

SIR Corporate Report November 17th, 2015

IGNIS Ltd. (*TSE Mothers* : 3689)

IGNIS



Business Profile

•IGNIS (the Company) designs, develops, operates and distributes “Free Native Apps” and “Native Social Games” for smartphones. The Company has 7 major affiliated companies (1 in the United States). They are expanding their business in different genres and overseas through each of these subsidiaries.

•In February 2015, the Company released “BOKU & DRAGONS” as its second native social game, and achieved 2 million downloads. This game title is expected as a source of income going forward.

•The Company is strengthening the communication genre in their free native apps business .

•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.



Back in the black for Q4

(Review of Q4 FYE September 2015)

(Unit ; Million; %)

(Consolidated)	FYE September, 2015 (Actual)					Annual Forecast	
	Q1	Q2	Q3	Q4	Total	Forecast	% progress
Sales	243	263	613	1,299	2,419	2,400	100.8%
Operating Profit	(101)	(140)	(70)	274	(38)	(42)	-
Ordinary Profit	(117)	(155)	(122)	247	(148)	(152)	-
Net Profit	(89)	(221)	(132)	136	(306)	(340)	-

《Overview of results》

The Company had been posting losses for the first half of FYE September 2015 due to the sluggish performance in the sales of free native apps (tools, casual games and free content hybrid apps). Sales improved from Q3, as billing revenue increased from the favorable performance of the native social game "BOKU & DRAGONS". In Q4, sales increased dramatically to approximately twice the level of Q3 to 1,299 million yen, posting net profits for the quarter.

When comparing the performance of Q4 to that of last fiscal year, there is a great change in their earnings structure.

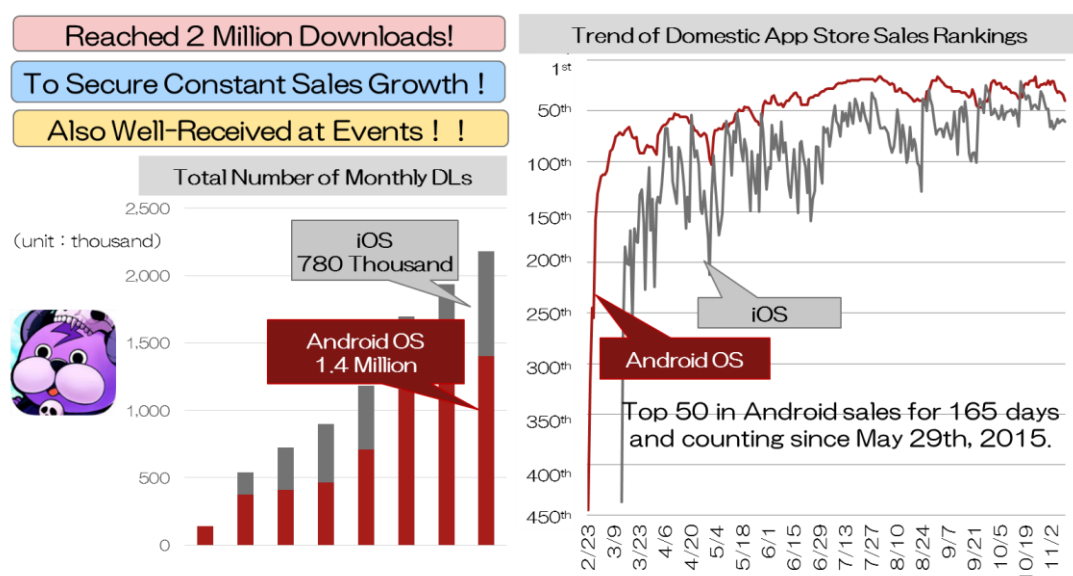
(Unit: Million Yen)

(Consolidated)	Q4 FY2015 (Jul. - Sep.)	Q4 FY2014 (Jul. - Sep.)	YOY	
			% increase (decrease)	difference
Sales	1,299	737	+76.1%	561
Free Native Apps	183	615	(70.3%)	(432)
Free Content Hybrid Apps	7	15	(54.2%)	(8)
Native Social Game	1,109	107	+936.0%	1,002
Operating Profit	274	211	+29.9%	63
<i>Operating Profit Margin</i>	<i>21.1%</i>	<i>28.6%</i>	-	-
Ordinary Profit	247	201	+23.0%	46
<i>Ordinary Profit Margin</i>	<i>19.0%</i>	<i>27.3%</i>	-	-
Net Profit	136	118	+15.1%	18
<i>Net Profit Margin</i>	<i>10.5%</i>	<i>16.1%</i>	-	-

While there has been a sizable drop in sales for free native apps and free content model hybrid apps (an app where one can read comics for free), sales for native social games increased by more than ten-fold, and the shift in the pillar for earnings is evident.

The basic source of revenue for free native apps is from advertising, whereas for native social games, they are from billing fees. For free native apps however, user needs have become more advanced, and this has led to longer development and shortening of the lifespan of individual titles; these could be considered as the main

reason behind the 70.3% decline (yoy) in revenue for free native apps (tools and casual games). On the other hand, for native social games, “BOKU & Dragons” whose Android version was released in February, and the iOS version in March, has been able to steadily increase the number of users, and increased its billing revenue (through fees paid for in-game item purchases and participation in lotteries). For Q4, the number of downloads for this app have reached 2 million, and is maintaining their top 50 position in the sales ranking for Android.



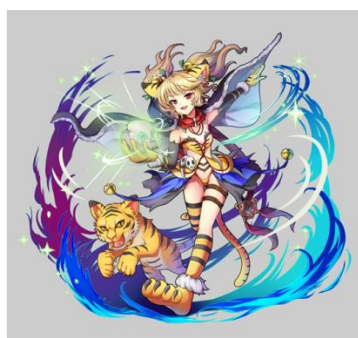
As a result, the Company was able to record an operating profit of 274 million yen this Q4. And judging from the sales ranking trend of “BOKU & DRAGNS”, it is expected that this title has a high potential of becoming a source of stable income into the future.

《Core of growth for FYE September 2016》

For FYE September 2016, by actively expanding operations (ie. increasing the number of users and implementing various events), the Company is aiming to increase sales and user numbers, as well as to acquire users in Asia (Taiwan, Hong Kong, Macau) through overseas distribution.



Taiwan Press Conference
From L-R: IGNIS COO Mr. 己越 千清、
So-net Taiwan CEO Mr. 永田 博丈氏



New Characters for the
Traditional Chinese Release

The first step was made by the Company releasing the traditional Chinese version of “BOKU & Dragon” (龍與我 (BOKU & Dragon)) with So-net Taiwan (game distributor) as its publisher. By introducing original characters to the traditional Chinese version (top right picture) the Company is developing their system to capture overseas users through localization.

Also for free native apps, the Company intends to concentrate their efforts on ‘matching type’ (to create venues to have people meet over the internet, through communication) applications, whose market is expected to grow moving forward. The Company has also released a romantic-psychology utilizing website “with” by the “mentalist” DaiGo in September 2015; the app of this website is planned to be released soon.



As seen in this example, the Company is implementing various measures to shift their business structure from the previous period of “mass production of small-size apps” to “maturing/selective development of medium- to large- size apps” and by

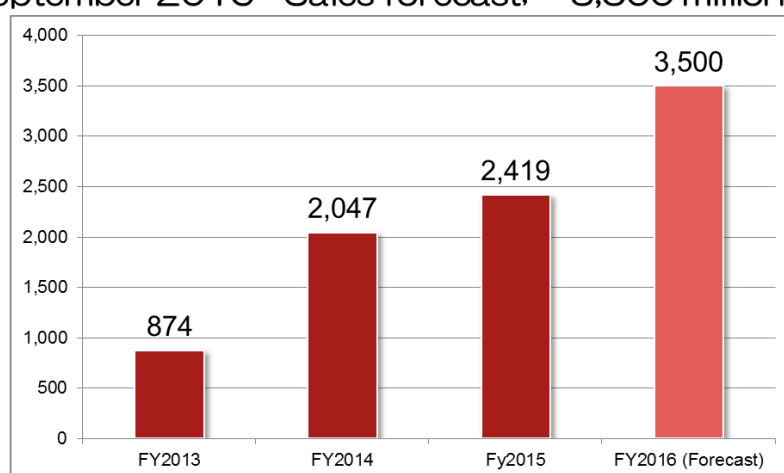
doing so, enhance the user lifetime value of the game, and establish a stable income base.

If we look at the income improvement in Q4 of FYE September 2015, the slowdown during January to June 2015 could be seen as a “correction period” to respond to the changing needs of users; having made those corrections/revisions has given the Company the opportunity to improve their income for FYE September 2016.

《Towards Future Growth》

The Company forecasted their sales for FYE September 2016 at 3,500 million yen.

FYE September 2016 Sales forecast: 3,500 million yen



(Forecasts for profits will be disclosed at the time when we calculate appropriate amount.)

This figure may seem conservative when compared to the sales amount for Q4 alone (1,299 million yen) ; however, considering the fact that the Company’s source of revenue comes from both billing and advertisements, it is a figure which incorporates various risk factors.

While the Company foresees its income for FYE September 2015 mainly coming from monetization of apps released in the previous period, they intend to grow further in FYE September.

Release of "BOKU & DRAGONS"
Feb. 20th 2015 Android version
March 12th iOS version



Reached 2 Million DLs !
Also popular at events !

Started the
distribution of the
Traditional Chinese
Version and
accumulating more
knowledge of
overseas distribution
methods.

Next Title
To make greater strides in
our development with the
know-how gained from
previous experiences.

SIR intends to continue focusing on the Company's business developments moving forward.

Yuichi Sekiguchi

CEO, Strategic IR Insight, Inc.

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