

LINK Smart

Toward a shared, connected future

CYBERLINKS CO., LTD.

Financial Results for 3Q FY12/23

(January 1, 2023 – September 30, 2023)

November 14, 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".

1. Executive Summary

1. Executive Summary

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
- Achieved steady progress, reaching 73.3% of our full-year forecast

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.

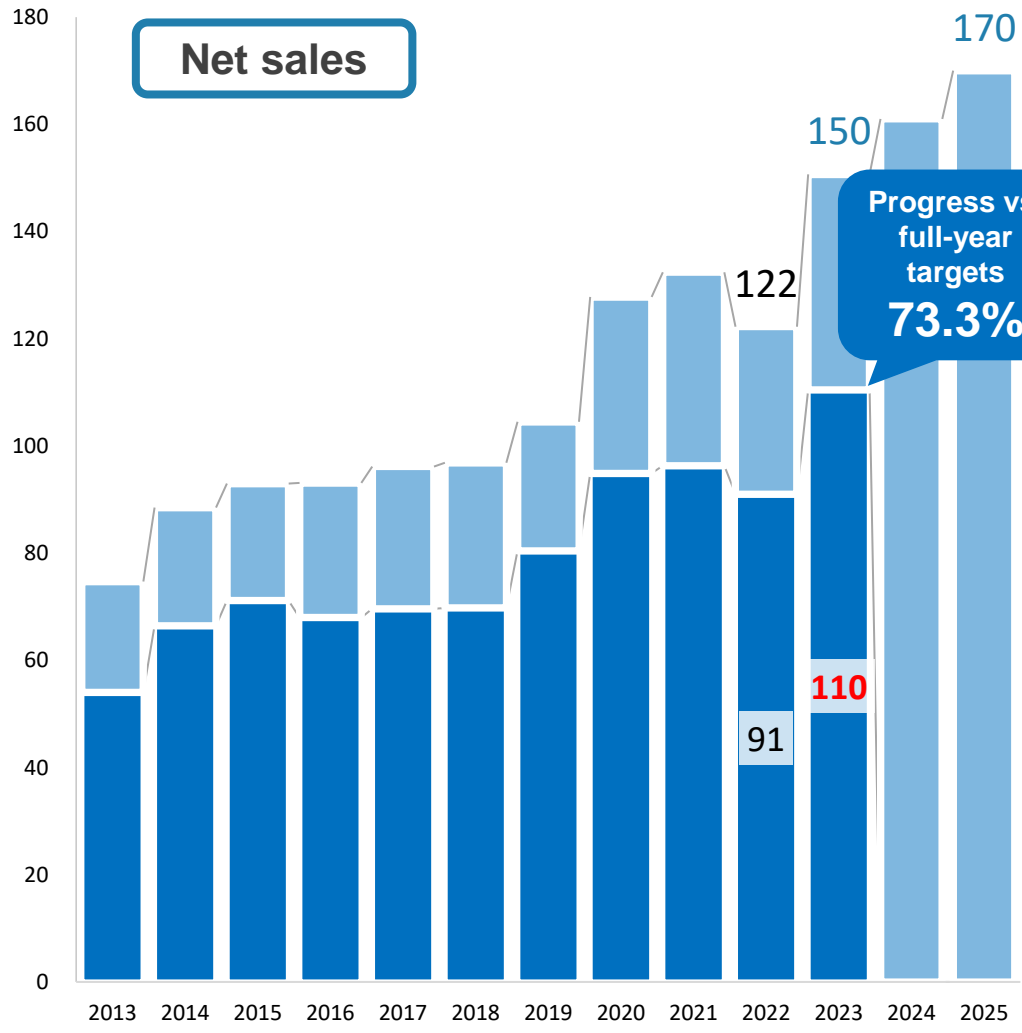
(100mn yen)	3Q FY12/23 results	3Q FY12/22 results	YoY		Full-year FY12/23 plan*	Progress vs. Plan
			Amount	%		%
Net sales	110	91	+19	21.4	150	73.3
Recurring revenue	57	51	+5	10.7	76	75.1
Ordinary profit	7.5	9.2	(1.6)	(17.9)	8.1	92.7
Ordinary profit margin	6.9%	10.1%	(3.3pt)		5.4%	—

Distribution	+1.2
Government	(1.6)
Trust	(0.0)
Mobile	(1.8)
Adjustments	+0.6

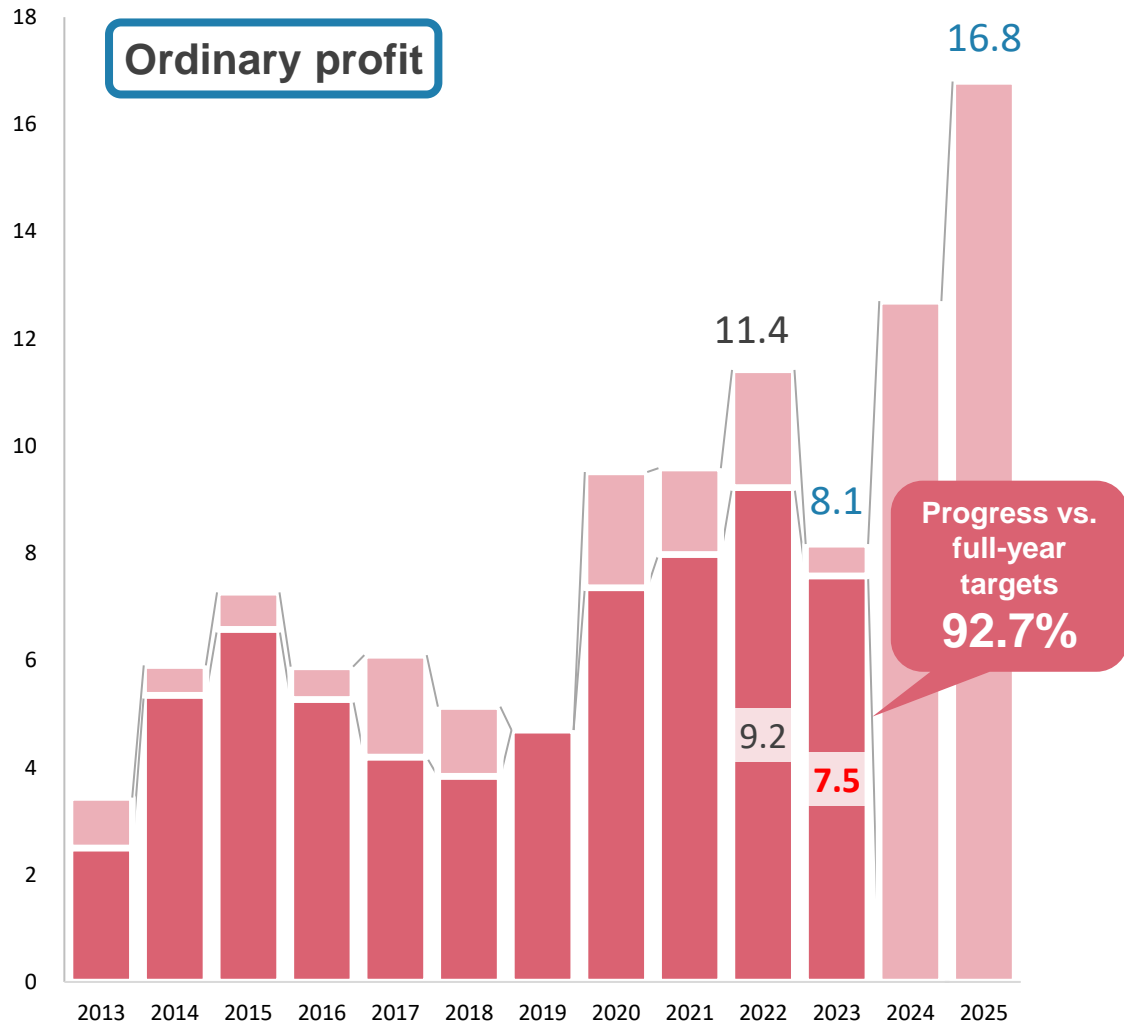
*Figures are based on the revised earnings forecast announced on May 15, 2023.

1. Executive Summary Net Sales & Ordinary Profit

(100mn yen)



(100mn yen)

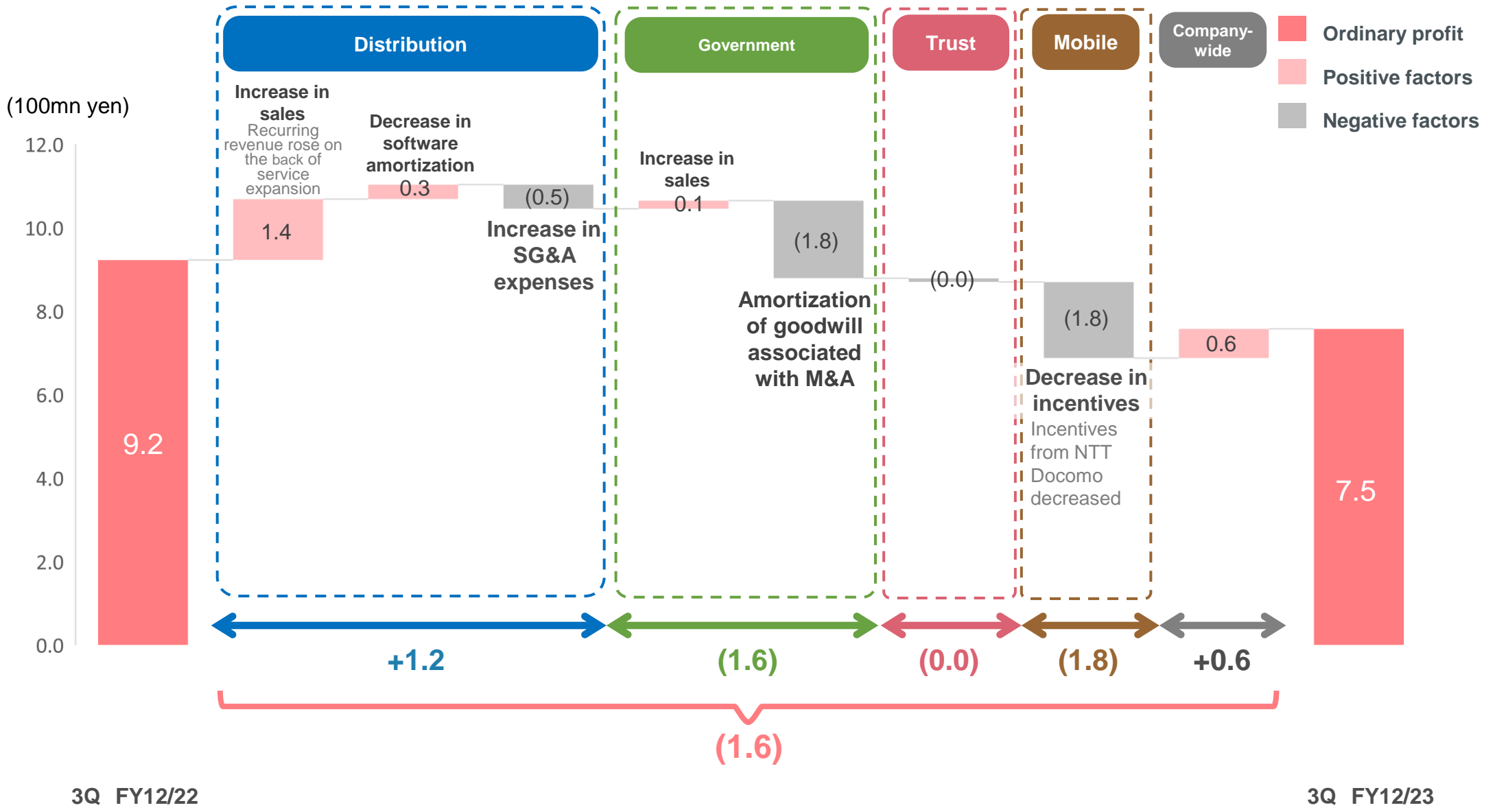


Note: The lower part of the stacked chart shows cumulative Q3 results, while the upper part shows full-year results minus cumulative Q3 results.
 *Figures for FY12/23 and for FY12/24 onward are projections.

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

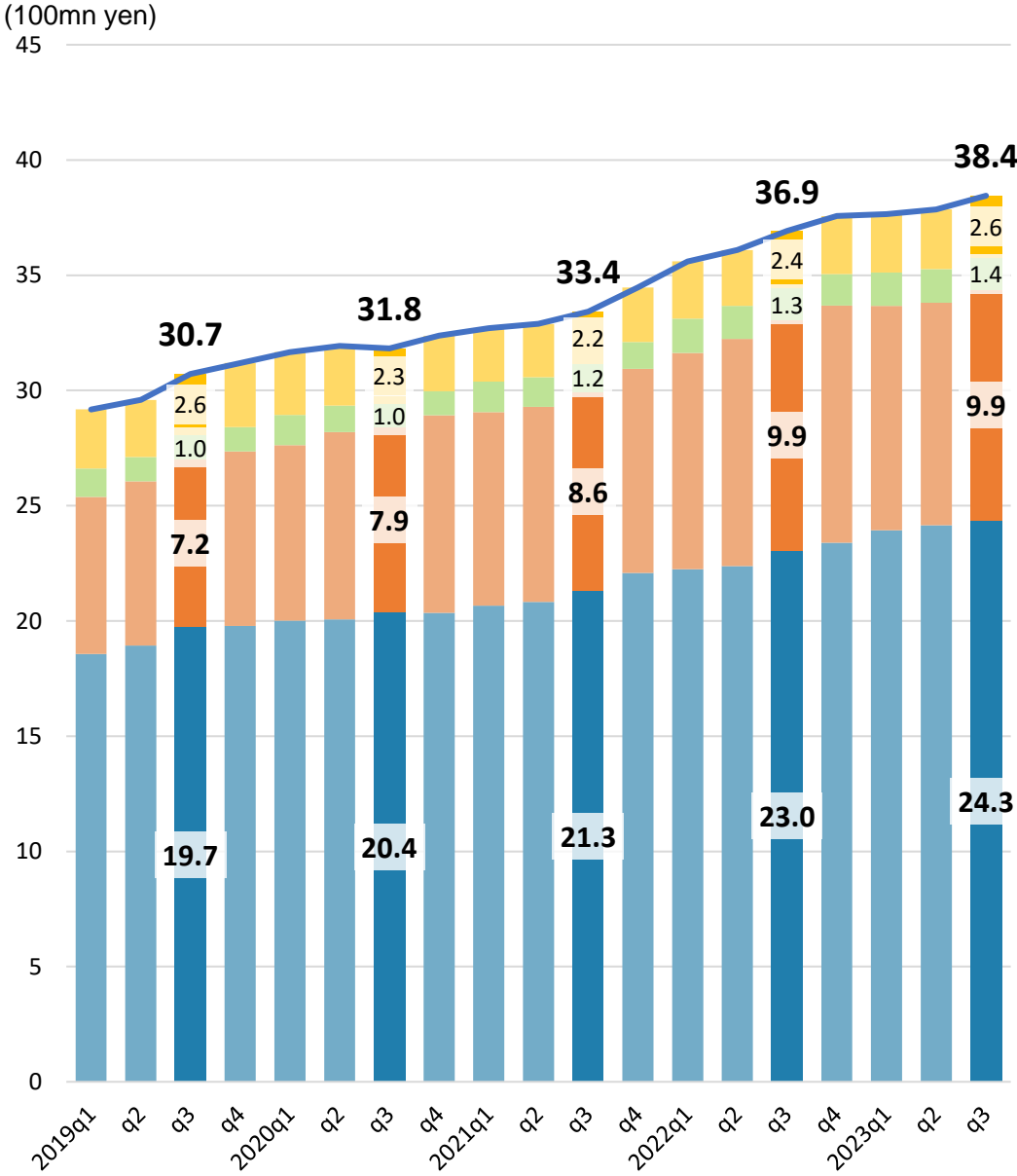
2. Consolidated 3Q FY12/23 Results & Full-Year FY12/23 Forecast: Factors affecting ordinary profit

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

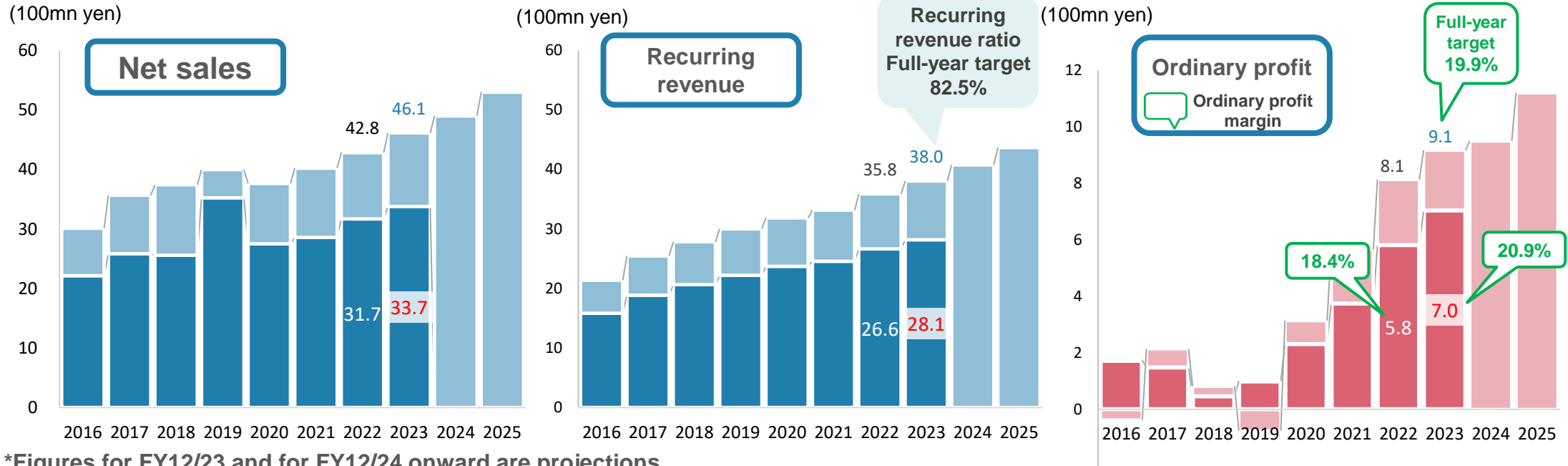


Achieved **solid annual expansion** of about **JPY 200 million** thanks primarily to **growth in services for food retailers**, including **@rms ERP**

<p>Services for Food Retailers Wholesalers</p> <p>YoY +1.3</p>	<p>Services for Processed Food Wholesalers</p> <p>YoY +0.0</p>
<p>Services for the Overall Food Distribution Industry</p> <p>YoY +0.1</p>	<p>Services for Specialty Stores</p> <p>YoY +0.2</p>

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

2. Consolidated 3Q FY12/23 Results & Full-Year FY12/23 Forecast: Distribution Cloud



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

3Q FY12/23 Results

Higher sales and profits fueled by steady increase in recurring revenue
Achieved an ordinary profit margin of 20.9%

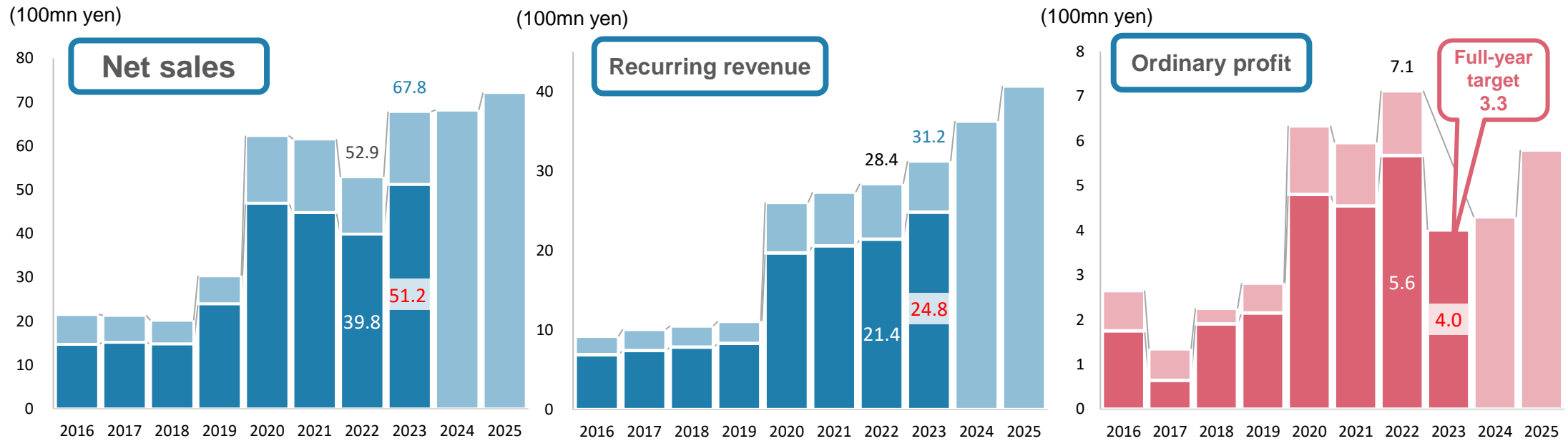
- ◆ Recurring revenue rose on expansion of shared cloud service offerings such as retail EDI service BXNOAH
- ◆ Resumed proposal activities targeting medium- to large-sized clients of our core @rms ERP service and secured orders
- ◆ Launched the C2Platform business negotiation support service for major food retailers

Full-Year FY12/23 Forecast

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

- ◆ Continued to refine @rms ERP functionality to strengthen its product appeal; pushed forward with efforts targeting further order acquisition
- ◆ Launched EDI platform services for the Shared EDI Platform established by the Japan Processed Foods Wholesalers Association

2. Consolidated 3Q FY12/23 Results & Full-Year FY12/23 Forecast: Government Cloud



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

3Q 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 180 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).

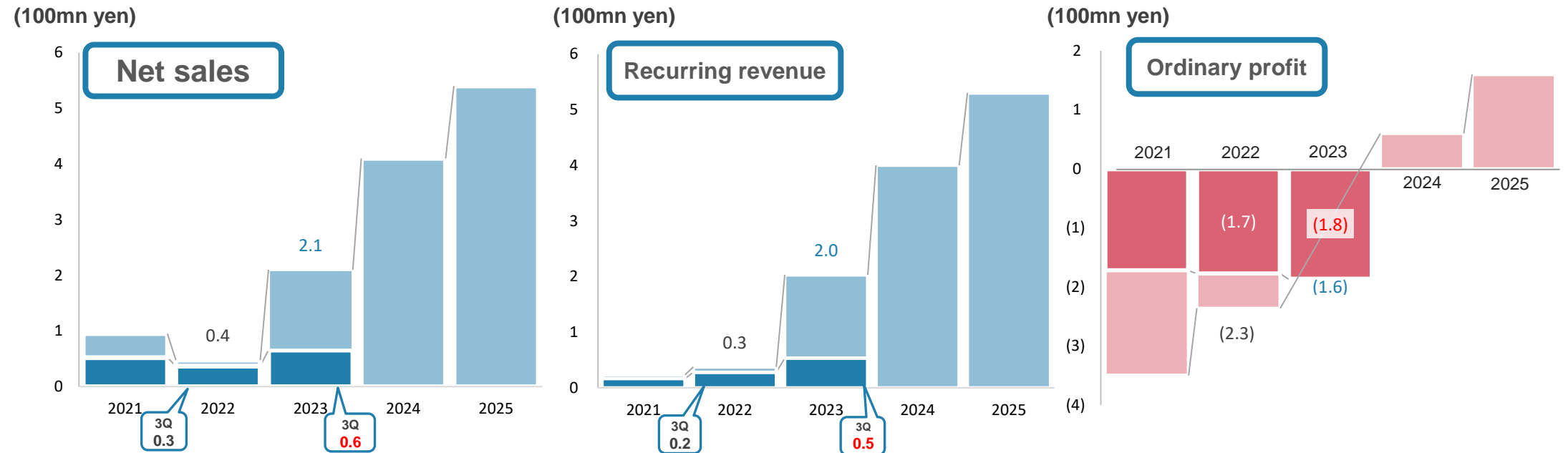
Full-Year FY12/23 Forecast

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-3Q, 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 3Q FY12/23 Results & Full-Year FY12/23 Forecast: Trust



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

3Q FY12/23 Results

CloudCerts major project launches

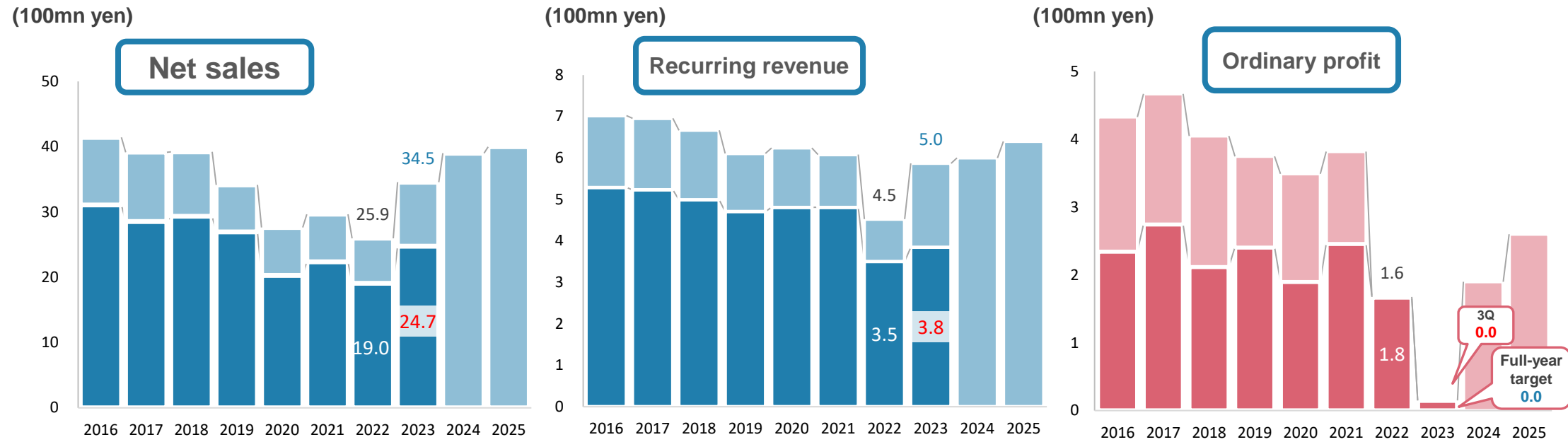
- ◆ Launched the CloudCerts digital certificate issuing service for the TOEIC® Program in May
- ◆ Capital investment for time stamp services (¥30 million).
- ◆ Released the Sum Paulo digital signature service for judicial scriveners in August (Developed through collaboration with SumPaulonia Inc.)

Full-Year FY12/23 Forecast

Final preparations for the release of our digital contract service underway as we aim to transition toward the investment recovery phase

- ◆ Scheduled to release a digital contract service targeting the real estate industry
- ◆ Proceeded with exhibitions at trade shows and other measures targeting expansion of CloudCerts and other existing services (Exhibited at the Blockchain EXPO held in October)

2. Consolidated 3Q FY12/23 Results & Full-Year FY12/23 Forecast: Mobile Network



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

3Q 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. About CYBERLINKS

3. 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



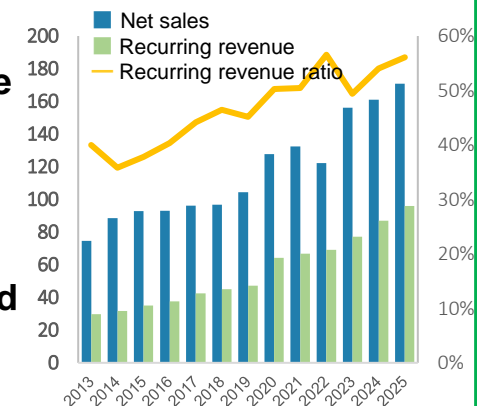
- ◆ Our EDI service for food wholesalers is the de facto **industry standard** service (GTV of JPY 9.4 trillion)
- ◆ **Approx. 30%** of grocery supermarkets nationwide use our system

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

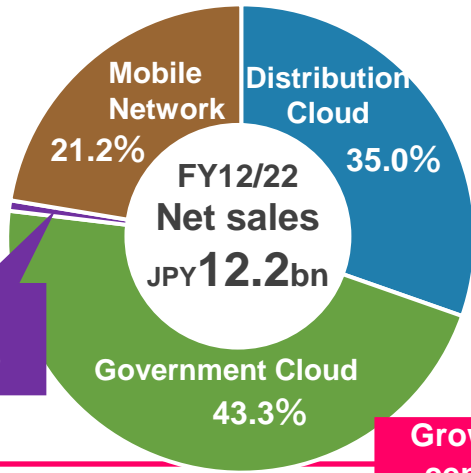


3. About CYBERLINKS Shared Cloud

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!

3. 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

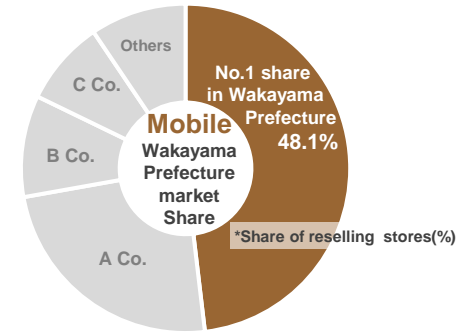
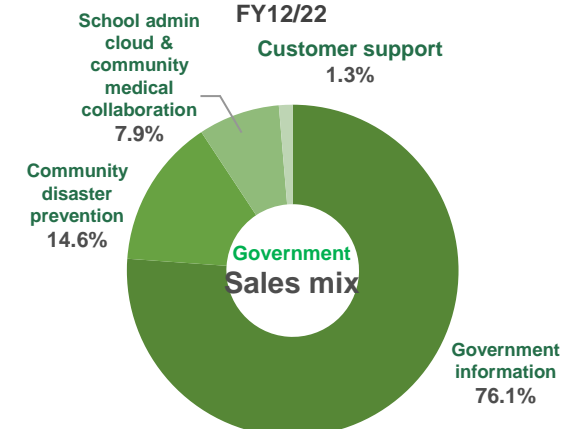
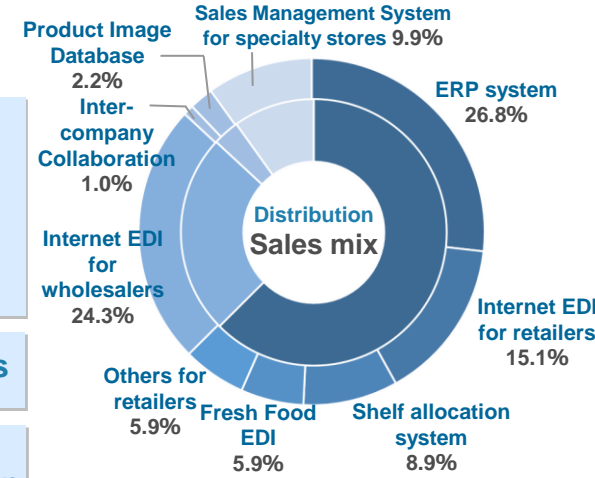
School administration cloud service

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

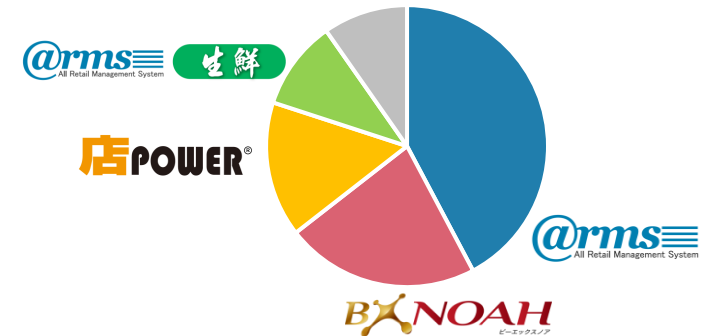
Key services for grocery supermarkets

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

1,307 stores

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

See p25 for medium-term target

*1 Number of stores using @rms ERP (as of the end of 3Q FY12/23)

*2 Total stores in the market based on our estimates

3. 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

JPY9.4tn



out of JPY36tn (overall market)*2
As of end 3Q FY12/23

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

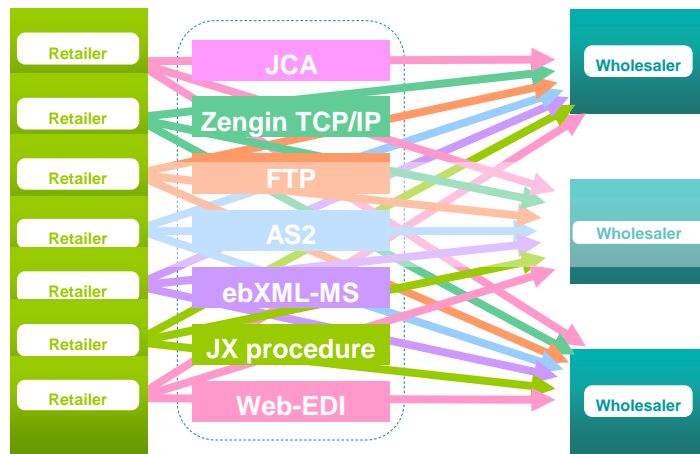
Also installed at **major manufacturers**

*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)

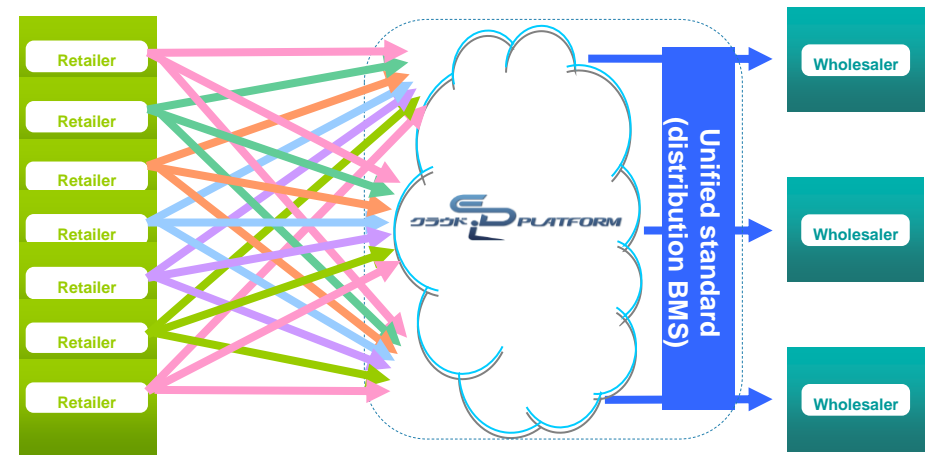
Order data received via a wide variety of communication methods



Consolidate network types and communication methods



Sent to wholesalers via an unified standard (distribution BMS)



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

(store)

Food Retail (@rms)	FY12/20 Results	2Q FY12/23 Results	3Q FY12/23 Results	FY12/25 Targets
KPI: # of stores (Overall Market: 21,000 stores)	1,205	1,311	1,307 (-4)	1,765

*Number of stores using @rms ERP

(JPY trillion)

Processed Food Wholesale (EDI-Platform)	FY12/20 Results	2Q FY12/23 Results	3Q FY12/23 Results	FY12/25 Targets
KPI: GTV (Overall Market: JPY 36 trillion)	8.7	9.3	9.4 (+0.1)	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	2Q FY12/23 Results	3Q FY12/23 Results	FY12/25 Targets
KPI: # of IDs (Overall Market: 220,000 ID)	0	93	152 (+59)	5,000

Retail

@rms ERP system

Wholesale

EDI-Platform
(Commercial Platform)

Manufacturing

C2Platform
(Negotiation Platform)

3. About CYBERLINKS Key Services – Government Cloud, Mobile Network

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)



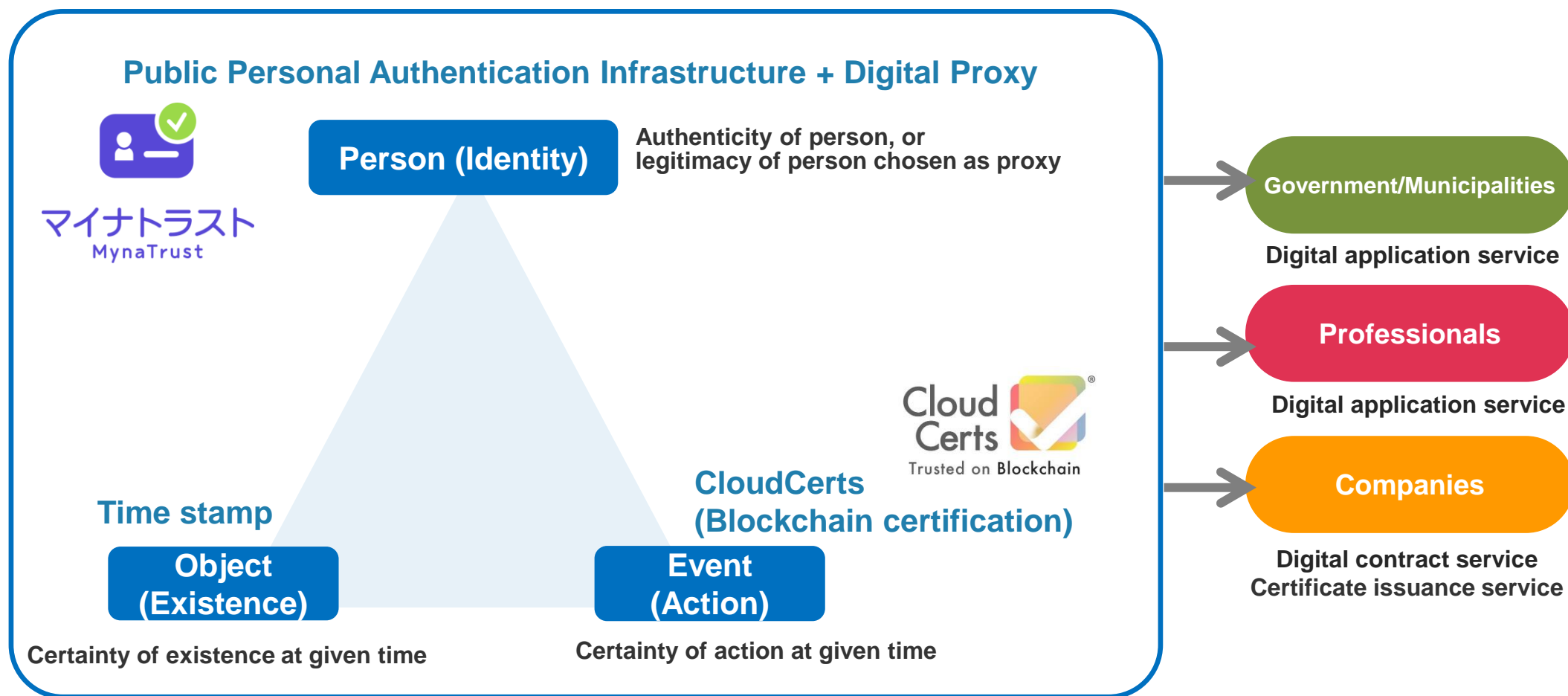
Central City Wakayama Store



Tanabe Store

3. 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).



3. 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>

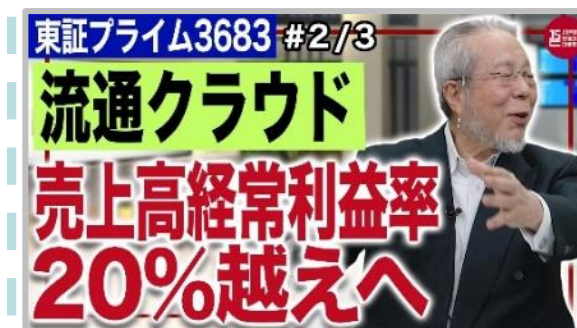
Video 2: Entering a phase of rapid growth! 20% ordinary profit margin rule!

<https://youtu.be/eLaCAJj-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.



Supplementary Materials

Supplementary Materials Consolidated 3Q FY12/23 Results: Consolidated Income Statement

(millions of yen)

	3Q FY12/22 (Actual)	3Q FY12/23 (Actual)	YoY Change (%)	FY12/23 (Plan)	Progress vs. Plan (%)
Net sales	9,101	11,046	21.4%	15,065	73.3%
Distribution Cloud	3,171	3,377	6.5%	4,612	73.2%
Government Cloud	3,986	5,125	28.6%	6,787	75.5%
Trust	36	65	79.0%	210	31.3%
Mobile Network	1,906	2,477	29.9%	3,456	71.7%
Recurring revenue	5,187	5,740	10.7%	7,639	75.1%
Distribution Cloud	2,663	2,817	5.8%	3,803	74.1%
Government Cloud	2,145	2,484	15.8%	3,126	79.5%
Trust	28	53	90.4%	203	26.3%
Mobile Network	350	384	9.7%	507	75.8%
Operating profit	912	732	(19.7%)	822	89.2%
Ordinary profit	922	757	(17.9%)	817	92.7%
Distribution Cloud	582	705	21.1%	917	76.9%
Government Cloud	567	401	(29.3%)	338	118.7%
Trust	(177)	(186)	—	(166)	—
Mobile Network	184	2	(98.7%)	1	245.3%
Adjustments	(234)	(164)	—	(273)	—
Profit attributable to owners of parent	600	228	(62.0%)	279	81.8%
EPS	JPY58.01	JPY20.48	—	JPY25.07	—

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

Supplementary Materials Consolidated 3Q FY12/23 Results: Consolidated Balance Sheet

(millions of yen)

		End-Dec. 2022		End-Sep. 2023			Factors behind changes
		Amount	Composition	Amount	Composition	Change	
Assets	Current Assets	6,176	48.5%	5,651	45.7%	(524)	Notes and accounts receivable - trade, and contract assets increased
	Non-current Assets	6,570	51.5%	6,724	54.3%	153	Increases in software in progress and software
	Total Assets	12,746	100.0%	12,376	100.0%	(370)	
Liabilities & Net Assets	Current Liabilities	2,855	22.4%	2,725	22.0%	(129)	Decrease in accounts payable-trade
	Non-current Liabilities	2,789	21.9%	2,441	19.7%	(347)	Decrease in long-term borrowings due to repayment
	Total Liabilities	5,644	44.3%	5,167	41.8%	(477)	
	Total Net Assets	7,101	55.7%	7,208	58.2%	107	Increase in retained earnings due to accumulation of profit
	Total Liabilities & Net Assets	12,746	100.0%	12,376	100.0%	(370)	

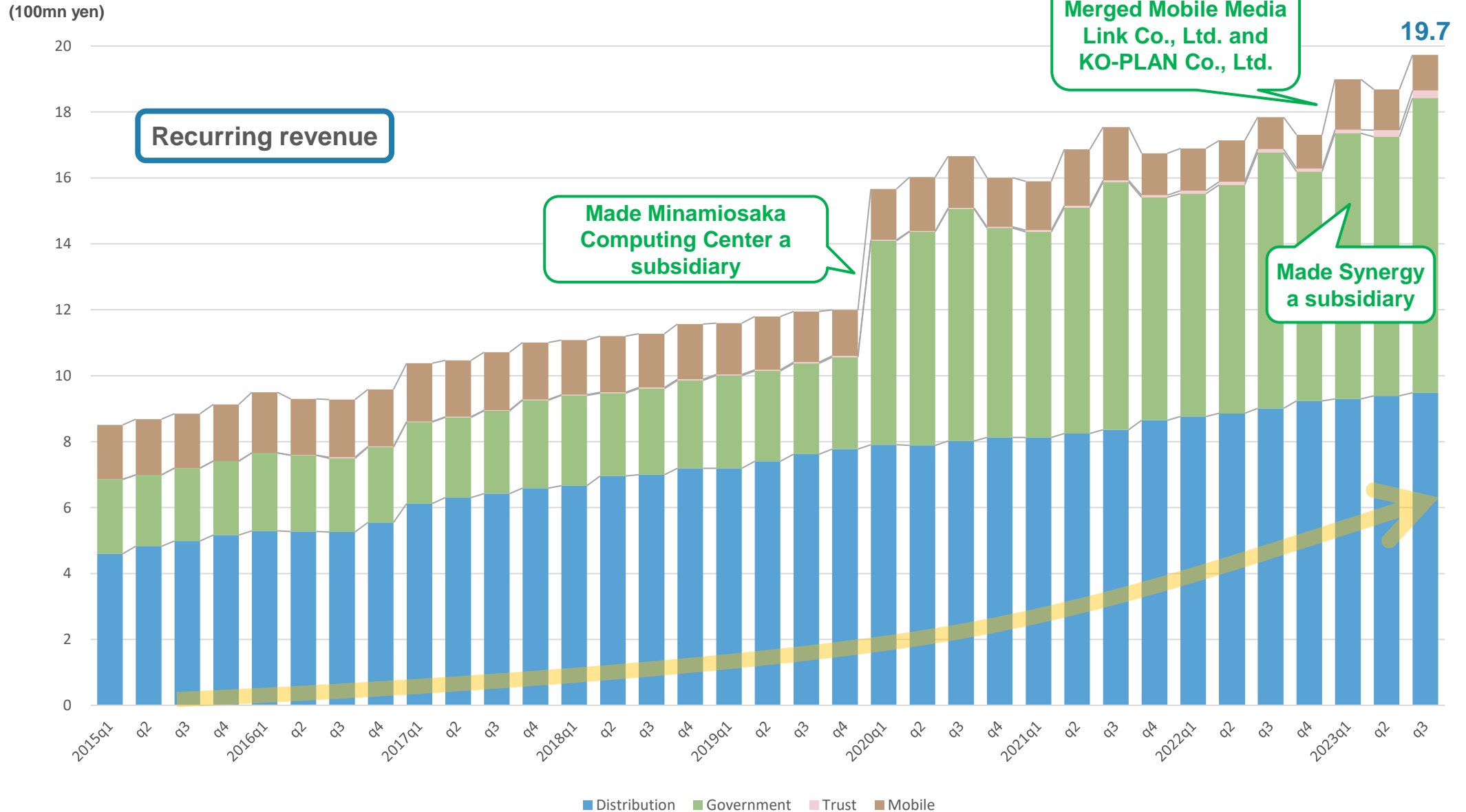
Supplementary Materials Full-Year Consolidated FY12/23 Earnings Forecast: Consolidated Income Statement

(millions of yen)

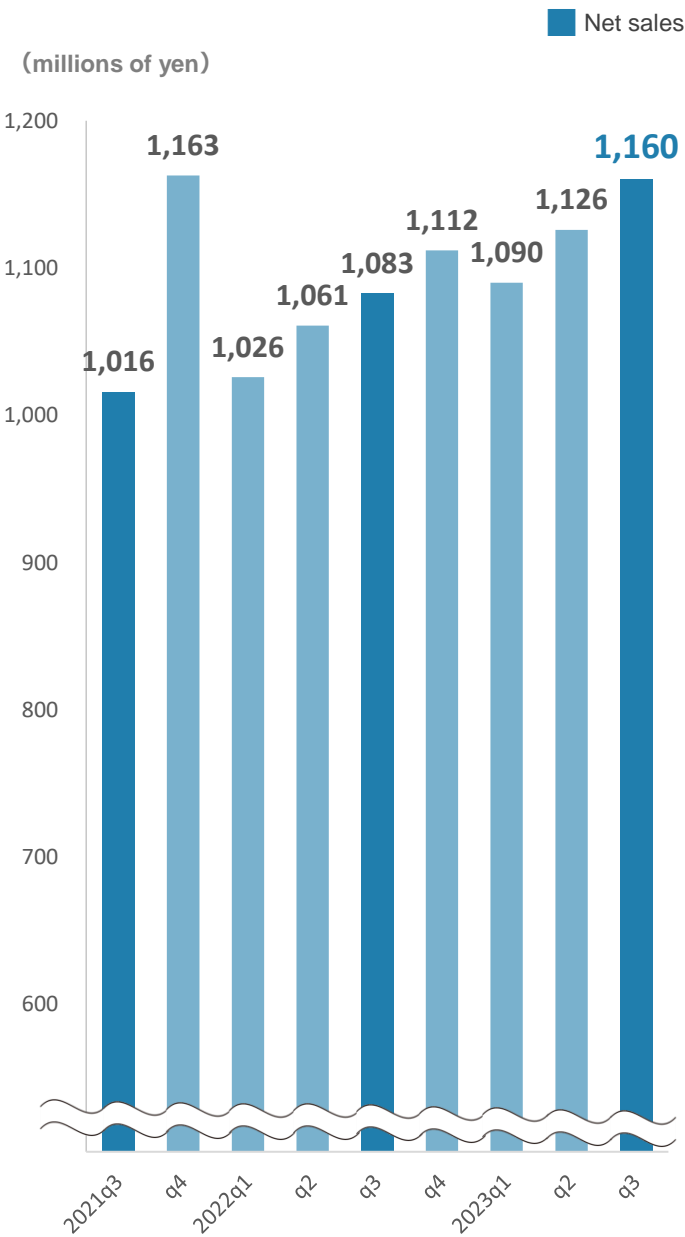
	FY12/22 (Cons. Actual)	FY12/23 (Forecast) (※)	YoY Change (%)
Net sales	12,225	15,065	23.2%
Distribution Cloud	4,284	4,612	7.7%
Government Cloud	5,296	6,787	28.1%
Trust	47	210	341.1%
Mobile Network	2,596	3,456	33.1%
Recurring revenue	6,917	7,639	10.4%
Distribution Cloud	3,587	3,803	6.0%
Government Cloud	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.

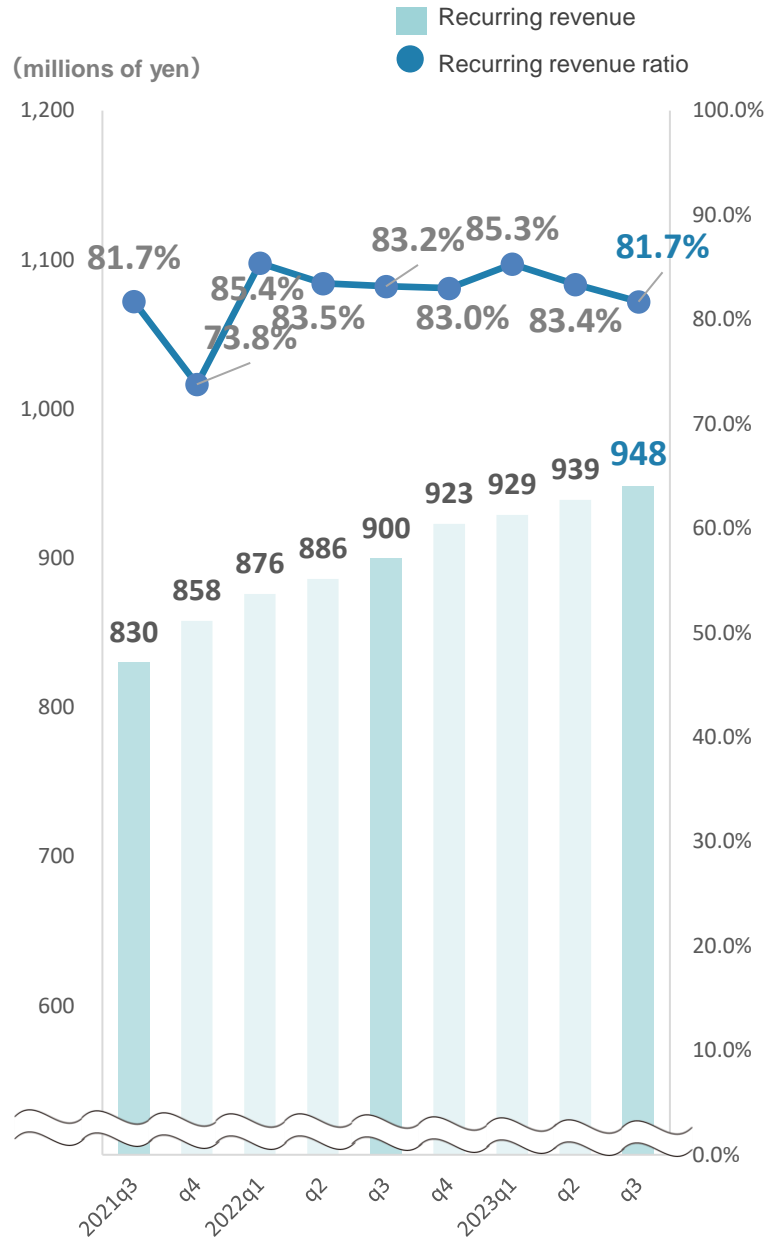
Growth continued to be driven by the Distribution Cloud business



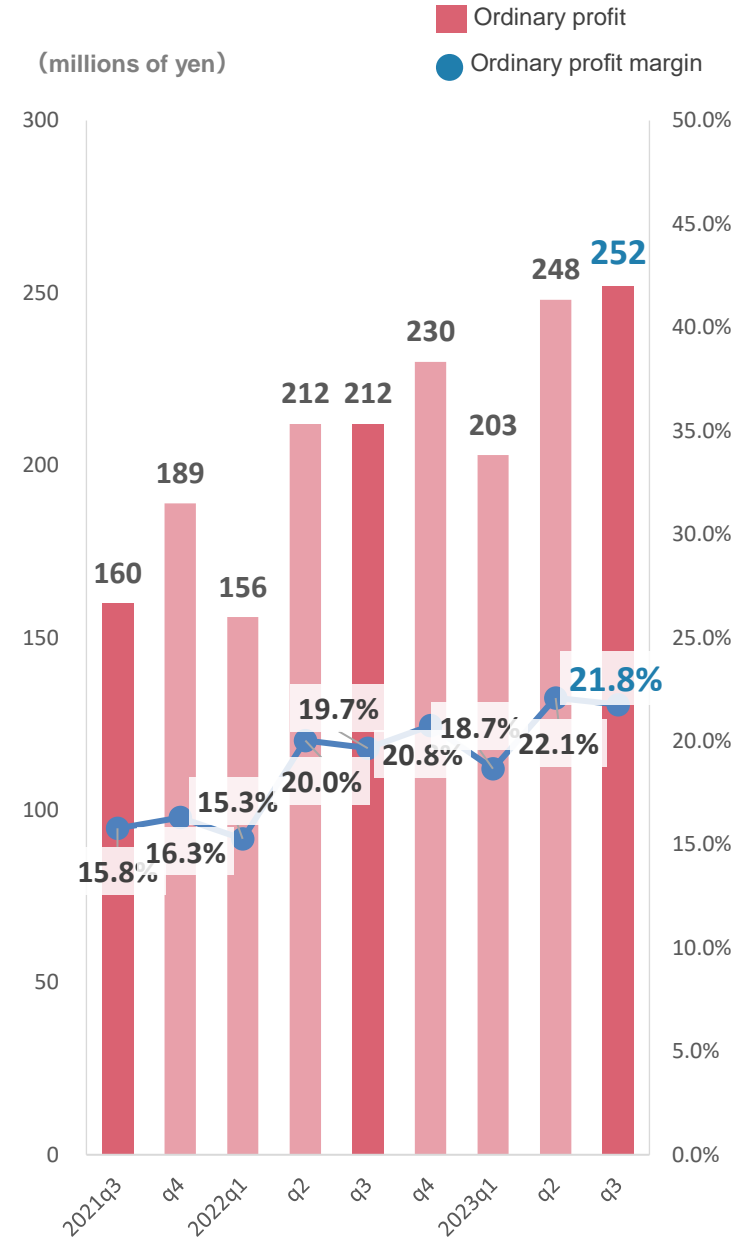
Net sales



Recurring revenue



Ordinary profit



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.