# Response to Major Risks and Opportunities

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

| External factors | Opportunities | Risks | Measures for risks and opportunities | CUBE SYSTEM's materiality |
|---|---|---|---|---|
| Global warming | ● Increase in demand for energy-related services<br>● Shift to more power-efficient cloud systems | ● Introduction of carbon tax<br>● Communication issues due to increase in remote working<br>● Decrease in evaluation from customers and investors for being unresponsive to climate change<br>● Extreme weather (damage from storms)<br>● Rise in average temperatures | ● Consideration for the global environment ………………… p. 51<br>● Endorsement of the TCFD ……… p. 51<br><br>In response to risks and opportunities associated with climate change, the Company is strengthening environmental management to reduce its energy consumption and environmental impact. In parallel, it is leveraging DX and system development to provide decarbonization solutions that contribute to the advancement of a decarbonized society. | **1**<br><br>**Creating the future of society through our DX business** |
| Technological innovation | ● Increasing need for DX technology<br>● Creating new business models | ● Lowering competence from delaying adoption of new technologies<br>● Occurrence of a project creating a budget deficit<br>● Delay in delivery<br>● Failure in system operations<br>● Insufficient number of experts<br>● Unpredictable security incidents | ● Implementing quality management… p. 48<br>● Reinforcing information security … p. 61<br>● Investment in research and development ………………… p. 45<br>● Promoting measures to reinforce collaborations with customers …… p. 49<br><br>In response to rapid technological innovation in generative AI and other areas, the Company is reinforcing its efforts in advanced technology research and human resources development. Through the provision of new service businesses in the DX and cloud fields, the Company delivers solutions that address customer challenges and enhance corporate value. | **2**<br><br>**Offering safe and secure systems using cloud technology** |
| Cyber security | ● Increasing need for information security services | ● Information leakage due to cyberattacks, etc.<br>● Human-made security incidents | ● Reinforcing information security … p. 61<br><br>In response to the growing importance of cyber security, the Company is working to preserve and establish governance structures and secure cutting-edge technologies to protect customer information assets and cultivate new business opportunities. | |
| Falling birthrate and aging population (decrease of working-age population) | ● Active participation of diverse human resources<br>● Improving human resources system<br>● Active participation of senior-age employees | ● Insufficient IT human resources<br>● Brain drain (IT engineers)<br>● Productivity decrease due to lack of human resources<br>● Increase in costs to secure human resources | ● Setting career fields that clarify directions and goals for employees to aim at ……………………… p. 41<br>● Building a new human resources system …………………………… p. 40<br>● Promoting human resources development ………………… p. 40<br><br>In response to labor and engineer shortages brought on by a falling birthrate and aging population, the Company is promoting enhanced human resource development and operational streamlining. The Company aims to address social issues and enhance corporate value by offering IT training opportunities to a diverse range of human resources and delivering new customer-facing solutions. | **3**<br><br>**Contributing to client systems through software engineering** |
| IT literacy | ● Creating competent services utilizing IT experts<br>● Securing diverse human resources<br>● Creating IT education opportunities in society | ● Insufficient IT human resources<br>● Insufficient development of IT experts<br>● Difficulty in offering services due to lack of human resources | | |
| Deterioration of the social infrastructure | ● Increasing need for renewal of existing systems<br>● Development of smart cities utilizing DX technologies | ● Failure or suspension of systems provided by us<br>● Unstable operations of systems | ● Implementing quality management… p. 48<br><br>The Company sustains and manages social infrastructure by leveraging the latest in DX technologies and advanced quality management to ensure safety and foster new business development. | **4**<br><br>**Solving social issues through business activities, such as reinforcement and improvement of value creation platforms** |
| Rise in natural disasters and terrorist acts | ● Increasing need for transfer to the cloud environment<br>● Increasing need for multiple production sites | ● Suspension of service due to physical damage to production sites<br>● Decrease in safety and productivity of employees<br>● Decrease in customers due to business activity suspension | ● Reinforcing risk management …… p. 59<br>● Enhancing production sites ……… p. 48<br>● Utilizing system enhancement services and offshore …………… p. 48<br><br>To address the rise in natural disasters and terrorist acts, the Company aims to strengthen business continuity and maintain public trust by reinforcing its risk management and enhancing production sites. | |

# Important Issues to Be Addressed by Sustainability Management

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

## CUBE SYSTEM Group's Sustainability Management

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

## Sustainability Management Basic Policy

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

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

### Compliance
● Execute its business activities with transparency, equity and integrity in compliance with social norms.

### Respect for human rights
● Support international norms on human rights and respect human rights in all its business activities.

### Fair trade
● Reinforce its trust with business partners through free and equitable competition and fair trade.

### Sustainable services
● Contribute to the growth of our clients' businesses and maximize client value.
● Provide services with originality, innovativeness and high added value.

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

### Contribution to local communities and society
● Contribute to the development of lively and comfortable local communities and societies.

### Environmental preservation
● Practice environmentally friendly management through business activities to contribute to reducing the environmental impact and developing a sustainable society.

## Sustainability Promotion Structure

We established the Sustainability and Governance Committee, chaired by the President, in order to drive forward our sustainability management. The business management system of the Group is established with this Committee in its center.
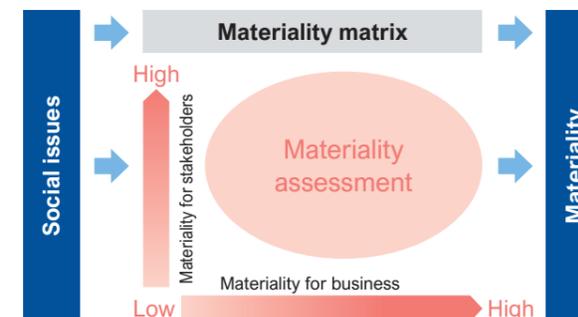
### Sustainability promotion structure

```
┌─────────────────────────┐
│    Board of Directors   │
└─────────────────────────┘
             │
┌─────────────────────────┐
│ Representative Director  │
│      and President       │
└─────────────────────────┘
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   ┌─────────┴─────────┐
┌──────────────┐  ┌──────────────┐
│ Sustainability│  │ Sustainability│
│      and      │  │   Promotion   │
│  Governance   │  │     Office     │
│  Committee    │  │               │
│Chair: President│ │               │
├──────────────┤  ├──────────────┤
│ Plan and      │  │ Functions as a│
│ promote       │  │ secretariat for│
│ sustainability│  │ smooth        │
│ management and│  │ operations    │
│ identify and  │  │               │
│ evaluate      │  │               │
│ materiality   │  │               │
└──────────────┘  └──────────────┘
```

## Important Issues Addressed by Sustainability Management

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

### Important issue analysis

**Materiality matrix**

Social issues — High / Low — Materiality for stakeholders — Materiality assessment — Materiality for business — Low / High — Materiality

### Matters up for discussion by the Sustainability and Governance Committee
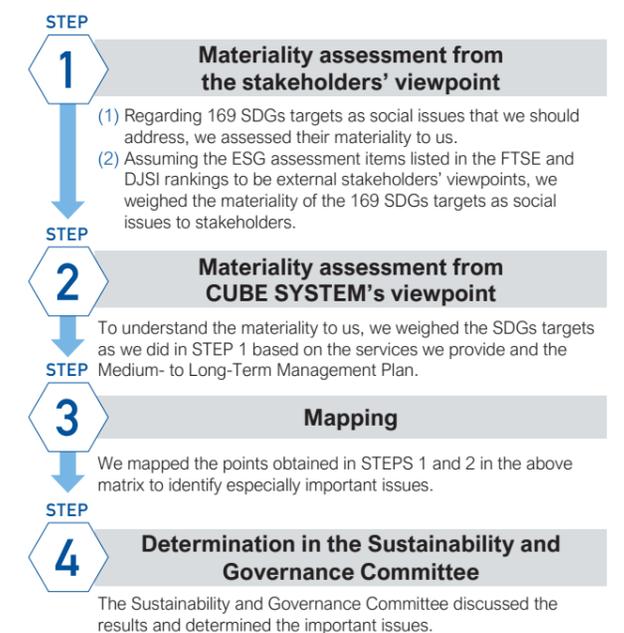
In line with its sustainability policy, the Sustainability and Governance Committee promotes initiatives for health and productivity management, monitors and supervises efforts related to GHG emissions reduction, and receives reports on the execution status of executive officers as a means of advancing efforts toward sustainable growth.

### Important issue identification process

**STEP 1**
**Materiality assessment from the stakeholders' viewpoint**
(1) Regarding 169 SDGs targets as social issues that we should address, we assessed their materiality to us.
(2) Assuming the ESG assessment items listed in the FTSE and DJSI rankings to be external stakeholders' viewpoints, we weighed the materiality of the 169 SDGs targets as social issues to stakeholders.

**STEP 2**
**Materiality assessment from CUBE SYSTEM's viewpoint**
To understand the materiality to us, we weighed the SDGs targets as we did in STEP 1 based on the services we provide and the Medium- to Long-Term Management Plan.

**STEP 3**
**Mapping**
We mapped the points obtained in STEPS 1 and 2 in the above matrix to identify especially important issues.

**STEP 4**
**Determination in the Sustainability and Governance Committee**
The Sustainability and Governance Committee discussed the results and determined the important issues.

## Contribution to SDGs

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

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

### Initiatives addressing SDGs

The Company has succeeded in curtailing food loss and has reduced its environmental impact through the introduction of a proprietary-developed AI-driven automated ordering support system. The solutions the Company provides also contribute to addressing management issues tied to SDGs shared by our customers.

**Important Issues to Be Addressed by Sustainability Management**

# Important Issues (Materiality) to Be Addressed

## Important issue

### 1   Creating the future of society through our DX business

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

**Important issues (materiality)**

Contribute to development of customers' business through innovative businesses and services co-creating with customers and subcontractors.
- Promote Smile Share Products
- Promote IP conversion and product conversion
- Promote consulting collaboration and DX/AI business

**Major initiatives in FY2024**

- Conceptualization of H•CUBiC
  Announced a service concept facilitating human capital management. Plans for rollout as a total support solution encompassing everything from system deployment to operational support beginning in FY2025

- AI business
  Promoted the use of InCUBEator, a ChatGPT agent for internal use. Research and development into business solutions. Promotion of automation to enhance productivity

## Important issue

### 2   Offering safe and secure systems using cloud technology

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

**Important issues (materiality)**

Provide platforms to run businesses with higher reliability to contribute to quality improvement of business activities.
- Provide new services based on multi-cloud and micro services
- Provide system security through co-creation with cloud vendors
- Provide new services through product consultation and reforming system operation models

**Major initiatives in FY2024**

- Addressed customers' DX needs (material business issues) through building micro service-based cloud systems.
- Collaborated with cloud vendors to develop more reliable systems with better quality. Actively trained DX engineers who can work with vendors.
- Surveyed and assessed SaaS-related technologies and developed system solutions that can be adopted into our services.

## Important issue

### 3   Contributing to client systems through software engineering

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

**Important issues (materiality)**

Contribute to maintaining, improving, and streamlining client system operations through our software engineering expertise.
- Pursue high productivity and high added-value

**Major initiatives in FY2024**

- Promoted three business measures: New system enhancement business models, improving our corporate added-value by enhancing their profitability, and improving our productivity by enlarging our service coverage.
- Contributed to maintain, improve, and streamline client system operation, especially with new system enhancement business models, by enabling multitasking, automation, and utilization of overseas resources.
- Implemented business activities with a view to system enhancement after development, in line with the expansion of development bases centered on the Software Development Division.

## Important issue

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

We contribute to resolving social issues such as a falling birthrate and aging population, deteriorating social infrastructure, and climate change by nurturing human resources, quality, and subcontractor collaboration, which are the foundation for value creation.

**Important issues (materiality)**

We provide safe and secure high-quality services through a sound supply chain. We also maintain transparent corporate governance by practicing the spirit of diversity and inclusion, and employing and training diverse professional human resources.
- Improve quality and productivity through closer collaboration with subcontractors
- Improve quality in projects and development processes
- Constantly develop human resources and support for growth across various career fields
- Reform working styles to enable active participation by diverse human resources
- Strengthen corporate governance, maintain sound compliance, reinforce information security measures, and minimize environmental impact

**Major initiatives in FY2024**

- Reinforced collaboration with subcontractors.
- Improved the System Development Committee and improved project quality by reinforcing the functions of the Project Management Office (PMO).
- Introduced a stock compensation plan for employees
- Reorganized the working environment and improved working hours and work quality.

# Evolution of the Medium- to Long-Term Management Vision

## V2020 (FY2012-FY2020)

Striving to be the best partner for customers

Striving to create a corporate culture that promotes both individual and organizational growth

**Step 1** — **First** Medium-Term Plan (FY2012-FY2014) — **Enhance our strengths**

**Step 2** — **Second** Medium-Term Plan (FY2015-FY2017) — **Launch the SI Business**

**Step 3** — **Third** Medium-Term Plan (FY2018-FY2020) — **Create a menu of services**

## V2026 (FY2021-FY2026)

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

**First** Medium-Term Plan (FY2021-FY2023) — **Building management/business foundations** Period of transformation to new business domains

**Second** Medium-Term Plan (FY2024-FY2026) — Tying transformation to outcomes, **accelerating growth**

### Business policy

| V2020 Step 1 | V2020 Step 2 | V2020 Step 3 |
|---|---|---|
| Build a management platform that achieves double digit net sales growth, drives sustainable profit, and enhances corporate value | Promote an organizational culture that encourages bold challenges and deliver industry-leading performance | Contribute to the development of customers' businesses and maximize customer value by creating a menu of new services and enriching our service business while expanding SI and service-based business operations |

**V2026:** Employees think and act on their own initiative, pursuing their own ambitions and applying their own business mentality. Achieve business growth through planning- and contract-based businesses.

### Performance indicators

| | Target | Final year |
|---|---|---|
| Net sales | 12.0 billion yen | 12.5 billion yen |
| Operating margin | 7.5 % | 7.7 % |

| | Target | Final year |
|---|---|---|
| Net sales | 15.0 billion yen | 13.5 billion yen |
| Operating margin | 9 % | 6.3 % |

| | Target | Final year |
|---|---|---|
| Net sales | 18.5 billion yen | 14.7 billion yen |
| Operating margin | 9.6 % | 7.9 % |

| | Target | Final year |
|---|---|---|
| Net sales | 19.0 billion yen | 18.0 billion yen |
| Operating margin | 9 % | 8.5 % |

### High-priority measures

**V2020 Step 1**

**Enhance the strengths of existing businesses**
- Introduce a division structure based on industry orientation
- Enhance the competitive advantages of the System Enhancement Business and create industry-focused SE

**Establish a framework for receiving large-scale SI orders**
- Develop and secure human resources equipped to lead the SI Business
- Strengthen project management functions

**Strengthen response to changes in the market environment and customer needs**
- Strengthen and expand our overseas business presence (China/Vietnam)
- Strengthen our competitive edge through investment in advanced technologies

**V2020 Step 2**

**Expand core business and new business creation**
- Enhance account strategy
- Promote the SI Business
- Promote new business

**Strengthen technical capabilities/proactive investment**
- Rigorous commitment to ensuring quality and productivity
- Strengthen our competitive edge through R&D
- Industry-government-academia coordination

**Strengthen management foundations**
- Workstyle reform
- Governance strengthening
- Fostering of a CUBE-esque workplace culture

**V2020 Step 3**

**Domestic business/overseas business**
- Enhance the revenue base through business model transformation
- Leverage our strengths to expand businesses into areas of growth
- Achieve global business expansion with Asia as our base

**New business development/technical investment**
- Actively invest in technologies to drive service creation optimized for originality, innovativeness, and high added value

**Management foundation**
- Enhance customer satisfaction through work process innovation
- Strengthen governance functions for promoting growth

**V2026**

**Domestic business/overseas business**
- Enhance the brand value of the Digital Business
- Expand the scale of the SI Business
- Improve profitability in the System Enhancement Business
- Implement initiatives for new business and brand creation

**Management foundation**
- Promote reform toward systematic quality control
- Comprehensive, structural human resources development
- All-encompassing corporate governance controls

### Results

| V2020 Step 1 | V2020 Step 2 | V2020 Step 3 |
|---|---|---|
| Established a new Quality Coordinator team to enhance project control capabilities for large-scale SI project execution | As part of efforts to address challenges in the SI Business, proactively addressed business model reforms and foster new business creation, including project development and new customer acquisition | Expanded to new growth areas, achieved business model reforms, and expanded overseas business operations |

**V2026:** Established the foundation for business growth through the formation of business assets for transformation into new businesses, as well as on the design of systems and the development of structures for business promotion

### Issues

**V2020 Step 1**
- Break away from labor-month business
- Internal development capabilities with a competitive edge
- Develop and cultivate subcontractors, and develop overseas subsidiaries

**V2020 Step 2**
- Capture new customers
- Further improve quality and productivity

**V2020 Step 3**
- Secure human resources
- Expand to new business domains
- Develop a unique menu of services
- Build and manage career progression pathways

**V2026**
- Reinforce development organization and facilities
- Quality enhancement
- Securing human resources
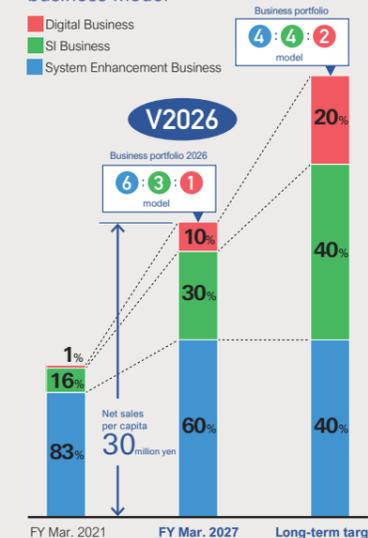- Intellectual property development and research investment

### Vision

**Second Founding**

Business activities with solid fundamentals —Trust and quality—

Dramatic growth

### Financial targets

Net sales: **23.0** billion yen

Operating margin: **10.5** %

ROE: **14.0** %

### Non-financial targets

Overtime hours: **25** h/month[1]

Fulfillment: **71** +[2]

[1] Calculated based on overtime hours (over 7.5 hours). The figure is an average for all employees, including exempt employees and managers.
[2] Surveyed among CUBE SYSTEM's employees using Wevox, an engagement analysis tool provided by Atrae, Inc.

**Net sales composition by business model**

- Digital Business
- SI Business
- System Enhancement Business

Business portfolio model: 4:4:2

**V2026**
Business portfolio 2026 model: 6:3:1

FY Mar. 2021 — 83% / 16% / 1%
FY Mar. 2027 — 60% / 30% / 10%
Long-term target — 40% / 40% / 20%

Net sales per capita: 30 million yen

# Evolution of the Medium- to Long-Term Management Vision

**Second Medium-Term Management Plan** (FY2024-FY2026)

## Vision: Second Founding

## — Solid Fundamentals for Dramatic Growth —

In the Second Medium-Term Plan, we set the basic policy as the "Second Founding: Solid Fundamentals for Dramatic Growth," and will work to build a foundation by emphasizing trust and quality as the basis for new business expansion and overall scale expansion. In addition to the three business models proposed in the First Medium-Term Management Plan, we will accelerate our business growth by promoting specific measures in three business styles: SIer Business and End-User Business which group contract-based businesses according to customer style, and Service Providing Business which is our planning-based business.

### Second Medium-Term Plan Overview

**Maximize corporate value by achieving business activities with solid fundamentals and dramatic growth**

**Improve profitability as a business**

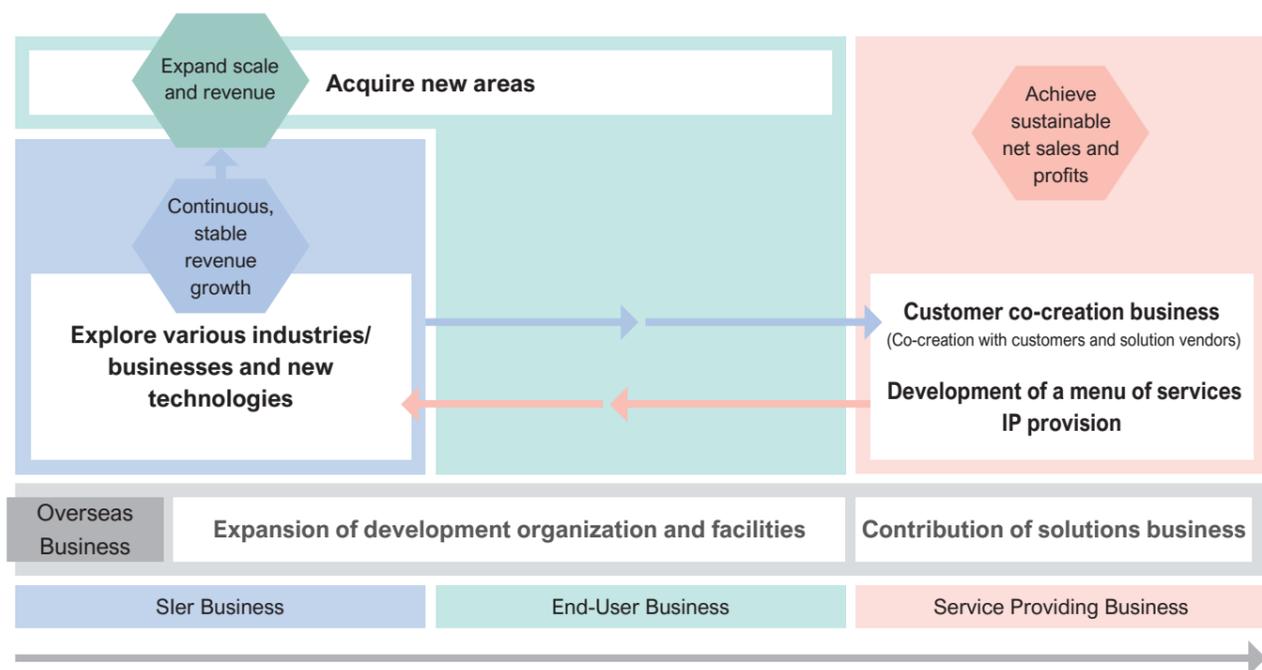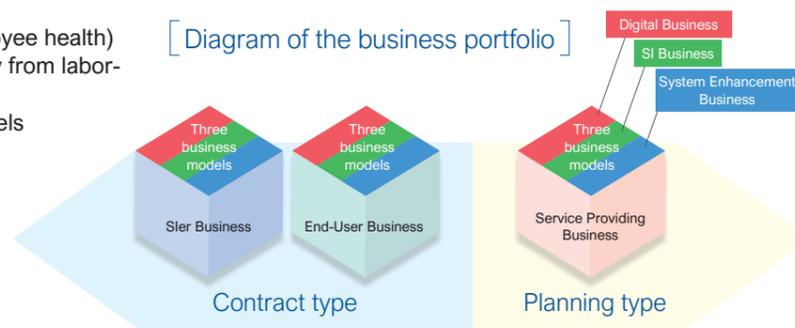**Promote wellbeing management and make the company a fulfilling place for employees to work**

#### Basic Approach

- Wellbeing management (emphasis on employee health)
- Change management's mindset (break away from labor-month business and passivity)
- Take on the challenge of new business models

#### Key Issues

- Shift from partial to total optimization
- Invest aggressively in growth
- Accelerate decision making

[ Diagram of the business portfolio ]

Digital Business
SI Business
System Enhancement Business

Three business models — SIer Business
Three business models — End-User Business
Three business models — Service Providing Business

Contract type | Planning type

Expand scale and revenue — **Acquire new areas**

Continuous, stable revenue growth

**Explore various industries/ businesses and new technologies**

Achieve sustainable net sales and profits

**Customer co-creation business**
(Co-creation with customers and solution vendors)

**Development of a menu of services IP provision**

Overseas Business | Expansion of development organization and facilities | Contribution of solutions business

SIer Business | End-User Business | Service Providing Business

| | First Medium-Term Plan results | Second Medium-Term Plan results | Second Medium-Term Plan target | | |
|---|---|---|---|---|---|
| | FY Mar. 2024 | FY Mar. 2025 | FY Mar. 2026 | FY Mar. 2027 | Compared to FY Mar. 2025 |
| Net sales (billion yen) | 18.02 | 18.35 | 19.5 (6.3% increase from the previous period) | 23.0 (17.9% increase from the previous period) | CAGR 12.0% |
| Digital Business | 0.56 | 0.80 | 1.6 | 2.5 | |
| SI Business | 6.67 | 6.23 | 8.5 | 7.5 | |
| System Enhancement Business | 10.78 | 11.30 | 9.4 | 13.0 | |
| SIer Business | 13.91 | 13.88 | 14.8 | 17.25 | CAGR 11.5% |
| End-User Business | 3.51 | 3.66 | 3.7 | 4.5 | CAGR 10.8% |
| Service Providing Business | 0.59 | 0.80 | 1.0 | 1.25 | CAGR 24.7% |
| Operating profit (billion yen) | 1.53 | 1.38 | 1.75 | 2.41 | CAGR 32.1% |
| Operating margin (%) | 8.5 | 7.5 | 9.0 | 10.5 | +3.0 pt |
| Number of employees (Domestic)(people) | 740 | 775 | 815 | 920 | — |
| Net sales per capita* (million yen) | 24 | 23 | 24 | 25 | — |

* Calculated based on the number of employees (Japan)

## High-Priority Measures

### Business foundation

- Promotion of collaboration
- Reinforcement of development organization and facilities
- Quality enhancement
- Research investment

### Management foundation

- Enhancement of human capital
- Internal control/Governance
- Corporate culture reform

## Results of High-Priority Measures

### Promotion of collaboration

- Advanced ongoing collaborations in one-stop services and new domains
- Conceived of new businesses and process transformation leveraging AI
- Collaborated with solution vendors

### Reinforcement of development organization and facilities

- Strengthened coordination with CUBE SYSTEM VIETNAM CO., LTD. (Promoted offshore initiatives to invite 20% of CUBE SYSTEM VIETNAM's workforce to Japan)
- Office expansion at domestic and international bases (Vietnam, Shinagawa Innovation Hub)

**TOPICS**

#### Opening of the Shinagawa Innovation Hub

The Shinagawa Innovation Hub opened in September 2025 as a new development base.

Alongside a development room accommodating more than 400 workstations, the facility also incorporates meeting and office spaces thoughtfully designed to enhance internal collaboration. Moving forward, we will look to provide value-added services from a comfortable working environment complete with a refreshment area focused on individual relaxation.

**Evolution of the Medium- to Long-Term Management Vision**

## Results of High-Priority Measures

### Quality enhancement

- Quality issues stemmed from the occurrence of projects creating a budget deficit
- Issues with risk assessment on certain small and medium-sized projects

### Research investment

- Develop the components of H•CUBiC (HCA)
- Promote research and development through internal recruitment
- Invest in operational streamlining using generative AI
- Expand the scope of in-house products with a view to enhancing engagement

Reference:
"H•CUBiC Services to provide multifaceted support for human capital management" (October 23, 2024; Press release in Japanese)
https://ssl4.eir-parts.net/doc/2335/tdnet/2512582/00.pdf
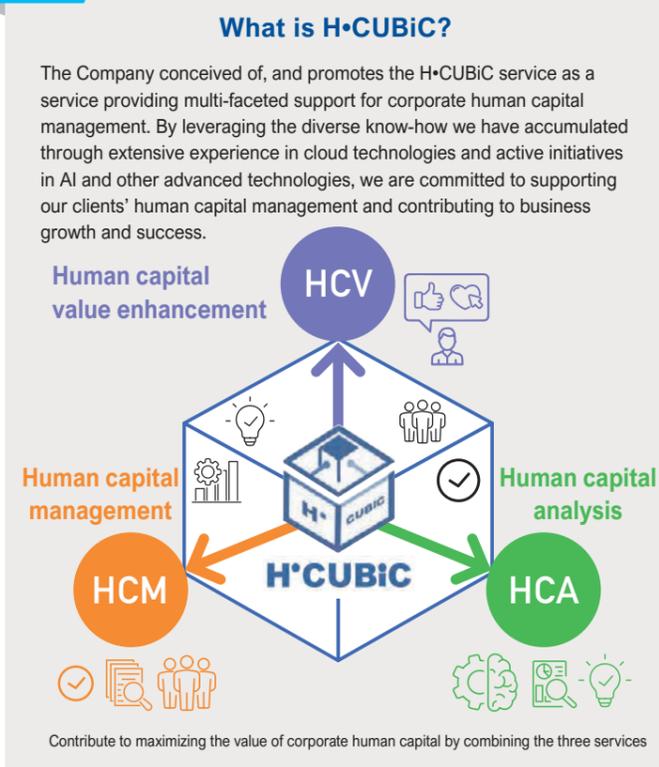
### Enhancement of human capital

- Ongoing new graduate recruitment at a certain scale
- Outcomes from mid-career hiring for professional positions
- Improve employee benefits through the implementation of a new human resources system
- Promote engagement enhancement measures
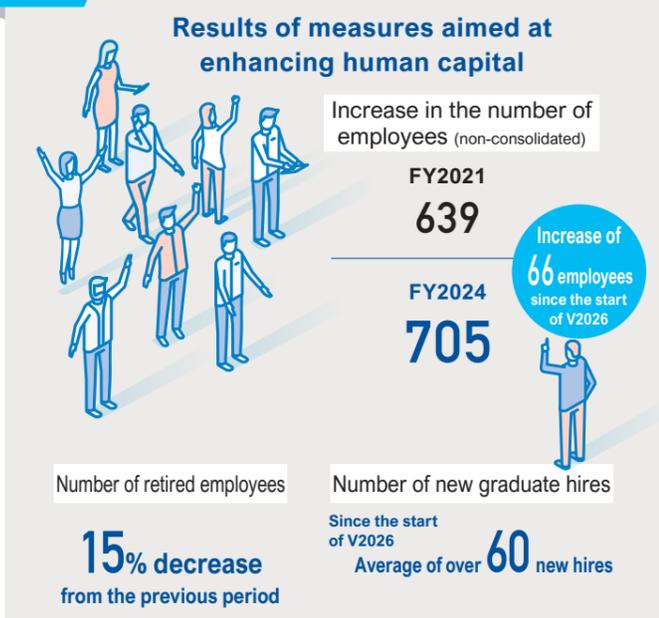- Clarification of employee career fields

### Internal control/Governance

- Despite progress in reducing average overtime, high workloads among certain managerial staff remain a challenge

### Corporate culture reform

- Expand areas of communication and the development environment

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**TOPICS**

### What is H•CUBiC?

The Company conceived of, and promotes the H•CUBiC service as a service providing multi-faceted support for corporate human capital management. By leveraging the diverse know-how we have accumulated through extensive experience in cloud technologies and active initiatives in AI and other advanced technologies, we are committed to supporting our clients' human capital management and contributing to business growth and success.

HCV — Human capital value enhancement
HCM — Human capital management
HCA — Human capital analysis

Contribute to maximizing the value of corporate human capital by combining the three services

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**TOPICS**

### Results of measures aimed at enhancing human capital

Increase in the number of employees (non-consolidated)

FY2021
**639**

FY2024
**705**

Increase of **66** employees since the start of V2026

Number of retired employees
**15** % decrease from the previous period

Number of new graduate hires
Since the start of V2026
Average of over **60** new hires

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# Key Performance Indicators

| | Key performance indicators (KPIs) | First Medium-Term Plan results | FY Mar. 2025 | Second Medium-Term Plan target |
|---|---|---|---|---|
| **Financial** | | | | |
| Capital efficiency | ROE | 10.8% | 12.0% | 14.0% |
| Productivity | Net sales per capita | 24.3 million yen | 23.6 million yen | 25.0 million yen |
| Business model reform | Ratio in net sales | SI Business +4.1 billion yen (Compared to FY2020) | End-user project +0.14 billion yen Services provision +0.21 billion yen | End-user project +1.2 billion yen Services provision +0.5 billion yen |
| Growth potential | Net sales CAGR | 6.8% | — | Approx. 8.5% |
| Profit indicator | Operating margin | 8.5% | 7.5% | 10.5% |
| Shareholder returns | Dividend payout ratio | 49.7% | 47.7% | 50% |
| | DOE | 5.4% | 6.0% | 7.0% |

| | | Key performance indicators (KPIs) | First Medium-Term Plan results | FY Mar. 2025 | Second Medium-Term Plan target |
|---|---|---|---|---|---|
| **Non-financial** | | | | | |
| Diversity promotion | Empowerment of women | Ratio of female employees in manager posts | 10.3% | 9.8% | 15.0% |
| | | Ratio of women among assistant managers | 18.6% | 20.0% | 30.0% |
| | Gender gap in wages[1] | All workers | 85.7% | 85.2% | — |
| | | Regular workers | 85.8% | 85.6% | — |
| | | Part-time/temporary workers | 84.5% | 73.9% | — |
| Workstyle reform | Work-life balance | Overtime hours (monthly average)[2] | 33.6 h | 30.4 h | 25 h |
| | | Ratio of employees taking annual paid leave | 71.3% | 77.0% | 70% |
| | | Ratio of male employees taking childcare leave | 64.7% | 90.9% | 70% |
| | Health and productivity management | Education and encouragement of all employees for health | — | — | — |
| | | Ratio of highly stressed employees | 15.2% | 13.2% | 10% or less |
| | Engagement | Ratio of employees with work fulfillment (Wevox score) | Fulfillment: 64 | Fulfillment: 61 | Fulfillment: 71+ |
| | | Engagement (Wevox score) | Relationships: 75 Organizational culture: 71 | Relationships: 73 Organizational culture: 69 | Relationships: 80 Organizational culture: 80 |
| Human resources development | | Ratio of employees taking IT skills training | 96.3% | 93.0% | 100% |
| | | Promoting qualifications (Advanced/Applied Information/AWS/ Oracle Cloud)[3] | Advanced — Applied Information 18.6% AWS 4.0% Oracle Cloud 3.4% | Advanced 5.1% Applied Information 18.0% AWS 4.6% Oracle Cloud 2.9% | Advanced 10% Applied Information 25% AWS 10% Oracle Cloud 10% |
| | | Days of education/ training per employee (including self-development) | 5.5 days/year | 12 days/year | 10 days/year |
| Environment | | GHG emission targets (Scopes 1, 2, 3) (Base year: FY2020)[4] | Scope 1, 2: 237 t-$CO_2$ Scope 3: 5,398 t-$CO_2$ | Scope 1, 2: 118 t-$CO_2$ Scope 3: 3,963 t-$CO_2$ | Scope 1, 2: 227 t-$CO_2$ Scope 3: 4,004 t-$CO_2$ |

[1] While internal parity is maintained across equivalent positions, the Company is actively working to correct broader disparities under the Act on Promotion of Women's Participation and Advancement in the Workplace.
[2] Calculated based on overtime hours (over 7.5 hours). The figure is an average for all employees, including exempt employees and managers.
[3] Applied Information Technology Engineer Examination (AP), Amazon Web Services (AWS) Certification (Professional level), and Oracle Cloud Infrastructure Certifications.
[4] Scope 3 covers only Category 1 (purchased products and services).

# Business Strategy Roundtable Discussion

`SIer Business`   `End-User Business`   `Service Providing Business`

## Building a high-profit business portfolio by integrating our three business styles

Under our Second Medium-Term Management Plan "VISION 2026" (FY2024–FY2026), we are promoting three business styles developed through refinements to our business model in the First Medium-Term Management Plan (FY2020–FY2023) as we pursue dramatic growth. Each of the three business line heads articulates their respective strategies, outlooks, and perspectives on cross-functional collaboration.

**Daiki Wakamatsu**
Managing Executive Officer,
SIer Business Coordinator

**Shin Kanai**
Managing Executive Officer,
End-User Business Coordinator

**Koji Aihara**
Managing Executive Officer,
Service Providing Business Coordinator

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### What strengths do the three business lines leverage in their operations?

`Wakamatsu` Partnering with leading systems integrators to meet customers' needs, the SIer Business is core infrastructure that comprises a significant part of the company as a whole. By working closely with major system integrators, we have acquired expertise and technologies across a wide range of industries, enabling us to jointly generate new forms of value.

`Kanai` In our End-User Business, which involves direct business transactions with user companies, we aim to craft tailored, highly optimized solutions by gaining a deep understanding of their operational needs and challenges through close engagement. Rather than limiting ourselves to system development and deployment, we remain committed to proposing truly valuable solutions that take a holistic view of our clients' business operations.

### Net sales by business style

(million yen)

- SIer Business
- End-User Business
- Service Providing Business

| | FY Mar. 2024 | FY Mar. 2025 | YoY |
|---|---|---|---|
| SIer Business | 13,913 | 13,885 | -0.2% |
| End-User Business | 3,516 | 3,662 | +4.2% |
| Service Providing Business | 590 | 803 | +36.0% |
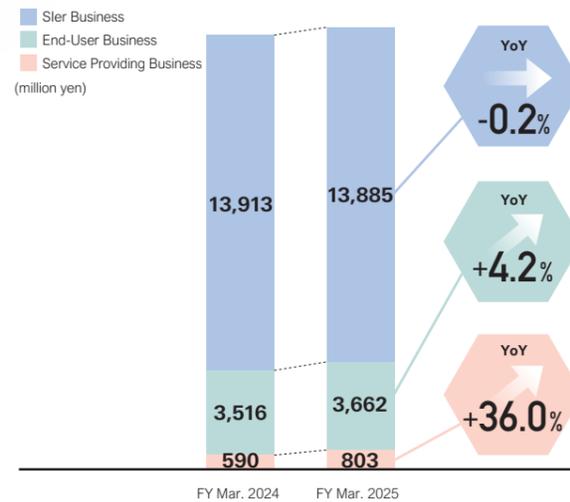
Drawing the competencies refined through collaborations with systems integrators, we are actively pursuing new direct contracts in our core domains, namely finance, distribution, and manufacturing.

`Aihara` In our Service Providing Business, we focus on technology services specializing in cloud-based technologies anchored by Oracle Cloud, alongside initiatives for new business development. Specifically, we are developing our in-house product H•CUBiC, which is designed to offer comprehensive, multifaceted support for human capital management, a key challenge for many enterprises. While still in the conceptual stage, a PoC (proof of concept) has been launched, and it is shaping up to become a service model with a unique value proposition only we can provide.

### Please describe the current status of the business, and the hurdles that remain in reaching the goals of the Second Medium-Term Management Plan.

`Wakamatsu` In FY2024, the SIer Business fell short of initial performance expectations, particularly in terms of net sales. Upon reflection, we were unable to effectively communicate the true value of the company's offerings to customers. Having said that, we have a strong sense that we made steady progress in terms of future-oriented initiatives and reinforcing the core strengths of our engineering group. We feel that meeting the targets of the Second Medium-Term Management Plan will require even greater technological capabilities and agility in serving the increasingly sophisticated and diverse needs of our customers. To realize a co-creation and collaboration model with our customers, we focus on closely evaluating how well our proposals match their needs and shape them with deliberate care. We are committed to refining our engineering capabilities and the talent behind it, steadily building a track record of achievements.

`Kanai` In FY2024, the End-User Business was able to exceed its net sales targets. However, despite the strategic importance we place on cultivating new customer relationships and deepening existing ones, we feel progress in these areas has fallen short of expectations. While we will continue to reliably execute projects for existing clients, we recognize the need to intensify efforts to capture a new customer base that will support future growth. In a more intensely competitive landscape, we are working to strengthen our ability to clearly communicate our value to existing customers by improving both our pitch materials and presentation delivery. To broaden our reach in acquiring new

customers, we are bolstering partnerships and referral networks with systems integrator partners and industry peers. While we have extensive front-line experience from collaborations with major systems integrator partners, we recognize the need to deepen that experience in proposing solutions and securing contracts directly with end clients. We have begun developing a structured

sales framework to boost our effectiveness in proposing and closing deals with end clients.

`Aihara` Our Service Providing Business exceeded the plan in terms of net sales as well, achieving robust growth in our technical consulting service anchored by Oracle Cloud. Conversely, the new business models expected to emerge from the Service Providing Business are only now beginning to take shape. We aim to deliver solid short-term profitability while remaining committed to pushing through initiatives that will generate long-term value. Transitioning from our traditional contract-based approach to a proprietary service model is a new

challenge for us, and it brings with it a host of challenges. Of the various challenges we face, we believe the most critical ones lie in balancing technical responsiveness and speed in the shift toward a service-driven model. With new services come shifts in contract models, support frameworks, and sales operations, prompting us to simultaneously work on organizational formation and the development of a robust service delivery infrastructure.

**How will the three business lines integrate to drive corporate growth moving forward?**

Wakamatsu The SIer Business plays a key role in translating the technical expertise and know-how gained from collaborative projects with systems integrators into value creation for the entire company. We tackle new domains together with our systems integrator partners. In other words, by "watering" the "seeds" of growth, we envision blossoming flowers among the fields of other businesses. Specifically, we are extending the benefits of our AI-driven automated ordering system, developed in collaboration with a systems integrator for a major retailer, to clients in our End-User Business. In addition, we are exploring plans to scale this into a more refined service model for broader deployment as part of our Service Providing Business.

Kanai There are other instances where our SIer Business has driven tangible value creation in the End-User Business. One example is our engagement with a home improvement center, which originally began as part of a collaboration with a systems integrator. Over years of building trust, ownership of projects was transferred and we now provide direct support to the client. In addition, collaborations between the End-User Business and the Service Providing Business are picking up. For example, interest in OCI (Oracle Cloud Infrastructure) services provided by our Service Providing Business has led to active business negotiations.

Aihara In addition, we are seeing a growing number of cases where end users are leveraging our cloud-related technical capabilities through systems integrators to meet their adoption needs. We are also seeing expanded opportunities to offer our cloud services to clients in the End-User Business segment. Our technical consulting service specializing in OCI serves as an axis for collaboration between the three business lines.

Kanai To achieve greater collaboration between the three business lines, it is essential to share objectives and strategically allocate the right people in the right roles. A key challenge moving forward is to systematize approaches for cultivating mid-career and leadership talent essential for driving project management and business execution.

Wakamatsu CUBE SYSTEM views human capital as the foundation of the company's growth, and we continue to proactively invest resources into this area. We recognize the importance of proactively fostering mid-career and leadership talent to foster further growth across our three business lines, and are committed to acting as the driving force in advancing these efforts.

**Could you tell us a bit about your outlook for the future and your value creation moving forward?**

Wakamatsu As IT investment continues to grow across society, interest and demand for the SIer Business are increasing. Our role is evolving into that of an end-to-end partner, supporting clients across the entire workflow from early-stage systemization planning to design, development, and operations, reflecting a growing demand for our participation in upstream processes where we previously had limited involvement. Leveraging our engineering capabilities and unwavering determination to see things through, we are committed to continually raising the bar to address customer needs.
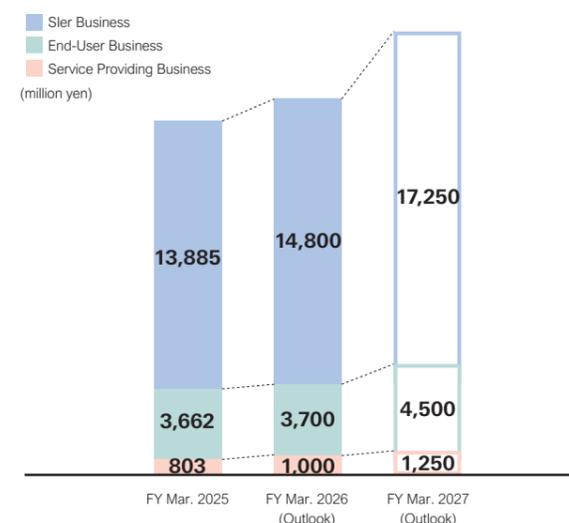
Kanai The End-User Business is currently in charge of around 20 client companies and has been awarded the Customer Satisfaction Excellence Award from the AEON Group. This is a reflection of the high level of acclaim and trust we have garnered as a key partner facilitating the enhancement of corporate value. The true value of this business stems from our ability to develop a deep understanding of a customer's business, and to formulate solutions that remain one step ahead of where the customer is heading. Our goal is to leverage original IT capabilities to support client growth, while ultimately delivering meaningful value to society and Japan as a whole.

Aihara The Service Providing Business is at the forefront of the Company's ongoing transformation in its business model. First, we are committed to the successful launch of

H•CUBiC, a service developed in-house, while deepening partnerships with key technology providers such as Oracle Corporation to drive expansion of our business scale. Across all our services, we are committed to creating businesses that deliver both strong economic and social value by striking a balance between establishing high-profit business models and addressing social issues, inspiring a compelling sense of potential that resonates with stakeholders.

Kanai In addition to driving their own profitability, the three business lines are expected to play a key role in shaping our new business portfolio. As leaders, we are committed to strengthening collaborations across the three business lines and, in doing so, we aim to drive a transformative shift that lives up to the "Second Founding" envisioned in the Second Medium-Term Management Plan.

## Second Medium-Term Plan sales outlook



Legend:
- SIer Business
- End-User Business
- Service Providing Business

(million yen)

| | FY Mar. 2025 | FY Mar. 2026 (Outlook) | FY Mar. 2027 (Outlook) |
|---|---|---|---|
| SIer Business | 13,885 | 14,800 | 17,250 |
| End-User Business | 3,662 | 3,700 | 4,500 |
| Service Providing Business | 803 | 1,000 | 1,250 |

## Summary of each initiative

### SIer Business

- Expansion of areas through one-stop services
- Returning to collaboration with Japanese contractors
- Leverage generative AI and implement other new initiatives aimed at boosting productivity
- Establish and increase orders received in relation to modernization collaborations

### End-User Business

- Deeper engagement on projects with existing customers
- RM (relationship management) and strengthening proposal capabilities to acquire new customers

### Service Providing Business

- Promote collaborations with cloud vendors
- Implement the H•CUBiC* service at individual clients
- Create new services to capture new customers

# Business Strategy

We will provide a detailed overview of the Company's three business styles: SIer Business and End-User Business, which group contract-based businesses according to customer style, and Service Providing Business, which is our planning-based business. This provides a look at the initiatives the Company has put in place to promote well-being management and make the Company a fulfilling place for employees to work with a focus on engagement.

## SIer Business

### Stable growth through contract development projects from large-scale systems integrators

This business style is centered around contract development projects from large-scale systems integrators. Currently, this field accounts for around 80% of total net sales, and is defined by the large number of ongoing projects underway in parallel. In this area, we pursue business expansion in consistent and stable markets; transformations toward high-profit, high value-added business models; and shifting toward areas with greater social contribution.

**Net sales** (million yen)

13,913 — FY Mar. 2024
13,885 — FY Mar. 2025

**Operating profit** (million yen)

1,116 — FY Mar. 2024
1,045 — FY Mar. 2025

#### Current state and future of the SIer Business

**Major initiatives in FY2024**
- Advanced ongoing collaborations in one-stop services and new domains
- Conceived of new businesses and process transformation leveraging AI

**Objectives for FY2025**
- Expansion of areas through one-stop services
- Returning to collaboration with Japanese contractors
- Leverage generative AI and implement other new initiatives aimed at boosting productivity
- Establish and increase orders received in relation to modernization collaborations

## End-User Business

### Expand scale and revenue with direct business transactions through customer acquisition

This business style primarily focuses on transactions with customers and IT subsidiaries. This area was also established as a business style within the Second Medium-Term Plan. By broadening areas of engagement with existing prime customers and applying a planning type approach to new customers, we are pursuing a dual-pillar strategy of generating net sales by focusing on individual customers (existing businesses) and contributing to society through a business approach that emphasizes co-creation with customers.

**Net sales** (million yen)

3,516 — FY Mar. 2024
3,662 — FY Mar. 2025

**Operating profit** (million yen)

348 — FY Mar. 2024
283 — FY Mar. 2025

#### Current state and future of the End-User Business

**Major initiatives in FY2024**
- Theme development in existing End-User areas

**Objectives for FY2025**
- Deeper engagement on projects with existing prime customers
- Relationship management and strengthening proposal capabilities to acquire new customers

## Service Providing Business

### Development of know-how driven solution services and co-creation efforts with solution vendors

This business style focuses on promoting planning-based businesses originating from the Company. We aim to expand in two key areas: Technology Solutions, developed in partnership with solution vendors like Oracle Cloud, and Business Solutions, which deliver proprietary products and consulting services.

**Net sales** (million yen)

590 — FY Mar. 2024
803 — FY Mar. 2025

**Operating profit** (million yen)

70 — FY Mar. 2024
51 — FY Mar. 2025

#### Current state and future of the Service Providing Business

**Major initiatives in FY2024**
- Developed the component services making up H•CUBiC
- Collaborated with solution vendors

**Objectives for FY2025**
- Promote collaborations with cloud vendors
- Implement the H•CUBiC service at individual clients
- Create new services to capture new customers

## Non-financial initiatives

### Promote survey-driven engagement enhancement measures

The Company outlined "Promote wellbeing management and make the company a fulfilling place for employees to work" as a key issue in the Second Medium-Term Plan, and began conducting engagement surveys in April 2024 using Wevox from Atrae, Inc. In addition to implementing the survey, we established the Engagement Enhancement Committee with a view to fostering information sharing company-wide, and implementing practical measures in line with this.

#### Initiatives toward enhancing engagement

**Engagement Enhancement Committee**

Follow-up on survey results and reviews of Company-wide engagement initiatives

**Engagemate\* activities**

Establishment and implementation of a department-level engagement promotion officer

**Joint research with university professors**

Guidance and implementation support for engagement initiatives within the Company

\* Engagemate is the name given to persons in charge of promoting engagement at a department level.

We have adopted a bottom-up approach to promoting engagement enhancement. For example, we prepare and implement plans of action in line with department-level issues referred to as "happy sets" on a per-department basis, and use blogs to foster and instill a sense of engagement.



産業SS1部
ハッピーセット
2024

Happy set