

Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

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FISCO Ltd. Analyst
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*1F2P: Free-to-play, basic playing of the App is free, but with a charge per item of content regime

*2P2P: Pay-to-play, charge per individual story unit of content regime

*3L10N: Anime illustrations for the North American market, with content translated from Japanese language Romance apps. An abbreviation meaning "Localization".

■ Continuing solid operational growth as it develops its business based on Romance Apps

Voltage <3639> (hereafter, "the Company") is a supplier of mobile content. Based on its corporate philosophy of "Art & Business," it has established a new genre of story-based entertainment called "Drama Apps" that are different from both games and manga. It has narrowed down its content themes to "Drama on Love and Challenge" and has an overwhelming presence in the field of Romance Apps.

Q3 FY6/16 results showed sound progress, achieving year-on-year increases in both revenues and earnings. The Company is shaping its income base, recording net sales that exceeded plan, with several of its Japanese language Romance App titles, which form the mainstay of its income, ranking highly. The Company's English language Romance Apps, aimed at overseas markets, also, while still at a low level, are steadily expanding sales, with Q3 net sales growing 26% YoY.

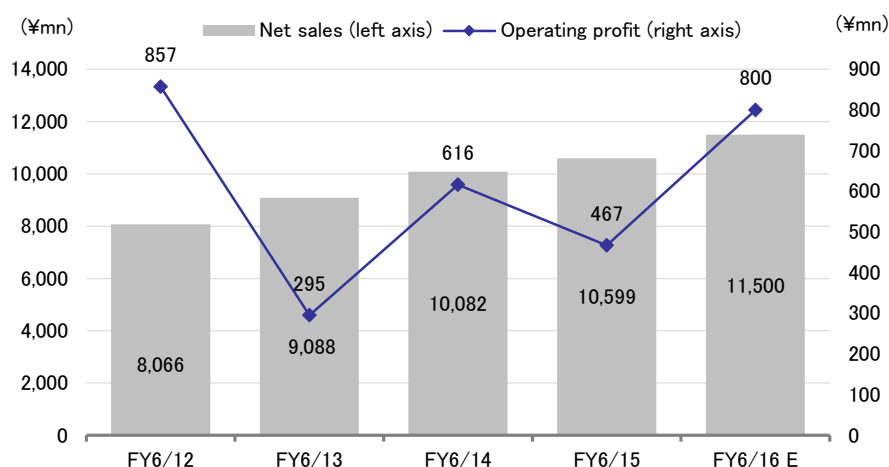
Aiming to achieve medium-term growth, the Company is currently in the process of formulating more specific plans in each market segment. Going forward, in respect of its Japanese language Romance Apps, the Company will continue to develop two types of applications, F2P*1 and P2P*2, focusing on smartphone users as it has done to date. At the same time, the Company plans to engage in new initiatives in its Japanese language Romance Apps in order to achieve sustainable growth, such as launching new series titles that incorporate puzzle action.

In respect of English language Romance Apps and Suspense Apps also the policy is to continue to strengthen them individual basis. The L10N*3 English language Romance App titles, translated from Japanese language Romance Apps, are in the process of building an income base. In this respect, the Company is facing in earnest the task of unearthing users, introducing two new series produced for overseas. Its third Suspense App title is seeing a steadily increasing user response, and with repeated refinements is at a stage where strong future progress may be expected.

The mobile content industry to which the Company belongs has encountered a variety of environmental changes, including distribution platform transitions (herein "PF") and migration from feature phones to smartphones. Even amidst this process the Company has continued to grow sales consistently. This stability in operational growth is a special characteristic of the Company that is worthy of note, and one that we at FISCO rate highly.

■ Check Point

- Medium-term management plan & market expansion image
- Aiming to further expand user numbers, introducing "Doubt" Season 2
- Whether high profile titles can contribute as expected holds the key future results trends

Results trends


* From FY6/13 represents consolidated results

■ Analysis of Q3 FY6/16 Results

Attained growth in net sales and every profit category

Q3 FY6/16 results saw growth in both revenue and earnings, with net sales of ¥8,571mn (+8.8% YoY), operating profit of ¥443mn (+97.4% YoY), recurring profit of ¥428mn (+72.1% YoY) and net profit of ¥218mn (+138.1% YoY). There was no prior Q3 forecast, however, considering that the operating growth rate of 97.4% YoY significantly exceeded the full-year operating growth rate forecast of 71.2%, we at FISCO deem performance this Q3 to be steady and in line with plan.

Q3 FY6/16 Results Overview

	Q3 FY6/15 cumulative	Vs Sales	Q3 FY6/16 cumulative	Vs Sales	YoY	Rate of progress	(Unit: ¥mn) FY6/16 Full-year (forecast)
Net sales	7,875	100.0%	8,571	100.0%	8.8%	74.5%	11,500
COGs	2,859	36.3%	3,232	37.7%	13.1%	-	-
Labor costs	1,357	17.5%	1,457	17.0%	6.0%	-	-
Outsourcing costs	915	11.6%	1,080	12.6%	18.1%	-	-
Other	568	7.2%	693	8.1%	22.1%	-	-
Gross margin	5,016	63.7%	5,338	62.3%	6.4%	-	-
SG&A	4,791	60.8%	4,895	57.1%	2.2%	-	-
Advertising and promotional costs	1,271	16.1%	1,110	13.0%	-12.6%	-	-
Sales commission	2,368	30.1%	2,588	30.2%	9.3%	-	-
Other	1,151	14.6%	1,196	14.0%	3.9%	-	-
Operating profit	224	2.9%	443	5.2%	97.4%	55.4%	800
Recurring profit	248	3.2%	428	5.0%	72.1%	53.6%	800
Net profit	91	1.2%	218	2.6%	138.1%	54.7%	400

Source: Prepared by FISCO from company materials

In net sales, there was steady expansion in Japanese language Romance Apps, which grew 9% YoY to ¥7,296mn, and English language Romance Apps, which grew 26% YoY to ¥1,265mn, covering delays in the Suspense Apps. From a COGs perspective, there was an overall increase in all COGs categories including an 18.1% YoY increase in outsourcing costs in line with increases in the volume of content handled and increased royalties associated with increases in masterpiece IP titles (titles using other companies' intellectual property). As a result, the gross margin declined 1.4 of a percentage point YoY from 63.7% to 62.3%.

SG&A was restricted to a rise of 2.2% YoY to ¥4,895mn. The main factor behind this was the advertising and promotional costs being confined to ¥1,100mn, a decline of 12.6% YoY. Given that the SG&A ratio improved 3.7 of a percentage point YoY from 57.1% to 60.8%, it was able to absorb declines in the gross margin, with the operating profit margin improving from 2.9% to 5.2%.



Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

In a breakdown of SG&A, the Company adopts a cautious stance to promotional costs in particular, investing only in advertising that may be expected to produce good results, having regard to internal company criteria. Further, the 9.3% YoY increase in sales commission is associated with increased sales for OS-related platforms (App Store and Google Play), and may be considered to be positive in nature.

By market segment, as noted above, Japanese language Romance App revenues are expanding soundly. While English language Romance App sales have also been expanded significantly, development expenditure has not yet been recovered, with operating losses continuing from a profit perspective. Suspense App sales declined significantly by 95% YoY, however, this was due to “Roppongi Sadistic Knight” (herein “Roppongi”) continuing post-launch basic refinements, and with investment in promotional costs being postponed. The amount of promotional costs not invested alone reduced operating losses significantly from ¥443mn in the previous period to ¥229mn, with early growth in sales now awaited.

Net sales & operating profit by market segment (Q3 FY6/16)

(Unit: ¥mn)

	Net sales			Operating profit	
		%	YoY growth rate		YoY growth rate
Japanese language Romance Apps	7,296	85%	9.4%	940	5%
English language Romance Apps	1,265	15%	25.8%	-267	- (-230)
Suspense Apps	9	0.1%	-95.2%	-229	- (-443)

Source: Prepared by FISCO from company materials

In trends by title, sales of both “Tenka Touitsu Koi no Ran - Love Ballad” (herein “Love Ballad”) and “Doubt – Usotsuki Otoko wa Dare (Who is the liar)?” (herein “Doubt”) exceeded plan. The voice over (dubbing of the actor’s voice) and battle contests for the former worked well, and succeeded in attracting new users. Regarding the latter, identifying and eliminating the less appealing guy was a new concept not employed by the Company previously, and was well received by users. Along with the impact from advertising implemented in February 2016 it increased sales in excess of the plan.

On the other hand, the launch of “Joshi to Himitsu no 2LDK ★ Love Happening” (herein “2LDK”) was postponed, with revenues falling below plan. However, this title has a track record as a popular application in its P2P version, and while the timing was pushed back, we feel that, depending on refinements going forward, one can readily expect it to make an ample contribution to revenues. As noted previously, due to continuing basic refinements, Suspense Apps are in negative territory compared to the plan. However, through refinements these applications also are steadily increasing users, and gradually raising their rankings.

Q3 Trends Versus Plan for Major Titles

Genre	Title	Versus plan		FY6/16 Q3 Trends
		Net sales	Operating profit	
Japanese language Romance Apps	Tenka Touitsu Koi no Ran - Love Ballad	◎	◎	Successful events
	Doubt – Usotsuki Otoko wa Dare (Who is the liar)?	◎	○	Extremely successful advertising
	Joshi to Himitsu no 2LDK ★ Love Happening	×	×	Launch postponed
English language Romance Apps	Samurai Love Ballad: PARTY	○	○	Strong initial KPIs
	Astoria: Fate’s Kiss	×	△	Restricted advertising
Suspense Apps	Roppongi Sadistic Knight	×	△	Continue to limit advertising while continuing basic refinements

Source: Prepared by FISCO from company materials

■ Medium-term management plan & policies by market segment

Boasting overwhelming dominance in the field of Romance Apps

(1) Voltage's characteristics & strengths

The Company's business model is to deliver content to smartphones and other mobile devices as a mobile content supplier and collect information fees from users. Given that players such as communications carriers and SNS operators collect information fees on the Company's behalf, the Company itself is able to focus solely on content planning, development, production and operation.

The Company's greatest characteristic is that it has narrowed down content themes to "Drama on Love and Challenge" and is focuses on mobile content which has a narrative quality. Specific content is in the Romance App field, where the Company boasts an overwhelming dominance, having propelled numerous Romance Apps to the upper rankings as a pioneer in the industry.

The Company has in the past undertaken its own surveys in respect of Romance App marketability. According to them, apart from "43% of smartphone users enjoying games every day", they were able to obtain survey results indicating facts such as "one in five people have experience playing a romance game", and "approximately 24% have an interest in romance games". Arguably, this suggests that Romance Apps have acquired a certain degree of recognition by women, and that there is a large latent market.

Many strengths may be cited as regards the Company, depending on the basis for evaluation. Amongst them, the strength that we at FISCO focus our attention on most, from an investment perspective, is the Company's steady growth over a long period of time. In that time there have occurred changes in the industry environment that have sifted out a number of mobile content producers. In particular, trends such as the transition in content distribution PFs from official mobile carrier websites to specialist social gaming PFs and migration of major devices from feature phones to smartphones fit that description.

In particular, the emergence and rapid proliferation in smartphones has, in addition to a shift in distribution PFs from specialist social PFs to OS-related PFs (App Store and Google Play), accelerated a shift in application types from web-based apps*¹ to native apps*² (or hybrid native apps*³). The difference in web-based app technicians and native app technicians is so great that it has been compared to the difference between track and field athletes and swimmers, with many competitors that have been unable to follow these technical changes suffering from declining results. On the other hand, there are also numerous mobile content suppliers that have experienced rapid expansion in the ten-folds in results in several years from riding these waves of change. Although there are some cases recently of these companies swinging back to declining growth stand out.

The Company has overcome these sorts of environmental changes and, as ever, is maintaining its earnings growth trend. Continuous earnings growth represents one of the Company's strengths, however, what is important is what the source of that strength is. We at FISCO feel that it is due to a number of factors including concentrating its business domain to mobile content with a narrative quality, and adopting a policy of thoroughly exploiting areas in which it has expertise, paying attention to controlling advertising costs and other marketing expenses, placing emphasis on risk diversification perspectives in app development, and retaining technical development staff able to respond to changes in technologies.

*1 Web-based app: an application type that does arithmetic processing in servers over a network. Smartphones only do input and output. An internet connected environment is essential.

*2 Native apps: applications downloaded onto smartphones. An icon is displayed on the home screen, and via the app playing is enabled without any external communication, depending on the app.

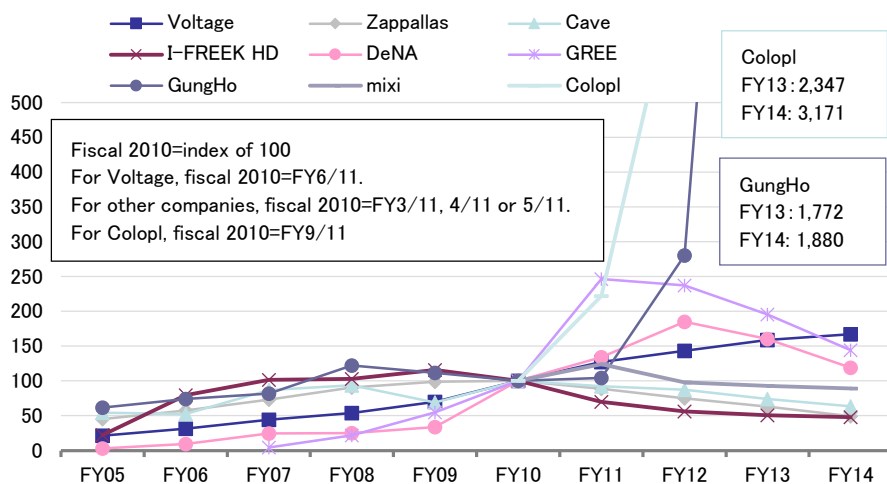
*3 Hybrid native apps: Have an icon on the smartphone's home screen like a native app, but display online content. Web-based application.

Voltage Inc.

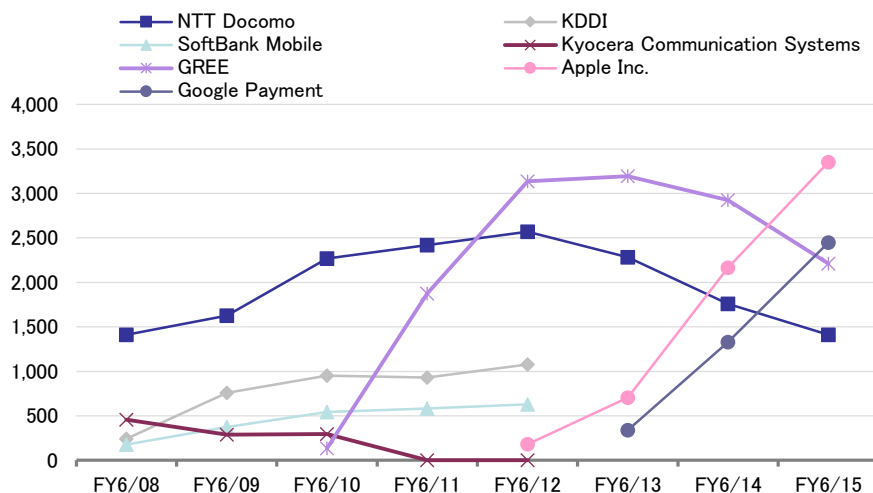
3639 Tokyo Stock Exchange First Section

28-Jun.-16

Sales trends for major mobile content producers



Changes in Voltage's Major Corporate Customers



Source: Prepared by FISCO from company materials

Medium-term Management Plan & Market Expansion Image

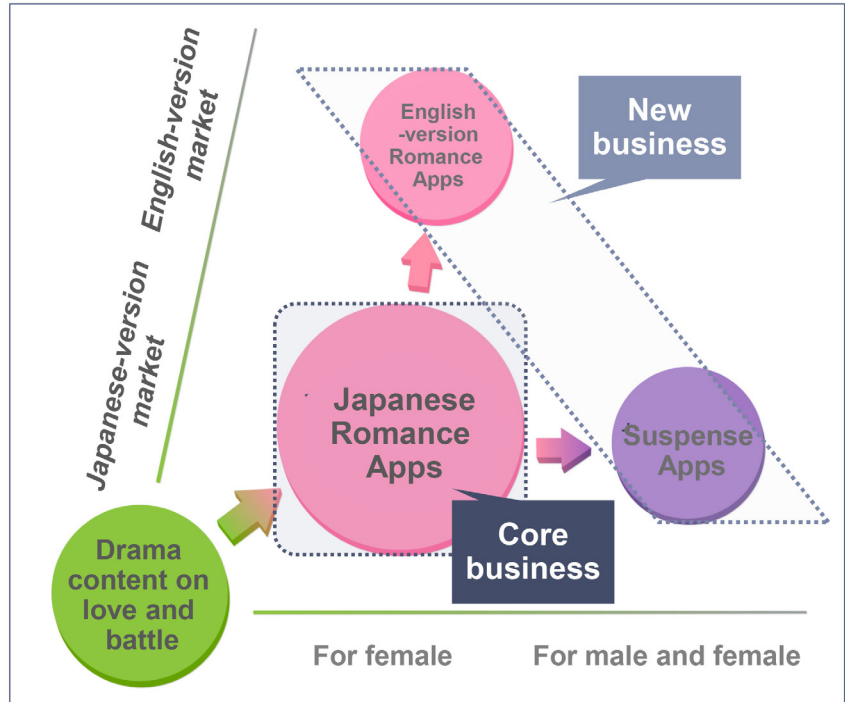
(2) Medium-term Management Plan & Expansion Policies by Market Segment

The Company is currently engaged in its 3-year medium-term management plan from FY6/14-FY6/16, and at the same time in the midst of drafting the next generation plan to start from FY6/17.

From FY6/14 the Company has been engaging in three initiatives: (1) responses to rapidly proliferating smartphones exemplified by the slogan "OS-related First", (2) apps aimed at both men and women, and overseas expansion, and (3) rigorous collection of advertising expenses within 12 months (and subsequently shortened to 10 months). Within these, the smartphone response is progressing steadily, with the Company currently, in new app development, in line with the actual rate of proliferation of smartphones, focused on smartphone apps.

In the current FY6/16 period what the Company is concentrating most on is (2) apps aimed at both men and women and overseas expansion. The Company has represented its market expansion image as set out below.

Market expansion image for Voltage



Basically, as it has done to date, the Company will undertake measures aimed at expansion by market segment, classifying them into Japanese language Romance Apps, English language Romance Apps and Suspense Apps.

a) Japanese language Romance Apps

In Japanese language Romance Apps, which are currently the earnings lynchpin, while placing most emphasis on native apps and hybrid native apps in F2P, the Company is also adopting a stance of boosting native apps for P2P as well. Conversely, trend is to shrink SN (for social network PFs) and Monthly Payments (for communications carriers' official websites). What this signifies is, as mentioned above, is that this is in line with platform transitions from the past to date, and is arguably a natural progression.

We at FISCO interpret the dual F2P and P2P strategy as being a key point in Japanese language Romance Apps. In F2P and P2P, F2P outperforms in both user numbers and revenues. However, for the Company P2P is also one of the two key ingredients. One merit is that compared to F2P, development costs for P2P are significantly lower, being a fraction of, and up to a tenth of the cost. Thus the Company takes a fundamental course of developing, launching and assessing the response to an app in P2P, and then developing it in F2P. This reduces development risks, and as a result, has been able to contribute to the Company's sustained growth. P2P also fulfil an important role as the best English language Romance Apps titles.

Market segment expansion policy

Core business				New business			
Japanese Romance Apps				English-version Romance Apps		Suspense Apps	
F2P		P2P		F2P	P2P	F2P	
Native	↗	Native	↗	L10N	↗	Problem-solving	Collection and growth
Hybrid native	↗	Monthly fee	↘	DRAGON	Begin consideration	Make into a series	For male and female
Social-only platform	↘			US REAL	First challenge Courses	Temporary suspension	For male
						x New Survival Rate 0%! Escape from Subway	
						First challenge Roppongi	

Source: FY6/16 Q3 Results briefing materials

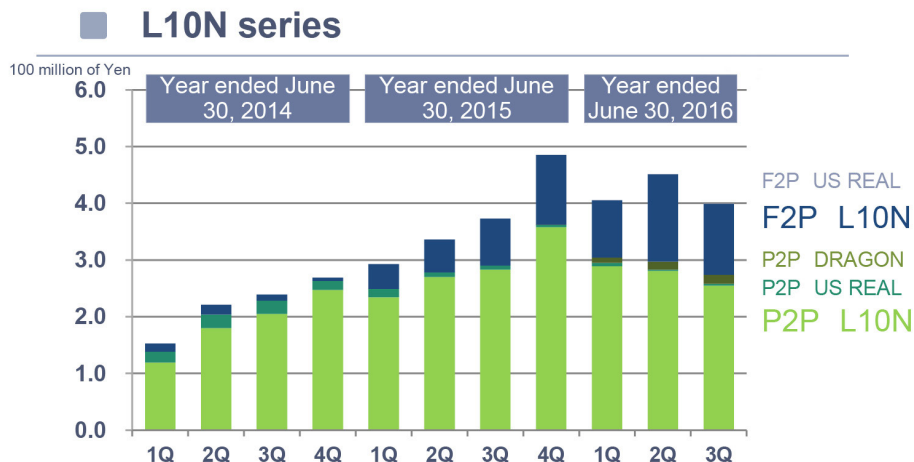
*1 DRAGON: Content created for the North American market, being anime artwork aimed at the North American market. Its naming derives from the dragon roll sushi arranged for the North American market. North American users refer to it as AmeMix.

*2 US REAL: Real artwork content for the North American market (formerly titled US Original).

b) English language Romance Apps

Within English language Romance Apps at present, depending on factors such as the content and development method, there are three series: L10N, DRAGON*1 and US REAL*2. Currently, L10N P2P and F2P account for the majority of overseas business sales (and thus English language Romance App sales). Given that essentially L10N can be launched for only the cost of translation, in addition to it continuously introducing new works and having a firm grip on users acquired to date, the Company aims for it to acquire new users. On that point, from FY6/16, aiming for expansion in users, it undertook a fully-fledged launch of the US REAL and DRAGON series titles. US REAL is an original real art title for the North American market, launched as an F2P title using systems developed on locale at the SF studio. DRAGON, which is an original anime artwork title aimed at the North American market, has already in FY6/16 launched two apps. Currently it is steadily amassing unique user (UU) numbers, with its future rollout gaining momentum.

L10N Series Sales Trends



Source: FY6/16 Q3 results briefing materials

c) Suspense Apps

In respect of Suspense Apps, which the Company is promoting aimed at tackling greater male user acquisition, efforts are focused on promoting sales of the Roppongi trilogy. In respect of this, there are a lot of points of overlap, which we will detail in the trends by market segment section.

■ Trends by Market Segment

Aiming for further user expansion with the launch of “Doubt” Season 2

(1) Japanese language Romance Apps

Japanese language Romance Apps have continued steady expansion, supported by numerous hit productions. As noted above, “Love Ballad” and “Doubt” had sales above plan in Q3 FY6/16, and were also a core earnings presence. “Doubt” performed well, having a concept clearly different from romance apps to date, and also achieved recoupment of the advertising placed in February 2016 already. So as not to lose momentum, the Company launched “Doubt” Season 2 in May 2016 which should lead to further expansion in revenues. The new series shifts the stage to the office, and as not only male characters but also female characters become the targets of Doubt, we are expecting that it may potentially appeal to male users also.

As the launch of the F2P version of “2LDK” was later than scheduled in order to enhance quality, it did not grow as much as initial expectations, however, it has a track record as a hit in distribution for other PFs, including the app’s P2P version. The F2P version has been refined as an app with greater game quality through adding avatar and event elements, and is anticipated via future measures to be able to steadily secure revenues.



Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

Also, one of the anticipated productions from Q4 FY6/16 is “LOVE ☆ Scramble” (hereon “LS”) launched in April 2016. This production has many elements that differ from the Japanese language Romance App, attracting attention in particular by having a bold configuration breaching boundaries and assembling characters from the Company’s other hit productions, and by being, in what was a first for the Company, a game in which puzzle action is central. In this app, while enjoying the dramatic quality, which is a forte of the Company, the story proceeds as puzzles are solved at every turn. At the current time, one week directly after its launch, the results produced may be described as off to a good start, with it having wedged in at around an 80th ranking in App Store. In mid-May, distribution via Google Play was also added, and it is expected that revenues will grow further. Further, it even appears that a conduit is in the process of being enabled for “LS” users that are attracted to the characters that appear to link them into the original app, and we would like to focus our attention on how much these synergistic effects can expand going forward.

In FY6/17 the Company is promoting consideration on continuing to launch masterpiece IP titles. If realized it will be the app to follow “Hana Yori Dango First Kiss with F4” (herein “Hana-Dan”), which was launched in July 2015. Whether or not it was because expectations were too high for “Hana-Dan”, looking only at revenues it didn’t reach expectation levels, however, the fact that it captured user categories not normally familiar with romance apps at very least contributed to expansion in user categories themselves. Details on the IP title for the next production has to this point not been leaked at all, however, we hope to expect some movement going forward.

(2) English language Romance Apps

As noted above, in English language Romance Apps the Company has sought to expand based on three core series: L10N, DRAGON and US REAL. The current position is that both P2P and F2P app formats for L10N, which are translated versions of Japanese titles, produce almost all of the revenues. However, whether an L10N will be a hit or not is also greatly influenced by the strength of the original title from which it was translated. From Q4 FY6/16 towards FY6/17, in addition to further expansion in L10N titles, a major theme is getting the US REAL and DRAGON original titles aimed at the North American market on track to be core earnings generators.

In US REAL, the key point is whether “Kisses & Curses” (herein “Curses”) can transition to a full-scale phase of earnings improvement. This app, since it was test released in August 2015, has had repeated basic refinements. In March 2016 it completed a nationwide iOS US rollout, and, in line with having its refinement cycle developed, advertisement placement was commenced. Since then it has rapidly increased sales, however, in terms of absolute levels, it is still at a stage where it has not yet reached the initial plan. As an F2P app the development and improvement burdens tend to be large, however, the Company from mid-April shifted its development company offshore to Vietnam, and is seeking to reduce operating costs.

DRAGON (referred to as AmeMix among North American users) made series releases of “Astoria: Fate’s Kiss” (herein “Astoria”) in July 2015 and “Gangsters in Love” (herein “Gangsters”) in March 2016, with the current situation being one of having boosted confidence in attracting AmeMix fans. Going forward, in addition to the launch of “Astoria” Season 3 and a full-scale advertising rollout of “Gangsters” the Company is planning to launch a third series app.

In its flagship L10N apps, the launch of apps such as “Code” (abbreviated title), which was titled “Shinsengumi ga Aishita Onna” in Japanese, are being scheduled at the present time. It is planned to periodically launch L10N apps from FY6/17 onwards.

(3) Suspense Apps

In respect of Suspense Apps, from Q4 FY6/16 onwards also the basic outlook is to leverage off “Roppongi”.

There were two factors in the background to the Company’s foray into suspense apps: engaging with male users, and expanding the product line-up while still rooted in the corporate philosophy of Drama on Love and Challenge. “Roppongi” was the third Suspense App, with the Company changing the make-up significantly from the puzzle solving format in the previous two productions to a collection and training format. We feel that in the essence of F2P apps (free of charge for basic playing/charges per item), particularly from a monetization perspective, a collection and training format is better suited, and deem the Company’s decision to have been correct.

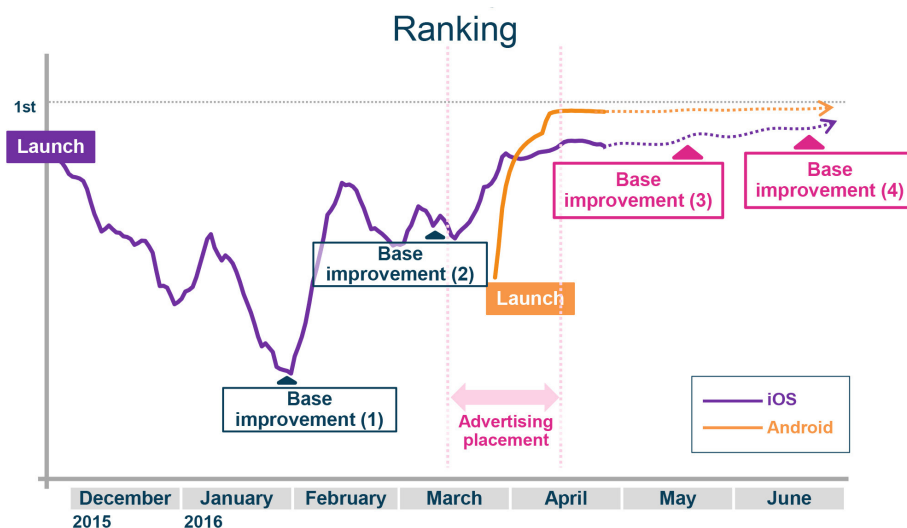
Suspense App Strategy Changes

		F2P	
		Puzzle solving format	Collection and training format
Target	For both men and women	Title 1: "New survival rate 0%, Escape from Subway"	
	For men	Title 2: "Gossip Writer: Help find the Idol"	Title 3: "Roppongi: Sadistic Knight"

Source: Prepared by FISCO from company materials

Compared to directly after its launch in November 2015, in OS-related app stores and other rankings, performance was temporarily lackluster, however, in response to this the Company continued patiently to make basic refinements, and showed clear results by raising KPIs and other measures. On the back of this, from March 2016 the Company began selective advertising. Going forward the Company will pursue several refinements, with further progress expected in FY6/17.

Suspense App "Roppongi Sadistic Knight" Ranking Trends



Source: FY6/16 Q3 results briefing materials

■ Results Outlook

Whether high profile productions contribute in line with expectations holds the key to future results trends

(1) Full-year FY6/16 Outlook

In its FY6/16 full-year results the Company forecasts net sales of ¥11,500mn (+8.5% YoY), operating profit of ¥800mn (+71.2% YoY), recurring profit of ¥800mn (+64.8% YoY) and net profit of ¥400mn (+72.0% YoY). These values are unchanged from initial period forecasts.

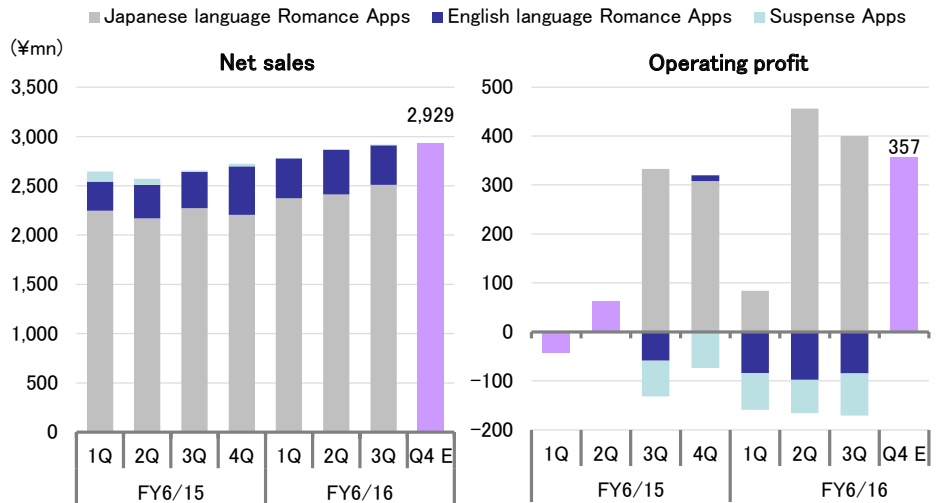


Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

Quarterly net sales & operating profit trends



Note: The purple bar represents an all company basis

Source: Prepared by FISCO from company materials

Calculating backwards from progress to the end of Q3, in Q4 the Company must achieve net sales of ¥2,928mn (+7.5% YoY) and operating profit of ¥356mn (+46.9% YoY). In respect of net sales, the Company has demonstrated sound performance to the end of Q3, however, what will divine success or failure in Q4 will be whether or not “Love Ballad” and “Doubt”, that continue their steady march forward, as well as the Company’s first puzzle solving game “LS” contribute to results in line with expectations.

On the other hand, in terms of operating profit progress, while some may view it as difficult, if compared to net sales, as noted above, amidst the commencement of puzzle solving games and other new initiatives, we feel the target may still be achievable depending on circumstances going forward. In respect of expenses, according to the Company they have no plans in relation to Q4 for large scale advertising. There is no change in the Company’s basic stance that advertising expenses are essential costs in expanding revenues, however, as was explained in the Company’s Q3 results, undertaking advertisement placement takes into consideration internal criteria and bears in mind efficient usage, and we at FISCO deem this to provide a high sense of security in management.

Main tasks for FY6/16 Q4

Objective	Market Segment	Title, etc.		Important tasks
Core business	Japanese Romance Apps	F2P	Doubt	(1) Launch season 2
			2LDK	(2) Hold events; achieve KPI targets
			Room	(3) Develop new function
			Hybrid native	(4) Implement measures to achieve high ARPPU
		P2P	VIP items	(5) Finalize & launch specs
New business	Japanese Romance Apps	New recommended character series		(6) Achieve launch & initial response KPI targets
	English version Romance Apps	L10N	Samurai	(7) Add characters; hold events
		DRAGON	Astoria	(8) Launch season 3
			Gangsters	(9) Start advertisements on full scale
	US REAL	Curses	(10) Achieve KPI targets	
Suspense Apps	Roppongi		(11) Make base improvements ; introduce new functions	

Source: FY6/16 Q3 Results briefing materials



Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

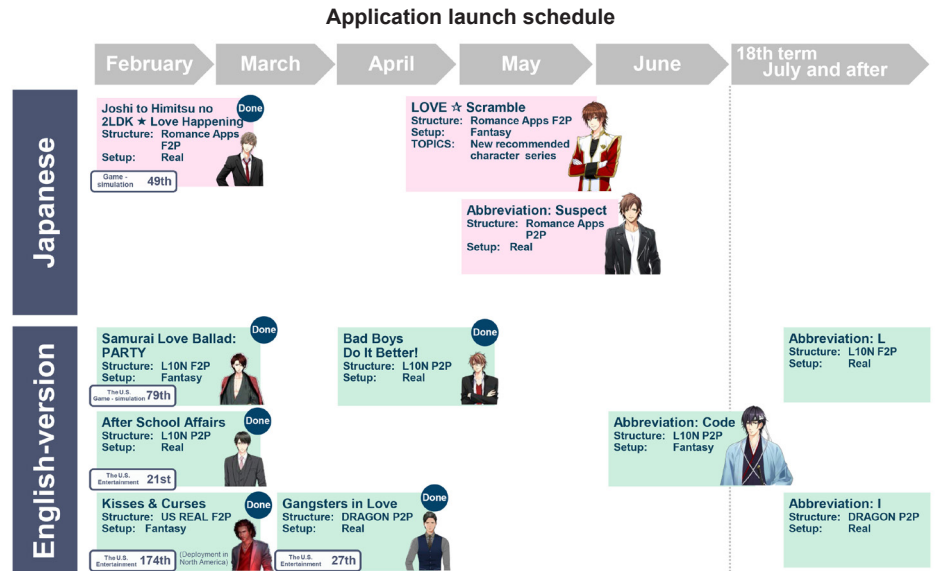
Expecting revenue contributions from English language Romance and Suspense Apps

(2) Thoughts on FY6/17

At FISCO, we feel that the Company can maintain the trend for increases in both revenues and earnings in FY6/17. Our reasons for thinking this are that, in Japanese language Romance Apps, it is expected that it will secure base revenues from both apps that are already hits and those which are highly likely to be hits, and, in English language Romance and Suspense Apps, in which future improvement may be expected from an operating profit perspective, as noted above, it may be clearly divined that the Company has been preparing a different way to tackle them from Japanese language Romance Apps.

In FY6/17 also, "Doubt," "Love Ballad" and "LS" will continue to attract attention. Expectations for them to contribute from a profit perspective are also high. In English language Apps, what is important is how much the "Curses" and DRAGON series can add to L10N sales. In addition to the absolute amount of net sales still being small, given that commencement of full-scale advertising placement is planned, from a profit perspective we feel it will be difficult for them to achieve profitability in FY6/17, however, the direction is towards a reduction in losses. The same applies for Suspense Apps.

As noted above, the Company is one that is able to make extremely balanced management decisions in relation to achieving sales and investment in advertising, and we expect that, if it can secure increased revenues then, from a profit perspective also, it will be able to secure increased earnings.



Source: FY6/16 Q3 Results briefing materials



Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

Simplified Income Statement & Major Management Indicators

(Unit: ¥mn)

	FY6/13	FY6/14	FY6/15	FY6/16 Q3 (cumulative)	FY6/16 Q4E	FY6/16E
Net sales	9,088	10,082	10,599	8,571	2,928	11,500
YoY	-	10.9%	5.1%	8.8%	7.5%	8.5%
Gross profit	6,343	6,699	6,697	5,338	-	-
Gross margin	69.8%	66.4%	63.2%	62.3%	-	-
SG&A	6,048	6,083	6,229	4,895	-	-
SG&A ratio	66.6%	60.3%	58.8%	57.1%	-	-
Operating profit	295	616	467	443	356	800
YoY	-	108.7%	-24.2%	97.4%	46.9%	71.2%
OP margin	3.2%	6.1%	4.4%	5.2%	12.2%	7.0%
Recurring profit	343	646	485	428	371	800
YoY	-	88.1%	-24.9%	72.1%	57.1%	64.8%
Net profit	140	291	232	218	181	400
YoY	-	107.0%	-20.3%	138.1%	28.9%	72.0%
EPS (¥)	28.2	57.4	45.3	42.3	35.3	77.4
Dividend (¥)	19	19	15	-	-	-
BPS (¥)	661.0	701.0	731.7	-	-	-

Note: YoY growth rates, OP margin and other comparative rates calculated based on ¥mn units

Simplified Balance Sheet

(Unit: ¥mn)

	FY6/12	FY6/13	FY6/14	FY6/15	FY6/16 Q3
Current assets	3,835	3,573	4,123	3,687	3,697
Cash and deposits	1,931	1,783	2,201	1,820	2,108
Accounts receivable	1,847	1,715	1,836	1,722	1,395
Other current assets	57	73	85	144	194
Fixed assets	566	748	908	1,311	1,297
Tangible fixed assets	63	224	241	343	247
Intangible fixed assets	119	248	364	555	613
Investments and other fixed assets	383	276	302	412	436
Total Assets	4,402	4,322	5,031	4,999	4,995
Current liabilities	1,160	994	1,445	1,209	1,095
Accounts payable	88	90	155	194	191
Short-term borrowings	-	-	-	-	-
Other current liabilities	1,071	903	1,289	1,015	904
Fixed liabilities	-	0	-	-	-
Shareholders' equity	3,242	3,307	3,545	3,707	3,872
Capital	877	887	908	922	933
Capital surplus	843	853	874	887	899
Retained earnings	1,522	1,566	1,762	1,897	2,039
Accumulated other comprehensive income	-	19	17	63	27
Existing share options	-	-	23	18	-
Total Net Assets	3,242	3,327	3,586	3,789	3,900
Total Net Assets & Liabilities	4,402	4,322	5,031	4,999	4,995

Statements of Cash Flow

(Unit: ¥mn)

	FY6/12	FY6/13	FY6/14	FY6/15	FY6/16 Q2
Cash flow from operating activities	409	258	894	424	175
Cash flow from investment activities	-354	-572	-414	-763	-261
Cash flow from financing activities	-135	-73	-74	-90	-74
Cash and deposits translation adjustments etc.*	-0	240	11	48	-3
Change in cash and deposits	-79	-147	417	-380	-163
Cash and deposits at start of fiscal year	2,010	1,931	1,783	2,201	1,820
Cash and deposits at end of fiscal year	1,931	1,783	2,201	1,820	1,656

*FY6/13 cash and deposits translation adjustments etc. include an increase in cash and deposits of ¥189mn in line with consolidation.

Shareholder Returns

Paying a dividend while maintaining a balance between securing internal reserves and returning profits to shareholders

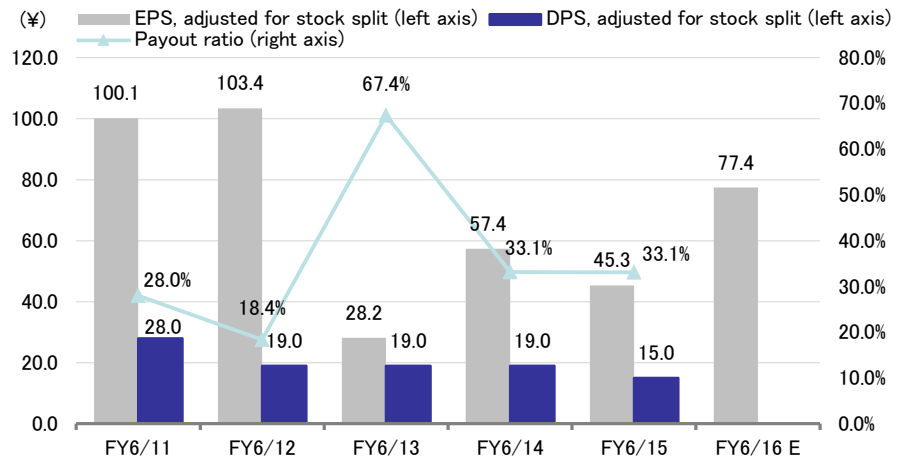
The Company's basic dividend policy is to aim to achieve a balance between securing sufficient internal reserves to develop its businesses in the future and to strengthen its financial position, while also returning profits to shareholders. In FY6/15, it paid a dividend of ¥15, which was a reduction of ¥4 from the previous fiscal year, but the dividend payout ratio was basically unchanged at 33.1%. The Company has not announced a dividend forecast for FY6/16, but as has been the case to date, it will determine the dividend amount after considering the dividend payout ratio and other relevant factors, while maintaining its basic policy of stable dividend payment.

Voltage Inc.

3639 Tokyo Stock Exchange First Section

28-Jun.-16

Trends in earnings per share, dividends and dividend payout ratio



*Per share data has been restated following the implementation of a 1 for 3 stock split dated January 1, 2011.

Source: Prepared by FISCO from the Company's financial statements

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