Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (Japanese GAAP)

August 14, 2024

Company name: V-cube, Inc.
Securities code: 3681
Stock exchange listings: The Prime Market of the Tokyo Stock Exchange
URL: (Japanese) http://jp.vcube.com/ (English) http://www.vcube.com/
Quarterly statement filing date (as planned): August 14, 2024

1.Results of the Second quarter ended June 30, 2024

(millions of Yen, except per share amounts)

(1) Consolidated quarterly operating results:

	Net sales		Adjusted EBITDA		Operating profit		Ordinary profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Jun. 30, 2024	5,619	-2.3	824	3.7	229	95.2	191	110.5
Jun. 30, 2023	5,751	-13.0	794	-37.4	117	-82.6	91	-85.6

Note: Comprehensive income For Six months ended Jun. 30, 2024: ¥36 million [-94.6%]
For Six months ended Jun. 30, 2023: ¥677 million [-58.5%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Yen	Yen
Jun. 30, 2024	-212	-	-8.52	-
Jun. 30, 2023	4	-99.2	0.18	0.18

(2) Consolidated financial position:

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Jun. 30, 2024	12,400	1,227	8.7	41.79
Dec. 31, 2023	12,329	746	5.0	25.62

Reference: Owner's equity As of Jun. 30, 2024: ¥1,081 million
As of Dec. 31, 2023: ¥621 million

2.Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2023	-	0.00	-	0.00	-
Fiscal year ended Dec. 31, 2024	-	0.00			
Fiscal year ending Dec. 31, 2024 (Forecast)			-	0.00	-

Note: Revisions to the forecast of cash dividends most recently announced: No

3.Consolidated forecasts

(millions of Yen, except per share amounts)

	Net sales		Adjusted EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ended Dec. 31, 2024	11,400	2.9	1,450	12.5	300	-	200	-	100	-	4.00

Note: Revisions to the forecasts most recently announced: Yes

4.Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

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

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

As of December 31, 2023	24,737,400 shares	As of June 30, 2024	26,343,900 shares

(ii) Number of treasury stock at the end of fiscal year

As of December 31, 2023	466,472 shares	As of June 30, 2024	466,472 shares

(iii) Average number of shares (quarterly period-YTD)

Six months ended June 30, 2023	24,270,928 shares	Six months ended June 30, 2024	24,977,065 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	1,389,327	1,240,977
Notes and accounts receivable - trade	1,822,004	1,915,219
Advance payments to suppliers	12,210	—
Prepaid expenses	715,895	724,699
Other	90,936	823,954
Allowance for doubtful accounts	△13,473	△20,004
Total current assets	4,016,900	4,684,845
Non-current assets		
Property, plant and equipment	1,964,515	2,029,612
Intangible assets		
Software	2,042,348	2,282,760
Software in progress	1,482,648	846,537
Goodwill	844,062	851,113
Total intangible assets	4,369,059	3,980,411
Investments and other assets		
Investment securities	600,176	489,123
Shares of subsidiaries and associates	401,785	394,801
Long-term loans receivable	35,455	40,285
Leasehold and guarantee deposits	330,576	327,942
Deferred tax assets	511,183	347,012
Long-term prepaid expenses	66,527	56,103
Other	34,222	35,137
Allowance for doubtful accounts	△1,234	△1,234
Total investments and other assets	1,978,692	1,689,173
Total non-current assets	8,312,267	7,699,196
Deferred assets		
Share issuance costs	—	16,853
Total deferred assets	—	16,853
Total assets	12,329,168	12,400,895

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	579,049	398,281
Short-term borrowings	3,881,217	3,785,298
Current portion of long-term borrowings	754,500	754,500
Contract liabilities	911,791	936,892
Provision for bonuses	107,522	97,848
Income taxes payable	34,381	38,123
Other	975,167	1,095,221
Total current liabilities	7,243,630	7,106,166
Non-current liabilities		
Long-term borrowings	3,847,500	3,470,250
Lease liabilities	176,829	250,296
Asset retirement obligations	289,998	319,277
Other	25,153	27,758
Total non-current liabilities	4,339,481	4,067,582
Total liabilities	11,583,111	11,173,748
Net assets		
Shareholders' equity		
Share capital	92,190	310,669
Capital surplus	2,831,834	3,050,314
Retained earnings	△3,220,036	△3,432,897
Treasury shares	△794,791	△794,791
Total shareholders' equity	△1,090,802	△866,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	93,103	100,307
Foreign currency translation adjustment	1,619,613	1,847,942
Total accumulated other comprehensive income	1,712,717	1,948,249
Share acquisition rights	8,410	16,762
Non-controlling interests	115,731	128,839
Total net assets	746,056	1,227,146
Total liabilities and net assets	12,329,168	12,400,895

(2) Consolidated Statement of Income and Comprehensive Income

(Consolidated Statement of Income)

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	5,751,389	5,619,366
Cost of sales	3,158,890	3,297,776
Gross profit	2,592,498	2,321,590
Selling, general and administrative expenses	2,475,185	2,092,586
Operating profit	117,313	229,004
Non-operating income		
Interest income	1,525	3,660
Insurance claim income	1,421	790
Foreign exchange gains	5,533	—
Subsidy income	1,671	2,466
Gain on valuation of investment securities	15,353	273
Share of profit of entities accounted for using equity method	—	3,555
Other	1,654	2,327
Total non-operating income	27,160	13,074
Non-operating expenses		
Interest expenses	23,207	27,728
Foreign exchange losses	—	16,716
Commission expenses	748	4,039
Loss on valuation of investment securities	18,592	—
Share of loss of entities accounted for using equity method	5,463	—
Other	5,451	2,010
Total non-operating expenses	53,463	50,496
Ordinary profit	91,009	191,582
Extraordinary income		
Gain on sale of investment securities	—	2,912
Settlement income	10,000	—
Gain on reversal of share acquisition rights	—	2,160
Total extraordinary income	10,000	5,072
Extraordinary losses		
Loss on retirement of non-current assets	4,200	762
Impairment losses	—	165,296
Loss on valuation of investment securities	—	7,300
Loss on cancellation of leases	4,238	1,114
Settlement payments	18,852	—
Office relocation expenses	10,115	—
Loss on business restructuring	7,298	—
Other	—	12,480
Total extraordinary losses	44,705	186,953
Profit before income taxes	56,304	9,700
Income taxes - current	△13,449	26,621
Income taxes - deferred	45,477	181,874
Total income taxes	32,027	208,496
Profit (loss)	24,276	△198,795
Profit attributable to non-controlling interests	19,883	14,066
Profit (loss) attributable to owners of parent	4,393	△212,861

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit (loss)	24,276	△198,795
Other comprehensive income		
Valuation difference on available-for-sale securities	29,667	7,203
Foreign currency translation adjustment	623,609	228,329
Total other comprehensive income	653,277	235,532
Comprehensive income	677,554	36,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	658,554	23,628
Comprehensive income attributable to non-controlling interests	19,000	13,108

(3) Consolidated Statements of Cash flows

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	56,304	9,700
Depreciation	485,549	529,153
Impairment losses	—	165,296
Amortization of goodwill	178,796	65,991
Share of loss (profit) of entities accounted for using equity method	5,463	△3,555
Loss (gain) on valuation of investment securities	3,239	7,300
Increase (decrease) in allowance for doubtful accounts	△10,481	6,531
Increase (decrease) in provision for bonuses	16,923	△20,056
Interest and dividend income	△1,525	△3,660
Interest expenses	23,207	27,728
Foreign exchange losses (gains)	△5,533	16,716
Decrease (increase) in trade receivables	54,096	△17,095
Decrease (increase) in advance payments to suppliers	1,200	12,210
Increase (decrease) in trade payables	△109,167	△184,790
Increase (decrease) in contract liability	139,674	133,572
Decrease (increase) in prepaid expenses	△33,008	△23,482
Increase (decrease) in accrued consumption taxes	△91,270	57,979
Other, net	181,071	△100,324
Subtotal	894,541	679,215
Interest and dividends received	1,387	2,260
Interest paid	△23,363	△28,236
Income taxes paid	△64,835	△29,887
Net cash provided by (used in) operating activities	807,729	623,352
Cash flows from investing activities		
Purchase of property, plant and equipment	△187,945	△77,648
Purchase of intangible assets	△902,533	△713,140
Purchase of shares of subsidiaries and associates	△70,000	—
Purchase of investment securities	△148,080	—
Proceeds from sale of investment securities	—	102,698
Payments of leasehold and guarantee deposits	△65	—
Payments for acquisition of businesses	△130,000	—
Other, net	△9,297	△530
Net cash provided by (used in) investing activities	△1,447,922	△688,620

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,248,838	△95,918
Proceeds from long-term borrowings	230,000	—
Repayments of long-term borrowings	△384,800	△377,250
Proceeds from issuance of shares	—	419,117
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△121,329	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	8,050
Proceeds from issuance of share acquisition rights	6,250	8,352
Dividends paid	△95,973	—
Repayments of lease liabilities	△83,261	△88,404
Net cash provided by (used in) financing activities	799,723	△126,054
Effect of exchange rate change on cash and cash equivalents	54,832	42,972
Net increase (decrease) in cash and cash equivalents	214,363	△148,349
Cash and cash equivalents at beginning of period	1,699,697	1,389,327
Cash and cash equivalents at end of period	1,914,060	1,240,977

(4) Notes to Consolidated Financial Statements
(Segment Information)

Six months ended June 30, 2023

(Thousands of yen)

	Reportable segments				Reconciling items	Per semi-annual consolidated financial statements
	Enterprise DX Segment	Event DX Segment	Third Place DX Segment	Reportable segments		
Sales						
Revenues from external customers	2,156,491	2,319,913	1,274,984	5,751,389	—	5,751,389
Transactions with other segments	—	—	—	—	—	—
Net sales	2,156,491	2,319,913	1,274,984	5,751,389	—	5,751,389
Operating profit (loss)	416,219	△110,275	383,127	689,071	△571,758	117,313

Notes:
1. The ¥571,758 thousand downward adjustment to segment income reflects corporate expenses not allocated to segments. Corporate expenses mainly include general administration costs of administrative departments.
2. Segment income (loss) has been adjusted for the operating income figure on the consolidated income statements.

Six months ended June 30, 2024

(Thousands of yen)

	Reportable segments				Reconciling items	Per semi-annual consolidated financial statements
	Enterprise DX Segment	Event DX Segment	Third Place DX Segment	Reportable segments		
Sales						
Revenues from external customers	2,131,606	2,073,818	1,413,941	5,619,366	—	5,619,366
Transactions with other segments	—	—	—	—	—	—
Net sales	2,131,606	2,073,818	1,413,941	5,619,366	—	5,619,366
Operating profit (loss)	353,419	△23,529	469,546	799,436	△570,432	229,004

Notes:
1. The ¥570,432 thousand downward adjustment to segment income reflects corporate expenses not allocated to segments. Corporate expenses mainly include general administration costs of administrative departments.
2. Segment income (loss) has been adjusted for the operating income figure on the consolidated income statements.

(Information about Revising Segments)

Starting from the current interim consolidated accounting period of the fiscal year ending December 31, 2024, the segmentation within our group and the allocation criteria for corporate expenses have been revised to more appropriately reflect the performance of each reporting segment.

The impact of these revisions on the net sales of reporting segments for the current interim consolidated accounting period is minimal. Due to these revisions, segment profit or loss (△) increased by ¥60,438 thousand in the Enterprise DX Segment, by ¥121,284 thousand in the Event DX Segment, and by ¥62,898 thousand in the Third Place DX Segment, while the amount of reconciling items decreased by ¥244,621 thousand.

The segment information for the previous interim consolidated accounting period is presented using the new method after the revisions.

(Information about Impairment Losses on Fixed Assets)

An impairment loss on fixed assets has been recorded in the Enterprise DX Segment. The amount of this impairment loss for the current interim consolidated accounting period is ¥165,296 thousand.