

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the First Quarter of FY2018

9 May, 2018

CYBERNET SYSTEMS CO., LTD.



Code for periods

16.12/1Q	First quarter of the fiscal year ended December 31, 2016
17.12/1Q	First quarter of the fiscal year ended December 31, 2017
17.12	Fiscal year ended December 31, 2017
18.12/1Q	First quarter of the fiscal year ending December 31, 2018
18.12E	Estimates for the fiscal year ending December 31, 2018

◆ Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2018

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Including Non-consolidated Performance and etc

Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2018

[Consolidated] Business Summary

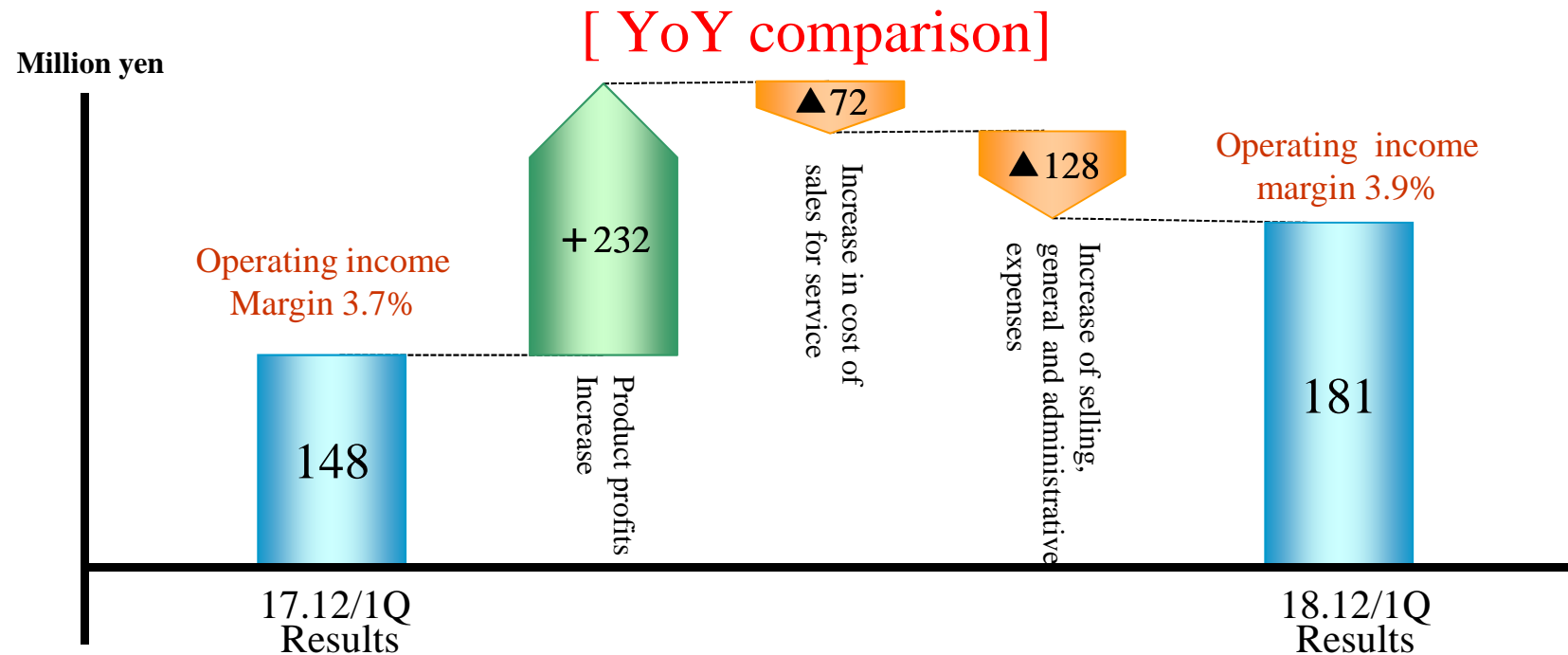
CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12/1Q	17.12/1Q	YoY	YoY	18.12/1Q	Change	Change
	Results	Results	Change	Change	Plan	Amount	%
			Amount	%		from Plan	from Plan
Net sales	4,612	3,976	+ 636	116.0%	4,330	+ 282	106.5%
Operating income	181	148	+ 32	121.7%	85	+ 96	212.9%
Operating income margin	3.9%	3.7%	+ 0.2P		2.0%	+ 1.9P	
Ordinary income	248	178	+ 69	138.7%	132	+ 116	188.1%
Ordinary income margin	5.4%	4.5%	+ 0.9P		3.0%	+ 2.4P	
Profit attributable to owners of parent	125	93	+ 32	135.3%	25	+ 100	503.3%
Profit attributable to owners of parent margin	2.7%	2.3%	+ 0.4P		0.6%	+ 2.1P	
Before amortization of goodwill							
Operating income	254	219	+ 34	115.7%	153	+ 101	166.0%
Before amortization of goodwill							
Operating income margin	5.5%	5.5%	+ 0.0P		3.5%	+ 2.0P	
E B I T D A	328	283	+ 45	115.9%	230	+ 98	142.8%
EBITDA margin	7.1%	7.1%	▲ 0.0P		5.3%	+ 1.8P	

*P: Point

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



Main Causes of Year-on-Year Changes

○ Main causes of product profit changes

Increase due to the impact of foreign currency translation +10 million yen/ increase due to net sales increase +260 million yen/ decrease due to cost rate increase -30 million yen

Increase profits from good trend of main MCAE business, Optical design business Model-based development engineering service.

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

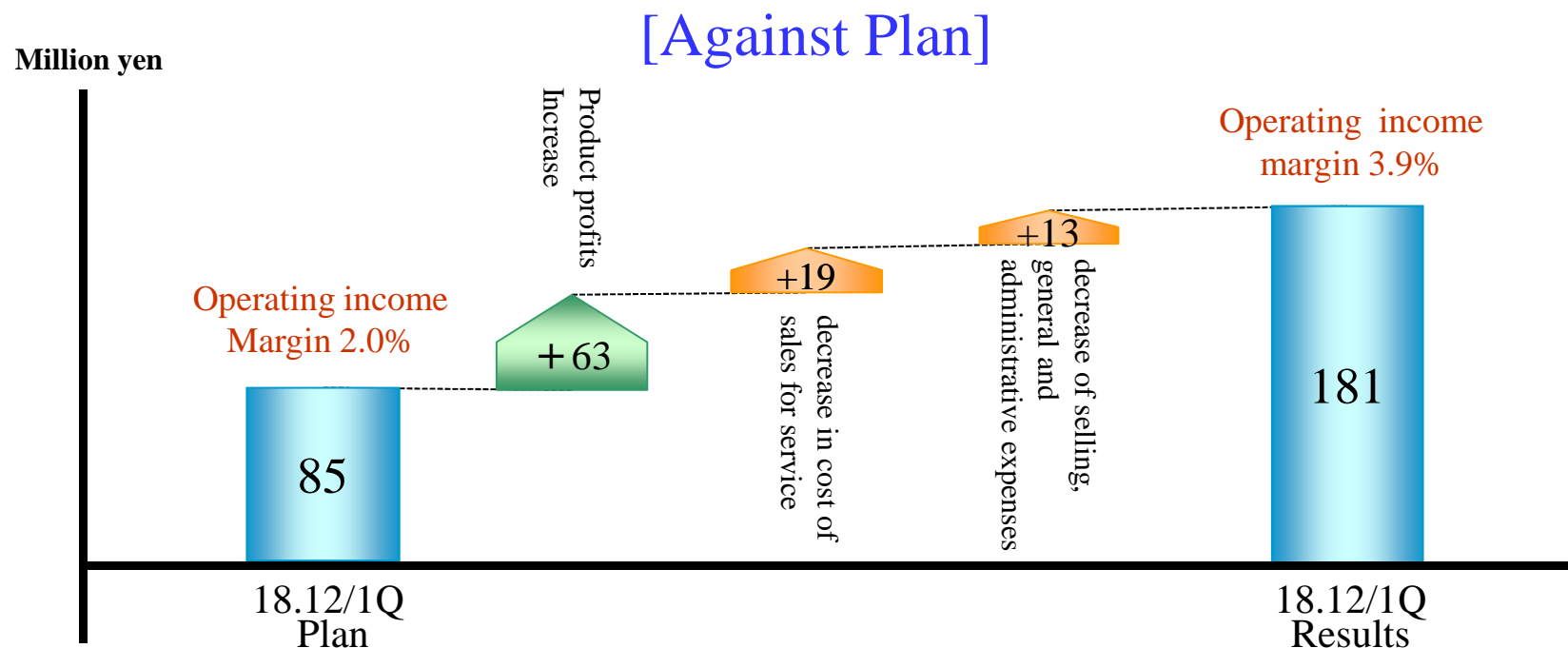
Increase due to the impact of foreign currency translation +16 million yen/ personnel expenses increase due to the expansion of employment +62 million yen/ Increasing of outsourcing due to order increasing +38 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income is -6 million yen

Increase profits due to increasing of products profit by net sales increasing

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



Main Causes of Changes Against Plan

○ Main causes of product profits changes

Increase due to the impact of foreign currency translation +54 million yen/ Increase due to net sales increase +29 million yen/ Decrease due to cost rate increase -20 million yen

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

Increase due to the impact of foreign currency translation +62 million yen/ Personnel expenses decrease due to recruitment decrease -61 million yen/ Cost decrease -33 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income is -8 million yen

Increasing of operating income compare to the plan due to net sales increasing and decreasing of Personnel expenses

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

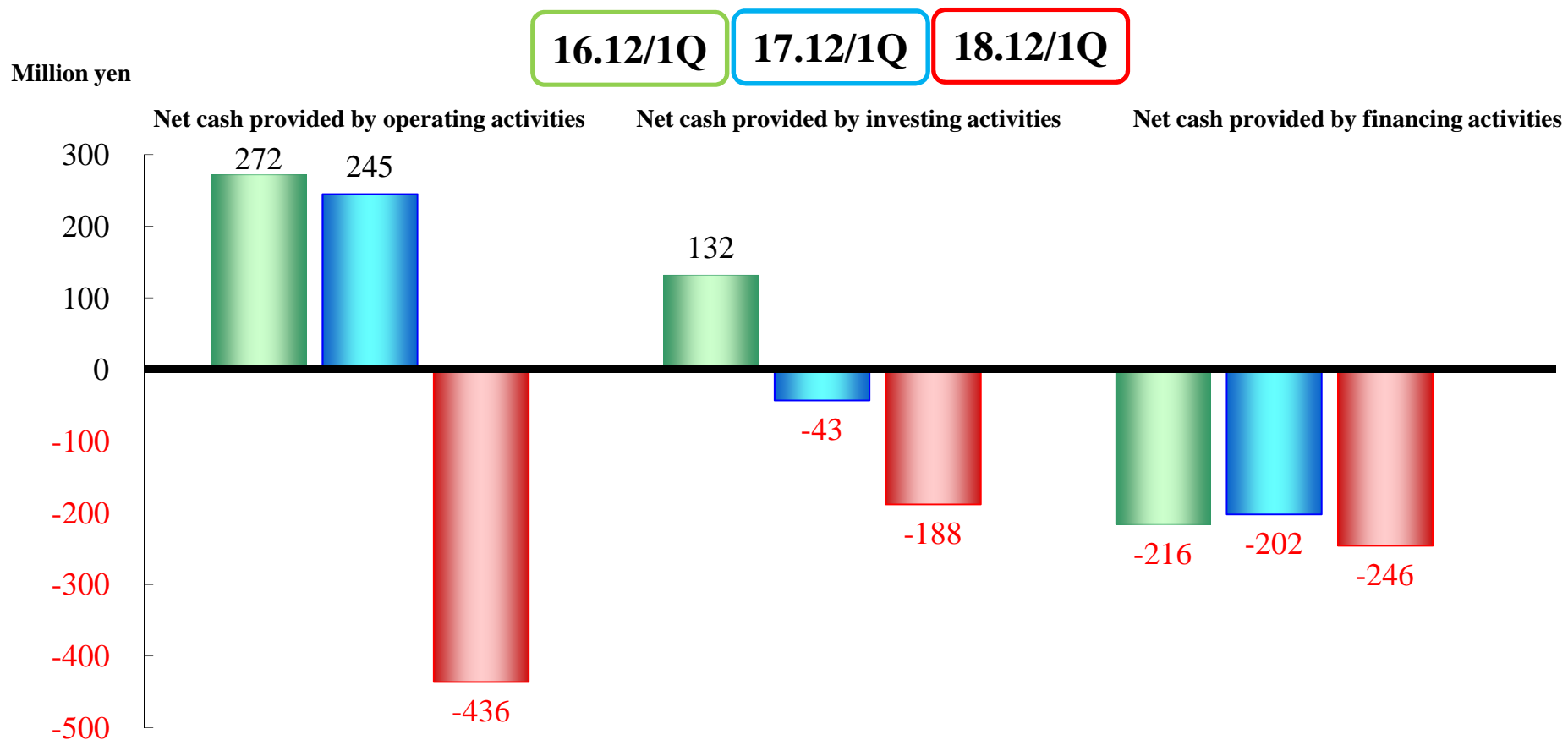
		Million yen	
	17.12	18.12/1Q	YoY Change Amount
Current assets	17,142	16,804	(338)
Cash and deposits	2,890	2,656	(233)
Notes and accounts receivable-trade	4,604	5,026	421
Short-term investment securities	5,200	4,500	(700) (i)
Short-term loans receivable	2,905	3,127	222
Others	1,541	1,493	(48)
Noncurrent assets	3,744	3,693	(50)
Property, plant and equipment	393	382	(11)
Intangible assets	2,569	2,350	(219) (ii)
Investments and other assets	781	961	179
Total Assets	20,887	20,498	(389)
Current liabilities	5,282	5,248	(33)
Accounts payable-trade	1,255	1,758	503
Income taxes payable	437	35	(402)
Advances received	2,028	1,800	(228)
Provision for bonuses	603	166	(436)
Others	957	1,487	530
Noncurrent liabilities	1,393	1,380	(12)
Provision for retirement benefits	1,327	1,319	(8)
Others	65	60	(4)
Total liabilities	6,675	6,629	(46)
Total net assets	14,211	13,869	(342) (iii)
Total liabilities and net assets	20,887	20,498	(389)

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

- (i) Short-term investment securities (down 700 million yen from the end of the previous fiscal year)
Investments decreased - 700 million yen
- (ii) Goodwill (down 213 million yen from the end of the previous fiscal year)
amortization -73 million yen/ foreign currency translation -140 million yen
- (iii) Total net assets (down 342 million from the end of the previous fiscal year)
Profit attributable to owners of parent +125 million yen/ dividend of earnings -246 million/ foreign currency translation adjustment decreased -226 million yen

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.



Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities
 - ⇒ Negative cash flow, mainly due to increasing of accounts receivable and bonus payment
- Net cash provided by investing activities
 - ⇒ Negative cash flow, mainly due to increasing of payments of loans
- Net cash provided by financing activities
 - ⇒ Negative cash flow, mainly due to an increase in dividends paid

[Consolidated] Quarterly Net Sales

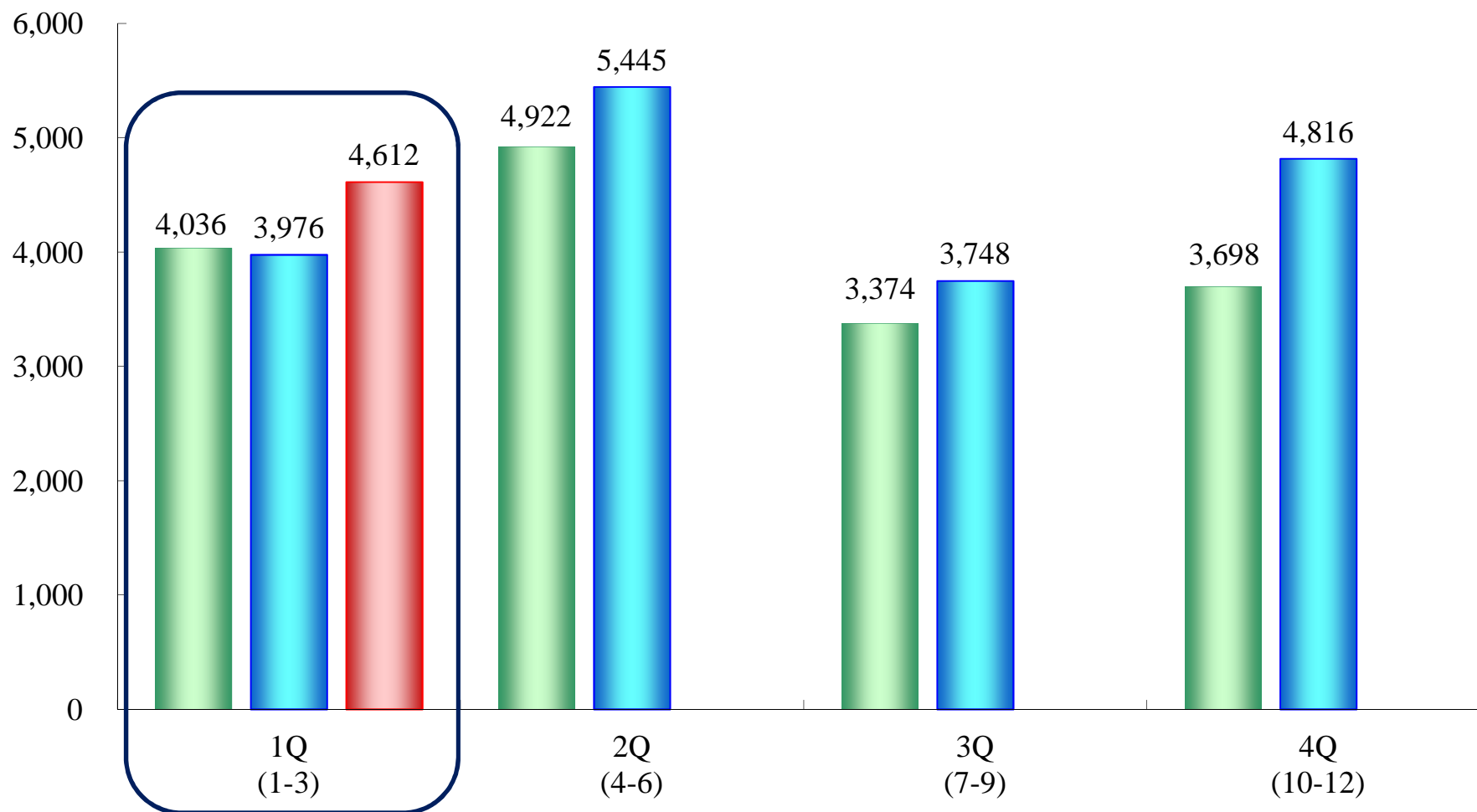
CYBERNET SYSTEMS CO.,LTD.

16.12/1Q

17.12/1Q

18.12/1Q

Million yen



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

Million yen

	17.12/1Q	18.12/1Q		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	3,976	4,612	+ 636	116.0%
CAE Solution Services	3,122	3,773	+ 650	120.8%
IT Solution Services	899	950	+ 50	105.7%
Elimination	(45)	(110)	(64)	—
Total Operating income	148	181	+ 32	121.7%
CAE Solution Services	386	469	+ 82	121.2%
IT Solution Services	139	75	(63)	54.1%
Elimination	(377)	(363)	+ 13	—

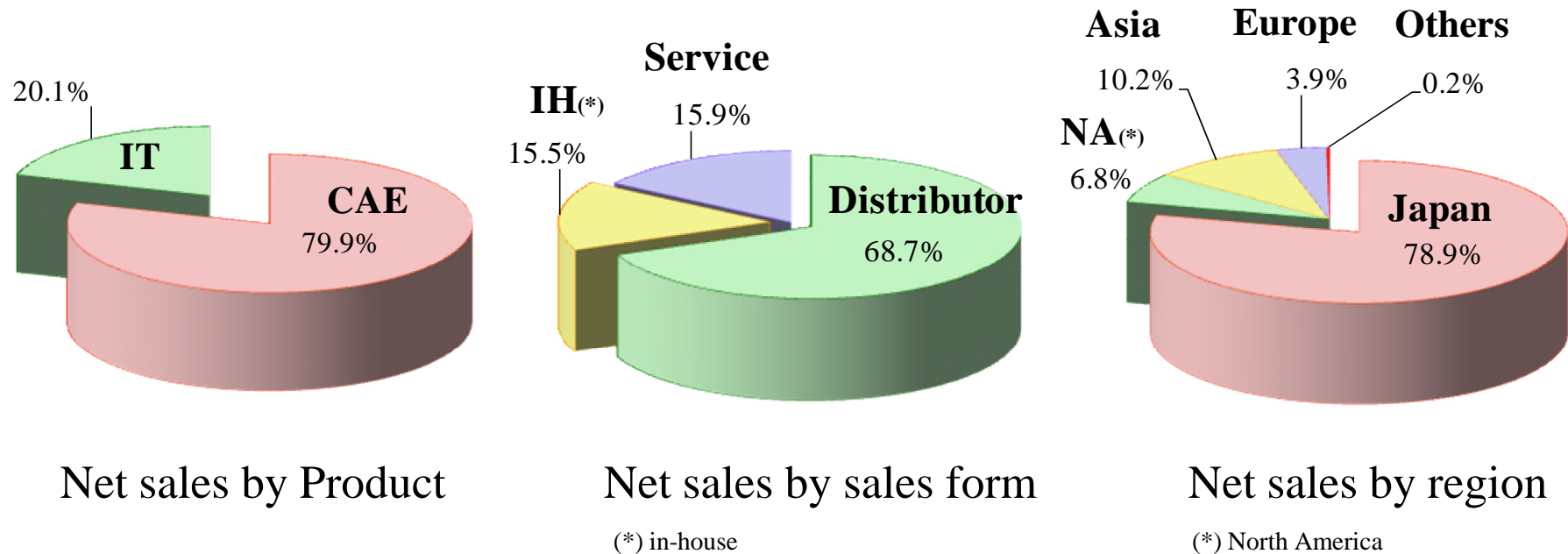
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(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 quarter of the fiscal year]



(Note) Composition ratio of net sales by product excludes consolidate adjustment.

Each product classification is as follows:

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

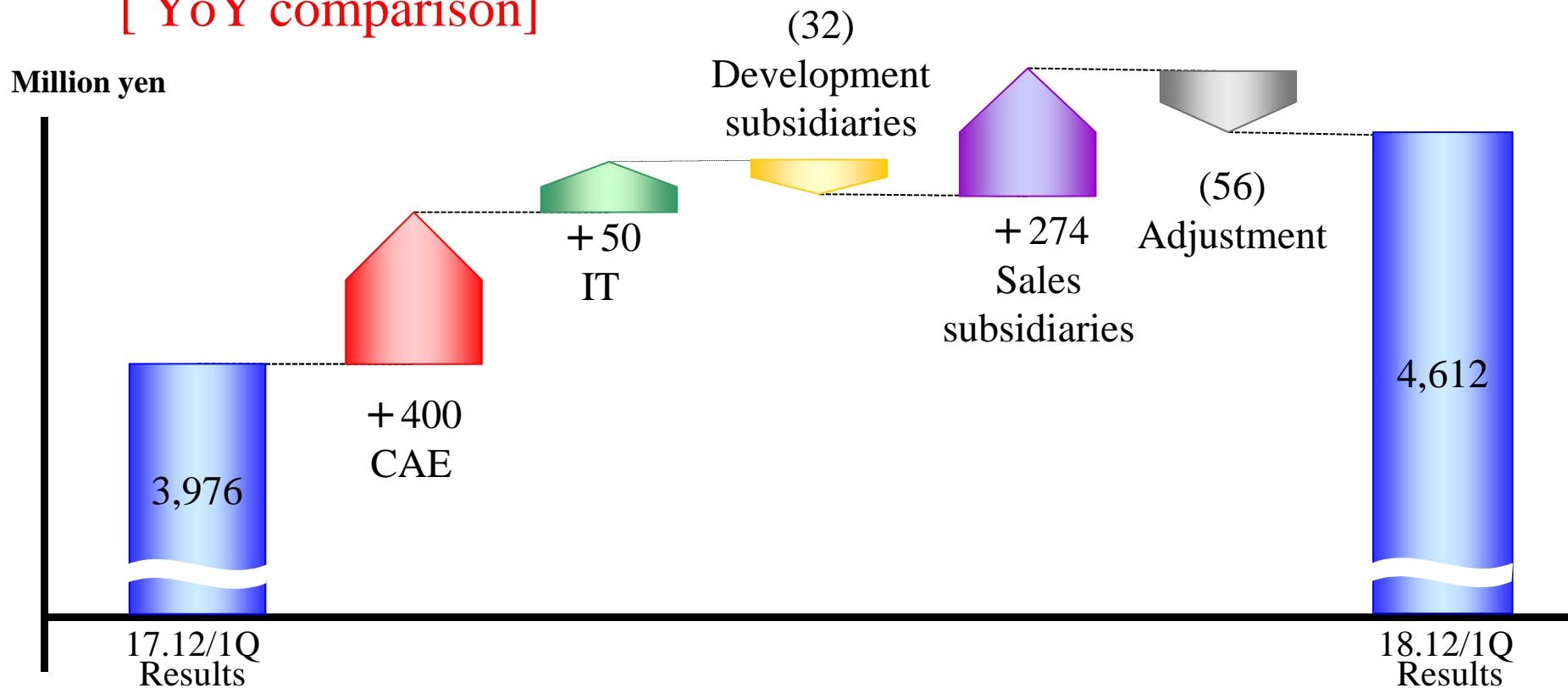
(Note) Classification of each sales form is as follows:

- 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.

[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:

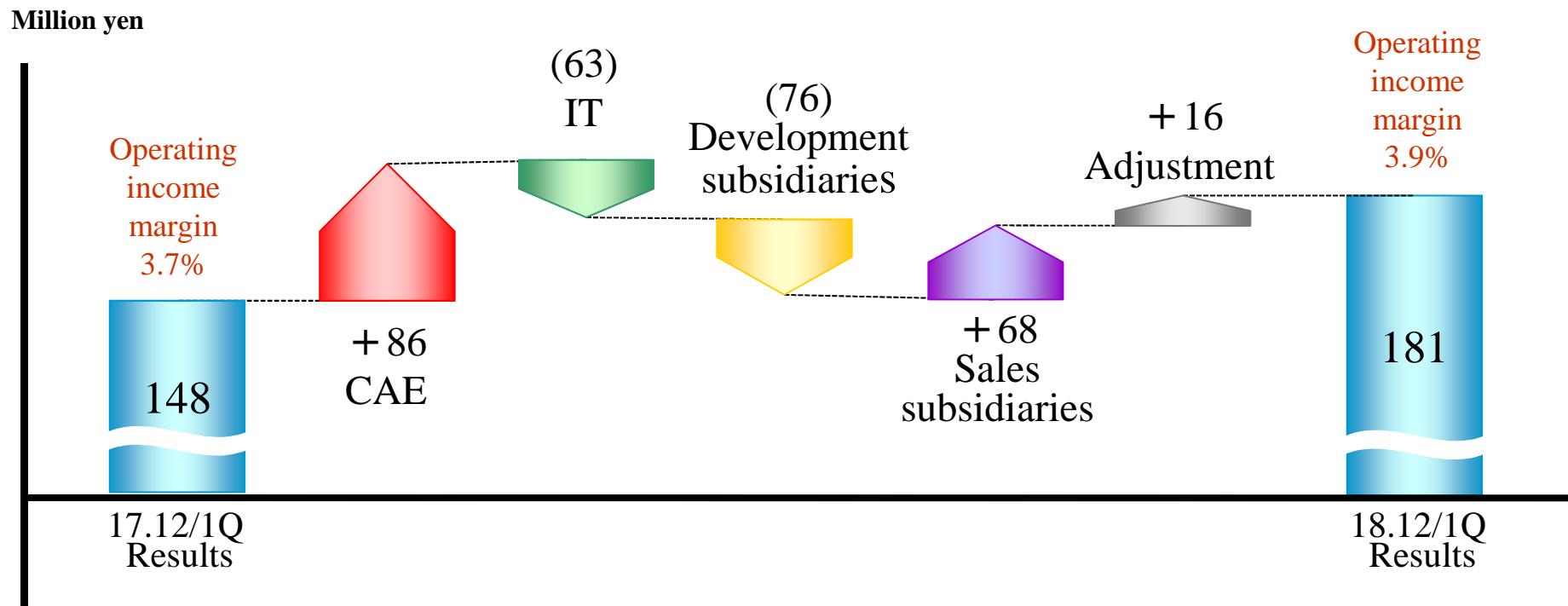
- CAE means CYBERNET SYSTEMS' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries means Europe and US 3 development subsidiaries subject to consolidation.
- Sales subsidiaries means 3 Asian sales subsidiaries subject to consolidation.

Adjustment means the total amount of consolidated adjustment and adjustment among segments.

[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.
Adjustment includes consolidated adjustments and overhead costs.

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO., LTD.

[First quarter of the fiscal year]

Million yen

	17.12/1Q		18.12/1Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	1,105	34.1%	1,270	35.0%	+ 165	115.0%
Optical Design	788	24.3%	908	25.0%	+ 119	115.2%
EDA	86	2.7%	87	2.4%	+ 1	101.8%
MBD	228	7.1%	265	7.3%	+ 36	116.1%
Test and Measurement	29	0.9%	58	1.6%	+ 28	195.6%
Others	97	3.0%	82	2.3%	(15)	84.7%
CAE Total	2,337	72.0%	2,674	73.7%	+ 336	114.4%
IT Solution	622	19.2%	680	18.7%	+ 58	109.3%
Data Solution	284	8.8%	275	7.6%	(9)	96.8%
IT Total	907	28.0%	956	26.3%	+ 49	105.4%
Total	3,244	100.0%	3,630	100.0%	+ 386	111.9%

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

[First quarter of the fiscal year]

Million yen

	17.12/1Q		18.12/1Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	920	28.4%	932	25.7%	+ 11	101.3%
Machinery & Precision Machinery	538	16.6%	625	17.2%	+ 86	116.2%
Transportation equipment	467	14.4%	625	17.2%	+ 157	133.8%
Other manufacturing industry	399	12.3%	420	11.6%	+ 20	105.2%
Eductaion institution/government and municipal offices	328	10.1%	255	7.0%	(72)	77.9%
Telecommunication industry	219	6.8%	228	6.3%	+ 9	104.4%
Others	371	11.4%	542	15.0%	+ 171	146.1%
Total	3,244	100.0%	3,630	100.0%	+ 386	111.9%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO., LTD.

[First quarter of the fiscal year]

Million yen

	17.12/1Q		18.12/1Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	1,105	40.4%	1,307	42.9%	+ 201	118.3%
Renewals of the maintenance contracts	1,634	59.6%	1,740	57.1%	+ 105	106.5%
Total	2,740	100.0%	3,048	100.0%	+ 307	111.2%

[Consolidated] Performance at Overseas Subsidiaries (Development subsidiaries)

CYBERNET SYSTEMS CO., LTD.

Development subsidiaries	WATERLOO MAPLE INC.	Noesis Solutions NV	Sigmatix, L.L.C.
	Canada	Belgium	United States
Year-on-year change in sales (local currency)	96.6%	65.5%	106.6%
Year-on-year change in sales (in yen)	97.8%	72.3%	102.9%
Performance	Decreasing from previous year in North America but steadily trend in Japan and Europe.	Sales for process integration and domain optimization tool were steadily trend in North America, but were sluggish in other region.	Sales for 3D tolerance management tool were steadily trend in North America but sluggish in Europe and Asia except Japan.

[Consolidated] Performance at Overseas Subsidiaries (Sales subsidiaries)

CYBERNET SYSTEMS CO.,LTD.

Sales subsidiaries	CYBERNET SYSTEMS (SHANGHAI) CO.,LTD.	CYBERNET SYSTEMS TAIWAN CO.,LTD.	CYFEM Inc.
	China	Taiwan	Korea
Year-on-year change in sales (local currency)	119.3%	140.3%	—
Year-on-year change in sales (in yen)	122.8%	144.4%	—
Performance	Steadily trend of sales in main optical software but sales for Cybernet group's products were sluggish.	Steadily trend of sales in main optical software and 3D tolerance management tool of Cybernet group's products were steadily trend.	Steadily trend of sales in optical software.

Projection for FY2018

[Consolidated] Projection for Current Fiscal Year

CYBERNET SYSTEMS CO., LTD.

Million yen

	Full year			
	18.12E	17.12	YoY	YoY
	Plan	Results	Change Amount	Change %
Net sales	19,510	17,987	+ 1,522	108.5%
Operating income	1,561	1,504	+ 56	103.7%
Operating income margin	8.0%	8.4%	(0.4P)	
Ordinary income	1,709	1,639	+ 69	104.2%
Ordinary income margin	8.8%	9.1%	(0.3P)	
Profit attributable to owners of parent	1,029	937	+ 91	109.8%
Profit attributable to owners of parent margin	5.3%	5.2%	+ 0.1P	
Before amortization of goodwill Operating income	1,833	1,790	+ 43	102.4%
Before amortization of goodwill Operating income margin	9.4%	10.0%	(0.6P)	
EBITDA	2,159	2,064	+ 95	104.6%
EBITDA margin	11.1%	11.5%	(0.4P)	

*P : Point

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Dividend Estimate for Current Fiscal Year

(unit: yen)

	17.12	18.12E		
	Total	End of 2Q	Fiscal year-end	Total
	Result	Projection	Projection	Projection
Dividend per share	15.05	8.26	8.26	16.52
Net income per share	30.09	19.35	—	33.02
Dividend payout target ratio	50.0%	—	—	50.0%
(Ref.) Dividend on equity ratio	3.4%	—	—	3.6%

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%

Reference Materials

Corporate Overview (as of March 31,2018)

CYBERNET SYSTEMS CO.,LTD.

<i>Company Name :</i>	CYBERNET SYSTEMS CO., LTD. (Stock code: 4312, the First Section of Tokyo Stock Exchange)
<i>Head Office :</i>	FUJISOFT Bldg. 3 Kandaneribei-cho, Chiyoda-ku, Tokyo 101-0022, Japan
<i>Branch Offices :</i>	Nishi-Nihon Branch Office in Osaka, Chubu Branch Office in Nagoya
<i>Founding date :</i>	April 17, 1985
<i>Capital :</i>	995 million yen
<i>Number of Employees :</i>	Consolidated / 633, Non-Consolidated / 362
<i>Business :</i>	Providing CAE and IT solutions, as well as professional services including consulting
<i>Subsidiaries :</i>	Consolidated / WATERLOO MAPLE INC. (Canada) Sigmetrix, L.L.C. (US) Noesis Solutions NV (Belgium) CYBERNET SYSTEMS (SHANGHAI) CO., LTD. (China) CYBERNET SYSTEMS TAIWAN CO., LTD. (Taiwan) CYFEM Inc. (Korea)

CAE stands for “Computer Aided Engineering”

[Non-consolidated] Business Summary

CYBERNET SYSTEMS CO.,LTD.

Million yen

	18.12/1Q	17.12/1Q	YoY Change Amount	YoY Change %
	Results	Results		
Net sales	3,630	3,244	+ 386	111.9%
Operating income	273	236	+ 36	115.5%
Operating income margin	7.5%	7.3%	+ 0.2P	
Ordinary income	329	263	+ 65	124.7%
Ordinary income margin	9.1%	8.1%	+ 1.0P	
Net income	225	175	+ 50	128.8%
Net income margin	6.2%	5.4%	+ 0.8P	

*P: Point

CYBERNET SYSTEMS CO., LTD.

■ Corporate Planning and IR Department

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