

# Alpha-Win Company Research Report

## CUBE SYSTEM INC. (2335 TSE Prime)

Issued: 11/22/2023

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

### ● Summary

#### ◆ 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 TSE Prime. Its main customers include the Nomura Research Institute (NRI) and the Fujitsu Group. It develops systems and provides services mainly for the financial, distribution, transportation, telecommunication, and manufacturing industries.
- Its strengths are its excellent customer base, extensive experience, high credibility, and the technology and expertise that it has cultivated over the years. Founded in 1972, it has 51 years of history. In April 2022, it moved from the TSE First Section to the newly established Prime Market.

##### Business Performance

- With the exception of one fiscal year, the Company has been continuously increasing sales YoY for the past 25 years. During this period, the annual sales growth rate (simple average of the rate of increase in sales) was +5.9% and the annual recurring profit growth rate (simple average) was +7.1%; it has been steadily expanding its business and keeping its business profitable over many years. Its recurring margin has stably been around 7% (simple average of 7.3%) and the increase in sales has been contributing directly to increases in profit, dividend, and market capitalization. In FY2023 (note that the Company’s fiscal year is March-ending, i.e., FY2023 ended in March 2023), it achieved record-high sales and profits. It also increased dividend for the fourth year in a row. This fiscal year, it plans to achieve record-high results again.

##### Alliance

- In December 2022, the Company formed a capital and business alliance with NRI, a top-level and major blue-chip company of the industry. NRI has become the Company’s largest shareholder (categorized as “other associated company”), holding 20.2% of the Company’s voting rights. The NRI Group is also the Company’s largest customer, accounting for 53.4% of its consolidated sales in the first half of FY2024.

##### Investment Plan

- Adding its own cash on hand to the capital raised through the capital alliance with NRI, the Company plans to invest a total of 2.2 billion yen over the four-year period from FY2023 to FY2026. It plans to invest in strengthening and enhancing its development bases and production system to achieve further growth and solve its bottleneck of human resources.

#### ◆ Results for the first half of this fiscal year: Sales increased by 14.2% YoY and operating profit increased by 32.7% YoY. Results exceeded the initial plan, since sales grew thanks to the strong performance of the SI Business and profitability also rose due to the improvement in productivity.

##### First Half: Summary

- In the first half of FY2024 (April to September 2023; hereinafter, “the first half” or “H1”), sales were 9,015 million yen (+14.2% YoY), operating profit was 794 million yen (+32.7% YoY), recurring profit was 788 million yen (+32.6% YoY), and net profit attributable to owners of the parent (hereinafter, “net profit”) was 501 million yen (+29.1% YoY) (Figure 1 on page 2).
- The Company posted the highest first-half sales, operating profit, and recurring profit to date (net profit was slightly below the level achieved in the first half of FY2022).
- Compared to the Company’s initial forecasts for the first half, which are 8,577 million yen in sales (+8.7% YoY), 700 million yen in operating profit (+17.0% YoY), 700 million yen in recurring profit (+17.7% YoY), and 457 million yen in net profit (+17.7% YoY), the results exceeded the forecasts by 438 million yen for sales (+5.1%), 94 million yen for operating profit (+13.4%), and 44 million yen for net profit (+9.6%).

- In our previous research report, given the strong Q1 results and the Company's somewhat conservative assumptions for Q2, we had forecasted for the first half of this fiscal year that the downside risk of sales and profits should be limited, while the profits may be revised upward by about 10%. The results were mainly as we had expected.
- Due to the rising inflation and the materialization of geopolitical risks, the outlook for the global economy remains uncertain. However, with the COVID-19 outbreak settling down, in addition to the recovery of inbound demand and positive corporate earnings, Japanese companies (the Company's clients) have been actively investing in IT, including DX (business transformation and process reform), the shift to the cloud, and adjustment to the new invoicing system. The Company has consequently been receiving more orders.
- To meet the strong demand, the Company has been working on increasing capacity and profitability by strengthening its production system, working on people development, optimizing and consolidating resources, and streamlining operations. Thanks to these efforts, it achieved significant increases in sales and profits.
- The gross margin rose by 0.8 percentage point from 20.9% in the first half of the previous fiscal year to 21.7% in the first half of this fiscal year (the same order applies below). Meanwhile, SG&A expenses increased by 10.8% from 1,053 million yen to 1,166 million yen, but this increase was 3.4 percentage points smaller than the sales growth rate. Consequently, the SG&A expense ratio declined by 0.4 percentage point from 13.3% to 12.9%.
- As a result, the operating margin increased by 1.2 percentage points from 7.6% to 8.8%. This was because profitability improved due to cost control and greater productivity gained through value-adding, improved efficiency, and streamlining.

**[Figure 1] Summary of Results for the First Half**

Unit: million yen	Results for the First Half of FY2023	Results for the First Half of FY2024	YoY Change (Amount)	YoY Change (%)	Initial Plan for the First Half of FY2024	YoY Difference from the First Half's Plan (Amount)	YoY Difference from the First Half's Plan (%)	Results for Q1 FY2023	Results for Q2 FY2023	Results for Q1 FY2024	Results for Q2 FY2024	YoY Change (%) in Q1 FY2024	YoY Change (%) in Q2 FY2024
Sales	7,892	9,015	1,123	14.2	8,577	438	5.1	3,892	4,000	4,376	4,639	12.4	16.0
Gross Profit	1,651	1,960	309	18.7				785	866	938	1,022	19.5	18.0
Gross Margin	20.9%	21.7%	0.8%					20.2%	21.6%	21.4%	22.0%	1.3%	0.4%
SG&A Expenses	1,053	1,166	113	10.8				513	539	568	598	10.7	10.9
SG&A Expense Ratio	13.3%	12.9%	-0.4%					13.2%	13.5%	13.0%	12.9%	-0.2%	-0.6%
Operating Profit	598	794	196	32.7	700	94	13.4	272	326	369	425	35.9	30.4
Operating Margin	7.6%	8.8%	1.2%		8.2%	0.6%		7.0%	8.2%	8.3%	9.2%	1.3%	1.0%
Recurring Profit	594	788	194	32.6	700	88	12.6	271	323	371	417	37.0	29.1
Net Profit	388	501	113	29.1	457	44	9.6	173	215	232	269	34.2	25.1
Net Profit Margin	4.9%	5.6%	0.6%		5.3%	0.2%		4.4%	5.4%	5.3%	5.8%	0.9%	0.4%

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

(Note) Throughout this report, due to processing of data during calculations, values for the same item may slightly differ.

### First Half: Results by Segment

- Overall, sales increased by 1,123 million yen YoY and operating profit grew by 196 million yen YoY.

#### 1. Results by Service Category (three categories)

- The System Integration Services (SIS), its core business, accounted for 77% of total sales and 81% of total operating profit (both for this first half's results; the same applies hereinafter). This category's sales increased by 1,240 million yen (+21.6% YoY) to 6,974 million yen. Of the three service categories, this was the only category whose sales had increased (Figure 2 on page 3).
- In the SIS, business related to the regional industry was strong, with the expansion of system building projects for regional banks, online banks, and a megabank as well as system building projects for an education company. Operating margin rose from 6.9% in the previous fiscal year's first half to 9.2%. With sales growth as well, operating profit in this fiscal year's first half was 639 million yen, having increased significantly by 240 million yen (+60.4% YoY).
- The System Outsourcing Services (SOS) accounted for 10% of total sales and 8% of total operating profit. This category's sales were 863 million yen, having decreased slightly by 25 million yen (-2.9% YoY) due to the scaling down of system building projects for a stock exchange. Operating profit was 65 million yen, having increased slightly by 2 million yen (+4.6% YoY).

- The Professional Services (ProS), a category which is about the same in scale as the SOS, accounted for 13% of total sales and 11% of total operating profit. This category's sales declined by 91 million yen (-7.2% YoY) to 1,177 million yen and its operating profit declined by 48 million yen (-35.0% YoY) to 89 million yen due to the scaling down of system building projects for telecommunication companies in the telecommunication industry.

**[Figure 2] Change in First-Half Results by Service Category**

First Half's Results		First Half FY2022	First Half FY2023	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of B	Q1 FY2023	Q1 FY2024	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of F	Q2 FY2023	Q2 FY2024	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of I
Unit: million yen or %		A: Results	B: Results	YoY Change: C = B - A	YoY %	YoY %	YoY %	D: Results	E: Results	YoY Change: F = E - D	YoY %	YoY %	YoY %	G: Results	H: Results	YoY Change: I = H - G	YoY %	YoY %	YoY %
		Apr-Sep 2022	Apr-Sep 2023	YoY million yen	YoY %	YoY %	YoY %	Apr-Jun 2023	Apr-Jun 2024	YoY million yen	YoY %	YoY %	YoY %	Jul-Sep 2023	Jul-Sep 2024	YoY million yen	YoY %	YoY %	YoY %
Overall Sales		7,892	9,815	1,923	24.4%	100.0%	100.0%	3,892	4,376	484	12.4%	100.0%	100.0%	4,000	4,639	639	16.0%	100.0%	100.0%
Sales	Industry	5,734	6,974	1,240	21.6%	110.4%	77.4%	2,821	3,315	493	17.5%	101.9%	75.8%	2,913	3,659	746	25.6%	116.8%	78.9%
	Telecommunication & Transportation	1,888	1,963	75	4.0%	3.9%	6.4%	440	407	-33	-7.5%	-3.4%	-10.7%	440	396	-44	-10.0%	-8.1%	5.8%
	Other (other)	1,269	1,177	-91	-7.2%	-3.1%	13.1%	631	594	-37	-5.9%	-7.6%	13.6%	638	583	-55	-8.6%	-8.6%	12.4%
Overall Operating Profit		298	294	-4	-1.3%	100.0%	100.0%	272	265	-7	-2.6%	100.0%	100.0%	274	245	-29	-10.6%	100.0%	100.0%
Operating Profit	Industry	208	209	1	0.5%	100.0%	100.0%	172	174	2	1.2%	100.0%	100.0%	174	174	0	0.0%	100.0%	100.0%
	Telecommunication & Transportation	62	65	3	4.8%	1.0%	8.2%	34	40	6	17.6%	5.2%	10.8%	28	25	-3	-10.7%	-3.0%	5.5%
	Other (other)	137	139	2	1.5%	-35.0%	-24.6%	112	111	-1	-0.9%	-48.7%	-32.0%	116	110	-6	-5.2%	-17.3%	13.2%
Operating Margin (%)		3.8%	3.0%	-0.8%	-20.5%			7.0%	6.1%	-0.9%	-12.9%			6.8%	5.3%	-1.5%	-22.1%		
		7.1	7.6	0.5	7.0%			7.9	8.6	0.7	8.7%			6.3	6.3	0.0	0.0%		
		10.8	7.6	-3.2	-29.6%			10.3	5.6	-4.7	-45.6%			11.4	9.6	-1.8	-15.8%		

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

**2. Results by Industry (four categories / six categories)**

- Sales and profits increased significantly for the three industries excluding the transportation & telecommunication industries. The “other industries” category contributed the most to the results.
- Regarding the financial industry, which accounted for 32% of total sales and 33% of total operating profit (the largest proportion by industry for both), sales increased by 555 million yen YoY (+23.8% YoY) to 2,892 million yen due to the expansion of system building projects for banks, as mentioned earlier. Operating margin for the first half of this fiscal year was 9.0%, an improvement of 0.3 percentage point from the first half of the previous fiscal year. With sales growth as well, operating profit increased by 57 million yen (+28.5% YoY) to 260 million yen (Figure 3).
- Regarding the distribution industry, which accounted for 22% of total sales and 21% of total operating profit, sales rose by 286 million yen (+17.3% YoY) to 1,945 million yen due to the expansion of system building projects for an apparel company and a wholesaler. Operating margin also improved significantly from 6.9% to 8.8%, and operating profit rose by 56 million yen (+48.7% YoY) to 170 million yen.
- Regarding the “other industries” category, which accounted for 32% of total sales and 30% of total operating profit (roughly the same percentages as finance), all sub-segments (manufacturing, government, and other) saw increased profits due to sales growth and improved profit margins. Sales rose by 559 million yen (+24.1% YoY) to 2,883 million yen, and operating profit almost doubled (+108 million yen or +81.5% YoY) from 133 million yen to 241 million yen. This category contributed the most to the overall profit growth during this fiscal year's first half (55.4% of total – the majority of growth).
- Regarding the transportation & telecommunication industries, which accounted for 14% of total sales and 15% of total operating profit (the smallest proportions), system building projects were scaled down for telecommunication and transportation companies, as mentioned earlier. As a result, sales fell by 278 million yen (-17.7% YoY) to 1,293 million yen, and operating profit also declined from 147 million yen to 120 million yen (-26 million yen or -18.3% YoY).

**[Figure 3] Change in First-Half Results by Industry**

First Half's Results		First Half FY2022	First Half FY2023	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of B	Q1 FY2023	Q1 FY2024	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of F	Q2 FY2023	Q2 FY2024	Change in Amount / Difference	% Change YoY	% of Total Amount of Change	% of Total Breakdown of I
Unit: million yen or %		A: Results	B: Results	YoY Change: C = B - A	YoY %	YoY %	YoY %	D: Results	E: Results	YoY Change: F = E - D	YoY %	YoY %	YoY %	G: Results	H: Results	YoY Change: I = H - G	YoY %	YoY %	YoY %
		Apr-Sep 2022	Apr-Sep 2023	YoY million yen	YoY %	YoY %	YoY %	Apr-Jun 2023	Apr-Jun 2024	YoY million yen	YoY %	YoY %	YoY %	Jul-Sep 2023	Jul-Sep 2024	YoY million yen	YoY %	YoY %	YoY %
Overall Sales		7,892	9,815	1,923	24.4%	100.0%	100.0%	3,892	4,376	484	12.4%	100.0%	100.0%	4,000	4,639	639	16.0%	100.0%	100.0%
Sales	Finance	2,337	2,892	555	23.8%	28.3%	32.1%	1,128	1,397	269	23.9%	55.6%	31.9%	1,209	1,495	286	23.7%	44.8%	32.2%
	Distribution	1,658	1,945	286	17.3%	15.0%	21.4%	785	956	170	21.7%	35.1%	21.8%	873	989	116	13.3%	18.2%	21.3%
	Telecommunication & Transportation	1,571	1,293	-278	-17.7%	-14.5%	14.3%	826	644	-182	-22.1%	-37.6%	14.7%	745	649	-96	-12.9%	-15.0%	14.4%
	Manufacturing (other)	723	797	74	10.2%	6.6%	8.8%	344	401	57	16.6%	11.8%	9.2%	379	396	17	4.5%	2.7%	8.5%
	Government (other)	427	548	121	28.3%	10.8%	6.1%	206	264	58	28.2%	12.0%	6.0%	221	284	63	27.2%	9.9%	6.1%
	Other (other)	1,173	1,537	364	31.0%	32.4%	17.0%	601	713	112	18.6%	23.1%	16.3%	872	1,024	152	17.5%	39.4%	17.8%
Overall Operating Profit		298	294	-4	-1.3%	100.0%	100.0%	272	265	-7	-2.6%	100.0%	100.0%	274	245	-29	-10.6%	100.0%	100.0%
Operating Profit	Finance	202	260	58	28.5%	29.1%	32.7%	101	126	24	24.1%	24.7%	34.1%	101	134	33	32.7%	33.5%	31.5%
	Distribution	114	170	56	48.7%	28.6%	21.4%	49	87	38	77.9%	39.2%	23.6%	65	83	18	27.7%	18.3%	19.5%
	Telecommunication & Transportation	147	120	-26	-18.3%	-13.3%	15.1%	70	40	-30	-42.9%	-29.9%	10.8%	77	80	3	3.9%	3.0%	18.8%
	Manufacturing (other)	17	54	37	206.6%	18.9%	6.8%	5	37	32	545.9%	33.0%	10.8%	12	17	5	41.7%	5.1%	4.0%
	Government (other)	23	62	39	165.4%	19.9%	7.8%	11	32	21	192.8%	21.6%	8.7%	12	30	18	150.0%	18.3%	7.1%
	Other (other)	91	124	33	35.9%	16.9%	15.6%	34	46	12	35.7%	12.4%	12.5%	57	78	21	36.8%	21.3%	18.4%
Operating Margin (%)		3.8%	3.0%	-0.8%	-20.5%			7.0%	6.1%	-0.9%	-12.9%			6.8%	5.3%	-1.5%	-22.1%		
		7.6	8.8	1.2	15.8%			8.5	9.0	0.5	5.9%			8.4	9.0	0.6	7.1%		
		6.9	8.8	1.9	27.5%			6.3	9.1	2.8	44.4%			7.4	8.4	1.0	13.5%		
		5.4	6.8	1.4	25.9%			5.7	6.3	0.6	10.5%			5.2	6.3	1.1	21.1%		
		5.5	11.4	5.9	107.3%			5.4	12.3	6.9	127.8%			5.4	10.6	5.1	94.4%		
		7.8	8.1	0.3	3.9%			5.7	6.5	0.8	13.9%			10.0	9.5	-0.5	-5.0%		

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

**Short Report**

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### 3. Results by Business Model (three models)

- The Enhancement Business accounted for 60% of total sales and 53% of total operating profit. Projects for a megabank had expanded, but projects were scaled down for a telecommunication company, the central government, a GMS, and a credit card company. As a result, compared to the first half of the previous fiscal year, sales fell by 400 million yen (-6.9% YoY) to 5,414 million yen. Operating margin decreased from 8.6% to 7.7%, and operating profit also declined by 85 million yen (-17.0% YoY) to 417 million yen (Figure 4).
- The SI Business (Lift & Shift: migration from the legacy environment to the cloud environment in “Lift” and stepwise system restructuring while optimizing for the cloud environment in “Shift”), accounted for 37% of total sales and 46% of total operating profit. System building projects expanded for regional banks, online banks, the central government, an education company, and an apparel company. Its sales increased by 1,498 million yen (+81.7% YoY) to 3,332 million yen, and its operating profit rose sharply by 278 million yen (+308.5% YoY) to 368 million yen. Operating margin jumped from 4.9% to 11.0%.
- The Digital Business remains small in scale, accounting for 3% of total sales and 1% of total operating profit. However, due to the expansion of DX projects for end users in the distribution and energy industries, its sales increased by 25 million yen (+10.3% YoY) to 268 million yen. Operating profit increased from 5 million yen in the previous fiscal year’s first half to 8 million yen, indicating that the business is becoming stably profitable albeit at a small amount.

**【Figure 4】 Change in First-Half Results by Business Model**

First Half Results		FY2021 A: Results	FY2022 B: Results	Change in Amount / Difference	% Change YoY Change: C = B - A	% of Total Breakdown of C	% of Total Breakdown of B	FY2023 D: Results	FY2024 E: Results	Change in Amount / Difference	% Change YoY Change: F = E - D	% of Total Breakdown of F	% of Total Breakdown of E	FY2023 G: Results	FY2024 H: Results	Change in Amount / Difference	% Change YoY Change: I = H - G	% of Total Breakdown of I	% of Total Breakdown of H
Unit: million yen or %		Apr-Sep 2021	Apr-Sep 2022	YoY: million yen, %	YoY: %	%	%	Apr-Jun 2022	Apr-Jun 2023	YoY: million yen, %	YoY: %	%	%	Jul-Sep 2022	Jul-Sep 2023	YoY: million yen, %	YoY: %	%	%
Overall Sales	Business Model	7,892	9,015	1,123	14.2	100.0	100.0	3,892	4,376	484	12.4	100.0	100.0	4,400	4,639	239	5.4	14.1	99.7
	Digital Business	243	268	25	10.3	2.2	3.0	102	124	24	23.6	5.0	2.9	141	142	1	0.7	11.8	3.1
	SI Business	1,833	3,332	1,498	81.7	133.4	37.0	854	1,558	704	82.5	145.5	35.6	979	1,774	795	81.2	100.3	28.2
	Enhancement Business	5,816	5,414	-400	-6.9	74.8	60.1	2,936	2,697	-239	-8.1	61.5	61.5	3,879	2,722	-1,157	-29.8	12.4	98.7
Overall Operating Profit	Business Model	598	794	195	32.7	100.0	100.0	272	369	97	35.9	100.0	100.0	326	425	99	30.7	96.9	100.0
	Digital Business	5	8	3	60.0	1.0	1.0	4	8	4	100.0	9.3	1.1	9	4	-5	-55.6	5.2	0.9
	SI Business	90	368	278	308.5	142.4	46.3	155	124	-31	-19.9	123.7	42.0	56	213	157	278.6	50.3	50.3
	Enhancement Business	503	417	-85	-17.0	52.5	52.5	213	210	-3	-1.3	56.9	56.9	260	207	-53	-20.4	15.6	48.7
Operating Margin (%)	Business Model	7.6	8.8	1.2	15.8	-	-	7.0	8.5	1.5	21.4	-	-	8.2	9.2	1.0	12.2	-	-
	Digital Business	2.1	3.0	0.9	42.9	-	-	3.2	6.4	3.2	100.0	-	-	6.4	2.8	-3.6	-56.3	-	-
	SI Business	4.9	11.0	6.1	124.5	-	-	9.0	9.0	0.0	0.0	-	-	5.7	12.0	6.3	108.8	-	-
	Enhancement Business	8.6	7.7	-0.9	-10.5	-	-	8.2	7.8	-0.4	-4.9	-	-	9.0	7.6	-1.4	-15.6	-	-

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

### 4. Sales by Customer Group (five customer groups)

- Regarding the sales to the NRI Group, which is the Company’s largest client, sales rose sharply by 1,001 million yen (+26.3% YoY) from 3,809 million yen in the previous fiscal year’s first half to 4,810 million yen in this fiscal year’s first half, partly thanks to the alliance that was formed. In addition to the expansion of projects in existing fields, the Company won large projects in new fields, which contributed to this increase. In fact, this increase in sales accounted for about 89.1% of the Company’s total amount of sales growth. Sales to the NRI Group therefore also contributed to the majority of total sales (53.4%). Over many years, the Company’s growth has been driven by the expansion of its business with the NRI Group (Figure 5).
- Sales to the Mizuho Group and others were also firm, having increased by 212 million yen and 99 million yen (YoY), respectively.
- On the other hand, sales to the Fujitsu Group and Aeon Group declined by 128 million yen (presumably telecommunication-related) and 62 million yen (distribution-related), respectively.

**【Figure 5】 Change in First-Half Sales by Customer Group**

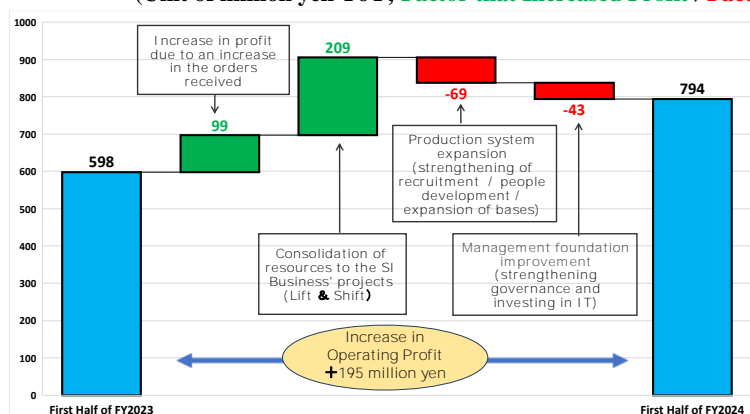
Group	First Half FY2021	First Half FY2022	First Half FY2023	First Half FY2024	Change in Amount	% Change	% of Total Amount of Change	First Half FY2023 Breakdown	First Half FY2024 Breakdown	Difference in Proportion
Unit	Million yen	Million yen	Million yen	Million yen	Million yen	%	%	%	%	%
NRI	3,457	4,184	3,809	4,810	1,001	26.3	89.1	48.3	53.4	5.1
Fujitsu	1,325	1,539	1,613	1,485	-128	-7.9	-11.4	20.5	16.5	-4.0
Aeon	394	380	356	293	-62	-17.4	-5.5	4.5	3.2	-1.3
Mizuho	268	297	334	547	212	63.5	18.9	4.2	6.1	1.9
Other	1,637	1,659	1,778	1,877	99	5.6	8.8	22.5	20.8	-1.7
Total	7,083	8,060	7,892	9,015	1,123	14.3	100.0	100.0	100.0	0.0

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results briefing’s supplemental materials. (Note) Change in Amount, % Change, and Difference in the Proportion are YoY comparisons. % of Total Amount of Change shows the breakdown of the YoY change.

**First Half: Factors that Contributed to an Increase or Decrease in Profit**

- The factors that increased or decreased operating profit in the first half of the current fiscal year are as shown in Figure 6.
- There was an increase in costs (impact on profit: -112 million yen YoY in total) due to the expansion of the production system (strengthened recruitment and expansion of production bases) (-69 million yen YoY) and the improvement of the management foundation (-43 million yen YoY). However, these factors were more than offset by the profit growth brought by the increase in orders (+99 million yen YoY) and the concentration of resources to projects of the SI Business (+209 million yen YoY). As a result, operating profit increased by 195 million yen YoY (+32.7% YoY).

**【Figure 6】 Factors that Increased/Decreased Operating Profit in the First Half**  
(Unit of million yen YoY; **Factor that Increased Profit** / **Factor that Decreased Profit**)



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

- Results were strong in terms of profit, since orders were strong especially in the SI Business and there were no unprofitable projects. Investments in development bases and production expansion seem to be conducted as planned, without major delays or leftover budget (a new office was established in Fukuoka in the first half as a near-shore production base).

**First Half: Progress and Seasonality of Quarterly Results****1. First Half**

- Progress in the first half in terms of achieving the Company's full-year forecast was 50.1% for sales (48.3% in the previous fiscal year's first half) and 49.0% for operating profit (similarly, previously 41.2%). As reference, the simple average of the progress in the first half over the past 10 years (including the previous fiscal year) was 48.7% for sales and 43.3% for operating profit. The progress in this fiscal year's first half exceeded these averages for both sales and profit. Progress with profit has especially been solid since it has already reached approx. 50% of the full-year plan in the first half of this fiscal year, even though profit generally tends to be larger in the second half.
- Regarding the sales progress of each business model, the SI Business made strong progress at 57.0% (43.8% in the first half of the previous fiscal year) and the Enhancement Business was also solid at 48.2% (similarly, 50.4%), while the Digital Business was sluggish at 29.2% (similarly, 40.4%).
- Regarding the sales progress for each industry, progress has been generally in line with the plan: 52.6% for the financial industry, 50.2% for the telecommunication & transportation industries, 49.5% for the distribution industry, and 48.1% for the other industries. Progress was particularly strong for the financial industry, whose sales growth rate is high, as it has presumably exceeded the Company's expectations.

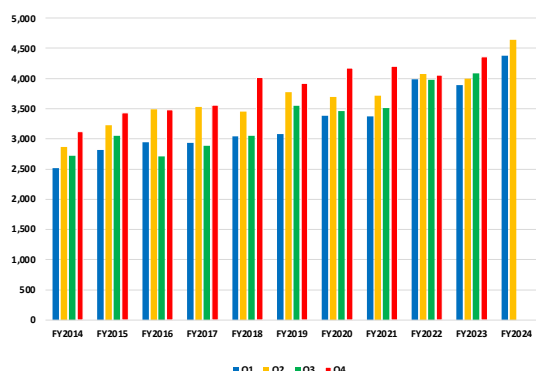
**2. Quarterly Results**

- One of the characteristics of the Company is that its business performance and profit margins tend to fluctuate on a quarterly basis. The fourth quarter (Q4 or Jan-Mar) tends to contribute the most to the full-year results, with delivery deadlines clustering (past 10 years' average: 27.6% of full-year sales and 33.6% of full-year operating profit). The next largest is the second quarter (Q2 or Jul-Sep; average of 25.8% and 26.8%, respectively), followed by the third quarter (Q3 or Oct-Dec; average of 23.7% and 23.2%, respectively). Q1 has generally been the smallest in contribution (Figures 7-9 on page 6).

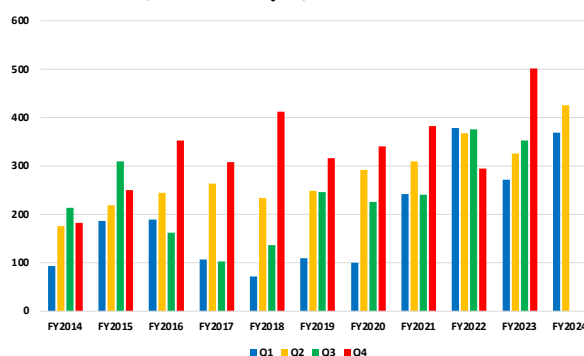


- In the first quarter of this fiscal year, sales were 4,376 million yen (+12.4% YoY), operating profit was 369 million yen (+35.9% YoY), recurring profit was 371 million yen (+37.0% YoY), and net profit was 232 million yen (+34.2% YoY) (Figure 1 on page 2).
- Q2 results continued to show double-digit growths in both sales and profit, with sales of 4,639 million yen (+16.0% YoY), operating profit of 425 million yen (+30.4% YoY), recurring profit of 417 million yen (+29.1% YoY), and net profit of 269 million yen (+25.1% YoY). Like in Q1, the Company posted record-high quarterly sales again. Each profit was also the second highest for a quarter, following the record highs of Q4 FY2023. Although the Company's plan for Q1 and Q2 is not disclosed, both sales and profits are estimated to have exceeded its plan.

【Figure 7】 Quarterly Change in Sales (Unit: million yen)



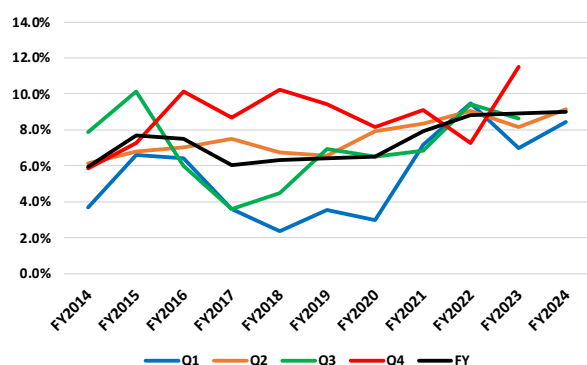
【Figure 8】 Quarterly Change in Operating Profit (Unit: million yen)



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

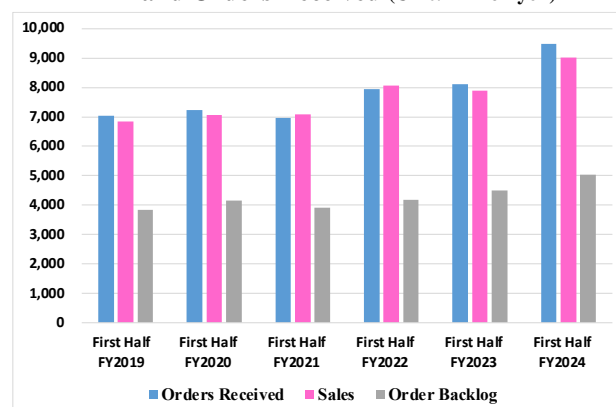
- In addition, from Q3 FY2023 to Q2 FY2024, the sales growth rate (YoY) for each quarter has accelerated from 2.5%  $\Rightarrow$  7.3%  $\Rightarrow$  12.4%  $\Rightarrow$  16.0%. Regarding the operating margin, although it has been fluctuating since Q4 FY2023 from 11.5%  $\Rightarrow$  8.5%  $\Rightarrow$  9.1%, its YoY change (difference) has been improving for three consecutive quarters, from +4.2%  $\Rightarrow$  +1.4%  $\Rightarrow$  +1.0%.

【Figure 9】 Quarterly Change in Operating Margin (Unit: %)



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

【Figure 10】 Changes in First-Half Sales, Order Backlog, and Orders Received (Unit: million yen)



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

## Orders Received

- The overall amount of orders received increased from 8,122 million yen in the same period of the previous fiscal year to 9,484 million yen (+1,362 million yen or +16.8% YoY). Consequently, the order backlog also grew steadily from 4,506 million yen to 5,041 million yen (+534 million yen or +11.9% YoY) (Figure 10).

Orders Received: By Industry (four categories)

- Regarding both the orders received in the first half from each industry and the order backlog, their declines in the transportation & telecommunication industries have been offset mainly by the strong performance of the business with the financial industry and other industries, similar to sales.

Orders Received: By Business Model (three models)

- Orders received in the Enhancement Business declined from 5,631 million yen  $\Rightarrow$  5,392 million yen (-239 million yen or -4.3% YoY), and its order backlog also declined slightly from 3,012 million yen  $\Rightarrow$  3,009 million yen (-3 million yen or -0.1% YoY).
- Similarly, orders received in the Digital Business declined from 326 million yen  $\Rightarrow$  240 million yen (-85 million yen or -26.4% YoY), and the order backlog also declined from 271 million yen  $\Rightarrow$  141 million yen (-129 million yen or -47.8% YoY).
- On the other hand, in the SI Business (Lift & Shift), the amount of orders received increased from 2,164 million yen  $\Rightarrow$  3,852 million yen (+1,688 million yen or +78.0% YoY), and the order backlog increased significantly from 1,221 million yen  $\Rightarrow$  1,889 million yen (+668 million yen or +54.7% YoY), compensating for the other businesses.

Number of Employees and Productivity

- In the Company's 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 steadily from 791 as of the end of September 2020  $\rightarrow$  815 as of the end of September 2021 (+24 or +3.0% YoY)  $\rightarrow$  869 as of the end of September 2022 (+54 or +6.2% YoY)  $\rightarrow$  894 as of the end of September 2023 (+25 or +2.9% YoY). Its capacity in terms of human resources has been increasing. However, while it has been strengthening recruitment by improving conditions for employees and incorporating web interviews, the demand for system development has continued to increase and the Company is still somewhat short of talents.
- Quarterly sales per employee in Japan, which are one of its key management indicators (KPI), have changed in the order of H1 FY2022  $\Rightarrow$  H1 FY2023  $\Rightarrow$  H1 FY2024 (this fiscal year) from 11,164 thousand yen/person  $\Rightarrow$  10,494 thousand yen/person  $\Rightarrow$  11,956 thousand yen/person. Similarly, operating profit per employee in Japan has changed from 1,034 thousand yen/person  $\Rightarrow$  795 thousand yen/person  $\Rightarrow$  1,053 thousand yen/person. Both are improving compared to before, as the Company has been focusing on improving productivity in addition to increasing the number of employees.

Balance Sheet

- As of the end of the first half, there has been no significant change in the balance sheet compared to the end of last fiscal year.
- Its cash & deposits have increased at a gradual pace to 6.9 billion yen (4.6 months' worth of the average monthly sales forecasted for this fiscal year; essentially debtless with a debt of 230 million yen), and the Company has ample liquidity on hand.
- With a current ratio of 384.8%, equity ratio of 74.3%, no goodwill, and an insignificant intangible fixed asset balance of 3 million yen, the Company's financial position is sound.
- Cash & deposits will most likely be used for greater shareholder returns and future growth, including investments to expand the production system in line with the plan, M&A, business alliances, investments, and loans.

## ◆Full-Year Forecasts: The Company has not changed its plan, but Alpha-Win's forecasts have been revised upward.

Full Year: Company Forecast

- Although the first-half results exceeded the initial forecasts announced at the beginning of the fiscal year, the Company has kept its forecast the same for the full fiscal year.
- For this full fiscal year, the Company expects 18,000 million yen in sales (+10.3% YoY), 1,620 million yen in operating profit (+11.5% YoY), and 1,080 million yen in net profit (+9.1% YoY). It expects to achieve sales and profit growths in the current fiscal year, as it did in the previous fiscal year, as well as achieving record-high sales and profits for the consecutive year (Figure 11 on page 8).
- The Company plans to pay an annual dividend of 30 yen per share (15 yen for the first half and 15 yen for the end

of the fiscal year). In the previous fiscal year, the Company also paid a commemorative dividend for the celebration of its 50th anniversary (total of 24 yen/share), so the annual dividend totaled 50 yen per share (ordinary dividend was 26 yen/share). This fiscal year, there will be no commemorative dividend, so the dividend will appear to have decreased by 20 yen/share. However, in terms of the ordinary dividend, the dividend will essentially be increased by 4 yen per share.

**【Figure 11】 This Fiscal Year's Results (results for H1 and forecasts for H2 and the full year)**

Unit: million yen	Last Fiscal Year's Results FY2023	This Fiscal Year's Company Forecasts FY2024	FY2023 First-Half Results	FY2024 First-Half Results	YoY Change (Amount)	YoY Change (%)	FY2023 Second-Half Results	FY2024 Initial Second-Half Plan	FY2024 Current Second-Half Plan	YoY Difference (Amount)	YoY Difference (%)
Sales	16,325	18,000	7,892	9,015	1,123	14.2	8,433	9,423	8,985	552	6.5
Gross Profit	3,570		1,651	1,960	309	18.7	1,919				
Gross Margin	21.9%		20.9%	21.7%	0.8%		22.8%				
SG&A Expenses	2,118		1,053	1,166	113	10.8	1,065				
SG&A Expense Ratio	13.0%		13.3%	12.9%	-0.4%		12.6%				
Operating Profit	1,452	1,620	598	794	196	32.7	854	920	826	-28	-3.3
Operating Margin	8.9%	9.0%	7.6%	8.8%	1.2%		10.1%	9.8%	9.2%	-0.9%	
Recurring Profit	1,480	1,635	594	788	194	32.6	886	935	847	-39	-4.4
Net Profit	989	1,080	388	501	113	29.1	601	623	579	-22	-3.7
Net Profit Margin	6.1%	6.0%	4.9%	5.6%	0.6%		7.1%	6.6%	6.4%	-0.7%	

(Ref) Prepared by Alpha-Win Research Dept. based on the financial results summary. H1= first half. H2 = second half.

- The Company has been working on strengthening its prioritized approach toward customers who are actively pursuing strategic IT investments (strengthening its sales activities toward its major customers, expanding the existing businesses, and developing new domains or areas of business). It is also working on co-creation with vendors for the cloud.
- The Company also plans to improve profitability and increase shareholder returns in the second half and beyond by expanding and optimizing its production system and resources, implementing measures to improve profitability in the Enhancement Business, improving its development system, and working on internal DX.
- The Company has announced a plan to increase shareholder returns by raising the targeted consolidated dividend payout ratio from 35% to 40% starting in FY2024.

## **This Fiscal Year: Alpha-Win Research Department's Forecast**

### **1. Full Year**

- We have revised our forecasts for the current fiscal year upward, considering the first-half results and order backlog as well as the business environment. In the order of our previous forecast ⇒ current forecast, we have made the following upward revisions: sales from 17,800 million yen ⇒ 18,500 million yen, operating profit from 1,600 million yen ⇒ 1,700 million yen, net profit from 1,065 million yen ⇒ 1,120 million yen, and dividend per share from 30 yen ⇒ 32 yen. These forecasts exceed the Company's forecasts by 500 million yen (+2.8%), 80 million yen (+4.9%), 40 million yen (+3.7%), and 2 yen, respectively.
- At the time of the previous report, we had believed that if the Company appropriately conducts cost control, the planned profit figures for the full year should be within an achievable range, since its customers have a strong appetite for strategic IT investments, orders and order backlog are firm and increasing for the Company, its Q1 results have most likely somewhat exceeded its plan, and its Q2 forecasts also seemed conservative.
- However, taking into account the risks to a certain extent, such as the rise in subcontracting cost, personnel expense, and various other costs, we had made a somewhat cautious forecast for this fiscal year compared to the Company. Our forecasts had each been slightly smaller than the Company's plan, by 200 million yen for sales, by 20 million yen for operating profit, and by 15 million yen for net profit (see our previous report published on June 9, 2023).
- The amount of upward revision in the first half was within the scope of our expectations. However, there are currently no signs of a slowdown in business negotiations or orders in general, and the growth of sales to the NRI Group has been greater than expected. The Company has also succeeded in winning orders for strategic and derivative projects from well-performing industries and has been making steady progress with the shift to high-profit projects, streamlining of resources, and cost control. Therefore, we analyzed that the current (new) forecasts for the second half of this fiscal year are somewhat conservative, as described later, and that the results will most likely exceed the Company's plan.



## 2. Second Half

- Although the first-half results have exceeded its plan, the Company has kept its full-year plan the same. This means that the second half's forecasts (calculated by subtracting the first-half forecast from the full-year forecast) have been revised downward, compared to their initial forecasts, by the same amount as the amount of upward revision in the first half.
- The Company's second-half forecasts, in the order of the initial forecast  $\Rightarrow$  the current forecast, have all been revised downward as follows: sales of 9,423 million yen (+989 million yen or +11.7% YoY)  $\Rightarrow$  8,985 million yen (+552 million yen or +6.5% YoY), operating profit of 920 million yen (+66 million yen or +7.7% YoY)  $\Rightarrow$  826 million yen (-28 million yen or -3.3% YoY), net profit of 623 million yen (+21 million yen or +3.7% YoY)  $\Rightarrow$  579 million yen (-22 million yen or -3.7% YoY), and operating margin of 9.8%  $\Rightarrow$  9.2% (as reference, it was 10.1% in the second half of the previous fiscal year) (see Figure 11 on page 8).
- At this point, in the second half, the Company expects a modest YoY increase in sales and decrease in profits, with a decline in the profit margins. The Company has commented, "This fiscal year's plan is a challenging goal, but we are committed to achieving it."
- However, the second half's plan seems somewhat conservative, considering the order backlog as of the end of the first half, the current situation, the seasonal cycle of project delivery deadlines clustering in Q4, and the fact that the positive effects of increasing employees usually begin to be fully seen in the second half as new employees begin their actual work.
- The Company's forecasts seem to reflect the increase in costs in the second half to a certain extent, which includes investments in human resources (personnel expense), business investments for expanding its development base as well as investments in the Company's own DX (both to improve operational productivity), and investments in the development of its original products. Therefore, there seems to be some room for cost control.
- These indicate that the downside risks of the second half's business plan are limited. Considering the buffer from the first half, there is a possibility that the full-year results may exceed the plan.

## ◆Medium-Term Forecast: Alpha-Win expects a sales & profit growth of 6-10% per year.

### Medium Term: Alpha-Win Research Department's Forecast

- We have not changed our medium-term forecasts of the Company's financial performance for the next fiscal year and beyond. However, considering the business environment, the staff organization, and investment costs, we may revise them upward in the future (Figure 12).
- IT investments by the Company's users (companies) are expected to keep increasing as they develop new business models, strengthen their competitive edge, work on solving employee shortage, streamline and speed up operations, work on DX, and shift to the cloud. Therefore, the Company's growth potential is large.
- With strong IT demand from companies, the Company is expected to achieve top-line growth by utilizing its abundant cash on hand to hire more employees and expand its development bases. We forecast that through the expansion of the Digital and the SI businesses, the effect of the alliance with NRI, the development of new customers and new areas of business, and various measures to improve productivity, the Company will be able to maintain a stable sales and profit growth trend of around 6-10% per year over the medium term.

### 【Figure 12】 Medium-Term Financial Forecasts

Unit: million yen or %	FY2023 Results	FY2024 Medium-Term Plan	FY2024 CE	FY2024 Old E	FY2024 New E	FY2025 E	FY2026 E
Sales	16,325	19,000	18,000	17,800	18,500	19,000	20,500
Gross Profit	3,570			3,900	4,100	4,150	4,500
Gross Margin	21.9%			21.9%	22.2%	21.8%	22.0%
SG&A Expenses	2,118			2,300	2,400	2,425	2,650
(Ratio to sales)	13.0%			12.9%	13.0%	12.8%	12.9%
Operating Profit	1,452	1,710	1,620	1,600	1,700	1,725	1,850
(Ratio to sales)	8.9%	9.0%	9.0%	9.0%	9.2%	9.1%	9.0%
Recurring Profit	1,480		1,635	1,615	1,715	1,755	1,870
(Ratio to sales)	9.1%		9.1%	9.1%	9.3%	9.2%	9.1%
Net Profit	989		1,080	1,065	1,120	1,155	1,235
(Ratio to sales)	6.1%		6.0%	6.0%	6.1%	6.1%	6.0%
Sales (% YoY growth)	1.4%	16.4%	10.3%	9.0%	13.3%	2.7%	7.9%
Gross Margin (% YoY diff.)	0.4%			0.0%	0.3%	-0.3%	0.1%
SG&A Expenses (% YoY growth)	4.2%			8.6%	13.3%	1.0%	9.3%
Operating Profit (% YoY growth)	2.4%	17.7%	11.5%	10.2%	17.0%	1.5%	7.2%
Recurring Profit (% YoY growth)	3.3%		10.4%	9.1%	15.8%	2.3%	6.6%
Net Profit (% YoY growth)	4.8%		9.2%	7.7%	13.2%	3.1%	6.9%

(Ref) Prepared by Alpha-Win Research Dept. (Note) CE: the Company's forecast/estimate. E: Alpha-Win Research Dept.'s forecast/estimate.

◆ **Stock price and characteristics: Significantly outperforming the TOPIX over the long term as a stable growth stock centered on domestic demand. Valuation is currently about average but has the potential to rise.**

**Performance**

- Over the past approximately 14 and a half years, the Company's stock price has increased by about 5.8x thanks to its solid financial performance, significantly outperforming the TOPIX (by about +300%).
- Stocks benefiting from the weak yen, rising interest rates, and inbound demand, as well as economically sensitive stocks, large-cap stocks, and tech stocks, have been bullish in the recent stock market. The Company stock, which is defensive, domestic-demand-oriented, and small-cap, has been underperforming the TOPIX for the past 12 months (Figure C on page 13).
- However, compared to its two competitors listed on the TSE (HIMACS with securities code 4299 and Toho System Science with securities code 4333), the Company's stock has been outperforming both competitors as well as the TOPIX since the announcement of its financial results (which were based on the closing price on November 1). This is presumably due to the strong first-half results (strong progress and upward revisions) and because the likelihood of achieving its full-year financial targets has increased (of the three companies, the Company is the only one that plans for double-digit growths in full-year sales and profits).

**Valuation**

- Currently, the average valuation of all companies listed on the TSE Prime Market is as follows: forecasted P/E of 14.88, P/B of 1.27, and forecasted dividend yield (simple average) of 2.27% (based on the closing price of November 10, 2023).
- Compared to these, the Company's valuation is slightly high (in terms of the P/E and P/B). However, considering this fiscal year's strong financial performance and its growth potential over the medium term, its valuation does not seem expensive.
- The current stock price seems to reflect the relatively low volatility observed from its past financial results, the proven stable growth in profit, and positive expectations for the future.
- Compared to its two competitors mentioned above, its valuation is in the middle range (the second highest among the three companies) in terms of the major valuation measures excluding dividend yield (which is the lowest) (Figure 13).

**【Figure 13】 Comparison of Valuation with Competitors**

Item	Company Name	CUBE SYSTEM (CS: consolidated)	HIMACS (HM: consolidated)	Toho System Science (TS: non-consolidated)	All TSE Prime Stocks
	Code	2335	4299	4333	
Stock Price and Valuation	Stock Price (closing price on 11/10)	1,104	1,364	1,129	1,202.63
	Market Cap (million yen)	17,388	16,931	23,482	
	P/E (price-to-earnings ratio)	15.50	13.82	19.41	14.99
	P/B (price-to-book ratio)	1.73	1.50	2.27	1.27
	Dividend Yield (%)	2.72	3.15	3.54	Simple average: 2.27 Weighted average: 2.26
	EV/EBITDA	6.42	4.78	8.80	
	P/S (price-to-sales ratio)	0.97	0.93	1.42	
First Half of This Fiscal Year (Apr. to Sept. 2023)	Sales (million yen)	9,015	8,668	7,998	
	YoY Sales Growth Rate (%)	14.2	-1.4	6.3	
	Operating Profit (million yen)	794	703	692	
	YoY Operating Profit Growth Rate (%)	32.7	-19.3	-6.6	
	Operating Margin (%)	8.8	8.1	8.7	
	Progress with Sales (%)	50.1	47.8	48.5	
	Progress with Operating Profit (%)	49.0	41.8	44.6	
	Sales: Initial Plan	8,577	8,840	7,888	
	Sales: Diff. from Initial Plan (million yen)	438	-172	110	
	Sales: Diff. from Initial Plan (%)	5.1	-1.9	1.4	
	Operating Profit: Initial Plan	700	620	703	
	Operating Profit: Diff. from Initial Plan (million yen)	94	83	-11	
	Operating Profit: Diff. from Initial Plan (%)	13.4	13.4	-1.6	
This Full Fiscal Year (Apr. 2023 to Mar. 2024)	Company Forecast: Sales (million yen)	18,000	18,150	16,500	
	Company Forecast: YoY Sales Growth Rate (%)	10.3	4.7	6.8	
	Company Forecast: Operating Profit (million yen)	1,620	1,680	1,550	
	Company Forecast: YoY Operating Profit Growth Rate (%)	11.5	-8.3	2.3	
	Company Forecast: Operating Margin (%)	9.0	9.3	9.4	

(Ref) See the next page for notes.

(Ref) Prepared by Alpha-Win Research Dept. based on each company's financial results summary for this first half and stock price data.

(Note) • Market cap = number of shares outstanding x stock price (closing price on 11/10/2023).

- EPS values used in P/E calculations are based on each company's forecast for FY2024.
- BPS values used in P/B calculations reflect this fiscal year's first-half results.
- EV/EBITDA = (market cap + interest-bearing debt – cash & deposits) / (operating profit + depreciation + intangible fixed assets amortization, etc.). Interest-bearing debt and cash & deposits are based on this fiscal year's first-half results. Operating profit is based on each company's full-year forecast for this fiscal year. Depreciation and intangible fixed assets amortization, etc., were estimated by Alpha-Win based on the previous fiscal year's results and this fiscal year's first-half results.
- P/S = market cap ÷ sales (each company's forecast for FY2024).
- H1 (first half): results from Apr. to Sept.
- HIMACS: moved from the Prime Market to the Standard Market on October 20, 2023.
- Toho System Science: reflects the 1.5-for-1 stock split conducted on September 1, 2023.
- Progress in the first half is the proportion of the full-year company forecast.

### **Stock Price Outlook**

- In the short term, the Company's stock price will likely be impacted by the full-year results (whether or not the full-year profit forecasts will be revised upward) and the changes in stock return (whether there will be a dividend increase, a share buyback, or a stock split).
- The contents and various numerical targets of the “VISION 2026: The Second Medium-Term Management Plan” to be announced in the next fiscal year will be the key points to watch. Particularly important will be the top line (sales growth rate, hiring and retaining of employees, and the effect of the alliance with NRI), the profit margins (gross margin, operating margin, and SG&A expense ratio), the securing of human resources especially in terms of the number of employees in Japan (the number hired, the turnover rate, and the number of employees), and the sales or operating profit per employee in Japan (KPI: key performance indicators).
- Another key point will be the business performance and IT investment trends of the Japanese companies that are its end users (the environment surrounding orders received by the Company; changes in the volume of orders received and the price per contract).
- Regarding the second medium-term management plan (numerical targets are undisclosed at this point), the Company intends to make a leap forward to achieve high profitability based on the concept of “stabilizing earnings by finding new, direct customers and enhancing technology through stronger development capabilities.”
- We believe that if the Company can stably maintain a profit growth rate that is close to a double digit, then its stock price may rise further to adjust for the level of P/E and the increase in EPS.
- From a medium- to long-term perspective, we believe that the Company will continue to be seen as a candidate for investment as a defensive, stable growth stock centered on domestic demand.

【 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)
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		16,325	1.4	1,452	2.4	1,480	3.3	989	4.8	70.35	634.29	50.0
2024	Revised Medium-Term Plan: CE	19,000		1,710								
2024	CE	18,000	10.3	1,620	11.5	1,635	10.4	1,080	9.1	71.23	Not disclosed	30.0
2024	Old E	17,800	9.0	1,600	10.2	1,615	9.1	1,065	7.7	70.25		30.0
2024	New E	18,500	13.3	1,700	17.1	1,715	15.9	1,120	13.2	73.87	658.12	31.0
2025	E	19,000	2.7	1,725	1.5	1,755	2.3	1,155	3.1	76.18	749.68	32.0
2026	E	20,500	7.9	1,850	7.2	1,870	6.6	1,235	6.9	81.46	799.13	34.0
2022	Q1	3,987	18.2	378	56.5	390	57.1	262	59.0	19.35	487.51	0.0
2023	Q1	3,892	-2.4	272	-28.1	271	-30.5	173	-34.0	12.84	543.58	0.0
2024	Q1	4,376	12.4	369	35.9	371	37.0	232	34.2	15.36	622.93	0.0
2022	Q2	4,073	9.8	368	18.7	362	2.0	239	1.7	17.65	453.20	8.0
2023	Q2	4,000	-1.8	326	-11.4	323	-10.8	215	-10.0	15.89	498.18	23.0
2024	Q2: Old CE	4,201	5.0	331	1.5	329	1.9	225	4.7	14.78		15.0
2024	Q2	4,639	16.0	425	30.4	417	29.1	269	25.1	17.71	638.74	15.0
2022	H1	8,060	13.8	746	35.1	752	24.6	501	25.3	37.00		8.0
2023	H1	7,892	-2.1	598	-19.9	594	-21.0	388	-22.6	28.73		23.0
2024	H1: Old CE	8,577	8.7	700	17.0	700	17.7	457	17.7	30.14		15.0
2024	H1	9,015	14.2	794	32.7	788	32.6	501	29.1	33.07		15.0
2022	H2	8,039	4.3	671	7.9	680	-1.7	443	-0.2	32.82		15.0
2023	H2	8,433	4.9	854	27.3	886	30.3	601	35.7	41.62		27.0
2024	H2: Old CE	9,423	11.7	920	7.7	935	5.5	623	3.7	41.09		15.0
2024	H2: New CE	8,985	6.5	826	-3.3	847	-4.4	579	-3.7	38.16		15.0

(Note) CE: the Company's forecast/estimate. E: Alpha-Win Research Dept.'s forecast/estimate. "Revised Medium-Term Plan: CE" is the Company's forecast announced on May 11, 2022. Q1: Apr-June. Q2: July-Sept. H1 (first half): Apr-Sept. H2 (second half): Oct-Mar.

【 Stock Price and Valuation Indicators: 2335 CUBE SYSTEM 】 Figure B						
Item	11/10/2023	Item	P/E	P/B	Dividend Yield	Dividend Payout Ratio
Stock Price (Y)	1,104	Last FY (actual)	15.7	1.7	4.5%	71.1%
Shares Outstanding (thou.)	15,750	This FY (est.)	14.9	1.7	2.8%	42.0%
Market Capitalizatoin (million yen)	17,388	Next FY (est.)	14.5	1.5	2.9%	42.0%
Dilutive Shares (thou.)	0	FY After the Next (est.)	13.6	1.4	3.1%	41.7%
Equity Ratio at the End of This FY's First Half	74.3%	Last FY's DOE	8.6%		Last FY's ROE	11.8%

(Note) Estimates for this fiscal year and the following two fiscal years have been made by Alpha-Win Research Department.

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



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SV2023-1121-2000