The Six Forms of Capital Forming the Foundation for Value Creation

	Management capital	Strengths	Initiatives
Human Capital	**Total number of employees (consolidated)** **918** **Ratio of female employees in manager posts** **9.8%**	● Solutions professional ● Ability to respond to customer needs and propose solutions	● Human resources recruitment and training ● Providing opportunities for growth and initiatives to boost motivation ● Developing an environment that facilitates the active participation of diverse human resources
Intellectual Capital	**R&D expenses** **98 million yen** **Business partnerships** **3**	● Collaborations with solution vendors ● Knowledge of a broad range of industries	● Development of Solutions Leveraging DX and AI ● Profitability of solutions
Manufacturing Capital	**Domestic bases** **5 bases** **Overseas bases** **2 bases** * Including subsidiaries	● Nearshore & offshore human resource structure ● Quality control system for high quality manufacturing	● Framework-based quality control ● Review of the quality control system based on scale and complexity
Social and Relationship Capital	**Length of continuous business transactions (end users)** **More than 15 years:** **18 companies** **More than 10 years:** **29 companies**	● Customer base built on long-term, solid mutual trust ● Reinforced collaboration with diverse subcontractors	● Dialog with stakeholders ● Initiatives for improving customer satisfaction
Natural Capital	**Energy consumption** **687,355 kWh**	● Environmentally-friendly business activities ● Efficient manufacturing	● Endorsement of the TCFD and information disclosure ● Reduction in GHG emissions
Financial Capital	**Total net assets** **10.8 billion yen** **ROE** **12.0%**	● Sound and secure financial structure ● Continuous revenue growth	● Disclosure of specific cash allocation policies ● Initiatives aimed at creating shareholder value

Human Capital
(Human Resources Development)
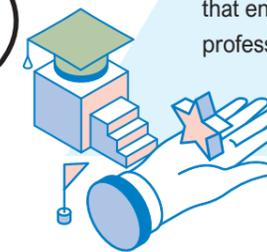
One of our management foundations is our human resources. We place importance on creating systems and environments that enable each employee to thrive as part of our diverse, professional human resources.

Our Approach Toward Human Resources

In order for the company and its employees to grow together, we have established a Human Resources Policy that defines the vision of what our employees should strive for. We will achieve a higher level of social contribution by respecting each other, creating our own business, providing high quality services to our customers, and growing as corporate members.

Human Resources Policy

Continue to be a company where each and every employee is **healthy** in mind and body and can work with **a sense of fulfillment** in their jobs	Support social reform by **demonstrating diverse abilities** and **personalities** and working as **professionals**	Employees and the company **grow** together by taking on the **challenge** of creating new value, and share in the results

Recruitment

We actively hire employees who have acquired comprehensive capabilities, including IT skills as well as human and management skills, and who are capable of solving our customers' problems.

New graduate recruitment
With regard to new graduate recruitment, we conduct our recruiting activities with a focus on helping students understand the work of SE. In addition to online seminars, we also hold open company events, one-day work experiences, and five-day internships. The five-day internship, which aims to deepen understanding of the system development process from upstream to downstream and the necessary skills and ways of thinking, has been highly praised by the students who participated.

Mid-career hiring
When it comes to mid-career hiring, we actively hire not only people with experience as systems engineers, but also those without experience. By having our staff members take an active role in utilizing their various expertise, we are revitalizing our organization and contributing to our customers' business reform.

Human resources system

We view our human resources system as something that connects employees with the company, which serves as the foundation of the company. In April 2024, we introduced a new human resources system to support and accelerate the cycle in

which the company provides an environment where employees can grow, and where employees can contribute to society and stakeholders while developing their own careers.

Human resources system concept

Can recognize growth	Can achieve results	Can choose according to abilities

Human resources system framework

Four position levels and expected roles and abilities

Professional position	Role Grade system		Organizational manager	Role Grade system
EX	Expert		GD	Division director
SP	Senior professional		GM	Deputy division director/ department manager
PR	Professional		MG	Deputy department manager/ section manager

Leadership position	Role Grade system
LD	Unit manager (assistant manager level)

Career development position	Skill Grade system
AS	Project leader/IT specialist (senior staff level) Associate

Human resource career plan
Our career plan has four position levels. Career development positions require employees to gain the experience necessary to achieve goals, to learn and develop their own skills, and to take responsibility for achieving the goals they set for themselves. Leadership positions are the entry level for professional positions and organizational managers, and involve contributing to the achievement of organizational missions and project plans by honing one's own expertise and assisting in organizational management with an eye toward the next step in their own career. Professional positions and organizational managers, as supervisory positions, require a medium- to long-term, company-wide perspective, and those in these positions need to work together with management to take responsibility for company-wide reform and target achievement. In particular, those in professional positions are responsible for creating new value by leveraging the intellectual value they possess and executing high-stakes projects, while organizational managers are responsible for achieving the business plan and fulfilling the mission of maintaining and developing the organization. By reflecting individual aspirations in their career paths, we provide a career path that allows each individual to continue growing at any position level.

Human Capital (Human Resources Development)

Human Resources Development

Efforts in human resources development

To achieve our Medium- to Long-Term Management Plan VISION 2026, we have set forth four key objectives for human resources development.

With these in mind, we are working to develop human resources over the medium to long term.

Key objectives for human resources development

1 Establish human resource portfolio targets	**2** Establish human resources development scheme (structure and system)
3 Establish training support to help employees' growth	**4** Create a corporate culture that values human resources development

Definition of human resources

Professional IT talent

Leverage IT skills and customer knowledge to solve corporate challenges

Corporate talent

Support for business operations management, and management foundations

Organizational management talent

Achieve company targets as the person responsible within the organization

Prior efforts in human resources development

Corporate actions	Initiatives
<VISION 2026> First Medium-Term Plan ● Business model creation (Digital, SI, System Enhancement)	**FY2021** **Definition and introduction of career fields** ● Visualization of the development cycle through a combination of OJT × Off-JT × self-development **FY2022** **Creation of Human Resources Development Guidelines** **Development of the human resources development program** ● Systemization of IT training based on basic skills and job level training **Professional IT talent** ● Visualization of skills ● Implementation of the internal certification system **FY2023** **Corporate talent** ● Visualization of skills
Second Medium-Term Plan ● Creation of business styles (SIer, End-User, Service Providing) ● Revisions to the human resources system	**FY2024** **Redefinition of career fields in line with the Second Medium-Term Plan** **Development of the human resources development program** ● Implementation of basic CS skills training ● Commenced autonomous learning support **FY2025-2026** **Fostering a culture of development within the organization**

Defining career fields

The career field is a framework for human resources development and for indicating roles and opportunities within the company where employees can thrive. In order to better picture the type of human resources that are expected, all career fields are defined by three factors: the expected work results, job scope/duties and work experience/performance. Each employee sets their goals according to their career fields. Working toward these set goals should develop the employees and increase their human value.

Expected work results	Evaluation of work performance levels
Job scope/duties	Work fields/experience
Work experience/ performance	Acquisition of qualifications Skills assessment Project results

Internal certification system

We have established an internal certification system that designates mid-career human resources who demonstrate both proven achievements and hold advanced certifications as "Level 4-certified" professionals. We have also established development plans for each division, with Level 4 certifications granted to 19 personnel initially in 2019, a number which has now grown to 42 as of July 2025.

Career fields

Employees envision their future based on their career field and proactively shape their own career paths.
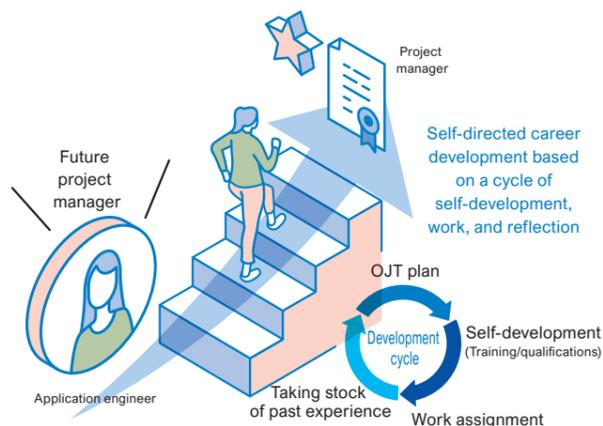
Human resources development policy

We view human resources as the foundation driving sustainable growth and corporate value enhancement. To that end, we promote progressive skill development through planned, stage-based OJT, alongside systematic knowledge consolidation and targeted off-the-job training (Off-JT) programs to foster deeper expertise.

We are committed to creating a workplace that facilitates

each individual's self-directed development and inspires a spirit of challenge and growth.

Professional IT talent

We build deep domain expertise by promoting skill development grounded in technological trends and practical experience, supported by planned OJT and ongoing technical training.

Developing professional IT talent

[Development concept]

Corporate talent

We cultivate professional human resources across sectors such as management, human resources, and accounting by first acquiring a wide range of fundamental business skills, followed by efforts to advance their specialization in stages.

[Development concept]

Training

In order to adapt to changes in the environment, we support the growth of our employees using four types of education. By implementing training in an appropriate format according to the purpose and content of the training, we increase the

effectiveness of the training and foster a corporate culture that encourages employees to continue to learn on their own initiative. The number of days of education/training per person in FY2024 was 12.

Non-financial results (FY2024)

Professional training	**Basic skills** Acquisition of basic technical skills expected of IT- and CS-related human resources	
	Breakdown by theme Acquisition of thematic technical skills according to career fields	
Job level training	**Breakdown by year** Acquisition of the necessary skills and mindset based on the roles to be played at each level and the expectations of the Company	
Autonomous learning support	**e-learning/support for professional certifications** Provision of an environment where each employee can aspire, envision who they want to be, and learn on their own initiative	

New employee training

In FY2025 we introduced a framework in which experienced team members in development actively participate in training new employees. This has helped alleviate new employee concerns and strengthen their sense of connection to the organization. It also benefits senior employees by enhancing their mentoring abilities and fostering an interest in onboarding others, even before they assume the responsibilities of a unit manager. This initiative has worked to support growth and foster a corporate culture that encourages development.

Support for qualifications

To provide training and edification for our employees, we offer subsidies to gain certification in areas related to the company's business operations and pay their certification examination fees.

Number of qualified employees (as of April 2025)

Information processing	Basic IT engineers	443
	Applied IT engineers	143
	Other information processing engineers	40
	Oracle database	268
	Scrum	11
	Oracle Cloud	84
	Other Oracle certifications (JavaSE/EE, PL/SQL, Solaris, etc.)	154
	Operations management (ITIL V3 Foundation Certificate IT Service Management, etc.)	65
	FUJITSU middleware master	178
	JDLA Deep Learning For GENERAL	67
	JDLA Deep Learning For ENGINEER	10
Customer businesses	Retail Marketing Certification (Grades 2 and 3)	105 in total
	Financial Planner (Grades 2 and 3)	38 in total
	Sales Representative Qualification (Class 1 and Class 2)	10 in total

Human Capital
(Diversity and Inclusion)

We regard diversity as materiality. We are tackling in particular the issues on empowerment of women, employing persons with disabilities and improving work fulfillment as ways to meet the expectations of a wide range of stakeholders and raise our corporate value.

Basic Approach

We are working to upgrade our systems, programs and work environment and to implement awareness reforms that enable our diverse human resources to work and grow in ways suited to their respective conditions, founded on mutual recognition and respect regardless of gender, age, nationality, social status, disability or values. We are focused in particular on empowerment of women, considering the significant number of female employees in our company, and we believe it is vital to our business growth and future development.

Under our Medium- to Long-Term Management Plan VISION 2026 mission statement, Communication & Mutual Respect, we are creating an environment where women and other employees with diverse backgrounds can come together and work together, and promoting the recruitment and development of talented employees to enhance our corporate value.

Promoting the Empowerment of Women

Empowerment of women is an important management indicator in our Medium-Term Management Plan and our business plan for the current fiscal year and we have implemented various measures to increase diversity. Specifically, the President and COO works to communicate messages on diversity, empowerment of women, and work styles. Through these activities, we plan to resolve issues to make handling both work and family easier. We also support our female employees in developing their careers—ultimately to bring an increase in the ratio of women in managerial posts.

TOPICS

Ratio of male employees taking childcare leave

Our promotion of diverse work styles has spurred an increase in the number of male employees taking childcare leave. Many of our employees are raising children, and the ratio of employees with children taking childcare leave in FY2024 reached around 90%. Moving forward, we will continue to develop programs and mechanisms to ensure that a diverse workforce can continue to thrive.

Establishment of the Business Support Group

In FY2022, a business support team (presently Business Support Group) was formed consisting of persons with disabilities and dedicated follow-up members. The mission of the Business Support Group is to increase the employment of disabled persons and improve their working conditions, to create a work environment in which each person is able to demonstrate their abilities and find fulfillment in their work. In addition, by having employees with disabilities take on tasks that contribute to the company according to their individual characteristics, we are creating job satisfaction and improving their engagement.

Business description

- PMO support
- Internal system monitoring
- Internal improvement activities using kintone, RPA, etc.
- PC kitting
- Internal administrative tasks (responding to internal surveys, preparing business cards, mail sorting, etc.)
- Communicating Business Support Group initiatives internally
- Holding training focusing on how to engage with Group members in operational contexts

Special needs school instructor

Since April 2023, the company has been teaching classes at Tokyo Metropolitan Eifuku School, as a specially-appointed professional instructor. In FY2024, we held classes on how to operate a PC, information security, and creating and presenting presentation materials.

Human Capital
(Health and Productivity Management)

Under the company's management philosophy that "companies thrive through the support of various people," we have implemented activities to build an environment and systems that allow diverse human resources to demonstrate their potential, aiming at management that supports their wellbeing.

Approach to Health and Productivity Management

The CUBE SYSTEM Group and its employees are working in concert to develop the spirit (human capabilities), techniques (knowledge, technology and skills) and the body (mental and physical health). We believe that the sound health of each and every employee is vitally important for the sustainable growth of our Group. We are implementing this belief based on the conviction that Health and Productivity Management is an essential policy for good employee health.

Health and Productivity Management Policy

For sustainable business growth and medium- to long-term promotion of our corporate value, we are implementing initiatives on the health and productivity management designed to improve the mental and physical health of our employees and to create a better workplace.

Certified as a 2025 Outstanding Organization of KENKO Investment for Health

Following 2024, we were selected for the 2025 Outstanding Organizations of KENKO Investment for Health Recognition Program organized jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This is a program that recognizes outstanding performance in health and productivity management, based on efforts to address regional health issues and health-related challenges promoted by Nippon Kenko Kaigi. We will continue to implement initiatives to create a better work environment for our employees that will support their mental and physical health.

健康経営優良法人 2025
KENKO Investment for Health
大規模法人部門

Developing Diverse Human Resources through IT

More lively communication

Workstyle diversification, such as absence of personal contact and diversification of work sites, brings many communication issues. To ensure that each employee understands our business management and VISION 2026 and to encourage their active participation in our business, we organized meetings to provide all employees with opportunities for *Katarou-kai* with the President. Our Smile Share Products are designed to foster greater engagement among employees in this age of the new normal and closer communication.

CUBE SYSTEM's Smile Share Products
https://www.cubesystem.co.jp/en/service/smile/

Workstyle reform

We believe that creating an environment in which employees can maintain good physical and mental health results in optimal work performance to support customers and therefore we established the Work Style Reform Committee in 2017, and are working to optimize working hours and improve productivity.

Engagement activities

In FY2023, we established the Engagement Enhancement Committee with the aim of planning and promoting measures to strengthen engagement and promoting the use of Smile Share Products.

We conduct engagement surveys using Wevox*. Based on the data, the Engagement Enhancement Committee leads the review and promotion of wellbeing management and engagement improvement measures.

* Engagement analysis tool provided by Atrae, Inc.

Intellectual Capital
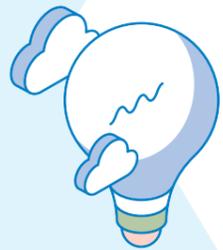
Research and development are essential for the growth of our group. The areas of research and development include the cloud, AI, and blockchain technologies. In particular, our demonstration experiment of DX technology is showing certain results.

Approach to Research and Development

Our R&D activities are categorized into Fundamental R&D and Developmental R&D. Fundamental R&D is research required for the development and improvement of the business foundation from the medium-term viewpoint. This includes research on the latest information technologies (ITs) and their feasibility investigation. Developmental R&D covers research to make various ITs market-ready—such as commercialization of new services, renovation of businesses, and reform of production methods, aiming at monetization or utilization in a business after completing R&D.

Smile Share Products

The COVID-19 pandemic triggered diversification in working styles; however, the lack of communication has made some people feel anxious and they may find it difficult to stay motivated. We have developed a unique solution to this social issue with our Smile Share Products, which use IT to resolve issues with employee engagement and noncontact communication in the new era of teleworking.

More about Smile Share Products
https://www.cubesystem.co.jp/en/service/smile/
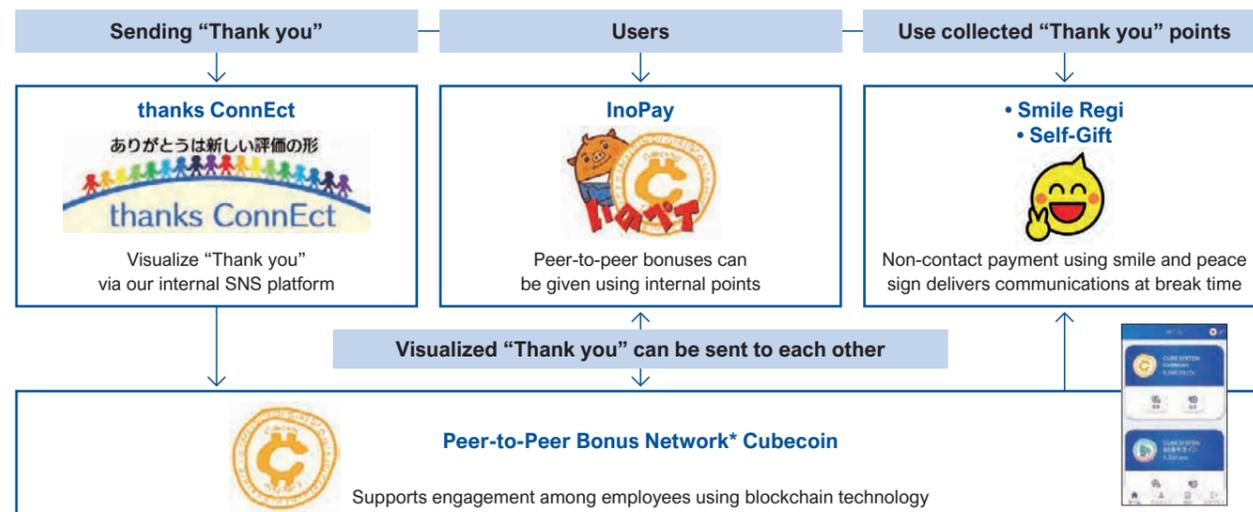
Patent granted for contactless AI facial recognition system

In February 2021, we obtained a patent for our touchless payment service that uses an AI-based facial recognition system. This technology is used in our own non-contact payment service, Smile Regi, which is "a series of input system/program and methods to make payments by recognizing the face of the user and a specific payment gesture."

Function expansion of internal cryptocurrency

We added a self-gift function to an e-gift exchange service, combining the digital gift service "giftee for Business," provided by giftee Inc., and our own internal cryptocurrency, Cubecoin. These benefits can be accessed anywhere, with around 50% of employees using the service in FY2024.

Improving wellbeing

We have implemented a system for earning Cubecoins by exchanging a "Like!" using the communication tools employed internally.
    Our Smile Share Products can be utilized as a non-financial value platform to foster internal communication and contribute to our employees' wellbeing, and in the future we will look to deploy these products as services helping our customers overcome the challenges facing their business.

Smile Share Products

Sending "Thank you"	Users	Use collected "Thank you" points
thanks ConnEct ありがとうは新しい評価の形 thanks ConnEct Visualize "Thank you" via our internal SNS platform	**InoPay** Peer-to-peer bonuses can be given using internal points	**• Smile Regi** **• Self-Gift** Non-contact payment using smile and peace sign delivers communications at break time

Visualized "Thank you" can be sent to each other

Peer-to-Peer Bonus Network* Cubecoin
Supports engagement among employees using blockchain technology

* Peer-to-Peer Bonus Network: A network through which colleagues can send their appreciation to each other as cryptocurrency to provide work support or advice received, or study group and social contribution efforts.

Promotion of Research and Development

We conduct groupwide research and development of cloud solutions, AI, and blockchain for new business development and internal implementation of new technologies. We are currently surveying and assessing SaaS-related technologies and developing solutions that can be adopted into our services. The investment amount in FY2024 reached 98 million yen.

InCUBEator

InCUBEator

Chat   Image generation

Regulations and guidelines
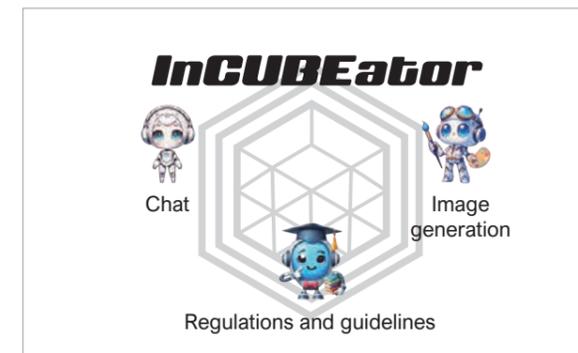
In recent years, technology for large-scale language models such as GPT has improved dramatically, and conversational AI in particular has become increasingly popular. Leveraging the know-how we have cultivated in our business, we have developed a conversational AI app called InCUBEator that utilizes a large-scale language model, and introduced it within the company. It is designed to reference company regulations and guidelines, utilizing technology that combines search functionality with generative AI. To safeguard internal data, we have customized the system for use in an isolated environment inaccessible from outside the company, and it is now deployed in live development workflows.
    In addition, it is also used to provide services to customers, and as a tool tied to operational reform efforts.
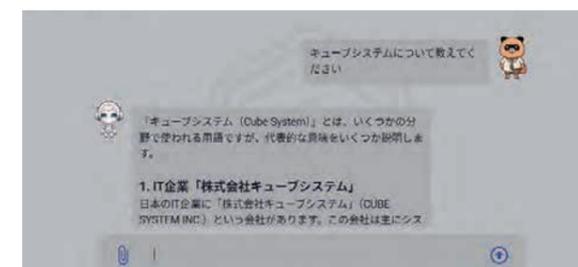
Screenshot

Partnerships with Solution Vendors

Business and capital alliance with TRIPLEIZE CO., LTD.

In August 2018, we concluded an agreement for a business and capital alliance with TRIPLEIZE CO., LTD. TRIPLEIZE specializes in AI image recognition technology and provides a range of AI platforms. We are accelerating our business expansion through joint research and development towards the creation of new DX-based businesses and promoting DX-related human resources development through joint AI training programs and projects.

Business partnership with Kinaxis Japan K.K.

We concluded a business partnership agreement with Kinaxis Japan K.K. in November 2020. We are now training our employees by building knowledge and technological skills concerning the supply chain management (SCM) platform, Maestro*, provided by Kinaxis. We will keenly continue such collaboration with the company to expand into new business areas.

* Maestro (formerly RapidResponse®) is a trademark or a registered trademark of Kinaxis Inc.

Certified partnership with ServiceNow Japan

We concluded a Certified Partnership Agreement with ServiceNow Japan in April 2021. This further empowers our system operation know-how and skills so that we can reform existing business models effectively.

Patent/Registered Trademarks

We regard the value of our services and business models as an important factor that contributes to improving corporate value and further developing our business, and we are engaged in the active acquisition and protection of the trademarks and other rights to such services and models. As of the end of March 2025, we possess 25 registered trademarks and two patents.

Manufacturing Capital

To ensure high quality services, we developed a quality control system that utilizes our know-how accumulated over the years. We are also keen to continue to improve our quality, such as by developing a new platform.

Basic Approach of Quality Management

With our customer first policy, we have established a quality policy that defines the fundamental attitude and initiatives needed to provide services that excel in quality and satisfy the customer. We ensure all our employees have a good understanding of our quality policy, enabling them to offer services as IT corporation specialists.

Quality policy

In mobilizing our technical, management and organizational capabilities to provide quality services that ensure customer satisfaction, guidelines and relevant rules and regulations have been established for the following activities.

1 Appropriate project management is executed through clear definition of the objectives and goals of the project and development of project plan.

2 The project status is assessed through review meetings for early detection of risks.

3 Third-party monitoring of projects is conducted to provide organizational support depending on the project status.

4 Analysis of the differences between plan and performance is conducted in each process (phase) for quality evaluation.

5 In an event of faults or problems, the event is swiftly escalated and an investigation into the root causes is conducted to introduce measures to prevent any recurrence.

6 In ongoing business relationships, continuous business improvement activities are organized in response to changes in customer needs and environmental conditions.

7 F@CE (our own standard framework for development) has been established to allow methodologies and know-how in system development, administration and management to be shared and for improvements in quality and productivity.

Framework to provide high quality

We have been providing system solution services to many customers over the years, and through our experience we have acquired and improved our service provision know-how. Integrating such know-how, we created our own standard framework for development, F@CE* (trademark number 6483227), that standardizes processes, activities, and tasks relating to service provision. We develop high-quality systems by sharing and utilizing this framework across the company.
* Framework@CUBE's Engineering

Quality management structure

Placing the highest priority on our quality policy, we have established the Project Management Regulations and the Project Management Guidelines, which lay down the principles that employees need to be familiar with and follow when managing our system solutions services. We also use F@CE to implement our concrete development procedure and know-how.
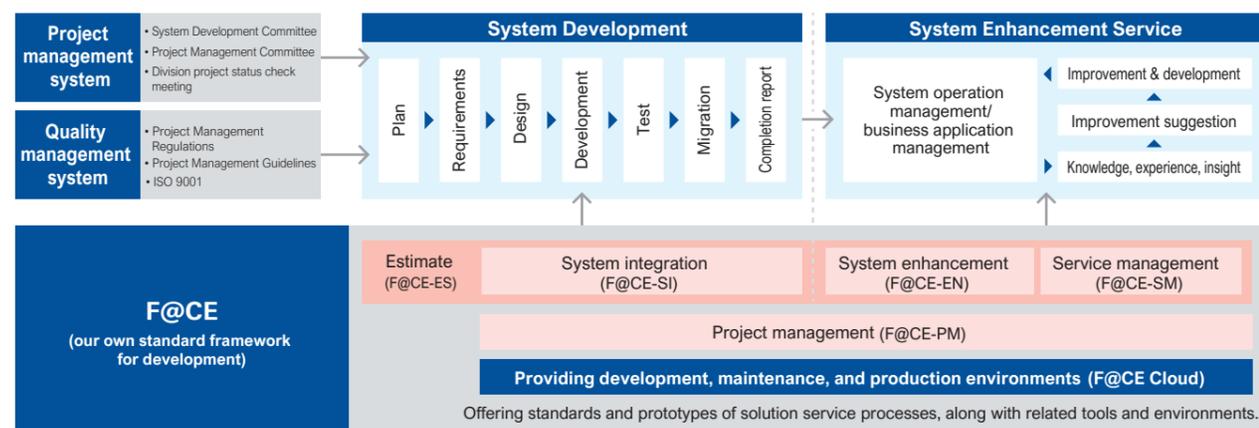
Quality management structure

Quality Management System

Under our Quality Policy, we acquired ISO 9001 certification in 2001 for continual improvement of our quality management system and to provide customer satisfaction with our quality and efficiency. For future improvements in customer satisfaction with our solution services, we are making efforts to introduce greater advances in our quality improvement activities.

System Development Committee

We hold the System Development Committee meetings as a means of powerfully supporting the ongoing projects in our company. This Committee is established under the concept of "a mechanism to support frontline workers with attention to quality." Experts of highly advanced technologies, with specialized business knowledge, or of security, etc. are invited to a Committee meeting according to the varying risks that a project encounters to assess system contents and project management. The experts then offer practical advice suitable to the frontline situations of the project to ensure the quality of our service.

System Enhancement Services and Offshore & Nearshore Development

We do not regard the maintenance of systems and platforms simply as regular checks to be performed. We see it as an activity to "increase the value of the system by improving the system performance and quality to adapt to changes in customers' business environments and the emergence and evolution of new technologies." We also see it as an opportunity to offer new business. This is our System Enhancement Service that increases customers' satisfaction.

Our strength lies in this system enhancement service, and we visualize our service as well as improving and reforming business processes based on the know-how and software engineering skills that we have cultivated over the years. Through such activities, we drive forward system stabilization and operation streamlining to offer high satisfaction to our customers.

As part of the expansion of our near-shore development organization and facilities, we established a new Fukuoka Office in September 2023 and increased the floor space of our Hokkaido Office in February 2024.

CUBE SYSTEM VIETNAM Co., LTD., one of our offshore companies, also obtained ISO/IEC 27001 certification in FY2023. This certification is an international standard covering information security management systems (ISMS). In October 2024, we relocated CUBE SYSTEM VIETNAM Co., LTD. to strengthen offshore development and foster bridge system engineers.

We will maintain our efforts to offer competitive services through expansion of our development organization and facilities.

F@CE-DX

F@CE-DX is a system development platform for small and medium-sized DX projects. The platform, which was made based on the accumulated best practices of highspeed development, provides an environment in which engineers can start system development on the day of installation.

DX projects associated with customers' business reforms require engineers to produce an MVP* in a short period, even though the system requirements may not be fixed. To work around this issue, we advance the development while clarifying requirements by repeating the cycle of planning, design, implementation, and testing in an agile project management, which has delivered significant results and reinforced our competitive advantages.

* Minimum Viable Product: A product that can provide the minimum necessary value to customers.

F@CE Cloud

F@CE Cloud is our standard project management platform. Recent software development requires short delivery times, at low cost, and with high quality. Among them, prompt project start-up and appropriate project management are the most important issues. F@CE Cloud, which is packed with our project management know-how, accelerates project launch and improves system quality and productivity.

Quality management initiatives

Social and Relationship Capital

It is indispensable for our sustainable growth to build good relationships with the various stakeholders that surround our business, including customers, subcontractors, stockholders, investors, and employees. We are working to build relationships based on trust from a medium- to long-term perspective.

Customers

Our services have been offered to leading corporations in different industries through our partnerships with major systems integrators and their information subsidiaries over many years. We have acquired a strong working record, experience, and know-how through such partnerships, and these have become our important assets. We will continue to contribute to the development of our customers' businesses through our software engineering into the future.
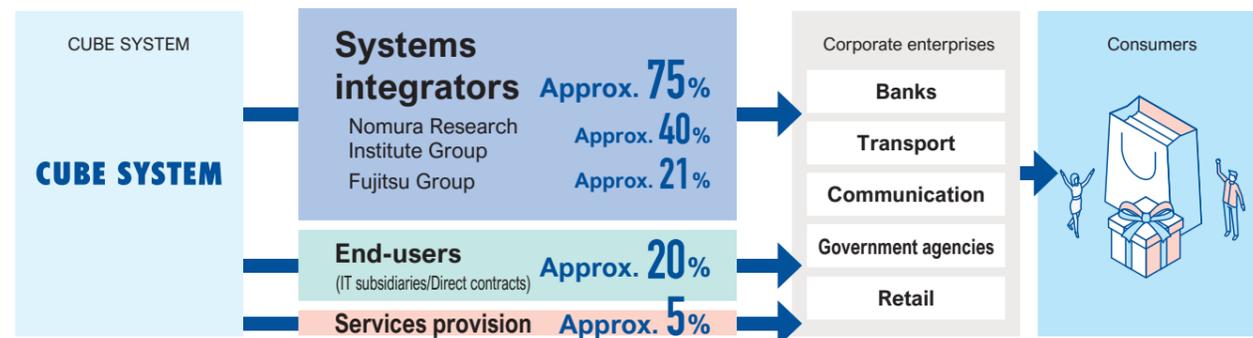
Length of continuous business transactions (end users)

More than 15 years: 18 companies	Major retailer, major bank, major GMS (general merchandise store), government agency, major home improvement center, securities company, etc.
More than 10 years: 29 companies	Major credit card company, food company, major telecommunication company, education business company, major life insurance company, etc.
More than 5 years: 43 companies	Electric power company, major gas company, etc.

Relationships with major customers

June 1984	Service agreement with Fujitsu Limited
December 2022	Capital and Business Partnership with Nomura Research Institute, Ltd.

Distribution channels of CUBE SYSTEM

CUBE SYSTEM

CUBE SYSTEM

Systems integrators — Approx. **75**%
- Nomura Research Institute Group — Approx. **40**%
- Fujitsu Group — Approx. **21**%

End-users (IT subsidiaries/Direct contracts) — Approx. **20**%

Services provision — Approx. **5**%

Corporate enterprises
- Banks
- Transport
- Communication
- Government agencies
- Retail

Consumers

Customer satisfaction survey

We conduct a customer satisfaction survey every year with the goal of creating customer benefits and creating customer satisfaction. Customer satisfaction is not a result, but a goal we should set and aim at from the start of a project. Based on this idea, we reflect the survey results into our management plans.

Survey results summary

FY2024 survey results showed a slightly lower customer satisfaction level for the second year in a row. Challenges from the previous year, including quality issues caused by member turnover and limited organizational follow-up, have persisted. Compounding this, our ability to meet the elevated expectations of customers, shaped by our past performance, has emerged as a contributing factor.

Issues found in the survey to be addressed

The core issues identified included human resources development, improvement suggestions, and information communications. With regard to improvement proposals, we were expected to go beyond addressing current conditions to also anticipate future developments. In terms of information dissemination, the challenge lay in providing regular updates and integrating messaging into value-added initiatives. To meet evolving customer expectations, we shared the findings of this survey internally and are planning and taking tailored initiatives in line with the circumstances of each project.

Employees

Our strengths lie in our system development capabilities and the human resources who create them. We are promoting initiatives to improve engagement, including improvement of work styles and human resources systems and creating a work environment in which each individual can demonstrate their abilities. Through dialogue, we aim to create an environment where both the company and employees can grow.

Katarou-kai with the President

As a forum for communication between employees and top management, our company holds events titled *Katarou-kai* with the President. In FY2024, President Nakanishi and employees exchanged opinions both online and face-to-face. Since it allows for direct dialogue, employee satisfaction is high and the program is used as an opportunity to connect top management and employees.

Katarou-kai with the President held online

Poster of the *Katarou-kai* with the President

Shareholders and Investors

Our company values our shareholders and investors as supporters who can provide us with management advice, and we strive to build relationships of trust with them. We aim to improve corporate value by providing information promptly based on transparency, fairness and continuity, and by proactively engaging in dialogue through General Meeting of Shareholders, IR meetings, etc.

Initiatives in FY2024

- Financial results briefing for institutional investors and analysts
- General Meeting of Shareholders
- Interviews with domestic analysts and institutional investors
- Company briefing for individual investors
- Shareholders' newsletter
- Letter to shareholders
- Video content for individual investors

Shareholders' newsletter

Subcontractors

We ask our subcontractors to perform some of the programming and operational tasks in system development in order to improve the productivity of our business activities and to utilize their highly specialized know-how. By carrying out various activities to maintain and strengthen good business relationships, we are building relationships that allow for mutual growth and development.

Business strategy briefing for subcontractors

We hold a business strategy briefing session for subcontractors every year to promote understanding of our activities and strengthen collaboration. Through dialogue on business prospects and policies for each area, we promote stable orders and systematic human resources development.

Briefing session for subcontractors

Society

We believe that dialogue with local communities is also important for business continuity. We strive to coexist and develop with the local community through participation in the Shinagawa CSR Promotion Council, which aims to promote corporate social contribution activities, and cooperation in the Shinagawa Workplace Walk for junior high school students in Shinagawa-ku, Tokyo, where our head office is located, to help the students develop a future career outlook.

Activities in FY2024

- Company visit by students of Shinagawa Gakuen
- Career support activities related to the IT industry
- Shinagawa Hanakaido Beautification Activities

TOPICS

Career support activities fostering an interest in the IT industry: Lecture at the Kanagawa Institute of Technology

Each year, we host a special lecture at Kanagawa Institute of Technology as part of our efforts in human resources development leading the next generation. This lecture is designed to spark student interest in the IT industry by sharing real-world industry trends, the latest technological developments, and the intrinsic value of IT careers in a relatable format. We contribute to the development of future engineers while sharing the appeal of the IT industry more broadly, thereby creating new value for society.

Lecture description
- Overview of the IT industry
- DX development in the field
- Mindset required to become an engineer

Natural Capital
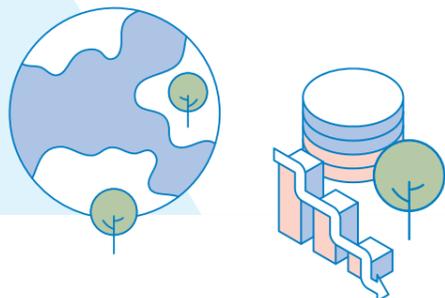
The Group recognizes that climate change will have a significant impact on people's lives and business activities, and so in April 2005 we established our Environmental Policy and have been working to conserve energy and resources in our business operations. In addition, we have positioned responding to climate change as one of the important issues in our business strategy, and have formulated a Medium-Term Management Plan based on anticipated risks and opportunities.

Environmental Management

We obtained ISO 14001 in 2005 and our business activities comply with this standard. We are also continuously improving our environmental management system. We continue paying careful attention to the environment in our business activities by setting concrete targets and improving environmental performance through regular reviews.

Efforts for TCFD

The Group's awareness of the importance of climate-related financial disclosure led to our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Report in November 2021. We are steadily disclosing our environmental information in compliance with this report.

As a result, in FY2024, we received a B score in the CDP climate change survey.

Governance

In November 2021, we formulated the Sustainability Management Basic Policy and established a management structure centered on the Sustainability and Governance Committee. The Sustainability and Governance Committee meets semi-annually to review the progress and results of climate change-related goal setting and initiatives. The committee receives reports on matters considered and implemented to facilitate climate change-related initiatives, and deliberates response policies, etc. Any important matters discussed are reported to the Board of Directors for monitoring and supervision.

Risk management

Once a year, we identify risks and opportunities in the risk areas presented in the TCFD Final Report for our entire value chain, taking into account environmental and social trends. Identified risks and opportunities are reported to the Sustainability and Governance Committee for consideration of a course of action. Additionally, the Representative Director and President receives the results of the risk and opportunity analysis and reflects them in the business strategy. In identifying, assessing, and responding to climate change-related risks, as with other risks, their status is monitored by the Internal Control and Integrated Risk Management Committee, and is integrated into the companywide comprehensive risk management process.

Strategy

Risks and opportunities were identified and scenarios analyzed in order to reduce risks of climate change and increase opportunities. We develop and implement business strategies that reflect responses to the risks and opportunities identified through scenario analysis, and promote sustainable corporate management.

Risks and opportunities identified by scenario analysis

(As of the end of March 2025)

Approach towards the timing of occurrence, likelihood of occurrence, and degree of financial impact

Timeline	Short-term: From now to 2026 (final year of V2026), Medium-term: 2027-2030 (target year in line with SBT criteria), Long-term: 2031 onwards
Possibility of cause	High: relatively certain, Low: relatively uncertain, and the middle defined as medium
Impact	Estimate the impact of climate change on business and finances based on net sales and operating profit **(Revenue)** Large: 500 million yen or more Medium: 100 million yen to less than 500 million yen Small: Less than 100 million yen **(Cost or profit)** Large: 50 million yen or more Medium: 10 million yen to less than 50 million yen Small: Less than 10 million yen
Scenarios	**No action taken**: IEA WEO 2023 STEPS, NGFS Current Policies (power prices only) **Decarbonization**: IEA WEO 2023 APS, NGFS BL2D (power price only) **Net Zero**: IEA WEO 2023 NZE, NGFS NZ2050 (power price only)

Transitional risks

Area	Factor	Business impact	Timing of occurrence	Likelihood of occurrence	Financial impact
Policy	Increase in carbon tax prices and introduction of new environmental taxes	Tax burden due to increased carbon prices, and increased electricity prices from fossil fuels	Short- to long-term	High	Medium
	Increase in carbon tax prices	Increase in outsourcing costs (procurement costs) to subcontractors due to the impact of increased carbon prices	Short- to medium-term	High	Large
	Introduction of new environmental taxes and strengthening of energy conservation laws and regulations	Increased burden of equipment renewal and investment	Medium- to long-term	High	Large
	Reinforcement of information disclosure obligations	Increased costs associated with complying with strengthened corporate information disclosure obligations	Short- to medium-term	High	Medium
Market	Subcontractors' delay in addressing climate change	Increase of costs due to the following initiatives (1) Increasing unit prices for subcontractors that can take climate change response initiatives (2) Support for existing major subcontractors in introducing climate change response initiatives	Short- to medium-term	High	Large
Reputation	Changes in investor evaluations	Decrease in stock price due to decline in corporate value as a result of investors' evaluation of inadequate response to GHG reduction requests and climate change issues	Short- to medium-term	Medium	Large

Physical risks

Area	Factor	Business impact	Timing of occurrence	Likelihood of occurrence	Financial impact
Acute	Increase and intensification of weather disasters such as windstorms and floods	Damage to buildings and business shutdowns due to damages to the company bases, and lost opportunities due to damage to business partners	Medium- to long-term	High	Small
	Increase in extreme weather events such as heavy rain and strong winds	Reduced productivity due to disruptions to transportation, network, and other infrastructure	Medium- to long-term	High	Small
Chronic	Long-term sea level rise	Relocation and opportunity loss due to flooding of company bases or surrounding areas	Long-term	High	Small
	Heat waves and chronic high temperatures	Increased air conditioning usage, and increased equipment maintenance and renewal costs	Medium- to long-term	High	Small
		Poor health and reduced productivity due to heat stress and increased risk of infection	Medium- to long-term	High	Small

Opportunities

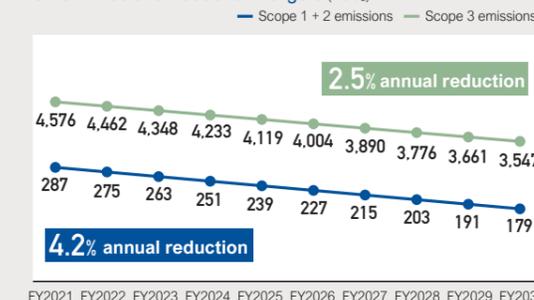| Area	Factor	Business impact	Timing of occurrence	Likelihood of occurrence	Financial impact
Products and services	Increase in demand for low-carbon services and services that address climate change	Increase in sales due to increased demand from development of services (e.g. blockchain carbon accounting, and related management system) in line with customers' carbon neutrality compliance	Short- to medium-term	Medium	Large
		Increase in sales due to increased demand for migration to high-quality cloud environments as customers prepare for increasing and intensifying weather disasters and work to improve power efficiency	Short- to medium-term	High	Large
Energy source	Reviewing energy procurement and utilizing renewable energy	Reduction of the impact of carbon taxes through introduction of renewable energy and electric vehicles, and reduction in energy procurement costs	Short- to medium-term	High	Small
Resilience	Reinforcement of information disclosure	Increased opportunities for ESG investment through enhanced corporate information disclosure	Short- to medium-term	High	Large

Scenario analysis results

With respect to "the impact of the introduction of a carbon tax and energy price fluctuations," the results of the analysis indicate that the financial impact is limited and that the company is resilient to the applicable climate change risk factors.

As for "hazard screening for the impact of increased weather-related disasters due to climate change on our business bases," the results of the screening did not identify any significant risks with financial impact both in flood risk and storm surge risk.

Initiatives regarding SBT

Based on Science-Based Targets (SBTs), we will set targets to reduce greenhouse gas (GHG) emissions by FY2030. We will also promote initiatives to reduce all our emissions. We will continue our efforts to reduce GHG emissions, targeting 179 t-CO_2 for Scope 1 + 2 and 3,547 t-CO_2 for Scope 3 (Category 1) in FY2030.

GHG Emissions Reduction Targets (t-CO_2)

— Scope 1 + 2 emissions — Scope 3 emissions

Scope 3 emissions: 4,576 4,462 4,348 4,233 4,119 4,004 3,890 3,776 3,661 3,547

2.5% annual reduction

Scope 1 + 2 emissions: 287 275 263 251 239 227 215 203 191 179

4.2% annual reduction

FY2021 FY2022 FY2023 FY2024 FY2025 FY2026 FY2027 FY2028 FY2029 FY2030

Financial Capital

Maintaining and further improving our sound and secure financial standing is one of the most important elements for our sustainable growth. We also regard the return of profits to our shareholders as one of our important issues. As a part of such efforts to maintain our business, we value the sustainability of our management foundation.

Initiatives under the Second Medium-Term Management Plan

Aiming to achieve cash returns that exceed capital costs

To increase corporate value, it is important not only to increase accounting profits, but also to strengthen the free cash flow generated by the company. To achieve this, we are conscious of improving the quality of our profits. By securing stable operating cash flow through improved operating profit, while also raising interest-bearing debt and optimizing non-business assets, we will realize capital reinvestment in growth areas and returns to shareholders while maintaining appropriate financial leverage. Furthermore, we aim to establish a cycle in which this reinvested capital generates returns that exceed the cost of shareholders' equity, thereby growing profits and linking these profits to further growth investments and shareholder returns. In the Second Medium-Term Management Plan, we aim to generate more effective and sustainable cash flow and achieve higher investment efficiency by ensuring thorough awareness of the capital cost not only for individual investment projects, but also for the Group as a whole.

Making appropriate use of cash

We have established standards and policies for the cash we generate. First, regarding the criteria for selecting investments, we set future prospects for new investments and profitability for existing investments. Next, we regard Return on Equity (ROE) as one of the key performance indicators and promote ROE management. We are committed to improving business profitability, and have an ROE target of 14.0% or higher. Finally, with regard to dividend policy, we have adopted a Dividend on Equity (DOE) ratio, and set the target consolidated dividend payout ratio at 50%, aiming for further returns to shareholders.
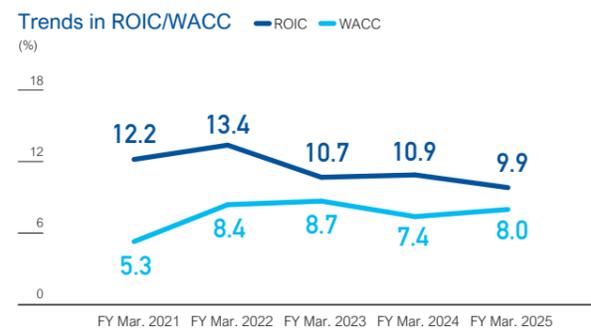
Cash allocation policy

Regarding the allocation of the cash obtained, the highest priority will be given to growth investments that can sustainably realize returns exceeding the capital cost, while also ensuring a balance with stable shareholder returns. With regard to growth investments, we will make investments that will create greater value, focusing on business, technology, human capital, and governance. We will also actively invest in research and development. As for shareholder returns, we will aim to further return profits to shareholders, taking into consideration future business development and the level of retained earnings.
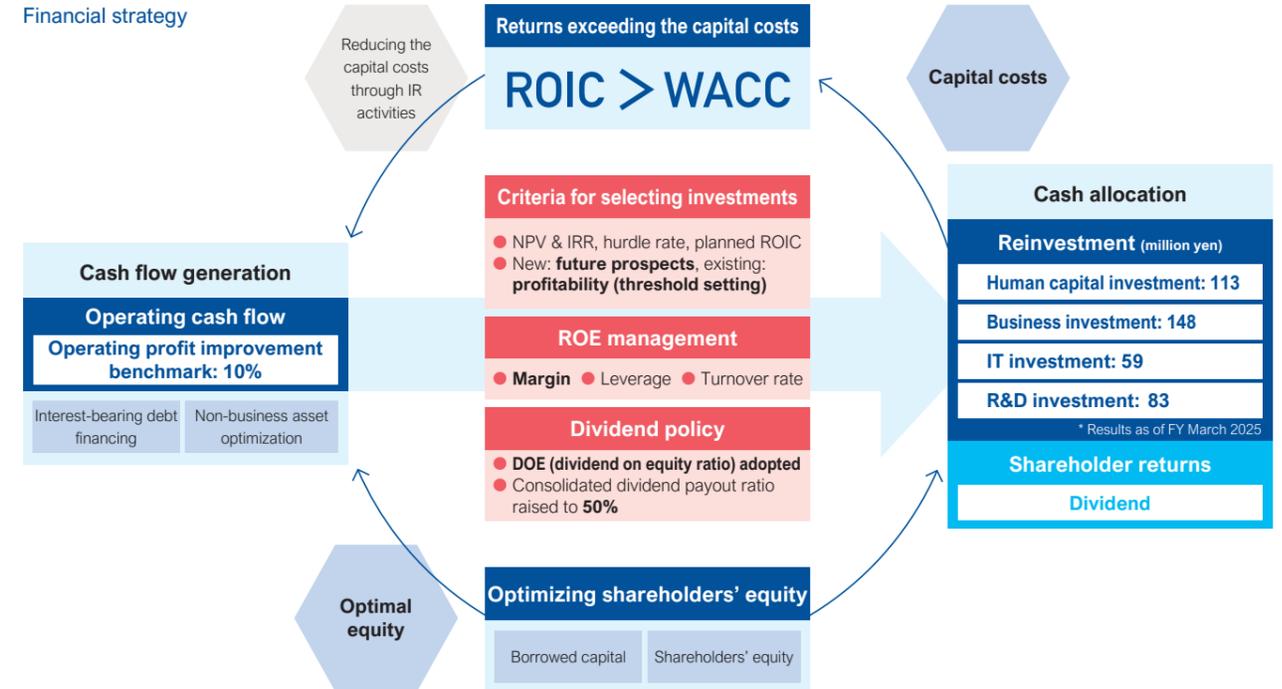
Approach and initiatives regarding capital costs

With regard to capital costs, we employ an equity spread to evaluate whether we are using our capital effectively, and we are working with an eye toward achieving a positive evaluation. We will also appropriately communicate the company's value and growth potential to investors through IR activities, thereby enhancing the company's credibility and transparency, which will lead to a lower capital cost.

Trends in ROIC

Return on invested capital (ROIC) has, until now, exceeded the weighted average cost of capital (WACC), and continues to do so in the FY March 2025. In the FY March 2026, we will focus on profitability improvements and remain committed to maintaining stable ROIC.
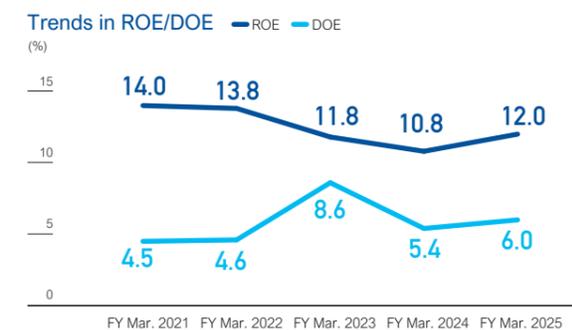
Trends in ROIC/WACC
(%) — ROIC — WACC

	FY Mar. 2021	FY Mar. 2022	FY Mar. 2023	FY Mar. 2024	FY Mar. 2025
ROIC	12.2	13.4	10.7	10.9	9.9
WACC	5.3	8.4	8.7	7.4	8.0

Financial strategy

Returns exceeding the capital costs

$$ROIC > WACC$$

Reducing the capital costs through IR activities

Capital costs

Criteria for selecting investments
- NPV & IRR, hurdle rate, planned ROIC
- New: **future prospects**, existing: **profitability (threshold setting)**

Cash flow generation

Operating cash flow
Operating profit improvement benchmark: 10%

Interest-bearing debt financing | Non-business asset optimization

ROE management
- **Margin** ● Leverage ● Turnover rate

Dividend policy
- **DOE (dividend on equity ratio) adopted**
- Consolidated dividend payout ratio raised to **50%**

Optimizing shareholders' equity

Borrowed capital | Shareholders' equity

Optimal equity

Cash allocation

Reinvestment (million yen)
- **Human capital investment: 113**
- **Business investment: 148**
- **IT investment: 59**
- **R&D investment: 83**

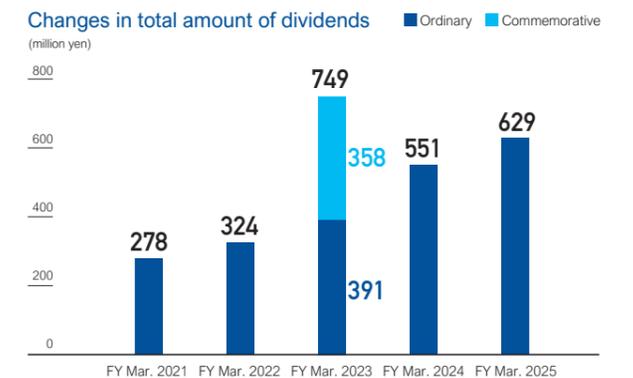* Results as of FY March 2025

Shareholder returns
Dividend

Enhancement of Capital Returns

We continue to pursue a sustained ROE target of 14% or higher. In the FY March 2025, ROE stood at 12.0%. To achieve our targets, we are committed to raising both profit margins and capital efficiency through targeted investments in human capital, business creation, and productivity gains. We place a strong emphasis on shareholder returns, and are working toward a DOE target of 7.0%. For the FY March 2025, we came in at 6.0%.

Trends in ROE/DOE
(%) — ROE — DOE

	FY Mar. 2021	FY Mar. 2022	FY Mar. 2023	FY Mar. 2024	FY Mar. 2025
ROE	14.0	13.8	11.8	10.8	12.0
DOE	4.5	4.6	8.6	5.4	6.0

Dividend Policy

Dividends for the FY March 2026 will be 42 yen per share per year—20 yen as an interim dividend and another 22 yen as a year-end dividend. We estimate the consolidated dividend payout ratio will be 51.8%.

Changes in total amount of dividends ■ Ordinary ■ Commemorative
(million yen)

	FY Mar. 2021	FY Mar. 2022	FY Mar. 2023	FY Mar. 2024	FY Mar. 2025
Ordinary	278	324	391	551	629
Commemorative			358		
Total			749		

* Our 50th anniversary commemorative dividend was provided in the FY March 2023.

Financial officer's comment

Toshifumi Nomura
Financial executive officer

In the FY March 2025, the first fiscal year of the V2026 Second Medium-Term Management Plan, we prioritized investment spending on growth drivers, including increased personnel expenses for improved employee benefits; investment in research and development; expanding development organization and facilities, including base rollout; and initiatives to strengthen employee engagement, resulting in higher expenditures than the prior year. At the same time, profitability remained an issue due to the emergence of unprofitable projects.

In the FY March 2026, we will work to improve profitability while investing proactively to support future growth. As a company, we will strive to maximize our corporate value by continuing to conduct business activities with solid fundamentals and achieve dramatic growth. We will continue to strive to meet the expectations of all stakeholders through transparent and sound financial management, always keeping in mind capital cost and our stock price.