

Consolidated Financial Results (Japanese Accounting Standards)

For the First Quarter Ended 31 December 2019

5 February 2020

Company Name BEENOS Inc. Stock Exchange Listing Tokyo
 Stock Code 3328 URL <http://www.beenos.com>
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 Scheduled filing date of the Annual Securities Report TBD Scheduled date of commencement of dividend payment —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for Analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter Ended 31 December 2019

(1 October 2019 – 31 December 2019)

(1) Consolidated Results of Operations (Accumulated Total) (% show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY2020	8,129	53.1	2,366	—	2,367	—	1,421	—
1Q FY2019	5,309	△1.1	△314	—	△288	—	△200	—

(Note) Comprehensive Income 1Q FY2020 1,468 Mil. yen (—%) 1Q FY2019 △424 Mil. yen (—%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
1Q FY2019	119.13	—
1Q FY2019	△16.46	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY2020	19,769	11,426	49.5	819.84
FY2019	18,811	10,171	45.3	713.16

(Reference) Shareholders' equity 1Q FY2020 9,785 Million yen FY2019 8,512 Million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	0.00	—	18.00	18.00
FY2020	—				
FY2020(Forecast)		0.00	—	18.00	18.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending 30 September 2020

(1 October 2019 – 30 September 2020)

(Percentage figures for the fiscal year represent the changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending	26,000	2.9	3,000	75.7	3,000	75.1	1,800	67.1	150.81

(Note) Adjustments from the most recently released forecast: None

※ Notes

(1) Changes of important subsidiaries during period : None

New companies: -(Company name: -)

Excluded companies: -(Company name: -)

(2)

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding at the end of period (including treasury shares)

② Number of treasury shares at end of period

③ Average number of shares outstanding during the term

1Q FY2020	12,332,600 Shares	FY2019	12,332,600 Shares
1Q FY2020	396,747 Shares	FY2019	396,747 Shares
1Q FY2020	11,935,853 Shares	1Q FY2019	12,185,672 Shares

※ Status of a quarterly review

This financial summary does not need to undergo auditing.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

○ Table of Contents

1. Qualitative Information for this Fiscal Year's Results.....	4
(1) Business Performance Report.....	4
(2) Financial Status Report.....	6
(3) Outlook for FY2020.....	6
2. Quarterly Financial Statements and Major Notes.....	7
(1) Quarterly Consolidated Balance Sheet.....	7
(2) Quarterly Consolidated Profit & Loss Statement and Quarterly Consolidated Statement of Comprehensive Income.....	9
(3) Notes on Consolidated Financial Statement.....	11
(Notes regarding the premise of on-going concerns).....	11
(Notes regarding any significant fluctuation of the price of capital stock).....	11
(Segment Information).....	11
(Important Subsequent Events).....	12

1. Qualitative Information for this Fiscal Year's Results

(1) Business Performance Report

The BEENOS Group aims to be on the "Global Platform Frontier" and continue to create platforms that will connect Japan with the world. We combine the expertise accumulated in the Cross Border Business with our global investment network in the Incubation Business to create new technology and internet-based markets.

Our focus this year is to evolve our current businesses while actively taking part in creating new ones. We aim to add a fourth business domain, the Inbound Business, to the existing Cross Border Business, Value Cycle Business, and Retailing and Licensing (Entertainment) Business. With these four domains we will attain the following: "the global expansion of Japanese products and secondary distribution," "the centralized support for resolving issues in the entertainment field," and "the establishment of an inbound travel platform utilizing data and AI." The income in the E-Commerce Business resulted in a 216 Million JPY operating income compared to a 126 Million JPY operating loss from 1Q FY2019 as the Cross Border Business saw a large increase in income year on year while the Value Cycle Business was able to strategically reduce costs. Furthermore, we announced the intention to monetize 20% (43 Billion JPY) of our appraised gains in our Incubation Business by the end of March 2020 and update our portfolio. We monetized about 2 Billion JPY by the end of FY2019 and as of the end of 1Q FY2020 we have recorded approximately 2.7 Billion JPY in sales from our operational investment securities.

As a result, the 1st quarter consolidated net sales were 8,129 Million JPY (up 53.1% year on year), operating income was 2,366 Million JPY (compared with an operating loss of 314 Million JPY in 1Q FY2019), ordinary income was 2,367 Million JPY (compared with an ordinary loss of 288 Million JPY in 1Q FY2019), and net income attributable to owners of parent was 1,421 Million JPY (compared with a net loss attributable to owners of parent of 200 Million JPY in 1Q FY2019).

The consolidated GMV for the 1st quarter was 11.1 Billion JPY (forecast for FY2020 is 51 Billion JPY).

The achievements of each business segment are as follows.

① E-Commerce Business

1-1 Cross-Border Business

The Overseas Forwarding and Proxy Purchasing Business (From Japan) has formed a business alliance with Mercari, Inc. Buyee, the proxy purchasing service, will provide support by translating, shipping, and handling customer support. As a result, we are able to sell products that are listed on Mercari to customers in more than 100 countries and regions worldwide. Furthermore, we lowered our service fee for convenience store pickups in Taiwan, one of our regions of strategic focus, to increase customer satisfaction and provide our services at unrivaled costs. The implementation of sales promotion measures such as campaigns waiving service fees in addition to the other measures led to a strong growth in GMV, net sales and operating income for this quarter.

The Global Shopping Business (To Japan) worked to increase sales through ongoing SEO measures and customer-focused marketing. At the same time, we aggressively strengthened our profit structure by automating operations and restructuring distribution schematics.

As a result, the net sales were 1,231 Million JPY (up 5.8% year on year) and operating income was 282 Million JPY (up 201.0% year on year).

1-2 Value Cycle Business

The Apparel Reuse Business reviewed its advertising methods on the purchasing side and shifted from mass advertising to a more cost effective targeted advertising. As a result of efforts to improve the cost-effectiveness of advertising and promotional expenses, the purchase amount and net sales decreased year on year, but operating loss improved significantly. On 14 January 2020, we converted Defactostandard, Ltd., which operates the Internet shopping and sales business Brandear, into a wholly owned subsidiary through a simple share exchange. We are working to increase its corporate value by utilizing the management resources of the entire

Group, formulating long-term business strategies, and making swift decisions. (For details, please refer to our announcement on 24 December 2019, "BEENOS Inc. to make Defactostandard, Ltd. a Wholly Owned Subsidiary through Simple Share Exchange (Revised Abbreviated Version)".)

The Liquor Mediation Business continued to be the highest bidder in the industry to purchase liquor which has led to the increase in purchase applications. We have opened the E-Commerce site "moment" that allows customers to purchase high-end/rare liquor at a fixed price in response to feedback from users that want products immediately and feel a burden to bid for items in an auction. In addition, we have linked "moment's" system with Buyee, the proxy purchasing service operated by tenso inc., we have been able to provide convenient purchasing services to customers outside Japan where there is a strong demand for Japanese liquor.

As a result, net sales were 3,148 Million JPY (down 6.1% year on year) and operating loss was 27 Million JPY (compared with operating loss of 229 Million JPY in 1Q FY2019).

1-3 Retailing and Licensing Business

The Pokemon Cosme Series, which was launched in July 2018, has gained a lot of traction on the Internet and social media, and is now being sold at various shops nationwide as well as at airports to boost the Global Product Business. The series has been particularly popular among tourists visiting Japan and the cumulative total of units sold in the series has exceeded one million units. The Fragrance and Body Care brand, SWATi, expanded its brand recognition by expanding the number of stores handling fragrance body care products and launching pop-up stores.

As a result, the net sales were 864 Million JPY (up 10.7% year on year) and operating loss was 38 Million JPY (compared with operating income of 9 Million JPY in 1Q FY2019).

For the E-Commerce Business as a whole, net sales were 5,244 Million JPY (down 1.0% year on year) and operating income was 216 Million JPY (compared with an operating loss of 126 Million JPY in 1Q FY2019).

② Incubation Business

The Investment and Consultation Business has focused on investing in startups in online marketplaces and online payments in emerging countries and Japanese inbound tourism in Japan. We also continue to sell investments at the opportune time in accordance with the progress of the respective businesses. We made an additional investment in Metro Engines Inc. in 1Q FY2020. Metro Engines uses real time big data and AI technology to provide a dynamic pricing scale for hotels, rental cars, parking lots, etc. It also offers a management tool for the hospitality industry as well as a news distribution service.

The Start-up Business is actively creating new businesses in the entertainment and Japanese inbound businesses to provide integrated support for resolving issues in the entertainment field and create travel platforms that utilize data and AI. We launched narabee, a SaaS mobile order and payment service that enables customers to obtain products in locations such as event shops and restaurants at live venues without having to wait in line, in November 2019. In addition, we established BEENOS Travel Inc. to acquire "Travel Bar," one of Taiwan's largest travel media websites for travelers to Japan.

In October 2019, we collaborated with Shopee, one of the largest e-commerce malls in Taiwan and Southeast Asia, to support Japanese companies open their stores on Shopee. We are increasing overseas sales and offering opportunities for Japanese companies to expand their potential through this partnership. We are also working to collaborate with foreign companies to expand the overseas sales market.

As a result, net sales for the were 2,913 Million JPY (compared with 14 Million JPY in 1Q FY2019) and operating income was 2,445 Million JPY (compared with an operating loss of 87 Million JPY in 1Q FY2019).

(2) Financial Status Report

① Financial Status Analysis

(i) Assets

Total assets at the end of the 1Q FY2020 increased by 958 Million JPY from the end of the previous fiscal year to 19,769 Million JPY.

Current assets totaled 17,365 Million JPY, an increase of 958 Million JPY from the end of the previous fiscal year. The main factors contributing to this increase were increases in cash and deposits of 2,153 Million JPY, accounts receivable of 489 Million JPY and operating investment securities of 107 Million JPY and decreases in notes and accounts receivable-trade of 1,920 Million JPY.

Total fixed assets were 2,404 Million JPY, an increase of 0.205 Million JPY from the end of the previous fiscal year. This was mainly attributable to an increase of 140 Million JPY in investment securities and a decrease of 106 Million JPY in deferred tax assets.

(ii) Liabilities

Total liabilities at the end of the 1Q amounted to 8,343 Million JPY, a decrease of 296 Million JPY from the end of the previous fiscal year.

Current liabilities totaled 7,772 Million JPY, a decrease of 387 Million JPY from the end of the previous fiscal year. The main factors contributing to this decrease were increases of 405 Million JPY in deposits received and 575 Million JPY in income taxes payable and decreases of 900 Million JPY in short-term loans payable, 450 Million JPY in accounts payable-other, and 135 Million JPY in notes and accounts payable-trade.

Total long-term liabilities were 571 Million JPY, an increase of 91 Million JPY from the end of the previous fiscal year. This was mainly due to an increase in deferred tax liabilities of 90 Million JPY.

(iii) Net assets

Total net assets at the end of the 1Q were 11,426 Million JPY, an increase of 1,254 Million JPY from the end of the previous fiscal year. This was mainly due to an increase of 1,207 Million JPY in retained earnings.

(3) Outlook for FY2020

The Company maintains its consolidated earnings forecasts for this fiscal year, which were released on 7 November 2019.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	1Q FY2020 (31 December 2019)
Assets		
Current assets		
Cash and deposits	5,175,775	7,328,850
Notes and accounts receivable	2,527,865	607,641
Operational investment securities	4,176,825	4,284,199
Products	2,689,382	2,784,935
Accounts receivable	862,433	1,351,592
Other	975,034	1,008,553
Total current assets	16,407,315	17,365,771
Fixed assets		
Tangible Assets		
Buildings and structures	603,067	603,236
Accumulated depreciation	△256,794	△269,383
Buildings and structures, net	346,272	333,853
Vehicles	9,614	9,628
Accumulated depreciation	△7,753	△8,014
Vehicles, net	1,861	1,613
Tools, materials and supplies	192,338	197,882
Accumulated depreciation	△122,589	△128,391
Tools, materials and supplies, net	69,748	69,491
Total tangible assets	417,882	404,957
Intangible assets		
Goodwill	303,842	283,066
Other	150,753	153,973
Total intangible assets	454,596	437,040
Investments etc.		
Investment securities	887,065	1,027,336
Deferred tax assets	215,992	109,492
Other	428,433	425,348
Total investments etc.	1,531,491	1,562,177
Total fixed assets	2,403,970	2,404,175
Total assets	18,811,286	19,769,947

(Unit:1,000 JPY)

	Year-end FY2019 (30 September 2019)	1Q FY2020 (31 December 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	384,508	248,905
Short-term loan	3,550,000	2,650,000
Accounts payable-other	2,956,824	2,506,466
Deposits received	714,796	1,120,094
Income taxes payable	89,157	664,334
Other	463,805	582,265
Total current liabilities	8,159,091	7,772,066
Fixed liabilities		
Deferred tax liabilities	287,680	378,270
Asset retirement obligations	193,043	193,459
Total fixed liabilities	480,724	571,730
Total liabilities	8,639,815	8,343,796
Net assets		
Shareholders' equity		
Capital stock	2,775,840	2,775,840
Capital surplus	2,542,577	2,542,577
Retained earnings	3,966,442	5,173,551
Treasury Stock	△567,835	△567,835
Total shareholders' equity	8,717,025	9,924,134
Other accumulated comprehensive income		
Valuation difference on securities	△314,461	△270,244
Foreign currency translation adjustments	109,571	131,608
Total other accumulated comprehensive income	△204,890	△138,636
Share subscription rights	46,677	47,840
Non-controlling shareholders' equity	1,612,657	1,592,812
Total net assets	10,171,470	11,426,151
Total liabilities and net assets	18,811,286	19,769,947

(2) Quarterly Consolidated Profit & Loss Statement and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Profit & Loss Statement
Consolidated Cumulative 1stQuarter

(Unit:1,000 JPY)

	1Q FY2019 (1 October 2018 – 31 December 2018)	1Q FY2020 (1 October 2019 – 31 December 2019)
Net sales	5,309,337	8,129,205
Cost of sales	2,793,368	3,053,395
Gross profit	2,515,969	5,075,810
Selling, general and administrative expenses	2,830,150	2,709,197
Operating income (△ losses)	△314,181	2,366,612
Non-operating income		
Interest income	28	10
Foreign exchange gains	3,907	-
Equity in earnings of affiliates	19,936	390
Subsidy income	2,621	2,706
Gain on investments in partnerships	-	68,632
Other	8,907	16,359
Total non-operating income	35,401	88,100
Non-operating expenses		
Interest expenses	3,456	2,512
Foreign exchange losses	-	3,450
Commissions paid	819	80,415
Loss on investments in partnerships	5,308	-
Other	270	342
Total non-operating expenses	9,854	86,721
Ordinary income (loss) (△)	△288,634	2,367,991
Extraordinary income		
Gain on reversal of subscription rights to shares	-	5,200
Total extraordinary income	-	5,200
Income (△) before income taxes and minority interests	△288,634	2,373,191
Income taxes	7,222	773,202
Income taxes-deferred	△25,515	197,879
Total income taxes	△18,292	971,082
Net Income or Loss (△)	△270,341	1,402,109
Loss (△) attributable to non-controlling interests	△69,719	△19,845
Net income (△) attributable to owners of parent	△200,621	1,421,954

Quarterly Consolidated Statement of Comprehensive Income

Consolidated Cumulative 1stQuarter

(Unit:1,000 JPY)

	1Q FY2019 (1 October 2018 – 31 December 2018)	1Q FY2020 (1 October 2019 – 31 December 2019)
Net Income or Loss (△)	△270,341	1,402,109
Other comprehensive income		
Valuation difference on securities	△61,773	44,145
Foreign currency translation adjustments	△87,248	21,499
Share of other comprehensive (loss) income in associates	△5,059	609
Total other comprehensive income	△154,081	66,253
Quarterly Comprehensive income	△424,422	1,468,363
(Breakdown)		
Comprehensive income attributable to owners of parent	△354,703	1,488,208
Comprehensive income attributable to non-controlling interests	△69,719	△19,845

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding the premise of on-going concerns)

Not Applicable

(Notes regarding significant changes in the amount of shareholder's equity)

Not Applicable

(Segment Information, etc.)

I Previous Consolidated Cumulative 1st Quarter (1 October 2018 – 31 December 2018)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note) 1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note) 2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customers	1,160,567	3,353,146	780,643	5,294,357	14,980	5,309,337	—	5,309,337
Internal Sales or Transfers Between Segments	2,797	—	647	3,445	—	3,445	△3,445	—
Total	1,163,365	3,353,146	781,290	5,297,802	14,980	5,312,783	△3,445	5,309,337
Segment Earnings	93,949	△229,923	9,578	△126,396	△87,125	△213,521	△100,659	△314,181

(Notes) 1. The segment earnings or loss adjustment of △100 Million JPY includes the deletion of inter-segment transactions of △391 Million JPY, company-wide revenue of 482 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △191 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Losses are adjusted in the operating income of the Consolidated Profit & Loss Statement.

II Current Consolidated Cumulative 1st Quarter (1 October 2019 – 31 December 2019)

1. Information regarding sales, profit or loss, and liabilities by reporting segment

(Unit:1,000 JPY)

	Reporting Segment						Adjustments (Note) 1	Recorded Amount on Quarterly Consolidated Profit & Loss Statement (Note) 2
	E-Commerce Business				Incubation Business	Total		
	Cross Border	Value Cycle	Retailing and Licensing	Subtotal				
Net Sales								
Sales to Customers	1,223,387	3,148,677	864,422	5,236,486	2,892,718	8,129,205	—	8,129,205
Internal Sales or Transfers Between Segments	7,775	—	82	7,857	21,213	29,071	△29,071	—
Total	1,231,162	3,148,677	864,504	5,244,344	2,913,932	8,158,276	△29,071	8,129,205
Segment Earnings	282,770	△27,607	△38,367	216,795	2,445,973	2,662,768	△296,155	2,366,612

(Notes) 1. The segment earnings or loss adjustment of △296 Million JPY includes the deletion of inter-segment

transactions of 6 Million JPY, company-wide revenue of 100 Million JPY, that is not distributed to each reporting segment, and company-wide cost of △403 Million JPY. Company-wide revenues are mainly the Company's received commission from each subsidiary. Company-wide costs are mainly the Company's administrative costs toward the subsidiaries.

2. Segment Profits are adjusted in the operating income of the Consolidated Profit& Loss Statement.

(Important Subsequent Events)

(Transactions under Common Control)

(Wholly owned subsidiary through share exchange)

At the Board of Directors meeting held on 21 November 2019, the Company resolved to make Defactostandard Ltd. ("Defacto"), a wholly-owned subsidiary of the Company through a simple share exchange ("Share Exchange"), and entered into a share exchange agreement on the same date.

In accordance with the provisions of Article 796, Paragraph 2 of the Companies Act, the Share Exchange was approved by the shareholders' meeting held on 19 December 2019, at Defacto, in accordance with the procedures for the Simplified Share Exchange, based on the provisions of Article 796, Paragraph 2 of the Companies Act, and implemented on 14 January 2020, without the approval of the shareholders' meeting.

Prior to the effective date of the share exchange, Defacto's common stock was delisted on 9 January 2020 (the last trading date was 8 January 2020) on the First Section of the Tokyo Stock Exchange.

The outline of the business merger is as follows.

1 Outline of the Business Merger

(1) Merger entity's name and business overview

Name of the acquired company Defactostandard, Ltd.

Online resale of brand-name products, accessories and apparel

(2) Main reasons for the business merger

We have come to recognize that we can expect Defacto's corporate value to be further enhanced and the corporate value of the Group as a whole to be further enhanced by building a system that enables both companies to utilize their management resources more swiftly and smoothly, and by enabling the rapid implementation of investment and business strategies for Defacto as a wholly owned subsidiary.

In order for Defacto's shareholders to accept the improvement in corporate value brought about by the conversion of Defacto into a wholly owned subsidiary, BEENOS recognized that the optimal option for the minority shareholders of Defacto was to continue to be BEENOS shareholders after the merger through share exchange in which BEENOS shares are delivered in exchange for consideration, rather than by cash delivery. Accordingly, the Company resolved to conduct the share exchange at the Board of Directors meetings of both companies on 21 November 2019, and on the same day, BEENOS and Defacto entered into the share exchange agreement.

(3) Date of business merger

14 January 2020

(4) Legal form of business merger

Share exchange

(5) Name following business merger

There is no change.

(6) Proportion of voting rights after the acquisition

100%

(7) Major grounds for deciding to obtain the company

It is due to our acquisition of 100% of Defacto's voting rights through share exchange and for Defacto to become a wholly owned subsidiary.

2 Exchange Ratio by Type of Share, Method of Calculation, and Number of Shares to be Issued

(1) Exchange ratios by type of shares

0.29 new shares of BEENOS common stock were allotted and delivered for each share of Defacto common stock.

(2) Method of calculating the share exchange ratio

In order to ensure the above exchange ratio and the fairness and appropriateness of the Share Exchange, BEENOS selected Daiwa Securities Co., Ltd. and Defacto selected AGS Consulting Co., Ltd. as independent third-party accounting organizations, respectively, and selected Nishimura Asahi Law

Office and City Uwa Law Office respectively as legal advisors.

BEENOS and Defactostandard have determined that the Share Exchange Ratio is reasonable as a result of repeated discussions and deliberations, taking into account the respective financial conditions, performance trends, share price trends, and the level of premiums given to the Share Exchange Ratio in other share exchange cases in which the listed parent company made a wholly-owned subsidiary of the listed parent company, with reference to the calculation results of the Share Exchange Ratio and advice from each of the respective third-party calculation organizations, as well as the advice from their respective legal advisors, in order to make the Share Exchange Ratio for a wholly-owned subsidiary.

- (3) Number of shares issued
1,003,395 shares

3 Summary of accounting treatment

We intend to implement accounting treatment based on this, which is subject to common control as stipulated in the "accounting standards for business combinations" (corporate accounting standard No. 21, 16 January 2019) and the "application guidelines for accounting standards for business combinations and business separations" (corporate accounting standard application guideline No. 10, January 16, 1999).