

Alpha-Win Company Research Report

CUBE SYSTEM INC. (2335 TSE Prime)

Issued: 6/13/2022

● Summary

Alpha-Win Capital Inc. Research Department
<http://www.awincap.com/>

Business Description

• CUBE SYSTEM INC. (hereinafter, the “Company”) is an independent, mid-tier system integrator (SI) listed on the TSE Prime Market. Its main customers are four major corporate groups including the Nomura Research Institute and the Fujitsu Group. It develops systems and provides services mainly for the finance, distribution, and telecommunication industries. Founded in 1972, it has 50 years of history.

Performance Trends

- With the exception of one fiscal year, the Company has been continuously increasing sales YoY for the past 21 years (including the period during which its results were nonconsolidated). During this period, its annual sales growth rate (simple average of the rate of increase in sales) was +6.1% and its annual recurring profit growth rate (simple average) was +7.3%; the Company has been steadily expanding its business and keeping its business profitable over many years. Thanks to its committed efforts in business development and management reform, the recurring margin has been stable at around 7% (7.2% on average) and the increase in sales has been contributing directly to increases in profit, dividend, and market capitalization.
- The Company had made upward revisions to its initial forecast for the previous fiscal year (FY 2022; note that the Company’s fiscal year is March ending, i.e., FY 2022 ended in March 2022) upon the announcement of financial results for the first half. The fiscal year’s results came out to be mostly as expected. Sales were Y16.1 billion, an increase of +8.9% YoY. Operating profit was Y1.42 billion, a significant increase of +20.7%. Sales hit a record high for the 10th consecutive fiscal year, and operating, recurring, and net profit all hit their record highs. Dividend was increased for the third consecutive fiscal year to an annual dividend of Y23 per share (+3 yen YoY).
- This fiscal year (FY 2023), it plans to achieve sales of Y17.3 billion (+7.5% YoY), operating profit of Y1.53 billion (+7.9% YoY), and net profit of Y1 billion (+5.9% YoY) and consecutively hit record-high sales and profits. It also plans to increase annual dividend by 3 yen to Y26 per share.
- Although the macroeconomy is unforeseeable, the Company expects to increase sales by successfully receiving orders for projects related to strategic IT investments (Digital and SI businesses). In addition to sales growth, it plans to grow profit by working on its own digitalization, resource optimization, and productivity improvement.
- IT investments such as those related to DX have been strong, and strong orders can be expected. Also, the Company has made a somewhat cautious prediction that its profit margin will be about the same as the previous fiscal year. Therefore, Alpha-Win Research Department predicts that the Company’s planned sales and profits for this fiscal year should be mostly achievable.

Business Strategy

- The Company made upward revisions to its consolidated target figures for FY2023 (current fiscal year) and FY 2024 in the First Medium-Term Management Plan of V2026. For the final year of the plan or FY 2024, it increased sales from Y18.5 billion to Y19 billion, operating profit from Y1.48 billion to Y1.71 billion, and operating margin from 8.0% to 9.0% (has not changed its goal to achieve ROE of 13% or more).
- The Company has been successfully and actively developing its business in the area of proposal-based business as well as contract-based business and shifting toward the SI Business and the Digital Business based on the Enhancement Business. The upward revision of medium-term numerical goals seems to reflect the Company’s increasing confidence in its business performance and strategy.
- It has also been actively engaged in in-house development/enhancement of new technologies and services and joint development with other companies. It has been building the foundation for such development by conducting investments, providing financing, and forming alliances.
- In the new medium-term plan, it has declared to pursue sustainability management and set non-financial goals for diversity promotion, workstyle reform, and people development which it plans to achieve through IT.

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- Going forward, the key points will most likely be recruitment/training, collaboration with major system integrators, development of proposal-based businesses targeting end users, improvement of project management skills, continued improvement of profit margins, monetization of businesses in new business areas, acquisition of new customers, M&As and alliance strategies, expanding and leveraging overseas offices, and incorporation of new technologies.

Forecast of Medium-Term Financial Results

- Despite the unforeseeable economic environment caused by global inflation and monetary tightening to control it, the situation in Ukraine, and COVID-19, the impact on the Company has been relatively small since its business is centered on domestic demand. In addition, there has been a polarization in IT investment among Japanese companies, which are its customers. This may be a business chance for the Company as it plans to receive more orders from customers who are strategically increasing system investments. On the other hand, risks include the securing of employees and the occurrence of unprofitable projects.
- Over the medium to long term, IT and DX investments by the Company's corporate users are expected to continuously increase. We believe that this trend will allow the Company to stably increase both sales and profit by about 6-10% per year through the development of the new Digital Business and the SI Business based on the Enhancement Business, expansion into new business areas, acquisition of new customers, and improvement of productivity.

Shareholder Return

- The Company has been proactively returning profit to shareholders through share buybacks, stock splits, and sequential dividend hikes. When benefits from the shareholder benefit program are added to the dividend, the dividend yield essentially comes out to be about 3.4% at maximum. The planned dividend payout ratio for this fiscal year has been raised 35% and it plans to increase dividend for the fourth consecutive year. Its DOE (based on the most recent actual values of FY 2022) is 4.6%, which is about average compared to its competitors but high compared to the market average of 2.0-2.5%. With solid financial performance and ample cash, shareholder return measures such as share buybacks and dividend hikes can be continued to be expected.

Stock Characteristics and Stock Price

- Over the past 13 years or so, its stock price has increased by about 4.8x and has been largely outperforming the TOPIX. Based on this fiscal year's forecasted values, valuation is somewhat lower than the average of all stocks listed on the TSE Prime, but about average compared to its competitors. Its current stock price therefore seems to be mostly at the fair value.
- Since it is a domestic-demand-oriented, defensive stock and stable profit growth is expected to continue, it is most likely seen as a potential medium/long-term investment target. In terms of stock price, key points going forward will be its progress with this fiscal year's financial performance and the IT investment trends of companies, as well as the contribution of businesses in new digital-related technologies/areas to the financial results and the return of profit to shareholders.

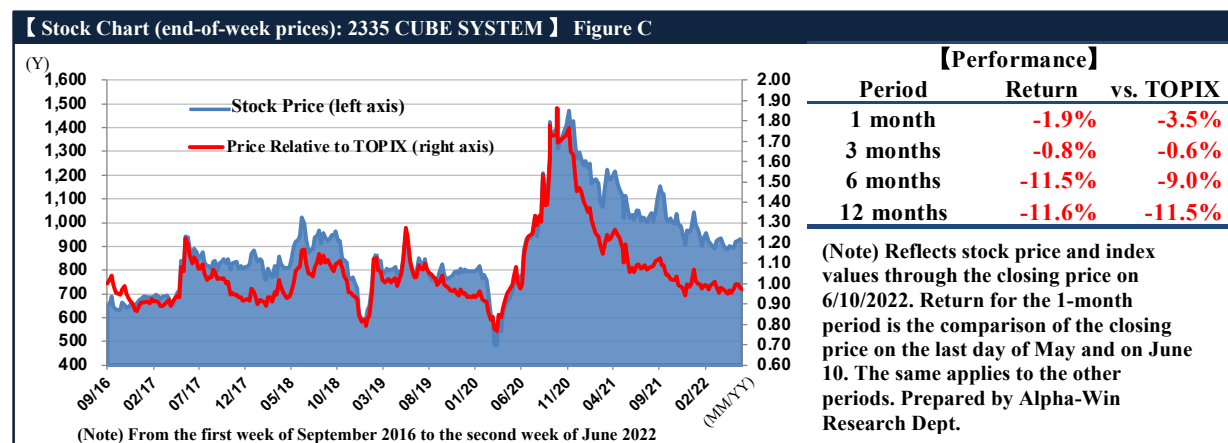
【 2335 CUBE SYSTEM Sector: Information & Communication 】 Figure A												
FY		Sales	YOY	O.P.	YOY	R.P.	YOY	N.P.	YOY	EPS	BPS	Dividend
		(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(Y)	(Y)	(Y)
2020		14,708	2.7	959	4.1	976	1.7	525	-11.9	38.69	411.96	18.0
2021		14,788	0.5	1,174	22.5	1,295	32.7	844	60.7	62.11	476.52	20.0
2022		16,099	8.9	1,417	20.7	1,432	10.6	944	11.9	69.82	531.14	23.0
2023	Initial mid-plan CE	17,200	-	1,340	-							
2023	Revised mid-plan CE	17,300	7.5	1,530	7.9	1,545	7.8	1,000	5.9	73.91	Not disclosed	26.0
2023	E	17,200	6.8	1,520	7.3	1,535	7.2	1,000	5.9	74.08	579.20	26.0
2024	Initial mid-plan CE	18,500	7.6	1,480	10.4							
2024	Revised mid-plan CE	19,000	9.8	1,710	11.8							
2024	E	18,700	8.7	1,700	11.8	1,715	11.7	1,100	10.0	81.48	634.69	28.0
2025	E	19,600	4.8	1,800	5.9	1,820	6.1	1,180	7.3	87.41	694.10	30.0

(Note) CE = the Company's estimate/forecast. "Initial mid-plan" is the forecast announced on June 11, 2021. "Revised mid-plan" is the forecast announced on May 11, 2022. E = Alpha-Win Research Dept.'s estimate/forecast. Note that the Company's fiscal year is March-ending.

(Note 2) In this report, decimal places have been rounded off in principle in the calculations or for the values shown, and therefore values may differ from those disclosed by the Company.

【 Stock Price and Valuation Indicators: 2335 CUBE SYSTEM 】		Figure B				
Item	6/10/2022	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	925	Last FY (actual)	13.2	1.7	2.5%	32.2%
Shares Outstanding (thou.)	14,500	This FY (est.)	12.5	1.6	2.8%	35.1%
Market Capitalization (million yen)	13,413	Next FY (est.)	11.4	1.5	3.0%	34.4%
Dilutive Shares (thou.)	0	Equity Ratio at Last FY-End	71.2%		Last FY's ROE	13.8%

(Note) Estimates were made by Alpha-Win Research Dept.



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Note: 1) Upon translating to English, when the page numbers differed from the original Japanese version, they were adjusted to those of the English version of this Report. 2) The Company's fiscal year is March-ending; i.e., FY 2023 ends in March 2023.

1. Company Overview

◆ Independent, Mid-Tier System Integrator

CUBE SYSTEM INC. (hereinafter, the “Company”) is an independent system integrator¹ (a.k.a. SI). It is listed on the Prime Market of the TSE and is a mid-tier player in the system integration industry. Often as a subcontractor for major SIs, the Company mainly develops the systems of large companies in the finance, telecommunication, and distribution industries, as well as for the government. Its customer base is firm, having expanded its business with its main customers over many years. Its main customers are the four corporate groups of Nomura Research Institute, Fujitsu, Aeon, and Mizuho, whose summed sales account for about 80% of the Company’s total sales. The Company also receives outsourced jobs from the Tokyo Stock Exchange, indicating its technological expertise and strong trust.

- ◆ **An independent system integrator with 50 years of history in the industry. Specialized and mid-tier. Stable customer base with several blue-chip companies as its customer.**

(1) System integrator: a company that conducts system integration. Abbreviated as “SI” or “SIer.” A general term for companies that plan, design, develop, operate, and provide other solutions for the IT operation systems of customers including companies and the government.

Founded in 1972 at the outset of the software industry, the Company has 50 years of history. Osamu Sakiyama, chairman and representative director, is one of the founding members. Masahiro Nakanishi became representative director, president, and CDO (Chief Digital Officer) in June 2020. Nakanishi previously worked as vice manager of Nomura Research Institute’s Chubu Branch and then joined the Company in 2017. He also has experience working for a consulting company. At the Company, he directly conducts sales activities for DX and other projects as the company representative.

- ◆ **The Company’s group is made of the Company and three subsidiaries. HOKKAIDO CUBE SYSTEM became its wholly owned subsidiary.**

(2) Near-shore development: outsourcing development to regional companies or offices

(3) Offshore development: providing services that meet customer needs, from system development to maintenance, at a low cost using overseas/offshore sites

The Company’s group consists of four companies: the Company and three consolidated subsidiaries. The consolidated subsidiaries are as follows (Figure 1).

1. HOKKAIDO CUBE SYSTEM INC.

(Located in Sapporo, Hokkaido; for near-shore development² of systems and sales reinforcement in the Tohoku and Hokkaido regions. Became a wholly owned subsidiary after the Company raised its stake from 90.9% to 100% in 2022. For the purpose of raising efficiency of group management.)

2. CUBE SYSTEM VIETNAM CO., LTD.

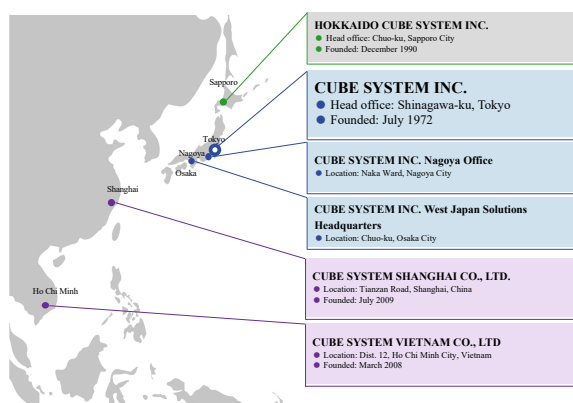
(Ho Chi Minh City, Socialist Republic of Vietnam; founded by the Company as a wholly owned subsidiary)

3. CUBE SYSTEM SHANGHAI CO., LTD.

(Shanghai, China; the Company established a joint company and then acquired all shares in 2017)

The Company established its overseas subsidiaries mainly for the purpose of offshore development³.

【Figure 1】 Locations of CUBE SYSTEM Group’s Subsidiaries and Offices



(Ref) Notice of convocation of the ordinary general meeting of shareholders

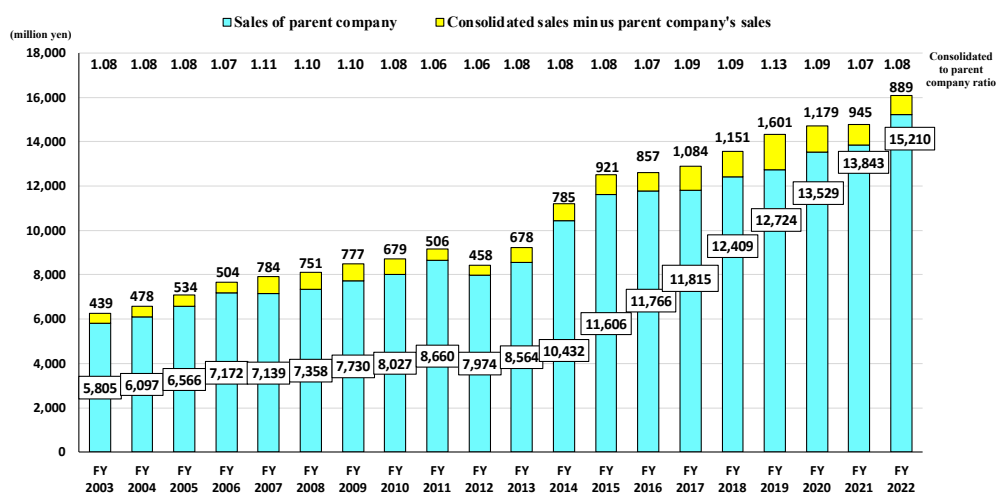
As of the end of May 2022

- ◆ Consolidated sales and profit have been on an increasing trend. Consolidated subsidiaries have been stably profitable in sum. Consolidated-to-parent-company ratios have been a little greater than 1 for both sales and profit.

The consolidated-to-parent-company sales ratio has stayed around 1.08 for the past 20 years, with the parent company's results having a large weight (Figure 2). Although the individual subsidiary's profit/loss is not disclosed, the consolidated-to-parent-company recurring profit ratio has been around 0.98-1.17 (simple average of 1.05) during the same period.

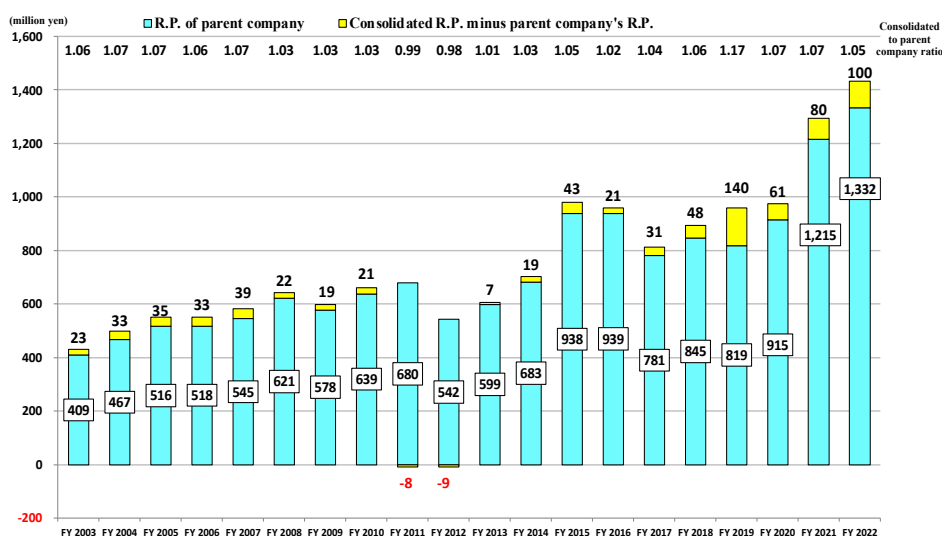
The total profit/loss of the three subsidiaries, calculated by subtracting the parent company's recurring profit from the consolidated recurring profit, has been a surplus excluding the two periods FY 2011 and FY 2012 (Figure 3). During the three fiscal years from FY 2017 to FY 2019, sales and profit of the subsidiaries (= consolidated minus parent company) grew, but in FY 2020, their sales and profit declined due to the completion of the subsidiaries' major system development projects. However, business was generally solid both in FY 2021 and FY 2022 with a slight sales decline but a growth in profit, due to the solid performance of the subsidiary in Vietnam.

【Figure 2】 Ratio of Consolidated to Parent Company Sales (ratios shown on upper portion of graph)



(Ref) Both Figures 2 and 3 were prepared by Alpha-Win Research Dept. based on the securities report.

【Figure 3】 Ratio of Consolidated to Parent Company Recurring Profit (ratios shown on upper portion of graph)



- ◆ Essentially debt-less and rich in cash. Financially solid.

The Company's finance is strong with essentially no debt. Its free cash flow (FCF) has also been stably positive, and cash and deposits have been gradually accumulating (Figure 4). The Company has approximately Y5.06 billion in cash and deposits on its balance sheet (Y4.47 billion at the end of the fiscal year before the previous) in addition to Y1.28 billion in investment securities (high-liquidity stocks and bonds), totaling more than Y6.3 billion in highly liquid assets (equivalent to 60% of its total assets of 10 billion and a little less than 40% of its sales of 16.1 billion). In comparison, its debt is Y240 million. Its financial ratios are also stably high, with an equity ratio of 71% (69% at the end of the fiscal year before the previous) and current ratio of 355% (similarly, previously 308%) (values as of the end of March 2022).

【Figure 4】 Transition in Cash Flow (CF) (Note: FCF stands for free cash flow. Unit = million yen)

Unit: million yen	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating CF ①	283	622	101	451	317	503	534	936	388	773	747	1,043	1,015
Investing CF ②	-1	309	54	-321	-172	-307	25	94	28	46	25	58	-134
Financing CF	-144	-173	-125	-151	-188	-439	-241	-610	-392	-531	-339	-215	-324
FCF (①+②)	282	931	155	130	145	196	559	1,030	416	819	772	1,101	881
Cash and Cash Equivalents	1,619	2,376	2,405	2,383	2,339	2,099	2,408	2,822	2,846	3,131	3,557	4,448	5,016

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary

(Note) "Cash and cash equivalents" are not "cash and deposits" on the B/S but are from the "Statements of Consolidated Cash Flows" in the financial results summary.

- ◆ The business philosophy / goal is to "create a world-class company."
- ◆ The basic management policies are "Customer first," "Emphasis," and "All employee sales."
- ◆ Shares management targets/results with all employees

(4) All-employee sales system: a system where there is no dedicated department for sales but instead each project is managed as a whole from receiving an order to delivering the product and confirming payment. The system engineer, who is in charge of customer interaction, will materialize the systemization needs of customers through dialogues and carry out projects with responsibility and authority under a sales goal.

◆ Business Philosophy and Basic Management Policy

The Company's business philosophy is as follows:

- "Companies flourish with the people's support. We must continue our business to ensure the well-being of people including our employees. The source of business continuity and development is profit, and profit is generated by our customers. Based on this philosophy, we will aim to create a world-class company."

The following are the Company's three basic management policies:

- Customer first: All decisions are based on our customers' values and it is our standard to think from our customers' perspectives.
- Emphasis: The four main elements of a company are people, assets, money, and time. To maximally utilize these elements, we will focus our business resources on the most important matters that have been decided based on our customer-first policy.
- All employee sales: To provide user-oriented services, each employee will work ardently toward the development of the Company's business with independent and business-oriented mindset (⇒ has established a unique all-employee sales system⁴).

Targets for the entire company as well as for each department, such as those for sales, profits, and progress, are disclosed to all employees. Information is being shared in an open management.

◆ Message from CUBE SYSTEM to the Investors

"In July of this year, we will reach our 50th anniversary since foundation. We thank everyone for the 50 years that we have been able to continue our business and constantly grow, including not only our employees for their ardent efforts, but also their families, our partners, our customers who have continued to support us and believe in our potentials, and most of all our shareholders for their truest support. We will continue to strive to meet the expectations of all our stakeholders."

2. Business Description and Business Model

◆ Three Lines of System Services

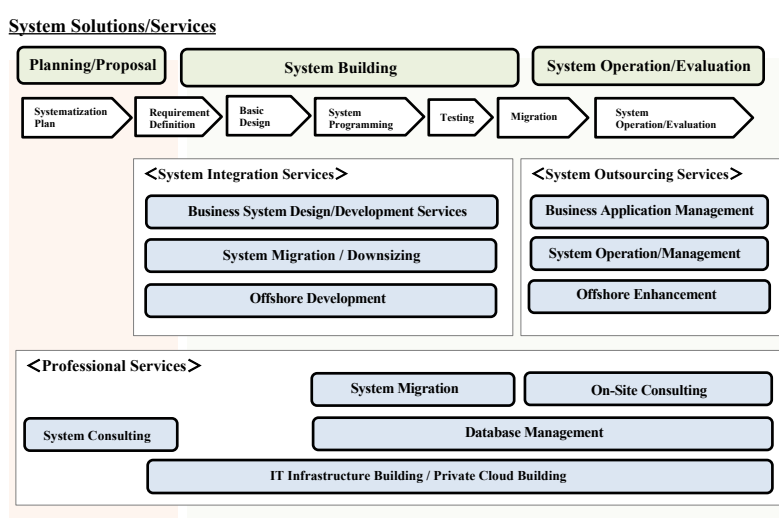
- ◆ Business is classified into three service categories. System Integration Services, which are mainly system development, account for 70% of the total sales. Profit margins of the three categories are about the same.

(5) System solutions: solving issues related to systems through hardware, software, and services

As its business, the CUBE SYSTEM Group provides system solutions⁵. Specifically, the Company provides a series of services from building systems through planning/proposal, design, and manufacture (programming), to testing, operating, and evaluating systems. It provides service to companies and the government. Since this is the Company's single business, the business is further classified according to the informatization cycle of customers into the following three categories (lines of service).

1. System Integration Services (SIS)
2. System Outsourcing Services (SOS)
3. Professional Service (ProS)

【Figure 5】 Overview Diagram of the Processes of Each Service



(Ref) Prepared and reworked by Alpha-Win Research Dept. based on the securities report

- ◆ Projects are diversified.

(6) Requirement definition: defining the scope and target of systemization

(7) Basic design: also called external design, a part of the upstream process where the basics of the functions necessary for a system from the user's perspective are designed (screen, method of operation, security, etc.). The workflow is as follows: basic design → internal design → detailed design → manufacture (also called programming or implementation).

1. System Integration Services (SIS)

- The Company's main business. Develops business operation systems that meet the needs of end users such as companies and the government (hereinafter collectively referred to as "corporate users"). Includes requirement definition⁶, basic design⁷, programming, and testing (Figure 5).
- While the time it takes from receiving an order to delivering the product can range from a few months at the shortest to about three years, many of the projects are completed in the order of a few months. Most orders are received and delivered during the same fiscal year. The price can also range from several million yen to several hundred million yen, but projects priced less than Y50 million are by far the most common.
- In general, engineers are stationed at the corporate user's site and conduct system development for each project in teams. However, to cut down on cost and secure the necessary number of engineers, a part of the development is outsourced to subsidiaries in Japan and overseas, or other companies in the same business, under the supervision of the Company's project manager.
- Since the system development business is, in general, based on contract agreements, the SI (the Company), who is the contractor, bears responsibility for the products (systems). Therefore, management of the risks and the

◆ **System Integration Services are based on contracts. Project management is important in controlling the risks and profit/loss.**

(8) Standard development framework F@CE: The Company's unique general framework for standardizing and streamlining application development. A tool for carrying out projects efficiently by preventing operation errors or omissions.

(9) Enhancement services: Providing not just system maintenance, management, and development services but also improving system performance and quality to increase the value of the system. Or proposing ideas for new businesses. Customer satisfaction can be improved. For the Company, this service essentially means continued business with the customer.

(10) Business related to Oracle Cloud: Cloud-related services and proposals based on Oracle's database. The Company plans to continue to strengthen this business by increasing the number of employees with Oracle-related certifications. Current annual sales are several hundred million yen.

profit/loss of projects and products is important.

- Orders for projects are often received through proposals or by bidding. Estimates are generally calculated based on [number of staff] x [number of months]. After receiving an order, in building a system, the Company employs knowledge, know-how, and fundamental technologies pertaining to various industries, companies, and businesses that it has accumulated over the years, as well as its standard development framework F@CE⁸, to reduce the risk and improve quality, profitability, and efficiency.

- Since unexpected changes in specifications, additional work exceeding the initial estimate, etc., can negatively impact profitability and make a project unprofitable, the Company has created a new, specialized department to work on improving its project management. The Company has also been actively working on providing the Enhancement services⁹, in which the Company works closely with corporate users to make various proposals that will lead to new businesses (compact system development).

2. System Outsourcing Services (SOS)

- Services related to the operation and evaluation of systems. It provides two solution services: system operation & management (building, managing, and evaluating components of a system such as hardware, basic software, database, and network environment) and business application management (maintenance, management, and improvement of business applications and evaluation of management processes). The Company has also established a seamlessly linked service structure in which new challenges found and proposed during system maintenance and operation (SOS) can lead to a new Enhancement project (SIS).

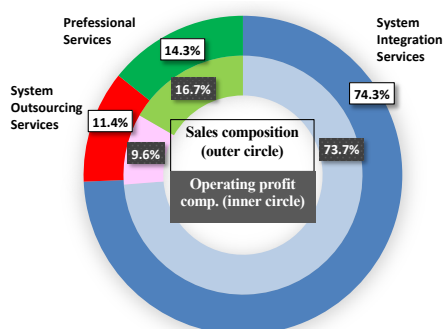
3. Professional Services (ProS)

- Services that utilize the Company's technologies to solve everything related to the informatization cycle from planning, designing, and building infrastructure to operating/monitoring systems, including consulting, database improvement for greater efficiency, system monitoring, management support, and informatization strategies. High performance is realized through development tools and the skills of certified experts. The Company is especially strong in database technologies, for which it has expert engineers (business related to Oracle Cloud¹⁰).

Breakdown of sales and operating profit in terms of the three categories and their transition over the years are shown in Figure 6 and Figures 7-8 on page 10. Regarding sales breakdown, SIS accounts for about 70% of the total, and SOS and ProS almost equally share the remaining 30% (outer circle of Figure 6). Over the past 20 years, total sales have grown by 2.9x. Specifically, sales of SIS grew by 4.0x, SOS grew by 1.8x, and ProS grew by 1.5x; SIS has been the main driver of business growth (Figure 7 on page 10).

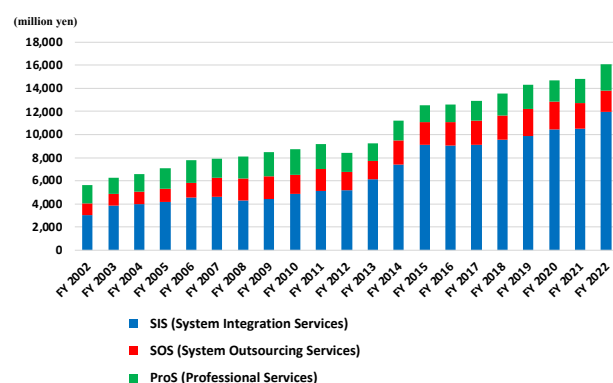
Breakdown of operating profit is shown in Figure 6 (inner circle). The breakdown is not largely different from that of sales. Previously, the gross margin of each category had been disclosed, but starting in FY 2022, the disclosure was changed to operating margin per category (currently only disclosed for two fiscal years). Regarding the gross margin of the categories over the last 20 years, all have been within a boxed range of about 15% to 21%. However, in recent years, they have all been generally improving. The operating margin of each category is also improving (see Figure 32 on page 27 for details).

【Figure 6】 Breakdown of Sales (outer circle) and Operating Profit (inner circle) by Service Category in FY 2022

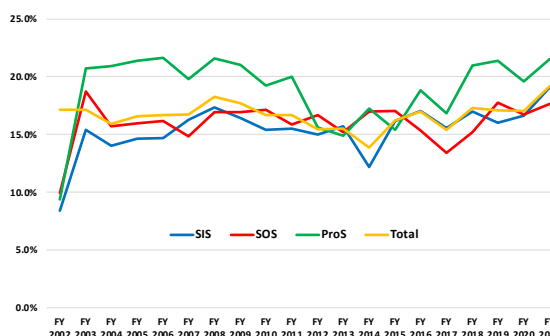


(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary

【Figure 7】 Sales of Each Service Category



【Figure 8】 Change in Gross Margin of Each Service Category



(Ref) Figures 7 and 8 were prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

◆ Labor-Intensive Business Model in which Human Resources Are Key

- ◆ Labor-intensive business. Acquiring and training talented employees are key to growth.

- ◆ The number of employees has been steadily increasing. Sales per employee in Japan have stayed about the same, but operating profit per employee has been improving.

(11) DX (Digital Transformation): The transformation brought about by the penetration of IT (information technology) everywhere in the society. Not only businesses, but the industrial structure and social infrastructure are said to also become affected. For companies, the use of digital technologies can bring reform to its business model, operation, processes, organization, and culture.

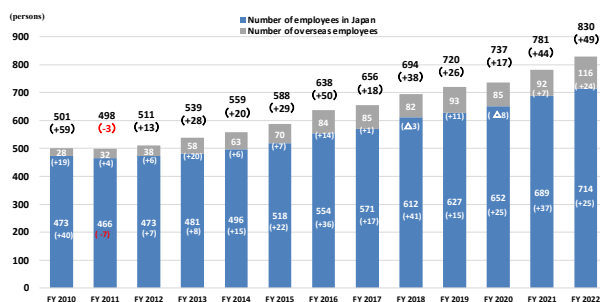
Since most of the Company's business is based on made-to-order, contract development of systems, its business is strongly characterized as a labor-based, single-product production model. Therefore, the acquisition and training of talented employees are key since they are the source of competitive edge and growth potential. Since systems are becoming more advanced and complex, talented employees for roles such as project managers for overall project management and system engineers are especially crucial in managing system quality, cost, deadlines, and profit/loss.

Currently though, due to recent years' labor shortage, it has not been able to hire enough project managers to match its business expansion. This shortage has been a bottleneck to further growth. One of the Company's challenges will be to increase new graduate and mid-career recruitment as well as further improving the work environment and training system to raise the retention rate of its employees (turnover rate has been about 8% per year, which is somewhat low compared to the industry's average).

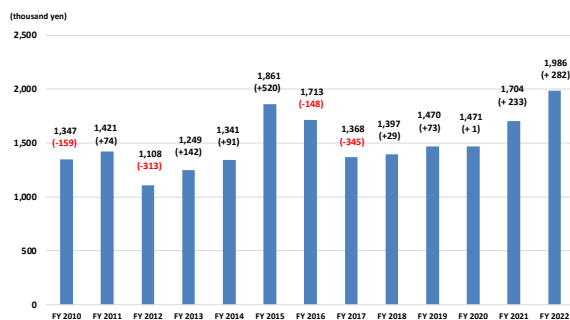
The change in the number of employees of the entire CUBE SYSTEM Group is shown in Figure 9 on page 11. In line with its business expansion, the Company has been hiring about a few dozen new employees every year, mainly for system engineer positions (for new areas such as DX⁽¹¹⁾). Over the medium to long term, it is also considering expanding its group to around 1,000 employees in total. Regarding sales per employee in Japan, they have stayed about the same at 22-23 million yen per year. However, operating profit per employee has been increasing since the most recent low in FY 2017 (Figure 10 on page 11).

With regards to cost structure, labor cost and subcontracting cost paid to business partners (essentially, mostly personnel expense) account for about 90% of the cost of sales. Therefore, the Company's skill in controlling those two costs may impact its profitability, and resource optimization and project management will be crucial.

【Figure 9】 Change in the Number of Employees in the Group



【Figure 10】 Change in Operating Profit per Employee in Japan



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

(12) Agile development: an approach to project development. Unlike the conventional waterfall development, it divides a system into short phases and conducts repeated implementation (programming) and testing to cut down on development time. “Agile” means dexterous and quick.

- ◆ Breakdown of sales in terms of the four industries is becoming balanced
- ◆ Increasing diversification by industry through the development of new areas of business and new customers

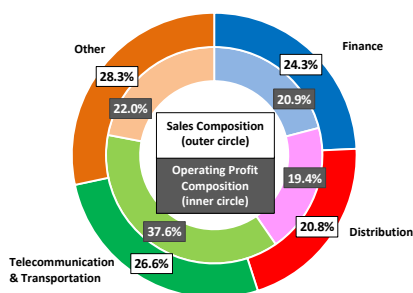
Generally, the nature of the system integration business makes it difficult to rapidly expand business through unique products and services. Additionally, although the sharing and leveraging of expertise are possible to some extent, productivity improvement through those means is limited due to the current reliance on manpower. The difficulty in improving the profit margin is a characteristic of the entire industry rather than just the Company.

In response to these challenges, the Company plans to continue to improve its profit margin by carrying out various measures such as the shift to high-profit projects, optimization of its resources, use of agile development¹² and standard platforms that do not rely heavily on manpower, strengthening of organizational project management, increased use of overseas subsidiaries, and review of contracts (negotiating and proposing to change from payment based on the number of staff and months to payment in return for services).

◆ Sales and Profit Composition Well-Balanced by Industry

Sales breakdown by industry is shown in Figure 11. Sales from the financial industry, which must process a massive amount of data and must be secure and reliable, had been the largest by industry type in the past. However, while the sales from finance had declined, sales from the other industries (industries other than the three industries of finance, distribution, and telecommunication & transportation) had grown significantly, creating a balance between the four industries (Figure 12 on page 12).

【Figure 11】 Sales Breakdown by Industry in FY 2022



the financial results briefing supplemental materials

HIMACS (TSE Prime: 4299) and Toho System Science (TSE Prime: 4333), competitors whose business is especially similar to the Company, specialize in business for the financial industry, with sales from the financial industry constituting about 70% or 80% of the total, respectively. On the contrary, sales from finance are about 24% of the total for the Company, showing how the Company has been diversifying its sales among industries by expanding its business with the non-financial industries.

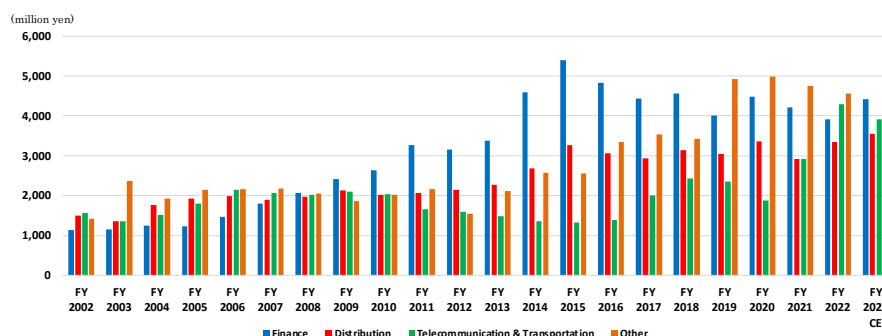
Concerning business for the financial industry, systems demand from mostly megabanks had been the Company’s financial growth driver for many years. However, this demand has leveled off due to weak earnings and the completion of consolidation and alliance phases in the financial industry. This decline, though, has started to be offset by increased demand from companies in the business of credit cards, cashless payment, insurance, and other related areas, helping the industry’s demand bottom out. Meanwhile, regarding the sales from telecommunication & transportation, business with shipping companies in the transportation industry has been expanding, although with

some fluctuations due to the system investment cycle of telecom carriers, etc.

In recent years, regarding the other industries, business with manufacturers, the government, energy-related businesses, and cloud consulting-related businesses have grown significantly thanks to the acquisition of new customers and orders received for new projects. As a result, the Company appears to have become more balanced and diversified with regards to industry type, creating greater business stability.

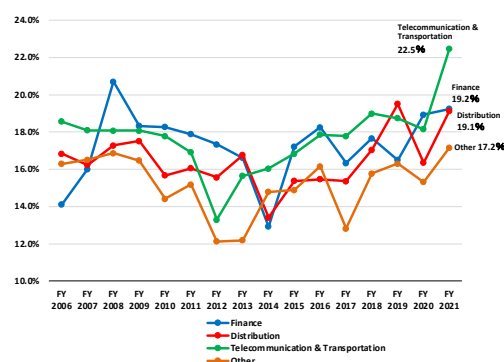
The breakdown of gross margin by industry changes somewhat every year, but we believe that this is because the difference in the profitability of each individual project, rather than the difference in the characteristics of each industry, is reflected in the margin (margins disclosed through FY 2021). In addition to the general improvement of gross margin for all industries (Figure 13), the operating margin has also been improving over the past two fiscal years for which information is disclosed (Figure 14).

【Figure 12】 Transition in Sales by Industry



(Ref) Figures 12-14 were prepared by Alpha-Win Research Dept. based on the financial results briefing materials and financial results briefing supplementary materials. CE: the Company’s plan.

【Figure 13】 Change in Gross Margin by Industry



◆ A stable business, the majority of which consists of continued transactions with the existing customers.

【Figure 14】 Change in Operating Margin by Industry

Operating Margin	FY 2021	FY 2022	Difference
Finance	7.9%	7.6%	-0.3%
Distribution	7.6%	8.2%	0.6%
Telecommunication & Transportation	11.3%	12.4%	1.1%
Other	6.1%	6.8%	0.7%
Manufacturing	6.6%	4.2%	-2.5%
Government	8.0%	7.6%	-0.4%
Other	5.1%	7.9%	2.8%
Total	7.9%	8.8%	0.9%

◆ Stable Customer Base and Business with High Continuity

Since the Company’s customers and end users are Japan’s leading corporate groups and the nature of its business requires dealing with mission-critical operations, the Company must provide proven, reliable, stable, user-friendly, secure, and sustainable solutions. Moreover, for system development and operations, accumulation of business knowledge and know-how is necessary. Consequently, the Company has high contract continuity and long-term relationships with its existing customers (Figure 15 on page 13). Note that its prime ratio (percentage of direct contracts made with end users for system development) is about 10%, and many of its projects are outsourced indirectly through major SIs.

【Figure 15】 Number of Client Companies by Duration of Relationship (FY 2021)

Years of Continued Transaction	Number of End Users
15 years or more	12 companies
10 to less than 15 years	8 companies
5 to less than 10 years	18 companies
Total of above	30 companies
Total number of customers (approx.)	50 companies

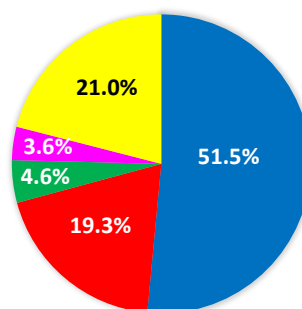
(Ref) Prepared by Alpha-Win Research Dept. based on “Integrated Statement 2021” and interview.

- ◆ Sales breakdown by customer shows that Nomura Research Institute is the largest, followed by Fujitsu, Aeon, and Mizuho. These four groups account for about 80% of the total.

As shown by the sales breakdown by customer group in FY 2022 (Figure 16), Nomura Research Institute (hereinafter, “Nomura Res. Inst.” or “NRI”) is the largest customer, followed by Fujitsu, Aeon, and Mizuho. These four corporate groups account for about 80% of the total. Thanks to the success of the account strategy (a strategy in which marketing activities are conducted in a concentrated manner by the designated person in charge) toward the four main customer groups, total sales of the four groups have been steadily increasing: by +2.8% YoY to Y10,351 million (+Y281 million) in FY 2019, by +9.3% YoY to Y11,316 million (+Y965 million) in FY 2020, by +1.3% YoY to Y11,463 million (+Y147 million) in FY 2021, and by +10.9% to Y12,718 million (+Y1,254 million) in FY 2022.

【Figure 16】 Sales Breakdown by Customer Group in FY 2022

■ NRI G ■ Fujitsu G ■ Aeon G ■ Mizuho G ■ Other



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing supplemental materials.

Previously, the sales growth rate for customers other than the four main groups had been high, and the percentage of sales of the four groups had been gradually decreasing after the peak in FY 2011. However, since FY 2020, the proportion of the four groups has been starting to increase again (Figure 17 on page 14).

- ◆ Increase in transactions with the Nomura Research Institute Group has driven sales growth over many years

Looking at long-term changes, sales from the Nomura Res. Inst. Group had increased by approx. Y7.4 billion from approx. Y900 million in FY 2002 to approx. Y8.3 billion in FY 2022, partly thanks to the expansion of business area from its initial focus on the distribution industry to other industries such as finance. During this period, the Company’s overall sales grew by Y10.5 billion from Y5.6 billion to Y16.1 billion. However, the majority of this growth came from the NRI Group (70%), increasing the dependency on this Group to more than half of the entire sales (51.5%) in the previous fiscal year.

(13) e-e Partner: an especially close partner among all partners of NRI. Of the “e Partners” (approx. 150 companies) with highly specialized business know-how and IT skills and high-level IT security, “e-e Partners” cooperate with NRI not only in the operation of specific projects but also in the cooperative promotion of innovative activities in the Enhancement Business; in the strategic reinforcement of HR, quality, and IT security; and in the creation of a mutually prosperous business model that takes advantage of each other’s expertise. NRI has only announced three companies (the Company, HIMACS, and Toho System Science) as its e-e Partners.

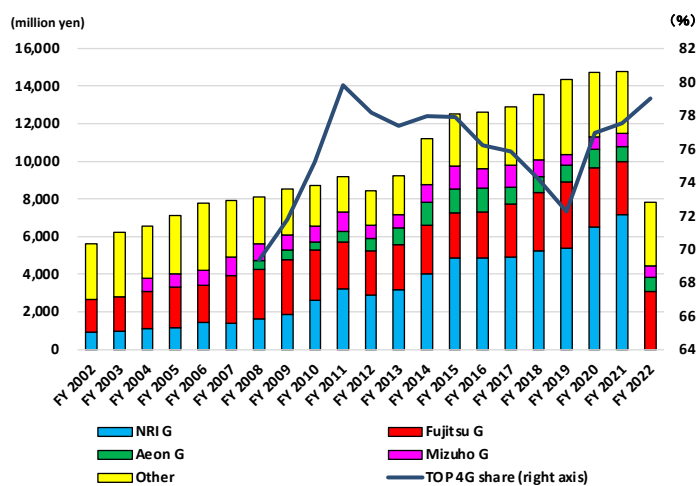
Similarly, the Fujitsu Group accounted for Y1.4 billion or 13% of the total sales growth, thanks to increased transactions related to telecommunication and electrical power infrastructure and the government. Having increased sales over the long term with each of the major corporate groups, the Company has earned excellent trust from its customers and has high contract continuity.

The Company especially works closely in partnership with Nomura Res. Inst. as one of the few e-e Partners¹³. In this partnership, the Company not only cooperates in business but also makes mutual investments and exchanges employees. Looking at the Company’s transactions with each company, we can see that NRI has also been the largest by transaction size every year, and the second largest has been Fujitsu.

In addition, in February 2019, the Company was awarded the Best Partner Award by AEON IBS, with whom the Company has been in a business relationship for 30 years. This also shows how the Company’s customer satisfaction level is high.

【Figure 17】 Transition in Sales by Customer Group (G) and Share of the Top 4 Groups

(Note: information on sales of Mizuho G before FY 2003 and of Aeon G before FY 2007 is not disclosed)



((Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials and financial results briefing supplemental materials

◆ **Future Areas of Growth and Foundation for Next-Generation Technologies**

Alongside its own R&D, the Company has been forming alliances with companies which possess advanced, new technologies. Also, it has received various awards and certification from major companies as their partners (see Figure 18 on page 15 for the past year’s situation).

◆ **Focused on acquiring orders for projects related to new technologies and DX**

It has been conducting investments and preparing for the development of businesses that utilize next-generation technologies. Since DX-related IT investments by corporate users are expected to rapidly increase, the Company has set the Digital Business as its area of growth and plans to put company-wide efforts into actively making proposals and responding to needs.

◆ **Upfront investment in growth areas such as cloud, blockchain, agile development, AI, and IoT**

(14) Cloud solution services: a type of service where applications are used as a “service” via web browsers, etc.

(15) Blockchain: distributed network where information is synchronized, recorded, and accumulated among many computers

(16) AI: artificial intelligence

(17) IoT: Internet of things. A system that connects all devices around us by the Internet.

The Company has especially been focused on technology investments in cloud solution services¹⁴ including Oracle-related services; participation in social experiments of the Blockchain¹⁵ Collaborative Consortium; capital and business alliances with companies which have expertise in AI technology¹⁶, IoT technology¹⁷, and blockchain; and alliances in agile development and maintenance/operation services. These are aimed at acquiring and sharing expertise and information on advanced technologies, developing its employees, conducting joint development and proposals, and establishing new businesses.

Also, in 2016, it created the Technology Strategy Office within its organization. The Office has dedicated members as well as members who concurrently work for the sales department. The role of the Office is to catch up on leading-edge technologies and conduct R&D and business development based on the newest core technologies. Furthermore, through investment partnership as well as direct investments in private companies, the Company has been working on strategically collecting information on new technologies and searching for promising companies. The results of these investments had contributed positively to financial results in the fiscal year before the previous as gain on investment or gain on sales under nonoperating profit.

[Figure 18] Summary of Recent Alliances and Key Points

Date of Announcement	Announced Information	Details
April 2021	Obtained patent for touchless payment settlement based on AI face recognition	Obtained patent for the touchless payment settlement service based on AI face recognition that CUBE SYSTEM (hereinafter, the "Company") provides in its DX Business. This patented technology is used in its original non-contact payment settlement service, Smile Cash Register, and will also be used in other new products/services that it will develop.
April 2021	New certified partnership formed with ServiceNow	Formed a certified partnership with ServiceNow (parent company is ServiceNow, Inc., based in California, USA, with Bill McDermott as president and CEO; the Japanese subsidiary is ServiceNow Japan, headquartered in Minato-ku, Tokyo, with Masashi Murase as executive officer and president) for the purpose of transforming the operation/maintenance service to a new operation style. Through ServiceNow, it will create a new working style for the new normal by transforming from an operation style relying on full-time operators and operation managers at data centers to an operation style based on remote operation and a single platform allowing the streamlining of processes.
May 2021	Started verification testing of the self-gift function for the Company's in-house virtual currency (Cubecoin) that is linked with "giftee for Business"	The Company started the verification testing of the self-gift function for its in-house virtual currency (Cubecoin). The function linked Cubecoin with "giftee for Business" (e-gift service for companies) provided by giftee Inc. (headquartered in Shinagawa-ku, Tokyo), an e-gift platform company (provides service for everything from creating e-gifts that can be sent online through SNS and emails to managing their logistics). It enables exchange with approx. 700 kinds of e-gifts provided by "giftee for Business."
October 2021	Certified as "AWS 50 APN Certification Distinction"	The Company was certified as "AWS 50 APN Certification Distinction" by Amazon Web Services Japan (hereinafter, "AWS") for obtaining more than 50 AWS Certifications.
October 2021	Presented an exhibition at Tokyo Big Sight's Second Blockchain EXPO Autumn (also presented at the spring EXPO in March 2021)	With the theme of "Smiles to all employees through digital technology," the Company presented an exhibition on products that support the enhancement of non-contact communication and engagement between employees during this remote-work era. It was a joint exhibition with Tripleize Co., Ltd., one of its main business partners. 1. Smile Share Product • Thanks Connect: Service that visualizes everyday feelings of "thanks" using online communication tools • Cubecoin: engagement enhancement service using blockchain technology • Smile Cash Register: Non-contact and cashless payment settlement service using AI image recognition technology; "non-contact" payment method based on face recognition and "peace signs" 2. AIZE (face-recognition AI): joint development between Tripleize Co., Ltd. and Smile Cash Register

(Ref) Prepared by Alpha-Win Research Dept. based on the news release on the Company's website

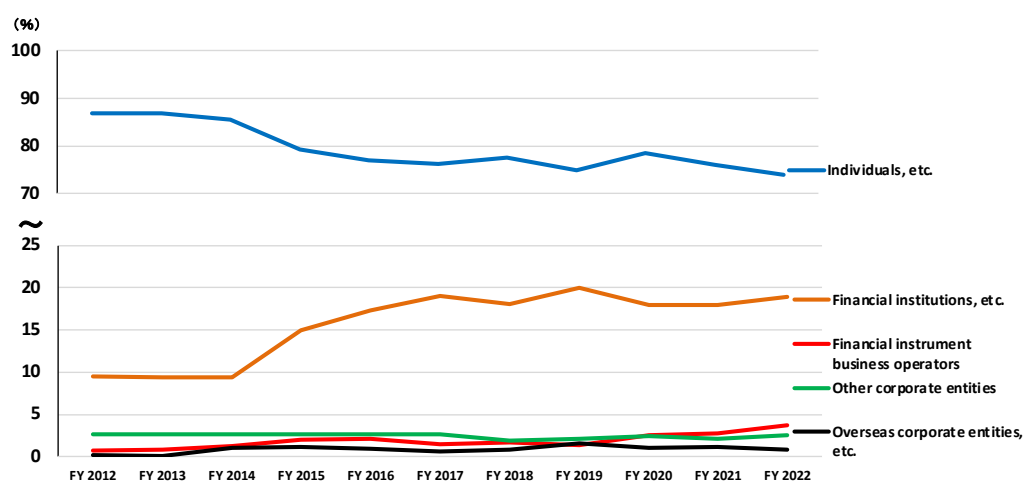
3. Shareholder Composition

◆ Change in Composition by Type of Shareholder

- ◆ “Individuals, etc.” own slightly less than 80% of all shares.

With regards to shareholder composition by type of shareholder as of the end of March 2022 (Figure 19), “individuals, etc.” is by far the largest, owning approx. 74% of the total. Second to this is “financial institutions, etc.,” owning 19%. Together, these two types of shareholders possess 93%, owning most of the outstanding shares. “Overseas corporate entities, etc.” is small, owning 0.8%. Since FY 2014, shares of “individuals, etc.” have somewhat decreased and shares of “financial institutions, etc.” have been increasing.

【Figure 19】 Change in Shareholder Composition by Type of Shareholder
(unit: %) (as of the end of each period)



(Ref) Prepared by Alpha-Win Research Dept. based on the notice of convocation of the ordinary general meeting of shareholders and the securities report

◆ Major Shareholder Composition

The Company’s major shareholder composition has been stable and has not greatly changed. The major shareholders as of the end of March 2022 are shown in Figure 20 on page 17. The following is supplemental information.

- ◆ The employee stock ownership plan and current and former directors are the most prominent among the major shareholders.

- Due to the decrease in the amount of shares owned by the Employee Stock Ownership Plan, in March 2019, its ranking among major shareholders was switched with Osamu Sakiyama, the chairman (previously president), who became the largest shareholder instead. Possessing a little less than 12% of all shares as of the end of March 2022, he owns just slightly more than the Employee Stock Ownership Plan at second place. Also, Masahiro Nakanishi, president, owns 19.1 thousand shares (0.13% of all shares).

- ◆ Incorporated in several index funds.

- The Master Trust Bank of Japan (trust account) is at third place, but the name of its final investors and its purpose are unknown (note that Mitsubishi UFJ Trust and Banking Corporation is investing with a more than 40% stake in this trust bank).

- The Company’s stock is incorporated in Japan equity index funds managed by Sumitomo Mitsui Trust Asset Management, Mitsubishi UFJ Kokusai Asset Management, Asset Management One, etc. A part of these funds is

likely investing under the names of trust banks.

- The fourth largest shareholder, The Master Trust Bank of Japan, is the BIP trust account for the Company's director remuneration (stock-compensation director incentive plan).
 - The fifth largest shareholder, Akemi Onuki, is one of the Company's previous presidents. The sixth largest shareholder, Toshio Uchida, is the Company's current director. The tenth largest shareholder, Toshikuni Sato, is the Company's former executive managing director.
 - SMBC Nikko Securities, the eighth largest shareholder, has joined in as a major shareholder (top 10) for the first time, but its purpose of holding is unknown (most likely investing on behalf of its customers).
 - The ninth largest shareholder MUFJ Bank is the Company's bank. Nomura Research Institute had been the tenth largest shareholder as of the end of FY 2021, but is no longer listed among the major shareholders for the most recent fiscal year. However, it most likely still possesses shares of the Company.
 - Of the top ten shareholders, the Employee Stock Ownership Plan, the directors and employees (including former members), and treasury shares add up to about 35% of the total.
- ♦ **The total of treasury shares, stock ownership plan, and shares held by directors, employees, and other related parties account for about 35% of all outstanding shares.**

【Figure 20】 Current Major Shareholders

Shareholder Name (unit: thou. shares)	FY 2015 year-end	FY 2016 year-end	FY 2017 year-end	FY 2018 year-end	FY 2019 year-end	FY 2020 year-end	FY 2021 year-end	FY 2022 year-end	% of Total Shares	Ranking
Osamu Sakiyama (indiv.): CUBE SYSTEM's chairman	1,775	1,675	1,655	1,646	1,638	1,632	1,622	1,614	11.43	1
CUBE SYSTEM Employee Stock Ownership Plan	1,641	1,672	1,663	1,668	1,565	1,602	1,551	1,531	10.85	2
The Master Trust Bank of Japan, Ltd. (trust account)	-	-	-	321	394	485	456	959	6.79	3
The Master Trust Bank of Japan (director remuneration BIP trust: 75,824 account)	-	270	270	262	369	358	358	618	4.38	4
Akemi Onuki (indiv.): CS's former president	401	401	401	401	401	401	401	401	2.84	5
Toshio Uchida (indiv.): current director	475	415	403	393	376	369	347	329	2.33	6
Masatsugu Sakurai (indiv.): general individual investor	316	316	316	316	316	316	316	288	2.04	7
SMBC Nikko Securities Inc.	-	-	-	-	-	-	-	282	2.00	8
MUFJ Bank, Ltd.	258	258	-	-	258	258	258	258	1.83	9
Toshikuni Sato (indiv.): CS's former exec. managing director	380	340	300	300	304	304	288	239	1.69	10
Nomura Research Institute, Ltd.	-	-	-	-	-	-	214	-	-	-
Japan Trustee Services Bank, Ltd. (trust account 5)	-	-	348	324	-	219	-	-	-	-
Mizuho Bank, Ltd.	276	276	276	276	276	-	-	-	-	-
CUBE SYSTEM INC.	682	458	1,035	1,236	1,356	-	-	-	-	-
Resona Bank, Limited	241	-	-	-	-	-	-	-	-	-
(CUBE SYSTEM's Actual Treasury Shares)	682	728	1,306	1,498	1,725	1,692	1,690	1,000	-	-
(Percentage of Treasury Shares)	4.5%	4.8%	8.5%	9.8%	11.3%	11.1%	11.1%	6.9%	-	-

(Ref) Prepared by Alpha-Win Research Dept. based on the notice of convocation of the ordinary general meeting of shareholders and the securities report.

(Note) “-” indicates that there were no data available on the major shareholder in the securities report, and does not necessarily mean zero. Shareholding ratios were calculated after subtracting the treasury shares (approx. 383 thousand shares) from all outstanding shares.

- ♦ **Conducted cancellation of treasury shares equivalent to 5.1% of all outstanding shares. Currently essentially owns 6.9% of all outstanding shares.**

On May 31, 2021, the Company conducted a stock cancellation of 779,840 treasury shares (5.1% of all outstanding shares before the cancellation) to enhance the return of profit to shareholders and improve capital efficiency. The total number of outstanding shares after cancellation is 14,500,000, of which about 1 million shares are treasury shares (including shares in the BIP trust account) as of the end of FY 2022 (6.9% of all outstanding shares). This means that the Company is essentially its third largest shareholder.

The Company has not decided on how to use of its remaining treasury shares, but some possibilities include using them for stock compensation as an incentive for its directors, stock cancellation, or a stock-swap in a tie-up or an M&A.

4. ESG and Sustainability

◆ Environment

- ◆ Working on continuous improvement of environmental performance (energy and resource conservation)
- ◆ Joined the TCFD and will work on mitigating and adapting to climate change and promoting appropriate information disclosure
- ◆ Actively engaged in activities that support the education of next-generation talents

Although the Company's business does not harm the environment, under its environment policy to "practice environment-friendly management through continuous improvement of environmental performance (energy/resource conservation)," the Company engages in environment-friendly initiatives (such as reducing electricity, paper usage, and waste and adopting "cool biz"). Also, in November 2021, it joined the Task Force on Climate-related Financial Disclosures. It will work on initiatives for mitigating and adapting to climate change and promote appropriate information disclosure.

◆ Society

As a key industry necessary to the infrastructure supporting the economy and the society, the CUBE SYSTEM Group believes its mission is to contribute to the further development of the IT society and the strengthening of its customers' competitive edge. It aims to create a more prosperous and convenient society through the power of IT systems. It also supports the education of next-generation talents in Japan and overseas and has started a scholarship for students in Vietnam. It is engaged in cleaning and beautification activities as well.

◆ Governance

- ◆ Of the 10 directors and auditors, 6 are from outside the Company.
- ◆ Will focus on sustainability management

As a company with auditors, the Company has set up the Nomination and Compensation Advisory Committee and the Internal Control and Integrated Risk Meeting (which directly controls the Compliance Committee, the Internal Control Committee, the Security Committee, the Working Style Reform Committee, and other committees). The Company has also adopted the executive officer system (11 officers) to strengthen corporate governance. It has also set up an internal hotline system for compliance-related matters. It has not adopted any anti-takeover measures.

(18) Health & Productivity Management Outstanding Organizations: health & productivity management outstanding organizations recognition program in which companies that worked on initiatives to solve health issues of the society or improve health are jointly selected and awarded by the Ministry of Economy, Trade, and Industry and the Nippon Kenko Kaigi

The management team consists of seven directors (of which three are outside directors) and three full-time auditors (all are outside auditors from Mitsubishi Corporation). Two of the directors including the chairman are dedicated members, three including the president are from Nomura Research Institute (of which one is an outside director), and of the remaining two outside directors, one is a lawyer and one is a doctor (female doctor) (all will be candidates for reappointment according to the shareholders' meeting proposal).

(19) SDGs (Sustainable Development Goals): International goals for the period from 2016 to 2030 described in "The 2030 Agenda for Sustainable Development" that was adopted at the UN Summit in September 2015.

Since the enhancement of human capital and the workstyle reform will be its key challenges going forward, the Company has appointed an occupational health physician with expertise in nursing care and mental health as its director. Under the health management policy, it is working on improving and maintaining the mental and physical health of its employees and creating a comfortable working environment (certified as a Health & Productivity Management Outstanding Organizations 2022¹⁸). It has also been chosen as one of the "Top Hundred Telework Pioneer of 2021" chosen by the Ministry of Internal Affairs and Communications.

◆ Sustainability

It formulated the basic policy on sustainability in November 2021 and has been focusing on sustainability management. To solve society's problems and contribute to achieving the SDGs¹⁹, it is fully leveraging its unique value-creation model to continuously improve corporate value and contribute to the creation of a sustainable society.

5. History of Growth

◆ Company History

- ◆ Founded under the prediction that the importance and potential of computer systems will grow in the future. Specialized in the system integration business.
- ◆ Its main customers are leading blue-chip companies of Japan.
- ◆ Changed its listing from TSE Second Section to the First Section in March 2014
- ◆ Moved to the Prime Market, the new segment, in April 2022

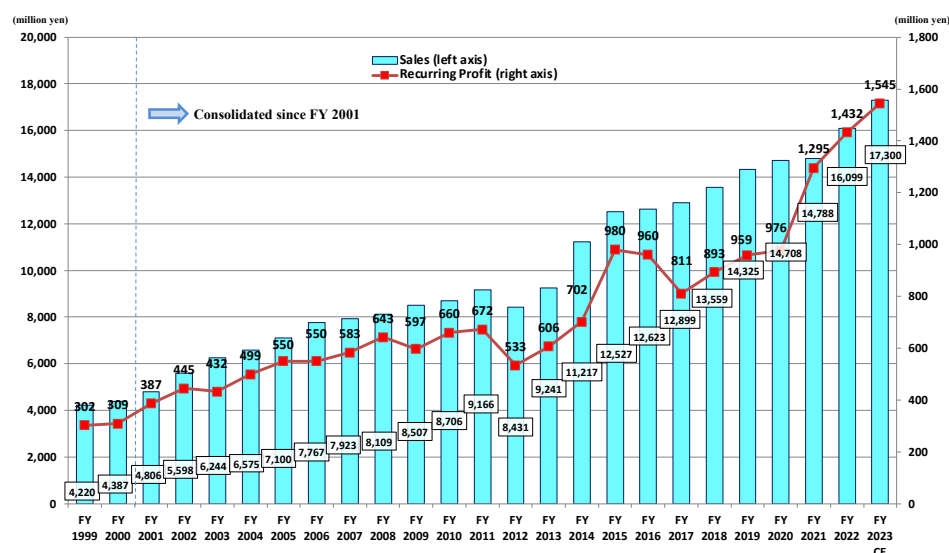
In 1972, the Company was founded as Customer Engineers Corporation by its founding members, which included the current chairman, for the purpose of software development and system operation/management (its name was changed to the current one in 1990). As computers became popular in the Japanese society, IT investments increased and the system development market grew. Amidst this trend, the Company became specialized in the system integration business and built its trust and track record. It made more contracts after another with leading Japanese companies, its current main customer groups. As those companies increased their IT investment and outsourcing of system development/operation, the Company has been able to expand its business as well as business domains at a steady pace.

Regarding stock, the initial offering was made in the JASDAQ market in 2002. In 2006, the Company became listed on the Second Section of the TSE, and then became listed on the First Section on March 2014. With the change in the market segments of the TSE, it moved to the TSE Prime Market in April 2022.

◆ Past Transition in Financial Results

Since foundation until now, the Company has been improving its financial performance as a specialist (SI) in the development and operation of systems outsourced from companies and the government. Long-term transition in financial performance is shown in Figure 21. The following are details of the financial results in chronological order.

【Figure 21】 Long-Term Transition in Financial Results



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. CE: the Company's estimate/forecast.

- ♦ Stable growth and sales growth trend maintained over many years. Profit margins had been about the same, but are starting to increase in recent years.
- ♦ Sales decreased only for 1 fiscal year during the past 21 years.
- ♦ Rate of change in financial results has been stably low.

- On a consolidated basis, with the exception of only a single fiscal year (FY 2012), the Company has been achieving an year-on-year increase in sales every fiscal year for the past 20 fiscal years. This stable growth trend is noteworthy.

- During the past 21 years, the annual sales growth rate (simple average of the annual rate of increase in sales) was +6.1%, and similarly the recurring profit growth rate was +7.3%, showing how the Company has been steadily improving its financial performance over the long term.

- Although recurring profit decreased in five out of the 20 fiscal years, the largest annual drop stayed within the range of approx. -20%, and the Company has been able to maintain a net profit for each year.

- Analyzed statistically, the Company's standard deviation for the rate of change in financial result and its variation coefficient (= standard deviation / average; shows relative dispersion; also called relative standard deviation) are small, indicating that the volatility of the Company's fundamentals is low (see Figure 22 for the comparison with similar-sized competitors during the most recent 18 fiscal years).

- Furthermore, because the Company's operating margin has stably been at around 7% (Figure 23 on page 21), sales growth has been directly contributing to increases in profit, dividend, and market capitalization.

【Figure 22】 Analysis of Performance Volatility over the Past 18 Years (% YoY change for sales and R.P.)

Target of Analysis	% Change in Sales (YoY %)			% Change in Recurring Profit (YoY %)		
	CUBE SYSTEM	HIMACS	Toho System Science	CUBE SYSTEM	HIMACS	Toho System Science
FY 2005 - FY 2022	2335	4299	4333	2335	4299	4333
Market: TSE Prime	2335	4299	4333	2335	4299	4333
n=18 fiscal years	CS (consolidated)	HM (consolidated)	TS (standalone)	CS (consolidated)	HM (consolidated)	TS (standalone)
Standard deviation	5.87	7.46	16.91	14.07	30.83	306.34
Average	5.26	3.25	8.50	6.97	8.52	85.20
Coefficient of variation	1.12	2.30	1.99	2.02	12.76	3.60

(Ref) Prepared by Alpha-Win Research Dept. based on the securities report and financial results summary. Note: non-consolidated for Toho System Science (standalone).

- ♦ Increased transactions with the major 4 groups have helped the Company grow significantly.
- ♦ Even right after the Lehman shock, sales increased for 3 consecutive fiscal years.

External environmental factors, such as increasing IT investments by Japanese companies and the government, have not been insignificant to the Company's growth to date. However, much of the Company's success seems to have been brought by its efforts to gain more expertise, earn trust from its customers, and build a strong customer base to consistently deliver positive results. Although it is an independent company, it has strengthened its relationship with the four major groups NRI, Fujitsu, Aeon, and Mizuho as described earlier. This strong relationship has enabled the Company to continue to increase the number of orders received from those groups, which has been the major growth driver.

Financial performance during the most recent 13 years or so is as follows.

- In FY 2009 when the Lehman shock occurred, the economy faced a downturn and customers became more cautious about IT investments. However, the Company was able to continue to increase its sales owing to continued business with the existing customers, mainly for systems in the financial and distribution industries, as well as due to the entry of companies into the banking business leading to projects for operation expansion.

- The economic recession continued into FY 2010 and FY 2011. System development plans continued to be postponed, cancelled, or scaled down. Companies continued to hold off IT investments, and competition over price and between companies became intense. However, thanks to the business with the existing customers and the expansion of business with life insurance

◆ In FY 2012, due to the Great East Japan Earthquake, sales decreased for the first time since becoming listed. Operating profit decreased by 20%.

◆ Business environment improved thanks to Abenomics. Digitalization investments also increased. The Company began to increase sales again.

◆ Record highs achieved for both operating profit and recurring profit in FY 2015

◆ Sales have been hitting record highs for 10 fiscal years in a row. Profit growth had been slow due to increased cost, but hit record highs consecutively in the previous two fiscal years.

companies, banks, and manufacturers, the Company was able to continue to increase sales. With increasing sales, fluctuation in operating profit during the three fiscal years following the Lehman shock was limited to a small range.

- The Great East Japan Earthquake, though, had a large negative impact in FY 2012. Amidst the difficult situation, sales decreased by approx. 8%. Sales from finance stayed about the same, but sales from distribution and telecommunication dropped largely. This was the single instance, during the period from FY 2002 to the previous fiscal year, in which sales had decreased. Operating profit also decreased by -20.9%, the largest drop during the same period, but a net profit was maintained.

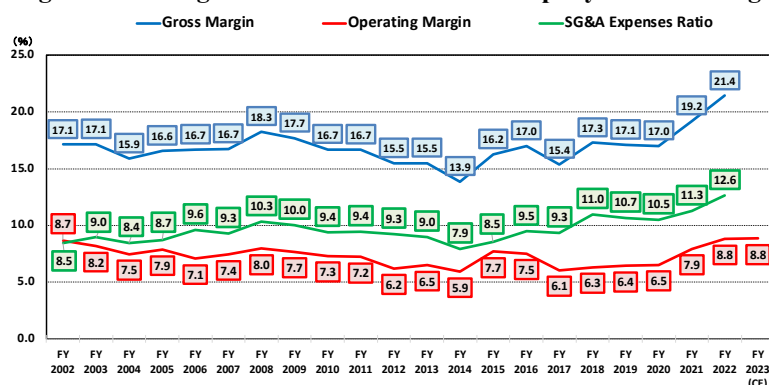
- Then, IT investments by companies and the government recovered from their previous inclination to hold off or postpone thanks to factors such as the economic recovery brought by Abenomics since December 2012, recovery of corporate performance and employment, rebuilding of IT infrastructure due to M&As, smartphone-related telecommunication infrastructure, business related to the liberalization of electric power retail, and increased investment in areas related to social securities. With this recovery, as well as the recent trend of full-scale investment in digitalization, the Company’s sales growth trend has become more definite.

- Regarding profit, in FY 2015, sales increased due to business expansion from the development of businesses with existing customers and the acquisition of new customers, and productivity improved due to strengthened project management. As a result, record-high operating profit and recurring profit of Y964 million and Y980 million were posted, respectively (net profit also hit a record high in the following year or FY 2016, at Y629 million). Since then, the Company has been consecutively posting new record-high sales every fiscal year through FY 2022.

- Meanwhile, due to increased cost and intensified price competition, the Company’s gross margin and operating margin have been gradually decreasing over the long term (Figure 23).

- The operating margin had decreased mainly due to the increased cost of sales (subcontracting cost and labor cost), upfront investments, and increased SG&A expenses (especially personnel expense; as reference, see Figure 23 for the SG&A expenses ratio), but then began to improve starting in FY 2018. In the previous fiscal year (FY 2022), due to the sales growth and the improvement of gross margin (19.2%→21.4%), each of the profits hit their record highs for the consecutive fiscal year despite the increase in the SG&A expense ratio (11.3%→12.6%).

【Figure 23】 Long-Term Transition in the Company’s Gross Margin, SG&A Expenses Ratio, and Operating Margin



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. CE: the Company’s estimate/forecast.

6. Business Environment

- ◆ As the outsourcing of system development became popular, SIs grew by taking those outsourced system development jobs.
- ◆ With COVID-19 temporarily settling down, Japan's SI market recovered to growth in 2021
- ◆ Monthly SI sales (YoY) had recovered to a growth trend, but then started a decline again in 2022.

◆ Trends of Japan's System Integration Market

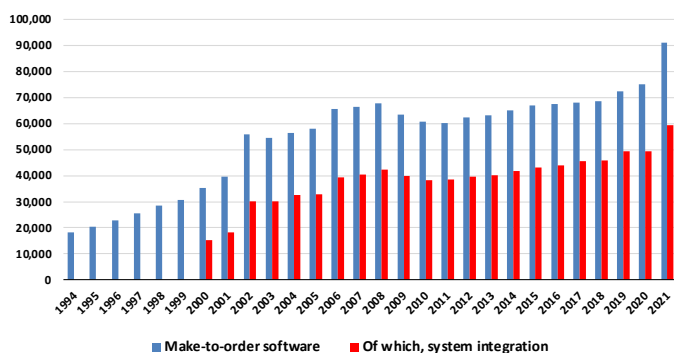
Survey of Selected Service Industries

Looking at the "Sales by category of business for the information services industry" of the "Survey of Selected Service Industries" by the Ministry of Economy, Trade, and Industry, we find that the sales of make-to-order software, as well as the sales of system integration (SI) which make up more than half of make-to-order software sales, have been increasing with the exception of the few years after the Lehman shock (Figures 24 and 25). In Japan, outsourcing of system integration has become popular, and system integrators (SIs) have steadily expanded their business as the contractor of those outsourced projects.

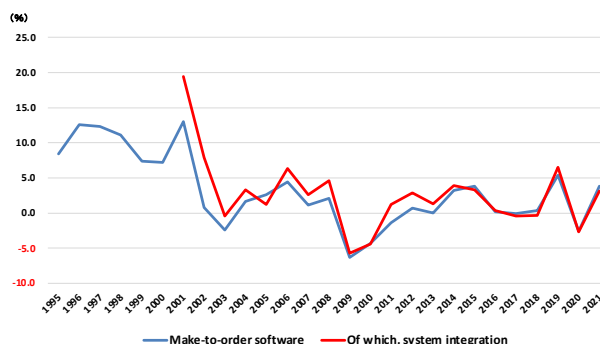
According to the same data, from 2010 to 2019, sales of system integration had increased by about 2.1% per year on a simple average. In 2020, COVID-19 had caused a negative growth of -2.7%, but the market recovered to a +3.1% growth in 2021.

Monthly analysis of the same data (YoY change; Figure 26) shows that growth had been negative from March 2020 to February 2021. However, the YoY trend then became positive again and remained so until the Russian invasion of Ukraine began in January 2022 caused a declining trend again.

【Figure 24】 Change in the Make-to-Order Software and System Integration Markets (annual sales: unit = 100 million yen)

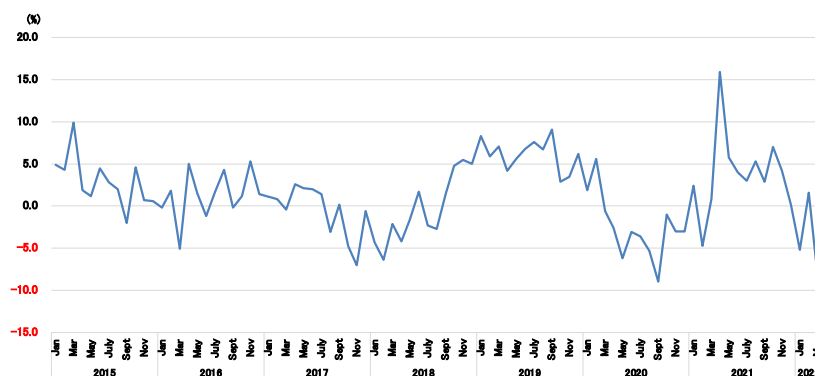


【Figure 25】 Both Market's Rate of Change (rate of change in sales: %)



(Ref) Figures 24-26 were prepared and reworked by Alpha-Win Research Dept. based on data from the "March 2022 Survey of Selected Service Industry" by the Ministry of Economy, Trade, and Industry. Part of the original data used for market size (sales) in Figure 24 do not have continuity with the rest due to changes in the survey target size. However, the rate of change in Figure 25 has been adjusted by the Ministry to have continuity.

【Figure 26】 SI Market's Monthly Sales on a YoY Comparison (unit: %)



- ♦ Software investment is expected to increase by 8.4% in 2022
- ♦ BOJ Tankan's DI for large companies turned positive but the momentum is somewhat declining, reflecting the worsening economic environment.

Bank of Japan (BOJ) Tankan Survey

According to the BOJ Tankan Survey in March 2022, the amount of software investment in FY 2022 (planned) by companies of all sizes and all industries (including financial institutions) is expected to increase by +8.4% YoY, in an improvement from FY 2021's +6.5% YoY.

The business sentiment of all companies of all sizes and industries slightly worsened from +2 in the December 2021 survey ("recent") to 0 in March 2022, and "outlook" also worsened from 0 to -3. The business sentiment of large companies, which are the Company's main customers, also changed from +14 to +11 for "recent" and +10 to +8 for "outlook," indicating how the momentum is declining due to the worsening global situation and economy.

Data from the Industry Association

According to the JISA-DI Survey (March 2022) by the Japan Information Technology Services Industry Association, the DI for the expected sales of make-to-order software (sales outlook: the comparison between the upcoming three months and the first three months of this fiscal year = growth minus decline) had used to be a large positive value, but then suddenly fell to -43.8 in April-June 2020 in its largest drop ever.

- ♦ In the JISA-DI survey, too, the DI (outlook) for expected sales of make-to-order software has remained at a double-digit positive value.
- ♦ The DI for expected sales has been high for businesses toward the finance, and insurance, and information & communication industries.
- ♦ Shortage of IT engineers both in number and quality

The DI for expected sales had stayed at double-digit, negative values for a while after this, but then recovered to +8.2 in Jan-Mar 2021. The outlook then improved more, and double-digit, positive DIs have been maintained since then. However, after the peak of +29.6 in Oct-Dec 2021, the most recent data of April-June 2022 show that it has declined to +19.6. With regards to major customers, the DI for expected sales has been strong especially for the industries of finance and insurance, as well as information & communication, manufacturing, and the government.

The employment situation index (DI: employee sufficiency = shortage minus excess) had temporarily dropped from the most recent peak of 77.6 to 28.3. However, it then rose to 41.8 by the end of March 2021 and to 63.2 by the end of March 2022, indicating an increasing sense of labor shortage again. In particular, there has been a shortage of IT engineers both in number and quality, and the acquisition of talented employees for system development continues to be difficult.

Market Outlook

The structurally inherent labor shortage, demands for improvement in operation efficiency, and IT investments by companies and the government (promotion and acceleration of IT investments by the Digital Agency) will likely continue to steadily increase. In various industries and business areas, companies have been actively investing in strategic areas and developing technologies to raise their competitive edge.

- ♦ Active strategic IT investments by both the public and the private sectors
- ♦ High demand related to DX

As systems become more advanced and the demand for DX increases, Alpha-Win predicts that the market size will grow at a pace of about 2-3% per year once economic activities return to normal.

◆ CUBE SYSTEM's Position and Comparison with Competitors

- ◆ Middle ranking in the industry by sales, at 80th to 90th place from the top. Its share of sales in the entire system integration market is estimated to be about 0.3%.

- ◆ Its benchmark companies are HIMACS and Toho System Science. Both are Nomura Research Institute's e-e Partners and their market positions are very similar.

- ◆ The Company's O.P. margin is slightly low compared to its competitors, but its ROE has significantly improved. Its ROE has been the highest among the three companies over the past five fiscal years.

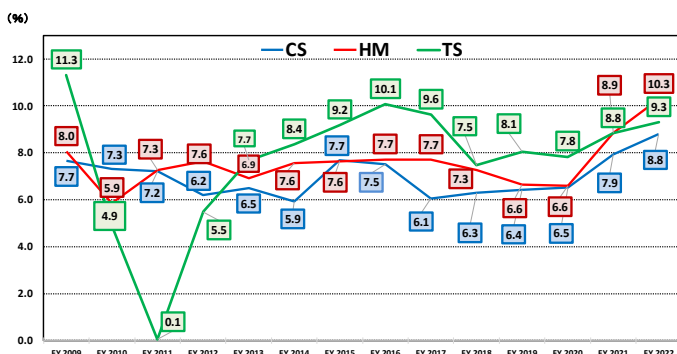
In the system integration industry, there are about 220 companies defined by general terms as a SI whose sales can be confirmed through disclosed securities reports and other sources. Among them, the Company is estimated to be ranked at around 80th to 90th place from the top by sales volume. Its share in the Japanese market is estimated to be around 0.3%.

The Company's competitors include HIMACS (TSE Prime: 4299) and Toho System Science (TSE Prime: 4333), which the Company uses as its benchmark. They are both e-e Partners of Nomura Research Institute and are about the same size and at very similar market positions as the Company (Figure 29 on page 25). Several of the largest SI players in the market, such as Nomura Research Institute and Fujitsu, are in cooperation or partnership with the Company rather than direct competition.

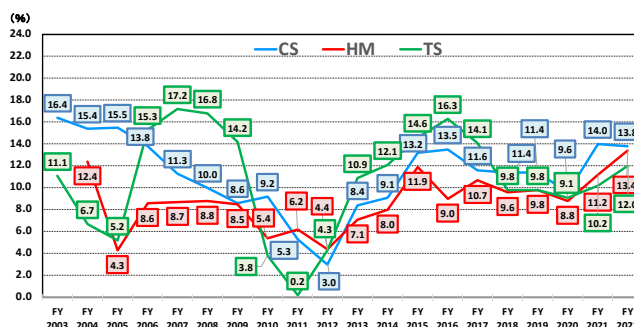
Comparison of the long-term transition in the operating margin of the three major listed companies including the Company (hereinafter, the Company is abbreviated as CS in the graphs; similarly, HM for HIMACS and TS for Toho System Science) is shown in Figure 27. Compared to the other two companies, the Company's operating margin is slightly low since its SG&A expenses ratio is high, but it has been improving due to the rise in the gross margin.

Similarly, comparison of the return on equity (ROE) (Figure 28) shows that the Company's ROE has been the highest of the three companies over the past five years (same for ROA; although the profit margins are about the same as the other two companies, its total asset turnover is high). Its ROE has improved greatly from one point in time and has been around 9-14% since FY 2014. Its ROE goal over the medium term, including this fiscal year, is 13% or greater.

【Figure 27】 Comparison of Operating Margin between Three Mid-Tier, Listed Companies



【Figure 28】 Change in ROE of the Three Companies



(Ref) Figures 27 and 28 were prepared by Alpha-Win Research Dept. based on the financial results summary and securities report

[Figure 29] Company Overview and Management Indicator Comparison for Three Mid-Tier, Listed Companies (the Company, HM, and TS)

Company Name	CUBE SYSTEM (CS)	HIMACS (HM)	Toho System Science (TS)
Code	2335	4299	4333
Characteristics	Independent. Mainly sys. dev. for finance, distribution, telecom, and other industries (makers & gov. excluding the above 3 industries). Sales for finance are a little less than 30% of total sales. "Other industries" category is the largest, at a little over 30% of total sales.	Independent. 70% of sales comes from the finance industry. Sales for insurance companies are especially high, at a little more than 30% of total.	Began as Toho Mutual Life Insurance Co.'s affiliate but is now indep. Specialized in software dev. for finance (insurance, securities, etc.) - 80% of total sales. Also develops software for the telecom industry.
Founded	July 1972	May 1976	June 1971
Listed Date (JASDAQ→TSE 2nd→TSE 1st→TSE Prime)	10/2002→11/2006→03/2014→04/2022	03/2001→03/2004→03/2015→04/2022	06/2001→03/2007→03/2014→04/2022
Sales Categories/Breakdown (FY 2022)	<ul style="list-style-type: none"> System Integration 74.0% System Outsourcing 12.0% Professional 14.0% 	<ul style="list-style-type: none"> System Solution 39.9% System Maintenance 60.1% 	<ul style="list-style-type: none"> Software Development 98.1% IT System Service, etc. 1.9%
Director Composition (as of May 2022)	<ul style="list-style-type: none"> Directors (7; 3 outside & 1 woman = 14.3%) Auditors (3) Executive officers (11; no woman) 	<ul style="list-style-type: none"> Directors (7; 3 outside) Auditors (4; 2 outside) Executive officers (10; no woman) 	<ul style="list-style-type: none"> Directors (7; 3 outside) Auditors (3; 2 outside) Executive officers (7; no woman)
Major Clients/Customers (FY 2022) (sales = million yen; % of sales = %)	<ul style="list-style-type: none"> NRI Group 8,285 (51.5%) Fujitsu Group 3,102 (19.3%) 	<ul style="list-style-type: none"> NRI 6,248 (37.5%) IBM, Fujitsu, etc. 	<ul style="list-style-type: none"> NRI 3,800 (26.7%) SCSK, etc.
Sites (including consolidated subsidiaries)	<ul style="list-style-type: none"> Head office: Shinagawa-ku, Tokyo West Japan Solutions Headquarters: Osaka & Nagoya 3 subsidiaries 	<ul style="list-style-type: none"> Head office: Yokohama, Kanagawa Minatomirai Office: Yokohama 1 subsidiary 	<ul style="list-style-type: none"> Head office: Bunkyo-ku, Tokyo
Management Goals (indicators)	<p><u>Medium-term management plan</u></p> <ul style="list-style-type: none"> FY 2022: sales Y16 bil (result: Y16.1 bil), O.P. Y1.23 bil (result: Y1.42 bil), operating margin 7.7% (result: 8.8%) FY 2023: sales Y17.3 bil, O.P. Y1.53 bil (margin 8.8%) FY 2024: sales Y19.0 bil, O.P. Y1.71 bil (margin 9.0%) ROE: ≥13% for each year 	<p><u>Medium term management plan, final FY: In FY 2023,</u></p> <ul style="list-style-type: none"> Sales Y17.75 bil (each FY, DX-related sales of more than 10%) O.P. Y1.77 bil (margin of 10%) Maintain ROE ≥8% 	<p><u>New medium-term management plan, final FY: In FY 2025 (first stage),</u></p> <ul style="list-style-type: none"> Sales Y16.5 bil O.P. Y1.58 bil (margin 9.6%) ROE 11.4% In FY 2028 (second stage), Sales Y20 bil O.P. Y2 bil (margin ≥10%) ROE ≥12.5%
Management Policy/Strategy (summary)	<ul style="list-style-type: none"> Each employee will contribute to society through business and aim for higher corporate value Develop a stable and sustainable business foundation based on proposal & contract-based businesses Work on sustainable management Development of digital solution service Develop area of strength in "Lift & Shift" of the SI Business Create and implement new Enhancement model Develop management foundation by strengthening people development, group governance, and internal control 	<p><u>Basic strategy</u></p> <ul style="list-style-type: none"> Expand the existing contract-dev. business (core business) Actively work on receiving orders for DX projects for the transformation of existing business models of customers and for technology innovations Continue investment for strengthening business structure Increase development staff Conduct M&As and create capital/business alliances to solve challenges of current plan 	<p><u>Long-Term Management Vision 2030</u></p> <ul style="list-style-type: none"> Create the future with customers Stably expand business, solve society's issues, and create a sustainable, future society <p><u>Priority Strategies</u></p> <ul style="list-style-type: none"> Change business portfolio Focus on digital business Build service business Establish DX Development Center Raise liquidity of shares and strengthen governance
<i>Sales (million yen) CE for FY 2023</i>	17,300	17,750	15,000
<i>Sales Growth Rate, YoY (%) CE</i>	7.5	6.4	5.6
<i>Operating Profit (million yen) CE</i>	1,530	1,770	1,370
<i>O.P. Growth Rate, YoY (%) CE</i>	7.9	3.1	3.2
<i>EPS (CE) for FY 2023, YoY (%)</i>	5.9	-6.7%	12.6
DOE (%) Actual	4.6	5.1	4.6
Past 14 Years' Sales Growth Rate (FY 2022's result div. by FY 2009's result: %)	189.3%	183.1%	175.2%
O.P. Growth Rate (same condition as above)	217.7	234.1	144.6
Equity Ratio (%) Actual	71.2	77.6	67.0
# of Domestic/Overseas Employees, Actual	830	890	602
Est. Sales Per Employee (million yen / person)	20.8	19.9	24.9
Est. O.P. Per Employee (million yen / person)	1.8	2.0	2.3
ROE (%) Actual for FY 2022 A=B×C×D	13.8	13.4	12.0
N.P. Margin (N.P. for the year / sales : %) B	5.9	7.3	6.6
Total Asset Turnover Ratio (sales / ave. total asset) C	1.7	1.4	1.2
Financial Leverage (ave. total asset / ave. owner's equity) D	1.4	1.3	1.5
ROA (R.P. / total asset : %) E=F×G	14.7	14.6	11.4
R.P. Margin (%) Actual F	8.9	10.3	9.4
Total Asset Turnover Ratio (sales / ave. total asset) G	1.7	1.4	1.2

Italics show each company's estimates/forecasts (CE) for FY 2023. Other values are actual results for FY 2022. Highest values among the three companies highlighted in yellow.

(Ref) Prepared by Alpha-Win Research Dept. based on each company's securities report, financial results briefing materials, website, interviews, etc.

7. Last Fiscal Year's Results and This Fiscal Year's Company Forecast

◆ Full-Year Financial Results for FY 2022 (last fiscal year)

Overview

Consolidated financial results for FY 2022 (previous fiscal year) were as follows: sales of Y16,099 million (+8.9% YoY), operating profit of Y1,417 million (+20.7% YoY), recurring profit of Y1,432 million (+10.6 YoY), and net profit attributable to owners of the parent of Y944 million (+11.9% YoY; hereinafter, "net profit"). Sales exceeded the initial plan by 0.6% (+99 million yen) and operating profit exceeded the initial plan by 15.2% (+187 million yen). In addition, each profit mostly reached the goals that were upwardly revised in November 2021 (Figure 30).

Sales hit a record high for the 10th consecutive year starting in FY 2013. Record-high profits were also achieved in a row. Several times in the past, the Company had tried but failed to achieve Y1 billion or greater for both operating profit and recurring profit, but this goal has been achieved for two fiscal years in a row. Annual dividend per share was raised from Y20 to Y23.

Alpha-Win Research Department had predicted previous fiscal year's sales to be Y16,100 million, which was a somewhat high expectation compared to the Company's forecast (Y16,000 million), but the actual result came out to match our forecast. Regarding each profit, we had expected slightly higher values compared to the Company's forecast, but the actual results were slightly lower than our forecasts. We had predicted operating profit to be Y1,425 million, but the actual profit was Y8 million smaller. Similarly, we had predicted net profit to be Y965 million, but the actual profit fell short by Y21 million.

Despite the COVID-19 crisis, the Company's business performance was solid due to an increase in orders for system building projects for the shipping and telecommunication companies and an improvement in profitability brought by the consolidation of resources to the SI Business. There has been no recurrence of unprofitable projects since FY 2020, indicating the success of strengthening the project management system.

- ◆ In the previous fiscal year, the initial company plan was revised upward and mostly achieved. Ended up about the same as Alpha-Win's forecasts. Sales grew and hit a record high for the tenth consecutive fiscal year.

- ◆ Profits also grew consecutively, hitting record highs. Each profit grew at double-digit rates.

- ◆ Increased annual dividend by Y3/ share

- ◆ Mostly the same as Alpha-Win's forecasts; there was no surprise

- ◆ Profitability improved due to the increase in orders received and consolidation of resources

【Figure 30】 Comparison of Initial Forecasts and Actual Results for FY 2022 (last FY)

Unit: million yen	Initial Company Plan	Revised Company Plan	Alpha-Win's Initial Forecast	Alpha-Win's Revised Forecast	Result	Comparison with Revised Company Plan (Diff.)	Comparison with Revised Company Plan (% Achieved)	Comparison with Alpha-Win's Revised Forecast (Diff.)	Comparison with Alpha-Win's Revised Forecast (% Achieved)
	A	B	C	D	E	F=E-B	G=F/B	H=E-D	I=H/D
Sales	16,000	16,000	15,700	16,100	16,099	99	0.6%	-1	-0.0%
Gross Profit			3,300	3,475	3,450			-25	-0.7%
Gross Margin			21.0%	21.6%	21.4%			-0.2%	
SG&A Expenses			2,100	2,050	2,032			-18	-0.9%
SG&A Exp. Ratio			13.4%	12.7%	12.6%			-0.1%	
Operating Profit	1,230	1,400	1,200	1,425	1,417	17	1.2%	-8	-0.6%
O.P. Margin	7.7%	8.8%	7.6%	8.9%	8.8%	1.1%		-0.0%	
Recurring Profit	1,250	1,420	1,220	1,450	1,432	12	0.8%	-18	-1.2%
Net Profit	850	950	830	965	944	-6	-0	-21	-2.2%
Dividend	20.0	23.0	20.0	23.0	23.00	0	0.0%	0	0.0%

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary

- ◆ Order received increased, but order backlog stayed about the same due to steady delivery

Orders Received and Order Backlog

Orders received during the fiscal year increased by Y1,009 million (+6.7%), in the order of fiscal year before the previous → previous fiscal year, from Y15,062 million → Y16,072 million. As a result of steady progress with

deliveries, the order backlog (at the end of each fiscal year) decreased by Y27 million (-0.6%) from Y4,303 million → Y4,276 million.

Sales and Profit by Service Category

The Company's overall sales growth was +1,310 million yen compared to FY 2021. By service category, sales grew for SIS (+1,433 million yen) and ProS (+221 million yen) but decreased for SOS (-344 million yen) (Figure 31).

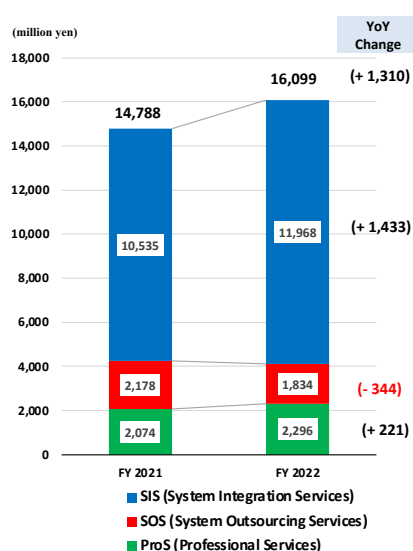
- ◆ SIS contributed to sales growth

- ◆ Profit margins of all service categories improved, leading to profit growth.

Operating profit increased in all categories, but SIS and ProS increased by Y207 million and Y29 million, respectively, while SOS increased slightly by Y5 million (Figure 32). SIS accounted for 85% of the total increase in operating profit of Y243 million.

Although the operating margin improved in all categories, it improved the most for SOS from 6.0% → 7.5% (+1.5 basis points) despite the decrease in sales. Operating margin of SIS, whose sales account for 70% of the total, improved from 7.9% → 8.7% (+0.8 basis point) and ProS's margin improved from 10.0% → 10.3% (+0.3 basis point).

【Figure 31】 Comparison of Sales of the Past Two Fiscal Years (FY 2021 and FY 2022) by Service Category



- ◆ By industry, business for telecommunication & transportation grew sharply, contributing greatly to the sales and profit growth.

【Figure 32】 Comparison of the Past Two Fiscal Years' Operating Profit by Service Category

		FY 2021	FY 2022	Diff.	% Diff.
Operating Profit (unit: million yen)	Total	1,174	1,417	243	20.7%
	SIS	836	1,044	207	24.9%
	SOS	131	136	5	4.0%
	ProS	206	236	29	14.4%
Operating Margin (unit: %)	Total	7.9%	8.8%	0.9%	
	SIS	7.9%	8.7%	0.8%	
	SOS	6.0%	7.5%	1.5%	
	ProS	10.0%	10.3%	0.3%	

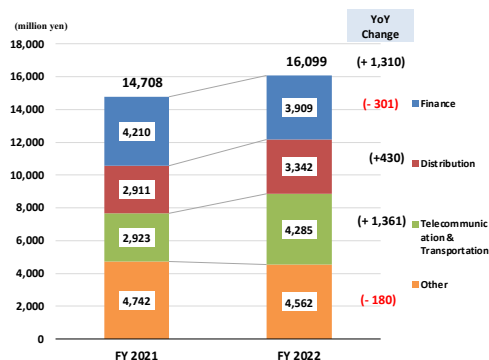
(Ref) Figures 31 and 32 were prepared by Alpha-Win Research Dept. based on the financial results briefing supplemental materials

Sales and Operating Profit by Industry

• By industry, of the total sales growth of +Y1,310 million (compared to FY 2021), sales of finance decreased by Y301 million (-7.2%) and sales of the other industries decreased by Y180 million (-3.8%). On the other hand, sales of telecommunication & transportation increased significantly for the second consecutive fiscal year by Y1,361 million (+46.6%). Sales of distribution also increased by Y430 million (+14.8%), offsetting the declines.

Sales from the financial industry decreased due to scaled-down system building projects for credit cards and online banks. Regarding the other industries, despite the expansion of system building projects for electric power companies, sales declined due to the scaling down of projects for education business companies. On the contrary, with the telecommunication & transportation industry, system building projects for shipping and telecommunication companies significantly contributed to sales (Figure 33 on page 28). Sales from the distribution industry grew thanks to projects for retailers and cooperatives.

• Although actual sales were lower than the initial plan for the financial and the other industries, this was fully offset by the telecommunication & transportation industry whose sales became significantly higher (Figure 34 on page 28).

[Figure 33] Comparison of the Past Two Fiscal Years' Sales by Industry

(Ref) Figures 33-35 were prepared by Alpha-Win Research Dept. based on the financial results briefing supplemental materials

- ◆ Operating margin improved for all industries except finance. Double-digit margin maintained for telecommunication & transportation

[Figure 34] Comparison between Initial Forecasts and Actual Results for Sales of Each Industry

Industry	FY 2022 Sales			
	Result	Initial Forecast	Diff: million yen	Diff: %
Finance	3,909	4,300	-391	-9.1%
Distribution	3,342	3,100	242	7.8%
Telecommunication & Transportation	4,285	3,200	1,085	33.9%
Other	4,562	5,400	-838	-15.5%
Total	16,099	16,000	98	0.6%

- Regarding operating profit, although it decreased by Y36 million for the financial industry, the other three industries' operating profit increased (Figure 35). Profit from the telecommunication & transportation industry, whose sales growth was the largest, grew by Y201 million (+61.0%), accounting for 83% of the Company's entire profit growth of Y243 million.
- The operating margin varied between the industries, with the telecommunication & transportation being the highest since the industry involves many high-value-added projects. As for the change in the operating margin, the margin increased for all industries excluding finance, whose operating margin decreased slightly by 0.3% YoY. Operating margin of telecommunication & transportation especially improved, rising by 1.1 basis points. The telecommunication & transportation industry contributed the most to both sales and operating profit in the previous fiscal year (FY 2022).

[Figure 35] Comparison of the Past Two Fiscal Years' Operating Profit by Industry

	Industry	FY 2021	FY 2022	Diff.	% Diff.
Operating Profit (unit: million yen)	Total	1,174	1,417	243	20.7%
	Finance	333	296	-36	-11.0%
	Distribution	221	275	53	24.0%
	Telecommunication & Transportation	330	532	201	61.0%
	Other	288	313	24	8.5%
Operating Margin (unit: %)	Total	7.9%	8.8%	0.9%	
	Finance	7.9%	7.6%	-0.3%	
	Distribution	7.6%	8.2%	0.6%	
	Telecommunication & Transportation	11.3%	12.4%	1.1%	
	Other	6.1%	6.9%	0.8%	

Sales and Operating Profit by Business Model

In FY 2021, the Company began categorizing its business into the three business models of Enhancement (services for improving system performance and quality), SI (system planning, design, development, and implementation services), and Digital (proposal-based business utilizing digital technologies).

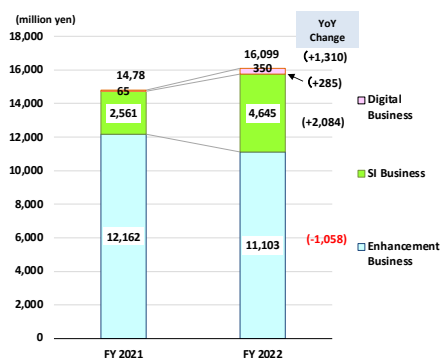
In FY 2022, the Enhancement Business was by far the largest, accounting for 69% of the total sales and 62% of the total operating profit. However, although relatively small in scale, the SI Business (29% and 37%, in the same order) and the Digital Business (2% and 1%) have also been growing rapidly as drivers of business performance.

- ◆ By business model, Enhancement's sales and profit declines were offset by the rapid growth of the SI and the Digital.

In the Enhancement Business, sales fell short of the initial forecast and both sales and profits decreased due to scaled-down projects for the financial and other industries and the shift of resources to the other two businesses. On the other hand, in the SI Business, sales exceeded the initial forecast due to the expansion of system projects for shipping companies and the acquisition of new cloudification projects. A high sales growth rate (+81.4% YoY) and profit growth rate (+186.1% YoY) were achieved, and the SI Business

◆ The Digital Business turned profitable.

【Figure 36】 Comparison of the Past Two Fiscal Year's Sales by Business Model



(Ref) Figures 36-38 were prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

- ◆ Operating profit grew due to sales growth and resource optimization, which had offset the increase in expenses due to strengthening the management system, etc.
- ◆ Personnel expenses rose and the SG&A expenses ratio worsened, but operating margin improved thanks to increased gross margin.

【Figure 37】 Comparison between Initial Forecasts and Actual Results for Operating Profit of Each Business Model

Unit: million yen	FY 2021	FY 2022	Diff.	% Diff.
Total Operating Profit	1,174	1,417	243	20.7%
Digital Business	-14	16	31	To profit
SI Business	182	522	340	186.1%
Enhancement Business	1,006	878	-128	-12.7%

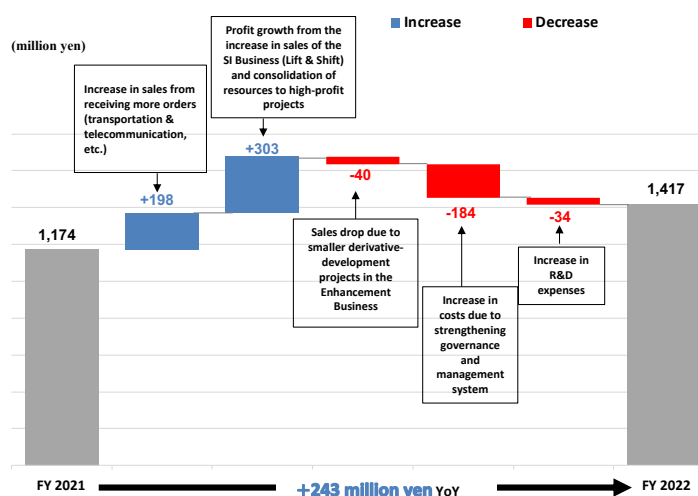
【Figure 38】 Comparison between Initial Forecasts and Actual Results for Sales of Each Business Model

FY 2022 Sales				
Business Model	Result	Initial Forecast	Diff: million yen	Diff: %
Digital	350	320	30	9.4%
SI	4,645	4,130	515	12.5%
Enhancement	11,103	11,550	-447	-3.9%
Total	16,098	16,000	98	0.6%

Analysis of Factors that Increased or Decreased Operating Profit

Figure 39 shows an analysis of the factors that increased or decreased overall operating profit. The increase in orders received from transportation & telecommunication increased profit by +198 million yen, and the shift to high-profit projects of the SI Business and the consolidation of resources increased profit by +303 million yen, totaling a +501 million yen increase in profit. On the other hand, the increase in personnel expense due to the strengthening of the governance system decreased profit by -184 million yen, the Enhancement Business shrunk by -40 million yen, and the increase in R&D expenses caused a -34 million yen decrease in profit, resulting in a total decrease of -258 million yen. In sum, the Company's overall operating profit increased by +243 million yen.

【Figure 39】 Factors Contributing to Increased Operating Profit in FY 2022 (last fiscal year) (unit: million yen)



(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

The SG&A expenses increased by +22.0% YoY, largely exceeding the sales growth rate of +8.9%. The SG&A expenses ratio rose by 1.3 basis points from 11.3% in the fiscal year before the previous to 12.6% in the previous fiscal year. The main reason for this increase was the rise in personnel expense by more than 21% YoY due to the increase in the number of employees, which had caused the ratio of personnel expense to sales to increase from 5.4% to 6.0%. However, since the gross margin improved by 2.2 basis points from 19.2% to 21.4%, the operating margin also improved by 0.9 basis point from 7.9% to 8.8%. As a result, operating profit increased by 20.7% along with the increase in sales.

◆ CUBE SYSTEM's Financial Forecast for FY 2023 (this fiscal year)

Overview

This fiscal year, the Company plans to achieve sales of Y17,300 million (+7.5% YoY), operating profit of Y1,530 million (+7.9% YoY), recurring profit of Y1,545 million (+7.8% YoY), and net profit of Y1,000 million (+5.9% YoY). It is expecting record-high sales and consecutive achievement of record highs for each profit. It is not planning to post large non-operating profit/loss or extraordinary profit/loss this fiscal year either.

- ◆ This FY, planning for consecutive sales/profit growth and record-high sales/profit.

【Figure 40】 The Company's Financial Forecast for FY 2023 (this fiscal year) (unit: million yen)

Unit: million yen	Last FY's Results FY 2022	This FY's Company Plan FY 2023	FY 2022 First-Half Results	FY 2022 Second-Half Results	FY 2023 First-Half Plan	YoY Change	FY 2023 Second-Half Plan	YoY Change
Sales	16,099	17,300	8,060	8,039	8,155	1.2%	9,145	13.8%
Gross Profit	3,450		1,718	1,732				
Gross Margin	21.4%		21.3%	21.5%				
SG&A Expenses	2,032		971	1,061				
SG&A Exp. Ratio	12.6%		12.0%	13.2%				
Operating Profit	1,417	1,530	746	671	749	0.4%	781	16.4%
O.P. Margin	8.8%		9.3%	8.3%	9.2%		8.5%	
Recurring Profit	1,432	1,545	752	680	754	0.3%	791	16.3%
Net Profit	944	1,000	501	443	505	0.7%	495	11.7%

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials

- ◆ Expecting small sales and profit growth in the first half and double-digit YoY sales and profit growth in the second half.

Financial Forecast for the First and the Second Half

In the first half, the Company plans to achieve sales of Y8,155 million (+1.2% YoY), operating profit of Y749 million (+0.4% YoY), and net profit of Y505 million (+0.7% YoY) (Figure 40). Subtracting the first half from the full year shows that in the second half it plans to achieve Y9,145 million (+13.8% YoY), Y781 million (+16.4% YoY), and Y495 million (+11.7% YoY), respectively.

Normally, in the second half, the operating margin tends to rise compared to the first half due to sales growth, increased productivity, and seasonality. This fiscal year, though, since it is planning to strengthen investment for R&D and human resources in the second half, the operating margin is expected to drop by 0.7 basis point from 9.2% in the first half to 8.5% in the second half. Compared to the first half, it is expecting sales to increase by 12.1% and operating profit to increase by 4.3%.

Estimates/Assumptions Used in Predicting Sales Growth

This fiscal year, the Company is planning to achieve sales growth from the following measures and factors.

(20) Consulting collaboration model: Business model in which new customers are developed jointly with consulting companies, or business is developed jointly with the consulting division of major SI companies.

(21) Smile Share Product: A product which, under the theme of “Making employees smile through digital technology,” supports contactless communication and engagement among employees (Thanks Connect, Cubecoin, and Smile Cash Register).

(22) Multicloud: A way of utilizing the cloud in which multiple cloud environments are used at a single point in time (Oracle / AWS / Google / Azure, etc.).

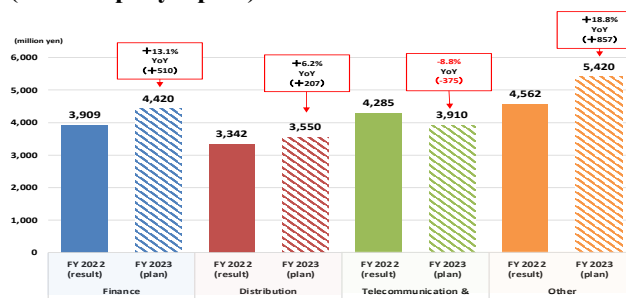
(23) Microservices: Individually developed, small services are combined and provided as a single service.

◆ **By industry, finance and the other industries will be the drivers of growth**

1. Regarding sales by business model, its new categorization, the Company expects sales to increase in all business models. Its plan is to ambitiously receive orders for projects related its customers' strategic IT investments (Digital Business / SI Business) (Figure 41). For the Digital Business, it is expecting sales to grow significantly by +429 million yen (+285% YoY) due to the development of the collaborative consultation model²⁰ and the sales promotion of the Smile Share Product²¹. Sales of the SI Business is planned to be increased by +494 million yen (+11% YoY) by receiving more orders for multicloud²² and microservices projects²³. Concerning the Enhancement Business, although its sales had temporarily decreased in the previous fiscal year, the Company expects to increase sales by +276 million yen (+3% YoY) by actively making proposals to receive more orders for derivative development projects or to expand the Company's scope of work in projects.

2. Customers have recently tended to increase their IT investments to create new business models or strengthen their competitive edge. By responding to these demands, the Company plans to increase sales from the three industries excluding transportation & telecommunication for which less orders for projects are expected. Of the Company's entire planned sales growth of +1,201 million yen, sales from the other industries category are expected to be the largest at an increase of +857 million yen (71% of the total sales growth; +18.8% YoY). Sales from manufacturing, the government, and energy-related companies are expected to especially grow. In addition, since IT investments by financial institutions such as insurance companies and banks are recovering, the Company expects sales to grow by +510 million yen (42% of the total; +13.1% YoY) (Figure 42).

【Figure 42】 Forecasted Sales by Industry in FY 2023 (this fiscal year) (the Company's plan)



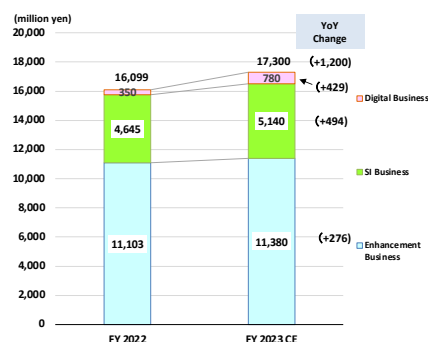
(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing materials.

Estimates/Assumptions Used in Predicting Operating Profit Growth

As for operating profit, although productivity is expected to improve during this fiscal year as well, the Company expects this to be offset by the increase in costs due to continued active investments for future growth. Consequently, it expects its operating margin to be 8.8%, which is about the same as the previous fiscal year. However, due sales growth, operating profit is expected to increase by +7.9% YoY (reference: actual operating margins were 6.1% in FY 2017 → 6.3% in FY 2018 → 6.4% in FY 2019 → 6.5% in FY 2020 → 7.9% in FY 2021 → 8.8% in FY 2022). The Company expects the following factors to increase profit.

1. Internal digitalization to improve productivity of operations
2. Improved productivity through sophistication of the Enhancement services
3. Improvement of development environment for resource optimization
4. Providing high-value-added services (DX project / proposal-based business)

【Figure 41】 Forecasted Sales by Business Model in FY 2023 (this fiscal year) (CE: the Company's plan)



◆ **Although operating margin is expected to be 8.8%, which is about the same as last FY, due to investment costs for future growth, it still expects to be able to increase profit through sales growth.**

◆ **Planning to improve profitability by working on digitalization, improving productivity, and shifting to high-value-added businesses**

8. Growth Strategy

◆ VISION 2026: The First Medium-Term Management Plan

As the successor to the previous VISION 2020, the Company has announced VISION 2026, the new medium-term management vision for the six years from FY 2022 to FY 2027 (Figure 44). The Company has been working on the First Medium-Term Management Plan which targets the first half, or the first three years including this fiscal year, of this VISION.

Direction of Business (No change)

With the impact of COVID-19, the society’s themes and workstyles are expected to change as the society makes a transition to the new normal. To proactively and flexibly respond to these changes, the Company has created the following two guidelines.

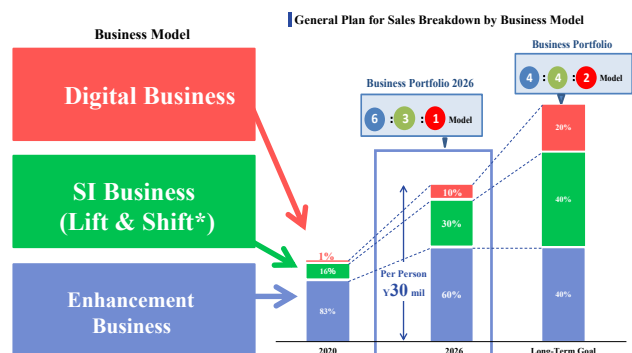
- The employees themselves will have their own vision and business-oriented mindset, and will think and act for themselves.
- Achieve business growth through the proposal-based business (a business model in which solutions developed based on the Company’s technologies and expertise in its customers’ industries are proposed to its customers/industries and the corresponding services are provided) and the contract-based business (a business model in which the Company conducts contract development of information systems as requested by its customers).

- ◆ In the new medium-term plan V2026, it plans to actively work on developing the proposal-based business in addition to its conventional contract-based business.
- ◆ In addition to Enhancement, it plans to achieve rapid growth by strengthening its SI and Digital businesses.

The Company plans to achieve growth by shifting from the conventional contract-based business to the proposal & contract based business, actively making proposals, and starting new businesses. It also plans to develop a stable and sustainable business foundation and especially expand the SI Business (cloud projects and cooperation with major SIs) and the Digital Business (solutions) based on the Enhancement Business.

The Company’s current business model is composed of three parts: Enhancement, SI, and Digital. As shown in Figure 43, the proportion of each business model’s sales in the order of “Enhancement, SI, and Digital” is planned to be changed from “83%, 16%, and 1%” in FY 2021 to “60%, 30%, and 10%” in FY 2027 and “40%, 40%, and 20%” over the long term (about ten years from now).

【Figure 43】 Direction of the New Medium-Term Plan (V2026)



(Ref) Excerpt from the financial results briefing materials
 (Note) *Lift & Shift: Providing SI services in which the current system environment is moved to the cloud environment (“Lift”) and the cloud-based system is rebuilt (“Shift”). 2020 points to FY 2021 and 2026 points to FY 2027.

【Figure 44】 Challenges and Priority Measures of the New Medium-Term Plan (V2026)



(Ref) Excerpt from the financial results briefing materials with additions

- ◆ Will focus on expanding business, improving profitability, and enhancing human capital

Priority Measures

The three business models and the priority measures for the business challenges have been set out (Figure 44 on page 32) and the Company has been making progress mostly as planned. It plans to focus on expanding business, improving profitability, and enhancing human capital for the Second Medium-Term Management Plan (FY 2025 – FY 2027) in which it will “generate results from the transformation and accelerate growth.”

Key Performance Indicator (KPI)

The Company has disclosed its indicators for the first medium-term plan and medium- to long-term directions based on financial and non-financial approaches. It aims to create financial and non-financial value by innovatively converging its two strengths, trust and quality, and its three powers, organization and technology and talents, that its has cultivated over the past 20 years.

- ◆ Financial and non-financial indicators defined as its KPI
- ◆ Five financial indicators: ROE, sales per person, sales breakdown, sales CAGR, and operating margin
- ◆ Of the above, it raised its goals for sales breakdown, sales CAGR, and operating margin.
- ◆ Four non-financial KPIs (of which numerical targets have been newly set for two)

The financial indicators are clearly defined as five items, which consist of ROE, operating margin, and three items related to sales (Figure 45). In May 2022, the Company announced upward revisions for three of its goals of the First Medium-Term Management Plan, excluding the ROE (13% or more) and sales per employee (Y23 million). Specifically, it raised the numerical targets for the sales breakdown representing business model transformation (the SI business’ sales growth since FY 2021: +2.5 billion yen ⇒ +3.3 billion yen), the sales growth rate (CAGR = compound annual growth rate: about 8% or 7.8% ⇒ 8.7%), and the operating margin (8% ⇒ 9%).

For non-financial indicators, it has had the following three items which it plans to achieve through IT: diversity promotion, workstyle reform, and communication vitalization. People development has now been added too. All items are related to people, representing the Company’s idea that people are the driving force in attaining sustainable growth through sustainability management and that the enhancement of human capital is truly essential. At the time of the previous announcement of its plan, it did not specify the non-financial numerical targets. However, the Company has now set the ratio of female employees at section-head levels of 20% or more (16.7% in FY 2022) as its KPI for promoting diversity, and paid holiday acquisition rate of 70% or more (57% in FY 2022) as its KPI for workstyle reform.

【Figure 45】 Financial and Non-Financial Goals of the First Medium-Term Management Plan (V2026)

	Key Performance Indicator (KPI)	FY 2022 Results	Goals of the First Medium-Term Management Plan	Medium/Long-Term Plan
Financial	Capital Efficiency	ROE (FY 2020: 14.0%)	13.8%	Maintain 13.0% or greater
	Productivity	Sales per Person (FY 2020: Y21 million)	22.5 million yen	23 million yen / 30 million yen
	Business Model Transformation	Sales Breakdown	SI Business +2 billion yen (from FY 2020)	SI Business +3.3 billion yen (from FY 2020) / Digital Business +2 billion yen (from FY 2023) Ratio of 6:3:1 for Enhancement:SI:Digital
	Growth Potential	Sales CAGR	8.9%*1	Approx. 8% / Approx. 9%
	Profit Indicator	Operating Margin (FY 2020: 7.9%)	8.8%	9% / Approx. 10%
Non-Financial	Diversity Promotion	Percentage of Females in Section-Head-Level Positions	16.7%	20% or more
	Workstyle Reform	Paid Holiday Acquisition Rate	57%*2	70% or more
	Communication Vitalization	Smile Share Product	Measured amount of communication in Thanks Connect* & evaluated effect	Create a non-financial value platform
	People Development	Diverse Career Paths and Development	Finished verifying the effectiveness of Career Field	Create a personnel system that maximizes employee skills and strengths

(Ref) Financial results briefing materials

(Notes on items in the figure)

- *1: Result for FY 2022 is the percent change in actual sales from FY 2021 (YoY).
- *2: Acquisition rate (%) = Total number of days of paid holiday acquired by all employees ÷ Total number of days of paid holiday granted to all employees ×100
- *3 Thanks Connect: one of the Smile Share Products that visualizes people’s feelings of “thank you”

- ◆ Forecasts for this and the next fiscal year have been revised upward.
- ◆ Aiming for sales of Y19 billion and operating profit of Y1.71 billion in FY 2024
- ◆ Expecting high growth rate for sales and profits
- ◆ Will accelerate the growth of the Digital and the SI businesses.

Financial Goals of the Medium-Term Management Plan

On May 11, 2022, the Company also revised its consolidated financial indicators (targets) for each of the two fiscal years following this fiscal year. For both fiscal years, the four items of sales, sales CAGR, operating profit, and operating margin were revised upward, and the ROE (13% or more) target was left unchanged (Figure 46: "Revised CE" is the new company plan).

In the final year or FY 2024, it plans to reach sales of Y19 billion (+Y500 million compared to the previous forecast of Y18.5 billion), operating profit of Y1.71 billion (similarly, +Y230 million compared to the previous Y1.48 billion), and operating margin of 9.0% (+1.0% compared to the previous 8.0%).

The new forecast for the sales growth rate, in the order of FY 2022 (actual result) → FY 2023 (plan) → FY 2024 (plan), is +8.9% → +7.5% → +9.8% YoY. A high operating profit growth rate is also expected due to the increase in the sales growth rate and operating margin, from +20.7% → +7.9% → +11.8%.

By business model, due to the shift of resources to areas of high profit, sales of the Enhancement Business have been revised downward, while sales forecasts for the Digital and the SI businesses have been revised upward. As a result, the overall sales growth rate in terms of CAGR (annual rate over three fiscal years) is expected to increase from +7.8% to +8.7%.

【Figure 46】 Financial Goals of the First Medium Term Management Plan of V2026 (FY 2022 – FY 2024)

Million yen	FY 2021 Results	FY 2022 Initial CE	FY 2022 Results	FY 2023 Initial CE	FY 2023 Revised CE	FY 2024 Initial CE	FY 2024 Revised CE
Sales	14,788	16,000	16,099	17,200	17,300	18,500	19,000
Digital Business	66	320	350	400	780	500	1,000
SI Business	2,561	4,130	4,645	4,500	5,140	5,000	5,700
Enhancement Business	12,162	11,550	11,103	12,300	11,380	13,000	12,300
Operating Profit	1,174	1,230	1,417	1,340	1,530	1,480	1,710
Operating Margin	7.9%	7.7%	8.8%	7.9%	8.8%	8.0%	9.0%
ROE	14.0%	13% or more	13.8%	13% or more			

(Ref) Excerpt from the financial results briefing materials. "Initial CE" is the Company's forecast announced on June 11, 2021. "Revised CE" is the forecast announced on May 11, 2022.

【Figure 47】 Forecasts of Medium-Term Financial Results (the Company's plan and Alpha-Win's forecast)

Unit: million yen, %	FY 2022 Results	FY 2023 Old E	FY 2023 New E	FY 2023 Old CE	FY 2023 Revised CE	FY 2024 Old E	FY 2024 New E	FY 2024 Old CE	FY 2024 Revised CE	FY 2025 New E
Sales	16,100	16,800	17,200	17,200	17,300	17,700	18,700	18,500	19,000	19,600
Digital Business	350		800	400	780		1,000	500	1,000	1,200
SI Business	4,645	5,200	4,500	4,500	5,140		5,800	5,000	5,700	6,200
Enhancement Business	11,103		11,200	12,300	11,380		11,900	13,000	12,300	12,200
Gross Profit	3,450	3,600	3,700			3,720	4,000			4,200
Gross Margin	21.4%	21.4%	21.5%			21.0%	21.4%			21.4%
SG&A Expenses	2,032	2,100	2,180			2,120	2,300			2,400
(% over sales)	12.6%	12.5%	12.7%			12.0%	12.3%			12.2%
Operating Profit	1,417	1,500	1,520	1,340	1,530	1,600	1,700	1,480	1,710	1,800
(% over sales)	8.8%	8.9%	8.8%	7.8%	8.8%	9.0%	9.1%	8.0%	9.0%	9.2%
Recurring Profit	1,432	1,520	1,535		1,545	1,620	1,715			1,820
(% over sales)	8.9%	9.0%	8.9%		8.9%	9.2%	9.2%			9.3%
Net Profit	944	1,000	1,000		1,000	1,080	1,100			1,180
(% over sales)	5.9%	6.0%	5.8%		5.8%	6.1%	5.9%			6.0%
Sales (% YoY growth)	8.9%	4.3%	6.8%	6.8%	7.5%	5.4%	8.7%	7.6%	9.8%	4.8%
Gross Margin (% YoY diff.)	2.2%	-0.0%	0.1%			-0.4%	-0.1%			0.0%
SG&A Expense (% YoY growth)	22.0%	3.3%	7.3%			1.0%	5.5%			4.3%
Operating Profit (% YoY growth)	20.6%	5.9%	7.3%	-5.4%	8.0%	6.7%	11.8%	10.4%	11.8%	5.9%
Recurring Profit (% YoY growth)	10.6%	6.1%	7.2%		7.9%	6.6%	11.7%			6.1%
Net Profit (% YoY growth)	11.8%	5.9%	5.9%		5.9%	8.0%	10.0%			7.3%

(Ref) Prepared by Alpha-Win Research Dept.

Alpha-Win Research Dept.'s Financial Forecast for FY 2023 (this fiscal year)

- ◆ We reviewed our previous forecast for this FY and revised sales and profit upward.
- ◆ The company forecast seems to be within an achievable range, but we made a somewhat cautious forecast considering the risks that IT investments will be suppressed and costs will rise due to the worsening macroeconomic environment.
- ◆ The increase in cost is expected to be offset by the improvement in profitability, resulting in about the same operating margin.
- ◆ There has been a generally small deviation on average between the initial forecast and the actual results over the long term, but the Company has tended to announce somewhat ambitious forecasts.

Revisions of the Financial Forecast

We reviewed our financial forecast for the current fiscal year and revised sales from the previous Y16,800 million to Y17,200 million (compared to the company forecast for the current fiscal year: -100 million yen) (Figure 47 on page 34). We also revised the operating profit forecast for the current fiscal year from the previous Y1,500 million to a slightly higher value of Y1,520 million considering the impact of sales growth (compared to the Company's forecast: -10 million yen, mostly at the same level).

Although the macroeconomic environment is worsening, customers have been shown strong interest in strategic IT investments. Therefore, while the Company plan is somewhat ambitious, it seems to be within an achievable range. However, since the corporate earnings environment has been becoming worse, we have factored in the possibility that the investment sentiment will weaken especially starting in the second half of the fiscal year.

The Company will likely continue to actively invest toward growth, causing various costs such as personnel and subcontracting expenses to increase. On the other hand, productivity is expected to improve due to digitalization and resource optimization. We predict that these factors will offset each other so that the operating margin will be 8.8%, which is the same level as the previous fiscal year and the Company's plan for the current fiscal year.

Financial Forecast and Track Record of Financial Performance

Figure 48 shows an analysis of the past deviation between the Company's initial forecast and actual results over the long term.

During this period, on a simple average, the deviations have been small, as actual sales were 1.7% lower than the initial forecast, and the actual operating profit, recurring profit, and net profit were 3.9%, 2.5%, and 3.2% lower, respectively. Neither operating nor recurring profit has ever been more than 30% lower than the initial forecast in any fiscal year. The Company tends to announce targets that are ambitious but within a realistically achievable range.

[Figure 48] Chronological Comparison of Initial Forecast (the Company's) vs. Actual Consolidated Results

Consolidated Unit: million yen	Sales		Operating Profit		Recurring Profit		Net Profit Attributable to Owners of the Parent (N.P.)		Sales	O.P.	R.P.	N.P.	Sales	O.P.	R.P.	N.P.	
	Initial Forecast	Results	Initial Forecast	Results	Initial Forecast	Results	Initial Forecast	Results									
FY 2001	-	4,806	-	-	-	387	-	-	-	-	-	-	-	-	-	-	-
FY 2002	-	5,598	-	485	-	445	-	246	-	-	-	-	16.5%	-	-	15.0%	-
FY 2003	-	6,244	-	510	-	432	-	235	-	-	-	-	11.5%	5.2%	-2.9%	-4.4%	-
FY 2004	6,900	6,575	-	491	522	500	284	280	-4.7%	-	-4.3%	-1.5%	5.3%	-3.7%	15.7%	18.9%	-
FY 2005	7,000	7,100	-	558	532	551	287	315	1.4%	-	3.5%	9.7%	8.0%	13.6%	10.2%	12.5%	-
FY 2006	7,800	7,767	-	549	600	551	340	312	-0.4%	-	-8.2%	-8.3%	9.4%	-1.6%	0.0%	-1.0%	-
FY 2007	8,300	7,923	-	590	570	584	330	324	-4.5%	-	2.4%	-1.8%	2.0%	7.4%	5.9%	3.9%	-
FY 2008	8,300	8,109	605	645	610	643	336	342	-2.3%	6.6%	5.4%	1.9%	2.3%	9.4%	10.2%	5.7%	-
FY 2009	8,500	8,507	680	652	685	597	350	308	0.1%	-4.1%	-12.8%	-12.1%	4.9%	1.1%	-7.1%	-10.1%	-
FY 2010	8,800	8,706	660	637	670	660	350	349	-1.1%	-3.5%	-1.5%	-0.3%	2.3%	-2.3%	10.6%	13.4%	-
FY 2011	9,200	9,166	675	662	680	672	263	208	-0.4%	-1.9%	-1.2%	-20.9%	5.3%	4.0%	1.8%	-40.4%	-
FY 2012	9,300	8,431	665	524	675	533	350	118	-9.3%	-21.2%	-21.0%	-66.4%	-8.0%	-20.9%	-20.7%	-43.4%	-
FY 2013	9,000	9,242	620	601	630	606	350	338	2.7%	-3.1%	-3.8%	-3.5%	9.6%	14.8%	13.7%	186.7%	-
FY 2014	10,000	11,217	700	665	700	702	380	387	12.2%	-5.0%	0.3%	1.7%	21.4%	10.6%	15.8%	14.5%	-
FY 2015	12,000	12,527	840	964	840	981	480	594	4.4%	14.8%	16.7%	23.8%	11.7%	45.0%	39.7%	53.7%	-
FY 2016	13,000	12,623	1,000	949	1,020	960	600	629	-2.9%	-5.1%	-5.9%	4.8%	0.8%	-1.6%	-2.1%	5.9%	-
FY 2017	14,000	12,899	920	781	940	811	450	551	-7.9%	-15.1%	-13.7%	22.4%	2.2%	-17.7%	-15.5%	-12.4%	-
FY 2018	14,300	13,559	1,060	855	1,080	893	650	567	-5.2%	-19.3%	-17.3%	-12.8%	5.1%	9.5%	10.1%	2.9%	-
FY 2019	14,700	14,325	1,010	922	1,010	960	640	597	-2.5%	-8.8%	-5.0%	-6.8%	5.7%	7.8%	7.5%	5.2%	-
FY 2020	15,500	14,708	1,090	959	1,090	976	684	525	-5.1%	-12.0%	-10.5%	-23.2%	2.7%	4.1%	1.7%	-12.0%	-
FY 2021	16,000	14,788	1,120	1,174	1,120	1,295	700	844	-7.6%	4.8%	15.6%	20.6%	0.5%	22.4%	32.7%	60.8%	-
FY 2022	16,000	16,099	1,230	1,417	1,250	1,432	850	944	0.6%	15.2%	14.6%	11.1%	8.9%	20.7%	10.6%	11.9%	-
FY 2023 CE	17,300	1,530					1,545	1,000					7.5%	7.9%	7.8%	5.9%	-
Simple average of diff. (unit: %), calc. for longest period with data on both sales and profits--									-1.7%	-3.9%	-2.5%	-3.2%	6.1%	6.4%	7.3%	13.6%	-
Green highlight: record-high Yellow: 2nd highest Number of times revised up/down from initial forecast--									6:13	4:11	7:12	8:11	↑ Simple average the FYs (excl. FY 2023 CE)				

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. CE: the Company's forecast.

- ◆ We revised our medium-term forecast. We believe that sales and profit will continue to increase over the medium term, consecutively hitting their record-highs.
- ◆ The macroeconomic environment and securing of employees will be the risk factors.

- ◆ We predict the medium-term profit growth rate to be about 6-10% per year.
- ◆ We expect the Company to be able to grow sales by about 5-8% per year by successfully receiving orders for projects related to strategic IT investments.

- ◆ We expect the profit margin to gradually increase. Sales growth is expected to be the main factor contributing to profit growth.

◆ Alpha-Win Research Dept.'s Forecast of Medium-Term Financial Results

We revised our previous medium-term forecast and prepared a forecast for the three fiscal years starting this fiscal year, with the forecast for FY 2025 newly added (Figure 47 shown previously on page 34). For medium-term results, we made a somewhat more cautious forecast than the Company for both sales and profit upon taking into account the comparison with the Company's forecast (medium-term plan), the estimates and assumptions described below, and the risk factors. We predict, though, that the Company may be able to continue its sales and profit growth trend and hit their record highs consecutively in the next fiscal year onwards too.

Risk Factors

- Regarding the macroeconomic environment, points of concern in terms of the impact on the business performance of Japanese companies are the prolongation of the war in Ukraine, the cheap yen and price rise, tapering and increase in interest rate to control inflation, and the subsequent increase in global economic uncertainties.
 - Factors that are hard to predict include the Company's main end users' earnings trends, IT investment trends, upfront investment costs for developing new business domains, increase in cost, and recruitment situation.
- However, we have not changed our forecast that, based on the following factors and estimates, sales and profit will likely continue to increase annually by about 6-10% over the medium to long term.

Factors and Estimates for Predicting Increased Sales

- As the impact of COVID-19 becomes gradually smaller, strategic IT investment projects are expected to increase. By responding to such demand, the Company is likely to grow sales at 5-8% per year over the medium term.
- The business with its major customers, the Digital Business, and the SI Business are expected to continue to expand through the technological expertise and trust that it has built up over the years.
- Sales growth can be expected due to the development of new businesses and business domains – specifically, businesses related to DX, energy, consulting, and new solutions (Smile Share Product, cloud, AI, blockchain, etc.)
- Sales growth from large-scale M&As, etc., has not been factored in.

Factors and Estimates for Predicting Increased Profit

- The gross margin rose last fiscal year due to various measures (improved productivity, reviewing subcontracting cost, etc.), but we expect it to stay flat at a high level starting this fiscal year.
- Large profit growth of the new businesses is not expected for the time being.
- The Company is expected to strengthen its business foundation for future growth (expansion of staff size, organization, and office sites), have increased personnel expense and subcontracting cost, and conduct upfront investments in new technology/business research. However, starting next fiscal year, we expect the rise in the SG&A expenses to settle down for the moment to about a 4-6% rise per year, which is a little less than the sales growth rate.
- Consequently, we predict that the operating margin will improve by about 0.1-0.2 basis point per year starting next fiscal year and that sales growth will be the main factor contributing to profit growth.
- No significant occurrence of unprofitable projects, nonoperating profit/loss, or extraordinary profit/loss are expected.

9. Analyst's Views

◆ SWOT Analysis

The Company's SWOT analysis result is shown in Figure 49. There have been no significant changes (changes made in this report are shown in red).

【Figure 49】 SWOT Analysis

Strength	<ul style="list-style-type: none"> • Long history in the industry, extensive experience, and strong trust • Stable and excellent customer base • Technological expertise / unique know-how / employees and organization with expertise (industry type and project/risk management) • Entry barrier essentially high; business model with high continuity • Cash-cow business, ample cash & deposits, and firm financial standing • Management with eager attitude toward developing new businesses and expanding business • Consulting-based sales through direct sales activity • Quality people development and training system • Low-cost development system using overseas subsidiaries
Weakness	<ul style="list-style-type: none"> • Relies heavily on certain customers • IT-related labor market is tight and acquisition of more, new talented employees is difficult (bottleneck to further growth) • Industry structure in which profit margin is hard to improve • Takes a long time for next-generation, growth-strategy products and services to gain full momentum • Project management (inherent risk of occurrence of unprofitable projects) • Specialized in domestic demands; overseas development difficult
Opportunity	<ul style="list-style-type: none"> • Continuous growth of the market for IT systems due to IIR deficit and the need to streamline operation • DX, new products, new services, and technology innovations leading to increased strategic demand for systems • Shifting to upstream processes, niche areas, large-scale dev. projects, and direct-contract projects; reinforce Enhancement Business • Business expansion following the global entry of customers • M&As and strengthening alliances
Threat	<ul style="list-style-type: none"> • Reduced IT investment, less demand for updates, and intensifying price competition due to worsening macroeconomic environment and recession • Emergence of alternatives (popularization of AI or packaged business software), delayed product development, and product defects • Information management and leakage risks • Increased personnel expense and subcontracting cost

(Ref) Prepared by Alpha-Win Research Dept.

- ◆ Many years' worth of trust, track record, and technological expertise are its strengths. Growth potential is large since Japanese companies are expected to increase IT investments.
- ◆ Acquisition of talented employees is the bottleneck to further growth.
- ◆ Another challenge will be to effectively utilize its ample cash & deposits for business growth.
- ◆ Focusing on strengthening project management. However, the occurrence of unprofitable projects will continue to be an inherent risk.

Describing the strengths in more detail, the Company has an excellent customer base owing to its long years of business during which it has earned trust and built technological expertise. Its business is characterized by high business continuity, stability, and ambitiousness. Moreover, the Company's strength lies in its close position to the end users, which means that it can suggest related or derivative systems to its customers and obtain new development and service projects (Enhancement). Since its users, or Japanese companies, are expected to continue to strategically increase IT and DX investments to improve business efficiency and profitability, the Company's growth potential is large.

On the other hand, looking at its weaknesses in more detail, the Company's industry in general is characterized by a tendency to have flat profit margins over the long term, so that profit does not generally increase without sales growth. New business area development and new customer acquisition are crucial to increasing sales, but the shortage of employees, especially for project manager positions, has been the bottleneck to further growth. Another point is that its business is becoming a cash cow and that effective utilization of its cash and deposits for future growth will also be one of its challenges going forward.

Also, the Company as well as the entire SI industry has been strengthening preventive measures and project management over many years, but some projects such as development in new areas still sometimes become unprofitable and cause a temporary decline in profit. Although the Company has been working on further improving its quality control and has been seeing positive results in recent years, this point should be noted as a consistent risk factor.

- ◆ Proactive stance with regards to returning profit to shareholders

- ◆ Raising dividend consecutively based on a target dividend payout ratio of 35%

- ◆ Planning to increase dividend again this fiscal year by 3 yen. Dividend hikes are also possible over the medium-term.

- ◆ Actual annual (maximum) yield including the shareholder benefit program is about 3.4%.

- ◆ Actively conducted stock splits and share buybacks in the past

- ◆ Rich in cash; may conduct share buybacks in the future too.

◆ Shareholder Return and Shareholder Benefit Program

The Company's policy is to raise shareholder asset value by improving its financial results in order to conduct stable dividend payments and increase market capitalization. So far, it has been taking a proactive stance with regards to improving the return of profit to shareholders, by conducting dividend hikes, share buybacks, stock splits, and enhancement of the shareholder benefit program.

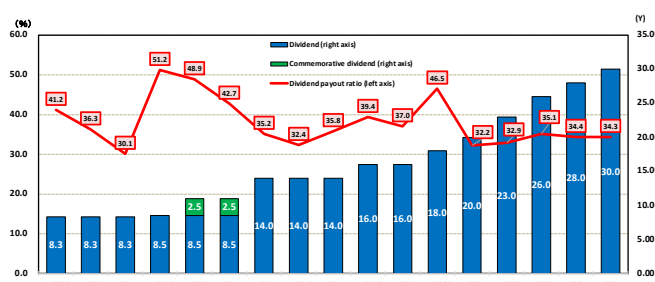
The Company's consolidated dividend payout ratio was 46.5% in FY 2020, 32.2% in FY 2021, 32.9% in FY 2022, and predicted to be 35.2% in FY 2022 based on the Company's forecast, reaching its target of 35%. It raised its dividend from Y14 to Y16 per share in FY 2018, and then raised it by Y2 again in both FY 2020 and FY 2021 to Y18 and Y20. In FY 2022, it had initially planned to keep dividend the same at Y20, but then decided to raise it by Y3 to Y23 (Figure 50). This fiscal year, the Company plans to raise dividend again by another Y3 to Y26. Since profit growth is expected over the medium term, we believe that dividend may be increased more in the next fiscal year onwards.

Dividend yield is 2.8% when calculated based on a stock price of Y925 (closing price on June 10). Many of the Company's investors are individual investors, and it has a shareholder benefit program in which JCB Gift Cards are given to shareholders based on the number of shares they own (Figure 51 on page 39). When this benefit program is taken into account, the actual dividend yield increases to approx. 3.4% at maximum (for the optimum number of shares owned). The Company plans to continue to maintain its stable dividend payment and raise the EPS to enhance shareholder return.

Since the actual annual yields of its competitors including their shareholder benefit programs are approx. 4.0% for HIMACS and approx. 3.7% for Toho System Science, the Company's dividend yield is somewhat low. On the other hand, the dividend on equity ratio (= total dividend / shareholder's equity) in FY 2022 was 4.6% for the Company, 5.1% for HIMACS, and 4.6% for Toho System Science. The Company's DOE is in the middle range, but is high compared to the common levels of DOE.

Since becoming listed on the market, the Company has performed a total of six stock-splits, including a 1-to-2 split in April 2010, a 1-to-1.5 split in April 2011, and a 1-to-2 split in October 2014. Stock splits have not been conducted since then. It has also conducted six share buybacks in the past, acquiring a total of approx. Y650 million's worth of shares (acquisition price at the time of acquisition). Since the Company has a solid financial standing and is rich in cash, depending on the level of the stock price, additional share buybacks are possible in the future.

【Figure 50】 Change in Dividend and Dividend Payout Ratio



(Ref) Prepared by Alpha-Win Research Dept. Estimates/forecasts (E) were made by Alpha-Win.

【Figure 51】 Shareholder Benefit Program and Actual Net Yield (shareholder benefit vesting date: end of Sept)

Number of Shares Owned (greater than or equal to)	(less than)	Shareholder Benefit (JCB Gift Card: Y)	Dividend: Y	Actual Net Yield: %
200	400	1,000	26	3.4
400	1,000	2,000	26	3.4
1,000		3,000	26	3.1

Actual net yield* = (dividend + benefit value) / (stock price)

*Calculated for the min. (optimum) number of stock owned in each range

Stock price assumed to be ¥925 (closing price on June 10, 2022). Dividend is based on this FY's forecast.

(Ref) Prepared by Alpha-Win Research Dept. based on the Company's website

◆ **A defensive, domestic-demand-oriented growth stock. Stock price increased by approx. 4.8x over the past approx. 13 years, largely outperforming the TOPIX.**

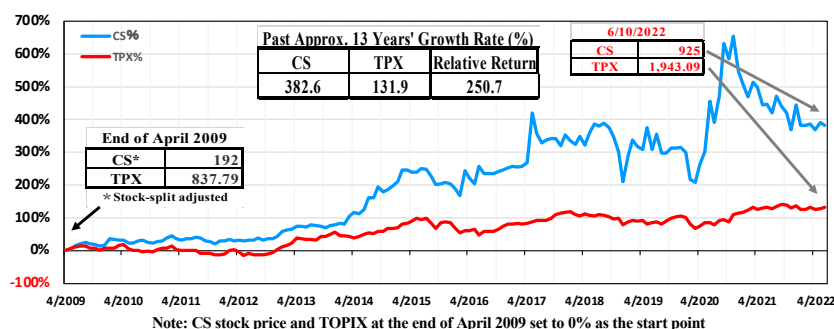
◆ **Stable growth is expected to continue this fiscal year, and it seems to be an attractive investment target for the medium- to long-term span.**

◆ **Stock Characteristics/Price and Valuation Comparison**

The Company's stock is a defensive, small-cap, and domestic-demand-oriented growth stock. Over the past approximately 13 years, the Company's stock price rose by about 4.8x, largely outperforming the TOPIX by +251% (calculated with stock splits taken into account; based on the closing price on June 10, 2022; Figure 52). This increase seems to reflect the Company's strong fundamentals and firm financial growth over the long term.

With the general increase in strategic IT and DX investments by Japanese companies, the Company is expected to be able to maintain a relatively stable profit growth. Since the stock also has a defensive characteristic, the Company will likely be seen as a candidate for medium- to long-term investment.

【Figure 52】 Long-Term Return of the Company's Stock (CS) and TOPIX (change in monthly stock price over the past approx. 13 years)



(Ref) Prepared by Alpha-Win Research Dept.

◆ **Underperforming the TOPIX since the beginning of the year.**

◆ **Valuation is about average and at fair value.**

However, this year, the Company has been somewhat underperforming the TOPIX. This is partly probably due to a fallback from its previous significant outperformance over TOPIX starting in March 2020, when it had been evaluated as a domestic-demand-oriented growth stock with firm financial results despite the concerning situation over COVID-19 and its negative impact on the financial performance of companies. Another reason may be that the market has recently favored buying export-related stocks that would benefit from the cheap yen, inbound-related and economically sensitive stocks in anticipation of post-COVID-19 changes, and stocks related to energy and resources.

The Company's valuation was compared in terms of the major valuation indicators with all stocks listed on the TSE Prime Market as well as its competitors (HIMACS and Toho System Science). Based on this fiscal year's forecasted results, the Company's valuation is slightly low compared

- ◆ The most stable financial performance and highest liquidity among the three competing companies
- ◆ Should continue to watch its growth as a defensive, domestic-demand-oriented growth stock

to the former (P/E and dividend yield), and slightly high but not expensive compared to the latter two companies. Its valuation does not seem to be at much of a premium compared to its two competitors, perhaps because its relatively stable growth potential and high liquidity are not being reflected (Figure 53).

Despite its solid financial performance, the Company's stock price has largely fallen over the past approximately 12 months and has been underperforming the TOPIX and its competitors. When defensive, small-cap, and domestic-demand-oriented growth stocks become evaluated highly in the market, the Company's stock price should start outperforming again.

【Figure 53】 Comparison of Valuation and Liquidity

Company Name	CUBE SYSTEM (CS: consolidated)	HIMACS (HM: consolidated)	Toho System Science (TS: non-consolidated)	All Stocks Listed on TSE Prime	24 SI Companies Listed on TSE Prime
Code	2335	4299	4333		
Stock Price (at 6/10 closing)	925	1,286	940	999.74	
Market Cap (million yen)	13,413	15,963	13,034	704,887,500	12,098,161
P/E (price-to-earnings ratio)	12.52	12.31	12.08	13.99	17.96
P/B (price-to-book ratio)	1.74	1.57	1.40	1.21	2.36
Dividend Yield (%)	2.81	3.27	3.19	Simple average: 2.35	2.43
EV/EBITDA	4.95	4.51	3.00	(Weighted average: 2.45)	
P/S (price-to-sales ratio)	0.78	0.90	0.87		2.02
Average Daily Trading Volume (million yen)	23	20	7		(Simple average of the 24 companies)

Market cap= (shares outstanding) x (market share price [at 6/10/2022 closing])

The companies' planned EPS and dividend values for FY 2023 were used in all P/E and dividend yield calculations. Actual BPS values of FY 2022 were used in P/B calculations.

EV/EBITDA=(market cap + interest bearing debt - cash & deposits)/(O.P. + depreciation + intangible fixed asset amortization)

*Long-term deposit and securities with high liquidity are included in the cash & deposits

P/S=market cap / sales [the companies' forecasts for FY 2023]

Average Daily Trading Volume: Estimated average trading volume per day over the past approx. six months (million yen)

(Ref) Figures 53 and 54 were prepared by Alpha-Win Research Dept. based on the securities reports, financial results summaries, and stock data.

Relative to the universe of the leading 24 SI companies listed on the TSE Prime Market (including the Company and the two companies mentioned above; the total market cap of the 24 companies is approx. Y12.1 trillion, their total sales are about Y8.2 trillion, total operating profit is Y803.5 billion, and operating margin is 9.78%), the Company's valuation seems somewhat cheap within the SI sector (Figures 54). Going forward, we believe that if the Company's operating margin continuously improves and its sales grow, its EPS and valuation (P/E, etc.) may increase sharply and its market capitalization may also rise.

【Figure 54】 Comparison of Major Stocks in the SI Sector

Code	Company Name	Market Cap.	Stock Price	Sales	O.P.	O.P. Margin	Actual ROE (%)	Est. P/E	Actual P/B	Est. Dividend Yield	Est. Dividend	Est. EPS	Actual BPS	P/S
9613	NTT DATA	2,733,473	1,949	3,270,000	236,000	7.2%	12.2	20.1	2.2	1.1%	21.00	96.97	906.22	0.8
4307	Nomura Research Institute	2,247,363	3,680	670,000	115,000	17.2%	21.3	28.2	6.4	1.2%	44.00	130.60	575.59	3.4
4684	OBIC	1,913,316	19,210	98,500	59,600	60.5%	15.5	36.2	5.8	1.1%	220.00	530.01	3,310.49	19.4
3626	TIS	855,203	3,405	500,000	57,000	11.4%	14.0	22.1	2.9	1.4%	47.00	154.22	1,173.60	1.7
4739	Itochu Techno-Solutions	775,200	3,230	553,000	55,500	10.0%	13.2	19.6	2.7	2.5%	81.00	164.45	1,216.67	1.4
4768	Otsuka Corporation	759,058	3,995	828,000	53,600	6.5%	13.9	20.7	2.7	3.1%	125.00	193.30	1,503.94	0.9
9719	SCSK	701,664	2,245	450,000	54,000	12.0%	14.1	18.4	2.8	2.3%	52.00	121.71	790.86	1.6
2327	NS Solutions	338,096	3,695	295,000	31,000	10.5%	10.6	16.0	1.7	1.9%	70.00	230.60	2,149.59	1.1
8056	BIPROGY	323,946	2,954	330,000	29,000	8.8%	17.0	14.8	2.3	2.7%	80.00	199.16	1,283.45	1.0
1973	NEC Networks & System Int.	278,186	1,863	330,000	26,000	7.9%	11.6	18.1	2.1	2.5%	46.00	102.73	904.66	0.8
4812	ISID	259,100	3,975	120,000	15,000	12.5%	14.3	24.7	3.8	1.7%	66.00	161.13	1,041.24	2.2
9749	Fujisoft	249,380	7,400	265,500	17,300	6.5%	7.5	23.9	1.8	1.5%	109.00	309.38	4,046.94	0.9
9759	NSD	215,190	2,391	75,000	12,000	16.0%	15.7	23.2	3.6	2.3%	54.00	103.13	657.57	2.9
9682	DTS	152,616	3,110	100,000	11,400	11.4%	13.0	17.2	2.3	3.9%	120.00	180.72	1,376.05	1.5
4719	ALPHA SYSTEMS	58,950	4,195	35,000	4,200	12.0%	7.5	20.3	1.5	1.7%	70.00	206.56	2,715.43	1.7
4674	CRESCO	46,736	2,032	47,500	4,750	10.0%	15.6	12.8	1.9	2.3%	46.00	159.22	1,051.97	1.0
9692	CEC	46,662	1,241	48,000	5,000	10.4%	12.4	12.8	1.2	3.2%	40.00	97.16	1,015.48	1.0
9739	NIPPON SYSTEMWARE	37,056	2,487	45,000	5,000	11.1%	13.8	10.7	1.4	2.0%	50.00	231.55	1,779.70	0.8
4725	CAC Holdings	29,703	1,446	45,000	3,000	6.7%	8.8	12.2	0.8	4.1%	60.00	118.05	1,742.13	0.7
9600	I-NET	19,994	1,231	33,500	2,640	7.9%	10.1	10.7	1.1	3.9%	48.00	114.55	1,083.14	0.6
4299	HIMACS	15,963	1,286	17,750	1,770	10.0%	13.4	12.3	1.6	3.3%	42.00	104.56	819.07	0.9
4662	Focus Systems	14,859	912	27,500	1,800	6.5%	8.3	11.3	0.9	3.3%	30.00	80.91	979.16	0.5
2335	CUBE SYSTEM	13,413	925	17,300	1,530	8.8%	13.8	12.5	1.7	2.8%	26.00	73.91	531.14	0.8
4333	Toho System Science	13,034	940	15,000	1,370	9.1%	12.0	12.0	1.4	3.2%	30.00	78.57	670.96	0.9
	Simple Average	504,090				12.1%	12.9	18.0	2.4	2.5%				2.0
	Simple Average (excl. OBIC)	442,819				10.0%	12.8	17.2	2.2	2.5%				1.3

(Note) Unit for market cap., sales, and operating profit (O.P.): million yen
Unit for stock price, dividend, estimated EPS, and actual BPS: yen

Sales and operating profit are generally based on the companies' most recent forecasts
No unit for P/E, P/B, and P/S

Only valid data are used in the averages
Stock price is based on the closing price on June 10, 2022