

BEENOS Inc.
3328 TSE Mothers

19-Nov.-15

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato

■ Achieved record results in FY9/15 and paid a dividend for the first time since its foundation

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 pre-owned brand 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 against the backdrop of the perception that Japanese products are inexpensive due to the depreciation of the yen.

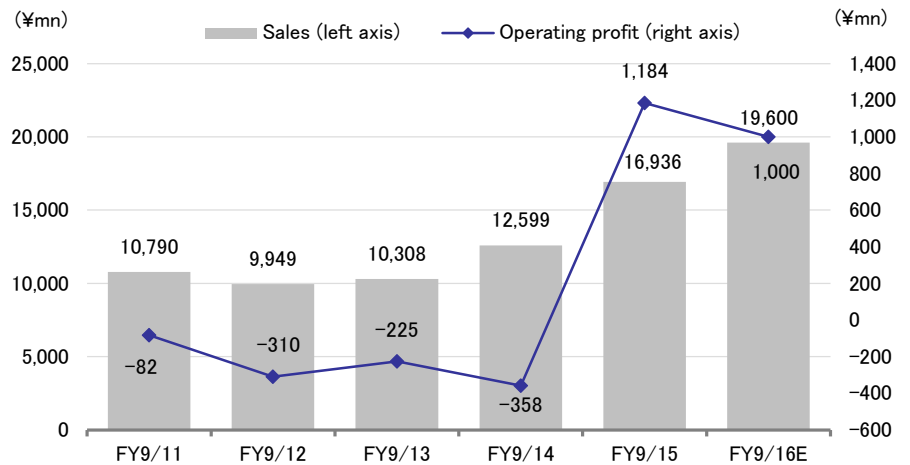
In its consolidated results for FY9/15 announced on October 29, the Company achieved major increases in sales and profits, with sales rising 34.4% YoY to ¥16,936mn and operating profit of ¥1,184mn (compared to an operating loss of ¥358mn in the previous fiscal year), which meant it achieved record-high results for the first time since FY9/04. The e-commerce businesses achieved rapid growth, particularly the proxy purchasing and forwarding business, while in addition in the incubation businesses the recording of gains on the sale of operational investment securities resulted in a major increase in profits. Based on the solidification of its financial base from the expansion of profits, the Company paid a dividend (¥13.0 per share) for the first time since its foundation.

The forecasts for FY9/16 are for an increase in sales but a decrease in profits, with sales expected to rise 15.7% YoY to ¥19,600mn, but operating profit to fall 15.6% to ¥1,000mn. The reasons for this conservative-looking forecast is that while the e-commerce businesses are expected to once again record increases in sales and profits, operating profit in the incubation businesses is forecast to decline from ¥744mn in the previous fiscal year to ¥500mn. But that said, the main e-commerce businesses can be expected to continue to achieve high growth in the future, particularly the cross-border business and the value cycle business, and we at FISCO consider its results to have entered a medium-term growth phase. In the incubation businesses also, a positive factor is that the corporate values of the companies it has invested in (hereafter, "investee companies") have been steadily expanding and will contribute to earnings in the future.

■ Check Point

- Achieved record results in FY9/15 with major increases in sales and profits, mainly from the rapid growth of the e-commerce businesses
- Solidified its financial base by enhancing shareholders' equity, while profitability indicators also significantly improved
- Decided to pay a dividend of ¥13, the first since its foundation, while a ¥10 dividend is also forecast for FY9/16

Consolidated Sales and Operating Profit



■ Description of Businesses

The features of the main e-commerce businesses include forwarding goods to residents of other countries, purchases of pre-owned brand goods, and licensed goods

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 (as a proxy business to help customers purchase goods in Japan and to forward goods to residents of other countries, and a global Internet shopping site business), the value cycle business (trading of pre-owned brand goods over 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.

○Cross-Border Business

The cross-border business is conducted by two consolidated subsidiaries, tenso, inc. and Shop Airlines, Ltd. tenso, inc. serves as a proxy for the purchasing and forwarding of 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 from commissions based on the value of the transaction.

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 Japan Post's Express Mail Service (EMS), regular airmail, 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 purchasing and bidding for goods auctioned in Japan. Customers using the Buyee.jp site can pay for their purchases using not only credit cards, but also other 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.

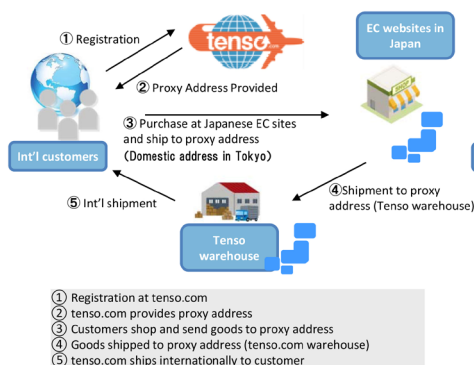
tenso, inc. forwards goods to 84 countries, provides customer support in five languages, has business partnership agreements with more than 800 e-commerce sites in Japan, and is the top forwarder of goods from Japan to other countries in terms of the number of goods handled.

Two services tenso.com provides and their service flows

Providing a shopping system allowing overseas shoppers to buy Japanese products

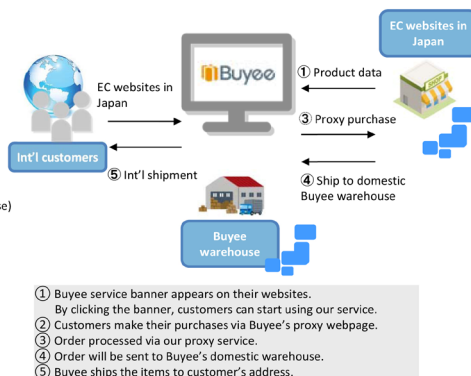
Package Forwarding Business

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



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.



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	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 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.

○Value Cycle Business

Consolidated subsidiary Defactostandard Ltd. buys and sells pre-owned brand 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 pre-owned 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.

The 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 and operates their official 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 2.2 million cumulative registered users. Women make up about 78% of the netprice online shopping site membership, and people in their 30's and 40's comprise just over 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.

The incubation businesses are investing in and nurturing businesses in newly developing companies and developing new businesses in-house before they turn profitable.

○ **Incubation Businesses**

There are two incubation businesses; 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, for example, online settlement services and online marketplaces in India, Indonesia, 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 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 realize capital gains on its investments. This company also invests in start-up companies engaged in Internet businesses in Japan.

■ Business Trends

Achieved record results in FY9/15 with major increases in sales and profits, mainly from the rapid growth of the e-commerce businesses

(1) FY9/15 results summary

In its consolidated results for FY9/15 announced on October 29, the Company achieved major increases in sales and profits, with sales rising 34.4% YoY to ¥16,936mn operating profit of ¥1,184mn (compared to an operating loss of ¥358mn in the previous fiscal year), recurring profit of ¥1,148mn (a recurring loss of ¥367mn) and net profit of ¥898mn (a net loss of ¥450mn). This meant it achieved a record-high for sales for the first time in eight fiscal years and a record high on a profit basis for the first time in 11 fiscal years.

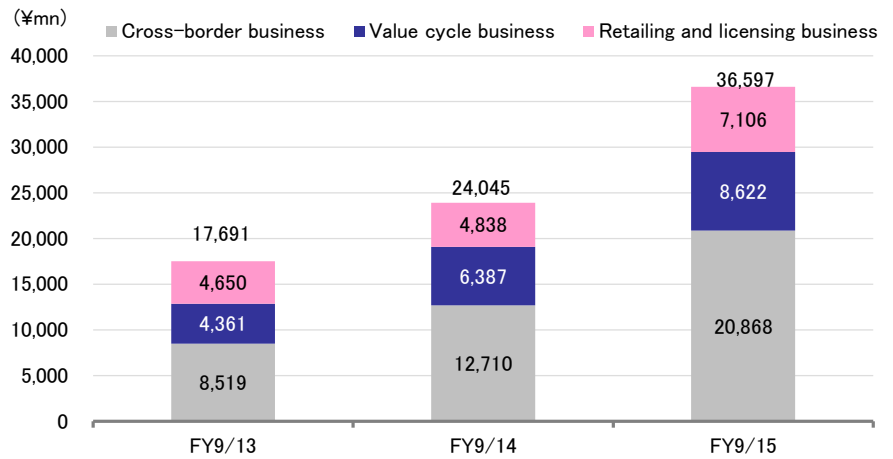
The expansion of inbound consumption following the depreciation of the yen, which made Japanese products inexpensive in real terms, and the growth in the market for pre-owned brand goods sold over the Internet contributed to the rapid growth of the e-commerce businesses, with sales increasing 27.9% YoY to ¥15,896mn and operating profit rising 702.3% to ¥770mn. In addition, in the incubation businesses operating profit also contributed to results, rising greatly to ¥744mn (compared to a loss of ¥253mn in the previous fiscal year) following the sale of some of the securities held in investee companies. 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.

Compared to the Company's April targets, sales were slightly below target in the e-commerce businesses, but above target on a profits basis, as costs anticipated in 2H, including promotions costs and new business start-up costs, were lower than expected. The value of transactions grew significantly, by 52.2% YoY to ¥36,597mn, and it can be said that the e-commerce businesses, for which the seeds were sown in the last few years, have entered a full-fledged growth phase.

Consolidated Results

	FY9/14		FY9/15					
	Result	vs. sales	Company targets (April 16)	Revised forecasts (September 14)	Result	vs. sales	YoY	Compared to April targets
Transaction value	24,045	-	36,000	-	36,597	-	52.2%	1.7%
Sales	12,599	-	17,400	17,000	16,936	-	34.4%	-2.7%
e-commerce	12,432	98.7%	16,400	-	15,895	93.9%	27.9%	-3.1%
Incubation	167	1.3%	1,000	-	1,040	6.1%	514.7%	4.0%
Operating profit	-358	-2.8%	800	1,060	1,184	7.0%	-	48.1%
e-commerce	96	0.8%	510	-	770	4.8%	702.3%	51.1%
Incubation	-253	-150.0%	570	-	744	71.5%	-	30.5%
Joint costs	-200	-	-280	-	-329	-	-	-
Recurring profit	-367	-2.9%	770	1,040	1,148	-2.9%	-	49.2%
Net profit	-450	-3.5%	550	870	898	-3.5%	-	63.3%

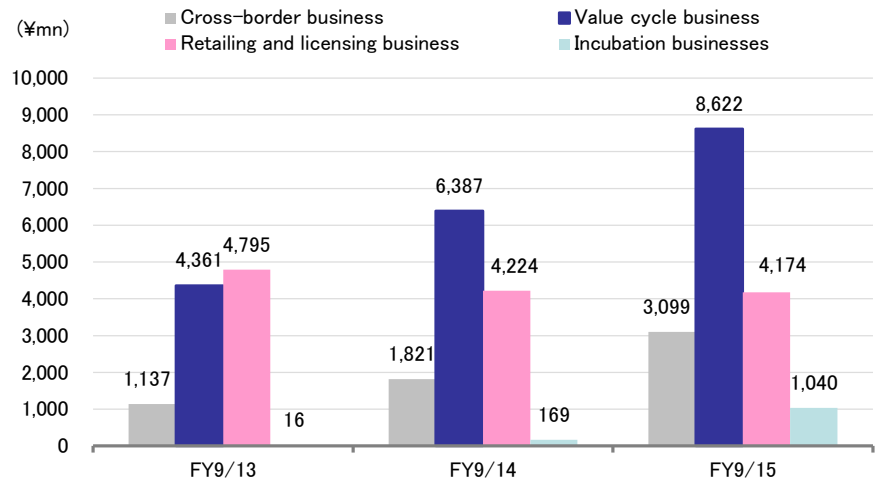
Transaction Value by Business



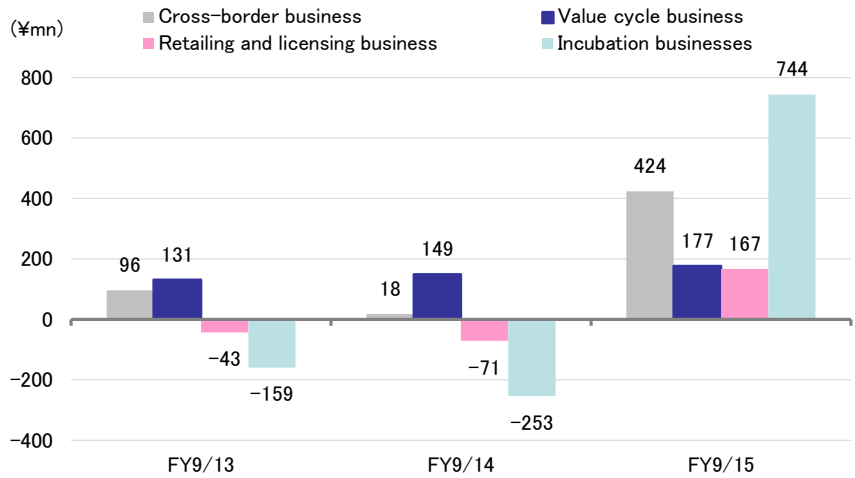
The cross-border business is benefiting from inbound consumption due to the depreciation of the yen

(2) FY9/15 Segment Results

Sales by Segment



Operating Profit by Segment



○Cross-border Business

The Company achieved rapid growth in its cross-border business results, with the perception that Japanese goods are inexpensive due to the depreciation of the yen benefiting the proxy purchasing and forwarding business. The value of transactions rose 64.2% YoY to ¥20,868mn, sales increased 70.2% to ¥3,099mn, and operating profit grew rapidly, from ¥18mn in the previous fiscal year to ¥424mn.

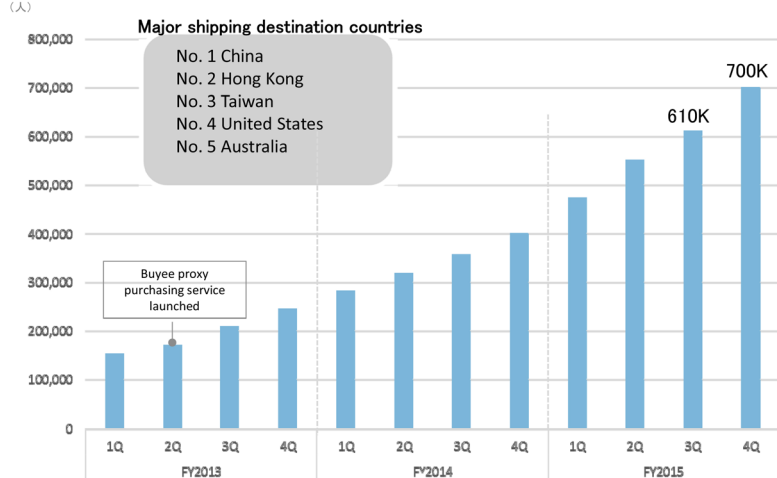
Within these amounts, the value of transactions for the proxy purchasing and forwarding business increased 107.3% YoY to ¥16.8 billion. This business benefited not only from the market environment of the expansion of consumption due to the depreciation of the yen, but an additional factor increasing the value of transactions was the Company's efforts to improve convenience for users, including providing a detailed statement on commissions and supplementing shipment methods. As a result, member numbers rapidly increased by 1.7 times, from 400,000 members at the end of the previous fiscal year to 700,000 members.

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

The Number of Subscribed Customers

~FROM JAPAN~

◆The subscribed members are increasing especially in Southeast Asian countries



Source: BEENOS, Inc.

The number of business partnership agreements with e-commerce sites in Japan has steadily increased from 500 at the end of the fiscal year under review to more than 800 at the end of the current fiscal year. In terms of the number of shipments according to country, the most are to China, followed by Hong Kong, Taiwan, the United States, and Australia, in that order.



BEENOS Inc.
3328 TSE Mothers

19-Nov.-15

With regards to the issues in Q4, in September in Taiwan, a service to receive and collect goods at convenience stores was launched in partnership with Taiwan FamilyMart, the first such service by a Japanese company. The reaction to the service has been tremendous and after three days from its launch, 40,000 people had registered as members, and the number of shipments to Taiwan is expected to increase in the future. In FY9/16, the Company is aiming to double the number of shipments to Taiwan compared to the previous fiscal year.

Conversely, the global shopping business was impacted by the depreciation of the yen, with the value of transactions declining 11.8% YoY to ¥4.0 billion, and a slight loss being recorded on an operating profit basis. By improving the convenience of the “sekaimon” website, the Company is working to capture more light users and maintain the value of transactions. The issues for Q4 include moving in-house the warehouse operations in the United States that have been outsourced up to now, and advancing initiatives toward increasing the number of users, such as establishing a system able to provide highly precise services. It is considered that moving operations in-house will result in costs reductions that will contribute to improved profits from 2016 onwards.

Focused on promotions such as TV commercials in the value cycle business and achieved record highs for the number of purchases and sales

○The Value Cycle Business

In the value cycle business, sales increased 35.0% YoY to ¥8,622mn and operating profit rose 19.0% to ¥177mn. Due to the increase in promotion costs in this period, including due to the active investment in TV commercials, the operating profit rate declined slightly. But the numbers of purchases and sales both achieved record highs following the increased name recognition of the business among consumers, while the progress made in the strategy to expand share can also be said to have contributed to the improved results.

In terms of the initiatives in FY9/15, in late April the Company began the full-fledged listing of items on eBay, the global auction site, as an overseas sales channel. While the number of winning auction transactions is still small, consumers overseas are becoming more aware of the high quality of pre-owned brand goods in Japan, and improved profitability can be expected in the future from the higher prices of the winning auction transactions.

Also, in conjunction with the increase in the number of purchases in Q3, the Company relocated and increased the size of its offices and warehouses (to 4,000 tsubo, 1.6 times the previous area). In addition, in August it launched a service linked to KDDI points. This has the merit of improving convenience for the users, enabling them to newly receive a payment following the sale of pre-owned goods not just as cash, but also from the “auWALLET prepaid card.” In such ways, going forward the Company plans to actively partner with companies that issue membership points.

Retailing and licensing business achieved profitability for the first time in five fiscal years

○Retailing and Licensing Business

In the retailing and licensing business, sales declined slightly, down 1.2% YoY to ¥4,174mn, but operating profit was ¥167mn (compared to a loss of ¥71mn in the previous fiscal year), and the business returned to profitability. Within these amounts, sales declined in the Internet shopping business due to the end of the service for feature phones in June 2014, but on a profits basis, it achieved profitability for the first time in five fiscal years. The main reason for this was that the gross profit margin rose by two percentage points from the reduction in fixed costs through narrowing down the platforms, and also from the rise in the percentage of sales provided by original goods.

In the goods production and licensing business, sales from the management of official EC sites of popular artists (five groups in total, deployed on two sites) and of related goods at concert venues were strong, while the number of genres handles also grew, and sales and profits increased.

Major increase in profits in the incubation businesses following the sale of shares of investee companies

○Incubation Businesses

In the incubation businesses, sales increased 514.7% YoY to ¥1,040mn and operating profit was ¥744mn (compared to a loss of ¥253mn in the previous fiscal year), for a major increase in profits. The reason for this major increase was the partial sale of the shares held in several investee companies, including Tokopedia, Indonesia's largest online marketplace. In the development of new businesses in-house before they turn profitable, as there were no business start-ups, costs were below the amount initially expected, which was also a reason why profits exceeded the target.

Operational investment securities at the end of September were ¥1,663mn, an increase of ¥100mn from the end of the previous fiscal year. The investee companies in this fiscal year are as shown in the table. They include KARTROCKET (an online store opening service) and Buyhatke (a price comparison site) in India, Sendo (an online marketplace) in Vietnam, Paynatics (an online settlement service) in the Philippines, and Duriana, which is developing services in Malaysia and the Philippines (a flea market app; this was the second investment). The majority of the businesses that the Company has invested-in up to the present time are achieving steady growth alongside the expansion of the EC market, and it is also considered that their respective corporate values have swelled to several times the values when the Company made the investments.

In addition, the Company newly announced in September 2015 that it was investing \$5 million in the "BEENEXT No. 1 Fund (total \$60 million)," which is the partnership fund of BEENEXT (Singapore) that supports early-stage venture companies around the world. BEENEXT was launched by Company founder Teruhide Sato and its investment targets are not just in the Internet area, but also include early-stage venture companies around the world in cutting-edge fields like mobile communications and robotics. The Company is collecting information on overseas venture companies and similar companies while reducing business risk through investment diversification, and it is thought to be aiming to utilize this information in-house to build a network of new business start-ups and investee companies.

Main Companies Invested In by the Incubation Businesses

Company	Headquarters location	Business
akakce.com	Turkey	Price comparison service
Paynatics Technologies	Philippines	Online settlement service
Duriana Internet	Malaysia	Operates the Duriana flea market application in Malaysia and the Philippines
Tokopedia	Indonesia	Operates the tokopedia C-to-C online marketplace
Midtrans	Indonesia	Online settlement service
Buyhatke	India	Price comparison service
Droom	India	Management of droom, an online market place for buying and selling vehicles
Nearex	African nations	Mobile money
CaSy	Japan	Cloud-based agency service for handling household chores
Fablic	Japan	Operates the Fril flea market application
Quan	Japan	Plans and develops Web and application services for mobile equipment
Clues Network	India	Operates the ShopClues B-to-C online marketplace
Citrus Payment Solutions	India	Online settlement service
Big Foot Retail Solutions	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

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

■ Forecast is for increased sales but decreased profits in FY9/16, while the outlook for the incubation businesses is conservative

(3) Company Forecast for FY9/16

The Company forecast for its FY9/16 consolidated results is for an increase in sales but a decrease in profits, with sales expected to rise 15.7% YoY to ¥19,600mn, operating profit to decline 15.6% to ¥1,000mn, recurring profit to fall 17.3% to ¥950mn, and net income to decrease 27.6% to ¥650mn. In addition, the outlook is for the value of transactions to maintain its double-digit growth and increase 17.5% to ¥43,000mn, and in the e-commerce businesses, for sales to rise 18.3% and operating profit to climb 13.0% for increases in both sales and profits. One factor behind the forecast decrease in profits is that operating profit in the incubation businesses is expected to fall 32.8%. However, as the situation in the incubation businesses is fluid, such as from the timing of the sales of shares held in investee companies and share-price trends, it is possible that the above forecast will be exceeded, depending on circumstances. The forecasts for the individual business segments are as follows.

FY9/16 consolidated results outlook

	FY9/15		FY9/16		
	Result	vs. sales	Forecast	vs. sales	YoY
Transaction value	36,597	-	43,000	-	17.5%
Sales	16,936	-	19,600	-	15.7%
e-commerce	15,895	93.9%	18,800	95.9%	18.3%
Incubation	1,040	6.1%	800	4.1%	-23.1%
Operating profit	1,184	7.0%	1,000	5.1%	-15.6%
e-commerce	770	4.8%	870	4.6%	13.0%
Incubation	744	71.5%	500	62.5%	-32.8%
Joint costs	-329	-	-370	-	-
Recurring profit	1,148	-2.9%	950	4.8%	-17.3%
Net profit	898	-3.5%	650	3.3%	-27.6%

Double-digit increases in sales and profits expected to continue in the cross-border business

○ Cross-border Business

In the cross-border business, the forecast is for the value of transactions to increase 24.6% YoY to ¥26,000mn and for sales to rise 22.6% to ¥3,800mn, meaning it will continue to achieve double-digit growth. However, operating profit is expected to be basically unchanged from the previous fiscal year, due to increased promotions costs and other costs following the active strategic investment.

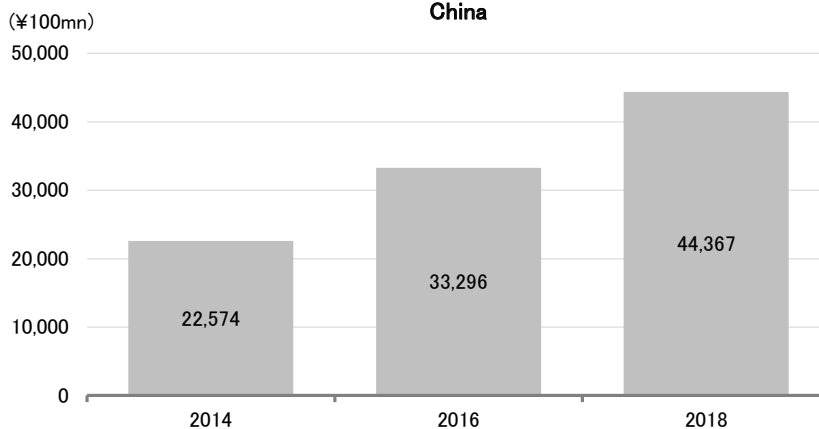
In the proxy purchasing and forwarding business, sales are forecast to again grow by double digits. This is because the increase in the purchase amount via EC sites is expected to be maintained in conjunction with the continued rise in the number of foreign visitors to Japan. The B-to-C cross-border EC market (the combined market for Japan, United States, and China) is forecast to grow by an annual 18.4%, rising from a value of ¥2.2 trillion in 2014 to ¥4.4 trillion in 2018, and a high growth rate is expected in the medium term.



BEENOS Inc.
3328 TSE Mothers

19-Nov.-15

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 2014

Within the expected market expansion, in China, which today has become the largest consumer country, cross-border EC companies like “bolome” have been growing locally in China and competition is expected to intensify in the future. But the cross-border EC market in China is still in its growth stage and the emergence of competitors will serve to broaden the foundations of the market, which will actually provide an opportunity for the Company to further expand its businesses.

The competitive advantage of local companies in China can be said to be that they are highly trusted by their client companies in areas such as security and support structures. Therefore, by further expanding partner companies in the future, it is considered that the Company will maintain and improve its competitiveness as a cross-border EC company. Recently, in October it announced a partnership with Internet sales support company Estore (4304) for its Buyee service. Specifically, the Buyee service has been added as an optional feature in Shop Serve, which is an Internet sales ASP service provided by Estore. Through this partnership, companies that conclude a Shop Serve agreement can easily use the Buyee service to sell goods overseas.

Also, the Company announced that the Recruit-affiliated online shopping mall Ponpare Mall and Buyee will co-produce the EC site Ponpare Mall JAPAN for overseas customers, with the service set to be launched in January 2016. Partnerships for Buyee have already been completed for “Yahoo! Auctions,” “Y! Shopping,” and “Rakuten,” and going forward the plan is to strengthen partnerships with EC sites within Japan.

Elsewhere, in this fiscal year the Company is continuing with initiatives to enhance its services. Specifically, previously the Buyee settlement function was available in Japanese yen only, but the plan is to upgrade the function during this period to enable settlement in multiple currencies. This will enable consumers to buy goods with greater peace of mind as it eliminates the risk of a fluctuating exchange rate. Also, in terms of logistics, the Company plans to launch its service for the receipt and collection of goods at convenience stores in various East Asian countries in addition to in Taiwan, and it is advancing its strategy of being the overwhelming leader among cross-border companies.

Conversely, in the global shopping business the aim is for an increase in sales and a return to profitability in the current fiscal year. In addition to improving usability by strengthening the “sekaimon” shopping function, the Company is bolstering efforts to acquire female members. In this fiscal year, it is actively working on producing a site that has an awareness of female users, such as by focusing on apparel and fashion-related goods.

Also in this fiscal year, the plan is to develop new businesses in the global area. The details are as yet unclear, but we will be focusing our attention on future developments in terms of new services that utilize existing member assets and other assets.

In the value cycle business, double-digit increases in sales and profits are expected from the increase in the number of purchases

○**The Value Cycle Business**

In the value cycle business, the forecast is for sales to increase 16.0% YoY to ¥10,000mn and for operating profit to also grow by double digits. In terms of the measures for this fiscal period, the Company is continuing to actively invest in TV commercials to improve name recognition of Brandear among consumers and to increase the number of purchases. In addition, the sales channels strategy is to increase earnings by bolstering the listing of goods on sites other than Yahoo! Auctions, such as on Rakuten and eBay.

○**The Retailing and Licensing Business**

In the retailing and licensing business, the forecast is for the transaction value to decrease 1.5% YoY to ¥7,000mn, sales to increase 19.8% to ¥5,000mn, and operating profit to be around the same level as the previous fiscal year. Within this forecast, the Company intends to capture new customers in its Internet shopping business by actively investing in promotions and in addition, it is aiming to increase sales and profits through measures to improve the gross profit margin and make profitable the repeat online sales business. Repeat online sales refers to goods bought on a regular basis from among the Company's original products. As these sales can be expected to be continuous, if this business expands it will not only improve profitability, it will also result in greater financial stability.

On the other hand, in the goods production and licensing business, the Company is expanding the domestic and international sales channels for its in-house licensed goods and also working to increase sales of related goods through concluding agreements with new artists.

There are many fluid elements in the sale of operational investment securities, so the result may exceed the forecast

○**Incubation Businesses**

In the incubation businesses, the forecast is for sales to increase 23.1% YoY to ¥800mn, and operating profit to decline 32.8% to ¥500mn. There are many fluid elements in the sale of operational investment securities, such as the timing and the share price, and at the current stage this item has been conservatively factored into the targets only as an anticipated gain. Therefore, it is possible that the operating profit result may exceed the forecast, depending on the circumstances.

For the last two to three years, the Company has been investing in Internet-related businesses in newly developing countries that are considered to have the potential to be "the next China," and while the pace of investment has fallen, its strategy in the current period is that if it finds a promising company, it invests in it. In particular, as the Indian market has major growth potential, opportunities for investment within it will likely increase in the future. Also, the information it refers to when taking the decision to sell the shares of an investee company are thought to be when partners are found that enhance the value of the investee company, or when an IPO is carried out.

■ Financial Position and Shareholder Return Policy

Solidified its financial base by enhancing shareholders' equity, while profitability indicators also significantly improved

(1) Financial position and management indicators

Total assets at the end of FY9/15 increased ¥2,312mn YoY to ¥10,019mn. As the factors behind this increase, in current assets, cash and deposits and operational investment securities increased ¥842mn and ¥100mn respectively, while trade receivables and products rose ¥480mn and ¥267mn respectively, due to the expansion in the scale of the e-commerce businesses. Also, in fixed assets, investment securities increased ¥242mn from the investment in the BEENEXT Fund.

Liabilities rose ¥1,191mn YoY to ¥4,339mn, mainly due to increases of ¥555mn in outstanding payments and ¥384mn in deposits, in conjunction with the expansion of the e-commerce businesses. Also, net assets rose ¥1,121mn to ¥5,679mn. The capital surplus climbed ¥897mn following the recording of net income, while minority interests and foreign currency translation adjustment grew ¥100mn, and ¥98mn respectively.

Looking at the management indicators, while the shareholders' equity ratio fell 3.0% YoY to 54.5%, a major factor behind this was that the rate of increase of liabilities grew following the expansion of the e-commerce businesses, and the financial base itself is stable; for example, shareholders' equity increased significantly by 20% YoY. The indicators of stability also improved greatly, with each of ROA, ROE, and the operating profit rate becoming positive in conjunction with the improved results.

Consolidated balance sheet

	(mn)				
	FY9/12	FY9/13	FY9/14	FY9/15	Change
Current assets	4,557	4,294	6,692	8,745	2,053
(cash and deposits)	3,060	2,552	2,457	3,276	819
Operational investment securities	-	-	1,563	1,663	100
Fixed assets	1,466	2,141	1,014	1,273	258
Total assets	6,024	6,435	7,706	10,019	2,312
Current liabilities	1,926	2,116	3,078	4,183	1,104
Non-current liabilities	239	206	69	155	86
(interest-bearing debt)	907	953	1,034	919	-115
Total liabilities	2,166	2,323	3,148	4,339	1,191
Net assets	3,857	4,112	4,557	5,679	1,121
Main financial indicators (financial strength)					
Equity ratio	62.4%	62.5%	57.5%	54.5%	
Interest-bearing debt ratio (profitability)	24.0%	25.0%	24.8%	18.0%	
ROA (return on assets)	-2.0%	2.1%	-5.2%	13.0%	
ROE (return on equity)	-8.9%	0.9%	-10.7%	18.2%	
Operating income on sales	-3.1%	-2.2%	-2.9%	7.0%	

Decided to pay a dividend of ¥13, the first since its foundation, while a ¥10 dividend is also forecast for FY9/16

(2) Shareholder Return Policy

BEENOS has not paid a dividend yet because it has concentrated on business investment and building financial strength. However, based on the fact that in FY9/15 all the e-commerce businesses were profitable, that profits increased in the incubation businesses, and that it achieved record-high results, the Company decided to pay a dividend ¥13.0 per share, the first time it has paid a dividend since its foundation. Moreover, it plans to pay a dividend of ¥10.0 in FY9/16.

Disclaimer

FISCO Ltd. (the terms “FISCO”, “we”, mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange, and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “JASDAQ INDEX” are the intellectual properties of the Tokyo Stock Exchange, and therefore all rights to them belong to the Tokyo Stock Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness, or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose, investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

All intellectual property rights to this report, including copyrights to its text and data, are held exclusively by FISCO. Any alteration or processing of the report or duplications of the report, without the express written consent of FISCO, is strictly prohibited. Any transmission, reproduction, distribution or transfer of the report or its duplications is also strictly prohibited.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.