

SIR CORPORATE REPORT

Enigmo Inc. (TSE Mothers : 3665)



June 15th, 2015

Bridging expectations for growth after Q2 (FYE January 2016 Q1 Results)

~ Business as usual and continue to prepare for growth~



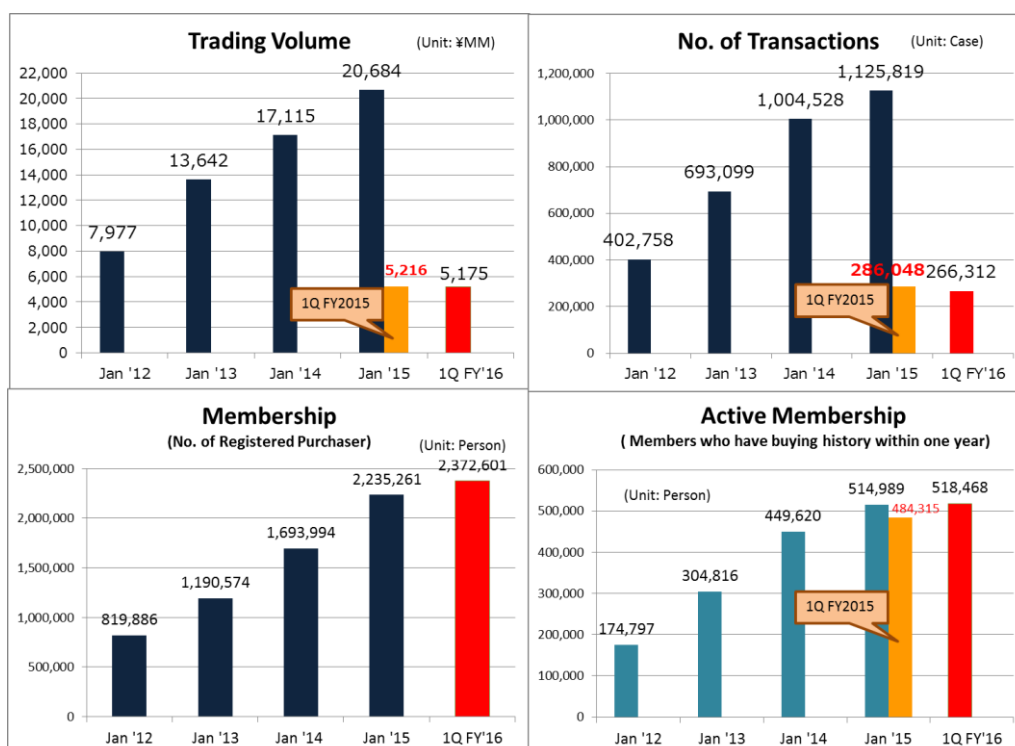
Business Profile

- ENIGMO operates BUYMA.com, the largest social fashion e-commerce website in Japan.
- BUYMA.com provides a “market place” for two types of entities: “Personal Shoppers” and “Members”. “Personal Shoppers” are individuals throughout the world, providing items for sale to “Members”. “Members” are online shoppers, who may shop and buy items from all over the world. “Personal Shoppers” introduce the latest fashion items overseas through BUYMA.com website, and once they receive the purchase order from “Members”, they purchase and ship the items directly to them.
- ENIGMO(BUYMA) stands in the middle of the “Personal Shoppers” and “Members”, providing escrow 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 items and other home décor items and accessories simultaneously as they appear in the fashion and other markets worldwide.
- ENIGMO acquired “Rocket Venture” in Q1. Rocket Venture operates a curation

place extensive advertising and promotional measures for the current fiscal year (in their endeavor to acquire more membership and subsequent increase in revenue and profits) the figures for Q1 show that the Company has made this quarter a preparation period for the planned leap ahead.

The analyses of the figures disclosed by the Company are as follows.

[Analysis of Major KPIs]



Looking at the Company's major KPIs (ie. trading volume, number of transactions, Membership, and Active Membership), we see that trading volume and the number of transactions are the KPIs that have worsened yoy. This can be regarded as the effect of a reactionary fall after the rushed demand before the consumption tax hike a year earlier.

On the other hand, the average unit price per transaction (trading volume ÷ number of transaction) for this Q1 was 19,432 JPY, 106.7% of the previous Q1's 18,235 JPY. Taking into consideration however, the extent of the JPY depreciation against the USD (approx. 116%) it can be said that the depreciated yen has not translated fully and directly into increased unit prices; ie. average unit price per transaction could be considered to have *declined* in *real* terms.

Membership has increased to over 2.3 million as of end April (Q1) 2015. More importantly, if we compare the average number of members acquired *per month*, the average for the 3 months from end January to April 2015 was 45,800, compared to 45,106, the average number for last fiscal year; this indicates that the pace in acquiring new members is accelerating. It is also worth noting that the number of Active Members (those Members who have purchased at least once in the past year) has also increased by approximately 34,000 compared to the previous year.

When we focus on the purchasing amounts of these newly acquired members (ie. first-time purchasers), according to the Company presentation for the previous fiscal year, 51.69% of these first-time purchasers buy items under 10,000 JPY. Therefore, a slight decline in average unit price per purchase mentioned above could be a reflection of these increased members buying relatively inexpensive items. It also shows that the Company's measures to expand lineup of inexpensive items have proved effective.

It is difficult however to draw conclusions on what a slight decline in the amount of average unit price per purchase mean under an environment where total trading volume and transaction amounts have decreased yoy (combined with multiple factors such as the "demand-surged quarter" in the previous year and the depreciating yen). That said, it is worthy to note that according to figures disclosed by Japan Direct Marketing Association (JADMA), sales amount for clothing items for February to April 2015 was 2.8% below the same 3 month period for the previous year (according to Company's calculations from JADMA figures). When we compare this with the decline in trade volume for the Company (0.8%), we see that the Company performed better than the industry in general. Also, as mentioned in the beginning of the report, the Company's revenue marked a slight increase yoy for this Q1, which shows that even without any kind of promotional measure, the Company was able to go about business as usual, and even post a slight increase in its top line.

【Promotional measures moving forward】

The percentage of people's recognition of BUYMA within Japan is approximately 25% (As of February 1st, research by ENIGMO) . ENIGMO has therefore decided to air a nationwide TV commercial with the intention of increasing the public's recognition of

“BUYMA”. The message/theme of the TV commercial will be “You can buy the world”, and there will be simultaneous projects on the BUYMA website that is linked to the content of the TV commercial. Through these promotional measures, the Company intends to create a cycle where: TV commercial increases BUYMA recognition ⇒ increase in number of visitors to the BUYMA site ⇒ rapidly accelerate the number of Active Membership.



“You can buy the world.”

This quarter was a waiting/preparation period for the full scale promotional measures planned ahead. Therefore, there were no positive measures put in place for this quarter per-se, yet the Company managed to post a slight increase in its top line, compared to the “exceptional” demand of the same period last year. This is evidence that the Company’s fundamental business model continue to remain robust.

Also, Mr. Suda, the CEO of ENIGMO is an expert in marketing, as he originally worked for Hakuhodo, the famous advertising agency. SIR will look forward to seeing increased recognition of BUYMA among the public, and ENIGMO’s subsequent development of their global business operations.

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