

SIR CORPORATE REPORT

November 6th, 2014

enish,inc. (TSE 1st section : 3667)



Business Profile

- Designs, develops and operates social apps games.
- Has an edge in management simulation games, such as “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. While there was a temporary decrease in revenue on platforms such as GREE and DeNA, they are starting to recover due to improved operation.
- Intends to move towards a smooth transition to native apps such as seen in the new game title “Grand Gods of the Millennium”. The main task for the company is to establish a revenue model unique to the company. Pre-registered users amounted to 100,000, and there is high expectation for this game.
- Expanding its business in the high growth markets of Asia, in particular, China and South Korea.



Evidence of a clear recovery

(Q3 review for FYE December 2014)

Summary

The company had revised downward its Q2 and year-end figures on July 18th. For Q2, sales was 3,254 million yen and operating profit 230 million yen, which was a cause

for concern as they were - 12.0% and - 50.9% respectively, compared with previously announced forecast. Q3 sales increased (105.2 % qoq) to 1,569 million yen, as well as operating profit (6-fold increase qoq) to 63 million. Thus cumulative figures for Q3 were 4,824 million yen in sales and 294 million yen in operating profit, showing clear improvement in this Q3.

PL statement for Q3

(unit : million yen)

	1Q (Jan.-Mar.) 2014 (actual)	2Q (Apr.-Jun.) 2014 (actual)	3Q (Jul.-Sep.) 2014 (actual)	3Q (Jan.-Sep.) 2014 (accumulated)	FY2014 (earning forecast)	% Progress
Sales	1,763	1,491	1,569	4,824	6,500	74.2%
Operating Profit	220	10	63	294	0	-
Operating Margin	12.5%	0.7%	4.1%	6.1%	-	-
Ordinary Profit	219	3	66	289	0	-
Net Profit	131	(2)	38	167	0	-

Revised forecast for FY 2014

While operating profit for Q3 (cumulative) was close to 300 million yen, the forecast for the full FY 2014 remains unchanged from the previous announcement of sales of 6,500 million yen and operating profit of 0 yen.

The rationale for this is that the company plans to start making full scale investments for long term growth from Q4. While being mindful of the KPIs for games and proceeding in a careful manner, the company intends to spend promotional expenses of 200~300 million yen in Q4 in order to establish a firm position in the native apps market.

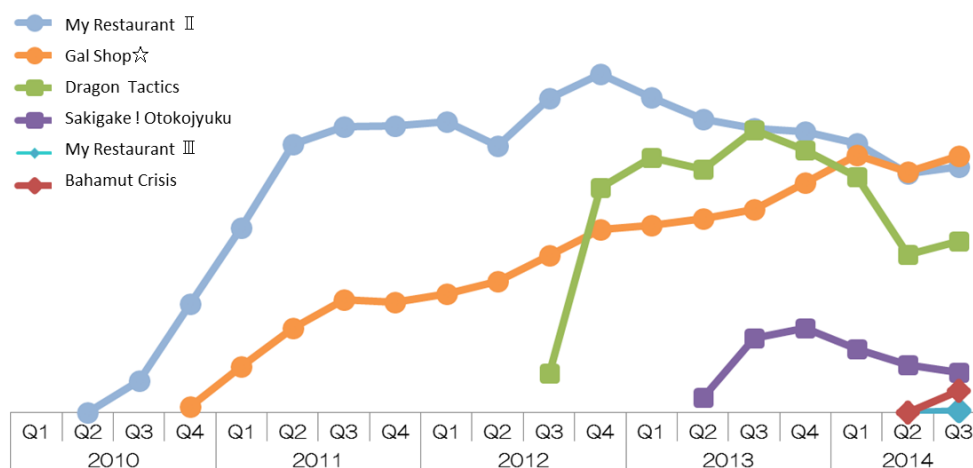
Outline of performance for Q3

1. On current game titles

The positive feature of the games for the company has been in its high life-time-value (low turnover of current users), but there was concern that this may no longer be the case, given the drop in revenue in Q2.

For Q3 however, due to the implementation of various measures, a recovery trend was seen in revenue for most titles except for "Sakigake! Otoko juku". Therefore, the recovery in the base revenue (those from current titles) should be more secure than was the case when the company announced the full-year's forecast in Q2.

Revenue from different game titles



(excerpt from the company's presentation material)

While clear signs of recovery can be seen however, the company does not forecast a further improvement in revenue for Q4 as the market for browser applications generally is on a contracting trend and therefore revenue for current titles is seen to gradually decline in the long run.

2. New game titles

"Grand Gods of the Millennium (*Sennen no Kyoshin*)" (To be released: Native application for light users)

Pre-registration has reached 100,000 users, showing high popularity from both iOS and Android users.

As of end October, the game had been waiting approval from Apple Inc.; on November 4th, the game was released simultaneously from App store and Google Play. This game has been featured as the "Best Newly Arrived Game", and is gaining much attention.

The company explains that they will put their efforts in the operation side of the game in order to sustain the position of 20th to 40th in the ranking of popular games .

"My Restaurant 3 (*Boku no resutoran 3*)"

There was high expectation for this game title as it is a continuation of a previously released game title, but a full scale release is being postponed due to adjustment

issues in processing speed. Their contribution to revenue is expected to realize in and beyond the next FY.

“Bahamut Crisis” (Released : Browser application for mid-core users)

Targeting mid-core users, this game has been provided through browser applications, and has been able to steadily attract users, including those “core” users. Pre-registered users for the native apps have reached 10,000, and is thus regarded as an important game to capture users in the mid-core segment.



3rd new release for FY 2014 “Grand Gods of the Millennium (Sennen no Kyoshin)”



- 100,000 pre-registered users
- Will start to charge from Q4



Adjustments for “My Restaurant 3 (Boku no Resutoran 3)”



- Continuing adjustments
- Undergoing major renewals
- Revenue not forecasted to grow for Q4



Multi-platform release of “Bahamut Crisis”



- Increase in revenue for Q3 in line with expectations
- Advance orders for App Store and Google Play exceeded 10,000

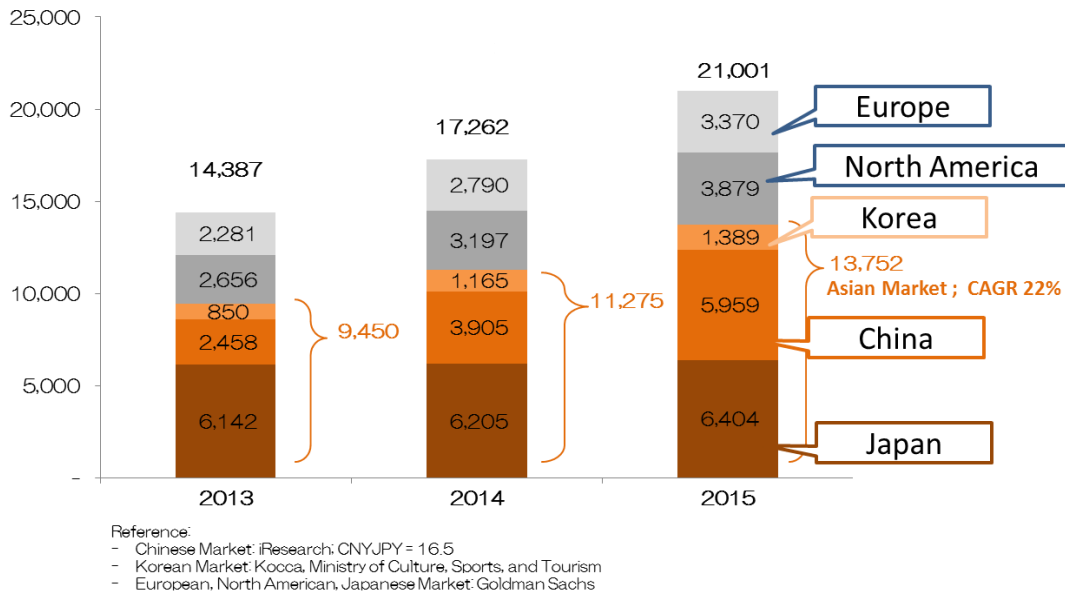
(Excerpt from company presentations)

3. On overseas distribution

The company has bases in Korea (Seoul), China (Shanghai), and Thailand (Bangkok), and is presently preparing for expansion in Asia. The bases in Korea and China are envisioned to operate and develop (mainly for programming; artwork is done in Japan) in collaboration with local partners, but the Thailand base was made mainly from the point of view of cost reduction/outsourcing. The company has already started localization of the native apps referred to above, and depending on the outcome of introducing native apps in Japan, the company plans to subsequently release these game titles in Asia where there is more affinity to Japanese contents. As the company foresees the Asian market (including Japan) growing rapidly, they plan expand their overseas business, with Asia at its core.

(Below is an abstract from the Company’s reference material on the forecast of the size of the game market.)

(Unit; 100 Million Yen)



The company is considering to distribute “Grand Gods of the Millennium” in Korea and China through their own channels, and in Thailand through a local publisher; we see possibilities for rapid business expansions in Asia.

As we see recovery in the company’s revenue in current game titles as well as a clear sign of success in the implementation of native apps, SIR intends to closely follow the KPIs of the domestic native apps as well as the company’s business development in Asia.

Strategic IR Insight Inc. CEO Yuichi Sekiguchi

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