

SIR CORPORATE REPORT

Enigmo Inc. (TSE Mothers : 3665)



16th June, 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: “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.



Clear Signs of increased revenue and profit (Q1 review for FYE Jan 2015)

■ Summary of financial figures

(unit; thousand yen)

	Apr '14 (1Q)	Apr '13 (1Q)	% YoY	FY '15 (est.)	% YTM
Revenue	563,273	409,233	137.64%	2,379,000	23.68%
Cost of revenue	101,260	82,831	122.25%		
cost ratio	17.98%	20.24%	-2.26%		
Gross profit	462,012	326,402	141.55%		
gross profit ratio	82.02%	79.76%	2.26%		
SG & A	169,581	149,032	113.79%		
SG & A ratio	30.11%	36.42%	-6.31%		
Operating profit	292,431	177,370	164.87%	1,000,000	29.24%
operating profit ratio	51.92%	43.34%	8.57%	42.03%	
Ordinary profit	292,643	178,487	163.96%	1,000,000	29.26%
ordinary profit ratio	51.95%	43.62%	8.34%	42.03%	
Net profit	180,198	105,991	170.01%	616,000	29.25%
net profit ratio	31.99%	25.90%	6.09%	25.89%	
Transaction Volume	4,872,000	3,601,000	135.30%		

■ Q1 FY2015 Overview

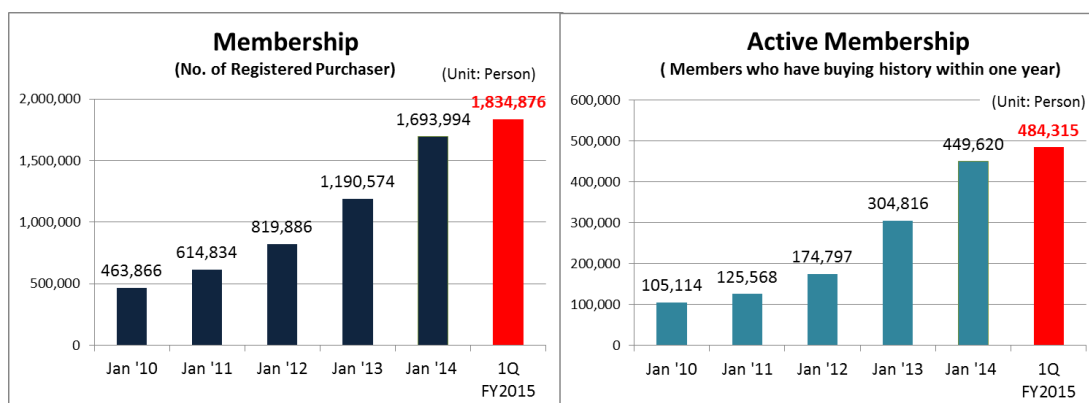
Sales for Q1 increased 37.6% yoy to 563 million yen, as well as operating profit, which also increased 64.9% yoy to 292 million yen.

Compared to the full years' earnings forecasts, 23.7% has been achieved for sales and 29.2% for operating profit in this Q1. As this was 21.5% and 21.4% respectively for the previous year's Q1, it shows that progress is quicker for this fiscal year.

What is particularly noteworthy is how operating margin was 51.9%, improving 8.6 percentage points compared to Q1 of the previous year.

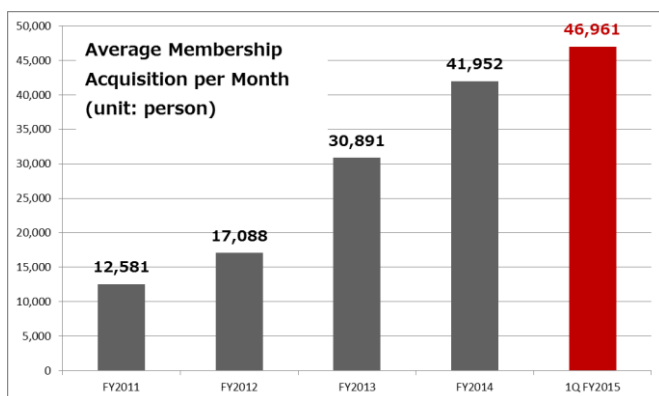
This came from improvements of 2.3 percentage points from gross margin, and 6.3 percentage points from SG&A margin, clearly showing that there is a structure of increased returns to scale, which is one of the characteristics of an internet business. Also, sales increased 37.6% yoy whereas transaction amount increased 35.6%, indicating that the change in margin levels as a result of revising the compensation system (the fee for the option to add further compensation) for purchasers and the fee level for "personal shoppers (the buyers that provide items to the site)" has not resulted in customers leaving, but rather contributed to the increase in overall revenue for the Company.

■ Transition of Key Performance Indicators (KPI)



Membership Acquisition

Shown below is the number of average net increase in membership per month (calculated from the chart above). It can be seen that the average increase in membership per month for Q1 compared to the last fiscal year is around 5,000, which is evidence that the Company's various measures this year to increase recognition among the people is bearing fruit.

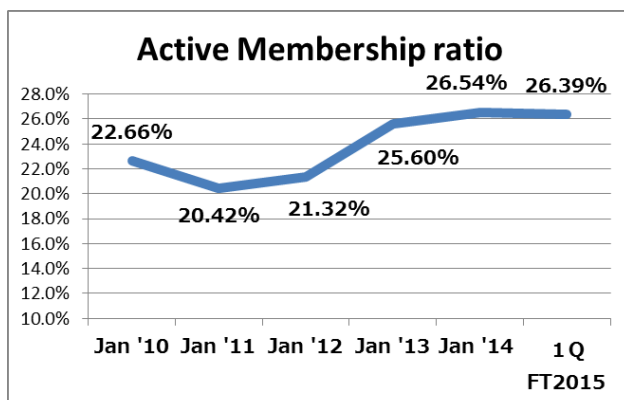


Media Exposure

Issued Date	Media	Media Type	Topic
14.05.26	Nikkei Trendy fore WOMAN	trendy information magazine	BUYMA
14.05.23	ViVi (July issue)	fashion magazine for women	BUYMA
14.05.14	Diamond Online	business information website	BUYMA Books
14.05.07	kodomoe (June issue)	magazine for young mother	BUYMA
14.05.01	Techable	news website	BUYMA Books
14.04.25	Konya Kurabete Mimashita	TV variety show	BUYMA
14.04.23	ViVi (June issue)	fashion magazine for women	BUYMA
14.04.09	Nikkei MJ	marketing journal	BUYMA Books
14.04.08	Nikkei Sangyo Shinbun	industry journal	BUYMA Books
14.04.02	TSE + YOU	radio program	
14.03.27	The Nikkei	newspaper	BUYMA
14.03.22	ViVi (May issue)	fashion magazine for women	BUYMA
14.03.07	VERY (April issue)	fashion magazine for women	BUYMA
14.02.27	Jyosei Seven	fashion magazine for women	BUYMA

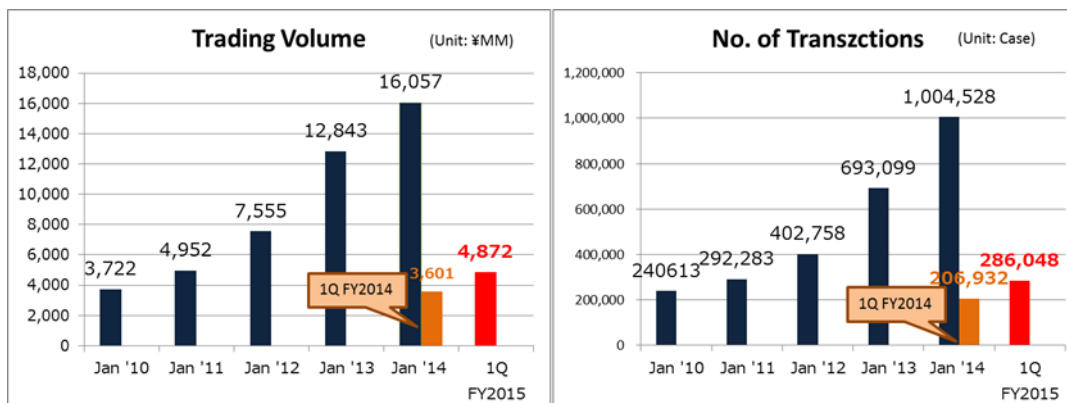
As seen above, exposure to various media sources is increasing in accordance with the Company's intention to raise recognition. It is expected that membership will increase steadily as a result of these promotional measures.

Active Membership



The level of Active Membership Ratio (the percentage of members who have made a purchase in the last year against all members) has remained about the same yoy, and the Company has been able to steadily retain the existing purchasing members.

Annual Amount of Purchase per Active Member (ARPU)



Given the number of transactions (286,048 transactions) and trading amount (4,872 million yen), the average trading amount per transaction is estimated to be around 17,032 yen.

As the same amount for Q1 the previous year is around 17,401yen, purchase amount per customer is on a gradual declining trend.

Endeavoring to improve the ARPU (annual revenue per unit- amount purchased by an active member in a year) by increasing the unit price of items and the frequency of customers' purchases had been one of the measures the Company intended to implement this fiscal year, but judging from the figures for this Q1, remarkable improvements in this area cannot be seen yet.

■ Regarding performance for future quarters

What can be considered from the figures above are as follows:

- 1 **The progress in sales and operating profit figures (compared to the full years target) is favorable (especially operating profit, which showed a progress of 29.2% for Q1)**
- 2 **Through various measures to improve the Company's recognition, membership is growing steadily**
- 3 **There is no tendency of existing customers leaving**

Therefore, it should be safe to say that this fiscal year end's forecast figures are estimated conservatively.

However, since it is also possible that a sizable promotion, including mass advertising could be placed to raise recognition among the public, SIR estimates that the Company will not make an upward revision its forecast figures.

Further increase in membership will be the driving force for the Company's growth. As such, the Company's medium term growth strategy should focus on building a foundation to continuously increase its membership.

SIR intends to monitor the Company's measures to this end.

Strategic IR Insight Inc. CEO Yuichi Sekiguchi

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