

SAM CORPORATE REPORT

Enigmo Inc. (TSE Mothers : 3665)



19th December, 2013



Business profile

- ENIGMO operates BUYMA.com, the largest social fashion e-commerce website in Japan. BUYMA.com is uniquely positioned to offer a broad range of retail products and the latest fashion clothing items from all over the world.
- BUYMA.com provides a “market place” for two types of entities: “Buyers” and “Members”. “Buyers”, are individuals throughout the world providing items for sale to “Members”. “Members”, or online shoppers, create a user ID and password, enabling them to shop and buy items from all over the world. “Buyers” introduce the latest overseas fashion items through BUYMA.com website, and once they receive the purchase order from “Members”, they purchase and ship the items directly to them.
- ENIGMO stands in the middle of the “Buyers” and “Members”, providing escrow services to ensure a safe and reliable transaction experience.
- ENIGMO’s revenue stream is realized by collecting a fee on both sides of the transaction.



Steady growth (3Q review)

Overview

ENIGMO announced financial results for the nine months ended 31 October, 2013. The company achieved revenue of 1,239 million yen (127.92%: compared to the same period of the previous year), operating profit of 539 million yen (146.85%: ditto), and a net profit of 329 million yen (136.51%: ditto). The figures indicate

ENIGMO has continued on a steady growth path both in revenue and profits.

Revenue percentage against transaction volume (Revenue-Transaction Ratio) slightly rose to 11.37% (this represents an increase of 0.17% compared to the previous fiscal year). Cost ratio (20.19%: down by 2.04% compared to the same period of the previous fiscal year) and a selling, general and administrative expense ratio (SG&A ratio) of 36.31% (down by 3.57%: ditto) are improved compared to the previous year. Furthermore, these ratios are improved compared to the second quarter results of the 2012 fiscal year. (2Q cost ratio: 20.52%, SG&A ratio: 36.12%)

Earnings forecast

Although YTM progress ratios (sales: 65.24%, operating Profit: 65.20%) fell behind 75%, taking seasonal factors into account (YTM for the same period of the previous year: sales; 67.31%, operating profit; 61.40%), it is highly possible that ENIGMO will achieve the earnings forecast for this fiscal year.

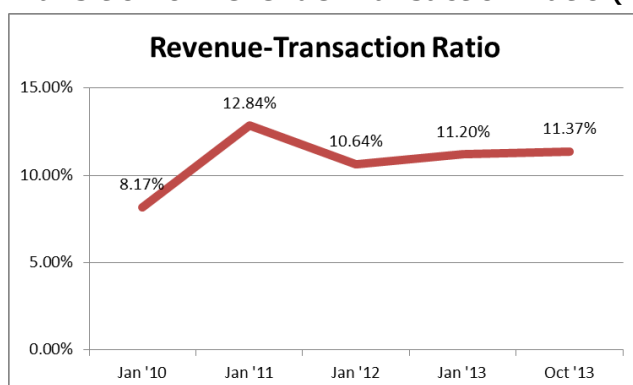
According to the company, there is no intention to increase expenses or investments in the fourth quarter.

Summary of financial figures

(unit; thousands of yen)

	Jan '14 (3Q)	Jan '13 (3Q)	% YoY	Jan '14 (est.)	% YTM
Revenue	1,239,540	969,033	127.92%	1,900,000	65.24%
Cost of revenue	250,247	215,373	116.19%		
cost ratio	20.19%	22.23%	-2.04%		
Gross profit	989,293	753,600	131.28%		
gross profit ratio	79.81%	77.77%	2.04%		
SG & A	450,129	386,505	116.46%		
SG & A ratio	36.31%	39.89%	-3.57%		
Operating profit	539,163	367,155	146.85%	827,000	65.20%
operating profit ratio	43.50%	37.89%	5.61%	43.53%	
Ordinary profit	541,266	358,997	150.77%	827,000	65.45%
ordinary profit ratio	43.67%	37.05%	6.62%	43.53%	
Net profit	329,435	241,331	136.51%	509,000	64.72%
net profit ratio	26.58%	24.90%	1.67%	26.79%	

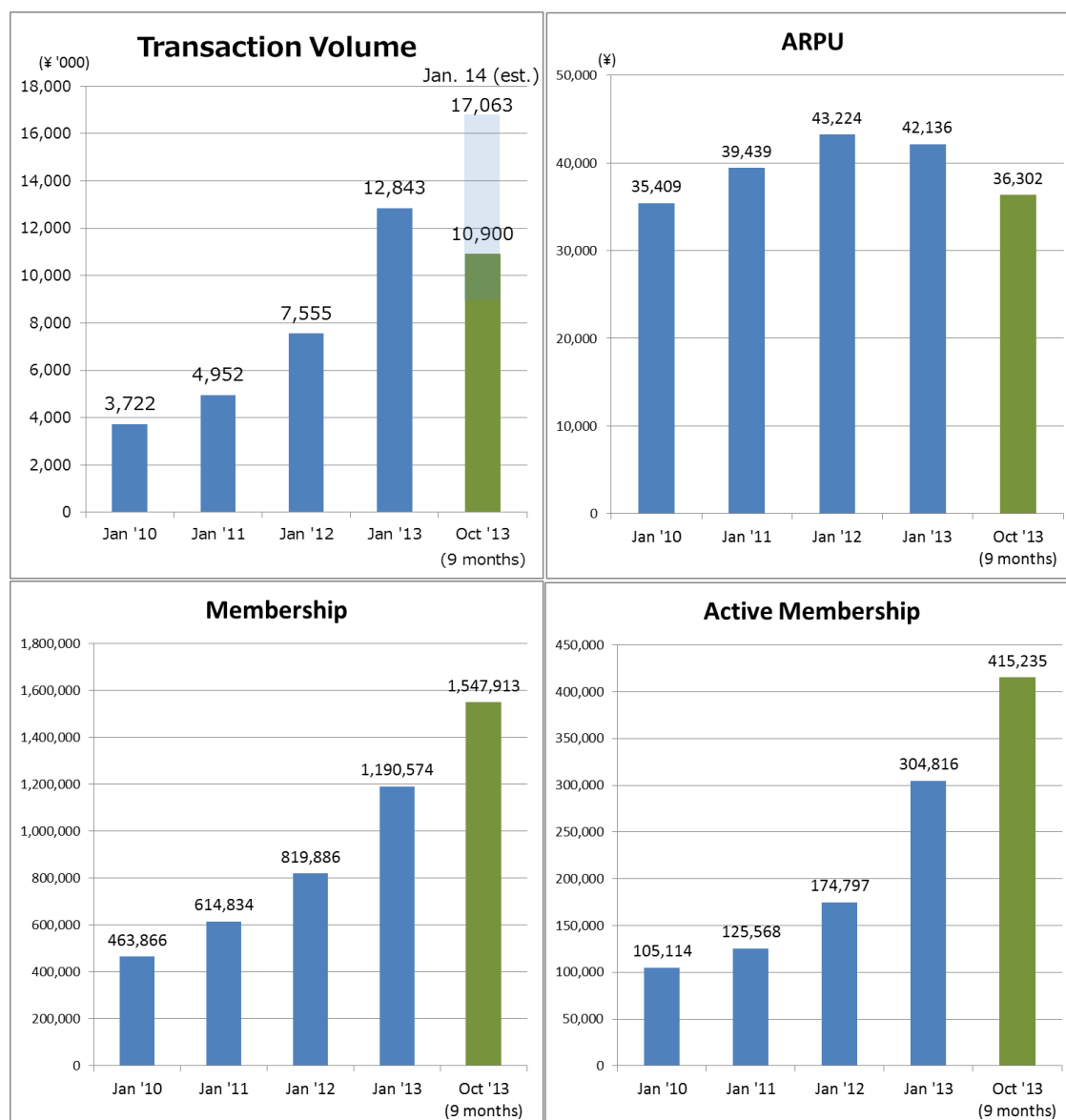
Transition of Revenue-Transaction Ratio (Revenue divided by Transaction Volume)



Trends in major KPIs

New memberships, current active membership users, and transaction volume levels are all steadily increased. Annual Revenue per User (ARPU) continues to trend downward, however, the component ratio of winter clothing in the fourth quarter could increase and it helps ARPU to recover positively.

Transition of major Key Performance Indicators (KPI)



New Products for 2014

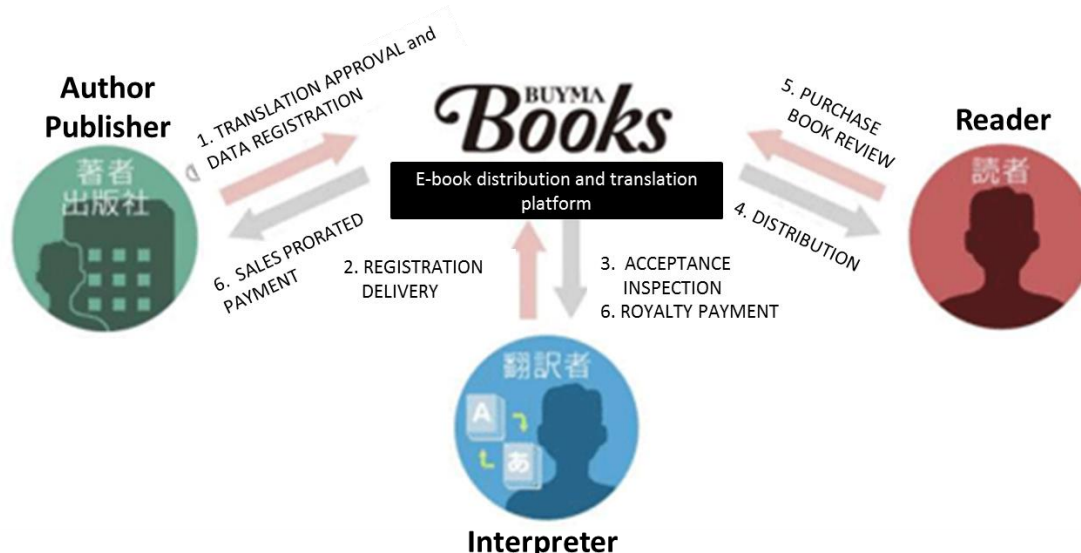
BUYMA Books

On December 4th, 2013, ENIGMO filed for registration of “BUYMA Books”, which plans to launch in March 2014.

“BUYMA Books” is a new platform service available to translate world-wide products utilizing cloud sourcing and distribution in the form of e-books for smart phones and tablets, as well as personal computers. ENIGMO has already sourced interpreters for fifteen languages (Arabic, Chinese, Croatian, Dutch, English, French, German, Indonesian, Italian, Japanese, Korean, Portuguese, Russian, Spanish and Swedish) and intending to gather more interpreters and authors/publishers, who intend to translate their products into Japanese.

“BUYMA Books” is uniquely positioned to deliver a completely new type of reading experience to consumers and thereby creating new traffic to the website.

We will be closely monitoring this trend into the launch in March 2014.



Current situation of overseas operations

Following to the launch of AVENUEK.com, the American version of BUYMA.com which was first offered in the United States in July 2013, BUYMAKorea.com launched its service on December 17, 2013. Over 12,000 items have already been uploaded and the focus going forward will continue to be increasing the number of registered Korean buyers on the website.

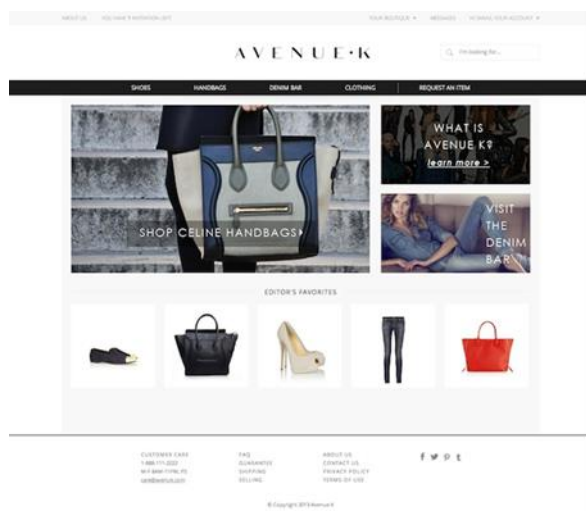
We believe the synergies between BUYMAKorea.com and BUYMA.com, coupled with Korean fashion preferences being similar to those of Japanese buyers, will both contribute to shortening the period of time that it takes BUYMAKorea.com to reach

profitability. ENIGMO expects that BUYMAKorea.com to reach the breakeven point by the end of next fiscal year and the trading volume to reach 10 billion yen by the end of fiscal year 2016.

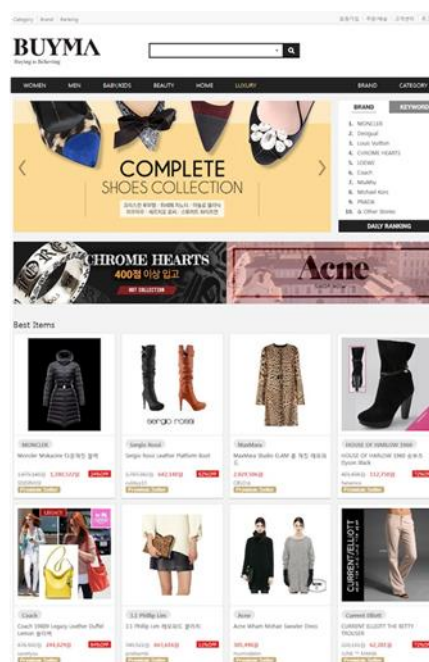
BUYMAKorea.com is operated by ENIGMO KOREA. Despite ENIGMO only holding 14.53% of the outstanding common shares of ENIGMO KOREA, ENIGMO retains a substantial share of convertible bonds, bringing the total outstanding share to 88.24% of the company. Therefore, ENIGMO can consolidate at any time once ENIGMO KOREA attains profitability.

We are excited about the globalization of the ENIGMO brand and believe the success achieved with BUYMA.com can be replicated with the US and Korean businesses.

AVENUE K



BUYMA Korea



AVENUE K: <http://www.avenuek.com/>

BUYMA Korea: <http://www.buymakorea.com>

SAM will ensure the overall operations are managed properly. Furthermore, SAM will continuously monitor the progress of the business expansion ensuring a smooth rollout and a comfortable end-user experience.

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