

# SIR CORPORATE REPORT

## ***Enigmo Inc. (TSE Mothers : 3665)***



June 15<sup>th</sup>, 2016

**Supported by robust growth in membership numbers, significant improvement in earnings was achieved; revenue and operating profit grew 1.5 times compared to Q1 of last fiscal year**

(Review for Q1 FYE January 2017)



### **Business Profile**

- ENIGMO operates BUYMA.com, the largest social fashion e-commerce website in Japan.
- BUYMA.com provides a market place for “Personal Shoppers” who are individuals (many residing overseas) that introduce the latest fashion items to “Members” who wish to purchase those items.
- ENIGMO (BUYMA) stands in the middle of the “Personal Shoppers” and “Members”, providing a platform for these users as well as escrow and other ancillary services to ensure a safe and reliable transaction experience.
- ENIGMO’s (BUYMA’s) revenue stream is realized by collecting a fee from the “Personal Shoppers” as well as from the “Members (purchasers)” ie., on both sides of the transaction. There are also fees collected from a paid option for the compensation service “Anshin hoshō (safe warranty)”.
- The feature of BUYMA is that they introduce a wide range of ladies’ and men’s fashion as well as other home décor items and accessories in ‘real-time’ as they appear in the fashion and other markets worldwide.
- **A massive advertising campaign was held during FYE January 2016, and as of February 2016, BUYMA recognition reached a level of 40% (56% for the F1 segment)**
- **The challenge for this fiscal year on the domestic business is to reap the benefits of the advertising investment made last year, by converting the increased recognition into further member acquisitions, and to “activate” those new members to generate earnings.**

- Another challenge for business expansion in the future is to further promote BUYMA's overseas business by utilizing the high profits generated by the domestic business.
- For this Q1, both sales and operating profit (non-consolidated basis) increased by 50% yoy, thanks to steady acquisition of members and implementation of measures to maintain the % of active members.
- GLOBAL BUYMA (in English), eyeing the overseas market, was launched October 2015. Full-scale marketing activities will start during this fiscal year (FYE Jan. 2017).



《Overview of results》

(Unit; Million Yen)

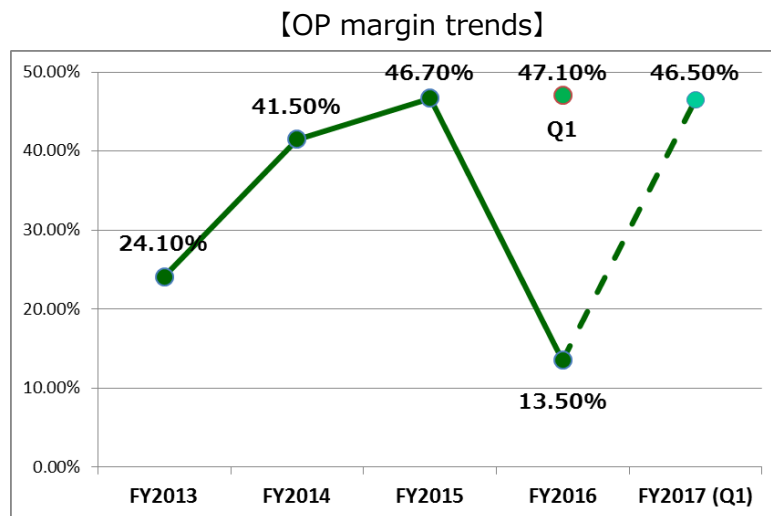
[Consolidated]	Q1 FY2017	FY2017 (forecast)	% Progress
Revenue	959	3,263	29.4%
Operating Profit	428	1,001	42.7%
Net Profit	259	606	42.7%

Looking at the Company's consolidated results for Q1, revenue was 959 million yen (29.4% of the total fiscal year's outlook) and operating profit was 428 million yen (42.7% of the total fiscal year's outlook) , up to a smooth start.

When we look at the BUYMA business on a non-consolidated basis,

[Non-Consolidated]	Q1 FY2017	Q1 FY2016	YoY
Total Transaction Amount	¥7,380Mil	¥5,175Mil	142.6%
Total Transaction Number	404,309	266,312	151.8%
Revenue	¥863Mil	¥571Mil	151.1%
Operating Profit	¥401Mil	¥269Mil	148.8%
OP Margin	46.5%	47.1%	-
SG&A	¥318Mil	¥200Mil	158.8%
Personnel	¥112Mil	¥98Mil	114.6%
Advertisement	¥129Mil	¥51Mil	251.0%
Membership	3,228,155	2,372,601	136.1% <sup>a</sup>
Annual Active Membership	701,201	518,468	135.2% <sup>b</sup>
Active Ratio (b/a)	21.7%	21.9%	-

Total transaction amount (value) and the number of transactions increased by approximately 40% and 50% respectively yoy, and as a result, revenue also increased 51.1% yoy to 863 million yen. Operating profit increased 48.8% yoy to 401 million yen, with OP margin at 46.5%. This quick improvement of the OP margin to the level close to the margin before the massive advertising campaign last fiscal year of 47.1% (for Q1 FY 2016), shows that BUYMA's high profitability had not been compromised.

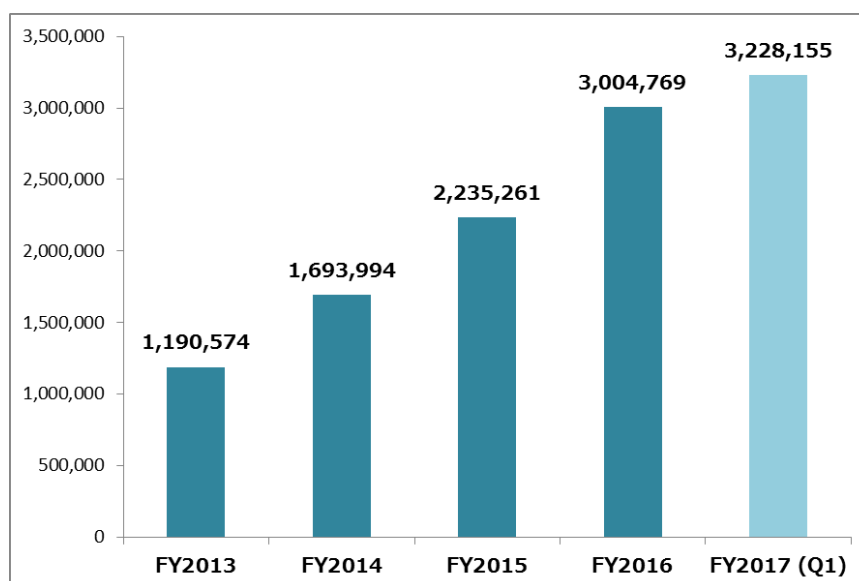


Also, while SG&A expenses have increased 58.8% yoy (which is before the massive advertising campaign), personnel expenses were 112 million yen (full year budget of 642 million yen ; using 17.4%) and advertising and promotional expenses 129 million yen (full year budget at 482 million yen ; using 26.7%), indicating that when compared against the full year budget for the current fiscal year, these expenses can be considered as having been appropriately managed.

《Situation of member numbers》

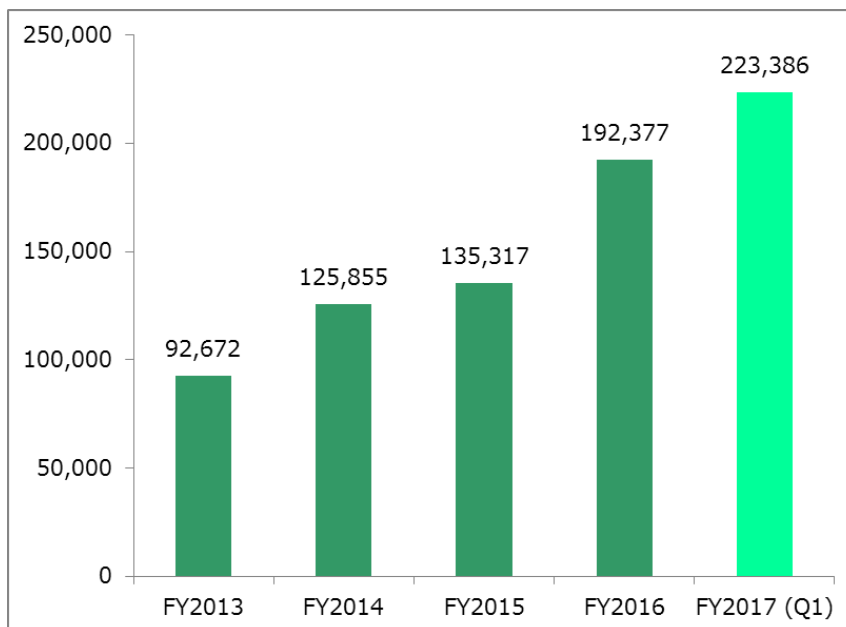
As of end Q1, the number of members exceeded 3.2 million; member acquisition has continued to increase steadily after the massive advertising campaign.

**【BUYMA membership】** (unit ; number of members)



The Company increased their recognition of BUYMA through the massive advertising campaigns last fiscal year (recognition percentage was 40% overall and 56% for F1 (female in their 20s to early 30s). Utilizing this heightened recognition, the Company is expanding its internet advertising (for marketing) this fiscal year. The result of these efforts can be seen below; the net increase in members for this Q1 has exceeded the average net increase per quarter for last fiscal year (ie. the net increase in members (last fiscal year) divided by 4).

【Average net increase in members】 (unit ; members)

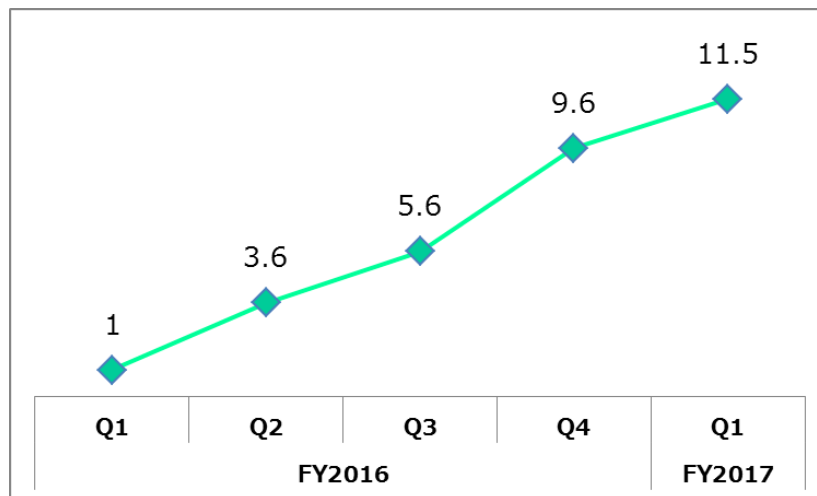


Also, the number of ‘annual’ active members (ie. those members who have purchased at least once from BUYMA in the past year) have increased 35.2% yoy to 701,201 members. Actually, this figure was a 10.5% increase from end January 2016 (which had 634,152 members).

The Company has been closely communicating with members by implementing measures to respond to seasonal factors and fashion trends through their wide variety of item line-up from Personal Shoppers and also to changes in exchange rates in a timely manner.

They have also been steadily increasing their orders received through their curation media “STYLE HAUS”. It is these activities and accumulation of know-how, which support the strength of the Company’s business.

【Preliminary orders (by value) via STYLE HAUS】



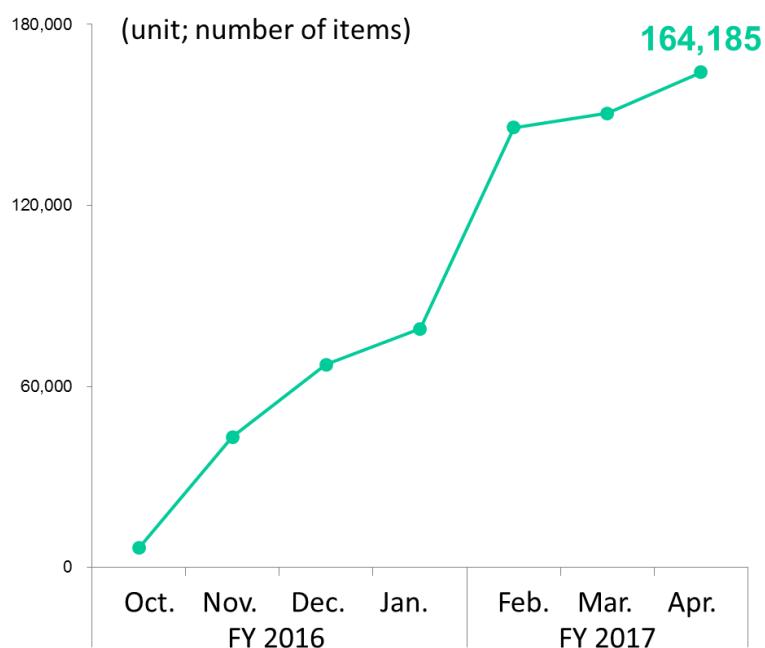
(Size of preliminary order amount, when FY 2016Q1 is 1)

《Situation of GLOBAL BUYMA》

In the GLOBAL BUYMA business, the key factor for their success will be whether the Company could smoothly transfer the success model of the domestic BUYMA business overseas.

For this fiscal year, the Company seems to have been able to expand the number of items, their core strength, to approximately 160,000.

【GLOBAL BUYMA number of exhibited items】



Moving forward, the Company intends to proactively implement measures such as SNS advertising in line with the major targeting countries' tastes to expand the number of purchasers from the site.

**During this quarter, the Company has significantly improved its earnings, and showed that the BUYMA business in Japan has firmly established itself as a Cash Cow for the Company. It was also confirmed that through the implementation of the massive advertising campaign last fiscal year, the growth of the business has been accelerating.**

**SIR looks forward to the Company steadily growing their domestic business while steadily constructing their overseas business (GLOBAL BUYMA) to realize their medium term plan at an early stage, and intends to continue reporting in these areas.**

**Yuichi Sekiguchi**

**CEO, Strategic IR Insight, Inc.**

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