



Tri-Stage

株式会社トリスステージ

# FY2/09 Results Presentation and Outline of Medium-Term Management Plan

April 7, 2009

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URL: [www.tri-stage.jp/](http://www.tri-stage.jp/)

## ■ FY2/09 Results

- FY2/09 Results Highlights ①
- FY2/09 Results Highlights ②
- Sales by Segment
- Cost of Sales
- Gross Profit
- SG&A Expenses
- Operating Income
- Financial Position
- Cash Flows

## ■ FY2/10 Forecasts

- FY2/10 Forecast Highlights
- FY2/10 Sales Forecast by Segment
- Cost of Sales Forecast
- Gross Profit Forecast
- SG&A Expenses Forecast
- Operating Income, Ordinary Income and Net Income Forecasts

## ■ Medium-Term Management Plan

- Analysis of the Business Environment
- Changes in the Business Environment
- Management Policies and Medium-Term Business Strategies
- Overview of 2<sup>nd</sup> Stage Strategies
  - 1 – i Expansion of Business from Existing Clients and Development of New Clients ①
  - 1 – i Expansion of Business from Existing Clients and Development of New Clients ②
  - 1 – ii Direct Marketing Support Programs for New Client Categories
  - 1 – iii Expansion of TV Commercials
- 2 Strengthening of Solution Services
- 3 Development of Cross-Media Business
- Overview of 3<sup>rd</sup> Stage Strategies
- Organizational and Financial Strategies
- Targets Set in the Medium-Term Management Plan (FY2/10 to FY2/12)

## ■ Reference Materials

- Company Profile
- Philosophy, Creed and Management Principles
- Business Domain
- Tri-Stage's Business Model
- Source of Competitiveness (Strengths)
- Quarterly Net Sales
- Quarterly Gross Profit and Operating Income
- Direct Marketing (Merchandise) Trends
- Direct Marketing (TV Shopping) Trends
- FAQ
- Disclaimer

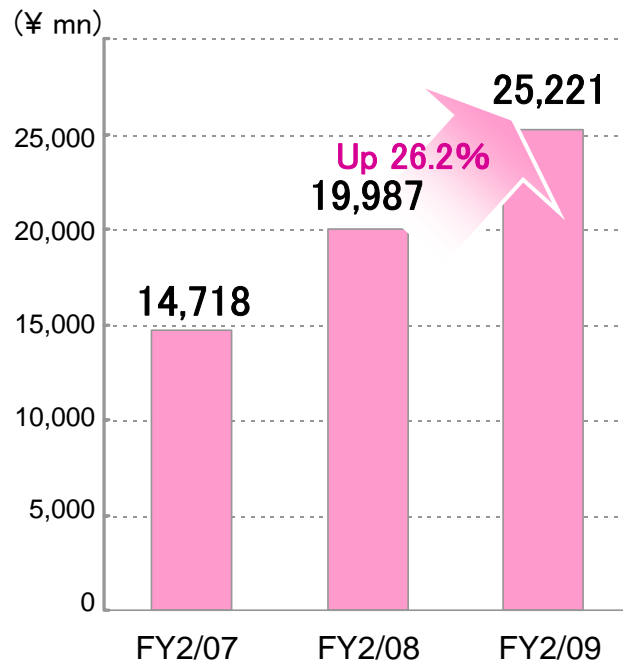
- **FY2/09 Results**
- FY2/10 Forecasts
- Medium-Term Management Plan
- Reference Materials

# FY2/09 Results Highlights①

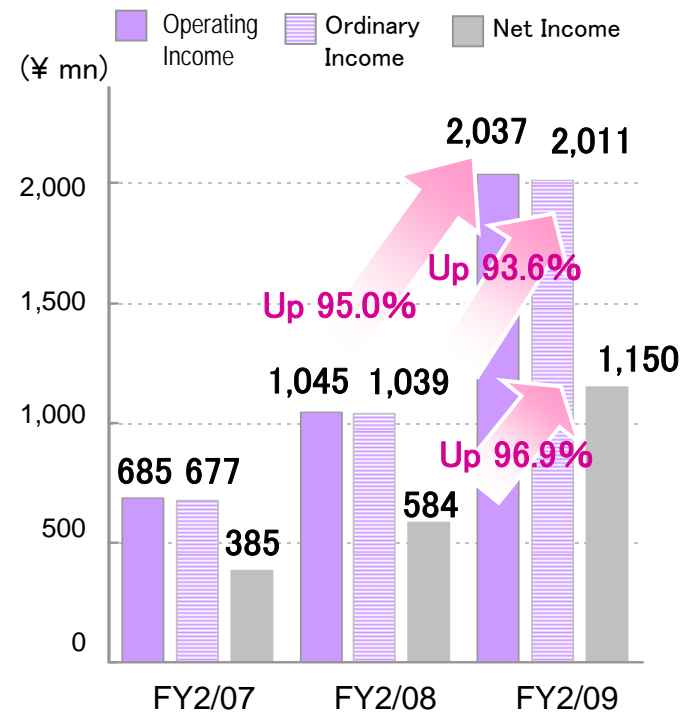


Net sales up 26.2% YoY, income up 93.6% to 96.6%

## Net Sales



## Operating Income, Ordinary Income and Net Income



## FY2/09 Results Highlights ②



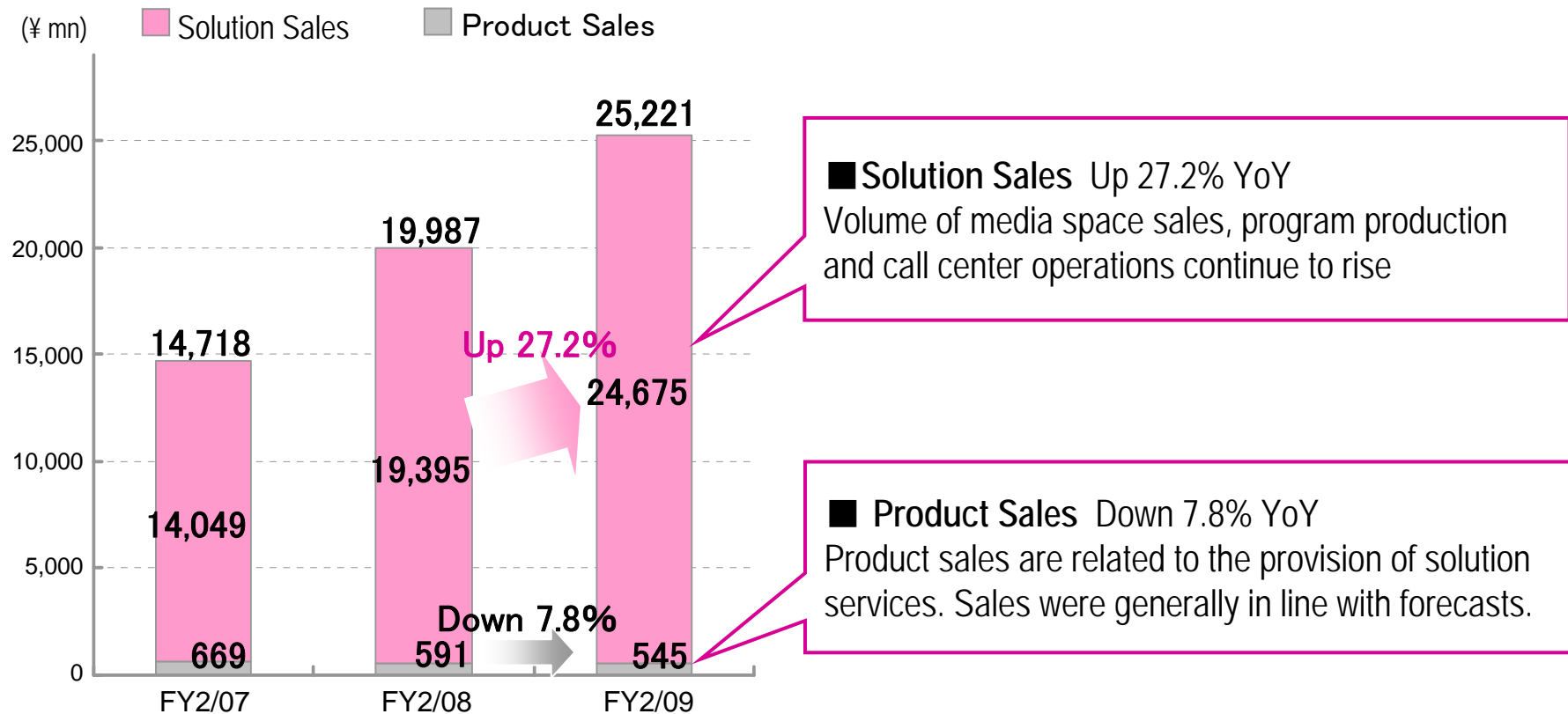
Net sales exceed forecast by 5.3%;  
income exceeds forecasts by 22.8% to 24.6%

(Units: ¥ mn; %; % points)

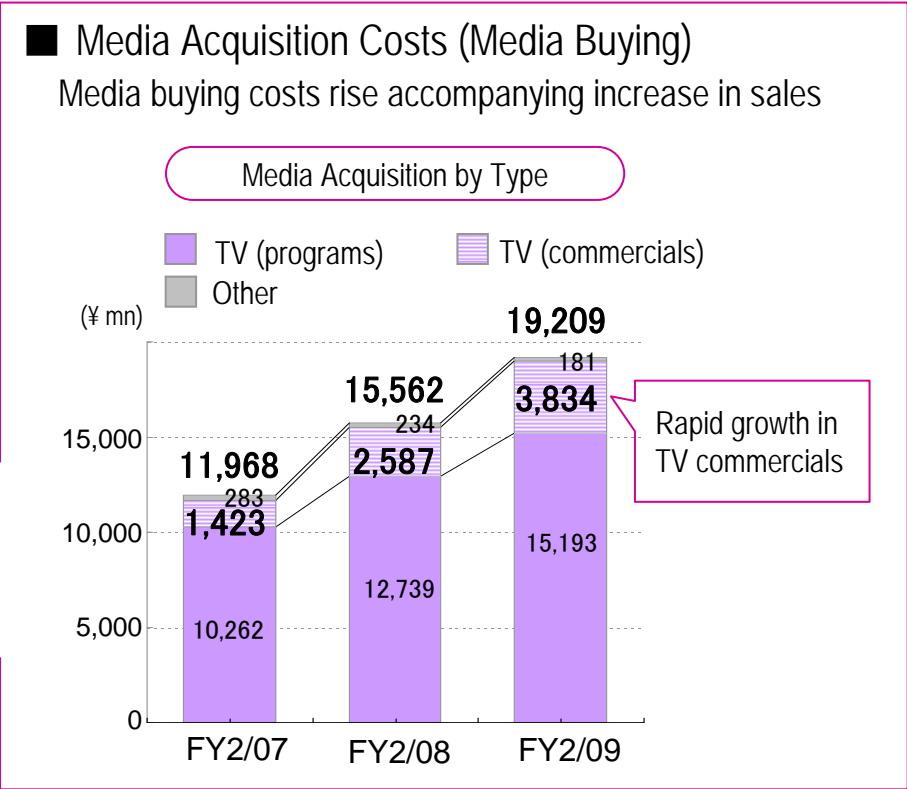
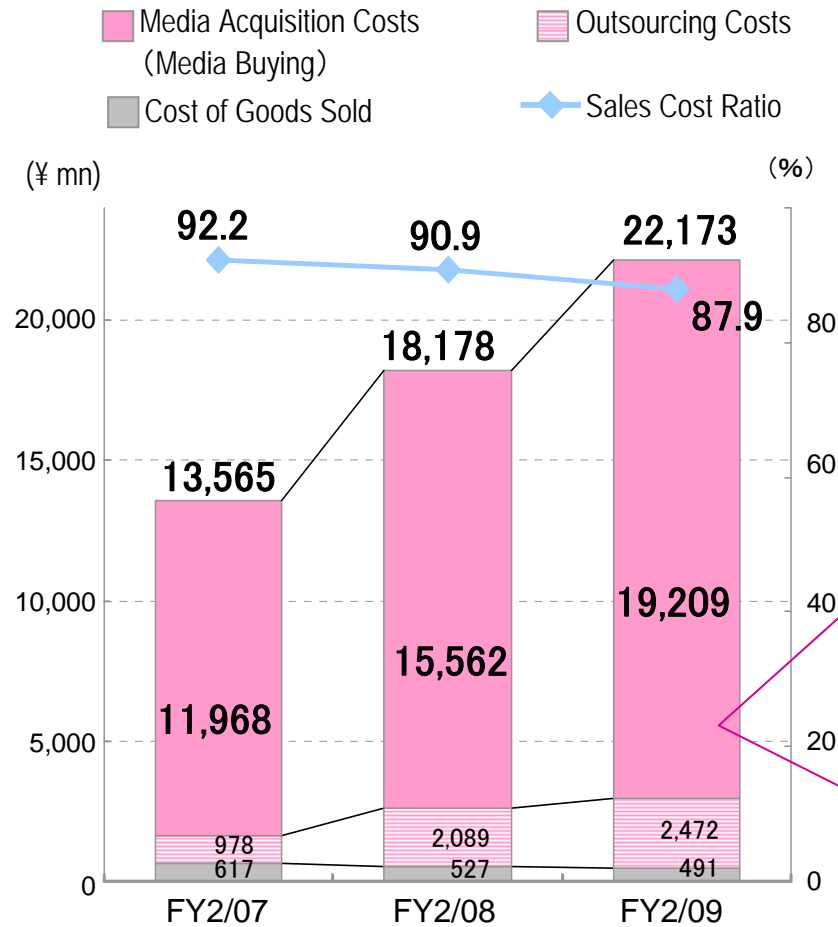
	FY2/08 (Actual)	FY2/09 (Actual)	FY2/09 (Forecast) Announced Sep.18, 2008	Variance from Forecast	Percentage Variance from Forecast
Net Sales	19,987	25,221	23,960	+1,260	105.3%
Gross Profit	1,808	3,047	2,735	+312	111.4%
Gross Profit Margin	9.1	12.1	11.4	+0.7	-
Operating Income	1,045	2,037	1,642	+394	124.0%
Operating Margin	5.2	8.1	6.9	+1.2	-
Ordinary Income	1,039	2,011	1,613	+397	124.6%
Ordinary Income Margin	5.2	8.0	6.7	+1.2	-
Net Income	584	1,150	937	+213	122.8%
Net Income Margin	2.9	4.6	3.9	+0.7	-

# Sales by Segment

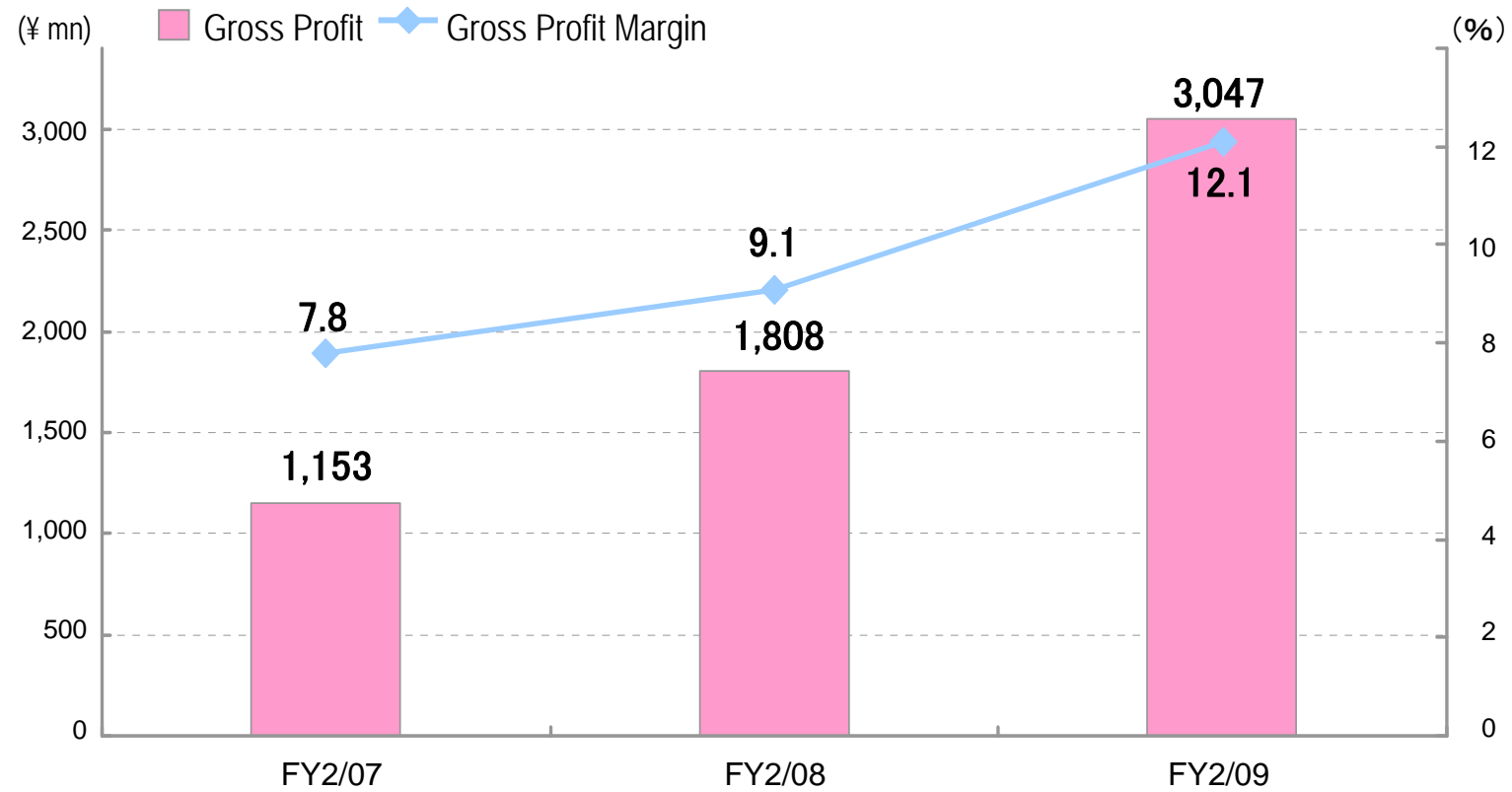
Sales at main solutions business continued to rise



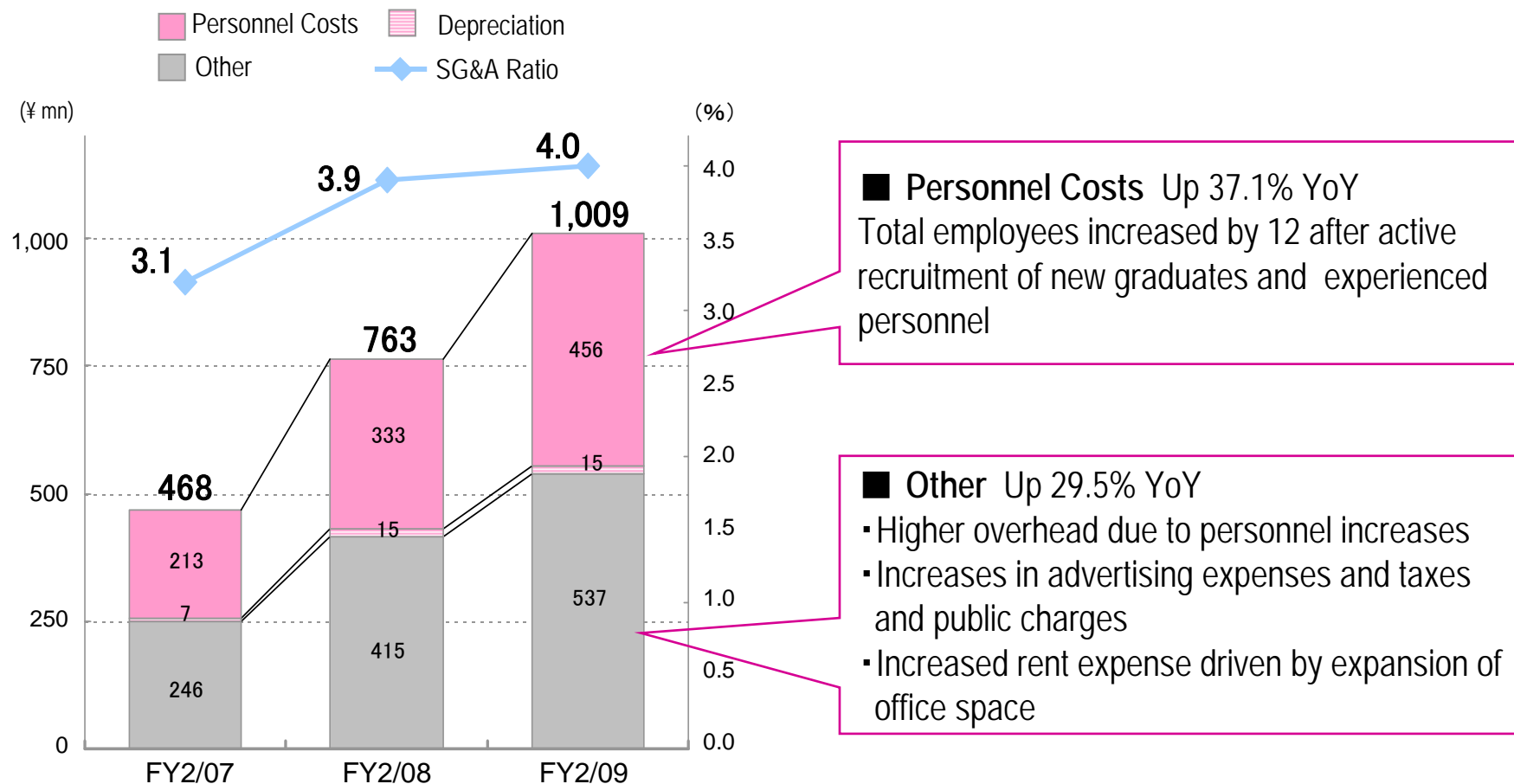
## Media buying costs increased; TV commercials grew rapidly



Gross profit grew significantly, driven by higher net sales



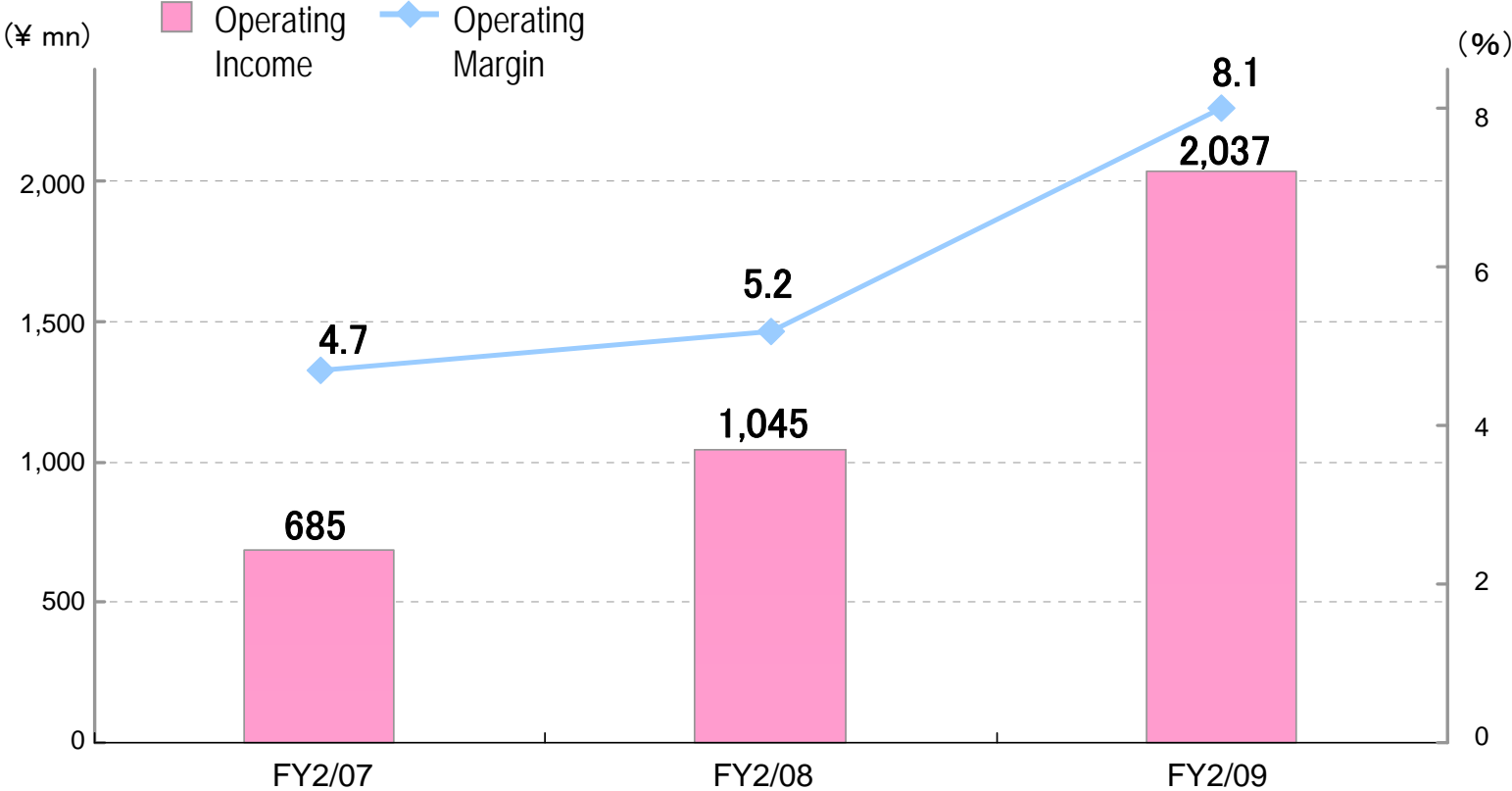
## Increase in personnel and general expenses driven by recruitment of new employees



# Operating Income

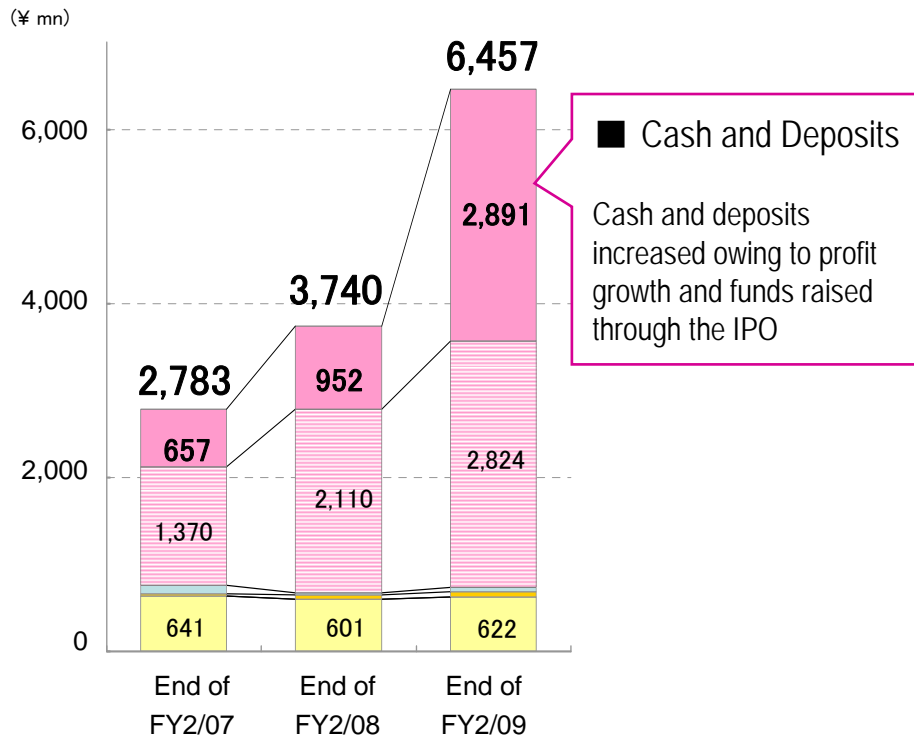
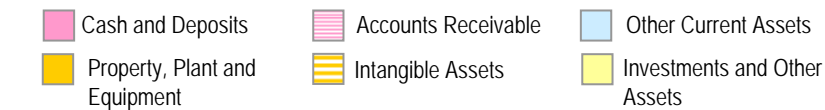


Large increase in net sales drove strong growth in operating income

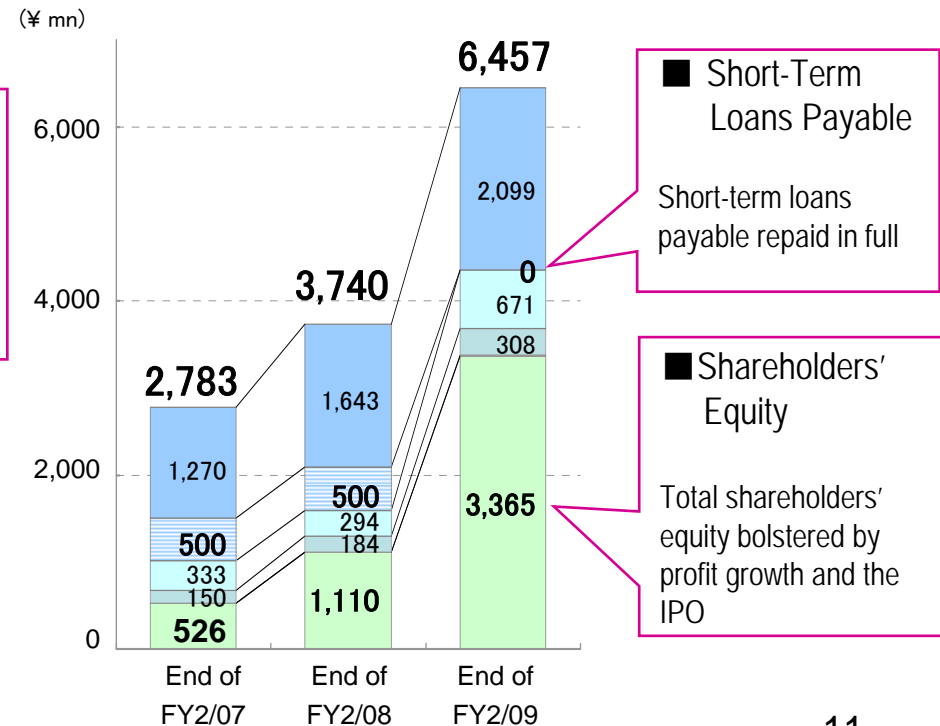
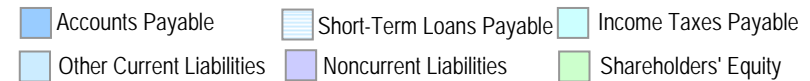


## Strengthened financial base owing to profit growth and funds raised through the IPO

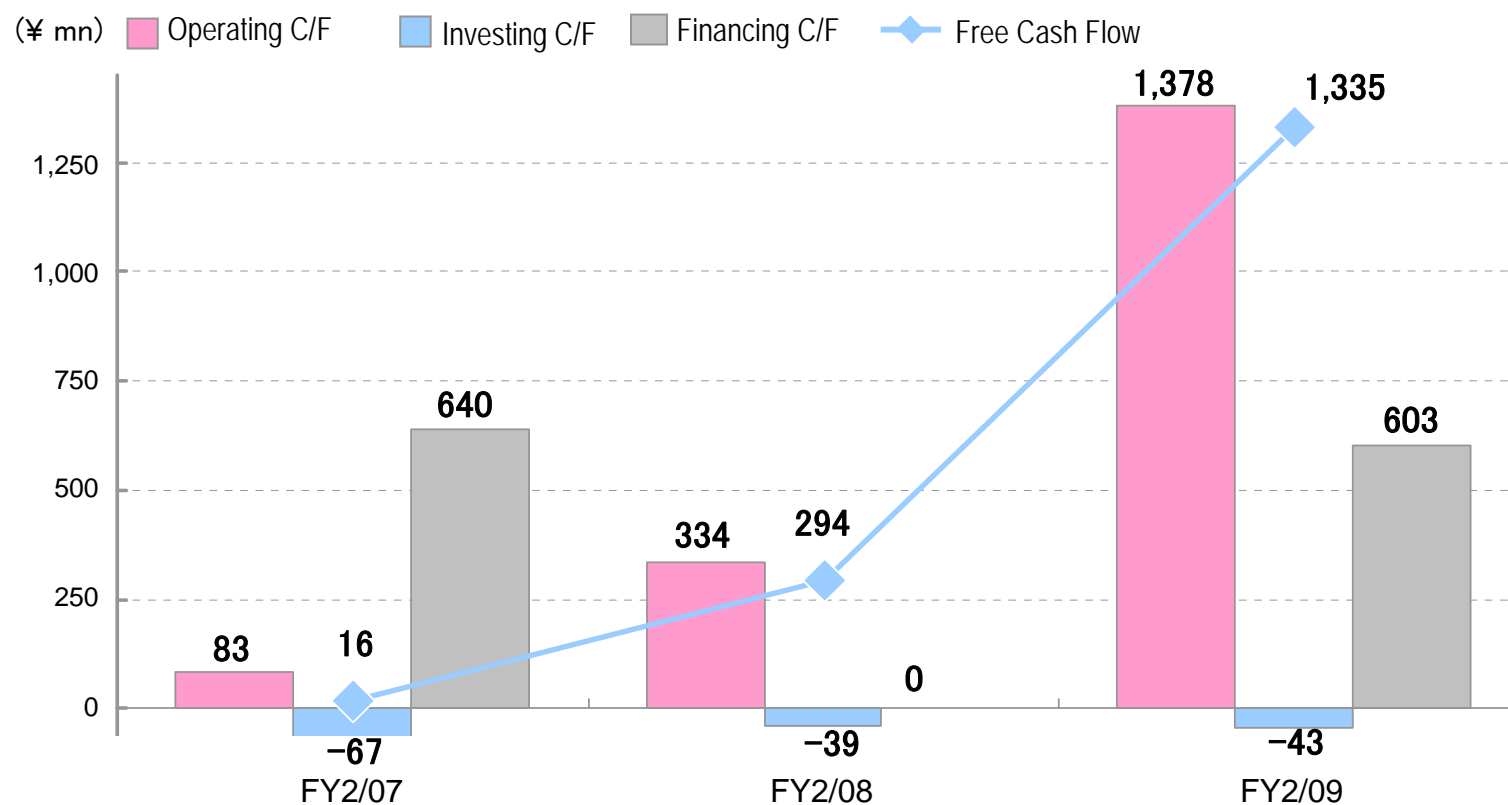
### Assets



### Liabilities and Net Assets



## Free cash flow bolstered by profit growth



Note: Free Cash Flow = Operating C/F plus Investing C/F.

- FY2/09 Results
- **FY2/10 Forecasts**
- Medium-Term Management Plan
- Reference Materials

# FY2/10 Forecast Highlights



Although we forecast net sales to increase 19.1% YoY, owing to increases in the handling of new media and personnel increases we forecast income to grow 6.7% to 8.4%

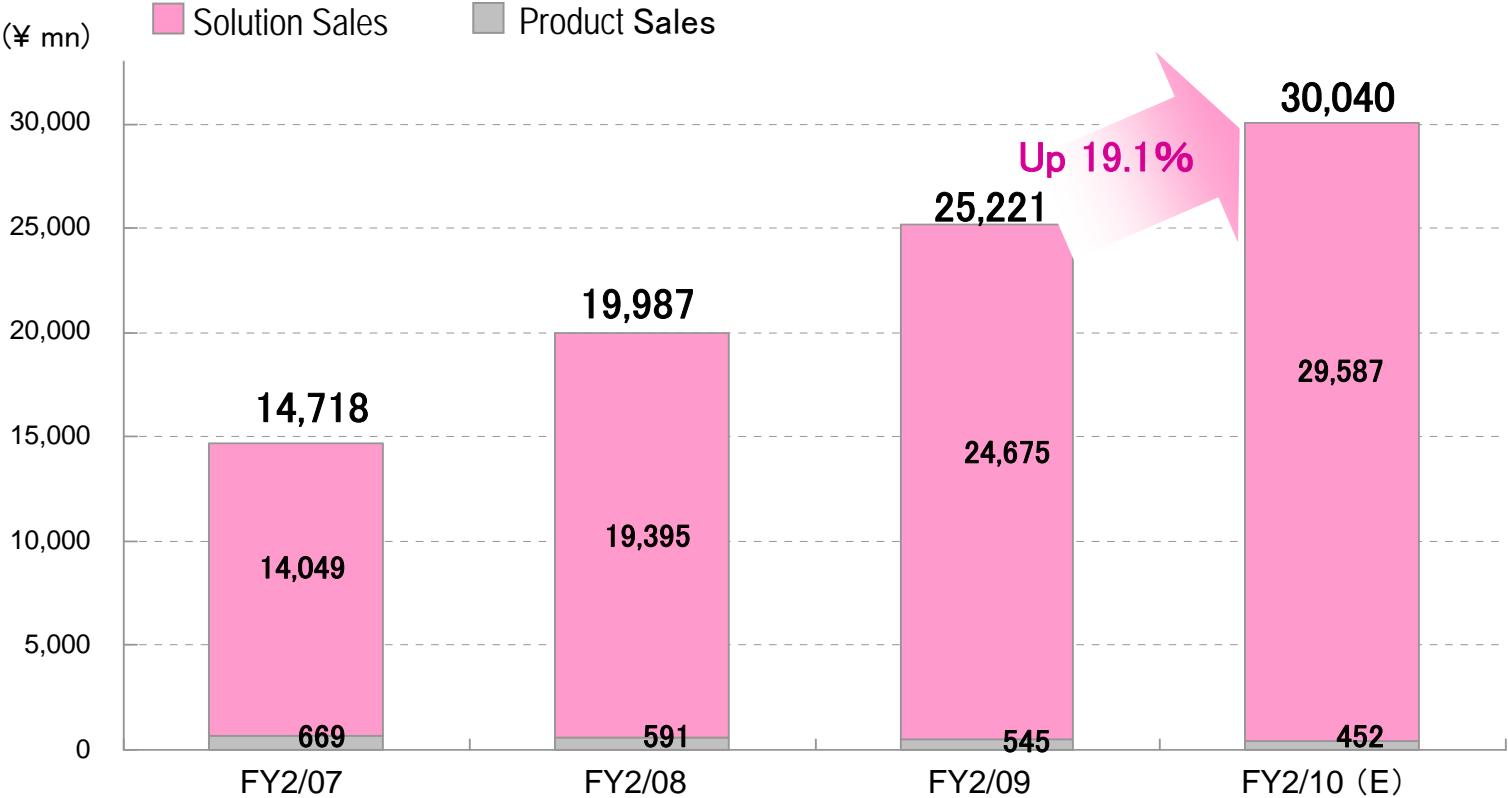
(Units: ¥ mn; %; % points)

	FY2/09 (Actual)	FY2/10 (Forecast)	Increase/ Decrease	YoY Change
Net Sales	25,221	30,040	+4,818	+19.1
Gross Profit	3,047	3,478	+430	+14.1
Gross Profit Margin	12.1	11.6	-0.5	-
Operating Income	2,037	2,174	+136	+6.7
Operating Margin	8.1	7.2	-0.8	-
Ordinary Income	2,011	2,168	+157	+7.8
Ordinary Income Margin	8.0	7.2	-0.8	-
Net Income	1,150	1,247	+96	+8.4
Net Income Margin	4.6	4.2	-0.4	-

# FY2/10 Sales Forecast by Segment

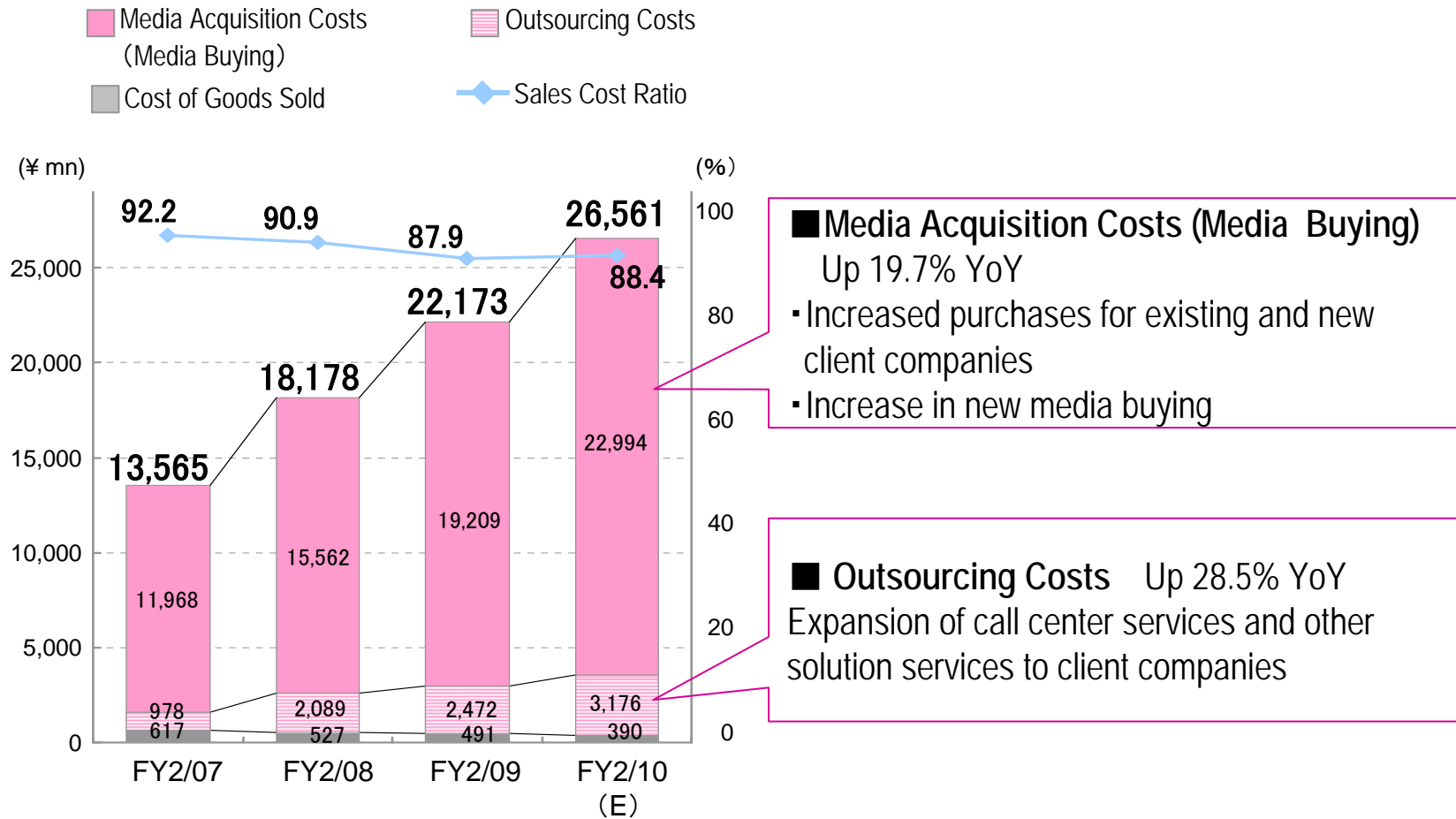


Net sales forecast to rise 19.1% YoY



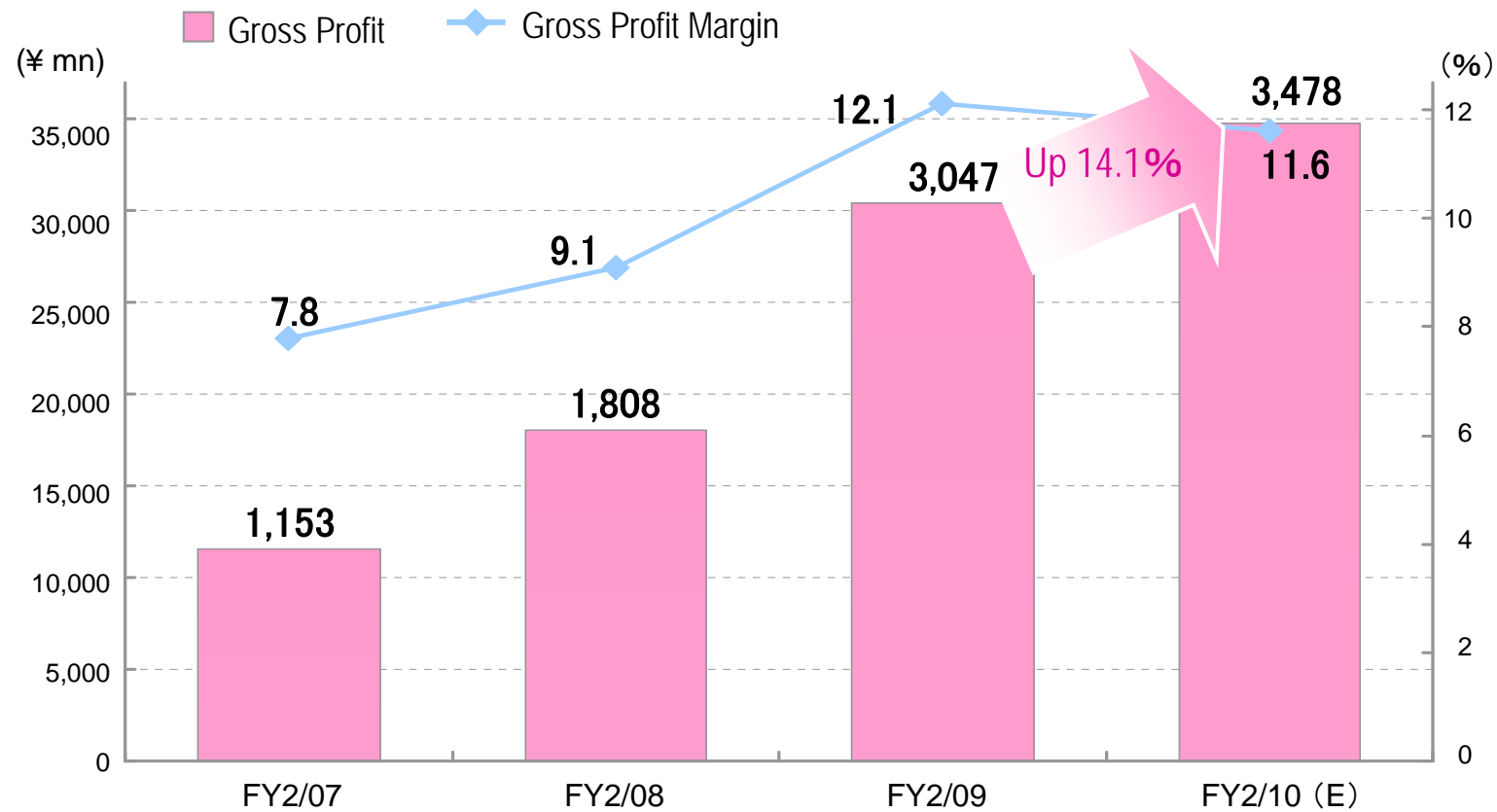
# Cost of Sales Forecast

Cost of sales forecast to rise 19.8% YoY owing to increases in handling of new media and expansion of solution services



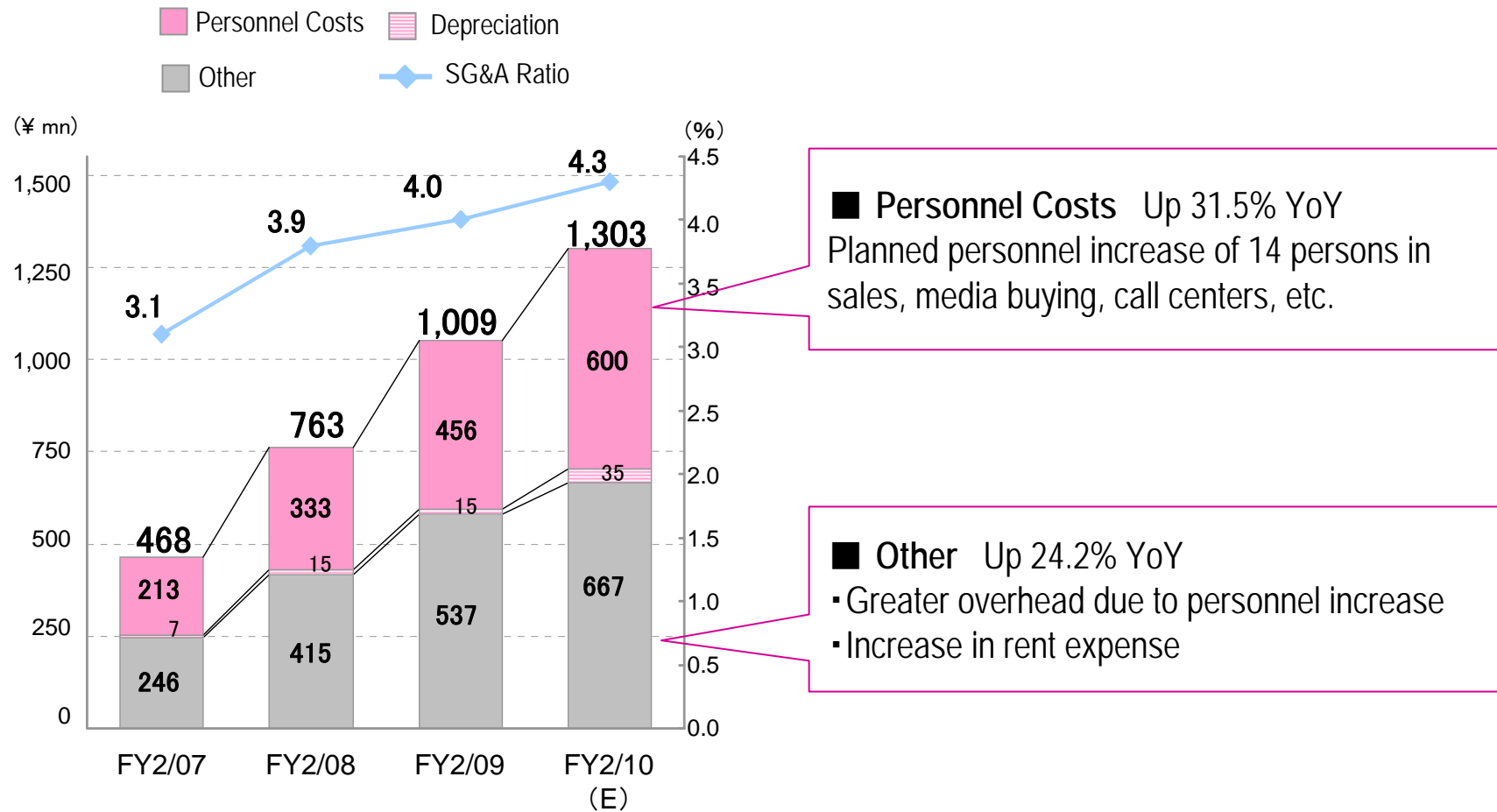
# Gross Profit Forecast

Gross profit forecast to rise 14.1% YoY



# SG&A Expenses Forecast

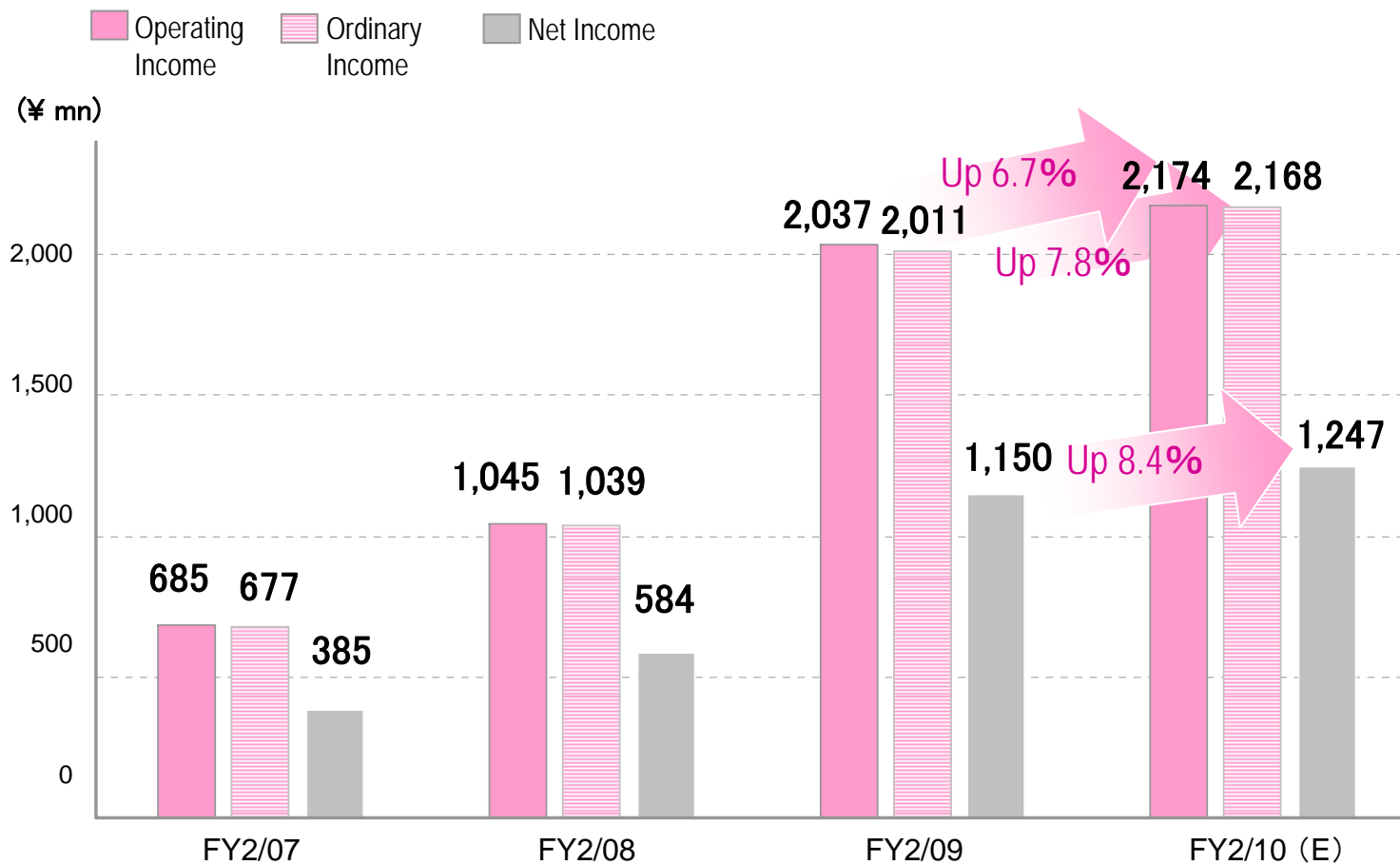
SG&A expenses set to rise driven by aggressive investment in human resources



# Operating Income, Ordinary Income and Net Income Forecasts



Forecasts for operating income to grow 6.7%,  
ordinary income to rise 7.8% and net income to increase 8.4%



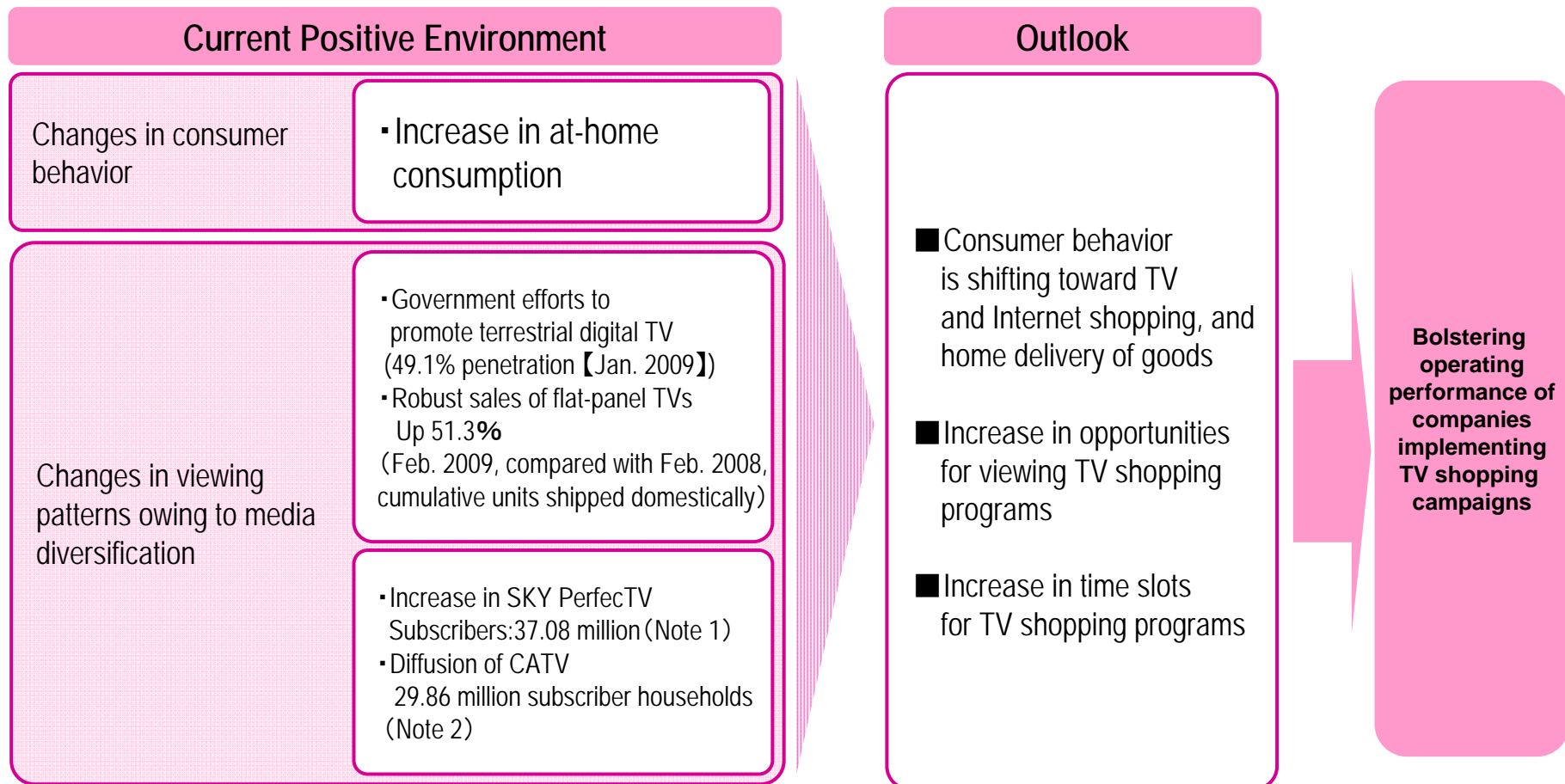
- FY2/09 Results
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Market is in a growth phase; short-term negative factors to be resolved by long-term positives

	Positive	Negative
Short-Term	<ul style="list-style-type: none"> <li>▪ Deterioration in the consumer environment leading to changes in consumer behavior → “at-home consumption” (see note)</li> <li>▪ Increase in TV shopping programs owing to advertising slump (penetration into TV commercials)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finite nature of TV shopping time slots → resolved through the diffusion of terrestrial digital TV and CATV services, leading to the prevalence of a multi-channel environment</li> </ul>
Long-Term	<ul style="list-style-type: none"> <li>▪ Emergence of Internet media driving the expansion of the direct marketing market</li> <li>▪ Diffusion of terrestrial digital TV and CATV services leading to the prevalence of a multi-channel environment</li> </ul>	<p>—</p>

(Note) Consumption activities done at home without going out.

Changes in the TV shopping market and business environment are bolstering the operating performance of clients carrying out TV shopping campaigns



(Note 1) As of the end of Mar. 2009, total number of individual pay-TV subscribers to SKY Perfect digital multi-channel services, including SKY PerfectTV!, SKY PerfectTV! e2 and those provided via CATV.

(Note 2) As of the end of Mar. 2008 according to a media release by the Ministry of Internal Affairs and Communications (MIC) (2008/6).

## <Management policies>

Attain the position of leading company in the direct marketing support business  
Enter the overall direct marketing market

## <Medium-term business strategies>

### 1<sup>st</sup> Stage

- Establish business model (total solutions)
- Activities to increase awareness among companies undertaking TV shopping campaigns
- Bolster Tri-Stage's credibility and profile (IPO)

### 2<sup>nd</sup> Stage

- Measures to expand existing business
- Strengthening of solution services
- Development of cross-media business

### 3<sup>rd</sup> Stage

- Commence development of B-to-C business
- Consider development of overseas direct marketing support services

FY2/10 onward recognized as 2<sup>nd</sup> Stage. Aim for further expansion of scale of operations

The following three key strategies to be implemented at 2<sup>nd</sup> Stage:

## 1 Measures to expand existing business

- i Expansion of business from existing clients and development of new clients
- ii Direct marketing support programs for new client categories
- iii Expansion of TV commercials

## 2 Strengthening of solution services

Strengthening of solution services, such as order management, distribution and payments

## 3 Development of cross-media business

Develop cross-media business via delivery of TV programs and commercials synergized with other media



**Expand  
scale of  
operations**

# 1 — i Expansion of Business from Existing Clients and Development of New Clients ①

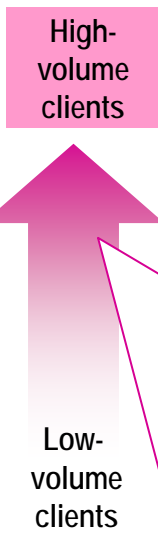


## Measures to bolster sales to existing low-volume clients

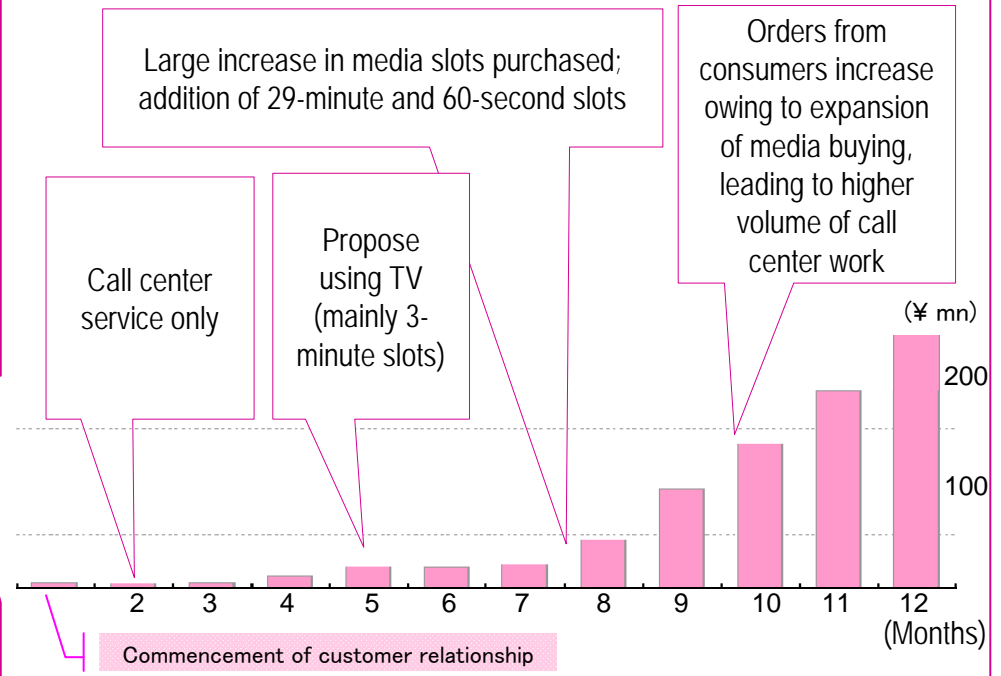
Analysis of Client Base by Sales Level

(Number of clients)

	FY2/08				FY2/09			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Over ¥250 million	5	4	4	6	6	6	7	8
¥125 million to ¥250 million	5	7	9	5	6	7	3	3
¥50 million to ¥125 million	8	6	5	7	4	6	10	8
<b>Other</b>	<b>27</b>	<b>28</b>	<b>24</b>	<b>20</b>	<b>26</b>	<b>16</b>	<b>18</b>	<b>25</b>
<b>Total</b>	<b>45</b>	<b>45</b>	<b>42</b>	<b>38</b>	<b>42</b>	<b>35</b>	<b>38</b>	<b>44</b>



### Case Example of Successfully Growing Client Account (See note)



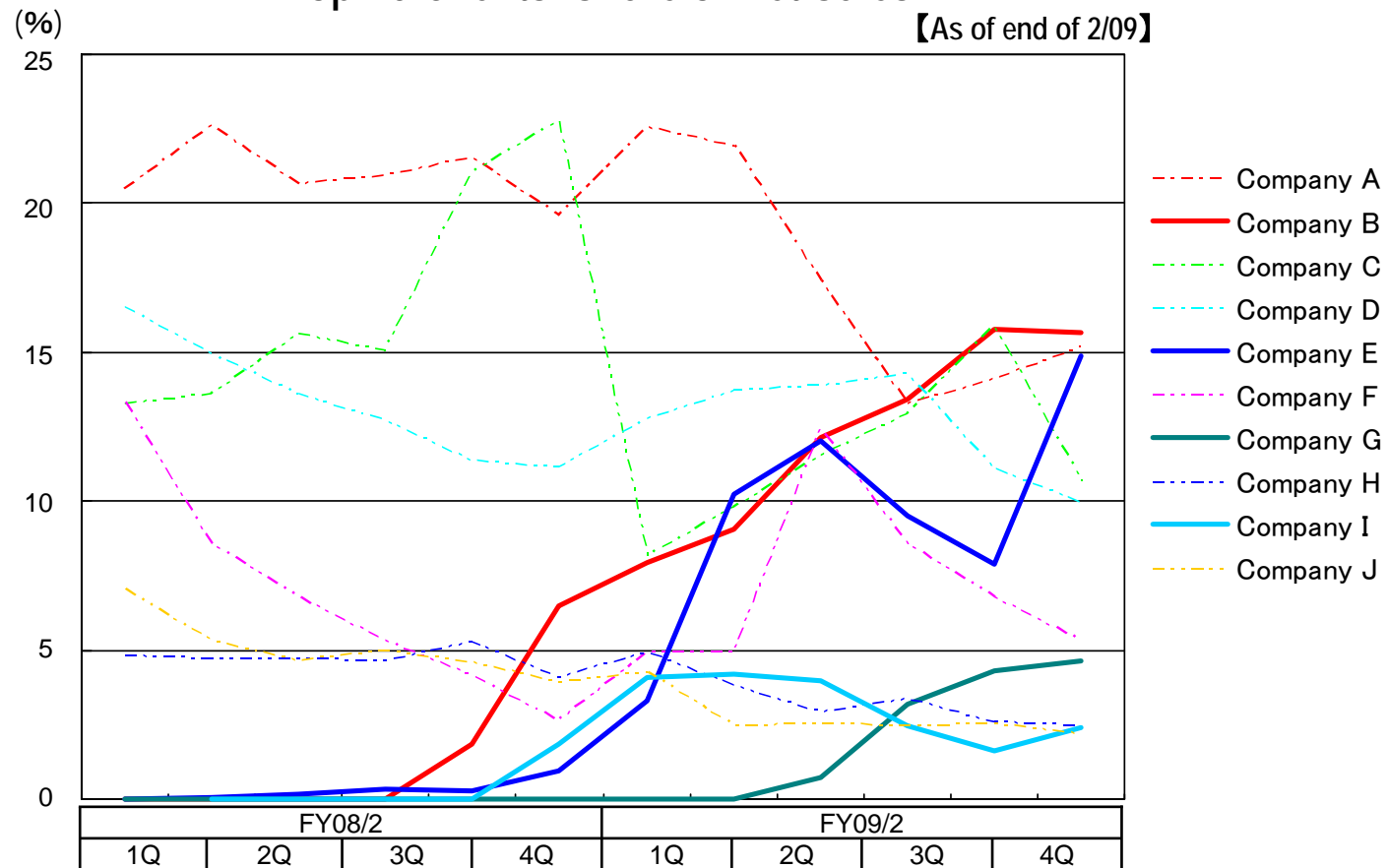
(Note) Client case example of health food manufacturer.

# 1 — i Expansion of Business from Existing Clients and Development of New Clients ②



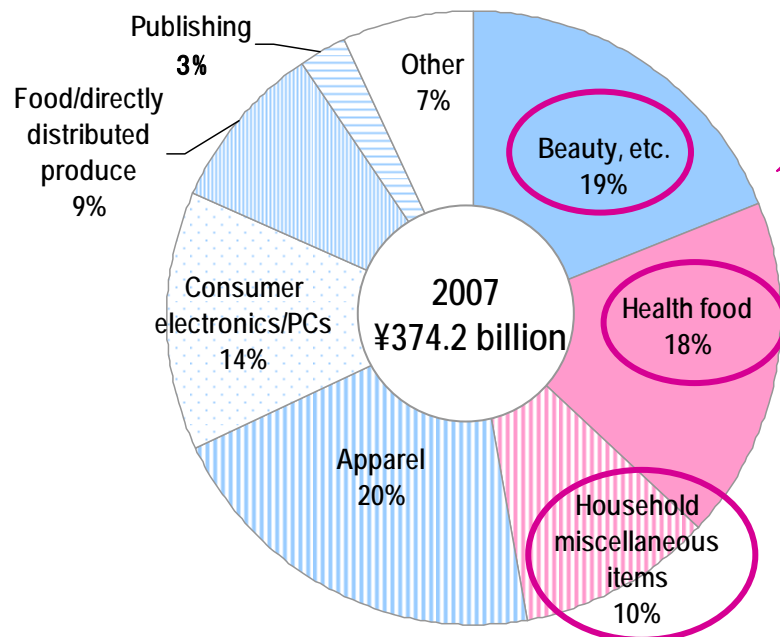
Four of current top-10 clients are new clients

### Top-10 Clients' Share of Net Sales



Expand the range of client industries served,  
and build a system to cater to the diverse client needs

TV-Based Direct Marketing:  
Breakdown of Clients by Industry



At present, clients from the beauty, health food and household miscellaneous item sectors account for the majority of Tri-Stage's sales.

We will aim to bolster sales by expanding business with clients from such industries as apparel, consumer electronics, publishing, financial services, correspondence education, and real estate.

# 1 – iii Expansion of TV Commercials

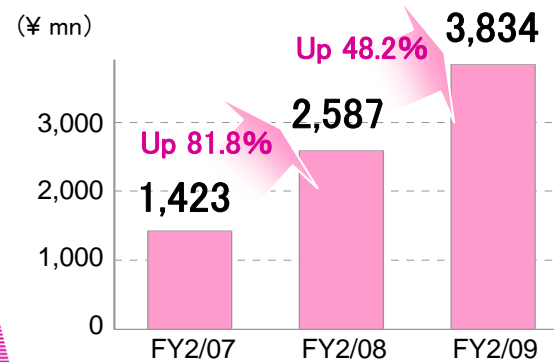
With favorable media buying conditions and increasing demand for TV commercials, we will work to continue expanding the value of TV commercial slots purchased

Improvement in the environment for TV commercial slot purchasing

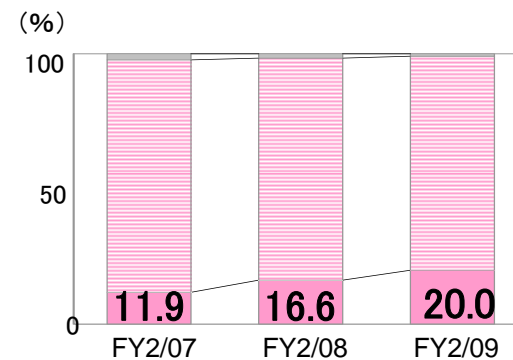
Increasing needs for TV commercials through diversification of TV shopping programs

Client ROI improving owing to increasing sophistication in TV commercial production

Value of TV Commercial Slots Purchased



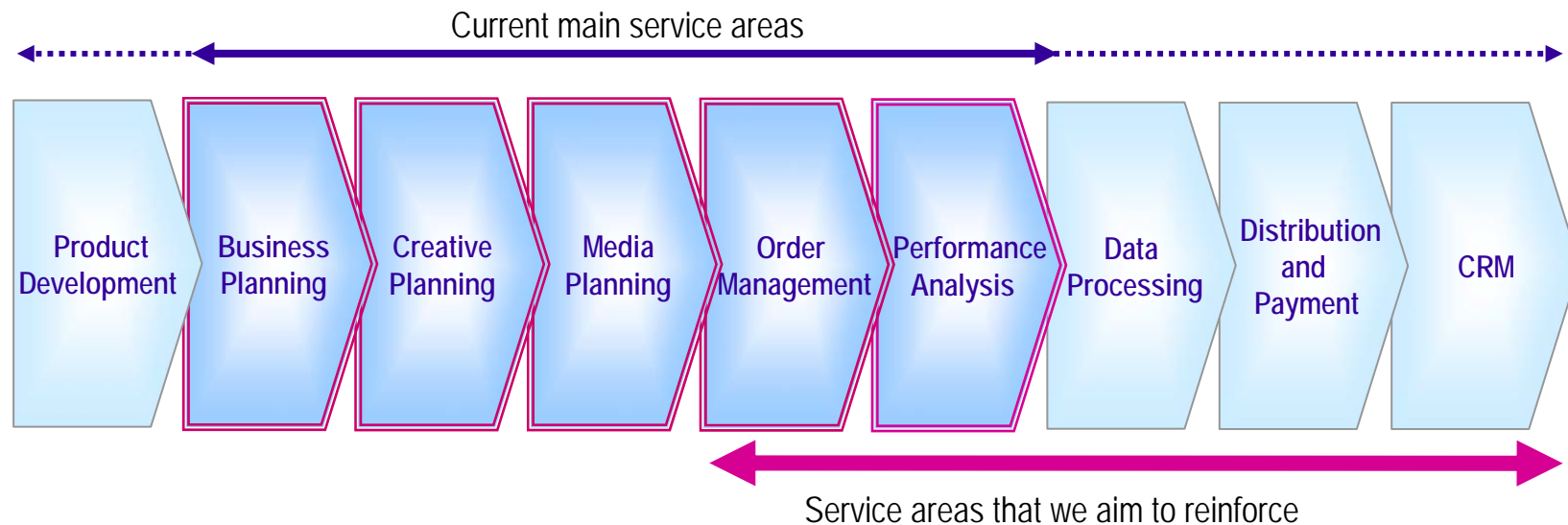
TV Commercial Share of Total Media Buying



Aim to keep increasing value of TV commercial slots purchased

## 2 Strengthening of Solution Services

In addition to the current main service areas, we will aim to enhance service quality in such areas as order management, distribution and customer payments to reinforce our ability to provide total solutions

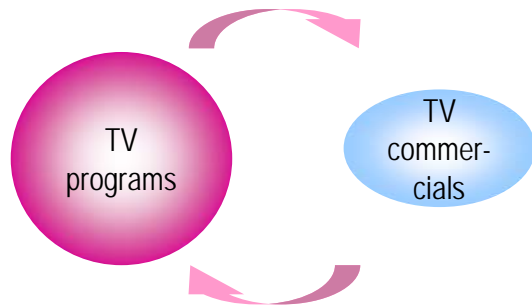


We will expand the main service areas of our solution services to meet a wide range of client needs and boost sales.

# 3 Development of Cross-Media Business

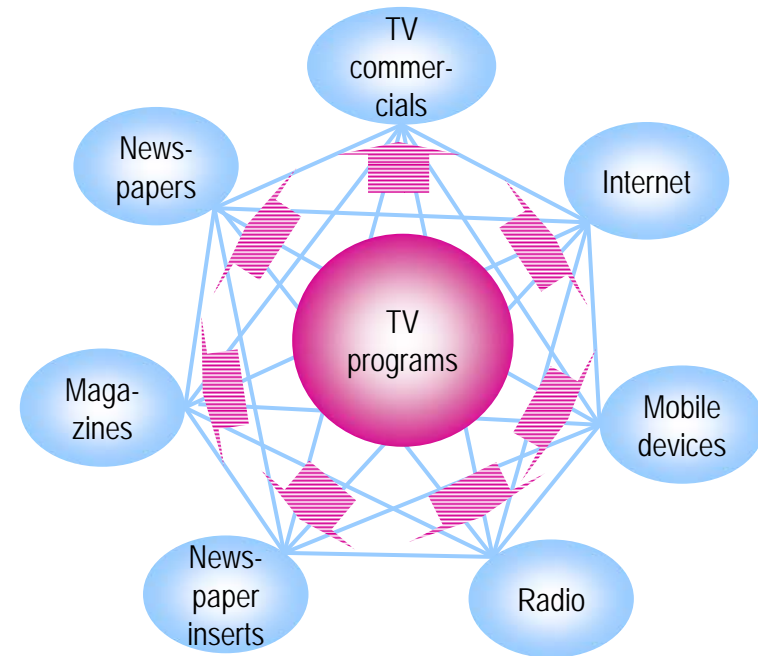
Aim to develop cross-media business through delivery of TV programs and commercials via other media

Business development focused on TV programs and commercials



Enhance effectiveness through complementary media usage and increased frequency of viewing

Pursue cross-media strategy based on TV programs to further bolster media effectiveness



After reaching our 2<sup>nd</sup> Stage management targets, we will move to the 3<sup>rd</sup> Stage

- **Consider development of B-to-C business**

- Consider development of B-to-C business focused on products and media that will not lead to competition with existing clients
- Strengthen database marketing services

- **Consider development of overseas direct marketing support services**

- Overseas sale of Japanese-manufactured products (B-to-B business)
- Provision of solutions (creative planning, order management, etc.)

Overhaul of organization based on the Medium-Term Management Plan,  
execute financial strategies to facilitate future growth

## ● Organizational strategies

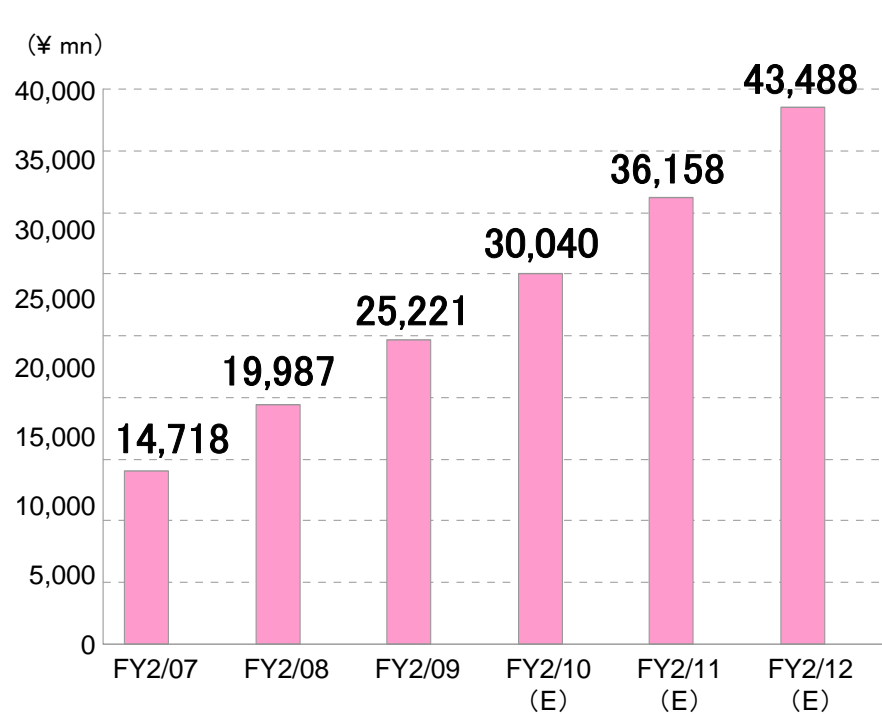
- Change in corporate officer system (March 1, 2009)
- Establishment of new strategic organizational units to implement business strategy
  - Establishment of Solution Sales Group (March 1, 2009)
  - Establishment of Cross-Media Sales Department (March 1, 2009)

## ● Financial strategies

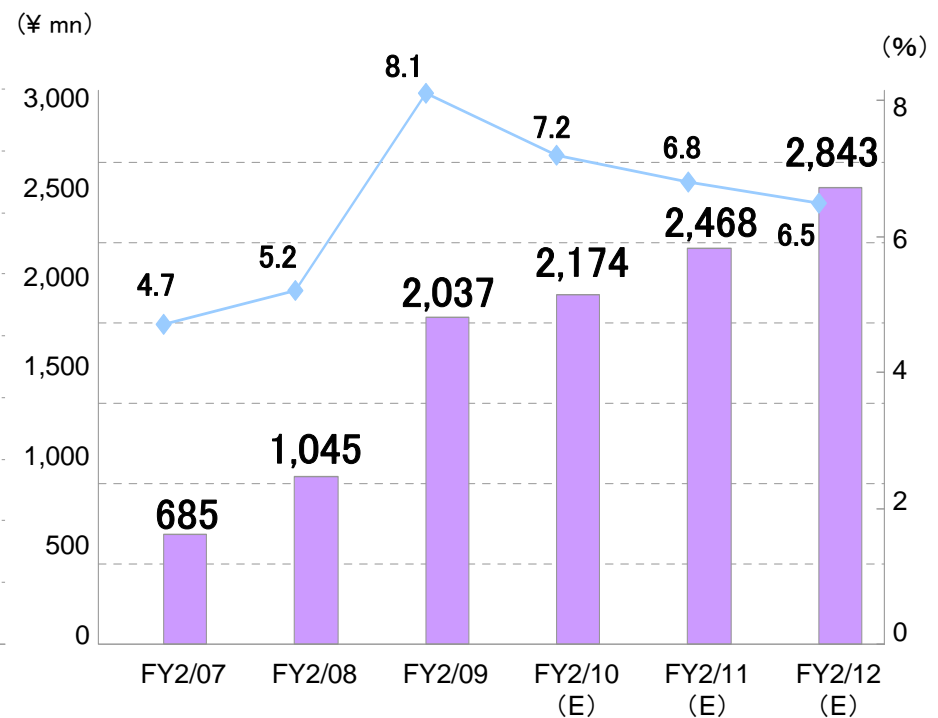
- Philosophy on business investment
  - We see strategic business investment as one of our options to enable us to achieve our strategic business goals
- Dividend policy
  - To facilitate the strengthening of the Company's financial base and prepare for investment in strategic businesses, we do not plan to declare a dividend applicable to the current fiscal period

Over the next three fiscal years, we aim to achieve an annual net sales growth rate of 20%

## Net Sales



## Operating Income and Operating Margin

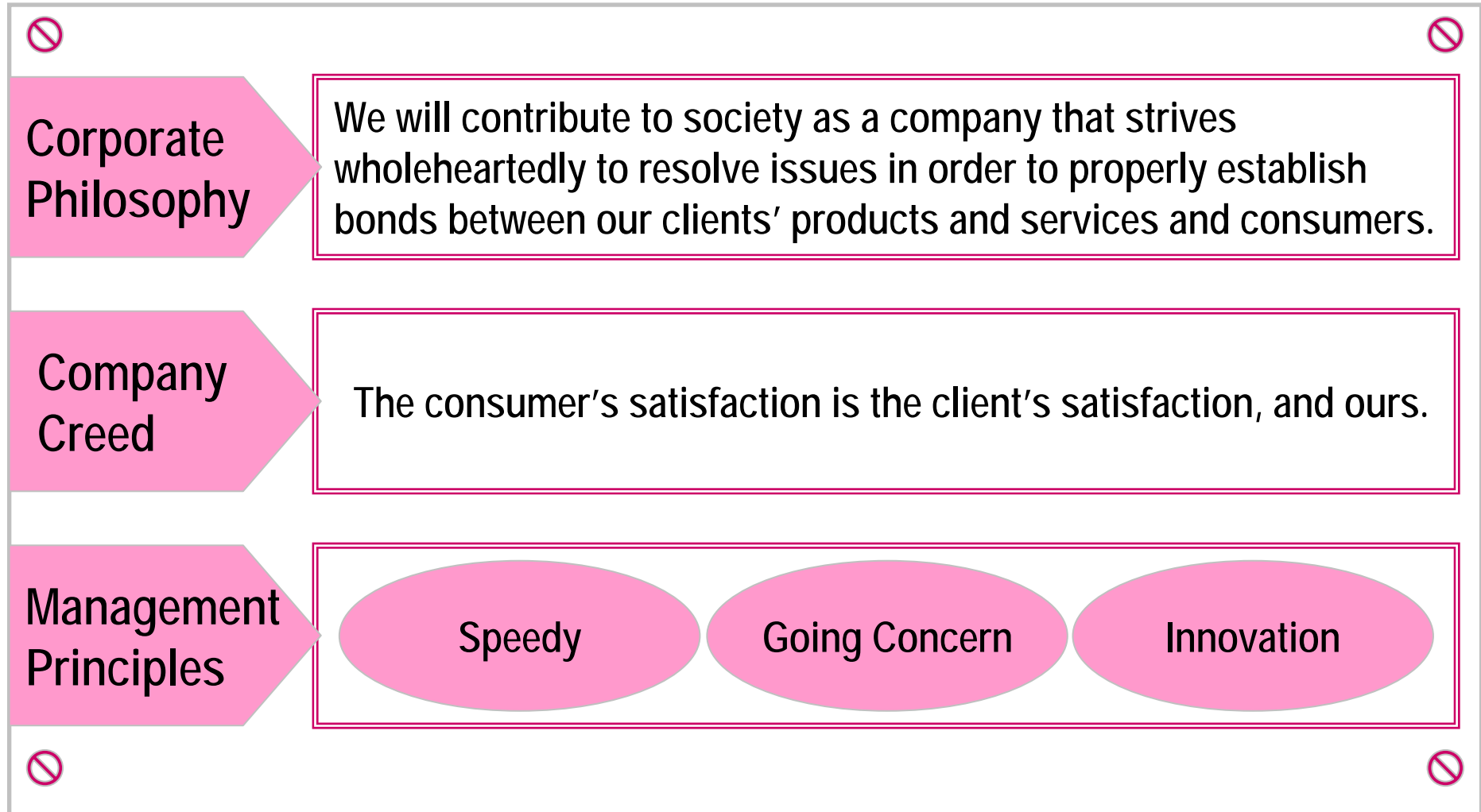


- FY2/09 Results
- FY2/10 Forecasts
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- **Reference Materials**

- Established March 2006
- Head Office 2-4-1, Shiba-koen, Minato-ku, Tokyo, Japan
- Representatives Isao Senoo (CEO); Kyohei Nakamura (CMO); Akio Maruta (COO)
- Business Content Support services for direct marketing, centered on television shopping sales
- Capital ¥627 million (As of February 28, 2009)
- Shares Issued 2,489,300 shares (As of February 28, 2009)
- No. of Employees 47 (As of February 28, 2009)

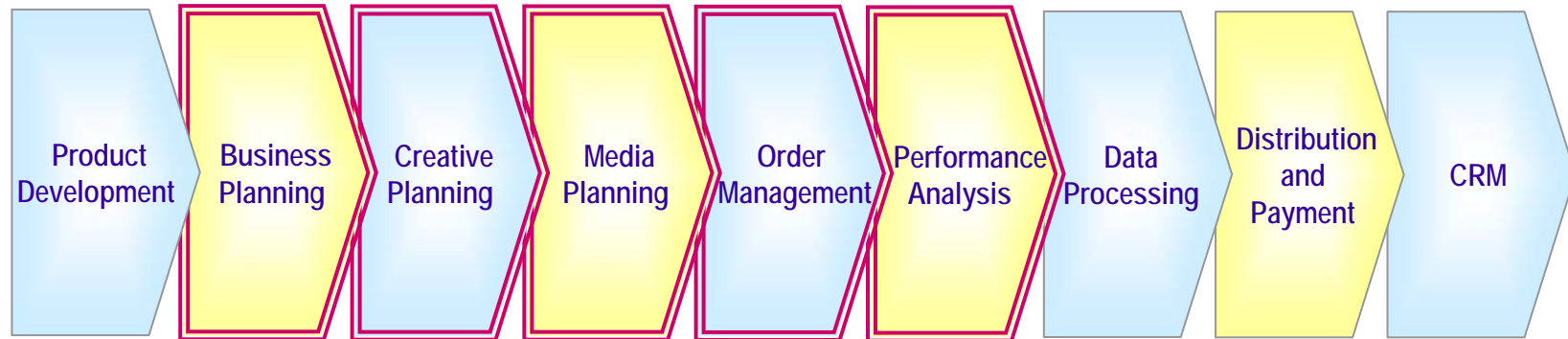
## Definition of "Direct Marketing"

Providing a phone number, URL or other contact information through TV, Internet or other media outlets, and selling products and services through direct, interactive communication with consumers via telephone or email.



## Comprehensive Suite of Services for Direct Marketing

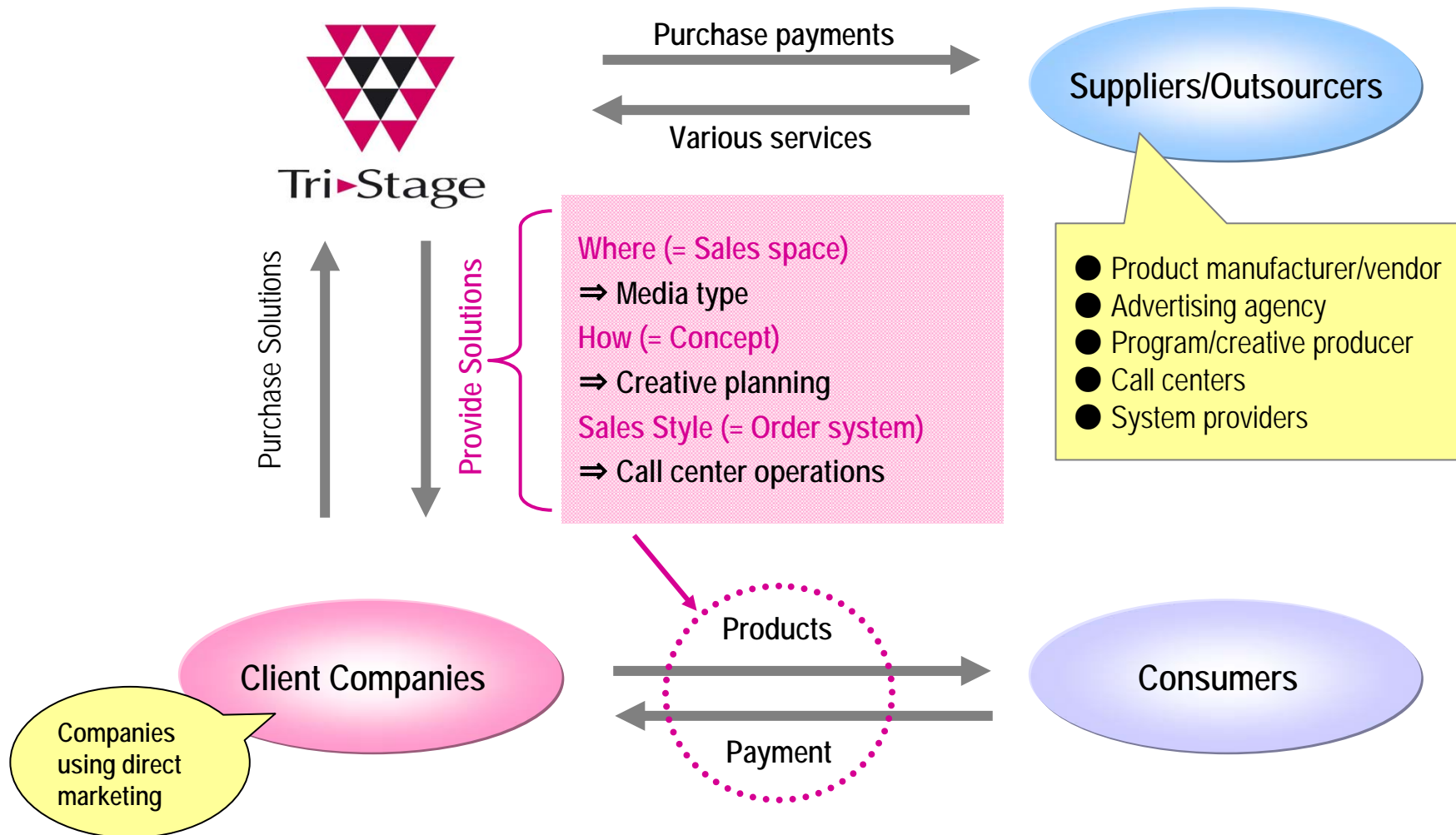
### The direct marketing value chain



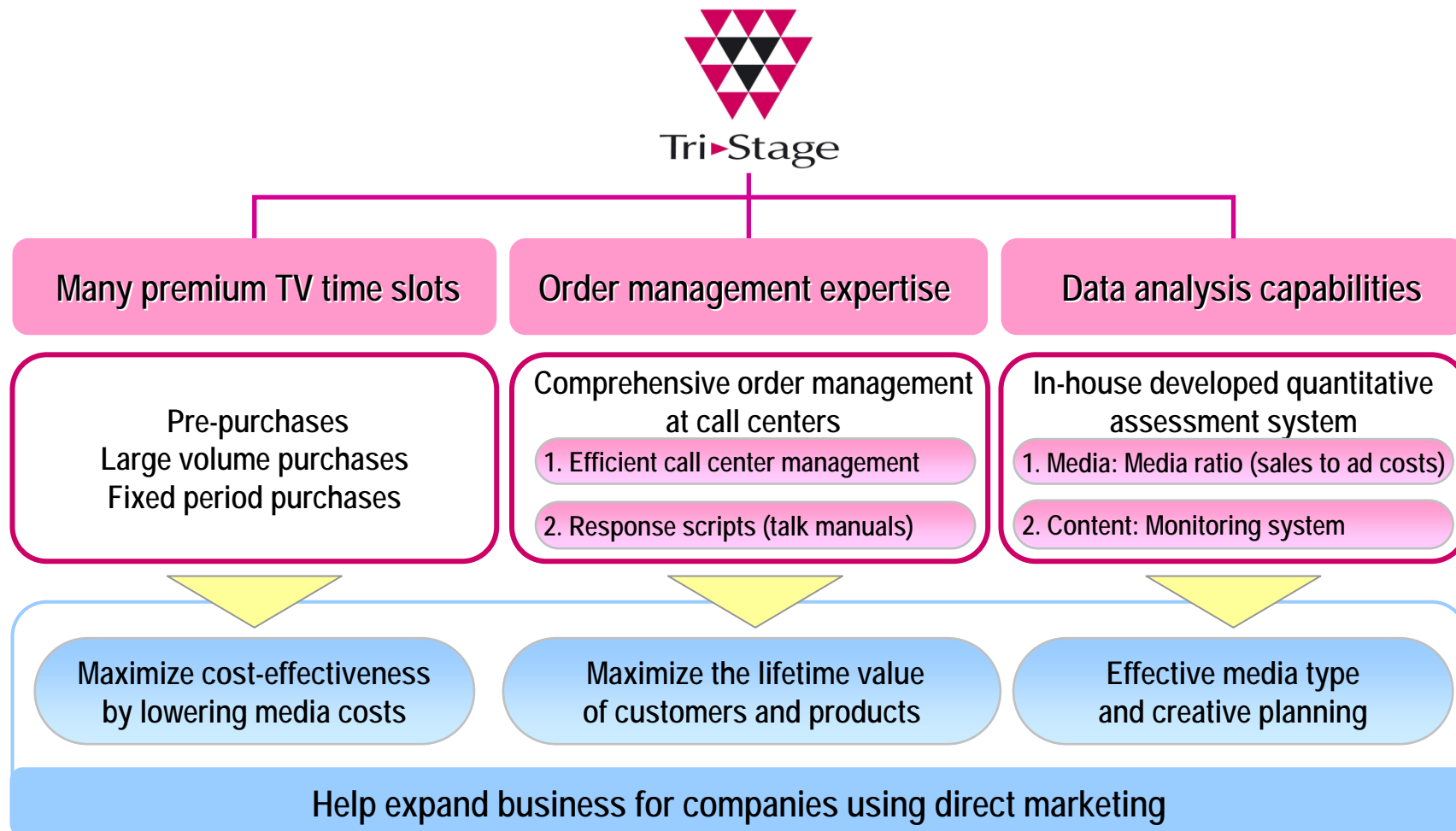
Example of Tri-Stage's Solutions Lineup



## Customer service utilizing independent strength



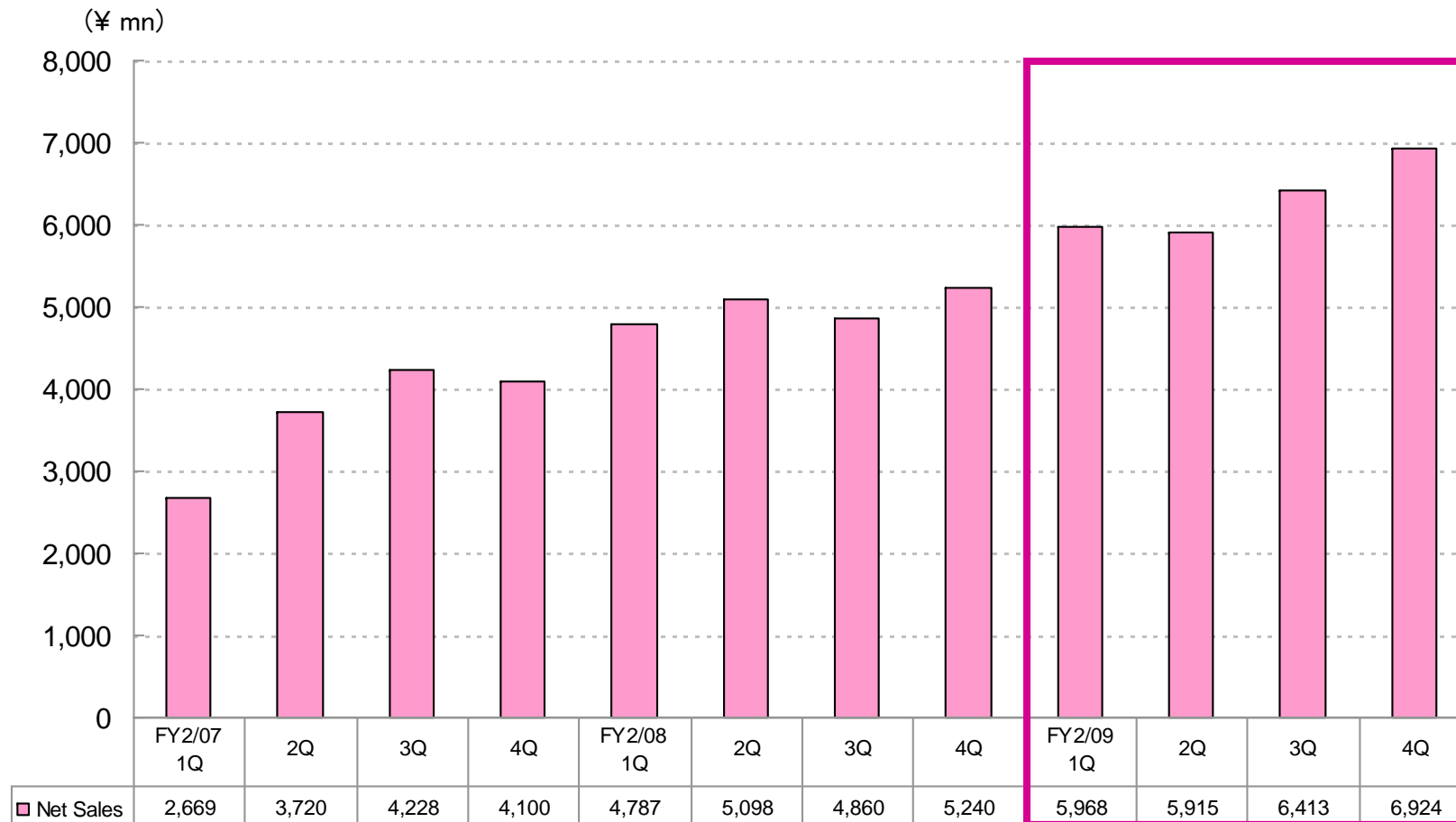
## Total solutions based on data analysis



# Quarterly Net Sales



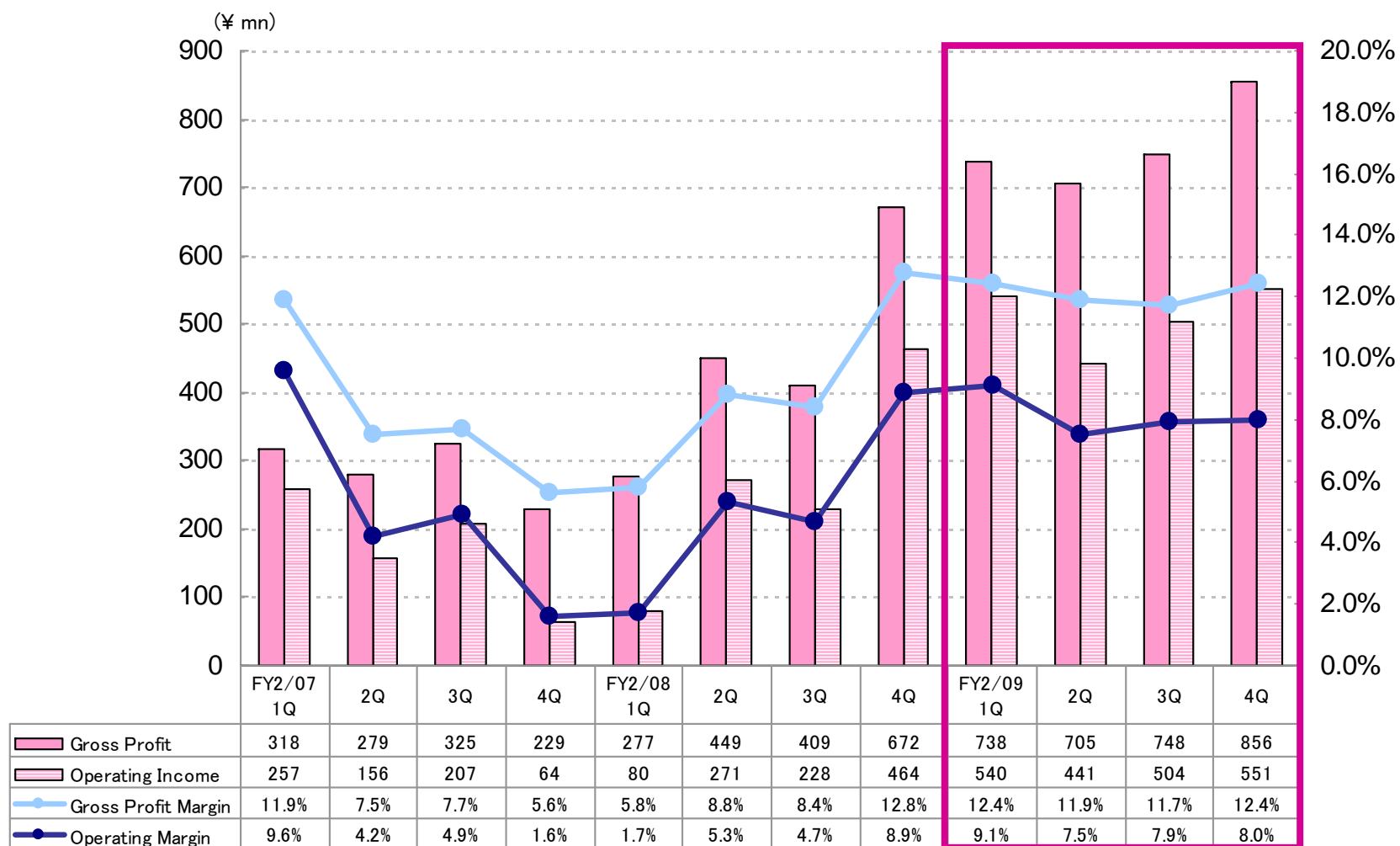
Net sales rose strongly on a quarterly basis



# Quarterly Gross Profit and Operating Income

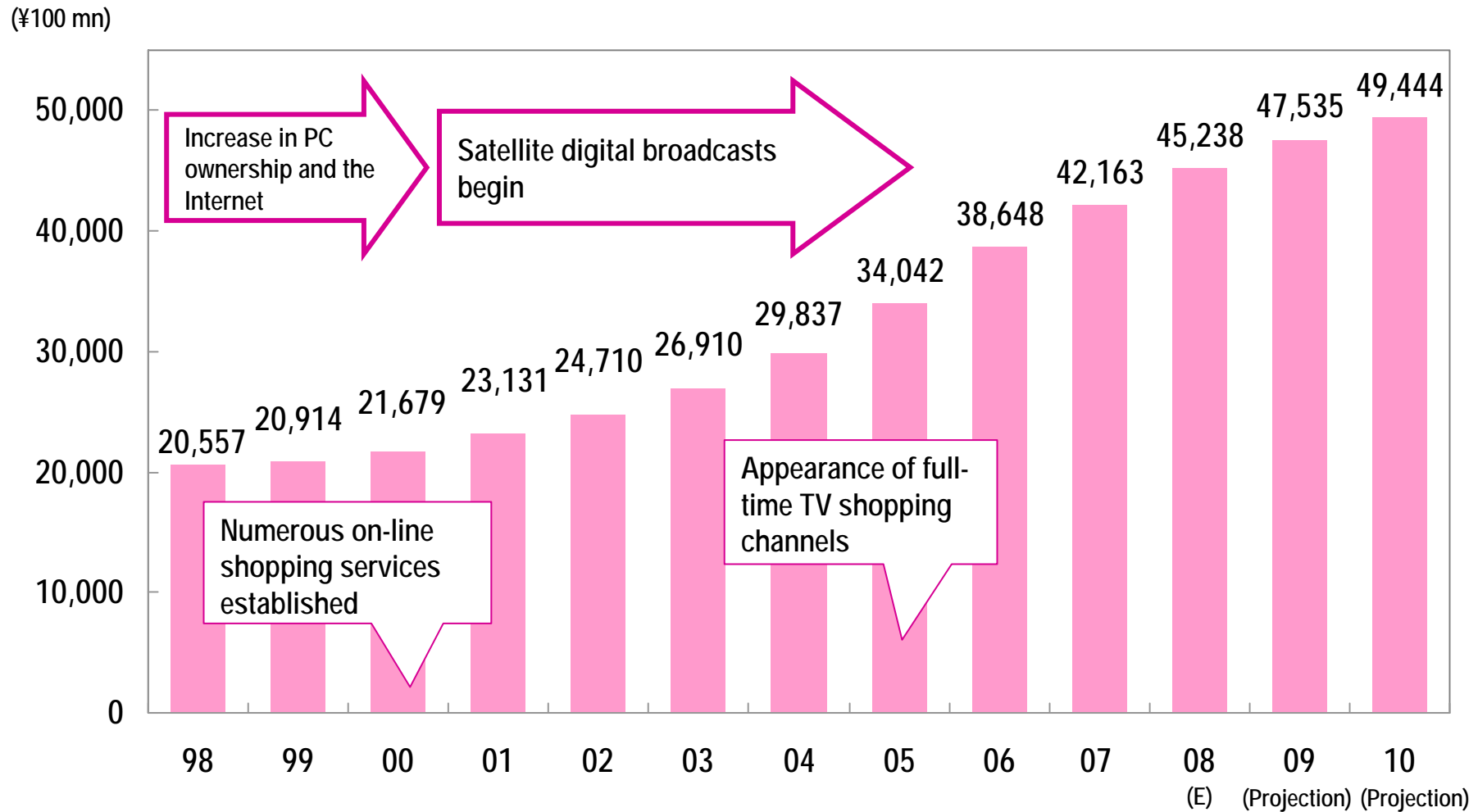


Robust profit growth on a quarterly basis



# Direct Marketing (Merchandise) Trends

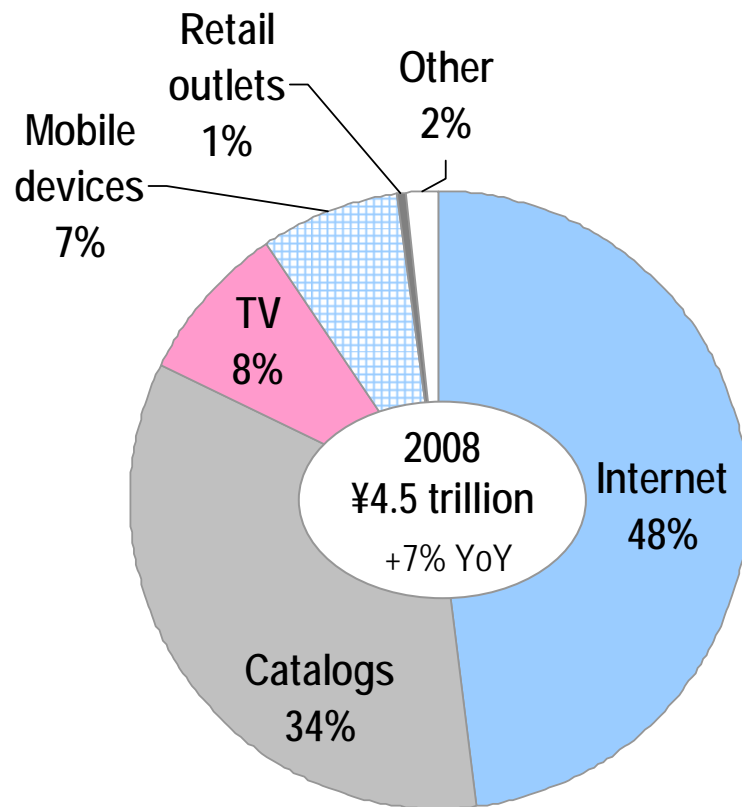
Direct marketing (merchandise) — ¥4.7 trillion market in FY2009



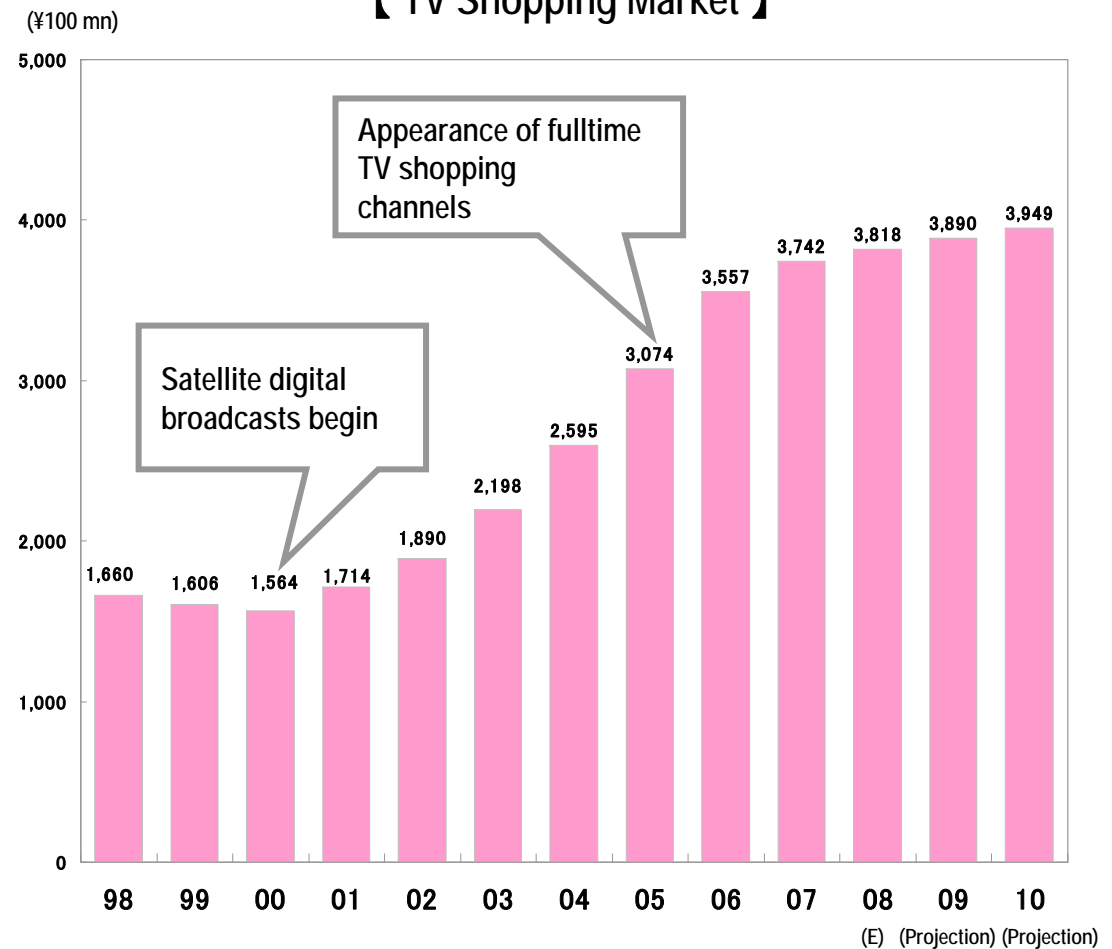
Source: 2008-2009 Direct Marketing and eCommerce Market: Situation and Outlook, Nov. 2008, Fuji-Keizai Co., Ltd.

## Sales through Internet, TV and mobile devices growing

【 Market Share by Media Type 】



【 TV Shopping Market 】



Will the market for direct marketing continue to grow?

- Consumer behavior is shifting from external to internal consumption. Although the rate of growth in the market for direct marketing is sluggish, we expect it to expand steadily.
- We anticipate a boost from the substantial expansion of media spots available with the increase in TV channels from 2011.

What is the potential for the rise of competitors?

- We do not recognize any other company as a true competitor at this point.
- While there is always the potential for a competitor to arise in the future, we believe that our expertise founded on many years of experience, along with continual refinements that will enable us to retain the highest skill levels, will allow us to remain solidly competitive (in terms of market share, skill, expertise and personnel).

How does Tri-Stage charge client companies?

- There are two methods: (1) a fixed fee on top of total costs from solution services; and (2) a fixed percentage of client company sales.

How will earnings change with the increase in cross-media marketing?

- The benefits of cross media are (1) greater earnings from new markets and an increase in customers; (2) an increase in sales synergies from cross-selling; and (3) reduced risk of earnings fluctuation. We feel that cross-media marketing will allow us to both increase earnings and reduce risk.

What are your plans for increasing personnel (consultants), and your investment plans (financing needs)?

- We are aggressively hiring new graduates each year, equalizing our age groups.
- We will invest to expand business, including investing in internal IT systems, paying deposits to suppliers, and promoting the development of cross-media marketing.

Forecasts regarding future earnings presented in this presentation are estimated by the Company based on information available at the time of release, and include risks and other uncertainties. Accordingly, there is no guarantee that the Company will achieve these forecast figures.

Changes in the internal circumstances of the Company or external business environment may have an impact, whether direct or indirect, on the Company's earnings. Please be aware of the possibility that the forecasts presented in this presentation may change.