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■ With the highest number of used brand goods purchased and goods purchased through the Internet and forwarded overseas, the company aims for more growth

netprice.com engages in various electronic commerce (e-commerce) businesses and incubation businesses. There are three main e-commerce businesses, each conducted by consolidated subsidiaries: the value cycle business (trading used brand goods via the Internet), the retailing and licensing business (Internet shopping and the planning and promotion of goods licensed by celebrities), and the cross-border business (operating a global Internet shopping site, acting as an agent to purchase goods in Japan and forwarding goods to residents of other countries).

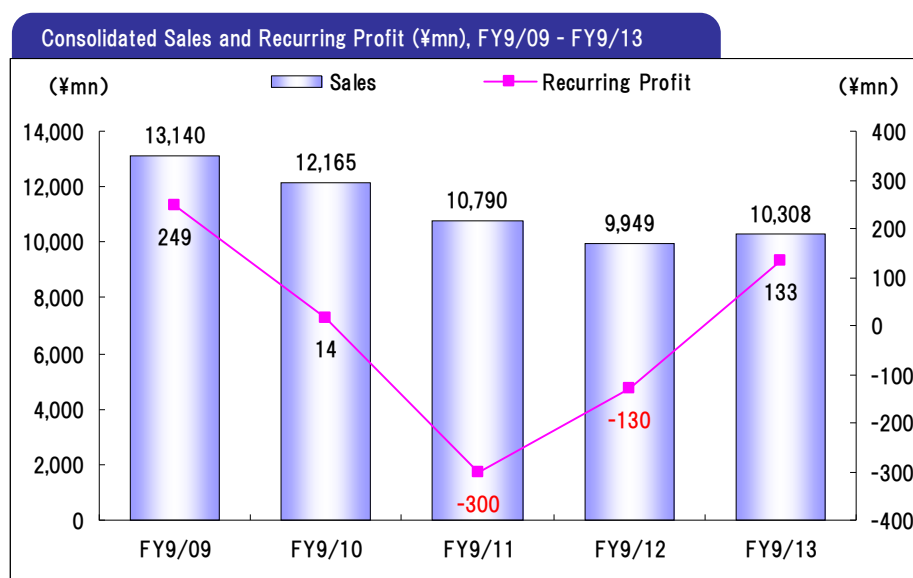
On January 30, 2014, the company announced its consolidated results for the first quarter of the current fiscal year, ending in September 2014, i.e., for Q1 FY9/14. Sales grew 1.1% year-on-year (y-o-y) to ¥2,779mn, but the company suffered a recurring loss of ¥128mn, after a recurring profit of ¥23mn in Q1 FY9/13. Sales were slightly below the company's plan, but the recurring loss was in line with plan. The company is attempting to regain growth in FY9/14 and beyond by promoting its two new growth engines, the value cycle business and the cross-border business, developing its BEENOS investment and nurturing business into a full-scale operation, and making its retailing and licensing business profitable.

In the incubation business domain, the investment and nurturing business is investing aggressively in young, strong e-commerce businesses in emerging growth countries. For example, in November 2013, it invested in an online settlement company in India. In December 2013, netprice.com raised ¥785mn through a third-party allocation of new shares to Digital Garage, Inc. It plans to use the proceeds of this capital increase to invest in and nurture other young companies overseas. In the new businesses component of the incubation business domain, subsidiary FORii, Inc. started selling application software to exercise the intellect of children via smartphones and tablet devices in August 2013. This business has thrived, and by January 2014, the software had been downloaded more than 300,000 times. Thus, the company expects it to become a new source of profit.

The company aims to increase the transaction value of its e-commerce businesses by 40% y-o-y to ¥25bn in FY9/14. Toward this end, its value cycle business is purchasing used brand goods more actively than previously and improving its ability to sell these goods, while the cross-border business is rapidly increasing its service of forwarding goods purchased in Japan to overseas buyers. Both businesses lead their respective industries in terms of the number of purchases. In the retailing and licensing business, the planning and sale of official goods licensed from celebrities, begun two years ago, is starting to take off. In December 2013, it signed a contract with another popular singing group, and it projects strong sales of this group's goods.

Check Points

- The value cycle cross-border businesses are leading growth in transaction value
- The company aims for greater growth through aggressive investment in start-up companies in rapidly developing countries



Description of Businesses

The value cycle cross-border businesses are leading growth in transaction value

netprice.com's undertakings can be broadly divided into e-commerce businesses and incubation businesses. There are three main e-commerce businesses, each conducted by consolidated subsidiaries: the value cycle business (trading used brand goods via the Internet), the retailing and licensing business (Internet shopping and the planning and promotion of goods licensed by celebrities), and the cross-border business (operating a global online shopping site, acting as an agent to purchase goods in Japan, and forwarding goods to residents of other countries). The incubation businesses include new businesses developed in house and the business of investing in and nurturing Internet venture businesses in Japan and abroad, and these incubation businesses are conducted by five consolidated subsidiaries. In FY9/14, netprice.com has reorganized its business domains as shown in the following tables.

■ Description of Businesses

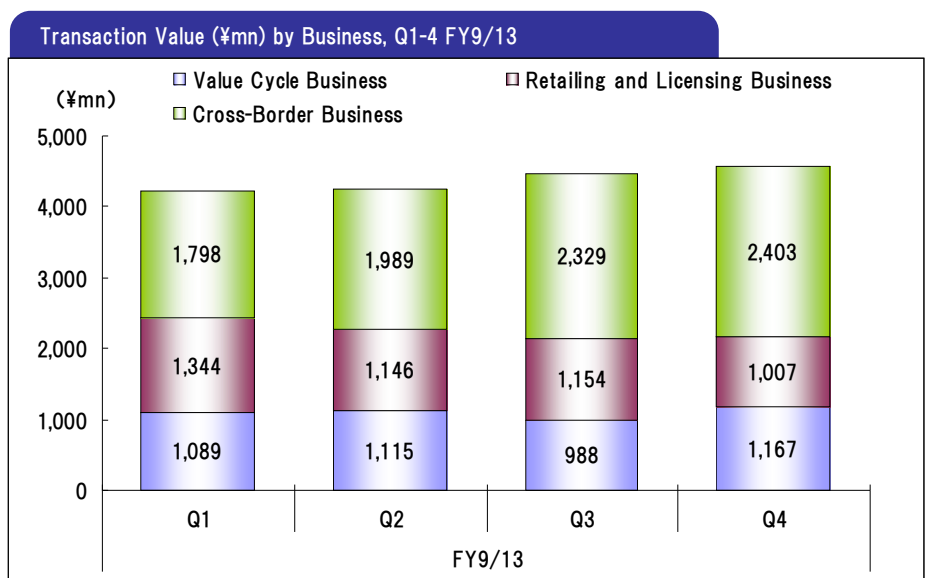
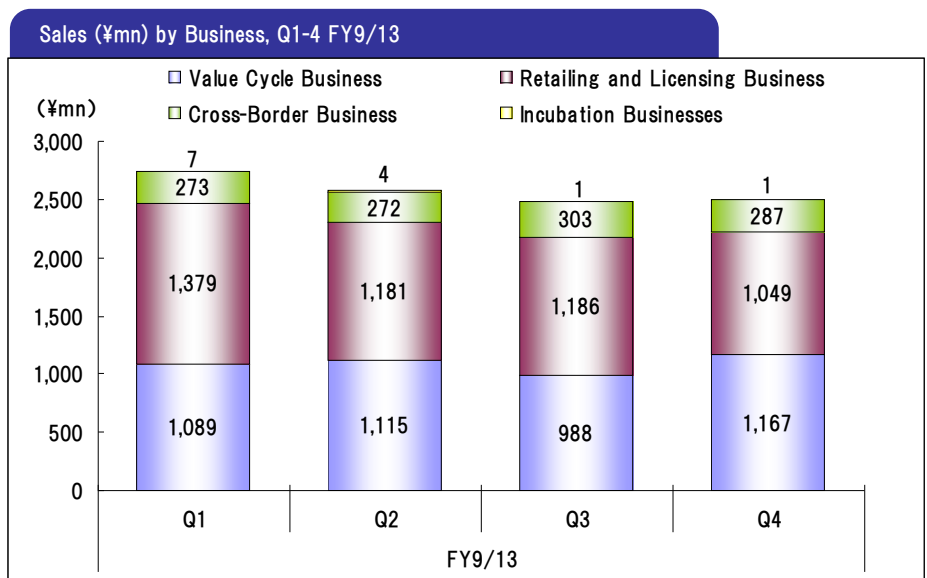
Reorganization of Business Domains

Business	Consolidated subsidiaries
E-commerce businesses	
Gathering	netprice, Ltd.
Value cycle	Defactostandard Ltd.
Cross-border	Shop Airlines, Ltd., Shop Airlines America, Inc., Shop Airlines Europe B.V.
Incubation businesses	Tenso.com, Inc., monosense, Ltd., FORii, Inc., Kirs, Inc.

New organization

Business	Consolidated subsidiaries
E-commerce businesses	
Value cycle	Defactostandard Ltd.
Retailing and licensing	netprice, Ltd., monosense, Ltd.
Cross-border	Shop Airlines, Ltd., Shop Airlines America, Inc., Shop Airlines Europe B.V., Tenso.com, Inc.
Incubation businesses	FORii, Inc., Kirs, Inc., BEENOS department (Japan), Beenos Partners Inc. (US), Beenos Asia, Pte. (Singapore)

According to the new organization, the sales and transaction value by business in each quarter of FY9/13 are shown in the bar charts below. The value cycle business and retailing and licensing business each provided about 40% of total sales in FY9/13, while the cross-border business accounted for about half of the total business transacted by the company. Until 2011, the retailing and licensing business, formerly called the gathering business, provided most of the transaction value and sales. Thus, the business structure of netprice.com has changed significantly over the past three years.



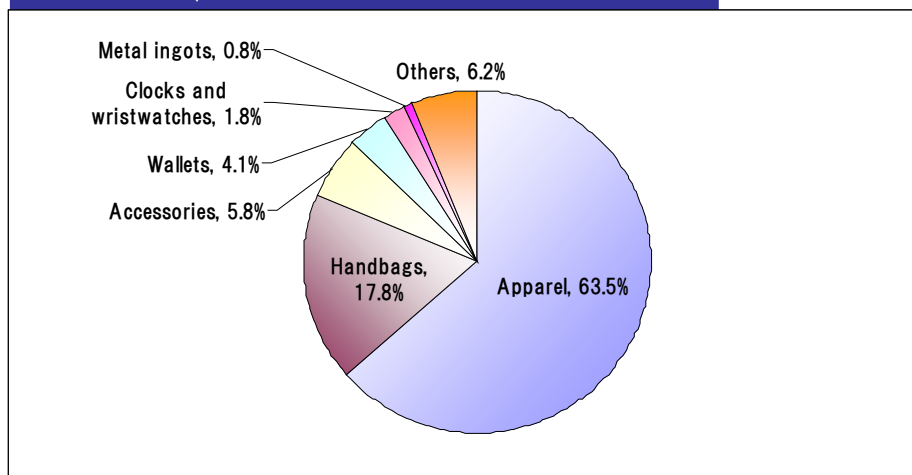
■Description of Businesses

The leading Internet trader of used brand goods in Japan in terms of number of items purchased

Value Cycle Business

Consolidated subsidiary Defactostandard Ltd. buys used brand goods through its own Brandear auction site via delivery companies and sells those goods through its auction site and affiliated auction sites. netprice.com calls this its value cycle business. Affiliated auction sites for purchases include the Yahoo! Purchase site operated by Yahoo! Japan (4689), the Yamada Purchase site operated by Yamada Denki Co. (9831), and sites operated by various cooperative associations. At the end of October 2013, more than 600,000 people had used this service, which offered about 6,000 brands of items ranging from clothing to handbags, precious metals, and cell phones. Defactostandard charges no fees for appraising goods for sale, for picking up and delivering these goods through commercial home delivery services, and for payment. It handles a wide variety of goods quickly. For example, it appraises goods offered for sale on the day they are offered. For these reasons, Defactostandard is by far the leading company in Japan in terms of the number of items purchased through the Internet.

Breakdown of Number of Purchases by Defactostandard by Genre of Goods in Q4 FY9/13



For the sales channel of this business includes affiliated auction sites for sales Japanese sites, such as YahooAuc!, Rakuten Auction, and overseas auction sites, such as eBay, and own action site, Brandear.

Flow of Purchases and Sales Using the Brandear Site



Source: Company



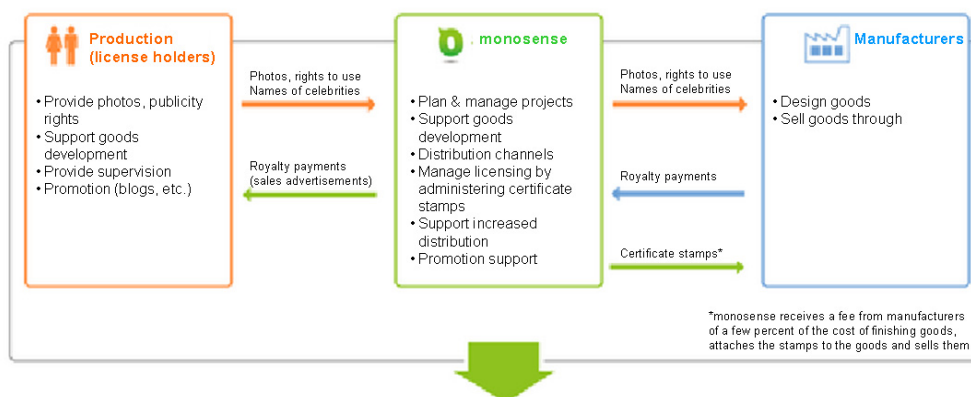
Internet shopping and the planning, development and sale of goods licensed from celebrities

Retailing and Licensing Business

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 famous people. The netprice Internet shopping site has more than 2.2 million registered users. Women make up about 78% of the netprice online shopping site membership, people in their 30' s and 40' s comprise somewhat more than 70% of the membership, and the site offers a wide range of goods for sale, including brand goods, clothing, healthcare goods, miscellaneous goods for home and garden use, and cosmetics.

Subsidiary monosense, Ltd. provides a one-stop service for the licensing of rights to produce goods endorsed by celebrities and other famous people, the planning and development of such goods, the promotion of their sales, the management of licensing, and the sales of these goods through e-commerce sites. The subsidiary started selling official goods from popular girl singing groups at event sites and through public e-commerce sites. Its sales derive from sales commissions.

Diagram of Functions Performed by monosense



Sales through many distribution channels:
 general stores, specialty stores, TV, catalogs, e-commerce sites

Source: Company

Sales through many distribution channels: general stores, specialty stores, TV, catalogs, e-commerce sites

Cross-Border Business

The Japanese-language online shopping site authorized by eBay Inc. and agency business for forwarding goods purchased in Japan to residents of other countries and for purchasing goods for overseas residents

Consolidated subsidiary Shop Airlines, Ltd. operates the “sekaimon” global online shopping site, while subsidiary tenso.com serves as a purchasing agent and an agent for forwarding goods purchased through an e-commerce site in Japan to buyers living overseas. The sales of both subsidiaries are commissions based on their transaction value.



Description of Businesses

“sekaimon” is the Japanese-language site authorized by eBay Inc., the largest auction site in the world. It offers goods made in the US, the UK, Germany, and Austria. In July 2013, Shop Airlines started the “SEKAIMON for Woman” auction site selling fashion goods for women, and in September 2013, it started offering outlet sales of brand goods direct from makers.

tenso.com serves residents of foreign countries, including Japanese business people working overseas and students studying abroad. If these people purchase an item on an e-commerce site in Japan and the operator of the site does not ship goods overseas, tenso.com will ship the good for a fee of ¥490-3,980, depending on the weight of the good. At the end of 2013, somewhat more than 240,000 people used tenso.com’s service, and about 70% of these users were non-Japanese. The proportion of non-Japanese users has been rising steadily.

tenso.com, Inc. forwards goods to 84 countries using the Express Mail Service (EMS) of Japan Post. The company ranks first in Japan in terms of the number of goods purchased through e-commerce sites that are forwarded overseas.

In-house development of new businesses and investing in and developing promising young e-commerce businesses

Incubation Businesses

New businesses developed in house become subsidiaries. Currently, there are two such subsidiaries. FORii, Inc., which distributes software content to smartphones and tablet devices through intellectual stimulation application software, was established in November 2012. Kirs, Inc., which matches consumers to appropriate beauty salons using smartphone applications, was founded in June 2013.

Subsidiary Beenos Asia Pte, headquartered in Singapore, invests in Internet venture businesses in Asia and Africa. As detailed in the following table, it has invested mainly in venture businesses in Indonesia, India and Turkey since 2012. The e-commerce markets in these countries are expected to grow quickly, so all of the invested companies have significant growth potential.

Companies Invested in by Beenos Asia Pte.

Company	Investment date	Business
PT MIDTRANS	January 2012	Provides online settlement service for companies in Indonesia’s e-commerce market
PT Tokopedia	January 2012	Operates Indonesia’s largest C-to-C online marketplace
ShopClues	March 2013	Operates B-to-C online marketplace in India
akakce	May 2013	Operates largest B-to-C price comparison site in Turkey
iyzi Payments	June 2013	Online settlement service provider* in Turkey
Citrus Payment Solutions	November 2013	Holding company for Citrus Payment Solutions, which provides an online settlement service in India

Beenos Partners Inc., based in the US, invests in US startup companies engaged in Internet businesses. At the end of FY9/13, it had invested in 32 companies. Through investments, netprice.com gains information about the latest Internet services and technologies. It applies this information to establish new businesses in Japan and overseas and to reap gains on its investments. One of the Japanese companies invested in, Aucfan Co., Ltd. (3674), made an initial public offering of shares, the first such company to do so.



Business Trends

Value of e-commerce transactions grew 22.1% y-o-y

(1) Q1 FY9/14 Results

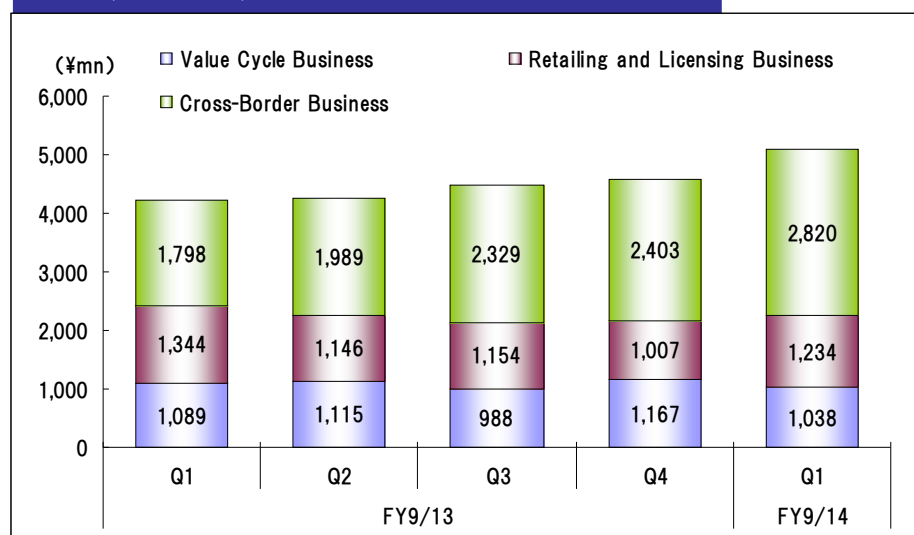
On January 30, 2014, netprice.com announced its consolidated results for Q1 FY9/14. As detailed in the table below, sales increased by 1.1% y-o-y to ¥2,779mn, the company suffered an operating loss of ¥157mn, after an operating profit of ¥39mn in Q1 FY9/13, a recurring loss of ¥128mn, after a recurring profit of ¥23mn in Q1 FY9/13, and a net loss of ¥18mn, after a net loss of ¥11mn a year earlier. Sales were slightly lower than the company had projected and the operating loss was slightly larger, but the recurring loss was within the range expected, as was the net loss. Sales grew only slightly y-o-y primarily because the value cycle business was unable to sell used brand goods as quickly as it purchased them, although the backlog of unsold items should contribute to sales growth in Q2. The company earned an extraordinary gain of ¥166mn, mainly on the sale of its shareholdings in affiliated companies, but suffered a net loss of ¥18mn due to extraordinary impairment loss on Internet shopping fixed assets.

Consolidated Results (¥mn) in Q1 FY9/13 and Q1 FY9/14

	Q1 FY9/13			Q1 FY9/14		
	Result	vs. sales	Co. forecast	result	vs. sales	y-o-y
Sales	2,748	-	2,829~3,107	2,779	-	1.1%
Operating profit	39	1.4%	▲140~19	▲157	-5.6%	-
Recurring profit	23	0.8%	▲146~13	▲128	-4.6%	-
Net extraordinary gain	11	0.4%	-	92	-	-
Net profit	▲11	-0.4%	▲55~99	▲18	-0.7%	-

The value of e-commerce transactions is an important measure of management for the company. In Q1 FY9/14, this value grew by 22.1% y-o-y to ¥5,216mn. Transaction value increased strongly in the cross-border business, lifting overall transaction value.

Transaction Value (¥mn) in the E-commerce Businesses,
Q1 FY9/13 - Q1 FY9/14



■ Business Trends

Retailing and licensing business improved q-o-q**(2) Q1 FY9/14 Segment Results****E-commerce Business Domain**

In the e-commerce business domain, sales weakened by 3.3% y-o-y to ¥2,652mn in Q1 FY9/14, and the domain suffered an operating loss of ¥120mn, reversing an operating profit of ¥129mn in Q1 FY9/13. Q1 FY9/14 was the third consecutive quarter of operating losses for the domain, as detailed in the following table.

Breakdown of Quarterly Consolidated Results (¥mn) in the E-commerce Business Domain by Business, Q1 FY9/13- Q1 FY9/14

	FY9/13				FY9/14
	Q1	Q2	Q3	Q4	Q1
E-commerce businesses					
Sales	2,741	2,569	2,478	2,504	2,652
Operating profit	129	131	-38	-38	-120
Value cycle business					
Sales	1,089	1,115	988	1,167	1,038
Operating profit	61	102	-35	3	-128
Retailing and licensing business					
Sales	1,379	1,181	1,186	1,049	1,219
Operating profit	19	0	-23	-39	12
Cross-border business					
Transaction value	1,796	1,989	2,329	2,403	2,820
Sales	273	272	303	287	393
Operating profit	49	28	20	-1	-5

Value Cycle Business

Sales in the value cycle business decreased by 4.6% y-o-y to ¥1,038mn, and the business suffered an operating loss of ¥128mn, after an operating profit of ¥61mn in Q1 FY9/13. The company expects this business to drive growth, but in Q1 FY9/13, the business concentrated on increasing its purchases and lacked enough personnel to expand its sales as much as it did its purchases. However, this business occasionally has a bad quarter because the company is more concerned with balancing purchases and sales on a half-year basis than with balancing them on a quarterly basis.

The company therefore considers the poor performance by the value cycle business in Q1 to be temporary. The business increased the number of items purchased by 48.2% y-o-y in Q1 FY9/14, to the highest level ever for a single quarter. It therefore strategically expanded its inventory of purchased items by 64.4% during Q1. This inventory build-up should support sales increases in coming quarters.



■ Business Trends

Retailing and Licensing Business

In the retailing and licensing business, sales declined by 11.5% y-o-y to ¥1,219mn and operating profit fell by 32.6% y-o-y to ¥12.9mn. Reflecting increased competition with larger rivals and a shrinkage of the market for Japanese feature cell phones, sales in the Internet retailing business conducted by netprice, Ltd. fell y-o-y and the business remained slightly unprofitable at the operating level. In contrast, sales in the licensing business conducted by monosense Ltd. doubled y-o-y and operating profit grew strongly. E-commerce sales of goods licensed from popular girl singing groups remained brisk, and in December 2013, it signed a contract with another popular girl singing group. Thus, sales commissions and licensing income grew, contributing to sales and profit growth in this business.

Cross-border Business

In the cross-border business, transaction value jumped by 56.8% y-o-y in Q1 FY9/14 to ¥2,820mn, and sales increased by 44.0% y-o-y to ¥393mn, but the business suffered an operating loss of ¥5mn, after an operating profit of ¥49mn in Q1 FY9/13. At subsidiary Shop Airline, which operates the “sekaimon” global shopping site, sales and operating profit deteriorated y-o-y due to significant yen depreciation against the US dollar. However, sales and operating profit improved q-o-q, due in part to seasonal factors. Subsidiary tenso.com benefited from yen depreciation and from the growing popularity of Japanese culture and fashion in other countries. Thus, its transaction value surged and its sales more than doubled y-o-y. Its operating profit grew only slightly y-o-y, however, as the subsidiary’s operating costs increased by ¥15mn y-o-y on a one-time basis, reflecting wage incentives for employees and other factors.

One new business entered a growth stage, and the investment business continued to invest in venture companies in rapidly developing countries**Incubation Business Domain**

Sales by incubation businesses jumped by 16.3 times y-o-y in Q1 FY9/14 to ¥128mn, and these businesses earned an aggregate operating profit of ¥19mn, after an operating loss of ¥24mn in Q1 FY9/13. The investment and nurturing business generated sales and operating profit of about total ¥100mn from the sale of shares in several invested companies, and sales and operating profit growth was further supported by a change in accounting practice for this business. Through FY9/13, this business accounted for its invested companies only from the non-operating profit level and below. From FY9/14, it will account for these companies from the sales level.

New businesses are conducted by two new subsidiaries which were developed in house: FORii, Inc., and Kirs, Inc. Kirs is still in the process of developing a business model, so it does not contribute significantly to sales and is unprofitable. However, FORii is entering a growth stage. At the end of August 2013, FORii released an intellectually stimulating application program for children to use on smartphones and tablet devices. Called “Let’s Play with Picture Books - dah, dah, dah, dah!,” this program arranges popular Japanese children’s stories, nursery rhymes and songs with a modern twist and presents them as animation video programs. By January 2014, this application program had been downloaded more than 300,000 times and more than 10 million video programs had been viewed using the application.



■ Business Trends

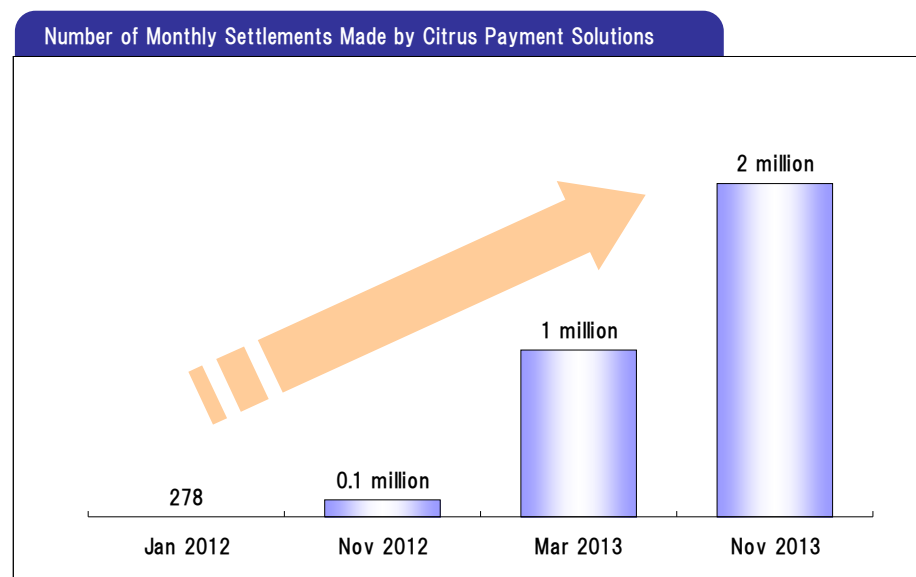
Using this application program, children can produce their first eight video programs free of charge. Thereafter, they are charged ¥200 per video program or a package deal of ¥1,000. At the end of January 2014, FORii launched sales of an English-language version of this application program. It expects this version to assist Japanese children to learn English and to appeal to English-speaking children in other countries. In recent months, FORii's monthly sales have risen to about ¥4mn, and if sales growth continues, the company may turn profitable in H2 FY9/14.

Breakdown of Quarterly Consolidated Results (¥mn) in the Incubation Business Domain, Q1 FY9/13- Q1 FY9/14

	FY9/13				Q1 FY9/14
	Q1	Q2	Q3	Q4	Q1
Sales	7	4	1	1	128
Operating profit	-24	-31	-45	-56	16

In November 2013, the investment and nurturing business invested in Citrus Payment Solutions, an Indian online settlement provider, with econtext Asia, a subsidiary of Digital Garage. The electronic settlement of invoices and bills from public agencies is spreading in India, and Citrus Payment Solutions has established close ties with many settlement services, including credit card companies, debit card companies, banks, cash-on-delivery settlement companies and installment payment credit companies. It serves a wide range of private and semi-public companies and organizations, including airline IndiGo, mobile communications company Airtel, satellite broadcasting company Sun Direct, transportation agency Delhi Metro, and water supply agency Delhi Jal Board. The number of settlements made by Citrus Payment Solutions has risen rapidly each month over the past year.

netprice.com plans to support the growth of Citrus Payment Solutions, in part, but providing its deep knowledge of Internet business and access to its personnel network. India develops world-class computer systems for financial applications, so Citrus Payment Solutions could eventually provide its services globally. It is a particularly promising investment for netprice.com.



Source: Citrus Payment Solutions

■ Business Trends

Other investments in Internet venture companies in emerging economies since 2012 are thriving. PT Tokopedia, the largest C-to-C online marketplace company in Indonesia, facilitated more than ¥400mn of transactions in December 2013, which was twice the transaction value recorded in December 2012. However, PT Tokopedia is offering some of its services for free to gain market share, so it is not likely to turn profitable for about three years. ShopClues, the largest B-to-C online marketplace company in India, achieved a transaction value of ¥500mn in December 2013, which was six times its transaction value a year earlier. akakce, the operator of the largest price-comparison site in Turkey, saw a 30% rise in the number of visitors to its site from June 2013 to December 2013. netprice.com intends to continue to support such venture companies, aiming to take them public or sell them in 3-5 years and reap handsome returns on its investments.

Proceeds to be invested in Internet venture companies overseas

(3) Allocation of new shares to Digital Garage, Inc.

At the end of November 2013, netprice.com and Digital Garage, Inc. signed an equity and business cooperation agreement. In December, netprice.com allocated to Digital Garage 9,600 new shares at a price of ¥82,200 per share, raising ¥785mn, which it intends to invest in Internet venture companies overseas and to support the development of these companies. Digital Garage now holds a 7.8% stake in netprice.com, making it netprice.com's third largest shareholder.

netprice.com and Digital Garage plan to jointly establish and develop Internet businesses overseas. Netprice.com and a subsidiary of Digital Garage have established a joint venture in Indonesia to engage in settlement agency business and have jointly invested in the Indian online settlement provider Citrus Payment Solutions, as discussed earlier. Hereafter, netprice.com and Digital Garage plan to engage in the incubation business overseas, focusing on companies involved in the related businesses of e-commerce and online settlement. Through cooperation, both companies expect to increase their value.

Sales of official goods licensed from artist groups expected to lift overall sales and profits in FY9/14

(4) Company Forecasts for H1 FY9/14

netprice.com announces its forecasts only on a quarterly basis. For H1 FY9/14, the company forecasts consolidated sales of ¥6,079-6,279mn, up 14.2-18% y-o-y, an operating account of minus ¥187mn to minus ¥57mn, compared with an operating profit of ¥76mn in H1 FY9/13, a recurring account of minus ¥158mn to minus ¥28mn, compared with a recurring profit of ¥56mn in H1 FY9/13, and a net account of minus ¥88mn to plus ¥1mn, compared with a net loss of ¥23mn in H1 FY9/13.

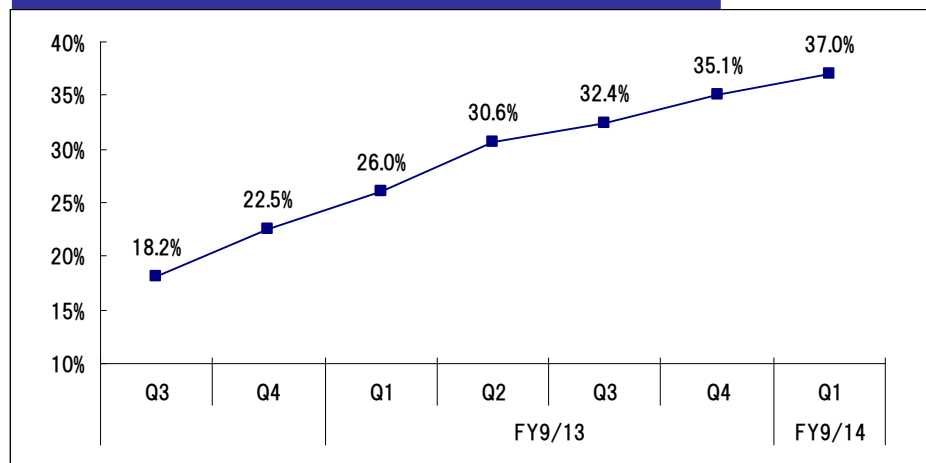
The company expects its value cycle business to increase its sales by double digits y-o-y and to earn an operating profit in H2 FY9/14. Goods to be auctioned online must be photographed and the photographs must be uploaded onto auction sites. To prevent an increase in personnel cost accompanying a rise in the number of goods auctioned, the company plans to simplify its process for preparing goods for sale and to rely on cloud sourcing, thereby increasing profitability as sales grow. It began using cloud sourcing in summer 2013, and this process now undertakes about 15% of the work normally done by employees. The company plans to use cloud sourcing efficiently to expand this business.



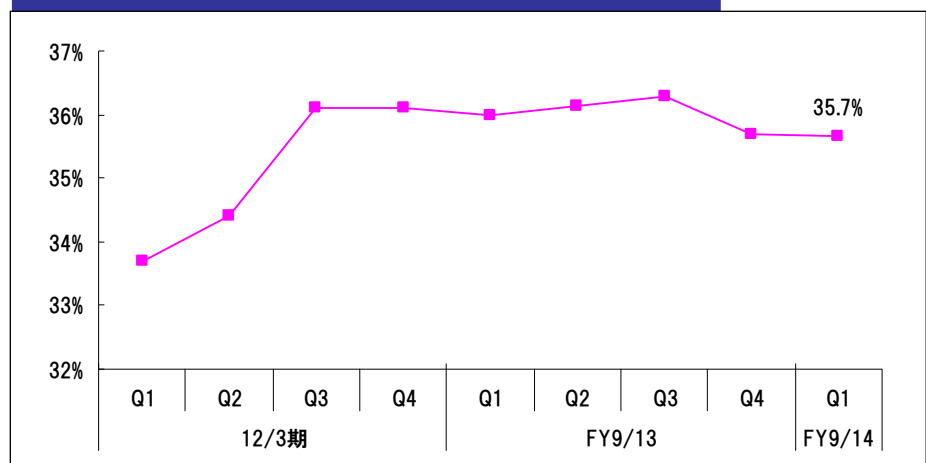
■ Business Trends

The company expects its licensing business undertaken by monosense to increase its sales and profits in H2 FY9/14, supported by strong sales of goods licensed from girl idol singing groups. It aims to improve the sales and profits of the Internet retailing business conducted by netprice Ltd. by continuing to develop original goods for sale, by applying the 24-hour sale technique, and by making more sales via smartphones. The proportion of sales made through smartphones has been rising steadily, reaching 37% in Q1 FY9/14, and the business aims to raise this ratio to 50-70% ultimately, thereby improving profitability. The business also hopes to increase sales of its original goods and increase the number of its sales made by bundle selling, which should raise its gross profit margin. The business also plans to use the websites of other companies more to expand its sales channel. In mid-December 2013, the business became the first partner for the time sale organized by the Yahoo! Shopping site, and it plans to partner with other leading media sites to grow.

Proportion of Internet Retailing Sales Accounted for by Smartphones, Q3, FY9/12 - Q1 FY9/14



Gross Profit Margin on Internet Retailing, Q1 FY9/12 - Q1 FY9/14



■ Business Trends

The cross-border business is giving priority to improving the profitability of the “sekaimon” site in H2 FY9/14. Although sales and profits made through this site are adversely affected by yen depreciation, Shop Airline is improving the convenience of the site and its public recognition, aiming to increase the number of site users and the number of transactions through the site. The company expects tenso.com to continue to expand its sales and profits in H2 FY9/14, as it benefits from a supportive market environment.

In the incubation business domain, the two subsidiaries engaged in new businesses are projected to remain unprofitable in H2 FY9/14, although FORii, Inc.’s business is growing. Sales and profits in the investment and nurturing business will depend on divestitures, which have not been decided yet.

■ Growth Strategy

Aiming for greater growth through aggressive investment in start-up companies in rapidly developing countries

The value cycle business of trading used brand goods on the Internet undertaken by Defactostandard, Ltd. displays notable growth potential. The Brandear site operated by this subsidiary is the largest such site in Japan, in terms of the number of goods purchased. The acquisition of goods for sale is the most important step in expanding the business of trading used goods. Therefore, Defactostandard plans to continue its purchasing policies of appraising goods offered for sale on the same day they are offered and of charging nothing for appraisal and pick-up, aiming to double the number of purchases y-o-y in FY9/14. It will also continue to raise the public awareness of its service through TV commercials and other means. Through these efforts, the company aims for double-digit sales growth and overwhelming competitiveness in its field.

The Internet retailing business undertaken by netprice, Ltd. aims for profitability in FY9/14. Toward this end, it plans to expand its offering of distinctive goods, such as original goods and goods developed in collaboration with celebrities and to target women in their 30’s and 40’s owning smartphones for sales. It will also team up with e-commerce sites other than its own to expand its sales capability. By pursuing sales strategies different from those followed by major e-commerce companies, the business aims to grow in a competitive market. The licensing business undertaken by monosense has begun to establish a reputation for its skill in developing original goods in affiliation with celebrities and selling them through e-commerce channels. This reputation should enable the business to grow by continuing to conclude contracts with celebrities.

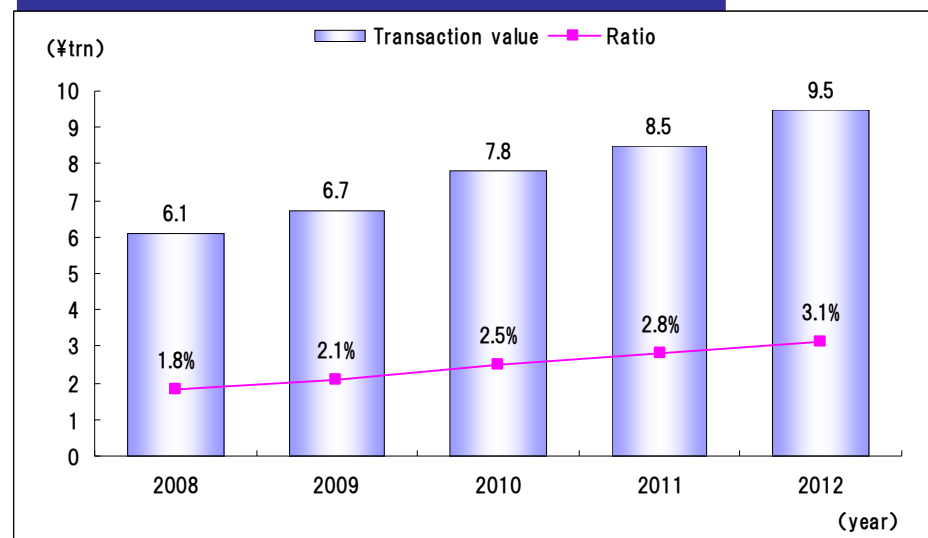


■ Growth Strategy

In the cross-border business of operating the global e-commerce site “sekaimon”, Shop Airline’s immediate goal is to improve profitability. Over the medium-to-long term, the company plans to increase the number of countries from which it sources goods beyond the current four countries, the US, the UK, Germany and Australia. It plans to increase the convenience of the site for smartphone use, to raise the public recognition of the site, and to expand the number of customer segments using the site, thereby raising its transaction value. In the cross-border business of forwarding goods purchased in Japan to overseas buyers and purchasing goods as an agent, tenso.com aims to increase business development jointly with e-commerce sites in Japan and to attract more overseas customers. According to Japan’s Ministry of Economy, Trade and Industry, Japan’s B-to-C e-commerce market was ¥9.5 trillion in 2012, which was 3.1% of the country’s total commerce market. Overseas customers accessed large e-commerce sites in Japan at an estimated rate of 3-5% out of total access. Thus, these customers bought ¥300-500bn of goods in 2012. Given the high interest in Japanese culture and fashion overseas, e-commerce purchases by overseas residents will probably increase.

tenso.com transacted only about ¥4bn of business in FY9/13, but the markets for its services are expanding, and the company is raising its shares of these markets by affiliating with more e-commerce sites. Thus, it is likely to grow notably over the medium-to-long term. Japanese operators of e-commerce sites may develop their own ability to settle transactions for overseas customers and to forward goods to them, but this would require significant investment. tenso.com already has these capabilities, so there is a good chance that operators of e-commerce sites will subcontract overseas business to tenso.com.

Japan’s B-to-C E-commerce Market (¥trn) and the Ratio of This Market to Japan’s Total Commerce Market, 2008-2012



Source: Ministry of Economy, Trade and Industry

■ Growth Strategy

The incubation business domain will continue to develop new businesses internally, and the investment and nurturing business in this domain, Beenos, will continue to invest aggressively in promising Internet venture companies in Japan and overseas, using the proceeds of netprice.com's new share allocation to Digital Garage. Beenos is particularly interested in young companies engaged in business platforms related to e-commerce in rapidly developing countries with large populations, where the e-commerce markets are likely to grow and the rates of Internet penetration will probably rise. More specifically, it targets companies providing Internet market places, payment services, price comparison services, and personal Internet services, such as service matching providers.. Beenos Partners Inc., the US division of Beenos, is investing in US venture companies, and through these investments, it will invest in venture companies in central and south America.

In the e-commerce business domain, the value cycle and cross-border businesses are displacing online shopping as the growth drivers. In the incubation business domain, the investment and nurturing business is beginning to reap profits from its investments and will continue to invest aggressively. Thus, netprice.com intends to grow as an incubation company strong in e-commerce. Reflecting this change in business emphasis, the company plans to change its name to BEENOS in October 2014.

■ Shareholder Return Policy**Plans to pay a dividend when profits allow****(1) Q1 FY9/14 Results**

netprice.com has not paid a dividend yet because it has concentrated on building new businesses, accelerating the growth of existing businesses and responding to rapid changes in its operating environment. However, management has recently become more amenable to paying a dividend if the company's profits reach a level where the company can function effectively and still pay a dividend.

Consolidated Income Statement (¥mn)

		FY9/09	FY9/10	FY9/11	FY9/12	FY9/13
Sales ratio		13,140	12,165	10,790	9,949	10,308
	y-o-y	9.3	-7.4	-11.3	-7.8	3.6
Gross profit		5,105	4,878	4,696	4,471	4,820
	Gross profit margin	38.9	40.1	43.5	44.9	46.8
SG&A expenses		4,828	4,743	4,779	4,782	5,045
	SGA cost ratio	36.7	39.0	44.3	48.1	48.9
Operating profit		277	135	-82	-310	-225
	y-o-y	7.3	-51.3	-	-	-
	Operating profit margin	2.1	1.1	-0.8	-3.1	-2.2
Non-operating income		48	32	20	249	438
Interest and dividends received		4	2	2	1	1
Other non-operating income		43	30	18	248	436
Non-operating expenses		76	153	238	68	79
Interest and dividends paid		4	8	12	12	9
Other non-operating expenses		71	145	226	56	69
Equity-in-earnings profit/loss		2	-77	-100	-26	-18
Recurring profit		249	14	-300	-130	133
	y-o-y	31.5	-94.3	-	-	-
	Recurring profit margin	1.9	0.1	-2.8	-1.3	1.3
Extraordinary profit		368	193	406	2	15
Extraordinary loss		364	85	117	163	0
Pretax profit		253	122	-10	-291	149
	y-o-y	27.9	-51.7	-	-	-
	Pretax profit margin	1.9	1.0	-0.1	-2.9	1.5
Corporate income taxes		197	103	103	26	92
	Effective tax rate	77.9	84.4	-957.6	-8.9	62.1
Minority interest		-9	-25	10	34	-20
Net profit		65	44	-125	-351	35
	y-o-y	167.1	-32.3	-	-	-
	Net profit margin	0.5	0.4	-1.2	-3.5	0.3
Number of shares outstanding (Thousand)		111	111	111	111	111
EPS (¥)		590.13	399.39	-1,129.84	-3,159.12	321.82
DPS (¥)		0.00	0.00	0.00	0.00	0.00
BPS (¥)		37,995.20	38,462.03	37,320.13	33,756.49	36,036.67

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