CYBERNET

Integrated Report
2023

(For the year ended December 31, 2022)

In recent years, the external environment surrounding the company has undergone radical changes and has thus become increasingly uncertain. In the face of such an environment, we strive to remain true to our reason for being, maintain our competitive advantage and achieve sustainable growth in a manner that is aligned with the encountered changes. To this end, we announced our VISION/MISSION/CREDO in February 2021, with the aim of developing a resilient organization capable of flexibly tackling the turbulent business environment.

Our VISION encapsulates our aspiration to deliver inspiring proposals to customers and society as a whole and, to that end, take full advantage of our unique capabilities. Meanwhile, our MISSION expresses our determination to resolve the technical issues our customers now confront by bringing to bear ideas that transcend their expectations. These endeavors extend beyond resolving discrete issues, as we also help customers navigate their path toward digital transformation (DX). In addition, our CREDO is designed to provide the company's executives as well as employees with standards for day-to-day business conduct and the judgment to realize our VISION and MISSION. Our thinking will always be based on our VISION and MISSION while upholding the CREDO as a cornerstone for every action we take. In this way, we will work hand in hand with our customers to realize a sustainable society.

Vision

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

Mission

Guide customers toward breakthrough solutions with vigorous creativity

Actively perceiving changes in society, we will continue to propose innovative solutions exceeding customer 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 realize a more prosperous and accessible society that is safer and more secure.

Through proposals that consistently exceed expectations, we will serve as a partner in supporting each 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 society
Our commitment to customers

Credo

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

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.

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

Our commitment to employees

Shared goal

Taking on new challenges

Promoting diversity

Achieving work-life balance

Invigorating the community

Open evaluations

Leadership development

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

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.

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.

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

Contents

Editorial Policy

The CYBERNET Group prepares an Integrated Report on financial information, as well as non-financial information on topics such as ESG in order to inform stakeholders of initiatives for long-term and sustainable growth. 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
The IFRS Foundation (IFRS): Integrated Reporting Framework

Reporting Period

January 1, 2022 – December 31, 2022
(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.

Trajectory of Value Creation
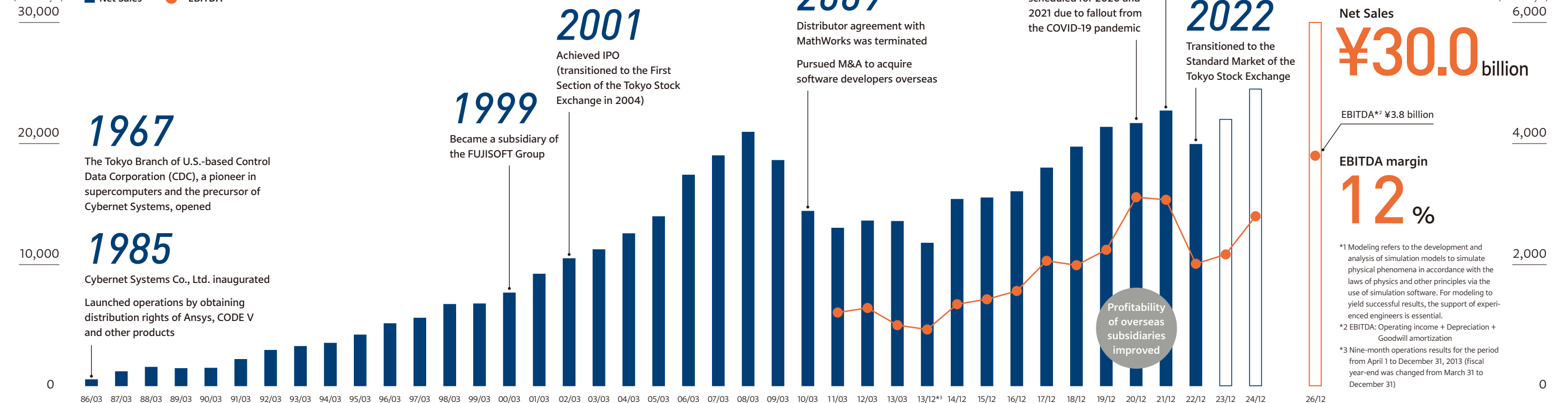
CYBERNET's Value Creation

Cybernet Systems Co., Ltd. is a pioneering and leading company in assisting manufacturing via the use of Computer Aided Engineering (CAE), which involves simulated virtual experiments through computer simulations. For more than 30 years, we have provided software, educational services, technical support and consulting to R&D and design departments of manufacturers as well as universities and government research institutes.

In the field of ICT, we also offer IT asset and system management tools, which have become essential to ensuring robust security for businesses, in addition to providing cutting-edge security solutions. More recently, we began proposing solutions containing a combination of CAE, one of our strong areas, with augmented reality (AR) and virtual reality (VR) technologies in the fields of IoT, digital twins, big data analysis and AI.

Sources of our competitiveness

- A team of engineers equipped with distinctive strengths in areas of their expertise
- Robust support capabilities leading to high customer satisfaction
- Capabilities to provide knowledge to customers
- Modeling support*¹

Net Sales / EBITDA

Net Sales (Millions of yen)
■ Net Sales ─●─ EBITDA

EBITDA (Millions of yen)

Net Sales ¥30.0 billion

EBITDA*² ¥3.8 billion

EBITDA margin 12 %

1967
The Tokyo Branch of U.S.-based Control Data Corporation (CDC), a pioneer in supercomputers and the precursor of Cybernet Systems, opened

1985
Cybernet Systems Co., Ltd. inaugurated

Launched operations by obtaining distribution rights of Ansys, CODE V and other products

1999
Became a subsidiary of the FUJISOFT Group

2001
Achieved IPO (transitioned to the First Section of the Tokyo Stock Exchange in 2004)

2009
Distributor agreement with MathWorks was terminated

Pursued M&A to acquire software developers overseas

2020
Postponed investment scheduled for 2020 and 2021 due to fallout from the COVID-19 pandemic

2021
Established VISION/ MISSION/CREDO (VMC)

Distributor agreement with Synopsys was terminated

2022
Transitioned to the Standard Market of the Tokyo Stock Exchange

Profitability of overseas subsidiaries improved

*1 Modeling refers to the development and analysis of simulation models to simulate physical phenomena in accordance with the laws of physics and other principles via the use of simulation software. For modeling to yield successful results, the support of experienced engineers is essential.
*2 EBITDA: Operating income + Depreciation + Goodwill amortization
*3 Nine-month operations results for the period from April 1 to December 31, 2013 (fiscal year-end was changed from March 31 to December 31)

Chart axis labels: 30,000 / 20,000 / 10,000 / 0 (Net Sales); 6,000 / 4,000 / 2,000 / 0 (EBITDA)

Years: 86/03 87/03 88/03 89/03 90/03 91/03 92/03 93/03 94/03 95/03 96/03 97/03 98/03 99/03 00/03 01/03 02/03 03/03 04/03 05/03 06/03 07/03 08/03 09/03 10/03 11/03 12/03 13/03 13/12*³ 14/12 15/12 16/12 17/12 18/12 19/12 20/12 21/12 22/12 23/12 24/12 26/12

1985~ Business expansion from start-up phase

In 1967, the U.S.-based CDC, a pioneer in supercomputers, opened its Tokyo Branch, which, in turn, became the precursor of CYBERNET. In 1985, the company was launched by spinning off the Cybernet service business*⁴ of CDC Japan K.K., and then initiated sales of CAE software, including multi-physics analysis tools and optical design and analysis software. Overseas, the company launched a subsidiary in China in 2004, aiming to accommodate the needs among growing corporations in Asia, especially those in China. Since then, we have developed business overseas by taking full advantage of our technical capabilities, know-how and other assets we have accumulated in Japan. We have also initiated such businesses, such as providing solutions designed for visualization of big data, solutions for the medical sector and IT solutions.

*4 A service provider business that allows customers to use cutting-edge simulation software with world-leading capabilities. Customers are given access to supercomputers, which are located in distant computer centers, from their own terminals to undertake safety analysis, structural analysis, electronics and electric circuit analysis, thermal and fluid analysis, geophysical analysis, statistical analysis, optical analysis, numerical analysis, plant process analysis and other types of simulation-based analysis in fields such as nuclear power generation and others. In exchange for this service, the service provider receives fees determined based on the duration of usage.

2007~ Strengthened focus on nurturing CAE engineers

In 2007, we established CAE University aimed at nurturing engineers capable of leveraging CAE software products. In addition to providing customers with our know-how backed by our accumulated experience since the company's founding, we began offering theoretical education on physics, analytical methods and other subjects. By doing so, we contributed to the popularization of simulations and the development of Japan-made products.

2009~ Transformation of the business model

In 2009, the distributor agreement with MathWorks was terminated. On a net sales basis, we had sourced more than 30% of our products from this software development vendor. Meanwhile, in the wake of the Lehman Brothers bankruptcy and subsequent recessions, a growing number of Japanese corporations reduced their budgets for R&D investment. These negative factors caused the company to struggle with stagnant operating results for several years. However, in addition to strengthening our existing businesses, we launched a series of acquisitions in 2009 and 2010 to rebuild our operations and revitalize business expansion, with software development vendors in Canada, the United States and Belgium becoming our subsidiaries. These acquisitions led to the creation of our in-house developed product business. We have also sought to develop a multilateral business portfolio by focusing on expanding the scope of our engineering services, through which we assist in product development undertaken by customers. Our operating results subsequently regained strength and have gradually expanded.

2021~ Acceleration of business model transformation

In February 2021, we reviewed our corporate philosophy and announced a new VISION and MISSION. On the other hand, in October 20021, we terminated the distributor agreement with Synopsys Inc., which had been a supplier since the company's founding. As this termination put an end to a distributor business that had accounted for about 20% of our net sales, the company's operating results for 2022 included decreases in sales and profit. However, we are currently striving to strengthen in-house developed products and engineering services, while expanding the lineup of our solutions for DX to accommodate recently growing in demand on the back of immense public interest in this area, in addition to augmenting our IT solutions. Furthermore, we aim to expand the simulation business in Asia to seize opportunities arising from the double-digit growth of the regional markets. In these ways, we will achieve a turnaround from our 2022 operating results and renewed expansion of operating results in 2023 and later.

Value Creation Process

CYBERNET's value creation process is characterized by four "sources of competitiveness." Developed over time, they form the core of our business model and provide six compelling reasons CYBERNET is highly evaluated by both customers and vendors.

External Environment

Social Issues
- The urgent need to counter global environmental issues and promote Green Transformation (GX)
- Surging resource prices
- Information security risks
- Widespread public awareness regarding diversity
- Growing calls for solutions to realize well-being

Technological Innovation
- CASE (Connected, Autonomous, Shared, and Electric vehicles)
- IoT
- AI
- Metaverse
- Widespread use of the cloud

Issues Confronting Customers
- Cost reduction
- Globalization
- Human resource shortages
- Supply chain reform
- Environmental impact reduction
- Reduction of development person-hours

Input

Financial Capital — Strong financial position

Net financial assets
¥15.3 billion

Equity ratio
60.3%

Note: Financial assets = Cash and deposits + Marketable securities + Short term loans - Interest-bearing debt

Human Capital — Engineers with strong technical skills

Ratio of employees who are engineers
45%

Intellectual Capital

Extensive track record and strong reputation
37 years of simulation support

Knowledge provision capabilities
CAE University held
110 times/year

Social Capital — Leader in simulations

The largest reseller of mechanical CAE software in the Japanese market
94% of major companies are customers

Note: Companies that have ranked in the top 100 listed companies for sales over the past three years, excluding food product and non-manufacturing companies.

Results for fiscal year ended December 31, 2022

Business Model

Sources of our competitiveness

1 A team of engineers equipped with distinctive strengths in areas of their expertise

2 Robust support capabilities leading to high customer satisfaction

3 Capabilities to provide knowledge to customers

4 Modeling support

Simulation software development vendors

Manufacturers, universities, research institutes

Six reasons why vendors choose us
5 Trusted by the world's leading manufacturing customers
6 2,400 corporations/350 universities and research institutes/94% of major manufacturers in Japan

Six reasons why customers choose us
5 One of the world's top software offerings
6 An extensive lineup supported by more than 35 vendors/more than 80 software products

Create solutions that contribute to the realization of a sustainable society

Contribute to society by solving customers' challenges

Foster a corporate culture that leverages the benefits of diversity to continuously create new value

Materiality: Priority issues

Business transformation

Exploration and pursuit of technologies and ideas

Growth into a global company

Platforms supporting materiality: Three activities

Recruiting and nurturing of diverse human resources

Strengthening of governance

Platforms supporting materiality: Two foundations

Materiality ▶ Please refer to pages 31–32 for details.

Growth Drivers of CYBERNET

1 Strengthen in-house developed products
2 Expansion of business in Asia
3 Promotion of DX in manufacturing
4 Use of simulation technology in fields related to SDGs

For more details, please refer to P. 21-22.

Output

- **CAE** — For more details, please refer to P. 15-16.
- **MBSE/MBD** — For more details, please refer to P. 17.
- **Platform** — For more details, please refer to P. 18
- **IoT/XR** — For more details, please refer to P. 19.
- **Cybersecurity** — For more details, please refer to P. 20.

Outcome

Social and Environmental Value

Contribute to the realization of a bright future using simulation technology

Economic Value

Targets for fiscal year ending December 31, 2026

Net Sales
¥30.0 billion

EBITDA
¥3.8 billion

ROE
12%

VISION/MISSION/CREDO

Message from the President

Moving Forward

Becoming a globally competitive company with distinctive strength in simulations means securing more employees capable of attracting and nurturing future generations of human resources

Reiko Yasue

President & CEO

Q1 Please share your personal beliefs on corporate management.

At CYBERNET, I aim to create a workplace in which every employee leverages their uniqueness and competencies to the fullest and works with passion. My aspiration for this endeavor arises from my experience developing careers overseas.

In the latter half of the 1990s, in the course of exploring more challenging career opportunities, I flew to the United States and found a position at an IT company. Since then, I spent around two decades working for several tech companies, including communications device and semiconductor manufacturers, mostly in Silicon Valley, where excellent human resources from countries around the world gather and engage in fierce competition. I, too, had abundant opportunities to take on challenges while mutually inspiring colleagues.

After that, I came back to Japan, hoping to play my part in creating a growing number of Japan-made businesses and human resources capable of competing globally. I also felt that, to this end, the development of career opportunities and workplaces where people can succeed irrespective of gender is essential. I first joined FUJISOFT INCORPORATED, the parent company of CYBERNET, and experienced the management of its overseas businesses. Eventually, my career journey took me to an executive position at CYBERNET, whose overseas sales ratio is particularly large compared to other FUJISOFT Group companies.

The business environment surrounding us has been evolving radically. Today's businesses are called upon to give due consideration to a more extensive range of factors than ever before. Therefore, businesses need to clarify their purpose, place greater value on their human resources and engage in sustainable management. These undertakings have become a matter of great importance in this present era.

I am confident that the simulation technology CYBERNET handles can significantly contribute to the resolution of social issues. Moreover, if you are aware of how deeply relevant your job is to resolving social issues, your passion for work could grow stronger, inspiring you to take a different approach to your work.

CYBERNET is now transitioning from a business model centered on distributorships to the provision of solutions finely tuned to customer needs, as we strive to become a company capable of delivering unique added value.

Although our customer base currently consists mainly of major Japanese manufacturers, we aim to evolve into a provider of high-value-added services in the global market. I would also like to develop CYBERNET into a company that can be recommended to our children and future generations. This is the ultimate goal I aim to achieve.

Message from the President

Q2 It has been two years since the company announced "VISION, MISSION and CREDO," a corporate philosophical framework. Did you feel any tangible changes arising from the introduction of these concepts?

We freshly formulated VISION/MISSION/CREDO (VMC) as a corporate philosophy for the company to navigate its transition from the distributor business, which has been at the center of our businesses since our founding, to a provider of solutions to issues confronting our customers and society as a whole. Since then, VMC is held dearly by the company.

Currently, CREDO ambassadors are serving as in-house PR specialists engaged in various measures aimed at ensuring widespread awareness among our workforce. On a quarterly basis, we also grant CREDO Awards to selected employees and teams for their conduct embodying CREDO. In these ways, we strive to ensure CREDO is understood by all.

In 2023, we appointed 23 CREDO ambassadors. They themselves strive to gain deeper understanding of VMC while practicing CREDO-driven actions. In addition, they have set up a portal site designed to facilitate employee understanding of CREDO. Other initiatives include holding briefings on CREDO for mid-career hires.

Candidates to win CREDO Awards are nominated based on recommendations from peer employees, as well as from heads of each business division. This award-giving program thus involves employees recommending each other upon discovering positive traits of their peers and, I believe, helps foster favorable interpersonal relationships and develop a positive atmosphere among the workforce.

The entrenchment of VMC is transforming awareness among employees and is helping them update their mode of behavior. As a result, we are now increasingly focused on, first of all, closely studying the circumstances surrounding our customers, such as what requirements they strive to fulfill for their own customers and society as a whole, and what issues they are currently confronting. This consciousness provides a basis for explanations we deliver to our customers, including those associated with the specifications and features of the products that we handle.

In addition, we have seen expansion in the scope of solutions delivered to resolve customer issues, along with the creation of new solutions for diverse customer sectors. As such, we are convinced about the progress made thus far in the entrenchment of VMC.

That being said, I don't think that all of our ideals envisioned in VMC will be realized in the short term. I deem it important that we remain true to our initial aspirations and keep moving forward toward these ideals, while clarifying the desirable direction for the company. In this way, I strive to ensure that VMC wins the support of all employees who will, in turn, collectively take action informed by CREDO and foster a corporate culture based on such action.

Q3 Please share your evaluation of the company's 2022 operating results, as well as the year's most notable accomplishments. Also, compared with your initial forecast, what is your assessment of the impact of terminating the distributor agreement with Synopsys Inc.?

In 2022, our external environment was affected by a number of negative factors, including surges in resource prices due to the prolongation of the Russia-Ukraine situation, shortages of parts and material supplies, and radical depreciation of the yen. Furthermore, these factors led to deceleration of the global economy and made the future economic outlook even murkier. On the other hand, businesses have become increasingly focused on promoting DX to achieve workstyle reforms and secure competitive advantages. Similarly, we have seen an accelerating trend toward promoting Green Transformation (GX) to attain carbon neutrality.

Against this backdrop, CYBERNET's operating results for 2022 included decreases in sales and profit, due in large part to the termination of the distributor agreement with Synopsys Inc. However, when the impact of this termination is excluded, net sales show annual growth and remain almost in line with our plans.

We have also expanded the lineup of engineering services backed by our mainstay multi-physics analysis tools, our unique approach to service modeling, and simulation technology. Furthermore, on the back of the growing work-from-home trend and other remote working styles, sales of end-point security and cloud-based security solutions were stable.

In addition, sales of in-house developed products and services—one of our KPIs—stood at ¥6,006 million, accounting for 30.1% of total sales and demonstrating annual growth of 5.9 percentage points. Net sales outside Japan were ¥4,694 million, representing 23.5% of total sales, up 0.2 percentage points year on year. These sales results were mostly in line with our plans.

Q4 Now, in light of these operating results, what are your evaluations of progress under the medium-term management plan? In particular, please share your thoughts on each measure being undertaken to achieve top line growth.

Our measures to achieve top line growth consist of those aimed at strengthening in-house developed products, the expansion of business in Asia, the promotion of DX in manufacturing, and facilitating the use of simulation technology in fields related to the UN's Sustainable Development Goals (SDGs).

First, thanks to our efforts to strengthen in-house developed products, their 2022 sales rose to ¥3.8 billion, which is on par with our plan for these products.

Some of these efforts were undertaken by our software product development department which, in turn, released the latest version of in-house developed products with upgraded functions, including BIGDAT@Analysis. This tool is designed to make it easier to visualize the status of big data and is now available in Japan. Meanwhile, we initiated the marketing of EndoBRAIN®-EYE, AI-based medical software, in South Korea.

In 2022, sales were also strong for products of Sigmetrix, a U.S.-based subsidiary that develops 3D tolerance analysis tools. On the other hand, in Canada, Maplesoft saw stagnant sales from educational institutions, thus far reliable customers, in the wake of institutional budget cuts. Because of this, Maplesoft began strengthening marketing activities targeting business corporations from midyear. In the course of these activities, we have seen MapleFlow, an engineering design calculation tool released in 2021, garner favorable reviews from a number of customers who now found it a significant contributor to the resolution of issues they are confronting. Accordingly, the subsidiary's marketing shift to the business sector seems to be promising. Noesis in Belgium was affected by economic stagnation in Europe, its key market region, and other negative factors, but nevertheless focused on
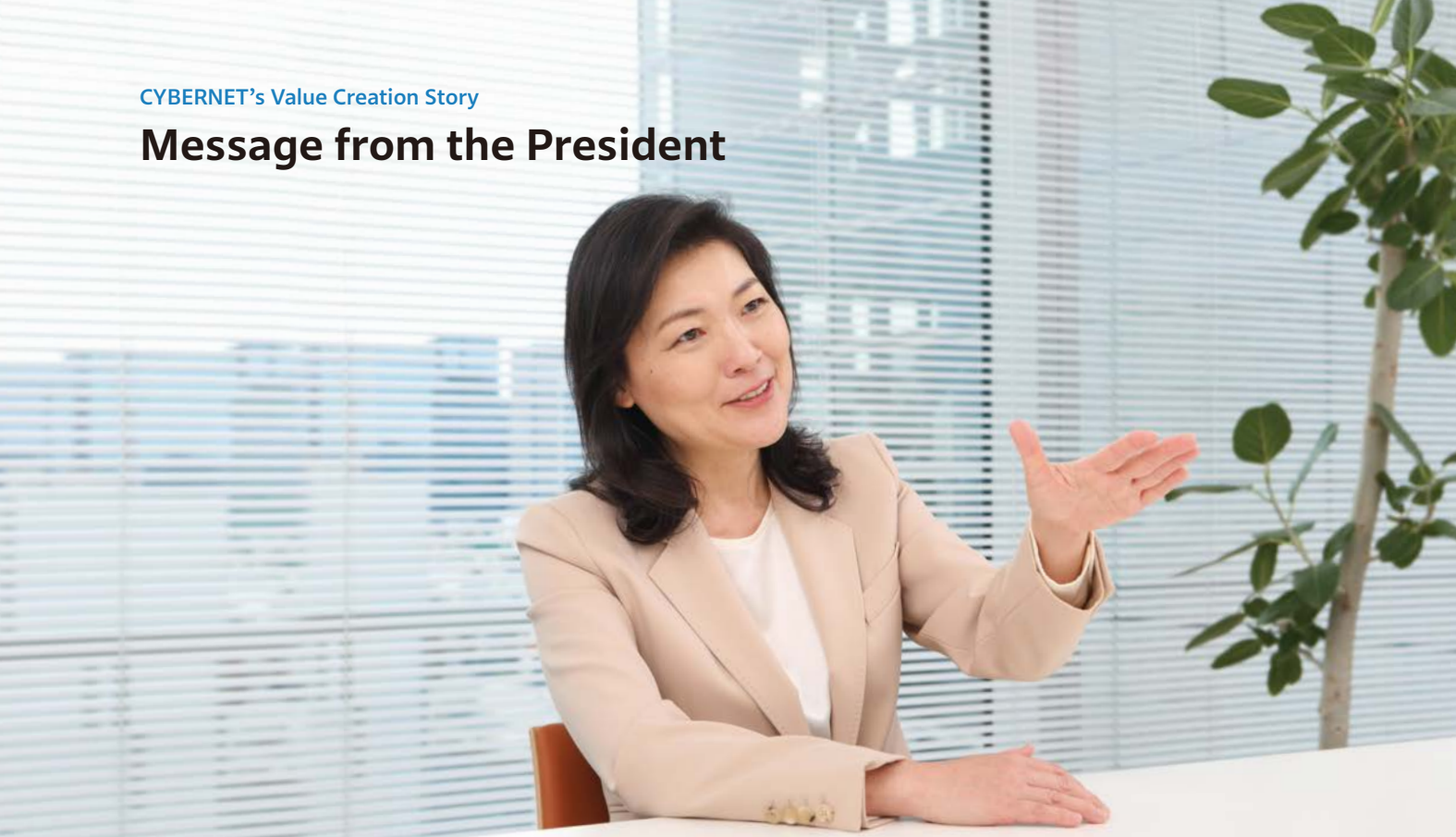
consistently developing such new products as an engineering collaboration platform.

Second, in terms of the expansion of business in Asia, net sales in Asia stood at ¥2.1 billion in 2022, meeting our planned target. This was despite a number of negative external conditions, such as the enforcement of China's "zero-COVID" policy. With regard to our business in Asia, we have seen a decline in sales due to the absence of Synopsys products, which had previously accounted for a major proportion in regional sales. However, new products released by Ansys, Inc. for optical-related applications contributed to sales. Looking ahead, we intend to expand sales of Ansys products, while enhancing our operations in IoT, cybersecurity and other fields.

Third, the promotion of DX in manufacturing resulted in net sales of more than ¥2.0 billion from our relevant services. Among those, engineering services related to artificial intelligence (AI) and augmented reality (AR) saw growth in sales.

In AR-related services, sales were strong for our services designed to extend a comprehensive support for processes ranging from the launch of surrogate AI development tools, which are capable of rapidly calculating analysis results, to the introduction of AI. Today, AI-related services are delivered by a number of companies, but the solutions mentioned above are offered only by CYBERNET as we are equipped with in-depth expertise in simulations. We are currently receiving numerous customer inquiries and, therefore, expecting sales from these services to continue to grow. Going forward, we will also consider expanding the lineup of services aimed at making the status of development processes visible and supporting operational reforms.

Message from the President

Also, the future advancement of digital twins is a subject of immense public expectations. The use of this technology in the medical field may one day make it possible to offer diverse treatment options to each patient or predict the timing of disease development based on their individual health conditions.

To sum up, our technology is making contributions in diverse fields. We would like to continuously strive to gain a deeper understanding of issues confronting our customers and their sectors, to provide them with a strong lineup of solution proposals.

I am confident that CYBERNET's simulation technology is capable of contributing to the realization of a sustainable society envisioned by our customers. In addition to simulation technology we have nurtured for years, we aim to take full advantage of new ideas to create new solutions. By doing so, we not only address issues that currently confront our customers but also help them identify and resolve latent issues. This approach is, I believe, a prime example of CYBERNET's unique contribution to the SDGs.

Q6 Please share your thoughts on shareholder returns.

We have positioned enhancing the content of shareholder returns as an important management issue and are addressing it accordingly. The company's policy is to deliver a steady stream of dividends while undertaking investment aimed at securing sustainable growth in a way that strikes a balance between enhancing capital efficiency and securing financial stability. We are particularly focused on delivering stable dividends, with our target for the Dividend on Equity ratio (DOE) being set at 6%, provided it is within the scope of profit attributable to owners of parent. We have set our forecast on annual dividends per share for fiscal 2023 at ¥29. This amount is determined based on our priority on delivering a steady dividend stream. We will also conduct share buybacks in a flexible manner depending on the level of our stock price.

Q7 In respect to human resource strategy, please elaborate on your focus. What initiatives are now under way to develop CYBERNET into a solution provider?

Human resources constitute a foundation for all other management resources, and the human resource strategy is obviously a matter of importance in terms of embodying VMC, as well as achieving the medium- to long-term basic policies, medium-term business plans, materiality and other management targets. Moreover, our human resource strategy must evolve to swiftly align with changes in the management environment surrounding us, just like we update our business model in step with changing times.

As for hiring, our approach combines the recruitment of new graduates and mid-career hires to secure excellent human resources who identify with our VMC, irrespective of gender, nationality or other attributes.

As for human resource development, we provide employees, who come from diverse backgrounds in various specialties, with education programs designed to ensure they each remain highly motivated and maintain a sense of purposefulness and job fulfillment.

Programs offered at CYBERNET not only consist of new employee education and education for new managers, but also include leadership education, as well as programs designed to address unconscious biases or enhance employee skills such as project management, sales capabilities and English-speaking proficiency, along with those instilling the knowledge of SDGs. These diverse programs constitute grade-specific and job-specific lineups.

In addition, each business division hosts study sessions focused on particular products and otherwise conducts training to help its employees acquire necessary business knowledge.

I believe that CYBERNET is equipped with a deeply-rooted culture of mutual support. Also, interpersonal relationships at each workplace are favorable. To draw on these features, I personally aim to secure a growing number of employees capable of attracting and nurturing future generations of human resources.

Fourth is the use of simulation technology in fields related to SDGs. In this regard, we are engaged in the development of solutions aimed at addressing issues confronting our customers and society as a whole. These issues include the realization of a decarbonized society along with other environmental issues. In this area, we developed solutions designed to assess indoor ventilation performance, as well as those for use in thermal fluid analysis to help power plants and other facilities counter thermal issues. In August 2022, we began hosting online seminars on the creation of a sustainable society via the use of digital engineering to introduce cutting-edge initiatives to audiences.

Q5 In terms of the fourth measure mentioned above, please explain the SDGs-related fields that you are focusing on, as well as your achievements in these areas.

We have positioned the use of simulation technology in fields related to SDGs as an essential contributor to sustainable improvement in corporate value and long-term corporate growth.

Our strength lies in technologies and know-how we have long nurtured as a leading company in simulation. Our simulation technology encompasses a range of subjects, including structural analysis, fluid analysis, electromagnetic field analysis, collision and impact analysis, optical analysis and model-based development. We have a number of human resources capable of delivering solutions to customer issues via the combination of these technologies with such peripheral technologies as AI, AR/VR and big data analysis. These human resources underpin the competitive advantage of CYBERNET.

As for the pursuit of SDGs in the non-manufacturing sector, we have been focusing on delivering solutions in the healthcare field over the past several years. Previously, the use of simulations hardly progressed in this field, as the results of healthcare solutions directly affect the patient's physical well-being. However, simulation technology has recently been put into practice by overseas developers, and domestic developers are now following suit.

For example, the use of simulations helps reduce the defect rate in the manufacturing of pharmaceutical products and improve production efficiency. Pharmaceuticals include a variety of chemicals, including those possibly affecting the environment. Accordingly, the reduction of the defect rate in the pharmaceutical manufacturing process is seen as an important issue. In this light, simulation technology can be used to predict the possibility of malfunction in the tablet compression and formulation process, an essential process for manufacturing solid preparations. In this way, simulations make it possible to reduce prototyping costs and shorten development periods.

Examples of the use of simulations for medical equipment include the simulation of viral and bacterial sterilization. Since the outbreak of COVID-19, there are growing needs for sterilizing solutions for indoor and outdoor environments. Simulations support the enhancement of sterilizing efficiency by simulating the light intensity necessary to neutralize airborne viruses.

Q8 To conclude, do you have any final message to stakeholders?

Simulation technology is essential to realizing a decarbonized society and the SDGs. I am convinced that our technologies and solutions can contribute to the resolution of social issues. We will continue striving to realize our VISION of "Creating a sustainable society and inspiring the world through technology and ideas." In this way, we will make CYBERNET a company deserving of shareholder appreciation.

I ask for your lasting continuous support in our endeavors to achieve sustainable growth.
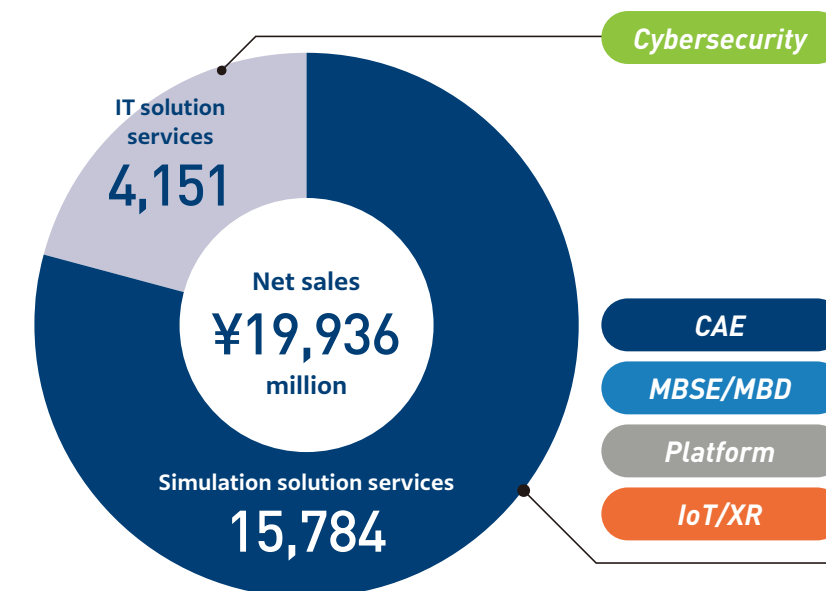
Summary of CYBERNET's Solution Map

CAE

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

Five service categories that support DX with simulation technology

The company's business domain consists of CAE, core technology for simulations, and four peripheral fields. We deliver optimal solutions via the combination of offerings in these fields to resolve issues customers are facing.

Cybersecurity

IT solution services
4,151

Net sales
¥19,936
million

Simulation solution services
15,784

- CAE
- MBSE/MBD
- Platform
- IoT/XR

Support for improvements to increasingly complex development processes

MBSE/MBD

Consulting and engineering services related to MBSE/MBD

Development and sales of modeling tools and MBSE platforms

Providing a platform that supports the use of information assets

Platform

Product lifecycle management platforms

Material information management platforms

Cloud platforms

Medical-use platforms

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

IoT/XR

IoT solutions

AI solutions

AR/VR and visualization solutions

Digital twins

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

Cyber-security

Security risk management solutions

Digital enterprise platform solutions

Cyber defense solutions

Computer Aided Engineering (CAE)

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

CAE

Electronics | Financial Services | Automobiles
Computer/OA Equipment | Energy | Aerospace
Semiconductors | Bio/Pharmaceutical/Medical care | Communications

Value created via CAE

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 systems 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). We support the discovery of solutions for sophisticated and complex design challenges. We are also expanding the areas where we provide CAE services beyond manufacturing, to include healthcare, energy, agriculture and more.

In order to provide our customers with an array of services, we fully leverage our experience and know-how, backed by our longstanding track record in handling diverse applications and delivering technical support. These services range from the development of customized tools and consulting, to software introduction assistance.

What is CAE?

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 conduct the testing tasks previously carried out using physical prototypes. Due to its practicality and economic efficiency, CAE is now highly acclaimed by engineering practitioners engaged in a diverse range of manufacturing operations. The use of CAE enables them to take a multifaceted approach to predict or resolve a variety of issues associated with design and development.

Roles of CAE and five benefits

1 Reduction of development costs

The iterative process of experimenting and prototyping typically places heavy cost burden on businesses engaged in product manufacturing. Fortunately, the introduction of CAE makes it possible to simulate the target product's shapes and functions in multiple variations before product design is completed or actual prototypes are created. This, in turn, leads to the completion of product development with fewer experimental rounds, less prototyping and reduced expenses.

2 Highly valuable simulations that are possible only via the use of CAE

Verification of experimental results can often be difficult when underlying conditions are extreme or the experimental environment is hard to reproduce. Fortunately, CAE is capable of verifying experiments of this kind, including dangerous conditions involving temperatures above 1,000°C or high-speed collisions. CAE-based simulations thus help improve product quality.

3 Shorter development period

CAE also helps shorten the required period of product development. When CAE is not used, the repeated process of experimenting and prototyping will be necessary to attain highly accurate results. This inevitably requires a considerable period of time.

In contrast, the use of CAE reduces the need of these repetitions and thus results in a shorter development period.

4 Reduction of environmental burden

Actual experiments of, for example, automobile (or even bicycle) collisions generate massive amounts of waste. Fortunately, the use of CAE helps reduce the volume of waste generated in the course of verification and experimenting. This is more environmentally friendly.

5 Promotion of DX in design and development processes

The utilization of digital technologies is now imperative in design and development processes. CAE is an effective digital technology capable of empowering corporations to promote DX and resolve various challenges that confront them in the course of creating new value. In doing so, CAE frees them from reliance on past experience or human intuition.

Before CAE is introduced

Planning → Design → Prototyping → Experiments → YES → Manufacture / NO

Repeated process of design, prototyping and experiments

After CAE is introduced

Planning → CAE → Design → CAE → Prototyping → Experiments → YES → Manufacture / NO

Minimum rounds of repetitions, not reliant on past experience or human intuition

Design ideas → 3D model → Structure / Fluid / Electromagnetic field / Light

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Our main products

Ansys

Capable of flexibly analyzing structure, fluid, electromagnetic fields, optics and other physical phenomena

Ansys® is a multi-physics CAE software that is widely used by corporations and research institutions around the world, with its analytic capabilities encompassing structural, vibration, heat transmission, electromagnetic field, piezoelectric, acoustic, thermal fluid, drop/collision impact, electronic circuit and system analyses. Moreover, Ansys is equipped with coupled analytic functions that combine the types of analyses named above. Ansys, Inc., the developer of this software, is a leading CAE company, with its products being used by most of the top 100 corporations in the Fortune Global 500.
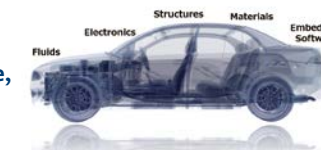
Neural Concept Shape

Development of 3D deep-learning AI

Our unique 3-dimensional AI technology makes it possible to predict CAE simulation results at a remarkable speed. For example, complex CAE projects that would otherwise require hours to several days can be finished in a few seconds via the use of this technology without the need of specialist expertise. Users are thus empowered to considerably speed up and streamline product design and development process.

Case Study

Initiatives to increase the sophistication of CAE

Our product lineup includes those used by more than 350 universities and research institutes. We act in collaboration with academia and other partners to explore leading-edge technologies and develop unique educational plans for design and development specialists. In these and other ways, we strive to facilitate the widespread use of CAE.

Case 01 Technical service that integrates experimenting and CAE

CAE — Experiments

We provide comprehensive processes starting from physical property measurements, which are essential to securing high-quality simulation results, and encompassing simulations and verifications.

Case 02 CAE University, a theoretical education program for engineers

CAE UNIVERSITY

To effectively utilize CAE, it is imperative to first acquire theoretical knowledge of engineering, physics and mathematics. Acting in partnership with university lecturers, as well as engineers from other private corporations, CAE University delivers educational programs designed to support the systematic learning of truly essential knowledge through classroom lectures and hands-on training.

MBSE/MBD

MBSE/ MBD

Value created via MBSE/MBD

In recent years, Model-Based Systems Engineering (MBSE) and Model-Based Development (MBD) have been attracting immense attention in Japan. We provide services to assist with the introduction of MBSE and MBD. The introduction of MBSE and MBD helps realize the digital-driven upgrading of development processes and empowers customers who manufacture increasingly complex systems and products to achieve drastic improvement in development efficiency as well as in product safety and functional performance. We are thus helping to enhance the international competitiveness of our customers.

Business outline

MBSE is a model-based development method covering the entire design process, from analyzing system requirements to verification, across multiple specialized fields. Product development powered by MBSE involves visualizing the status of complex systems by modeling and organizing them. Thanks to this, engineers in multiple fields, such as machinery, electrical and software systems, can work in coordination over the course of various development processes ranging from analyzing system requirements to verification. This results in a more efficient development process that is free of the trial-and-error approach frequently relied upon to align development results undertaken by engineers from differing fields.

Other benefits arising from the use of MBSE include the smooth transmission of technical heritage from veteran engineers via the modeling of their insights. In such a way, MBSE is expected to help solve a number of issues currently confronting Japan's manufacturing sector. With this in mind, we assist in the introduction of MBSE by providing customers with consulting on how to improve their product development processes and by taking advantage of our in-house developed tools.

From early stage design and development, MBD is a development support technology that enables parallel development and verification, with a method that creates and verifies specifications using a computer-based model built using mathematical formulas. In this field, we leverage our advanced modeling technologies backed by technical capabilities that have been developed over many years as a tool provider. Building on these and other strengths, we provide engineering services that encompass a comprehensive range of MBD processes, from examining specifications and requirements to setting up systems for verification environments.

Reduction of defects
Reduction of recurrent processes

Definition of requirements — Finished product assessment
Basic design — Integrated (functional) assessment
Detailed design — Single-product assessment

Design **Verification**
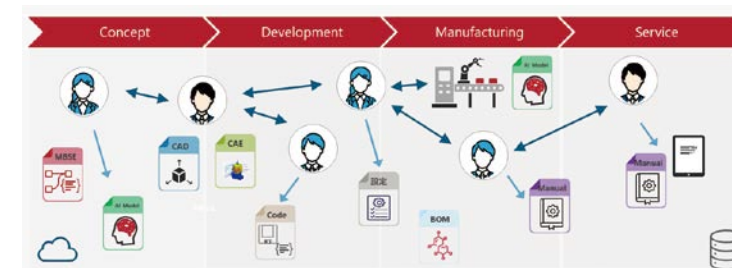**V-shaped process**
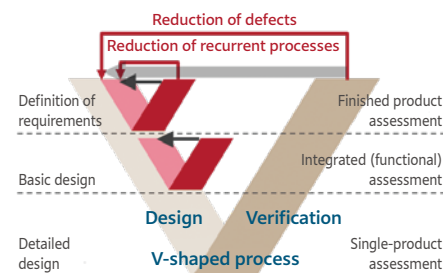
Our strengths in this business

Launched a dedicated organization for MBSE, A leading company that provides assistance in MBSE introduction, serving major manufacturers

Our track record in MBD introduction assistance spans more than 10 years and over 500 projects, primarily in the automotive industry

A vendor-neutral approach to consulting and engineering services, free of reliance on specific vendors

Case Study

Optimizing the order of automobile development design processes

We help optimize the order of design processes in automobile development. In Japan's manufacturing sector, an iterative process of trial and error-based alignment has been the mainstream method for attaining high-performance, high-quality products. One of our customers had been using this method, with machinery, electric, control and software engineers working separately while, when necessary, engaging in alignment among them. Because of this, the customer was stuck with a complex design process since multiple divisions involved in the same development project were using design systems and data formats that varied widely by field. To resolve this complexity, we helped the customer introduce MBSE to visualize the status of functional and structural assignments for each component, as well as the chain of influence among them, in a manner that transcends boundaries among multiple specialist fields. This enabled the customer to shift to a model-based approach over the course of the entire development process ranging from analyzing systems requirements to verification. We have thus contributed to optimizing the order of design processes and improving product development efficiency.

Modeling	Controller design	xILS
3D → 1D reduction	Non-linear model prediction and control	Development of real-time sim environment

Data science		AD/ADAS
Quantification of sensory assessment results		Verification environment for recognition, judgment and operation

Electrification	PLM	Onsite support
Optimization of EV motor control	Platforms supporting data coordination aligned with operational processes	Engineer support services

WEB For more detail on actual cases of introducing MBSE, please visit the following webpage (Japanese only).
https://www.cybernetmbse.co.jp/mbse%E3%81%AE%E5%B0%8E%E5%85%A5%E4%BA%8B%E4%BE%8B/

Platform

Platform

Value created via a platform

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. We have built a platform that provides centralized management and enables strategic use of the wide variety of information possessed by customers, regardless of their field, to support the improvement of processes related to the effective use of that information. This is yet another way we contribute to highly efficient product development and greater product quality.

Business outline

We assist in the development of systems for the centralized management of diverse data associated with the entire product lifecycle, from product planning and design, to production, maintenance and inspections. Consolidated historical data can be utilized in the development of new products, as well as in the provision of preventive maintenance, to enhance product development efficiency or deliver greater convenience to product users. Via overall process optimization, we leverage our strength in simulation technology, which is applicable throughout the entire product lifecycle , in order to help customers resolve issues they are confronting. Furthermore, our proposal and assistance services include methods for operating the improved processes.

Concept | Development | Manufacturing | Service

Medical care

Business outline

Our primary medical solutions include EndoBRAIN, a colonoscopic image analysis tool powered by AI, and DirectPath, a lung CT scan image processing tool. The former helps physicians diagnose pathologies via the AI-based analysis of colonoscopic images backed by the learning of an enormous volume of clinical images and thus mitigates burden placed on them in the course of diagnostic practices. The latter is a visualization and analytic tool capable of processing 3D CT images of lungs. This tool serves as a navigation system for physicians who operate bronchoscopes and helps them deliver diagnoses with higher accuracy in a shorter period of time.

Our strengths in this business

Capable of delivering proposals regarding the development of a process framework finely tuned to meet customer needs by taking advantage of our track record and insights accumulated in the CAE field
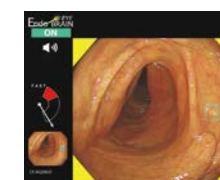
Services that assist with the introduction of PTC software products, which are widely used by more than 1,000 manufacturers around the world

Our medical AI solutions are based on our superior technological capabilities, which have made it possible to obtain official approval on Japan's first AI-based endoscopic diagnosis assistance program. With these solutions aiding physicians in their diagnostic practices and contributing to early disease detection and treatment, we support patients' well-being as well as the reduction of medical expenses. In this way, we help create a society in which people around the world can enjoy happiness and health.

Our strengths in this business

A robust track record and wealth of experience gained over the course of more than 30 years of medical software development, along with the hard-earned trust of medical practitioners
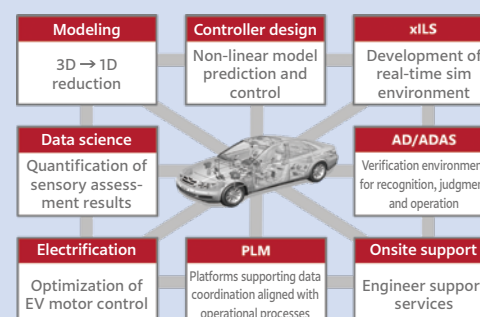
Superior technological capabilities that have made it possible to obtain official approval on Japan's first AI-based endoscopic diagnostic assistance program

Products available in seven countries around the world

CYBERNET's Value Creation Story

IoT/XR

Value created via IoT/XR

Today, Japan's manufacturing sector is confronted by various issues arising from an ever-declining labor pool, the pressing need to pass down technical heritage from veteran engineers and sluggish progress in the utilization of IT technologies. Aware of the present situation, CYBERNET provides customers with IoT solutions created via the digitization of technical capabilities possessed by veteran engineers to help ensure that every worker can achieve uniform manufacturing quality regardless of proficiency. In addition, our augmented reality (AR) and virtual reality (VR) technologies that connect the real world with digital realms are now being used by an increasingly diverse range of manufacturing and non-manufacturing sectors, contributing to the further development of industries. These technologies are also utilized for a growing scope of consumer applications.

IoT/XR

Cybersecurity

Value created via cybersecurity

For more than 30 years, we have accumulated know-how in computer networks, cybersecurity, data science, digital technologies and global operations. With this know-how serving as our foundation, we contribute to the development of a prosperous, safe, secure and sustainable society powered by cyber technologies through the development of secure digital enterprises.

Cyber-security

Business outline

Taking advantage of IoT technology, we are 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 mixed reality (MR), to provide feedback to manufacturing lines. At the same time, we support the creation of digital twins by, for example, providing predicted data based on input gleaned in the course of data coordination involving CAD/CAE data. Moreover, our solutions not only serve the manufacturing sector but also support customers in a variety of other industries, including those in the tourism and apparel sectors. For example, we produce an AR app designed to help visitors enjoy strolls and attract them to sightseeing spots, commercial facilities and other destinations. As such, our technologies are being utilized in the form of a smartphone app for consumer applications.

Our strengths in this business

Capabilities to provide one-stop assistance that encompasses processes ranging from system development, construction and operations via the integration of simulation technology cultivated over 37 years with IoT technology

Solutions supporting drastic improvement in operational efficiency thanks to the integration of simulation technology cultivated over 37 years with cutting-edge AI technology

AR/VR technologies encompassing a diverse range of applications, including design assistance, task streamlining and other industrial applications, as well as sightseeing apps installed on smartphones for consumer use

Business outline

The company delivers solutions in three fields: cyber defense, security risk management, and digital enterprise platforms.

Our cyber defense solutions include those supporting anti-malware measures, cloud security, and enhanced ID management and authorization in order to protect users from increasingly sophisticated cyberattacks targeting corporate data and digital technologies, both of which are now essential to securing corporate growth.

In security risk management, our solutions enable the real-time visualization of the status of IT assets and software installed at the user organization, its group companies and suppliers, along with identifying their security risk status.

Furthermore, we provide digital enterprise platform solutions supporting innovation and productivity enhancement backed by data and digital technologies. These solutions empower value creation and data-driven decision making via the effective utilization of knowledge and information within and outside the user organization.

Our strengths in this business

Solution proposals that make it possible to satisfy customer needs by taking advantage of a lineup of more than 40 solutions supported by superior engineering capabilities based on more than 30 years of engineering experience

Cultivation of demand by, for example, hosting seminars more than 100 times per year, while employing digital marketing and other advanced technologies

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Case Study

Developing Tangible Interface XR, an urban design tool employing cross reality (XR) technology

In tandem with two other corporations, we participated in PLATEAU YOKOHAMA. This use case development project is part of Project PLATEAU, a 3D city model development and open data project led by the Ministry of Land, Infrastructure, Transport and Tourism. This joint project resulted in the creation of Tangible Interface XR, a city design tool employing XR technology. With the involvement of administrative officials in charge of the target district as well as urban development specialists, residents and all other relevant stakeholders, this project aimed at developing a tool designed to enable the sharing of images regarding what their communities would look like in the future. We played our part in stimulating discussions and communications among these stakeholders, as well as the introduction of more sophisticated consensus-making methods for city planning. These endeavors resulted in the creation of Tangible Interface XR, which makes it possible for users to virtually "walk around" the planned district. Ultimately, it is expected to be utilized for an even broader range of urban planning, area management, city simulations and other applications.

> When a model object is placed, a life-sized 3D digital twin appears in VR

> Users wearing VR headsets can walk into a futuristic city created within the virtual space

WEB For more details, please refer to the following news release (Japanese only). https://www.cybernet.co.jp/documents/pdf/press/2023/230330.pdf

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Case Study

Introducing Netskope's SWG to adapt to cloud-based workstyles

DIGITAL HOLDINGS, Inc., our customer, has introduced Secure Web Gateway (SWG), a cloud proxy developed by Netskope. This move was intended to provide its employees, including group members, with a secure cloud environment in line with their workstyle shift from on-premise local-based to cloud-based workstyles. This customer has previously introduced Netskope's Cloud Access Security Broker (CASB), which visualizes and controls the usage status of cloud services, with CYBERNET garnering favorable reviews from this customer for its robust structure for CASB introduction and operational assistance. Similarly, the introduction of SWG at DIGITAL HOLDINGS was smoothly completed with our assistance. As such, we strive to help our customers enhance the robustness of their security systems by delivering product explanations, offering proposals on how to introduce new solutions, and otherwise providing support in a manner finely tuned to each customer's issues and needs.

1	Visualization and analysis	• Compile data regarding the status of security, audits and business continuity of SaaS and IaaS based on more than 50 criteria • Visualize the detail of user activities associated with SaaS, IaaS and Web • Make it possible to drill down into detailed information regarding user ID, devices, browsers, access time, locations, activities, content and other matters • Create queries and reports based on various data surveys
2	Control	• Cloud XD analyzes communications and implements appropriate policies • Capable of formulating policies including those for blocking, alerting, bypassing, quarantining and other actions based on contextual information (services, activities and devices) • Send customized messages to users to raise their security awareness • Maintain robust control on SaaS, IaaS and Web based on a consistent policy
3	Data protection	• Highly functional cloud DLP • Applicable to SaaS, IaaS and Web • Accommodate more than 1,000 data formats and more than 3,000 extensions • Responsive to approximate value, fingerprinting, exact match and OCR
4	Protection from threats	• Detect various abnormalities • Detect and quarantine files infected with malware in addition to replacing index files • Protect from access to malicious websites
5	Secure access to applications	• Realize secure access to authorized private applications solely through client connections to Netskope • Consolidated management of access to on-premise/cloud resources • Available for use not only in web-based communications but also by all application users (TCP and UDP)

Four Growth Drivers

CYBERNET has positioned "strengthening of in-house developed products," "expansion of business in Asia," "promotion of DX in manufacturing" and "use of simulation technology in fields related to SDGs" as growth drivers. In line with these four growth drivers, we will assist our customers in their DX efforts, even as we expand into an even broader range of business fields by taking advantage of simulation and peripheral

Targets for fiscal year ending December 31, 2026

Net sales:	EBITDA:	EBITDA margin:	ROE:
¥30.0 billion	¥3.8 billion	12.7 %	12.0 %

Progress of Medium-term Management Plan

1 1 Strengthening of in-house developed products

In 2022, net sales of in-house developed products totaled ¥3.8 billion, demonstrating steady progress in line with our plans. Some software development subsidiaries released updates of mainstay products, and Sigmetrix, a U.S.-based subsidiary, achieved particularly strong performance. On the other hand, sales of medical AI products were stagnant due to the delay of regulatory authority approval on insurance coverage for these products. However, we succeeded in obtaining approval on our product upgrade plans under the IDATEN fast-tracking system stipulated by the revised Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. We also acquired approval from South Korean medical authorities with regard to selling our products.

2 Expansion of business in Asia

Our 2022 net sales in Asia amounted to ¥2.1 billion, meeting our planned target of ¥2.0 billion. Despite a number of negative factors affecting our external environment, including fallout from China's "zero-COVID" policy, we have seen expansion in sales of optical and other products of Ansys.

3 Promotion of DX in manufacturing

In 2022, sales of services increased 12% year on year. In particular, sales from AI- and AR-related engineering services have expanded. Regarding AI-related services, revenue stemming from our AI system development services was strong. Through these services, we developed AI models via the use of training data based on CAE and other data inputs, making it possible to calculate analysis results in a short time.

4 Use of simulation technology in fields related to SDGs

We provide solutions designed to help realize a decarbonized society and otherwise resolve environmental concerns. These solutions include those providing assessments of indoor ventilation performance via the combination of point cloud data and simulation technologies. We have also developed solutions supporting decarbonization and improvement in the efficiency of heat utilization by taking advantage of thermal fluid simulations.

Real World

Conventional business domains

DX market

3 Promotion of DX in manufacturing

2 Expansion of business in Asia

1 Strengthening of in-house developed products

Mechanical CAE software market

No.1 Sales of mechanical CAE software in the Japanese market

IoT/AR VR/AI

Digital twins connecting the real world with digital realms

Digital World

Peripheral technologies surrounding simulations

Expanding into an even broader range of business fields

Examples of initiatives to address social issues via the application of simulation technology

Contributing to efficient hydrogen storage and transportation to support clean energy

Real-time diagnostic assistance for physicians

Augmented reality (AR) sports

Supporting efficient urban infrastructure management

Assisting financial institutions in maintaining regulatory compliance

Energy

Medical care

Sports

Environment, urban infrastructure, and disaster prevention

Finance

4 Use of simulation technology in fields related to SDGs

Simulation

Manufacturing

Non-manufacturing

Maplesoft

At Maplesoft, we understand that mathematics powers our modern world, improves our lives, and makes us safer, more efficient, and more innovative. Our mission is to provide powerful technology to explore, derive, capture, solve, and disseminate mathematical problems and their applications, and to make math easier to learn, understand, and use.

We are passionate about helping students, researchers, engineers, and scientists take advantage of the power of math to enrich the world we live in, and we will strive to help even more people tackle complex problems and drive research that pushes boundaries and advances the state of mathematics. We firmly believe that math matters, and will continue to work hard to make a real, positive impact on the world around us.

Laurent Bernardin
Waterloo Maple Inc.
(Maplesoft)
President and CEO

Maplesoft

Market Environment

Rising costs due to inflation and continuing supply-chain issues, as well as global competitive pressures, make it more important than ever for companies to become more efficient, reduce risk, and produce better products faster. As well, growing demand for post-secondary education in technical fields means academic institutions need new strategies to provide their students with a high-quality education in face of ever-increasing class sizes. As a result, the global demand for engineering and math technology that allows organizations to achieve better results with fewer resources is growing.

Strengths

Maplesoft has provided mathematics-based software solutions to educators, engineers, and researchers in science, technology, engineering, and mathematics for over 35 years. Maplesoft offers modern, innovative solutions to meet today's challenges, from exploring math concepts on a smartphone to reducing development risk in complex engineering design projects. Maplesoft products and services are used by more than 8,000 companies, research labs, and educational institutions in over 90 countries.

Maplesoft's flagship product, Maple, combines the world's most powerful mathematics engine with an interface that makes it extremely easy to analyze, explore, visualize, and solve mathematical problems. The full product line, which builds on this technology, includes solutions for education and research, system simulation, calculation management, and systems engineering.

With proven technology and decades of experience, we help our customers make the world a better place.

Growth Strategy

The Maplesoft strategy for growth in the medium term comes in three main areas. With the formation of a cross-functional, cross-product Strategic Account team near the end 2022, we are now well positioned to develop a healthy pipeline of large-scale, multi-product sales opportunities at larger companies. At first, we will focus these efforts especially in Japan, China, Germany, and North America, while continuing to develop opportunities globally. The Strategic Account team will also nurture and leverage key relationships to continue to expand our OEM technology licensing and partnership opportunities. Further growth for Maplesoft will come through sales of new products. Building on the experiences and successes of the previous year, we will accelerate the adoption of three recently developed products into new markets. These include civil engineering companies, pipeline designers, technical and two-year colleges, and universities outside of the mathematics departments. For the academic products, our focus will primarily be in North America, while for the engineering products the efforts will be prioritized by industry, with civil and electrical engineering firms offering important opportunities for growth.

Delivering a robust Maplesoft product portfolio for academic and engineering communities

Sigmetrix

We are committed to creating a better, safer world by helping companies achieve sustainable product quality. We work to raise awareness of the realities of mechanical variation and its impact on quality and profitability. We strive to make mechanical variation management an integral part of product lifecycle management. Our committed, dedicated team works with customers worldwide in many industries to educate, inspire and further our mission.

James Stoddard
Sigmetrix, LLC
President and CEO

*Sigmetrix*

Market Environment

With the industry trends of Model-Based Enterprise (MBE) and Industry 4.0, more and more companies are realizing that variation management is key to sustainable quality. In addition, with the softening economy, companies are looking for ways to increase profitability, and proper variation management is an integral part of achieving this goal.

Strengths

Sigmetrix helps companies build better products through variation management by providing significant business value in the following areas:

- Maximize the return on MBD/MBE investment
- Improve profitability by balancing product quality with manufacturing cost
- Achieve faster time to market by reducing design and prototype cycles
- Deliver more innovative products through better understanding of mechanical variation
- Capture, transfer, and retain critical product and process knowledge

Sigmetrix provides this value through a comprehensive solution of software, services, and knowledge content, including CETOL, EZtol, and GD&T/GPS training. This solution provides support to the users, simplifies the process of mechanical variation management, and helps facilitate use within the enterprise.

Providing comprehensive solutions encompassing software, services and knowledge
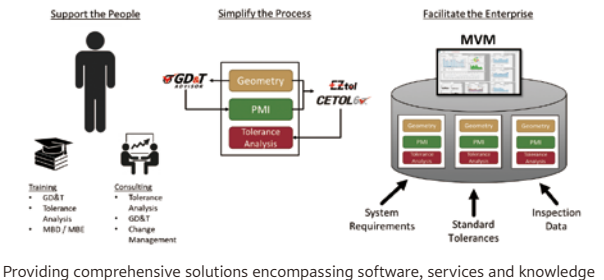
Growth Strategy

Sigmetrix is focused on continuing to grow and increasing the value and utilization of mechanical variation management. We want to help industry see Sigmetrix as a "must have" rather than a "nice to have" technology. Sigmetrix expects to maintain its double-digit year-over-year growth rate into the future and has adopted a 5-point strategy to fuel this growth:

- **Be a thought leader** – Our vision is often counter to the conventional wisdom and product development culture. We need to be recognized by industry as a thought leader to be able to make significant change.
- **Deliver best-in-class technology** – Our approach is different than most companies are used to. We need to give them tools that they can trust that makes it easy for them to change.
- **Provide an ideal customer experience** – Change is hard enough. We need to give companies a reason to choose us and not an excuse to say 'No'.
- **Be an agile, data-driven company** – We are paving a new path, trying to change an industry. We have a strategy, but we need to be able to quickly adapt and make changes to that strategy as we learn what works.
- **Establish global reach** – Many of our ideal customers are large multinational corporations. We need to be able to meet the needs of these companies that are spread across the globe.

Noesis

Group Subsidiaries in Asia

CEO Message

We empower engineers, designers, and analysts worldwide to create truly magnificent products and services that shape the future of our world. Our goal is to help organizations realize the Digital Engineering Transformation and unlock the power of reliable data to make informed, meaningful decisions in a collaborative environment.

As CEO, I am humbled to lead a team that is passionate about making our vision a reality. Our organization is committed to providing innovative tools and solutions that empower organizations to remain ahead of the curve and gain a competitive edge.

We understand our success is the success of our clients, and we are committed to delivering the highest level of service and support at every step of the way.

David Franke
Noesis Solutions NV
CEO

CEO Message

We position CYBERNET as a total solution provider of software, hardware and services in Greater China and ASEAN regions.

We take pride in our ability to adapt and innovate, as we continually seek to improve our processes and technologies to better inspire our customers and make a difference.

I am honored to lead an innovative and dedicated team, composed of 100 skilled and experienced professionals, who continuously commit to delivering advanced solutions that not only meet customer needs but exceed their expectations.

Jeng Minghong
CYBERNET SYSTEMS TAIWAN CO., LTD.
CYBERNET SYSTEMS (SHANGHAI) CO., LTD.
CYBERNET SYSTEMS MALAYSIA SDN.BHD.
Chairman and CEO

Market Environment

The engineering software industry has undergone significant growth and transformation in recent years. The 5-year CAGR of the Simulation and Analysis market is expected to be double digit. There has been a notable shift towards digital engineering transformation, leading to an increased demand for interconnected digital threads that generate reliable data to inform decision-making. The growth of remote workplaces and the need to efficiently collaborate in geographically dispersed teams is becoming increasingly important.

This presents exciting opportunities for Noesis Solutions as our expanding software and service portfolio is well aligned with the top trends in the market.

Strengths

Noesis Solutions is a leading provider of simulation-based engineering software and services, with a strong reputation in the market. We collaborate closely with strategic customers and industry players to develop software products tailored to the latest market needs, keeping us ahead of the competition. Our software platforms offer high levels of openness and customization, enhancing the user experience and driving customer satisfaction. Our team's extensive skills set, with developers, consultants, and engineers working closely with customers, ensures guidance throughout product development, boosting customer retention and delivering value.

We believe that the independence of software providers is crucial for the success of digital transformation. We empower our clients by offering freedom of choice, rather than being restricted to proprietary systems.

Growth Strategy

Noesis Solutions has experienced remarkable growth in recent years, as we have remained at the forefront of addressing the latest trends and technologies in the engineering software industry.

Our strategy forward is to expand our user base across different sectors and engineering domains. Therefore, we leverage the core expertise of Noesis in simulation automation and design space intelligence and lift it into a collaborative platform environment—to be used by anyone. Combined with data analysis and AI solutions, this approach allows our clients to significantly decrease their time-to-market, make well-informed choices, exchange knowledge, foster confidence, and eliminate engineering barriers.

Looking ahead, we want to expand our offerings in Model Based Systems Engineering (MBSE), which will enable customers to move from digital shreds to digital threads, closing the cycle of DX.

At Noesis Solutions, our dedication to growth extends beyond providing cutting-edge software solutions. We offer unparalleled customer support and engineering services to ensure our clients' success.

As we continue to grow and evolve, we remain committed to providing innovative solutions that meet the changing needs of the engineering software industry.

Streamlining digital engineering processes by leveraging a portfolio of ever more sophisticated software and services

Market Environment

Most companies in these regions are eager to seek the transformation toward digital, as well as contributing to the SDGs, and this trend is expected to continue to grow in the next 5 to 10 years.

CYBERNET plays a key role in supporting necessary tools to customers' R&D including AIoT, 5G/6G, LEO, electronics, autonomous vehicles, new energy, and metaverse industries.

Overall, businesses operating in these markets will need to remain agile and adaptable to succeed in the rapidly evolving business environment. We look forward to increasing our own investment in DX capabilities and solutions, in order to accelerate implementation and further our customers' success.

Strengths

Our business strength lies in providing leading-edge products with a group of professional market development teams, technical support teams and administration specialists in China, Taiwan and Southeast Asia.

We take advantage of each other's experience and are outstanding for offering tools to solve problems in all phases through design, simulation & analysis, test & measurement, toward digital transformation.

Throughout the years, we've developed strong capabilities over our competitors in the fields of ADAS, EV, 5G/6G, electronics, advanced optics, smart grid and AR/VR. Our know-how and solutions aim to help customers in realizing their digital transformation.

Growth Strategy

We have set the following four items as our growth strategy:
• Continuously expand our solution portfolio to include a broader range of engineering solutions that cater to new application sectors, such as autonomous vehicles, LEO, cybersecurity, AI, healthcare, green technologies and others, in order to realize sustainable goals of not only our customers but also ourselves.
• Collaborate with regional partners to develop customized service demand and deliver a comprehensive solution that meets customers' needs.
• Integrate CAE and MBD solutions with IT and IoT applications to achieve the DX mission.
• Apply customer success across subsidiaries and their headquarters into all regions, and increase geographic outreach.

A total solution provider connecting the real world with virtual realms to accelerate DX

An Interview with the Director in Charge of Technology

Contributing to a sustainable society by delivering solutions to customers in diverse sectors through the power of employees equipped with outstanding knowledge and experience in computer engineering

Masahiro Matsumoto

Member of the Board &
Executive Officer
Executive General Manager,
Technical Business Unit
Executive General Manager,
Digital Engineering Business Unit

Q1 Please showcase the outstanding technologies possessed by CYBERNET. Also, could you outline core technologies employed in each business domain, such as the manufacturing sector and the non-manufacturing sector?

The company is striving to develop solutions designed to promote a decarbonized society and address environmental issues. This is one way we help resolve issues confronting customers and society at large.

In the manufacturing sector, simulation technology is now being utilized in all facets of the development and design processes. For example, this technology helps reduce the number of prototypes created to complete the target product. Simulations also enable faster-moving development. In the field of electrification, simulation technology now includes important objectives like extending product life and reducing manufacturing defects. This will, in turn, help curb the volume of electronics-related waste, in addition to shortening the time required to design substrates and electronics parts, while enhancing their performance. Our simulation technology can be utilized in every process ranging from control design, circuit design and structural design to reliability assessment, and thus helps raise product quality and production efficiency. In sum, CYBERNET's strength lies in the provision of process-based proposals for improving the entire process of planning, design, development and manufacturing, with our simulation technology at the core of each proposed solution.

In the non-manufacturing sector, the scope of simulation technology's applications has become ever broader than before to encompass healthcare, energy, agriculture and other service industries. In particular, the energy industry is now facing growing calls to curb CO_2 emissions. Against this backdrop, simulation technology is contributing to the optimization of the volume of fuel and oxidation agents to be fed to furnaces to enhance their combustion efficiency. This technology also helps engineers tackle the challenge of developing next-generation energy sources, such as the combustion of hydrogen and ammonia.

Please elaborate on what makes this technology outstanding and where its unique strengths lie.

As a leading company in simulation, CYBERNET has accumulated technologies and know-how since long ago. Furthermore, we have a highly skilled team of engineers capable of, for example, providing consulting on how to maximize the effect of simulations in a way that aligns with customer environments as well as assisting in human resource development. This represents yet another advantage we have over our peers.

Could you name initiatives you are now undertaking to further enhance these technologies?

It is extremely important to accurately assess the issues customers are confronting and areas of their focus through efficient communications with them. On the other hand, in the simulation industry, our overseas peers often boast more advanced technologies and services than those found in Japan. Accordingly, we also deem it important to keep in touch with our overseas Group subsidiaries and other overseas simulation technology companies. Collecting information overseas on leading-edge services and software helps secure our ability to take a forward-looking approach so we deliver proposals addressing potential issues that may confront our customers in the future or areas they will tackle going forward. We strive to ensure that the knowledge we gain can be utilized by customers in Japan as well as those overseas.

Please share your future outlook on these technologies.

Engineers at the production frontlines are increasingly conscious of the need to pursue carbon neutrality. In line with this trend, customer needs will grow more diverse than ever, leading to increasing instances where simulation is utilized regardless of the business size of our customers. We therefore expect that needs for our technology will expand even further.

Q2 Could you explain digital transformation (DX) initiatives now under way at CYBERNET?

We have positioned the facilitation of manufacturing DX as an integral part of initiatives aimed at achieving top-line growth in terms of long-term enhancement of corporate value. In recent years, the scope of engineering services associated with artificial intelligence (AI) and augmented reality (AR) has been growing. In particular, needs among customers in pharmaceutical and food sectors are extremely strong as they are about to initiate measures to promote DX.

Our AI-related solutions utilize simulation data accumulated by customers and enable designers, even those who lack the knowledge of analysis, to obtain simulation results from thermal and fluid analysis, structural analysis and various other types of analysis in a short period of time. In the field of AI, developing a data management framework is a matter of utmost importance, and it requires technologies related to both simulations and AI. Moreover, our company extends comprehensive support to each process of AI development, starting from the preparation of training data. This approach helps us garner highly favorable customer reviews.

Meanwhile, our AR-related solutions include engineering services that help enhance the efficiency and safety of maintenance work by displaying AR-based input about worksite status on tablets and other devices. These services are also appreciated by customers.

Q3 Could you also describe your initiatives to explore and discover cutting-edge technologies from overseas sources? What is the status of the company's competitive advantage in this field?

CYBERNET maintains a network of 19 offices around the world, including sales offices, with subsidiaries specializing in simulation software development operating in Europe and North America. In Europe, our customers include top-tier automakers as well as major corporations in aerospace and communications sectors. In North America, we serve a prominent pioneering corporation in the EV field as well as a number of high-tech companies among others. We regularly engage in discussions with these customers equipped with world-leading technologies to address and resolve issues related to their design process and manufacturing lines. These undertakings help our engineers build up their identities. To resolve the issues confronting these high-tech customers, our engineers are thus endeavoring day in and day out to raise their technical capabilities and live up to our collective commitment to customers encapsulated in the CREDO—"No matter when or in which field, we will deliver value to customers through our technical expertise, breadth of knowledge, and wealth of ideas."

We also engage in management-level information exchange with major simulation software vendors and DX solution vendors around the world on an ongoing basis. Furthermore, we participate in trade shows, forums and other events overseas to explore and discover cutting-edge technologies and to expand our networks.

Today, the pace of technological innovation is staggering. We will take full advantage of our Group companies and sales offices to stay attuned with the latest technological trends which will, in turn, steer our R&D activities.

Q4 Today, the business performance of overseas software product developers is strong. Please name your initiatives to develop partnerships with them and utilize their technological capabilities. Furthermore, please explain the company's standalone development initiatives to create its own products.

As stipulated by the medium-term management plan, we are striving to strengthen in-house developed products. To this end, our policy is to place greater emphasis than ever before on technological and human resource exchanges with overseas Group companies. Customers of our Group companies mainly consist of major manufacturers in Europe, the United States and China. This customer base enables us to introduce actual cases of globally recognized engineering practices to Japanese customers. We also reflect the needs of these customers in our development plans to be undertaken in collaboration with Group companies.

Going forward, we will expand the scope of products and services developed in-house, with the aim of raising the ratio of these operations to 50% of our overall business portfolio. With

this in mind, we focus on the in-house development of new products. For example, in 2022 we released BIGDAT@Analysis, a tool designed to visualize and analyze big data. Although this product is a system specializing in IoT data analysis, we are stepping up in-house development initiatives to increase its added value in the simulation field.

Q5 Could you provide some examples of your initiatives to better motivate engineers, nurture their skills and enhance their capabilities? Please elaborate on the skill enhancement measures now being implemented at the company.

CYBERNET is endeavoring to nurture digital specialists. For example, we assist employees in their efforts to acquire relevant certification via generalist tests ("G-Tests") in line with our projection that AI-related businesses will continue to grow going forward. To this end, we host in-house study sessions while bearing the cost burden associated with taking these tests.

Other initiatives include implementing Project Management (PM) training and extending support to employees who aim for Microsoft Azure or AWS certification. In addition to the above-mentioned measures aimed at enhancing their technical skills, the company has offered leadership training and global talent education to all employees. These programs have been utilized by numerous employees.

In 2022, we held an Acceleration Program to facilitate the creation of new businesses and the invigoration of our organization. We encouraged all employees across the company to join the program. Moreover, participants were able to learn a broad range of subjects, such as how to seek out new ideas, as well as those related to business strategies and marketing, in addition to updating their technical knowledge. Study sessions were also held to address diverse topics, including AI, metaverse, autonomous driving, and manufacturing DX.

Q6 What areas, themes and trends do you aim to tackle or dedicate focus to going forward?

We intend to place particular focus on the fields of aerospace and healthcare, the latter of which has yet to benefit from the popularization of simulations, even as we step up partnerships with universities and government agencies. In this way, we will explore technological fields in which we take on new challenges in a way that takes advantage of our technological features.

Currently, engineers account for 45% of CYBERNET Group employees. Their knowledge of and experience in computer and engineering fields therefore constitute distinctive strengths of the Group. With these employees, we will take on challenges in cutting-edge technological fields while contributing to the creation of a sustainable society through our business operations.

Resolving Social Issues via the Use of Simulation Technology

Basic approach to the environment

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 we are continuously improving it.
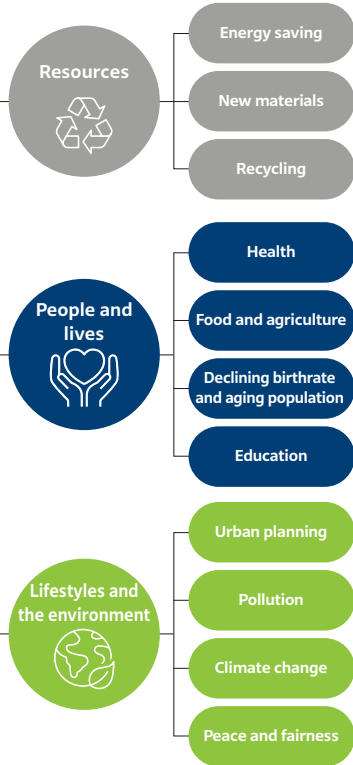
Leveraging simulation and digital technologies to address environmental problems

By integrating simulation and digital technologies, we deliver solutions designed to resolve a variety of environmental problems, either directly or indirectly.

We also explore, develop and provide solutions based on our own categorization of environmental problems.
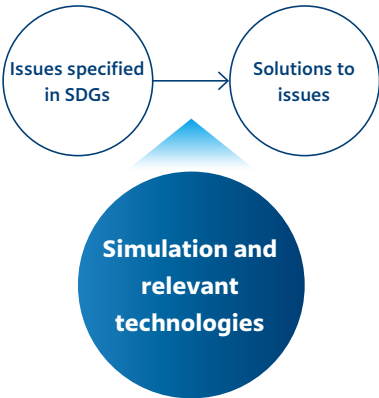
Leveraging simulation technology to develop solutions for environmental problems

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 adopted a unique approach to the development of environmental solutions based on categories consisting of Resources, People/Lives, and Lifestyles/Environment. We also identified the relationships between the 17 SDGs and each proposal we made to our customers.

In 2022, we initiated the provision of solutions for the development of all-solid-state batteries. These batteries are currently attracting growing public attention as a primary candidate for next-generation batteries as they are superior to conventional batteries in terms of safety, heat resistance, product life and resilience against changes in the environment.

In the transportation equipment industry, creation of a high-performance secondary battery is essential to successful electrification. Electrodes are key battery components that significantly affect battery performance, and are composed of multiple raw materials with a fine particle structure. Compared with metals and other homogeneous materials, electrodes are thus uniquely different in material characteristics. To help improve battery performance, the company developed a simulation program designed to examine micro-structure shapes and material characteristics. The use of this program contributes to the reduction of waste and costs as well as the shortening of development periods. Since batteries typically use hazardous substances as their major ingredients, completing the development process with fewer rounds of actual model testing is a matter of greater importance for battery developers than for developers of other types of machinery components developers. In this regard, our simulation technology helps resolve environmental issues that our customers face.

Examples of solutions offered by CYBERNET

Energy saving
Plant modeling for EV energy cost calculation

This enables the calculation of energy costs in a manner closer to actual measurement via the development of a 1D model for simulating control, driver model, machinery, heat and electrical system plants. Once the model is developed, it can be incorporated in HILS* to undertake more detailed verification.
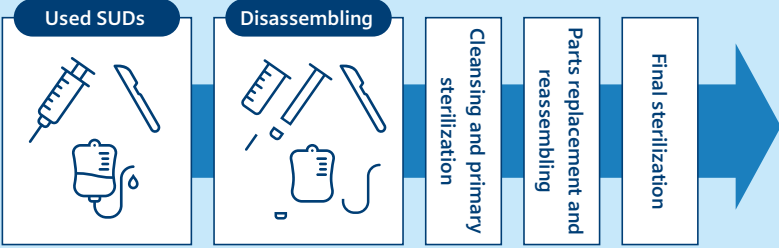
* Hardware In the Loop Simulator
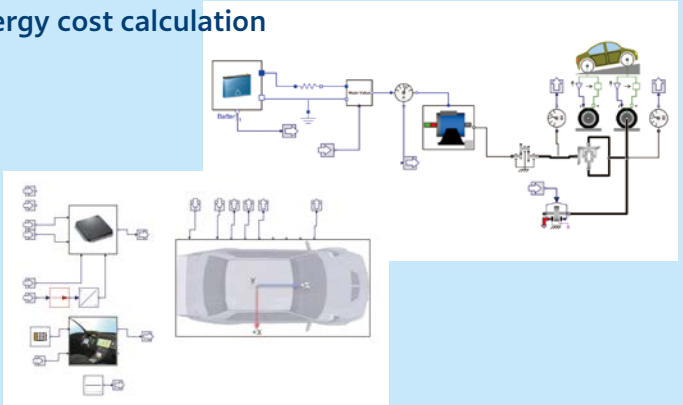
Recycling
Evaluation of sterilization performance for remanufacturing of single-use medical devices

Due to the recent lifting of a ban on the remanufacturing of single-use devices (SUDs), securing the safety of used SUDs via cleansing and sterilization has become a matter of importance. Backed by thermal and fluid analysis, our solutions contribute to the precise evaluation of sterilization performance by predicting device temperatures.

Used SUDs · Disassembling · Cleansing and primary sterilization · Parts replacement and reassembling · Final sterilization

The company's simulation technology is used in the evaluation of cleansing, primary sterilization and final sterilization processes.

Urban planning
Development of LiDAR* aligned with an automated driving environment

We help facilitate the development of LiDAR technology through optical design for high-performance LiDAR and optical simulations assuming the actual driving environment in fog, rain or other conditions to reduce the need for prototyping and actual testing.

* Light Detection And Ranging
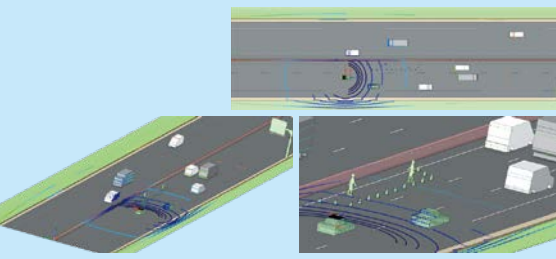
Online user meetings themed on sustainability

In 2022, we hosted online events focused on discussing the creation of a sustainable society via the use of digital engineering under the title "CYBERNET Solution Live 2022." Through this event, we introduced cutting-edge sustainability initiatives being undertaken at the frontlines of manufacturing, such as automobile production lines, as well as an array of solutions, including those backed by simulation technology offered by CYBERNET in the fields of DX, AR/VR, IoT, digital twins and cloud technologies.
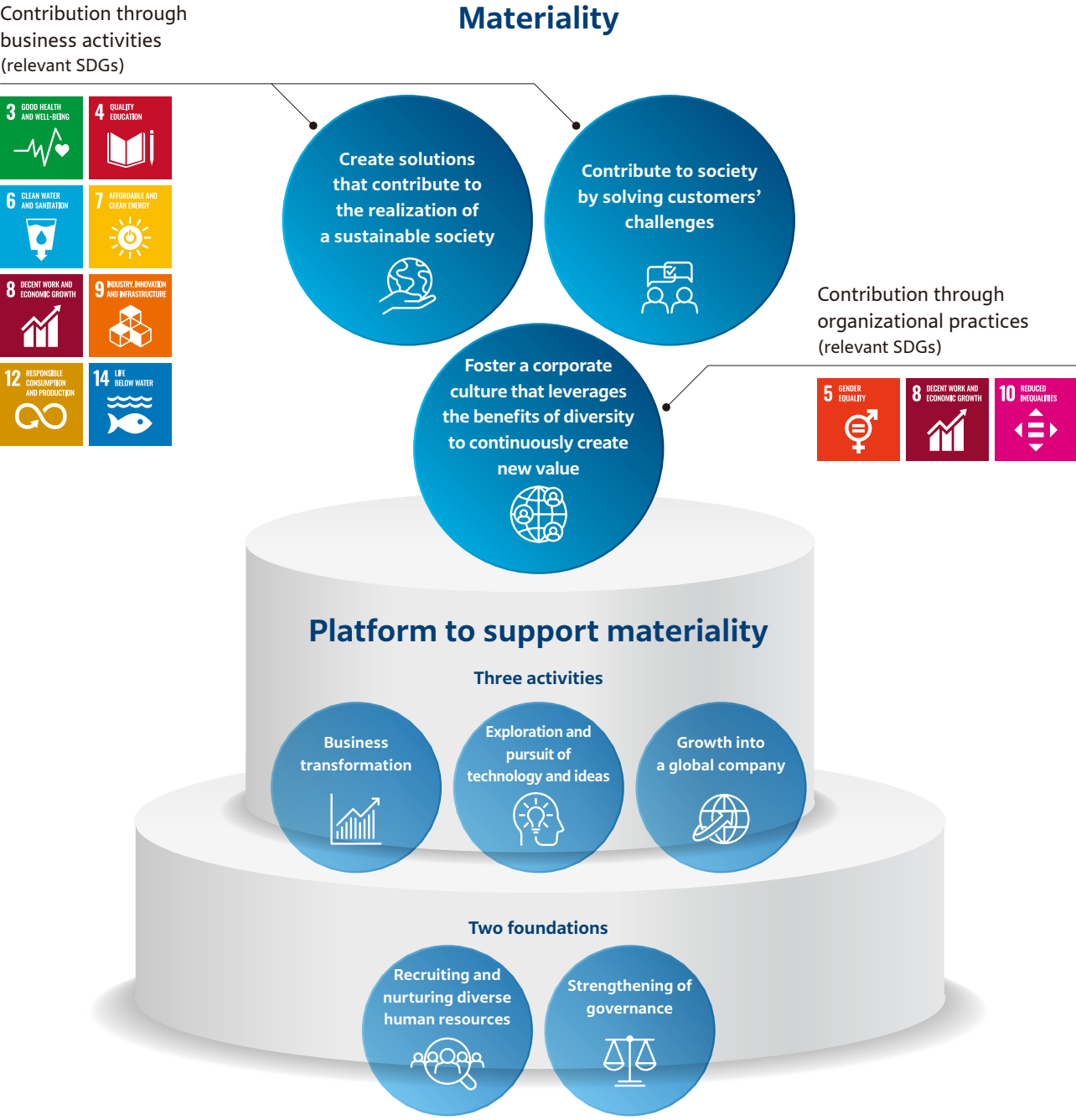
Initiatives to Address Materiality

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, which are becoming widespread throughout society. In addition, responding to environmental issues, particularly climate change, and addressing human rights problems are now urgent social challenges around the globe.

Under such circumstances, we formulated our VISION, MISSION, and CREDO in 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 degree of sustainability in which we contribute to solving social challenges while achieving the CYBERNET Group's sustainable growth.

Contribution through business activities (relevant SDGs)

Materiality

Contribution through organizational practices (relevant SDGs)

Platform to support materiality

Three activities
- Business transformation
- Exploration and pursuit of technology and ideas
- Growth into a global company

Two foundations
- Recruiting and nurturing diverse human resources
- Strengthening of governance

Overview, background and approach: WEB https://www.cybernet.co.jp/english/sustainability/materiality/basis.html

Initiatives to address materiality

Providing knowledge through our educational content

The company provides a variety of training content designed to support the learning of CAE. This initiative is intended to assist in human resource development undertaken by customers pursuing the resolution of social and industrial issues via the use of digital engineering solutions. CAE is one of our strengths, and it is capable of streamlining manufacturing processes and cutting back on resulting waste and CO_2 emissions.

In 2022, we provided free-of-charge and paid-for programs to a total of more than 4,000 people. Examples of these training programs are described below. As part of our efforts to contribute to society, we will continue to provide programs like these to help customers resolve issues they are facing.

CAE University

Under the slogan of "human resource development for manufacturing," the CAE University offers a comprehensive CAE educational system with the goal of nurturing engineers with genuine capabilities to effectively utilize simulations through systematic education combining classroom lectures, experiments, and hands-on CAE software training. This university consists of courses for each field and skill level, allowing customers to choose from various options for training formats that best suit their needs. In addition, university professors, top engineers in their respective field, and former designers serve as instructors to provide in-depth training. In 2022, we offered 110 lectures.

EDURUNS

In 2022, we released EDURUNS, a portal for online learning, to nurture CAE engineers. With the growing usage of CAE in recent years, we have seen that issues associated with and needs for CAE education have also become diverse.

In response, EDURUNS provides video-based learning programs developed leveraging our 35 years of experience in technical support. These programs encompass a range of content from commentaries contributed by university lecturers on fundamental theories to demonstrations of practical tips given by seasoned simulation engineers. In this way, we support CAE learning by customers.

Accessible from PCs and smartphones, enabling learning anytime from anywhere

Creating solutions to help realize a sustainable society

In 2022, we implemented an Accelerator Program to facilitate the creation of new businesses and increase organizational vitality. Through this company-wide program, we solicited ideas from employees by grouping them into a team of three members. As a result, more than 1,500 ideas were submitted. In addition to ideas related to the keywords "AI," "CAE," and "automatic," many of the ideas generated were related to the keyword "environment."

Under this program, we also provided employees with various webinars on how to develop ideas, how to undertake customer and technical verifications and how to draw business plans. Moreover, we invited external specialists to be interviewed by employees appointed as accelerators. In these ways, we encouraged employees to create business ideas. The program also involved study sessions on a broad range of subjects from AI, DX in manufacturing, engineering thinking and foreign language proficiency to Microsoft Excel. With employees serving as lecturers, these study sessions also provided a place for interactions that transcended divisional boundaries.

Looking ahead, we will leverage ideas created via this program to develop new solutions and deliver new proposals to customers, with the aim of contributing to the resolution of social issues.

Human Resource Capabilities: Employee-Friendliness

Basic approach to social issues

The CYBERNET Group gives due consideration to the development of a decent working environment and the diversity of human resources, while striving to build favorable relationships with stakeholders. In doing so, we offer high-quality services to live up to requests from society, in addition to implementing diverse activities aimed at contributing to the resolution of social issues.

Supporting flexible workstyles

In 2020, we began allowing all employees to use the telecommuting system, expanding the scope of eligibility from previous definitions that had applied only to some employees (e.g. those engaged in child rearing and nursing care). Currently, around 60% of employees work mainly from their homes while, when necessary, attending meetings remotely or commuting to the office. Meanwhile, although about 40% of employees mainly work at the office, they are not necessarily asked to show up every day and are working flexibly via the incorporation of the work-from-home style.

Engineers who engage in analysis and other duties requiring the use of high-end computers can access on-premise computers from external locations via remote connections. As such, we develop an environment designed to ensure that no employees are restricted from choosing their own working locations on the basis of their job categories.

As for working hours, we introduced a full flextime system without core times to enable employees to work more flexibly in the wake of the COVID-19 pandemic. This system defines the flexible time spanning from 7:00 to 22:00 while prescribing daily working hours of 7.5 hours to allow employees to freely allocate their working hours within the range of the monthly total.

Web-based meeting

Childcare leave

Establishing a childcare leave system that can be utilized by both male and female employees is an imperative corporate duty. Over the past five years at CYBERNET, 17% of male employees have taken childcare leave upon their spouses' childbirth, with the period of leave spanning from several months to one year.

The company extends comprehensive support to employees who are engaged in child rearing and about to take, taking or recently reinstated from childcare leave.

We provide employees who are about to take childcare leave with interviews with human resource department staff.

Work-life balance

The average length of overtime hours among CYBERNET employees is shown in the graph on the opposite page. As we aim to promote employee health while achieving high productivity, we endeavor to thoroughly manage daily working hours of employees. To this end, the human resource department monitors the status of all employees on a weekly basis and, if it detects the possibility of excessive working hours, delivers an alert to supervisors of employees in question.

To facilitate the utilization of annual paid leave, we have designated dates on which employees are encouraged to

Also, departmental supervisors of such employees are given briefings by human resource department staff so that they can gain thorough understanding of childcare leave. Moreover, employees who are about to be reinstated from childcare leave similarly attend interviews with their supervisors, as well as human resource department staff, to seek consultation about workstyles they hope to adopt. Furthermore, employees in childcare leave can voluntarily participate in various training sessions or attend kickoff meetings and other company-wide events. In these ways, we strive to enable employees in long-term leave to smoothly rejoin the workforce.

take leave during Golden Week, summer vacation and other seasons. We have also organized an operational team system in which employees engage in mutual support, enabling one another to take paid leave on their desired dates.

Moreover, annual paid leave can be taken in units of one hour. In combination with the full flextime without core times and other programs, our annual paid leave system is thus designed to help each employee strike a work-life balance based on their differing individual needs.
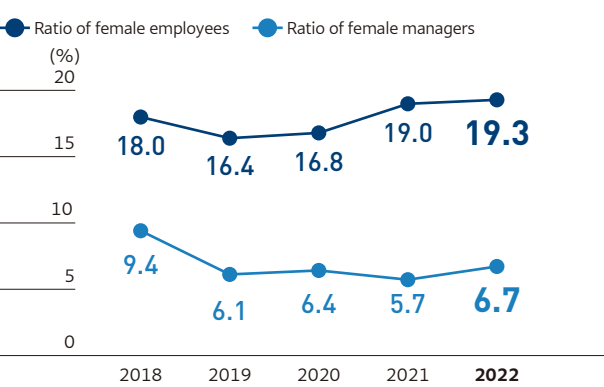
Non-financial Highlights

Average Length of Overtime Hours

(Hours)
- 2018: 15.60
- 2019: 15.72
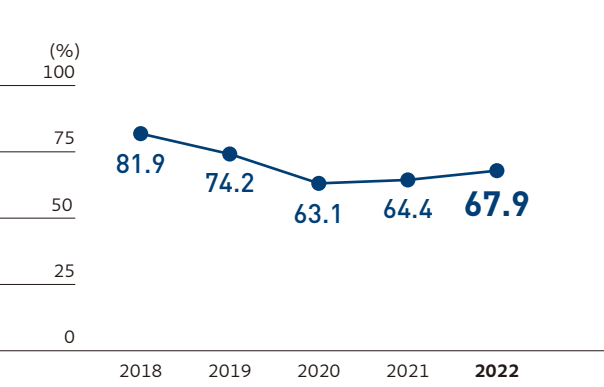- 2020: 6.71
- 2021: 13.54
- **2022: 18.12**
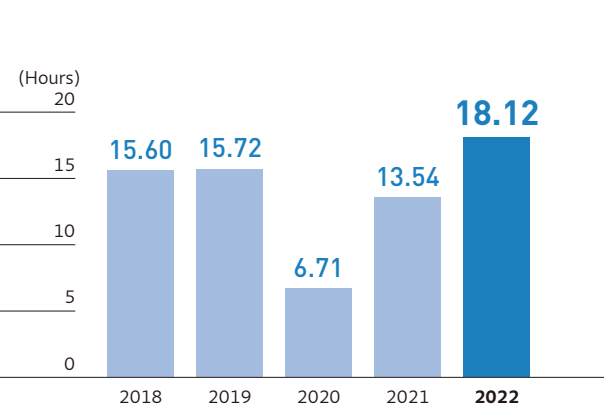
We engage in company-wide efforts to prevent excessive working hours. In 2020, the average overtime hours showed a decline due to the temporary adjustment of workload in the wake of the outbreak of the COVID-19 pandemic.
* Applies to Cybernet Systems Co., Ltd. (non-consolidated)

Education and Training Expenses Per Employee

- ■ Education and training expenses (left axis)
- ● Proportional trend (expenses recorded in 2018 = 100) (right axis)

(Yen/person)
- 2018: 25,637.4 / 100
- 2019: 38,889.5 / 151.7
- 2020: 42,507.8 / 165.8
- 2021: 55,287.1 / 215.7
- **2022: 77,482.1 / 302.2**

We deem it important to invest in human resource development and, accordingly, allocate funds proactively to this investment.
* Applies to Cybernet Systems Co., Ltd. (non-consolidated)

Ratio of Female Employees/ Ratio of Female Managers

- ● Ratio of female employees
- ● Ratio of female managers

(%)
Ratio of female employees:
- 2018: 18.0
- 2019: 16.4
- 2020: 16.8
- 2021: 19.0
- **2022: 19.3**

Ratio of female managers:
- 2018: 9.4
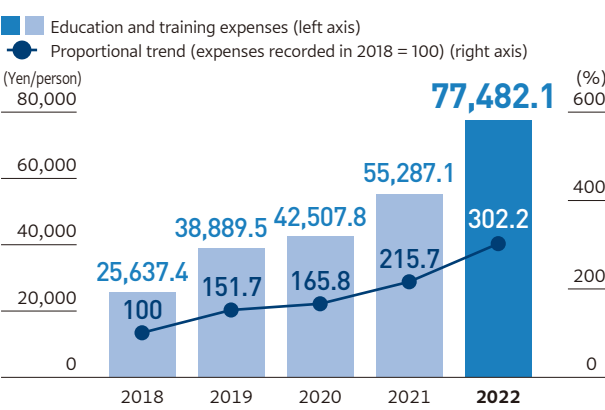- 2019: 6.1
- 2020: 6.4
- 2021: 5.7
- **2022: 6.7**

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/ Ratio of Non-Japanese Managers

- ● Ratio of Non-Japanese Employees
- ● Ratio of Non-Japanese Managers

(%)
Ratio of Non-Japanese Employees:
- 2018: 3.3
- 2019: 3.5
- 2020: 4.2
- 2021: 4.4
- **2022: 4.6**

Ratio of Non-Japanese Managers:
- 2018: 1.3
- 2019: 3.4
- 2020: 3.6
- 2021: 3.3
- **2022: 4.2**

At CYBERNET, human resources of diverse nationalities serve as key workforce members. We believe that respect for diversity is essential to our growth into a global company.
* Applies to employees of Cybernet Systems Co., Ltd. (non-consolidated)

Paid Vacation Utilization Rate

(%)
- 2018: 81.9
- 2019: 74.2
- 2020: 63.1
- 2021: 64.4
- **2022: 67.9**
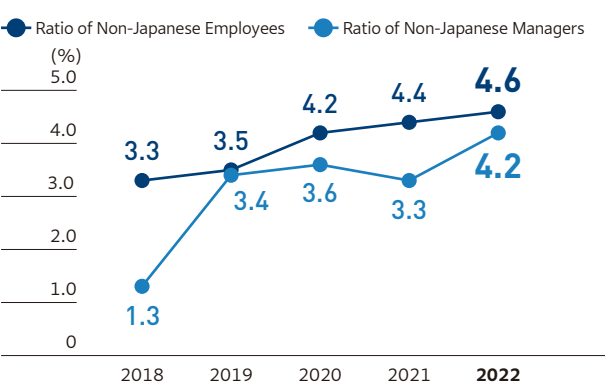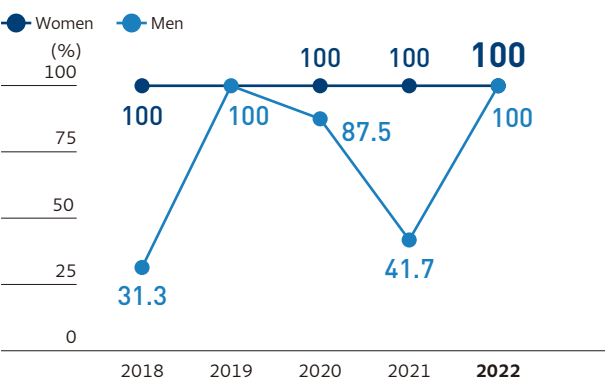
We are fostering workplace environments that take work-life balance into account.
* Applies to Cybernet Systems Co., Ltd. (non-consolidated)

Childcare Leave Utilization Rate

- ● Women
- ● Men

(%)
Women:
- 2018: 100
- 2019: 100
- 2020: 100
- 2021: 100
- **2022: 100**

Men:
- 2018: 31.3
- 2020: 87.5
- 2021: 41.7
- **2022: 100**

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

Human Resource Capabilities: Training and Commendation Systems

Developing human resources

In developing human resources, we have established, and are currently operating, a system of top management education, global talent education, grade-specific education, job-specific education, and common education for all employees.

In 2022, we provided leadership education, anti-bias education addressing unconscious biases, female leadership development education and education on SDGs, among other programs. 104 managers participated in the leadership education, 119 managers completed education to combat unconscious bias, and 26 employees attended female leadership development education. While the above education programs are being hosted by administrative departments, a diverse range of other programs are implemented by each business division to instill, for example, product knowledge and project management skills.

Employee growth comes primarily from challenges they face at work. Accordingly, we respect and support our employees in taking on challenges. Furthermore, we strive to provide effective education to enable them to tackle new challenges, while we continue to identify priority areas in line with our ideals for what education should look like at CYBERNET.

Education System

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

Education for prospective employees

Quarterly and annual CREDO Award program

We appointed 23 CREDO ambassadors who advocate for the widespread practice of CREDO, which constitutes a key component of our VISION/MISSION/CREDO (VMC) and provides specific action principles for our employees. As part of these efforts, we established an award-giving program dubbed "CREDO Awards" to commend employees or project teams whose actions and accomplishments are deemed to embody CREDO. This program is implemented on a quarterly basis.

Candidates to win CREDO Awards are nominated based on recommendations from heads of departments or business divisions as well as peer employees within or outside departments. Recommendations from CREDO ambassadors are also viable. Award-winning employees and project teams are finalized via rigorous screening and announced to the entire workforce.

An annual selection program is also in place to commend outstanding employees and project teams from among those who have won CREDO Awards during the preceding fiscal year. This program takes place at the beginning of each fiscal year in conjunction with the announcement of operating results for the previous fiscal year, with Most Excellent Award, Excellent Award, Teamwork Award and President's Special Awards for individuals and teams being granted to the chosen recipients. The annual program also grants Newcomer Awards, commending employees who joined less than three years ago and have achieved outstanding accomplishments.

In recent years, the annual award-giving program has been held online due to concerns over the spread of the COVID-19 pandemic. Nevertheless, each round of the award-giving ceremony has been successful, with winners contributing their words of gratitude, while other employees send their congratulatory message via chat, just as if all of them are present at the same venue.

Quarterly CREDO Awards ceremony

Story of the birth of VMC

Since its founding, the company has long maintained growth backed by competitive advantage as a CAE distributor and thus enjoyed stable operating results. However, looking into the next decade or two, we have become convinced that existing businesses will no longer enable us to achieve reliable growth.

This projection was based on changes in society, the advancement of technologies and the increasing complexity of business challenges that our customers are now facing. In a world of growing uncertainty, however, we must remain true to our reason for being, maintain our competitive advantage and win our place in the harsh environment, to this end constantly aligning ourselves with changes and achieving ongoing growth.

With this in mind, in 2021 we established VISION/ MISSION/CREDO (VMC), which constitutes our new corporate philosophy, to help employees adopt broader perspectives, based on a belief that doing so is essential to creating new businesses that transcend the scope of our existing operations. The formulation of VMC was led by a project team formed to intensively deliberate on this subject, with its members consisting of those of differing job categories and grades from various departments.

These vigorous discussions led to such conclusions as "We should not only support our customers but also stay ahead of them in terms of problem solving " and "In addition to engaging customers to learn and address their issues, we must be capable of identifying issues that customers themselves are not aware of." The VMC was thus established via the use of an employee-driven approach.

Now, we are determined to disseminate VMC among the workforce along with the aspirations expressed above.

Human Resource Capabilities: Roundtable Talk among Employees

From young employees in their mid- 20s to a seasoned manager, these five employees come from different backgrounds and operate in diverse job categories. Here they meet to exchange thoughts on their sense of job fulfillment and employee-friendly environments.

Q1
Please share the sense of job fulfillment you feel at CYBERNET.

Inatsugu: Currently, I take on the mission of enhancing synergies among Group members and accelerating business operations undertaken by the Group as a whole. This is my reason for being seconded to a Group company in China.

In the course of this overseas assignment, I have to deal with different languages, cultures and business customs. This can be quite challenging, but also helps me learn a lot of things and leaves me with a sense of fulfillment.

It has been half a year since I was seconded. I now feel that the CYBERNET Group began to take a collective, cross-regional approach to handle a growing number of projects.

Although Japanese businesspeople tend to be immensely conscious of working as a team, Chinese businesspeople often seem focused on winning an individual competition even though they do honor, to some degree, the pursuit of shared goals and teamwork. Also, their approach to negotiations is quite aggressive.

Kuroki: We sometimes hear words of gratitude from our customers upon the success of our efforts to resolve their problems and issues via the provision of proposals, services and products. This is a profound moment in which I feel a sense of fulfillment. From an engineer perspective, however, I simply feel joy upon the resolution of problems.

From my viewpoint as a manager, I am always conscious of how to lead my team and enhance its overall performance by allocating the right person to the right position. When my action or our collective action as a team is recognized by the company, I similarly feel rewarded.

Just like Ms. Inatsugu is doing, I sometimes make trips to China and Taiwan to train local young engineers, support Group companies in Asia and visit customers in the region. Furthermore, I had previously served as a member of the board at a Group company to offer advice from a management perspective. Undertakings like these broaden my perspective and enable me to gain new experience outside the scope of operations of my own business unit. This, too, gives rise to a sense of fulfillment.

Ueda: Like Mr. Kuroki has mentioned, the most rewarding moments are when I hear words of gratitude from customers.

As a professional, I feel a profound sense of job fulfillment through the provision of support to customers who seek to introduce simulations. Even after they become able to utilize simulations by themselves, they may still confront a host of new issues. This is where they seek our consultation. I feel happy when we succeed in helping them resolve these issues and developing ongoing relationships. However, although I enjoy resolving customer issues, I also experience the struggle of discovering optimal solutions. In the course of these relationships, my sense of enjoyment and struggle can both become profound.

Ono: Some of the customers I support have run into issues that could not be resolved via the use of a single product. However, we delivered proposals involving the combination of two or three products handled by CYBERNET. This resulted in the overall enhancement of their security level and the realization of zero-trust security. I felt a sense of fulfillment through my engagement in these proposals.

As exemplified in the aforementioned instances, we not only sell products but also promote projects in tandem with customers toward a shared future goal with regard to what their overall security measures should look like. This undertaking enables me to feel a strong sense of professional fulfillment.

Moreover, CYBERNET allows younger employees in the second and third year to take on a variety of challenges. This similarly helps employees experience positive occasions where they find their job meaningful.

Shimizu: Personally, I feel most excited when the company greenlights a type of project that I really want to do.

In this regard, at CYBERNET we are free to communicate our career desires to supervisors. In fact, I was assigned to the Acceleration Program, a company-wide program aimed at creating new businesses, after communicating my desire to be involved in the creation of new businesses. It was right after being reinstated from childcare leave, and I was not able to work full-time. I was so happy because the company gave me a chance regardless and this energized me.

Q2
Please describe your workplace environment. What is your impression of colleagues around you?

Inatsugu: For us to accelerate businesses via Group-wide collaboration, rolling out skills and technologies possessed by business units in Japan to overseas Group members is essential. Of course, this cannot be done through my standalone effort. I therefore ask in-house specialists for help. Although they are extremely busy people, I have found them quite cooperative. As a result, a number of projects involving Group-wide collaboration have begun to move forward.

We have an ingrained workplace culture of helping those in need and striving for the happiness of customers as well as those around us. An environment of this kind is also quite employee-friendly. I consider this culture to be the most outstanding feature of CYBERNET.

Kuroki: Workplace environments and employee-friendliness can be determined from the two aspects: infrastructure/systems and interpersonal relationships. With regard to the latter, I totally agree with what my peers have just mentioned.

In the aspect of infrastructure/systems, CYBERNET has also allowed employees to adopt diverse workstyles. For example, the telecommuting system was already in place before the company introduced remote working in the wake of the outbreak of the COVID-19 pandemic. Under the former system, one of my staff has been working from Nagano Prefecture, 200 kilometers away from Tokyo.

When I engage with my staff, I focus on aligning my approach with each member's particular value system. In fact, what people value most can differ largely by individual. Applying the "one-size-fits-all" approach never helps us attain greater performance, nor does it make our workplace comfortable. Accordingly, I deem it important to give due consideration to individual characteristics. I make it a personal rule to spend a sufficient amount of time listening to my staff to ascertain what they really think and desire.

Ueda: What Mr. Kuroki has shared is very true. I personally feel that the company is supportive of those engaged in child rearing.

When I took childcare leave for three months in 2022, my project manager and colleagues generously agreed to take over my tasks, enabling me to smoothly take leave.

Many of my team members are married people. Accordingly, I would like to help foster an environment in which individuals, who will become parents going forward or need to engage in nursing care for their family, can work without anxiety. For the flextime system and the telecommuting system to be fully utilized among employees, it is essential to streamline operations and break away from dependence on skills discerned by particular staff. With this in mind, I am currently focused on promoting the sharing of knowledge within the team and educating individuals who are newly assigned. Through these efforts, I would like to make my team even stronger.

Shimizu: I believe that the environment at CYBERNET is employee-friendly thanks to measures it has undertaken to help employees manage their health, secure family time and enable self-motivated learning, social contribution and volunteer activities. In addition to company support being extended to those engaged in child rearing and nursing care, these measures help employees strike a balance between work and private life or spare extra time to pursue personal goals. For employees, feeling safe to share what we really think and having confidence with their workplace is important. The psychological safety, offered by the company's workplace environment, enables its employees to better manage emotional and physical health.

Inatsugu: I, too, often feel secure working at CYBERNET in terms of both emotional and physical health.

Ono: Although many of my colleagues work fully remote, they are really kind, so I have been able to work smoothly without feeling any major inconvenience. Also, no employees were abruptly instructed to return to office in the aftermath of COVID-19 pandemic emergency conditions. I feel thankful for the company's policy in this regard. To sum up, CYBERNET gives due consideration to individual employees' diverse conditions. This, I believe, leads to employee-friendliness.

Q3
Lastly, please share your future career vision

Ueda: I hope to create an environment in which every employee can work vibrantly with confidence while understanding each other's ways of thinking and the importance of private life. At the same time, I will diligently work to streamline operations and update processes that have been dependent on particular staff skills. I would also like to dedicate greater energy to promoting the sharing of knowledge and educating newly appointed staff, with the aim of creating an even stronger team.

Kuroki: My department is tasked with taking on new initiatives that had not been traditionally handled by the company. Although this does not necessarily represent my long-term career goal, I would like to get these initiatives on track and contribute to the realization of the company's VISION/MISSION.

Shimizu: I would like to keep learning and building up my career. Over the course of my lifetime, there may be times when I have to slow down. However, I will nevertheless continue to view whatever events life presents in a positive light and strive to derive joy from my career journey.

Inatsugu: I hope to leverage my overseas experience. Although I am in a process of exploring how to utilize this experience, I would like to take on duties that can be fascinating to me.

Ono: As a salesperson, I still have to learn a lot. My immediate goal is to assume a proactive and central role in projects. In the long run, I would like to take on the challenge of operating in countries overseas.

Masayuki Kuroki
General Manager of Sales Engineering Department, General Sales Division

Shizuho Shimizu
Corporate Planning Department and IR Department, Corporate Planning Division

Shigenori Ueda
Technical Support Department, Engineering Division

Yumi Inatsugu
Seconded to CYBERNET SYSTEMS SHANGHAI

Yuka Ono
Sales Department, IT Solution Division

Further Developing Quality Management and Partnerships

Quality management

In-house developed products

CYBERNET strives to strengthen in-house developed products, to this end establishing and enforcing quality standards to ensure the quality of the proprietary products provided to customers. As part of these efforts, we hold regular quality assessment meeting to confirm the level of development achievements relative to specific requirements (functionality, quality, and reliability) approved by the New Business Council and the Executive Meeting, both of which are convened before quality assessment. In this way, we determine whether the quality of each 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 criterion **(1)**, we check whether the content of the plan approved by the New Business Council and the Executive Meeting is 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 Development 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.

Through the quality assessment meeting, we determine whether appropriate quality management and assessments are being conducted from the perspectives listed below. If the product passes all the criteria, the quality assessment meeting concludes that the product satisfies 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)

Contract analysis services

We have established our own project management rules and, based on these rules, we strive to meet the Quality, Cost and Delivery (QCD) requirements agreed upon with our customers. More specifically, our process includes confirmation of the following four items to ensure proper risk management.

(1) Feasibility study (assessment of the plan's appropriateness)
(2) Implementation and monitoring (management of progress, change, issues and other factors)
(3) Phase review (assessment of the appropriateness of a transition to the next phase)
(4) Release assessment

Deepening Our Partnerships

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.
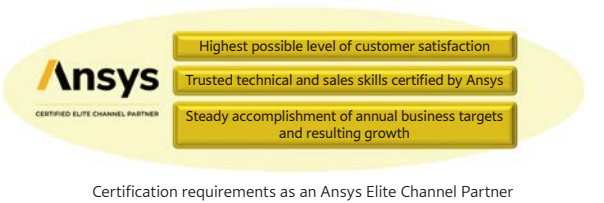
The group is certified by a number of software development vendors as an excellent partner. For example, we have been certified as an elite channel partner for nine consecutive years by Ansys, Inc., a core supplier of the CYBERNET Group. In 2022, CYBERNET SYSTEMS (SHANGHAI) CO., LTD., a group company, was chosen by Ansys, Inc. to receive the Ansys APAC Channel Partner of the Year 2022 award, in recognition of a robust sales track record achieved via proactive marketing activities despite the enforcement of lockdowns in many major cities in China.

In addition, CYBERNET has identified pursuing top-line growth as a key long-term initiative to increase its corporate value. We have also defined four growth drivers to that end, and are stepping up collaboration with PTC in the promotion of DX in manufacturing, one of these growth drivers. This collaboration is focused on realizing smart production lines and other types of manufacturing innovation.

We are also committed to improving our in-house developed products and services by exchanging technological knowledge through joint development partnerships with companies around the world.

- Highest possible level of customer satisfaction
- Trusted technical and sales skills certified by Ansys
- Steady accomplishment of annual business targets and resulting growth

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 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. Furthermore, the committee appoints the leader of a response team, with team members assigned from each department to promote information security-related activities.

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.

Organization Chart of Information Security Management System

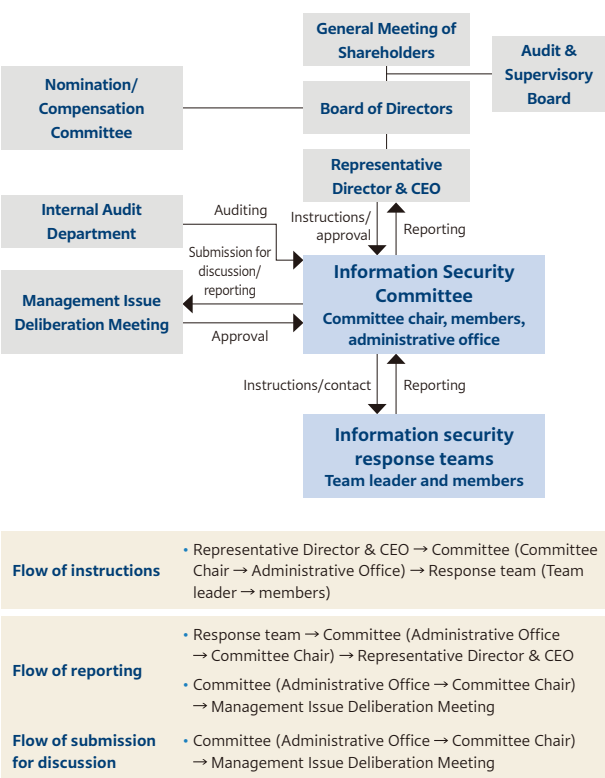|	
Flow of instructions	• Representative Director & CEO → Committee (Committee Chair → Administrative Office) → Response team (Team leader → members)
Flow of reporting	• Response team → Committee (Administrative Office → Committee Chair) → Representative Director & CEO • Committee (Administrative Office → Committee Chair) → Management Issue Deliberation Meeting
Flow of submission for discussion	• Committee (Administrative Office → Committee Chair) → Management Issue Deliberation Meeting

Measures to enhance information security

Under the Information Security Basic Policy, CYBERNET established relevant rules and regulations, 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 implementing countermeasures 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 all group employees with information security education upon joining the company, in addition to subsequently requiring periodic training sessions.

We also employ a common information security framework for all of our subsidiaries to ensure the proper management of their information security status.

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 (2023)	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.

Roundtable Talk with Independent Officers

We hosted a roundtable talk in which three external directors and one external auditor, all of whom are independent officers, were invited to share their assessments on the company's corporate governance as well as their thoughts on what should be done to realize its long-term ideals (the event was held on March 30, 2023).

Q1 Please share your assessments on the company's corporate governance.

Kishi: No matter what subjects are being discussed in the Board room, I always strive to confirm what is going on at the frontlines. Generally, external directors are positioned with limited access to information. This is true not only at CYBERNET, but also any other company.

The Nomination/Compensation Committee and the Board of Directors constitute our official information sources. Previously the Nomination/Compensation Committee consisted mainly of external members, with only President Yasue attending from the executive team. Each year, in a well-organized manner, this committee has hosted multiple reporting sessions on corporate governance with an external lawyer offering advice. The committee addressed a variety of issues, reviewed specialist advice, and otherwise worked diligently to fulfill its duties. That being said, the committee's discussions had been bounded by a limited range of information. To resolve this problem, we proposed inviting a Vice President and a standing auditor as observers. We felt the need for in-depth information regarding management issues and other matters. Their presence will, in turn, enable us to reach proper judgments.

Serving as the chair of the Nomination/Compensation Committee, I strive to reach out to committee members as well as these observers and encourage them to proactively offer their insights. This helps us address agenda items from different angles and better positions us to identify potential issues based on impartial input.

Fujimatsu: It has been two years since I assumed the office of external auditor, and I feel that the composition of the company's Board of Directors has become more diverse than ever. Moreover, the executives now attending include experts in various fields, such as sales, technology, global operations and administration. Meanwhile, external directors provide proposals based on their insights into areas of their specialty, such as corporate management, and otherwise bring opinions backed by their diverse experience. Thanks to their presence, Board room discussions are brisk.

As Mr. Kishi mentioned earlier, attendance at Nomination/Compensation Committee meetings provides us with wide-ranging information. We sometimes find ourselves running out of allotted time as our discussions can grow quite active when addressing management strategies and other key topics. We also hold web-based meetings on an ad-hoc basis outside the regular meeting schedule. Furthermore, each member is quite open to hearing opinions contributed by others who have differing perspectives. As a result, the committee is equipped with an atmosphere that allows everyone to freely speak as well as a culture of encouraging unfettered discussions. Through these meetings, each member cooperates with one another to navigate the company in the right direction. This also enables the Board of Directors to fully exercise its functions.

Hasegawa: I assumed the office of external director a year ago and have since then been aware that the Board of Directors, Nomination/Compensation Committee and Conflict of Interest Deliberation Committee each provide a place for the active exchange of opinions.

In particular, members of the Nomination/Compensation Committee apparently take great care reviewing materials submitted by the executive team. They ask various questions to determine whether potential issues are already fully accounted for, while attendees from the executive team sincerely answer these questions. Of course, no company is perfect, so we are not immune from a variety of challenges. Thus far, however, we have been able to engage in meaningful discussion to successfully address them. When topics on the table are deemed to include matters outside the regular meeting scope of the Board of Directors or Nomination/Compensation Committee, we hold separate sessions or otherwise ensure that they are properly addressed. Also, although CYBERNET operates some overseas Group companies, I believe that, from the perspective of group governance, there is a room for improvement in terms of developing a framework for preventing risk materialization and otherwise enhancing our risk management structure. Awareness of this issue is already shared among all executives.

Kitamura: I currently teach business administration at a university. One reason I made the switch from being a corporate manager to a university professor is the keen interest I have developed in corporate governance. In Europe and the United States, corporate governance is usually seen as a means to supervise corporate leaders to ensure the appropriateness of management from the perspective of shareholder value and interest. In contrast, many Japanese corporations, including CYBERNET, seem to strive, through corporate governance, not only to enhance shareholder value but also to improve corporate value from diverse perspectives.

> **We engage in good discussions, while awareness of the present issues is already shared among all executives.**
>
> **Yoshisuke Hasegawa** External Director

Mr. Kishi has also touched on the importance of employing wide-ranging perspectives to engage in flexible discussions. I believe that social value, customer value and employee value are as important as shareholder value. They constitute an integral part of corporate value. The company's contribution to society via the provision of essential solutions to customers is especially noteworthy. We strive to apply diverse perspectives and viewpoints, including those focused on corporate contributions exemplified above, in order to determine what the company should look like, identify its direction for the future and discuss how to resolve issues at hand. I believe all of us are well positioned to freely deliberate on these matters. I can at least conclude that CYBERNET is doing its best to realize ideals for what corporate governance should look like.

Q2 What is your evaluation of the company's independence from its parent and FUJISOFT Group companies?

Hasegawa: Although the parent owns a majority stake in the company, the Conflict of Interest Deliberation Committee is in place to prevent minority shareholders from being placed in detrimental positions. This committee deliberates on important transactions and actions between the parent or FUJISOFT Group companies and CYBERNET before such transactions are initiated, with the aim of confirming their appropriateness and ensuring they will not conflict with minority shareholders' interest. Thus far, the company has never engaged in inappropriate transactions or actions.

Kitamura: As mentioned by Mr. Hasegawa, the Conflict of Interest Deliberation Committee is engaged in extremely detailed assessments that especially target transactions with FUJISOFT INCORPORATED, the parent, or FUJISOFT Group companies. These assessments seek to confirm, for example, that neither the parent or its group company is given extreme discounts or excessive payments. We also receive timely reporting on each assessment. In this sense, I can affirm that the relationship with the parent company is being kept in check under a quite stringent monitoring system.

On the other hand, the company's relationship with the parent is inevitably affected by the latter's influence as a major

Our Ideals for Governance
—What Corporate Governance Should
Look Like in the Future

Masahito
Kitamura

Yoshisuke
Hasegawa

Hajimu
Kishi

Aya
Fujimatsu

Roundtable Talk with Independent Officers

shareholder. However, from the perspective of corporate governance, the company should strive to remain impartial and advance the interests of a diverse range of shareholders. This is beyond the remit of the Conflict of Interest Deliberation Committee. The Board of Directors is, therefore, playing a central role in deliberating this matter. The overarching interests of all the shareholders are kept in mind not only when the Board determines the volume of dividends but also when it addresses various management strategies and other issues associated with day-to-day operations.

In sum, I believe that the Conflict of Interest Deliberation Committee and the Board of Directors are both functioning in an appropriate and balanced manner. The committee conducts detailed, quantitative assessments, especially targeting the financial aspects of the company's business operations, while the Board exercises qualitative supervision from the broader perspective of corporate governance.

Kishi: Discussions at the Conflict of Interest Deliberation Committee are being properly governed in accordance with in-house rules. This will, I believe, prevent any important issues from being overlooked. In fact, the committee takes a painstaking approach to scrutinize the company's transactions and other involvement with the parent in great detail. The thoroughness of this approach far exceeds my initial expectations.

Fujimatsu: The committee was launched in December 2021, with only Mr. Kishi and I appointed as the initial members. Having received briefings on the status of transactions with FUJISOFT and its group companies, we have initially focused on deliberating on major transactions involving relatively larger monetary values. Later on, we began discussing the possibility of smaller issues that could have been overlooked as well as types of transactions that involve no major monetary considerations but could potentially be detrimental to the company. Taking these possibilities into account, we have built a framework under which the secretariat receives prior applications regarding any potential transactions with the parent to conduct a primary screening of the rationale behind them. The secretariat, in turn, reports screening results to the Conflict of Interest Deliberation Committee. The committee

We spend a considerable amount of time discussing the necessity of transactions subject to screening and the appropriateness of monetary consideration involved.

Aya Fujimatsu External Director

then takes sufficient time to deliberate the necessity of potential transactions and the appropriateness of the monetary considerations involved. While the committee regularly holds these discussions on a quarterly basis, matters deemed particularly important are forwarded to the Board of Directors after being deliberated by the committee. This two-layer authorization structure ensures that no major transactions can be greenlighted unless applicants obtain the approval of both the Board and the committee.

Q3 **Using simulation technology in fields related to the SDGs is a set of initiatives under the medium-term management plan. In this regard, could you share your thoughts on the desirable form of long-term growth for CYBERNET?**

Kitamura: The company aims to enhance customer value via the provision of simulation technology. This is a form of solution and value only CYBERNET can deliver. In connection with the United Nations Sustainable Development Goals (SDGs), which have recently become a subject of vigorous public discussions, many corporations are disclosing outcomes of their initiatives to reduce CO_2 emissions from their operations, address human rights issues or otherwise tackle challenges now confronting society. In this regard, CYBERNET is not well positioned to draw stakeholder attention via, for example, the implementation of measures to directly reduce CO_2 emissions through its business models. Nevertheless, value delivered by the company to its customers can be profound. The company has greatly contributed, or could potentially contribute, to customer and social sustainability in diverse ways, including facilitating manufacturing innovation. To put it simply, CYBERNET is supporting sustainability behind the scenes. Although it is hard to laud this type of contribution as a direct outcome of SDG-related initiatives, I believe the absence of CYBERNET would make it far more difficult for customers to pursue sustainability.

I believe that, in order to address the aforementioned difficulty in how to draw stakeholder attention to its accomplishments, the company can, and is being called to, publicize contributions it has made thus far to sustainability initiatives undertaken by customers.

For the company to expand its presence as a "behind-the-scene contributor," winning the trust of customers is essential. It is important to act as a partner for customers, instead of being content with delivering convenient tools to them.

Hasegawa: The company's simulation technology helps to eliminate redundancies in time as well as the various materials employed. This is a profound aspect through which it contributes to the SDGs.

I have a background as an engineer myself and have sometimes used simulation technology. However, the use of simulations is not a simple task, it requires sophisticated expertise. Although it is commonly understood that simulation technology may prove remarkably effective, engineers, in general, can be hesitant to adopt it because of these inherent difficulties. Aware of this situation, CYBERNET is offering various forms of support to customers to make it easier for them to use simulations. I expect the company will achieve sustainable business expansion by winning the hearts of customers through these endeavors. I am convinced that the company should
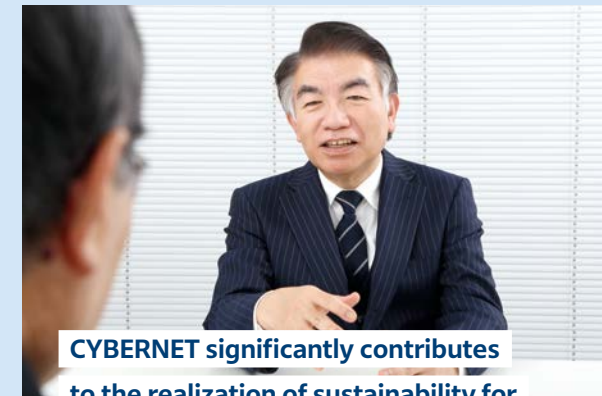
CYBERNET significantly contributes to the realization of sustainability for customers and society as a whole.

Masahito Kitamura External Director

nurture, and secure a greater number of, human resources capable of delivering forms of support as described above. This will be key to achieving corporate growth.

I also believe that, looking ahead, empowering each employee to accurately assess the needs of each customer and issues confronting them and realize their desired goals will be a matter of extreme importance. Such needs and issues may well include those unnoticed by customers themselves. With this in mind, I hope that CYBERNET will develop its business operations going forward by employing multilateral assessments of expected benefits to be obtained via the use of simulations, and delivering proposals to customers based on a shared recognition of such benefits.

Fujimatsu: I am no expert in the engineering field, so I strive to contribute my perspective as an outsider.

As Mr. Hasegawa mentioned earlier, acting as a partner for customers is no easy task. However, if the company succeeds in building on its customer relationships that have been nurtured thus far and thereby bringing fresh collaboration on track, the scope of contributions can grow considerably. In this regard, securing and retaining human resources, in addition to helping them enhance their skills, will be key to this success. Aware of this issue, the company has already launched a review of personnel systems and human resource management initiatives to make improvements. I also feel that the company is strongly inclined toward developing an employee friendly environment. The company is currently promoting these endeavors by taking a trial-and-error approach while striking a balance between such endeavors and efficiency.

Kishi: CYBERNET is in the midst of a major transition phase, and actually stands at the most pivotal moment of its history. As a matter of fact, the company is now breaking away from its traditional dependence on the distributor business, which, until several years ago, had been the predominant source of revenue. Previously, the company had focused on selling products through these agreements utilizing experience-based sales know-how. Once products were sold, after-sales service contracts were signed and came into effect from the subsequent year onward to automatically generate profit. This was how the company developed. However, the company is now seeing distributor agreements lapse as their terms reach maturity, along with a gradual decline in the volume of profit that it can automatically win via this channel.

In 2019, Ms. Yasue assumed the office of President exactly when this transition began. Under her leadership, the company devoted considerable time and effort to establish its VISION/MISSION/CREDO and determine the company's direction. This also led to the formulation of the medium-term management plan. Although we have thus clarified the positioning of simulation technology as a core component of said plan, I also feel that the company is only halfway through the formulation of specific strategies and tactics for achieving what it aims to realize through this technology.

The thing I am worried about most is that, in the course of delivering solutions to each individual customer, the company may end up simply consuming employee workload in exchange for revenue. If the company fails to horizontally roll out solutions, a business approach of this kind could result in greater cost burden despite generating profit. Management is expected to tackle and overcome this profound challenge going forward.

Simultaneously, however, the company is equipped with the seeds of technologies, as well as skilled human resources, which enable it to take on this challenge with a sense of great hope for the future. To realize the potential of these assets to the fullest, management is being called upon to collectively synthesize the aspirations of employees, so that we all move toward the same direction. Albeit challenging, this is how the company could win profit.

Even if a certain corporation boasts 10,000 or 20,000 employees, its workforce cannot operate properly unless everyone's efforts are aligned. Moreover, there can be no alignment at all if each individual moves in different directions. Although CYBERNET is equipped with only a smaller workforce of several hundred people, if each employee shares the same alignment, the company could definitely outpower any other corporation. To make this happen, the company must provide a place where they can feel safe, entrust their vision of the future and boldly strive to realize their full potential. By doing so, CYBERNET could be an even more vibrant team driven by big dreams.

In the face of this major transition, the company requires strong leadership that attracts employee support. In this light, President Yasue and other members of the Board of Directors are, in my opinion, successful in winning the trust of employees.

If each employee shares the same alignment, the company could definitely outpower any other corporation.

Hajimu Kishi External Director

Corporate Governance

Basic approach to corporate governance

To realize the company's VISION/MISSION, we strive 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. At the same time, we respect shareholders' rights and, therefore, secure fairness and transparency in decision making while endeavoring to sustainably improve our corporate value via the enhancement of management vitality. Taking these factors into account, we consider strengthening corporate governance to be a matter of foremost importance. Our specific initiatives to this end include ensuring the soundness of management, clarifying its accountability, disclosing information in a timely and fair manner, expediting management's decision making, strengthening the supervision of business execution, conducting highly effective risk management and upgrading the check-and-balance functions of our organization.

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 an Audit & Supervisory Board 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 deliberate on 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. In order to avoid potential conflict with minority shareholders' interests, this committee deliberates on important transactions and actions that involve the parent or parent company group before such transactions or actions are initiated. In this way, we strive to protect the interests of minority shareholders.

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.

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1 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, the Board 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 line with policies determined by the Board of Directors, each executive officer strives for the swift and efficient execution of business under a clearly defined decision-making process designed to secure accountability. Furthermore, external directors contribute their specialist expertise and otherwise offer useful opinions backed by their experience and knowledge. Thus, their presence helps enhance management transparency and improve corporate value. In 2022, the Board of Directors held 20 meetings.

Main Discussions of the Board of Directors

Management strategy and management plan	Corporate governance	Risk management and compliance
• Determination of medium-term management plan and growth strategies • Determination of materiality • Revision of personnel system • Financial results • Determination of VISION, MISSION, CREDO • Examination of M&A strategy • Reorganization of group companies	• Evaluation of the effectiveness of the Board of Directors • Appointment of directors and executives • Determination of director and executive remuneration	• Enhancement of information security worldwide, including group companies • Improvement of dealing with legal matters on a global scale

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Diagram of Corporate Governance System (as of April 1, 2023)

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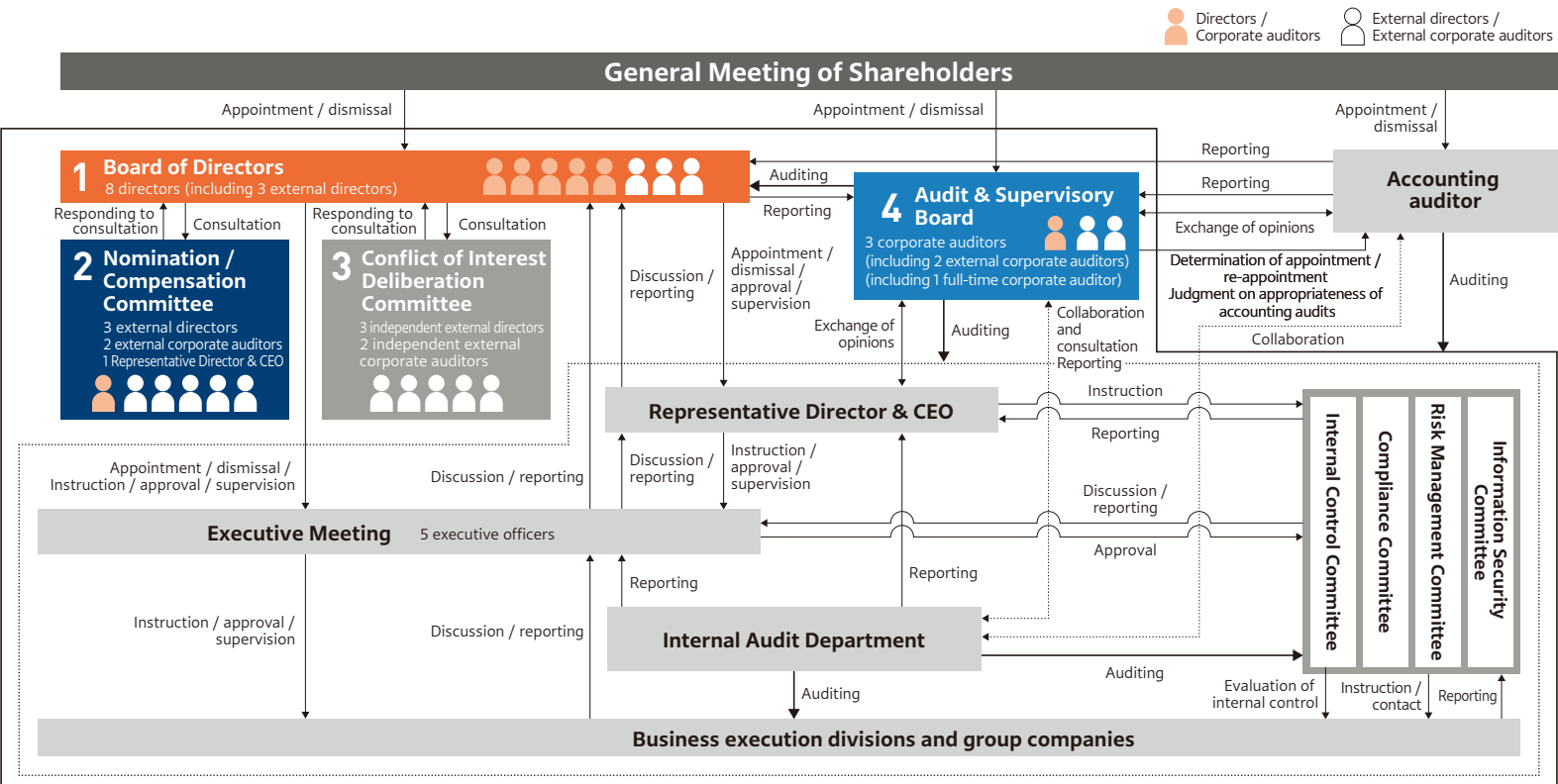
4 Audit & Supervisory Board

The Audit & Supervisory Board is composed of three corporate auditors (including two external corporate auditors), 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 2022, the Audit & Supervisory Board held 20 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.

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2 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 the 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 of and compensation for directors and executive officers, and thus strives 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 2022, the Nomination/Compensation Committee held 18 meetings.

Main Roles of the Nomination/Compensation Committee

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

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3 Conflict of Interest Deliberation Committee

The company established the Conflict of Interest Deliberation Committee as an advisory body to the Board of Directors. The committee comprises five members including three independent external directors and two independent external corporate auditors. Although the company has made it a rule to ensure that business transactions with FUJISOFT INCORPORATED and its group companies are subject to the same transactional conditions and determined using the same methods as those applied to transactions with other business partners, the committee is tasked with deliberating important transactions or actions that involve FUJISOFT INCORPORATED or its group company in order to determine whether they conflict with minority shareholders' interests. Before such transactions or actions are initiated, the committee thus deliberates on them from the standpoint of protecting the interests of minority shareholders. The Conflict of Interest Deliberation Committee held 5 meetings in 2022.

Close up

Relationship with parent company FUJISOFT INCORPORATED

CYBERNET's parent company FUJISOFT INCORPORATED holds 54.41% of our voting rights (as of December 31, 2022). Since becoming a member of the FUJISOFT Group in October 1999, CYBERNET has helped enhance the corporate value of the FUJISOFT Group as a leader in Japan's simulation industry in terms of scale and profitability. FUJISOFT INCORPORATED and CYBERNET engage in appropriate corporate management and business activities while maintaining independence and respecting their individual stances as listed companies.

Corporate Governance

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 Audit & Supervisory Board before consulting the Board of Directors.

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 Audit & Supervisory Board meets, in principle, the Secretariat of the Audit & Supervisory Board 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.

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 (nonmonetary 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.

Group governance

Since 2019, the company has been striving to strengthen its group governance system. To this end, we have established the Cybernet Group Compliance Policy Guidelines, which serve as a code of corporate conduct for the entire group, and are striving to ensure that these policies are upheld by all. We have also established Affiliated Company Management Regulations and, under these regulations, instituted a system for subsidiaries to seek approval of and deliver reporting to the company, with the aim of securing the appropriate management of these companies.

Moreover, the company dispatches personnel to each subsidiary to ensure that the majority of its board of directors is comprised of such personnel. By doing so, we monitor the management status of each subsidiary and, as necessary, provide it with instructions and guidance. Furthermore, the company's divisions in charge of managing subsidiaries serve as secretariats for the boards in place at those subsidiaries under their supervision in order to confirm agenda items to be submitted to monthly board of directors meetings, conduct prior examinations of meeting materials, prepare meeting minutes upon the close of each meeting and handle other relevant tasks. In these ways, we strive to strengthen governance for subsidiaries and develop a structure equipped with robust check-and-balance functions.

In 2021, we also launched a screening system for important contracts signed by subsidiaries, with the company's Legal Department providing preliminary screening.

In addition, we have established uniform IT security policies for all subsidiaries. Under these policies, we review the relevant status of each subsidiary while providing it with instructions and guidance for improvement.

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 Audit & Supervisory Board conduct self-assessments of their effectiveness. Directors and corporate auditors answer questions on effectiveness prepared by departments acting as secretariats for each meeting body, and the results are analyzed by the Board of Directors, the Nomination/Compensation Committee, the Conflict of Interest Deliberation Committee, and the Audit & Supervisory Board. 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 2022, a questionnaire was conducted in 2023 and the results of the evaluation were reported at the Board of Directors meeting held in February 2023. This process revealed that evaluations given to some items improved from the prior year, while evaluations for some other items showed setbacks. Going forward, we will work on the latter to further improve the Board of Directors' effectiveness.

Reasons for appointing external directors and external corporate auditors

Name	Reasons for appointment
Hajimu Kishi	Mr. Hajimu Kishi is expected to contribute to the development of the company's business by capitalizing on his wealth of knowledge and experience in the area of numerical control technology, as well as his broad personal connections in the factory automation (FA) industry and a national university corporation. In addition, he is also expected to provide supervision over the company's management in general, as well as invaluable opinions regarding manufacturing operations, based on his long-standing management experience as a director of a business corporation and superior insight into the industry. For these reasons, he is believed to be capable of carrying out his duties appropriately as an external director.
Yoshisuke Hasegawa	Mr. Yoshisuke Hasegawa is expected to contribute to the company's business by applying his extensive knowledge and experience in communication systems and IoT, which he has cultivated through his service as a director of business corporations. In addition, he is also expected to provide supervision over the company's management in general, and contribute practical and objective opinions regarding business development based on his experience in corporate management. For these reasons, he is believed to be capable of carrying out his duties appropriately as an external director.
Masahito Kitamura	Although Mr. Masahito Kitamura has no direct experience in corporate management, he has been in charge of IT reform and information security at a business corporation for many years. He is therefore expected to apply his extensive knowledge and experience in these areas to the company's IT reform promotion and information security management, as well as to provide supervision over the company's management in general while contributing practical and objective opinions regarding the company's global business development. For these reasons, he is believed to be capable of carrying out his duties appropriately as an external director.
Aya Fujimatsu	Ms. Aya Fujimatsu is expected to reflect her expert viewpoints in the company's audits based on her abundant knowledge as a lawyer in civil and commercial areas in general. For these reasons, she is believed to be capable of playing key roles, as an external corporate auditor, in enhancing the transparency of the company's management and improving its corporate value.
Minoru Okano	Mr. Minoru Okano has long served at financial institutions and possesses abundant experience in finance and M&A. Moreover, he has also gained management experience as a director at business corporations and is expected to apply this experience to the development of the company's audit structure. For these reasons, he is believed to contribute valuable opinions on how to strengthen the effectiveness of the company's internal control system.

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. Furthermore, 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.

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of March 10, 2023)

Directors

Career Summary

Reiko Yasue
Representative Director
Chair of the Board

April 1991	Joined Nagoya Research Institute, Panasonic Information Systems Co., Ltd. (currently Panasonic Advanced Technology Development Co., Ltd.)
April 1999	Joined Unwired Planet
December 1999	Joined Motorola, Inc.
June 2004	Joined SEVEN Networks, Inc.
September 2005	Joined Qualcomm, Inc.
July 2009	Joined FUJISOFT Inc.
April 2015	Managing Executive Officer
January 2018	Joined Cybernet Systems Co., Ltd. as Executive Vice President
March 2018	Representative Director, Executive Vice President
March 2019	Representative Director, President & CEO
January 2020	Representative Director, President and Executive Officer (current position)
June 2020	Outside Director, TOMY COMPANY, Ltd. (current position)
March 2021	Outside Director, Lion Corporation (current position)

Yoshiharu Shiraishi
Member of the Board

April 1992	Joined FUJISOFT Inc.
April 2015	Managing Executive Officer
March 2017	Director, TOSHO COMPUTER SYSTEMS Co., Ltd.
March 2018	Director & Executive Operating Officer, FUJISOFT Inc.
June 2018	Director, ACE Securities Co., Ltd.
March 2021	Member of the Board, Executive Vice President, Cybernet Systems Co., Ltd. (current position)

Masahiro Matsumoto
Member of the Board

April 1999	Joined Cybernet Systems Co., Ltd.
January 2020	Executive Officer
March 2020	Member of the Board, Executive Officer (current position)

Hideyuki Tanaka
Member of the Board

New appointment

March 1998	Joined Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
October 2005	Joined PwC Advisory Co., Ltd. (currently PwC Advisory LLC)
June 2018	Joined Cybernet Systems Co., Ltd.
January 2020	Executive Officer
March 2023	Member of the Board, Executive Officer (current position)

Jeng Minghong
Member of the Board

October 1990	Joined Industrial Technology Research Institute
January 2001	Director, TeraSoft Inc.
July 2008	Director and General Manager, CYBERNET SYSTEMS TAIWAN Co., Ltd.
January 2015	Director, CYBERNET SYSTEMS (SHANGHAI) Co., Ltd.
March 2015	Director and CEO, CYBERNET SYSTEMS TAIWAN CO., LTD.
January 2016	Director and CEO, CYBERNET SYSTEMS (SHANGHAI) CO., LTD.
September 2017	President, CEO and General Manager (current position)
October 2017	President, CEO and General Manager, CYBERNET SYSTEMS TAIWAN Co., Ltd. (current position)
March 2019	Member of the Board, Cybernet Systems Co., Ltd. (current position)
January 2021	Director, CEO and Managing Director, CYBERNET SYSTEMS MALAYSIA Sdn. Bhd. (current position)

Hajimu Kishi
External Member of the Board

Independent

April 1965	Joined Oki Electric Industry Co., Ltd.
September 1979	Transferred to FANUC CORPORATION
June 1985	Director
June 1989	Managing Director
April 2005	Senior Managing Director
June 2007	Advisor
June 2010	Managing Director
November 2011	Advisor
April 2012	Auditor, The University of Electro-Communications
March 2016	External Audit & Supervisory Board Member, Cybernet Systems Co., Ltd.
April 2016	Special Adviser to the President, The University of Electro-Communications
March 2017	External Member of the Board, Cybernet Systems Co., Ltd. (current position)
March 2021	Visiting professor, The University of Electro-Communications (current position)

Yoshisuke Hasegawa
External Member of the Board

Independent

April 1980	Joined Sharp Corporation
June 2005	Director
April 2007	Managing Director
April 2009	Executive Managing Officer
June 2015	Representative Director and Senior Executive Managing Officer
August 2016	Senior Executive Managing Officer, Member of the Board
January 2018	Senior Executive Managing Officer
October 2019	Chairman and Representative Director, SHARP COCORO LIFE Inc.
March 2022	External Member of the Board, Cybernet Systems Co., Ltd. (current position)

Masahito Kitamura
External Member of the Board

Independent

April 1982	Joined Olympus Optical Co., Ltd. (currently Olympus Corporation)
October 1999	Worked for Olympus Singapore Pte. Ltd.
April 2012	Executive Officer, Chief Compliance Officer
October 2018	Executive Officer, Chief Information Security Officer
April 2019	Executive Officer, Vice President, Chief Information Security Officer
March 2022	External Member of the Board, Cybernet Systems Co., Ltd. (current position)
April 2022	Professor, Kansai University of International Studies School of Business Administration (current position)
June 2022	Auditor, Medical Cybersecurity Council (current position)

Skills Matrix of Board Members

Name	Executives/Attributes	Age	Years in office	Attendance		Nomination/ Compensation Committee	Conflict of Interest Deliberation Committee	Skills Matrix							
				Board of Directors	Audit & Supervisory Board			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
Reiko Yasue	Representative Director, President and Executive Officer	55	5	20/20		■		■				■		■	■
Yoshiharu Shiraishi	Director, Executive Vice President	51	2	20/20				■	■	■				■	
Masahiro Matsumoto	Director, Executive Officer	48	3	20/20				■	■						■
Hideyuki Tanaka	Director, Executive Officer	47	New appointment	—				■	■					■	■
Jeng Minghong	Director	57	4	20/20				■		■					■
Hajimu Kishi ●	External Director, Independent	81	6	20/20	○			■					■	■	
Yoshisuke Hasegawa ●	External Director, Independent	67	1	17/17				■	■	■					
Masahito Kitamura ●	External Director, Independent	64	1	16/17				■				■	■	■	
Tatsuya Naito	Full-time Audit & Supervisory Board Member	63	3	20/20	20/20						■		■		
Aya Fujimatsu ●	External Audit & Supervisory Board Member	48	2	20/20	20/20		○						■		
Minoru Okano ●	External Audit & Supervisory Board Member	70	New appointment	—	—	■					■		■		

● External   ○ Committee chair

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

Audit & Supervisory Board Members

Career Summary

Tatsuya Naito
Full-time Audit & Supervisory Board Member
Chairperson of the Audit & Supervisory Board

April 1982	Joined The Daiei, Inc.
September 2006	Joined FUJISOFT Inc.
June 2010	Audit & Supervisory Board Member, Cybernet Systems Co., Ltd.
April 2012	Manager, Corporate Management Department, FUJISOFT Inc.
June 2013	Member of the Board, Cybernet Systems Co., Ltd.
March 2014	Resigned as Member of the Board
March 2020	Full-time Audit & Supervisory Board Member, Cybernet Systems Co., Ltd. (current position)

Aya Fujimatsu
External Audit & Supervisory Board Member

Independent

October 2001	Registered as an attorney-at-law (Dai-Ichi Tokyo Bar Association) Joined Abe, Ikubo & Katayama
January 2008	Partner (current position)
June 2014	Outside Auditor, DAIKO DENSHI TSUSHIN, Ltd.
September 2019	Outside Auditor, TOPS Co., Ltd. (current position)
March 2021	External Audit & Supervisory Board Member, Cybernet Systems Co., Ltd. (current position)

Minoru Okano
External Audit & Supervisory Board Member

Independent   **New appointment**

April 1976	Joined Nomura Securities Co., Ltd.
December 2007	Joined Mizuho Securities Co., Ltd.
February 2013	Representative of Office On Your Side (current position)
March 2015	Representative Director, Innovative Method Co., Ltd. (current position)
March 2015	Outside Director, ENERES Co., Ltd.
April 2022	Representative Director, National Construction Contractors Association of Japan (current position)
March 2023	External Audit & Supervisory Board Member, Cybernet Systems Co., Ltd. (current position)

Executive Officers

Reiko Yasue
President and Executive Officer

Yoshiharu Shiraishi
Executive Vice President

Masahiro Matsumoto
Executive Officer

Hideyuki Tanaka
Executive Officer

Junpei Watase
Executive Officer

Key Financial Data

(Thousand yen)

	2013/3*¹	2013/12*²	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
Operating Results											
Net sales	13,575,183	11,772,933	15,396,515	15,518,269	16,031,603	17,987,124	19,719,043	21,350,645	21,665,009	22,697,542	19,936,405
Net sales growth rate (%)	- 0.3	—	—	0.8	3.3	12.2	9.6	8.3	1.5	4.8	-12.2
Gross profit	5,743,904	5,411,600	6,806,994	6,876,195	7,105,271	7,707,985	7,904,627	8,481,876	9,048,068	9,528,962	8,122,534
Gross profit margin (%)	42.3	46.0	44.2	44.3	44.3	42.9	40.1	39.7	41.8	42.0	40.7
Operating income	555,524	494,104	810,924	851,960	1,027,887	1,504,948	1,502,410	2,020,201	2,877,182	2,830,444	1,757,924
Operating profit margin (%)	4.1	4.2	5.3	5.5	6.4	8.4	7.6	9.5	13.3	12.5	8.8
Profit attributable to owners of parent	380,435	335,977	596,350	463,388	462,115	937,463	-656,538	1,258,246	1,561,363	1,786,776	999,738
Financial Position											
Total assets	17,504,199	19,056,760	19,865,818	18,885,923	19,522,270	20,887,580	19,215,677	20,821,570	22,242,939	23,270,548	24,155,346
Total liabilities	4,211,403	5,231,594	5,647,278	5,325,726	5,980,641	6,675,779	6,348,022	7,185,316	7,762,610	7,538,051	9,405,764
Total net assets	13,292,795	13,825,165	14,218,539	13,560,196	13,541,629	14,211,801	12,867,654	13,636,254	14,480,328	15,732,497	14,749,581
Cash Flow											
Net cash provided by operating activities	401,797	1,466,878	1,101,612	487,650	1,573,345	1,493,490	1,236,553	2,590,053	2,716,706	2,006,402	773,286
Net cash provided by investing activities	985,970	- 80,005	- 747,350	1,470,843	380,607	-273,551	-308,996	-482,627	-1,555,251	628,381	654,170
Net cash provided by financing activities	- 324,214	- 323,074	- 337,544	-481,377	-420,726	-434,951	-523,938	-512,280	-742,013	-872,928	-1,321,748
Per Share Information											
Profit per share (yen)	12.21	10.78	19.14	14.87	14.83	30.09	-21.07	40.38	50.09	57.29	32.31
Net assets per share (yen)	426.62	443.71	453.97	433.11	432.25	453.15	408.80	432.12	457.76	494.82	471.79
Dividends per share (annual) (yen)	1,040.00	525.20	13.80	13.80	13.00	15.05	16.52	20.19	25.05	28.65	29.00
Main Indicators and Other Data											
EBITDA*³	1,001,521	929,436	1,347,468	1,428,430	1,565,934	2,064,089	1,991,712	2,245,717	3,114,464	3,072,551	2,014,876
EBITDA margin (%)	7.4	7.9	8.8	9.2	9.8	11.5	10.1	10.5	14.4	13.5	10.1
Return on equity (ROE) (%)	2.9	2.5	4.3	3.4	3.4	6.8	-4.9	9.6	11.3	12.0	6.7
Return on asset (ROA) (%)	2.2	1.8	3.1	2.4	2.4	4.6	-3.3	6.3	7.3	7.9	4.2
Equity ratio (%)	75.9	72.5	71.2	71.5	69.0	67.6	66.3	64.7	64.2	66.3	60.3
Dividend payout ratio (%)	49.6	74.5	80.3	64.6	70.4	77.1	—	51.1	60.2	65.1	66.7
Capital expenditures	141,493	198,402	233,579	416,777	536,325	414,922	317,051	261,905	725,805	345,155	437,677
Depreciation	162,113	118,971	167,565	199,883	218,870	274,063	298,940	255,515	237,282	242,107	256,951
Goodwill amortization	283,882	316,360	368,977	376,858	319,176	285,078	190,361	—	—	—	—
Price-to-book ratio (PBR)	0.72	0.81	1.08	0.99	1.49	1.55	1.30	1.98	2.07	1.44	2.06
Price earnings ratio (PER)	25.1	33.2	25.7	28.9	43.4	23.4	—	21.2	18.9	12.4	30.1
Total shareholder return (TSR) (%)*⁴	—	—	141.0	127.8	191.2	212.2	169.0	264.6	297.9	239.4	320.7
Year-end stock price (yen)	30,650	358	491	430	644	704	533	855	949	711	973
Market capitalization	9,930,600	11,599,200	15,908,400	13,932,000	20,865,600	22,809,600	17,269,200	27,424,980	30,440,124	22,806,036	31,209,948
Number of employees	537	534	563	575	594	620	593	598	622	573	571

*1 On October 1, 2013, the company executed a share split that divided one share of common stock into 100 shares. Reflecting this, the value of profit per share and net assets per share is calculated as if the aforementioned share split was conducted at the beginning of the fiscal year ended March 31, 2013.

*2 Based on a resolution passed at the 28th Ordinary General Meeting of Shareholders held on June 21, 2013, the company changed its fiscal year-end from March 31 to December 31. Reflecting this change, operating results for the fiscal year ended December 31, 2013 comprise only nine-month results from April 1 to December 31, 2013. In addition, operating results for the company's consolidated subsidiaries for said fiscal year consist of results for the period from January 1 to December 31, 2013 in accordance with their conventional definitions of fiscal year-end. In addition, dividends per share of ¥525.20 paid for the fiscal year ended December 31, 2013 comprised interim dividends per share of ¥520 paid prior to the share split and year-end dividends per share of ¥5.20 paid after said share split. The dividend payout ratio is calculated as if the above share split was conducted at the beginning of the fiscal year ended December 31, 2013.

*3 EBITDA: Operating income + Depreciation + Goodwill amortization

*4 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 Overview

(As of December 31, 2022)

Corporate data

Company name	Cybernet Systems Co., Ltd.
Head office	FUJISOFT Bldg. 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan Tel: +81-3-5297-3010 Website: https://www.cybernet.co.jp/english/
Establishment	April 17, 1985
Capital	¥995 million
Number of employees	571 (Consolidated), 335 (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

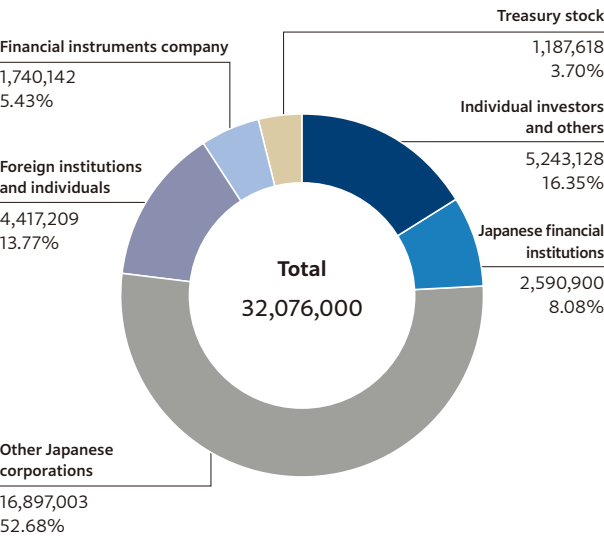| Main Subsidiaries			
CYBERNET MBSE Co., Ltd.	Arca Central Bldg. 14F, 2-1, Kinshi 1-chome, Sumida-ku, Tokyo 130-0013, Japan	Business: Engineering and consulting services related to MBSE, as well as the development and sales of software to accelerate the adoption and democratization of MBSE	
CYBERNET SYSTEMS (SHANGHAI) CO., LTD.	No.777, Zhaojiabang Road, Shanghai 200032, China	Business: Sales, technical support, and consulting services for CAE and MBD-related products	CYBERNET
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	CYBERNET
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	CYBERNET
Sigmetrix, L.L.C.	Valliance Plaza, 5900 South Lake Forest Suite 400 McKinney, TX 75070, U.S.A.	Business: Development and sales of 3D tolerance analysis tools and related consulting services	Sigmetrix
Maplesoft	615 Kumpf Drive, Waterloo, Ontario, Canada	Business: Development and sales of STEM computing platforms, system-level modeling and simulation tools, and related consulting services	Maplesoft
Noesis Solutions NV	Gaston Geenslaan, 11 B4 3001 Leuven, Belgium	Business: Development and sales of total optimization solutions and related consulting services	noesis

Share Information

(As of December 31, 2022)

Share information

Stock listing	Standard Market of the Tokyo Stock Exchange
Security code	4312
Trading unit	100 shares
Transfer agent	Sumitomo Mitsui Trust Bank, Limited

General Meeting of Shareholders	March
Fiscal term	December 31
Number of shares outstanding	32,076,000
Number of shareholders	7,169

Number of shares by shareholder type and ratio of total shares

Total 32,076,000

- Treasury stock 1,187,618 3.70%
- Individual investors and others 5,243,128 16.35%
- Japanese financial institutions 2,590,900 8.08%
- Other Japanese corporations 16,897,003 52.68%
- Foreign institutions and individuals 4,417,209 13.77%
- Financial instruments company 1,740,142 5.43%

Major shareholders

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
FUJISOFT INCORPORATED	16,807,500	54.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,830,600	5.93
JPLLC-CLJPY (Standing Proxy: Citibank, N.A., Tokyo Branch)	776,300	2.51
MSIP CLIENT SECURITIES (Standing Proxy: Morgan Stanley MUFG Securities Co., Ltd.)	748,500	2.42
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing Proxy: MUFG Bank, Ltd.)	725,082	2.35
JP JPMSE LUX RE CITIGROUP GLOBAL MARKETS L EQ CO (Standing Proxy: MUFG Bank, Ltd.)	678,037	2.20
Custody Bank of Japan, Ltd. (Trust Account)	653,000	2.11
JPMorgan Securities Japan Co., Ltd.	649,683	2.10
BNYM SA /NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE (Standing Proxy: MUFG Bank, Ltd.)	649,569	2.10
Keita Hatakeyama	594,800	1.93

Excludes treasury stock of 1,187,618 shares held by the company.

Dividends per share

Interim dividends ■ Year-end dividends

(Yen)

FY	2015	2016	2017	2018	2019	2020	2021	2022
Total	13.80	13.00	15.05	16.52	20.19	25.05	28.65	29.00
Year-end	6.90	6.50	7.83	8.26	12.50	14.62	16.33	14.20
Interim	6.90	6.50	7.22	8.26	7.69	10.43	12.32	14.80