

BEENOS Inc.
3328 TSE Mothers

15-May-15

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■ Growth accelerating due to the rapid expansion of e-commerce businesses

BEENOS, Inc. (3328) engages in various electronic commerce (e-commerce) and incubation businesses. There are three main e-commerce businesses: the cross-border business (acting as a proxy to help customers purchase goods in Japan, forwarding of goods to residents of other countries, and operating a global Internet shopping site), the value cycle business (trading used designer goods via the Internet), and the retailing and licensing business (the planning and promotion of licensed goods and Internet shopping). In particular, the proxy purchasing and forwarding business has seen rapid growth lately, due to the depreciation of the Japanese yen.

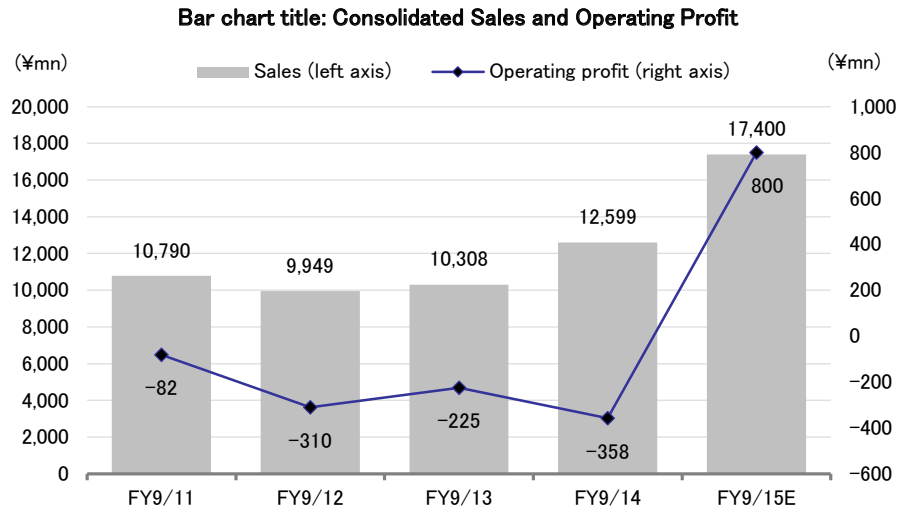
On April 23, 2015, the company announced its consolidated results for the first half of the current fiscal year, ending in September 2015, i.e., for H1 FY9/15. Sales grew 38.5% year on year (YoY) to ¥8,247mn, and the company earned an operating profit of ¥747mn, which is a significant improvement compared to an operating loss of ¥154mn in H1 FY9/14. This sales growth and turnaround in profitability were attributable mainly to the sale of shares of an overseas company invested in by the incubation business in Q1. However, the e-commerce businesses has also done well, increasing their aggregate operating profit by 23.6 times YoY to ¥471mn. The value of transactions undertaken by the e-commerce businesses grew 56.6% YoY to ¥17,609mn, led by a doubling of the transaction value in proxy purchasing of goods in Japan and forwarding of goods to residents of other countries.

For FY9/15, management raised its forecasts a second time. It now foresees a 38.1% YoY rise in consolidated sales to ¥17.4bn and an operating profit of ¥800mn. It anticipates a 50% YoY increase in transaction value in the e-commerce businesses to ¥36bn, which is ¥1bn higher than it had originally forecasted. The proxy purchasing of goods in Japan and forwarding of goods to residents of other countries are seen as the growth drivers. In H2, the company plans to spend heavily to promote its cross-border and value cycle businesses to ensure the top position in these businesses in Japan. This spending is likely to result in a temporary YoY decline in operating profit in the e-commerce businesses, but the decline will be partially offset by a ¥396mn profit recorded in Q3 from the sale of shares in a company invested in by the incubation business.

The e-commerce businesses are likely to record ¥50bn of transactions in FY9/16, and we believe that these businesses will start contributing to significant profit growth in the next fiscal year, as the company reduces its spending on promotions. The proxy purchasing of goods in Japan and forwarding of goods to residents of other countries is expected to continue to expand at a rapid pace, and the value cycle business should see increasing demand overseas as a result of working with eBay Inc.. In the incubation business domain, the company has practically finished investing in promising e-commerce businesses, mainly in emerging countries in Asia. Hereafter, it plans to nurture these businesses toward growth. As the home countries of these companies develop economically over the medium term, synergy between the invested companies and BEENOS' s main businesses is likely to emerge, adding fuel to growth at BEENOS.

Check Point

- Sales and profits rose sharply in H1 FY9/15, led by growth of the main businesses
- The company raised its forecasts for FY9/15 (for the second time)
- Its growth strategy aims for a transaction value of ¥50bn in FY9/16



Description of Businesses

E-commerce as the main businesses

BEENOS Inc.'s undertakings can be broadly divided into e-commerce and incubation businesses. There are three main e-commerce businesses conducted by consolidated subsidiaries: the cross-border business (acting as a proxy to help customers purchase goods in Japan, forwarding goods to residents of other countries, and operating a global Internet shopping site), the value cycle business (trading used designer goods via the Internet), and the retailing and licensing business (the planning and promotion of licensed goods and Internet shopping). The incubation businesses include new businesses developed in house and the business of investing in and nurturing Internet ventures in Japan and abroad. These businesses are described in greater detail below.

OCross-Border Business

The cross-border business is conducted by two consolidated subsidiaries, tenso, inc. and Shop Airlines, Ltd. tesco, inc. operates two websites, tesco.com and Buyee.jp. tenso, inc. serves as a purchasing proxy and a proxy for forwarding goods purchased through an e-commerce site in Japan to buyers living overseas. Shop Airlines, Ltd. operates the "sekaimon" global online shopping site. The sales of both subsidiaries are commissions based on their transaction value.

tenso, inc. serves residents of foreign countries, including Japanese people. When customers purchase an item on an e-commerce site in Japan, and the operator of the site does not ship goods overseas, tenso.inc. will ship the goods for a fee. tenso, inc. forwards goods overseas using the Japan Post's Express Mail Service (EMS), regular airmail, the Japan Post's Surface Air Lifted (SAL) economy airmail service, and surface mail for a fee starting as low as ¥50 (depending on total weight of the shipment), the lowest fee in the e-commerce forwarding industry.

The Buyee.jp site serves as a proxy for the purchase of online goods in Japan and for bidding for goods auctioned in Japan. Customers using the Buyee.jp site can pay for their purchases using widely accepted payment methods, such as PayPal and Alipay. The Buyee service translates descriptions of goods into languages other than Japanese and has seen a steady increase in transaction value recently. The service charges a fee of 10% of the transaction value.

tenso, inc. forwards goods to 84 countries, provides customer support in five languages, have business partnership agreements with more than 550 e-commerce sites in Japan, and is the top forwarder of goods from Japan to other countries in terms of the number of goods handled.

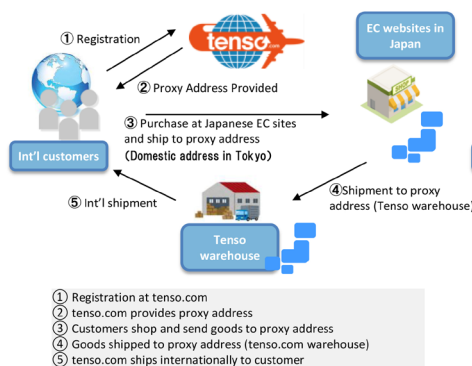
Two services tenso.com provides and their service flows

Providing a shopping system allowing overseas shoppers to buy Japanese products



Package Forwarding Business

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

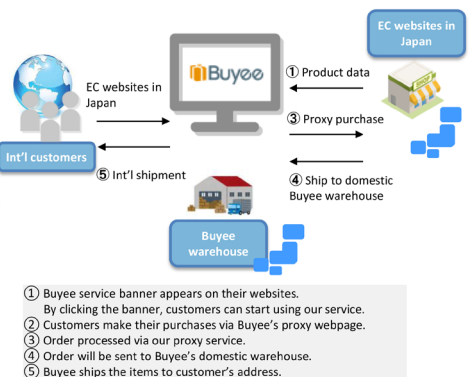


- ① Registration at tenso.com
- ② tenso.com provides proxy address
- ③ Customers shop and send goods to proxy address
- ④ Goods shipped to proxy address (tenso.com warehouse)
- ⑤ tenso.com ships internationally to customer



Agent Purchasing Service

Japanese EC sites are translated to customer's preferred language and displayed on proxy purchasing site. Our service provides smooth and fluent shopping experience for non-Japanese customers.



- ① Buyee service banner appears on their websites. By clicking the banner, customers can start using our service.
- ② Customers make their purchases via Buyee's proxy webpage.
- ③ Order processed via our proxy service.
- ④ Order will be sent to Buyee's domestic warehouse.
- ⑤ Buyee ships the items to customer's address.

Source: BEENOS, Inc.

Comparison of the tenso.com and Buyee.jp Sites

	Package Forwarding Business	Agent Purchasing Service
Start Date	Since Oct, 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 10% of the price as a commission. No commission for each shop
Settlement	Credit card	Credit card
Translation	By the each shop	<ul style="list-style-type: none"> • 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 Agent purchasing model
System Linkage	No need to link any	Product data API (via Yahoo! auction and Yahoo! Shopping)

Source: BEENOS, Inc.

sekaimon is the Japanese language compatible auction site authorized by eBay Inc., the largest auction site in the world. It offers goods listed in 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 of ¥500.



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○Value Cycle Business

Consolidated subsidiary Defactostandard Ltd. buys and sells used designer goods through its own Brandear auction site and through affiliated auction sites. It is the largest online auction trader in Japan. In this business model, the Brandear site purchases used goods through commercial home delivery services and sells these goods through Japanese and overseas Internet auction sites. The company's strategy for increasing the number of purchases is to establish many channels for purchases. Affiliated auction sites for purchases include the Yamada purchase site operated by Yamada Denki Co. (9831), the Yahoo! purchase site operated by Yahoo! Japan (4689), and sites operated by various cooperative associations.

Defactostandard purchases about 6,000 brands of items ranging from designer clothing to designer handbags, precious metals, and cell phones. Having developed its own system for appraising goods quickly and accurately, the company excels at purchasing and appraising.

Defactostandard sells goods through its Brandear site, through affiliated auction sites in Japan, such as Yahoo! Auctions and Rakuten Auction, and through overseas auction sites, such as eBay. All goods are simultaneously offered through all of the auction sites, and the company's system automatically awards the sale to the highest bidder. Yahoo! Auctions is the largest auction site in Japan. In 2014, the number of goods that Defactostandard sold through this site increased by 158% YoY, and Yahoo! Auctions named Defactostandard its "Annual Best Store" for the sixth straight year. Defactostandard is Japan's largest company in terms of e-commerce sales of pre-owned goods.

○Retailing and Licensing Business

The retailing and licensing business produces and licenses goods and offers Internet shopping.

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 these goods through e-commerce sites, the promotion of their sales, and the management of licensing them. It sells official goods at events where licensed popular groups appear and manages their sale through public e-commerce sites. Its sales derive from sales commissions.

Consolidated subsidiary netprice, Ltd. operates the netprice Internet shopping site, which sells distinctive goods, such as 24-hour sale goods, original goods developed with producers, and goods jointly planned and developed with celebrities and other well-known public figures. The netprice Internet shopping site has more than 2.4 million cumulative registered users. Women make up about 70% of the netprice online shopping site membership, and people in their 30's and 40's comprise almost 70% of the membership. In July 2014, the company stopped offering its service through feature phones, for which demand has been declining in Japan, and reorganized its smartphone-based platform.

○Incubation Businesses

The two incubation businesses are investing in and nurturing Internet venture businesses in Japan and overseas, and developing new businesses in-house before they turn profitable.

Subsidiary BEENOS Asia Pte., 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 has invested in companies offering Internet platforms, such as online settlement services and online marketplaces, in Indonesia, India, Turkey, the Philippines, Vietnam, Malaysia, and Africa. To nurture these companies, BEENOS Asia Pte. encourages the exchange of personnel and technologies among them.

BEENOS Partners Inc., based in Japan, invests mainly in US startup companies engaged in Internet businesses, usually 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 realize capital gains on its investments. This company also invests in startup companies engaged in Internet businesses in Japan.

■ Business Trends

Sales and profits increased notably due to strong growth of main businesses

(1) H1 FY9/15 Results

On April 23, 2015, BEENOS announced its consolidated results for H1 FY9/15. As detailed in the table below, sales increased by 38.5% YoY to ¥8,247mn and the company earned an operating profit of ¥747mn, after an operating loss of ¥154mn in H1 FY9/14, a recurring profit of ¥735mn, after a recurring loss of ¥134mn in H1 FY9/14, and a net profit of ¥609mn, after a net loss of ¥118mn a year earlier.

Consolidated Results

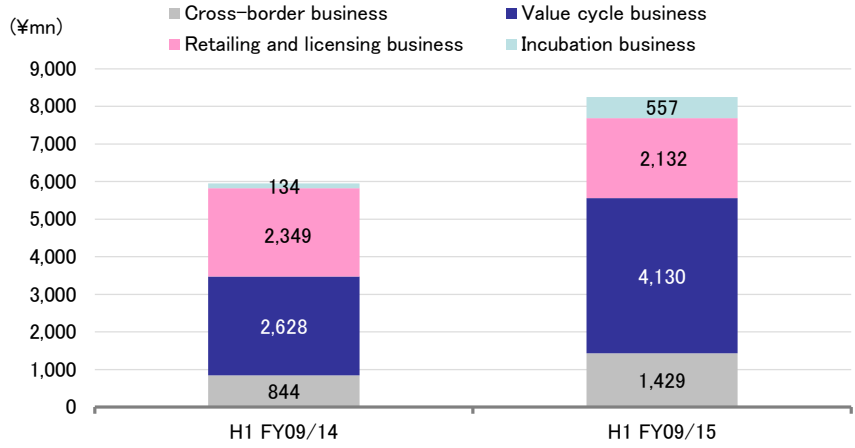
	H1 FY9/14		H1 FY9/15		
	Result	vs. sales	Result	vs. sales	YoY
Transaction value	11,247	-	17,609	-	56.6%
Sales	5,954	-	8,247	-	38.5%
Operating profit	-154	-2.6%	747	9.1%	-
Recurring profit	-134	-2.3%	735	8.9%	-
Net profit	-118	-2.0%	609	7.4%	-

(¥mn)

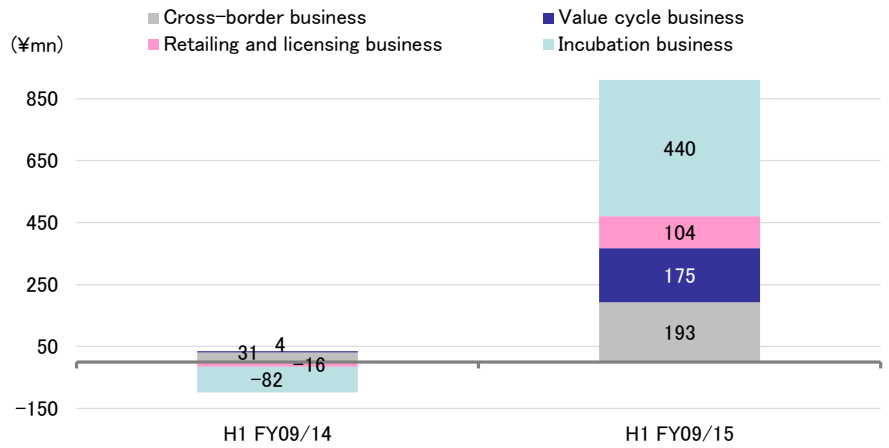
In Q1 FY9/15 (Oct.-Dec. 2014), the investment and nurturing incubation business earned a profit of US\$3.9mn on the sale of shares of an invested company overseas. This sale contributed substantially to the sales and profit growth achieved in H1 FY9/15. However, the e-commerce businesses also increased their aggregate sales by 32.1% YoY to ¥7,690mn in H1 and their aggregate operating profit by 23.6 times YoY to ¥471mn. Sales and profits from proxy purchasing of goods in Japan for overseas customers and forwarding of goods purchased in Japan to overseas customers grew strongly, supported by yen depreciation. Trading in used designer goods prospered, and the Internet shopping business, which had consistently been unprofitable, turned profitable. Thus, the profitability of every business except global shopping improved. The value of transactions undertaken by the e-commerce businesses grew 56.6% YoY to ¥17,609mn, a faster rate of growth than the company had initially projected.

BEENOS recorded a consolidated extraordinary gain of ¥226mn stemming from the allocation of new shares by Defactostandard to ITOCHU Corp. (8001). This allocation was equivalent to 10.8% of Defactostandard's total shares outstanding. BEENOS claimed an extraordinary loss of ¥147mn stemming from asset impairment losses in the global shopping business.

Bar chart title: Sales by Business

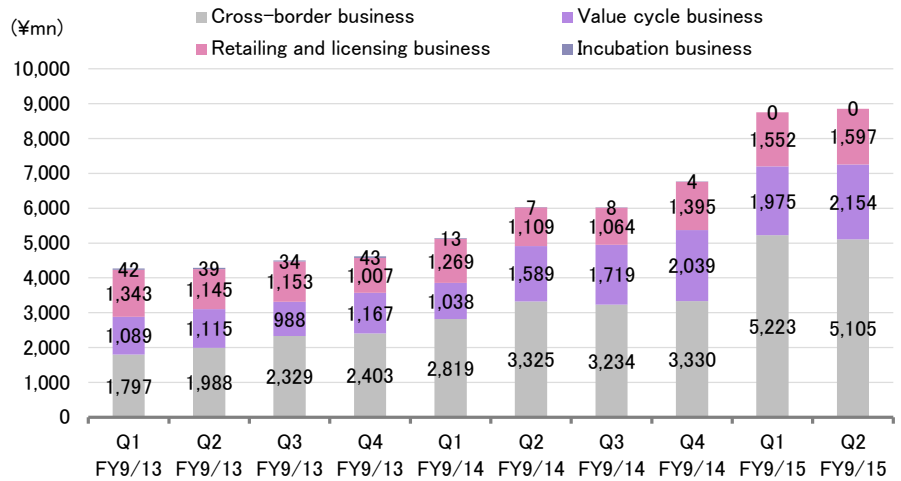


Operating Profit by Business



Note: excluding joint corporate costs

Quarterly Transaction Value by Business



The cross-border and value cycle businesses achieved record-high quarterly sales in Q2 FY9/15

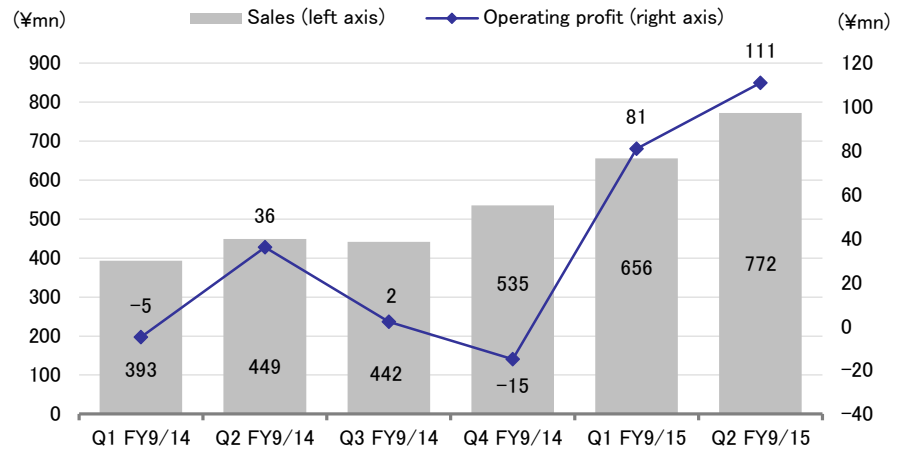
(2) H1 FY9/15 Segment Results

Results by segment are as follows.

○ Cross-border Business

In the cross-border business, sales grew 71.8% YoY to ¥772mn in Q2 FY9/15 (Jan.–Mar. 2015), operating profit increased 202.5% to ¥111mn, and transaction value advanced 53.5% to ¥5,105mn. Compared to Q1 figures, sales rose 17.7% and operating profit climbed 37.1%, both hitting record highs for a quarter.

Sales and Operating Profit in the Cross-Border Business



Q2 growth was led by the businesses of proxy purchasing goods in Japan for overseas customers and forwarding goods purchased in Japan to overseas customers. Supported by yen depreciation, the transaction value of these businesses more than doubled YoY for customers in China and other East Asian countries, and their total transaction value increased 90.8% YoY to just over ¥4bn in Q2. This growth was reinforced by service improvements implemented in January 2015. tenso, inc. lowered its fees for these services and diversified its delivery services to include regular airmail, the Japan Post’s Surface Air Lifted (SAL) economy airmail service, and surface mail, as well as the Japan Post’s Express Mail Service (EMS). Furthermore, the number of registrants for the tenso.com service increased to 550,000 at the end of March 2015 from 470,000 at the end of December 2014.

Results of the business of proxy purchasing goods in Japan and overseas forwarding of goods

The Number of Subscribed Customers

-FROM JAPAN-

◆ The subscribed members are increasing especially in Southeast Asian countries



Source: BEENOS, Inc.

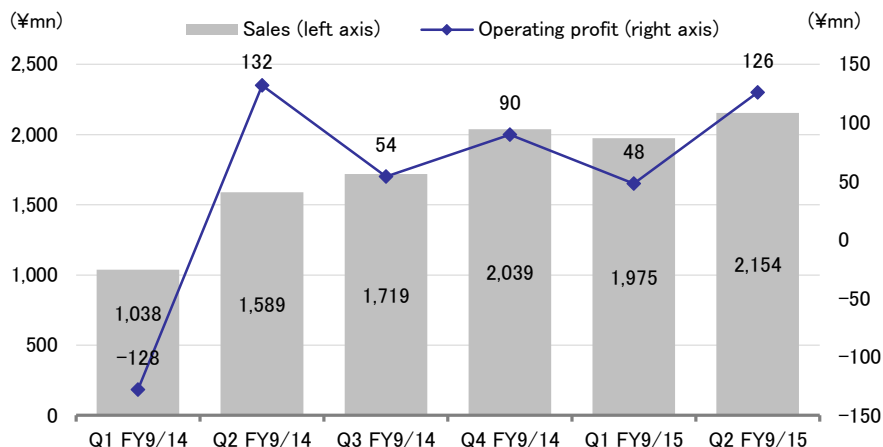
tenso, inc.'s transaction value declined by 1.5% quarter-on-quarter (QoQ) in Q2 FY9/15 because it handled a large number of high-priced electrical appliances in Q1. However, the number of goods it handled increased by 17.9% QoQ in Q2, supporting double-digit QoQ growth of sales and operating profit.

Meanwhile, the global shopping business (from overseas to Japan) saw its business decline in Q2 FY9/15, due mainly to yen depreciation. Its transaction value fell 12.4% YoY in Q2 to ¥1,050mn. Compared with Q1, its transaction value decreased 4.9%, its sales dropped 4.8%, and its operating loss remained basically unchanged.

Value Cycle Business

In Q2 FY9/15, sales in the value cycle business grew 35.5% YoY to ¥2,154mn while operating profit declined 4.4% YoY to ¥126mn. Purchases and sales increased YoY, reflecting an increase in public recognition of the business due to effective advertising through TV commercials. Sales reached a record high for a quarter in Q2.

Sales and Operating Profit in the Value Cycle Business





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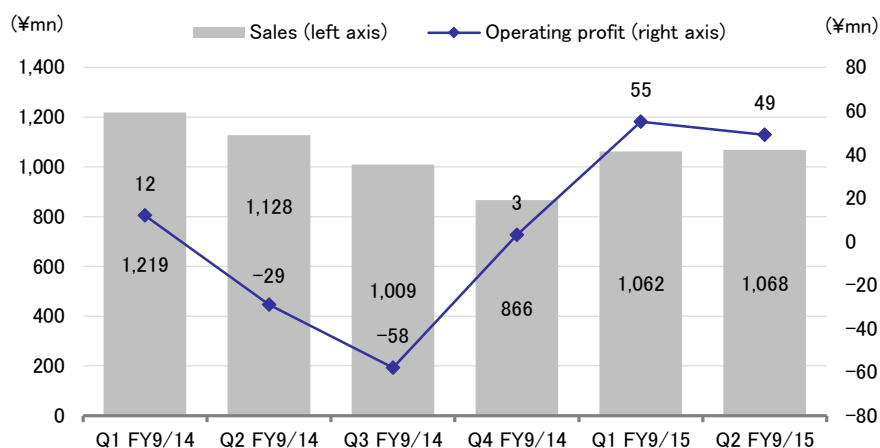
○Retailing and Licensing Business

In the retailing and licensing business, sales decreased 5.3% YoY in Q2 FY9/15 to ¥1,068mn, but the business earned an operating profit of ¥49mn, reversing an operating loss of ¥29mn in Q2 FY9/14. Compared with Q1, sales rose 0.5% but operating profit fell 11.6%.

In the goods producing and licensing business, sales and operating profit increased YoY in Q2 FY9/15. Sales of goods advanced, reflecting sales through two public e-commerce sites operated by the business for five groups of popular entertainers. The business also expanded the number of types of goods handled, which contributed to growth.

Sales in the Internet retailing business fell YoY in Q2 FY9/15 because the company stopped sales through feature phones in June 2014 (sales through feature phones accounted for about 16% of total sales in FY9/13). However, this business reported an operating profit in Q2 for two consecutive quarters, showing improved profitability. By concentrating its system platform on smartphones, the business has cut costs, and by strengthening its sales of original goods, it has improved its gross profit margin. Compared with Q1, sales and operating profit were basically unchanged in Q2.

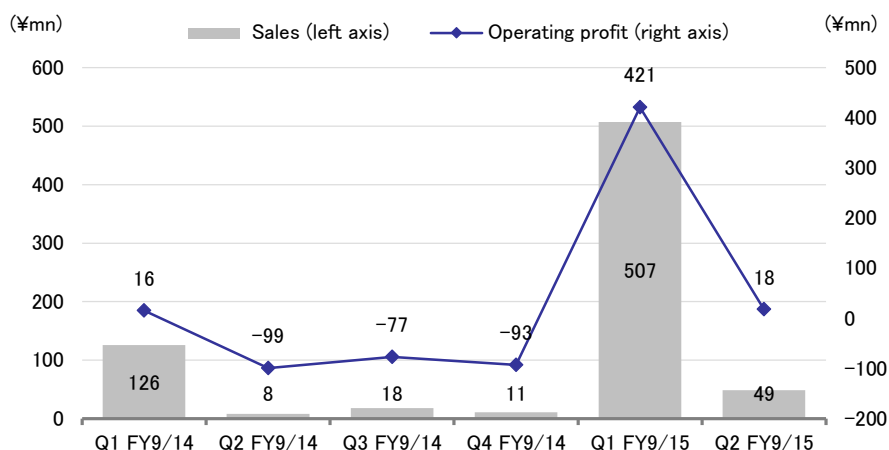
Sales and Operating Profit in the Retailing and Licensing Business



○Incubation Businesses

In Q2 FY9/15, the incubation businesses reported sales of ¥49mn and operating profit of ¥18mn. Both figures were lower than corresponding results in Q1 because the investment and nurturing business increased its sales and profit dramatically by selling shares of Tokopedia in Q1, whereas in Q2, it sold only a few shares in Japanese venture companies.

Sales and Operating Profit



At the end of March 2015, BEENOS' s operational investment in securities amounted to ¥1,711mn, which was ¥54mn more than its investment at the end of December 2014. As detailed in the table below, BEENOS has invested in four companies since October 2014. In Q2 FY9/15, it invested in Paynamic Technologies, of the Philippines, which offers an online settlement service. Companies invested in earlier, such as Tokopedia and ShopClues, continue to grow strongly, and their enterprise values are probably several times what they were when the investments were initially made.

Main Companies Invested In by the Incubation Business

Ownership ratio	Company	Headquarters location	Business
10% or more	akakce.com	Turkey	Price comparison service
	Nearex	African nations	Mobile money
	Paynamic Technologies	Philippines	Online settlement service
	Duriana Internet	Malaysia	Operates the Duriana flea market application in Malaysia and the Philippines
5~10%	Tokopedia	Indonesia	Operates the tokopedia C-to-C online marketplace
	Midtrans	Indonesia	Online settlement service
	CaSy	Japan	Cloud-based agency service for handling household chores
	Fabric	Japan	Operates the Friil flea market application
	Live Styles	Japan	Operates the tixee application program for selling tickets via smartphone
	Quan	Japan	Plans and develops Web and application services for mobile equipment
1~5%	Clues Network	India	Operates the ShopClues B-to-C online marketplace
	Citrus Payment Solutions	India	Online settlement service
	Big Foot Retail Solutinos	India	Operates the KARTROCKET service for opening online stores
	iyzi Payments	Turkey	Online settlement service
	Sendo Technology	Vietnam	Operates the Sendo online marketplace
	Ayannah	Philippines	Online settlement service
	Increments	Japan	Operates the Qiita service for exchanging technical information among software programmers
Giftee	Japan	Operates the giftee social gift service	
less than 1%	Maplebear	U.S.A.	Operates the instacart online service for delivering food and daily necessities
	Kamcord	U.S.A.	Operates a cooperative video platform for games to play on mobile devices

Note: Investments highlighted were made since October 2014, although the initial investment in Duriana Internet was in April 2014.

Forecasts have been raised again

(3) Company Forecasts for FY9/15

For FY9/15, the company forecasts consolidated sales of ¥17.4bn, up 38.1% YoY; an operating profit of ¥800mn; a ordinary profit of ¥770mn; and a net profit of ¥550mn. These forecasts are higher than the company's first upgraded projections released in February.

The company raised its forecasts again because in April its incubation business sold shares in an invested company overseas for US\$3.7mn (about ¥431mn), earning a profit of US\$3.4mn (about ¥396mn). Despite the latest upward revision of forecasts, the company foresees smaller profits in H2 than in H1, as detailed in the table below. There are several reasons for this projection. Most notably, the company plans to spend at least ¥400mn more on sales promotions in H2 than it did in H1 in order to maintain its dominance of Japan's cross-border and value cycle industries. It also plans to spend ¥60mn more than originally planned to make new in-house businesses operational, and it will allocate about ¥80mn to a reserve for the revaluation of some investments in other companies.

Company's Revised Forecasts for FY9/15

	H1 FY9/15		H2 FY9/15E		FY9/15E		
	Result	vs. sales	Forecast	vs. sales	Previous E	New E	H1 result/ New E
Transaction value	17,609	–	18,391	–	35,000	36,000	48.9%
Sales	8,247	–	9,153	–	17,000	17,400	47.4%
Operating profit	747	9.1%	53	0.6%	600	800	93.8%
Recurring profit	735	8.9%	35	0.4%	570	770	95.5%
Net profit	609	7.4%	–59	–0.6%	470	550	110.7%

Note: Previous estimates were released on February 13, 2015. New estimates were announced on April 16, 2015.

As mentioned earlier, the three e-commerce businesses have been growing faster than the company had foreseen, and the company now expects these businesses to transact ¥36bn of transactions in FY9/15, which is ¥1bn more than its original projection. Thus, these businesses are likely to continue to expand rapidly in H2 FY9/15. Moreover, the increase in costs to promote these businesses will be limited to the current fiscal year. These costs will decline in future years, contributing to faster profit growth. The company's FY9/15 projections for its businesses are detailed below.

○Cross-border Business

The company projects that the transaction value of its cross-border business grows 65% YoY to ¥21bn and sales by this business advance 76% YoY to ¥3.2bn in FY9/15. The transaction value and sales by the proxy purchasing and goods forwarding operations are seen at least doubling, preserving the company's large lead in the Japanese industry. In H2, the company plans to further diversify its avenues for overseas forwarding goods purchased in Japan. It also intends to start a service enabling payment in different currencies. These service upgrades are expected to increase the rate of growth of transaction value.

In March 2015, BEENOS started a new service in conjunction with the established discount store company Takeya to obtain more e-commerce business from foreign visitors to Japan, whose numbers have been growing yearly. The Buyee.jp site has set up a Takeya Store page. When foreigners visit a Takeya store, they receive a flyer that instructs them how to use the Takeya Store page to encourage them to purchase goods after returning to their home countries. About 430,000 foreigners visit Takeya stores each year. Since this figure is as high as those who register with tenso.com, they are expected to contribute to an increase in transaction value hereafter.

Also in March, the company simplified the sekaimon global shopping site to attract more casual users. On this site, prices used to be displayed in US dollars and in yen. Now, they appear only in yen. Costs used to be broken down in detail, showing service fees, forwarding costs, insurance costs, etc. Now, only the cost of the good and the forwarding cost are shown. In H2, the company will enhance its promotion of the sekaimon site, and it is internalizing its warehousing operations in the US for global shopping, thereby improving service and lowering costs. Through these efforts, the company aims to turn its global shopping business profitable.

○Value Cycle Business

BEENOS management projects a 41% YoY rise in sales to ¥9bn for its value cycle business in FY9/15. In H2, it plans to spend a significant amount on TV commercials to promote this business and to increase its purchases of pre-owned designer goods, including high-priced goods. Regarding the overseas sales channels in the latter part of April, it started selling a large quantity of goods through eBay's global auction site. It had been selling some goods through this site, but this process had been too labor intensive to allow meaningful sales. Now, the process has been automated and the company can sell about 10 times the number of items it used to through eBay's global auction site. Yen depreciation has lowered the cost of Japanese goods when paid for in other currencies. The company aims to capture growing foreign demand for pre-owned brand goods in Japan. Greater overseas sales are expected to reduce the seasonality of the business and increase its rate of profit growth.

In February 2015, Defactostandard, the subsidiary that operates the value cycle business, concluded an equity and business agreement with ITOCHU Corp. The subsidiary hopes to use ITOCHU Corp.'s global network to increase the number of companies overseas through which to sell its goods. It also aims to use ITOCHU Corp.'s business platforms and know-how to develop new businesses.

○Retailing and Licensing Business

In the retailing and licensing business, the company forecasts a 24% YoY rise in transaction value to ¥6bn but a slight YoY decline in sales to ¥4.2bn for FY9/15. It foresees a YoY drop in sales by the shopping business, due to the cessation of sales through feature phones. However, it expects this business to remain profitable. In the goods production and licensing business, sales of goods licensed from popular artists continue to grow briskly, and the business plans to improve its development of goods based on the popular ECONECO illustrations, for which it holds the master license, and to promote overseas sales.

○Incubation Businesses

The investment and nurturing business does not plan to sell more shares of its overseas investments than it has already announced. Therefore, the company forecasts sales of ¥1bn and operating profit of ¥570mn for its incubation businesses in FY9/15.

■ Growth Strategy and Shareholder Return Policy

Aims for transaction value of ¥50bn in FY9/16

(1) Growth Strategy

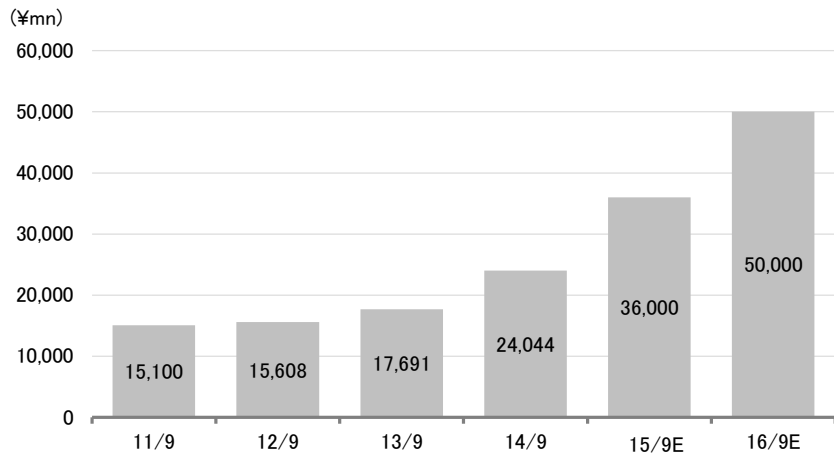
BEENOS plans to promote the continued rapid growth of its e-commerce businesses, centering on its cross-border and value cycle businesses. It targets a transaction value of ¥50bn for FY9/16, up from ¥36bn forecast for FY9/15.



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Transaction Value



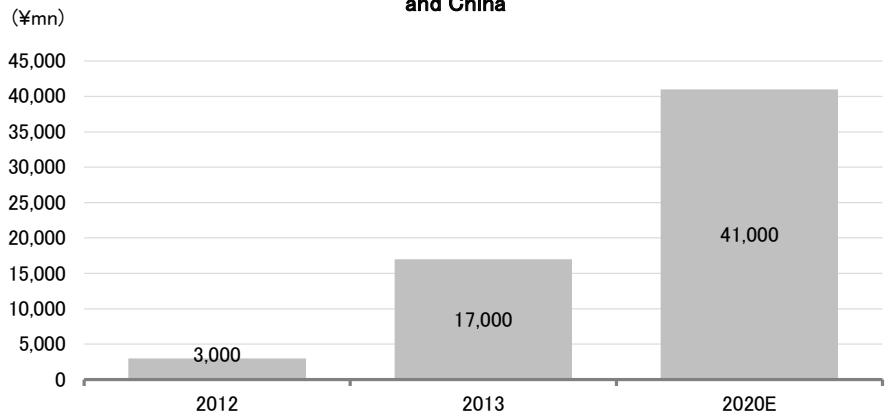
Note: Forecast for FY9/16 is by Fisco Inc.

○Cross-border Business

The number of foreign visitors to Japan has increased as the yen has depreciated. This has benefited tenso, inc., which proxy purchases goods in Japan for residents of other countries and forwards goods purchased in Japan to such residents. Japan’s Ministry of Economy, Trade and Industry estimates the value of cross-border e-commerce between Japan, the US, and China at ¥1.7 trillion in the fiscal year through March 2014, up from an estimated ¥300bn in the previous fiscal year, and projects that this value grows to ¥4.1 trillion in the fiscal year through March 2021. This forecast indicates high growth potential for BEENOS because it dominates Japan’s industry for proxy purchasing goods for residents of other countries and forwarding goods purchased in Japan to such residents.

Although competitors exist, BEENOS is ahead of them by offering far superior services. It has concluded business agreements with more than 550 e-commerce sites in Japan, built a broad purchasing and sales network, offers diverse channels for forwarding goods overseas, charges low fees, transacts business in several languages, and has established support facilities overseas. Thus, it is likely to remain Japan’s top provider of cross-border services, to lead the growth of the market for these services, and to expand its sales and profits.

Market for Cross-border e-commerce Between Japan, the US, and China



Source: Ministry of Economy, Trade and Industry, *Basic Infrastructure in Japan for Promoting the Use of Information and the Growth of Services in Fiscal 2013*



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○Value Cycle Business

Komehyo Co., Ltd. (2780) is Japan's leading trader of pre-owned designer goods through physical stores with sales of ¥37.3bn in FY3/15. This figure is the immediate sales goal for BEENOS's value cycle business.

The acquisition of goods for sale is the most important step in expanding the business of trading pre-owned goods. Therefore, BEENOS plans to increase its sources of these goods by concluding more ties with other businesses. It will also continue to raise the public awareness of its service through TV commercials.

The company should be able to exploit overseas demand for pre-owned brand goods in Japan, thereby accelerating its sales growth. Even if the company does not spend heavily on advertising and promoting sales in this business, the business should generate an operating profit margin of about 10%, enabling it to lead the company's profit growth over the medium term.

○Incubation Businesses

Since 2012, the investment and nurturing business has invested aggressively in venture firms engaged in Internet businesses in Asian countries, which have the potential to grow as fast as China has in recent decades. Most of the companies invested in are engaged in services related to Internet marketplaces and online settlement services. The business has completed most of the investments planned in main target countries and will now concentrate on nurturing the invested companies. It will encourage the periodic exchange of personnel and information among the invested companies and otherwise support their growth.

There are two purposes of these investments, earning capital gains and developing synergy between the invested companies and BEENOS's e-commerce businesses. The attainment of these goals depends on the economic growth of the invested countries and the pace of diffusion of Internet services in them. Assuming that the invested countries grow comparably to China's growth in recent decades, the e-commerce markets in these countries are likely to expand strongly in the medium term, and the synergy between the invested companies and BEENOS should accelerate the growth of BEENOS.

Plans to pay a dividend when profits allow while taking into consideration sales growth and need for funds

(2) Shareholder Return Policy

BEENOS has not paid a dividend yet because it has concentrated on business investment and building financial strength. However, management is amenable to paying a dividend if the company's profits reach a level where the company can function effectively and still pay a dividend. In determining the company's ability to function effectively, management would consider such factors as sales growth, the company's operating environment, and its need for funds. Dividends for FY9/15 have not been decided at this stage.

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