



Business Profile

•IGNIS (the Company) designs, develops and operates “Free Native Apps” for smartphones. The Company has 13 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 (FYE Sep 2016), 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 new businesses, namely a Life-hack business (offering new services which work together with apps, by utilizing IoT) and VR (virtual reality) business (established with Messrs. Yasushi Akimoto and Yutaka Matsuo and DaiGo 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.

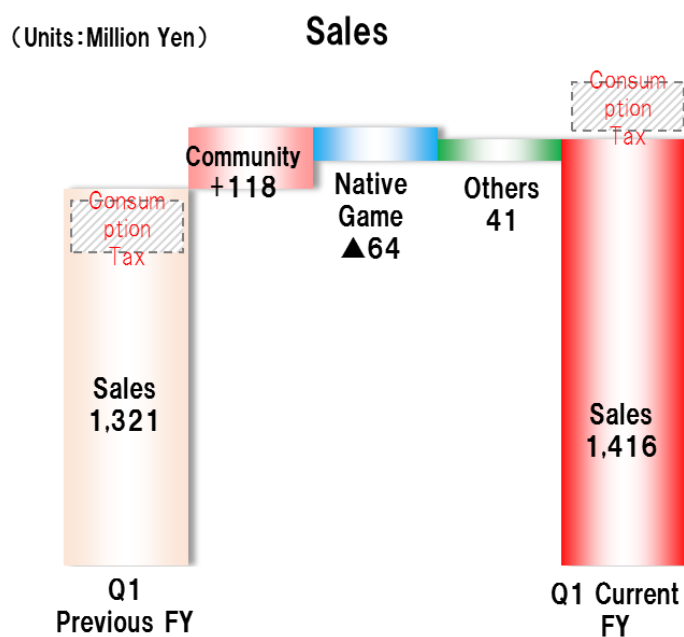


Embarking on proactive investments for medium to long term growth (Review for Q1 FYE Sep 2017)

《Results Overview》

(Unit: Million Yen)	Q1 FYE Sep 2016 (Oct-Dec)	Q4 FYE Sep 2016 (Jul-Sep)	Q1 FYE Sep 2017 (Oct-Dec)	YoY	QoQ
Sales	1,321	1,550	1,416	107.2%	91.4%
Community	17	76	135	786.2%	177.9%
Native Games	1,233	1,349	1,168	94.7%	86.6%
Others ※	71	124	112	157.9%	90.2%
Operating Profit	409	271	148	36.3%	54.8%
Operating Profit Margin	31.0%	17.5%	10.5%	-	-
Ordinary Profit	405	267	136	33.5%	50.8%
Ordinary Profit margin	30.7%	17.3%	9.6%	-	-
Net Profit	230	87	67	29.3%	77.3%
Net Profit margin	17.4%	5.6%	4.8%	-	-

Sales for Q1 FYE September 2017 was 1,416 million yen, at 107.2% YoY and 91.4% QoQ. The sales decline QoQ was because of Studio King Inc., an affiliate and the operating company for "BOKU & Dragons". Up until last fiscal year, this company was a consumption tax exempt company (where newly established companies and others which meet certain criteria such as their taxable revenue being under 10 million yen are exempt from paying consumption tax and exempt from paying taxes. In that sense the sales decline is a "technical" decline in accounting terms, in that their sales figures which included the consumption tax amount last year excludes such amount in their financial statements starting this quarter.



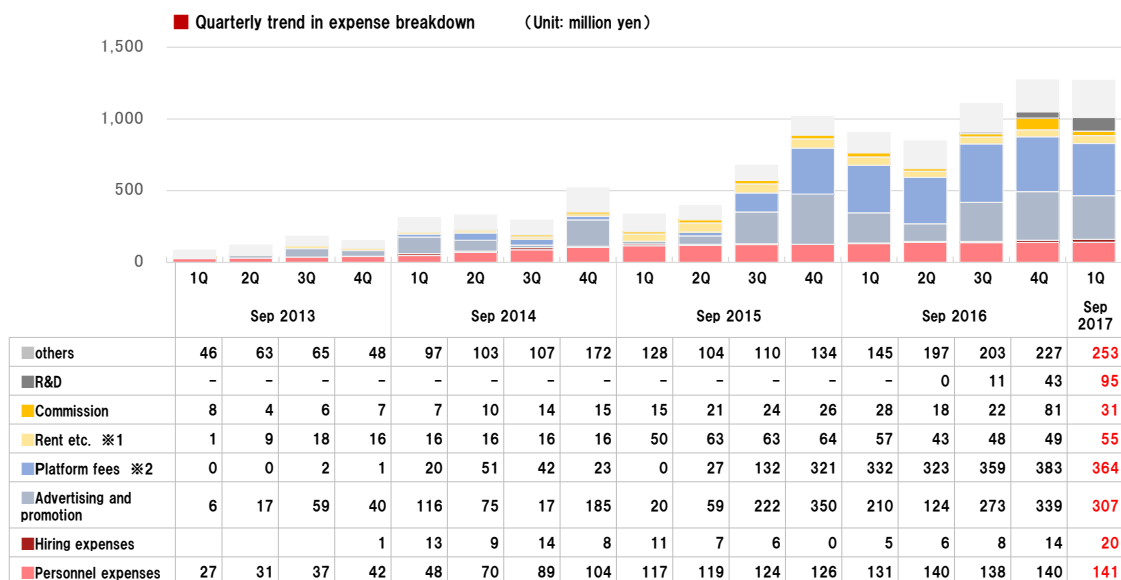
If we compare numbers on a year-on-year basis, and show the consumption tax component of sales, the sales “excluding” the consumption tax equivalent amount for last fiscal year is calculated at 1,235 million yen. The breakdown of the impact per business segment is as follows- for the “Community” business (including the match-making marriage app “with”) has increased by 118million yen from 1 million yen to 119 million yen, native games decreased by 64 million yen (but was an actual increase of 33 million yen); and overall, sales actually increased on a net basis when compared on a year-on-year basis (excluding the accounting effects of the consumption tax).

That said, on a quarter-on-quarter basis, excluding this technical/accounting effect, the revenue growth was flat, which may be suggesting that while “with” is on a growth trajectory, “BOKU & Dragon” sales is reaching a plateau.

These results for sales is however, within the expectation of management, as the progress to date is 23.6% of the full-year guidance of 6 billion.

Operating profit was 148 million yen, a significant decline at 36.3% YoY and 54.8% QoQ. This too however can be understood as a result of implementing business investments planned at around 1.5 billion yen for the full year (including R&D expenses for new businesses and sales promotional expenses for existing businesses) .

As the graph on expenses below indicates, there are R&D expenses of 95 million yen (which was not seen last fiscal year), and advertising and promotional expenses of 307 million yen, which shows that the Company is steadily planting the seeds (making investments) to ramp up existing businesses as well as making efforts to launch and monetize the new businesses.

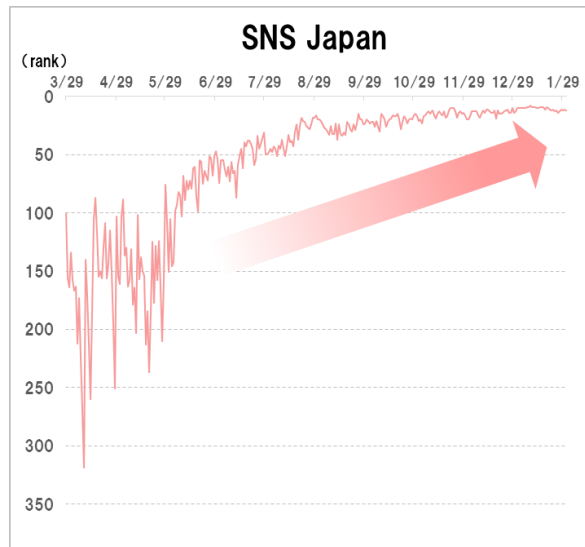


Taking a closer look at the business investments, if we "remove" the impact of R&D expenses (95 million yen) which is part of the investment for new businesses, the "adjusted" operating profit amounts to 243 million yen. While the OP margin is not so high compared to that of Q1 the previous year, this is a result of making investments to strengthen existing businesses to achieve the Medium Term Plan, especially on advertising and promotion for the Community business "with", to increase their membership numbers. In essence, it is to solidify the Company's foundation in their move towards their next step. For the other expense items, we see overall that the business continues to be firmly managed with a stable operating system in place.

《Progress status of each business》

The existing 3 business lines ("Community" with 「with」 as its main pillar, "Native games" and "Media" with 「BOKU & DRAGONS」 and 「U-NOTE」 at its core) "Native games" continue to show stable performance. Especially for "with", it has secured its ranking position in the early teens in the domestic (Japan) SNS (see graph below) . The app has also added a new function of "Ultra personality analysis" in January 2017, and aims to further increase membership by strengthening promotional activities. It can be said that this business is steadily growing into the next pillar for the Company, following the example of "BOKU & Dragons".

【iPhone SNS Domestic Sales ranking】



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Also, in the area of VR, Pulse Inc. is currently developing several projects simultaneously. The time necessary till launch depends on the project type (those related to preventing dementia is expected to take longer), but as the Company believes that being tenacious about creating high quality is key to their success, it would be necessary to look at the business from a longer time span. We hope to see a “dream inspiring release” moving forward.



■ Several projects are planned for Pulse’s VR business
 (Working with Messrs. Akimoto, Matsuo and DaiGo to realize projects)

Vigorously working on preparing multiple projects !

Project A Project B Project C And more . . .

※Details are planned to be disclosed in accordance with the progress of the projects

November 2016 Established Pulse Inc. **Research and Development** (Carefully developing, in order to create a high quality service) Proto-type Test Release

Photo: VR team at work

It has only been 3 months since the Company announced its Medium Term Business Plan. Implementation has just started this quarter, and is still difficult to make an assessment at this stage.

That said, "with" of the Community business is showing steady growth, and "BOKU & Dragons" of the Native Game business is also maintaining steady revenue; we therefore think that the Company is off to a decent start. We also note that for this year the Company is embarking on proactive investments for both existing and new businesses, so we hope to see enhanced performance in the medium to long term.

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, CEO, Strategic IR Insight, Inc.

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