

CUBE SYSTEM

May. 10, 2023



Fiscal Year Ended March 31, 2023

Supplementary Information Material for Financial Results

Securities code: **2335**

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1 Fiscal Year Ended March 31, 2023 Overview of Financial Results

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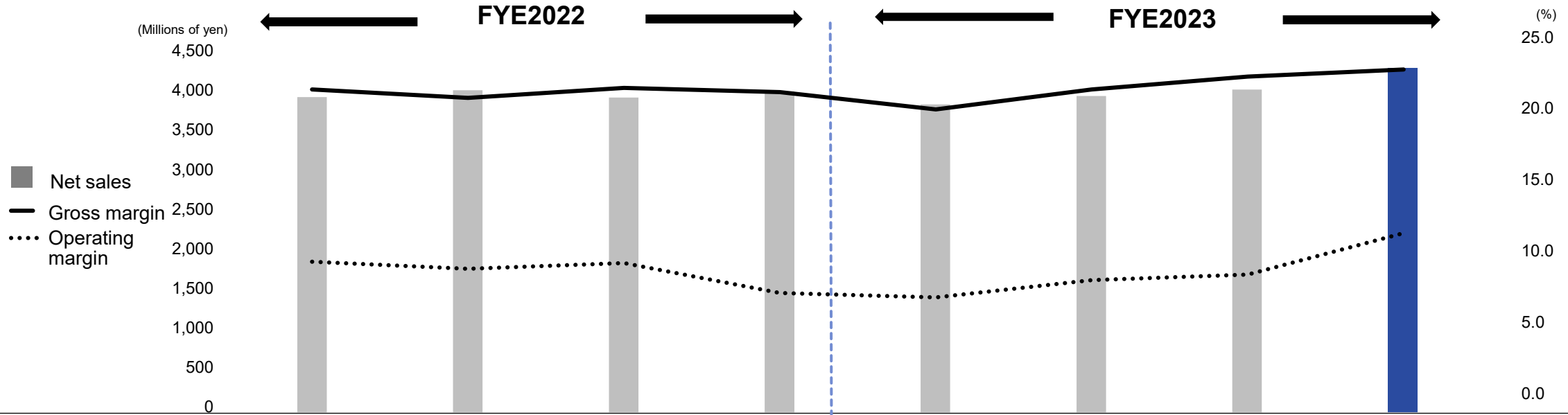
1-1. Overview of Consolidated Statements of Income

**Continue to improve management foundation and reform the structure of Business Model.
Both income and profit increase
due to steady growth in Digital Business and Enhancement Business.**

		FYE 2023 Actual (% change)	FYE 2022 Actual	FYE 2023 Forecast* (Achievement %)
	Up 1.4% from the previous fiscal year Achievement rate for earnings forecast: 100.8%	(Unit: millions of yen)		
Net sales	Steady performance in Digital Business and Enhancement Business. Unable to make up for the decline in sales up to the third quarter despite expansion of order receivment due to the participations in upstream processes for large-scale projects in SI Business.	16,325 (+1.4%)	16,099	16,200 (100.8%)
		Operating Profit	1,417	1,420 (102.3%)
		Margin (%)	8.8%	8.8%
	Up 2.4% from the previous fiscal year Achievement rate for earnings forecast: 102.3%			
Operating Profit	Achieve high profitability due to the sophistication of enhancement services, increase orders for derivative development projects and the measures to improve profit margins. Implement measures to strengthen management foundation (people development and investment in IT system for in-house use).	1,480 (+3.3%)	1,432	1,445 (102.5%)
		Margin (%)	8.9%	8.9%
		Net Profit attributable to owners of parent	944	950 (104.2%)
		Margin (%)	5.9%	5.9%

* The figure above announced on February 8, 2023 (revision of business forecast).

1-2. Trends in Transition by Accounting Period

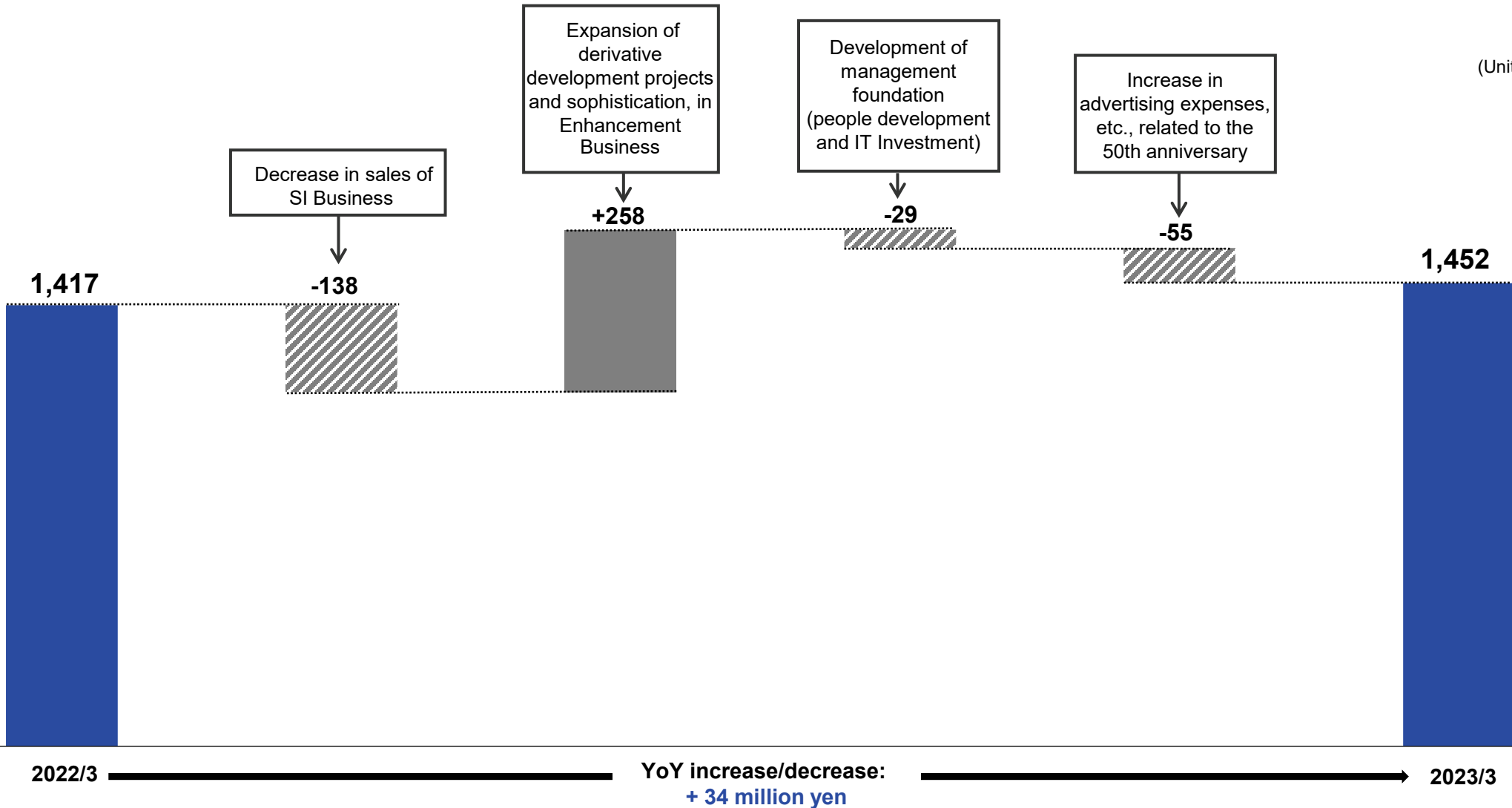


	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar
Net Sales	3,987	4,073	3,981	4,058	3,892	3,999	4,080	4,353
Cost of sales	3,124	3,217	3,118	3,188	3,107	3,133	3,163	3,351
Gross Profit	862	855	862	869	785	865	917	1,001
	(21.6%)	(21.0%)	(21.7%)	(21.4%)	(20.2%)	(21.6%)	(22.5%)	(23.0%)
Selling, general and administrative expenses	483	487	486	574	513	539	564	500
Operating Profit	378	368	375	295	272	326	352	501
	(9.5%)	(9.0%)	(9.4%)	(7.3%)	(7.0%)	(8.2%)	(8.6%)	(11.5%)
Ordinary Profit	390	362	380	299	271	323	359	526
	(9.8%)	(8.9%)	(9.6%)	(7.4%)	(7.0%)	(8.1%)	(8.8%)	(12.1%)
Quarterly net profit attributable to owners of parent	262	238	253	189	173	214	239	361
	(6.6%)	(5.9%)	(6.4%)	(4.7%)	(4.5%)	(5.4%)	(5.9%)	(8.3%)

1-3. Factors Leading to Changes in Operating Profit

(Compared to the Previous Fiscal Year)

(Unit: millions of yen)



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

(Unit: millions of yen)

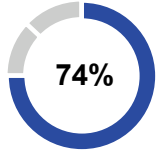
Consolidated Balance Sheets	2022/03	2023/03	Increase/Decrease	Remarks
Current assets	7,805	9,703	+1,897	Increase in cash and deposits, and securities
Non-current assets	2,259	2,844	+585	Increase in investment securities and retirement benefit asset
Total assets	10,064	12,547	+2,482	
Current liabilities	2,199	2,188	-10	Decrease in provision for bonuses
Non-current liabilities	650	742	+91	Increase in deferred tax liabilities
Total liabilities	2,850	2,930	+80	
Total shareholder's equity	6,721	8,847	+2,125	Increase in share capital and capital surplus, decrease in treasury shares
Total accumulated other comprehensive income	448	769	+320	
Non-controlling interests	44	-	-44	
Total net assets	7,214	9,616	+2,402	

(Unit: millions of yen)

Consolidated Statements of Cash Flows	2022/03	2023/03	Increase/Decrease	Remarks
Cash flows from operations	1,015	891	-123	Decrease in income taxes paid
Cash flows from investments	-134	-304	-170	Payments for purchase of investment securities, proceeds from redemption of securities
Cash flows from financing	-324	1,102	+1,426	Proceeds from insurance of shares
Effects of exchange rate change on cash and cash equivalents	10	-1	-12	
Net increase in cash and cash equivalents	568	1,687	+1,119	
Cash and cash equivalents at beginning of period	4,447	5,015	+568	
Cash and cash equivalents at end of period	5,015	6,703	+1,687	

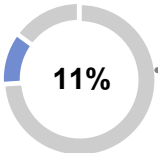
1-5. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[Fiscal Year Ended March 31, 2023]



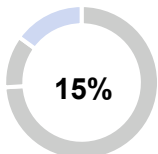
System Integration Services

- Expansion of system development projects: for regional banks, online banks, a cooperative and the service industry
- Decrease of system development projects for a shipping company



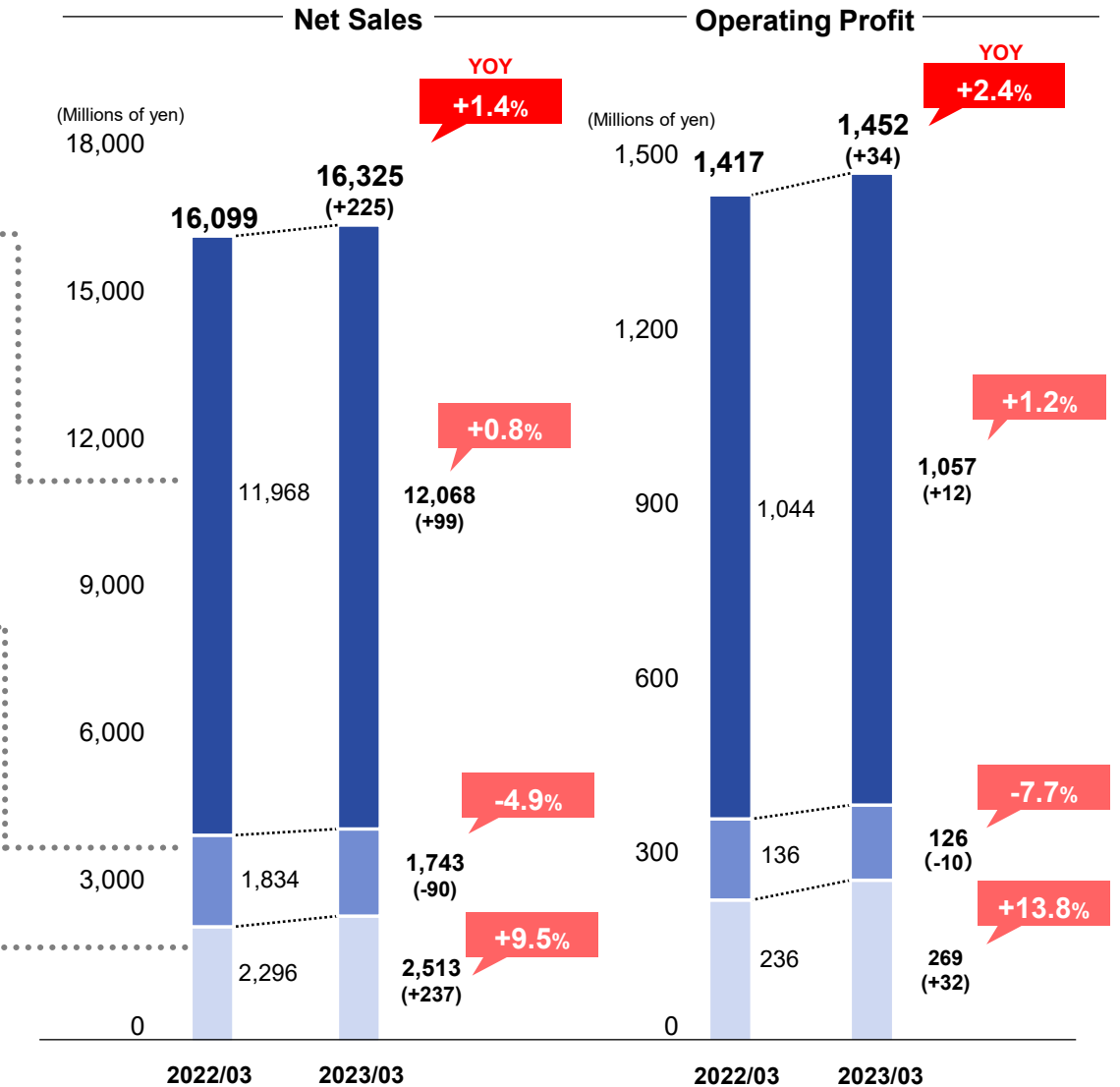
System Outsourcing Services

- Decrease of system development projects for GMS



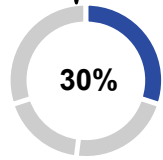
Professional Services

- Expansion of system development projects: for a postal service company and the manufacturing industry



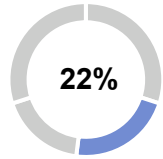
1-6. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[Fiscal Year Ended March 31, 2023]



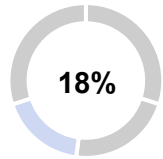
Finance Banking: 10% / Insurance & Securities: 16% / Other Finance: 4%

- Expansion of system development projects: for a megabank, regional banks, online banks, credit card companies and insurance companies



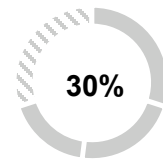
Distribution Retail & Wholesale: 22%

- Expansion of system development projects: for a cooperative, a retailer and an apparel company



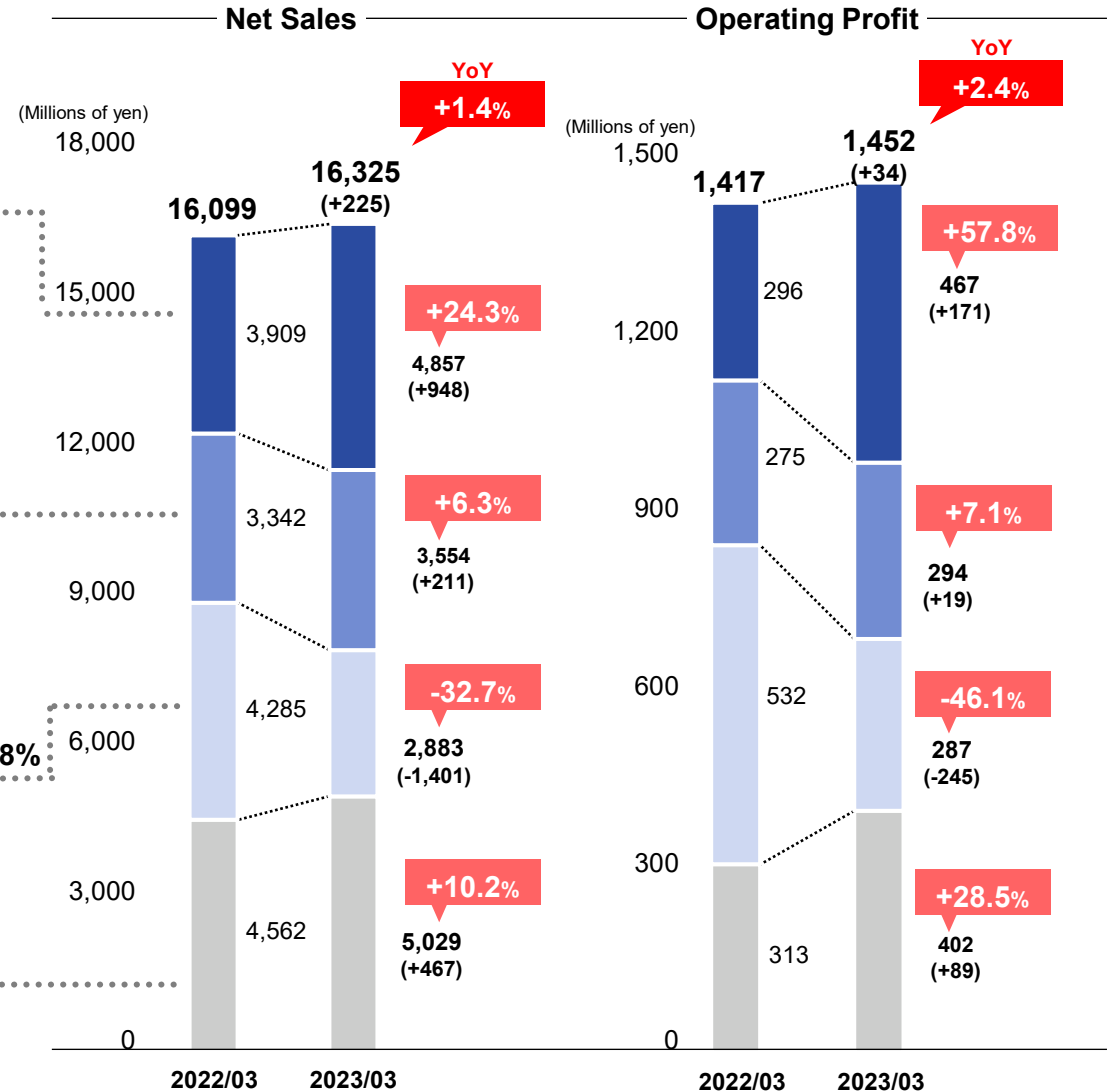
Transportation and Telecommunication Transportation & Telecommunication 18%

- Decrease of system development projects: for a shipping company and a telecommunication company



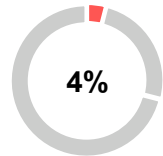
Others Central Government: 6% / Manufacturing: 9% / Others: 15%

- Expansion of system development projects: for the service industry and the electricity retail business



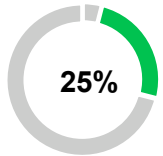
1-7. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[Fiscal Year Ended March 31, 2023]



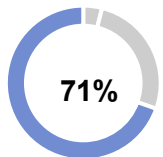
Digital Business

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



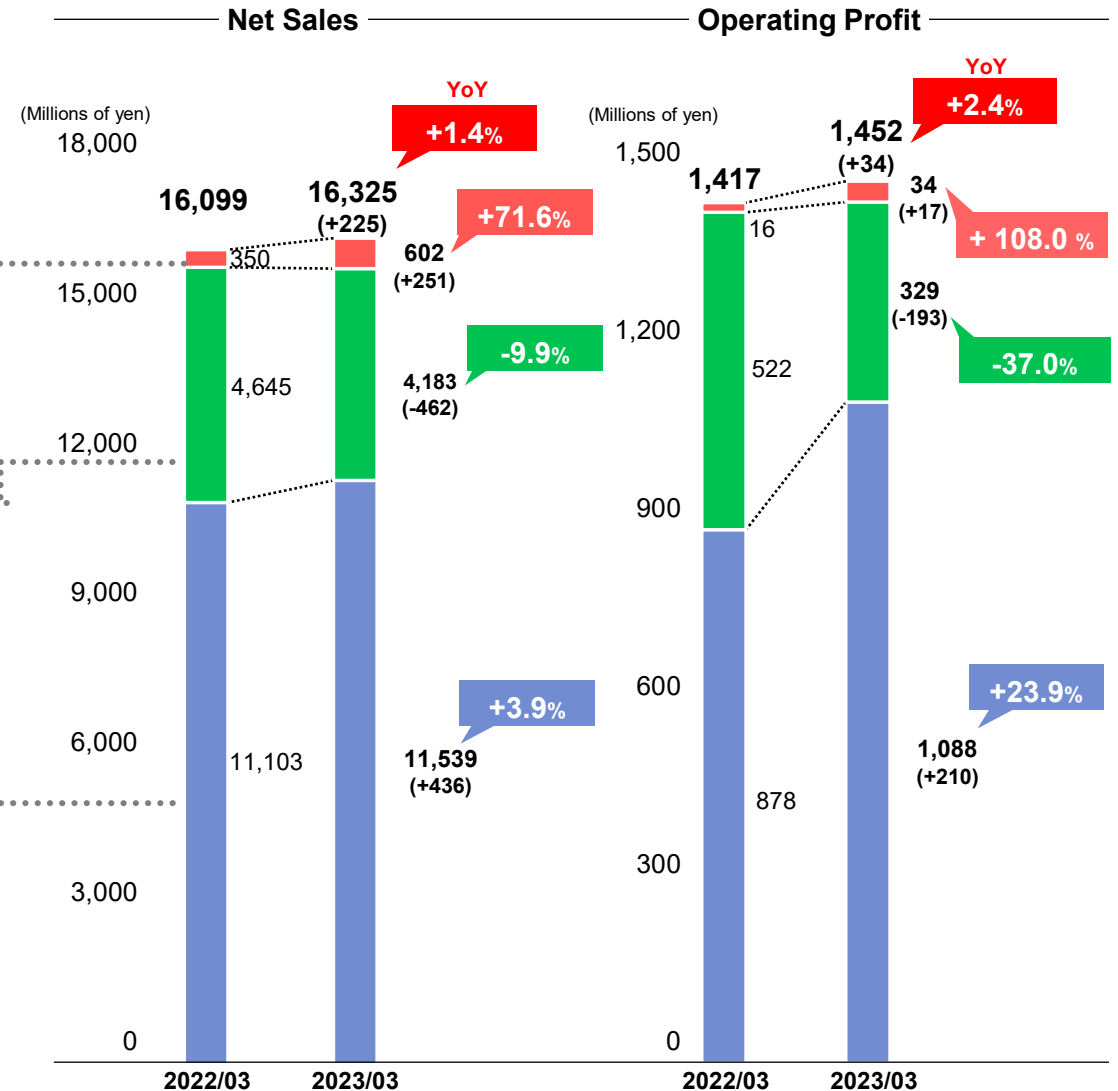
SI Business (Lift & Shift*)

- Decrease of system development projects: for a shipping company and a telecommunication company
- Expansion of system development projects: for the finance industry and the manufacturing industry



Enhancement Business

- Expansion of system development projects: for a retailer, a cooperative, a megabank, credit card companies, insurance companies and a postal service company

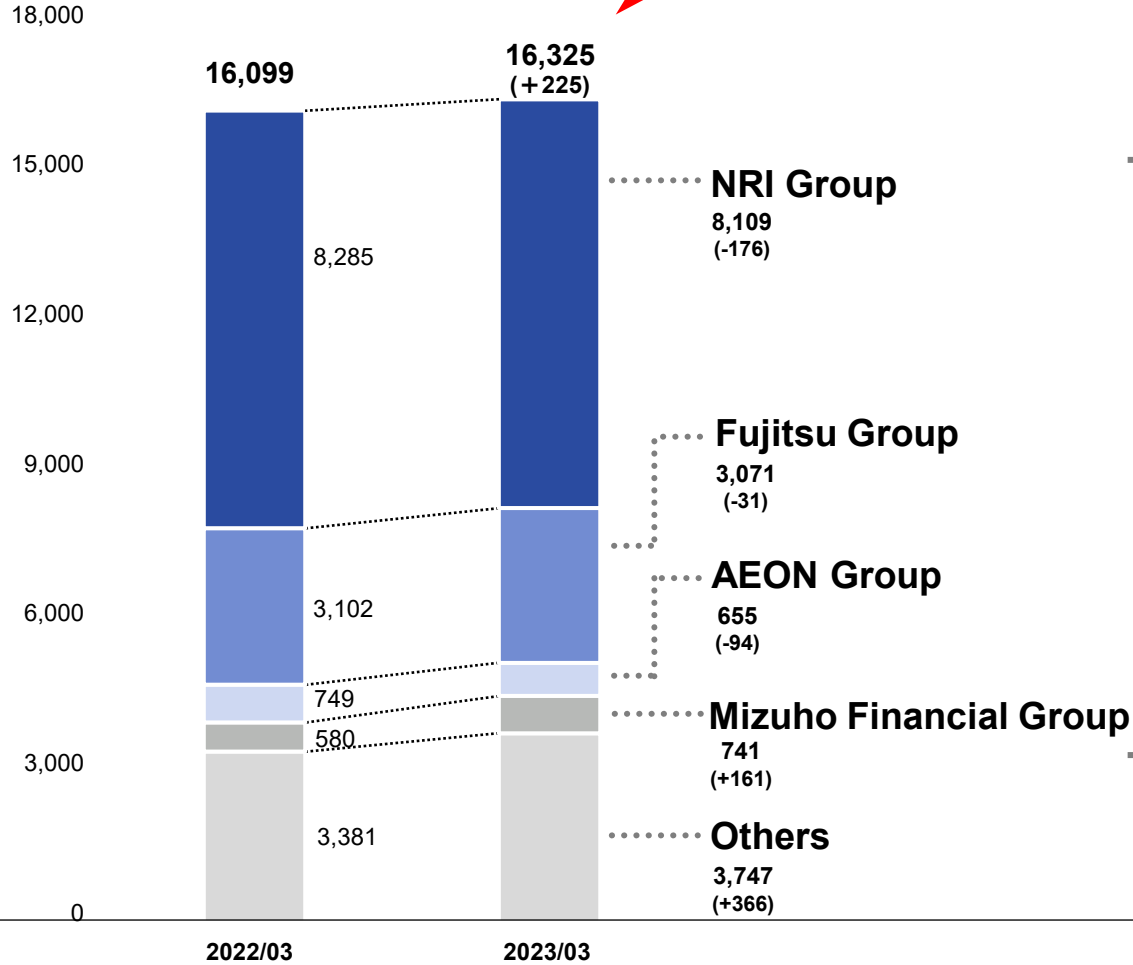


* Migrate customer's system from legacy environments to cloud one (Lift), followed by proceeding with system restructuring in stages while optimizing for cloud environments (Shift).

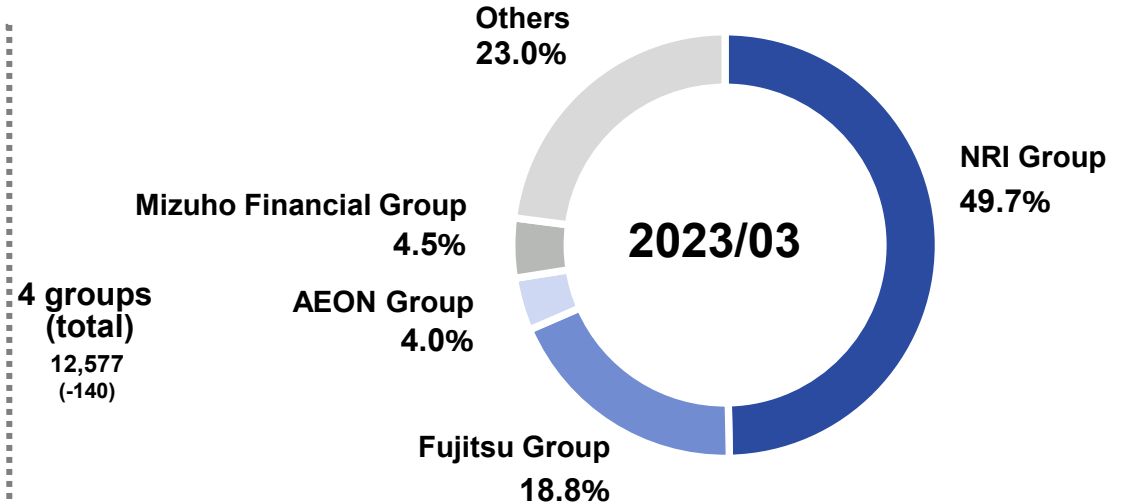
1-8 Trends in Net Sales to Customer Group Companies

Net Sales

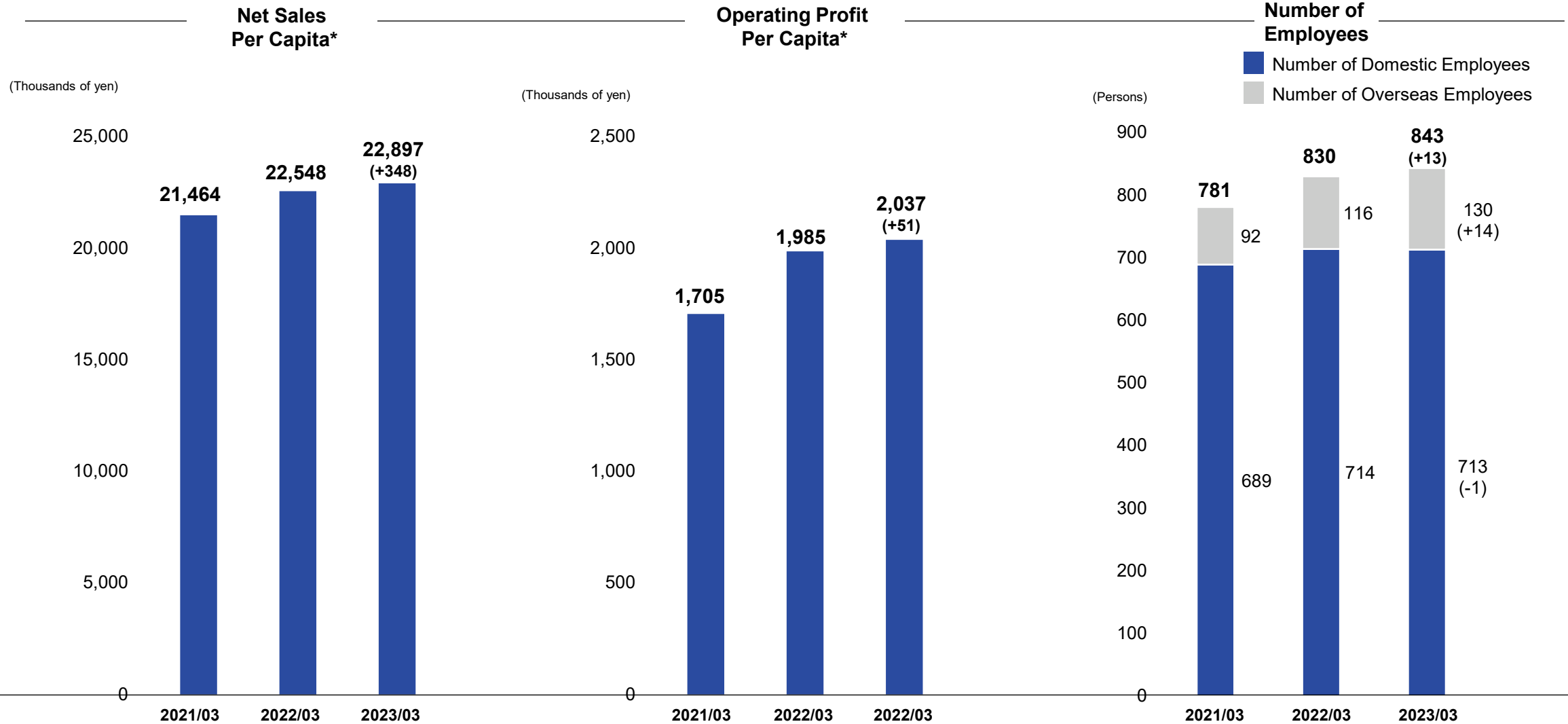
(Millions of yen)



Net Sales Composition [Fiscal year Ended March 31, 2023]



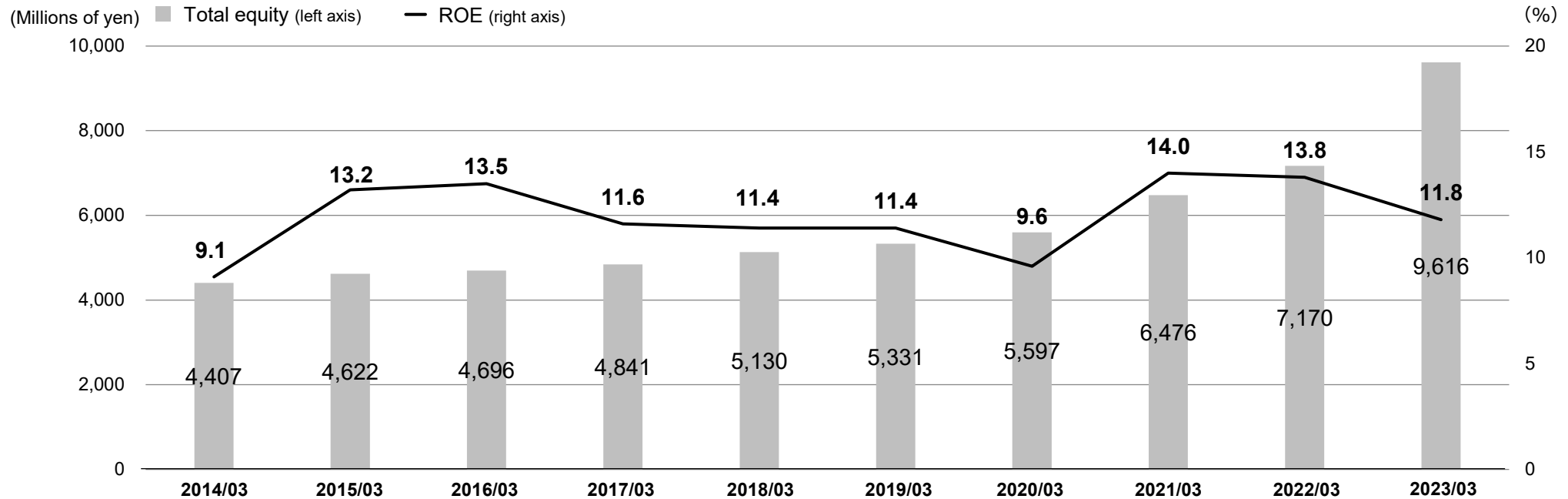
1-9. Index Per Capita



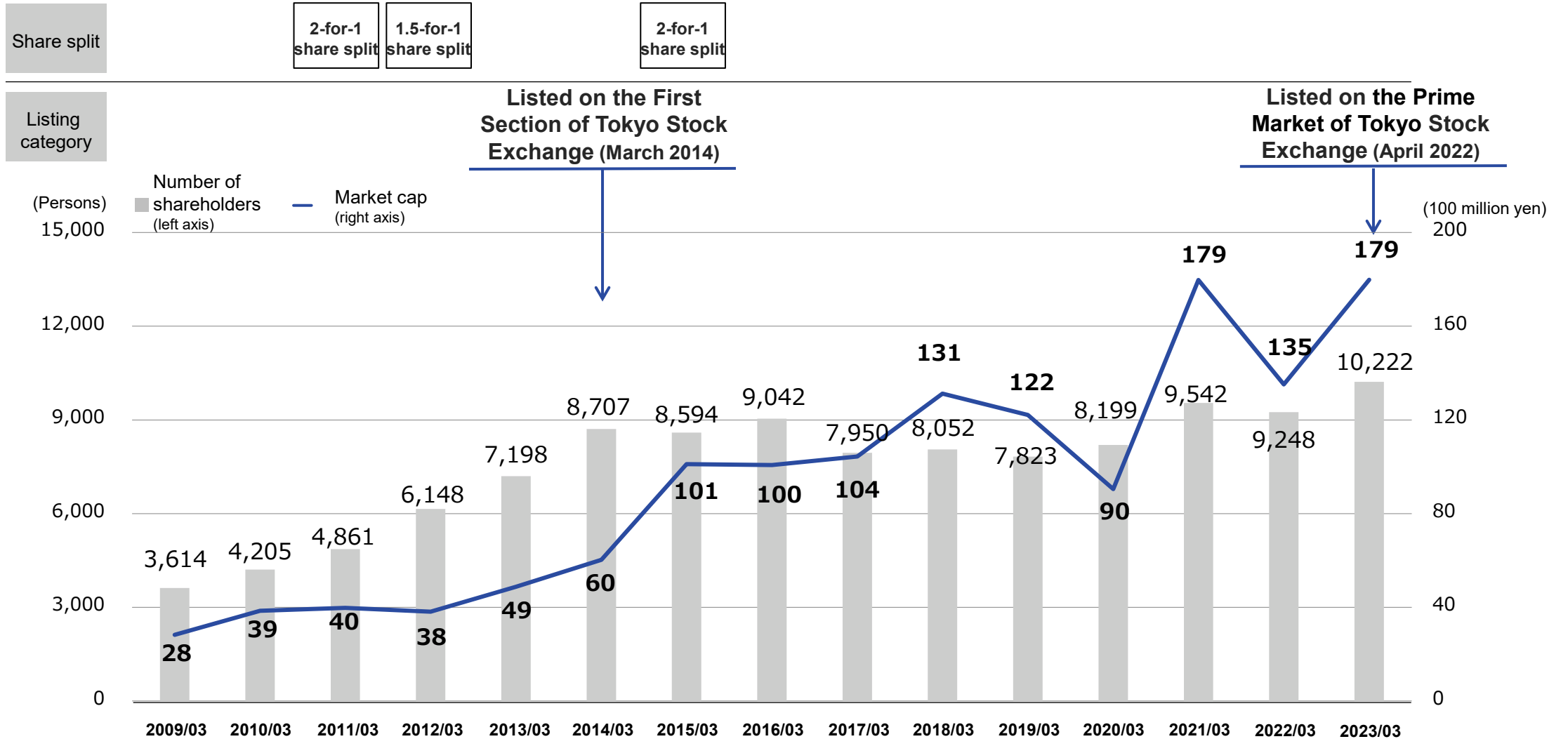
*Calculated based on the number of domestic employees.

1-10. Trends in Total Equity and ROE

Our continuous target for **ROE is 13% or higher** with efforts to enhance capital efficiency and profit margin.



1-11. Trends in Number of Shareholders and Market Cap



**Fiscal Year Ending
March 31, 2024**

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

Net sales

A YoY **increase** of **10.3%** is expected

- Proactively acquire clients' strategic IT investment projects (Digital Business/ SI Business)
- Increase in orders received by promoting co-creation with vendors in the cloud area where demand is strong
- Maintain the same level as the previous year in Enhancement Business

Operating Profit

A YoY **increase** of **11.5%** is expected

- Continue measures to maintain profit level in Enhancement Business
- Establish development systems that realize optimization of resources
- Operate project by taking advantage of our quality foundation
- Implement strategic investments to strengthen development organization and facilities
- Promote in-house digitalization to improve operational production

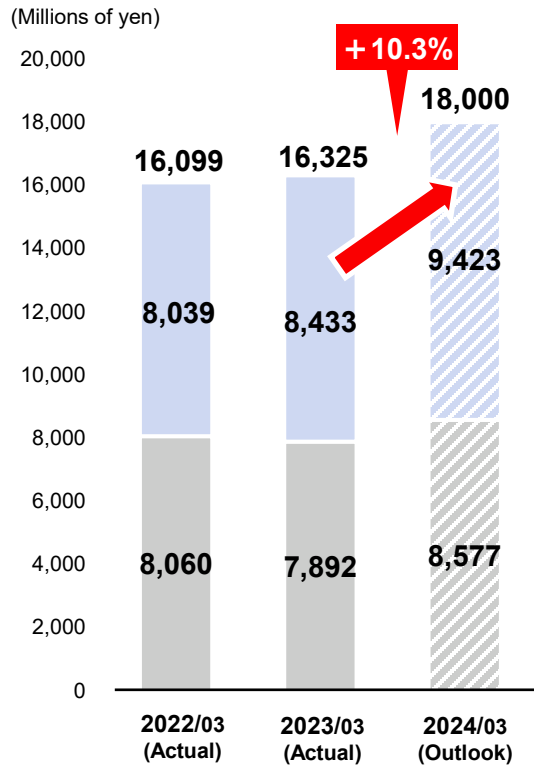
	FYE 2024 Earnings forecast (Increase/decrease from the previous fiscal year)	FYE 2023 Actual
(Unit: millions of yen)		
Net sales	18,000 (+1,674/+10.3%)	16,325
Operating Profit	1,620 (+167/+11.5%)	1,452
Margin (%)	9.0%	8.9%
Ordinary Profit	1,635 (+154/+10.4%)	1,480
Margin (%)	9.1%	9.1%
Net Profit attributable to owners of parent	1,080 (+90/+9.1%)	989
Margin (%)	6.0%	6.1%

2-1. Overview of Earnings Outlook

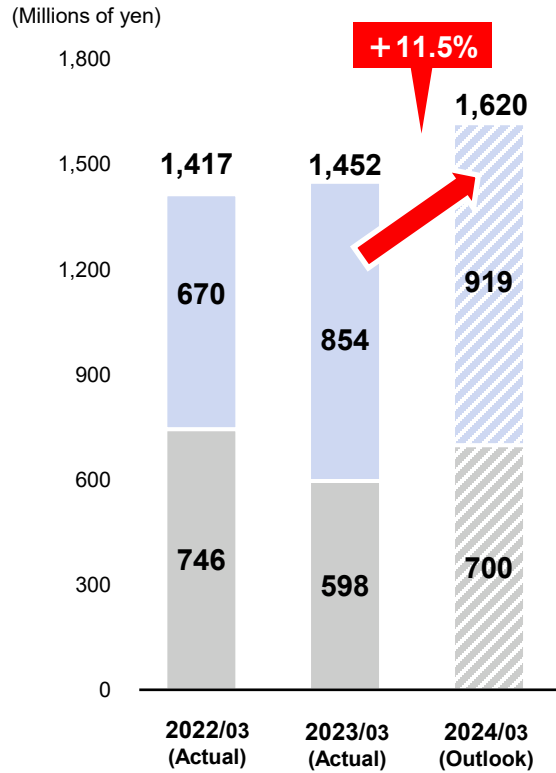
Outlook

■ First half of the year
 ■ Second half of the year

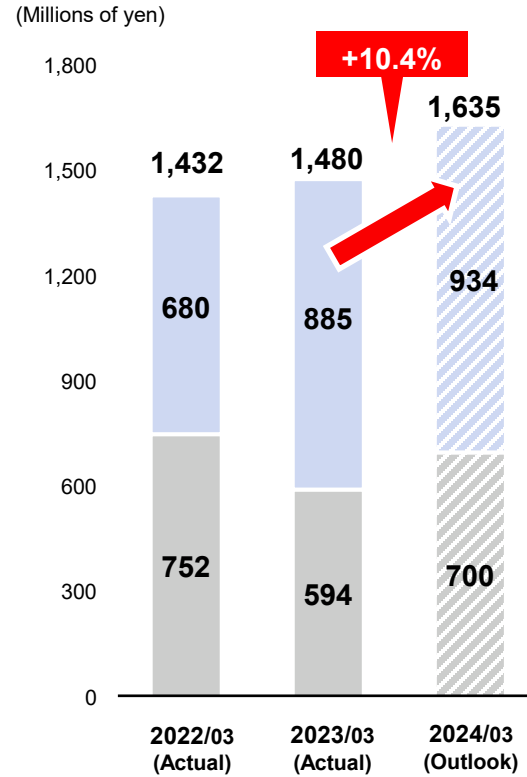
Net Sales



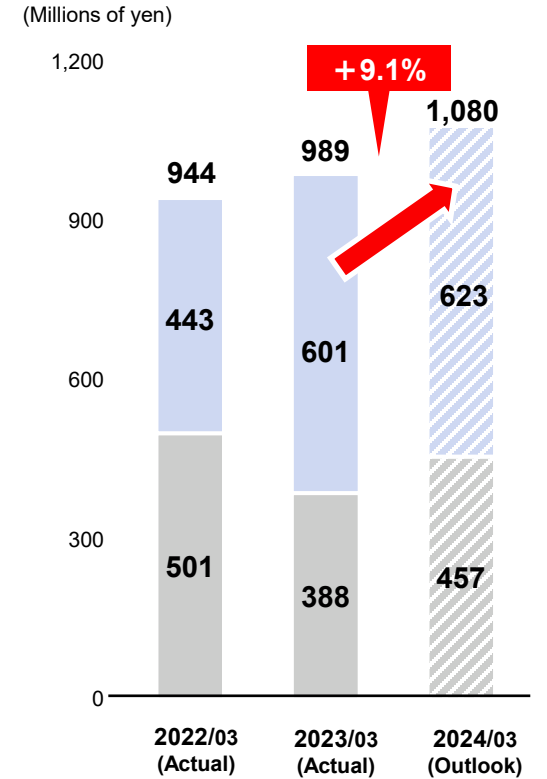
Operating Profit



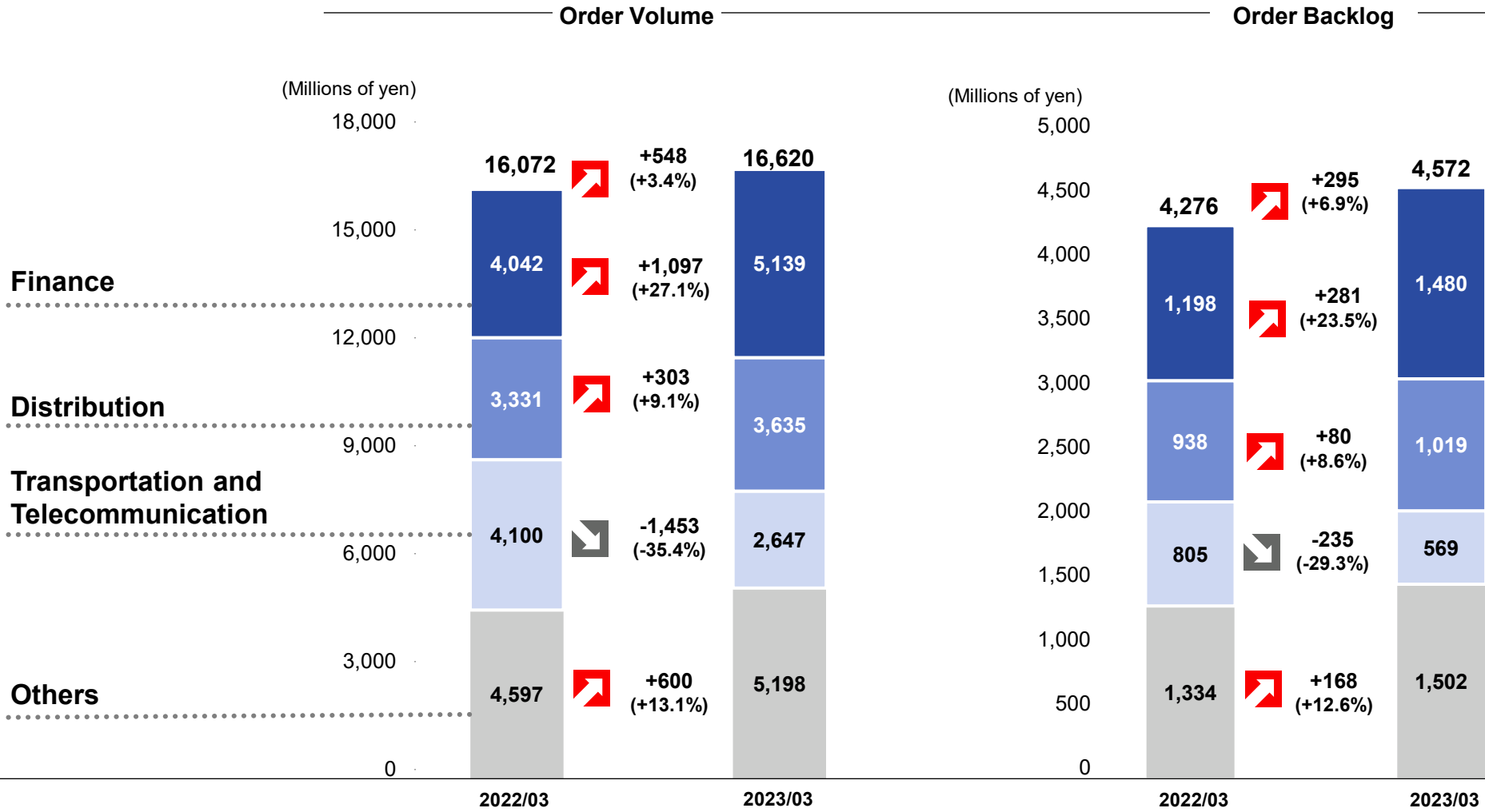
Ordinary Profit



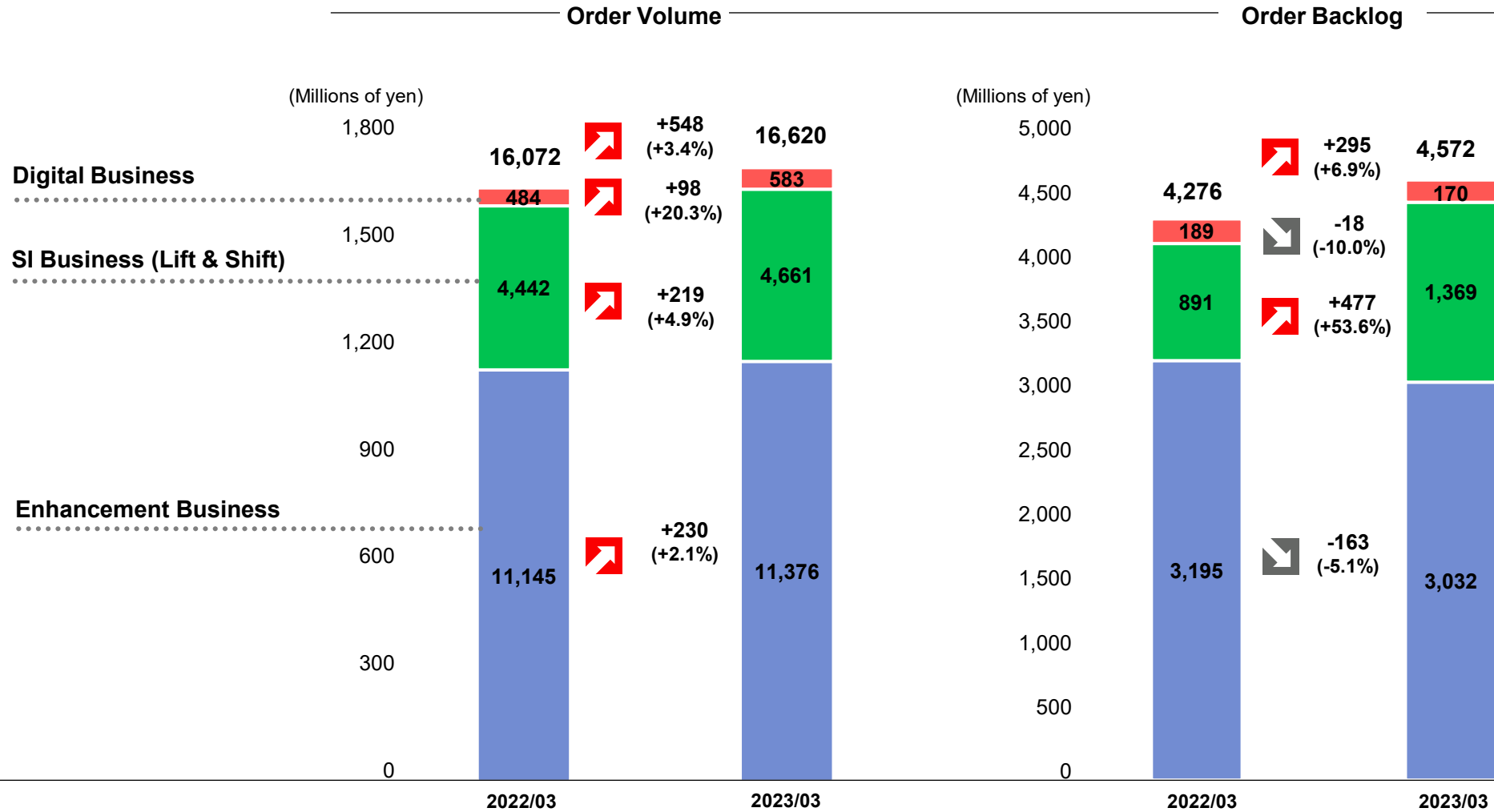
Net Profit Attributable to Owners of Parent



2-2. Order Status by Industry

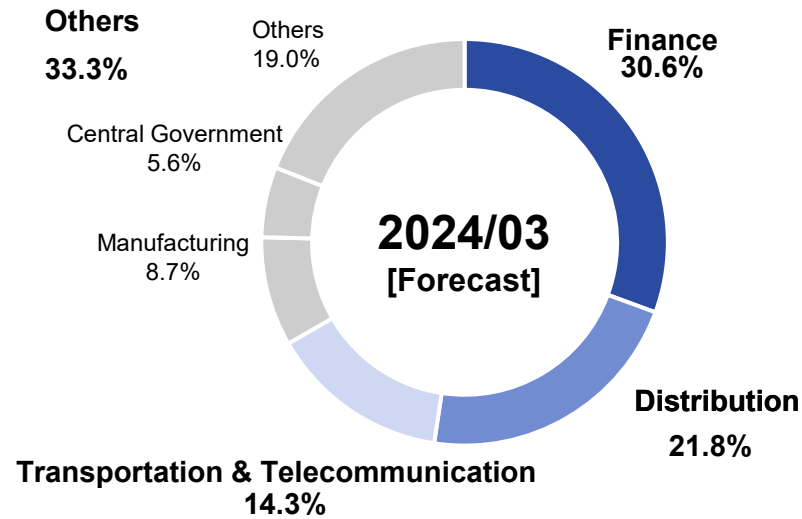


2-3. Order Status by Business Model

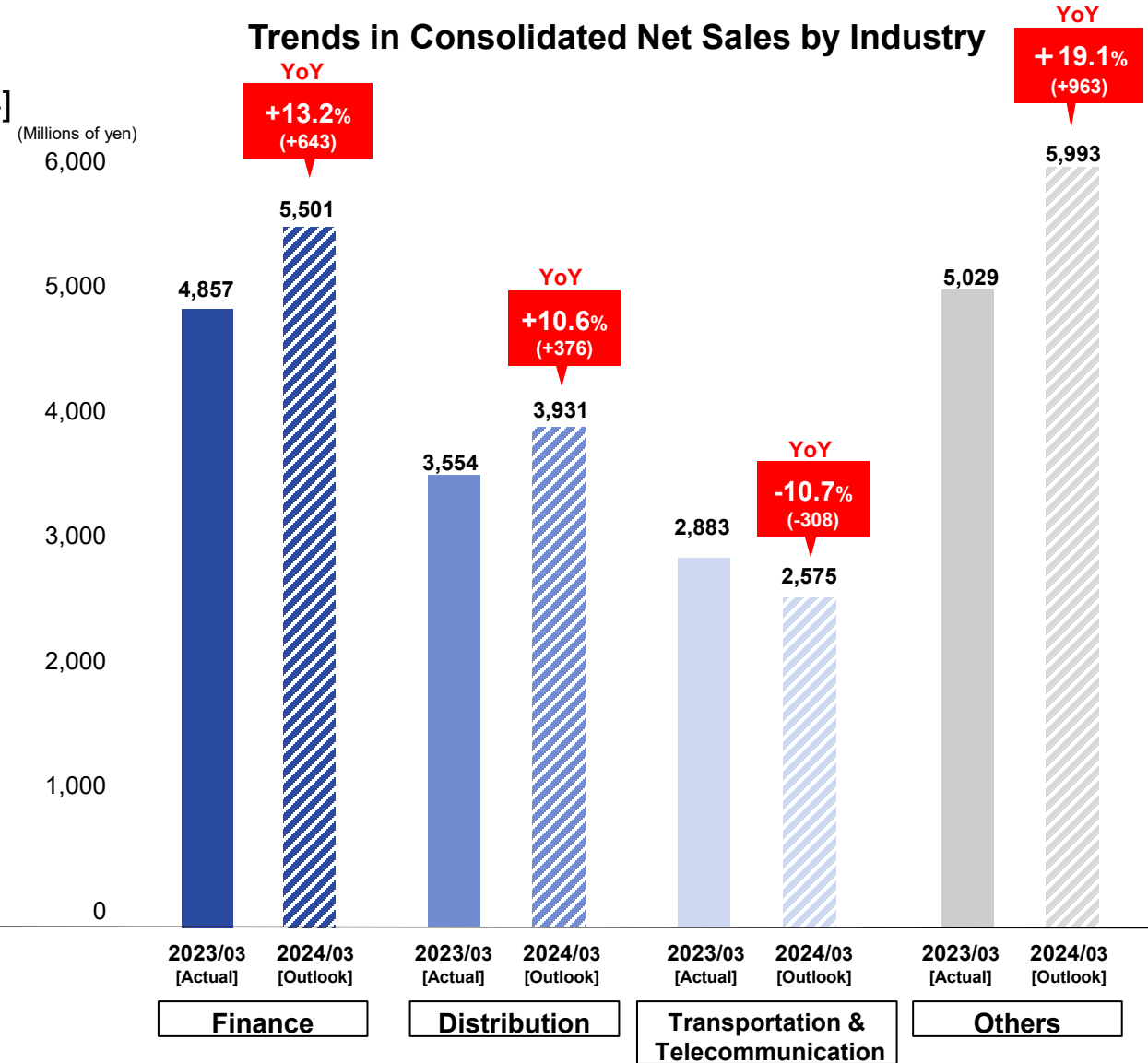


2-4. Net Sales Outlook by Industry

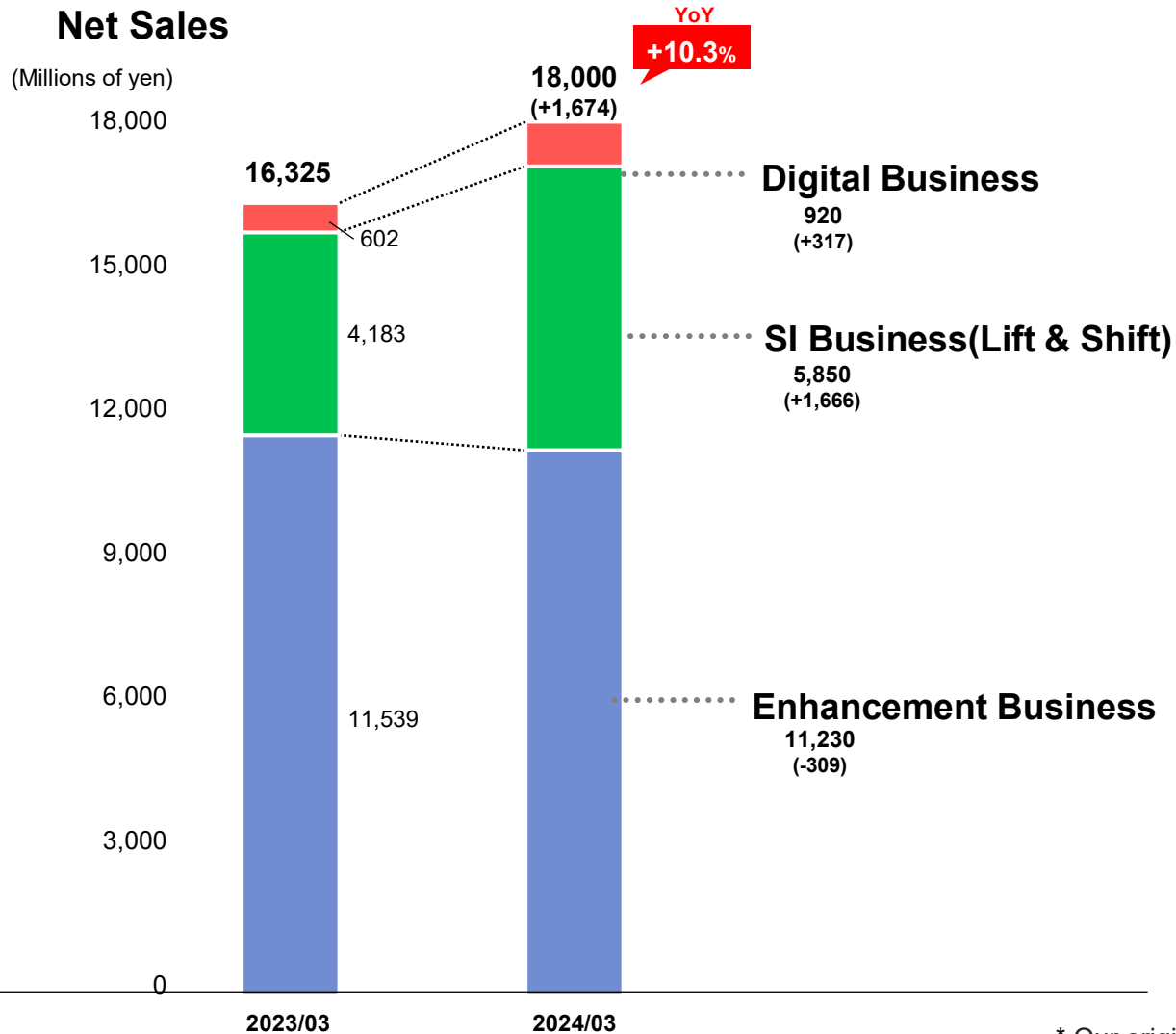
Net Sales Composition Ratio by Industry
 [earnings forecast for fiscal year ending March 31, 2024]



Trends in Consolidated Net Sales by Industry



2-5. Net Sales Outlook by Business Model



Digital Business

- Promotion of collaborative consultation models
- Expansion of services by utilizing AI technologies
- Reinforcement and promotion of agile software development for end users
(Utilization and promotion of the F@CE DX*)

SI Business (Lift & Shift)

- Increase orders received by promoting co-creation with cloud vendors
(Solution + Operating model transformation)
- Increase orders received through active expansion of cloud solution projects

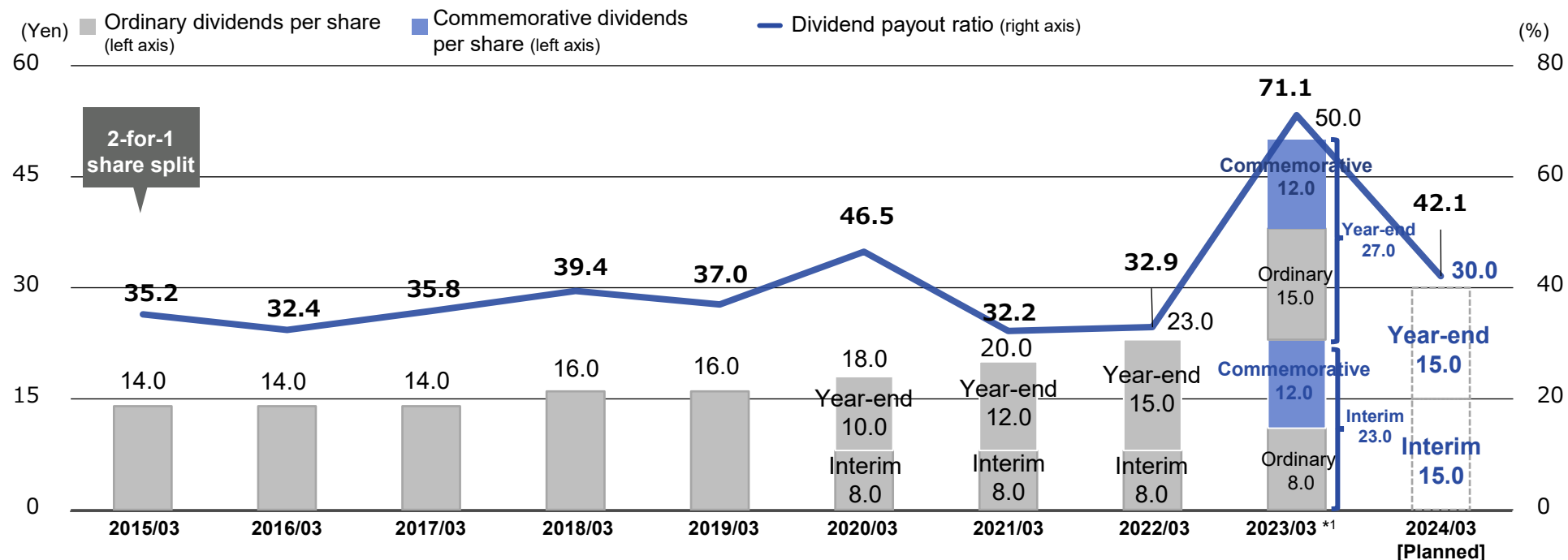
Enhancement Business

- Build development systems that realize optimization of resources, enable high-quality and efficient use of resources
- Maintain the same level as the previous year in business scale

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

2-6. Trends in Dividends and Dividend Payout Ratio

To aim for further returns to shareholders, we will change part of our basic policy on profit distribution from FYE2024 and raise consolidated dividend payout ratio from 35% to 40%.



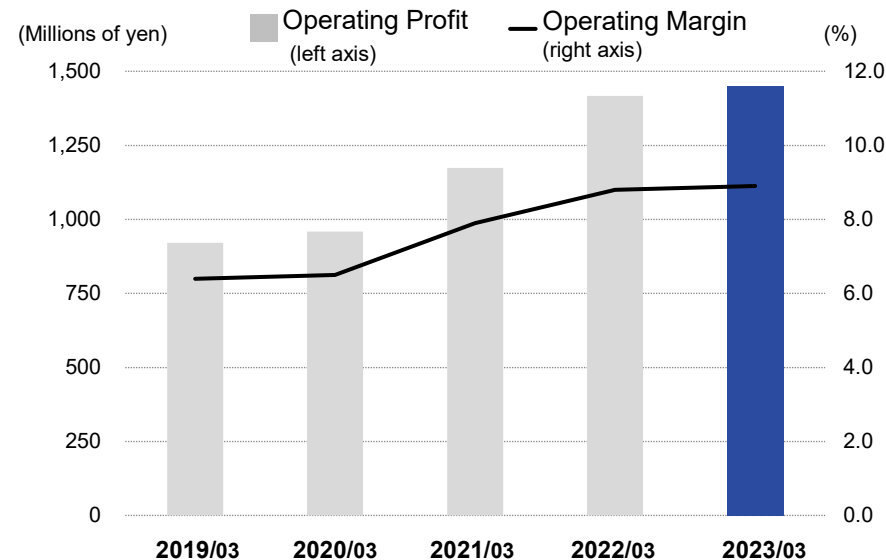
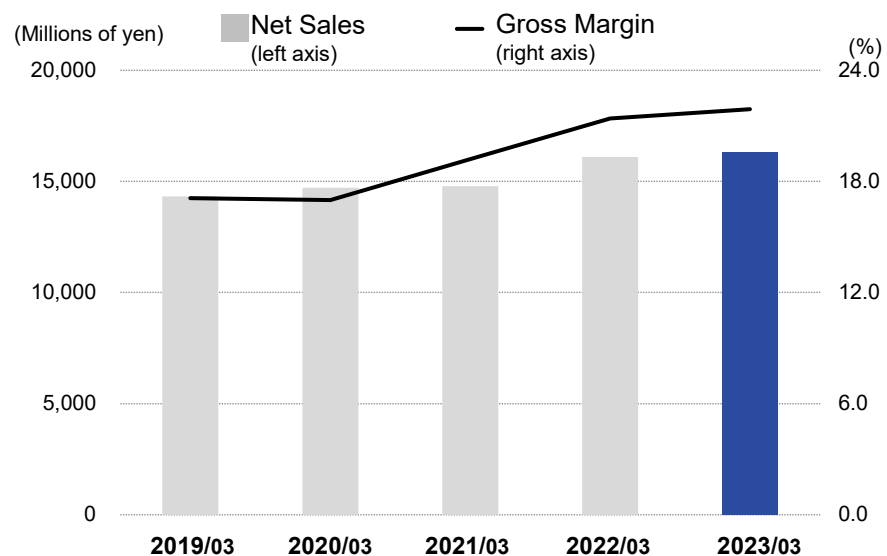
*1 Our 50th anniversary commemorative dividend was approved by the Board of Directors on July 5, 2022. <https://ssl4.eir-parts.net/doc/2335/tdnet/2154361/00.pdf>

*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)

	2019/03	2020/03	2021/03	2022/03	2023/03	YoY
Net Sales	14,325	14,708	14,788	16,099	16,325	+1.4%
Cost of sales	11,876	12,204	11,948	12,649	12,755	+0.8%
Gross Profit	2,448	2,503	2,840	3,450	3,570	+3.5%
	(17.1%)	(17.0%)	(19.2%)	(21.4%)	(21.9%)	
Selling, general and administrative expenses	1,527	1,544	1,665	2,032	2,117	+4.2%
Operating Profit	921	959	1,174	1,417	1,452	+2.4%
	(6.4%)	(6.5%)	(7.9%)	(8.8%)	(8.9%)	
Ordinary Profit	959	976	1,295	1,432	1,480	+3.3%
	(6.7%)	(6.6%)	(8.8%)	(8.9%)	(9.1%)	
Net Profit attributable to owners of parent	596	525	844	944	989	+4.8%
	(4.2%)	(3.6%)	(5.7%)	(5.9%)	(6.1%)	

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2022/03	2023/03	Increase/ Decrease
Current assets	7,805	9,703	+1,897
Cash and deposits	5,058	6,748	+1,690
Accounts receivable and contract assets	2,584	2,702	+117
Securities	-	100	+100
Work in process	16	10	-5
Others	146	141	-4
Non-current assets	2,259	2,844	+585
Property, plant and equipment	169	124	-44
Intangible assets	4	3	-1
Investments and other assets	2,084	2,716	+631
Total assets	10,064	12,547	+2,482

Liabilities	2022/03	2023/03	Increase/ Decrease
Current liabilities	2,199	2,188	-10
Accounts payable - trade	753	796	+43
Short-term borrowings	240	240	-
Others	1,206	1,152	-53
Non-current liabilities	650	742	+91
Total liabilities	2,850	2,930	+80
Net assets	2022/03	2023/03	Increase/ Decrease
Shareholder's equity	6,721	8,847	+2,125
Accumulated other comprehensive income	448	769	+320
Non-controlling interests	44	-	-44
Total net assets	7,214	9,616	+2,402
Total liabilities and net assets	10,064	12,547	+2,482

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

(Unit: millions of yen)

Net Sales and Operating Profit by Service Segment		2022/03	2023/03	YoY
System Integration Services	Net Sales	11,968	12,068	+0.8%
	Operating Profit	1,044	1,057	+1.2%
	Operating Margin	8.7%	8.8%	
System Outsourcing Services	Net Sales	1,834	1,743	-4.9%
	Operating Profit	136	126	-7.7%
	Operating Margin	7.5%	7.2%	
Professional Services	Net Sales	2,296	2,513	+9.5%
	Operating Profit	236	269	+13.8%
	Operating Margin	10.3%	10.7%	
Total	Net Sales	16,099	16,325	+1.4%
	Operating Profit	1,417	1,452	+2.4%
	Operating Margin	8.8%	8.9%	

-4. Net Sales and Operating Profit by Industry

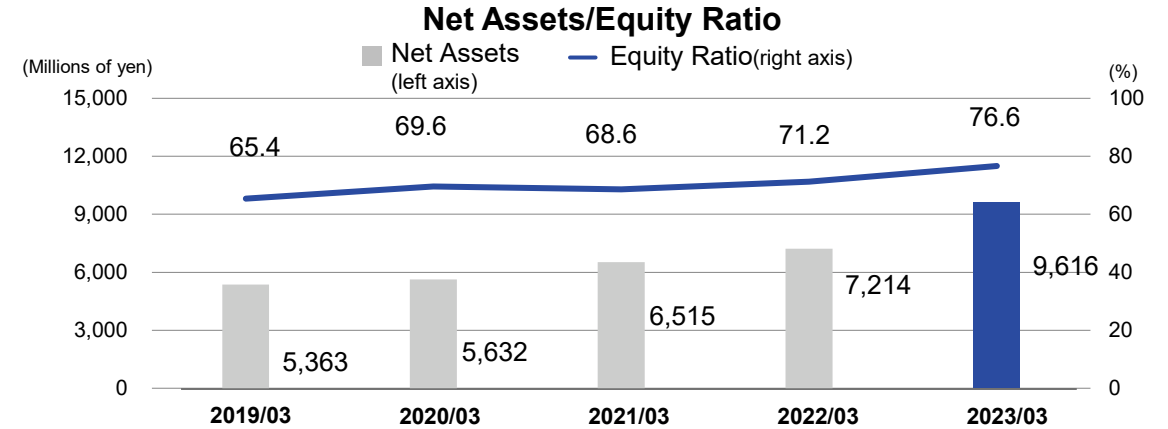
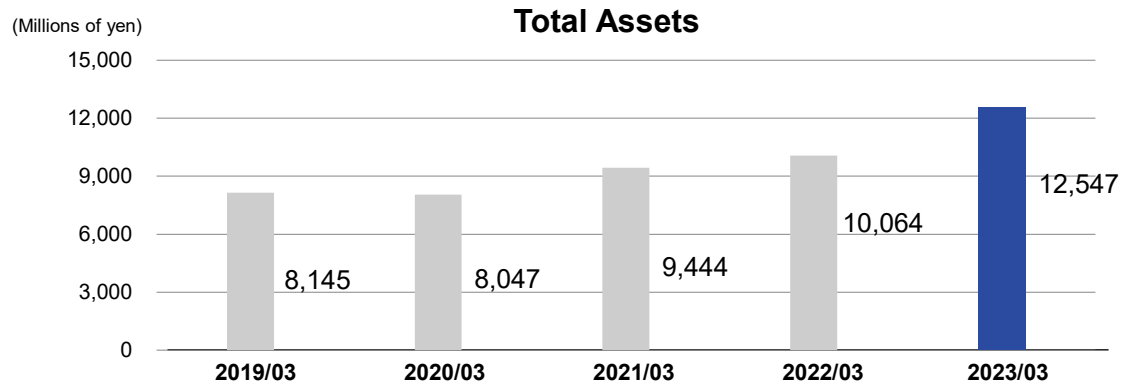
(Unit: millions of yen)

Net Sales and Operating Profit by Industry		2022/03	2023/03	YoY
Finance	Net Sales	3,909	4,857	+24.3%
	Operating Profit	296	467	+57.8%
	Operating Margin	7.6%	9.6%	
Distribution	Net Sales	3,342	3,554	+6.3%
	Operating Profit	275	294	+7.1%
	Operating Margin	8.2%	8.3%	
Transportation and Telecommunication	Net Sales	4,285	2,883	-32.7%
	Operating Profit	532	287	-46.1%
	Operating Margin	12.4%	10.0%	
Manufacturing	Net Sales	1,223	1,569	+28.3%
	Operating Profit	51	86	+66.6%
	Operating Margin	4.2%	5.5%	
Central Government	Net Sales	918	920	+0.2%
	Operating Profit	70	72	+2.2%
	Operating Margin	7.7%	7.8%	
Others	Net Sales	2,420	2,540	+4.9%
	Operating Profit	190	244	+27.9%
	Operating Margin	7.9%	9.6%	

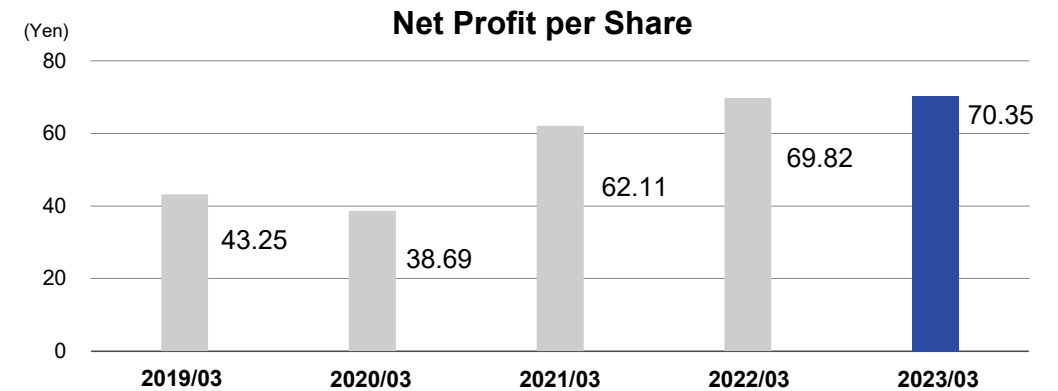
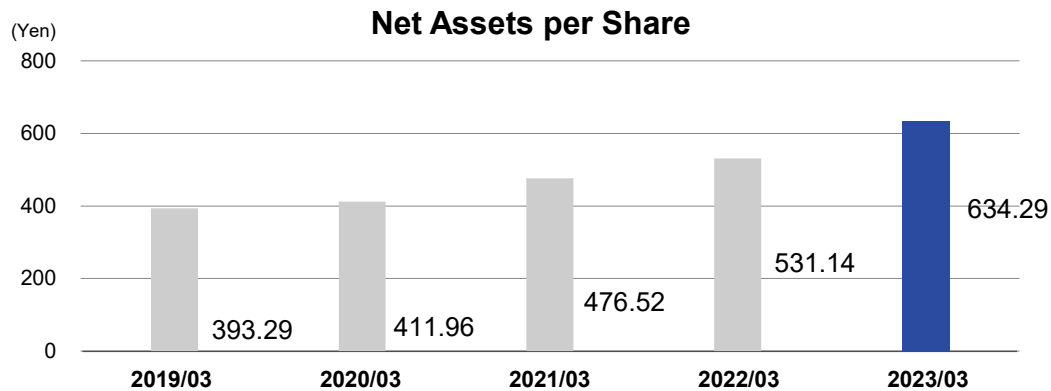
3-5. Assets and Capital-Related Items

-6. Share Price and Equity-Related Items

Assets and Capital-Related Items

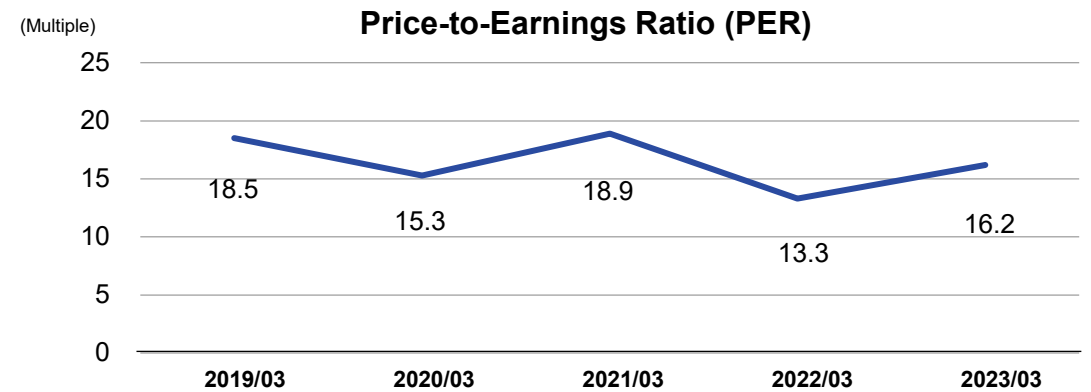
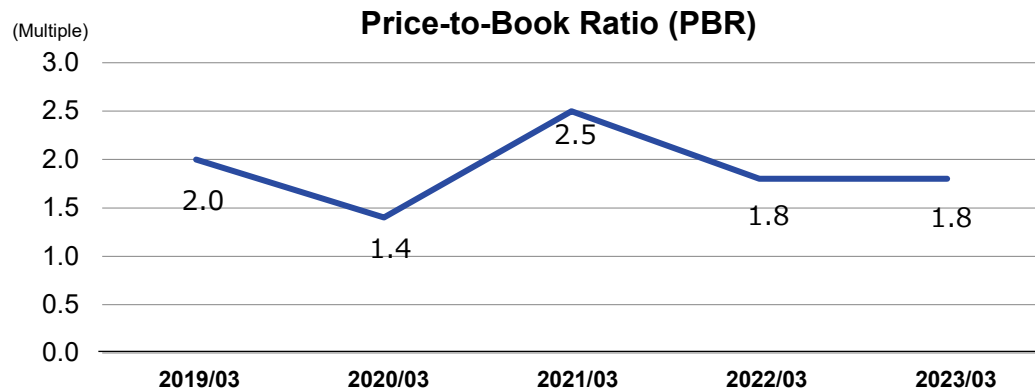
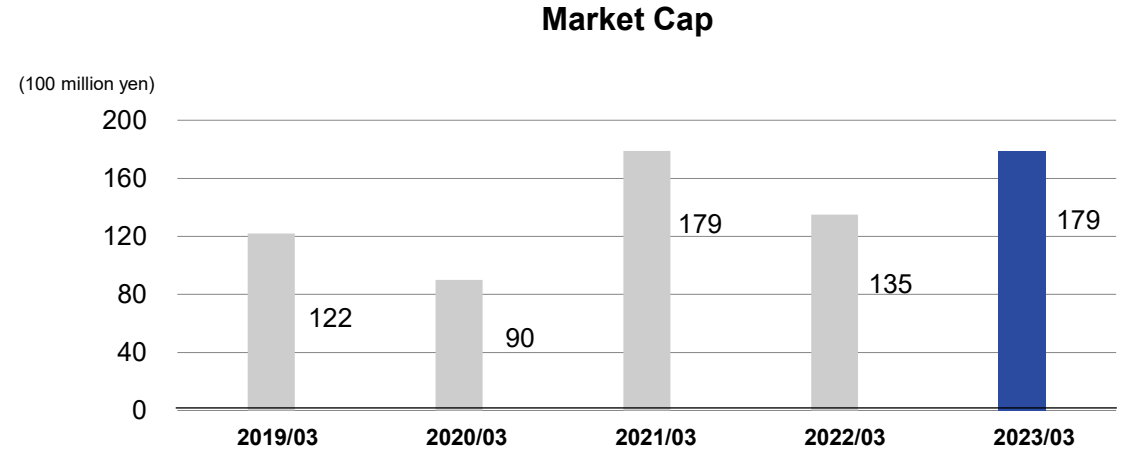
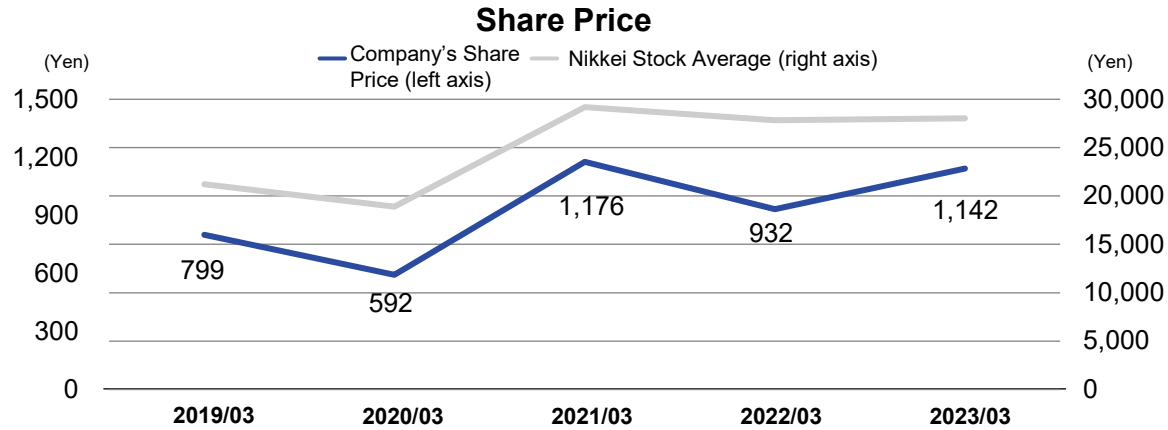


Share Price and Equity-Related Items



3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items



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<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.