

enigma

Materials for Financial Results Briefing

Second quarter of FYE January 2020

Company Profile

Company Name	Enigmo Inc.
Main Business	Management of social shopping site "BUYMA"
Location	NMF Aoyama itchome Bldg. 6F 8-1-22 Akasaka, Minato-ku, Tokyo
Date of Establishment	February 10th, 2004
Representative	Representative Director and Chief Executive Officer Shokei Suda
Capital	381.9 million yen
Number of Employee	99 people
Accounting Period	January 31st
Major Shareholder	Executive officers & Sony Corporation



Number of members:
0 – 100,000 people

February 2004 “Period of foundation” – 1st stage of foundation

Commencement of BUYMA services

- Founded in February 2004
- BUYMA released in February 2005, the following year, under the theme of “It has value, no matter where you are”



Number of members:
100,000 - 800,000 people

February 2006 “Period of expansion” – 2nd stage of foundation

Increase of capital / diversification of lines of business

- February 2005 - March 2006 Implementation of capital increase through third-party allocation
- BUYMA, which had achieved a positive balance on a monthly basis in 2008, grows into our company’s main line of business



Number of members:
800,000 – 1.7 million people

February 2012 “Period of transition” – 3rd stage of foundation

Structural reforms

- 2012 - Heavy concentration of management resources on BUYMA
- July 2012 - Listing of company on TSE Mothers



Japanese, English and Korean
language versions of the site

February 2014 “Period of globalization” – 4th stage of foundation

**Commencement of global expansion /
path to becoming the “No. 1 overseas online retailer”**

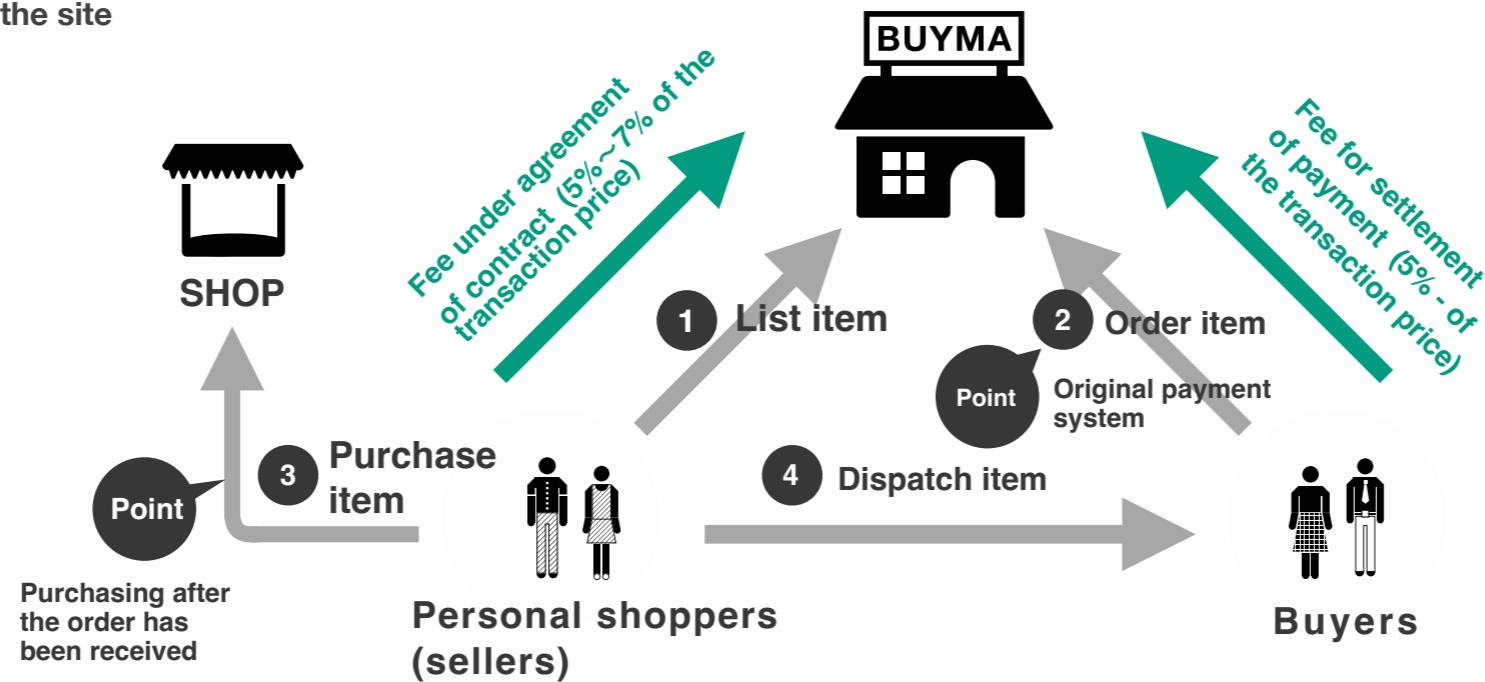
- December 2013 - Release of BUYMA Korea, the Korean language version of the site
- February 2015 - ROCKET VENTURE, a service which administers media aimed at young women, is acquired as a subsidiary company (liquidated in January 2018)
- October 2015 - Release of BUYMA, the English language version of the site
- March 2016 - BUYMA KOREA is acquired as a subsidiary company (liquidated in September 2017)
- July 2018 - Release of BUYMA TRAVEL
- April 2019 - Market change to TSE First Section

Number of members:
1.7 million – 6.69 million people

(as of the end of July 2019)

BUYMA

Japanese and English
language versions of the site



Turnover generated from fees paid by both parties involved in the transaction

Buyers: Around 5% of the item price (+ other optional fees)

Personal shoppers: Brokerage fee of 5% – 7% of the item price (depending on the status of the item)

Premium personal shoppers:

Those among excellent personal shoppers who have cleared certain criteria and responded to our invitation

Premium members:

Determined according to the amount of purchases made during the past 6 months. Platinum stage members: (total purchase amount of 300,000 yen or more)/Gold stage members: (total purchase amount of between 150,000 yen and 300,000 yen)/Bronze stage members: (total purchase amount of between 70,000 yen and 150,000 yen)

Shops:

Business operators that have met the criteria for selling items through BUYMA

Corporate Philosophy

Creating Change.

Specialty Market Place.

ENIGMO's Specialty Market Place. A new kind of market, different to traditional markets in terms of both the things and people it brings together.

First, "things."

Traditional markets handle products of all kinds, which is why they are unable to provide meticulous care in terms of lineup, evaluations, UI/UX, etc.

ENIGMO's Specialty Market Place, on the other hand, is a highly reliable market that customers can use with ease and peace of mind, something we have achieved by narrowing down products into specialized categories.

Next, "people."

Individuals are not able to participate in traditional markets, a fact which has narrowed the range of options for buyers.

ENIGMO's Specialty Market Place breaks down the barriers between companies and people, making it possible to provide a rich lineup of products anywhere at any time by enabling anyone to utilize their diverse expertise to do business.

And what exactly is it that we have achieved through this new market?

In a nutshell, "freedom of choice."

Just imagine: you have found something special and want to send it to someone.

In this spirit, you can ship things to people all over the world. And you can make money by doing so.

You can use your own sensibilities to make someone happy, and can make a living in the process.

As a seller, this opens up the potential for new ways of living.

The world is filled with wonderful and fun things.

Just see for yourself by visiting a market replete with diverse sensibilities and options from around the world.

Here, you can choose something exciting and make it your own.

As a buyer, this opens up the potential for a very special shopping experience.

We at ENIGMO will change the world through our Specialty Market Place.

Review of the first half of FYE January 2020

A year of moving to the next stage

[BUYMA]

- We aim to further evolve the marketing mix which took effect in FYE January 2019, and to put in place systems for ongoing growth over the mid- to long-term
- Reinforce the men's fashion, an area which grew substantially during FYE Jan. 2019
- Promote policies to improving listing functions

[GLOBAL BUYMA]

- Promote measures to improve arrivals and CVR, centering on the US
- Improve convenience for overseas users
- Aim to become profitable on a monthly basis, with the exclusion of strategic investments

[BUYMA TRAVEL]

- Release of independent website
- Improvement of product listings by area

April 18, 2019 - Promotion to Tokyo Stock Exchange First Section

On course to achieve earnings forecast for the current period, the highest ever over a full financial year

Posted highest ever figures for both turnover and profits during the first half of the year

Improve values as a Specialty Market Place

- Improvement of functions in BUYMA as a coexistence type service with C (individuals) and B (companies)
- Continued improvement of SEO of BUYMA (US)
- Release of independent website for BUYMA TRAVEL

Business performance

Second quarter of FYE January 2020

**Net sales progress rate of 43.8% as of the end of the second quarter
(43.4% in the previous year) 117.7% YoY**

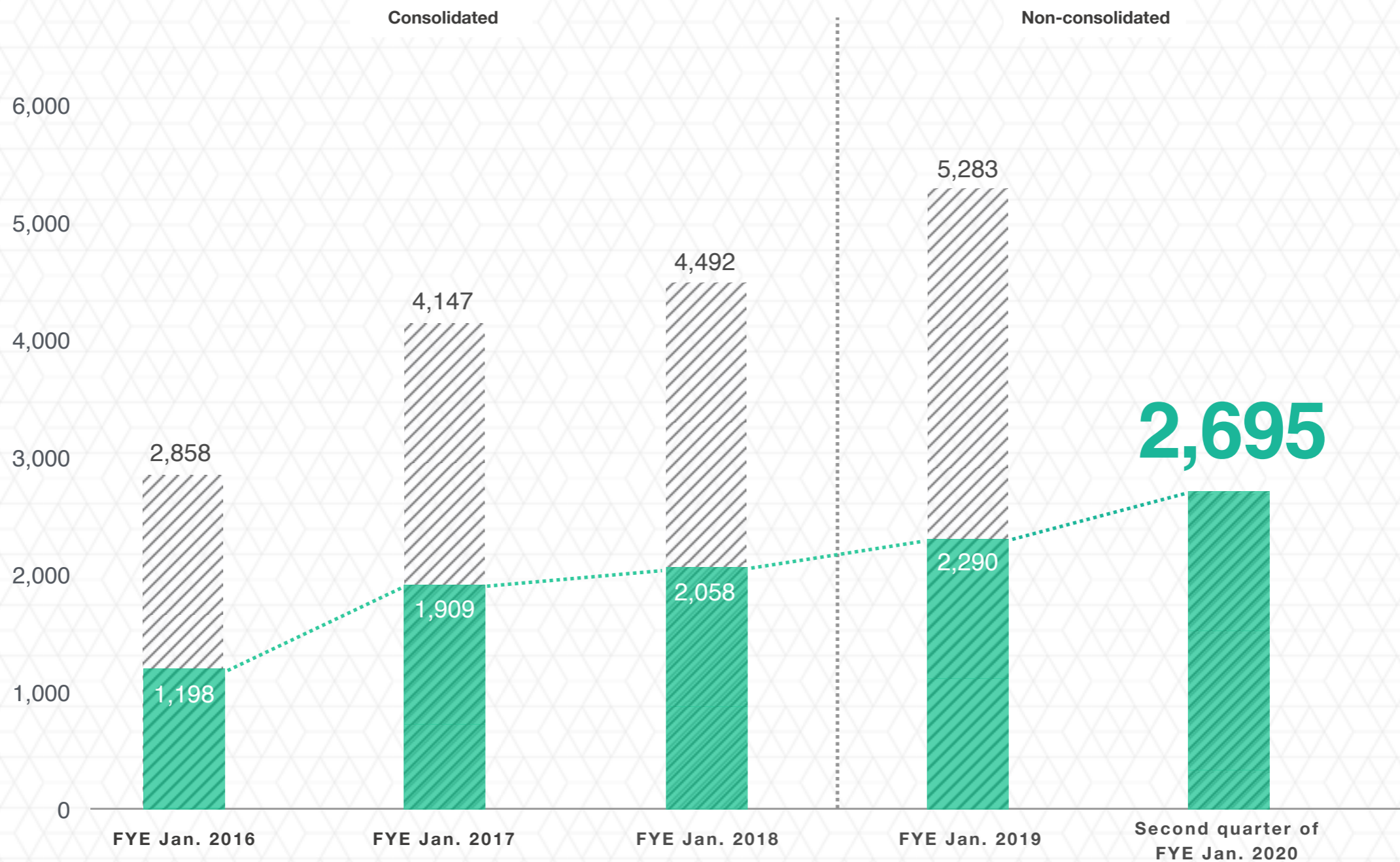
Operating income progress rate of 45.9% (43.8% in the previous year)

Steady progress in terms of performance forecasts for the entire financial year, 120.7% YoY

	FYE January 2020 Period total for the second quarter (actual results)	FYE January 2020 Performance (forecast)	Progress rate	FYE January 2019 Period total for the second quarter (actual results for the previous period)	Compared with the corresponding period of a year earlier
Overall trading volume *	23.08 billion yen	52.53 billion yen	43.9%	19.64 billion yen	117.5%
Net sales	2.69 billion yen	6.15 billion yen	43.8%	2.29 billion yen	117.7%
Operating income	1.13 billion yen	2.46 billion yen	45.9%	0.93 billion yen	120.7%
Ordinary income	1.11 billion yen	2.45 billion yen	45.4%	0.93 billion yen	118.7%
Profit	0.77 billion yen	1.70 billion yen	45.6%	0.65 billion yen	119.0%
Current net earnings per share (JPY)	18.60 yen	40.82 yen	45.6%	15.64 yen	119.0%

* Overall trading volume: Amount of account settlements including such things as payment for goods and fees for settlement of payment in contracted transactions.

Net sales 2.69 billion yen, 118% YoY
Steady progress in terms of progress of performance forecasts,
43.8% (43.4% in the previous year)



(Unit: million yen)

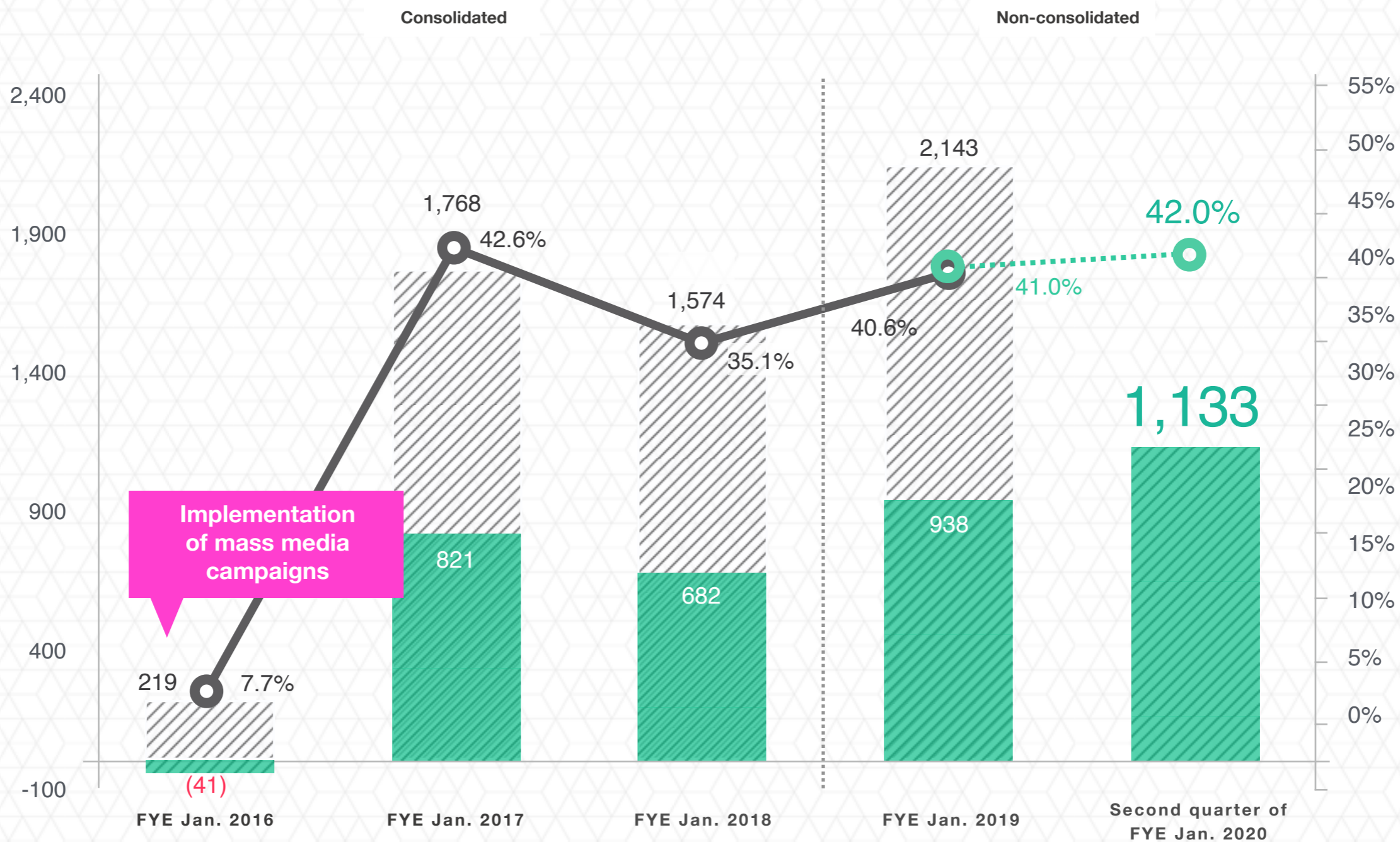
* FYE Jan. 2016 – FYE Jan. 2018 includes ROCKET VENTURE; second quarter of FYE Jan. 2017 – FYE Jan. 2018 includes ENIGMO KOREA

**With ongoing investments in labor costs,
advertising costs and costs relating to systems,
selling and administration costs were below the growth rate, 113% YoY**

	FYE January 2020 Period total for the second quarter (actual results)	FYE January 2020 Performance (forecast)	Progress rate	FYE January 2019 Period total for the second quarter (actual results for the previous period)	Compared with the corresponding period of a year earlier
Labor costs *	473 million yen			426 million yen	111.0%
Advertising costs	431 million yen			367 million yen	117.6%
Write offs	7 million yen			7 million yen	100.4%
Costs relating to systems	40 million yen			34 million yen	117.8%
Other	128 million yen			120 million yen	106.4%
Total	1,081 million yen	2,626 million yen	41.2%	956 million yen	113.1%

* Includes costs associated with temporary workers, outsourced work, etc.

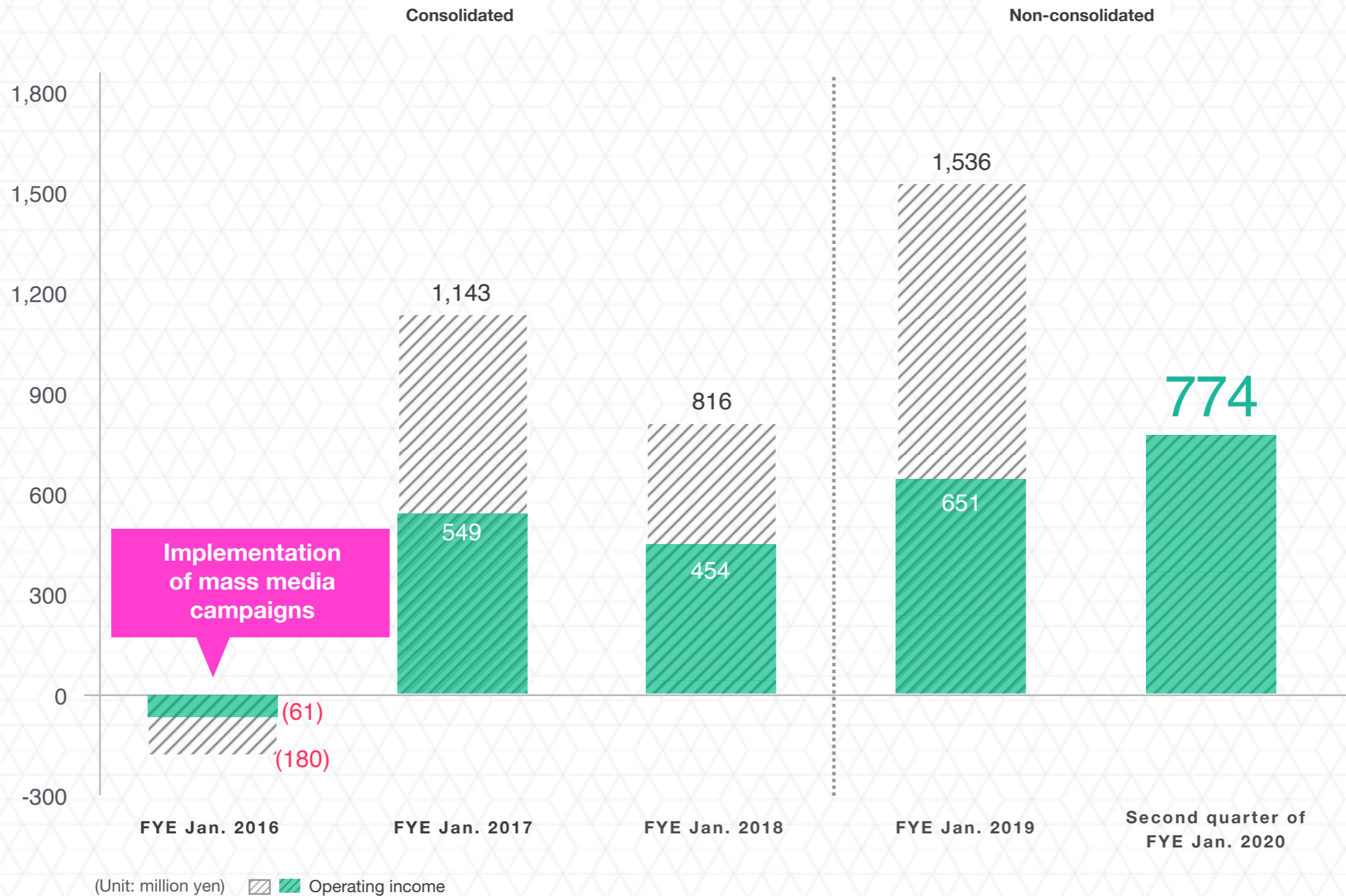
**Operating income was 1.13 billion yen,
120.7% compared with the previous period, a record high**
The rate of operating income was at a high level of 42.0%, an increase of 1.0 point YoY



(Unit: million yen) Operating income Income ratio

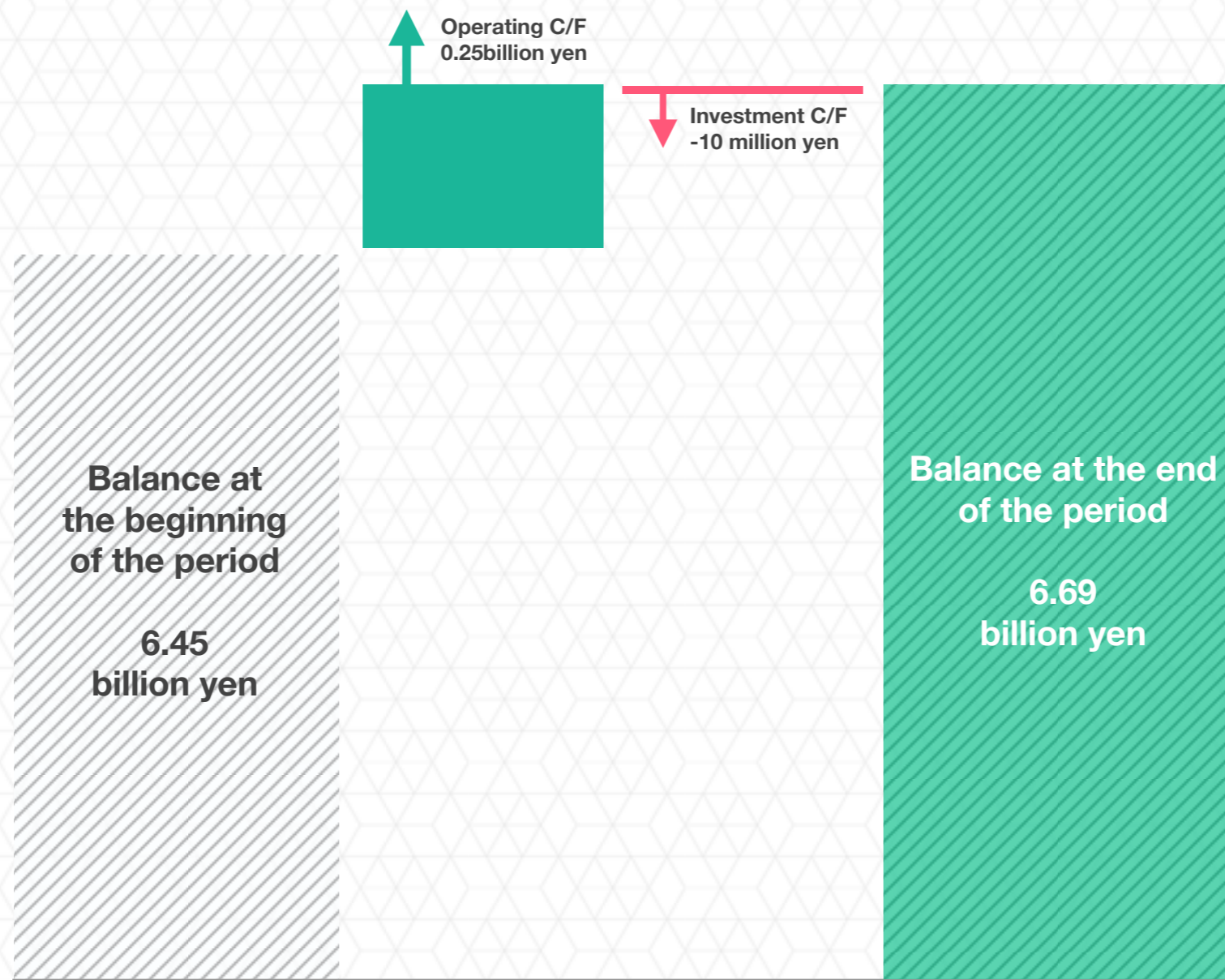
* FYE Jan. 2016 – FYE Jan. 2018 includes ROCKET VENTURE; second quarter of FYE Jan. 2017 – FYE Jan. 2018 includes ENIGMO KOREA

**Net income for the current period was 770 million yen, 119% YoY,
the highest ever amount for the first half of the year**



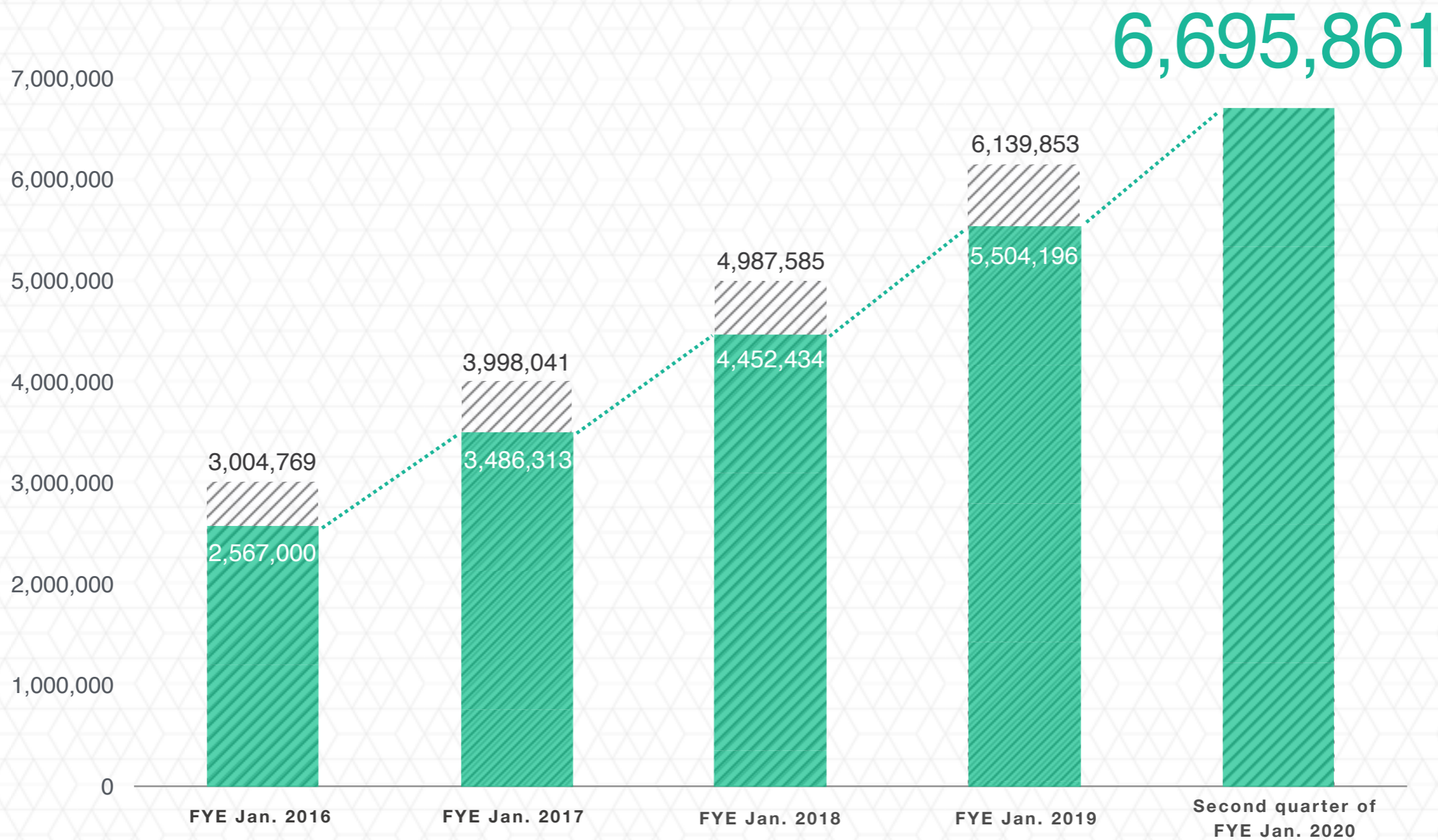
* FYE Jan. 2016 – FYE Jan. 2018 includes ROCKET VENTURE; second quarter of FYE Jan. 2017 – FYE Jan. 2018 includes ENIGMO KOREA

**Cash flow increased due to profit for the current period,
and the current credit balance at the end of the term
increased to 6.69 billion yen
(an increase of 0.24 billion yen compared with the previous period)**



Overview of BUYMA business operations

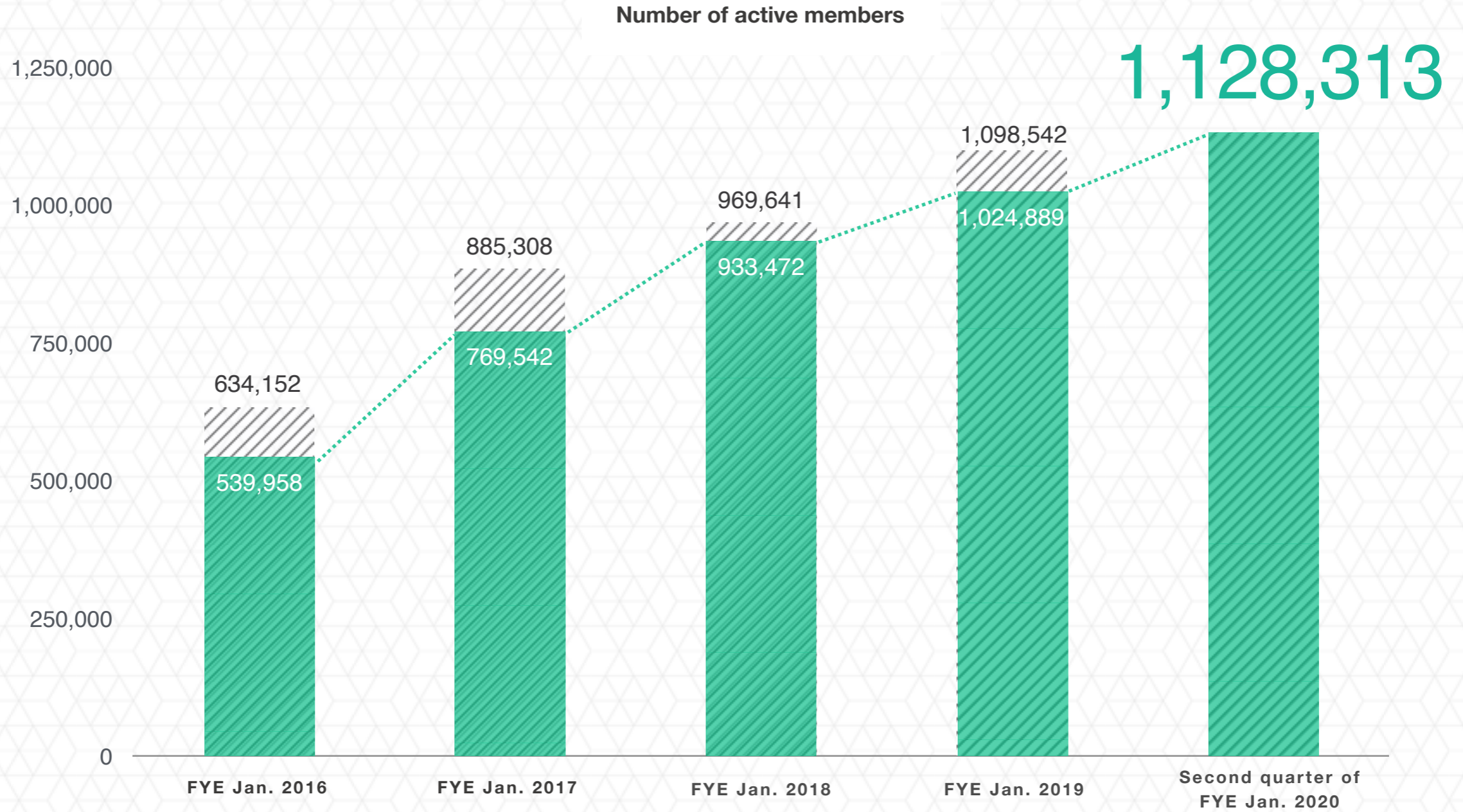
**The number of members continued to rise steadily,
to around 6.70 million people 122% YoY**



(Unit: Person)

*Including the English language version from FYE January 2016; including the Korean language version from the 2nd quarter of FYE January 2017 to the 3rd quarter of FYE January 2018

The number of active members exceeded 1.12 million people 110% YoY

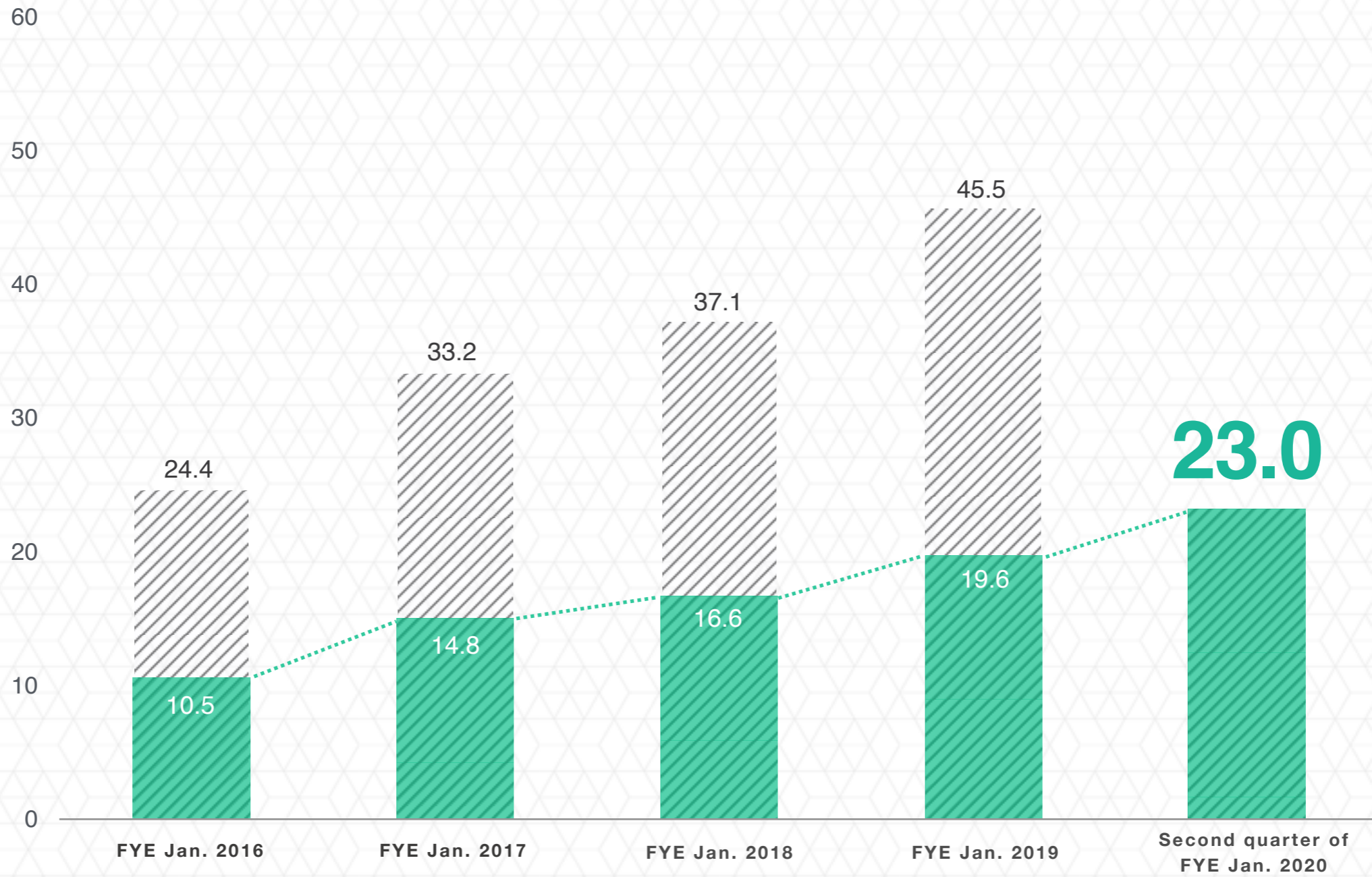


(Unit: Person)

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

*Including the English language version from FYE January 2016; including the Korean language version from the 2nd quarter of FYE January 2017 to the 3rd quarter of FYE January 2018

Overall trading volume was 23.0 billion yen 117.5% YoY, thus maintaining a high rate of growth

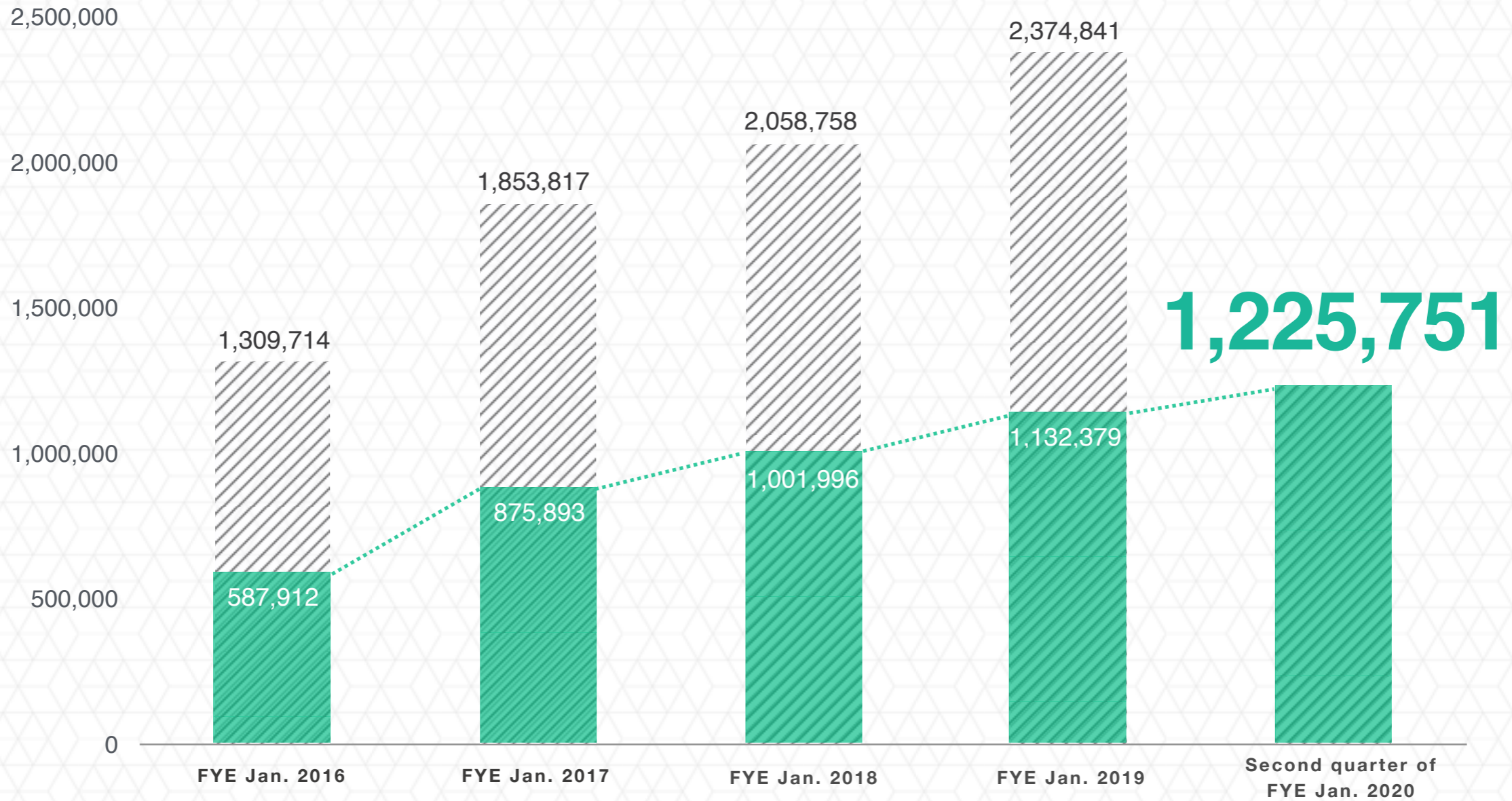


(Unit: Billion yen)

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

*Including the English language version from FYE January 2016; including the Korean language version from the 2nd quarter of FYE January 2017 to the 3rd quarter of FYE January 2018

The number of transactions handled increased steadily to 1.22 million 108% YoY



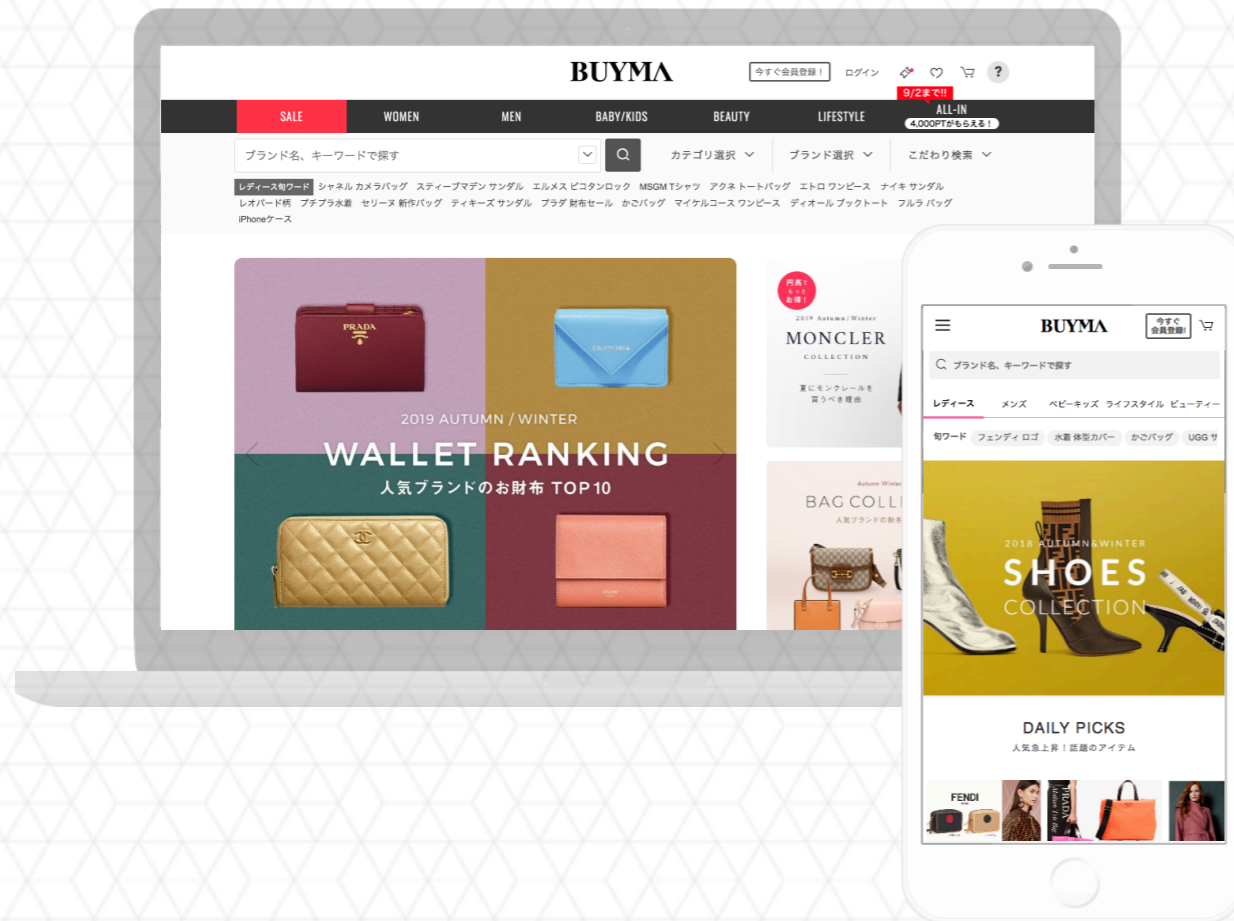
(Unit: no. of transactions)

*Including the English language version from FYE January 2016; including the Korean language version from the 2nd quarter of FYE January 2017 to the 3rd quarter of FYE January 2018

BUYMA

(Japanese language version)

A specialty marketplace that brings individuals and companies from around the world together and provides them with a special purchasing experience and limitless encounters with fashion items



Number of items listed

More than **3.95** million items

Number of personal shoppers

135,000 people

Countries of residence of personal shoppers

156 countries

Average purchase amount

18,830 JPY

Average age of users

33.0 years

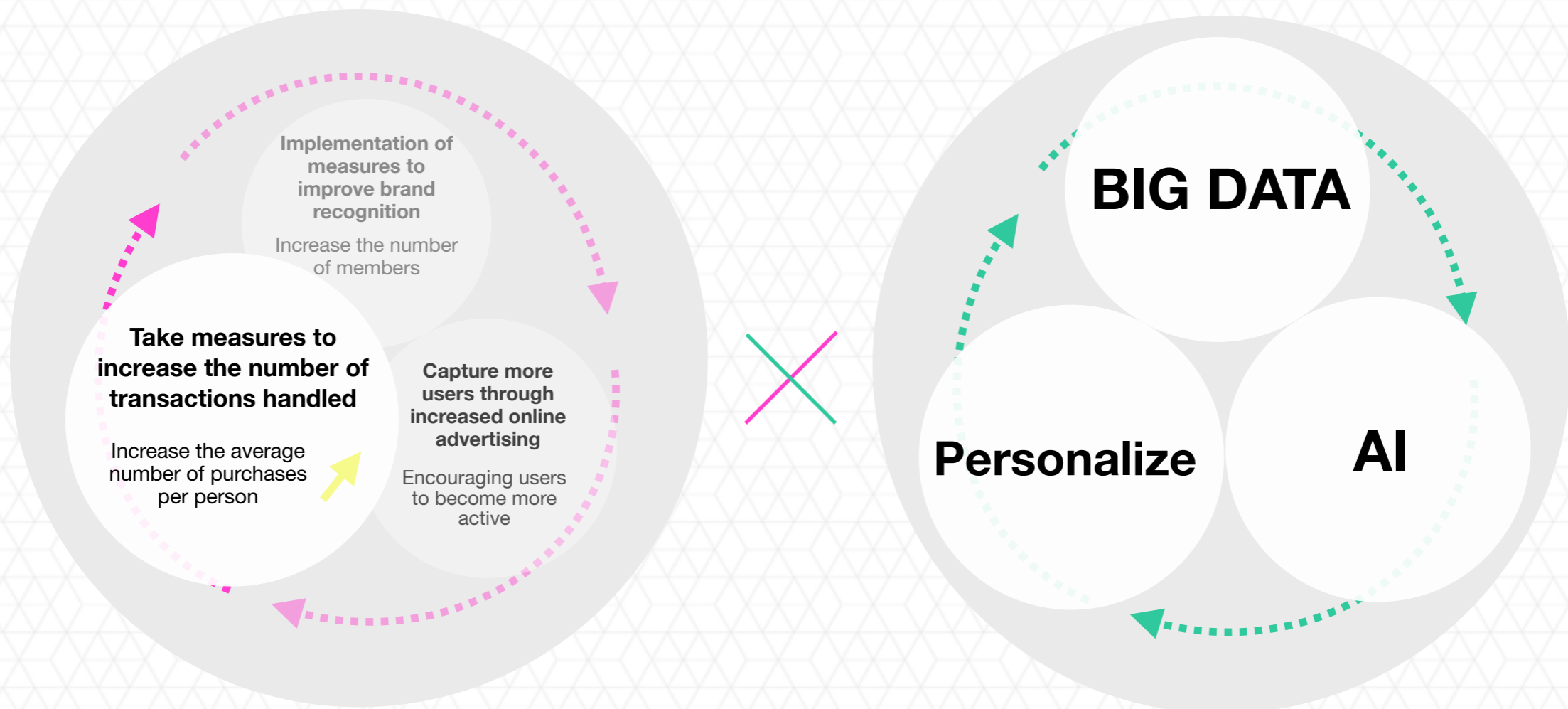
Users by sex

Female: **72.7%** Male: **27.3%**

*as of the end of July 2019

As planned, during the first half of the year, active investments were made in website and marketing functions in order to maximize the effects of planned measures in the second half of the year to improve our brand recognition along with successive advertising measures to cultivate new users while improving the number of transactions handled

New marketing mix



Effects of new marketing mix

- **Approx. 1.12 million active users (110% YoY)**
- **Average number of users continues tendency to increase**
- **Number of active users among existing purchasers continues to increase**

Measures to improve functions

- **Growth in the amount of sales concluded per individual seller through improvements to listing functions**
- **Increase in the action rate through improvements to app functions**

Improvement of MD

- **Measures to reduce the rate of cancellations are taking effect**
- **In the ladies category, the successful improvement of our lineup incorporating trends in brand recovery is helping drive an increase in purchase prices**
- **Men's category bolstered by growth of Korean designer brands, further improving the composition ratio**

**Effective implementation of new marketing mix also leads to an increase in the number of active members due to a steady growth in the number of members
ARPU also improved, and the overall trading volume was also 117% compared with the previous period**

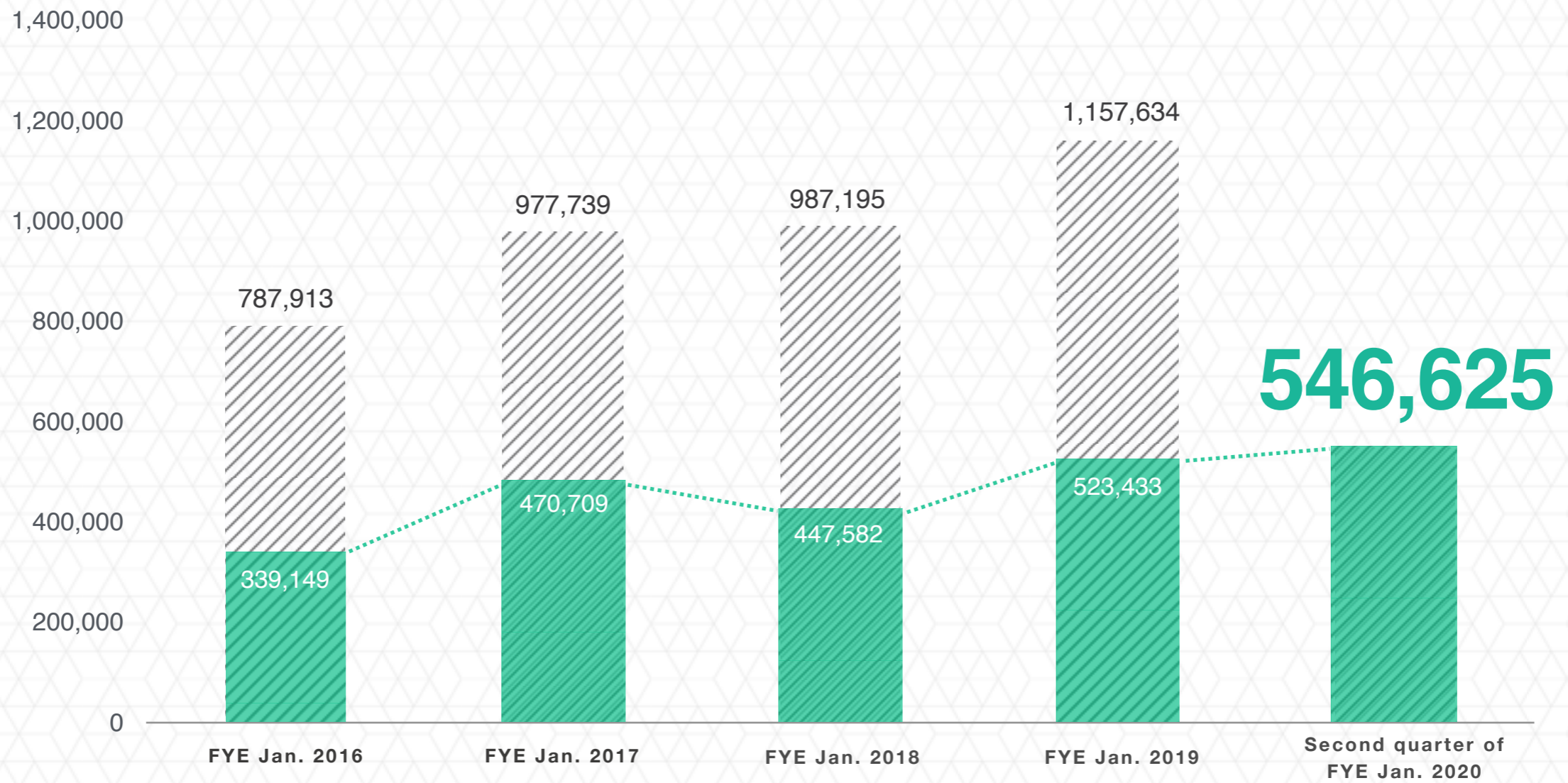
Second quarter of FYE January 2020



540,000 new members during the first half of the year (104.4% YoY)

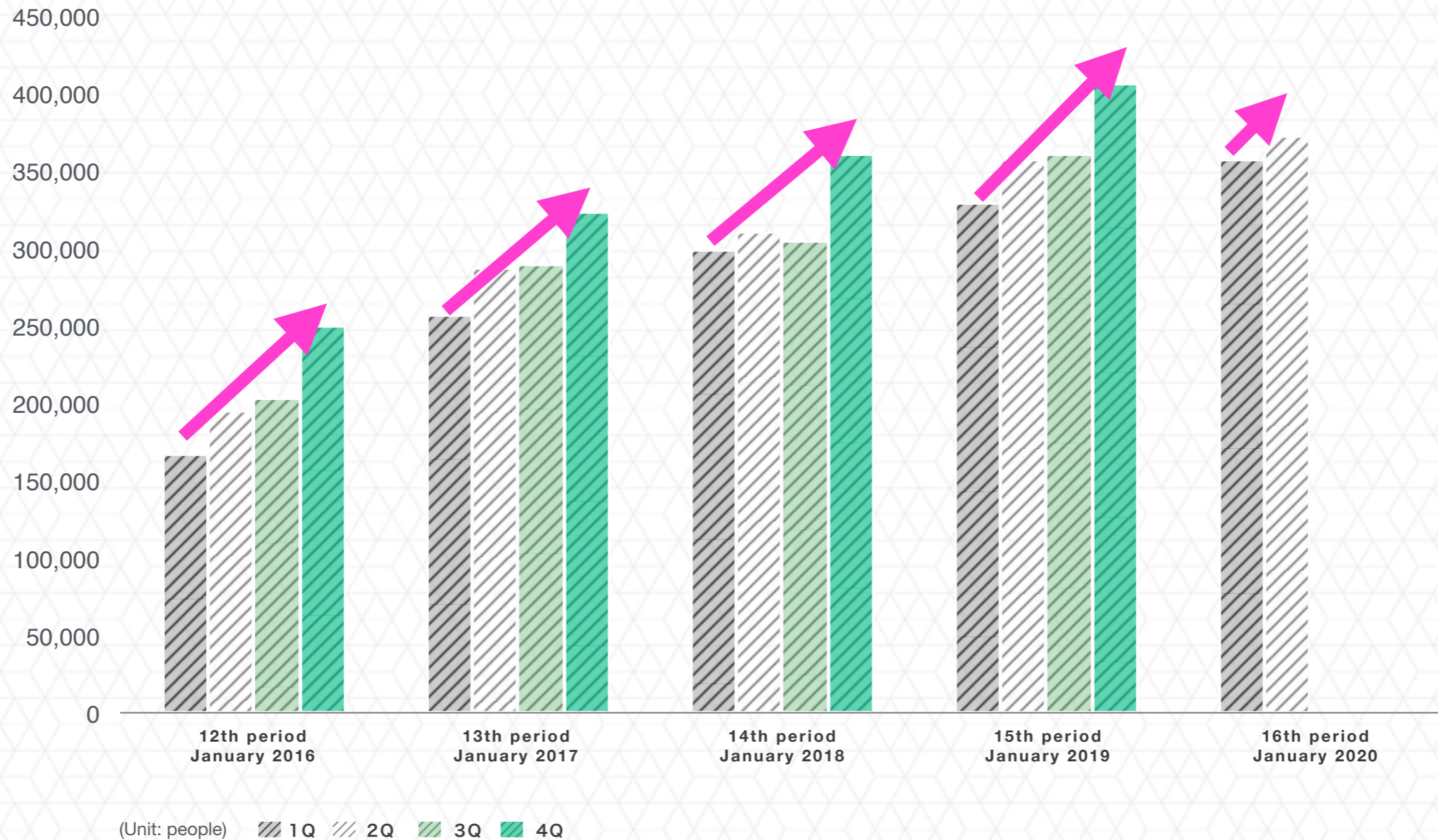
Pace of increase continues to pick up

Number of new members



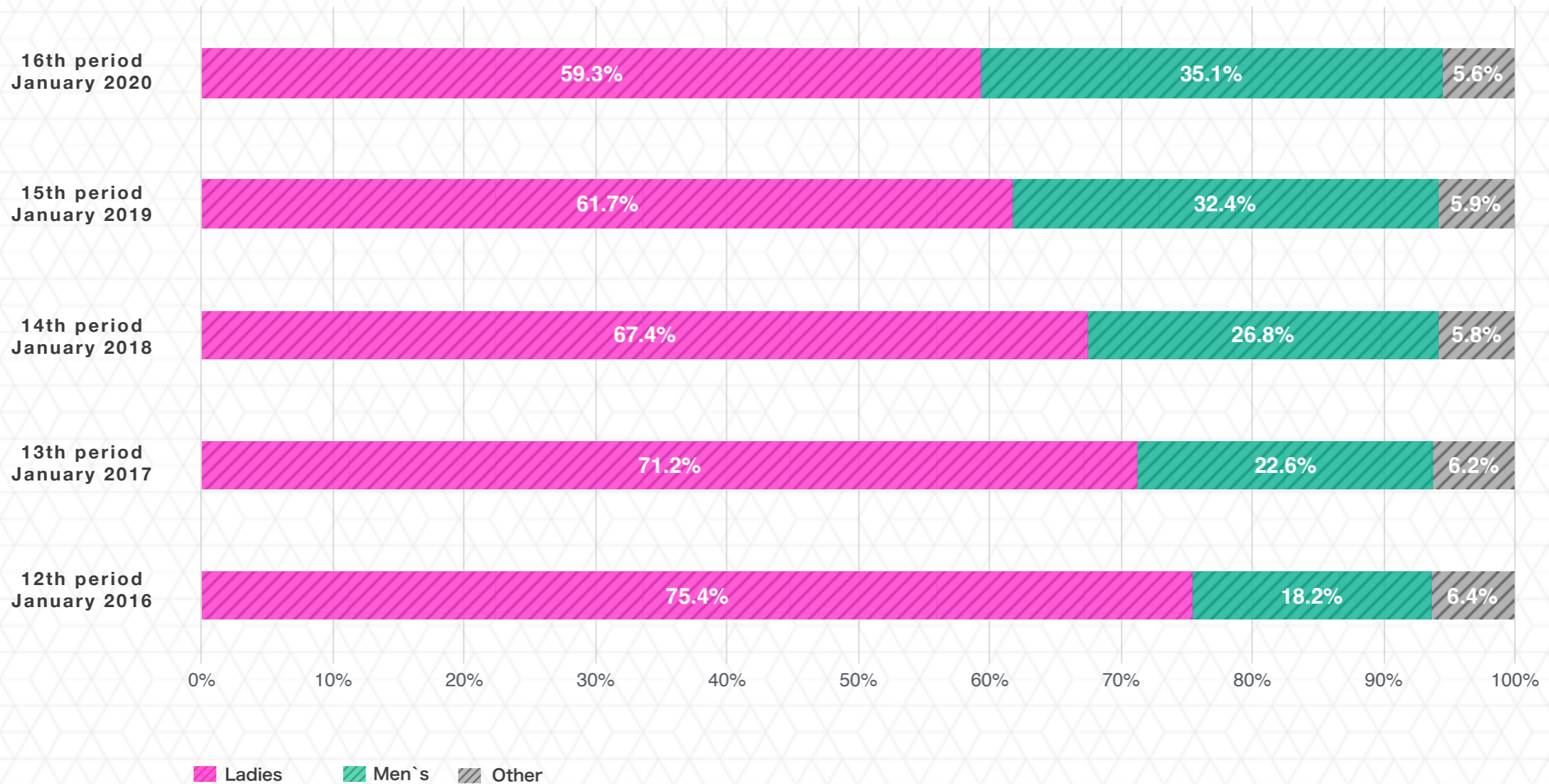
(Unit: people)

Steady growth of purchase UU numbers by quarter throughout the year due to the active implementation of new marketing mix policies



Men's category continues to grow in scale as a result of increased brand recognition as a result of a fuller lineup of superior products in the market

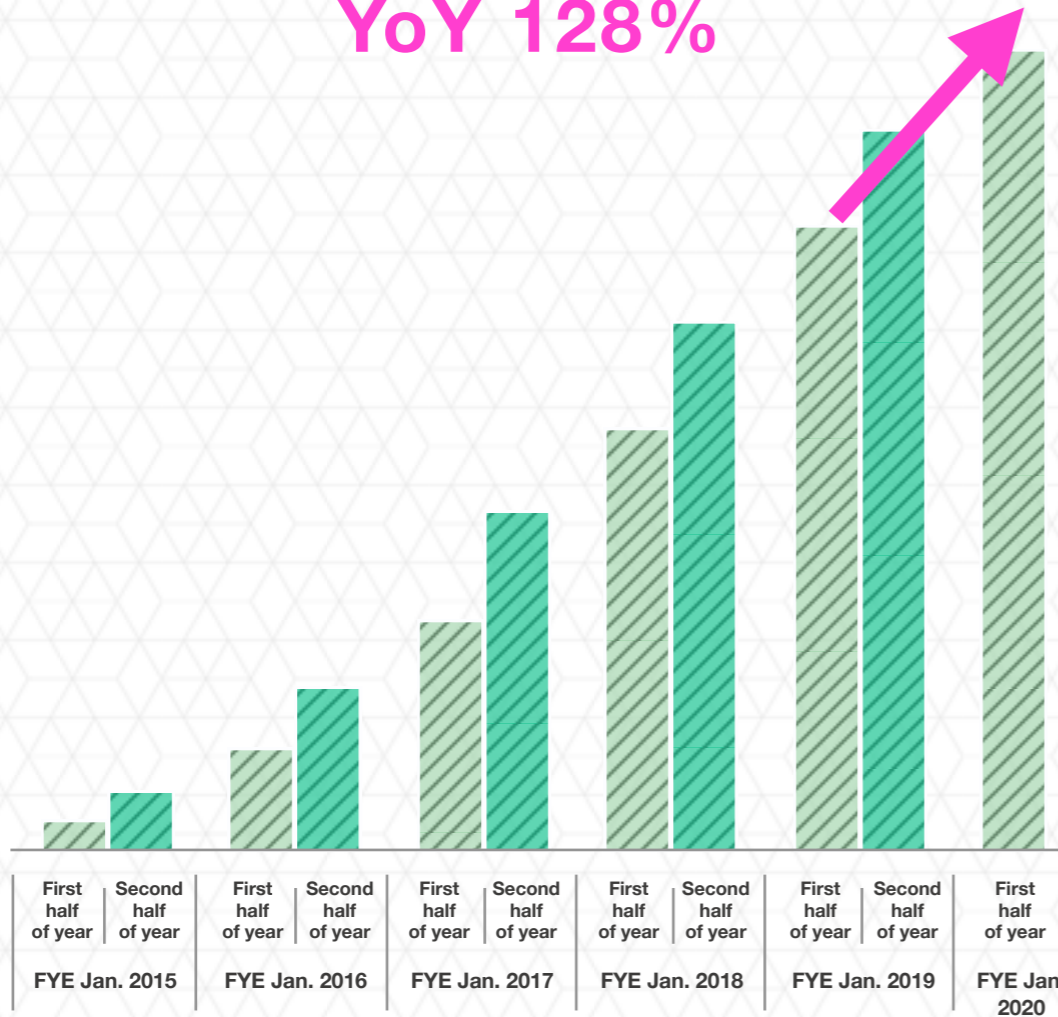
Growth of men's category as a result of a fuller lineup of superior products in the market



High conversion rate (no. of orders ÷ no. of app visits)
Steady rise in the number of application downloads
Continuing growth in overall trading volume in proportion to this

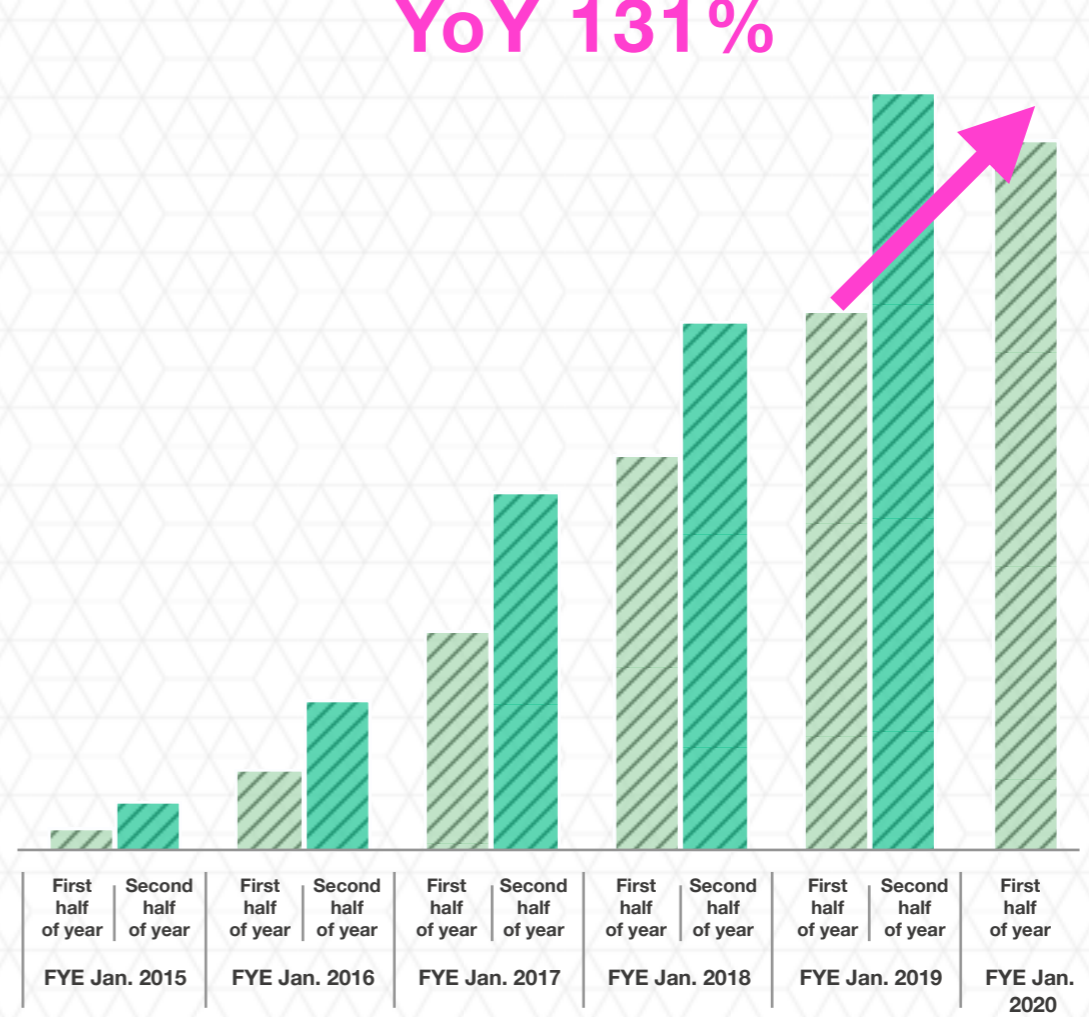
Transitions in the total number of application downloads

YoY 128%



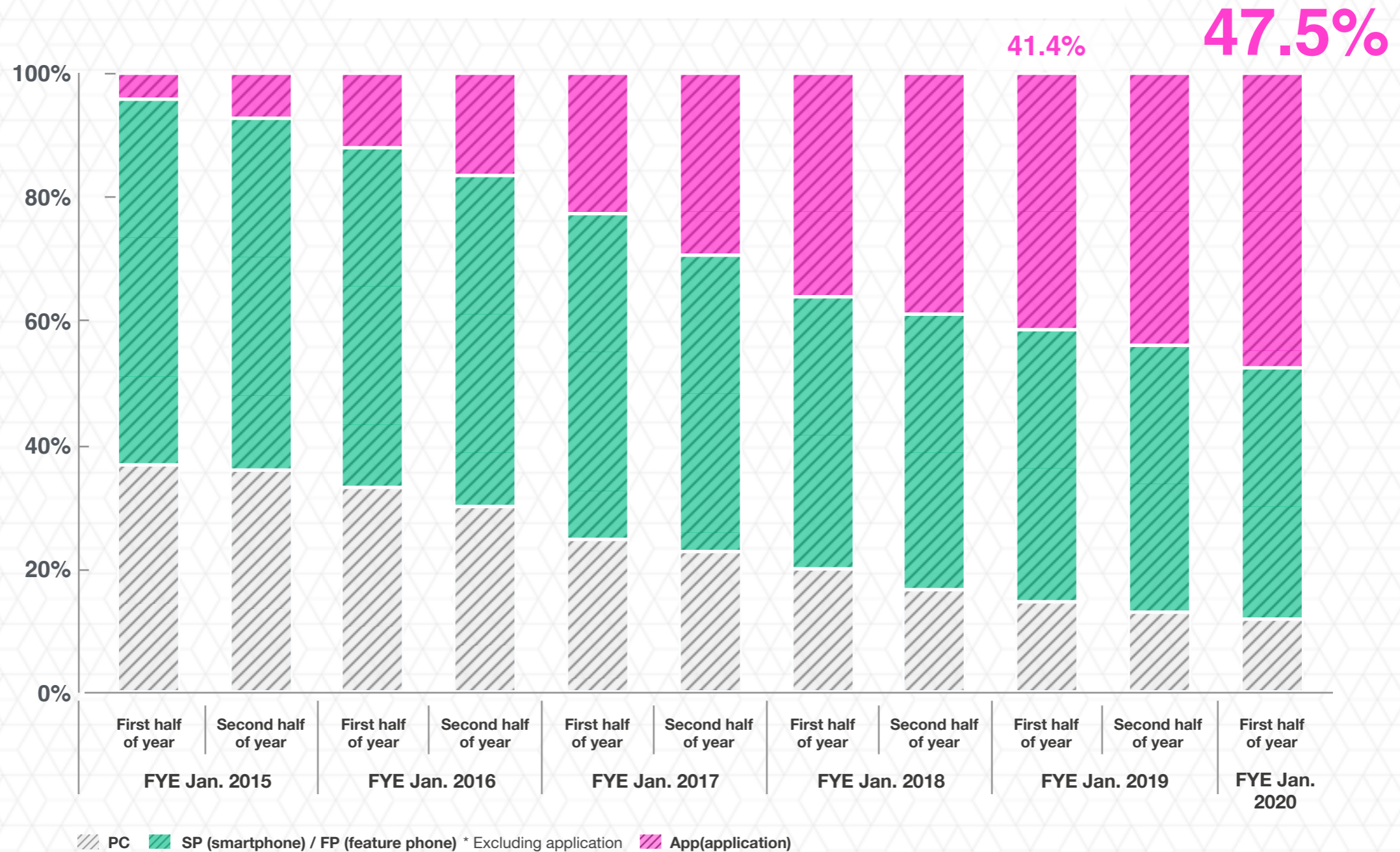
Transitions in overall trading volume via the application

YoY 131%



App use among members from in their late 30s to 50s grew, with the app share rising to 47.5%, up 6.1pt compared with the previous period

Distribution ratio of overall trading volume by device



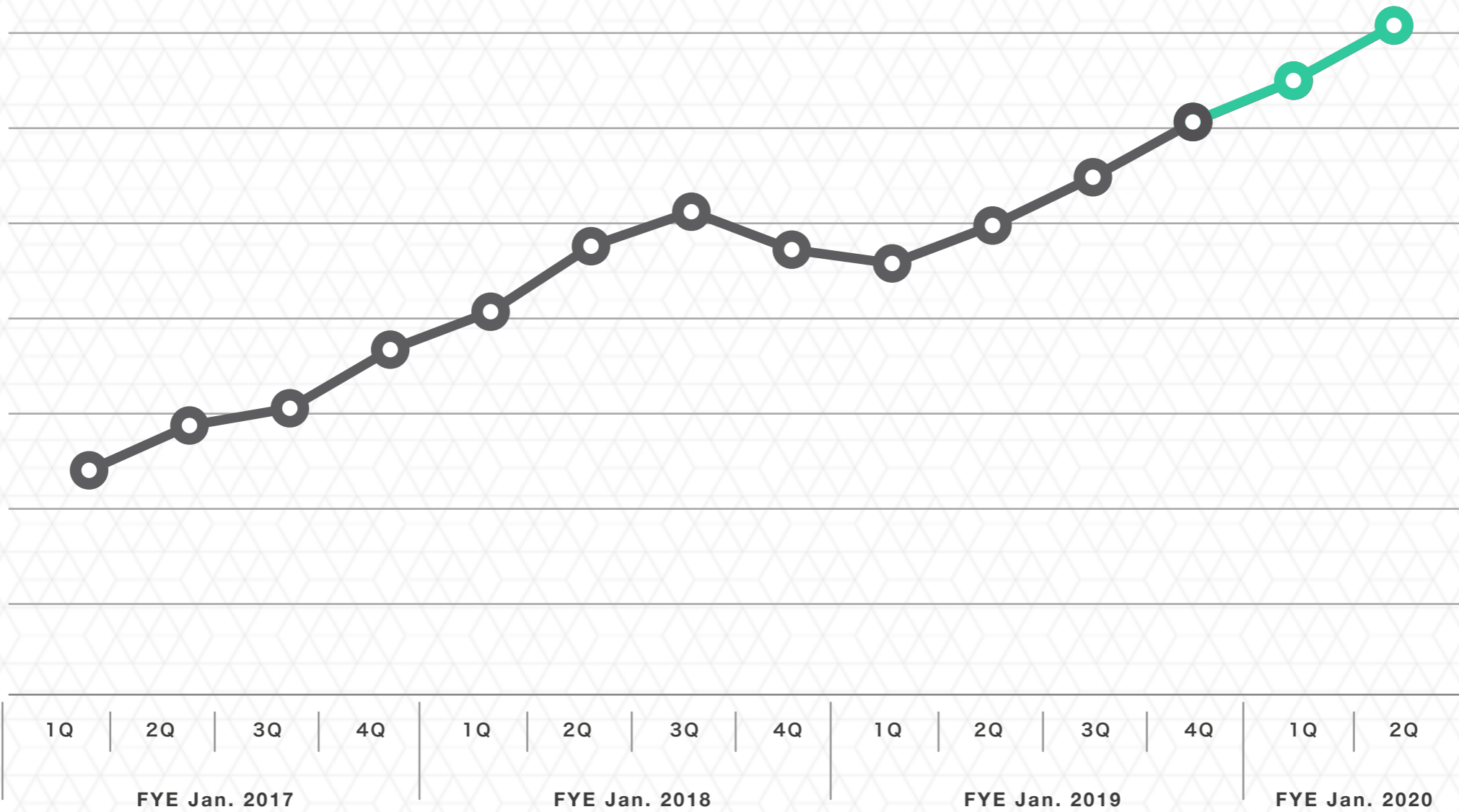
In terms of the average number of purchases per person, something that we are focusing on during this period, the internal implementation of applications etc. continues to be a success and growth has been satisfactory
Purchase unit price per transaction increased due to a higher level of selective consumption



* Average unit price is uncontrollable due to trends, fluctuations in the exchange rate and other factors

Average number of purchases per year continues to show tendency of growth

Average number of purchases per year



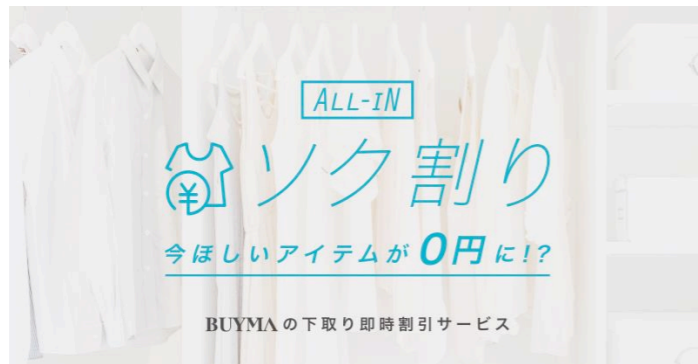
Number of applications and sales amounts continue to grow due to introduction of Sokuwari

What is ALL-IN?

ALL-IN

A simple brand purchasing service in which users hand over items in the comfort of their own homes

- 6,600 OVER More than 6,600 qualifying brands
- Accurate and speedy valuations
- ¥0 No postage or handling fees
- Earn BUYMA points



Select an item to trade in from your BUYMA purchase history

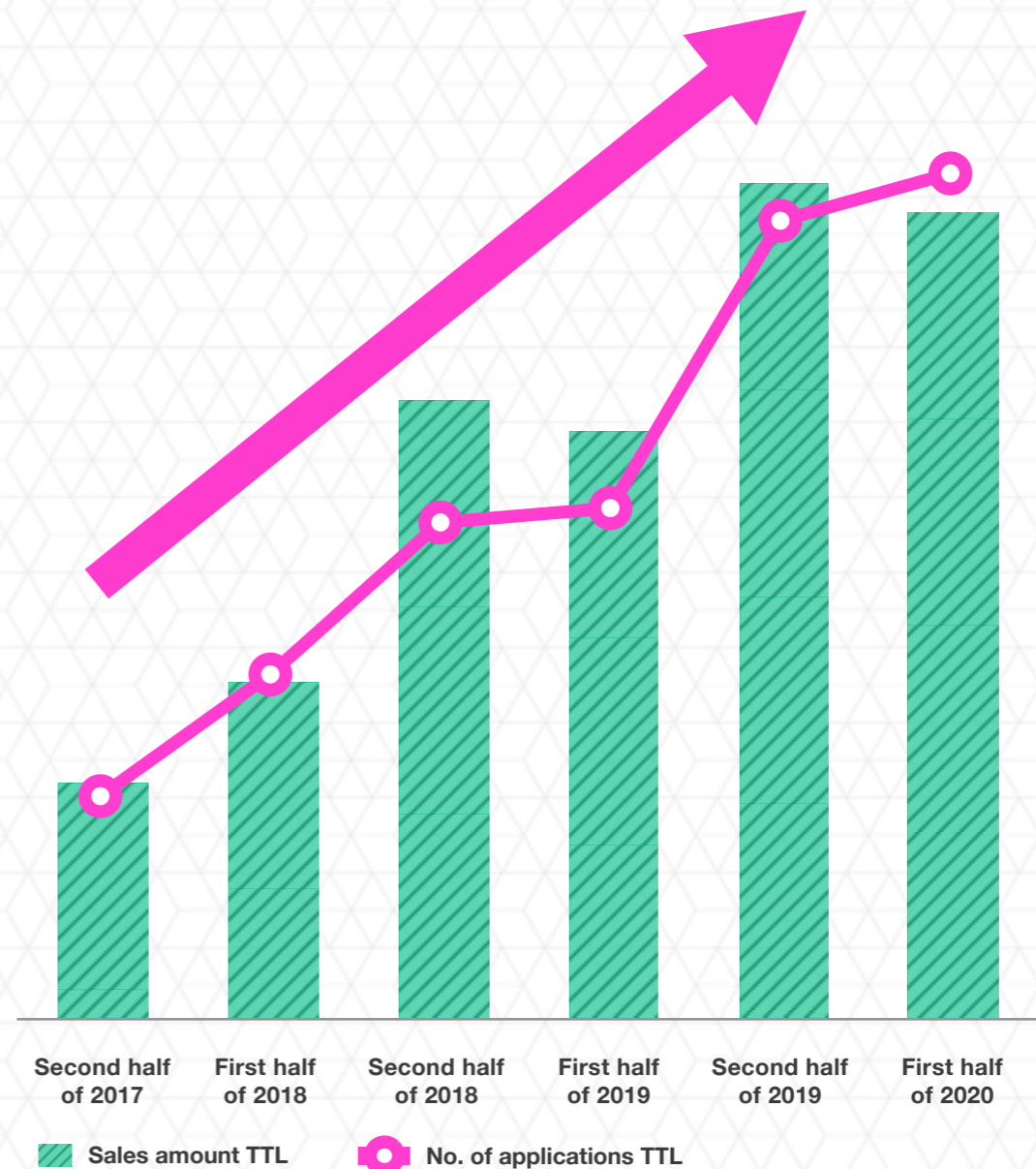


Purchase the item you want at a discount



Send your item to be traded in at a later date to complete the transaction

Transitions in the number of applications



Measures for the second half of FYE Jan. 2020

Direction of measures for second half

(1) Improved product lineup

Strategic promotion of Specialty Market Place

(2) Improvement of marketing

Improve efficiency of new marketing mix

(3) Improvement of convenience

Make steady improvements to basic functions

Strategic promotion of Specialty Market Place

Put in place an appealing lineup of products involving a broad range of companies and individuals

- ▶ **Improve functions for shipping products overseas B**
- ▶ **Improve functions for shipping products for C**
- ▶ **Improved listings of men's items**

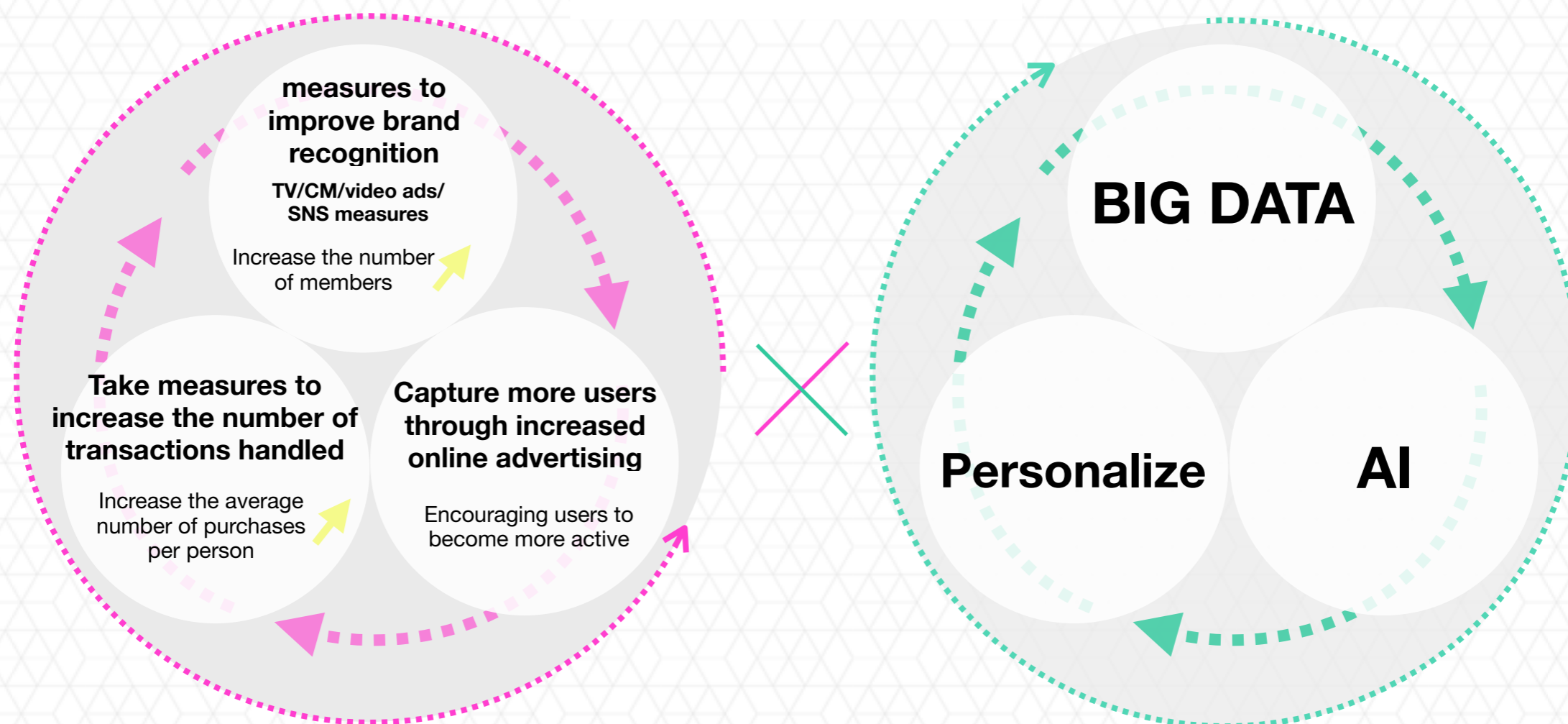
Improve efficiency of new marketing mix

Utilize website functions and marketing functions

(“BIG DATA×AI”, personalized coupons and points) for which investments have been made in the first half of the year to further improve effects and efficiency

Aim to maximize the effects of measures in coordination with measures to improve our brand recognition along with successive advertising measures to cultivate new users

New marketing mix



Make steady improvements to basic functions

Continue to improve basic functions so that members can use BUYMA smoothly with added convenience

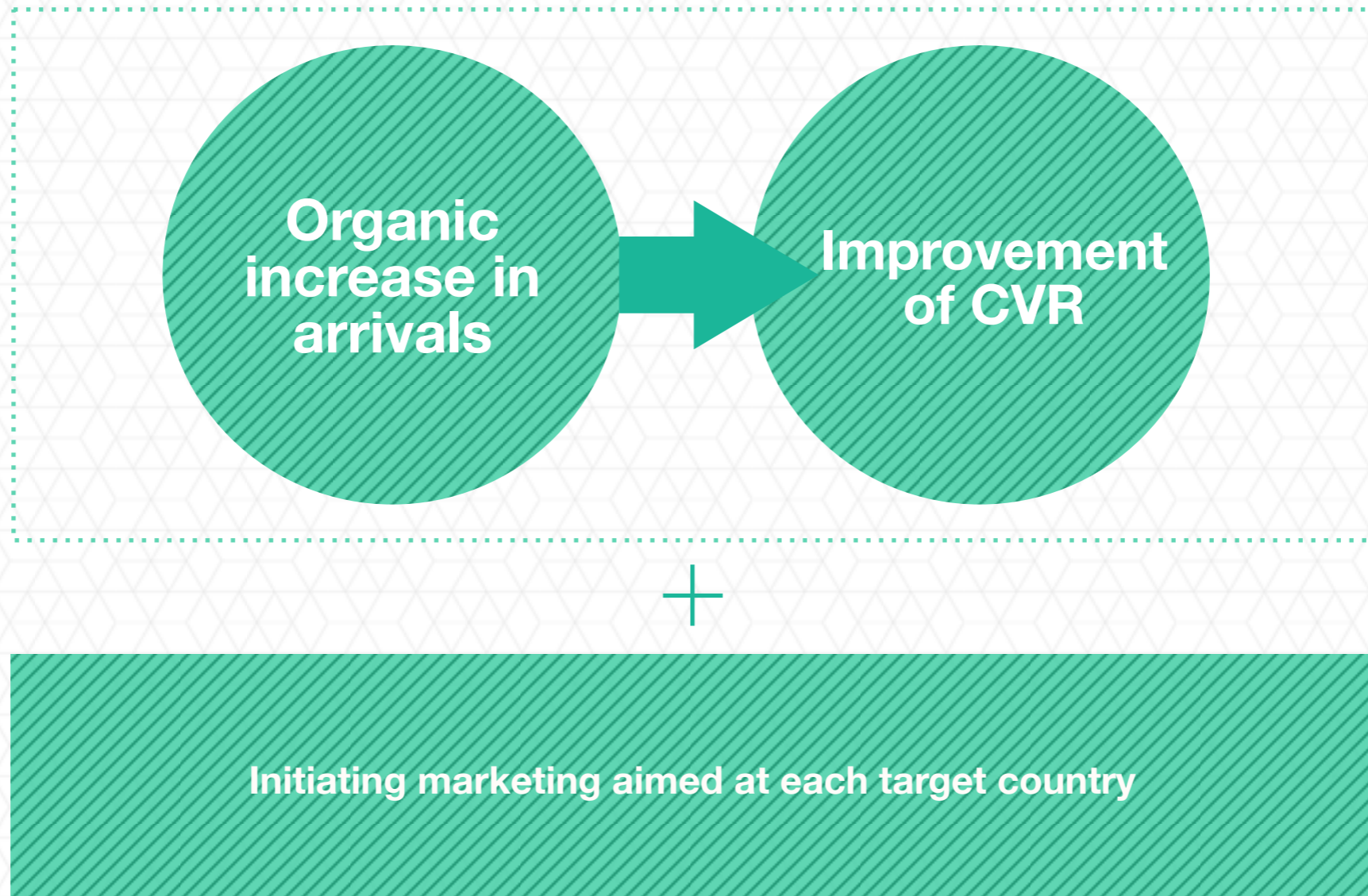
- ▶ **Improvement of application functions**
- ▶ **Owned media**
- ▶ **Improvement of recommendation function**
- ▶ **Reinforcement of infrastructures aimed at expanding services**

GLOBAL BUYMA

(English language version)

Continuing with our goal of raising the number of arrivals / CVR and increasing our turnover, as well as establishing the BUYMA brand worldwide

Measures implemented in FYE Jan. 2020



Organic arrivals continue to grow through SEO measures tailored to English-speaking countries

Image of GLOBAL BUYMA



Number of countries delivered to:

88 countries

Ratio of delivery destinations by country :

- United States: 47.5%
- Hong Kong: 17.8%
- Canada: 3.3%
- Australia: 5.5%
- United Kingdom: 2.8%
- Singapore: 2.2%
- South Korea: 2.5%
- Taiwan: 2.0%
- Germany: 1.6%
- Other: 14.8%

Average price of items:

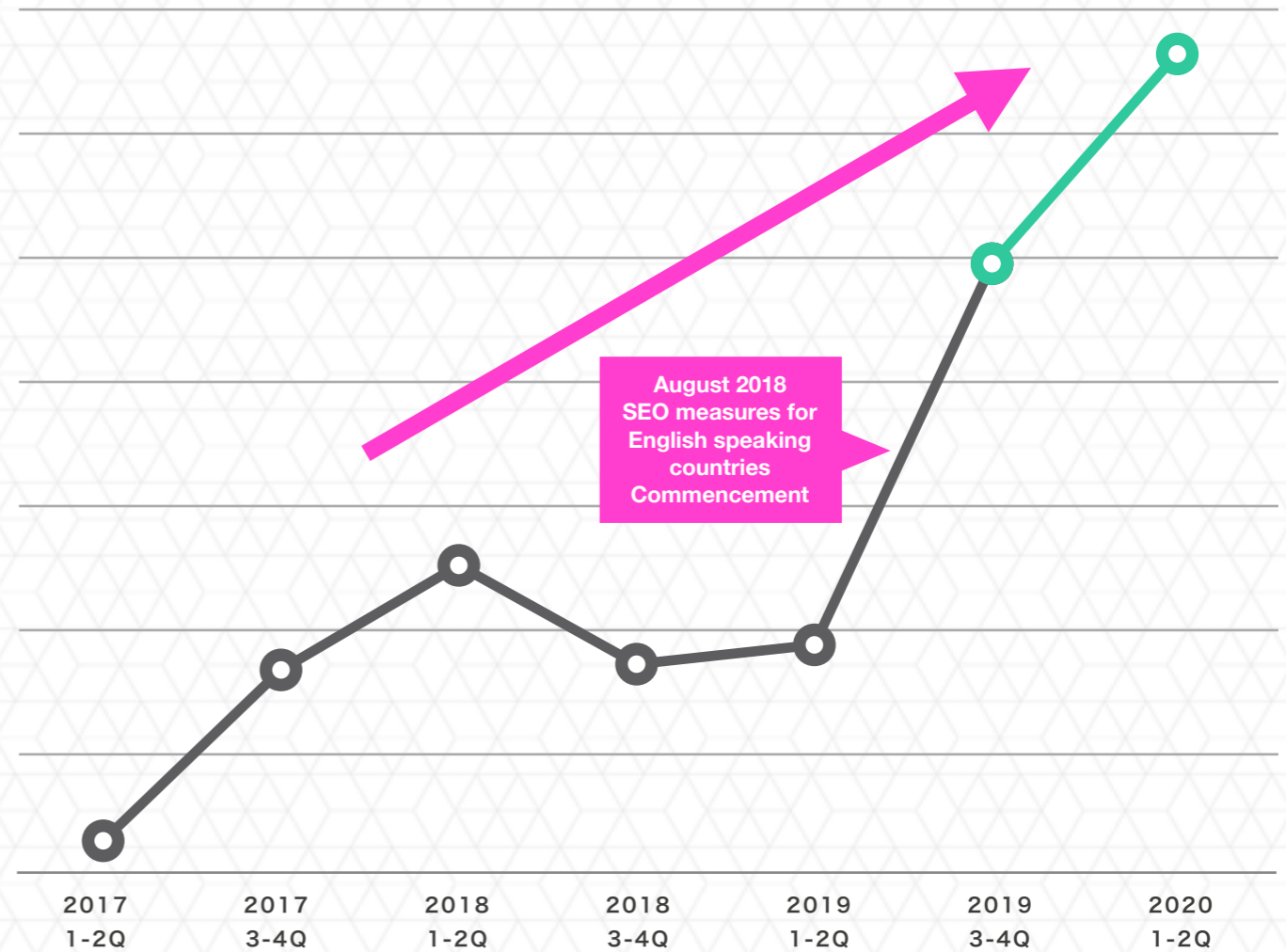
57,732 yen

Users by sex:

Women, 74% Men, 26%

(Annual basis, as of the end of July 2019)

Transition in the number of organic arrivals

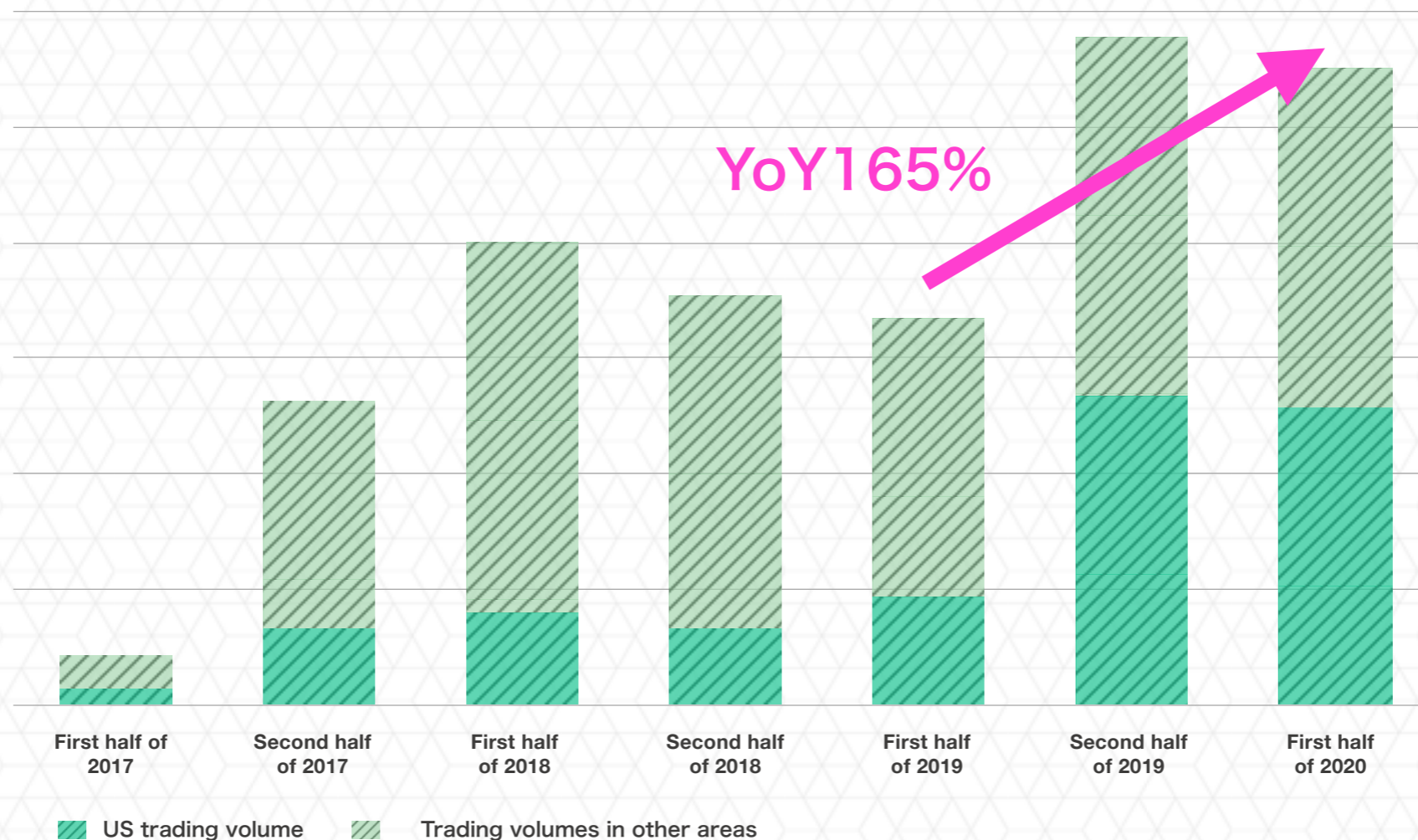


August 2018 SEO measures for English speaking countries Commencement

Successful shift in net sales in US, 165% YoY

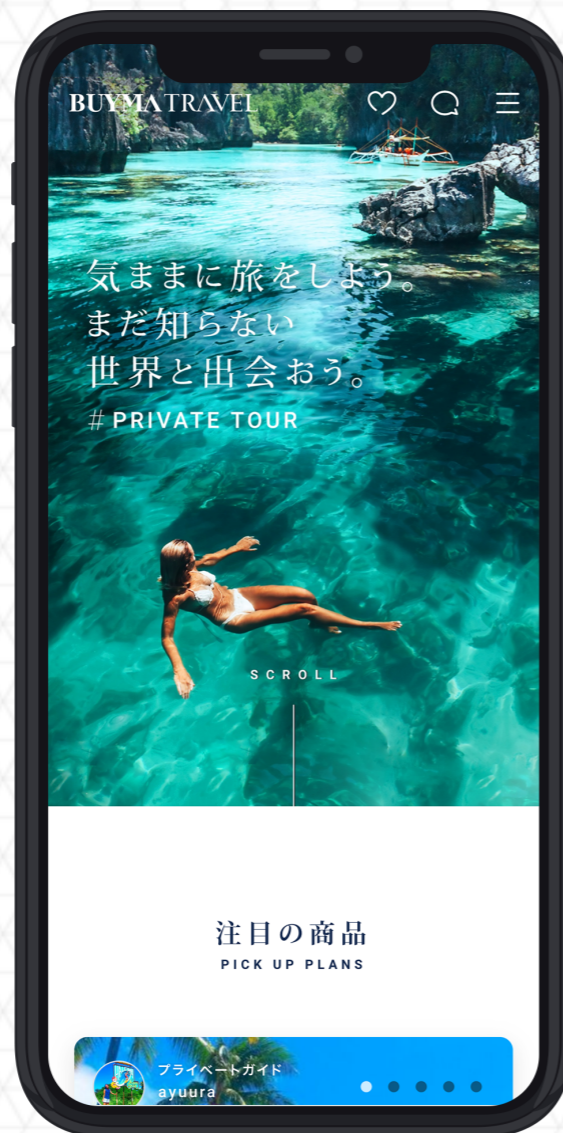
Aim to achieve further growth by area through improvements to both measures for arrivals and measures for sellers through enhanced SEO/SEM

GLOBAL BUYMA Transitions in overall trading volumes



BUYMA TRAVEL

Release of an independent website for BUYMA TRAVEL
During the second half of the year, we will unfurl a series of marketing measures in line with the release of the PC version and the expansion of products by area



Performance forecast for the whole period of FYE Jan. 2020

On course to meet initial forecast

During the second half of the year, aim to achieve performance forecast for the whole period through a good balance of ongoing growth in existing businesses and investments in new businesses

(Reference)

	FYE January 2020 Period total for the second quarter (actual results)	FYE January 2020 Performance (forecast)	Progress rate	FYE January 2020 Benchmark amounts to be achieved during the second of the year (forecast - actual performance for the first half)	Compared with the corresponding period of a year earlier
Overall trading volume * Including payment processing fees	23.08 billion yen	52.53 billion yen	43.9%	29.46 billion yen	113.8%
Net sales	2.69 billion yen	6.15 billion yen	43.8%	3.46 billion yen	115.7%
Operating income	1.13 billion yen	2.46 billion yen	45.9%	1.33 billion yen	110.8%
Ordinary income	1.11 billion yen	2.45 billion yen	45.4%	1.34 billion yen	111.0%
Profit	0.77 billion yen	1.70 billion yen	45.6%	0.93 billion yen	104.6
Earnings per share	18.60 yen	40.82 yen	45.6%	22.22 yen	104.6%

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Forward-looking projections and forecasts contained within this material are made based on information available as of today.

Actual business performance may differ from projections due to risks and uncertainties in the future.

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