

LINK Smart

Toward a shared, connected future

(Financial Summary)

CYBERLINKS CO., LTD.
Financial Results for 1H FY12/23
(January 1, 2023 – June 30, 2023)

September 5, 2023

1. Executive Summary

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Net sales

- Steady growth in the Distribution segment, while M&A deals in the Government and the Mobile segments from last year also contributed to sales growth
- YoY sales growth achieved through expanded service provision in the Trust segment
- Sales slightly below, but mostly in line with plan

Ordinary profit

- Despite a favorable performance in the Distribution segment, ordinary profit declined due to profit decreases caused by changes in the business environment in the Mobile segment, and amortization of goodwill, etc. associated with M&A in the Government segment.
- Ordinary profit was significantly higher than projected (17% above forecast)*.

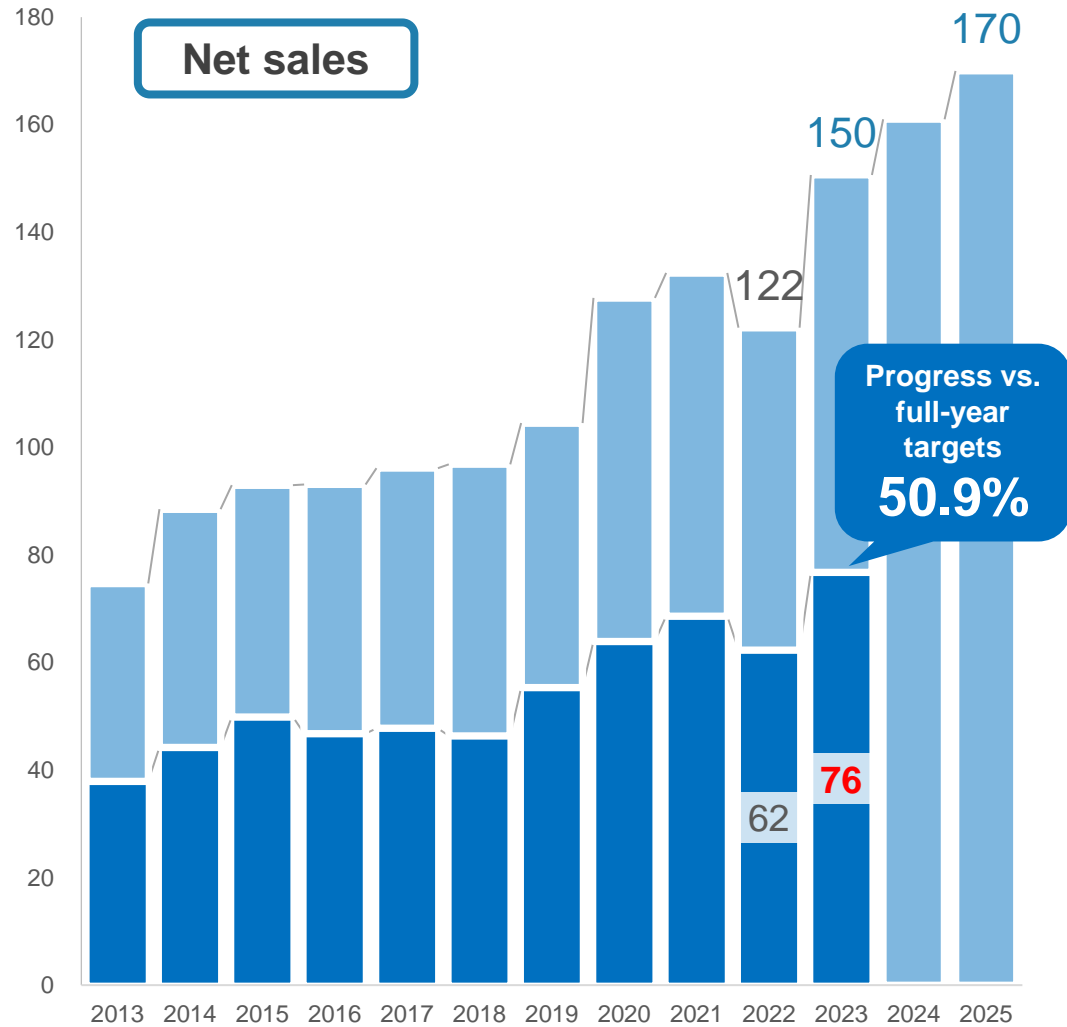
(100mn yen)	2Q FY12/23 results	2Q FY12/22 results	YoY		1H FY12/23 plan*	Progress vs. Plan
			Amount	%		%
Net sales	76	62	+14	23.1	77	98.9
Recurring revenue	37	34	+3	10.7	37	100.6
Ordinary profit	5.8	7.3	(1.4)	(19.4)	5.0	117.0
Ordinary profit margin	7.7%	11.7%	(4.1pt)		6.5%	—

Distribution	+0.8
Government	▲0.7
Trust	▲0.2
Mobile	▲1.5
Adjustments	+0.2

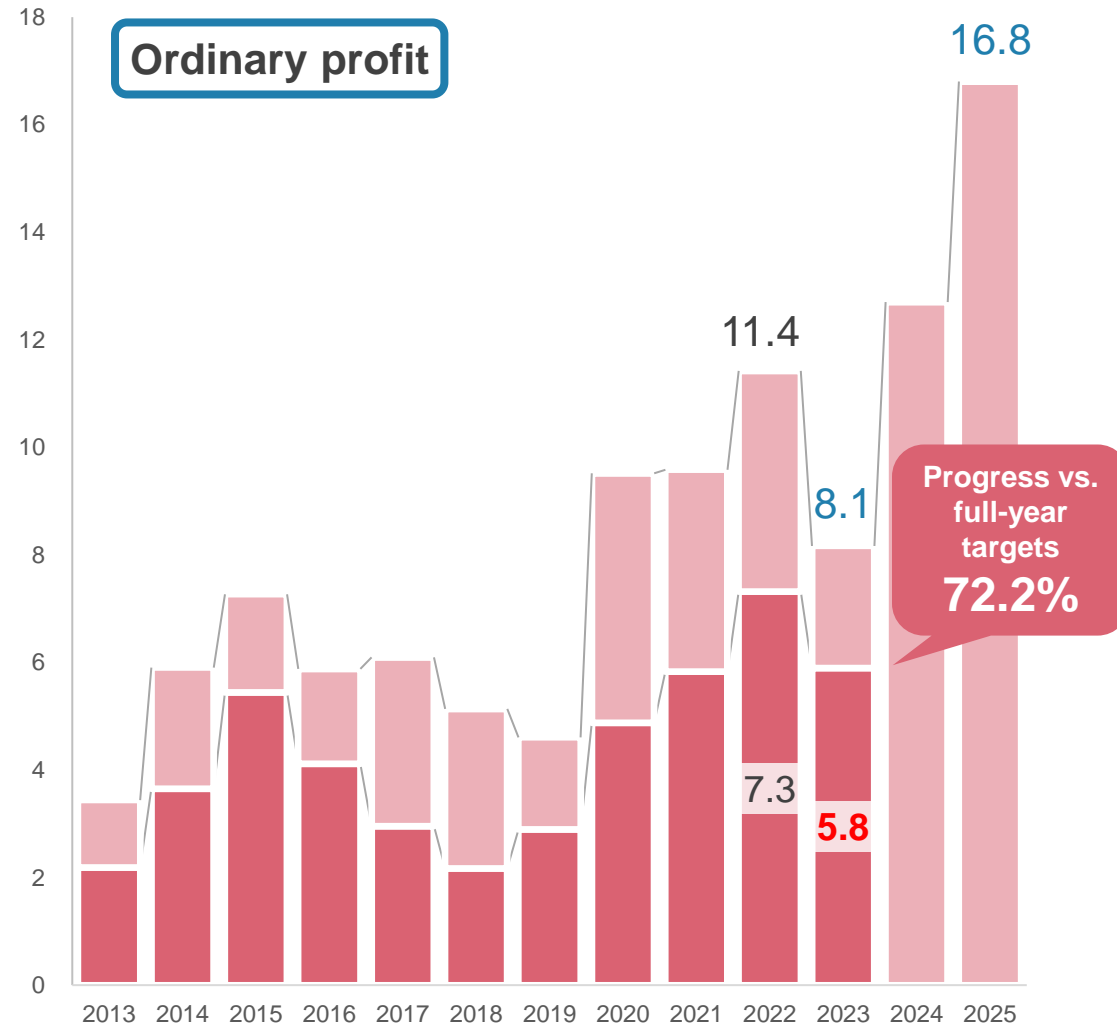
*Figures are based on the revised earnings forecast announced on May 15, 2023.

1. Executive Summary Net Sales & Ordinary Profit

(100mn yen)



(100mn yen)



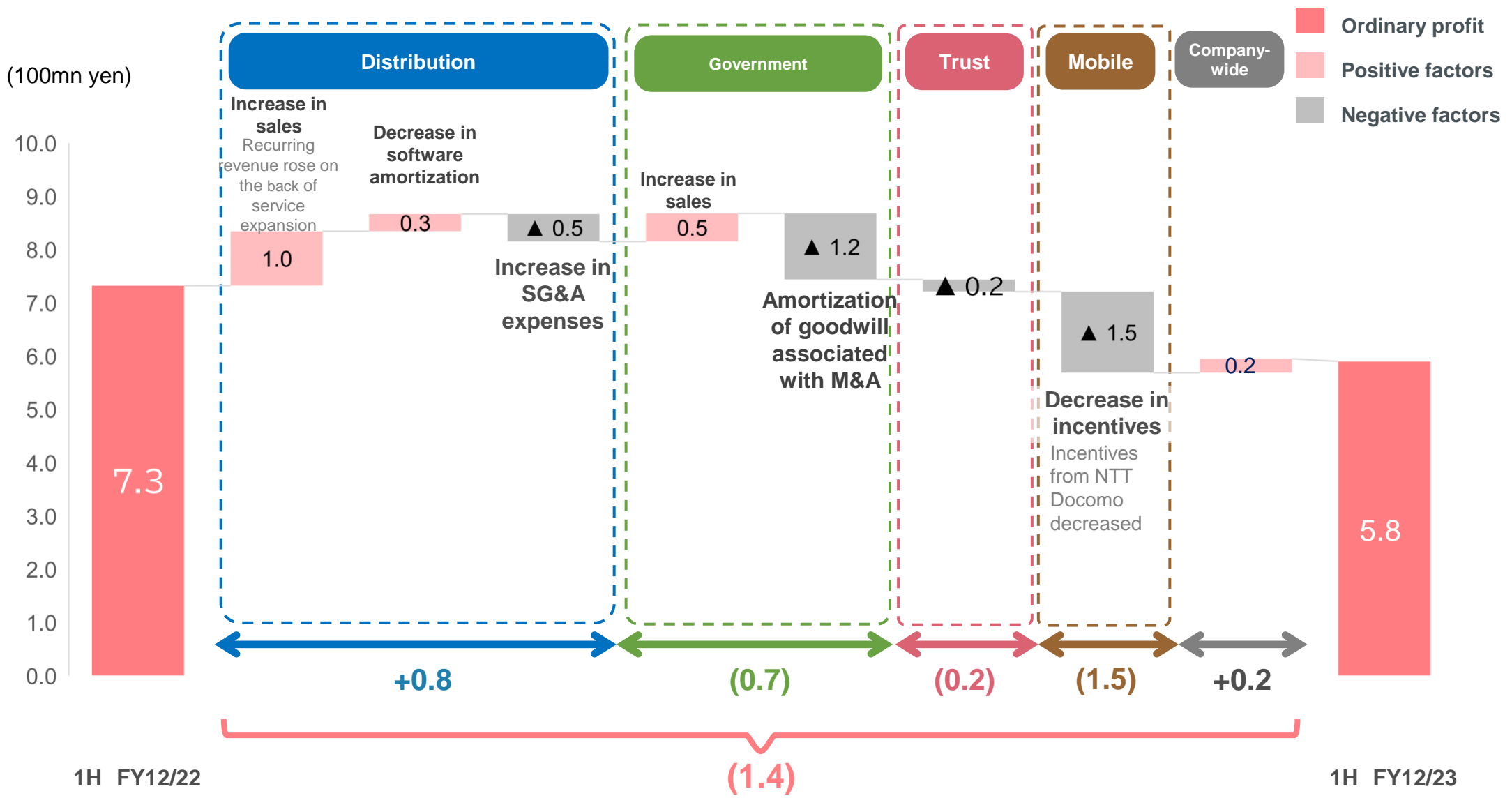
Note: The lower part of the stacked chart shows 1H results, and the upper part shows full-year results minus 1H results.

*Figures for FY12/23 and for FY12/24 onward are projections.

2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast

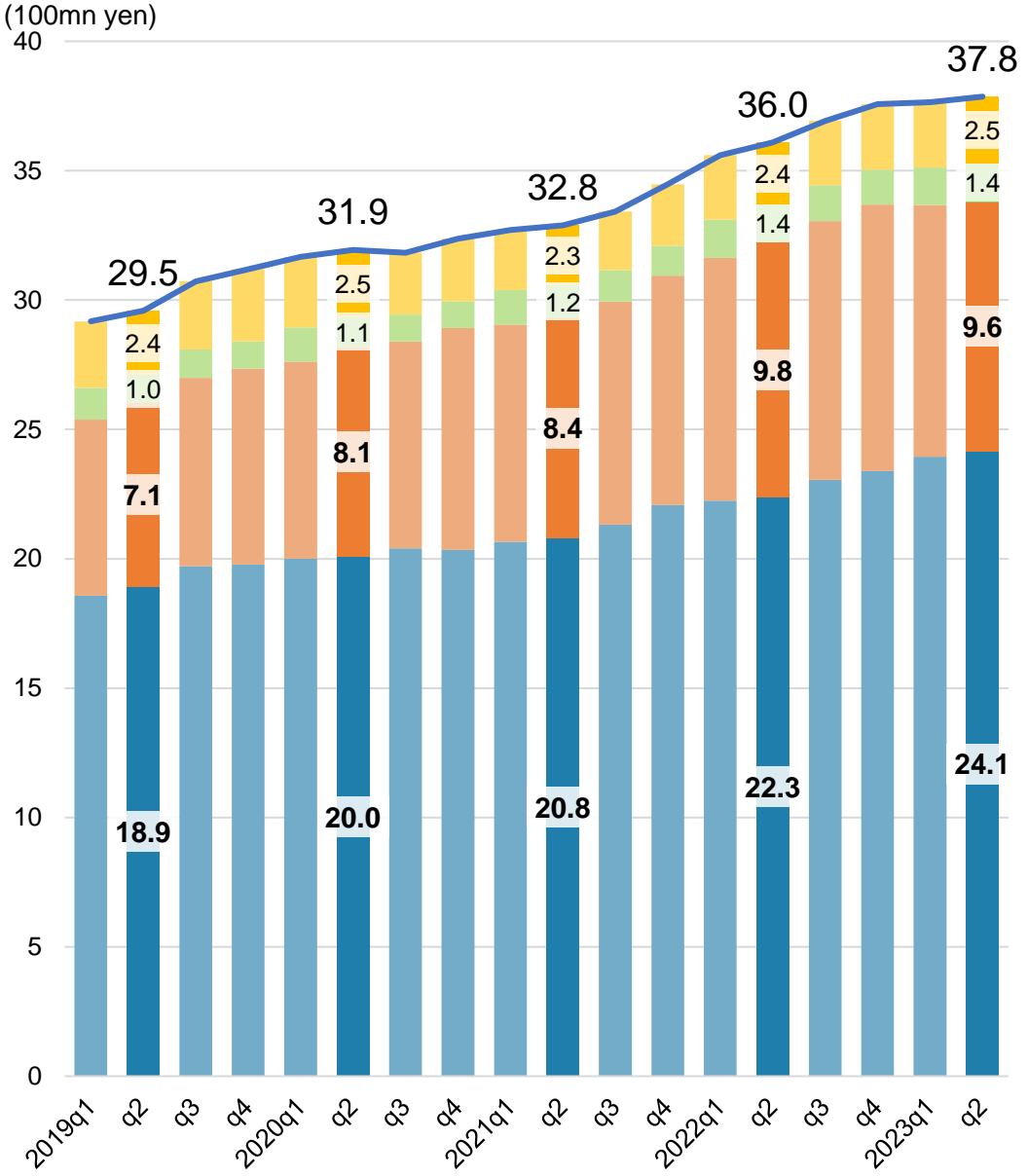
2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast: Factors affecting ordinary profit

Performance in the Distribution segment remained steady thanks to sales growth, but ordinary profit declined due to sluggish performance in the Mobile segment







ARR (Monthly recurring revenue for the final month of a given quarter × 12 months)

Example: ARR for 2Q FY12/23 = recurring revenue for June 2023 × 12



Achieved **solid annual expansion** of about **JPY 200 million** thanks primarily to **growth in services for food retailers**, including **@rms ERP**

<p>Services for Food Retailers Wholesalers</p>  <p>YoY +1.7</p>	<p>Services for Processed Food Wholesalers</p>  <p>YoY (0.2)</p>
<p>Services for the Overall Food Distribution Industry</p>  <p>YoY +0.0</p> 	<p>Services for Specialty Stores</p>  <p>YoY +0.1</p>

Note: ARR for 2Q FY12/20 has been adjusted to reflect recurring revenues generated by special factors.

2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast: Distribution Cloud



*Figures for FY12/23 and for FY12/24 onward are projections.

2Q FY12/23 Results

Higher sales and profits fueled by steady increase in recurring revenue
Achieved an ordinary profit margin of 20.4%

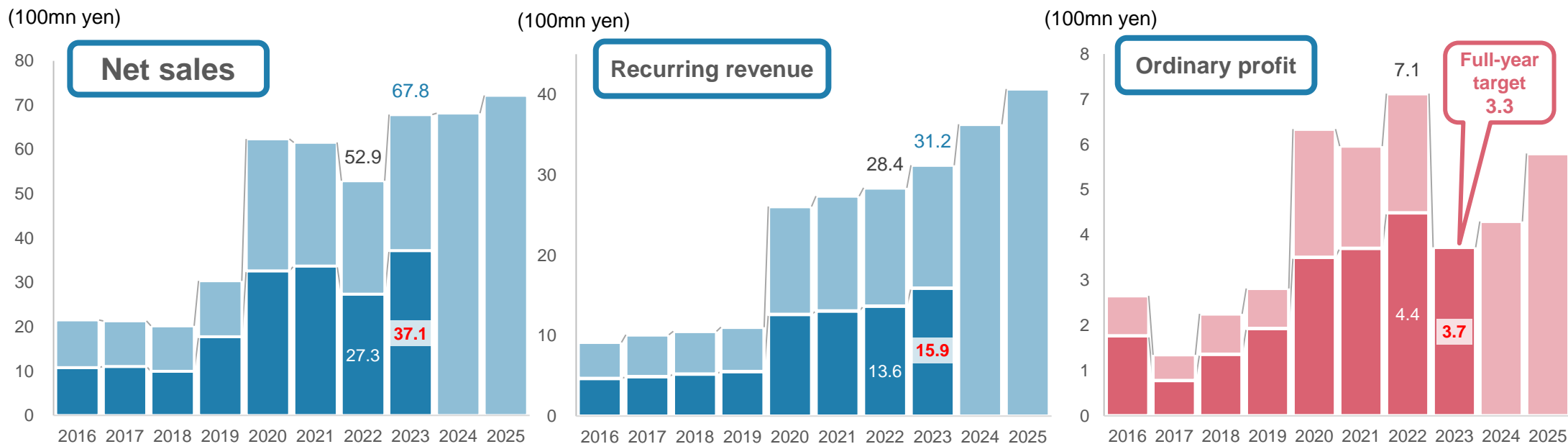
- ◆ Recurring revenue rose on expansion of shared cloud service offerings such as retail EDI service BXNOAH
- ◆ Lower software amortization expenses associated with @rms ERP
- ◆ Selected as an EDI platform service vendor for the Shared EDI Platform planned by the Japan Processed Foods Wholesalers Association

Full-Year FY12/23 Forecast

Adoption of initiatives aiming to accelerate growth and achieve record profits through service expansion

- ◆ Launch of the C2Platform business negotiation support service, which facilitates digitization of business negotiations in the distribution industry, for major food retailers.
- ◆ Steady progress on functional upgrades (e.g., faster processing speeds for @rms ERP)
 → Resumption of proposal activities targeting medium- to large-sized clients

2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast: Government Cloud



*Figures for FY12/23 and for FY12/24 onward are projections.

2Q FY12/23 Results

Substantially higher sales thanks to consolidating earnings of Synergy

Profit declined due to steep goodwill amortization

- ◆ Profit decline caused by M&A-related amortization (JPY 120 million) despite a significant increase in sales driven by the consolidation of Synergy's earnings.
- ◆ Additional contribution from network construction projects.
- ◆ Began full-scale launch of the MynaSign electronic authentication service for local governments (in cooperation with LoGoForm).

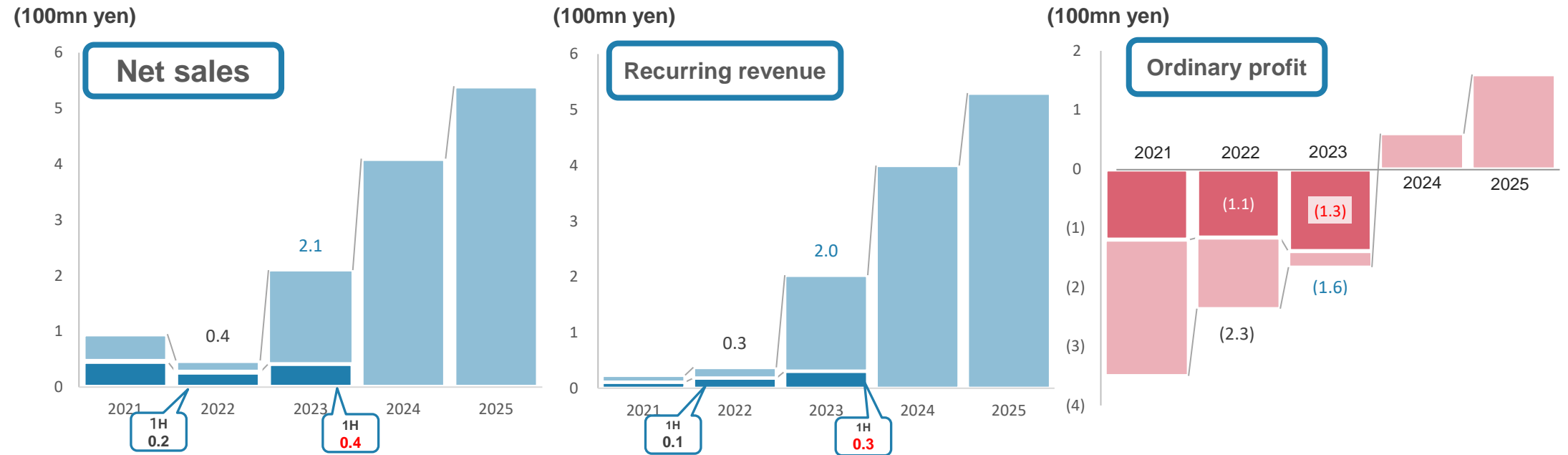
Full-Year FY12/23 Forecast

Aiming for 28.1% YoY sales growth

Projecting lower profit due to goodwill amortization

- ◆ Expand service offerings that help local government digitization efforts
 - ActiveCity document management system
 - Open LINK for LIFE Minnano Madoguchi
- ◆ As of end-2Q, ordinary profit had exceeded our full-year projections, but we have maintained our full-year ordinary profit forecast due to uncertainty surrounding order acquisition and other factors.

2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast: Trust



*Figures for FY12/23 and for FY12/24 onward are projections.

2Q FY12/23 Results

CloudCerts major project launches

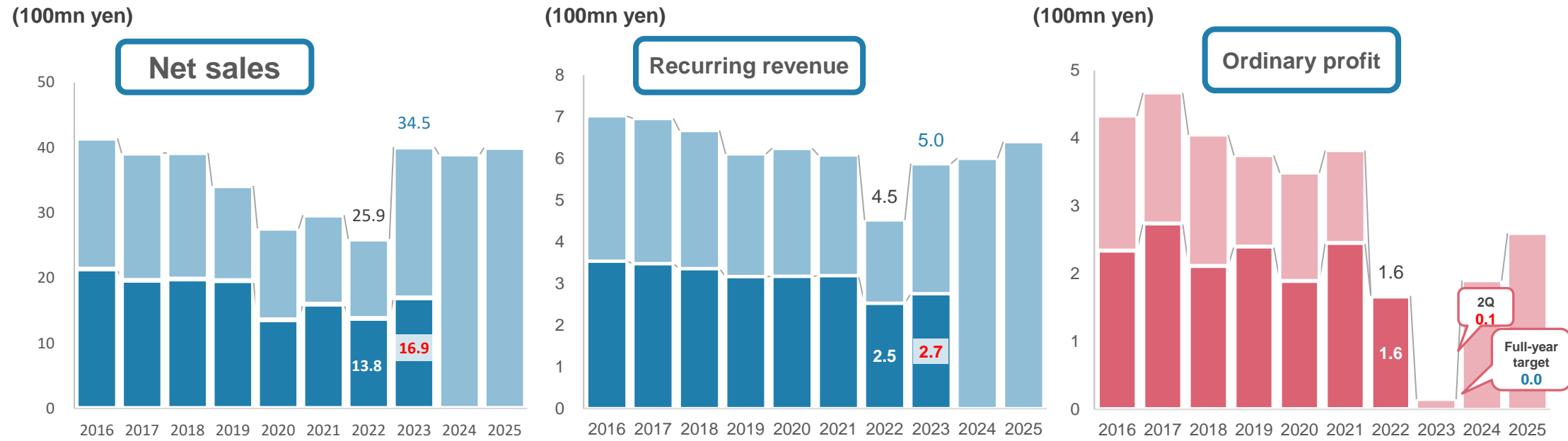
- ◆ Launch of CloudCerts digital certificate issuing service for the TOEIC® Program.
 - Began generating recurring revenue in May
 - Increase in inquiries resulting from its release
- ◆ Capital investment for time stamp services (¥30 million).

Full-Year FY12/23 Forecast

Preparations for the release of digital contract service underway as we aim to transition toward the investment recovery phase.

- ◆ Plans release of digital contract service for real estate transaction; final preparations for 3Q release underway.
- ◆ Exhibition at trade shows and other measures targeting expansion of CloudCerts and other existing services.

2. Consolidated 1H FY12/23 Results & Full-Year FY12/23 Forecast: Mobile Network



*Figures for FY12/23 and for FY12/24 onward are projections.

2Q FY12/23 Results

Challenging conditions persist (changes in incentive systems, etc.)

- ◆ Sales increased thanks to contribution from M&A in December 2022, but profit declined due to changes in incentive systems and other factors.
- ◆ Amid persistently challenging circumstances, we booked a goodwill impairment loss associated with M&A in 1Q and released a revised earnings forecast on May 15, 2023.

Full-Year FY12/23 Forecast

Challenging market conditions expected to continue

- ◆ We will aim to secure sales and improve profit through travel sales and efficient operation of stores.
- ◆ Strengthen sales to corporate clients and generate new sales by providing digital transformation (DX) solutions

Note: Initial forecasts for FY12/24 and FY12/25 remain unchanged.

3. Sustainability Initiatives

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Promotion of initiatives in response to Japan's Revised Corporate Governance Code

Environmental

- Identify climate change-related risks and opportunities and establish applicable scenarios (to be announced in March 2024)
- Streamlined offices (Synergy's Tokyo Branch Office moved to Cyberlinks' East Japan Branch Office)
- Enabled signing of minutes and commercial registration online with MynaTrust
- Gradually replace gasoline vehicles with PHVs in our fleet

Social

- Raise salary levels (increases in base and regular salaries) and starting salaries for new graduates
- Be named a “Certified Health & Productivity Management Outstanding Organization 2023 (Large Enterprise Category)”
- Establish a joint research course within Wakayama University's Faculty of Systems Engineering
- Implement initiatives to promote the advancement of women in the workplace (ratio of managers: 7.8%; ratio of senior staff: 21.7%) *As of December 31, 2022.
*By end-FY12/25: 20% target ratio of female senior staff; By end-FY12/30: 10% target ratio of female managers
- Provided training for managerial candidates (management strategy school, team-building)
- Offer career study opportunities (company visit) for junior high school students

Governance

- Enhance and improve both English disclosure materials and English IR website; establish a YouTube channel
- Adopt the exercise of voting rights via the Internet
- Add one Independent Outside Director to bring the ratio of Independent Outside Directors to 50.0%

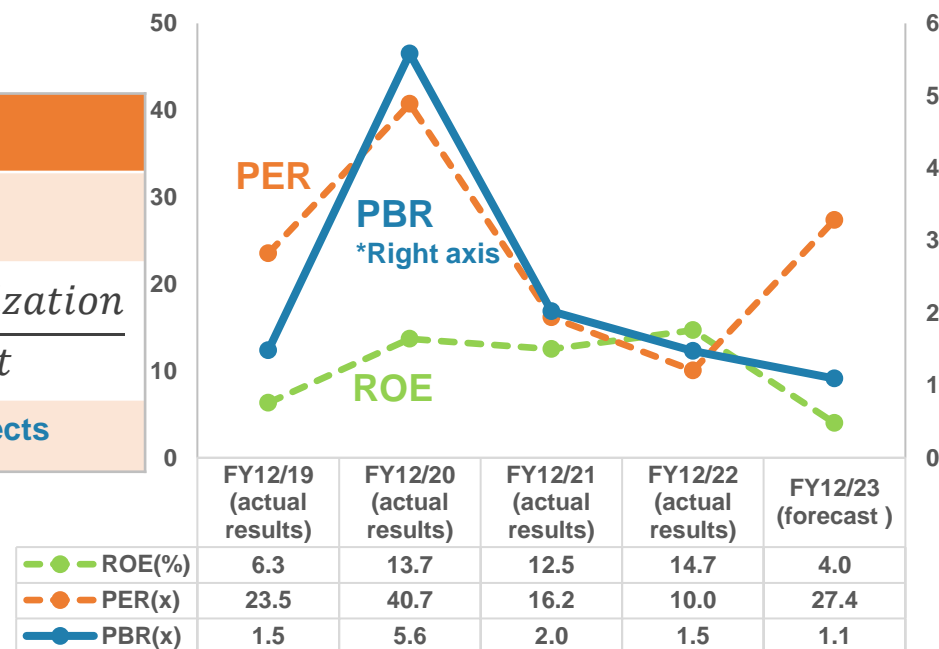
4. Management Mindful of Cost of Equity and Stock Prices

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Analysis of Current Data

PBR	ROE	PER
1.1x	4.0%	27.4x
<i>Market capitalization</i>	<i>Net profit</i>	<i>Market capitalization</i>
<i>Shareholders' equity</i>	<i>Shareholders' equity</i>	<i>Net profit</i>
Corporate value	Efficient earning power	Future prospects

Note: Market capitalization has been calculated based on the July 31, 2023 closing price, and net profit has been calculated based on the company's forecast for FY12/23.



- ◆ PBR: Has decreased to its current level of about 1.1x
- ◆ ROE: 4.0% based on the forecast for FY12/23; lower than cost of shareholder's equity (7–8%)
- ◆ PER: Forecast of 27.4x, but it was low at 10.0x in FY12/22; expectations for future earnings is not particularly high



We have recognized the need to **increase the efficiency of our earning power** and **improve future prospects**, thereby enhancing our corporate value.

Future Initiatives

The Board of Directors will discuss and decide upon improvement initiatives and targets, which will be announced along with our Financial Results for FY12/23 (scheduled for disclosure in February 2024).

5. Shareholder Returns

5. Shareholder Returns: Shareholder Return Policy and Dividend Forecast

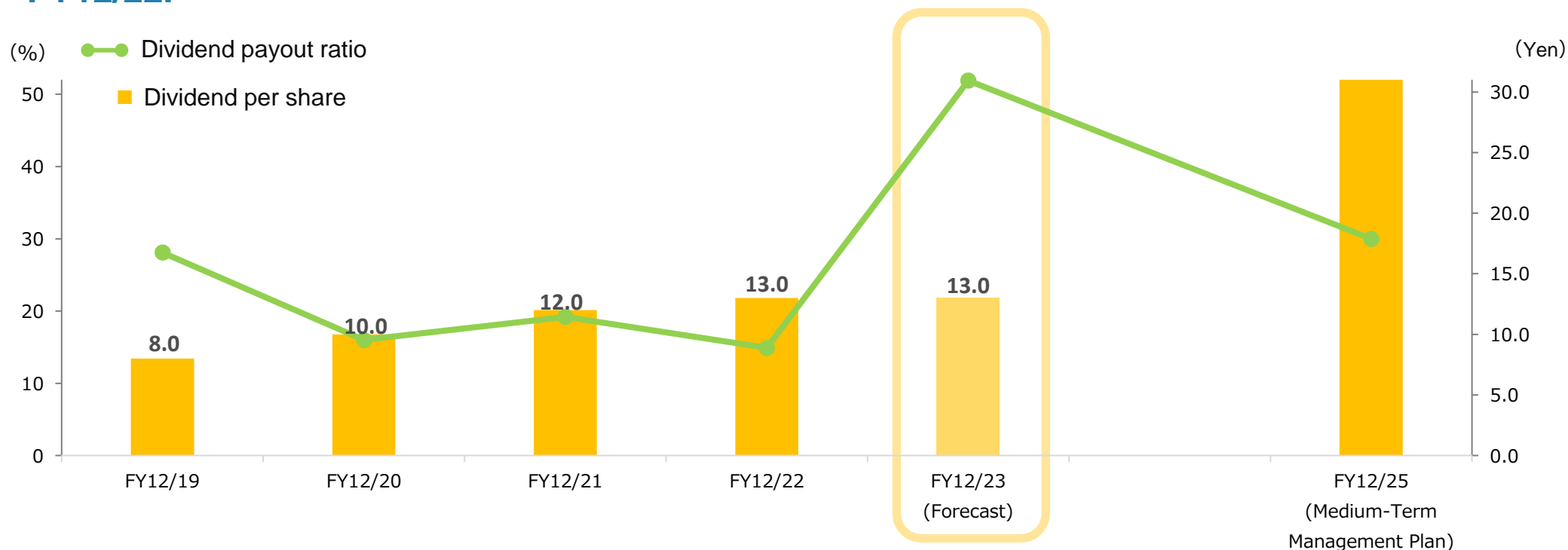
Shareholder Return Policy

We will raise our dividend payout ratio and dividend per share in line with improved earnings and profitability (improved cash flow) by making progress toward our medium-term targets, while securing the internal reserves necessary to make bold and timely investments for business growth.

Dividend forecast

We plan to distribute an annual dividend of 13 yen per share for FY12/23.

Earnings per share is expected to fall far below that of FY12/22 due to recording extraordinary losses and other factors. Dividend per share remains unchanged from FY12/22.



WiLL makes anything Everything starts with an idea



CYBERLINKS CO., LTD.
Corporate Planning Division

<https://www.cyber-l.co.jp/inquiry/>

■ Disclaimer

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