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On **February 13, 2020**, IGNIS LTD. announced results for Q1 FY09/20; see the results section for details.

Cumulative (JPYmn)	FY09/18				FY09/19				FY09/20				FY09/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	% of FY	FY Est.
Revenues	1,290	2,470	3,637	4,874	1,343	2,716	4,063	5,571	1,496				37.4%	4,000
YoY	-9.0%	-12.7%	-11.5%	-12.6%	4.2%	9.9%	11.7%	14.3%	11.4%					-28.2%
Gross profit	1,011	1,817	2,670	3,626	1,033	2,099	3,119	4,326	1,248					
GPM	78.4%	73.5%	73.4%	74.4%	76.9%	77.3%	76.8%	77.6%	83.4%					
SG&A expenses	1,259	2,484	3,622	6,159	1,373	2,613	3,842	5,070	1,183					
YoY	23.0%	15.5%	13.0%	40.1%	9.0%	5.2%	6.1%	-17.7%	-13.8%					
SG&A ratio	97.6%	100.5%	99.6%	126.3%	102.2%	96.2%	94.6%	91.0%	79.1%					
Operating profit	-248	-667	-951	-2,533	-340	-514	-723	-745	65					
YoY	-	-	-	-	-	-	-	-	-					
OPM	-	-	-	-	-	-	-	-	4.3%					
Recurring profit	-250	-1,348	-980	-2,572	-362	-559	-807	-868	19					
YoY	-	-	-	-	-	-	-	-	-					
RPM	-	-	-	-	-	-	-	-	1.3%					
Net income attrib. to owners of the parent	-233	-856	-1,084	-2,651	-416	-454	-358	-631	-71					
YoY	-	-	-	-	-	-	-	-	-					
Net margin	-	-	-	-	-	-	-	-	-					

Quarterly performance (JPYmn)	FY09/18				FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3
Revenues	1,290	1,181	1,167	1,237	1,343	1,372	1,347	1,508	1,496			
YoY	-9.0%	-16.4%	-8.9%	-15.7%	4.2%	16.2%	15.5%	21.9%	11.4%			
Gross profit	1,011	805	854	956	1,033	1,066	1,020	1,207	1,248			
GPM	78.4%	68.2%	73.2%	77.2%	76.9%	77.7%	75.8%	80.0%	83.4%			
SG&A expenses	1,259	1,225	1,138	2,537	1,373	1,240	1,229	1,228	1,183			
YoY	23.0%	8.6%	7.8%	113.2%	9.0%	1.3%	8.0%	-51.6%	-13.8%			
SG&A ratio	97.6%	103.7%	97.5%	205.0%	102.2%	45.7%	91.3%	81.4%	79.1%			
Operating profit	-248	-419	-285	-1,581	-340	-174	-209	-21	65			
YoY	-	-	-	-	-	-	-	-	-			
OPM	-	-	-	-	-	-	-	-	4.3%			
Recurring profit	-250	-1,098	368	-1,592	-362	-197	-248	-60	19			
YoY	-	-	-	-	-	-	-	-	-			
RPM	-	-	31.6%	-	-	-	-	-	1.3%			
Net income attrib. to owners of the parent	-233	-622	-228	-1,567	-416	-38	96	-273	-71			
YoY	-	-	-	-	-	-	-	-	-			
Net margin	-	-	-	-	-	-	7.1%	-	-			

Revenue by segment (cumulative) (JPYmn)	FY09/18				FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3
Revenues					1,343				1,496			
Matching					645				898			
EnterTech					13				69			
Games					652				513			
Other					34				16			
YoY									11.4%			
Matching									39.2%			
EnterTech									431.8%			
Games									-21.2%			
Other									-51.4%			
Old segments												
Revenues	1,290	2,470	3,637	4,874	1,343	2,716	4,063	5,571				
Community	336	727	1,170	1,733	650	1,356	2,130	2,983				
Games	800	1,545	2,188	2,817	650	1,279	1,799	2,383				
Other	154	198	279	324	44	81	133	205				
YoY	-9.0%	-12.7%	-11.5%	-12.6%	4.2%	9.9%	11.7%	14.3%				
Community	146.9%	116.0%	110.0%	104.2%	93.5%	86.6%	82.0%	72.2%				
Games	-31.6%	-32.8%	-32.6%	-33.7%	-18.7%	-17.2%	-17.8%	-15.4%				
Other	37.4%	2.8%	-8.5%	-32.7%	-71.7%	-59.0%	-52.2%	-36.9%				

Revenue by segment (quarterly) (JPYmn)	FY09/18				FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3
Revenues					1,343				1,496			
Matching					645				898			
EnterTech					13				69			
Games					652				513			
Other					34				16			
YoY									11.4%			
Matching									39.2%			
EnterTech									431.8%			
Games									-21.2%			
Other									-51.4%			
Old segments												
Revenues	1,290	1,181	1,167	1,237	1,343	1,372	1,347	1,508				
Community	336	391	444	562	650	706	774	853				
Games	800	746	643	630	650	629	521	584				
Other	154	44	80	45	44	38	52	71				
YoY	-9.0%	-16.4%	-8.9%	-15.7%	4.2%	16.2%	15.5%	21.9%				
Community	146.9%	95.1%	100.8%	93.1%	93.5%	80.6%	74.6%	51.7%				
Games	-31.6%	-34.1%	-32.2%	-37.0%	-18.7%	-15.7%	-19.0%	-7.3%				
Other	37.4%	-45.4%	-28.0%	-74.4%	-71.7%	-14.5%	-35.4%	57.1%				

Source: Shared Research based on company data

Figures may differ from company materials due to differences in rounding methods.

The company revised its reporting segment classification system starting from consolidated Q1 FY09/20, moving from the single Smartphone App segment format to a three-segment system, including the Matching, Entertech, and Games segments.

Q1 FY09/20 results (out February 13, 2020)

Results summary

- ▷ Q1 FY09/20 results: The company reported Q1 FY09/20 consolidated revenues of JPY1.5bn (+11.4% YoY), operating profit of JPY65mn (versus a loss of JPY340mn in Q1 FY09/19), recurring profit of JPY19mn (versus a loss of JPY362mn in Q1 FY09/19), and a net loss of JPY71mn (versus a loss of JPY416mn in Q1 FY09/19).
- ▷ Revenues up 11.4% YoY: Revenue improved on accelerated growth in the Matching segment (up 39.2% YoY). Driven by rapid growth in revenues from the online matchmaking service “with,” the Matching segment accounted for 60.0% of consolidated revenues in Q1 FY09/20, up from 48.0% in Q1 FY09/19.
- ▷ Operating profit of JPY65mn: The Matching segment contributed to the achievement of operating profit, after having previously recorded operating loss. In the Entertech segment, the company actively invested in major updates to the virtual live app “INSPIX LIVE”. On the other hand, the company suspended its *Demimen* service and put a hold on new development in the Games segment in line with management’s focus on business selection and concentration. Management also intends to transfer the business focused on the BOKU & DRAGONS” and “NEKO & DRAGONS” titles to Drecom Co., Ltd. (TSE Mothers: 3793) on March 2, 2020.
- ▷ The gross profit margin rose 6.5pp YoY to 83.4% and the SG&A expense ratio fell to 79.1% versus 102.2% in Q1 FY09/19.
- ▷ Net loss of JPY71mn: The net loss figure reflects JPY11mn in gains on sales of investment securities, JPY11mn in impairment losses, and JPY90mn in corporate taxes.
- ▷ Results versus plan: The Q1 achievement rate for sales versus the company’s full-year FY09/20 target was 37.4%, up from 24.1% in Q1 FY09/19.

Starting in Q1 FY09/20, the company revised its reporting segments system, which previously included only the Smartphone app segment, to a three-segment system that includes the Matching, Entertech, and Games segments. The change was brought on by a review of the company’s management methods based on the need to achieve profitability as soon as possible through business selection and concentration. It was also implemented to quickly and appropriately respond to changes in the operating environment and the scale of the company’s business.

Matching segment

- ▷ Q1 FY09/20 revenues were JPY898mn (+39.2% YoY), while segment profit was JPY285mn (+111.8% YoY).
- ▷ At the online matchmaking service “with”, IGNIS is aiming for highly accurate matchmaking services using a combination of psychology and AI. During the past year the company undertook a number of initiatives to help promote the service, including hosting various kinds of personality diagnostic events and adding new features such as “For You,” which provides dating recommendations.
- ▷ As online matchmaking services have rapidly become more common in Japan, “with” has been picking up new members not just through promotions, but also by word of mouth. As a result, the service is steadily growing, with registered members exceeding 2.5mn as of December 2019 (versus just over 2.3mn as of September 2019).
- ▷ Now that its “with” matchmaking service is on its way to becoming a major earner, the company plans to continue efforts aimed at making the app more user-friendly, add features that will improve the accuracy of its matches, and continue to hold various personality diagnostic events as part of an overall effort to achieve high user satisfaction and make “with” stand out as a truly unique online dating and marriage matchmaking service.

Entertech segment

- ▷ Q1 FY09/20 revenues were JPY69mn (+431.8% YoY), with segment losses at JPY321mn (versus a loss of JPY350mn in Q1 FY09/19).
- ▷ In addition to developing and supplying the virtual live app “INSPIX LIVE” through subsidiary Pulse, the Entertech segment also focuses on the creation of IP^{*1} (Intellectual Property), including VOYZ BOY, with talent production agency VOYZ ENTERTAINMENT.
- ▷ Pulse is involved in the planning, development, and operation of systems using VR technologies to deliver live music. The system is capable of distributing content in a wide variety of environments, allowing not only live streaming through existing video sites, but also the live streaming of VR and AR content.
- ▷ Released in August 2019, the virtual live app “INSPIX LIVE” leverages this system to allow users to experience through VR a live music event by connecting their smartphones to pairs of VR goggles. With the goal of creating a more ideal customer experience, INSPIX LIVE is undergoing a major update to INSPIX WORLD, which will provide users with SNS functions when entering and after entering a virtual live performance venue. Six partners are participating in the project. The company is working to attract IP from other companies, with plans for the IP of several different companies to stage virtual live performances on the INSPIX WORLD (now INSPIX LIVE) platform.
- ▷ In terms of creating IP, VR talent agency and partner iwamotocho geinosa, which ran a virtual live concert featuring its virtual idol group “enogu,” is actively engaged in a variety of activities making use of the virtual live platform technologies.

*¹ Intellectual Property refers to properties protected by copyrights or trademark rights

Games segment

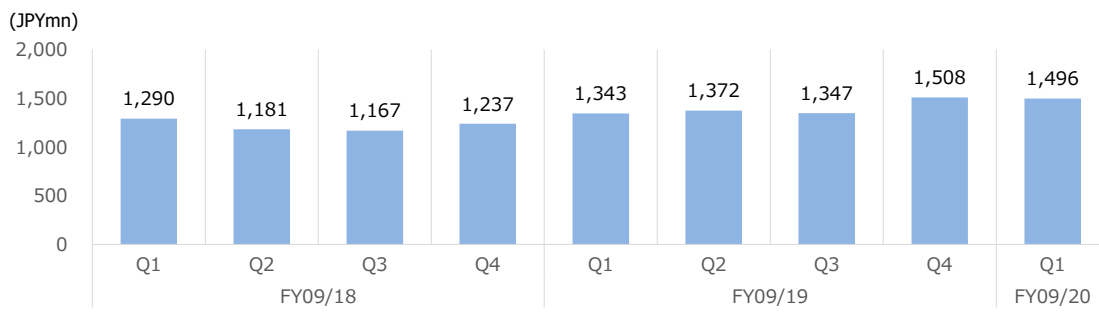
- ▷ Q1 FY09/20 revenues were JPY513mn (-21.2% YoY), with segment profit at JPY163mn (-21.2% YoY).
- ▷ The Games segment focuses on the planning, development, and operation of smartphone apps and browser games^{*2}. Major games include the “BOKU & DRAGONS” and *Demimens* smartphone apps, and the “NEKO & DRAGONS” browser game.
- ▷ Focusing on business concentration and selection, the company put a freeze on new development in the segment and intends to transfer the business focused on the BOKU & DRAGONS” and “NEKO & DRAGONS” titles to Drecom Co., Ltd. (TSE Mothers: 3793) on March 2, 2020.
- ▷ With regard to *Demimen*, its role-playing game for women launched in December last year, the company said that it had been introducing new characters, holding seasonal events, and taking other steps to increase the proportion of paying users and attract new users but, lacking meaningful improvements on these fronts, has ended service as of December 12, 2019.

*² Browser game: A game that can be played in the web browser without the need for download.

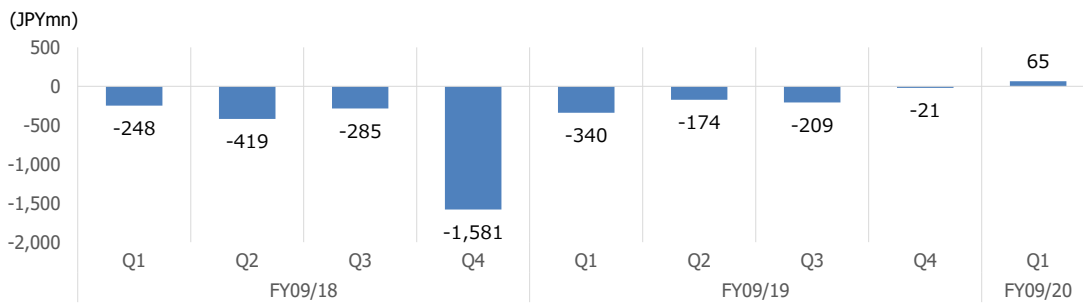
Other segment

- ▷ Q1 FY09/20 revenues were JPY16mn (-51.4% YoY), with segment losses at JPY62mn (versus a loss of JPY130mn in Q1 FY09/19).
- ▷ This segment is not included under reporting segments, and includes the job-change agent service and the job offer matching service, as well as the VR medical business and the medical institution-focused SaaS business.
- ▷ While mainly developing the Gram Inc. business, this segment is focused on improving services in the VR medical and the medical institution-focused SaaS business, although the company is still in the investment phase for those businesses.

Quarterly revenues



Quarterly operating profit



Source: Shared Research based on company data

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