

CYBERNET



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Editorial Policy

The Cybernet Group prepares an Integrated Report to inform stakeholders of initiatives for long-term and sustainable growth on financial information, as well as non-financial information on topics such as ESG. This report provides a summary of highly important information to understand the Cybernet Group. For more detailed information, please refer to our website and other communication tools.

Referenced Guidelines

Global Reporting Initiative (GRI): GRI Standards
Value Reporting Foundation (VRF): Integrated Reporting Framework

Reporting Period

January 1, 2021 – December 31, 2021
(Some matters outside this reporting period are also included.)

Use of this Report

The performance forecasts, targets, plans, and other future information of the Cybernet Group included in this report are only our judgments and thoughts when it was prepared based on the information available at publication. The actual performance, financial position and other results of the Cybernet Group may differ materially from the contents of this report or from what is inferred due to changes in domestic and international political, economic and financial conditions, the status of measures intended in announced plans, and other factors that are unclear during preparation.

VISION

Creating a sustainable society and inspiring the world through technology and ideas

MISSION

Guide customers toward breakthrough solutions with vigorous creativity

CREDO

Our commitment to society

Activity following changes in society, we will continue to propose innovative solutions exceeding customers' expectations.

Persistent in our daily aim to refine our technology and ideas, we will tackle the unknown and lead the way in finding solutions.

Ever evolving and unafraid of change, we will help realizing a more prosperous and convenient society that is safer and more secure.

Our commitment to customers

Through proposals that consistently exceed expectations, we will serve as a partner in supporting customer's determination, creativity and passion, in order to lead the way to innovation.

Fulfilling our promise to provide more valuable solutions, we will approach customers with sincerity by exercising flexibility and strong communication skills to identify the core of their issues and drive change.

No matter when or in which field, we will deliver value to customers through our technical expertise, breadth of knowledge, and wealth of ideas.

Our commitment to employees

Shared goal

By making the aspirations of the company clear to all employees, we much foster an environment where everyone can work together with a shared sense of purpose and accomplishment.

Taking on new challenges

Respecting the desire to work independently on new challenges, we must encourage open, responsible discussion that enables individuals to give full play to their abilities.

Promoting diversity

By respecting diversity, we must make the most of each employee's individuality and values.

Achieving work-life balance

To enable employees to enjoy their jobs safely and healthily, we must create a working environment that is considerate of work-life balance.

Invigorating the community

In order to put together strong teams and deepen customer trust, we must actively create opportunities for personal interaction both inside and outside the company.

Leadership development

In order to take the lead in providing society with value that meets the needs of an ever-changing business environment, we must work to develop personnel who are capable of autonomy and growth.

Open evaluations

Through fair, explicit, and transparent evaluations, we must give appropriate compensation and employment opportunities to those who are capable of enhancing our corporate value.

02

03

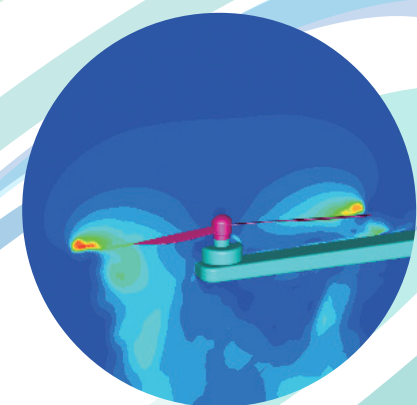
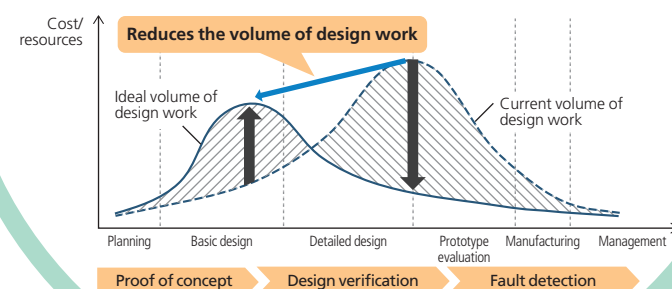
We are contributing to a brighter future through simulation technology.

Evolving manufacturing Improving customers' competitiveness

Customers' products Enhancing service value

By simulating a design model, we can visualize previously unseen aspects, such as the structure, stress, flows, magnetic fields, light rays, and sound, enabling the early detection of issues, reducing work, and enhancing the quality of the product

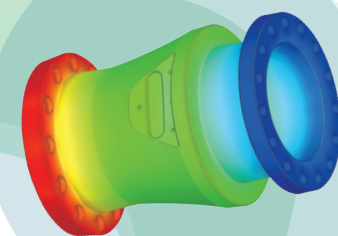
The advantages of front-loading using simulations



Drone design and development simulations



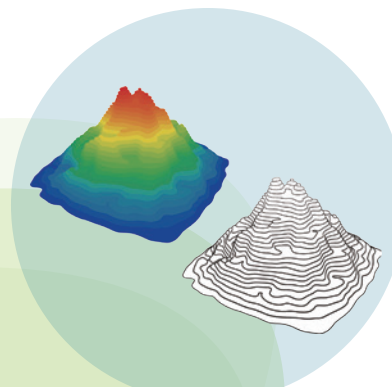
Vehicle impact analysis simulations



Thermal analysis simulations for parts



Wind power generation efficiency simulations



Geospheric and topographic change simulations

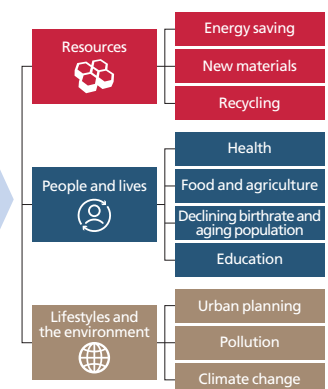


Electricity supply efficiency simulations

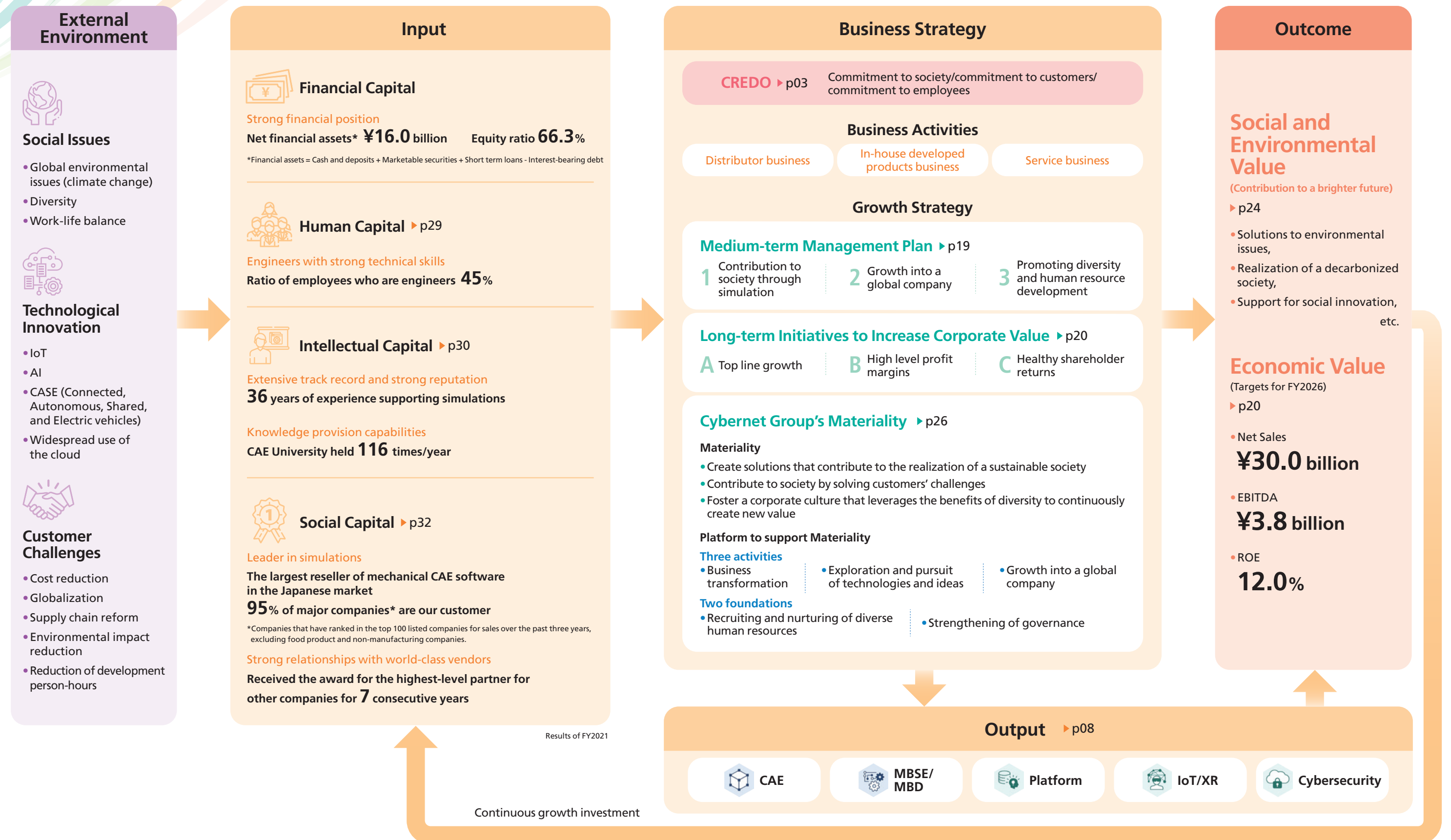
Giving shape to a sustainable future Realizing a sustainable society

Solving social issues

We explore ways to make lifestyles, society, and the environment more sustainable by combining cutting-edge technologies such as IoT and AI



We contribute to solving social issues through efforts to realize our VISION and MISSION.

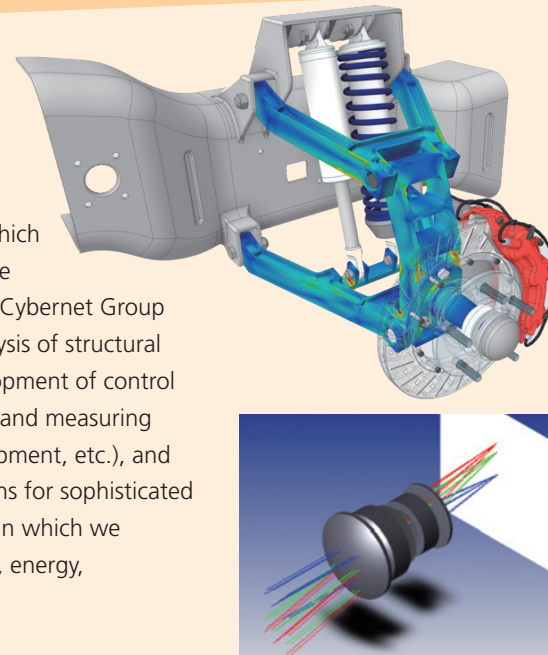


We provide five services that support customers' digital transformation (DX) through simulation technology and peripheral technology.

Computer Aided Engineering (CAE)

Total support for CAE usage in a wide range of simulation areas

Computer Aided Engineering (CAE) is a technology used at the research and development stage of the manufacturing process, which uses computer-based simulations of design models to carry out the testing tasks previously carried out using physical prototypes. The Cybernet Group provides a variety of CAE solutions, such as mechanical CAE (analysis of structural stress, heat, vibrations, noise, fluid flow, etc.), control CAE (development of control mechanisms for vehicles and electronic devices, etc.), optical CAE and measuring systems (development of biological sensors, lasers, in-vehicle equipment, etc.), and electrical CAE (antennas, EMI), to support the discovery of solutions for sophisticated and complex design challenges. We are also expanding the areas in which we provide CAE services beyond manufacturing, including healthcare, energy, agriculture, and more.



MBSE/MBD

Support for improvements to increasingly complex development processes

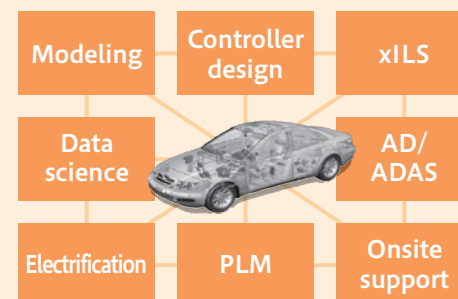
Product development is becoming more complex, as seen in the shift to electric vehicles, and MBSE and MBD are gaining attention as ways to handle the important task of managing the rapidly increasing amount of work processes.

MBSE (Model-Based Systems Engineering)

MBSE is a model-based development method covering the entire design process, from analyzing systems requirements to verification across multiple specialized fields. The Cybernet Group provides consulting services that improve customers' work processes related to product development and uses in-house developed tools to support the introduction of MBSE at customers' sites.

MBD (Model-Based Development)

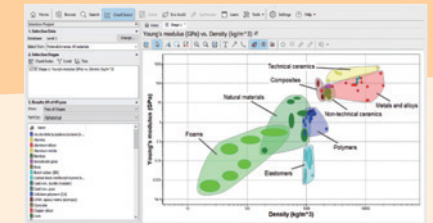
MBD is a development support technology that enables development and verification in parallel from an early stage of design and development through a method that creates and verifies specifications using a computer-based model built using mathematical formulas. The Cybernet Group supports a series of model-based development processes using advanced modeling technologies that have been developed over many years.



Platform

Providing a platform that supports the use of information assets

As demonstrated in the manufacturing field, the functions required of a product are becoming more advanced and complex in response to the diversification of customer needs and new technologies. As a result, the volume of information generated about products, designs, materials, and other aspects is increasing in an accelerating manner. The Cybernet Group has built a platform that provides centralized management and enables strategic use of the wide variety of information possessed by customers, regardless of whether they are in the manufacturing or any other field, to support the improvement of processes related to the effective use of that information.



IoT/XR

Facilitating collaboration between people, things, and data through pioneering digital solutions

The Internet of Things (IoT) refers to technology that connects all types of things to the internet (or a network). The Cybernet Group is supporting operational optimization through the real-time monitoring and AI-based analysis of information, such as production levels at plants and the operational status of devices and machinery. Furthermore, we are using visualization technologies, such as AR, VR, and MR, to provide feedback to manufacturing locations and incorporating CAD/CAE data to support the creation of simulation-based digital twins.



Cybersecurity

Supporting cloud-based systems and improving security in increasingly complex IT environments

As cloud-based IT environments become the norm and the ways in which a company's systems are used change drastically, security measures are becoming ever more important to ensure operations can continue safely and with peace of mind. The Cybernet Group is supporting DX and workstyles that have become the new normal through optimal methods such as a zero trust security* model.

*It discards the assumption that elements within an in-house network are trustworthy and takes security measures for access to all information assets within that network.





Reiko Yasue

President & CEO

We will continue to grow by utilizing the possibilities of simulation technology to solve a wide range of social issues.

I am trying to manage Cybernet Systems with the aspiration of increasing our presence and human resources around the world.

— This is the Cybernet Group's first integrated report. First of all, please share the circumstances behind your appointment as president in March 2019, as well as the approach and policies behind your management so far.

Since its founding in 1985, our company has provided a diverse range of software to many manufacturing companies. In particular, we have provided computer aided engineering (CAE) solutions as Japan's first distributor to handle simulation software. Thanks to that, we now deal with nearly all of Japan's major manufacturing companies, and have developed into one of the top performing companies in Japan, with products that are indispensable for design and production processes.

The driver behind this growth is our people. Half of our personnel are engineers, and the variety of advanced expertise they offer helps us to maintain good relationships with customers. Every member of the Cybernet Systems team, including sales and management personnel, works with satisfaction, feeling that they are supporting the manufacturing industry in Japan. I found this very reassuring at the time of my appointment.

This situation is amazing as it is the result of our company's consistent efforts to support customers since its founding. On the other hand, I have worked for many years in the U.S., and I also found the company's comfortable situation slightly unsettling. To put it another way, I felt a sense of urgency that, no matter how highly specialized we were, our growth will halt unless we move into a new stage because our "safe haven" may not last forever as companies around the world are competing with each other over digital transformation (DX) strategies, digital innovation is accelerating, and the boundaries between industries and business categories are fading.

— So it was your experience in the U.S. that gave you a sense of urgency?

That's right. For about 20 years from the 1990s, I worked at various tech companies in Silicon Valley, including a semiconductor manufacturer. I was impressed at how these businesses are gathering truly exceptional people from all over the world and competing fiercely every day. At the

time, there were very few Japanese people in Silicon Valley. As the number of engineers from China and South Korea gradually increased, I noticed that the Japanese electronics industry had lost its presence in the world. I realized this change as I fought desperately every day to maintain my position as an engineer.

I mentioned this situation to top management members of Japanese companies when I had opportunities to talk with them on my business trips, but many of them did not seem to have any sense of urgency. Feeling very frustrated, I thought, "If I was part of the management team."

Therefore, aspiring to foster a globally active company and globally competent human resources from Japan, I made a life-changing decision to resign from my U.S. company and joined FUJII SOFT, Inc., our parent company. After leading its overseas business, I was given the opportunity to participate in the management of Cybernet Systems.

From a distributor to a solution provider

— What is your vision regarding progress to a new stage of growth?

To put it simply, this means evolving from a distributor specializing in CAE software products into a solution provider with simulation technology as its core expertise.

To date, we have grown by advancing our technology and knowledge of simulations for manufacturing design and development processes. We have also nurtured the unique strengths that are the source of our competitiveness, including engineers with expertise, and we support capabilities that lead to high customer satisfaction, the ability to provide customers with knowledge, and modeling support capabilities. Furthermore, the fact that we handle a broad lineup of industry-leading products and that our customers include the world's leading manufacturing companies has helped us to acquire new technologies and knowledge.

However, the distributor business, which is the core of our business models, has limited growth potential from a long-term perspective, not only because it includes the risk of losing commercial rights but also because our scope of operations is limited to Japan and Asia.

Considering this, I want to leverage our existing strengths and lead our company to enter into new markets and business areas, without limiting ourselves to customers

in the manufacturing industry. We can achieve this by pursuing the possibilities of not just CAE software but simulation technology in general, and strengthening efforts to develop in-house developed products, unique solutions, and global expansion.

In February 2021, we announced our VISION/MISSION/CREDO, which is our corporate philosophical framework, and our medium- to long-term basic policies, both of which were formulated to share this medium- to long-term vision with our employees.

— Please explain your thoughts behind the corporate philosophy and medium- to long-term basic policies.

I want to shift the focus of our employees from customers in the Japanese manufacturing industry to a broader audience that includes society and the wider world. As I mentioned before, our employees have a sense of duty and take pride in supporting the manufacturing activities of our customers, but simulation technology can be actively used not only to enhance manufacturing quality, energy-saving performance, and safety but also in a variety of ways, such as realizing carbon neutrality, tackling climate change, developing new materials and innovative products, simulating natural disasters, and implementations in the healthcare field.

Based on this idea, I started talking with them about what the Cybernet Group can do to benefit society and the global environment.

Our employees were a little perplexed at first, as they were always focusing on customers only. Some said, “It is presumptuous to consider what we can do for society.” However, as I had learned from my experience in the U.S., the greater intellectual curiosity a person has, the more strongly they want to feel a sense of social duty, so I decided to talk to our employees and started a round table conversation.

The result of this conversation was the formulation of our VISION, or what we want to be in the future, “Creating a sustainable society and inspiring the world through technology and ideas,” our MISSION, “Guide customers toward breakthrough solutions with vigorous creativity,” and our CREDO, which comprises Our Commitment to Society, Our Commitment to Customers, and Our Commitment to Employees.

To encompass these concepts, we also came up with the medium- to long-term basic policies, “To become a leading simulation company.” This phrase expresses our desire to shift from a relatively passive approach of just responding to the immediate needs of our customers to one of becoming a corporate group that actively takes the lead in

solving social issues by expanding the possibilities of simulations in every field. This particularly includes what I have worked to strengthen since I became president, namely, expanding our lineup of in-house developed products and boosting the performance of our overseas product development subsidiaries and specialized sales subsidiaries.

Forced to shrink profit despite an increase in revenues in 2021

— Alongside the formulation of the medium- to long-term basic policies, the year of 2021 was also the first year of a new medium-term management plan. Please tell us about the key points of the business results of that year.

In 2021, we made smooth progress on implementing our plans and net sales reached a record high, but operating profit fell slightly because we began expanding our business, which incurred increases in costs such as personnel expenses and digital marketing expenses. There was also the impact of the termination of the distributor agreement with Synopsys Inc., a supplier of the optical design analysis software that accounted for about 20% of our net sales, on October 1, 2021.

As mentioned earlier, I have been anticipating this risk since I became president, and therefore I established a new philosophical framework and medium- to long-term targets, but my concern unfortunately became a reality.

In 2009, when we lost MathWorks’ distributorship, which had accounted for over 30% of our net sales, we suffered significant damage in the form of a sales slump lasting about six years. However, this time, I am confident that we can realize a V-shaped recovery from 2023 thanks to the four initiatives we have been promoting based on our medium-term management plan.

— Please outline your progress on the four initiatives.

In regard to “expansion of core businesses,” we have strengthened our product capabilities, including releasing 10 in-house developed products over the last four years and handling new optical CAE solutions, in order to mitigate the risk of losing commercial rights and to enhance profitability.

Also, for global expansion, we are targeting manufacturing industries in Asian countries such as China and Taiwan, where our sales are still relatively low despite rapid market expansion. We have strengthened coordination and know-

how sharing between our businesses in Japan, China, Taiwan, and Malaysia. Thus we increased net sales in Asia by about 20% year on year.

Furthermore, at our development subsidiaries in Canada, the U.S. and Belgium, we have revised their development roadmaps and strengthened development structures, considering the need to create competitive products. As a result, Maplesoft in Canada released three new products in 2021. Sigmetrix, L.L.C. in the U.S. has increased sales by enhancing the functions of existing products and boosting its online training business. Noesis Solutions NV in Belgium has also realized sales growth by enhancing the functions of existing products, investing in the development of cloud-based optimization systems, and providing engineering services that utilize current products.

As you can see, in our overseas business, sales capabilities and the development of in-house developed products have been steadily strengthened, leading to successful diversification in areas from which sales can be expected.

In regard to “expansion of DX business,” we have been developing our original tools for MBSE*, which has been getting attention as a cutting-edge product development method, as well as expanding our consulting business with a focus on the auto industry as it adapts to CASE and broadening our solutions by beginning to handle AI building tools and AR development platforms. These efforts also contribute to “expansion of the simulation utilization domain.”

In regard to “strengthening of the cloud security business,” we have expanded our security products for cloud environments in response to the new normal after the COVID-19 pandemic, which has increased net sales by 64.1% year on year.

*Model-Based Systems Engineering: A cutting-edge development method introduced in the aerospace industry that is applied in environments where systems in multiple domains interact.

Realizing a V-shaped recovery and record profits based on the new medium-term management plan

— The year 2022 is the starting year for new long-term initiatives to enhance corporate value, as well as initiatives for implementing the medium-term management plan and enhancing corporate value up to 2026. Please share the background behind these initiatives and your outlook.

Naturally the background was the termination of the contract with Synopsys Inc. and consequent loss of distributorship last year, which further reminded us of this



risk. As a manager, I felt it necessary to present a medium- to long-term outlook so that all employees can take a positive view of this symbolic event, in which each of them recognizes the risk of the distribution business as their own.

Therefore, since becoming president I have been saying, “Let’s be determined to move forward in the direction of expanding in-house product development, globalization, and the service business. Let’s take advantage of this situation as an opportunity to further accelerate our progress,” and we revised the medium-term management plan released in February 2021 to formulate a new medium-term management plan.

— Despite anticipating a decline in income and profits in 2022, you have announced that you will make a V-shaped recovery in 2023 and achieve record high profits in 2026.

After losing products that accounted for 20% of our net sales, the decline in income and profits in 2022 is unavoidable. We recognize that it will be a difficult year for us.

However, measures to strengthen in-house developed products, expansion of business in Asia, and promotion of DX in manufacturing, launched as part of the initiative to realize top line growth in the new medium-term management plan, began to produce results in 2021, and we are further accelerating these efforts in 2022.

Furthermore, in 2023, the dissipation of the temporary effects of the Synopsys Inc. situation and the manifestation of the effects of our initiatives will lead to a huge recovery in net sales, realizing a year of V-shaped recovery. We will advance business reforms with the aim of achieving net sales of ¥30 billion in 2026.

— The top line growth initiative includes a fourth measure of “use of simulation technology in SDGs and other fields.”

Three of the four measures are focused on raising net sales

and profitability by leveraging our strengths in support of manufacturing. On the other hand, the concept of “using simulation technology in SDGs field” is part of expanding the possibilities of simulations in other fields, like I mentioned earlier, and it has implications for our aim of solving social issues. It builds on the previous medium-term management plan’s initiative of “expansion of the simulation utilization domain,” but it is more specific in demonstrating how we can provide social value. We have positioned it as a driver for long-term growth.

— It is a measure for achieving the company’s VISION of creating a sustainable society.

The word sustainability has a special significance for me. This is partly because I have lived for many years on the West Coast of the U.S., where there is a strong sense of environmental awareness. So I believe that, when a company with a wealth of technology that can contribute to solving social issues, like us, sets a goal of becoming a leading company, its precise aim should be to achieve the SDGs for our society and the world.

I want us to be a company where many of our stakeholders, including our employees, can really see how our simulation technology contributes to solutions for a wide range of social issues. We are actually developing all our products with this in mind.

For example, hydrogen energy is gaining attention as a key to realizing a decarbonized society, but its efficient storage and transportation is a challenge. However, our simulation technology combines electromagnetic field analysis and fluid analysis to realize efficient magnetic refrigeration and therefore contributes to the utilization of hydrogen energy.

In the medical care field, we developed EndoBRAIN®, an AI-based colonoscopy image diagnosis support software, together with Nagoya University and Showa University, and we were the first in Japan to receive approval under the Pharmaceutical and Medical Device Act. In combination with Olympus Corporation’s endoscope, it helps doctors to make diagnoses. I think that AI-based medical diagnosis technology will spread through the market in the near future. We have also developed solutions in response to the COVID-19 pandemic, such as tools for the analysis of effective disinfection of bacteria and viruses and simulations of droplet transmission.

These initiatives involve technology that encompasses multiple CAE fields, and our unique solutions that combine information security, cloud environments, digital twins, AI, AR, VR, and other fields. I think they will become important

technologies that will advance the promotion of DX in manufacturing and support our efforts to realize record profits in 2026.

— In the new medium-term management plan, you have included targets for the business composition ratio and others, as part of the “visions.”

To advance our reforms with determination, we have set the long-term targets to increase the ratio of sales of in-house developed products and services to 50%, the ratio of net sales outside Japan to 40%, and the ratio of sales from the non-manufacturing sector, including SDGs-related fields, to 50%. As a step to achieve these long-term targets, in the new plan, we have set mid-term targets of having in-house developed products and services account for 40% of net sales (the result for 2021 was 24.2%), and to expand the overseas business, especially in Asia, to have sales outside Japan account for 25% of total net sales (the result for 2021 was 23.3%).

Expanding the business through M&A and continuing to actively provide shareholder returns

— Please tell us about how you plan to disclose profit ratios and your approach to shareholder returns.

We will actively grow sales of in-house developed products and services and pursue M&As of companies that can help to expand our business in the SDGs field, as set forth in our new medium-term plan. Until now, we have used operating profit as an indicator, but considering that M&A has become one of our growth strategies, we have decided that EBITDA will be a more suitable indicator.

In regard to shareholder returns, from 2022 we will



change our approach with the aim of achieving a dividend on equity ratio (DOE) of 6%, provided it is within the scope of our profit attributable to owners of parent. Previously we considered the dividend amount based on a dividend payout ratio of 50% or DOE of 3%, whichever was higher. Thus we paid dividends based on a dividend payout ratio of 50%, and as a result, we raised the dividend each year since 2017.

Although we have suffered a temporary decline in income and profits in 2022, we have changed our dividend policy so that we can continue to raise the dividend, even when there is a short-term drop in profits. This takes into account that we have an extremely sound financial position, including a high capital adequacy ratio of around 65%, that we have secured sufficient funds to invest in growth, and that we expect to realize a V-shaped recovery in 2023.

In 2022, the first year under our new dividend policy, we plan to raise the dividend per share to ¥29.6.

Management’s mission is to recruit, train, and retain determined, forward-looking human resources.

— In recent years, there is growing interest in ESG to evaluate companies alongside sustainability. How are you addressing this?

As I mentioned before, I am proud that our simulation technology can make a significant contribution in terms of both environment (E) and society (S).

As a manager, I believe it is important not only to strive to create businesses and develop technologies that contribute to realizing sustainability, but also to recruit, train, and retain human resources with a strong interest in the global environment, social issues, and governance (G) that supports healthy management, and with the desire and ability to continue to take on challenges. I think that generating a positive cycle in which employees work in a satisfying environment, grow and produce results, and then attract new talent, will result in sustainable growth.

To create this positive cycle, we need to entrench our VISION/MISSION/CREDO deeply in our company, promote diversity as a source of creativity, and strengthen human resource development.

In order to entrench our philosophical framework, we have appointed 21 ambassadors from among our employees who have taken responsibility for promotional activities, and in 2021, they carried out a total of 57 workshops covering all employees. We have also

established the CREDO Award which is presented each quarter to an employee who has acted in a way that embodies our CREDO. Furthermore, from 2022 onward, we will reflect the CREDO in our personnel systems in order to further entrench it and root it in our corporate culture with the aim of realizing our VISION and MISSION.

Regarding diversity, the company has always had a high ratio of experienced professional hires, and we have recruited talent with a wide range of backgrounds, regardless of gender or nationality. Consequently, the number of non-Japanese employees has been increasing year by year. Going forward, we would like to carry out awareness-raising training for employees to accept and embrace diversity. We would also like to form a cycle of training and retaining employees, letting them demonstrate their abilities, and having them mentor newer employees.

As for human resource development, until now each of our business divisions has taken the initiative to hold many study sessions, since we need the cutting-edge technologies to support the research and development activities of our customers, but going forward, we will clarify areas to be strengthened, such as the combined solutions that I mentioned earlier, and work to develop human resources in an organized and systematic manner. In 2021, we strengthened the development of employees involved in AI through initiatives, such as providing support for acquiring AI-related certifications and hosting AI themed business contests. Also, we conducted leadership training for all section managers to enhance their leadership to guide the reform, as we were conscious that we are in a middle of business reform and that continuous innovation was necessary.

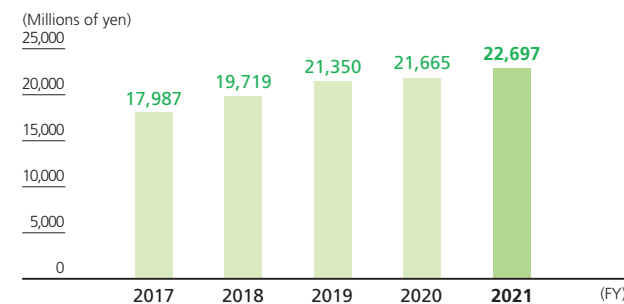
— Finally, please give a message to stakeholders.

We are proud that we have contributed to solving numerous problems and creating value through proposals that only we can make, centered on simulation technology. We will continue to respond to our customers’ needs by providing our unique proposals.

At the same time, we think that from 2030 to 2050, sustainability and global happiness will be important values. Our technologies will be essential to creating a prosperous future, but there are limits to what we can achieve by ourselves. Therefore, all members of the Cybernet Group, both in Japan and overseas, will be united in communicating and collaborating with a variety of stakeholders to contribute to the realization of a bright future using simulation technology.

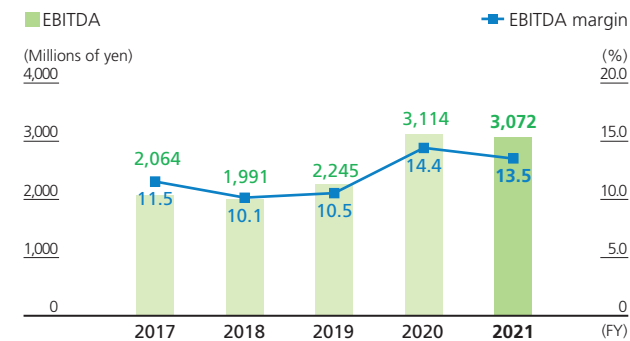
Financial Highlights

Net Sales



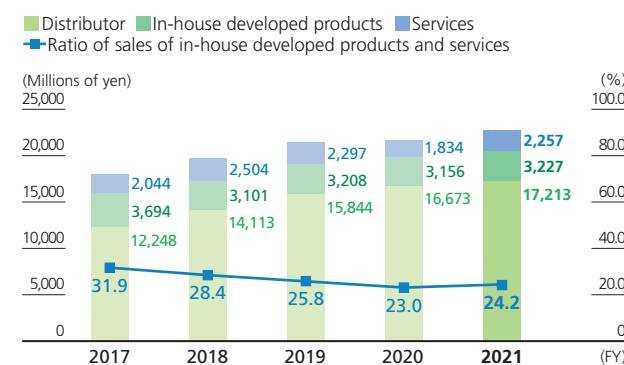
Net sales increased 4.8% year on year to ¥22.6 billion and reached a record high in 2021.

EBITDA/EBIDA Margin



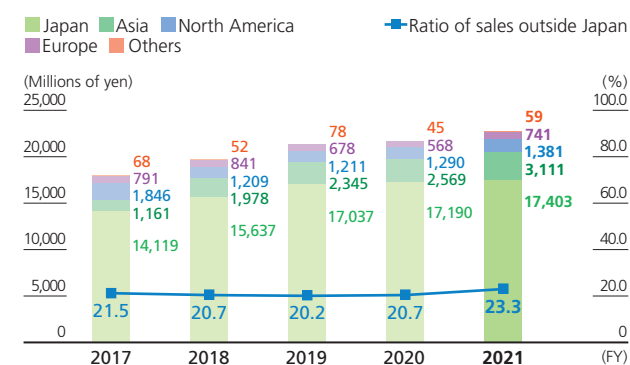
EBITDA was ¥3.0 billion and the EBITDA margin was 13.5% in 2021.

Net Sales by Sales Type/Ratio of Net Sales of In-house Developed Products and Services



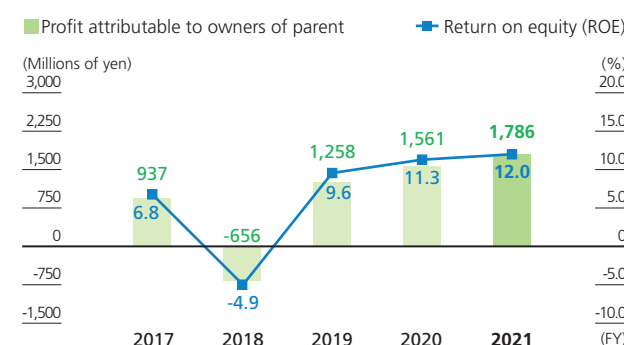
The ratio of sales of in-house developed products and services has been set as a key performance indicator in our medium-term management plan. It indicates the enhancement of profitability and how to deal with the risk of losing our distributor business.

Net Sales by Region/Ratio of Net Sales Outside Japan



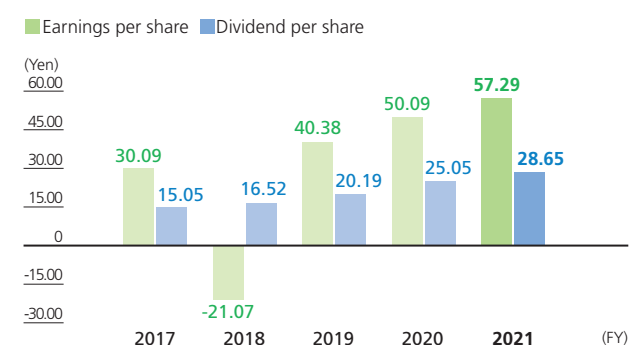
The ratio of sales outside Japan has been set as a key performance indicator in our medium-term management plan. It indicates the progress of our growth into a global company.

Profit Attributable to Owners of Parent/ROE



Profit attributable to owners of parent was ¥1.7 billion and ROE was 12.0% in 2021.

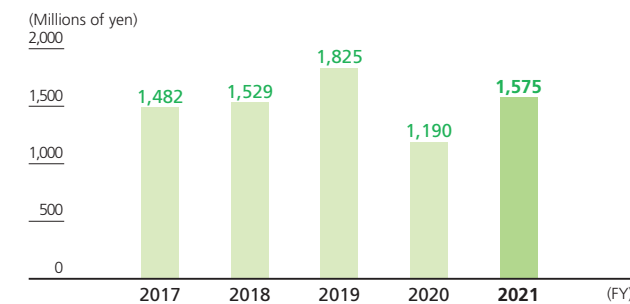
Earnings Per Share/Dividend Per Share



We paid a dividend per share of ¥28.65, raising the dividend amount for a fifth consecutive year, in 2021.

Non-financial Highlights

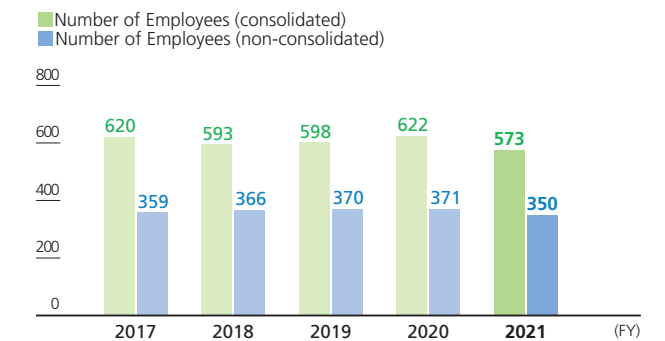
Sales of Engineering Services



We are contributing to solving social issues, including environmental issues, through engineering service projects.

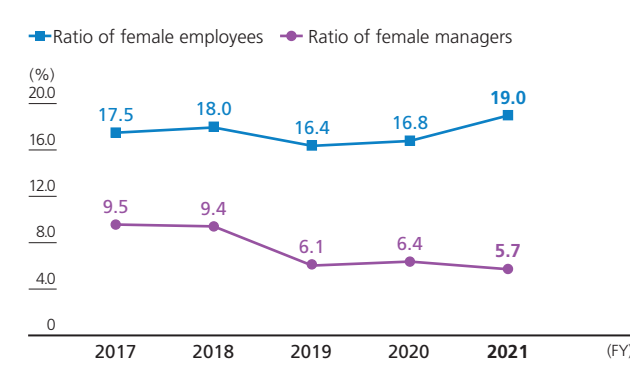
*Applies to Cybernet Systems Co., Ltd. (non-consolidated)

Number of Employees



We had a total of 573 consolidated employees, including 350 at Cybernet Systems Co., Ltd., in 2021.

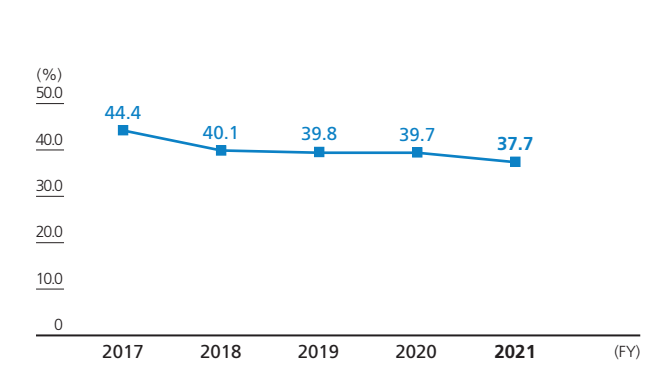
Ratio of Female Employees/Ratio of Female Managers



Our recruitment and promotion processes focus on an individual's track record and ability, regardless of gender, and we are building a corporate culture that enables women to play an active role.

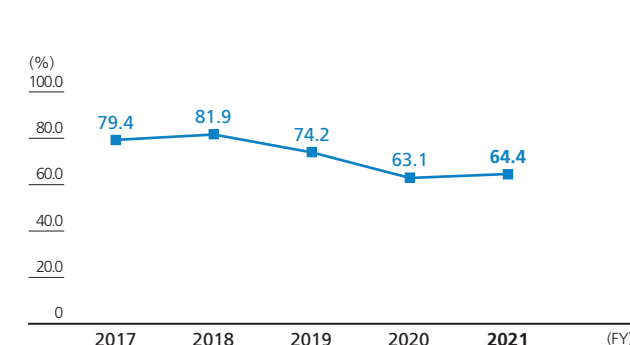
*Applies to employees of Cybernet Systems Co., Ltd. (non-consolidated)

Ratio of Non-Japanese Employees (Consolidated)



We are committed to gathering employees with a wide range of values, regardless of nationality, and believe that respect for diversity is essential to our growth into a global company.

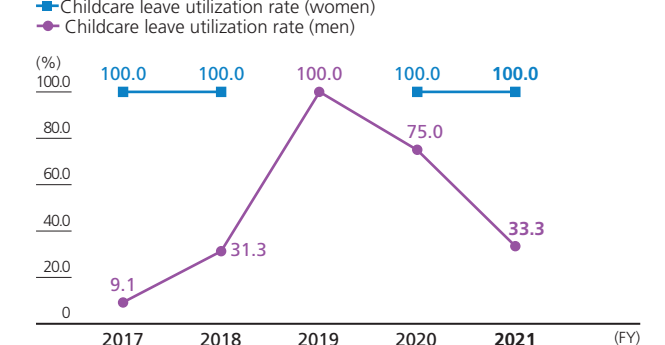
Paid Vacation Utilization Rate



We are fostering workplace environments that take work-life balance into account.

*Applies to Cybernet Systems Co., Ltd. (non-consolidated)

Childcare Leave Utilization Rate



We are helping employees to maintain a work-life balance by promoting workstyle reforms.

*Applies to Cybernet Systems Co., Ltd. (non-consolidated)

*The childcare leave utilization rate (women) result for 2019 has been omitted as there were no eligible employees

Results and Highlights for the Fiscal Year Ended December 2021

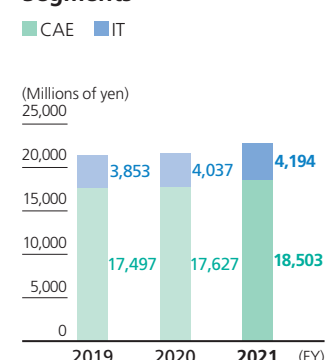
In 2021, growth of CAE and IT segments increased the sales volume to a record high, but the termination of a sales distributor agreement led to a decrease in profit.

Results for the fiscal year ended December 2021

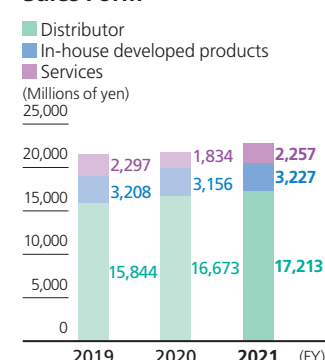
Net sales rose and hit a record high, due to a growing sales volume in Asia and an increase in profit from the sales of security solutions for cloud environments, since more companies adopted new work arrangements, including remote work. Operating income decreased due to an increase in the cost of goods sold in relation to higher sales volume, along with growth investments including personnel expenses and digital marketing costs. However, operating income margin remains high at 12.5%.

	Dec. 2021	Change % YoY	% of forecast
Net sales	22,697	+4.8%	+0.9%
Gross profit	9,528	+5.3%	—
Operating income	2,830	-1.6%	+4.8%
(Operating profit margin)	12.5%	—	—
ROE	12.0%	—	—

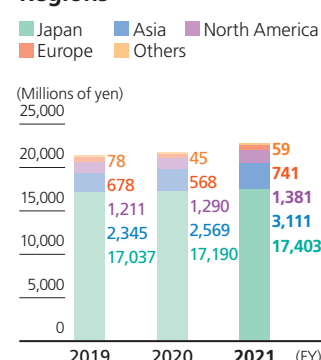
Segments



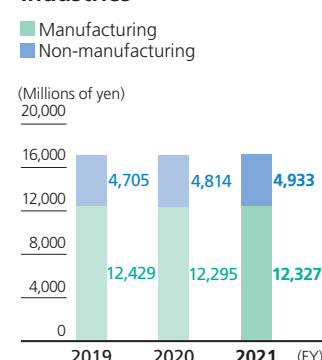
Sales Form



Regions



Industries



Highlights for the fiscal year ended December 2021

1. Expansion of core businesses

To expand the core business segments, we upgraded our product lineup. Cybernet released four products developed in-house and also became an authorized reseller and service provider of Ansys optical CAE solutions and PTC's cloud-based 3D CAD. Sales to communications equipment and display manufacturers increased in Asia, up by 21.1% year on year.

2. Expansion of DX business

Cybernet added powerful products to its lineup of simulation tools, such as Vuforia, an AR platform provided by PTC, and Neural Concept Shape, a deep learning-based tool for AI model configuration developed by Neural Concept, a startup company that originated from ETH Zürich (Swiss Federal Institute of Technology) in Lausanne, Switzerland.

3. Expansion in the simulation utilization domain

Our social and sustainability efforts cover a wide range of domains from novel-coronavirus droplet simulation, data analysis on efficient indoor ventilation, simulations on the assessment of water treatment using UV-LED sterilization, to verification on magnetic refrigerators utilizing hydrogen liquefaction, designed to achieve carbon neutrality.

4. Strengthening of the cloud security business

Net sales of the cloud and security solutions increased 64.1% year on year, reflecting strong performance of cloud security solutions optimized for remote work and new work styles, which include OneLogin (IDaaS solutions), Box (cloud-based storage management system), and MobileIron (integrated endpoint platform).

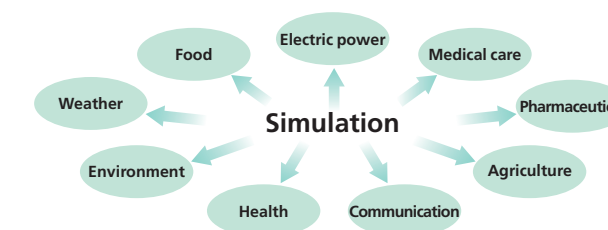
Medium- to Long-term Basic Policies

The Cybernet Group is aiming to become a leading company of simulation technologies, and we will carry out business under the basic policies outlined below.

1. Contributing to society through simulations

A high level of expertise and technical capabilities are the strength of the Cybernet Group. Our solutions are mainly designed for manufacturing-related processes. We are also working to expand the scope of our services to cover more industries and domains and a wider range of applications, including a realization of a carbon-neutral society, solutions for environmental issues, prediction of natural disasters, applications in healthcare, and more. We are developing new technologies, aiming to deliver simulation-based

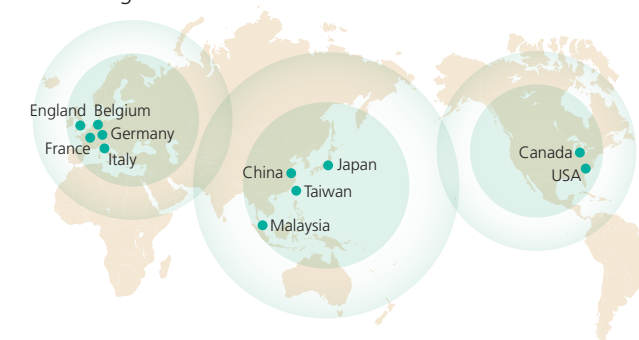
solutions that help resolve various problems for many people in society.



2. Growing into a global company

As a member of the nations with advanced CAE technologies in Asia, the Cybernet Group has been working hand in hand with customers to accumulate knowledge and know-how on CAE for over 36 years since it was founded in 1985. Backed by the successful track record, the Cybernet Group is actively seeking opportunities with Taiwanese, Chinese, or other Asian companies that are more eager to invest in R&D of CAE technologies, aiming to expand sales in the rapidly growing CAE market by offering experience and know-how gained through operations in Japan. While increasing the competitiveness of in-house developed products and

solutions, we are seeking to expand sales in a global market through our sales channels worldwide.



3. Promoting diversity and human resource development

It is our responsibility to create an environment where experienced and skilled individuals with diverse backgrounds and specialties can work independently, yet grow together under a same vision while respecting

diversity. We will actively recruit talented professionals regardless of gender or nationality, make evaluation fair and transparent, and provide leadership education and training.

Spreading the credo

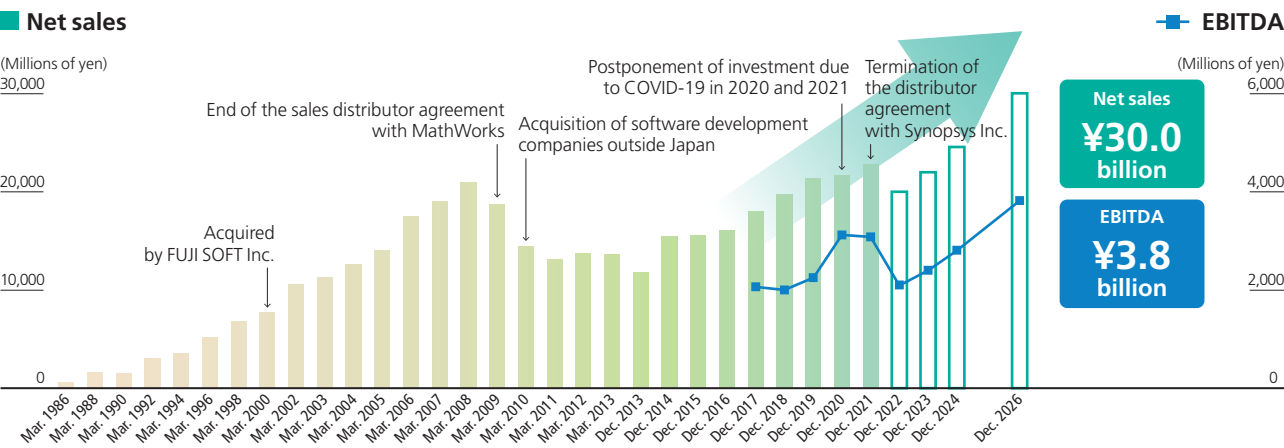
As an approach to spreading the CREDO, we appointed 22 CREDO ambassadors serving as PR specialists inside the company and organized a workshop for all the employees. We also created the quarterly CREDO Award as part of our CREDO promotion activities to recognize employees and projects that demonstrated exceptional behavior in line with

our CREDO. The employee survey conducted in October 2021 revealed a successful outcome overall, concluding that the promotional activities had led to an increased awareness of the corporate VISION, MISSION, and CREDO, resulting in a proper reflection in the employees' daily activities.

Formulation of Medium-term Management Plan

We will aim for a V-shaped recovery by strengthening in-house developed products and developing new markets.

Long-term performance and visions

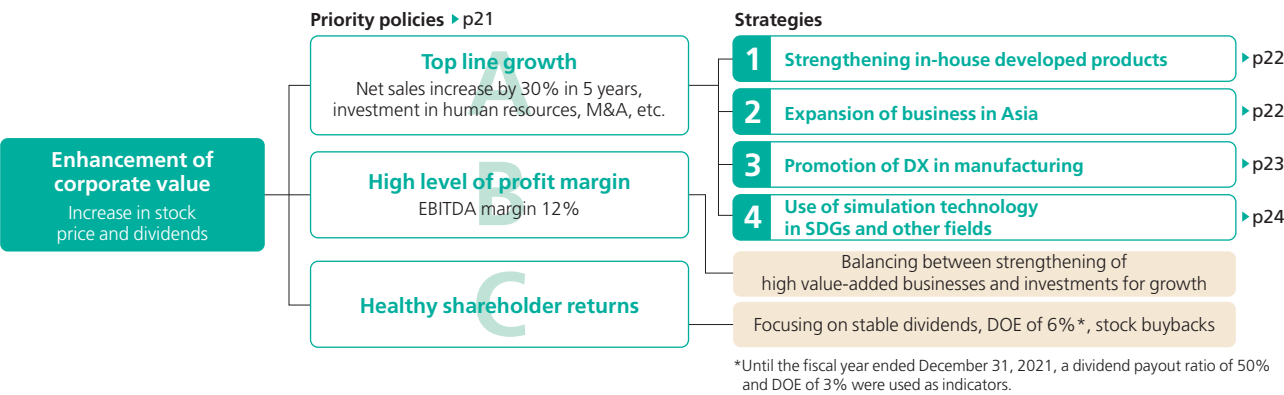


The Cybernet Group, which has its origins in the 1967 opening of the Tokyo Branch of Control Data Corporation, a pioneer of supercomputers in the U.S., has continued to expand its business since being established in 1985.

We anticipate a temporary decline in net sales in 2022, but we are aiming to achieve a V-shaped recovery in 2023 with net sales of ¥30.0 billion in 2026.

Long-term initiatives to enhance corporate value

We will work on the priority policies and measures shown in the diagram below to enhance corporate value over the long term.



Reasons for the revision of medium-term management plan

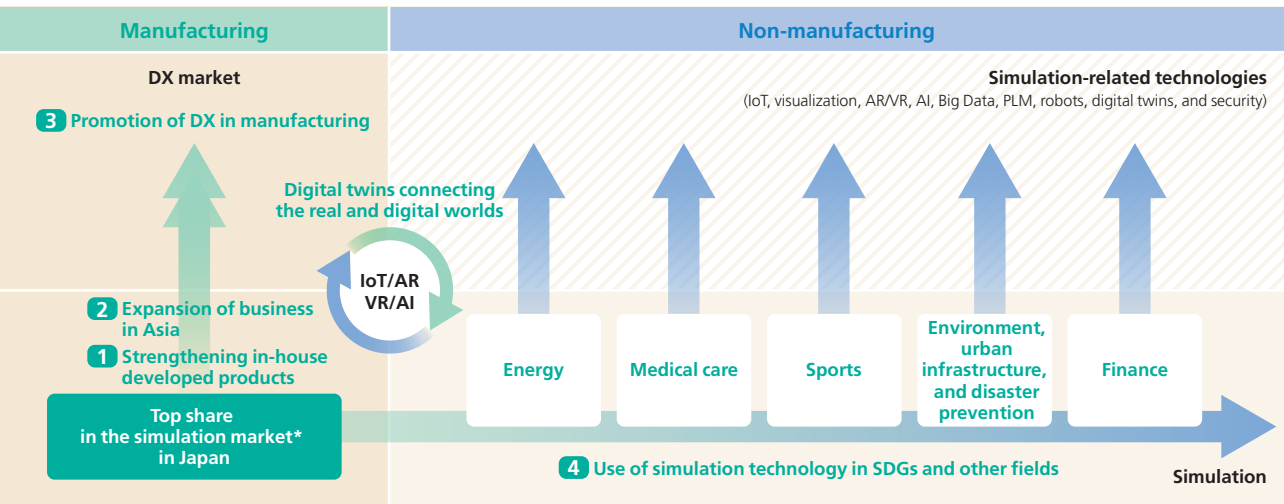
In February 2021, the Cybernet Group announced a medium-term management plan for the three-year period from the fiscal year ended December 31, 2021, to the fiscal year ending December 31, 2023. Under this plan, the group set out "Creating a sustainable society and inspiring the world through technology and ideas" as its VISION with the goal of delivering amazing proposals to society and the world, in addition to realizing a sustainable society. At the same time, the group established "Guide customers toward breakthrough solutions with vigorous creativity" as its MISION with the goal of solving issues through technologies and ideas that exceed customer expectations as well as leading them toward future transformations.

However, given the impact from the termination of the sales distributor agreement with Synopsys Inc., one of the main business partners for 36 years, in October 2021, the first year of the plan, a decrease in net sales and profit in the fiscal year ended December 31, 2022, is now unavoidable. In order to adapt to these changes in the management environment and achieve a V-shaped recovery in performance from the fiscal year ending December 31, 2023, we revised the medium-term management plan by setting new targets to overcome the challenges that we are confronted with, and to reflect the long-term vision to enhance our corporate value.

Priority policies for enhancing corporate value

Top line growth
In the short term, we will expand our business primarily in the manufacturing sector by strengthening in-house developed products, expanding business in Asia, and providing support for the promotion of DX in manufacturing. In the medium to

long term, we plan to expand the business domains in which simulation technology plays an important role, such as energy, medical care, the environment, urban infrastructure, disaster prevention, and finance.



*Top share of sales of mechanical CAE software in the Japanese market

High level of profit margin
We will strive for management that is focused on capital efficiency, taking into consideration the balance between strengthening high-value-added business and investments for growth to further enhance our business, including human resources investment and M&A, with an EBITDA margin of 12% as the indicator for a high level of profit margin.

Healthy shareholder returns
Previously, dividends were considered based on whichever was the higher indicator of a dividend payout ratio of 50% or a dividend on equity (DOE) ratio of 3%, and we have continually increased the dividend since 2017. However, we will change our dividend policy from 2022 and use a DOE of 6% as the target, based on the principle that the amount of dividends falls within the profit attributable to owners of parent. We made this change so that we can maintain the increase in dividends even in the event of a short-term decline in profit. In addition, we will also conduct share buybacks in a flexible manner depending on the level of our stock price.

Numerical targets

In 2022, we anticipate a decrease in net sales and profit due to the termination of the distribution agreement with Synopsys Inc. However, we expect an increase in net sales in the distribution business excluding Synopsys Inc. products, as well as in-house developed products and DX support services for manufacturers. Performance will bottom out in 2022, and we aim for a recovery from 2023 onward, with target net sales of ¥24.5 billion in 2024, and ¥30.0 billion in 2026.

	Dec. 2021 Results	Dec. 2024 Target	Dec. 2026 Target
Net sales	22,697	24,500	30,000
EBITDA	3,072	2,800	3,800
EBITDA margin	13.5%	11.4%	12.7%
Profit attributable to owners of parent	1,786	1,600	2,200
ROE	12.0%	9.5%	12.0%

Formulation of Medium-term Management Plan

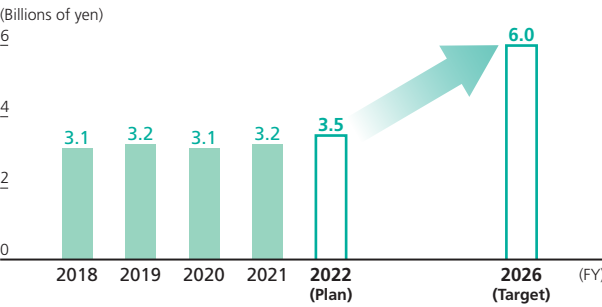
Top line growth

Strategy 1 Strengthening of in-house developed products

Vision




During 2009 and 2010, Cybernet acquired three software developers based in the U.S., Canada, and Europe. We expanded the business of these subsidiaries and developed EndoBRAIN®, an AI-based colonoscopy image diagnosis support software that received approval under Japan's Pharmaceutical and Medical Device Act for the first time in Japan. Leveraging this experience, we will build an environment where we can continually release new products developed in-house. By strengthening in-house developed products, we expect to improve profitability and mitigate risks associated with the loss of distribution agreements.

Net Sales of In-house Developed Products



Action plan

The Cybernet Group released 10 new products over the four years from 2018 to 2021. We plan to release more new products and upgrade the existing products. We also plan to strengthen in-house developed products by increasing the capacity of the three subsidiaries engaged in software development as well as our own developer team, seeking for alliances and/or joint project opportunities, mergers and acquisitions inside and outside Japan.

Subsidiaries (software developers)	Action plan
 Maplesoft Mathematics • Modeling • Simulation	Maplesoft will develop and market mobile apps and online solutions to expand its core business segment, referred to as STEM* education. It also provides services designed for manufacturing companies in the automation industry, such as integration support for digital models with manufacturing equipment and digital twin-related services.
 Sigmetrix	Sigmetrix provides value-added services through 3D tolerance analysis tools that are continually upgraded. It is developing a mechanical variation dashboard, and expanding its broad lineup of online training content.
 noesis a Cybernet Group Company	Noesis continually upgrades functions of Optimus—process integration and design optimization solutions, using the latest technologies featuring AI and model-based systems engineering. It is also developing a new enterprise platform that automates simulation and optimizes design work.

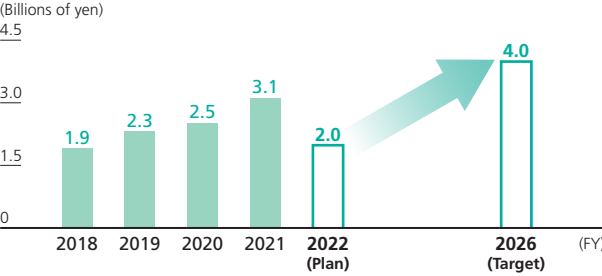
*STEM is the general name for the comprehensive field comprised of Science, Technology, Engineering, and Mathematics.

Strategy 2 Expansion of business in Asia

Vision

Services to support the R&D process of manufacturing companies are the core business segment of the Cybernet Group. The scope of business in Asia is expected to grow at a steady pace due to considerable room for market

Net Sales in Asia



expansion, provided that we can leverage simulation technologies developed and polished in Japan, as well as the good relationships established with local companies. By referencing the successful model in Japan, we will expand the lineup of products and services.

Action plan

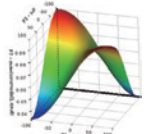
In addition to the existing CAE distribution business, we will add IoT and IT security-related products and services to our lineup. Companies in Japan are also at risk because an increasing number of cyber security threats are targeted at their overseas locations. We will promote IT security solutions for both Japanese and local companies.

Strategy 3 Promotion of DX in manufacturing

Vision


Using our expertise in simulations and the latest development methods and technologies, we are committed to helping our customers, mainly in the manufacturing sector, to achieve successful digital transformations. Cybernet's simulation technology has a strong affinity with our proprietary digital technologies related to AI, digital twins, Big Data analysis, and more. We offer support services tailored to the diverse needs of customers, from optimization of product development to process transformation, through a good mix of the technologies. In the IT security segment, we ensure our customers' operations run stably by helping them adopt new normal work arrangements and successfully achieve digital transformation using a zero-trust security platform.

AI




A model powered by artificial intelligence that can complete a days-long simulation task within a few seconds

DIGITAL TWIN



A combination of simulation data and real-world data obtained by IoT devices enables equipment error detection and prediction, realizing a digital twin for improved safety and efficiency

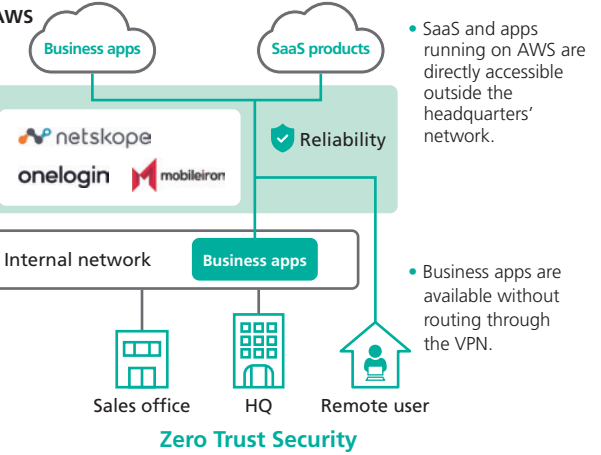
MBSE



Model-Based Systems Engineering designed to optimize electric vehicle development and its processes

Action plan

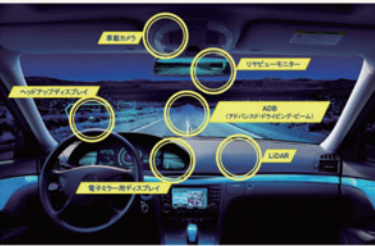
To fulfill the needs of adopting more advanced and sophisticated functions, the automotive industry in Japan is especially interested in adopting MBSE, a novel development method used in the aerospace industry. Upon launching an organization dedicated to MBSE in 2018, we have been developing MBSE tools in-house and helping customers implement MBSE. We plan to strengthen our team and accommodate the escalating needs for MBSE implementation. In addition, a combination of simulation data and real-world data obtained by IoT devices enables equipment error detection and prediction, realizing a digital twin for improved safety and efficiency.



Accelerated DX in the automotive industry

CASE (Connectivity, Autonomous, Sharing/Subscription, and Electrification) is today's R&D trend in the automotive industry. Sophisticated and advanced simulation technologies are essential for the CASE concept. Cybernet has strength in providing solutions in this field.

Services related to autonomous driving include LiDAR design, verification environment setup, functional safety analysis, and management support. Solutions for electrification include simulations to optimize battery systems, lightweight design, and noise reduction solutions.



Formulation of Medium-term Management Plan

Top line growth

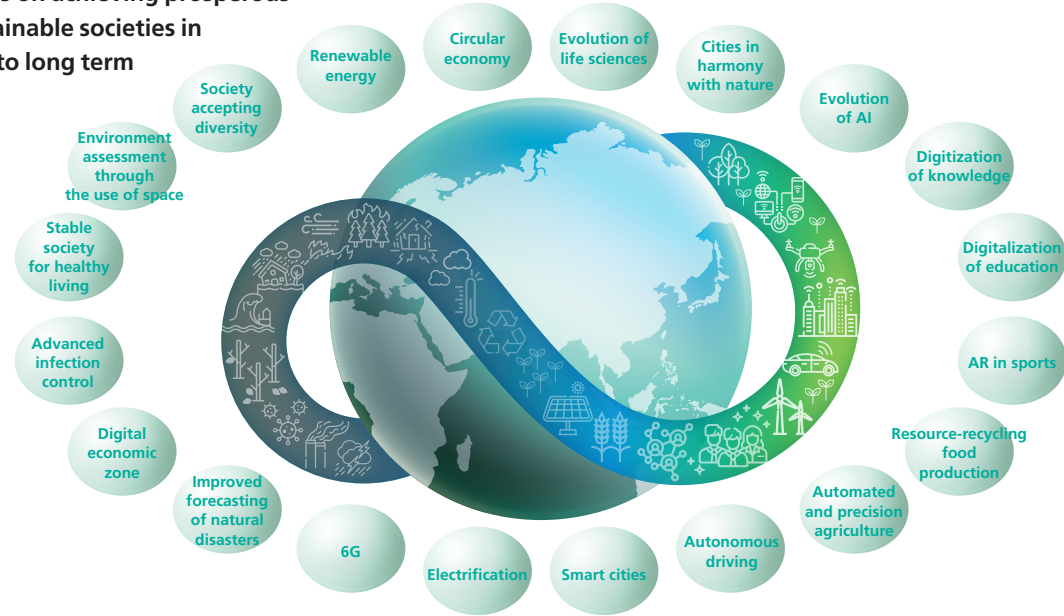
Strategy 4 Use of simulation technology in SDGs and other fields

Vision

Corporations today are expected to respond to climate change, human rights and other social issues, global environment and social sustainability.

Simulation, IT security, and other technologies of the Cybernet Group are essential for resolving sustainability and social issues. We will put more emphasis on developing such technologies and solutions while helping customers tackle their challenges.

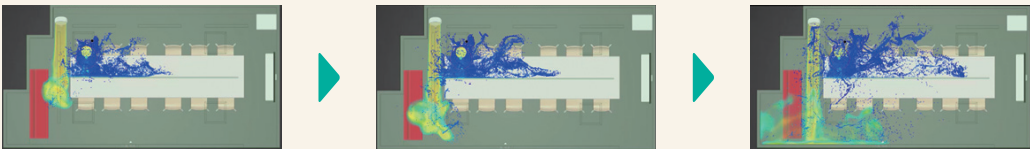
Keywords on achieving prosperous and sustainable societies in medium to long term



Solutions for infectious disease control

Non-contact virus inactivation is becoming a spotlight technology of interest inside and outside Japan. Ultraviolet-C (UV-C) light is widely used for sterilization. The lighting and fluid analysis technologies we specialize in can reduce the time and cost of designing sterilization facilities and equipment.

To keep infectious diseases under control even after the coronavirus pandemic while keeping the economy going, it is important to take precautionary measures in crowded indoor locations to prevent them spreading. Many places have installed acrylic dividers and circulator fans, but it is difficult to measure the effectiveness in consideration of the airflow. We are developing ventilation control solutions that simulate the airflow in a space captured by 3D scans and provide video data for verification.




Sample of simulation result: Conference room viewed from the top
Droplets from people's mouths are spread throughout the room due to ineffective placement of the circulator fan.

Action plan


Carbon neutral and environmentally-friendly practices

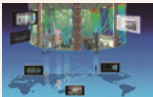
Our simulation technology is vital to resolving environmental issues. We have a track record of providing diverse solutions to combat environmental challenges. Specific case examples include solutions for efficient storage and transportation of hydrogen—a source of energy expected to contribute to realizing carbon-neutral societies, optimization and safety enhancement of wind power generators, and more. We are continuously developing solutions to tackle environmental problems through a synergy of simulations and DX technologies, including a combination of simulations and VR, which reduces the number of actual size prototype models.

We are committed to contributing to society and helping customers by continuing to develop powerful solutions for social problems.




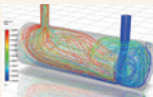
Efficient storage and transportation of hydrogen energy






Prototype creation reduced by VR





Performance enhancement of UV sterilizer



Social innovation accelerated by data analysis and simulation

Our simulation-based technology is useful for a broader spectrum of applications beyond manufacturing. We intend to expand the scope of our business by offering simulation-based solutions for environmental issues, disaster prevention, efficient management of urban infrastructure, and providing Big Data analysis and AI-powered technologies that enable data-driven management for the financial industry by handling a large volume of data that requires a high level of risk control.



Efficient operation of urban infrastructure





Financial compliance



Integrated data analysis

Contribution to a brighter future

Cybernet believes sustainability and happiness on a global scale will be a material value in the future between 2030 and 2050.

Technologies we have developed so far not only help solve social issues but can also contribute to creating a better future for the earth. By continuing to increase our technical capability and providing simulation-based new solutions to more customers, we hope to take part in creating a brighter future.

Cybernet Group's Materiality

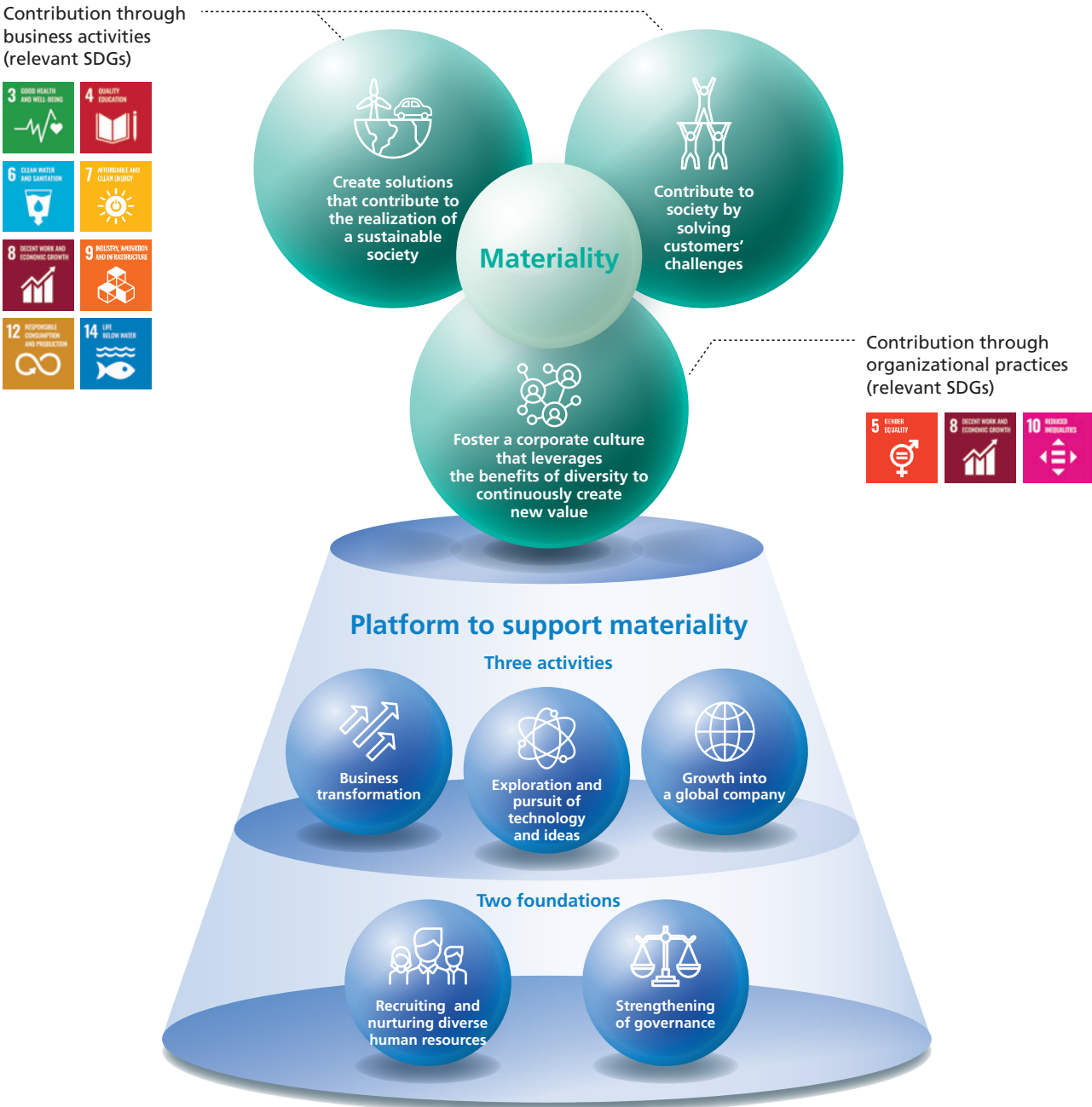
The Cybernet Group's materiality consists of the three material issues for contributing through our business activities and organizational practices, and five platforms that support materiality.

Basic approach to materiality

The business environment surrounding the Cybernet Group is changing quickly. In the area of IT technology, which is essential for our business, there has been rapid progress in AI and IoT that are becoming widespread throughout society. In addition, responding to environmental issues, particularly climate change, and addressing human rights problems are now urgent and global social challenges.

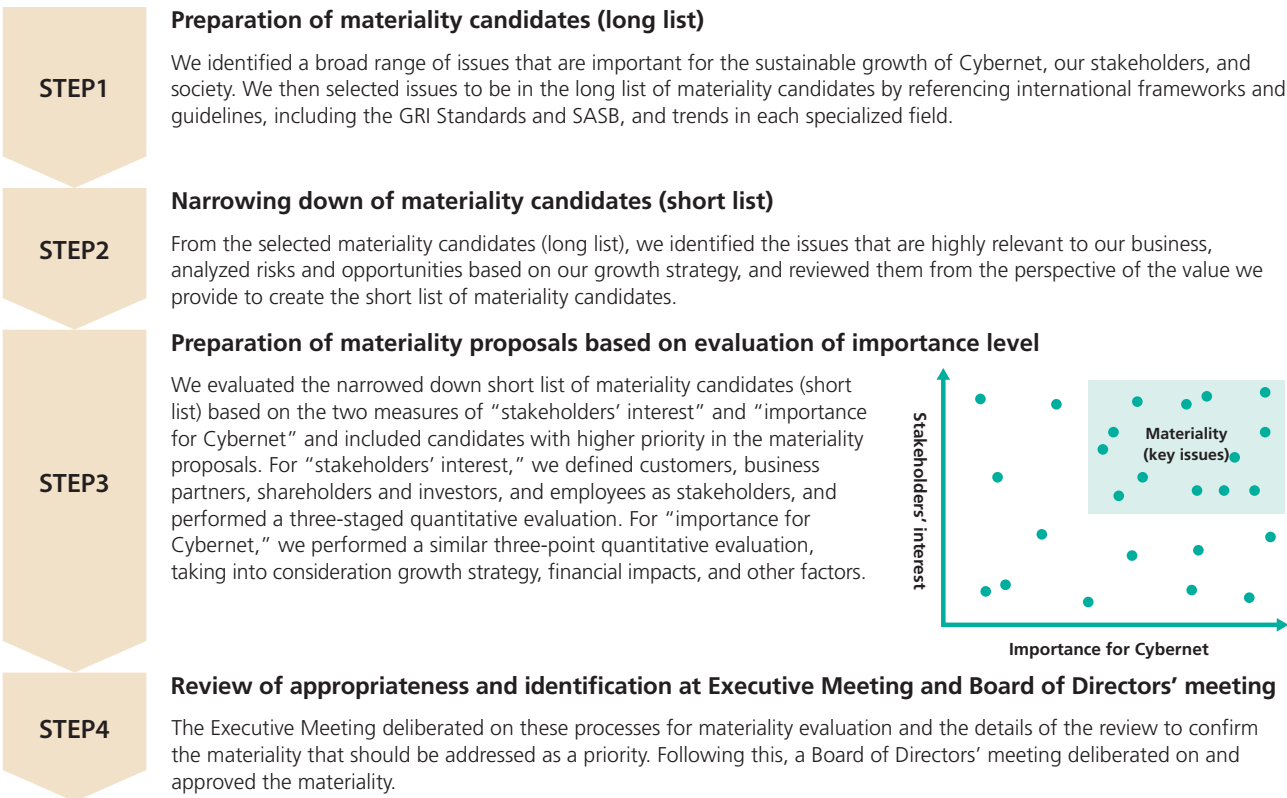
Under such circumstances, we formulated our VISION,

MISSION, and CREDO in February 2021 and clarified the values that are important to us. We also established the themes we need to address in realizing these values as our materiality (key issues). We will address materiality to realize a high order of sustainability in which we contribute to solving social challenges while achieving the Cybernet Group's sustainable growth.



Process for identifying materiality

We identified materiality through the four steps outlined below. A project team composed of directors and employees from various departments took part in the assessment process and examined materiality from a broad range of perspectives, including a review of material issue candidates, and evaluation of the importance level through workshop discussions.



Materiality and details

Materiality		
	Creation of solutions that contribute to the realization of a sustainable society	The Cybernet Group will contribute to the realization of a carbon neutral and circular society, and respond to climate change based on the simulation technology we have been developing for over 35 years since our establishment. We will also contribute to the creation of a sustainable society by providing "digital engineering solutions" in the medical care, pharmaceutical and healthcare domains in response to the aging population and health-conscious consumers, and develop solutions for the food and agriculture sector to cope with food crises.
	Contribution to society by solving customers' challenges	The Cybernet Group will sincerely face customers who are working to address social challenges not only to meet their current needs, but also to discover potential challenges while supporting their enhancement of corporate value and sustainable growth. With our advanced technical capabilities, extensive knowledge, and wealth of ideas, we will provide value to our customers as a long-term partner and contribute to creating a sustainable society together with them.
	Fostering a corporate culture that leverages the benefits of diversity to continuously create new value	The Cybernet Group will create high value-added services by mobilizing and integrating the advanced professional skills, knowledge, and know-how of human resources with diverse backgrounds and expertise, who share aspirations and accept each other's differences. We will aim to continuously create new value to achieve our VISION, leveraging our corporate culture that values vigorous discourse fostered through wide-ranging discussions among our diverse and talented workforce.

Environment

Basic Approach

In order to fulfill our social responsibilities through business activities that give consideration to global environmental conservation, the Cybernet Group established Environmental and Quality Policies in compliance with the ISO14001 requirements. Based on these policies, we have created a framework to eliminate and reduce negative environmental impacts and are continuously improving it.

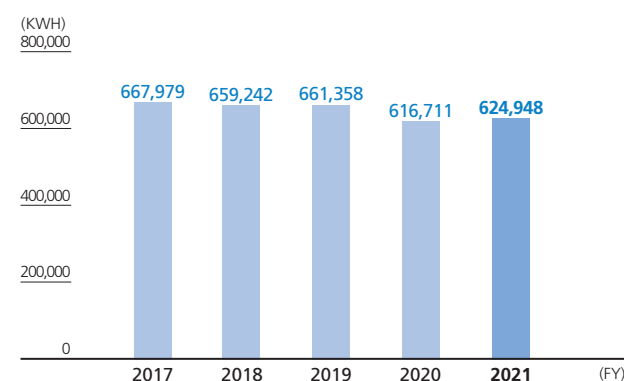
Reducing Environmental Impacts

Contributing to reduction of environmental impacts

In the areas of development and design processes for manufacturing, the Cybernet Group helps customers to reduce their number of prototypes and experiments and to create innovation by modeling and performing numerical computer simulations to predict product performance and reliability. It is also possible to predict performance and reliability in advance, even for large structures such as buildings and dams that are difficult to verify using prototypes. Through such business operations, we contribute to reducing waste from prototyping and experiments. We also develop and provide solutions that will lead to the realization of a decarbonized society and solutions to environmental problems, such as environment-friendly manufacturing, solutions related to the storage and transport of hydrogen energy, which will be key to decarbonization, and the design of wind power generation equipment to improve power generation efficiency.

Regarding initiatives at our offices, as part of workstyle reform amid the COVID-19 pandemic, we adopted telecommuting for all employees in 2020, and also reduced floor space in 2021. As a result, we reduced power consumption and paper usage.

Changes in Power Consumption



Leveraging simulation technology to develop solutions for environmental problems

By integrating simulation and digital technologies, the Cybernet Group develops solutions that respond to a variety of environmental problems, either directly or indirectly, and proposes these solutions to customers. In 2021, we developed 36 environmental solutions classified in unique categories consisting of Resources, People and Lives, and Lifestyles and the Environment. For each proposal we made to our customers, we also identified the relationships with the 17 goals and 169 targets of the SDGs.

For example, in the area of wind power generation systems that produce renewable energy, we develop solutions for making wind turbine blades larger yet lighter to improve power generation efficiency, modeling solutions to simulate and verify performance of wind power generation systems on a computer, and solutions for forecasting power demand and optimizing power generation plans with machine learning.

The remote work solutions we develop and propose to our customers aim to lower CO₂ emissions by limiting the flow and movement of people and to reduce paper usage by going paperless.



We will pursue, develop, and provide solutions based on systems that can be proposed as solutions to environmental problems.

Social

Basic Approach

The Cybernet Group takes into consideration the labor environment and diversity of human resources, and is engaged in various activities that contribute to solving social problems while responding to the demands of society by providing high-quality services and building positive relationships with stakeholders.

Enhancing Human Resource Capabilities

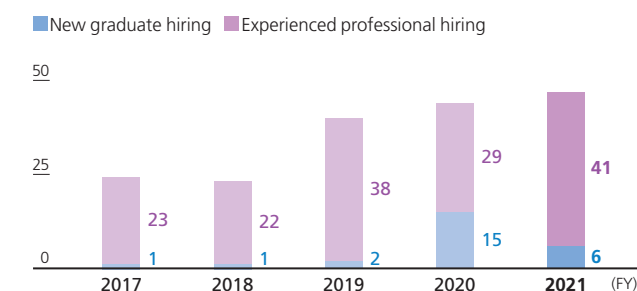
Recruitment of human resources

As the Cybernet Group operates a business focused on simulation technologies that require highly specialized knowledge, we recruit and train human resources with expertise and a wide range of knowledge and experience. We believe that building an environment that enables human resources with diverse backgrounds to play an active role is of utmost importance for future growth.

With this in mind, we actively hire experienced professionals with an emphasis on ability and achievements. We have also been putting efforts into new graduate recruitment since 2020 from the perspective of promoting diversity and incorporating the ideas of the younger generation into management. In 2021, we recruited six new graduates and 41 experienced professionals.

We will continue to actively recruit the human resources needed for sustainable growth, both new graduates and experienced professionals.

Changes in Recruitment Numbers (New Graduates/Experienced Professionals)



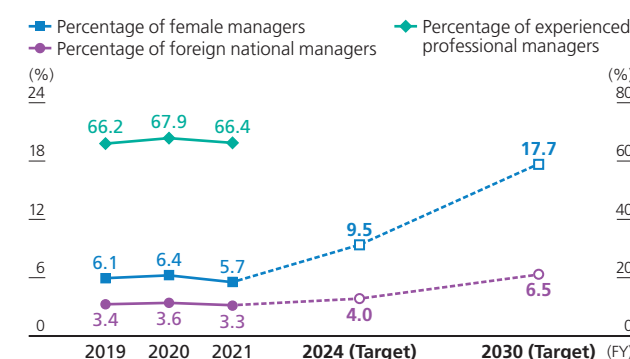
Retaining human resources and promoting diversity

High mobility is observed among IT and digital transformation (DX) professionals, and this is expected to continue in the future. In these circumstances, in order to continuously attract and retain human resources with the advanced expertise needed for business growth, Cybernet is working to enhance employee job satisfaction by fulfilling "Our commitment to employees." This is part of the CREDO we established in 2021, and it includes embracing new challenges, achieving work-life balance, and transparent evaluation.

For example, in terms of flexible work styles, we have established a full flextime system with no core times and a

telecommuting system to enable employees to achieve self-fulfillment and flexible work styles. We also have systems that provide support for childbirth, childcare, and nursing care. In terms of ensuring diversity, we actively hire employees regardless of gender or nationality.

Changes in Percentages of Women/Foreign Nationals/Experienced Professionals in Management Positions



Response to COVID-19

As a response to COVID-19, we implemented a workplace vaccination program in July 2021. The program was subject to the strict requirement that at least 1,000 people be vaccinated. With local government-led vaccinations not progressing as expected and concerns over a vaccine supply shortage due to the fifth wave of infections, Cybernet positioned providing vaccinations to employees and their families as an important management task and began considering vaccinations as part of the workplace vaccination program from May 2021. By collaborating with medical institutions and business partners, we completed two rounds of workplace vaccinations for employees, temp staff, employees at affiliated companies, business partners, and their family members.

Social

Developing human resources

In developing human resources, Cybernet has established a system of top management education, global talent education, grade-specific education, job-specific education, and common education for all employees. We also provide ongoing support for all employees to acquire qualifications and educational assistance.

In 2021, we provided leadership education and education on ESG/SDGs among other programs, and 117 managers participated in the leadership education. For 2022, we scheduled awareness education and other programs aimed at embracing diversity.

Employee growth comes primarily from challenges

they face at work. Since we respect and support our employees in taking on challenges, we enhanced our human resource development programs to enable them to tackle new challenges.

In addition, the Cybernet Group provides common solutions in Japan and Asia, so collaboration and sharing of know-how among Group companies is important. In 2021, we held the Cybernet International Technical Summit targeted at employees in technical roles in Japan, China, Taiwan, and Malaysia to develop human resources and create Group synergies through showcasing of solutions and case studies.

Education System

Job grade/position	I. Top management	II. Global talent	III. Grade-specific	IV. Job-specific		V. Common
				Sales positions	Technical positions	
Top management	MBA education					
Managers	Top management candidate education	Strengthen English conversation ability ESL and support for self-development				
			Leadership education		Strengthening PM capabilities (management practice)	Others (including support for self-development) Legal affairs and compliance education (unpaid overtime, import/export management, etc.) Information security education Training for mid-career employees (business knowledge)
			Education for new managers	Sales process management	Strengthening PM capabilities (planning) Person-hour management education	
Office assistants			Education for new supervisors			
			On-the-job (OJT) education	Strengthening sales capabilities/ SPIN	Strengthening sales capabilities/ MEDDIC	
			New employee education		Person-hour management education	
			Education for prospective employees with job offers			

Strengthening Intellectual Property Capabilities

Intellectual property management

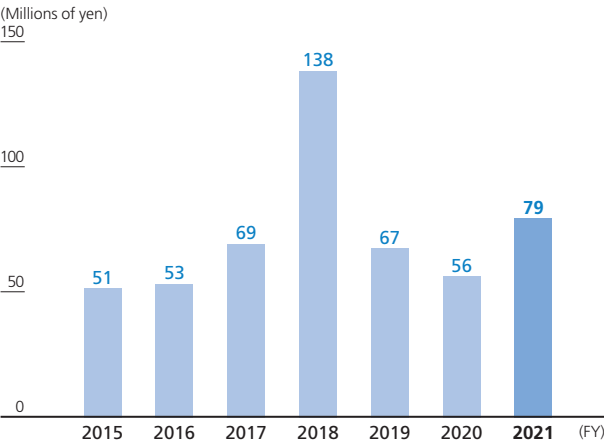
We regard the acquisition and maintenance of intellectual property, such as patents and trademarks, as effective capital that differentiates our products and services from similar products and services and adds unique value. The department in charge of legal affairs collectively manages all intellectual property held by the company. In addition, we carry out an inventory of IP assets annually and update information to reflect the business situation at that point.

Main Research and Development in FY2021

- SpaceTOPTIM: an optimization tool utilizing topology optimization*
- BIGDAT@Analysis: a Big Data analysis tool
- EndoBRAIN®/DirectPath: computer analysis software for medical images

*Finding the most efficient material distribution (optimal shape) to optimize performance under the given conditions

Changes in R&D Expenses



Acquiring cutting-edge technology and developing new products leveraging open innovation and collaboration among industry, government, and academia

The Cybernet Group has access to the latest technical information on simulation technologies on a daily basis through the projects we have conducted with 2,600 companies, and 500 universities and research institutes. We also belong to more than 40 academic and industry associations and constantly work to obtain and deliver information on cutting-edge technologies. In addition, we are actively engaged in joint research and committee activities with universities and research institutes.

In 2021, we received the Technological Contribution Award from the Society of Automotive Engineers of Japan, Inc. (JSAE) in recognition of longstanding efforts in promoting industry-academia collaboration by our distinguished engineers.

Besides developing our own products and solutions,

the Cybernet Group also handles over 80 different software products from more than 35 vendors. We take advantage of this vendor-neutral position and promote open innovation and collaboration among industry, government, and academia to acquire cutting-edge technology and develop new products. Over the past four years, these efforts led us to release 10 new products developed in-house. Such products include the EndoBRAIN® series software that supports colonoscopy image diagnosis utilizing artificial intelligence (AI), which was jointly developed with Showa University and Nagoya University; and SpaceTOPTIM, a topology optimization system designed for fluid mechanics created from joint research with Kyoto University.

AI-equipped medical devices created through industry-academia collaboration

The EndoBRAIN® series software that supports colonoscopy image diagnosis is an AI-equipped endoscopic diagnostic support system. These software products were jointly developed by Cybernet and a group led by Professor Shin-ei Kudo from the Digestive Disease Center at Showa University Northern Yokohama Hospital and Professor Kensaku Mori from Nagoya University Graduate School of Informatics. Artificial intelligence (AI), which has previously learned a vast number of case images, assists physicians with lesion diagnosis and prediction by providing endoscopic image data captured using colonoscopes manufactured by Olympus Corporation. In December 2018, it was the first AI-equipped diagnostic support tool to receive approval as a Controlled Medical Device (Class III) under Japan's Pharmaceutical and Medical Device Act.



(From left) Professor Mori from Nagoya University, Professor Kudo from Showa University Northern Yokohama Hospital, Lecturer Misawa from Showa University Northern Yokohama Hospital, and Mr. Sugai, General Manager of the Medical Visualization Department at Cybernet. (Positions are current as of the time of award.)

Quality management

Cybernet has established and implements quality assessment procedures based on in-house standards to ensure the quality of the proprietary products that we provide to customers. In assessing quality, we check the achievement level of requirements (functionality, quality, and reliability) approved by the New Business Council and the Executive Meeting, held before quality assessment, and we determine whether the quality of the product meets the required criteria applicable to in-house products prior to shipping. In terms of the more specific processes, we verify the following three criteria.

- (1) Schedule (plan and performance)
- (2) Results of quality audit for each process
- (3) Results of quality assessment tests

Criteria (1) and (2) are reviewed at the time of development planning and during each transition to another phase. For criteria (1), we check whether the content of the plan approved by the New Business Council and the Executive Meeting are properly reflected in the Project Development Plan and whether

the development plan is reasonable. We also verify performance against the plan. For criteria (2), we examine whether the quality at the end of each stage of development is consistent with the quality plan in the Project Plan and whether a transition to the next phase is appropriate. Before the release of a new product, we verify the criteria (1), (2), and (3) in a quality assessment meeting to determine if the product meets the required criteria for shipment.

In particular, our quality assessment process determines whether appropriate quality management and assessments are being conducted from the perspectives listed below. If the products pass all the criteria, the quality assessment meeting concludes that the products satisfy the required quality for shipment.

Quality Management Checklist

- Development management system
- Results of tests by development and sales departments for all listed functions
- Safety checks, including risks of using Open Source Software (OSS)
- Management system for source code
- Maintenance manuals (product support flow and its system)

Social

Deepening Our Partnerships

Strengthening customer relations

In order for customers to effectively use the Cybernet Group's CAE software to predict product performance and reliability in research and development for their new products, they need to understand the basic theories of physics and mathematics, and they need to become familiar with using CAE software. These factors prevent many customers from making the best use of CAE software even after they installed it.

To resolve such problems, the Cybernet Group provides continual user support after our customers purchase our products by leveraging our experience and know-how in working with CAE software ever since our foundation in 1985, as well as our experience in a wide range of fields, including structures, fluids, heat transfer,

lighting, optics, wave motion, control, and fatigue. In providing support, our engineers who are well-versed in their respective fields offer high-quality services, which are rated highly by customers.

In addition, as product functions are becoming more sophisticated and complex, it is essential for the research and development departments of many companies to make the best use of CAE software. Training engineers is also important for customers so that they have employees with a good command of CAE software products. We share our experience and know-how with our customers through CYBERNET CAE University and other programs to help with the training of engineers.

CYBERNET CAE University

The CYBERNET CAE University program aims to train engineers through systematic education combining classroom lectures, experiments, and hands-on CAE software training. The program offers courses for each field and skill level, allowing students to select courses according to their learning objectives and level of proficiency. It also offers classes on a fixed schedule so customers can choose the type of courses that best suit their needs.

As of the end of April 2022, the school offers 25 regular lectures and 8 e-learning courses, as well as individual training programs. In addition, university professors, top engineers in their respective field, and former designers serve as instructors to provide in-depth training. In 2021, we offered 116 lectures, and many engineers participated in our programs.

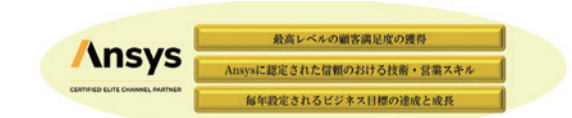


Strengthening Alliance with Partners and Vendors

The Cybernet Group works with many business partners in the course of our business activities. In particular, many of the software products provided by the Cybernet Group are supplied by software development vendors inside and outside Japan. It is important to build a good relationship with them.

In order to build fruitful relationships with software development vendors, the Cybernet Group is strengthening its core expertise as a group of engineers, providing a high level of customer satisfaction through support services, knowledge provision, and modeling support. We have a long-lasting business relationship not only with major Japanese manufacturers but also with universities, research institutions, and leading global manufacturers. Many

software development vendors recognize us as an excellent partner. We have been certified as an elite channel partner for seven consecutive years by Ansys, Inc., a core supplier of the Cybernet Group. We are also committed to improving our in-house products and services by exchanging technological knowledge through joint development partnerships with companies around the world.



Certification requirements as an Ansys Elite Channel Partner

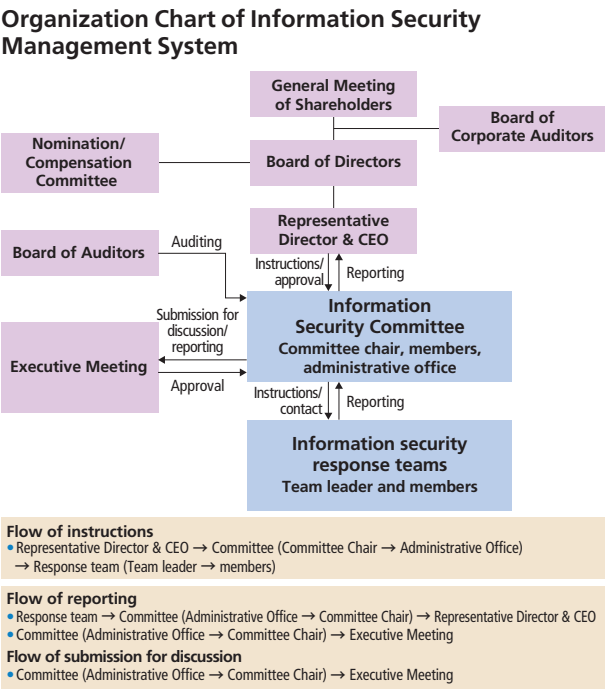
Ensuring Information Security

Information security management system

Cybernet positions information security as a key management task and has established the Information Security Committee chaired by the Senior General Manager of the General Administration Division that promotes information security. The Information Security Committee, composed of the committee chair, committee members, and the administrative office, promotes policies related to information security and implements various measures to promote information security management. The committee also deliberates on matters related to information security incidents, decides countermeasures and manages the progress of measures taken, and then schedules and conducts information security training, as well as appointing the leader of the response team. The committee also assigns a response team in each department where business activities are carried out.

The Information Security Committee ensures information security through the establishment of a system for giving and receiving instructions and reports. Under this system, the committee receives instructions from the Representative Director & CEO. The committee also gives instruction to the response teams in each department based on the content of its discussions. The response teams report

back to the Representative Director & CEO through the Information Security Committee.



Measures to enhance information security

Under the Information Security Basic Policy, Cybernet established rules and regulations on information security and related areas, as well as information security objectives, company-wide information security targets, and three priority measures on information security, which are being implemented company-wide. Information security is a key task for our management. We obtained ISO27001 certification in November 2007 and have been working on continuous improvement.

In terms of information security measures, we install software on all the relevant computers to reduce the risk of sending e-mails to unintended destinations as well as anti-virus software and computer management software that keeps operation logs, and we encrypt the hard disks of computers that are taken off the company's premises. For smartphones, we manage the apps installed on phones in addition to measures in case the phones are lost. Measures for file servers include management of access rights, backups, and management of access and operation logs.

In the event of an information security incident, we act promptly to bring the situation under control and minimize damage. This includes reporting of the incident by the party involved or the person who discovered the incident to the team leader of the response unit and the Information

Security Committee. In addition, the Information Security Committee strives to prevent recurrence by determining the type of incident and its severity, as well as corrective measures to prevent recurrences.

We provide education on information security when employees join the company, and we regularly offer training sessions for all employees who work at the Cybernet Group.

We have also hired employees well-versed in information security to create and manage a common information security framework for all of our subsidiaries.

Information Security Objectives, Company-wide Targets, and Priority Measures	
Information security objectives	Cybernet regards meeting the security requirements of our customers, business partners, and our own company as an important and continuous issue for our management, and we maintain information security appropriately.
Company-wide information security targets (2022)	Avoid causing serious security incidents
Three priority measures on information security	1. Be highly motivated to avoid causing incidents; 2. Do not send e-mail to unintended destinations; 3. Do not lose or allow important information to be stolen.

Governance

Basic Approach

Cybernet has established the Cybernet Group Corporate Governance Initiatives as a basic guideline for corporate governance, in order to ensure compliance with relevant laws and regulations in all of our corporate activities and to assure our actions are in accordance with social ethics. Based on the Corporate Governance Initiatives, we are working to build an organization that ensures the stability of management, clarifies accountability, discloses information in a timely and fair manner, expedites management's decision making, strengthens the supervision of business execution, and conducts highly effective risk management and check functions.

Implementation of Corporate Governance

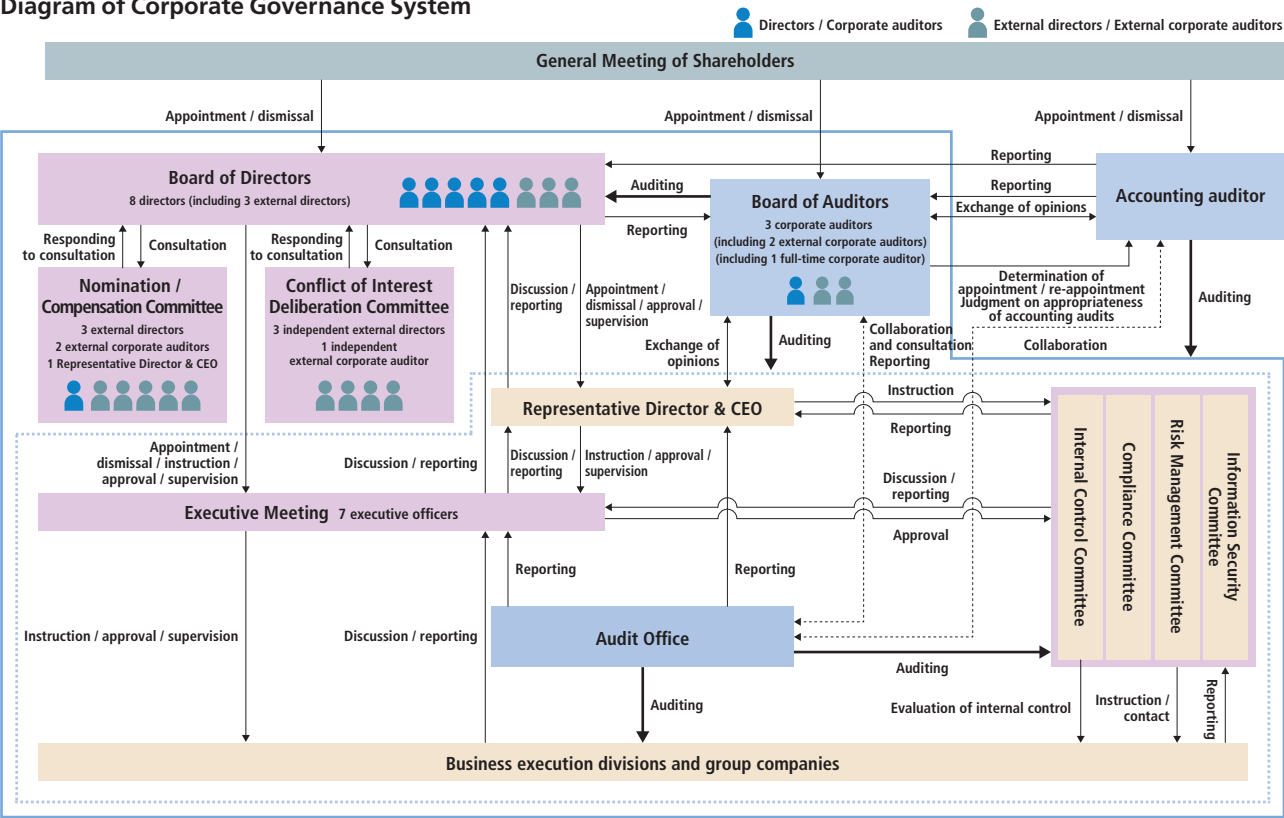
Corporate governance system

In order to strengthen appropriate supervision of business execution, Cybernet has reinforced its auditing system by appointing three of its eight directors as independent external directors and establishing a Board of Auditors that includes independent external corporate auditors. We have also adopted an executive officer system to clarify the classification of business execution, expedite its decision-making, and strengthen the supervision of business execution. Furthermore, we have established a Nomination/Compensation Committee, chaired by an independent external director and consisting of external directors, external corporate auditors, and the Representative Director & CEO, to increase objectivity and transparency in determining director nomination and compensation. Since Cybernet has a parent company that owns a majority of its

shares, we have established the Conflict of Interest Deliberation Committee consisting of independent external directors and external corporate auditors to deliberate on important transactions and actions between the parent company group and the Cybernet Group from the perspective of protecting minority shareholders' interests prior to making decisions on such transactions.

In addition to developing the system described above, we have established the Basic Policies on Corporate Governance, aiming to realize appropriate corporate governance. We consistently seek to optimize corporate governance while continuously striving for improvement. We also implemented all of the principles stipulated in the Corporate Governance Code of the Tokyo Stock Exchange.

Diagram of Corporate Governance System



Overview of the Corporate Governance System

Board of Directors	An organization that deliberates and decides on management policies, etc., and supervises the execution of duties by directors
Board of Auditors	An organization that audits the execution of duties by directors
Nomination/Compensation Committee	An advisory body to the Board of Directors that deliberates on nomination and compensation of directors, etc.
Conflict of Interest Deliberation Committee	An advisory body to the Board of Directors that conducts prior deliberation on important transactions, etc. that may cause a conflict of interests between the parent company group and the company's minority shareholders
Executive Meeting	An organization that deliberates on important managerial matters and makes decisions on business execution
Committees	A standing committee serving as a cross-functional body, separate from the existing management organization, to implement specific measures for internal control, risk management, etc.
Internal Audits	Inspection and evaluation of the effectiveness of group-wide internal control systems
Accounting Audits	Accounting audits and internal control report audits performed by Grant Thornton Taiyo LLC based on the Companies Act and the Financial Instruments and Exchange Act

Board of Directors

The Board of Directors is composed of eight directors (including three independent external directors). With supervision and auditing by the corporate auditors, it deliberates and decides on management policy, etc. It also has a supervisory function that requires regular reporting on the status of duties that the directors execute. In principle, a regular meeting of the Board of Directors is held once a month, and extraordinary meetings of the Board of Directors are held as necessary to discuss matters stipulated by laws and regulations, the Cybernet Group's management strategies, and other matters specified in the Board of Directors Regulations. In 2021, the Board of Directors held 19 meetings.

Main Discussions at the Board of Directors

Management strategy and management plan	<ul style="list-style-type: none">Determination of medium-term management plan and growth strategiesDetermination of materialityRevision of personnel systemFinancial results	<ul style="list-style-type: none">Determination of VISION, MISSION, CREDOExamination of M&A strategyReorganization of group companies
Corporate governance	<ul style="list-style-type: none">Evaluation of the effectiveness of the Board of DirectorsAppointment of directors and executivesDetermination of director and executive remuneration	
Risk management and compliance	<ul style="list-style-type: none">Enhancement of information security worldwide, including group companiesImprovement of dealing with legal matters on a global scale	

Board of Auditors

The Board of Auditors is composed of three corporate auditors (including two external corporate auditors with one of them being an independent external corporate auditor), and it audits the duties executed by directors from the perspective of legality and appropriateness. The corporate auditors strive to improve the effectiveness of their audits by attending meetings of the Board of Directors and other important meetings, expressing their opinions as necessary, and exchanging views with directors on a regular basis. The company appoints external corporate auditors who have knowledge and experience in corporate management and ensures that they audit the duties

executed by directors from an objective and fair standpoint. In 2021, the Board of Auditors held 19 meetings.

The corporate auditors receive audit plans and periodic audit reports from the accounting auditor to determine the appropriateness of audit methods and results, and strive to strengthen mutual cooperation by exchanging views as appropriate. In addition, the full-time corporate auditor and the department in charge of internal audits work in collaboration by holding regular meetings where they share information and exchange opinions. These activities enhance the effectiveness of internal audits and the operation of internal control systems.

Nomination/Compensation Committee

Cybernet has established the Nomination/Compensation Committee as an advisory body to the Board of Directors. The Nomination/Compensation Committee is chaired by an independent external director and comprises six members including one Representative Director & CEO, three external directors, and two external corporate auditors. The Nomination/Compensation Committee aims to increase independence, objectivity, and transparency in the decision-making process for important matters related to the nomination and compensation of directors and corporate auditors, and to further enhance and strengthen the

corporate governance system. In addition, the Representative Director & CEO, external directors, and external corporate auditors actively exchange opinions not only on nominations and compensation but also on the relevant management strategies. In 2021, the Nomination/Compensation Committee held 13 meetings.

Main Roles of the Nomination/Compensation Committee

- Deliberation on the selection of director candidates and dismissal of directors
- Deliberation on director evaluation and compensation
- Deliberation on successor planning for positions including the Representative Director & CEO
- Responding to consultation from the Board of Directors

Governance

Conflict of Interest Deliberation Committee

Cybernet established the Conflict of Interest Deliberation Committee in December 2021. The committee comprises four members including three independent external directors and one independent external corporate auditor. The committee deliberates to ensure that the Cybernet Group conducts business transactions between FUJI SOFT INCORPORATED and its group companies under the same conditions as other business partners in terms of transactional conditions and determination methods. In case of important transactions or actions, the committee will deliberate from the standpoint of protecting the interests of minority shareholders before such transactions or actions are initiated. The Conflict of Interest Deliberation Committee was held once in 2021.

Relationship with parent company
FUJI SOFT INCORPORATED

Cybernet’s parent company FUJI SOFT INCORPORATED holds 53.89% of our voting rights (as of December 31, 2021). Since becoming a member of the FUJISOFT Group in October 1999, Cybernet has helped to enhance the corporate value of the FUJISOFT Group as a leader in Japan’s simulation industry in terms of scale and profitability. FUJI SOFT INCORPORATED and Cybernet engage in appropriate corporate management and business activities while maintaining independence and respecting their individual stances as listed companies.

Evaluation of effectiveness of Board of Directors

Once a year, the Board of Directors, the Nomination/Compensation Committee, the Conflict of Interest Deliberation Committee, and the Board of Auditors conduct self-assessments of their effectiveness. Directors and corporate auditors answer questions on effectiveness prepared by the department in charge of corporate planning and the department in charge of audits, and the results are analyzed by the Board of Directors, the Nomination/Compensation Committee, the Conflict of Interest Deliberation Committee, and the Board of Auditors. In turn, improvement measures are implemented based on any issues that were identified.

Items related to the evaluation of the effectiveness of

the Board of Directors are based on a four-point evaluation for each item, including the structure (size and composition), the status of the operation of the Board of Directors, the status of discussions, and the status of support for external directors. The self-assessment also includes a written comment section.

For the evaluation of the effectiveness of the Board of Directors in 2021, a questionnaire was conducted in 2022 and the results of the evaluation were reported at the Board of Directors meeting held in February 2022. More than half of all evaluation items were positive, confirming that the important roles and responsibilities expected of the Board of Directors are being fully fulfilled.

Director and executive remuneration

The basic policy of remuneration paid to directors is to set the amount of remuneration for each director in accordance with the results and responsibilities of management goals in order to promote the responsible execution of business and their responsibility for supervising it. The remuneration of executive directors consists of basic remuneration (fixed remuneration), bonuses (performance-linked remuneration), and restricted stock remuneration (non-monetary remuneration). The remuneration of non-

executive directors is limited to basic remuneration (fixed remuneration). In addition, the company is endeavoring to increase the weight of performance-linked remuneration in the composition of compensation for the executive directors, and a review is being conducted by the Nomination/Compensation Committee in this regard.

The remuneration paid to corporate auditors comprises basic remuneration (monthly remuneration) only.

Selection and appointment of director and executives

Cybernet selects candidates for directors who have the knowledge, experience, and achievements required of a director and who contribute to the enhancement of corporate value. In addition, the company has established selection criteria and independence standards for the appointment of external directors. The appointment of external corporate auditors is based on the criteria for determining the independence of independent directors and auditors outlined by the Tokyo Stock Exchange.

The appointment of directors and executives is decided

by the Board of Directors after deliberations by the Nomination/Compensation Committee, which consists of external directors, external corporate auditors, and the Representative Director & CEO. However, directors are elected by resolutions of the General Meeting of Shareholders. Corporate auditors are also elected by resolutions of the General Meeting of Shareholders, and in selecting corporate auditors, consent has been obtained from the Board of Auditors before consulting the Board of Directors.

Skills Matrix of Board Members

Executives	External	Name	Skills Matrix							
			Corporate management experience	Technology and R&D	Sales and marketing	Treasury, finance, and M&A	Diversity and human resources development	Legal and risk management	ICT	Global business experience
Directors		Reiko Yasue	●		●		●		●	●
		Yoshiharu Shiraishi	●		●				●	
		Masahiro Matsumoto		●						●
		Satoru Kimoto	●			●	●	●		
		Jeng Minghong	●	●	●					●
	◎	Hajimu Kishi	●	●	●		●		●	●
	◎	Yoshisuke Hasegawa	●	●					●	
	◎	Masahito Kitamura							●	●
Auditor & Supervisory Board Members		Tatsuya Naito				●	●	●		
	◎	Fumio Hama	●	●					●	
	◎	Aya Fujimatsu						●		

This table does not contain all of the skills of each director and corporate auditor.

Support system for external directors/corporate auditors

At Cybernet, the department in charge of corporate planning and the department in charge of internal audits play a leading role in the support system for external directors and external corporate auditors as part of their duties in cooperation with other departments.

When the Board of Directors meets, in principle, the company notifies directors and corporate auditors of the agenda items at least three days prior to the date of the

meeting. In addition, when the Board of Auditors meets, in principle, the Secretariat of the Board of Auditors notifies the external corporate auditors of the details of the agenda items before the date of the meeting. As necessary, the Representative Director & CEO and full-time corporate auditors report and explain important proposals and information directly to external directors and external corporate auditors, respectively.

Governance

Compliance

In order to cultivate a spirit of proactively complying with laws and regulations, Cybernet established the Cybernet Group Corporate Governance Initiatives, posts it on its intranet, and distributes a portable version to all employees in an effort to share awareness of legal compliance and to ensure that the Corporate Governance Initiatives is made known to all.

Once a year, the company conducts regular e-learning for all employees. Directors, corporate auditors, and executive officers undergo compliance training with

corporate lawyers as lecturers and strive to practice compliance management.

In addition, the Cybernet Group operates a whistleblower system that accepts consultations and reports on important matters related to compliance, such as violations of laws and regulations or the Articles of Incorporation and other ethical violations. In addition, the company has established the Regulations in Regards to the Protection of Whistleblowers so that informants do not suffer disadvantages.

Risk management

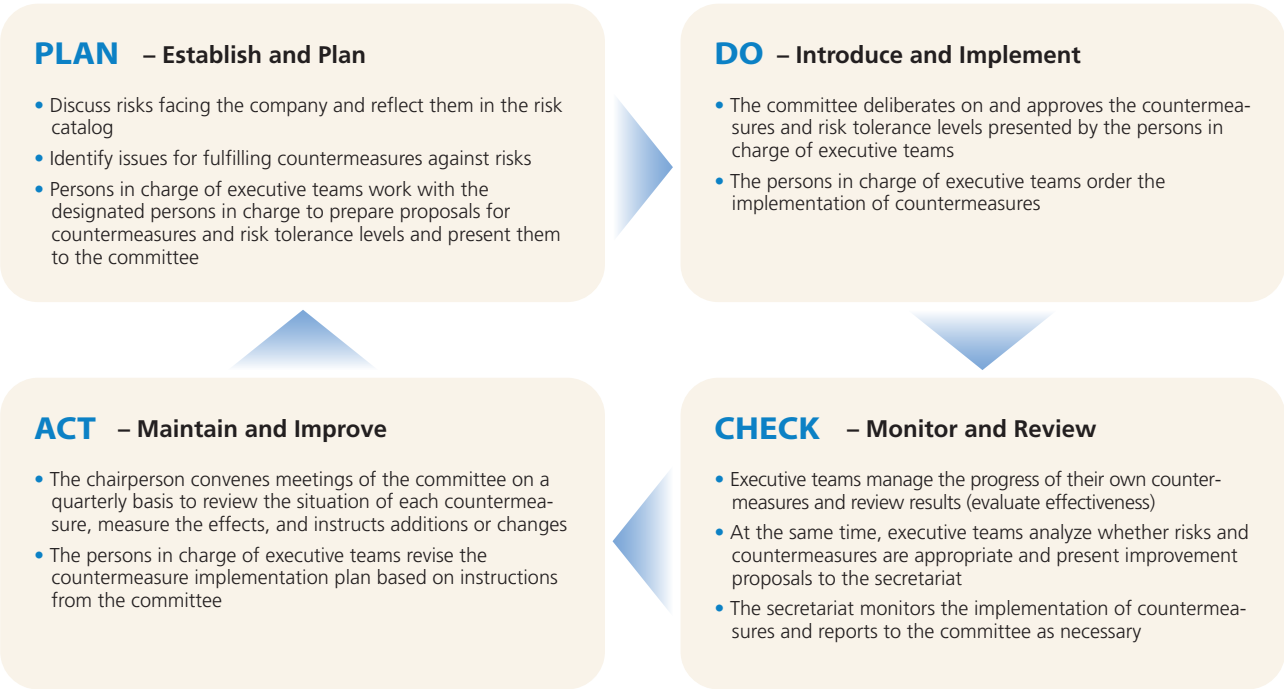
Cybernet believes that it is important to correctly recognize risks arising from business activities, to determine and implement measures in advance to reduce the possibility of their occurrence, and to reduce losses in the event of such occurrence. Based on this, the company has established a risk management system and formulated the Risk Management Basic Policy consisting of basic objectives and code of conduct, which we continue to implement.

The company has established the Risk Management Committee, whose members comprise full-time directors, as an organization responsible for risk management. The committee plans and drafts matters necessary for risk management, evaluates the effectiveness of measures against individual risk events, and deliberates on the results of monitoring activities.

In addition, the committee selects a countermeasure department for each risk event, and the selected department serves as an executive team to examine the contents of the countermeasures for the risk event and implements them with the approval of the committee. In addition, the progress and implementation results of these countermeasures are reported to the committee to confirm whether they need to be reviewed or corrected.

Once a year, the Representative Director, President and Executive Officer conducts a management review to confirm whether risk management is being implemented in accordance with the Risk Management Basic Policy and whether management efficiency is appropriate.

Risk Management System



Directors, Audit & Supervisory Board Members, and Executive Officers
(As of July 1, 2022)

Directors



1 Reiko Yasue Representative Director April 1991 Joined Nagoya Research Institute, Panasonic Information Systems Co., Ltd. (currently Panasonic Advanced Technology Development Co., Ltd.) April 1999 December 1999 June 2004 September 2005 July 2009 April 2015 January 2018 March 2018 March 2019 January 2020 June 2020 March 2021 Joined Unwired Planet Joined Motorola, Inc. Joined SEVEN Networks, Inc. Joined Qualcomm, Inc. Joined FUJII SOFT Inc. Managing Executive Officer Joined Cybernet Systems Co., Ltd. as Executive Vice President Representative Director, Executive Vice President Representative Director, President & CEO Representative Director, President and Executive Officer (current position) Outside Director, TOMY COMPANY, Ltd. (current position) Outside Director, Lion Corporation (current position)	6 Hajimu Kishi External Member of the Board Independent April 1965 September 1979 June 1989 April 2005 June 2007 June 2010 November 2011 April 2012 March 2016 April 2016 March 2017 March 2021 Joined Oki Electric Industry Co., Ltd. Transferred to FANUC CORPORATION Director Senior Managing Director Advisor Managing Director Advisor Auditor, The University of Electro-Communications External Auditor & Supervisory Board Member, Cybernet Systems Co., Ltd. Special Adviser to the President, The University of Electro-Communications External Member of the Board, Cybernet Systems Co., Ltd. (current position) Visiting professor, The University of Electro-Communications (current position)
2 Yoshiharu Shiraishi Member of the Board April 1992 March 2017 March 2018 June 2018 March 2021 Joined FUJII SOFT Inc. Director, TOSHIO COMPUTER SYSTEMS Co., Ltd. Director & Executive Operating Officer, FUJII SOFT Inc. Director, ACE Securities Co., Ltd. Member of the Board, Executive Vice President, Cybernet Systems Co., Ltd. (current position)	7 Yoshisuke Hasegawa External Member of the Board Independent April 1980 April 2009 June 2015 August 2016 January 2018 October 2019 March 2022 Joined Sharp Corporation Executive Managing Officer Representative Director and Senior Executive Managing Officer Senior Executive Managing Officer, Member of the Board Senior Executive Managing Officer Chairman and Representative Director, SHARP COCORO LIFE Inc. External Member of the Board, Cybernet Systems Co., Ltd. (current position)
3 Masahiro Matsumoto Member of the Board April 1999 January 2020 March 2020 Joined Cybernet Systems Co., Ltd. Executive Officer Member of the Board, Executive Officer (current position)	8 Masahito Kitamura External Member of the Board Independent April 1982 October 1999 April 2012 April 2016 October 2018 April 2019 March 2022 April 2022 Joined Olympus Optical Co., Ltd. (currently Olympus Corporation) Worked for Olympus Singapore Pte. Ltd. Executive Officer, Chief Compliance Officer Executive Officer, Division Manager, CSR Division Executive Officer, Chief Information Security Officer Executive Officer, Vice President, Chief Information Security Officer External Member of the Board, Cybernet Systems Co., Ltd. (current position) Professor, Kansai University of International Studies School of Business Administration (current position)
4 Satoru Kimoto Member of the Board April 1987 June 2007 April 2008 October 2009 June 2013 March 2019 March 2020 Joined Fuji Software Co., Ltd. (currently FUJII SOFT Inc.) Audit & Supervisory Board Member, Cybernet Systems Co., Ltd. Seconded to FUJISOFT DIS Co., Ltd. (currently VINX CORP.), Director Transferred to FUJISOFT DIS Co., Ltd., Director Director, Managing Executive Officer Full-time Audit & Supervisory Board Member, Cybernet Systems Co., Ltd. Member of the Board, Executive Officer (current position)	5 Jeng Minghong Member of the Board October 1990 January 2001 July 2008 January 2015 September 2017 October 2017 March 2019 January 2021 Joined Industrial Technology Research Institute Director, TeraSoft Inc. Director and General Manager, CYBERNET SYSTEMS TAIWAN Co., Ltd. Director, CYBERNET SYSTEMS (SHANGHAI) Co., Ltd. President, CEO and General Manager (current position) President, CEO and General Manager, CYBERNET SYSTEMS TAIWAN Co., Ltd. (current position) Member of the Board, Cybernet Systems Co., Ltd. (current position) Director, CEO and Managing Director, CYBERNET SYSTEMS MALAYSIA Sdn. Bhd. (current position)

Auditor & Supervisory Board Members



9 Tatsuya Naito Full-time Auditor & Supervisory Board Member	
April 1982	Joined The Daiichi, Inc.
September 2006	Joined FUJII SOFT Inc.
June 2010	Audit & Supervisory Board Member, Cybernet Systems Co., Ltd.
April 2012	Manager, Corporate Management Department, FUJII SOFT Inc.
June 2013	Member of the Board, Cybernet Systems Co., Ltd.
March 2014	Resigned as Member of the Board
March 2020	Full-time Auditor & Supervisory Board Member, Cybernet Systems Co., Ltd. (current position)
10 Fumio Hama External Auditor & Supervisory Board Member	
April 1971	Joined FUJII SOFTWARE LABORATORY, Ltd. (currently FUJII SOFT Inc.)
June 1999	Senior Managing Director
July 2001	Representative Director and Vice President, Daiichi Information Systems Co., Ltd. (currently VINX CORP.)
April 2002	Representative Director and Vice President, Vinculum Japan Corporation (currently VINX CORP.)
December 2002	Senior Managing Director, FUJISOFT ABC Inc. (currently FUJII SOFT Inc.)
October 2005	Director and Vice President, FUJISOFT DIS Co., Ltd. (currently VINX CORP.)
April 2008	Representative Director and President
June 2011	Representative Director and Chairman
April 2012	Advisor
April 2013	Advisor, VINX CORP.
June 2014	Full-time Audit & Supervisory Board Member, Cyber Com Co., Ltd.
March 2020	External Auditor & Supervisory Board Member, Cybernet Systems Co., Ltd. (current position)

Executive Officers

Reiko Yasue	President and Executive Officer	Hideyuki Tanaka	Executive Officer
Yoshiharu Shiraishi	Senior Managing Executive Officer	Tetsuya Shutou	Executive Officer
Masahiro Matsumoto	Executive Officer	Junpei Watase	Executive Officer
Satoru Kimoto	Executive Officer	Ichiro Shibata	Executive Officer

I will utilize my experience and ability to support the transition to a business centered on in-house developed products and services.

I was appointed as an external auditor of Cybernet Systems Co., Ltd. in 2016 and have served as an external member of the board since 2017. Since then, both the circumstances surrounding the Cybernet Group and the company itself have been changing dramatically. The changes in circumstances include the entry into a new industry revolution, the US-China trade war, the COVID-19 pandemic, and the Russian invasion of Ukraine. The company has responded to those changes in order to keep growing. It created a new VISION and MISSION statement in 2021 and announced a medium-term management plan in 2022, which set forth a policy of transition from a distributor-focused business to a business centered on in-house developed products and services, as well as strengthening its overseas business.

I believe that the Cybernet Group has the actual and potential software technology as well as experienced professionals to achieve the new VISION and MISSION statement and make a great leap forward. In this context, as an independent external member of the board, chair of the Nomination/Compensation Committee, and a member of the Conflict of Interest Deliberation Committee, I always try to listen, think, and act with the following two points in mind:

- All the companies that have achieved great progress and accomplishments have a lean organization with personnel that can work toward their goal under top management's strong leadership.

- Directors and other executives of an organization should not only fulfill their assigned duties, but also strive to see things from a higher perspective to make decisions.

In the Nomination/Compensation Committee, which I chair, each member contributes to the discussion with their own experience and abilities. Each member freely expresses their opinions or questions about dubious or unclear points of any subject, no matter how trivial they may sound. Furthermore, they make a convincing argument from a higher perspective.

The most important step to center the business on in-house developed products and services is to visualize financial health by setting numerical management indicators essential to each business unit. This is done so that executive managers do not waste the employees' efforts, since the business has a different break-even point and profit-generating structure than the distributor business that the company has experience with.

Through my words and deeds from the standpoint of an independent external member of the board, I will continue to contribute to the rapid growth of the Cybernet Group.

Hajimu Kishi
External Member of the Board



I will encourage the company's endeavor for its growth, maintaining a good balance between hedging and taking risks.

Under its VISION, "Creating a sustainable society and inspiring the world through technology and ideas," Cybernet Group aims to be a leading company in simulation technology. DX, which is using simulation technology is indispensable for solving social issues and is expected to become increasingly important and more widely applied in the future. I believe that the Cybernet Group, along with its extensive track record, specialized engineers, reliable customer relationships, and strong financial position, has the potential to expand its business as an industry leader.

At the same time, we must be aware that we are in difficult times, in which corporate performance and continuity may be impacted significantly by the economic and social environment that is becoming more uncertain every day due to global warming, natural disasters, new infectious diseases, and regional conflicts.

In my last job, I oversaw products such as Japan's first color LCD cell phone with camera, IoT home appliances, as well as a business focused on LCD devices. I also experienced severe business conditions. Based on these experiences, I believe that a company should always attempt to grow by

seeing things from the customers' perspective and maintaining a good balance between hedging and taking risks.

Based on that belief, I will support what the medium-term management plan outlines, namely, increasing the ratio of in-house developed products, expanding overseas business, and growing in the non-manufacturing sector. At the same time, I will help the company grow continuously and enhance its corporate value by analyzing the risks surrounding the group's business and developing a robust business continuity plan (BCP). To this end, I will actively monitor management and provide advice at board meetings, as required of independent external members of the board, so that I can contribute to meeting the expectation of the stakeholders.

Yoshisuke Hasegawa
External Member of the Board



I will meet the expectation of our stakeholders with the help of my objective and dispassionate perspective and consideration, along with my dreams and expectations as a part of our group.

In 2021, people across society sought to live with COVID-19 and prepared for a post-pandemic world. With a growing number of companies engaging in digital transformation or DX, simulation technology with CAE, AI, or other tools has become indispensable in diverse industries for various usages. Under these circumstances, we created a VISION, MISSION, and CREDO, as a company that is "creating a sustainable society and inspiring the world through technology and ideas." In our medium-term management plan, we clearly set "top line growth" as our long-term strategy to enhance corporate value. Even the impact of the termination of the distributor agreement with our major partner in 2021 will not undermine our status and potential for becoming Japan's leading company in simulation technology.

I used CAD/CAE as a design engineer for a major precision equipment manufacturer. I have many years of experience in global IT management. I also engaged in compliance and information security as an executive officer. Currently, as a university professor, I study corporate governance from a business administration perspective. With this experience, I am determined to contribute to

further expansion of our business performance and corporate value. I will meet the expectation of our stakeholders with the help of my objective and dispassionate perspective and consideration, along with my dreams and expectations as a part of our group.

Digitalization is becoming a huge swell in society. The development and potential of simulation technology is infinite. Due to our great deal of knowledge and experience, we are highly capable of supporting social change in Japan and the world. I believe that the year of 2021 was the turning point for new growth and development.

Masahito Kitamura
External Member of the Board



I will contribute to the sustainable growth of the Cybernet Group and the enhancement of its corporate value through audits and advice based on productive discussions and active information gathering.

The Board of Directors of Cybernet Systems Co., Ltd. is composed of a diverse group of people, including women and non-Japanese. About half of its members are independent external directors, offering various suggestions based on their own expertise. In accordance with the materialities that the Board set last year, the possibility of using simulation technology to solve environmental problems is rising. Therefore, I expect that the company's support of business partners' efforts for sustainability will contribute greatly to the realization of a sustainable society.

The Nomination/Compensation Committee, which serves as an advisory panel to the Board of Directors, holds substantial discussions on management strategies and other matters, as well as nominations and compensation of directors. Likewise, the Conflict of Interest Deliberation Committee carefully seeks to protect minority shareholders. These two committees are composed mainly of external executives and function effectively as a place of information sharing and discussion among them. I believe this is one of the strengths of governance at Cybernet Systems Co., Ltd.

However, it will be important to develop a global governance system, such as a monitoring system from

Japan. This is because Cybernet has many overseas subsidiaries and plans to further expand globally in the future. I will continue to watch closely the progress in creating an efficient mechanism and in developing human resources for this purpose.

As an external auditor, I try to obtain the company's information from the internal audit department and also have dialogues with the accounting auditors, check the agenda of important meetings, and have conversations with full-time corporate auditors and other channels. I share important information with other external executives through committee meetings and other means. I will contribute to the sustainable growth of the Cybernet Group and the enhancement of its corporate value by providing audits, and by giving advice based on my knowledge and experience as a lawyer.

Aya Fujimatsu
External Auditor



Key Data

(Thousand yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operating Results								
Net sales	15,396,515	15,518,269	16,031,603	17,987,124	19,719,043	21,350,645	21,665,009	22,697,542
Net sales growth rate (%)	–	0.8	3.3	12.2	9.6	8.3	1.5	4.8
Gross profit	6,806,994	6,876,195	7,105,271	7,707,985	7,904,627	8,481,876	9,048,068	9,528,962
Gross profit margin (%)	44.2	44.3	44.3	42.9	40.1	39.7	41.8	42.0
Operating income	810,924	851,960	1,027,887	1,504,948	1,502,410	2,020,201	2,877,182	2,830,444
Operating profit margin (%)	5.3	5.5	6.4	8.4	7.6	9.5	13.3	12.5
Profit attributable to owners of parent	596,350	463,388	462,115	937,463	-656,538	1,258,246	1,561,363	1,786,776
Financial Position								
Total assets	19,865,818	18,885,923	19,522,270	20,887,580	19,215,677	20,821,570	22,242,939	23,270,548
Total liabilities	5,647,278	5,325,726	5,980,641	6,675,779	6,348,022	7,185,316	7,762,610	7,538,051
Total net assets	14,218,539	13,560,196	13,541,629	14,211,801	12,867,654	13,636,254	14,480,328	15,732,497
Cash Flow								
Net cash provided by operating activities	1,101,612	487,650	1,573,345	1,493,490	1,236,553	2,590,053	2,716,706	2,006,402
Net cash provided by investing activities	-747,350	1,470,843	380,607	-273,551	-308,996	-482,627	-1,555,251	628,381
Net cash provided by financing activities	-337,544	-481,377	-420,726	-434,951	-523,938	-512,280	-742,013	-872,928
Per Share Information								
Profit per share (yen)	19.14	14.87	14.83	30.09	-21.07	40.38	50.09	57.29
Net assets per share (yen)	453.97	433.11	432.25	453.15	408.80	432.12	457.76	494.82
Dividends per share (annual) (yen)	13.80	13.80	13.00	15.05	16.52	20.19	25.05	28.65
Main Indicators and Other Data								
EBITDA* ¹	1,347,468	1,428,430	1,565,934	2,064,089	1,991,712	2,245,717	3,114,464	3,072,551
EBITDA margin (%)	8.8	9.2	9.8	11.5	10.1	10.5	14.4	13.5
Return on equity (ROE) (%)	4.3	3.4	3.4	6.8	-4.9	9.6	11.3	12.0
Return on asset (ROA) (%)	3.1	2.4	2.4	4.6	-3.3	6.3	7.3	7.9
Equity ratio (%)	71.2	71.5	69.0	67.6	66.3	64.7	64.2	66.3
Dividend payout ratio (%)	80.3	64.6	70.4	77.1	–	51.1	60.2	65.1
Capital expenditures	233,579	416,777	536,325	414,922	317,051	261,905	725,805	345,155
Depreciation	167,565	199,883	218,870	274,063	298,940	255,515	237,282	242,107
Goodwill amortization	368,977	376,858	319,176	285,078	190,361	–	–	–
Price-to-book ratio (PBR)	1.08	0.99	1.49	1.55	1.30	1.98	2.07	1.44
Price earnings ratio (PER)	25.7	28.9	43.4	23.4	–	21.2	18.9	12.4
Total shareholder return (TSR) (%) ^{*2}	141.0	127.8	191.2	212.2	169.0	264.6	297.9	239.4
Year-end stock price (yen)	491	430	644	704	533	855	949	711
Market capitalization	15,908,400	13,932,000	20,865,600	22,809,600	17,269,200	27,424,980	30,440,124	22,806,036
Number of employees	563	575	594	620	593	598	622	573

*1 EBITDA: Operating income + Depreciation + Goodwill amortization

*2 Total shareholder return (TSR) = (Stock price at end of each fiscal year + Accumulated dividends per share from FY2014 until each fiscal year) ÷ Stock price at end of FY2013

Corporate Data

Company Name	Cybernet Systems Co., Ltd.	Establishment	April 17, 1985
Head Office	FUJISOFT Bldg. 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan Tel: +81-3-5297-3010	Capital	¥ 995 million
		Number of employees	573 (Consolidated), 350 (Non-consolidated)

Main Business Locations and Subsidiaries

Main Business Locations

Nishi-Nihon Branch Office

Midosuji Honmachi Bldg. 5-7, Honmachi 3-chome, Chuo-ku, Osaka-shi, Osaka 541-0053

Chubu Branch Office

FUJISOFT Bldg. 6-26, Nishiki 1-chome, Naka-ku, Nagoya-shi, Aichi 460-0003

Main Subsidiaries

CYBERNET MBSE Co., Ltd.

Arca Central Bldg. 14F, 2-1, Kinshi 1-chome, Sumida-ku, Tokyo 130-0013, Japan

Business:
Engineering and consulting services related to MBSE, as well as the development and sales of software to accelerate the adoption and democratization of MBSE

Sigmetrix, L.L.C.

Valliance Plaza, 5900 South Lake Forest Drive, Suite 400 McKinney, TX 75070, U.S.A.

Business:
Development and sales of 3D tolerance analysis tools and related consulting services



CYBERNET SYSTEMS (SHANGHAI) CO., LTD.

No.777, Zhaojiabang Road, Shanghai 200032, China

Business:
Sales, technical support, and consulting services for CAE and MBD-related products

WATERLOO MAPLE INC.

615 Kumpf Drive, Waterloo, Ontario, Canada

Business:
Development and sales of STEM computing platforms, system-level modeling and simulation tools, and related consulting services



CYBERNET SYSTEMS TAIWAN CO., LTD.

No. 178, Sec. 2, Gongdao 5th Road, Hsinchu, Taiwan

Business:
Sales, technical support, and consulting services for CAE and MBD-related products

Noesis Solutions NV

Gaston Geenslaan, 11 B4 3001 Leuven, Belgium

Business:
Development and sales of total optimization solutions and related consulting services



CYBERNET SYSTEMS MALAYSIA SDN.BHD.

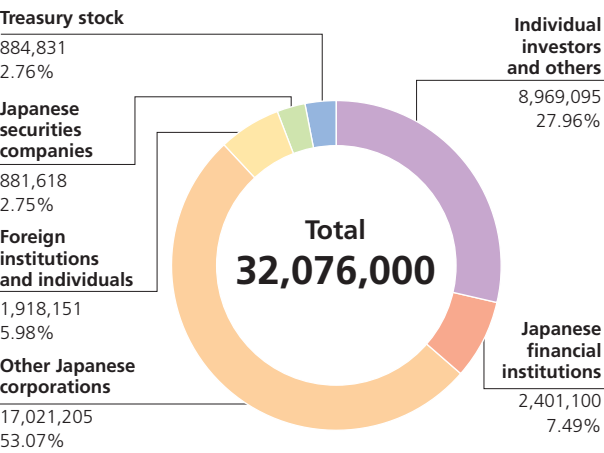
SO-32-3A Menara 1, KL Eco City, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia

Business:
Sales, technical support, and consulting services for CAE-related products

Share Information

Stock listing	Standard Market of the Tokyo Stock Exchange	General Meeting of Shareholders	March
Security code	4312	Fiscal term	December 31
Share unit number	100	Number of shares outstanding	32,076,000
Transfer agent	Sumitomo Mitsui Trust Bank, Limited	Number of shareholders	10,914

Number of Shares by Shareholder Type and Ratio of Total Shares



Major Shareholders

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
FUJI SOFT INCORPORATED	16,807,500	53.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,757,800	5.64
Keita Hatakeyama	582,500	1.87
Custody Bank of Japan, Ltd. (Trust Account)	459,100	1.47
Tadashi Mine	314,000	1.01
Cybernet Systems Employee Stock Ownership Plan	278,300	0.89
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	235,352	0.75
JPMorgan Securities Japan Co., Ltd.	220,858	0.71
THE BANK OF NEW YORK MELLON 140044	208,600	0.67
Nomura Securities Co., Ltd.	202,500	0.65

Excludes treasury stock held by the company. The calculation of the ratio of outstanding shares also excludes treasury stock.

Dividends per Share

