

FY2019 2Q Financial Results Briefing Document

V-cube, Inc.

August 14, 2019



1. FY2019 Q2 Results

2. Segment and KPI

3. Current Strategies

4. Appendix

1. FY2019 Q2 Results

2. Segment and KPI

3. Current Strategies

4. Appendix

1. FY2019 Q2 Results : Consolidated P/L

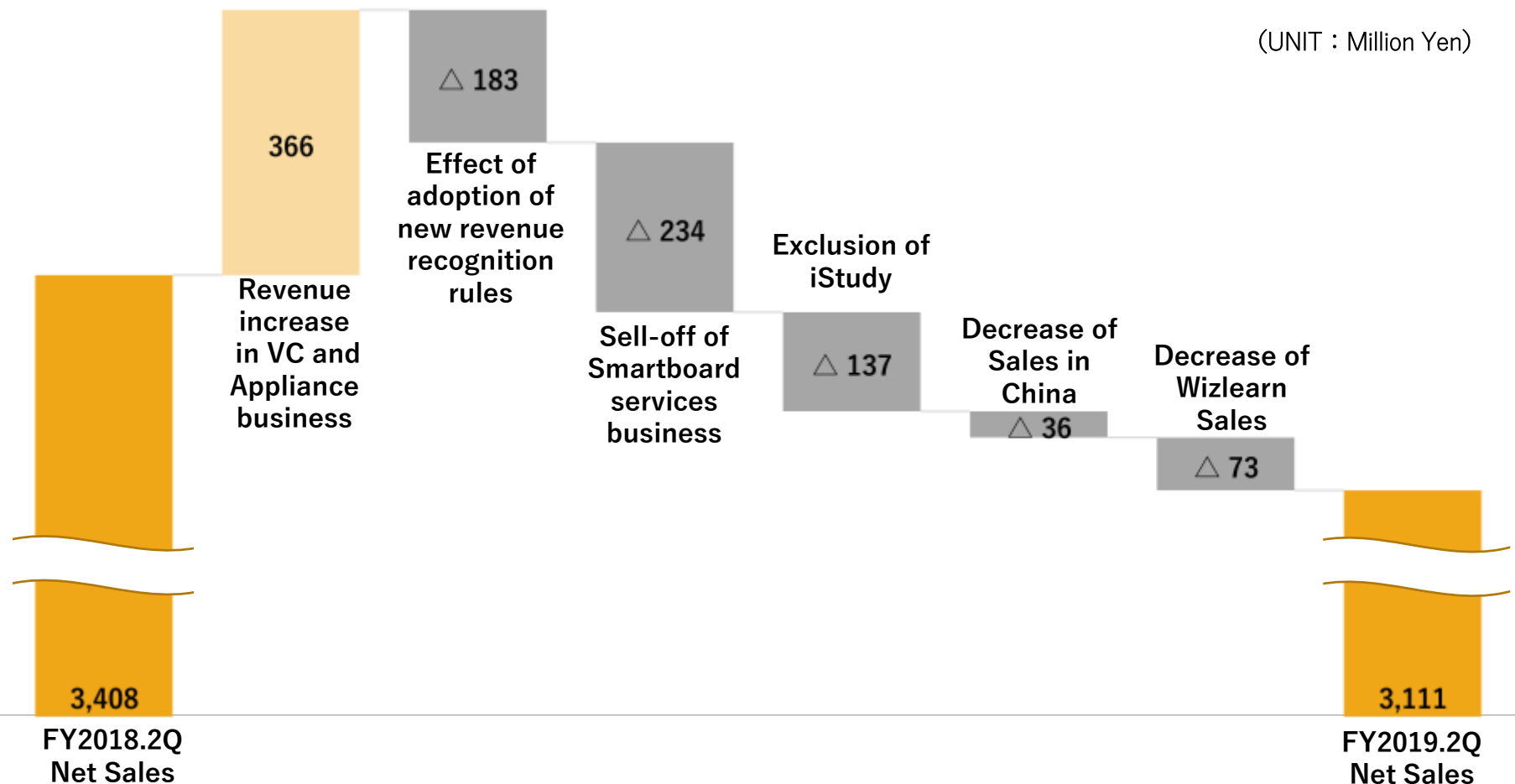
- Despite sales decrease Y o Y, Substantive revenue grew except for the effects of business sell-offs (370 mil. yen) and adoption of new revenue recognition rules (183 mil. yen).
- Operating loss due to transient royalty payment is the same level as forecast.
- Net profit was down due to impairment loss, but full year forecast is no change for expecting extraordinary profit.

(million yen)	FY2018	FY2019	YoY		FY2019	
	2Q	2Q	Change	Rete of Change(%)	2Q Forecast	Full Year Forecast
Net Sales	3,408	3,111	△297	△8.7%	3,026	6,497
Cost of Sales	1,813	2,066	+253	+13.9%	1,972	3,872
Gross profit	1,595	1,045	△550	△34.4%	1,054	2,624
SG&A Exp.	1,487	1,192	△295	△19.8%	1,212	2,278
Operating profit	107	△ 146	△253	-	△158	345
Ordinary profit	31	△ 176	△207	-	△203	283
Profit attributable to owners of parent	△56	187	+243	-	335	717

- Effect of adoption of new revenue recognition rules : Net Sales △183 mil. yen, Operating profit △166 mil. yen
- Sale of Smartboard services at the end of Dec 2018, exclusion of iStudy Co.Ltd. from consolidation since Apr 2019.
- From FY2019, Cost of Sales increase and SG & A expenses decrease in a portion of personal expenses due to reorganization.
- 376 mil. yen of Impairment loss of software for a China automaker

1. FY2019 Q2 Results : Water fall chart of Net sales

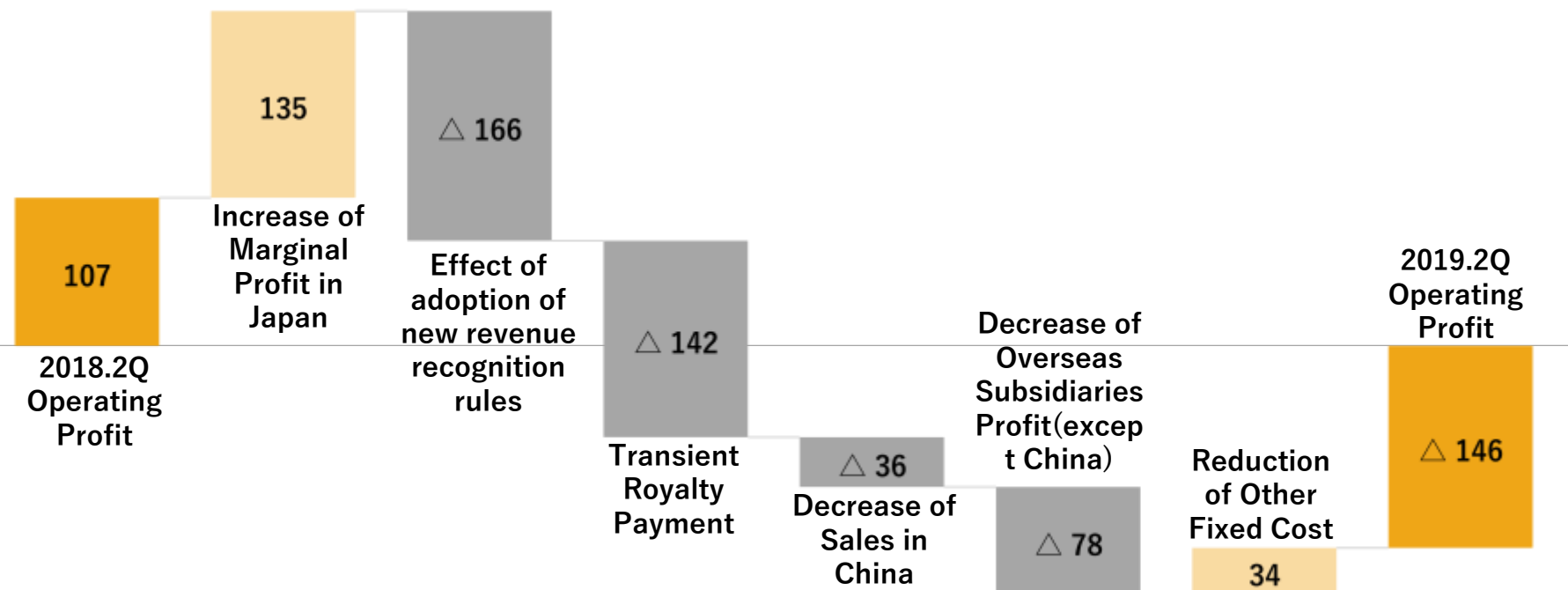
- Substantial revenue is growing mainly due to Appliances business as “Telecube” and “V-CUBE BOX”
- Net sales decreased Y o Y because of adoption of new revenue recognition rules and business sell-offs



1. FY2019 Q2 Results : Water fall chart of Operating profit

- Operating profit decreased due to the adoption of new Revenue Recognition Rules and transient royalty payment.
- Marginal profit in Japan increased because of organic growth and profitability improvement due to business restructuring.

(UNIT : Million Yen)



1. FY2019 Q2 Results : Consolidated B/S

- B/S overall shrunk because of exclusion of iStudy Co.Ltd. from consolidation by sale of the stock.
- Equity ratio increased from 35.0% to 38.6% due to reduction of interest-bearing debt by utilizing sale price of the stock.

(Million Yen)	December 31, 2018	June 30, 2019	Change
Current Assets (Cash and Cash equivalents)	5,059 (2,732)	3,334 (2,079)	△1,725 (△653)
Fixed Assets (Software) (Goodwill)	5,525 (2,507) (1,111)	4,810 (2,066) (904)	△715 (△441) (△207)
Total Assets	10,585	8,145	△2,440
Current Liabilities (Short-term debt, Current portion of long-term debt)	4,021 (1,815)	3,100 (1,570)	△921 (△245)
Fixed Liabilities (Long-term debt)	2,033 (2,003)	1,895 (1,856)	△138 (△147)
Net Assets	4,530	3,148	△1,382

Change of Net Assets

- iStudy unconsolidated △1,012 mil. yen, adoption of new revenue recognition rules △471 mil. yen, 2Q net profit 170 mil. yen.
- Acquisition of treasury stock △80 mil. yen (Acquisition completed totaling 100 mil. yen in July)
- Reduction of capital (Capital stock △3,421 mil. yen, Capital surplus +74 mil. yen, Retained earnings +3,347 mil. yen)

1. FY2019 Q2 Results Consolidated C/F Statement

- Free Cash Flow turned positive
- Financial CF : Interest-bearing debt decreased due to syndicated loan and sale of iStudy.

(Million Yen)	FY2018.2Q	FY2019.2Q
Operating C/F	21	209
Investing C/F	△470	△153
Financing C/F	△585	△702
Free Cash Flow	△448	56
Effect of exchange rate change on cash and cash equivalents	△28	△9
Net increase/decrease in cash and cash equivalents	△1,063	△655
cash and cash equivalents at the end of period	2,315	2,064

1. FY2019 2Q Results : Progress of “Selection & Concentration”

➤ Continuous streamline of business portfolio after 2017 restructuring

item	Smartboard services business	iStudy Co.Ltd.	China Business	Indonesia subsidiary
Timing of implementation	FY2018.4Q	FY2019.1Q	FY2019.2Q	FY2019.3Q
Detail	<ul style="list-style-type: none"> Sale the business In 2019, only sale of remaining order 	<ul style="list-style-type: none"> Nonconsolidated at 1Q end 2019 Only P/L items recorded in 1Q 2019 	<ul style="list-style-type: none"> impairment loss of software for a Chinese automaker 	<ul style="list-style-type: none"> Sale a partial of stock to joint venture in Indonesia
Affected segment	Appliance business segment	Learning management Business segment	Visual communication Business segment	Visual communication Business segment
Impact on Net Sales	1,558 mil. Yen (FY2018 results)	Decrease of 519 mil. Yen for FY2019 2~4Q	No results in FY2019	Consolidated subsidiary until 2Q end
Impact on Operating Profit	77 mil. Yen (FY2018 Results)	Immaterial	No results in FY2019	Immaterial

1. FY2019 Q2 Results

2. Segment and KPI

3. Current Strategies

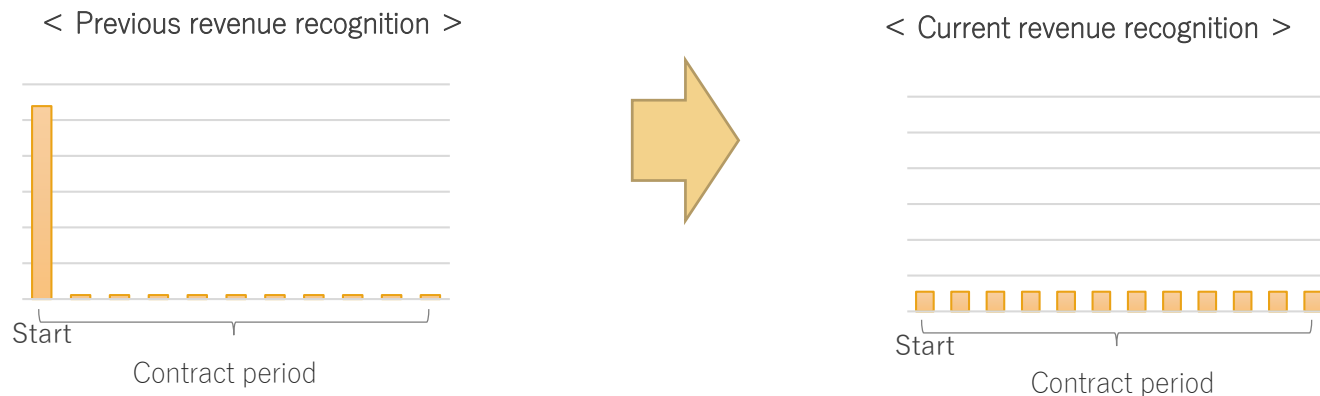
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2. Segment and KPI : New Revenue Recognition Rules (from FY2019)

- Recording sales is delay than previous rule. Total sales amount will be no change in the long term.

- ① Previously, 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. From FY2019 will post the entire amount in equally proportional manner from FY2019

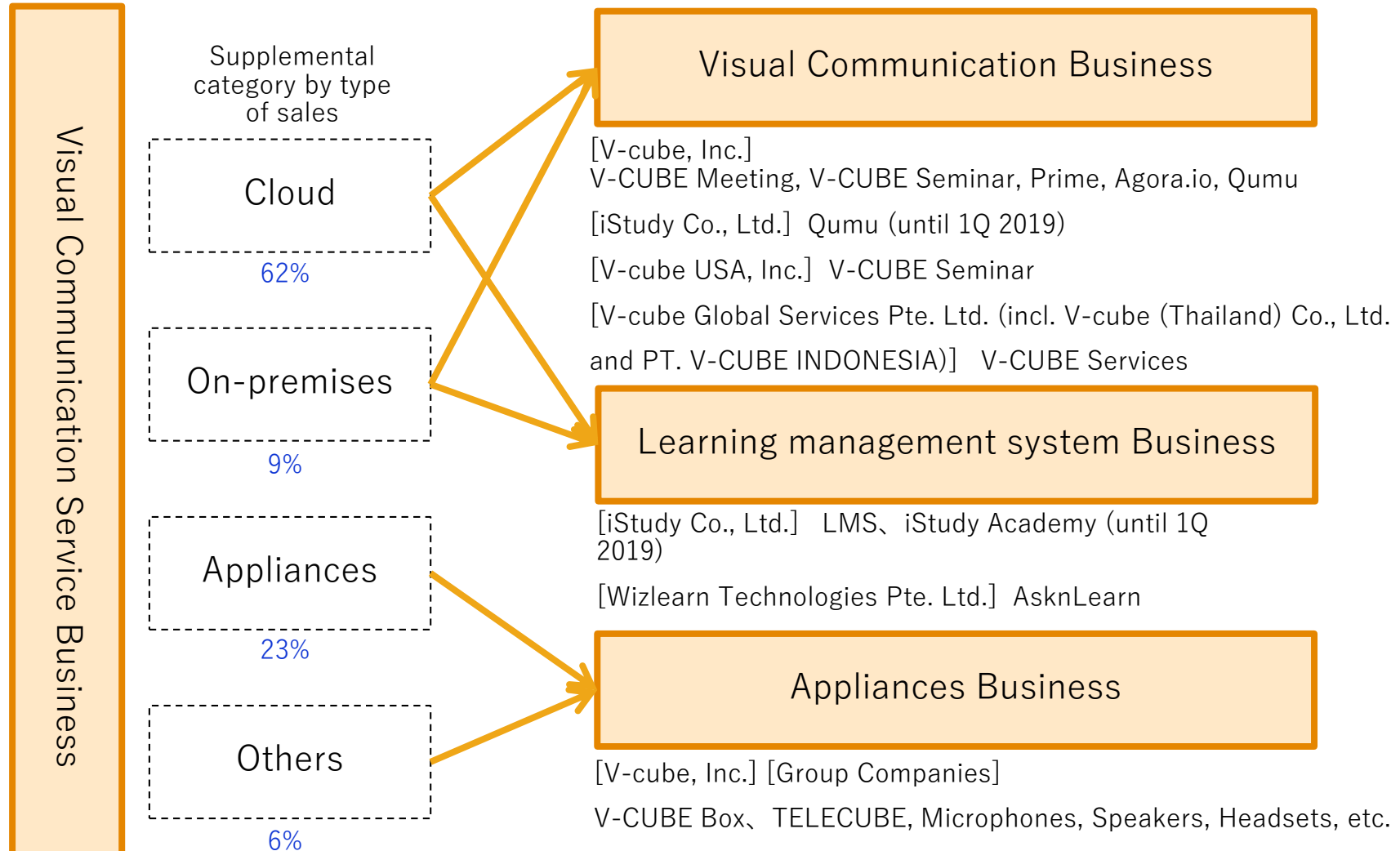
Example of effect for the change of revenue recognition rule



- ② At the time of providing the product or service of other companies to customers as a distributor, will record net sales after the offset the purchase cost

2. Segment and KPI : New Segment (from FY2019)

- 3 segmentation for enhancement of business management and more optimal allocation of management resource



* Each percentage shows a composition to sales of FY18

2. Segment and KPI : Summary

- Impact of adoption of new revenue recognition rules and Decrease in operating profit in VC business due to transient royalty payment made total operating profit lower.
- Operating profit in Appliances business improved because of replacement of main products.

		FY2018	FY2019	YoY		FY2019
		2Q	2Q	Change	Rate of change(%)	Annual Forecast
(million yen)						
Visual Communication Business	Net sales	2,080	2,014	△66	△3.1%	4,572
	OP (margin)	274 (13.1%)	64 (3.2%)	△210	△76.6 %	671 (14.6%)
Learning Management System Business	Net sales	830	596	△234	△28.1%	1,040
	OP (margin)	31 (3.7%)	△ 35 (- %)	△66	—	23 (2.2%)
Appliances Business	Net sales	497	500	+3	△0.6%	884
	OP (margin)	△3 (- %)	51 (10.2%)	+54	—	81 (9.1%)
Corporate, etc.	Net sales	—	—	—	—	—
	OP (margin)	△194 (- %)	△ 227 (- %)	△33	—	△430 (- %)
Consolidated total	Net sales	3,408	3,111	△297	△8.7%	6,497
	OP (margin)	108 (3.1%)	△ 146 (- %)	△253	—	345 (5.3%)

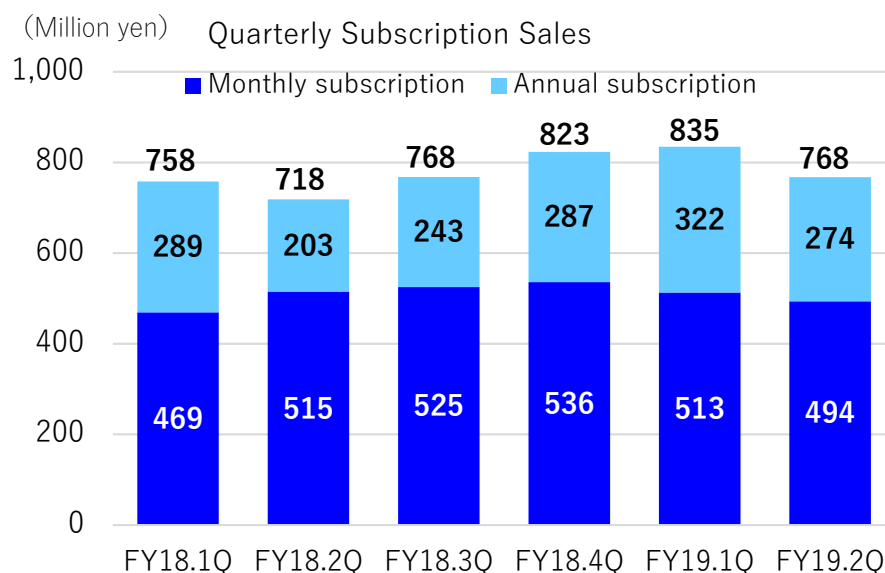
Impact of adoption of new revenue recognition rules: Net sales △183 mil. yen, Operating profit △166 mil. Yen

- Visual Communication Business: Net sales △129 mil. yen, Operating profit △129 mil. Yen
- Learning Management Business : Net sales △2 mil. yen, Operating profit △2 mil. Yen
- Appliance Business : Net sales △51 mil. yen, Operating profit △34 mil. Yen

2. Segment and KPI : Visual Communication Business

- Net sales and operating profit decrease by 129 mil. yen because of adoption of new revenue recognition rules
- Operating profit got worse temporarily due to transient royalty payment

	FY2018	FY2019	YoY		FY2019
(Million Yen)	2Q	2Q	Change	Rate of change(%)	Annual Forecast
Net sales	2,080	2,014	△66	△3.1%	4,572
Operating profit (margin)	274 (13.1%)	64 (3.2%)	△210	△76.6%	671 (14.7%)



Annual Subscription

web seminars for pharmaceutical companies etc.

Account plan using events

Monthly Subscription

Average invoice unit price × number of billing company

【Major factor of change】

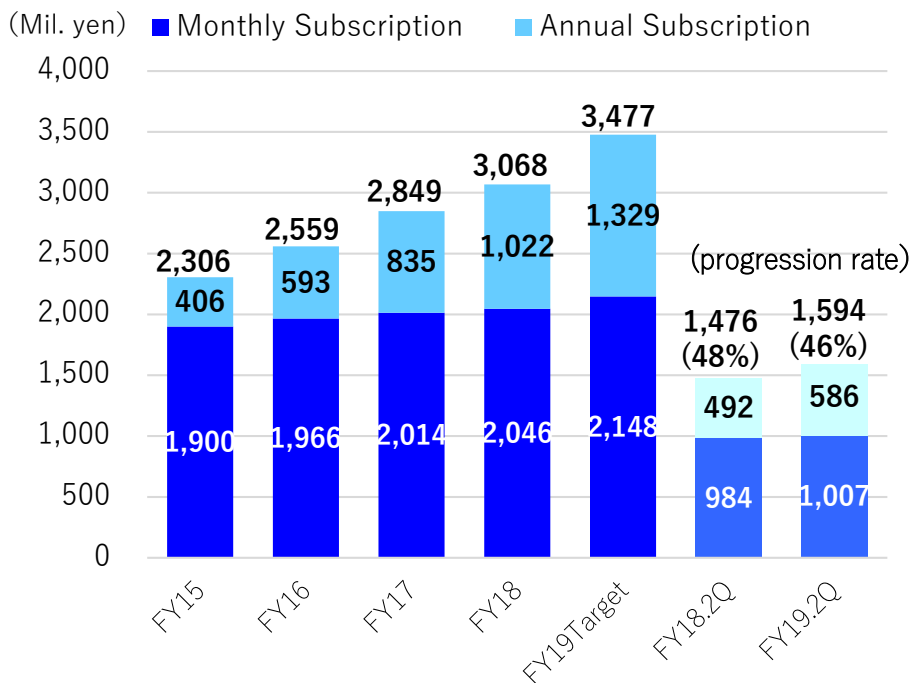
- Large Medical seminar distribution services changed from Monthly subscription to Annual subscription.

Note : Historic data of monthly subscription sales was corrected retroactively due to finding error after investigation of aggregated data.

2. Segment and KPI : KPI of Visual Communication Business

- Both of monthly and annual subscription sales increased Y o Y.
- Annual subscription sales of web seminars for pharmaceutical companies is growing steadily

Annual Subscription Sales



Monthly Subscription KPI

Average monthly invoice unit price (thousand yen)

FY14	FY15	FY16	FY17	FY18	FY19 2Q
139	137	134	137	141	139 *

* Decreased because large Medical seminar distribution services changed from Monthly subscription to Annual subscription.

Number of billing companies

FY14	FY15	FY16	FY17	FY18	FY19 2Q
1,065	1,155	1,225	1,228	1,211	1,210

Churn rate (%)

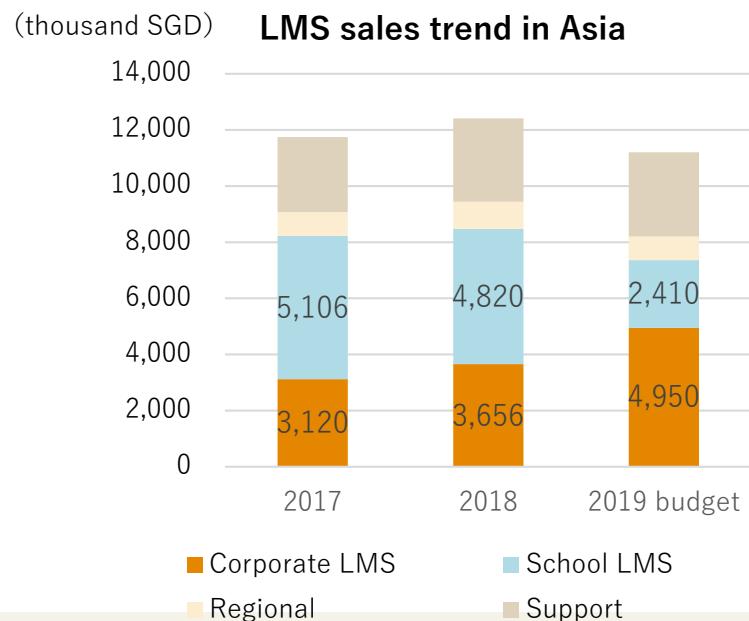
FY14	FY15	FY16	FY17	FY18	18/7~19/6
19.0	16.9	13.7	14.4	12.2	11.1

Note : Historic data of monthly subscription sales was corrected retroactively due to finding error after investigation of aggregated data.

2. Segment and KPI : Learning Management System Business

- Profitability improved due to exclusion of iStudy from consolidation from FY2019.2Q, though net sales decreased
- Wizlearn in Singapore is shifting the target market from schools to corporate.

(million Yen)	FY2018	FY2019	YoY		FY2019
	2Q	2Q	Change	Rate of Change(%)	Annual Forecast
Net sales	830	596	△234	△28.1%	1,040
<i>(iStudy)</i>	258	121	△137	△53.1%	—
Operating profit (margin)	31 (3.7%)	△ 35 (- %)	△66	—	23 (2.2%)



【Major Factor of Change】

- Exclusion of iStudy from consolidation (Consolidated in 1Q, non-consolidation after 2Q)

- Wizlearn(Singapore) : Temporary sales down

School

Declining birthrate and LMS developed by government

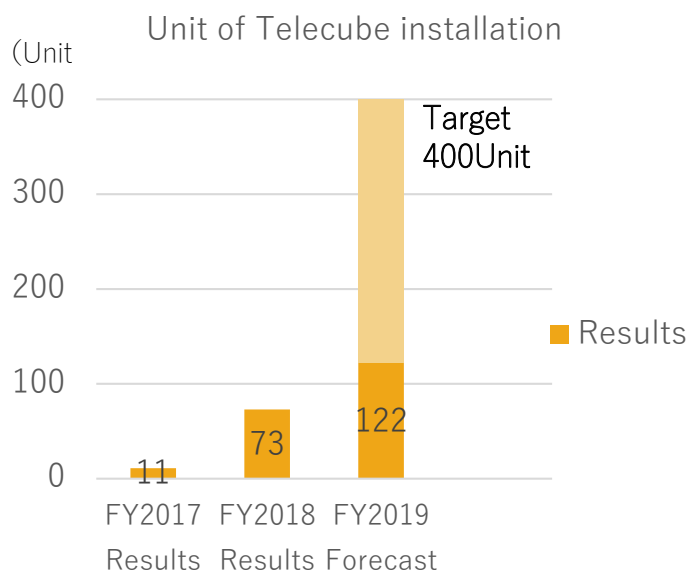
Corporate

High human resource mobility in Asia and subsidy for training

2. Segment and KPI : Appliances Business

- High profit original products “Telecube” and “V-CUBE BOX” is growing steadily
- Profitability Improved due to sale of Smartboard services business and expansion of high profit products sales.

	FY2018	FY2019	YoY		FY2019
(million Yen)	2Q	2Q	Change	Rate of Change(%)	Annual Forecast
Net sales	497	500	+3	+0.6%	884
(Smartboard)	289	55	△234	△80.9%	—
Operating profit (margin)	△3 (—%)	51 (10.2%)	+54	—	81 (9.1%)



【 Major Factor of Change 】

- Sale of Smartboard services business improved profitability.
- Growth of V-CUBE Box and peripherals
Replacement demand of videoconference from financial institutions
- “Telecube Service Inc.” established as a joint venture with OKAMURA Corporation and MITSUBISHI ESTATE CO,LTD to promote billing business of Telecube in public space.

2. Segment and KPI : Net Sales by Region & Segment

- Domestic : Steady growth. Decrease by 183 mil yen due to business reorganization and adoption of new revenue recognition rules.
- Overseas : Wizlearn is in transit period shifting target from schools to Corporate in Singapore

2Q Results (Million Yen)	Visual Communication Business		Learning Management System Business		Appliances Business		Total	
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19
Domestic	1,954	1,933	326	165	497	500	2,777	2,598
Overseas	126	81	504	431	—	—	630	512
(China)	36	—	—	—	—	—	36	—
(Wizlearn)	—	—	504	431	—	—	504	431
Total	2,080	2,014	830	596	497	500	3,408	3,112

• No result of China automaker deal in 2019.

1. FY2019 Q2 Results

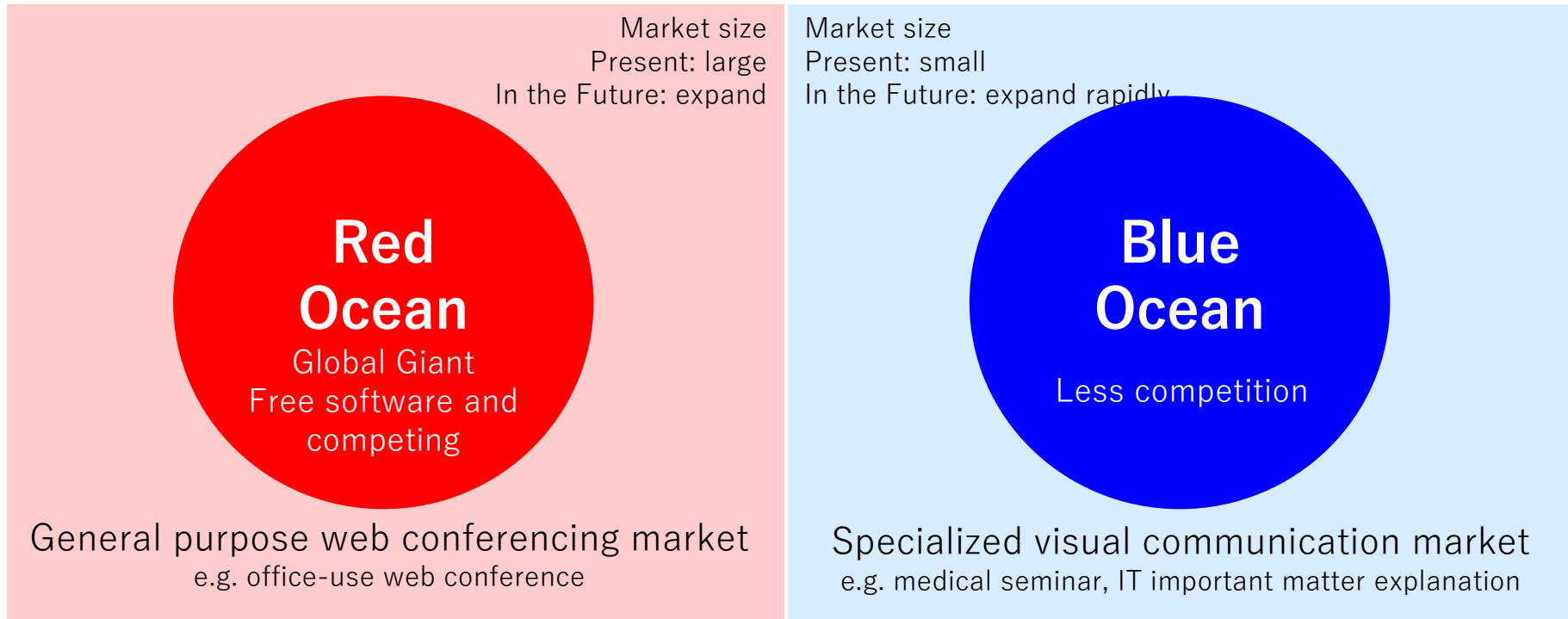
2. Segment and KPI

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3. Current strategies : Visual Communication Business

➤ Different strategies in Red Ocean and Blue Ocean



- The number of players increases and the competition is fierce because of the expectation of the market expansion by the working style reform.
- 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.
- Promote the working style reform by providing added value which is customization according to the usage scenes.

3. Current strategies : in Red Ocean

- Actively involve with initiatives for realization of “working style reform” to promote Telework Culture

■ Telework days



National simultaneous telework campaign for working style reform promoted by the Japanese government

- Set up July 24th when is the date of 2020 Tokyo Olympic opening ceremony as “Telework day”
- In 2019, set up about 1 month as “Telework days 2019 “ for preparation period of the Olympic event
- Aim to 3,000 institutes and totaling 600 thousand employees entry

From 2017 V-cube is joining the campaign as a special cooperation group which over 100 employees will work from home or at other locations.

■ Time difference Biz



Initiatives for working style reform promoted by Tokyo metropolitan government

Reduce overcrowding at commuting by shifting commute time

3. Current Strategies : Online lecture for legislators

- **Telecube and V-CUBE meeting enables online lecture for legislators**
- **Workstyle reform for Japanese government officials in Kasumigaseki**

《 Overview 》

In June, 2019, by connecting “Telecube” installed in the ministry and the parliamentary office in “V-CUBE meeting”, a lecture from a MHLW official to the parliamentarians was conducted remotely. “Telecube” realizes both handling of confidential information and operational efficiency with a dedicated network not connected to the network line within the MHLW.

《 Solved issue 》

Online lectures eliminate time waste, such as moving from the government office to the parliamentary office and waiting.

This case contributed to the realization of a digital government that reexamined the state of administration on a digital based.



3. Current Strategies : in Blue Ocean

➤ Customization for needs of each industry segments or usage scenes

<VCaaS (V-CUBE Video SDK) >

Easily integrate high quality and secure interactive visual communication service into existing and new services.

5G expands into

large scale delivery, remote support in unstaffed stores, tele-teaching, telemedicine, remote work support, etc..

<Risk management and emergency services >

V-CUBE Board

Support information gathering and decision making for local governments

Large screen display in the center of discussion table



<Sales working style reform (Sales tech) >

Service linkage with

Bridge International (inside sales support)

and RevComm (AI installed IP Phone)

Speech to text and sound analysis of conversation with customers to improve close rate



<On-premises >

Stable demand from public sector and financial institutions

Entry barriers for foreign companies

3. Current Strategies : acceleration to prevail Telecube

➤ Solutions for the shortage of teleworking place for working style reform

Enterprise

One seater Telecube

- Working booth for telephone , web conference, and concentration
- Demand for privacy due to spread of Share office and Free address

Two seater Telecube

- Solution for shortage of meeting space
- Demand for 1 on 1 meeting place due to change of personnel evaluation system according to “ working style reform”

Public space

“STATION WORK “ , share office business by JR EAST

- Installed inside of 4 stations (Tokyo, Shinjyuku, Ikebukuro, and Tachikawa) from Aug 1st.

Telecube Service, Inc.

- Joint venture with OKAMURA corporation and MITSUBISHI ESTATE Co.Ltd
- Expanding of billing business of Telecube in public space



3. Current Strategies : Telecube Inc. and Telecube Service Inc.

- Telecube Inc. and Telecube service Inc. carry on the full scale operation.

■ Telecube Inc.



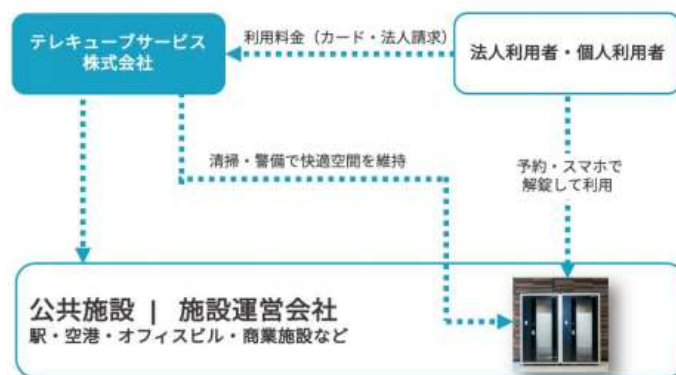
Consolidated subsidiary from 2019 3Q (MITUBISHI ESTATE Co. Ltd holds 33% of the shares)
Planning and development of Telecube for public space and infrastructure service by Telecube

■ Telecube Service Inc.

Equity method affiliate (Joint company with OKAMURA and MITSUBISHI ESTATE)

Providing charged services by Telecube usage in public space

Installation target by 2023 is 1000 units at stations, airports, office buildings and commercial facilities etc.



個人登録	法人登録		
従量料金プラン	従量料金プラン	固定料金プラン	基本+従量料金プラン
250円 @15分 15分単位課金	250円 @15分 15分単位課金	80,000円 @契約 月額固定料金 ID発行無料・ID数制限無し	3,000円 @ID 月額基本+超過料金 1人用4時間分の利用権付き
● クレジットカード登録による支払い	● 契約単位毎にID登録した社員が利用可 (同時刻の利用可) ● 申込法人毎に月額を支払います	● 契約単位毎にID登録した社員が利用可 ● 同時刻の利用は1人まで1回の予約は最大3時間まで ● 1年間契約	● ID登録した特定の社員が利用可 (契約単位=1ID) ● 月額4時間分の利用権を含む ● 4時間を超えると超過料金が150円/15分発生します ● 1年間契約

※料金プランの変更可能性があります ※料金は消費税別 ※利用時間：平日8:00～19:00

1. FY2019 Q2 Results

2. Segment and KPI

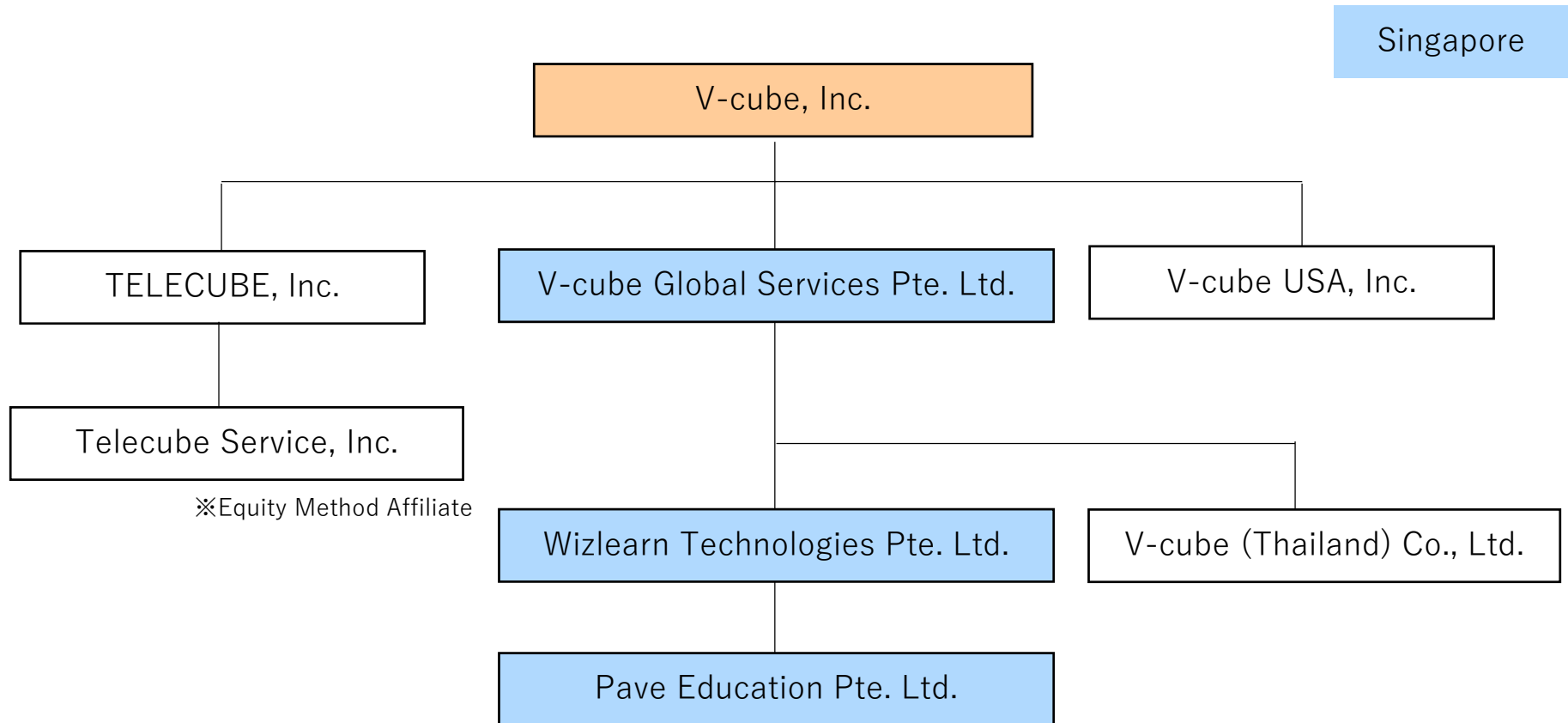
3. Current Strategies

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Total Solution Company for Visual Communication









Company name	V-cube, Inc.
Established	October 16, 1998
Fiscal year end	December
Capital (including capital reserve)	JPY 2,801 million
Listed Markets	The 1st Section of the Tokyo Stock Exchange (3681)
Group companies	Domestic 3 Overseas 6. (3 in Singapore, 1 in United States, 1 in Thailand.)
Number of members	420 (consolidated) *As of June 30, 2019

V-cube, Inc. and 6 subsidiaries operate in Japan, USA and ASEAN area.



Other group company : SENSYN ROBOTICS, Inc.

Key Services for delivering solutions

Visual Communication Business	V-CUBE Meeting 	Web conferencing service with easy-to-understand interface and a wide range of functions required for remote conferences in Japan and AsiaThird-party video conferencing connection available.
	V-CUBE Seminar 	Web seminar service with 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.
	V-CUBE Collaboration	Web conferencing service enhancing remote collaboration. Real-time sharing of high-quality data in narrow bandwidths works on emergency services and field works.
	Qumu 	Business video is “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.
	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.
Learning Management System Business	V-CUBE Learning 	Learning management system developed based on software of Wizlearn in Singapore. Introduced in many multinational companies including Japan companies.
Appliance Business	V-CUBE Board 	Discussion table utilized in various scenes, such as disaster control and classrooms.
	V-CUBE Box 	A highly scalable video conferencing 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.

- Establishment of V-cube Internet Ltd. Web creating and system and app development
- Conversion to stock company
- Develop Web conference system instead of purchase and start to sell to customers
- Registration of V-cube trade name and focus on Visual Communication
- Investment from Capital investment and started business in Asian market
- Listed on TSE Mothers
- Listed on the TSE first section

1998 2001 2004 2009 2012 2013 2014 2015 2016 2017 2018 2019

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

Sale

2013 BRAV International Limited

Sale

2014 Pioneer VC

Merged into V-cube, Sale of Smartboard

2015 Wizlearn Technologies Pte. Ltd.

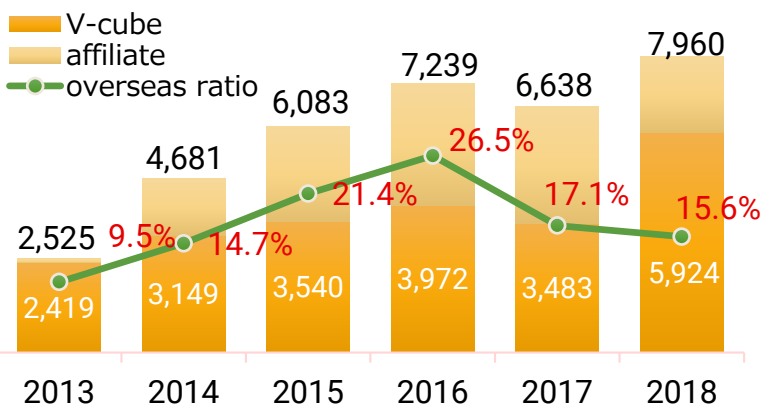
2015 iStudy Co., Ltd.

Sale

2016 V-cube (Thailand) Co., Ltd.

2019 Telecube Inc.

Net sales(million yen)



Full Year

(JPY)	FY18			FY19
	Full (forecast)	Average (results)	Year end (results)	Full (forecast)
US\$	112.00	110.44	110.91	111.00
S\$	80.00	81.88	80.92	81.00

2Q

(JPY)	FY18/2Q	FY19/2Q	FY18/2Q	FY19/2Q
	Average (results)	Average (results)	Quarter end (results)	Quarter end (results)
US\$	108.30	110.06	106.27	107.75
S\$	82.16	80.99	81.01	79.64



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.



Managing Director, 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.
2019 Became Managing Director at V-cube, 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.



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.

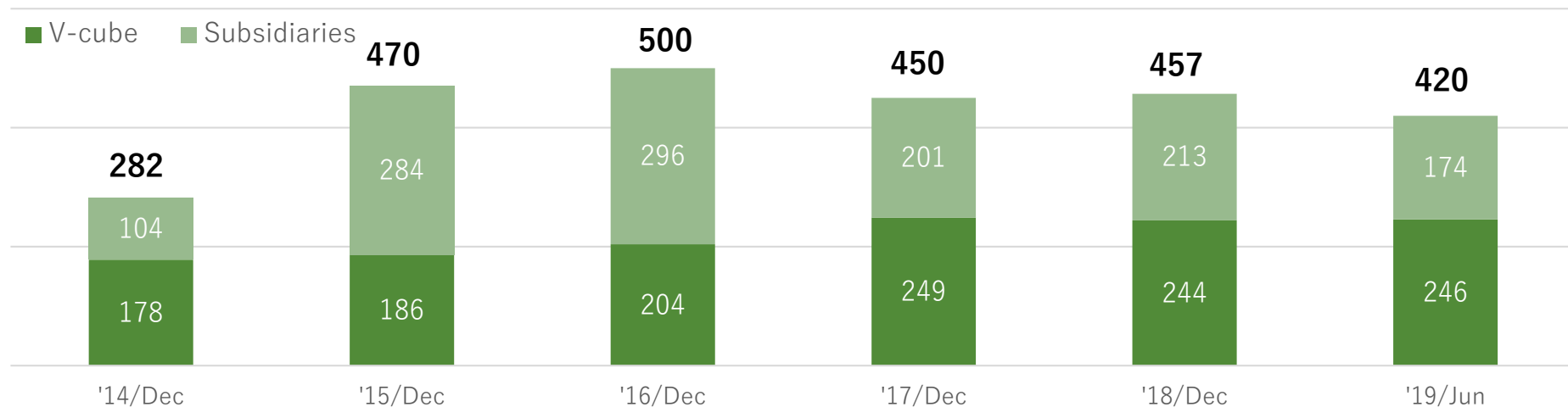
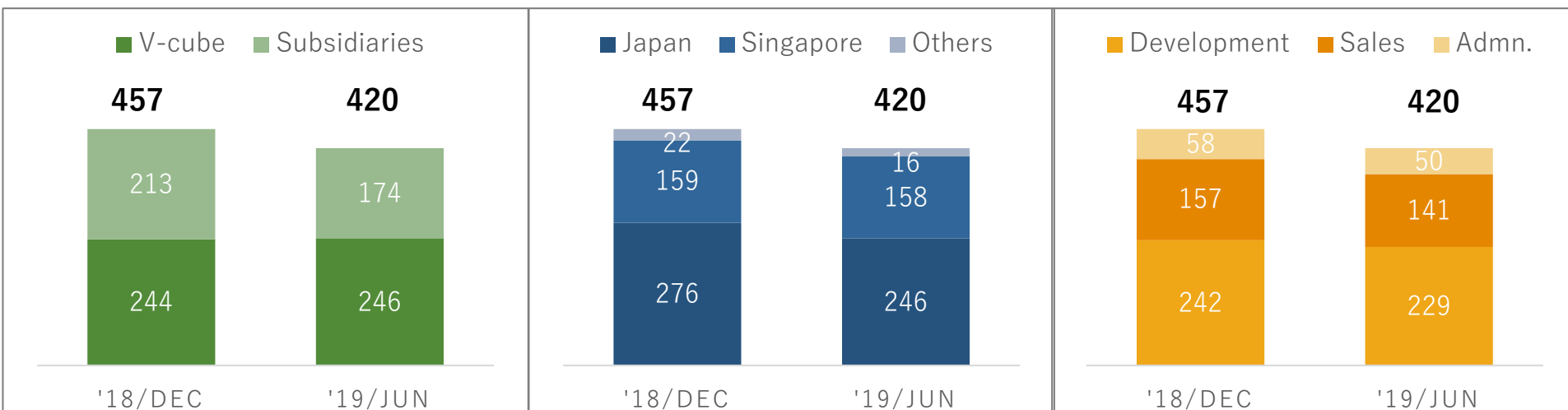
Corporate governance by experienced and powerful outside officers

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	Outside Director, Hakusan Former NTT-Neomeit President Former Mirait, Inc. Adviser
Outside corporate director	Hajime Nakano	Senior Director, Regional Economy Vitalization Corporation of Japan Director, REVIC Partners Outside Auditor, SENSUKAI CO.,LTD



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	Arifumi Sunada	Senior Director, Regional Economy Vitalization Corporation of Japan Senior Director, REVIC Partners Outside Auditor, I-ne 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 (decreased mainly due to exclusion of iStudy Co.Ltd. from consolidation)



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