BEENOS Inc.
3328 TSE Mothers

13-May-16

Important disclosures
and disclaimers appear
at the end of this document.

FISCO Ltd. Analyst
Yuzuru Sato

Aggressively investing in human resource development and promotional expenses in order to establish an industry leading structure

BEENOS, Inc. (3328) engages in various electronic commerce (e-commerce) and incubation businesses. The e-commerce businesses comprises of: a cross-border business (purchasing and forwarding agent operations, global internet shopping operations), a value cycle business (trading pre-owned brand goods via the internet), and a retailing and licensing business (product production and licensing operations, internet shopping operations), with cross-border e-commerce overseas purchasing and forwarding agent operations in particular enjoying rapid growth.

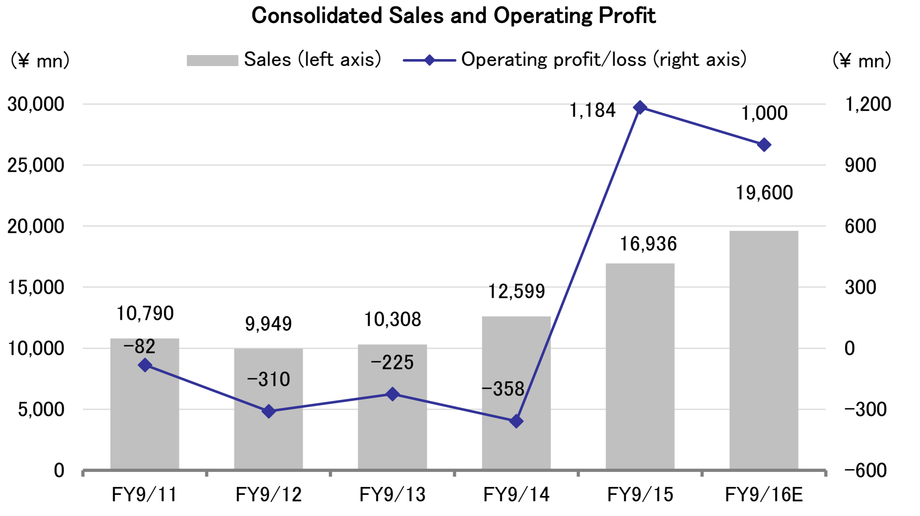
1H FY9/16 consolidated results (Oct 2015-Mar 2016) were basically in line with the Company's forecast, with sales up 11.5% YoY to ¥9,195mn, and operating profit down 35.9% YoY to ¥479mn. Despite profit declines in the incubation business, e-commerce business sales rose 17.2% YoY to ¥9,015mn, with operating profit from that segment also rising 5.1% YoY to ¥495mn, achieving a record high on a half-yearly basis. The cross-border and value cycle businesses, in which the Company had aggressively invested in order to establish itself as the undisputed leading player in the industry, there was a steady, double-digit growth in sales, with the value cycle business being the driver in terms of operating profit.

FY9/16 full-year forecasts remain unchanged with sales of ¥19,600mn (+15.7% YoY) and operating profit of ¥1,000mn (-15.6% YoY). Total transaction values are expected to rise 17.5% YoY to ¥43,000mn. The rate of progress (with respect to Company forecast) for operating profit to 1H is 57.0% in its e-commerce business and 28.3% in its incubation business. Given that e-commerce operations, centering on its cross-border and value cycle businesses, are also expected to grow from Q3 onwards, we feel the Company forecast (for 12.9% YoY growth to ¥870mn) is achievable. At the same time, given that in Q3 US$6 million (approximately ¥685mn at an exchange rate of US$1:¥113) in gains on sales of investment securities are also scheduled to be booked in the incubation business, the likelihood of it also achieving the Company forecast (for a 32.8% YoY decline to ¥500mn) is high.

Company policy aims for double-digit annual growth rate in its e-commerce business, centered on its cross-border and value cycle businesses. In FY9/16, as a result of aggressively investing in human resource development and promotional expenses in order to establish an industry leading structure, margins will decline slightly, however, from FY9/17, given that it will reach the stage where it can utilize its economies of scale, it is expected that profitability will also improve. With respect to its incubation business, as it secures capital gains, apart from continuing to invest in internet venture companies in developing countries, focusing on India, the Company aims to create new businesses in-house.

Check Point

- Established record highs for transaction values and sales in its cross-border business
- Double-digit sales and profits growth and record results highs expected in e-commerce businesses
- Shareholders' equity ratio and interest-bearing debt ratio both at healthy levels



Description of Business

Comprising 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 (an overseas purchasing and forwarding agency business, and a global internet shopping business), 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.

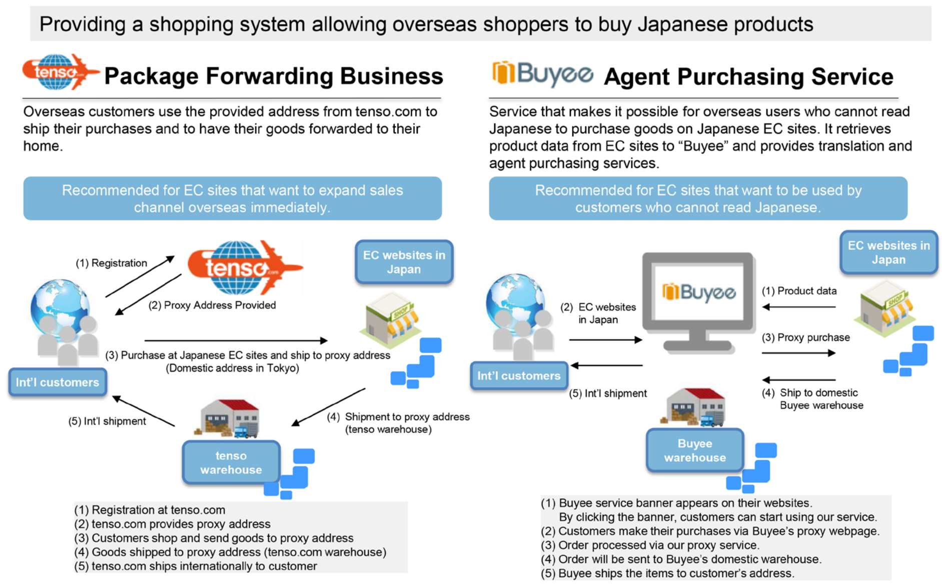
○**Cross-border Business**
The cross-border business is comprised of two consolidated subsidiaries; tenso, Inc., which serves as a purchasing and forwarding agent for goods purchased through an e-commerce site in Japan by buyers living overseas, and Shop Airlines, Ltd., which operates the "sekaimon" global online shopping site. The sales of both subsidiaries are from handling fees based on transaction values.

Overseas forwarding operations by tenso offers a service for foreign and Japanese consumers residing overseas whereby, when they purchase an item on an e-commerce site in Japan, in cases where 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. Apart from being able to select the shipment method from amongst Japan Post's Express Mail Service (EMS), regular airmail, Japan Post's Surface Air Lifted (SAL) economy airmail service, and surface mail, forwarding fees for the service provided also start from as low as ¥50 (depending on total shipment weight).

Further, the Company also operates Buyee.jp, which serves as a proxy for purchasing and bidding for mail order goods and goods auctioned in Japan. As payment methods allow for Paypal and Alipay to be used, and products descriptions to be automatically translated into foreign languages, transaction values over the Buyee.jp site are expanding. Fees on the Buyee.jp site were revised in December 2015 (to 5% of the purchase or auction price, down from 10%), being free on Amazon Japan K.K, Rakuten (4755) and Yahoo Shopping! (Yahoo (4689)]) (with, however, a flat fee arising of ¥150 for products priced under ¥3,000 and a ¥200 fee per successful auction at Yahoo Auction !).

Currently, with 84 countries and regions to which goods may be shipped, customer support services in four languages, and tie-ups with approximately 1,200 domestic e-commerce sites, the Company is establishing itself in the leading position in the industry in terms of the number of items shipped overseas.

Two services tenso.com provides and their service flows



Source: BEENOS, Inc.

Comparison of the tenso.com and Buyee.jp Sites

	tenso Package Forwarding Business	Buyee Agent 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, PayPal, 支付宝 Alipay.com
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.

On the other hand, "sekaimon", operated by Shop Airline, is a Japanese language compatible auction site authorized by eBay Inc., the largest auction site in the world. Currently sekaimon handles products listed 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 which was revised from ¥500 to ¥800 in February 2016).

○Value Cycle Business

This is a business for buying and selling pre-owned brand goods via the internet operated by consolidated subsidiary Defactostandard Ltd., and 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 (9831) and each of the co-op store-related sites, in addition to its own proprietary site.

Defactostandard handles over 6,000 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 for quickly appraising and purchasing at a fair, appraised price this diverse range of goods.

On the flip side, from a sales perspective, its strength is that it has developed its own proprietary system that allows it to enable 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.

○Retailing and Licensing Business

The retailing and licensing business is comprised of operations for the production and licensing of goods, and internet shopping operations.

At its subsidiary monosense, Ltd. It 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 popular groups appear and manages and operates their official e-commerce sites, recording sales from commissions, which are 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 line-ups and retailing methods for 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, with, by age group, people in their 30's and 40's comprising just over 70% of the membership.

○Incubation Business

The incubation business comprises 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., 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 companies, BEENOS Asia Pte. encourages the exchange of personnel and technologies among investee companies.

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 realizes capital gains on its investments. This company also invests in start-up companies engaged in internet businesses in Japan.

Business Trends

Sales increased 11.5% YoY to ¥9,195mn, with operating profit declining 35.9% YoY to ¥479mn

(1) 1H FY9/16 Results Summary

Consolidated 1H FY9/16 results, which were announced on April 21, progressed basically in line with the Company's forecast, with sales up 11.5% YoY to ¥9,195mn, operating profits down 35.9% YoY to ¥479mn, recurring profit down 30.9% YoY to ¥508mn, and net profit attributable to parent shareholders down 50.7% YoY to ¥300mn.

Despite profits declining in the incubation business, in its core e-commerce businesses sales rose 17.2% YoY to ¥9,015mn, and operating profits rose 5.1% to ¥495mn, setting a record high on a half-yearly basis. The Company's cross-border and value cycle businesses, where it aggressively invested in human resource development and promotional expenses in order to establish its position as the undisputed industry leader, there was a steady, double-digit expansion in revenues, with the value cycle business being the driver in terms of operating profit. SG&A increased ¥668mn YoY, within which staff cost rises of ¥266mn and advertising and promotional cost rises of ¥188mn were the main factors contributing to the increase.

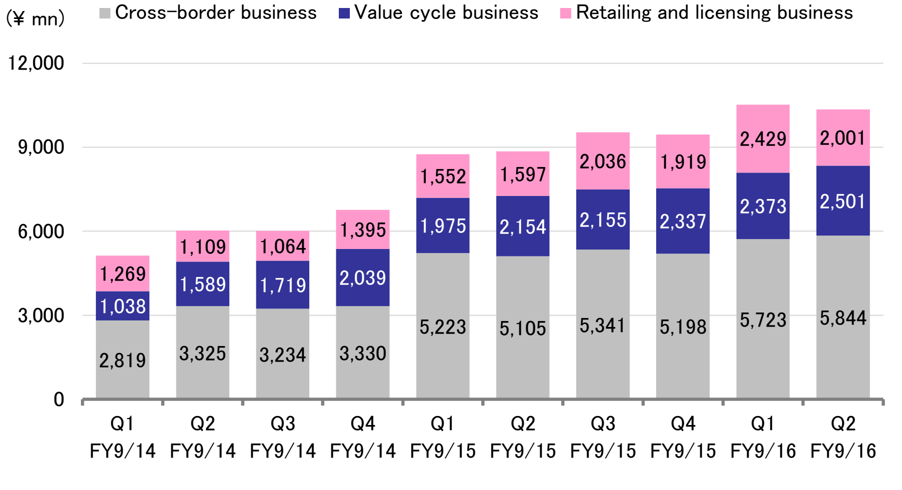
Looking at transaction values in the e-commerce business on a quarterly basis, we see that in this Q2 (Jan-Mar 2016) they rose 16.8% YoY, declining 1.7% QoQ. Year-on-year all businesses continued to perform well with double-digit growth. The reason for falling QoQ was a decline in the retailing and licensing business, however, this is a temporary factor and due to a reaction to the significant increase in Q1 in shipments of pre-ordered goods in the producing and licensing business.

Consolidated 1H FY9/16 Results

(Unit: ¥ mn)

	1H FY9/15		1H FY9/16		
	Results	vs. sales	Results	vs. sales	v
Transaction value	17,609	-	20,874	-	18.5%
Sales	8,247	-	9,195	-	11.5%
e-commerce	7,690	93.3%	9,015	98.0%	17.2%
Incubation	556	6.7%	179	2.0%	-67.7%
COGs	3,875	47.0%	4,424	48.1%	14.2%
SG&A	3,623	43.9%	4,292	46.7%	18.4%
Operating profit	747	9.1%	479	5.2%	-35.9%
e-commerce	471	6.1%	495	5.5%	5.1%
Incubation	439	79.0%	141	78.8%	-67.8%
Joint costs	-163	-	-158	-	-
Recurring profit	735	8.9%	508	5.5%	-30.9%
Extraordinary profit (loss)	104	1.3%	-	-	-
Profit attributable to owners of parent	609	7.4%	300	3.3%	-50.7%

Transaction Value by Business



FISCO

BEENOS Inc.
3328 TSE Mothers

13-May-16

Cross-border business transaction values and sales set a record high

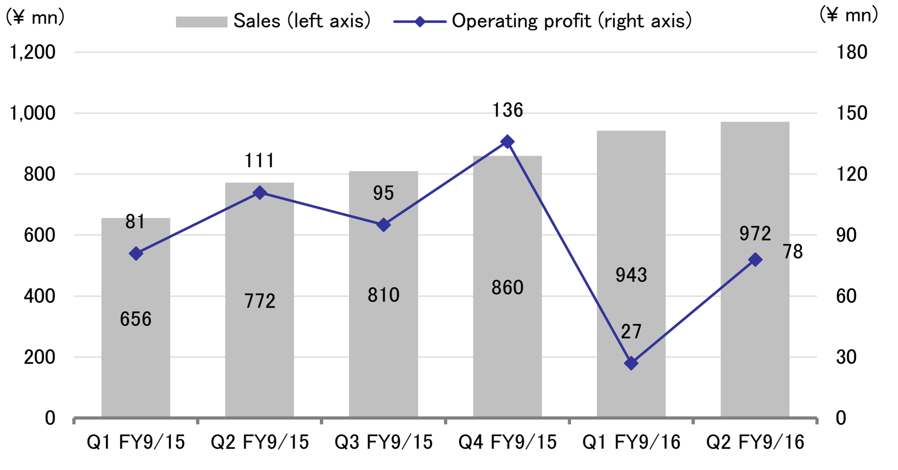
(2) 1H FY9/16 Segment Results

Quarterly results trends by operating segment are as set out below.

○Cross-border Business

Cross-border transaction values in this Q2 rose 14.5% YoY to ¥5,844mn, while sales rose 25.9% YoY to ¥972mn; both setting record highs. The reason behind the growth rate for sales exceeding that for transaction values was that yen appreciation caused a decline in unit pricing while there was an increase on the basis of number of items handled. On the other hand, operating profit fell 28.9% YoY to ¥78mn, marking a second consecutive quarterly decline in profits. Increases in promotional costs, systems development costs, staff and other costs were the main factors behind this decline. However, as the Company positioned the period through to Q2 as one for up front investment, progress is basically in line with the plan.

Cross-border Business Results Trends

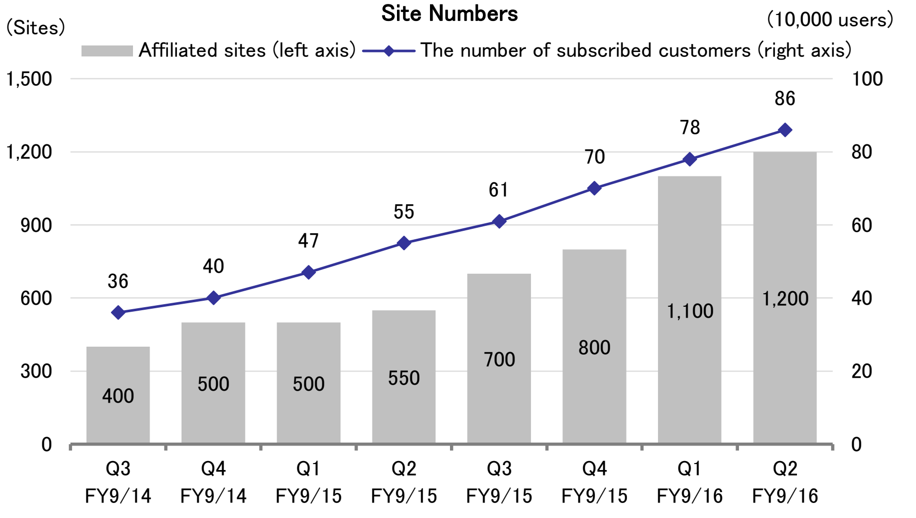


Looking at a breakdown of transaction values we see that proxy purchasing and overseas forwarding operations continued double-digit growth, rising 15.6% YoY, but declined 2.5% from the previous quarter. Sluggish sales in big-ticket goods suffered an impact from appreciation of the yen, however, looking at it in terms of number of items handled underlying growth continued, even on a quarterly comparison. A fee revision was put into effect from the middle of December, and apart from a reduction in Buyee usage fees, with among other things the settlement currency also going from a Japanese yen settlement basis to accommodating 15 major currencies, it is felt that the marked increase in convenience for users led to increases in the number of items handled. By region, despite a slight slowdown in China, apart from high growth continuing in Taiwan, Hong Kong and the US, increases in users from Q2 in the Southeast Asian region, including Thailand and Malaysia, stood out. In Taiwan the launch of a pick-up service at convenience stores from this period is thought to have contributed to an increase in items handled, and going forward the Company plans to roll-out a similar service to other countries also.

From around 700,000 subscribed customers in overseas forwarding and proxy purchasing operations at the end of the last period, the number had grown to 860,000 by the end of Q2, and the number of affiliated domestic e-commerce sites has also expanded steadily from around 800 at the end of the previous period to approximately 1,200 by the end of Q2, arguably being on route to cementing structures for an undisputed leading position within the industry.

From a profit perspective, temporary increases in expenses, in line with fee revisions and strategic investment in promotional costs, as well as strengthening of equipment and staffing structures in line with operational expansion led to decreased profits. Moreover, in March the Company established a satellite office in Daisencho, Tottori Prefecture that will become a development base. It is scheduled to commence operations from April. Not only does it create employment in the IT sector in Tottori Prefecture, the Company is seeking, in collaboration with Daisencho, measures aimed at tourists visiting Japan, making full use of its e-commerce know-how, with it planned to create a new system of PR.

tenso.com and Buyee Subscribed Customers Numbers and Affiliated Site Numbers



On the other hand, transaction values in global shopping operations grew 10.0% YoY, having shifted to growth from the previous quarter, and also being up 26.2% QoQ; and with, among other factors, two consecutive quarters of growth the recovery has become clear. In addition to being aided along by yen appreciation since the beginning of the year, the impact of the sekaimon site renewal implemented in Q2, which significantly enhanced customer convenience, was significant. Specifically, costs apart from the purchase price, such as international forwarding charge estimates are displayed in a readily understandable way at the time of purchase. Previously, the buyer was notified after the product had arrived at the warehouse and been weighed in relation to international forwarding charges. However, by displaying a forwarding charge estimate based on past data from actual cases, it has helped enabled safe and secure shopping. Further, in order to expand female customer numbers that had remained at only 20% of overall users, apart from creating a specialist female only site, by introducing its own recommendation engine and other initiatives, it has improved to become a site customers want to shop at.

From a profit perspective, despite the continuance of a small operating loss a return to profitability is expected from Q3 onwards. Apart from promoting an enhancement in the quality of service at the same time as reducing costs by way of measures to raise profitability including, from this period, bringing US warehousing and customer service centers in-house, as well as promoting changes in forwarders (carriers), it is felt that the increasing of minimum auction fees from February from ¥500 to ¥800 will also contribute to an improvement in profits.

○Value Cycle Business

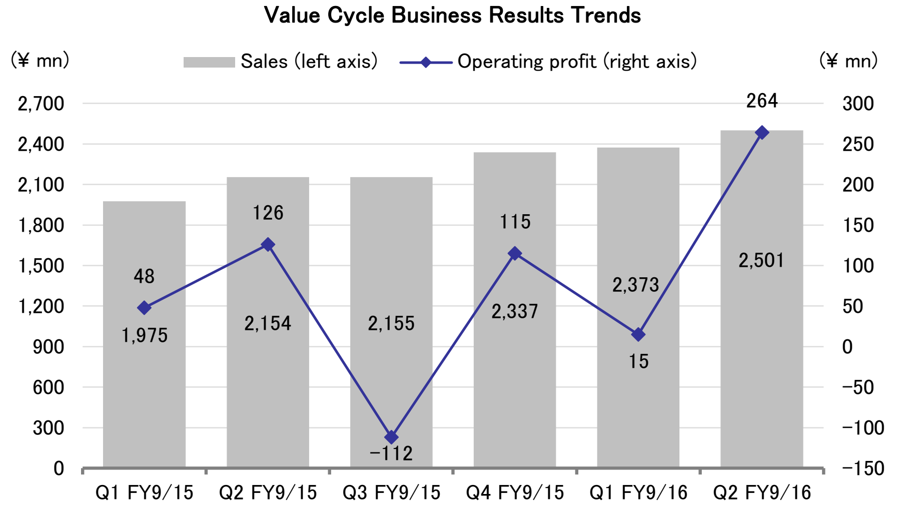
Q2 value cycle business sales rose 16.1% YoY to ¥2,501mn, while operating profit rose 108.7% to ¥264mn, achieving a record results high on a quarterly basis. Buying demand via the internet for pre-owned brand goods is robust, and due to the Company's strength in handling a broad array of branded merchandise, double-digit growth continues.

From a profit perspective, in addition to the impact from higher revenues, internal operational improvements and improvements in cost structures through the use of outsourcing were major factors behind increased profits. Further, the impact from higher revenue and a reduction in promotional expenses from the previous quarter were factors behind increased profits.

FISCO

BEENOS Inc.
3328 TSE Mothers

13-May-16

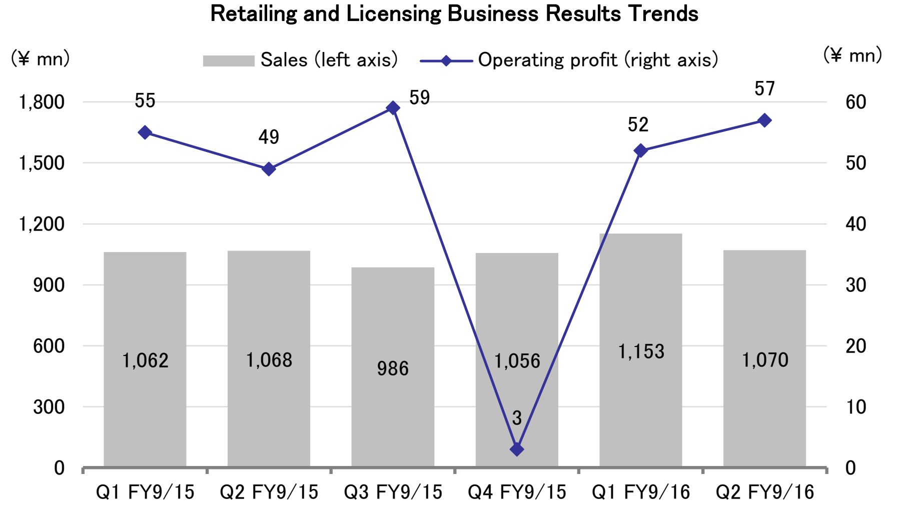


○**Retailing and Licensing Business**

In this Q2 the retailing and licensing business enjoyed 25.3% YoY growth in transaction values to ¥2,001mn, 0.2% YoY growth in sales to ¥1,070mn and 17.8% YoY growth of operating profit to ¥57mn. Increased consignment sales from sites such as official artist e-commerce sites was the reason that the sales growth rate was comparatively lower than that for transaction values.

There was a slight decline in revenue and earnings in respect of internet shopping business, however, underlying profitability is being maintained. The strategy is to strive for higher overall profitability while investing in promotional and system development expenses aimed at acquiring new customers and promoting usage by existing customers, by raising the percentage of sales of original products developed in-house, which carry high gross margins. The percentage of sales represented by products produced in-house is around 6% and steadily rising, with gross margins also continuing the trend towards improvement QoQ.

On the other hand, in respect of the retailing and licensing business, there was year-on-year growth in revenues and earnings, with increased sales of popular celebrity goods as the main factor. ECONECO, which monosense holds the master licenses, opened its first long-term store in February 2016 in Lumine Est Shinjuku. It launched sales of pocket monster character goods through a tie-up with Pokémon (including at its online store) in April, with an expansion in sales expected.



FISCO

BEENOS Inc.
3328 TSE Mothers

13-May-16

○Incubation Business
No sales were recorded in the incubation business in Q2, with an operating loss of ¥25mn (compared with a profit of ¥18mn for the same period a year ago).

Also, the balance of investment securities at end-March increased ¥81mn from the end of the previous fiscal year to ¥1,745mn. The main investee companies and percentages held are as per the table below, with investments in India being undertaken aggressively recently. In this Q2 in India the Company invested in Nobroker Technologies Solutions which operates NoBroker, India's first online C2C real estate marketplace, and Voonik, which operates fashion marketplace voonik.com. The Company invests in superior companies that significantly exceed market averages, even amongst domestic Indian online internet platform companies, and we may assume that its latent gains also will only increase further in line with the growth of these companies.

Main Companies Invested in by the Incubation Business

Investment ratio	Company	Headquarters location	Business
10% or more	akakce.com	Turkey	Price comparison service
	Paynamics Technologies	Philippines	Online settlement service
	Duriana Internet	Malaysia	Operates the Durania flea market application in Malaysia and the Philippines
5 to 10%	Tokopedia	Indonesia	Operates the tokopedia C-to-C online marketplace
	Droom	India	Management of droom, an online marketplace for buying and selling vehicles
	Buyhatke	India	Price comparison service
	Sendo Technology	Vietnam	Operates online marketplace Sendo
	Nearex	African nations	Mobile money
	Fablic	Japan	Operates flea market application Fril
	CaSy	Japan	Cloud-based agency service for handling household chores
	Quan	Japan	Plans and develops Web and application services for mobile equipment
1 to 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
	Nobroker	India	Operates the NoBroker online C-to-C real estate marketplace
	Midtrans	Indonesia	Online settlement service
	iyzi Payments	Turkey	Online settlement service
	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%	Voonik	India	Operates the voonik.com mobile fashion marketplace
	Maplebear	US	Operates the instacart online delivery service for foodstuffs and daily use goods
	Kamcord	US	Operates a video sharing platform for mobile games

Note: Investment highlighted were made since October 2015

Double-digit growth in sales and profits and record results expected for the e-commerce business

(3) Company forecast for FY9/16

The FY9/16 full-year consolidated forecast is for sales of ¥19,600mn (+15.7% YoY), operating profit of ¥1,000mn (-15.6% YoY), recurring profit of ¥950mn (-17.3% YoY) and net profit of ¥650mn (-27.6% YoY); with transaction values of ¥43,000mn (+17.5% YoY), and all unchanged from the plan at the beginning of the period. While double-digit growth in sales and profits and record results are expected for the e-commerce business, there will be an overall decline in profits due to a reduction in gains on sales of operational investment securities.

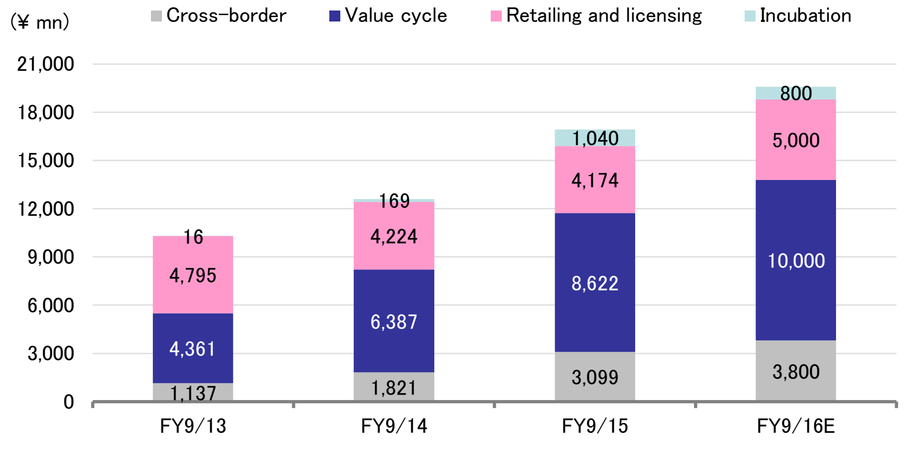
Looking at the rate of progress up to Q2 we see that sales are at 48.0% and operating profit at 57.0% versus respective targets in e-commerce business, and basically in line with plan. Further, despite the rates of progress for sales being only 22.5% and operating profit 28.3% in the incubation business, it was decided in April to make a partial sale of operational investment securities in one issue, and given that that will carry a sales value of US$6.2mn (approximately ¥708mn at an exchange rate of US$1:¥113), and gains on sale of US$6.0mn (approximately ¥685mn), the likelihood of full-year results exceeding the plan are high. Although by simply adding the gains on sale, operating profit in the incubation business would exceed the plan by around ¥320mn, given that some expenses are expected in 2H for establishing a new business, there is also the possibility that the quantum of increase will remain somewhat lower. The forecast by operating segment is as set out below.

FY9/16 Consolidated Results Outlook

(Unit: ¥ mn)

	FY9/15		FY9/16			
	Results	vs. sales	Forecast	vs. sales	YoY	Rate of progress
Transaction value	36,597	-	43,000	-	17.5%	48.5%
Sales	16,936	-	19,600	-	15.7%	46.9%
e-commerce	15,896	93.9%	18,800	95.9%	18.3%	48.0%
Incubation	1,040	6.1%	800	4.1%	-23.1%	22.5%
Operating profit	1,184	7.0%	1,000	5.1%	-15.6%	47.9%
e-commerce	770	4.8%	870	4.6%	11.5%	57.0%
Incubation	744	71.5%	500	62.5%	-32.8%	28.3%
Joint costs	-329	-	-370	-	-	-
Recurring profit	1,148	6.8%	950	4.8%	-17.3%	53.5%
Net profit	898	5.3%	650	3.3%	-27.6%	46.2%

Sales Trends by Business



○**Cross-border Business**

Cross-border business transaction values are expected to rise 24.6% YoY to ¥26,000mn, sales to continue double-digit growth of 22.6% YoY to ¥3,800mn, with operating profit to be in line with the previous period as a result of aggressive strategic investment, including in promotional expenses.

Overseas forwarding and proxy purchasing business' sales are also expected to see double-digit growth from Q3 onwards. From April a new tax regime in respect of cross-border e-commerce commenced in China, the Company's largest trading partner country, however, the Company sees no change in underlying expansion in demand.

Under the new regime, postage tariffs levied on personal imports will be abolished, with a value added tax to be levied on all goods. In line with this the duty free scope recognized under the postage tariff (under the postage tariff goods of 50 yuan or under were tax exempt) will disappear. However, it is not the case that all product categories will see increased taxes. As for example, whereas for apparel, fashion, electrical appliances and other products that exceed 250 yuan, previously, a postage tariff of 20% had been levied (with goods under 250 yuan being tax exempt), under the new regime there will be a reduction in tax to the 11.9% flat rate in the value added tax. Further, for cosmetics also, there will be a 3% reduction in tax over previous rates in respect of goods that exceed 100 yuan. On the other hand, foodstuffs (including health foods), baby goods and sundry items, as they were tax exempt if they were 500 yuan and under, there will now be a flat 11.9% tax rate levied, with the previous 10% tax rate for goods 500 yuan and over also rising to 11.9% under the new system. Thus both pluses and minuses will arise for users under these changes in the tax regime.

As a result, it is necessary to ascertain the position in Q3 in respect of China, however, it is thought that expansion in demand will not change significantly. Further, due to the fee revision in December 2015 and commencement of multi-currency settlement services from mid-February 2016, with significant growth in volumes handled from March, it is expected that, as long as no rapid appreciation in the yen occurs going forward, double-digit growth will continue.

At the same time, the Company is also aiming for increased full-year sales and profitability in global shopping operations. It is felt that the benefits of tackling customer base expansion by, in addition to enhancing "usability", strengthening sekaimon's shopping functions, and implementing initiatives such as site creation aimed at acquiring more female members, will now become apparent.

Moreover, in the global domain this period a new business is scheduled to be launched. Details have not yet been made clear, however, it appears that it will be a service that contributes to reduction in logistics costs, using existing member assets.

○**Value Cycle Business**

Sales in the value cycle business are expected to rise 16.0% YoY to ¥10,000mn, with operating profit also seeing double-digit growth. Given that the Company will again proactively invest in television commercials in Q3, profits will see a one-off decline, however, they are expected to rise in Q4.

As a measure aimed at expanding the number of purchasers, in April the Company implemented site renewals at its purchasing sites. Given that site usage via smartphones had expanded, it renewed sites (Z format → I format) with designs that make site screens easily viewed on smartphones. Further, from a sales perspective, by continuing to offer goods simultaneously on major domestic and overseas auction sites, it promoted strengthening of its sales capabilities. From FY9/17, as well as expansion in sales volumes, given that the ratio of promotional expenses will also decline, profitability is expected to improve another notch.

○**Retailing and Licensing Business**

Transaction values in the retailing and licensing business are expected to decline 1.5% YoY to ¥7,000mn, with sales increasing 19.8% YoY to ¥5,000mn and operating profit on par with the previous period. Within this, at the same time as continuing to deploy promotional expenses aimed at acquiring new customers and promoting usage by existing customers in internet shopping operations, the Company is aiming for increased revenue and earnings through increased sales of original and repeat merchandise.

At the same time, apart from tackling expansion of ECONECO's sales channels, by entering into new agreements with celebrities and other initiatives, the company will promote sales expansion in related products.

○**Incubation business**

Incubation business sales are expected to fall 23.1% YoY to ¥800mn, and operating profit to decline 32.8% YoY to ¥500mn. As mentioned above, through the sale of operational investment securities in April, it is expected that the full-year plan will be achieved. Also, whether a partner that can raise the value of the investee company, or whether it will IPO are among the assessment criteria when selling shares in investee companies.

Financial Position and Shareholder Return Policy

Both the shareholders' equity ratio and interest-bearing debt ratio in a healthy state

(1) Financial Position and Management Indicators

Total assets as of end-March 2016 declined ¥262mn from the end of FY9/15 to ¥9,756mn. Looking at the factors behind changes at the period-end, we see that in current assets cash and deposits and accounts receivable declined by ¥231mn and ¥240mn respectively, while accounts receivables rose by ¥366mn and operational investment securities by ¥81mn. In fixed assets investment securities increased by ¥42mn, while goodwill declined ¥18mn.

On the other side of the ledger, liabilities declined ¥319mn from the previous fiscal year-end to ¥4,019mn. Looking at the major factors behind the change we see that other accounts payable declined by ¥199mn, notes and accounts payable by ¥46mn and income tax payable by ¥76mn. Also, net assets rose by ¥56mn compared to the end of FY9/15 to ¥5,736mn. While the Company recorded ¥300mn in net profit for the half, dividend payments of ¥158mn and a ¥106mn foreign currency translation adjustment were factors tending to reduce net assets.

Looking at management indicators, we see that apart from the shareholders' equity ratio rising 1.7% to 56.2% to remain stable and above the 50% mark, the interest-bearing debt ratio is also trending at the low level of 18.3%, and thus we may conclude that the financial position continues to be sound.

Consolidated balance sheet

(Unit: ¥ mn)

	FY9/13	FY9/14	FY9/15	1H FY9/16	Change
Current assets	4,294	6,692	8,745	8,444	-301
(Cash and deposits)	2,552	2,457	3,276	3,045	-231
(Operational investment securities)	-	1,563	1,663	1,745	81
Fixed assets	2,141	1,014	1,273	1,311	38
Total assets	6,435	7,706	10,019	9,756	-262
Current liabilities	2,116	3,078	4,183	3,813	-369
Non-current liabilities	206	69	155	206	50
(interest-bearing debt)	953	1,034	919	1,003	84
Total liabilities	2,323	3,148	4,339	4,019	-319
Net assets	4,112	4,557	5,679	5,736	56
Main financial indicators					
(financial strength)					
Shareholders' Equity ratio	62.5%	57.5%	54.5%	56.2%	
Interest-bearing debt ratio	25.0%	24.8	18.0%	19.1%	

(2) Shareholder Return Policy

In respect of 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 business. As profits are expected to decline in FY9/16 the Company plans a dividend of ¥10.0, down ¥3.0 YoY, however, in the future, increased dividends may be expected in line with earnings growth as the Company takes into consideration factors such as trends in performance and demand for funds.

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.

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

FISCO Ltd.