

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the First Half of FY2020

5 August, 2020

CYBERNET SYSTEMS CO., LTD.



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

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

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

Net sales were +0.6% year on year, to 11,871 million yen.

Operating income was 2,031 million yen (+25.0% year on year), Ordinary income was 2,011 million yen (-21.4% year on year), and Profit attributable to owners of parent was 1,343 million yen (+28.0% year on year).

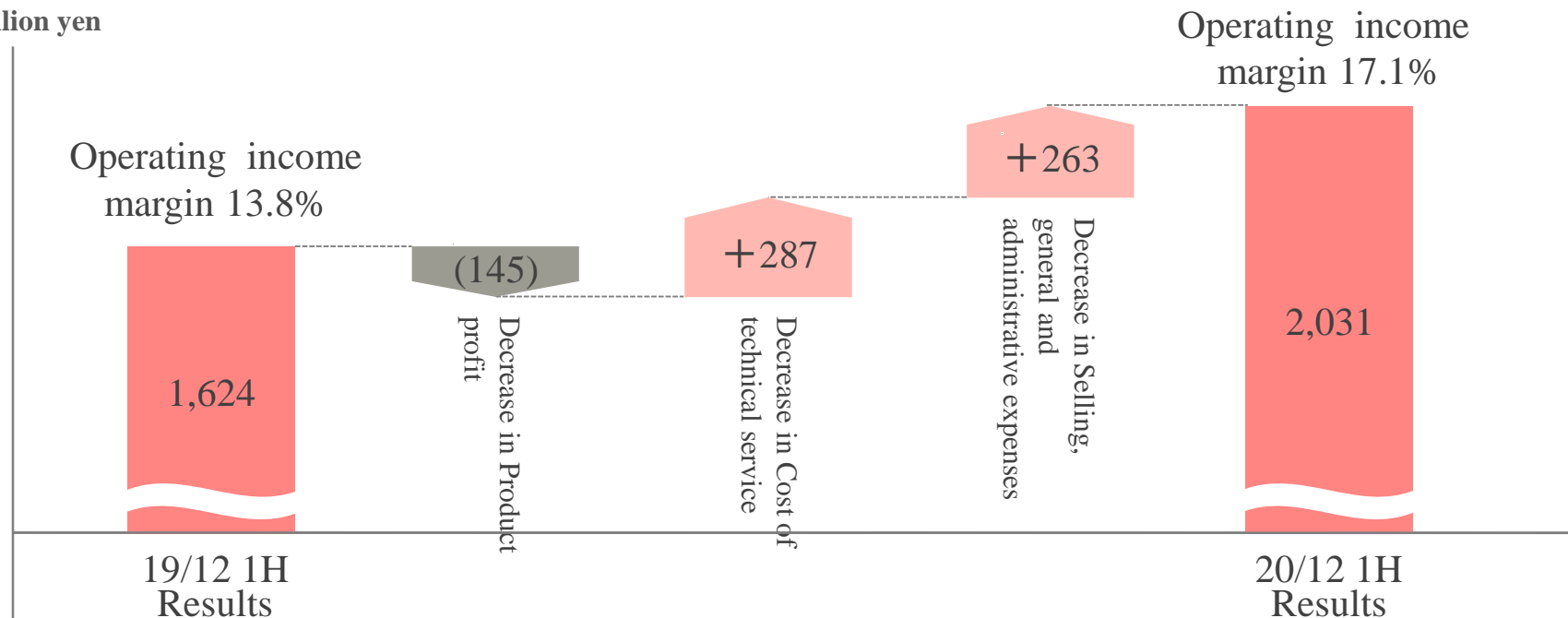
	19/12 1H	20/12 1H	YoY	YoY		20/12 1H	Change	Change
	Results	Results	Change	Change		Plan	Amount	%
			Amount	%			From Plan	From Plan
Net sales	11,798	11,871	+72	+0.6%		11,870	+1	+0.0%
Operating income	1,624	2,031	+406	+25.0%		1,650	+381	+23.1%
Operating income margin	13.8%	17.1%	+3.3pt			13.9%	+3.2pt	
Ordinary income	1,657	2,011	+354	+21.4%		1,690	+321	+19.0%
Ordinary income margin	14.0%	16.9%	+2.9pt			14.2%	+2.7pt	
Profit attributable to owners of parent	1,049	1,343	+294	+28.0%		1,082	+260	+24.1%
Profit attributable to owners of parent margin	8.9%	11.3%	+2.4pt			9.1%	+2.2pt	

Million yen

[Consolidated] Changes in Operating Income (YoY comparison)

CYBERNET SYSTEMS CO., LTD.

Million yen



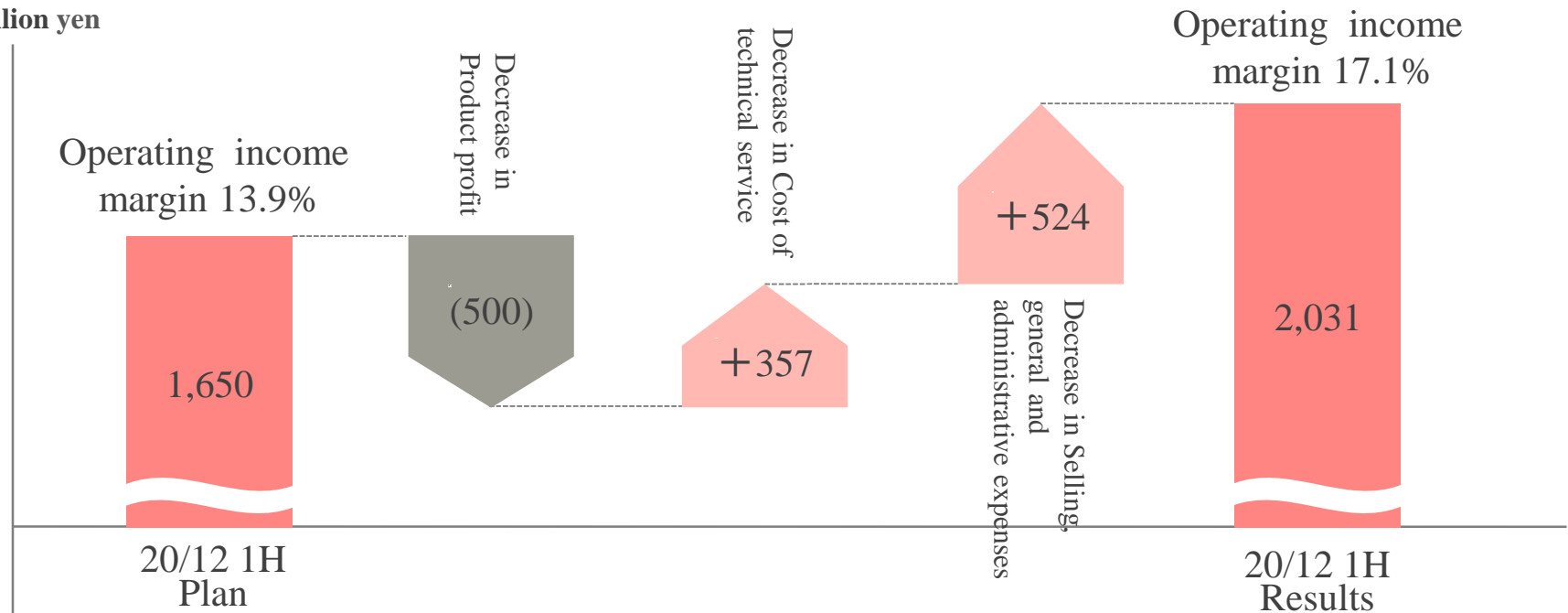
Main Causes of Year-on-Year Changes

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 outsourcing fee and travel expenses, etc.
Selling, general and administrative expenses	Decreased due to decrease in furniture and fixtures costs (Floor renovation in the previous fiscal year) and travel expenses, 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 the sales mix.
Cost of technical service	Decreased due to decrease in outsourcing fee and travel expenses, etc.
Selling, general and administrative expenses	Decreased due to decrease in travel expenses and unused costs and expenses, etc.

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	19/12	20/12 2Q	YoY Change Amount
Current assets	19,022	19,750	+728
Cash and deposits	3,019	3,761	+742
Notes and accounts receivable-trade	4,382	5,000	+618
Short-term investment securities	7,000	7,500	+500
Short-term loans receivable	3,360	2,452	(908)
Others	1,260	1,036	(223)
Noncurrent assets	1,799	1,698	(101)
Property, plant and equipment	364	348	(16)
Intangible assets	280	413	+132
Investments and other assets	1,153	936	(217)
Total Assets	20,821	21,449	+627
Current liabilities	5,925	5,609	(315)
Accounts payable-trade	1,493	1,775	+282
Income taxes payable	530	529	(1)
Advances received	2,021	2,013	(7)
Provision for bonuses	727	334	(393)
Others	1,152	957	(195)
Noncurrent liabilities	1,259	1,272	+12
Provision for retirement benefits	1,230	1,244	+13
Others	28	27	(1)
Total liabilities	7,185	6,882	(303)
Total net assets	13,636	14,566	+930
Total liabilities and net assets	20,821	21,449	+627

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

- (i) Short-term loans receivable (down 908 million yen from the end of the previous fiscal year)
 - Decrease in CMS (Cash Management System) balance to the parent company : -908 million yen.
- (ii) Total net assets (up 930 million yen from the end of the previous fiscal year)
 - Profit attributable to owners of parent : + 1,343 million yen.
 - Dividend of earnings : - 389 million yen
 - Change in foreign currency translation adjustment : - 34 million yen.

(i)

(ii)

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	19/12 1H	20/12 1H	YoY
	Results	Results	Change Amount
Net cash provided by operating activities	1,792	1,039	(753)
Net cash provided by investing activities	19	667	+647
Net cash provided by financing activities	(271)	(416)	(144)
Effect of exchange rate change on cash and cash equivalents	(49)	(43)	+6
Net decrease in cash and cash equivalents	1,490	1,247	(243)
Cash and cash equivalents at beginning of period	8,378	9,935	+1,556
Cash and cash equivalents at end of period	9,869	11,182	+1,313

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 and in trade receivables, etc.
Net cash provided by investing activities	Decreased due to decrease in loans to the parent company
Net cash provided by financing activities	Decreased due to increase in payment of year-end dividends for the previous fiscal year, etc.

[Consolidated] Quarterly Net sales

CYBERNET SYSTEMS CO., LTD.

Million yen

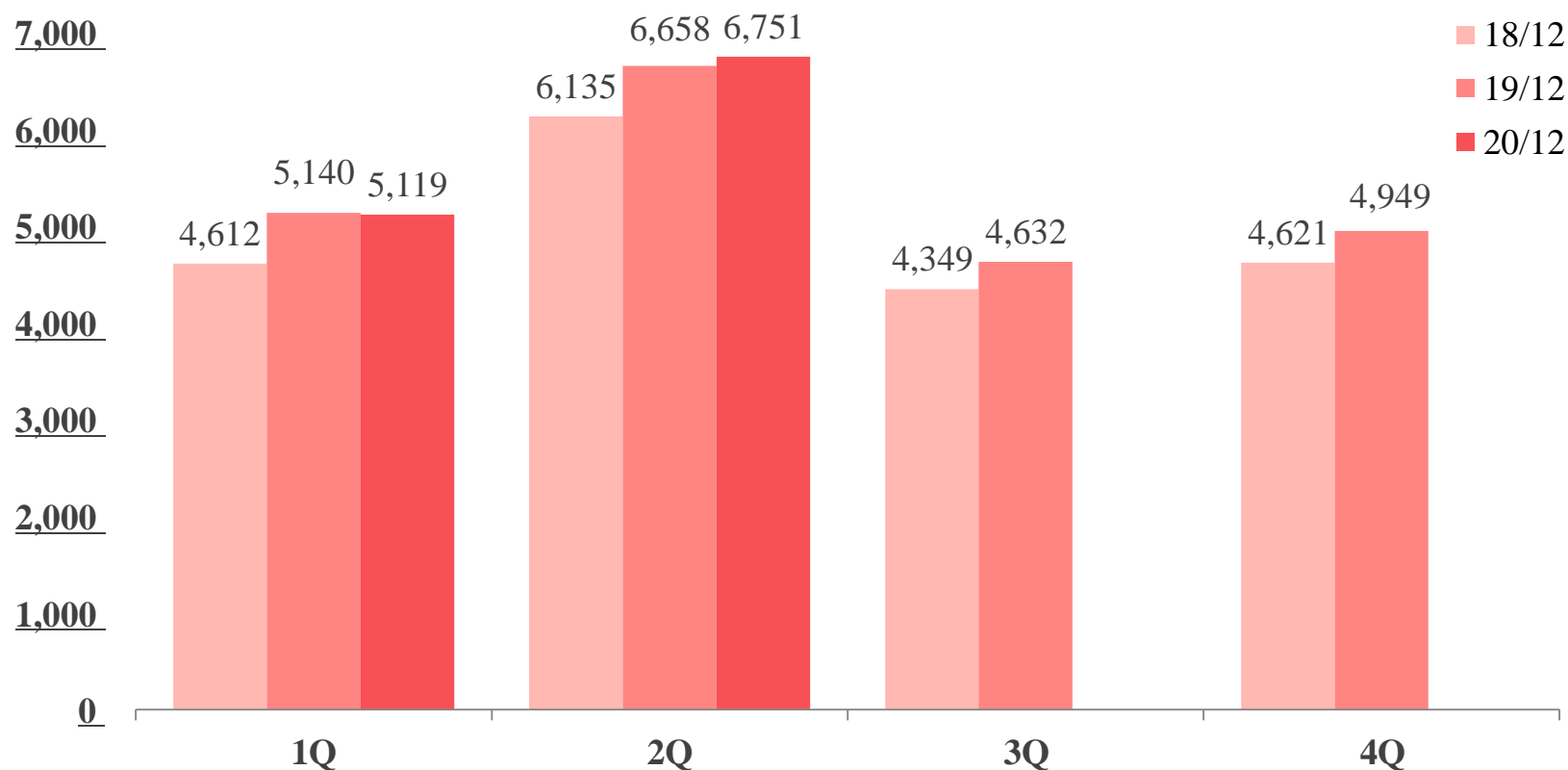
YoY comparison

+16.0%	+11.4%	-0.4%
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+12.7%	+8.5%	+1.4%
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+16.0%	+6.5%
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-4.1%	+6.5%
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[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

	Million yen					
	19/12 1H		20/12 1H		YoY	YoY
	Results	Component ratio	Results	Component ratio	Change Amount	Change %
Total Net sales	11,798	100.0%	11,871	100.0%	+72	+0.6%
CAE	9,732	82.5%	9,684	81.6%	(47)	(0.5%)
IT	2,066	17.5%	2,186	18.4%	+119	+5.8%
Elimination	—	—	—	—	—	—
Total Operating income	1,624	—	2,031	—	+406	+25.0%
CAE	2,186	—	2,573	—	+386	+17.7%
IT	204	—	138	—	(65)	(32.3%)
Elimination	(765)	—	(680)	—	+85	—

Points of Results by Segment

Segment	Point
CAE	Software sales were steady, but total Net sales decreased due to sluggish of sales of engineering services in Japan, etc. Operating income increased due to control of costs and expenses.
IT	Total Net sales increased due to steady growth of security-related solutions. Operating income decreased due to sluggish of sales of other fields.

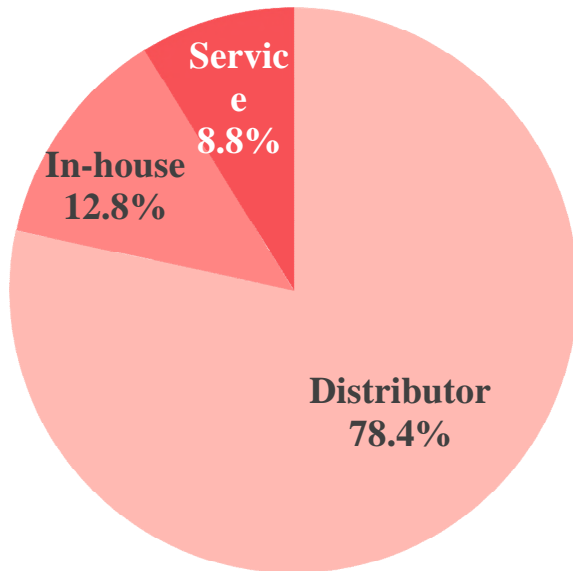
(Note) CAE : CAE Solution Services IT : IT Solution Services

[Consolidated] Composition ratio of Net sales

CYBERNET SYSTEMS CO., LTD.

<First half of the fiscal year>

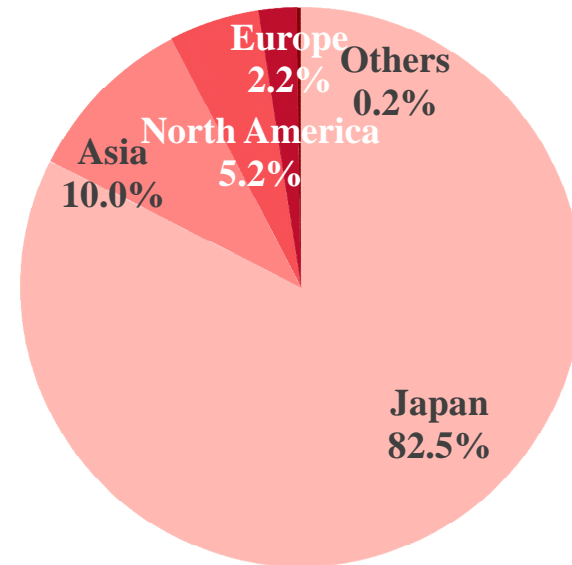
Net sales by sales form



(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

Net sales by region



(Note) From this time, the region identification has changed from sales region to end user region.

[Consolidated] Net sales by sales form

CYBERNET SYSTEMS CO., LTD.

<Second quarter of the fiscal year>

Million yen

	19/12 2Q		20/12 2Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Distributor	5,376	80.7%	5,585	82.7%	+209	+3.9%
In-house	794	11.9%	730	10.8%	(64)	(8.1%)
Service	487	7.3%	435	6.5%	(52)	(10.7%)
Total	6,658	100.0%	6,751	100.0%	+93	+1.4%

[Consolidated] Net sales by sales form

CYBERNET SYSTEMS CO., LTD.

<First half of the fiscal year>

Million yen

	19/12 1H		20/12 1H		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Distributor	8,937	75.7%	9,311	78.4%	+373	+4.2%
In-house	1,587	13.5%	1,516	12.8%	(71)	(4.5%)
Service	1,274	10.8%	1,043	8.8%	(230)	(18.1%)
Total	11,798	100.0%	11,871	100.0%	+72	+0.6%

[Consolidated] Net sales by region

CYBERNET SYSTEMS CO., LTD.

<Second quarter of the fiscal year>

Million yen

	19/12 2Q		20/12 2Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Japan	5,678	85.3%	5,714	84.6%	+36	+0.6%
Asia	506	7.6%	596	8.8%	+89	+17.6%
North America	301	4.5%	321	4.8%	+19	+6.6%
Europe	157	2.4%	108	1.6%	(48)	(30.9%)
Others	14	0.2%	10	0.2%	(3)	(27.1%)
Total	6,658	100.0%	6,751	100.0%	+93	+1.4%

(Note) From this time, From this time, the region identification has changed from sales region to end user region.

[Consolidated] Net sales by region

CYBERNET SYSTEMS CO., LTD.

<First half of the fiscal year>

Million yen

	19/12 1H		20/12 1H		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Japan	9,711	82.3%	9,789	82.5%	+78	+0.8%
Asia	1,148	9.7%	1,184	10.0%	+35	+3.1%
North America	624	5.3%	615	5.2%	(8)	(1.4%)
Europe	282	2.4%	260	2.2%	(21)	(7.8%)
Others	32	0.3%	20	0.2%	(11)	(34.8%)
Total	11,798	100.0%	11,871	100.0%	+72	+0.6%

(Note) From this time, From this time, the region identification has changed from sales region to end user region.

[Non-consolidated]

Net sales by Category of Industry

CYBERNET SYSTEMS CO., LTD.

<Second quarter of the fiscal year>

Million yen

	19/12 2Q		20/12 2Q		YoY	
	Results	Component ratio	Results	Component ratio	Change Amount	Change %
Electrical equipment	2,042	35.9%	2,003	35.3%	(39)	(1.9%)
Machinery & Precision Machinery	839	14.8%	1,002	17.7%	+162	+19.4%
Transportation equipment	630	11.1%	537	9.5%	(93)	(14.8%)
Other manufacturing industry	662	11.6%	623	11.0%	(38)	(5.8%)
Education institution/ government and municipal offices	471	8.3%	498	8.8%	+26	+5.7%
Telecommunication industry	349	6.1%	318	5.6%	(31)	(8.9%)
Others	695	12.2%	694	12.2%	(0)	(0.1%)
Total	5,691	100.0%	5,678	100.0%	(13)	(0.2%)

[Non-consolidated]

Net sales by Category of Industry

CYBERNET SYSTEMS CO., LTD.

<First half of the fiscal year>

	Million yen					
	19/12 1H		20/12 1H		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	2,998	30.7%	2,799	28.8%	(199)	(6.6%)
Machinery & Precision Machinery	1,486	15.2%	1,718	17.7%	+232	+15.6%
Transportation equipment	1,430	14.7%	1,043	10.7%	(386)	(27.0%)
Other manufacturing industry	1,170	12.0%	1,377	14.1%	+206	+17.7%
Education institution/ government and municipal offices	803	8.2%	773	7.9%	(29)	(3.7%)
Telecommunication industry	604	6.2%	555	5.7%	(48)	(8.0%)
Others	1,261	12.9%	1,467	15.1%	+205	+16.3%
Total	9,754	100.0%	9,735	100.0%	(19)	(0.2%)

[Non-consolidated]

Net sales by Contract type

CYBERNET SYSTEMS CO., LTD.

<Second quarter of the fiscal year>

Million yen

	19/12 2Q		20/12 2Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Licenses	5,298	100.0%	5,367	100.0%	+69	+1.3%
New licenses	1,444	27.3%	1,418	26.4%	(26)	(1.8%)
Renewals	3,853	72.7%	3,948	73.6%	+95	+2.5%
Others	393		310		(82)	(20.9%)
Total	5,691		5,678		(13)	(0.2%)

[Non-consolidated]

Net sales by Contract type

CYBERNET SYSTEMS CO., LTD.

<First half of the fiscal year>

Million yen

	19/12 1H		20/12 1H		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Licenses	8,688	100.0%	8,945	100.0%	+257	+3.0%
New licenses	2,807	32.3%	2,702	30.2%	(104)	(3.7%)
Renewals	5,880	67.7%	6,243	69.8%	+362	+6.2%
Others	1,066		789		(277)	(26.0%)
Total	9,754		9,735		(19)	(0.2%)

Projection for FY2020

Our main efforts against COVID-19

CYBERNET SYSTEMS CO., LTD.

We are working on safety and prevention of infection of our customers, stakeholders, employees and their families, and we are working to improve productivity of operation by recognizing "coexistence with viruses = time of "With COVID-19"".

Our main efforts

	March	April	May	June	July	August
For customers and stakeholders	Postponing or canceling events or our seminars	Change of our seminars from face-to-face to online		Active participation in online events and enhancement of our online seminars		
	Recommendation of online meeting					
For employees	<ul style="list-style-type: none"> • Wearing masks / washing hands / use of alcohol disinfection thoroughly • Recommendation of staggered hours of work with flextime system • Recommendation of work from home for employees who find it difficult to work at office because of temporary closures of schools for their children etc. 	<ul style="list-style-type: none"> • Work from home on principle for employees of all offices (Tokyo Head Office, Nishi-Nihon Branch Office and Chubu Branch Office) from April 13 		<ul style="list-style-type: none"> • Implementation of work by optimal combination of office work and telework. • Set work place at office or at home for each organization considering characteristics of operations of each organization to improve productivity from July 28. • Wearing masks / washing hands / use of alcohol disinfection thoroughly • Ingenuity of office layout and seat arrangement to keep social distancing • Recommendation of staggered hours of work with flextime system, etc. 		

The impact of the spread of COVID-19

CYBERNET SYSTEMS CO., LTD.

Due to the impact of COVID-19, some customers canceled or postponed projects / purchase of licenses, but the negative impact was within expectation as of 1Q. We also attempted to generate profits by controlling costs and expenses.

We are paying close attention to future impacts, and we will strive to minimize the negative impact on our business performance.

Major impacts on our business

Segment	Major impacts on our business and our efforts
CAE	<p>Although some customers canceled or postponed their purchase of software licenses, for renewal contracts the business was steady and negative impact was limited.</p> <p>Some customers canceled or postponed Engineering services.</p> <p>We will strive to minimize the negative impact on our business performance by working on enhancement of our online seminars and actively participating in online events, and controlling costs and expenses.</p>
IT	<p>Although some customers canceled or postponed their purchase of software licenses, for renewal contracts the business was steady and negative impact was limited.</p> <p>We will strive to minimize the negative impact on our business performance by working on sales promotion of cloud-base services and telework promotion solutions, expansion of online seminars, etc. that meet customers' needs for "With COVID-19" and "After COVID-19" and controlling costs and expenses.</p>

[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	

Dividend Estimate for Current Fiscal Year

Although the impact of the spread of COVID-19 on our future business performance is uncertain, the Projection of Current Fiscal Year remains unchanged, so we decided to pay interim dividends of 10.43 yen per share as initially projected and we will keep Year-end dividends projection unchanged.

(unit: yen)

	16/12	17/12	18/12	19/12	20/12E		
	Total	Total	Total	Total	Interim	Year-end	Total
	Result	Result	Result	Result	Result	Projection	Projection
Dividend per share	13.00	15.05	16.52	20.19	10.43	10.43	20.86
Net income per share	14.83	30.09	(21.07)	40.38	43.10	—	41.72
Dividend payout target ratio	87.7%	50.0%	—	50.0%	—	—	50.0%
(Ref.) Dividend on equity ratio	3.0%	3.4%	3.8%	4.8%	—	—	4.7%

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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