

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the Year Ended December 31, 2018

7 February, 2019
CYBERNET SYSTEMS CO., LTD.



Code for periods

16.12	Fiscal year ended December 31, 2016
17.12/4Q	Fourth quarter of the fiscal year ended December 31, 2017
17.12	Fiscal year ended December 31, 2017
18.12/4Q	Fourth quarter of the fiscal year ended December 31, 2018
18.12	Fiscal year ended December 31, 2018
19.12E	Estimates for the fiscal year ending December 31, 2019

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Business Summary of Financial Results for the Year Ended December 31, 2018

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12 Results	17.12 Results	YoY Change Amount	YoY Change %	18.12 Plan	Change Amount from Plan	Change % from Plan
Net sales	19,719	17,987	+ 1,731	109.6%	19,510	+ 209	101.1%
Operating income	1,502	1,504	(2)	99.8%	1,561	(58)	96.2%
Operating income margin	7.6%	8.4%	(0.8P)		8.0%	(0.4P)	
Ordinary income	1,684	1,639	+ 45	102.8%	1,709	(24)	98.6%
Ordinary income margin	8.5%	9.1%	(0.6P)		8.8%	(0.3P)	
Profit (loss) attributable to owners of parent	(656)	937	(1,594)	—	1,029	(1,685)	—
Profit attributable to owners of parent margin	(3.3%)	5.2%	(8.5P)		5.3%	(8.6P)	

Before amortization of goodwill Operating income	1,692	1,790	(97)	94.6%	1,833	(140)	92.3%
Before amortization of goodwill Operating income margin	8.6%	10.0%	(1.4P)		9.4%	(0.8P)	

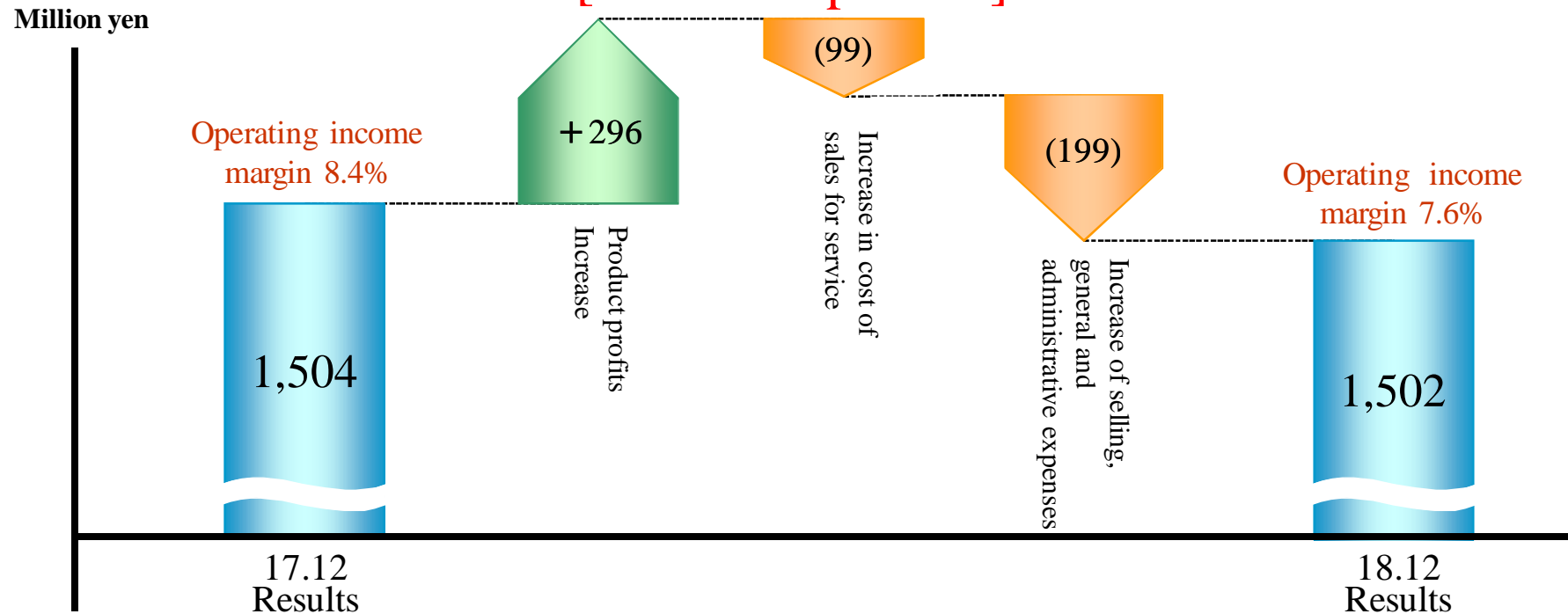
E B I T D A	1,991	2,064	(72)	96.5%	1,949	+ 41	102.1%
EBITDA margin	10.1%	11.5%	(1.4P)		10.0%	+ 0.1P	

*P: Point

[Consolidated] Changes in Operating Income

CYBERNET SYSTEMS CO.,LTD.

[YoY comparison]



Main Causes of Year-on-Year Changes

○ Main causes of product profit changes

Decrease due to the impact of foreign currency translation -7 million yen/ Increase due to net sales increase +411 million yen/ Decrease due to cost rate increase -77 million yen

Increase profits from good trend of main MCAE business, Optical design business, and IT solution business/ Korean sales subsidiary founded in 2017 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 +0 million yen/ Increasing of outsourcing due to order increasing +18 million yen/ R&D cost due to new products development +68 million yen/ The impact of Korean sales subsidiary which started business in November 2017 +81 million yen

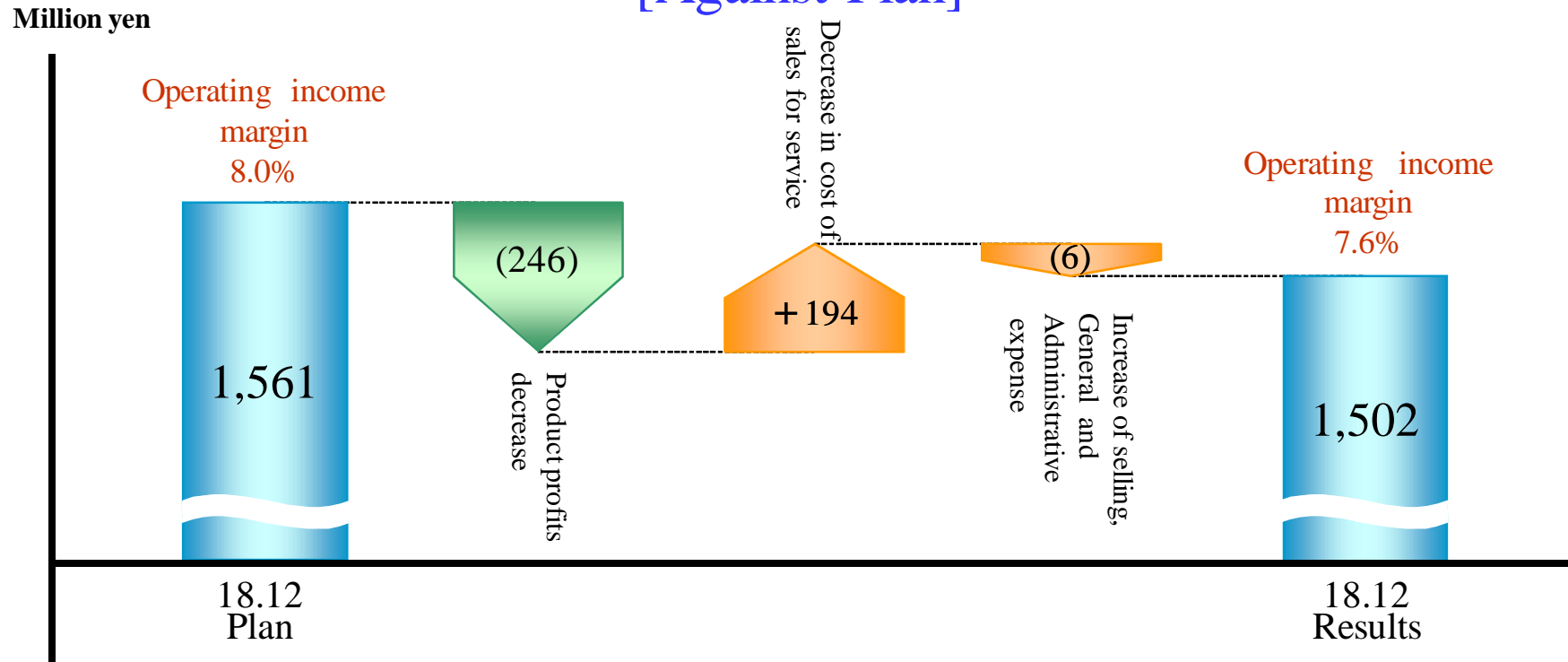
○ Main causes of operating income changes

The impact of foreign currency translation on operating income is -7 million yen

Although product profit increased due to an increase in net sales, operating income remained almost flat due to increasing of cost.

[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 +173 million yen/ Decrease due to cost rate increase -90 million yen/ Decrease due to net sales decrease -329 million yen

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

Cost increase due to the impact of foreign currency translation +168 million yen/ Decreasing of personnel expenses due to unachieved hiring -339 million yen/ cost decrease -16 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income is +4 million yen

Decrease operating income compare to the plan due to net sales decrease and to cost rate increase.

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	17.12	18.12	YoY Change Amount
Current assets	17,142	17,722	579
Cash and deposits	2,890	4,467	1,577
Notes and accounts receivable-trade	4,604	4,570	(34)
Short-term investment securities	5,200	4,000	(1,200) (i)
Short-term loans receivable	2,905	3,086	181
Others	1,541	1,597	55
Noncurrent assets	3,744	1,494	(2,249)
Property, plant and equipment	393	299	(94)
Intangible assets	2,569	322	(2,247) (ii)
Investments and other assets	781	873	91
Total Assets	20,887	19,217	(1,670)
Current liabilities	5,282	4,987	(295)
Accounts payable-trade	1,255	1,391	136
Income taxes payable	437	161	(276)
Advances received	2,028	1,995	(33)
Provision for bonuses	603	553	(49)
Others	957	885	(72)
Noncurrent liabilities	1,393	1,362	(30)
Provision for retirement benefits	1,327	1,327	0
Others	65	35	(30)
Total liabilities	6,675	6,349	(325)
Total net assets	14,211	12,867	(1,344) (iii)
Total liabilities and net assets	20,887	19,217	(1,670)

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 -1,536 million yen
amortization -190 million yen
foreign currency translation -83 million yen
- (iii) Total net assets (down 1,344 million from the end of the previous fiscal year)
Loss attributable to owners of parent -656 million yen
dividend of earnings -506 million yen
foreign currency translation adjustment decreased -218 million yen

[Consolidated] Cash Flow Statement

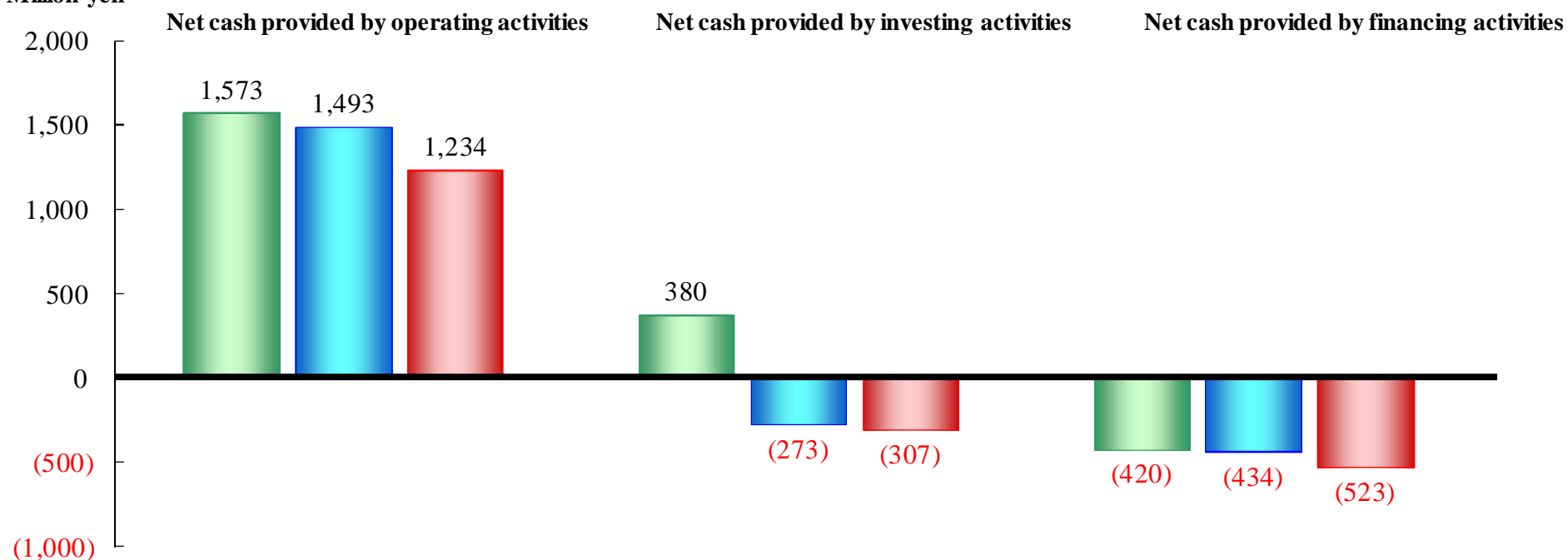
CYBERNET SYSTEMS CO., LTD.

16.12

17.12

18.12

Million yen

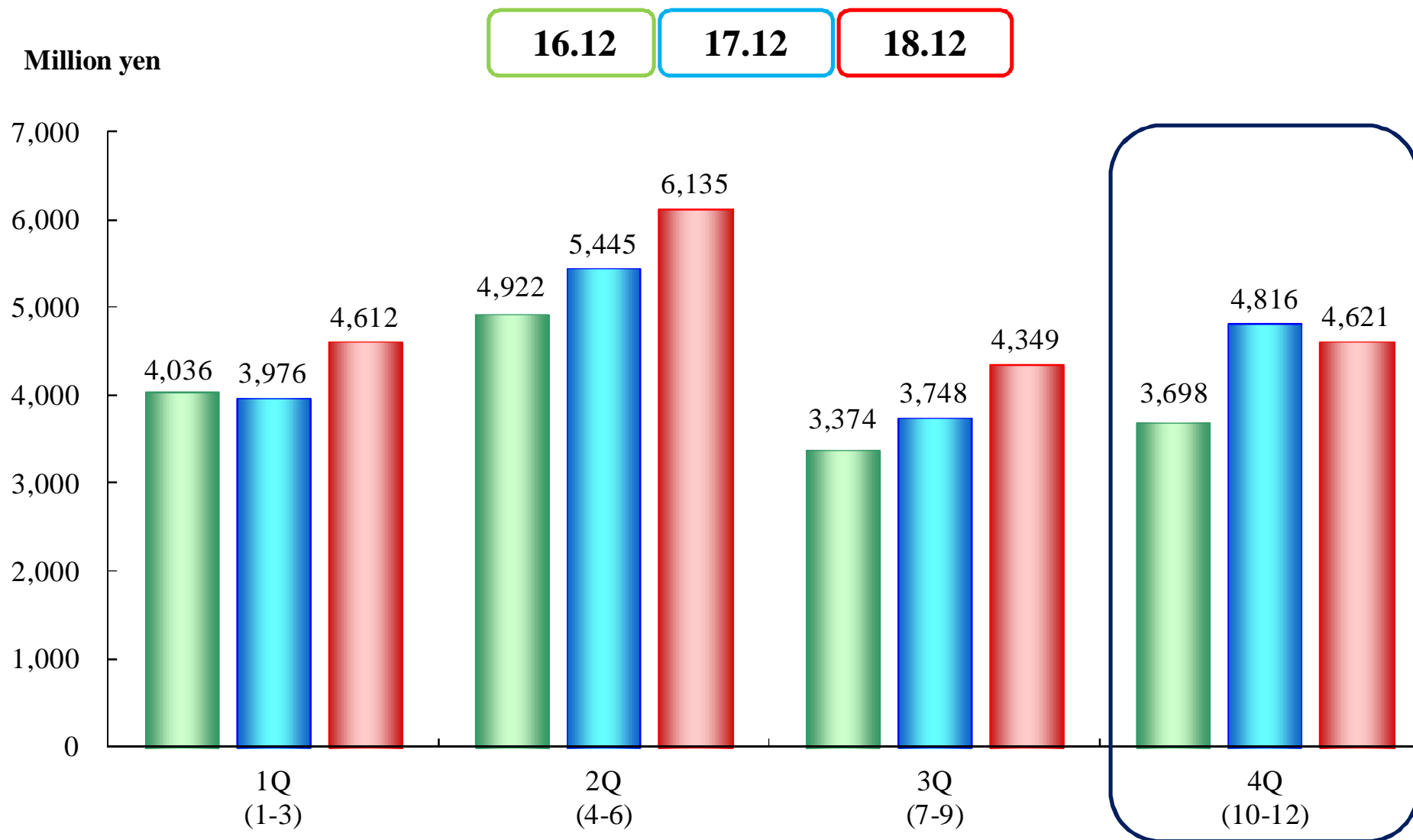


Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities
⇒ Mainly due to decreasing of trade payables
- Net cash provided by investing activities
⇒ Mainly due to increasing of payments of laons
- 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	18.12		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	17,987	19,719	+ 1,731	109.6%
CAE Solution Services	14,910	16,345	+ 1,434	109.6%
IT Solution Services	3,262	3,874	+ 612	118.8%
Elimination	(185)	(500)	(314)	—
Total Operating income	1,504	1,502	(2)	99.8%
CAE Solution Services	2,732	2,687	(44)	98.4%
IT Solution Services	324	396	+ 71	122.2%
Elimination	(1,552)	(1,582)	(30)	—

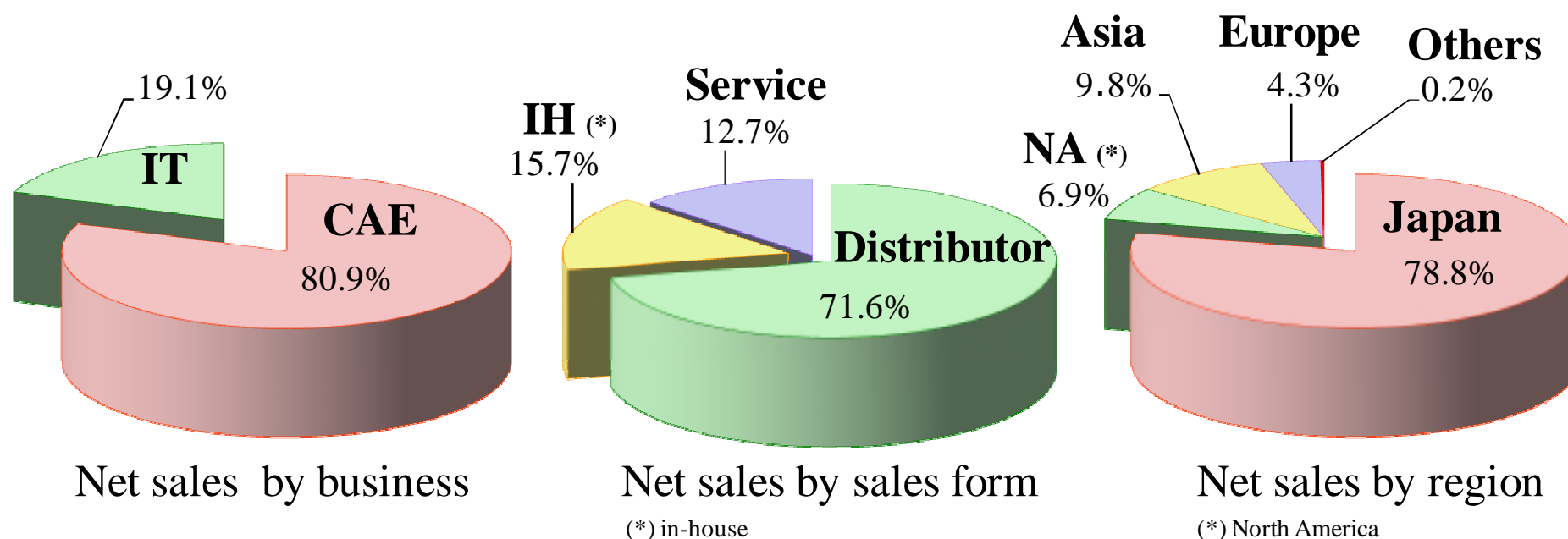
(Note) Elimination for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(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.

[Full 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.

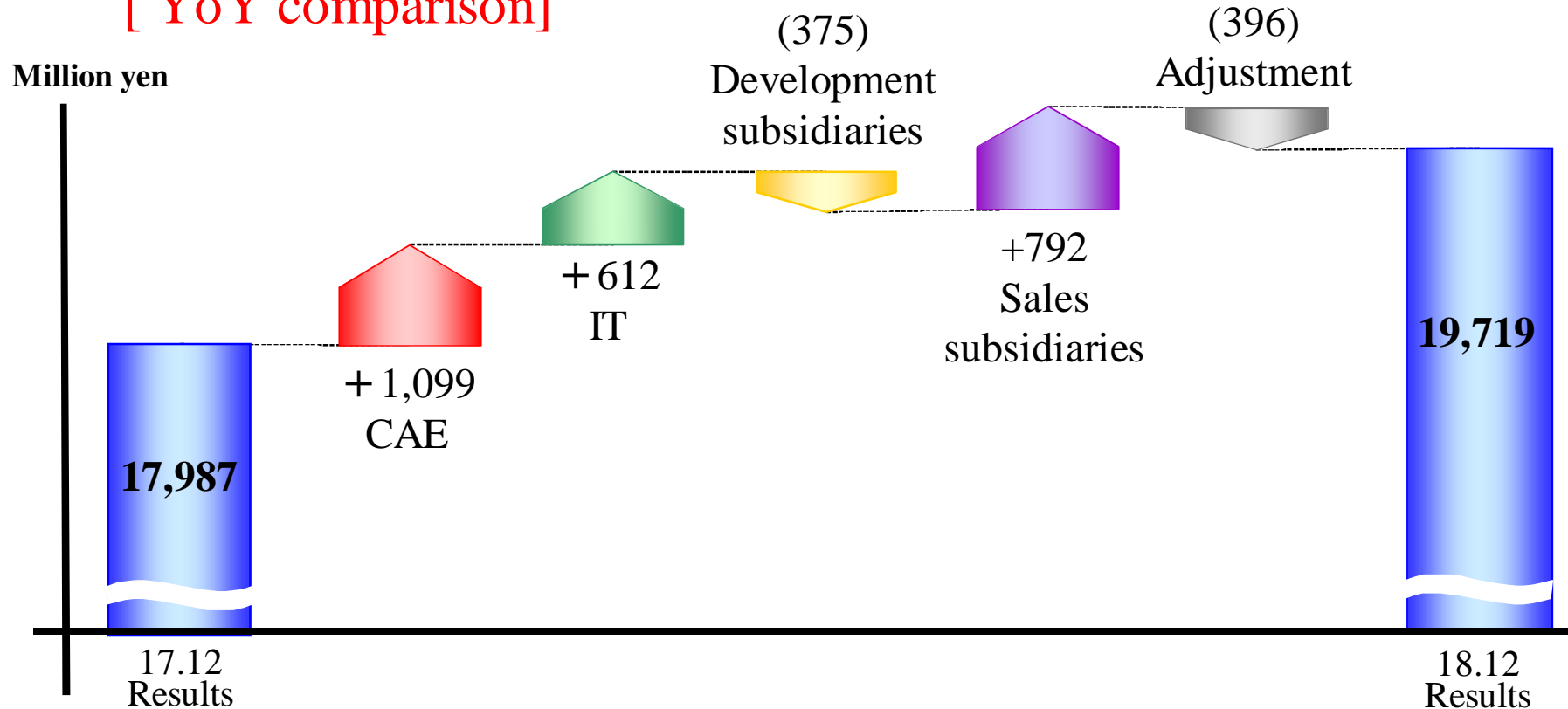
(Note) Classification of each sales form is as follows:

- 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.

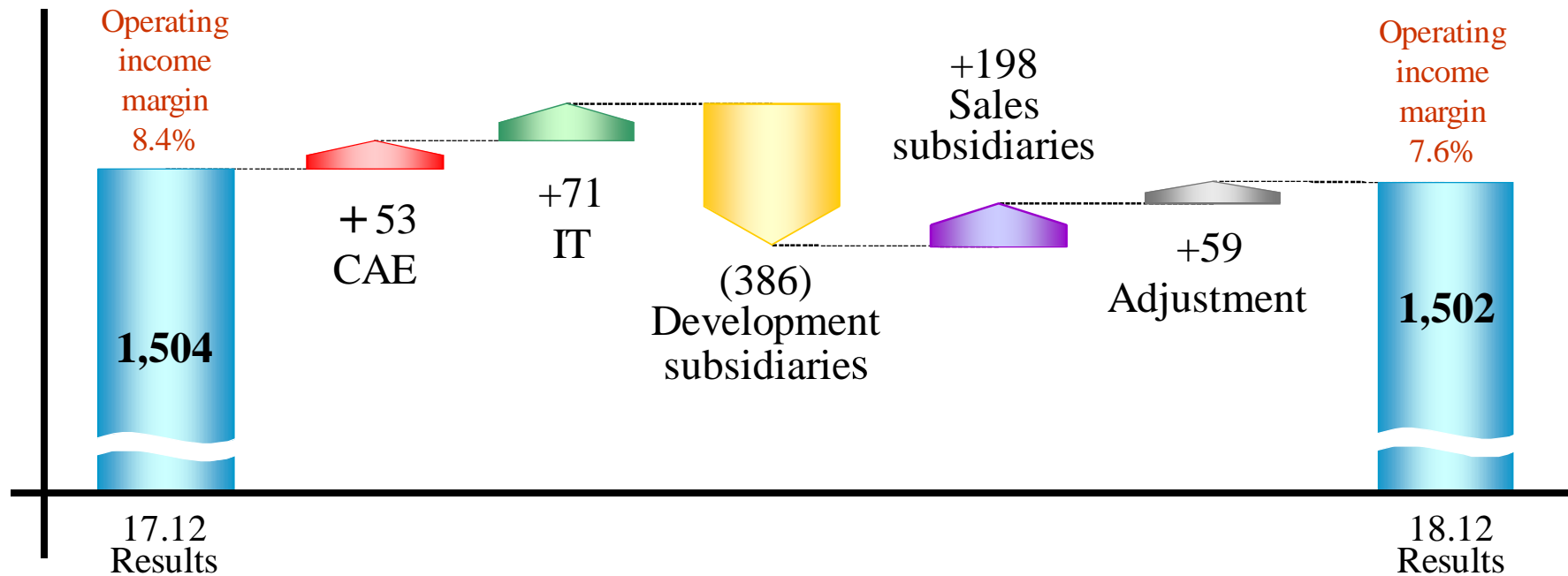
Adjustment means the total amount of consolidated adjustment and adjustment among segments.

[Consolidated]
Changes in Operating Income by Business

CYBERNET SYSTEMS CO., LTD.

[YoY comparison]

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 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.

[Forth quarter of the fiscal year]

Million yen

	17.12/4Q		18.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	1,483	42.9%	1,591	44.3%	+ 107	107.3%
Optical Design	385	11.1%	406	11.3%	+ 21	105.6%
EDA	246	7.1%	95	2.7%	(150)	38.8%
MBD	323	9.4%	355	9.9%	+ 31	109.9%
Test and Measurement	22	0.6%	17	0.5%	(4)	77.5%
Others	123	3.6%	85	2.4%	(37)	69.3%
CAE Total	2,584	74.7%	2,552	71.1%	(32)	98.7%
IT Solution	622	18.0%	711	19.8%	+ 88	114.2%
Data Solution	251	7.3%	327	9.1%	+ 76	130.4%
IT Total	873	25.3%	1,038	28.9%	+ 164	118.8%
Total	3,458	100.0%	3,590	100.0%	+ 132	103.8%

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO., LTD.

[Full Year]

Million yen

	17.12		18.12			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	6,281	43.8%	6,937	44.1%	+ 655	110.4%
Optical Design	2,756	19.2%	2,975	18.9%	+ 218	107.9%
EDA	520	3.6%	382	2.4%	(137)	73.5%
MBD	936	6.5%	1,027	6.5%	+ 90	109.7%
Test and Measurement	143	1.0%	132	0.8%	(10)	92.6%
Others	413	2.9%	371	2.4%	(42)	89.7%
CAE Total	11,053	77.1%	11,827	75.2%	+ 774	107.0%
IT Solution	2,263	15.8%	2,771	17.6%	+ 508	122.4%
Data Solution	1,015	7.1%	1,130	7.2%	+ 114	111.3%
IT Total	3,279	22.9%	3,902	24.8%	+ 622	119.0%
Total	14,332	100.0%	15,729	100.0%	+ 1,397	109.7%

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

[Forth quarter of the fiscal year]

Million yen

	17.12/4Q		18.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	965	27.9%	965	26.9%	+ 0	100.0%
Machinery & Precision Machinery	509	14.7%	527	14.7%	+ 18	103.5%
Transportation equipment	717	20.7%	660	18.4%	(56)	92.1%
Other manufacturing industry	443	12.8%	515	14.4%	+ 72	116.4%
Eductaion institution/government and municipal offices	227	6.6%	249	6.9%	+ 21	109.4%
Telecommunication industry	151	4.4%	185	5.2%	+ 33	122.4%
Others	443	12.8%	486	13.6%	+ 42	109.6%
Total	3,458	100.0%	3,590	100.0%	+ 132	103.8%

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

[Full Year]

Million yen

	17.12		18.12			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	4,612	32.2%	4,679	29.8%	+ 67	101.5%
Machinery & Precision Machinery	2,232	15.6%	2,419	15.4%	+ 187	108.4%
Transportation equipment	2,036	14.2%	2,295	14.6%	+ 258	112.7%
Other manufacturing industry	1,778	12.4%	2,014	12.8%	+ 235	113.3%
Eductaion institution/government and municipal offices	1,224	8.5%	1,356	8.6%	+ 132	110.8%
Telecommunication industry	794	5.5%	876	5.6%	+ 81	110.3%
Others	1,653	11.5%	2,087	13.3%	+ 433	126.2%
Total	14,332	100.0%	15,729	100.0%	+ 1,397	109.7%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO., LTD.

[Forth quarter of the fiscal year]

Million yen

	17.12/4Q		18.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	1,247	42.8%	1,298	43.3%	+ 50	104.0%
Renewals of the maintenance contracts	1,666	57.2%	1,698	56.7%	+ 31	101.9%
Total	2,914	100.0%	2,997	100.0%	+ 82	102.8%

[Full Year]

Million yen

	17.12		18.12			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	4,606	36.8%	5,118	37.5%	+ 511	111.1%
Renewals of the maintenance contracts	7,918	63.2%	8,527	62.5%	+ 608	107.7%
Total	12,525	100.0%	13,646	100.0%	+ 1,120	108.9%

[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)	84.7%	96.6%	92.8%
Year-on-year change in sales (in yen)	84.0%	100.6%	91.2%
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 steadily trend in North America and China but sluggish in Japan and Europe.	Sales for 3D tolerance management tool were steadily trend in Europe 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)	122.1%	130.8%	—
Year-on-year change in sales (in yen)	123.5%	130.8%	—
Performance	Sales for mainstay optical software and multi-physics analysis tool were Steadily trend.	Sales for mainstay optical software and multi-physics analysis tool were Steadily trend.	Sales of mainstay optical system software was steadily trend.

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Dividends for the Current Fiscal Year

(unit: yen)

	17.12	18.12		
	Total	End of 2Q	Fiscal year-end	Total
	Result	Result	Result	Result
Dividend per share	15.05	8.26	8.26	16.52
Net income per share	30.09	30.59	—	(21.07)
Dividend payout target ratio	50.0%	—	—	—
(Ref.) Dividend on equity ratio	3.4%	—	—	3.8%

Projection for FY2019

[Consolidated] Projection for Next Fiscal Year

CYBERNET SYSTEMS CO., LTD.

Million yen

	Full year			
	19.12E	18.12	YoY Change Amount	YoY Change %
	Plan	Results		
Net sales	20,000	19,719	+ 280	101.4%
Operating income	1,520	1,502	+ 17	101.2%
Operating income margin	7.6%	7.6%	+ 0.0P	
Ordinary income	1,608	1,684	(76)	95.4%
Ordinary income margin	8.0%	8.5%	(0.5P)	
Profit (loss) attributable to owners of par	958	(656)	+ 1,614	—
Profit attributable to owners of parent margin	4.8%	(3.3%)	+ 8.1P	

*P : Point

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Dividend Estimate for Next 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	15.38
Net income per share	14.87	14.83	30.09	(21.07)	30.75
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%	3.7%

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%

Mid-term Business Plan Basic Policies

Cybernet Group is addressing the management based on new mid-term business plan basic policy as follows toward to mid to long term, stable and continuous growth.

“Energy for your innovation” as our motto, continue to provide cutting edge solutions and service in scientific computing and engineering domain to build up the system to achieve continuous revenue and profit growth.

- Enhance management system foundation for further enhancing base earnings capability
- Rebuild group governance system for enhancing business management
- Promoting diversity management include utilization of further female, senior and global human resources
- Proactive investment for CAE solutions, AI, and security domain.
- Enhance overseas sales including ASEAN

CYBERNET SYSTEMS CO., LTD.

■ Corporate Planning and IR Department

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These materials were created from data obtained through our operations. We make no guarantees, however, with respect to integrity. In addition, the opinions and predictions provided in these materials relate to the Company's outlook at the time the materials were prepared. No guarantees whatsoever extend to any outcomes over the use of such opinions or predictions.

The contents of these materials are subject to change without notice.

Investors are requested to use their own judgment in making any final decisions regarding investments.



Reference Materials

Corporate Overview (as of December 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 / 593, 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.(Republic of Korea) CYBERNET SYSTEMS MALAYSIA SDN. BHD. (Malaysia)

CAE stands for “Computer Aided Engineering”

[Non-consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12	17.12	YoY Change Amount	YoY Change %
	Results	Results		
Net sales	15,729	14,332	+ 1,397	109.7%
Operating income	1,496	1,385	+ 110	108.0%
Operating income margin	9.5%	9.7%	(0.2P)	
Ordinary income	1,610	1,476	+ 134	109.1%
Ordinary income margin	10.2%	10.3%	(0.1P)	
Net income (loss)	(2,114)	608	(2,722)	—
Net income margin	-13.4%	4.2%	(17.6P)	

*P: Point

Our AR Solution

CYBERNET SYSTEMS CO.,LTD.

Try our AR technology (cybARnet)!

Cybernet's corporate introduction movie is able to be easily viewed on smartphones.

- (i) Search “ARnex” through AppStore or Google Play (the marks as presented below are earmarks).
- (ii) Launch applications and tap “スタート” button.
- (iii) Reading the QR code below.
- (iv) Hold your smart device over the mark as presented below, push “動画再生” button, and the introduction movie will appear in the virtual space.

