

CUBE SYSTEM

Nov. 1, 2023



2nd Quarter of the Fiscal Year Ending March 31, 2024

Supplementary Information Material for Financial Results

Securities Code: **2335**

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2Q of the Fiscal Year
Ending March 31, 2024

Overview of Financial Results

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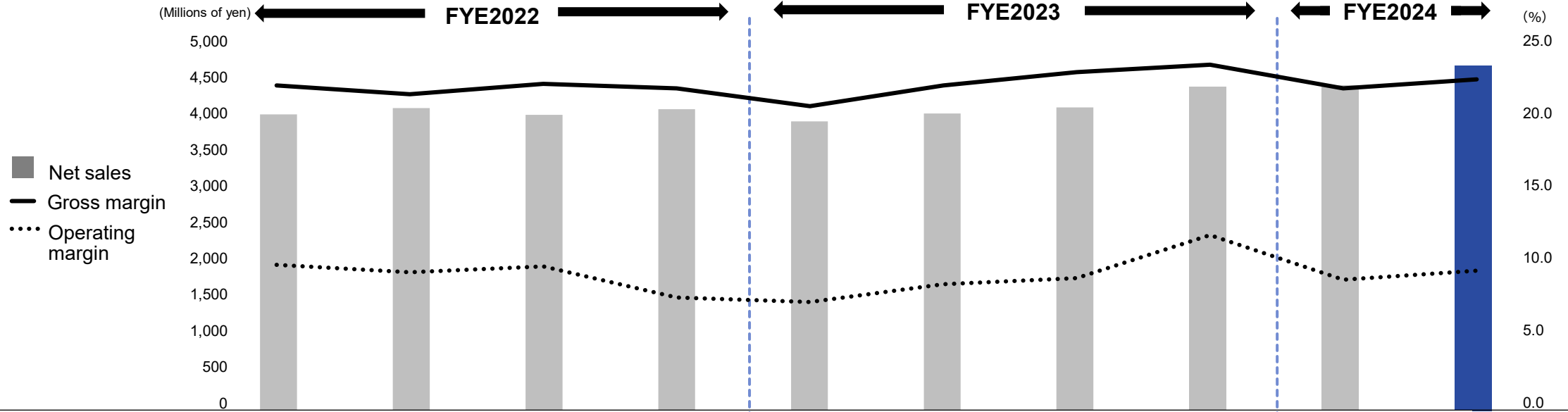
1-1. Overview of Consolidated Statements of Income

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

		(Unit: millions of yen)	FYE 2024 2Q Actual (change)	FYE 2023 2Q Actual	FYE 2024 Forecast* (Progress)
	Up 14.2% from the previous fiscal year Achievement rate for earnings forecast: 50.1%				
Net sales	-Order expansion by reforming the structure of Business model -Especially, achieving new record high by increased orders in finance, distribution, and other industries in SI Business		9,015 (+14.2%)	7,892	18,000 (50.1%)
			Operating profit	598	1,620 (49.0%)
			Margin	7.6%	9.0%
	Up 32.7% from the previous fiscal year Achievement rate for earnings forecast: 49.0%				
Operating profit	- Achieving high profitability by centralization of resources for SI Business - Expansion of development organization and facilities (recruitment enhancement, people development and expansion of bases) - Continuing measures to develop and strengthen management foundation (governance strengthening and IT investment)		788 (+32.6%)	594	1,635 (48.2%)
			Margin	7.5%	9.1%
			Net profit attributable to owners of parent	388	1,080 (46.4%)
			Margin	4.9%	6.0%

* The forecast numbers for FYE 2024 is announced on May 10, 2023

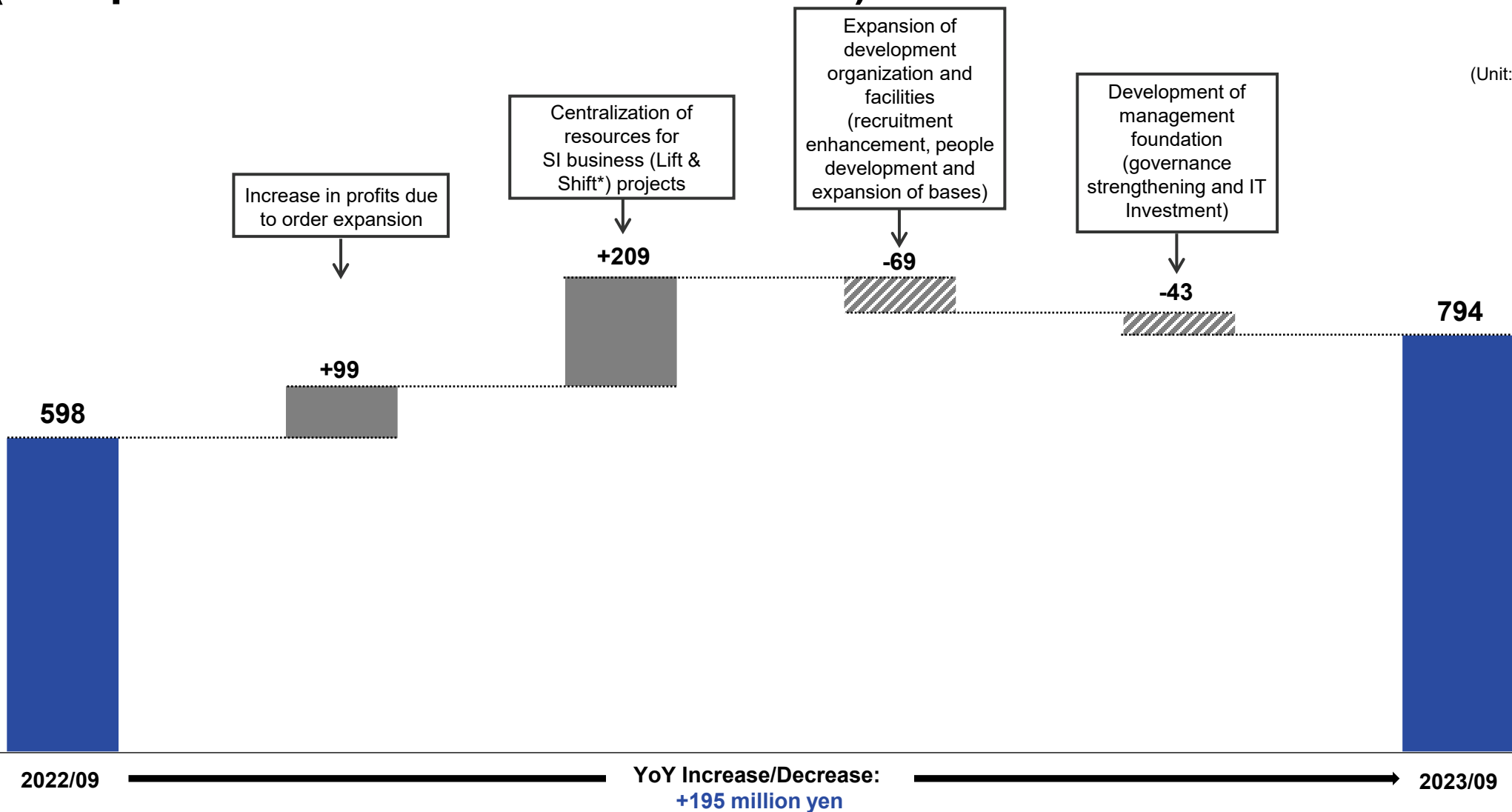
1-2. Trends in Transition by Accounting Period



	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	3,987	4,073	3,981	4,058	3,892	3,999	4,080	4,353	4,376	4,638
Cost of sales	3,124	3,217	3,118	3,188	3,107	3,133	3,163	3,351	3,438	3,616
Gross profit	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%)	938 (21.4%)	1,021 (22.0%)
Selling, general and administrative expenses	483	487	486	574	513	539	564	500	568	597
Operating profit	378 (9.5%)	368 (9.0%)	375 (9.4%)	295 (7.3%)	272 (7.0%)	326 (8.2%)	352 (8.6%)	501 (11.5%)	369 (8.5%)	424 (9.1%)
Ordinary profit	390 (9.8%)	362 (8.9%)	380 (9.6%)	299 (7.4%)	271 (7.0%)	323 (8.1%)	359 (8.8%)	526 (12.1%)	371 (8.5%)	416 (9.0%)
Quarterly net profit attributable to owners of parent	262 (6.6%)	238 (5.9%)	253 (6.4%)	189 (4.7%)	173 (4.5%)	214 (5.4%)	239 (5.9%)	361 (8.3%)	232 (5.3%)	268 (5.8%)

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

(Unit: millions of yen)



*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).

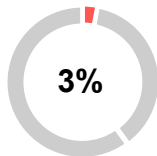
1-4. Summary of Consolidated Balance Sheets and Consolidated Statements of Cash Flows

Consolidated Balance Sheets	2023/03	2023/09	Increase/Decrease	Remarks	(Unit: millions of yen)
Current assets	9,703	9,933	+230	Increase in accounts receivable and contract assets, and cash and deposits	
Non-current assets	2,844	3,101	+257	Increase in investment securities, and lease and guarantee deposits	
Total assets	12,547	13,035	+487		
Current liabilities	2,188	2,588	+399	Increase in provision for bonuses and accounts payable – other	
Non-current liabilities	742	762	+20		
Total liabilities	2,930	3,350	+419		
Total shareholder's equity	8,847	8,923	+76		
Total accumulated other comprehensive income	769	761	-8		
Non-controlling shareholder share	-	-	-		
Total net assets	9,616	9,684	+67		

Consolidated Statements of Cash Flows	2022/09	2023/09	Increase/Decrease	Remarks	(Unit: millions of yen)
Cash flows from operations	329	679	+350	Increase in income before income taxes and minority interests, and decrease in income taxes paid	
Cash flows from investments	-136	-88	+47	Payments for purchase of investment securities, proceeds from redemption of securities	
Cash flows from financing	-212	-435	-222	Increase in cash dividends paid	
Effects of exchange rate change on cash and cash equivalents	4	2	-1		
Net increase in cash and cash equivalents	-14	157	+172		
Cash and cash equivalents at beginning of period	5,015	6,703	+1,687		
Cash and cash equivalents at end of period	5,000	6,861	+1,860		

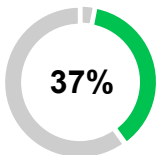
1-5. Trends in Net Sales and Operating Profit by Business Model

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2024]



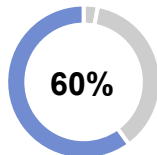
Digital Business

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



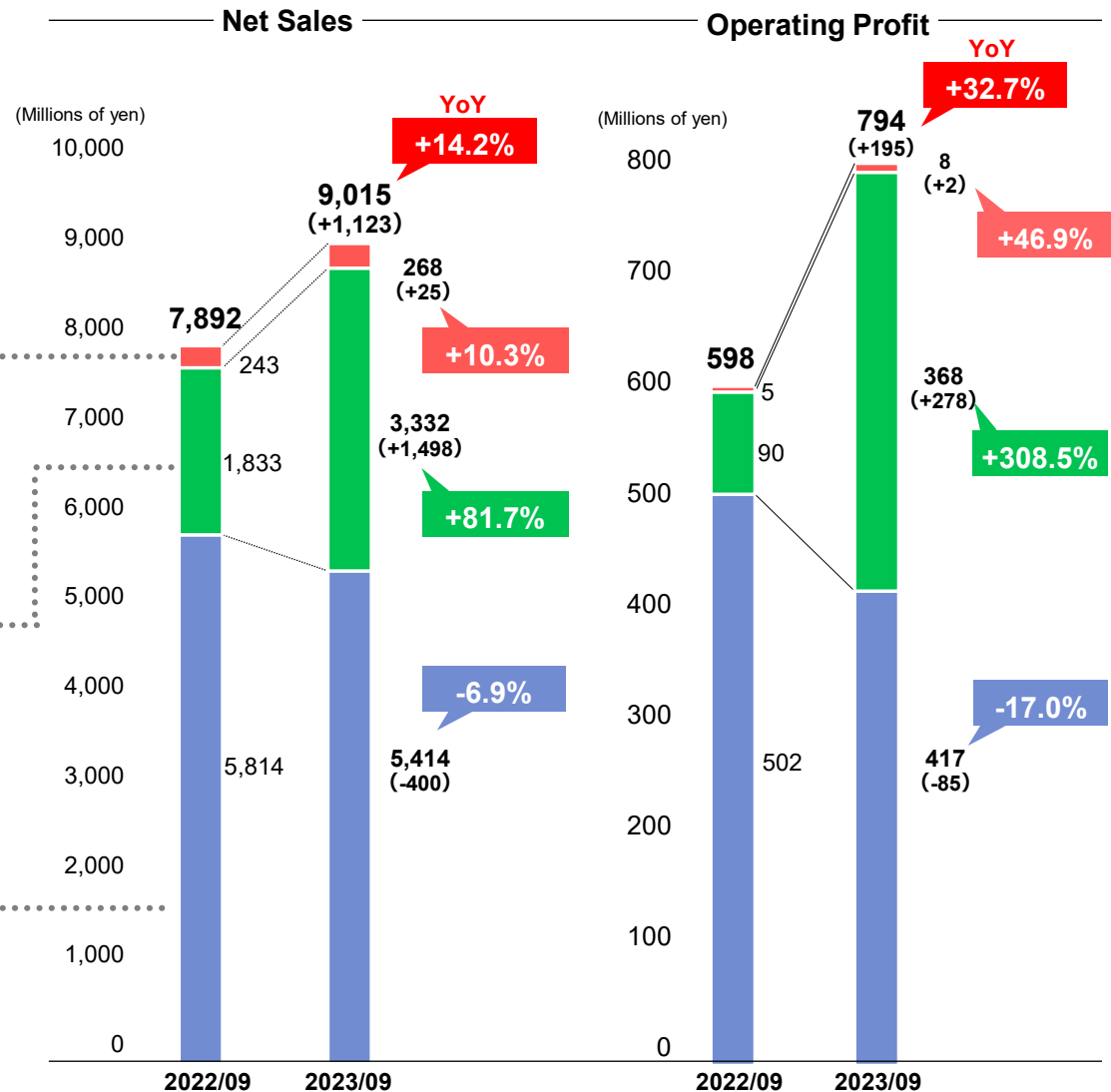
SI Business (Lift & Shift)

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



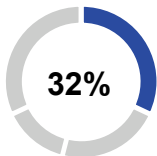
Enhancement Business

- Decrease of system development projects: for a telecommunication company, the central government, GMS and a credit card company
- Expansion of system development projects for a megabank



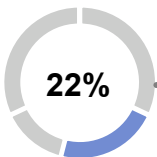
1-6. Trends in Net Sales and Operating Profit by Industry

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2024]



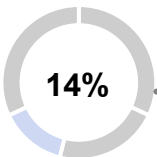
Finance Insurance & Securities: 16% Banking: 11% / Other Finance: 5%

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



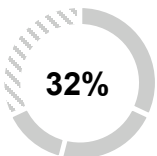
Distribution Retail & Wholesale: 22%

- Expansion of system development projects: for an apparel company and a wholesaler



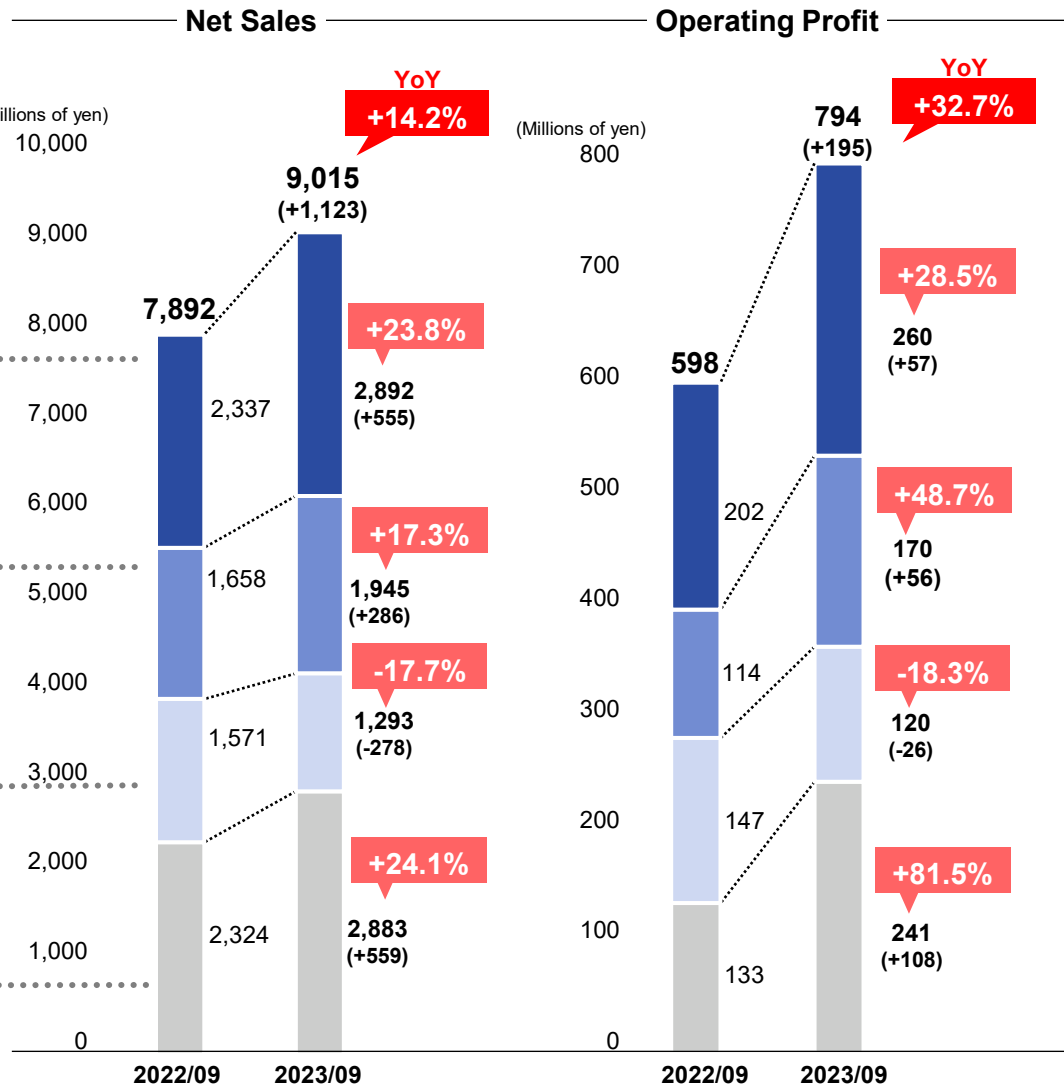
Transportation and Telecommunication Transportation & Telecommunication 14%

- Decrease of system development projects for telecommunication companies



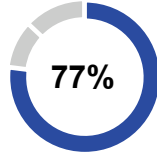
Others Manufacturing: 9% / Central Government: 6% / Others: 17%

- Expansion of system development projects: for the central government and the service industry



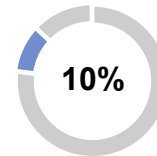
1-7. Trends in Net Sales and Operating Profit by Service Segment

Net Sales Composition
[2Q Fiscal Year Ending March 31, 2024]



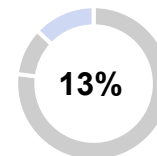
System Integration Services

- Expansion of system development projects: for regional banks, online banks, a megabank and an education company



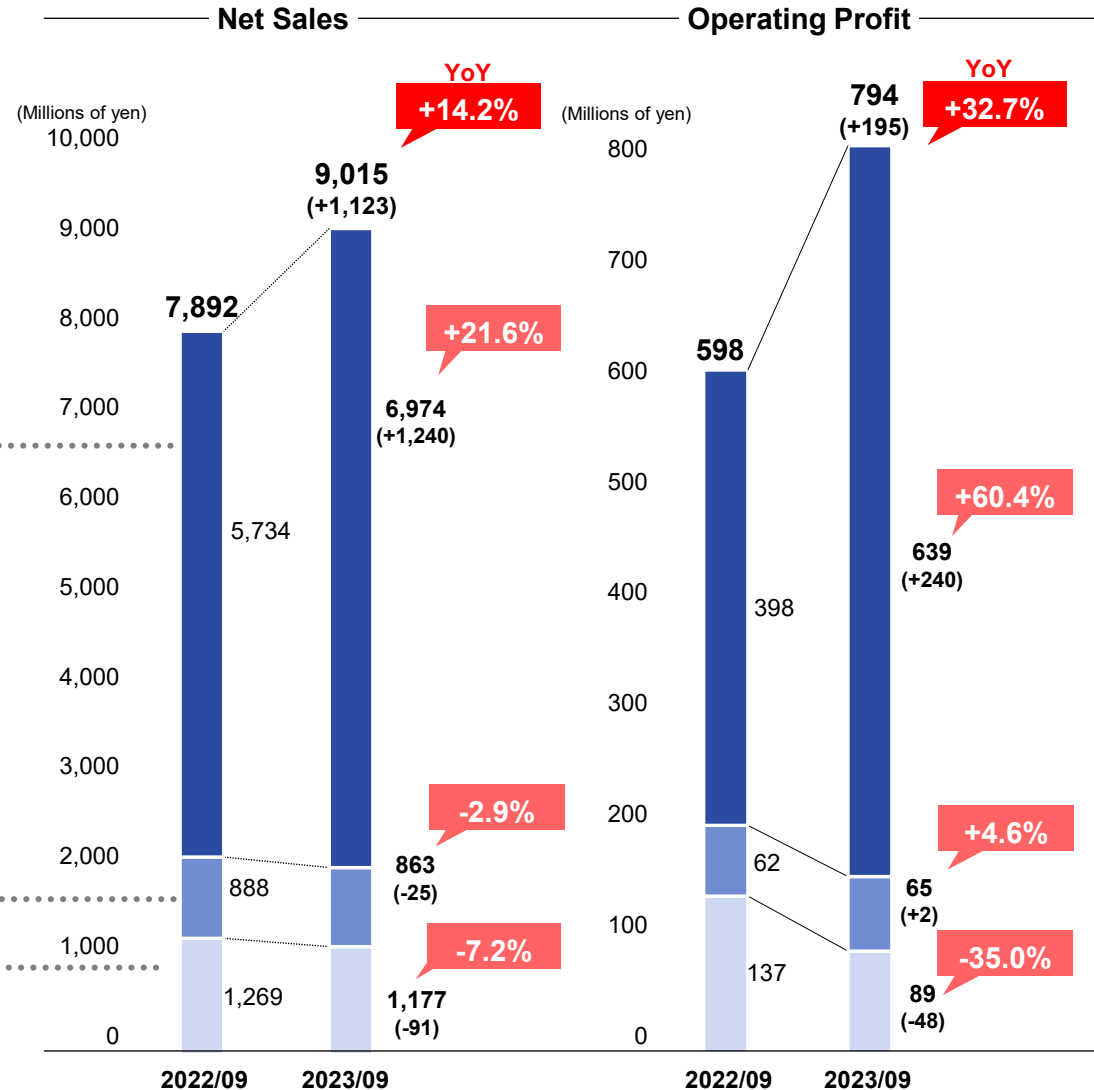
System Outsourcing Services

- Decrease of system development projects for a stock exchange



Professional Services

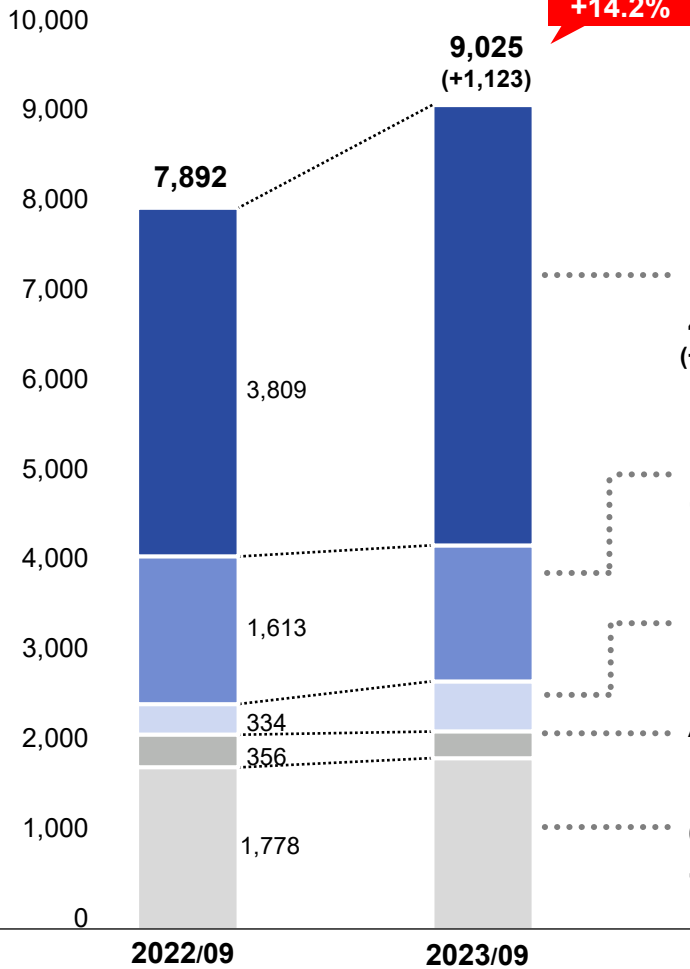
- Decrease of system development projects for telecommunication companies



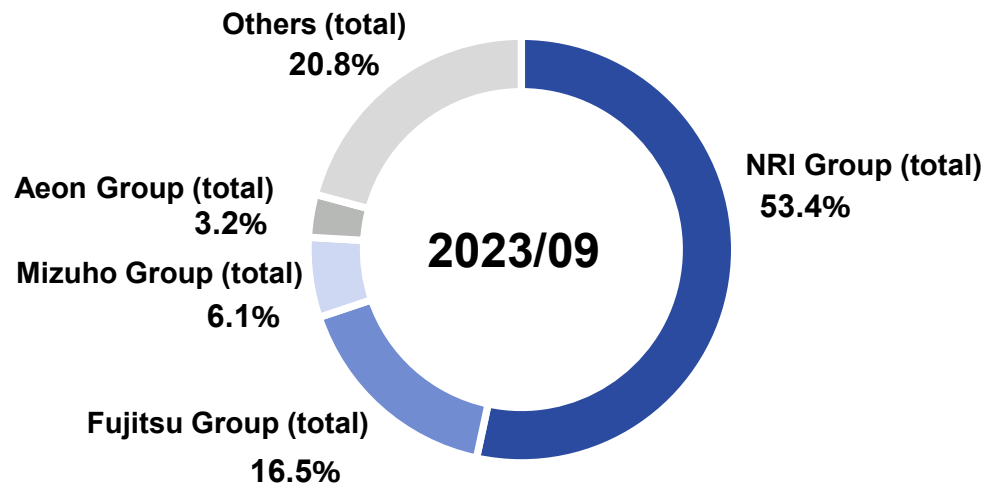
1-8. Net Sales to Customer Group Companies

Net Sales

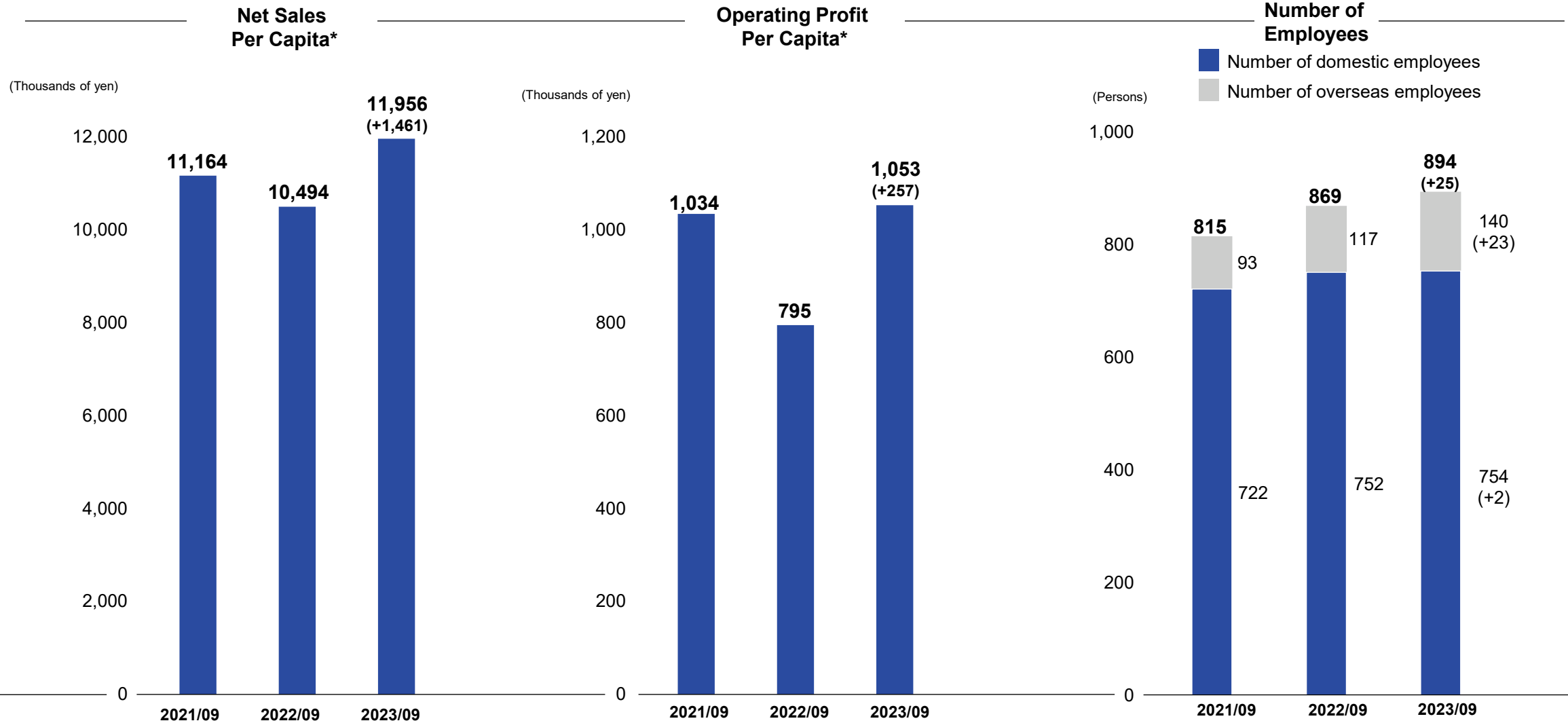
(Millions of yen)



Sales Composition [2023/09]



1-9. Index Per Capita



*Calculated based on the number of domestic employees.

**Fiscal Year Ending
March 31, 2024**

2 Outlook

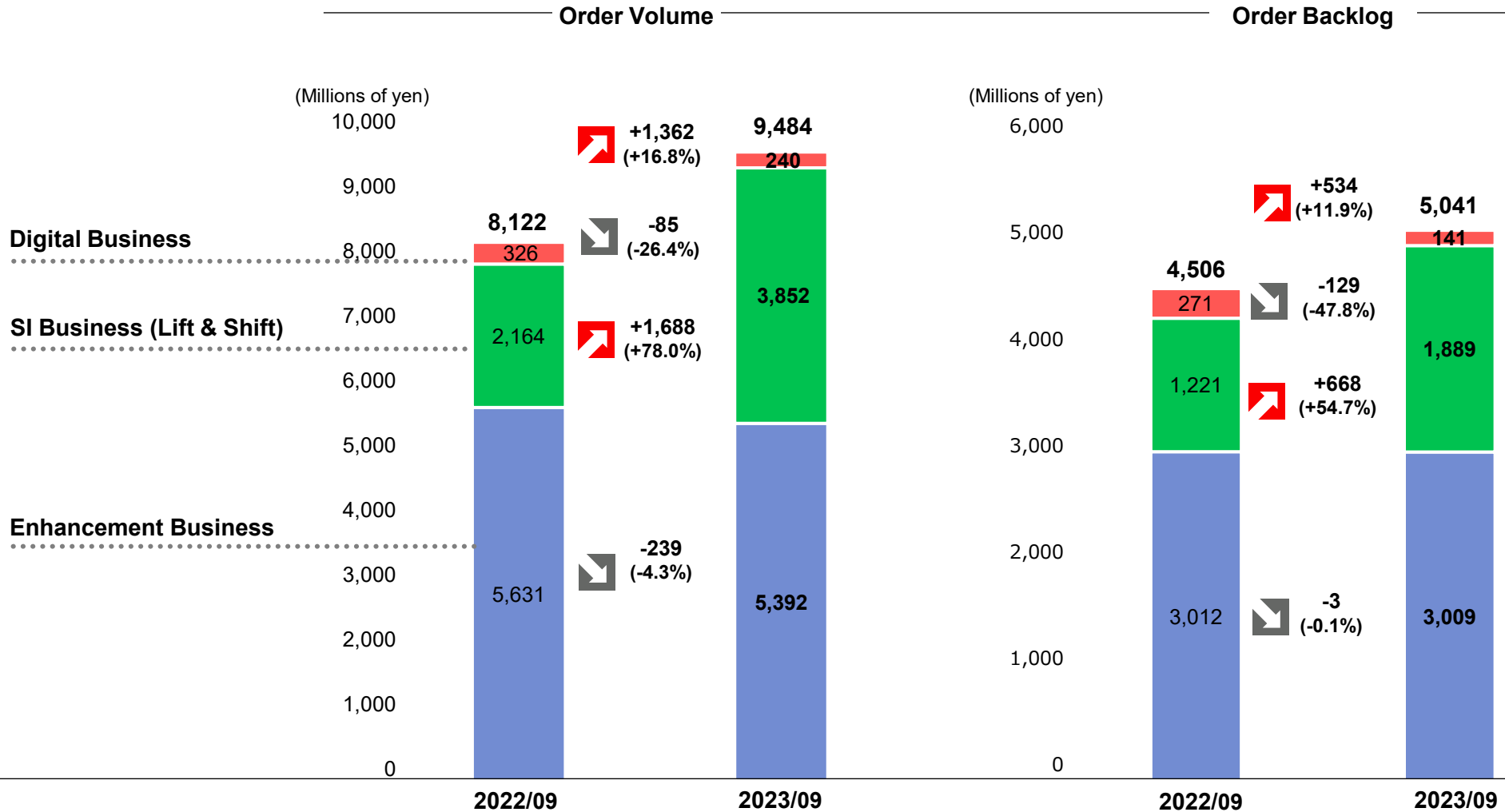
1. Overview of Earnings Forecast
2. Order Status by Business Model
3. Order Status by Industry
4. Net Sales Progress Rate by Business Model
5. Net Sales Progress Rate by Industry
6. Trends in Dividends and Dividend Payout Ratio

2-1. Overview of Earnings Forecast

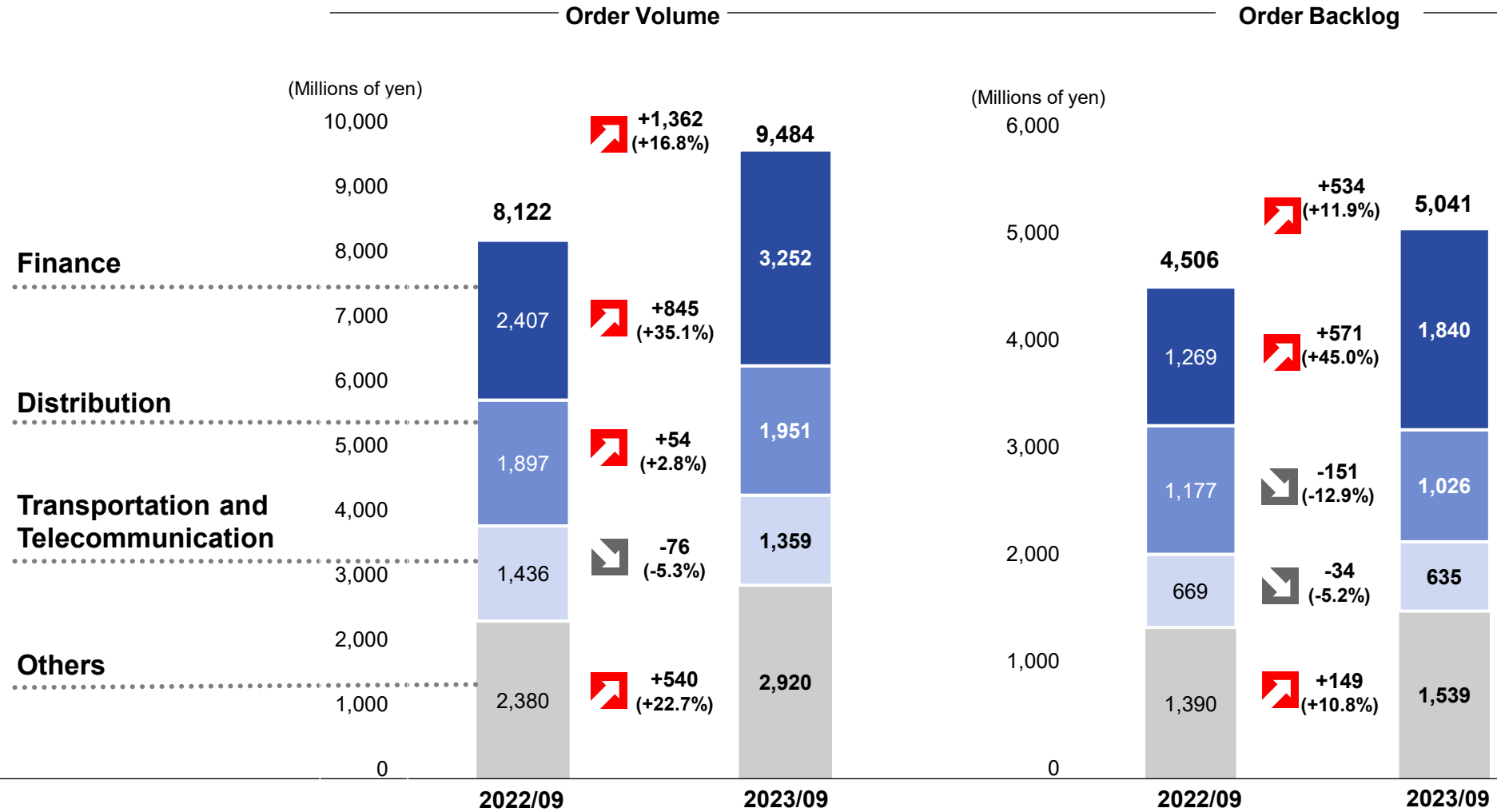
		FYE 2024 Earnings forecast* (Increase/decrease from the previous fiscal year)	FYE 2023 Actual	FYE 2024 2Q Actual (Progress)
		(Unit: millions of yen)		
A YoY increase of 10.3% is expected				
Net sales	- Proactively acquire clients' strategic IT investment projects (Digital Business/SI Business)	18,000 (+10.3%)	16,325	9,015 (50.1%)
	- 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	1,620 (+11.5%)	1,452	794 (49.0%)
	- Establish development systems that realize optimization of resources			
	- Operate project by taking advantage of our quality foundation	9.0%	8.9%	8.8%
	- Implement strategic investments to strengthen development organization and facilities			
	- Promote in-house digitalization to improve operational production			
Ordinary profit		1,635 (+10.4%)	1,480	788 (48.2%)
Margin		9.1%	9.1%	8.7%
Net profit attributable to owners of parent		1,080 (+9.1%)	989	501 (46.4%)
Margin		6.0%	6.1%	5.6%

* The forecast numbers for FYE 2024 is announced on May 10, 2023

2-2. Order Status by Bussiness Model

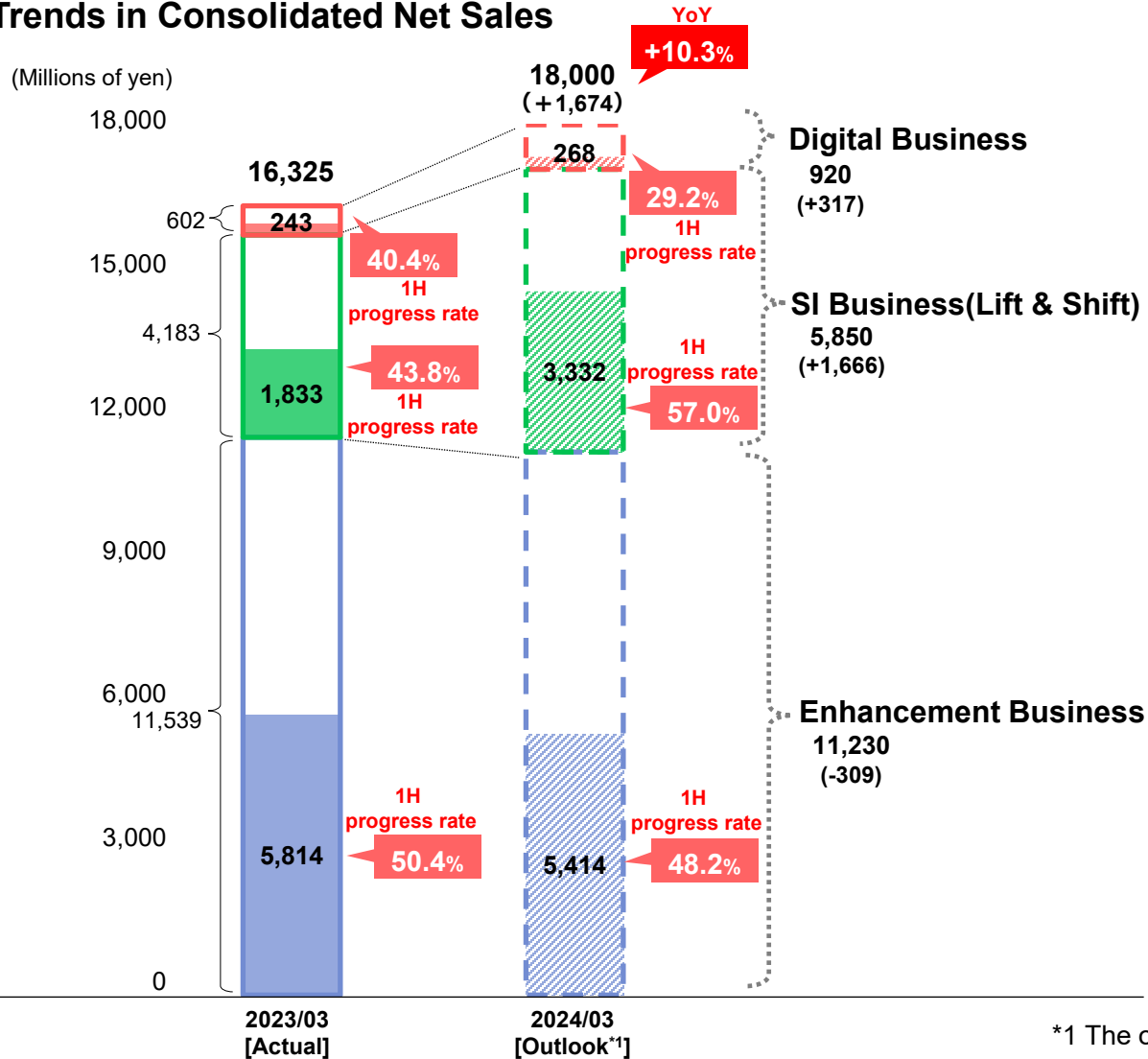


2-3. Order Status by Industry



2-4. Net Sales Progress Rate by Business Model

Trends in Consolidated Net Sales



Digital Business

- Promote collaborative consultation models
- Expand of services by utilizing AI technologies
- Reinforce and promote agile software development for end users (Utilization and promotion of the F@CE DX*2)

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

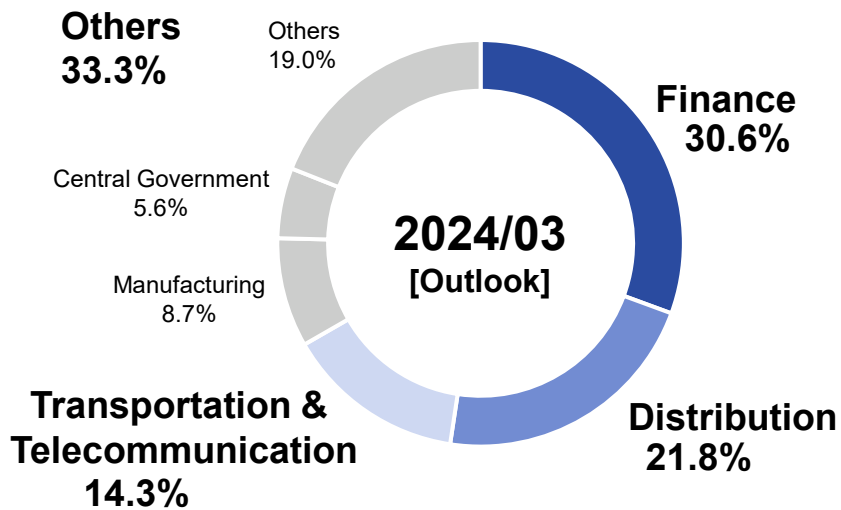
- Build development systems that realize optimization of resources, enable high-quality and efficient use of resources
- Maintain the same level as the previous year in business scale

*1 The outlook numbers for FYE 2024 is announced on May 10, 2023

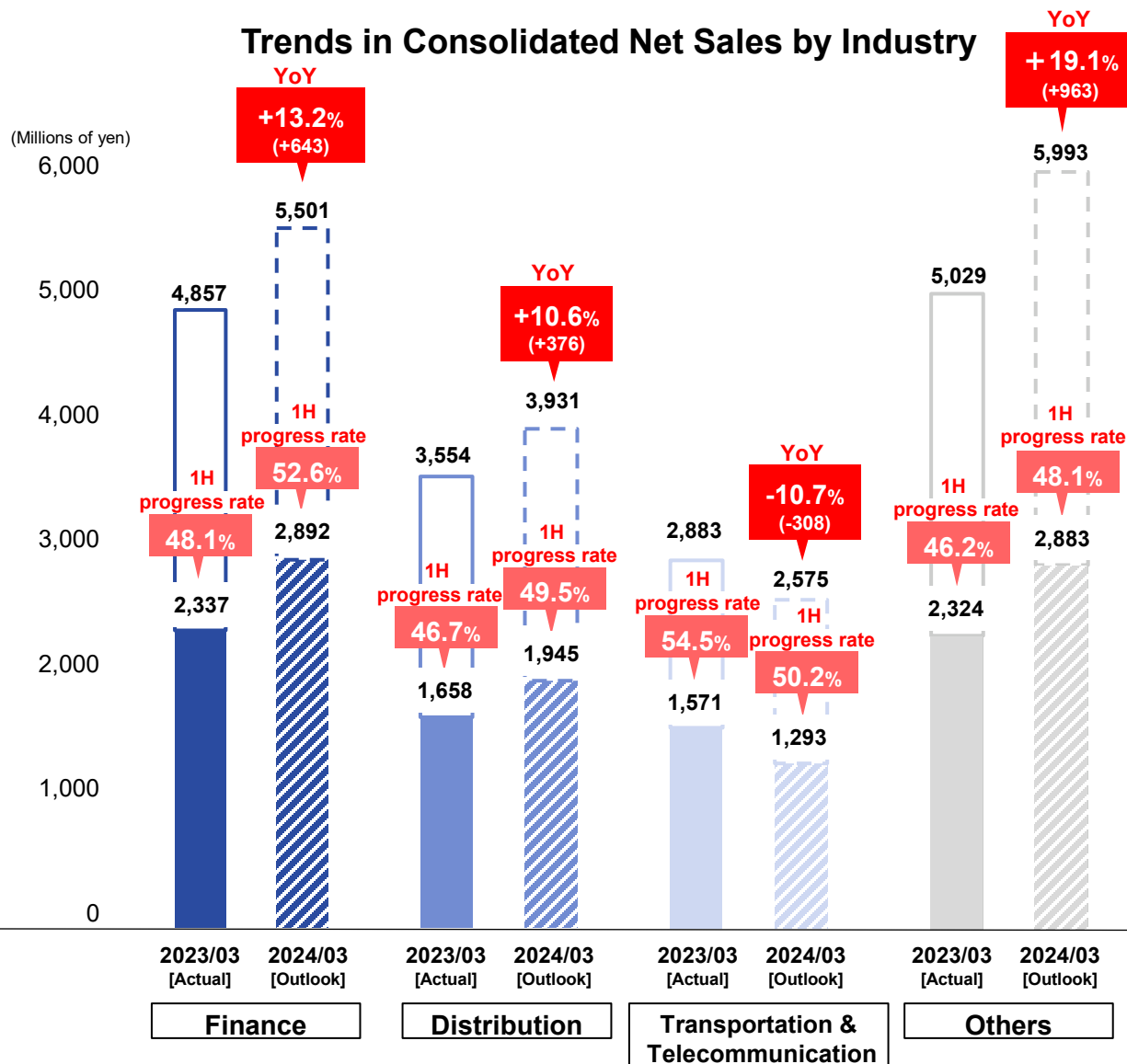
*2 Our original modern software development standard that realizes rapid development of PoC for DX (F@CE : Framework @ Cube's Engineering)

2-5. Net Sales Progress Rate by Industry

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



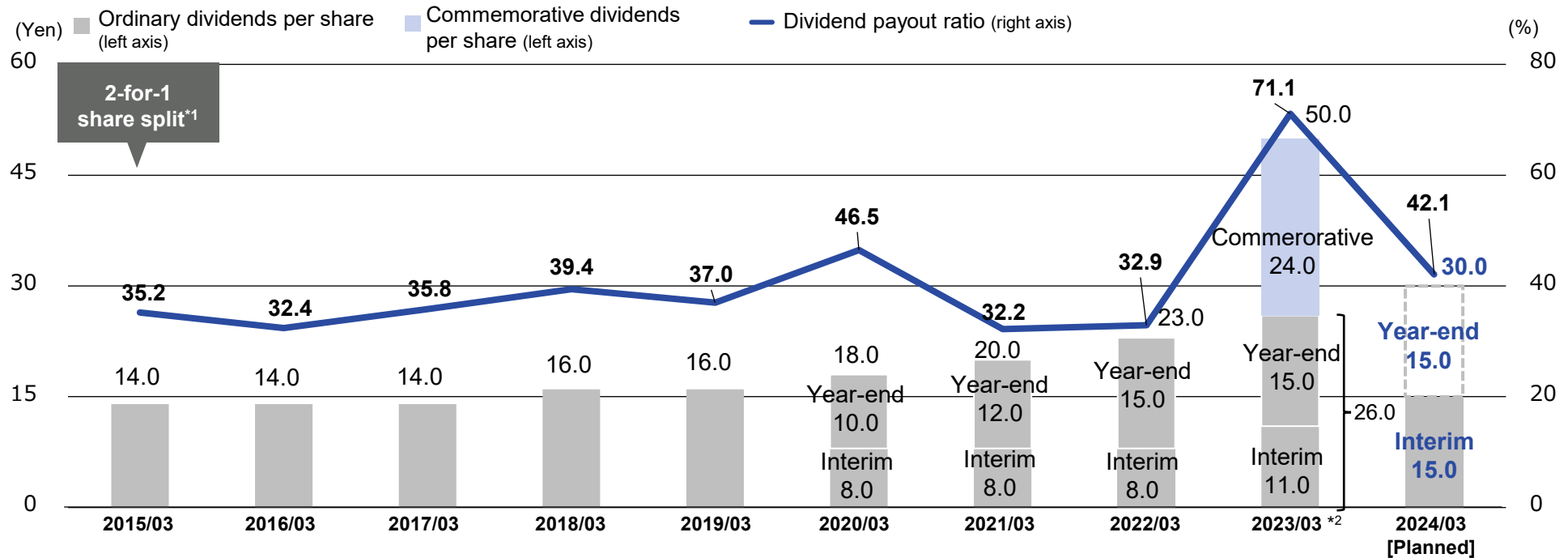
Trends in Consolidated Net Sales by Industry



* The outlook numbers for FYE 2024 is announced on May 10, 2023

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%.



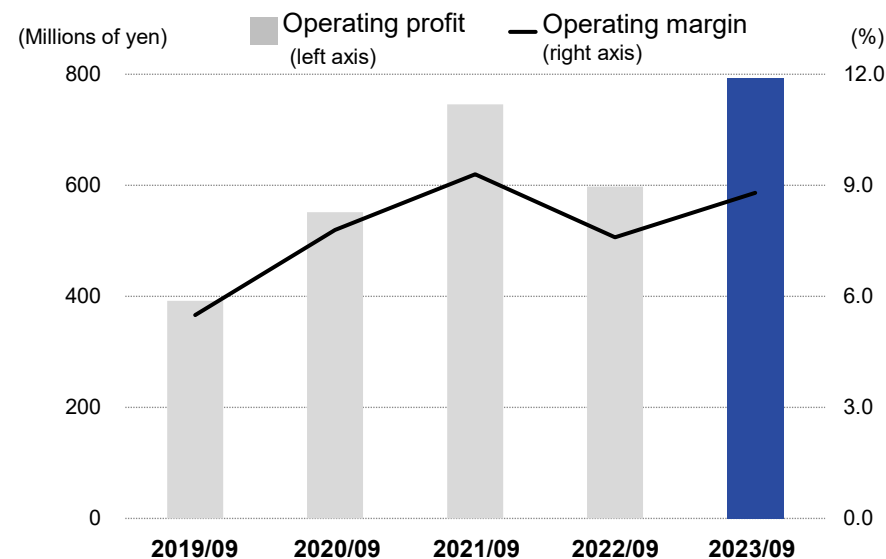
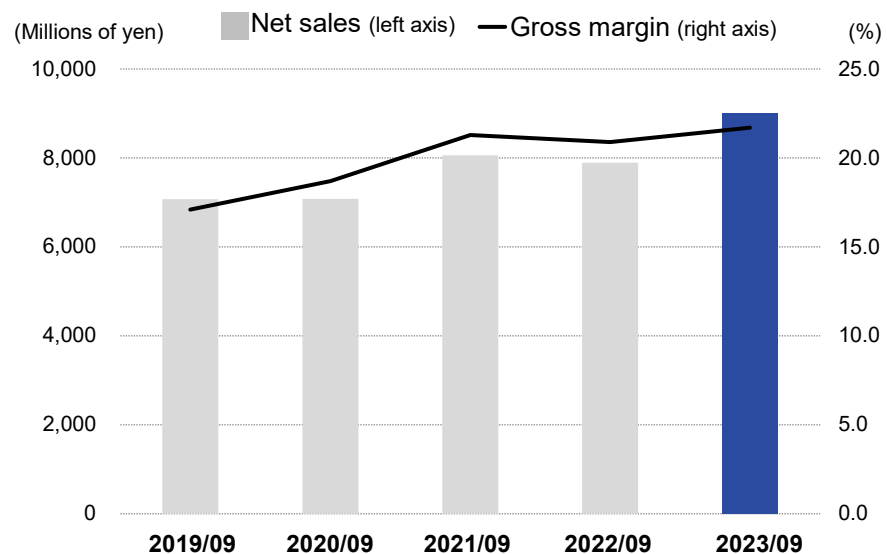
*1 The 2-for-1 share split was implemented on October 1, 2014.

*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)

	2019/09	2020/09	2021/09	2022/09	2023/09	YoY
Net sales	7,071	7,083	8,060	7,892	9,015	+14.2%
Cost of sales	5,863	5,757	6,342	6,241	7,055	+13.0%
Gross profit	1,207	1,325	1,718	1,650	1,959	+18.7%
	(17.1%)	(18.7%)	(21.3%)	(20.9%)	(21.7%)	
Selling, general and administrative expenses	815	773	971	1,052	1,165	+10.8%
Operating profit	392	552	746	598	794	+32.7%
	(5.5%)	(7.8%)	(9.3%)	(7.6%)	(8.8%)	
Ordinary profit	397	603	752	594	788	+32.6%
	(5.6%)	(8.5%)	(9.3%)	(7.5%)	(8.7%)	
Net profit attributable to owners of parent	241	400	501	388	501	+29.1%
	(3.4%)	(5.7%)	(6.2%)	(4.9%)	(5.6%)	

3-2. Consolidated Balance Sheets: Major Items

(Unit: millions of yen)

Assets	2023/03	2023/09	Increase/ Decrease
Current assets	9,703	9,933	+230
Cash and deposits	6,748	6,894	+146
Accounts receivable and contract assets	2,702	2,875	+173
Securities	100	-	-100
Work in process	10	7	-2
Others	141	155	+13
Non-current assets	2,844	3,101	+257
Property, plant and equipment	124	138	+14
Intangible assets	3	3	-
Investments and other assets	2,716	2,959	+242
Total assets	12,547	13,035	+487

Liabilities	2023/03	2023/09	Increase/ Decrease
Current liabilities	2,188	2,588	+399
Accounts payable - trade	796	886	+90
Short-term borrowings	240	230	-10
Others	1,152	1,471	+318
Non-current liabilities	742	762	+20
Total liabilities	2,930	3,350	+419
Net assets	2023/03	2023/09	Increase/ Decrease
Shareholder's equity	8,847	8,923	+76
Accumulated other comprehensive income	769	761	-8
Non-controlling interests	-	-	-
Total net assets	9,616	9,684	+67
Total liabilities and net assets	12,547	13,035	+487

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

(Unit: millions of yen)

Net Sales and Operating Profit by Service Segment		2022/09	2023/09	YoY
System Integration Services	Net sales	5,734	6,974	+21.6%
	Operating profit	398	639	+60.4%
	Operating margin	6.9%	9.2%	
System Outsourcing Services	Net sales	888	863	-2.9%
	Operating profit	62	65	+4.6%
	Operating margin	7.1%	7.6%	
Professional Services	Net sales	1,269	1,177	-7.2%
	Operating profit	137	89	-35.0%
	Operating margin	10.8%	7.6%	
Total	Net sales	7,892	9,015	+14.2%
	Operating profit	598	794	+32.7%
	Operating margin	7.6%	8.8%	

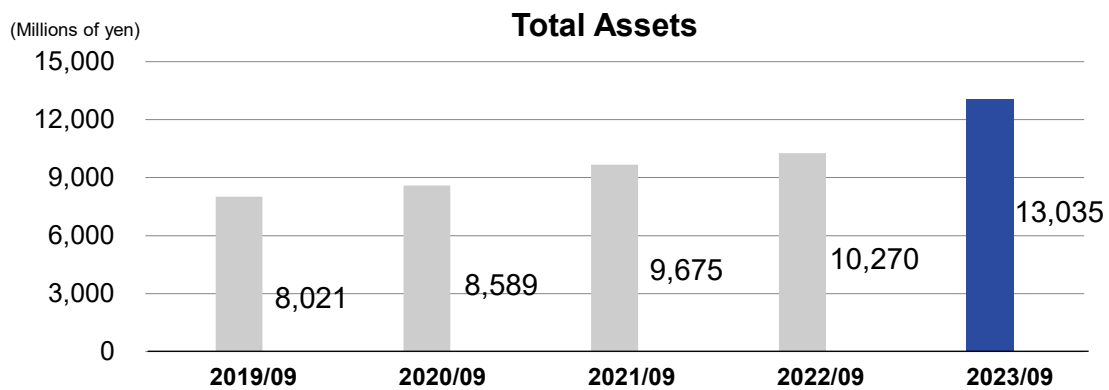
-4. Net Sales and Operating Profit by Industry

(Unit: millions of yen)

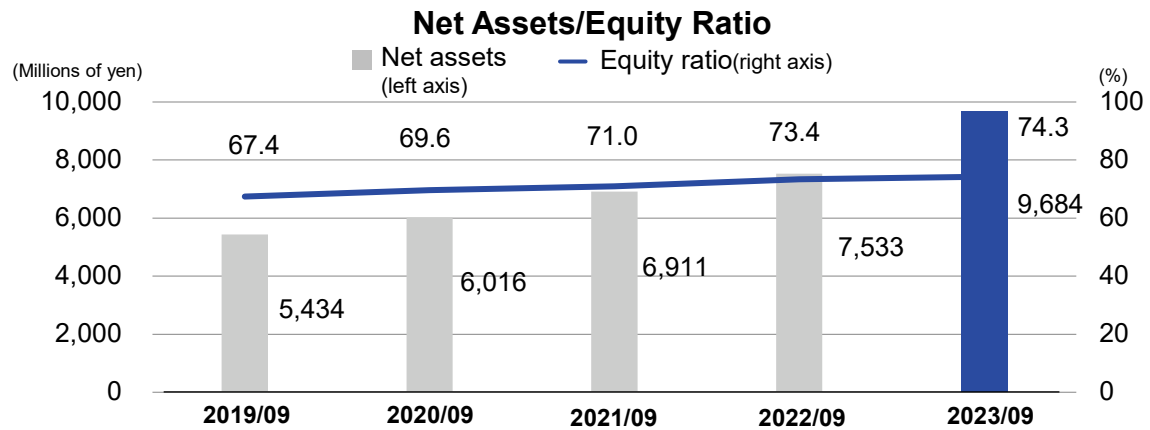
Net Sales and Operating Profit by Industry		2022/09	2023/09	YoY
Finance	Net sales	2,337	2,892	+23.8%
	Operating profit	202	260	+28.5%
	Operating margin	8.7%	9.0%	-
Distribution	Net sales	1,658	1,945	+17.3%
	Operating profit	114	170	+48.7%
	Operating margin	6.9%	8.8%	-
Transportation and Telecommunication	Net sales	1,571	1,293	-17.7%
	Operating profit	147	120	-18.3%
	Operating margin	9.4%	9.3%	-
Manufacturing	Net sales	723	797	+10.3%
	Operating profit	17	54	+206.6%
	Operating margin	2.5%	6.8%	-
Central Government	Net sales	427	548	+28.3%
	Operating profit	23	62	+165.4%
	Operating margin	5.5%	11.4%	-
Others	Net sales	1,173	1,537	+31.0%
	Operating profit	91	124	+35.9%
	Operating margin	7.8%	8.1%	-

3-5. Assets and Capital-Related Items

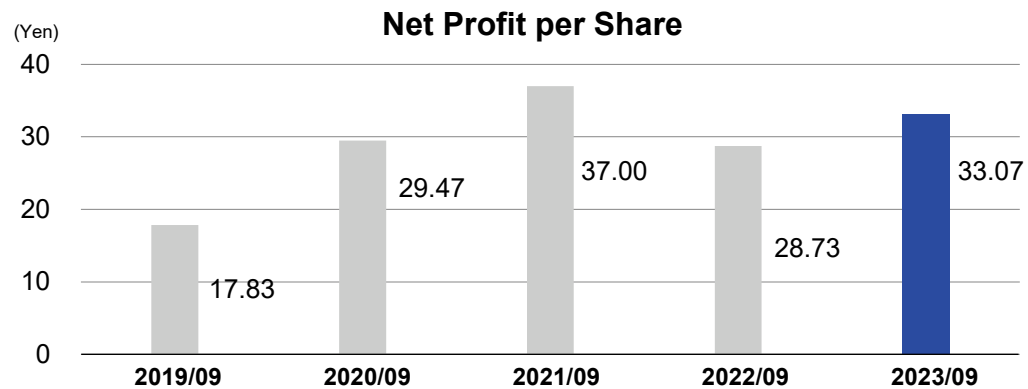
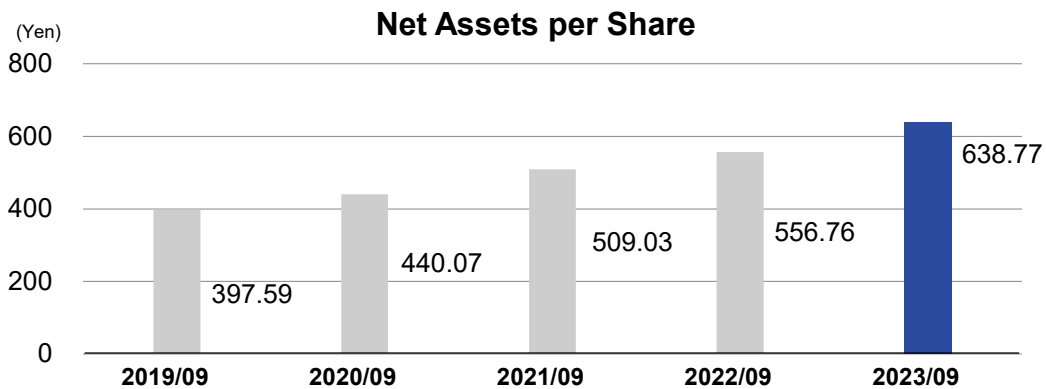
Assets and Capital-Related Items



-6. Share Price and Equity-Related Items



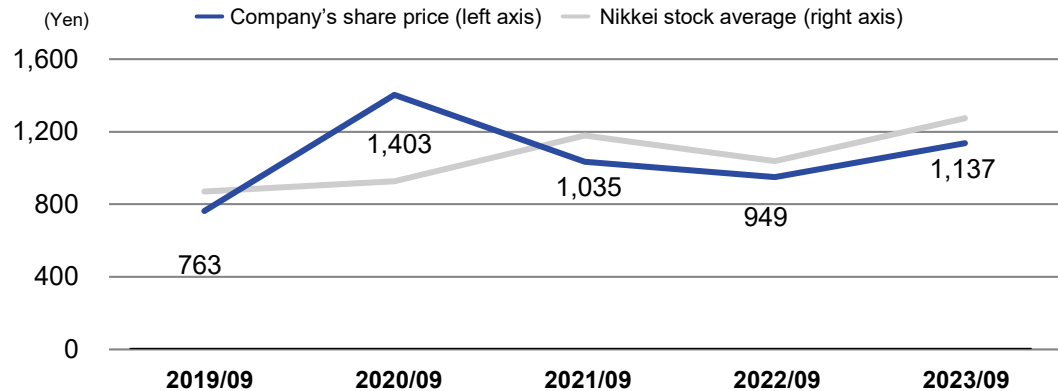
Share Price and Equity-Related Items



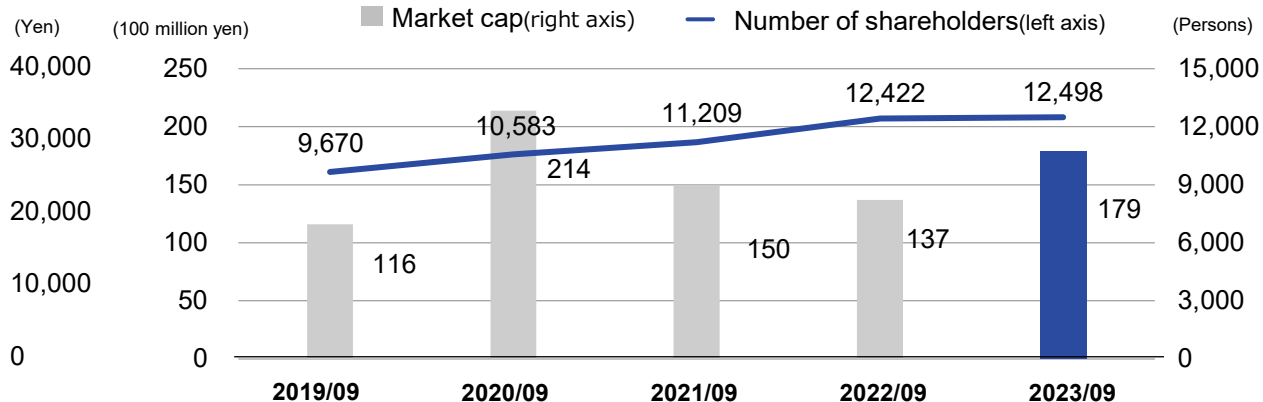
3-6. Share Price and Equity-Related Items

Share Price and Equity-Related Items

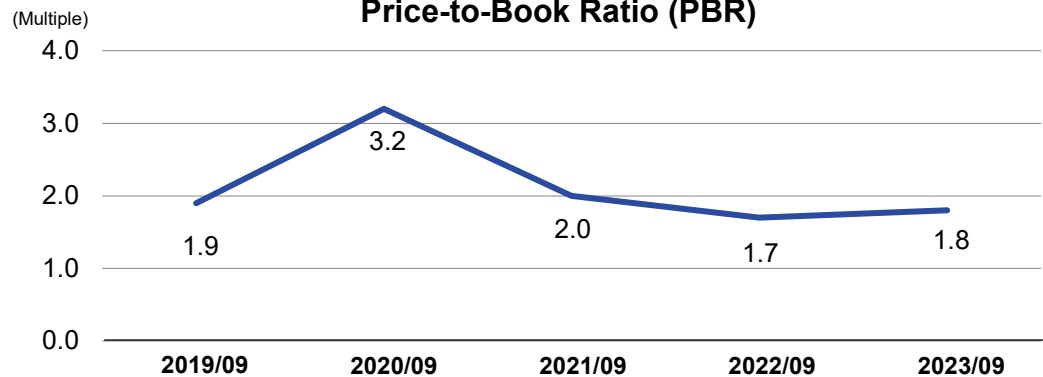
Share Price



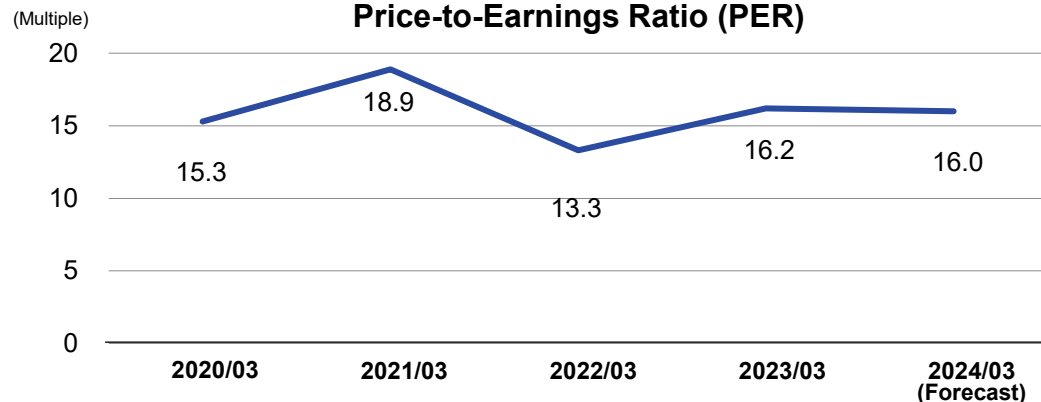
Market Cap / Number of shareholders



Price-to-Book Ratio (PBR)



Price-to-Earnings Ratio (PER)



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