

SIR CORPORATE REPORT

Enigmo Inc. (TSE Mothers : 3665)



September 15th, 2014

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: “Personal Shoppers” and “Members”. “Personal Shoppers” 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. “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 stands in the middle of the “Personal Shoppers” 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.

Moving on to the next stage of growth

(Q2 review for FYE Jan 2015)

Summary of financial figures

	(UNIT; Thousand Yen)			(UNIT; Million Yen)	
	Jul. '14 (2Q)	Jul. '13 (2Q)	% YoY	FY '15 (est.)	% YTM
Revenue	1,103,688	806,307	136.88%	2,379	46.39%
Cost of revenue	195,225	165,480	117.97%		
cost ratio	17.69%	20.52%	-2.83%		
Gross profit	908,462	640,826	141.76%		
gross profit ratio	82.31%	79.48%	2.83%		
SG & A	339,628	291,236	116.62%		
SG & A ratio	30.77%	36.12%	-5.35%		
Operating profit	568,834	349,590	162.71%	1,000	56.88%
operating profit ratio	51.54%	43.36%	8.18%	42.03%	
Ordinary profit	569,723	351,469	162.10%	1,000	56.97%
ordinary profit ratio	51.62%	43.59%	8.03%	42.03%	
Net profit	351,115	212,595	165.16%	616	57.00%
net profit ratio	31.81%	26.37%	5.45%	25.89%	
Transaction Volume	9,307	7,088	131.31%		

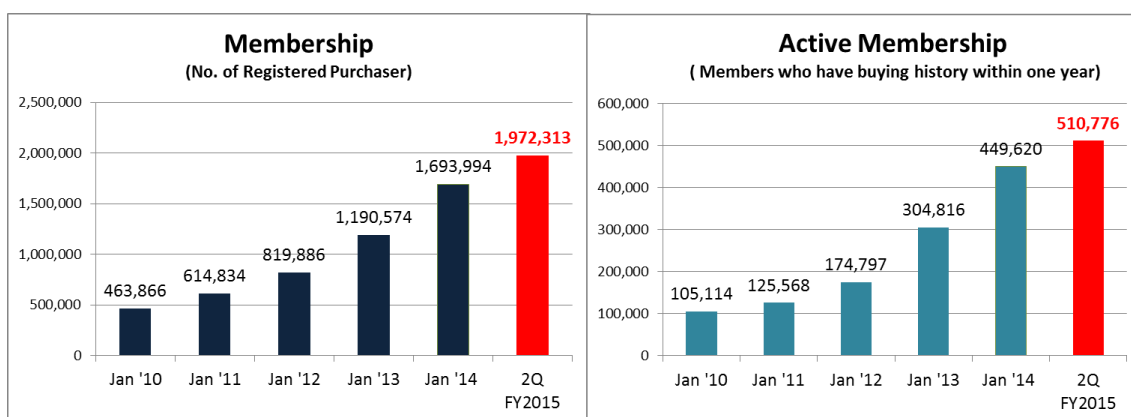
Q2 FYE Jan 2015 Overview

Revenue for Q2 increased 36.9% yoy to 1,103 million yen, as well as operating profit, which also increased 62.7% yoy to 568million yen.

Compared to the full years' earnings forecasts, 46.4% has been achieved for revenue and 56.9% for operating profit in this Q2 (cumulative figures). As this was 44.2% for revenue and 41.0% for operating profit in the previous year, it shows that the company has kept up its pace from and is progressing faster than the previous year.

OP margin has also continued to stay at a favorable 50% level (as was the case for Q1), and we can see that the company continues to sustain the structure of increased revenues to scale, allowing the company to generate high OP margins.

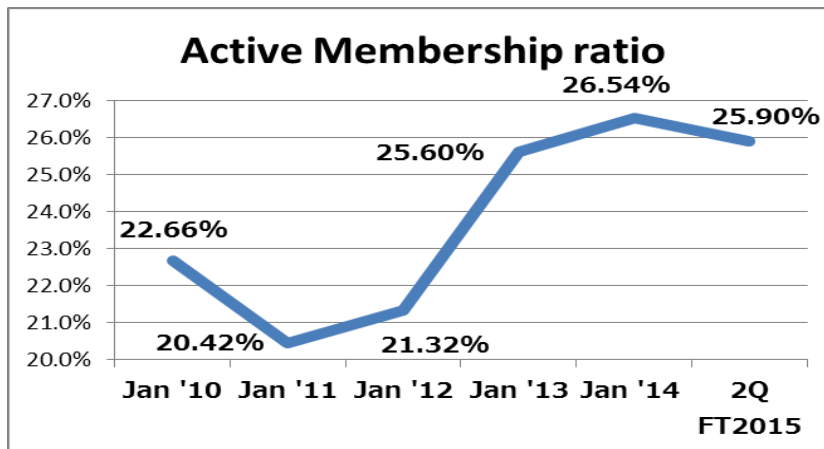
【Transition of Key Performance Indicators (KPI)】



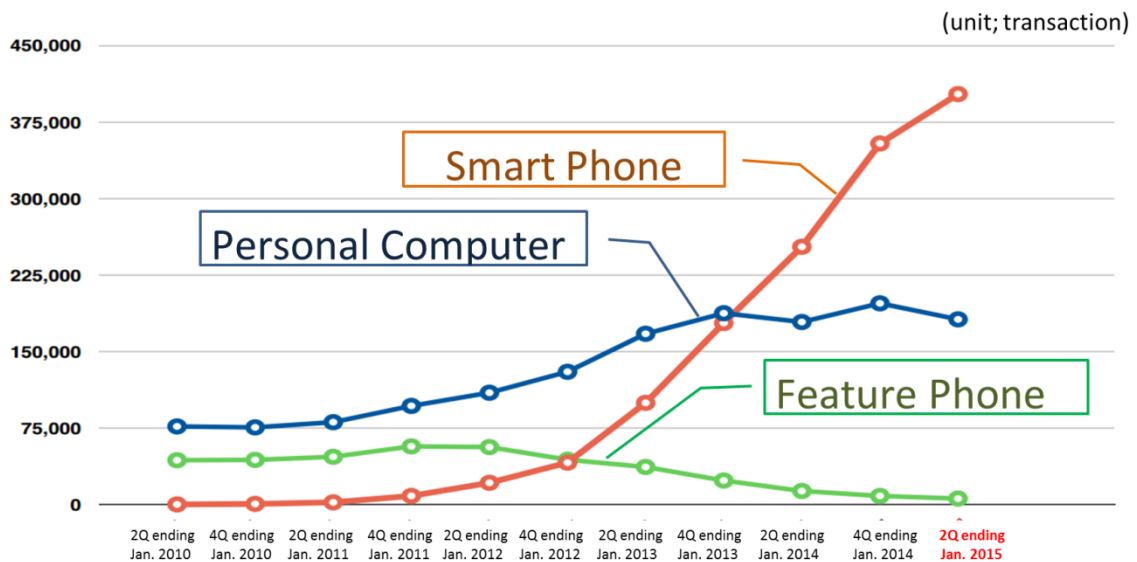
Membership acquisition

Membership numbers have been steadily increasing. The numbers above are those from end Q2 (as of July 31st 2014). As of August 25th, approximately a month later, membership grew further to 2,003,948, exceeding 2 million. This increased membership shows that the Company has been succeeding in “expanding wide recognition among the public”, which was one of the areas the Company announced as an area to work on in this fiscal year.

Active Membership (those members who shopped at least once in the last year) was 510,776, and this is also steadily increasing. While the percentage of Active Members is showing a slight decline, the overall percentage sustained at a high level.



Access from different devices



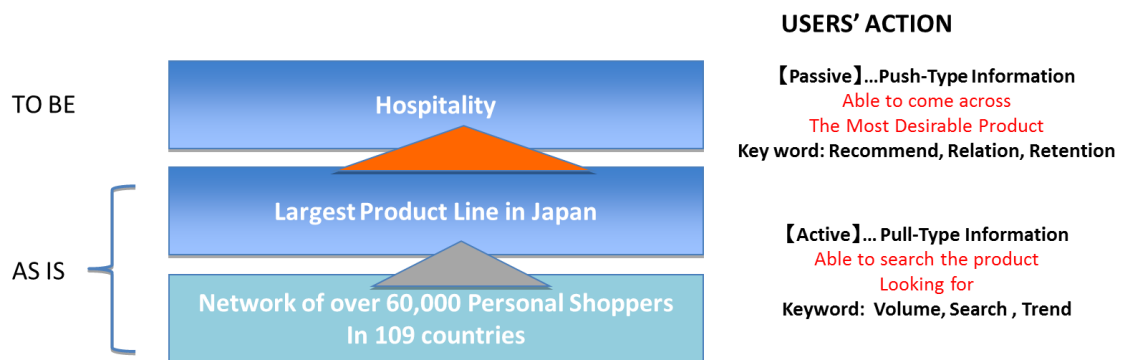
The information above which has been disclosed for the first time, shows the number of transactions through the different devices.

The Company has been taking continuous measures since 2012 to improve usability (convenience) of smart phones. Also, last year, the Company took initiatives such as releasing iPhone Apps and collaborating with Sony Mobile in their promotion. What the chart shows --- we see a sharp increase in the number of transactions through smart phones (while those via PCs are not increasing)---is a sign that these measures are working, creating a favorable situation to further increase our membership and have those members actively make transactions on our site.

【Further business developments】

While the Company intends to further its efforts in increasing membership by making themselves widely recognized, they would need to take measures to increase the “repeat % (to have current members come back to make repetitive transactions)” in order to invigorate the C2C market.

In this regard, the previous chart showed the Company’s efforts regarding its “hardware” (devices strategy), but what is particularly noteworthy is its “software” strategy; ie, regarding the contents they provide; namely, their PERSONAL SHOPPER strategy.



Up to this point, the Company has been focusing on improving the BUYMA site’s function as a general, EC (e-commerce) site, where users would come to the website and browse for what they might want to buy. From this standpoint, the Company has been expanding its item-buyer network, and has created a site with one of the largest number of brand items.

With membership exceeding 2 million however, in order to have these Members become repeat customers, the Company has re-positioned the function of their “buyers” into “Personal Shoppers”; “buyers” procure items which came to their attention, whereby “Personal Shoppers” would procure items for those Members who have previously bought an item from them (ie. they would be shopping (informally) on behalf of the Members, as they would know, from their previous buying history, what kind of items would meet that particular Member’s tastes/ needs)

By doing so, the Company intends to evolve from a shopping site where “you could find something you may want” to “items you always wanted (but did not know) is

presented to you”, and create an environment where Members can receive information from Personal Buyers who “know” what they like, without having to make the effort to search through the shopping site themselves.

Sending information in this way has attracted attention to local brands in Asia (such as those shown below, not yet formally introduced in the Japan market) which is starting to gain popularity; BUYMA is becoming the source of such fashion trends.

[A Thailand local brand (swimwear)“Chuan Pisamai” (cannot buy in Japan)]



Screenshots from websites (PC, smartphone and SNS sites) referring to how this brand was introduced by BUYMA

With the help of initiatives such as these, the Company has been able to generate robust growth in revenue and profits, without being affected by the fall in demand after the consumption tax hike.

SIR intends to monitor the Company’s performance, which is showing robust growth in its Members and revenues. At the same time, SIR will continue to pay attention to the Company’s “real” strength, on how/whether it can lead the social EC market through its initiatives in its service quality (ie. the effectiveness of its Personal Shopper strategy).

Strategic IR Insight Inc. CEO Yuichi Sekiguchi

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