

LINK Smart

Toward a shared, connected future

CYBERLINKS CO., LTD.

Financial Results for Q3 FY12/22

(January 1, 2022 – September 30, 2022)

November 11, 2022

INDEX

1. Executive Summary
 2. Long-term Trends
 3. Consolidated Q3 FY12/22 Results& Full-Year FY12/22 Forecast
 4. Performance in Distribution Cloud Business
 5. About CYBERLINKS
-

1. Executive Summary

1. Executive Summary

Cumulative Q3 ordinary profit came in at JPY 920 million, a record high for the cumulative Q3 period

◆ Net sales

Recurring revenue increased, driven by the Distribution Cloud business, but overall net sales fell YoY due to the absence of special demand that previously boosted results for the Government Cloud business and weak unit sales in the Mobile Network business

◆ Ordinary profit

Distribution Cloud and Government Cloud both performed well, with the latter at 125% of the full-year target
The forecast remains unchanged due to uncertainties in the Mobile Network business

(millions of yen)	3Q FY12/22 results	3Q FY12/21 results	YoY		Full-year FY12/22 plan	Progress vs. Plan	
			Amount	%			%
Net sales	9,101	9,631	(530)	(5.5)	13,267		68.6
Recurring revenue	5,187	5,013	+173	+3.5	6,849		75.7
Ordinary profit	922	797	+124	+15.6	1,046		88.2
Ordinary profit margin	10.1%	8.3%	+1.8 pt	—	7.9%		—

Progress of Medium-Term Management Plan (FY12/21–FY12/25)

◆ Progress on ordinary profit was steady in FY12/21 and through Q3 FY12/22

We are considering **revising our medium-term management plan** in light of our acquisition of Synergy (in July) and merger with Mobile Media Link and KO-PLAN (scheduled for December)

* We will promptly provide disclosure if any matter requiring disclosure arises

Reference: Please see our investor relations page: <https://cyber-l.co.jp/ir>

◆“Notice Concerning Acquisition of Shares in Synergy Co., Ltd. (Making it a Wholly-Owned Subsidiary)” dated July 13, 2022.

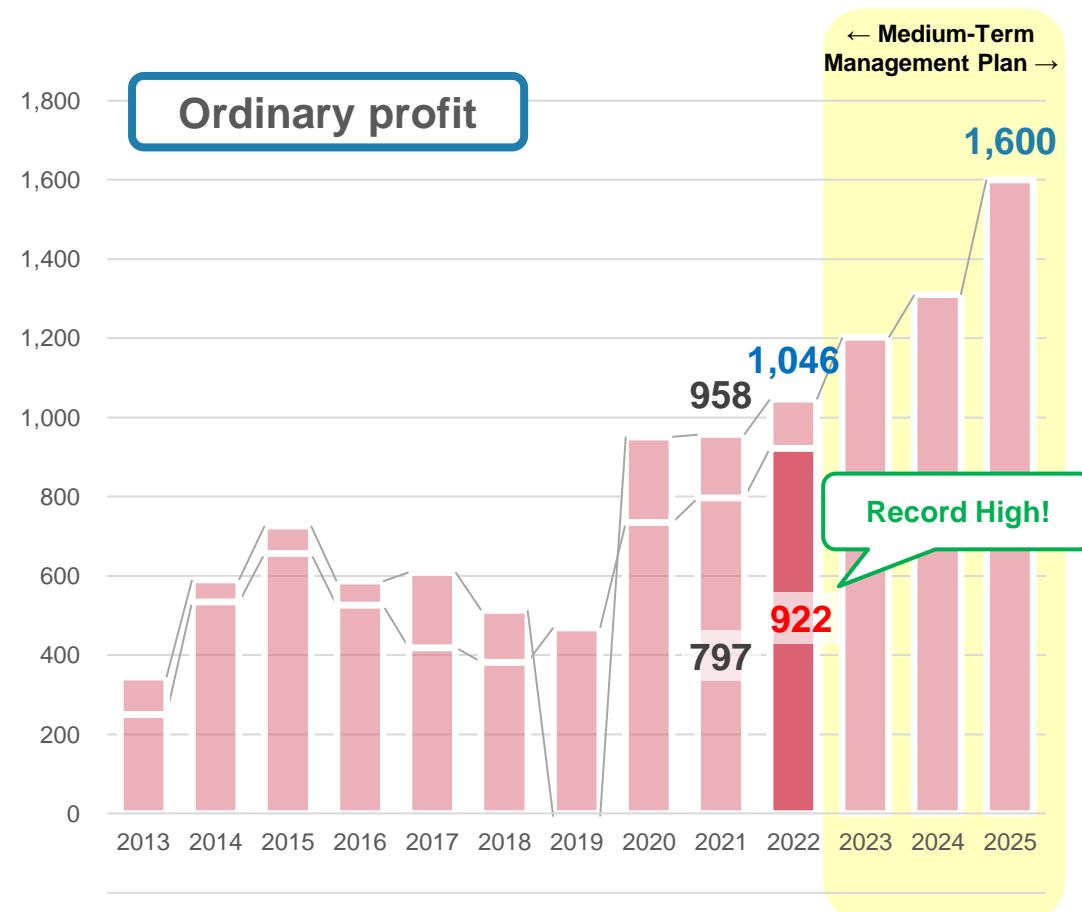
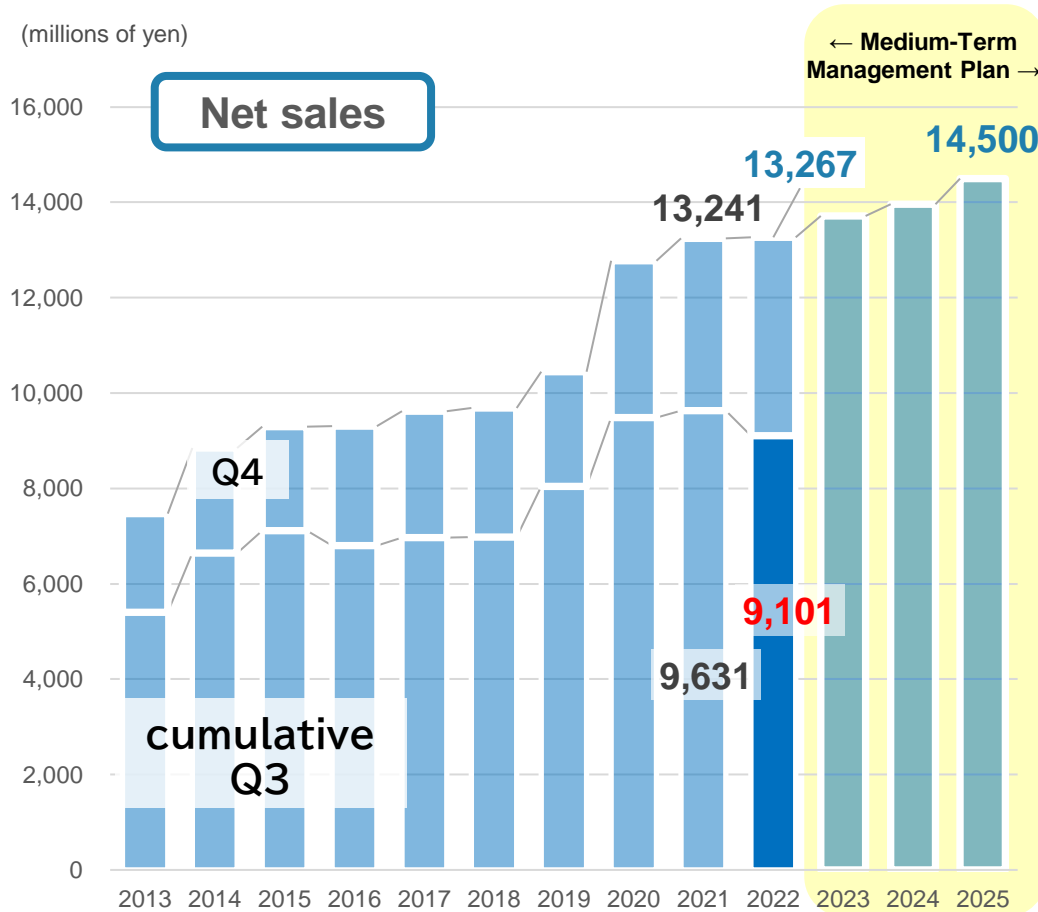
◆“Notice of Share Swap and Merger Agreement (Simple Share Swap and Simple Merger) with Mobile Media Link Co., Ltd.” dated October 11, 2022

◆“Notice of Share Swap and Merger Agreement (Simple Share Swap and Simple Merger) with KO-PLAN Co., Ltd.” dated October 11, 2022

2. Long-term Trends

2. Long-term Trends Net Sales & Ordinary Profit

Achieved record-high Q3 ordinary profit



*On the stacked column chart above, the lower stack indicates cumulative Q3 performance and the upper stack indicates Q4 performance.

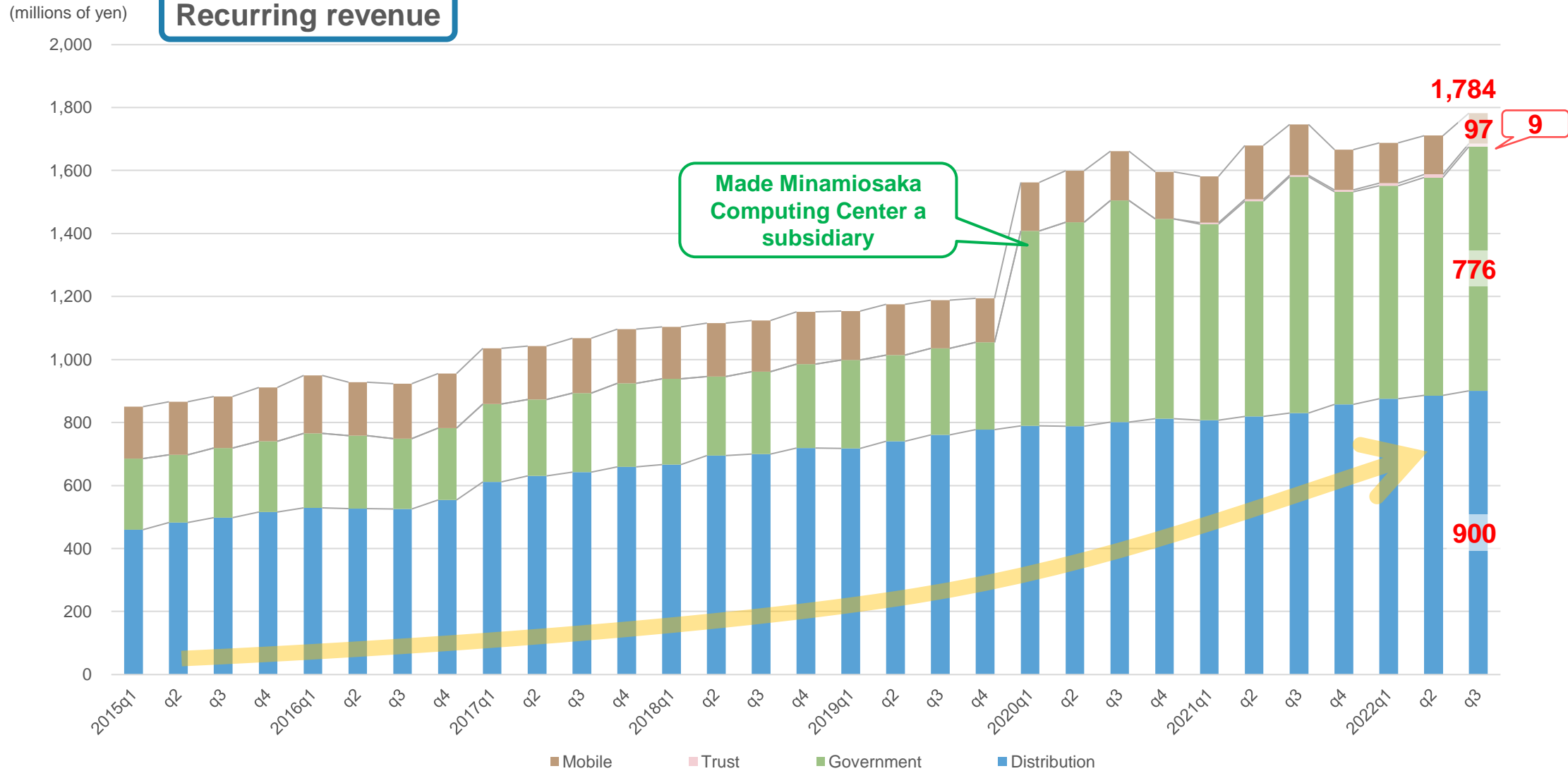
*Q4 FY12/22 figures are calculated by subtracting cumulative Q3 results from the full-year FY12/22 forecast.

* Figures for FY12/23 onward are full-year targets from the Medium-Term Management Plan.

2. Long-term Trends Recurring Revenue

Recurring revenue continued to grow, mainly driven by the Distribution Cloud business

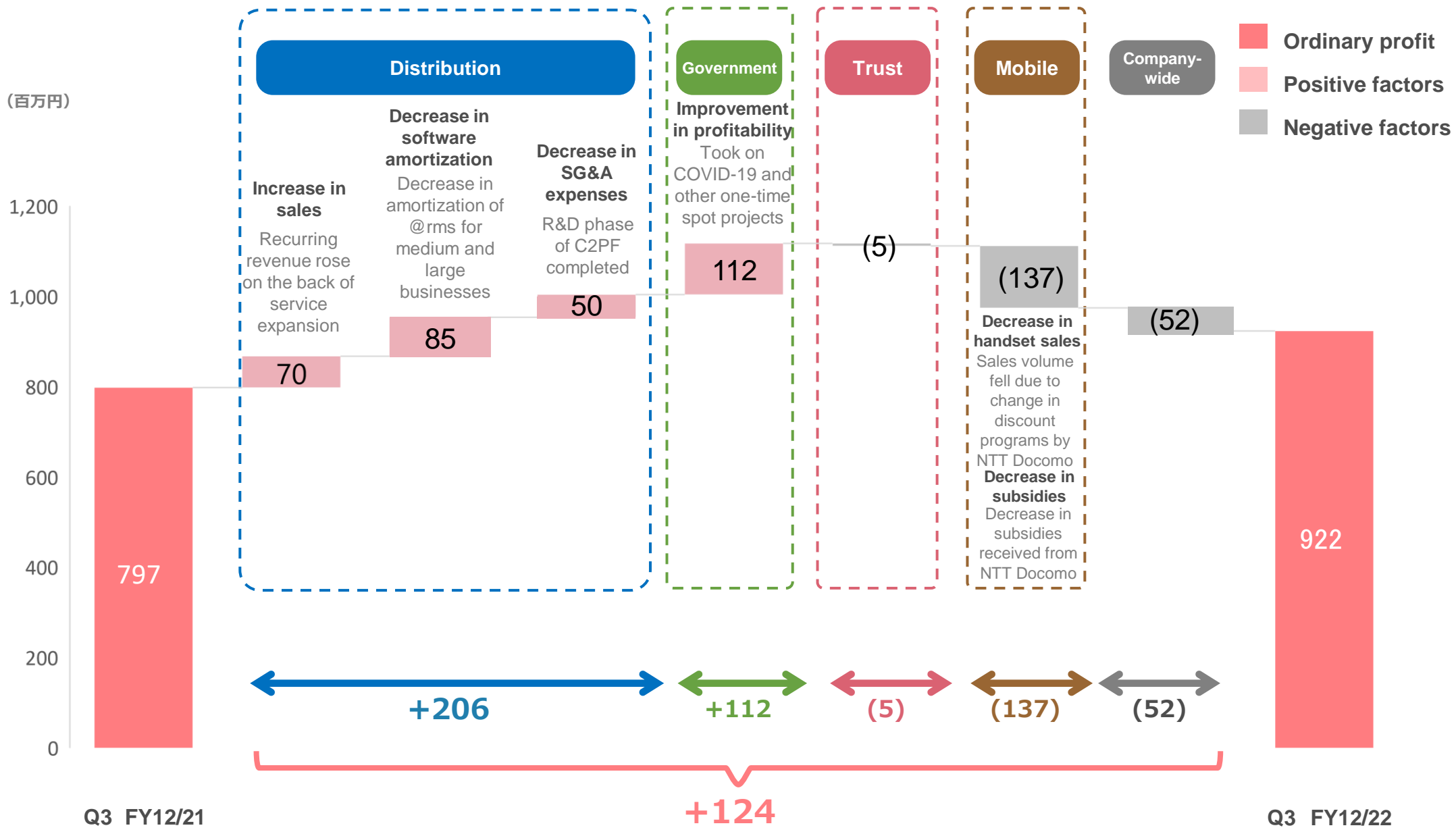
Recurring revenue



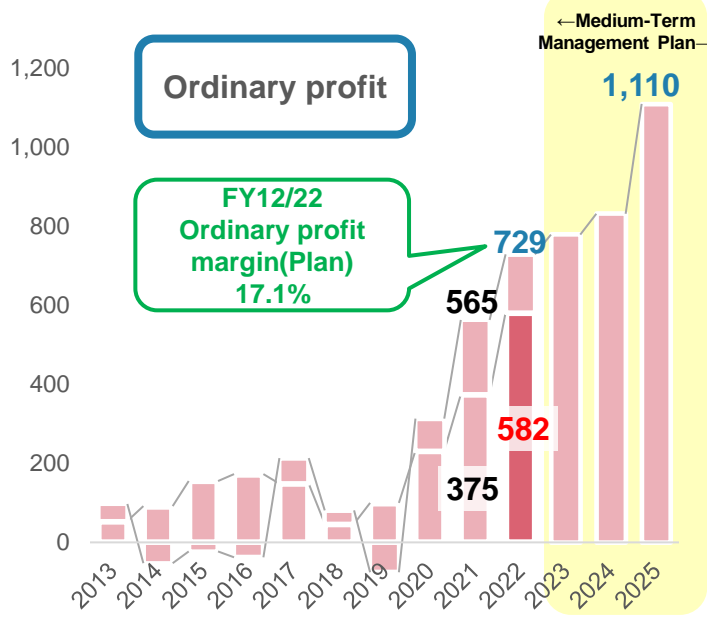
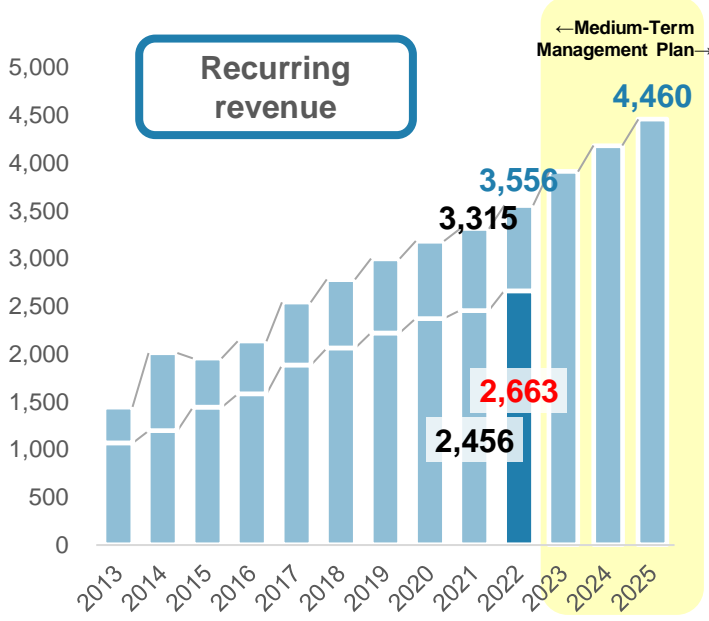
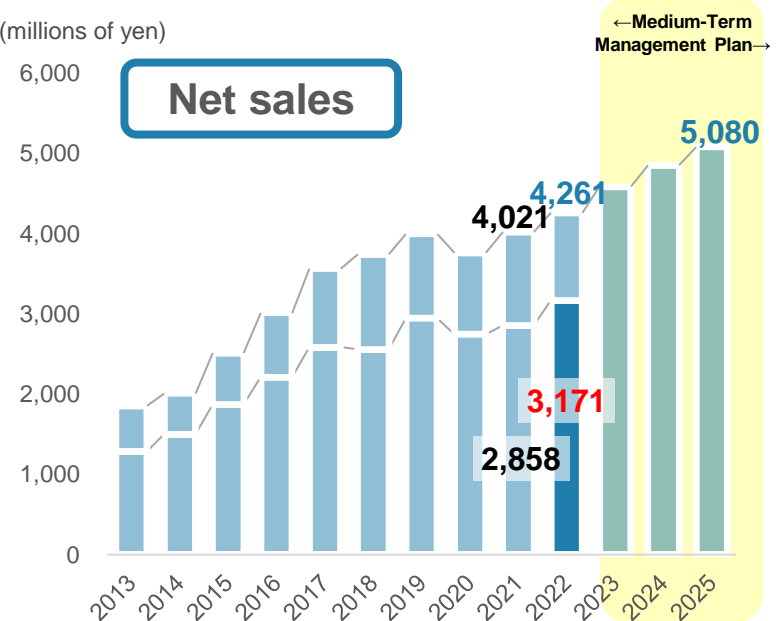
3. Consolidated Q3 12/22 Results & Full-Year FY12/22 Forecast

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Factors affecting ordinary profit

◆ Higher profit from Distribution Cloud and Government Cloud offset lower profit from Mobile Network



3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Distribution Cloud



Q3 FY12/22 Results

Net sales and ordinary profit rose thanks to expanded service offerings and lower software amortization

- ◆ Recurring revenue rose driven by expansion of cloud services such as BXNOAH and @rms ERP
- ◆ Software amortization decreased, since amortization related to @rms ERP for medium and large businesses was mostly completed
- ◆ R&D expenses fell owing to the completion of the R&D phase for inter-company collaboration platform, C2Platform

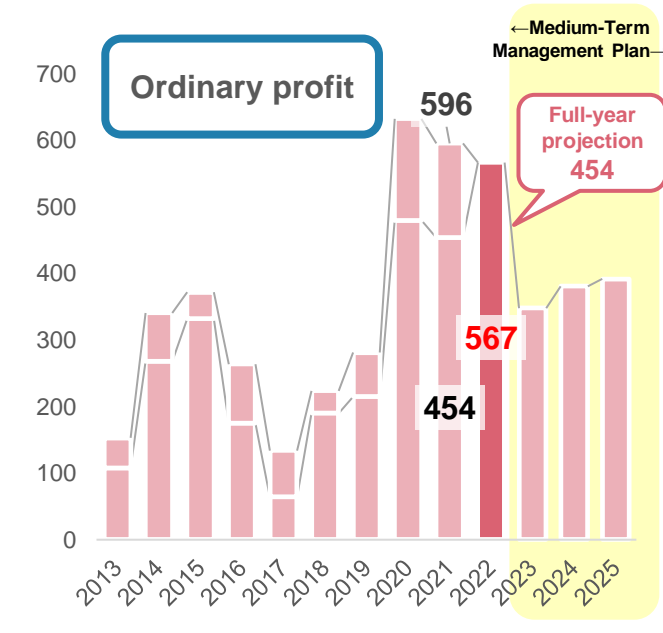
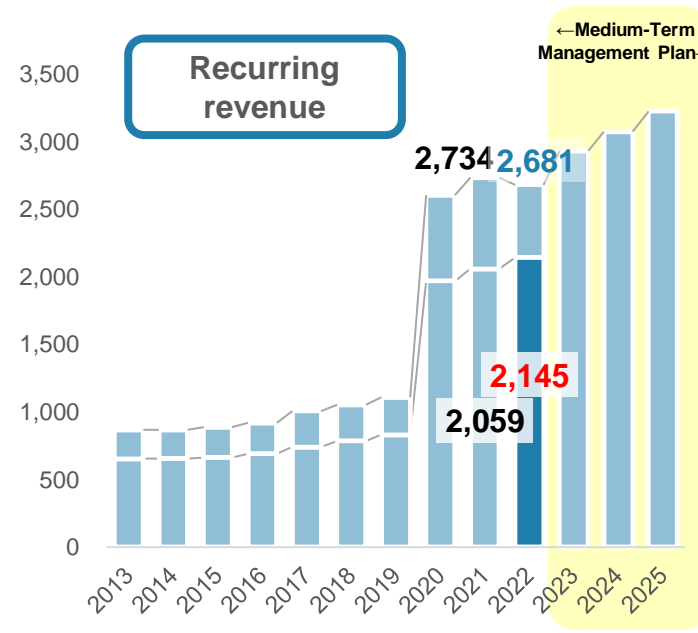
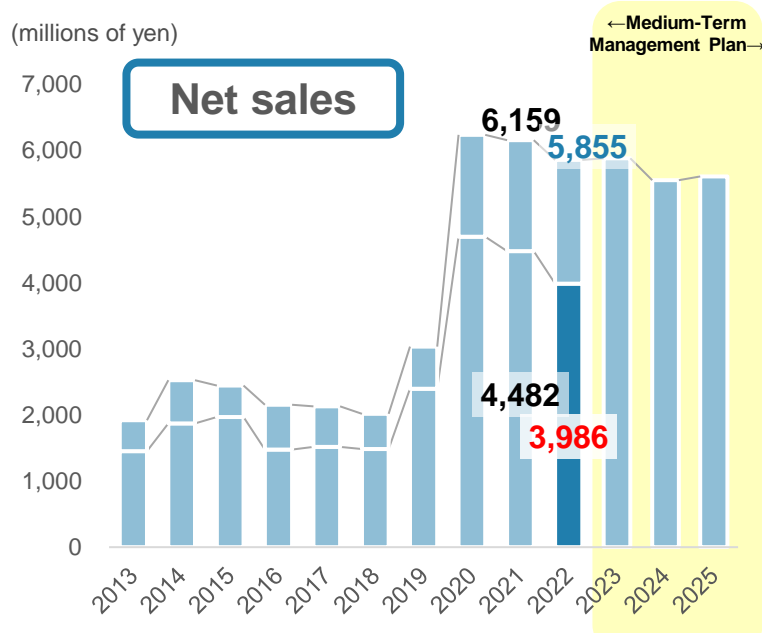
Another major user of Cloud EDI-Platform was added
 → 8 of the top 10 processed food wholesalers in terms of net sales are now users!

Full-Year FY12/22 Forecast

Aiming to achieve record profits exceeding the medium-term management plan(430 million yen) by 68%

- ◆ Aiming for ordinary profit margin of 17.1% (+3.0pt YoY) by expanding services such as @rms and boosting recurring revenue
 (Reference) 5-year average ordinary profit margin: 6.3%
- ◆ Striving to improve service based on feedback from existing users for @rms ERP for medium and large businesses to expand service sales in FY12/23 onward
 → [Medium-Term Management Plan] Promoting deployment of @rms ERP
- ◆ Working to introduce the business negotiation support system of C2Platform to major food retailers
 → [Medium-Term Business Plan] Achieve Industry DX through C2Platform

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Government Cloud



Q3 FY12/22 Results

Net sales fell substantially due to absence of special demand, but ordinary profit rose thanks to improved profitability

- ◆ Net sales fell substantially due to end of special demand work such as digitalization of government radio networks for disaster prevention and GIGA-school projects in Q1 FY12/21
- ◆ Ordinary profit rose thanks to higher gross margins driven by COVID-19 related one-time spot projects

Made Synergy, into a wholly-owned subsidiary in July 2022. Its strength lies in the ActiveCity document management system for local governments.

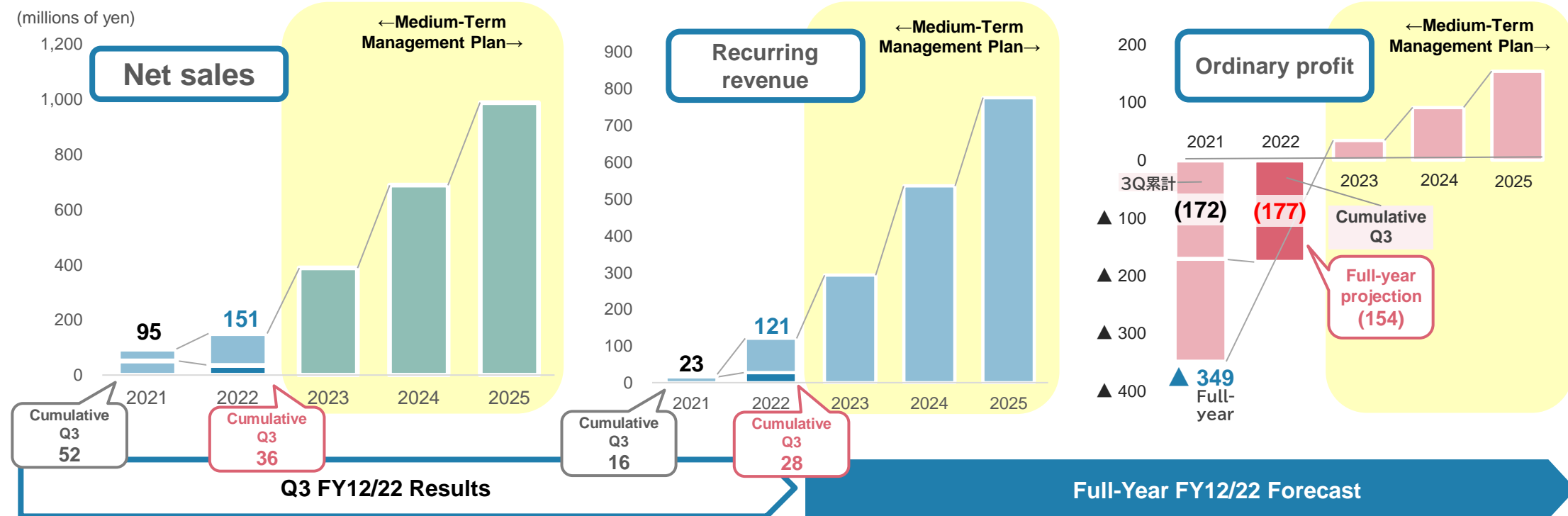
Launched Open LINK for LIFE Minnano Madoguchi in August 2022. It is a DX service for local governments that enables tax filings and consultation with local governments from home.

Full-Year FY12/22 Forecast

Aiming to aggressively expand in-house services and strengthen offerings in the local government DX field to overcome the heavy impact of the absence of special demand that lifted results in FY12/21

- ◆ Enhance synergies with group subsidiaries Minamiosaka Computing Center and Synergy to strengthen operations in the area of DX for local governments, which is expected to see further developments.
- ◆ Cumulative Q3 progress against full-year ordinary profit projection stands at 125%.

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Trust



Pushed forward with development of services and business alliances aimed at future growth

- ◆ Recurring revenue grew thanks to expansion of CloudCerts
- ◆ Promoted the development and demonstration of services built on the My Number Card

Regarding Blockchain and Distributed ID technology,

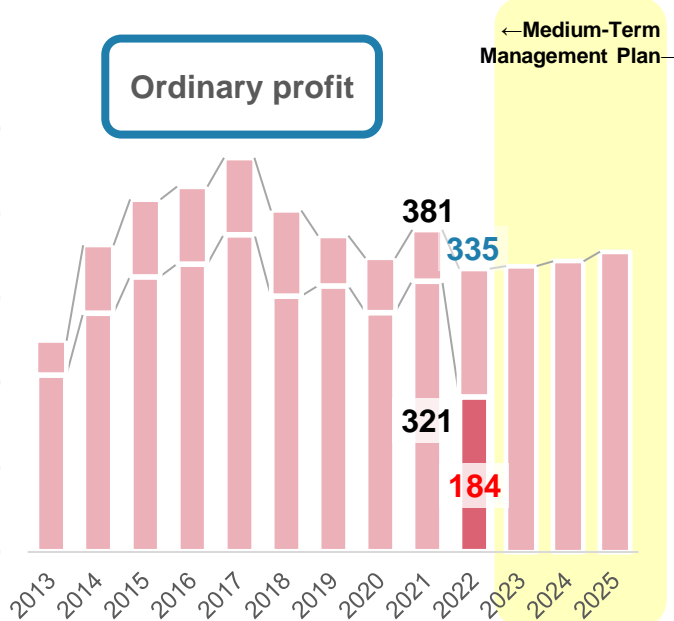
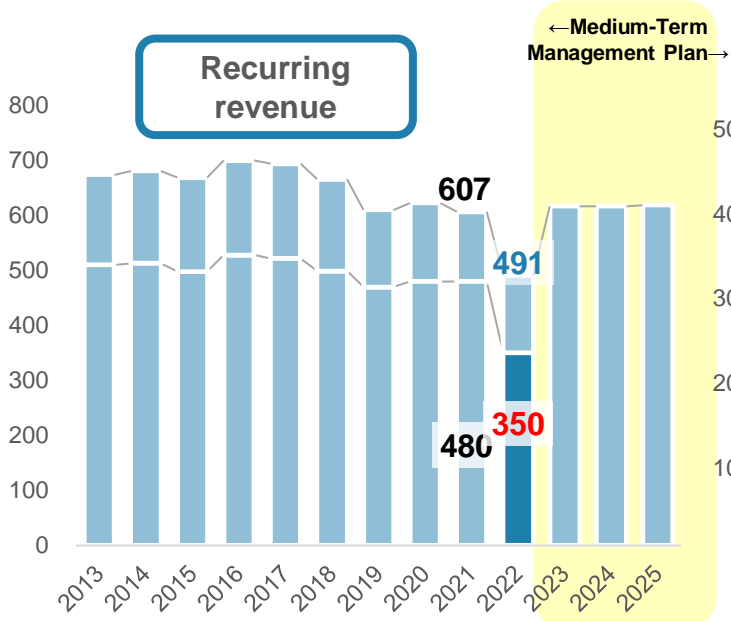
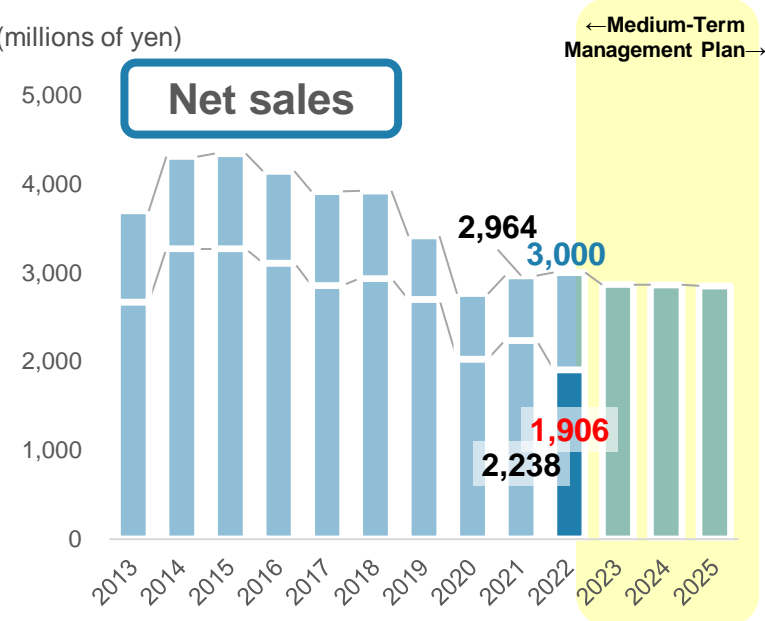
- Concluded a business alliance agreement with South Korea's RAONSECURE in May 2022.
 - Agreed to conduct joint research with Wakayama University in July 2022.
- Established collaborative relationship with external parties for future business development.

Planning to promote further efforts to commercialize and monetize

- ◆ Anticipating substantial expansion of CloudCerts service in response to the shift toward paperless environments
- ◆ Aiming to promote development to launch services for the real estate industry and professional services industry
Planning to launch service to enable real estate transactions to be completed fully online by the end of the year

➔ **[Medium-Term Management Plan]** Creating a society where everyone (all citizens) can use the Trust easily (and affordably)

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Mobile Network



Q3 FY12/22 Results

Net sales and ordinary profit fell owing to lower handset sales and a decrease in subsidies from NTT Docomo

- ◆ Sales from handsets fell as NTT Docomo changed its discount program, which drove up the actual purchase price of handsets for customers and led to a drop in handset units sold
- ◆ Recurring revenue fell as well owing to a decline in subsidies from NTT Docomo
- ◆ We will consider M&A to enhance competitiveness.

Full-Year FY12/22 Forecast

In Q4, business environment is likely to remain challenging. Strive to enhance competitiveness and boost customer loyalty through M&A.

- ◆ NTT Docomo announced a policy to review the number and size of docomo shops in each area and turn them into ICT support centers

To enhance competitiveness by increasing our store share and become a strong partner of NTT Docomo in Wakayama Prefecture, we plan to conduct an absorption-type merger (in December 2022) of the following:

- Mobile Media Link (operates two Docomo stores in Wakayama City)
 - KO-PLAN (operates two Docomo stores in the south of Wakayama Prefecture)
- **Cyberlinks will operate 11 of 23 stores in Wakayama Prefecture!**

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Consolidated Income Statement

(millions of yen)

	Q3 FY12/21 (Actual)	Q3 FY12/22 (Actual)	YoY Change (%)	FY12/22 (Plan)	Progress vs. Plan (%)
Net sales	9,631	9,101	(5.5%)	13,267	68.6%
Distribution Cloud	2,858	3,171	10.9%	4,261	74.4%
Government Cloud	4,482	3,986	(11.1%)	5,855	68.1%
Trust	52	36	(29.7%)	151	24.3%
Mobile Network	2,238	1,906	(14.8%)	3,000	63.5%
Recurring revenue	5,013	5,187	3.5%	6,849	75.7%
Distribution Cloud	2,456	2,663	8.4%	3,556	74.9%
Government Cloud	2,059	2,145	4.2%	2,681	80.0%
Trust	16	28	67.2%	121	23.2%
Mobile Network	480	350	(27.2%)	491	71.3%
Operating profit	786	912	16.0%	1,043	87.5%
Ordinary profit	797	922	15.6%	1,046	88.2%
Distribution Cloud	375	582	55.0%	729	79.9%
Government Cloud	454	567	24.8%	454	125.0%
Trust	(172)	(177)	-	(154)	-
Mobile Network	321	184	(42.7%)	335	55.1%
Adjustments	(182)	(234)	-	(318)	-
Profit attributable to owners of parent	538	600	11.6%	670	89.6%
EPS	JPY52.10	JPY58.01	—	JPY64.78	

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast: Consolidated Balance Sheet

(millions of yen)

		End-Dec. 2021		End-Sep. 2022			Factors behind changes
		Amount	Composition	Amount	Composition	Change	
Assets	Current Assets	5,896	60.9%	4,907	45.5%	(988)	Cash and deposits and work in process declined
	Non-current Assets	3,786	39.1%	5,889	54.5%	2,103	Goodwill arose from M&A and the Company acquired land
	Total Assets	9,682	100.0%	10,797	100.0%	1,114	
Liabilities & Net Assets	Current Liabilities	2,240	23.1%	2,665	24.7%	425	Short-term borrowings and provision for bonuses increased
	Non-current Liabilities	2,023	20.9%	2,187	20.3%	163	Long-term contractual liabilities increased
	Total Liabilities	4,264	44.0%	4,853	45.0%	589	
	Total Net Assets	5,418	56.0%	5,944	55.0%	525	Increase in retained earnings due to accumulation of profit
	Total Liabilities & Net Assets	9,682	100.0%	10,797	100.0%	1,114	

3. Consolidated Q3 FY12/22 Results & Full-Year FY12/22 Forecast : Earnings Forecast Consolidated Income Statement

(millions of yen)

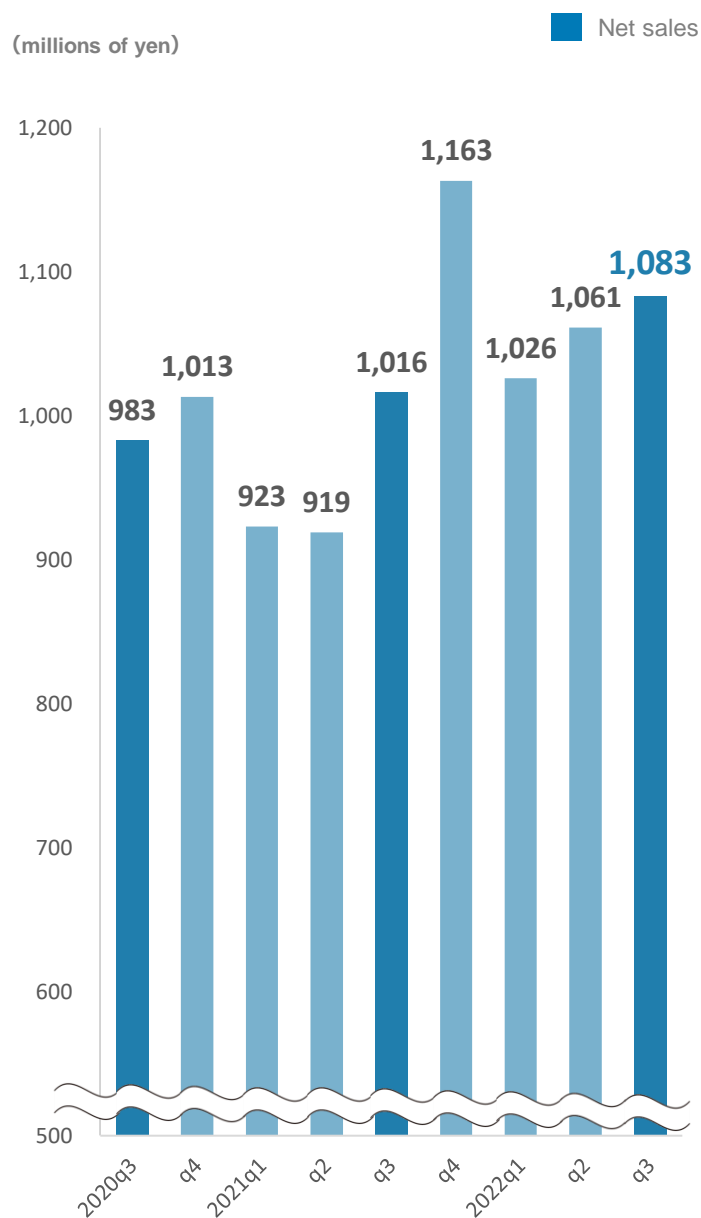
	FY12/21 (Cons. Actual)	FY12/22 (Forecast) (※)	YoY Change (%)
Net sales	13,241	13,267	0.2%
Distribution Cloud	4,021	4,261	6.0%
Government Cloud	6,159	5,855	(4.9%)
Trust	95	151	58.6%
Mobile Network	2,964	3,000	1.2%
Recurring revenue	6,681	6,849	2.5%
Distribution Cloud	3,315	3,556	7.3%
Government Cloud	2,734	2,681	(2.0%)
Trust	23	121	413.1%
Mobile Network	607	491	(19.2%)
Operating profit	945	1,043	10.4%
Ordinary profit	958	1,046	9.1%
Distribution Cloud	565	729	28.9%
Government Cloud	596	454	(23.9%)
Trust	(349)	(154)	—
Mobile Network	381	335	(12.3%)
Adjustments	(235)	(318)	—
Profit attributable to owners of parent	645	670	3.8%
EPS	JPY62.55	JPY64.78	

*No revisions have been made to the forecast announced on February 14, 2022.

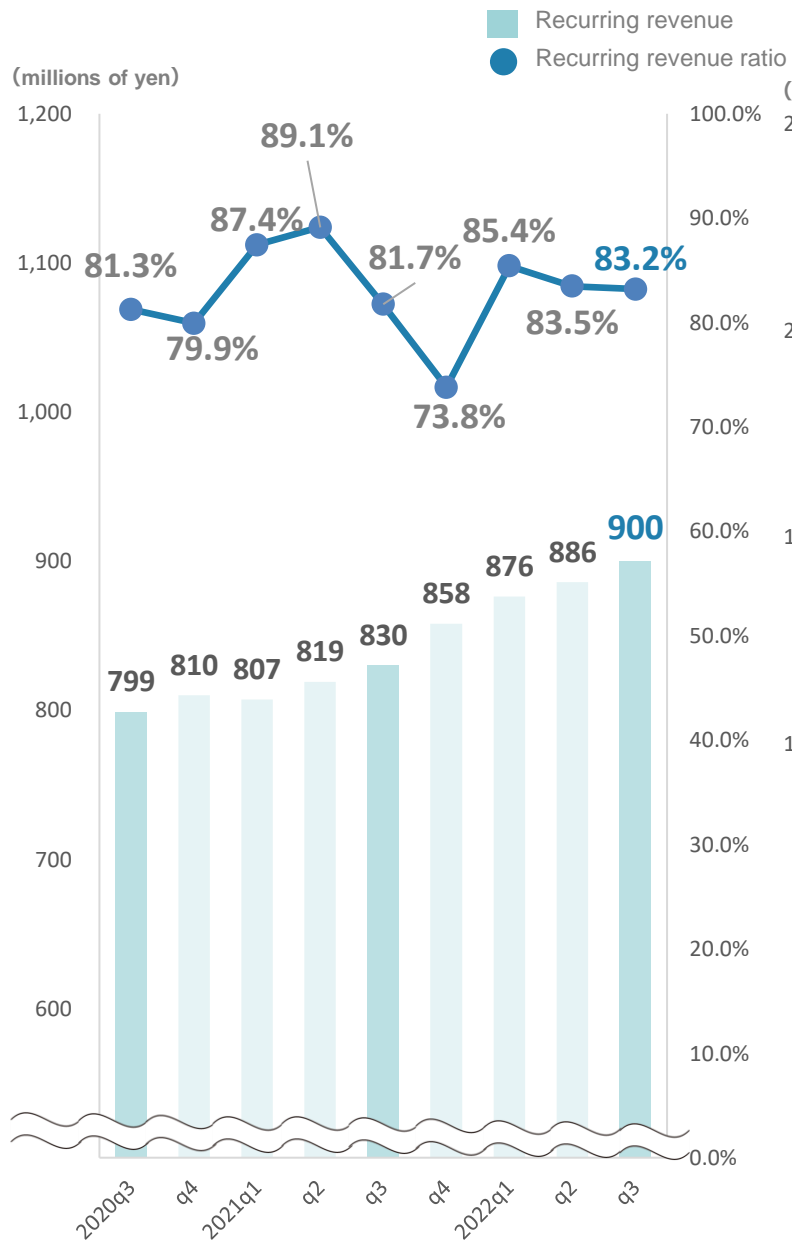
4 . Performance in Distribution Cloud Business

4. Performance in Distribution Cloud Business Net sales & Ordinary profit (Quarterly)

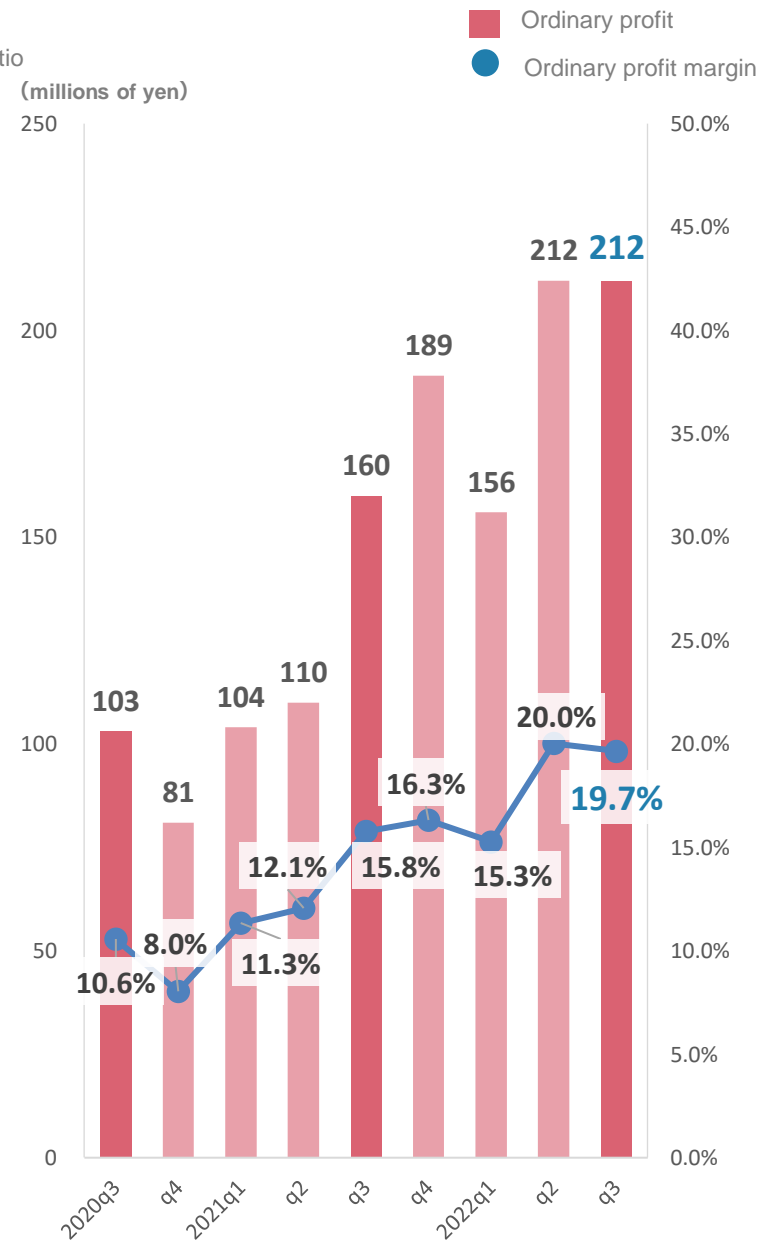
Net sales



Recurring revenue

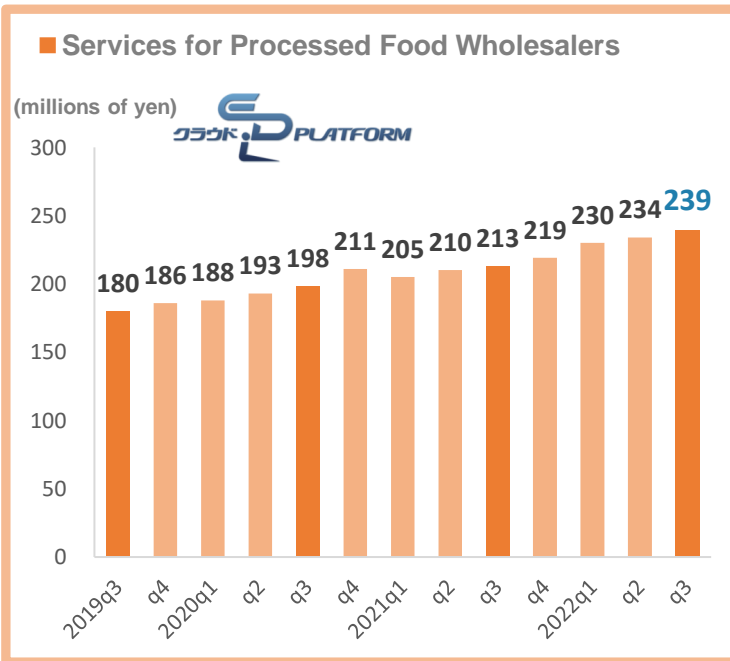
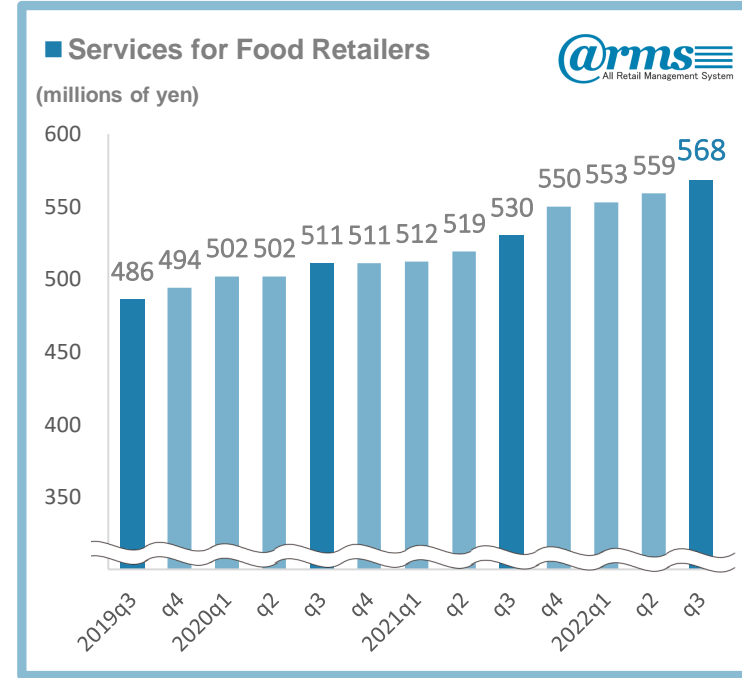
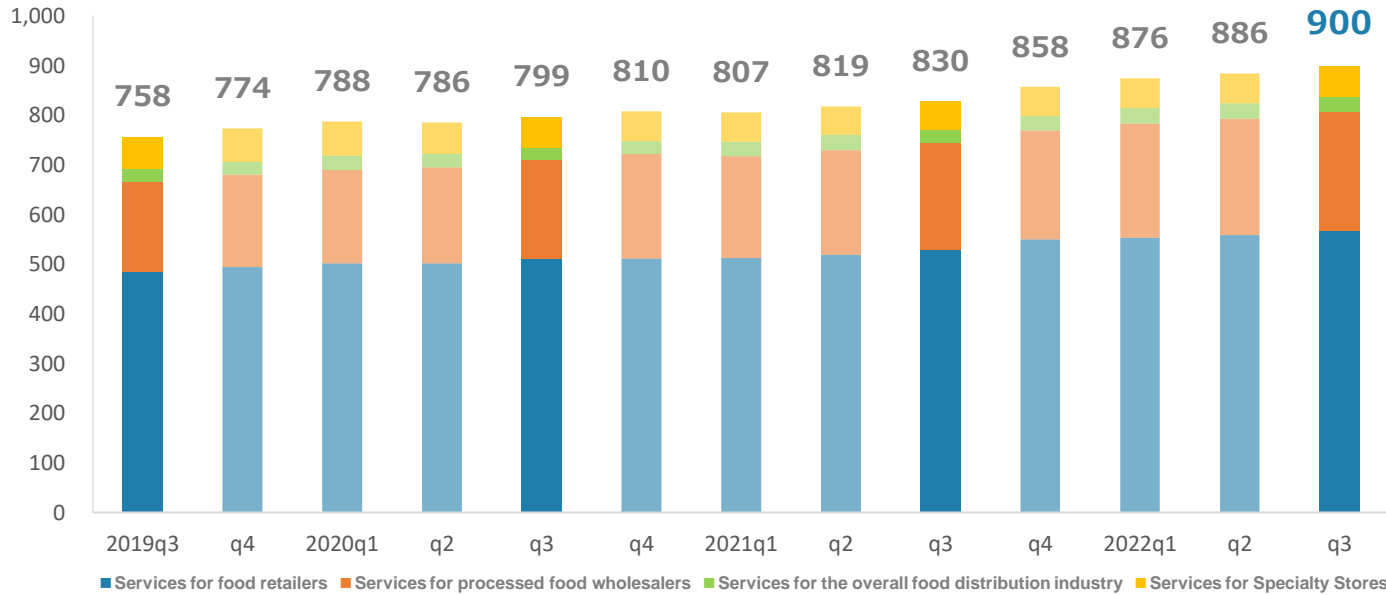


Ordinary profit



Distribution Cloud

(millions of yen)



Services for the Overall Food Distribution Industry

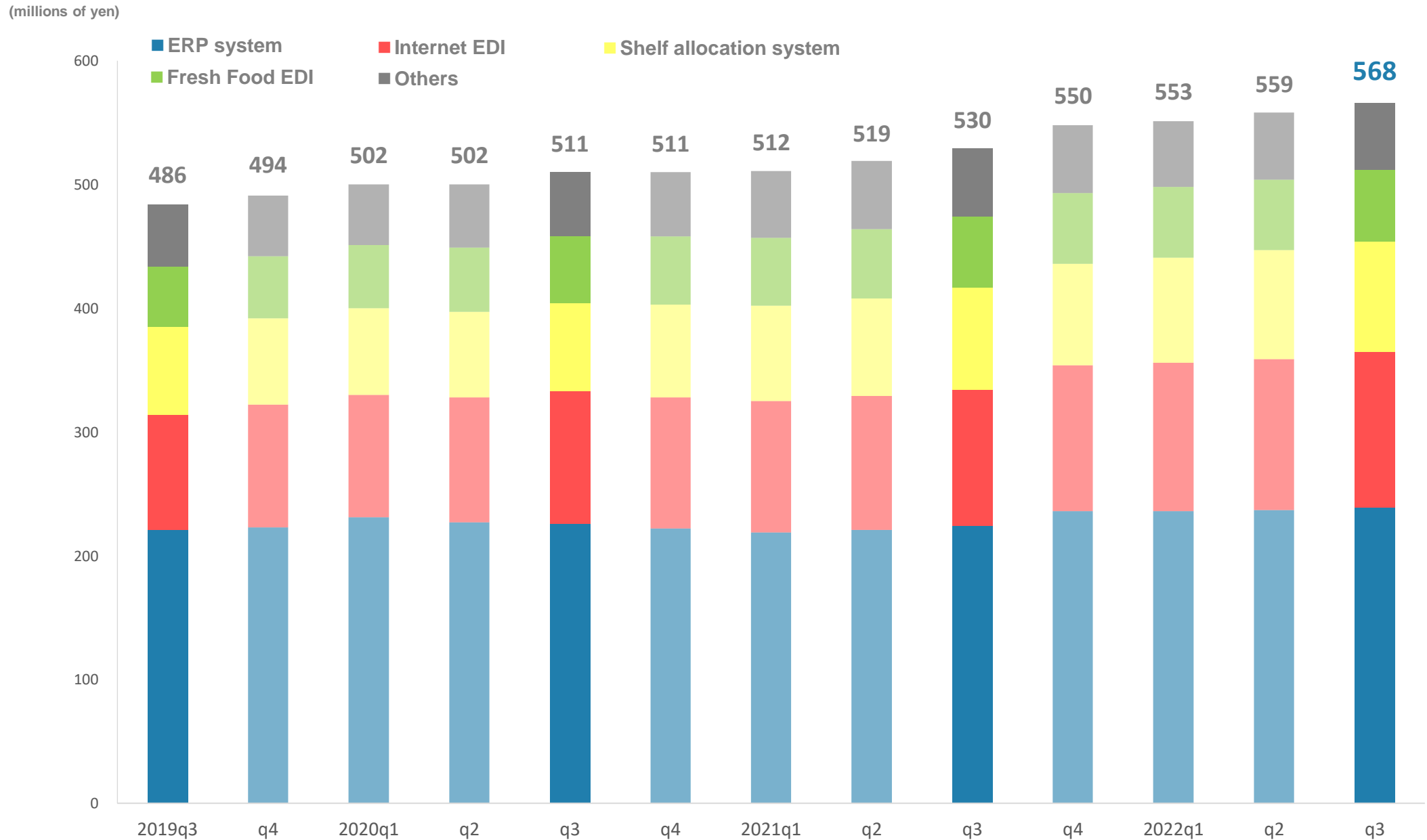
Last year, through C2Platform, we launched a support service that facilitates digital transformation in the field of retail business negotiations.

We will strive to expand the availability of this service in the future.

Quarter	2019q3	2019q4	2020q1	2020q2	2020q3	2020q4	2021q1	2021q2	2021q3	2021q4	2022q1	2022q2	2022q3
Revenue	27	26	29	27	26	26	29	31	28	29	31	31	31



Services for Food Retailers: Breakdown of service



5. About CYBERLINKS

5. About CYBERLINKS Strengths

Fundamental Strength

Anticipating current trends

- ◆ The era of system investments being the source of competitive edge is over
- ◆ In non-competitive areas, joint use (sharing) will be the norm

Business Model

Shared Cloud

- ◆ Industry-specific systems, both hardware and software, will be used by everyone (joint use)
- Designed to provide industry leading systems at affordable prices
- ◆ Launched services in 2005, when the term "cloud" was not yet coined

➔ **reduce IT costs and streamline management**

Leading market share



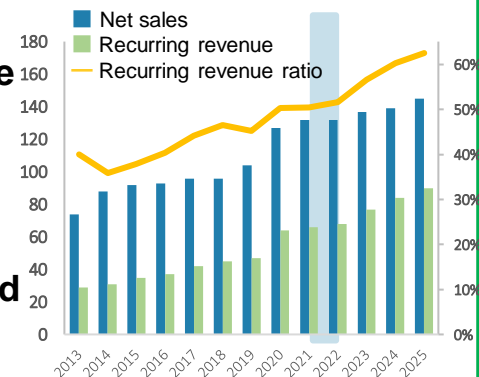
- ◆ Our EDI service for food wholesalers is the de facto **industry standard** service (GTV of JPY 8.9 trillion)
- ◆ **Approx. 30%** of grocery supermarkets nationwide use our system

Stable management

- ◆ Recurring revenues such as usage fees and information processing fees amount to **JPY 6.6 billion*** (50.5% of total sales)

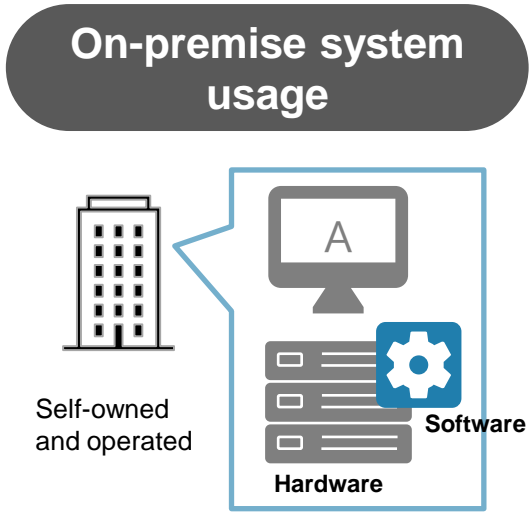
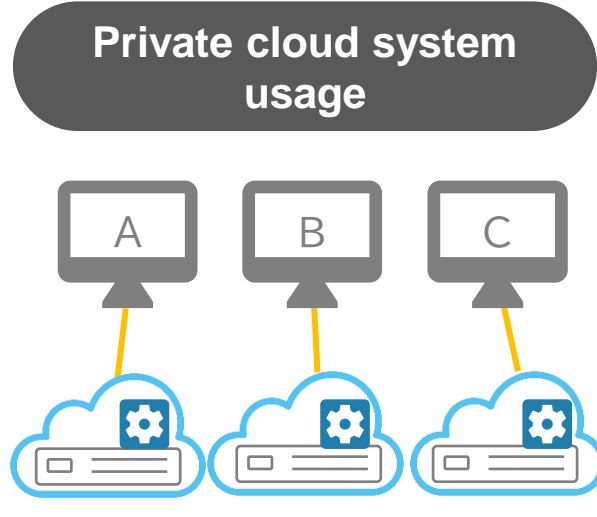
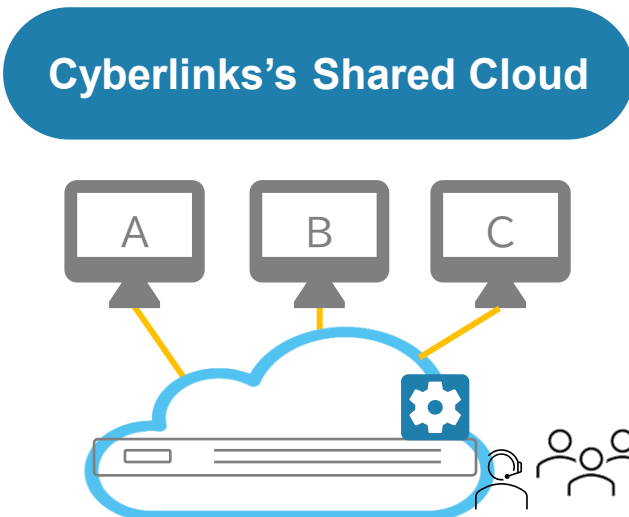
Secured stable management based on recurring revenue

* FY12/21 results



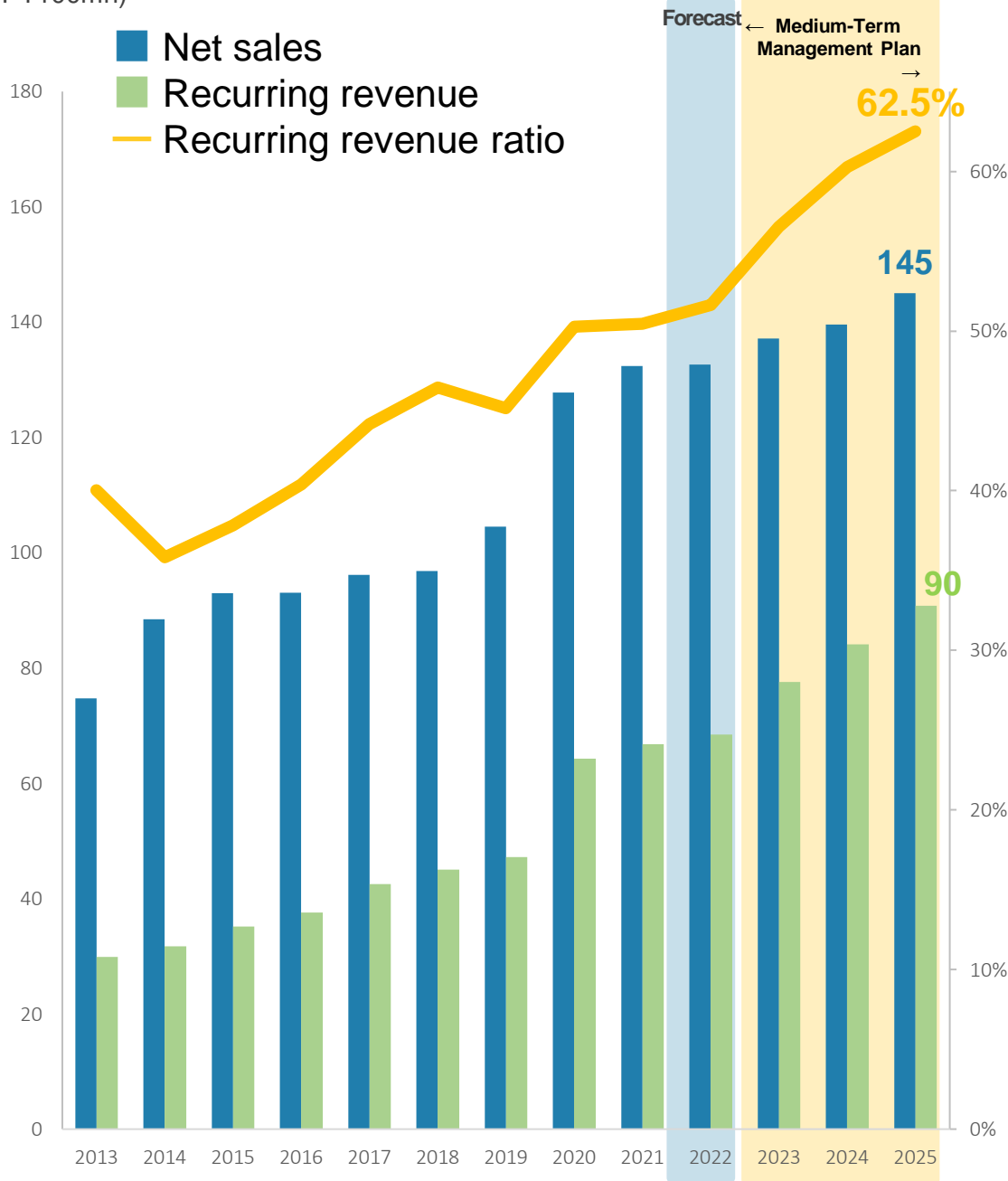
5. About CYBERLINKS Shared Cloud

Our Shared Cloud business model focuses on providing the industry's best functions at affordable prices through “**shared use**” rather than by addressing the functional requirements of individual companies

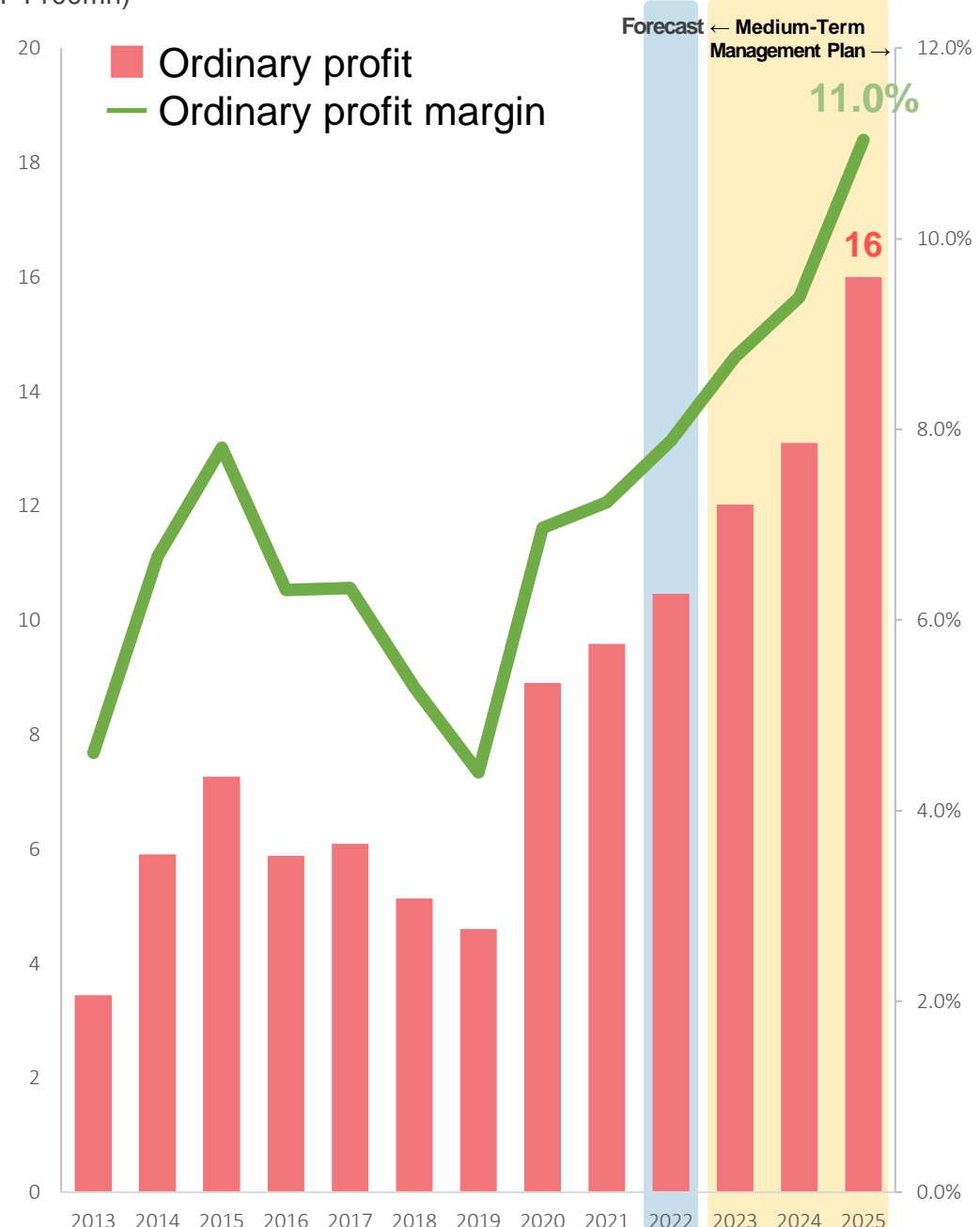
	On-premise system usage		Private cloud system usage		Cyberlinks's Shared Cloud
					
Hardware	On-premise		Private cloud		Shared use
Software	Packaged software	Proprietary system	Packaged software	Proprietary system	
Initial investment	Costly hardware investment Requires software purchase	Costly hardware and software investment	Affordable hardware investment Requires software purchase	Affordable hardware investment Costly software investment	Low initial investment for both hardware and software
Operation & Maintenance	Hardware and software maintenance personnel needed		Hardware maintenance can be outsourced, but software maintenance personnel needed		Outsource maintenance for both hardware and software!
System renewal	Requires hardware updates every few years Costly software updates		No hardware updates required, but software updates are costly		No hardware updates required! Software is continuously upgraded!
Helpdesk	Requires in-house support		Requires in-house support		Outsource helpdesk operations to Cyberlinks!

5. About CYBERLINKS Business Performance

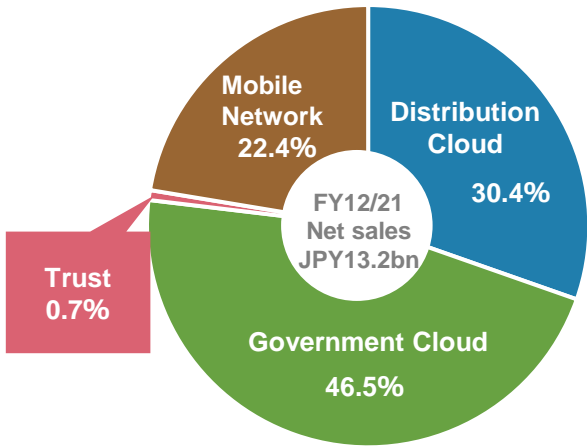
(JPY100mn)



(JPY100mn)



5. About CYBERLINKS Breakdown of Business (Consolidated)

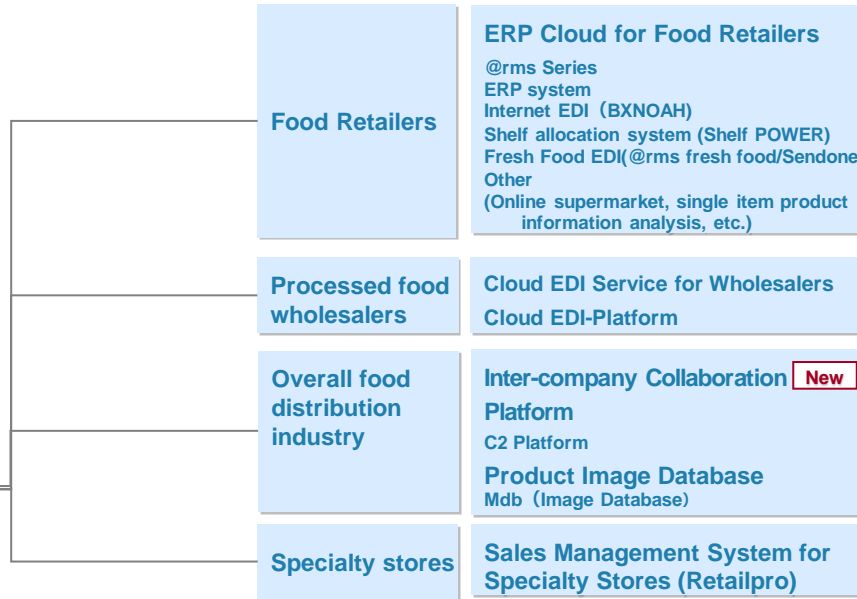


Distribution Cloud
FY12/21 Sales JPY4.0bn

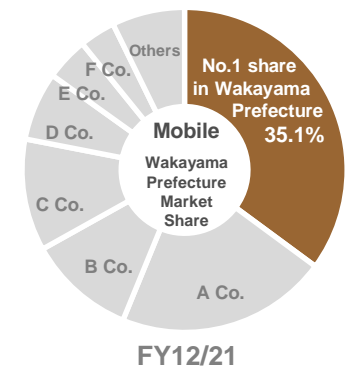
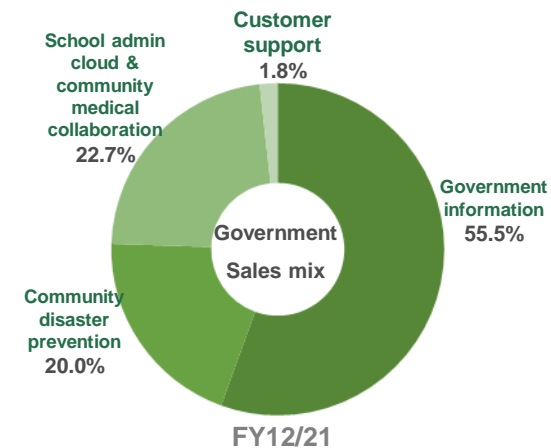
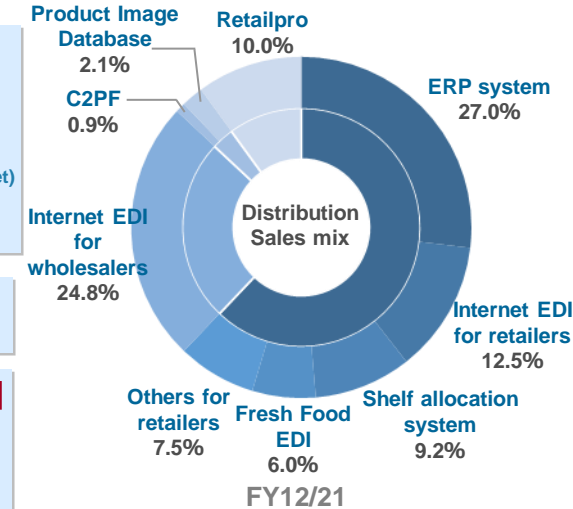
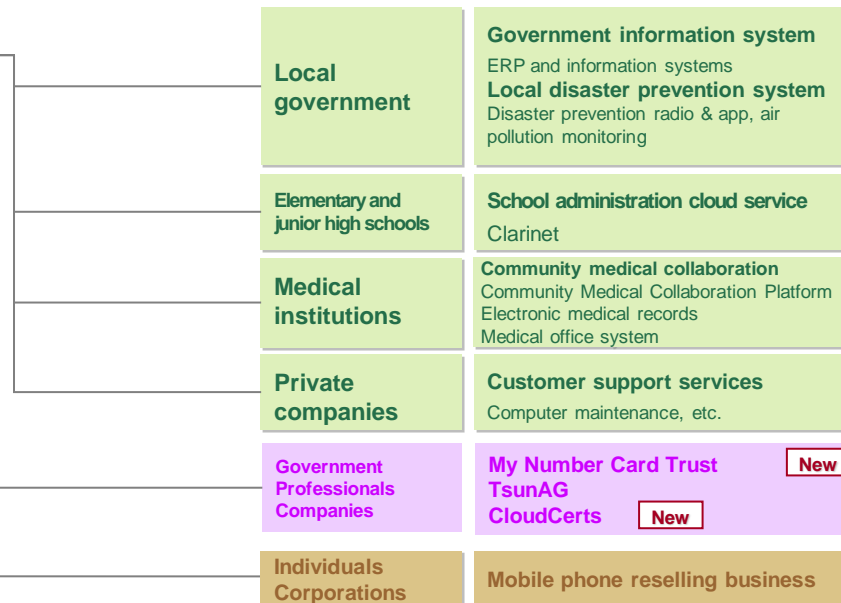
Government Cloud
FY12/21 Sales JPY6.1bn

Trust
FY12/21 Sales JPY90mn

Mobile Network
FY12/21 Sales JPY2.9bn



Note: Beginning with this presentation, we have made changes to the categories included under the Distribution Cloud business and have accordingly adjusted the elements that appear in the corresponding pie chart.



* Share of reselling stores (%)

In 2005, we introduced @rms ERP, Japan's first cloud retail ERP service, along with a full range of peripheral services for medium and large companies

@rms series



ERP system for order, purchase, inventory, sales, and profit management

No.1 in cloud retail
ERP system installations

Peripheral services for medium and large companies

Internet EDI



Shelf Allocation System for
Retailers



Fresh Food Ordering System



Online Supermarket System



Installed at

1,288 stores *₁ 
out of **21,000** total stores*₂

As of end-Q3 FY12/22

*₁ Number of stores using @rms ERP

*₂ Total stores in the market based on our estimates

Our services are used by approximately 30% of all grocery supermarkets in Japan (based on the number of companies).

5. About CYBERLINKS Key Services – Distribution Cloud – Food Wholesale

The Cloud EDI-Platform centrally organizes all order data received from retailers via various communication methods on behalf of wholesalers (first in the industry)

Cloud Service for Wholesalers Cloud EDI-Platform

GTV*1

JPY9.2tn

out of JPY36tn (overall market)*2
As of end-Q3 FY12/22



Installed in **8 of the top 10** processed food wholesalers companies by sales

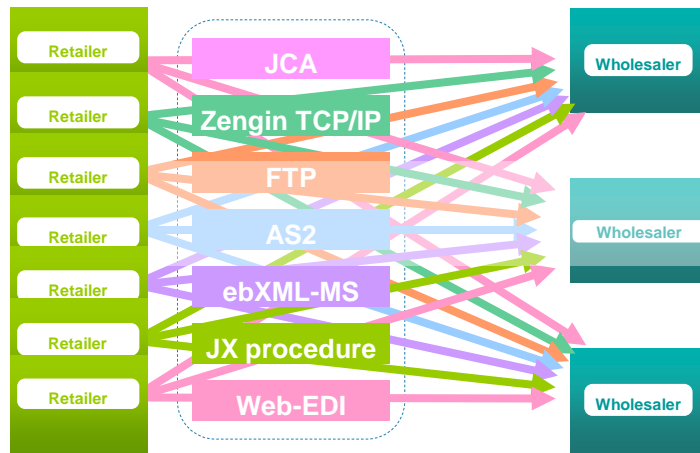
Also installed at **major manufacturers**

*1 The value of orders received and placed by customers using the Cloud EDI-Platform
*2 Overall market GTV figure is an internal estimate



Leading Distribution EDI Cloud service (in terms of wholesaler EDI processing volume)

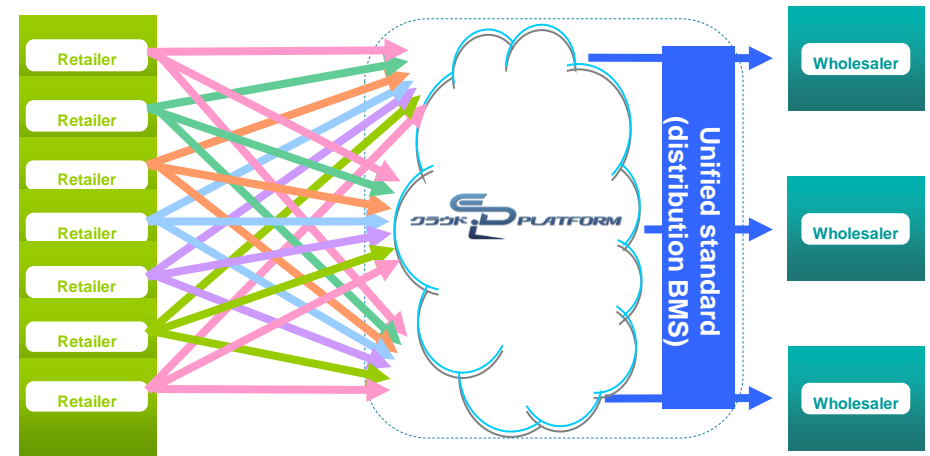
Order data received via a wide variety of communication methods



Consolidate network types and communication methods



Sent to wholesalers via an unified standard (distribution BMS)



Government Cloud

No. 1 market share for local disaster prevention systems in Wakayama Prefecture

Local government

Administrative information system (ERP and information systems)

- Local government information security cloud service
- Shared information system services
- ERP systems

Local disaster prevention system (disaster prevention radio, etc.)

Elementary and junior high school

- School administration cloud service (Clarinet)

Medical institutions

- Medical collaboration platform
- Electronic medical records, medical office system

Mobile Network

Operates largest NTT Docomo reseller in Wakayama Prefecture with seven Docomo Store locations



Docomo Store Iwade (largest store in Wakayama Prefecture)

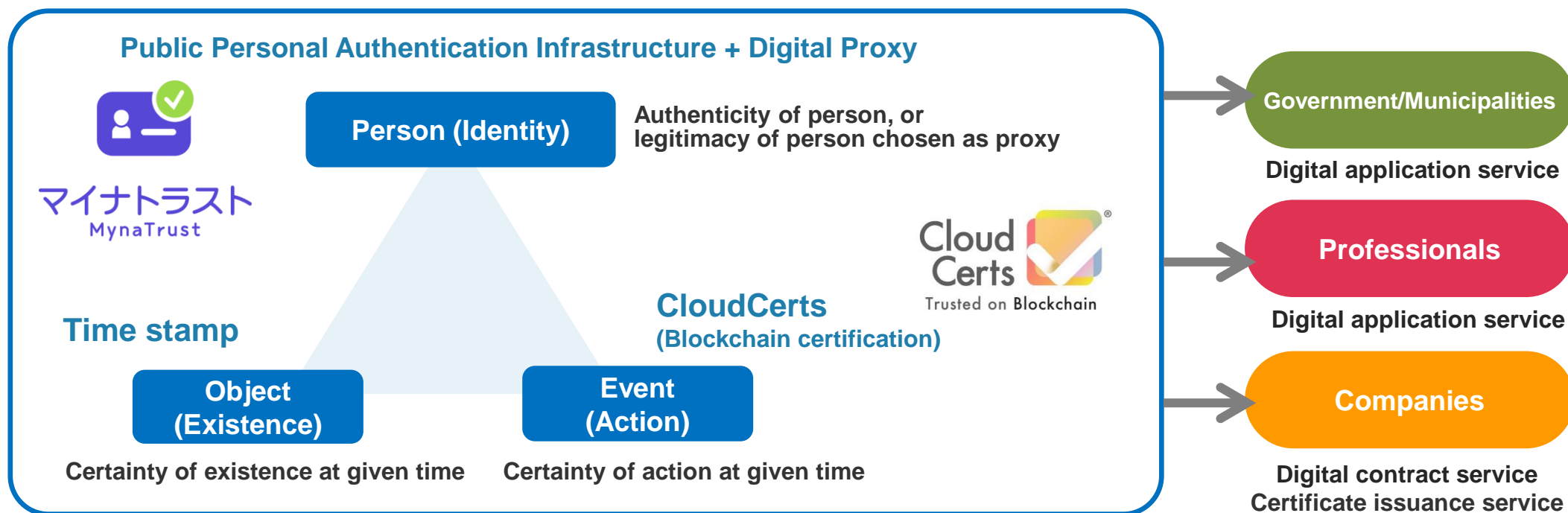
- Nankai Station Store
- JR Wakayama Station Store
- Iwade Store
- Tanabe Store
- Hashimoto Store
- Hashimoto Ayanodai Store
- Katsuragi Store

From December 2022 (planned)

- Nobutoki Store
- Kushimoto Store
- Central City Wakayama Store
- Shingu Store

5. About CYBERLINKS Trust Service

Leveraging our core strength in “Third Trust” service based on the My Number Card, we offer comprehensive trust services for people (identity), objects (existence), and experience (actions).



Certification

- Acquired Time Stamp Authority (TSA) certification (April 2017)
- Acquired Public Personal ID Authentication service certification (December 2017) (My Number Card)
- Acquired Digital Proxy Authorization Management service certification (July 2020)

JapanStockChannel

President Murakami made an appearance on JapanStockChannel, a YouTube channel operated by IR Robotics Inc., to explain over the course of three videos the Company's trajectory, growth potential, and vision for the future.

Video 1: Story of the company's start assembling TVs after World War II

<https://youtu.be/WThVNgtZjpM>

Video 2: Entering a phase of rapid growth! 20% ordinary profit margin rule!

https://youtu.be/eLa_CAJj-E

Video 3: Transformation 2025! Currently exceeding the goals of the Company's medium-term management plan!

https://youtu.be/J_m7hvLLyqU



Shared Research

Shared Research initiated coverage of Cyberlinks in February 2022 with easy-to-understand information on Cyberlinks' strengths, business environment, performance, and recent initiatives.

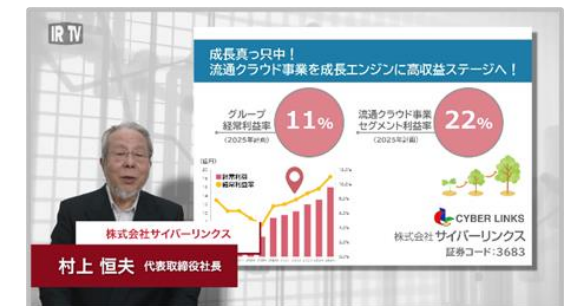
<https://sharedresearch.jp/en/companies/3683>

IRTV

Video now also available on the IRTV channel operated by IR Robotics, providing information on Cyberlinks' business, product releases, and other matters.

Company profile and growth strategy

<https://youtu.be/33WTPIHOSyg>



CYBERLINKS CO., LTD.
Corporate Planning Division
Email : keiki@cyber-l.co.jp
<https://www.cyber-l.co.jp/ir/>

■ Disclaimer

This document contains forward-looking statements, including forecasts, future plans, and management targets pertaining to the Company. These forward-looking statements are based on current assumptions about future events and trends, and the accuracy of these assumptions is not guaranteed. Actual results may differ significantly from those described in this document due to a variety of factors. Unless otherwise specified, the financial data in this document is presented in accordance with accounting principles generally accepted in Japan. The Company makes no guarantee that it will revise any of the forward-looking statements it has already made, regardless of the occurrence of future events, except as required by disclosure regulations. Information regarding other companies is based on information that is generally known to the public.