



FY2018 Q1

Financial Results Briefing Document

2018/5/15

V-cube, Inc.

- 1. FY2018 Q1 Results**
- 2. Market position and Revenue driver**
- 3. FY2018 Initiatives to Management issues**

1. FY2018 Q1 Results

1. FY2018 Q1 Results <Consolidated P/L>



Structural reforms completed in 2017. Operating income turned profitable with fixed cost reductions and sales increase (operating loss on a plan)

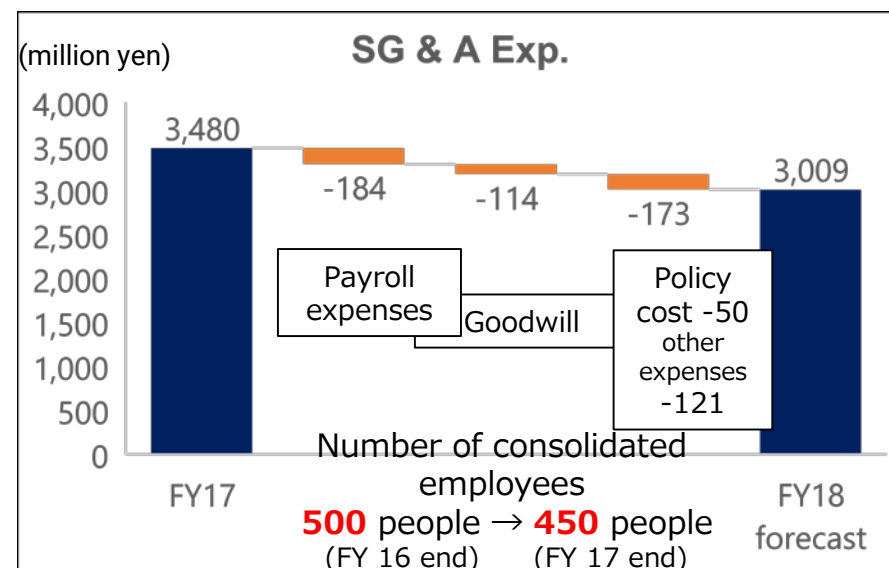
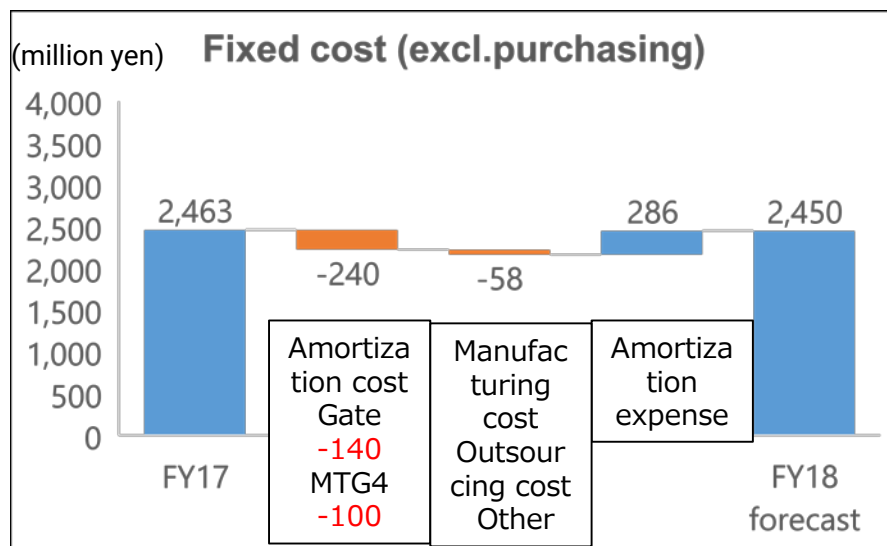
Gross profit increased, due to the increase in sales and fixed costs leveled off.
Operating income is improved with a decrease in SG &A expenses by structural reforms.
There is a foreign currency translation loss on the assets related to overseas subsidiary.
(Sensitivity later 2Q : 1Yen/US\$ fluctuation affect on these assets by about \pm 10.7Million yen)

(Million yen)

| | FY2017 | | FY2018 | | | |
|------------------|-----------|---|-----------|--------------------|---|---|
| | 1Q Actual | First half results | 1Q Actual | Contrast last year | First half forecast | Full year forecast |
| Sales | 1,469 | 3,067 (47.8%) | 1,728 | 117% | 3,231 (53.4%) | 7,101 (24.3%) |
| Cost of Sales | 836 | 1,675 | 966 | 115% | 1,659 | 3,703 |
| Gross profit | 632 | 1,391 | 762 | 120% | 1,571 | 3,397 |
| SG & A exp. | 899 | 1,819 | 747 | 83% | 1,526 | 3,009 |
| Operating income | △267 | △427 | 14 | Profitable | 45 | 387 |
| Ordinary income | △278 | △420 | △66 | Reduced loss | 24 | 347 |
| Net income | △269 | △837 | △105 | Reduced loss | △49 | 158 |

FY17 Measures for structural reforms (reduction of fixed costs)

- ① Cost reduction
- ② Reduction of SG & A expenses
- ③ Abolition of unprofitable offices
- ④ Absorption merger with Pioneer VC
- ⑤ Sales and restructuring of overseas subsidiaries (China, Malaysia, Singapore)
- ⑥ Sale of software asset (V-CUBE Gate)



1. FY2018 Q1 Results < Operating Income >

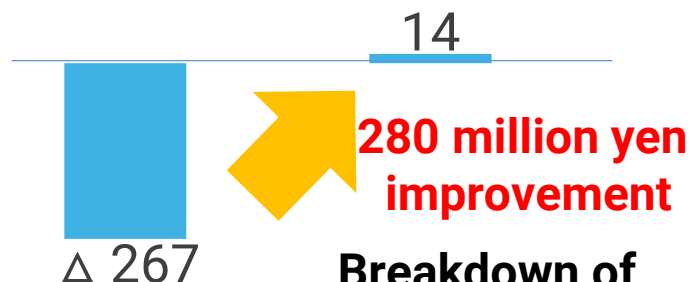


FY18 Operating income is significantly improved over the previous year due to the increase in gross profit and lower SG & A expense.

1Q Operating income (Million yen)

FY17/1Q

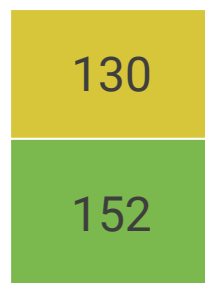
FY18/1Q



Breakdown of improvement

Gross profit increase effect **+130 million yen**
(Above assumption)

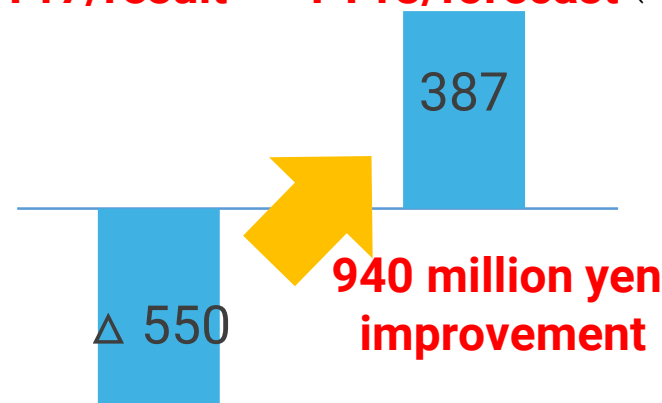
Cost reduction effect of SG & A exp. **+150 million yen**
(As expected)



Operating income for the full year

FY17/result

FY18/forecast (Million yen)



Breakdown of improvement

(1Q Progress Rate:30%)

After 2Q

130
152

Gross profit increase effect **+470 million yen**

Reduction effect of SG & A exp. **+470 million yen**

1. FY2018 Q1 Results <Net Sales by Business Model and Region> V-CUBE

QoQ explanation

- **Cloud** The spread of the work-style change has remained stable. Increased in domestic pharmaceutical companies and online explanation of important items in real estate lease contract.
- **On-premise** Expansion of the QUMU and sale in the Chinese public sector.
- **Appliance** Smart board deals which usually earn less in 1Q. (Million yen)

| 1Q Actual | Cloud | | On-premise | | Appliance | | Other | | Total | |
|------------|-------|-------|------------|------|-----------|------|-------|------|-------|-------|
| | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 |
| Japan | 845 | 931 | 97 | 112 | 147 | 278 | 113 | 100 | 1,204 | 1,422 |
| Overseas | 251 | 261 | 0 | 31 | 0 | 0 | 12 | 11 | 264 | 305 |
| (China) | 3 | 0 | - | 31 | - | - | 0 | - | 3 | 31 |
| (Wizlearn) | 221 | 233 | - | - | - | - | 9 | 9 | 230 | 243 |
| Total | 1,096 | 1,192 | 98 | 144 | 148 | 278 | 126 | 112 | 1,469 | 1,728 |

1. FY2018 Q1 Results <Net Sales by Business Model and Region> V-CUBE

Rate of progress for full-year forecast

- **Cloud**

Overall as planned. Delay in restarting service for China's automakers (Q2).

- **On-premise and Appliance**

Showed stable performance in 1Q and progress rate is better than assumption. (Million yen)

| 1Q Actual v.s. Full year forecast | Cloud | | On-premise | | Appliance | | Other | | Total | |
|--|-------|---------------|------------|---------------|-----------|---------------|-------|---------------|-------|---------------|
| | 1Q | Progress Rate | 1Q | Progress Rate | 1Q | Progress Rate | 1Q | Progress Rate | 1Q | Progress Rate |
| Japan | 931 | 23.3% | 112 | 23.1% | 278 | 32.3% | 100 | 26.4% | 1,422 | 24.8% |
| Overseas | 261 | 22.2% | 31 | 20.9% | 0 | -% | 11 | 29.8% | 305 | 22.3% |
| (China) | 0 | 0.0% | 31 | 33.7% | - | - | - | - | 31 | 16.2% |
| (Wizlearn) | 233 | 25.5% | - | - | - | - | 9 | 25.7% | 243 | 25.5% |
| Total | 1,192 | 23.0% | 144 | 22.6% | 278 | 32.3% | 112 | 26.7% | 1,728 | 24.3% |

1. FY2018 Q1 Results <Consolidated B/S>



Cash and deposits

1Q repayment of short-term borrowings and the payment of working capital were concentrated

Expected to increase due to a collection of accounts receivable in 2Q. (Million yen)

| | December 31, 2017 | March 31, 2018 | Change |
|--|-----------------------------|-----------------------------|------------------------|
| Current Asset (Cash & Deposit) | 5,212 (3,384) | 4,321 (2,484) | △890 (△899) |
| Non-current Asset (Software) (Goodwill) | 5,878 (2,786) (1,263) | 5,721 (2,787) (1,199) | △157 (+ 0) (△63) |
| Total Asset | 11,091 | 10,042 | △1,048 |
| Current Liabilities (Short-term loans, current portion of long-term debt) | 4,289 (2,334) | 3,514 (2,049) | △775 (△285) |
| Non-current Liabilities (Long-term debt) | 2,587 (2,553) | 2,504 (2,470) | △83 (△82) |
| Net Asset | 4,213 | 4,024 | △188 |

2. Market position and Revenue driver

2. Market position and Revenue driver



Market position and direction of V-cube

**While fighting in Red Ocean's Web conference market,
Heading to the Blue Ocean with a unique solution proposal**

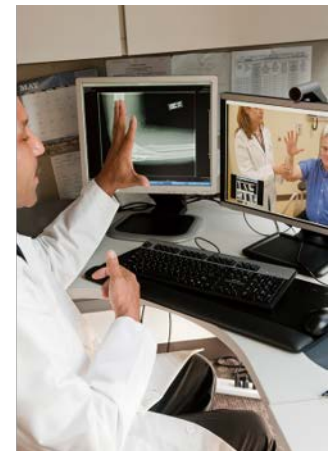
Domestic share No. 1

**Web Conferencing Market
(Large market and
competition intensified)**



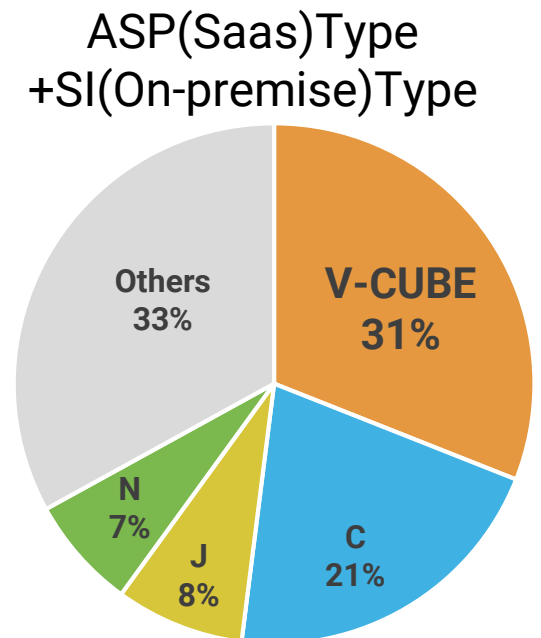
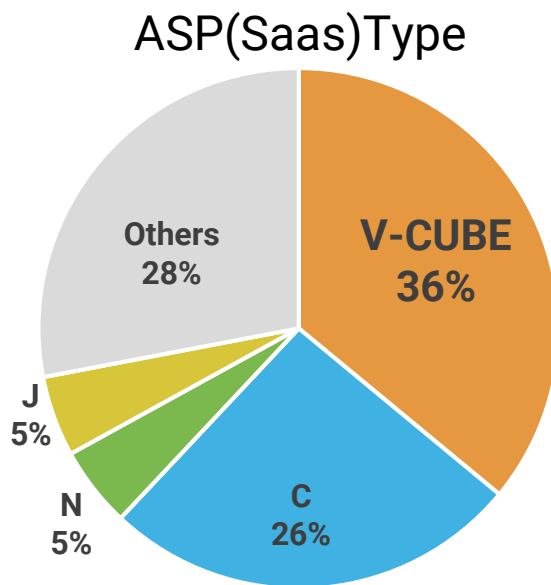
**Differentiation by Telecube and proposing
use scenes other than meeting**

**A unique solution
Realizing the solution to social issues
(Small market, small competition)**



2. Market position and Revenue driver

No. 1 in 11 consecutive years



Source: Seed Planning, Inc.' 2018 Video ConferencingWebCurrent market and video cloud communication in the Conference』

2. Initiatives to social issues (SDGs)

V-cube to solve social issues in business



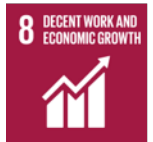
Through visual communication, everyone acquires access to society such as education, employment, medical treatment. Promote different ways of working according to individual circumstances and continue career without gender and regional disparity, prevent poverty



Construct a mechanism to realize remote communication between patients and doctors, Contributing to protecting maternal body in perinatal period in remote islands, promoting healthy life span



While school consolidation is progressing due to declining birthrate, mitigate regional disparity in school teacher securing and educational opportunities , and also contribute to teacher's work-style change by distance class



Contributing to realizing a society that is easy to work and live by reducing the burden of mobility. You can convene a meeting without coming to the office in case of a disaster and discuss measures. In addition, we can grasp the damage situation using the drone remotely, convey emergency medical products



Contributing to reduction of CO2 accompanying movement by reducing unnecessary urgent mobility



Expanding deployment of TELECUBE with open innovation through consortium. In addition, focusing on specialty fields, expand cooperation with other services

2. Market position and Revenue driver



Topics - Remote Medical Care

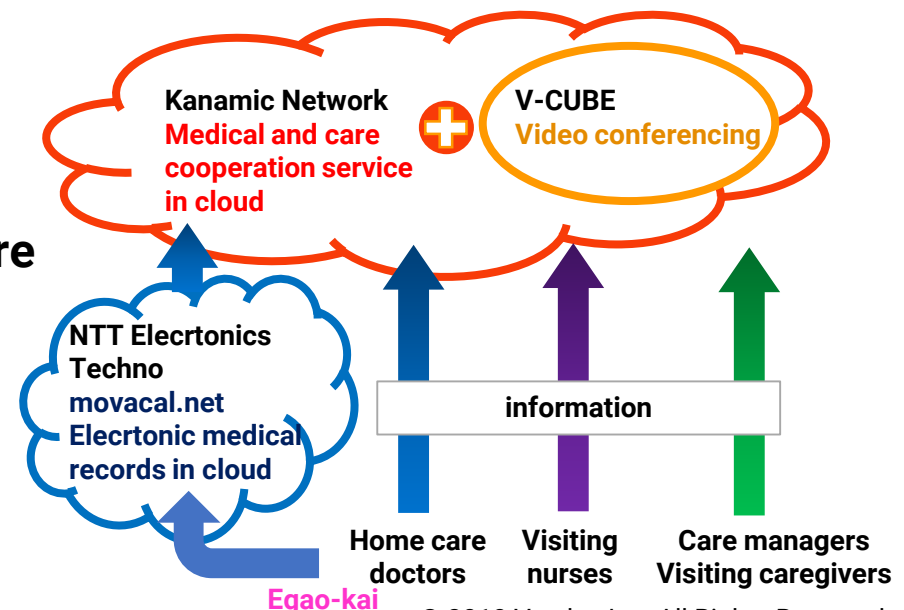
V-cube aim to realize multi-occupational collaboration in the elderly at home care

Participated in a research project to build a comprehensive community care system

- Partner companies : Kanamic Network Co., LTD, Medical Corporation Egao-kai, Next Wellness International, NTT Electronics Techno Corporation
- V-cube Group provides built-in video conferencing platform

Social values

realized by the spread of remote medical care



2. Market position and Revenue driver



Topics - Securing and nurturing human resources of RPA

V-cube participates in the Women's project which rearises an environmental improvement of women's diverse working styles and aim to foster and utilize human resources of RPA

*** RPA (Robotics Process Automation, Digital Labor promotes the automation of white-collar business**

It is a focus field, however, necessary to secure and foster human resources

**Partner Companies : RPA Technologies Inc. (Domestic RPA Market No. 1),
MAIA Co.,Ltd.(RPA Education and field support of HR), Waris Co., Ltd.(Support for reinstatement of women)**

V-cube Group provide V-CUBE learning

Social values realized by the project



2. Market position and Revenue driver

Revenue driver ; our flagship software

Remote two-way communication

Telework

(Remote meeting, remote attendance, remote sales)



Customer Engagement

(Financial, health care, real estate etc.)



Fieldwork

(Manufacturing and disaster countermeasure)



Entertainment

Social networks



Video distribution

Marketing

(Pharmaceutical, human resources, finance etc.)



Conferences

Internal information sharing

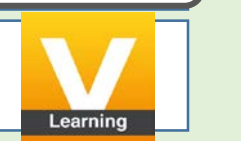


Education and training

Education



Training



2. Market position and Revenue driver



Revenue driver ; Our flagship software

Overview of the company's and our partners' software products

| | | |
|-----------------|--|--|
| V-CUBE Meeting | The logo for V-CUBE Meeting 5, featuring a yellow square with a white 'V' and the text 'Meeting 5' in a small, black, sans-serif font. | An easy-to-understand interface and a wide range of functions required for remote conferences in Japan and Asia. Strong in high video and audio quality, mobile and global environment. Third-party video conferencing connection available. |
| V-cube Seminar | The logo for V-cube Seminar, featuring a yellow square with a white 'V' and the text 'Seminar' in a small, black, sans-serif font. | Easy-to-understand interface, no installation. High-quality images can be delivered stably on a large scale. A lot of additional functions of seminar operation. |
| QUMU | The logo for QUMU, featuring the word 'QUMU' in a bold, red, sans-serif font. | "Youtube" within a company. A platform that enables safe and stable delivery of video creation, contents management and distribution. Extensive experience in Western financial institutions and large corporations. World No.1. |
| iStudy LMS | The logo for iStudy, featuring the word 'iStudy' in a bold, red, sans-serif font. | The training platform is adopted in all Japanese mega banks. It offers the functions to reach and customize the special needs in Japan. |
| V-CUBE Learning | The logo for V-CUBE Learning, featuring a yellow square with a white 'V' and the text 'Learning' in a small, black, sans-serif font. | Developed based on software of Wizlearn in Singapore. An advanced global interface. Introduced in many multinational companies including Japan companies. |
| xSync | The logo for xSync, featuring the word 'xSync' in a bold, black, sans-serif font, with the Japanese text 'バイシンク' in a smaller font below it. | A combination of smartboard and tablet enables active learning. There are many discussion tables introduced in disaster countermeasures. Field work with wearable glass collaboration. |
| Agora.io | The logo for Agora.io, featuring the word 'agora.io' in a blue, sans-serif font. | A platform for video distribution and video communication centered on entertainment and social network. Can be built into various applications and services by SDK and API. |

2. Market position and Revenue driver



Value-added services and hardware that complements software

Value-Added
services



Studio Oct Delivery Support



V-CUBE Box



Telecube

Appliance



xSync Table



XSync Board(Smartboard)

2. Long-term growth strategy

Aiming to be No.1 Visual communication platform in Asia

<Work-style Change>



<Initiative to Social Issues>



Singapore



Thailand



Indonesia



Malaysia



China



Taiwan



India

3. FY2018 Initiatives to Management issues

3. FY2018 Initiatives to Management issues



As a result of structural reforms, we are prepared to improve efficiency and productivity of the entire organization. Aim to maximize added value by allocating management resources on growing area.

Issues and measures to be addressed

(1) Strengthen sales capabilities

Accelerate sales growth to strategic customers.

(2) Strengthening software development capabilities

Join the team of Gate and other development teams into V-cube Meeting5 team.

Reduce the bloated investment and invest by assessing the value added.

KPI to make the right decision, to ensure transparency of development activities.

(3) Strengthen group Management system

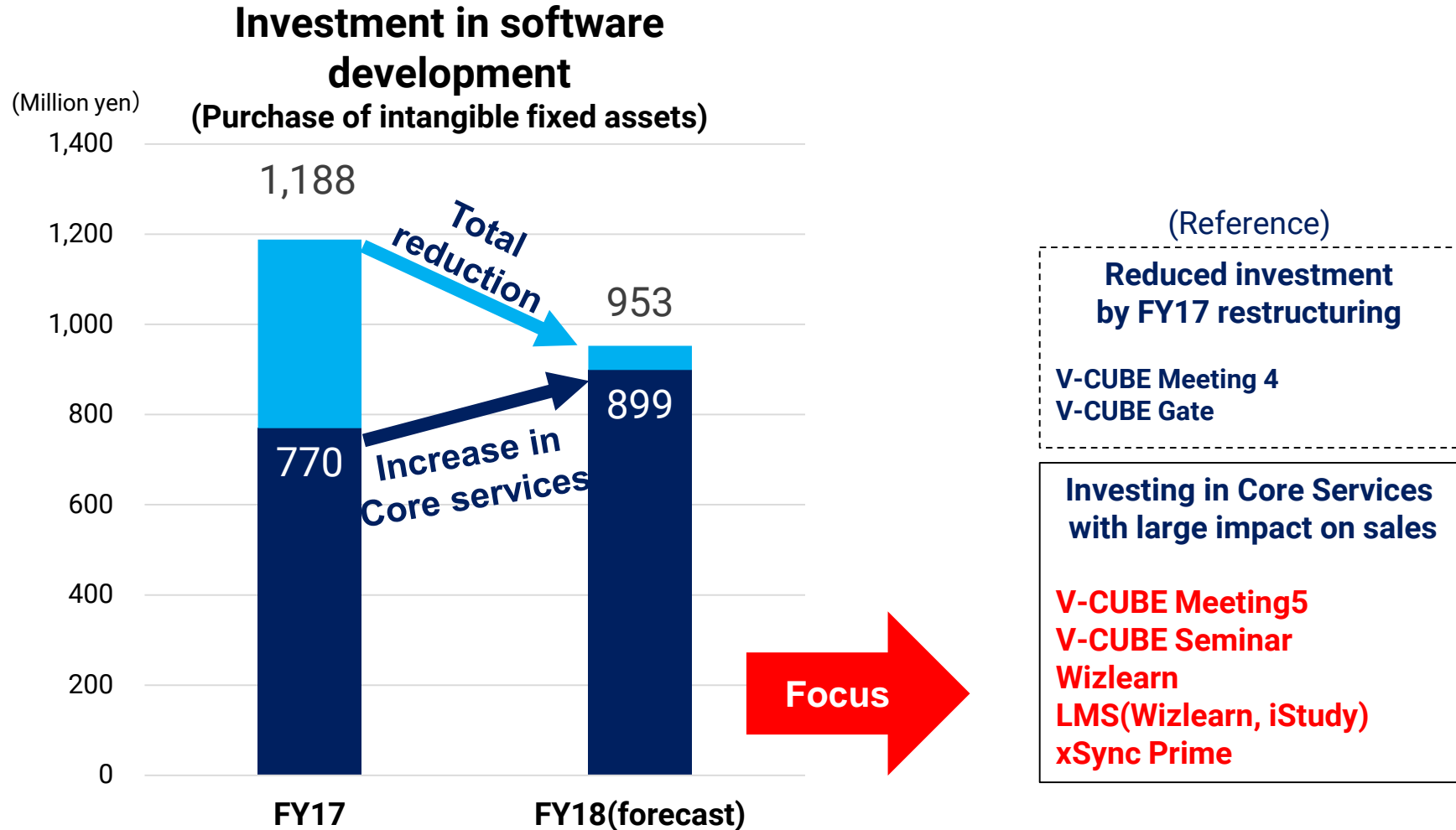
Decrease in the number of affiliates(15 →7), as a result, the control per company is strengthened.

(4) Further improvement of customer satisfaction

We will steadily work to identify customer needs and propose appropriate services.

3. FY2018 Initiatives to Management issues

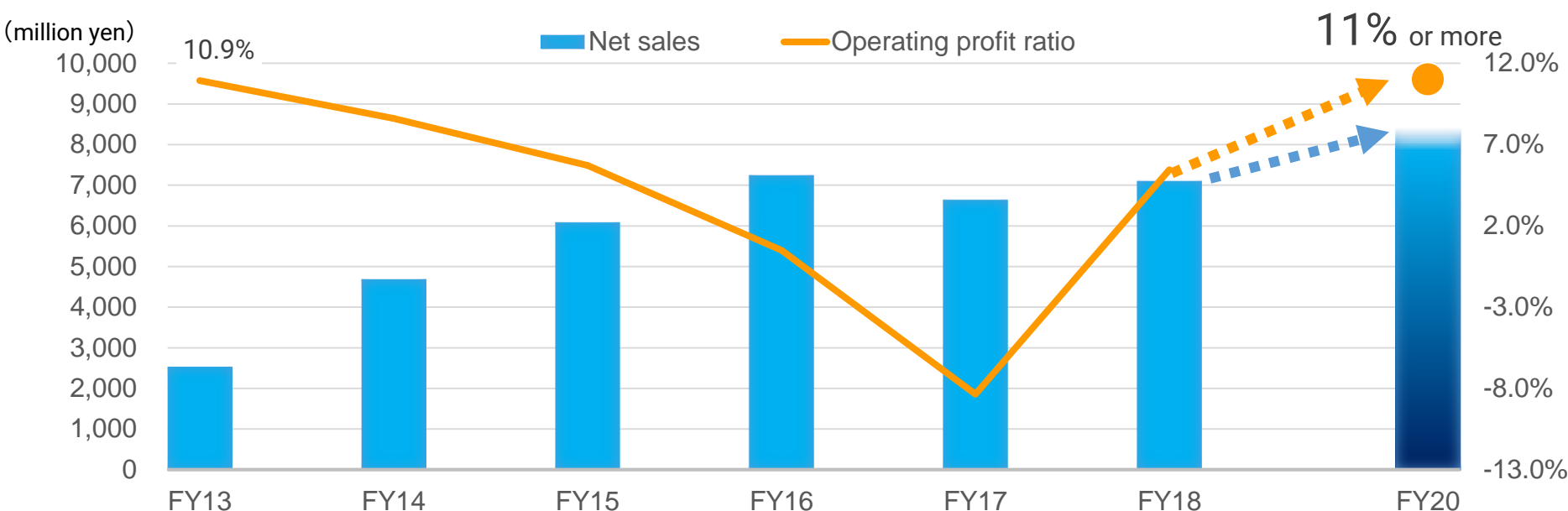
Reduce the total development investment and focus on core services



The target is expected to be realized due to structural reform in FY17.
We will engage in growth strategies for further growth.

<Numerical target (image)>

**In 2020, We aim to achieve the highest sales exceeding 8 billion yen
and operating profit ratio (11% or more) after listing**



Appendix

Exchange rates for major currencies

Full year

| (Yen) | FY17 | | | FY18 |
|-------|-------------------------|---------------------|----------------------|-----------------------|
| | Full year (forecast) | Average (result) | Year End (result) | Average (forecast) |
| US \$ | 102.00 | 112.19 | 113.05 | 112.00 |
| S \$ | 75.00 | 81.26 | 84.51 | 80.00 |

1Q

| (Yen) | FY17/1Q | FY18/1Q | FY17 End | FY18/1Q End |
|-------|---------------------|---------------------|---------------------------|---------------------------|
| | Average (result) | Average (result) | End of period (result) | End of period (result) |
| US \$ | 113.64 | 108.30 | 113.05 | 106.27 |
| S \$ | 80.23 | 82.16 | 84.51 | 81.01 |

Net Sales by Business Model and Region



<FY17 → FY18 Increase/decrease explanation>

- In principle, we will incorporate growth based on actual achievements (cloud piling up pace etc.)
- Cloud in Japan contributes to pharmaceutical companies' online seminars, work-style change
- In Appliance, smart board is supposed to be less than 70% (drastically reduced).

Other components of this category : TELECUBE and Box

- China anticipates resuming for automobile manufacturers and receiving orders for local government projects that was postponed from last year

(million yen)

| Annual | Cloud | | On-premises | | Appliance | | Other | | Total | |
|------------|-------|-------|-------------|------|-----------|------|-------|------|-------|-------|
| | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 | FY17 | FY18 |
| Japan | 3,515 | 4,003 | 464 | 489 | 1,008 | 861 | 513 | 380 | 5,500 | 5,734 |
| Overseas | 1,081 | 1,176 | 5 | 148 | 1 | 2 | 49 | 39 | 1,137 | 1,366 |
| (China) | 12 | 100 | 0 | 92 | - | - | 3 | - | 15 | 192 |
| (Wizlearn) | 916 | 917 | - | - | - | - | 36 | 36 | 952 | 954 |
| Total | 4,596 | 5,179 | 469 | 637 | 1,009 | 863 | 562 | 420 | 6,638 | 7,101 |

Change the world through Visual Communication

| | |
|-------------------|---|
| Company Name | V-cube, Inc |
| Established | October 16, 1998 |
| Fiscal Year End | December 31 |
| Capital | 3,437 million yen |
| Representative | Naoaki Mashita, President & CEO |
| | Masaya Takada, Deputy President & COO |
| Stock Exchange | TSE Main: 3681 |
| Group Companies | Headquarters1, Subsidiaries7 |
| Number of members | Directors 21, Employees 450 (consolidated). |

Corporate Directors (As of March 28, 2018)



President, CEO & Founder

Naoaki Mashita

1977 Born in Tokyo
1998 Established V-cube
2000 Graduated from Keio University
2002 Graduated from Keio Graduate School
2003 Established V-cube USA, Inc.
2009 Established V-cube Malaysia
2012 Established V-cube Singapore
2012 Established P.T. V-cube Indonesia
2015 Established V-cube Robotics Japan, Inc.



Deputy President, COO

Masaya Takada

2001 Became Executive at V-cube Internet, Inc.
2002 Graduated from Keio Graduate School
2006 Became Deputy President
2013 Became Executive Deputy President at V-cube, Inc.



CRO (Chief Revenue Officer)

Jun Mizutani

2006 Entered V-CUBE as new graduate
2009 Sales Department Group Manager
2012 Vice President of Sales Department
2014 Manager of Customer Experience
2015 President of Sales Department
2016 Became Director at V-cube, Inc.



CTO

Yosuke Kamezaki

2002 Joined V-cube Internet, Inc.
2003 Developed the 1st Web Conference model
2007 Became Officer at V-cube, Inc.
2012 Became Director at V-cube, Inc.



CFO

Nariyoshi Okawa

1982 Joined Pioneer Corporation
2008 Joined V-cube, Inc.
2009 Became Officer at V-cube, Inc.
2014 Became Director at V-cube, Inc.

Outside corporate Directors, Auditors and Adviser

(As of March 28, 2018)

Corporate governance by experienced and powerful outside directors and auditors

| | | |
|----------------------------|--------------------------|--|
| Outside corporate director | Norio Murakami | CEO at Murakami Norio Office, Inc. Former Executive Vice President at Google, Inc. Former CEO of Google Japan |
| Outside corporate director | Kenichi Nishimura | Hakusan outside Director Former NTT-Neomeit President Former Mirait, Inc. Adviser |
| Outside corporate director | Yohei Goto | Director, Regional Economy Vitalization Corporation of Japan Director, REVIC Partners |
| Auditor | Shigenari Shirako | Auditor, V-cube Robotics |
| Outside corporate auditor | Kikuo Fukushima | Representative, Success Coaching Studio |
| Outside corporate auditor | Kiyoji Odashima | President, Odashima Kiyoji Tax Accountant Office Outside Auditor, Ebara Foods Industry, Inc. |
| Outside corporate auditor | Hajime Nakano | Senior Director, Regional Economy Vitalization Corporation of Japan Director, REVIC Partners Outside corporate director, Meiko Electronics Co., Ltd. |
| Adviser | Hiroshi Komiyama | Chairman of the Board of Trustees at Mitsubishi Research Inst., Inc. Former President of Tokyo University |



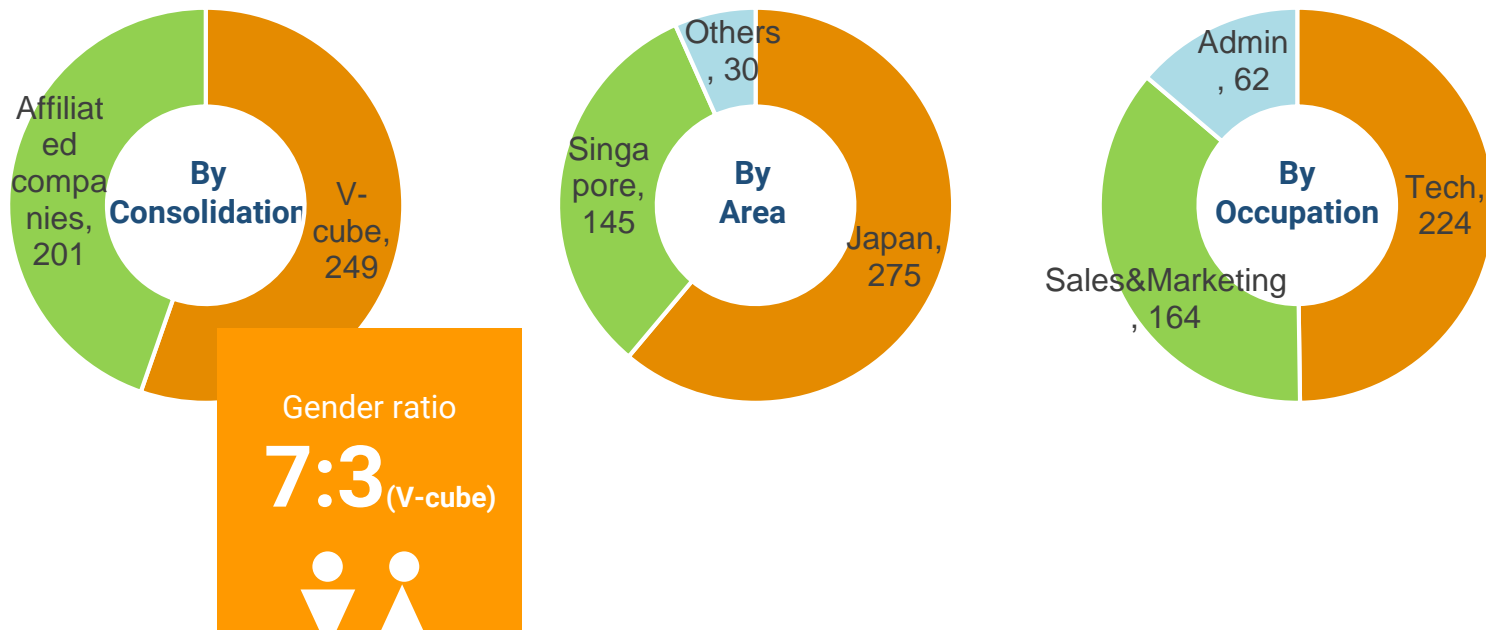
VC Service Company with Technological and Sales competency and Global Presence

- **Head Office**1, affiliates**7** (Japan**1**, Singapore**3**, United States**1**, Thailand**1**, Indonesia**1**)
- **Number of offices: 9 locations** (5 in Japan and 4 overseas)
- **Data centers: in 10 countries**

(Japan, China, Singapore, Indonesia, Thailand, India, USA, Netherlands, Australia, Brazil)

* As of February 1, 2018

- **Number of consolidated employees: 450 (of which 249 are V-cube)** * As of Dec. 31, 2017



No.1 Visual Communication Service Provider in Asia



Thank you very much

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