



**Tri-Stage**

株式会社トリスステージ

## **FY2/10 Interim Results Presentation**

**October 1, 2009**

Code : 2178

URL <http://www.tri-stage.jp/>

**Net sales and operating income both grew substantially,  
driven by growth in the TV shopping businesses of client companies**

## Part 1: FY2/10 2Q Results

Second-quarter results remained robust, as targets were met for the fiscal first half

<u>FY2/10 2Q Results (YoY Change)</u>		<u>FY2/10 1H Results (Comparison with 1H forecast announced on June 30, 2009)</u>	
NetSales	8,258million (YoY up39.6%)	NetSales	16,259million (percentage variance from forecast 107.7%)
Operating Income	866million (YoY up96.0%)	Operating Income	1,830million (percentage variance from forecast 124.9%)

## Part 2: Current Status of FY2/10 Forecasts

Upward revision of forecasts for FY2/10

Full-year forecast (Comparison with full-year forecast announced on June 30, 2009)

NetSales	34,279million (percentage change from previous forecasts up10.0%)
Operating Income	3,425million (percentage change from previous forecasts up29.5%)

## Part 3: Progress in the Medium-Term Management Plan

In FY2/10, we are focusing on proven strengths to expand our existing business.  
From FY2/11 onward, to drive future growth we will implement investments aimed at reinforcing our solution services and developing cross-media business.

Part 1: FY2/10 2Q Results

Part 2: Current Status of FY2/10 Forecasts

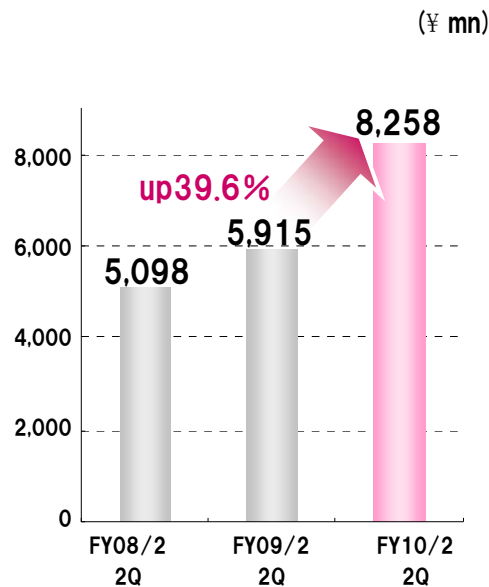
Part 3: Progress in the Medium-Term Management Plan

Reference Materials

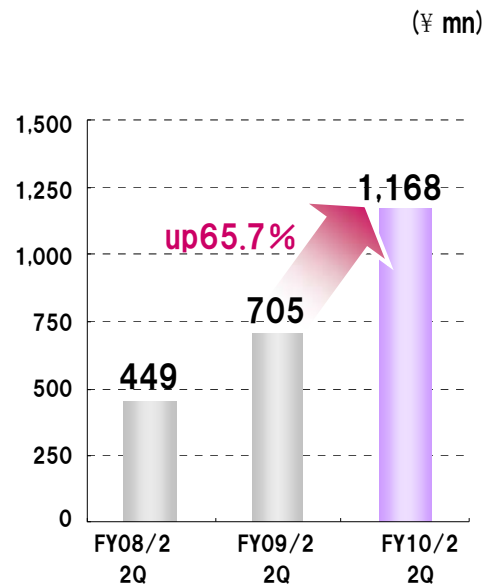
# FY2/10 2Q Results Highlights①

In 2Q, we achieved significant YoY growth. Net sales grew 39.6% YoY, gross profit increased 65.7% YoY, and operating income jumped 96.0% YoY.

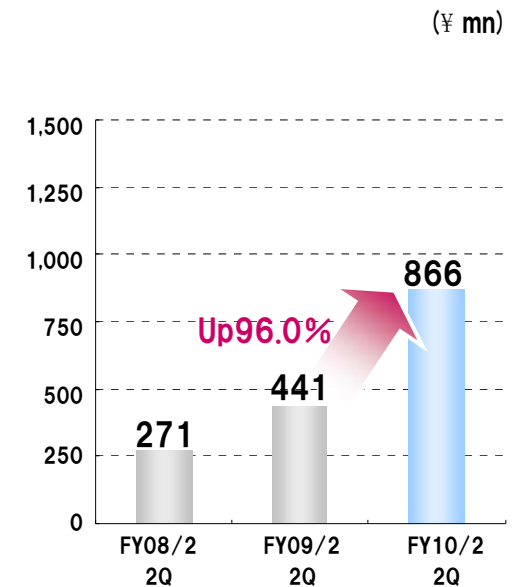
NetSales



Gross Profit



Operating Income



## FY2/10 2Q Results Highlights②

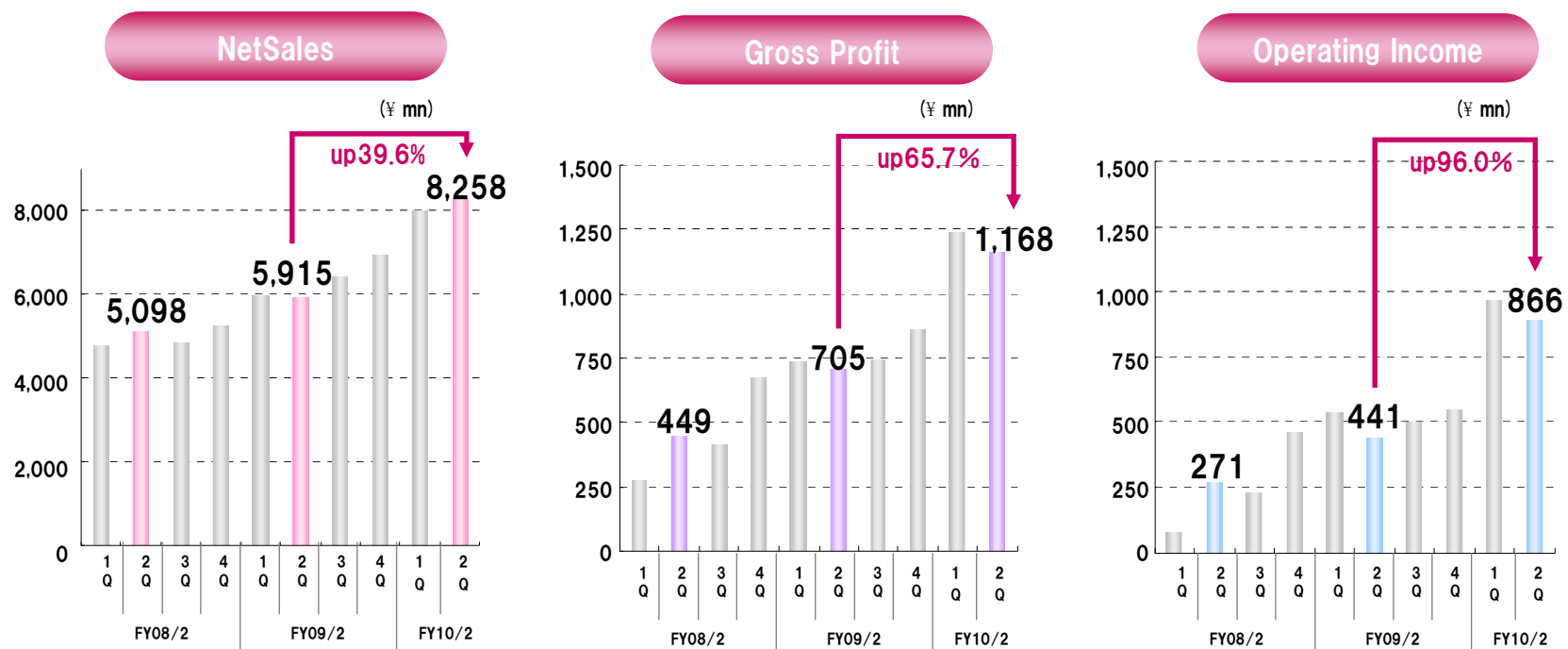
In 2Q, we achieved significant YoY growth. Net sales grew 39.6% YoY, gross profit increased 65.7% YoY, and operating income jumped 96.0% YoY.

(¥ mn)

	FY2/09 2Q (Actual)	FY2/10 2Q (Actual)	Increase/ Decrease	YoY Change
<b>Net Sales</b>	<b>5,915</b>	<b>8,258</b>	<b>+2,343</b>	<b>+39.6%</b>
<b>Cost of Sales</b> (%)	<b>5,210</b> (88.1%)	<b>7,090</b> (85.9%)	<b>+1,880</b>	<b>+36.1%</b>
<b>Gross Profit</b> (%)	<b>705</b> (11.9%)	<b>1,168</b> (14.1%)	<b>+463</b>	<b>+65.7%</b>
<b>SG&amp;A Expenses</b> (%)	<b>263</b> (4.5%)	<b>302</b> (3.7%)	<b>+39</b>	<b>+14.9%</b>
<b>Operating Income</b> (%)	<b>441</b> (7.5%)	<b>866</b> (10.5%)	<b>+424</b>	<b>+96.0%</b>
<b>Ordinary Income</b> (%)	<b>417</b> (7.1%)	<b>866</b> (10.5%)	<b>+449</b>	<b>+107.6%</b>
<b>Net Income</b> (%)	<b>246</b> (4.2%)	<b>510</b> (6.2%)	<b>+264</b>	<b>+107.6%</b>

# Results by Quarter

**NetSales YoY up39.6%、Gross Profit YoY up65.7%、Operating Income YoY up96.0%**



	FY08/2				FY09/2				FY10/2	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net Sales</b>	4,787	5,098	4,860	5,240	5,968	5,915	6,413	6,924	8,000	8,258
<b>Gross Profit</b>	277	449	409	672	738	705	748	856	1,240	1,168
<b>Operating Income</b>	80	271	228	464	540	441	504	551	964	866
<b>Gross Profit Margin</b>	5.8%	8.8%	8.4%	12.8%	12.4%	11.9%	11.7%	12.4%	15.5%	14.1%
<b>Operating Margin</b>	1.7%	5.3%	4.7%	8.9%	9.1%	7.5%	7.9%	8.0%	12.1%	10.5%

# NetSales

Solution sales rose on the back of growth in the TV shopping business among client companies

(¥ mn)

	FY2/09 2Q (Actual)	FY2/10 2Q (Actual)	Increase/ Decrease	YoY Change
<b>Net Sales</b>	<b>5,915</b>	<b>8,258</b>	<b>+2,343</b>	<b>+39.6%</b>
<b>Solution Sales</b> (%)	<b>5,774</b> (97.6%)	<b>8,138</b> (98.5%)	<b>+2,364</b>	<b>+41.0%</b>
<b>Product Sales</b> (%)	<b>141</b> (2.4%)	<b>120</b> (1.5%)	<b>△ 21</b>	<b>△ 14.9%</b>

Increase in volume of media space sales, program production and call center operations

## Cost of Sales, Gross Profit

Continuing on from FY2/10 1Q, media-buying conditions remained favorable. Gross profit increased owing to such factors as growth in the transaction amount, more efficient media allocation and diversification of media buying.

	FY2/09 2Q (Actual)	Cost composition ratio	FY2/10 2Q (Actual)	Cost composition ratio	Increase/ Decrease	YoY Change
Cost of Sales	5,210	100.0%	7,090	100.0%	+1,880	+36.1%
(%)	(88.1%)		(85.9%)			
Media Acquisition Costs (Media Buying)	4,545	87.2%	6,148	86.7%	+1,603	+35.3%
(%)	(76.8%)		(74.4%)			
TV (programs)	3,664	70.3%	4,471	63.1%	+807	+22.0%
(%)	(61.9%)		(54.1%)			
TV (commercials)	853	16.4%	1,488	21.0%	+634	+74.3%
(%)	(14.4%)		(18.0%)			
Other	26	0.5%	188	2.7%	+161	+604.6%
(%)	(0.5%)		(2.3%)			
Outsourcing Costs	539	10.4%	834	11.8%	+294	+54.6%
(%)	(9.1%)		(10.1%)			
Cost of Goods Sold	125	2.4%	107	1.5%	△ 17	△ 14.3%
(%)	(2.1%)		(1.3%)			
Gross Profit	705		1,168		+463	+65.7%
(%)	(11.9%)		(14.1%)			

(¥ mn)

Increase in volume of TV commercials in particular

Increase in volume of radio and newspaper flyer inserts

Increase in volume of call center operations

## SG&A Expenses, Operating Income

Increases in net sales and gross profit were sufficient to absorb increases in SG&A expenses.  
The SG&A expense ratio decreased. Operating income grew 96.0% YoY.

(¥ mn)

	FY2/09 2Q (Actual)	FY2/10 2Q (Actual)	Increase/ Decrease	YoY Change
<b>SG&amp;A Expenses</b>	<b>263</b>	<b>302</b>	<b>+39</b>	<b>+14.9%</b>
(%)	(4.5%)	(3.7%)		
<b>Personnel Costs</b>	<b>126</b>	<b>146</b>	<b>+20</b>	<b>+16.1%</b>
(%)	(2.1%)	(1.8%)		
<b>Depreciation</b>	<b>3</b>	<b>7</b>	<b>+4</b>	<b>+121.2%</b>
(%)	(0.1%)	(0.1%)		
<b>Other</b>	<b>133</b>	<b>148</b>	<b>+14</b>	<b>+11.1%</b>
(%)	(2.3%)	(1.8%)		
<b>Operating Income</b>	<b>441</b>	<b>866</b>	<b>+424</b>	<b>+96.0%</b>
(%)	(7.5%)	(10.5%)		

Total employees  
increased by 20  
( new graduates 5,  
experienced personnel  
15)

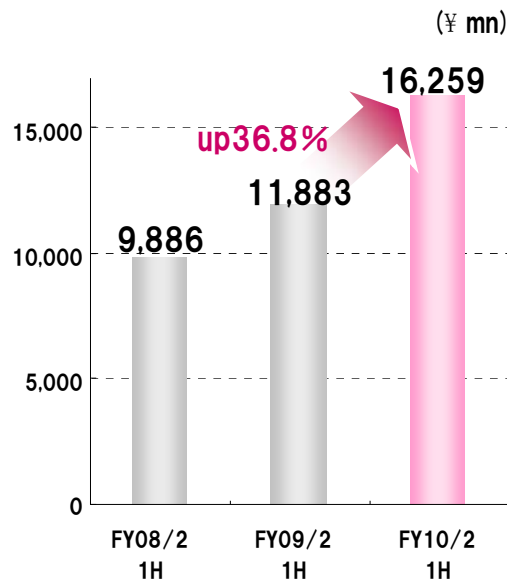
Depreciation expense  
increased owing to the  
implementation of the  
media management  
system

<b>No. of Employees</b>	<b>43</b>	<b>63</b>	<b>20</b>	<b>+46.5%</b>
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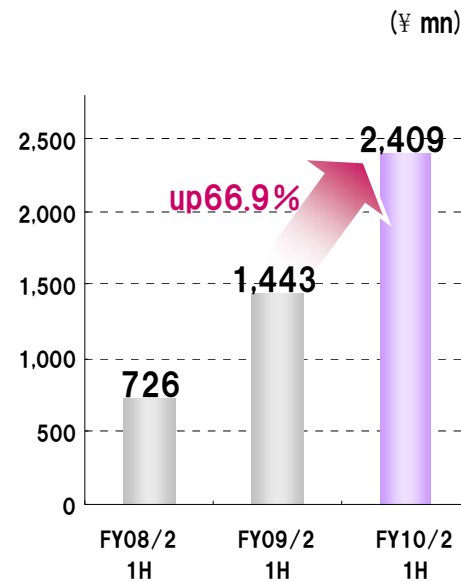
# Summary of FY2/10 1H Results ①

FY2/10 1H results exhibited significant YoY growth  
 NetSales YoY up36.8%、Gross Profit YoY up66.9%、Operating IncomeYoY up86.4%

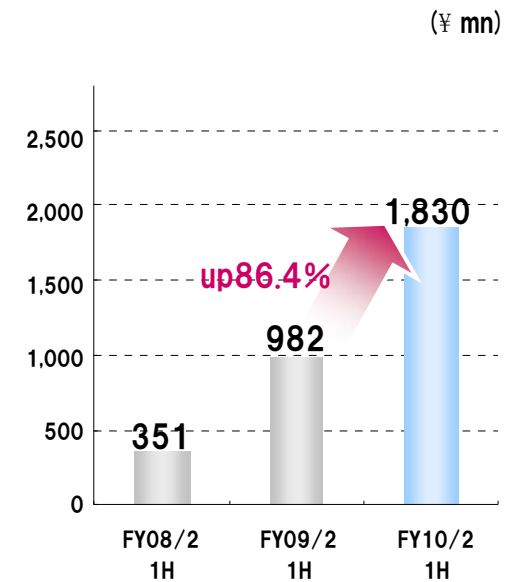
NetSales



Gross Profit



Operating Income



## Summary of FY2/10 1H Results ②

FY2/10 1H results exhibited significant YoY growth  
 NetSales YoY up36.8%、Gross Profit YoY up66.9%、Operating IncomeYoY up86.4%

(¥ mn)

	FY2/09 First Half (Actual)	FY2/10 First Half (Actual)	Increase/ Decrease	YoY Change
<b>Net Sales</b>	<b>11,883</b>	<b>16,259</b>	<b>+4,375</b>	<b>+36.8%</b>
<b>Cost of Sales</b> (%)	<b>10,440</b> (87.9%)	<b>13,850</b> (85.2%)	<b>+3,409</b>	<b>+32.7%</b>
<b>Gross Profit</b> (%)	<b>1,443</b> (12.1%)	<b>2,409</b> (14.8%)	<b>+965</b>	<b>+66.9%</b>
<b>SG&amp;A Expenses</b> (%)	<b>461</b> (3.9%)	<b>578</b> (3.6%)	<b>+117</b>	<b>+25.4%</b>
<b>Operating Income</b> (%)	<b>982</b> (8.3%)	<b>1,830</b> (11.3%)	<b>+848</b>	<b>+86.4%</b>
<b>Ordinary Income</b> (%)	<b>953</b> (8.0%)	<b>1,832</b> (11.3%)	<b>+878</b>	<b>+92.2%</b>
<b>Net Income</b> (%)	<b>554</b> (4.7%)	<b>1,081</b> (6.7%)	<b>+527</b>	<b>+95.1%</b>

## Percentage Variance from Forecast

2Q saw a continuation of the robust results posted in 1Q.

Net sales and income targets were met.

Net sales were 7.7% higher than the forecast announced on June 30, 2009,  
and operating income was 24.9% ahead of forecast.

(¥ mn)

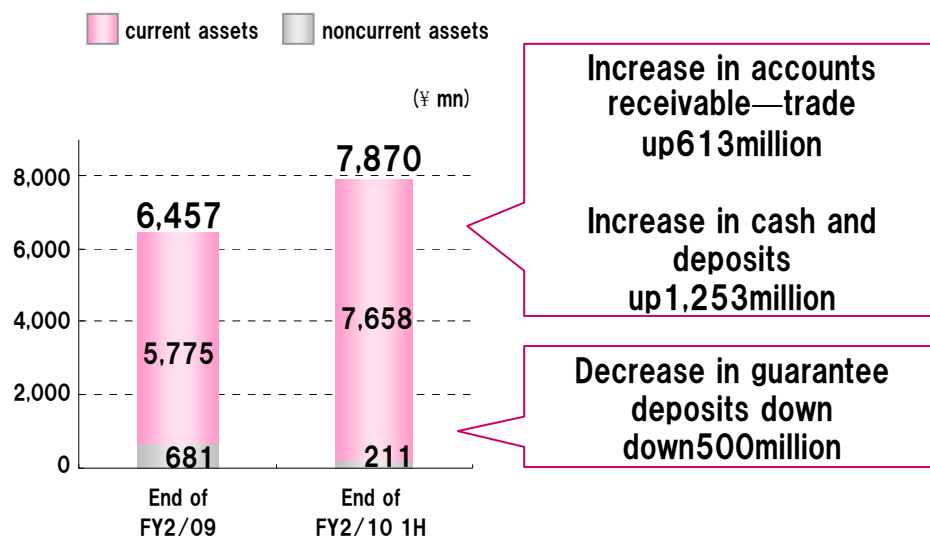
	FY2/10 First Half (Forecast)	FY2/10 First Half (Actual)	Increase/ Decrease	Percentage Variance from Forecast
<b>Net Sales</b>	<b>15,094</b>	<b>16,259</b>	<b>+1,164</b>	<b>107.7%</b>
<b>Operating Income</b> (%)	<b>1,465</b> (9.7%)	<b>1,830</b> (11.3%)	<b>+365</b>	<b>124.9%</b>
<b>Ordinary Income</b> (%)	<b>1,464</b> (9.7%)	<b>1,832</b> (11.3%)	<b>+367</b>	<b>125.1%</b>
<b>Net Income</b> (%)	<b>857</b> (5.7%)	<b>1,081</b> (6.7%)	<b>+224</b>	<b>126.1%</b>

# Financial Position

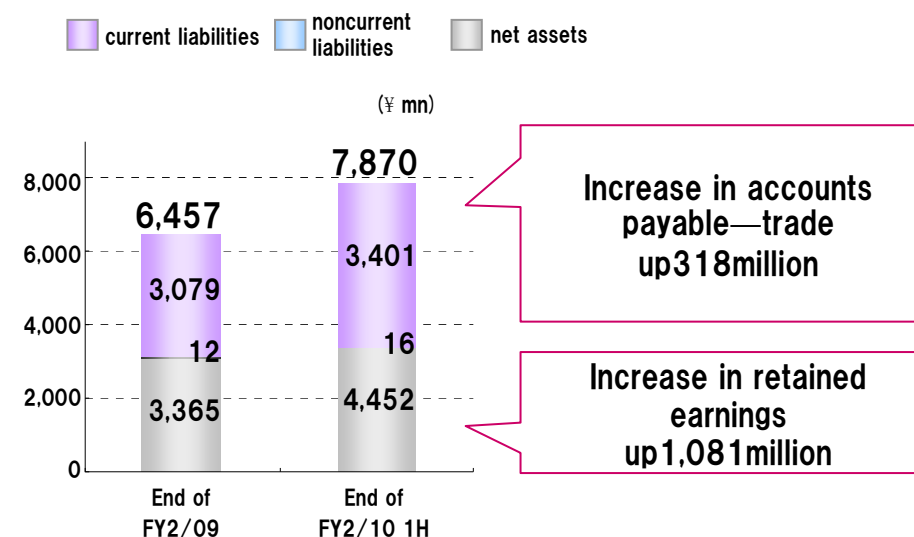
## Strengthened financial base

### Balance Sheets

#### Assets



#### Liabilities and Net Assets



### Cash Flows

(¥ mn)

	FY2/09 First Half (Actual)	FY2/10 First Half (Actual)
Operating C/F	504	1,298
Investing C/F	△ 5	△ 50
Financing C/F	604	5
Cash and cash equivalents	2,055	4,144

Income before income taxes	up 1,832 million
Decrease in guarantee deposits	up 500 million
Increase in accounts payable—trade	up 318 million
Increase in accounts receivable—trade	down 613 million
Income taxes paid	down 656 million

Part 1: FY2/10 2Q Results

Part 2: Current Status of FY2/10 Forecasts

Part 3: Progress in the Medium-Term Management Plan

Reference Materials

## Upward Revision to Full Year Forecasts for FY2/10

In FY2/10 2H, we expect business to continue expanding. Consequently, we have revised the full-year forecasts upward.

(¥ mn)

	FY2/10 Full Year (Previous Forecast)	FY2/10 Full Year (Revised Forecast)	Increase/ Decrease	Percentage change from previous forecasts
<b>Net Sales</b>	<b>31,150</b>	<b>34,279</b>	<b>+3,129</b>	<b>+10.0%</b>
<b>Operating Income</b> (%)	<b>2,644</b> (8.5%)	<b>3,425</b> (10.0%)	<b>+781</b>	<b>+29.5%</b>
<b>Ordinary Income</b> (%)	<b>2,640</b> (8.5%)	<b>3,428</b> (10.0%)	<b>+787</b>	<b>+29.8%</b>
<b>Net Income</b> (%)	<b>1,533</b> (4.9%)	<b>1,988</b> (5.8%)	<b>+454</b>	<b>+29.6%</b>

## Current Status

Measured against the revised forecasts, net sales in 1H correspond to 47.4% of the new target, while operating income in 1H amounts to 53.4% of the new target.

(¥ mn)

	FY2/10 First Half (Actual)	FY2/10 Full Year (Revised Forecast)	Progress Rate	
<b>Net Sales</b>	<b>16,259</b>	<b>34,279</b>	<b>47.4%</b>	<div data-bbox="1624 710 2038 890"> <p>We anticipate growth in solution sales in 2H.</p> </div>
<b>Operating Income</b> (%)	<b>1,830</b> (11.3%)	<b>3,425</b> (10.0%)	<b>53.4%</b>	
<b>Ordinary Income</b> (%)	<b>1,832</b> (11.3%)	<b>3,428</b> (10.0%)	<b>53.4%</b>	<div data-bbox="1624 922 2038 1177"> <p>We plan to increase investment in new media and anticipate higher SG&amp;A expenses in 2H.</p> </div>
<b>Net Income</b> (%)	<b>1,081</b> (6.7%)	<b>1,988</b> (5.8%)	<b>54.4%</b>	

## Full Year Forecasts for FY2/10(YoY Change)

NetSales YoY up35.9%、Operating Income YoY up68.1%

(¥ mn)

	FY2/09 Full Year (Actual)	FY2/10 Full Year (Revised Forecast)	Increase/ Decrease	YoY Change
<b>Net Sales</b>	<b>25,221</b>	<b>34,279</b>	<b>+9,058</b>	<b>+35.9%</b>
<b>Operating Income</b> (%)	<b>2,037</b> (8.1%)	<b>3,425</b> (10.0%)	<b>+1,388</b>	<b>+68.1%</b>
<b>Ordinary Income</b> (%)	<b>2,011</b> (8.0%)	<b>3,428</b> (10.0%)	<b>+1,416</b>	<b>+70.4%</b>
<b>Net Income</b> (%)	<b>1,150</b> (4.6%)	<b>1,988</b> (5.8%)	<b>+837</b>	<b>+72.8%</b>

Part 1: FY2/10 2Q Results

Part 2: Current Status of FY2/10 Forecasts

**Part 3: Progress in the Medium-Term Management Plan**

Reference Materials

## Medium-Term Management Plan: Overview of Second-Phase Strategy



In FY2/10, we are focusing on proven strengths to expand our existing business. From FY2/11 onward, to drive future growth we will implement investments aimed at reinforcing our solution services and developing cross-media business.

### 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

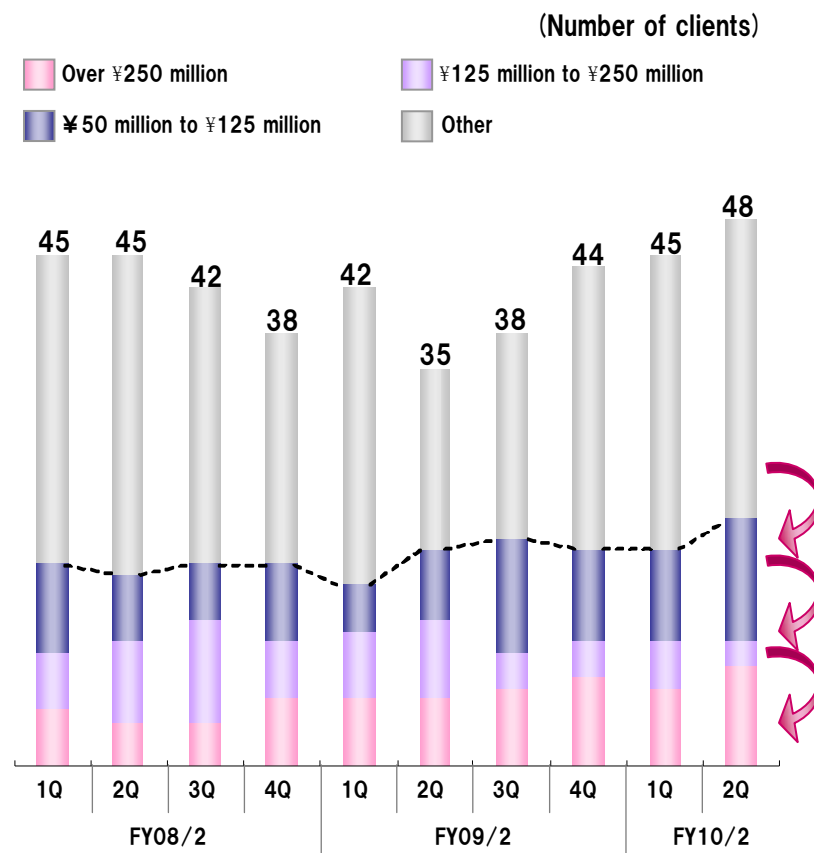


Expand  
scale of  
operations

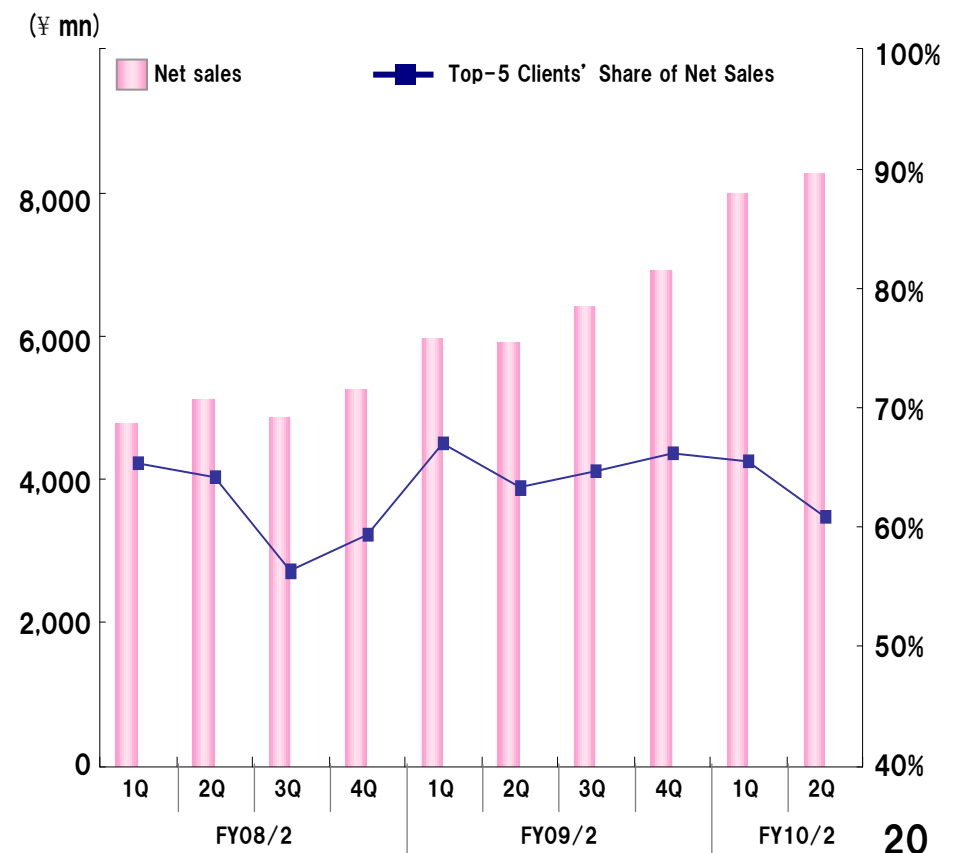
# 1 – i Expansion of Business from Existing Clients and Development of New Clients

Client companies' demand for media placements remains robust.  
 We will strive to bolster demand across our entire client base  
 and thereby expand the scale of the business.

Analysis of Client Base by Sales Level



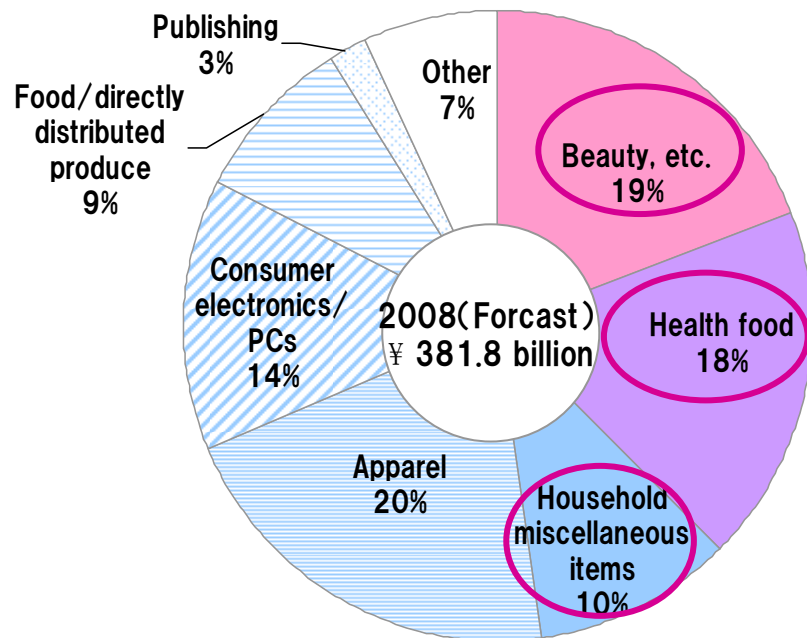
Net Sales and Top-Five Clients' Ratio of Net Sales



# 1 – ii Direct Marketing Support Programs for New Client Categories

## Provision of Direct Marketing Support Services to New Client Industries

TV-Based Direct Marketing: Breakdown of Clients by Industry



New industries we are targeting include video content, financial services and real estate.

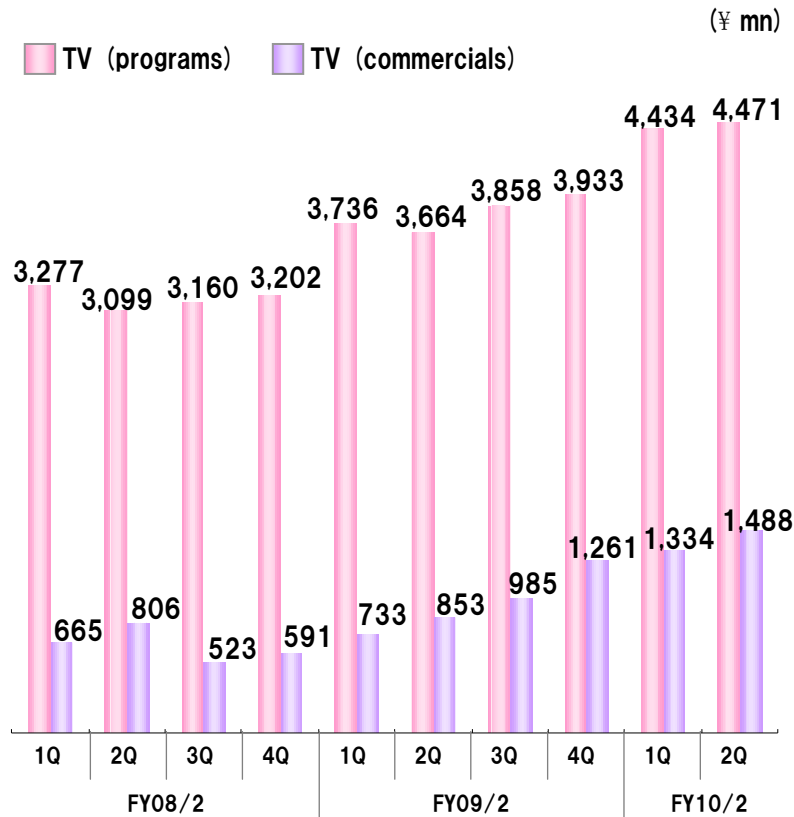
Our main market segments—beauty, health foods and Household miscellaneous items—are growth markets. We will strive to continue expanding business in our proven areas of strength.

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

# 1 – iii Expansion of TV Commercials

**Steadily expanding our volume of TV commercials handled.  
We will aim to further grow our existing business centered on TV programs and commercials.**

## Purchases of TV Program and TV Commercial Slots



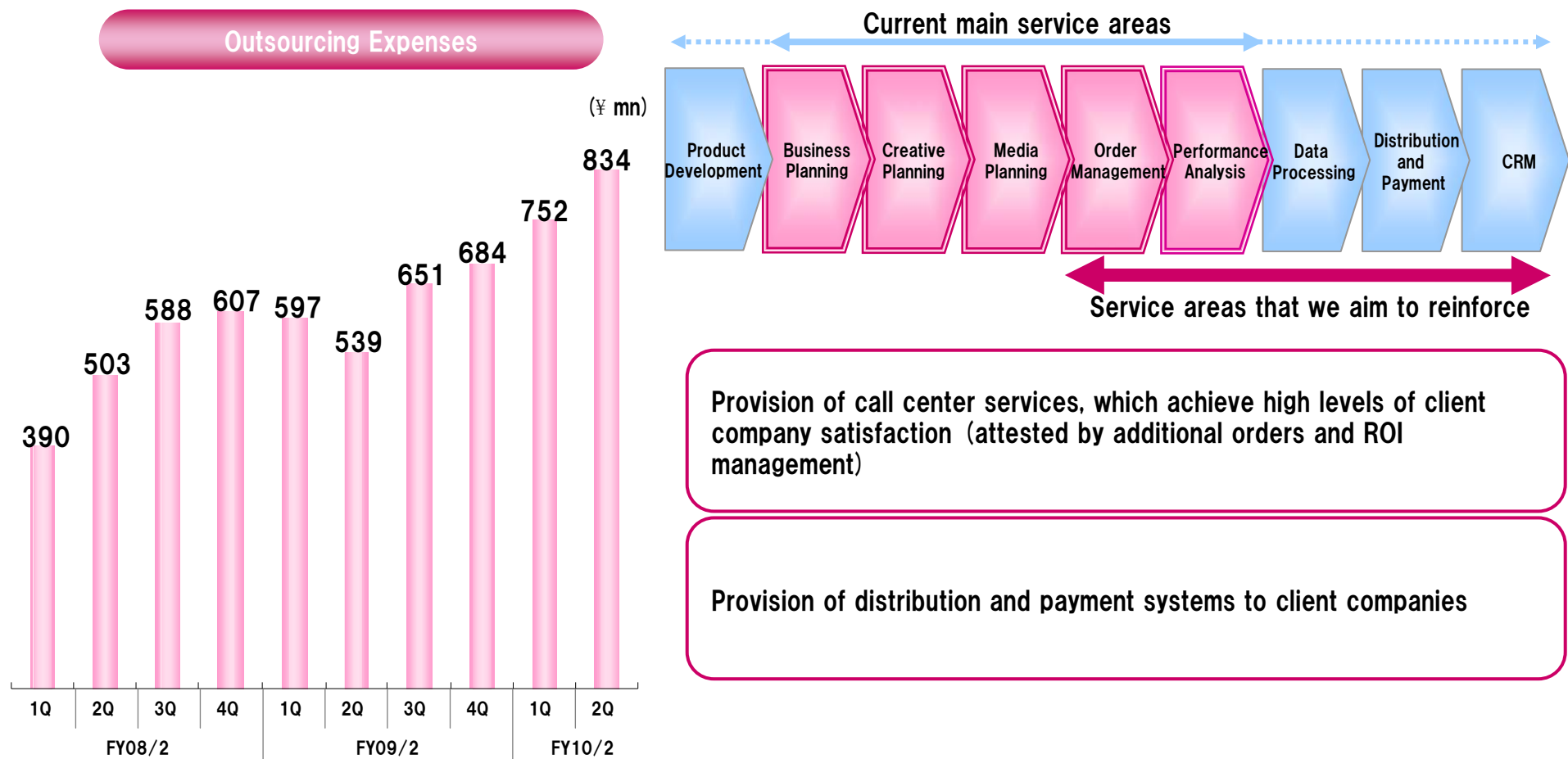
**We expect media buying conditions to remain favorable.  
TV programs: continuation of steady, large-volume purchases of slots.  
TV commercials: increasing slot purchases spurred on by the weak advertising market.**

**Media buying volumes bolstered by diversification in media suppliers**

**By bolstering our TV commercial production capacity, we will aim to enhance client companies' advertising ROI**

## 2 Strengthening of Solution Services

By moving toward total solutions, outsourcing costs increase.  
 We provide call center services, which gain high levels of satisfaction among client companies,  
 and also provide distribution and payment systems.



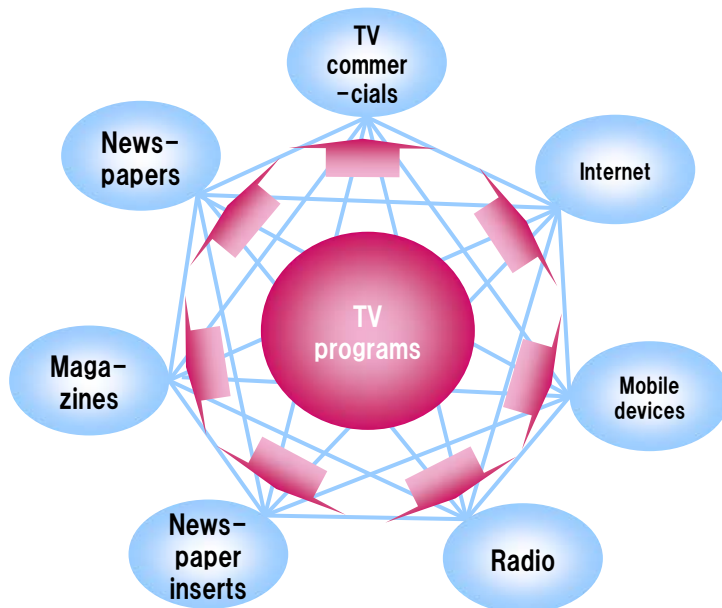
### 3 Development of Cross-Media Business

Cross-media development in FY2/10 is at the testing stage.  
 From FY2/11, we plan to make strategic investments aimed at generating future growth.

#### The Tri-Stage cross-media strategy

We plan to deploy TV program content across other media, thereby increasing exposure and leading to consumer purchases

By developing complementary communication channels for information to flow across several media, we aim to bolster consumer purchases.



#### Action phase

##### Actions during FY2/10 1H

Establishment of specialist division

Increase the number of media used and media suppliers

Implement sales activities aimed at existing client companies

Carry out testing using radio and newspaper flyer inserts

##### Plans during FY2/10 2H

Bolster cross-media placements focusing on existing clients

Carry out tests using other media

Expand volume of business in FY2/11 and beyond

Part 1: FY2/10 2Q Results

Part 2: Current Status of FY2/10 Forecasts

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## Analysis of Client Base by Sales Level

(Number of clients)

	FY08/2				FY09/2				FY10/2	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Over ¥250 million	5	4	4	6	6	6	7	8	7	9
¥125 million to ¥250 million	5	7	9	5	6	7	3	3	4	2
¥50 million to ¥125 million	8	6	5	7	4	6	10	8	8	11
Other	27	28	24	20	26	16	18	25	26	26
Total	45	45	42	38	42	35	38	44	45	48

## Company Profile

- 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 ¥629 million (As of August 31, 2009)
- Shares Issued 2,495,800 shares (As of August 31, 2009)
- No. of Employees 63 (As of August 31, 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.

# Philosophy, Creed and Management Principles



## Corporate Philosophy

**We will contribute to society as a company that strives wholeheartedly to resolve issues in order to properly establish bonds between our clients' products and services and consumers.**

## Company Creed

**The consumer's satisfaction is the client's satisfaction, and ours.**

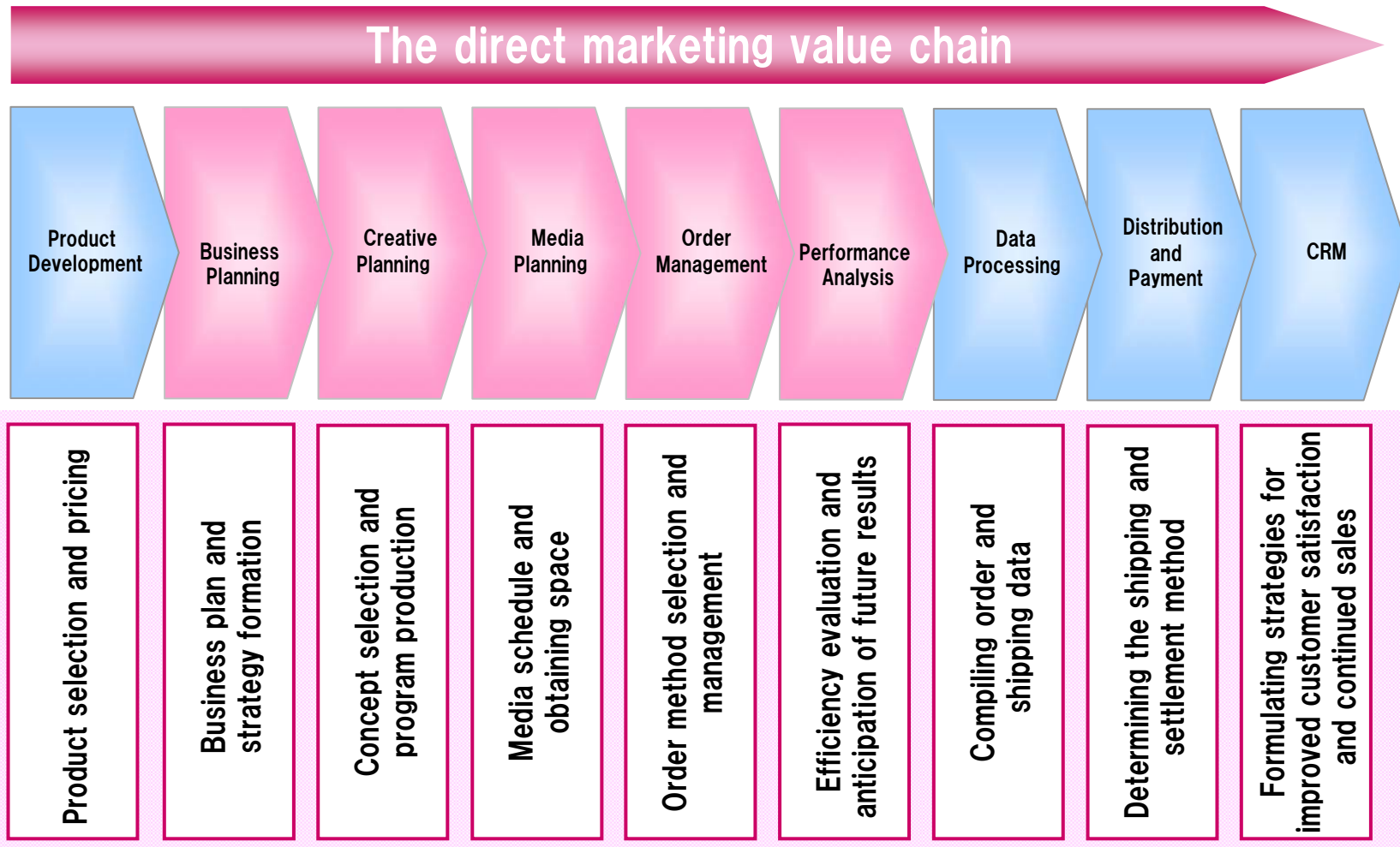
## Management Principles

**Speedy**

**Going Concern**

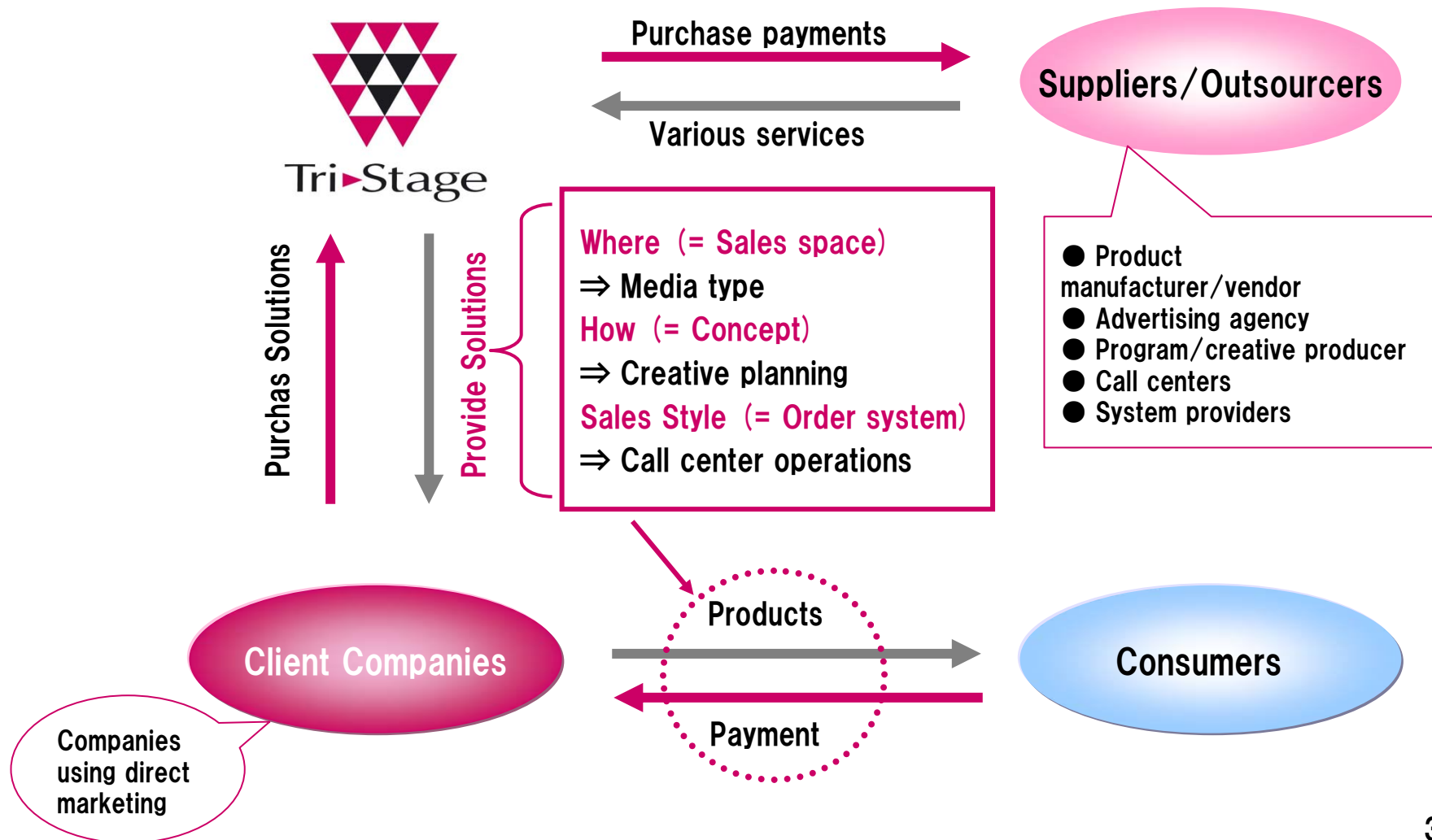
**Innovation**

## Comprehensive Suite of Services for Direct Marketing



Example of Tri-Stage's Solutions Lineup

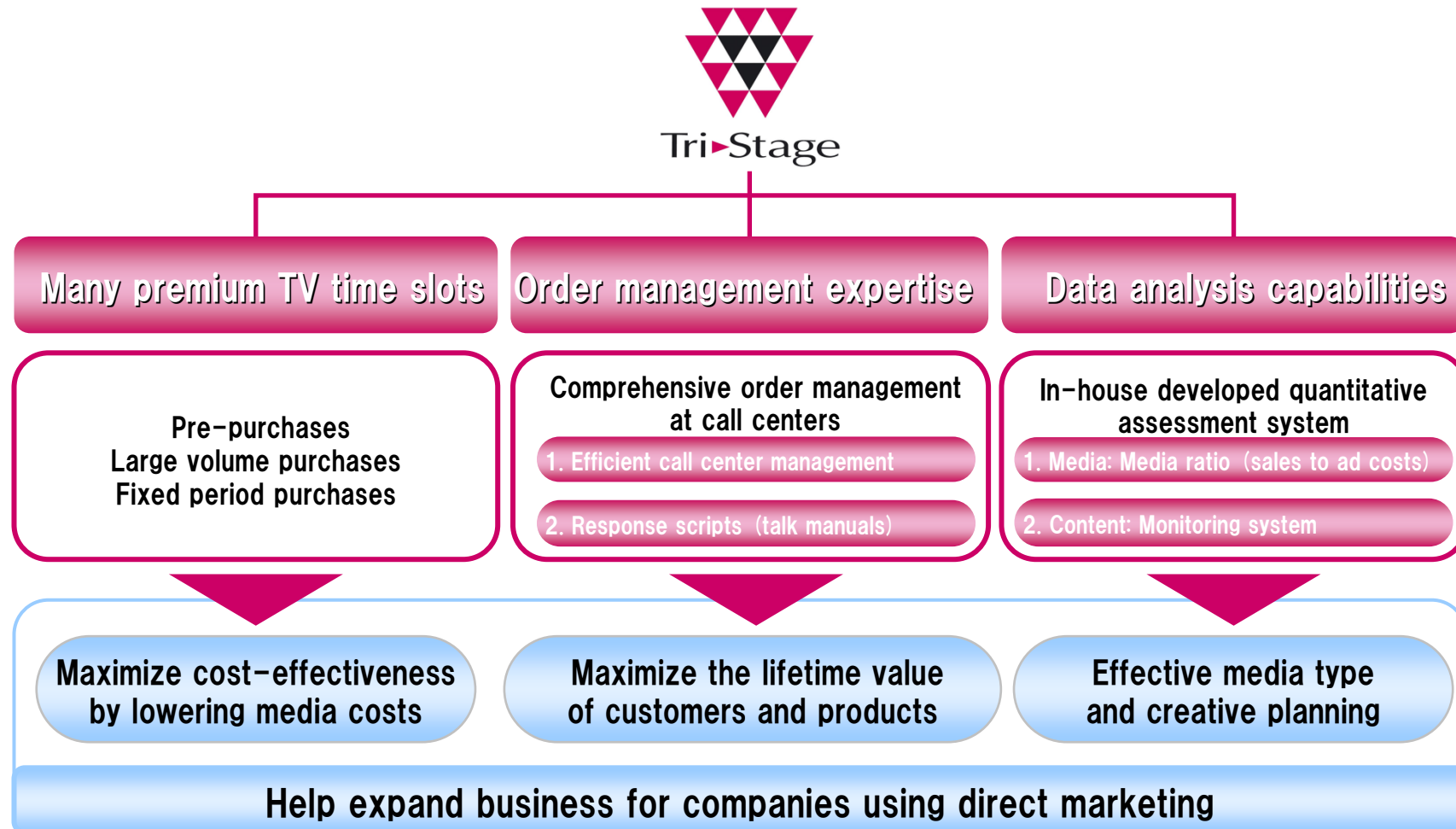
## Customer service utilizing independent strength



# Source of Competitiveness (Strengths)



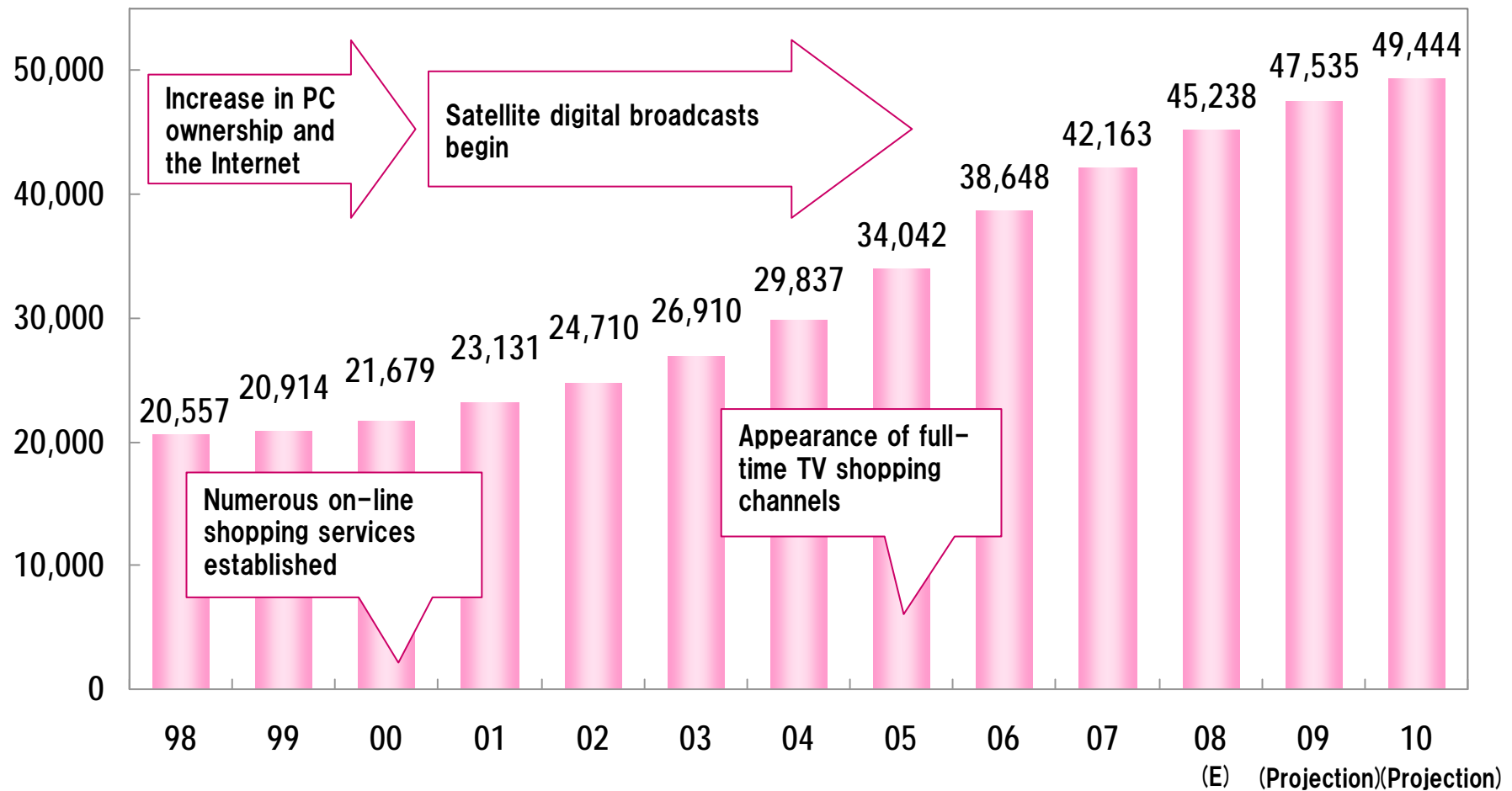
## Total solutions based on data analysis



## Direct Marketing (Merchandise) Trends

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

(¥100 mn)

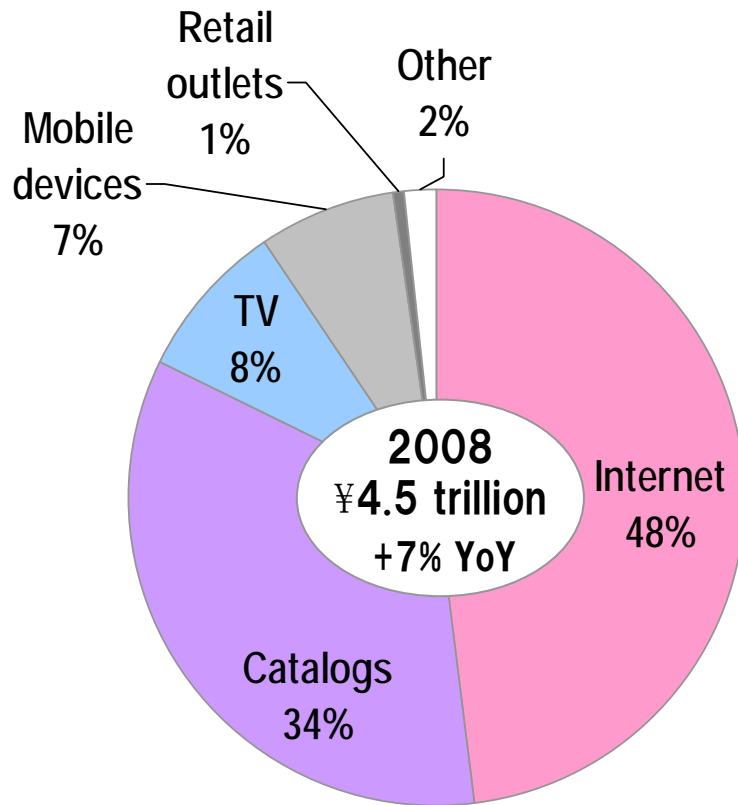


Source: 2008-2009 Direct Marketing and eCommerce Market: Situation and Outlook, Nov. 2008, Fuji-Keizai Co., Ltd.

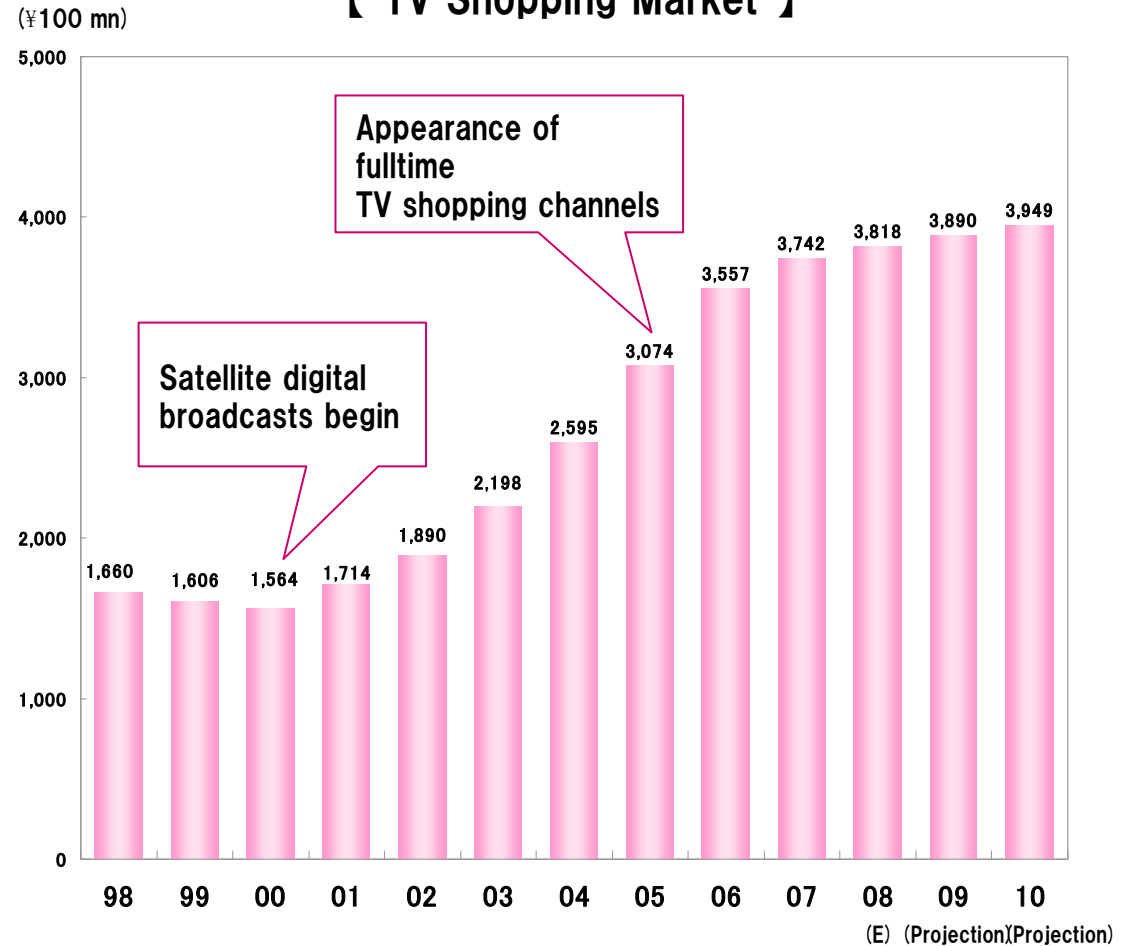
# Direct Marketing (TV Shopping) Trends

## Sales through Internet, TV and mobile devices growing

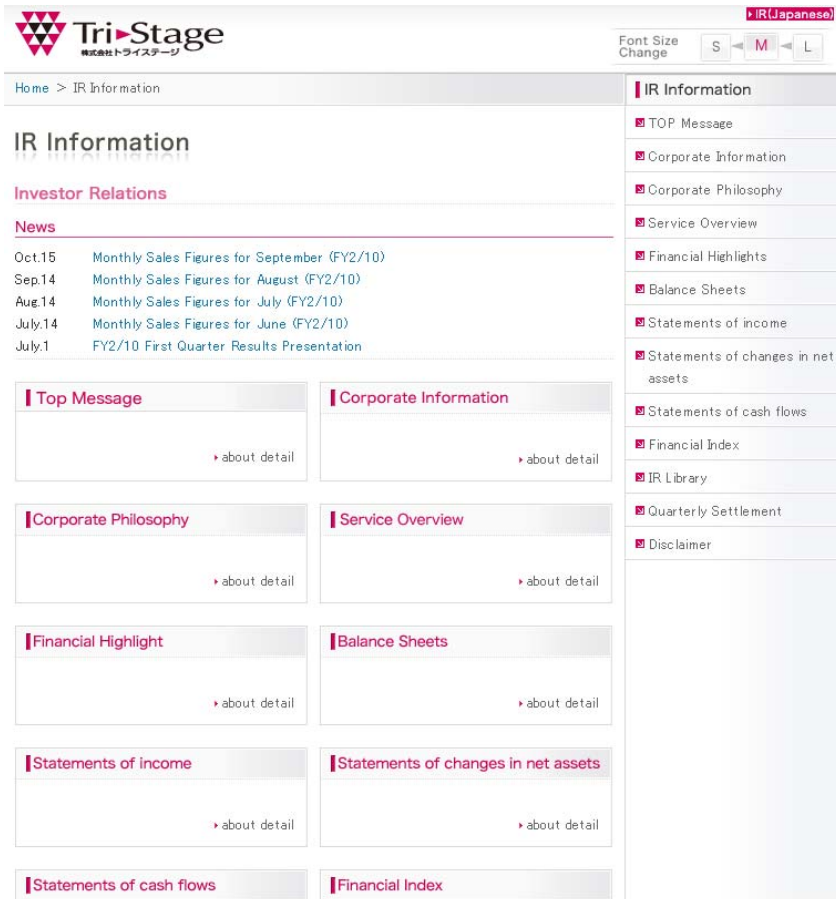
【 Market Share by Media Type 】



【 TV Shopping Market 】



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



The screenshot shows the IR Information page of the Tri-Stage website. The page is in Japanese and features a navigation menu on the right with the following items: IR Information, TOP Message, Corporate Information, Corporate Philosophy, Service Overview, Financial Highlights, Balance Sheets, Statements of income, Statements of changes in net assets, Statements of cash flows, Financial Index, IR Library, Quarterly Settlement, and Disclaimer. The main content area is divided into several sections, each with a title and a link to 'about detail':

- Investor Relations**
- News**
  - Oct.15 Monthly Sales Figures for September (FY2/10)
  - Sep.14 Monthly Sales Figures for August (FY2/10)
  - Aug.14 Monthly Sales Figures for July (FY2/10)
  - July.14 Monthly Sales Figures for June (FY2/10)
  - July.1 FY2/10 First Quarter Results Presentation
- Top Message**
- Corporate Information**
- Corporate Philosophy**
- Service Overview**
- Financial Highlight**
- Balance Sheets**
- Statements of income**
- Statements of changes in net assets**
- Statements of cash flows**
- Financial Index**

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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.**