

SIR Corporate Report

August 17th, 2015

IGNIS Ltd. (TSE Mothers : 3689)



Business Profile

- IGNIS (the Company) designs, develops, distributes and operates “Free Native Apps” and “Native Social Games”, mainly for smartphones. The Company has 8 affiliated companies (1 in the United States, 1 in Korea). They are expanding their business in different genres and overseas through each of these subsidiaries
- For free native apps, the Company provides “tool-type” apps such as those for weight control and other tools that may be useful for everyday use, and simple games (“casual games”). The total number of downloads for these apps have reached 87 million.
- In February 2015, the Company released “BOKU & DRAGONS” as its second native social game, and achieved 1.8 million downloads. This game title is expected as a source of income going forward.
- As competition increases in the area of free native apps, the Company is seeing the need to address users’ requests to enhance the quality of the apps. As such, the Company is changing its organization so that they could concentrate their resources on developing medium- (1-3 months’ development time) to large- (3 months and above development time) sized apps. At the same time, since native social games are performing well, the Company is setting up a structure to strengthen its billing revenue.
- The Company positions at the core of its business, the ability to provide “tools” (regardless of device, or specific areas) to enhance communication among people, and is striving to develop new genres in this regard.



With the favorable performance of “BOKU & DRAGONS” (native social game) , full year sales forecast is revised upward

(Review of Q3 FYE Sep 2015)

《Overview》

(unit : million yen)

(Consolidated)	FYE Sep 2015	FYE Sep 2014		
	Q1- Q3 Cumulative	Q1-Q3 Cumulative	yoy	Difference
Sales	1,120	1,310	-14.5%	-190
Free Native Apps	542	826	-34.4%	-283
Free Content Model “Hybrid” Apps	34	240	-85.9%	-206
Native Social Games	543	242	123.9%	300
Operating Profit	-313	350	-189.4%	-663
<i>OP margin</i>	-	26.8%	-	-
Ordinary Profit	-395	344	-214.8%	-740
<i>Ordinary profit margin</i>	-	26.3%	-	-
Net Profit	-443	191	-331.9%	-634
<i>Net profit margin</i>	-	14.6%	-	-
KPI	FYE Sep 2015	FYE Sep 2014	Difference	
	Q1- Q3 Cumulative	Q1-Q3 Cumulative		
Number of titles released within the term	39	42	-3	
Free Native Apps	34	35	-1	
Free Content Model “Hybrid” Apps	4	7	-3	
Native Social Games	1	0	1	

Cumulative sales for Q3 was 1,120 million yen (-14.5% yoy), and operating profit also posted a *loss* of 313 million yen.

This was mainly because free native apps and comics (Free Content Model “Hybrid” Apps) had not been favorable up to Q2, as competition intensified in these areas. With increased competition, users became more demanding towards apps; this made the Company more difficult to attract large numbers of users, and also led to a fall in advertisement income.

Given this situation, the Company has changed its apps development structure from “producing quantity” to that of “producing smaller numbers of apps with higher quality by taking more time to develop” (the number of apps developed is 3 apps fewer than last year) . At the same time, they have released a native social game “BOKU & DRAGONS” with a billing revenue model. This app has achieved 1.8 million downloads, and shows that the Company’s shift in its income structure is gradually

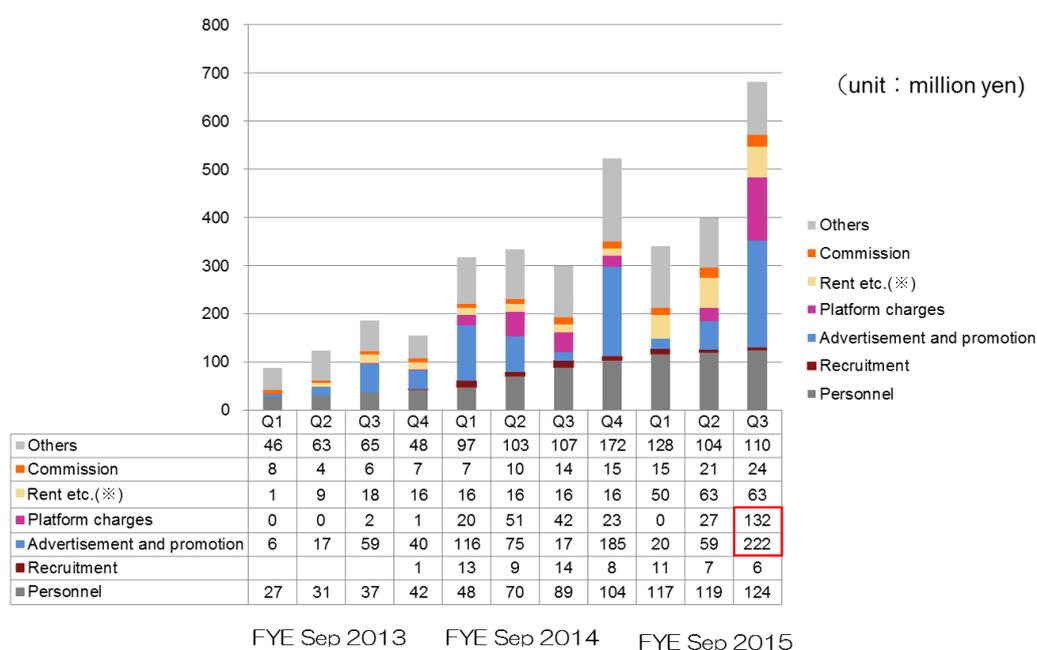
starting to show results.

This was clear in the Q3 sales figure, showing a sharp rise compared to the 2 preceding quarters. Based on this performance, the Company revised its full year sales figure upwards.

(unit: million yen)

(Consolidated)	FYE September 2015				FYE September 2015 full year forecast		
	Q1 Actual	Q2 Actual	Q3 Actual	Actual (Q1-3 cumulative)	May 2015 forecast	Revised forecast	Progress against revised forecast
Sales	243	263	613	1,120	1,700	2,000	56.0%
Operating Profit	-101	-140	-70	-313	-504	-504	-
Ordinary Profit	-117	-155	-122	-395	-553	-553	-
Net Profit	-89	-221	-132	-443	-582	-582	-

While sales increased to 613 million yen, operating profit was still a minus 70 million yen (operating loss). This was because advertisement and promotional expenses, mainly for “BOKU & DRAGONS” increased, and with the many users accessing the game, platform charges (commission to Apple and Google) also increased.

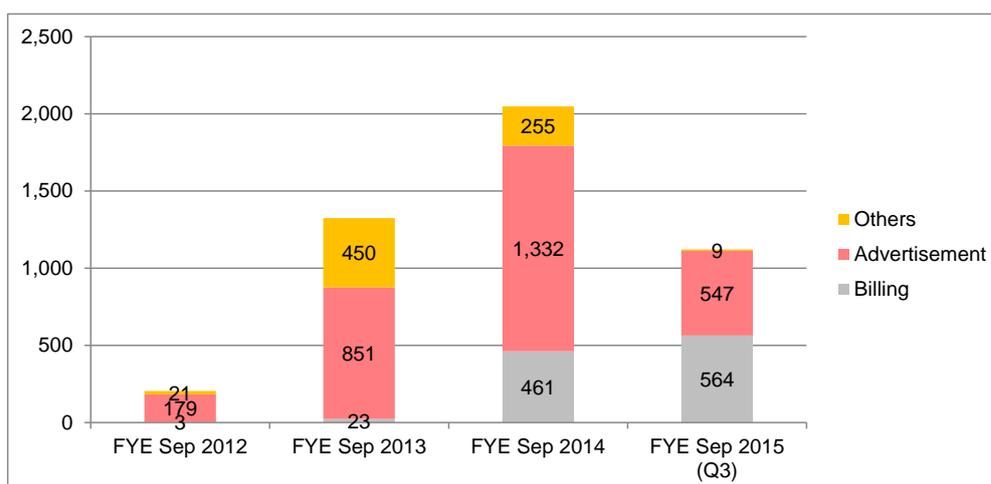


Such expenses are necessary investments for the Company to attract many users, as the Company intends to focus on the billing (revenue) business. Monetization

from the users who have been gained from this investment is expected in the future.

Moreover, this shift in business structure is also reflected when we look at the breakdown between advertisement revenue and billing revenue.

(unit: million yen)

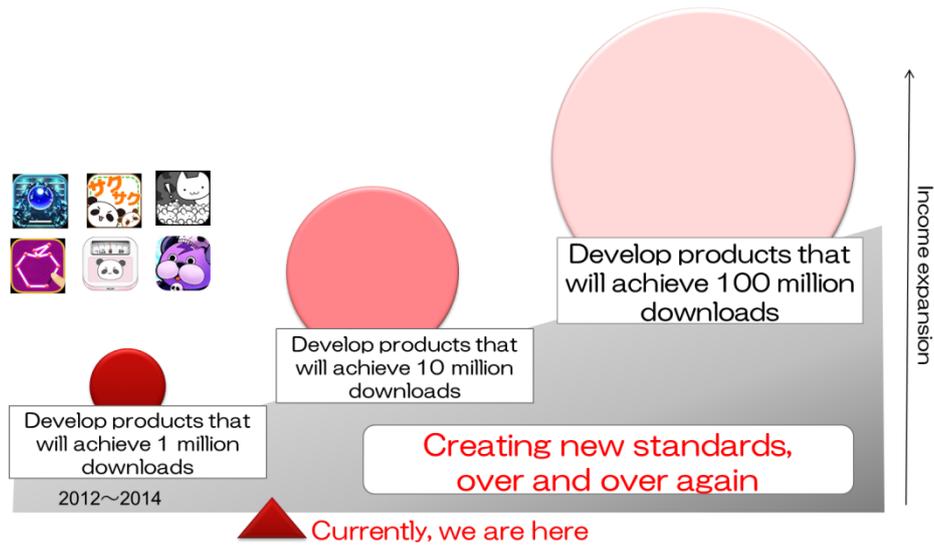


As seen in the chart above, in Q3, billing revenue exceeds that of advertisement revenue, and it is further expected that billing revenue will contribute to the Company's income going forward. Advertising revenue is not "up to par" (the level expected for Q3, compared to last year), but this is because of the shift in business structure; profitability for this part of the business seems to be declining.

As the Company expects to spend further on promotion for the apps including more for "BOKU & DRAGONS", the full-year forecast for the profit level has been left unchanged, while sales figures have been revised upward.

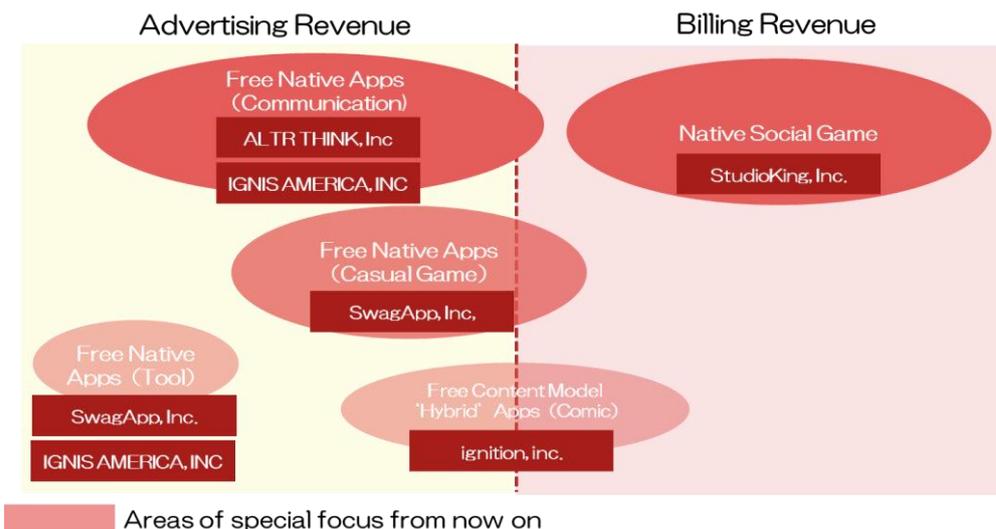
Where the Company strives to move into

At the time of the Q3 results announcement, the Company showed the direction in which it wishes to move into in the future.



The Company's philosophy since the time of its establishment is to "Create new standards, over and over again". In order to do so, they are striving to develop an app that will be downloaded by 100 million people. In order to reach that stage, the Company has positioned this fiscal year as a time for investing into the future; that is, changing its income structure and diversifying its revenue sources, from that of mainly relying on advertisements to including those from billing.

In order to establish such business structure, the Company has announced that they will focus on the following areas.



In the area of free native apps, they will focus on the “communication” genre and casual games, and they are also going to put further efforts into strengthening native social games.

SIR intends to provide detailed reports on the Company’s progress in the development of their business.

Yuichi Sekiguchi

CEO

Strategic IR Insight, Inc.

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