FY2018 3Q Review

Financial Results Briefing

May 8, 2018

Voltage Inc.

TSE 1st. Section Securities Code: 3639

Executive Summary

3Q Financial Results Outline	* Business structure reforms are ongoing from the previous term. ■Both sales and income decreased with sales at ¥5,570 mil, and operating income at -¥1,009 mil. While sales in the English language women group and other groups (men-focused apps) did well, sales in the Japanese language women group declined.
Initiatives in 3Q	■Started distribution of new title "Devildom" and this is doing well! Started distribution of "Devildom Prince and Fascinating Nightmare," a new title for the Casual Core group.. Sales is going well. Our focus is on user acquisition.. ■Preparations for Part 2 of the main part of "Anidol" and app renewal. "Sin" was done on 4/17, and user reaction has been good!
Schedule for 4Q and onward	■Streamline our organization Streamline our fixed costs while maintaining our ad-based customer draw.. ■Next step for growth Consolidate our Japanese language women apps into three types: Reading, Avatar, and Card types, and develop know-how for each specific type.
Full year performance forecast	■Based on our 3Q performance and conditions up to April: We have downward adjusted our sales forecast to 7,300 mil., and operating income forecast to -¥1,100 mil. (announced today)

Downward adjustment of our full year performance forecast

We have downward adjusted our full year performance forecast based on current conditions (announced today).

[Millions of Yen]

	Consolidated			
	Last (Jan. 25) forecast	Current (after adjustment) forecast	Current (after adjustment) forecast	3Q results
Sales	8,000	7,300	91.3%	5,570
Operating income	△900	△1,100	-	△1,009
Operating income to sales	-	-	-	-
Current income	△900	△1,150	-	△1,042
Net income for the term attributable to parent company shareholders	△750	△1,400	-	△1,225
Net income per share	-	-	-	-

I 3Q Financial Results

3Q Financial Results Overview

Sales declined 18.8% year on year to ¥5,570 mil.
Operating income also fell to △¥1,009 mil. due to sales decline.

[Millions of Yen]

	FY2018			FY2017	
	3Q accumulated	% to sales	YoY	3Q accumulated	% to sales
Sales	5,570	100.0%	81.2%	6,857	100.0%
Cost of sales	2,633	47.3%	86.6%	3,042	44.4%
Labor cost	1,270	22.8%	93.0%	1,366	19.9%
Outsourcing cost	693	12.5%	79.0%	877	12.8%
Others	669	12.0%	83.9%	798	11.6%
SG&A expenses	3,946	70.8%	105.3%	3,748	54.7%
Advertising expenses	1,271	22.8%	291.4%	436	6.4%
Sales commission	1,729	31.0%	81.9%	2,111	30.8%
Others	945	17.0%	78.8%	1,200	17.5%
Operating income	△1,009	—	—	66	1.0%
Current income	△1,042	—	—	74	1.1%
Net income for the quarter attributable to parent company shareholders	△1,225	—	—	△13	—

Ad placements increased as a result of our shift in ad placement objectives.

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

Balance Sheet

[Millions of Yen]

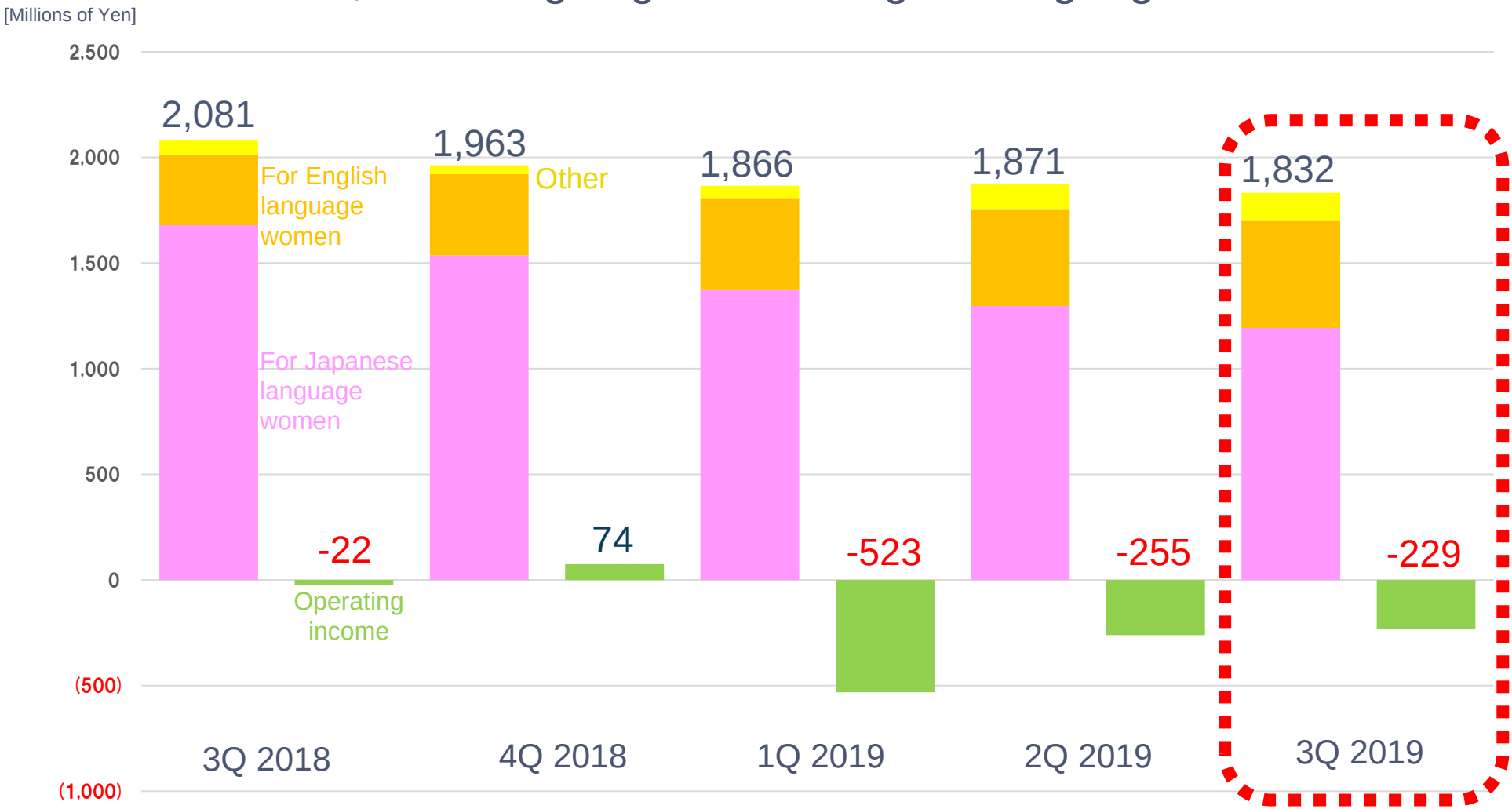
	FY2018 End of 3Q	End of FY2017	% to End of FY2017
Current assets	2,364	3,406	69.4%
Non-current assets	895	1,023	87.5%
Total assets	3,259	4,429	73.6%
Current liabilities	807	693	116.5%
Non-current liabilities	0	–	–
Total liabilities	807	693	116.6%
Shareholders' equity	2,439	3,715	65.7%
Accumulated other comprehensive income	12	20	60.1%
Subscription rights to shares	–	–	–
Net assets	2,451	3,736	65.6%
Total liabilities and net assets	3,259	4,429	73.6%

Cash savings declined due to declining sales.

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

Per-Quarter Sales

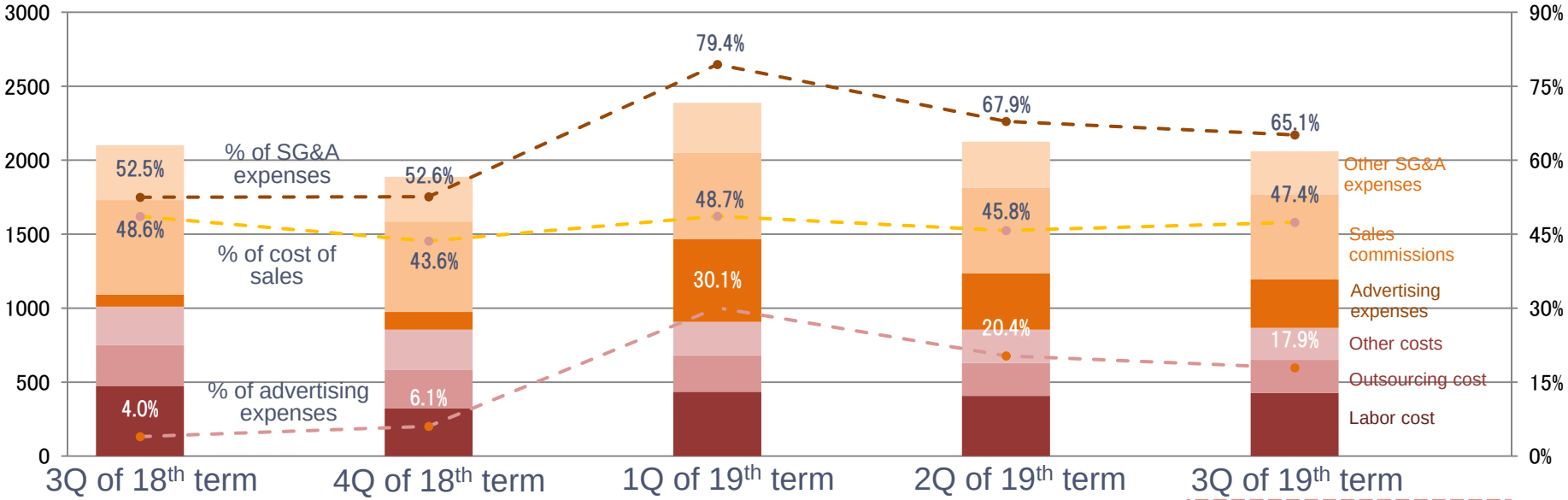
While sales for Japanese language women continued to decline, sales is going well for English language women.



Expenses by Quarter

Reduce deficits by improving advertisement precision and other actions.

[Millions of Yen]



	Results	YonY	Results	YonY	QonQ	Results	YonY	QonQ	Results	YonY	QonQ	Results	YonY	QonQ
Cost of sales	1,011	94%	856	76%	85%	908	87%	106%	856	86%	94%	868	86%	101%
Labor cost	475	102%	324	68%	68%	435	94%	134%	407	95%	94%	427	90%	105%
Outsourcing cost	275	78%	261	84%	95%	247	79%	95%	222	77%	90%	223	81%	101%
Other	260	100%	270	79%	104%	225	84%	84%	226	84%	100%	217	83%	96%
SG&A expenses	1,092	68%	1,032	72%	94%	1,482	100%	144%	1,270	108%	86%	1,193	109%	94%
Advertising expenses	82	26%	119	72%	144%	561	244%	472%	381	308%	68%	328	398%	86%
Sales commission	638	72%	611	75%	96%	581	76%	95%	577	81%	99%	570	89%	99%
Other	371	93%	302	68%	81%	339	69%	112%	312	93%	92%	294	79%	94%
Total expenses	2,104	78%	1,888	74%	90%	2,390	95%	127%	2,127	98%	89%	2,062	98%	97%
Operating income	△22	–	74	85%	–	△523	–	–	△255	–	–	△229	–	–

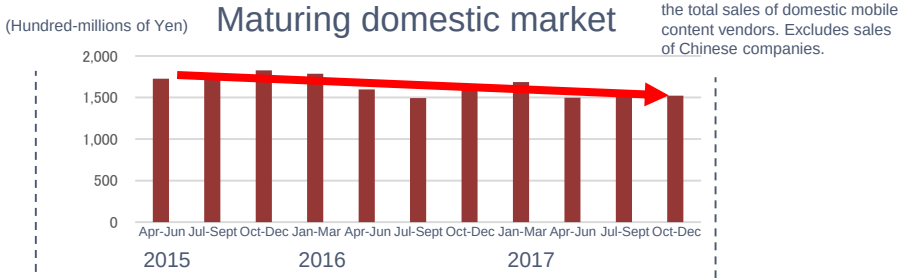
Initiatives in 3Q

Category	Target	Title		Initiative
Japanese language women group	Casual		100 love scenes +	We are over the hump with regard to data migration from individual apps and the addition of previous titles, and have completed the "box" of this reading app.
			Doubt	We distributed Season Three the "Celeb Version" and this was received well. Improvements to our ticket distribution method resulted in better KPI.
	Casual core		Koiran (Love Ballad)	This continues to remain good and is contributing to revenues. User loyalty was increased with events and such.
			Devildom	Distribution began on 2/28 and we are seeing a good startup. We have succeeded in capturing new users in their 20s.
English language women group	DRAGON		Lovestruck	Increased profits from focusing on ads and customer draw.
Other	High-tech		Wedding VR	Began distributing the product version on PF for PCs. Began arcade implementation at the "VR PART TOKYO IKEBUKURO" on 3/12.

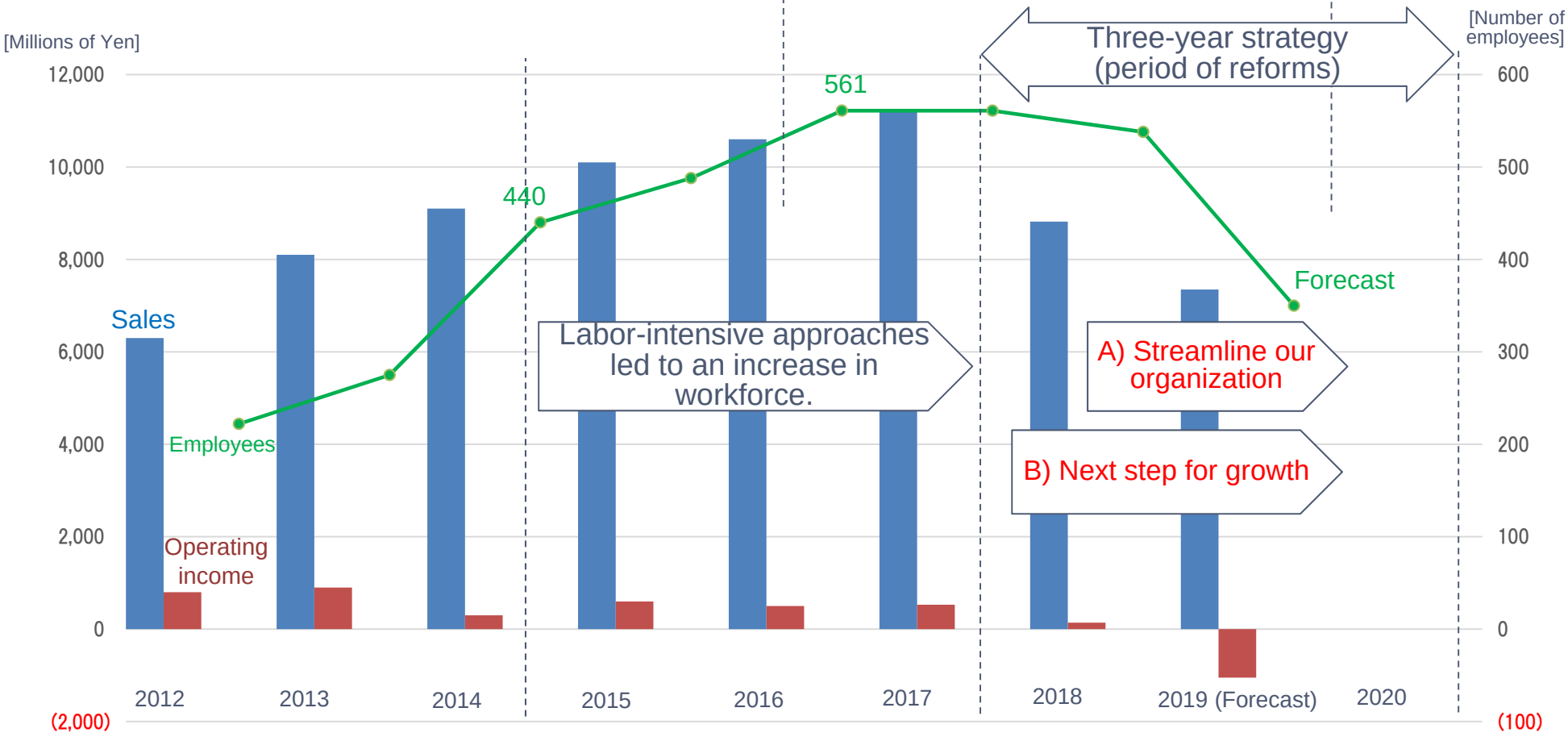
Ⅱ Plan for 4Q and onward

Market environment and conditions at our company

Currently carrying out "quality reforms" in line with the maturing domestic market.



* Figures for Voltage calculated from the total sales of domestic mobile content vendors. Excludes sales of Chinese companies.



* The "Number of employees" includes contingent employees (including contract workers, part timers, and temporary employees)

Main Objective

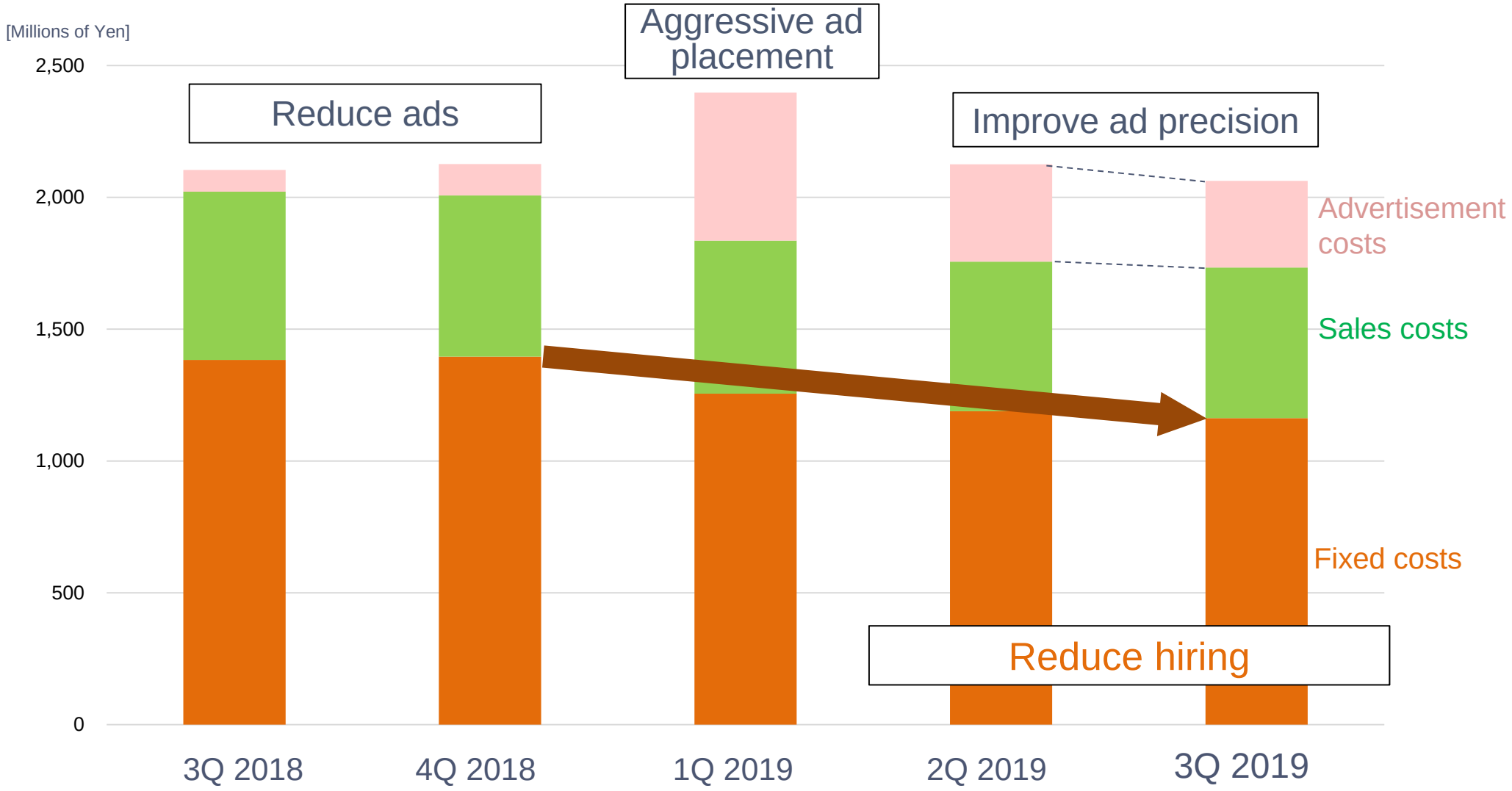
The domestic market is maturing.
We are currently implementing the following two points based on the reformation theme.

A) Streamline our organization

B) Next step for growth

A) Streamline our organization

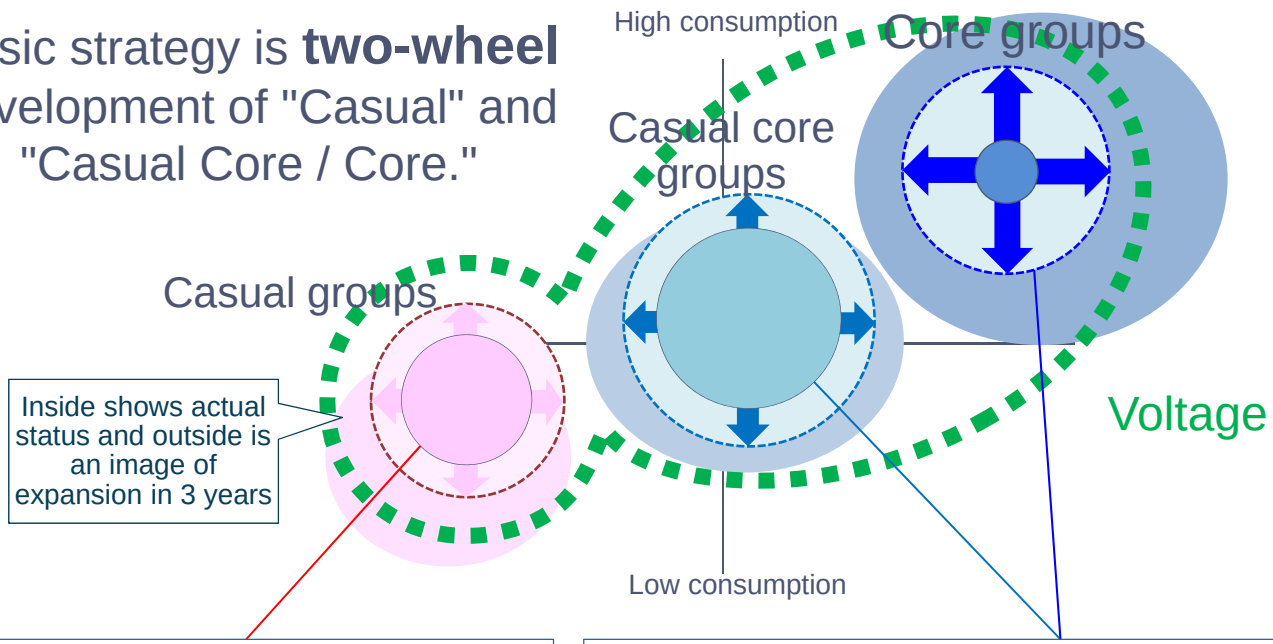
Streamline our fixed costs while maintaining our ad-based customer draw.



B) Next step for growth: Strategy for Japanese language women

[1] Expand our target

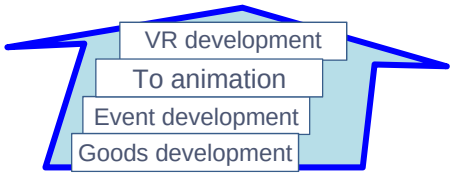
Basic strategy is **two-wheel** development of "Casual" and "Casual Core / Core."



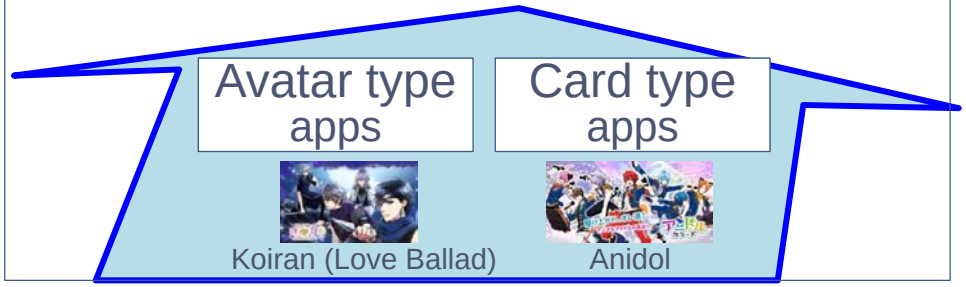
[2] Create new forms for our products

Accumulate as "Reading App."

Expansion by "IP great development"

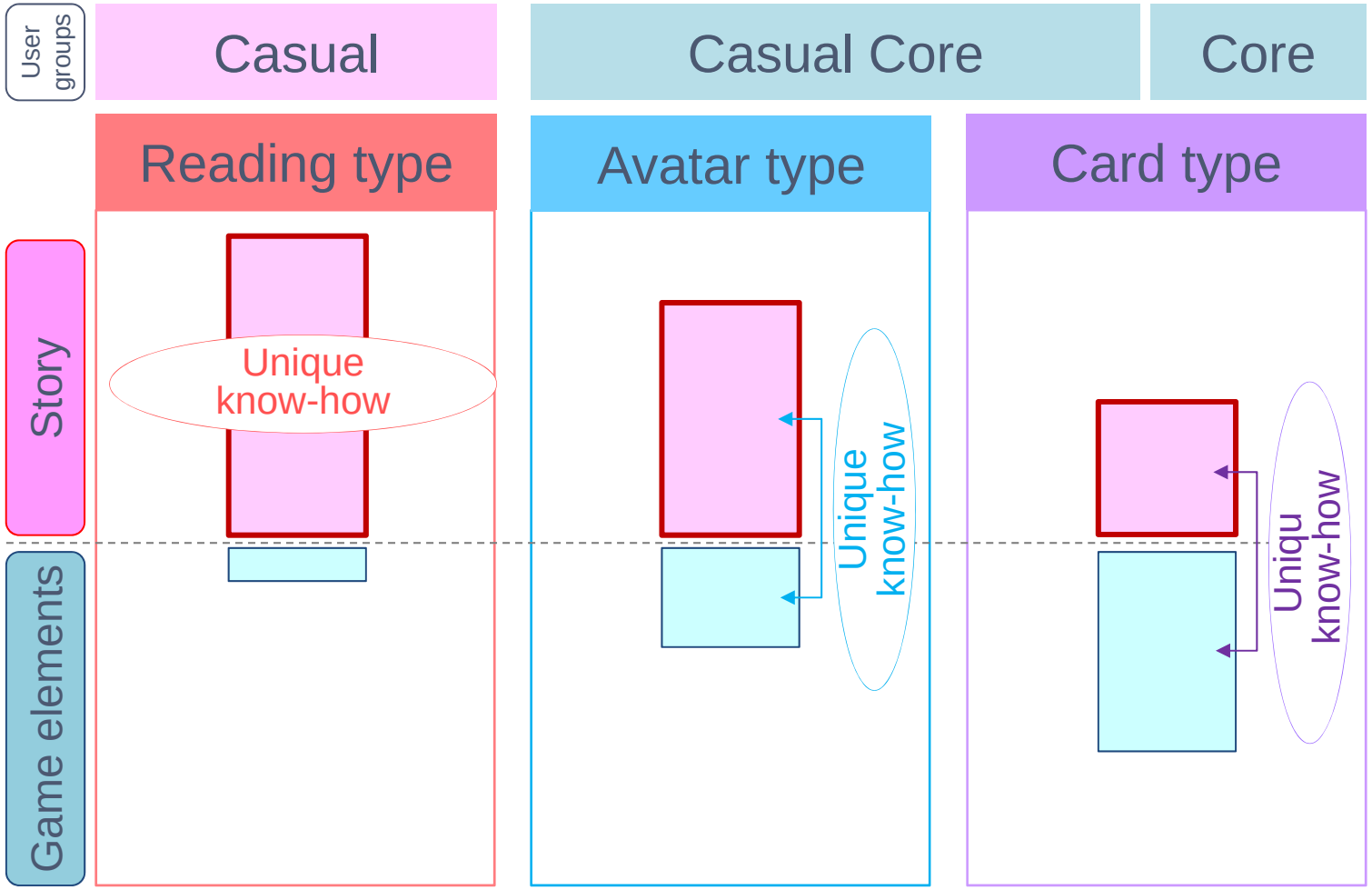


Upsize "Apps."



Apps for Japanese language women: Consolidate into three types

Develop know-how for each specific type.



Apps for Japanese language women: New titles

Devildom Prince and Fascinating Nightmare

2/28

Casual core | Avatar type

Sales is going well. Our focus is on customer acquisition. We will make further improvements through ad placements, additional stories, and other efforts.

Anidol Colors (reboot)

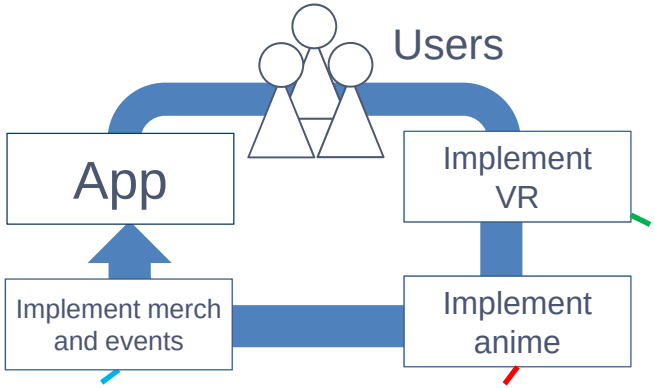
4/17

Core | Card type

The addition of Part 2 of the main part, and how the app is now lighter has been received well.
In 4Q, we will be focusing on user retention.

Apps for Japanese language women: Measures for creating excitement

We will implement measures such as events and anime that are outside of the app to create excitement for the app.



Merch and events

Koiran (Love Ballad) collaboration cafe

Harajuku

Voltage Shop 4the Edition

Ikebukuro

Anime

Distribute short Koiran (Love Ballad) anime

Hold premier event upon completion (Toyosu)

VR

Implement "Wedding VR" arcade

Akihabara

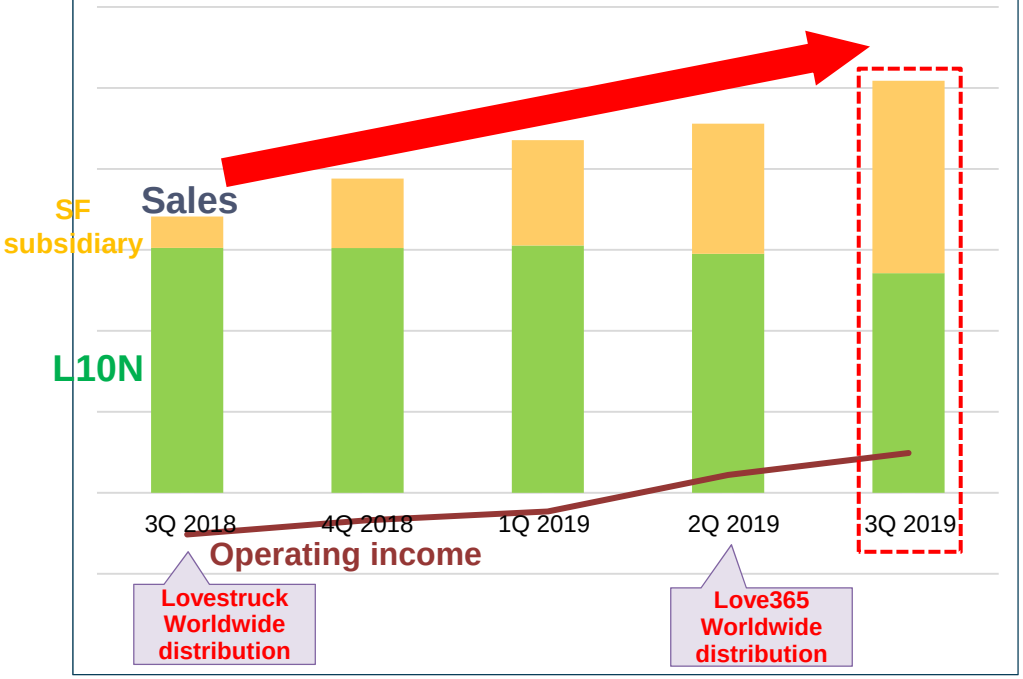
We are exploring other measures as well.

English language women apps and men-focused apps continue to do well!

Apps for English language women

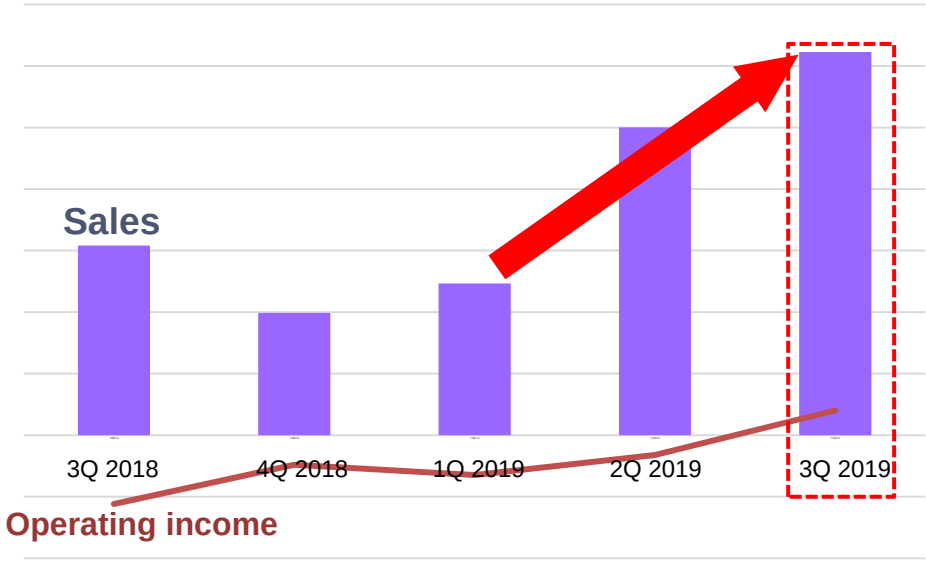
"L1ON" is doing well
SF Studio* is on a growth trend

* Consolidated subsidiary located in San Francisco, USA



Men's suspense

This continues to be on a growth trend.
Surplus achieved in 3Q accumulated



* These charts were created from figures based on management accounting.

New title launch timeline

Category / Target	January	3Q of fiscal year ending June 30, 2018	April	4Q of fiscal year ending June 30, 2018	July
Japanese language women group / Casual	Launched 1/17	Teary Miracle 		Launched 5/8 Masquerade Kiss -- Risky Maneuvers -- 	
Japanese language women group / Casual core	Launched 2/28	Devildom Prince and Fascinating Nightmare 			
Japanese language women group / Core			Launched 4/17 Anidol Colors (Additional and renewed main part) 		
English language women group	Launched 2/26	Villainous Nights 	Launched 3/13 Our Private Homeroom 		Abbreviation: K
Other	Launched 3/9	Wedding VR Distributed to PF for PCs 			Distribute short anime Tenka Toitsu Koi no Ran 

Definition of Terms

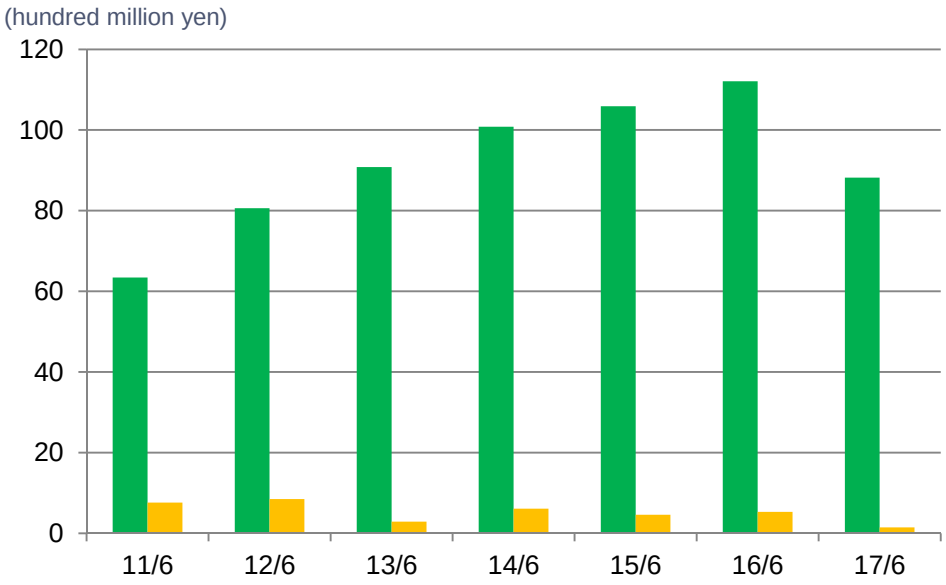
Term	Meaning
Casual Group	Users who enjoy favorite games lightly. Unit amount of consumption is several thousand yen per month.
Core group	Users who get into / excited with favorite games. Unit amount of consumption is ten thousand yen to tens of thousands of yen per month.
Casual core group	Users positioned 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 March 2018)
Number of employees	375 (as of the end of March 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



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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