



FY2018 Third Quarter Financial Results Briefing Document

November 13, 2018

V-cube, Inc.

- 1. FY2018 3Q Results**
- 2. FY2018 Annual Forecasts**
- 3. Topics**

1. FY2018 3Q Results

1. Visual Communication Market Environment

- Legislation related to work-style change
- Improving the awareness of telework as one of the means of work-style change
- Customer companies begin to develop internal rules to change the way they work

2. Initiatives of the Group

- Conduct business activities continuously, and support customer telework
- Social experiment of TELECUBE and online medication guidance
- Sale of smart board service business

Consolidated P/L (Results for 3Q)

(Million yen)	FY2017	FY2018	YoY	
	3Q Results	3Q Results	Increase/decrease	Rate of change (%)
Net Sales	4,905	5,540	+634	+12.9%
Cost of Sales	2,782	3,115	+333	+12.0%
Gross profit <small>(Gross profit margin)</small>	2,123 <small>(43.3%)</small>	2,424 <small>(43.8%)</small>	+301	+14.2%
SG & A exp.	2,677	2,267	△409	△15.3%
Operating profit	△ 553	157	+710	-
Ordinary profit	△ 543	81	+624	-
(Extraordinary loss)	(△879)	(△38)	(841)	(△95.6%)
Profit attributable to owners of parent	△ 1,466	10	+1,476	-

Net Sales

Increase in web seminars for pharmaceutical companies and online explanation of important items in real estate lease contract. Smart board big deals. Qumu and TELECUBE contribute.

Operating profit

Variable cost increased due to recovery of smart board. Fixed costs reduced by restructuring in 2017.

Ordinary profit

Foreign currency translation loss (32 mil) on the assets related to overseas subsidiary.

Extraordinary loss

Software and goodwill impairment loss in 2017. Recovery expense for IaaS failure in 2018.

Net Sales by Type of Sales and Region (YoY)

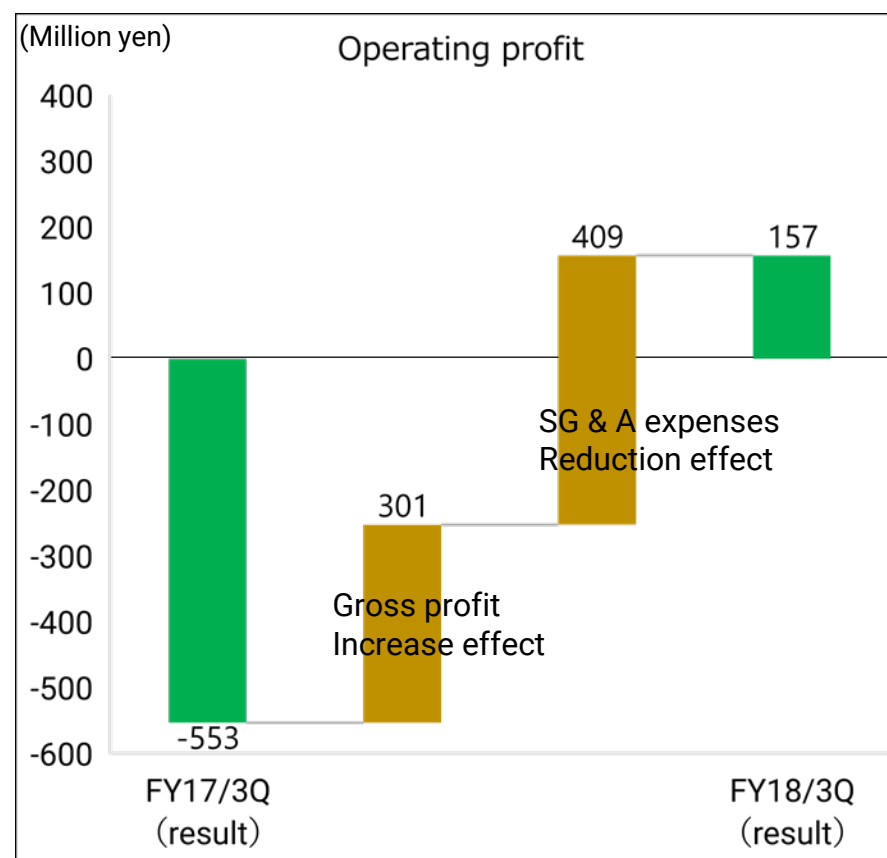
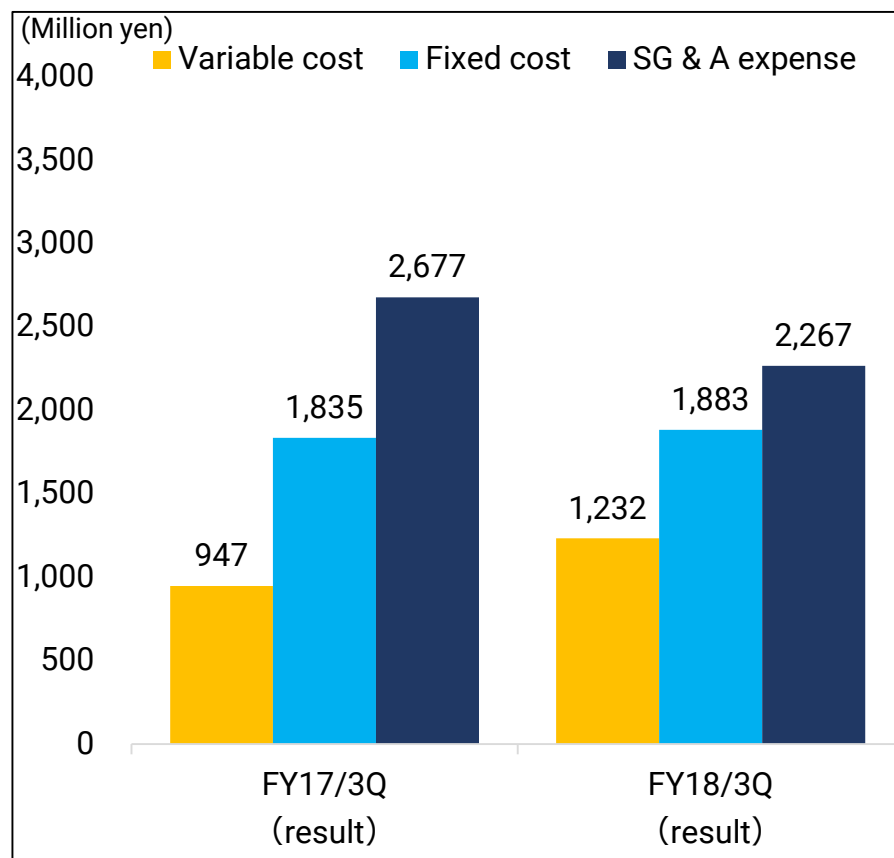
(Million yen)

3Q Results	Cloud		On-premises		Appliance		Other		Total	
	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
Japan	2,602	2,790	280	452	839	1,065	364	306	4,087	4,615
Overseas	775	832	4	55	0	1	37	35	818	925
(China)	11	16	0	31	0	0	2	0	14	47
(Wizlearn)	669	718	0	0	0	0	27	27	696	746
Total	3,377	3,622	284	508	840	1,067	402	341	4,905	5,540

Main factors of change

- Japan** Increase in web seminars for pharmaceutical companies and online explanation of important items in real estate lease contract.(Cloud)
Large deal of Qumu in 2Q. Royalty revenue from Vidyo. (On-premises)
Smart board service business recovered. TELECUBE contributed. (Appliance)
- Overseas** Wizlearn showed stable performance. ASEAN business is stretched. (Cloud)
Sales for Chinese public sector in 1Q. (On-premises)

Cost of sales, SG&A expense and Operating profit



Cost

- Increase in variable cost (purchase) due to the increase in sales.
- As a result of restructuring in 2017, fixed costs remained flat, and SG & A expenses were significantly reduced.

Operating profit

- As a result, operating profit was 157mil, increased by 710 mil compared to the same period of the previous year.

Consolidated B/S

Aim to improve the financial position

- Cash & deposit decreased mainly by reducing interest-bearing liabilities
- Shareholder's Equity ratio:30.1% (17/12End)→31.9% (18/9End)

(Million yen)

	December 31, 2017	September 30, 2018	Change
Current Asset (Cash & Deposit)	5,212 (3,384)	4,528 (2,489)	△683 (△894)
Non-current Asset (Software) (Goodwill)	5,878 (2,786) (1,263)	5,840 (2,801) (1,160)	△38 (+ 14) (△102)
Total Asset	11,091	10,369	△721
Current Liabilities (Short-term loans, current portion of long-term debt)	4,289 (2,334)	3,959 (2,051)	△330 (△283)
Non-current Liabilities (Long-term debt)	2,587 (2,553)	2,214 (2,183)	△372 (△370)
Net Asset	4,213	4,195	△18

2. FY2018 Annual Forecasts

Consolidated P/L (Revised forecast)

(Million yen)	FY2017	FY2018				
	Full year results	3Q results ①	Initial forecast ②	Revised forecast ③	Change ③-②	3QProgress Rate ①/③
Net Sales	6,638	5,540	7,101	7,895	+ 793	70.2%
Cost of Sales	3,708	3,115	3,703	4,537	+ 833	68.7%
Gross profit <small>(Gross profit margin)</small>	2,929 <small>(44.1%)</small>	2,424 <small>(43.8%)</small>	3,397 <small>(47.8%)</small>	3,357 <small>(42.5%)</small>	△39	72.2%
SG & A exp.	3,480	2,267	3,009	3,027	+ 18	74.9%
Operating profit	△ 550	157	387	330	△58	47.7%
Ordinary profit	△ 567	81	347	250	△97	32.4%
Profit attributable to owners of parent	△ 3,035	10	158	480	+ 322	2.2%

Major differences between the initial forecast and the revised forecast

Net Sales	Smart board service business is above initial forecast. Royalty revenue from Vidyo.
Gross profit	Profit margin decreased due to changes in sales mix.
Operating profit	The impact of the decline in gross profit. Impact by adoption of new accounting standard in Wizlearn. In addition, we made a correction as there was omission about amortization of goodwill in the initial forecast.
Ordinary profit	Occurrence of foreign exchange loss.
Extraordinary income	Gain on sale of smart board service business(4Q +410), Gain on sale of investment securities(3Q +51)

Consolidated P/L (Quarterly)

(Million yen)	FY2018				
	1Q	2Q	3Q	4Q(Net)	Revised forecast
Net Sales	1,728	1,680	2,131	2,354	7,895
Cloud	1,192	1,301	1,128	1,301	4,924
On-premises	144	177	186	168	676
Appliance	278	138	651	801	1,868
Other	112	65	164	83	425
Cost of Sales	966	847	1,302	1,421	4,537
Gross profit (Gross profit margin)	762 (44.1%)	833 (49.6%)	829 (38.9%)	932 (39.6%)	3,357 (42.5%)
SG & A exp.	747	740	779	760	3,027
Operating profit	14	93	49	172	330
Ordinary profit	△66	97	49	169	250
Profit attributable to owners of parent	△105	49	66	470	480

Seasonality: Cloud sales and profit increase in April(2Q); the contract renewal season, because we post 80% of the sales in the first month of the contract period. Appliance sales increase in summer(3Q) due to smart board is delivered during the summer vacation but overall profit margin declines.

2018/4Q: There are large-scale projects on smart board. We expect to extend the domestic cloud with mainly pharmaceutical companies.

Net Sales by Type of Sales and Region (Initial v.s. revised forecasts)

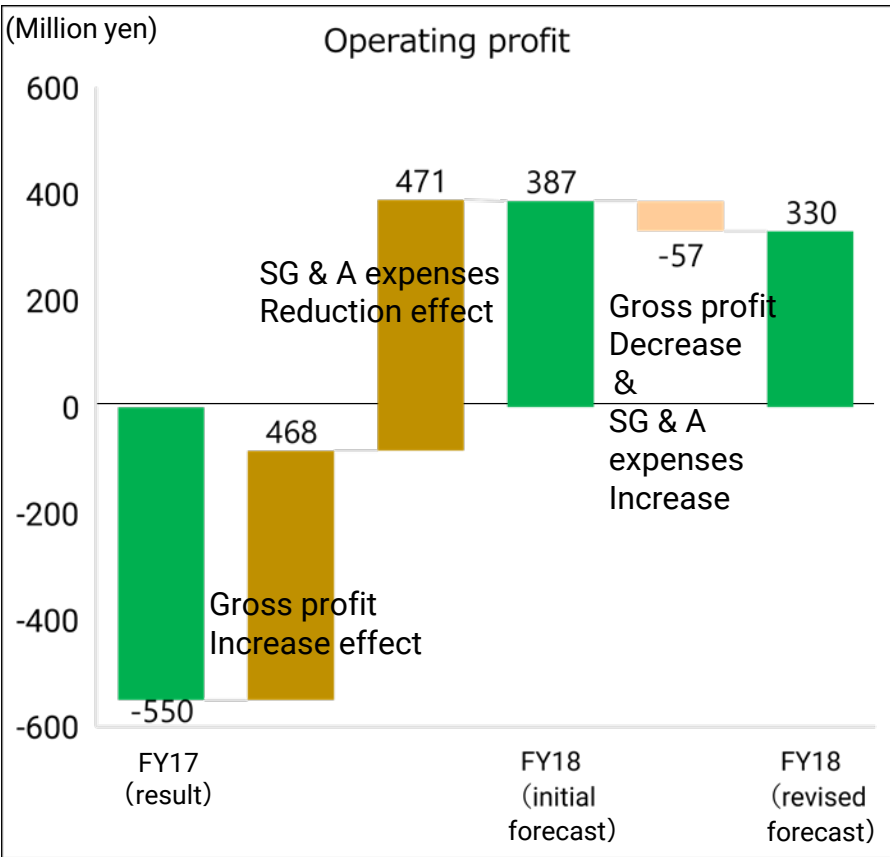
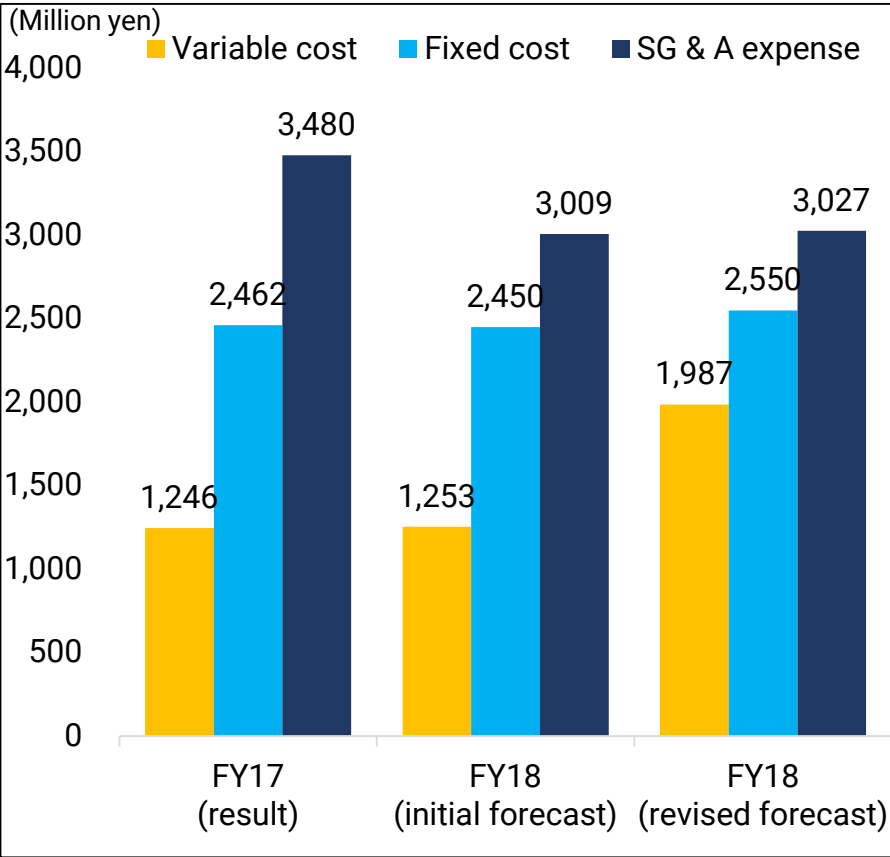


(Million yen)

FY2018 Full year forecasts	Cloud		On-premises		Appliance		Other		Total	
	Initial	Revised	Initial	Revised	Initial	Revised	Initial	Revised	Initial	Revised
Japan	4,003	3,765	489	605	861	1,866	380	377	5,734	6,614
Overseas	1,176	1,159	148	71	2	1	39	47	1,366	1,280
(China)	100	44	92	30	-	-	-	-	192	75
(Wizlearn)	917	976	-	-	-	-	36	37	954	1,013
Total	5,179	4,924	637	676	863	1,868	420	425	7,101	7,895

Overall	Cloud service in Japan is underperforming. Smart board (appliance) is above plan.
Japan	Price down due to web conferencing market is in high competition. (Cloud) Shortage of deals in iStudy's LMS. (Cloud) Large deal of Qumu in 2Q. Royalty revenue from Vidyo. (On-premises)
Overseas	Large deals of smart board service business. (Appliance) The new service for Chinese automakers started with six months delay. Wizlearn will show stable performance. (Cloud) Delayed sales to the Chinese public sector. (On-premises)

Cost of sales, SG&A expense and Operating profit



FY18 main factors of change (Revised forecast compared to initial forecast).

- Increased variable cost (purchase) due to recovery of smart board service business.
- The increase in fixed cost is omission of outsourcing cost etc.
- The increase in SG & A exp. is accompanied by adoption of new accounting standard in Wizlearn. In addition, we made a correction as there was omission about amortization of goodwill in the initial forecast.

Current Initiatives

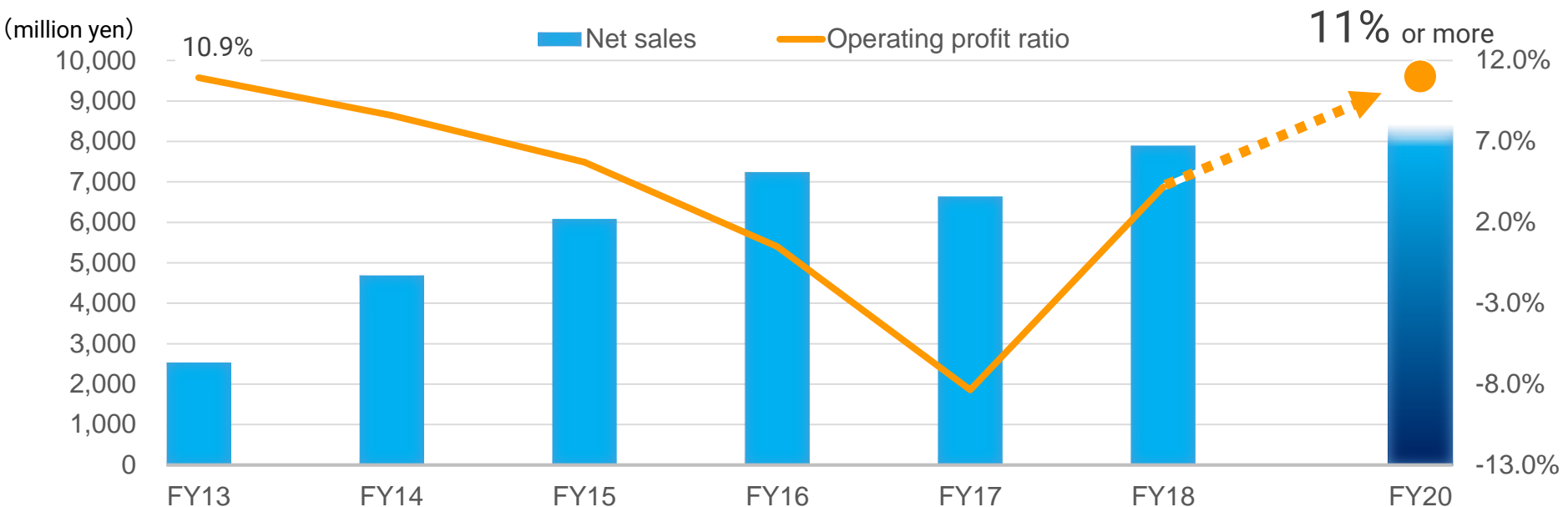
Preparation for full-scale growth after 2019.

- Although the expansion of the market is surely caused by work-style change leading to the demand of the web conference, preparations for institutional aspects are prioritized and the market growth speed is slow. Meanwhile, price competition due to overheating of competition has occurred earlier.
- In the short term, we aim to extend On-premises model.
(customize, Qumu, sale of Vidyo's service, etc.)
- We expect to achieve surplus in FCF of FY18.
Decrease debt and improve financial position.
- Pursuit of profitability in business and software investment after FY17's restructuring which we executed aiming to concentrate in core competence.
Sale of smart board service business. (cash collection will be 750million yen)
- Rebuilding managerial accounting according to the strategy that has changed with the business environment.
New business segment and KPI are under discussion.

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**



3. Topics

Newly formulated MISSION and VALUE

Corporate philosophy

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

MISSION

Provide Even Opportunity to Everybody

VALUE

Next ATARIMAE
Stay Gold
Make Happiness



Moving Head Office February 2019 (plan)

Tokyo offices will be merged.

(New Office)
Shirokane, Minato-ku, Tokyo
NBF Platinum Tower

(Old Tokyo offices)
2 offices in Nakameguro
1 office in Meguro

We celebrate 20th Anniversary

Business Strategy



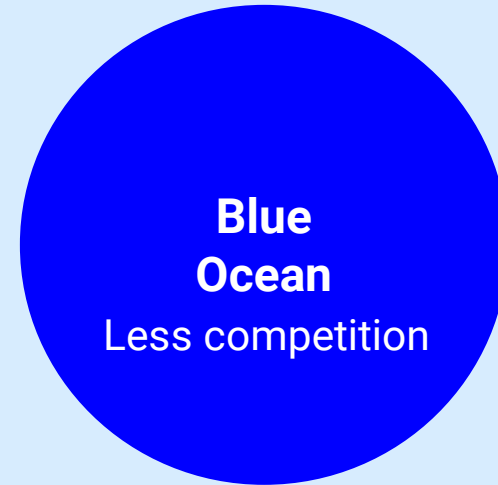
Market size
Present: large
In the Future: expand



Office-use web conferencing market

- The number of players increases and the competition is fierce because of the expectation of the market expansion by the work-style change.
- Easy to generate profit for big player even under the competition because the cost is low.
- With recognition, brand power, and sales strength in the domestic market, we will keep the No.1 position and business scale aiming to grow along the market growth.

Market size
Present: small
In the Future: expand rapidly



Specialized visual communication market

- Entry is difficult for foreign companies that are our major competitors in red ocean because it takes a lot of effort to customize for the industry and specialized workplace.
- We will promote the work-style change by providing added value which is customization according to the use scene.

Initiatives in blue ocean

We promote work-style change by solving the lack of a place for telework

① Launched New TELECUBE

- Co-development of “TELECUBE by OKAMURA” with OKAMURA CORPORATION

② Start social experiments in public space (from late November, 2018)

- Three office buildings in Marunouchi area: with MITSUBISHI ESTATE CO., LTD.
- Tokyo, Shinjuku, Shinagawa stations: with East Japan Railway Company



“STATION BOOTH”
of East Japan Railway Company



New TELECUBE
“TELECUBE by OKAMURA”

Social value realized
by TELECUBE



New value creation in specialized workplace (Medical and Health care industry)

Online medication guidance is one of the important elements for integrated online medical and health care in the future

V-CUBE provides its visual communication services to the initiatives of “Special case of face-to-face principle of medication instruction by a pharmacist using a video phone.”

Press release 25th Oct., 2018
minacolor Inc
Initiatives in Yabu city, Hyogo pref.
We provide “Agora.io Video SDK”

Press release 16th Aug., 2018
NIHON CHOUZAI Co., Ltd.
Initiatives in Fukuoka city
We provide “V-CUBE Meeting”

Social value realized by the business



Press release 25th Jun., 2018
AIN HOLDINGS INC.
Initiatives in Aichi pref.
We provide “V-CUBE Meeting”

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.

Appendix

Exchange rates for major currencies

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

3Q (January-September)	FY17/Q3	FY18/Q3	FY17 End	FY18/Q3 End
	Average (result)	Average (result)	End of period (result)	End of period (result)
(Yen)				
US \$	111.93	109.61	113.05	113.58
S \$	80.53	81.81	84.51	83.03

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.

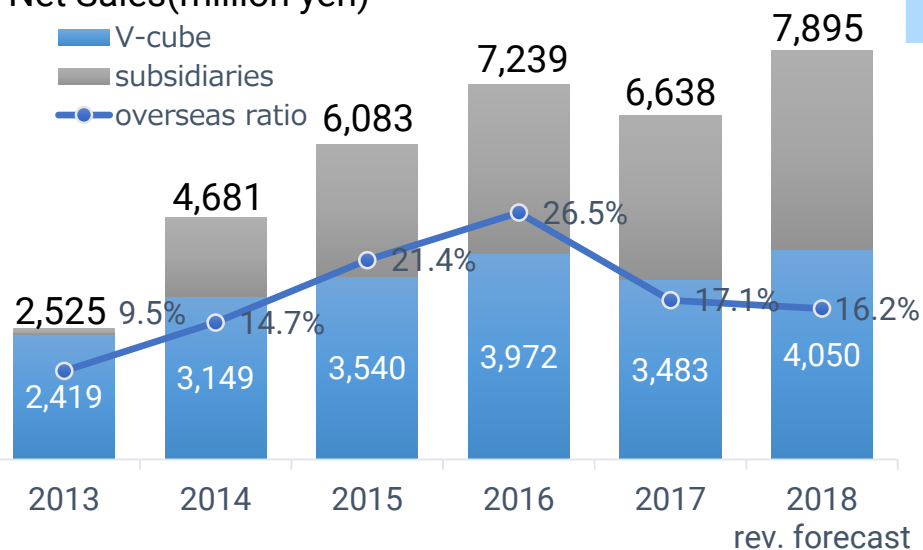
2015 iStudy Co., Ltd.

V-cube Technical Works Liquidation

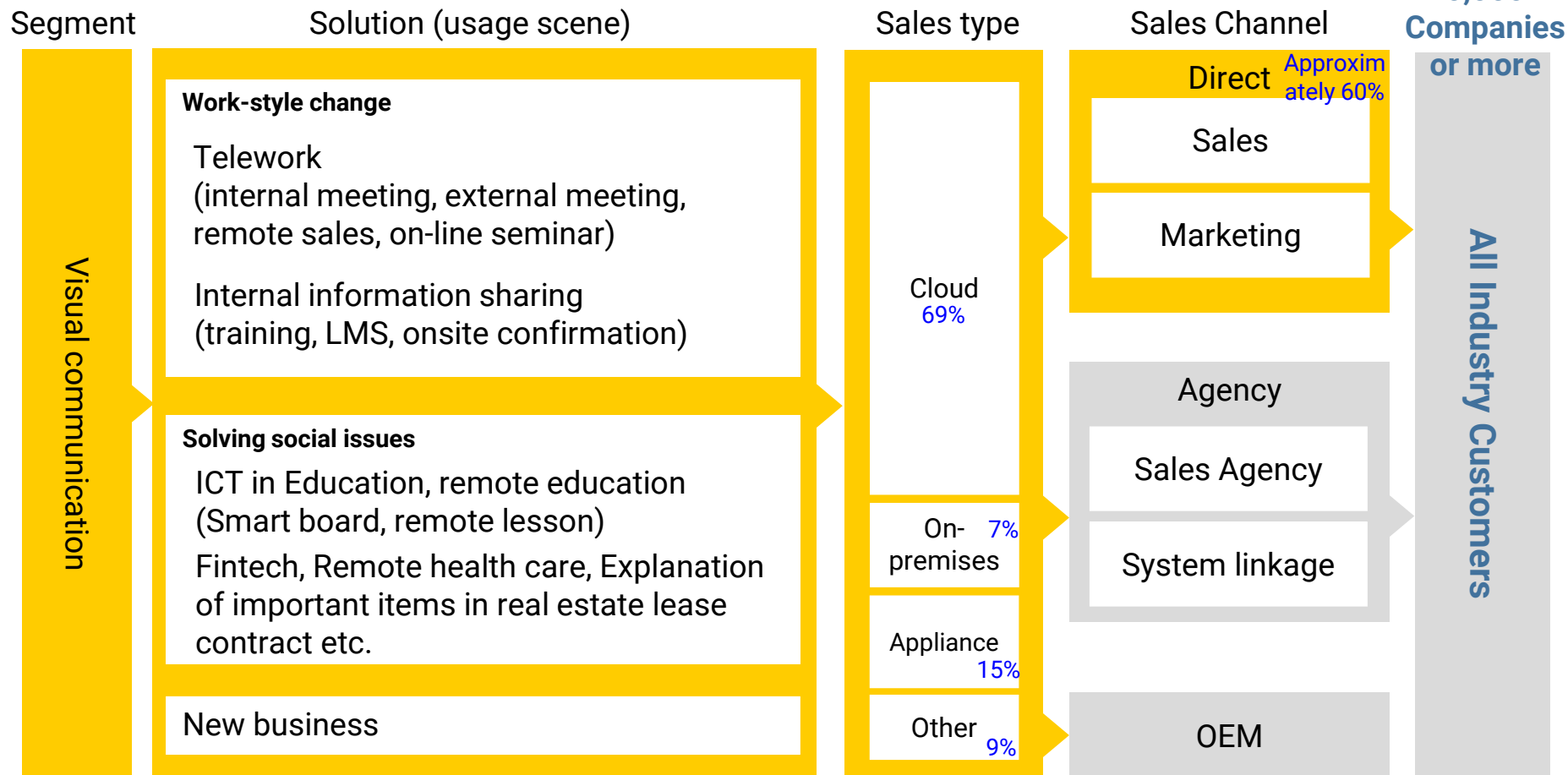
V-cube (Thailand) Co., Ltd.

Net Sales(million yen)

■ V-cube
■ subsidiaries
● overseas ratio



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

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.

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 V-CUBE

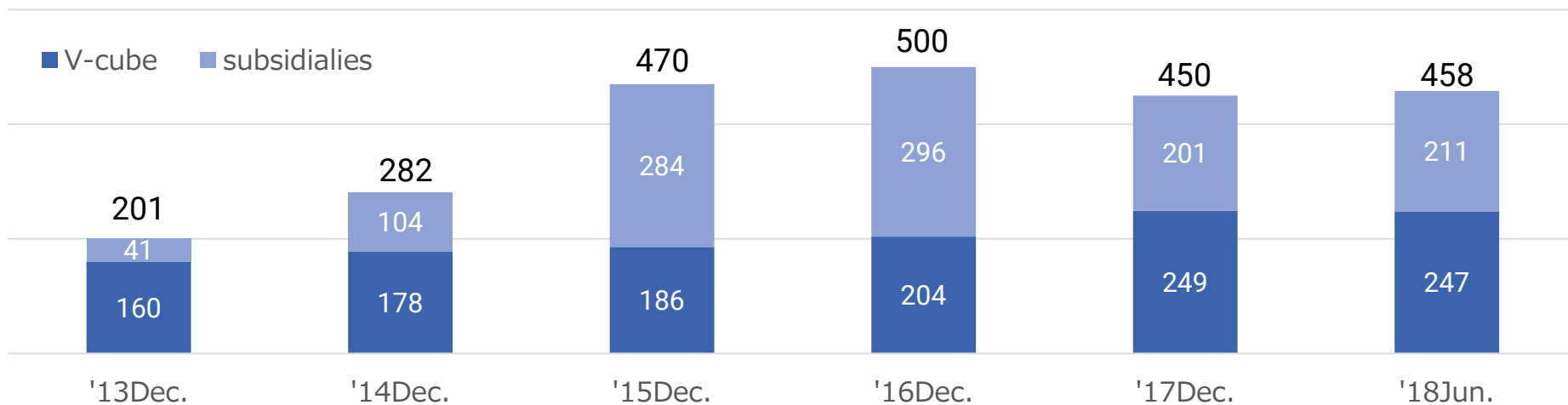
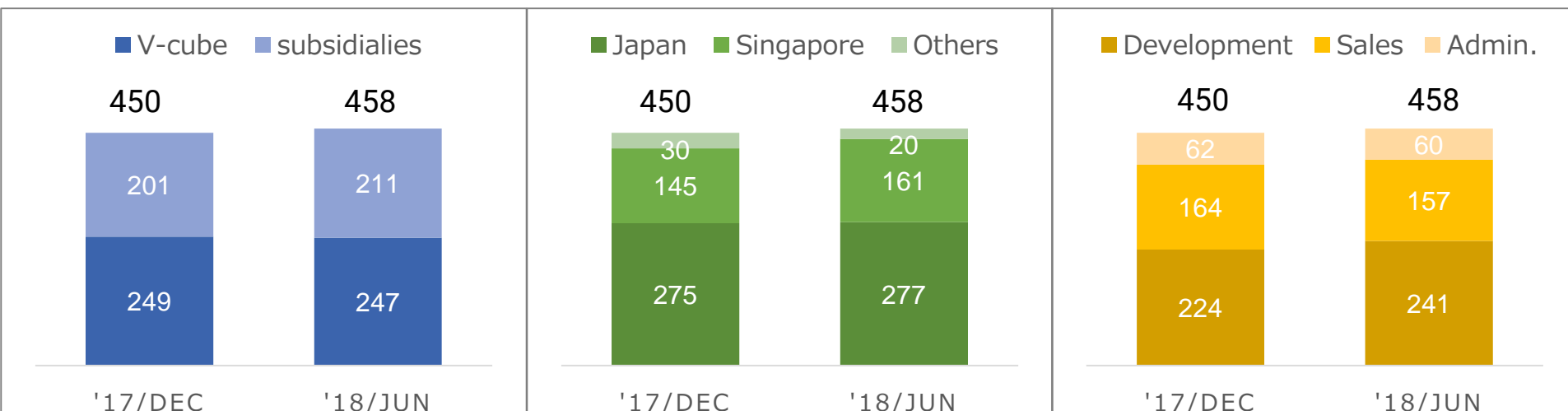
(As of June 30, 2018)

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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