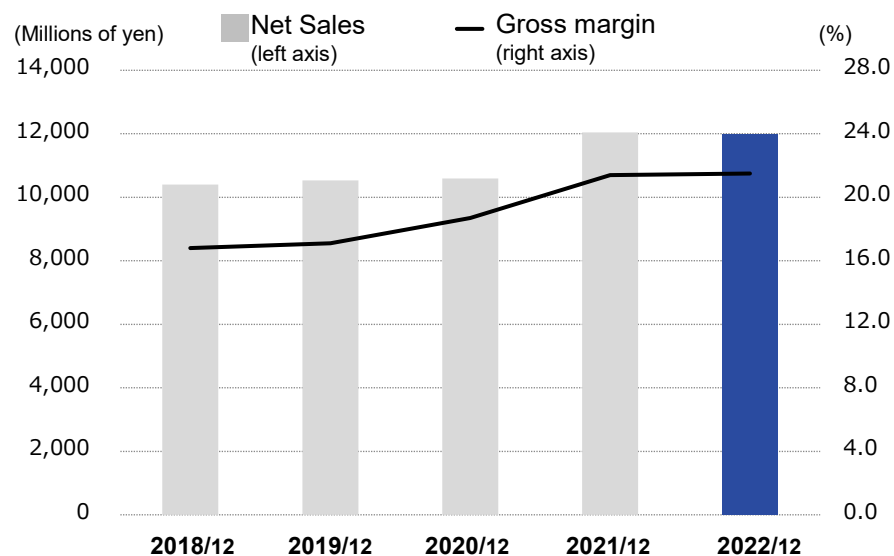
*1 Our 50th anniversary commemorative dividend was approved by the Board of Directors on July 5, 2022. <https://ssl4.eir-parts.net/doc/2335/tdnet/2154361/00.pdf>

*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)

	2018/12	2019/12	2020/12	2021/12	2022/12	YoY
Net Sales	10,404	10,535	10,591	12,041	11,972	-0.6%
Cost of sales	8,655	8,736	8,612	9,461	9,404	-0.6%
Gross Profit	1,748 (16.8%)	1,799 (17.1%)	1,979 (18.7%)	2,580 (21.4%)	2,568 (21.5%)	-0.5%
Selling, general and administrative expenses	1,143	1,181	1,187	1,458	1,617	+10.9%
Operating Profit	605 (5.8%)	618 (5.9%)	792 (7.5%)	1,122 (9.3%)	951 (7.9%)	-15.3%
Ordinary Profit	632 (6.1%)	628 (6.0%)	922 (8.7%)	1,133 (9.4%)	953 (8.0%)	-15.8%
Net Profit attributable to owners of parent	383 (3.7%)	392 (3.7%)	596 (5.6%)	755 (6.3%)	628 (5.2%)	-16.8%

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2022/03	2022/12	Increase/ Decrease
Current assets	7,805	9,418	+1,612
Cash and deposits	5,058	6,595	+1,537
Accounts receivable and contract assets	2,584	2,438	-145
Securities	-	200	+200
Work in process	16	68	+52
Others	146	115	-31
Non-current assets	2,259	2,298	+38
Property, plant and equipment	169	136	-33
Intangible assets	4	3	-1
Investments and other assets	2,084	2,158	+73
Total assets	10,064	11,716	+1,651

Liabilities	2022/03	2022/12	Increase/ Decrease
Current liabilities	2,199	1,955	-244
Accounts payable - trade	753	754	+1
Short-term borrowings	240	240	-
Others	1,206	960	-246
Non-current liabilities	650	702	+51
Total liabilities	2,850	2,657	-192
Net assets	2022/03	2022/12	Increase/ Decrease
Shareholder's equity	6,721	8,485	+1,764
Accumulated other comprehensive income	448	573	+124
Non-controlling interests	44	-	-44
Total net assets	7,214	9,058	+1,844
Total liabilities and net assets	10,064	11,716	+1,651

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

(Unit: millions of yen)

Net Sales and Operating Profit by Service Segment		2021/12	2022/12	YoY
System Integration Services	Net Sales	9,019	8,781	-2.6%
	Operating Profit	849	665	-21.7%
	Operating margin	9.4%	7.6%	
System Outsourcing Services	Net Sales	1,396	1,314	-5.9%
	Operating Profit	110	89	-19.1%
	Operating margin	7.9%	6.8%	
Professional Services	Net Sales	1,624	1,876	+15.5%
	Operating Profit	162	196	+21.2%
	Operating margin	10.0%	10.5%	
Total	Net Sales	12,041	11,972	-0.6%
	Operating Profit	1,122	951	-15.3%
	Operating margin	9.3%	7.9%	

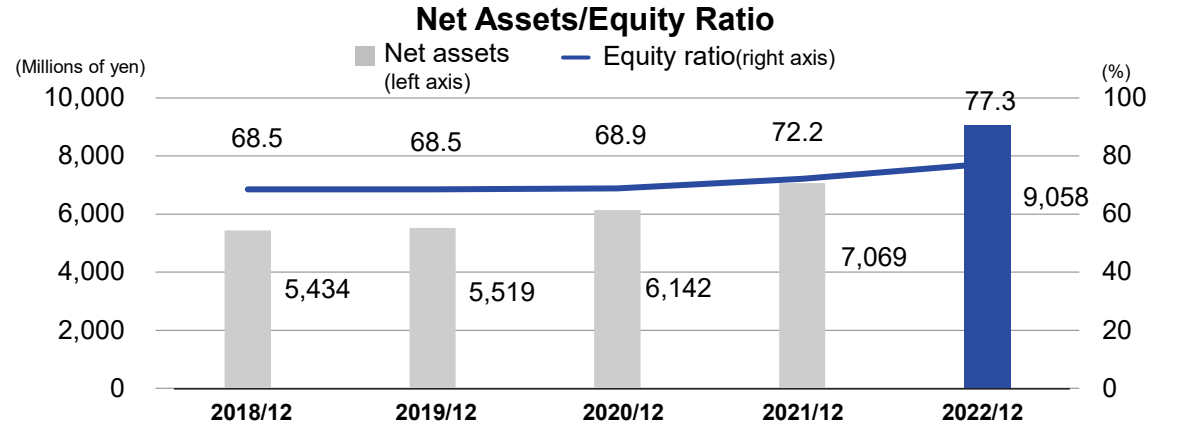
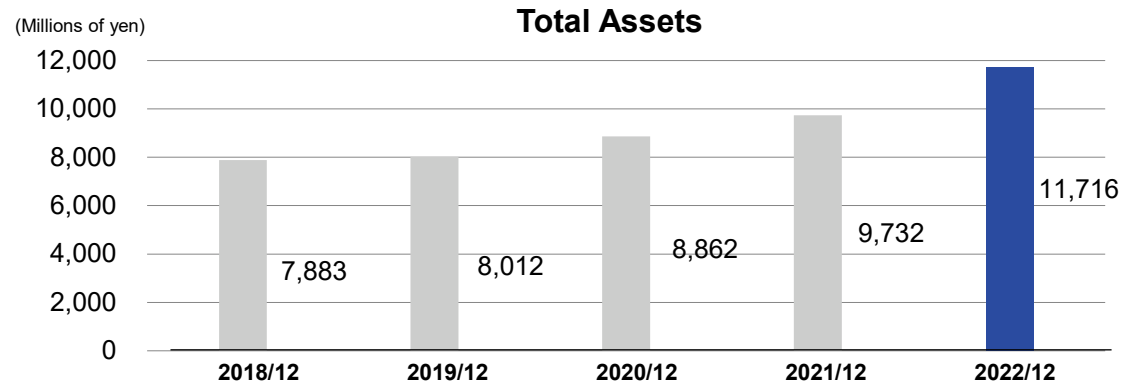
-4. Net Sales and Operating Profit by Industry

(Unit: millions of yen)

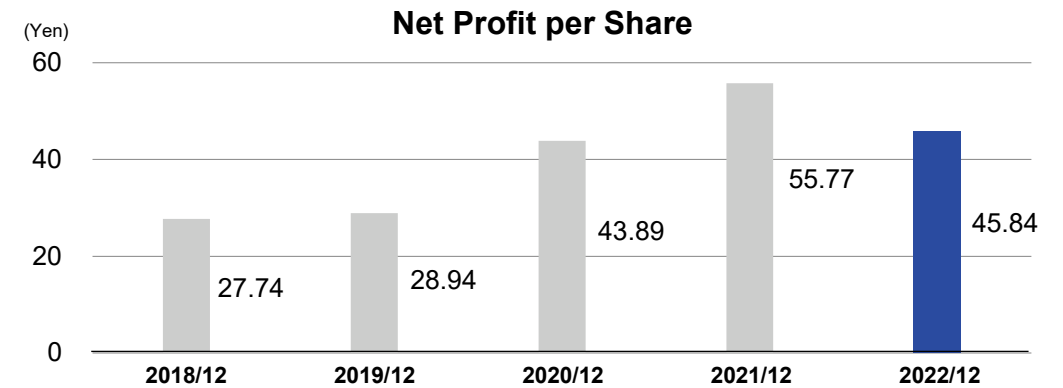
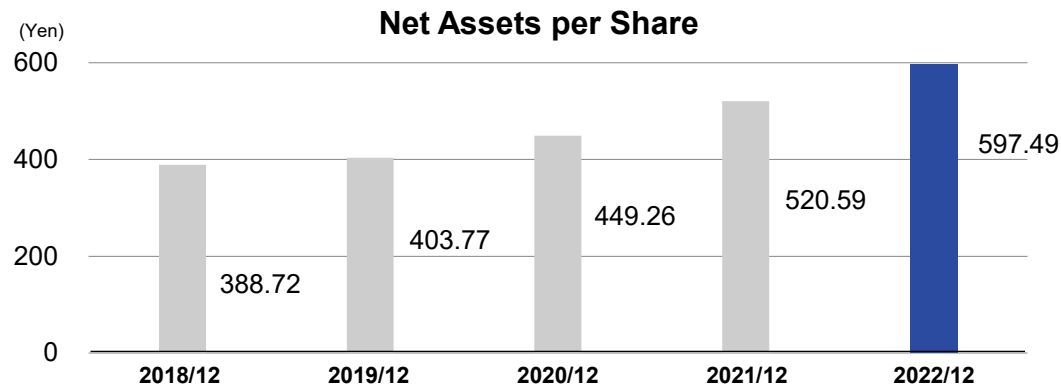
Net Sales and Operating Profit by Industry		2021/12	2022/12	YoY
Finance	Net Sales	2,848	3,571	+25.4%
	Operating Profit	209	310	+48.2%
	Operating margin	7.4%	8.7%	-
Distribution	Net Sales	2,504	2,561	+2.3%
	Operating Profit	224	194	-13.1%
	Operating margin	9.0%	7.6%	-
Transportation and Telecommunication	Net Sales	3,266	2,267	-30.6%
	Operating Profit	443	210	-52.6%
	Operating margin	13.6%	9.3%	-
Manufacturing	Net Sales	930	1,116	+20.0%
	Operating Profit	45	45	+1.9%
	Operating margin	4.8%	4.1%	-
Central Government	Net Sales	679	637	-6.2%
	Operating Profit	53	34	-35.7%
	Operating margin	7.9%	5.4%	-
Others	Net Sales	1,812	1,817	+0.3%
	Operating Profit	146	154	+6.0%
	Operating margin	8.1%	8.5%	-

3-5. Assets and Capital-Related Items

Assets and Capital-Related Items

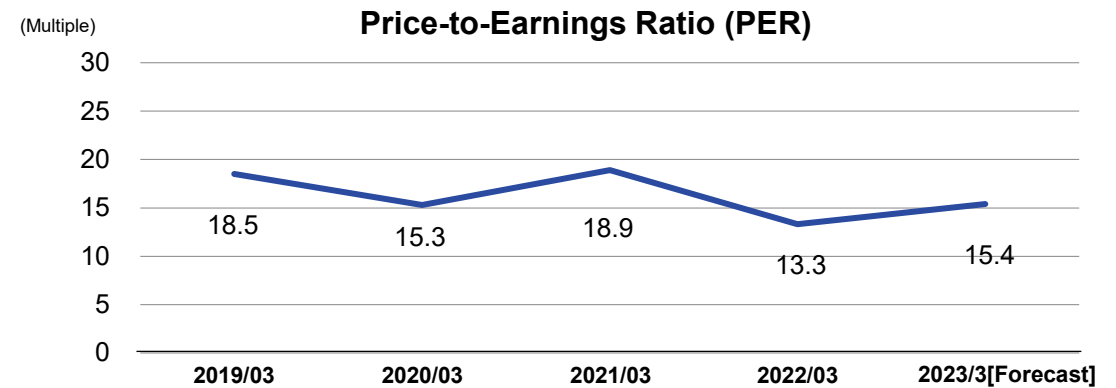
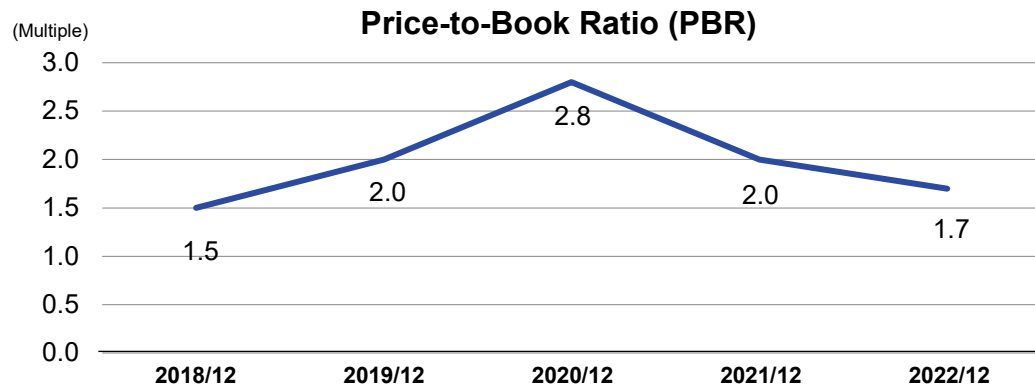
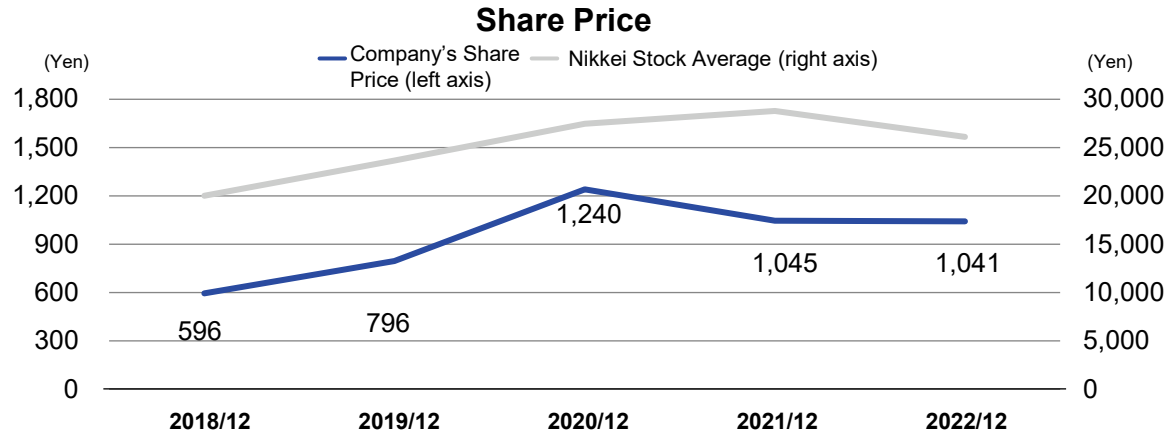


Share Price and Equity-Related Items



3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items



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

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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.