

# CUBE SYSTEM

Aug. 2, 2023



1st Quarter of the Fiscal Year Ending March 31, 2024

## Supplementary Information Material for Financial Results

Securities code: 2335

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1Q of the Fiscal Year  
Ending March 31, 2024

# Overview of Financial Results

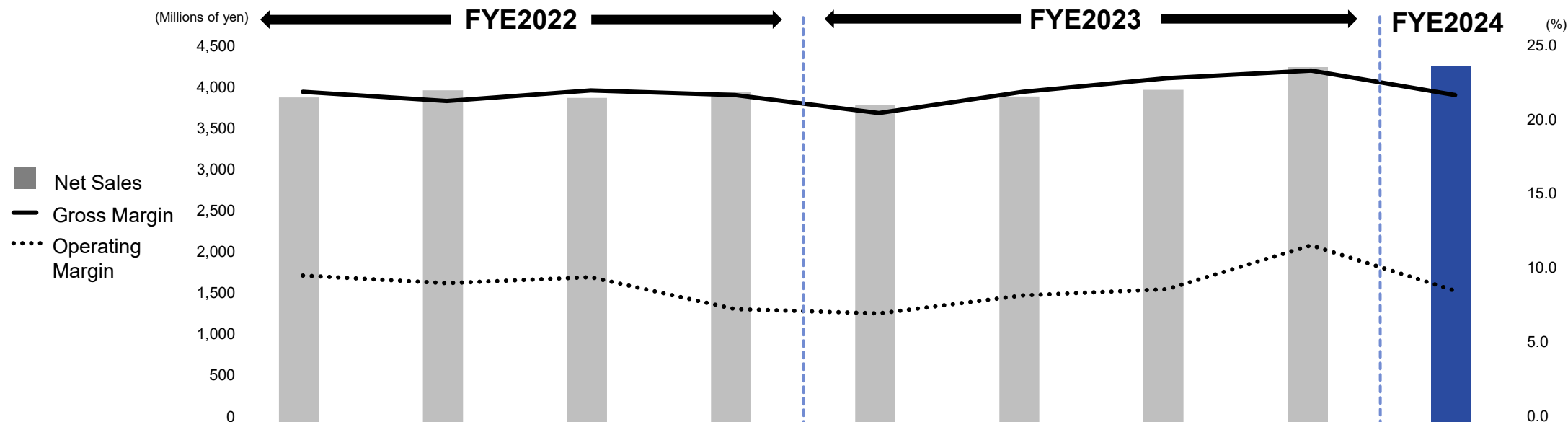
1. Overview of Consolidated Statements of Income
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# 1-1. Overview of Consolidated Statements of Income

Continue to reform the structure of Business model,  
invest in expansion of development organization and facilities  
Both income and profit increase driven by SI business

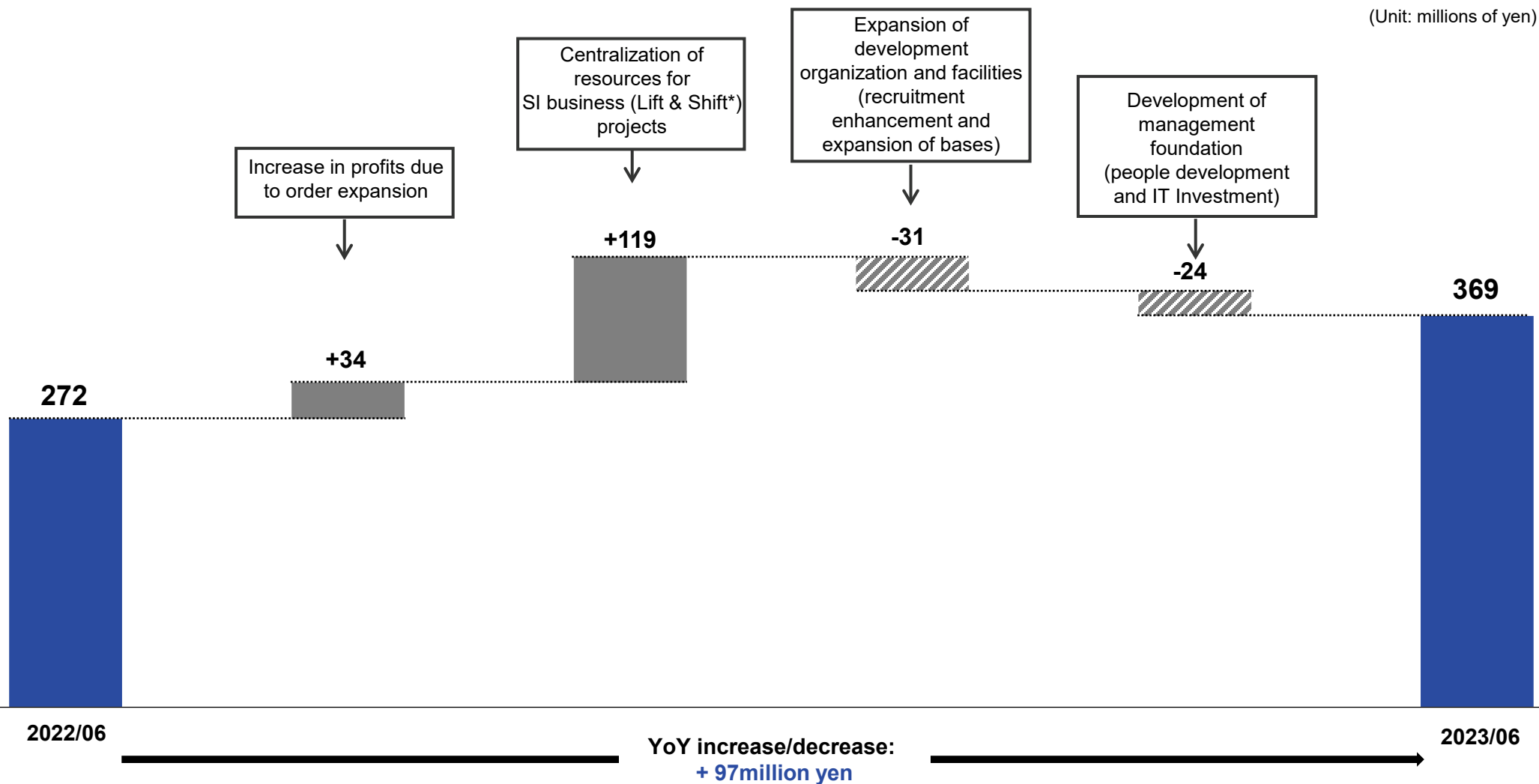
		FYE 2024 1Q Actual (% change)	FYE 2023 1Q Actual	FYE 2024 Forecast (Progress %)
		(Unit: millions of yen)		
Net Sales	Up 12.4% from the previous fiscal year Achievement rate for earnings forecast: 24.3%	4,376 (+12.4%)	3,892	18,000 (24.3%)
	- Increased orders in finance, distribution, and other industries in SI Business			
Operating Profit	UP 35.9% from the previous fiscal year Achievement rate for earnings forecast: 22.8%	369 (+35.9%)	272	1,620 (22.8%)
	- Achieving high profitability by centralization of resources for SI Business			
	- Continuing expansion of development organization and facilities (recruitment enhancement and expansion of bases), and measures to develop and strengthen management foundation (people development and IT investment)			
		8.5%	7.0%	9.0%
		371 (+37.0%)	271	1,635 (22.7%)
		8.5%	7.0%	9.1%
		232 (+34.2%)	173	1,080 (21.6%)
		5.3%	4.5%	6.0%

# 1-2. Trends in Transition by Accounting Period



	FYE2022				FYE2023				FYE2024
	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
<b>Net Sales</b>	3,987	4,073	3,981	4,058	3,892	3,999	4,080	4,353	<b>4,376</b>
<b>Cost of Sales</b>	3,124	3,217	3,118	3,188	3,107	3,133	3,163	3,351	<b>3,438</b>
<b>Gross Profit</b>	862 (21.6%)	855 (21.0%)	862 (21.7%)	869 (21.4%)	785 (20.2%)	865 (21.6%)	917 (22.5%)	1,001 (23.0%)	<b>938 (21.4%)</b>
<b>Selling, general and administrative expenses</b>	483	487	486	574	513	539	564	500	<b>568</b>
<b>Operating Profit</b>	378 (9.5%)	368 (9.0%)	375 (9.4%)	295 (7.3%)	272 (7.0%)	326 (8.2%)	352 (8.6%)	501 (11.5%)	<b>369 (8.5%)</b>
<b>Ordinary Profit</b>	390 (9.8%)	362 (8.9%)	380 (9.6%)	299 (7.4%)	271 (7.0%)	323 (8.1%)	359 (8.8%)	526 (12.1%)	<b>371 (8.5%)</b>
<b>Quarterly net Profit attributable to owners of parent</b>	262 (6.6%)	238 (5.9%)	253 (6.4%)	189 (4.7%)	173 (4.5%)	214 (5.4%)	239 (5.9%)	361 (8.3%)	<b>232 (5.3%)</b>

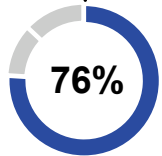
# 1-3. Factors Leading to Changes in Operating Profit (Compared to the Previous Fiscal Year)



\*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).

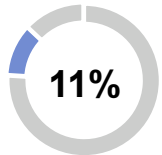
# 1-4. Trends in Net Sales and Operating Profit by Service Segment

**Net Sales Composition**  
[1Q Fiscal Year Ending March 31, 2024]



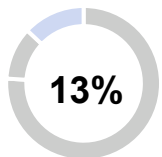
## System Integration Services

- Expansion of system development projects: for regional banks, online banks, a megabank and the central government



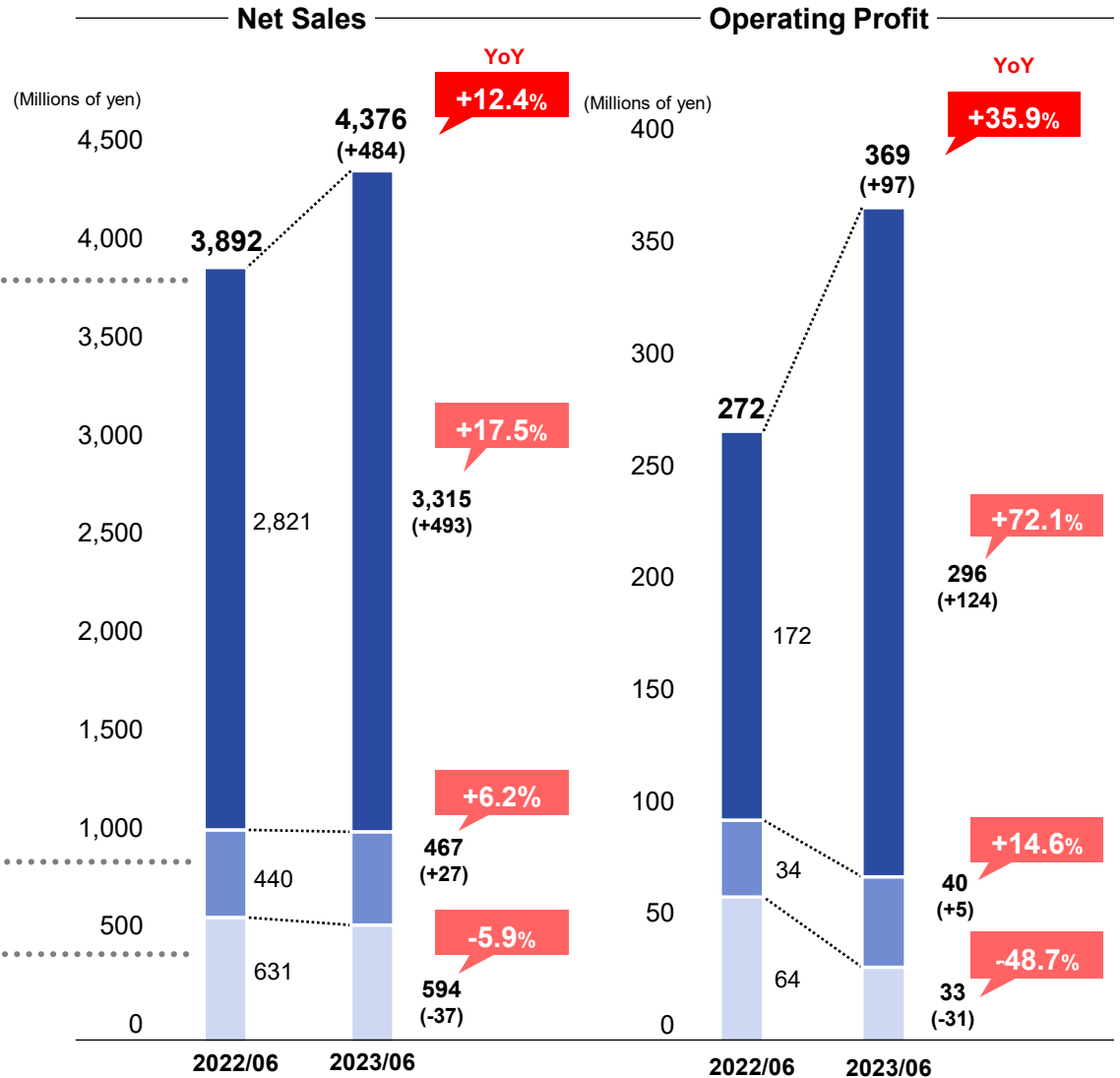
## System Outsourcing Services

- Expansion of system development projects for an electronic component manufacturer



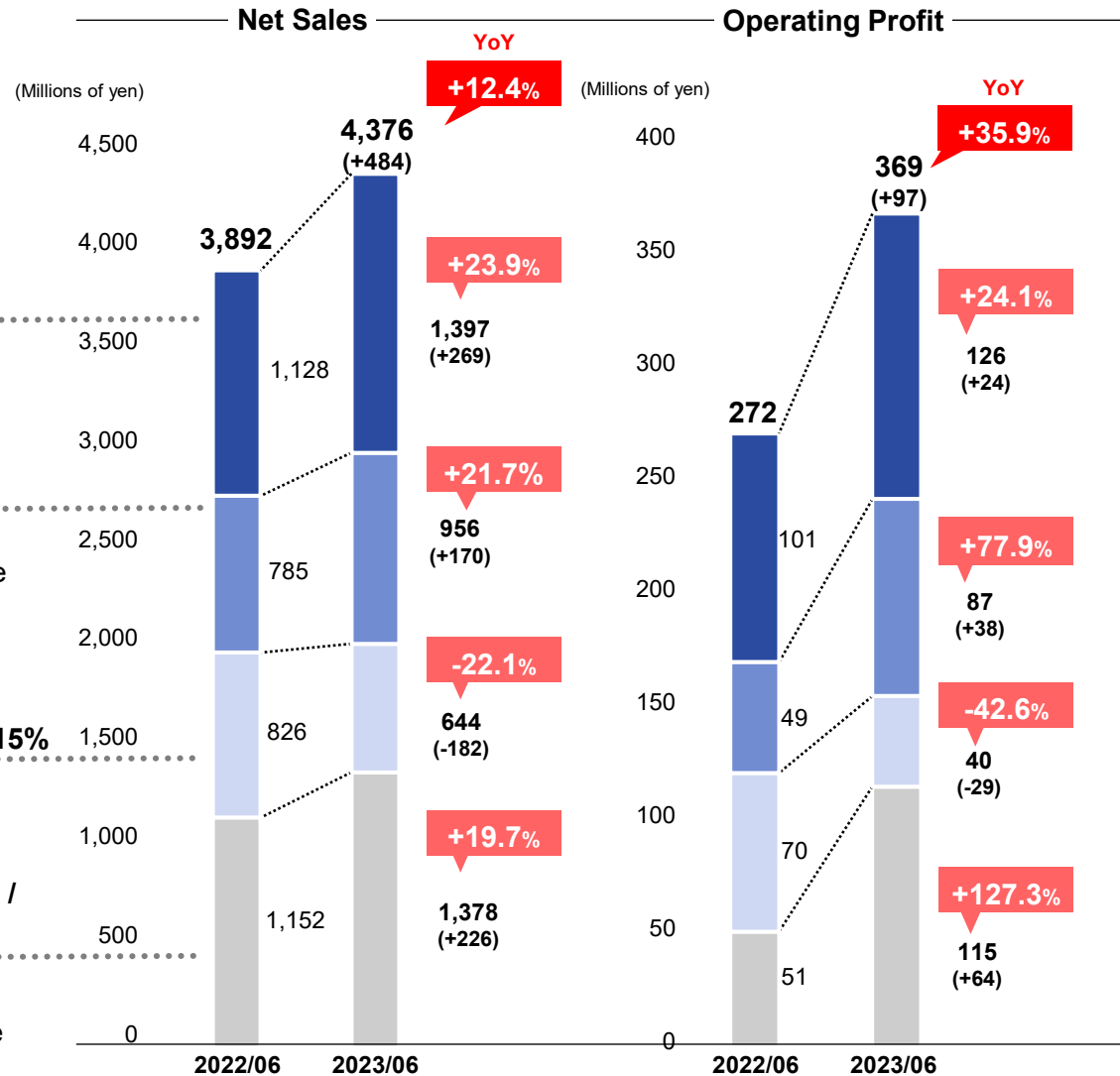
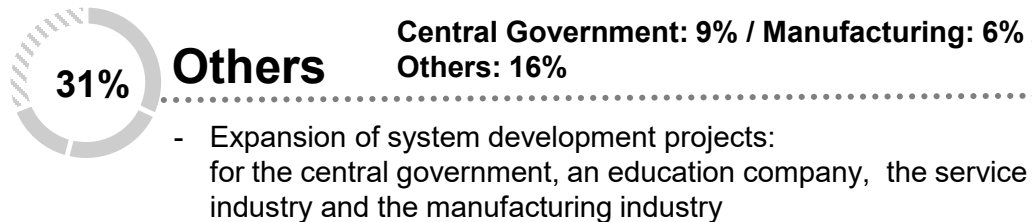
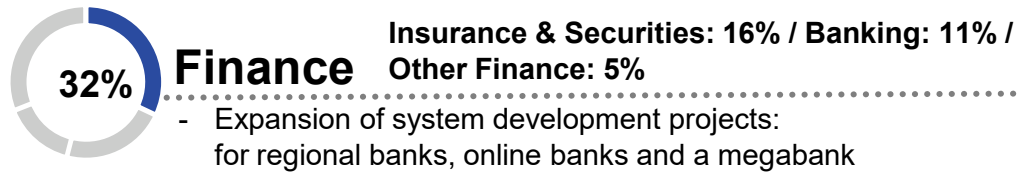
## Professional Services

- Decrease of system development projects for a telecommunication company



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

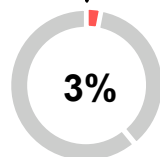
**Net Sales Composition**  
[1Q Fiscal Year Ending March 31, 2024]





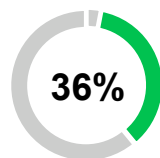
# 1-6. Trends in Net Sales and Operating Profit by Business Model

**Net Sales Composition**  
[1Q Fiscal Year Ending March 31, 2024]



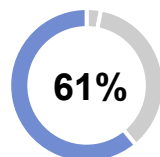
## Digital Business

- Expansion of DX projects: for end users in the distribution industry and the energy industry



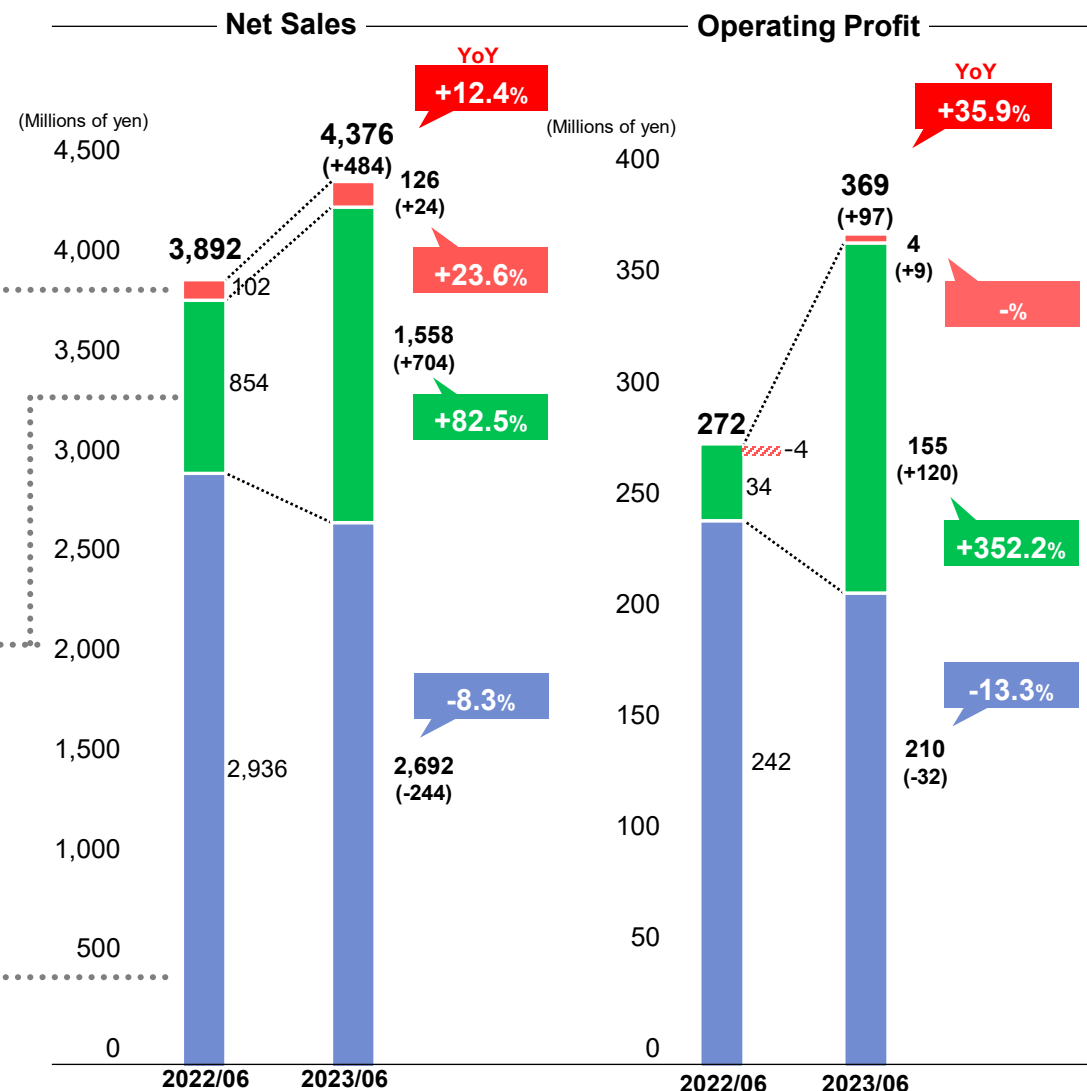
## SI Business (Lift & Shift)

- Expansion of system development projects: for regional banks, online banks, the central government, an education company, the service industry and an apparel company

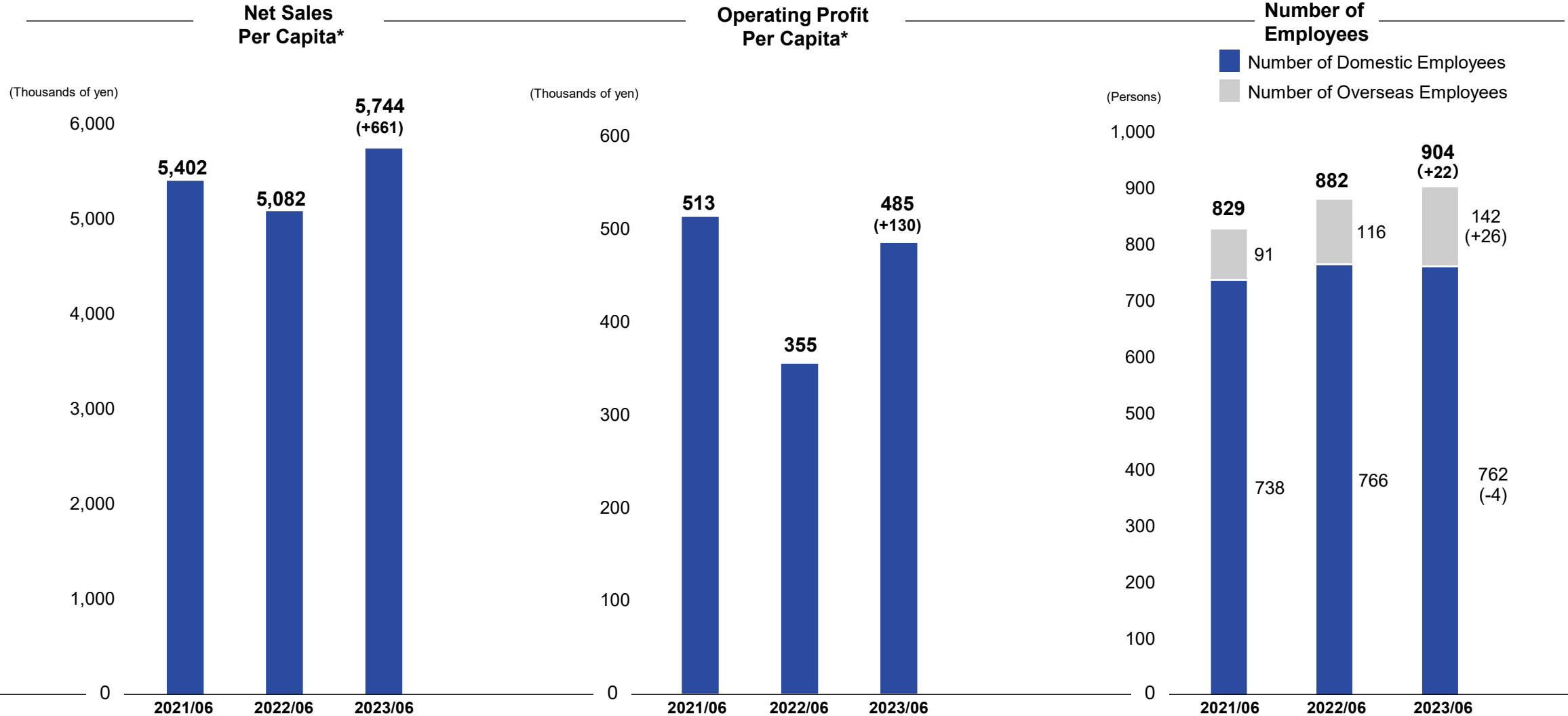


## Enhancement Business

- Decrease of system development projects: for a telecommunication company, GMS, a credit card company and an insurance company
- Expansion of system development projects for a megabank



# 1-7. Index Per Capita



\*Calculated based on the number of domestic employees.

**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

	FYE 2024 Earnings forecast (Increase/decrease from the previous fiscal year)	FYE 2024 1Q Actual
(Unit: millions of yen)		
<b>Net Sales</b>	<b>18,000</b> (+1,674 / +10.3%)	4,376
<b>Operating Profit</b>	<b>1,620</b> (+167 / +11.5%)	369
<b>Margin (%)</b>	<b>9.0%</b>	8.5%
<b>Ordinary Profit</b>	<b>1,635</b> (+154 / +10.4%)	371
<b>Margin (%)</b>	<b>9.1%</b>	8.5%
<b>Net Profit attributable to owners of parent</b>	<b>1,080</b> (+90 / +9.1%)	232
<b>Margin (%)</b>	<b>6.0%</b>	5.3%

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

## Net Sales

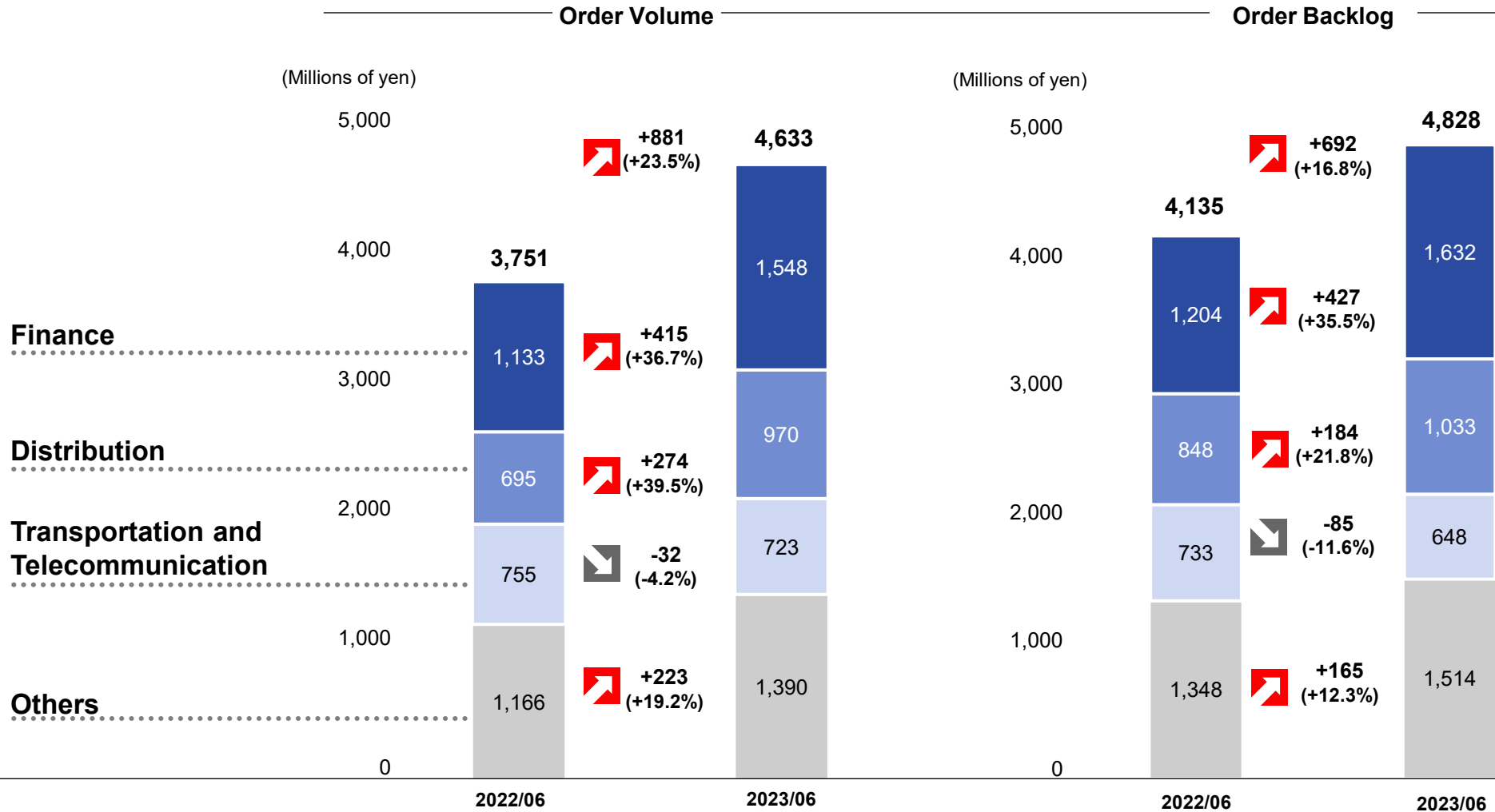
- Proactively acquire clients' strategic IT investment projects (Digital Business/SI business)
- Increase in orders received by promoting co-creation with vendors in the cloud area where demand is strong
- Maintain the same level as the previous year in Enhancement Business

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

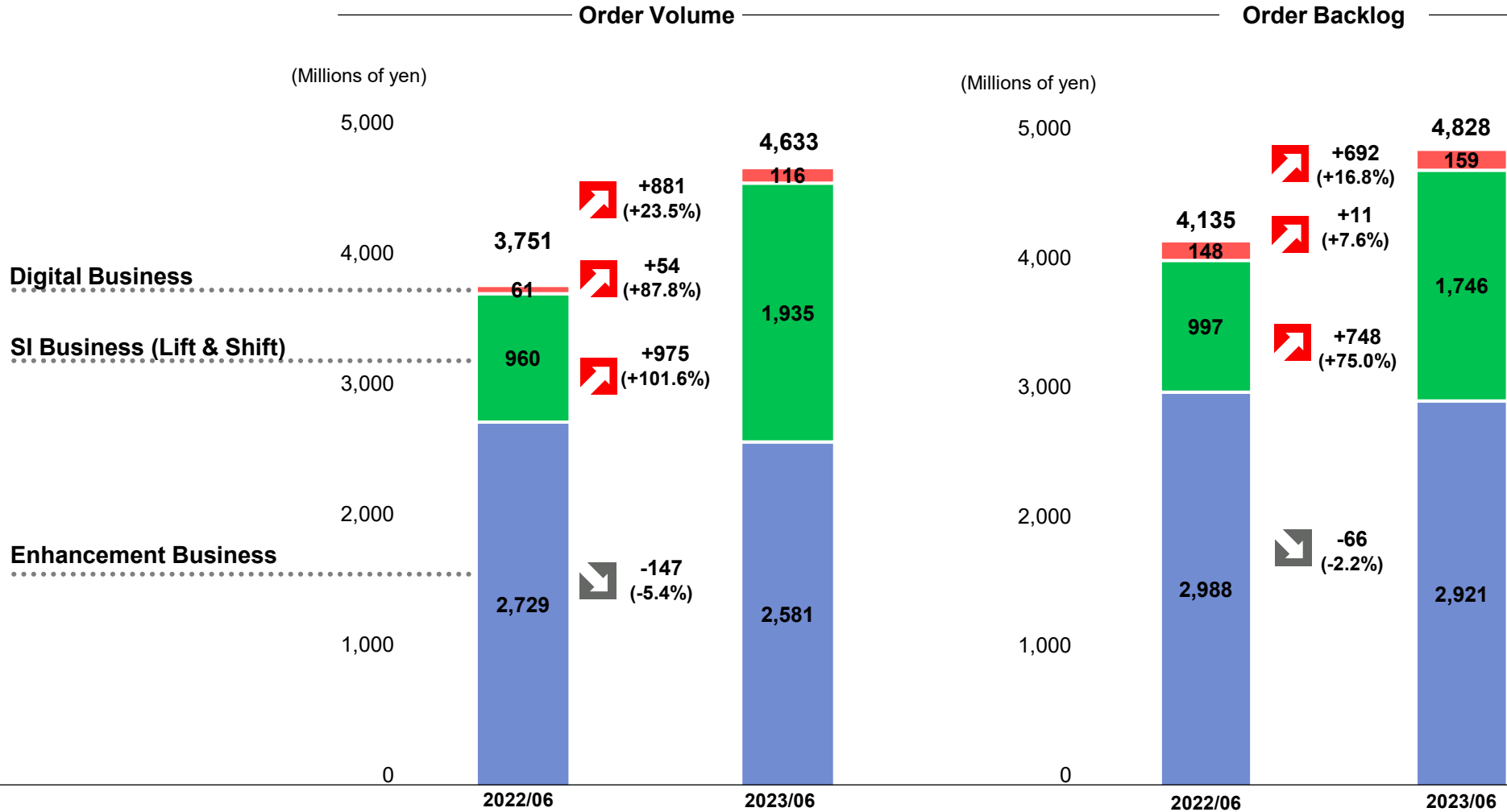
## Operating Profit

- 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

# 2-2. Order Status by Industry

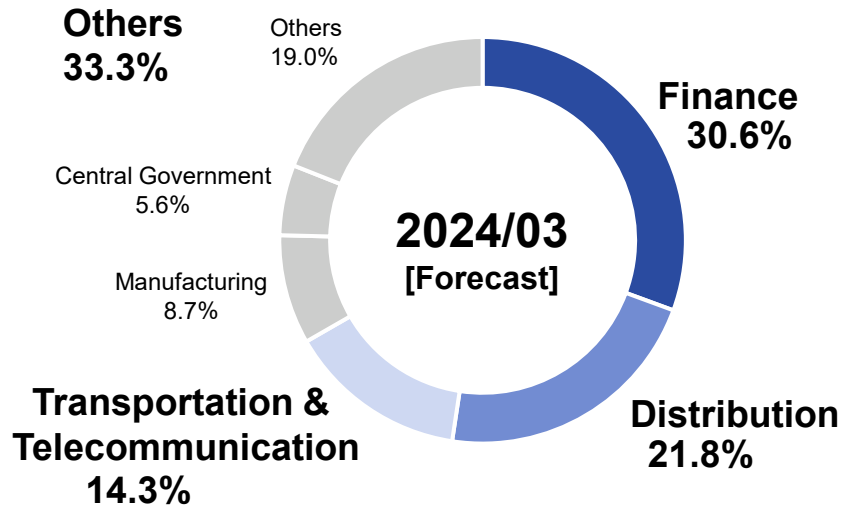


# 2-3. Order Status by Business Model

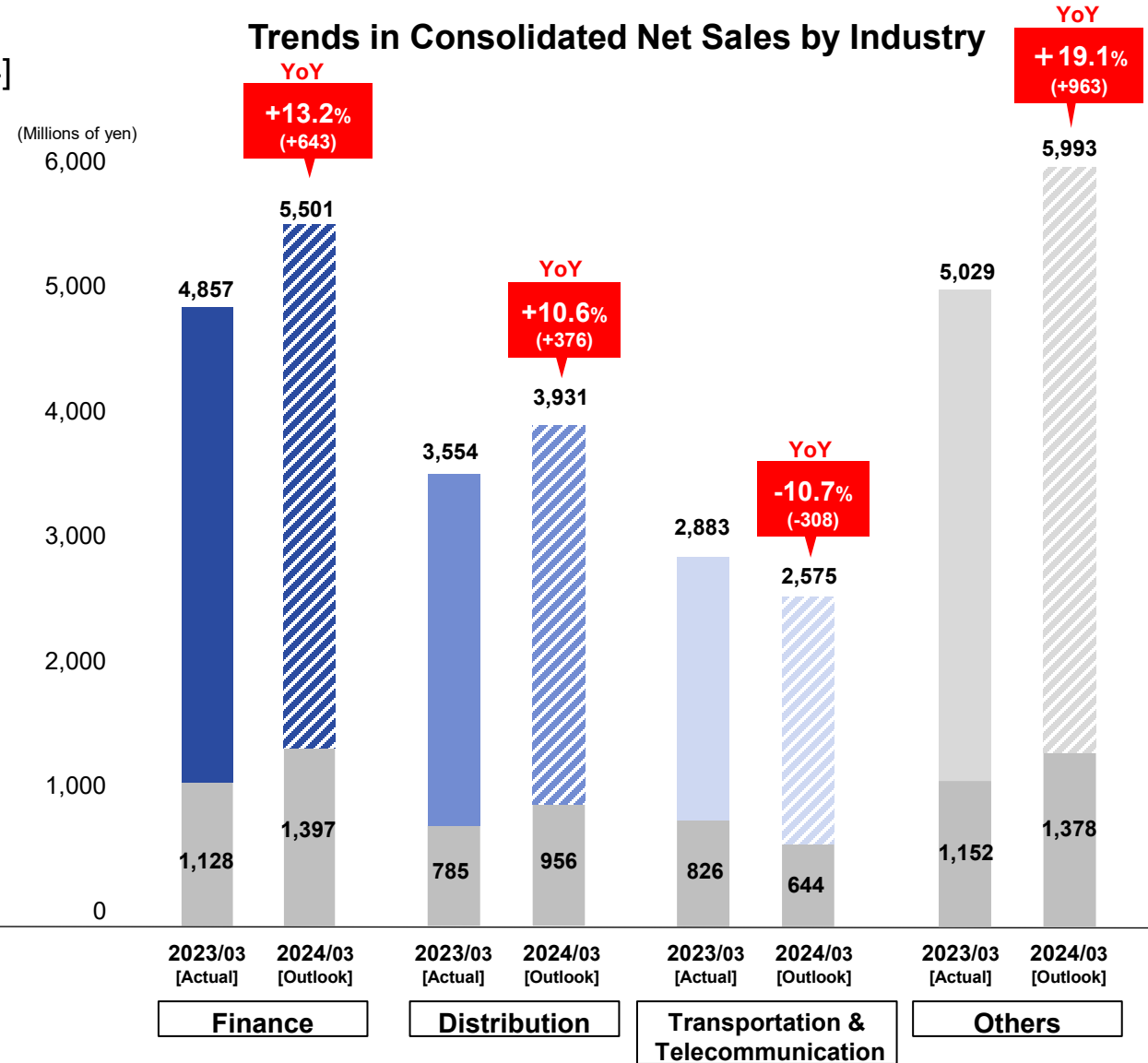


# 2-4. Net Sales Outlook by Industry

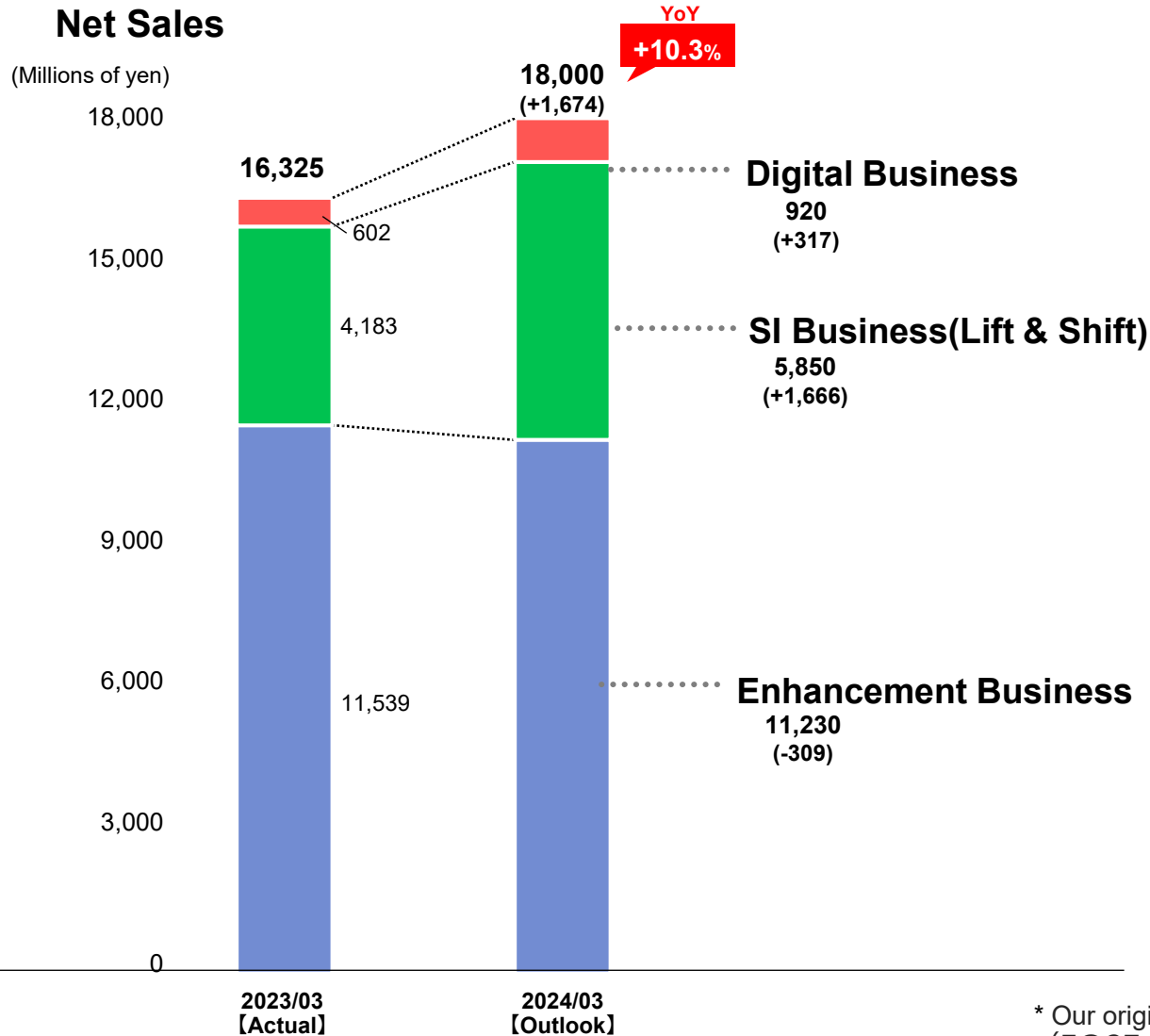
**Net Sales Composition Ratio by Industry**  
[earnings forecast for fiscal year ending March 31, 2024]



**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

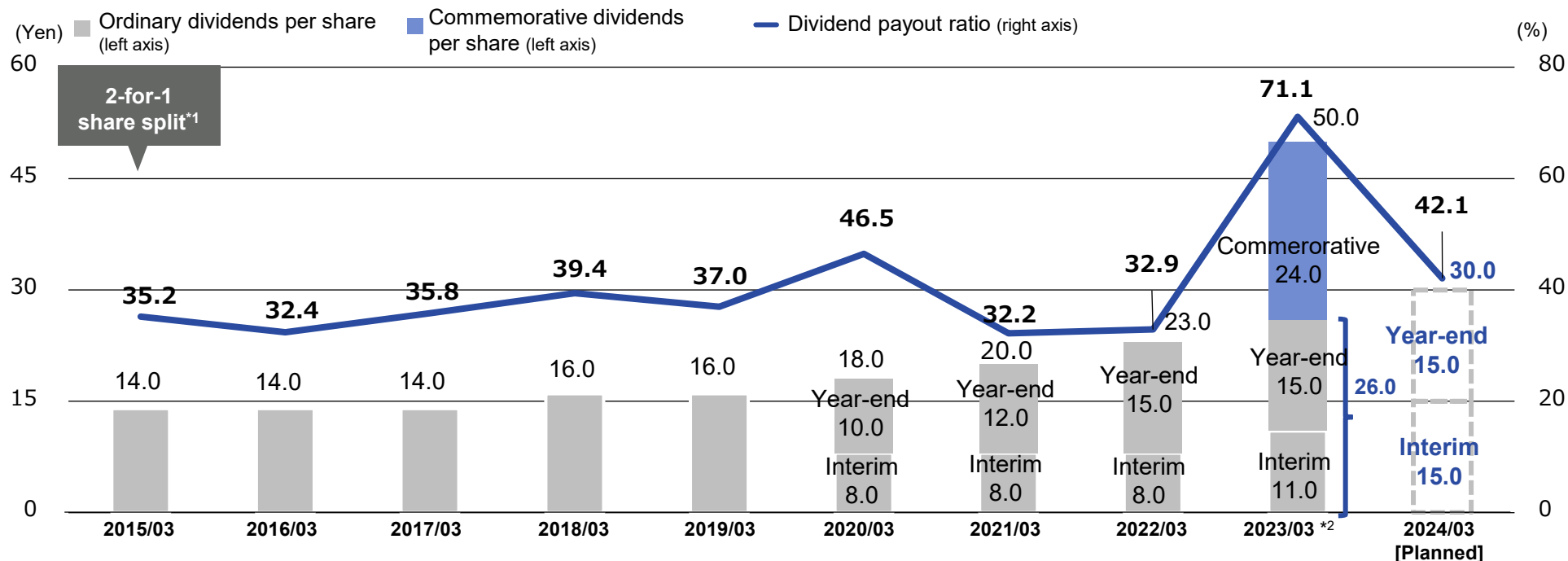
- Build development systems that realize optimization of resources, enable high-quality and efficient use of resources
- Maintain the same level as the previous year in business scale

\* 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%.



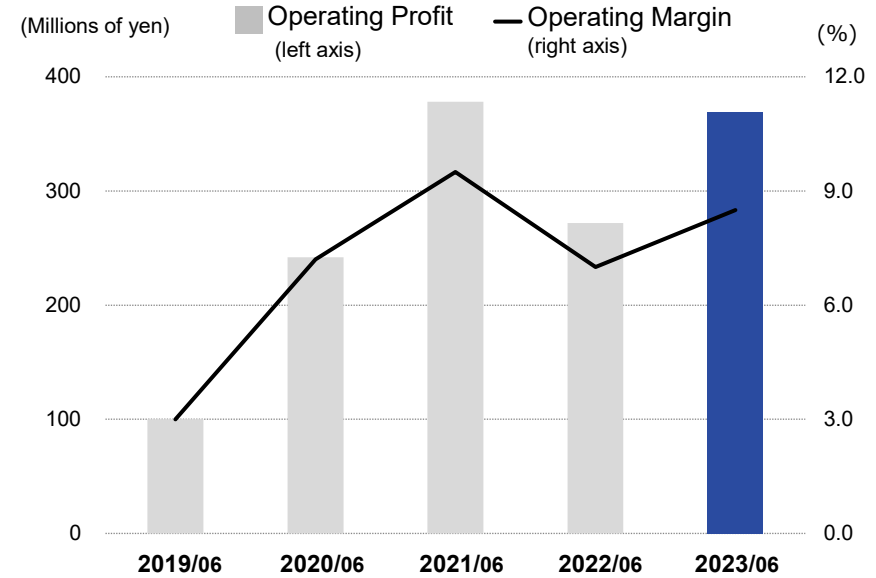
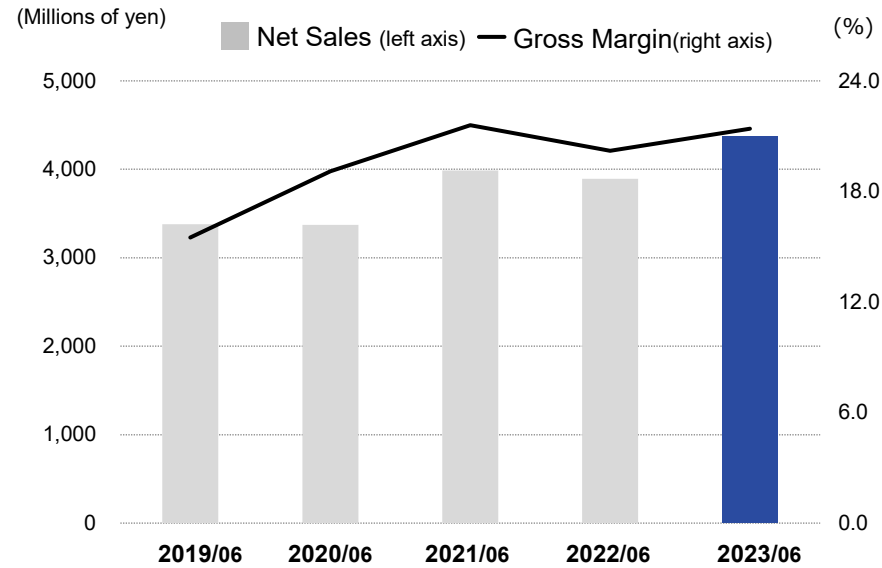
\*1 Dividends are retroactively adjusted with the effect of the 2-for-1 share split on October 1, 2014.

\*2 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>

# 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)

	2019/06	2020/06	2021/06	2022/06	2023/06	YoY
<b>Net Sales</b>	3,379	3,373	3,987	3,892	<b>4,376</b>	<b>+12.4%</b>
<b>Cost of Sales</b>	2,855	2,730	3,124	3,107	<b>3,438</b>	<b>+10.7%</b>
<b>Gross Profit</b>	524	642	862	785	<b>938</b>	<b>+19.4%</b>
	(15.5%)	(19.1%)	(21.6%)	(20.2%)	<b>(21.4%)</b>	
<b>Selling, general and administrative expenses</b>	423	400	483	513	<b>568</b>	<b>+10.7%</b>
<b>Operating Profit</b>	100	242	378	272	<b>369</b>	<b>+35.9%</b>
	(3.0%)	(7.2%)	(9.5%)	(7.0%)	<b>(8.5%)</b>	
<b>Ordinary Profit</b>	107	248	390	271	<b>371</b>	<b>+37.0%</b>
	(3.2%)	(7.4%)	(9.8%)	(7.0%)	<b>(8.5%)</b>	
<b>Net Profit attributable to owners of parent</b>	50	165	262	173	<b>232</b>	<b>+34.2%</b>
	(1.5%)	(4.9%)	(6.6%)	(4.5%)	<b>(5.3%)</b>	

# 3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

<b>Assets</b>	<b>2023/03</b>	<b>2023/06</b>	<b>Increase/ Decrease</b>
Current assets	9,703	9,291	-411
Cash and deposits	6,748	6,431	-316
Accounts receivable and contract assets	2,702	2,646	-55
Securities	100	-	-100
Work in process	10	23	+12
Others	141	189	+47
Non-current assets	2,844	3,047	+202
Property, plant and equipment	124	123	-1
Intangible assets	3	3	-
Investments and other assets	2,716	2,920	+204
<b>Total assets</b>	<b>12,547</b>	<b>12,338</b>	<b>-208</b>

<b>Liabilities</b>	<b>2023/03</b>	<b>2023/06</b>	<b>Increase/ Decrease</b>
Current liabilities	2,188	2,053	-135
Accounts payable - trade	796	859	+63
Short-term borrowings	240	240	-
Others	1,152	953	-199
Non-current liabilities	742	841	+98
<b>Total liabilities</b>	<b>2,930</b>	<b>2,894</b>	<b>-36</b>
<b>Net assets</b>	<b>2023/03</b>	<b>2023/06</b>	<b>Increase/ Decrease</b>
Shareholder's equity	8,847	8,654	-192
Accumulated other comprehensive income	769	789	+20
Non-controlling interests	-	-	-
<b>Total net assets</b>	<b>9,616</b>	<b>9,444</b>	<b>-172</b>
<b>Total liabilities and net assets</b>	<b>12,547</b>	<b>12,338</b>	<b>-208</b>

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

Net Sales and Operating Profit by Service Segment		(Unit: millions of yen)		
		2022/06	2023/06	YoY
System Integration Services	Net Sales	2,821	3,315	+17.5%
	Operating Profit	172	296	+72.1%
	Operating Margin	6.1%	8.9%	
System Outsourcing Services	Net Sales	440	467	+6.2%
	Operating Profit	34	40	+14.6%
	Operating Margin	7.9%	8.6%	
Professional Services	Net Sales	631	594	-5.9%
	Operating Profit	64	33	-48.7%
	Operating Margin	10.3%	5.6%	
Total	Net Sales	3,892	4,376	+12.4%
	Operating Profit	272	369	+35.9%
	Operating Margin	7.0%	8.5%	

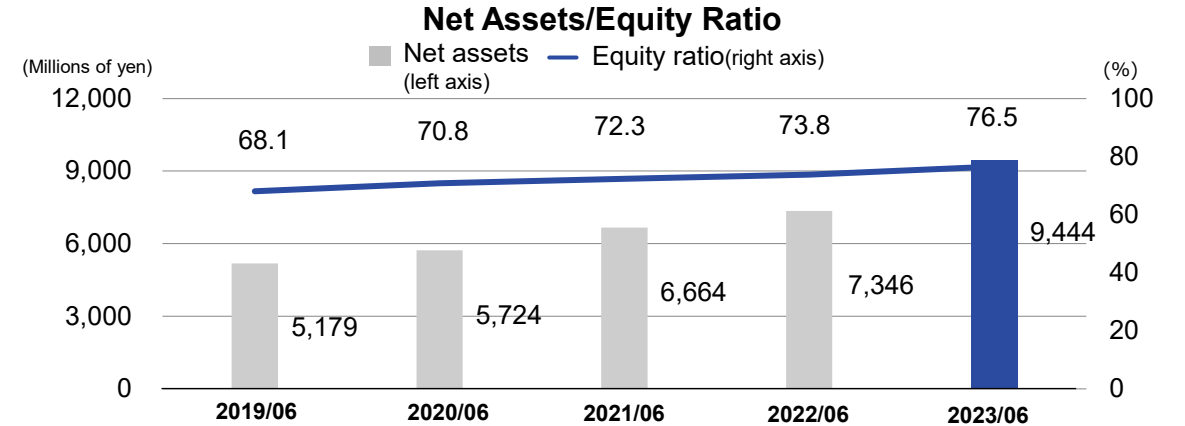
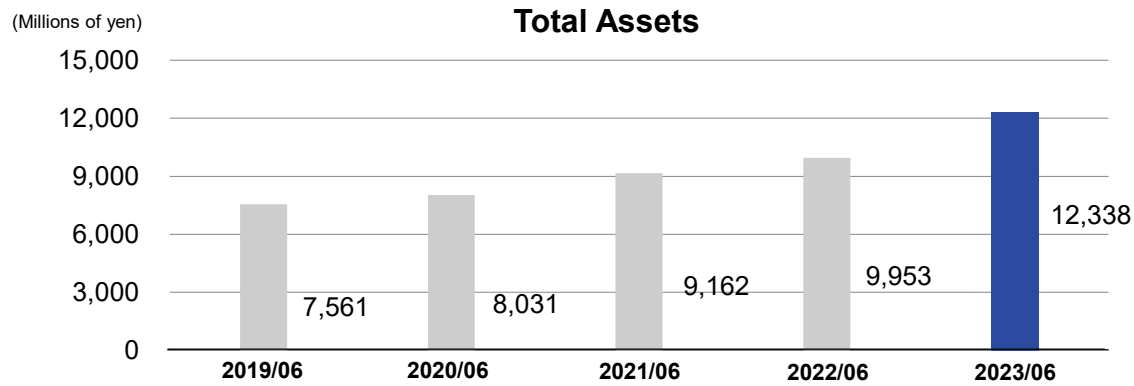
# -4. Net Sales and Operating Profit by Industry

Net Sales and Operating Profit by Industry		(Unit: millions of yen)		
		2022/06	2023/06	YoY
Finance	Net Sales	1,128	1,397	+23.9%
	Operating Profit	101	126	+24.1%
	Operating Margin	9.0%	9.0%	-
Distribution	Net Sales	785	956	+21.7%
	Operating Profit	49	87	+77.9%
	Operating Margin	6.3%	9.1%	-
Transportation and Telecommunication	Net Sales	826	644	-22.1%
	Operating Profit	70	40	-42.6%
	Operating Margin	8.5%	6.3%	-
Manufacturing	Net Sales	344	401	+16.6%
	Operating Profit	5	37	+545.9%
	Operating Margin	1.7%	9.2%	-
Central Government	Net Sales	206	264	+28.0%
	Operating Profit	11	32	+192.8%
	Operating Margin	5.4%	12.3%	-
Others	Net Sales	601	713	+18.6%
	Operating Profit	34	46	+35.7%
	Operating Margin	5.7%	6.5%	-

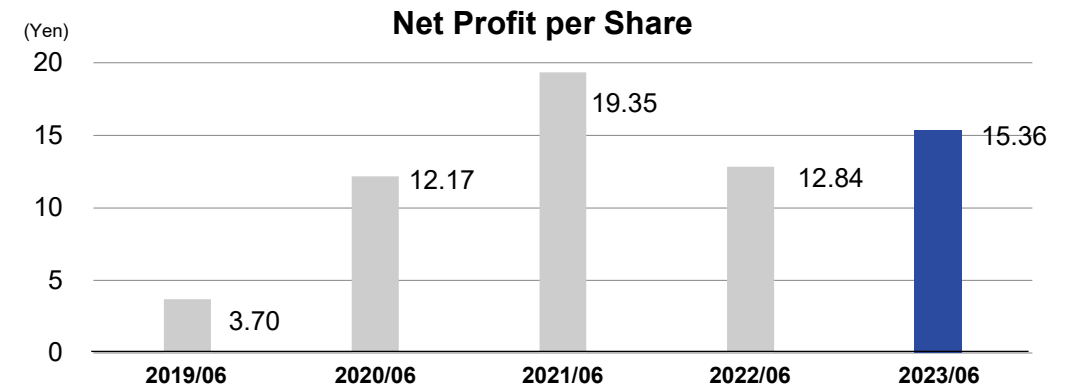
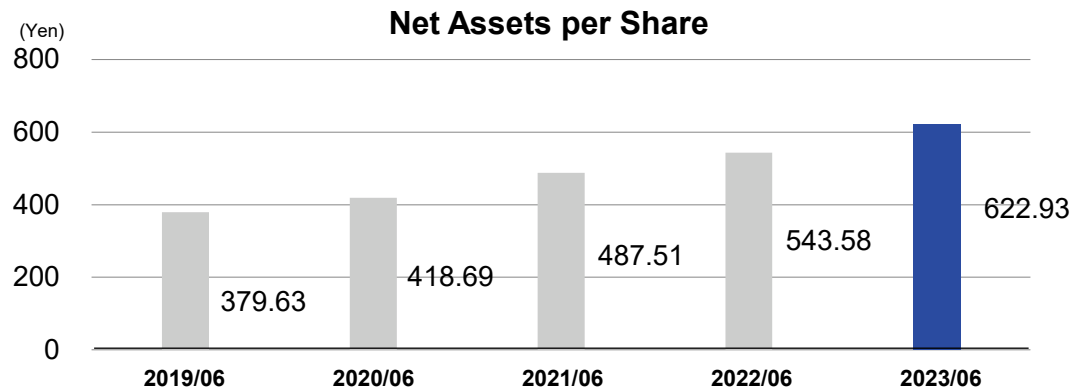
# 3-5. Assets and Capital-Related Items

# -6. Share Price and Equity-Related Items

## Assets and Capital-Related Items

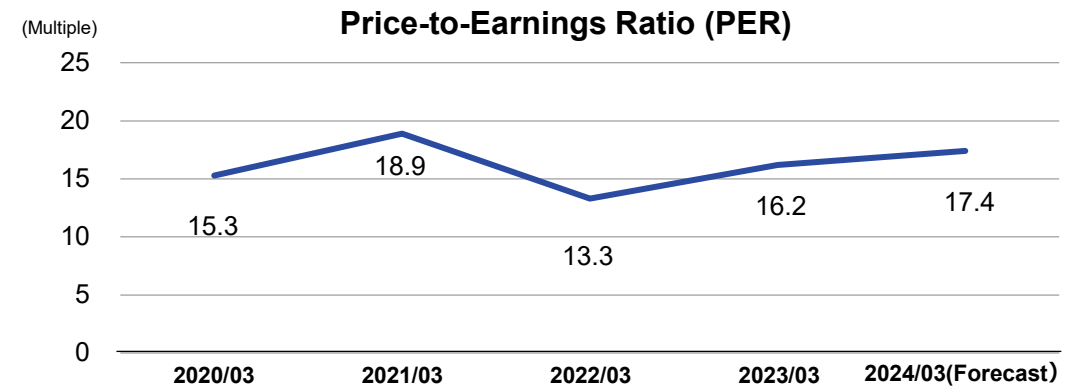
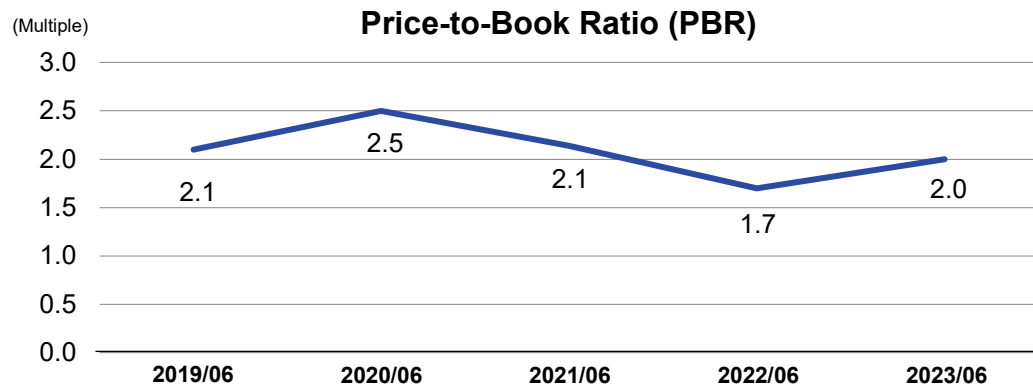
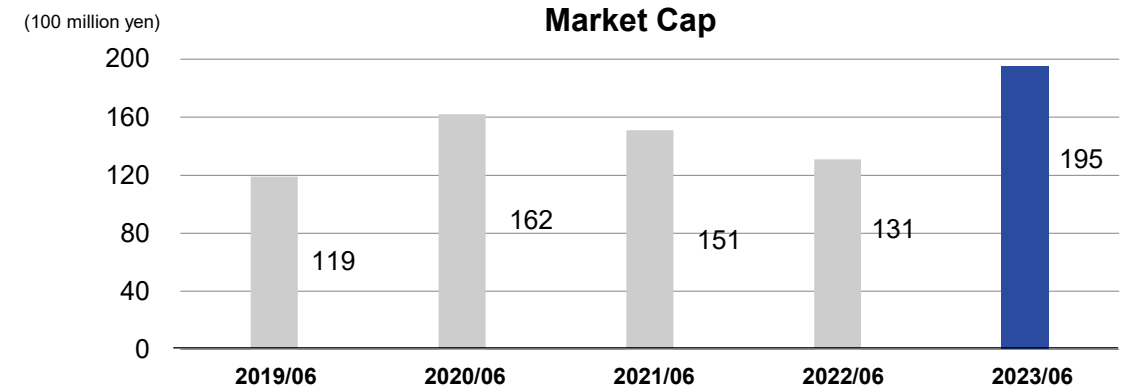
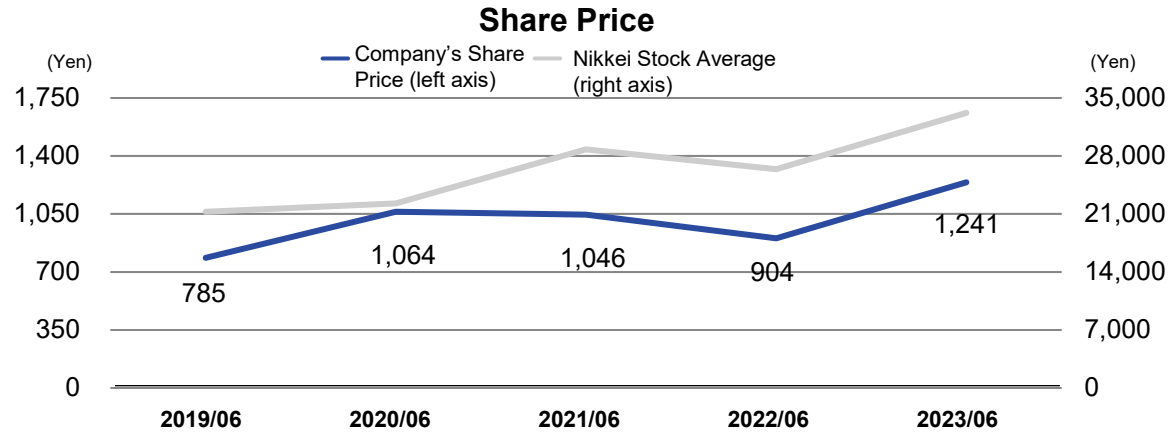


## Share Price and Equity-Related Items



# 3-6. Share Price and Equity-Related Items

## Share Price and Equity-Related Items



\*Fiscal year ending March 31, 2024 (forecast) is calculated using the stock price as of the end of June 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.