

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the First Half of FY2018

7 August, 2018
CYBERNET SYSTEMS CO., LTD.



Code for periods

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

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

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

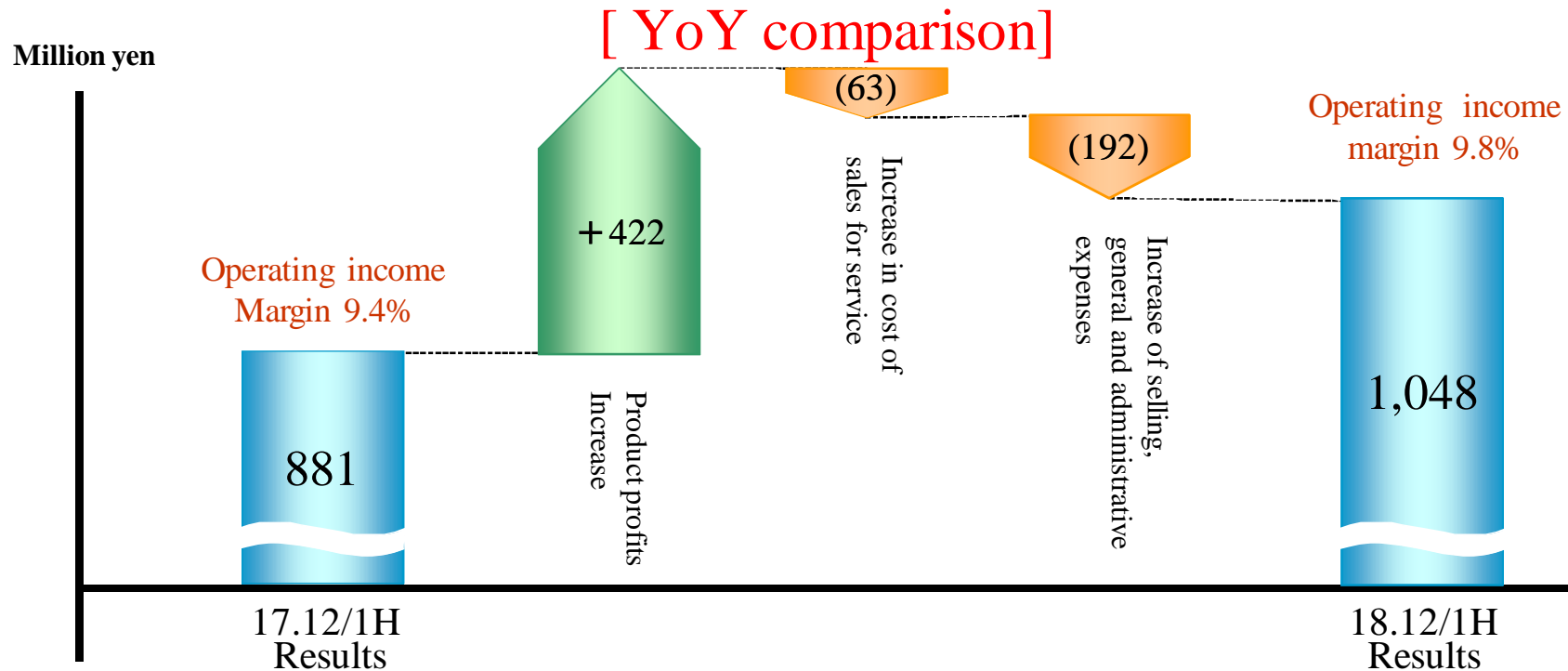
Million yen

	18.12/1H	17.12/1H	YoY Change Amount	YoY Change %	18.12/1H	Change Amount from Plan	Change % from Plan
	Results	Results			Plan		
Net sales	10,748	9,421	+ 1,326	114.1%	10,470	+ 278	102.7%
Operating income	1,048	881	+ 166	118.9%	924	+ 124	113.4%
Operating income margin	9.8%	9.4%	+ 0.4P		8.8%	+ 1.0P	
Ordinary income	1,130	927	+ 203	121.9%	1,003	+ 127	112.7%
Ordinary income margin	10.5%	9.8%	+ 0.7P		9.6%	+ 0.9P	
Profit attributable to owners of parent	953	578	+ 374	164.7%	603	+ 350	158.1%
Profit attributable to owners of parent margin	8.9%	6.1%	+ 2.8P		5.8%	+ 3.1P	
Before amortization of goodwill Operating income	1,191	1,021	+ 170	116.7%	1,060	+ 131	112.4%
Before amortization of goodwill Operating income margin	11.1%	10.8%	+ 0.3P		10.1%	+ 1.0P	
E B I T D A	1,352	1,154	+ 198	117.2%	1,214	+ 137	111.4%
EBITDA margin	12.6%	12.2%	+ 0.4P		11.6%	+ 1.0P	

*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 +15 million yen/ Increase due to net sales increase +506 million yen/ Decrease due to cost rate increase -75 million yen

Increase profits from good trend of main MCAE business, Optical design business, IT solution business. Korean sales subsidiary founded last year contribute the increasing of profit with good trends

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

Increase due to the impact of foreign currency translation +29 million yen/Increasing of personnel expenses due to increasing of staffs +97 million yen / Increasing of outsourcing due to order increasing +48 million yen /R&D cost due to new products development +59 million yen

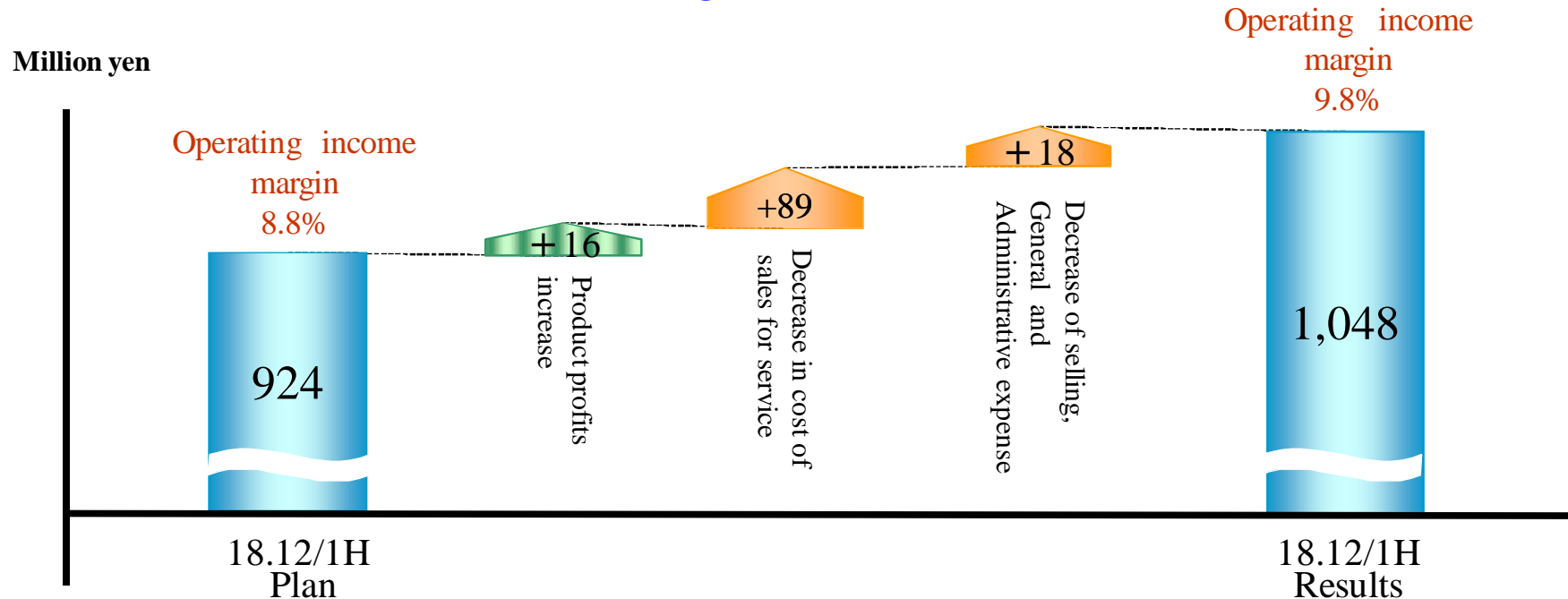
○ Main causes of operating income changes

The impact of foreign currency translation on operating income -13 million yen

Increase profit due to increasing of products profit from net sales increasing

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

[Against Plan]



Main Causes of Changes Against Plan

○ Main causes of product profits changes

Increase due to the impact of foreign currency translation +89 million yen/Decrease due to increase of cost rate -36 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 +95 million yen/Decreasing of personnel expenses due to unachieved hiring -149 million yen/Decreasing of cost -53million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income -5 million yen

Operating income is increasing compare to plan due to increase of net sales and decrease of personnel expenses

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	17.12	18.12/1H	YoY Change Amount
Current assets	17,142	18,034	891
Cash and deposits	2,890	2,719	(171)
Notes and accounts receivable-trade	4,604	5,502	897 (i)
Short-term investment securities	5,200	5,000	(200)
Short-term loans receivable	2,905	3,119	214
Others	1,541	1,693	151
Noncurrent assets	3,744	3,452	(292)
Property, plant and equipment	393	375	(18)
Intangible assets	2,569	2,069	(499) (ii)
Investments and other assets	781	1,007	226
Total Assets	20,887	21,487	599
Current liabilities	5,282	5,317	34
Accounts payable-trade	1,255	1,699	444
Income taxes payable	437	427	(10)
Advances received	2,028	2,002	(26)
Provision for bonuses	603	325	(278)
Others	957	862	(94)
Noncurrent liabilities	1,393	1,429	36
Provision for retirement benefits	1,327	1,344	16
Others	65	85	19
Total liabilities	6,675	6,746	70
Total net assets	14,211	14,740	528 (iii)
Total liabilities and net assets	20,887	21,487	599

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

- (i) Notes and accounts receivable-trade (up 897 million yen from the end of the previous fiscal year)
Increasing trade receivables due to increasing net sales +897 million yen
- (ii) Goodwill (down 269 million yen from the end of the previous fiscal year)
amortization -143 million yen/ foreign currency translation -125 million yen
- (iii) Total net assets (up 528 million from the end of the previous fiscal year)
Profit attributable to owners of parent +953 million yen/ dividend of earnings -246 million/ foreign currency translation adjustment decreased -204 million yen

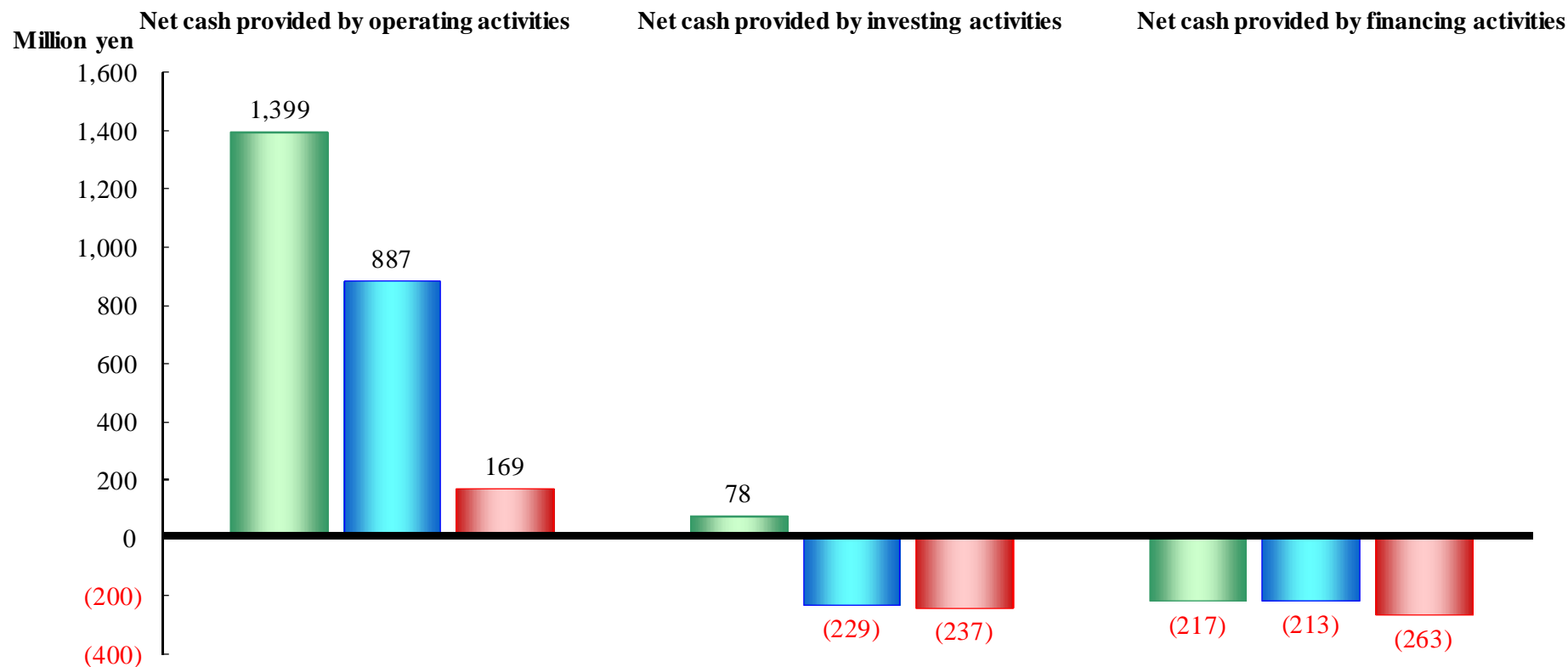
[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

16.12/1H

17.12/1H

18.12/1H

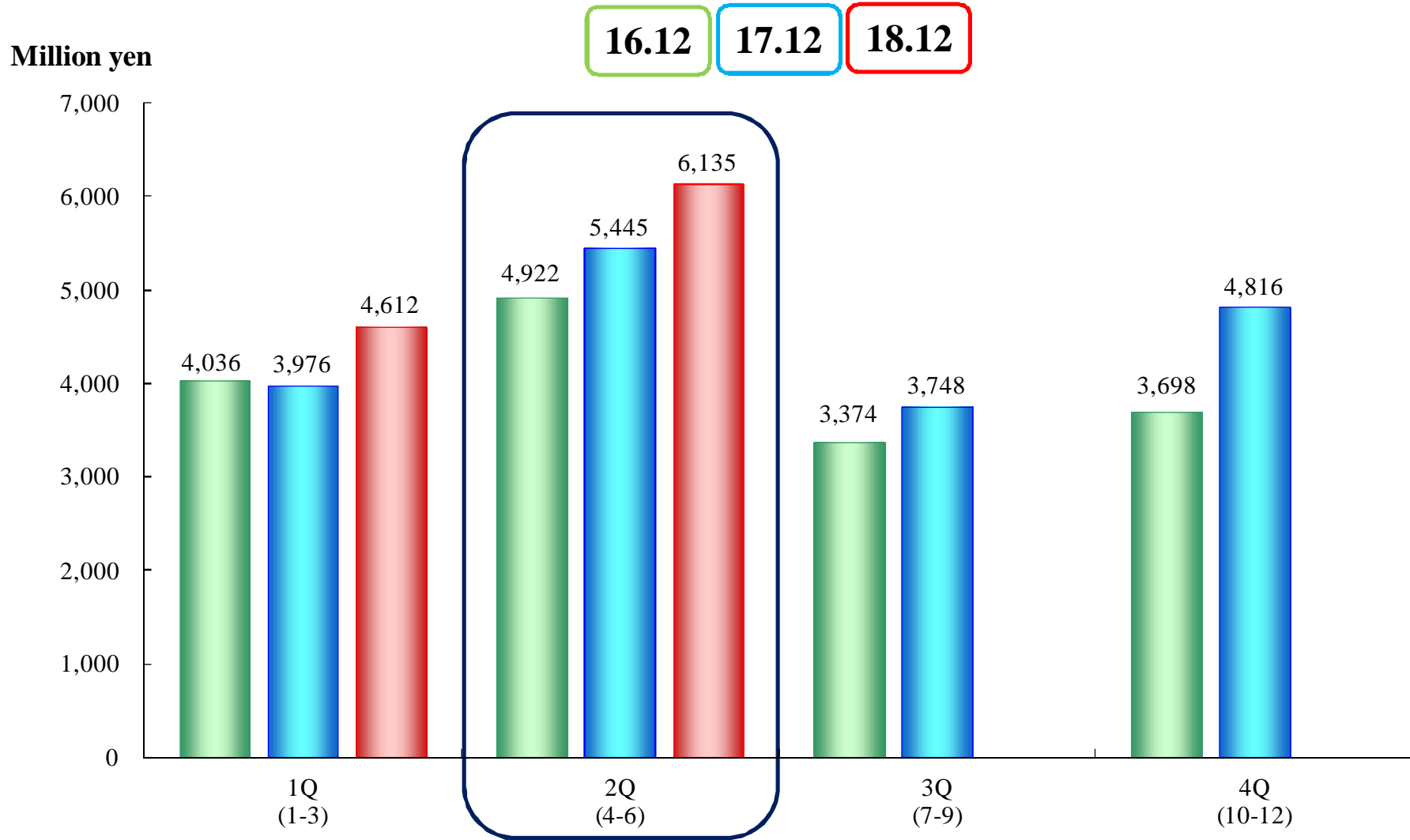


Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities
⇒ Mainly due to increasing of trade receivables
- Net cash provided by investing activities
⇒ Mainly due to increasing of payments of loans
- 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

	17.12/1H	18.12/1H		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	9,421	10,748	+ 1,326	114.1%
CAE Solution Services	7,757	8,974	+ 1,216	115.7%
IT Solution Services	1,746	1,976	+ 230	113.2%
Elimination	(81)	(202)	(120)	—
Total Operating income	881	1,048	+ 166	118.9%
CAE Solution Services	1,434	1,587	+ 152	110.6%
IT Solution Services	227	216	(10)	95.2%
Elimination	(780)	(755)	+ 24	—

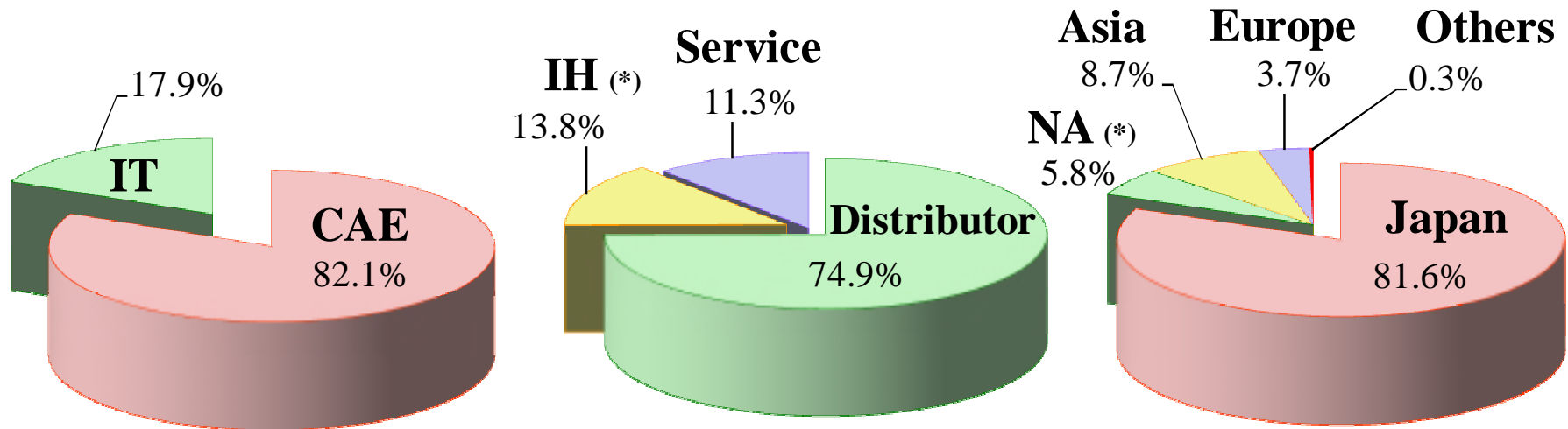
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(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]



Net sales by business

Net sales by sales form

(*) in-house

Net sales by region

(*) North America

(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:

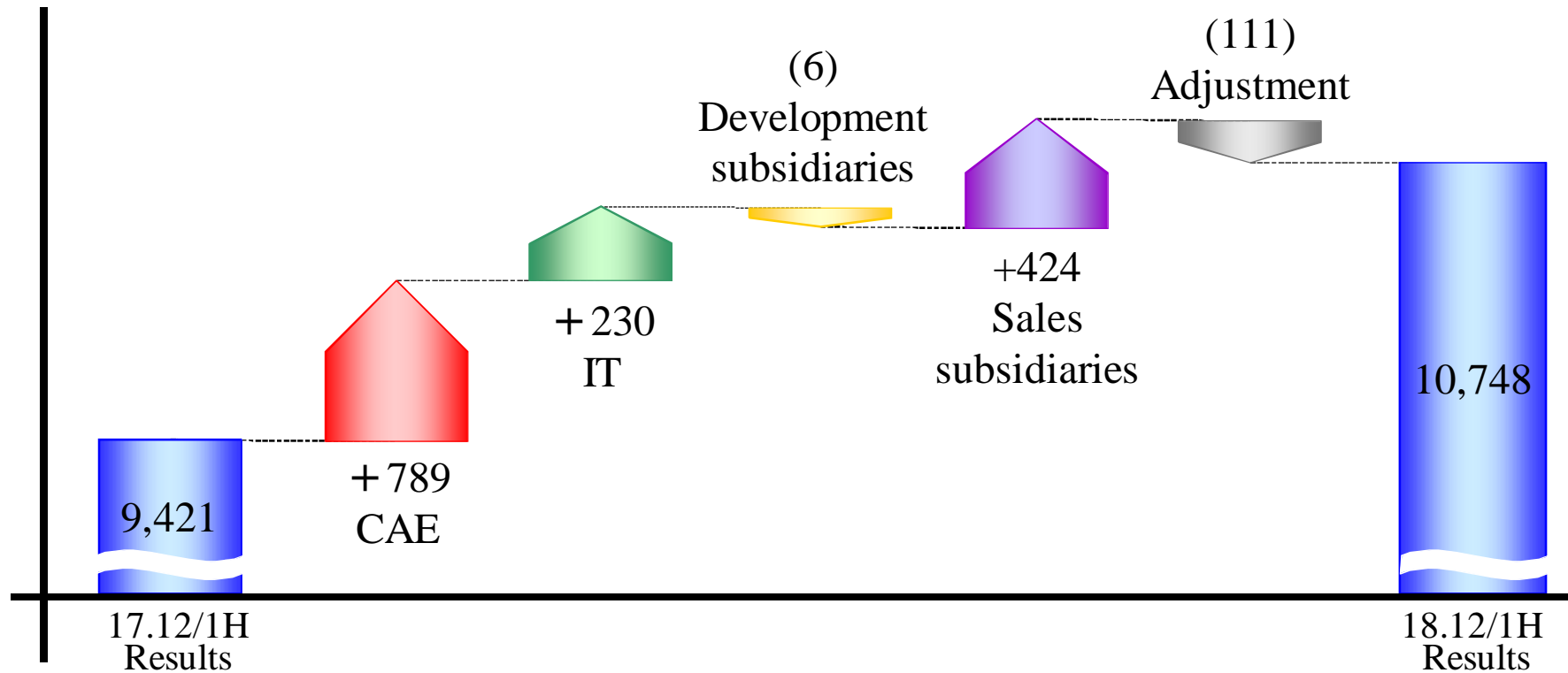
- Distributor means CAE and IT distribution business.
- IH means CAE and IT in-house developed products.
- Service means service providing for CAE and IT.

[Consolidated]
Changes in Net Sales by Business

CYBERNET SYSTEMS CO., LTD.

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:

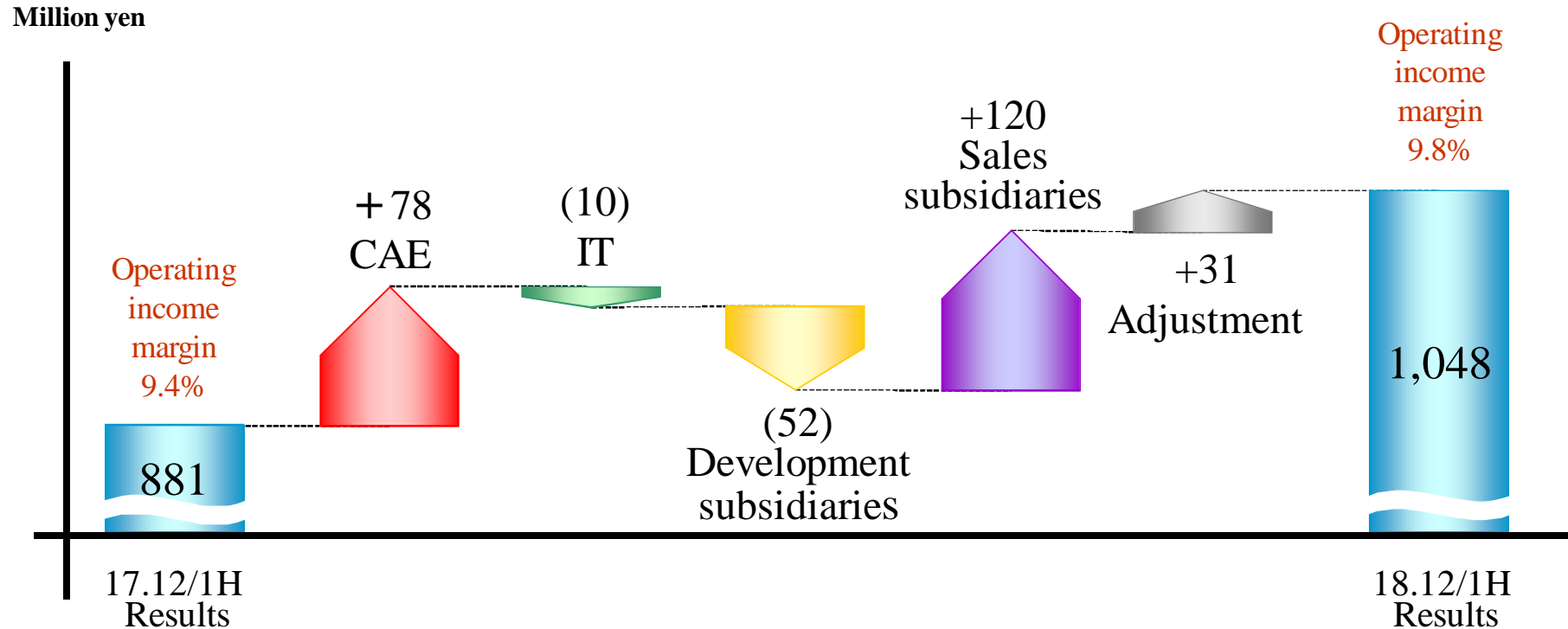
- CAE means CYBERNET SYSTEMS' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries means Europe and US 3 development subsidiaries subject to consolidation.
- Sales subsidiaries means 3 Asian sales subsidiaries subject to consolidation.

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 lines 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.

[Second quarter of the fiscal year]

Million yen

	17.12/2Q		18.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	2,222	47.8%	2,523	48.9%	+ 301	113.5%
Optical Design	1,114	24.0%	1,165	22.6%	+ 50	104.5%
EDA	116	2.5%	111	2.2%	(4)	95.8%
MBD	187	4.0%	198	3.8%	+ 10	105.4%
Test and Measurement	25	0.5%	28	0.5%	+ 2	110.9%
Others	129	2.8%	103	2.0%	(26)	79.9%
CAE Total	3,796	81.7%	4,129	80.0%	+ 333	108.8%
IT Solution	546	11.8%	829	16.1%	+ 282	151.7%
Data Solution	303	6.5%	201	3.9%	(102)	66.3%
IT Total	850	18.3%	1,030	20.0%	+ 180	121.2%
Total	4,646	100.0%	5,160	100.0%	+ 513	111.0%

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO., LTD.

[First half of the fiscal year]

Million yen

	17.12/1H		18.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	3,327	42.2%	3,793	43.2%	+ 466	114.0%
Optical Design	1,903	24.1%	2,073	23.6%	+ 169	108.9%
EDA	202	2.6%	199	2.3%	(3)	98.4%
MBD	416	5.3%	463	5.3%	+ 46	111.3%
Test and Measurement	55	0.7%	86	1.0%	+ 31	156.6%
Others	226	2.9%	185	2.1%	(41)	81.9%
CAE Total	6,133	77.7%	6,803	77.4%	+ 670	110.9%
IT Solution	1,169	14.8%	1,510	17.2%	+ 340	129.1%
Data Solution	588	7.5%	477	5.4%	(111)	81.1%
IT Total	1,758	22.3%	1,987	22.6%	+ 229	113.0%
Total	7,891	100.0%	8,790	100.0%	+ 899	111.4%

[Non-consolidated] Net Sales by Category of Industry

CYBERNET SYSTEMS CO., LTD.

[Second quarter of the fiscal year]

Million yen

	17.12/2Q		18.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	1,808	38.9%	1,858	36.0%	+ 49	102.8%
Machinery & Precision Machinery	707	15.2%	798	15.5%	+ 91	112.9%
Transportation equipment	433	9.3%	518	10.1%	+ 84	119.6%
Other manufacturing industry	537	11.6%	628	12.2%	+ 91	117.0%
Eductaion institution/government and municipal offices	447	9.6%	472	9.1%	+ 24	105.4%
Telecommunication industry	223	4.8%	283	5.5%	+ 60	127.0%
Others	488	10.5%	600	11.6%	+ 111	122.9%
Total	4,646	100.0%	5,160	100.0%	+ 513	111.0%

[Non-consolidated] Net Sales by Category of Industry

CYBERNET SYSTEMS CO., LTD.

[First half of the fiscal year]

Million yen

	17.12/1H		18.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	2,728	34.6%	2,790	31.7%	+ 61	102.3%
Machinery & Precision Machinery	1,245	15.8%	1,423	16.2%	+ 178	114.3%
Transportation equipment	901	11.4%	1,143	13.0%	+ 242	126.9%
Other manufacturing industry	936	11.9%	1,048	11.9%	+ 111	111.9%
Education institution/government and municipal offices	775	9.8%	727	8.3%	(48)	93.8%
Telecommunication industry	461	5.9%	517	5.9%	+ 56	112.1%
Others	842	10.7%	1,139	13.0%	+ 297	135.3%
Total	7,891	100.0%	8,790	100.0%	+ 899	111.4%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO.,LTD.

[Second quarter of the fiscal year]

Million yen

	17.12/2Q		18.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	1,209	28.2%	1,273	26.3%	+ 64	105.3%
Renewals of the maintenance contracts	3,079	71.8%	3,572	73.7%	+ 492	116.0%
Total	4,289	100.0%	4,846	100.0%	+ 556	113.0%

[First half of the fiscal year]

Million yen

	17.12/1H		18.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	2,315	32.9%	2,581	32.7%	+ 265	111.5%
Renewals of the maintenance contracts	4,714	67.1%	5,313	67.3%	+ 598	112.7%
Total	7,030	100.0%	7,894	100.0%	+ 864	112.3%

[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)	98.0%	92.3%	103.1%
Year-on-year change in sales (in yen)	99.2%	100.9%	99.5%
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 Japan and Europe.	Sales for 3D tolerance management tool were steadily trend in North America but sluggish in other region.

[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)	73.2%	139.6%	—
Year-on-year change in sales (in yen)	76.0%	141.2%	—
Performance	Flat trend of sales for main optical software but sales for multi-physics analysis tool were steadily trend. Cybernet group's products were sluggish.	Steadily trend of sales for main optical software and multi-physics analysis tool. Cybernet group's product, 3D tolerance management tool shows steadily trend too.	Steadily trend of sales for main optical software.

Projection for FY2018

[Consolidated]
Projection for Current Fiscal Year

CYBERNET SYSTEMS CO., LTD.

Million yen

	Full year			
	18.12E	17.12	YoY Change Amount	YoY Change %
	Plan	Results		
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	Result	Projection	Projection
Dividend per share	15.05	8.26	8.26	16.52
Net income per share	30.09	30.59	—	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 June 30,2018)

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 Kandanebichi-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 / 590, Non-Consolidated / 366
<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”

Million yen

	18.12/1H Results	17.12/1H Results	YoY Change Amount	YoY Change %
Net sales	8,790	7,891	+ 899	111.4%
Operating income	1,145	1,055	+ 89	108.5%
Operating income margin	13.0%	13.4%	(0.4P)	
Ordinary income	1,245	1,086	+ 158	114.6%
Ordinary income margin	14.2%	13.8%	+ 0.4P	
Net income	707	728	(21)	97.1%
Net income margin	8.0%	9.2%	(1.2P)	

*P: Point

CYBERNET SYSTEMS CO., LTD.

■ Corporate Planning and IR Department

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