

LINK Smart

Toward a shared, connected future

CYBERLINKS CO., LTD.

Financial Results for 1Q FY12/23

(January 1, 2023 – March 31, 2023)

May 15, 2023

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On May 15, 2023, we disclosed a "Notice Concerning Revision of Earnings Forecasts for the Fiscal Year Ending December 31, 2023".

The forecast figures for FY12/23 in this material reflect the revised figures.

Please refer to p. 13 for details of the revision.

1. Executive Summary

Net sales

Sales rose in all four segments!

Steady growth in Distribution segment. M&A deals from last year also contributed for Government and Mobile segments.

Ordinary profit

Higher profit in Distribution segment.

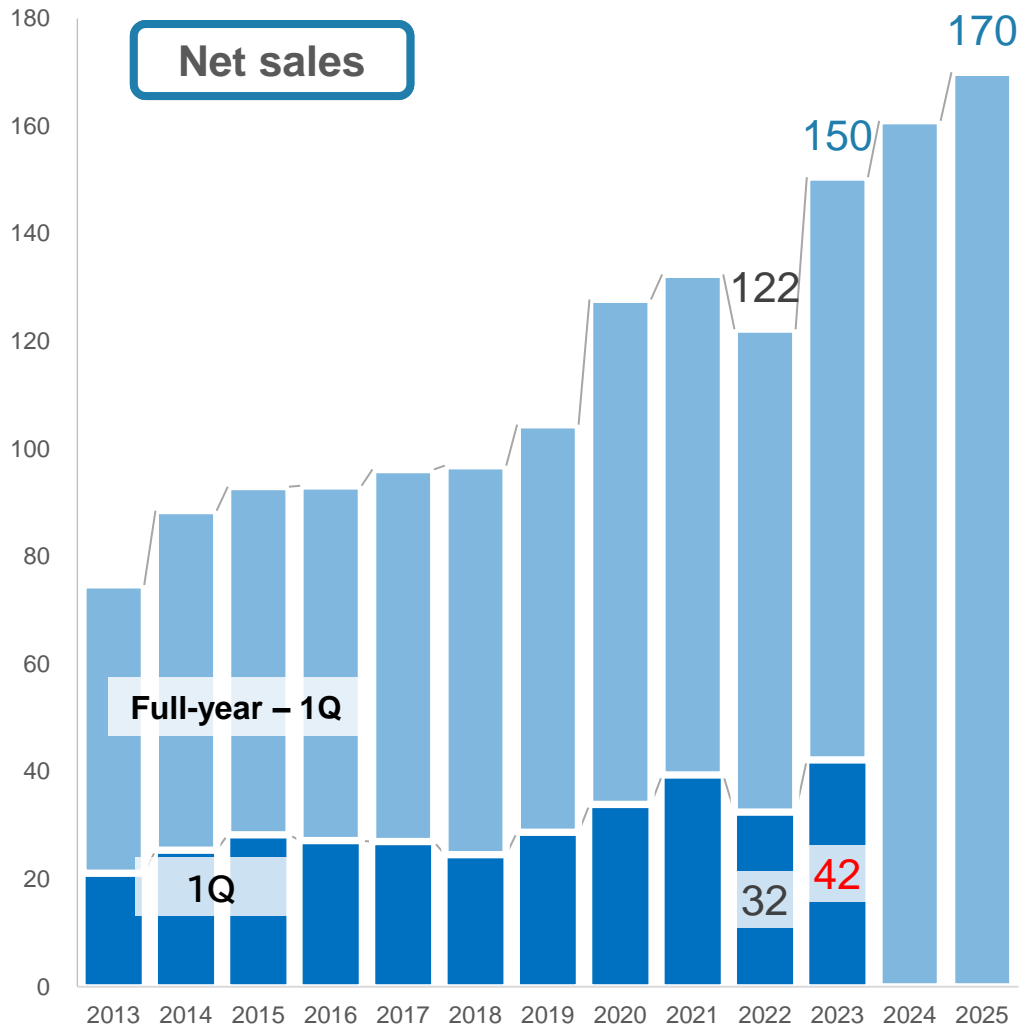
Segment profit fell in Government owing to goodwill amortization and in Mobile due to changes in the business environment.

(100mn yen)	1Q FY12/23 results	1Q FY12/22 results	YoY		1H FY12/23 plan	Progress vs. Plan
			Amount	%		%
Net sales	42	32	+9	29.8	77	54.3
Recurring revenue	18	16	+2	12.4	37	50.7
Ordinary profit	3.5	4.0	(0.4)	(10.6)	5.0	71.0
Ordinary profit margin	8.5%	12.3%	(3.8pt)	—	6.5%	—

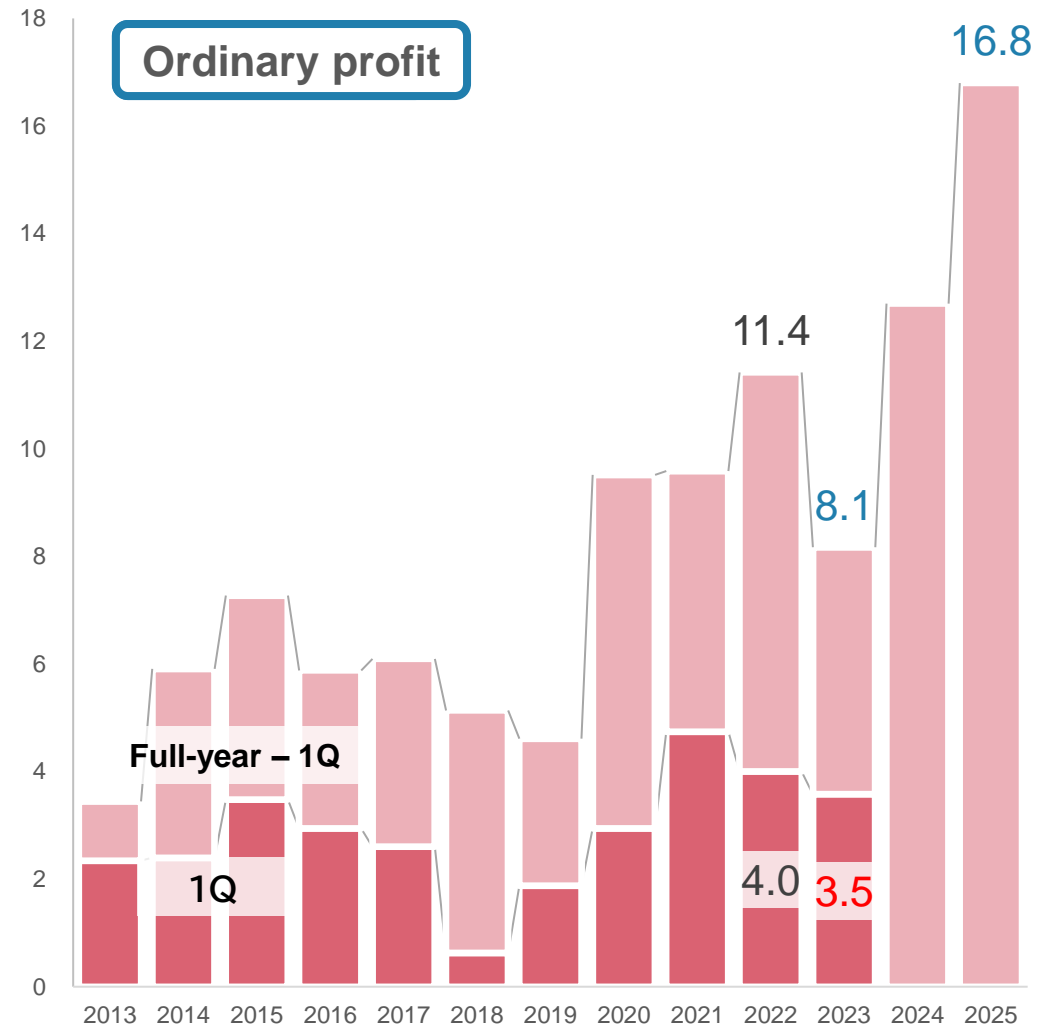
2. Long-term Trends

2. Long-term Trends Net sales and Ordinary Profit

(100mn yen)



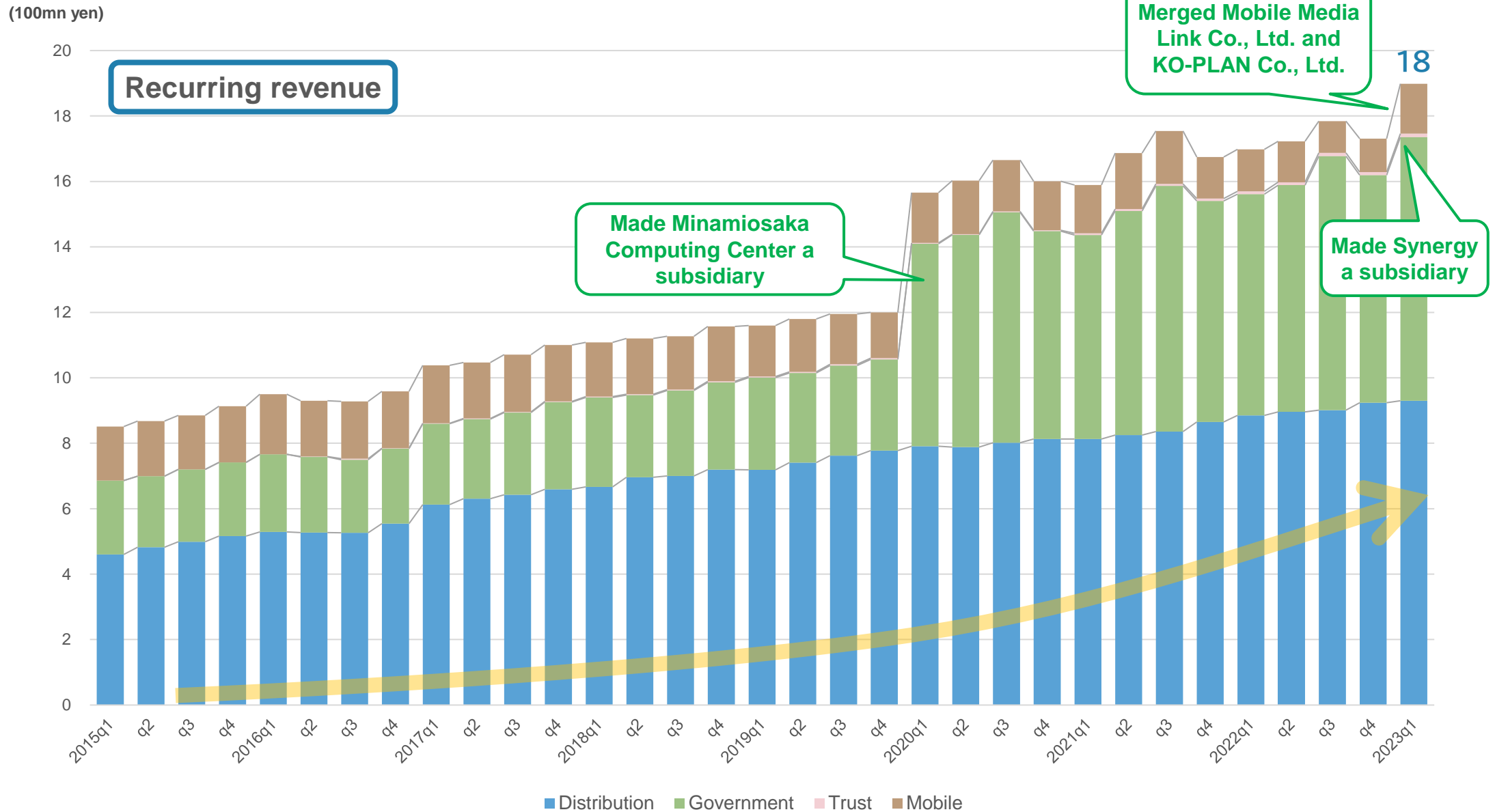
(100mn yen)



*The lower part of the stacked chart shows 1Q figures, and the upper part shows full-year results minus 1Q figures.

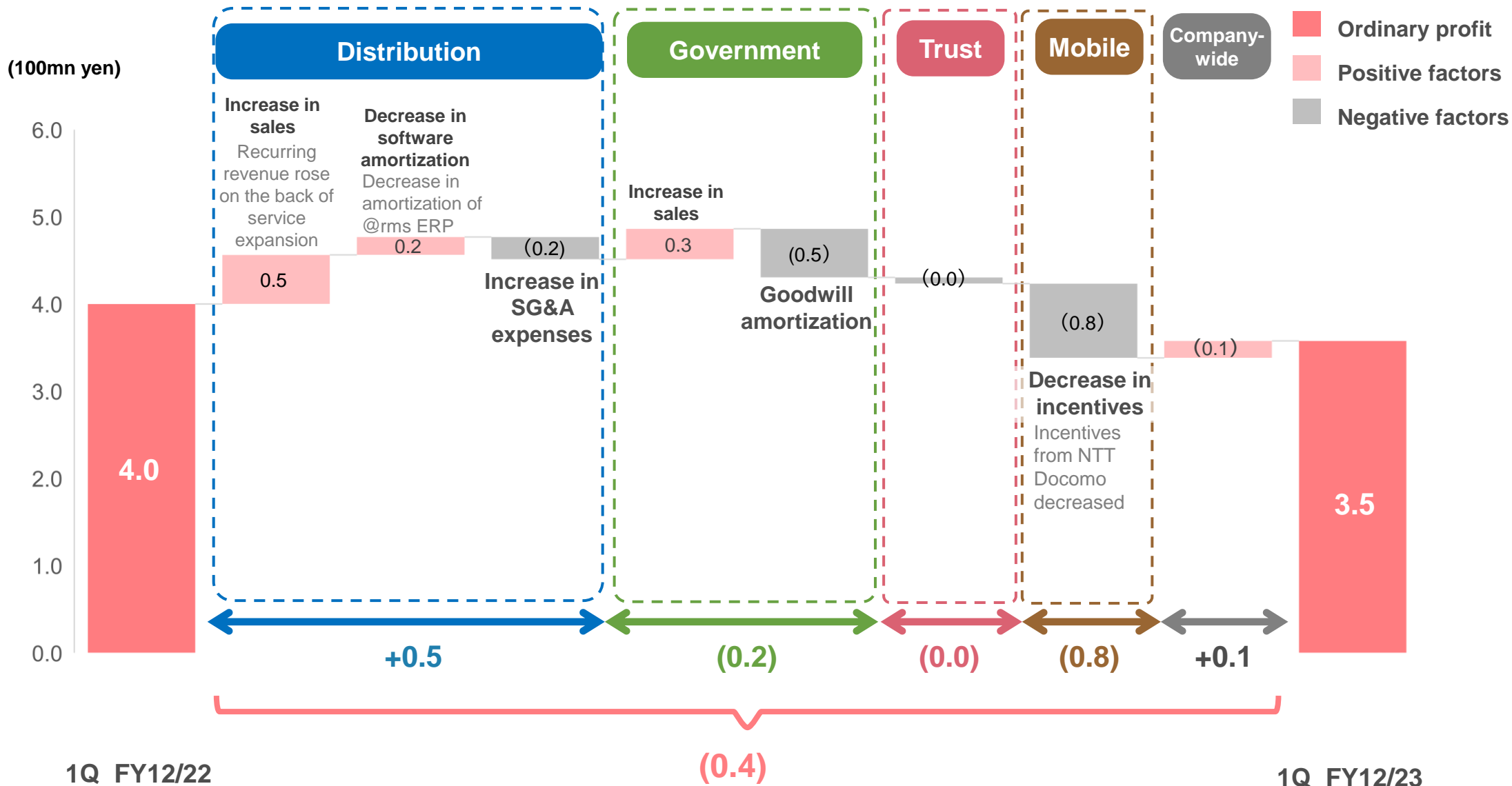
*Figures for FY12/23 and for FY12/24 onward are projections.

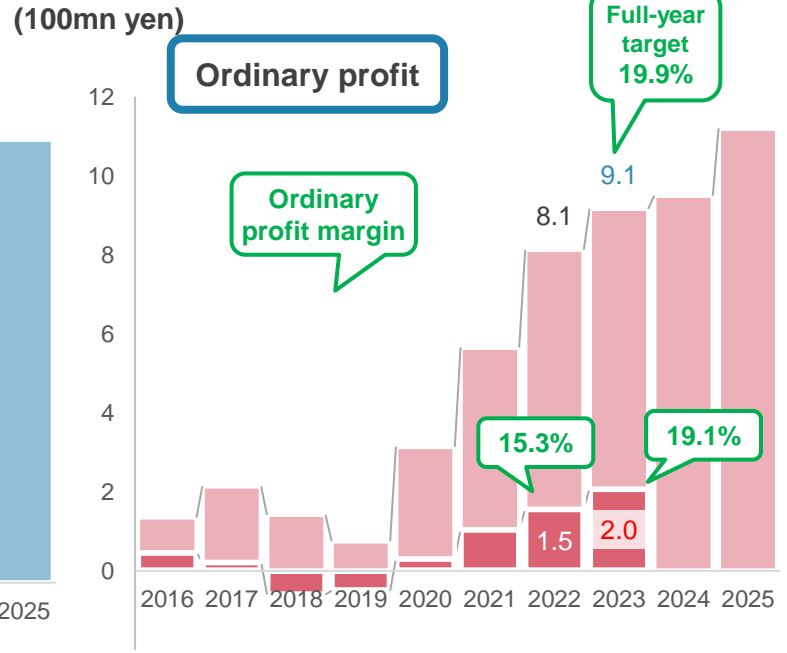
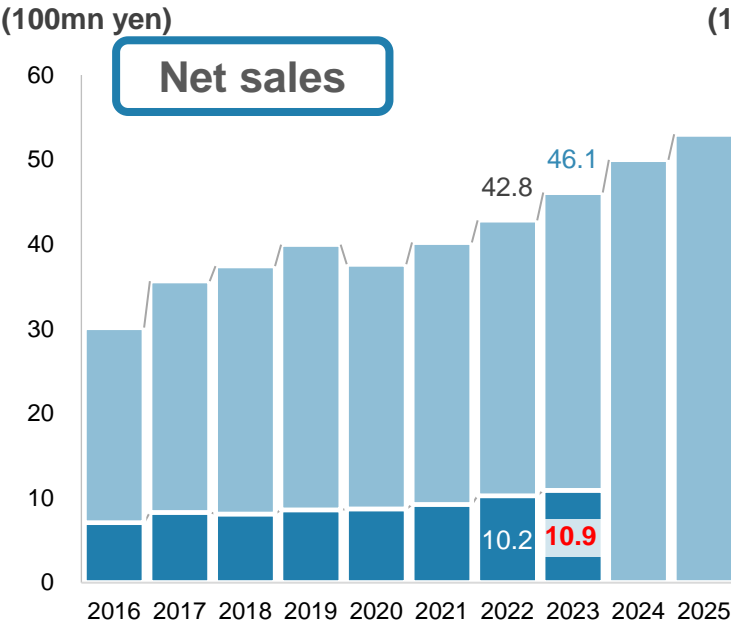
Growth continued to be driven by the Distribution Cloud business



3. Consolidated 1Q FY12/23 Results & Full-Year FY12/23 Forecast

Distribution remained steady thanks to higher sales, but profits fell in Government and Mobile





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

1Q FY12/23 Results

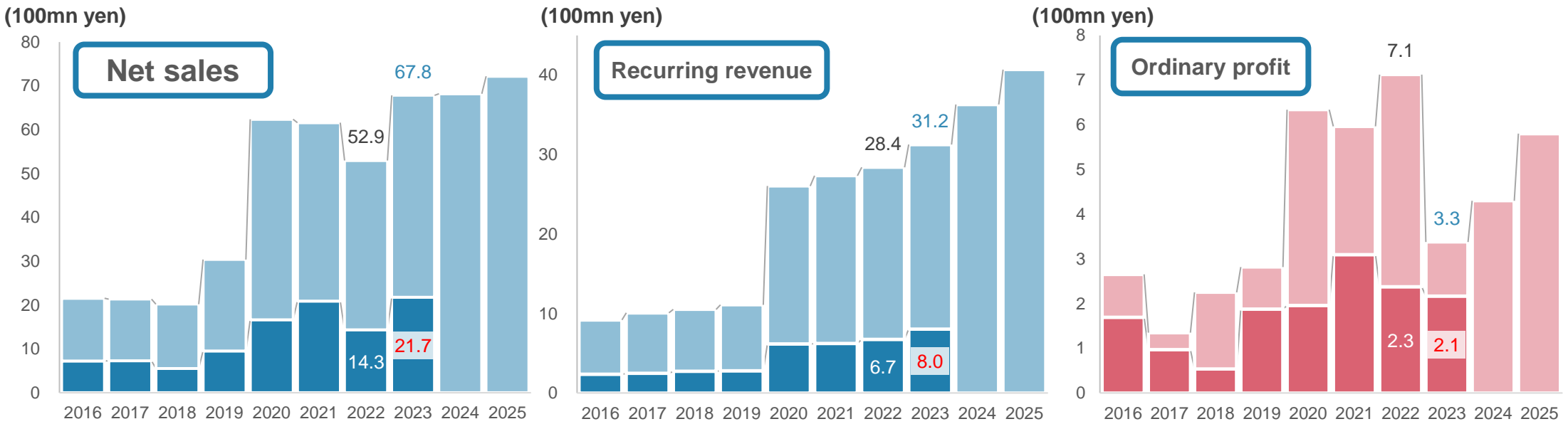
Higher sales and profits fueled by steady increase in recurring revenue

- ◆ Recurring revenue rose on expansion of shared cloud service offerings such as retail EDI service BXNOAH
- ◆ Software amortization expenses decreased as the initial development amortization of @rms ERP was largely completed.

Full-Year FY12/23 Forecast

Aiming for 19.9% ordinary profit margin! Also promoting initiatives for future growth

- ◆ Working to launch the business negotiation support service C2Platform aimed at digitizing business negotiations in the distribution industry to major food retailers (to be launched in FY2023).
- ◆ Accelerating expansion of @rms ERP to mid- to large-size clients by implementing functional upgrades (such as faster speed)



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

1Q FY12/23 Results

Full-Year FY12/23 Forecast

Substantially higher sales thanks to consolidating earnings of Synergy

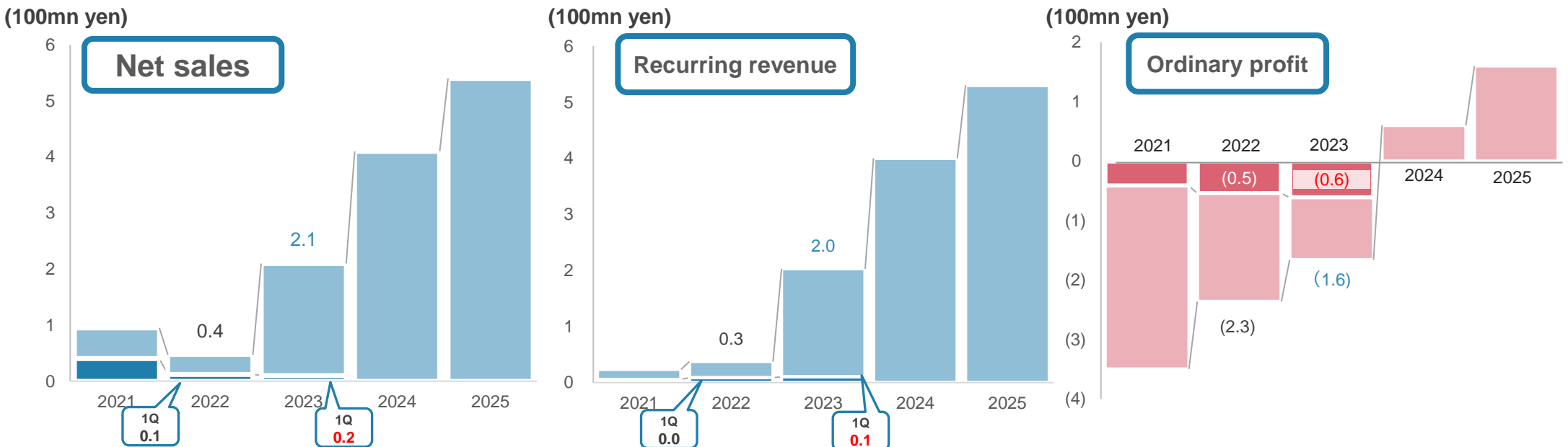
Profit declined due to steep goodwill amortization

- ◆ Began consolidation of Synergy’s earnings
 - Helped boost sales substantially
 - Profit fell owing to goodwill amortization burden (JPY 50 million)
- ◆ Received orders for major disaster prevention-related projects and network construction projects

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



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

1Q FY12/23 Results

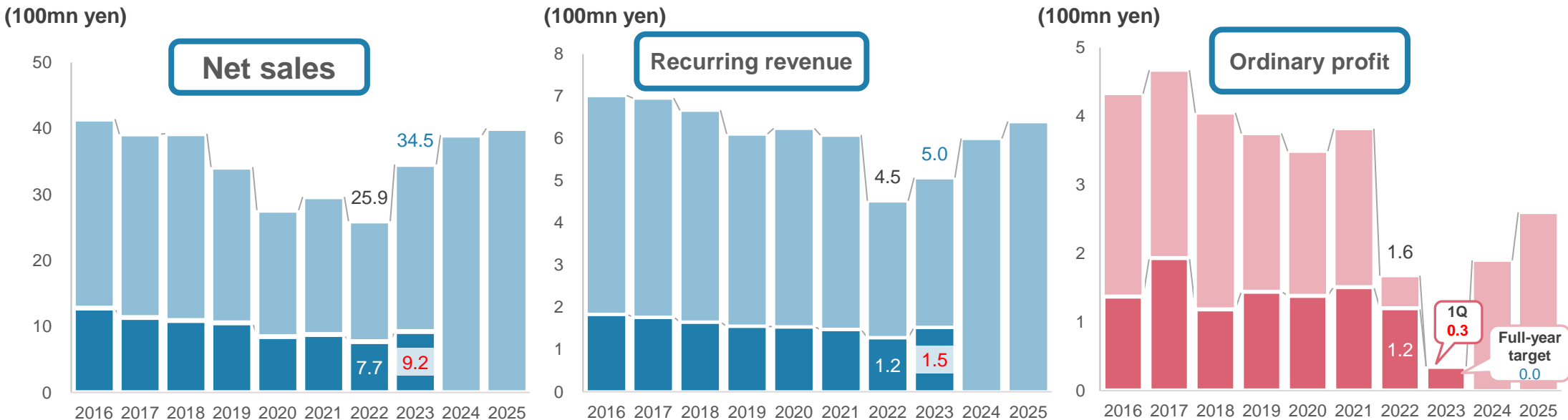
Full-Year FY12/23 Forecast

Focused on sales and development to expand service provision

- ◆ Preparing to launch Cloud Certs, a digital certificate issuing service, for major projects

CloudCerts major project launches!

- ◆ TOEIC® Program Public Test official digital certificate Issuance begins in May 2023 (for tests conducted in April)!
- Advanced development of digital contract service**
- ◆ MynaTrust Digital Contract service for real estate industry (working on development to release in FY12/23)



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

1Q FY12/23 Results

Full-Year FY12/23 Forecast

Higher sales thanks to M&A
Lower profit owing to change in business environment

- ◆ Higher sales thanks to M&A deals of two companies in December 2022
- ◆ Lower profit owing to a decrease in incentives and incurring goodwill amortization
- ◆ Strengthened corporate sales structure

Projecting lower profit due to continued challenging business environment

- ◆ Challenging business environment such as the decrease in incentives is expected to continue. We will work to secure sales and improve profits through travel sales and efficient store operations.
- ◆ Strengthen sales to corporate clients and generate new sales by providing digital transformation (DX) solutions

3. Consolidated 1Q FY12/23 Results & Full-Year FY12/23 Forecast Forecast Revision

On May 15, 2023, we announced a revision to our first-half and full-year forecasts for the fiscal year ending December 31, 2023.

(Millions of yen)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Before revision (announced on February 14, 2023)					
1H FY12/23	8,067	560	559	343	30.88
Full-year FY12/23	15,618	979	974	587	52.86
After revision (announced on May 15, 2023)					
1H FY12/23	7,763	505	504	105	9.43
Full-year FY12/23	15,065	822	817	279	25.07
Change					
1H FY12/23	(304)	(55)	(55)	(238)	-
Full-year FY12/23	(553)	(157)	(157)	(308)	-

Reasons for revision

■ Recording of impairment loss on goodwill (¥197 million)

We previously recorded goodwill in connection with the absorption-type merger of Mobile Media Link Co., Ltd. and KO-PLAN Co., Ltd. in December 2022. However, in response to the inability to relocate stores to enhance profitability within the expected timeframe and the unlikely recovery of incentives from NTT Docomo, Inc., we reviewed the recoverable amount and recorded a goodwill impairment loss of ¥197 million in the first quarter.

■ Business environment surrounding the Mobile Network business

We expect both sales and profits to fall short of our plan due to lower-than-expected sales of cell phone handsets and incentives from NTT Docomo, Inc. Furthermore, we expect quarterly profit and profit attributable to owners of parent to come in substantially lower than our plan as we recorded the goodwill impairment loss mentioned above as an extraordinary loss.

3. Consolidated 1Q FY12/23 Results & Full-Year FY12/23 Forecast : Consolidated Income Statement

(millions of yen)

	1Q FY12/22 (Actual)	1Q FY12/23 (Actual)	YoY Change (%)	1H FY12/23 (Plan)	Progress vs. Plan (%)
Net sales	3,248	4,215	29.8%	7,763	54.3%
Distribution Cloud	1,026	1,090	6.2%	2,226	49.0%
Government Cloud	1,437	2,178	51.6%	3,779	57.6%
Trust	12	21	73.8%	64	33.4%
Mobile Network	772	925	19.8%	1,694	54.6%
Recurring revenue	1,689	1,898	12.4%	3,746	50.7%
Distribution Cloud	876	929	6.1%	1,861	50.0%
Government Cloud	676	805	19.1%	1,554	51.8%
Trust	8	10	17.8%	57	18.0%
Mobile Network	128	152	19.2%	274	55.8%
Operating profit	398	342	(14.3%)	505	67.7%
Ordinary profit	400	357	(10.6%)	504	71.0%
Distribution Cloud	156	207	32.7%	419	49.6%
Government Cloud	237	216	(8.7%)	351	61.8%
Trust	(54)	(61)	—	(146)	—
Mobile Network	120	35	(70.6%)	24	147.7%
Adjustments	(60)	(40)	—	(144)	—
Profit attributable to owners of parent	269	15	(94.1%)	105	15.1%
EPS	JPY26.09	JPY1.42	—	JPY9.43	—

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

3. Consolidated 1Q FY12/23 Results & Full-Year FY12/23 Forecast : Consolidated Balance Sheet

(millions of yen)

		End-Dec. 2022		End-Mar. 2023			Factors behind changes
		Amount	Composition	Amount	Composition	Change	
Assets	Current Assets	6,176	48.6%	6,572	50.1%	396	Notes and accounts receivable - trade, and contract assets increased
	Non-current Assets	6,529	51.4%	6,534	49.9%	4	Software, tools, furniture, and fixtures increased. Goodwill decreased due to impairment loss, etc.
	Total Assets	12,705	100.0%	13,107	100.0%	401	
Liabilities & Net Assets	Current Liabilities	2,855	22.5%	3,496	26.7%	641	Short-term borrowings increased due to borrowing
	Non-current Liabilities	2,748	21.6%	2,632	20.1%	(116)	Long-term borrowings decreased due to repayment
	Total Liabilities	5,603	44.1%	6,129	46.8%	525	
	Total Net Assets	7,101	55.9%	6,978	53.2%	(123)	Retained earnings decreased due to payment of dividends from surplus
	Total Liabilities & Net Assets	12,705	100.0%	13,107	100.0%	401	

3. Consolidated 1Q FY12/23 Results & Full-Year FY12/23 Forecast : Consolidated Income Statement

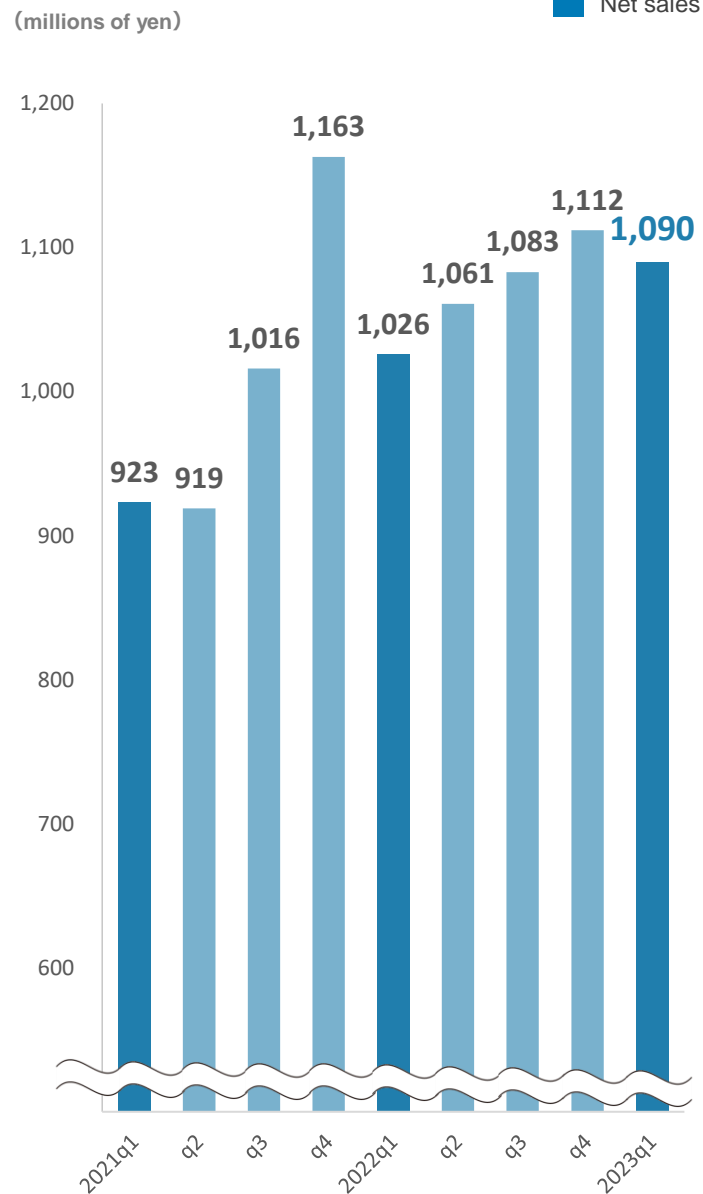
(millions of yen)

	FY12/22 (Actual)	FY12/23 (Forecast) (※)	YoY Change (%)
Net sales	12,225	15,065	23.2%
Distribution Cloud	4,284	4,612	7.7%
Government Cloud	5,296	6,787	28.1%
Trust	47	210	341.1%
Mobile Network	2,596	3,456	33.1%
Recurring revenue	6,917	7,639	10.4%
Distribution Cloud	3,587	3,803	6.0%
Government Cloud	2,840	3,126	10.0%
Trust	37	203	440.0%
Mobile Network	452	507	12.1%
Operating profit	1,127	822	(27.1%)
Ordinary profit	1,141	817	(28.5%)
Distribution Cloud	813	917	12.8%
Government Cloud	712	338	(52.6%)
Trust	(236)	(166)	—
Mobile Network	167	1	(99.4%)
Adjustments	(315)	(273)	—
Profit attributable to owners of parent	909	279	(69.3%)
EPS	JPY87.35	JPY25.07	—

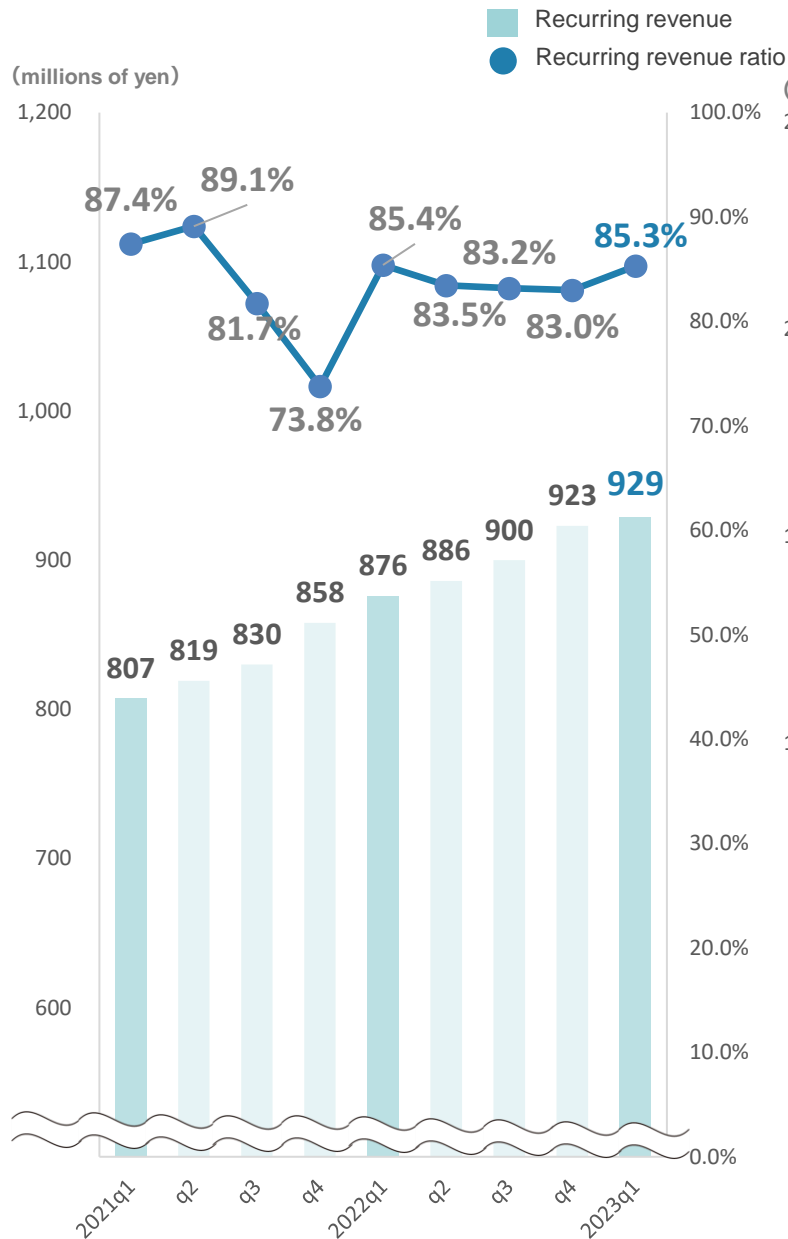
*Figures are based on the revised earnings forecast announced on May 15, 2023.

4. Performance in Distribution Cloud Business

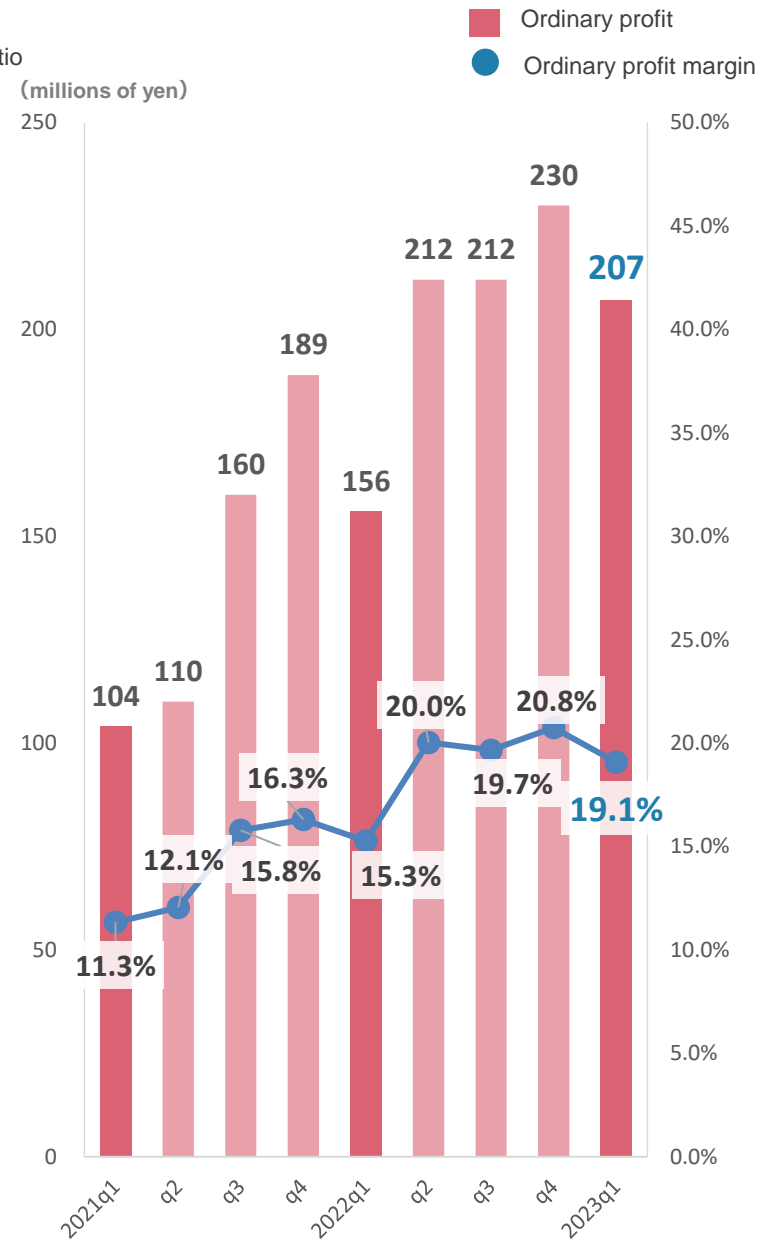
Net sales



Recurring revenue

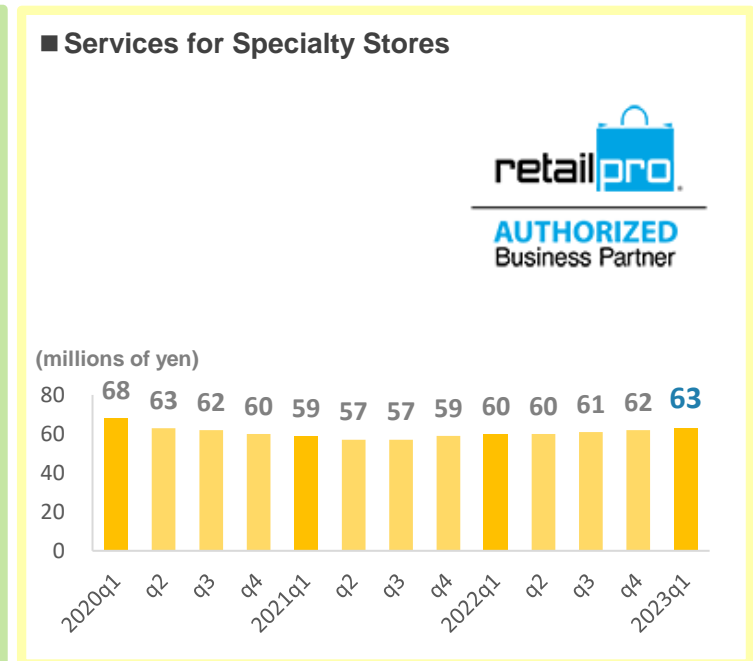
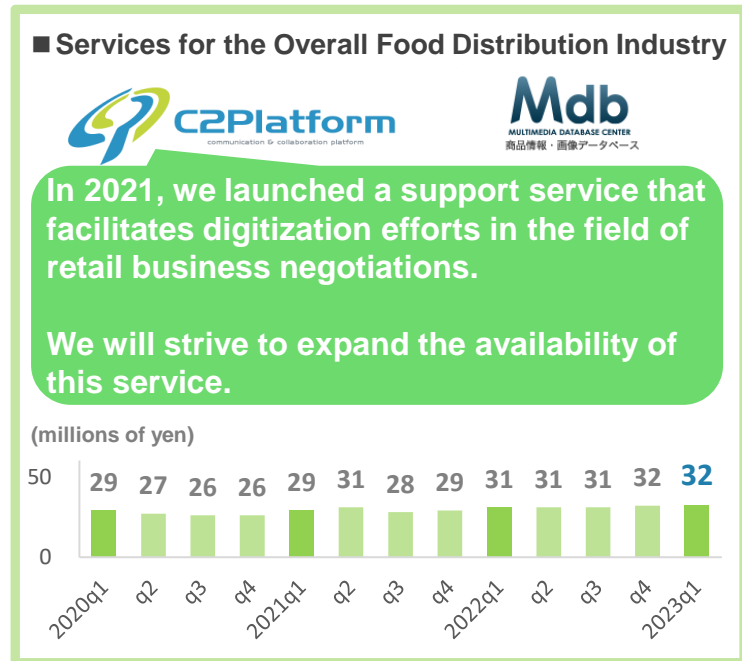
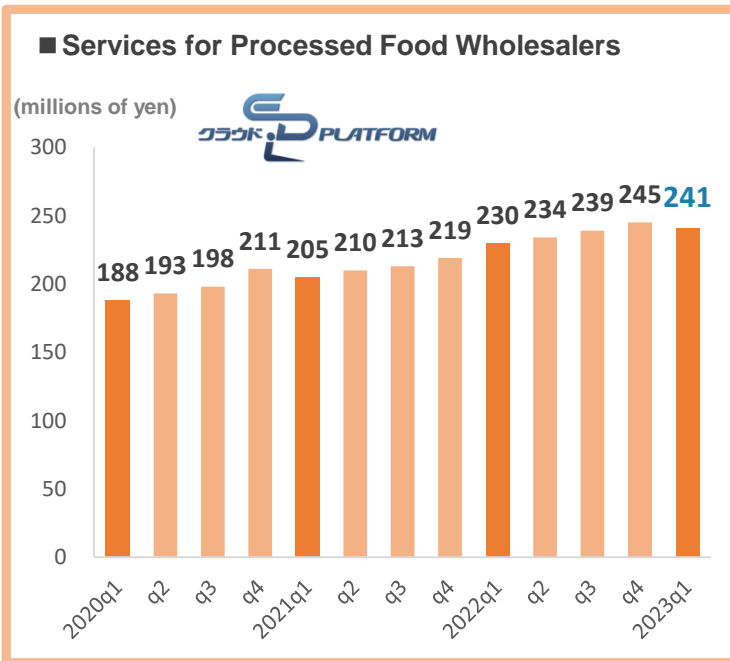
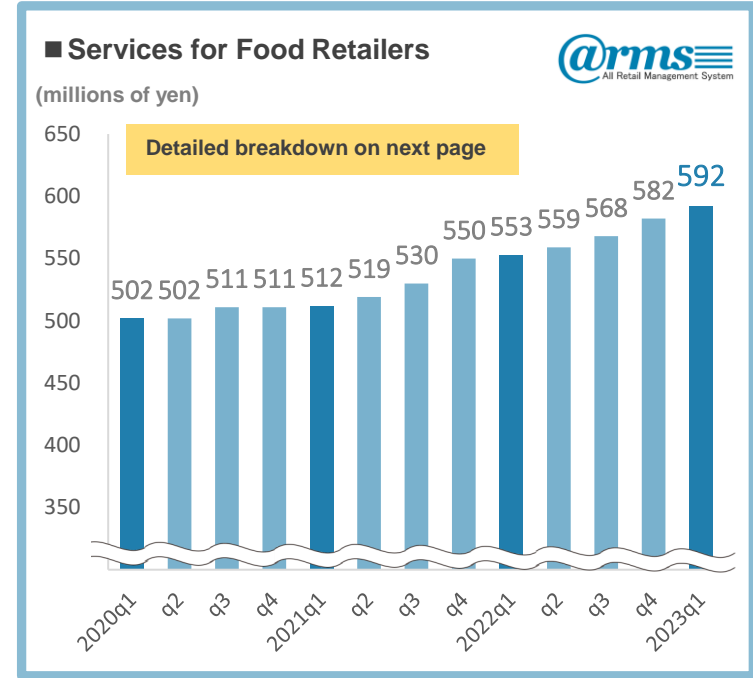
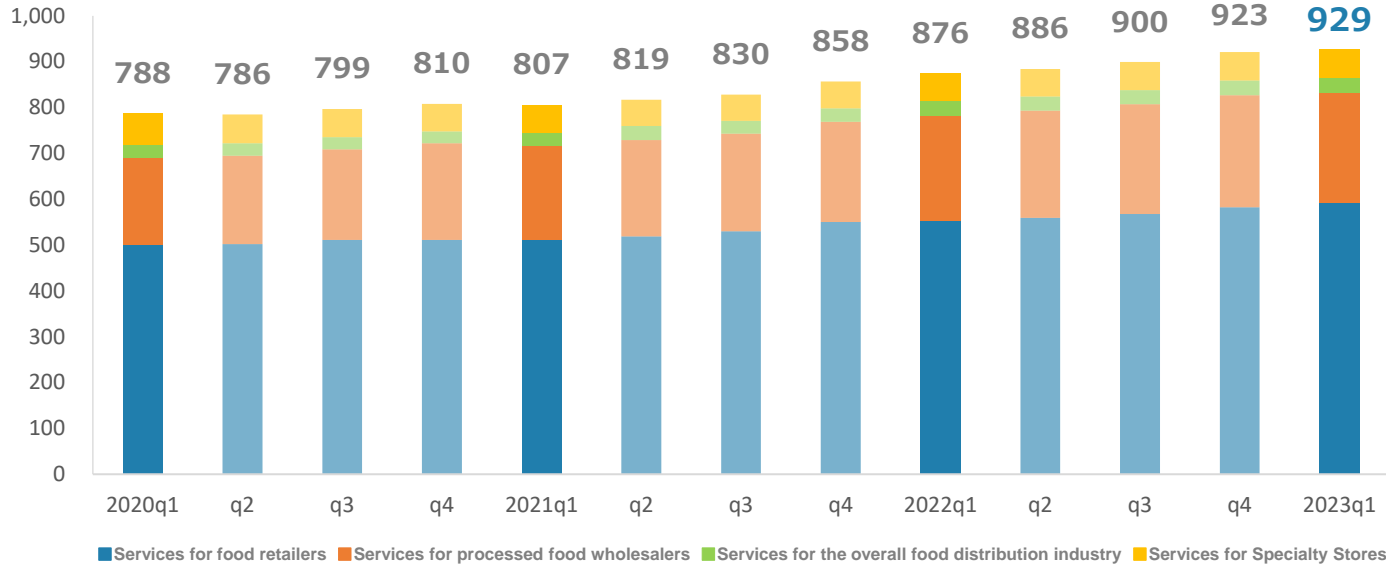


Ordinary profit

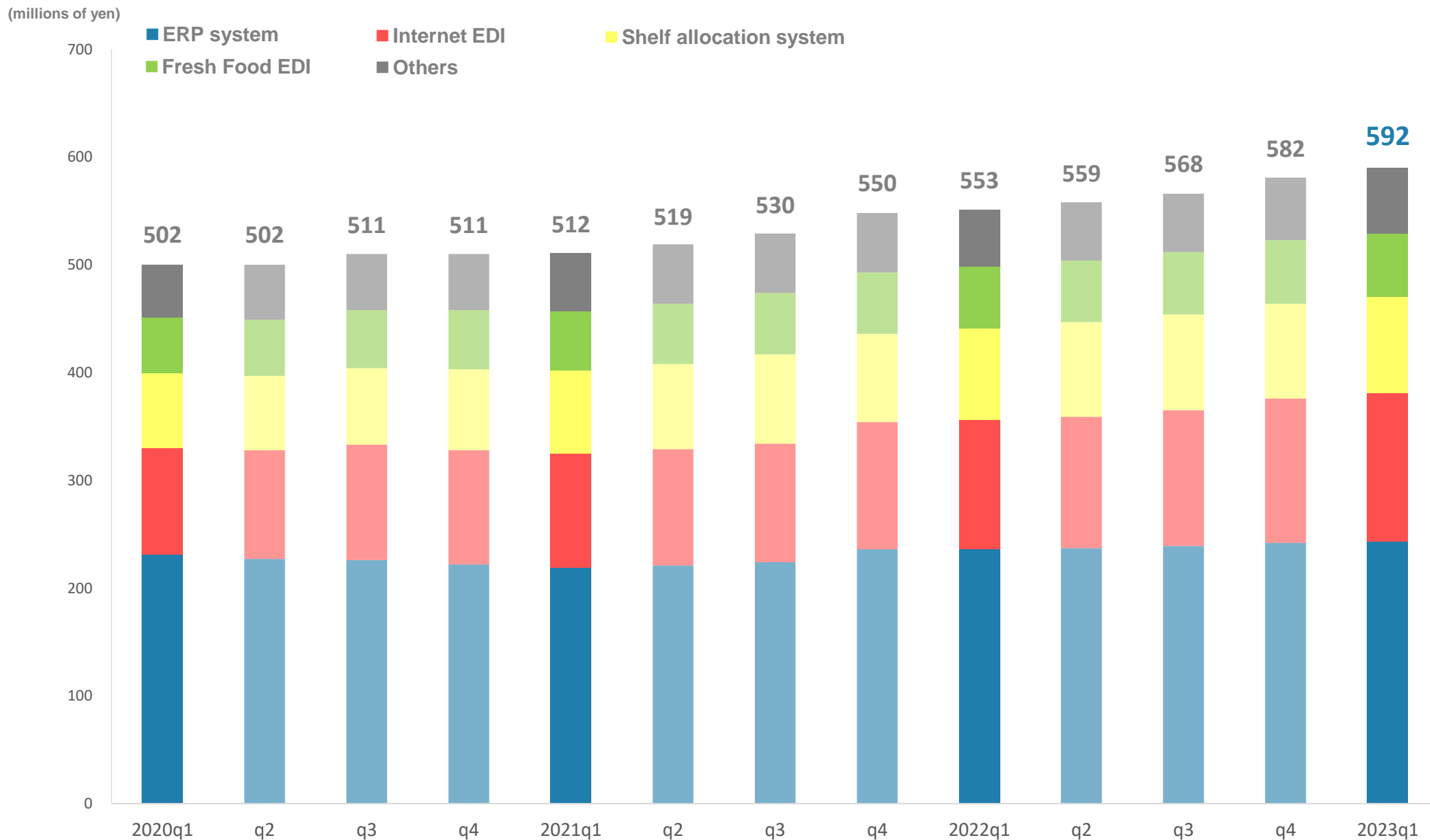


Distribution Cloud

(millions of yen)



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

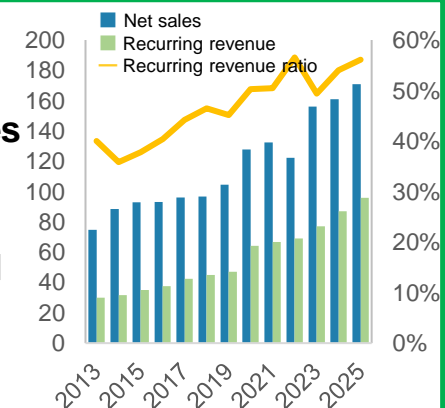


- ◆ Our EDI service for food wholesalers is the de facto **industry standard** service (GTV of JPY 9.2 trillion)
- ◆ **Approx. 30%** of grocery supermarkets nationwide use our system

Stable management

- ◆ Recurring revenues such as usage fees and information processing fees amount to **JPY 6.9 billion*!** (56.6% of total sales)
- Secured stable management based on recurring revenue

* FY12/22 results

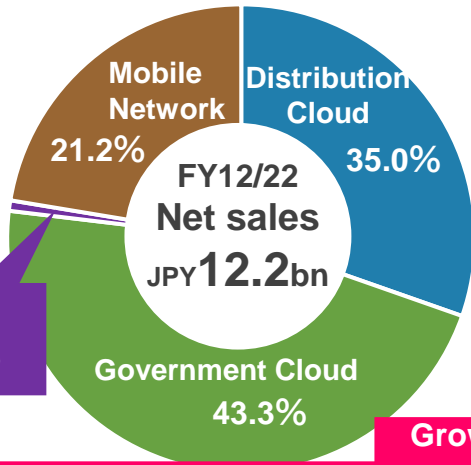


5. About CYBERLINKS Shared Cloud

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 Breakdown of Business (Consolidated)



Distribution Cloud
Sales: JPY4.2bn
Ordinary Profit: JPY0.81bn

Government Cloud
Sales: JPY5.2bn
Ordinary Profit: JPY0.71bn

Trust
Sales: JPY0.04bn
Ordinary Profit: JPY-0.23bn

Mobile Network
Sales: JPY2.5bn
Ordinary Profit: JPY0.16bn

Growth driver centered on Shared Cloud

Food Retailers

Processed food wholesalers

Overall food distribution industry

Specialty stores

Local government

Elementary and Junior high schools

Medical institutions

Private companies

Government Professionals Companies

Individuals Corporations

ERP system
Internet EDI for retailers
Shelf allocation system
Fresh Food EDI

Internet EDI for wholesalers

Inter-company Collaboration
Product Image Database

Sales Management System

Government information system
Local disaster prevention system

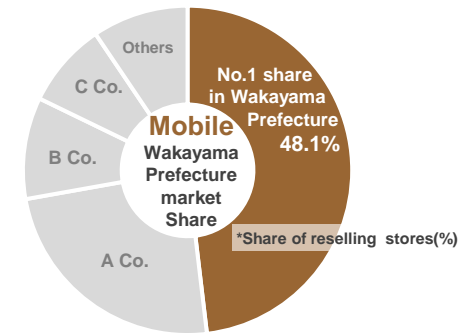
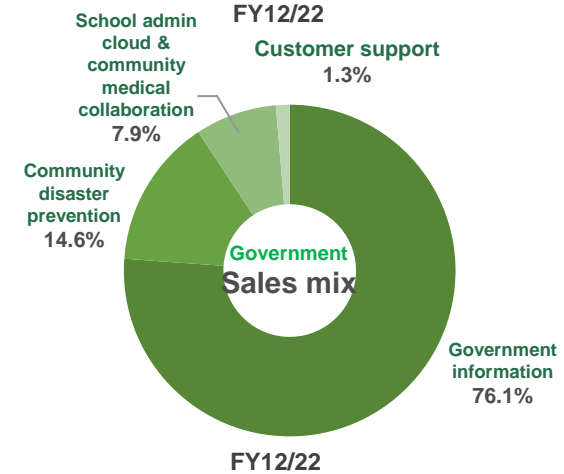
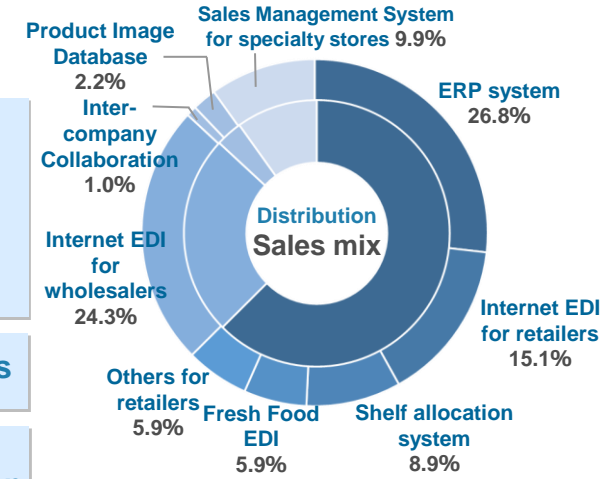
School administration cloud service

Community medical collaboration

Customer support services

Digital contract service
Digital certificate issuing service
Time Stamping





Mobile phone reselling business








*Since the number of stores has increased from December 2022, The results for the same month only are listed.

In 2005, we launched @rms ERP, Japan's first cloud retail ERP service, then gradually expanded our lineup of peripheral services

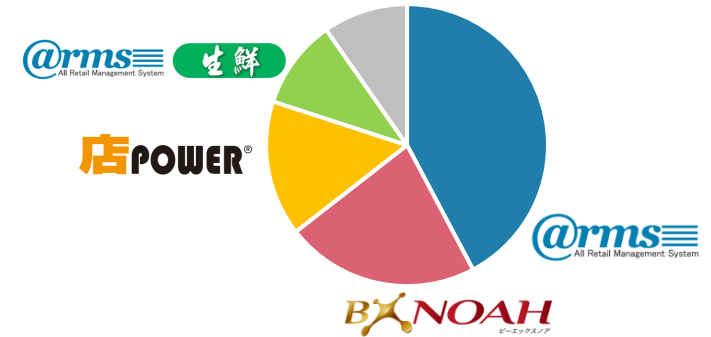
Key services for grocery supermarkets

Service	Description	Industry rank (* Based on our research)
ERP system 	Support overall core business operations such as ordering, purchasing, inventory, sales management, etc.	Cloud retail ERP system installations No.1
Internet EDI for Retailers 	Support electronic data interchange (EDI), including order placement and receipt	Internet EDI for Retailers No.1
Fresh Food Ordering System 	EDI service specializing in fresh food products. Supports business practices specific to fresh food, such as market fluctuations and market purchases.	Fresh Food Ordering System No.1
Shelf allocation system 	Supports merchandising optimization through shelf allocation management, work instructions, and analytics	Shelf allocation system No.1

Monthly fee structure by service (recurring revenue)

	Base fee + Per store charge
	Base fee + Per partner charge
 	Base fee + Per partner charge + Per store charge
	Per user ID charge

Food Retail Recurring Revenue by service (FY12/22)



*Standard billing structure.

Increase in **store count** = Increase in **recurring revenue**



Number of stores with @rms ERP installed*1

1,304 stores

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

See p28 for medium-term target

*1 Number of stores using @rms ERP (as of the end of 1Q FY12/23)

*2 Total stores in the market based on our estimates

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

JPY 9.2tn

out of JPY36tn (overall market)*2

As of the end of 1Q FY12/23



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

Also installed at **major manufacturers**

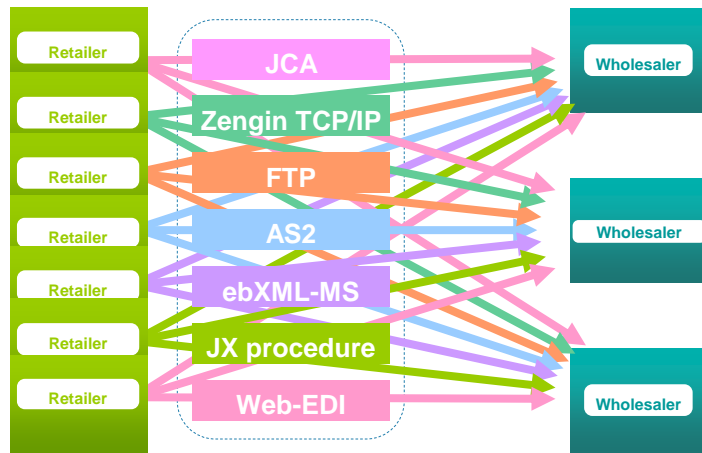
*1 The value of orders received and placed by customers using the Cloud EDI-Platform

*2 Overall market GTV figure is an internal estimate



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

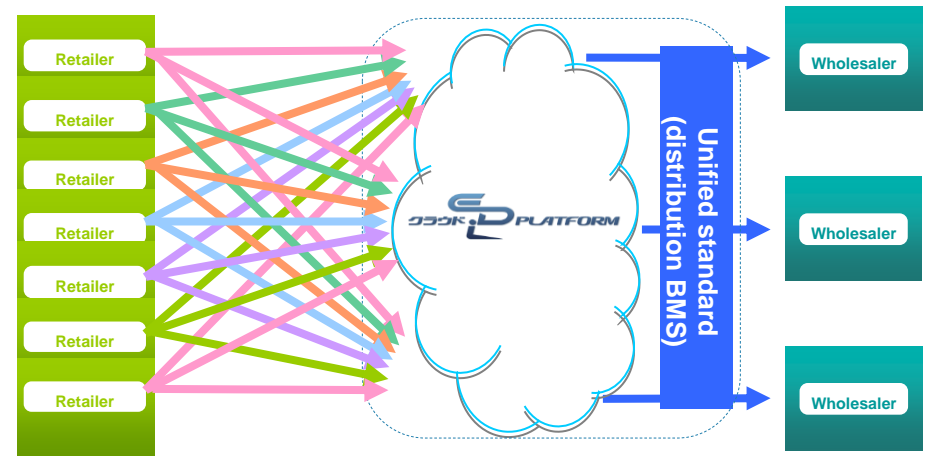
Order data received via a wide variety of communication methods



Consolidate network types and communication methods



Sent to wholesalers via an unified standard (distribution BMS)



5. About CYBERLINKS Key Services – Distribution Cloud(KPI)

(store)

Food Retail (@rms)	FY12/20 Results	FY12/22 Results	1Q FY12/23 Results	FY12/25 Targets
KPI: # of stores (Overall Market: 21,000 stores)	1,205	1,316	1,304 (-12%)	1,765

*Number of stores using @rms ERP

*Decrease due to store closures of user companies, etc.

(JPY trillion)

Processed Food Wholesale (EDI-Platform)	FY12/20 Results	FY12/22 Results	1Q FY12/23 Results	FY12/25 Targets
KPI: GTV (Overall Market: JPY 36 trillion)	8.7	9.2	9.2 (+0.0)	12.3

*Gross Transaction Value: The value of orders received and placed by customers using our services.

(ID)

Retailer/Wholesale /Manufacturing (C2Platform)	FY12/20 Results	FY12/22 Results	1Q FY12/23 Results	FY12/25 Targets
KPI: # of IDs (Overall Market: 220,000 ID)	0	90	95 (+5)	5,000

Retail

@rms ERP system

Wholesale

EDI-Platform
(Commercial Platform)

Manufacturing

C2Platform
(Negotiation Platform)

Government Cloud

Support local governments in keeping up with the rapid progress of digitization

Local government

Administrative information system (ERP and information systems)

- Local government information security cloud service
- information system (document management systems, etc.)
- 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

Largest NTT Docomo reseller in Wakayama Prefecture, operating approximately half of all Docomo Shops in the area



Iwade Store (largest store in Wakayama Prefecture)



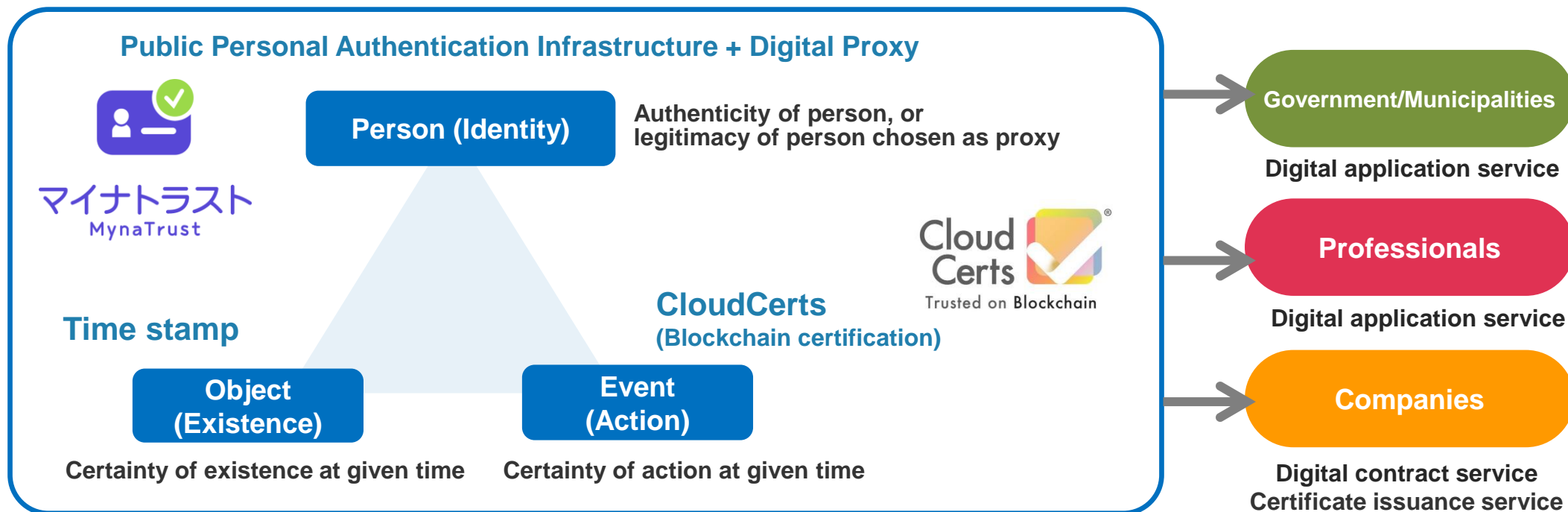
Central City Wakayama Store



Tanabe Store

5. About CYBERLINKS Key Services – 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)

5. About CYBERLINKS Additional content

Shared Research

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.

Medium-Term Management Plan (Feb.2023 Revised Version)

<https://youtu.be/9eDWomLI1BY>

TOEIC® Public Testing Program: blockchain adopted for digital certificates

<https://youtu.be/1dRgatbE3JQ>



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>

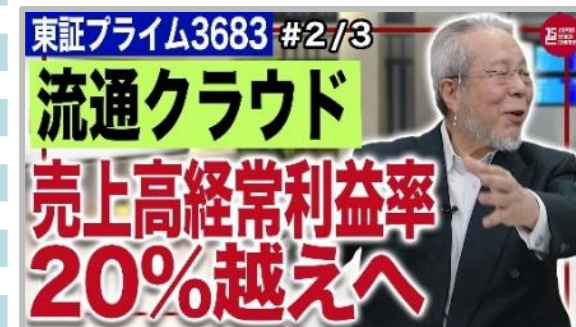
Video 2: Entering a phase of rapid growth! 20% ordinary profit margin rule!

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

*The video is based on the medium Term Management Plan before revision.



WiLL makes anything Everything starts with an idea



CYBERLINKS CO., LTD.

Corporate Planning Division

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

■ 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.

WiLL makes anything