

CYBERNET SYSTEMS CO., LTD.

Results of Operations for the First Half of FY2016

4 August, 2016

CYBERNET SYSTEMS CO., LTD.



Code for periods

15.12/2Q	Second quarter of the fiscal year ended December 31, 2015
15.12/1H	First half of the fiscal year ended December 31, 2015
15.12	Fiscal year ended December 31, 2015
16.12/2Q	Second quarter of the fiscal year ending December 31, 2016
16.12/1H	First half of the fiscal year ending December 31, 2016
16.12E	Estimates for the fiscal year ending December 31, 2016

◆ Business Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2016

[Consolidated] Business Summary	5
[Consolidated] Changes in Operating Income (YoY comparison)	6
[Consolidated] Changes in Operating Income (Against Plan)	7
[Consolidated] Balance Sheet	8
[Consolidated] Cash Flow Statement	9
[Consolidated] Quarterly Net Sales	10
[Consolidated] Overview of Results by Segment	11
[Consolidated] Changes in Net Sales by Business (YoY comparison)	12
[Consolidated] Sales Breakdown by Business	13
[Consolidated] Changes in Operating Income by Business (YoY comparison)	14
[Non-consolidated] Business Summary by Segment	15
[Non-consolidated] Net Sales by Application Area	17
[Non-consolidated] Net Sales by Category of Industry	19
[Non-consolidated] Net Sales by Contract	21
[Consolidated] Performance at Overseas Subsidiaries	22

◆ Projection for FY2016

[Consolidated] Projection for Current Fiscal Year	25
[Consolidated] Dividend Estimate for Current Fiscal Year	26
Medium-Term Business Plan 2015 to 2020	27
Example of Using Our Technologies in Automotive Development	28
Our AR Solution	29

◆ Reference Materials

Including Non-consolidated Performance and Projection

Business Summary of Financial Results for the First Half of the Fiscal Year Ending December 31, 2016

[Consolidated] Business Summary

CYBERNET SYSTEMS CO.,LTD.

Million yen

	16.12/1H Results	15.12/1H Results	YoY Change Amount	YoY Change %	16.12/1H Plan	Change Amount from Plan	Change % from Plan
Net sales	8,958	8,378	+ 580	106.9%	8,842	+ 116	101.3%
Operating income	907	628	+ 278	144.4%	595	+ 312	152.5%
Operating income margin	10.1%	7.5%	+ 2.6P		6.7%	+ 3.4P	
Ordinary income	899	672	+ 227	133.7%	644	+ 255	139.7%
Ordinary income margin	10.0%	8.0%	+ 2.0P		7.3%	+ 2.7P	
Profit attributable to owners of parent	503	300	+ 202	167.4%	300	+ 203	167.8%
Profit attributable to owners of parent margin	5.6%	3.6%	+ 2.0P		3.4%	+ 2.2P	
Before amortization of goodwill Operating income	1,078	819	+ 258	131.6%	783	+ 294	137.6%
Before amortization of goodwill Operating income margin	12.0%	9.8%	+ 2.2P		8.9%	+ 3.1P	

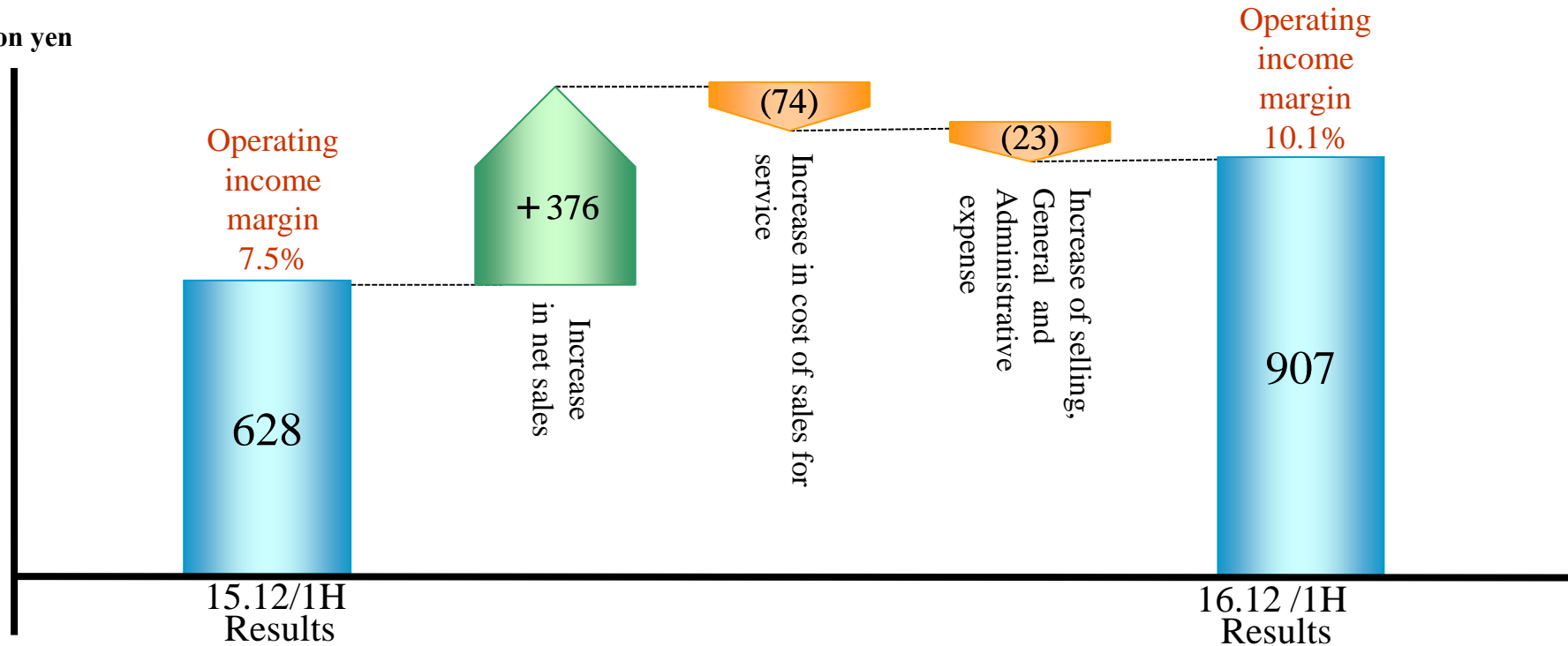
*P: Point

* Net income has been renamed to profit attributable to owners of parent.

[Consolidated] Changes in Operating Income (YoY comparison)

CYBERNET SYSTEMS CO.,LTD.

Million yen



Main Causes of Year-on-Year Changes

○ Product profits

In Japan, optical design evaluation programs and model-based development engineering services performed strongly. Overseas, a development subsidiary in Canada performed strongly.

○ Cost of sales for service and selling, general and administrative expenses

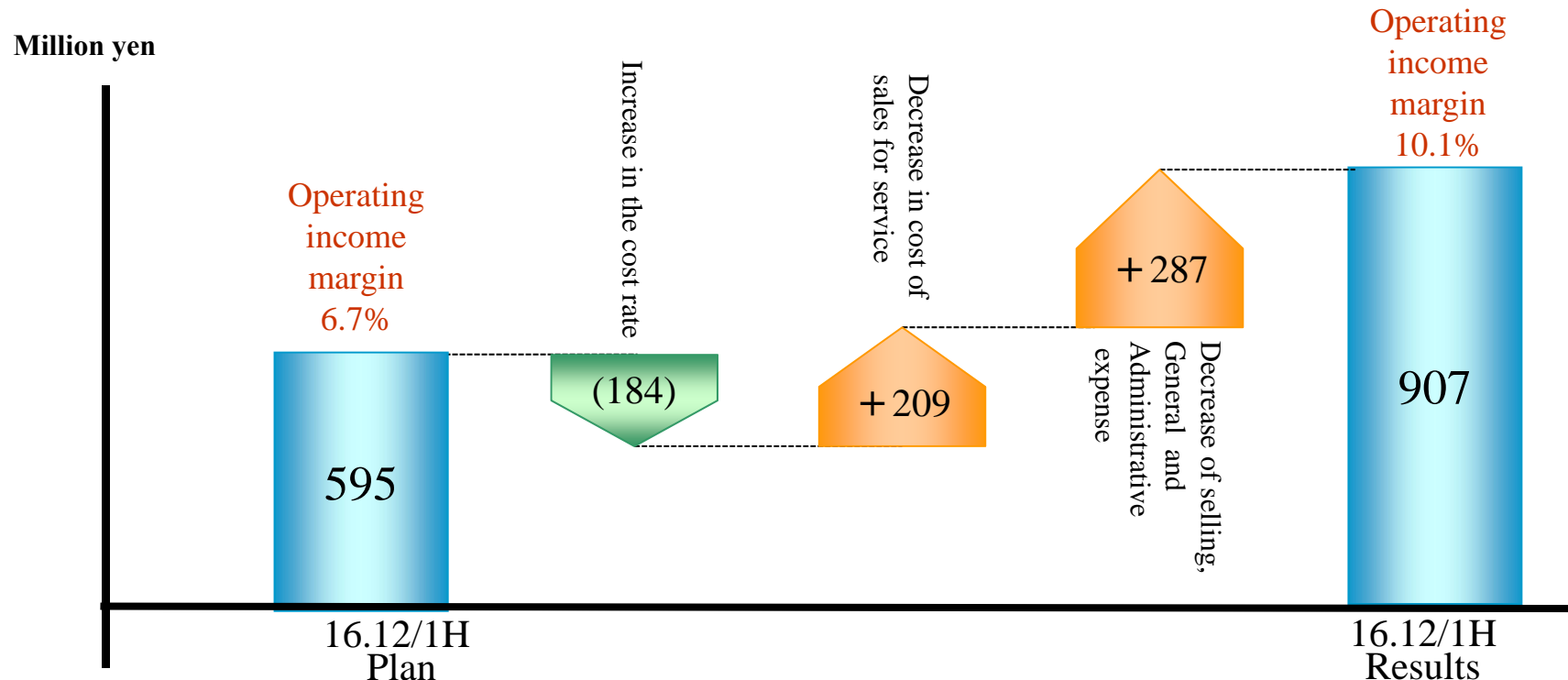
Personnel expenses increased due to increased recruitment.

○ Operating income

Operating income rose, reflecting an increase in product profits as a result of higher sales, offsetting an increase in personnel expenses.

[Consolidated] Changes in Operating Income (Against Plan)

CYBERNET SYSTEMS CO.,LTD.



Main Causes of Changes against Plan

- Product profits
 - Although a development subsidiary in Canada received a profitable large-scale OEM project, product profits declined, reflecting the higher cost rate in Japan and the recording of foreign currency translation differences as a result of the appreciation of the yen.
- Cost of sales for service and selling, general and administrative expenses
 - Cost of sales for service and SGA expenses declined, mainly due to foreign currency translation differences, as a result of the appreciation of the yen, and a reduction in expenses.
- Operating income
 - Operating income rose on the back of lower expenses, offsetting lower product profits.

[Consolidated] Balance Sheet

CYBERNET SYSTEMS CO.,LTD.

	Million yen		
	15.12	16.12/1H	YoY Change Amount
Current assets	14,857	16,039	1,182
Cash and deposits	2,755	2,930	174 (i)
Notes and accounts receivable-trade	3,701	4,086	384 (i)
Short-term investment securities	3,800	4,500	699 (ii)
Short-term loans receivable	3,011	3,083	72
Others	1,588	1,439	(149)
Noncurrent assets	4,028	3,676	(351)
Property, plant and equipment	320	301	(19)
Intangible assets	2,854	2,591	(262) (iii)
Investments and other assets	853	783	(69)
Total Assets	18,885	19,716	830
Current liabilities	4,175	5,102	927
Accounts payable-trade	1,027	1,488	460
Income taxes payable	132	434	302
Advances received	1,996	1,970	(25)
Provision for bonuses	282	324	41
Others	735	884	148
Noncurrent liabilities	1,150	1,187	36
Provision for retirement benefits	1,090	1,130	40
Others	60	56	(4)
Total liabilities	5,325	6,290	964
Total net assets	13,560	13,426	(133)
Total liabilities and net assets	18,885	19,716	830

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

- (i) Cash and deposits (up 174 million yen from the end of the previous fiscal year)
Notes and accounts receivable – trade (up 384 million yen from the end of the previous fiscal year)
Cash as well as notes and accounts receivable – trade increased as a result of higher net sales.
- (ii) Short-term investment securities (up 699 million yen from the end of the previous fiscal year)
Investments increased.
- (iii) Goodwill (down 379 million yen from the end of the previous fiscal year)
Goodwill decreased due to amortization of 170 million yen and a decrease of 208 million yen in foreign currency translation.

[Consolidated] Cash Flow Statement

CYBERNET SYSTEMS CO.,LTD.

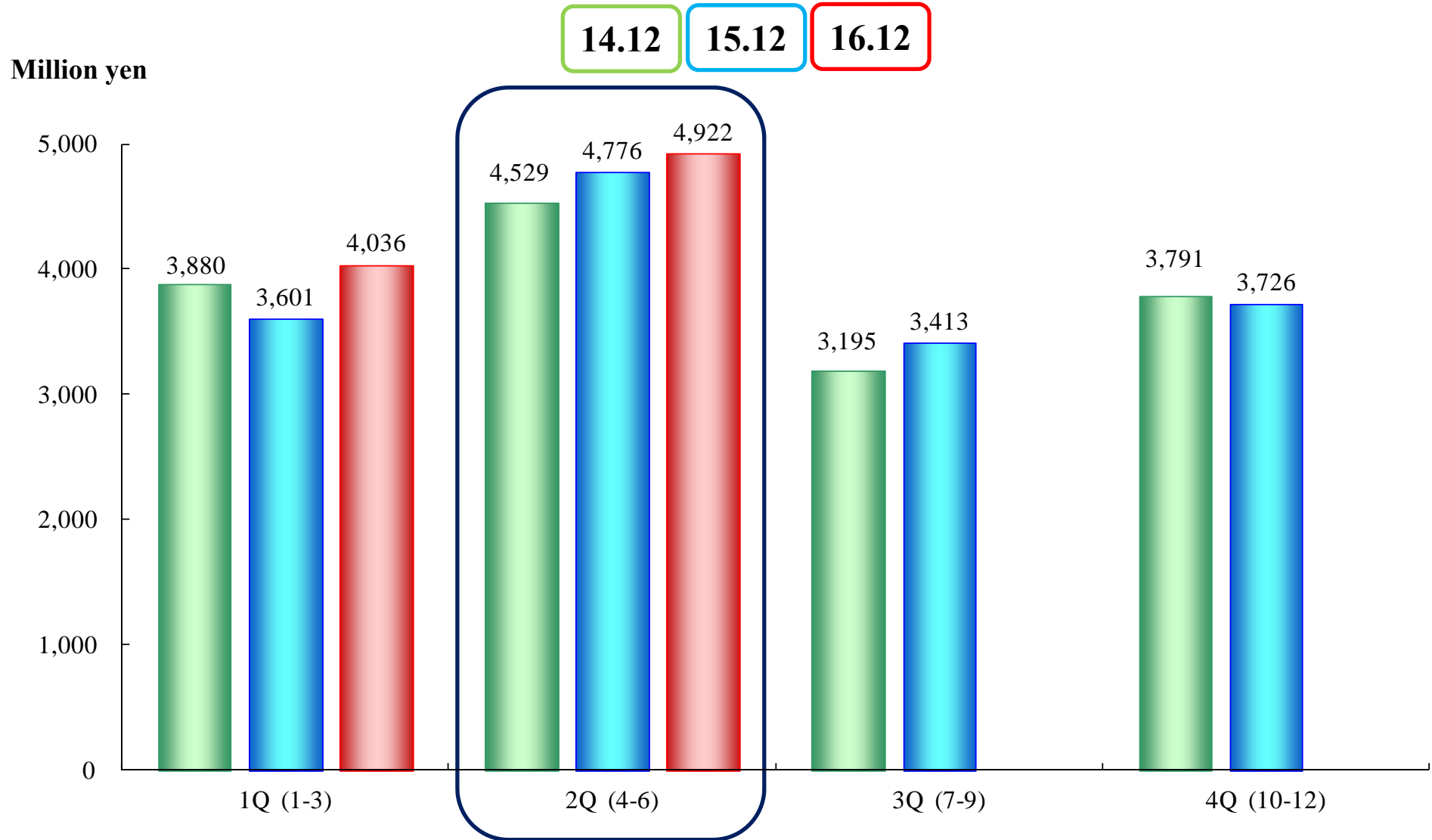
	Million yen		
	15.12/1H	16.12/1H	YoY Change Amount
Net cash provided by operating activities	588	1,399	811
Net cash provided by investing activities	528	78	(450)
Net cash provided by financing activities	(264)	(217)	46
Effect of exchange rate change on cash and cash equivalents	(10)	(79)	(69)
Net increase in cash and cash equivalents	842	1,181	338
Cash and cash equivalents at beginning of period	4,239	5,664	1,424
Cash and cash equivalents at end of period	5,082	6,846	1,763

Main Causes of Changes from the Previous Fiscal Year

- Net cash provided by operating activities
Positive cash flow due mainly to a decline in income taxes paid and an increase in profit before income taxes.
- 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
Positive cash flow, chiefly due to a decline in dividends paid.

[Consolidated] Quarterly Net Sales

CYBERNET SYSTEMS CO.,LTD.



[Consolidated]
Overview of Results by Segment

CYBERNET SYSTEMS CO.,LTD.

Million yen

	15.12/1H	16.12/1H		
	Results	Results	YoY Change Amount	YoY Change %
Total Net sales	8,378	8,958	+ 580	106.9%
CAE Solution Services	6,952	7,366	+ 414	106.0%
IT Solution Services	1,442	1,651	+ 208	114.5%
Elimination	(16)	(59)	(42)	—
Total Operating income	628	907	+ 278	144.4%
CAE Solution Services	1,192	1,465	+ 272	122.9%
IT Solution Services	162	229	+ 67	141.5%
Elimination	(726)	(787)	(60)	—

(Note) Adjustment include overhead costs that are not allocated to respective reporting segments, primarily consisting of administrative costs 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.

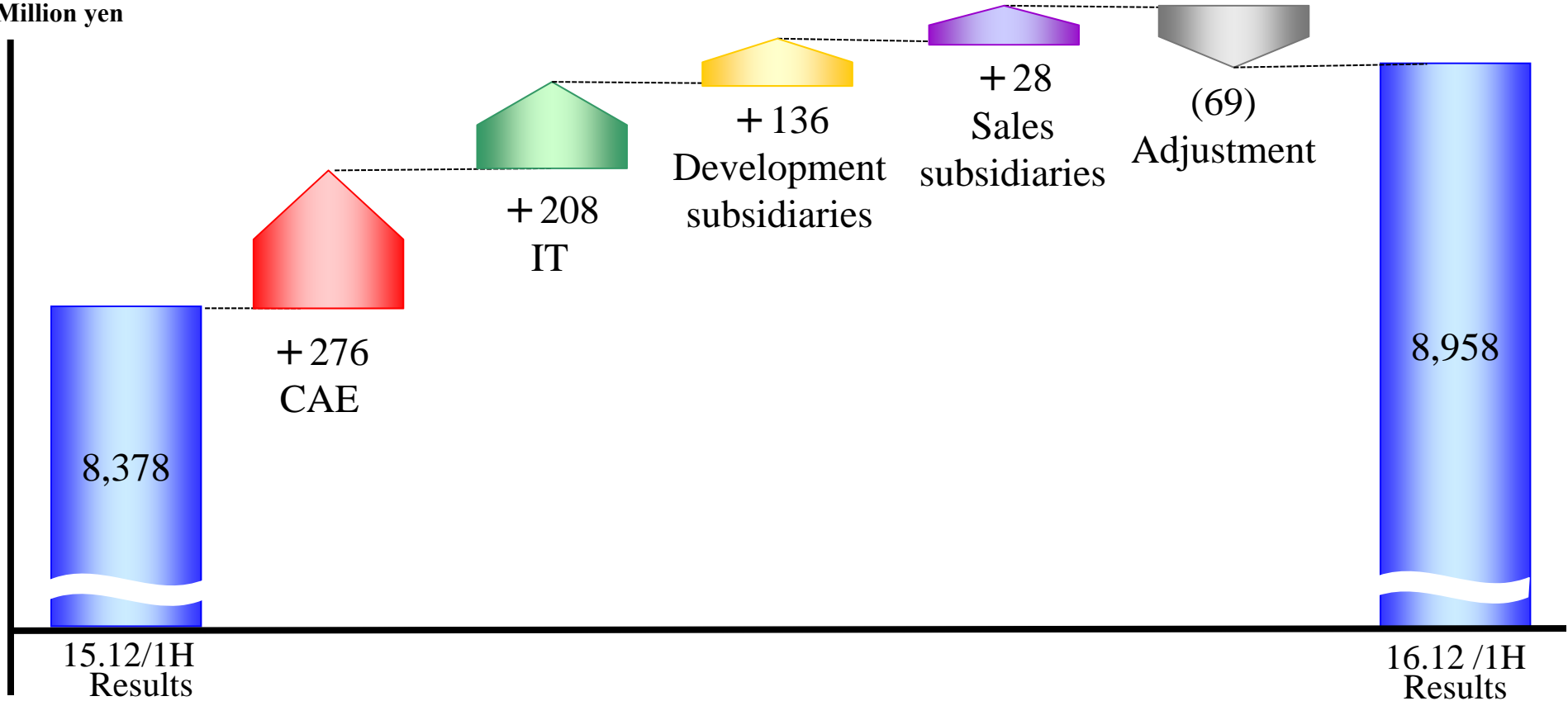
(Note) From the term under review, as a result of its partial reorganization, some of CAE Solution Services have been changed to IT Solution Services.

Segment information for the same period of the previous fiscal year has been presented based on information prepared in accordance with the classification method after the change.

[Consolidated] Changes in Net Sales by Business (YoY comparison)

CYBERNET SYSTEMS CO.,LTD.

Million yen

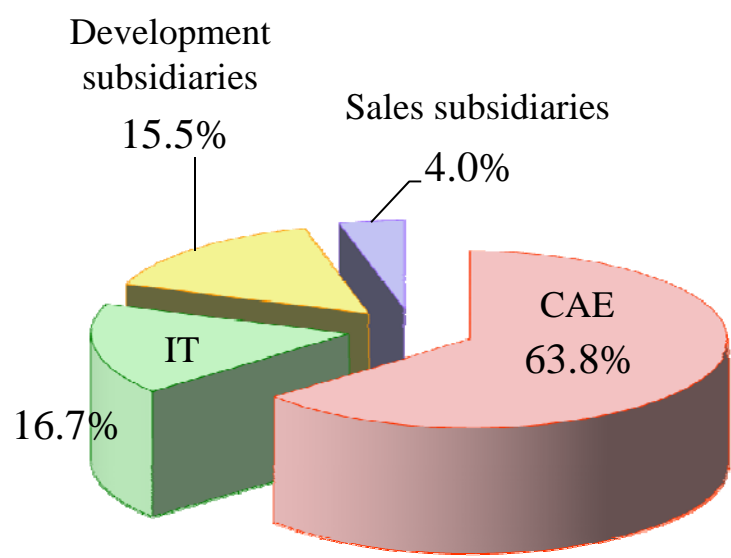


(Note) The following is a description of each business line.

- CAE is CYBERNET SYSTEMS' CAE solution services.
- IT is CYBERNET SYSTEMS' IT solution services.
- Development subsidiaries mean an aggregate of figures for consolidated subsidiaries (three development and sales subsidiaries in Europe and North America).
- Sales subsidiaries mean an aggregate of the figures for two consolidated sales subsidiaries in Asia.
- Adjustment means the total amount of consolidated adjustment and adjustment among segments.

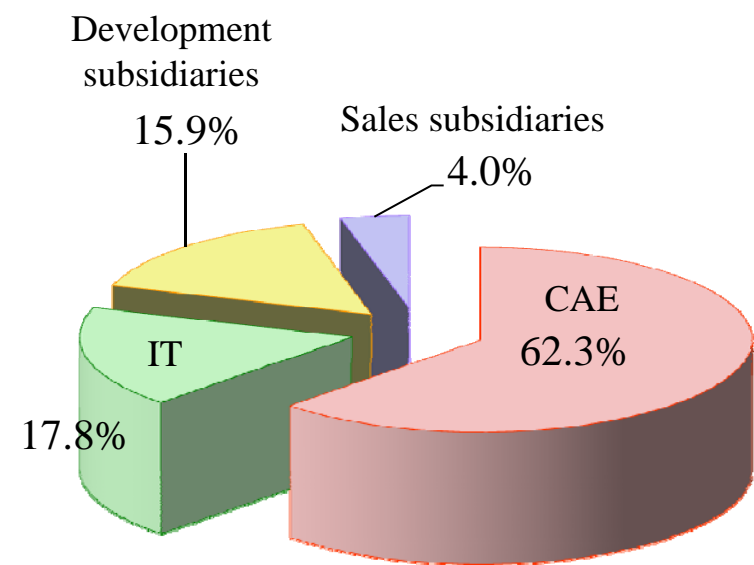
[Consolidated] Sales Breakdown by Business

CYBERNET SYSTEMS CO.,LTD.



Consolidated Sales
8,378 million yen

15.12 /1H



Consolidated Sales
8,958 million yen

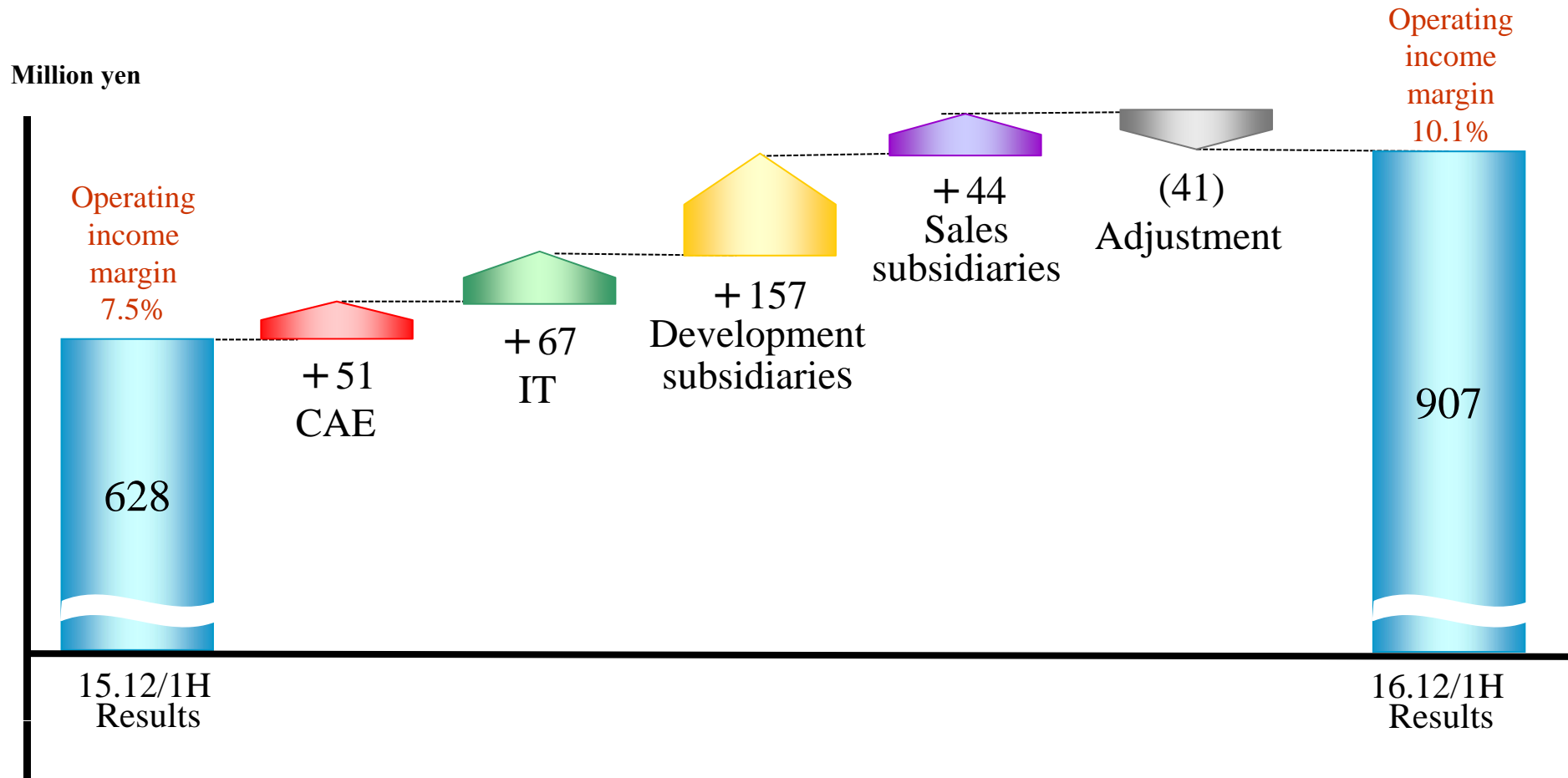
16.12/1H

(Note) The figures indicated above represent the percentage breakdown without consolidation adjustment and adjustment among segments. The business lines are the same as those on the previous page.

[Consolidated]

CYBERNET SYSTEMS CO.,LTD.

Changes in Operating Income by Business (YoY comparison)



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

[Non-consolidated]

CYBERNET SYSTEMS CO.,LTD.

Business Summary by Segment

CAE Solution Services	
MCAE field	<p>Mainstay new license sales for the multiphysics analysis tool remained sluggish, given a decline in orders from machinery and precision instruments and transportation equipment industries, offsetting the receipt of a large-scale order from a major manufacturer.</p> <p>Maintenance contract renewals remained steady, reflecting a rise in orders from the machinery and precision instruments industries and the education sector and public offices on the back of steady investments in research and development. Engineering services remained unchanged, given higher orders from the automotive industry, despite a fall in orders from the construction industry.</p>
Optical design field	<p>Our mainstay illumination design and analysis software held steady, thanks to progress in the use of the product in vehicles and in industry together with new license sales, while maintenance contract renewals performed strongly. New license sales of optical design evaluation programs remained steady, reflecting orders from electric appliances and the machinery and precision instruments industries. Maintenance contract renewals remained firm. Both new license sales and maintenance contract renewals for the automotive lighting design software platforms remained steady, with progress in the introduction to automotive suppliers.</p>
EDA field	<p>In the electric circuit board design solutions business, although neither new license sales nor maintenance contract renewals met the initially anticipated plan, the business recorded steady results, with gradual progress in the launch of new products following the change in products handled. Orders for printed circuit board (PCB) engineering services from existing customers remained steady.</p>
MBD field	<p>New license sales of the 1D CAE tool, one of the Group company's products, remained steady given growing interest in model-based development in the electric appliances industry, while maintenance contract renewals remained unchanged. Engineering services remained strong centered on the automotive-related industry, reflecting growing appetite for investments in outsourcing development and consulting mainly related to autonomous driving technology.</p>
Test & Measurement field	<p>The Flat Panel Display (FPD) automated inspection systems we have developed saw large-scale orders from electrical manufacturers, but these failed to make up for the absence of the large-scale project for China that was recorded in the same period of the previous fiscal year.</p>
Other fields	<p>Both new license sales and maintenance contract renewals for the optimized design support tool, one of our Group products, remained unchanged. However, with the progress in initiatives for automation and optimization and examinations of the establishment of a development environment, the number of inquiries has been experiencing a rising trend. The 3D tolerance management tool remained stagnant because market development did not progress as planned. The CAE technology training business performed strongly, given an increase in the number of cases where the business is adopted as part of the training plans of companies, following growing needs for human resources development in the automotive industry.</p>

Business Summary by Segment

IT Solution Services	
IT solution field	New license sales of mainstay security-related solutions for a large software development vendor remained steady, mainly reflecting the receipt of new orders for the cloud model. Maintenance contract renewals were also favorable, thanks to growth mainly in our monthly billing models and OEM models. Both new license sales and maintenance contract renewals for our disk encryption software were favorable, helped by market needs for measures against security incidents. Cloud services performed steadily, reflecting increasing needs for transformation from the on-premise environment to the cloud environment.
Data solution field	New license sales of innovation supporting solutions performed strongly, thanks to the receipt of orders for large-scale projects from major material manufacturers. Maintenance contract renewals also remained steady. The medical visualization field performed strongly on the back of the receipt of orders for outsourcing development projects from medical institutions. In the augmented reality (AR) field, the AR services that we launched in the previous fiscal year saw a strong start, and inquiries also increased.

(*)As a result of reorganization in fiscal 2016, the big data field and the visualization field have been integrated into the data solution field, and its segment has been changed from CAE solution services to IT solution services.

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO.,LTD.

[Second quarter of the fiscal year]

Million yen

	15.12/2Q		16.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	2,108	51.8%	2,040	47.9%	(68)	96.8%
Optical Design	961	23.6%	1,082	25.4%	+ 120	112.6%
EDA	71	1.8%	100	2.4%	+ 28	140.6%
MBD	108	2.7%	165	3.9%	+ 57	152.6%
Test and Measurement	41	1.0%	3	0.1%	(37)	7.6%
Others	95	2.3%	76	1.8%	(19)	79.9%
CAE Total	3,385	83.2%	3,467	81.4%	+ 81	102.4%
IT Solution	475	11.7%	512	12.0%	+ 36	107.7%
Data Solution	205	5.1%	282	6.6%	+ 76	137.3%
IT Total	681	16.8%	794	18.6%	+ 113	116.6%
Total	4,067	100.0%	4,261	100.0%	+ 194	104.8%

[Non-consolidated]
Net Sales by Application Area

CYBERNET SYSTEMS CO.,LTD.

[First half of the fiscal year]

Million yen

	15.12/1H		16.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
MCAE	3,053	44.0%	3,066	41.5%	+ 12	100.4%
Optical Design	1,710	24.6%	1,843	25.0%	+ 132	107.8%
EDA	165	2.4%	196	2.7%	+ 31	118.9%
MBD	297	4.3%	403	5.5%	+ 106	135.9%
Test and Measurement	104	1.5%	51	0.7%	(52)	49.3%
Others	166	2.4%	167	2.3%	+ 1	100.7%
CAE Total	5,497	79.2%	5,728	77.6%	+ 231	104.2%
IT Solution	979	14.1%	1,105	15.0%	+ 126	112.9%
Data Solution	466	6.7%	550	7.5%	+ 83	118.0%
IT Total	1,445	20.8%	1,656	22.4%	+ 210	114.6%
Total	6,942	100.0%	7,384	100.0%	+ 442	106.4%

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

[Second quarter of the fiscal year]

Million yen

	15.12/2Q		16.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	1,535	37.8%	1,578	37.0%	+ 42	102.8%
Machinery & Precision Machinery	638	15.7%	728	17.1%	+ 90	114.2%
Transportation equipment	442	10.9%	427	10.0%	(15)	96.6%
Other manufacturing industry	396	9.7%	514	12.1%	+ 118	129.8%
Eductaion institution/government and municipal offices	358	8.8%	363	8.5%	+ 4	101.3%
Telecommunication industry	285	7.0%	248	5.8%	(37)	87.0%
Others	410	10.1%	400	9.4%	(9)	97.8%
Total	4,067	100.0%	4,261	100.0%	+ 194	104.8%

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

[First half of the fiscal year]

Million yen

	15.12/1H		16.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
Electrical equipment	2,465	35.5%	2,534	34.3%	+ 69	102.8%
Machinery & Precision Machinery	1,147	16.5%	1,258	17.0%	+ 111	109.7%
Transportation equipment	731	10.5%	836	11.3%	+ 105	114.4%
Other manufacturing industry	627	9.0%	862	11.7%	+ 235	137.5%
Eductaion institution/government and municipal offices	706	10.2%	649	8.8%	(56)	91.9%
Telecommunication industry	450	6.5%	465	6.3%	+ 14	103.2%
Others	813	11.7%	777	10.5%	(36)	95.6%
Total	6,942	100.0%	7,384	100.0%	+ 442	106.4%

[Non-consolidated] Net Sales by Contract

CYBERNET SYSTEMS CO.,LTD.

[Second quarter of the fiscal year]

Million yen

	15.12/2Q		16.12/2Q			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	1,174	30.2%	1,141	28.4%	(32)	97.2%
Renewals of the maintenance contracts	2,715	69.8%	2,875	71.6%	+ 160	105.9%
Total	3,889	100.0%	4,017	100.0%	+ 127	103.3%

[First half of the fiscal year]

Million yen

	15.12/1H		16.12/1H			
	Results	Component ratio	Results	Component ratio	YoY Change Amount	YoY Change %
New licenses	2,175	34.2%	2,242	33.6%	+ 67	103.1%
Renewals of the maintenance contracts	4,191	65.8%	4,439	66.4%	+ 247	105.9%
Total	6,366	100.0%	6,681	100.0%	+ 315	105.0%

Note: The figures presented above are solely net sales for software, hardware and services whose sales take the form of license contracts.

[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)	135.6%	99.1%	103.9%
Year-on-year change in sales (in yen)	117.8%	92.8%	99.6%
Performance	WATERLOO MAPLE won a large-scale OEM project in North America. The STEM (*) computing platform performed strongly in China.	Sales of the optimized design support tools remained strong in Japan, but were sluggish in Europe.	Sales of 3D tolerance management tools remained strong in mainstay North America, but were sluggish in Europe.

(*)STEM: A generic acronym that stands for the comprehensive fields of “science, technology, engineering, and mathematics”

[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)	119.5%	118.1%
Year-on-year change in sales (in yen)	109.0%	107.6%
Performance	Sales of mainstay optical system software remained steady, while sales of the STEM computing platform, one of our Group company's products, and sales of 3D tolerance management tools also remained strong.	Overall sales remained steady because sales of MBD related software remained steady, although those of mainstay optical system software showed stagnant growth.

Projection for FY2016

[Consolidated]
Projection for Current Fiscal Year

CYBERNET SYSTEMS CO.,LTD.

Million yen

	Full year			
	16.12E	15.12		
	Plan	Results	YoY Change Amount	YoY Change %
Net sales	16,800	15,518	+ 1,281	108.3%
Operating income	950	851	+ 98	111.5%
Operating income margin	5.7%	5.5%	+ 0.2P	
Ordinary income	1,048	1,003	+ 44	104.5%
Ordinary income margin	6.2%	6.5%	(0.3P)	
Profit attributable to owners of parent	461	463	(2)	99.5%
Profit attributable to owners of parent margin	2.7%	3.0%	(0.3P)	

*P: Point

Before amortization of goodwill Operating income	1,316	1,228	+ 87	107.1%
Before amortization of goodwill Operating income margin	7.8%	7.9%	(0.1P)	

*P: Point

[Consolidated]

CYBERNET SYSTEMS CO.,LTD.

Dividend Estimate for Current Fiscal Year

Yen

	15.12	16.12E		
	Total	End of 2Q	Fiscal year-end	Total
	Result	Result	Projection	Projection
Dividend per share	13.80	6.50	6.50	13.00
Net income per share	14.87	16.16	—	14.80
Dividend payout target ratio	92.8%	—	—	87.8%
(Ref.) Dividend on equity ratio	3.1%	—	—	3.0%

Dividends Policy

Starting from the fiscal year ended December 31, 2015, we adopt a higher dividend payout ratio or DOE, whichever produces a higher dividend, and uses it as a benchmark in determining the dividend amount.

We also take into consideration the investment funds that will be required to achieve a higher corporate value over the medium and long term to make a comprehensive judgment regarding its ultimate dividend payment.

-Dividend payout target ratio: 50%

-Dividend on equity ratio: 3.0%

Provide value unique to Cybernet

- 1D CAE + 3D CAE *MDS
- Extended MDS consisting of CAE and test and measurement solutions

Consolidated sales (ratio to consolidated sales)

[2014] ¥12.7 billion (82.7%) ⇒ [2020] ¥25.9 billion (86.4%)

* MDS: Multi-Domain Solution

Focus on automotive field

- Domestic sales (ratio to domestic sales)

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

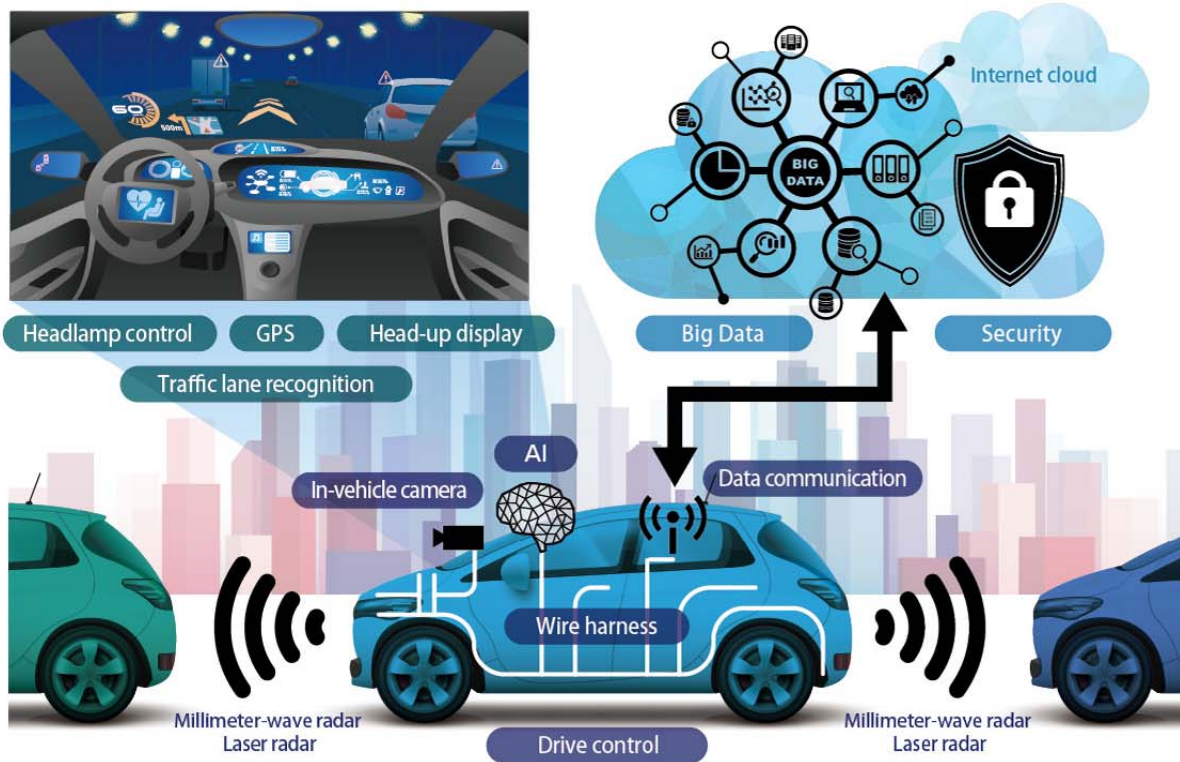
Strengthen cooperation with partners

- Establish sales/support structure globally and locally
- Promote OEM offering

Example of Using Our Technologies in Automotive Development

CYBERNET SYSTEMS CO.,LTD.

CAE enhances automated driving



CAE innovates R&D



Our AR Solution

CYBERNET SYSTEMS CO.,LTD.

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.



Reference Materials

Corporate Overview (as of June 30, 2016)

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 / 594, Non-Consolidated / 361
<i>Business :</i>	Providing CAE and IT solutions, as well as professional services including consulting
<i>Subsidiaries & affiliates :</i>	Consolidated / WATERLOO MAPLE INC. Noesis Solutions NV CYBERNET SYSTEMS (SHANGHAI) CO., LTD. Sigmetrix, L.L.C. CYBERNET HOLDINGS CANADA, INC. (Special Purpose Company) Cybernet Systems Holdings U.S. Inc. (Special Purpose Company) CYBERNET SYSTEMS TAIWAN CO., LTD.

CAE stands for “Computer Aided Engineering”

[Non-consolidated] Business Summary

CYBERNET SYSTEMS CO.,LTD.

Million yen

	16.12/1H	15.12/1H			16.12/1H		
	Results	Results	YoY Change Amount	YoY Change %	Plan	Change Amount from Plan	Change % from Plan
Net sales	7,384	6,942	+ 442	106.4%	7,224	+ 160	102.2%
Operating income	938	873	+ 64	107.4%	865	+ 73	108.4%
Operating income margin	12.7%	12.6%	+ 0.1P		12.0%	+ 0.7P	
Ordinary income	908	876	+ 32	103.7%	865	+ 43	105.1%
Ordinary income margin	12.3%	12.6%	(0.3P)		12.0%	+ 0.3P	
Net income	545	491	+ 53	110.9%	494	+ 51	110.4%
Net income margin	7.4%	7.1%	+ 0.3P		6.8%	+ 0.6P	

*P: Point

[Non-consolidated]
Projection for Current Fiscal Year

CYBERNET SYSTEMS CO.,LTD.

Million yen

	Full year			
	16.12E	15.12		
	Plan	Results	YoY Change Amount	YoY Change %
Net sales	13,155	12,331	+ 823	106.7%
Operating income	1,197	1,163	+ 33	102.9%
Operating income margin	9.1%	9.4%	(0.3P)	
Ordinary income	1,197	1,197	+ 0	99.9%
Ordinary income margin	9.1%	9.7%	(0.6P)	
Net income	672	665	+ 6	101.0%
Net income margin	5.1%	5.4%	(0.3P)	

* P : Point

Results forecast

Exchange rate for beginning of the results forecast for 16.12E is JPY110/USD.

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