

2Q FY2015

(Year ending June 30, 2015)
Financial Results Briefing

January 29, 2015



Voltage Inc.

TSE 1st. Section Securities Code: 3639



First Half Results

Earnings Forecast and Results



Net sales and income fell short of the initial forecast announced, mainly because suspense apps did not move on track.

[Millions of Yen]

	Consolidated		
	First Half Forecast	First Half Results	% of Results to Earnings
Net sales	5,400	5,221	96.7%
Operating income	110	22	20.8%
Operating margin	2.0%	0.4%	-
Ordinary income	110	53	49.1%
Net income or (loss)	30	-7	-
Net income or (loss) per share	5.85 yen	-1.41 yen	-

* As for net income per share, the forecast for the first half was calculated based on the total number of shares issued and outstanding as of December 31, 2014 while the result for the first half was calculated based on the average number of shares during the period.

Summary



Sales increased 7.9% year on year to 5.2 billion yen.
Operating income declined to 20 million yen due mainly to a rise in labor cost.

[Millions of Yen]

	Current year			Previous year	
	First half	% to sales	YoY	First half	% to sales
Sales	5,221	100.0%	107.9%	4,837	100.0%
Cost of sales	1,895	36.3%	114.6%	1,653	34.2%
Labor cost	907	17.4%	118.5%	766	15.8%
Outsourcing cost	608	11.7%	116.6%	521	10.8%
Other business	378	7.3%	103.6%	365	7.6%
SG&A expenses	3,303	63.3%	113.2%	2,918	60.3%
Advertising expenses	991	19.0%	110.9%	893	18.5%
Sales commission	1,565	30.0%	109.1%	1,435	29.7%
Other business	747	14.3%	126.8%	589	12.2%
Operating income	22	0.4%	8.6%	265	5.5%
Net income or (loss)	-7	-0.1%	-6.4	112	2.3%

Increase in staff members for production and systems development.

Increase in mobile advertisements.

Increase mainly due to a rise in % to net sales of OS-based platforms.

Increase mainly due to the expansion in the magnitude of participation in the Tokyo Game Show.

Quarterly Summary of Consolidated Results



FY2013 (Year ended June 30, 2013)

Sales: ¥9.0 billion Operating income: ¥290 million

First Half (Results)

[Sales] ¥4.6 billion
[Operating income] ¥70 million

Second Half (Results)

[Sales] ¥4.4 billion
[Operating income] ¥220 million

FY2014 (Year ended June 30, 2014)

Sales: ¥10.0 billion Operating income: ¥610 million

First Half (Results)

[Sales] ¥4.8 billion
[Operating income] ¥260 million

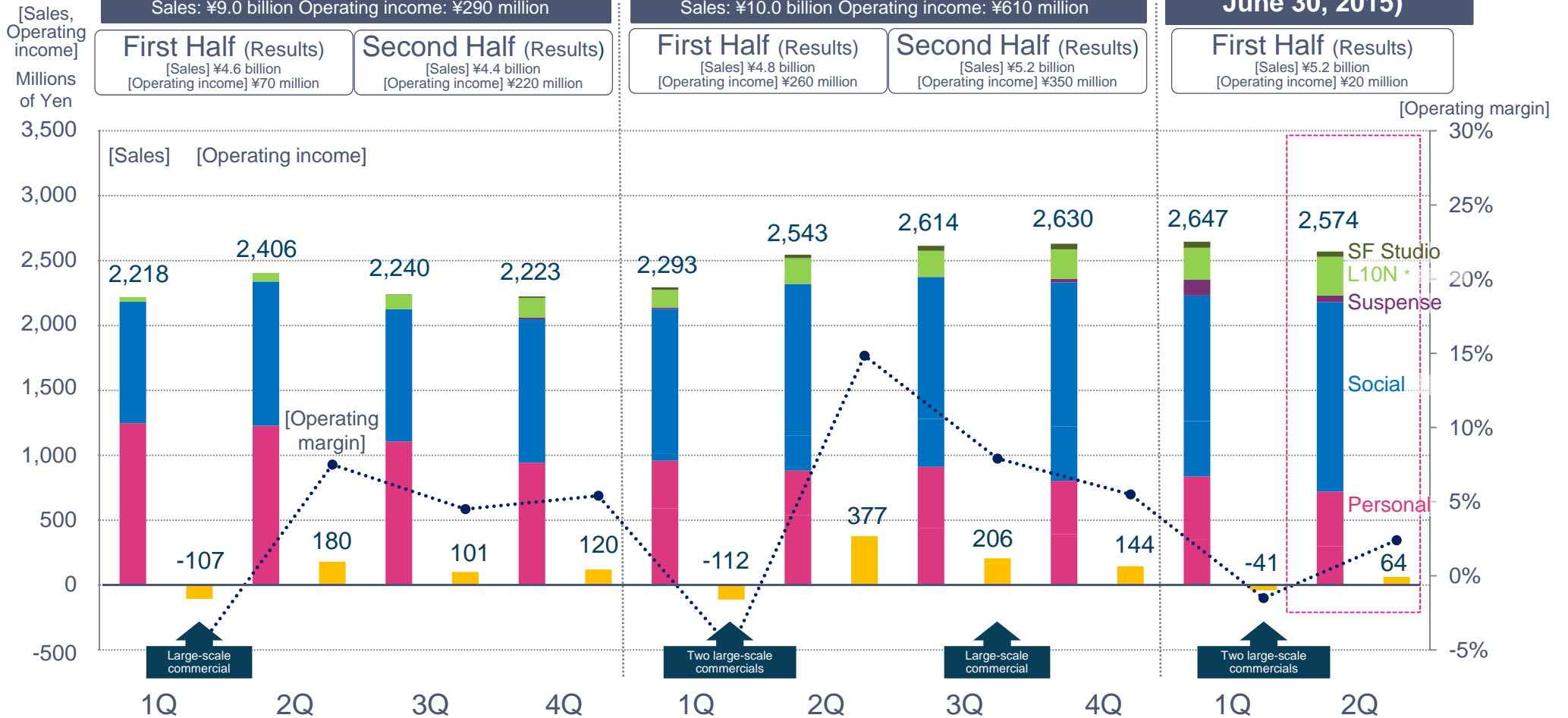
Second Half (Results)

[Sales] ¥5.2 billion
[Operating income] ¥350 million

FY2015 (Year ending June 30, 2015)

First Half (Results)

[Sales] ¥5.2 billion
[Operating income] ¥20 million



* Abbreviation for Localization.
Excludes net sales of L10N of SF Studio.

Balance Sheet, Statement of Cash Flows



Balance Sheet

[Millions of Yen]

		Consolidated		
		End of 2Q, current year	End of FY2014 (June 30, 2014)	% to End of FY2014
	Current assets	3,558	4,123	86.3%
	Non-current assets	1,116	908	122.8%
	Total assets	4,674	5,031	92.9%
	Current liabilities	1,148	1,445	79.4%
	Non-current liabilities	-	-	-
	Total liabilities	1,148	1,445	79.4%
	Shareholders' equity	3,451	3,545	97.4%
	Accumulated other comprehensive income	50	17	291.9%
	Subscription rights to shares	23	23	99.8%
	Net assets	3,526	3,586	98.3%
	Total liabilities and net assets	4,674	5,031	92.9%

Statement of Cash Flows

		Consolidated	
		First half of current year	First half of previous year
	CF from operating activities	-14	355
	CF from investing activities	-376	-179
	CF from financing activities	-95	-78
	Changes in cash and cash equivalents	-441	123
	Balance of cash and cash equivalents at the end of the quarter	1,759	1,907

Change mainly due to acquisition of intangible fixed assets associated with an increase in contents.

Primarily payment of income taxes.

Increase in foreign currency translation adjustment associated with foreign exchange fluctuations

Factors that Caused Sales to Fall Short of Forecast



1

KPI (long-term persistency rate, paying rate) of **Suspense apps** fell significantly below expectations.

2

Although Japanese-version Romance apps were favorable, the results exceeded plan only modestly.

3

Advertisement effects for the English-title markets were weaker than expected, causing partial delays in releasing titles.

Initiatives in the First Half of the 16th Term



		Initial plan	First half results
Existing products	Romance apps (Japanese version)	<p>[Product] Completion of OS-based applications first strategy</p> <p>[Sales] Recovery of advertising expenses in 10 months</p> <p><small>* Sales for a 10-month period to exceed advertising expenses spent</small></p>	<p>Development of fully native apps “Room Share Sugao no Kare Love Days” was favorable</p> <p>Commercial for “Our Two Bedroom Story” launched in 1Q is expected to achieve the target</p>
	Romance apps (English version)	<p>[Product] Launch of F2P applications</p> <p>[Sales] Expansion of advertising</p>	<p>L10N: Launched two new apps US Original: Move ahead with production for launching in the 2nd half</p> <p>Advertisement effects declined → Revise listing standard</p>
Market expansion	Suspense apps (Japanese version)	<p>[Product] Launch of the second application</p> <p>[Sales] Launch of TV commercials</p>	<p>Launched “Gossip Writer – Help find the Idol!” but KPI fell short of expectations</p> <p>“New Survival Rate 0%! Escape from Subway” KPI of users attracted through commercials launched in the 1Q fell short of expectations</p>

Ranking in the Japanese Market – Romance Applications –



Personal



App Store “Entertainment”
Compiled as of January 22, 2015

Ranking	Application Name
1	LINE Fortune-telling
2	Colopl
3	niconico
4	Joshi to Himitsu no 2DK
5	Room Share Sugao no Kare Love Days <small>Launched in 2Q</small>
6	TwitCasting Viewer
7	Koishite Shimatta Hoshi no Oji
8	Our Secret Love Song
9	My Forged Wedding
10	Tekichu Kantei [Hashimoto Kyomei Last Onmyoji]
11	Yome Collection
12	Showroom
13	Ataru Uranaishi Ryukyu Yuta Haru
14	iNico 2
15	AKB48 Mobile (official)
16	Kiss Mischievous in a Suite Room
17	Kiseki no Kanteishi Karin Uranai
18	LINE KIDS animation
19	The Mysterious Kiss Tonight
20	Getters Iida no Seimei Handan
21	Seduced in the Sleepless City
22	Koseisai Shindan ◆ Zenkaibo Uranai
23	Tenka Muteki no Uranai [Ginza no Haha Tekichu Kantei]
24	Special Investigation Team Micchaku 24 hours
25	Akinator the Genie
26	Idol Ouen Apps - CHEERZ -
27	Chikai no Kiss to Nanatsu no Yuwaku <small>Launched in 2Q</small>
28	[Sozetsu Reishi] Senrigan no Sensha
29	TV SideView
30	Aomori no Kamisama Kimura Fujiko [Kizuki no Gokui]

Google Play “Entertainment”
Compiled as of January 22, 2015

Ranking	Application Name
1	LINE fortune-telling
2	Joshi to Himitsu no 2DK
3	TwitCasting Viewer
4	Seduced in the Sleepless City
5	Our Secret Love Song
6	JRA-VAN horse racing information
7	Kiss Mischievous in a Suite Room
8	LINE KIDS animation
9	Special Investigation Team Micchaku 24 hours
10	Shindan Tickit Uranai ☆
11	Koishite Shimatta Hoshi no Oji
12	The Mysterious Kiss Tonight
13	Room Share ☆ Sugao no Kare Love Days <small>Launched in 2Q</small>
14	My Forged Wedding
15	Kiss of Revenge
16	Koseisai Shindan ◆ Zenkaibo Uranai
17	Chikai no Kiss to Nanatsu no Yuwaku <small>Launched in 2Q</small>
18	Saigo no Koi Bokuni Kudasai
19	My Sweet Bodyguard
20	Intimate Business
21	True love starts with sweet lies
22	Ataru Uranaishi Ryukyu Yuta Haru
23	[100 nen Kanzen Taiko] Hypno Zensei Uranai ◆ Oborozuki Aoi
24	nasne™ ACCESS
25	Kichijoji ☆Days of Love
26	[Tekichu TOP Hyoka] Inner Light Uranai
27	My boyfriend is a public safety police officer
28	Akinator the Genie
29	Kimura Fujiko [Kizuki no Gokui]
30	Love Letter from Thief X

Social



App Store Games “Simulation”
Compiled as of January 22, 2015

Ranking	Application Name
1	GUNDAM CONQUEST
2	GRANBLUE FANTASY
3	Hay Day
4	GUNDAM AREA WARS
5	Barcode Footballer
6	Derby Impact
7	SD GUNDAM GGENERATION FRONTIER
8	LOST CRUSADE
9	Bokurano Koshien! Pocket
10	Sangokushi Senhime Ransei ni Mau Otometachi
11	Pro Baseball Dream Nine SUPERSTARS
12	Minecraft – Pocket Edition
13	Ikemen Bakumatsu Unmei no Koi
14	SimCity Buildit
15	Daikaisen Jidai [Sozetsu Daikaisen]
16	Room Share Sugao no Kare Love Days
17	Pachislot Komon Chama
18	Let's Make a Pro Baseball Team!
19	Hoshi no Shima no Nyanko
20	Lovecen - V6 to Himitsu no Koi -
21	Nyanko Daisenso
22	My Forged Wedding Love Ring
23	Ramen Tamashii
24	FIFA World Class Soccer
25	Pocket Soccer
26	IKEMEN Royal Palace - Midnight Cinderella -
27	Yurudora Shiru -Honkakuha Shinwa RPG-
28	Sleeping Beauty in the Suite Room
29	Shirokuro Joker
30	Tenka Toitsu Koi no Ran Love Ballad <small>Launched in 2Q</small>

Google Play Games “Casual”
Compiled as of January 22, 2015

Ranking	Application Name
1	LINE POP2
2	Candy Crush
3	Boso Retsuden Tansha no Tora
4	LINE Get Rich
5	Farm Hero
6	Ange Vierge
7	Kamen Rider Rideabout!
8	Inishie no Megami to Hoseki no Shashu
9	Hiho Tantei Carrie
10	Tokimeki Restaurant
11	Bubble Witch
12	Pocket Nights
13	Nyanko Daisenso
14	Shin Sengoku Buster
15	Room Share Sugao no Kare Love Days
16	Diamond Digger
17	Guilty Dragon
18	Shinkai no Valkyrie
19	DINO DOMINION
20	Colopl
21	Keitai Kunitori Gassen
22	Tenka Toitsu Koi no Ran Love Ballad <small>Launched in 2Q</small>
23	Nijiuro Bokujo
24	Kin! Kin! Kin! Satsutaba Bokujo
25	Pet Rescue
26	My Forged Wedding Love Ring
27	Shinki Kakusui Melty Meiden
28	Kiss Mischievous in a Suite Room
29	Pocket Land
30	Gossip Girl - A celebrity's Seduction -

Ranking in the Overseas Market – Romance Applications –



Personal [Overseas]

[App Store Top Grossing iPhone Entertainment]

The U.S. 

Compiled as of
January 22, 2015

Ranking	Application Name
1	Hulu Plus
2	Crunchyroll-Watch Anime& Drama Now!
3	Disney Junior Appisodes
4	Shall We Date?: Wizardess Heart +
5	Plex
6	Disney Princess Palace Pets
7	MagicLocks
8	SlingPlayer for iPhone
9	Kissed by the Baddest Bidder
10	Love Letter from Thief X
11	Akinator the Genie
12	Odoggy
13	Call Voice Changer
14	PRANKDIAL
15	My Talking Pet
16	Cool Fonts
17	Shall we date?: Angel or Devil+
18	Words with free EZ Cheats
19	Enchanted in the Moonlight
20	Toca Lab
21	FancyLock
22	FollowHero - get followers on Instagram
23	10 Days with My Devil
24	ultrasound-spoof
25	Dreamy Days in West Tokyo
26	Adult Emoji Icons - Funny Texting & Dating Emoticons Symbols
27	Frozen: Storybook Deluxe
28	Strawberry Shortcake Sweet Shop - Candy Maker
29	My Sweet Bodyguard
30	Love Legend of Sengoku

Singapore 

Compiled as of
January 27, 2015

Ranking	Application Name
1	YY - 视频直播 互动社区
2	Care Bears: Wish Upon a Cloud
3	Metro PD: Close to You
4	My Forged Wedding
5	Strawberry Shortcake Sweet Shop - Candy Maker
6	SlingPlayer for iPhone
7	ACG Art - Anime Girl Wallpaper Magazine
8	10 Days with My Devil
9	Office Secrets
10	Enchanted in the Moonlight
11	K歌达人
12	乐视视频-影视播放器
13	Our Two Bedroom Story
14	GoodPlayer and PowerPlayer
15	App Icons
16	腾讯视频-电视剧, 综艺, 电影, 动漫, 独家中国好声音, 流行视频一网打尽
17	Her Love in the Force Launched in 2Q
18	Kissed by the Baddest Bidder
19	Be My Princess2
20	Audiko Ringtones for iPhone PRO
21	Big Button Box
22	Serendipity Next Door
23	Akinator the Genie
24	First Love Diaries
25	GUNSTRUCTION
26	Smosh iShutUp
27	Fever meter and body temperature - for fun only
28	Procreate Pocket
29	Spuul - Free Indian Movies & TV Shows
30	Talking Call+

Ranking in the Japanese Market – Suspense Applications –




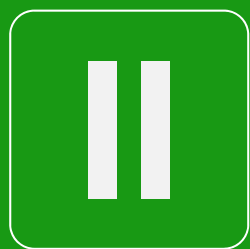
Japan



Google Play Games “Adventure”

Compiled as of January 27, 2015

Ranking	Application Name
1	BRAVELY ARCHIVE D's report
2	Hangyaku no Ciel Arc
3	Yokai Hyakkitan!
4	MEZASE Only One
 5	New Survival Rate 0%! Escape from Subway
6	The Secret Society
7	Pocket Kingdom
8	Way to travel the world of OZ
 9	Gossip Writer – Help find the Idol! –
10	Le Fruit de la Grisaia Converted Edition
11	Heian ★ Otogizoshi
12	Bakumatsu Koiyugi - Hana Tsuya no En -
13	LEAGUE OF DEVILS
14	Mon Towers 2
15	Myojo no Hana - Taiheiki Ibun -
16	Nyan Love - Watashi no Koi no Mitsukekata -
17	Terraria.
18	Yugami no Kuni no Alice
19	Kaizoku ★ Love Legend
20	Kindan no Koi - Yurusarenai Futari -
21	Hakuoki Gokaban
22	Ice Age
23	MONSTER WARLORD
24	Venus Dungeon
25	Ayakare - Hyakki Renyagyo -
26	Letters From Nowhere
27	Koi Ninja Sengoku Emaki
28	Tsuki to Suna no Koi Uta
29	Lucky Dog 1 [Tennenouji App]
30	Soshite Kimiha Mao ni Natta



Strategies for the Second Half

1

Improve the KPI of Suspense apps

2

Step up the sales size of Japanese Romance apps

3

Explore English-version Romance apps in 6 types and streamline the approach

1. Improve the KPI of Suspense Apps



Products

Revise the concept and launch the third apps that include collection and growth elements

June

Sales

Stop advertising until KPI improves

Being conducted

2. Step up the Sales Size of Japanese Romance Apps



Products

- Promote growth of the first history-based social application

“Tenka Toitsu Koi no Ran Love Ballad”

Favorable

- Launch a new application on the first social-exclusive platform for OS

May

Sales

- Launch the first nationwide commercial for social
“Room Share Sugao no Kare Love Days”
- Apply stricter collection standards for advertisements
- Study/execute business collaboration (IP title*, new platform)

Being conducted
Favorable

Being conducted

* Title based on the intellectual property of another company.

On air nationwide from January 14



“Room Share Sugao no Kare Love Days”



3. Explore 6 types of Romance Apps



Exploring 6 types with focus on SF Studio → Streamline approach

		F2P _(Social)	P2P _(Personal)
Realistic picture 	U.S. original Original title staged in the U.S.	Move ahead with production for launching in the 2nd half	Improve KPI of Queen's Gambit
	L1ON *1 Translated version of romance apps	Launch the 3rd application following My Forged Wedding: PARTY Be My Princess	Plan to launch 4 new apps in the second half
Animated picture 	DRAGON *2 Original title staged in the U.S.	Consider while monitoring the results of P2P	Move ahead with production for launching in the 1Q of the next fiscal year

*1: Abbreviation for Localization.

*2: Originating from dragon roll sushi arranged for Americans.



Adjustments to Full-Year Earnings Forecasts

Adjustments to Full-Year Earnings Forecasts

* Announced on January 22, 2015.



Adjusted the earnings forecasts for the year ending June 30, 2015 based on the first half results

[Millions of Yen]

	Consolidated		
	Previous forecast	Revised forecast	% of revised to previous
Net sales	11,500	10,500	91.3%
Operating income	600	200	33.3%
Operating margin	5.2%	1.9%	-
Ordinary income	600	200	33.3%
Net income	300	0	-
Net income per share	58.50 yen	-	-

* The previous forecast for net income per share was calculated based on the total number of shares issued as of December 31, 2014.

Voltage Inc.



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