



Consolidated Financial Results for the six months ended June 30, 2022 [Japanese GAAP]

August 10, 2022

Company name: Cyberlinks Co., Ltd.
 Listing: The Prime Market of the Tokyo Stock Exchange
 Code number: 3683
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Scheduled date of filing of Quarterly Report: August 10, 2022
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes
 (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
June 30, 2022	6,233	(9.2)	729	26.0	732	25.5	487	20.1
June 30, 2021	6,862	7.3	578	21.8	583	19.6	406	23.4

(Note) Comprehensive income: For the six months ended June 30, 2022: ¥487 million (up 20.1% year on year)
 For the six months ended June 30, 2021: ¥406 million (up 23.4% year on year)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	47.14	46.46
June 30, 2021	39.24	38.16

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	9,638	5,831	59.7
As of December 31, 2021	9,682	5,418	55.1

(Reference) Shareholders' equity: As of June 30, 2022: ¥5,752 million
 As of December 31, 2021: ¥5,340 million

2. Dividends

	Annual dividends				
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	0.00	—	12.00	12.00
Fiscal year ending December 31, 2022	—	0.00			
December 31, 2022 (Forecast)			—	13.00	13.00

(Note) Changes in dividend forecast from the most recent announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	13,267	0.2	1,043	10.4	1,046	9.1	670	3.8	64.78

(Note) Changes in financial results forecast from the most recent announcement: None

Notes:

(1) Changes in specific subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Application of special accounting treatment in preparing the quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 10,570,015 shares

December 31, 2021: 10,557,972 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 215,420 shares

December 31, 2021: 215,420 shares

3) Average number of shares outstanding during the period:

Six months ended June 30, 2022: 10,346,629 shares

Six months ended June 30, 2021: 10,345,426 shares

* The quarterly financial statements are outside the scope of quarterly reviews by certified public accountants and auditing firms.

* Explanation of the proper use of financial results forecast and other notes

Disclaimer regarding forward-looking statements

The forward-looking statements, including financial results forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable.

Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	2,552	2,560
Notes and accounts receivable - trade	2,306	—
Notes receivable—trade, accounts receivable—trade, and contract assets	—	1,898
Lease receivables and investments in leases	318	285
Merchandise and finished goods	85	121
Work in process	384	96
Raw materials and supplies	9	9
Other	239	221
Allowance for doubtful accounts	(1)	(0)
Total current assets	5,896	5,191
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,369	2,392
Accumulated depreciation	(1,480)	(1,461)
Buildings and structures, net	888	930
Land	1,399	1,844
Other	2,001	2,071
Accumulated depreciation	(1,546)	(1,630)
Other, net	455	441
Total property, plant and equipment	2,743	3,216
Intangible assets	495	633
Investments and other assets	547	597
Total non-current assets	3,786	4,447
Total assets	9,682	9,638
Liabilities		
Current liabilities		
Accounts payable - trade	655	450
Current portion of long-term borrowings	304	304
Income taxes payable	347	305
Provision for bonuses	39	41
Provision for loss on order received	3	1
Asset retirement obligations	6	—
Other	883	824
Total current liabilities	2,240	1,928
Non-current liabilities		
Long-term borrowings	1,775	1,622
Asset retirement obligations	32	46
Other	215	209
Total non-current liabilities	2,023	1,879
Total liabilities	4,264	3,807

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	851	858
Capital surplus	1,303	1,310
Retained earnings	3,496	3,895
Treasury shares	(311)	(311)
Total shareholders' equity	5,340	5,752
Share acquisition rights	78	78
Total net assets	5,418	5,831
Total liabilities and net assets	9,682	9,638

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Net sales	6,862	6,233
Cost of sales	4,919	4,121
Gross profit	1,942	2,111
Selling, general and administrative expenses	1,364	1,382
Operating profit	578	729
Non-operating income		
Interest income	0	0
Dividend income	0	0
Rental income from real estate	5	5
Other	8	4
Total non-operating income	13	10
Non-operating expenses		
Interest expenses	6	5
Other	2	1
Total non-operating expenses	9	7
Ordinary profit	583	732
Extraordinary income		
Other	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Total extraordinary losses	1	0
Profit before income taxes	583	732
Income taxes - current	191	279
Income taxes - deferred	(14)	(34)
Total income taxes	176	244
Profit	406	487
Profit attributable to owners of parent	406	487

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Profit	406	487
Comprehensive income	406	487
(Breakdown)		
Comprehensive income attributable to owners of parent	406	487

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	583	732
Depreciation	310	272
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	2	1
Increase (decrease) in provision for loss on order received	(37)	(1)
Interest and dividend income	(0)	(0)
Interest expenses	6	5
Decrease (increase) in trade receivables	1,269	626
Decrease (increase) in inventories	217	92
Increase (decrease) in trade payables	(280)	(205)
Increase (decrease) in accounts payable - other	(52)	(41)
Increase (decrease) in contract liabilities	—	(35)
Other	(221)	(38)
Subtotal	1,796	1,408
Interest and dividends received	0	0
Interest paid	(6)	(5)
Income taxes paid	(87)	(263)
Net cash provided by (used in) operating activities	1,702	1,140
Cash flows from investing activities		
Purchase of property, plant and equipment	(259)	(574)
Purchase of intangible assets	(96)	(279)
Payments for asset retirement obligations	—	(16)
Other	163	11
Net cash provided by (used in) investing activities	(192)	(857)
Cash flows from financing activities		
Repayments of long-term borrowings	(152)	(152)
Purchase of treasury shares	(103)	—
Dividends paid	(102)	(123)
Other	52	(0)
Net cash provided by (used in) financing activities	(306)	(276)
Effect of exchange rate change on cash and cash equivalents	0	1
Net increase (decrease) in cash and cash equivalents	1,204	7
Cash and cash equivalents at beginning of period	1,863	2,552
Cash and cash equivalents at end of period	3,067	2,560

(4) Notes to quarterly financial statements

(Notes to going concern assumptions)

None to be reported.

(In case of significant changes to shareholders' equity)

None to be reported.

(Application of special accounting treatment in preparing the quarterly financial statements)

None to be reported.

(Change in accounting policy)

From the beginning of the first quarter of the fiscal year ending December 31, 2022, the Group has adopted the Accounting Standard for Revenue Recognition (Accounting Standard Board of Japan [ASBJ] No. 29, March 31, 2020). As a result, the Group now recognizes revenue at the time control of promised goods or services is transferred to the customer in the amount it expects to receive in exchange for the goods or services. Previously, for contracts for construction projects and custom software development, the Group applied the percentage-of-completion method for those for which the results of the proportion of work completed could be reliably confirmed and the completed-contract method for all others. However, from the first quarter of the fiscal year under review, for performance obligations to be satisfied over a period of time, except for construction and software development projects for which the period is extremely short, the Group estimates progress toward satisfying the performance obligations and recognizes revenue based on the estimated progress over a period of time. For performance obligations to be satisfied at a single point in time, the Group recognizes revenue at the time of completion of construction or software development. Progress toward satisfying performance obligations is estimated using the ratio of costs incurred to total estimated costs (the input method). Note, however, that for construction and software development contracts for which the period from the starting date of the transaction to the expected time of satisfying performance obligations is extremely short, the Group applies an alternative accounting method, and instead of recognizing revenue over a period of time, recognizes revenue at the time all performance obligations have been satisfied.

The Group has applied the Accounting Standard for Revenue Recognition and other related accounting standards in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the first quarter of the fiscal year under review was reflected in retained earnings at the beginning of said period, and the new accounting policy has been applied starting from the beginning balance of said period. However, in accordance with the method prescribed in the Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retroactively applied to contracts prior to the beginning of the first quarter of the fiscal year under review for which almost all revenue amounts were recognized based on the previous accounting standards. Further, based on the method provided in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition, for contracts to which changes were made prior to the beginning of the first quarter of the fiscal year under review, an accounting treatment was applied based on the contractual terms that reflected all the changes, and the cumulative effect of this application was reflected in retained earnings at the beginning of said period.

As a result, in the second quarter of fiscal year ending December 31, 2022, net sales were increased by ¥41 million and cost of sales by ¥19 million, and operating profit, ordinary profit, and profit before income taxes were each increased by ¥21 million. Further, the balance of retained earnings at the beginning of the fiscal year under review rose by ¥35 million.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable-trade" shown under the "Current assets" section of the consolidated balance sheet in the fiscal year ended December 31, 2021 is included in and shown as "Notes receivable-trade, accounts receivable-trade, and contract assets" starting from the first quarter of the fiscal year under review. Note, however, that in accordance with the transitional treatment set forth in the Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no revision

was made to the consolidated balance sheet for the previous fiscal year to comply with the new representation method. Further, based on the transitional treatment prescribed in the Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ No. 12, March 31, 2020), no information on the breakdown of revenue arising from contracts concluded with customers in the second of the previous fiscal year has been provided.

(Segment information, etc.)

Segment information

Six Months Ended June 30, 2021(January 1, 2021 to June 30, 2021)

1. Sales and profit by reportable segment

(Millions of yen)

	Reportable segments					Adjustments (Note 1)	Amount stated in the consolidated statement of income (Note 2)
	Distribution Cloud	Government Cloud	Trust	Mobile Network	Total		
Net sales							
Sales to outside customers	1,842	3,372	46	1,601	6,862	—	6,862
Intersegment sales and transfers	84	8	10	0	103	(103)	—
Total	1,926	3,380	56	1,601	6,965	(103)	6,862
Segment profit (loss)	215	370	(119)	246	711	(128)	583

(Note) 1. Adjustments to segment loss of ¥128 million are company-wide expenses that are not allocated to any reportable segment. Company-wide expenses mainly comprise general administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with ordinary profit in the quarterly consolidated statement of income.

Six Months Ended June 30, 2022(January 1, 2022 to June 30, 2022)

1. Sales and profit by reportable segment

(Millions of yen)

	Reportable segments					Adjustments (Note 1)	Amount stated in the consolidated statement of income (Note 2)
	Distribution Cloud	Government Cloud	Trust	Mobile Network	Total		
Net sales							
Sales to outside customers	2,087	2,736	26	1,381	6,233	—	6,233
Intersegment sales and transfers	87	14	2	0	103	(103)	—
Total	2,175	2,750	28	1,382	6,336	(103)	6,233
Segment profit (loss)	369	449	(116)	167	869	(137)	732

(Note) 1. Adjustments to segment loss of ¥137 million are company-wide expenses that are not allocated to any reportable segment. Company-wide expenses mainly comprise general administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with ordinary profit in the quarterly consolidated statement of income.

2. Change in reportable segments

As stated in Change in accounting policy above, the Group has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year under review and accordingly changed accounting treatment methods for revenue recognition. As a result, the Group has also changed the method of calculating profits and losses for each business segment based on the new accounting standards.

Due to this change, compared to what each figure would have been under the previous accounting standards, for the six months ended June 30, 2022 under review net sales in Distribution Cloud was increased by ¥40 million and segment profit by ¥8 million; net sales in Government Cloud was increased by ¥6 million and segment profit by ¥13 million; and net

sales in Mobile Network was decreased by ¥5 million while there was no impact on segment profit.

(Significant subsequent events)

(Conversion of company into consolidated subsidiary through share acquisition, and provision of loan)

At its Board of Directors meeting on July 13, 2022, the Company resolved to acquire all shares in SYNERGY Inc. (hereinafter “SYNERGY”). It entered into a corresponding share transfer agreement on the same day, and acquired all shares in SYNERGY and made the company a subsidiary on July 14, 2022.

In addition, the Board of Directors resolved at the aforementioned meeting to provide a loan of up to ¥1.0 billion to SYNERGY, with the funds to be allocated toward debt repayments and working capital. The Company provided the loan in two tranches issued on July 14 and August 1, 2022, respectively.

(1) Overview of the business combination

1. Name of the acquired company and its business activities

Name of the acquired company: SYNERGY Inc.

Business activities: Services include sales, design, development, installation support, and outsourcing of document management and other systems for municipal governments.

2. Primary reasons for the business combination

SYNERGY provides ActiveCity, a document management system for municipal governments, as its flagship product. It has supplied the system to clients across Japan mainly by promoting its superior features and competitive pricing and by taking advantage of a broad network of sales agents.

ActiveCity is a service geared toward the market for document management systems for municipal governments, which is expected to grow rapidly going forward as the adoption of digital transformation (DX) technologies by municipal governments gathers pace.

By making SYNERGY a subsidiary, the Company looks to expand services in its Government Cloud business and accelerate the development of its operations nationwide. It assumes such efforts will contribute to further business growth, and therefore decided to acquire all shares in SYNERGY.

3. Date of the business combination

July 14, 2022

4. Legal form of the business combination

Acquisition of shares in exchange for cash

5. Name of the company after the business combination

No change

6. Percentage of voting rights acquired

100%

7. Primary basis for determining the acquiring company

The Company acquired shares in exchange for cash

(2) Breakdown of acquisition cost for the acquired company and types of consideration

Acquisition price (cash): ¥150 million

(3) Details and amount of major acquisition-related expenses

Advisory fees, commissions, and other charges: approximately ¥31 million

(4) Amount of goodwill recognized, reasons for recognition, and amortization method and period
Yet to be determined.

(5) Provision of loan

Loan amount: ¥760 million (capped at ¥1.0 billion)

Overview of loan

	First loan tranche	Second loan tranche
(1) Use of funds	Debt repayments and working capital	
(2) Loan amount	¥460 million	¥300 million
(3) Loan date	July 14, 2022	August 1, 2022
(4) Repayment date	July 13, 2023	July 31, 2023
(5) Interest rate	1.0%	1.0%