

# Alpha-Win Company Research Report

## CUBE SYSTEM INC. (2335 TSE First Section)

Issued: 2/2/2021

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<http://www.awincap.com/>

### ● Summary

#### ◆ Independent, mid-tier system integrator with long-term, stable growth

- CUBE SYSTEM INC. (hereinafter, the “Company”) is an independent, mid-tier system integrator listed on the First Section of the TSE. Its main customers include Nomura Research Institute (“NRI”) and Fujitsu Group. It develops systems and provides services mainly for the finance, distribution, and telecommunications industries. Its strengths are its excellent customer base, extensive experience, high credibility, and the skill and expertise that it has built up over the years. Founded in 1972, it has been in business for about 48 years.
- With the exception of one fiscal year, the Company has been continuously increasing sales YoY for the past 22 years. During this period, the annual sales growth rate (simple average of the rate of increase in sales) was +7.0% and annual recurring profit growth rate (simple average) was +8.3%; it has been steadily expanding its business and keeping its business in the black over many years. Recurring margin has stably been at around 7%, and the increase in sales has been contributing directly to increases in profit, dividend, and market capitalization. Under the new president, the Company’s plan starting this fiscal year is to focus further on the digital business.

#### ◆ Consolidated financial results for the first nine months (Q3 YTD) of FY 2021: despite small sales growth, operating profit grew significantly by 28.2% YoY due to improved gross margin and lower SG&A expenses

##### Consolidated Results for the First Nine Months (Q3 YTD)

- Consolidated financial results for first nine months of FY 2021 (April-December 2020: hereinafter, “Q3 YTD”; note that the Company’s fiscal year is March-ending so that FY 2021 ends in March 2021) were as follows: sales of Y10,591 million (+0.5% YoY), operating profit of Y792 million (+28.2% YoY), recurring profit of Y922 million (+46.8% YoY), and net profit attributable to owners of the parent (hereinafter, “net profit”) of Y596 million (+51.8% YoY) (Figure 1 on page 2 and Figure A on page 6). Record highs for Q3 YTD were achieved for sales and each profit (operating, recurring, and net).
- Sales decreased by 0.2% YoY in the first quarter (April-June 2020: hereinafter, “Q1”), increased by 0.5% in the second quarter (July-September 2020: hereinafter, “Q2”), and increased by 1.3% in the third quarter (October-December 2020: hereinafter, “Q3”), indicating that although sales have been mostly flat, the sales growth rate has been gradually improving.
- Unlike the previous fiscal year, there has been no unprofitable projects during this fiscal year so far, and the Company was also able to hold down the costs and improve operational efficiency during the COVID-19 crisis. As a result, profit grew significantly. Gross margin rose from 17.1% in the previous Q3 YTD to 18.7% this Q3 YTD (numbers have generally been rounded to the first decimal place in this Report) and the SG&A expenses ratio was maintained at 11.2%, resulting in a rise in operating margin by approx. 1.6 percentage points from 5.9% to 7.5% (Figure 1 on page 2 and Figure 5 on page 4). As with the first half, sales seem to have been smaller than the value targeted in the Company's plan (not disclosed), while the profits had probably exceeded the plan. Although the COVID-19 crisis had temporarily caused a stagnation of its sales activities, it has been incorporating online tools and starting to see progress with customer interactions and negotiations. The amount of orders received and sales were partially affected, but the impact was limited and in fact nearly negligible as far as profit is concerned.
- In Q3 YTD, overall sales increased slightly by Y56 million YoY (+0.5%) and gross profit increased significantly by Y180 million YoY (+10.0%) thanks to the improvement in the profit margin. The following are the results by service category (three categories).
- Sales of its core business, or the System Integration Service (SIS), increased by Y68 million (+0.9% YoY). The increase in system development projects for delivery service companies in the transportation industry and for education business companies had offset the negative impact of the completion of system development projects for construction machinery manufacturers in the manufacturing industry as well as the decrease in co-op-related

projects for the distribution industry. With no unprofitable project recorded this fiscal year, gross profit increased by Y121 million (+9.7% YoY) to Y1,377 million, mostly owing to the improvement in gross margin (17.0% last Q3 ⇒ 18.4% this Q3).

- Due to the decrease in projects outsourced by the distribution industry, sales of the System Outsourcing Service (SOS) decreased by Y164 million (-9.2% YoY) to Y1,624 million. Its gross margin had stayed about the same, but gross profit fell by Y29 million (-9.7% YoY) to Y277 million.

- In the Professional Service (ProS), there was an increase in system development projects for group banks of major distribution companies, and steady progress was achieved with the consulting projects. As a result, its sales increased by Y152 million (+11.4% YoY) to Y1,494 million, gross margin improved by 4.1 percentage points, and consequently its gross profit increased by Y88 million (+37.5% YoY) to Y324 million.

- Sales by industry (four sectors) were mostly as already described above. Sales and profit growth of the business with the telecommunications and transportation industries contributed significantly to the overall results (+651 million yen in sales and +229 million yen in profit, YoY; Figure 1). This growth, in addition to the solid results of the “other industries” category such as the consulting business and the education-related system development business, offset the sales and profit decline of the business with the finance industry (system development projects were scaled down) and the distribution industry (the completion of projects related to the consumption tax revision had a large impact).

**[Figure 1] Change in Quarterly Financial Results**

	Results	Q1 FY 2020		Q2 FY 2020		Q3 FY 2020		Q4 FY 2020		Q1 FY 2021		Q2 FY 2021		Q3 FY 2021		Q4 FY 2021		FY 2020		FY 2021	
		Apr-Mar 2019	Apr-Mar 2020	Change in Amount (M)	% Change YoY	Jul-Jun 2019	Jul-Sep 2020	Change in Amount (M)	% Change YoY	Oct-Sep 2019	Oct-Dec 2020	Change in Amount (M)	% Change YoY	Jan-Feb 2020	Jan-Mar 2021	Change in Amount (M)	% Change YoY	Apr-Dec 2019	Apr-Dec 2020	Change in Amount (M)	% Change YoY
<b>Total</b>	<b>Consolidated Sales</b>	2,379	2,873	494	20.8	2,602	2,711	109	4.2	3,464	3,500	36	1.0	10,535	10,591	56	0.5	4,173	5,409	1,236	29.6
<b>By Service Category</b>	Sales	2,411	2,311	-100	-4.1	2,532	2,677	145	5.7	2,461	2,484	23	0.9	7,404	7,472	68	0.9	1,788	1,624	-164	-9.2
	System Integration: SI	520	506	-14	-2.7	691	585	-106	-15.3	577	533	-44	-7.6	1,624	1,624	0	0.0	1,624	1,624	0	0.0
	System Outsourcing: SOS	447	555	108	24.2	469	417	-52	-11.1	426	492	66	15.5	1,342	1,494	152	11.4	1,342	1,494	152	11.4
	Professional: ProS	447	555	108	24.2	469	417	-52	-11.1	426	492	66	15.5	1,342	1,494	152	11.4	1,342	1,494	152	11.4
<b>Gross Profit</b>	System Integration: SI	254	327	73	28.7	470	481	11	2.3	431	459	28	6.5	1,255	1,377	122	9.7	1,255	1,377	122	9.7
	System Outsourcing: SOS	95	92	-3	-3.2	139	106	-33	-23.7	82	99	17	20.7	277	277	0	0.0	277	277	0	0.0
	Professional: ProS	75	123	48	64.0	84	102	18	21.4	79	99	20	25.3	236	324	88	37.5	236	324	88	37.5
	Other	124	102	-22	-17.7	117	117	0	0.0	117	117	0	0.0	336	336	0	0.0	336	336	0	0.0
<b>Gross Margin (%)</b>	System Integration: SI	14.7	18.9	4.2	28.5	18.6	18.0	-0.6	-3.2	17.5	18.5	1.0	5.7	17.0	18.4	1.5	8.8	17.0	18.4	1.5	8.8
	System Outsourcing: SOS	18.4	16.3	-2.1	-11.4	18.8	17.1	-1.7	-8.9	14.2	17.8	3.6	25.4	17.2	17.1	-0.1	-0.6	17.2	17.1	-0.1	-0.6
	Professional: ProS	16.5	22.2	5.7	34.5	17.5	23.8	6.3	35.7	18.5	20.1	1.6	8.6	17.6	21.7	4.1	23.3	17.6	21.7	4.1	23.3
	Other	18.2	18.2	0	0.0	18.2	18.2	0	0.0	18.2	18.2	0	0.0	18.2	18.2	0	0.0	18.2	18.2	0	0.0
<b>By Industry</b>	Sales	995	989	-6	-0.6	1,125	1,073	-52	-4.6	1,075	994	-81	-7.5	3,193	2,966	-227	-7.1	1,288	1,872	584	45.3
	Finance	71	675	604	851.4	916	729	-187	-20.4	798	680	-118	-14.8	2,485	2,384	-101	-4.1	874	1,231	357	40.8
	Telecommunications & Transportation	485	592	107	22.1	433	673	241	55.8	447	751	304	68.0	1,364	2,016	651	47.7	515	684	169	32.8
	Other	396	329	-67	-16.9	417	367	-50	-12.0	389	308	-81	-20.8	1,102	1,004	-98	-8.9	1,498	1,624	126	8.4
<b>Gross Profit</b>	Finance	181	191	10	5.5	228	199	-29	-12.7	207	170	-37	-17.9	616	560	-56	-9.1	560	560	0	0.0
	Distribution	122	123	1	0.8	165	128	-37	-22.4	128	127	-1	-0.8	415	378	-37	-9.0	378	378	0	0.0
	Telecommunications & Transportation	74	141	67	90.5	66	147	81	122.7	79	160	81	102.5	219	448	229	104.3	219	448	229	104.3
	Other	45	56	11	24.4	62	67	5	8.1	35	50	15	42.9	142	173	31	21.8	142	173	31	21.8
<b>Gross Margin (%)</b>	Finance	18.2	19.3	1.1	6.0	20.3	18.5	-1.7	-8.4	19.3	18.8	-0.5	-2.6	18.9	18.9	0	0.0	18.9	18.9	0	0.0
	Distribution	15.8	18.2	2.4	15.2	18.0	17.6	-0.5	-2.8	16.0	18.7	2.6	16.6	16.7	18.1	1.4	8.4	16.7	18.1	1.4	8.4
	Telecommunications & Transportation	15.3	23.8	8.6	56.2	15.3	21.8	6.6	43.1	17.7	21.3	3.6	20.3	16.1	22.3	6.2	38.5	16.1	22.3	6.2	38.5
	Other	13.9	17.0	3.1	22.3	14.9	18.3	3.4	22.8	12.1	16.2	4.1	33.9	17.2	17.2	0	0.0	17.2	17.2	0	0.0
<b>Total</b>	<b>Total Gross Profit</b>	524	643	119	22.7	683	682	-1	-0.1	592	654	62	10.5	1,799	1,979	180	10.0	1,799	1,979	180	10.0
<b>SG&amp;A Expenses</b>	SG&A Expenses	15.5	19.1	3.6	23.2	18.5	18.2	-0.3	-1.6	17.1	18.0	0.9	5.3	17.1	18.7	1.6	9.3	17.1	18.7	1.6	9.3
	SG&A Expenses Ratio (%)	0.65	0.67	0.02	3.1	0.71	0.67	-0.04	-5.6	0.49	0.52	0.03	6.0	0.51	0.52	0.01	1.9	0.51	0.52	0.01	1.9
	Operating Profit	100	242	142	142.0	292	310	18	6.2	236	240	4	1.7	618	792	174	28.2	341	328	-13	-3.8
	Recurring Profit	107	248	141	132.1	290	355	65	22.3	231	319	88	38.1	628	922	294	46.8	348	198	-150	-43.2
<b>Net Profit</b>	O.P. Margin (%)	4.2	8.3	4.1	97.6	11.1	11.1	0	0.0	6.9	6.8	-0.1	-1.4	5.8	7.5	1.7	29.3	5.8	7.5	1.7	29.3
	R.P. Margin (%)	4.3	8.3	4.0	93.0	11.1	11.1	0	0.0	6.7	6.7	0	0.0	5.7	7.5	1.8	31.5	5.7	7.5	1.8	31.5
<b>Net Profit</b>	N.P. Margin (%)	2.2	4.4	2.2	100.0	8.3	8.3	0	0.0	5.4	5.4	0	0.0	4.5	5.9	1.4	31.1	4.5	5.9	1.4	31.1
	N.P. Margin (%)	2.2	4.4	2.2	100.0	8.3	8.3	0	0.0	5.4	5.4	0	0.0	4.5	5.9	1.4	31.1	4.5	5.9	1.4	31.1

(Note) Figure 1 and Figures 3-5 were prepared by Alpha-Win Research Dept. based on the financial results summary and financial results supplemental briefing materials. Due to processing of data during calculations, values for the same item may slightly differ in this Report, including its figures and tables. Note that values for Q1, Q2, and Q3 of FY 2021 are actual results and the values for Q4 and the full fiscal year (FY) are the Company's forecasts.

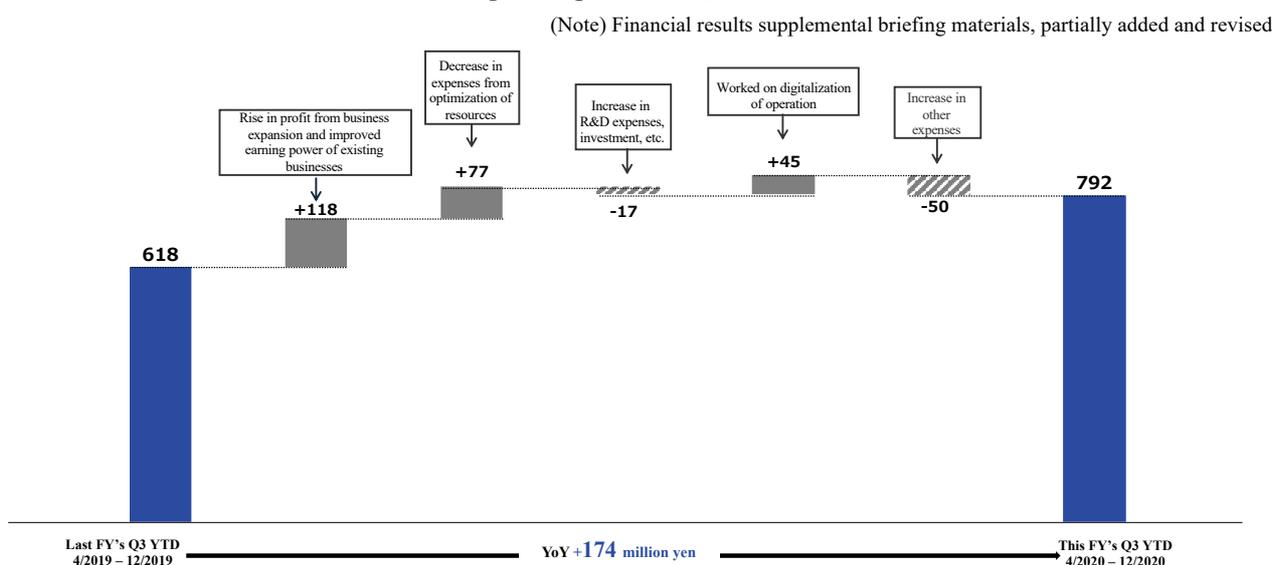
- Figure 2 on page 3 describes the factors that increased or decreased operating profit during Q3 YTD. Sales had stayed about the same, but R&D investment had increased (+17 million yen YoY) and other expenses also rose (+50 million YoY) mainly due to personnel expenses. Profit grew, though, largely owing to business expansion and improved earning power of the existing businesses (+1,187 million yen YoY), optimization of human resources (+77 million yen YoY), and streamlining of operation through digital technology (+45 million yen YoY). Also, although not mentioned in the initial forecast, in addition to the gain on investment in Limited Liability Fund (+92 million yen), gain on sale of investment securities (+23 million yen) was recorded, increasing non-operating profit for this Q3 YTD from Y10 million in the previous Q3 YTD to Y130 million. As a result, both the amount and rate of growth in recurring profit as well as net profit were significantly greater than those of operating profit.

- In the Company's current business model, sales growth is generally directly correlated with the number of employees. The total number of employees in Japan and overseas has been increasing from 739 in Dec. 2018 (at end of month) ⇒ 745 in Dec. 2019 (+6; +0.8%) ⇒ 786 in Dec. 2020 (+41; +5.5%). In recent years, sales per employee in Japan have stayed about the same, but operating profit per employee in Japan has recently improved

significantly (in the same order as above, Q3 YTD operating profit per person has grown from 938 ⇒ 949 ⇒ 1,136 thousand yen per person). While the upcoming impact of COVID-19 remains uncertain, system development demand is still strong (non-face-to-face, DX businesses such as those related to remote work, EC, and AI). The Company is somewhat short of staff, but it has been working on improving productivity and efficiency through the optimization of the allocation of human resources and other measures.

- There has been no significant change in the balance sheet as of the end of Q3. Cash and deposits, which have been gradually accumulating, are now Y4.1 billion, indicating that the Company has ample liquidity on hand (essentially debtless). Its financial standing is also firm, with an equity ratio of 68.9%.

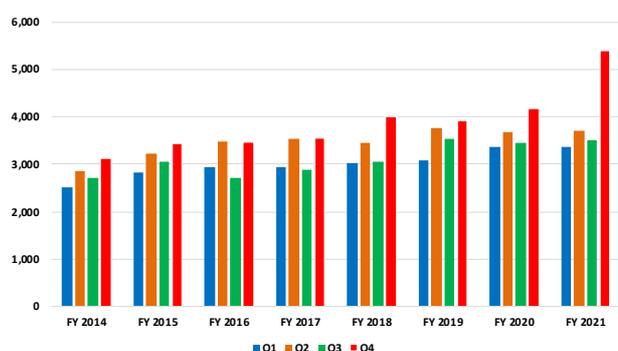
**【Figure 2】 Factors that Increased/Decreased Operating Profit in Q3 YTD (unit: million yen)**



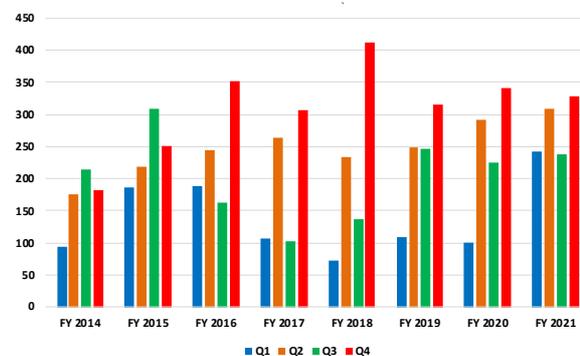
**Consolidated Q3 Results (three-months period)**

- Results for Q3 (October to December 2020) were as follows: sales of Y3,508 million (+1.3% YoY), operating profit of Y239 million (+6.2% YoY), recurring profit of Y318 million (+38.3% YoY), and net profit of Y196 million (+30.7% YoY) (Figure 1 on page 2, Figures 3-4, and Figure 5 on page 4). Profit grew consecutively from Q1 and Q2 as well as on a YoY comparison. Gross margin also rose for the quarter (three-months period), from 17.1% in the previous Q3 to 18.6% this Q3. Consequently, although the SG&A expenses ratio had increased, operating margin improved by 0.3 percentage points from 6.5% to 6.8%.
- However, the amount of YoY growth in profit per quarter has been becoming smaller, with Y142 million growth in Q1, Y19 million growth in Q2, and Y14 million growth in Q3.
- Due to seasonal variations, this Q3's sales and operating profit were 5.4% and 22.9% smaller than in Q2, respectively.
- Order backlog at the end of this Q3 was Y3,928 million, a slight increase from Y3,899 million at the end of the previous Q3 and Y3,909 million at the end of this fiscal year's Q2.

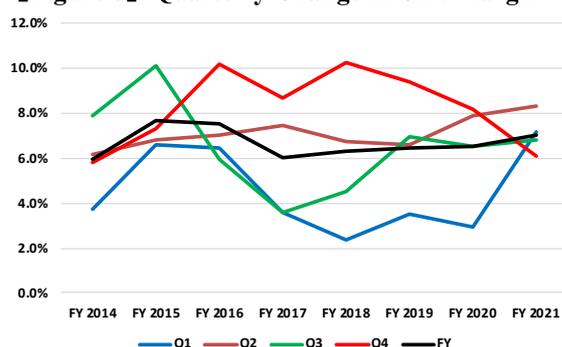
**【Figure 3】 Quarterly Change in Sales (unit: million yen)**



**【Figure 4】 Quarterly Change in Operating Profit (unit: million)**



【Figure 5】 Quarterly Change in O.P. Margin (unit: %)



◆ **No change to the initial full-year forecast made at the beginning of the FY. Greater likelihood of achieving record-high sales and profit.**

- The Company has not made changes to its full-year forecast announced at the beginning of the fiscal year that sales will be Y16,000 million (+8.8% YoY), operating profit will be Y1,120 million (+16.8% YoY), net profit will be Y700 million (+33.3% YoY), and annual dividend will be Y18 per share (interim dividend was Y8). It has also not changed its forecast for this full fiscal year's sales by industry since its plan in Q2.
- The Company plans to achieve sales and profit growth again this fiscal year. In fact, it plans to achieve record-high sales for another consecutive year as well as record-high profits (past record highs: operating profit of Y964 million in FY 2015 and net profit of Y628 million in FY 2016). It will also aim again to achieve, for the first time, operating profit and recurring profit that are each greater than Y1 billion (it had tried to achieve this goal last fiscal year too but was unsuccessful). The likelihood of achieving this goal has become greater.
- Progress in Q3 YTD against the Company's full-year forecast was 66.2% for sales (last Q3 YTD: 71.6%). Progress with profit was solid, at 70.7% for operating profit (last Q3 YTD: 64.4%) and 85.2% for net profit (last Q3 YTD: 74.7%). Sales growth rate in Q3 YTD was much smaller than the Company's plan for the full fiscal year (+8.8% targeted in the full-year plan, but +0.5% in Q3 YTD), but the profit growth rate was significantly greater (for net profit, it was +51.8% compared to the plan of +33.3%).
- When the Q3 YTD results are subtracted from the full-year forecast that the Company had announced, the expected results for Q4 (January-March 2021) come out to be Y5,409 million for sales (+29.6% YoY), Y328 million for operating profit (-3.8% YoY), and Y104 million for net profit (-21.8% YoY). The Company seems to be expecting a large growth in sales and significant drop in profit in Q4. The expected operating margin in Q4 is 6.1%, which is a somewhat conservative assumption since it is worse than the operating margin of 8.2% in the previous Q4, 7.2% during this Q1, 8.4% during this Q2, and 6.8% during this Q3.
- Taking into account the risks pertaining to COVID-19, Alpha-Win Research Department has made a somewhat more cautious full-year forecast for sales than the Company. Indeed, due to the COVID-19 crisis, there has been a stagnation in the Company's sales activity, especially with new negotiations. Some of its corporate customers have also been scaling down their IT investments due to worsened financial performance. However, because a part of its customers with solid financial performance has been starting to actively conduct strategic IT investments, the Company has been able to maintain its sales. The amount of orders received and the order backlog have also stayed about the same YoY. In addition, its measures to improve operation, raise the earning power of the existing businesses, optimize resources, and streamline operation through digital technologies have been more effective than expected, contributing to a YoY improvement in profit margin.
- Considering the results up through Q3 and the Company's forecast for Q4, we decided to keep our forecast that full-year sales for this fiscal year will be slightly below the Company's forecast. With regards to profit, the Company's assumptions for the costs and profit margins in Q4 seem somewhat conservative, and there have been temporary but unexpected gains on investment and related items recorded under non-operating profit/loss. Partly taking into account these factors, we decided to raise our profit forecast for the full fiscal year.
- Regarding the Company's financial performance over the medium term (starting next fiscal year), we have not changed our forecast for sales or profit at this point. However, since our forecast is based on the assumption that the economic environment will gradually normalize, if COVID-19 continues to impact business in the next fiscal

year and onwards, we may revise our forecast for profit over the medium term.

- With the Japanese government continuing to promote and accelerate digitalization, a part of the Company's users (companies, organizations, etc.) has been further increasing their IT investment in order to adapt to the changes in the world with and after COVID-19, as they develop new business models, strengthen their competitive advantage, solve HR shortages, streamline and speed up operations, and make progress with DX. Therefore, the Company has a large growth potential over the medium to long term. In fact, we believe that the Company will be able to continue to stably increase sales and profit at a rate of about 8% per year (under normal conditions) through the expansion of the Enhancement business with its major customers, acquisition of new and promising projects (projects related to utilization of technologies such as AI image recognition and blockchain, digitalization systems for the government, etc.), new customer development, and improvement of productivity through various measures.

### ◆The Company's recent activities (response to COVID-19, restructuring of organization, and industry trends)

#### Response to COVID-19

- Toward the post-COVID-19 era and the new normal, the Company has been encouraging a new working style where each employee can work from their most suitable location in terms of the characteristic of their jobs as well as their specific abilities. With digital technology and remote work (combination of decentralized/non-face-to-face sales activity with in-person sales), more than 50% of its employees currently work from home.

#### Restructuring of Organization

- For the achievement of the next management vision "VISION 2026," which will be started under the new president in April 2021, the Company plans to restructure its organization. Specifically, to focus its business on DX, it will create new departments for business transformation and process transformation that will be effective across the entire company, as well as strengthening its sustainability and governance.

#### Industry Trends

- According to the Current Survey of Selected Service Industries (finalized report on November 2020), sales of system integration for outsourced software decreased YoY for nine months in a row starting in March. During the eight months from April to November, sales decreased by 3.6% YoY on a simple average. Circumstances remain difficult.
- Regarding the Company and its two competitors, since their rates of sales growth or decline (YoY) in Q3 YTD include the rates for December, those rates cannot be simply compared with the data of the Current Survey on Selected Service Industries. All three companies, though, seem to be making steady progress at rates that are slightly above the average of the industry, with the sales growth rates being +0.5% for the Company, +0.4% for HIMACS, and 0.0% for Toho System. Similarly, their operating profit growth rates (Q3 YTD, YoY) were +28.2%, +58.9%, and +21.8%, respectively, all significantly greater than their sales growth rates. For all three companies, although there were no significant changes in sales, the rise in operating margin due to improved gross margin and lower SG&A expenses has been responsible for their high profit growth rates.
- For this full fiscal year, the Company is expecting the highest growth rates for sales and profit (net profit) among the three companies. Upon the announcement of Q3 financial results, HIMACS was the only company among the three to revise its full-year forecast upward (sales forecast was not changed, but profit was revised upward by about 20%, and it also announced a gratis allotment of shares which will essentially lead to a 20% increase in dividend).

### ◆Stock price and characteristics: domestic-demand-related, stable growth stock that has been significantly outperforming the TOPIX over the long term

- Over the past approximately 11 years and nine months, the Company's stock price has increased by about five times and has been outperforming the TOPIX by about 392% thanks to its solid financial performance. However, it should be noted that over the past three months, economically sensitive stocks and companies that have made upward revisions to their full-year financial forecasts have tended to be bought more. In contrast, the Company is a defensive stock and has not changed its full-year forecast. Consequently, it has been underperforming the TOPIX and HIMACS, which has announced an upward revision, over the short term.
- Evaluated as a stable growth stock with solid financial performance, the Company's valuation seems to be somewhat at a premium compared to its competitors (Figure 6 on page 6). On the other hand, its valuation is low compared to the average of TSE First Section (current averages of TSE First Section: forecasted P/E of 27.3 and weighted dividend yield of 1.9% for this fiscal year and actual P/B of 1.3 in the previous fiscal year).
- Over the short term, its stock price will likely be affected by the situation regarding when and how the COVID-

19 crisis will settle down, this fiscal year's overall financial results, next fiscal year's financial forecast, and the quarterly trends in the amount of orders received and financial performance. Over the medium term, the following should be watched as factors that may affect stock price: development of new customers, development of new technologies and areas such as DX and their contribution to financial performance; overall sales growth rate; changes in operating margin and operating profit growth rate; return to shareholders (dividend hike, share buyback, and stock split); and the financial performance and IT investment trends of Japanese companies (specifically, the Company's current and potential end users).

• Despite the COVID-19 crisis, the likelihood of the Company achieving record-high profit and double-digit profit growth has increased. We continue to believe that if it can maintain a stable, double-digit annual growth rate for profit (EPS), it will be able to keep its current level of valuation and realize a stock return that matches the growth in EPS.

**【Figure 6】 Comparison of Valuation with Competitors**

Company Name	CUBE SYSTEM (CS: consolidated)	HIMACS* (HM: consolidated)	Toho System Science (TS: non-consolidated)
Code	2335	4299	4333
Stock Price (at 1/29 closing)	1,166	1,266	938
Market Cap (million yen)	17,816	15,715	13,006
P/E (price-to-earnings ratio)	22.6	13.9	18.0
P/B (price-to-book ratio)	2.6	1.5	1.5
Forecasted Dividend Yield for FY 2021 (%)	1.5	2.2	2.7
EV/EBITDA	13.6	9.4	5.6
P/S (price-to-sales ratio)	1.1	1.0	1.1
Company Forecast for FY 2021 Sales (million yen)	16,000	15,100	11,700
YoY Sales Growth Rate (%)	8.8	-1.6	0.1
Company Forecast for FY 2021 Operating Profit (million yen)	1,120	1,300	920
YoY O.P. Growth Rate (%)	16.8	28.5	0.5
Company Forecast for FY 2021 O.P. Margin (%)	7.0	8.6	7.9
Forecasted Dividend Payout Ratio	34.9	30.2	47.9

Market cap = (shares outstanding) x (market share price [at 1/29/2020 closing])

The companies' planned EPS and dividend values for FY 2021 were used in all P/E and dividend yield calculations.

Actual BPS values of Q3 FY 2021 were used in P/B calculations.

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

Values for interest-bearing debt and cash & deposits are actual values as of Q3 FY 2021.

P/S = market cap / sales [the companies' forecasts for FY 2021]

\*Values for HIMACS reflect upward profit revision, stock split, gratis allotment of shares, and essential rise in dividend

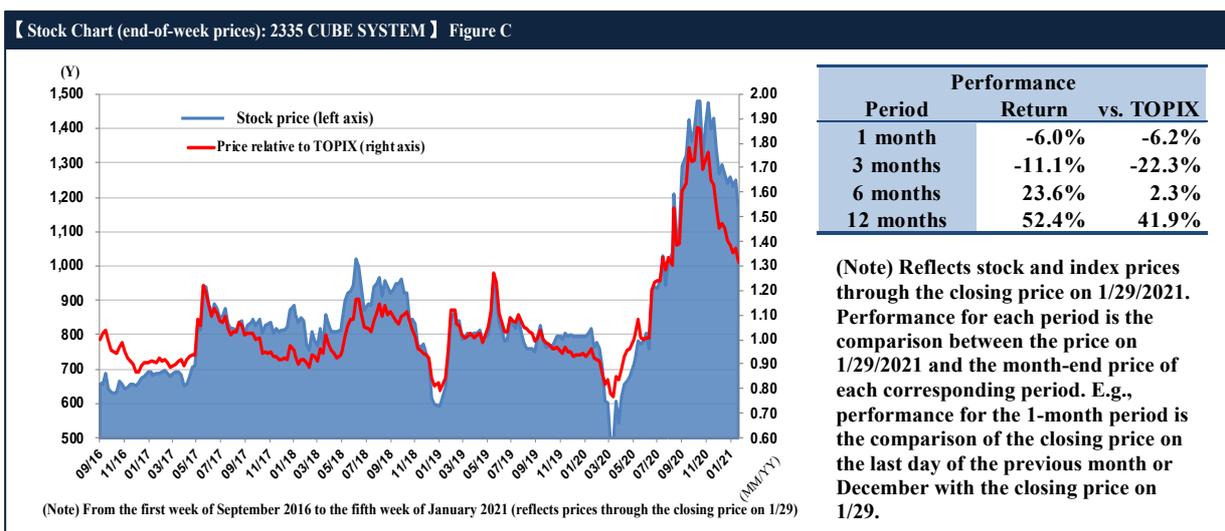
(Note) Prepared by Alpha-Win Research Dept. based on each company's financial results summary

【 2335 CUBE SYSTEM Sector: Information & Communication 】 Figure A												
FY		Sales (million yen)	YOY (%)	O.P. (million yen)	YOY (%)	R.P. (million yen)	YOY (%)	N.P. (million yen)	YOY (%)	EPS (Y)	BPS (Y)	Dividend (Y)
2018		13,559	5.1	855	9.5	892	10.0	567	2.9	40.59	372.23	16.0
2019		14,325	5.6	921	7.8	959	7.5	596	5.1	43.25	393.29	16.0
2020		14,708	2.7	959	4.1	976	1.7	525	-11.9	38.69	411.96	18.0
2021	CE	16,000	8.8	1,120	16.8	1,120	14.7	700	33.3	51.56	-	18.0
2021	Old E	15,300	4.0	1,120	16.8	1,120	14.7	700	33.3	51.56	-	18.0
2021	New E	15,300	4.0	1,150	19.9	1,200	23.0	750	42.9	55.19	454.15	18.0
2022	E	16,000	4.6	1,180	2.6	1,180	-1.7	735	-2.0	54.08	490.24	20.0
2023	E	17,000	6.3	1,280	8.5	1,280	8.5	800	8.8	58.87	529.10	20.0
2019	Q1	3,379	9.6	100	-8.8	107	-19.0	50	-34.2	3.70	379.63	0.0
2020	Q1	3,373	-0.2	242	141.3	248	130.8	165	229.3	12.17	418.69	0.0
2019	Q2	3,692	-2.1	292	17.3	290	18.9	191	30.7	14.10	397.59	8.0
2020	Q2	3,710	0.5	310	6.2	355	22.4	235	23.0	17.30	440.07	8.0
2019	Q3	3,464	-2.5	226	-8.1	231	-9.4	151	30.7	11.11	403.77	8.0
2020	Q3	3,508	1.3	240	6.2	319	38.1	196	29.8	14.42	449.26	8.0
2020	Q3 YTD	10,535	1.3	618	2.1	628	-0.6	392	2.3	28.94	403.77	8.0
2021	Q3 YTD	10,591	0.5	792	28.2	922	46.8	596	51.8	43.89	449.26	8.0
2020	Q4	4,173	6.5	341	7.9	348	6.4	133	-37.3	9.80	411.96	10.0
2021	Q4 CE	5,409	29.6	328	-3.8	198	-43.1	104	-21.8	7.67	-	10.0

(Note) CE: the Company's forecast. E: Alpha-Win Research Dept.'s forecast. Q1: Apr-June. Q2: July-Sept. Q3: Oct-Dec. Q4: Jan-Mar. Q3 YTD: Apr-Dec.

【 Stock Price and Valuation Indicators: 2335 CUBE SYSTEM 】 Figure B						
Item	1/29/2021	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	1,166	Last FY (actual)	30.1	2.8	1.5%	46.5%
Shares Outstanding (thou.)	15,280	This FY (est.)	21.1	2.6	1.5%	32.6%
Market Capitalization (million yen)	17,816	Next FY (est.)	21.6	2.4	1.7%	37.0%
Dilutive Shares (thou.)	0	Equity Ratio at End of This Q3	68.9%	Last FY's ROE	9.6%	

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



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