English Translation
This is a translation of the original release in Japanese.
In the event of any discrepancy, the original release in Japanese shall prevail.

Financial Results for the Fiscal Year Ending September 30, 2016 〔Japanese Standards〕(Consolidated)

October 26, 2016

Listed company name:	VOYAGE GROUP, Inc.			Listed stock exchange:	TSE first section
Stock Code No.:	3688		URL:	https://voyagegroup.com/en/ir/	
Representative:	Title	President and CEO	Name:	Shinsuke Usami	
Contact:	Title	Director and CFO	Name:	Hidenori Nagaoka	TEL +81-3-5459-4226

Scheduled date of Annual General Meeting of Shareholders:	December 14, 2016
Scheduled starting date of the dividend payments:	November 30, 2016
Scheduled date to file Securities Report:	December 15, 2016
Availability of supplementary information	Yes
Holding of quarterly investors' meeting:	Yes
	(For security analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated Financial Results for the fiscal year ended September 30, 2016 (October 1, 2015 – September 30, 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	%
Year ended September 30, 2016	20,841	17.5	1,720	(23.1)	1,246	(43.1)	731	(55.6)
Year ended September 30, 2015	17,730	16.5	2,238	14.8	2,189	11.7	1,646	45.2

(Note) Comprehensive Income: Year ended September 30, 2016 : ¥ 494million (67.4%)
Year ended September 30, 2015 : ¥ 1,515 million 9.2%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	¥	¥	%	%	%
Year ended September 30, 2016	61.82	59.21	12.0	9.9	8.3
Year ended September 30, 2015	146.14	131.17	31.8	18.8	12.6

(Reference) Equity in net losses of affiliated companies: Year ended September 30, 2016 : ¥ (330) million
Year ended September 30, 2015 : ¥ (85) million

(2)Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
September30, 2016	12,537	6,332	49.3	520.94
September30, 2015	12,670	6,274	47.8	508.84

(Reference) Owned capital: September 30, 2016 6,174 million yen
September 30, 2015 6,050 million yen

(3)Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
	¥million	¥million	¥million	¥million
Year ended September 30, 2016	829	(1,145)	(701)	3,111
Year ended September 30, 2015	973	(2,608)	796	4,214

2. Dividend status

	Annual dividends					Total amount of dividends(total)	Payout ratio (consolidated)	Dividend-to-net asset ratio (consolidated)
	1Q end	2Q end	3Q end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	¥million	%	%
Year ended September 30, 2015	—	0.00	—	20.00	20.00	237	14.4	4.6
Year ended September 30, 2016	—	0.00	—	10.00	10.00	118	16.3	1.9
Year ending September 30, 2017 (Forecast)	—	0.00	—	10.00	10.00		16.9	

(Note) 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 2017 (October 1, 2016 — September 30, 2017)

(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	23,000	10.4	1,200	(30.3)	1,200	(3.7)	700	(4.3)	59.05

※ Notes

(1) Changes in significant subsidiaries during the period : None
(Change of specified subsidiaries that lead to a change in the scope of consolidation)
Newly companies: — (Company name: —)
Excluded companies: — (Company name: —)

(2) 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, please refer to "Attachment 5. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies) " on page 27.

(3) Number of shares issued (common stock)

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

Year ended September 30, 2016	11,953,100	Year ended September 30, 2015	11,890,700

2) Number of treasury stock issued and outstanding

Year ended September 30, 2016	100,000	Year ended September 30, 2015	—

3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Year ended September 30, 2016	11,836,363	Year ended September 30, 2015	11,269,180

(Reference) Summary of Financial Results (Non-Consolidated)

Results of the fiscal year ended September 30, 2016 (from October 1, 2015 to September 30, 2016)

(1)Operating results

(Amounts less than ¥million are rounded down)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Year ended September 30, 2016	3,493	(4.6)	591	(3.7)	1,740	178.9	1,725	599.4
Year ended September 30, 2015	3,660	(0.3)	614	9.2	624	14.3	246	40.5

	Net income per share	Diluted net income per share
	¥	¥
Year ended September 30, 2016	145.81	139.64
Year ended September 30, 2015	21.89	19.65

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Year ended September 30, 2016	10,073	4,270	42.4	360.27
Year ended September 30, 2015	10,360	3,070	29.6	258.19

(Reference) Equity capital: As of September 30, 2016 ¥ 4,270million, As of September 30, 2015 ¥ 3,070million

※ Notice regarding audit procedures

This 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)

Earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions judged to be reasonable. Therefore, these statements do not constitute a guarantee of achievement. Actual results may differ materially for various reasons.

For notes concerning assumptions for earnings forecasts, please refer to "Attachment 1. Analysis of Operating Results and Financial Position for the Fiscal Year under Review (3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years 2) Outlook for the Next Fiscal Year" on page 6.

(Supplementary materials)

Supplementary materials on quarterly financial results are on our website (in English and Japanese).

Attachment

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1. Analysis of Operating Results and Financial Position for the Fiscal Year 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 fiscal year under review.

(1) Analysis of Operating Results

1) Operating Results of the Fiscal Year under Review

In the fiscal year under review, the overall Japanese economy was on a gradual recovery track, showing signs of improvement in corporate earnings and the employment environment, on the back of continuous monetary easing. On the other hand, the economic outlook has increased in uncertainty in certain aspects, due to greater unpredictability in the overseas economies, caused by factors including the downturns in the Chinese economy, other emerging Asian economies and resource-rich economies, as well as the issue regarding the UK leaving the EU.

The online advertising market in which the Group operates continued to expand. According to research by Dentsu Inc., internet advertising spending was ¥1,159.4 billion (up 10.2% year on year) and performance-based advertising costs (Note 1) were ¥622.6 billion (up 21.9% year on year) in 2015. This expansion is supported by the continuous expansion of the smartphone advertising market, the rapid rise of the video advertising market, and the penetration of programmatic ad trading (Note 2).

Under these economic circumstances, the Group strived for further increases in competitiveness and sustained growth of the two mainstay business segments, Ad-Tech and Media, that it operates. The Ad-Tech segment operates ad distribution platforms while the Media segment plans and operates promotional online media such as point collection websites and point exchange websites. While the Group continued to develop a variety of new businesses in the internet services field, true to its long-standing motto of being "a business development company centered on people", it also actively engaged in M&As mainly in the Ad-Tech segment with the aim of expanding its fields of business.

As a result, the Group posted net sales of ¥20,841 million in the fiscal year under review (up 17.5% year on year). However, in the Ad-Tech segment, the competition intensified, resulting in a lower gross profit margin on top of higher upfront investment costs such as labor costs, amortization of goodwill associated with M&A, and server-related costs. Accordingly, operating income amounted to ¥1,720 million (down 23.1% year on year). Also, ¥330 million was recorded as share of loss of entities accounted for using equity method, in association with the amortization and depreciation of goodwill related to equity-method affiliates, resulting in ordinary income of ¥1,246 million (down 43.1% year on year), and net income attributable to owners of parent of ¥731 million (down 55.6% year on year).

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

Ad-Tech Business

The Ad-Tech segment mainly operates the SSP "fluct" and "Zucks" (ad distribution platform for smartphones). With the rapid spread of programmatic 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. As a result, as of the end of September 2016, more than 10,700 media have adopted "fluct" (more than 7,000 media at the end of September 2015). The number of times that advertisements are displayed via "fluct" is steadily increasing, totaling 342.7 billion times this fiscal year (up 16.0% year on year). Also, the service for advertisers "Zucks" has expanded its ad distribution in smartphone ad networks. The Group also worked in enhancing the functions of fluct, such as by enabling advertisers to directly make transactions for advertising space held by fluct's partnering publishers. This was done by transferring and integrating the product technology targeted at advertisers owned by Kauli, Inc., which the Group acquired as a consolidated subsidiary in April 2015, with the functions of fluct.

Moreover, the Group acquired GoldSpot Media Inc., a company with strengths in the production and distribution of video and rich media ads, as a consolidated subsidiary in April 2016, and Momentum K.K., a company with technologies that block inappropriate ads, help advertisers protect their brands online and prevent fraudulent ads in online ad distribution, as an equity-method affiliate in July 2016. By integrating the know-how and services owned by each company in the Group, the Group has taken steps to further expand its businesses and stimulate growth.

Consequently, the Ad-Tech segment recorded sales of ¥13,031 million in the fiscal year under review (up 32.5% year on year), and segment income of ¥1,081 million (down 17.3% year on year).

Media Business

The Media segment operates the 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. In particular, the Group focused on using smartphones to attract new members and promote usage. However, there was a delay in the modification of the "PeX" system, which was intended to improve expansibility in view of facilitating its development in the medium- to long-term, and the Group made a voluntary restriction on promotions for attracting members, in the wake of the aftermath of the Kumamoto Earthquake. Consequently, the Media segment recorded sales of ¥7,421 million in the fiscal year under review (down 3.5% year on year), and segment income was ¥615million (down 37.5% year on year).

Other Business

The Other segment primarily operates the new graduate recruitment services business and the game publishing business. New graduate recruitment services were robust with clients increasing, mainly owing to start-up companies requesting for candidates who are science and engineering students from regional universities. In the game publishing business, through a business partnership with a major overseas game developer, the Group can now introduce titles that will make a steady contribution to its revenue.

Consequently, the Other segment recorded sales of ¥694 million in the fiscal year under review (down 20.4% year on year), and segment income of ¥24 million (from segment loss of ¥52 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 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) Outlook for the Next Fiscal Year

In the online advertising market in which the Group operates, on the back of the widespread use of smartphones and the development of communications infrastructure, demand for smartphone ad placement is expected to rise, and the diversification of ad formats into rich media, videos, etc. is expected to progress further. Under such circumstances, in the Ad-Tech segment, revolving around the SSP "fluct", the Group will focus on further increasing its competitiveness and the

number of publishers who adopt it, by enhancing its functions and services as an ad distribution platform, through organically integrating the strengths of each collaborating company acquired by the Group this fiscal year.

Moreover, in the Media and Other segments, the Group will actively implement measures to expand the scale of existing businesses, as well as develop and make new businesses profitable, in order to realize the medium- to long-term growth of these segments.

However, to achieve medium- to long-term business development and growth, upfront investment costs are expected to rise. They include costs of increasing the number of staff, server-related costs, and amortization of goodwill associated with M&As.

Accordingly, for the fiscal year ending September 30, 2017, the Group forecasts net sales of ¥23,000 million, operating income of ¥1,200 million, ordinary income of ¥1,200 million, and net income attributable to owners of parent of ¥700 million.

(2) Analysis of Financial Position

1) Assets, Liabilities and Total Assets

Assets

Consolidated assets as of the end of the fiscal year under review totaled ¥12,537 million, a ¥133 million decrease from the end of the previous fiscal year, primarily due to a decrease in cash and deposits, despite increases in accounts receivable – trade and goodwill.

Liabilities

Consolidated liabilities as of the end of the fiscal year under review amounted to ¥6,205 million, a ¥191 million decrease from the end of the previous fiscal year, primarily due to decreases in long-term loans payable and income taxes payable, despite an increase in accounts payable – trade.

Net Assets

Consolidated net assets as of the end of the fiscal year under review totaled ¥6,332 million, a ¥58 million increase from the end of the previous fiscal year, primarily due to the recording of net income attributable to owners of parent, despite a decrease in valuation difference on marketable securities, and decreases due to the cash dividends paid and purchase of treasury shares.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review (hereinafter "funds") decreased ¥1,103 million from the end of the previous fiscal year to ¥3,111 million.

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

Net cash flows from operating activities

Net cash flows from operating activities amounted to ¥829 million. This was mainly attributable to an increase of ¥753 million in notes and accounts payable – trade and the recording of income before income taxes of ¥1,258 million, despite ¥1,419 million in income taxes paid and an increase of ¥403 million in notes and accounts receivable – trade.

Net cash flows from investing activities

Net cash flows used in investing activities amounted to ¥1,145 million. This was mainly attributable to purchase of investment securities of ¥283 million, purchase of shares of subsidiaries and associates of ¥439 million, purchase of property, plant and equipment of ¥95 million, and purchase of intangible assets of ¥246 million.

Net cash flows from financing activities

Net cash flows used in financing activities amounted to ¥701 million. This was mainly attributable to cash dividends paid of ¥236 million, purchase of treasury shares of ¥171 million, and repayments of long-term loans payable of ¥263 million.

(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company considers the return of profits to shareholders an important management issue. Its basic policy on return to shareholders is to continuously pay appropriate amounts of dividends, while endeavoring to raise medium- to long-term shareholder value through sustained business growth and improved capital efficiency. The dividend amount will be determined based on a comprehensive review of consolidated financial results, financial health including financing, and internal reserves for future business expansion.

For the current fiscal year (fiscal year ended September 30, 2016), the Company plans to pay a dividend of ¥10 per share. For the next fiscal year (fiscal year ending September 30, 2017), the Company also plans to pay a dividend of ¥10 per share.

(4) Risk Factors Related to the Business, etc.

Factors that may affect the Group's operating results, financial position, share price, etc. are listed below.

1) Risks Related to the Business Environment

(i) Growth potential of the online business industry

The Group provides a wide range of services both in and outside of Japan, mainly in the online business industry. As the number of internet users across the globe continues to rise, and related industries continue to expand, we expect users of services offered by the Group to increase as well. Going forward, due to reasons unforeseen by the Company, such as the introduction of new legal regulations or delays in technological innovation, the growth of the overall online business industry and related industries may slow down. As a result, in the event that users of the Group's services do not increase as expected, there may be an adverse impact on the businesses and operating results of the Group.

(ii) Trends in the online advertising market

Net sales related to online advertisements constitute a substantial portion of the Group's revenue. Advertisers tend to increase or decrease the amount of ad placements according to changes in the online advertising market and the economic situation. Due to such changes in the external environment, the Group may not be able to secure the amount of revenue as initially predicted, which may adversely affect the Group's businesses and operating results.

(iii) Competition

Propelled by the rise in the number of internet users, many corporations have entered industries related to the internet, resulting in a wide array of product categories and service formats. The Group plans to continue expanding its businesses by meeting customer needs, but there is a risk of such measures not producing their intended results, the emergence of competitors who provide revolutionary services, as well as other forms of competition. As a result, the Group's net sales may fall, the price of services may decrease, and an increase in promotional and other fees to attract users may be unavoidable, in which case the Group's businesses and operating results may be adversely affected.

(iv) Technological changes, etc. in the industry

In the online business industry in which the Group operates, progress and changes occur rapidly, particularly in the technologies field. As new products and services are frequently introduced, the Group's businesses need to respond to these changes. However, due to some unforeseen reason, if the Group's response to such a change is delayed, it is possible for a service to become obsolete, and competitiveness may be lowered. Also, even if a response can be made in a timely manner, improving existing systems and implementing new developments may increase expenses. As a result of these changes and the corresponding actions to be taken, the Group's operating results may be adversely affected.

2) Risks Related to the Business Operations

(i) Dependence on specific business partners

In the Ad- Tech segment, sales to Google, Inc., an important business partner, made up 5.9% and 13.3% of the Group's consolidated net sales in the fiscal year ended September 30, 2015 and the fiscal year ended September 30, 2016 respectively. Similarly, sales to Yahoo Japan Corporation made up 15.6% and 10.1% of the Group's consolidated net sales in the fiscal year ended September 30, 2015 and the fiscal year ended September 30, 2016 respectively. Going forward, the Group will continue maintaining favorable relationships with the said companies. However, in the event that the volume of transactions with the said companies decreases significantly, due to certain circumstances or policy changes in the said companies or some other unforeseen reason, the Group's businesses and operating results may be adversely affected.

In the Media segment, sales to Cross Marketing Inc., an important business partner, made up 5.6% and 3.9% of the Group's consolidated net sales in the fiscal year ended September 30, 2015 and the fiscal year ended September 30, 2016 respectively. Going forward, the Group will continue maintaining a favorable relationship with the said company. However, in the event that the volume of transactions with the said company decreases significantly, due to certain circumstances or policy changes in the said company, or if the number of members of the Group's online research panel do not increase as expected and the Group's competitiveness decreases compared to other companies in the industry, the Group's businesses and operating results may be adversely affected.

In addition, in the smartphone-related business of the Group, revenue is generated from advertisements placed in apps distributed through the App Store operated by Apple Inc., or through Google Play operated by Google, Inc. If the companies operating the said platforms change their business policies and it becomes difficult for the Group's services to continue, the Group's businesses and operating results may be adversely affected.

(ii) Ad-Tech Business

In the online advertising market in which the Group operates, to improve the effects of advertising, new technologies are introduced and various measures are implemented, such as by working on how advertisements are displayed and using certain sales methods. The Company will endeavor to maintain and strengthen its competitiveness by such measures as improving its ad distribution systems and adding new functions. However, in the event of the emergence of new methods or technology related to online advertisements, the ad distribution system provided by the Group may decrease significantly in competitiveness. As a result, the Group's businesses and operating results may be adversely affected.

(iii) Media Business

In the Media segment, the Group endeavors to increase the number of users through providing point-related services such as those for point collection and point exchange services for rewards. The system of point collection is carried out not only by the Company, but also by many other corporations. In the event that point usage patterns or preferences of users of the service change significantly, the Group's businesses and operating results may be adversely affected.

Also, the point collection service offered by the Company involves not only the Company's own fixed service, but also includes an inflow (exchange) of points from other partnering companies. If, due to certain reasons, the partnering companies change their strategies or policies, the Group's businesses and operating results may be adversely affected.

(iv) Business development in the smartphone field

Going forward, the usage of smartphones is expected to be increase robustly. The Group is currently working on making its computer-based services compatible with smartphones. However, if usage of smartphones to access the internet increases greatly, the Group may not be able to acquire as many users and usage time as it does on its computer-based services. As a result, the Group's businesses and operating results may be adversely affected.

(v) Expansion into new business fields

The Group has instilled its "Soul" of "360 degrees of greatness" into its management philosophy. Besides frequently going back to this starting point, the Group also continues growing the business by creating many new services, and entering new business fields in a timely manner. However, in order to realize such business development, the Group has to be exposed to risk factors inherent in new business fields. Therefore, even if it is not stated here, a factor may become a risk factor for the Group. Moreover, to incorporate a new business into the Group, additional investments, such as the recruitment of new personnel, purchases or development of new systems, and strengthening of the sales structure, may be necessary. It is also possible that a long period of time may be needed for the new business to generate stable revenue.

Also, depending on the speed of expansion and scale of growth of the new business's market, the results achieved may not meet the initial expectations. As a result, it may be inevitable to stop operations of the said business and pull out of the market, and losses associated with the disposal or amortization of the said business's assets may be incurred. In the event that such losses are incurred, the Group's operating results and financial position may be adversely affected.

(vi) Handling of personal information

While respecting the personal information and privacy of users, most of the Group's businesses use information from cookies (Note) of internet users and original identifiers to provide useful targeted advertisements and information to users.

However, in the future, as international regulations on data transmitted across country borders are tightened, regulations regarding the handling of personal information, including privacy, may change. If such a change occurs, the Group's businesses and operating results may be adversely affected.

(Note) A cookie is data temporarily stored in the visitor's computer by the website provider via the web browser. By using information stored in the cookie, if the website is accessed from the same web browser, browsing history within the website, such as the time and date of each visit and the number of visits, can be recorded.

(vii) Business partnerships and M&As

The Group holds that partnerships in business operations and capital, joint ventures, M&A, etc. are effective methods of expanding the business. By integrating the business operational know-how of the Group and the target firm, the Group strives to create greater synergy. However, in the event that the initially predicted effects are not achieved or the partnership is dissolved, the Group's businesses, operating results and financial position may be adversely affected.

In the case of M&As, a detailed examination of the financial status of the target firm and the contract is conducted and risk factors are thoroughly considered before the M&A is decided. However, if problems undetected during the prior investigation arise, such as contingent liabilities arising after the acquisition or the discovery of unrecognized debt, the business may not be able to develop according to plan, and it may be necessary to amortize goodwill. As a result, the Group's businesses, operating results and financial position may be adversely affected.

3) Risks Related to the Operating Structure of the Business

(i) Dependence on a specific executive

If the director including President and CEO and the middle management member with extensive knowledge, technology and experience for professional retire for any reason, the Group's businesses, operating results and financial position may be adversely affected.

(ii) Securing and nurturing competent personnel

The Group's businesses require personnel who possess expertise in a wide range of fields besides engineers who can build and maintain systems. As the Group continues expanding into new business fields, it is necessary to continue recruiting personnel accordingly. Currently, the

Group does not recognize any major problem in the recruitment of personnel. However, in the future, as the competition in acquiring personnel in each field and region intensifies, and market needs change, it may become difficult to recruit talented personnel, or there may be an outflow of such personnel from the Group. As a result, the Group's businesses, operating results and financial position may be adversely affected.

(iii) Internal control system

To maximize the Group's corporate value, the Group is implementing a wide range of measures to strengthen its corporate governance. To ensure that business operations are conducted appropriately and the credibility of its financial statements, the Group is building, improving and running a structure that allows internal control, related to the above goals, to function effectively. However, if the construction of the internal control system cannot fully catch up to the rapid expansion of the businesses, it may be difficult to conduct business operations appropriately. As a result, the Group's businesses, operating results and financial position may be adversely affected.

4) Risks Related to Compliance

(i) Possibility of application of legal regulations

In each business developed by the Group, there are restrictions due to various laws, guides by the supervising authorities, and guidelines. These laws include "Act on Prohibition of Unauthorized Computer Access", "Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders", "Act on Specified Commercial Transactions", "Act on Regulation of Transmission of Specified Electronic Mail", "Consumer Contract Act", "Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors", "Telecommunications Business Act", "Employment Security Act" and "Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People". When such laws are enacted or amended, licenses are cancelled or revoked by the supervising authorities, new guidelines or independent regulations are formulated or amended, there may be new restrictions on the Company's businesses, such as regarding the handling of personal information, and the crediting and management of points. As a result, the Group's businesses, operating results and financial position may be adversely affected.

(ii) Possibility of lawsuits and other legal actions

As the Group develops its businesses, the Group may become embroiled in an illegal act or problem by a seller, buyer, participant, or other user; a user may illegally or maliciously post information that infringes on the right of a third party; or a system failure may cause damage to sellers, buyers, participants, other users, or consumers. In such cases, the Group may be involved in a lawsuit, and may have to pay for damages, etc. Also, as the history of the internet itself is relatively short, new business risks may arise, or latent business risks may surface, which may lead to lawsuits or other legal actions that are not anticipated at present.

On the other hand, if a third party infringes on the right of the Group or causes the Group to incur a loss, the Group may not be protected from the infringement by the third party, or may require a large amount of expenses to protect its rights in a lawsuit. In such a case, depending on the details of the lawsuit and the amount of the damages, the Group's businesses, operating results and financial position may be adversely affected.

5) Risks Related to Intellectual Property Rights

The software, systems and digital contents that the Group uses in the process of conducting its business do not infringe on the intellectual property rights of any third party. However, due to an unforeseen circumstance or an error, the Group may infringe on the intellectual property rights of a third party, or the Group may be accused of infringement regarding the technology and digital contents that it uses. Therefore, fees or losses may be incurred to prevent or to resolve such conflicts.

Also, in the future, restrictions may be set on the specific digital contents and services provided by the Group or the usage of specific technologies. As a result, the Group's businesses, operating results and financial position may be adversely affected.

6) Risks Related to Information Security

As a Business Operator Handling Personal Data, the "Act on the Protection of Personal Information" applies to the Group. Currently, the Group's main services require users to register as members, and therefore acquire information that can personally identify each user, including their address, name, gender and age. Regarding the management of such information, the Group pays utmost attention to privacy and the protection of personal information, conducting information management appropriately, by following the guidelines for each service stipulated by law, governmental organizations, trade associations, etc. The Company and its major subsidiaries have been certified with the "Privacy Mark", and continue to hold it as of the date of publication. However, there may be an external invasion by a virus or other illegal means into the system, a system fault, a mistake by the executives, employees, or a business partner, or a natural disaster. Therefore, the possibility of information leaking out is not null. Due to the above, the Group may become involved in a legal dispute, or trust in the Group may be lowered, adversely affecting the Group's businesses and operating results.

7) Risks Related to Communication Network Systems and Other Systems

Many of the Group's businesses rely on communication networks that link systems. The Group outsources a part of the important network-related tasks, such as connecting to the internet and server management. Natural disasters or accidents, a temporary server overload due to heavy traffic, etc., a problem in the outsourced company's communication network, or a defect in the software or hardware of the Group, a business partner, a customer or other user, may cause the Group or the provider's server to become inoperable, which may prevent the Group's services from being provided normally, or even stop the system.

Also, there may be crimes such as an external invasion by a virus or other illegal means into the system, or a mistake by the executives or employees, resulting in an overwrite of the Group's services or inoperable services, inappropriate usage of the Company's services, deleting of important data or illegal obtainment of data. A terminated transaction due to a server defect or inoperability represents a lost opportunity to receive revenue, trust in the Group's system may be lowered, and compensation for damages may be claimed. Moreover, the Group may be subject to administrative sanctions by the supervising authorities. If the Company's services are used inappropriately, but there is no suitable way to claim for compensation, the Group will incur a loss. As a result, the Group's businesses and operating results may be adversely affected.

8) Risks Related to Disasters, Strife and Accidents

In the event that natural disasters such as earthquakes, typhoons, and tsunamis, fires, blackouts, the spread of an unknown contagious disease, or international strife occurs, the Group's business operations may be severely affected.

If a large-scale natural disaster occurs in the metropolitan area of Japan, the Group's main operating base, the provision of services may inevitably have to be stopped temporarily. As a result, this may impair the trust in the Company and its brand image, and adversely affect the Group's operating results and financial position.

As a precaution in case a natural disaster occurs, the Group has considered and made various preparations to respond to an emergency, such as by formulating a business continuation plan. However, there is no guarantee that the Group can completely prevent the impact of the various

disasters, and if the damage to property and human lives is immense, it may be difficult or even impossible to continue operating the business.

9) Risks Related to Global Business Development

The Group has overseas bases in the Philippines and Singapore, and plans to continue building up its global business in the future.

When conducting business globally, there are all sorts of latent risks, related to the region's language and geographical factors, legal, tax and other regulations, economic and political instability, and differences in common business practices. Also, competition may be harsh against competitors with a competitive advantage in a specific country or region, or globally. Moreover, regulations by the overseas government may change suddenly.

If the Group is unable to respond to such changes or risks, the Group's global businesses and operating results may be adversely affected. In the global development of a business, besides establishing a corporation or starting up a business, recruiting personnel, and incurring system development fees locally, if there are changes to the business model for strategic reasons, additional expenses will be incurred, which may temporarily put a pressure on the Group's revenue. For a new business base to produce a stable stream of revenue, a certain amount of time is expected to be necessary. As a result, upfront investments related to the new base may take a certain amount of time to recover, which may adversely affect the Group's operating results and financial position.

10) Risks Related to Share Price Dilution due to the Exercise of Subscription Rights to Shares

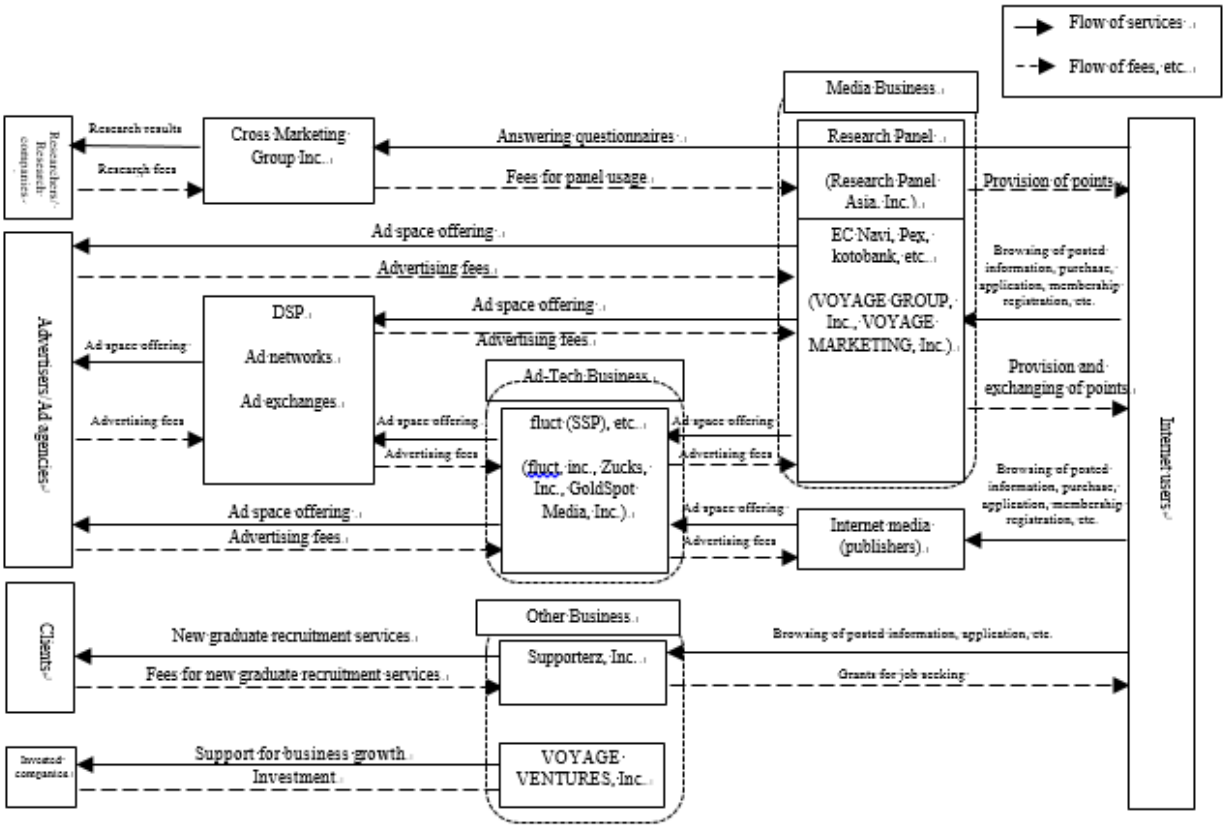
While the Company strives to carry out management with the aim of raising corporate value, to raise the motivation of the executives in improving the Group's performance, stock options (subscription rights to shares) are issued. As of September 2016, there are 707,400 dilutive shares arising from subscription rights to shares, which make up 5.9% of the total number of shares issued: 11,953,100 shares. In the future, if these subscription rights to shares are exercised, the per share value of the Company's shares may be diluted.

2. Corporate Group Structure

As of September 30, 2016, the Group (the Company, its consolidated subsidiaries and equity-method affiliates) consists of the Company (VOYAGE GROUP, Inc.), 15 consolidated subsidiaries, and 7 equity-method affiliates.

The Group has two mainstay business segments, Ad-Tech and Media. The Ad-Tech segment operates ad distribution platforms such as the SSP "fluct," which helps website and smartphone application publishers maximize their advertising revenue. The Media segment plans and operates promotion related online media, centering on the point collection website "EC Navi" and the point exchange website "PeX". In addition, capitalizing on its accumulated expertise in developing online businesses, the Group operates the new graduate recruitment services business "Supporterz" and several other businesses in the Other segment.

[Business Structure]



3. Management Policy

(1) Basic Policy on Corporate Management

The Group will develop a variety of businesses in the internet field as “a business development company centered on people”, by adhering to a management philosophy that comprises its “Soul” of “360 degrees of greatness”, based on its founding principle of “Do great things that can change the world” and it’s “Creed”, which outlines its eight valued principles.

(2) Targeted Management Indicators

The Group has set financial indicators such as net sales and operating income as indicators of growth potential and operating efficiency, in order to achieve sustained business growth and maintain a high level of operating efficiency.

(3) Medium- to Long-Term Corporate Management Strategy

After laying the foundation for its operations through the Media business, the Group used that experience and experience to expand into the field of the Ad-Tech business, and now operates both businesses.

The Group currently operates several businesses. Going forward, in order to continue expanding into new business fields, it is imperative for the Group to seek a good balance between stimulating growth in its existing businesses, and developing businesses in new fields based on the experience and know-how accumulated through its past experiences in business development.

To achieve that, the Group has to strengthen and evolve its operations more than ever before, in areas such as adoption rate improvement, as well as the formation and maintenance of an organizational culture that can quickly respond to changes in the business environment. The Group will also strive to raise its medium- to long-term corporate value by further enhancing its corporate governance and its management and business administration structures.

(4) Corporate Challenges to be Addressed

1) Expand share in SSP market, and improve advertising platforms

While expanding its share in the market of SSP (Supply Side Platform) among platforms that maximize advertising revenues for media, the Group has endeavored to automate and optimize ad distribution from the media’s perspective. Going forward, the Group will aim to make advertising platforms that solve problems and meet the needs of not only media publishers but also of advertisers.

2) Expand existing media, and create new media

The Group has expanded its Media segment by focusing on promotional media that utilize points, such as EC Navi and PeX. Going forward, besides expanding the scale of each medium, the Group will also continue striving for growth in the Media segment by considering the possibility of creating new media, M&As, etc., through business partnerships and collaborations.

3) Actively invest in new business fields, and expand the scope of business

The Group has actively considered expanding its scope of business through methods such as developing businesses or M&As in fields outside of its “Ad-Tech segment” and “Media segment”. Going forward, as a “business development company centered on people”, in addition to stimulating growth in existing businesses, the Group will also actively make efforts to develop a variety of new businesses.

4. Basic Stance on the Choice of Accounting Standards

After considering the possibility of comparisons of financial statements between periods and between companies, the Group has decided to continue formulating its consolidated financial statements based on Japanese accounting standards for the time being.

In the future, the Group may consider adopting international accounting standards, depending on the percentage of overseas shareholders, and the adoption rate of international accounting standards of other companies in the same industry in Japan.

5. Consolidated Financial Statements

(1)Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	4,214,297	3,111,249
Accounts receivable - trade	2,460,910	2,890,778
Supplies	505,466	406,166
Deferred tax assets	268,312	175,409
Other	361,545	782,139
Allowance for doubtful accounts	△6,953	△4,102
Total current assets	7,803,577	7,361,641
Non-current assets		
Property, plant and equipment		
Buildings	203,105	216,547
Accumulated depreciation	△162,459	△182,225
Buildings, net	40,645	34,322
Tools, furniture and fixtures	513,772	566,878
Accumulated depreciation	△328,077	△409,581
Tools, furniture and fixtures, net	185,695	157,297
Vehicles	896	731
Accumulated depreciation	△74	△426
Vehicles, net	821	304
Total property, plant and equipment	227,162	191,924
Intangible assets		
Goodwill	1,271,363	1,632,784
Other	367,833	434,332
Total intangible assets	1,639,197	2,067,117
Investments and other assets		
Investment securities	2,660,270	2,425,335
Deferred tax assets	97,887	239,607
Other	255,918	267,500
Allowance for doubtful accounts	△13,039	△15,457
Total investments and other assets	3,001,037	2,916,986
Total non-current assets	4,867,396	5,176,027
Total assets	12,670,974	12,537,668

(Thousands of yen)

	As of September 30, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	1,364,262	2,120,404
Current portion of long-term loans payable	250,008	233,320
Provision for point card certificates	2,690,272	2,704,451
Income taxes payable	533,744	—
Other	639,910	480,258
Total current liabilities	5,478,197	5,538,433
Non-current liabilities		
Long-term loans payable	773,310	539,990
Asset retirement obligations	50,729	50,736
Other	94,630	76,000
Total non-current liabilities	918,669	666,726
Total liabilities	6,396,867	6,205,159
Net assets		
Shareholders' equity		
Capital stock	989,552	1,000,786
Capital surplus	969,647	931,499
Retained earnings	3,396,596	3,890,585
Treasury shares	—	△171,537
Total shareholders' equity	5,355,796	5,651,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	681,840	535,161
Foreign currency translation adjustment	12,822	△11,689
Total accumulated other comprehensive income	694,662	523,471
Non-controlling interests	223,647	157,703
Total net assets	6,274,107	6,332,508
Total liabilities and net assets	12,670,974	12,537,668

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

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Net sales	17,730,377	20,841,893
Cost of sales	11,168,504	14,420,836
Gross profit	6,561,872	6,421,057
Selling, general and administrative expenses	4,323,765	4,700,132
Operating income	2,238,107	1,720,925
Non-operating income		
Interest income	2,168	3,003
Dividend income	15,135	18,060
Foreign exchange gains	40,323	—
Subsidy income	1,200	2,698
Insurance return	8,000	—
Other	12,709	1,797
Total non-operating income	79,537	25,559
Non-operating expenses		
Interest expenses	3,334	3,190
Foreign exchange losses	—	154,273
Share of loss of entities accounted for using equity method	85,626	330,085
Market change expense	23,991	—
Other	15,691	12,566
Total non-operating expenses	128,643	500,116
Ordinary income	2,189,001	1,246,368
Extraordinary income		
Gain on sales of investment securities	6,750	24,565
Gain on step acquisitions	—	49,257
Gain on change in equity	393,836	—
Total extraordinary income	400,586	73,823
Extraordinary losses		
Loss on sales of non-current assets	5,484	—
Loss on retirement of non-current assets	10,485	4,140
Loss on valuation of investment securities	—	39,979
Loss on valuation of shares of subsidiaries and associates	27,738	—
Loss on liquidation of subsidiaries and associates	14,883	993
Impairment loss	20,905	16,306
Total extraordinary losses	79,497	61,420
Profit before income taxes	2,510,090	1,258,771
Income taxes - current	878,189	411,261
Income taxes - deferred	33,557	181,998
Total income taxes	911,747	593,259
Profit	1,598,343	665,511
Loss attributable to non-controlling interests	△48,586	△66,291
Profit attributable to owners of parent	1,646,930	731,803

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Profit	1,598,343	665,511
Other comprehensive income		
Valuation difference on available-for-sale securities	△74,234	△146,678
Foreign currency translation adjustment	△7,471	△8,075
Share of other comprehensive income of entities accounted for using equity method	△818	△16,264
Total other comprehensive income	△82,525	△171,018
Comprehensive income	1,515,818	494,493
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,564,378	560,612
Comprehensive income attributable to non-controlling interests	△48,560	△66,119

(3)Consolidated Statements of Changes in Equity

Year ended September 30, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	924,627	904,722	1,722,593	－	3,551,943
Changes of items during period					
Change of scope of consolidation			27,072		27,072
Dividends of surplus					
Issuance of new shares - exercise of subscription rights to shares	64,925	64,925			129,850
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Profit attributable to owners of parent			1,646,930		1,646,930
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	64,925	64,925	1,674,002	－	1,803,852
Balance at end of current period	989,552	969,647	3,396,596	－	5,355,796

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	756,075	13,653	769,728	1,083	236,190	4,558,945
Changes of items during period						
Change of scope of consolidation						27,072
Dividends of surplus						
Issuance of new shares - exercise of subscription rights to shares						129,850
Change in treasury shares of parent arising from transactions with non-controlling shareholders						
Profit attributable to owners of parent						1,646,930
Purchase of treasury shares						
Net changes of items other than shareholders' equity	△74,234	△830	△75,065	△1,083	△12,542	△88,690
Total changes of items during period	△74,234	△830	△75,065	△1,083	△12,542	1,715,161
Balance at end of current period	681,840	12,822	694,662	－	223,647	6,274,107

Year ended September 30, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	989,552	969,647	3,396,596	－	5,355,796
Changes of items during period					
Change of scope of consolidation					
Dividends of surplus			△237,814		△237,814
Issuance of new shares - exercise of subscription rights to shares	11,234	11,234			22,468
Change in treasury shares of parent arising from transactions with non-controlling shareholders		△49,383			△49,383
Profit attributable to owners of parent			731,803		731,803
Purchase of treasury shares				△171,537	△171,537
Net changes of items other than shareholders' equity					
Total changes of items during period	11,234	△38,148	493,989	△171,537	295,536
Balance at end of current period	1,000,786	931,499	3,890,585	△171,537	5,651,333

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	681,840	12,822	694,662	－	223,647	6,274,107
Changes of items during period						
Change of scope of consolidation						
Dividends of surplus						△237,814
Issuance of new shares - exercise of subscription rights to shares						22,468
Change in treasury shares of parent arising from transactions with non-controlling shareholders						△49,383
Profit attributable to owners of parent						731,803
Purchase of treasury shares						△171,537
Net changes of items other than shareholders' equity	△146,678	△24,511	△171,190	－	△65,944	△237,135
Total changes of items during period	△146,678	△24,511	△171,190	－	△65,944	58,401
Balance at end of current period	535,161	△11,689	523,471	－	157,703	6,332,508

(4)Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	2,510,090	1,258,771
Depreciation	206,512	271,802
Impairment loss	20,905	16,306
Amortization of goodwill	58,060	158,544
Increase (decrease) in allowance for doubtful accounts	5,022	693
Increase (decrease) in provision for point card certificates	112,841	14,179
Interest and dividend income	△17,304	△21,063
Interest expenses	3,334	3,190
Loss (gain) on sales of non-current assets	5,484	—
Loss on retirement of non-current assets	10,485	4,140
Loss (gain) on step acquisitions	—	△49,257
Loss (gain) on valuation of investment securities	—	39,979
Loss (gain) on sales of investment securities	△6,750	△24,565
Loss (gain) on liquidation of subsidiaries and associates	14,883	993
Loss on valuation of shares of subsidiaries and associates	27,738	—
Share of (profit) loss of entities accounted for using equity method	85,626	330,085
Loss (gain) on change in equity	△393,836	—
Decrease (increase) in notes and accounts receivable - trade	△207,573	△403,736
Decrease (increase) in inventories	△80,808	101,720
Increase (decrease) in notes and accounts payable - trade	246,759	753,276
Other, net	△59,160	△224,251
Subtotal	2,542,311	2,230,810
Interest and dividend income received	13,434	21,129
Interest expenses paid	△3,415	△3,287
Income taxes paid	△1,578,847	△1,419,567
Net cash provided by (used in) operating activities	973,483	829,085
Cash flows from investing activities		
Purchase of property, plant and equipment	△162,793	△95,854
Purchase of intangible assets	△304,971	△246,567
Purchase of investment securities	△229,692	△283,758
Proceeds from sales of investment securities	10,500	4,459
Purchase of shares of subsidiaries and associates	△576,726	△110,198
Payments for lease and guarantee deposits	△72,082	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△1,272,055	△439,344
Proceeds from collection of lease and guarantee deposits	—	17,839
Other, net	△527	8,086
Net cash provided by (used in) investing activities	△2,608,349	△1,145,338

(Thousands of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△100,000	△2,500
Proceeds from long-term loans payable	1,000,000	—
Repayments of long-term loans payable	△269,722	△263,758
Proceeds from exercise of share options	128,767	23,848
Cash dividends paid	—	△236,461
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△50,763
Purchase of treasury shares	—	△171,537
Proceeds from share issuance to non-controlling shareholders	37,687	—
Net cash provided by (used in) financing activities	796,732	△701,172
Effect of exchange rate change on cash and cash equivalents	6,255	△85,622
Net increase (decrease) in cash and cash equivalents	△831,878	△1,103,047
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	△38,984	—
Cash and cash equivalents at beginning of period	5,085,159	4,214,297
Cash and cash equivalents at end of period	4,214,297	3,111,249

(5) Notes to Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

No applicable items.

(Important Items Forming Basis for Creation of Consolidated Financial Statement)

1. Items related to the scope of consolidation

(1) Number of consolidated subsidiaries: 15

Major consolidated subsidiaries:

VOYAGE MARKETING Inc. fluct Inc. Zucks Inc.

GoldSpot Media Inc. was included in the scope of consolidation since the current fiscal year due to the additional equity acquisition.

Another company was added to the scope of consolidation due to its establishment.

Research Panel Asia Inc. and other three companies were excluded from the scope of consolidated subsidiaries with the completion of liquidation or with the merger among consolidated subsidiaries.

(2) Name of major nonconsolidated subsidiaries:

Beach House Ajito Ltd. and five other subisidiaries

All the nonconsolidated subsidiaries were excluded from the scope of consolidation because of their small scale and because of little impact of their total net assets, sales, current term net profit and loss (worth of shareholding ratios), and accumulated earnings (worth of shareholding ratios) on the consolidated financial statement.

2. Items related to the application of equity method

(1) Number of affiliated companies to which an equity method is applied: 7

Name of major companies:

Marketing Applications, Inc. DO HOUSE Inc. media vague Co.Ltd., logly Inc.

SYNC GAMES, Inc. Momentum K.K.

GoldSpot Media Inc. became an equity method affiliate through underwriting third-party allotment of new shares. However due to the additional equity acquisition in this fiscal year, GoldSpot Media Inc. was included in the scope of consolidation and excluded from the scope of equity method.

SYNC GAMES, Inc. became an equity method affiliate through underwriting third-party allotment of new shares. Momentum K.K. became an equity method affiliate through the share transactions

Another company was included in the scope of equity method affiliate due to its establishment.

Another company was excluded from the scope of equity method affiliate due to selling the sale of its shares.

(2) Nonconsolidated subsidiaries and affiliates to which equity method is not applied:

Beach House Ajito Ltd. and five other subisidiaries

All the nonconsolidated subsidiaries were excluded from the scope of consolidation because of their small scale and because of little impact of their total net assets, sales, current term net profit and loss (worth of shareholding ratios), and accumulated earnings (worth of shareholding ratios) on the consolidated financial statement.

(3) The fiscal year end of all affiliated companies to which an equity method

The affiliates that have different closing dates are included in the consolidated financial statements based on their financial statements as of September 30, 2016 through the temporary settlement of accounts are used.

3. Matters related to fiscal year of consolidated subsidiaries.

The fiscal year-end of consolidated subsidiaries coincides with the consolidated account closing date.

4. Accounting policies

(1)Summary of significant accounting policies

Ⅰ. Securities and other securities

Securities having market value:

Market value method based on market prices, etc. as of the closing date of the fiscal year (valuation discrepancies are treated by total direct capitalization method and the cost of sales is determined by the moving average method).

Non-marketable securities:

Moving average cost method.

Ⅱ.Inventories

Stores

The cost method determined by the specific identification method

(accounting procedure for write-down due to decreased profitability)

(2)Depreciation and amortization of significant noncurrent assets

Ⅰ. Tangible fixed assets (excluding leased assets)

Depreciation is computed using the declining balance method.

The useful lives of property and equipment are listed below.

5 years for buildings

3 to 15 years for machinery, equipment and fixtures

Ⅱ. Intangible assets and goodwill (excluding leased assets)

Depreciation is computed using the straight-line method.

Depreciation of software for internal use is calculated based on the usable period (three years).

(3) Standards for major allowances

Ⅰ. Allowance for doubtful accounts

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case.

Ⅱ. Point reserve account

In order to prepare for the future cost generating from the utilization of points that customers have earned under the point services such as “EC- Navi” , “Pex” and other its point program, based on its past experience, the Company reserves an amount considered appropriate to cover possible utilization of the points during or after the next consolidated fiscal year.

(4) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated money claims and liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at spot exchange rates as of the consolidated fiscal year end date, with translation differences recognized as gains or losses.

The profit and loss of consolidated subsidiaries are translated into yen at the average spot rate during the period and the translation difference is accounted for by including the amounts in the total valuation and translation adjustments account and minority interests in net assets.

(5) The amortization method and amortization period for goodwill

Goodwill and negative goodwill is evenly amortized over five to ten years.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

These consist of cash on hand, deposits available for withdrawal on demand, and short-term investments easily liquidated subject to minor risk of fluctuations in value and redeemable within three months from the date of acquisition.

(7) Other important matters for preparation of consolidated financial statements

Accounting treatment of Consumption Tax, etc.

In relation to consumption tax and regional consumption tax the Companies adopt the tax-exclusive method.

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations, etc.)

The Company has applied the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013) and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issues on September 13, 2013) from the first quarter of the current fiscal year. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the first quarter under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation of quarterly net income, etc., was changed.

In order to reflect the changes in the presentation, certain reclassifications have been made to the quarterly consolidated financial statements with respect to the first quarter of the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations, etc. in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter under review.

The effect of the depreciation on earnings in the current fiscal year is small.

(Change in reporting method)

(Consolidated statements of income)

The category of "Subsidy income", which was included and listed in "Others" under non-operating income in the previous fiscal year, have increased in importance, the Company has decided to report this item separately beginning from the current consolidated fiscal year. Subsidy income (1,200 thousands yen for the previous fiscal year) an item included in "Other" under "Non-operating income" in the previous fiscal year, is presented separately from the current fiscal year.

(Segment information, etc.)

【Segment information】

1. Outline of reportable segments

Reportable segments of the Company, are the units of our group company of which financial information is obtainable separately, and are the objectives for our managements to review regularly to reallocate its management resources and evaluate business performance.

The Company has established business divisions classified by services at the headquarters and each business division devises comprehensive strategies for services and deploys its business activities.

The Company thus consists of segments characterized by subsidiaries or services based on the business divisions, and 3 segments, “Ad-Tech Business”, “Media Business”, and “Other Internet Business” are treated as reportable segments.

The major operations and services of each segment are as follows.

Reportable segment	Major operation and services in each segment:
Ad- Tech Business	SSP ”fluct” Ad-Platform for smartphone “Zucks” etc.
Media Business	Point site ”EC Navi”　Pont Exchange Platform “PeX” Free internet encyclopedia “Cotobank” etc.
Other Internet Business	Support graduate recruiting services business etc.

2. Method used to calculate the amount of revenues, profit or loss, asset, and other items of each reportable segment

The accounting method applied for reporting segments is the same that described in “Changes in Significant Basic Items for Consolidated Financial Statements.

Income by business segments reported are calculated based on operating income. Internal revenue and transfer to revenue between segments are based on the market realized price.

3. Information on revenues, profit or loss, asset, and other items of each reportable segment

Year Ended Sptember30,2015 (October1, 2014 to September 30, 2015)

(In thousand yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Tech Business	Media Business	Other Internet Business	Total		
Sales						
Outside Sales	9,782,803	7,097,255	850,318	17,730,377	—	17,730,377
Intersegment Sales or Transfer	50,674	596,825	21,602	669,101	(669,101)	—
Total	9,833,477	7,694,080	871,921	18,399,478	(669,101)	17,730,377
Segment Income (or Loss) (△)	1,306,465	984,394	(52,752)	2,238,107	—	2,238,107

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

Year Ended Sptember30,2016 (October1, 2015 to September 30, 2016)

(In thousand yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Tech Business	Media Business	Other Internet Business	Total		
Sales						
Outside Sales	12,976,665	7,199,138	666,089	20,841,893	—	20,841,893
Intersegment Sales or Transfer	54,646	222,414	28,295	305,356	(305,356)	—
Total	13,031,312	7,421,552	694,385	21,147,250	(305,356)	20,841,893
Segment Income (or Loss) (△)	1,081,080	615,478	24,366	1,720,925	—	1,720,925

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

【Related Information】

Year ended September 30, 2015 (October 1, 2014 to September 30, 2015)

1. Information by products and services

Disclosure of these information is omitted because same kind of information is disclosed in segment information.

2. Information by area

(1) Sales

Information about sales is omitted because our domestic sales accounted for more than 90% of consolidated sales.

(2) Tangible Fixed Assets

Information of Tangible Fixed Assets has been omitted because the tangible fixed asset located in Japan excesses 90% of total tangible fixed assets on the balance sheet.

3. Information by major customers

(In thousand yen)

Customers	Sales	Related Segment
Yahoo Japan Corporation	2,765,422	Ad Tech Business

Year ended September 30, 2016 (October1, 2015 to September 30, 2016)

1. Information by products and services

Disclosure of these information is omitted because same kind of information is disclosed in segment information.

2. Information by area

(1) Sales

Information about sales is omitted because our domestic sales accounted for more than 90% of consolidated sales.

(2) Tangible Fixed Assets

Information of Tangible Fixed Assets has been omitted because the tangible fixed asset located in Japan excesses 90% of total tangible fixed assets on the balance sheet.

3. Information by major customers

(In thousand yen)

Customers	Sales	Related Segment
Google Inc.	2,766,962	Ad Tech Business
Yahoo Japan Corporation	2,102,506	Ad Tech Business

Sales for Google Inc. include the sales for Google Asia Pacific Pte.Ltd.
Sales for Yahoo Japan Corporation include the sales for Yahoo! Inc. and Yahoo Asia Pacific Pte.Ltd.

(Information per Share)

Year ended September 30, 2015 (October 1, 2014 to September 30, 2015)		Year ended September 30, 2016 (October 1, 2015 to September 30, 2016)	
Equity per share (yen)	508.84	Equity per share (yen)	520.94
Net income per share (yen)	146.14	Net income per share (yen)	61.82
Net income per share –fully diluted (yen)	131.17	Net income per share –fully diluted (yen)	59.21

(Notes) The base on equity per share is summarized in the following table.

	Year ended September 30, 2015 (October 1, 2014 to September 30, 2015)	Year ended September 30, 2016 (October 1, 2015 to September 30, 2016)
Net income per share (yen)		
Net Income per share attributable to owners of the parent company (thousands yen)	1,646,930	731,803
Amount not attributable to ordinary Shares (thousands yen)	—	—
Net income attributable to owners of the parent company related to ordinary shares (thousands yen)	1,646,930	731,803
Weighted average number of shares outstanding (shares)	11,269,180	11,836,363
Net income per share-fully diluted (yen)		
Net Income per share attributable to owners of the parent company-fully diluted (thousands yen)	—	—
Increase in ordinary shares (thousands shares)	1,285,717	522,936
(Convertible Bond (thousands shares))	(1,285,717)	(522,936)
Refer to latent shares outstanding that have not been included in the calculation for net income per share-fully diluted as no dilution has taken place.	—	—

(Significant Subsequent Events)

Acquisition of a company, etc. through purchase of shares

At a meeting of the Board of Directors held on September 26, 2016, the Company resolved to acquire shares of CMerTV, Inc. ("CMerTV"), a company engaging in the video advertising distribution business, to make it a consolidated subsidiary, and subsequently acquired the shares of CMerTV on October 3, 2016.

1. Purposes

CMerTV engages in the development of an online video advertising distribution platform and its distribution. Since its foundation at the dawn of video advertising, CMerTV has drawn on the opinions of TV commercial advertisers in its development, with initiatives that respect the copyrights of advertising materials. Achieving a major automobile brand as its first client, CMerTV has since accumulated an attractive track record with clients that have nationwide market reach. CMerTV is highly reputed as a video distribution operator for branding advertisements attuned to the age of mobile devices.

For the purpose of further establishing its presence in the video advertising market for mobile devices, which has abundant growth potential, the Company has decided to acquire shares representing 58.39% of the total number of shares issued of CMerTV from its existing shareholders in the amount of ¥680 million, thereby making it a consolidated subsidiary. The acquisition price is determined upon consultation with the counterparty within the scope of evaluation results obtained from a third party with no special interests in the Company or other relevant parties, based on comparable company analysis, DCF and other methods.

The Group possesses the largest number of online media networks in Japan. Integrating them with the video distribution know-how and services of CMerTV will accelerate various initiatives in the online video advertising market. The Group will thereby strive to expand business and enhance customer satisfaction by further strengthening its competitiveness and improving its added value.

2. Counterparty of the acquisition

Technologies Ventures No. 3 Investment Limited Partnership and five other companies

3. Summary of the acquired company as of October 26, 2016

(1) Company name: CMerTV, Inc.
(2) Office: Shin-Yurakucho Building, 1-12-1 Yurakucho, Chiyoda-ku, Tokyo
(3) Name and title of representative: Akira Igarashi, Representative Director
(4) Main business: Operation, planning, and design of portal sites for video commercials; video advertising distribution; video production and editing
(5) Scale of business as of March 31, 2016:

Net assets:	¥264 million
Total assets:	¥464 million
Net sales:	¥708 million
Operating income:	¥21 million
Net income:	¥20 million

4. Schedule of share acquisition

October 3, 2016

5. Number of shares acquired, acquisition price and percentage of shareholding after the acquisition

(1) Number of shares acquired: 40,000 shares (Number of voting rights: 40,000)
(2) Acquisition price: ¥680 million
(3) Percentage of shareholding after the acquisition: 58.39%