



Reiko Yasue,  
President & CEO

Cybernet Systems Co., Ltd. (4312)

**CYBERNET**  
Energy for your Innovation

## Company Information

Company	TSE 1st Section
Industry	Information and communications
President	Reiko Yasue
HQ Address	FUJISOFT Bldg. 3 Kanda-neribeicho, Chiyoda-ku, Tokyo
Year-end	December
Homepage	<a href="https://www.cybernet.jp/english/">https://www.cybernet.jp/english/</a>

## Stock Information

Share Price	Number of shares issued (excluding treasury shares)	Total market cap	ROE(Act.)	Trading Unit	
¥762	31,178,149 shares	¥23,757million	9.6%	100 shares	
DPS(Est.)	Dividend yield (Est.)	EPS(Est.)	PER(Est.)	BPS(Act.)	PBR(Act.)
¥20.86	2.7%	¥41.72	18.3 x	¥432.12	1.8 x

\*The share price is the closing price on August 7. The number of shares issued was calculated by subtracting the treasury shares from the number of outstanding shares at the end of the latest quarter. ROE and BPS are from the last year-end.

## Consolidated Earnings

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	EPS (¥)	DPS (¥)
December 2016(Act.)	16,031	1,027	1,001	462	14.83	13.00
December 2017(Act.)	17,987	1,504	1,639	937	30.09	15.05
December 2018(Act.)	19,719	1,502	1,684	-656	-21.07	16.52
December 2019(Act.)	21,350	2,020	2,145	1,258	40.38	20.19
December 2020(Est.)	22,000	2,060	2,140	1,300	41.72	20.86

\* Forecast is company forecast. Unit: ¥mn

This bridge report shows the results of Cybernet System Co., Ltd.'s financial results for the first half of fiscal year ending December 2020, and forecasts for the fiscal year ending December 2020.

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## Key points

- In the first half of the fiscal year 2020, sales and operating income grew 0.6% and 25.0% year on year, respectively. Although some customers canceled or postponed projects due to the spread of COVID-19, the negative impact was within the expected range. While consolidated sales were in line with the plan thanks to the increased sales in IT Solution Services through telecommuting and meeting the needs of IT asset management, and the steady growth in contract renewals in CAE Solution Services, the company's efforts in cost reduction bore fruit, resulting in a significant increase in profit.
- Earnings estimates for the full fiscal year remain unchanged. Sales and operating income are estimated to increase 3.0% and 2.0% year on year, respectively. The company is "closely monitoring the impact of COVID-19 and will work to minimize the impact on its business performance." It also strives to improve its operational productivity, recognizing the "coexistence with the virus = the era of leading our daily lives while coping with COVID-19," while ensuring the safety and preventing infection of customers, other concerned parties, employees and their families. The company plans "to disclose the updated forecast promptly if it becomes necessary to revise its earnings forecast." It will pay a term-end dividend of 10.43 yen, and when combined with the dividend at the end of the second quarter, the total annual dividend will be 20.86 yen, up 0.67 yen from the previous year (payout ratio: 50%).
- Sales were 54.0% of full-year estimates (55.3% in the same period last year on an actual full-year results basis) and operating income was 98.6% of full-year estimates (80.4% in the same period last year on an actual full-year results basis). Although the progress is at a high level, the company considers that customer trends are polarized with "budget restraint caused by deteriorating performance" and "continued investment in growth," and uncertainty remains even in the second half of the year. In fact, automobile manufacturers, which are their main customers, have been hit hard by the COVID-19 crisis, and it is expected that their R&D investment will be more well-defined than ever before. We would like to pay attention to the company's business operation in the environment where we always need to cope with COVID-19 in our daily lives.

## 1. Company Overview

With "Computer Aided Engineering (CAE) Solution" and "IT Solution" as two pillars of the business, Cybernet supports the manufacturing of goods, "Monozukuri." CAE includes virtual designing and experimentation (simulation) on a computer. In the process of product development, CAE helps achieve high quality, shorten the development period, and reduce development cost. It is also environmentally friendly as it reduces waste materials generated by trial production. The Company is engaged in a license sales and maintenance service of more than 50 kinds of globally recognized software provided by more than 20 companies as well as an agency service to approximately 2,000 companies in the fields of automobiles, machinery, electric machinery and 500 research institutions and universities.

The company has formed a corporate group with 15 consolidated subsidiaries and operates the businesses in North America, the UK, France, Germany, Belgium, and Asia. Also, it owns 53.9% of the voting rights of FUJI SOFT INCORPORATED, which is listed on the First Section of the Tokyo Stock Exchange.

### Corporate Philosophy

Cybernet's corporate philosophy is "We will contribute to the advancement of our customers and society by providing solutions that generate high satisfaction through enhanced value-added and high-quality services." With its corporate message of "Energy for your Innovation." Cybernet aims to become the "First Contact Company" for customers for CAE, that always walks with them and that they trust.

### 1-1 Business Description

Cybernet's business is divided into CAE Solution Services providing CAE solutions and related technical services, and IT Solution Services providing IT solutions centered on security-related solutions. CAE Solution Services account for over 80% of the entire business of the Group.

### CAE Solution Services

Distributor Business and Vendor Business, both of which sell CAE software and hardware for analysis and simulation in conjunction with a Computer Aided Design (CAD) system, CAE Solution Services manage Consulting Business, design of electronic circuits and boards, model-based development (MBD, to be described later), engineering (consignment) services such as PIDO, and user education and support services such as holding seminars, user conferences, and case presentations.

#### CAE application areas

<p><b>MCAE (Mechanical CAE)</b> After completing the designing process using CAD, it provides software and services that support analysis of structure, heat transfer, electromagnetic, and thermal fluid. The main product is the multi-physics (multiple physical forces) analysis tool "ANSYS," a product of ANSYS, Inc. (U.S.)</p>
<p><b>Optical Design</b> It offers optical analysis for lens design, etc., illumination analysis, optical communication system analysis and measurement tools related to organic EL and optical member characteristics, and solutions and services. Main products include "CODE V" (optical design evaluation program) and "LightTools" (analytical software for lighting design) both manufactured by Synopsys, Inc. (U.S.)</p>
<p><b>MBD (Model Based Development)</b> MBD is a design methodology that implements a development process of plan, design, and verification based on formula models. Main products include the STEM computing platform "Maple" and the system-level modeling and simulation tool "MapleSim", both of which are provided by the Canadian subsidiary.</p>
<p><b>Other fields</b> The 3D tolerance management tool (optimization of costs and quality based on the assembly part dimensions of the evaluation object and evaluation on variation of parts), which is a product of the U.S. subsidiary, and optimized design support tools (analysis automation, robust control / reliability evaluation, application of quality engineering, etc.) by the Belgian subsidiary.</p>

### IT Solution Services

IT Solution Services offer security related solutions centered on Broadcom's endpoint security products(former name: Symantec Enterprise Security) that prevent computer virus infections and information leaks in the servers and client PCs, IT asset management solutions (multiple sales of major products) including "SKYSEA Client View" (SKY Inc.) and "QND Advance" (Quality Software Inc.), and cloud-based single sign-on/access control (IDaaS) solutions using IDaaS (Cloud ID Management) product "OneLogin."

**1-2 Major subsidiaries**

Name of the company	Country	Business overview
CYBERNET SYSTEMS (SHANGHAI) CO., LTD.	China	It provides CAE total solutions including sales and support, education, consulting, etc., focusing on products developed by the Cybernet Group and optical software, structural analysis, thermal fluid analysis
CYBERNET SYSTEMS TAIWAN CO., LTD. (Investment ratio 57%)	Taiwan	It provides CAE total solutions including sales and support, education, consulting, etc. focusing on products developed by the Cybernet Group and optical software, structural analysis, thermal fluid analysis
CYFEM Inc. (Investment ratio 65%)	South Korea	It provides CAE total solutions including sales and support, education, consulting, etc., focusing on optical software
CYBERNET SYSTEMS MALAYSIA SDN. BHD	Malaysia	It provides CAE total solutions including sales and support, education, consulting, etc. focusing on products developed by the Cybernet Group and optical software, structural analysis, thermal fluid analysis
CYBERNET MBSE CO., LTD.	Japan	It provides engineering services such as contract analysis and consulting for model-based development, and develops and sells software
Sigmetrix, L.L.C.	The U.S.	It develops and sells 3D tolerance management tools and provides consulting services
WATERLOO MAPLE INC.	Canada	It develops and sells system-level modeling and simulation and provides consulting services
Noesis Solutions NV	Belgium	It develops and sells optimized design support tools and provides consulting services

## 2. First half of Fiscal Year December 2020 Earnings Results

### 【Impact of the spread of COVID-19】

Due to the spread of COVID-19, some customers canceled or postponed projects, but the negative impact was within the scope expected in the first quarter. As for income, the company's efforts in cost reduction bore fruit, with each income level exceeding the estimate. Impacts and initiatives in each segment are as below.

In CAE Solution Services, the impact on maintenance contract renewals was limited, but the purchase of licenses (new contracts) was canceled or postponed by some customers. In Engineering Services, some customers canceled or postponed their projects. As for sales, the company focused on expanding online interviews and online seminars, and actively participated in online events, in order to make up for the limitations of face-to-face sales. In addition, the company minimized the impact on its business performance through cost control.

IT Solution Services also experienced some customers canceling or postponing license purchases, but maintenance contract renewals were not significantly affected. The company promoted its cloud-based services and telework solutions to meet customer needs for new lifestyles which copes with COVID-19 in the post-pandemic world, as well as expanded its online seminars and minimized the impact of the infection on business performance through cost control.

### 2-1 Consolidated results for the first half

	1H of FY12/19	Ratio to sales	1H of FY12/20	Ratio to sales	YoY	Forecast	Compared with Forecasts
Sales	11,798	100.0%	11,871	100.0%	+0.6%	11,870	+0.0%
Gross profit	4,734	40.1%	4,876	41.1%	+3.0%	-	-
SG&A expenses	3,109	26.4%	2,845	24.0%	-8.5%	-	-
Operating Income	1,624	13.8%	2,031	17.1%	+25.0%	1,650	+23.1%
Ordinary Income	1,657	14.0%	2,011	16.9%	+21.4%	1,690	+19.0%
Net Income	1,049	8.9%	1,343	11.3%	+28.0%	1,082	+24.1%

\*Unit: ¥mn

### Sales and operating income increased 0.6% and 25.0% year on year, respectively

Sales grew 0.6% year on year to 11,870 million yen, in line with the plan. Despite a 0.5% decrease in sales of CAE Solution Services, sales of IT Solution Services, which tapped into telecommuting and IT asset management needs, increased 5.8% year on year. In CAE Solution Services, while maintenance contract renewals for multi-physics analysis and optical analysis tools, mainly in mechanical, precision, and other manufacturing industries saw some progress, license sales declined. Engineering Services were sluggish, particularly in the automotive sector.

Operating income augmented 25.0% year on year to 2,030 million yen. Gross profit increased 3.0% year on year due to an increase in sales in Japan which accounted for 82.5% of consolidated sales, mainly from contract renewals, and an improvement in the cost ratio as a result of a decrease in technical service costs, including lower outsourced processing, and travel and transportation expenses. On the other hand, SG&A expenses dropped 8.5% year on year, as a result of lower travel expenses and lower equipment costs associated with the floor renovation in the previous term. Despite a decline in non-operating income due to lower subsidy income, net income was 1,340 million yen, up 28.0% year on year.

## BRIDGE REPORT



## Sales by Category of Industry (Individual)

	1H of FY 12/19	Component ratio	1H of FY 12/20	Component ratio	YoY
Electrical equipment	2,998	30.7%	2,799	28.8%	-6.6%
Machinery & Precision Machinery	1,486	15.2%	1,718	17.7%	+15.6%
Transportation equipment	1,430	14.7%	1,043	10.7%	-27.0%
Other manufacturing industry	1,170	12.0%	1,377	14.1%	+17.7%
Education institution/government and municipal offices	803	8.2%	773	7.9%	-3.7%
Information and Communications	604	6.2%	555	5.7%	-8.0%
Others	1,261	12.9%	1,467	15.1%	+16.3%
<b>Total</b>	<b>9,754</b>	<b>100.0%</b>	<b>9,735</b>	<b>100.0%</b>	<b>-0.2%</b>

\*Unit: ¥mn

## Sales by Contract type (Individual)

	1H of FY 12/19	Component ratio	1H of FY 12/20	Component ratio	YoY
Licenses	8,688	100.0%	8,945	100.0%	+3.0%
New licenses	2,807	32.3%	2,702	30.2%	-3.7%
Renewals	5,880	67.7%	6,243	69.8%	+6.2%
Others	1,066	-	789	-	-26.0%
<b>Total</b>	<b>9,754</b>	<b>-</b>	<b>9,735</b>	<b>-</b>	<b>-0.2%</b>

\*Unit: ¥mn

## 2-2 Trend by segment

	1H of FY 12/19	Composition Ratio/Profit Margin	1H of FY 12/20	Composition Ratio/Profit Margin	YoY
CAE Solution Services	9,732	82.5%	9,684	81.6%	-0.5%
IT Solution Services	2,066	17.5%	2,186	18.4%	+5.8%
<b>Consolidated sales</b>	<b>11,798</b>	<b>-</b>	<b>11,871</b>	<b>-</b>	<b>+0.6%</b>
CAE Solution Services	2,186	22.5%	2,573	26.6%	+17.7%
IT Solution Services	204	9.9%	138	6.3%	-32.3%
<b>Adjustments</b>	<b>-765</b>	<b>-</b>	<b>-680</b>	<b>-</b>	<b>-</b>
<b>Consolidated operating income (Operating income margin)</b>	<b>1,624</b>	<b>13.8%</b>	<b>2,031</b>	<b>17.1%</b>	<b>+25.0%</b>

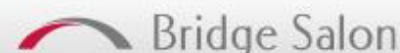
\*Unit: ¥mn

## CAE Solution Services

Sales declined to 9,680 million yen (down 0.5% year on year), and segment profit increased to 2,570 million yen (up 17.7% year on year). Sales of new licenses for multi-physics analysis and optical analysis tools, which are the company's core products, dropped with some customers canceling or postponing installation due to the COVID-19 crisis, but was offset by the increased maintenance contract renewals, mainly in mechanical, precision, and other manufacturing industries. On the other hand, sales of Engineering Services fell due to postponement of new MBD-related operations in the overall automobile industry because of COVID-19. Furthermore, sales of User Education and Support Services declined as the commencement of some projects was delayed and paid group-education seminars were canceled.

Overseas, sales in Asia increased, mainly at the Taiwanese subsidiary, where sales of multi-physics analysis tools and optical software were healthy, and at the South Korean subsidiary, where sales of optical software were strong, but sales in North America, Europe, and other regions fell.

## BRIDGE REPORT



## IT Solution Services

Sales augmented to 2,180 million yen (up 5.8% year on year), while segment profit dropped to 130 million yen (down 32.3% year on year). Renewals for endpoint security solutions and cloud security solutions increased, and customer-support solutions for IT asset management driven by PC management needs also grew. However, changes in the sales mix caused a drop in profit margin, which lowered the profits.

## Sales by Region (Region of the End-user)

	1H of FY 12/19	Component ratio	1H of FY 12/20	Component ratio	YoY
Japan	9,711	82.3%	9,789	82.5%	+0.8%
Asia	1,148	9.7%	1,184	10.0%	+3.1%
North America	624	5.3%	615	5.2%	-1.4%
Europe	282	2.4%	260	2.2%	-7.8%
Other	32	0.3%	20	0.2%	-34.8%
<b>Total</b>	<b>11,798</b>	<b>100.0%</b>	<b>11,871</b>	<b>100.0%</b>	<b>+0.6%</b>

\*Unit: ¥mn

## 2-3 Results of the Second Quarter

	12/19-1Q	2Q	3Q	4Q	12/20-1Q	2Q	YoY	Quarter to Quarter
Sales	5,140	6,658	4,632	4,919	5,119	6,751	+1.4%	+31.9%
Gross profit	2,097	2,636	1,822	1,925	1,992	2,883	+9.4%	+44.7%
SG&A expenses	1,433	1,675	1,490	1,861	1,450	1,394	-16.8%	-3.8%
Operating Income	664	960	331	63	542	1,488	+55.0%	+174.5%
Ordinary Income	680	976	397	90	578	1,432	+46.7%	+147.5%
Net Income	406	642	278	-69	398	944	+47.0%	+136.8%
Gross Profit Margin	40.8%	39.6%	39.3%	39.1%	38.9%	42.7%	-	-
SG&A Ratio	27.9%	25.2%	32.2%	37.8%	28.3%	20.7%	-	-

\*Unit: ¥mn

## Sales and operating income rose 1.4% and 55.0% year on year, respectively

In the second quarter (April to June), sales rose 1.4% year on year to 6,750 million yen due to higher sales in Asia and North America, as well as the solid performance in Japan, mainly due to maintenance contract renewals. As for profit, operating income margin improved 7.7 points to 22.1% and operating income were 1,480 million yen, up 55.0% year on year, thanks to the contribution of high-margin maintenance contracts and decreased technical service costs and SG&A expenses as a result of refraining from service-offering and sales activities due to the spread of COVID-19.

## Sales by Region (Region of the End-user)

	2Q of FY 12/19(April to June)	Component ratio	2Q of FY 12/20(April to June)	Component ratio	YoY
Japan	5,678	85.3%	5,714	84.6%	+0.6%
Asia	506	7.6%	596	8.8%	+17.6%
North America	301	4.5%	321	4.8%	+6.6%
Europe	157	2.4%	108	1.6%	-30.9%
Other	14	0.2%	10	0.2%	-27.1%
<b>Total</b>	<b>6,658</b>	<b>100.0%</b>	<b>6,751</b>	<b>100.0%</b>	<b>+1.4%</b>

\*Unit: ¥mn

## BRIDGE REPORT



## Sales by Category of Industry (Individual)

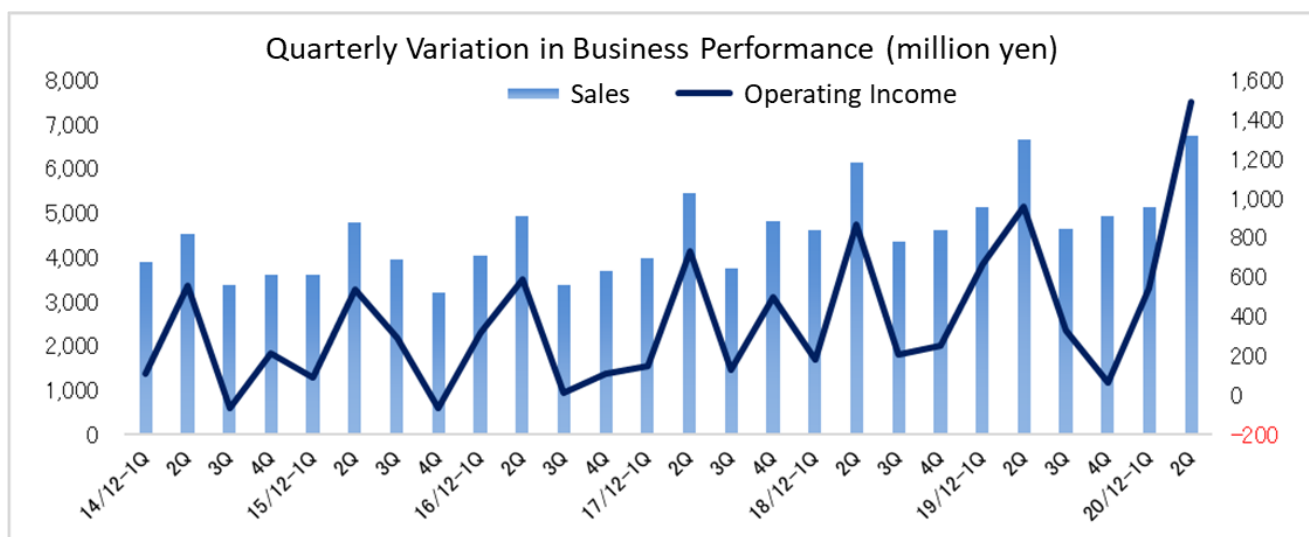
	2Q of FY 12/19(April to June)	Component ratio	2Q of FY 12/20(April to June)	Component ratio	YoY
Electrical equipment	2,042	35.9%	2,003	35.3%	-1.9%
Machinery & Precision Machinery	839	14.8%	1,002	17.7%	+19.4%
Transportation equipment	630	11.1%	537	9.5%	-14.8%
Other manufacturing industry	662	11.6%	623	11.0%	-5.8%
Education institution/government and municipal offices	471	8.3%	498	8.8%	+5.7%
Information and Communications	349	6.1%	318	5.6%	-8.9%
Others	695	12.2%	694	12.2%	-0.1%
<b>Total</b>	<b>5,691</b>	<b>100.0%</b>	<b>5,678</b>	<b>100.0%</b>	<b>-0.2%</b>

\*Unit: ¥mn

## Sales by Contract type (Individual)

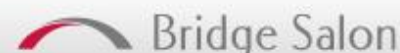
	2Q of FY 12/19(April to June)	Component ratio	2Q of FY 12/20(April to June)	Component ratio	YoY
Licenses	5,298	100.0%	5,367	100.0%	+1.3%
New licenses	1,444	27.3%	1,418	26.4%	-1.8%
Renewals	3,853	72.7%	3,948	73.6%	+2.5%
Others	393	-	310	-	-20.9%
<b>Total</b>	<b>5,691</b>	<b>-</b>	<b>5,678</b>	<b>-</b>	<b>-0.2%</b>

\*Unit: ¥mn





## BRIDGE REPORT



## 2-4 Balance Sheet and Cash Flow Statement

### Balance sheet

	December 2019	June 2020		December 2019	June 2020
Cash and deposits	3,019	3,761	Trade payables	1,493	1,775
Trade receivables	4,382	5,000	Advance received	2,021	2,013
Securities	7,000	7,500	Current liabilities	5,925	5,609
Short-term loan receivable	3,360	2,452	Net defined benefit liability	1,230	1,244
Current assets	19,022	19,750	Liabilities	1,259	1,272
Intangible assets	280	413	Net assets	13,636	14,566
Investments, others	1,153	936	Total liabilities, net assets	20,821	21,449
Noncurrent assets	1,799	1,698	Total interest-bearing liabilities	-	-

\*Unit: ¥mn

Total assets at the end of the second quarter were 21,440 million yen, up 620 million yen from the end of the previous term. Short-term loans in current assets are loans to the parent company's cash management system (CMS) for short-term cash management. Equity ratio was 67.1% (64.7% at the end of the previous term).

### Cash flow statement

	1H of FY 12/19	1H of FY 12/20	YoY	
Operating Cash Flow (A)	1,792	1,039	-753	-42.0%
Investing Cash Flow (B)	19	667	+647	+3260.3%
Free Cash Flow (A+B)	1,812	1,707	-105	-5.8%
Financing Cash Flow	-271	-416	-144	-
Cash, Equivalents at the end of term	9,869	11,182	+1,313	+13.3%

\*Unit: ¥mn

Operating CF was 1,039 million yen due to net income before income taxes of 2,000 million yen (1,650 million yen in the same period last year), a depreciation of 110 million yen (120 million yen in the same period last year), increased working capital (higher trade receivables and lower provision for bonuses), and a tax payment, including corporate tax, of 490 million yen (170 million yen in the same period last year). The inflow of investing CF is mainly due to the collection of loans associated with CMS, which is operated by the parent company, and the outflow of financing CF is due to the payment of dividends etc.

## 3. Fiscal Year December 2020 Earnings Forecasts

### 3-1 Consolidated Earnings

	FY 12/19 Act.	Composition Ratio	FY 12/20 Est.	Composition Ratio	YoY
Sales	21,350	100.0%	22,000	100.0%	+3.0%
Operating Income	2,020	9.5%	2,060	9.4%	+2.0%
Ordinary Income	2,145	10.0%	2,140	9.7%	-0.3%
Net Income	1,258	5.9%	1,300	5.9%	+3.3%

\*Unit: ¥mn

### Earnings estimates remain unchanged., with sales and operating income expected to increase 3.0% and 2.0% year on year, respectively

The company is "closely monitoring the impact of COVID-19 and will work to minimize the impact on its business performance." It also strives to improve its operational productivity, recognizing the "coexistence with the virus = the era of leading our daily lives while coping with COVID-19," while ensuring the safety and preventing infection of customers, other concerned parties, employees and their families. The company plans "to disclose the updated forecast promptly if it becomes necessary to revise its earnings forecast."

### 3-2 Term-end dividend is to be 10.43 yen per share, and annual dividend is projected to be 20.86 yen

It will pay a term-end dividend of 10.43 yen per share, and when combined with the dividend at the end of the second quarter, the total annual dividend will be 20.86 yen, up 0.67 yen from the previous year (payout ratio: 50%).

The company uses either the dividend payout ratio of 50% or the net assets (shareholders' equity) dividend ratio of 3.0%, whichever is higher, as a reference index for determining the dividend amount. Considering all the factors, the dividend amount is also determined based on the amount of medium to long-term investment to increase corporate value in the future.

	FY 12/16	FY 12/17	FY 12/18	FY 12/19	FY 12/20 Est.
Dividend per share (yen)	13.00	15.05	16.52	20.19	20.86
Net income per share (yen)	14.83	30.09	-21.07	40.38	41.72
Payout ratio	87.7%	50.0%	-	50.0%	50.0%
Net assets dividend rate*	3.0%	3.4%	3.8%	4.8%	4.7%

\* DOE for the fiscal year 2020 is calculated based on net assets at the beginning of the term.

## 4. Conclusions

Sales were 54.0% of the full-year estimates (55.3% in the same period last year on an actual full-year results basis), operating income was 98.6% of full-year estimates (80.4% in the same period last year on an actual full-year results basis), ordinary income was 94.0% of the full-year estimate (77.2% in the same period last year on an actual full-year results basis), and net income was 103.3% of the full-year estimate (83.4% in the same period last year on an actual full-year results basis). Although the progress is at a high level, the company considers that customer trends are polarized with “budget restraint caused by deteriorating performance” and “continued investment in growth,” and uncertainty remains even in the second half of the year. In fact, automobile manufacturers, which are their main customers, have been hit hard by the COVID-19 crisis, and it is expected that their R&D investment will be more well-defined than ever before. In addition, it will be difficult to achieve the same level of success in online sales as in face-to-face sales with new license sales, aside from contract renewals. We would like to pay attention to their business operation in the environment where we always need to cope with COVID-19 in our daily lives.

## <Reference: Regarding Corporate Governance>

### ◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board members
Directors	8 directors, including 2 outside ones
Auditors	3 auditors, including 2 outside ones

### ◎ Corporate Governance Report: The Latest Update: March 28, 2020

#### Basic Policy

Our company will thoroughly observe all applicable laws and regulations in all corporate activities and take actions that conform to social ethics as we have set forth in the “Cybernet Group Compliance Policy Guidelines” (hereinafter referred to as “Cybernet Policy Guidelines”). This is our basic attitude towards all shareholders. In addition, we respect the Cybernet Policy Guidelines as our company’s basic policy in regard to corporate governance and we strive to ensure the soundness of our management, clarify accountability, and disclose impartial and timely information. We are also aiming to expedite management decisions and improve supervisory functions of business execution, as well as endeavoring to create organizations with effective risk management and screening functions.

#### <Reasons for Non-compliance with the Principles of the Corporate Governance Code>

We have implemented all the principles of corporate governance code.

#### <Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

[Principle 4-9 Independence criteria and qualities of independent external directors]

When selecting candidates for independent external directors, the Company determines that it lacks independence if it falls under any of the following items. The person selected is someone who does not fall under any of the items below, is not likely to have a conflict of interest with general shareholders, and can be substantially secured independence.

- (1) Person who has been a business executor of the Company or its subsidiary within the last 10 years or his/her relative within the second degree of kinship
- (2) Person who falls under any of the following, or who were his/her relatives within their second degree, within 1 year
  - a. An executive of a company that has an important business relationship with the Company or an executive of its parent company or an important subsidiary
  - b. A lawyer, consultant, etc. of the Company or its subsidiaries who receives a large amount of compensation or other property benefits in addition to the remuneration for the Director from the Company  
If it is a corporation/organization, or the like, the person executing the business of the corporation/organization
  - c. An executive of the Company’s parent company
  - d. An executive of a company that belongs to the parent company group of the Company
- (3) Any other person who may have a constant and substantial conflict of interest with the general shareholders of the Company for reasons other than those considered in (1) and (2) above.

#### Principle 5-1 Policy on constructive interaction with shareholders

The Company has established a department in charge of IR, and appoints an IR officer, as the director in charge of the administrative department to design an organic collaboration within the administration department. In addition, the department will report IR activity to the representative director or director in charge once a quarter. Furthermore, regarding the management of insider information, please refer to the following “V.2 (3) Disclosure Policy” and the “Information Disclosure Standard (Disclosure Policy)” listed on our website via the URL below.

(Information Disclosure Standard (Disclosure Policy))

[https://www.cybernet.jp/english/ir/ir\\_policy/standard/](https://www.cybernet.jp/english/ir/ir_policy/standard/)

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The Company's main IR activities are as follows:

- (1) Financial results briefing (once a year)
- (2) Medium-Term Business Plan briefing (once a year)
- (3) General shareholders meeting (once a year)
- (4) Individual interviews for institutional investors
- (5) Provision of information by e-mail

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