

enigma

Supplementary Financial Information

Second Quarter of FYE Jan. 2023

Although the business environment remains challenging with sluggish growth in the number of light users due to the rapid depreciation of the yen and the impact of rising listing prices and declining consumer sentiment toward overseas imports due to inflation overseas, we are making progress in building a foundation for medium- to long-term growth through internal measures and investment in personnel expansion that will lead to increased recognition and evolving customer experience.

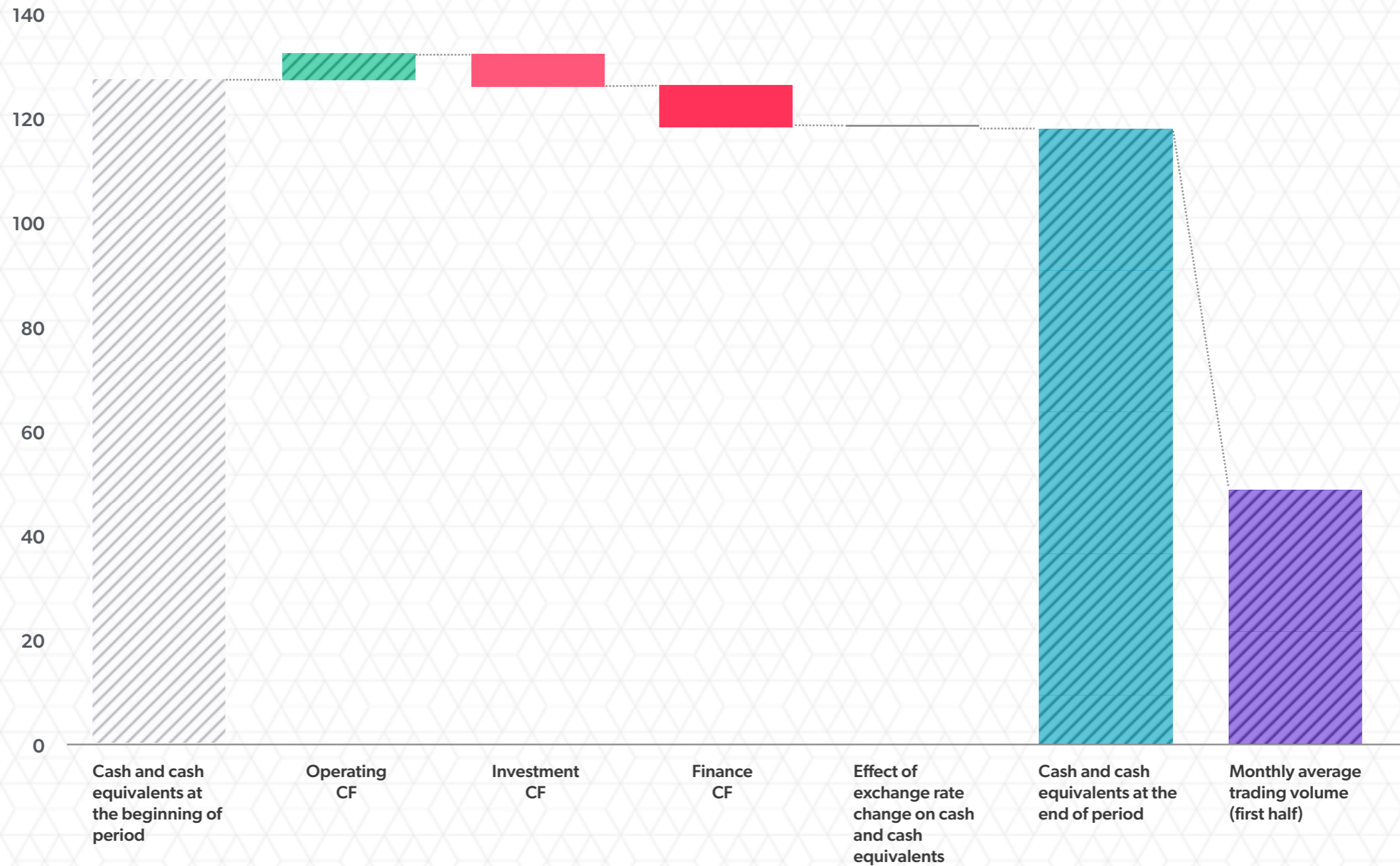
	FYE 2023/1 Q2	FYE 2022/1 Q2	(Reference Info.) Applying New Accounting Standards FYE 2022/1 Q2	(Reference Info.) Applying New Accounting Standards YoY
GMV*Includes fees for settlement of payment	29,295 million	31,348 million	31,348 million	93.5%
Sales	3,215 million	3,583 million	3,500 million	91.9%
Gross margin	2,569 million	2,896 million	2,813 million	91.3%
SG&A	1,962 million	1,526 million	1,432 million	137.0%
Advertising expenses	944 million	674 million	579 million	162.8%
Personnel expenses	727 million	584 million	584 million	124.5%
Operating income	607 million	1,369 million	1,381 million	44.0%
Ordinary income	618 million	1,377 million	1,389 million	44.5%
Net Profit	431 million	932 million	940 million	45.9%

(Unit: JPY)

Cash flow

Although investment CF was ▲675 million yen due to an increase in investment projects and finance CF was ▲785 million yen due to dividend payments and the acquisition of treasury stock, cash and cash equivalents at the end of July 2022 remained high compared to the monthly transaction volume, at 11.8 billion yen.

(Unit : 100 million yen)



BUY, SELL, SERVICE INFRA cross-functional team entered its second year of operation. Company-wide promotion of data utilization has progressed, creating a foundation for growth in the second half of the year and beyond.

BUYMA

BUY-Buyer side

- Improved UI of search refinement screen and built personalized searches utilizing scores that predict the best-selling items by gender x age x product ID
- Progress has been made in deepening the analysis of factors leading to continued purchases through the use of data. Completed setting of KPI to be followed to improve repeat purchase rate

SELL-Seller side

- Steady expansion of partnerships with specialty stores overseas by strengthening sales and development capabilities
- Strengthened sales promotion support by expanding the scope of sellers who are granted time sale privileges based on data analysis

SERVICE INFRA

- Launched 3D Secure (credit card identity authentication service) ver. 2.0. Enhanced payment security by reducing the attrition rate arising from credit card authentication failures

GLOBAL BUYMA

- Reinforced registration of GLOBAL BUYMA exclusive sellers
- Increased the number of keywords that appear at the top of searches by promoting keyword optimization
- Increased the conversion rate (CVR) by enhancing size and review information

New services/ business

- BUYMA TRAVEL team re-launched in preparation for travel market recovery
- Invested in SHAREDINE CO., LTD., which operates a chef matching platform business

TV commercials aired on flagship stations and in major cities from June 24th to July 17th.



Exposure via TV
Awareness of BUYMA

STYLE HAUS

YouTube
Instagram
Twitter etc.



BUYMA

Style House and YouTube ads were also run during the same period to strengthen engagement with BUYMA from multiple perspectives.

Results of post-commercial awareness survey*

Awareness, intention to use, and usage rate all increased as a result of the commercials. In particular, awareness **increased 132%** compared to the pre-commercial period.

	Before CM		After CM
Awareness	41.9%	132%	55.1%
Intention to use	11.5%	107%	12.3%
Browsing within 6 months	12.0%	113%	13.6%
Purchase within 6 months	3.9%	110%	4.3%

*Source: Survey of EC users within six months conducted by an advertising agency

We are enhancing measures to "deliver good products with a good experience," ensuring that we adhere to the standards that buyers expect from e-commerce services, and providing a valuable purchase experience unique to BUYMA.

Authenticity

We have further enhanced the quality of authenticity checks by systematizing the confirmation of information on where sellers purchase items. We provide an appraisal service (authenticity guarantee) as standard for all transactions, and full compensation granted in the event where the item turns out to be a fake. The probability of customers receiving a fake item is less than 0.001%.

Delivery

We prohibit the use of shipping services with a long delivery time. We have increased the use of private-sector delivery services, which have reduced delivery times, resulting in shorter delivery times for customers.

Price

We have banned variable pricing that had been practiced on some products. Also, we have stepped up our efforts to monitor for sellers who charge additional fees after a purchase.

Premium experience

We have expanded the scope of our concierge services for loyal customers, and are working to build trusting relationships with very high-ranking customers through dedicated teams.

We opened a show room in Shibuya in August 2022.

In addition to being used as a dedicated studio, it will serve as a new touch point for experiencing the world of BUYMA, providing a purchasing experience that is linked to real-life experiences.



Roles of the show room

Enhancement of special features

Use as a dedicated studio to create more attractive images for special features

Distribution of information via social media

Also use as a space to distribute information via social media, which more and more people are using

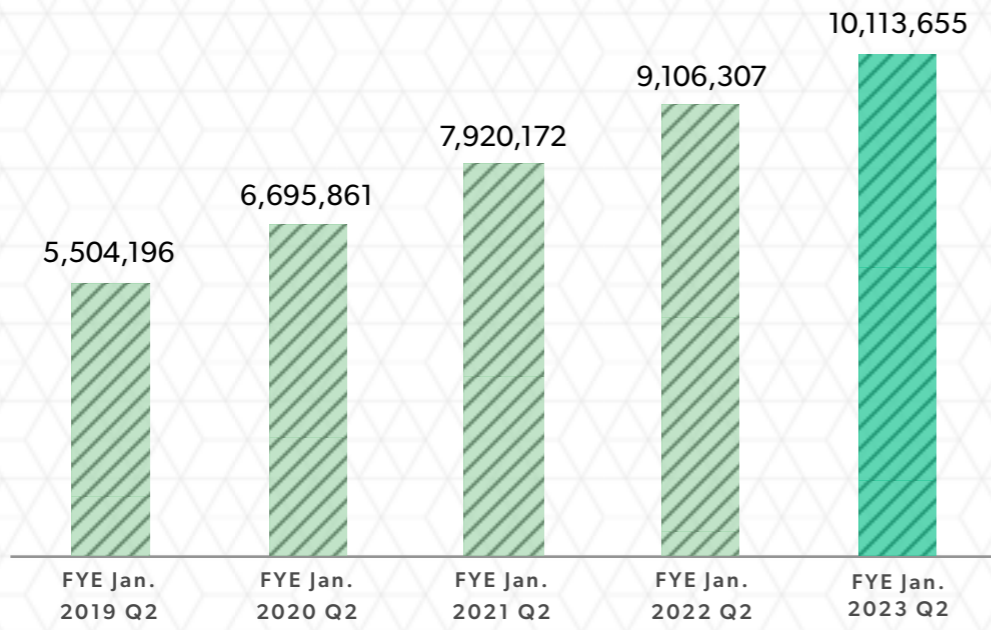
Point of contact with customers

Serve as a touchpoint where customers can try out products not yet released in Japan, check product details on terminals, signage, and even place orders

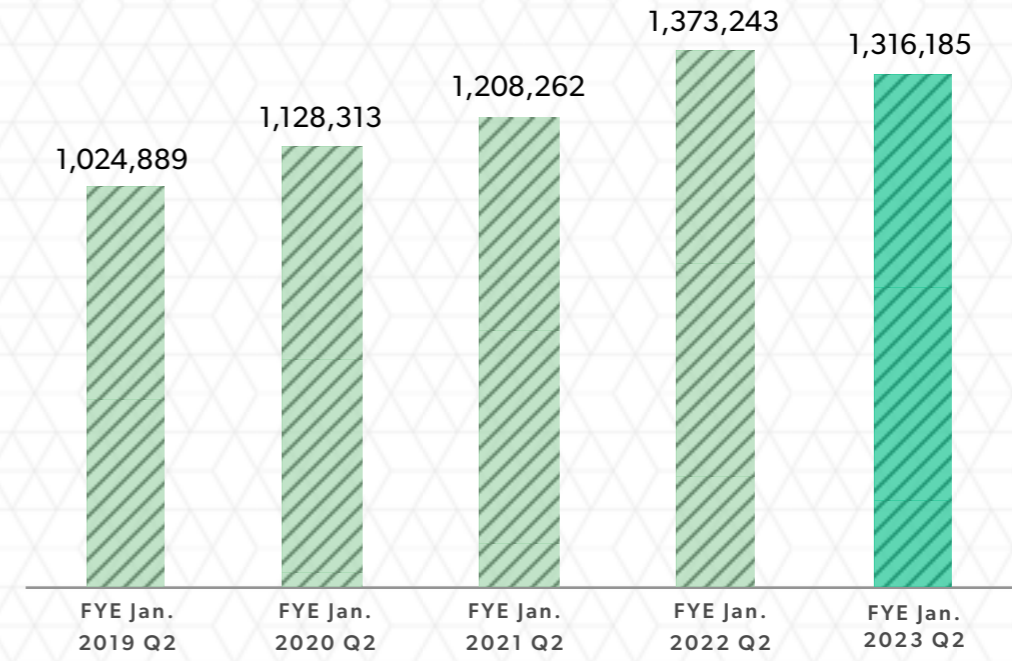
Overview of BUYMA business

Transitions in major KPI

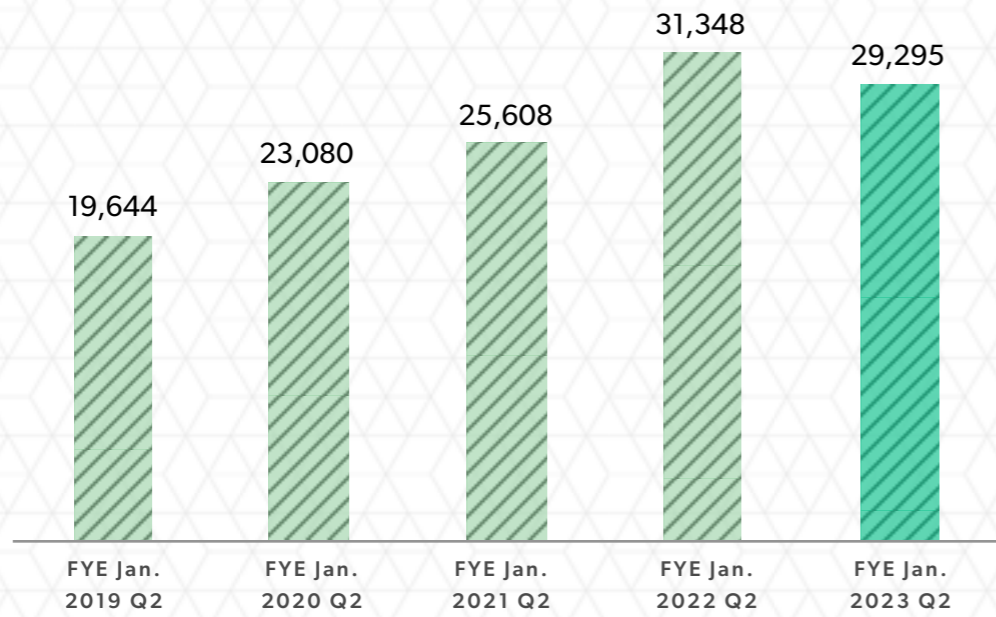
Number of members (Unit: person)



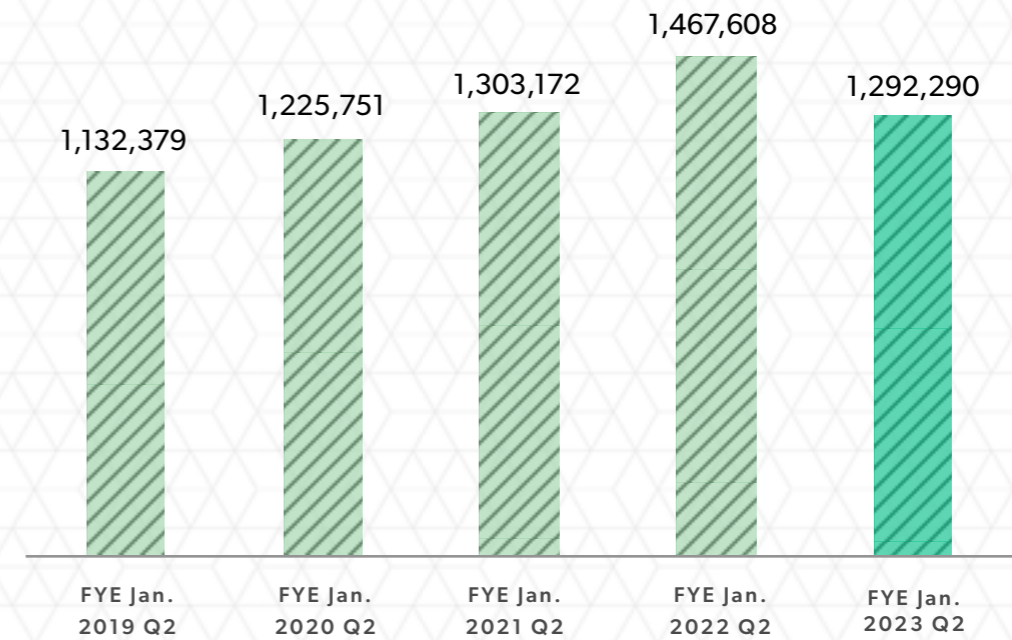
Number of active members (Unit: person)



GMV (total) (Unit: million yen)



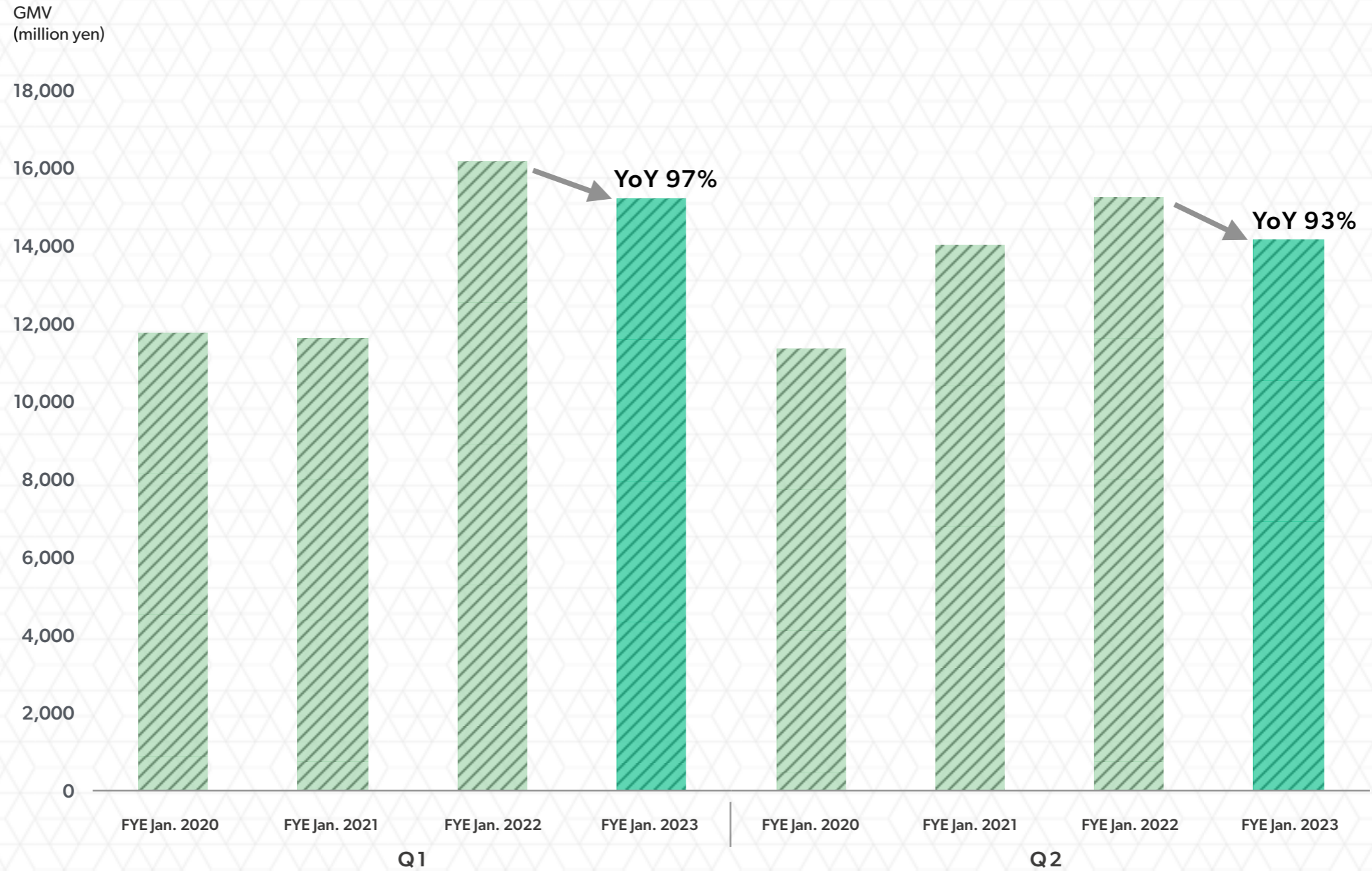
Number of transactions handled (Unit: no. of transactions)



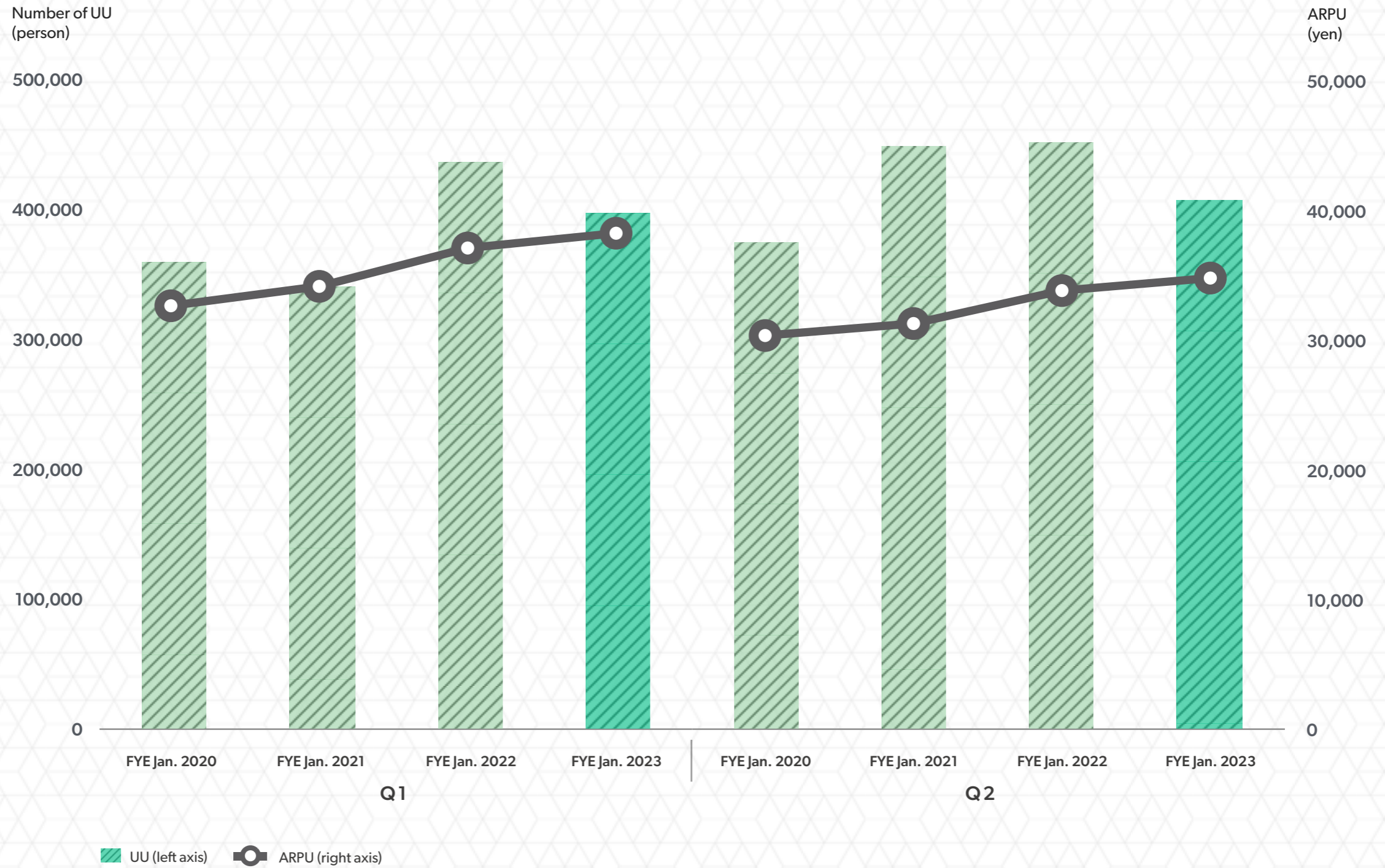
*GMV: Amount of account settlements including such things as payment for goods and fees for settlement of payment in contracted transactions

*Number of active members: members with a purchase history within the past year

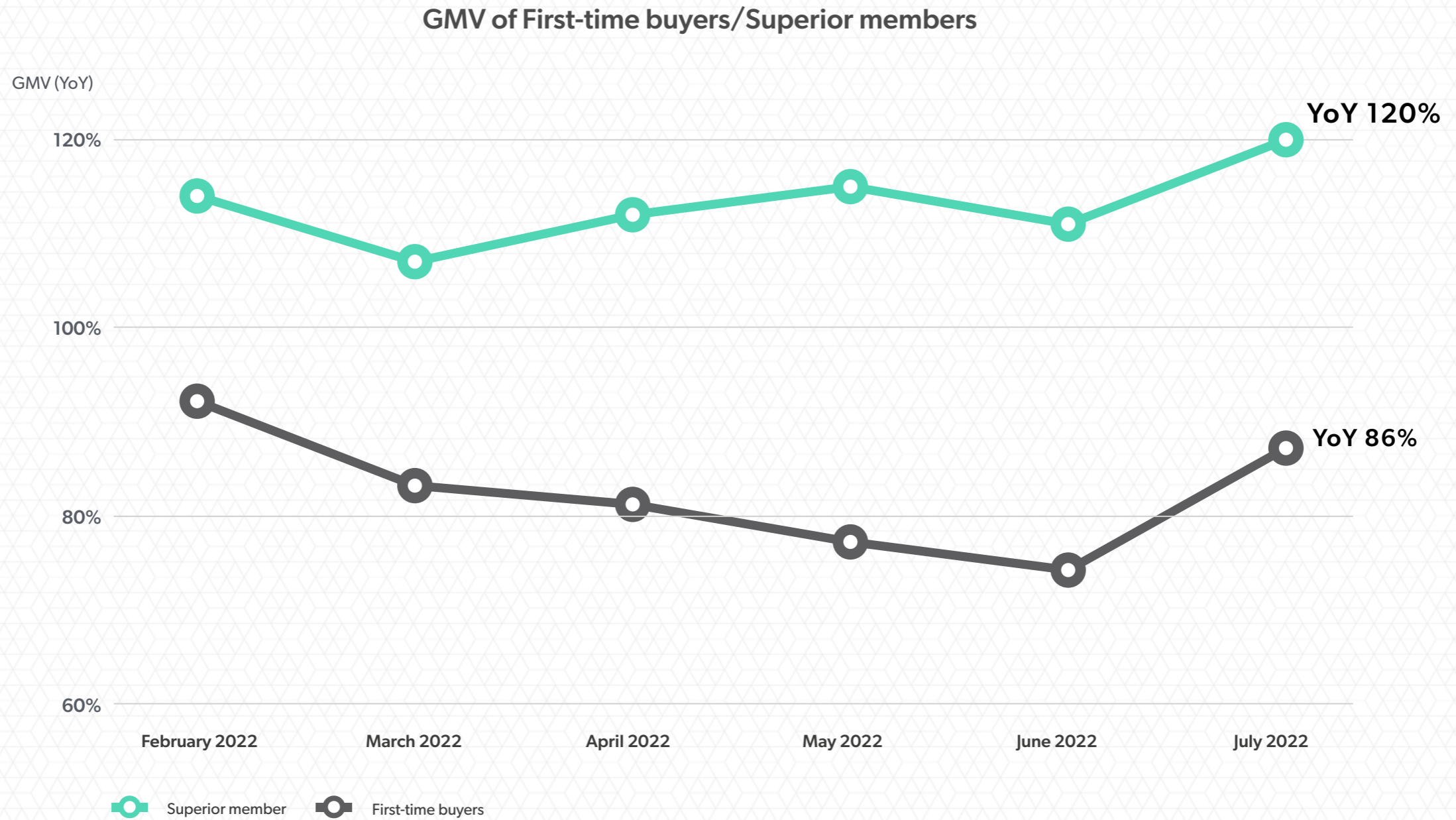
Despite the ongoing depreciation of the yen and a continued difficult external environment, YoY results were on par with the first quarter, confirming that demand is robust.



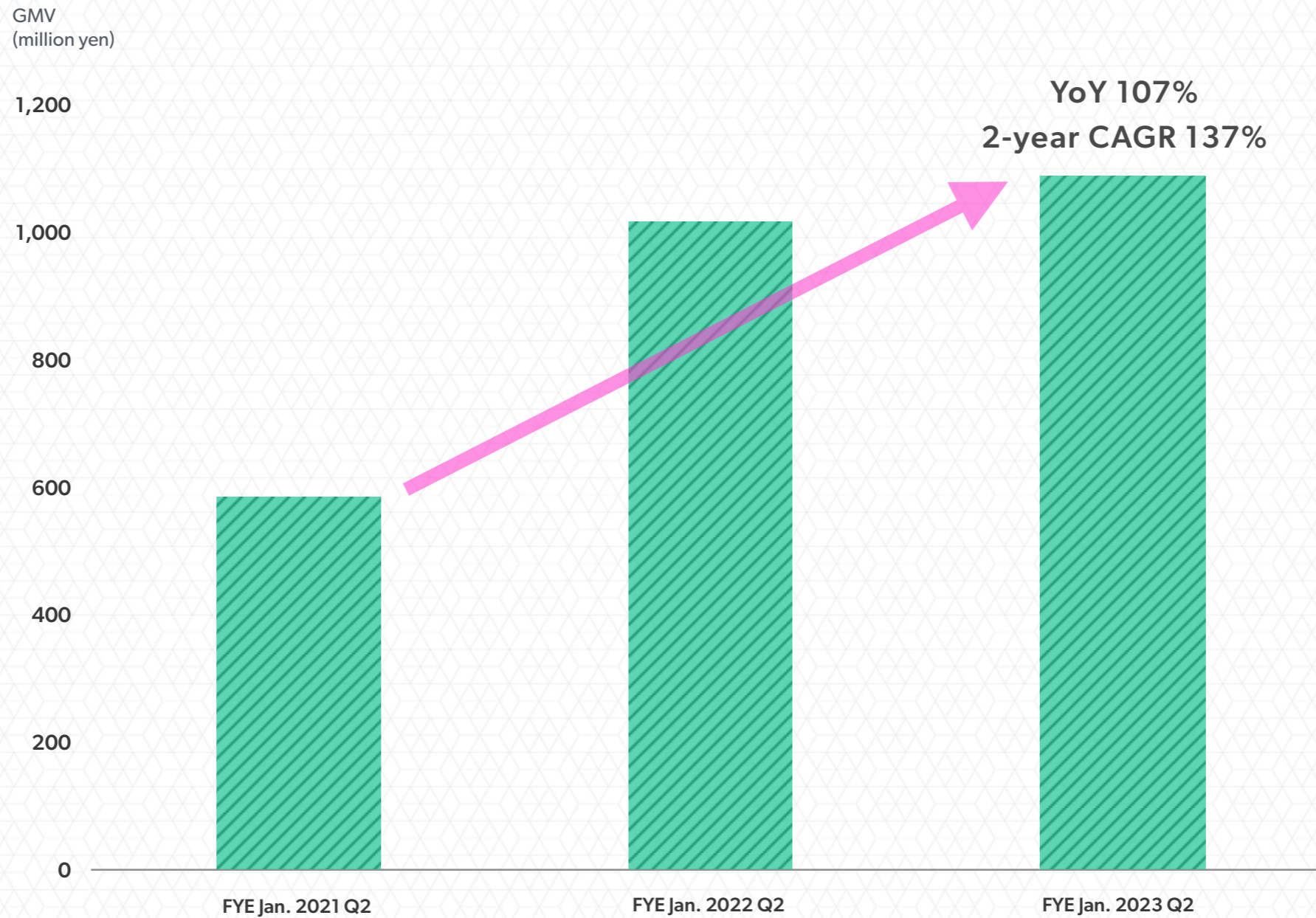
Growth trend continued for ARPU. Number of unique users (UU) remained at around 90% YoY.



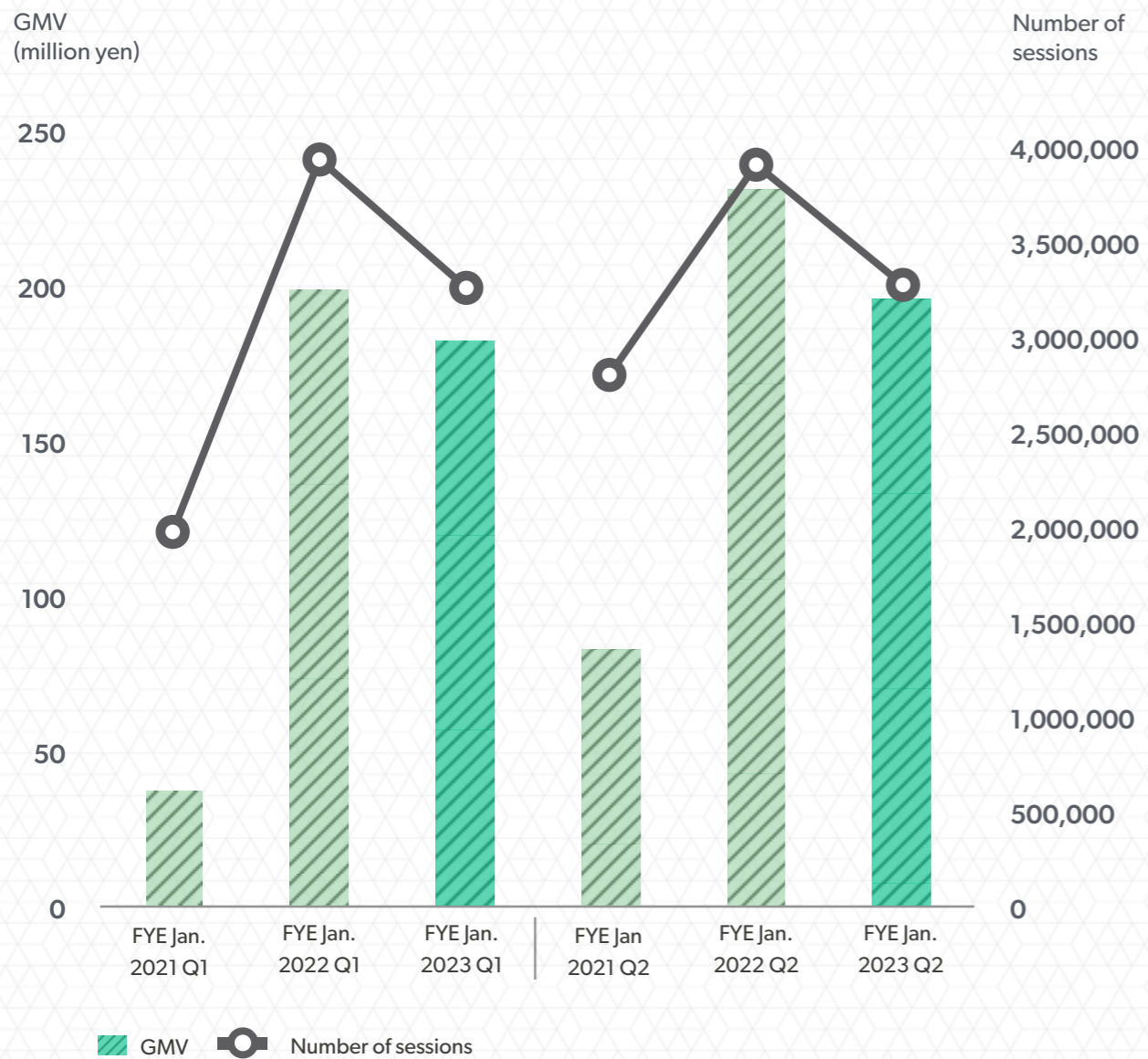
While the GMV for first-time buyers continued to be sluggish, the GMV for superior members (those who purchased more than ¥500,000 in the previous fiscal year), who account for about 10% of the GMV, continued to grow at a high rate (more than 110% in Q2).



With the removal of restrictions on movement and changes in consumer behavior, demand for interior-related products has run its course, but outdoor and travel-related products continued to be strong, resulting in a YoY 107% (2-year CAGR of 137%).



In addition to a slowdown in the growth rate of the U.S. e-commerce market due to the impact of inflation, the number of sessions declined owing to the impact of curbing the amount of advertising due to rising CPAs. Although YoY growth was negative due to the high growth rate of the previous year, internal measures are progressing well, with an increase in the number of exclusive sellers, enhanced SEO, and improved CVR.



Progress in the first half of the year

PS Elite	Exclusive seller registrations up 159% YoY Developed new features on the dedicated Dashboard to improve the convenience of listing activities
SEO	Achieved continued and enhanced Keyword Optimization, resulting in 133% YoY in top-ranked search keywords
CVR	Enhanced information for buyers (Universal Size Guide, Reviews, etc.), resulting in 128% YoY CVR via organic search

We made three investments in Q2 of FYE Jan. 2023 and beyond,
and actively pursued M&A and alliances.

Personal Chef Platform
(investment made in Jul. 2022)



SHAREDINE CO., LTD. operates a chef matching platform business. This service can be used not only by those who want to experience something out of the ordinary, but also by those who want to enjoy food prepared by a chef on their dining table.

As a result of this investment, we expect to see business tie-ups in the food sector in the future.

Digital Fashion
(investment made in May. 2022)



Sen Virtual Fashion Inc. was established in the U.S. in May 2022 after signing a letter of agreement at the time of the announcement of financial results in March 2022.

Software for Cross-border e-commerce
(investment made in Aug. 2022)



Unicode, Inc. develops logistics infrastructure tools essential for e-commerce operations. This collaboration with Unicode will allow us to strengthen our network with cross-border e-commerce businesses, which will simplify the workflow of cross-border e-commerce operations.

We aim to increase revenues by maximizing the effectiveness of our fall/winter mass campaign while improving its value as a platform through the following internal measures.

BUYMA

BUY-Buyer side

- Implement TV commercials and other campaigns for the fall/winter sales season
- Retain good customers based on data analysis & efficient incentive granting
- Enhance search UI and recommendation logic to improve turnover rate and CVR

SELL-Seller side

- Acquire corporate sellers with highly competitive prices
- Strengthen information provision activities to find products that sell, such as supply and demand forecasts
- Improve resistance to changes in the external environment through measures to support sellers that help improve their purchasing power

SERVICE INFRA

- Enable API integration with shipping services & additional development
- Improve the identity authentication process at the time of purchase to increase the order rate

GLOBAL BUYMA

- Develop new customers by strengthening trending Korean brands
- Strengthen SEO by increasing blog content and continuing keyword optimization
- Put in place full-scale Recruiting & Onboarding for PS Elite, while developing features to reduce listing load
- Strengthen marketing through new channels, such as Snapchat and TikTok

New services/ businesses

- Build foundation for expansion of BUYMA TRAVEL business while monitoring market recovery
- Promote M&A and alliances

ESG • SDGs

Business models that can coexist with society are in keeping with the times from the perspective of ESG investment

Environment

1. On BUYMA, fashion items awaiting "buyers" are distributed across borders. BUYMA has **solved the problem of inventory disposal** by matching supply and demand in the apparel industry around the world.
2. From March 2020, we shifted to a remote work-based working style, which has allowed us to **reduce the amount of paper we use and become more energy efficient** than before. We have also reduced our office space by half, helping us further reduce our carbon footprint.

Social

1. Approximately 200,000 personal shoppers in about 170 countries are active on BUYMA. We **contribute to society by creating jobs around the world and providing people with satisfaction in work.**
2. **Around half of our employees are women**, and we promote diversity. **Proportion of women (excluding executives) in managerial posts is around 40%.** In addition to women, men also take parental leave, creating a comfortable working environment in which employees can enjoy long and rewarding careers.

Governance

1. Our company has a system of audit and supervisory committees in place. Four of our seven directors are outside directors, making for a **highly independent executive structure.**
2. We established our internal systems based on fundamental policies for the establishment of internal control systems. In addition to emphasizing the importance of compliance with laws and regulations, we are **focusing on enhancing internal control functions** such as internal audits, our internal reporting system, and the Risk Management Committee.

Realization of a sustainable society through the growth of BUYMA



Our CO2 emissions (Scope 1&2) are very low,
and the energy saving effect of halving the office spaces is also reflected in Scope 2.

Item (Unit)	FYE Jan. 2020	FYE Jan. 2021	FYE Jan. 2022	YoY
Electricity consumption (MWh)	110	77	47	61.0%
Total CO2 emissions (t-CO2)	37,491	42,863	43,243	100.9%
Scope1 (t-CO2)	0	0	0	-
Scope2 (t-CO2)	50	34	21	61.1%
Scope3 (t-CO2)	37,441	42,829	43,222	100.9%
3-1 Purchased goods and services	1,163	1,429	1,816	127.1%
3-9 Transportation and delivery (downstream)	36,278	41,401	41,407	100.0%
CO2 emissions intensity (t-CO2/million yen)	0.0082	0.0048	0.0027	56.8%

*1: The above data covers the energy used through the use of our headquarters office, the use of data centers through the BUYMA service, advertising, and delivery of goods between users.

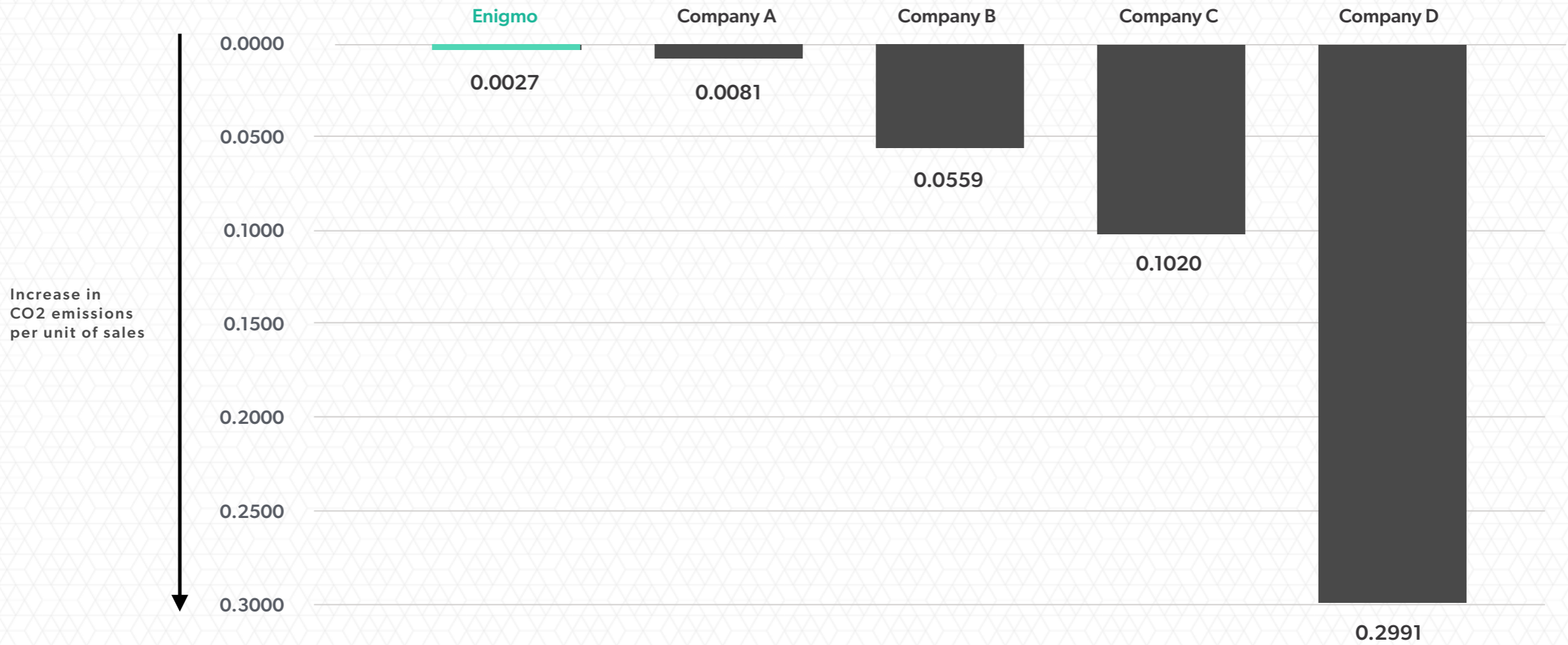
*2: Scope 3 categories 3, 5, 6, and 7 are omitted because they are insignificant in relation to total CO2 emissions. Other categories in Scope 3 are not considered to be relevant to our business.

*3: CO2 emissions intensity is calculated by dividing the total CO2 emissions of Scope 1 and 2 by sales per million yen.

*4: Totals may not match due to the rounding off of figures.

Business model with low CO2 emissions intensity
and low environmental impact among e-commerce platforms

CO2 emissions intensity (t-CO2/million yen)



*The above graphs were calculated by us based on various publicly available information for companies engaged in the e-commerce business from FYE December 2021 to June 2022. CO2 emissions intensity were calculated by dividing the total CO2 emissions of Scope 1 and 2 by sales per million yen.

Sumitomo Mitsui Banking Corporation granted us an SDGs Promotion Loan* in recognition of the potential contribution we can make to the achievement of SDGs goals through our business activities.

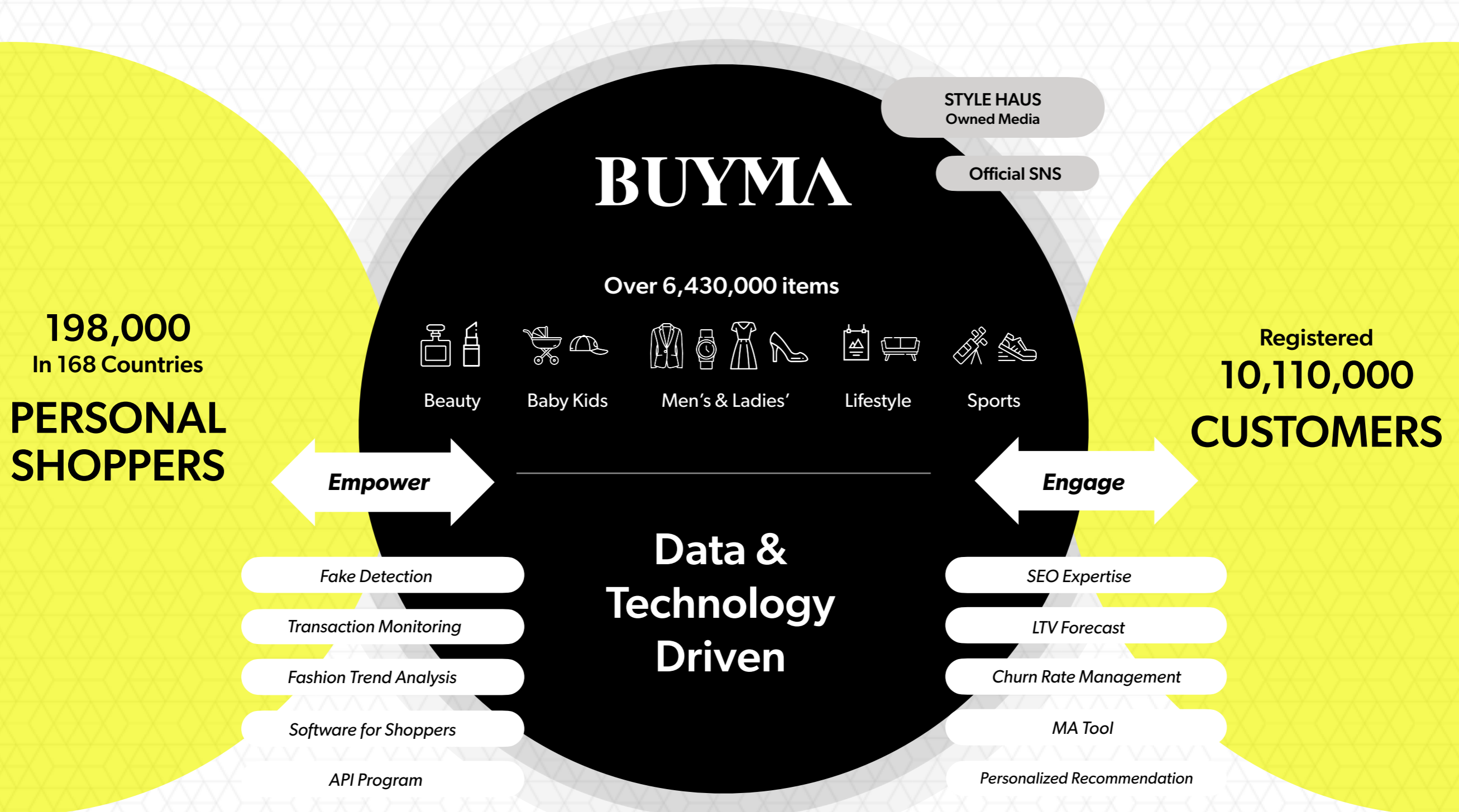
Main SDGs targets to which we conform	Points on which we were evaluated
<p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<ul style="list-style-type: none"> ▶ By expanding the market for products worldwide through our platform, we are making it easier to find buyers for dead stock products in Japan and overseas, thereby reducing the amount of discarded products. ▶ Our ALL-IN service for the purchase and consignment sale of used goods contributes to reducing the number of fashion items that are discarded by making effective use of fashion items that people no longer use.
<p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labor-intensive sectors</p>	<ul style="list-style-type: none"> ▶ In addition to BUYMA, we are also offering BUYMA TRAVEL, a local guide service for international travelers, where people staying in various parts of the world can earn income as sellers or local guides, thus <u>presenting an unprecedented new business model.</u>
<p>5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p>	<ul style="list-style-type: none"> ▶ We are making progress in creating an environment in which women can work comfortably, such as by providing babysitter subsidies. ▶ By enabling female employees to continue working while balancing work and childcare, we expect to see an increase in the number of jobs and positions in which women are active, with the ratio of female managers at around 40%.

*The SDGs Promotion Loan is one of the loan products offered by Sumitomo Mitsui Banking Corporation. When the loan is executed, Sumitomo Mitsui Banking Corporation and the Japan Research Institute, Limited analyze the path (logic) to contribute to the SDGs through the company’s core business after confirming the current status of the company’s SDG initiatives, and provide advice on how to promote SDGs initiatives.

Growth potential

Expand the economic sphere by adding product categories and new areas (e.g., travel) by leveraging customer insights accumulated through the operation of BUYMA.

Aim to become a global venture by offering products domestically and internationally.



Much room for growth in the BUYMA business, both in Japan and overseas.

The EC conversion rate is expected to increase and we will continue to maintain growth.

Results of FYE Jan. 2022
GMV 67.6 billion yen

GMV

**Fashion EC domestic market size:
2.2 trillion yen
(EC conversion rate 19.4%)**

**Interior goods EC domestic
market size: 2.1 trillion yen
(EC conversion rate 26.0%)**

Fashion EC

US market size:

12.7 trillion yen

(EC conversion rate 46.0%)

**Overseas optional tours
and activities
Market size*3
260 billion yen
(EC conversion rate 20.0%)**

*1: E-Commerce Market Survey, Ministry of Economy, Trade and Industry

*2: External statistical data

*3: Estimated by our company based on the financial results of travel industry companies

Share Buybacks

We had repurchased 0.49 billion yen worth of treasury stock by the end of August amid continued undervalued stock price levels.

	Purchase amount	Number of shares purchased
Amount repurchased by the end of August	0.49 billion yen	892,900
Planned repurchase*	1.5 billion yen	2,500,000

This document is intended to provide an understanding of the company and is based on actual results and current plans. The plans are subject to change in the future due to various uncertainties inherent in them.