



FY2018 2Q Review

Financial Results Briefing

February 8, 2018

Voltage Inc.

TSE 1st. Section Securities Code: 3639

Executive Summary



2Q Financial Results Outline

* Reforming the business structure from the previous term.

- Sales: ¥3,738 mil, Operating income: Δ¥779 mil. Decreased in both sales and income.

Sales in the English language women group and other (men-focused apps) were favorable, while sales in the Japanese women group, the Company's key customers, fell 32.4% on a year-on-year basis due mainly to unfavorable results of customer attraction.

Initiatives in 2Q

- Start pre-registration and distribution of new titles

Start pre-registration of "Devildom prince and fascinating nightmare," a new title for the Casual Core group.

Start the distribution of the third title of the "Doubt" series and "Love 365," a new reading app.

- "Romance Apps 10th Anniversary Thank You Fair" gained great popularity

Goods sales and "Wedding VR" event were also very popular.

Schedule in 3Q and thereafter

- Distribute new titles, upgrade the base of existing titles, and enhance efficiency in customer attraction

Plan to start distribution of "Devildom" in February and renovate "Anidol" in a large scale.

Also, improve the base of existing titles and upgrade the accuracy in placement of advertisements.

- Animation development

Plan to distribute "Koiran (Love Ballad)" animation in apps. (New subsidiary "VOL Pictures Inc." started operation in October 2017!)

Forecast of full year results

- Performance shows a sign of recovery from 2Q due to successful focus shift. Expect to recover a surplus in 4Q.

Downward adjustment to sales: ¥8,000 mil, Operating income: -¥900 mil (released in Jan. 25).

■ Full year performance forecast adjustment



Shift the focus of management in response to the result of first half. Full year forecast is adjusted downward.

Surplus is expected to continue from 4Q.

[Millions of Yen]

	Consolidated			
	Last (beginning of term) forecast	Current (after adjustment) forecast	Current/last ratio	1H results
Sales	10,000	8,000	80.0%	3,738
Operating income / loss (Δ: loss)	300	Δ900	-	Δ779
Operating income to sales	3.0%	-	-	-
Ordinary income / loss (Δ: loss)	300	Δ900	-	Δ782
Net income / loss for the term attributable to owners of parent (Δ: loss)	190	Δ750	-	Δ757
Net income per share	¥37.21	-	-	-

* Net income per share was calculated based on the average number of shares outstanding during the second quarter of the term ending June 2018 (5,106,343 shares).

I 2Q Results

Summary for 2Q



Sales declined 21.7% year on year to ¥3,738 mil.
 Operating income also fell to Δ ¥779 mil. due to sales decline.

[Millions of Yen]

	FY2018			FY2017	
	1H results	% to sales	YoY	1H results	% to sales
Sales	3,738	100.0%	78.3%	4,775	100.0%
Cost of sales	1,764	47.2%	86.9%	2,030	42.5%
Labor cost	842	22.5%	94.6%	890	18.6%
Outsourcing cost	469	12.6%	78.0%	602	12.6%
Others	452	12.1%	84.1%	537	11.3%
SG&A expenses	2,752	73.6%	103.7%	2,655	55.6%
Advertising expenses	942	25.2%	266.5%	353	7.4%
Sales commission	1,158	31.0%	78.6%	1,473	30.8%
Others	651	17.4%	78.6%	828	17.4%
Operating income / loss (Δ: loss)	Δ 779	—	—	89	1.9%
Ordinary income / loss (Δ: loss)	Δ 782	—	—	115	2.4%
Net income / loss for the quarter attributable to owners of parent (Δ: loss)	Δ 757	—	—	44	0.9%

Increase in placement of advertisements in CM and mobiles

Recognized "Adjustment to income tax" (income) in response to the recognition of "Deferred tax assets".

Balance Sheet & Cash Flow Statement



Balance sheet

[Millions of Yen]

	1H	End of FY2017	% to End of FY2017
Current assets	2,582	3,406	75.8%
Non-current assets	1,100	1,023	107.5%
Total assets	3,683	4,429	83.2%
Current liabilities	754	693	108.8%
Non-current liabilities	—	—	—
Total liabilities	754	693	108.8%
Shareholders' equity	2,907	3,715	78.2%
Accumulated other comprehensive income	22	20	106.1%
Subscription rights to shares	—	—	—
Net assets	2,929	3,736	78.4%
Total liabilities and net assets	3,683	4,429	83.2%

Cash Flow Statement

[Millions of Yen]

	FY2018 1H	FY2017 1H
CF from operating activities	Δ546	275
CF from investment activities	Δ207	Δ145
CF from financial activities	Δ50	Δ177
Gain / loss in cash and cash equivalents	Δ801	11
Ending balance of cash and cash equivalents for the quarter	1,331	2,249

Decline in cash and deposits due mainly to the decline in income and the purchase of foreign bonds.

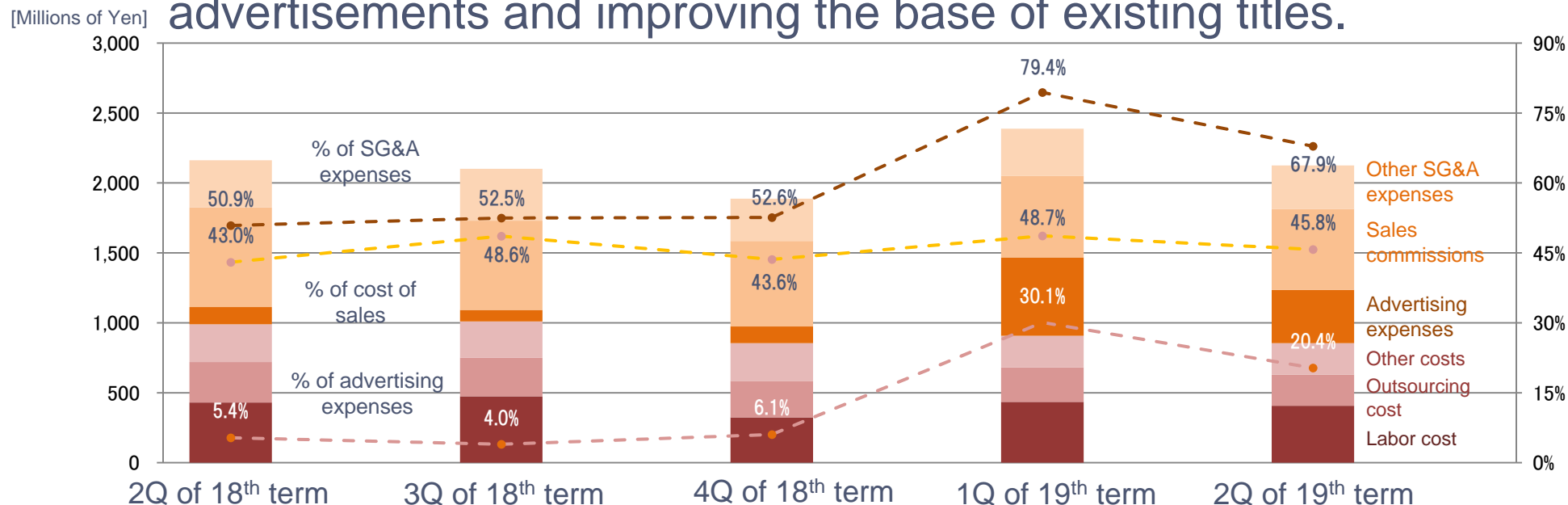
Decline in retained earnings due mainly to recognition of net loss for the quarter

Due mainly to quarterly net loss before income taxes and others

Expenses by Quarter









Reduce the deficit of 1Q by upgrading the accuracy in placement of advertisements and improving the base of existing titles.



	Results	YonY	Results	YonY	QonQ	Results	YonY	QonQ	Results	YonY	QonQ	Results	YonY	QonQ
Cost of sales	991	91%	1,011	94%	102%	856	76%	85%	908	87%	106%	856	86%	94%
Labor cost	430	89%	475	102%	110%	324	68%	68%	435	94%	134%	407	95%	94%
Outsourcing cost	290	78%	275	78%	95%	261	84%	95%	247	79%	95%	222	77%	90%
Others	270	118%	260	100%	96%	270	79%	104%	225	84%	84%	226	84%	100%
SG&A expenses	1,173	78%	1,092	68%	93%	1,032	72%	94%	1,482	100%	144%	1,270	108%	86%
Advertising expenses	123	43%	82	26%	67%	119	72%	144%	561	244%	472%	381	308%	68%
Sales commission	712	84%	638	72%	90%	611	75%	96%	581	76%	95%	577	81%	99%
Others	337	94%	371	93%	110%	302	68%	81%	339	69%	112%	312	93%	92%
Total expenses	2,165	84%	2,104	78%	97%	1,888	74%	90%	2,390	95%	127%	2,127	98%	89%
Operating income	140	49%	Δ22	—	—	74	85%	—	Δ523	—	—	Δ255	—	—

■ Initiatives in 2Q

Category	Target	Title	Initiative
Japanese language women group	Casual	 100 love scenes +	Continue to remain good due mainly to good sales of new title "An Extreme Man."
		 Doubt	Distribution of "Doubt 3" started on Dec. 18 but KPI is not favorable.
	Casual core	 Koiran (Love Ballad)	Although return from CM was lower than expectation, new stories and events remained popular, and sales recovered to over ¥100 mil. in December.
	Core	 Anidol	User-friendliness of apps and charging for monetization are insufficient. In contrast, due to the good popularity of events, possibility of IP development is considered sufficient.
English language women group	L10N	 Love365	Started distribution of reading apps by collecting L10N titles on Nov. 13. Shift of uses from conventional apps and addition of titles.
Other	High-tech	 Wedding VR	Upgraded the version for commercialization. Implement arcade development since 3Q.

Event and IP Development

Recognize anew the enthusiasm of users through real events.

AGF*2017 Exhibition

Nov.

Sold "Anidol" and "Koiran" goods in the Voltage booth.



* Animate Girls Festival

Romance Apps 10th Anniversary Thank You Fair

Des.

Held in Laforet Museum Harajuku. In goods sales, people waited in line for a maximum of 150 minutes.



Anidol CD release event

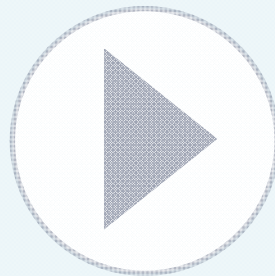
Nov.

Event was very popular. Possibility of IP development is good.



MOVIE

Romance Apps 10th Anniversary Thank You Fair





Plan for 3Q and thereafter

Basic Strategy (Re-posted)

* Term ending June 2018 is the 2nd year of the three-year strategy.

Basic strategy is two-wheel development of "Casual" and "Casual Core / Core."

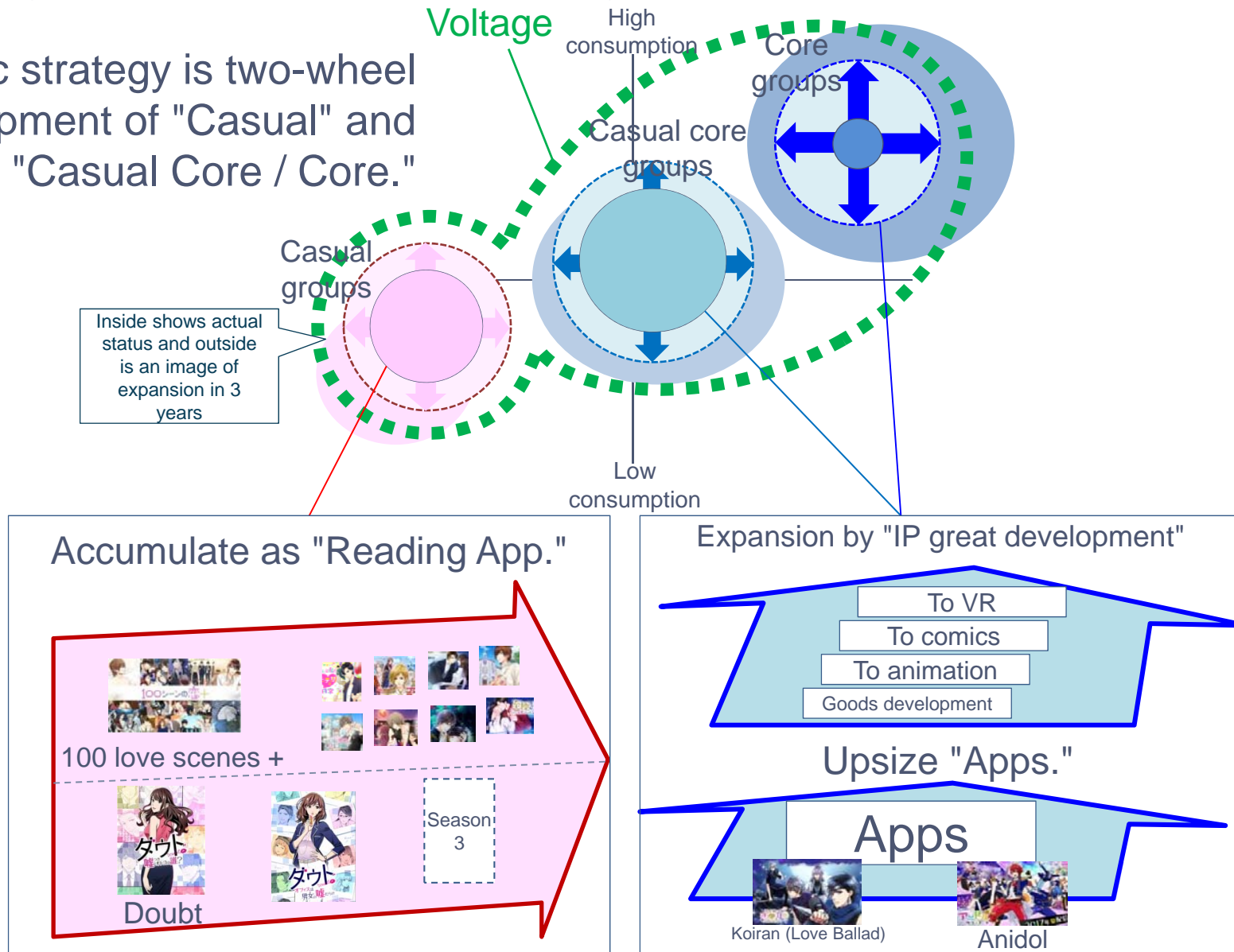
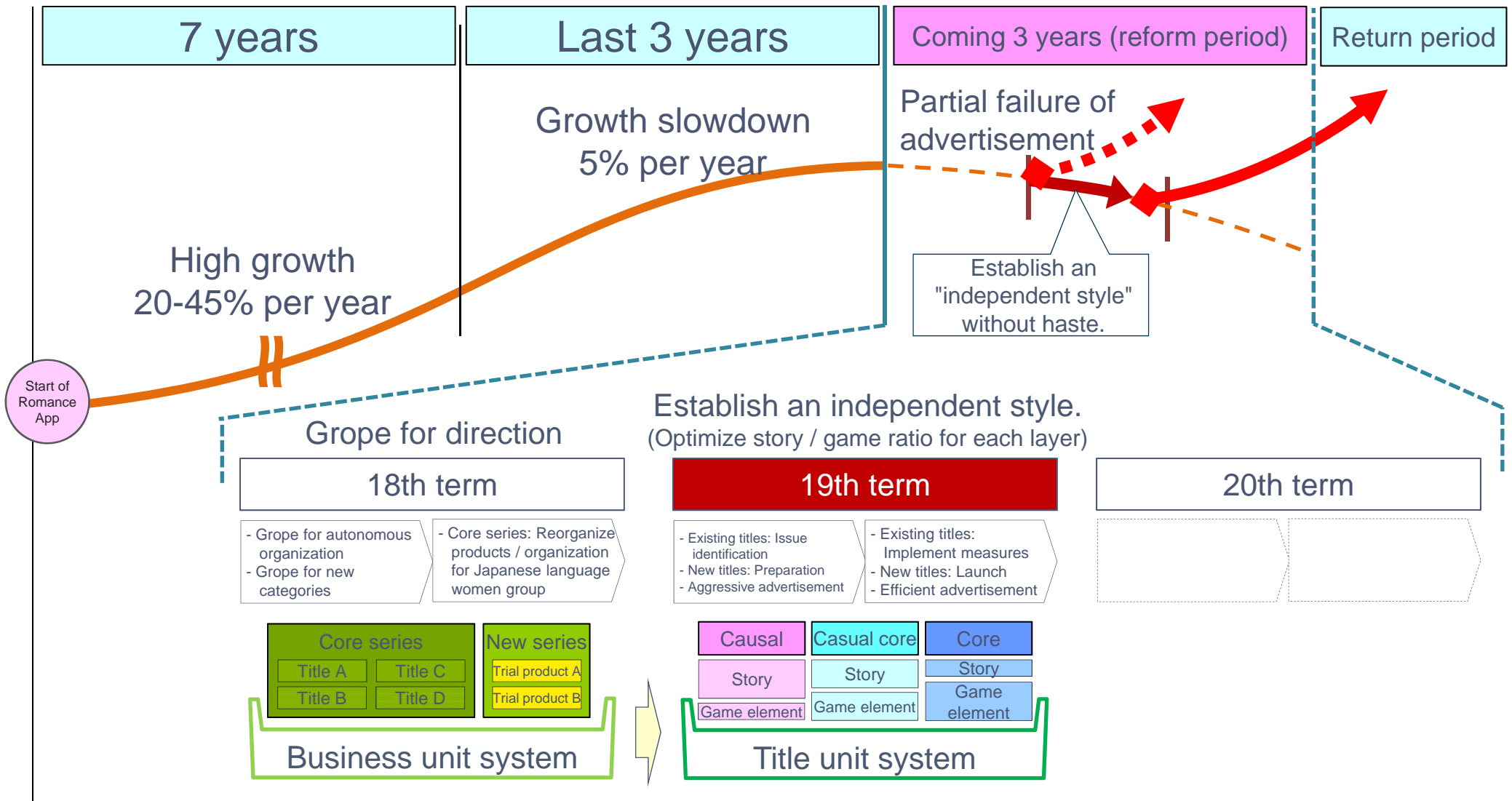


Image of Medium-term Growth

Stop aiming at hasty recovery and shift the focus to establishment of "independent style" without haste



Latest Situation

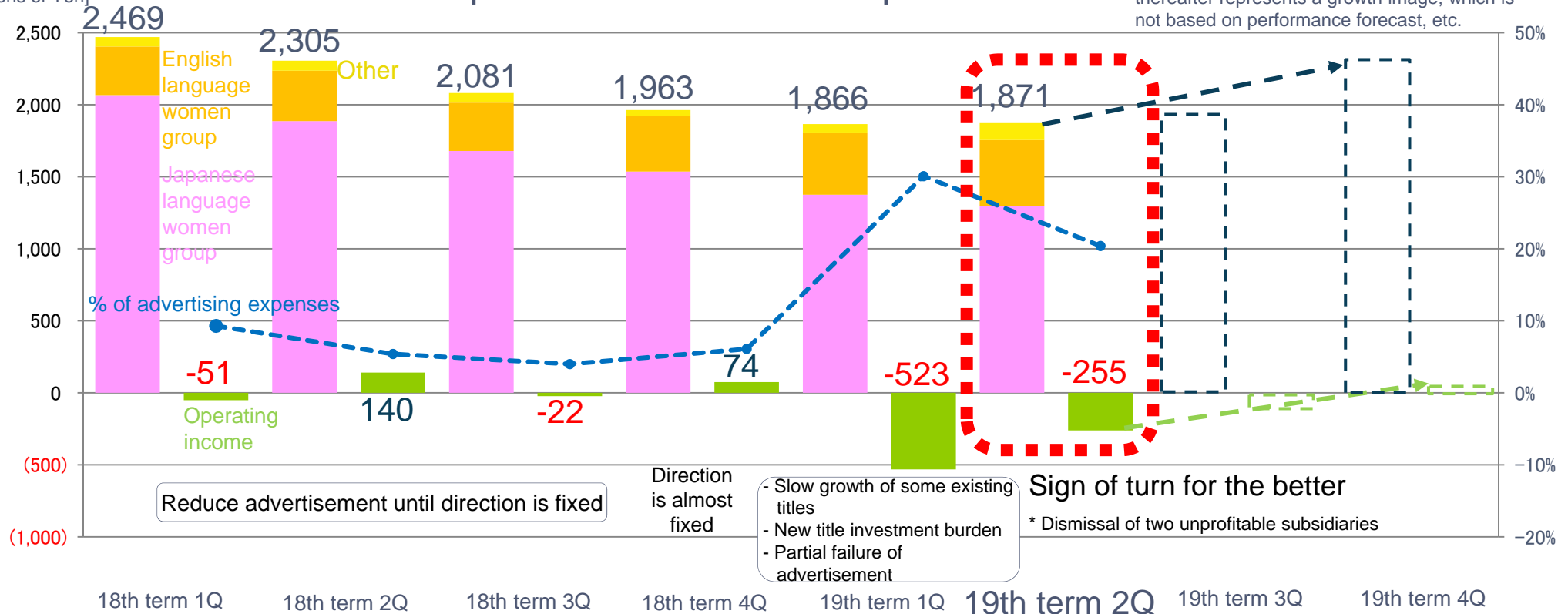


Performance shows a sign of recovery from 2Q due to successful focus shift.

Expect to recover a surplus in 4Q.

* The graph for 3Q of the 19th term and thereafter represents a growth image, which is not based on performance forecast, etc.

[Millions of Yen]



Reduce advertisement until direction is fixed

Direction is almost fixed

- Slow growth of some existing titles
- New title investment burden
- Partial failure of advertisement

Sign of turn for the better

* Dismissal of two unprofitable subsidiaries

18th term

- Grope for autonomous organization
- Grope for new categories

- Core series: Reorganize products / organization for Japanese language women group

19th term

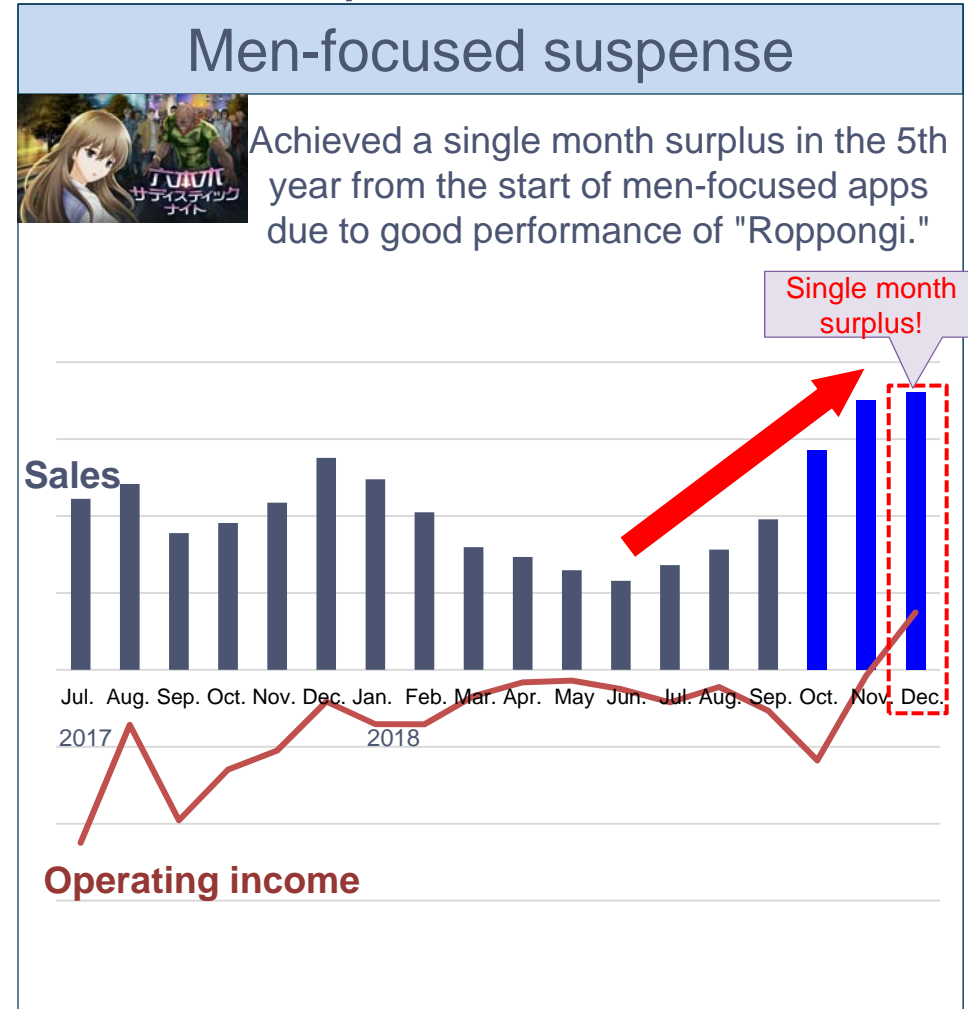
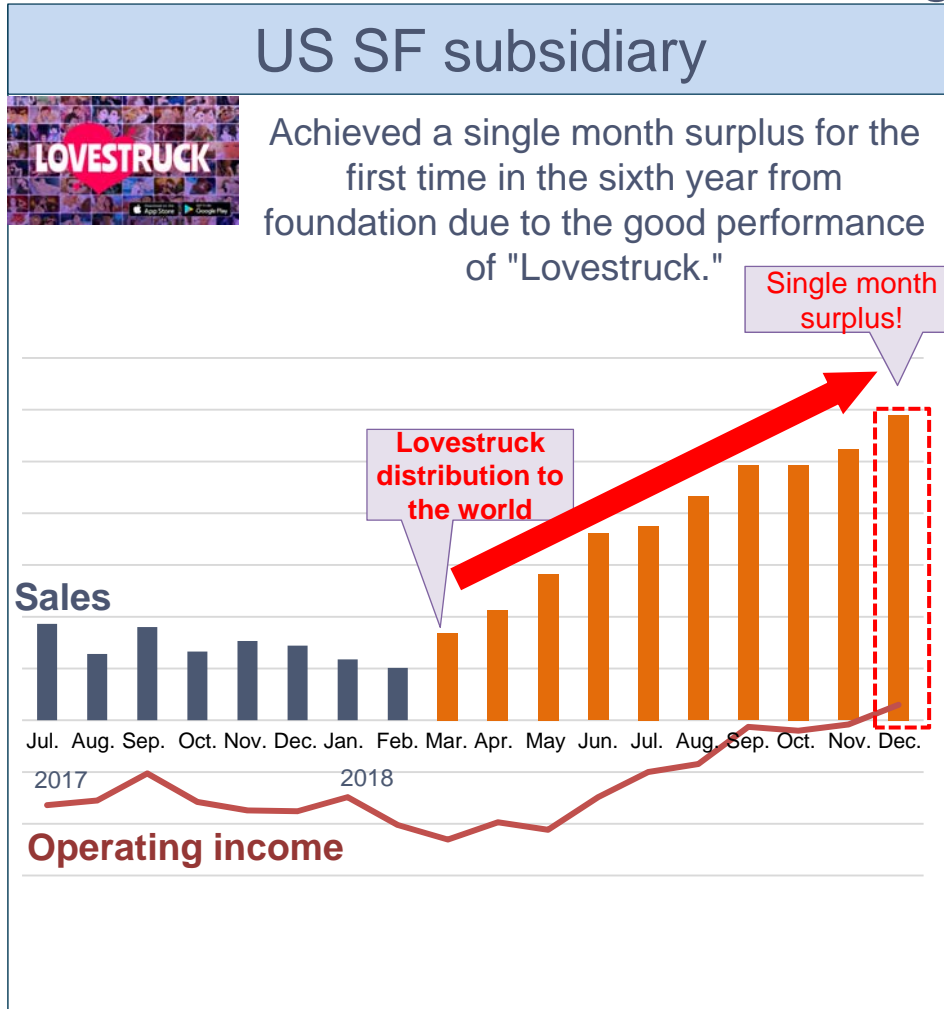
- Existing titles: Issue identification
- New titles: Preparation
- Aggressive advertisement

- Existing titles: Implement measures
- New titles: Launch
- Efficient advertisement

US SF / men-focused apps achieved a single month surplus for the first time



Marginal category, of which improvement started quickly, finally achieved a single month surplus!



* The graph was prepared with figures based on management accounting.

■ Titles to focus on in 3Q

Consecutively launched titles (for Casual Core and Core groups) that trigger an original style!

Devildom Prince (new)

Feb.

Casual core

The number of pre-registrations exceeded 120,000 (as of Jan. 31).
Expected to contribute to income increase mainly in 4Q and thereafter.



Anidol Colors (reboot)

Spring

Core

Planning to renew apps substantially in accordance with Part 2 distribution.



Events and animation development in 3Q

Consecutive development of media programs and small events

Started an official radio program

Jan.

Broadcasting "Volradi" in Nippon Cultural Broadcasting by inviting popular voice actors and actresses to give information on the contents of Voltage products.

▼ The first recording with Mr. Tetsuya Kakahara (left) and Mr. Tasuku Hatanaka (right)



Koiran -- First collaborate cafe

Feb.

Distribute novelties and sell original goods.



3rd Voltage Shop

Feb.

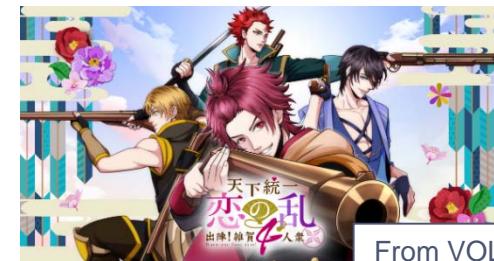
Selling character goods for the top 20 characters chosen in 100 Love Scenes + "10th Anniversary Memorial Election."



Distribute Koiran short animation

May

Open a fan club before distributing original stories including new characters.



From VOL Pictures

Initiatives for Apps in 3Q and thereafter

Category	Target	Title	Initiatives and future schedule
Japanese language women group	Casual	 Doubt	Aiming to provide reading apps specific to Doubt, establish a system to mass produce stories and review the ticket distribution method and function.
	Casual core	 Koiran (Love Ballad)	Improve the retention of new users by taking actions for beginners, etc. Also, strengthen IP development including collaborate cafe and short animation.
		 Chikai	Improve the retention of users by holding events for beginners, etc. in addition to actions for existing users.
English language women group	L10N	 Love365	Aim at expansion by continuing to add titles and app functions.
	DRAGON	 Lovestruck	Aim to increase surplus by strengthening customer attraction, distributing new titles, etc.
Other	Men	 Roppongi	Maintain surplus by continuing to implement effective actions including aggressive placement of advertisement.

New title launch schedule



Category		Target	October	2Q of fiscal year ending June 30, 2018	January	3Q of fiscal year ending June 30, 2018	April
Japanese language women group	Casual		<p>Launched October 12</p> <p>Fake Season 2</p> 	<p>Launched November 2</p> <p>An Extreme Man - Night to be loved again</p> 	<p>Launched December 18</p> <p>Doubt - Celebrities tell lies splendidly -</p> 	<p>Launched January 17</p> <p>Teary Miracle</p> 	<p>Abbreviation: K</p> 
	Casual core					<p>To be released in Feb</p> <p>Devildom prince and fascinating nightmare</p> 	
	Core						
English language women group				<p>Launched November 13</p> <p>Love365 Find Your Story</p> 		<p>Abbreviation: V</p> 	<p>Abbreviation: H</p> 
Other		<p>Launched October 27</p> <p>Pokekare AR (Character added)</p> 					

■ Definition of Terms



Term	Meaning
Casual Group	Users who enjoy favorite games lightly. Unit amount of consumption is several thousand yen per month.
Core group	Users who get into / excited with favorite games. Unit amount of consumption is ten thousand yen to tens of thousands of yen per month.
Casual core group	Users positioned between Casual and Core Groups.
L10N	Content with animation pictures for the North American market. Japanese Romance Apps were translated into English. Abbreviation for localization.
DRAGON	Animation pictures and contents developed for the North American market. Title name derived from "Dragon roll sushi" arranged for North America. The name for users is AmeMix.

Reference Material (Corporate Profile)



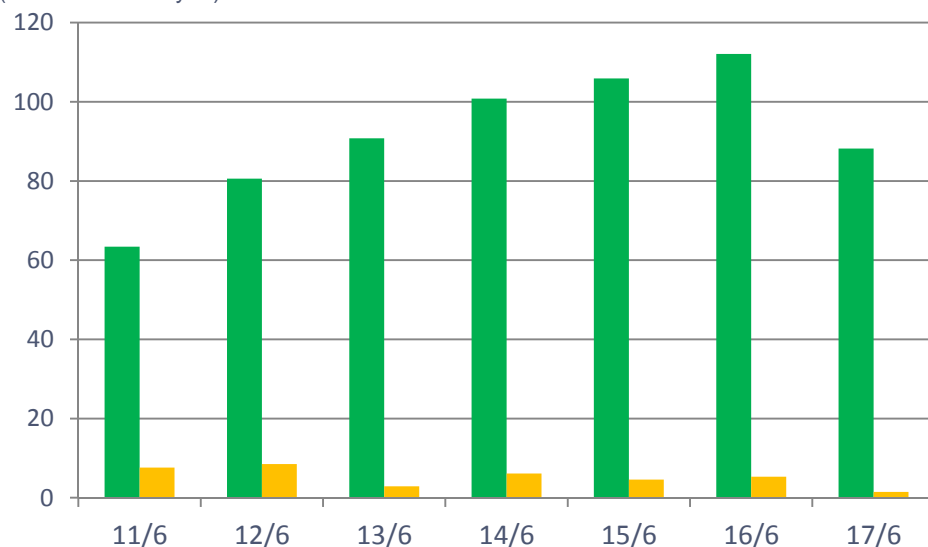
Company name	Voltage Inc.
Representative Director & President	Yuji Tsutani
Business philosophy	Contribute to the world with "art & business." Pursue an independent style of "love and battle dramas."
Foundation	September 1999
Date of listing	First section of TSE : June 2011 TSE Mothers : June 2010
Capital	936 million yen (as of the end of December 2017)
Number of employees	405 (as of the end of December 2017)
Subsidiaries	Overseas : Voltage Entertainment USA, Inc. Japan : VoltageVR Inc., Vol Pictures Inc.

Reference material (Financial highlights and share information)



-Recent sales and operating income

(hundred million yen)



Sales	63.4	80.6	90.8	100.8	105.9	112.1	88.2
Operating income	7.6	8.5	2.9	6.1	4.6	5.3	1.4

- Share information (as of the end of Dec. 2017)

Total number of authorized shares	15,120,000 shares
Total number of issued shares	5,198,074 shares
Number of shareholders (only for share unit holders)	6,335 persons

- Major shareholders (as of the end of Dec. 2017)

Shareholders	Number of shares (shares)	Ownership ratio (%)
Yuji Tsutani	967,800	18.61%
Nanako Tsutani	368,200	7.08%
Trustee of specific securities SMBC Trust Bank Ltd.	200,000	3.84%
Merrill Lynch Japan Securities Co., Ltd.	141,000	2.71%
Tadahiro Kanbayashi	131,700	2.53%
Third Street Inc.	100,000	1.92%
Voltage Inc.	91,581	1.76%
Japan Trustee Services Bank, Ltd. (Trust account)	69,400	1.33%
Japan Trustee Services Bank, Ltd. (Trust account 5)	68,500	1.31%
Japan Trustee Services Bank, Ltd. (Trust account 1)	64,500	1.24%

Voltage Inc.



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