

(Delayed)

TSE Code : 4312

CYBERNET SYSTEMS CO., LTD.

**Results of Operations for the Third Quarter of the
Fiscal Year Ending December 31, 2023**

8 November, 2023

CYBERNET



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Business Summary of Financial Results for the First Three Quarters of FY2023

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References

Understanding of the current external environment and its impact on the results of the First three quarters of FY2023

Understanding of the current environment

- Normalization of economic activities due to a decrease in the number of people infected with COVID and easing of behavioral restrictions.
- A mild slowdown in the global economy against a backdrop of monetary tightening and the end of stay-at-home consumption.
- Continued high resource prices and inflation due to the prolonged situation in Russia and Ukraine.
- Concerns about geopolitical risks in East Asia.
- Chinese economy shows signs of slowdown.
- Promotion of Digital Transformation (DX) to secure competitive advantage for companies and Green Transformation (GX) to achieve carbon neutrality.

Impact on results of the first three quarters of FY2023

- In Japan, expansion of engineering services that support the promotion of DX at customers. Sales of security solutions are strong.
- Sales in Asia declined due to weak customer purchasing sentiment, however, sales decline is shrinking. While Europe and the U.S. are cautious about investment, revenues are increasing.

Financial Results for the First Three Quarters of FY2023

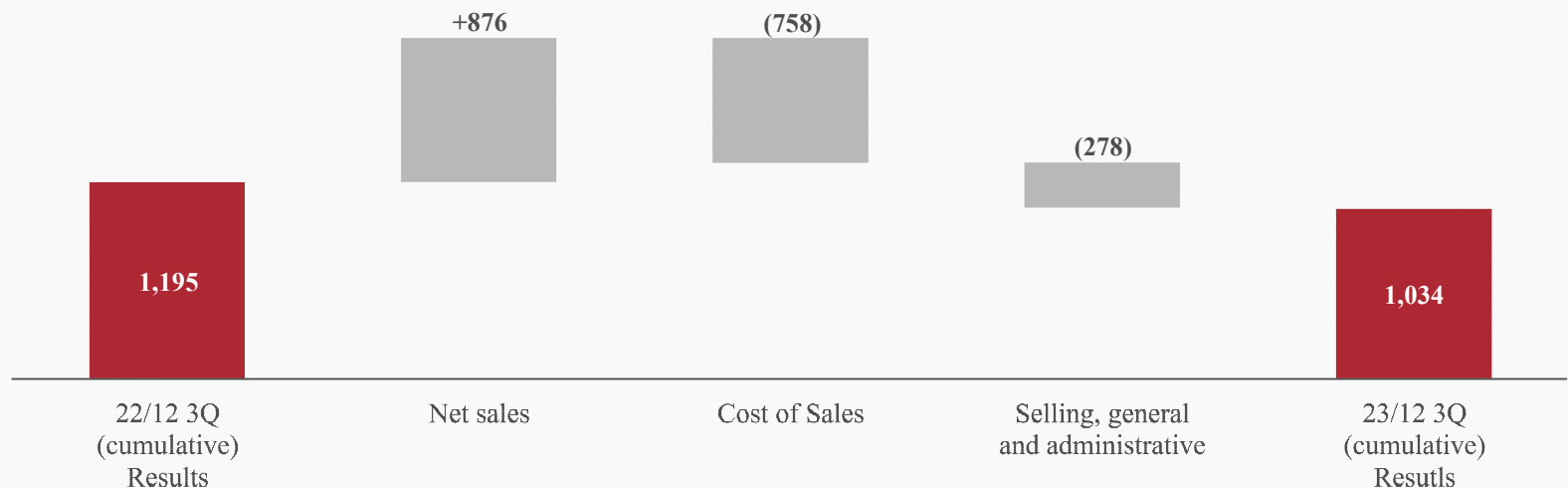
- Net sales increased mainly due to renewed maintenance contracts in Japan and strong sales in the IT segment.
- Operating income decreased due to an increase in personnel expenses and recruiting expenses associated with human capital investments, an increase in travel expenses associated with an increase in sales activities and increase in depreciation due to the startup of the core system.

※ Simulation: simulation solution services
 ※ IT: information technology solution services
 ※ EBITDA: operating income + depreciation

Millions of yen					
	22/12 3Q (cumulative) Results	23/12 3Q (cumulative) Results	YoY Change %	23/12 Plan	Percentage of progress
Net sales	14,406	15,282	+6.1%	22,000	69.5%
Gross profit	5,898	6,017	+2.0%	-	-
Selling, general and administrative expenses	4,703	4,982	+5.9%	-	-
Operating income	1,195	1,034	(13.4%)	1,850	55.9%
(Operating profit margin)	8.3%	6.8%	-	8.4%	-
Ordinary income	1,098	1,009	(8.1%)	1,850	54.6%
Profit attributable to owners of parent	600	532	(11.5%)	1,050	50.7%
EBITDA	1,381	1,275	(7.7%)	2,170	58.8%
(EBITDA margin)	9.6%	8.3%	-	9.9%	-
EPS (yen)	19.40	17.22	(11.2%)	33.99	-
Number of employees as the end of the quarter (persons)	568	588	+20	-	-

Changes in Operating Income (YoY Comparison)

- Despite the increase in net sales, income decreased due to a change in the sales mix in the distributor business, an increase in cost of sales due to higher labor costs, and an increase in selling, general and administrative expenses due to higher labor costs, travel and transportation expenses and depreciation.



Millions of yen

Overview of Results by Segment

Simulation Segment

- New license sales in Japan recovered, and maintenance contract renewals were strong. Also, sales increased due to strong sales of AI- and AR-related engineering services, consulting services for MBSE implementation support, and other services. Operating income was decreased due to higher cost of goods sold resulting from change in sales mix and higher travel and transportation expenses, etc.

IT Segment

- Sales increased due to strong sales of next-generation endpoint security and security solutions for cloud environments. Profit decreased due to higher procurement costs and higher labor costs resulting from yen depreciation and other factors.

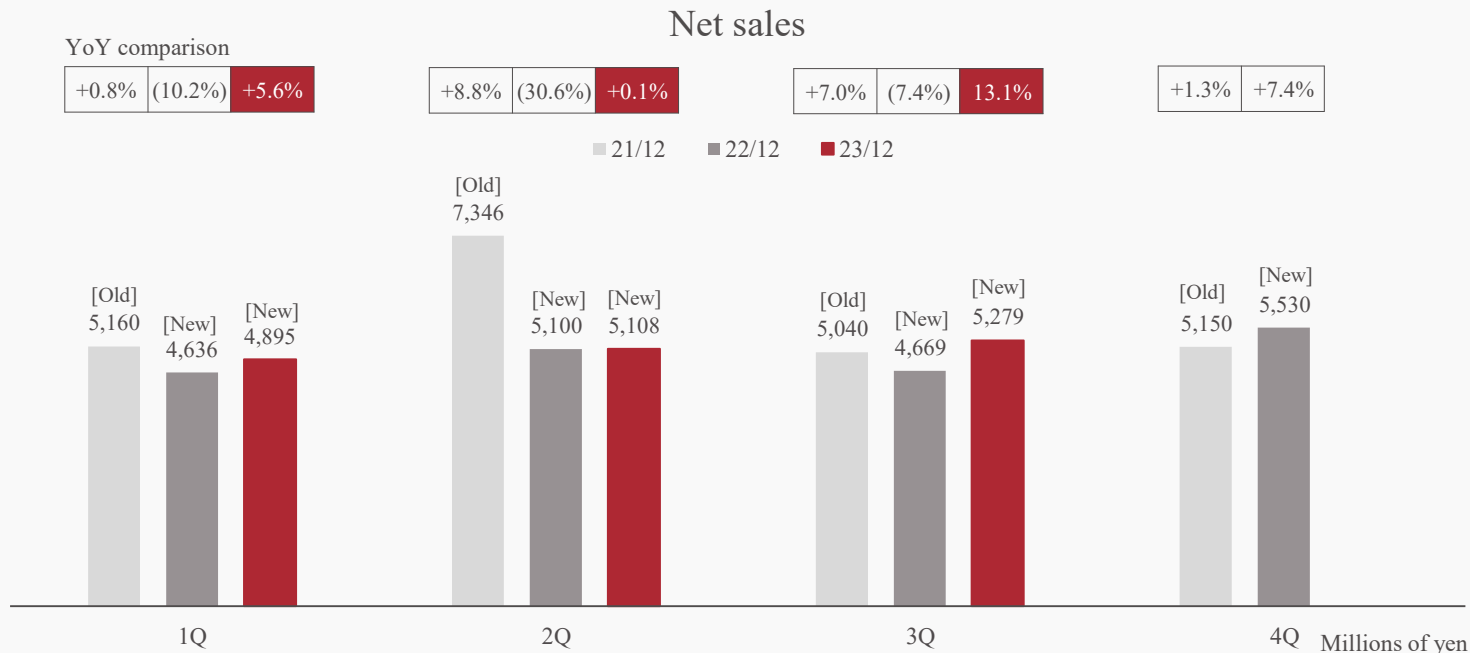
※ Simulation: simulation solution services

※ IT : information technology solution services

	Millions of yen		
	22/12 3Q (cumulative)	23/12 3Q (cumulative)	YoY Change %
Total Net sales	14,406	15,282	+6.1%
Simulation	11,337	12,036	+6.2%
IT	3,069	3,246	+5.8%
Elimination	(0)	(0)	-
Total Operating income	1,195	1,034	(13.4%)
Simulation	1,847	1,746	(5.4%)
IT	405	342	(15.5%)
Elimination	(1,057)	(1,054)	-

Quarterly Net Sales

■ In the third quarter, sales increased by 13.1% YoY. New licenses and services in Japan were strong.



※ A new revenue recognition standard has been applied since the beginning of the previous fiscal year, and FY2021 in financial figures in this material are only for reference.

Balance Sheet

- Financial assets increased by 734 million yen. Total net assets decreased by 126 million yen.
- Current assets increased mainly due to an increase in financial assets and increase of 1,302 million yen in advance payments.
- Current liabilities increased due to an increase of 1,091 million yen in advanced received.
- Equity ratio decreased to 56.7% due to an increase in total assets.

	22/12	23/12 3Q	Millions of yen YoY Change Amount
Current assets	22,231	23,451	+1,220
Financial assets(※)	15,348	16,082	+734
Cash and deposits	8,348	9,682	+1,334
Short-term investment securities	7,000	6,400	(600)
Non-current assets	1,924	2,066	+142
Total Assets	24,155	25,518	+1,362
Total liabilities	9,405	10,895	+1,489
Current liabilities	8,359	9,798	+1,438
Non-current liabilities	1,046	1,096	+50
Total net assets	14,749	14,623	(126)
Shareholders' equity	14,212	13,870	(341)
Total liabilities and net assets	24,155	25,518	+1,362
Equity ratio	60.3%	56.7%	(3.6pt)

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

Cash Flow Statement

Net cash provided by operating activities

- Increased due to increase in income tax refund, etc.

Net cash provided by investing activities

- Decreased due to the absence of income from collection of loans receivable, which existed in the previous fiscal year.

Net cash provided by financing activities

- Increased due to the fact that there were no purchases of treasury stock and refunds to non-controlling shareholders in the previous fiscal year.

	22/12 3Q (cumulative)	23/12 3Q (cumulative)	Millions of yen YoY Change Amount
Net cash provided by operating activities	499	1,750	+1,251
Net cash provided by investing activities	2,761	(2,640)	(5,402)
Net cash provided by financing activities	(1,320)	(900)	+419
Cash and cash equivalents at end of period	14,795	11,239	(3,555)

Net Sales by Segment and by sales form

Millions of yen

	22/12 3Q		23/12 3Q		YoY Change %	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Total Net sales	4,669	100.0%	5,279	100.0%	+13.1%	14,406	100.0%	15,282	100.0%	+6.1%
Simulation	3,671	78.6%	4,267	80.8%	+16.2%	11,337	78.7%	12,036	78.8%	+6.2%
Distributor	2,405	51.5%	2,788	52.8%	+15.9%	7,494	52.0%	7,792	51.0%	+4.0%
In-house products	891	19.1%	929	17.6%	+4.3%	2,543	17.7%	2,691	17.6%	+5.8%
Service	375	8.0%	549	10.4%	+46.4%	1,299	9.0%	1,552	10.2%	+19.5%
IT	997	21.4%	1,011	19.2%	+1.4%	3,068	21.3%	3,245	21.2%	+5.8%
Distributor	866	18.6%	897	17.0%	+3.6%	2,668	18.5%	2,839	18.6%	+6.4%
In-house products	86	1.8%	92	1.7%	+7.1%	254	1.8%	279	1.8%	+10.0%
Service	45	1.0%	21	0.4%	(51.9%)	145	1.0%	127	0.8%	(12.6%)

Net Sales by sales form

Millions of yen

	22/12 3Q		23/12 3Q		YoY Change %	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Distributor	3,271	70.1%	3,686	69.8%	+12.7%	10,163	70.6%	10,631	69.6%	+4.6%
In-house products	977	20.9%	1,022	19.4%	+4.6%	2,797	19.4%	2,970	19.4%	+6.2%
Service	420	9.0%	570	10.8%	+35.8%	1,444	10.0%	1,679	11.0%	+16.3%
Total	4,669	100.0%	5,279	100.0%	+13.1%	14,406	100.0%	15,282	100.0%	+6.1%

Net Sales by region

Millions of yen

	22/12 3Q		23/12 3Q		YoY Change %	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Japan	3,560	76.3%	3,979	75.4%	+11.8%	11,152	77.4%	11,725	76.7%	+5.1%
Asia	403	8.7%	485	9.2%	+20.2%	1,394	9.7%	1,366	8.9%	(2.0%)
North America	507	10.9%	531	10.1%	+4.7%	1,279	8.9%	1,479	9.7%	+15.7%
Europe	184	3.9%	267	5.1%	+45.2%	539	3.7%	665	4.4%	+23.4%
Others	12	0.3%	15	0.3%	+20.4%	40	0.3%	46	0.3%	+14.2%
Total	4,669	100.0%	5,279	100.0%	+13.1%	14,406	100.0%	15,282	100.0%	+6.1%

Orders received ▪ Backlog of orders

Millions of yen

	Orders received					Backlog of orders				
	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %	End of 3Q 22/12		End of 3Q 23/12		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Distributor	11,344	73.5%	11,803	72.4%	+4.1%	6,838	79.3%	7,275	78.6%	+6.4%
In-house products	2,586	16.8%	2,809	17.2%	+8.6%	1,430	16.6%	1,516	16.4%	+6.0%
Service	1,499	9.7%	1,685	10.3%	+12.4%	351	4.1%	461	5.0%	+31.2%
Total	15,430	100.0%	16,299	100.0%	+5.6%	8,620	100.0%	9,253	100.0%	+7.3%

[Non-consolidated] Net sales by Category of Industry

Millions of yen

	22/12 3Q		23/12 3Q		YoY Change %	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Electrical equipment	811	22.8%	882	22.0%	+8.7%	2,478	22.4%	2,496	21.3%	+0.7%
Machinery and precision machinery	574	16.1%	750	18.7%	+30.6%	1,686	15.3%	1,927	16.5%	+14.3%
Transportation equipment	413	11.6%	409	10.2%	(1.1%)	1,393	12.6%	1,282	11.0%	(8.0%)
Other manufacturing industries	658	18.5%	744	18.6%	+13.1%	1,982	17.9%	2,193	18.7%	+10.7%
Education institution/ government and municipal offices	264	7.4%	291	7.3%	+10.2%	940	8.5%	965	8.2%	+2.7%
Telecommunications industry	206	5.8%	221	5.5%	+7.1%	624	5.7%	697	6.0%	+11.6%
Others	629	17.7%	703	17.6%	+11.7%	1,952	17.7%	2,145	18.3%	+9.9%
Total	3,559	100.0%	4,002	100.0%	+12.5%	11,058	100.0%	11,708	100.0%	+5.9%

※ Due to a partial revision of the client industries, the reclassified amounts were applied to the results for the same period of the previous year.

[Non-consolidated] Net sales by contract type

Millions of yen

	22/12 3Q		23/12 3Q		YoY Change %	22/12 3Q cumulative		23/12 3Q cumulative		YoY Change %
	Results	Component ratio	Results	Component ratio		Results	Component ratio	Results	Component ratio	
Licenses	3,138	100.0%	3,397	100.0%	+8.3%	9,417	100.0%	10,005	100.0%	+6.2%
New licenses	806	25.7%	982	28.9%	+21.8%	2,885	30.6%	2,903	29.0%	+0.6%
Renewals	2,331	74.3%	2,414	71.1%	+3.6%	6,532	69.4%	7,101	71.0%	+8.7%
Others	421		605		+43.8%	1,640		1,703		+3.8%
Service	342		469		+37.1%	1,222		1,400		+14.6%
Hardware	49		135		+170.9%	257		273		+6.4%
Others	28		-		(97.7%)	161		29		(81.9%)
Total	3,559		4,002		+12.5%	11,058		11,708		+5.9%

※ Due to a partial revision of the sales format, the reclassified amounts were applied to the results for the same period of the previous year.

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Projection for FY2023

- We aim to increase sales by 10.4% YoY to 22,000 million yen by promoting the "enhancement of self-developed products" and "expansion of Asian business" as stated in the medium-term management plan.

	22/12 results	23/12 projection	Millions of yen YoY Change %
Net sales	19,936	22,000	+10.4
Operating income	1,757	1,850	+5.2
(Operating income margin)	8.8%	8.4%	-
Ordinary income	1,693	1,850	+9.2
Profit attributable to owners of parent	999	1,050	+5.0
EBITDA	2,014	2,170	+7.7
(EBITDA margin)	10.1%	9.9%	-
EPS (yen)	32.31	33.99	+5.0
ROE	6.7%	7.2%	-

※ EBITDA: Operating income + depreciation

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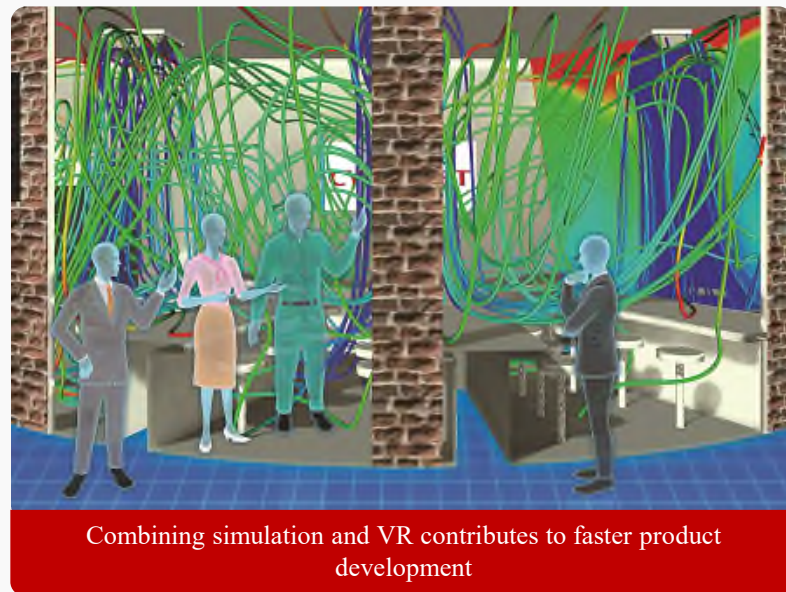
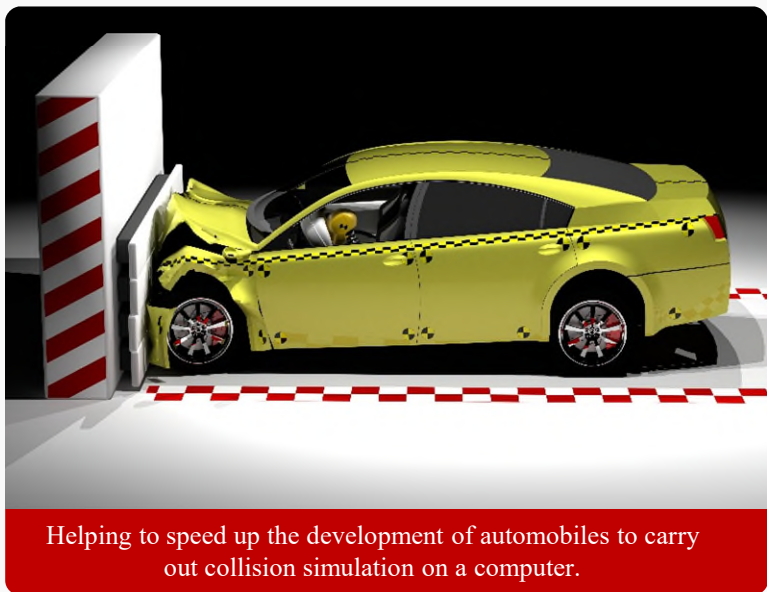
References

Corporate Overview

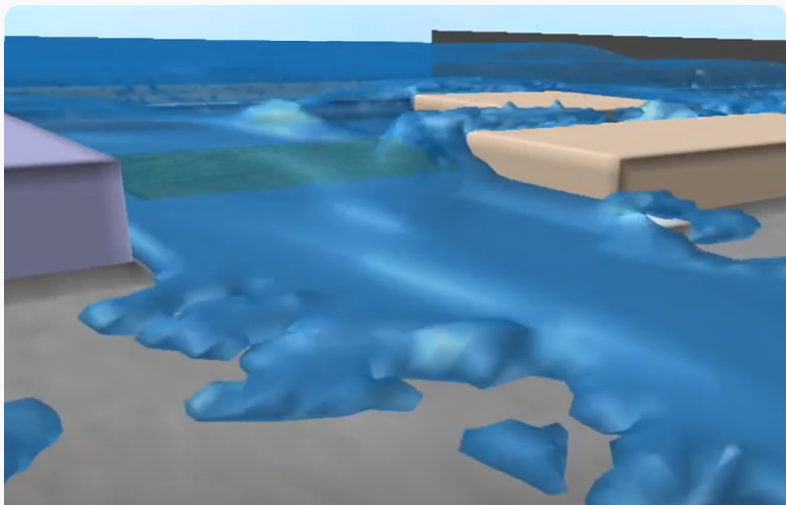
Company name	Cybernet Systems Co., Ltd. (Standard Market of TSE 4312)
Head office	FUJISOFT Bldg. 3 Kanda-neribeicho, Chiyoda-ku, Tokyo
Other office	Nishi-Nihon Branch Office (Osaka), Chubu Branch Office (Nagoya)
Establishment	April 17, 1985
Capital	995 million yen
Representative	Representative Director : Reiko Yasue
Number of employee	Consolidated/ 571, Non-Consolidated / 335 (as of December 31, 2022)
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 cycles, 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

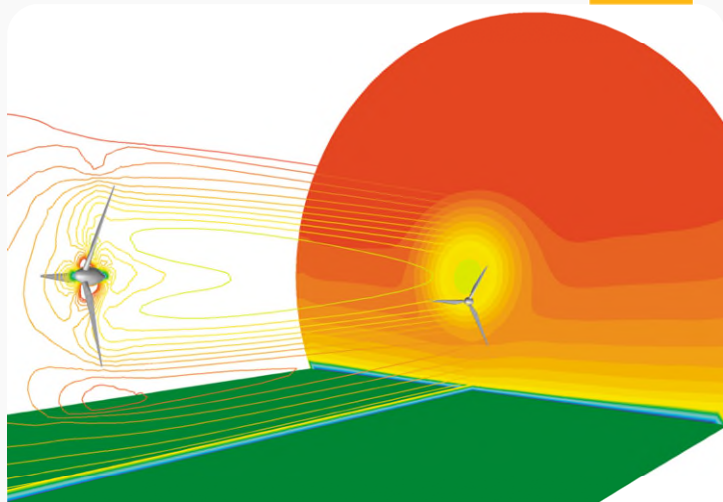


Visualization of tsunami simulation results to reproduce the impact of the disaster

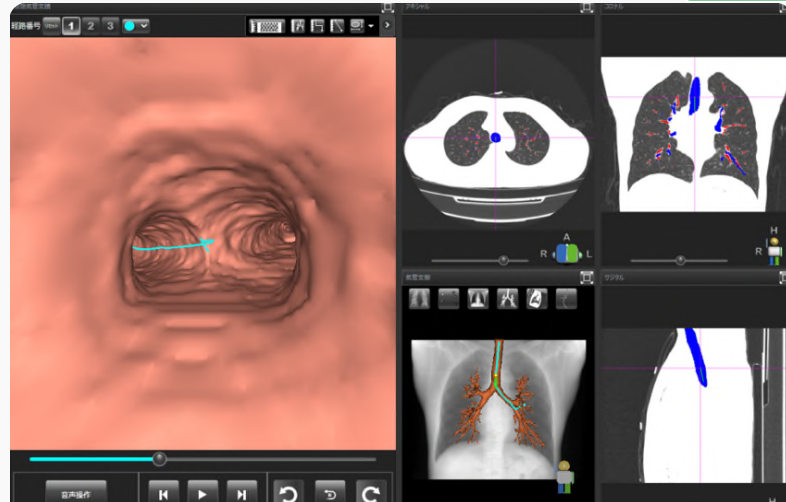


Contributes to the optimum design of drone vibration and blade shape

Simulation is an essential technology for achieving sustainability

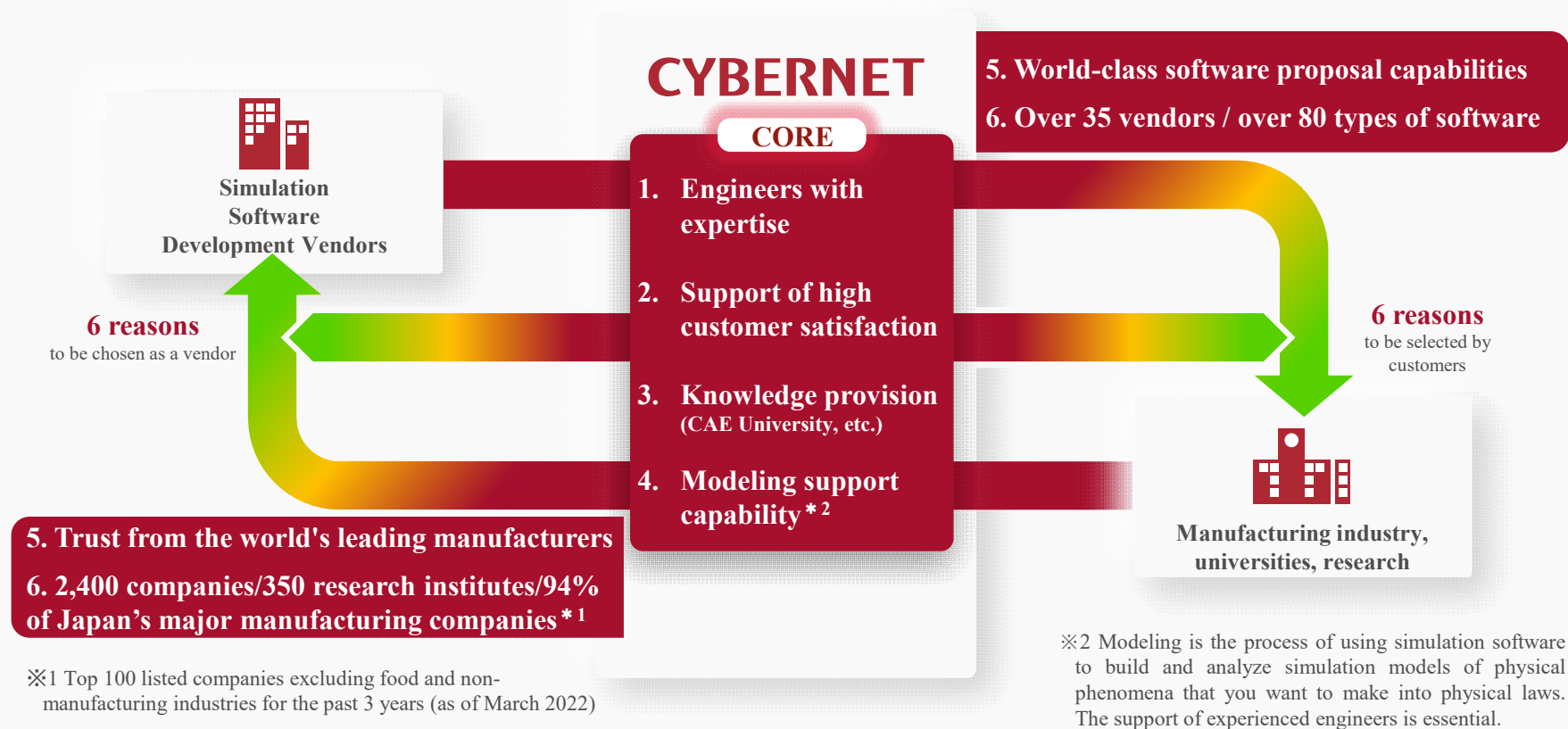


Contributes to improving power generation efficiency and safety of wind power generation equipment

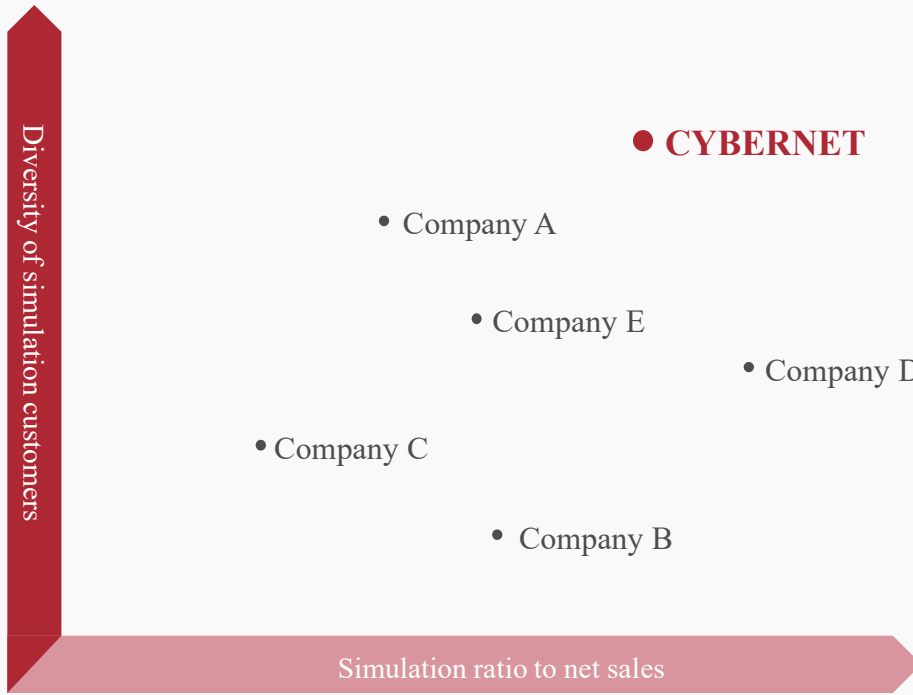


Real-time composite display of endoscopy results assists doctors in diagnosis

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 Cybernet Systems Co., Ltd. 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 2,400 companies & 350 universities and research institutes.
- Until now, we have provided simulations services mainly to the manufacturing industry, but we are increasingly focusing on non-manufacturing industries.

Cybernet by the numbers

① Extensive experience and high trust

Experiences in Japan **37** 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 **110** 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 **World No.1**

Ansys is a leading company with 38% share of the global CAE product market. We have received the award for the highest level partner of the company for 8 consecutive years.

⑥ Strong financial position

Net finance resources² **15** 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%

Changed the DOE to 6.0%, aiming to increase in dividends over the medium to long term.

※ As of December 31, 2022

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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