

Alpha-Win Company Research Report

CUBE SYSTEM INC. (2335 TSE Prime)

Issued: 11/14/2025

● Summary

Alpha-Win Research Department
<https://www.awincap.com/>

◆ Independent, Mid-Tier System Integrator with Long-Term, Stable Growth

Company Overview

- CUBE SYSTEM INC. (hereinafter, the “Company”) is an independent, mid-tier system integrator listed on the Prime Market of the Tokyo Stock Exchange (TSE). Its primary customers include Nomura Research Institute (NRI) and the Fujitsu Group. The Company develops systems and provides services mainly for the financial, distribution, transportation, telecommunication, and manufacturing industries, as well as for government agencies.
- The Company’s strengths lie in its excellent customer base, extensive experience, strong credibility, and the technology and expertise accumulated over many years.
- Founded in 1972, the Company has a history of 53 years. It is currently listed on the TSE Prime Market.

Business Performance Trends

- With the exception of one fiscal year, the Company has continuously increased net sales year-on-year (YoY) for the past 24 years (consolidated basis). During this period, the average annual growth rate in net sales (simple average of the annual rate of increase) was 5.9%, while the average annual growth rate in ordinary profit (simple average) was 6.3%. The Company has thus steadily expanded its business while maintaining profitability over the long term. Its ordinary profit margin has remained stable at around 7% (simple average of 7.3%). Growth in net sales has translated directly into higher profits, dividends, and market capitalization.
- In FY2025 (note that the Company’s fiscal year is March-ending, i.e., FY2025 ended in March 2025), the Company achieved record net sales for the 13th consecutive year and record net profit for the fifth consecutive year, and raised its ordinary dividend for the sixth consecutive year. For the current fiscal year, it aims to set new record highs in both net sales and operating profit, along with a further increase in dividends.

Business Partnership

- In December 2022, the Company entered into a capital and business partnership agreement with NRI, a leading blue-chip company in the industry. As a result of this agreement, NRI became the Company’s largest shareholder, holding 20.18% of its voting rights.
- The NRI Group is also the Company’s largest customer, estimated to account for the majority of its consolidated net sales.

Investment Plan

- Including its own cash on hand alongside funds raised through the capital partnership with NRI, the Company is investing a total of 2.2 billion yen over the four fiscal years from FY2023 to FY2026. These investments are focused on strengthening and expanding its development bases, as well as its development organization and facilities, with the aim of supporting further growth and alleviating human resource bottlenecks. Investments are progressing largely in line with plan.

◆ Results for the First Half of the Current Fiscal Year: Net Sales Increased Slightly, while Operating Profit Rose Significantly Due to Improved Profitability

First Half: Summary

- For the first half of FY2026 (April–September 2025; hereinafter, the “first half” or “H1”), the Company reported net sales of 9,142 million yen (+1.3% YoY), operating profit of 730 million yen (+37.0% YoY), ordinary profit of 738 million yen (+39.7% YoY), and profit attributable to owners of parent (hereinafter, “net profit”) of 555 million yen (−16.2% YoY) (Figure 1 on page 2).
- Upon the Company’s announcement of its results for the first quarter (April–June 2025; hereinafter, “Q1”) on August 6, 2025, it revised upward its forecast for the first half. Actual results came in largely in line with the revised plan. Net sales fell short of the plan by 158 million yen (−1.7% versus plan), but recorded a slight increase compared

with the previous fiscal year's first half. The Company also achieved record-high first-half net sales for another consecutive year.

- Meanwhile, operating profit and net profit both slightly exceeded plan, by 30 million yen (+4.3%) and 5 million yen (+0.9%), respectively. Operating profit posted a significant increase year-on-year.
- However, net profit for this first half declined by 107 million yen year-on-year due to the absence of a 359 million yen gain recorded under extraordinary income in the previous fiscal year's first half, arising from a revision to the retirement benefit plan.
- Among the Company's major customers—primarily large enterprises—demand remained firm due to continued investment in digital transformation (DX), cloud services, and other IT initiatives, supported by robust corporate earnings. However, while orders remained solid, both orders received and order backlog were flat year-on-year (see pages 5–6 for details). As a result, first-half net sales increased only slightly.
- In addition to rising prices, overall costs increased as the Company continued proactive efforts focused on strengthening its development organization and facilities, investing in human resources (headcount expansion, introduction of a new human resources system, and human resources development), and investing in R&D (e.g., during this first half, the Company established the Shinagawa Innovation Hub as a new development base aimed at developing new businesses and technologies).
- Although net sales growth in this first half was modest and costs increased, the Company's focus on profitability—through selective project pursuit and optimized resource allocation—resulted in an improvement in the gross profit margin. This led to a significant year-on-year growth in operating profit (see page 4 for an analysis of the factors contributing to increases or decreases in operating profit).
- The gross profit margin rose from 20.1% in Q1 of the previous fiscal year to 24.6% in Q1 of the current fiscal year (+4.5 percentage points), and similarly from 21.3% to 23.0% in Q2 (+1.7 percentage points). Consequently, the gross profit margin for the first half improved from 20.7% to 23.8%, an increase of 3.1 percentage points.
- Meanwhile, SG&A expenses increased from 665 million yen to 717 million yen in Q1 (+52 million yen or +7.8%), raising the SG&A expense ratio from 15.1% to 15.8%. A similar trend occurred in Q2, where SG&A expenses rose from 670 million yen to 730 million yen (+60 million yen or +9.0%). In both quarters, the rate of increase in SG&A expenses outpaced the rate of net sales growth (Q1: +3.1%; Q2: -0.3%).
- As a result, the SG&A expense ratio for the first half increased from 14.8% to 15.8% (+1.0 percentage point). However, the improvement in the gross profit margin more than offset this rise, lifting the operating profit margin from 5.9% to 8.0% (+2.1 percentage points) in the first half.

【Figure 1】 Summary of First-Half Results

Consolidated	Results		Q1 FY2025		Q1 FY2026		% Change		Change in Amount / Difference		% of Total		Q2 FY2025		Q2 FY2026		% Change		Change in Amount / Difference		% of Total		H1 FY2025		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 FY2026		H1 FY2026		Change in Amount / Difference		% Change		H1 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First Half: Segments

- Companywide, the Company recorded a year-on-year increase in net sales of 120 million yen (+1.3% YoY) and a year-on-year increase in operating profit of 197 million yen (+37.0% YoY) (see Figure 1 on page 2).

1. Results by Business Model (Three Segments): All Business Models Posted Profit Growth; System Enhancement Business Contributed Most to Profit

- For this first half, the System Enhancement Business, which accounted for 53% of total net sales and 59% of total operating profit, recorded a significant decline in net sales due to the Company's withdrawal from low-profit projects. Net sales decreased by 703 million yen year-on-year (-12.7%), totaling 4,825 million yen (figures rounded to the nearest million yen; same applies hereafter). However, profit margins also improved substantially, and the segment's operating profit rose to 430 million yen, an increase of 136 million yen (+46.1%) year-on-year.
- The SI Business, which accounted for 41% of total net sales and 34% of total operating profit, recorded higher net sales driven by the expansion in the scale of modernization projects (upgrading and optimizing aging IT assets from a business perspective) and the acquisition of new projects. Net sales increased by 625 million yen (+20.2% YoY) to 3,720 million yen. Operating profit increased by 18 million yen (+7.8% YoY), reaching 246 million yen.
- The Digital Business, which accounted for 7% of both total net sales and operating profit, achieved higher net sales as a result of increased orders for advanced technology support projects. Net sales rose by 199 million yen (+50.1% YoY) to 597 million yen. Profit margins improved significantly, with operating profit increasing from 9 million yen to 53 million yen (+44 million yen or +435.7% YoY). Although still relatively small in scale, the segment is growing rapidly, and its contribution to overall performance is gradually increasing.

2. Results by Industry (Six Segments): Five Industry Segments, Excluding Government Agencies (Which Still Drove Sales), Posted Profit Growth; Finance and Distribution Contributed Most

- Across customer industries, five of the six segments—excluding government agencies—recorded higher profits, supported by improved profit margins.
- For the financial industry, the Company's largest industry segment accounting for 31% of total net sales and 36% of total operating profit, net sales declined due to the Company's withdrawal from low-profit projects. However, profit margins improved, resulting in a year-on-year increase in profit of 54 million yen (+26.9% YoY).
- For the distribution industry, the second-largest industry segment after the financial industry, the Company saw an increase in projects for wholesalers and major GMS. While net sales grew only slightly, profit expanded to 3.5 times the level of the previous first half. The increase in profit amounted to 122 million yen, representing 62% of total profit growth across all industry segments—the largest contribution among the six.
- For transportation and telecommunication, the Company saw a double-digit decrease in net sales due to a decrease in projects for logistics companies and telecommunications carriers. However, improved profitability led to a year-on-year increase in profit of 29 million yen (+25.4%).
- Regarding government agencies, orders from central government agencies and administrative agencies increased significantly. The Company saw a significant increase in net sales, which rose from 849 million yen in the previous first half to 1,237 million yen in this first half (+388 million yen or +45.7% YoY). However, because this included low-profitability projects, the profit margin declined sharply from 7.4% to 2.4%, and profit was halved (from 62 million yen to 29 million yen).
- For the manufacturing industry, the Company saw strong orders—albeit on a small scale—from automobile manufacturers, resulting in double-digit increases in both sales and profit.
- Regarding other industries, business with energy-related and education-related industries remained strong. However, overall net sales and profit were flat year-on-year for the segment.

3. Results by Business Style (Three Segments): Profit Margins Improved in SIer Business and End-User Business, Contributing to Profit Growth

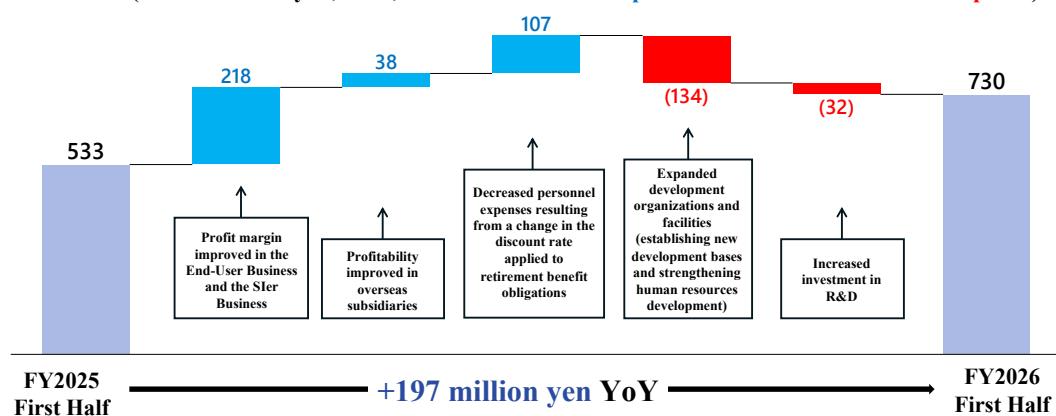
- The SIer Business (system integrator, abbreviated as "SIer," is a company that conducts system integration; a general term for companies that plan, design, develop, operate, and provide other solutions for the IT operation systems of customers including companies and the government), which accounted for 75% of total net sales and 69% of total operating profit, recorded net sales of 6,894 million yen, representing a slight year-on-year decline (-44 million yen or -0.6% YoY).

- In the End-User Business, net sales increased slightly to 1,758 million yen (+56 million yen or +3.3% YoY), reflecting an increase in orders from both existing and new customers.
- The Company expanded the provision of technical support services derived from collaboration with solution vendors, resulting in higher net sales in the Service Providing Business, which rose to 489 million yen (+109 million yen YoY). Although still relatively small in scale, this segment posted a high sales growth rate (+28.6% YoY).
- On the profit side, both the Sler Business (+118 million yen or +30.8% YoY) and the End-User Business (+138 million yen or +98.5% YoY) saw substantial improvements in profit margins, contributing significantly to operating profit growth.
- Meanwhile, the Service Providing Business, which is in an expansion phase and bearing upfront investment costs, posted a decline in profit, from an 11 million yen profit in the previous first half to a 46 million yen loss in this first half. The profit contributions from the other two segments offset this decline.

First Half: Factors Behind Changes in Profit

- Factors behind changes in operating profit in the current fiscal year's first half are shown in Figure 2.

【Figure 2】 Factors that Increased or Decreased Operating Profit in This First Half
(Unit of million yen; YoY; **factors that increased profit** and **factors that decreased profit**)



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

- The primary positive factor was the significant improvement in profitability in both the End-User Business and the Sler Business (+218 million yen YoY to profit; same applies hereinafter). Other positive factors included lower personnel expenses resulting from a change in the discount rate applied to retirement benefit obligations (+107 million yen) and improved profitability at the overseas subsidiaries (+38 million yen). In total, these factors contributed 363 million yen to profit growth.
- On the other hand, negative factors included the expansion of development organizations and facilities—such as establishing new development bases and strengthening human resources development (−134 million yen in profit decline; same applies hereinafter). Increased R&D investment related to new businesses and technologies also contributed to the decline (−32 million yen). Together, these factors amounted to 166 million yen in negative impact. As the positive factors outweighed the negative ones, operating profit rose 197 million yen year-on-year.
- The Company plans to continue investing in strengthening development organization and facilities in the second half and beyond.

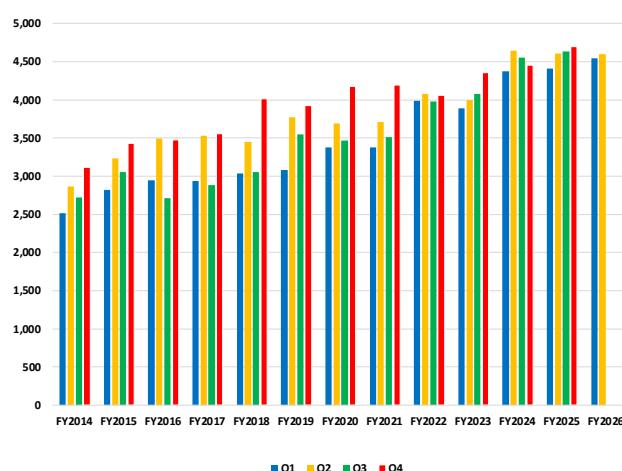
First Half: Progress and Quarterly Performance Volatility

- Progress in this first half against the Company's full-year forecast was 46.9% for net sales (compared to 49.2% in the previous fiscal year's first half) and 41.7% for operating profit (38.6% in the previous first half).
- For reference, the simple average of the first-half progress over the past 24 years, including the previous fiscal year, was 48.4% for net sales and 44.6% for operating profit (over the past 5 years including the previous fiscal

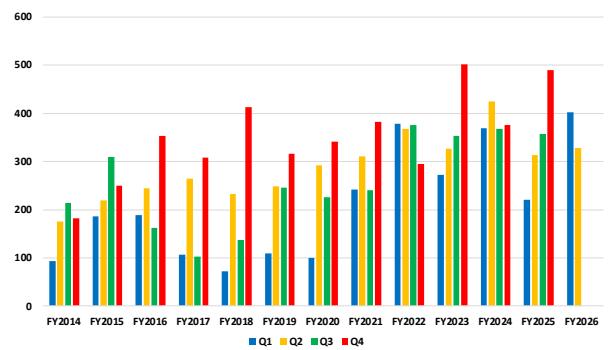
year: 49.1% and 46.2%, respectively). Compared to these figures, progress in the current fiscal year's first half falls short in terms of both net sales and operating profit.

- The Company's business performance and profit margins tend to show volatility on a quarterly basis.
- The fourth quarter (Q4: Jan–Mar) accounts for the largest share of the full-year performance (average for the past 12 years: 27.2% of net sales and 33.0% of operating profit). This is followed by the second quarter (Q2: Jul–Sep; 25.7% and 26.6%, respectively) and the third quarter (Q3: Oct–Dec; 23.9% and 23.5%, respectively). Typically, the first quarter accounts for the smallest share (Q1: Apr–Jun; 23.1% and 17.0%, respectively) (Figures 3–4).
- Profit margins tend to be highest in Q4, which includes March when delivery schedules are most concentrated, and lowest in Q1 (Figure 5).

【Figure 3】 Quarterly Changes in Net Sales (Unit: million yen)

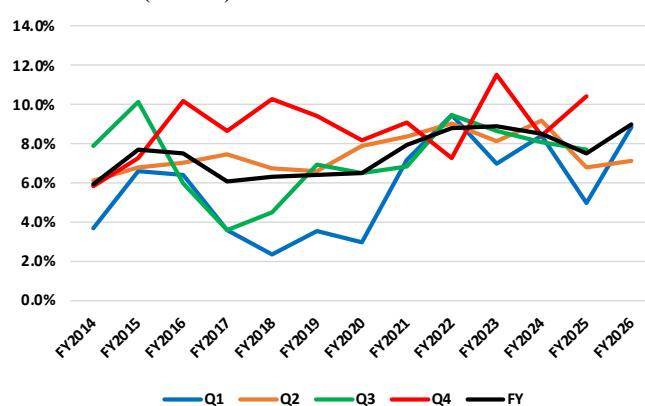


【Figure 4】 Quarterly Changes in Operating Profit (Unit: million yen)

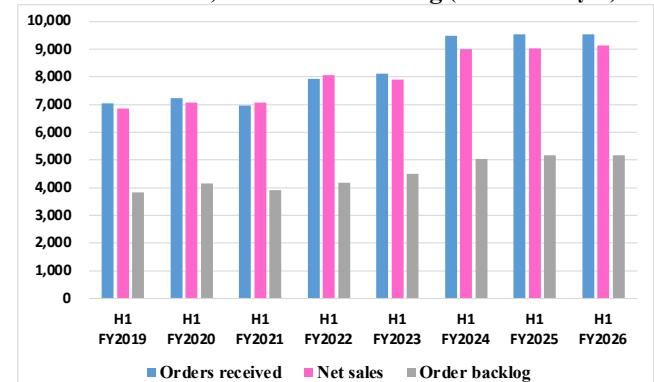


(Source) Figures 3–6: Prepared by Alpha-Win Research Dept. based on the supplementary materials for financial results.

【Figure 5】 Quarterly Changes in Operating Profit Margin (Unit: %)



【Figure 6】 Changes in First-Half Orders Received, Net Sales, and Order Backlog (Unit: million yen)



(Note) In Figure 5, the full-year forecast for FY2026 (FY) is based on the Company's plan

Order Environment: Orders Received and Order Backlog Remained Flat

- Total orders received were 9,531 million yen, compared with 9,545 million yen in the first half of the previous fiscal year (–14 million yen or –0.2% YoY), and the order backlog was flat at 5,177 million yen, compared to 5,171 million yen in the previous first half (+6 million yen or +0.1% YoY).
- Although IT investment continued to trend upward and domestic market conditions remained favorable, the Company's efforts to resolve unprofitable projects likely led to the stagnation in orders (Figure 6).

1. Orders Received by Business Model (Three Segments): Digital Business and SI Business Contributed

- Although orders received and order backlog in the System Enhancement Business declined due to the Company's profitability-focused strategy, the Digital Business and the SI Business compensated for this decline.

2. Orders Received by Business Style (Three Segments): SIer Business Grew

- While both orders received and order backlog in the End-User Business decreased, growth in the SIer Business offset these declines. In the Service Providing Business, orders received decreased, but the order backlog remained flat.

3. Orders Received by Industry (Four/Six Segments): Strong Orders from Government Agencies and Manufacturing

- Orders received from government agencies and the manufacturing industry increased significantly, offsetting declines in the other four industry segments. Order backlog increased for government agencies and the manufacturing and financial industries, but declined for the other industries, distribution, and transportation and telecommunication.

Progress in the First Half (High-Priority Measures)

- The Company is pursuing a set of high-priority measures to achieve its targets, and progress in this first half is summarized in Figure 7. While the expansion of the leadership layer remains a challenge in terms of strengthening human capital, progress on the other measures is generally in line with plan.

【Figure 7】 Current Fiscal Year's Progress on High-Priority Measures

Item	Target	First-Half Progress
High-Priority Measures by Business Style		
SIer Business	Stable profit growth and realization of one-stop services	• Launch of new projects (selected as a primary partner for a large-scale project) and an increase in inquiries from existing customers (including government agency projects)
		• Launch of a one-stop service offering (also utilizing CUBE SYSTEM VIETNAM Co., LTD)
End-User Business	Acquiring new customers and expanding the scale of sales	• Strengthening the acquisition of new customers (focusing mainly on small projects; acquiring new customers in the food manufacturing industry; and developing sales to prospective target companies)
Service-Providing Business	Creating business through co-creation with solution vendors	• Orders received from existing clients for derivative-development projects
High-Priority Measures by Theme		
Research investment	Launch of new services	• Performance improvement of H・CUBiC • Promoting the development of new solutions (AI automated ordering-related solutions); expected to be launched in spring 2026
Human capital	Measures to improve skills	• Encouraging autonomous learning among employees and strengthening support (training); challenges in expanding the leadership layer
Reinforcement of quality	Further strengthening of the quality management system	• Reviewing processes and strengthening project risk management; revising the profitability management system
Development organization and facilities	Laying the foundation to meet DX demand	• Opened the Shinagawa Innovation Hub, a development office with capacity for 400 employees, in September 2025 in Shinagawa, Tokyo; steady progress in laying the foundation • Promoting production technology innovation utilizing AI; verifying the use of AI in internal system improvement and preparing for practical implementation

(Source) Prepared by Alpha-Win Research Dept. based on the supplementary materials for financial results.

Employees, Productivity, and Profitability

- Since the Company's business model is based on contract agreements priced on a man-month basis, net sales growth is generally correlated with the number of employees. By improving the workplace environment and treatment, increasing new graduate hires, strengthening employee engagement, and reinforcing mid-career hiring, the total number of employees in the Company's group has continued to increase steadily, mainly in Japan. The Company's capacity in terms of human resources has been on a growth trend (Figure 8 on page 7).
- However, system demand from enterprises and government agencies remains robust, and personnel shortage persists.
- The Company places emphasis on the key management indicators of (first-half) net sales per employee in Japan

and (first-half) operating profit per employee in Japan. While these fluctuate on a yearly basis, they have generally remained within a certain range. In recent years, the Company's active efforts to increase its workforce have been a major factor.

• Going forward, a key focus will be on changes in the number of employees in Japan and in per-employee productivity and profitability in the next fiscal year and beyond.

【Figure 8】 Changes in the Number of Employees, Net Sales Per Employee, and Operating Profit Per Employee in the First Half

Change in Number: Persons	Total Number of Employees in Japan and Overseas as of the End of the First Half			First-Half Net Sales Per Employee in Japan			First-Half Operating Profit Per Employee in Japan		
	Total Number (Persons)	YoY: Change in Number	YoY: % Change	Net Sales (Thousands of Yen)	YoY: Change in Amount	YoY: % Change	Operating Profit (Thousands of Yen)	YoY: Change in Amount	YoY: % Change
As of September 30, 2020	791	31	4.0	10,033	-616	-5.8	791	31	4.1
As of September 30, 2021	815	24	3.0	11,164	1,131	11.3	815	24	3.0
As of September 30, 2022	869	54	6.6	10,494	-670	-6.0	795	-20	-2.5
As of September 30, 2023	894	25	2.9	11,956	1,462	13.9	1053	258	32.5
As of September 30, 2024	944	50	5.6	11,334	-622	-5.2	670	-383	-36.4
As of September 30, 2025	963	19	2.0	11,122	-212	-1.9	889	219	32.7

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

Balance Sheet

- There were no significant changes in the balance sheet at the end of the first half of the current fiscal year. Cash and deposits stood at 6.5 billion yen, ensuring ample liquidity on hand (equivalent to 4.0 months of the forecast average monthly net sales; with a debt of 230 million yen, the Company is effectively debt-free).
- The current ratio was 370.7% and the equity ratio was 74.9%, indicating a sound financial standing.
- Going forward, key points of attention will continue to be the effective use of surplus funds for growth initiatives—including the expansion of the development organization and facilities, investment in human resources, enhancement of shareholder returns, M&A, business partnerships, and strategic investments and financing—together with the resulting profit contributions from these initiatives.

◆No Change to Full-Year Forecast

Current Fiscal Year (Full Year): Company Forecast

Financial Forecast

- The Company has maintained its initial full-year forecast announced at the beginning of the fiscal year: net sales of 19,500 million yen (+6.3% YoY), operating profit of 1,750 million yen (+26.7% YoY), and net profit of 1,220 million yen (-3.3% YoY) (Figure 9).
- From its initial forecast, the Company had revised upward only its first-half forecast (for net sales and profit), and actual first-half results came in largely in line with the revised forecast. As recent business performance has also been steady, the Company has not revised its initial full-year forecast.
- For the full year, the Company expects higher sales and profit, and is planning to achieve record-high net sales and record-high profit in terms of operating profit and ordinary profit. Although net profit is projected to decline due to the absence of last fiscal year's extraordinary income (net profit would effectively increase if this impact were excluded), it is still forecast to reach the second-highest level in the Company's history, following the previous fiscal year.

【Figure 9】 Current Fiscal Year's Financial Performance (Q1, Q2, and First-Half Results and Forecasts for the Second Half and the Full Fiscal Year)

Unit: million yen	Previous Fiscal Year's Results FY2025	The Company's Forecast for the Current Fiscal Year FY2026	H1 FY2025 Results	H1 FY2026 Initial Plan	H1 FY2026 Revised Plan	III FY2026 Results	Result - Revised Plan Change in Amount	Result - Revised Plan % Change	H1 FY2025 YoY (%)	H2 FY2025 Results	H2 FY2026 Initial Plan	H2 FY2026 Revised Plan	H2 FY2026 Second Revised Plan	YoY (%)	Q1 FY2025 Results	Q1 FY2026 Results	Q1 FY2026 YoY (%)	Q1 FY2026 YoY (Amount)	Q2 FY2025 Results	Q2 FY2026 Results	Q2 FY2026 YoY (%)	Q2 FY2026 YoY (Amount)	
	A	B	C	D	E	F	G = F - E	H = G / F	I = E / F	J = A - C	K = B - D	L = B - E	M = B - F	N = M / L	O	P	Q = P / O	R = P - O	S = C - O	T = E - P	U = T / S	V = T - S	
Net Sales	18,351	19,500	9,022	9,308	9,308	9,142	-156	-1.7%	1,329	10,200	10,200	10,358	11.8%	4,411	4,546	3.1	135	4,611	4,596	-4.3	-15		
Gross Profit	3,947	4,060	1,860	1,860	1,860	2,170			2,078						886	1,120	26.4	234	983	1,058	7.6	75.0	
Gross Profit Margin	21.5%	20.7%	20.7%	20.7%	20.7%	22.8%			22.3%						20.1%	24.6%	4.5%	21.3%	23.0%	1.7%			
SG&A Expenses	2,546	2,546	1,336	1,336	1,336	1,447				1,230					665	717	7.8	52	671	730	9.8	59.0	
SG&A Expense Ratio	14.0%	14.0%	14.0%	14.0%	14.0%	15.8%				1.0%	13.2%				15.1%	15.8%	0.7%	0.7%	14.8%	15.8%	1.0%		
Operating Profit	1,380	1,750	533	540	540	730	168	4.3%	37.6%	847	1,210	1,050	1,020	20.4%	220	402	82.6	182	313	228	4.8	15	
Operating Profit Margin	7.5%	9.8%	5.9%	6.0%	6.0%	7.5%	0.5%			2.1%	9.1%	11.9%	10.3%	8.8%	5.0%	8,553	3.9%	6.8%	7.1%		0.35%		
Ordinary Profit	1,293	1,700	528	535	535	720	168	2.5%	39.7%	865	1,210	1,040	1,022	18.2%	220	412	81.6	186	326	7.9	24		
Net Profit	1,281	1,228	662	448	550	552	5	0.8%	-16.2%	599	760	670	660	11.8%	157	200	27.1	43	595	355	-29.7	-158	

(Source) Prepared by Alpha-Win Research Dept. based on the Company's results and forecast. H1: first half. H2: second half. H2 forecasts were calculated as the Company's full-year forecast minus H1 result.

Short Report

7/13

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Dividend Forecast

- The Company plans to increase its annual dividend per share from 40 yen in the previous fiscal year (20 yen interim / 20 yen year-end) to 42 yen in the current fiscal year (20 yen interim / 22 yen year-end), maintaining its initial plan.
- The consolidated dividend payout ratio is expected to be 51.8%, exceeding the target level of 50%. The Company also plans to maintain a dividend on equity (DOE) of 6.0% for the current fiscal year, roughly in line with the previous fiscal year.

Current Fiscal Year (Second Half): Company Forecast

Second-Half Financial Forecast

- The Company's forecast for the current fiscal year's second half (calculated as full-year forecast minus first-half results) is as follows: net sales of 10,358 million yen (+1,029 million yen or +11.0% YoY), operating profit of 1,020 million yen (+173 million yen or +20.4% YoY), and net profit of 665 million yen (+66 million yen or +11.0% YoY), indicating expectations for nearly double-digit growth in both sales and profit.
- Although the order backlog at the end of this first half was flat year-on-year, the Company anticipates a significant increase in net sales in the second half—similar to the first half—along with an improvement in the operating profit margin (from 9.1% in the previous second half to 9.8% in the current second half; +0.8 percentage point).

Second-Half Direction

- The Company expects IT investment by customers to remain solid in this second half and plans to focus on strengthening its approach to customers that are accelerating their strategic IT investments; shifting toward projects with high profitability and reallocating resources accordingly; promoting collaboration with partners; strengthening its development organization and facilities (hiring high-skilled personnel and developing new subcontractors); improving quality (eliminating unprofitable projects); and enhancing human capital (investments aimed at enhancing engineering skills and measures to improve employee retention).
- In addition to ongoing orders from the financial industry and government agencies, the Company aims to expand business for the manufacturing industry, increase capacity, and improve profitability through greater operational efficiency and optimization, with the goal of achieving its full-year targets.

Current Fiscal Year (Full Year): Alpha-Win's Forecast

- Alpha-Win Research Department (hereinafter, "Alpha-Win") forecasts net sales of 19,200 million yen for the current fiscal year, which is 300 million yen below the Company's plan (-1.5%). Alpha-Win's forecasts for profit and dividends remain unchanged and are the same as the Company's forecasts.
- The second half accounts for a larger share of full-year performance; the forecast assumes that performance in this second half will also grow significantly year-on-year.
- Positive factors include the expansion of the development organization and facilities; newly hired employees beginning to contribute to operations; an increase in projects driven by strengthened collaboration with major system integrators and expansion into high-profit areas; improved resource efficiency and optimization; a reduction in personnel expenses due to the change in the discount rate applied to retirement benefit obligations in line with higher interest rates (which Alpha-Win estimates will contribute approximately 100 million yen to second-half profit growth, similar to the first half); and improvements from cost management.
- However, considering last fiscal year's second-half performance, the performance level through the first half of the current fiscal year, and the fact that the order backlog at the end of this first half was flat year-on-year, the Company's assumptions for the second-half sales growth rate, profit growth rate, and operating profit margin appear somewhat ambitious. Achieving the full-year targets will be a high hurdle and will likely require further management effort.
- That said, the Company's current order environment, negotiations, and contract pricing show no signs of weakening and remain solid.
- With the normalization of sales activities, appropriate cost control, and strict profitability management for individual projects, the downside risk to full-year performance is considered limited.

Medium-Term Financial Outlook: The Company's Medium-Term Plan and Alpha-Win's Forecast

- In the Second Medium-Term Management Plan (V2026), which is positioned as the Company's "Second Founding," the Company plans to enhance profitability and achieve net sales of 23 billion yen and operating profit of 2.41 billion yen in FY2027, the final year of the plan (next fiscal year).
- Alpha-Win has maintained its medium-term financial forecasts (for next fiscal year and the fiscal year after the next), which were prepared at the time of the previous research report (Figure 10).
- There is a large gap between the Company's medium-term plan for next fiscal year and its forecast for the current fiscal year (next fiscal year ÷ current fiscal year = YoY: net sales +17.9%, operating profit +37.7%, and operating profit margin +1.5 percentage points from 9.0% to 10.5%). Accordingly, Alpha-Win has prepared a somewhat more conservative forecast compared with the Company's forecast.
- Alpha-Win believes that the performance targets set for the final year of the current medium-term plan (next fiscal year) will likely be achieved within the period of the next medium-term management plan, with a lag of around one to two years.
- The Company's corporate customers will likely continue to increase IT investments for the time being, driven by needs to develop new business models, strengthen competitiveness, address labor shortages, streamline and accelerate operations, implement DX, and migrate to the cloud, supported by strong corporate earnings. These factors underpin the Company's significant growth potential.
- With IT demand remaining strong, the Company has been expanding its workforce and expanding development bases using its ample cash reserves. In addition, the effects of the Company's high level of investment in past years are now beginning to appear in higher sales and improved profit margins, and these effects are expected to continue contributing to performance going forward.
- Alpha-Win forecasts that sales, profits, and dividends will continue to grow steadily over the medium term, supported by the expansion of the Digital Business and the SI Business, benefits from the partnership with NRI, development of new customers and business areas, and improvement of productivity and profit margins through various measures.
- However, customers' IT investment stance may change, as some corporate customers appear to be starting to restrain IT investment amid deteriorating business performance caused by rising prices, higher domestic interest rates, and increased global uncertainty.
- In addition, risks include further increases in procurement costs and personnel expenses, bottlenecks caused by human resource constraints stemming from higher labor market mobility and challenges in new hiring, and the potential occurrence of unprofitable projects.

【Figure 10】 Medium-Term Financial Forecast

Unit: million yen or %	FY2025 Results	FY2026 Medium-Term Plan	FY2026 CE	FY2026 E	FY2027 Medium-Term Plan	FY2027 E	FY2028 E
Net Sales	18,351	20,600	19,500	19,200	23,000	21,000	22,500
Digital Business	808		1,600	1,500	2,500	2,500	3,000
SI Business	6,239		8,500	8,400	7,500	8,500	9,000
System Enhancement Business	11,303		9,400	9,300	13,000	10,000	10,500
Gross Profit	3,947			4,700		5,400	5,800
Gross Profit Margin	21.5%			24.5%		25.7%	25.8%
SG&A Expenses	2,566			2,950		3,400	3,600
(Ratio to sales)	14.0%			15.4%		16.2%	16.0%
Operating Profit	1,380	1,950	1,750	1,750	2,410	2,000	2,200
(Ratio to sales)	7.5%	9.5%	9.0%	9.1%	10.5%	9.5%	9.8%
Ordinary Profit	1,393		1,760	1,760		2,010	2,210
(Ratio to sales)	7.6%		9.0%	9.2%		9.6%	9.8%
Net Profit	1,261		1,220	1,220		1,360	1,480
(Ratio to sales)	6.9%		6.3%	6.4%		6.5%	6.6%
Net Sales (% YoY growth)	1.8%	12.3%	6.3%	4.6%	11.6%	9.4%	7.1%
Gross Profit Margin (YoY difference)	-0.3%			3.0%		1.2%	0.1%
SG&A Expenses (% YoY growth)	7.5%			15.0%		15.3%	5.9%
Operating Profit (% YoY growth)	-10.1%	41.3%	26.7%	26.8%	23.6%	14.3%	10.0%
Ordinary Profit (% YoY growth)	-12.4%		26.3%	26.3%		14.2%	10.0%
Net Profit (% YoY growth)	18.2%		-3.3%	-3.3%		11.5%	8.8%

(Source) Prepared by Alpha-Win Research Dept. (Notes) CE: the Company's forecasts/estimates. E: Alpha-Win Research Dept.'s forecasts/estimates. Medium-Term Plan: the Company's announced targets.

◆ Share Price and Characteristics: A Stable Growth Stock Centered on Domestic Demand; Major Valuation Indicators Are Undervalued**Performance**

- Over the past approximately 16 and a half years, the Company's share price has risen to about 5.6x, supported by steady earnings growth, significantly outperforming the TOPIX (approximately +159%).
- However, in the eight days following the announcement of this first half's results (comparing closing prices from November 5 to November 13, 2025), the Company's share price declined 4.3%, underperforming the TOPIX (and the TSE Prime Market) by 7.8%.
- Although the first-half results contained no material negative surprises, several factors likely led to the share price underperformance: orders were flat despite a favorable industry environment; as a result, first-half net sales fell slightly short of plan (and recorded a slight year-on-year decline in the three months of Q2); the progress in first-half profit relative to the full-year forecast was low; and the Company maintained its full-year forecast without revision.
- As a result, the Company's share price has underperformed the TOPIX (and the TSE Prime Market) by more than 20% year-to-date. In the market, external-demand stocks (including AI and semiconductor-related stocks and manufacturers benefiting from yen depreciation), theme stocks favored under the new government's policies, companies that have revised forecasts upward, and companies that have announced dividend increases or share buybacks have tended to outperform. This is considered a primary reason for the Company's relatively weak share price performance.
- The Company is characterized as being a defensive, domestic demand-oriented stock, with low historical volatility in business performance (coefficient of variation = standard deviation ÷ average) and low share price sensitivity to the overall market (historical weekly beta versus the TOPIX).
- The coefficient of variation for the YoY rate of change in net sales and ordinary profit over the past 21 years is approximately half that of its two industry peers* listed on the TSE Market (*HIMACS [securities code 4299] and *Toho System Science [securities code 4333]), indicating that the Company's business performance is relatively stable.
- Although the Company's historical beta over the past five years is somewhat higher than that of two industry peers* and NRI, its sensitivity to market movements (share price's relative volatility to the TOPIX) remains low at 0.79.

Valuation

- As of November 13, 2025 (closing price basis), the valuation averages for all TSE Prime Market companies are as follows: forward P/E ratio of 18.26x for the current fiscal year, actual P/B ratio of 1.59x, and forecast dividend yield of 2.39% (simple average) and 2.16% (weighted average).
- In comparison, the Company's forecast P/E ratio for the current fiscal year is 13.32x (based on the Company's and Alpha-Win's forecast EPS). The forecast P/E ratio based on underlying net profit—excluding extraordinary income—is 13.68x (underlying net profit calculated by Alpha-Win as ordinary profit × 0.68, assuming a 32% tax rate). Both levels are below the TSE Prime Market average (approximately 70% of the average).
- In addition, the actual P/B ratio at the end of this first half was 1.47x, somewhat below the market average.
- Despite inflation and higher costs arising from strategic upfront investment, the Company has maintained an upward trend in profit growth in recent years (although profit declined in the previous fiscal year due to the occurrence of unprofitable projects). Notably, over the past 25 years—including periods when the Company reported non-consolidated results—profit increased year-on-year in 18 fiscal years (72%).
- Considering the Company's medium-term profit growth potential, its relatively high forecast dividend yield (3.89% for the current fiscal year), and its low P/E ratio, the current share price appears somewhat undervalued.
- Comparing the Company's valuation with that of the two industry peers* mentioned earlier, the dividend yield is roughly at similar levels at around 3.9%, but for other key indicators (P/E, P/B, forecast EV/EBITDA, and P/S), the Company ranks in the middle of the group (second out of the three companies) (Figure 11).
- By contrast, relative to NRI, the Company appears substantially undervalued across all valuation indicators.

【Figure 11】 Comparison of Valuation with Industry Peers

Item	Company Name	CUBE SYSTEM (CS: Consolidated)	HIMACS (HM: Consolidated)	Toho System Science (TS: Non-Consolidated)	Reference: Nomura Research Institute (NRI: Consolidated/IFRS)	TSE Prime Stocks (Average)
Share Price Data	Securities code / Market listing	2335 P	4299 S	4333 P	4307 P	-
	Share price (closing price on November 13, 2025)	1,079	1,210	1,153	6,224	1,741.75
	Market capitalization (millions of yen)	16,994	15,020	23,981	3,617,647	-
Valuation	P/E ratio (price-to-earnings ratio)	13.32	11.29	16.73	34.28	18.26
	P/B ratio (price-to-book ratio)	4.50	4.37	2.28	7.47	1.59
	Forecast dividend yield (%)	3.89	3.80	3.90	1.19	Simple average : 2.39 Weighted average: 2.16
	EV/EBITDA	6.00	2.79	8.35	18.52	-
	P/S ratio (price-to-sales ratio)	0.87	0.75	1.35	4.47	-
Volatility (Share Price / Business Performance)	Past 5 years' weekly historical beta (relative to TOPIX)	0.79	0.60	0.64	0.66	-
	Coefficient of variation of the net sales growth rate over the past 21 years	1.10	2.19	1.90	-	-
	Coefficient of variation of the ordinary profit growth rate over the past 21 years	2.32	3.77	3.85	-	-
Results for the First Half of the Current Fiscal Year (FY2026) (H1: Apr-Sep 2025)	Net sales (millions of yen)	9,142	8,949	8,592	397,065	-
	Net sales growth rate (YoY: %)	1.3	1.5	-2.2	5.4	-
	Operating profit (millions of yen)	730	682	884	79,456	-
	Operating profit growth rate (YoY: %)	37.0	-15.2	17.0	21.4	-
	Operating profit margin (%)	8.0	7.6	10.3	20.0	-
	Current fiscal year's H1: Net sales progress relative to full-year plan (%)	46.9	44.7	45.2	49.0	-
	Current fiscal year's H1: Operating profit progress relative to full-year plan (%)	41.7	37.5	51.7	53.0	-
Forecast for the Current Fiscal Year (FY2026) (Each company's full-year forecast)	Net sales (millions of yen)	19,500	20,000	19,000	810,000	-
	Net sales growth rate (YoY: %)	6.3	10.7	9.6	5.9	-
	Operating profit (millions of yen)	1,750	1,820	1,710	150,000	-
	Operating profit growth rate (YoY: %)	26.7	0.7	3.1	11.2	-
	Operating profit margin (%)	9.0	9.1	9.0	18.5	-
Performance	YTD return (compared to the closing price as of the end of Dec. 2024: %)	1.3	-14.5	-16.8	33.6	21.5
	Return since the Company's announcement of H1 results (since the closing price on 11/5/2025: %)	-4.3	0.8	3.5	11.8	3.5

(Source) Prepared by Alpha-Win Research Dept. based on each company's financial results summary and stock price data.

(Notes) • Fiscal years are March-ending.

- Market capitalization = Number of issued shares × Share price (closing price as of November 13, 2025)
- EPS values used in P/E calculations reflect the companies' forecasts for FY2026.
- BPS values used in P/B calculations reflect the companies' results for the current fiscal year's first half.
- EV/EBITDA = (Market capitalization + Interest-bearing debt – Cash & deposits) / (Operating profit + Depreciation + Intangible fixed asset amortization, etc.)
- Interest-bearing debt and cash & deposits reflect the current fiscal year's first-half results.
- Operating profit is the companies' full-year forecasts for the current fiscal year.
- Full-year forecasts for depreciation and intangible fixed asset amortization, etc., were assumed to be twice the actual amount recorded in the current fiscal year's first half.
- P/S ratio = Market capitalization / Net sales (the companies' forecast for FY2026)
- P: TSE Prime Market. S: TSE Standard Market.

Share Price Outlook

- In the near term, the Company's share price is likely to fluctuate depending on the level of profit achieved in the Q3 results and the degree to which the full-year profit targets for this fiscal year are met. Looking further ahead, the profit plan for next fiscal year (FY2027, the final year of the current medium-term management plan), potential changes in shareholder returns (including dividend increases, share buybacks, or stock splits), and the next medium-term management plan (covering the Company's growth strategy and numerical targets) will likely become the key points of focus.
- In the medium term, the key points will be trends in top-line growth (sales growth rate, securing of personnel, and benefits of the partnership with NRI) and profit margins (gross profit margin, operating profit margin, and SG&A expense ratio). In addition, trends in Japanese companies' business performance and IT investment (as reflected in the Company's order environment: changes in orders received and contract pricing), M&A, and business opportunities related to AI as well as their internal deployment will also be key factors.
- If the Company is able to sustain stable profit growth approaching double digits going forward, its current P/E level is likely to be re-rated, and combined with EPS growth, this would imply further upside potential for the share price.
- From a medium- to long-term perspective, the Company can be considered a candidate for investment as a stable growth stock centered on domestic demand with defensive characteristics.

Alpha-Win Company Research Report

CUBE SYSTEM INC. (2335 TSE Prime)

Issued: 11/14/2025

[2335 CUBE SYSTEM Sector: Information & Communication] Figure A

FY		Net Sales (Millions of yen)	YoY (%)	Operating Profit (Millions of yen)	YoY (%)	Ordinary Profit (Millions of yen)	YoY (%)	Net Profit Millions of yen	YoY (%)	EPS (Yen)	BPS (Yen)	Dividend (Yen)
2021	Result	14,788	0.5	1,174	22.5	1,295	32.7	844	60.7	62.11	476.52	20.0
2022	Result	16,099	8.9	1,417	20.7	1,432	10.6	944	11.9	69.82	531.14	23.0
2023	Result	16,325	1.4	1,452	2.4	1,480	3.3	989	4.8	70.35	634.29	50.0
2024	Result	18,021	10.4	1,536	5.8	1,590	7.5	1,067	7.8	70.39	668.41	35.0
2025	Result	18,351	1.8	1,380	-10.1	1,393	-12.4	1,261	18.2	83.81	722.27	40.0
2026	Medium-Term Plan	20,600	12.3	1,950	41.3							
2026	CE	19,500	6.3	1,750	26.7	1,760	26.3	1,220	-3.3	81.03	Not disclosed	42.0
2026	E	19,200	4.6	1,750	26.7	1,760	26.3	1,220	-3.3	81.03	761.38	42.0
2027	Medium-Term Plan	23,000	11.6	2,410	23.6							
2027	E	21,000	9.4	2,000	14.3	2,010	14.2	1,360	11.5	90.33	809.71	46.0
2028	E	22,500	7.1	2,200	10.0	2,210	10.0	1,480	8.8	98.30	862.01	50.0
2024	Q1 Result	4,376	12.4	369	35.9	371	37.0	232	34.2	15.36	622.93	0.0
2025	Q1 Result	4,411	0.8	220	-40.3	226	-38.9	157	-32.3	10.47	657.73	0.0
2026	Q1 Result	4,546	3.1	402	82.6	412	81.6	200	27.1	13.30	720.39	0.0
2024	Q2 Result	4,639	16.0	425	30.4	417	29.1	269	25.1	17.71	638.77	15.0
2025	Q2 Result	4,611	-0.6	313	-26.4	302	-27.6	505	87.7	33.54	697.82	20.0
2026	Q2 Result	4,596	-0.3	328	4.8	326	7.9	355	-29.7	23.48	736.12	20.0
2026	Q2 CE	4,754	3.1	298	-4.8	308	2.0	350	-30.7	23.49		20.0
2024	H1 Result	9,015	14.2	794	37.0	788	32.6	501	29.1	33.07	638.77	15.0
2025	H1 Result	9,022	0.1	533	-32.8	528	-33.0	662	32.1	44.01	697.82	20.0
2026	H1 Result	9,142	1.3	730	37.1	738	39.7	555	-16.9	36.78	736.12	20.0
2026	H1 Revised CE	9,300	3.1	700	31.2	720	36.3	550	-16.2	36.79		20.0
2026	H1 Initial CE	9,300	3.1	540	1.2	550	4.1	460	-30.5	30.55		20.0
2024	H2 Result	9,006	6.8	742	-13.1	802	-9.5	566	-5.8	37.32	668.41	27.0
2025	H2 Result	9,329	3.6	847	14.2	865	7.9	599	5.8	39.80	722.27	22.0
2026	H2 New CE	10,358	11.0	1,020	20.4	1,022	18.2	665	11.0	44.25		22.0
2026	H2 Revised CE	10,200	9.3	1,050	24.0	1,040	20.2	670	11.9	44.50		22.0
2026	H2 Initial CE	10,200	9.3	1,210	42.9	1,210	39.9	760	26.9	50.48		22.0

(Source) Prepared by Alpha-Win Research Dept.

(Notes) CE: the Company's most recent forecast/estimate. Revised CE: the Company's forecast/estimate as revised on August 6, 2025. Initial CE: the Company's forecast/estimate as of the beginning of the fiscal year (May 8, 2025). E: Alpha-Win Research Dept.'s forecast/estimate. Q1: April to June. Q2: July to September. H1 (first half): April to September. H2 (second half): October to March.

[Share Price and Valuation Indicators: 2335 CUBE SYSTEM] Figure B

Item	11/13/2025	Item	P/E Ratio	P/B Ratio	Dividend Yield	Dividend Payout Ratio
Share price (yen)	1,079	Previous fiscal year (actual)	12.9	1.5	3.7%	47.7%
Issued shares (thousands)	15,750	Current fiscal year (forecast)	13.3	1.4	3.9%	51.8%
Market capitalization (millions of yen)	16,994	Next fiscal year (forecast)	11.9	1.3	4.3%	50.9%
Dilutive shares (thousands)	0	Fiscal year after the next (forecast)	11.0	1.3	4.6%	50.9%
Equity ratio for the current fiscal year's first half	74.9	Previous fiscal year's dividend on equity ratio (DOE)	6.0%	Previous fiscal year's ROE	12.0%	

(Source) Prepared by Alpha-Win Research Dept.

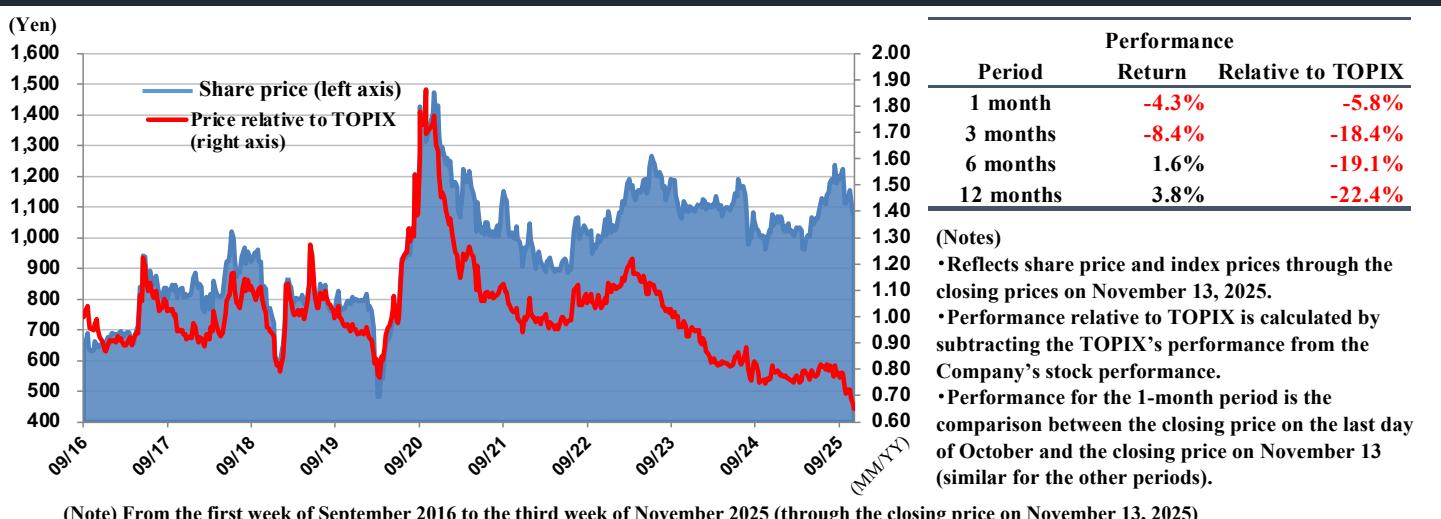
(Notes) Forecasts for the current fiscal year and the following two fiscal years have been prepared by Alpha-Win Research Dept.

Short Report

12/13

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【 Stock Chart (end-of-week prices): 2335 CUBE SYSTEM】 Figure C



(Source) Prepared by Alpha-Win Research Dept.

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