

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the First Quarter of FY2019

9 May, 2019

CYBERNET SYSTEMS CO., LTD.



Code for periods

15.12	Fiscal year ended December 31, 2015
16.12	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 ended December 31, 2018
18.12	Fiscal year ended December 31, 2018
19.12/1Q	First quarter of the fiscal year ending December 31, 2019
19.12E	Estimates for the fiscal year ending December 31, 2019

◆ Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019

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Business Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

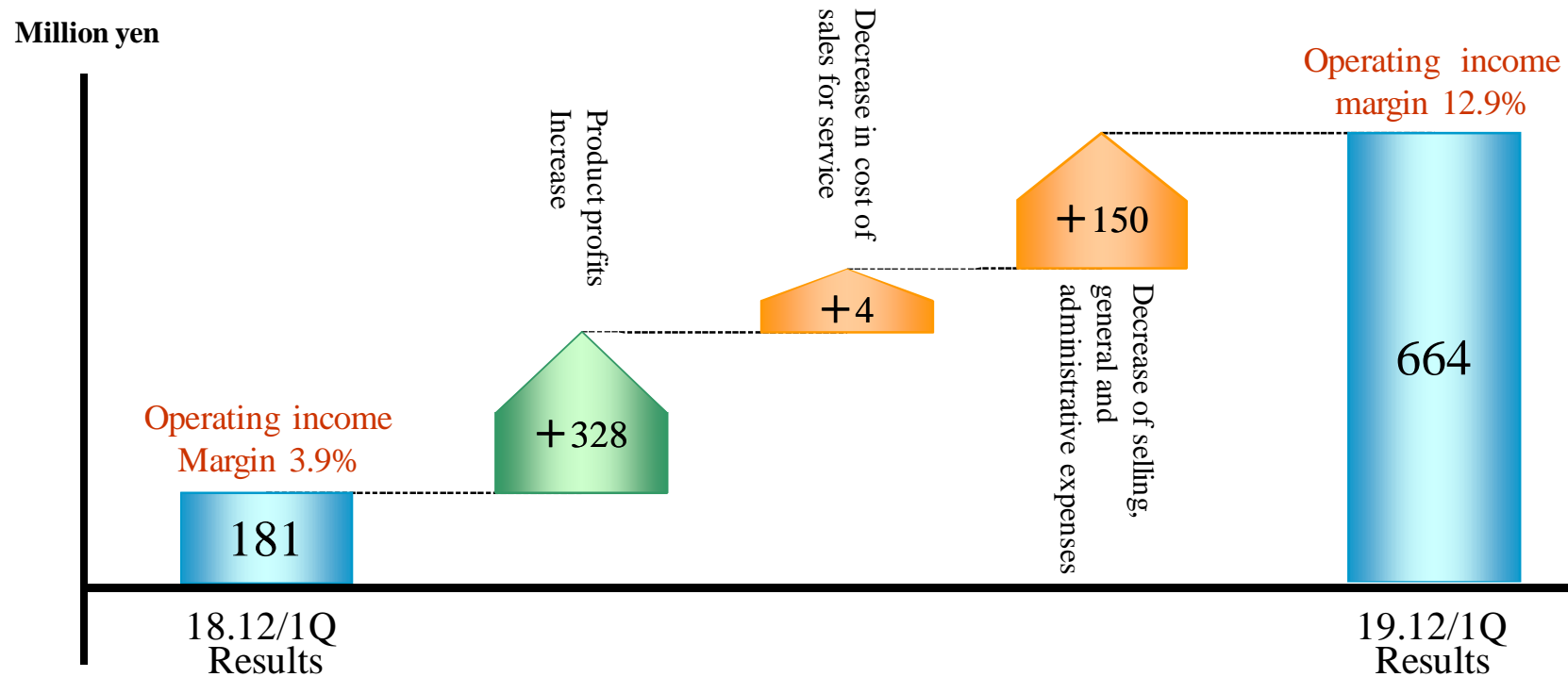
Million yen

	19.12/1Q Results	18.12/1Q Results	YoY Change Amount	YoY Change %	19.12/1Q Plan	Change Amount from Plan	Change % from Plan
Net sales	5,140	4,612	+ 527	111.4%	4,794	+ 346	107.2%
Operating income	664	181	+ 483	366.9%	301	+ 363	220.6%
Operating income margin	12.9%	3.9%	+ 9.0%		6.3%	+ 6.6%	
Ordinary income	680	248	+ 432	274.1%	321	+ 359	211.7%
Ordinary income margin	13.2%	5.4%	+ 7.8%		6.7%	+ 6.5%	
Profit attributable to owners of parent	406	125	+ 280	323.2%	231	+ 175	175.8%
Profit attributable to owners of parent margin	7.9%	2.7%	+ 5.2%		4.8%	+ 3.1%	

[Consolidated] Changes in Operating Income

CYBERNET SYSTEMS CO., LTD.

[YoY comparison]



Main Causes of Year-on-Year Changes

○ Main causes of product profit changes

Profits increased by good performance for both CAE solution service and IT solution business

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

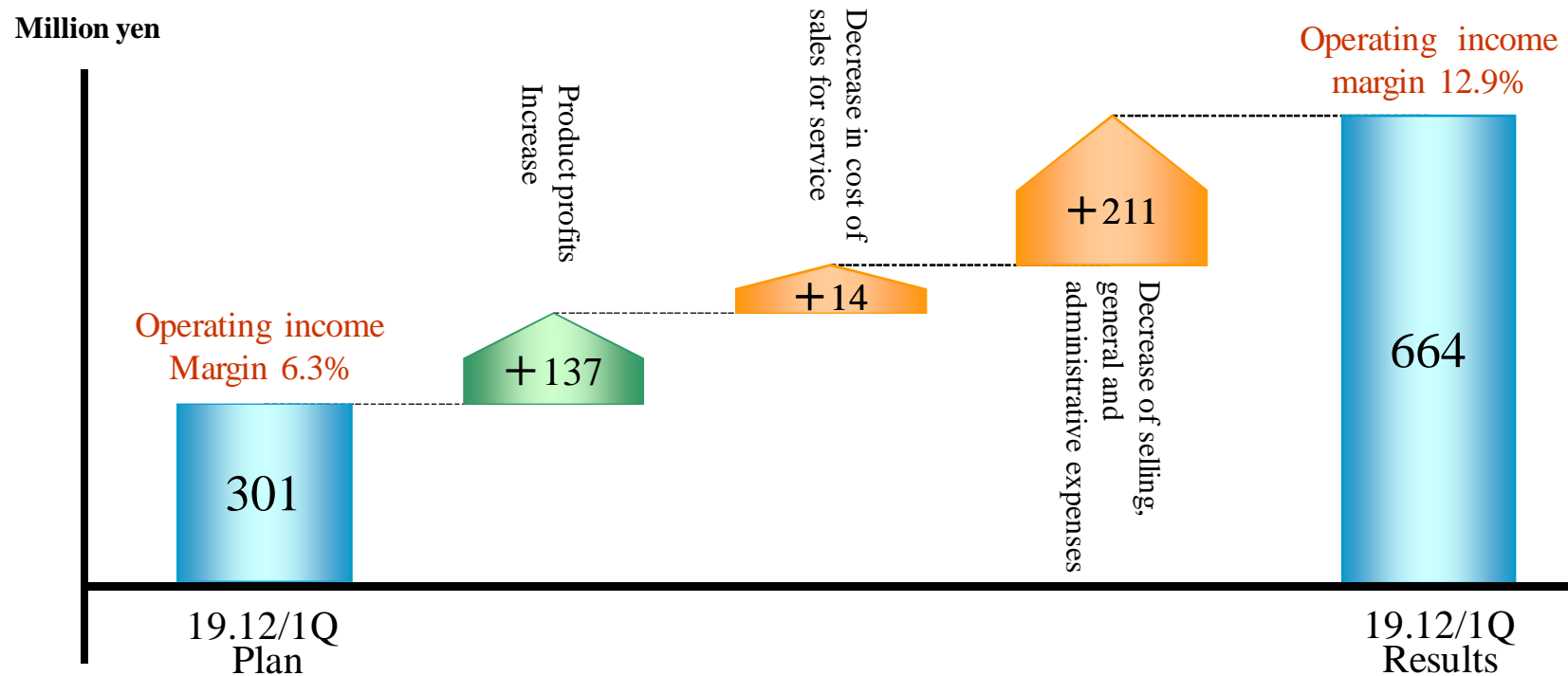
Decreased due to decreasing of goodwill amortization

○ Main causes of operating income changes

Increased operating income due to the increase of product profits by increasing of net sales

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

[Against Plan]



Main Causes of Changes Against Plan

- Main causes of product profits changes
Profits increased by good performance for both CAE solution service and IT solution business
- Main causes of cost of sales for service and selling, general and administrative expenses changes
Decreasing by unused cost and expenses
- Main causes of operating income changes
Increasing operating income compare to the plan due to increasing of product profits by net sales and unused cost and expenses

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	18.12	19.12/1Q	YoY Change Amount
Current assets	17,440	17,782	342
Cash and deposits	4,467	3,021	(1,446)
Notes and accounts receivable-trade	4,570	4,921	351
Short-term investment securities	4,000	5,000	1,000 (i)
Short-term loans receivable	3,086	3,783	696
Others	1,315	1,055	(259)
Noncurrent assets	1,775	1,654	(120)
Property, plant and equipment	299	301	2
Intangible assets	322	299	(23)
Investments and other assets	1,153	1,053	(99)
Total Assets	19,215	19,437	221
Current liabilities	4,972	5,064	91
Accounts payable-trade	1,391	1,685	293
Income taxes payable	161	155	(5)
Advances received	1,995	2,025	29
Provision for bonuses	553	161	(391)
Others	870	1,036	165
Noncurrent liabilities	1,375	1,354	(20)
Provision for retirement benefits	1,327	1,319	(7)
Others	47	35	(12)
Total liabilities	6,348	6,418	70
Total net assets	12,867	13,018	150 (ii)
Total liabilities and net assets	19,215	19,437	221

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

- (i) Short-term investment securities (up 1,000 million yen from the end of the previous fiscal year)
Investments increased + 1,000 million yen
- (ii) Total net assets (up 150 million from the end of the previous fiscal year)
Profit attributable to owners of parent + 406 million yen/ dividend of earnings - 260 million yen

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

17.12/1Q

18.12/1Q

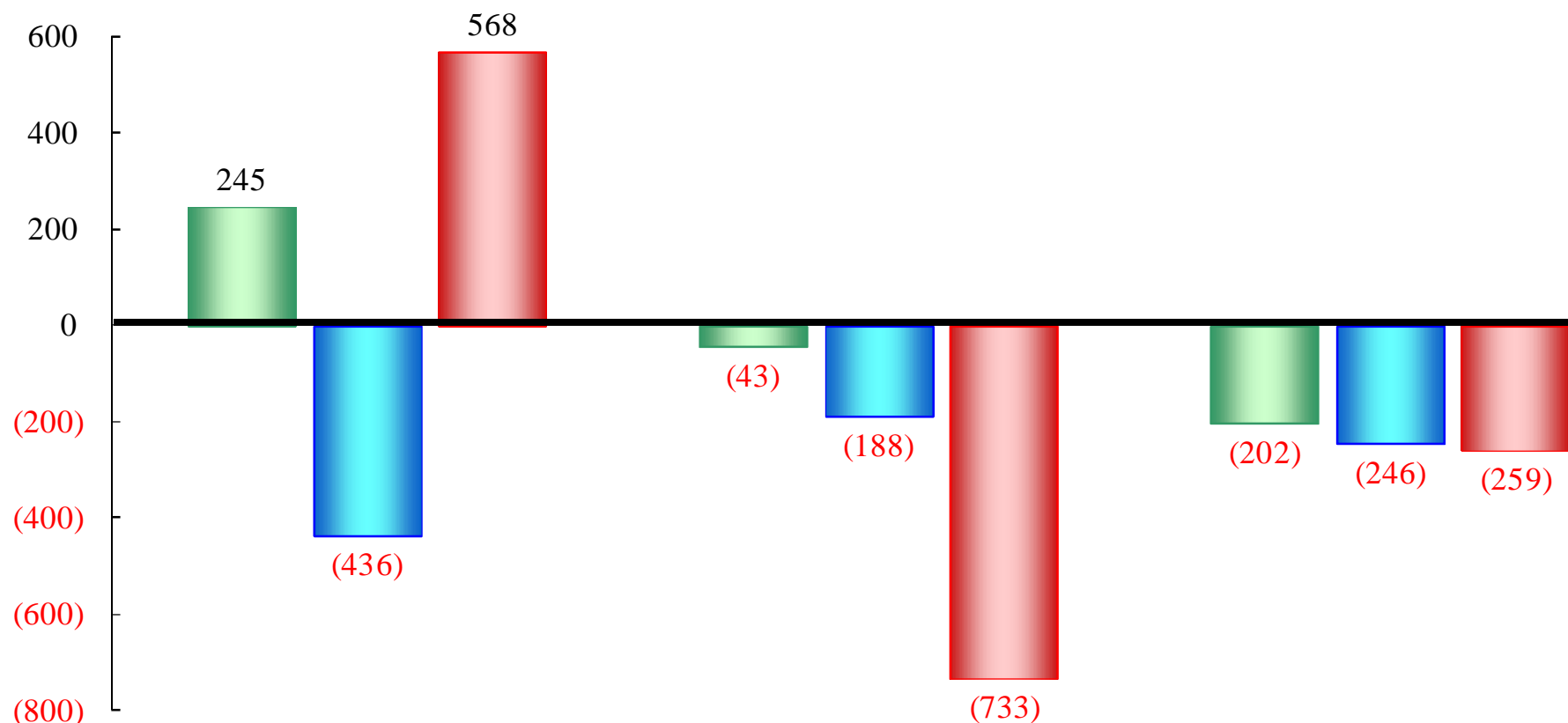
19.12/1Q

Million yen

Net cash provided by operating activities

Net cash provided by investing activities

Net cash provided by financing activities



Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities ⇒ Mainly due to increasing of income before income taxes and others
- 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

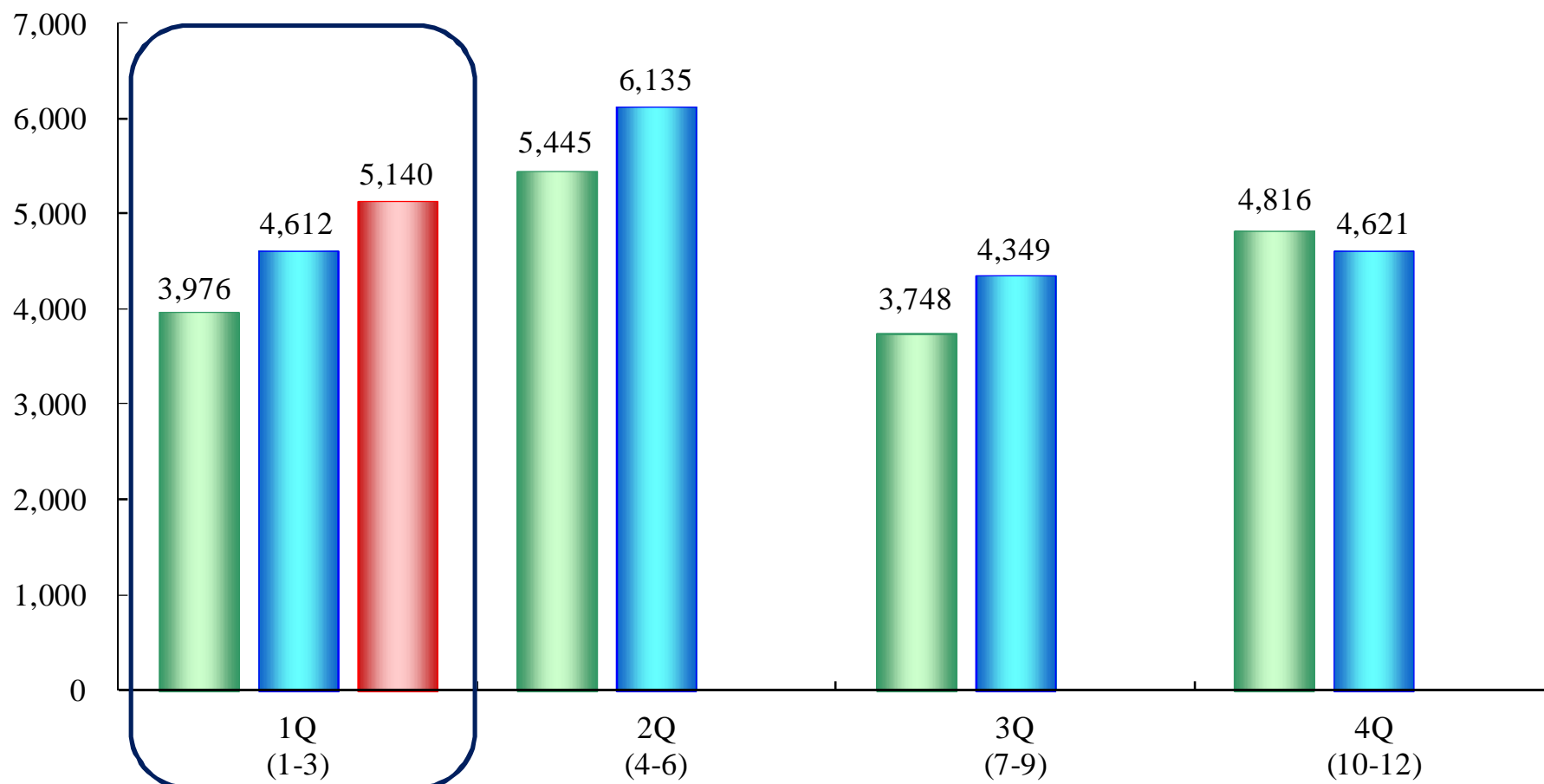
CYBERNET SYSTEMS CO., LTD.

17.12

18.12

19.12

Million yen



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

Million yen

	18.12/1Q	19.12/1Q		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	4,612	5,140	+ 527	111.4%
CAE Solution Services	3,907	4,141	+ 234	106.0%
IT Solution Services	705	999	+ 293	141.6%
Elimination	—	—	—	—
Total Operating income	181	664	+ 483	366.9%
CAE Solution Services	455	825	+ 370	181.3%
IT Solution Services	(10)	124	+ 135	—
Elimination	(263)	(286)	(22)	—

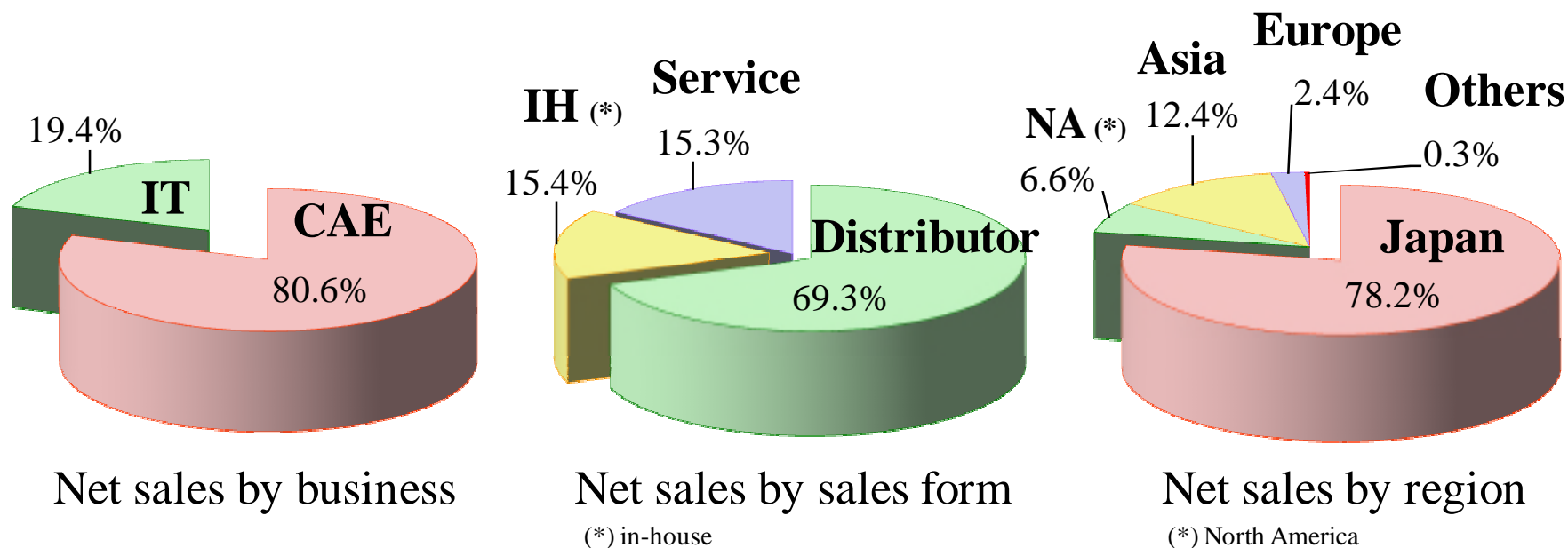
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(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) Classification of net sales by business is as follows:

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

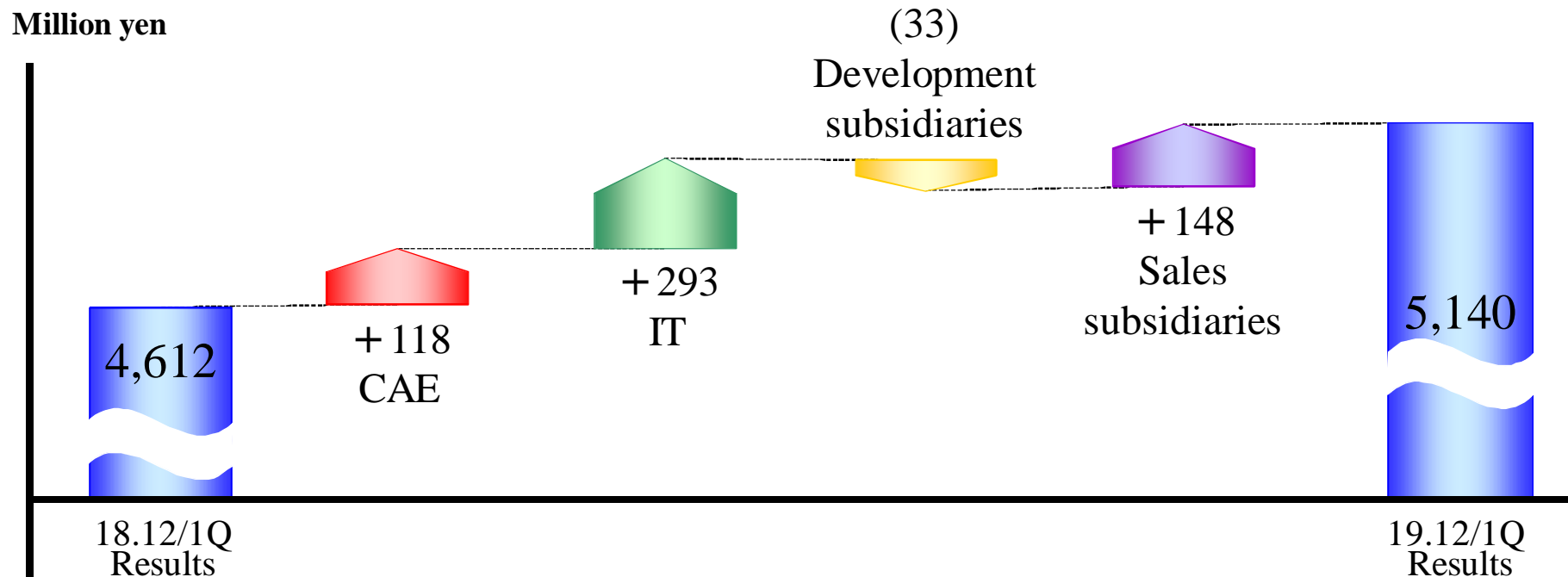
(Note) Classification of net sales by sales form is as follows:

- 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.

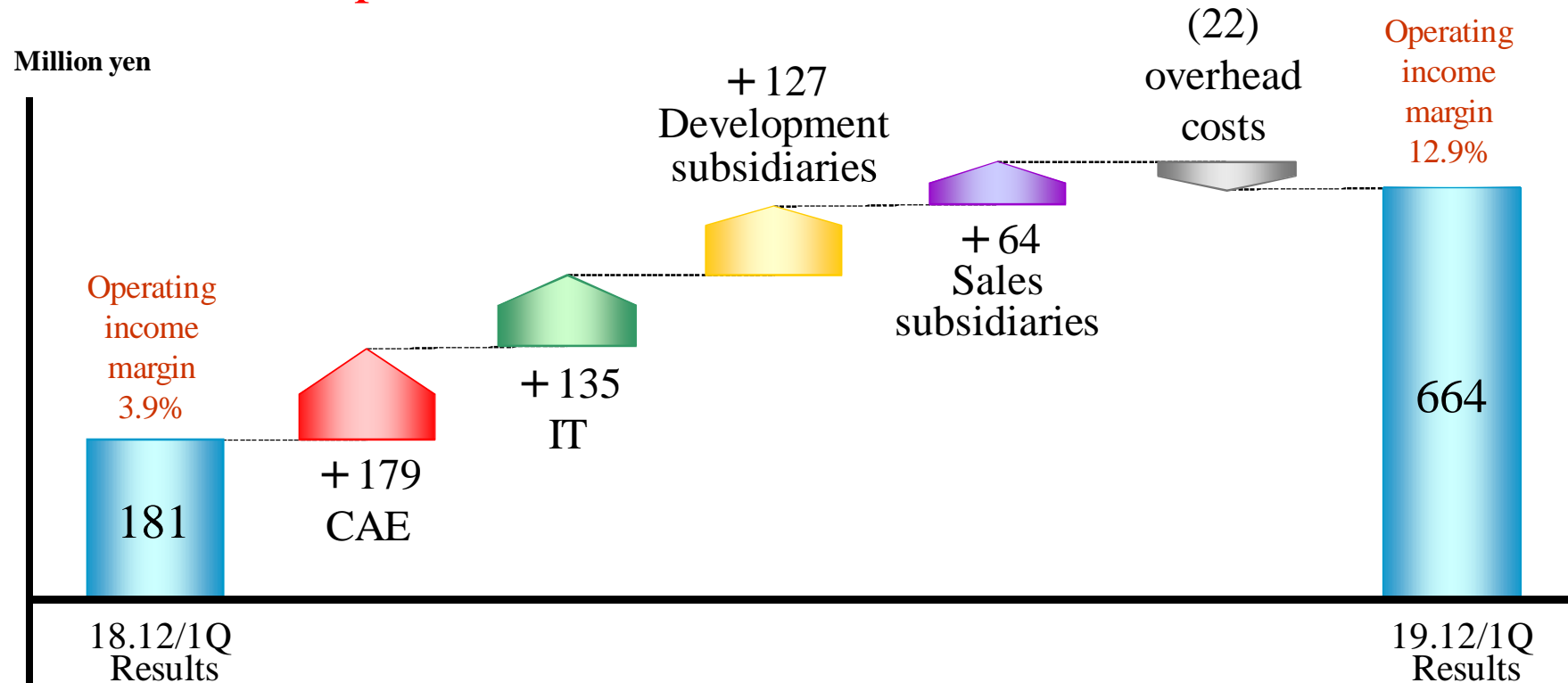
Each business classification is as follows:

- 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 4 Asian sales subsidiaries subject to consolidation.

[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.

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

[First quarter of the fiscal year]

Million yen

	18.12/1Q		19.12/1Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	931	25.7%	956	23.5%	+ 24	102.6%
Machinery & Precision Machinery	625	17.2%	647	15.9%	+ 21	103.5%
Transportation equipment	625	17.2%	799	19.7%	+ 174	127.8%
Other manufacturing industry	420	11.6%	508	12.5%	+ 87	120.9%
Eductaion institution/government and municipal offices	255	7.0%	331	8.2%	+ 75	129.7%
Telecommunication industry	233	6.4%	254	6.3%	+ 20	109.0%
Others	538	14.8%	566	13.9%	+ 27	105.1%
Total	3,630	100.0%	4,063	100.0%	+ 432	111.9%

Projection for FY2019

[Consolidated] Projection for Current 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%	+ 0.0%	
Ordinary income	1,608	1,684	(76)	95.4%
Ordinary income margin	8.0%	8.5%	(0.5%)	
Profit (loss) attributable to owners of parent	958	(656)	+ 1,614	—
Profit attributable to owners of parent margin	4.8%	(3.3%)	+ 8.1%	

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Dividend Estimate for Current 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%

CYBERNET SYSTEMS CO., LTD.

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