

SIR Corporate REPORT

November 4th , 2015

enish inc. (TSE 1st section : 3667)



Business profile

- Designs, develops and operates social apps games.
- For its current apps (browser games), enish has an edge in management simulation games, including “My Restaurant (*Bokuno resutoran*)” series, which has a long life time value. These games also attract female users, which is also a strength of the company.
- Operations of native apps released last year have been outsourced to other companies.
- While release of come native apps have been delayed to Q4, those scheduled to be released this fiscal year are being made one by one.



**Performance of the newly released apps will be key,
moving forward** (Review for Q3 FYE December 2015)

《Overview》 PL statement for Q3 FYE Dec. 2015

(UNIT; Million Yen)

	FY15 3Q	FY14 3Q	YOY(%)	FY15 2Q	QOQ (%)
Sales	1,312	1,569	▲16.4%	1,360	▲3.5%
Cost of Sales	1,279	1,272	+0.5%	1,495	▲14.5%
Gross Profit	33	297	▲88.8%	▲135	—
SGA Costs	199	233	▲14.6%	341	▲41.7%
Operating Profit	▲165	63	—	▲476	—
OP Margin	▲12.6%	4.1%	—	▲35.1%	—
Ordinary Profit	▲171	66	—	▲477	—
Profit Before Tax	▲170	66	—	▲637	—
Net Profit	▲170	38	—	▲942	—

Overview of results

(Sales) Sales was 1,312 million yen, a 16.4% decline yoy (a 3.5% decline qoq). This decline in overall sales matches the decline in sales for current browser apps (ie. games for feature phones) (this will be mentioned later in the report), which was 3.3% qoq; what this shows is that the (native) apps which the Company developed in the first half of the year, namely, "My Restaurant 3" and "Grand gods of the Millennium" have not contributed to the Company's revenue, and that revenue for Q3 was basically generated from current browser apps.

In the previous term, native apps were developed with priority on the release date, which meant that these apps were released before the full spec of the functions were included in the app. Therefore, while there were many downloads after the release, many users stopped using the app after a certain period of time. This fiscal year, the Company added functions for "Grand Gods of the Millennium" to try to retrieve users, this did not prove to be too effective.

Having this experience last year in mind, for this fiscal year, the Company decided to place their priority on "making the content interesting" and having a "high quality" in developing their new native apps, and narrowed down the number of titles to develop from the 6 titles at the start of the year to 4.

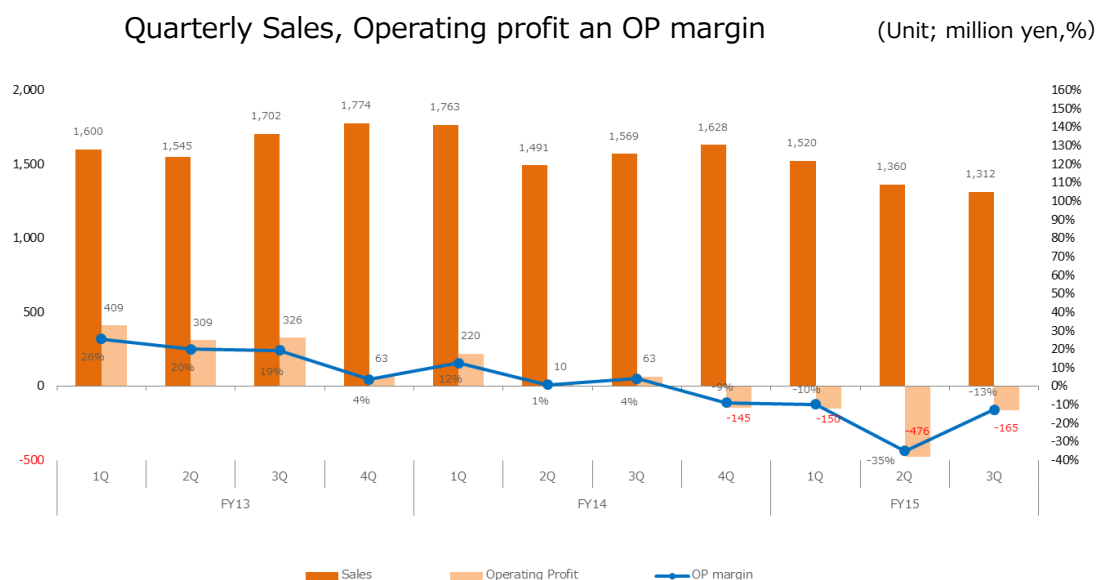
These 4 titles were planned to be released by Q2, but because the Company further improved the quality of the apps in order to come ahead of their competitors, the timing was pushed back, to releasing 2 title in Q3, and the rest in Q4.

Because of such timing issues, sales from current browser apps accounted for most of the sales for Q3.

(COGs, SG&A) The Company is aiming to shift its business from browser apps to native apps. However, as current sales is dependent on browser apps, the Company has drastically changed its direction in its policy for human resources utilization and apps development bases. These were the measures implemented:

- ① Closed and scaled down overseas bases (closed the Thailand base, and scaled down China and South Korea)
- ② Optimized the number of staff (optimized the number of people developing browser apps and native apps, as well as optimized the scale of outsourcing)
- ③ Redistributed advertising and promotional expenses

As a result of these measures, OP margin is showing improvement, despite a decline in sales.



《Performance outlook for the full fiscal year》

(unit ; million yen)

	FY15		FY14	Difference
	Q3 Results	Full Year Forecast		
Sales	4,192	5,800	6,452	▲ 10.1%
Operating Profits	▲ 793	▲ 1,050	149	—
Ordinary Profit	▲ 802	▲ 1,050	151	—
Net Profit	▲ 1,221	▲ 1,600	22	—

Full year outlook figures for the Company remain unchanged.

Also, for Q4, the Company aims to have around 25% of overall sales derived from native apps released in Q3 and Q4.

《Business development moving forward》

Current Browser Apps



According to the Company announcement, monthly sales for the 4 titles above declined by 3.3% for Q3, which was below the initial expectation of a 5% decline in monthly sales.

Of these titles, “Gal shop ☆” and “Sakigake! Otoko-juku” are showing steady performance.

Currently, the Company is focusing on improving quality of the game by in-sourcing the previously outsourced operation of the games, and by increasing the lifetime value of each title, making endeavors to stop the sales decline for these game titles.

Since there are still a significant number of feature phone users, maintaining revenue and profitability of the browser apps business which is the Company’s “Cash Cow” will surely underpin the Company’s performance until they can fully shift their business to native apps.

New Native Apps

The Company is shifting its business from browser apps (apps for feature phones) whose user numbers are declining, to native apps (apps for smartphones), and for this fiscal year, they are focusing on developing native apps.





The native apps released last year, “My Restaurant 3” and “Grand Gods of the Millennium” prioritized the timing of release (over quality), and has had incidents of “functional flaws” (for My Restaurant 3) and “lack of functions to collect fees from users” (for Grand Gods of the Millennium) .

Learning from this experience, for the native apps planned this fiscal year, the Company has co-developed “Yurukami!” with Square Enix (150,000 pre-registrations) , and the timing for “12 Odins” (120,000 pre-registrations) initially planned for Q3, has been pushed back to releasing it within this year, in order to make the game more mature. As seen in these examples, the Company taking

into consideration not only the timing of the release but also the quality of the apps, in order to release apps that will be competitive in the market.



For the next fiscal year, the Company is already starting development of apps using IP (Intellectual Property; games using well-known characters etc.) .

	FY15		FY16
	Released	To-be Released	
Original Title			
Co-developed Title			
Publishing Title			
I P Title			

It is expected that sales from browser apps will continue to make up the bulk of the Company's sales for Q4 as well. How much of the new native apps released during this fiscal year (especially "Yurukami!") will contribute to revenue and profit next fiscal year, as well as the growth of IP genre games will be important factors influencing the Company's performance in the future.

SIR intends to continue to carefully report on the Company's growth.

Yuichi Sekiguchi
CEO, Strategic IR Insight, Inc.

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