



2Q FY2017

(Year ending June 30, 2017)
Financial Results Briefing

February 8, 2017

Voltage Inc.

TSE 1st. Section Securities Code: 3639

Introduction

Downward Adjustments to the Full-Year Earnings Forecast



The Company is currently undergoing drastic organizational reforms to step up to the next growth stage.

In consideration of the results of the first half, we are making downward adjustments to the full-year earnings forecast (disclosed as of today).

[Millions of Yen]

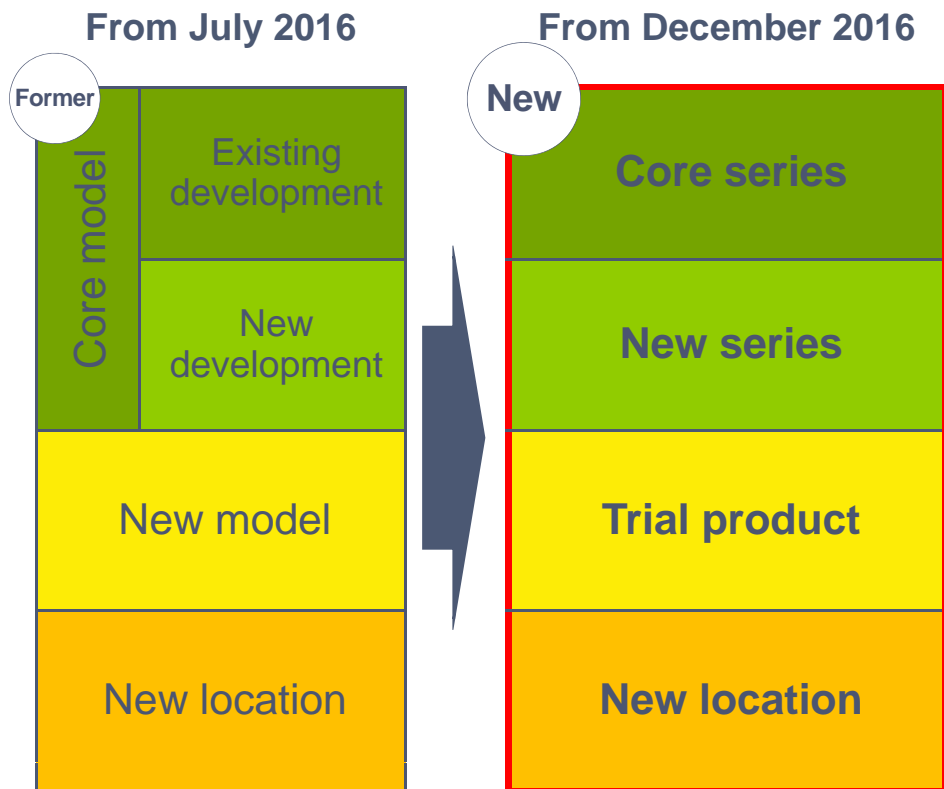
	Consolidated			
	Previous (initial) forecast	Revised forecast	Revised/Current %	First half results
Sales	11,300	9,500	84.1%	4,775
Operating income	600	150	25.0%	89
Operating margin	5.3%	1.6%	—	1.9%
Ordinary income	600	150	25.0%	115
Net income attributable to owners of parent	340	10	2.9%	44
Net income per share	66.61 yen	1.96 yen	—	8.81 yen

* Net income per share is calculated based on the average number of shares during the period (5,104,543 shares) in the first six months of the fiscal year ending June 30, 2017.

Changes in Names of Business Segments



Since steps to be taken have become clear with the progress of our organizational reforms, we are revising the names of business segments.



* There is no change to the series belonging to each segment.

		Customer groups		
		Core series	New series	Trial product
Technology	Core series	Romance Apps F2P Romance Apps P2P	L10N	P2P DRAGON F2P US REAL Suspense
	New series	Seek		
	Trial product	Puzzle Motion		New location High-tech Live

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2Q Results

Summary for the First Half



Sales declined 15.5% year on year. While the decline in the core series was as expected, there was a delay in getting the new series and trial product on track.

[Millions of Yen]

	Current year				Previous year	
	First half results	% to sales	YoY		First half results	% to sales
Sales	4,775	100.0%	84.5%		5,653	100.0%
Cost of sales	2,030	42.5%	94.3%		2,153	38.1%
Labor cost	890	18.6%	89.7%		992	17.6%
Outsourcing cost	602	12.6%	82.7%	Decrease mainly in royalty of key IP titles	728	12.9%
Others	537	11.3%	124.3%		432	7.7%
SG&A expenses	2,655	55.6%	80.8%		3,285	58.1%
Advertising expenses	353	7.4%	44.8%	Decrease mainly due to curtailment of TV commercials	789	14.0%
Sales commission	1,473	30.8%	86.7%		1,698	30.1%
Others	828	17.4%	104.0%		796	14.1%
Operating income	89	1.9%	41.7%		213	3.8%
Ordinary income	115	2.4%	57.1%	Due to a foreign exchange gain of 21,117 thousand yen	202	3.6%
Net income attributable to owners of parent	44	0.9%	44.7%		100	1.8%

Balance Sheet and Statement of Cash Flows



Balance Sheet

[Millions of Yen]

	End of 2Q FY2017	End of FY2016 (June 30, 2016)	% to End of FY2016
Current assets	3,517	3,705	94.9%
Non-current assets	1,160	1,199	96.8%
Total assets	4,678	4,905	95.4 %
Current liabilities	911	1,037	87.8%
Non-current liabilities	—	—	—
Total liabilities	911	1,037	87.8%
Shareholders' equity	3,736	3,868	96.6%
Accumulated other comprehensive income	31	0	—
Subscription rights to shares	—	—	—
Net assets	3,767	3,868	97.4%
Total liabilities and net assets	4,678	4,905	95.4%

Statement of Cash Flows

[Millions of Yen]

	First Half FY2017	First Half FY2016
CF from operating activities	275	175
CF from investing activities	-145	-261
CF from financing activities	-177	-74
Changes in cash and cash equivalents	11	-163
Balance of cash and cash equivalents at the end of the quarter	2,249	1,656

Decline in accounts receivable mainly due to advance deposits for PF

Decline primarily in accrued expenses due to the payment of commercial placement expenses, etc.

Expenditure mainly for the acquisition of treasury shares (executed in the 1st quarter) and payment of dividends

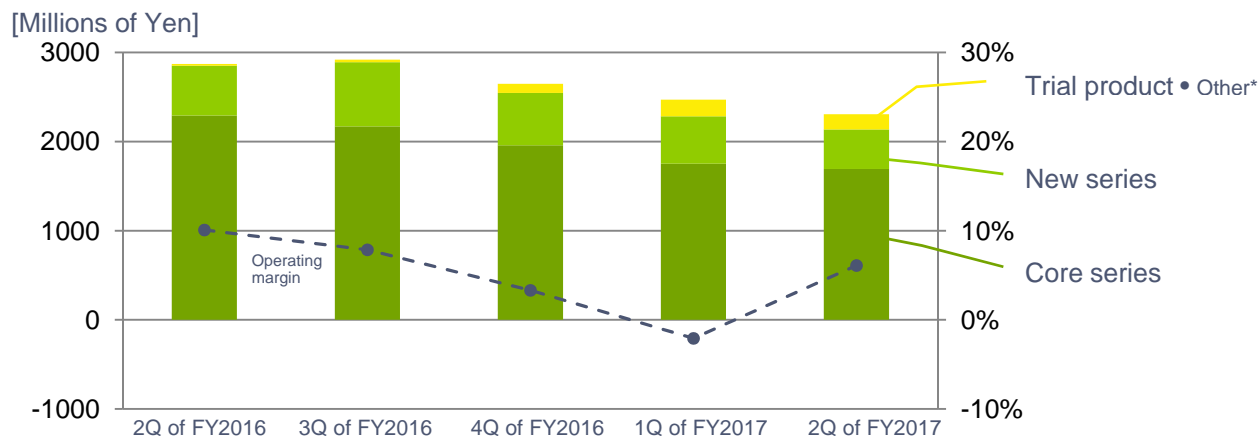
Quarterly Sales by Business Segment



Percentages of the new series and the trial product increased although there was a delay in putting these segments on track.

[Millions of Yen]

	Previous year						Current year							
	2Q of FY2016		3Q of FY2016			4Q of FY2016			1Q of FY2017			2Q of FY2017		
	Results	% to total sales	Results	% to total sales	Q-to-Q %	Results	% to total sales	Q-to-Q %	Results	% to total sales	Q-to-Q %	Results	% to total sales	Q-to-Q %
Core series	2,291	80%	2,170	79%	95%	1,958	78%	90%	1,752	71%	89%	1,692	72%	97%
New series	558	19%	719	22%	129%	586	23%	81%	530	21%	91%	442	20%	83%
Trial product • Others*	20	1%	27	1%	139%	103	2%	369%	187	8%	181%	170	7%	91%
Total for Company	2,870	100%	2,918	100%	102%	2,648	100%	91%	2,469	100%	93%	2,305	100%	93%



* "Other" includes titles with the new technology that were launched in the 2nd quarter of FY2017.

Company-level Quarterly Expenses and Operating Income

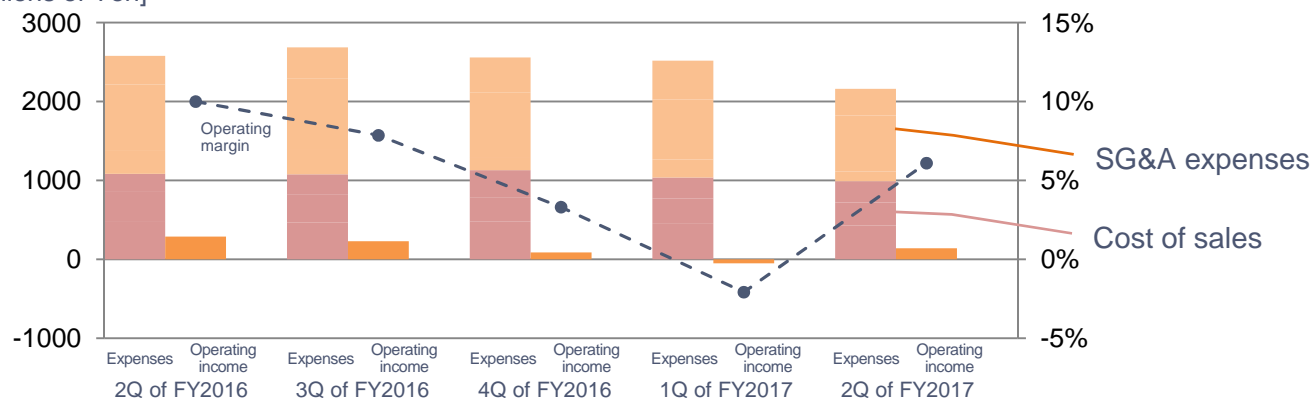


The Company posted operating income as a result of suppressing selling, general & administrative expenses.

[Millions of Yen]

	Previous year									Current year				
	2Q of FY2016		3Q of FY2016			4Q of FY2016			1Q of FY2017			2Q of FY2017		
	Results	% to sales	Results	% to sales	Q-to-Q %	Results	% to sales	Q-to-Q %	Results	% to sales	Q-to-Q %	Results	% to sales	Q-to-Q %
Cost of sales	1,085	37.8%	1,079	37%	99%	1,131	43%	105%	1,038	42%	92%	991	43%	95%
Labor cost	485	16.9%	465	16%	96%	478	18%	103%	459	19%	96%	430	19%	94%
Outsourcing cost	370	12.9%	353	12%	95%	310	12%	88%	311	13%	100%	290	13%	93%
Others	228	8.0%	261	9%	114%	343	13%	131%	267	11%	78%	270	12%	101%
SG&A expenses	1,496	52.1%	1,609	55%	108%	1,429	54%	89%	1,482	60%	104%	1,173	51%	79%
Advertising expenses	290	10.1%	321	11%	111%	166	6%	52%	230	9%	138%	123	5%	54%
Sales commission	845	29.5%	889	30%	105%	816	31%	92%	760	31%	93%	712	31%	94%
Others	360	12.5%	399	14%	111%	446	17%	112%	491	20%	110%	337	15%	69%
Total expenses	2,581	90%	2,689	92%	104%	2,560	97%	95%	2,521	102%	98%	2,165	94%	86%
Total operating income	289	10%	229	8%	79%	87	3%	38%	-51	-2%	-	140	6%	-

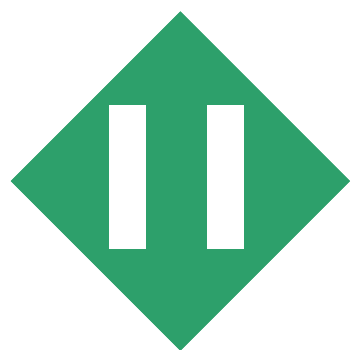
[Millions of Yen]



■ Company-level Quarterly Balance Sheet

[Millions of Yen]

	Previous year			Current year					
	End of 4Q FY2016			End of 1Q FY2017			End of 2Q FY2017		
	Results	Change from previous quarter	Q-to-Q %	Results	Change from previous quarter	Q-to-Q %	Results	Change from previous quarter	Q-to-Q %
Current assets	3,705	8	100%	3,464	-241	93%	3,517	53	102%
Non-current assets	1,199	-98	92%	1,203	4	100%	1,160	-43	96%
Total assets	4,905	-90	98%	4,667	-238	95%	4,678	11	100%
Current liabilities	1,037	-58	95%	1,038	1	100%	911	-127	88%
Non-current liabilities	—	—	—	—	—	—	—	—	—
Total liabilities	1,037	-58	95%	1,038	1	100%	911	-127	88%
Shareholders' equity	3,868	-4	100%	3,633	-235	94%	3,736	103	103%
Accumulated other comprehensive income (loss)	0	-27	0%	-4	—	—	31	—	—
Subscription rights to shares	—	—	—	—	—	—	—	—	—
Net assets	3,868	-32	99%	3,629	-239	94%	3,767	138	104%
Total liabilities and net assets	4,905	-90	98%	4,667	-238	95%	4,678	11	100%

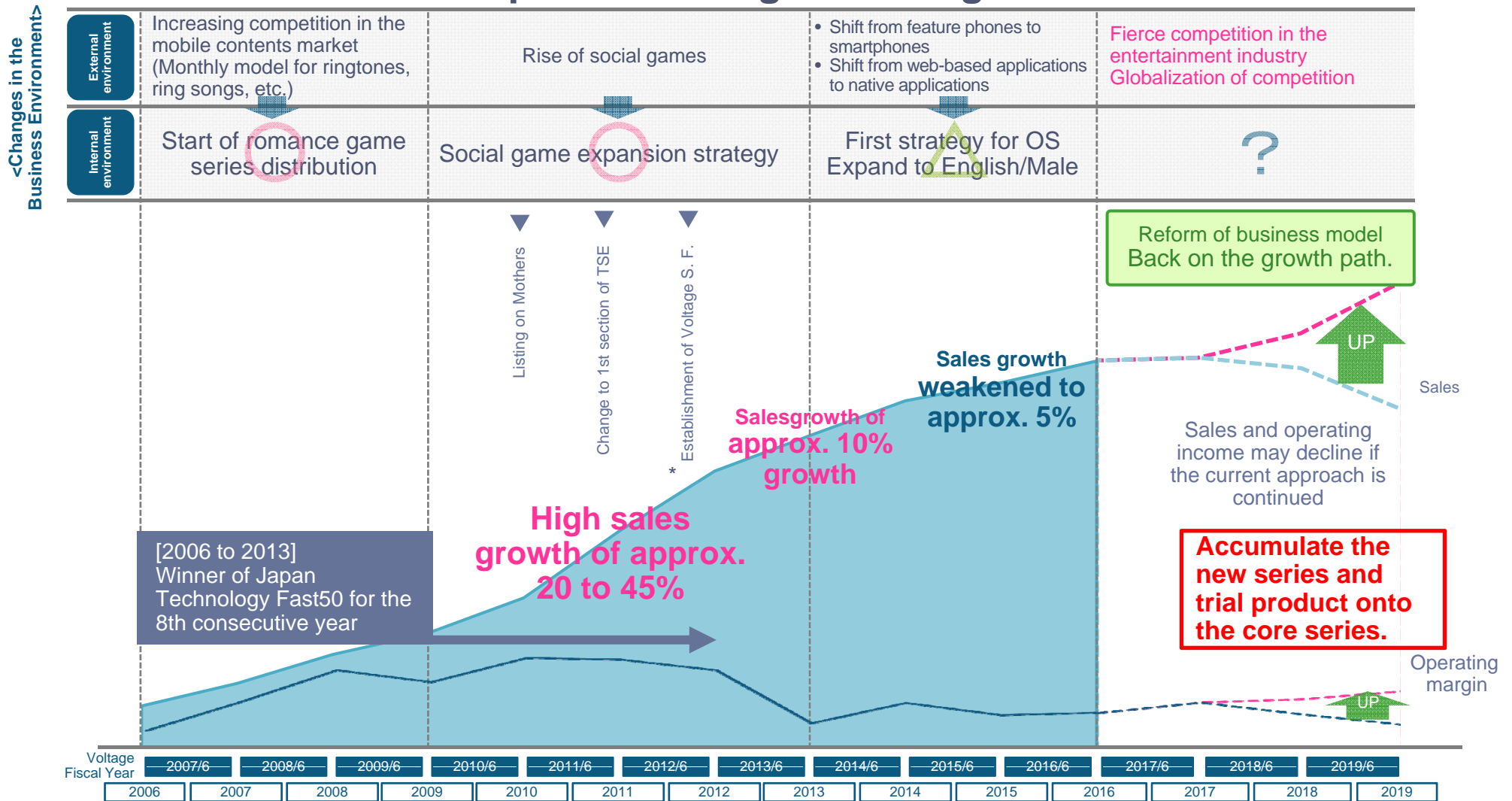


Initiatives in 3Q and Beyond

Overview of Three-Year Strategy (re-posted)



The Company is currently undergoing drastic organizational reforms to step up to the next growth stage!



• Voltage S.F. = Voltage Entertainment USA, Inc.

* Trends from June 2017 to June 2019 represent the projected growth stage at this time and are not based on the earnings forecast, etc.

• "Deloitte Touche Tohmatsu LLC Japan Technology Fast50" (Awarded consecutively from 2006 to 2013 for the business performance for fiscal years June 2003 to June 2012. Calculation is as follows.)
A ranking program based on applicants from Japanese companies (listed and unlisted) with high growth rates in earnings (net sales) for the recent three years in the TMT industry. The top 50 firms are selected.
For details on Fast50, please see the following: <http://www2.deloitte.com/jp/ja/pages/technology-media-and-telecommunications/topics/fast50-fast500.html>

Factors for Downward Adjustments to the Full-Year Earnings Forecast



The launch of the new series and the trial product was delayed from plan. Going forward, the Company will operate its business while keeping a good balance between investment size and operating margin.

(Millions of Yen)		Sales in the First Half	Operating Income in the First Half	Compared with Projection
Core series	Romance Apps F2P	3,445	522	○
	Romance Apps P2P			
New series	Seek	973	-161	△
	L10N			
Trial product • Other	P2P DRAGON	357	-271	×
	F2P US REAL			
	Suspense			
	Puzzle			
	Motion			

Decline for the core series was as estimated.

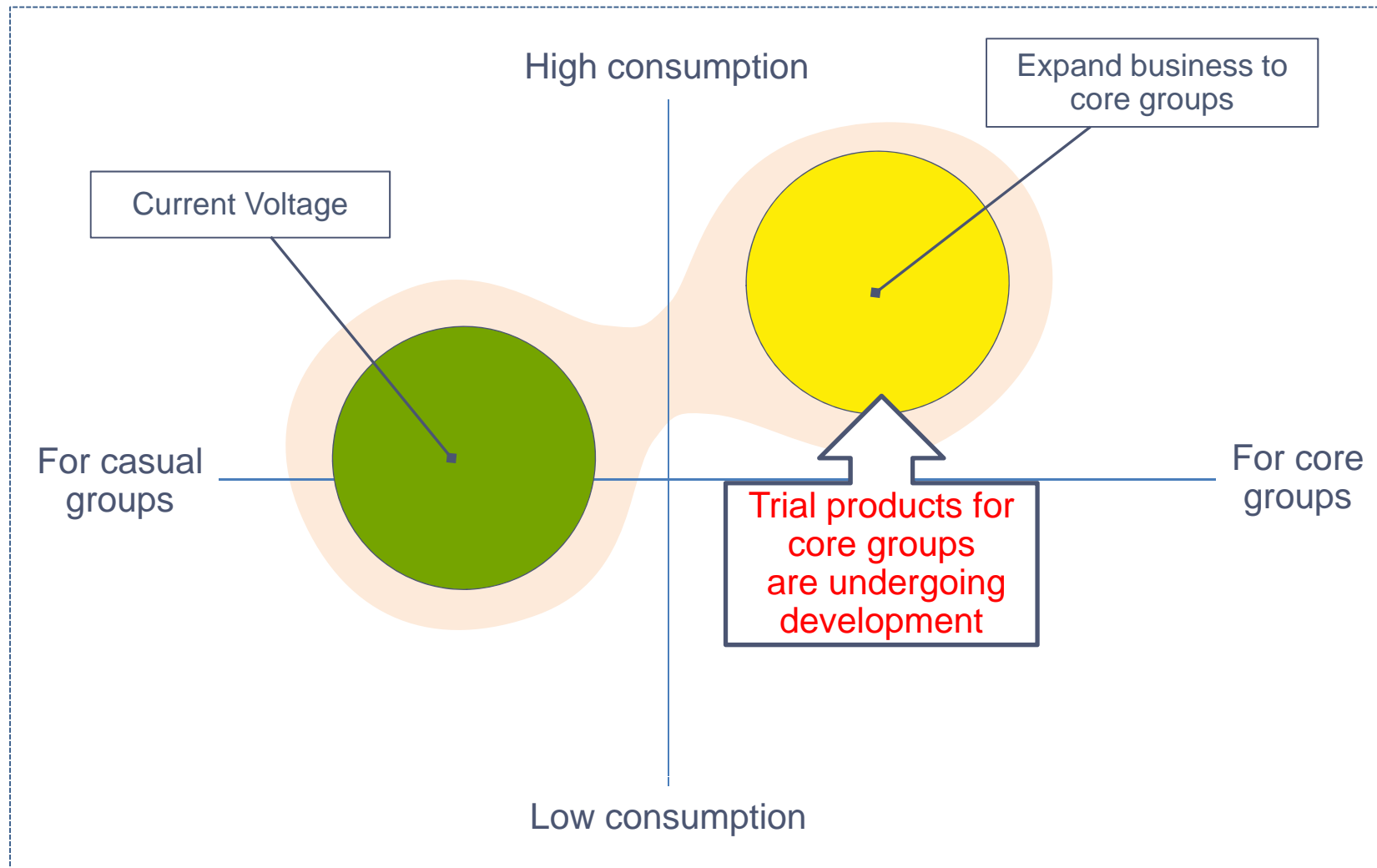
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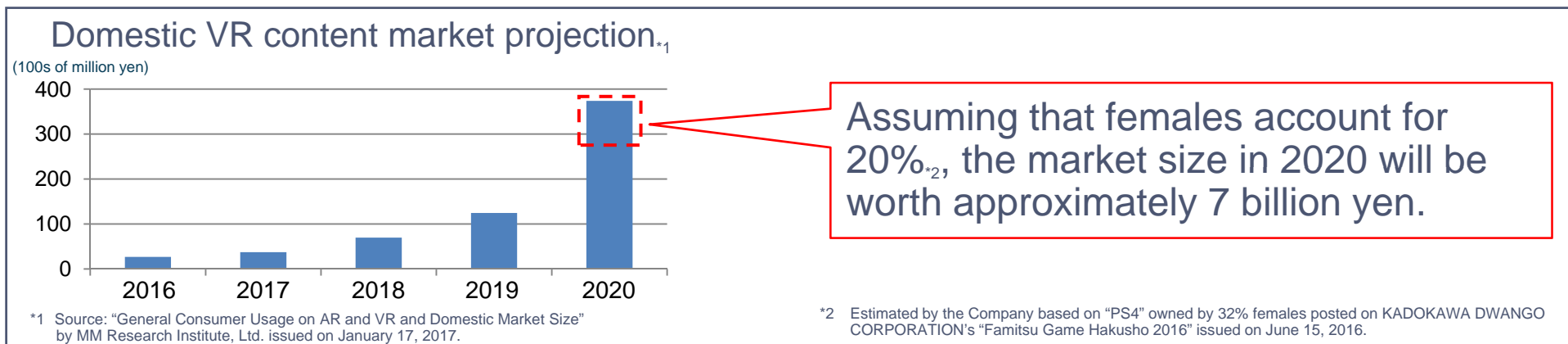
* Sales and operating income by business segment are figures on management accounting basis.

■ Target Strategy

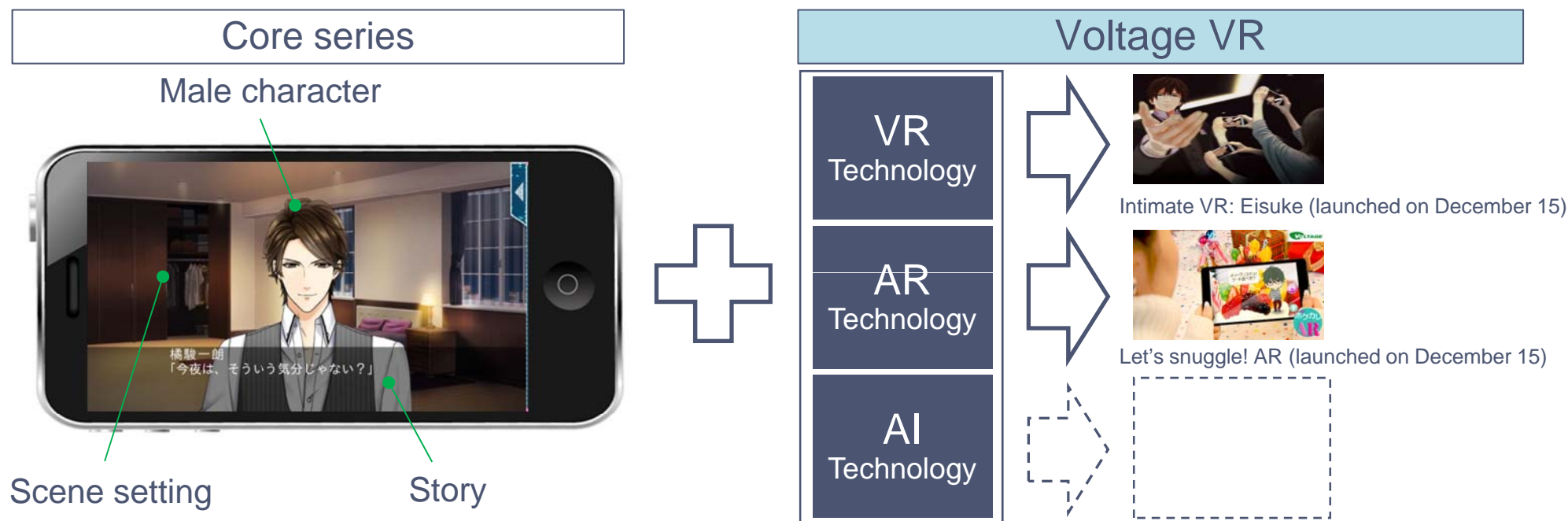
Take into account products for core groups in addition to casual groups. Run business on two wheels in six months from now.



■ Establishment of Subsidiary, Voltage VR on Feb. 1




Voltage VR added VR, AR, and AI experience on Romance Apps.
Will explore optimal forms of content and selling formats.



New Applications Launch Schedule



October 2Q of fiscal year ending June 30, 2017 January 3Q of fiscal year ending June 30, 2017 April

Core series	<p>Done on October 4</p> <p>Romance Apps P2P</p> <p>Anoyorukara Kimi ni Koishiteta</p> 	<p>Done on December 20</p> <p>Romance Apps P2P</p> <p>Okaeri Bokuno Suikna Hito</p> 	<p>Done on January 18</p> <p>Romance Apps F2P</p> <p>Hanazakari no Kimitachie - Boys love you -</p> 	<p>Romance Apps F2P</p> <p>Tenka Toitsu Koi no Ran Love Ballad</p> 
New series	<p>Done on October 3</p> <p>F2P L10N</p> <p>Liar! Uncover the Truth</p> 	<p>Done on December 2</p> <p>P2P L10N</p> <p>Dangerous Seduction</p> 	<p>Seek</p> <p>Abbreviation: F</p>	<p>P2P L10N</p> <p>Abbreviation: M</p> <p>Distribution of new chapter in the apps in commemoration of the second anniversary of distribution</p>
Trial product			<p>Motion</p> <p>Abbreviation: K</p> <p>Second-round launch; develop as a series</p>	<p>DRAGON</p> <p>Abbreviation: L</p>
New location	<p>Done on December 15</p> <p>VR</p> <p>Isudon VR~Ichinomiya Eisuke Hen~</p> 	<p>Done on December 15</p> <p>AR</p> <p>Pokekare AR</p> 	<p>Done on January 16</p> <p>AR</p> <p>Let's Snuggle! AR</p> 	<p>Done on February 1</p> <p>VR</p> <p>Intimate VR: Eisuke</p> 

■ Definition of Terms



Term	Meaning
Core series	Of the Romance Apps, those distributed under the F2P series and the P2P series.
New series	Series group in which the target group and production technology are derived from the core series. The “Seek” series and the “L10N” series apply for the fiscal year ending June 30, 2017.
Trial product	The series group in which the target group and production technology are different from those of the core series and the new series. The “P2P DRAGON” series, “F2P US REAL” series, “suspense for males” series, “puzzle action-based games” and “motion” series apply for the fiscal year ending June 30, 2017.
New location	New initiatives for which the target group and production technology are different from those of the core series and the new series. New initiatives in the year ending June 30, 2017 include “high-tech” using VR and AR technologies and “live” fields such as goods and theater.
F2P	Abbreviation of “Free-to-Play”. Free game play with item-charging content.
P2P	Abbreviation of “Pay-to-Play”. Content charged individually by story.
Seek	Content created based on the specification of “Doubt - Usotsuki Otoko wa Dare (Liar! Uncover the Truth)?” This series is clearly different from the conventional Romance Apps. It has diverse elements including story, investigation and judgment.
L10N	Content with animation pictures for the North American market. Japanese Romance Apps were translated into English. Abbreviation for localization.
US REAL	Content with realistic pictures targeting the North American market (Term previously used: US original).
DRAGON	Content with animation pictures designed for the North American market. The name originates from the dragon roll, sushi arranged for North America. Referred to as AmeMix for users.
Motion	Motion-type contents that are being produced by Volmo Co., Ltd. Effective the 1Q of the fiscal year ending June 30, 2017, the name was changed from “animation”.

Voltage Inc.



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