

(Delayed)

TSE Code : 4312

CYBERNET SYSTEMS CO., LTD.

**Results of Operations for the Third Quarter of the
Fiscal Year Ending December 31, 2022**

2 November, 2022

CYBERNET



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Business Summary of Financial Results for the First Three Quarters of FY2022

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Projection for FY2022

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References

Understanding of the current external environment and its impact on the results of the First three quarters of FY2022

Understanding of the current environment

- Rising resource prices and energy shortages due to the situation in Russia and Ukraine.
- Shortage of parts and materials such as semiconductors due to supply chain disruptions, etc.
- Due to COVID-19, Shenzhen went into a temporary lockdown. Chinese government continues the policy of zero-COVID policy.
- Global economic slowdown against the background of the above situation.
- Promotion of DX aimed at work style reforms, etc.
- Depreciation of Yen due to widening interest rate differentials between Japan and the United States

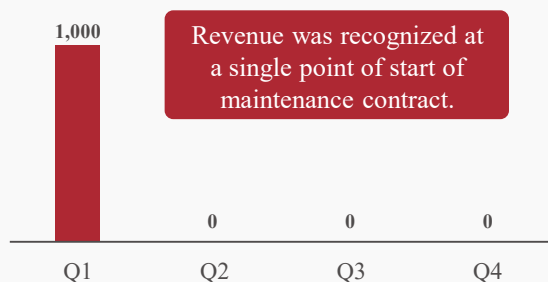
Impact on results of the first three quarters of FY2022

- Against the background of uncertainties in the global economy, some of orders postponed in Europe, the United States, Asia, etc.
- Sales of IT security solutions for cloud environments was strong due to the establishment and permeation of new normal work style.
- Exchange rate fluctuations have limited impact on the operating income.

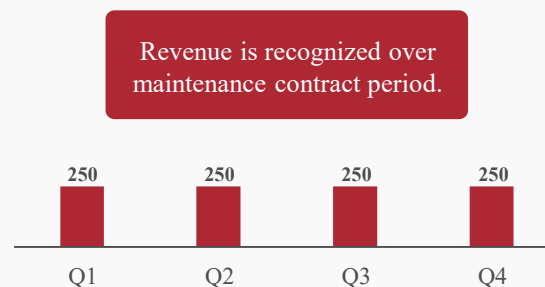
Application of Accounting Standard for Revenue Recognition

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) has been applied since the beginning of this fiscal year.
- By applying the standard, revenue recognition of software maintenance contract of the distribution business changed. Before applying the standard, the revenue was mainly recognized at the start of the contract and now the revenue is recognized over the contract period.
- Since transitional measures of Revenue Recognition Standard have been applied and retrospective adjustments have not been made in the past years, the year-on-year in financial figures in this material are only for reference (For some non-consolidated net sales, retroactively revised figure is disclosed).

Old (image diagram)



New (image diagram)



Financial Results for the First Three Quarters of FY2022

- Although strong sales of multi-physics analysis tools, net sales decreased due to the termination of the distribution agreement with Synopsys.
- Operating income decreased due to the decrease in net sales.

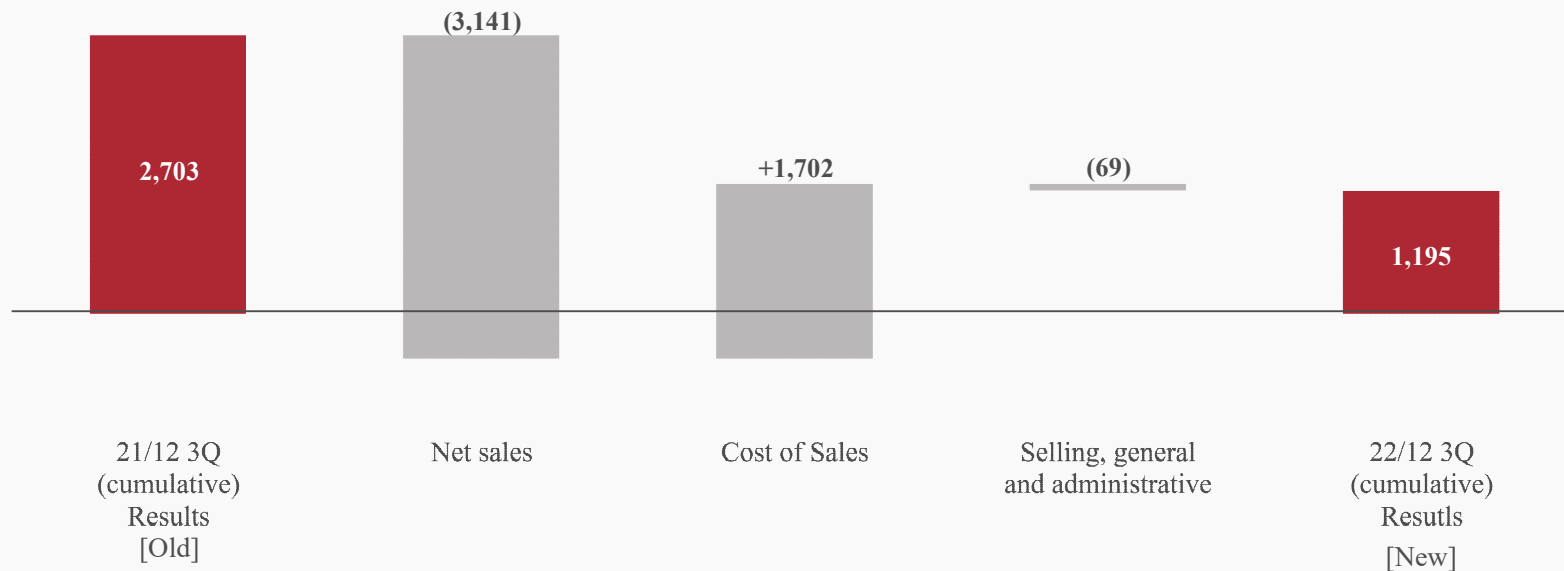
	Million yen				
	21/12 3Q (cumulative) Results [Old]	22/12 3Q (cumulative) Results [New]	YoY Change %	22/12 3Q (cumulative) Plan [New]	Change % From Plan
Net sales	17,547	14,406	(17.9%)	14,700	(2.0%)
Gross profit	7,337	5,898	(19.6%)	-	-
Selling, general and administrative expenses	4,634	4,703	+1.5%	-	-
Operating income	2,703	1,195	(55.8%)	1,280	(6.6%)
(Operating profit margin)	15.4%	8.3%	-	8.7%	-
Ordinary income	2,703	1,098	(59.4%)	1,280	(14.2%)
Profit attributable to owners of parent	1,913	600	(68.6%)	810	(25.8%)
EBITDA	2,885	1,381	(52.1%)	1,505	(8.2%)
(EBITDA margin)	16.4%	9.6%	-	10.2%	-
EPS (yen)	61.35	19.40	(68.4%)	25.97	(25.3%)

※ Revenue Recognition Standard has been applied since the beginning of this fiscal year (reference P.4), and the year-on-year in financial figures in this material are only for reference.

※ EBITDA: Operating income + Depreciation

Changes in Operating Income (YoY Comparison)

- Cost of sales decreased due to decrease in net sales. Selling, general and administrative were almost the same as that of the previous fiscal year, and operating income decreased.



Million yen

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Financial impact by applying Revenue Recognition Standard

											Million yen
	22/12 3Q [Old]	Financial effect			22/12 3Q [New]	22/12 3Q (cumulative) [Old]	Financial effect			22/12 3Q (cumulative) [New]	
		Simulation	IT	Total			Simulation	IT	Total		
Net sales	4,632	(47)	+84	+36	4,669	14,988	(535)	(46)	(582)	14,406	
Cost of sales	2,753	(11)	+57	+46	2,800	8,786	(228)	(50)	(279)	8,507	
Gross profit	1,878	(36)	+27	-9	1,869	6,202	(307)	+4	(303)	5,898	
Selling general and administrative expenses	1,707	-	-	-	1,707	4,703	-	-	-	4,703	
Operating income	170	(36)	+27	(9)	161	1,498	(307)	+4	(303)	1,195	

※ Simulation : Simulation Solution Services

※ IT : Information Technology Solution Services

Overview of Results by Segment

Simulation Segment

- Renewal of maintenance contracts for main products, engineering services such as MBSE and training service performed well, but sales and profits decreased due to the termination of the distribution agreement with Synopsys.

IT Segment

- Net sales increased due to the strong sales of next-generation endpoint security and security solutions for cloud environments.

※ Simulation : Simulation Solution Services

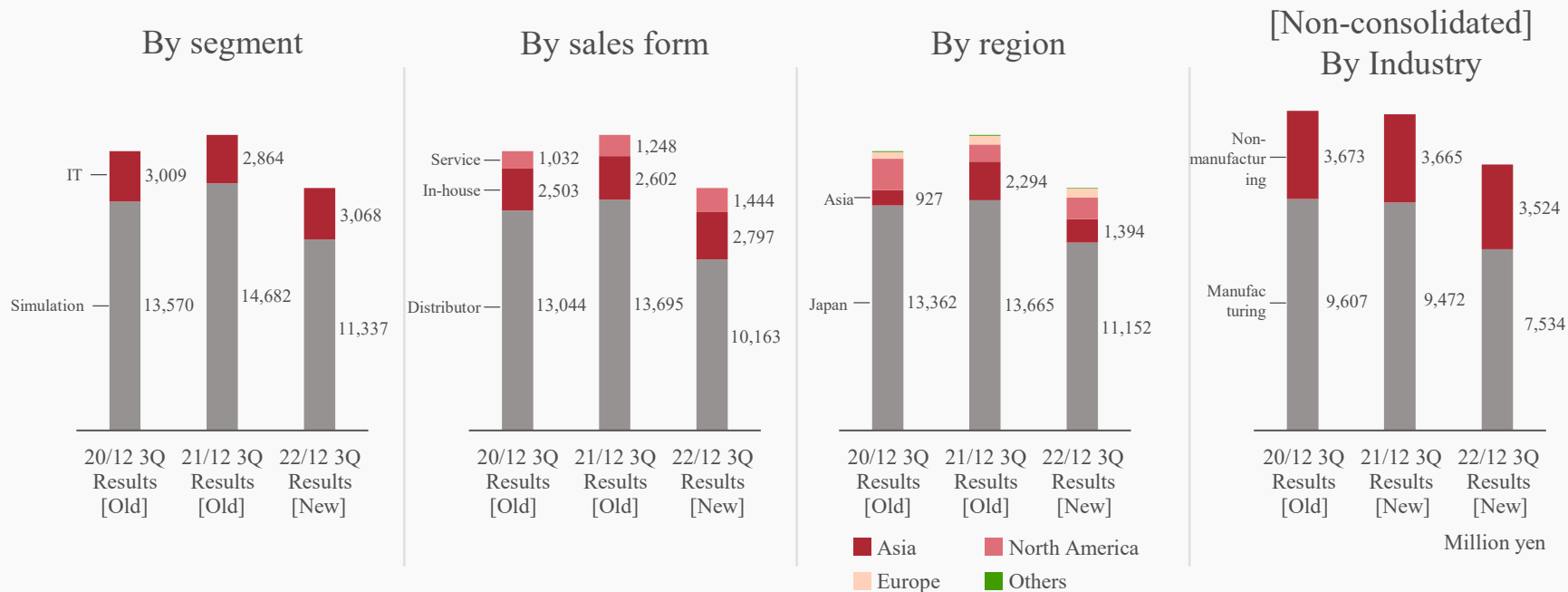
※ IT : Information Technology Solution Services

※ Revenue Recognition Standard has been applied since the beginning of this fiscal year (reference P.4), and the figures of Q1 FY2021, with some exception, is before applying the standard.

※ From the first quarter of the current fiscal year, the name of the reporting segment was changed from "CAE Solution Services" to "Simulation Solution Services". In addition, the segment classification has been changed, and the results for the same period of the previous year are described by the changed segment classification.

	21/12 3Q (cumulative) [Old]	22/12 3Q (cumulative) [New]	Million yen YoY Change %
Total Net sales	17,547	14,406	(17.9%)
Simulation	14,682	11,337	(22.8%)
IT	2,864	3,068	+7.1%
Elimination	-	-	-
Total Operating income	2,703	1,195	(55.8%)
Simulation	3,470	1,847	(46.8%)
IT	391	405	+3.6%
Elimination	(1,158)	(1,057)	-

Composition of Net sales

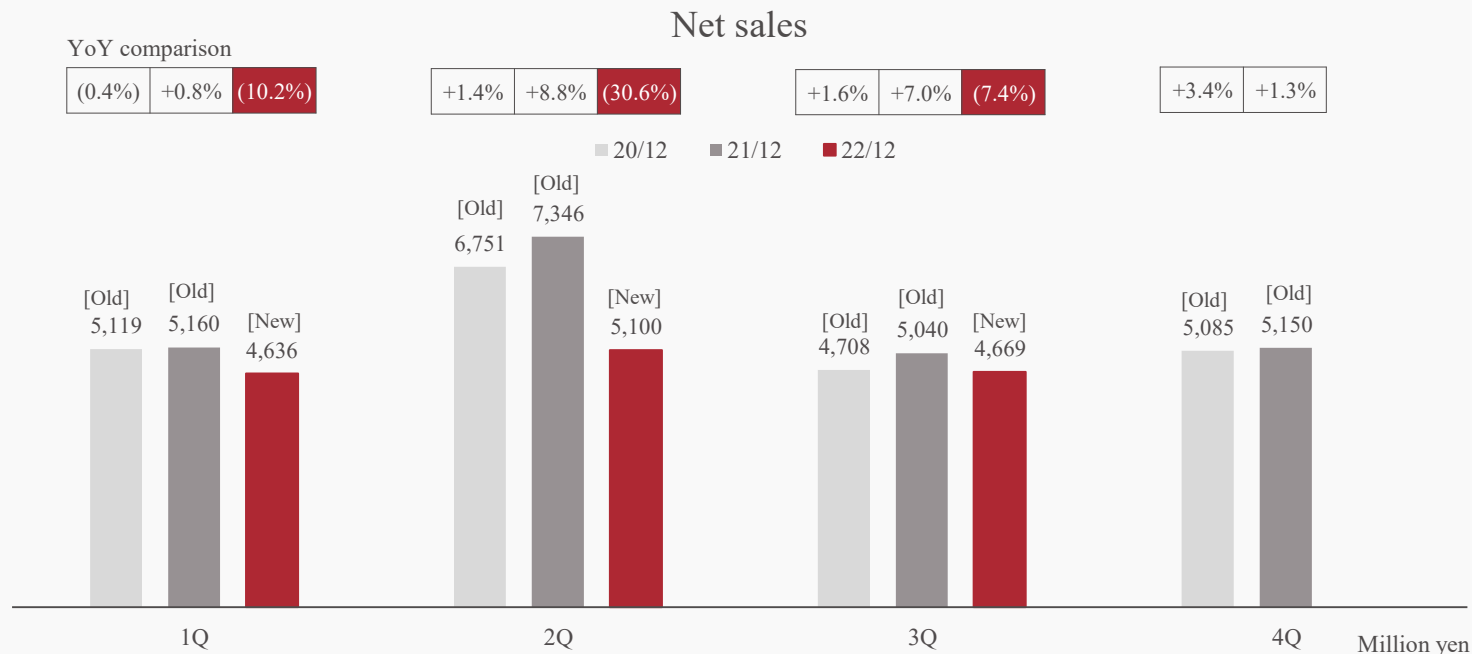


※ Revenue Recognition Standard has been applied since the beginning of this fiscal year (reference P.4), and the year-on-year in financial figures in this material are only for reference.

※ From the first quarter of the current fiscal year, the name of the reporting segment was changed from "CAE Solution Services" to "Simulation Solution Services". In addition, the segment classification has been changed, and the results for the same period of the previous year are described by the changed segment classification.

Quarterly Net Sales

- Net sales decreased 7.4% year-on-year due to the termination of the distribution agreement with Synopsys and applying Revenue Recognition Standard.



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Balance Sheet

- Financial assets decreased by 608 million yen. Total net assets decreased by 1,219 million yen. The equity ratio was 59.8%.
- Short-term loans receivables decreased by 3,579 million yen due to collection of loans to the parent company (Cash Management System of the parent company).
- Beginning balance of legal retained earnings included in shareholder' equity of this fiscal year decreased by 911 million yen due to applying Revenue Recognition Standard.

※ Financial assets: total of cash and deposits, short-term investment securities and short-term loans receivable

	21/12 [Old]	22/12 3Q [New]	Million yen YoY Change Amount
Current assets	21,526	22,053	+527
Financial assets(※)	16,009	15,400	(608)
Cash and deposits	7,429	8,400	+971
Short-term investment securities	5,000	7,000	+2,000
Short-term loans receivables	3,579	-	(3,579)
Non-current assets	1,744	1,920	+176
Total Assets	23,270	23,974	+703
Total liabilities	7,538	9,461	+1,923
Current liabilities	6,472	8,414	+1,942
Non-current liabilities	1,065	1,047	(18)
Total net assets	15,732	14,512	(1,219)
Shareholders' equity	15,287	13,814	(1,473)
Total liabilities and net assets	23,270	23,974	+703
Equity ratio	66.3%	59.8%	(6.5pt)

Cash Flow Statement

		Million yen		
Net cash provided by operating activities		21/12 3Q (cumulative)	22/12 3Q (cumulative)	YoY Change Amount
■ Decreased due to decrease in Profit before income taxes, etc.	Net cash provided by operating activities	1,628	499	(1,128)
	Net cash provided by investing activities	627	2,761	+2,133
Net cash provided by investing activities	Net cash provided by financing activities	(872)	(1,320)	(448)
■ Increased due to increase in proceeds from collection of loans receivables, etc.	Cash and cash equivalents at end of period	11,882	14,795	+2,912
Net cash provided by financing activities				
■ Decreased due to increase of purchase of treasury shares, increase in payment of dividends, etc.				

Net Sales by Segment and by sales form

Million yen

	21/12 3Q		22/12 3Q		YoY Change %	21/12 3Q cumulative		22/12 3Q cumulative		YoY Change %
	Results [Old]	Component ratio	Results [New]	Component ratio		Results [Old]	Component ratio	Results [New]	Component ratio	
Total Net sales	5,040	100.0%	4,669	100.0%	(7.4%)	17,547	100.0%	14,406	100.0%	(17.9%)
Simulation	4,215	83.6%	3,671	78.6%	(12.9%)	14,682	83.7%	11,337	78.7%	(22.8%)
Distributor	3,060	60.7%	2,405	51.5%	(21.4%)	11,201	63.8%	7,494	52.0%	(33.1%)
In-house products	772	15.3%	891	19.1%	+15.3%	2,355	13.4%	2,543	17.7%	+8.0%
Service	382	7.6%	375	8.0%	(1.9%)	1,125	6.4%	1,299	9.0%	+15.4%
IT	825	16.4%	997	21.4%	+20.9%	2,864	16.3%	3,068	21.3%	+7.1%
Distributor	677	13.4%	866	18.6%	+27.9%	2,494	14.2%	2,668	18.5%	+7.0%
In-house products	84	1.7%	86	1.8%	+2.0%	246	1.4%	254	1.8%	+3.2%
Service	63	1.3%	45	1.0%	(28.6%)	123	0.7%	145	1.0%	+17.9%

※ Revenue Recognition Standard has been applied since the beginning of this fiscal year (reference P.4), and the year-on-year in financial figures in this material are only for reference.

Net Sales by sales form

Million yen

	21/12 3Q		22/12 3Q		YoY Change %	21/12 3Q cumulative		22/12 3Q cumulative		YoY Change %
	Results [Old]	Component ratio	Results [New]	Component ratio		Results [Old]	Component ratio	Results [New]	Component ratio	
Distributor	3,737	74.2%	3,271	70.1%	(12.5%)	13,695	78.1%	10,163	70.6%	(25.8%)
In-house products	857	17.0%	977	20.9%	+14.0%	2,602	14.8%	2,797	19.4%	+7.5%
Service	445	8.8%	420	9.0%	(5.6%)	1,248	7.1%	1,444	10.0%	+15.7%
Total	5,040	100.0%	4,669	100.0%	(7.4%)	17,547	100.0%	14,406	100.0%	(17.9%)

※ Revenue Recognition Standard has been applied since the beginning of this fiscal year (reference P.4), and the year-on-year in financial figures in this material are only for reference.

※ Due to the review of some sales formats, the figures for the same period of the previous year are applied after reclassification.

Net Sales by region

Million yen

	21/12 3Q		22/12 3Q		YoY Change %	21/12 3Q cumulative		22/12 3Q cumulative		YoY Change %
	Results [Old]	Component ratio	Results [New]	Component ratio		Results [Old]	Component ratio	Results [New]	Component ratio	
Japan	3,748	74.4%	3,560	76.3%	(5.0%)	13,665	77.9%	11,152	77.4%	(18.4%)
Asia	740	14.7%	403	8.7%	(45.4%)	2,294	13.1%	1,394	9.7%	(39.2%)
North America	353	7.0%	507	10.9%	+43.6%	1,017	5.8%	1,279	8.9%	+25.7%
Europe	183	3.6%	184	3.9%	+0.3%	525	3.0%	539	3.7%	+2.7%
Others	13	0.3%	12	0.3%	(5.8%)	44	0.3%	40	0.3%	(9.3%)
Total	5,040	100.0%	4,669	100.0%	(7.4%)	17,547	100.0%	14,406	100.0%	(17.9%)

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[Non-consolidated] Net sales by Category of Industry

Million yen

	21/12 3Q		22/12 3Q		YoY Change %	21/12 3Q cumulative		22/12 3Q cumulative		YoY Change %
	Results [New]	Component ratio	Results [New]	Component ratio		Results [New]	Component ratio	Results [New]	Component ratio	
Electrical equipment	1,171	28.1%	811	22.8%	(30.7%)	3,567	27.1%	2,478	22.4%	(30.5%)
Machinery and precision machinery	738	17.7%	575	16.2%	(22.1%)	2,289	17.4%	1,692	15.3%	(26.0%)
Transportation equipment	479	11.5%	413	11.6%	(13.7%)	1,557	11.9%	1,396	12.6%	(10.3%)
Other manufacturing industries	659	15.8%	653	18.4%	(1.0%)	2,059	15.7%	1,966	17.8%	(4.5%)
Education institution/ government and municipal offices	251	6.0%	264	7.4%	+4.9%	880	6.7%	937	8.5%	+6.5%
Telecommunications industry	293	7.0%	212	6.0%	(27.5%)	785	6.0%	642	5.8%	(18.2%)
Others	574	13.8%	628	17.6%	+9.3%	1,999	15.2%	1,943	17.6%	(2.8%)
Total	4,169	100.0%	3,559	100.0%	(14.6%)	13,138	100.0%	11,058	100.0%	(15.8%)

※ The results for the same period of the previous year are reference information for comparing the results calculated by Revenue Recognition Standard.

※ Due to the review of some sales formats, the figures for the same period of the previous year are applied after reclassification.

[Non-consolidated] Net sales by Contract Type

Million yen

	21/12 3Q		22/12 3Q		YoY Change %	21/12 3Q cumulative		22/12 3Q cumulative		YoY Change %
	Results [New]	Component ratio	Results [New]	Component ratio		Results [New]	Component ratio	Results [New]	Component ratio	
Licenses	3,625	100.0%	3,127	100.0%	(13.7%)	11,318	100.0%	9,390	100.0%	(17.0%)
New licenses	945	26.1%	795	25.4%	(15.8%)	3,232	28.6%	2,858	30.4%	(11.6%)
Renewals	2,679	73.9%	2,331	74.6%	(13.0%)	8,086	71.4%	6,532	69.6%	(19.2%)
Others	543		432		(20.5%)	1,819		1,667		(8.3%)
Total	4,169		3,559		(14.6%)	13,138		11,058		(15.8%)

※ The results for the same period of the previous year are reference information for comparing the results calculated by Revenue Recognition Standard.

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Projection for FY2022

- Due to the termination of the distribution agreement with Synopsys, the plan of net sales and profits in FY2022 will decrease.
- Sales of products related to distribution business is expected to decrease and sales of in-house products and DX support for manufacturing customers are expected to increase.

	Million yen		
	21/12 Results [Old]	22/12 Projection [New]	YoY Change %
Net sales	22,697	20,000	(11.9%)
Operating income	2,830	1,800	(36.4%)
(Operating income margin)	12.5%	9.0%	-
Ordinary income	2,822	1,800	(36.2%)
Profit attributable to owners of parent	1,786	1,150	(35.6%)
EBITDA	3,072	2,100	(32.7%)
(EBITDA margin)	13.5%	10.5%	-
EPS (yen)	57.29	36.87	(35.6%)
ROE	12.0%	7.4%	-

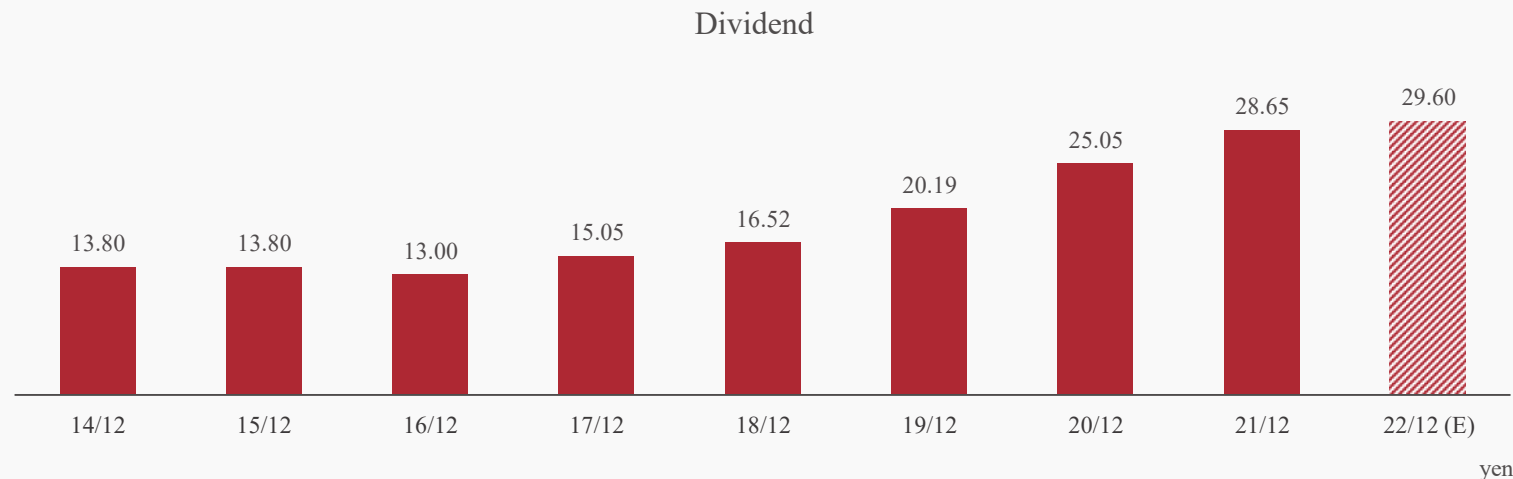
※ EBITDA: Operating income + Depreciation

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Dividend Estimate for FY2022

■ The projection of dividend is 29.60 yen per share.

Basic Policies on Profit Distribution : We recognize the return of profits to our shareholders as an important management issue, and improve capital efficiency while maintaining financial soundness. For the time being, we will place importance on stable dividends and continuous increases of dividend. Dividend on equity ratio (DOE) of 6.0% is used for the indicator of dividend and the cap is “Profit attributable to owners of parent” of the fiscal year.



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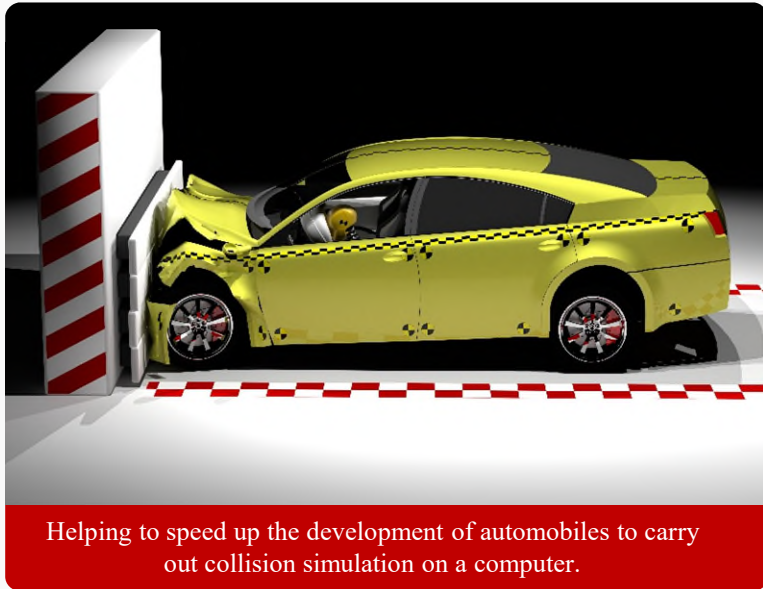
References

Corporate Overview

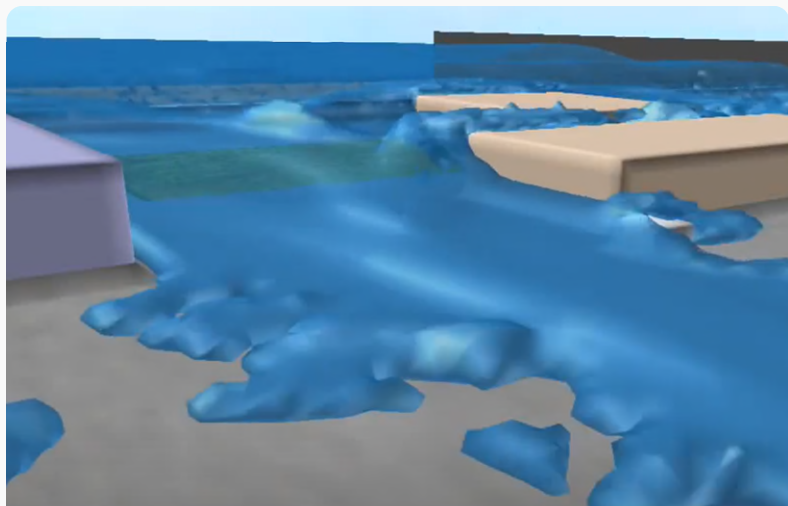
Company name	Cybernet Systems Co., Ltd. (Standard Market of TSE 4312)
Head office	FUJISOFT Bldg. 3 Kanda-neribeicho, Chiyoda-ku, Tokyo
Other office	Nishi-Nihon Branch Office (Osaka), Chubu Branch Office (Nagoya)
Establishment	April 17, 1985
Capital	995 million yen
Representative	Representative Director : Reiko Yasue
Number of employee	Consolidated/ 573, Non-Consolidated / 350(as of December 31, 2021)
Business	Providing software and services (technical support, consulting, introduction support seminars, CAE comprehensive education, etc.) in the fields of CAE, MBSE / MBD, platforms, IoT / XR, cyber security, etc.
Development partners	More than 35 companies mostly located in the US, including such as ANSYS, Inc. and Broadcom Inc.
Consolidated Subsidiaries	<p>[Domestic subsidiaries]</p> <ul style="list-style-type: none"> • CYBERNET MBSE Co., Ltd. <p>[Development subsidiaries]</p> <ul style="list-style-type: none"> • Sigmetrix, LLC (US) • Maplesoft(Canada) • Noesis Solutions NV (Belgium) <p>[Sales subsidiaries]</p> <ul style="list-style-type: none"> • CYBERNET SYSTEMS (SHANGHAI) CO., LTD. (China) • CYBERNET SYSTEMS TAIWAN CO., LTD. (Taiwan) • CYBERNET SYSTEMS MALAYSIA SDN.BHD. (Malaysia)

We aim to be a leading company in simulation

Our simulation technology contributes to **reducing the number of prototypes, shortening the development period, cost reduction, and innovation** by predicting the performance and reliability of products through numerical simulations on computers in the **development and design process of manufacturing**. Simulation technology is **not limited to manufacturing**, but is also useful in solving social issues such as sustainability, and is expanding its field of application.



Simulation is being used in a variety of areas

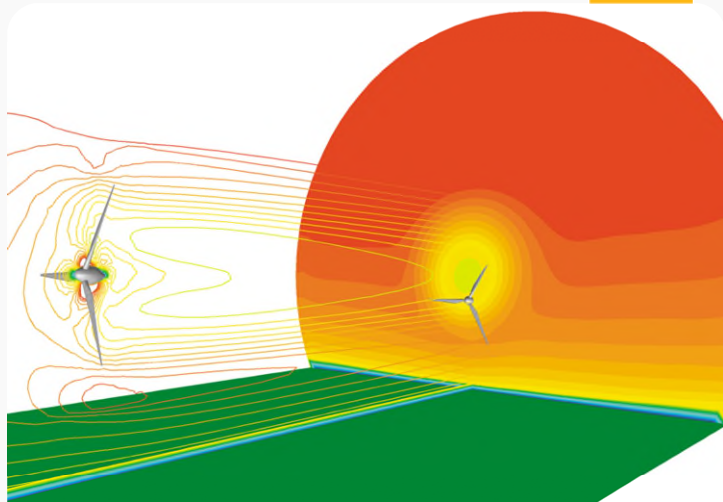


Visualization of tsunami simulation results to reproduce the impact of the disaster

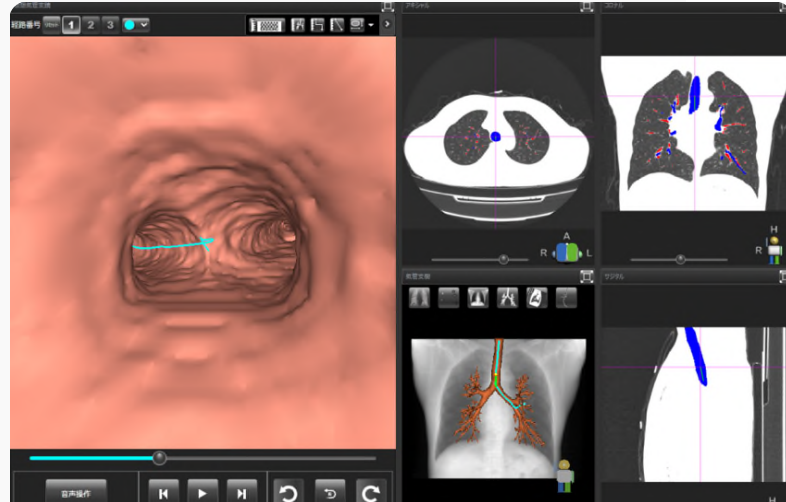


Contributes to the optimum design of drone vibration and blade shape

Simulation is an essential technology for achieving sustainability

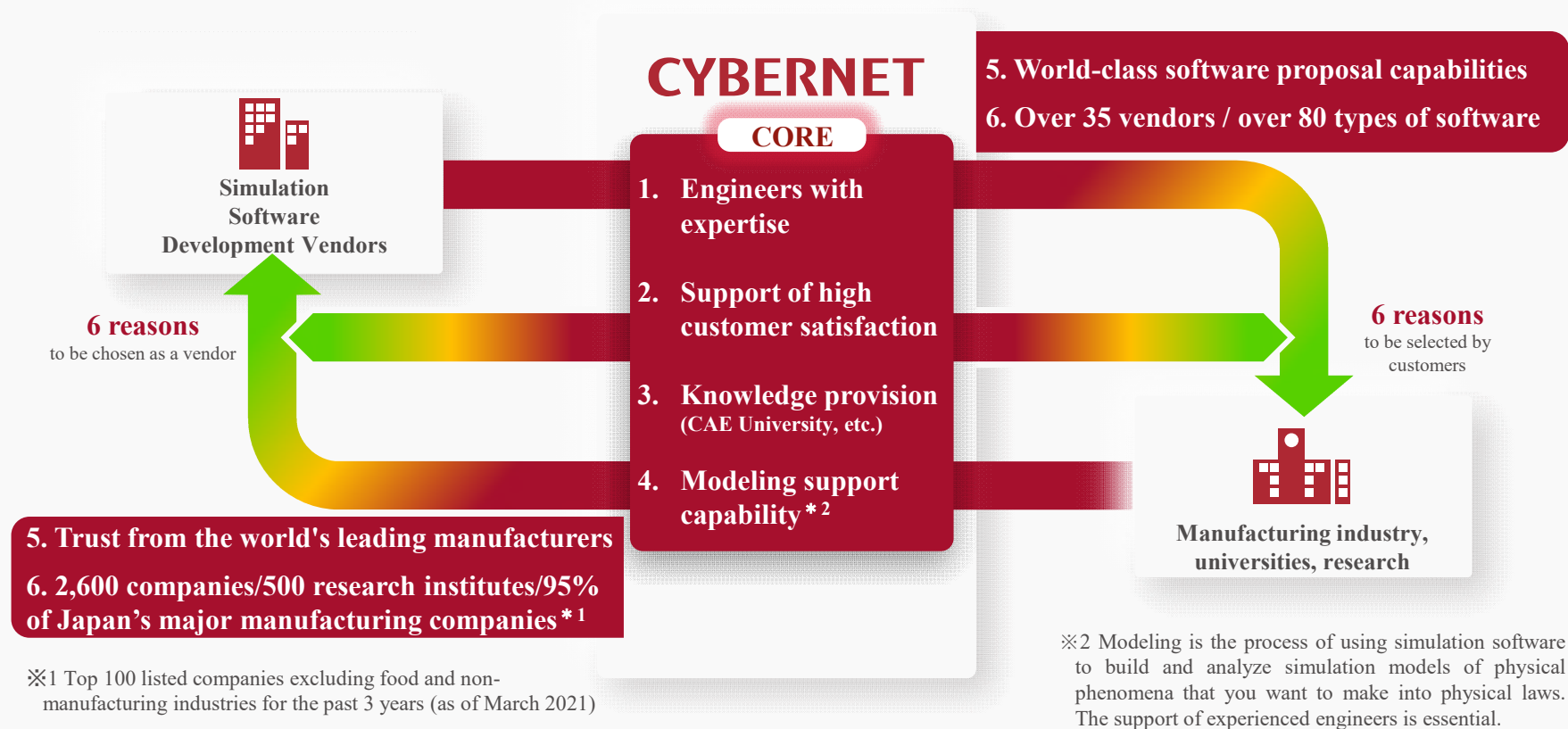


Contributes to improving power generation efficiency and safety of wind power generation equipment

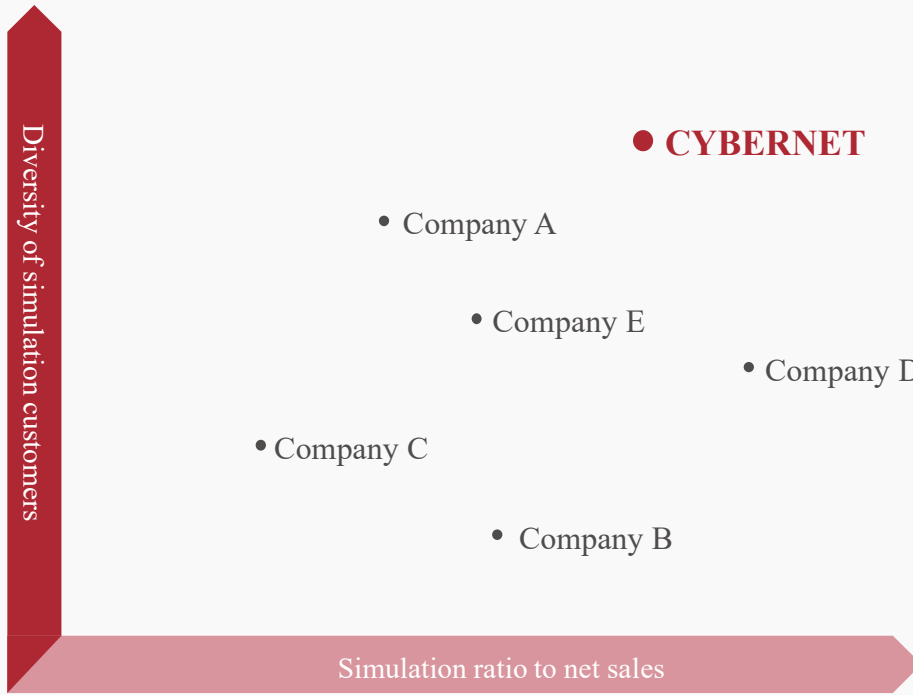


Real-time composite display of endoscopy results assist doctors in diagnosis

Our competitiveness is based on our technical capabilities, support capabilities, knowledge provision capabilities, and modeling support capabilities



Our company is characterized by its high degree of specialization in simulation and its wide range of simulation customers



※ Prepared by the Company based on IR materials.

Features of Cybernet Systems

- We cover a wide range of simulation areas with highly specialized technologies.
- We maintain good relationship with 2,600 companies & 500 universities and research institutes.
- Until now, we have provided simulations services mainly to manufacturing industry, but we are also focusing on non-manufacturing industries.

Cybernet by the numbers

① Extensive experience and high trust

Experiences in Japan **36** years

Originated as the Tokyo office of a US supercomputer company. Consistently supports development and design simulations for the manufacturing industry.

② Simulation leader

Mechanical CAE market **No.1** in Japan

The largest seller of mechanical CAE software in the Japanese market.

③ Engineers with strong technical skills

Ratio of engineer **45%**

45% of the group's employees are engineers. Knowledge and experience regarding computer technology and engineering are our strengths.

④ Proactive provision of knowledge

CAE University held ¹
116 times/year

Our unique approach that no other companies can match. We provide simulation practitioners with an overwhelming learning experience in terms of both quality and quantity.

⑤ Good relationship with strongest CAE product development vendors

We deal with ANSYS CAE products **No.1** World

Ansys is a leading company with 35% share of the global CAE product market. We have received the award for the highest level partner of the company for 7 consecutive years.

⑥ Strong financial position

Net finance resources² **16** billion yen

Strong financial position enables both investment in growth and shareholder returns.

⑦ Stable and high shareholder returns

DOE (dividend on equity ratio)

6% ← **3%**

Changed the DOE to 6.0%, aiming to increase in dividends over the medium to long term. (Change from FY2022)

※ As of December 31, 2021

¹ A seminar on CAE held by our company. Lectures by a diverse group of instructors.

² Cash and deposits + Marketable securities + Short term loans - Interest-bearing debt

Vision and Mission

VISION

(Ideal future that CYBERNET SYSTEMS wants to help realize;
the reason for the company's existence)

Creating a sustainable society and inspiring the
world through technology and ideas

MISSION

(The role of CYBERNET SYSTEMS in realizing this vision,
through its current business)

Guide customers towards breakthrough solutions
with vigorous creativity

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