

SIR CORPORATE REPORT

Enigmo Inc. (TSE Mothers:3665)



September 15th, 2016

Posted 60% revenue growth yoy, recording historic high results for a 6 month period.

Will revise full year forecast upward.

(Review for Q2 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” (registered 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 positive effect from the massive advertising campaign held during FYE January 2016 has continued into this quarter, and registered members have now exceeded 3.4 million (135.8% yoy)**
- **Total transaction amount (trade value- the amount of payment settlements for merchandise) also reached 140.6% of last year’s amount; as a result, sales and operating profit also reached a record high for half-year performance. The Company is currently revising their full year guidance.**

6.4% (Source : METI “20 15 E-commerce market survey”). Compared to these statistics, the situation and trend of BUYMA is clearly different. It is a testament to how unique BUYMA’s business model is, different to the existing business framework.

SG&A expenses were only 75.9% of the previous year, as advertising and promotional expenses decreased, and the amount spent is just above 50% of the total budget for the year, showing that it is being prudently managed.

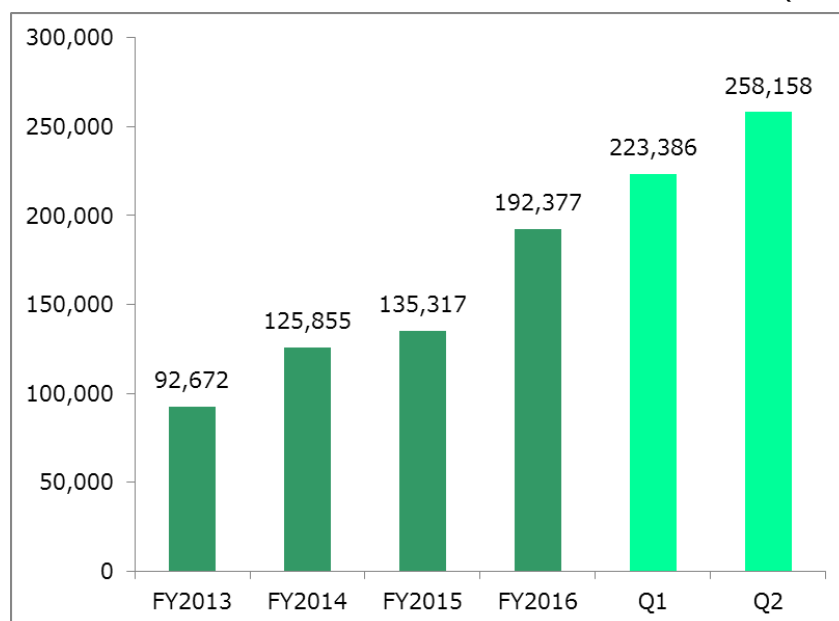
《On Membership numbers》

The number of members (membership) which underpins the BUYMA business model has exceeded 3.4 million (cumulatively), and increased by 481,000 just for the last 6 months (2 quarters). Observing the number of members acquired on a quarterly basis, this was 223,000 for Q1, and 228,000 for Q2, showing an increasing trend in the number of new members acquired, and it seems that the Company is reaping the benefit of their large scale advertising campaign of last fiscal year.

Also the member number increase per quarter is much higher compared to that of last fiscal year (average increase was 192,000), which shows that the Company has succeeded in leveraging the increased recognition through the mass campaigns into acquiring new members, just as they had intended.

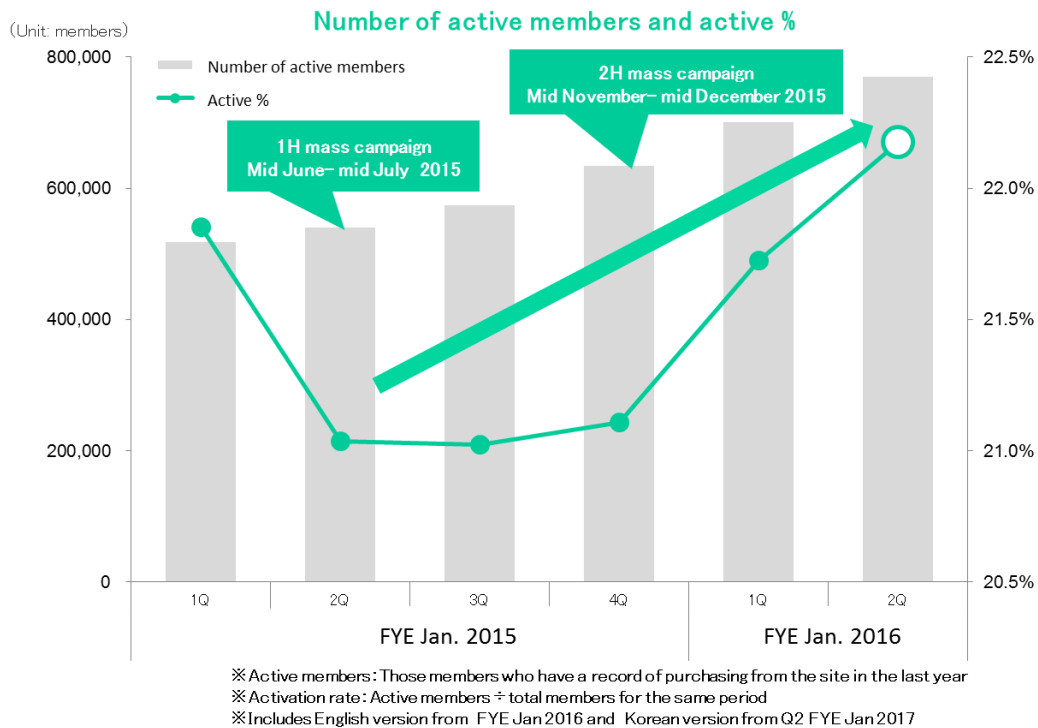
【Quarterly trend of average increase of BUYMA membership numbers】

(unit:members)



Looking at the proportion of “active” members (ie. those members who have

purchased from the site within the last year), this has improved because of the Company's efforts to respond to customers' needs by strengthening the website's functions and implementing various measures to activate members. Caring for customers through collaboration with Personal shoppers is a feature of BUYMA's business model, and it is also the accumulation of their unique know-how, and is thought to be the other pillar which underpins the Company's high growth.



《Measures for the second half of the fiscal year》

In this first half of the fiscal year, the Company has been able to achieve significant increases in revenue and profit from increased member acquisition and activation. In the second half of this fiscal year, they intend to continue implementing similar measures, and in particular, aim to maintain and increase ARPU (Annual Revenue Per User) .

Measures for 2H FYE Jan 2017

Acquire Members



Increase Activation rate



Maintain ARPU

[Examples]

- ★ Customer acquisition advertisements
- ★ Curation media (STYLE HAUS)

[Examples]

- ★ Improve app functions
 - Strengthen the push notification to make it more personal
 - Show articles from "STYLE HAUS" within the app
- ★ Strengthen the recommendation function

[Examples]

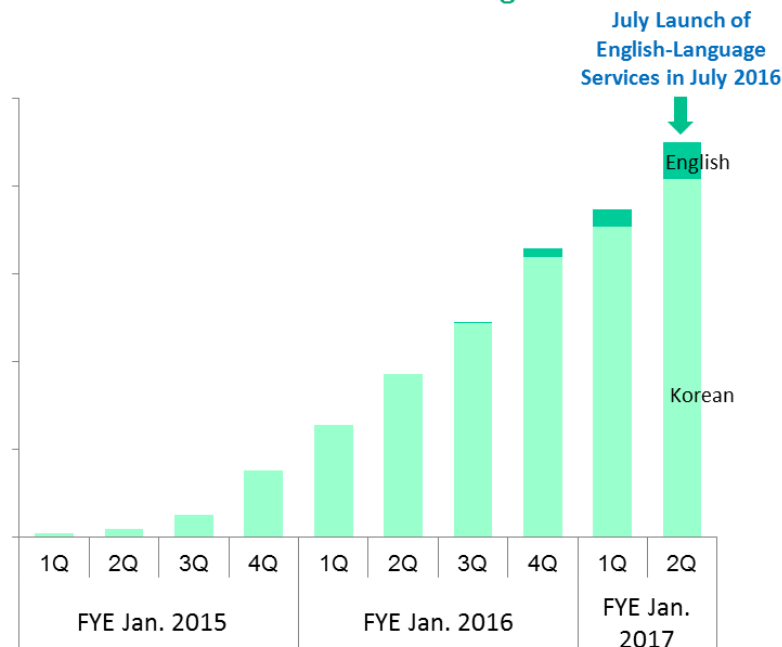
- ★ Improve functions for Personal Shoppers
 - periodically send information on items that are selling well, so that the quality of their offering items will improve
- ★ Improve functions for purchasers
- ★ Points
- ★ Coupons
- ★ Schemes for bulk buying

《Situation of overseas business》

The Company launched their English version of BUYMA in July 2016, to expand their BUYMA business globally.

When setting up the website, emphasis was made on user-friendliness, just as the domestic BUYMA website, and had 3 million listed items; user numbers seem to be steadily growing after the opening of the site.

Trend of New Member Registration



The Company has completed setting up the infrastructure of the English version of BUYMA (such as having appropriate function settings, sufficient numbers of items, and the system of Personal Shoppers) in the first half of the year, and have now set

themselves up to implement actual measures to bring in customers (membership) on a full scale and to put the business on track, in this second half of the fiscal year. In order for BUYMA to be recognized as a “worldwide brand” — a “cross-border EC site with the add-on of Japanese hospitality— and expand this business, the challenge will be whether the Company can smoothly transplant their unique site operating know-how (created through their domestic experience) to the Global BUYMA.

The BUYMA business is continuing to grow, despite the sluggish growth in domestic consumption. This shows the uniqueness of their business model and is also a product of their accumulated know-how, and SIR believes this strength should be re-evaluated.

We also expect that this unique service to spread globally if the Company succeeds in transplanting their know-how to their overseas business (GLOBAL BUYMA) . SIR intends to continue to report on the progress of the Company’s business, which is now entering a new phase.

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

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