

IGNIS Ltd.

(*TSE Mothers* : 3689)



Business Profile

•IGNIS (the Company) designs, develops and operates “Free Native Apps” and “Native Social Games” for smartphones. The Company has 8 affiliated companies (1 in the United States). They are expanding their business in different genres and overseas through each of these subsidiaries.

•The native social game “BOKU & DRAGONS” continued to perform favorably, and contributed to **record high sales and operating profit for the full fiscal year, the highest since the Company’s listing.**

•The Company announced its Medium Term Business Plan (up to 2020). While the Company will continue to strengthen their existing businesses, they will establish two businesses, namely a Life-hack business (offering new services which work together with apps, by utilizing IoT) and a contents business (this will be established with Messrs. Yasushi Akimoto and Yutaka Matsuo, with VR (virtual reality) at its core) , and will expand its business beyond the domain of providing smartphone apps. The **Company’s target for FYE September 2020 is 15 billion yen for sales and 6 billion yen for operating profit.**

•FYE September 2017 will be a year to prepare launching these new businesses. While continuing to strengthen the earnings base for existing businesses, the Company will aggressively make investments (budgeted for 1.5 billion yen) and will aim to make the new businesses profitable sooner. Forecasted sales for FYE September 2017 is 6 billion yen, excluding the contribution from VR and new game titles.



By creating a portfolio of new businesses, seeks to grow out of a company just specializing in “apps”

(Review for FYE Sep 2016, Medium Term Business Plan)

Cum. Q4 (12mths) FY 2016

(Units: million Yen)

	12 mths FY 2015	12 mths FY 2016	yoy
Sales	2,419	5,585	230.9%
Free Native Apps	766	753	98.3%
Native Social Games	1,652	4,832	292.5%
Operating Profit	△38	1,474	-
OP margin	-	26.4%	-
Ordinary Profit	△148	1,465	-
Ordinary Profit margin	-	26.2%	-
Net Profit	△306	1,087	-
Net Profit margin	-	19.5%	-

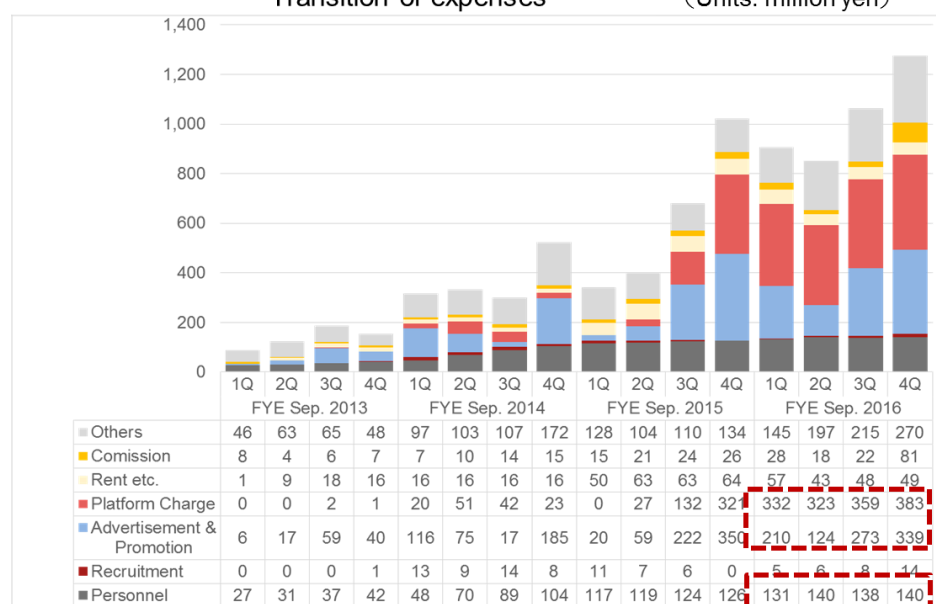
《Overview of Results》

Sales for FYE September 2016 was 5,585 million yen, a huge increase of 2.3 times that of last year, and operating profit was 1,474 million yen, a significant rebound from the operating losses the previous year.

The native social game “BOKU & Dragons” continued its favorable performance, with their sales at 4,832 million yen, approximately 2.9 times larger than the previous year. The performance of “BOKU & Dragons” in the latest Q4 (3 months) was 103.1% qoq, and 116.3% yoy, and sales are continuing to show a growing trend. Looking at operating profit for Q4 (July-Sep 3 month quarter), this was 87 million yen lower than Q3 at 271 million yen. This however is the effect of advertising and promotional expenses (66 million yen increase) and increase in commission (59 million yen increase), which relate to technical issues, and therefore not as a result of a change in the fundamental profit earning structure of the company.

Transition of expenses

(Units: million yen)



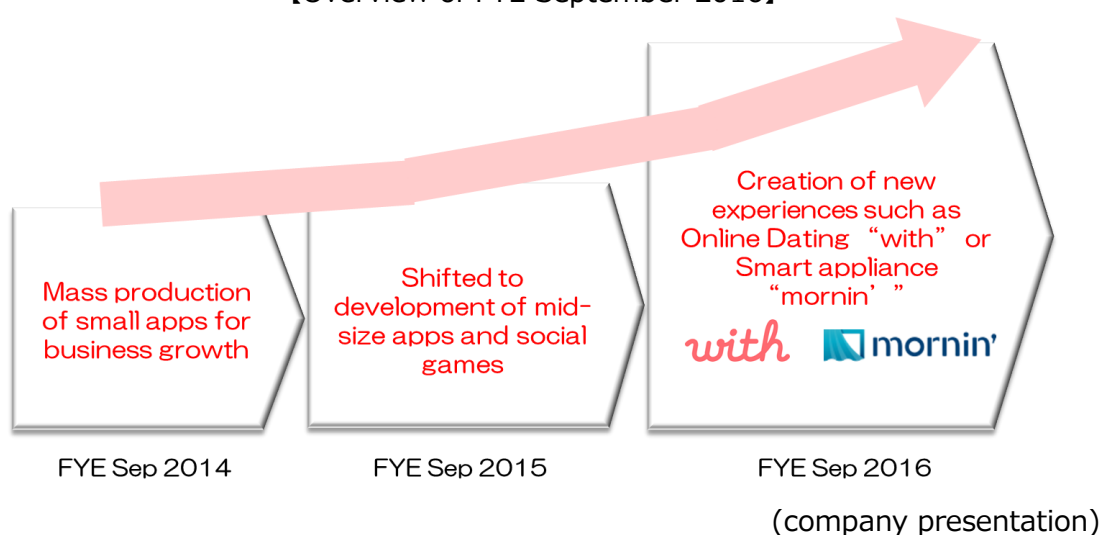
※Rent etc. includes depreciation and amortization expenses for HQ facilities

Other expenses seem to be contained overall, and it could be said that the Company continues to be operated in a stable manner.

《Progress in business》

FYE September 2016 was, from an accounting perspective, a year of financial performance recovery. From a business perspective, it was a year for the Company to shift their axis of their business. As they have shifted from creating small-sized apps such as casual games to medium-sized apps such as “BOKU & Dragons”, their revenue structure has changed from a “flow-based”— where revenue is generated from creating numerous small sized apps in a short period of time— to a “stock-based” – where you put more emphasis on operating of the app and generate revenue throughout the longer life time of the app— revenue. Additionally, the Company released two services/products; an SNS app “with”, which should become their second pillar to underpin their earnings structure, and “mornin’” (a device which enables automatic open/shut of curtain to wake people up in the morning), which by utilizing IoT technology, offers a “real” experience, beyond what was provided by conventional apps. As these examples show, the Company has created in the last year, new “stock based” business which should contribute to the Company’s performance moving forward.

【Overview of FYE September 2016】



For the individual businesses, below is worth noting;

- BOKU & Dragons : Achieved 3 million downloads in a year and 10 months. Have constantly maintained their rankings in the 50th or above level, and is recognized as

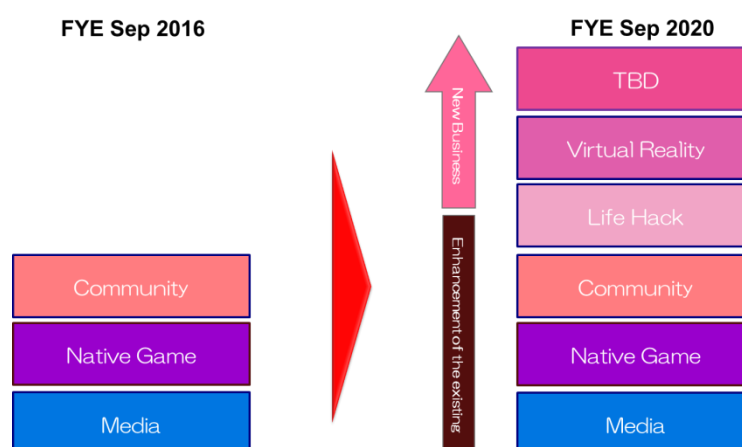
a popular game among users. This game did not air large scale TV advertisements which are common in the game industry, but expanded the business in an effective and efficient manner by holding collaboration projects with external contents (for example, with popular animation characters), which was considered epoch-making.

■ with : Inviting the “mentalist” DaiGo, established an attractive match-making venue, which goes beyond just providing a meeting place. In approximately 5 months since its release in March 2016, it has secured its position in the top 20 for the sales ranking for domestic SNS. It is also seen as 3rd in the industry for dating websites, although a late comer.

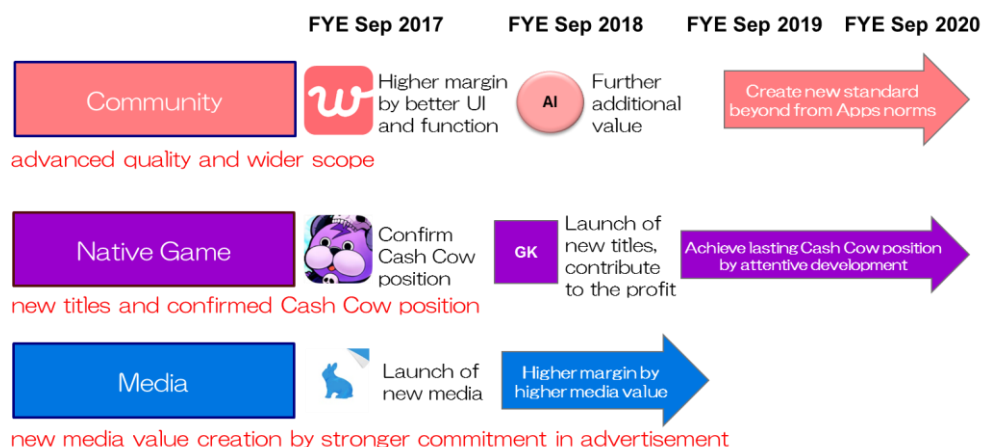
■ mornin' : A unique home electric appliance which allows people to wake-up more naturally; 8,000 units have been sold in 3 months since its launch.

《Medium Term Business Plan》

What was most noteworthy of the Company's presentation this time was their Medium Term Business Plan, which shows the Company's roadmap up to FYE September 2020. The Company announced that in accordance with its business mission of “Creating new standards, over and over again”, that they will create “an organization where there is a fusion of creativity and technology at a higher level”; and that in addition to the existing 3 businesses (communications, native games, and media) they will establish 3 new businesses in the area of VR (virtual reality), life hack and others.



For existing businesses, they will strengthen their earnings power by taking the steps explained below.



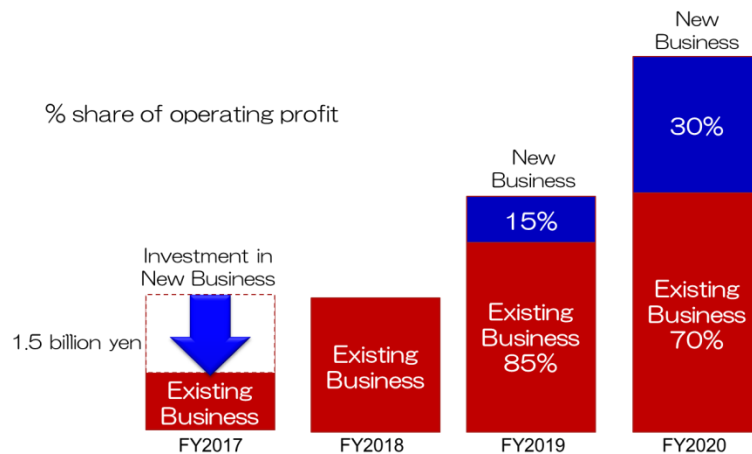
The measures for the new businesses will be as follows-

For the life hack business, further the utilization of IoT technology from Robit Inc. and launch new products which fuse apps and hardware that will offer a new experience.

In order to do so, the Company will strengthen mass production systems as well as distribution channels, to enable smooth expansion of new products in the development pipeline.

For the VR business, the Company intends to expand it with its newly established subsidiary, which was just announced, (Pulse Inc.) at its core. (According to the announcement that the Company made in November 11th, the following people will be participating in the business: Mr. Yasushi Akimoto who is known as a producer of AKB48・Nogizaka 46・Keyakizaka 46 (female idol groups), Mr. Yutaka Matsuo Project Associate Professor at the University of Tokyo and well known for his research on artificial intelligence, and DaiGo, a mentalist, who is supervising the app “with”)

In order to expand the business mentioned above, the Company has decided to make FYE September 2017 a year to make investments for future growth, and the profit structure for the future years (under the medium business plan) is planned as follows:



As seen above, in FYE September 2017, the Company intends to allocate 1.5 billion yen for investment into new businesses. By doing so, they will aim to have these businesses generate profits sooner, and expects these new businesses to contribute to company profits from FYE September 2019.

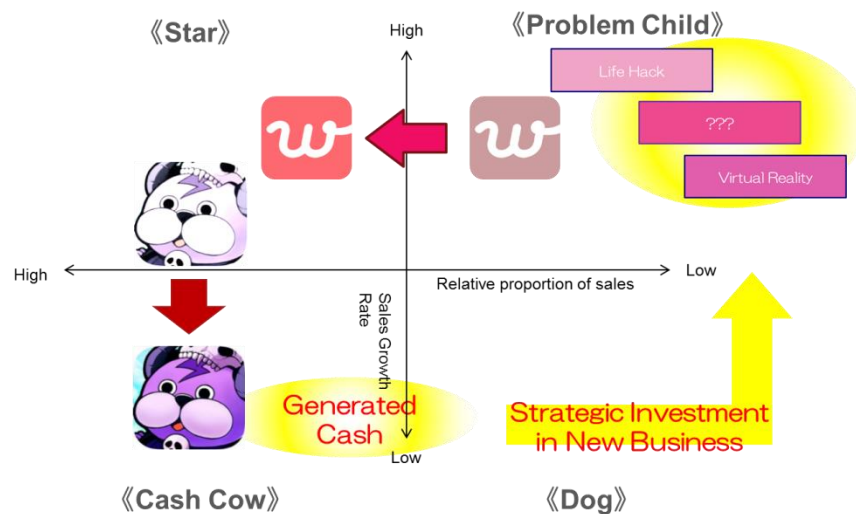
The Company also **targets sales of 15 billion yen and operating profit of 6 billion yen for FYE September 2020.**

《Business Plan for FYE September 2017》

As mentioned above, the Company will be making investments for the future for FYE September 2017, and their basic plans will be as mentioned below:



If one maps this in a product portfolio, the business structure is such that “BOKU & Dragons” is positioned as a Cash Cow, followed by “with”; these two are supporting the Company’s earnings.



The forecast sales amount for FYE September 2017 is 6 billion yen, a 9% increase yoy (this does not include the VR business and sales from new game titles) , and it seems that a significant portion will come from “BOKU & Dragons” and “with”. On the other hand, as the Company plans for new investment in the order of 1.5 billion yen, it is estimated that their operating profit would be less than that of FYE September 2016 (the Company has not disclosed their profit forecast).

The Medium Term Business Plan which will start from October 2016 (FYE September 2017) will be the first of its kind since the Company’s listing in the TSE. This shows the Company’s resolve to grow out from the existing business of smart phone apps, and it is not too much to say that by returning to the Company’s mission of “Creating new standards”, it will leap into a new dimension with new business developments.

The Company’s establishment of a VR subsidiary which made a significant impact to the stock market is only a start; it is expected that the Company will bring similar surprises to the market.

SIR intends to continue to monitor the Company’s new challenge to “create the next new standard”, and to report on its growth process.

Yuichi Sekiguchi
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