

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the Third Quarter of FY2019

6 November, 2019

CYBERNET SYSTEMS CO., LTD.



Code for periods

15.12	Fiscal year ended December 31, 2015
16.12	Fiscal year ended December 31, 2016
17.12/3Q (cumulative)	First three quarters of the fiscal year ended December 31, 2017
17.12	Fiscal year ended December 31, 2017
18.12/3Q	Third quarter of the fiscal year ended December 31, 2018
18.12/3Q (cumulative)	First three quarters of the fiscal year ended December 31, 2018
18.12	Fiscal year ended December 31, 2018
19.12/3Q	Third quarter of the fiscal year ending December 31, 2019
19.12/3Q (cumulative)	First three quarters 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 First Three Quarters of the Fiscal Year Ending December 31, 2019

[Consolidated] Business Summary	5
[Consolidated] Changes in Operating Income (YoY comparison)	6
[Consolidated] Changes in Operating Income (Against Plan)	7
[Consolidated] Balance Sheet	8
[Consolidated] Cash Flow Statement	9
[Consolidated] Quarterly Net Sales	10
[Consolidated] Overview of Results by Segment	11
[Consolidated] Composition ratio of Net Sales	12
[Consolidated] Changes in Net Sales by Business (YoY comparison)	13
[Consolidated] Changes in Operating Income by Business (YoY comparison)	14
[Non-consolidated] Net Sales by Category of Industry	15

◆ Projection for FY2019

[Consolidated] Projection for Current Fiscal Year	18
[Consolidated] Dividend Estimate for Current Fiscal Year	19

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

[Consolidated] Business Summary

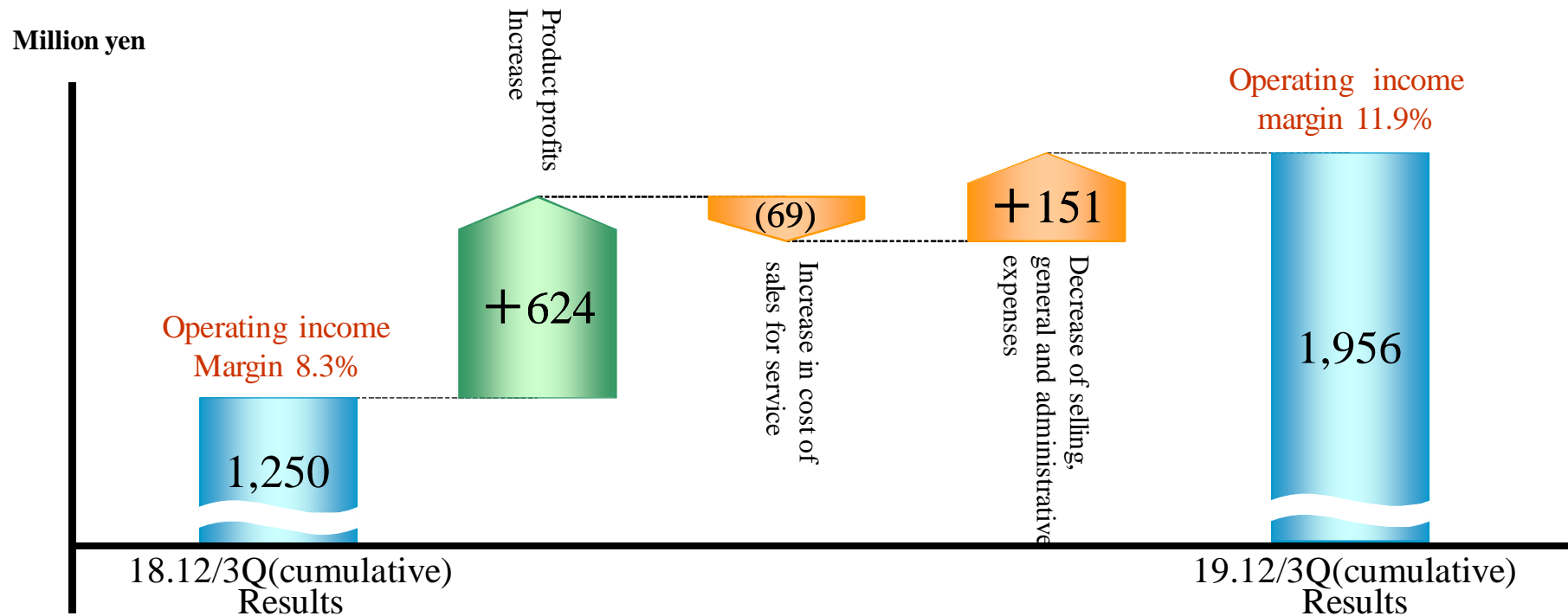
CYBERNET SYSTEMS CO., LTD.

Million yen

	19.12/3Q (cumulative) Results	18.12/3Q (cumulative) Results	YoY Change Amount	YoY Change %	19.12/3Q (cumulative) Plan	Change Amount from Plan	Change % from Plan
Net sales	16,431	15,097	+ 1,333	108.8%	15,154	+ 1,277	108.4%
Operating income	1,956	1,250	+ 706	156.5%	1,186	+ 770	165.0%
Operating income margin	11.9%	8.3%	3.6%		7.8%	4.1%	
Ordinary income	2,055	1,338	+ 716	153.5%	1,253	+ 801	163.9%
Ordinary income margin	12.5%	8.9%	3.6%		8.3%	4.2%	
Profit attributable to owners of parent	1,327	(1,078)	+ 2,406	—	750	+ 576	176.8%
Profit attributable to owners of parent margin	8.1%	(7.1%)	15.2%		5.0%	3.1%	

[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 services and IT solution services

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

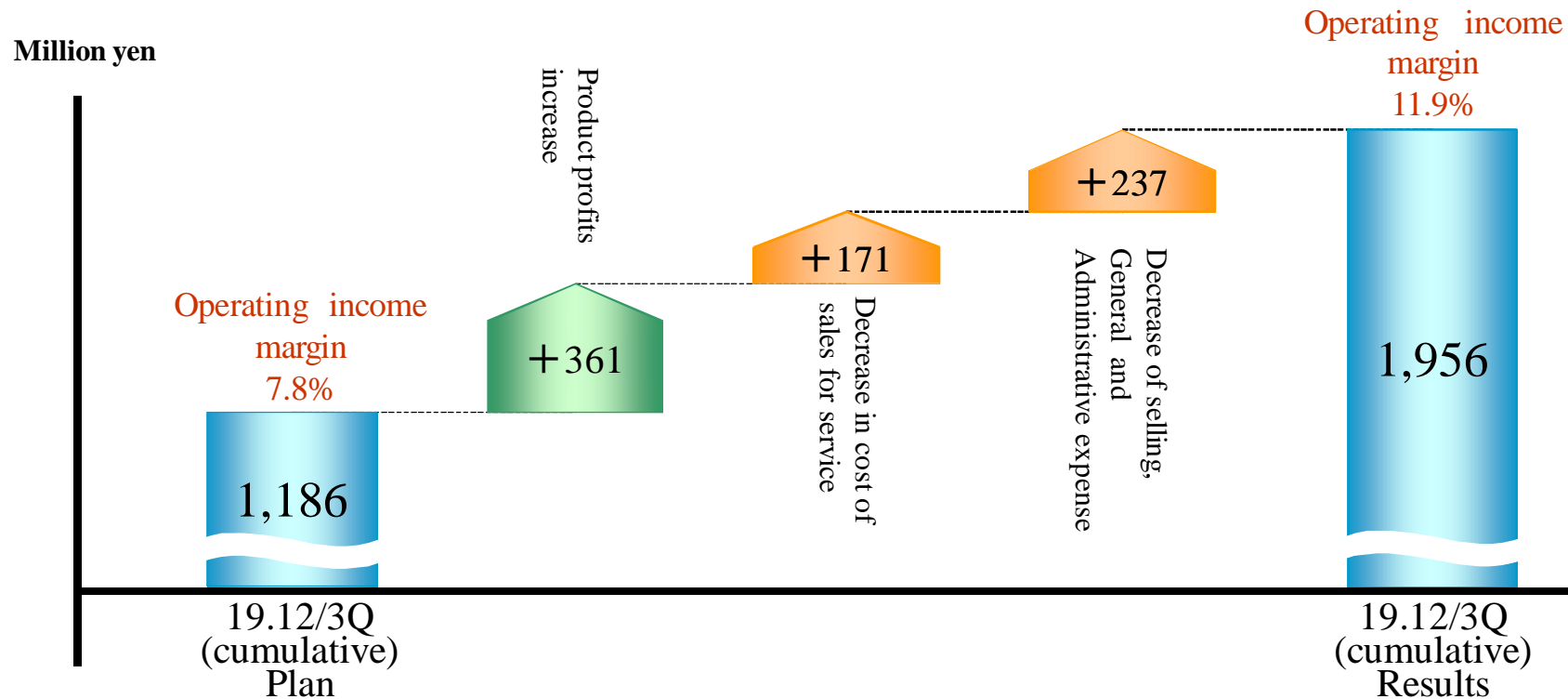
Decreased due to decreasing of goodwill amortization

○ 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 services and IT solution services

○ 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	19.12/3Q	YoY Change Amount
Current assets	17,440	18,320	880
Cash and deposits	4,467	3,381	(1,086)
Notes and accounts receivable-trade	4,570	4,455	(115)
Short-term investment securities	4,000	6,000	2,000 (i)
Short-term loans receivable	3,086	3,463	377
Others	1,315	1,020	(295)
Noncurrent assets	1,775	1,675	(100)
Property, plant and equipment	299	321	22
Intangible assets	322	281	(41)
Investments and other assets	1,153	1,072	(81)
Total Assets	19,215	19,995	780
Current liabilities	4,972	4,996	23
Accounts payable-trade	1,391	1,488	96
Income taxes payable	161	349	188
Advances received	1,995	1,985	(10)
Provision for bonuses	553	286	(267)
Others	870	886	15
Noncurrent liabilities	1,375	1,351	(23)
Provision for retirement benefits	1,327	1,319	(7)
Others	47	31	(15)
Total liabilities	6,348	6,347	(0)
Total net assets	12,867	13,647	780 (ii)
Total liabilities and net assets	19,215	19,995	780

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

- (i) Short-term investment securities (up 2,000 million yen from the end of the previous fiscal year)
Investments increased + 2,000 million yen
- (ii) Total net assets (up 780 million yen from the end of the previous fiscal year)
Profit attributable to owners of parent + 1,327 million yen/ dividend of earnings - 499 million yen

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

17.12/3Q (cumulative)

18.12/3Q (cumulative)

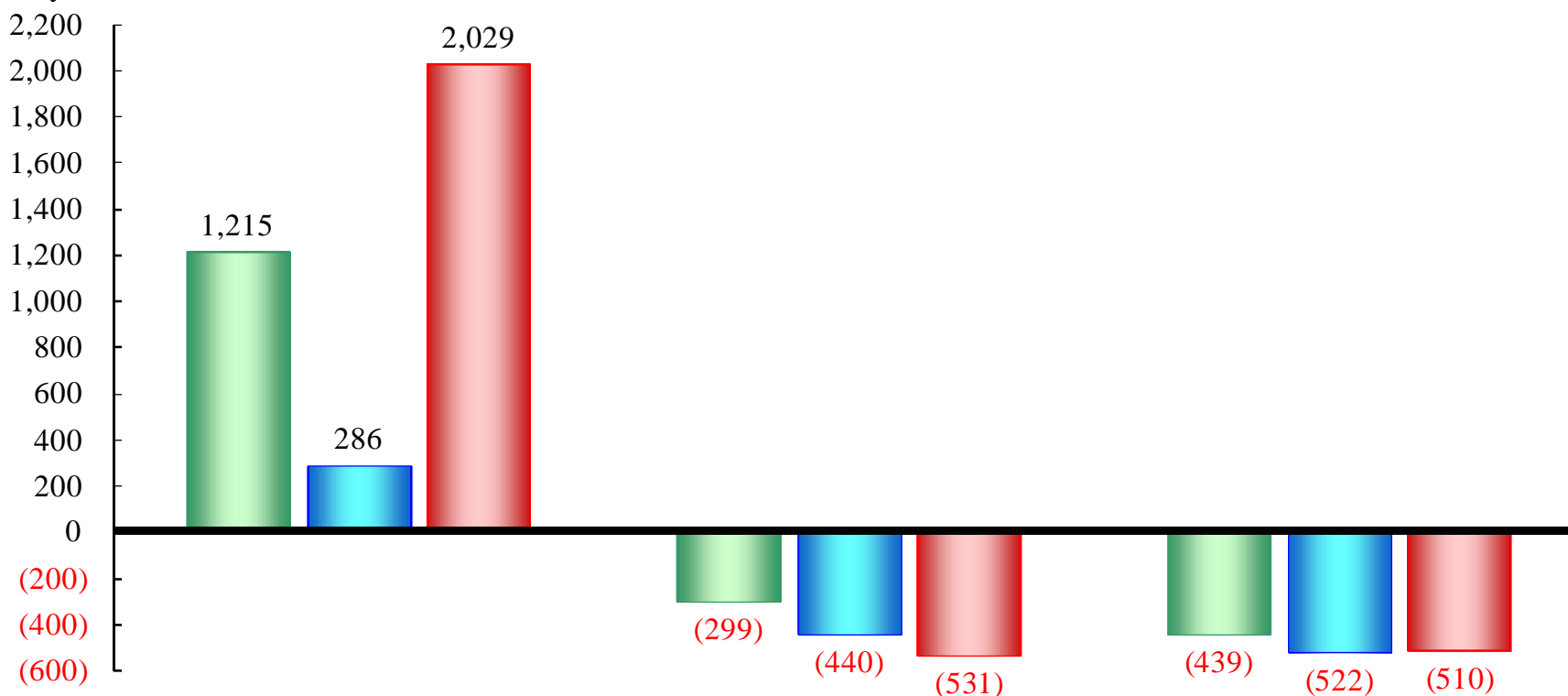
19.12/3Q (cumulative)

Net cash provided by operating activities

Net cash provided by investing activities

Net cash provided by financing activities

Million yen

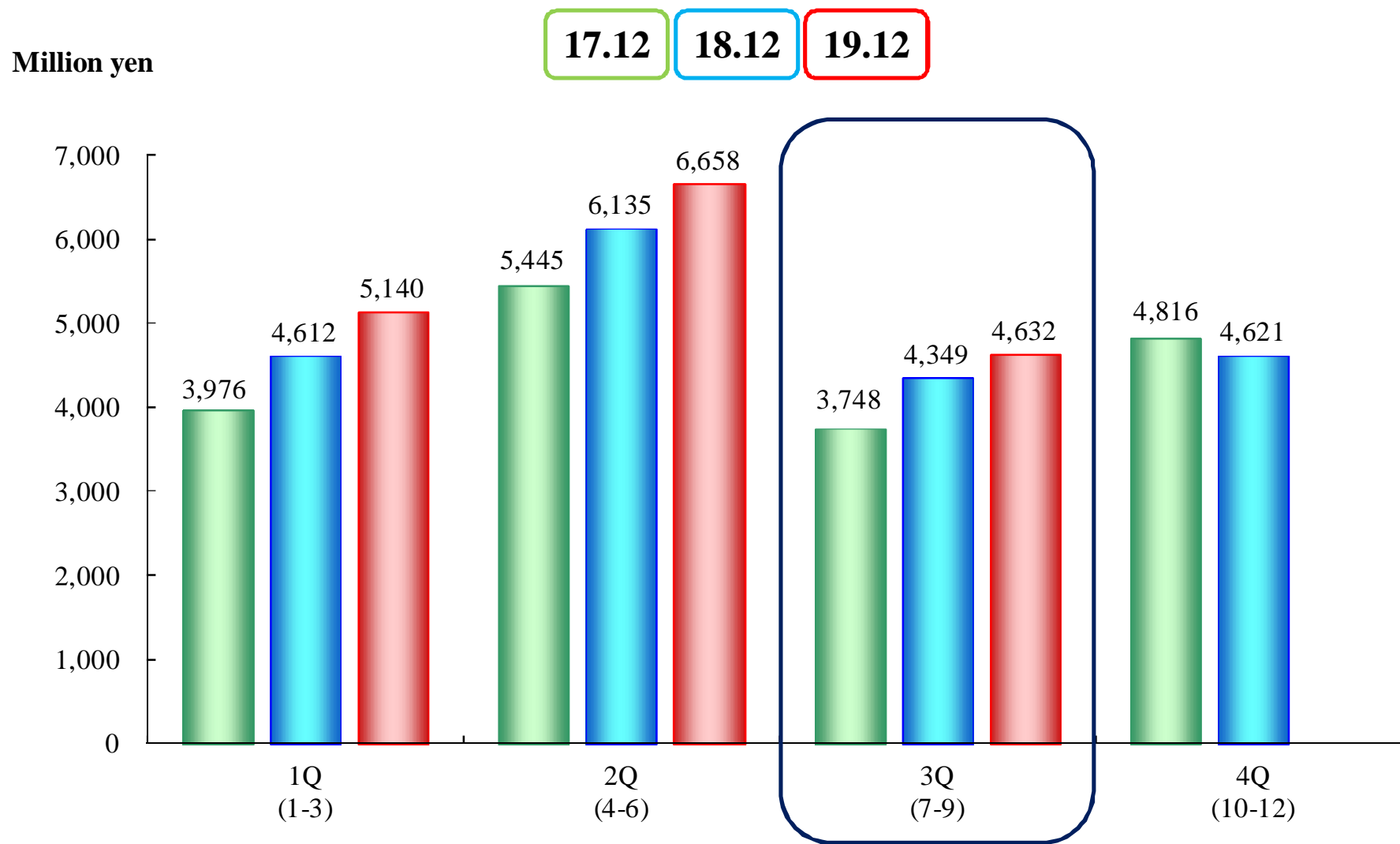


Main Causes of Changes from the Previous Fiscal Year

- 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 payments of loans
- Net cash provided by financing activities ⇒ Mainly due to decreasing of dividends paid

[Consolidated] Quarterly Net Sales

CYBERNET SYSTEMS CO.,LTD.



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12/3Q(cumulative)	19.12/3Q(cumulative)		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	15,097	16,431	+ 1,333	108.8%
CAE Solution Services	12,933	13,567	+ 634	104.9%
IT Solution Services	2,164	2,863	+ 699	132.3%
Elimination	—	—	—	—
Total Operating income	1,250	1,956	+ 706	156.5%
CAE Solution Services	1,974	2,779	+ 805	140.8%
IT Solution Services	115	245	+ 129	212.2%
Elimination	(839)	(1,068)	(228)	—

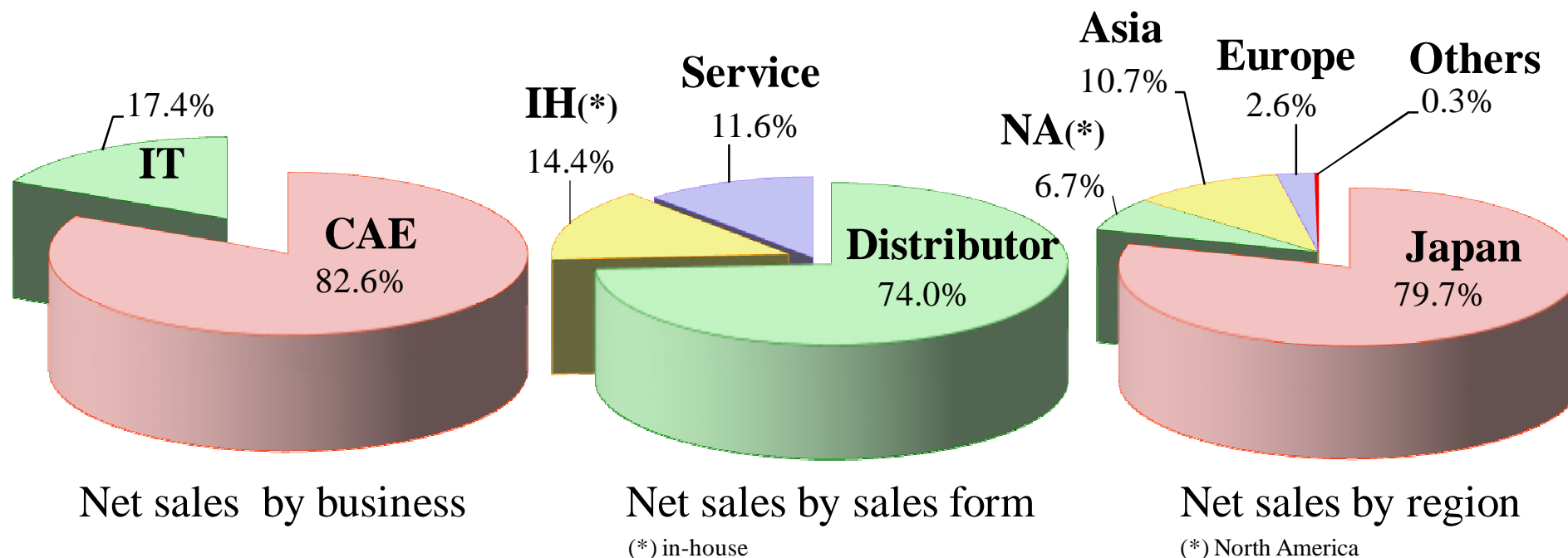
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(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 three quarters 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:

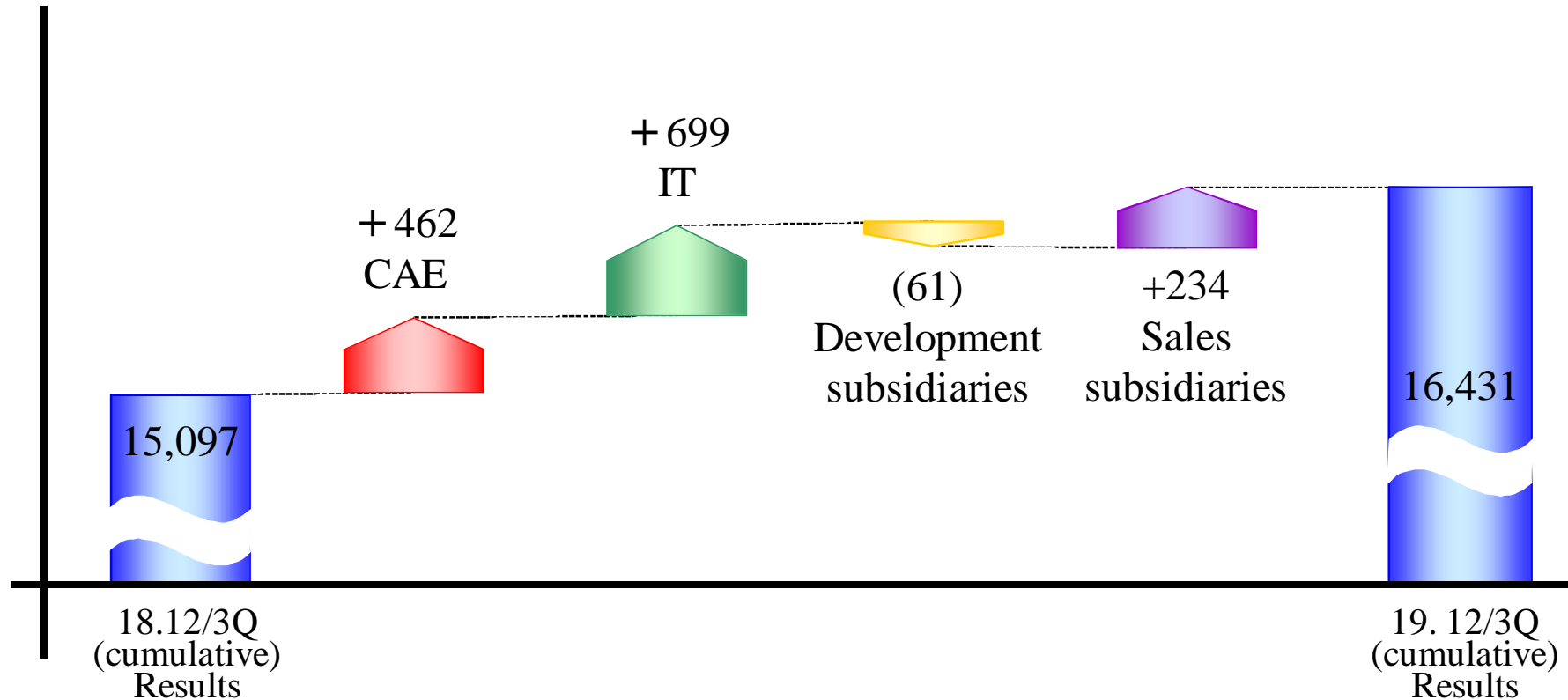
- Distributor means CAE and IT distribution business.
- IH means CAE and IT in-house developed products.
- Service means service providing for CAE and IT.

[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:

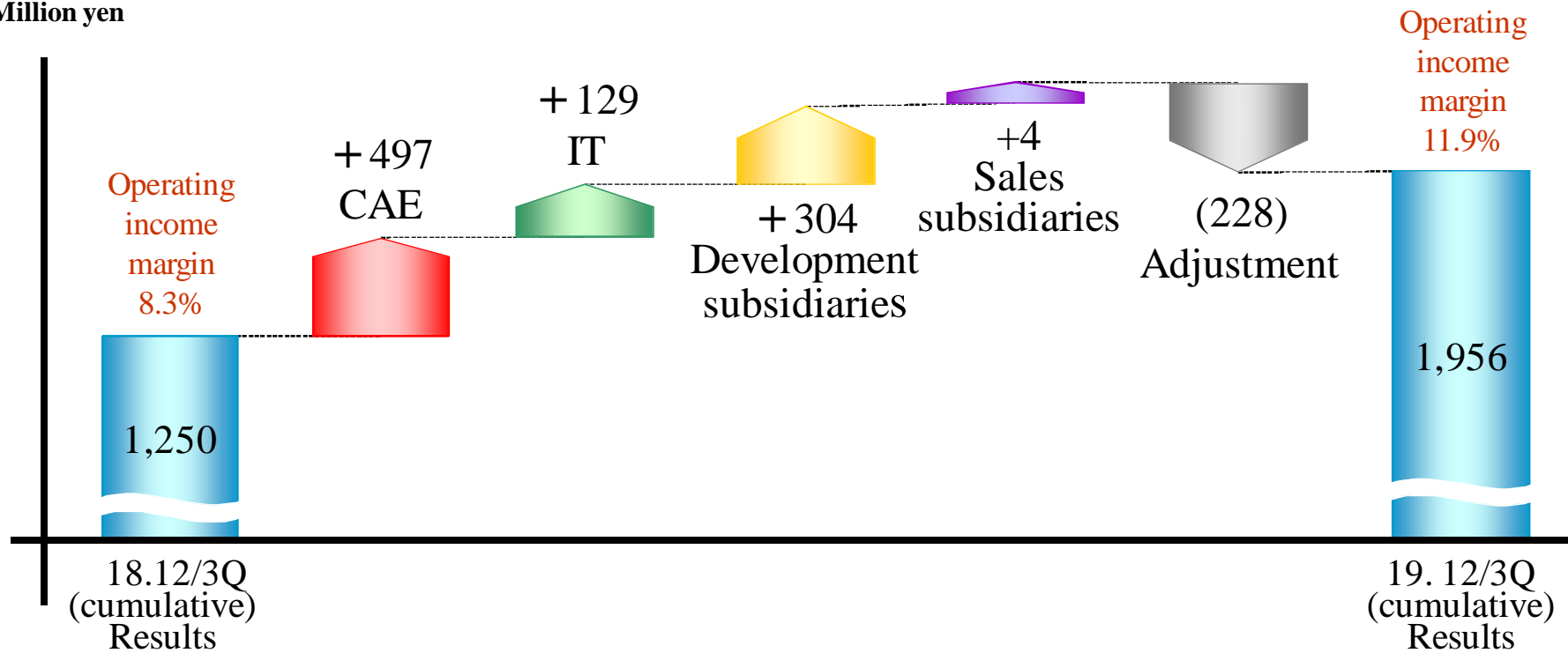
- CAE means CYBERNET SYSTEMS' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries means Europe and US 3 development subsidiaries subject to consolidation.
- Sales subsidiaries means 4 Asian sales subsidiaries subject to consolidation.

[Consolidated]
Changes in Operating Income by Business

CYBERNET SYSTEMS CO., LTD.

[YoY comparison]

Million yen



(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.

[Third quarter of the fiscal year]

Million yen

	18.12/3Q		19.12/3Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	924	27.6%	853	24.0%	(70)	92.4%
Machinery & Precision Machinery	468	14.0%	607	17.0%	+ 138	129.6%
Transportation equipment	491	14.7%	529	14.9%	+ 38	107.8%
Other manufacturing industry	449	13.4%	590	16.6%	+ 140	131.2%
Education institution/government and municipal offices	380	11.4%	272	7.7%	(107)	71.7%
Telecommunication industry	172	5.2%	192	5.4%	+ 19	111.6%
Others	461	13.8%	516	14.5%	+ 55	112.0%
Total	3,348	100.0%	3,562	100.0%	+ 214	106.4%

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

[First three quarters of the fiscal year]

Million yen

	18.12/3Q(cumulative)		19.12/3Q(cumulative)			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	3,714	30.6%	3,852	28.9%	+ 137	103.7%
Machinery & Precision Machinery	1,891	15.6%	2,094	15.7%	+ 202	110.7%
Transportation equipment	1,635	13.5%	1,959	14.7%	+ 324	119.9%
Other manufacturing industry	1,498	12.3%	1,760	13.2%	+ 261	117.5%
Education institution/government and municipal offices	1,107	9.1%	1,075	8.1%	(31)	97.1%
Telecommunication industry	690	5.7%	796	6.0%	+ 105	115.3%
Others	1,600	13.2%	1,777	13.4%	+ 177	111.1%
Total	12,138	100.0%	13,317	100.0%	+ 1,178	109.7%

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 %
	Projection	Results		
Net sales	21,300	19,719	+ 1,580	108.0%
Operating income	1,980	1,502	+ 477	131.8%
Operating income margin	9.3%	7.6%	1.7%	
Ordinary income	2,090	1,684	+ 405	124.1%
Ordinary income margin	9.8%	8.5%	1.3%	
Profit (loss) attributable to owners of parent	1,250	(656)	+ 1,906	—
Profit attributable to owners of parent margin	5.9%	(3.3%)	9.2%	

[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	20.06
Net income per share	14.87	14.83	30.09	(21.07)	40.12
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%	4.8%

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.

■ Corporate Planning and IR Department

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