



FY2018 Q2

Financial Results Briefing Document

August 13, 2018

V-cube, Inc.

1. FY2018 Q2 Results and Annual forecasts

- 1H: Operating income turned profitable by the effect of structural reform
- 2H: The company expects extraordinary income but full year forecast unchanged due to uncertainty of foreign exchange, etc.

2. Market environment and Business strategy

- Change in competitive environment, business strategy and current initiatives

3. Topics

1. FY2018 Q2 Results and Annual forecasts

Consolidated P/L

Operating income turned profitable by sales increase and structural reform
Full year forecast is unchanged (gain on sales of investment security in 3Q, uncertainty of foreign exchange etc.)

(Million yen)

	FY2017		FY2018			
	First half results	Full year results	First half results	First half forecast	Full year forecast	Progress Rate Forecast for the full year
Sales	3,067	6,638	3,408	3,231	7,101	48.0%
Cost of Sales	1,675	3,708	1,813	1,659	3,703	49.0%
Gross profit	1,391	2,929	1,595	1,571	3,397	47.0%
	(45.4%)	(44.1%)	(46.8%)	(48.6%)	(47.8%)	
SG & A exp.	1,819	3,480	1,487	1,526	3,009	49.4%
Operating income	△427	△550	107	45	387	27.9%
	(-)	(-)	(3.2%)	(1.4%)	(5.5%)	
Ordinary income	△420	△567	31	24	347	9.0%
Net income	△837	△3,035	△56	△49	158	-

※Net income attributable to the shareholders of the parent company

※() represents the profit margin for sales

- Seasonality : smart board business post sales mainly in 3Q. Then its operating profit is red in 1H and black in 2H.
- Gross profit : increased due to the increase in sales and fixed costs reduction.
- There is a foreign currency translation loss on the assets related to overseas subsidiary
- Extraordinary loss: Recovery expense for IaaS failure

Operating income and fixed costs

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

1H Operating income (Million yen)

FY17	FY18
△427	107

Improvement 536 Million yen

Operating income for the full year (Million yen)

FY17 (result)	FY18 (forecast)
△550	387

Improvement 940 Million yen (forecast)

Breakdown of improvement

204 million yen
(Above assumption)

332 million yen
(Above assumption)

Gross profit increase effect

Reduction effect of SG & A exp.

(2Q Progress Rate:57%)

Gross profit increase effect

470 million yen

Reduction effect of SG & A exp.

470 million yen

Net Sales by Type of Sales and Region(YoY)

- **Cloud** :Increased in seminars for pharmaceutical companies and online explanation of important items in real estate lease contract in Japan.
- **On-premises** :Expansion of the QUMU and sale in the Chinese public sector.
- **Appliance** :Smart board deals which usually earn less in 1H.
- **Overseas** :Growth of Wizlearn. ASEAN (excl.Wizlearn) increased by 170% and turned profitable.

(Million yen)

First half results	Cloud		On-premises		Appliance		Other		Total	
	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
Japan	1,797	1,938	164	267	340	414	213	152	2,516	2,773
Overseas	521	554	2	54	0	1	27	24	551	635
(China)	7	5	0	31	0	0	2	0	10	36
(Wizlearn)	448	485	0	0	0	0	18	18	466	504
Total	2,318	2,493	166	321	340	416	241	177	3,067	3,408

Net Sales by Type of Sales and Region

(Progress rate for full-year forecasts)

- **Cloud** : A slight delay. New service for Chinese automanufacturer started in June
- **On-premises, Appliance**
: Above assumption due to stable performance in sales activities
- Overall rate of progress is higher than expected in 1H

Million

1H results v.s. Full year forecast	Cloud		On-premises		Appliance		Other		Total	
	1H	Progress Rate	1H	Progress Rate	1H	Progress Rate	1H	Progress Rate	1H	Progress Rate
Japan	1,938	48.4%	267	54.6%	414	48.1%	152	40.2%	2,773	48.4%
Overseas	554	47.2%	54	36.6%	1	76.9%	24	60.9%	635	46.5%
(China)	5	5.5%	31	33.6%	0	- %	0	- %	36	19.0%
(Wizlearn)	485	52.9%	0	- %	0	- %	18	51.2%	504	52.9%
Total	2,493	48.1%	321	50.4%	416	48.2%	177	42.2%	3,408	48.0%

Consolidated B/S

Aim to improve the financial position

- Cash & deposit decreased due to seasonal decrease of net working capital and repayment of debt.
- Shareholder's Equity ratio:30.1% (17/12End)→32.2% (18/6End)

(Million yen)

	December 31, 2017	June 30, 2018	Change
Current Asset (Cash & Deposit)	5,212 (3,384)	4,113 (2,324)	△1,098 (△1,060)
Non-current Asset (Software) (Goodwill)	5,878 (2,786) (1,263)	5,731 (2,808) (1,175)	△147 (+ 21) (△87)
Total Asset	11,091	9,844	△1,246
Current Liabilities (Short-term loans, current portion of long-term debt)	4,289 (2,334)	3,502 (2,036)	△786 (△298)
Non-current Liabilities (Long-term debt)	2,587 (2,553)	2,293 (2,255)	△294 (△298)
Net Asset	4,213	4,048	△164

Consolidated CF Statement

FY18, aiming for positive free cash flow

- **Operating CF** : one time payment of FY17 restructuring related cost (178 mn yen) and increase of accounts receivable due to large projects.
- **Investing CF** : decreased due to focusing investment to main services.
- **Financing CF** : decreased interest-bearing debt by group cash management

(Million yen)

	FY2017/1H	FY2018/1H
Operating CF	228	21
Investing CF	△712	△470
Financing CF	256	△585
Free CF	△484	△448
Effect of exchange rate change on cash and cash equivalents	△16	△28
Net Increase/decrease in cash and cash equivalents	△245	△1,056
Cash and cash equivalents at the end of period	1,753	2,315

2. Market environment and Business strategy

Values

Visual communication Platform, solving social issues

Corporate philosophy

Our aim is to help improve modern human society by creating new values through the use of information technology.

Vision (excerpts)

Being the leader of the visual communication market, we look to become an integral part of the public communications infrastructure, contributing to issues such as "world economy, environmental changes and world peace"; while in the process of being one of the world's No.1 service company.

Business Environment

2006 -

Unified in visual communication. We started late but become No.1 in Japan.
Follow wind of customer's cost-cutting needs after Lehman bankruptcy.

2013 -

M&A in Japan and abroad by the fund from IPO on Tokyo Stock Exchange.
Explore the needs about visual communication.

2016 and 2017

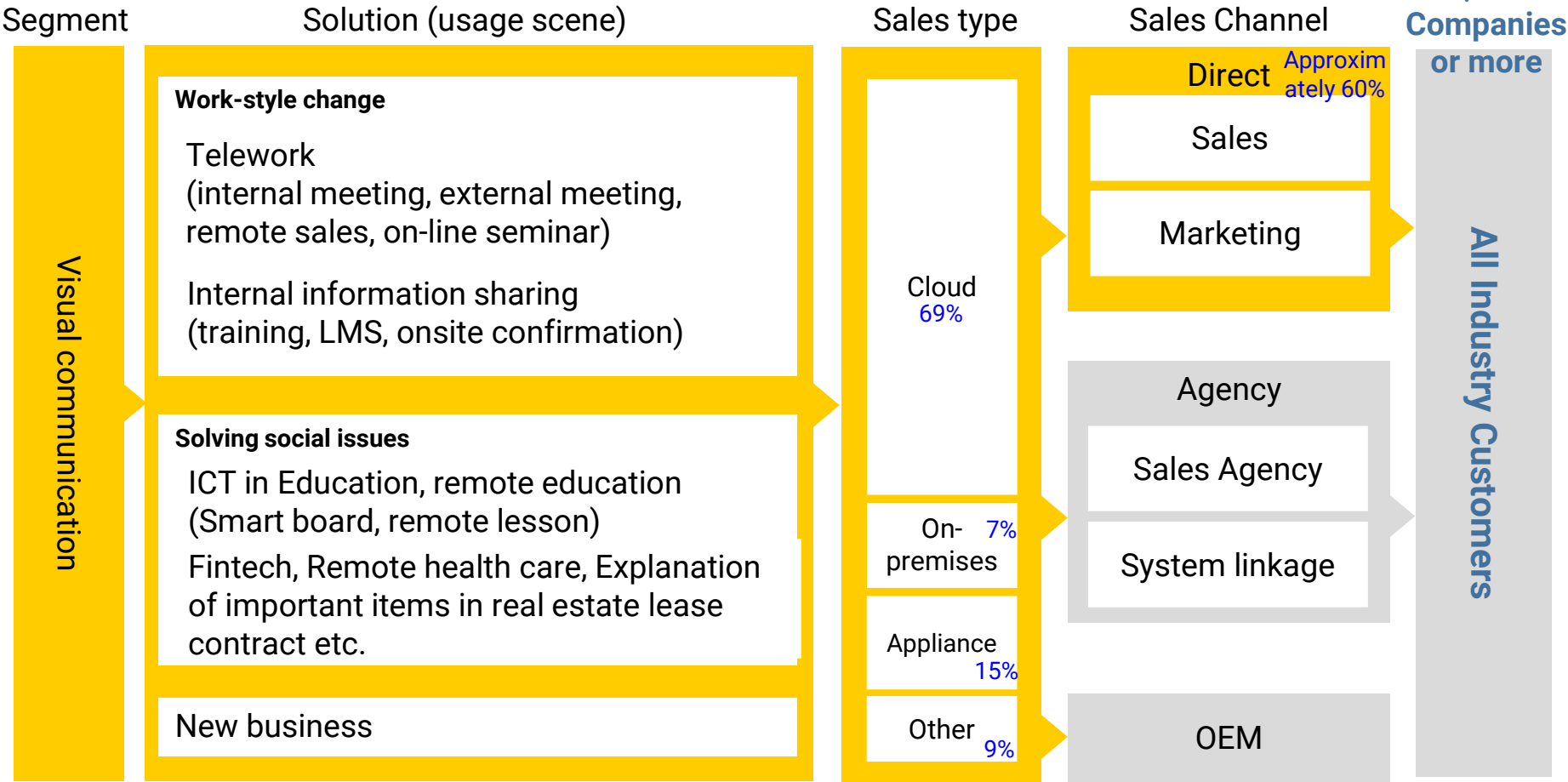
Rapid slowdown in China's business which has been earning driver.
Success and failure in M&A projects.
More products, more complex business, difficult to grasp the overall sense of strategy and progress.
Japanese visual communication market growth speed is slower than our expectation
but there is a movement of work-style change by government.

2018

Concentrate in Work-style change market in Japan
Customer needs changes from cost reduction to value creation due to strong corporate performance.
Strengthen our services as a communication platform in various industries where a part of face to face communication will be replaced by remote communication along to deregulation.

Business Model

V-cube Group (Japanese 2 companies, overseas 6 companies)










(Sales type) Cloud: Service delivery ⇔ monthly charge
On-premises: Server, License Sales ⇔ installation cost + Monthly maintenance fee
Appliance: Hardware License sales ⇔ purchase cost
Other: Hardware sales

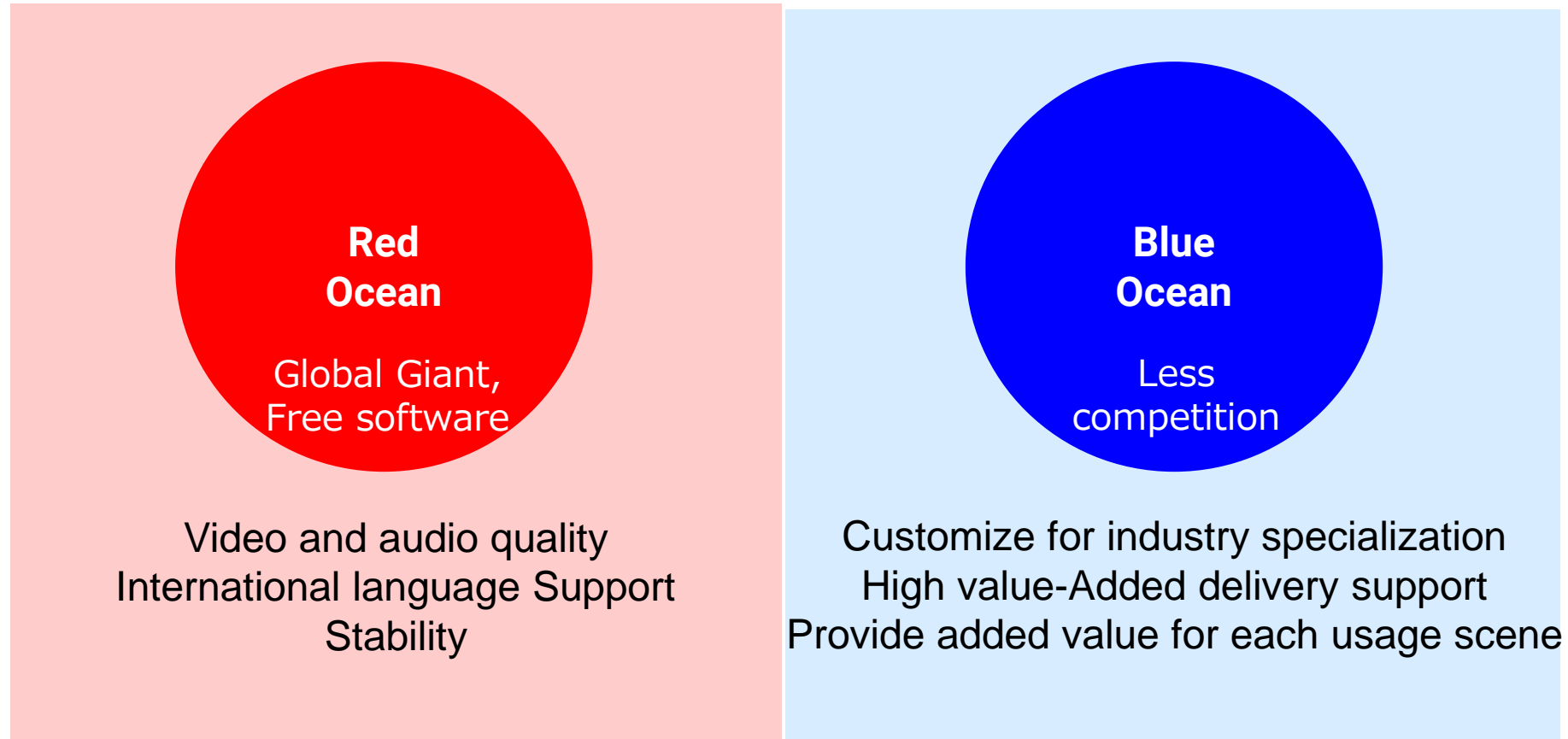
※The number of sales type and channel
FY17 Percentage of sales

Services of V-cube

Key Services for delivering solutions

V-CUBE Meeting		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		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		“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 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		Developed based on software of Wizlearn in Singapore. An advanced global interface. Introduced in many multinational companies including Japan companies.
xSync		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		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.
V-cube Box		A highly scalable videoconferencing system that can be deployed at a low cost. Equipped with a meeting room that can be operated by remote control unit, it is cheaper than a general videoconferencing system and realizes high resolution and sound quality.
Telecube		Soundproof communication booth. Tables, chairs, web meeting available PC equipped inside with a quiet and secure private space for telework.

Business Strategy



No.1 Customer base in Japan
Easy to use “Anytime, Anywhere, Anyone,”
realized by generous support

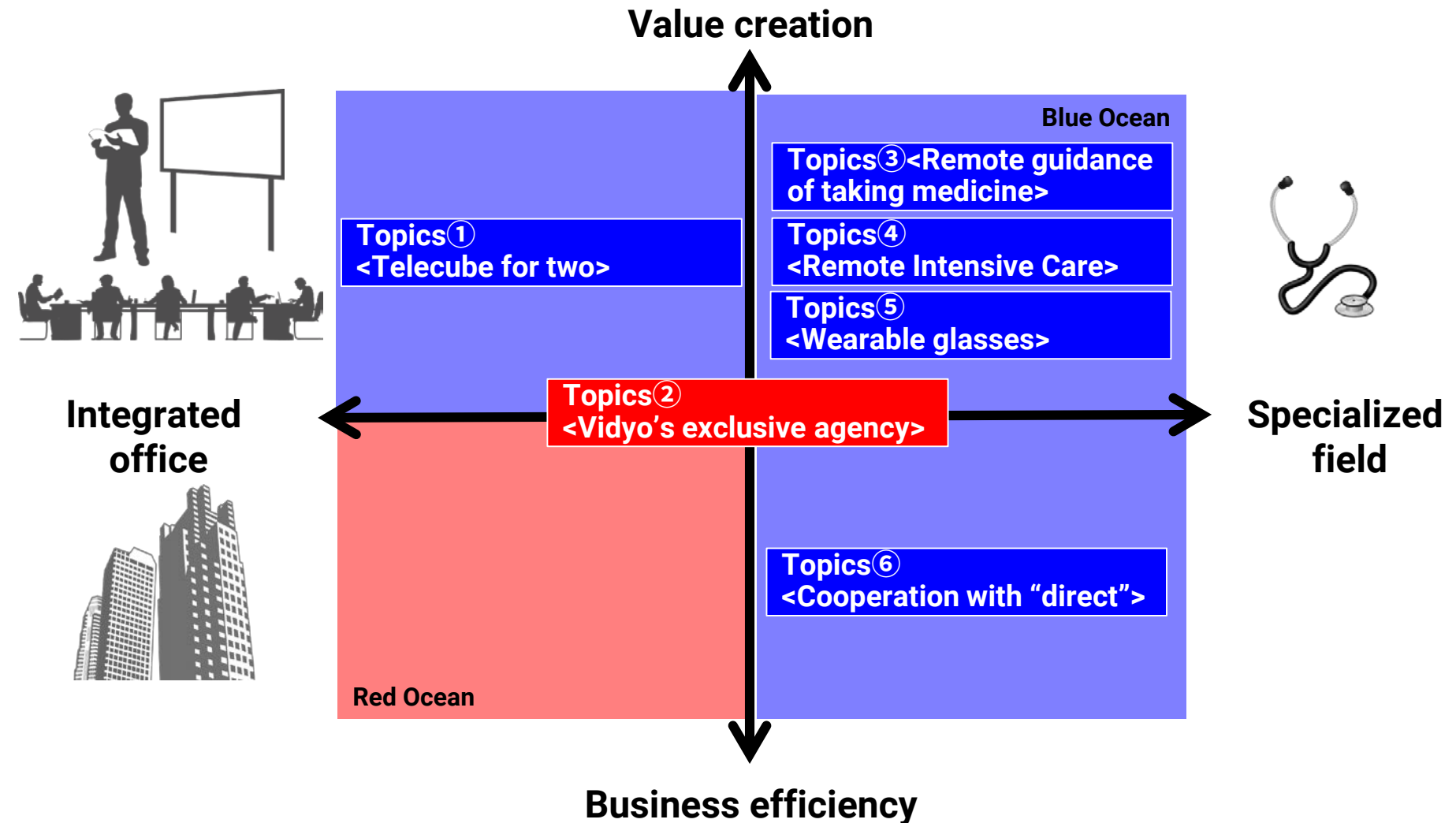
Current Initiatives

- **Increase operating income aiming for surplus in FCF of FY18.
Decrease debt and improve financial position.**
- **Pursuit of profitability in business and software investment
after restructuring in FY17.**
- **Rebuilding managerial accounting according to the
strategy that has changed with the business environment.
KPI which evaluates the progress of strategy is under discussion.**
- **Established Nomination and Compensation Advisory
Committee as an advisory entity to the Board Meeting.**
- **Preparation for full-scale growth after 2019.**

3. Topics

Business strategy and use scene

Mapping topics with customer needs



Fight in red Ocean



① **Telecube for two -blue ocean in red ocean**

- Solving the lack of a place for speaking communication.
- In the background of work-style change, the personnel evaluation interview increases, and there are the company which worries about lack of meeting room.
- Telecube for one person is a little work space for calling and web conferencing.
- Telecube for two person is for offline use including short meetings and interviews, in addition to the function of Telecube for one.



Left: for one person, right: for two

② **Exclusive agency contract about services and technologies of Vidyo Inc., a U.S. company.**

- Vidyo's service and technology are the backbone of the V-cube's flagship services.
- Together with domestic Vidyo's existing partners that have been competing until now, we will contribute to the growth of Japanese web conferencing market.
- We will provide solutions to specialized workplace such as finance and medical fields with Vidyo.
- This is an example of business expansion in red ocean through inclusion of competitors and their customers.

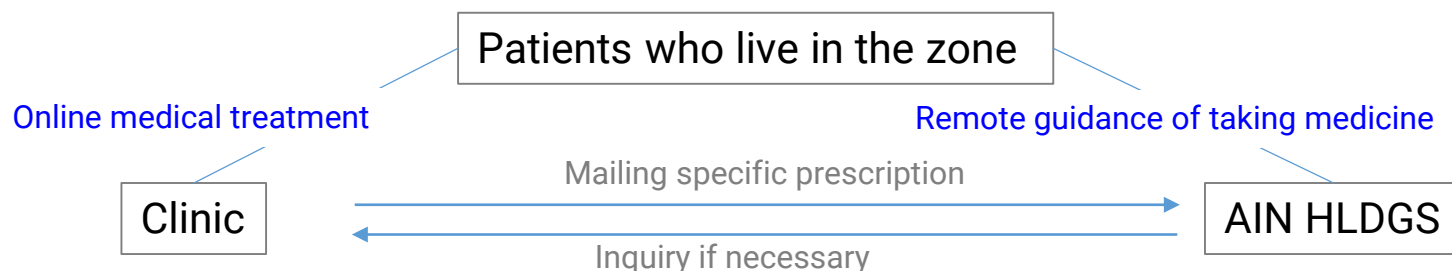
New value creation in specialized workplace

(Medical and Health care industry)



③ Providing V-CUBE meeting to Japan's first online medication guidance initiative

- The remote guidance of taking medicine that AIN HOLDINGS INC. begins in the national strategic special zone of Aichi prefecture.
- Providing remote guidance according to demand from patients who live in the zone and receive online medical treatment.



④ Supporting the enhancement of remote intensive care solutions and providing services nationwide

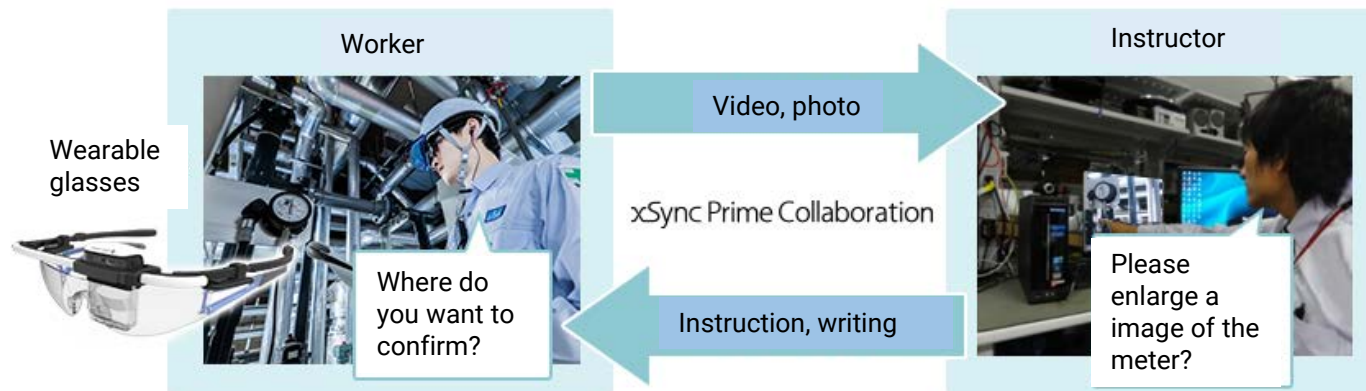
- Signed a business partnership agreement with a venture company T-ICU Co., Ltd which disseminates remote intensive care support by specialist physicians and CareNet, Inc., which operates a medical information site that is used by more than 200 thousand of medical personnel.
- The specialist team will provide remote support to the intensive care facility where the intensive care practitioner is absent.
- V-cube Group provide visual communication platform which assists remote care.

New value creation in specialized workplace (Manufacturing and construction industry)



⑤ Develop Smart Eye Sync for glasses type wearable device

- Equipped with a dedicated software for the glasses type wearable device of KONICA MINOLTA, INC.
- The switch between the staff's viewpoint and zoom is freely remote-controlled.
- Smart Eye Sync can deliver high-quality video and audio even in bad signal situations.



⑥ Business chat “direct” and V-CUBE Meeting collaboration

- Partnership with specialized manufacturers after sale of V-CUBE Gate which was a self-developed chat service.
- To support the work-style change of field workers.
- “direct” provided by L is B Corp., a dedicated chat specialized manufacturer, is introduced to a thousand of companies with workplace outside the office such as distribution, retail, general contractors, etc.



V-CUBE Bot

Hello,
I'm a bot cooperating with V-CUBE system.

I will send an initial menu if the message you receive contains the key words below.

[key words] conference, VCUBE, vcube, ブイキューブ

Overseas situation



ASEAN

Expand competitive LMS to focused target

- LMS market is a blue ocean where is no major competitor.
- Targets are Japanese companies, major local companies, and the governments. Strengths are support and customization.
- Our team is small then working with agencies and partners, aiming large-scale projects.
- Singapore subsidiary's automotive application business to Shanghai GM started contributing to sales from June 2018 while the initial plan was January 2018.



China

Exit from our group, they received orders of government-based projects.

- As cloud-based web conferencing service is in excessive competition, centered on on-premises service for public sector.



The U.S.

Seminar distribution business is a pillar of revenue

- As the United States is a stronghold of large competitors of web conference, we take our own route from early on.
- Small scale, but growing with generating the stable surplus.



India

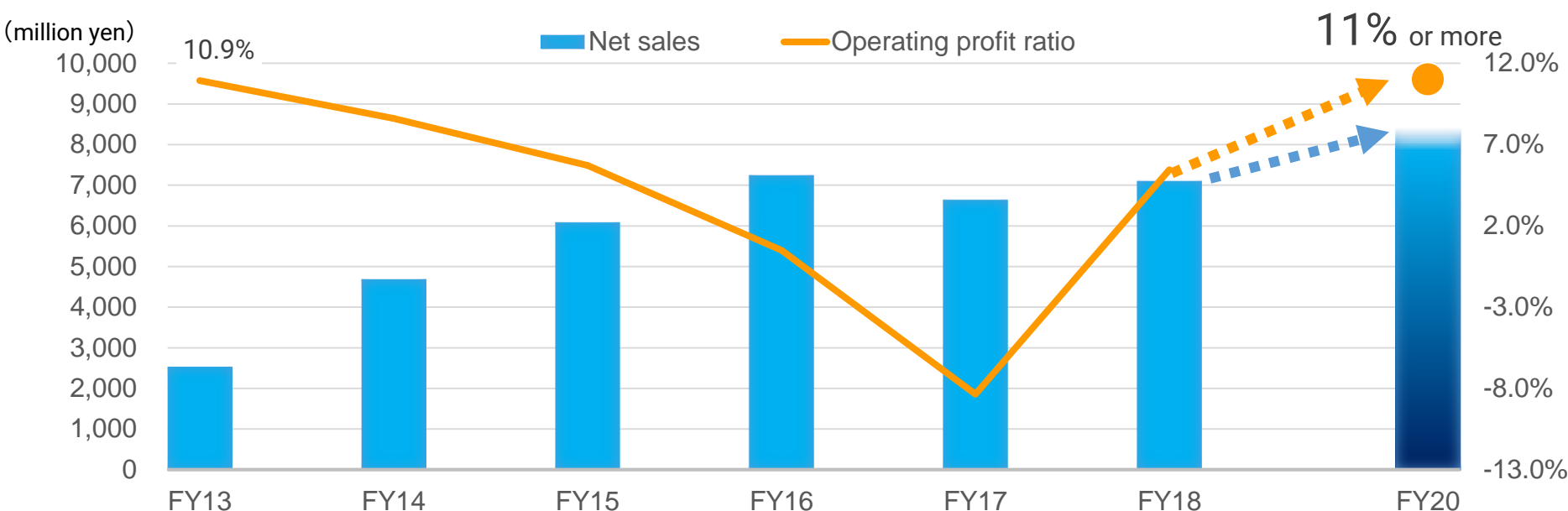
Business alliance with Fliplearn, a foothold in a huge market

- Coordinating with local partners on effective deployment methods in India.

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

2Q

(Yen)	FY17/Q2	FY18/Q2	FY17 End	FY18/Q2 End
	Average (result)	Average (result)	End of period (result)	End of period (result)
US \$	112.37	108.69	113.05	110.54
S \$	80.01	81.97	84.51	80.84

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	3,442 million yen
Stock Exchange	TSE Main: 3681
Group Companies	Headquarters ¹ , Subsidiaries ⁷ _(Japan¹,Singapore³,United States¹,Thailand¹,Indonesia¹)
Number of members	Directors 20, Employees 458 (consolidated).

History



2003 V-cube USA, INC

2009 V-cube Malaysia Sdn. Bhd.

Sale

2012 V-cube Global Services Pte.Ltd. Singapore

2012 PT. V-cube INDONESIA

2013 V-cube Global Operations Pte. Ltd.

Merged into VGS

2013 BRAV International Limited

Sale

2013 V-cube Tianjin Technology Co., Ltd.

Sale

2013 V-cube Singapore Pte. Ltd.

Merged into VGS

2014 Pioneer VC

Merged into V-cube

2015 Wizlearn Technologies Pte. Ltd.

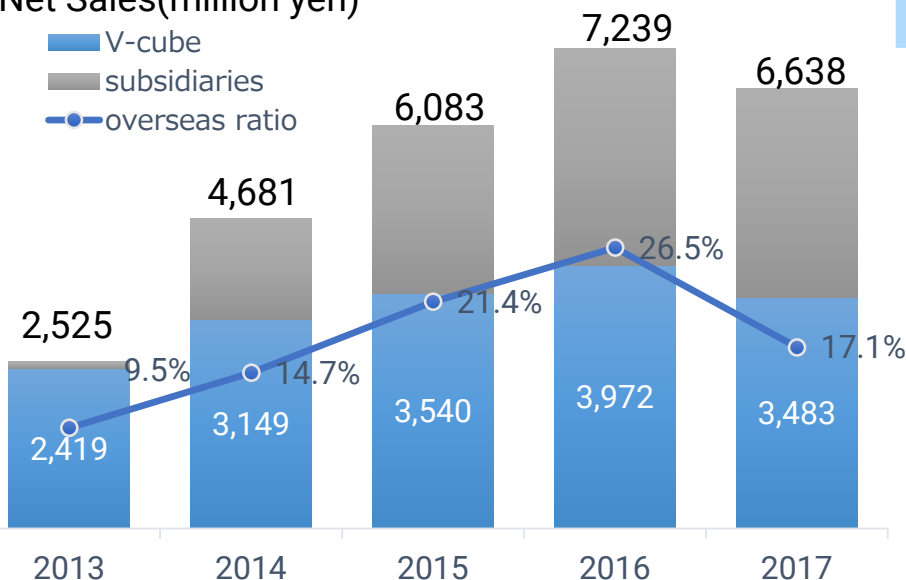
2015 iStudy Co., Ltd.

V-cube Technical Works Liquidation

V-cube (Thailand) Co., Ltd.

Net Sales(million yen)

■ V-cube
■ subsidiaries
● overseas ratio



Corporate Directors (As of June 30, 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

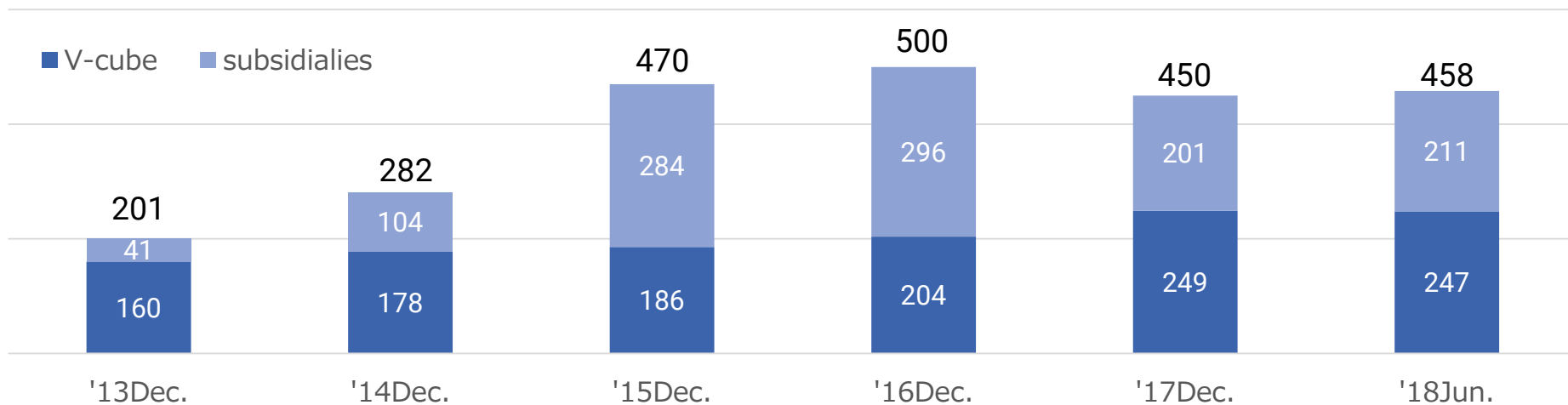
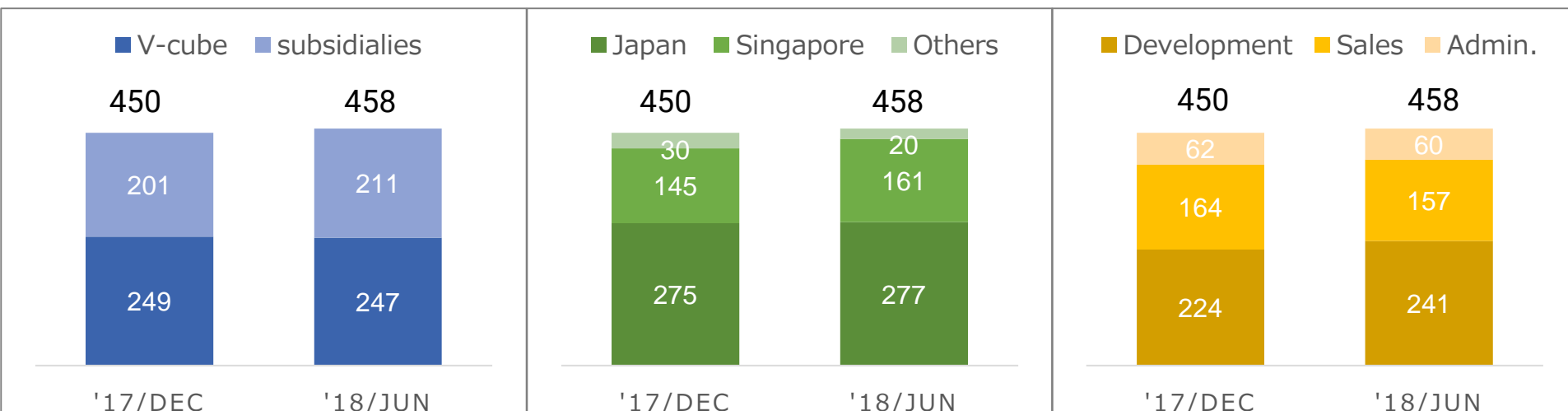
(As of June 30, 2018)

Corporate governance by experienced and powerful outside directors and auditors

Outside corporate director	Norio Murakami	CEO at Murakami Norio Office, Inc. Outside director, CellSource Co., Ltd. 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
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 Auditor, SENSUKAI CO.,LTD
Adviser	Hiroshi Komiyama	Chairman of the Board of Trustees at Mitsubishi Research Inst., Inc. Former President of Tokyo University



Number of consolidated employees



No.1 Visual Communication Service Provider in Asia



Thank you very much

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