CUBE SYSTEM

Integrated Report 2023

October 2023

Management Philosophy

Companies thrive through the support of various people.

Business must continue in order to ensure people's well-being, including our employees.

The source of business continuation and development is profit, and profit is generated by customers.

Based on this philosophy, we go forward to create a globally acclaimed company.

Basic Policy

Customer first

Clear prioritization

Company-wide sales-minded approach

Our Commitment in Our Name

Founded on the basic policy of placing "Customer first," demonstrate an advanced "Brainpower (intelligence and knowledge)" in developing solutions that create "Excitement."

CU	B	E	SYSTEM
CUstomer "Customer first"	**B**rainpower "Intelligence and Knowledge"	**E**xcitement "create Excitement"	"Synthesis of CUBE elements"

This expresses our desire to "grow through utilizing our multi-faceted versatility, symbolized by the shape of the CUBE (regular hexahedron)."

Innovativeness
As an independent systems integrator, we accumulate leading-edge technologies and knowhow in various fields.

Humanity
We engage in candid dialogue with customers through one-to-one interaction, and develop human resources with high level communication skills.

Vitality
As an independent business creator, we take on challenges and pursue what is best for our customers, for our partners, and ultimately, for ourselves.

Internationality
We are building a global and versatile business model, focusing on collaboration with overseas business partners and offshore software development.

Technology
We are acquiring a range of elemental technologies based on our wide-ranging in-depth knowledge and expertise.

Youthfulness
Through continuous reinvention, we are developing a youthful, adaptable corporate organization and culture by valuing selfreliance and the initiative of our employees.

Editorial Policy

CUBE SYSTEM believes in the importance of accurate, prompt and voluntary disclosure of information regarding its ESG-related initiatives in its business activities. Founded on this policy, our financial data and non-financial data have been organized and systematized into an integrated report.

- **Organizations covered:** CUBE SYSTEM INC., and its consolidated subsidiaries in Japan and overseas
- **Period covered:** FY2022 (April 2022–March 2023)
  * Some information not related to the fiscal term may be included in the report.
- **Date of publication:** October, 2023
- **Frequency of publication:** Annual
- **Information disclosure policy:** We will disclose information accurately, promptly and voluntarily to build long-term relationships of trust with our shareholders, investors and other stakeholders.

Reference guidelines

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)
- GRI Standards, Global Reporting Initiative (GRI)

Important notes regarding forecasts

Business plans, forecasts and strategies in the report are founded on decision-making and assumptions made based on the data available at the date of publication. Please accept that actual business performance may deviate significantly from forecasts as a result of changing circumstances.

Publication Department

Business Planning Dept.

For further inquiries, contact

https://www.cubesystem.co.jp/en/contact/

IR Data

https://www.cubesystem.co.jp/en/ir/

Contents

Management Philosophy/Basic Policy 1
The History of Value Creation at CUBE SYSTEM 3
Financial and Non-Financial Highlights 5
Message from the President 7
Sustainability Management 12

Sustainability Management at CUBE SYSTEM

Value Creation Model 13
Strengths of CUBE SYSTEM 15
Response to Major Risks and Opportunities 17
Relationship with Stakeholders 19
Important Issues to Be Addressed by Sustainable Management 20

Business Strategy

History of Our Medium- to Long-Term Management Vision 23
VISION 2026 First Medium-Term Management Plan 25

Foundation and Efforts Toward Sustainable Growth

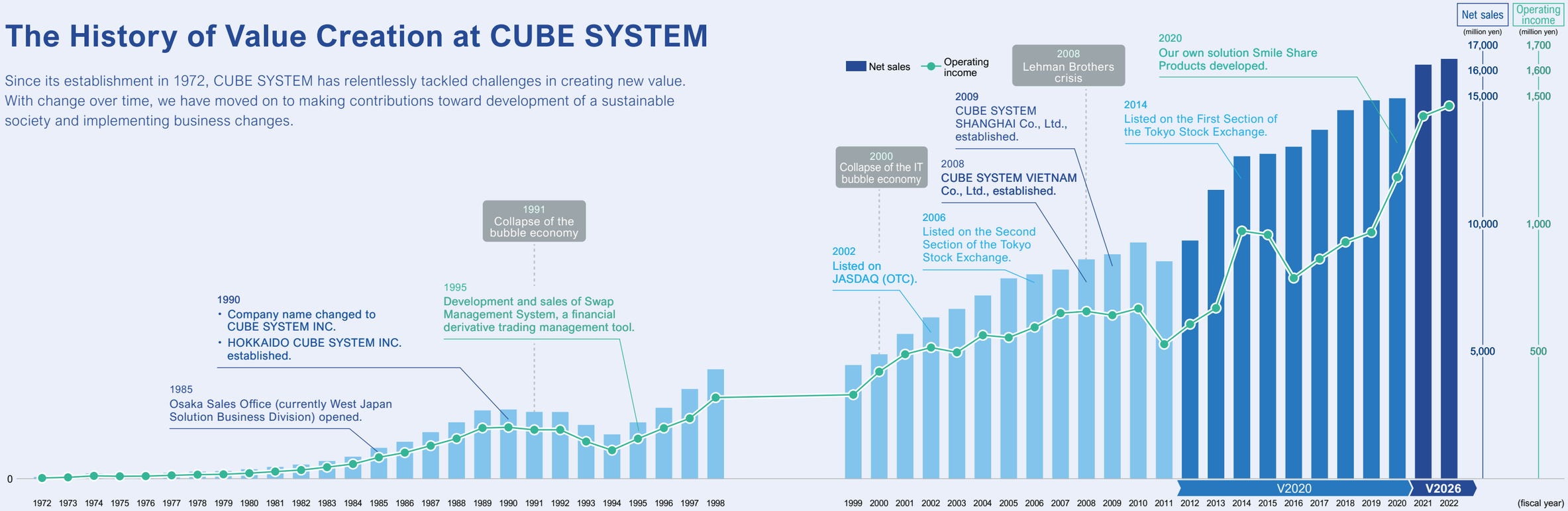
Corporate Governance 29
List of Officers 31
Risk Management 33
Information Security 35
Compliance 37
Human Capital 39
Intellectual Capital 47
Manufacturing Capital 49
Social and Relationship Capital 51
Natural Capital 52
Financial Capital 53

Data Section

Major Financial Data (Consolidated) 55
ESG Data 57
Corporate Information 58

The History of Value Creation at CUBE SYSTEM

Since its establishment in 1972, CUBE SYSTEM has relentlessly tackled challenges in creating new value. With change over time, we have moved on to making contributions toward development of a sustainable society and implementing business changes.



July 1972
Customer Engineers Co., Ltd., established.
The company was established in Shinagawa-ku, Tokyo, for software development and system administration and management services.

April 1985
Osaka Sales Office opened.
The office was opened in Osaka City, Osaka to explore business in the Kansai region and boost the scale of business for the entire company.

October 1990
Company name changed to CUBE SYSTEM INC.
The company name was changed to bring greater clarity to its business field and management philosophy and to pursue further business growth.

October 2002
Listed on JASDAQ (OTC).
CUBE SYSTEM stocks were listed on JASDAQ.

March 2014
Listed on the First Section of the Tokyo Stock Exchange.
Stock listing was changed to TSE First Section 12 years after JASDAQ listing.

May 2019
Nagoya Office opened.
An office was opened in Nagoya City, Aichi to expand business in the Chubu region and expand its solutions service business.

April 2022
Transition to the Prime Market, Tokyo Stock Exchange.
According to the reorganization of the market sections of the Tokyo Stock Exchange, the Prime Market was selected.

September 2023
Fukuoka Office opened.
An office was opened in Fukuoka City, Fukuoka to strengthen our groupwide development organization and facilities and explore business in the Kyushu region.

Business expansion

June 1984 — Service agreement concluded with Fujitsu Limited.
Systems engineering service agreement was concluded with Fujitsu Limited. Systems integration service started under the agreement.

March 1988 — A basic agreement on a system development service was concluded with Nomura Research Institute, Ltd.
A basic agreement on a system development service was concluded with Nomura Research Institute, Ltd. Systems integration and system outsourcing services started under the agreement.

December 1990 — HOKKAIDO CUBE SYSTEM INC., established.
HOKKAIDO CUBE SYSTEM INC. (currently a consolidated subsidiary) was established to strengthen business in the Tohoku and Hokkaido regions.

May 2005 — Capital and business partnership agreement concluded with System Create Co., Ltd.
A capital and business partnership agreement was concluded with System Create Co., Ltd. to expand the company's business operations.

March 2008 — CUBE SYSTEM VIETNAM Co., Ltd., established.
CUBE SYSTEM VIETNAM Co., Ltd. (currently a consolidated subsidiary) was established in Ho Chi Minh City, Socialist Republic of Vietnam.

July 2009 — CUBE SHENYA SYSTEM SHANGHAI Co., Ltd. (currently CUBE SYSTEM SHANGHAI Co., Ltd.), established.
CUBE SHENYA SYSTEM SHANGHAI Co., Ltd. (currently CUBE SYSTEM SHANGHAI Co., Ltd.) was established in Shanghai City, People's Republic of China.

August 2018 — Capital and business partnership agreement concluded with TRIPLEIZE CO., LTD.
A capital and business partnership agreement was concluded with TRIPLEIZE CO., LTD. for the development of new business and for business growth utilizing AI, IoT and blockchain technologies.

November 2020 — Partnership agreement concluded with Kinaxis Japan K.K.
A business partnership was formed with Kinaxis Japan K.K., the Japanese subsidiary of Kinaxis Inc. (TSX:KXS), to bolster support in the Asia-Pacific region.

February 2021 — Obtained a patent for our touchless payment service that uses an AI-based facial recognition system provided through the DX business.
The patent was granted for "a series of input system/program and methods to make payments by recognizing the face of the user and a specific payment gesture."

December 2022 — Capital and business partnership agreement concluded with Nomura Research Institute, Ltd.
Capital and business partnership agreement was concluded with Nomura Research Institute, Ltd., for reinforcement of long-term and continuous ties, expansion of business areas and improvement of the development organization and facilities.

June 2023 — Received Oracle Japan Award 2023
The company's contribution to the SI project utilizing the Oracle Cloud Infrastructure won recognition and led to an award as the Best Cloud Integrator Partner of the Year in the Oracle Japan Awards 2023.

Certification in management systems standards

Quality

March 2001	ISO9001 certification acquired.

Information security

December 2003	Certification was acquired under the information systems management system (ISMS) conformity assessment program and BS7799 standard.
February 2006	ISO/IEC27001 certification acquired.

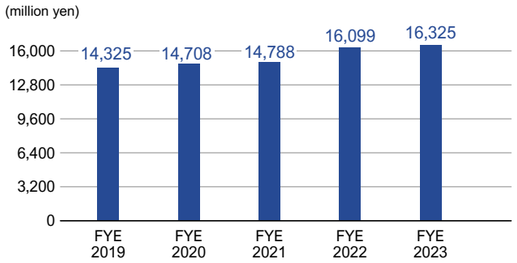
Environment

July 2005	ISO14001 certification acquired.

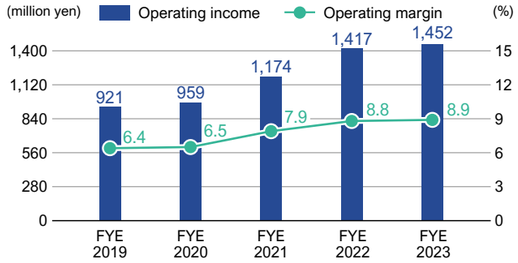
Financial and Non-Financial Highlights

Financial Highlights

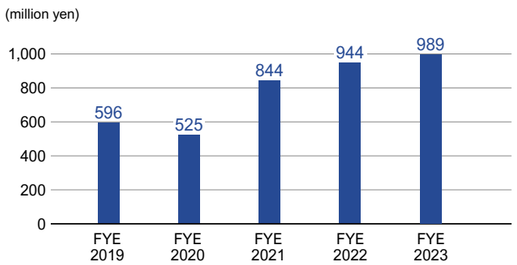
Net Sales



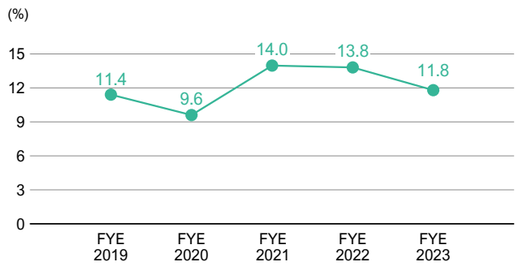
Operating Income/Operating Margin



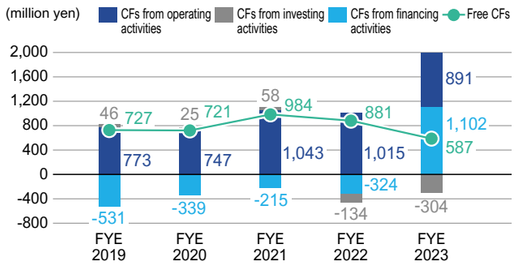
Current Net Income Belonging to Parent Company Stockholders



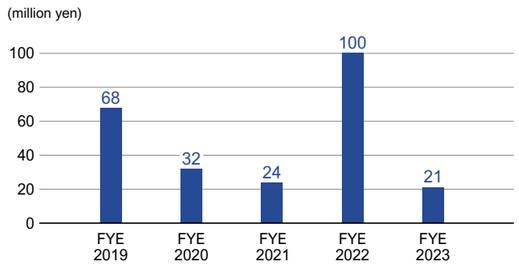
Return on Equity



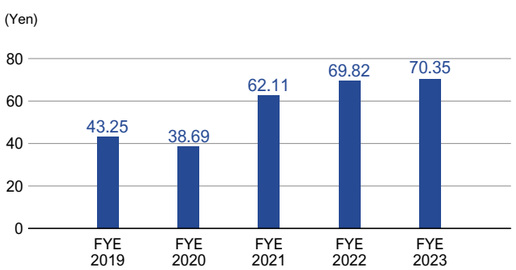
Cash Flows



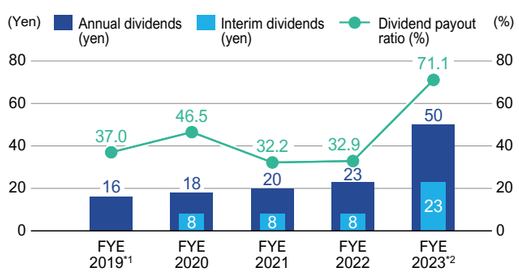
Research and Development Expenses



Earnings per Share (yen)



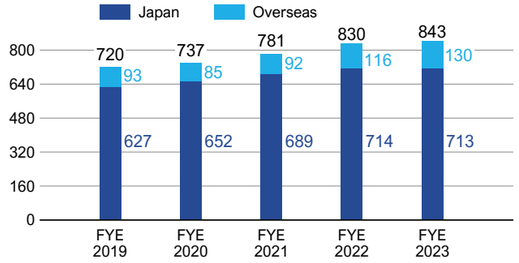
Dividends per Share/Dividend Payout Ratio



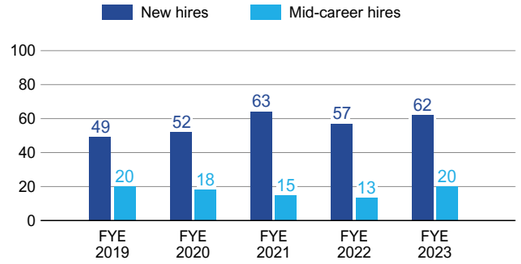
*1 Dividend payout at term end only
*2 Dividend and dividend payout ratio includes our 50th anniversary commemorative dividend of ¥24.

Non-Financial Highlights

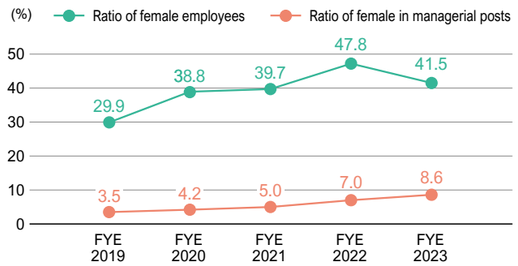
Number of Employees (Group Total/Japan/overseas)



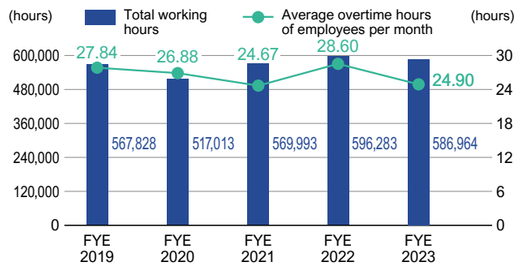
Employment (new hires and mid-career hires)



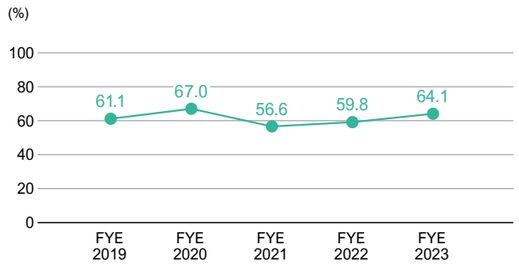
Ratio of Female Employee/Ratio of Female in Managerial Posts (non-consolidated)



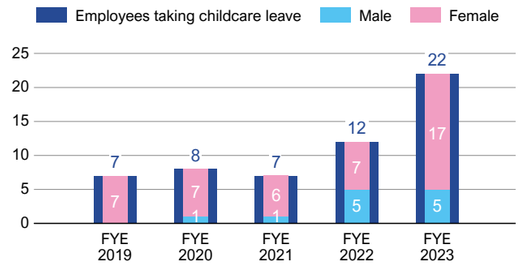
Total Working Hours/Average Overtime Hours of Employees per Month (non-consolidated)



Employees Taking Annual Paid Leave (non-consolidated)

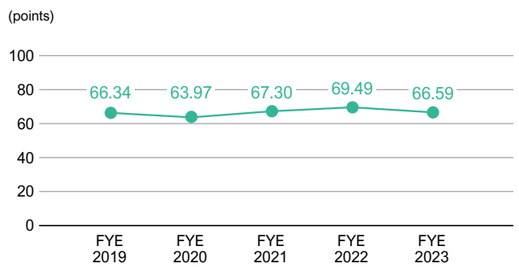


Employees Taking Childcare and Nursing Care Leave (non-consolidated)



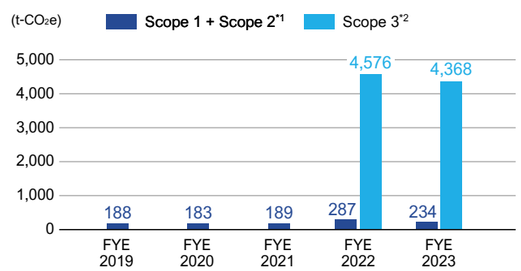
* No Employees Taking Nursing Care Leave during FYE2019 to FYE2023.

Customer Satisfaction



* Each evaluation point (quality, improvements of issues, comparison among competitors, etc.) is calculated to a 100-point maximum.

GHG Emissions



*1 Includes Osaki Wiz Tower (Tokyo Head Office) only before FYE2021. For FYE2022 and later, all group companies are covered. Emissions for FYE2022 have been revised.
*2 Calculation started from FYE2022.

We will commit challenges for sound and sustainable growth with no taboos in reform

中西雅洋

Masahiro Nakanishi

Representative Director
President & COO
CDO (Chief Digital Officer)

Effectiveness of business model reform reaffirmed in FY2022

The period of the First Medium-Term Management Plan (FY2021-FY2023) is positioned as “a time for new business reform,” focusing on building our business and management foundations. In FY2022, we could not catch up with changes timely in resources shift, resulting measures to reallocate business resources suffered a delay due to changes in the business environment of our SI Business clients, resulting in a slump in business performance in the first half. On the other hand, however, the solid performance of our Digital Business and System Enhancement Business, combined with activities that led to gaining a foothold in acquiring a large-scale SI business project, helped increase both sales and profits through the whole year. Yet we failed to achieve our initial targets in both sales and profits and uncovering issues in building a flexible development organization and facilities in our contract-type business. To assure stable and sustainable business growth, we understand that we must have capabilities to make use of our own initiative to get orders and improve our development organization and facilities. Now, in the final fiscal term of the Medium-Term Management Plan, we plan to build an optimum business portfolio, using appropriate measures to optimize our operations and promote business growth.

Achievements and issues in the three business models

In our Digital Business, we pursued collaboration with our customers in the area of consulting, in addition to the application of our proprietary Smile Share Products. We have also succeeded in increasing the number of orders, however small, by implementing planning-type proposals in direct business transactions with end users and winning business projects. Through these, we believe we are feeling positive responses toward dramatic growth in the Second Medium-Term Management Plan.

In the SI Business, we struggled to establish a solid system in dealing with robust demand, while allocating resources optimally in response to customer needs. Despite the business environment, we were able to deliver significant results in the areas of finance and insurance in FY2022. This was the result of our success in winning a large-scale project in FY2021 in the industrial sector in which we participated from the upstream process, earning customer reputation and subsequently leading to growth in orders. Utilizing the experience we gained in that project, we implemented large-scale projects facing the social issues we are trying to address. Although much time was needed to establish a development organization, we gained valuable experience as assets or legacy through groupwide action transcending divisional and site boundaries followed by acquiring know-how in creating high added value. We will utilize this know-how in the future to allocate and adjust resources with flexibility and to deal with a wider range of projects.

In our System Enhancement Business that forms the foundation for our business growth, we are steadily promoting our initiatives to increase our profits. We will continue to seek further improvements in profitability in the future and produce great results. A highly important point for FY2022 is our groupwide activities through the “Process Innovation Office.” Through inspection of the appropriateness of business processes and human resources for each project, we have made improvements as needed. We have achieved certain results, although in small steps. We find the functions of the “Process Innovation Office” working effectively through the changes in our employee awareness. We are convinced that it will lead to further efficiency and profitability in the future.

Further reinforcement of the business foundation

In December 2022, we concluded a capital and business partnership agreement with Nomura Research Institute, Ltd. (hereinafter, “NRI”), an important customer who has commissioned numerous business projects to date. As the mainstay of its business growth for 2030, NRI has spotlighted DX promotion, where greater sophistication and progress in its core areas are expected. We are expanding our business areas from our mainstay System Enhancement Business to the Digital and SI Business areas and have a number of areas where our partnership can be deepened. In view of these developments, we plan to expand and reinforce our development organization and bases, in addition to collaborating in business operations, and maximize our corporate value through greater synergy.

ROE, one of the key performance indicators (KPIs) under VISION 2026 (V2026), declined from 13.8% to 11.8%, due to a temporary rise in net assets resulting from finance arrangements through the agreement. We plan to improve our profitability and capital efficiency by establishing our development organization and acquiring new technology to achieve our target of 13.0% or higher.

Promoting measures to reinforce our management foundation focusing on four themes

Ever since I took office as company president in 2020, we have poured our efforts in the four areas of “human resources,” “quality,” “governance” and “DX promotion.” “Employees pursue their own ambitions and achieve business growth through planning-type business” as set out in V2026 corporate philosophy, I believe it is important for the functioning of these four areas to be strengthened and promoted organically, to blend with internal control and bold business activities that are adapted to environmental changes. Hence, the following measures have been implemented by FY2022 and have made solid progress.

Human resources To offer services that are adapted to our customers, we believe it is important not only to build the necessary human resources portfolio but also to build human resources for the future through acquisition of a wide range of knowledge and technology as well as conventional OJT programs. To propel and lead efforts in this direction, we have created the “Center for Future Human Resources Development.” Ten career field types were defined focusing on the types of human resources that are needed in our businesses. We have developed a training system for young engineers and other employees to acquire necessary skills while identifying their personal sense of a career direction. Through these system, we are promoting our efforts to improve employee skills and capabilities.

Quality One of our strengths is the perseverance our employees exhibit in difficult situations, examining all possibilities before taking action, and acting with a strong drive and sense of determination to work on the job until its completion. I am aware that it is important to take organizational action to consolidate the capabilities of individuals and exercise team power to maintain and further improve quality. We have been engaging in a variety of efforts related to project quality. However, we have set our eyes on creating a better quality management system and committed ourselves to improving the system framework to give greater visibility, sharing and response to project risks. In this way, we are now able to deliver the comprehensive quality and efficiency that will bring even more complete customer satisfaction. In particular, the “System Development Committee” leads this effort, assessing a wide range of project risks, including highly complex technologies, specialized business knowledge and security. We are ensuring the quality of our service through project management based on its action policy.

Governance To implement governance properly, it is essential to assure both dissemination and application of our management policy and vision and groupwide control. For our management policy to be widely understood, I hold the “Groupwide Meeting of Department Managers” to clearly define our management policy directions for our managers and raise our business promotion capabilities through alignment of our policy goals. Additionally, risks found in the company are examined and shared at the “Regular Business Control Meeting and Internal Control” and the “Integrated Risk Committee,” with corrective measures implemented accordingly. To maintain and enhance both efficacy and efficiency of internal control, the General Administration Office has been set up at each business division as a scheme for following up on on-site employees through day-to-day monitoring.

DX promotion The “DX Promotion Office” was newly organized because of the large number of our employees who are willing to tackle the application of new technologies. With this organization exercising the initiative, we plan to build orders for DX projects under our Digital Business. At the same time, we are examining the actions we should take next. I have become the Chief Digital Officer (CDO) for aggressively applying DX within our company and for proposing business innovations that use digital technologies and contribute to our customers' business growth. Our exclusively developed Smile Share Products were created for such efforts. We plan to enhance our technological resources further in the face of the continuing robust demand for our DX business and contribute to resolving social issues.

We will clearly define the scenario in which our business is connected to society so that we can grow into a corporation that is able to contribute to resolving social issues.

Pursuing employee wellbeing and maximizing corporate value

In recent years, “human capital management” has become a topic of great importance. Regarding this, I believe that human resources are an important corporate precious asset, and it is necessary to invest actively to improve human resources. I believe this will lead to a rise in the value of the asset and to greater accomplishments. We have been committed to human-centered management since our establishment. Additionally, we have focused our attention on wellbeing management, founded on sustainability management policy since FY2021. By wellbeing, I refer to the state in which employees are mentally and physically healthy, work with a sense of fulfillment in an appropriate environment and experience their own growth in their work. Employees will be able to share this joy and talk about it with pride to their families and friends. Reform is underway with these developments defined as the ideal state.

In terms of employee development, we plan to introduce a new personnel management system in FY2024, in addition to the efforts mentioned above, and to reform policies on employee evaluation, roles and duties and remuneration. The new personnel management system places emphasis on young people experiencing their own growth and middle management bearing responsibility for numerous tasks and duties, being granted remuneration appropriate for their respective performances and achievements. Another distinctive feature of the new system is clarification of the roles of organizational managers and specialists in terms of their respective career development.

The next step of the wellbeing management is expected to cover a wide range of work styles and diverse welfare benefits. Offering employees choices in “lifestyle” and “work style,” we plan to exercise management leadership that allows employees to contribute to society through software engineering.

Through these efforts to improve engagement and develop human capital, we will pursue growth for both our employees and the company followed by contributing to resolve social issues, so as to improve our corporate value.

Business opportunity in the trend of IT literacy rise

In our vision of the future, application of IT in our everyday lives is expected to grow. The deeper our customers get to understand both technology and application, the better we will be able to communicate with them by using the same level of knowledge. As this will lead to greater speed and accuracy in responding to customer requests and sharing detailed goals with our customers, we believe evolution of IT will further propel our own business activities.

Naturally it is essential that we respond to our customers with a deeper understanding of their businesses and industry trends if we want to be sure of capturing all business opportunities. Specifically, each employee

must revise their awareness of the customer's business and view business operations from the customer's perspective. In addition, employees must acquire the capability to present proposals through application of technology to create new business. Offering knowledge and technology related to systems and programs alone will simply sweep us away amid intense price competition in the near future. To prevent this, we need to create "our own unique" added value and become a presence that makes "our customers want to work with us." We believe we will be able to achieve sustainable growth by evolving into a company with "great brand value."

In future business developments, we are looking into growing direct business with end users. Until now, we have been strengthening collaborative ties with leading SIers. This area is vitally important for the stability of our business foundation and will be further reinforced. At the same time, we are planning to build another core business. This involves mobilizing our comprehensive

capabilities to offer solutions to issues and potential needs of our customers with showing a roadmap to resolving them. Knowledge and expertise gained in this manner are certain to be beneficial for work with the SIers that are our existing customers. We plan to take on bold challenges in new areas by generating such a positive spiral of growth.

Toward the Second Founding for the next phase of growth

Under the Sustainability Management Basic Policy, we plan to achieve improvement in our corporate value through the contributions each of our employees make to society through software engineering. This is the future of ideal company that I envision under V2026.

We regard FY2023 as the final development year in building our business and management foundations to achieve dramatic growth in the Medium-Term Management Plan. Our focus is especially on building a flexible development organization and facilities that we failed to address fully in FY2022. We will assign a director to be responsible for concentrating on this priority issue. Also, in the capital and business partnership with NRI, we hope to produce concrete results in FY2023.

In the Second Medium-Term Management Plan, we will continue to develop new business models. We are hoping that we may rediscover our strengths or create new business in the course of promoting the three business models, the priority measures under the current medium-term plan. The key is to continue tackling challenges with the focus on the future. We position these ongoing efforts as "the Second Founding" of our company, and we intend to pursue sustainable growth into the future.

Our job is to offer software to our customers. However, I personally think we are creating value that exceeds our mere products. I believe the value we present is "support for the growth of people and society through the power of IT and enrichment of people's lives."

"make CHANCE from CHANGE" This phrase represents our Corporate Code of Conduct — replacing the letter "G" in CHANGE to "C" to make CHANCE. This means removing the small "T" that forms part of the letter "G" —getting rid of "taboos" and thinking freely to create CHANCE. This way, we plan to unite all employees in a concerted effort and to take on challenges relentlessly while doing away with taboos to bring change in society.

Sustainability Management

CUBE SYSTEM Group believes it is important to contribute to society by connecting the resolution of social issues to its business.
Our Sustainability Management Basic Policy was established in November 2021 to promote Sustainable management that leads to an improved corporate value and resolution of social issues.

Sustainability Management Basic Policy

CUBE SYSTEM Group understands the responsibilities and roles it must fulfill for the development of society and works on improving its corporate value and resolving social issues with the business and community activities of each and every one of its employees.

Sound business management

- Achieve highly effective, transparent and reliable business management by sharing its empathy, thoughts and co-creation ideas with all of its stakeholders.

Compliance

- Execute its business activities with transparency, equity and integrity in compliance with social norms.

Respect for human rights

- Support international norms on human rights and respect for human rights in all its business activities.

Fair trade

- Reinforce its trust with business partners through free and equitable competition and fair trade.

Sustainable services

- Contribute to the growth of its clients' business and maximize client value.
- Provide services with originality, innovativeness and high added value.

Workplace that nurtures work fulfillment

- Build and develop workplaces where diverse employees are able to work with a sense of fulfillment, as well as sound mental and physical health, and where each employee can exert their own distinctive characteristics and capabilities to the full extent.

Contribution to local communities and society

- Contribute to the development of lively and comfortable local communities and societies.

Environmental preservation

- Practice environmentally friendly management through business activities to contribute to reducing the environmental impact and developing a sustainable society.

November 2021

Value Creation Model

Each of our employees contributes to society through our business activities with the aim of increasing our corporate value. The opinions from our stakeholders are reflected in our business management and we will disseminate our value creation model to achieve sustainable growth resolve social issues and contribute to SDGs.

Social Issues Customer needs

- Global warming
- Technological innovation
- Cyber security
- Falling birthrate and aging population
- IT literacy
- Deterioration of the social infrastructure
- Rise in natural disasters and terrorist acts

Implementation of the Corporate Philosophy

V2026 **All of our employees will contribute to society through our business activities to increase our corporate value.**

Employees think and act on their own initiative, pursuing their own ambitions and applying their own business mentality.
Achieve business growth through planning and contract-type business.

Materiality

1. Creating a future society through the DX business
2. Offering safe and secure systems using cloud technology
3. Contributing to client system improvement through software engineering
4. Solving social issues through business activities such as reinforcement and improvement of value creation platforms

INPUT *FYE2022

Human Capital p. 39

Professional human resources
Total number of employees (consolidated) ····· 843

Intellectual Capital p. 47

Growth investment for the future
····· 21 million yen
Smile Share Products
Strategic business partnership ····· 3

Manufacturing Capital p. 49

Our own standard framework for development, F@CE
Group Offices
Domestic: ····· 4
Affiliated Companies: ····· 3
(Hokkaido, Vietnam and China)

Social and Relationship Capital p. 51

Length of continuous business transactions (End Users)
More than 15 years ·· 11 companies
More than 10 years - 15 companies
More than 5 years ··· 19 companies

Natural Capital p. 52

Energy consumption (Electric power: kWh)
····· 450,306 kWh

Financial Capital p. 53

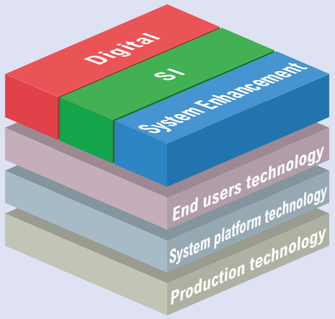
Solid financial foundation
Net assets ····· 9.6 billion yen

BUSINESS ACTIVITIES

V2026 Business Foundation

We offer services that our customers require through digital, SI (Lift & Shift) and systems enhancement as our business model.
In addition, we are implementing system development with the development method best suited to the business model offered and applicable technologies. Especially in our Systems Enhancement and SI Businesses, the waterfall model is employed for work at each development stage. In our Digital Business and part of our SI Business, the agile model development is adopted in implementing repeated proof of concept (PoC) when extending system functions.

Solution Services



Waterfall Model Development

Agile Model Development

V2026 Management Foundation

Corporate and Employee Code of Conduct

make CHANCE from CHANGE

Communication & Mutual Respect

Value Provided to Stakeholders

Customers
Promotion of DX business
Improvement of customer satisfaction

Shareholders/Investors
Realization of high capital efficiency
Enhancement of shareholder return measures

Employees
Active participation of diverse professionals
Implementation of well-being management

Business Partners
Promotion of collaboration and co-creation
Improvement of quality and productivity

Social
Sustainability management
Environmental awareness/response to climate change

OUTCOME

Creation of Financial Value (FYE2022)

<Business>
Net sales: ····· 16.3 billion yen
Operating income: ····· 1.4 billion yen
Operating margin: ····· 8.9%

<Productivity>
Net sales per capita: ····· 22 million yen

<Capital Efficiency>
ROE ····· 11.8%

<Returns to Shareholders>
Dividend payout ratio: ····· 71.1%

Creation of Non-Financial Value

Indicators		Vision for the future
Diversity promotion	Empowerment of women	Providing opportunities for diverse people to demonstrate their talents
	Gender gap in wages	
Workstyle reform	Work-life balance	Maintenance and improvement in work fulfillment and personal well-being
	Health and productivity management	
	Engagement	
Communication encouragement		Company fostering growth of both employees and organizations by sharing business vision
Human resources development		Active engagement by diverse human resources
Environment		Implementation of environmentally friendly management

* For targets and results for each KPI, please refer to page 27.

Contribution to SDGs

Realizing an affluent life for society, customers, and employees

Strengths of CUBE SYSTEM

We gain strength through implementing our Management Philosophy and Basic Policy, and maintain a corporate culture where our employees work together as one team. Based on this, we offer value to society through our business activities carried out by each of our employees, who act as “self-reliant business persons.”

Software Engineering Skills

- System enhancement know-how concerning system operation and maintenance to improve systems together with customers
- Offering services based on our accumulated knowledge that spans various industries and our advanced technical skills
- Dedication to quality, costs, and deadlines supported by technical skills
- Constructing systems utilizing our own standard development framework

Software engineering skills supported by technical skills

Technical Skills

- Actively investing in education to improve each and every employee skill
- Advanced technical support structure formed by a team of experts
- Solving customer problems utilizing advanced technical skills
- Diverse specialized career fields

A collection of self-reliant business persons (human resources)

- Diverse human resources that possess advanced skills (strengths)
- Decision making with understanding each employee’s duty

Business execution based on all accumulated skills

Execution Skills

- Perseverance to complete a job examining all possibilities in difficult situations
- Relentless pursuance (passion and belief) to satisfy customers, and create profit and value
- Team skills to work toward a single goal

Synthesis of “self-reliant business persons” solves customer problems to build a better society

Problem-solving skills supported by technical skills

Problem solving through software engineering skills

Problem-Solving Skills

- Engineering knowhow and skills with our customers’ businesses accumulated over the years
- Customer-oriented proposals by SEs working for their customer by themselves
- Company-wide support transcending divisional boundaries toward difficult problems

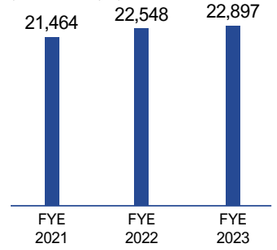
Create competitive advantages by developing new strengths

As a result of exerting “strengths”

Human resources who demonstrate high performance

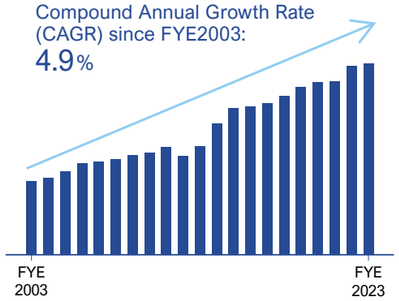
Sales per Person*

(Unit: thousand yen)



Organizational knowledge supported by abundant work record over many years in the system enhancement service

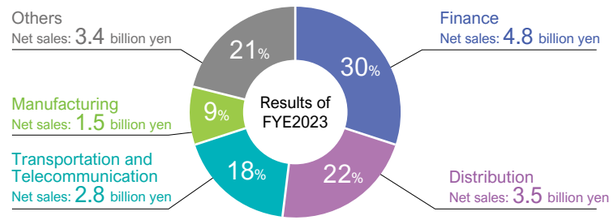
Compound Annual Growth Rate (CAGR) since FYE2003: 4.9%



* Calculated using the number of domestic employees

Client Base Spanning Various Industries

Net sales composition per industry



Business Models Offered to Major Industries

Industry	Distribution					Finance			Transportation and Telecommunication			Manufacturing		Others		
	GMS (General merchandise store)	Apparel companies	General trading	Home appliance retailers	Retailers and wholesalers	Banks	Insurance companies	Securities	Comprehensive telecommunications	Couriers	Mobile telecommunications	Construction machine manufacturers	Food manufacturers	Central government	Electric power	Education companies
Digital Business	●				●		●						●		●	●
SI Business	●	●	●	●	●	●				●	●		●	●	●	●
Enhancement Business	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

Robust customer base founded on long-term mutual trust

More than 15 years: 11 companies

More than 10 years: 15 companies

More than 5 years: 19 companies

Response to Major Risks and Opportunities

To identify important issues (materiality), we analyzed and evaluated our group's risks and opportunities posed by changes in the external environment.
We continue to assess risks and opportunities in order to reflect them on our efforts concerning the important issues (materiality) so that they can lead to the creation of new profitable business possibilities.

External factors	Opportunities	Risks
Global warming	● Increase in demand for energy-related services ● Shift to more power-efficient cloud systems	● Introduction of carbon tax ● Communication issues due to increase in remote working ● Decrease in evaluation from customers and investors for being unresponsive to climate change ● Extreme weather (damage from storms) ● Rise in average temperatures
Technological innovation	● Increasing need for DX technology ● Creating new business models	● Lowering competence from delaying adoption of new technologies ● Occurrence of a project creating a budget deficit ● Deadlines delays ● Failure in system operations ● Insufficient number of experts ● Unpredictable security incidents
Cyber security	● Increasing need for information security services	● Information leakage due to cyberattacks, etc. ● Human-made security incidents
Falling birthrate and aging population (decrease of working-age population)	● Active participation of diverse human resources ● Improving human resource system ● Active participation of senior-age employees	● Insufficient IT human resources ● Brain drain (IT engineers) ● Productivity decrease due to lack of human resources ● Increase in costs to secure human resources
IT literacy	● Creating competent services utilizing IT experts ● Securing diverse human resources ● Creating IT education opportunities in society	● Insufficient IT human resources ● Insufficient development of IT experts ● Difficulty in offering services due to lack of human resources
Deterioration of the social infrastructure	● Increasing need for renewal of existing systems ● Development of smart cities utilizing DX technologies	● Failure or suspension of systems provided by us ● Unstable operations of systems
Rise in natural disasters and terrorist acts	● Increasing need for transfer to the cloud environment ● Increasing need for multiple production sites	● Suspension of service due to physical damage to production sites ● Decrease in safety and productivity of employees ● Decrease in customers due to business activity suspension

CUBE SYSTEM's materiality	Related efforts
1 Creating a future society through DX business	● Consideration for the global environment p. 52 ● Endorsement of the TCFD p. 52
2 Offering safe and secure systems using cloud technology	● Developing DX human resources p. 42 ● Developing AI human resources p. 42 ● Implementing quality management p. 50 ● Reinforcing information security p. 35 ● Investment in research and development p. 47 ● Promoting measures to reinforce collaborations with customers p. 51
	● Reinforcing information security p. 35
3 Contributing to client systems through software engineering	● Setting career fields that clarify directions and goals for employees to aim at p. 40 ● Building a new human resource system p. 45 ● Promoting human resource development p. 39
4 Solving social issues through business activities, such as reinforcement and improvement of value creation platforms	● Implementing quality management p. 50 ● Developing DX human resources p. 42
	● Reinforcing risk management p. 33 ● Enhancing production sites p. 50 ● Utilizing offshore system enhancement services p. 50

Relationship with Stakeholders

We are engaged with a variety of stakeholders through our business.
We place importance on offering appropriate values to our stakeholders to achieve the sustainable growth of our company.

Stakeholder	Value to offer	Major efforts
Clients All clients to whom we offer system solution services	● High-quality services ● Promoting DX business ● Improving customer satisfaction ● Building well-organized development organization and facilities ● Advanced technical skills ● Maintain stable management foundation	● Promoting quality control p. 49 ● Utilizing F@CE DX p. 50 ● Promoting research and development p. 48 ● Utilizing enhancement services and offshore services p. 50 ● Developing professional IT human resources p. 41 ● Developing DX human resources p. 42 ● Customer satisfaction survey p. 51 ● Efforts to reinforce solid client base • Formed capital and business partnership agreement with Nomura Research Institute, Ltd. (December 2022) • Concluded a service agreement with Fujitsu Limited (June 1984)
Shareholders and investors Shareholders, individual and institutional investors	● Maintain and improve sound and secure financial structure ● Stable dividends ● Sustainable growth ● Sufficient dialogue opportunities	● Establishing financial policy p. 53 ● Implementing dividend policy p. 54 ● IR activities • Financial results briefings We hold financial results briefings for institutional investors at the end of each second quarter and at the year-end settlement • IR meetings We hold a one-on-one IR meeting when requested by institutional investors • Seminars for individual investors We participated in a web seminar for individual investors hosted by Nomura Investor Relations Co., Ltd. in October 2022. In February 2023, we held an online corporate information session for individual investors through SBI Securities Co., Ltd. to explain our business contents, strengths, growth strategies, shareholder returns, etc. • Letters to shareholders
Business Partners All partner companies who work together on our projects	● Stable orders ● Partnerships in advanced projects ● Develop partner companies' employees ● Maintain healthy relationships	● Business plan briefings for business partners These briefings promote understanding of our business and reinforce our relationships, and include topics such as business results in the previous quarters, organizational structure for the current quarter, business market prospects, business plan by DX Promotion Office, Solution Business Divisions, etc., and updates on business partnerships. ● Capital and business partnership agreements • System Create Co., Ltd. This agreement was concluded in May 2005 to improve and streamline business management methods concerning business channel expansion, quality and technology improvement, information security management, human resource development programs, etc. • TRIPLEIZE CO., LTD. This agreement was concluded in August 2018 to expand existing businesses and create new ones, as well as promoting development of experts in AI, IoT, and blockchain technologies. ● Information sharing meetings We host technology study sessions for business partners. ● Partner hotline established We established a partner hotline for business partners to report any doubts concerning business conduct. Upon receiving a report, the Partner Promotion Office conducts a factual investigation involving the relevant parties. If an issue is confirmed, then it is passed on the Management Committee and any necessary measures are taken.
Society An IT society that utilizes our system solution services etc.	● Contribution to community activities ● Developing next-generation human resources ● Addressing environmental problems and climate change ● Offering safe and secure systems ● Robust security	● Promoting quality management p. 49 ● Reinforcing information security p. 35 ● Developing professional IT human resources p. 41 ● Developing DX human resources p. 42 ● Consideration for the global environment p. 52 ● Endorsement of the TCFD p. 52 ● Developing the next generation human resources Since 2016, we have been sponsoring Free lecture donations in Toyo University. Our lectures are designed to develop human resources who can solve issues related to "communities, information, and energy," and contribute to globalization and local communities. We also work to develop the next generation of IT professionals by offering a One-day Internship program to experience the role of a system engineer. ● Contribution to local communities Endorsing corporate efforts to contribute to communities, we participate in community clean-ups and offer workplace experience. In fiscal 2023, we participated in "Company Information Session and On-site Work Experience" held by a local junior high school where our system engineers explained about their work.
Employees Our employees and their families	● Offering opportunities for self-development ● Corporate culture in which the company and individuals can share affluence ● Better workplace environment for employees ● Developing human resources ● Health and productivity management ● Diverse workstyles ● Gratitude to employees' families	● Promoting Human Resource Development p. 39 ● Health and Productivity Management p. 44 ● Building a Next-Generation HR System p. 45 ● Promoting Women in the Workplace p. 43 ● Establishing a Business Support Team p. 43 ● Thanksgiving Day We regularly hold "Thanksgiving Day (Family Day)" to express gratitude to our employees' families who support the employees and to gain their understanding about our workplace environment.

Important Issues to Be Addressed by Sustainable Management

To promote sustainable management, we identified the materiality on which we need to focus.
By promoting our business to resolve these social issues and meet customer needs, we plan to increase our corporate value and contribute to building a sustainable society.

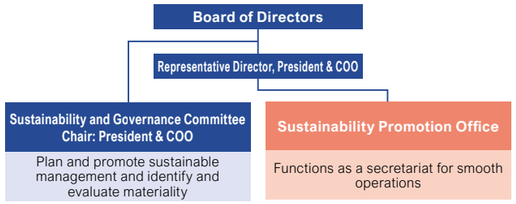
CUBE SYSTEM Group's Sustainable Management

Social life has changed significantly and so has people's demand for products and services. Companies that provide such products and services are now working hard to reform their businesses and processes through DX. We support these companies' DX utilizing our advanced software engineering skills. We pursue our sustainable management by regarding social issues that customers face as a business opportunity.

Sustainability Promotion Structure

We established the Sustainability and Governance Committee, chaired by the President & COO, in order to drive forward our sustainable management. The business management system is established with this Committee.

Sustainability Promotion Structure



Contribution to SDGs

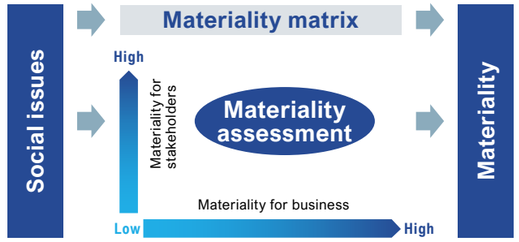
Building a sustainable society as the aim through achieving SDGs is closely related to practicing our management philosophy.

We will contribute to achieving SDGs by creating and offering high value-added IT services not only to customers, but also to customers' individual stakeholders and to society as a whole.

Important Issues Addressed by Sustainable Management

We identified the important issues to be addressed by our sustainable management through which we practice our Management Philosophy and achieve our Medium-to Long-Term Management Vision.

Important Issue Analysis



Important Issue Identification Process

STEP 1 Materiality assessment from the stakeholders' viewpoint

(1) Regarding 169 SDGs as social issues that we should address and assess their materiality to us.
(2) Taking the assessment items listed in the FTSE and DJSI rankings as external stakeholders' viewpoints, we weighed the materiality of the 169 SDGs to stakeholders as social issues.

STEP 2 Materiality assessment from our viewpoint

To understand the materiality to us, we weighed the 169 SDGs as we did in STEP 1 based on the services we provide and the Medium- to Long-Term Management Vision.

STEP 3 Mapping

We mapped the points obtained in STEPS 1 and 2 in the above matrix to identify the important issues.

STEP 4 Determination in the Sustainability and Governance Committee

The Sustainability and Governance Committee discussed the results and determined the important issues.

Important Issues to be Addressed by Sustainability Management

Materiality to be Addressed

1 Creating a future society through DX business

While IT is rapidly advancing, we are aware of the need to utilize such technologies safely and effectively through novel perspectives. We are offering various IT solutions to society, such as by building a new business model utilizing DX technology to establish a convenient and comfortable society.

Materiality

Contribute to development of customers' business through innovative businesses and services working together with customers and business partners.

- Promote Smile Share Products
- Promote IP conversion and product conversion
- Promote joint consultation business and exclusive SI business

Major Efforts in FY2022

<DX business>

- Smile Share Products
  Promoting research and development of a system that visualizes and enhances communications among employees by running the system internally.
- Promote IP conversion and product conversion
  Sustainably improve corporate value (by visualizing non-financial value) and work to build a "new accounting system" that contributes to appropriate and prompt business decision making.

2 Offering safe and secure systems using cloud technology

Against the backdrop of emerging risks, along with on-going changes in society, such as cyberattacks on data servers and recurring natural disasters, there is an increasing demand for system security. We aim to establish a safe and secure society by offering systems based on multi-cloud and micro services.

Materiality

Provide platforms to run businesses with higher reliability to contribute to quality improvement of business activities.

- Provide new services based on multi-cloud and micro services
- Provide system security through collaboration with cloud vendors
- Provide new services through product consultation and reforming system operation models

Major Efforts in FY2022

<Cloud technology>

- Address customers' DX needs (material business issues) through building "micro service-based" cloud systems.
- Collaborate with cloud vendors to build more reliable systems with better quality. Actively train DX engineers who can work with vendors.
- Surveying and assessing SaaS-related technologies and developing solutions that can be adopted into our services.

3 Contributing to client system improvement through software engineering

Improvement and streamlining of continuously running systems are necessary to respond to changes in our customers' businesses and internal environments. We aim not only to contribute to our customers' systems through our software engineering, but also to offer convenience and comfort to people and society beyond.

Materiality

Contribute to maintaining, improving, and streamlining client system operations through our software engineering expertise.

- Pursue high productivity and high added-value

Major Efforts in FY2022

<System Enhancement>

- Promote three business measures: "New enhance business models;" "improve our corporate added-value by enhancing their profitability;" and "improve our productivity by enlarging our service coverage."
- Contribute especially with new enhance business models by enabling "multitasking," "automation," and "utilization of overseas resources," to maintain, improve, and streamline client system operation.

4 Solving social issues through business activities such as reinforcement and improvement of value creation platforms

We contribute to resolving social issues such as population aging, deteriorating social infrastructure, and climate change by nurturing "human resources," "quality," and "partner collaboration," which are the platform of our value creation.

Materiality

We provide safe and secure high-quality services through a sound supply chain. We also maintain transparent corporate governance by practicing the spirit of diversity and inclusion, and employing and training diverse professional human resources.

- Improve quality and productivity through closer collaboration with business partners
- Improve quality in projects and development processes
- Constantly develop human resources and support for career development in various fields
- Reform working styles to enable active participation by diverse human resources
- Reinforce corporate governance, maintain sound compliance, reinforce information security measures, and minimize environmental impact

Major Efforts in FY2022

<Platforms>

- Reinforce collaboration with business partners (selection and concentration)
- Improve the system development meeting and improve project quality by reinforcing the functions of the Project Management Office (PMO)
- Human resources development (career field definition and training curriculum revision and promotion)
- Climate change countermeasures (response to TCFD)
- Reorganize the working environment and improve working hours and contents

Indirect contribution through important issues 1 to 3

History of Our Medium- to Long-Term Management Vision

V2020 (FY2012-2020)

- To aim at becoming a company recognized as the best partner for our customers
- To build a corporate culture that drives growth both for our employees and the company (individuals and organization)

1st STEP | First Medium-Term Management Plan (FY2012–2014)

Enhancing our strengths

Business Policy

Build a management platform that achieves double-digit sales growth, sustainable profits and raises corporate value.

Management Indicators

Net sales	12 billion yen (Target)	12.5 billion yen (Final fiscal year)
Operating margin	7.5% (Target)	7.7% (Final fiscal year)

Priority Measures

<Enhancing the strengths of our existing businesses>
- Introduce a head office system with industry focus.
- Raise the level of our System Enhancement Business and create SEs for the field.

<Establishing a system capable of handling large-scale SI projects>
- Develop and secure human resources capable of executing SI business.
- Reinforce project management function.

<Reinforcing our capability to respond to changes in market environments and customer needs>
- Reinforce and expand overseas business (in China & Vietnam).
- Strengthen competitiveness by investing in advanced technologies.

Results and Issues

<Outcome>
Create a new quality management organization for building a system capable of large-scale SI projects and improve project control capabilities.

<Issues>
- Transition away from the person-month type business.
- Build own competitive development capabilities.
- Expand and improve business partners/ overseas subsidiaries.

2nd STEP | Second Medium-Term Management Plan (FY2015–2017)

Starting up SI Business

Boldly tackle the challenge of reforming the corporate culture and achieve the top performance in the industry.

Net sales	15 billion yen (Target)	13.5 billion yen (Final fiscal year)
Operating margin	More than 9% (Target)	6.3% (Final fiscal year)

<Expanding core businesses and creating new businesses>
- Strengthen accounts strategy.
- Develop the SI business.
- Develop new businesses.

<Reinforcing technical capabilities/ Aggressive investment>
- Comprehensive action to assure quality and productivity
- Enhance competitiveness through R&D.
- Reinforce collaboration among industrial, public and academic sectors.

<Strengthening management foundation>
- Workstyle reform
- Reinforce governance
- Develop CUBE SYSTEM's uniqueness.

<Outcome>
Aggressively engage in business model reform and develop new businesses, including cultivating new projects and customers as challenges for the SI business.

<Issues>
- Cultivate new customers.
- Further improve quality and productivity.

3rd STEP | Third Medium-Term Management Plan (FY2018–2020)

Creation of a services menu

Expand our SI solution services and at the same time contribute to developing our customers' businesses and maximizing customer value by creating new service menus and service businesses.

Net sales	18.5 billion yen (Target)	14.7 billion yen (Final fiscal year)
Operating margin	9.6% (Target)	7.9% (Final fiscal year)

<Domestic business/Overseas business>
- Strengthen profit base by reforming the business model.
- Use our strengths to expand business into new growth areas.
- Global business operations with a focus on Asia

<New business development/ Technology investment>
- Create optimized services offering originality, innovativeness and high added value through aggressive investment in technology.

<Strengthening management foundation>
- Improve customer satisfaction by reforming our business processes.
- Reinforce governance functions that promote growth.

<Outcome>
Expand into new growth areas and focus on business model reform and growth of overseas businesses.

<Issues>
- Secure human resources.
- Expand into new areas.
- Create an original service menu.
- Develop and manage career paths.

V2026 (FY2021-2026)

All of our employees will contribute to society through our business activities to increase our corporate value.

First Medium-Term Management Plan (FY2021-2023)

Development of Management and Business Foundation
Time for New Business Reform

Employees think and act on their own initiative, pursuing their own ambitions and applying their own business mentality.
Achieve business growth through planning and contract-type business.

Net sales	Operating margin	ROE
19 billion yen	9%	More than 13%

Second Medium-Term Management Plan (FY2024-2026)

Reform to lead to achievements and **accelerated growth**

Business Model Direction and Initiatives

Digital Business

Tackling totally new approaches
- Planning-type approach
- Investment through alliance with others

- Execution of business reform themes through collaborations in consulting
- Development and implementation of new business model utilizing digital technologies

SI Business (Lift & Shift)

Growth in business share through the two approaches and strength
- Large-scale Achievement through partnership with SIers
- Medium and small scale Proposal of solutions

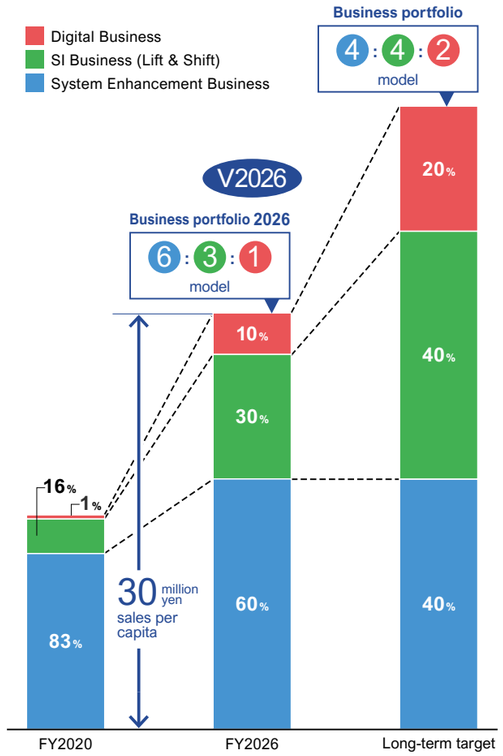
- Active promotion of proposals in cloud integration projects
- Utilization of our own agile model development
- Development/implementation of new systems operation model

System Enhancement Business

Development and implementation of new systems enhancement model
- Aggressive pursuit of higher level of productivity and high added value (higher profitability)

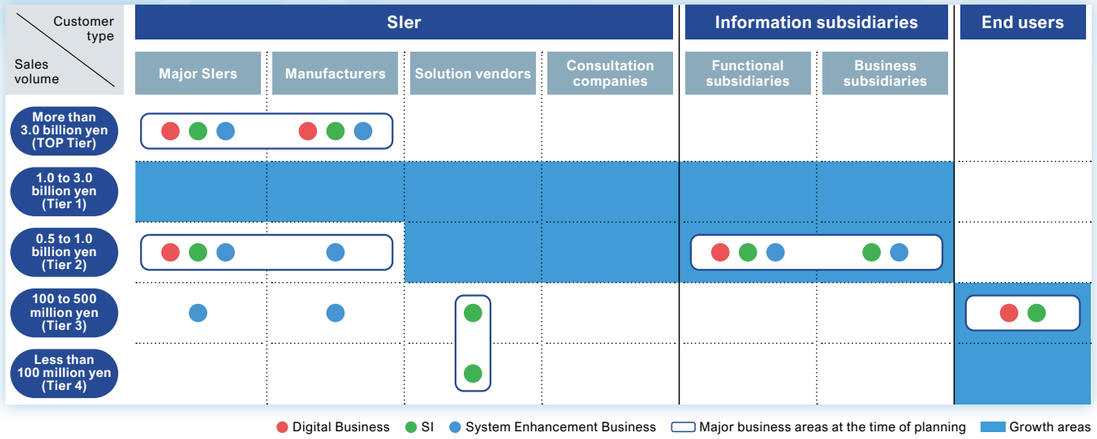
- Wider scope of enhancement for core business and information systems
- Aggressive proposal of process reform and derivative development
- Greater productivity through higher quality and efficient resource utilization

Image of Net Sales by Business Model

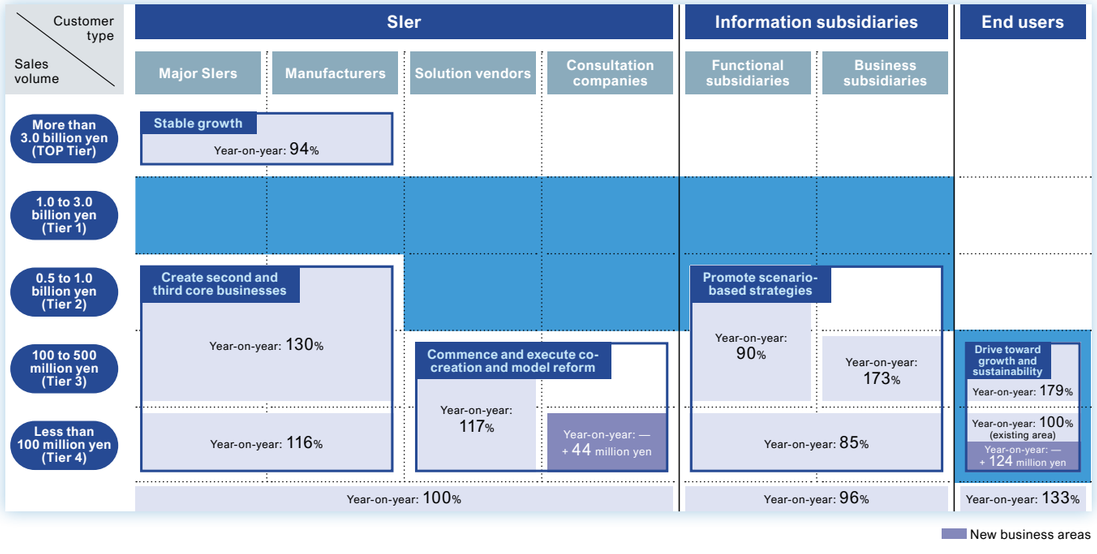


VISION 2026
First Medium-Term Management Plan
(FY2021-2023)

Business Portfolio by Customer's Businesses



FY2022 Results and Business Expansion Policy



The above figure shows our growth plan with a focus on customer acquisitions and business areas upon establishing the V2026 business strategy. To expand our sales in the future, we believe that we need to increase sales per customer. We have been working to increase our Tier 1 customers—with whom we have sales of around a billion yen—utilizing our knowhow gained through working with Top Tier customers. In FY2022, we expanded our business with the aim of establishing second and third core businesses in the SIer field, and we have made good progress in acquiring Tier 1 customers (customers with a billion yen class sales). We believe that it is important to accelerate sales for different types of customers to maintain stable growth.

Digital Business

Kenichiro Iida
Executive Managing Officer

▶ FY2022 topics

Our exclusive applications—Smile Share Products (p. 47)—which had been tested internally, were accepted for a field trial in the Nomura Research Institute Employees Union. This trial helped us gain operational know-how and promote initiatives to resolve operational issues. We also expanded the F@CE DX (p. 50), a high-speed system development platform for DX, and the generated results were used to expand our planning-type SI Business for end users.

▶ Priority measures for the future

We continue promoting Smile Share Products, our consultation service—an integration of our know-how—and conversion to IP (intellectual property). We plan to establish a development structure seamlessly associated with our consulting service for major SIers. We also plan to enhance and utilize F@CE DX functions and further promote the high-speed system development service for end users. Through this service, we intend to expand our sales and profits, and thereby improve our brand value.

SI Business (Lift & Shift)

Koji Aihara
Executive Officer

▶ FY2022 topics

In FY2022, we focused on providing systems that are based on cloud microservices and conversion of existing systems to new operational models. This helped us accumulate the development know-how and train employees toward further expansion of the microservices business. We saw some delays in infrastructure building and resource reallocation resulting in the plan being unfulfilled. However, the number of orders received, the number of newly acquired clients, and the number of employees who obtained cloud-related qualifications have increased.

▶ Priority measures for the future

A variety of companies are currently keen to adopt cloud technologies and cloud-based platform solutions. To seize this opportunity to grow our business while social demand is extremely high, we must ensure that our service proposals, utilizing our strengths and SI business know-how, lead to orders from customers. We plan to direct our focus on human resource development more than ever before, in order to develop our employees to become truly professional cloud experts. To further drive our business growth, we continue offering high productivity and new system development solutions utilizing our skills to convert systems into cloud systems and microservices.

System Enhancement Business

Satoshi Yoneda
Executive Officer

▶ FY2022 topics

Aiming to build and implement a new business model of system enhancement, we are currently optimizing resources through group collaboration and rationalization of business partners. We are also expanding our business scale and profitability by building our own system development and operation platform. In FY2022, we improved our profitability by extending our business through a transfer of our accumulated business know-how and customer relationships to other business models, and optimizing and streamlining resource utilization.

▶ Priority measures for the future

We continue to focus on building and implementing a new business model of system enhancement that will serve as a driver for the next stage of our growth. We plan to achieve this by continuing our optimization, rationalization, and efficiency improvement of resources to improve our business toward a higher level, while at the same time expanding the scope of business. We also plan to establish a wider network of nearshore and offshore partners across Asian countries to build a stable and high-quality production ability that will serve over the long term, uniting our groupwide efforts.

VISION 2026

First Medium-Term Management Plan (FY2021-2023)

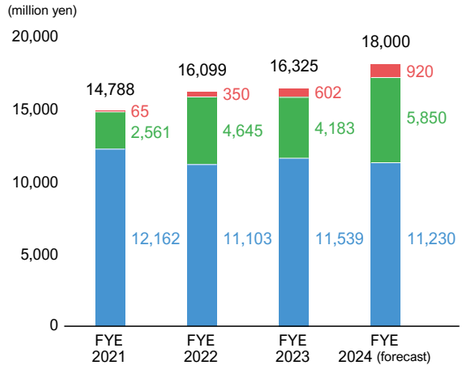
Key Performance Indicators

			Key Performance Indicators (KPIs)	Results as of FYE2023	First Medium-Term Management Plan	Medium/long-term business direction
Financial	Capital efficiency		ROE (FY2020: 14.0%)	11.8%	Maintained continuously at 13.0% or higher	
	Productivity		Net sales per capita (FY2020: 21 million yen)	22.8 million yen	23 million yen	30 million yen
	Business model reform		Ratio in net sales	SI Business +1.6 billion yen (over FY2020 level)	SI Business +3.3 billion yen (over FY2020 level)	Digital Business +2 billion yen (over FY2023 level)
	Growth potential		Net sales CAGR	5.1%*1	Approx. 8%	Approx. 9%
	Profit indicator		Operating margin (FY2020: 7.9%)	8.9%	9%	Approx. 10%
					Target sales ratio of Enhancement, SI and Digital to be 6:3:1.	
					Implement measures for continual improvement in profitability and productivity	
Non-financial	Diversity promotion	Empowerment of women	Ratio of female employees in manager posts	9.0%*5	10%	Empowerment of women, contribution to persons with disabilities, response to LGBTQ
			Ratio of women among section managers (JP-A class)	18.4%	20%	
			Ratio of women among JP-A promotion applicants	22.2%	25%	
		Gender gap in wages	All workers	77.9%	No gender gap within the same job class, therefore the gap must be corrected by empowerment of women.	
			Regular workers	82.5%		
			Part-time/temporary workers	73.5%		
	Workstyle reform	Work-life balance	Overtime hours (monthly average)*2	31 h	25 h	Work fulfillment, mental & physical health, absenteeism, health and productivity management
			Ratio of employees taking annual paid leave	64.1%	70%	
			Ratio of male employees taking childcare leave	35.7%	50%	
		Health and productivity management	Education and encouragement of all employees for health	—	—	
			Ratio of highly-stressed employees	14.4%	10%	
		Engagement	Ratio of employees with work fulfillment	40.0%	60%	
	Communication encouragement		Smile Share Products usage rate (usage rate of InoPay*3)	60%	80%	Improving wellbeing by our Smile Share Products
	Human resources development		Ratio of employees taking IT skills training	91%	100%	Active participation of diverse professional human resources
			Promoting qualifications (Applied IT/AWS/Oracle Cloud)*4	21% / 1% / 2%	Year-on-year increase	
			Days of education/training per person (including self-development programs)	2.9 days	12 days	
	Environment		GHG emissions targets (Scope 1, 2, 3) (base year: FY2021)	Scope 1 & 2: 234 t-CO_2, Scope 3: 4,368 t-CO_2	Scope 1,2: 263 t-CO_2, Scope 3: 4,348 t-CO_2	By 2030 Scope 1 & 2: 4.2% reduction

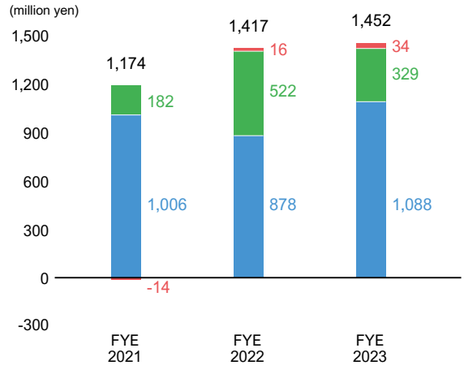
*1 The figures for FYE2023 are a year-on-year comparison to total sales for FYE2021. *2 Calculated hours beyond specified working hours (7.5 hours). The figure is an average for all employees, including exempt employees and managers. *3 Usage rate of InoPay (an in-house virtual currency payment system, including mini apps) *4 Applied Information Technology Engineer Examination (AP), Amazon Web Service (AWS) Certification (Professional level), and Oracle Cloud Infrastructure Certifications. *5 Excluding those who retired as of March 31, 2023, and including those who are to be promoted on April 1 of the following fiscal year.

Business Performance

Net sales



Operating income



Focuses for FY2023

To expand our business toward the future, it is important to further improve our productivity and identify the business seeds that would potentially form new business foundation. For this purpose, our focus in FY2023 will be “business promotion,” “expansion of development organization and facilities,” and “management plan.” As a part of the expansion of development organization and facilities, we will further strengthen collaboration with business partners, alongside human resource development, to secure the quality of our products and services.

Business promotion

- Capital and business partnership agreement with Nomura Research Institute Ltd.
- Tier strategy
- Reinforcement of groupwide function (each business model)

Expansion of development organization and facilities

- Human resources strategy (recruitment, development, engagement)
- Partnership
- Quality improvement

Management plan

- Financial strategy
- R&D strategy (investment)

Collaboration and cooperation with Nomura Research Institute Ltd.

On December 8, 2022, Nomura Research Institute Ltd. and CUBE SYSTEM concluded a capital and business partnership agreement. This agreement covers collaboration in seven areas that promise a long-term and continuous partnership, expansion of business areas and so on. Making the best of the synergy generated by the two companies, we aim at sustainable growth through value creation by offering solutions for diverse social issues and further enhancement of services for customers.

Major partnership items

1. Strengthening long-term and continuous partnership concerning commissioned work undertaken by the two companies
2. Expanding the business areas of the two companies’ commissioned work
3. Expanding use of nearshore etc. production sites
4. Expansion of development organization and facilities
5. Human resource exchanges
6. Organizing and operating the business collaboration structure
7. Any items discussed separately and agreed other than the above

Corporate Governance

The CUBE SYSTEM Group pursues the advancement of its corporate value through assurance of equity and transparency in business management and response to the expectations of its stakeholders by continual reinforcement of corporate governance.

Basic Approach

We believe that improvement to corporate governance is an important issue in fair and efficient business management and continuing to provide solutions and services that satisfy our customers. For this purpose, we are directing our efforts to the development of a business management system that ensures precise and transparent decision-making, swift business execution and proper and appropriate supervision and monitoring. At the same time, actions are taken to assure that our officers and employees comply with laws and regulations. Furthermore, our basic policy is to continuously improve corporate value to meet the expectations of our shareholders, customers and other stakeholders.

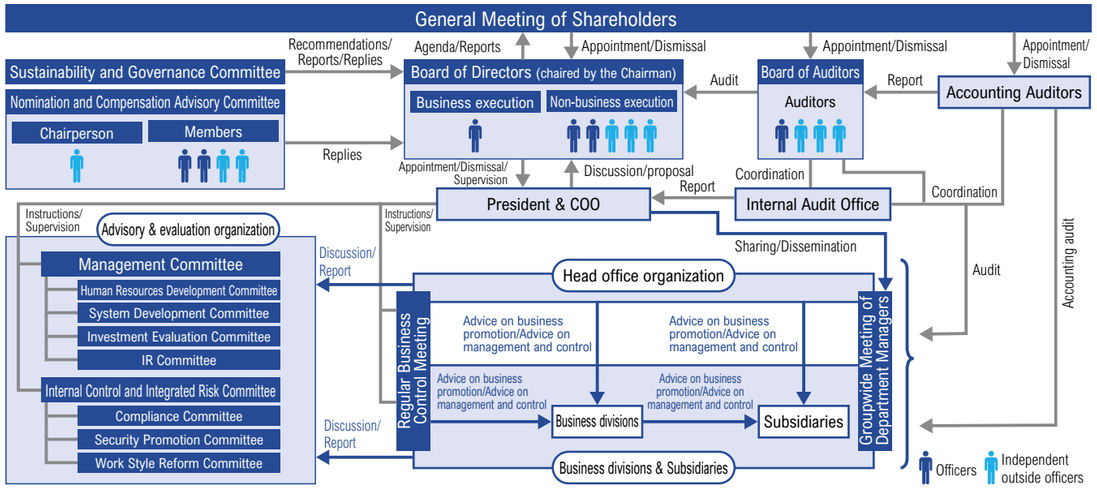
The Reasons for the Current Corporate Governance Structure

We are managing with a board of auditors which supervises our business management. At the same time, we have an executive officer system in which the directors are responsible for business decision-making and supervision and our executive officers are responsible for business execution. The auditors, who are more than half outside auditors, provide advice and recommendations from specialized perspectives at important management meetings and are promoting improvements to the business monitoring function. We have adopted the existing corporate governance structure to build a highly transparent and equitable management system by our outside directors and outside auditors with a high level of independence.

Board of Directors

Through efficient and practical corporate governance, the Board of Directors is responsible for our sustainable growth and corporate value improvement, and realization of the medium- to long-term increase in common interests of shareholders. The Board of Directors exercises its supervisory function and makes its optimal decisions based upon ethical judgement. The Board of Directors consists of six directors, of which three are independent outside directors, and is chaired by the Representative Director & Chairman. In addition to the monthly meeting of the Board of Directors, extraordinary meetings are held as needed to make decisions on important management issues and at the same time supervise business execution by each executive officer. In addition, independent directors are appointed to strengthen its supervisory function from a neutral and external perspective and ensure transparency and equity in business management.

Corporate Governance Structure (As of June 23, 2023)



Board of Auditors

The auditors audit the state of business execution and governance from a neutral standpoint and audit the business performance of the directors, participating in important meetings of the Board of Directors and Management Committee, etc. and investigating the status of our business operations and assets. The board of auditors consists of three full-time auditors and one part-time auditor. More than half are outside auditors. The Board of Auditors comprises three fulltime outside auditors. Through their audits, they provide appropriate opinions from various viewpoints to ensure our sustainable growth and the medium- to long-term improvement of corporate value.

Evaluation of the Functionality of the Board of Directors

To improve the functioning of the Board of Directors, we review evaluations of and opinions on the operation of the Board. Then we analyze and evaluate the functionality of the Board. Under the instructions of the Sustainability and Governance Committee, the voluntary advisory organ of the Board of Directors, the Secretariat of the Committee interviews all directors. After evaluating and analyzing the interviews, the secretariat discusses the evaluation, proposes measures to improve the functionality of the Board of Directors and gives the Board advice and recommendations. For FYE2023, all of the interview items were evaluated to confirm to be generally executed appropriately, assuring the functionality of the Board.

Executive Compensation

Basic policy

We pursue continual growth and improvement of our corporate value as an IT business by providing our customers, shareholders and other stakeholders with new value and a high level of technical capability and creativity. Our executive compensation is aimed at securing the outstanding management talent necessary for this purpose and to function effectively as an incentive in achieving the anticipated results.

Compensation decision-making process

Compensation for directors is deliberated on by the Nomination and Compensation Advisory Committee, taking comprehensive account of each director's level of responsibility for our management and the progress of the Medium-Term Management Plan. In response to the Committee's proposals, the Board of Directors determines the compensation within the limits specified at the shareholders' meeting. A director's compensation comprises basic compensation, with stock options as retirement compensation. An auditor's compensation comprises basic compensation only, and is determined by the Board of Auditors within the limits specified at the shareholders' meeting.

Compensation standards

Executive compensation is decided based on the general economic and social conditions, compensation levels at competing businesses, balance with employee compensation, the level of our business performance, etc.

Fixed Compensation

a. Basic compensation (for directors)

Basic compensation is paid for the role and responsibilities of each officers and is decided on the officer's business performance, the number of years in office and expected value, in balance with compensation levels at competing businesses and for other directors. 1/12 of the annual compensation is paid on a monthly basis.

b. Equity compensation issued on resignation from office (for directors other than independent directors)

As a long-term incentive designed to maintain a consistency of perspectives among officers and shareholders, fixed points are given to each director, corresponding to their rank, for a designated period of time after the end of each fiscal year, and equity compensation in awarded on resignation from office.

Variable Compensation

a. Bonus (for directors holding concurrent executive officer posts)

As an incentive for short-term business performance, an amount decided based on a comprehensive examination of performance against plan, performance compared to the preceding fiscal year, company business performance, etc., and based on the consolidated operating income for the fiscal year in question, is paid at a certain period of time following the end of each fiscal year.

b. Equity compensation linked to business performance (for directors holding concurrent executive officer posts)

As an incentive for achieving the targets of the medium-term management plan (both financial and non-financial), points corresponding to the degree of accomplishment of the targets in the medium-term management plan are given at a designated period of time following the end of the fiscal year, and equity compensation is issued at the end of the final year of the medium-term management plan.

Efforts in Developing Management Human Resources

Developing future management human resources is one of the most important elements in the management issues, and we are actively training potential candidates. We created a framework for the succession plan, which was then assessed by the Nomination and Compensation Advisory Committee. We are implementing initiatives to develop future management human resources at each job level.

Taking account of our management environment, we held discussions on the credentials and requirements for management human resources from the medium- to long-term viewpoint, selection approach, and development policy. Through these discussions we formulated an ideal for our company's management human resources, and we are now providing education to selected candidates. This fiscal year, in particular, to realize team-based management culture that aims for further growth, we provided selected employees with a program that required sharing a vision and unifying the principles for action, to build a team culture founded on mutual understanding and trust. We are establishing the foundation to promote the coupling of management strategies and our business expansion. We continue to develop future management human resources suitable for our company founded on team-based business management.

List of Officers (as of June 23, 2023)

Directors

Chairman
Osamu Sakiyama

Date of birth: July 16, 1950

July 1972	Established CUBE SYSTEM INC.
October 1975	Appointed Director of the Company
May 1989	Appointed Representative Director & President
June 2015	Appointed Representative Director, President & COO
April 2020	Appointed Chairman (present position)

Representative Director, President & CDO
Masahiro Nakanishi

Date of birth: November 6, 1958

April 1982	Joined Nomura Computer Systems Co., Ltd. (current Nomura Research Institute, Ltd.)
April 2002	Manager, Business Planning Department, Distribution & Social Solution Division, Nomura Computer Systems
April 2008	Manager, Operational Administration Department, Services & Industrial System Division, Nomura Computer Systems
October 2009	General Manager, Chubu Regional Headquarters, Nomura Computer Systems
April 2017	Executive Officer of the Company
April 2018	Executive Managing Officer
April 2020	President & COO and CDO (present position)
June 2020	Representative Director (present position)

Director
Masaki Tochizawa

Date of birth: January 14, 1953

April 1975	Joined Nomura Computer Systems Co., Ltd., (current Nomura Research Institute, Inc.)
April 2006	Senior Managing Directors and President, Kansai Regional Headquarters
April 2008	Executive Officer of the Company
June 2008	Director
June 2012	Executive Managing Officer
June 2015	Director & Senior Executive Managing Officer
April 2020	Director (present position)

Director (Independent)
Takao Shiino

Date of birth: September 17, 1954

April 1979	Joined Nomura Research Institute, Inc. (NRI)
June 2000	Director of NRI
April 2002	Division Manager, Distribution & Social Solutions Division, Senior Corporate Managing Director, Members of the Board, NRI
April 2007	Counselor of NRI
May 2007	Executive Director of the Japan Information Technology Services Industry Association
April 2009	Director of the Japan Data Center Council
July 2010	Chair, The Green Grid Japan Liaison Committee
April 2012	President, Nomura School of Advanced Management
June 2012	Executive Director of the School
June 2015	Independent Director of the Company (present position)

Director (Independent)
Hanae Nagata

Date of birth: December 5, 1986

April 2012	Acquired medical license
April 2012	Joined Japanese Red Cross Musashino Hospital
May 2016	Industrial physician of Yahoo Japan Corporation (current Z Holdings Corporation)
May 2018	Representative Director of PhileLife (present position)
June 2020	Independent Director of the Company (present position)

Director (Independent)
Takaaki Saito

Date of birth: December 3, 1971

April 1995	Joined Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)
July 1999	Registered as a Certified Public Accountant
April 2001	Seconded to Fuji Bank, Limited (current Mizuho Bank, Ltd.)
July 2012	Named as a partner of Deloitte Touche Tohmatsu LLC
September 2021	CEO of SET THE DIRECTION Co., Ltd. (present post)
November 2021	Director of Takaaki Saito Certified Public Accountant Office (present position)
June 2023	Independent director of the company (present position)

Auditor

Full-time Auditor
Toshio Uchida

Date of birth: November 24, 1953

April 1975	Joined the Company
June 1988	Director
June 1995	Managing Director
June 2002	Senior Managing Director
June 2015	Director & Vice President
April 2018	Director
June 2023	Auditor (present position)

Full-time Auditor
Kunihiko Fukumoto

Date of birth: July 6, 1958

April 1982	Joined Mitsubishi Corporation
July 2004	Manager of Chemical Products Department, Riyadh Office, Mitsubishi Corporation
April 2010	Manager of Riyadh Branch and Representative for Saudi Arabia, Mitsubishi Corporation
June 2013	Manager of Petrochemical Business Planning & General Manager, Saudi Arabia Petrochemical Business, Mitsubishi Corporation
February 2017	Manager, Internal Audit Office, & Manager, General Affairs, SPDC Ltd.,
June 2020	Auditor of the Company (present position)

Full-time Auditor
Tatsuo Nonaka

Date of birth: October 25, 1958

April 1982	Joined Mitsubishi Corporation
March 1996	Director & Treasurer of Mitsubishi Motors Credit of America, Inc.
February 2009	Leasing Business Unit of Mitsubishi Corporation
May 2010	Executive Vice President & General Manager of Financial Affairs, Mitsubishi Auto Leasing Corporation
October 2018	Retired from Mitsubishi Corporation Transfer to Mitsubishi Auto Leasing Corporation
April 2021	Executive Vice President of Mitsubishi Auto Leasing
June 2021	Auditor of the Company (present position)

Auditor
Yukako Miida

Date of birth: December 21, 1977

April 2000	Joined Sumitomo Marine & Fire Insurance Co., Ltd. (current Mitsui Sumitomo Insurance Company, Limited)
October 2001	Joined New Tokyo International
November 2005	Joined ChuoAoyama Tax Corporation (current PwC Tax Japan)
November 2008	Joined PricewaterhouseCoopers Aarata (current PricewaterhouseCoopers Aarata LLC)
August 2011	Registered as a Certified Public Accountant
January 2023	Director of Miida Certified Public Accountant Office (present position)
June 2023	Auditor of the Company (present position)

Skill Matrices of the Officers (as of June 23, 2023)

Name	Attributes	Current positions of the Company	Nomination and Compensation Advisory Committee	Particular expertise and skills						
				Governance/ Business management	Law and legislation/ Compliance	IT Services	DX/New technology/ Consulting	Production technology/ Quality management	Finance/ Sustainability	Human resources/ Health and Productivity Management
Osamu Sakiyama		Chairman	Member	○		○				
Masahiro Nakanishi		President & CDO	Member				○	○		○
Masaki Tochizawa		Director				○				
Takao Shiino	Independent Outside	Independent director	Chairperson	○		○	○			
Hanae Nagata	Independent Outside	Independent director	Member							○
Takaaki Saito	Independent Outside	Independent director	Member	○	○				○	
Toshio Uchida		Full-time auditor		○				○	○	
Kunihiko Fukumoto	Independent Outside	Full-time auditor			○					○
Tatsuo Nonaka	Independent Outside	Full-time auditor			○				○	
Yukako Miida	Independent Outside	Auditor							○	

Executive Officers (as of April 1, 2023)

Representative Director, President & CDO
Masahiro Nakanishi

Executive Managing Officer
Kenichiro Iida

Executive Managing Office
Hideaki Nishimura

Executive Managing Officer
Kenkichi Kumagai

Executive Managing Officer
Minoru Odaka

Seniority Executive Officer
Toshiro Kato

Seniority Executive Officer
Hirofumi Kitagaki

Seniority Executive Officer
Shin Kanai

Executive Officer
Hiroaki Hayase

Executive Officer
Satoshi Yoneda

Executive Officer
Koji Aihara

Executive Officer
Daiki Wakamatsu

Executive Officer
Ryo Ota

Risk Management

To achieve sustainable growth and improve the corporate value of the CUBE SYSTEM Group, we identify risks that may be involved in our business activities and implement continuous risk management for the entire Group.

Policy on Internal Control and Integrated Risk Committee

We have developed an internal control system for recognition of risks in an appropriate manner and to prevent losses and damages. To strengthen continuous improvement and reinforcement of the internal control function, we have appointed officers in charge of internal control and integrated risk management, along with establishing an office for the supervision of risk management.

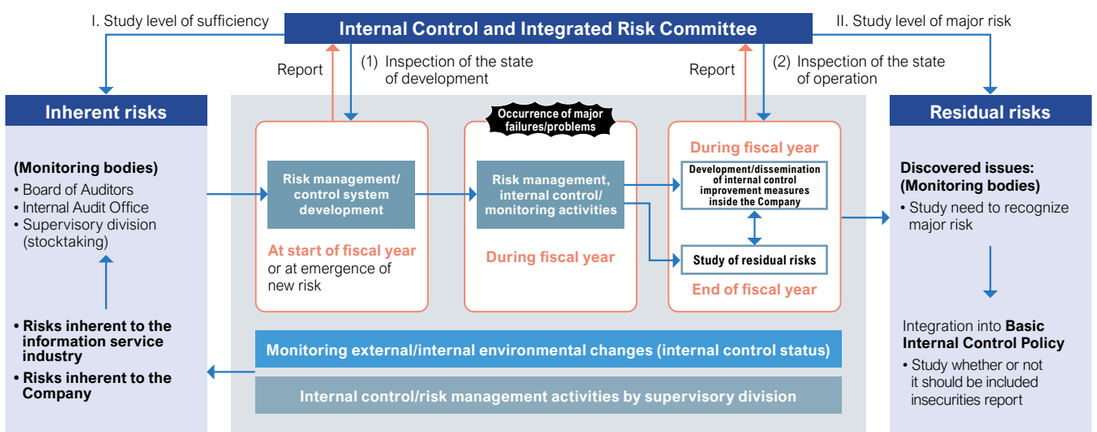
The level of risk and its importance are evaluated from the four perspectives of compliance with laws, trustworthiness of our financial reports, efficiency and effectiveness of business operations and resources/assets. We develop and introduce measures that are required for groupwide implementation.

For the maintenance and improvement of internal control, we monitor the state of operation and conduct reviews and deliberations under the Internal Control and Integrated Risk Committee. The findings and conditions are reported to the Board of Directors to reinforce and improve the groupwide internal control system.

Target Themes and Actions

	Theme	Response Measures
❶	Natural disasters/BCP/IT-BCP Establishment of risk management system	• Emergency drill for employees with disabilities • Restoration training on high-risk systems (e.g. sales accounting, core business DBs, payroll management system)
❷	Information security and information management Cyber security measures	• Monthly security heads up • Training programs for all employees across the Group
❸	Compliance with laws and regulations	• Reflecting legal changes to business procedures with business partners • Groupwide notification from supervisory organization
❹	Labor affairs management Manager awareness reform	• Suppressing long-hour working in the Regular Business Control Meeting and annual paid leave management • Labor management (planning and providing training programs for managers)
❺	Ethical conduct	• Ensuring understanding at the compliance training
❻	Greater information transmission and communication	• Town Meetings (president and employees) • Communications measures (horizontal communications for employees in their third year) • Usage of Cubecoin • Improvement of internal portal sites operation (access analysis and support to make a portal sites for smartphones)
❼	Human capital Retention	• Reinforce follow-up interviews for employees in their first to third years • Continue follow-up interviews for employees in their fourth to seventh years

Internal Control and Integrated Risk Committee: Internal Control System



Policy on Project Risk Management

In offering our system solution services, we have established practical guidelines and are promoting risk recognition among all employees with groupwide monitoring for early detection of and a swift response to project risks.

Structure of Project Risk Management

Project risk management is classified into four processes: project estimate proposal, planning, implementation and completion. In each of the processes, risk is managed by defining what the project should do, what the divisions/departments should do and what the Quality Management Department should do as part of our groupwide function.

Specifically, we have clarified project management roles and established a meeting body for project risk management to manage projects properly according to the level of risk (monitoring levels and response difficulties) and the condition and status of the project.

Risk assessment

We set risk ranks for each project for effective and smooth project monitoring. In particular, projects that fall under "groupwide monitoring" require groupwide monitoring and must be reported to the System Development Committee and the Individual Project Management Committee. We also conduct risk assessments at each project site using our own risk assessment sheet, as part of our efforts to assess various risks both from management and on-site perspectives.

Response to risks

In addition to monitoring the state of the project with each division, risk sharing and the operations needed to resolve issues, etc., we monitor projects groupwide depending on the risk involved in the project through activities of the System Development Committee.

System Development Committee

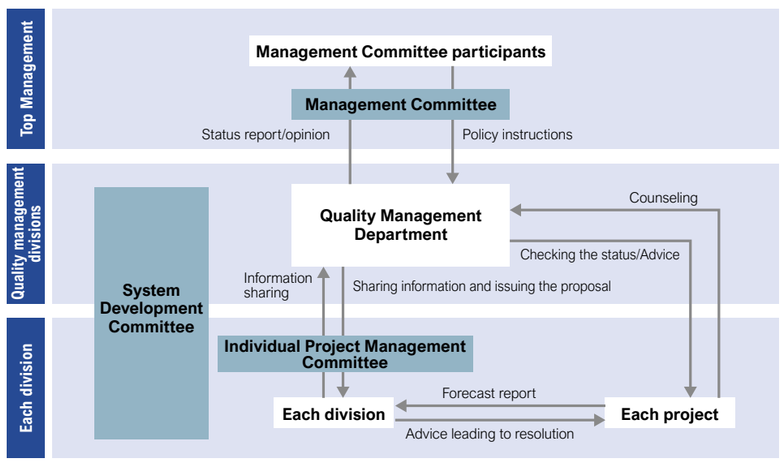
In providing solutions services, the System Development Committee assesses the various processes, including project estimate proposal, planning, implementation and completion for each project. In addition, the results are shared with top management for better decision-making and support by the Company and to contribute to effective project management.

Activities by Internal Audit Office

We have an Internal Audit Office as an independent organization directly under the control of the president. This office regularly conducts an internal audit of each CUBE SYSTEM department, as well as group companies. The office also performs ad hoc internal audits as required. Further, they are responsible for verification, analysis, and assessment of whether the group's business activities are appropriately and rationally carried out in accordance with the management policies, plans, and regulations, and whether they are functioning duly and efficiently toward management targets, such as increasing corporate value and sound business development.

The internal audit results are reported at Management Committee, and the final evaluation results of the entire company are reported to the President & COO at the end of the fiscal year. Records related to audits are kept in an appropriate manner. Also, the representative director, auditors, and accounting auditors closely collaborate to exchange information and opinions to continuously improve the effectiveness and efficiency of internal audits and internal controls.

Project Risk Management System



Information Security

Because we handle information assets from customers in our business operations, information security is a major management issue. We see it as our responsibility to ensure the safety of customer's information assets as well as our own.

Basic Approach and Policy

In providing solutions services, we recognize that proper handling of the information assets of private or corporate customers and our own information assets is essential in building and maintaining trust with our customers.

For this purpose, we have established a basic policy on information security, defining the requirements in accordance with the established official guidelines, and we are putting this policy into practice.

An information security management structure led by officers in charge of information security has been established for planning, execution and verification of measures to manage the secure and maximum utilization of information assets. In addition, we develop human resources with high ethical standards founded on awareness and our responsibility as an IT company.

We are working to ensure the proper protection and use of personal information based on our Personal Information Protection Policy.

Information Security Policy
https://www.cubesystem.co.jp/en/security/

Management System (ISMS)

Based on laws, regulations and official guidelines on information security, we have established Regulations on Confidential Information Management and Information Security Guidelines that define the requirements and organizational management of information security at the Company and the management of our information security management system.

Information security management system

We have established an Information Security Policy and Information Security Guidelines for ongoing management of our groupwide security measures. As part of these effort, in December 2003 we acquired certification under the Information Security Management System (ISMS) conformity assessment scheme and to the BS7799 standard. Migration to ISO/IEC 27001 has been approved for continuing certification. Our related company, CUBE SYSTEM VIETNAM Co., Ltd. is working to acquire ISO/IEC27001 certification. We will continue to upgrade and improve our security level.

ISO/IEC 27001 Certification Details

Date of registration	December 23, 2003
Scope of registration	Software development design and maintenance services
Certification standard	ISO/IEC 27001: 2014
Registered organization	CUBE SYSTEM INC. HOKKAIDO CUBE SYSTEM INC.
Registration number	JUSE-IR-152
Expiry date	September 28, 2024
Certification body	The Union of Japanese Scientists and Engineers (JUSE) ISO Center

Information Security Management Structure

Information Security Management Structure

We have established a Security Promotion Committee for our information security management structure to conduct risk assessments for the entire organization, develop rules and regulations and review measures visà-vis internal and external risks.

Committee members have been selected from the managers of our various organizations, departments and offices for cross-sectoral activity.

Additionally, the Internal Control and Integrated Risk Committee, the supervisory body for the Committee, is responsible for reporting developments to top management and for deciding actions to be taken in the event of security risks and incidents.

Response to Incidents

Should a security incident occur, our actions to identify the cause and prevent any recurrence are determined by the incident rank in compliance with the information security guidelines.

Measures against incidents

Response in the event of an incident	For response in the event of a security incident, a security-related reporting channel has been defined clearly for each division and department/office, to ensure swift reporting and response. We are required to report and respond promptly even when there is only a small risk of a security incident.
Measures against cyber attacks	In the event of a cyber-attack, a dedicated response team takes swift action to localize and curb the spread of damage. Specifically, system measures are in place to give protection, including installation of antivirus (anti-malware) software (Symantec), hardware encryption, installation of IT management & control software (SKYSEA Client View), firewalls and two-step identity recognition. In the event of a cyber-attack, we share information on the incident throughout the organization as needed, and take action to prevent a security incident.

Measures against cyberattacks

As security risks from external cyberattacks increase, we have established strict rules for changing passwords according to the password policy and for using web services such as cloud services. Ensuring groupwide compliance with these rules prevents information leaks as a result of unauthorized access and other similar breaches.

Information Security Training

We conduct regularly information security training based on our information security rules and recent developments in information security to raise employee awareness of information security.

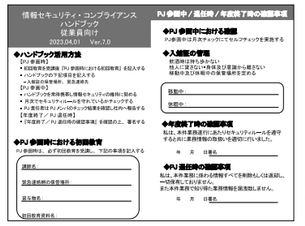
In addition, we implement orientation training on security rules at our offices and project sites for new project members (including those from business partners).

Information Security and Compliance Handbook

To ensure information security and compliance, we have published a handbook to ensure comprehensive understanding and awareness of the rules.

To maintain awareness of information security and compliance rules in the course of business operations, we check all relevant organizations and projects monthly to ensure that they are operating in compliance with the rules. We update the Information Security Compliance Handbook each fiscal year in step with the emergence of new internal and external risks.

The Handbook is distributed to our employees and to all officers and business partners participating in our projects, to ensure that they are always aware of the content and availability of the Handbook in the course of their work, to ensure swift action and to maintain the necessary security level.



Information Security and Compliance Handbook (for employees)

Handling Personal Information

We are protecting and using personal information obtained from business partners, shareholders, employees, etc., in accordance with our Personal Information Protection Policy. In handling personal information, we comply with relevant laws and official guidelines, with measures that limit the acquisition and use, and ban the use of this information for purposes other than the objectives. Except when permitted by laws, we ensure that personal information is not disclosed or provided to third parties without the consent of the person in question.

Specific personal information including My Number (personal identification number) is handled safely and appropriately in accordance with our Personal Information Privacy Policy.

Personal Information Protection Policy
https://www.cubesystem.co.jp/en/privacy/

Compliance

We regard compliance with laws and regulations as a top priority issue in business management and works to improve and reinforce our compliance systems. Additionally, we have established our own policy on human rights, so that our businesses are managed with attention given to the basic human rights of our employees, our business partners and all other stakeholders.

Basic Approach

We regard compliance as one of its most important management issues and is committed to our comprehensive implementation as the base for our business management. Compliance is not only simple respect for and observation of laws and regulations but "responding to the trust of all of our stakeholders."

We are committed to honesty, equity and transparency in our business activities through actions by each and every one of our self-reliant employees demonstrating respect for the values and ethics required of a good corporate citizen and member of society.

Basic Policy on Compliance
https://www.cubesystem.co.jp/en/csr/compliance/

Compliance Code of Conduct

Level I: Conduct in accordance with our corporate culture
Level II: Conduct in accordance with ethics, social norms, etc.
Level III: Conduct in line with internal control and risk management in compliance with internal regulations and manuals, etc.
Level IV: Conduct in accordance with laws and regulations, etc.

Compliance Initiatives

Internal whistleblowing system

We accept reports of misconduct or problems related to compliance from employees in supervisory roles and Compliance Committee members serving as the internal whistleblowing office. In addition to the existing reporting channel, we have established an internal whistleblowing system for swift reporting of misconduct, etc. via a third-party organization that functions as a whistleblowing counseling office. We had no inquiries and reports in FY2022. The counseling office has created a system for appropriate action on inquiries and reports regarding organizational or personal violation of laws, to promote early identification and correction.

Training

We provide annual compliance training for all employees. The training program is designed not only to reinforce the importance of compliance but also to raise greater awareness of compliance, greater understanding of the issues by each employee through discussion and to implement more comprehensive compliance management.

Compliance Committee activities

Compliance Committee arranges various activities each year for compliance training and for continuous improvements of all compliance activities.

In addition, employees from each division are appointed as compliance leaders in their respective departments to promote activities in the area. The Compliance Committee conduct reviews and introduce ideas from a variety of perspectives to improve compliance activities.

Training and case study sharing for organizational managers

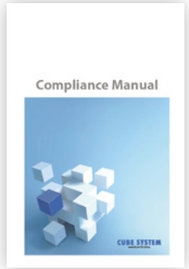
In FY2022, in addition to the groupwide compliance training, we provided managers with anti-harassment training. We also provided labor affairs Management Grades and childcare leave training for Organizational Management Grades.

Legal affairs study sessions

We held study sessions under different themes, such as "Practical procedures for contract agreement conclusion," "Knowledge of contracts when placing orders," "Basics of non-disclosure agreement," and "Knowledge of business contract agreements." We maintain the training videos in our archives and share this information across the group.

Compliance Manual

We publish our own Compliance Manual as one of our compliance awareness activities for use in training programs, etc. The Committee reviews and revises this publication appropriately to improve our compliance activities.



Compliance comments box—"Hotto Box"

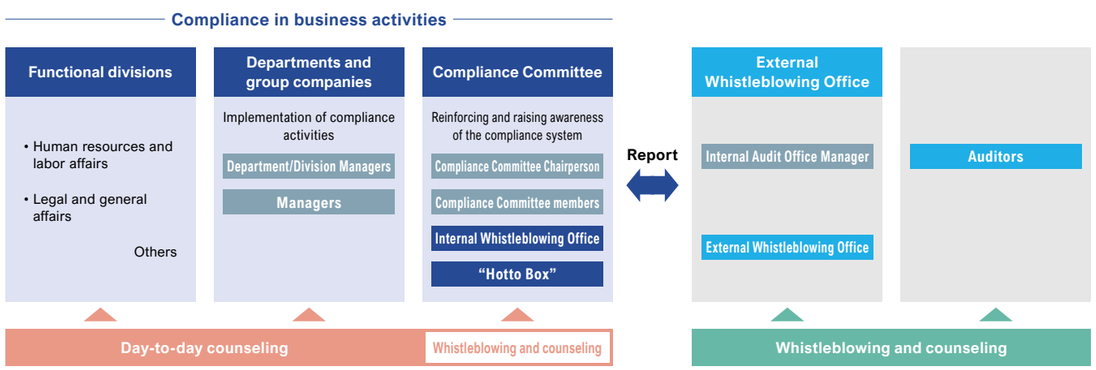
Our Hotto Box is a contact point through which employees can casually raise any whistleblowing concerns related to compliance issues. Employees can submit cases that they wish to consult on or ask questions about to the Hotto Box using an internal communication tool, and a contact person responds to the issue after clarifying the facts. The response results are then reported to the poster. When possible, the issue may be included in training materials as a sample case. To ensure the confidentiality of the poster, the responsible persons are only appointed from employees of our Compliance Committee. Also, the poster can remain anonymous. Hotto Box is more accessible than our previous whistleblowing system, through which the whistleblower had to contact directly with an external organization. It also allows the whistleblower to remain anonymous, which means that violations of compliance could be identified when reported. We plan to utilize Hotto Box to improve our business activities across the Group.

Initiatives Regarding Human Rights

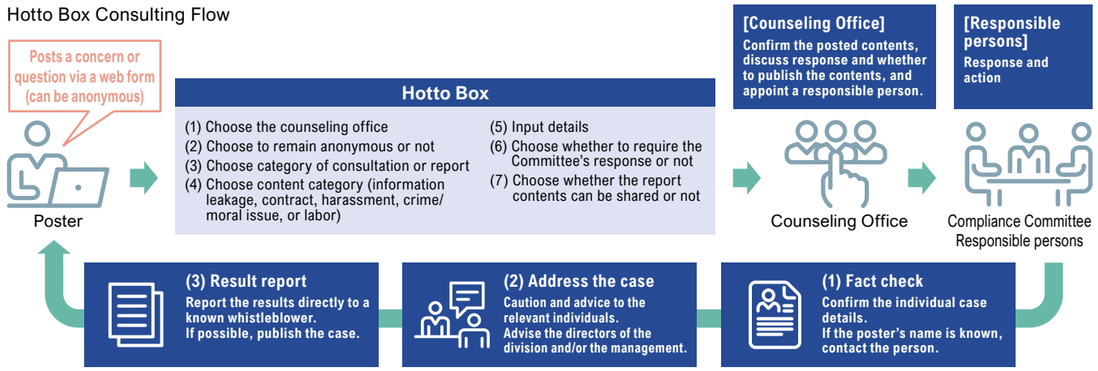
We recognize that respect for human rights is the basis for sustainability management. In accordance with our Sustainability Management Basic Policy, we established a Human Rights Policy in November 2021 based on international standards and principles including the International Bill of Human Rights and the Guiding Principles on Business and Human Rights, to ensure that our businesses respect human rights. Under the policy of "Support international norms on human rights and respect for human rights in all our business activities," we prohibit all forms of discrimination and never allow harassment. In addition, we do not condone forced labor in any form. To further ensure that respect for human rights is firmly established in our business, we plan to implement human rights due diligence for ourselves and our group companies. We are committed to making continued improvements in this area.

Human Rights Policy
https://www.cubesystem.co.jp/en/csr/human_rights/

Compliance Counseling and Action Flow



Hotto Box Consulting Flow



Human Capital (Human Resources Development)

One of the main elements in our management foundation is “our human resources.” It is important for our sustainable growth that each employee fully exerts their ability as a professional in diverse fields. We regard our human resources system and related training programs to maximize their talents as important factors, and promote efforts for such systems and programs.

Our Approach Toward Human Resources

We seek “human resources with high expected value to achieve results and who grow together with our organization.” The company cultivates such human resources into “self-reliant business persons.” The human resources we seek are those who can create business in a self-driven manner while respecting each other, and who can provide better social contributions through their growth as corporate members.

Our fundamental human resource approach is “We aim to reward employees based on their achievements and expected value.” The results we refer to concern the degree to which they are able to exert their skills in their daily business activities against their set action targets. Our results-based approach is designed to increase such effort.

Based on past results, employees are expected the future performance and are thereby given a chance to grow. Such expectations drive the motivation of employees toward further growth and results, and in turn improve their rewards.

We think that developing a corporate culture that fosters mutual respect among “self-reliant business persons,” improving our achievements as an organization (team) and sharing joy and excitement will enhance our corporate value and create social value.

Based on this idea, we continuously utilize the Plan-Do-Check-Act (PDCA) cycle to improve our human capital aiming to cultivate and empower diverse professional human resources.

Human resource system

Our human resource system comprises the Skill and Qualification system that determines an employee’s rewards based on their business capabilities, and the “Mission Grade system” that determines employees’ job grades based on their performance results and expected value.

Each employee creates their career plan based on their vision of themselves in three years time, and sets targets that align with our organizational targets. Based on this, they create an action plan.

The achievements realized toward their set targets are regularly reviewed and assessed.

Promotion opportunity is triggered and considered by their “self-recommendation,” in principle.

Human resource career plan

We have a job grading system, in which a corporate mission is allocated to each individual and the individual’s achievements are measured based on their mission roles. This is known as the mission grading system and such grading is composed of two types of job roles: managerial role and professional role.

The managerial roles refer to persons whose mission is to supervise the organization and have responsibility for executing business plans while focusing on maintaining a relationship of trust with the customer, and to develop human resources.

The professional roles cover persons who are responsible for designated missions, such as gaining customer satisfaction and carrying out a complex project by using the person's intellectual abilities. Professional roles in job grade JP-A and lower will take on future managerial roles and this grade is regarded as the training phase for professional job grade MP-B and higher.

Human Resource Framework

Grades		Roles	
		Professionals	Managers
Classifications	Standard	Grades	Grades
Executive	Equivalent to ITSS L4 (Advanced level of knowledge and business contribution)	SP	GD
Senior	Equivalent to ITSS L3 (Applied level of knowledge and business contribution)	MP-A	GM
		MP-B	MG
Middle	Equivalent to ITSS L2 (Basic level of knowledge and business contribution)	JP-A	
		JP-B	
Junior	Below ITSS L2	General employees	

Human Resources Development

Efforts in human resources development

To achieve the goals set in V2026, our medium- to long-term management vision, our human resources development aims and goals were determined as “Develop human resources who support our future business, thereby forming the necessary human resource portfolio.” Our priority goals include establishing a human resources development scheme to support individual growth and creating a nurturing corporate culture that values human resources development, and we are promoting these.

There are three types of human resources to be developed: (1) “Professional IT-related human resources”; (2) “Corporate staff human resources”; and (3) “Organizational management human resources.”

At present, human resources development is centered on a fundamental on-the-job training (OJT) program designed to develop employees’ capabilities. We create a development cycle linked with Off-JT and self-improvement for each person.

Defining career fields

The career field is a human resources development framework designed to enable each employee to work with an awareness of purpose and a clear image of their future. This framework also allows the company internally to recognize the fields in which each employee can play an active role. To clarify the human resources image for each career field in concrete detail, all career fields are defined by three factors: “the expected work results,” “job scope/duties” and “work experience/performance.” Each employee sets their goals in these areas according to their career fields. Working toward these set goals should develop the employees and increase their human value.

In the development of “professional IT-related human resources,” there are 10 career fields. Young employees acquire basic engineering skills and build performance results, while mid-career employees identify clearly their respective specialized field of engineering. We aim to develop human resources that contribute to our business through specialized skills.

Since the roles and duties of “corporate staff human resources” are clearly defined, young corporate staff members are required to become familiar with the fundamentals and accumulate business experience. Mid-career or higher-grade employees are required to work on developing expertise in their respective fields. Our aim is to develop human resources in a way that enables each person to grow and become part of the drive to enhance our corporate value.

Priority Actions in Human Resources Development

1. **Establish human resource portfolio targets**
2. **Establish human resources development scheme (structure and system)**
3. **Establish training support to help employees’ growth**
4. **Create a corporate culture that values human resources development**

Definition of Career Fields

Professional IT-related human resources	Sales specialist (SS)	Collect customer information, manage customer relationships, offer solutions to solve customer issues, plan and offer packaged solutions.
	System consultant (SC)	Responsible for system consultation to solve various issues, including customers’ business or management strategies.
	Project manager (PS)	An assistant project manager. Oversee projects to manage their progress, handle issues & LIB management, etc.
	Project manager (PM)	Manage (new) development projects, liaising between customers and team members.
	Application specialist (AS)	Develop and maintain systems utilizing their advanced business and system-related expertise in a specific business field.
	Application engineer (AE)	Develop and maintain systems by understanding customers’ business issues and designing optimum solutions to such issues.
	Technical specialist (TS)	Verify non-functional requirements related to methods, implementation, and performance assessment etc. utilizing their advanced expertise, including knowledge of latest technologies.
	Technical engineer (TE)	Verify non-functional requirements related to methods, implementation, reliability, and performance assessment etc. utilizing their specialized techniques.
	Service manager (SM)	Comprehensively manage operational services, such as system operations, monitoring, and help desks.
	Service engineer (SE)	Assist in operational services, such as system operations, monitoring, and help desks.
Corporate staff human resources	Professional CS Associate CS	Staff members, including those in the departments of business planning, finance, accounting, human resources, general affairs, human resources development, and quality assurance, etc.
Organizational management human resources	Management (MG)	Manage organizational targets, business progress, quality assurance, human resources development, labor affairs management, etc.

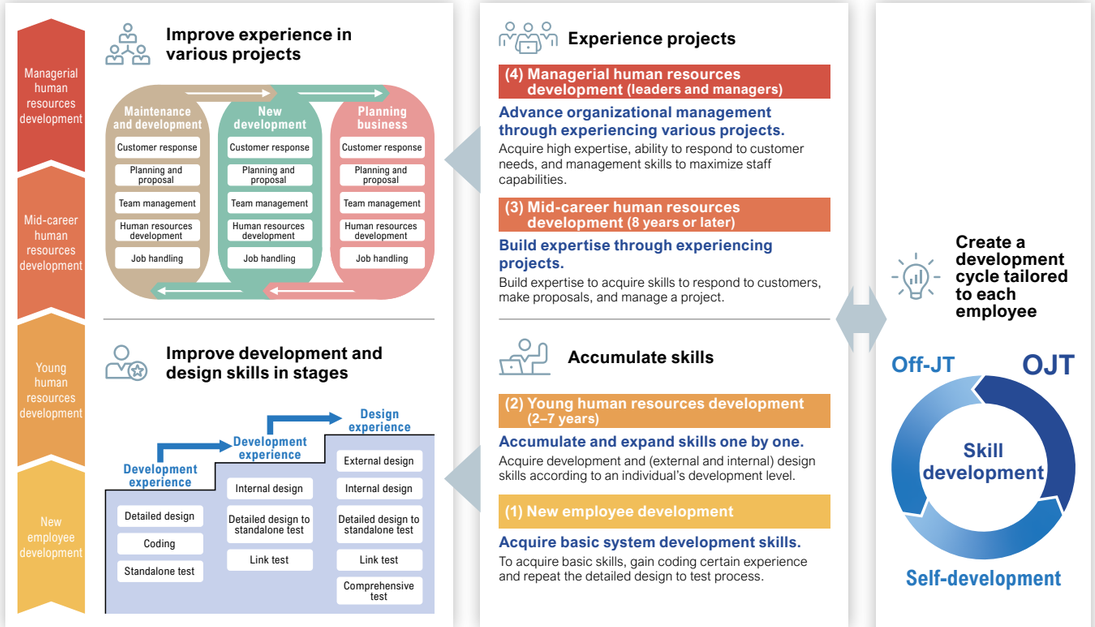
Human Capital (Human Resources Development)

Developing professional IT-related human resources

Professional IT-related human resources in our company acquire “skills in a step-by-step” manner according to their career stage. For younger employees, their annual goal is to accumulate the basic skills. Then they increase their range of experience and work record by being involved in various projects, aiming to become a high-end engineer within their specialized field. To realize this development procedure, it is important to offer “opportunities” under an appropriate mentor, “selecting both the timing and the skills to be acquired” and “motivating employees to work for their growth.” As we believe that OJT is the most important means of human resources development, we are encouraging our mentors to develop human resources in a purposeful and systematic manner.

Development Concept | Development Targets | Development Cycle

Professional IT-Related Human Resources Development



Developing corporate staff human resources

Corporate staff human resources development

The basic approach to staff development is for employees with little experience in the area to build up their fundamental business skills as “Associate CS” so that they can perform a wide range of staff duties. Subsequently, with consideration given to the person's abilities and enthusiasm and to the direction of their career development, mid-career employees who have acquired specialized skills and business experience go on to acquire more advanced specialized knowledge and skills in their relevant specialized field as “Professional CS,” master-level professionals in human resources, accounting, and so on. At the same time, we develop human resources who can be responsible for overall corporate management and planning.

Human resources development program

Human resources development guidelines

Based on our Management Philosophy, Basic Policy and the ideal human resources we seek, as well as our business plan and industry trends, we develop human resources according to our overall development framework, “Human Resources Development Guidelines.” Led by our Center for Future Human Resources Development, we raise awareness and disseminate this guidelines among our employees. We defined “six basic skills” that combine a Balanced Scorecard criteria and our unique values. Our human resources are required to have these “six basic skills” and a further “three applied skills.”

Distributing the Groupwide Human Resource Development Handbook

We created and distributed a handbook for employees to help deepen their understanding of career fields of professional IT-related human resources. The book is used for employees to confirm results, range of work, the roles, qualifications, skills, and project results required per career field. The aim of the handbook is to renew employees’ aware of the concrete skills and abilities expected in their own career fields and encourage them to pursue a higher position. We continue to offer a range of support for employees to set up clear goals and grow towards them in a planned manner.

Groupwide training

Groupwide training was revised to systematize it with the aim of creating a training cycle that would motivate employees. We divided our training programs into two categories: “Professional Training,” to improve specialized knowledge as a professional; and “Job Level Training,” to provide the skills and mindset necessary as one of our employees. These programs are arranged and offered in the order of priority. In-house training content is being updated into a consistent program to reinforce the basic IT skills of young human resources and make the goals and expected roles clear at each job level.

Support for qualifications

To provide training and edification for our employee, we offer subsidies to gain certification in areas related to the company’s business operations and pay their certification examination fees.

Number of Qualified Employees (as of April 2023)

IT engineers	Basic IT engineers	371
	Applied IT engineers	114
	Advanced IT engineers	47
	Oracle DB	248
Advanced technologies	Oracle Cloud Infrastructure	33
	AWS	166
	LinuC	54
	JDLA G-certificate, E-certificate	G-certificate: 30 E-certificate: 7
Customer communications	Retail Marketing Certification (Grades 2 and 3)	100 in total
	Sales Representative Qualification (Class 2)	4

Selected to the Amazon Web Service (AWS) Japan Certification Award

From among engineers in the first to third years of their careers with AWS Japan Partner companies, those who are studying to acquire AWS certification are selected to enter the “2023 Japan AWS Junior Champions” awards organized exclusively in Japan. One engineer from CUBE SYSTEM has been selected for entry. Additionally, two of our engineers have been selected to enter the “2023 Japan AWS All Certifications Engineers” program that awards holders of all AWS certifications.

Cultivating DX human resources

We provide the “Top Runner Program” to train people in order to accelerate our digital business, which is a part of our growth strategy, Medium- to Long-Term Management Vision, V2026. We plan to increase the number and diversity of DX-oriented human resources by encouraging employees to obtain qualifications in the DX areas—including AI and by providing In-house education.

AI Top Runner activity

We established a groupwide community, “AI Top Runner,” in 2019. The group members deepen their knowledge of AI from the viewpoint of AI implementation in business corporations. In FY2023, we plan to offer study sessions in AI technology, sharing methods to utilize AI technology in in-house business projects and support AI engineers, AI planners and data scientists in acquiring certification. In addition, we will resolve issues within the Group with AI human resources development and AI technology applications.

Technology sharing

We hold sharing meetings on cloud technology and our own platforms to develop employee skills and create opportunities to share know-how and technology. In the area of cloud technology, we introduce case studies and technology trends on Oracle Cloud and AWS in each business division to develop a better understanding throughout the Group.

Human Capital (Diversity and Inclusion)

We regard diversity as materiality. We are tackling in particular the issues on empowerment of women, employing persons with disabilities and improving work fulfillment as ways to meet the expectations of a wide range of stakeholders and raise our corporate value.

Basic Approach

We are working to upgrade our systems, programs and work environment and to implement awareness reforms that enable our diverse human resources to work and grow in ways suited to their respective conditions, founded on mutual recognition and respect regardless of gender, age, nationality, social status, disability or values. We are focused in particular on empowerment of women, considering the significant number of female employees in our company, and we believe it is vital to our business growth and future development.

Under our Vision 2026 (V2026) mission statement "Communication & Mutual Respect," we are creating an environment where women and other employees with diverse backgrounds can come together and work together and promoting the recruitment and development of talented employees to enhance our corporate value.

Empowerment of Women

Empowerment of women is an important management indicator in our Medium-Term Management Plan and our business plan for the current fiscal year and we have implemented various measures to increase diversity. Specifically, messages from the President on diversity, empowerment of women and workstyle reform are sent to our employees. Town meetings are held between the President and female employees for an open exchange of opinions. We motivate working women to enjoy life as well as work and face them both with a sense of work fulfillment and individuality. Moreover, we are offering other programs such as our Visionary Woman Training to foster self-reliance and work more aggressively. Through these activities, we plan to resolve issues that will make handling both work and family easier and support them in developing their careers—ultimately to bring an increase in the ratio of women in managerial posts.

To show our commitment to empowerment of women, we will screen female candidates for managerial posts in each business division starting in FY2023, with consideration given to career development planning and accrual of the necessary experience.

Establishing an Operation Support Team

In FY2022, a "business support team" was formed consisting of persons with disabilities and dedicated follow-up members. The mission of the team is to increase the employment of disabled persons and improve their working conditions, to create a work environment in which each person is able to demonstrate their abilities and find fulfillment in their work.

We are also working to raise the number of persons with disabilities employed in terms of work incentives, better working conditions and their level of satisfaction with their social contribution. We are doing this by assigning them to jobs and duties that are important for the company and that can be performed without stress, helping them to contribute to the company. Specifically, persons with disabilities are taking a central role in jobs such as using robotic process automation (RPA) to automate business operations, handling employee welfare and benefits and administration of the library.

In addition, the business support team exercised leadership in the creation of "WORK Support," an in-house portal site designed to communicate regular news such as the activities of team member athletes and to improve communication and mutual understanding among other employees. The "Mental and Physical Work Supporter Training Course," a training program designed to teach people how to interact with persons with disabilities in the course of business operations, has been set up to promote greater mutual understanding between persons with disabilities and other employees.

WORKサポ～ト
総務部 業務支援チームが発信しています

Human Capital (Health and Productivity Management)

Under the company's management philosophy that "companies thrive through the support of various people," we have implemented activities to build an environment and systems that allow diverse human resources to demonstrate their potential, aiming at management that supports their well-being.

Approach to Health and Productivity Management

The CUBE SYSTEM Group and its employees are working in concert to develop the spirit (human capabilities), techniques (knowledge, technology and skills) and the body (mental and physical health). We believe that the sound health of each and every employee is vitally important for the sustainable growth of our Group. We are implementing this belief based on the conviction that "Health and Productivity Management" is an essential policy for good employee health.

Health and Productivity Management Policy

For sustainable business growth and long-term advancement of our corporate value, we are implementing initiatives on the health and productivity management designed to improve the mental and physical health of our employees and to create a better workplace.

2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program

Following 2022, we were selected for the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program organized jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This is a program that recognizes outstanding performance in health and productivity management, based on efforts to address regional health issues and health-related challenges promoted by Nippon Kenko Kaigi. We will continue to implement initiatives to create a better workplace for our employees that will support their mental and physical health.

2023 健康経営優良法人
Health and productivity

Developing Diverse Human Resources through IT

More lively communication

Workstyle diversification brings many communication issues, such as absence of personal contact and diversification of work sites. To ensure that each employee understands our business management and VISION 2026 and to encourage their active participation in our business, we organized meetings to provide all departments and offices with opportunities for personal contact with our President. Our Smile Share Products are designed to foster greater engagement among employees in this age of the new normal and closer communication.

CUBE SYSTEM's Smile Share Products
https://www.cubesystem.co.jp/en/service/smile/

***Katarou-kai* communication program**

We place emphasis on interactive communication between top management and employees, and since 2021 have been holding *Katarou-kai* for employees to gain a deeper understanding of V2026. Employees were able to use the live-streaming function of the communication tool to view the Management Strategy Meeting, and the President and executive officers could answer employees' questions in real time. The questionnaire survey conducted after the event showed that 95% of the participants were "interested in participating again." Similar events were held in June in FY2023.

Workstyle reform

We believe that creating an environment in which employees can maintain good physical and mental health results in utmost performance for our customers. We established the workstyle reform promotion committee in 2017. We set "work fulfillment" indicators to measure each employee's sense of fulfillment at work, their state of mental and physical health and sense of vitality and dynamism in the workplace and to promote work styles that are adapted to external changes.

Selected to the Top Hundred Telework Pioneers

In the company's continuous efforts to actively promote the telework scheme, we were selected as one of the FY2021 Top 100 Telework Pioneers, a program organized by the Ministry of Internal Affairs and Communications in FY2021.

TW100 Telework Pioneer

Foundation and Efforts Toward Sustainable Growth

Expanding Human Capital

A roundtable discussion was held with the participation of three executive officers responsible for human capital, which is the key to CUBE SYSTEM growth.

—— Please tell us about issues you have identified regarding human capital at CUBE SYSTEM.

Kitagaki I think the strength of our company lies in our sense of integrity and open-mindedness. At the same time, I would like to see a greater willingness to tackle challenges. In the current business environment in which changes are taking place in many ways and at breakneck speed, we cannot expect to see the next step in business growth without innovation. There are instances in the company where and when energy for revitalization is needed for growth. I believe that we achieved growth in the past through a mind reset each time challenges needed. Now is the time for each person in the company to put into practice the President's message, "make CHANCE from CHANGE."

Odaka I agree that we should tackle areas such as new business development with more dynamism. We have a history of young employees with dreams pushing forward to take on challenges. Most recently, the "Top Runner Program" and "Cubecoin," for example, were born from voluntary employee activities, and actions are being taken to acquire patents. I think that our employees have the basic drive to take on something new and build new business from it.

Minoru Odaka
Executive Managing Officer
Responsible for Expansion of Development Organization and Facilities

Kato When taking on challenges, an evolution from self-reliance to self-independence is needed. We are feeling the change taking place little by little. When all of the employees are able to take independent action on their own, I expect to see further advances with our challenges. In human resources development, there are the concepts of "will," "can" and "must." "Will" expresses what you aspire to achieve and what the managers want you to do. "Can" refers to what you can do now and what you aren't able to do yet. Because of existence of these two ideas, the concept of "must"—that is, what must be done—becomes into clear. I believe employee motivation rises in proportion to the degree these three factors overlap each other.

Kitagaki Challenges require a sense of safety psychologically. If young employees understand that they are able to act on what they want to do without hesitation, engagement would improve.

Kato In terms of human resources development, I feel the need to build a climate in which managers and senior employees provide guidance to young employees. I also think employees should identify each other's targets and the directions, followed by alignmnent of them. I believe they will nurture a sense of "solidarity," which is one of our strengths. Of course, a relationship of trust between the upper and lower levels of the organization is essential to make this possible. Although difficulties have emerged from the growth in the company's business scale, I hope to see organization management place importance on communication.

Odaka To achieve this, we must create as many opportunities as possible for young employees to interact with others in various departments and positions. The change that I feel taking place during the past several years is the steady improvement in "all-round capabilities." Managers in various organizations are paying attention not only to their own organization, but also to the entire Group. I feel they are addressing the issues with all-round capabilities.

—— Please describe the human resources strategy presently being implemented, including resolution of the issues mentioned.

Kitagaki In FY2022, we established a human capital strategy that is fundamental to all our human resources strategies. We regard "an uninterrupted investment in people and long-term support of our sustainable growth" as fundamental to our human capital reinforcement measures and are working to increase our corporate value. In relation to the "challenges" that we mentioned as an issue, we are helping employees to exploit new areas and acquire new technologies, aided by measures to raise their willingness to take on challenges. As a result of these efforts, we will be able to create new intellectual assets. If we are able to build a system and flow of intellectual assets that generate profits continually over the next several years, we believe we will be able to achieve sound growth for both the company and its employees under our well-being management.

Odaka Under our human capital strategy, we are currently building a new human resource system that focuses on how to assess the diverse competencies working together to create new value. There are three concepts. The first involves the employee experiencing their own growth and growth that leads to better working conditions. The second is compensation to match the performance. This means providing rewards to employees who have successfully led projects or social reforms in financial and non-financial aspects. The third, this is accompanied by the availability of carrier options corresponding to their competency. The third is extremely important and refers to a scheme created in the face of the growing diversity of values in which employees are able to choose their field of specialization and the career path they wish to follow, without regard to whether the choice is in technology or in the corporate field. System design that respects the competencies and values of each individual helps stimulate employee growth, which in turn leads to better compensation according to the growth. These are the key points in the new human resources system.

Hirofumi Kitagaki
Senior Corporate Officer
Responsible for Human Capital Strategy Promotion

Toshiro Kato
Senior Corporate Officer
Director, Center for Future Human Resources Development

Kato In human resources development, a high-speed PDCA cycle is in effect in the Medium-Term Human Resources Development Plan until FY2026. Additionally, career fields that differ from mission grades have been created. This scheme is designed to develop each employee's specialized expertise so they can grow as professionals. There are their own career fields as project managers for division or department managers. They can therefore continue to grow as professionals in their career fields, even after leaving a managerial post. The fundamental policy on career fields is to supply employees—managerial or otherwise—with venues where they can excel. The combination of Off-JT training course provided by the Center for Future Human Resources Development, OJT that takes place in actual business operations and self-improvement is a sure way to help employees grow. As the Director of the Center, I am committed to employee growth, emphasizing coordination with the frontline of the projects.

—— Lastly, what is your message to our stakeholders?

Odaka What kind of value would CUBE SYSTEM create in the future? I personally have growing expectations for our company. In creating new values, each employee must face their work head-on, while being attentive to our links to society. With what we have built in the past as our foundation, we should not stop where we are, but move forward to tackle new challenges.

Kato Where there is change, there is always opportunity. In our rapidly changing industry, we want to do our utmost to support the career development of our employees, because each one of them is a "future talent" who will drive CUBE SYSTEM forward. We will build a rich future through the growth of the company together with its employees.

Kitagaki As our new branding program, we hope to reveal our attractive feature through concerted efforts with our employees, and at the same time work to build new features. It is also important to communicate our attractive features widely to members at outside of society. We hope to work not only with our employees but also with a wide range of stakeholders to cooperate and grow together for "the Second Founding" of our company.

Intellectual Capital

Research and development are essential for the growth of our group. The areas of research and development includes the cloud, AI, and blockchain technologies. In particular, our demonstration experiment of DX technology is showing certain results.

Approach to Research and Development

Our R&D activities are categorized into Fundamental R&D and Developmental R&D. Fundamental R&D is research required for the development and improvement of business foundation from the medium-term viewpoint. This includes research on the latest information technologies (ITs) and their feasibility investigation. Developmental R&D covers research to make various ITs market-ready—such as commercialization of new services, renovation of existing businesses, reform of production methods, etc., aiming at monetization or utilization in a profitable business after completing R&D.

Smile Share Products

Utilization of AI and blockchain technologies

The COVID-19 pandemic triggered diversification in working styles, however, the lack of communication has made some people feel anxious and they may find it difficult to stay motivated. We have developed a unique solution to this social issue with our Smile Share Products, which use IT to resolve issues with employee engagement and non-contact communication in the new era of teleworking.

More about Smile Share Products
https://www.cubesystem.co.jp/en/service/smile/

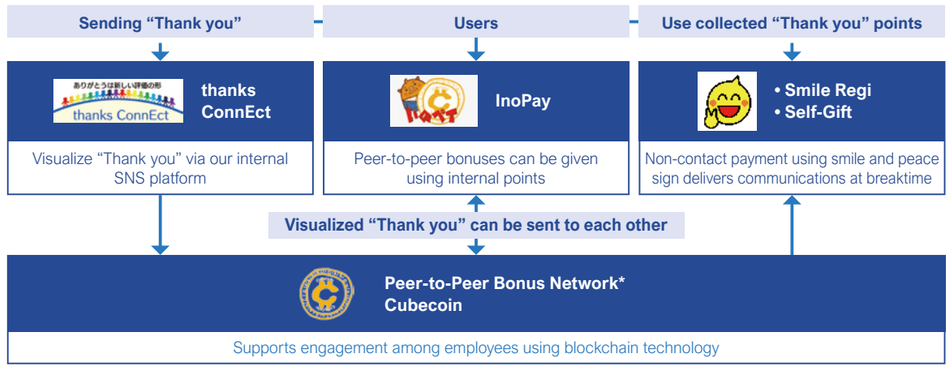
Patent granted for contactless AI facial recognition system

In February 2021 we obtained a patent for our touchless payment service that uses an AI-based facial recognition system. The patent was granted for “a series of input system/program and methods to make payments by recognizing the face of the user and a specific payment gesture.” This technology is used in our own non-contact payment service, Smile Regi.

Function expansion of internal cryptocurrency

We added a self-gift function to an e-gift exchange service, combining the digital gift service “giftee for Business,” provided by giftee Inc., and our own internal cryptocurrency, Cubecoin. This service allows employees to receive corporate welfare wherever they are, especially in these times of work-at-home when working styles are varying. We plan to expand the scope of the service by the usage analysis of the service in the company.

Smile Share Products



* Peer-to-Peer Bonus Network: A network through which colleagues can send their appreciation to each other as cryptocurrency to acknowledge work results, advice received, or study group and social contribution efforts.

Improving well-being

Employees can receive Cubecoin by exchanging a “Like!” through the SNS used inside the company. This encourages employee communications and improves their well-being. Accumulated Cubecoin can be used for themselves or given to colleagues, together with a message, to express appreciation. This is expected to produce a positive workplace atmosphere as someone’s appreciation is visualized in the form of our internal cryptocurrency, thereby fulfilling the need for approval.

Our Smile Share Products should contribute to society as a series of services that promotes “an appreciation economy,” through which people recognize and praise each other. This can be utilized between a company and its employees, or among employees. We are also starting to use this Smile Share Products as a “non-financial value platform” that contributes to our employees’ well-being and increases our company’s exclusive value. The products are now installed in our subsidiaries, enabling us to accumulate usage know-how. Based on this know-how, we plan to expand the products as a future service that can contribute to resolve our customers issues.

Promotion of Research and Development

We conduct groupwide research and development of cloud solutions, AI, and blockchain for new business development and internal implementation of new technologies. We are currently surveying and assessing SaaS-related technologies and developing solutions that can be adopted into our services.

Partnerships with solution vendors

Oracle business expansion

We have been providing a variety of services at the large systems for a long time—including designing, building, operating, and tuning of their databases. Through our partnership with Oracle, which started in 1995, we have accumulated abundant knowledge concerning Oracle database infrastructural construction. Utilizing our advanced technical skills and exclusive know-how, we are able to offer Oracle cloud services to our clients.

Business and capital alliance with TRIPLEIZE CO., LTD.

In August 2018, we concluded an agreement for a business and capital alliance with TRIPLEIZE CO., LTD. TRIPLEIZE specializes in AI image recognition technology and provides a range of AI platforms. We are accelerating our business expansion though joint research and development towards the creation of new DX-based businesses and promoting DX-related human resources development through joint AI training programs and projects.

Business partnership with Kinaxis Japan K.K.

We concluded a business partnership agreement with Kinaxis Japan K.K. in November 2020. We are now training our employees by building knowledge and technological skills concerning the RapidResponse® supply chain management platform provided by Kinaxis, while also participating in actual projects. We will keenly continue such collaboration with the company to expand into new business areas.

* RapidResponse is a trademark or a registered trademark of Kinaxis Corp.

Certified partnership with ServiceNow Japan

We concluded a Certified Partnership Agreement with ServiceNow Japan in April 2021. The ServiceNow components further empower our system operation knowhow and skills so that we can reform existing business models effectively.

Patent/Registered Trademarks

We regard the value of our services and business models as an important factor that contributes to improving corporate value and further developing our business. Therefore, our DX Promotion Office leads active acquisition and protection of the trademarks and rights to such services and models. As of the end of March 2023, we possess 23 registered trademarks and two patents.

Manufacturing Capital

To ensure the high-quality services, we developed a quality control system that utilizes our know-how accumulated over the years. We are also keen to continue to improve our quality, such as by developing a new platform.

Basic Approach of Quality Management

With our customer first policy, we have established a quality policy that defines the fundamental attitude and initiatives needed to provide services that excel in quality and satisfy the customer.

We ensure all our employees have a good understanding of our quality policy, enabling them to offer services as IT corporation specialists.

Quality Policy

In mobilizing its technical, management and organizational capabilities to provide quality services that ensure customer satisfaction, guidelines and relevant rules and regulations have been established for the following activities.

1. Appropriate execution of project management through clear definition of the objectives and goals of the project and development of project plan.
2. Assessment of project status through review meetings for early detection of risks.
3. Third-party monitoring of projects to provide organizational support depending on the project status.
4. Analysis of the differences between plan and performance in each process (phase) for quality evaluation.
5. In the event of faults or problems, swift escalation of an investigation into the root causes to introduce measures to prevent any recurrence.
6. In ongoing business relationships, continuous business improvement activities are organized in response to changes in customer needs and environmental conditions.
7. F@CE (our own standard framework for development) has been established to allow methodologies and knowhow in system development, administration and management to be shared and for improvements in quality and productivity.

Framework to provide high quality

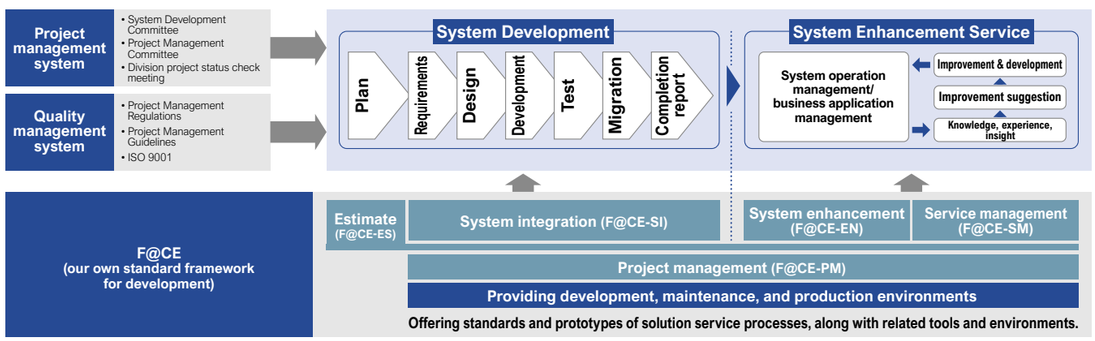
We have been providing system solution services to many customers over the years, and through our experience we have acquired and improved our service provision knowhow. Integrating such knowhow, we created our own standard framework for development, F@CE*, (patent number 6483227) that standardizes processes, activities, and tasks relating to service provision. We develop high-quality systems by sharing and utilizing this framework across the Company.

* Framework@CUBE's Engineering

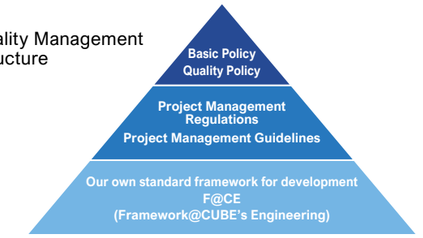
Quality management structure

Placing the highest priority on our quality policy, we have established Project Management Regulations and Project Management Guidelines, which lay down the principles that employees need to be familiar with and follow when managing our system solutions services. We also use F@CE to implement our concrete development procedure and knowhow.

Quality Management Initiatives



Quality Management Structure



Quality Management System

Under our Quality Policy, we acquired ISO 9001 certification in 2001 for continual improvement of our quality management system and to provide customer satisfaction with our quality and efficiency. For future improvements in customer satisfaction, we are making efforts to introduce greater advances in our quality improvement activities.

System Development Committee

We are holding the Systems Development Committee as a means of powerfully supporting the ongoing projects in our Company. This Committee is held under the concept of "a mechanism to support frontline workers with attention to quality." Experts are invited to the Committee according to the varying risks that a project encounters, such as highly advanced technologies, specialized business knowledge, and security, to assess system contents and project management. The experts then offer practical advice suitable to the frontline situations of the project to ensure the quality of our service.

System Enhancement Services and Offshore & Nearshore Development

We do not regard the maintenance of systems and platforms simply as regular checks to be performed. We see it as an activity to "increase the value of the system by improving the system performance and quality to adapt to changes in customers' business environments and the emergence and evolution of new technologies." We also see it as an opportunity to "offer new business." This is our System Enhancement Service that increases customers' satisfaction.

Our strength lies in this system enhancement service, and we visualize our service as well as improving and reforming our business process based on the knowhow and software engineering skills that we have cultivated over the years. Through such activities, we drive forward system stabilization and operation streamlining to offer high satisfaction to our customers.

We newly established the Fukuoka Office as a part of our reinforcement of the nearshore development organization and facilities. HOKKAIDO CUBE SYSTEM, an existing nearshore company, has reorganized its board to adopt social and technical changes and respond to a variety of reforms.

CUBE SYSTEM VIETNAM, one of our offshore companies, is now working to obtain ISO/IEC 27001 certification, an international standard covering information security management systems (ISMS). We continue to strive to further improve our security level.

We have also been working to expand offshore and nearshore system enhancement services based on our experience developed through offshore development in China and Vietnam, nearshore development in Hokkaido, and our own system enhancement service. We will maintain our efforts to offer competitive services through our expansion of the development organization and facilities.

F@CE DX

F@CE DX is a system development platform for small and medium-sized DX projects. The platform, which was made based on the accumulated best practices of highspeed development, provides an environment in which engineers can start system development on the day of installation.

DX projects associated with customers' business reforms require engineers to produce an MVP* in a short period, even though the system requirements may not be fixed as customers themselves often do not know what is necessary and what is the best way to achieve it.

To work around this issue, we advance the development at the same time as clarifying requirements by repeating the cycle of planning, design, implementation, and testing in an agile project management. F@CE DX provides a great support and competitive superiority to manage such clarification in projects.

* Minimum Viable Product: A product that can provide the minimum necessary value to customers.

F@CE Cloud

F@CE Cloud is our standard project management platform. Recent software development requires short delivery times, at low cost, and with high quality. Among them, prompt project start-up and appropriate project management are the most important issues. F@CE Cloud, which is packed with our project management knowhow, accelerates project launch and improves system quality and productivity.

Social and Relationship Capital

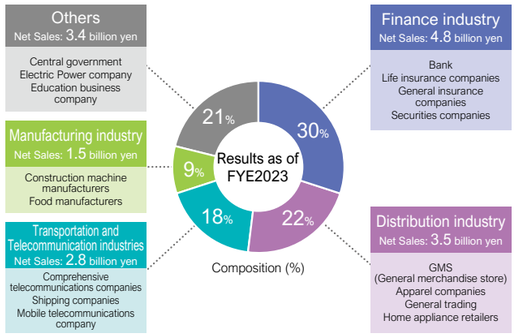
It is indispensable for our sustainable growth to build relationships with the various stakeholders that surround our business, including customers, business partners, stockholders, investors, and employees. We are working to build such relationships from a medium- to long-term perspective.

Please refer to page 19 for “Collaborations with Business Partners” and “Communications with Stakeholders”

Solid Client Base

Our services have been offered to leading corporations in different industries through our partnerships with major SIers and their information subsidiaries over many years. We have acquired a strong working record, experience, and know-how through such partnerships, and these have become our important assets. We will continue to contribute to the development of our customers’ businesses through our software engineering into the future.

A Client Base (End Users) That Spans Industry Boundaries



Length of Continuous Business Transactions (End Users)

More than 15 years: 11 companies	Major retailer, major bank, major GMS (General merchandise store), central government, major DIY store, securities company, etc.
More than 10 years: 15 companies	Major credit card company, manufacturers, major telecommunications company, education business company, etc.
More than 5 years: 19 companies	Major gas supplier, major life insurance company, major mobile telecommunications company, etc.

Customer satisfaction survey

We conduct a customer satisfaction survey every year with the goal of “creating customer benefits” and “creating customer satisfaction.” “Customer satisfaction is not a result, but a goal we should set and aim at from the start of a project.” Based on this idea, we reflect the survey results into our management plans. As a result of these efforts, every year many customers express their high level of satisfaction in this survey.

Survey results summary

FY2022 survey results showed a little lower customer satisfaction level compared with the previous year’s results partly due to revised survey contents. The survey identified new issues in human resource development and customer communications, which may have been affected by changes in our customers’ business environments and the aftermath of the COVID-19 pandemic. On the other hand, our service proposal, which had been seen as a challenge, have been improved. Based on these survey results, we continue our efforts to improve customer satisfaction in FY2023.

Issues found in the survey to be addressed

The FY2022 survey identified particularly important issues in “human resource development,” “customer communications,” and “responses in the project procedure.” These issues have been shared across the Group through the customer satisfaction survey debriefing sessions. Also, we plan and implement improvement measures in each project to address the issues raised by customers.

Capital and Business Partnership with Nomura Research Institute

In December 2022, we concluded a capital and business partnership agreement with Nomura Research Institute, Ltd. (NRI) This capital and business partnership enables the two companies to offer even better added value to their customers by combining our business resources—such as software engineering insight and know-how, with NRI Group’s strengths—comprehensive consultation capabilities acquired through their exclusive business models, such as “Navigation x Solution” and “Con-Solution.” We aim to further increase our corporate value through extra growth utilizing our own unique strengths, while contributing to the development of society by sharing our medium- to long-term approach with the NRI Group.

Natural Capital

Our Environmental Policy stipulates “Practicing environmentally friendly management through business activities to contributing to reducing environmental impact and building a sustainable society.” We contribute to society through our conduct that gives consideration to the environment in our business activities.

Basic Approach

Following the Environmental Policy established in April 2005, we have been striving for energy and resource conservation in our business. We recognize that climate change seriously affects people’s lives and business activities. In May 2023, we revised our Environmental Policy to clearly state our recognition of climate change countermeasures as one of the important issues in our business strategy and our determination to help resolve the issue.

Environmental Management

We obtained ISO 14001 in 2005 and our business activities comply with this standard. We are also continuously improving our environmental management system. We continue paying careful attention to the environment in our business activities by setting concrete targets and improving environmental performance through regular reviews.

Efforts for TCFD

Governance

The CUBE SYSTEM Group regards climate change as an important management issue. Our awareness of the importance of climate-related financial disclosure led to our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Report in November 2021. We are steadily disclosing our environmental information in compliance with this report.

Based on Science-Based Targets (SBT), we will set targets to reduce our greenhouse gas emissions. We will also promote initiatives to reduce all our emissions.

Strategy

We conducted a scenario analysis on our business to clarify risks and opportunities derived from climate change and establish a strategy to minimize such risks and maximize the opportunities. We created a 2°C and a 4°C scenario. We estimated the financial impact on the Group’s business and accounting from climate change according to each scenario (a sales-based calculation was used for the estimates per net sales or operating income), and those with an impact of 100 million yen or greater were categorized as “large impact,” those between 10 million yen to less than 100 million yen were “medium impact,” and those with less than 10 million yen were “low impact.” We aim to establish sustainable management by applying our findings related to risks and opportunities obtained through this scenario analysis to our business strategy.

Risks and Opportunities Identified by Scenario Analysis
(As of the end of March 2023)

Legend
[Risks & opportunities] Opportunity: ○ Risk: ×
[Business and financial impact] Large impact: ↑, Medium impact: ↗, Small impact: →

Types of risks and opportunities		Categories	Categories Expected changes (examples)	Risks & opportunities*	Business and financial impact	
					2°C scenario	4°C scenario
Transitional risks and opportunities	Policy	• Decarbonization	Introduction of carbon tax	×	→	
	Technology		Expansion of demand for energy-related services (e.g. blockchain carbon accounting, and related management system)	○	↑	
			Shift to more power-efficient cloud systems	○	↑	
	Efficient resource usage	• Reduction in labor population • Increase in remote working population	Communication issues due to increase in remote working	○	↑	
	Market	• Increase in environmental awareness • Reinforcement of regulations	Consideration of investors’ ESG factors	×	→	
Physical risks and opportunities	Long-term	• Climate changes • More frequent natural disasters	Extreme weather (damage from storms)	×		↗
			Rise in average temperatures	×		→

* Risks and opportunities are defined in accordance with TCFD types and categories.

Financial Capital

We manage our businesses with conscious about cost of capital and aim to sustainably generate returns that exceed such cost of capital. To achieve this, we aim to optimize our capital composition while keeping a balance of growth investment, sound finance, and improvement in returns to shareholders. We are realizing sustainable growth based on a sound balance sheet, while improving capital efficiency.

Financial Policy

Basic approach

Maintaining and further improving our sound and secure financial standing is one of the most important elements for our sustainable growth. We also regard the return of profits to our shareholders as one of our important issues. As a part of such efforts to maintain our business, we value the sustainability of our management foundation.

Sustainable improvement of corporate value

We regard Return On Equity (ROE) as one of the key performance indicators. In our First Medium-Term Management Plan, we aim to achieve an ROE of greater than 13.0%, led by the increased current net income driven by improved profitability. We aim to grow into a company that can stably maintain this target over a long period.

ROE in the current consolidated fiscal year was 11.8% due to the increased current net income driven by improved profitability and the capital increase through third-party allocation associated with a business partnership concluded in December 2022.

Financial demands

Our financial demands in the area of sales activities are mainly personnel costs, outsourcing costs, and operating funds to pay for a variety of other expenditure. In the area of investment, we plan to focus on growth investment and increasing shareholder returns based on the cash generated from our business. We have also been concluding commitment contracts since 2007 as a countermeasure for unexpected financial demands. Our basic policy for capital allocation is to develop a balance of growth investment, shareholder returns, and a sound balance sheet to achieve our business strategy and the maintenance/improvement of financial soundness to support the strategy.

We think that it is necessary to take a certain level of risk when utilizing our surplus funds. To manage surplus funds appropriately, we need to identify the permissible level of risk with full consideration given to future expenditure plans while working to preserve and recover capital, and also to make the most efficient use of such funds.

Promoting growth investment

To realize sustainable growth under our V2026 policy, we are constantly striving to organize and reinforce our business and management foundations. We are working to realize a growth strategy that makes the best of our strengths and continue to undertake active investment taking account of capital costs. As a part of our investment strategy that contributes to our future growth, we plan to focus on investment in research and development to improve the added value of our services (mainly investment in development organization and facilities), human resource investment, such as new employment and education, and M&A and venture investment to optimize our business portfolio.

Shareholder returns

We believe that it is a listed company's responsibility to return profits to shareholders, and we regard this as one of the most important issues in business management. We endeavor to improve our performance and increase shareholders' asset value through stable dividends and increasing market capitalization value. As our capital increases, we will increase the consolidated dividend payout ratio to 40% after altering a part of the dividend basic policy, taking account of business expansion and the level of retained earnings. This should further increase the return to shareholders.

Our articles of incorporation specify that the board of directors is able to distribute surplus cash as dividend payouts upon the agreement of the board. Our record date for the payment of interim dividends is September 30 of each year. We also offer shareholder benefit program (for those listed on the shareholder register as of September 30 of each year).

Financial Status as of FYE2023 (Consolidated)

Assets

Our current assets totaled 9,703 million yen, which was a 1,897 million yen increase over the previous fiscal year. This was mainly due to the 1,690 million yen increase in cash and deposits and 100 million yen increase in securities. Non-current assets totaled 2.844 million yen, with an increase of 585 million yen over the previous fiscal year. This was mainly due to the 355 million yen increase in investment securities and a 296 million yen increase in assets for retirement benefit. As a result, total assets reached 12,547 million yen, an increase of 2,482 million yen compared to the previous fiscal year.

Liabilities

Current liabilities totaled 2,188 million yen, showing a 10 million yen decrease from the previous fiscal year. This was mainly due to a 12 million yen decrease in the provision for bonuses. Non-current liabilities were 742 million yen due to a 91 million yen increase from the previous fiscal year. This was mainly due to a 296 million yen increase in the provision for share-based compensation. As a result, total liabilities were 2,930 million yen, an increase of 80 million yen compared to the previous fiscal year.

Net assets

Net assets totaled 9,616 million yen, which was a 2,402 million yen increase over the previous fiscal year. This increase was mainly due to a 631 million yen increase in share capital, a 786 million yen increase in capital surplus, a 255 million yen decrease in treasury shares, and a 452 million yen increase in retained earnings. As a result, our equity ratio reached 76.6%.

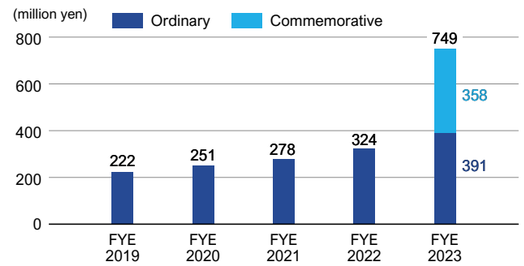
Investment Evaluation Committee

To grow our company, we need to be a pioneer and develop a process to generate new businesses and new business fields. At the same time, some risk is inevitable when starting something new. Therefore, decision-making and control processes are essential to protect corporate value and business. We established the Investment Evaluation Committee, chaired by an appointed director, to ensure that investments and capital injections are based on management judgement rules. To ensure that our business resources are allocated properly, the Committee assesses the appropriateness of capital injection, investments, R&D, and investment in business reforms.

Dividend Policy

Dividends for the next fiscal year will be 30 yen per share per year—15 yen as an interim dividend and another 15 yen as a year-end dividend. We estimate the consolidated dividend payout ratio will be 42.1%.

Changes in Total Amount of Dividends



* Our 50th anniversary commemorative dividend was provided in the FYE2023.

Business Indices and Results

	Results as of FYE2021	Results as of FYE2022	Results as of FYE2023	Indicators of First Medium-Term Business Plan
ROE	14.0%	13.8%	11.8%	13.0% or higher
Consolidated net sales per capita*1	21,464,000 yen	22,548,000 yen	22,897,000 yen	23,000,000 yen
Ratio in net sales*2	—	SI Business +2 billion yen	SI Business +1.6 billion yen	SI Business +3.3 billion yen
Net sales CAGR*2	—	8.9%	5.1%	8.0%
Consolidated operating margin	7.9%	8.8%	8.9%	9.0%*3

*1 Excluding overseas subsidiary employees
*2 The actual results were a period-over-period sales comparison against the net sales results for the FYE2021.
*3 The target was amended upwards from 8.0%, as reported in the Announcement of Amendment in Financial Targets in the Medium-Term Management Plan, released on May 11, 2022.

Major Financial Data (Consolidated)

Fiscal year: April 1 to March 31 next year
Please refer also to our Fact Book.

IR Information: Financial results brief, etc.
https://www.cubesystem.co.jp/en/ir/library/library

(Unit: thousand yen)

	Japanese GAAP									
	Medium- to Long-Term Management Vision, V2020 1st Step		V2020 2nd STEP			V2020 3rd STEP			V2026 1st STEP	
	FYE2014	FYE2015	FYE2016	FYE2017	FYE2018	FYE2019	FYE2020	FYE2021	FYE2022	**FYE2023**
Consolidated Statements of Income										
Net sales	11,217,129	12,527,151	12,622,672	12,899,073	13,559,365	14,325,325	14,708,096	14,788,890	16,099,838	**16,325,714**
Gross profit	1,555,779	2,035,419	2,146,479	1,985,868	2,344,212	2,448,834	2,503,098	2,840,663	3,450,166	**3,570,107**
Total selling, general and administrative expenses	890,925	1,071,048	1,197,015	1,204,853	1,489,096	1,527,243	1,544,085	1,665,796	2,032,280	**2,117,612**
Operating income	664,853	964,370	949,463	781,015	855,116	921,590	959,012	1,174,867	1,417,886	**1,452,495**
Ordinary Income	701,775	980,606	960,090	811,401	892,818	959,928	976,182	1,295,324	1,432,724	**1,480,455**
Current net income belonging to parent company stockholder	386,552	594,252	628,914	551,317	567,491	596,613	525,318	844,004	944,696	**989,672**
Consolidated Balance Sheets										
Current assets	5,285,756	5,024,867	5,221,694	5,549,653	5,763,971	6,156,586	6,241,570	7,253,810	7,805,500	**9,703,153**
Non-current assets	1,374,325	1,873,866	2,103,085	1,853,954	1,771,581	1,989,317	1,805,711	2,190,382	2,259,029	**2,844,369**
Total assets	6,660,082	6,898,734	7,324,780	7,403,608	7,535,552	8,145,904	8,047,282	9,444,193	10,064,530	**12,547,523**
Current Liabilities	1,927,331	1,942,400	1,790,876	1,713,470	1,860,775	2,249,681	1,874,225	2,357,766	2,199,418	**2,188,844**
Non-current liabilities	305,358	310,715	815,147	824,603	518,646	532,770	540,267	571,106	650,792	**742,130**
Total liabilities	2,232,690	2,253,115	2,606,023	2,538,073	2,379,422	2,782,451	2,414,493	2,928,872	2,850,211	**2,930,974**
Total net assets	4,427,391	4,645,618	4,718,757	4,865,534	5,156,130	5,363,452	5,632,788	6,515,320	7,214,319	**9,616,548**
Total liabilities and net assets	6,660,082	6,898,734	7,324,780	7,403,608	7,535,552	8,145,904	8,047,282	9,444,193	10,064,530	**12,547,523**
Consolidated Statements of Cash Flows										
Cash flows from operating activities	317,999	503,348	527,316	936,428	388,839	773,119	747,331	1,043,068	1,015,804	**891,958**
Cash flows from investing activities	△ 172,463	△ 307,421	33,243	94,825	28,280	46,902	25,957	58,501	△ 134,344	**△ 304,715**
Cash flows from financing activities	△ 188,964	△ 439,289	△ 241,980	△ 610,986	△ 392,054	△ 531,081	△ 339,283	△ 215,207	△ 324,105	**1,102,321**
Effects of exchange rate change on cash and cash equivalents (△ means decrease)	△ 777	3,311	△ 9,315	△ 6,057	△ 1,381	△ 4,031	△ 7,796	4,169	10,831	**△ 1,935**
Net increase (△ means decrease) in cash and cash equivalents	△ 44,205	△ 240,050	309,263	414,210	23,684	284,907	426,209	890,531	568,185	**1,687,629**
Cash and cash equivalents at end of period	2,338,785	2,098,734	2,407,998	2,822,208	2,845,893	3,130,800	3,557,010	4,447,541	5,015,727	**6,703,356**
Per Share Information										
Earnings per share (yen)	25.77	39.75	43.22	39.15	40.59	43.25	38.69	62.11	69.82	**70.35**
Book value per share (yen)	293.86	316.67	322.76	346.47	372.23	393.29	411.96	476.52	531.14	**634.29**
Dividends per share (yen)	11.00	14.00	14.00	14.00	16.00	16.00	18.00	20.00	23.00	**50.00**
Financial Ratios										
Equity ratio (%)	66.2	67.0	64.1	65.4	68.1	65.4	69.6	68.6	71.2	**76.6**
Return on equity (%)	9.1	13.2	13.5	11.6	11.4	11.4	9.6	14.0	13.8	**11.8**
Total asset turnover ratio (times)	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.6	1.6	**1.3**
Financial leverage (times)	1.5	1.5	1.6	1.5	1.5	1.5	1.4	1.5	1.4	**1.3**
Return on assets (%)	11.1	14.5	13.5	11.0	12.0	12.3	12.3	14.8	14.7	**13.1**
Ratio of operating income on sales (%)	5.9	7.7	7.5	6.1	6.3	6.4	6.5	7.9	8.8	**8.9**
Ratio of earnings on sales (%)	3.4	4.7	5.0	4.3	4.2	4.2	3.6	5.7	5.9	**6.1**
Dividend payout ratio (%)	42.7	35.2	32.4	35.8	39.4	37.0	46.5	32.2	32.9	**71.1**

* With the application of the Accounting Standards on Business Combinations (ASBJ Statement No. 21, September 13, 2013), "current net income" has been defined as "current net income belonging to parent company stockholder," starting in FYE2016.
* Stock split at a ratio of 1:2 was implemented on October 1, 2014. However, this stock split is assumed to have been executed at the start of FYE2015. Hence, current net income value per share and net assets per share for each fiscal term have been calculated accordingly.
* The impact of the 1:2 ratio stock split in October 1, 2014 has been applied retroactively to the annual dividend per share.
* Dividend and dividend payout ratio for FYE2023 include our 50th anniversary commemorative dividend.

ESG Data

Environment

CO_2 Emissions

	FY2018	FY2019	FY2020	FY2021	FY2022
Total emissions Scope 1 (t-CO_2e)	50	46	55	49	48
Total emissions Scope 2 (t-CO_2e)	138	137	135	238	186
Scope 1+Scope 2 (t-CO_2e)	188	183	189	287	234
Total emissions Scope 3 (t-CO_2e)	–	–	–	4,576	4,368

* Includes Osaki Wiz Tower (Tokyo Head Office) only before FY2020. For FY2021 and later, all group companies are covered. Emissions for FY2021 have been revised.
* Emissions under Scope 1, Scope 2 and Scope 3 have been calculated using the following equation. (The emission factor is as set in the Act on the Promotion of Global Warming Countermeasures.)
  Scope 1 emissions: Consumption of each fuel type × Energy conversion factor × Emission factor
  Scope 2 emissions: Electricity consumption × Emission factor
  Scope 3 emissions: Value of each category × Total of emission factor
* Calculation for Scope 3 started from FY2021.

Energy Consumption

	FY2018	FY2019	FY2020	FY2021	FY2022
Energy consumption (Electricity kWh)	298,443	301,343	304,310	571,860	450,306

* Includes Osaki Wiz Tower (Tokyo Head Office) only before FY2020. For FY2021 and later, all group companies are covered. Consumption for FY2021 has been revised.

Social * Non-consolidated data

Proportion of the Employees

		FY2018	FY2019	FY2020	FY2021	FY2022
Number of Employees (persons)	Male	441	447	461	447	446
	Female	131	144	164	192	198
By region (persons)	Japan	569	588	622	634	640
	Ho Chi Minh	2	2	2	2	2
	Shanghai	1	1	1	3	2
Gender ratio	Male	77%	76%	74%	70%	69%
	Female	23%	24%	26%	30%	31%
Number of managerial personnel (persons)	Male	92	102	106	104	99
	Female	3	4	5	7	7
Number of new graduate new hires (persons)	Male	35	33	39	33	37
	Female	14	19	24	24	25
Number of midcareer hires (persons)	Male	13	11	8	4	11
	Female	7	7	7	9	9
Number of retired employees (persons)		57	54	40	57	88
Average length of employment (years)		7.9	8.2	8.3	8.5	8.7
Average annual compensation (in thousand yen)		5,114	5,080	5,018	5,261	5,099
Job retention rate for new graduate new hires after three years		75%	78%	65%	83%	83%

* The number of employees include those on overseas assignments.

Employment of Employees with Disabilities

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees with disabilities (persons)	5.5	9.5	10	10	14
Rate of employees with disabilities	0.9%	1.6%	1.6%	1.6%	2.1%

FY2022 Childcare Leave-Taking Status

	Total	Male	Female
Number of employees qualified for childcare leave (persons)	624	435	189
Number who took childcare leave (persons)	22	5	17
Employees who returned from childcare leave during the term of this report (persons)	9	4	5
Employees who are enrolled more than 12 months after returning from childcare leave (persons)	5	3	2
Job return rate after childcare leave	100%	100%	100%
Job retention rate after childcare leave	87.5%	100%	67%

Health and Productivity Management

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of workplace accidents (cases)	5	1	0	0	0
Workplace accident rate*	0%	0%	0%	0%	0%

* Figure represents the number of either fatal accidents or incidents necessitating four or more days' leave due to a casualty accident.

Annual Training Cost per Employee

	FY2018	FY2019	FY2020	FY2021	FY2022
Training cost per employee (in thousand yen)	95	85	60	99	105

Governance * Non-consolidated data

Proportion of Directors

	FY2018	FY2019	FY2020	FY2021	FY2022
Total directors (persons)	7	7	7	7	7
Independent directors (persons)	2	2	3	3	3
Female directors (persons)	0	0	1	1	1

Board of Directors Meetings

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of meetings (times)	14	15	15	17	19
Average attendance rate	100%	100%	100%	100%	100%
Average attendance rate for independent directors	100%	100%	100%	94%	96%
Average attendance rate for outside auditors	100%	100%	100%	100%	100%

Board of Auditors Meetings

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of meetings (times)	16	15	18	19	14
Average attendance rate for all auditors	100%	100%	100%	100%	100%
Average attendance rate for outside auditors	100%	100%	100%	100%	100%

Corporate Information

Corporate Information

Company name ····· CUBE SYSTEM INC.

Head office ····· Osaki Wiz Tower, 2-11-1 Osaki, Shinagawa-ku, Tokyo

Establishment ····· July 5, 1972

Capital ····· 1.4 billion yen

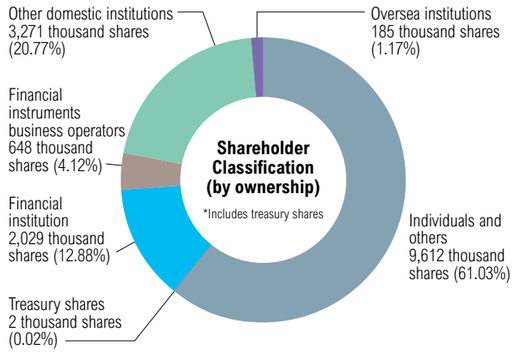
Number of employees (consolidated) ····· 898 (as of April 1, 2023)

Stock Information (as of March 31, 2023)

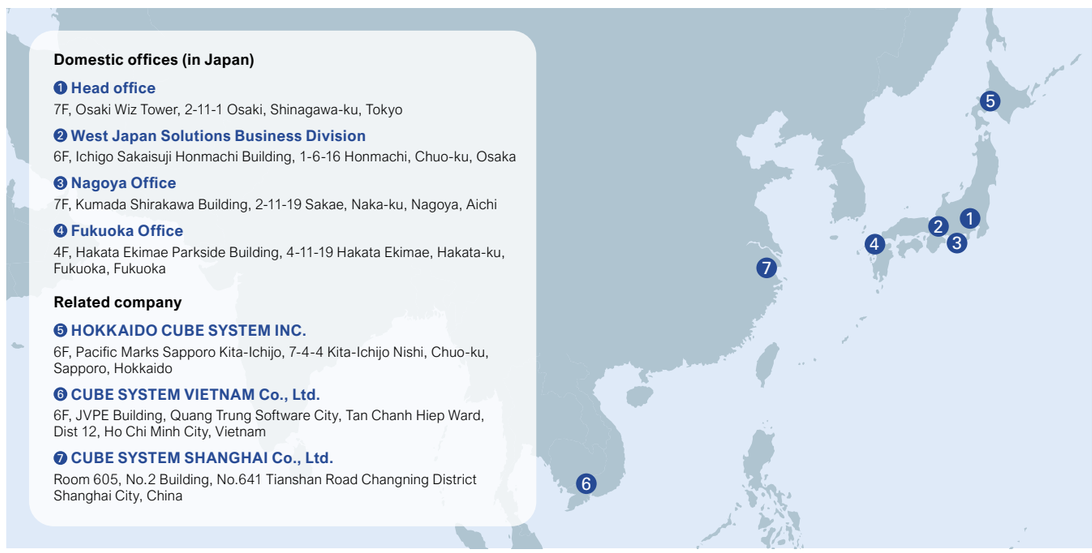
Total number of issuable shares ····· 22,364,000

Total number of issued shares ····· 15,750,000

Number of Shareholders ····· 10,222



Major Shareholders (Top 10)

Name of shareholder	Number of shares held (thousands of shares)	Shareholding ratio
Nomura Research Institute, Ltd.	3,178	20.18%
CUBE SYSTEM Employee Stockholding Meeting	1,468	9.32%
Osamu Sakiyama	1,121	7.12%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,061	6.73%
The Japan Master Trust Bank, Ltd. (Executive Remuneration BIP Trust Account)	586	3.72%
Akemi Onuki	401	2.54%
SMBC Nikko Securities Inc.	289	1.84%
Toshikuni Sato	229	1.45%
Toshio Uchida	220	1.40%
Custody Bank of Japan, Ltd. (Trust Account)	202	1.28%

Offices