

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the Third Quarter of FY2018

7 November, 2018
CYBERNET SYSTEMS CO., LTD.



Code for periods

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

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Including Non-consolidated Performance, etc.

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

[Consolidated] Business Summary

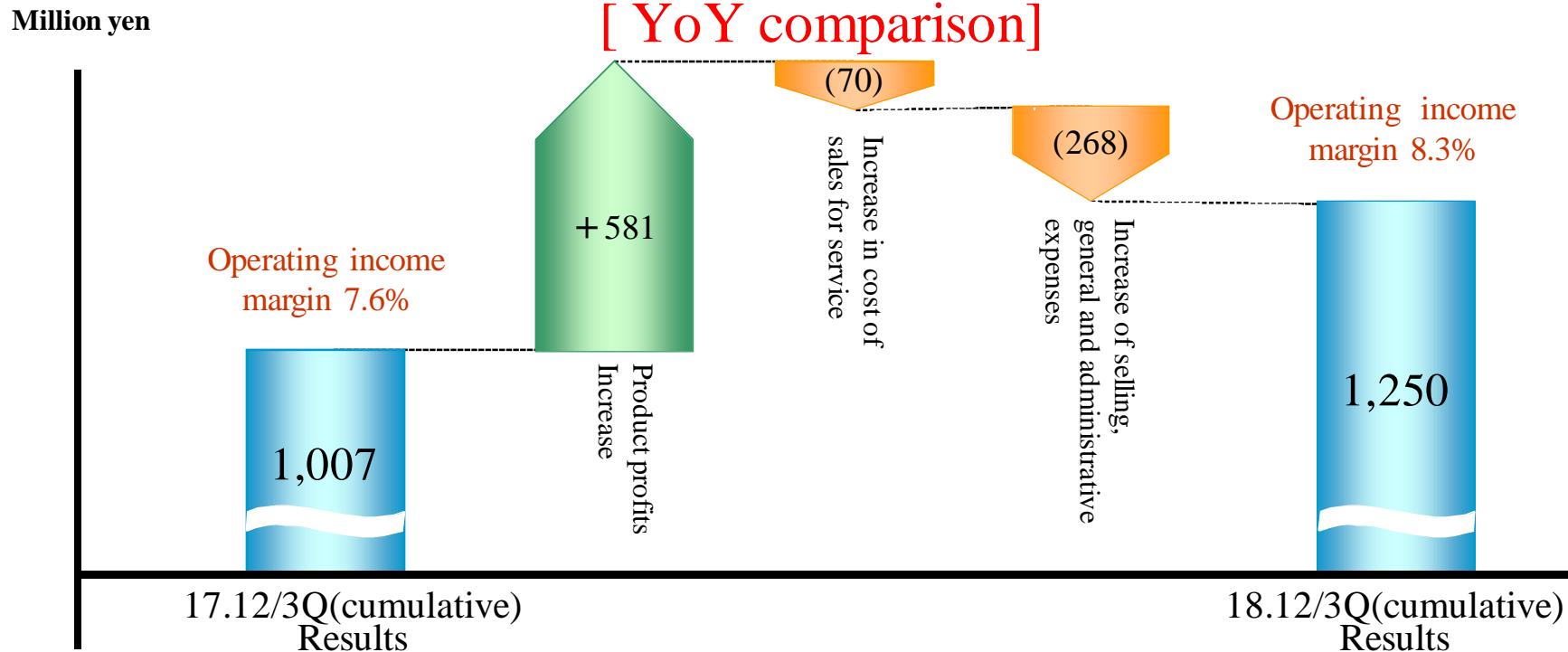
CYBERNET SYSTEMS CO.,LTD.

	18.12/3Q (cumulative) Results	17.12/3Q (cumulative) Results	YoY Change Amount	YoY Change %	18.12/3Q (cumulative) Plan	Change Amount from Plan	Change % from Plan
Net sales	15,097	13,170	+ 1,927	114.6%	14,660	+ 437	103.0%
Operating income	1,250	1,007	+ 243	124.1%	1,093	+ 157	114.4%
Operating income margin	8.3%	7.6%	+ 0.7P		7.5%	+ 0.8P	
Ordinary income	1,338	1,082	+ 256	123.6%	1,207	+ 131	110.9%
Ordinary income margin	8.9%	8.2%	+ 0.7P		8.2%	+ 0.7P	
Profit (loss) attributable to owners of parent	(1,078)	649	(1,728)	—	716	(1,794)	—
Profit attributable to owners of parent margin	(7.1%)	4.9%	(12.0P)		4.9%	(12.0P)	
Before amortization of goodwill Operating income	1,440	1,218	+ 222	118.3%	1,297	+ 143	111.0%
Before amortization of goodwill Operating income margin	9.5%	9.2%	+ 0.3P		8.9%	+ 0.6P	
EBITDA	1,674	1,419	+ 255	118.0%	1,539	+ 135	108.8%
EBITDA margin	11.1%	10.8%	+ 0.3P		10.5%	+ 0.6P	

*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 +809 million yen/ Decrease due to cost rate increase -209 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

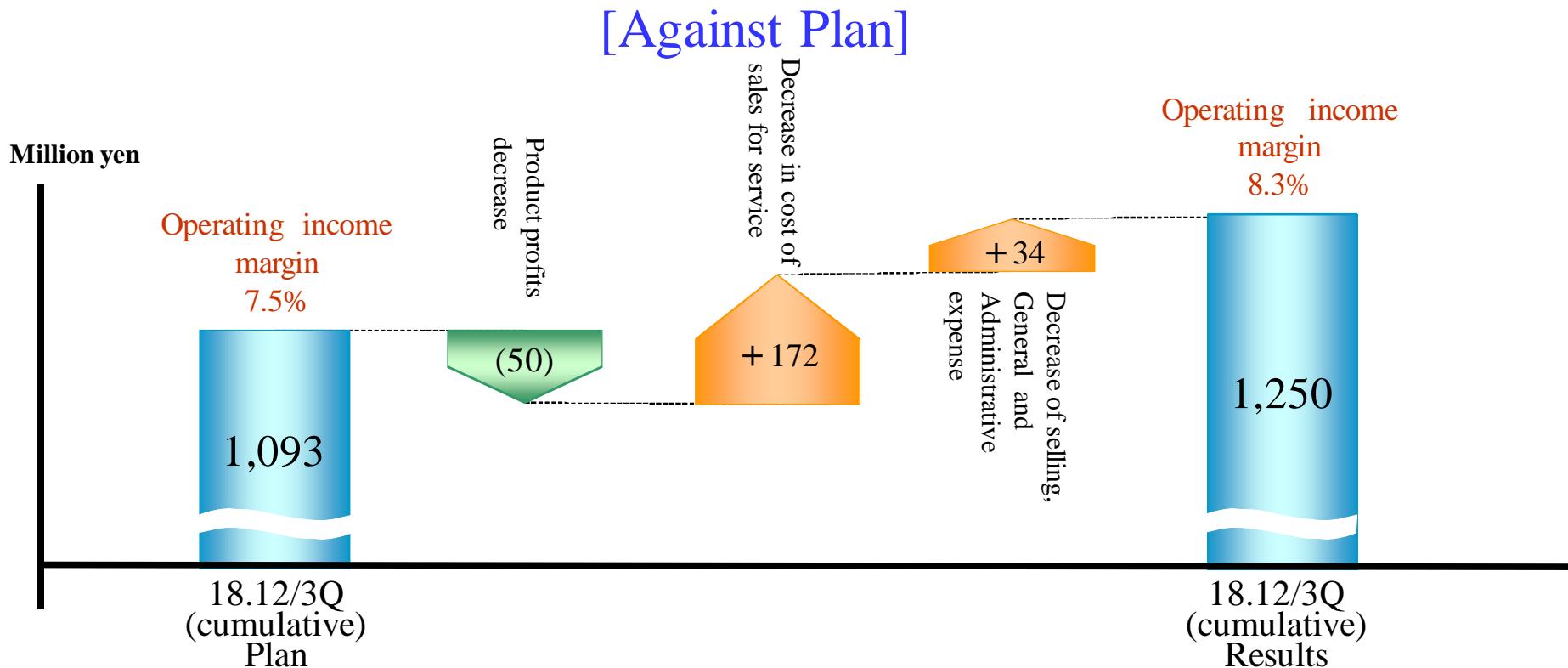
Increase due to the impact of foreign currency translation +20 million yen/ Increasing of personnel expenses due to increasing of staffs +142 million yen/ Increasing of outsourcing due to order increasing +68 million yen/ R&D cost due to new products development +67 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income -9 million yen
Increase profit due to increasing of products profit from 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 +121 million yen/ Decrease due to increase of cost rate -103 million yen/ Decrease due to net sales decrease -68 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 +123 million yen/ Decreasing of personnel expenses due to unachieved hiring -248 million yen/ Decreasing of cost -82 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income -1 million yen

Although cost rate is increased, increase operating income compare to the plan due to decrease of personnel expenses.

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO.,LTD.

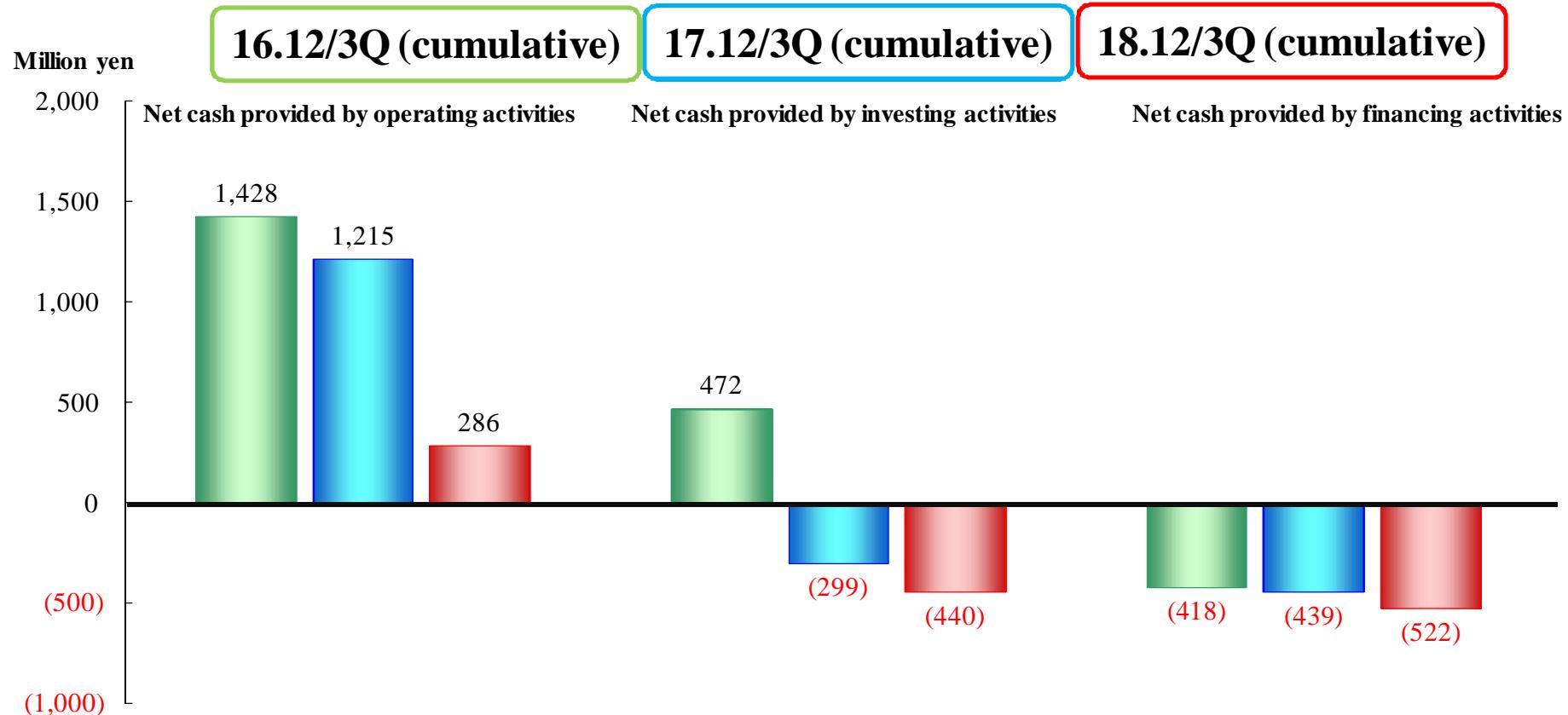
	17.12	18.12/3Q (cumulative)	YoY Change Amount
Current assets	17,142	16,928	(214)
Cash and deposits	2,890	3,400	510
Notes and accounts receivable-trade	4,604	4,989	384
Short-term investment securities	5,200	4,000	(1,200) (i)
Short-term loans receivable	2,905	3,243	338
Others	1,541	1,294	(247)
Noncurrent assets	3,744	1,708	(2,036)
Property, plant and equipment	393	304	(88)
Intangible assets	2,569	335	(2,233) (ii)
Investments and other assets	781	1,068	286
Total Assets	20,887	18,636	(2,250)
Current liabilities	5,282	4,686	(595)
Accounts payable-trade	1,255	1,349	94
Income taxes payable	437	130	(307)
Advances received	2,028	2,021	(7)
Provision for bonuses	603	215	(387)
Others	957	969	11
Noncurrent liabilities	1,393	1,394	1
Provision for retirement benefits	1,327	1,358	30
Others	65	36	(28)
Total liabilities	6,675	6,081	(594)
Total net assets	14,211	12,555	(1,656) (iii)
Total liabilities and net assets	20,887	18,636	(2,250)

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

- (i) Short-term investment securities (down 1,200 million yen from the end of the previous fiscal year)
Investments decreased -1,200 million yen
- (ii) Goodwill (down 1,810 million yen from the end of the previous fiscal year)
impairment -1,534 million yen
amortization -190 million yen
foreign currency translation -86 million yen
- (iii) Total net assets (down 1,656 million from the end of the previous fiscal year)
Loss attributable to owners of parent -1,078 million yen
dividend of earnings -506 million yen
foreign currency translation adjustment decreased -113 million yen

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.



Main Causes of Changes from the Previous Fiscal Year

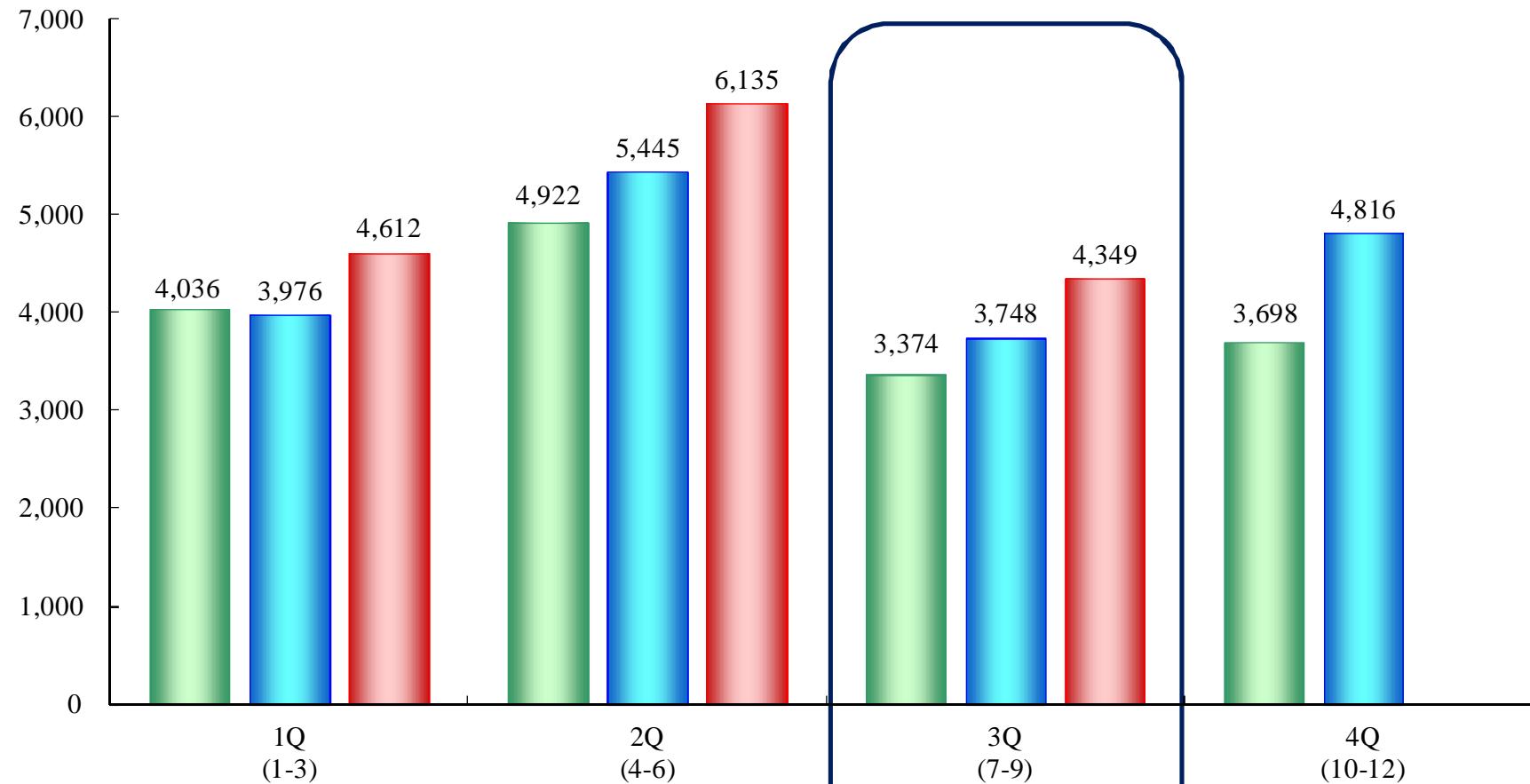
- Net cash provided by operating activities
 - ⇒ Mainly due to increasing of trade receivables and decreasing of trade payables
- Net cash provided by investing activities
 - ⇒ Mainly due to increasing of payments of loans
- Net cash provided by financing activities
 - ⇒ Mainly due to increasing of dividends paid

[Consolidated] Quarterly Net Sales

CYBERNET SYSTEMS CO.,LTD.

Million yen

16.12 17.12 18.12



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO.,LTD.

Million yen

	17.12/3Q(cumulative)	18.12/3Q(cumulative)		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	13,170	15,097	+ 1,927	114.6%
CAE Solution Services	10,889	12,652	+ 1,762	116.2%
IT Solution Services	2,389	2,847	+ 457	119.2%
Elimination	(108)	(401)	(292)	—
Total Operating income	1,007	1,250	+ 243	124.1%
CAE Solution Services	1,895	2,112	+ 216	111.4%
IT Solution Services	259	299	+ 39	115.2%
Elimination	(1,147)	(1,160)	(13)	—

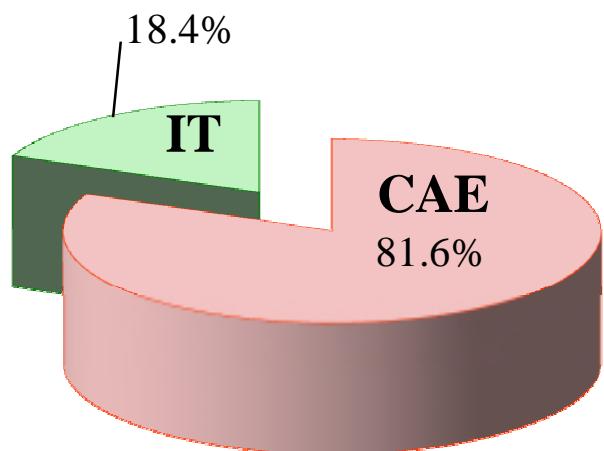
(Note) Elimination for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

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

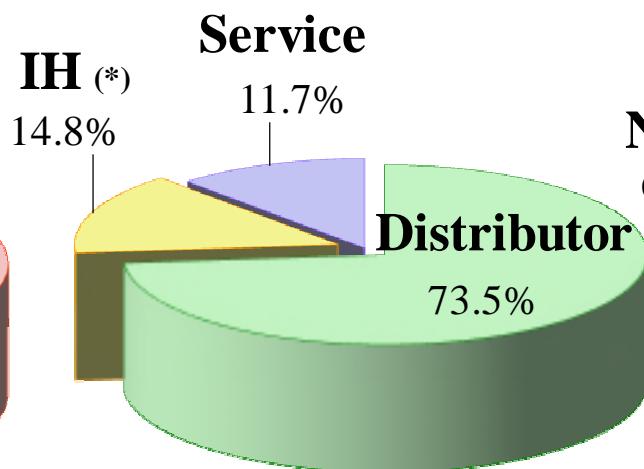
[Consolidated] Composition ratio of Net Sales

CYBERNET SYSTEMS CO., LTD.

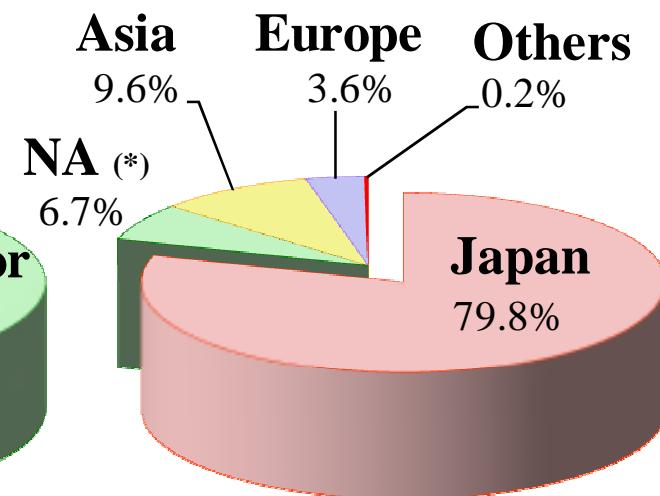
[First three quarters of the fiscal year]



Net sales by product



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.

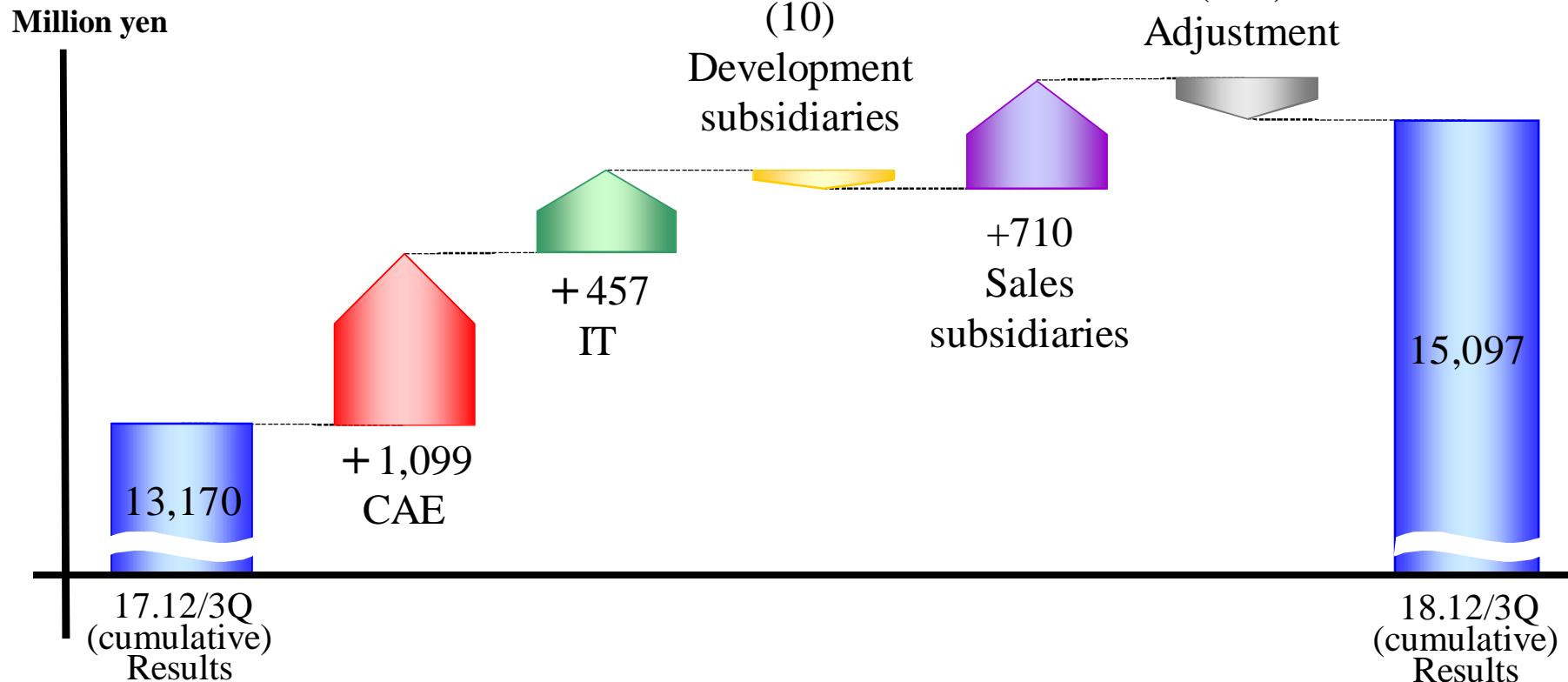
(Note) Classification of each sales form is as follows:

- 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.

[YoY comparison]



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

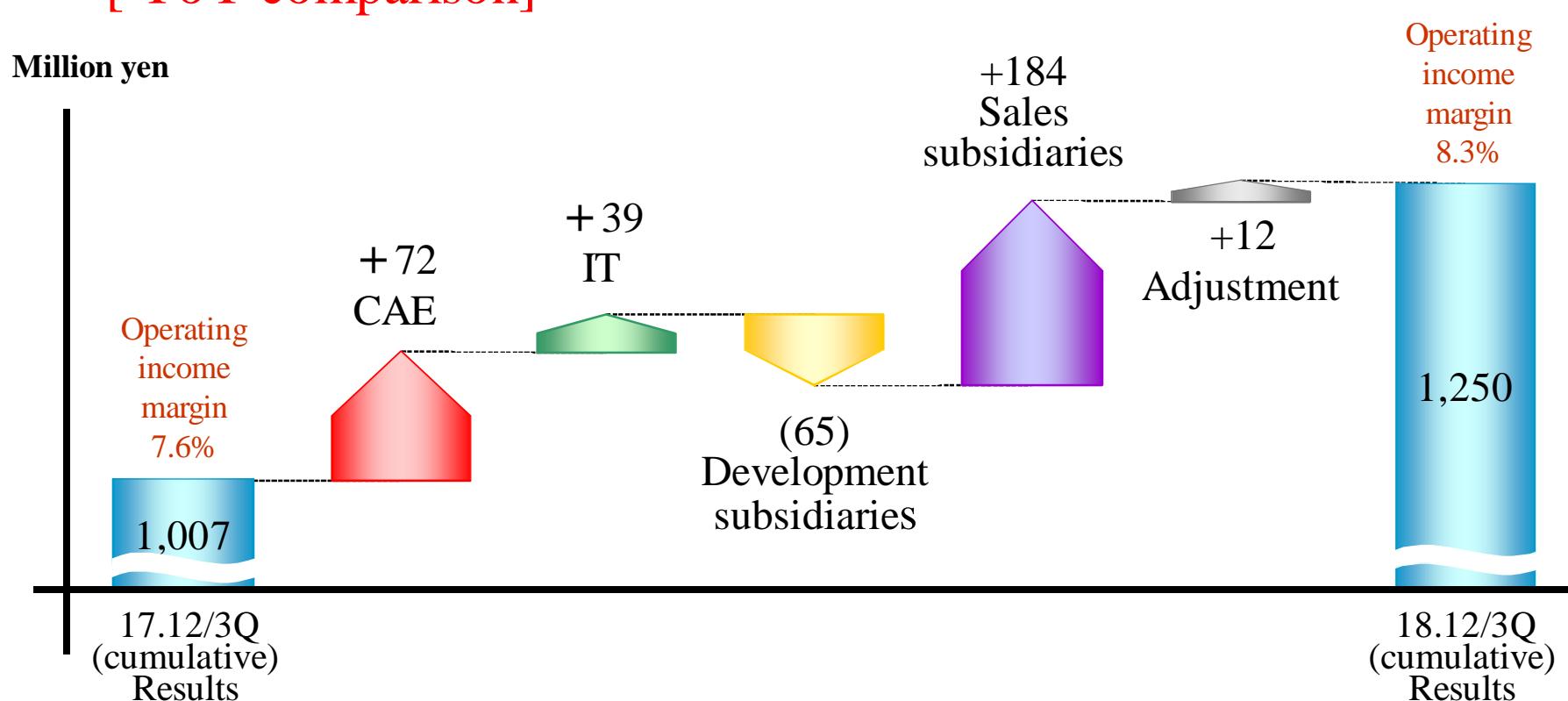
Each business classification is as follows:

- 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.

Changes in Operating Income by Business

[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.

[Third quarter of the fiscal year]

Million yen

	17.12/3Q		18.12/3Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	1,470	49.3%	1,552	46.4%	+ 81	105.6%
Optical Design	467	15.7%	494	14.8%	+ 27	105.8%
EDA	71	2.4%	87	2.6%	+ 16	122.7%
MBD	195	6.6%	207	6.2%	+ 12	106.1%
Test and Measurement	66	2.2%	29	0.9%	(36)	44.2%
Others	63	2.1%	99	3.0%	+ 36	157.4%
CAE Total	2,335	78.3%	2,471	73.8%	+ 136	105.8%
IT Solution	471	15.8%	550	16.4%	+ 79	116.8%
Data Solution	175	5.9%	325	9.7%	+ 149	185.2%
IT Total	647	21.7%	876	26.2%	+ 228	135.4%
Total	2,982	100.0%	3,348	100.0%	+ 365	112.3%

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO.,LTD.

[First three quarters of the fiscal year]

Million yen

	17.12/3Q(cumulative)		18.12/3Q(cumulative)			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	4,798	44.1%	5,346	44.0%	+ 548	111.4%
Optical Design	2,371	21.8%	2,568	21.2%	+ 196	108.3%
EDA	274	2.5%	287	2.4%	+ 12	104.7%
MBD	612	5.6%	671	5.5%	+ 58	109.6%
Test and Measurement	121	1.1%	115	1.0%	(5)	95.3%
Others	290	2.7%	285	2.4%	(4)	98.4%
CAE Total	8,468	77.9%	9,274	76.4%	+ 806	109.5%
IT Solution	1,640	15.1%	2,060	17.0%	+ 419	125.6%
Data Solution	764	7.0%	803	6.6%	+ 38	105.0%
IT Total	2,405	22.1%	2,863	23.6%	+ 458	119.0%
Total	10,874	100.0%	12,138	100.0%	+ 1,264	111.6%

[Third quarter of the fiscal year]

Million yen

	17.12/3Q		18.12/3Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	918	30.8%	924	27.6%	+ 5	100.6%
Machinery & Precision Machinery	477	16.0%	468	14.0%	(9)	98.1%
Transportation equipment	418	14.0%	491	14.7%	+ 72	117.4%
Other manufacturing industry	398	13.4%	449	13.4%	+ 51	112.9%
Eductaion institution/government and municipal offices	220	7.4%	380	11.4%	+ 159	172.2%
Telecommunication industry	181	6.1%	172	5.2%	(8)	95.3%
Others	367	12.3%	461	13.8%	+ 93	125.6%
Total	2,982	100.0%	3,348	100.0%	+ 365	112.3%

[First three quarters of the fiscal year]

Million yen

	17.12/3Q(cumulative)		18.12/3Q(cumulative)		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	3,647	33.5%	3,714	30.6%	+ 67	101.8%
Machinery & Precision Machinery	1,723	15.8%	1,892	15.6%	+ 168	109.8%
Transportation equipment	1,319	12.1%	1,635	13.5%	+ 315	123.9%
Other manufacturing industry	1,335	12.3%	1,498	12.3%	+ 163	112.2%
Eductaion institution/government and municipal offices	996	9.2%	1,107	9.1%	+ 111	111.2%
Telecommunication industry	642	5.9%	690	5.7%	+ 47	107.4%
Others	1,209	11.1%	1,600	13.2%	+ 391	132.3%
Total	10,874	100.0%	12,138	100.0%	+ 1,264	111.6%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO.,LTD.

[Third quarter of the fiscal year]

Million yen

	17.12/3Q		18.12/3Q			YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio			
New licenses	1,043	40.4%	1,238	45.0%	+ 195	118.8%	
Renewals of the maintenance contracts	1,537	59.6%	1,515	55.0%	(21)	98.6%	
Total	2,580	100.0%	2,754	100.0%	+ 173	106.7%	

[First three quarters of the fiscal year]

Million yen

	17.12/3Q (cumulative)		18.12/3Q (cumulative)			YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio			
New licenses	3,359	35.0%	3,820	35.9%	+ 461	113.7%	
Renewals of the maintenance contracts	6,251	65.0%	6,828	64.1%	+ 576	109.2%	
Total	9,610	100.0%	10,648	100.0%	+ 1,038	110.8%	

[Consolidated] Performance at Overseas Subsidiaries (Development subsidiaries)

CYBERNET SYSTEMS CO.,LTD.

Development subsidiaries	WATERLOO MAPLE INC.	Noesis Solutions NV	Sigmetrix, L.L.C.
	Canada	Belgium	United States
Year-on-year change in sales (local currency)	95.2%	102.1%	106.5%
Year-on-year change in sales (in yen)	95.3%	108.6%	103.9%
Performance	Sales were steadily trend in Japan and Europe, but sluggish trend in North America and China.	Sales for process integration and domain optimization tool were sluggish in Japan and Europe but steadily trend in North America and China.	Sales for 3D tolerance management tool were sluggish trend in Asia but steadily trend in North America and Europe.

[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)	108.2%	147.7%	—
Year-on-year change in sales (in yen)	111.4%	148.4%	—
Performance	Sales for our group products were sluggish trend due to the reaction of large-scale OEM transaction of 3D tolerance management tool in the previous year. Sales of mainstay optical system software and multiphysics analysis tool were steadily trend.	Regarding our group products, while sales of 3D tolerance management tool and process integration and domain optimization tool were steadily trend . Sales for mainstay Optical software and multiphysics analysis tool also steadily trend.	Sales of mainstay optical system software was steadily trend.

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	1,455	1,504	(49)	96.7%
Operating income margin	7.5%	8.4%	(0.9P)	
Ordinary income	1,589	1,639	(50)	96.9%
Ordinary income margin	8.1%	9.1%	(1.0P)	
Profit attributable to owners of parent	(1,012)	937	(1,949)	—
Profit attributable to owners of parent margin	(5.2%)	5.2%	(10.4P)	
Before amortization of goodwill Operating income	1,645	1,790	(144)	91.9%
Before amortization of goodwill Operating income margin	8.4%	10.0%	(1.6P)	
EBITDA	1,949	2,064	(114)	94.5%
EBITDA margin	10.0%	11.5%	(1.5P)	

*P : Point

(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	—	(32.49)
Dividend payout target ratio	50.0%	—	—	(50.8%)
(Ref.) Dividend on equity ratio	3.4%	—	—	3.9%

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 September 30,2018)

CYBERNET SYSTEMS CO., LTD.

Company Name : CYBERNET SYSTEMS CO., LTD.
(Stock code: 4312, the First Section of Tokyo Stock Exchange)

Head Office : FUJISOFT Bldg. 3 Kandaneribei-cho, Chiyoda-ku, Tokyo 101-0022, Japan

Branch Offices : Nishi-Nihon Branch Office in Osaka, Chubu Branch Office in Nagoya

Founding date: April 17, 1985

Capital: 995 million yen

Number of Employees : Consolidated / 595, Non-Consolidated / 371

Business : Providing CAE and IT solutions, as well as professional services including consulting

Subsidiaries : 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”

	18.12/3Q (cumulative) Results	17.12/3Q (cumulative) Results	YoY Change Amount	Million yen YoY Change %
Net sales	12,138	10,874	+ 1,264	111.6%
Operating income	1,337	1,231	+ 106	108.6%
Operating income margin	11.0%	11.3%	(0.3P)	
Ordinary income	1,438	1,282	+ 156	112.2%
Ordinary income margin	11.9%	11.8%	+ 0.1P	
Net income (loss)	(2,356)	852	(3,208)	—
Net income margin	(19.4%)	7.8%	(27.2P)	

*P : Point

CYBERNET SYSTEMS CO., LTD.

■ Corporate Planning and IR Department

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