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For the attention of all interested parties

Company name: Enigma Inc.
Name of representative: Shokei Suda, representative director and chief executive officer
(TSE, 1st Section: 3665)
Enquiries: Yoichi Kaneda, Director and General Manager of Corporate Operations
TEL. 03-6894-3665

Notification concerning the Impacts of the Novel Coronavirus (COVID-19)
on our Business Performance

We would like to begin by expressing our deepest sympathies to all those affected by the novel coronavirus (COVID-19) and their families. Also, we wish to express our utmost respect and gratitude to those frontline medical professionals devoting themselves to treating people and saving lives, as well as the many other people caught up in the fight against this virus.

Many people throughout the world have been infected with COVID-19, and efforts to curtail the spread of the virus are ongoing, making the situation highly unpredictable. Amidst these circumstances, we have been continuing our business activities with the support of customers around the world. In doing so, we have placed utmost priority on ensuring the safety of all our employees.

The business environment in the current first quarter remains highly changeable, and there are some aspects which we cannot convey through our regular financial statements alone. As such, the following press release provides details on how we have been affected by COVID-19 and the responses we have taken.

Details

1. Regarding business operations

When we published of our financial results on March 16, 2020, Italy and Spain were already in a state of lockdown. Following this, a series of lockdowns were enforced in cities in many of BUYMA's main purchasing countries, including the whole of Europe, the United Kingdom and the United States. However, local personal shoppers found a variety of ways to cope with the situation, and switched to purchasing from locations other than physical stores, thanks to which the impacts of the lockdown were limited.

On the other hand, our services were greatly affected by the suspension of international mail from various countries. This uncertainty surrounding delivery created a sense of hesitancy among purchasers, meaning that personal shoppers were unable to receive orders. What is more, the Tokyo Metropolitan Government and Government of Japan both issued states of emergency, leading to hesitancy among purchasers to buy some items, especially those worn when going outside. As a result, the overall trading volume for April dropped by around 80% compared with the previous year.

The suspension of international logistics was a crisis for BUYMA. However, the distribution networks of private logistics companies were still functioning normally, so we encouraged sellers to switch to this alternative method of delivery. Increased delivery costs proved to be an impediment to this switchover, however, so we negotiated with several firms to provide BUYMA users with delivery services at a lower cost than usual. This enabled us to successfully restore the distribution chain in part.

Furthermore, we made an appeal to shops in Japan unaffected by international logistics problems and convinced them to hold a time-limited sale, enabling us to ascertain the kinds of items that were in demand. As demand for items used outside the home dropped, we were able to substantially increase orders by coming up with a lineup of items including, among other things, comfortable clothing for in the home, fashionable items that would make the wearer appear more photogenic during online meetings, etc.

As a result of the above, the overall trading volume for May recovered to 103% YoY, and the overall trading volume for June, too, has been rapidly recovering. In terms of our total performance as of June 10, our growth rate in overall trading volume is 130% YoY.

The fact that we were able to respond to changes in the environment caused by COVID-19 in such a short period of time is because we have many personal shoppers around the world, and were able to draw on the strengths of BUYMA – i.e. its diverse product lineup and decentralized business model.

Everyone in the company came together and worked to overcome the challenges presented by the virus. BUYMA evolved in the course of our efforts, and we were able to sow the seeds for achieving new growth. For example, we expanded our delivery network by providing services through private courier companies early on, acquired companies in Japan, established new methods of running promotions, and achieved growth in the lifestyle category, such as furniture. Going forward, we will continue to build highly adaptable business foundations enabling us to respond to changes in the environment.

2. Regarding the financial impacts of COVID-19

In terms of finances, our profit structure is such that we are able to secure profit as long as our growth rate in overall trading volume does not fall below 50% YoY, and we possess cash equivalents amounting to around 8.2 billion yen. Therefore, we are not in a critical situation. However, as the way ahead remains uncertain, we have strengthened our defenses by taking measures such as limiting hiring and scaling down nonessential and non-urgent fixed costs, while actively making investments in variable costs essential for future growth, such as by allocating budgets to highly cost-effective advertising.

3. Regarding the outlook for FYE January 2021

While we are currently performing well, we are carefully assessing as to whether this is simply due to a reaction among people to having to stay at home for a long period of time, or whether it is due to a more intrinsic upward shift, such as an irreversible move to more widespread use of EC or an increase in demand for our services as a shopping intermediary due to a decrease in overseas travel.

What is more, it is still not certain how COVID-19 will affect policies and consumption patterns from hereon in. Therefore, our forecasts for the whole term shall continue to remain pending.

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