

BEENOS Inc.3328 Tokyo Stock Exchange
First Section

7-Dec.-16

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
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■ Achieved record-high sales and operating profit in FY9/16

BEENOS Inc. (3328) engages in various electronic commerce (e-commerce) and incubation businesses. The e-commerce businesses are comprised of the cross border business (overseas forwarding and proxy purchasing operations and global Internet shopping operations), the value cycle business (trading pre-owned brand goods via the Internet), and the retailing and licensing business (product production and licensing operations and Internet shopping operations). In October 2016, its listing was transferred from the Tokyo Stock Exchange (TSE) Mothers to the TSE First Section. Also, its subsidiary Defactostandard, Ltd. (3545), which operates its value cycle business, was listed on the TSE Mothers in August 2016.

In the FY9/16 consolidated results, sales increased 13.5% y-o-y to ¥19,228mn and operating profit rose 1.4% to ¥1,201mn, both of which were record highs. In the mainstay e-commerce businesses, from Q3 onwards overseas forwarding and proxy purchasing operations slumped due to the strengthening of the yen, but in the other operations, sales steadily increased 13.4% y-o-y, and double-digit growth was once again achieved. However, operating profit decreased 2.6% because of higher expenses to build the foundations for growth, including personnel expenses and system development expenses. On the other hand, in the incubation businesses, operating profit rose 3.9% y-o-y following the recording of a gain on the sale of operational investment securities.

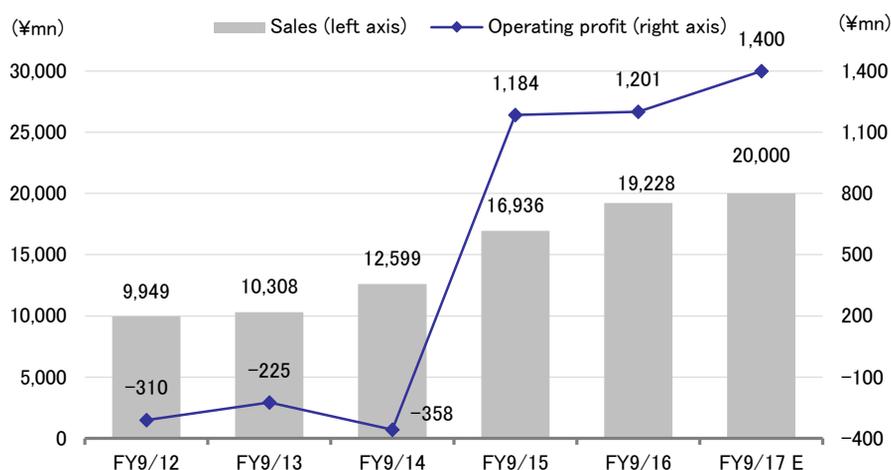
The forecasts for FY9/17 are for increases in both sales and profits, with sales to rise 4.0% y-o-y to ¥20,000mn and operating profit to climb 16.6% to ¥1,400mn. Within the e-commerce businesses, it is expected that results will be sluggish in the cross border business due to the effects of the strong yen, but that this slump will be covered by the strong performances of the value cycle business and the retailing and licensing business. Sales and profits are also forecast to increase in the incubation businesses.

Going forward, the Company is aiming to achieve annual double-digit growth in the e-commerce businesses. Specifically, for the mainstay cross border business, it is adding to its lineup of new services, in addition to expanding the scale of transactions for cross border e-commerce. For its incubation businesses, while securing capital gains, the Company is aiming to create new businesses in-house in addition continuing to invest in Internet venture companies in developing countries, focusing on India.

■ Check Point

- Despite being affected by the strong yen, sales and profits achieved record highs
- The cross border business achieved record highs for transaction values and sales, but operating profit declined due to upfront costs
- Sales and profits (operating profit and recurring profit) are forecast to increase in FY9/17 also

Results Trends



■ Description of Business

Comprised of the twin pillars of the e-commerce & incubation businesses

The Company's operations can be broadly divided into e-commerce and incubation businesses. Its e-commerce businesses may be further divided into the cross border business (overseas forwarding and proxy purchasing operations and global Internet shopping operations), the value cycle business (trading of pre-owned brand goods over the Internet), and the retailing and licensing business (product production and licensing operations and Internet shopping operations). The incubation businesses include new businesses developed in-house and a business that invests in and nurtures Internet ventures in Japan and abroad. These businesses are described in greater detail below.

(1) Cross border business

This business is comprised of two consolidated subsidiaries; tenso, Inc., which operates two sites including tenso.com, an overseas forwarding operation (proxy shipping of goods) and Buyee.jp, a proxy purchasing operation for consumers residing overseas, and Shop Airlines, Ltd., which operates the "sekaimon" global online shopping site. The sales of both subsidiaries are from handling fees based on transaction values.

tenso.com overseas forwarding operations by tenso offer a service for foreign and Japanese consumers residing overseas whereby when they purchase an item on an e-commerce (EC) site in Japan but the operator of that site does not ship goods overseas, tenso will, for a fee, ship (forward) the goods to the users on their behalf. Users are able to select the shipment method from among Japan Post's Express Mail Service (EMS), regular airmail, Japan Post's Surface Air Lifted (SAL) economy airmail service, and surface mail, with forwarding fees for the service provided starting from as low as ¥50 (depending on total shipment weight).

tenso also operates Buyee.jp, which serves as a proxy for purchasing and bidding for mail order goods and goods auctioned over the Internet in Japan. As PayPal and Alipay can be used for the payment method, the purchase procedure is multilingual, product descriptions are automatically translated into foreign languages, and transaction values from the Buyee.jp site are expanding. Fees on the Buyee.jp site were revised in December 2015 (reduced from 10% of the purchase or auction price to 5%), and to be free on Amazon Japan K.K., Rakuten Ichiba (Rakuten, Inc., 4755) and Yahoo! Shopping (Yahoo Japan Corporation, 4689) (with, however, a flat fee of ¥150 for products priced under ¥3,000 and a ¥200 fee per successful auction at Yahoo! Auctions).

Currently, with 84 countries and regions to which goods may be shipped, customer support services in 4 languages, and tie-ups with 1,420 domestic e-commerce sites, the Company is establishing a position as the number one in the industry in terms of the number of items shipped overseas.

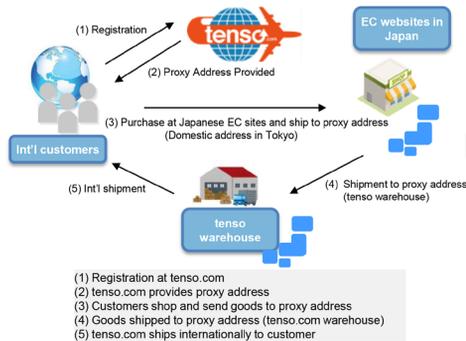
The two services provided by tenso

Providing a shopping system allowing overseas shoppers to buy Japanese products

tenso Overseas Forwarding Business

Overseas customers use the provided address from tenso.com to ship their purchases and to have their goods forwarded to their home.

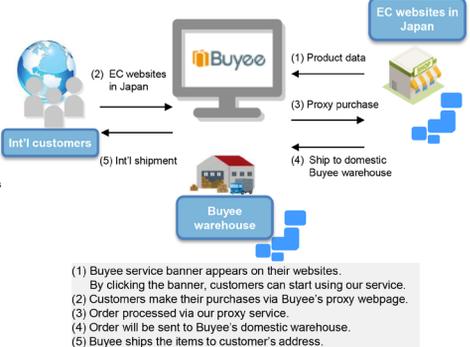
Recommended for EC sites that want to expand sales channel overseas immediately.



Buyee Proxy Purchasing Service

Service that makes it possible for overseas users who cannot read Japanese to purchase goods on Japanese EC sites. It retrieves product data from EC sites to "Buyee" and provides translation and proxy purchasing services.

Recommended for EC sites that want to be used by customers who cannot read Japanese.



Source: BEENOS Inc.

Comparison of the tenso.com and Buyee.jp Sites

	Overseas Forwarding Business	Buyee Proxy Purchasing Service
Start Date	Since October 2008	Since December 2012
Target Customer	For customers who can read Japanese (when EC sites do not ship to overseas)	For customers who cannot read/write Japanese (when EC sites do not accept overseas credit cards)
Purchase Order Flow	Customer can make purchase after the registration at tenso.com.	Buy products on Buyee.jp
Commission	While each shop does not need to pay commission, customers will be charged for the weight of their purchase.	Customers will pay for 5% of the price as a commission. No commission for each shop
Settlement	Depends on websites	Credit card,
Translation	By the each shop	- Supporting in 4 languages - Auto translation of products details
Customer Support	Supporting overseas shipment	Supporting purchase and shipment
Fraud Detection System	Independently developed credit card fraud detection system	No risk for each shop because of proxy purchasing model
System Linkage	No need to link any	Product data API (via Yahoo auction and Yahoo! Shopping)

Source: BEENOS Inc.

On the other hand, "sekaimon," operated by Shop Airline, is a Japanese language compatible auction site authorized by eBay Inc., one of the largest online marketplaces in the world. Currently "sekaimon" handles products listed on overseas EC sites in four countries – namely the US, the UK, Germany, and Austria – and charges a fee of 15% of the auction price (or for lower auction prices, a fixed fee that was revised from ¥500 to ¥800 in February 2016).

(2) Value Cycle Business

This is a business for buying and selling pre-owned brand goods via the Internet. It is operated by consolidated subsidiary Defactostandard (the Company's investment ratio, 57.8%) and it is the industry leader in terms of its track record of purchases and sales over the Internet. With its Brandear auction site as the first point of contact, it purchases goods using commercial home delivery services and sells these goods through Japanese and overseas Internet auction sites. The Company's strategy is to expand purchase numbers by securing multiple purchasing channels through tie-ups with other companies, including Yamada Denki Co., Ltd. (9831) and each of the co-op store-related sites, in addition to its own proprietary site.

Defactostandard handles over 7,000 categories of goods focusing on the fashion sector, ranging from designer clothing to designer handbags, precious metals, and watches. One of the Company's strengths is its purchasing and appraisal capabilities, having developed its own system to quickly appraise and purchase a diverse range of goods at a fair price.

Conversely, from a sales perspective, its strength is that it has developed its own proprietary system that facilitates efficient sales by simultaneously offering goods through multiple channels, including most major domestic auction sites such as Yahoo! Auctions and Rakuten Auction, its own proprietary auction site, and through overseas auction sites such as eBay. Moreover, on the largest domestic auction site, Yahoo! Auctions, in FY9/16 Defactostandard was awarded its "Annual Best Store Overall Grand Prix" for the seventh straight year.

(3) Retailing and Licensing Business

This business is comprised of operations for the production and licensing of goods, and Internet shopping operations.

Its subsidiary monosense, Ltd. provides a one-stop service for the licensing of rights to produce goods endorsed by celebrities and other well-known public figures, the planning and development of such goods, the sales of those goods through e-commerce sites, the promotion of their sales, and the management of their licensing. It sells official goods at events where licensed pop groups appear and manages and operates their official e-commerce sites, recording sales from commissions, which are set at a fixed percentage of goods sold.

At the same time, at its netprice Internet shopping site, operated by consolidated subsidiary netprice, Ltd., the Company develops product lineups and retailing methods for distinctive goods, such as 24-hour sale goods, original goods developed with manufacturers, and goods jointly planned and developed with celebrities and other well-known public figures. The netprice Internet shopping site has more than 2.2 million cumulative registered users. Women make up about 78% of the netprice online shopping site membership, with, by age group, people in their thirties and forties comprising just over 70% of the membership.

(4) Incubation businesses

The incubation businesses are comprised of investing in and nurturing Internet venture businesses in Japan and overseas, and developing new businesses in-house prior to the stage they become profitable

In its investing and nurturing operations, subsidiary BEENOS ASIA PTE. LTD., headquartered in Singapore, invests in Internet venture businesses in countries that show the potential to develop as rapidly as China has, taking stakes of up to 20%. It targets companies offering, for example, online settlement services and online marketplaces and has made investments in India, Indonesia, Turkey, the Philippines, Vietnam, Malaysia, and Africa. To nurture these businesses, BEENOS Asia Pte. encourages the exchange of personnel and technologies among investee companies

BEENOS Partners, Ltd., based in Japan, invests mainly in US start-up companies engaged in Internet businesses, taking stakes of less than 1%. Through these investments, BEENOS gains information about the latest Internet services and technologies. It applies this information to establish new businesses in Japan and overseas, and it eventually realizes capital gains on its investments. This company also invests in start-up companies engaged in Internet businesses in Japan.

■ Business Trends

Despite being affected by the strong yen, sales and profits achieved record highs

(1) FY9/16 Results Summary

In the FY9/16 consolidated results, sales increased 13.5% y-o-y to ¥19,228mn, operating profit rose 1.4% to ¥1,201mn, recurring profit climbed 5.5% to ¥1,212mn, and net profit attributable to owners of the parent increased 6.0% to ¥951mn, for record highs for both sales and profits. Compared to the Company targets, sales were slightly below target due to the slump in the cross border business from the effects of the strengthened yen, but in the incubation businesses, the recording of a gain on the sale of operational investment securities surpassed the initial forecast, and as a result, total operating profit exceeded the initial target.

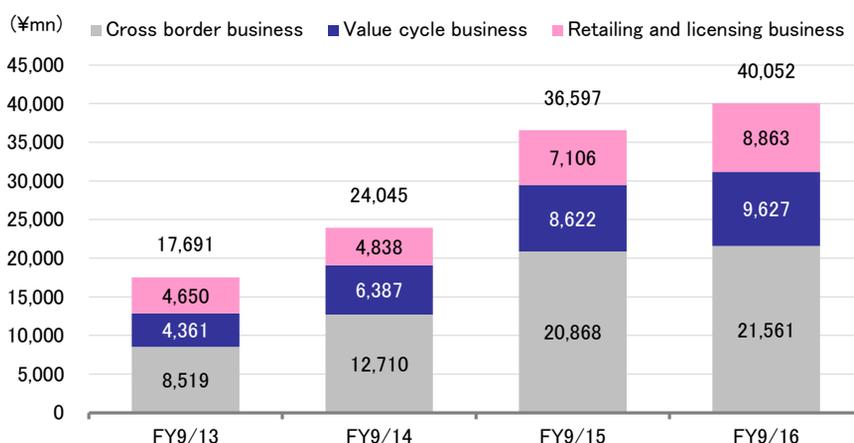
Consolidated FY9/16 Results

(Unit: ¥mn)

	FY9/15		FY9/16				
	Results	vs. Sales	Company target	Results	vs. Sales	y-o-y	vs. Target
Transaction values	36,597	-	43,000	40,052	-	+9.4%	-6.9%
Sales	16,936	-	19,600	19,228	-	+13.5%	-1.9%
E-commerce	15,895	93.9%	18,800	18,025	93.7%	+13.4%	-4.1%
Incubation	1,040	6.1%	800	1,203	6.3%	+15.6%	+50.4%
Cost of sales	8,068	47.6%	-	9,179	47.7%	+13.8%	-
SG&A expenses	7,683	45.4%	-	8,847	46.0%	+15.1%	-
Operating profit	1,184	7.0%	1,000	1,201	6.3%	+1.4%	+20.1%
E-commerce	770	4.5%	870	750	3.9%	-2.6%	-13.7%
Incubation	744	4.4%	500	773	4.0%	+3.9%	+54.7%
Adjustment	-329	-	-370	-322	-	-	-
Recurring profit	1,148	6.8%	950	1,212	6.3%	+5.5%	+27.6%
Net profit attributable to owners of the parent	898	5.3%	650	951	5.0%	+6.0%	+46.4%

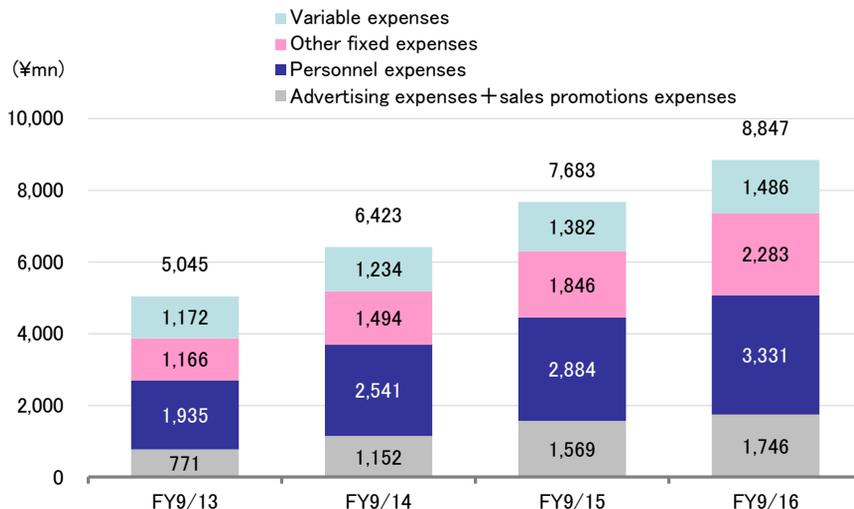
In the mainstay e-commerce businesses, transaction values increased 9.4% y-o-y to ¥40,052mn and sales rose 13.4% to ¥18,025mn, but operating profit declined 2.6% to ¥750mn, for an increase in sales but a decrease in profits. Transaction values and sales rose in all of the business segments, but overseas forwarding and proxy purchasing operations slumped from Q3 onwards due to the rapid strengthening of the yen. In addition, profits declined because of the higher expenses in order to build the foundations for growth, including personnel expenses, systems development expenses, and promotional expenses. SG&A expenses for the Company as a whole increased ¥1,164mn. Breaking this down, personnel expenses rose ¥447mn, advertising and sales promotions expenses increased ¥177mn, development expenses and other fixed expenses climbed ¥437mn, and variable expenses rose ¥104mn, with the majority of these increases taking place in the e-commerce businesses. Conversely, a gain on the sale of operational investment securities was recorded in the incubation businesses, and as a result of the above factors, sales increased 15.6% to ¥1,203mn and operating profit rose 3.9% to ¥773mn.

Trends in Transaction Values by Business



*transaction values of products, etc., sold via the Internet.

Trends in breakdown of SG&A expenses



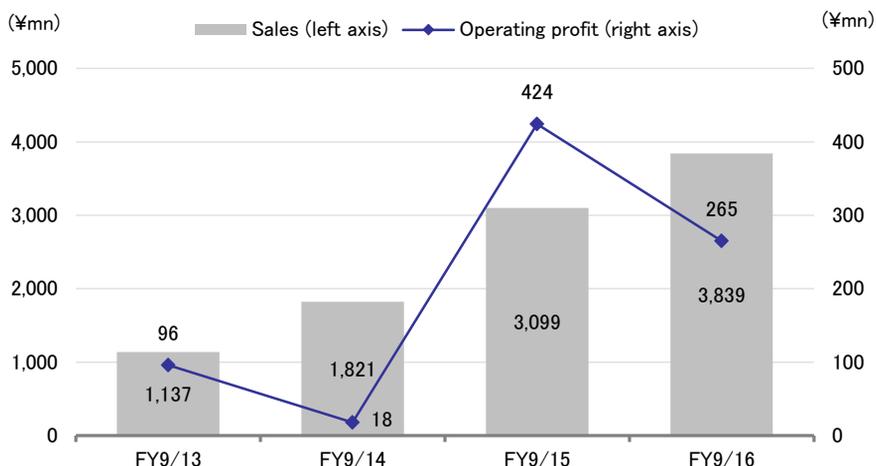
The cross border business achieved record highs for transaction values and sales, but operating profit declined due to upfront costs

(2) Trends by Business Segment

a) Cross border business

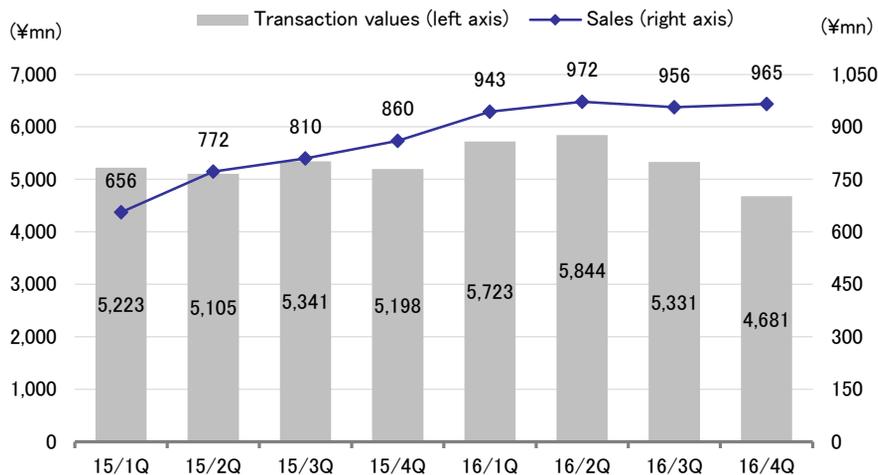
In this business, transaction values increased 3.3% y-o-y to ¥21,561mn (Company target, ¥26,000mn) and sales rose 23.9% to ¥3,839mn (¥3,800mn), but operating profit declined 37.4% to ¥265mn. Due to changes in the market environment, including the rapid strengthening of the yen from Q3 onwards, both transaction values and sales slumped in overseas forwarding and proxy purchasing operations, but over the full fiscal year, each achieved record highs. Conversely in terms of profits, in order to build an overwhelmingly position as the number one company in the industry, the Company conducted upfront investment, including in personnel expenses, promotional expenses, and systems development expenses, and as a result, profits declined. The reason why the growth rate for sales exceeded that for transaction values was that while the number of items handled increased, the strengthening of the yen caused a decline in unit prices, and also due to the effects of reviewing the minimum fee unit price during the period in the global shopping business. The full fiscal year results were an increase in sales and a decrease in profits for the overseas forwarding and proxy purchasing operations, and an increase in sales and a return to profitability in the global shopping business.

Cross Border Business Results Trends



Looking at the results trends on a quarterly basis, in Q4 transaction values decreased 9.9% compared to the same quarter in the previous fiscal year and 12.2% compared to the previous quarter, for the second consecutive quarter of negative growth. In overseas forwarding and proxy purchasing operations, the main factors behind the decline in transaction values were the effects of the stronger yen, in addition to the fall in demand, particularly for high-priced products, following the rise in EMS shipping costs (¥300 to ¥500) from June 2016. In particular, the Chinese market, which is the main selling destination, was sluggish from Q3 onwards. Looking at the exchange rates, the yen trended in the range of ¥15 to the Chinese yuan in July to September 2016, meaning the yen was around 20% stronger than in the same period in the previous fiscal year.

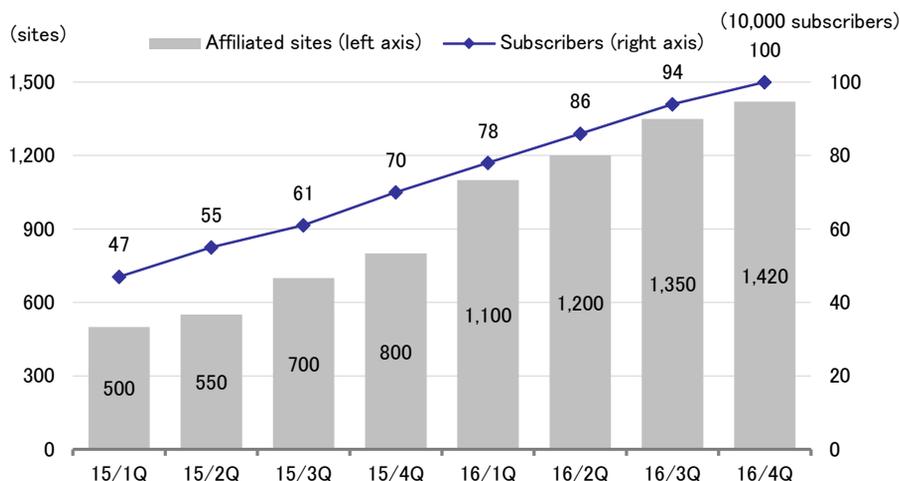
Cross Border Business Quarterly Trends



As the initial measures in overseas forwarding and proxy purchasing operations, the Company revised its fees from December 2015 in order to increase the number of users, reducing the usage fees for Buyee.jp, in addition to establishing a system of paid-for options. From the previous settlement system that was based on the Japanese yen, it is now possible to pay for purchases in 28 major currencies. In addition, the Company has been working to improve services in Taiwan by making shipped packages available for pick up at convenience stores, following on from FamilyMart and 7-Eleven stores where the service has been available since September 2016. Through this initiative, the number of subscribers to tenso.com and Buyee.jp increased by approximately 40%, from 700,000 people at the end of the previous fiscal year to 1 million people at the end of September. Although transaction values for China are struggling, they are expanding steadily for Taiwan, Southeast Asia, and the US.

The number of companies using the Company's services are also trending upward. The cumulative number of affiliated sites at the end of September was 1,420 sites, a significant increase from the 800 sites at the end of the previous fiscal year. In this way, the Company is steadily establishing its position as the number one platform company for cross border e-commerce in the industry.

Subscriber Numbers for *tenso.com* and *Buyee.jp* and Affiliated Sites



On the other hand, the number of users in the global shopping business steadily increased, supported by the strengthened yen. This increase was also as a result of the major improvements to user convenience, including that the “sekaimon” site was renewed in Q2 and the user interface improved. In addition, the Company installed on the site its proprietary recommendation engine. In the new user interface, the costs other than the price of the product, such as an estimate of the international shipping costs, are now displayed in an easy-to-understand manner at the time the product is purchased. Previously, the purchaser was notified of the shipping costs after the weight was measured when the product arrived at the warehouse, but in the new interface, the shipping estimate is displayed based on past results data, which enables more safe and secure shopping.

In profits, the operating loss continued up to Q2, but achieved profitability from Q3 onwards and operating profit was recorded for the full fiscal year. In terms of the measures to improve profitability, the Company reduced costs, including by moving in-house the US warehouse and the customer center, and changing the forwarder (the international shipping company), at the same time as improving service quality. Raising the lowest-bid fee from ¥500 to ¥800 from February 2016 also contributed to the improved profits.

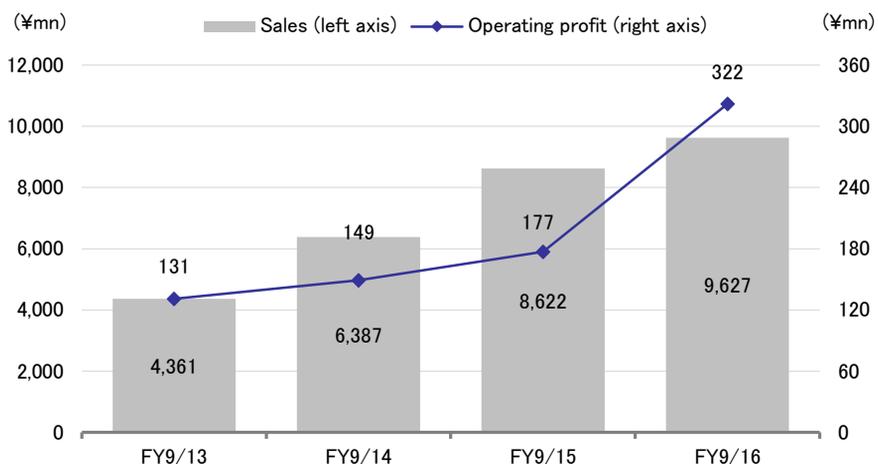
In the value cycle business, sales and operating profit were both record highs

b) Value cycle business

In this business, sales increased 11.7% y-o-y to ¥9,627mn (Company target, ¥10,000mn) and operating profit rose 81.9% to ¥322mn, which were record highs and also basically in line with the Company targets. Demand was strong for purchases of pre-owned brand goods via the Internet, and double-digit growth continued as the Company strengthened its handling of a wide range of brand products. Profits also increased, as while on the one hand promotional expenses rose, including for TV commercials, on the other hand, in addition to the effect of the higher sales, progress was made in improving the costs structure through enhancing in-house operations and utilizing outsourcing.

At the end of August 2016, Defactostandard, which operates this business, was listed on the TSE Mothers. This listing will improve its credibility and recognition, in addition to enabling it to raise working capital and strengthen its financial base, as it aims to achieve further growth in profits and improve its corporate value. The Company’s investment ratio was lowered from 80.3% to 57.8% following the issue of new shares, but going forward the plan is to maintain the capital relationship as a consolidated subsidiary.

Value Cycle Business Results Trends



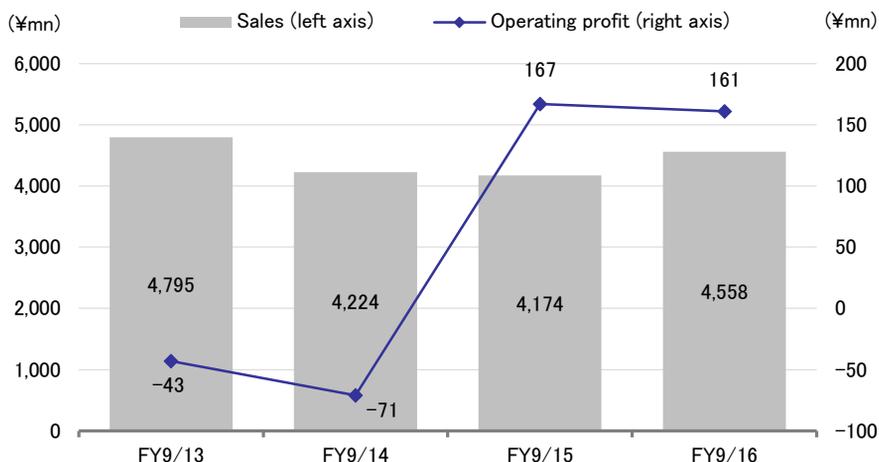
c) Retailing and licensing business

In this business, transaction values increased 24.7% y-o-y to ¥8,863mn (Company target, ¥7,000mn) and sales rose 9.2% to ¥4,558mn (¥5,000mn), but operating profit fell 3.6% to ¥161mn. The increased consignment sales from sites such as official artist e-commerce sites was the reason why the sales growth rate was comparatively lower than that of transaction values.

In the Internet shopping business, sales declined y-o-y, and while an operating profit was maintained up to Q3, for the full fiscal year once again an operating loss was recorded. This was due to the active investment in promotional expenses in Q4 in order to find new customers and stimulate purchases from non-active subscribers.

On the other hand, the product production and licensing business achieved year-on-year growth in sales and profits, with increased sales of popular celebrity goods as the main factor. From August 2016, the Company starting handling online CD sales for some pop groups, which also contributed to the higher sales. In addition, ECONECO, for which monosense holds the master licenses, opened its first long-term store in February 2016 in Lumine Est Shinjuku.

Retailing and Licensing Business Results Trends





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d) Incubation businesses

In these businesses, sales increased 15.7% y-o-y to ¥1,203mn (Company target, ¥800mn) and operating profit rose 3.9% to ¥773mn (¥500mn). In the investing and nurturing operations, the recording of gains on the sales of shares in domestic and overseas investee companies was a factor behind the higher sales and profits. The Company also conducted new investment on multiple occasions. Conversely, as a result of the revaluation of the enterprise values of the investee companies, in Q4 a valuation loss of ¥227mn in operational investment securities was recorded in cost of sales.

The Company has been investing aggressively in India recently. In this Q2 in India, it invested in NoBroker Technologies Solutions Pvt Ltd. which operates NoBroker, India's first online C2C real estate marketplace, and in August, it invested in Expedient Healthcare Marketing Pvt. Ltd., which operates Healthians, which is India's largest home health checkup marketplace. In other emerging countries also, it is investing in Internet venture companies considered to have potential for the future. Among the companies it is investing in, the market capitalization of Tokopedia in Indonesia is said to be on a scale of ¥100bn, while the Clues Network Pvt. Ltd., which operates Shop Clues in India, also has a market capitalization in excess of ¥100bn. In addition, Droom, an online marketplace for buying and selling vehicles, is achieving rapid growth, and in this situation its current value would seem to be on a scale of tens of billions of yen, and it is estimated that the profits attributable to the Company will increase in the future alongside these companies' growth.

Main Companies Invested in and their Investment Ratios

Investment ratio	Company	Headquarter location	Business description
10% or more	akakce.com	Turkey	Price comparison service
	Paynatics Technologies	Philippines	Online settlement service
5 to 10%	Droom	India	Operates Droom, an online marketplace for buying and selling vehicles
	Buyhatke	India	Price comparison service
	Sendo Technology	Vietnam	Operates Sendo, an online marketplace
	Nearex	African nations	Mobile money
	CaSy	Japan	Cloud-based agency service for handling household chores
1 to 5%	Quan	Japan	Plans and develops web and app services for mobile equipment
	Tokopedia	Indonesia	Operates tokopedia, a C2C online marketplace
	Clues Network	India	Operates ShopClues, a B2C online marketplace
	NoBroker	India	Operates NoBroker, an online C2C real estate marketplace
	Midtrans	Indonesia	Online settlement service
	iyzi Payments	Turkey	Online settlement service
	Ayannah	Philippines	Online settlement service
	Increments	Japan	Operates Qiita, a service for software programmers to exchange technical information
Less than 1%	Giftee	Japan	Operates giftee, a social gift service
	Healthians	India	A home health checkup marketplace
	Voonik	India	Operates voonik.com, a mobile fashion marketplace
	Big Foot Retail Solutions	India	Operates KARTROCKET, a service for opening an online store
	Maplebear	US	Operates instacart, an online delivery service for food and daily necessities
	Kamcord	US	Operates a video sharing platform for mobile games

Note: Investments highlighted were made since October 2015

■ Future outlook

Sales and profits (operating profit and recurring profit) are forecast to increase in FY9/17 also

(1) Forecasts for FY9/17

The FY9/17 consolidated results forecasts are for sales to increase 4.0% y-o-y to ¥20,000mn, operating profit to rise 16.6% to ¥1,400mn, recurring profit to increase 15.5% to ¥1,400mn, and net profit attributable to owners of the parent to decrease 21.2% to ¥750mn. The Company's policy is to expand transaction values by continuing to strategically allocate resources to cross border e-commerce, but due to the fall in product unit prices from the effects of the stronger yen, transaction values are forecast to decline. The reason for the expected decline in net profit attributable to owners of the parent is that within the Group's loss brought forward from the previous fiscal term, deferred tax assets were recorded in the previous fiscal year for that part that was expected to be dissolved in the following term. In addition, at the time that consolidated subsidiary Defactostandard was listed on the TSE Mothers, the Company's investment ratio was reduced following the public offering, and therefore net profits attributable to non-controlling interests increased. In FY9/17, all of the loss brought forward from the previous fiscal term for tax purposes is expected to be dissolved.

In the e-commerce businesses, transaction values are forecast to decline 7.6% y-o-y to ¥37,000mn. By business segment, the forecasts are for sales from e-commerce businesses to increase 3.7% to ¥18,700mn and operating profit to rise 26.6% to ¥950mn, and sales from incubation businesses to climb 8.1% to ¥1,300mn and operating profit to increase 3.4% to ¥800mn. The forecasts by business segment are as follows.

FY9/17 Consolidated Results Forecasts

(Unit: ¥mn)

	FY9/16		FY9/17		
	Results	vs. Sales	Company target	vs. Sales	y-o-y
Transaction value	40,052	-	37,000	-	-7.6%
Sales	19,228	-	20,000	-	+4.0%
E-commerce	18,025	93.7%	18,700	93.5%	+3.7%
Incubation	1,203	6.3%	1,300	6.5%	+8.1%
Operating profit	1,201	6.3%	1,400	7.0%	+16.6%
E-commerce	750	3.9%	950	4.8%	+26.6%
Incubation	773	4.0%	800	4.0%	+3.5%
Adjustment	-322	-	-350	-	-
Recurring profit	1,212	6.3%	1,400	7.0%	+15.5%
Net profit attributable to owners of the parent	951	5.0%	750	3.8%	-21.2%

a) Cross border business

In this business, the forecasts are for transaction values to decline 18.8% y-o-y to ¥17,500mn and sales to fall 10.1% to ¥3,450mn. Within these amounts, the outlook is for both transaction values and sales to fall in the overseas forwarding and proxy purchasing operations due to the effects of the stronger yen. It is calculated that the exchange rate will further strengthen from the rate of ¥111 to the dollar in the previous fiscal year to ¥103 to the dollar in 1H (October to March) and ¥95 to the dollar in 2H (April to September), which will lower the purchase unit prices, thereby causing sales to decrease. Operating profit is also expected to fall as the Company continues to invest in development to strengthen its services and in promotions. If the rates settle for the time being on the current exchange rates of ¥103 to the dollar and around ¥15 to the Chinese yuan and if these levels are maintained going forward, exchange rates may become a factor causing transaction values to accumulate. User numbers are also starting to increase in Asian countries other than China, North America, and Australia, and there has been no change to the expectation that this business will grow in the medium to long term. Recently, an increasing number of Japanese companies have been opening stores on China's leading marketplace, and the Company, which has the strength of a track record of exporting a wide range of products from various companies from over 1,400 sites to 84 countries, is expected to continue to lead the industry in the future as an Internet platform company supporting the cross border EC market.

It has also launched a new cross border EC-related service. Specifically, the “okurun” service, which matches online domestic EC businesses and retailers that want to increase their exports with forwarders (international shipping companies), was fully launched in September 2016. Through the “okurun” service, exporting companies can request batch estimates from a number of forwarders, and select the optimum forwarder from among them. In addition, on the “okurun” website there is a mechanism for communicating with forwarders in a chat format on matters such as operational progress, shipment tracking, and schedule adjustments. The service is attracting attention as it contributes to improving the efficiency of complex export operations and to reducing costs. In the business model, the Company collects fees from the exporting companies as the main shippers, and it is targeting medium- to small-scale corporations as customers.

On the other hand, increases in both sales and profits are forecast in the global shopping business. In FY9/17 also, the same as in the previous fiscal year, the Company will invest in systems development in order to improve user convenience on the website. In addition, from August 2016 it started linking product data with a major domestic auction site, and began exhibiting eBay products on this site via “sekaimon” Initially there have been only few items as they are limited to the hobby field, but going forward it intends to increase the number of items while keeping a watch on conditions. As the ability of “sekaimon” to attract customers is still weak, the sales collaboration with a major domestic auction site is expected to contribute to the increase in transaction values in the future.

For the cross border business, the Company plans to develop new services in peripheral areas in the future.

b) Value cycle business

In this business, sales are forecast to increase 12.7% to ¥10,850mn (transaction values are the same as sales) and operating profit is also expected to rise. In addition to expanding the number of purchases of pre-owned brand goods, for sales the Company will simultaneously exhibit items on the major auction sites domestically and overseas, and open-up new sales channels, and in such ways it intends to strengthen sales capabilities and improve sales efficiency. Also, in the medium term it plans to develop new services through utilizing the customer base it possesses.

In the last one or two years, the C2C pre-owned goods markets that use a flea market app, such as Mercari, have been growing, and for brand goods also, the distribution scale has been seen to be expanding. But at the current time this is not considered to affect the Company’s results. This is because in the main flea-market-app markets, the pre-owned items tend to be casual brands with an average selling price of less than ¥1,000, but in contrast, the main pre-owned items on the Brandear site tend to be second-tier brands with an average selling price in the range of ¥1,000 to ¥10,000. That said, it is possible that competition will intensify in the medium term and that the Company will be required to take measures in response.

c) Retailing and licensing business

In this business, the forecasts are for transaction values to decrease 2.4% y-o-y to ¥8,650mn and sales to fall 3.5% to ¥4,400mn, but for operating profit to increase slightly. Within these forecasts, the Company is aiming for the Internet shopping business to once again achieve profitability through continuing with its previous measure of strengthening sales of original products and repeat-type products.

Conversely, in the product production and licensing business, the Company is aiming to increase sales of related products through initiatives including working to expand the ECONECO sales channel and entering into new agreements with celebrities.

d) Incubation businesses

In the incubation businesses, the results forecasts are for sales to increase 8.1% y-o-y to ¥1,300mn and operating profit to rise 3.5% to ¥800mn. In FY9/17 also, the Company plans to record gains on the sales of shares of some investee companies. The information the Company is thought to use when deciding on the sales of shares in investee companies are when it is time for the next round of financing of an investee company, when it discovers a new partner whose growth can be further accelerated, or alternatively when there is an IPO.

(2) Medium-term Targets

As its medium-term vision, the Company is aiming to be “the neo-general trading company” that opens-up new markets and creates new industries based on IT technologies and the Internet. In addition to distributing Japanese products and content to marketplaces throughout the world, it intends to increase its enterprise value by building a global commerce platform to distribute products and contents from throughout the world in Japan and other Asian countries.

In order to realize this vision, the Company considers that it is necessary to create a market with a transaction value on the scale of hundreds of billions of yen. As the first step toward this, it would seem to be aiming to achieve a transaction value of ¥100bn. Domestically, it is further expanding its distribution network, opening up channels for leading products and contents, and strengthening product development. For overseas, it is considered that it will create new businesses by expanding the network through adding to the network of business partners and investee companies it has built so far, and that it will expand distribution and utilize the big data on the products that it distributes.

■ Financial Position and Shareholder Return Policy

Enhancing the financial base and putting in place an investment system for further growth

(1) Financial Position and Management Indicators

At the end of September 2016, total assets had increased ¥3,094mn from the end of the previous fiscal year to ¥13,113mn. Looking at the main factors behind the change, in current assets, cash and deposits increased ¥3,030mn. In addition in fixed assets, software rose ¥82mn, while goodwill decreased ¥28mn.

Total liabilities increased ¥736mn from the end of the previous fiscal year to ¥5,076mn. Looking at the main factors behind this, in current liabilities, accounts payable increased ¥853mn and deposits decreased ¥250mn. In addition, in non-current liabilities, long-term borrowing rose ¥74mn.

Net assets increased ¥2,357mn from the end of the previous fiscal year to ¥8,036mn. The main factors behind this change were an increase of ¥1,896mn in proceeds from non-controlling interests following the sale of shares in conjunction with the listing of the subsidiary Defactostandard, in addition to an increase in retained earnings of ¥951mn on the recording of net profit attributable to owners of the parent. However, the foreign currency translation adjustment declined ¥310mn due to the strengthening of the yen by the period end.

Looking at the management indicators, the shareholders' equity ratio declined from 54.5% at the end of the previous fiscal year to 51.1%. This was mainly because although shareholders' equity increased, non-controlling interests' equity rose ¥1,116mn compared to the end of the previous fiscal year following the listing of Defactostandard. However, the interest-bearing debt ratio fell from 16.8% to 15.1%, and net cash (cash and deposits – interest-bearing debt) increased ¥2,940mn compared to the end of the previous fiscal year, so the Company is enhancing its financial base and can be said to have put in place a system to conduct investment for further growth in the future.



BEENOS Inc.

3328 Tokyo Stock Exchange
First Section

7-Dec.-16

Consolidated Balance Sheet and Management Indicators

(Unit: ¥ mn)

	FY9/13	FY9/14	FY9/15	FY9/16	Change
Current assets	4,294	6,692	8,745	11,806	3,060
(cash and deposits)	2,552	2,433	3,276	6,307	3,030
(operational investment securities)	-	1,563	1,663	1,605	-58
Fixed assets	2,141	1,014	1,273	1,307	33
Total assets	6,435	7,706	10,019	13,113	3,094
Current liabilities	2,116	3,078	4,183	4,837	653
Non-current liabilities	206	69	155	238	83
(interest-bearing debt)	953	1,034	919	1,009	90
Total liabilities	2,323	3,148	4,339	5,076	736
Net assets	4,112	4,557	5,679	8,036	2,357
Main management indicators (stability)					
Shareholders' equity ratio	62.5%	57.5%	54.5%	51.1%	
Interest-bearing debt ratio (profitability)	23.7%	23.3%	16.8%	15.1%	
ROA (return on assets)	2.1%	-5.2%	13.0%	10.5%	
ROE (return on equity)	0.9%	-10.7%	18.2%	15.6%	
Operating profit margin	-2.2%	-2.9%	7.0%	6.3%	

(2) Shareholder Return Policy

For its shareholder returns, the Company commenced payment of dividends from FY9/15, given that, along with having enhanced its financial base, it had entered a growth phase in line with increased profits from its e-commerce businesses. As the FY9/16 results exceeded the initial targets, it raised the dividend per share by ¥3.0 from the initial forecast to ¥13.0. Also, in FY9/17, to commemorate its change of listing to the TSE First Section, it will pay a commemorative dividend of ¥5.0 at the end of Q2. So in addition to the full year ordinary dividend of ¥13.0, it plans to pay a dividend per share of ¥18.0.

Going forward, the Company's dividend policy is to pay dividends in line with profit growth while taking into consideration factors including its financial situation, demand for investment funds, and business performance.

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