

CYBERNET SYSTEMS CO., LTD.

(Delayed)

# Results of Operations for the First Quarter of FY2020

7 May, 2020

CYBERNET SYSTEMS CO., LTD.



## ◆ Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2020

[Consolidated] Business Summary	4
[Consolidated] Changes in Operating Income (YoY comparison)	5
[Consolidated] Changes in Operating Income (Against Plan)	6
[Consolidated] Balance Sheet	7
[Consolidated] Cash Flow Statement	8
[Consolidated] Quarterly Net sales	9
[Consolidated] Overview of Results by Segment	10
[Consolidated] Composition ratio of Net sales (First quarter of the fiscal year)	11
[Consolidated] Net sales by sales form	12
[Consolidated] Net sales by region	13
[Non-consolidated] Net sales by Category of Industry	14
[Non-consolidated] Net sales by Contract type	15

## ◆ Projection for FY2020

The impact of COVID-19	17
[Consolidated] Projection for Current Fiscal Year	18
[Consolidated] Dividend Estimate for Current Fiscal Year	19

# Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2020

# [Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

Net sales were 99.6% year on year, to 5,119 million yen.

Operating income was 542 million yen (down 18.3% year on year), Ordinary income was 578 million yen (down 15.0% year on year), and Profit attributable to owners of parent was 398 million yen (down 2.0% year on year).

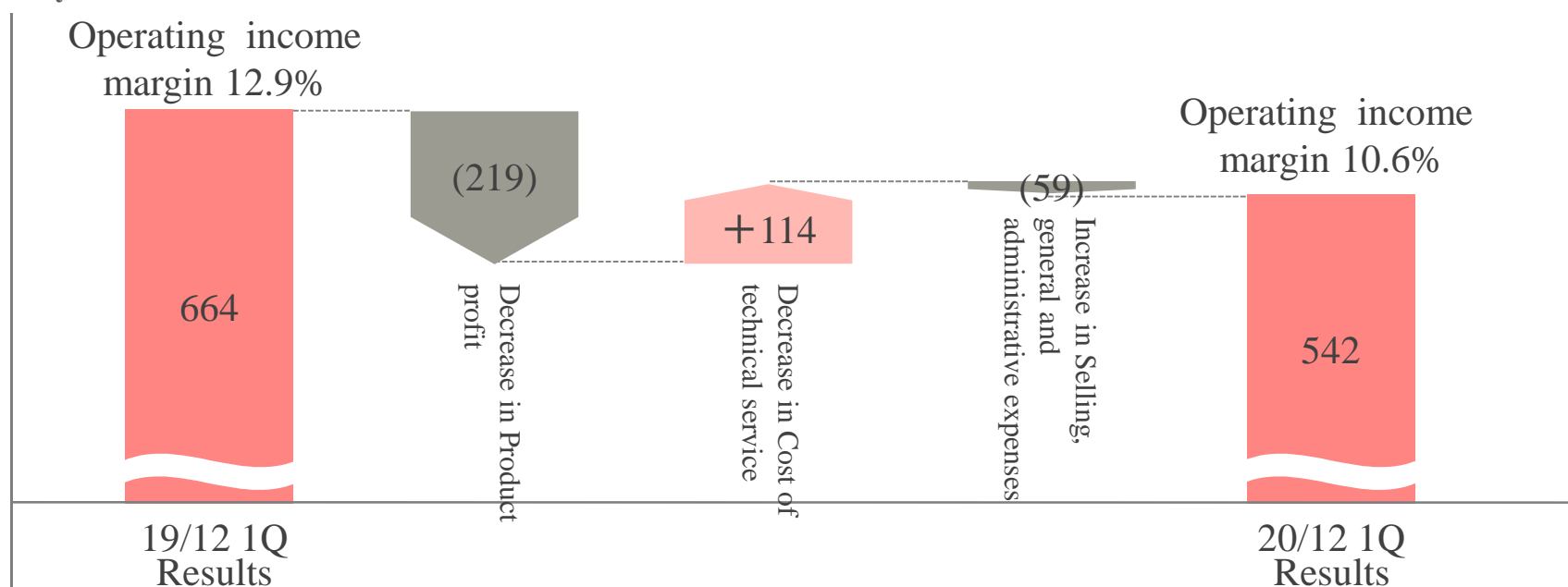
	19/12 1Q	20/12 1Q	YoY	YoY	Million yen		
	Results	Results	Change Amount	Change %	20/12 1Q Plan	Change Amount From Plan	Change % From Plan
Net sales	5,140	5,119	(20)	99.6%	4,953	+166	103.4%
Operating income	664	542	(121)	81.7%	402	+139	134.7%
Operating income margin	12.9%	10.6%	(2.3pt)		8.1%	+2.5pt	
Ordinary income	680	578	(101)	85.0%	422	+156	136.9%
Ordinary income margin	13.2%	11.3%	(1.9pt)		8.5%	+2.8pt	
Profit attributable to owners of parent	406	398	(7)	98.0%	245	+153	162.4%
Profit attributable to owners of parent margin	7.9%	7.8%	(0.1pt)		5.0%	+2.8pt	

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

## Changes in Operating Income (YoY comparison)

Million yen



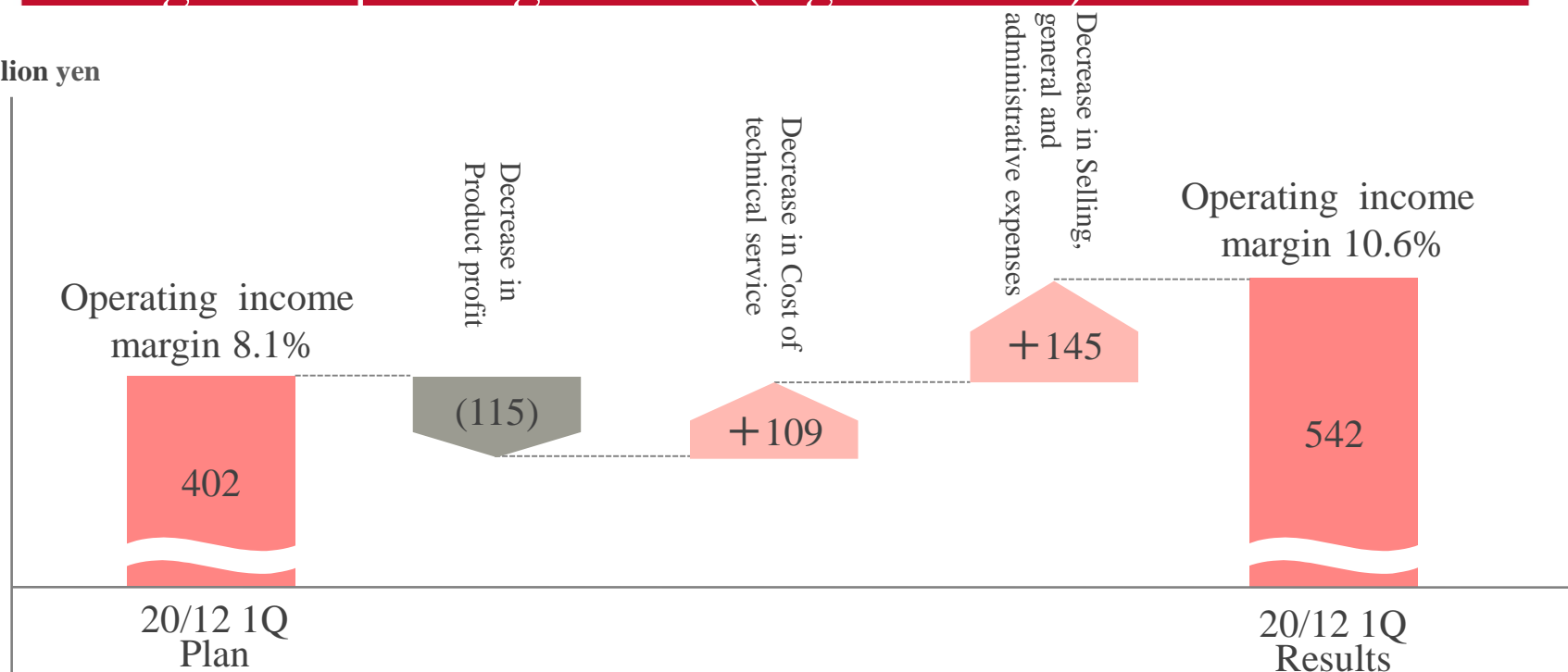
### Main Causes of Year-on-Year Changes

Item	Causes of Changes
Product profit	Decreased due to increase in Cost of products sold as results of changes in the sales mix.
Cost of technical service	Decreased due to decrease in Office work outsourcing fee and travel expenses, etc.
Selling, general and administrative expenses	Increased due to increase in sales support costs, etc.

# [Consolidated] Changes in Operating Income (Against Plan)

CYBERNET SYSTEMS CO., LTD.

Million yen



## Main Causes of Changes Against Plan

Item	Causes of Changes
Product profit	Decreased due to increase in Cost of products sold as results of changes in sales mix.
Cost of technical service	Decreased due to decrease in outsourcing fee.
Selling, general and administrative expenses	Decreased due to decrease in travel expenses.

# [Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	19/12	20/12 1Q	YoY Change Amount
<b>Current assets</b>	<b>19,022</b>	<b>18,552</b>	<b>(469)</b>
Cash and deposits	3,019	4,010	+990
Notes and accounts receivable-trade	4,382	4,667	+284
Short-term investment securities	7,000	5,500	(1,500) (i)
Short-term loans receivable	3,360	3,257	(102)
Others	1,260	1,118	(142)
<b>Noncurrent assets</b>	<b>1,799</b>	<b>1,590</b>	<b>(208)</b>
Property, plant and equipment	364	357	(7)
Intangible assets	280	289	+8
Investments and other assets	1,153	944	(209)
<b>Total Assets</b>	<b>20,821</b>	<b>20,143</b>	<b>(677)</b>
<b>Current liabilities</b>	<b>5,925</b>	<b>5,315</b>	<b>(610)</b>
Accounts payable-trade	1,493	2,034	+540
Income taxes payable	530	68	(462)
Advances received	2,021	2,011	(9)
Provision for bonuses	727	168	(559)
Others	1,152	1,032	(119)
<b>Noncurrent liabilities</b>	<b>1,259</b>	<b>1,249</b>	<b>(10)</b>
Provision for retirement benefits	1,230	1,221	(9)
Others	28	27	(1)
<b>Total liabilities</b>	<b>7,185</b>	<b>6,564</b>	<b>(621)</b>
<b>Total net assets</b>	<b>13,636</b>	<b>13,579</b>	<b>(56)</b> (ii)
<b>Total liabilities and net assets</b>	<b>20,821</b>	<b>20,143</b>	<b>(677)</b>

## Main Causes of Changes from the End of the Previous Fiscal Year

- (i) Short-term investment securities (down 1,500 million yen from the end of the previous fiscal year)
  - Decrease in held-to-maturity securities for short-term fund management : -1,500 million yen.
- (ii) Total net assets (down 56 million yen from the end of the previous fiscal year)
  - Profit attributable to owners of parent : + 398 million yen.
  - Dividend of earnings : - 389 million yen
  - Foreign currency translation adjustment : - 58 million yen.

# [Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	19/12 1Q	20/12 1Q	YoY
	Results	Results	Change Amount
Net cash provided by operating activities	568	(90)	(659)
Net cash provided by investing activities	(733)	42	+776
Net cash provided by financing activities	(259)	(386)	(126)
Effect of exchange rate change on cash and cash equivalents	(16)	(68)	(51)
Net decrease in cash and cash equivalents	(439)	(502)	(62)
Cash and cash equivalents at beginning of period	8,378	9,935	+1,556
Cash and cash equivalents at end of period	7,938	9,433	+1,494

## Main Causes of Year-on-Year Changes

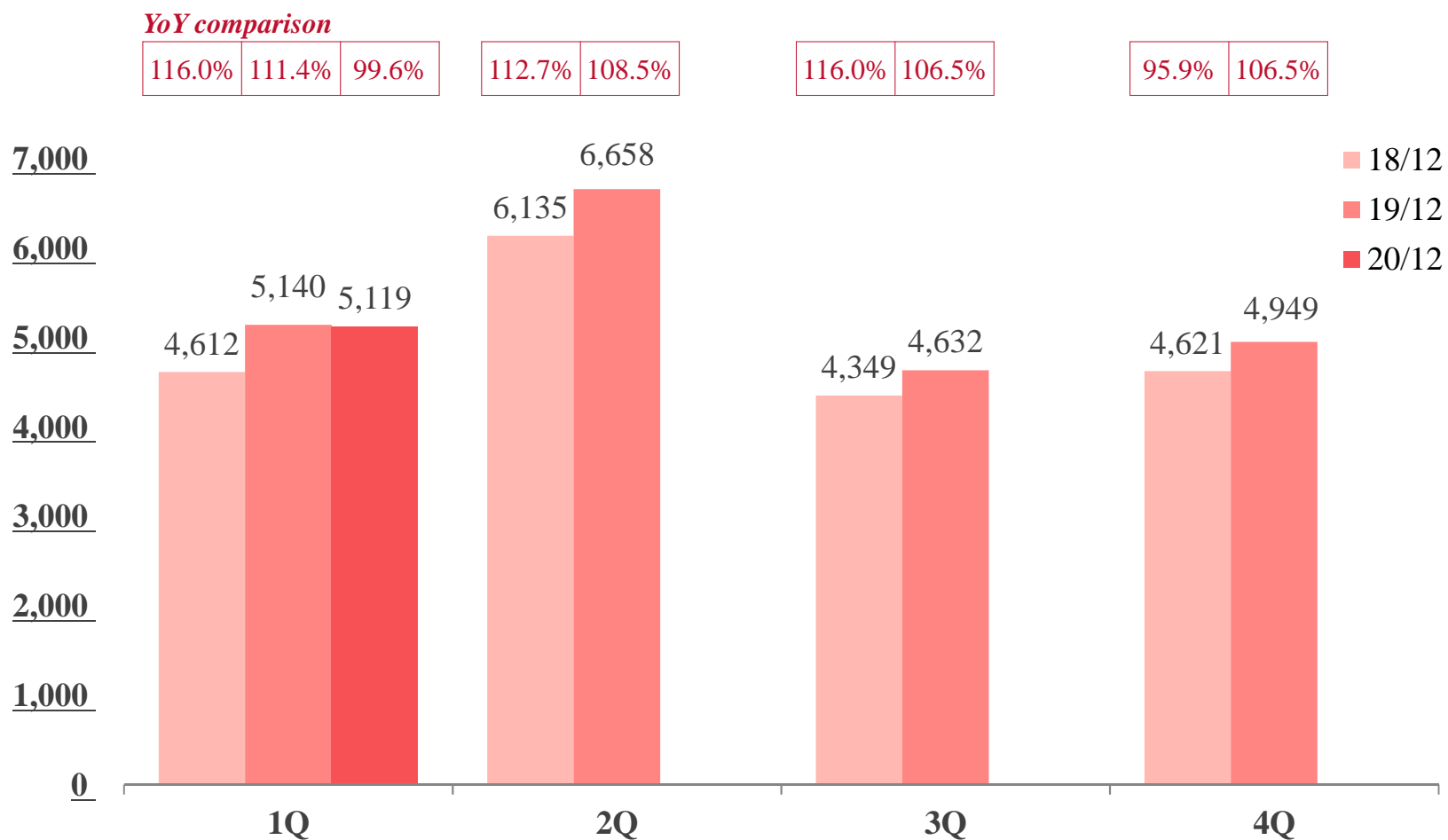
Item	Causes of Changes
Net cash provided by operating activities	Increased due to increase in payment of income taxes
Net cash provided by investing activities	Decreased due to decrease in loans
Net cash provided by financing activities	Decreased due to increase in payment of dividends



# [Consolidated] Quarterly Net sales

CYBERNET SYSTEMS CO., LTD.

Million yen



# [Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

	Million yen					
	19/12 1Q		20/12 1Q		YoY	YoY
	Results	Component ratio	Results	Component ratio	Change Amount	Change %
<b>Total Net sales</b>	<b>5,140</b>	<b>100.0%</b>	<b>5,119</b>	<b>100.0%</b>	<b>(20)</b>	<b>99.6%</b>
<b>CAE</b>	<b>4,141</b>	<b>80.6%</b>	<b>3,945</b>	<b>77.1%</b>	<b>(195)</b>	<b>95.3%</b>
<b>IT</b>	<b>999</b>	<b>19.4%</b>	<b>1,174</b>	<b>22.9%</b>	<b>+174</b>	<b>117.5%</b>
<b>Elimination</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Operating income</b>	<b>664</b>		<b>542</b>		<b>(121)</b>	<b>81.7%</b>
<b>CAE</b>	<b>825</b>		<b>813</b>		<b>(12)</b>	<b>98.5%</b>
<b>IT</b>	<b>124</b>		<b>67</b>		<b>(57)</b>	<b>54.2%</b>
<b>Elimination</b>	<b>(286)</b>		<b>(339)</b>		<b>(52)</b>	<b>—</b>

## Points of Results by Segment

Segment	Point
<b>CAE</b>	Software sales were strong, but total Net sales decreased due to sluggish of sales of engineering services in Japan.
<b>IT</b>	Total Net sales increased due to strong performance of security-related solutions, but Total Operating income decreased due to changes in sales mix.

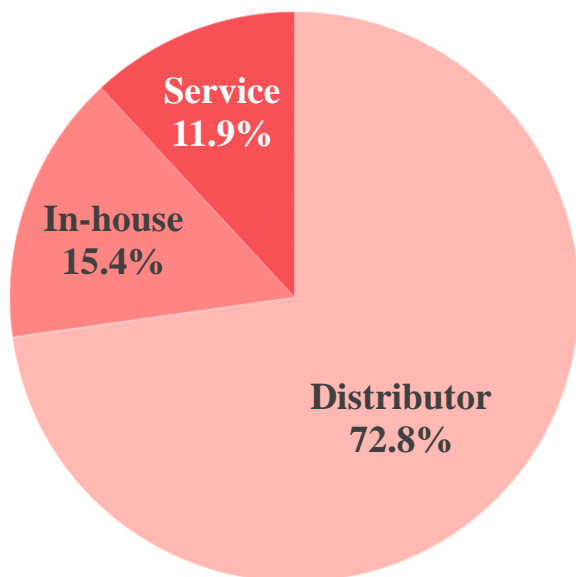
(Note) CAE : CAE Solution Services IT : IT Solution Services

[Consolidated]

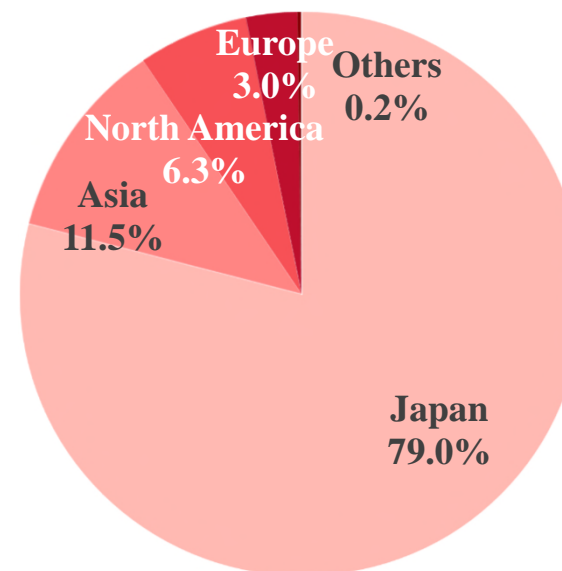
CYBERNET SYSTEMS CO., LTD.

## Composition ratio of Net sales (First quarter of the fiscal year)

Net sales by sales form



Net sales by region



(Note) Classification of Net sales by sales form is as follows:

- Distributor : Distribution business of CAE solution services and IT solution services
- In-house : In-house developed products of CAE solution services and IT solution services
- Service : Services of CAE solution services and IT solution services

# [Consolidated] Net sales by sales form

CYBERNET SYSTEMS CO., LTD.

<First quarter of the fiscal year>

Million yen

	19/12 1Q		20/12 1Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Distributor	3,561	69.3%	3,725	72.8%	+164	104.6%
In-house	792	15.4%	786	15.4%	(6)	99.1%
Service	786	15.3%	608	11.9%	(178)	77.3%
Total	5,140	100.0%	5,119	100.0%	(20)	99.6%

# [Consolidated] Net sales by region

CYBERNET SYSTEMS CO., LTD.

<First quarter of the fiscal year>

Million yen

	19/12 1Q		20/12 1Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
<b>Japan</b>	<b>4,020</b>	<b>78.2%</b>	<b>4,045</b>	<b>79.0%</b>	<b>+25</b>	<b>100.6%</b>
<b>Asia</b>	<b>639</b>	<b>12.4%</b>	<b>587</b>	<b>11.5%</b>	<b>(51)</b>	<b>91.9%</b>
<b>North America</b>	<b>338</b>	<b>6.6%</b>	<b>324</b>	<b>6.3%</b>	<b>(14)</b>	<b>95.8%</b>
<b>Europe</b>	<b>124</b>	<b>2.4%</b>	<b>151</b>	<b>3.0%</b>	<b>+26</b>	<b>121.6%</b>
<b>Others</b>	<b>17</b>	<b>0.3%</b>	<b>10</b>	<b>0.2%</b>	<b>(7)</b>	<b>59.0%</b>
<b>Total</b>	<b>5,140</b>	<b>100.0%</b>	<b>5,119</b>	<b>100.0%</b>	<b>(20)</b>	<b>99.6%</b>

# [Non-consolidated] Net sales by Category of Industry

CYBERNET SYSTEMS CO., LTD.

<First quarter of the fiscal year>

Million yen

	19/12 1Q		20/12 1Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	956	23.5%	796	19.6%	(160)	83.3%
Machinery & Precision Machinery	647	15.9%	716	17.7%	+69	110.7%
Transportation equipment	799	19.7%	506	12.5%	(292)	63.4%
Other manufacturing industry	508	12.5%	753	18.6%	+245	148.2%
Education institution/ government and municipal offices	331	8.2%	274	6.8%	(56)	82.9%
Telecommunication industry	254	6.3%	237	5.9%	(17)	93.3%
Others	566	13.9%	772	19.0%	+205	136.4%
Total	4,063	100.0%	4,057	100.0%	(6)	99.8%

**[Non-consolidated]**  
**Net sales by Contract type**

CYBERNET SYSTEMS CO., LTD.

<First quarter of the fiscal year>

Million yen

	19/12 1Q		20/12 1Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
<b>Licenses</b>	<b>3,389</b>	<b>100.0%</b>	<b>3,578</b>	<b>100.0%</b>	<b>+189</b>	<b>105.6%</b>
New licenses	1,362	40.2%	1,284	35.9%	(78)	94.2%
Renewals	2,026	59.8%	2,294	64.1%	+267	113.2%
<b>Others</b>	<b>673</b>		<b>478</b>		<b>(195)</b>	<b>71.0%</b>
<b>Total</b>	<b>4,063</b>		<b>4,057</b>		<b>(6)</b>	<b>99.8%</b>

# Projection for FY2020



# The impact of COVID-19

CYBERNET SYSTEMS CO., LTD.

The projection for FY2020 announced on February 6, 2020 was not changed. However, due to economic stagnation caused by the spread of COVID-19 infection, it is strongly concerned about negative impact on real economy. At the present time, because it is difficult to predict the impact on the projection, the impact was not reflected. Revision of the projection will be disclosed promptly, in case it is considered necessary in the future.

## The impact of COVID-19

Segment	The impact of COVID-19
CAE	<p>In CAE solution services business, software used in the digital engineering area and related technical services are provided.</p> <p>If R&amp;D investment of customers will decrease due to the impact of COVID-19, it could adversely affect our business results.</p>
IT	<p>In IT solution services business, software regarding information security and IT asset management, and related technical services are mainly provided.</p> <p>If IT investment of customers will decrease due to the impact of COVID-19, it could adversely affect our business results.</p> <p>On the other hand, with the implementation of remote work by companies, the demand for cloud-type product provided by us could increase.</p>

(Note) CAE : CAE Solution Services IT : IT Solution Services

# [Consolidated] Projection of Current Fiscal Year

CYBERNET SYSTEMS CO., LTD.

	Million yen			
	19/12 Results	20/12E Projection	YoY Change Amount	YoY Change %
Net sales	21,350	22,000	+649	103.0%
Operating income	2,020	2,060	+39	102.0%
Operating income margin	9.5%	9.4%	(0.1pt)	
Ordinary income	2,145	2,140	(5)	99.7%
Ordinary income margin	10.0%	9.7%	(0.3pt)	
Profit attributable to owners of parent	1,258	1,300	+41	103.3%
Profit attributable to owners of parent margin	5.9%	5.9%	+0.0pt	

(Note) The impact of the spread of COVID-19 infection is not reflected.

**[Consolidated]**

CYBERNET SYSTEMS CO., LTD.

## Dividend Estimate for Current Fiscal Year

	(unit: yen)				
	16/12 Result	17/12 Result	18/12 Result	19/12 Result	20/12E Projection
<b>Dividend per share</b>	<b>13.00</b>	<b>15.05</b>	<b>16.52</b>	<b>20.19</b>	<b>20.86</b>
<b>Net income per share</b>	<b>14.83</b>	<b>30.09</b>	<b>(21.07)</b>	<b>40.38</b>	<b>41.72</b>
<b>Dividend payout target ratio</b>	<b>87.7%</b>	<b>50.0%</b>	<b>—</b>	<b>50.0%</b>	<b>50.0%</b>
<b>(Ref.) Dividend on equity ratio</b>	<b>3.0%</b>	<b>3.4%</b>	<b>3.8%</b>	<b>4.8%</b>	<b>4.7%</b>

(Note) The impact of the spread of COVID-19 infection is not reflected.

### Basic Policies on Profit Distribution

The Company considers that the policies on shareholder dividends are some of the most important issues, and basically strives to pay steady and continuous dividends, strengthen and expand its earnings base corresponding to the rapid changes and development of industries, and accumulate internal reserves for active business development in the future.

# CYBERNET SYSTEMS CO., LTD.

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