

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2016 [Japanese Standards] (Consolidated)

April 27, 2016

Listed company name: VOYAGE GROUP, Inc. Listed stock exchange: Tokyo Stock Exchange
 Stock Code No.: 3688 URL: <https://voyagegroup.com/en/ir/>
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 Date to submit the Securities Report: May 12, 2016
 Scheduled date of dividend payments: —
 Availability of supplementary information: Yes
 Holding investors' meeting: Yes
 (For security analysts and Institutional investors)

(Rounded down to million yen)
1. Consolidated Financial Results for FY2016 First Six Months (October 1, 2015 – March 31, 2016)
(1) Consolidated results of operations (cumulative total)
(The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2016 first six months	10,217	13.4	1,075	(12.6)	948	(25.0)	631	(21.6)
FY2015 first six months	9,013	—	1,230	—	1,264	—	805	—

(Note) Comprehensive Income: FY2016 first six months : ¥ 526 million (24.0%)

FY2015 first six months : ¥ 692 million —%

	Net income per share	Diluted net income per share
	¥	¥
FY2016 first six months	53.41	50.99
FY2015 first six months	72.36	64.38

(Notes)

As the change in policy has been applied retrospectively to the consolidated financial statements for the previous fiscal year, the year on year changes in monetary and percentage terms of the FY2015 first six months are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥million	¥million	%
FY2016 first six months	12,804	6,340	48.0
FY2015	12,670	6,274	47.8

(Reference) Owned capital: March 31, 2016 6,150 million yen September 30, 2015 6,050 million yen

2. Dividend status

	Annual dividends				
	1 Q end	2 Q end	3 Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	0.00	—	20.00	20.00
FY2016	—	0.00			
FY2016 (Forecast)			—	10.00	10.00

(Note)

- Revisions to dividend forecast for the current quarter: None
- Breakdown for dividends of fiscal year ended September 30, 2015
Common dividend: ¥10.00
Commemorative dividend: ¥10.00

3. Forecast of Consolidated Financial Results for FY 2016 (October 1, 2015 – September 30, 2016)

(The percentage indicates the change from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	Yen
Full year	18,500	4.3	2,000	(10.6)	2,000	(8.6)	1,200	(27.1)	100.91
	~20,500	~15.6	~2,400	~7.2	~2,400	~9.6	~1,500	~(8.9)	~126.14

(Note)

- Revisions to consolidated financial forecast for the current quarter: None
- Consolidated performance forecast for the fiscal year ending September 30, 2016 is range forecast.

※ Notes

(1) Changes in important subsidiaries the period

(Change of specified subsidiaries that lead to a change in the scope of consolidation) : None

Newly companies: — (Company name: —)

Excluded companies: — (Company name: —)

(2) Specific accounting procedures: : Yes

(Note) For more information, see page 8, “2. Matters Concerning Summary Information (Notes) (2) Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements.”

(3) Changes in accounting policies, changes in accounting estimates, corrections and restatements and retrospective restatements

1. Changes in accounting policy resulting from revisions to accounting standards : Yes

2) Changes in accounting policy other than above : None

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(Note) For more information, see page 8, “2. Matters Concerning Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement.”

(4) Number of shares issued (common stock)

1) Number of shares issued and outstanding (including treasury shares)

Year ended March 31, 2016	11,928,500	Year ended September 30, 2015	11,890,700
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2) Number of shares treasury stock issued and outstanding

Year ended March 31, 2016	100,000	Year ended September 30, 2015	—
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Year ended March 31, 2016	11,829,705	Year ended December 31, 2015	11,131,363
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※ Notice regarding audit procedures

This quarterly financial result is excluded from audit procedures based on the Financial Instruments and Exchange Act. As of the time of disclosure of this earnings announcement, auditing procedures for consolidated financial statements based on the Financial Instruments and Exchange Act are still in the process of being implemented.

※ Explanations related to appropriate use of the performance forecast other special instructions

(Note on forward - looking statements)

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The Group makes no warranty as to the achievability of the projections. There is a possibility that diverse factors may cause actual performance, etc. to differ materially from the projections.

Attachment

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

Forward-looking statements contained in this document are based on judgments made by VOYAGE GROUP, Inc. (the “Company”) and its consolidated subsidiaries and equity-method affiliates (collectively, the “Group”), in the light of information available as of the end of the period under review.

(1) Analysis of Operating Results

In the period under review, the Japanese economy showed signs of recovery in employment and corporate earnings, reflecting the government’s economic measures and the Bank of Japan’s monetary measures. The economic outlook, however, remains uncertain due to factors such as the slowdown of the Chinese and other emerging economies, and instability in currency movements.

The online advertising market in which the Group operates continues to expand, supported by favorable factors such as the spread of smartphones and the development of communications infrastructure. According to a report released by Dentsu Inc. (Note 1), internet advertising spending rose 10.2% year on year to ¥1,159,400 million and performance-based advertising costs (Note 2) rose 21.9% year on year to ¥622,600 million in 2015, indicating continued high growth of the market. In addition, according to a joint survey conducted by the Company and Seed Planning, Inc., the size of the programmatic trading market (Note 3) rose 44.7% year on year to ¥188,100 million and the total value of SSP ad transactions (Note 4) rose 66.7% year on year to ¥20,500 million in 2014, also suggesting rapid expansion of the market.

Under these economic circumstances, the Group is developing a variety of businesses in the internet areas as a business development company centered on people. The Group operates two mainstay business segments: Ad-Tech and Media. The Ad-Tech segment operates ad distribution platforms such as SSP “fluct” while the Media segment operates online media such as the point website “EC Navi”.

As a result, the Group posted net sales of ¥10,217 million in the period under review (up 13.4% year on year), operating income of ¥1,075 million (down 12.6% year on year), ordinary income of ¥948 million (down 25.0% year on year), and net income attributable to owners of the parent company of ¥631 million (down 21.6% year on year).

(Notes)

1. Source: Advertising Expenditures in Japan, 2015, Dentsu Inc. (http://www.dentsu.co.jp/knowledge/ad_cost/2015/)
2. Performance-based advertising is a method of advertising with platforms that process vast amounts of data to help optimize ad distribution either automatically or instantaneously. Typical examples include search engine advertising, certain ad networks, as well as DSPs, ad exchanges, and SSPs. Selling advertising space, tie-ups and affiliate advertising are not included in performance-based advertising. (Source: Advertising Expenditures in Japan, 2015, Dentsu Inc.)
3. Programmatic trading is a method of online automatic trading between advertisers (buyers of advertising space) and publishers (sellers of advertising space) through ad distribution platforms such as DSP or SSP.
4. SSP (Supply Side Platform) is an ad distribution platform for maximizing publishers’ advertising revenues. SSP connects to multiple ad networks, DSPs, and ad exchanges, delivering the most appropriate, highly profitable ads for publishers.

Financial results for each segment were as follows. Sales of each segment include intersegment sales and transfers.

1) Ad-Tech Business

The Ad-Tech segment mainly operates SSP “fluct” and “Zucks” (ad distribution platform for smartphones). Supported by the rapid spread of programmatic trading in the online advertising market, the Group has made efforts, particularly to propose the introduction of “fluct” for internet media companies and help maximize advertising revenues, making the most of our know-how developed so far in operating the Group’s Media Business. These efforts have resulted in a steady increase in the number of media that adopted “fluct”, and the Group now dominates sales share in the domestic SSP market (as estimated by the Company’s own research). In addition, the Group has been proceeding with service enhancement for advertisers based on the publisher network established through the operation of “fluct”. Also, in addition to “Zucks”, a platform for smartphones that helps media generate revenue and offers promotional assistance to advertisers, the Group released “fluct Direct Reach,” a service which enables the direct purchase of advertising space by media that adopted “fluct”, in December 2015, which was made possible by integrating service and know-how owned by Kauli, Inc., the company the Group made into a subsidiary in April 2015. Moreover, the Group has been aiming for further business expansion and development through efforts including the decision made in April 2016 to make GoldSpot Media Inc., the company made into an equity-method affiliate in October 2015 by way of a comprehensive capital and business alliance in the rich media and video ad area, into a wholly-owned subsidiary. On the other hand, expenses increased due to amortization of goodwill, etc. associated with making Kauli, Inc. into a wholly-owned subsidiary, in addition to recruitment and infrastructure investment aimed at medium- and long-term business development. Consequently, the Ad-Tech segment recorded sales of ¥6,138 million in the period under review (up 23.0% year on year), and segment income of ¥632 million (down 17.0% year on year).

2) Media Business

The Media segment operates marketing solutions business for companies, while running its own media utilizing points centered on “EC Navi” and “PeX”. In its own media, the Group has continuously implemented measures through its own marketing platforms for attracting, retaining, and vitalizing members and has verified their effects to obtain quality members with high consumption and maximize revenue per member. Moreover, as a new growth area, the Group has made continuous efforts on online content (media) including the free online encyclopedia “kotobank”, and released the gourmet media “appéti” in December 2015 and Mangapedia, a web community service specializing in comics and animation works in March 2016.

Consequently, the Media segment recorded sales of ¥3,862 million in the period under review (down 2.2% year on year), and segment income of ¥440 million (down 9.3% year on year).

3) Other Business

The Other segment mainly operates new graduate recruitment services business and game publishing business. New graduate recruitment services were robust with clients increasing, thanks to more companies implementing internships and enhanced recognition of the service. The number of customers grew steadily in the game publishing business, due efforts focused on the deployment of “Deck Heroes” released in September 2015, and promotional activities, arrangement of in-game events, etc. The reason for the decrease in income as compared with the previous corresponding period is attributable to the removal of the global research business from the Group’s scope of consolidation due to business restructuring within the Group in July 2015.

Consequently, the Other segment recorded sales of ¥393 million in the period under review (down 22.6% year on year), and segment income of ¥3 million (segment loss of ¥16 million in the previous corresponding period).

(2) Analyses of Financial Position

Assets, Liabilities and Total Assets

Assets

Consolidated assets as of the end of the period under review totaled ¥12,804 million, a ¥133 million increase from the end of the previous corresponding period, primarily due to an increase in accounts receivable – trade and an increase in investment securities, despite a decrease in cash and deposits accompanying decrease in goodwill due to amortization, income taxes paid, consumption taxes paid, purchase of treasury shares and cash dividends paid.

Liabilities

Consolidated liabilities as of the end of the period under review amounted to ¥6,463 million, a ¥67 million increase from the end of the previous corresponding period, primarily due to an increase in accounts payable - trade, an increase in provision for points, a decrease in long-term loans payable accompanying repayments of loans payable, a decrease in income taxes payable accompanying income taxes paid, and a decrease in accrued consumption taxes accompanying consumption taxes paid.

Net Assets

Consolidated net assets as of the end of the period under review totaled ¥6,340 million, a ¥66 million increase from the end of the previous corresponding period, primarily due to the recording of net income attributable to owners of the parent company, decreases in valuation difference on available-for-sale securities and non-controlling interests, and cash dividends paid and purchase of treasury shares.

Cash Flows

Cash and cash equivalents (hereinafter referred to as “capital”) at the end of the period under review totaled ¥3,846 million, a ¥367 million decrease from the end of the previous fiscal year.

The following is the status and factors of each cash flow during the period under review.

Cash flows from operating activities

Net cash provided by operating activities during the period under review increased by ¥795 million, primarily due to an increase in capital by recording an increase in notes and accounts payable – trade by ¥488 million and income before income taxes of ¥958 million, despite a decrease in capital due to income taxes paid of ¥534 million and increase in notes and accounts receivable – trade by ¥290 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review decreased by ¥597 million, primarily due to a decrease in capital by recording purchase of investment securities of ¥188 million, purchase of shares of subsidiaries and associates of ¥150 million, purchase of property, plant and equipment of ¥39 million and purchase of intangible assets of ¥187 million.

Cash flows from financing activities

Net cash used in financing activities during the period under review decreased by ¥518 million, primarily due to a decrease in capital by recording cash dividends paid of ¥235 million, purchase of treasury shares of ¥171 million and repayments of long-term loans payable of ¥125 million.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

No revisions have been made to the full-year consolidated performance forecast announced in “Consolidated Financial Results for the Fiscal Year Ended September 30, 2015” on October 28, 2015.

2. Matters Concerning Summary Information (Notes)

- (1) Changes in Significant Subsidiaries during the Period under Review
Not applicable.

- (2) Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements

Income taxes for the period are calculated by multiplying net income before income taxes for the period by the estimated annual effective rate which is calculated based on the estimated net income before income taxes for the full year and estimated annual income after the application of tax effect accounting.

- (3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

Changes in Accounting Policies

(Application of the Revised Accounting Standard for Business Combinations and Others)

Starting from the first quarter of the fiscal year, the Company applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Standard”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Standard”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting policies have been changed to where the difference arising from changes in the Company’s ownership interest in a subsidiary for which the Company retains control is recorded as capital surplus. Also, the Company has changed the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, reclassifications have been made to the quarterly consolidated financial statements for the six months ended March 31, 2015 and the consolidated financial statements for the fiscal year ended September 30, 2015.

The Business Combinations Standard and others were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively applied from the beginning of the first quarter of the fiscal year under review.

The effects of these changes in the quarterly consolidated financial statements for the current period under review were insignificant.

(Changes in the Standard for Revenue Recognition)

A part of the Group’s Ad-Tech segment previously recognized revenue upon receipt of reports. However, in the fourth quarter of the previous fiscal year, the aforementioned standard was changed to where revenue is recognized on the date of service completion. Due to the above, differences can be observed between the accounting policies applied to the comparative information included in the consolidated quarterly financial statements for the consolidated period attributable to the current fiscal year and accounting policies applied to the quarterly financial statements for the consolidated period corresponding to the previous fiscal year.

3.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(thousands of yen)

	As at September 30, 2015	As at March 31, 2016
Assets		
Current assets		
Cash and deposits	4,214,297	3,846,661
Accounts receivable - trade	2,460,910	2,751,741
Supplies	505,466	472,870
Other	629,857	661,055
Allowance for doubtful accounts	△6,953	△6,066
Total current assets	7,803,577	7,726,263
Non-current assets		
Property, plant and equipment	227,162	222,863
Intangible assets		
Goodwill	1,271,363	1,204,948
Other	367,833	477,800
Total intangible assets	1,639,197	1,682,748
Investments and other assets		
Investment securities	2,660,270	2,792,111
Other	353,805	393,319
Allowance for doubtful accounts	△13,039	△13,039
Total investments and other assets	3,001,037	3,172,391
Total non-current assets	4,867,396	5,078,004
Total assets	12,670,974	12,804,267
Liabilities		
Current liabilities		
Accounts payable - trade	1,364,262	1,852,426
Current portion of long-term loans payable	250,008	250,008
Provision for point card certificates	2,690,272	2,785,632
Income taxes payable	533,744	370,604
Other	639,910	408,846
Total current liabilities	5,478,197	5,667,517
Non-current liabilities		
Long-term loans payable	773,310	648,306
Asset retirement obligations	50,729	50,735
Other	94,630	97,380
Total non-current liabilities	918,669	796,421
Total liabilities	6,396,867	6,463,938

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(thousands of yen)

	Fiscal Year Ended March 31, 2015 (October 1, 2014 to March 31, 2015)	Fiscal Year Ended March 31, 2016 (October 1, 2015 to March 31, 2016)
Net sales	9,013,132	10,217,297
Cost of sales	5,573,038	6,948,033
Gross profit	3,440,094	3,269,263
Selling, general and administrative expenses	2,209,248	2,193,728
Operating income	1,230,845	1,075,535
Non-operating income		
Dividend income	8,270	11,610
Foreign exchange gains	41,816	-
Other	1,620	3,059
Total non-operating income	51,707	14,669
Non-operating expenses		
Interest expenses	1,199	2,469
Share of loss of entities accounted for using equity method	15,224	70,173
Foreign exchange losses	-	66,984
Other	1,490	1,844
Total non-operating expenses	17,914	141,471
Ordinary income	1,264,638	948,733
Extraordinary income		
Gain on sales of investment securities	-	21,206
Total extraordinary income	-	21,206
Extraordinary losses		
Loss on sales of non-current assets	5,479	-
Loss on retirement of non-current assets	8,495	1,025
Loss on valuation of investment securities	-	9,979
Other	-	488
Total extraordinary losses	13,975	11,492
Income before income taxes and minority interests	1,250,662	958,447
Income taxes	468,746	360,478
Profit	781,915	597,969
Loss attributable to non-controlling interests	△23,612	△33,861
Profit attributable to owners of parent	805,528	631,831

Consolidated Statements of Comprehensive Income

(thousands of yen)

	Fiscal Year Ended March 31, 2015 (October 1, 2014 to March 31, 2015)	Fiscal Year Ended March 31, 2016 (October 1, 2015 to March 31, 2016)
Profit	781,915	597,969
Other comprehensive income		
Valuation difference on available-for-sale securities	△80,139	△78,370
Foreign currency translation adjustment	△8,467	△2,824
Share of other comprehensive income of entities accounted for using equity method	△1,229	△5,087
Total other comprehensive income	△89,836	△86,282
Comprehensive income	692,079	511,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	716,352	545,596
Comprehensive income attributable to non-controlling interests	△24,272	△33,910

(3) Consolidated Statements of Cash Flows

(thousands of yen)

	Fiscal Year Ended March 31, 2015 (October 1, 2014 to March 31, 2015)	Fiscal Year Ended March 31, 2016 (October 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	1,250,662	958,447
Depreciation	91,027	129,235
Amortization of goodwill	1,419	66,265
Increase (decrease) in allowance for doubtful accounts	3,064	△887
Increase (decrease) in provision for point card certificates	76,333	95,360
Interest and dividend income	△9,287	△12,873
Interest expenses	1,199	2,469
Loss (gain) on sales of investment securities	-	△21,206
Loss (gain) on valuation of investment securities	-	9,979
Loss on retirement of non-current assets	8,495	1,025
Share of (profit) loss of entities accounted for using equity method	15,224	70,173
Decrease (increase) in notes and accounts receivable - trade	△500,764	△290,869
Decrease (increase) in inventories	△71,547	32,629
Increase (decrease) in notes and accounts payable - trade	266,020	488,163
Other, net	△60,376	△209,134
Subtotal	1,071,472	1,318,776
Interest and dividend income received	9,283	12,935
Interest expenses paid	△1,586	△2,308
Income taxes paid	△742,357	△534,345
Net cash provided by (used in) operating activities	336,811	795,058
Cash flows from investing activities		
Purchase of property, plant and equipment	△71,747	△39,804
Purchase of intangible assets	△65,277	△187,012
Purchase of investment securities	△24,558	△188,666
Purchase of shares of subsidiaries and associates	-	△150,200
Proceeds from sales of securities	-	899
Purchase of shares of subsidiaries	-	△50,763
Payments for lease and guarantee deposits	△56,387	-
Other, net	2,852	17,839
Net cash provided by (used in) investing activities	△215,118	△597,707
Cash flows from financing activities		
Repayments of long-term loans payable	△116,670	△125,004
Proceeds from exercise of share options	53,178	14,157
Proceeds from share issuance to non-controlling shareholders	37,687	-
Cash dividends paid	-	△235,772
Purchase of treasury shares	-	△171,537
Net cash provided by (used in) financing activities	△25,804	△518,156
Effect of exchange rate change on cash and cash equivalents	10,246	△46,830
Net increase (decrease) in cash and cash equivalents	106,134	△367,635
Cash and cash equivalents at beginning of period	5,085,159	4,214,297
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	△595	-
Cash and cash equivalents at end of period	5,190,698	3,846,661