

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the Third Quarter of FY2020

4 November, 2020

CYBERNET SYSTEMS CO., LTD.



◆ Business Summary of Financial Results for the First Three Quarters of the Fiscal Year Ending December 31, 2020

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Business Summary of Financial Results for the First Three Quarters of the Fiscal Year Ending December 31, 2020

[Consolidated] Business Summary

CYBERNET SYSTEMS CO., LTD.

Net sales were +0.9% year on year, to 16,579 million yen.

Operating income was 2,596 million yen (+32.7% year on year), Ordinary income was 2,593 million yen (+26.2% year on year), and Profit attributable to owners of parent was 1,719 million yen (+29.5% year on year).

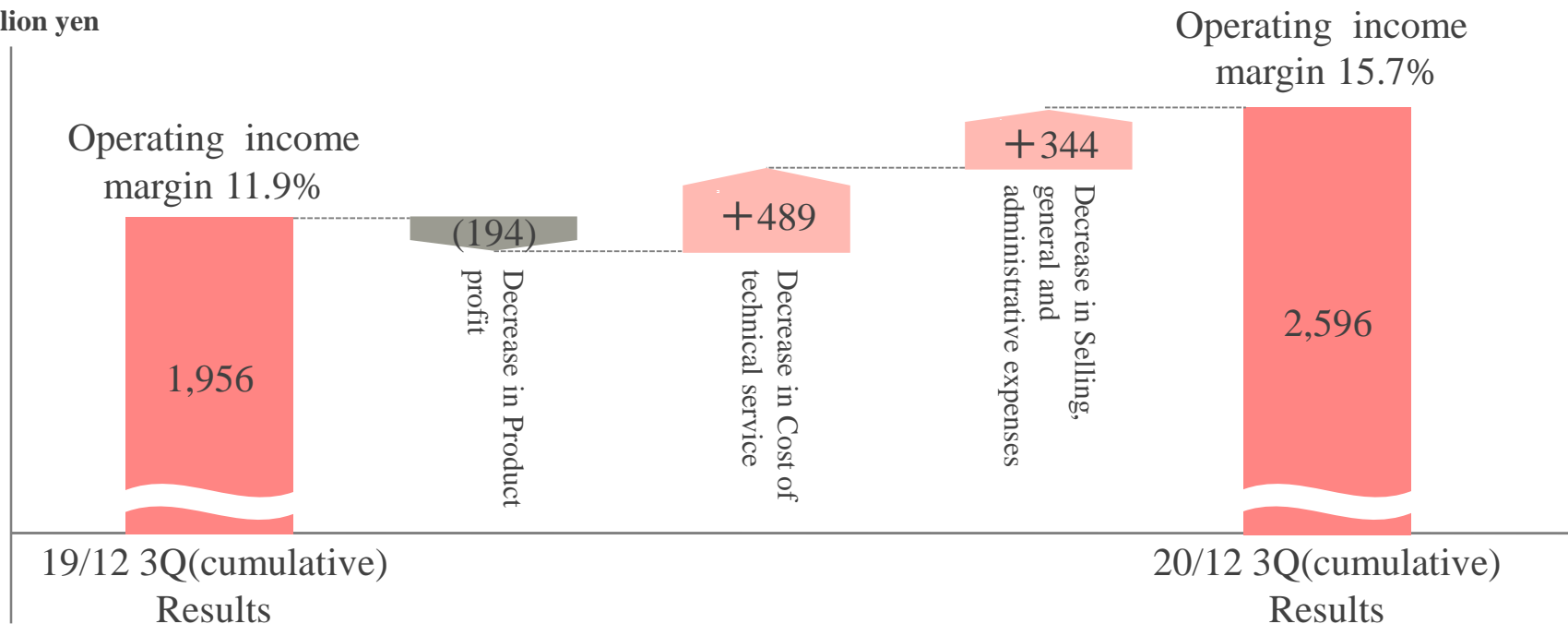
	Million yen						
	19/12 3Q (cumulative) Results	20/12 3Q (cumulative) Results	YoY Change Amount	YoY Change %	20/12 3Q (cumulative) Plan	Change Amount From Plan	Change % From Plan
Net sales	16,431	16,579	+148	+0.9%	16,703	(123)	(0.7%)
Operating income	1,956	2,596	+639	+32.7%	1,998	+597	+29.9%
Operating income margin	11.9%	15.7%	+3.8pt		12.0%	+3.7pt	
Ordinary income	2,055	2,593	+538	+26.2%	2,058	+534	+26.0%
Ordinary income margin	12.5%	15.6%	+3.1pt		12.3%	+3.3pt	
Profit attributable to owners of parent	1,327	1,719	+391	+29.5%	1,300	+419	+32.2%
Profit attributable to owners of parent margin	8.1%	10.4%	+2.3pt		7.8%	+2.6pt	

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Changes in Operating Income (YoY comparison)

Million yen



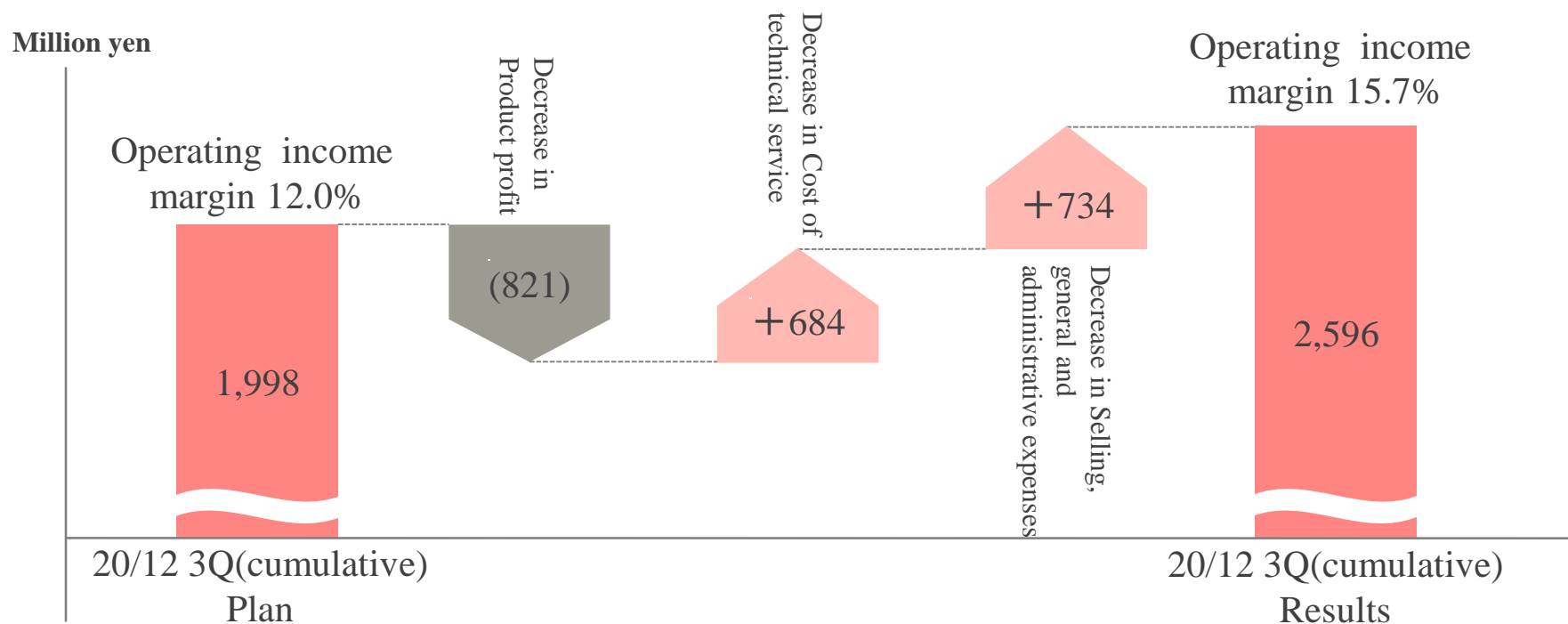
Main Causes of Year-on-Year Changes

Item	Causes of Changes
Product profit	Decreased due to increase in Cost of products sold as results of changes in the sales mix.
Cost of technical service	Decreased due to decrease in outsourcing fee and travel expenses, etc.
Selling, general and administrative expenses	Decreased due to decrease in furniture and fixtures costs (Floor renovation in the previous fiscal year) and travel expenses, etc.

[Consolidated]

CYBERNET SYSTEMS CO., LTD.

Changes in Operating Income (Against Plan)



Main Causes of Changes Against Plan

Item	Causes of Changes
Product profit	Decreased due to increase in Cost of products sold as results of changes in the sales mix.
Cost of technical service	Decreased due to decrease in outsourcing fee and travel expenses, etc. which were unused because of the Covid-19 situation.
Selling, general and administrative expenses	Decreased due to decrease in travel expenses and advertising expense, etc. which were unused because of the Covid-19 situation.

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO., LTD.

	Million yen		
	19/12	20/12 3Q	YoY Change Amount
Current assets	19,022	19,258	+236
Cash and deposits	3,019	4,641	+1,621
Notes and accounts receivable-trade	4,382	4,379	(2)
Short-term investment securities	7,000	5,500	(1,500) (i)
Short-term loans receivable	3,360	3,705	+345
Others	1,260	1,031	(228)
Noncurrent assets	1,799	1,717	(81)
Property, plant and equipment	364	325	(39)
Intangible assets	280	537	+257
Investments and other assets	1,153	854	(299)
Total Assets	20,821	20,976	+154
Current liabilities	5,925	5,060	(864)
Accounts payable-trade	1,493	1,414	(79)
Income taxes payable	530	333	(197)
Advances received	2,021	1,914	(106)
Provision for bonuses	727	229	(498)
Others	1,152	1,169	+17
Noncurrent liabilities	1,259	1,278	+19
Provision for retirement benefits	1,230	1,251	+20
Others	28	27	(1)
Total liabilities	7,185	6,339	(845)
Total net assets	13,636	14,636	+1,000 (ii)
Total liabilities and net assets	20,821	21,449	+627

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

- (i) Short-term loans receivable (down 1,500 million yen from the end of the previous fiscal year)
 - Decrease in held-to-maturity securities for short-term fund management : -1,500 million yen.
- (ii) Total net assets (up 1,000 million yen from the end of the previous fiscal year)
 - Profit attributable to owners of parent : +1,719 million yen.
 - Dividend of earnings : -714 million yen

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

Million yen

	19/12 3Q (cumulative) Results	20/12 3Q (cumulative) Results	YoY Change Amount
Net cash provided by operating activities	2,029	1,559	(469)
Net cash provided by investing activities	(531)	(655)	(123)
Net cash provided by financing activities	(510)	(740)	(230)
Effect of exchange rate change on cash and cash equivalents	(65)	(37)	+28
Net decrease in cash and cash equivalents	921	126	(794)
Cash and cash equivalents at beginning of period	8,378	9,935	+1,556
Cash and cash equivalents at end of period	9,299	10,062	+762

Main Causes of Year-on-Year Changes

Item	Causes of Changes
Net cash provided by operating activities	Decreased due to increase in payment of income taxes, etc.
Net cash provided by investing activities	Decreased due to increase in expenses of acquisition of intangible assets, etc.
Net cash provided by financing activities	Decreased due to increase in payment of dividends, etc.

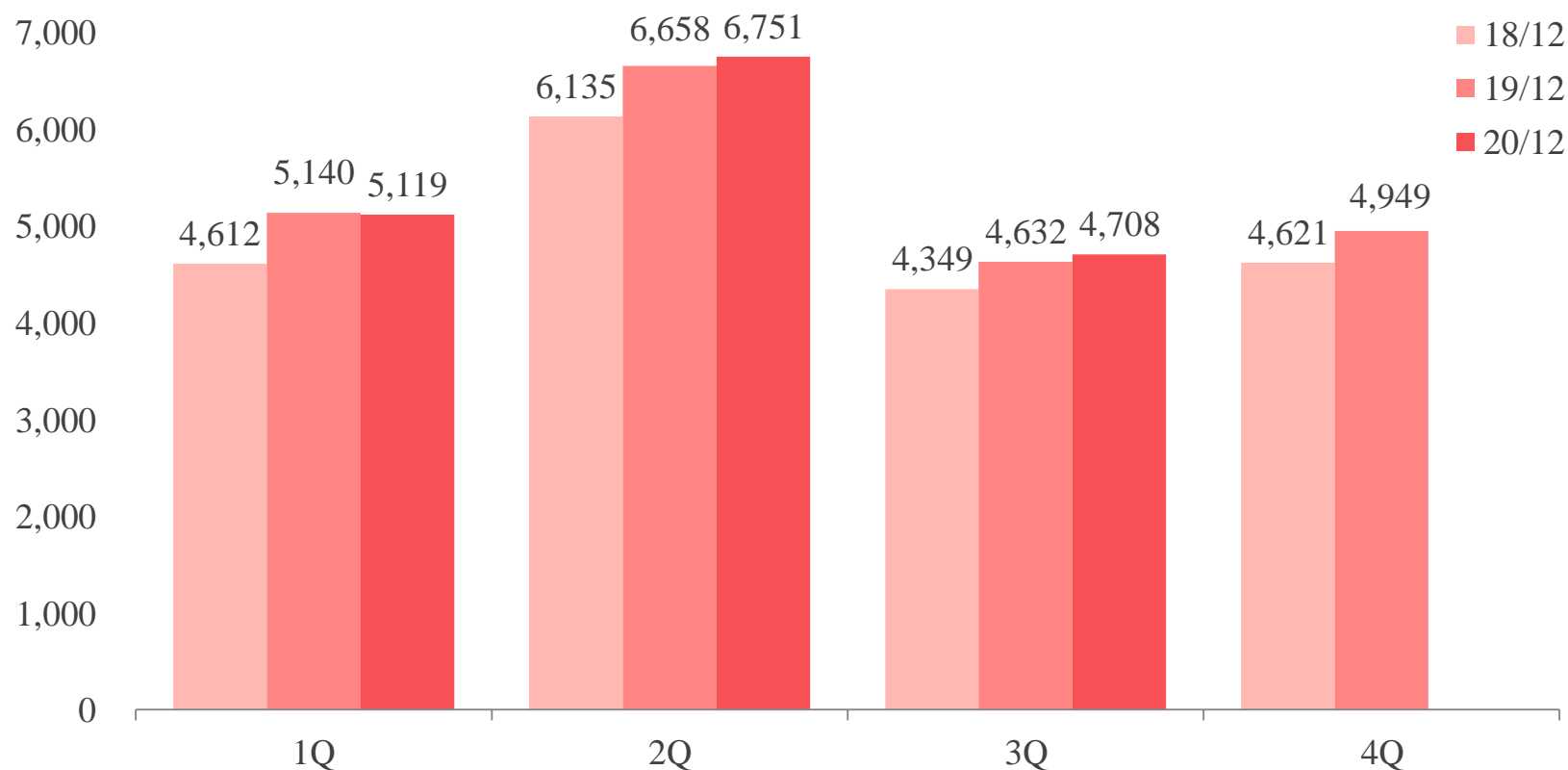
[Consolidated] Quarterly Net sales

CYBERNET SYSTEMS CO., LTD.

Million yen

YoY comparison

+16.0%	+11.4%	-0.4%	+12.7%	+8.5%	+1.4%	+16.0%	+6.5%	+1.6%	-4.1%	+6.5%
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Overview of Results by Segment

Million yen

	19/12 3Q (cumulative)		20/12 3Q (cumulative)		YoY	YoY
	Results	Component ratio	Results	Component ratio	Change Amount	Change %
Total Net sales	16,431	100.0%	16,579	100.0%	+148	+0.9%
CAE	13,567	82.6%	13,529	81.6%	(37)	(0.3%)
IT	2,863	17.4%	3,049	18.4%	+186	+6.5%
Elimination	—	—	—	—	—	—
Total Operating income	1,956	—	2,596	—	+639	+32.7%
CAE	2,779	—	3,354	—	+575	+20.7%
IT	245	—	229	—	(15)	(6.5%)
Elimination	(1,068)	—	(987)	—	+80	—

Points of Results by Segment

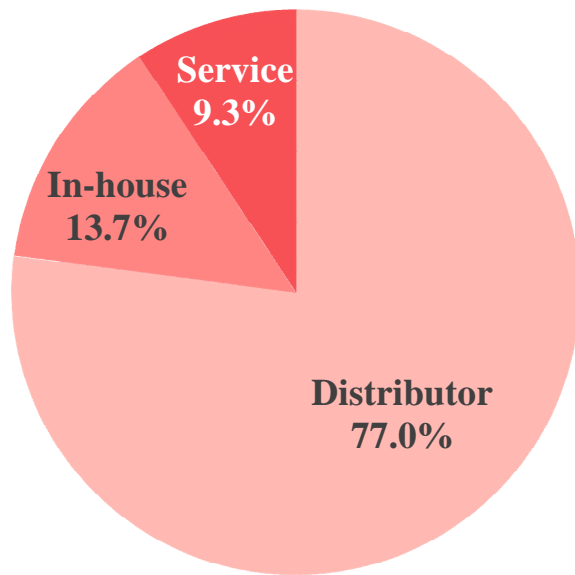
Segment	Point
CAE	Software maintenance sales were steady, but total Net sales decreased due to sluggish of sales of engineering services in Japan, etc. Operating income increased due to unused costs, etc.
IT	Total Net sales increased due to steady growth of security-related solutions. Operating income decreased due to sluggish of sales of other fields.

(Note) CAE : CAE Solution Services IT : IT Solution Services

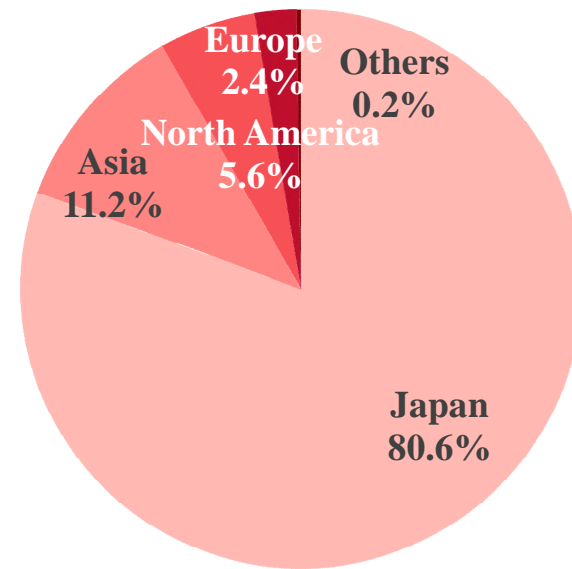
Composition ratio of Net sales

<First three quarters of the fiscal year>

Net sales by sales form



Net sales by region



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

- Distributor : Distribution business of CAE solution services and IT solution services
- In-house : In-house developed products of CAE solution services and IT solution services
- Service : Services of CAE solution services and IT solution services

(Note) The region identification has changed from sales region to end user region.

[Consolidated] Net sales by sales form

CYBERNET SYSTEMS CO., LTD.

<Third quarter of the fiscal year>

Million yen

	19/12 3Q		20/12 3Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Distributor	3,221	69.5%	3,460	73.5%	+239	+7.4%
In-house	778	16.8%	755	16.0%	(23)	(3.0%)
Service	632	13.6%	492	10.5%	(140)	(22.2%)
Total	4,632	100.0%	4,708	100.0%	+76	+1.6%

[Consolidated] Net sales by sales form

CYBERNET SYSTEMS CO., LTD.

<First three quarters of the fiscal year>

Million yen

	19/12 3Q (cumulative)		20/12 3Q (cumulative)		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Distributor	12,158	74.0%	12,772	77.0%	+613	+5.0%
In-house	2,366	14.4%	2,271	13.7%	(94)	(4.0%)
Service	1,906	11.6%	1,535	9.3%	(370)	(19.4%)
Total	16,431	100.0%	16,579	100.0%	+148	+0.9%

[Consolidated] Net sales by region

CYBERNET SYSTEMS CO., LTD.

<Third quarter of the fiscal year>

Million yen

	19/12 3Q		20/12 3Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Japan	3,537	76.4%	3,572	75.9%	+34	+1.0%
Asia	609	13.2%	670	14.2%	+61	+10.0%
North America	319	6.9%	311	6.6%	(7)	(2.4%)
Europe	146	3.2%	137	2.9%	(9)	(6.4%)
Others	19	0.4%	16	0.4%	(2)	(13.3%)
Total	4,632	100.0%	4,708	100.0%	+76	+1.6%

(Note) The region identification has changed from sales region to end user region.

[Consolidated] Net sales by region

CYBERNET SYSTEMS CO., LTD.

<First three quarters of the fiscal year>

Million yen

	19/12 3Q (cumulative)		20/12 3Q (cumulative)		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Japan	13,249	80.6%	13,362	80.6%	+112	+0.9%
Asia	1,757	10.7%	1,854	11.2%	+96	+5.5%
North America	943	5.7%	927	5.6%	(16)	(1.7%)
Europe	429	2.6%	397	2.4%	(31)	(7.3%)
Others	51	0.3%	37	0.2%	(13)	(26.7%)
Total	16,431	100.0%	16,579	100.0%	+148	+0.9%

(Note) The region identification has changed from sales region to end user region.

[Non-consolidated]

CYBERNET SYSTEMS CO., LTD.

Net sales by Category of Industry

<Third quarter of the fiscal year>

Million yen

	19/12 3Q		20/12 3Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	853	24.0%	789	22.3%	(63)	(7.5%)
Machinery & Precision Machinery	607	17.0%	752	21.2%	+145	+23.9%
Transportation equipment	529	14.9%	506	14.3%	(23)	(4.4%)
Other manufacturing industry	590	16.6%	567	16.0%	(22)	(3.8%)
Education institution/ government and municipal offices	272	7.7%	216	6.1%	(55)	(20.5%)
Telecommunication industry	192	5.4%	162	4.6%	(30)	(15.7%)
Others	516	14.5%	550	15.5%	+34	+6.7%
Total	3,562	100.0%	3,546	100.0%	(16)	(0.5%)

[Non-consolidated]

CYBERNET SYSTEMS CO., LTD.

Net sales by Category of Industry

<First three quarters of the fiscal year>

Million yen

	19/12 3Q (cumulative)		20/12 3Q (cumulative)		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Electrical equipment	3,852	28.9%	3,589	27.0%	(263)	(6.8%)
Machinery & Precision Machinery	2,094	15.7%	2,471	18.6%	+377	+18.0%
Transportation equipment	1,959	14.7%	1,550	11.7%	(409)	(20.9%)
Other manufacturing industry	1,760	13.2%	1,944	14.6%	+184	+10.5%
Education institution/ government and municipal offices	1,075	8.1%	989	7.5%	(85)	(8.0%)
Telecommunication industry	796	6.0%	718	5.4%	(78)	(9.8%)
Others	1,777	13.3%	2,018	15.2%	+240	+13.5%
Total	13,317	100.0%	13,281	100.0%	(35)	(0.3%)

[Non-consolidated]

Net sales by Contract type

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<Third quarter of the fiscal year>

Million yen

	19/12 3Q		20/12 3Q		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
Licenses	2,944	100.0%	3,043	100.0%	+98	+3.4%
New licenses	1,122	38.1%	1,042	34.3%	(79)	(7.1%)
Renewals	1,822	61.9%	2,000	65.7%	+177	+9.8%
Others	617		503		(114)	(18.6%)
Total	3,562		3,546		(16)	(0.5%)

[Non-consolidated] Net sales by Contract type

CYBERNET SYSTEMS CO., LTD.

<First three quarters of the fiscal year>

Million yen

	19/12 3Q (cumulative)		20/12 3Q (cumulative)		YoY	YoY
	Results	Component ratio	Results	Component ratio	Change Amount	Change %
Licenses	11,632	100.0%	11,989	100.0%	+356	+3.1%
New licenses	3,929	33.8%	3,745	31.2%	(184)	(4.7%)
Renewals	7,702	66.2%	8,243	68.8%	+540	+7.0%
Others	1,684		1,292		(392)	(23.3%)
Total	13,317		13,281		(35)	(0.3%)

Projection for FY2020

Our Initiatives in third quarter under Covid-19 pandemic

CYBERNET SYSTEMS CO., LTD.

In the third quarter, we held a total of 63 online events and seminars (total participants was 3,783) to increase contact points with customers and increase sales lead.

Our main events and seminars

Segment	Events/Seminars	Event name / Seminar name
CAE	Event (organized by Cybernet)	CYBERNET Solution Live 2020
	Event	TECHNO-FRONTIER Virtual Exhibition 2020
	Seminar (organized by Cybernet)	DX to start from now on AI utilization seminar for improving the efficiency of design and development work
	Seminar	Medtech Webinar
	Seminar	Techno Frontier Webinar
IT	Seminar (organized by Cybernet)	Seminar on utilization of IoT data and deployment to digital twins
	Seminar(organized by Cybernet)	Realize easily! Telework PC security measures
	Event	PTC Virtual DX Forum Japan 2020

Our main efforts against COVID-19

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We are working on safety and prevention of infection of our customers, stakeholders, employees and their families, and we are working to improve productivity of operation by recognizing "coexistence with viruses = time of "With COVID-19"".

Our main efforts

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
For customers and stakeholders	Postponing or canceling events or our seminars	Change of our seminars from face-to-face to online	Active participation in online events and enhancement of our online seminars ("CYBERNET Solution Live 2020" was held from September 15th to 19th, with over 1,300 participants.)					
	Recommendation of online meeting							
For employees	<ul style="list-style-type: none"> Wearing masks / washing hands / use of alcohol disinfection thoroughly Recommendation of staggered hours of work with flextime system Recommendation of work from home for employees who find it difficult to work at office because of temporary closures of schools for their children etc. 	<ul style="list-style-type: none"> Work from home on principle for employees of all offices (Tokyo Head Office, Nishi-Nihon Branch Office and Chubu Branch Office) from April 13 	<ul style="list-style-type: none"> Implementation of work by optimal combination of office work and telework. Set work place at office or at home for each organization considering characteristics of operations of each organization to improve productivity from July 28. Wearing masks / washing hands / use of alcohol disinfection thoroughly Ingenuity of office layout and seat arrangement to keep social distancing Recommendation of staggered hours of work with flextime system, etc. 					

Projection of Current Fiscal Year

Due to the impact of the spread of COVID-19, the trend in the fourth quarter remains uncertain, so there is no change in the Projection of Current Fiscal Year at this time. Revision of the projection will be disclosed promptly, in case it is considered necessary in the future.

	Million yen			
	19/12 Results	20/12E Projection	YoY Change Amount	YoY Change %
Net sales	21,350	22,000	+649	+3.0%
Operating income	2,020	2,060	+39	+2.0%
Operating income margin	9.5%	9.4%	(0.1pt)	
Ordinary income	2,145	2,140	(5)	(0.3%)
Ordinary income margin	10.0%	9.7%	(0.3pt)	
Profit attributable to owners of parent	1,258	1,300	+41	+3.3%
Profit attributable to owners of parent margin	5.9%	5.9%	+0.0pt	

Dividend Estimate for Current Fiscal Year

We paid interim dividends of 10.43 yen per share as initially projected. The Projection of Current Fiscal Year remains unchanged, so we will keep Year-end dividends projection unchanged.

(unit: yen)

	16/12	17/12	18/12	19/12	20/12E		
	Total Result	Total Result	Total Result	Total Result	Interim Result	Year-end Projection	Total Projection
Dividend per share	13.00	15.05	16.52	20.19	10.43	10.43	20.86
Net income per share	14.83	30.09	(21.07)	40.38	43.10	—	41.72
Dividend payout target ratio	87.7%	50.0%	—	50.0%	—	—	50.0%
(Ref.) Dividend on equity ratio	3.0%	3.4%	3.8%	4.8%	—	—	4.7%

Basic Policies on Profit Distribution

The Company considers that the policies on shareholder dividends are some of the most important issues, and basically strives to pay steady and continuous dividends, strengthen and expand its earnings base corresponding to the rapid changes and development of industries, and accumulate internal reserves for active business development in the future.

CYBERNET SYSTEMS CO., LTD.

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