

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the First Half of FY2019

7 August, 2019

CYBERNET SYSTEMS CO., LTD.



Code for periods

15.12	Fiscal year ended December 31, 2015
16.12	Fiscal year ended December 31, 2016
17.12/1H	First half of the fiscal year ended December 31, 2017
17.12	Fiscal year ended December 31, 2017
18.12/2Q	Second quarter of the fiscal year ended December 31, 2018
18.12/1H	First half of the fiscal year ended December 31, 2018
18.12	Fiscal year ended December 31, 2018
19.12/2Q	Second quarter of the fiscal year ending December 31, 2019
19.12/1H	First half of the fiscal year ending December 31, 2019
19.12E	Estimates for the fiscal year ending December 31, 2019

◆ Business Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2019

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Business Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2019

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

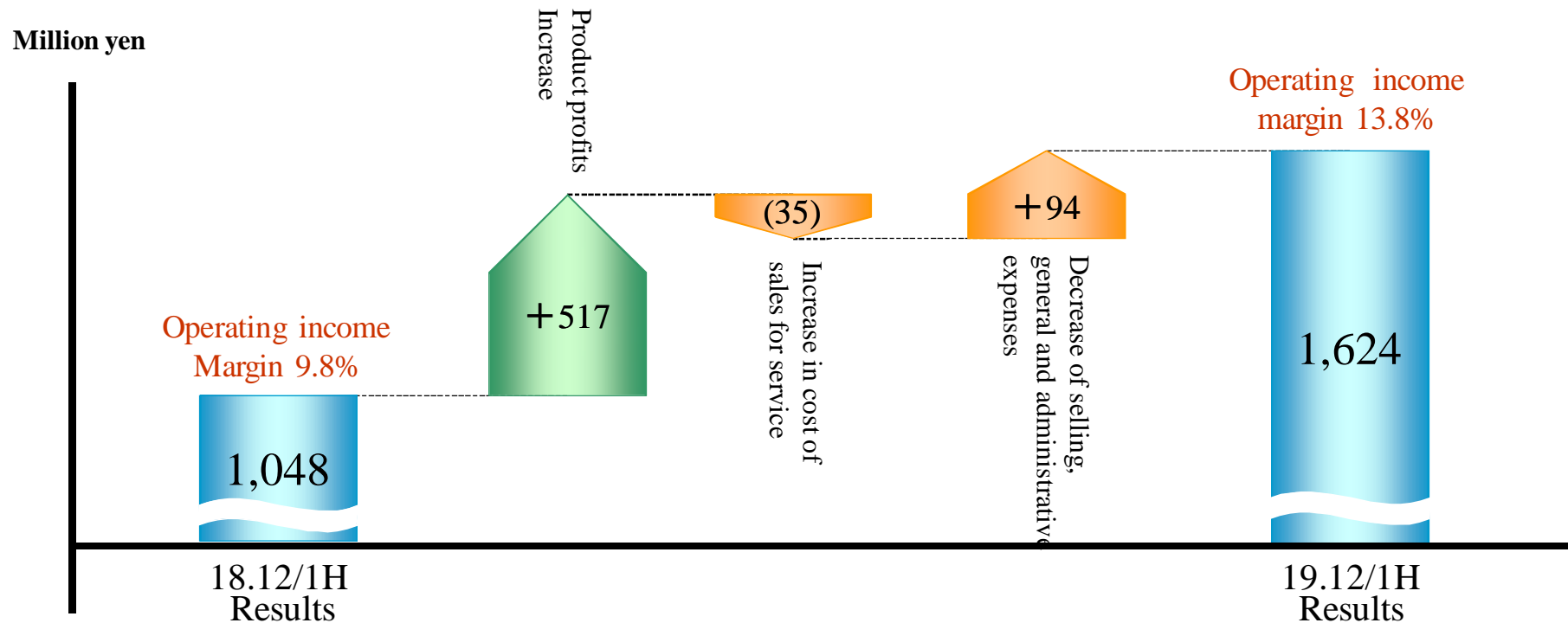
Million yen

	19.12/1H Results	18.12/1H Results	YoY Change Amount	YoY Change %	19.12/1H Plan	Change Amount from Plan	Change % from Plan
Net sales	11,798	10,748	+ 1,050	109.8%	10,784	+ 1,014	109.4%
Operating income	1,624	1,048	+ 576	155.0%	1,051	+ 573	154.6%
Operating income margin	13.8%	9.8%	+ 4.0%		9.7%	+ 4.1%	
Ordinary income	1,657	1,130	+ 527	146.6%	1,097	+ 560	151.1%
Ordinary income margin	13.2%	10.5%	+ 3.5%		10.2%	+ 3.8%	
Profit attributable to owners of paren	1,049	953	+ 96	110.1%	675	+ 374	155.4%
Profit attributable to owners of parent margin	8.9%	8.9%	0.0%		6.3%	+ 2.6%	

[Consolidated] Changes in Operating Income

CYBERNET SYSTEMS CO.,LTD.

[YoY comparison]



Main Causes of Year-on-Year Changes

○ Main causes of product profit changes

Profits increased by good performance for both CAE solution service and IT solution business

○ Main causes of cost of sales for service and selling, general and administrative expenses changes

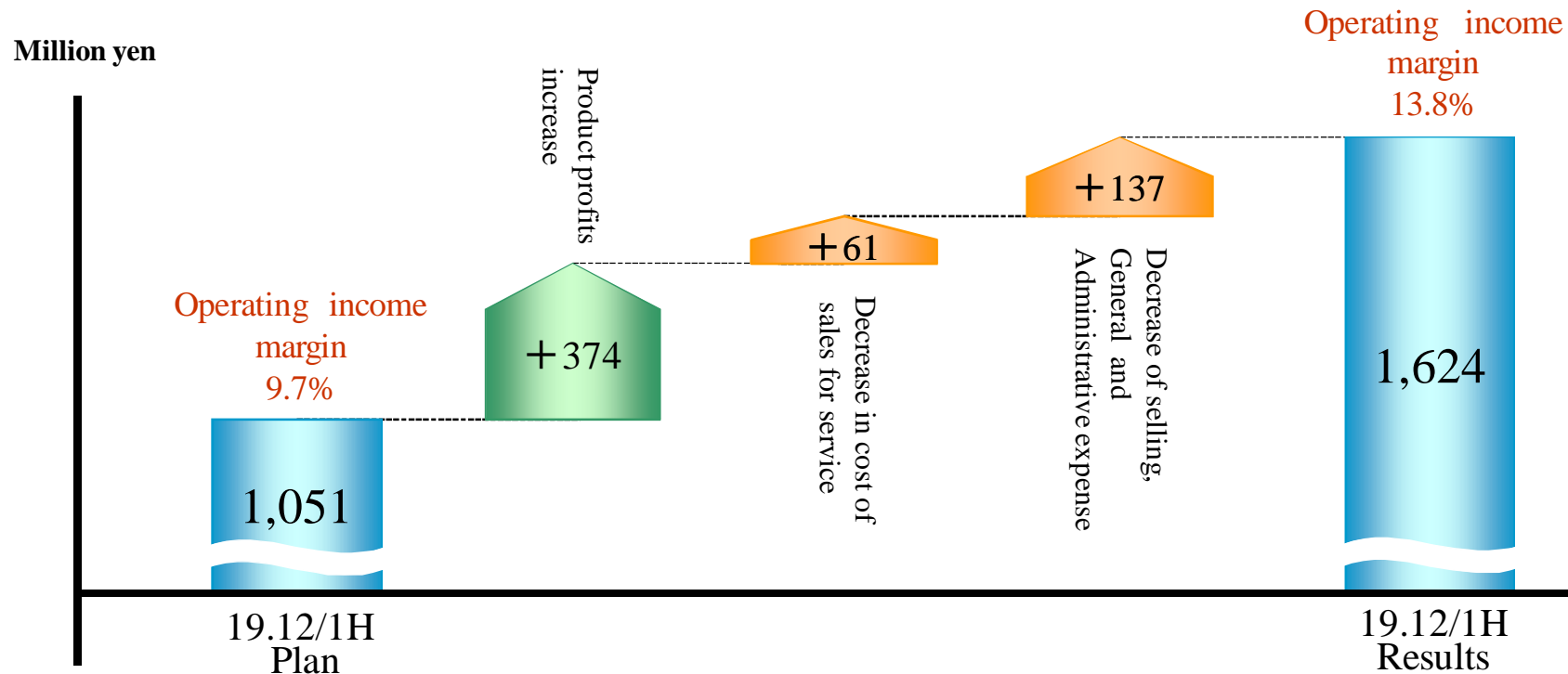
Decreased due to decreasing of goodwill amortization

○ Main causes of operating income changes

Increased operating income due to the increase of product profits by increasing of net sales

[Consolidated] Changes in Operating Income CYBERNET SYSTEMS CO.,LTD.

[Against Plan]



Main Causes of Changes Against Plan

○ Main causes of product profits changes

Profits increased by good performance for both CAE solution service and IT solution business

○ Main causes of cost of sales for service and selling, general and administrative expenses changes

Decreasing by unused cost and expenses

○ Main causes of operating income changes

Increasing operating income compare to the plan due to increasing of product profits by net sales and unused cost and expenses

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

		Million yen	
	18.12	19.12/2Q	YoY Change Amount
Current assets	17,440	18,934	1,493
Cash and deposits	4,467	2,951	(1,516)
Notes and accounts receivable-trade	4,570	5,025	454
Short-term investment securities	4,000	7,000	3,000
Short-term loans receivable	3,086	2,981	(104)
Others	1,315	975	(340)
Noncurrent assets	1,775	1,744	(30)
Property, plant and equipment	299	332	33
Intangible assets	322	285	(37)
Investments and other assets	1,153	1,127	(26)
Total Assets	19,215	20,678	1,463
Current liabilities	4,972	5,716	743
Accounts payable-trade	1,391	1,687	295
Income taxes payable	161	512	351
Advances received	1,995	2,121	126
Provision for bonuses	553	366	(186)
Others	870	1,028	157
Noncurrent liabilities	1,375	1,344	(30)
Provision for retirement benefits	1,327	1,311	(15)
Others	47	33	(14)
Total liabilities	6,348	7,061	713
Total net assets	12,867	13,617	749
Total liabilities and net assets	19,215	20,678	1,463

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

- (i) Short-term investment securities (up 3,000 million yen from the end of the previous fiscal year)
Investments increased + 3,000 million yen
- (ii) Total net assets (up 749 million from the end of the previous fiscal year)
Profit attributable to owners of parent + 1,049 million yen/ dividend of earnings - 260 million yen

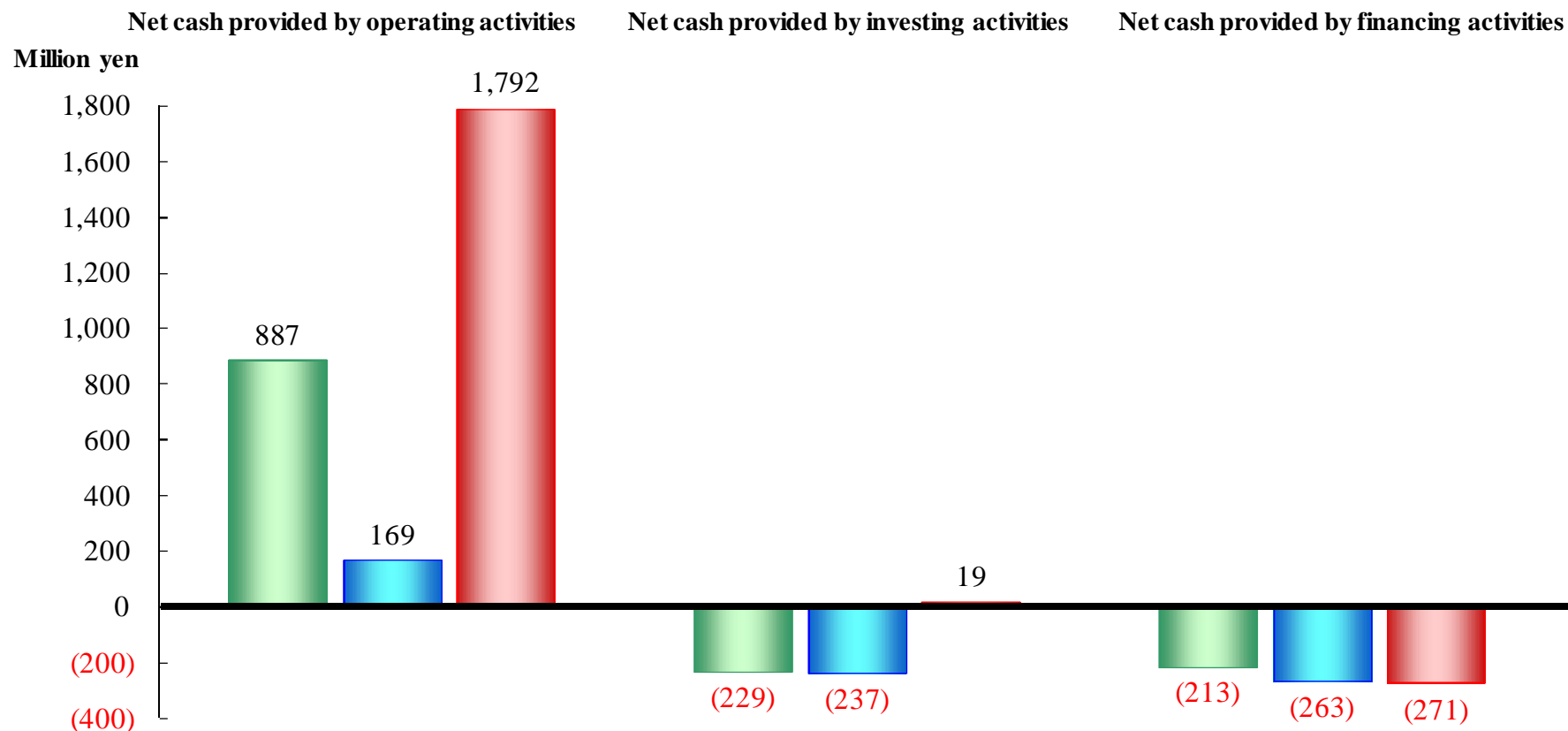
[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

17.12/1H

18.12/1H

19.12/1H

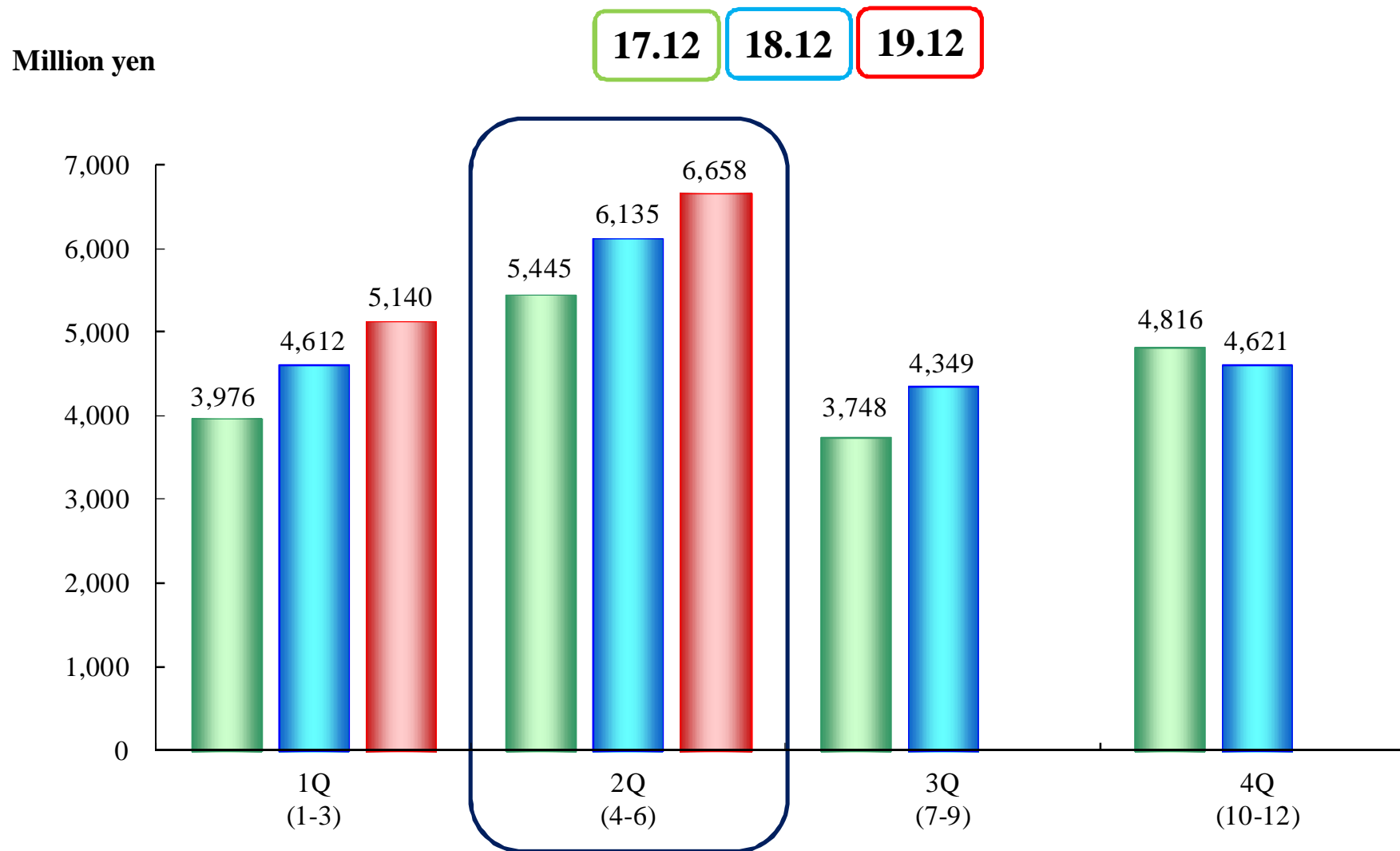


Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities ⇒ Mainly due to increasing of income before income taxes and others
- Net cash provided by investing activities ⇒ Mainly due to increasing of collection of loans receivable
- Net cash provided by financing activities ⇒ Mainly due to increasing of dividends paid

[Consolidated] Quarterly Net Sales

CYBERNET SYSTEMS CO.,LTD.



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12/1H	19.12/1H		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	10,748	11,798	+ 1,050	109.8%
CAE Solution Services	9,182	9,732	+ 549	106.0%
IT Solution Services	1,565	2,066	+ 501	132.0%
Elimination	—	—	—	—
Total Operating income	1,048	1,624	+ 576	155.0%
CAE Solution Services	1,515	2,186	+ 671	144.3%
IT Solution Services	83	204	+ 120	243.6%
Elimination	(550)	(765)	(214)	—

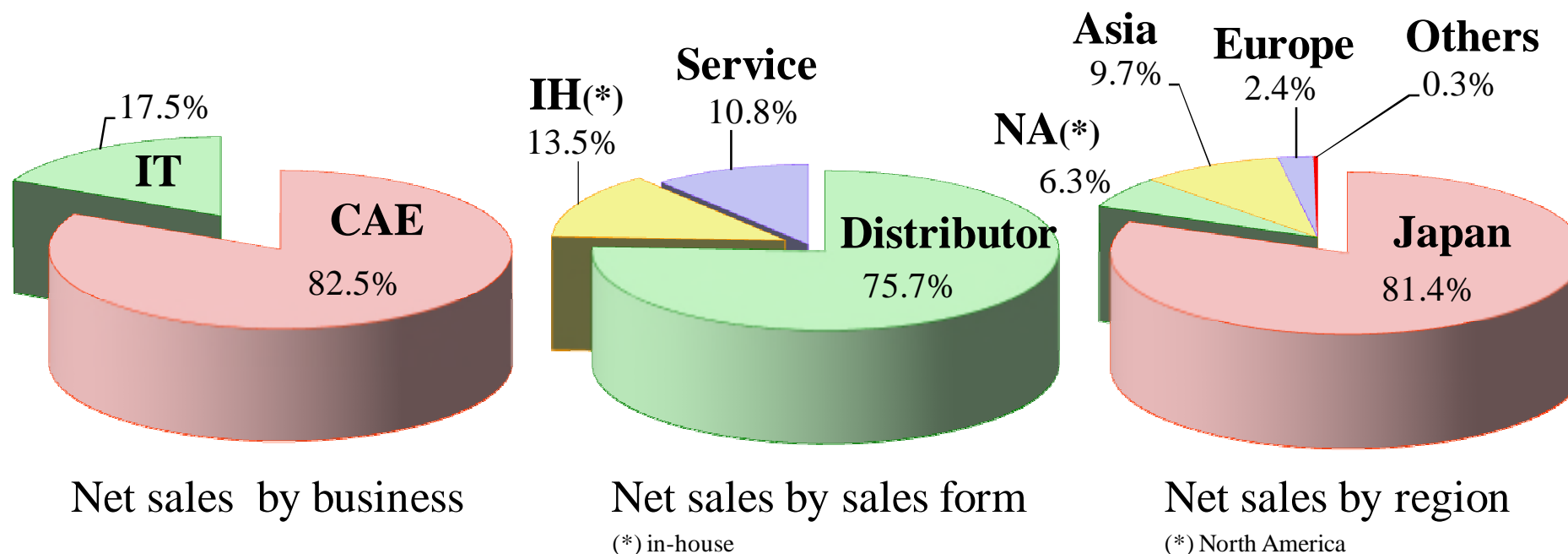
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(Note) The figures for CAE Solution Services indicate the total of CAE, development subsidiaries and sales subsidiaries.

[Consolidated] Composition ratio of Net Sales

CYBERNET SYSTEMS CO., LTD.

[First half of the fiscal year]



(Note) Classification of net sales by business is as follows:

- CAE means CYBERNET SYSTEMS' and Subsidiaries' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.

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

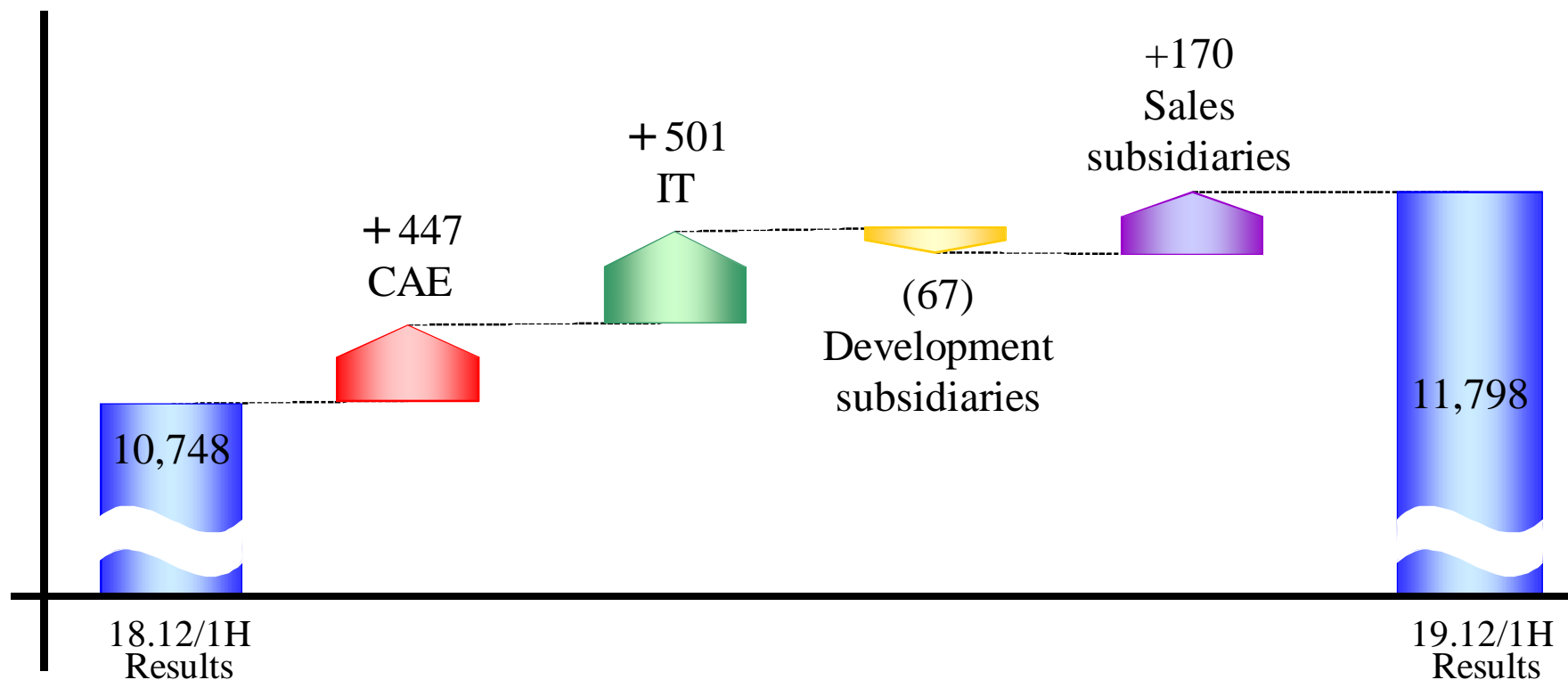
- Distributor means CAE and IT distribution business.
- IH means CAE and IT in-house developed products.
- Service means service providing for CAE and IT.

[Consolidated] Changes in Net Sales by Business

CYBERNET SYSTEMS CO., LTD.

Million yen

[YoY comparison]



(Note) The figures above are changes in net sales by business line from the same period of the previous fiscal year.

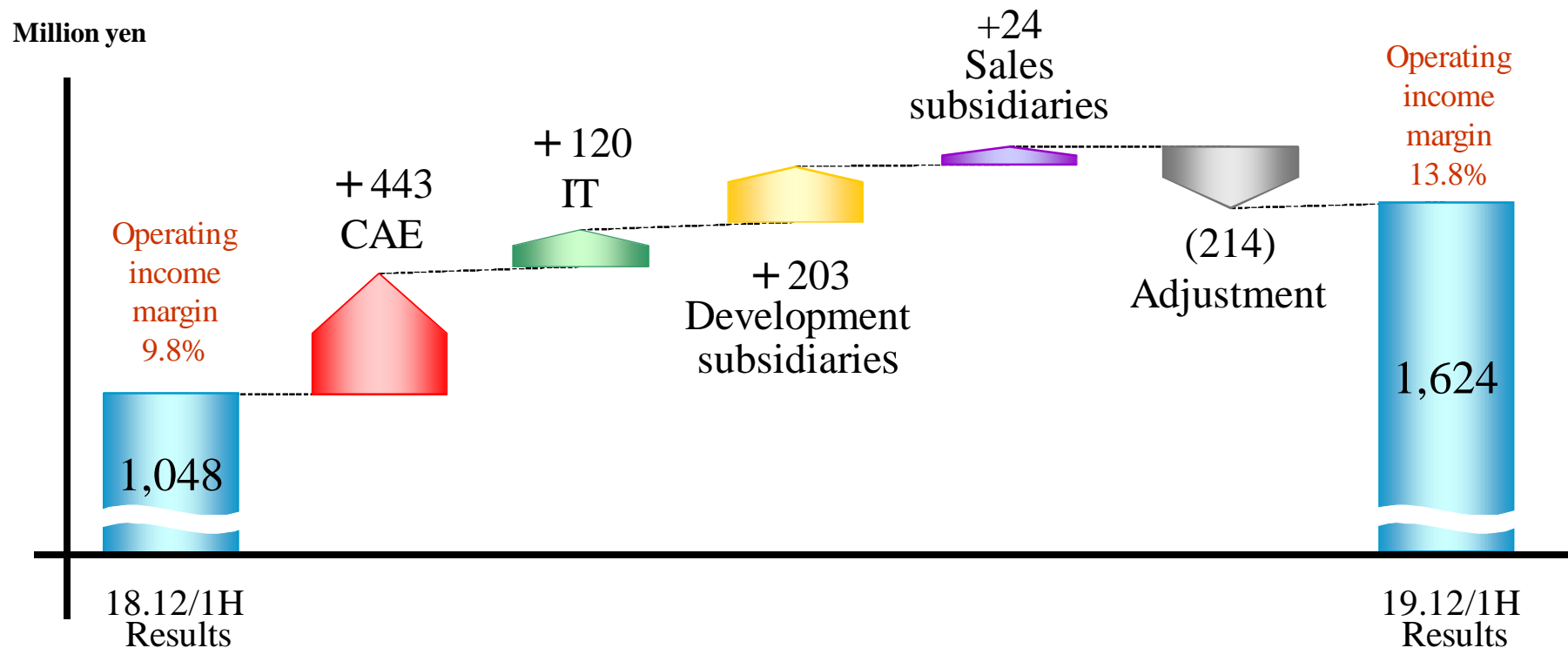
Each business classification is as follows:

- CAE means CYBERNET SYSTEMS' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries means Europe and US 3 development subsidiaries subject to consolidation.
- Sales subsidiaries means 4 Asian sales subsidiaries subject to consolidation.

[Consolidated]
Changes in Operating Income by Business

CYBERNET SYSTEMS CO., LTD.

[YoY comparison]



(Note) The figures above are changes in operating income by business line from the same period of the previous fiscal year.
The business classification are the same as those for the net sales on the previous page.

[Non-consolidated] Net Sales by Category of Industry CYBERNET SYSTEMS CO., LTD.

[Second quarter of the fiscal year]

Million yen

	18.12/2Q		19.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	1,858	36.0%	2,042	35.9%	+ 183	109.9%
Machinery & Precision Machinery	797	15.5%	839	14.8%	+ 41	105.2%
Transportation equipment	518	10.1%	630	11.1%	+ 112	121.7%
Other manufacturing industry	628	12.2%	662	11.6%	+ 33	105.4%
Education institution/government and municipal offices	472	9.1%	471	8.3%	0	100.0%
Telecommunication industry	284	5.5%	349	6.1%	+ 64	122.8%
Others	600	11.6%	695	12.2%	+ 94	115.8%
Total	5,160	100.0%	5,691	100.0%	+ 531	110.3%

[Non-consolidated] Net Sales by Category of Industry CYBERNET SYSTEMS CO., LTD.

[First half of the fiscal year]

Million yen

	18.12/1H		19.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	2,790	31.7%	2,998	30.7%	+ 208	107.5%
Machinery & Precision Machinery	1,423	16.2%	1,486	15.2%	+ 63	104.5%
Transportation equipment	1,143	13.0%	1,430	14.7%	+ 286	125.0%
Other manufacturing industry	1,048	11.9%	1,170	12.0%	+ 121	111.6%
Education institution/government and municipal offices	727	8.3%	803	8.2%	+ 75	110.4%
Telecommunication industry	518	5.9%	603	6.2%	+ 85	116.5%
Others	1,139	13.0%	1,261	12.9%	+ 122	110.8%
Total	8,790	100.0%	9,754	100.0%	+ 963	111.0%

Projection for FY2019

[Consolidated] Projection for Current Fiscal Year

CYBERNET SYSTEMS CO., LTD.

Million yen

	Full year			
	19.12E	18.12	YoY Change Amount	YoY Change %
	Plan	Results		
Net sales	20,000	19,719	+ 280	101.4%
Operating income	1,520	1,502	+ 17	101.2%
Operating income margin	7.6%	7.6%	+ 0.0%	
Ordinary income	1,608	1,684	(76)	95.4%
Ordinary income margin	8.0%	8.5%	(0.5%)	
Profit (loss) attributable to owners of parent	958	(656)	+ 1,614	—
Profit attributable to owners of parent margin	4.8%	(3.3%)	+ 8.1%	

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Dividend Estimate for Current Fiscal Year

(unit: yen)

	15.12	16.12	17.12	18.12	19.12E
	Result	Result	Result	Result	Projection
Dividend per share	13.80	13.00	15.05	16.52	15.38
Net income per share	14.87	14.83	30.09	(21.07)	30.75
Dividend payout target ratio	92.8%	87.7%	50.0%	—	50.0%
(Ref.) Dividend on equity ratio	3.1%	3.0%	3.4%	3.8%	3.7%

Dividends Policy

Starting from the fiscal year ended December 31, 2015, we adopt a higher dividend payout target ratio or DOE, whichever produces a higher dividend, and uses it as a benchmark in determining the dividend amount.

We also take into consideration the investment funds that will be required to achieve a higher corporate value over the medium and long term to make a comprehensive judgment regarding its ultimate dividend payment.

-Dividend payout target ratio: 50%

-Dividend on equity ratio: 3.0%

CYBERNET SYSTEMS CO., LTD.

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