

Summary of Consolidated Financial Results for the year ended December 31, 2019 (Japanese GAAP)

February 12, 2020

Company name: V-cube, Inc.

Securities code: 3681

Stock exchange listings: The First Section of the Tokyo Stock Exchange

URL: (Japanese) <http://jp.vcube.com/> (English) <http://www.vcube.com/>

Date of general shareholders' meeting (as planned): March 25, 2020

Annual securities report filing date (as planned): March 27, 2020

Date of commerce dividend payments (as planned): March 26, 2020

1. Results of the year ended December 31, 2019

(millions of Yen, except per share amounts)

(1) Consolidated operating results:

	Fiscal Year ended December 31, 2018		Fiscal Year ended December 31, 2019	
	Amount	Change	Amount	Change
Net sales	¥7,960	19.9	¥6,369	−19.9%
Operating profit	345	−%	−284	−%
Ordinary profit	259	−%	−341	−%
Profit attributable to owners of Parent	456	−%	34	−92.5%
Comprehensive income	281	−%	46	−83.5%
Profit per share attributable to owners of parent	18.95		1.43	
Profit per share attributable to owners of parent (diluted)	18.58		1.41	
Net profit to shareholders' equity ratio	13.0%		1.0%	
Ordinary profit to total assets ratio	2.4%		−3.9%	
Operating profit to net sales ratio	4.3%		−4.5%	
Investment profit (loss) on equity method	—		−25	

(2) Consolidated financial position:

	As of December 31, 2018	As of December 31, 2019
Total assets	¥10,585	¥7,002
Net assets	4,530	3,049
Capital adequacy ratio	35.0%	43.2%
Net assets per share	153.23	125.67
Owner's equity	3,703	3,025

(3) Consolidated cash flows:

	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019
Cash flows from operating activities	963	373
Cash flows from investing activities	−558	−746
Cash flows from financing activities	−1,035	−1,581
Cash and equivalents, end of period	2,719	790

2.Dividends

(Yen, except Total dividend paid amounts)

	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019	Fiscal Year ending December 31, 2020 (forecast)
Result-dividend per share-total	0.00	1.00	1.00
Total dividend paid (millions of Yen)	—	¥24	
Payout ratio(consolidated)	—	69.9%	13.0%

3.Consolidated forecasts

(millions of Yen, except per share amounts)

	First half of Fiscal Year ending December 31, 2020		Fiscal Year ending December 31, 2020	
	Amount	Change	Amount	Change
Forecast-net sales	¥3,331	7.1%	¥7,237	13.6%
Forecast-operating profit	148	—%	500	—%
Forecast-ordinary profit	88	—%	359	—%
Forecast-profit attributable to owners of parent	18	—90.3%	185	438.5%
Forecast-net profit per share	0.75		7.68	

4.Others

(1)Material changes in subsidiaries during this accumulated quarter (Changes in scope of consolidations resulting from change is subsidiaries): Yes

Number of subsidiaries newly consolidated: 1

(Company Name) Telecube, Inc.

Number of subsidiaries excluded from consolidation: 2

(Company Name) iStudy Co., Ltd., PT. V-cube Indonesia

(2)Number of issued and outstanding shares (common stock)

i Number of issued and outstanding shares at the end of fiscal year (including treasury stock)

As of December 31, 2018	24,184,600 shares	As of December 31, 2019	24,256,600 shares
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ii Number of treasury stock at the end of fiscal year

As of December 31, 2018	16,600 shares	As of December 31, 2019	182,000 shares
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iii Average number of shares

Fiscal Year ended December 31, 2018	24,076,061 shares	Fiscal Year ended December 31, 2019	24,093,785 shares
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Note: The number of shares of treasury stock as of December 31, 2019 included the shares held by ESOP (4,300 shares at the end of the period).

* Explanation related to appropriate use of results forecasts and other items warranting special mention

The above forecasts are based on the information available as of the date of the release of this document. As a result, a variety of factors in the future may cause actual results to differ from these forecasts.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	2,732,368	790,148
Notes and accounts receivable - trade	1,493,193	1,126,072
Advance payments - trade	424,570	96,267
Other	409,838	256,894
Allowance for doubtful accounts	△200	△200
Total current assets	5,059,770	2,269,183
Non-current assets		
Property, plant and equipment		
Buildings	185,300	199,740
Accumulated depreciation and impairment loss	△122,907	△57,353
Buildings, net	62,392	142,387
Tools, furniture and fixtures	651,507	469,379
Accumulated depreciation and impairment loss	△556,698	△359,075
Tools, furniture and fixtures, net	94,809	110,303
Other	71,049	168,947
Accumulated depreciation	△65,827	△128,944
Other, net	5,221	40,002
Total property, plant and equipment	162,423	292,693
Intangible assets		
Software	2,267,347	1,726,365
Software in progress	240,113	299,490
Goodwill	1,111,402	879,818
Other	4,300	62
Total intangible assets	3,623,164	2,905,737
Investments and other assets		
Investment securities	325,652	367,153
Shares of subsidiaries and associates	50,000	107,385
Long-term loans receivable	273,602	—
Leasehold and guarantee deposits	376,172	195,271
Deferred tax assets	58,769	161,362
Long-term prepaid expenses	252,402	263,684
Other	403,199	440,628
Allowance for doubtful accounts	—	△168
Total investments and other assets	1,739,799	1,535,318
Total non-current assets	5,525,386	4,733,749
Total assets	10,585,157	7,002,932

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	746,739	247,652
Short-term loans payable	1,183,329	—
Current portion of long-term loans payable	632,309	546,110
Advances received	560,981	813,979
Provision for bonuses	115,848	110,055
Income taxes payable	149,689	8,655
Other	632,502	521,726
Total current liabilities	4,021,398	2,248,179
Non-current liabilities		
Long-term loans payable	2,003,313	1,663,280
Other	30,333	42,403
Total non-current liabilities	2,033,647	1,705,683
Total liabilities	6,055,045	3,953,863
Net assets		
Shareholders' equity		
Capital stock	3,451,291	38,100
Capital surplus	2,695,522	2,777,744
Retained earnings	△2,437,172	283,217
Treasury shares	△15,651	△104,033
Total shareholders' equity	3,693,989	2,995,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	43,281
Foreign currency translation adjustment	9,381	△12,910
Total accumulated other comprehensive income	9,381	30,371
Share acquisition rights	2,662	2,662
Non-controlling interests	824,078	21,006
Total net assets	4,530,111	3,049,069
Total liabilities and net assets	10,585,157	7,002,932

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income)

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	7,960,678	6,369,887
Cost of sales	4,550,137	4,056,157
Gross profit	3,410,541	2,313,730
Selling, general and administrative expenses	3,065,004	2,598,684
Operating profit (loss)	345,536	△284,953
Non-operating income		
Interest income	11,850	7,858
Guarantee commission received	4,264	4,264
Foreign exchange gains	—	1,552
Insurance income	2,150	980
Subsidy income	11,809	7,409
Other	13,161	6,901
Total non-operating income	43,236	28,966
Non-operating expenses		
Interest expenses	29,089	20,986
Foreign exchange losses	41,047	—
Commission expenses	22,164	32,316
Rents	31,106	5,580
Share of loss of entities accounted for using equity method	—	25,614
Other	5,844	1,362
Total non-operating expenses	129,251	85,859
Ordinary profit (loss)	259,522	△341,846
Extraordinary income		
Gain on sales of non-current assets	36	—
Gain on sales of shares of subsidiaries	7,423	1,226,201
Gain on sales of investment securities	51,594	—
Gain on sale of businesses	453,403	—
Other	40,940	—
Total extraordinary income	553,397	1,226,201
Extraordinary losses		
Head office transfer cost	29,900	7,232
Loss on valuation of investment securities	159,949	390,545
Outsourcing system failure correspondence cost	29,394	—
Loss on transfer of receivables	—	141,746
Impairment loss	—	371,445
Other	7,967	56,907
Total extraordinary losses	227,211	967,877
Profit (loss) before income taxes	585,708	△83,522
Income taxes - current	107,733	16,315
Income taxes - deferred	61,203	△125,263
Total income taxes	168,937	△108,948
Profit	416,770	25,425
Loss attributable to non-controlling interests	△39,350	△8,960
Profit attributable to owners of parent	456,121	34,386

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit (loss)	416,770	25,425
Other comprehensive income		
Valuation difference on available-for-sale securities	–	43,281
Foreign currency translation adjustment	△135,304	△22,291
Total other comprehensive income	△135,304	20,989
Comprehensive income	281,466	46,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	320,570	55,121
Comprehensive income attributable to non-controlling interests	△39,103	△8,705

(3) Consolidated Statements of Cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	585,708	△83,522
Depreciation	873,229	852,892
Impairment loss	–	371,445
Amortization of goodwill	110,592	83,904
Share of loss (profit) of entities accounted for using equity method	–	25,614
Loss (gain) on sales of shares of subsidiaries	△7,423	△1,226,201
Loss (gain) on valuation of investment securities	157,669	390,436
Loss (gain) on sales of investment securities	△51,594	–
Head office transfer cost	29,900	7,232
Loss (gain) on sale of businesses	△453,403	–
Increase (decrease) in allowance for doubtful accounts	△748	168
Increase (decrease) in provision for bonuses	19,746	△5,974
Interest income	△11,850	△7,858
Interest expenses	29,089	20,986
Foreign exchange losses (gains)	41,047	△1,552
Decrease (increase) in notes and accounts receivable – trade	△419,038	△173,093
Decrease (increase) in advance payments	△161,882	283,526
Increase (decrease) in notes and accounts payable – trade	353,401	△500,343
Increase (decrease) in advances received	258,397	401,839
Other, net	△305,639	86,425
Subtotal	1,047,200	525,924
Interest income received	9,282	3,834
Interest expenses paid	△28,675	△20,821
Income taxes paid	△64,065	△135,694
Net cash provided by (used in) operating activities	963,741	373,242

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	△32,109	△218,166
Proceeds from sales of property, plant and equipment	-	3,054
Purchase of intangible assets	△798,300	△733,937
Purchase of shares of subsidiaries	△50,000	-
Purchase of shares of subsidiaries and associates	-	△133,000
Purchase of investment securities	△151,392	△83,356
Proceeds from sales of short-term and long-term investment securities	60,600	-
Payments into time deposits	△13,500	△17,501
Proceeds from withdrawal of time deposits	7,000	30,001
Payments for leasehold and guarantee deposits	△181,459	△2,887
Proceeds from collection of leasehold and guarantee deposits	-	137,077
Proceeds from sale of businesses	674,818	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	△281	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	308,245
Other, net	△73,581	△35,753
Net cash provided by (used in) investing activities	△558,206	△746,222
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△328,469	△1,393,329
Proceeds from long-term loans payable	250,000	1,063,600
Repayments of long-term loans payable	△990,262	△1,489,832
Proceeds from issuance of common shares	27,540	16,200
Proceeds from issuance of share acquisition rights	2,160	-
Purchase of treasury shares	-	△100,000
Dividends paid to non-controlling interests	△5,851	-
Repayments of lease obligations	△1,762	△20,141
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	330,000
Other, net	11,370	11,618
Net cash provided by (used in) financing activities	△1,035,274	△1,581,884
Effect of exchange rate change on cash and cash equivalents	△28,659	△1,427
Net increase (decrease) in cash and cash equivalents	△658,398	△1,956,291
Cash and cash equivalents at beginning of period	3,378,266	2,719,868
Increase in cash and cash equivalents from newly consolidated subsidiary	-	26,571
Cash and cash equivalents at end of period	2,719,868	790,148