

FY2018

Financial Results Briefing Document

V-cube, Inc.

February 14, 2019



1. FY2018 Results

2. FY2019 Annual Forecasts

3. Business Updates

1. Financial Results for FY2018

- Net sales increased compared to both of the previous year and initial target due to large projects of Smartboard service business.
- Operating profit was in the black as a result of restructure in the previous year.
- Posted extraordinary profit by selling Smartboard services business.
- Profit attributable to the owners of the parent also turned into surplus.
- Realized positive free cash flow.

2. Forecasts for FY2019

- Net sales will decrease due to sale of Smartboard services business in FY2018.
- We anticipate an impact by change of revenue recognition rules (only in FY2019).
- We aim to start a payment of dividend along with FY2019 result.
- We start disclosure in new business segments.

1. FY2018 Results

Consolidated P/L (Annual Results)

(Million yen)	FY2017	FY2018	FY2018	YoY	
	Results①	Revised Forecasts	Results②	Increase/ Decrease ②-①	Rate of change (%)
Net Sales	6,638	7,895	7,960	+1,322	+19.9%
Cost of Sales	3,708	4,537	4,550	+841	+22.7%
Gross profit	2,929	3,357	3,410	+481	+16.4%
SG & A exp.	3,480	3,027	3,065	-415	-11.9%
Operating profit	-550	330	345	+896	-
Ordinary profit	-567	250	259	+826	-
Extraordinary profit	0	476	553	552	-
Extraordinary loss	(2,509)	-	(227)	(-2,282)	(-)
Profit attributable to owners of parent	-3,035	480	456	+3,492	-

Net Sales: Recovery of Smartboard services business. Increase in web seminars for pharmaceutical companies. Qumu and TELECUBE contribute.

Operating profit: Variable cost increased due to increase of Smartboard. Fixed costs reduced by restructuring in FY2017.

Ordinary profit: Foreign currency translation loss (¥41mil) on the assets related to overseas subsidiary.

Extraordinary profit: We posted ¥453mil gain on sale of Smartboard services business.

Profit attributable to owners of parent: The amount without extraordinary profit and loss would be about ¥130mil while our initial plan was ¥158mil.

Consolidated P/L (Quarterly Results)

(Million yen)	FY2018				
	1Q	2Q	3Q	4Q	Full Year
Net Sales	1,728	1,680	2,131	2,420	7,960
Cloud	1,192	1,301	1,128	1,333	4,955
On-premises	144	177	186	184	692
Appliance	278	138	651	789	1,857
Other	112	65	164	113	455
Cost of Sales	966	847	1,302	1,434	4,550
Gross profit	762	833	829	985	3,410
SG & A exp.	747	740	779	797	3,065
Operating profit	14	93	49	188	345
Ordinary profit	-66	97	49	178	259
Profit attributable to owners of parent	-105	49	66	446	456

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: We expanded our domestic cloud business due to mainly pharmaceutical companies. There were large-scale projects on Smartboard services business.

Net Sales by Type of Sales and Region (YoY)

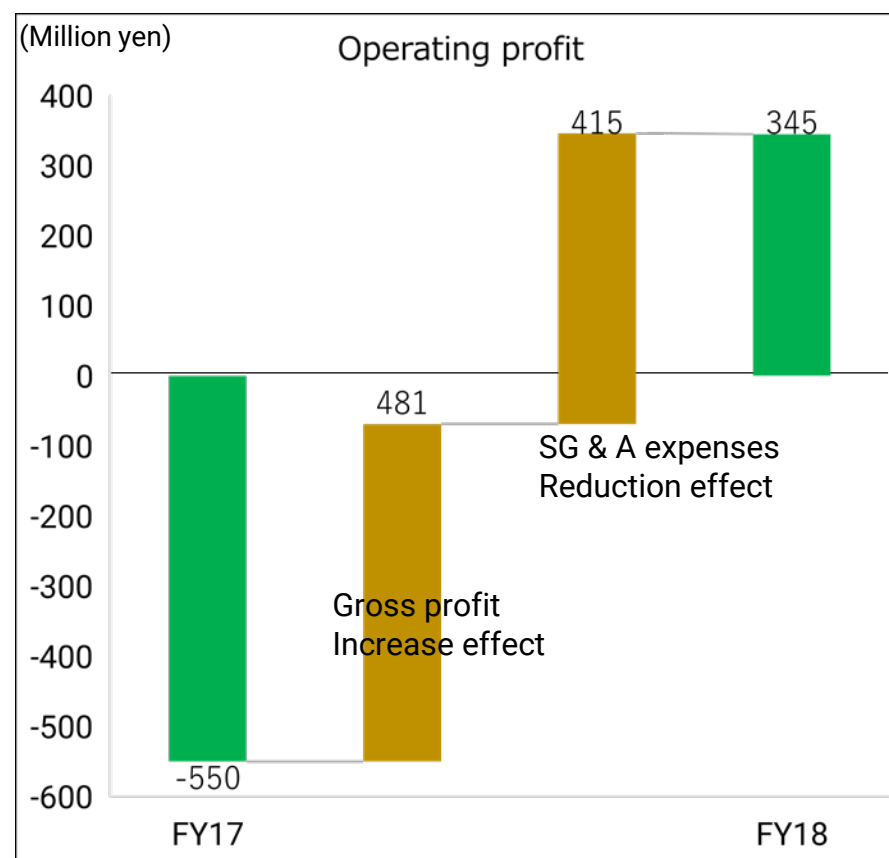
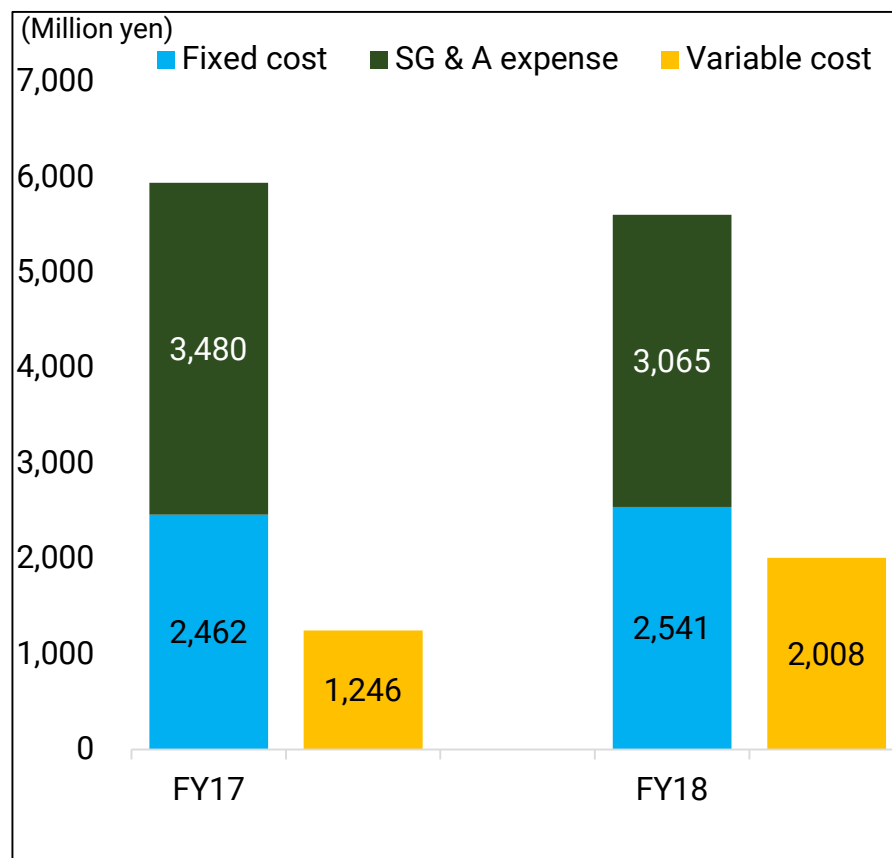
(Million yen)

Annual Results	Cloud		On-premises		Appliance		Other		Total	
	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
Japan	3,515	3,827	464	629	1,008	1,855	513	408	5,500	6,720
Overseas	1,081	1,128	5	63	1	1	49	46	1,137	1,240
(China)	12	16	0	31	-	-	3	0	15	48
(Wizlearn)	916	977	-	-	-	-	36	37	952	1,015
Total	4,596	4,955	469	692	1,009	1,857	562	455	6,638	7,960

Main factors of change

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

Cost of sales, SG&A expense and Operating profit



Main factors of change

- Variable cost (purchase) increased due to the sales increase in Smartboard services business.
- Fixed costs remained flat and SG & A expenses were significantly reduced as a result of restructuring in 2017.
- Operating profit was ¥345 mil, improved by ¥895 mil compared to the same period of the previous year.

1. FY2018 Results

Consolidated B/S

(Million yen)

	December 31, 2017	December 31, 2018	Change
Current Asset (Cash & Deposit)	5,212 (3,384)	4,997 (2,732)	-215 (-651)
Non-current Asset (Software) (Goodwill)	5,878 (2,786) (1,263)	5,588 (2,507) (1,111)	-290 (-279) (-152)
Total Asset	11,091	10,585	-505
Current Liabilities (Short-term loans, current portion of long-term debt)	4,289 (2,334)	4,021 (1,815)	-268 (-518)
Non-current Liabilities (Long-term debt)	2,587 (2,553)	2,033 (2,003)	-554 (-550)
Net Asset	4,213	4,530	316

Aim to improve the financial position

- Cash & deposit decreased mainly by reducing interest-bearing liabilities.
- Software asset decreased as we have invested to major products selectively.
- Shareholders' Equity Ratio improved from 30.1%(FY17/12end) to 35.0%(FY18/12end).

Consolidated CF Statement

(Million yen)

	FY2017	FY2018
Operating CF	870	963
Investing CF	-2,423	-558
Financing CF	2,870	-1,035
Free CF	-1,552	405
Effect of exchange rate change on cash and cash equivalents	60	-28
Net Increase/decrease in cash and cash equivalents	1,378	-658
Cash and cash equivalents at the end of period	3,378	2,719

Main factors of change

- Operating CF : Growth of Cloud business contributed.
- Investing CF : We concentrated software development on competitive products. Sale of consolidated subsidiary in FY2017.
- Financing CF : Compression of interest-bearing liabilities. There were third-party allocations of shares in FY2017.
- We achieved positive Free CF.

2. FY2019 Annual Forecasts

1. Adoption of New Revenue Recognition rules

- Previously, we posted the equivalent of the license at the time of the cloud service contract and posted the maintenance and the infrastructure cost equivalent proportionally over the contract term. We will post the entire amount in equally proportional manner from FY2019.
- When we provide the service to our customers by paying royalties to the services of other companies, we will record net sales after the offset the revenue by royalty.

2. Business reorganization

- Sale of Smartboard services business at the end of FY2018.

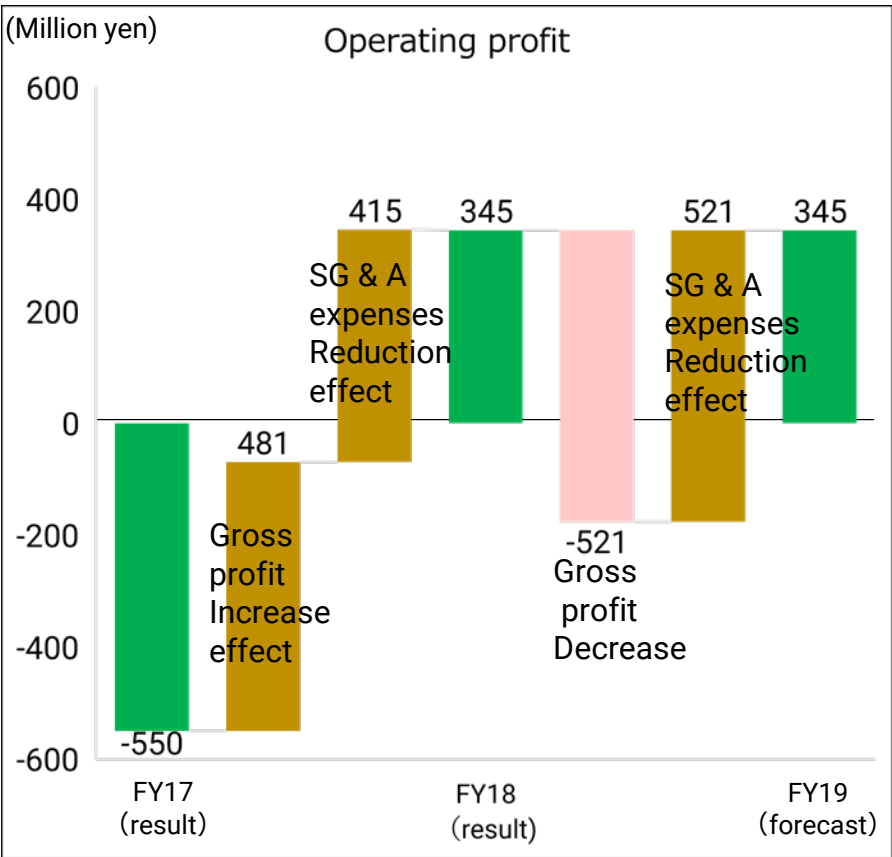
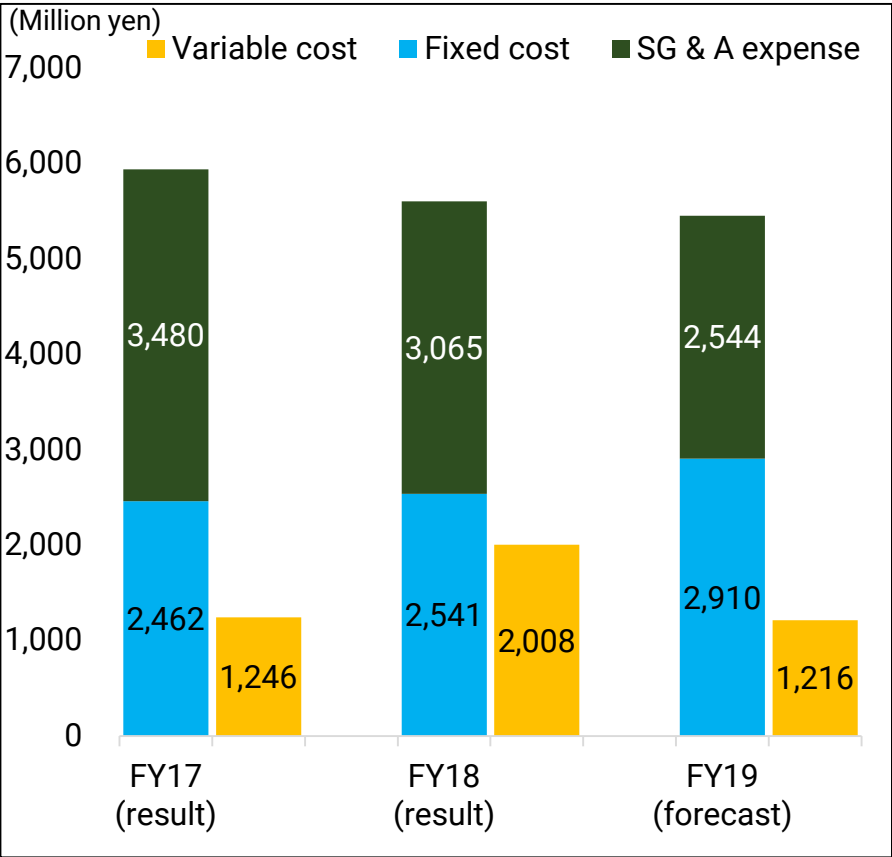
Consolidated P/L (Forecasts)

(Million yen)	Old revenue recognition rule		New revenue recognition rule		
	FY2017 Results	FY2018 Results①	FY2019 Forecasts②	Increase/Decrease ②-①	(reference) Impact of Smartboard
Net Sales	6,638	7,960	7,016	-944	-1,500
Cost of Sales	3,708	4,550	4,126	-424	-
Gross profit	2,929	3,410	2,889	-521	-
SG & A exp.	3,480	3,065	2,544	-521	-
Operating profit	-550	345	345	0	-
Ordinary profit	-567	259	283	+24	-
Profit attributable to owners of parent	-3,035	456	153	-303	-

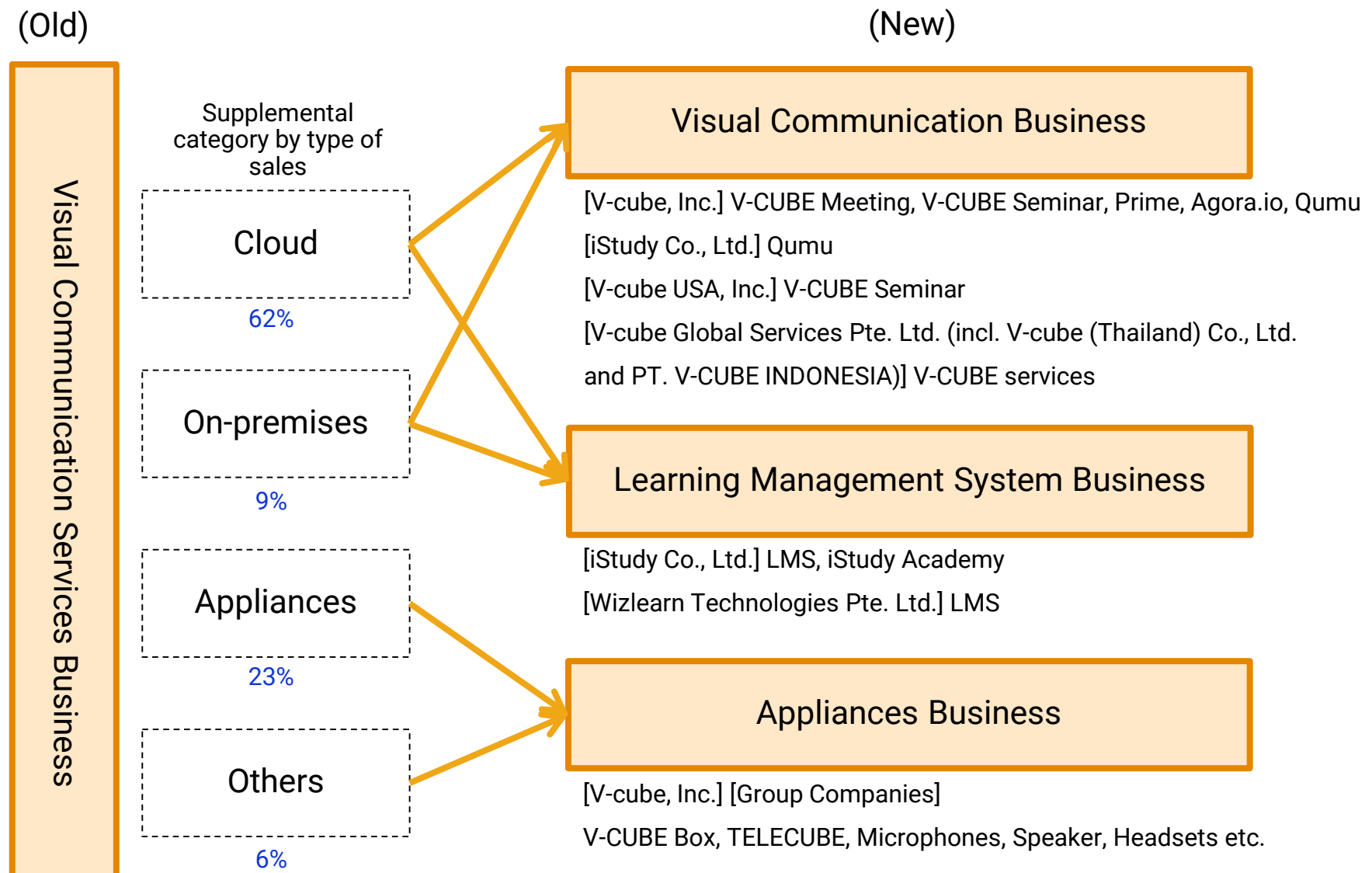
Main factors of change (FY19 forecasts compared to FY18 results)

- Net Sales will be decreased due to the sale of Smartboard services business (-¥1.5bn) despite the increase in main businesses.
- A part of SG & A exp. goes to Cost of Sales according to reorganization of technology dept. As a result, Gross profit and profit margin will be decreased and Operating profit will be the same level as FY18.
- Extraordinary profit of ¥453mil was posted in FY18 by sale of Smartboard services business.

Cost of sales, SG&A expense and Operating profit



- Main factors of change (FY19 forecast compared to FY18 result).
- Variable cost (purchase) will decrease due to the sale of Smart board service business.
 - Fixed cost will increase and SG & A exp. will decrease according to reorganization of technology division.
 - Operating profit will be the same level as FY18.



*Each percentage shows a composition to sales of FY18

2. FY2019 Annual Forecasts Segment Overview (unaudited)

	(Million yen)	FY2018 Result	FY2019 Forecast
Visual Communication	Net Sales	4,179	4,542
	Operating Profit (margin)	595 (14.2%)	658 (14.5%)
Leaning Management System	Net Sales	1,628	1,589
	Operating Profit (margin)	77 (4.7%)	36 (2.7%)
Appliances	Net Sales	2,152	884
	Operating Profit (margin)	89 (4.2%)	81 (9.3%)
Corporate, Elimination etc.	Net Sales	—	—
	Operating Profit (margin)	−416 (−%)	−430 (−%)

2. FY2019 Annual Forecasts

Forecasts by Segment (1)

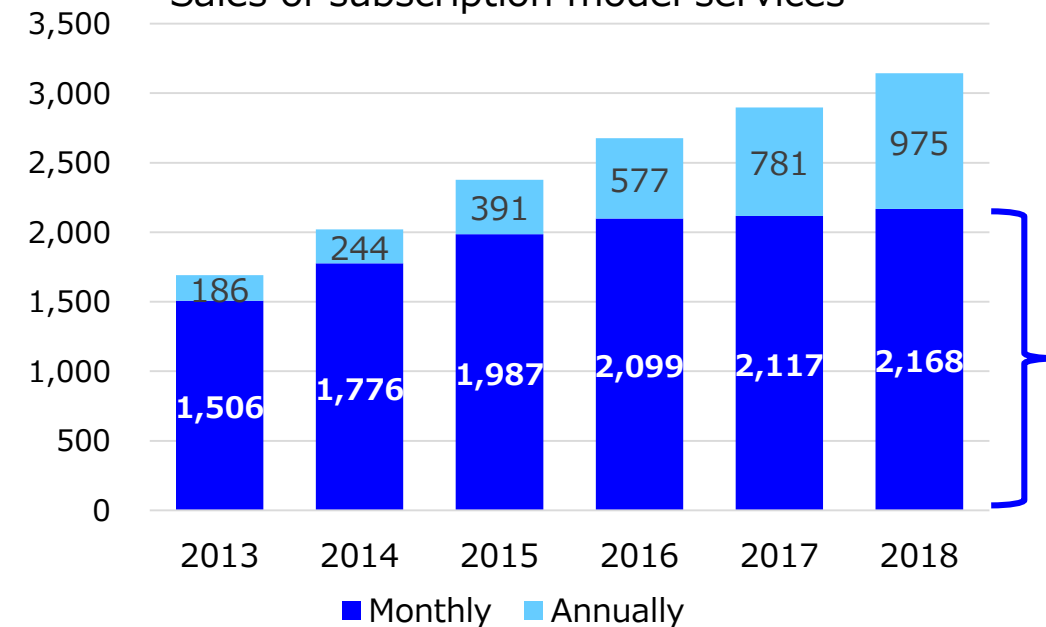
(Visual Communication)

Financial Indicator (million yen)	FY2018 Result	FY2019 Forecast
Net Sales	4,179	4,542
Operating Profit (margin)	595 (14.2%)	658 (14.5%)

Major factors of change

- Net Sales and Operating Profit will increase due to a growth in medical seminar distribution support service.

(million yen) Sales of subscription model services



KPI	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Churn rate (%)	14.0	17.4	16.1	12.2	13.0	11.7

Annual Churn rate is going down.

(Learning Management System)

Financial Indicator (million yen)	FY2018 Result	FY2019 Forecast
Net Sales	1,628	1,589
Operating Profit (margin)	77 (4.7%)	36 (2.7%)

Major factors of change

- Net Sales will decrease mainly because Wizlearn will decrease as shifting its customer base public schools to enterprise market.
- Operating Profit will decrease due to Sales decrease.

(Appliances)

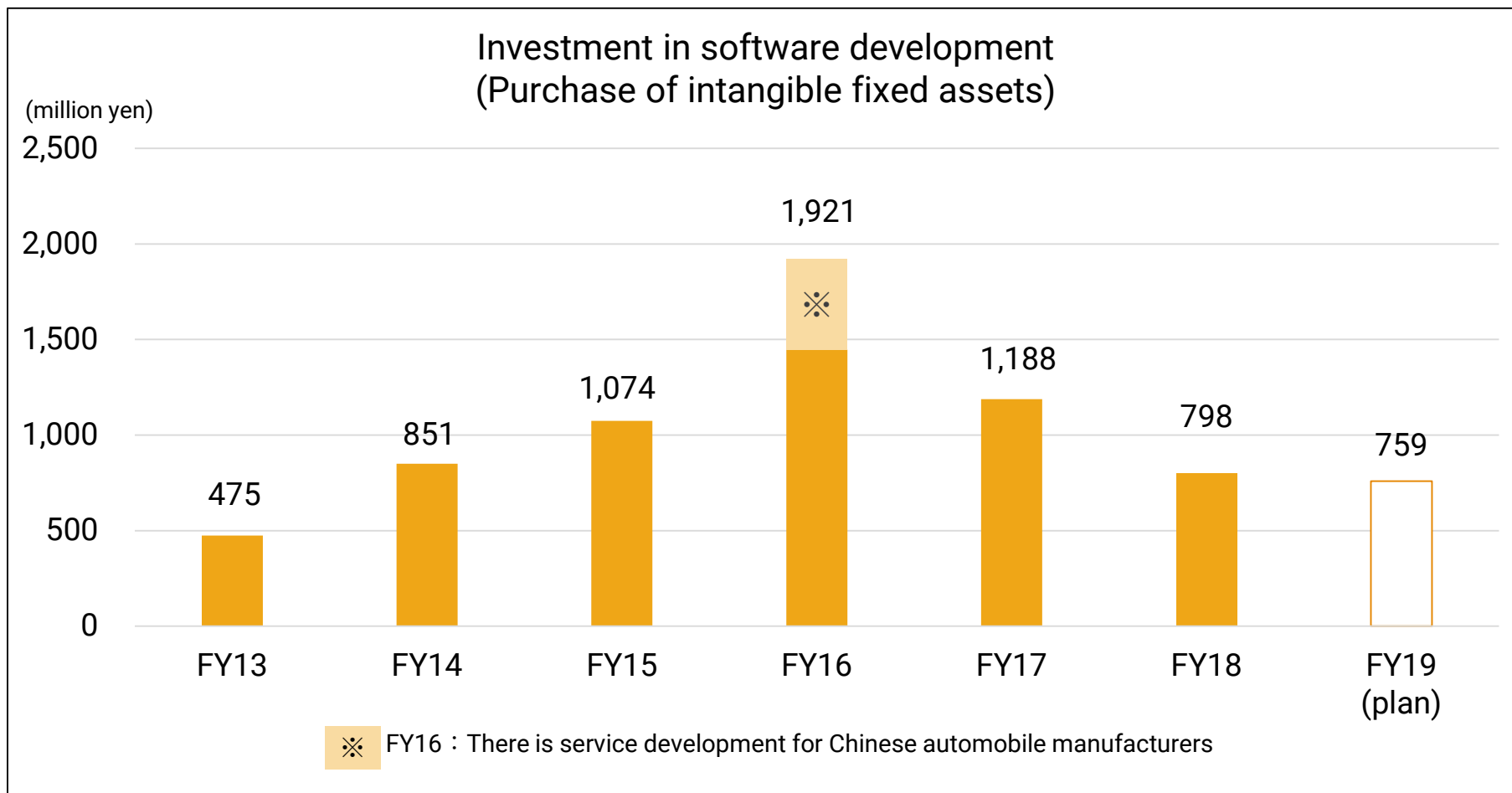
Financial Indicator (million yen)	FY2018 Result	FY2019 Forecast
Net Sales	2,152	884
Operating Profit (margin)	89 (4.2%)	81 (9.3%)

Major factors of change

- Net Sales will decrease due to the sale of Smartboard services business.
- According to that, Operating Profit ratio will improve.

	FY2017 Result	FY2018 Result	FY2019 Forecast
TELECUBE (unit)	11	73*	400

Investment to software development



Main factors of change

- Investment decreased in FY2018 compared to FY2017 as we concentrated our resources in our competitive products and services.
- Investment will decrease furthermore in FY2019 due to the sale of Smartboard services business etc.

Dividend Policy

As for payout ratio, we aim to achieve 20% of Profit attributable to the owners of parents which deducts one-off profit.

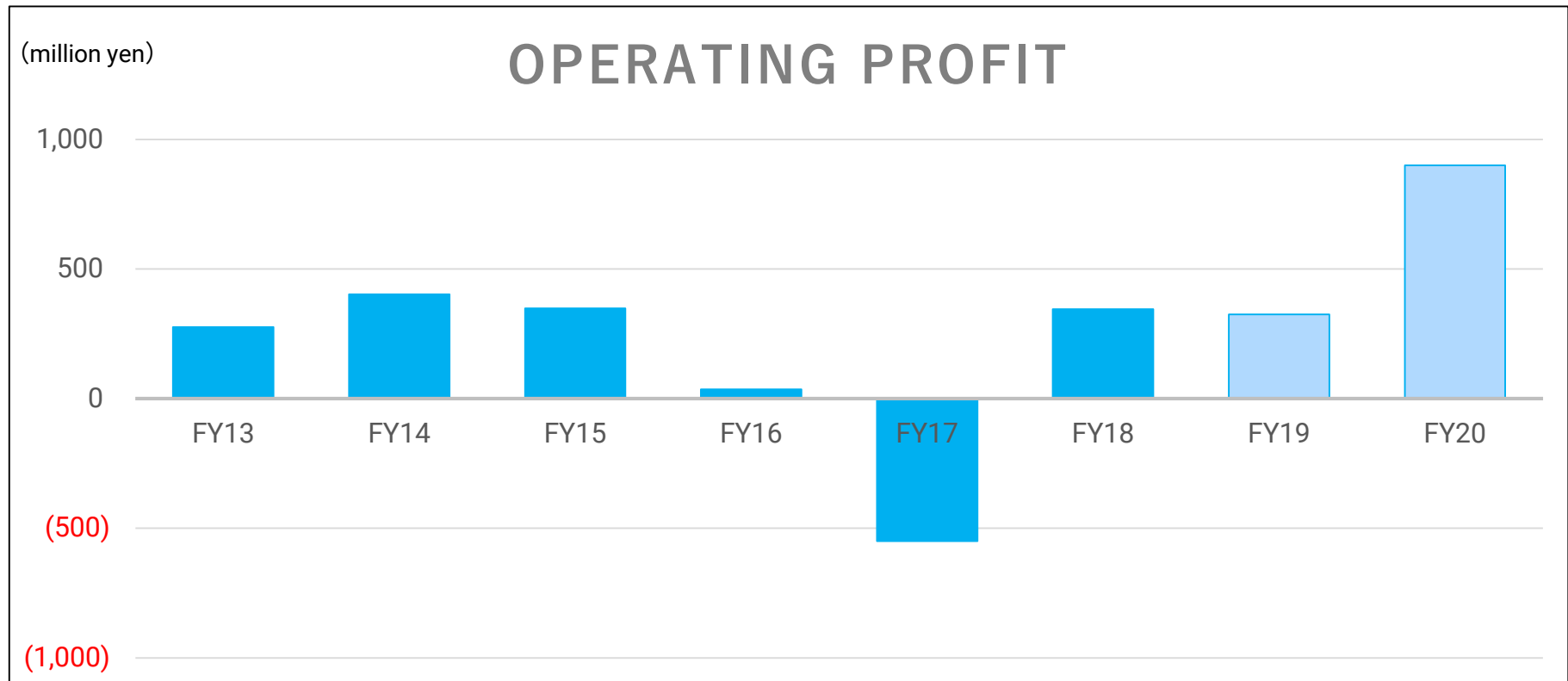
We aim to increase payout ratio to 30% in the future.

FY2019

Dividend forecast : 1 yen per share (Payout ratio will be 15.8%)

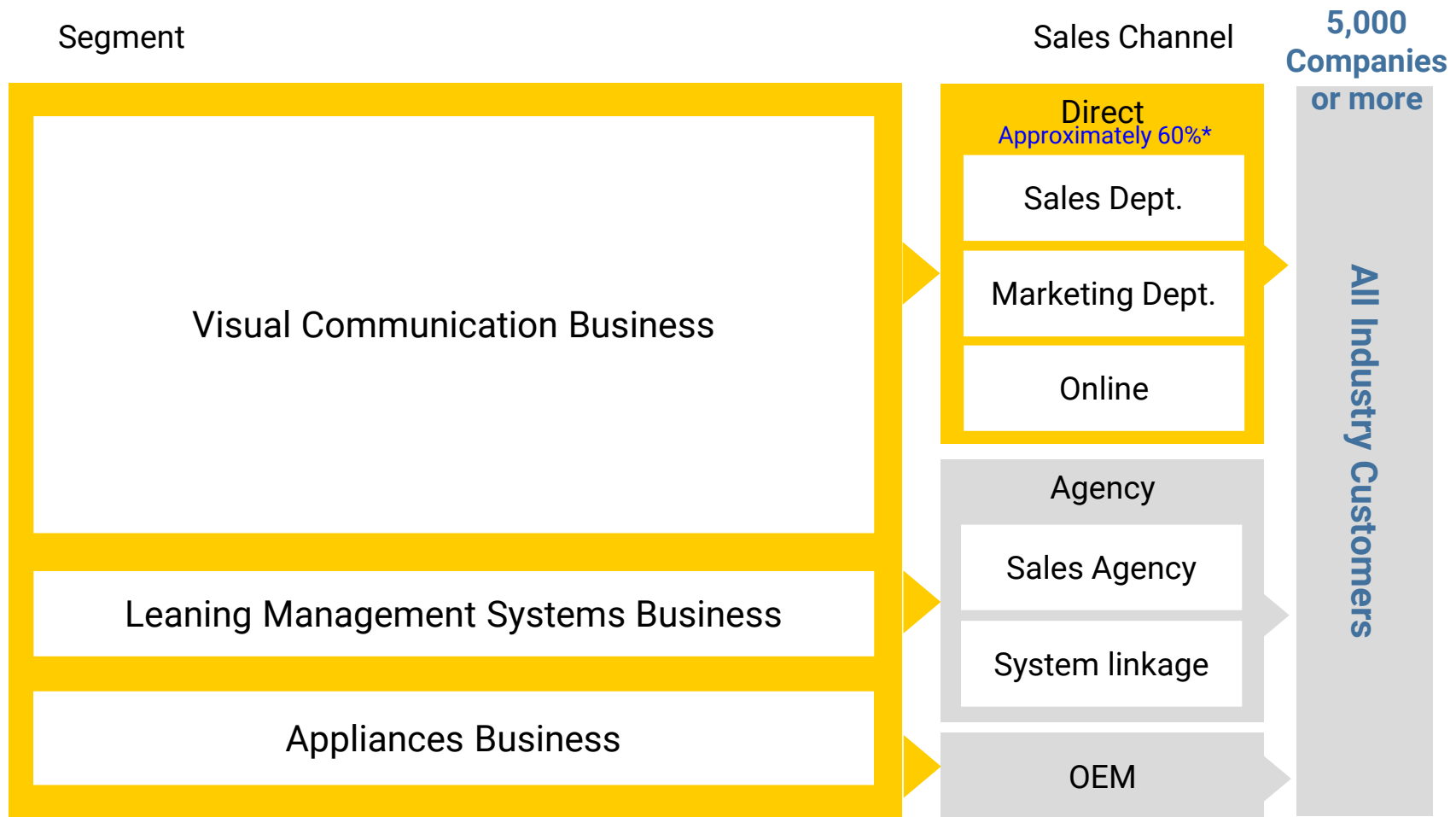
<Numerical target (image)>

In 2020,
We aim to achieve the highest Operating Profit ¥900 million after listing

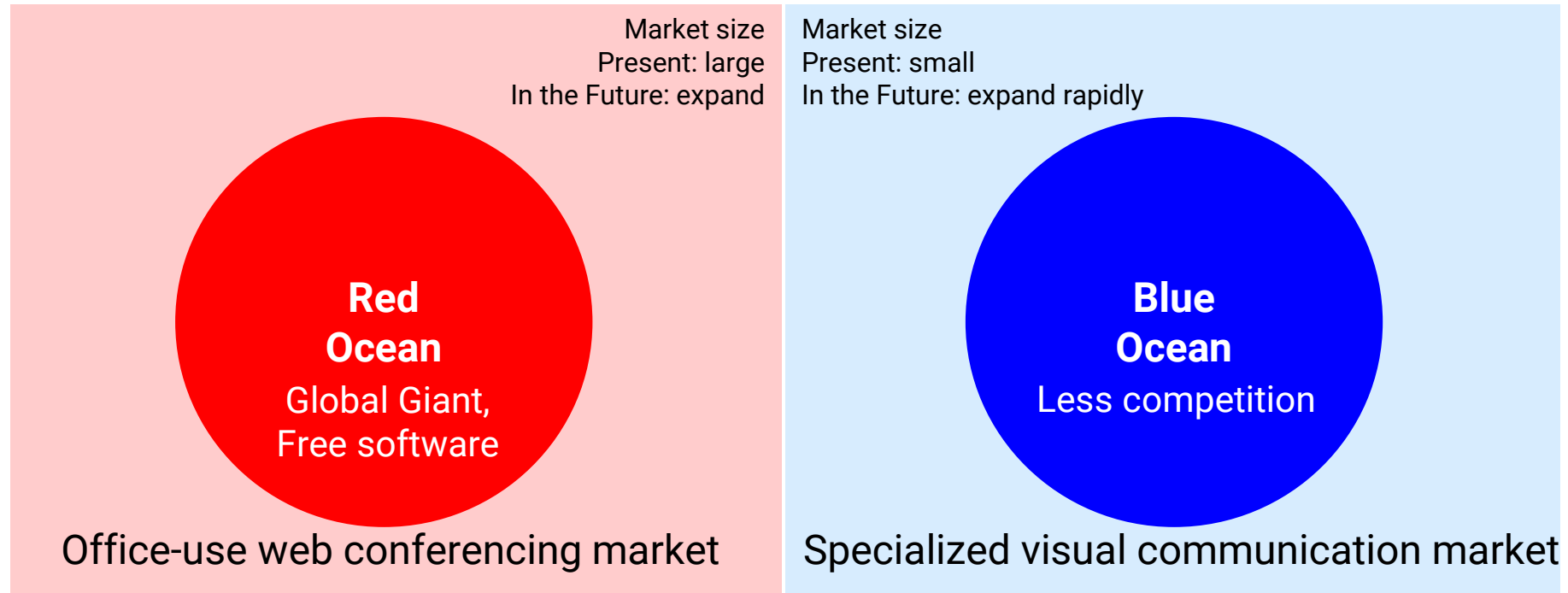


3. Business Updates

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



*Percentage to FY17 Net Sales



- 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 due to high marginal profit rate.
 - 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.
- 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.

<Monthly Subscription Service>

Average Invoice Unit Price × Number of billing company

FY14	FY15	FY16	FY17	FY18
138K	143K	142K	143K	149K

FY14	FY15	FY16	FY17	FY18
1,070	1,158	1,226	1,230	1,213

- Follow-up to a high unit price customer, Average invoice unit price increase by promotion of use
- Although we do not aim to increase the number of billing companies significantly, there is a possibility of expansion due to challenges such as online sales
- Sales operation cost depends on the number of billing company.
(Billing company is not the same as user company)
- Efforts to further decrease the churn rate (FY14 :17.4%→FY18 :11.7%)

<Annual Subscription Service>

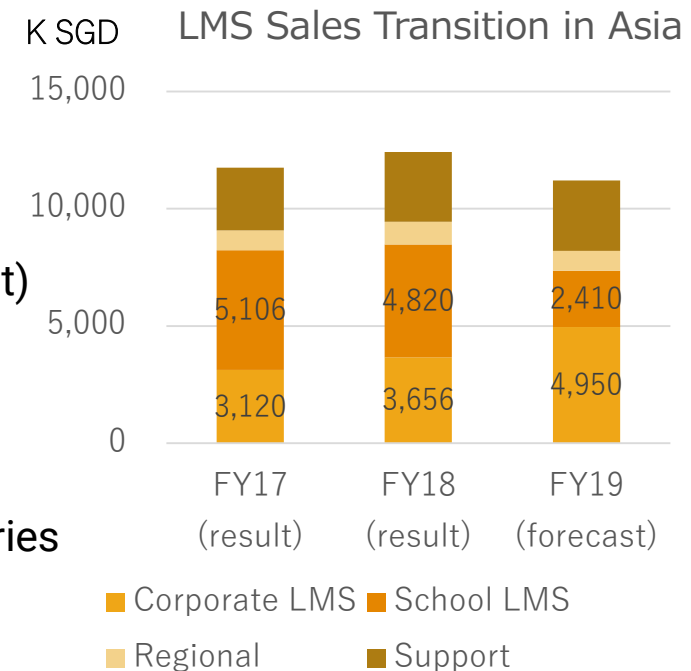
Account plan for event use, such as seminars for the pharmaceutical industry

- High growth rate (FY17 :135.3% → FY18 :124.8%)
- High value-added service by specialized industry specialized team
- Expanding with the same business model within the industry

<Expansion centered on LMS in Asia>

Shrink in public schools
but rapid growth in enterprises

- In 2019 we see a further reduction for public schools, (Declining birth rate and Self procurement of the Government)
At the same time there is a rapid expansion for enterprises then this is a transition period
- High marginal profit rate in both of the businesses, Expectations for upsells and cross-sells are also high for enterprises, and they are expected to develop in other countries



<iStudy Co., Ltd. >

Continued LMS sales to royal customers

- We will concentrate on iStudy ACADEMY, a new business in human resources industry.

<V-cube Box>

Promotion of replacement of existing market as inexpensive video conference

- Tie-up selling with subscription services.
- Due to the generalization of working way reform and expansion of the general user layer, there is substitution demand as an inexpensive video conference

<TELECUBE>

Extensive expansion for enterprises and expansion for public space expansion

- We have cleared the issues such as the Fire Service Law, a significant expansion for enterprises through partnership with OKAMURA Corp., a furniture company.
- Full-scale installation of public space centered on East Japan Railway Company, MITSUBISHI ESTATE CO., LTD. and Mori Building Co., Ltd.



Appendix

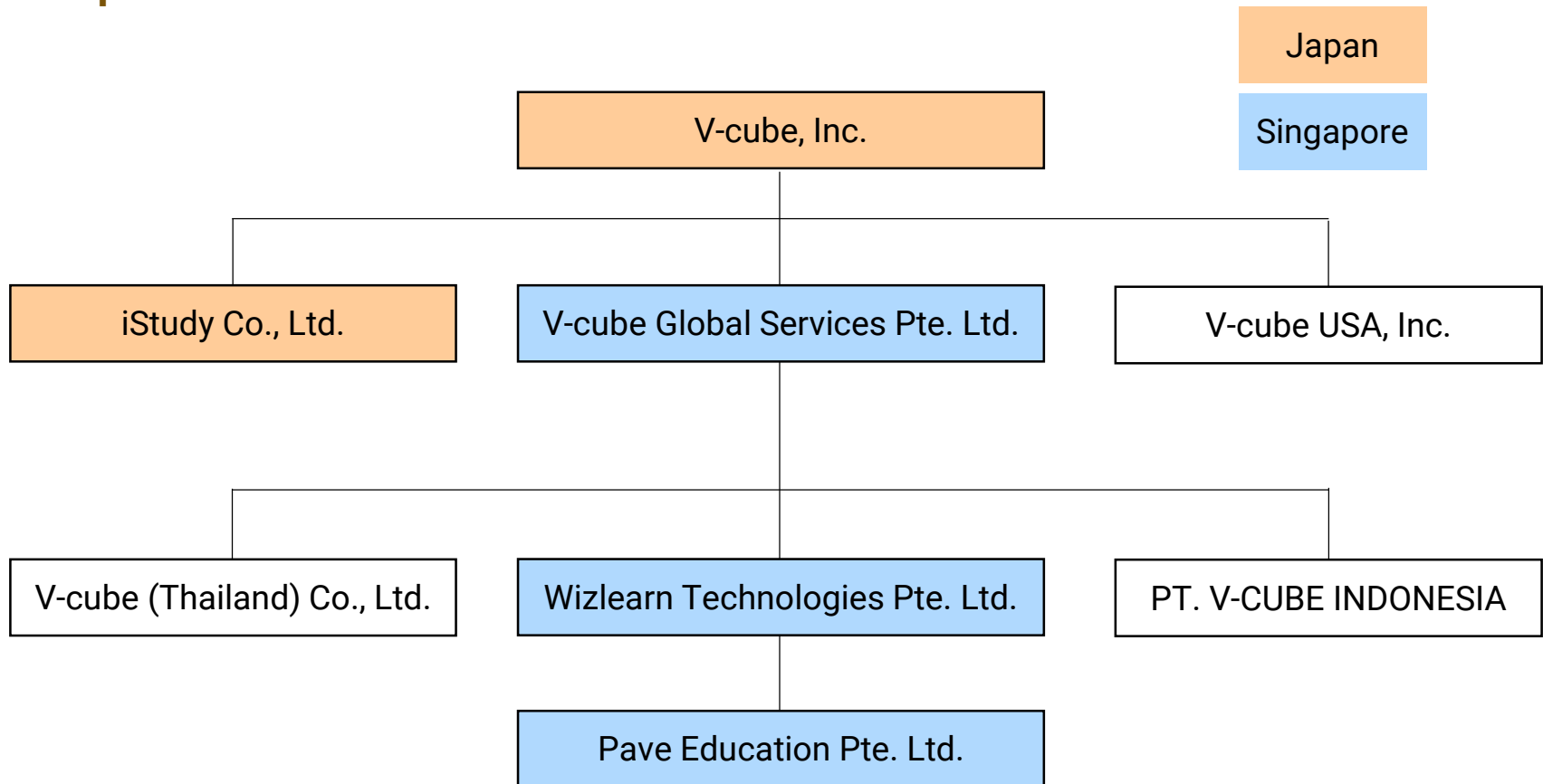
Exchange rates for major currencies

Full year (January-December) (Yen)	FY18			FY19
	Full year (forecast)	Average (result)	Year End (result)	Average (forecast)
US \$	112.00	110.44	110.91	111.00
S \$	80.00	81.88	80.92	81.00

Change the world through Visual Communication

Company Name	V-cube, Inc
Established	October 16, 1998
Fiscal Year End	December 31
Capital	3,451 million yen
Stock Exchange	TSE Main: 3681
Group Companies	Headquarters1, Subsidiaries7(Japan1,Singapore3,United States1,Thailand1,Indonesia1)
Number of members	Officers 20, Employees 457 (consolidated).

Headquarters and 7 subsidiaries



History

- Establishment of V-cube Internet Ltd. Web creating and system and app development
- Switch to "Inc."
- Unable to purchase video conference system thus began development of our own
- Registration of V-cube trademark and focus on Visual Communication
- Intel Capital investment and Asia market expansion
- Investment from Globis Capital, etc.
- TSE Mothers IPO
- TSE first section

1998 2001 2004 2006 2009 2011 2012 2013 2014 2015 2016 2017 2018

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.

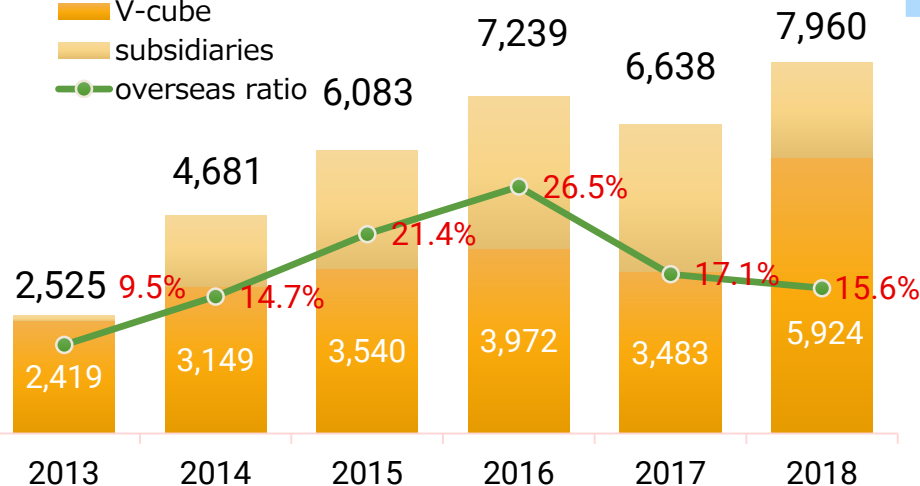
2015 iStudy Co., Ltd.

V-cube Technical Works Liquidation

V-cube (Thailand) Co., Ltd.

Net Sales(million yen)

- V-cube
- subsidiaries
- overseas ratio





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.

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.
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 December 31, 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

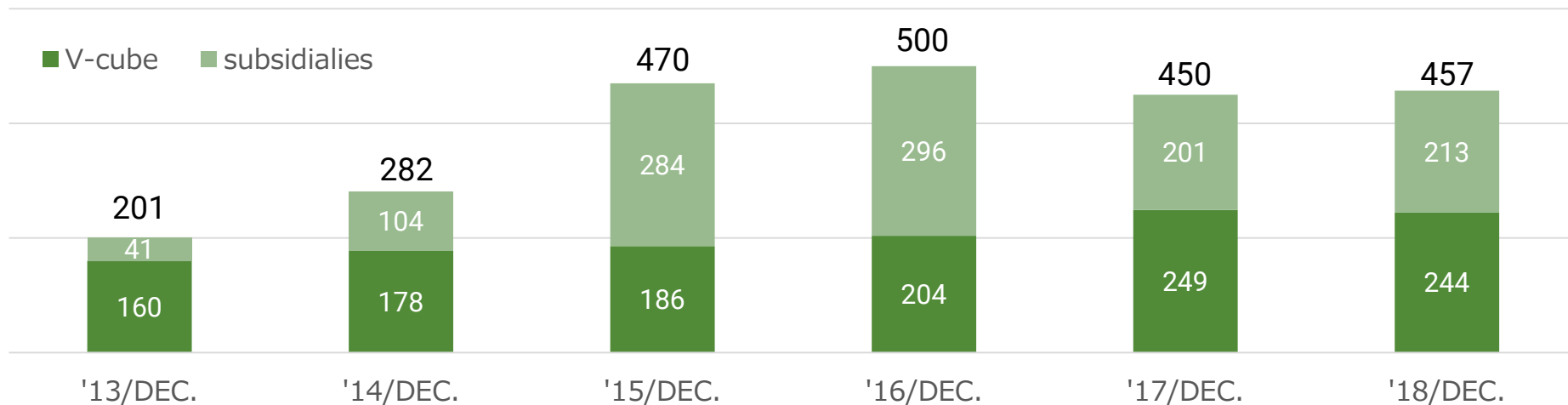
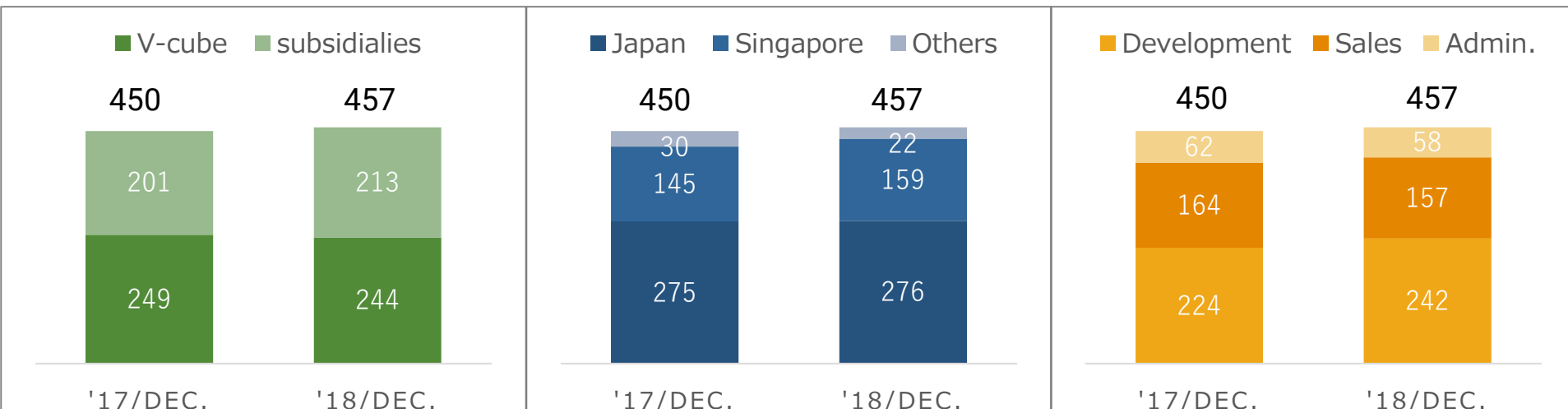
1982 Joined Pioneer Corporation
2008 Joined V-cube, Inc.
2009 Became Officer at V-cube, Inc.
2014 Became Director at V-cube, Inc.

Corporate governance by experienced and powerful outside officers

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 Audit & Supervisory Board Member	Kikuo Fukushima	Representative, Success Coaching Studio
Outside Audit & Supervisory Board Member	Kiyoji Odashima	President, Odashima Kiyoji Tax Accountant Office Outside Auditor, Ebara Foods Industry, Inc.
Outside Audit & Supervisory Board Member	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



This documents contains forecast, target, plans and other future-related information of V-cube, Inc. (including all subsidiaries). This information stated in this documents is based on the information at hand when creating this document. The statements in this document is based on the aforementioned principle. The statements and prerequisite stated in this documents is only a prediction and forecast of the future, we do not guarantee all statements will be realized in the future. Please refer to V-cube's summary of accounts, securities report, disclosure magazines, annual report, etc., for uncertainty and risks of the information in this document. The information in this documents was received at the time of creating this documents, thus for changes occurred after the creating of the documents, V-cube does not resume responsibility of updating the information. Your understanding is appreciated.

Information disclosed regarding other companies in this document are from public releases, in case of misinterpretation, V-cube do not guarantee the accuracy of this information. V-cube does not resume responsibility for any misinterpretation, mistake, or damages caused by the use of this document and the data used in this documents. Your understanding is appreciated. V-cube claims all rights of this documents, please do not by any means or purposes, electronically or mechanically copy or forward this documents.