

CYBERNET SYSTEMS CO., LTD.

(Delayed)

Results of Operations for the Year Ended December 31, 2017

8 February, 2018
CYBERNET SYSTEMS CO., LTD.



Code for periods

15.12	Fiscal year ended December 31, 2015
16.12/4Q	Fourth quarter of the fiscal year ended December 31, 2016
16.12	Fiscal year ended December 31, 2016
17.12/4Q	Fourth quarter of the fiscal year ended December 31, 2017
17.12	Fiscal year ended December 31, 2017
18.12E	Estimates for the fiscal year ending December 31, 2018

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Business Summary of Financial Results for the Year Ended December 31, 2017

[Consolidated] Business Summary

CYBERNET SYSTEMS CO.,LTD.

Million yen

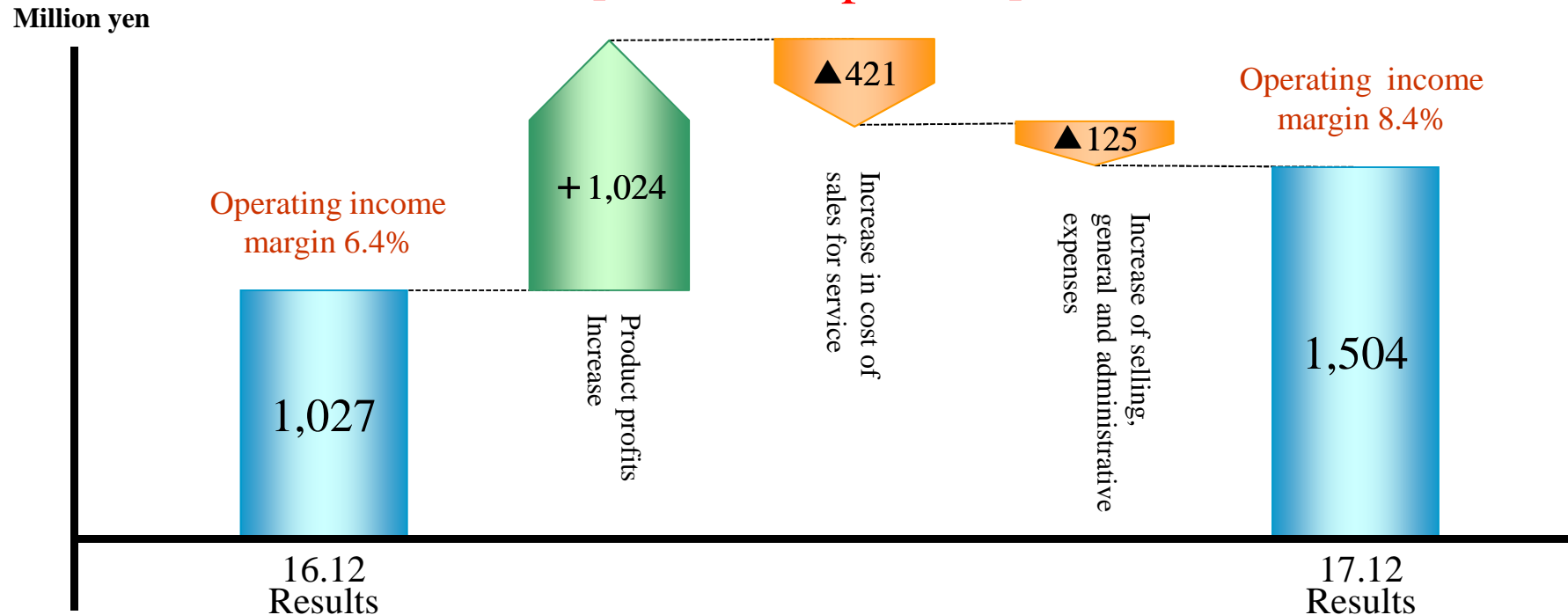
	17.12 Results	16.12 Results	YoY Change Amount	YoY Change %	17.12 Plan	Change Amount from Plan	Change % from Plan
Net sales	17,987	16,031	+ 1,955	112.2%	17,400	+ 587	103.4%
Operating income	1,504	1,027	+ 477	146.4%	1,400	+ 104	107.5%
Operating income margin	8.4%	6.4%	+ 2.0P		8.0%	+ 0.4P	
Ordinary income	1,639	1,001	+ 637	163.6%	1,500	+ 139	109.3%
Ordinary income margin	9.1%	6.2%	+ 2.9P		8.6%	+ 0.5P	
Profit attributable to owners of parent	937	462	+ 475	202.9%	900	+ 37	104.2%
Profit attributable to owners of parent margin	5.2%	2.9%	+ 2.3P		5.2%	+ 0.0P	
Before amortization of goodwill Operating income	1,790	1,347	+ 442	132.9%	1,650	+ 139	108.5%
Before amortization of goodwill Operating income margin	10.0%	8.4%	+ 1.6P		9.5%	+ 0.5P	
EBITDA	2,064	1,565	+ 498	131.8%	1,934	+ 129	106.7%
EBITDA margin	11.5%	9.8%	+ 1.7P		11.1%	+ 0.4P	

*P: Point

[Consolidated] Changes in Operating Income

CYBERNET SYSTEMS CO.,LTD.

[YoY comparison]



Main Causes of Year-on-Year Changes

○ Main causes of product profit changes

Increase due to the impact of foreign currency translation +148 million yen/ increase due to net sales increase +1,203 million yen/ decrease due to cost rate increase -288 million yen

Increase profits from good trend of main MCAE field and IT solution field

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

Increase due to the impact of foreign currency translation +139 million yen/ personnel expenses increase due to the expansion of employment +293 million yen

○ Main causes of operating income changes

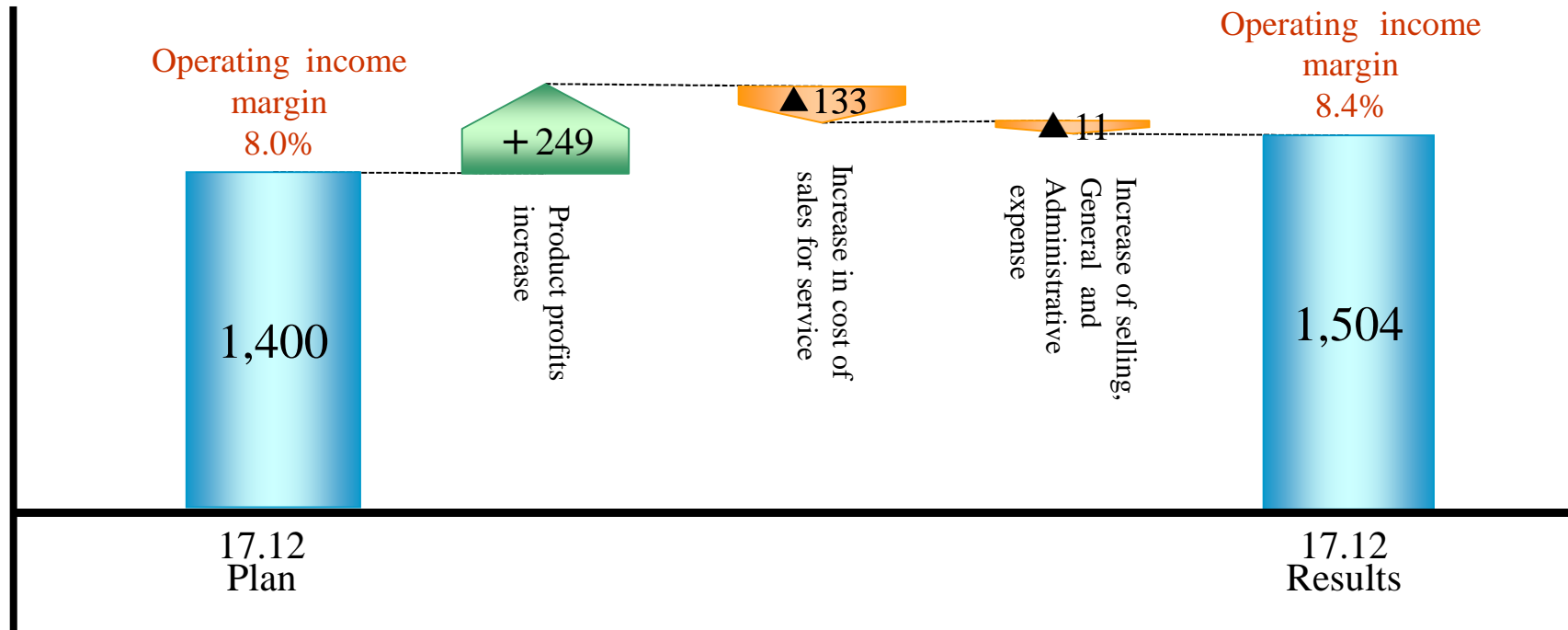
The impact of foreign currency translation on operating income is +9 million yen

Increase profits due to increasing of products profit by revenue increasing

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

[Against Plan]

Million yen



Main Causes of Changes Against Plan

○ Main causes of product profits changes

Increase due to the impact of foreign currency translation +419 million yen/ decrease due to cost rate increase -202 million yen

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

Cost increase due to the impact of foreign currency translation +396 million yen/ personnel expenses increase due to achievement bonus +44 million yen/ cost decrease -296 million yen

○ Main causes of operating income changes

The impact of foreign currency translation on operating income is +23 million yen

Although cost rate is increased, increase operating income compare to the plan due to decreasing of cost

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO.,LTD.

	Million yen		
	16.12	17.12	YoY Change Amount
Current assets	15,680	17,142	1,462
Cash and deposits	2,777	2,890	113
Notes and accounts receivable-trade	3,950	4,604	654
Short-term investment securities	4,500	5,200	700 (i)
Short-term loans receivable	3,068	2,905	(162)
Others	1,384	1,541	157
Noncurrent assets	3,842	3,744	(97)
Property, plant and equipment	329	393	63
Intangible assets	2,747	2,569	(177) (ii)
Investments and other assets	764	781	16
Total Assets	19,522	20,887	1,365
Current liabilities	4,701	5,282	580
Accounts payable-trade	1,065	1,255	189
Income taxes payable	343	437	94
Advances received	2,035	2,028	(6)
Provision for bonuses	436	603	166
Others	820	957	136
Noncurrent liabilities	1,278	1,393	114
Provision for retirement benefits	1,225	1,327	102
Others	53	65	12
Total liabilities	5,980	6,675	695
Total net assets	13,541	14,211	670 (iii)
Total liabilities and net assets	19,522	20,887	1,365

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

- (i) Short-term investment securities (up 700 million yen from the end of the previous fiscal year)
Investments increased +700 million yen
- (ii) Goodwill (down 204 million yen from the end of the previous fiscal year)
amortization -285 million yen/ foreign currency translation +80 million yen
- (iii) Total net assets (up 670 million from the end of the previous fiscal year)
Profit attributable to owners of parent +937 million yen/ dividend of earnings -431 million/ foreign currency translation adjustment increased +139 million yen

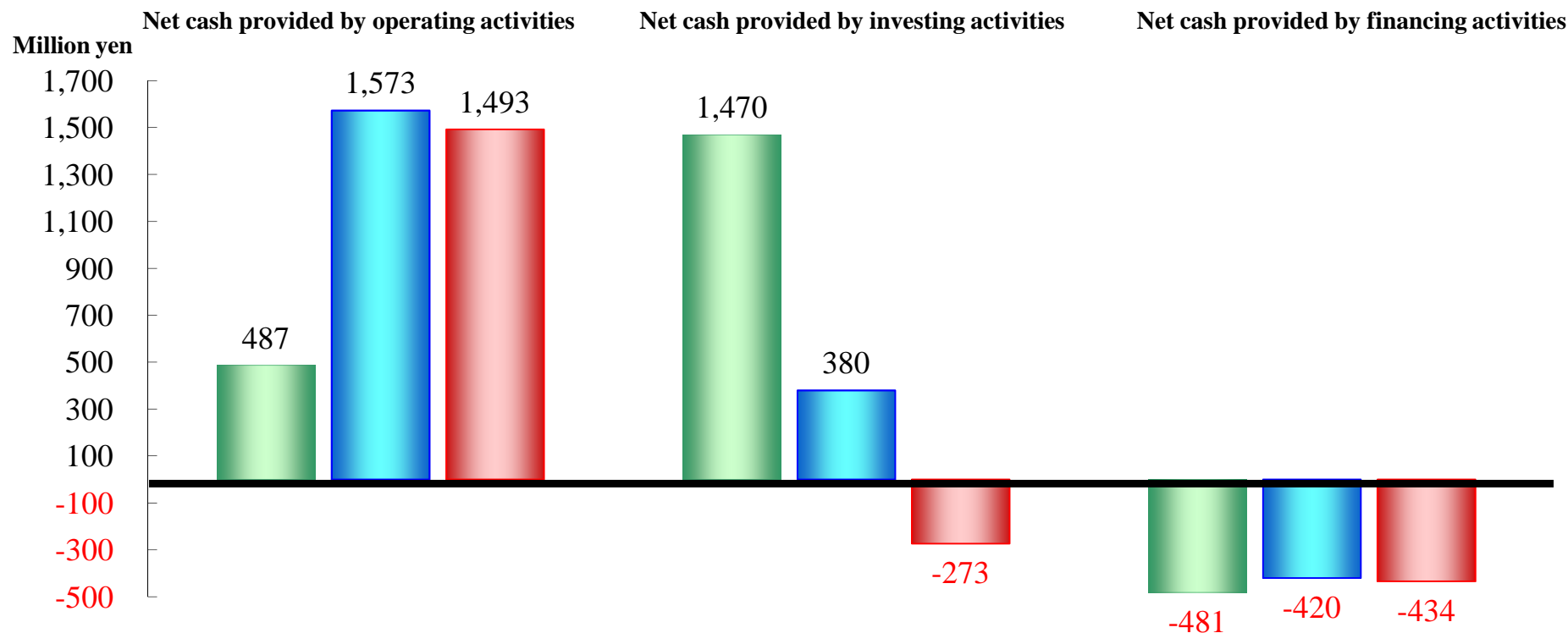
[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO., LTD.

15.12

16.12

17.12

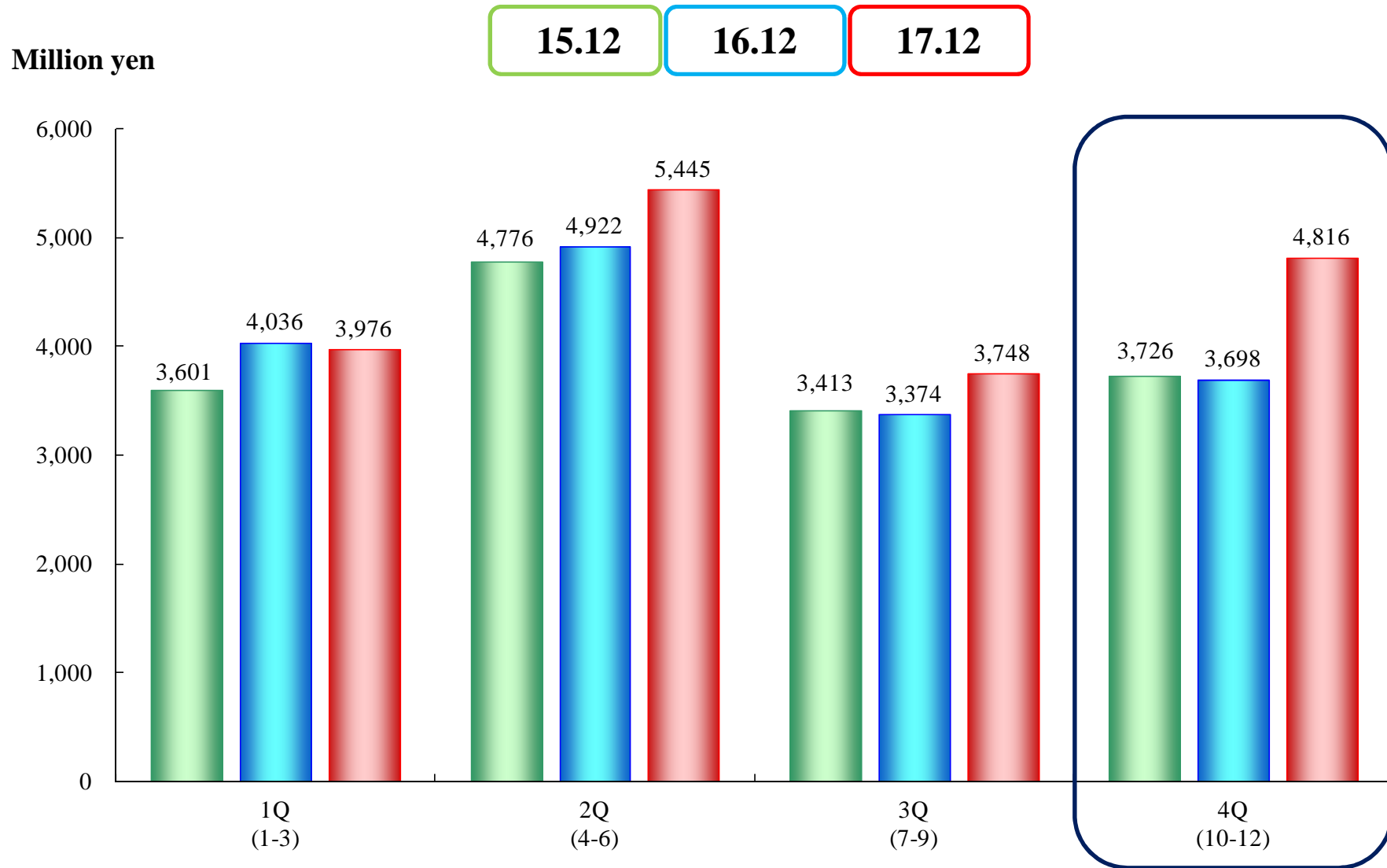


Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities
⇒ Negative cash flow, mainly due to a increasing of accounts receivable and income taxes payable.
- Net cash provided by investing activities
⇒ Negative cash flow, mainly due to a decline in inflows as a result of redemption of securities.
- Net cash provided by financing activities
⇒ Negative cash flow, mainly due to an increase in dividends paid.

[Consolidated] Quarterly Net Sales

CYBERNET SYSTEMS CO.,LTD.



[Consolidated] Overview of Results by Segment

CYBERNET SYSTEMS CO., LTD.

Million yen

	16.12	17.12		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	16,031	17,987	+ 1,955	112.2%
CAE Solution Services	13,166	14,910	+ 1,744	113.2%
IT Solution Services	3,004	3,262	+ 258	108.6%
Elimination	(138)	(185)	(46)	—
Total Operating income	1,027	1,504	+ 477	146.4%
CAE Solution Services	2,252	2,732	+ 479	121.3%
IT Solution Services	361	324	(36)	89.9%
Elimination	(1,586)	(1,552)	+ 34	—

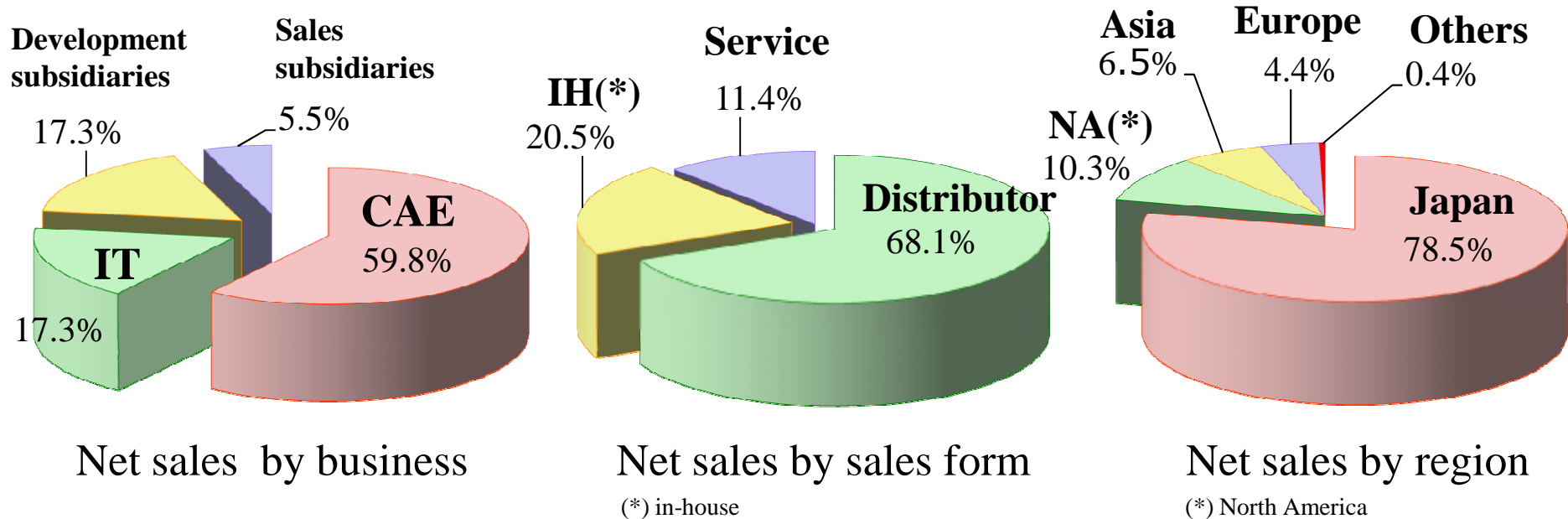
(Note) Adjustment for segment profit (operating income) includes overhead costs that are not allocated to respective reporting segments, primarily consisting of general and administrative expenses that cannot be conveniently attributed to or identified with any particular reporting segment.

(Note) The figures for CAE Solution Services indicate the total of CAE, development subsidiaries and sales subsidiaries.

[Consolidated]
Composition ratio of Net Sales

CYBERNET SYSTEMS CO.,LTD.

[Full year]



(Note) Composition ratio of net sales by business excludes consolidate adjustment and segment adjustment.

Each business classification is as follows:

- CAE means CYBERNET SYSTEMS' CAE solution services.
- IT means CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries means US and Europe 3 development subsidiaries subject to consolidation.
- Sales subsidiaries means Asian 2 subsidiaries subject to consolidation.

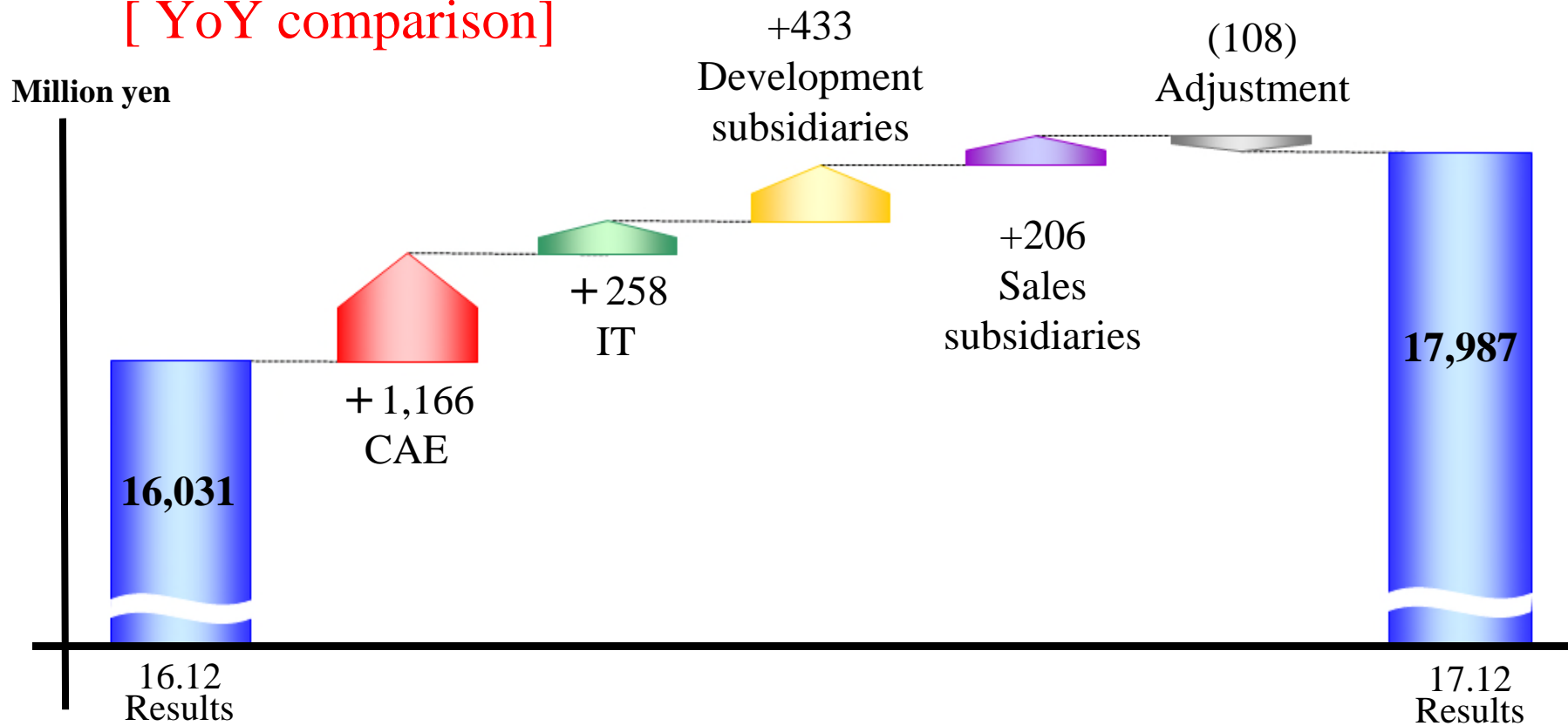
(Note) Classification of each sales form is as follows:

- Distributor means CAE and IT distribution business.
- IH means CAE and IT in-house developed products.
- Service means service providing for CAE and IT.

[Consolidated]
Changes in Net Sales by Business

CYBERNET SYSTEMS CO.,LTD.

[YoY comparison]



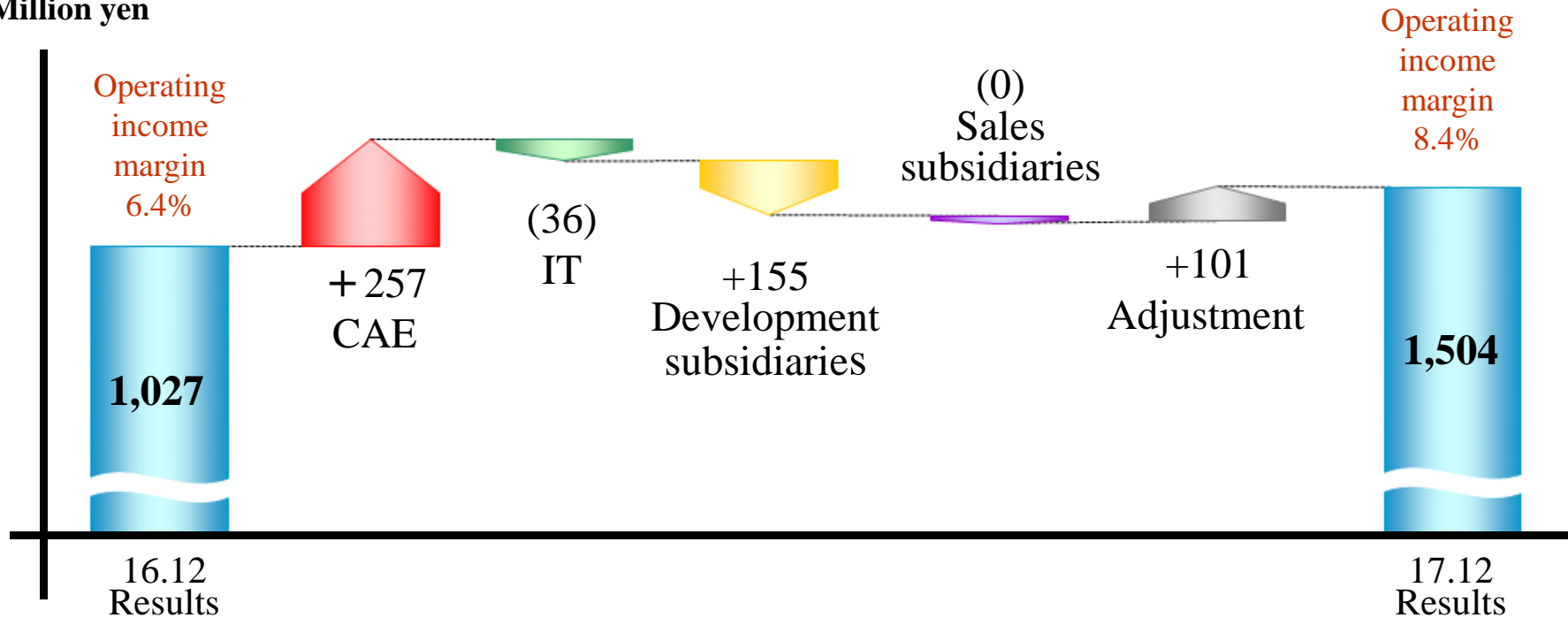
(Note) The figures above are changes in net sales by business line from the same period of the previous fiscal year. The business lines are the same as those for the net sales by business on the previous page. Adjustment means the total amount of consolidated adjustment and adjustment among segments.

[Consolidated]
Changes in Operating Income by Business

CYBERNET SYSTEMS CO., LTD.

[YoY comparison]

Million yen



(Note) The figures above are changes in operating income by business line from the same period of the previous fiscal year.
The business lines are the same as those for the net sales on the previous page.
Adjustment includes consolidated adjustments and overhead costs.

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO.,LTD.

[Forth quarter of the fiscal year]

Million yen

	16.12/4Q		17.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	1,243	44.1%	1,483	42.9%	+ 240	119.4%
Optical Design	300	10.7%	385	11.1%	+ 84	128.3%
EDA	99	3.5%	246	7.1%	+ 146	246.8%
MBD	290	10.3%	323	9.4%	+ 33	111.6%
Test and Measurement	9	0.3%	22	0.6%	+ 12	240.2%
Others	111	4.0%	123	3.6%	+ 11	110.7%
CAE Total	2,054	72.9%	2,584	74.7%	+ 530	125.8%
IT Solution	509	18.1%	622	18.0%	+ 113	122.2%
Data Solution	254	9.0%	251	7.3%	(3)	98.7%
IT Total	764	27.1%	873	25.3%	+ 109	114.4%
Total	2,818	100.0%	3,458	100.0%	+ 640	122.7%

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO.,LTD.

[Full Year]

Million yen

	16.12		17.12		YoY Change Amount	YoY Change %
	Results	Component ratio	Results	Component ratio		
MCAE	5,653	43.6%	6,281	43.8%	+ 628	111.1%
Optical Design	2,602	20.1%	2,756	19.2%	+ 153	105.9%
EDA	399	3.1%	520	3.6%	+ 120	130.2%
MBD	872	6.7%	936	6.5%	+ 64	107.4%
Test and Measurement	62	0.5%	143	1.0%	+ 81	229.6%
Others	344	2.7%	413	2.9%	+ 69	120.0%
CAE Total	9,935	76.7%	11,053	77.1%	+ 1,117	111.2%
IT Solution	2,043	15.8%	2,263	15.8%	+ 219	110.8%
Data Solution	975	7.5%	1,015	7.1%	+ 40	104.2%
IT Total	3,019	23.3%	3,279	22.9%	+ 260	108.6%
Total	12,955	100.0%	14,332	100.0%	+ 1,377	110.6%

[Non-consolidated] Net Sales by Category of Industry

CYBERNET SYSTEMS CO.,LTD.

[Forth quarter of the fiscal year]

Million yen

	16.12/4Q		17.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	791	28.1%	965	27.9%	+ 173	121.9%
Machinery & Precision Machinery	371	13.2%	509	14.7%	+ 138	137.3%
Transportation equipment	562	19.9%	717	20.7%	+ 155	127.6%
Other manufacturing industry	358	12.7%	442	12.8%	+ 84	123.5%
Eductaion institution/government and municipal offices	233	8.3%	227	6.6%	(5)	97.7%
Telecommunication industry	202	7.2%	148	4.3%	(53)	73.4%
Others	299	10.6%	447	12.9%	+ 148	149.4%
Total	2,818	100.0%	3,458	100.0%	+ 640	122.7%

[Non-consolidated] Net Sales by Category of Industry

CYBERNET SYSTEMS CO.,LTD.

[Full Year]

Million yen

	16.12		17.12			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	4,129	31.9%	4,613	32.2%	+ 484	111.7%
Machinery & Precision Machinery	2,094	16.2%	2,232	15.6%	+ 138	106.6%
Transportation equipment	1,779	13.7%	2,036	14.2%	+ 257	114.5%
Other manufacturing industry	1,619	12.5%	1,778	12.4%	+ 159	109.8%
Eductaion institution/government and municipal offices	1,118	8.6%	1,224	8.5%	+ 105	109.4%
Telecommunication industry	842	6.5%	770	5.4%	(72)	91.5%
Others	1,370	10.6%	1,675	11.7%	+ 305	122.3%
Total	12,955	100.0%	14,332	100.0%	+ 1,377	110.6%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO.,LTD.

[Forth quarter of the fiscal year]

Million yen

	16.12/4Q		17.12/4Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	954	41.2%	1,247	42.8%	+ 293	130.8%
Renewals of the maintenance contracts	1,363	58.8%	1,666	57.2%	+ 303	122.3%
Total	2,317	100.0%	2,914	100.0%	+ 597	125.8%

[Full Year]

Million yen

	16.12		17.12			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	4,222	36.8%	4,606	36.8%	+ 383	109.1%
Renewals of the maintenance contracts	7,255	63.2%	7,918	63.2%	+ 662	109.1%
Total	11,478	100.0%	12,525	100.0%	+ 1,046	109.1%

[Consolidated] Performance at Overseas Subsidiaries (Development subsidiaries)

CYBERNET SYSTEMS CO.,LTD.

Development subsidiaries	WATERLOO MAPLE INC.	Noesis Solutions NV	Sigmatix, L.L.C.
	Canada	Belgium	United States
Year-on-year change in sales (local currency)	100.4%	118.8%	134.9%
Year-on-year change in sales (in yen)	105.5%	123.3%	138.8%
Performance	It remained almost unchanged as it obtained large scale OEM deal as previous year but downward trend in North America and Japan sales.	As sales for process integration and domain optimization tool, it obtained large scale OEM deal but were sluggish in Europe, steadily changed in other region.	Obtained large scale OEM deal in 3D tolerance management tool and steadily trend in all regions.

[Consolidated] Performance at Overseas Subsidiaries (Sales subsidiaries)

CYBERNET SYSTEMS CO.,LTD.

Sales subsidiaries	CYBERNET SYSTEMS (SHANGHAI) CO.,LTD.	CYBERNET SYSTEMS TAIWAN CO.,LTD.
	China	Taiwan
Year-on-year change in sales (local currency)	107.3%	122.3%
Year-on-year change in sales (in yen)	107.7%	133.0%
Performance	Steadily trend of sales in main optical software but decrease profit due to multiple deals slides to next fiscal year.	Steadily trend of sales in main optical software and multi-physics analysis tool. Sales for Cybernet group product were sluggish.

[Consolidated]

CYBERNET SYSTEMS CO.,LTD.

Dividends for the Current Fiscal Year

(unit: yen)

	16.12	17.12		
	Total	End of 2Q	Fiscal year-end	Total
	Result	Result	Result	Result
Dividend per share	13.00	7.22	7.83	15.05
Net income per share	14.83	18.57	—	30.09
Dividend payout target ratio	87.7%	—	—	50.0%
(Ref.) Dividend on equity ratio	3.0%	—	—	3.4%

Projection for FY2018

[Consolidated] Projection for Next Fiscal Year

CYBERNET SYSTEMS CO.,LTD.

Million yen

	Full year			
	18.12E	17.12	YoY Change Amount	YoY Change %
	Plan	Results		
Net sales	19,510	17,987	+ 1,522	108.5%
Operating income	1,561	1,504	+ 56	103.7%
Operating income margin	8.0%	8.4%	(0.4P)	
Ordinary income	1,709	1,639	+ 69	104.2%
Ordinary income margin	8.8%	9.1%	(0.3P)	
Profit attributable to owners of parent	1,029	937	+ 91	109.8%
Profit attributable to owners of parent margin	5.3%	5.2%	+ 0.1P	
Before amortization of goodwill Operating income	1,833	1,790	+ 43	102.4%
Before amortization of goodwill Operating income margin	9.4%	10.0%	(0.6P)	
EBITDA	2,159	2,064	+ 95	104.6%
EBITDA margin	11.1%	11.5%	(0.4P)	

*P : Point

[Consolidated]

CYBERNET SYSTEMS CO.,LTD.

Dividend Estimate for Next Fiscal Year

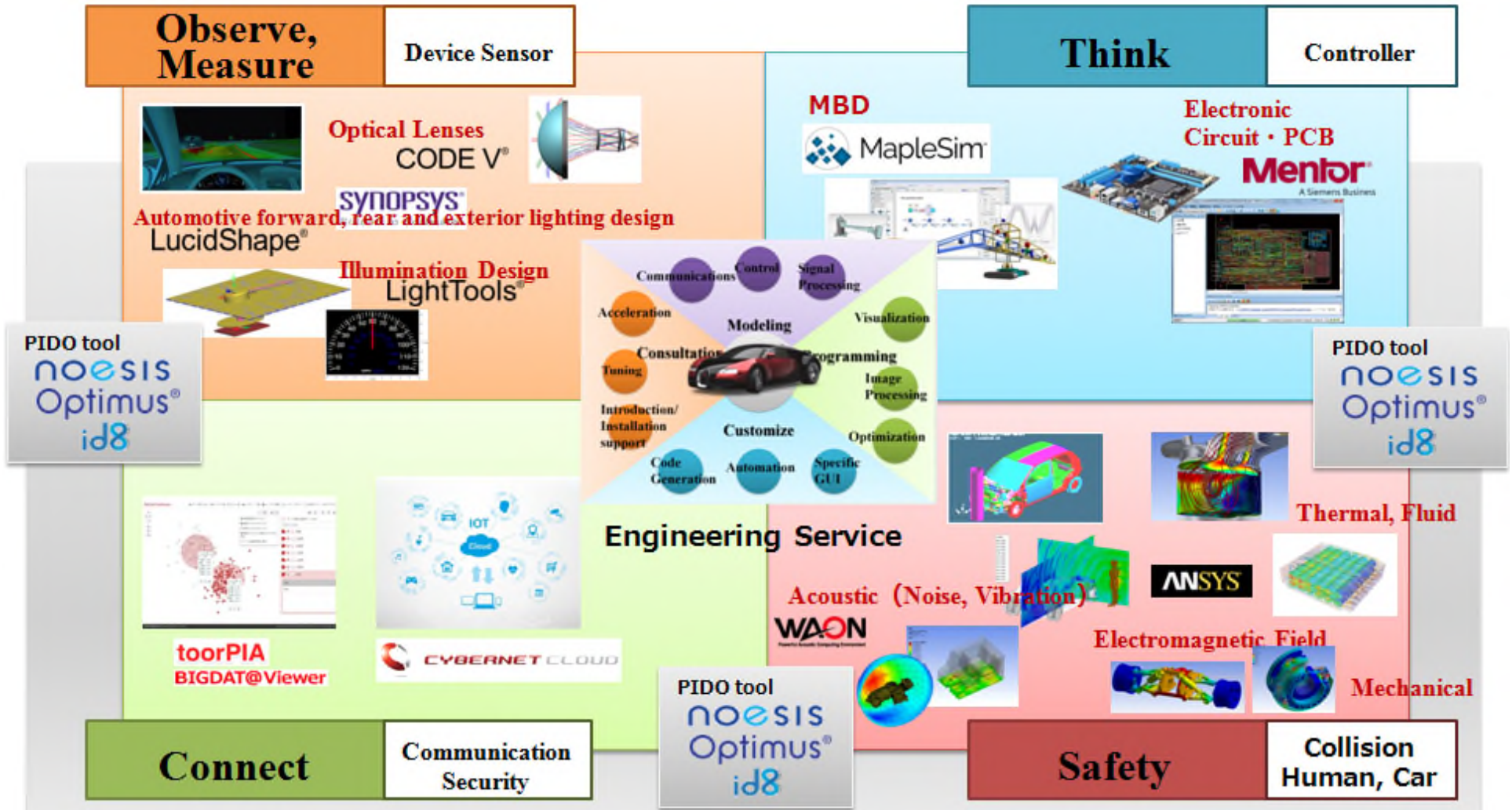
(unit: yen)

	17.12	18.12E		
	Total	End of 2Q	Fiscal year-end	Total
	Result	Projection	Projection	Projection
Dividend per share	15.05	8.26	8.26	16.52
Net income per share	30.09	19.35	—	33.02
Dividend payout target ratio	50.0%	—	—	50.0%
(Ref.) Dividend on equity ratio	3.4%	—	—	3.6%

Reference Materials

Cybernet Solutions in Automotive field

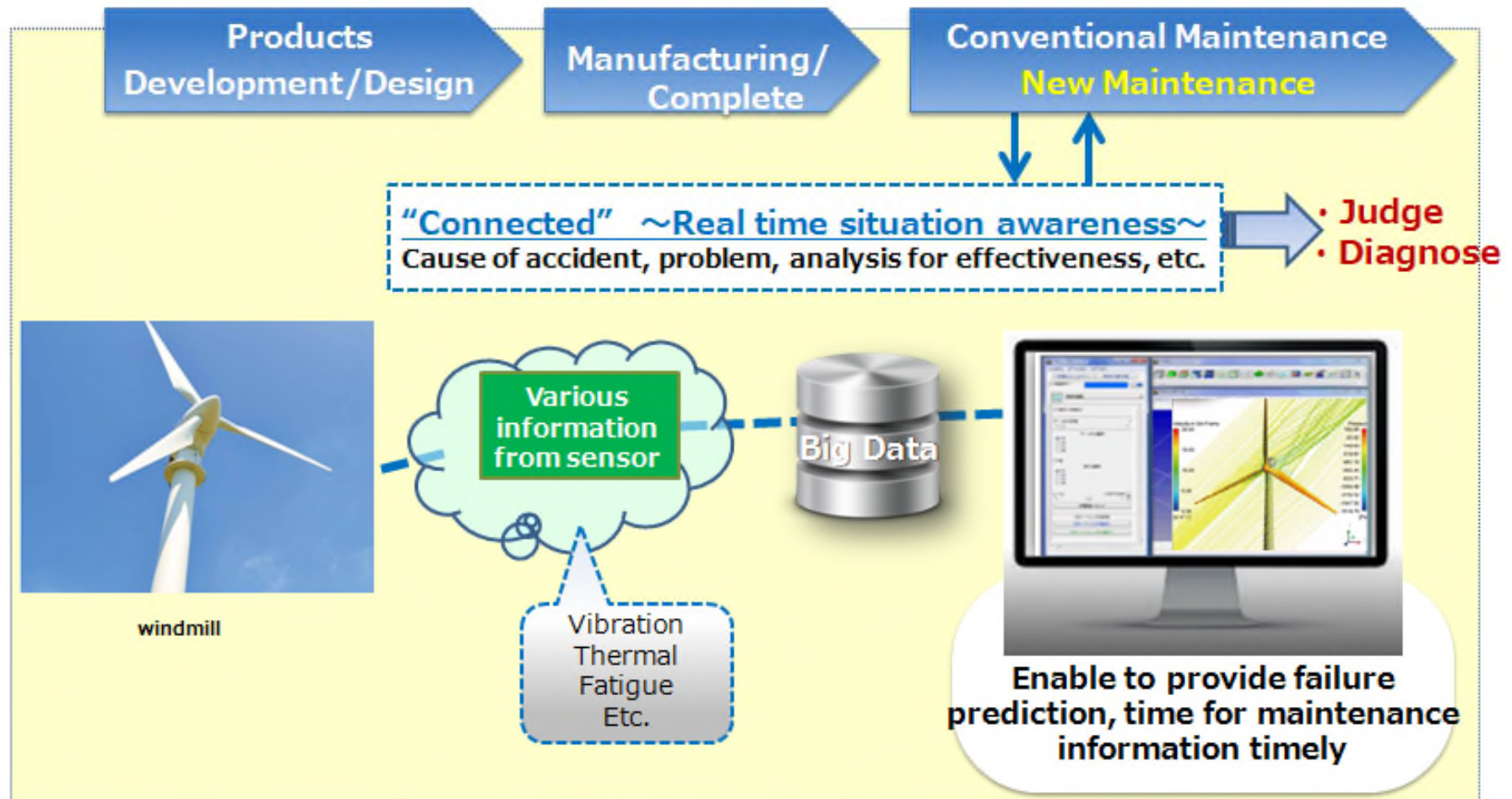
CYBERNET SYSTEMS CO.,LTD.



Cybernet continues to provide solutions in various technical domains.

Digital Twin

Reproduce physical event into digital field and **Predict and analyze cause of accident and problem in advance.**



Targeted Key Performance Indicators

CYBERNET SYSTEMS CO.,LTD.

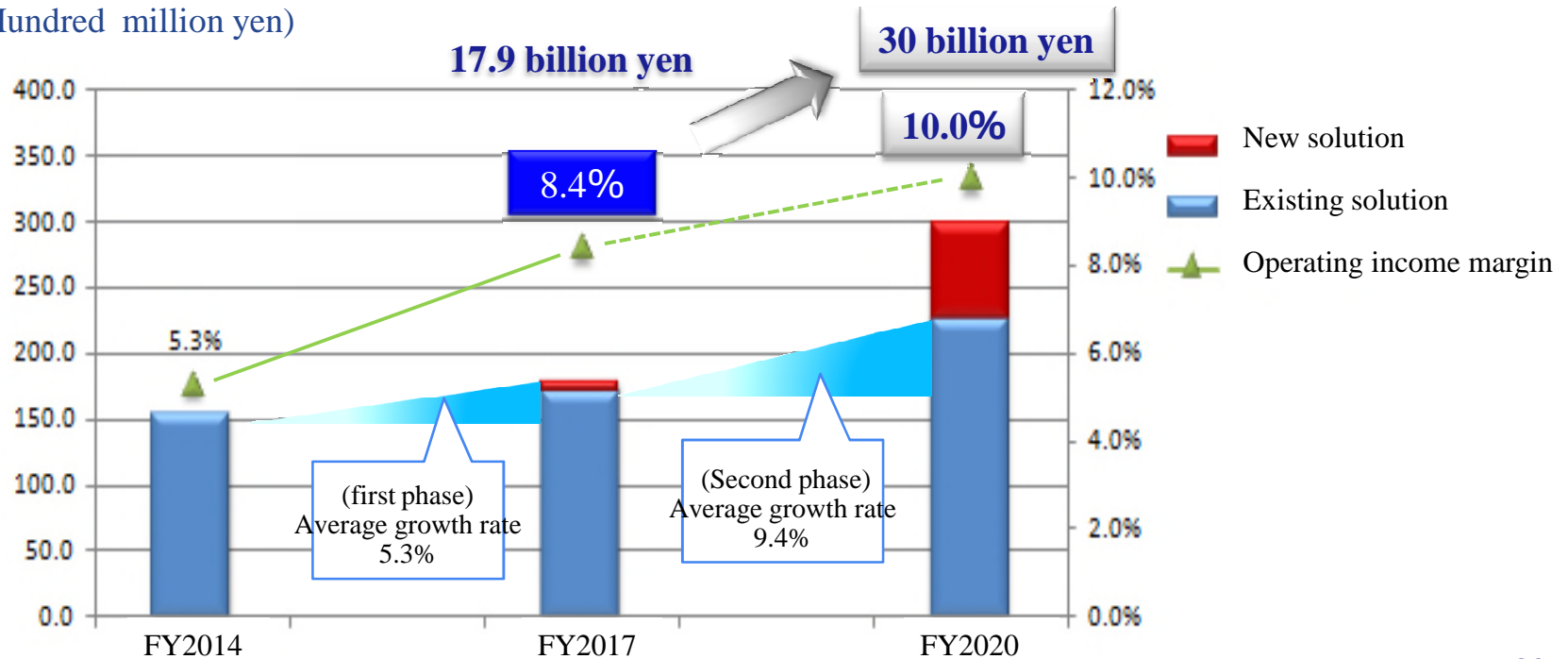
Target for FY2017
Consolidated Operating income margin: Exceeding 8%

FY2017 goal achievement
Consolidated operating margin 8.4%

Target figures for FY2020
Consolidated sales: Exceeding ¥30 billion
Consolidated Operating income: Exceeding ¥3 billion
(Consolidated Operating income margin: Exceeding 10%)

Consolidated Net Sales
(Hundred million yen)

Consolidated Operating income margin



Provide value unique to Cybernet

- 1D CAE + 3D CAE Multi-domain Solutions(*1)
- Extended Multi-domain Solutions(*1) by **MBSE**(*2)

Consolidated sales (ratio to consolidated sales)

[2014] ¥12.7 billion (82.7%) ⇒ [2017] ¥14.6 billion (81.4%) ⇒ [2020] ¥24.5 billion (81.7%)

Focus on automotive field

- Domestic sales (ratio to domestic sales)

[2014] ¥1.5 billion (12%) ⇒ [2017] ¥2.4 billion (16.4%) ⇒ [2020] Approx. ¥5 billion (25%)

Strengthen cooperation with partners

- Establish sales/support structure globally and locally
- Promote OEM offering (**Development into IoT field**)

(*1) Multi-domain Solutions : Analyzing method among different domains

(*2) MBSE (Model Based Systems Engineering) :

The development methods that entire processes from requirement analysis to validation are proceeded with model-based, with crossed-domain such as mechanical, electrical, control • software.

Try our AR technology (cybARnet)!

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

- (i) Search “cybARnet” through AppStore or Google Play (the red marks as presented below are earmarks).
- (ii) Launch applications and tap the QR code reading button on the right top of the screen.
- (iii) Reading the QR code below.
- (iv) Hold your smart device over the red mark as presented below, and the introduction movie will appear in the virtual space.



Corporate Overview (as of December 31,2017)

CYBERNET SYSTEMS CO.,LTD.

<i>Company Name :</i>	CYBERNET SYSTEMS CO., LTD. (Stock code: 4312, the First Section of Tokyo Stock Exchange)
<i>Head Office :</i>	FUJISOFT Bldg. 3 Kandaneribei-cho, Chiyoda-ku, Tokyo 101-0022, Japan
<i>Branch Offices :</i>	Nishi-Nihon Branch Office in Osaka, Chubu Branch Office in Nagoya
<i>Founding date :</i>	April 17, 1985
<i>Capital :</i>	995 million yen
<i>Number of Employees :</i>	Consolidated / 620, Non-Consolidated / 359
<i>Business :</i>	Providing CAE and IT solutions, as well as professional services including consulting
<i>Subsidiaries :</i>	Consolidated / WATERLOO MAPLE INC. (Canada) Sigmetrix, L.L.C. (US) Noesis Solutions NV (Belgium) CYBERNET SYSTEMS (SHANGHAI) CO., LTD. (China) CYBERNET SYSTEMS TAIWAN CO., LTD. (Taiwan) CYFEM Inc.(Republic of Korea)

CAE stands for “Computer Aided Engineering”

Million yen

	17.12	16.12	YoY Change Amount	YoY Change %
	Results	Results		
Net sales	14,332	12,955	+ 1,377	110.6%
Operating income	1,385	1,129	+ 255	122.6%
Operating income margin	9.7%	8.7%	+ 1.0P	
Ordinary income	1,476	1,025	+ 450	144.0%
Ordinary income margin	10.3%	7.9%	+ 2.4P	
Net income	608	575	+ 33	105.8%
Net income margin	4.2%	4.4%	(0.2P)	

*P: Point

CYBERNET SYSTEMS CO., LTD.

■ Corporate Planning and IR Department

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