Financial Results for 2Q FY2012 (Year ending June 30, 2012)

Voltage Inc.

February 7, 2012

TSE 1st. Section Securities Code: 3639

I. Results for 1H

II. Measures for 2H

I.

Results for 1H

Summary of Results for 1H FY2012

Results

Net sales up 30% (y-o-y); operating income increased ¥140 million (to forecast)

- Net sales: ¥3,740 million (up 30% y-o-y); operating income: ¥320 million (down 14% y-o-y)
  (Breakdown) Social apps ¥1,440 million(up142%),Carrier official sites: ¥ 2,160 million(up1.6%)
- Improvement in operating income: Efforts to restrain increases in labor and outsourcing costs despite greater sales resulted in improved operating income.

Social apps

Featurephone

Launched as the 3rd generation "A Prince's Proposal" is going strong, and achieved monthly sales to top ¥100 million.

- The 3rd generation "Office Romance Secret Love" and the 2nd generation "Love & Scandal" remain favorable. Turned upward from the decline posted from 3Q FY2011 to 4Q FY2011.
- The 2nd round of mixi "Turning Point Love& Career", etc. contributed to advancing platform expansion.

Smartphone

Newly-launched 4 titles, growth above penetration rate of smartphone.

- Among five titles which are distributed parallelly for featurephones and smartphones, smartphones accounted for 25% in December.

*Smartphone penetration rate among young females: 20%
(As of December 2011: estimated by Voltage Inc.)

Carrier official sites

Featurephone

"My Forged Wedding" "Staying With You Tonight" were successful. Individual fee-based items and TV Commercials also exceeded plan.

- Turned to an upward trend from having been flat in 3Q FY2011 to 1Q FY2012 while the featurephone market curtailed.

Smartphone

Launched 17 monthly-fee based sites and 2 one-time fee apps; made a good start.

- Among 18 titles which are distributed parallelly for featurephones and smartphones, smartphones accounted for 11% in December.
- Enhanced systems development efficiency by adopting web development frameworks, "Kg-VF" and "Ks-VF".

*Rate in January was 15% with d-menu in full operation.

Overseas

The 1st round "PIRATES" in distribution

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Summary

Net sales up 30% (y-o-y); operating income increased ¥140 million (to forecast)

[Millions of Yen]

	1H FY2012	% to Net Sales	Y-o-Y Change	1H FY2011	% to Previous Forecast	Previous Forecast
Net sales	**3,745**	100.0%	30.3%	2,875	7.0%	3,500
Cost of sales	**823**	22.0%	26.7%	650	-7.3%	888
S,G&A expenses	**2,600**	69.4%	40.5%	1,851	6.9%	2,431
Operating income	**321**	8.6%	-14.2%	374	78.4%	180
Ordinary income	**321**	8.6%	-14.0%	373	79.3%	179
Net income	**187**	5.0%	-13.2%	215	77.0%	105

Increase ¥140 million

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Net Sales by Segment

Social apps ¥1,441 million (up 142%), Carrier official sites ¥2,164 million (up 1.6%)

[Millions of Yen]

	1H FY2012	Y-o-Y Change	1H FY2011
Net sales	**3,745**	30.3%	2,875
Mobile content business	**3,605**	32.3%	2,725
Social apps	**1,441**	142.1%	595
Carrier official sites	**2,164**	1.6%	2,129
Mobile commerce business	**135**	0.4%	134
Other businesses	**4**	-71.9%	15

[Social apps]
(Featurephone)
Launched as the 3rd generation
"A Prince's Proposal" is going strong,
and achieved monthly sales to top ¥100 million.
(Smartphone)
Newly-launched 4 titles,
growth above penetration rate of smartphone.

[Carrier official sites]
(Featurephone)
"My Forged Wedding" "Staying With You Tonight" were successful.
Individual fee-based items are going strong.
TV Commercials also exceeded plan.
(Smartphone)
Launched 17 monthly-fee based sites
and 2 one-time fee apps made a good start.

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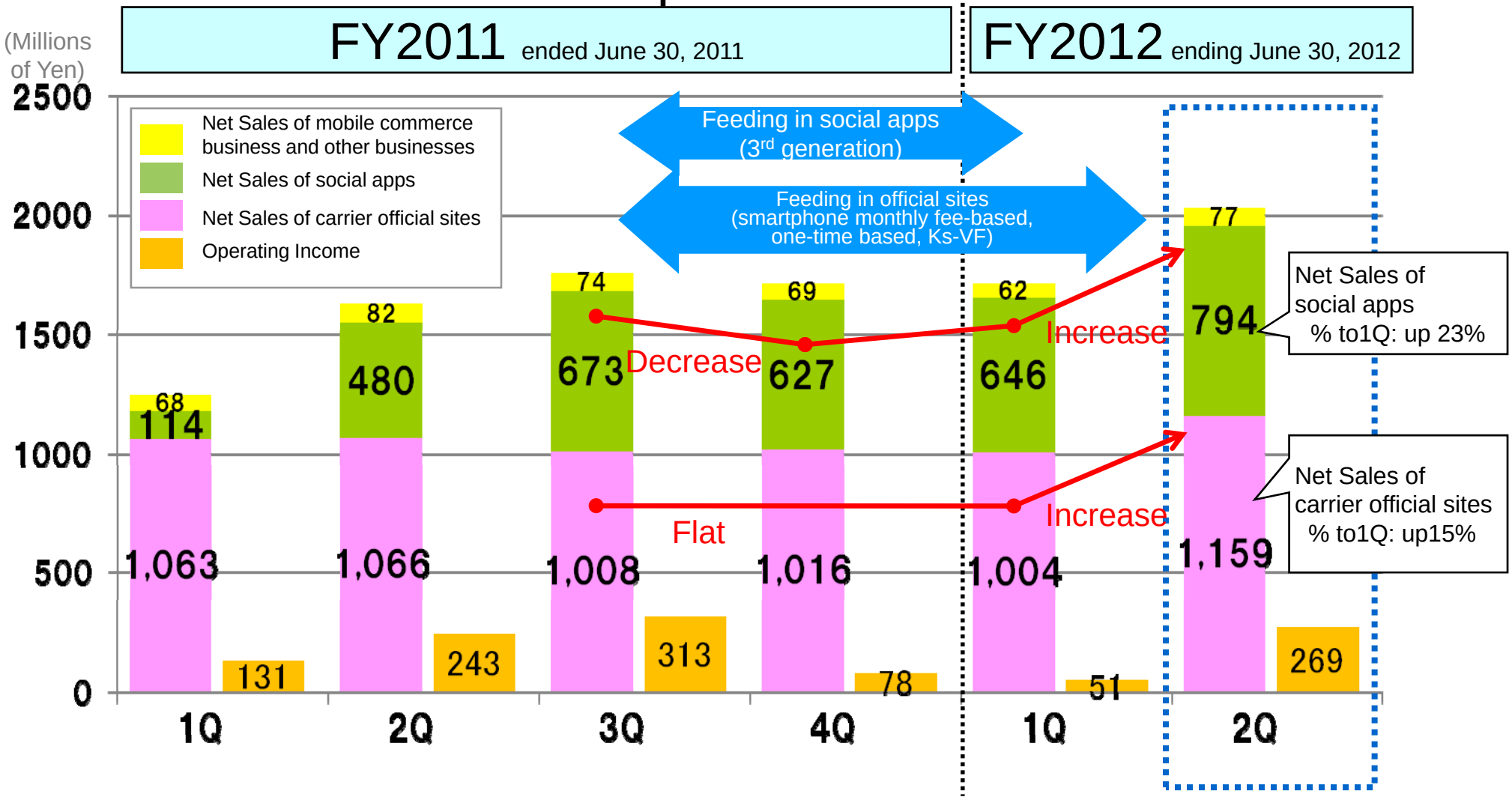
Quarterly Trends in Net Sales and Operating Income

Both social apps and carrier official sites turned upward from flat



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Operating Margin

Higher improvement than expected,
thanks to restrained increases in labor and outsourcing costs despite greater sales.
However, lower than the previous year, due to aggressive advertising and social apps commissions.

[Millions of Yen]	1H FY2012	% to Net Sales	Change in % to Net Sales	1H Result FY2011	% to Net Sales	Previous %to Forecast	Previous 1HForecast	% to Net Sales
Net sales	**3,745**	100.0%	-	2,875	100.0%	7.0%	3,500	100.0%
Cost of sales	**823**	22.0%	-0.6pt	650	22.6%	-7.3%	888	25.4%
Labor cost	**295**	7.9%	-0.5pt	242	8.4%	-3.6%	306	8.8%
Outsourcing cost	**248**	6.6%	-0.1pt	191	6.7%	-12.0%	282	8.1%
Other costs	**279**	7.5%	±0pt	216	7.5%	-6.6%	299	8.6%
S,G&A expenses	**2,600**	69.4%	5.0pt	1,851	64.4%	6.9%	2,431	69.5%
Advertising expenses	**1,205**	32.2%	1.6pt	880	30.6%	13.8%	1,058	30.2%
Sales commission	**833**	22.3%	6.3pt	459	16.0%	5.5%	789	22.6%
Other	**561**	15.0%	-2.8pt	511	17.8%	-3.6%	582	16.7%
Operating income	**321**	8.6%	-4.4pt	374	13.0%	78.4%	180	5.1%

[Positive factor]
Increases in labor and outsourcing costs were restrained, despite greater sales.

[Negative factor]
Additional ¥150 million to the initial plan for mobile advertisements and CM placements.

[Negative factor]
Increase in social apps sales commissions in line with greater sales in social apps.

3.5pt improved

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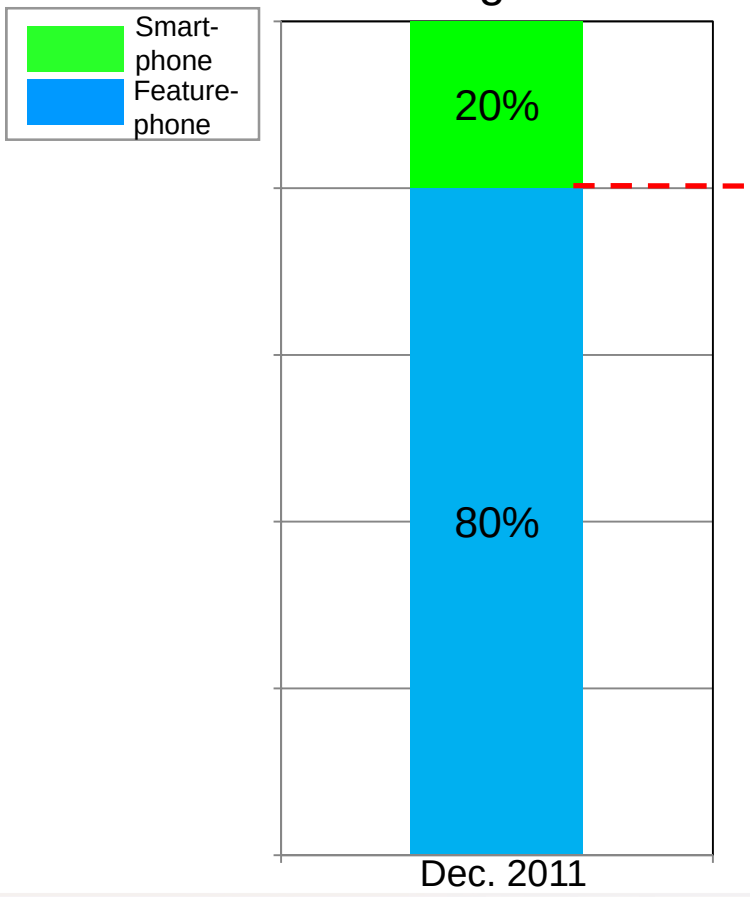
% of Smartphone

Smooth transition to smartphones for both social apps and official sites

Smartphone penetration % among young females

Estimates by Voltage Inc.



Voltage's smartphone sales ratio

All titles including non-smartphone distributions

Featurephone / smartphone parallel distribution titles only

Social apps(5 titles) Carrier official sites(18 titles)

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Social apps / Carrier official sites Ranking

Social apps: “A Prince’s Proposal” of 2nd and 3rd generation apps going strong
Carrier official sites: Top-ranked sites continue to monopolize

Social apps

[GREE game ranking for females]
Date surveyed: January 31, 2012

Ranking	Application Name	
1	DRAGON COLLECTION	
2	A Prince’s Proposal for GREE	3rd generation
3	Office Romance Secret Love for GREE (Launched in 2Q)	3rd generation
4	Love & Scandal for GREE	2nd generation
5	Omiseyasan for GREE	
6	Onmyoji～Haian Yokitan～	
7	Bokuno Restaurant 2	
8	Chokotto Farm	
9	Ikemen Genji★Koi Monogatari for GREE	
10	High School Rumble The Total Experience	2nd generation
11	COORDE MANIA	
12	Galsho☆	
13	Pop Tower for GREE	
14	Rengoku no Crusade	
15	Shanai no Kedamono!?	
16	Hyakukami	
17	Pro-Baseball Dream Nine	
18	Ryori no Tetsujin (Iron Chef) for GREE – Aratana Chousenshatachi	
19	Turning Point - Love & Career	2nd generation
20	Ikenai Keiyaku Kekkon～Kyukyoku no Sentaku～	

- Monthly sales expected to top ¥100 million
- Ranked 4th even among males & females combined (as of Jan. 30, 2012)

Carrier official sites

[i-mode ranking by category] Compiled December 1 to 31, 2011

Romantic Games

Ranking	Site Name	
1	My Forged Wedding	Big hit after launch in 1Q
2	My Sweet Bodyguard	
3	Seduced in the Sleepless City	
4	A Prince’s Proposal	
5	Kichijoji Days of Love	
6	Staying With You Tonight	Launched in 2Q
7	Pirates in Love	
8	Love Letter from Thief X	
9	Oto Mate Mobile	
10	First Love Diary by the Sea	
11	Roommate	
12	Office Romance Secret Love	
13	School Trip Secret	
14	Sweet Campus Days	
15	My Midnight Romeo	
16	Special Investigation Team	
17	Dating the Devil	
18	Samurai Hearts	
19	Executive Secretary	
20	Home Sweet Home	

（Total of173 sites）

Stories

Ranking	Site Name
1	Denshi Shoten PAPYLESS
2	100 Love Scenes
3	Dokodemo Dokusho
4	Ehara Hiroyuki Keitai Bunko
5	BIGLOBE Keitai Shoten

（Total of 43 sites）

Simulation

Ranking	Site Name
1	Darby Stallion
2	Nobunaga's Ambition
3	Sangokushi
4	Densha de GO!
5	Love & Scandal

（Total of 60 sites）

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Balance Sheet / Statement of Cash Flows

	End of 2Q FY2012 (December 31, 2011)	End of FY2011 (June 30, 2011)	Change %
Current assets	3,576	3,562	0.4%
Non-Current assets	357	334	6.8%
Total assets	3,933	3,897	0.9%
Current liabilities	1,027	1,068	-3.9%
Non-current liabilities	–	6	–
Total liabilities	1,027	1,074	-4.4%
Shareholders' equity	2,906	2,822	3.0%
Net assets	2,906	2,822	3.0%
Total liabilities and net assets	3,933	3,897	0.9%

[Millions of Yen]

	1H FY2012	1H FY2011
Net cash provided by (used in) operating activities	-3	-10
Net cash provided by (used in) investing activities	-77	-52
Net cash provided by (used in) financing activities	-146	-37
Net increase (decrease) in cash and cash equivalents	-228	-100
Cash and cash equivalents at beginning of period	1,782	795

Mainly due to decrease in income taxes payable, and current portion of long-term loans payable/long-term loans payable

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II.

Measures for 2H

VOLTAGE

Summary of Measures for 2H

Forecast

Upward adjustments: Net sales ¥8,050 million (up 27% y-o-y)
Operating income ¥840 million (up10% y-o-y)

As a major policy, promote longer use and large-scale expansion of titles!

Social apps

Feature phone

Launch the third 3rd generation title.
Start research on 4th generation.

- Promote expansion of platforms and begin exploring placing of TV commercials.

Smart phone

Launch 2 major sites for a total of 7.

- Promote integration of featurephone/smartphone apps development by using the web development framework, “S-VF”.

Carrier official sites

Feature phone

Launch 2 titles for users aged around 30.
The new Betsukare TV commercial to start airing in February.

- Implement the favorable individual fee-based feature in all major sites.
- Increase spending on placements of more TV commercial (from the initial plan of ¥700 million to ¥900 million).

* Incremental cost will be absorbed by greater sales.

Smart phone

Launch 8 monthly fee-based sites in 3 carriers for a total of 26.

- Promote the application library, “K-Vapl”.
- For one-time fee based apps, set priority on version upgrades to maximize earnings and reschedule distribution.

Overseas

In North America, launch the 2nd round in February and the 3rd round in the 4th quarter.

Mobile commerce business

To be closed at March-end, due to no improvement in operating losses.
Compensate by sales in the mobile content business.

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Earnings Forecast

Upward adjustments to the full-year forecast.

Enhance operating margin through expanding sales, restraining labor and outsourcing costs and promoting shorter period of collection from TV commercials although active commercial placements are planned.

[Millions of Yen]	FY2012 1H Result	FY2012 Forecast	FY2012 Progress Rate	Y-o-Y Change	FY2011	Previous % to Forecast	Previous Forecast
Net sales	3,745	8,050	46.5%	26.8%	6,346	3.2%	7,800
Cost of sales	823	1,805	45.6%	27.6%	1,415	-3.5%	1,870
S,G&A expenses	2,600	5,404	48.1%	29.8%	4,164	5.3%	5,130
Operating income	321	840	38.2%	9.6%	766	5.0%	800
Ordinary income	321	839	38.3%	10.2%	761	5.1%	798
Net income	187	494	37.9%	11.3%	444	4.6%	472
Net income per share	38.06 Yen	99.79 Yen	-	-	100.05 Yen	-	95.43 Yen
Year-end dividend per share	0 Yen	19 Yen	-	-	* 23 Yen	-	19 Yen

*Sum of commemorative dividend for market change of ¥5 and ordinary dividend of ¥18.

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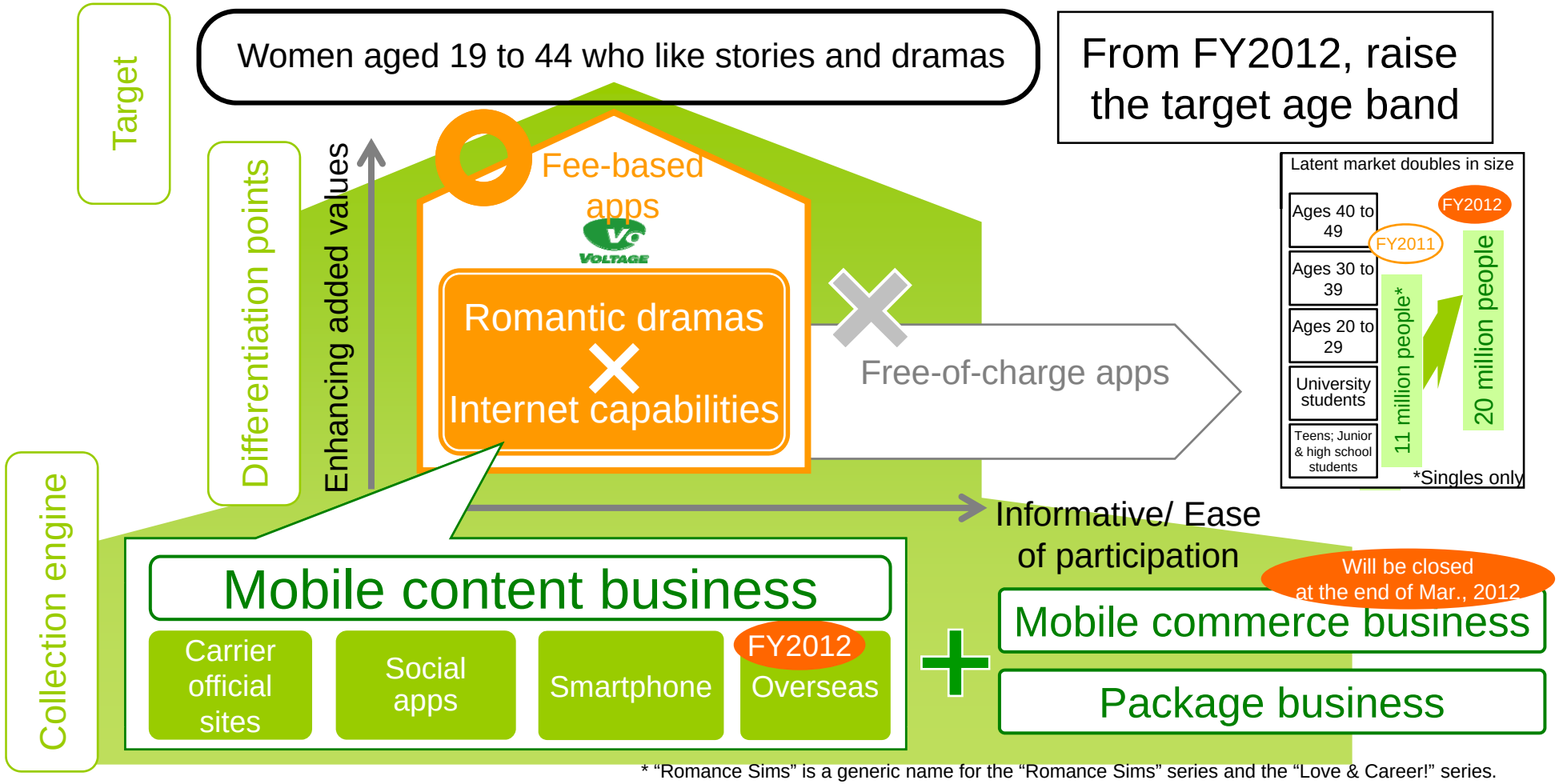
Medium-Term Management Strategy

Concentrate management resources in “Romance Sims”
Diversify sources of revenue: “Carrier official sites”, “Social apps”, “Smartphones” and “Overseas”



* “Romance Sims” is a generic name for the “Romance Sims” series and the “Love & Career!” series. The “Romance (Koibito) Game” series was renamed as the “Romance Sims (Koibito)” series.

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【Major Policy】Promote Long-Run and Large-Scale Expansion

Promote long-run and large-scale expansion of titles to maximize earnings efficiency

Sales per title

Social Apps

Carrier official sites

PF-C

PF-B

PF-A
Featurephone/smartphone

Advance content generation

Overseas

Smartphone, one-time fee

Smartphone, monthly fee

Featurephone, individual fee

Featurephone,monthly fee

Season 2

Web development framework
S-VF
(integration of featurephone/smartphone development)

Application library
K-Vapl

Web development framework
Kg-VF
Ks-VF

Single month | 6 month | 12 month | 18 month | 24 month

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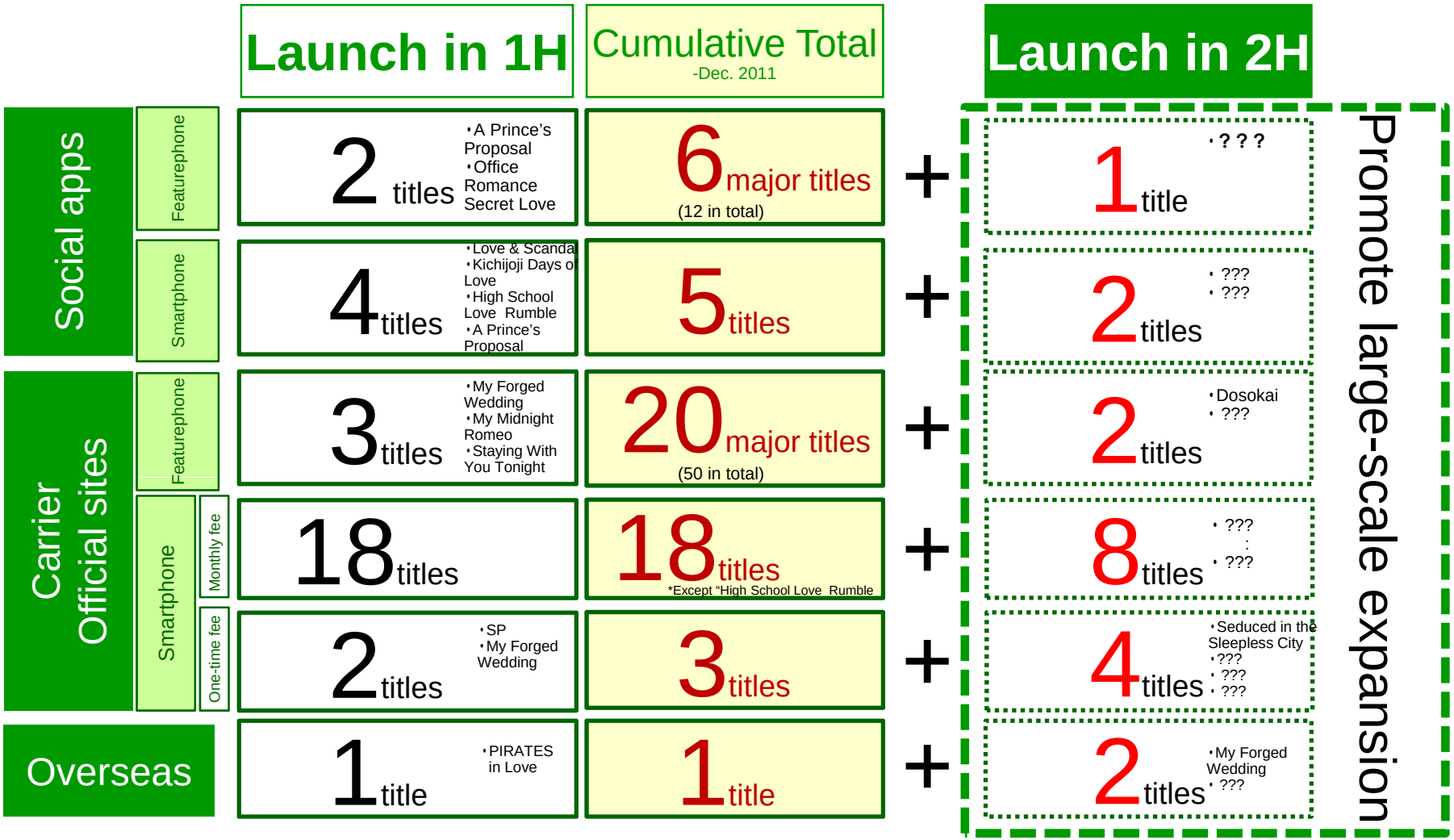
Pace of Title Distribution & Launch

Maximize earnings efficiency by promoting large-scale expansion despite a slight slowdown in the pace of new launch



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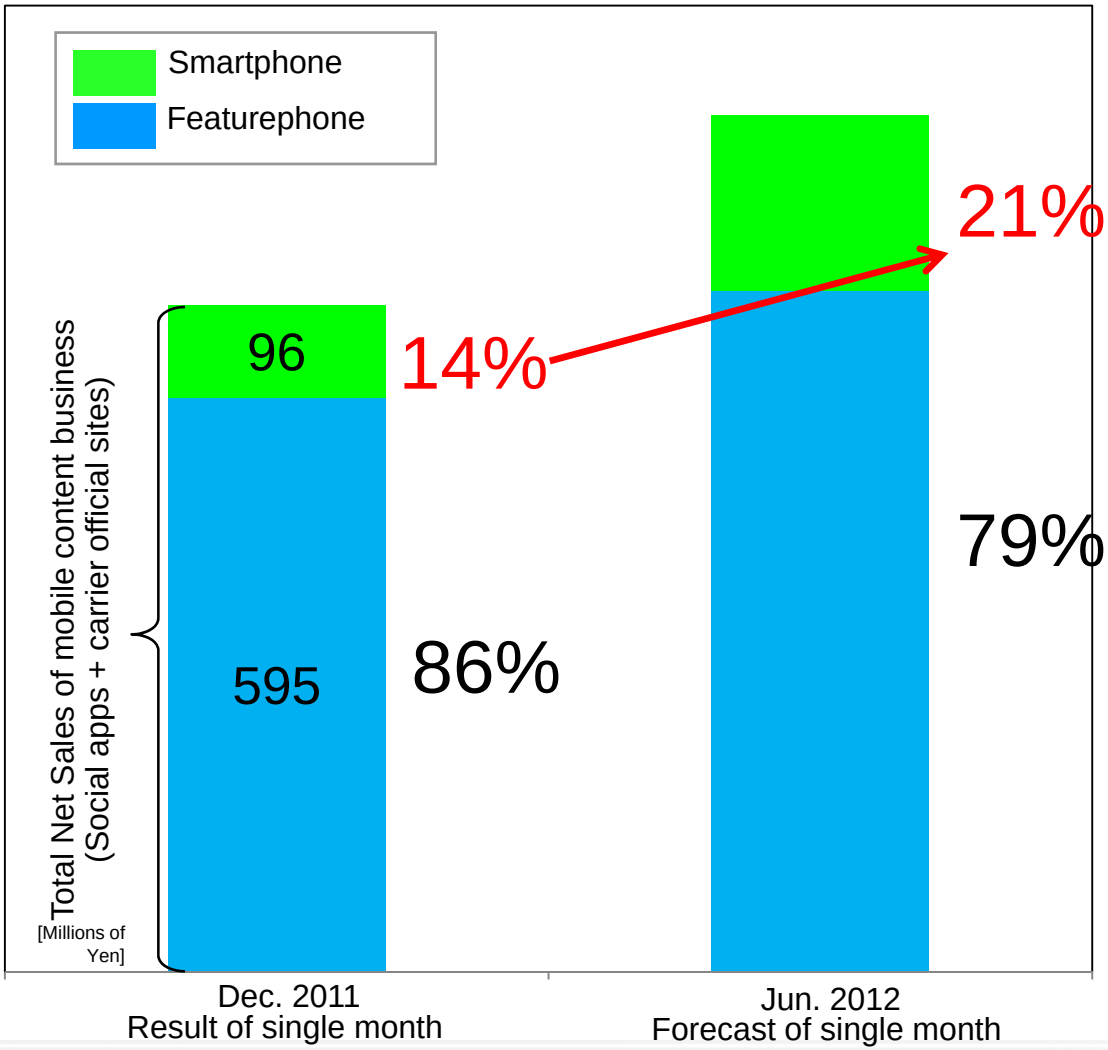
% to Net Sales of smartphone

Actively promote transition to smartphones and heighten the % to net sales



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Direction for Social apps

Objective: Higher ARPU and Higher Number of apps used per customer

Begin Research for the 4th Generation and Focus on Dimensional Expansion in the 2H FY2012

Social apps strategy

Drama × Social elements × Cross-selling strategy

Large-Scale Expansion

1st generation Focus on conversations

- The Captain is My Darling
- Pirates in Love
- High School Love Rumble
- My Sweet Bodyguard
- Shibuya Love Trip

2nd generation Focus on stories

- Love & Scandal
- Turning Point Love & Career
- Home Sweet Home
- Kichijoji Days of Love
- High School Love Rumble 2

3rd generation Enhance Avatar, Gacha

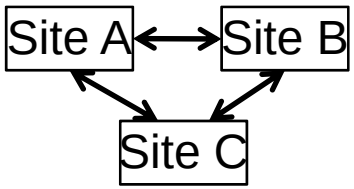
- A Prince's Proposal
- Office Romance Secret Love

4th generation ???

Preparation for the FY2013

Attract & Share customers between sites

Attract users between major sites



Multi-PF

Tie up with compatible platforms for focused expansion

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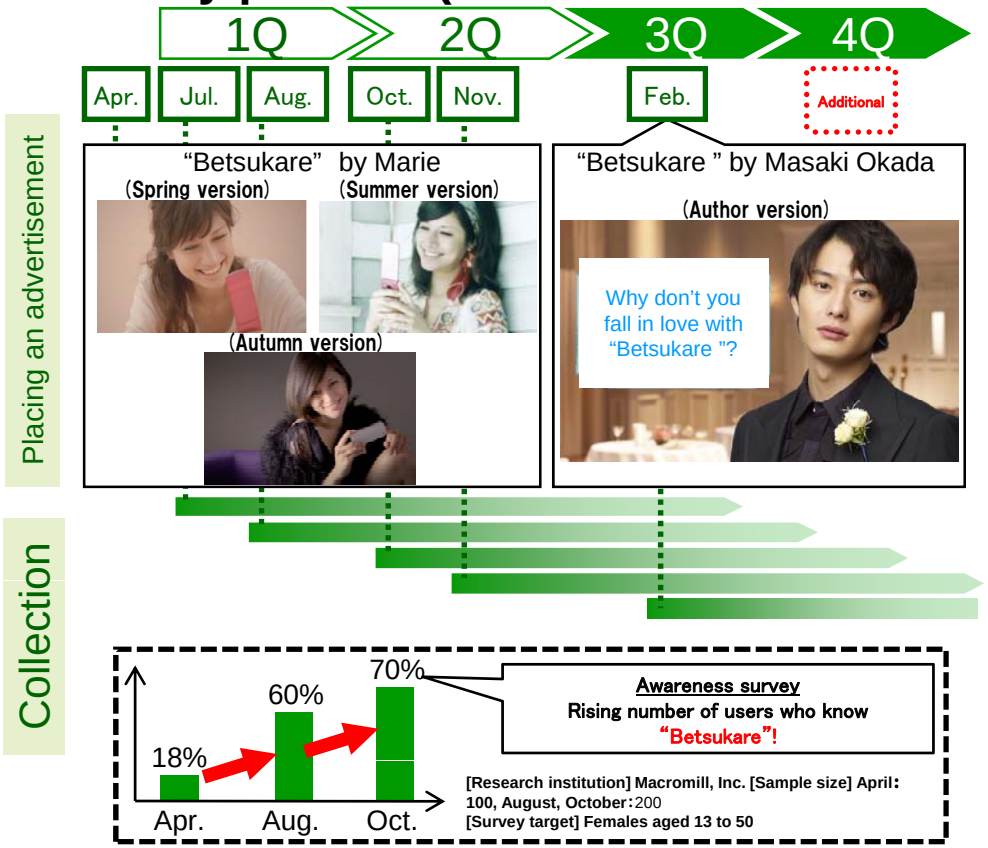
Direction for Carrier official sites

TV commercials

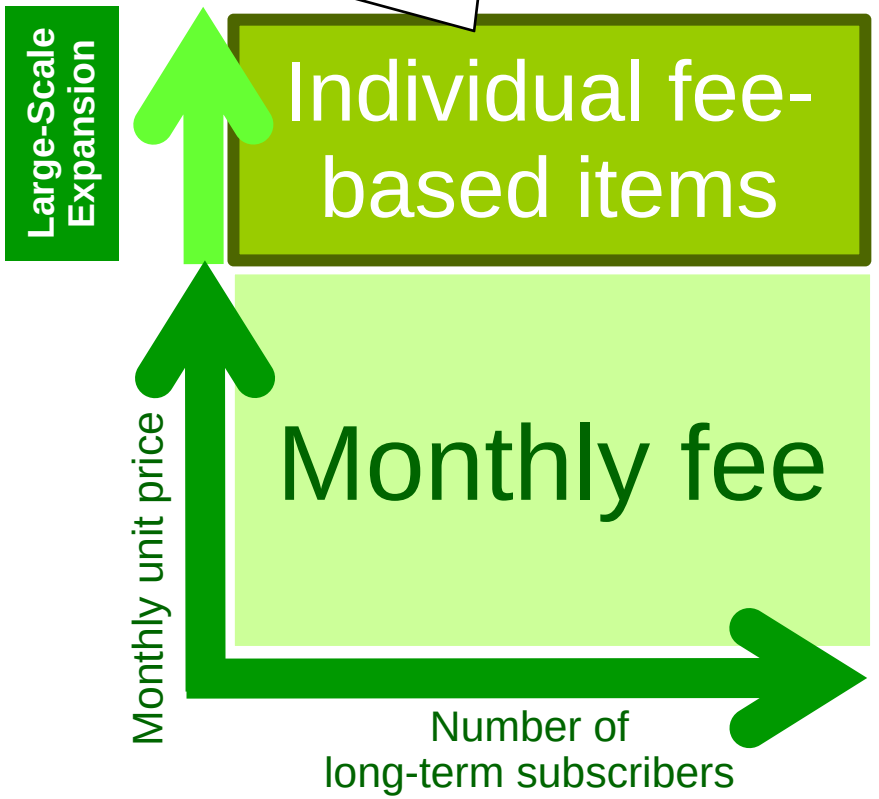
- **Shorter collection period (12 months to 9 months)**
- **Increased CM placements than initially planned (¥700 million to ¥900 million)**



Increase unit price per customer

Further heighten the ratio of individual-fee based items

Half a year ago : 10%
December : 30%



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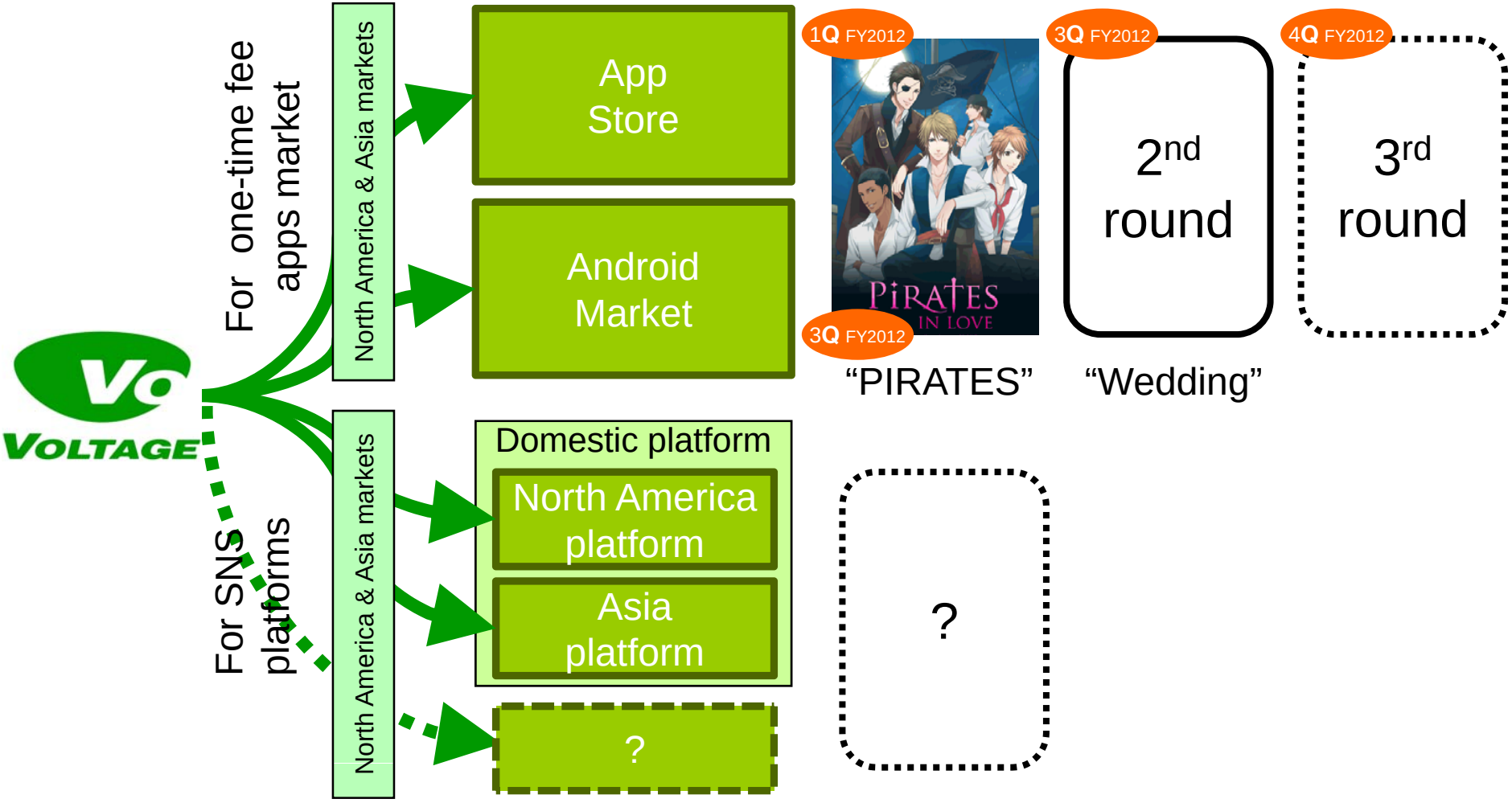
Overseas Business: “Romance Sims” Series

To launch 2 one-time fee based apps for North America market



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