

August 10, 2023

Company name: V-cube, Inc.

Chairman & Group CEO: Naoaki Mashita

Tokyo Stock Exchange, Prime Market (stock code: 3681)

Contact: Director & CFO, Corporate Planning Division General Manager
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Notice of Management Rationalization and Extraordinary Loss due to Solicitation of Buyout Package, etc. and Return of Executive Compensation

V-cube, Inc. hereby announces that it has resolved today, by written resolution instead of a resolution of the Board of Directors, to solicit buyout package , etc. for the purpose of management rationalization and to return executive compensation as follows.

1. Management Rationalization by Solicitating Buyout Package, etc.

(1) Description of the management rationalization measures and reasons for their implementation

We have been expanding the scale of our business over the medium to long term, and from FY2019 to FY2022, our non-consolidated sales doubled, and the number of full-time employees increased by 1.5 times. In addition, as a software-based business, the high performance of our human resources is the source of added value compared to tangible capital investment, and we have been increasing salaries by an average of 4% per year.

On the other hand, FY2023 we expect a decrease in revenue compared to the previous year, as we announced a downward revision to our full-year business forecast today. Although the business as a whole is growing in the medium- to long-term, sales are declining due to the reduction of events that occurred as special demand in 2021 and 2022, and despite efforts to reduce each variable and fixed cost, the expected large decline in sales, mainly in the Event DX business, and the high level of fixed costs, mainly labor costs, which are difficult to reduce in the short term, have a significant impact on the profit margin decline.

In our medium-term management plan (from FY2023 to FY2025), we have positioned FY2023 as a year in which we will respond to changes in the social environment due to the end of the COVID 19 pandemic and simultaneously implement structural reforms and investments in growth areas in response to the situation. In order to ensure medium- to long-term profitability, we have decided to reduce its workforce by a total of approximately 60 employees, including the soliciting buyout package.

<Details of workforce reduction >

- Cutback on new hiring of full-time employees for vacant positions scheduled to retire within 2023
- Contract review and expiration of temporary and part-time employees
- Partial layoffs at U.S. subsidiary Xyvid (already implemented in FY2023 1H)
- Solicitation of buyout package

(2) Outline of the solicitation of buyout package

Number of applicants: Approximately 20 persons

Solicitation period: From September 11, 2023, to September 22, 2023

Retirement date: December 31, 2023

Preferential treatment: Special severance payment as the retirement for company reasons.

Outplacement support for those who wish to apply

2. Return of Executive Compensation

(1) Reasons for the return

Taking the results of FY2023 1H and the downward revision of full year business forecasts very seriously, and in order to clarify the management responsibility for these results, we will return a portion of executive compensation.

(2) Details of reduction of executive compensation

Chairman: 30% of two months' compensation returned

President: 30% of two months' compensation returned

Vice President : 20% of two months' compensation returned

2 Directors : 15% of two months' compensation returned

6 Outside directors, including audit and supervisory board member: 10% of two months' compensation returned

3. Future outlook

The impact of this matter is not included in the "Notice of Differences between Business Forecast and Actual Results, Revision of Full-Year Business Forecast and Dividend Forecast" disclosed today, as it is still under scrutiny. Through a series of management rationalization measures, we expect a certain amount of improvement in operating profit within FY2023 and expect to reduce fixed costs by about 350 million yen in FY2024, compared to the case where the above measures are not implemented.

The special severance payment to be incurred as a result of the solicitation of the buyout package have not yet been determined, as the number of applicants cannot be estimated at this time but will be posted as the extraordinary loss in Q3 of FY2023 and will be announced as soon as it is determined.

If it becomes necessary to change the business forecast, we will disclose it promptly.