

# SIR CORPORATE REPORT

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



December 15<sup>th</sup>, 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.



## Confirm robust figures (Q3 review for FYE Jan 2015)

### [Summary of financial figures]

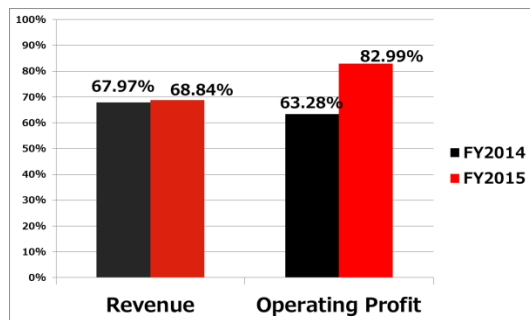
	(UNIT; Thousand Yen)			(UNIT; Million Yen)	
	Oct. '14 (3Q)	Oct. '13 (3Q)	% YoY	FY '15 (est.)	% YTM
Revenue	<b>1,637,764</b>	1,239,540	132.13%	2,379	68.84%
Cost of revenue	<b>288,191</b>	250,247	115.16%		
cost ratio	<b>17.60%</b>	20.19%	-2.59%		
Gross profit	<b>1,349,572</b>	989,293	<b>136.42%</b>		
gross profit ratio	<b>82.40%</b>	79.81%	2.59%		
SG & A	<b>519,633</b>	450,129	115.44%		
SG & A ratio	<b>31.73%</b>	36.31%	-4.59%		
Operating profit	<b>829,939</b>	539,163	<b>153.93%</b>	1,000	82.99%
operating profit ratio	<b>50.68%</b>	43.50%	7.18%	42.03%	
Ordinary profit	<b>831,944</b>	541,266	153.70%	1,000	83.19%
ordinary profit ratio	<b>50.80%</b>	43.67%	7.13%	42.03%	
Net profit	<b>482,377</b>	329,435	146.43%	616	78.31%
net profit ratio	<b>29.45%</b>	26.58%	2.88%	25.89%	
Transaction Volume	<b>13,734</b>	10,900	126.00%	(UNIT; Million Yen)	

**Overview**

Revenue for Q2 increased 32.13% yoy to 1,638 million yen, as well as operating profit, which also increased 53.93% yoy to 830million yen, continuously showing robust performance.

Compared to the full years' earnings forecasts, 69% has been achieved for revenue and 83% for operating profit this Q3 (cumulative figures) (compared to 68% for revenue and 63% for operating profit for the same time last year) . Since demand is expected to increase in connection with the Christmas holidays in Q4, this year's progress can be considered as even more satisfactory than the last fiscal year.

**[Progress against the full year's earnings forecasts- comparison]**

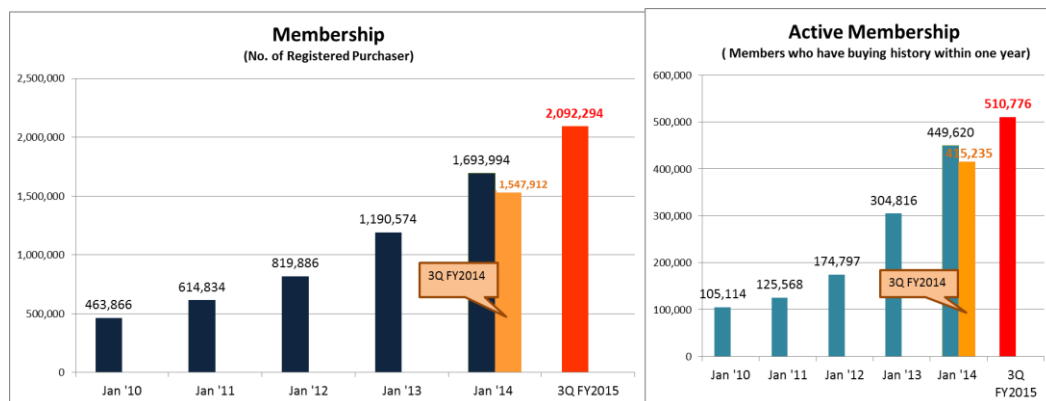


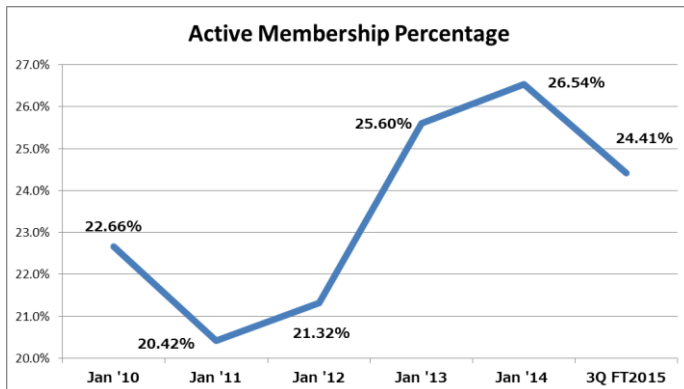
**[Transition of major KPIs]**

**Membership acquisition**

The number of members is continuing to grow steadily. The growth in the number of active members (ie. those members who have made at least one purchase within the last year) however, is showing some slowdown.

**[Number of membership and active membership]**

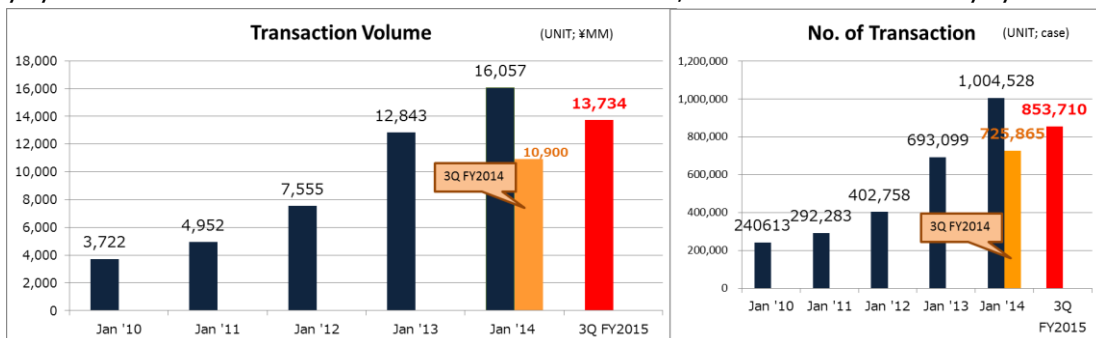




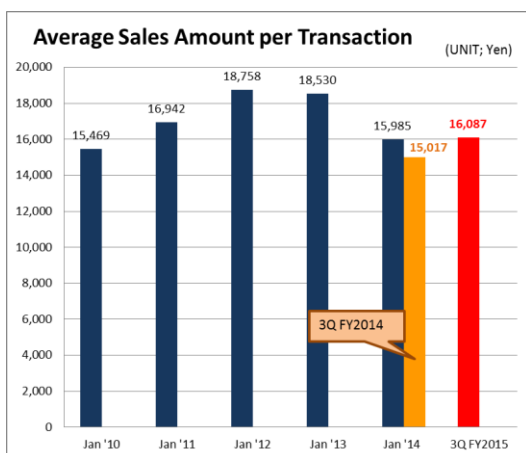
(Active membership percentage ; Number of Active membership ÷ Total membership)

### Transaction figures

When we look at the transaction figures, while we see transaction volume (total sales between Personal Shoppers and Members) at 13,734million yen (+26.0% yoy) the number of transactions made were 853,710cases (+17.6% yoy) .



We therefore see that the average sales amount per transaction has increased by approximately 1000yen.



### **【The effect of the yen depreciation to our results】**

The Japanese yen/ US dollar exchange rate was at a steady level of lower 100 yen against US dollar up until Q2, but the value of the yen fell by approximately 10 yen in Q3.

When a similar fall in the value of the yen happened in Q1 of 2013, Personal Shoppers (the provider of goods) increased their yen denominated price which had members turn away from more expensive goods, resulting in a decline in the average transaction amount per member.

Such experience had lead us to the fear that the Company’s business model is weak under a depreciating yen.

When we compare the average transaction amount of the goods for Q2 (cumulative from February to July) and Q3 (from August to October), the results are as follows:

	Feb. to Jul. 2014	Aug. to Oct. 2014
Transaction Volume ( ¥ MM) ①	9,307	4,427
No. of Transaction (case) ②	589,695	264,015
Transaction Price ①/②	¥15,783	¥16,768

The average transaction amount has actually increased for the latest 3 months.

This can be seen as a result of the following measures that the Company has been implementing recently, such as :

Measures to increase the sense of safety and security of their members (customers) when they are using the shopping site

- ① Increased recognition of the website through commercials etc.
- ② Increased lineup of “Anshin-hosho” (secure indemnification) system (indemnification against initial defects, authenticity warranty, return policy (from Q4))

As well as measures to strengthen the relationship between personal shoppers and their members (customers)

- ① Introduction of a posting function (A function that allows Personal Shoppers to propose new items)
- ② Improving freight distribution system to decrease the delivery cost

These measures have made it easier for members to buy more expensive items, leading to the improved results in the last quarter.

We still see a trend in the weak yen for Q4, but if we assume that the positive effects of the recent measures continue, the depreciation of the yen in itself would not necessarily affect the Company's profitability in a negative manner.

SIR intends to keep a close eye on the Company implementing further measures as well as on the increase in the number of active membership.

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

#### Global Disclaimer

This document has been prepared by Strategic IR Insight Inc. (hereafter "SIR"). This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject SIR to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning SIR. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. SIR does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of SIR. Any statements contained in this report attributed to a third party represent SIR's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation has not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions.

Research will initiate, update and cease coverage solely at the discretion of SIR. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information.

SIR specifically prohibits the redistribution of this document in whole or in part without the written permission of SIR and SIR accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. All rights reserved.