

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2018 [Japanese Standards] (Consolidated)

April 25, 2018

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: May10, 2018
 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 FY2018 First Six Months (October 1, 2017– March 31, 2018)
(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	%
FY 2018 first six months	14,355	6.8	846	△35.8	954	△31.8	578	△37.2
FY 2017 first six months	13,443	31.6	1,318	22.6	1,398	47.4	922	45.9

(Note) Comprehensive Income: FY 2018 first six months: ¥ 642 million △56.5%
 FY 2017 first six months: ¥ 1,478 million 188.9%

	Net income per share	Diluted net income per share
	¥	¥
FY 2018 first six months	48.20	47.21
FY 2017 first six months	77.44	74.61

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
March 31, 2018	16,575	8,087	47.2	658.81
September 30, 2017	15,775	8,113	49.8	644.62

(Reference) Owned capital: March 31, 2018 7,818million yen
 September 30, 2017 7,860million yen

2. Dividend status

	Annual dividends				
	1Q end	2Q end	3Q end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	0.00	—	15.00	15.00
FY 2018	—	0.00	—	15.00	15.00
FY 2018 (Forecast)	—	—	—	15.00	15.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of Consolidated Financial Results for FY 2018 (October 1, 2017 – September 30, 2018)

(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
Full year	¥million 30,000	% 15.9	¥million 1,200	% (33.6)	¥million 1,200	% (35.6)	¥million 700	% (39.7)	Yen 58.40

(Note) Revisions to consolidated financial forecast for the current quarter: None

※ Notes

- (1) Changes in important subsidiaries the period

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

- (2) Specific accounting procedures: : Yes

(Note) For more information, see page 11, “2. Matters Concerning Summary Information (3) 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 : None

2) Changes in accounting policy other than above : None

3) Changes in accounting estimates : None

4) Retrospective restatements : None

- (4) Number of shares issued (common stock)

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

Year ended March 31, 2018	11,868,146	Year ended September 30, 2017	12,293,300
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2) Number of shares treasury stock issued and outstanding

Year ended March 31, 2018	—	Year ended September 30, 2017	100,047
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3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Year ended March 31, 2018	12,003,986	Year ended March 31, 2017	11,906,443
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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 forecast of performance is based on the judgment of the Group in accordance with information that was available at the time of its creation, and includes factors of risk and uncertain elements.

Please refer to the section of “Qualitative information on consolidated forecast” on page 6 of the attached documents to the summary of quarterly financial statements for the suppositions that form the assumptions for forecast and cautions concerning the use thereof.

Attachment

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

(1) Analysis of Operating Results

With regard to the online advertising market where the Group operates its mainstay business, according to research by Dentsu Inc., in 2017, internet advertising spending reached ¥1,509.4 billion, up 15.2% year on year, supported by growth of the performance-based advertising on mobile devices (Note 1.) and the video advertising. In addition, performance-based advertising costs rose 27.3% year on year to ¥940.0 billion, due to the fact that more advertisers are using data and technology as well as the spread of programmatic ad trading (Note 2.), with its increasing significance in branding and market reach.

Under these economic circumstances, the Group has developed its business in three reportable segments, namely: 1) the “Ad Platform segment” which operates ad distribution platforms, 2) the “Points Media segment” which plans and operates promotional online media such as point collection websites and point exchange websites, 3) the “Incubation segment” which develops a variety of new businesses in the internet services field.

As a result, the Group posted net sales of ¥14,355 million in the period under review (up 6.8% year on year), operating income of ¥846 million (down 35.8% year on year), ordinary income of ¥954 million (down 31.8% year on year), and profit attributable to owners of parent of ¥578 million (down 37.2% year on year).

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

1) Ad Platform Business

The Ad Platform segment mainly operates the SSP (Note 3.) “fluct” and the service for advertisers “Zucks”. With the rapid spread of programmatic ad trading in the online advertising market, the Group has made efforts particularly in proposing the introduction of “fluct” for smartphone publishers and using it to provide support in maximizing advertising revenues, making the most of its know-how developed in operating the Group’s Media segment. In addition, “Zucks” was robust as the Group enhanced its services and functions, while capturing demand of clients.

However, a careful examination of client media conducted at “fluct” in the previous fiscal year resulted in a decline in sales, and the Ad Platform segment recorded sales of ¥9,482 million in the period under review (up 0.2% year on year), and segment income of ¥724 million (down 28.9% year on year).

2) Points Media Business

The Points Media segment operates the marketing solutions business for companies, while running its own media that utilizes points, mainly “EC Navi” and “PeX”. In its own media, the Group has tackled a drastic restructuring, including enhancing the return of points to users and cutting costs, in order to achieve business growth over the medium- to long-term.

Consequently, the Points Media segment recorded sales of ¥3,708 million in the period under review (up 23.1% year on year), and segment income of ¥134 million (down 54.3% year on year) due to the increased share of sales from the point exchange business with lower profit margin despite a steady increase in sales from “EC Navi” and “PeX”.

3) Incubation Business

In the Incubation Business segment, the HR field, EC field and FinTech field are considered expansion fields, and the Group is actively investing in these fields in order to create businesses that will be a third pillar in the medium- to long-term. Currently, the Group operates the new graduate recruitment services business in the HR field, the planning and direct selling business of mail order cosmetics as well as the online sales business of housework support services with Kajitaku Co., Ltd., an Aeon Group’s subsidiary in the EC field, develops FinTech related business and operates FinTech funds in the FinTech field, and develops mainly the game publishing business in the other fields. New graduate recruitment services were robust with clients continuously increasing, owing to start-up companies accepting science and engineering students as candidates. In the game publishing business, the Group has developed business partnerships with multiple major overseas game developers, and can now introduce titles that are expected to make a steady contribution to its revenue. On the other hand, expenses increased due to increasing the number of personnel in the Incubation Business, which is a growth field, with an aim of optimizing the allocation of personnel within the Group.

Consequently, the Incubation segment recorded sales of ¥1,268 million in the period under review (up 16.8% year on year), and segment loss of ¥12 million (segment income of ¥4 million in the previous fiscal year).

(Notes)

1. 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 (systems that aid advertisers in maximizing their advertisements' effectiveness), ad exchanges, and SSPs (systems that aid publishers in maximizing advertising efficiency). Selling advertising space, tie-ups and affiliate advertising are not included in performance-based advertising. (Source: Advertising Expenditures in Japan, 2015, Dentsu Inc.)
2. Programmatic ad trading is a form of trading that enables the automatic online purchase of advertising space based on audience data, where advertisers (buyers of advertising space) and publishers (sellers of advertising space) make transactions through ad distribution platforms such as a DSP or SSP.
3. 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.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets (Assets)

Consolidated assets as of the end of the period under review totaled ¥16,575 million, a ¥799 million increase from the end of the previous fiscal year, primarily due to increases in accounts receivable – trade and other current assets.

(Liabilities)

Consolidated liabilities as of the end of the period under review totaled ¥8,487 million, a ¥825 million increase from the end of the previous fiscal year, primarily due to increases in accounts payable – trade and loans payable.

(Net Assets)

Consolidated net assets as of the end of the period under review totaled ¥8,087 million, a ¥25 million decrease from the end of the previous fiscal year, primarily due to an acquisition of treasury shares more than offsetting an increase in retained earnings from the recording of profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents at the end of the period under review (hereinafter “funds”) decreased ¥185 million from the end of the previous fiscal year to ¥5,259 million.

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

(Net cash flows from operating activities)

Net cash flows provided by operating activities amounted to ¥338 million, compared to ¥1,653 million provided in the previous comparable period. The main positive factors included the recording of profit and an increase in notes and accounts payable – trade, while the main negative factors included an increase in notes and accounts receivable – trade and income taxes paid.

(Net cash flows from investing activities)

Net cash flows used in investing activities amounted to ¥111 million, compared to ¥587 million used in the previous comparable period. The main negative factors included purchase of intangible assets and purchase of investment securities, while the main positive factor included invest dividends received.

(Net cash flows from financing activities)

Net cash flows used by financing activities amounted to ¥411 million, compared to ¥238 million provided in the previous comparable period. The main negative factors included purchase of treasury shares and repayments of long-term loans payable, while the main positive factors included proceeds from long-term loans payable.

(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, 2017” on October 25, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	5,445,367	5,259,728
Accounts receivable - trade	3,176,514	3,907,059
Supplies	245,116	198,626
Other	711,068	1,026,450
Allowance for doubtful accounts	△253	△75
Total current assets	9,577,814	10,391,789
Non-current assets		
Property, plant and equipment	203,044	227,382
Intangible assets		
Goodwill	1,677,726	1,610,755
Other	523,703	453,585
Total intangible assets	2,201,429	2,064,340
Investments and other assets		
Investment securities	3,263,013	3,386,221
Other	533,054	505,453
Allowance for doubtful accounts	△2,473	—
Total investments and other assets	3,793,594	3,891,674
Total non-current assets	6,198,068	6,183,398
Total assets	15,775,882	16,575,188
Liabilities		
Current liabilities		
Accounts payable - trade	2,387,667	3,044,646
Short-term loans payable	19,600	—
Current portion of long-term loans payable	389,992	489,988
Provision for point card certificates	2,751,226	2,764,093
Income taxes payable	640,216	374,980
Other	742,573	808,920
Total current liabilities	6,931,275	7,482,628
Non-current liabilities		
Long-term loans payable	555,564	743,906
Asset retirement obligations	50,736	50,736
Other	124,476	210,002
Total non-current liabilities	730,776	1,004,644
Total liabilities	7,662,052	8,487,273

(Thousands of yen)

	As of September 30, 2017	As of March 31, 2018
Net assets		
Shareholders' equity		
Capital stock	1,059,734	1,069,310
Capital surplus	978,241	993,168
Retained earnings	4,933,653	4,657,751
Treasury shares	Δ171,650	—
Total shareholders' equity	6,799,979	6,720,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,064,477	1,107,575
Foreign currency translation adjustment	Δ4,374	Δ8,884
Total accumulated other comprehensive income	1,060,103	1,098,691
Subscription rights to shares	672	1,967
Non-controlling interests	253,075	267,025
Total net assets	8,113,830	8,087,914
Total liabilities and net assets	15,775,882	16,575,188

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

(Thousands of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Net sales	13,443,963	14,355,031
Cost of sales	9,066,956	10,250,200
Gross profit	4,377,007	4,104,830
Selling, general and administrative expenses	3,058,766	3,258,440
Operating profit	1,318,240	846,390
Non-operating income		
Dividend income	7,740	5,805
Foreign exchange gains	71,281	—
Investment dividends	—	137,451
Other	6,780	994
Total non-operating income	85,802	144,251
Non-operating expenses		
Interest expenses	4,475	2,076
Share of loss of entities accounted for using equity method	194	28,885
Other	1,161	5,589
Total non-operating expenses	5,831	36,551
Ordinary profit	1,398,211	954,090
Extraordinary income		
Gain on sales of investment securities	—	11,627
Gain on sales of shares of subsidiaries	52,328	—
Gain on change in equity	—	80,184
Total extraordinary income	52,328	91,811
Extraordinary losses		
Loss on retirement of non-current assets	11,381	27,823
Loss on valuation of investment securities	3,002	10,999
Loss on step acquisitions	—	36,936
Other	8,511	469
Total extraordinary losses	22,895	76,229
Profit before income taxes	1,427,645	969,672
Income taxes	472,432	365,785
Profit	955,213	603,887
loss attributable to non-controlling interests	33,155	25,293
Profit attributable to owners of parent	922,057	578,593

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Profit	955,213	603,887
Other comprehensive income		
Valuation difference on available-for-sale securities	517,039	43,097
Foreign currency translation adjustment	4,372	—
Share of other comprehensive income of entities accounted for using equity method	1,879	△4,509
Total other comprehensive income	523,291	38,588
Comprehensive income	1,478,505	642,475
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,511,661	617,181
Comprehensive income attributable to non-controlling interests	△33,155	25,293

(3) Overview of Cash Flows for the Fiscal Year under Review

(Thousands of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,427,645	969,672
Depreciation	160,642	193,882
Amortization of goodwill	118,824	105,266
Increase (decrease) in allowance for doubtful accounts	△3,822	△2,651
Increase (decrease) in provision for point card certificates	2,163	12,867
Interest and dividend income	△8,311	△6,201
Distribution by investment	—	△137,451
Interest expenses	4,475	2,076
Loss (gain) on change in equity	—	△80,184
Loss (gain) on step acquisitions	—	36,936
Loss (gain) on sales of investment securities	—	△11,627
Loss (gain) on valuation of investment securities	3,002	10,999
Loss (gain) on sales of shares of subsidiaries	△52,328	—
Loss on retirement of non current assets	11,381	27,823
Share of (profit) loss of entities accounted for using equity method	194	28,885
Decrease (increase) in notes and accounts receivable - trade	△935,963	△720,557
Decrease (increase) in inventories	29,054	46,490
Decrease (increase) in accounts receivable - other	△4,924	△277,508
Increase (decrease) in notes and accounts payable - trade	466,303	645,362
Other, net	156,683	131,135
Subtotal	1,375,019	975,216
Interest and dividend income received	8,226	5,751
Interest expenses paid	△4,770	△2,076
Income taxes (paid) refund	275,233	△640,276
Net cash provided by (used in) operating activities	1,653,708	338,615
Cash flows from investing activities		
Purchase of property, plant and equipment	△27,394	△83,696
Purchase of intangible assets	△115,990	△158,809
Proceeds from sales of intangible assets	—	3,000
Purchase of investment securities	△19,500	△73,500
Proceeds from sales of investment securities	127,006	11,683
Receipt of distribution due to investment	—	137,451
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△521,327	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	14,688
Other, net	△30,480	37,908
Net cash provided by (used in) investing activities	△587,686	△111,273
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	19,600	△19,600
Proceeds from long-term loans payable	570,000	500,000
Repayments of long-term loans payable	△266,308	△215,037
Proceeds from exercise of share options	53,440	7,435
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△20,400	0
Cash dividends paid	△117,952	△181,050
Purchase of treasury shares	—	△503,570
Net cash provided by (used in) financing activities	238,380	△411,824
Effect of exchange rate change on cash and cash equivalents	△9,517	△1,156
Net increase (decrease) in cash and cash equivalents	1,294,884	△185,638
Cash and cash equivalents at beginning of period	3,111,249	5,445,367
Cash and cash equivalents at end of period	4,406,134	5,259,728

(4) Notes to Condensed Interim Consolidated Financial Statements
(Going Concern Assumption)

None

(Notes on significant changes in the amount of shareholders' equity)

The Company acquired 351,900 treasury shares for a total amount of ¥499,946 thousand during the period under review based on the resolution at the meeting of the Board of Directors held on October 25, 2017.

The Company also cancelled 451,947 treasury shares as of February 28, 2018 based on the resolution at the meeting of the Board of Directors held on February 8, 2018. Consequently, retained earnings and treasury shares decreased ¥571,179 thousand respectively during the period under review, and retained earnings amounted to ¥4,657,751 thousand at the end of the period under review.

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

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Segment information)

I For the six-month period ended March31, 2017 (October 1, 2016 to March31, 2017)

1. Information on sales and income by reportable business segment

(thousands of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Platform Business	Point Media Business	Incubation Business	Total		
Sales						
Outside Sales	9,429,677	2,979,700	1,034,586	13,433,963	—	13,443,963
Intersegment Sales or Transfer	29,400	31,581	51,383	112,365	(112,365)	—
Total	9,459,077	3,011,281	1,085,969	13,556,329	(112,365)	13,443,963
Segment Income	1,019,016	294,659	4,565	1,318,240	—	1,318,240

(Note) Segment income is adjusted on operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

In the Ad Platform Business, shares of CMerTV Inc. were acquired and said company was included in the scope of consolidation from this quarter. Also, the increased amount of goodwill caused by this event was ¥527,906 thousand for the current first consolidated cumulative quarter.

(Material profit from negative goodwill)

No significant items to be reported.

II For the six -month period ended March31, 2018 (October 1, 2017 to March 31, 2018)

1. Information on sales and income by reportable business segment

(thousands of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Platform Business	Point Media Business	Incubation Business	Total		
Sales						
Outside Sales	9,455,590	3,701,604	1,197,846	14,355,031	—	14,355,031
Intersegment Sales or Transfer	26,632	6,693	70,957	104,282	(104,282)	—
Total	9,482,212	3,708,298	1,268,803	14,459,314	(104,282)	14,353,031
Segment Income	724,683	134,571	(12,865)	846,390	—	846,390

(Note) Segment income or loss is adjusted on operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

No significant items to be reported.