# Tri-Stage / 2178

COVERAGE INITIATED ON: 2017.05.29
LAST UPDATE: 2021.04.12

Shared Research Inc. has produced this report by request from the company discussed in the report. The aim is to provide an "owner's manual" to investors. We at Shared Research Inc. make every effort to provide an accurate, objective, and neutral analysis. In order to highlight any biases, we clearly attribute our data and findings. We will always present opinions from company management as such. Our views are ours where stated. We do not try to convince or influence, only inform. We appreciate your suggestions and feedback. Write to us at sr_inquiries@sharedresearch.jp or find us on Bloomberg.

# INDEX

**How to read a Shared Research report:** This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

# Executive summary

## Core businesses

- The Tri-Stage group provides end-to-end direct marketing solutions to companies involved in direct marketing through its TV, web, and Direct Mailing businesses. Of the JPY50.4bn in sales and JPY628mn in operating profit reported in FY02/20, the Direct Marketing Support segment (TV business, web business) accounted for 56% of sales and generated operating profit of JPY773mn while the Direct Mailing segment accounted for 38% of sales and generated operating profit of JPY114mn. The company disposed of the Mail Order business and part of the Overseas business due to weak prospects for profitability and group synergies.
- In the Direct Marketing Support segment, the company operates the TV business it has been involved in since its founding, and the web business it began when it made adflex communications, Inc. a subsidiary in March 2017.
- In the TV business, the company provides one-stop support to TV shopping companies, from selecting suitable media and planning and producing TV shopping programs through taking product orders. Tri-Stage has the top market share of broadcasting slots, which it buys in bulk in advance, securing around 200,000 slots (for TV shopping programs and commercials) per month. By having available slots, Tri-Stage can flexibly respond to orders from TV shopping companies. The company has built an in-house database from basic information on nationwide broadcasting slots and product orders at contact centers, uses it to select broadcasting slots where target customer segments are most likely to respond to featured mail-order products and services, and draws on its experience and acquired data to produce TV shopping programs and commercials that enhance product sales. Advertising agencies compete in the offering of media, but Tri-Stage differentiates itself from competitors by selecting and providing optimal broadcasting slots for products and services based on its database, and offering comprehensive services ranging from product development to customer management. This core direct marketing service, which was launched in December 2019, is called Tri Direct Data Marketing (Tri-DDM).
- Since the company's founding in 2006, key clients have been mail order companies handling supplements and medications. Japan's aging population has led to growth in health foods. In the TV shopping market, supplements/medications had the highest transaction volume, and Tri-Stage has a higher ratio of transactions in this category than competitors (50% in 2019 versus a little under 30% for the TV shopping market as a whole). According to research firm Fuji Keizai Co., Ltd., in 2018, mail order supplements/medications (27.8% of the mail order market by value) grew an estimated 1.3% YoY, while apparel (the second largest category at 21.0%) rose more sharply, by an estimated 1.4%. Tri-Stage has over a hundred clients but the top five account for roughly 40% of sales, so sales are affected by these clients' product life cycles.
- In the web business, adflex communications (subsidiary since March 2017) provides one-stop support regarding online ads for companies involved in direct marketing. In 2018, the company started providing an ad service harnessing AI tools, which contributed to improved advertising efficiency. Sales of this services grew a sharp 26.6% YoY in FY02/20.
- At the Direct Mailing segment, Mail Customer Center Co., Ltd. (subsidiary since November 2012) acts as a forwarding agent for direct mailings designed to encourage repeat purchases, and is one of the industry leaders by pieces sent (more than 300mn sent per year). The ratio of transactions through agents becomes high in order for Tri-Stage to secure the number of pieces sent and enhance price competitiveness, but the company aims to improve segment profit by increasing the ratio of more profitable direct clients. It has also increased handling of small package deliveries (product DM), demand for which is on the rise in recent years.

## Trends and outlook

- In FY02/21, the company reported consolidated sales of JPY47.8bn (-5.3% YoY), operating profit of JPY1.3bn (+110.2% YoY), recurring profit of JPY1.3bn (+230.5% YoY), and net income attributable to owners of the parent of JPY849mn (+364.8% YoY). The company's decision to focus on only selected businesses contributed to sales declining in FY02/21, the final year in Tri-Stage's medium-term business plan, Tri's vision 2021. However, investment and the focused concentration of resources contributed to underlying earnings at the group (consolidated operating profit excluding the impact from specialized factors, which in FY02/21 included incidents of misconduct and the COVID-19 pandemic) improving by more than JPY100mn each year in the three years since FY02/19. The company made steady progress in the development of a DDM platform, the launch of digital transformation (DX) efforts in media and CC service operations, the investment to adapt to changes in business formats using AI tools, and the acquisition of new customers. Tri-Stage implemented groupwide measures, starting with TV-linked listings, and launched the Sokures service as a new broadcasting slot sales method. The company established Tri-Stage Media in February 2021 with the aim of strengthening its purchasing functions.

- The company's full-year FY02/22 forecast calls for consolidated sales of JPY48.4bn (+1.4% YoY), operating profit of JPY1.3bn (-3.2% YoY), recurring profit of JPY1.2bn (-7.2% YoY), and net income attributable to owners of the parent of JPY840mn (-1.0% YoY). Tri-Stage indicated that if there was any information requiring disclosure moving forward, including in regard to the impact from the spread of COVID-19, it would do so promptly. The mainstay customers in the TV business are those involved in TV shopping. However, the company aims to expand its clientele to include e-commerce and web service companies by strengthening the Tri-DDM functions, launching TV-linked listing ads services, and promoting cross-channel support services, including QR code ordering services and operational response commercial services. In the web business, the company aims to expand sales and move into profitability by attracting new customers through the provision of AI tools boosting ad performance, while bolstering synergies with the TV business and promoting cross-channel collaborations. In the Direct Mailing business, the company aims to continue building up capacity to handle small packages that can be sent through the postal system, such as Yu-Packet and Neko Posu, in addition to the existing direct mail forwarding agency business. In the Overseas business, Tri-Stage plans to work on maintaining operating profit. While the company expects the Retail business to continue to face difficulties in the face of the COVID-19 pandemic, it aims to reduce losses and move the business into the black as soon as possible through an expanded lineup of private brand products and enhanced efficiency in store operations.
- Medium-term business plan: "Tri's vision 2024": Tri-Stage announced its three-year medium-term business plan, Tri's vision 2024 (ending in FY02/24), at the time of its FY02/21 earnings announcement. The company targets underlying earnings, defined as consolidated operating profit excluding specialized factors, for FY02/24 (the final year in the three-year plan) of JPY2.0bn, largely through the implementation of growth strategies and moving loss-making businesses into the black. The company has also established net income as a key management indicator, setting a target for FY02/24 of JPY1.3bn, up from JPY848mn in FY02/21. The company will maintain its flexible stance toward shareholder returns, including dividends, by taking a comprehensive approach that factors in performance as well as the company's financial condition.

## Strengths and challenges

We think Tri-Stage's strengths are 1) offering end-to-end development capabilities in the TV business from medium choice, program production, and order management through customer management; 2) scale economies in the Direct Mailing segment from sending 300mn pieces of direct mail a year; and 3) its ability to effectively make proposals and manage in the web business due to its consulting capabilities and use of AI tools. Challenges facing the company are sales fluctuating with key clients' product life cycles, the TV shopping market reaching a plateau and constraining growth, and inventory risks associated with buying broadcasting slots in bulk.

# Key financial data

| Income statement (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. | FY02/21 Cons. | FY02/22 Est. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **34,253** | **37,572** | **34,814** | **33,826** | **36,024** | **32,185** | **37,132** | **47,302** | **55,776** | **53,844** | **50,440** | **47,783** | **48,442** |
| YoY | 35.8% | 9.7% | -7.3% | -2.8% | 6.5% | -10.7% | 15.4% | 27.4% | 17.9% | -3.5% | -6.3% | -5.3% | 1.4% |
| Gross profit | 4,857 | 4,526 | 3,447 | 2,681 | 2,892 | 3,193 | 3,577 | 5,152 | 5,613 | 5,982 | 6,152 | 5,361 | |
| GPM | 14.2% | 12.0% | 9.9% | 7.9% | 8.0% | 9.9% | 9.6% | 10.9% | 10.1% | 11.1% | 12.2% | 11.2% | |
| SG&A expenses | 1,238 | 1,302 | 1,468 | 2,184 | 2,117 | 2,273 | 2,678 | 3,757 | 4,581 | 5,172 | 5,524 | 4,041 | |
| YoY | 22.6% | 5.2% | 12.7% | 48.8% | -3.1% | 7.4% | 17.8% | 40.3% | 21.9% | 12.9% | 6.8% | -26.8% | |
| SG&A ratio | 3.6% | 3.5% | 4.2% | 6.5% | 5.9% | 7.1% | 7.2% | 7.9% | 8.2% | 9.6% | 11.0% | 8.5% | |
| **Operating profit** | **3,619** | **3,224** | **1,979** | **497** | **775** | **919** | **898** | **1,395** | **1,032** | **810** | **628** | **1,320** | **1,278** |
| YoY | 77.6% | -10.9% | -38.6% | -74.9% | 56.1% | 18.6% | -2.3% | 55.3% | -26.0% | -21.6% | -22.4% | 110.2% | -3.2% |
| OPM | 10.6% | 8.6% | 5.7% | 1.5% | 2.2% | 2.9% | 2.4% | 2.9% | 1.9% | 1.5% | 1.2% | 2.8% | 2.6% |
| **Recurring profit** | **3,622** | **3,237** | **1,989** | **504** | **777** | **932** | **890** | **1,367** | **908** | **272** | **404** | **1,335** | **1,239** |
| YoY | 80.1% | -10.6% | -38.6% | -74.7% | 54.4% | 19.8% | -4.4% | 53.5% | -33.5% | -70.0% | 48.5% | 230.5% | -7.2% |
| RPM | 10.6% | 8.6% | 5.7% | 1.5% | 2.2% | 2.9% | 2.4% | 2.9% | 1.6% | 0.5% | 0.8% | 2.8% | 2.6% |
| **Net income attributable to owners of the parent** | **2,110** | **1,909** | **1,148** | **248** | **375** | **533** | **475** | **761** | **386** | **-992** | **183** | **849** | **840** |
| YoY | 83.3% | -9.5% | -39.9% | -78.4% | 51.1% | 42.3% | -11.0% | 60.3% | -49.3% | -357.1% | -118.4% | 364.8% | -1.0% |
| Net margin | 6.2% | 5.1% | 3.3% | 0.7% | 1.0% | 1.7% | 1.3% | 1.6% | 0.7% | -1.8% | 0.4% | 1.8% | 1.7% |
| **Per-share data (split-adjusted; JPY)** | | | | | | | | | | | | | |
| Shares issued (year-end; '000) | 29,990 | 30,102 | 30,175 | 30,299 | 30,430 | 30,480 | 30,492 | 30,517 | 30,157 | 30,517 | 30,517 | 30,517 | |
| EPS | 70.51 | 63.53 | 38.32 | 8.38 | 12.59 | 17.88 | 17.24 | 27.38 | 13.27 | -34.07 | 6.69 | 33.39 | 33.52 |
| EPS (fully diluted) | 69.04 | 62.61 | 37.93 | 8.31 | 12.55 | 17.84 | 17.16 | 27.21 | 13.19 | - | 6.69 | 33.38 | |
| Dividend per share | - | 5.00 | 5.00 | 5.00 | 5.00 | 17.75 | 18.75 | 22.50 | 10.00 | 7.00 | 7.00 | 1.75 | 7.00 |
| Book value per share | 182.80 | 245.74 | 278.96 | 281.37 | 288.03 | 300.52 | 232.40 | 305.91 | 298.18 | 246.76 | 245.94 | 264.82 | |
| **Balance sheet (JPYmn)** | | | | | | | | | | | | | |
| Current assets | 9,353 | 10,750 | 10,877 | 11,220 | 11,291 | 11,981 | 8,491 | 13,103 | 14,137 | 14,156 | 13,429 | 14,085 | |
| Cash and cash equivalents | 5,341 | 6,561 | 7,179 | 6,849 | 5,960 | 5,244 | 3,469 | 6,189 | 6,230 | 6,183 | 6,349 | 7,451 | |
| Accounts receivable | 3,885 | 4,086 | 3,590 | 4,064 | 3,786 | 4,147 | 4,855 | 6,148 | 7,038 | 7,223 | 6,602 | 6,340 | |
| Inventories | - | - | 0 | 5 | 13 | 7 | 9 | 397 | 585 | 388 | 288 | 207 | |
| Other current assets | 127 | 103 | 108 | 301 | 1,533 | 2,583 | 157 | 369 | 284 | 361 | 191 | 86 | |
| Fixed assets | 263 | 238 | 390 | 1,106 | 1,451 | 1,006 | 1,371 | 3,514 | 3,821 | 2,090 | 2,051 | 1,097 | |
| Tangible fixed assets | 104 | 83 | 128 | 111 | 327 | 273 | 264 | 522 | 471 | 378 | 377 | 255 | |
| Intangible fixed assets | 31 | 28 | 80 | 520 | 470 | 345 | 331 | 1,411 | 1,787 | 703 | 578 | 264 | |
| Investments and other assets | 129 | 126 | 182 | 474 | 653 | 388 | 775 | 1,582 | 1,563 | 1,009 | 1,096 | 578 | |
| Deferred assets | - | - | - | - | - | - | - | 77 | 62 | 49 | - | 1 | |
| Total assets | 9,616 | 10,988 | 11,267 | 12,325 | 12,742 | 12,987 | 9,861 | 16,695 | 18,020 | 16,295 | 15,481 | 15,183 | |
| Current liabilities | 4,115 | 3,563 | 2,939 | 3,566 | 3,685 | 3,595 | 4,169 | 5,292 | 5,734 | 6,767 | 5,284 | 6,003 | |
| Accounts payable | 2,561 | 2,867 | 2,531 | 3,042 | 2,719 | 2,632 | 3,179 | 3,788 | 4,602 | 4,464 | 3,978 | 4,003 | |
| Short-term debt | - | - | - | 219 | 350 | 415 | 272 | 110 | 442 | 1,454 | 591 | 1,118 | |
| Other | 1,554 | 696 | 407 | 306 | 616 | 548 | 719 | 1,394 | 690 | 849 | 715 | 882 | |
| Fixed liabilities | 19 | 28 | 78 | 371 | 442 | 398 | 279 | 2,276 | 3,371 | 2,493 | 3,269 | 8,367 | |
| Long-term debt | - | - | - | 278 | 289 | 239 | 107 | 2,063 | 3,095 | 2,212 | 3,006 | 2,101 | |
| Other | 19 | 28 | 78 | 94 | 153 | 160 | 173 | 213 | 276 | 281 | 264 | 6,266 | |
| Net assets | 5,482 | 7,397 | 8,250 | 8,388 | 8,615 | 8,994 | 5,413 | 9,127 | 8,915 | 7,036 | 6,927 | 6,815 | |
| Capital stock | 631 | 634 | 636 | 638 | 644 | 645 | 645 | 646 | 646 | 646 | 646 | 646 | |
| Capital surplus | 621 | 624 | 626 | 628 | 634 | 635 | 635 | 750 | 746 | 745 | 745 | 735 | |
| Retained earnings | 4,231 | 6,140 | 7,137 | 7,237 | 7,464 | 7,848 | 7,792 | 8,120 | 7,852 | 6,568 | 6,557 | 7,248 | |
| Treasury stock | -0 | -0 | -148 | -148 | -148 | -148 | -3,696 | -729 | -703 | -1,164 | -1,298 | -1,838 | |
| Accum. other comprehensive income | - | - | - | - | -1 | -0 | -0 | 105 | 142 | 32 | 53 | -155 | |
| Share subscription rights | - | - | - | - | - | 3 | 19 | 31 | 33 | 37 | 37 | 20 | |
| Non-controlling interests | - | - | - | 31 | 23 | 12 | 17 | 205 | 199 | 173 | 187 | 159 | |
| Total liabilities and equity | 9,616 | 10,988 | 11,267 | 12,325 | 12,742 | 12,987 | 9,861 | 16,695 | 18,020 | 16,295 | 15,481 | 21,186 | |
| **Statement of cash flows (JPYmn)** | | | | | | | | | | | | | |
| Cash flows from operating activities | 2,500 | 1,296 | 981 | 128 | 720 | 606 | 719 | 837 | 740 | 855 | 819 | 1,949 | |
| Cash flows from investing activities | -2,107 | -3,481 | -769 | 829 | -1,039 | -61 | 4,358 | -1,525 | -831 | -230 | -138 | 329 | |
| Cash flows from financing activities | 7 | 6 | -294 | -138 | 1 | -149 | -4,352 | 4,082 | 233 | -657 | -461 | -1,170 | |
| **Financial ratios** | | | | | | | | | | | | | |
| Interest-bearing debt | - | - | - | 496 | 639 | 654 | 378 | 2,173 | 3,537 | 3,665 | 3,597 | 3,220 | |
| Net cash | 5,341 | 6,561 | 7,179 | 6,353 | 5,321 | 4,590 | 3,091 | 4,016 | 2,693 | 2,518 | 2,752 | 4,232 | |
| ROA (RP-based) | 45.1% | 31.4% | 17.9% | 4.3% | 6.2% | 7.2% | 7.8% | 10.3% | 5.2% | 1.6% | 2.5% | 8.7% | |
| ROE | 47.7% | 29.6% | 14.7% | 3.0% | 4.4% | 6.1% | 6.6% | 10.7% | 4.4% | -12.8% | 2.7% | 12.7% | |
| Current ratio | 227.3% | 301.7% | 370.1% | 314.6% | 306.4% | 333.3% | 203.7% | 247.6% | 246.6% | 209.2% | 254.1% | 234.6% | |
| Fixed ratio | 4.8% | 3.2% | 4.7% | 13.2% | 16.8% | 11.2% | 25.3% | 38.5% | 42.9% | 29.7% | 29.6% | 16.1% | |
| Equity ratio | 57.0% | 67.3% | 73.2% | 67.8% | 67.4% | 69.1% | 54.5% | 53.3% | 48.2% | 41.9% | 43.3% | 31.3% | |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.
Note: The company conducted a 4-for-1 stock split on March 1, 2017.

# Recent updates

## Highlights

On April 12, 2021, Tri-Stage Inc. announced earnings results for full-year FY02/21 and the Tri's vision 2024 medium-term business plan; see the results section for details.

On February 8, 2021, Shared Research updated the report following interviews with the company.

On January 29, 2021, the company announced changes in organization and corporate officers' responsibilities.

The company says these revisions and changes will take effect on March 1, 2021.

Details regarding organizational changes

- The Internal Control Office renamed the Internal Auditing Office
- New Business Planning Office established to accelerate group business strategy proposal drafting and group synergy generation in core businesses
- Renamed Marketing Department 1
- Renamed Marketing Department 2
- New Product Department established to enhance product & service planning, development, and implementation functions
- DDM Business Promotion Department eliminated, with functions transferred to the Product Department
- Media Department eliminated due to transfer of ad agency business to Tri-Stage Media Inc.

On January 25, 2021, the company announced a plan to record extraordinary gains (gains on sale of investment securities).

- The company expects to report gains on sale of investment securities of JPY108mn (exchange rate of JPY3.46/THB as of January 22, 2021) resulting from its sale of common shares in TV Direct Public Company Limited (listed on the Market for Alternative Investment (mai) of the Stock Exchange of Thailand) on January 22, 2021.
- The company plans to record these gains on sale of investment securities as extraordinary gains in Q4 FY02/21. In addition to other factors, the company is carefully monitoring any possible impact from this move on full-year results for FY02/21. If revisions to its forecasts become necessary, it will promptly release them once they are finalized.

On January 14, 2021, the company announced earnings results for Q3 FY02/21.

**For previous releases and developments, please refer to the News and topics section.**

# Trends and outlook

## Quarterly trends and results

| Cumulative | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | | FY02/21 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of Est. | FY Est. |
| **Sales** | **13,874** | **27,538** | **40,713** | **53,844** | **13,269** | **26,193** | **38,674** | **50,440** | **11,629** | **24,193** | **36,242** | **47,783** | **96.4%** | **49,549** |
| YoY | 5.0% | -1.0% | -3.7% | -3.5% | -4.4% | -4.9% | -5.0% | -6.3% | -12.4% | -7.6% | -6.3% | -5.3% | | -1.8% |
| Gross profit | 1,470 | 2,891 | 4,398 | 5,982 | 1,545 | 3,288 | 4,738 | 6,152 | 1,318 | 2,757 | 4,047 | 5,361 | | |
| GPM | 10.6% | 10.5% | 10.8% | 11.1% | 11.6% | 12.6% | 12.3% | 12.2% | 11.3% | 11.4% | 11.2% | 11.2% | | |
| SG&A expenses | 1,244 | 2,502 | 3,746 | 5,172 | 1,675 | 3,165 | 4,368 | 5,524 | 957 | 1,899 | 3,004 | 4,041 | | |
| YoY | 9.7% | 11.9% | 10.9% | 12.9% | 34.6% | 26.5% | 16.6% | 6.8% | -42.8% | -40.0% | -31.2% | -26.8% | | |
| SG&A ratio | 9.0% | 9.1% | 9.2% | 9.6% | 12.6% | 12.1% | 11.3% | 11.0% | 8.2% | 7.8% | 8.3% | 8.5% | | |
| **Operating profit** | **225** | **389** | **653** | **810** | **-155** | **110** | **357** | **628** | **360** | **858** | **1,043** | **1,320** | **105.2%** | **1,255** |
| YoY | -19.6% | -29.7% | -24.6% | -21.6% | - | -71.7% | -45.3% | -22.4% | - | 679.3% | 192.0% | 110.2% | | 99.8% |
| OPM | 1.6% | 1.4% | 1.6% | 1.5% | - | 0.4% | 0.9% | 1.2% | 3.1% | 3.5% | 2.9% | 2.8% | | 2.5% |
| **Recurring profit** | **-285** | **-165** | **129** | **272** | **-210** | **54** | **301** | **404** | **357** | **880** | **1,090** | **1,335** | **107.3%** | **1,245** |
| YoY | - | 0.0% | -21.3% | -70.0% | - | - | 133.4% | 48.5% | - | 1,536.1% | 262.6% | 230.5% | | 208.2% |
| RPM | - | -0.6% | 0.3% | 0.5% | - | 0.2% | 0.8% | 0.8% | 3.1% | 3.6% | 3.0% | 2.8% | | 2.5% |
| **Net income** attributable to owners of the parent | **-399** | **-1,340** | **-1,128** | **-992** | **-218** | **5** | **172** | **183** | **257** | **426** | **655** | **849** | **130.6%** | **650** |
| YoY | - | 0.0% | - | - | - | - | - | - | - | - | 280.0% | 364.8% | | 255.9% |
| Net margin | - | - | - | - | - | 0.0% | 0.4% | 0.4% | 2.2% | 1.8% | 1.8% | 1.8% | | 1.3% |

| Quarterly | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | | FY02/21 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of Est. | FY Est. |
| **Sales** | **13,874** | **13,665** | **13,174** | **13,131** | **13,269** | **12,924** | **12,481** | **11,766** | **11,629** | **12,563** | **12,049** | **11,541** | **96.4%** | **49,549** |
| YoY | 5.0% | -6.4% | -9.0% | -2.7% | -4.4% | -5.4% | -5.3% | -10.4% | -12.4% | -2.8% | -3.5% | -1.9% | - | -1.8% |
| Gross profit | **1,470** | **1,421** | **1,507** | **1,584** | **1,545** | **1,743** | **1,450** | **1,414** | **1,318** | **1,439** | **1,290** | **1,314** | | |
| GPM | 10.6% | 10.4% | 11.4% | 12.1% | 11.6% | 13.5% | 11.6% | 12.0% | 11.3% | 11.5% | 10.7% | 11.4% | - | - |
| SG&A expenses | **1,244** | **1,257** | **1,244** | **1,427** | **1,675** | **1,490** | **1,203** | **1,156** | **957** | **941** | **1,106** | **1,037** | | |
| YoY | 9.7% | 14.2% | 8.8% | 18.6% | 34.6% | 18.5% | -3.3% | -19.0% | -42.8% | -36.8% | -8.1% | -10.3% | - | - |
| SG&A ratio | 9.0% | 9.2% | 9.4% | 10.9% | 12.6% | 11.5% | 9.6% | 9.8% | 8.2% | 7.5% | 9.2% | 9.0% | - | - |
| **Operating profit** | **225** | **164** | **263** | **157** | **-155** | **266** | **247** | **271** | **360** | **498** | **184** | **278** | **105.2%** | **1,255** |
| YoY | -19.6% | -40.1% | -15.4% | -6.0% | - | 61.9% | -6.3% | 72.9% | - | 87.6% | -25.4% | 2.4% | - | 99.8% |
| OPM | 1.6% | 1.2% | 2.0% | 1.2% | - | 2.1% | 2.0% | 2.3% | 3.1% | 4.0% | 1.5% | 2.4% | - | 2.5% |
| **Recurring profit** | **-285** | **120** | **294** | **143** | **-210** | **264** | **247** | **103** | **357** | **523** | **209** | **246** | **107.3%** | **1,245** |
| YoY | - | - | 24.7% | -80.8% | - | 120.7% | -16.1% | -27.8% | - | 97.9% | -15.1% | 137.4% | - | 208.2% |
| RPM | - | 0.9% | 2.2% | 1.1% | - | 2.0% | 2.0% | 0.9% | 3.1% | 4.2% | 1.7% | 2.1% | - | 2.5% |
| **Net income** attributable to owners of the parent | **-399** | **-941** | **212** | **136** | **-218** | **223** | **167** | **10** | **257** | **169** | **229** | **193** | **130.6%** | **650** |
| YoY | - | - | 228.1% | -73.6% | - | - | -21.1% | -92.5% | - | -24.2% | 37.3% | - | - | 255.9% |
| Net margin | - | - | 1.6% | 1.0% | - | 1.7% | 1.3% | 0.1% | 2.2% | 1.3% | 1.9% | 1.7% | - | 1.3% |

| Segments (cumulative) | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 13,874 | 27,538 | 40,713 | 53,844 | 13,269 | 26,193 | 38,674 | 50,440 | 11,629 | 24,193 | 36,242 | 47,783 |
| Direct Marketing Support | 8,100 | 16,337 | 23,976 | 31,684 | 7,681 | 15,092 | 21,837 | 28,134 | 6,893 | 14,232 | 20,946 | 27,715 |
| Direct Mailing | 4,843 | 9,319 | 13,926 | 18,494 | 4,758 | 9,508 | 14,545 | 19,154 | 4,303 | 9,066 | 13,888 | 18,155 |
| Overseas | 493 | 990 | 1,438 | 1,798 | 342 | 663 | 945 | 1,344 | 258 | 459 | 656 | 857 |
| Retail | 371 | 734 | 1,094 | 1,495 | 397 | 774 | 1,192 | 1,653 | 176 | 436 | 751 | 1,055 |
| Mail Order | 66 | 158 | 278 | 373 | 91 | 156 | 156 | 156 | - | - | - | - |
| YoY | 5.0% | -1.0% | -3.7% | -3.5% | -4.4% | -4.9% | -5.0% | -6.3% | -12.4% | -7.6% | -6.3% | -5.3% |
| Direct Marketing Support | -7.7% | -10.2% | -12.2% | -10.5% | -5.2% | -7.6% | -8.9% | -11.2% | -10.3% | -5.7% | -4.1% | -1.5% |
| Direct Mailing | 31.7% | 14.5% | 9.5% | 7.9% | -1.8% | 2.0% | 4.4% | 3.6% | -9.6% | -4.7% | -4.5% | -5.2% |
| Overseas | 26.3% | 30.9% | 18.1% | 2.4% | -30.6% | -33.1% | -34.3% | -25.3% | -24.6% | -30.8% | -30.5% | -36.2% |
| Retail | - | - | - | - | 7.0% | 5.4% | 9.0% | 10.6% | -55.8% | -43.6% | -37.0% | -36.2% |
| Mail Order | 8,622.7% | 2,251.7% | 917.3% | 466.9% | 38.6% | -1.3% | -44.0% | -58.2% | - | - | - | - |
| Operating profit | 225 | 389 | 653 | 810 | -155 | 110 | 357 | 628 | 360 | 830 | 1,041 | 1,320 |
| Direct Marketing Support | 285 | 616 | 939 | 1,140 | 128 | 377 | 611 | 773 | 258 | 671 | 820 | 1,106 |
| Direct Mailing | 88 | 195 | 300 | 360 | -161 | -66 | 15 | 114 | 126 | 242 | 304 | 328 |
| Overseas | -53 | -241 | -314 | -422 | -95 | -144 | -139 | -82 | 19 | 30 | 36 | 25 |
| Retail | 11 | 9 | -19 | 2 | -5 | -17 | -56 | -103 | -42 | -86 | -120 | -141 |
| Mail Order | -106 | -190 | -254 | -271 | -23 | -42 | -75 | -76 | - | - | - | - |
| OPM | 1.6% | 1.4% | 1.6% | 1.5% | - | 0.4% | 0.9% | 1.2% | 3.1% | 3.4% | 2.9% | 2.8% |
| Direct Marketing Support | 3.5% | 3.8% | 3.9% | 3.6% | 1.7% | 2.5% | 2.8% | 2.7% | 3.7% | 4.7% | 3.9% | 4.0% |
| Direct Mailing | 1.8% | 2.1% | 2.2% | 1.9% | - | - | 0.1% | 0.6% | 2.9% | 2.7% | 2.2% | 1.8% |
| Overseas | - | - | - | - | - | - | - | - | 7.2% | 6.4% | 5.6% | 2.9% |
| Retail | 3.0% | 1.3% | - | 0.1% | - | - | - | - | - | - | - | - |
| Mail Order | - | - | - | - | - | - | - | - | - | - | - | - |

| Segments (quarterly) | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q3 | Q3 | Q1 |
| Sales | 13,874 | 13,665 | 13,174 | 13,131 | 13,269 | 12,924 | 12,481 | 11,766 | 11,629 | 12,563 | 12,049 | 11,541 |
| Direct Marketing Support | 8,100 | 8,237 | 7,639 | 7,708 | 7,681 | 7,411 | 6,745 | 6,297 | 6,893 | 7,339 | 6,714 | 6,769 |
| Direct Mailing | 4,843 | 4,475 | 4,608 | 4,567 | 4,758 | 4,751 | 5,036 | 4,610 | 4,303 | 4,763 | 4,823 | 4,267 |
| Overseas | 493 | 497 | 448 | 360 | 342 | 320 | 283 | 399 | 258 | 201 | 198 | 201 |
| Retail | 371 | 363 | 360 | 401 | 397 | 376 | 418 | 461 | 176 | 261 | 314 | 305 |
| Mail Order | 66 | 93 | 120 | 95 | 91 | 65 | -1 | 0 | - | - | - | - |
| YoY | 5.0% | -6.4% | -9.0% | -2.7% | -4.4% | -5.4% | -5.3% | -10.4% | -12.4% | -2.8% | -3.5% | -1.9% |
| Direct Marketing Support | -7.7% | -12.6% | -16.1% | -5.0% | -5.2% | -10.0% | -11.7% | -18.3% | -10.3% | -1.0% | -0.5% | 7.5% |
| Direct Mailing | 31.7% | 0.3% | 0.5% | 3.3% | -1.8% | 6.2% | 9.3% | 0.9% | -9.6% | 0.3% | -4.2% | -7.4% |
| Overseas | 26.3% | 35.7% | -2.8% | -33.1% | -30.6% | -35.6% | -37.0% | 10.7% | -24.6% | -37.4% | -30.0% | -49.7% |
| Retail | - | - | - | - | 7.0% | 3.8% | 16.2% | 14.9% | -55.8% | -30.7% | -24.8% | -34.0% |
| Mail Order | - | - | 480.7% | 146.5% | 38.6% | -29.5% | - | - | - | - | - | - |
| Operating profit | 225 | 164 | 263 | 157 | -155 | 266 | 247 | 271 | 360 | 470 | 212 | 279 |
| Direct Marketing Support | 285 | 331 | 323 | 201 | 128 | 250 | 233 | 163 | 258 | 414 | 148 | 286 |
| Direct Mailing | 88 | 106 | 105 | 60 | -161 | 95 | 81 | 99 | 126 | 116 | 62 | 24 |
| Overseas | -53 | -188 | -73 | -108 | -95 | -49 | 5 | 57 | 19 | 11 | 7 | -12 |
| Retail | 11 | -2 | -28 | 21 | -5 | -12 | -39 | -47 | -42 | -44 | -34 | -21 |
| Mail Order | -106 | -83 | -64 | -17 | -23 | -19 | -33 | -1 | - | - | - | - |
| OPM | 1.6% | 1.2% | 2.0% | 1.2% | - | 2.1% | 2.0% | 2.3% | 3.1% | 3.7% | 1.8% | 2.4% |
| Direct Marketing Support | 3.5% | 4.0% | 4.2% | 2.6% | 1.7% | 3.4% | 3.5% | 2.6% | 3.7% | 5.6% | 2.2% | 4.2% |
| Direct Mailing | 1.8% | 2.4% | 2.3% | 1.3% | - | 2.0% | 1.6% | 2.1% | 2.9% | 2.4% | 1.3% | 0.6% |
| Overseas | -10.8% | -37.8% | -16.2% | -30.1% | - | - | 1.7% | 14.3% | 7.2% | 5.5% | 3.5% | - |
| Retail | 3.0% | - | - | 5.2% | - | - | - | - | - | - | - | - |
| Mail Order | - | - | - | - | - | - | - | - | - | - | - | - |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.
Note: From Q3 FY02/17, the Overseas segment is displayed separately from the Direct Marketing Support segment as an independent segment. From Q1 FY02/18, the Mail Order business, which had been included in the Other segment, is displayed separately as an independent segment. YoY comparisons have been rearranged based on the categories after these changes.
Note: From Q1 FY02/19, the company reviewed its distribution standards for shared expenses and changed the calculation method for segment profit or loss in order to improve the assessment of results for each reported segment. YoY comparisons are made using the calculation method after this change.

| SG&A by segment (cumulative) | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| SG&A expenses | 1,244 | 2,501 | 3,745 | 5,171 | 1,675 | 3,165 | 4,368 | 5,524 | 957 | 1,899 | 3,004 | 4,041 |
| Personnel expenses | 552 | 1,153 | 1,694 | 2,354 | 563 | 1,139 | 1,705 | 2,255 | 543 | 1,132 | 1,670 | 2,212 |
| Rent | 126 | 259 | 390 | 536 | 148 | 297 | 436 | 587 | 112 | 232 | 358 | 481 |
| Advertising expenses | 62 | 133 | 221 | 302 | 76 | 190 | 244 | 283 | 14 | 31 | 64 | 91 |
| Depreciation | 38 | 76 | 111 | 148 | 34 | 69 | 105 | 142 | 35 | 66 | 111 | 175 |
| Goodwill amortization | 47 | 94 | 118 | 142 | 21 | 42 | 63 | 84 | 16 | 32 | 39 | 39 |
| Other | 416 | 781 | 1,202 | 1,677 | 829 | 1,421 | 1,805 | 2,161 | 234 | 399 | 752 | 1,031 |
| SG&A ratio | 9.0% | 9.1% | 9.2% | 9.6% | 12.6% | 12.1% | 11.3% | 11.0% | 8.2% | 7.8% | 8.3% | 8.5% |
| Personnel expenses | 4.0% | 4.2% | 4.2% | 4.4% | 4.2% | 4.3% | 4.4% | 4.5% | 4.7% | 4.7% | 4.6% | 4.6% |
| Rent | 0.9% | 0.9% | 1.0% | 1.0% | 1.1% | 1.1% | 1.1% | 1.2% | 1.0% | 1.0% | 1.0% | 1.0% |
| Advertising expenses | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% | 0.7% | 0.6% | 0.6% | 0.1% | 0.1% | 0.2% | 0.2% |
| Depreciation | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.4% |
| Goodwill amortization | 0.3% | 0.3% | 0.3% | 0.3% | 0.2% | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% |
| Other | 3.0% | 2.8% | 3.0% | 3.1% | 6.2% | 5.4% | 4.7% | 4.3% | 2.0% | 1.6% | 2.1% | 2.2% |
| **SG&A by segment (quarterly)** | **FY02/19** | | | | **FY02/20** | | | | **FY02/21** | | | |
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| SG&A expenses | 1,244 | 1,257 | 1,244 | 1,427 | 1,675 | 1,490 | 1,203 | 1,156 | 957 | 941 | 1,106 | 1,037 |
| Personnel expenses | 552 | 601 | 541 | 660 | 563 | 576 | 566 | 550 | 543 | 589 | 538 | 542 |
| Rent | 126 | 133 | 131 | 146 | 148 | 149 | 139 | 151 | 112 | 120 | 126 | 123 |
| Advertising expenses | 62 | 71 | 88 | 81 | 76 | 114 | 54 | 39 | 14 | 17 | 33 | 27 |
| Depreciation | 38 | 38 | 35 | 37 | 34 | 35 | 36 | 37 | 35 | 31 | 45 | 64 |
| Goodwill amortization | 47 | 47 | 24 | 24 | 21 | 21 | 21 | 21 | 16 | 16 | 7 | 0 |
| Other | 416 | 365 | 421 | 475 | 829 | 592 | 384 | 356 | 234 | 165 | 353 | 279 |
| SG&A ratio | 9.0% | 9.2% | 9.4% | 10.9% | 12.6% | 11.5% | 9.6% | 9.8% | 8.2% | 7.5% | 9.2% | 9.0% |
| Personnel expenses | 4.0% | 4.4% | 4.1% | 5.0% | 4.2% | 4.5% | 4.5% | 4.7% | 4.7% | 4.7% | 4.5% | 4.7% |
| Rent | 0.9% | 1.0% | 1.0% | 1.1% | 1.1% | 1.2% | 1.1% | 1.3% | 1.0% | 1.0% | 1.0% | 1.1% |
| Advertising expenses | 0.4% | 0.5% | 0.7% | 0.6% | 0.6% | 0.9% | 0.4% | 0.3% | 0.1% | 0.1% | 0.3% | 0.2% |
| Depreciation | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.2% | 0.4% | 0.6% |
| Goodwill amortization | 0.3% | 0.3% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.0% |
| Other | 3.0% | 2.7% | 3.2% | 3.6% | 6.2% | 4.6% | 3.1% | 3.0% | 2.0% | 1.3% | 2.9% | 2.4% |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

| Parent earnings (quarterly) | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 7,551 | 7,673 | 7,127 | 6,939 | 6,658 | 6,598 | 5,997 | 5,526 | 5,866 | 6,489 | 5,850 | 5,574 |
| Cost of sales | 6,672 | 6,762 | 6,229 | 6,032 | 5,785 | 5,526 | 5,070 | 4,695 | 4,984 | 5,485 | 5,024 | 4,744 |
| Media costs (TV programs) | 3,812 | 3,526 | 3,180 | 2,959 | 2,684 | 2,408 | 2,388 | 2,245 | 2,262 | 2,376 | 2,366 | 2,429 |
| Media costs (TV commercials) | 1,688 | 2,088 | 1,939 | 1,818 | 1,857 | 1,909 | 1,588 | 1,351 | 1,591 | 1,857 | 1,370 | 1,153 |
| Media costs (other) | 263 | 266 | 244 | 241 | 282 | 260 | 244 | 246 | 282 | 252 | 233 | 211 |
| Outsourcing expenses | 885 | 870 | 858 | 1,008 | 956 | 951 | 841 | 849 | 844 | 997 | 1,050 | 945 |
| Cost of merchandise | 21 | 9 | 7 | 3 | 3 | 0 | 8 | 3 | 3 | 0 | 2 | 4 |
| Gross profit | 879 | 911 | 898 | 907 | 873 | 1,072 | 927 | 831 | 881 | 1,004 | 826 | 830 |
| GPM | 11.6% | 11.9% | 12.6% | 13.1% | 13.1% | 16.2% | 15.5% | 15.0% | 15.0% | 15.5% | 14.1% | 14.9% |

| Parent sales (cumulative) | FY02/19 | | | | FY02/20 | | | | FY02/21 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 7,551 | 15,224 | 22,352 | 29,292 | 6,658 | 13,256 | 19,253 | 24,779 | 5,866 | 12,355 | 18,205 | 23,779 |
| New clients | 700 | 1,000 | 1,600 | 3,100 | 1,500 | 2,400 | 3,000 | 3,400 | 400 | 800 | 1,200 | 1,600 |
| Mid-tier clients | 3,100 | 6,500 | 9,800 | 12,600 | 2,300 | 4,700 | 7,200 | 9,700 | 2,500 | 5,400 | 8,400 | 11,300 |
| Top-tier clients | 3,500 | 7,200 | 10,100 | 12,600 | 2,600 | 5,700 | 8,500 | 11,000 | 2,900 | 5,900 | 8,300 | 10,500 |
| % of sales | - | - | - | - | - | - | - | - | - | - | - | - |
| New clients | 9.3% | 6.6% | 7.2% | 10.6% | 22.5% | 18.1% | 15.6% | 13.7% | 6.8% | 6.5% | 6.6% | 6.7% |
| Mid-tier clients | 41.1% | 42.7% | 43.8% | 43.0% | 34.5% | 35.5% | 37.4% | 39.1% | 42.6% | 43.7% | 46.1% | 47.5% |
| Top-tier clients | 46.4% | 47.3% | 45.2% | 43.0% | 39.1% | 43.0% | 44.1% | 44.4% | 49.4% | 47.8% | 45.6% | 44.2% |
| **Parent sales (quarterly)** | **FY02/19** | | | | **FY02/20** | | | | **FY02/21** | | | |
| (JPYmn) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 7,551 | 7,673 | 7,127 | 6,939 | 6,658 | 6,598 | 5,997 | 5,526 | 5,866 | 6,489 | 5,850 | 5,574 |
| New clients | 700 | 300 | 600 | 1,500 | 1,500 | 900 | 600 | 400 | 400 | 400 | 400 | 400 |
| Mid-tier clients | 3,100 | 3,400 | 3,300 | 2,800 | 2,300 | 2,400 | 2,500 | 2,500 | 2,500 | 2,900 | 3,000 | 2,900 |
| Top-tier clients | 3,500 | 3,700 | 2,900 | 2,500 | 2,600 | 3,100 | 2,800 | 2,500 | 2,900 | 3,000 | 2,400 | 2,200 |
| % of sales | | | | | | | | | | | | |
| New clients | 9.3% | 3.9% | 8.4% | 21.6% | 22.5% | 13.6% | 10.0% | 7.2% | 6.8% | 6.2% | 6.8% | 7.2% |
| Mid-tier clients | 41.1% | 44.3% | 46.3% | 40.4% | 34.5% | 36.4% | 41.7% | 45.2% | 42.6% | 44.7% | 51.3% | 52.0% |
| Top-tier clients | 46.4% | 48.2% | 40.7% | 36.0% | 39.1% | 47.0% | 46.7% | 45.2% | 49.4% | 46.2% | 41.0% | 39.5% |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

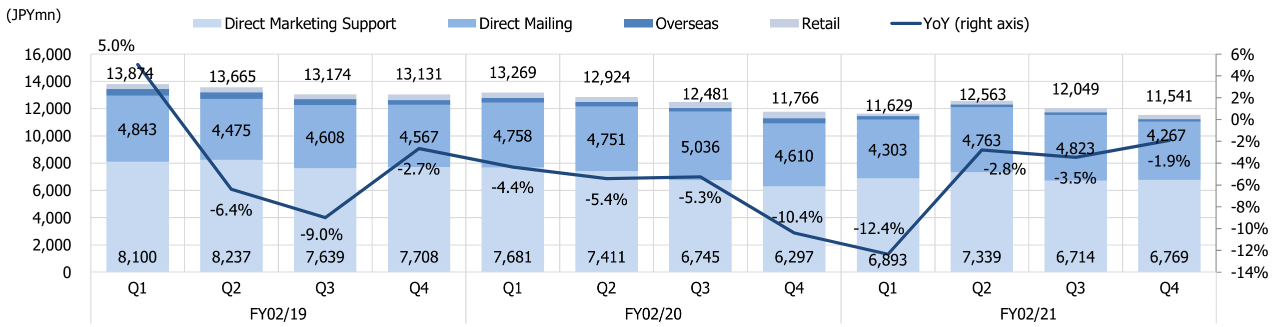
## Full-year FY02/21 results (out April 12, 2021)

### Overview

- In FY02/21, the company reported consolidated sales of JPY47.8bn (-5.3% YoY), operating profit of JPY1.3bn (+110.2% YoY), recurring profit of JPY1.3bn (+230.5% YoY), and net income attributable to owners of the parent of JPY849mn (+364.8% YoY).
- Achievement rates versus the revised forecast announced by the company on October 12, 2020 were 96.4% for sales, 105.2% for operating profit, 107.3% for recurring profit, and 130.6% for net income attributable to owners of the parent. Sales fell short of the revised forecast as the company refrained from buying TV shopping program broadcasting slots that were deemed not to have an effective sales impact in its TV business. On the other hand, gross profit was in line with the company's forecast. Operating profit and recurring profit exceeded its expectations, thanks largely to a variety of cost reductions, despite the booking of contract loss provisions in the web business. Tri-Stage booked JPY179mn in gains on the sale of TV Direct shares in 2H, while wrote off all of the JPY126mn in goodwill at end-FY02/21 tied to adflex communications as an impairment loss. As a result, net income exceeded the company's full-year forecast.
- Sales down 5.3% YoY: Sales were down 1.5% YoY in the Direct Marketing Support segment, down 5.2% YoY in the Direct Mailing segment, down 36.2% YoY in the Overseas segment, and down 36.2% in the Retail segment. Although the Direct Marketing Support segment was negatively affected by reduced ad placements by some clients due to product manufacturing delays associated with the spread of COVID-19, the response to TV shopping programs featuring health foods and pharmaceuticals was brisk, because more consumers stayed home and became more health-conscious. In the Direct Mailing segment, some industries cut back on sending direct mail. The company scaled down its operations in the Overseas segment as a result of withdrawing from JML Singapore Pte. Ltd. in FY02/20. The Retail segment had to close or reduce opening hours at all stores to prevent the spread of COVID-19, but returned to regular operations for the most part in June 2020 and has been gradually recovering. However, the company thereafter faced tough conditions due to a renewed surge in new COVID-19 cases from end-2020 and the government again declaring a state of emergency in January 2021, resulting in a decline in customers, particularly in central Tokyo and tourist areas.
- Operating profit up 110.2% YoY: Operating profit was up 43.0% YoY in the Direct Marketing Support segment, and up 188.1% YoY in the Direct Mailing segment on the partial reversal of allowances for doubtful accounts booked in FY02/20. The Overseas segment returned to profitability from operating losses in FY02/20. Meanwhile, profitability in the Retail segment slightly deteriorated. In FY02/20, gross profit was impacted by the cancellation of JPY162mn in cost of sales as part of the accounting treatment in line with the misconduct by former employees, but when excluding the related impact, gross profit remained generally flat YoY in FY02/21. GPM improved 1.0pp YoY to 11.2%. SG&A expenses dropped due to reductions in advertising expenses, rent, and goodwill amortization. In FY02/20, the company recorded a JPY257mn provision of allowance for doubtful accounts in the Direct Mailing segment related to the mail customer center and booked litigation-related expenses at the parent. However, there were no such one-time factors in FY02/21. Despite booking contract loss provisions in the web business, a variety of cost reductions and the partial reversal of provisions for doubtful accounts contributed to the SG&A ratio declining 2.5pp YoY to 8.5% in FY02/21, with OPM improving 1.6pp YoY to 2.8%.
- Booking extraordinary gains and losses: The company recorded JPY348mn in impairment losses in FY02/21, primarily in response to significant changes in the business environment caused by the COVID-19 pandemic. This figure includes JPY298mn related to consolidated subsidiary adflex communications and JPY49mn related to consolidated subsidiary Nippon Department Store. In FY02/21, the company recorded a JPY203mn extraordinary gain on the sale of investment securities, including on the sale of its shareholdings in TV Direct Public Company Limited.
- As a result of the decision to focus on selected businesses in FY02/20, the company allocated more management resources to the TV and web businesses (Direct Marketing Support segment) and Direct Mailing segment. It also completed the

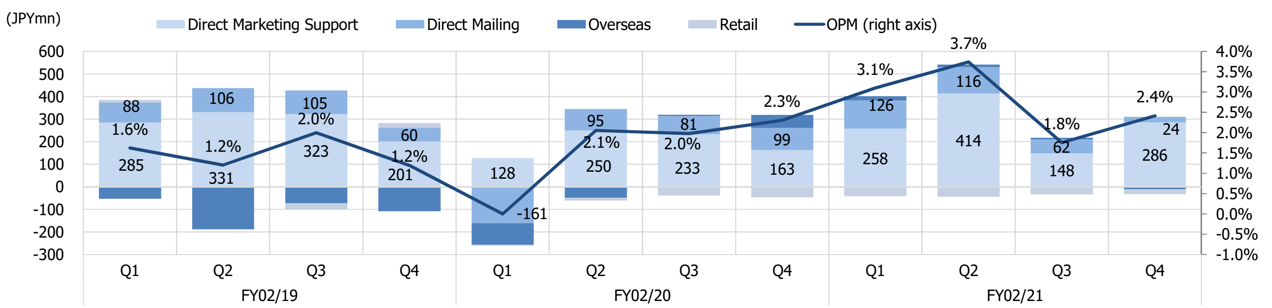
foundations for supporting new customer acquisition and LTV improvement in direct marketing through Tri-DDM, a service launched in December 2019, as well as engaging in further systems development. The company made solid progress in its strategies for each segment for FY02/21.

**Quarterly sales**




Source: Shared Research based on company data

**Quarterly operating profit**




Source: Shared Research based on company data

## A review of the Tri's vision 2021 medium-term business plan

- Investment and the focused concentration of resources contributed to boosting underlying earnings* at the group, defined in this case as earnings excluding the impact from incidents of misconduct and the COVID-19 pandemic, improving by more than JPY100mn each year in the three years since FY02/19. More specifically, underlying earnings for the group expanded from JPY884mn (operating profit of JPY809mn) in FY02/19 to JPY987mn (JPY628mn) in FY02/20, and JPY1.2bn (JPY1.3bn) in FY02/21).
- The company also made steady progress in the development of a DDM platform, the launch of digital transformation (DX) efforts in media and CC service operations, the investment to adapt to changes in business formats using AI tools, and the acquisition of new customers.
- Tri-Stage implemented groupwide measures, starting with TV-linked listings, and launched the Sokures service as a new broadcasting slot sales method. The company established Tri-Stage Media in February 2021 with the aim of strengthening its purchasing functions.

*Underlying earnings refer to consolidated operating profit at the Tri-Stage group excluding specialized factors, i.e., items not expected in the normal course of business, such as the sudden emergence of doubtful accounts and the COVID-19 pandemic.

## Segment earnings

### Direct Marketing Support segment

- In FY02/21, the Direct Marketing Support segment reported sales of JPY27.7bn (-1.5% YoY) and operating profit of JPY1.1bn (+43.0% YoY).
- In the TV business, the company provides end-to-end solutions to direct marketing operators for all their direct marketing needs, including supplying TV program and commercial slots, program and commercial production, order management, and customer management. It excels in acquiring new customers through “provision of optimal media based on data analysis,” “hit video production,” and “efficient order management.”
- The company’s new direct data marketing business infrastructure Tri Direct Data Marketing (Tri-DDM) brings together and analyzes all of its data (including broadcast timeslot and order data) to bring clarity to the value of specific broadcasting slots, and facilitates accurate assessments of the right operating conditions for contact centers. In 1H FY02/21, advertisers were able to purchase ad placements on TV shopping programs at relatively low prices, and sales efficiency was robust for TV shopping programs featuring health foods and pharmaceuticals because more consumers stayed home and became more health-conscious. In 2H, a recovery in demand for commercials brought the market environment for media ad placements back to the pre-pandemic levels, while sales efficiency trended at a normal level.
- At the web business, the company’s efforts centered around adflex communications. Here, the company worked to help clients maximize their sales and earnings, making proposals that utilize both TV and web and actively apply AI technology. Although the company aimed for rapid expansion in the number of companies using its service that uses AI tools to optimize listing ads, there were fewer opportunities for signing up new clients as a result of canceled trade fairs and increased remote working amid the spread of COVID-19. However, the situation improved gradually in 2H. The company commented that it is continuing to roll out robust, new AI tools to help improve services in areas other than listing ads optimization, and is maintaining efforts to attract new clients and do more business with existing clients.

### Direct Mailing segment

- In FY02/21, the Direct Mailing segment reported sales of JPY18.2bn (-5.2% YoY) and operating profit of JPY328mn (+188.1% YoY).
- The segment is involved in the direct mail agency business for Yu-Mail and Kuroneko DM Bin, with most of the operations handled by Mail Customer Center Co., Ltd. (MCC). In FY02/21, direct mailing for the small package delivery business for Yu-Mail (Yu Packet) and Kuroneko DM Bin (Neko Posu) was brisk, but sales declined YoY as some industries cut back on the volume of direct mail sent.
- Operating profit rose 188.1% YoY on the partial reversal of provisions for doubtful accounts booked in FY02/20.

### Overseas segment

- In FY02/21, the Overseas segment reported sales of JPY857mn (-36.2% YoY) and operating profit of JPY25mn (versus an operating loss of JPY82mn in FY02/20).
- PT. Merdis International handles most of the group’s businesses in TV shopping and wholesaling in ASEAN countries. The company withdrew from JML Singapore Pte. Ltd. in FY02/20, which shrank the scale of its Overseas business but also sharply reduced losses. At PT. Merdis International, despite constraints on the supply of some products due to COVID-19, wholesale sales to TV shopping channels were brisk as more consumers stayed home.

### Retail segment

- In FY02/21, the Retail segment reported sales of JPY1.1bn (-36.2% YoY) and an operating loss of JPY141mn (versus an operating loss of JPY103mn in FY02/20).
- Nippon Department Store Inc., which runs Nippon Department Store retail stores, is striving to strengthen the wholesale business and increase profits from each of its stores. The company had anticipated severe business conditions in FY02/21 amid the spread of COVID-19; all stores had to close or reduce opening hours after a state of emergency was declared on April 7, 2020. In June 2020, the business had largely returned to normal operations and showed a gradual recovery. However, the company thereafter faced tough conditions due to a renewed surge in new COVID-19 cases from end-2020 and the government again declaring a state of emergency in January 2021, resulting in a decline in customers, particularly in central Tokyo and tourist areas. It made solid progress toward improving profitability by strengthening its management base, closing unprofitable stores, and developing new products. In addition, the company worked to reduce costs and make use of various subsidies.

## New management structure

- On May 26, 2020, Yasuhisa Kurata and Mitsuaki Maeda (both appointed on March 1, 2020) held representative rights and became President & Representative Director and Executive Vice President & Representative Director, respectively. Founder & former Representative Director Akio Maruta became Founder & Director.

**See the Historical financial statements section for past quarterly and full-year results.**

## Company forecast for FY02/22

| Earnings | FY02/20 | | | FY02/21 | | | FY02/22 | | |
|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | 1H | 2H | FY Act. | 1H | 2H | FY Act. | 1H Est. | 2H Est. | FY Est. |
| **Sales** | **26,193** | **24,247** | **50,440** | **24,193** | **23,590** | **47,783** | **23,632** | **24,810** | **48,442** |
| YoY | -4.9% | -7.8% | -6.3% | -7.6% | -2.7% | -5.3% | -2.3% | 5.2% | 1.4% |
| **Operating profit** | **110** | **518** | **628** | **858** | **462** | **1,320** | **529** | **749** | **1,278** |
| YoY | -71.7% | 23.3% | -22.4% | 679.3% | -10.9% | 110.2% | -38.4% | 62.2% | -3.2% |
| OPM | 0.4% | 2.1% | 1.2% | 3.5% | 2.0% | 2.8% | 2.2% | 3.0% | 2.6% |
| **Recurring profit** | **54** | **350** | **404** | **880** | **455** | **1,335** | **510** | **729** | **1,239** |
| YoY | - | -20.0% | 48.5% | - | 30.0% | 230.5% | -42.1% | 60.2% | -7.2% |
| RPM | - | 1.4% | 0.8% | 3.6% | 1.9% | 2.8% | 2.2% | 2.9% | 2.6% |
| **Net income attributable to owners of the parent** | **5** | **177** | **183** | **426** | **423** | **849** | **337** | **503** | **840** |
| YoY | - | -49.0% | - | - | 138.6% | 364.8% | -20.9% | 18.9% | -1.0% |
| Net margin | - | 0.7% | 0.4% | 1.8% | 1.8% | 1.8% | 1.4% | 2.0% | 1.7% |
| **Segments** | **FY02/20** | | | **FY02/21** | | | **FY02/22** | | |
| **(JPYmn)** | **1H** | **2H** | **FY Act.** | **1H** | **2H** | **FY Act.** | **1H Est.** | **2H Est.** | **FY Est.** |
| Sales | 26,193 | 24,247 | 50,440 | 24,193 | 23,590 | 47,783 | 23,632 | 24,810 | 48,442 |
| Direct Marketing Support | 15,092 | 13,042 | 28,134 | 14,232 | 15,408 | 29,640 | - | - | - |
| Direct Mailing | 9,508 | 9,646 | 19,154 | 9,066 | 9,301 | 18,367 | - | - | - |
| Overseas | 663 | 681 | 1,344 | 459 | 567 | 1,026 | - | - | - |
| Mail Order | 156 | -1 | 156 | - | - | - | - | - | - |
| Retail | 774 | 880 | 1,653 | 436 | 658 | 1,094 | | - | - |
| YoY | -4.9% | -7.8% | -6.3% | -7.6% | -2.7% | -5.3% | -2.3% | 5.2% | 1.4% |
| Direct Marketing Support | -7.6% | -15.0% | -11.2% | -5.7% | 18.1% | 5.4% | - | - | - |
| Direct Mailing | 2.0% | 5.1% | 3.6% | -4.7% | -3.6% | -4.1% | - | - | - |
| Overseas | -33.1% | -15.7% | -25.3% | -30.8% | -16.7% | -23.6% | - | - | - |
| Mail Order | -1.3% | - | -58.2% | - | - | - | - | - | - |
| Retail | 5.4% | 15.5% | 10.6% | -43.6% | -25.2% | -33.8% | - | - | - |
| Others | - | - | - | - | - | - | - | - | - |
| Operating profit | 110 | 518 | 628 | 858 | 462 | 1,320 | 529 | 749 | 1,278 |
| Direct Marketing Support | 377 | 396 | 773 | 671 | 342 | 1,013 | - | - | - |
| Direct Mailing | -66 | 180 | 114 | 242 | 90 | 332 | - | - | - |
| Overseas | -144 | 62 | -82 | 30 | 6 | 36 | - | - | - |
| Mail Order | -42 | -34 | -76 | - | - | - | - | - | - |
| Retail | -17 | -86 | -103 | -86 | -41 | -127 | - | - | - |
| OPM | 0.4% | 2.1% | 1.2% | 3.5% | 2.0% | 2.8% | 2.2% | 3.0% | 2.6% |
| Direct Marketing Support | 2.5% | 3.0% | 2.7% | 4.7% | 2.2% | 3.4% | - | - | - |
| Direct Mailing | - | 1.9% | 0.6% | 2.7% | 1.0% | 1.8% | - | - | - |
| Overseas | - | 9.1% | - | 6.4% | 1.1% | 3.5% | - | - | - |
| Mail Order | - | - | - | - | - | - | - | - | - |
| Retail | - | - | - | - | - | - | - | - | - |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.
Note: Overseas segment is included in the Direct Marketing Support segment.

### Overview

▷ The company's full-year FY02/22 forecast calls for consolidated sales of JPY48.4bn (+1.4% YoY), operating profit of JPY1.3bn (-3.2% YoY), recurring profit of JPY1.2bn (-7.2% YoY), and net income attributable to owners of the parent of JPY840mn (-1.0% YoY). The company indicated that if there was any information requiring disclosure moving forward, including in regard to the impact from the spread of COVID-19, it would do so promptly.

### Forecast by business

#### TV business

▷ The mainstay customers in the TV business are those involved in TV shopping. However, the company aims to expand its clientele to include e-commerce and web service companies by strengthening the Tri-DDM functions, launching TV-linked listing ads services, and promoting cross-channel support services, including QR code ordering services and operational response commercial services.

#### Web business

- In the web business, the company aims to expand sales and move into profitability by attracting new customers through the provision of AI tools boosting ad performance, while bolstering synergies with the TV business and promoting cross-channel collaborations.

#### Direct Mailing

- In the Direct Mailing business, the company aims to continue building up capacity to handle small packages that can be sent through the postal system, such as Yu-Packet and Neko Posu, in addition to the existing direct mail forwarding agency business.

#### Overseas

- In the Overseas business, the company plans to work on maintaining operating profit.

#### Retail

- While the company expects the Retail business to continue to face difficulties in the face of the COVID-19 pandemic, it aims to reduce losses and move the business into the black as soon as possible through an expanded lineup of private brand products and enhanced efficiency in store operations.

# Medium- to long-term outlook

## Medium-term business plan: "Tri's vision 2024"

### Overview

Tri-Stage announced its three-year medium-term business plan, Tri's vision 2024 (ending in FY02/24), at the time of its FY02/21 earnings announcement.

#### Key management indicators

- ▷ The company targets underlying earnings, defined as consolidated operating profit excluding specialized factors, for FY02/24 (the final year in the three-year plan) of JPY2.0bn, largely through the implementation of growth strategies and moving loss-making businesses into the black. The company has also established net income as a key management indicator, setting a target for FY02/24 of JPY1.3bn, up from JPY848mn in FY02/21.
- ▷ The company will maintain its flexible stance toward shareholder returns, including dividends, by taking a comprehensive approach that factors in performance as well as the company's financial condition.

*Underlying earnings refer to consolidated operating profit at the Tri-Stage group excluding specialized factors, i.e., items not expected in the normal course of business, such as the sudden emergence of doubtful accounts and the COVID-19 pandemic.

| (JPYmn) | FY02/21 | FY02/22 (est.) | FY02/23 (est.) | FY02/24 (est.) |
|---|---|---|---|---|
| Underlying earnings | 1,190 | 1,278 | 1,700 | 2,000 |
| Net income | 848 | | | 1,300 |

#### Basic strategies

- ▷ Improve value provided to customers by strengthening data marketing: Further strengthen Tri-DDM, the data marketing platform, for enhanced process optimization and improved customer effectiveness.
- ▷ Expand customer base using cross-channel and AI marketing services: Expand customer and industry base, including in the digital (web services, e-commerce) and financial industries.
- ▷ Launch new businesses: Invest in new services and businesses by promoting digital transformation in areas in which Tri-Stage excels.

Shared Research intends to update its reporting on the new medium-term business plan following interviews with the company.

## (Reference) Medium-term business plan: "Tri's vision 2021" and "Rolling Plan 2019"

### Overview

Tri-Stage announced its three-year medium-term business plan, Tri's vision 2021 (ending in FY02/21), at the time of its FY02/18 earnings announcement. However, with conditions having changed significantly since the plan was put together as the company missed its initial forecast for FY02/19 due to write-downs of investments in overseas subsidiaries and affiliates, the company found itself straying from its original medium-term plan, so much so that it re-evaluated the group's growth strategy and original plan and came up with a new two-year plan that it announced at the time of its FY02/19 results announcement. Dubbed Rolling Plan 2019, the new medium-term plan covers FY02/20 and FY02/21.

Under Tri's vision 2021, the company set a FY02/21 target for consolidated sales of JPY60.0bn (+7.6% versus FY02/18) and operating profit margin of 4.5% (versus 1.9% in FY02/18). In contrast, Rolling Plan 2019 targeted FY02/21 sales of JPY63.0bn (+13.0% versus FY02/18) and an operating profit margin of only 2.7%. The new plan called for "creating a new foundation for value" in FY02/20, meaning the company will continue building up its business infrastructure as it did in FY02/19, then move on to a new stage in FY02/21.

With the new plan the company has provided an unblemished foundation for its core growth strategy, having responded to the large changes in its operating environment by shifting its core strategy from direct marketing to direct data marketing (DDM), thus making direct data marketing one of its main growth drivers going forward. The company aims to construct a DDM platform capable of integrating and analyzing assorted data, including purchase history, behavior history, and advertising information, and utilizing it for marketing initiatives. By securing new customers and improving customer lifetime value, the company aims to comprehensively support customer companies. Under this foundation, the company aimed to generate stable profits in the Direct Marketing Support segment and proactively expand its businesses which are in various stages of growth.

The following section reflects details presented when the plan was announced.

#### Rolling Plan 2019: Overview of basic elements

- **Establish areas of focus:** Having established the Direct Marketing Support business run by Tri-Stage Inc., the web business run by subsidiary adflex communications, Inc., and the Direct Mailing business run by subsidiary Mail Customer Center Co., Ltd. as the group's main areas of focus, the company will concentrate management resources in these three companies. Under this arrangement, Tri-Stage Inc. will operate the TV shopping support business (which provides B2B services to help direct marketing companies) and also manage the master database. adflex communications will provide marketing support with AI-based solutions in the web business; Mail Customer Center will serve as a forwarding agent for direct mail.
- **Divide businesses into "stable" or "growth" areas and reallocate resources:** "Stable" business areas include the TV business and the Direct Mailing business. "Growth" businesses include the direct data marketing business and the web business. Plans call for the group's stable businesses to be used as cash cows to fund investments in the direct data marketing business and web business, which are expected to be the main growth drivers in the years ahead.
- **"Select and focus" early on:** As for the Overseas business, Mail Order business, and other non-core business, the company will assess the profitability and potential synergies with other group companies going forward and, based on its assessment, will decide whether to continue or exit the business in question. Its basic thinking regarding the Overseas business is that it will be difficult to continue in the absence of prospects of recurring profit in the black in aggregate, for operating profit at JML Singapore Pte. Ltd, and PT. Merdis International and equity-method earnings at affiliate TV Direct Public Company Limited.
    - For example, Tri-Stage Merchandising (Thailand) Co., Ltd., which primarily operated an import wholesaling business in Thailand (handling product planning, procurement, and import of goods that are then sold via TV Direct Public Company Limited, in which the company holds a minority stake), ceased operations at the end of December 2018 and is currently in the process of settling accounts. After shutting down Tri-Stage Merchandising (Thailand), Tri-Stage is looking to continue its business in Thailand by selling directly to TV Direct Public Company Limited.
    - Separately, in Q1 FY02/20 the company decided to dispose of consolidated subsidiary Nippon Healthcare Advisors Inc. (NHA) through sale and liquidation.

#### Recognition of changing operating environment at the time Tri's vision 2021 plan was put together

- **Digitalization and changes in direct marketing**: Along with spread of digital media, social media, e-commerce, and smartphones, there have been marked changes in consumer values and buying behavior, as well as advances in the technology that uses consumer data for the marketing, and this in turn has greatly changed conditions in the direct marketing arena.
- **Growing importance of customer lifetime value (LTV)**: As a result of the changes in consumer values and buying behavior, it has become increasingly difficult to win new customer through direct marketing, and this in turn has pushed companies to adopt marketing strategies that emphasize the lifetime value of their customers.
- **Necessity of omni-channel approach**: In most of the overseas markets that Tri-Stage has entered recently, e-commerce accounts for a rising proportion of mail order sales though traditional retailers are still very much alive and well. This kind of

market necessitates an omni-channel approach that handles not only television but also the marketing needs of online stores and brick-and-mortar retailers.

**Tri's Vision 2021 and Rolling Plan 2019: Comparison of sales and earnings target for FY02/21 (as announced on April 3, 2019)**

| Rolling Plan 2019 (JPYmn) | FY02/18 Act. | FY02/19 Act. | FY02/20 Est. | FY02/21 Target |
|---|---|---|---|---|
| Sales | 55,776 | 53,844 | 54,528 | 63,000 |
| Operating profit | 1,032 | 810 | 671 | n.a. |
| Operating profit margin | 1.9% | 1.5% | 1.2% | 2.7% |
| **Tri's vision 2021 (JPYmn)** | **FY02/18 Act.** | **FY02/19 Est.** | **FY02/20 Est. (directional)** | **FY02/21 Target** |
| Sales | 55,776 | 54,786 | higher | 60,000 |
| Operating profit | 1,032 | 830 | higher | NA |
| OPM | 1.9% | 1.5% | higher | 4.5% |

Source: Shared Research, based on company data

## Growth drivers: Direct Data Marketing (DDM)

Direct data marketing (DDM) will be the biggest pillar of the new medium-term plan. By adding DDM to its existing strengths, Tri-Stage is looking to elevate the reputation of the group and establish itself as an innovator in the field of direct marketing. The company is looking to combine its own assets in sales, production, media, and contact centers (customer purchasing and advertising data acquired by Tri-Stage from its contact centers and others in response to the broadcast of shopping programs*) with the customer data of client companies (i.e., end-user data) to develop a DDM business. Since its foundation Tri-Stage has been known for its strengths in buying TV broadcasting slots for commercials, contact center management, and TV program production. Going forward, it is looking to focus its resources and maximize the value offered to customers with the help of its enhanced analytical services that make full use of its database and advanced AI and IT technology.

* Advertising-related data: Television and radio shopping program broadcasting data (TRI-DB), and response data from websites

### Tri-DDM

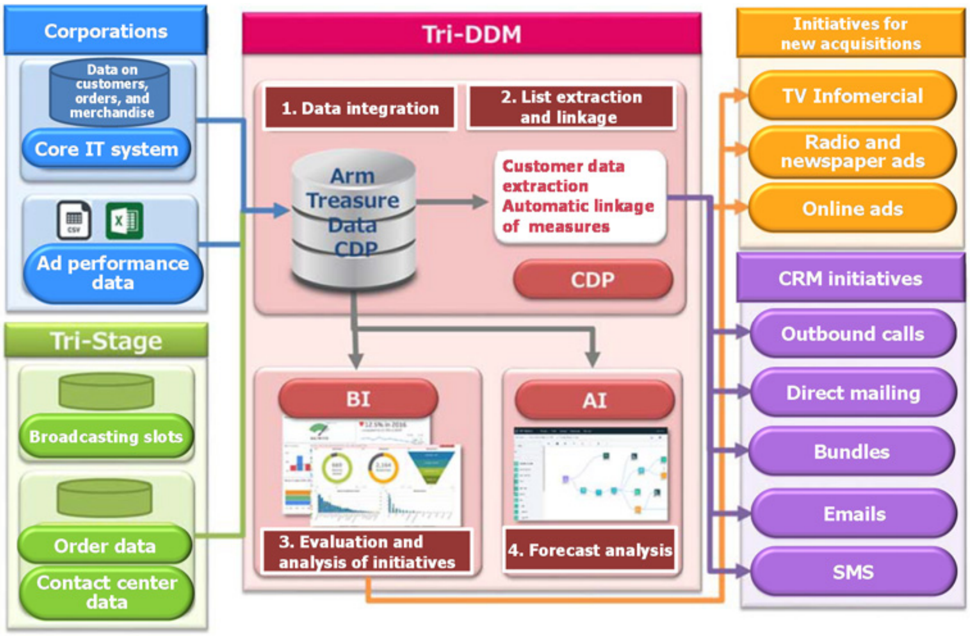
▷ In December 2019, the company began providing Tri Direct Data Marketing (Tri-DDM), a new service that consolidates and analyzes direct marketing data and enables measures aimed at improving customer acquisition and customer relationship management (CRM). The goal of this service is to provide support aimed at maintaining or improving cost per order (CPO; cost incurred to acquire a single order for products or services)[*1] related to TV infomercials[*2] and raising lifetime value (LTV: the total value a single customer generates for a company during the time he or she performs transactions with it).

▷ Tri-DDM includes the consolidation of a variety of data, linking this data with marketing initiatives, and a customer data platform (CDP).

▷ Tri-DDM uses business intelligence (BI) tools to perform immediate, precise analysis of marketing strategies using direct marketing data integrated on the Arm Treasure Data CDP (customer data platform provided by Treasure Data K.K.[*]) This facilitates analysis of media selection and contact center operational status to maintain and improve CPO as well as CRM initiatives aimed at boosting LTV.

▷ The company does not receive direct compensation separately from customers in exchange for providing platforms. Instead, the company obtains earnings as added value (generated by encouraging customers to place advertisements) in the Direct Marketing Support segment (SaaS usage fees). At the same time, the company indicated that customers using Tri-DDM shoulder actual costs associated with monthly CDP usage fees.

### Tri-DDM overview




Source: Shared Research based on company data

* A company that provides data management platforms that enable siloed data to be easily collected, centrally managed, quickly analyzed, and linked to measures. It was launched in Silicon Valley by three Japanese entrepreneurs in 2011 and was purchased in August 2018 by Arm Holdings, a subsidiary of SoftBank Group Corp. (TSE1: 9984). Treasure Data K.K. holds share of about 70% in the Japanese CDP market (as of January 2020; Source: Datanyze).

### Background to development

▷ In direct marketing, customer acquisition and CRM programs are normally run concurrently with the aim of maximizing LTV. However, in TV infomercials, companies tend to look for efficiencies in CPO due to the high cost of broadcasting slots (TV programs and commercials). Changes in consumer purchasing behavior and intensifying competition between businesses have made it harder to acquire new customers, driving up CPO, so companies that run TV infomercials are looking for programs to maximize LTV of their existing customers.

▷ The company developed its new Tri-DDM service to meet these needs. Tri-DDM will take clients' customer and order data and the company's own data on broadcasting slots and orders and share them securely with clients, enabling precise analysis of and improvements to their programs.

### About the service

▷ The company said it would roll out Tri-DDM in stages.

▷ It is unrolling phase 1 first (a systematic rollout beginning in December 2019). In addition to data utilized to date covering broadcasting slots, contact center traffic, and new orders, contact center operating status and buyer profiles will be integrated on a client-by-client basis on the Arm Treasure Data CDP, where they will be analyzed and made visible using BI tools. This should clarify the value of broadcasting slots and enable accurate understanding of the appropriate operating conditions for contact centers and enable automated compilation of delivery data.

- ➢ The goal of this service in phase 1 is to maintain or improve client cost per order (CPO; cost incurred to acquire one order of products or services) associated with TV infomercials. The service includes analysis of the effectiveness of television broadcasting slots and order processing operations at contact centers, as well as forecasts regarding advertising results (number of phone calls received).

▷ In phase 2 (starting in FY2020), the company plans to further integrate and analyze existing customer order data, CRM programs, and online order data and make forecasts using artificial intelligence. It aims to provide comprehensive support services for direct marketing including CRM. The company said it would contact existing customers progressively regarding the new service.

- The goal of this service in phase 2 is to raise client lifetime value (LTV: the total value a single customer generates for a company during the time he or she performs transactions with it). Phase 2 of Tri-DDM includes services that enable analyses and forecasts regarding business management conditions, LTV analysis for each customer sales channel, impact analysis of new CRM programs, online advertisement distribution, and e-commerce site recommendations.

## Growth driver: Web business

Tri-Stage is also looking to its web business (run by subsidiary adflex communications, Inc.) as a growth area, and plans to step up investments in technology and human resources in this area going forward. According to the company, the rollout of AdScale, an AI-based tool for optimizing listing ads, made adflex communications a major player in both web ads and AI-based tools, its reputation quickly rising and its business expanding following reports of market research results that put AdScale at the top of AI tools in three different application areas. With this opening the door for adflex communications to use AdScale to go after large client companies, it has had to quickly expand its hiring plans to support the growth in its customer base.

At this time both sales and gross profit in this area are growing apace following increases in strategic investment spending by the company since the latter half of FY02/19 on new hiring, new software tool development, and outsourcing. Plans call for spending in these areas to continue in FY02/20 to support further growth at adflex communications as a major provider of advertising and related AI-based solutions. This means the operating losses reported by the web business in 2H FY02/19 are expected to continue, coming in at just under JPY200mn in FY02/20 before moving into the black in FY02/21, when the company sees further top-line growth leading to operating profit of JPY300mn.

# Business

## Overview

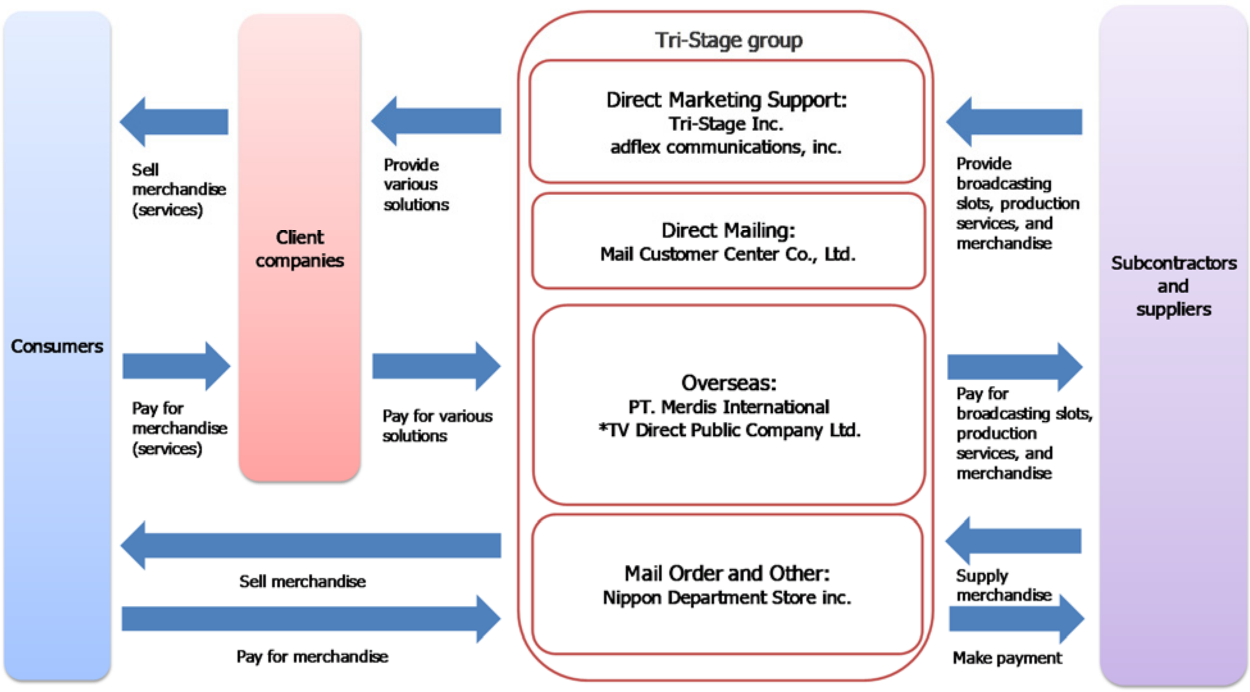
### Comprehensive support for direct marketing

Tri-Stage provides services that support direct marketing companies, mainly those engaged in TV shopping. The company has two main businesses, the Direct Marketing Support segment and the Direct Mailing segment. In FY02/20 sales were JPY50.4bn and operating profit was JPY628mn. The Direct Marketing Support segment accounted for 55.8% of sales and 123.3% of operating profit, and the Direct Mailing segment for 38.0% of sales and 18.2% of operating profit.

The mainstay Direct Marketing Support segment comprises the TV and web businesses. In the TV business, Tri-Stage specializes in TV shopping programs (more than 90% of segment sales). The company buys broadcasting slots in bulk from TV stations, and boasts strengths in the selection and provision of broadcasting slots suitable for products ("media selection"), the taking of product orders at partner contact centers around Japan ("order receiving support"), and the production of programs based on its unique expertise ("program production"). Further, according to Tri-Stage, it holds more than 20,000 broadcasting slots per month, boasting the largest market share in Japan. The web business provides AI tools to improve ad performance to companies engaging in direct marketing.

In the Direct Mailing segment, it carries out direct mailing preparation services which encourage repeat purchases by consumers. The company's subsidiary Mail Customer Center Co., Ltd., acquired in 2012, is one of the top in the industry by number of direct mail pieces sent (over 300mn per year).

**Business model**




Source: Shared Research, based on company data
* TV Direct Public Company Ltd. is an equity-method affiliate

In the Overseas segment (accounting for 2.7% of sales and -13.0% of operating profit in FY02/20), in addition to TV shopping support, the company aimed to provide sales support for retail, e-commerce, and catalog mail orders, and expanded local sales channels. Tri-Stage made JML Singapore Pte. Ltd., a major TV shopping company in Singapore, and PT. Merdis International, a wholesaler to TV shopping programs in Indonesia, subsidiaries in September 2016 and December 2016, respectively. However, Tri-Stage was unable to recover its initial investment in JML Singapore and transferred its stock in FY02/20 in line with its strategy of focusing on selected businesses.

The Mail Order segment (0.3% of sales and -12.0% of operating profit in FY02/20) has been selling Japanese-made Kampo medicines and supplements* through Nippon Healthcare Advisors (consolidated subsidiary established in March 2016) since March 2017 and has been doing sales through television shopping programs since October 2017. Nippon Healthcare Advisors sells distinctive Japanese-made Kampo medicines and supplements while providing consultation by pharmacists. The Mail Order business was borne out of the company's efforts to increase its understanding of mail order customers and expand its customer relationship management practices in the future. However, the company sold the business in FY02/20, because it did not turn an operating profit and produced no customer synergies with the Direct Marketing Support segment.

*Nippon Healthcare Advisors sells hachimi-jio-gan extract for alleviating problems with frequent and nighttime urination, tinnitus, and, for alleviating menopause-related symptoms, sells toki-shakuyaku-san extract, kami-sho-yo-san extract, and keishi-bu-kuryo-gan extract (all in tablet form).

The Other segment (3.3% of sales and -16.3% of operating profit in FY02/20) includes Nippon Department Store Inc., which the company took over in March 2016. Nippon Department Store retails local specialties from various regions of Japan under the Nippon Department Store brand name.

### Performance by segment

| Performance by segment (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 34,253 | 37,572 | 34,814 | 33,826 | 36,024 | 32,185 | 37,132 | 47,302 | 55,776 | 53,844 | 50,440 |
| Direct Marketing Support | 34,253 | 37,572 | 34,814 | 30,819 | 28,265 | 24,668 | 28,262 | 33,875 | 35,420 | 31,684 | 28,134 |
| Direct Mailing | - | - | - | 3,007 | 7,758 | 7,518 | 8,830 | 11,536 | 17,144 | 18,494 | 19,154 |
| Overseas | - | - | - | - | - | - | 40 | 668 | 1,756 | 1,798 | 1,344 |
| Mail Order | - | - | - | - | - | - | - | - | 66 | 373 | 156 |
| Other | - | - | - | - | - | - | - | 1,222 | 1,390 | 1,495 | 1,653 |
| YoY | 35.8% | 9.7% | -7.3% | -2.8% | 6.5% | -10.7% | 15.4% | 27.4% | 17.9% | -3.5% | -6.3% |
| Direct Marketing Support | 35.8% | 9.7% | -7.3% | -11.5% | -8.3% | -12.7% | 14.6% | 19.9% | 4.6% | -10.5% | -11.2% |
| Direct Mailing | - | - | - | - | 158.0% | -3.1% | 17.5% | 30.6% | 48.6% | 7.9% | 3.6% |
| Overseas | - | - | - | - | - | - | - | - | 162.6% | 2.4% | -25.3% |
| Mail Order | - | - | - | - | - | - | - | - | - | 466.9% | -58.2% |
| Other | - | - | - | - | - | - | - | - | 13.7% | 7.6% | 10.6% |
| % of sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Direct Marketing Support | 100.0% | 100.0% | 100.0% | 91.1% | 78.5% | 76.6% | 76.1% | 71.6% | 63.5% | 58.8% | 55.8% |
| Direct Mailing | - | - | - | 8.9% | 21.5% | 23.4% | 23.8% | 24.4% | 30.7% | 34.3% | 38.0% |
| Overseas | - | - | - | - | - | - | 0.1% | 1.4% | 3.1% | 3.3% | 2.7% |
| Mail Order | - | - | - | - | - | - | - | - | 0.1% | 0.7% | 0.3% |
| Other | - | - | - | - | - | - | 0.0% | 2.6% | 2.5% | 2.8% | 3.3% |
| Operating profit | 3,619 | 3,224 | 1,979 | 497 | 775 | 919 | 898 | 1,395 | 1,032 | 810 | 628 |
| Direct Marketing Support | 3,619 | 3,224 | 1,979 | 509 | 796 | 978 | 1,064 | 1,637 | 1,292 | 1,140 | 773 |
| Direct Mailing | - | - | - | -12 | -20 | -59 | -5 | 62 | 272 | 360 | 114 |
| Overseas | - | - | - | - | - | - | -161 | -295 | -316 | -422 | -82 |
| Mail Order | - | - | - | - | - | - | - | -13 | -238 | -271 | -76 |
| Other | - | - | - | - | - | - | - | 4 | 23 | 2 | -103 |
| Adjustments | - | - | - | - | 0 | -0 | -0 | -0 | 0 | 1 | 1 |
| YoY | 77.6% | -10.9% | -38.6% | -74.9% | 56.1% | 18.6% | -2.3% | 55.3% | -26.0% | -21.6% | -39.2% |
| Direct Marketing Support | 77.6% | -10.9% | -38.6% | -74.3% | 56.3% | 22.9% | 8.7% | 53.9% | -21.1% | -11.8% | -32.1% |
| Direct Mailing | - | - | - | - | - | - | - | - | 341.7% | 32.2% | -68.4% |
| Overseas | - | - | - | - | - | - | - | - | - | - | - |
| Mail Order | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| OPM (excl. adjustments) | 10.6% | 8.6% | 5.7% | 1.5% | 2.2% | 2.9% | 2.4% | 2.9% | 1.9% | 1.5% | 1.2% |
| Direct Marketing Support | 10.6% | 8.6% | 5.7% | 1.7% | 2.8% | 4.0% | 3.8% | 4.8% | 3.6% | 3.6% | 2.7% |
| Direct Mailing | - | - | - | -0.4% | -0.3% | -0.8% | -0.1% | 0.5% | 1.6% | 1.9% | 0.6% |
| Overseas | - | - | - | - | - | - | - | -44.2% | -18.0% | -23.5% | -6.1% |
| Mail Order | - | - | - | - | - | - | - | - | - | - | -48.6% |
| Other | - | - | - | - | - | - | - | 0.4% | 1.6% | 0.1% | -6.2% |
| % of OP (incl. adjustments) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Direct Marketing Support | 100.0% | 100.0% | 100.0% | 102.5% | 102.6% | 106.4% | 118.4% | 117.3% | 125.1% | 141.0% | 123.3% |
| Direct Mailing | - | - | - | -2.5% | -2.6% | -6.4% | -0.5% | 4.4% | 26.4% | 44.5% | 18.2% |
| Overseas | - | - | - | - | - | - | -17.9% | -21.2% | -30.7% | -52.2% | -13.0% |
| Mail Order | - | - | - | - | - | - | - | -0.9% | -23.0% | -33.5% | -12.1% |
| Other | - | - | - | - | - | - | - | 0.3% | 2.2% | 0.2% | -16.4% |

Source: Shared Research, based on company data
Note: The company began reporting earnings results of the Overseas business as an independent segment, and results of the Mail Order business (included in the Other segment in FY02/17) as an independent segment from Q1 FY02/18.

# Segment overview

## Direct Marketing Support segment

### Business model

**Flow of operations at TV shopping companies, Tri-Stage's support services**

The Direct Marketing Support segment (FY02/20 sales JPY28.1bn, operating profit JPY773mn) centers on TV shopping (more than 90% of segment sales). Tri-Stage provides TV shopping companies with end-to-end direct marketing services, ranging from developing products through customer management. Tri-Stage explains that no other company provides direct marketing support services spanning upstream through downstream operations. Tri-Stage offers nine services (see following table), excelling especially in the services listed from numbers three to five.

**Nine services offered in Direct Marketing Support segment**

| | Flow of operations at TV shopping companies | Tri-Stage's services |
|---|---|---|
| 1 | Product development | Propose product selections and prices |
| 2 | DM business planning | Advise on planning |
| 3 | In-program expression and program planning | Propose plans for shopping programs and commercials, select production companies, place orders<br>Propose shopping programs that are effective, based on proprietary evaluation system |
| 4 | Media selection | Procure program and commercial slots from TV stations and advertising agencies, propose broadcasting plans that effectively increase consumer/product contact points |
| 5 | Ordering | Propose ways of fielding telephone and internet orders, use outsourced contact centers to handle orders on client's behalf; also help consumers understand products with explanations that supplement TV programs and commercials |
| 6 | Analysis of shopping program effectiveness | Conduct media efficiency analysis and business forecasting |
| 7 | Information processing | Process order and distribution and delivery data |
| 8 | Distribution and payment | Set methods for product delivery and receivables collection |
| 9 | Customer management | Mail Customer Center, a subsidiary, sends direct mail and provides information to encourage repeat product purchases (discussed in the Direct Mailing segment overview) |

Source: Shared Research based on company data

**Tri-Stage's client companies**

In FY02/20, Tri-Stage had around 150 clients in the TV segment, and five of these clients accounted for half of segment sales. One major client, Infomercial Product Inc., accounts for more than 10% of Tri-Stage's sales. To lessen its dependence on a few key clients, Tri-Stage is working to boost sales to new clients. Whereas the top five clients accounted for nearly 60% of sales a few years ago, the company has made progress on diversifying its risk, and that figure is now below 50%.

**Transaction volume by product**

TV shopping programs for supplements/medications account for 50% of Tri-Stage's transactions, beauty (cosmetics) for 25%, household items for 15%, and food and other items for 10%. Tri-Stage mostly handles supplements/medications and beauty (cosmetics) products because its top two client companies sell these products. In the domestic TV shopping market, supplements/medications accounted for 28.1% of the total, apparel for 20.4%, beauty (cosmetics) for 18.8%, and home electronics and PCs for 12.9% (2017 estimates according to a survey by Fuji Keizai Co., Ltd.).

Tri-Stage's relatively high composition of supplement/medication programs stems from the fact that company's major clients mostly use infomercials. Infomercials communicate detailed product information, compared to multi-sponsor programs on dedicated shopping channels, which broadcast many products over short time periods, and are better suited for other product categories such as apparel. (See below for more details on the different types of TV shopping programs.)

**Product composition**

| | Transaction volume on shopping programs supported by Tri-Stage | Overall TV shopping market (2017 estimate) |
|---|---|---|
| Supplements and medications | 50% | 28.1% |
| Apparel | — | 20.4% |
| Beauty (cosmetics) | 25% | 18.8% |
| Household items | 15% | n.a. |
| Other | 10% | n.a. |

Source: Shared Research, based on company data and results presentation materials for FY02/18 (Fuji Keizai "Mail order and e-Commerce Business 2018: Current Status and Future")

## Tri-Stage focuses on infomercials, which provide product explanations

There are three major TV shopping categories, differing by the number of products introduced in a single program and the amount of time dedicated to each item: infomercials, multi-sponsor TV shopping programs, and programs on dedicated shopping channels. Tri-Stage provides services related to infomercials, which introduce one product (80% of TV business sales), as well as multi-sponsor TV shopping programs, which introduce multiple products (20% of sales). Product explanations are a key element of infomercials and multi-sponsor programs, which are pre-recorded videos that get aired. In comparison, programs on dedicated shopping channels involve 24-hour broadcasting and handle multiple products.

**Types of TV shopping**

| Single item | Multiple items | Hundreds of items |
|---|---|---|
| Infomercial programs (3–54 min.)<br>Infomercial commercials (60–120 sec.) | Multi-sponsor TV shopping programs (29–60 min.) | Channels that specialize in TV shopping such as Jupiter Shop Channel (live 24-hour broadcasts) |

Source: Shared Research, based on company data and materials from Fuji Keizai Co., Ltd.

### Infomercials

Infomercials (a combination of "information" and "commercial") focus on a single product and drive consumers to buy with detailed explanations of product use, benefits, development and commercialization, and user experiences. There are infomercial commercials, which run 60–120 seconds, and infomercial programs, which run 3–54 minutes. Tri-Stage handles relatively more 29-minute programs.

### Multi-sponsor TV shopping programs

With multi-sponsor TV shopping programs, several companies share the costs of producing and broadcasting a single program. Whereas infomercials are recorded in advance, multi-sponsor programs often feature live studio recordings of TV celebrities and program hosts. In this category, viewers can gauge celebrities' responses to products when making purchasing decisions.

## Sales and cost of sales

The following describes the sales and cost of sales in the Direct Marketing Support segment, and factors that affect them.

### Sales

Tri-Stage's sales are composed of TV shopping broadcasting slot sales and solution sales, such as those from contact centers and program production. Client companies' business plans and product sales affect the number of TV shopping ads placed. Companies tend to place a relatively high number of shopping program ads when launching new products, as they want as many consumers as possible to view their offerings to win new customers. Conversely, when products are at a mature stage, companies tend to limit ad placements to a level in which they can just replace customers they have lost. Client companies tend to expand ad budgets when product sales are favorable, and shrink budgets when sales are sluggish.

### Cost of sales (parent)

In FY02/20 (parent), Tri-Stage's cost-of-sales ratio was 85.1%. Media costs—broadcasting slot procurement costs—took up most of sales (71% of sales), followed by outsourcing expenses (15%). Thanks to improvements in the contract terms with client companies and better matching of media buys with demand, the parent company was able to bring its cost-of-sales ratio down 2.6pp YoY to 85.1% in FY02/20, which meant its gross profit margin rose 2.6pp YoY to 14.9%. This was the lowest CoS ratio (highest gross profit) in the past 10 years. The company is looking for continued improvement on this front in FY02/21, expecting to push the parent company CoS ratio down further (expects 1.0pp YoY decline in gross profit margin to 13.9%).

Tri-Stage buys broadcasting slots mainly from Daiko Advertising Inc. (unlisted; subsidiary of Hakuhodo DY Holdings Incorporated [TSE1: 2433]), and half of media costs go to this company. The relationship originates from the founder of Tri-Stage working for Daiko Advertising before establishing his own company. Of remaining media costs, 30% goes to direct purchases from media stations and 20% to purchases through advertising agencies. On average, Tri-Stage purchases 20,000 broadcasting slots per month, of which 60% are for TV programs and 40% for TV commercials. Media costs depend on client companies' ad placement volume (number of programs broadcast). Slot prices vary depending on the station, the region, and the time of day. Although slot prices can rise with higher demand, the company avoids major price variations by negotiating prices based on proprietary data.

By TV station broadcast type, terrestrial broadcasts accounted for around 55% of Tri-Stage's media costs, broadcast satellite (BS) for 40%, and cable TV (CATV) and communications satellite (CS) for a combined 5%. Tri-Stage has no strong ties with any one TV station.

Outsourcing expenses (14.5% of sales) comprise program production costs and payments to the contact centers that take product orders from consumers.

**Factors that affect Direct Marketing Support segment sales and cost of sales**

| (JPYmn) | | FY02/19 | % of sales | Variables |
|---|---|---|---|---|
| Sales | | 24,779 | 100.0% | Clients' ad placement volume, unit prices of services |
| Cost of sales | | 21,078 | 85.1% | - |
| | Media costs (TV programs) | 9,725 | 39.2% | Clients' ad placement volume, prices for TV program slots |
| | Media costs (TV commercials) | 6,705 | 27.1% | Clients' ad placement volume, commercial slot prices |
| | Media costs (other) | 1,032 | 4.2% | Clients' ad placement volume, radio program slots |
| | Outsourcing expenses | 3,597 | 14.5% | Program production costs, contact center costs |
| | Cost of merchandise | 14 | 0.1% | |
| Gross profit | | 3,703 | 14.9% | |

Source: Shared Research based on company data

## Strategy and differentiators in the Direct Marketing Support segment

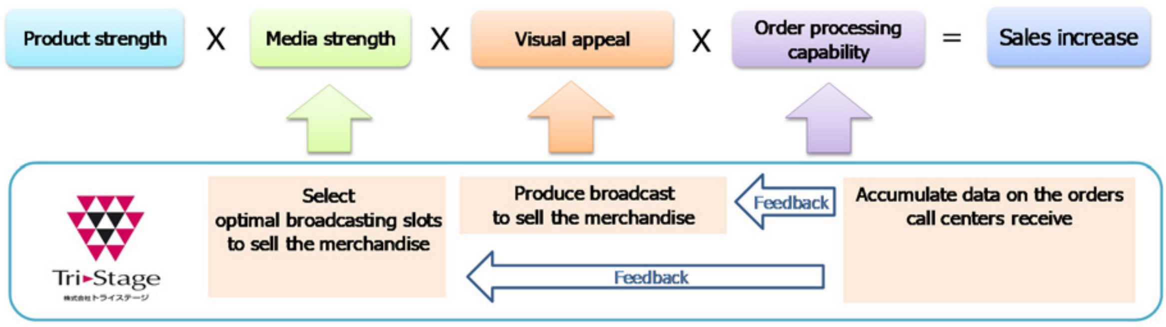
### Strategies for increasing client companies' sales

In the Direct Marketing Support segment, Tri-Stage works to optimize sales at client companies. Tri-Stage sees the formula for increasing client company sales as product strength x media strength x visual appeal x order processing capability.

Of these three elements that affect sales, Tri-Stage calculates a numerical value to media strength and visual appeal. The company uses these values when negotiating with TV stations, advertising agencies, and production companies to buy slots or outsource production as part of the services it provides.

Calculations of the value of media strength and visual appeal are based on mail orders placed at partner contact centers. The company accumulates data on consumer purchasing decisions (by which consumers, who watched which broadcasting slots, and after seeing which broadcast). Tri-Stage accumulates this data in Tri-DDM's customer data platform (CDP), runs analysis on it, and visualizes it using business intelligence (BI) tools. It uses this when negotiating with TV stations and advertising agencies, as well as producing programs that increase product appeal. Tri-Stage thus achieves results through a combination of upstream and downstream involvement in direct marketing.

**Tri-Stage's initiatives for increasing sales at client companies**




Source: Shared Research based on company interviews

## Differentiating factors of Tri-Stage's support services

### Selecting optimal broadcasting slots

Tri-Stage differentiates by proposing optimal broadcasting plans based on data.

Stable procurement

Tri-Stage stably procures broadcasting slots, based on its track record of purchasing slots since its founding. The company buys slots, under its own name and ahead of actual broadcast dates, every six months when programs are replaced, and it buys in bulk. This also allows for flexibility in providing slots to clients. Competitors, in contrast, tend to purchase fewer slots and do so under the name of their clients.

TV stations want to avoid empty broadcasting slots, so they prefer to provide slots to trusted business partners. Tri-Stage can buy broadcasting slots in bulk and in advance because it has earned TV stations' trust: its management team with more than 30 years of experience in the advertising industry has built up a reputation for being able to fill the slots.

Data-driven, optimal broadcast plan proposals

Tri-Stage has alliances with contact centers throughout Japan that take orders for mail order products from consumers. Tri-Stage accumulates and analyzes data on the orders contact centers receive. The company maintains data on broadcast slots by day, time of day, length, and media type, and tracks consumer responses for each of the slots. It then prices media accordingly. Through compilation of a database and ongoing analysis, Tri-Stage is able to suggest to clients the broadcasting slots that are most appropriate for certain products. Through broadcasting plan proposals, Tri-Stage explains to clients how many viewers exist for broadcasting slot A, for example, and what levels of sales are likely to result. Competitors who purchase fewer slots are unable to emulate this approach.

**Data accumulated by Tri-Stage**

| | Broadcast slot A | Broadcast slot B | Broadcast slot C |
|---|---|---|---|
| Day | Tuesday | Thursday | Sunday |
| Time of day | Late night | Mid-day | Early morning |
| Length | 54 min. | 120 min. | 29 min. |
| Media type | CS | Terrestrial | BS |
| Number of customers won | 100 | 100 | 200 |
| Media cost | JPY600,000 | JPY1mn | JPY1mn |
| Cost per customer | JPY6,000 | JPY10,000 | JPY5,000 |

Source: Shared Research, based on company data

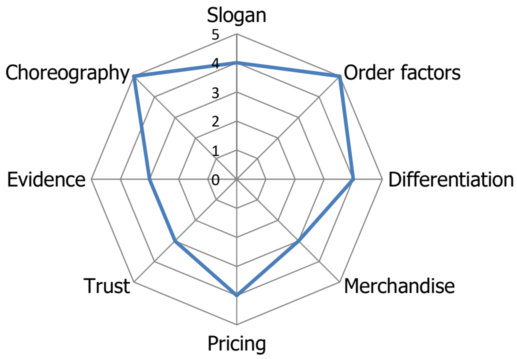
### Program production

Uses proprietary analysis to propose optimal production of TV shopping programs

In the niche field of TV shopping, Tri-Stage uses proprietary analysis to propose the optimal production of TV shopping programs. The company starts with a detailed analysis of the product, and then adds various factors (such as choreography and pricing) as shown in the radar chart below. Tri-Stage outsources program production, but works to raise the quality of programs in order to reach viewers. Its sales representatives propose program production that will boost product sales, then take on the role of producer in managing production costs.

Tri-Stage has a track record in the area of program production, which allows it to make such proposals. It produces over 1,000 programs annually and provide content approval support services. The company has worked with 80% of the top 30-ranked companies involved in TV shopping marketing.

**Elements of Tri-Stage's TV shopping program production**




Source: Shared Research, based on company data

**Accepting orders**

Efficiently taking orders using partner contact centers

Tri-Stage has alliances in place with nine contact center companies operating 14 locations around Japan (as of April 2018). These contact centers enable Tri-Stage to respond to as many as 300,000 calls per month. Such substantial capacity means Tri-Stage can respond to spikes in telephone orders that occur after TV shopping programs air without sacrificing sales opportunities. Contact centers also prepare original scripted explanations (call scripts), helping consumers to understand the products being sold.

### Direct data marketing (Tri-DDM)

Tri-DDM is a new service that consolidates and analyzes a variety of direct marketing data, linking this data with marketing initiatives, and offers a customer data platform (CDP). It will serve as the company's main point of difference in the medium term.

Since its foundation Tri-Stage has been known for its strengths in buying TV broadcasting slots for commercials, contact center management, and TV program production. Going forward, it is looking to focus its resources and maximize the value offered to customers with the help of its enhanced analytical services that make full use of its database and advanced AI and IT technology (see Medium- to long-term outlook section for details).

## Direct Mailing segment

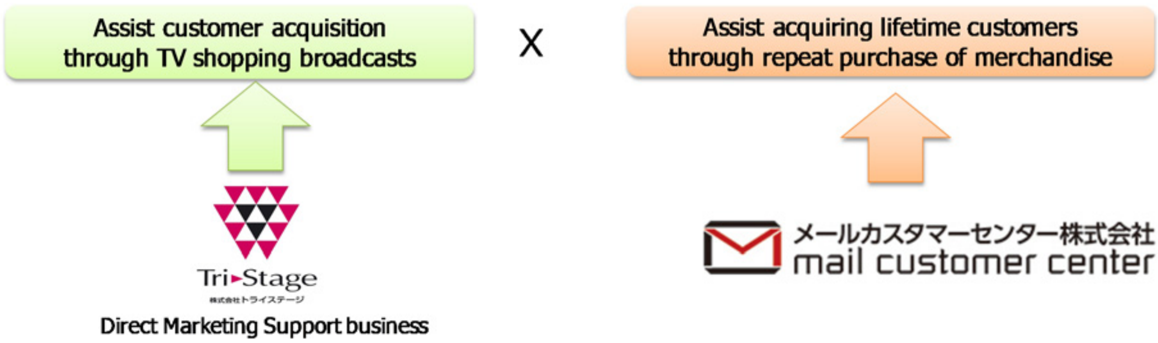
### Business model

The Direct Mailing segment (FY02/20 sales of JPY19.2bn, operating profit of JPY114mn) is operated by Mail Customer Center (MCC), which Tri-Stage acquired and converted to a subsidiary in November 2012. MCC uses the Kuroneko DM Bin service provided by Yamato Transport Co., Ltd. (subsidiary of Yamato Holdings Co., Ltd.), and the Yu-Mail service of Japan Post Co., Ltd. (subsidiary of Japan Post Holdings Co., Ltd. [TSE1: 6178]) to send out direct mail on behalf of client companies. The segment's operating profit margin was negative until FY02/16 but the growth of the business and the accompanying increase in top-line revenues brought the operating profit margin up to 0.5% in FY02/17, 1.6% in FY02/18, and 1.9% in FY02/19. Although OPM dropped to 0.6% in FY02/20, this was due to the company booking an allowance for doubtful accounts related to client receivables after one client company's financial situation suddenly deteriorated.

## Links with the Direct Marketing Support segment

Working with Tri-Stage's Direct Marketing Support segment, MCC works to encourage repeat consumer purchases. MCC has bases around Japan (Hokkaido, Tokyo, Nagoya, Osaka, Fukuoka) and handles some 200mn pieces of direct mail annually, giving it the top share in the market (according to an internal study by the company).

**Tri-Stage and Mail Customer Center's supporting role in direct marketing**




Source: Shared Research, based on company data

# Performance trends

## Establishment phase: FY02/07 to FY02/10

Tri-Stage recorded consecutive growth in sales and operating profit for the first three years after its establishment (FY02/07–FY02/10). This growth was mainly thanks to a rise in the number of shopping programs as key clients Q'Sai Co., Ltd., and Television Shopping Kenkyujo Co., Ltd., sought to expand mail order product sales. Partly because of its clients' substantial demand for ad placements at the time, Tri-Stage was able to purchase even more broadcasting slots than it does now and at low cost, which boosted profit growth. Tri-Stage says the initial establishment period marked its peak in market share for broadcasting slots, at more than 30% (compared to around 25% in 2016, according to an internal company survey).

## Transition phase: FY02/11 to FY02/14

After peaking at JPY37.6bn in FY02/11, consumer purchases of non-essential items such as supplements, cosmetics, and accessories fell off in the wake of the Great East Japan Earthquake. Demand for broadcasting slots for shopping programs declined accordingly, leaving Tri-Stage with more broadcasting slots in inventory than it had expected and compelling it to sell the slots back at below cost. Further, factors such as some major clients not being able to pay their debts also caused the company's OPM to fall from 10.6% in FY02/10 to 1.5% in FY02/13.

## Recovery phase: FY02/15 to FY02/17

To expand its scope of operations, in FY02/13 Tri-Stage acquired Mail Customer Center and converted it to a subsidiary. After its experience with the deterioration in profitability of broadcasting slots, Tri-Stage changed its slot buying methods. The company began using data analysis, shifting its focus to buying slots it deemed more effective in generating sales while passing up on those deemed to not have a corresponding sales impact. To respond more flexibly to fluctuations in demand for broadcasting slots, Tri-Stage shifted to a proposal-based sales approach, using analysis of its database to allocate suitable slots to TV shopping companies. The company also expanded the scope of its business, establishing an overseas business and a mail order business.

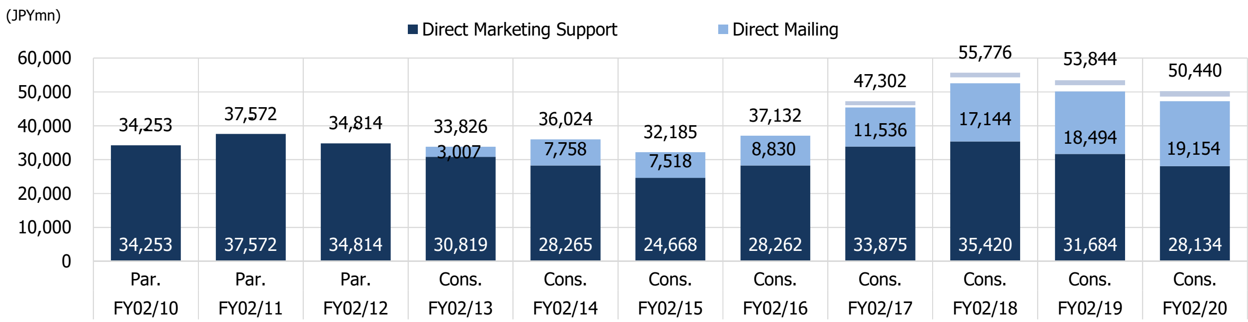
## Earnings growth stalls: FY02/18 to FY02/19

In FY02/18 and FY02/19 the company moved to expand its business away from its core legacy business in the domestic TV shopping market and into other areas, including a web business and mail order business. In addition to growing its core Direct Marketing Support business and Direct Mailing business, Tri-Stage used mergers and acquisitions to move into growth areas. This expanded its top-line but earnings at the consolidated level stalled, hurt by losses in the new business areas, including its Overseas and Mail Order businesses.

## Sales and earnings growth phase: from FY02/20

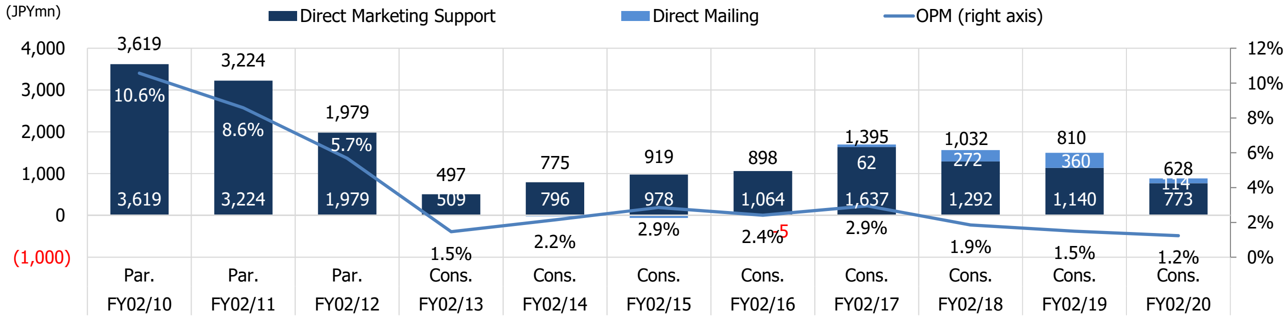
With Tri-Stage Inc. (which runs its mainstay Direct Marketing Support business), adflex communications, Inc. (web business), and Mail Customer Center Co., Ltd. (Direct Mailing business) serving as the core of the group's operations, the group plans to focus on these business areas going forward and reallocate its resources accordingly. In other areas, including its Overseas business and Mail Order business, the company moved to select and focus on promising areas based on its assessment of profitability and potential synergies with other group companies in FY02/20.

**Sales**




Source: Shared Research based on company data

### Operating profit




Source: Shared Research based on company data

## Cost structure

### Tri-Stage cost structure

| Cost structure (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **34,253** | **37,572** | **34,814** | **33,826** | **36,024** | **32,185** | **37,132** | **47,302** | **55,776** | **53,844** | **50,440** |
| Cost of sales | 29,396 | 33,046 | 31,367 | 31,145 | 33,131 | 28,993 | 33,555 | 42,150 | 50,163 | 47,862 | 44,289 |
| **Gross profit** | **4,857** | **4,526** | **3,447** | **2,681** | **2,892** | **3,193** | **3,577** | **5,152** | **5,613** | **5,982** | **6,152** |
| SG&A expenses | 1,238 | 1,302 | 1,468 | 2,184 | 2,117 | 2,273 | 2,678 | 3,757 | 4,581 | 5,172 | 5,524 |
| Personnel expenses | 584 | 651 | 787 | 918 | 1,101 | 1,172 | 1,325 | 1,812 | 2,099 | 2,355 | 2,257 |
| Other | 654 | 651 | 681 | 1,266 | 1,016 | 1,101 | 1,353 | 1,945 | 2,482 | 2,817 | 3,267 |
| **Operating profit** | **3,619** | **3,224** | **1,979** | **497** | **775** | **919** | **898** | **1,395** | **1,032** | **810** | **628** |
| **% of sales** | | | | | | | | | | | |
| Cost of sales | 85.8% | 88.0% | 90.1% | 92.1% | 92.0% | 90.1% | 90.4% | 89.1% | 89.9% | 88.9% | 87.8% |
| **Gross profit** | **14.2%** | **12.0%** | **9.9%** | **7.9%** | **8.0%** | **9.9%** | **9.6%** | **10.9%** | **10.1%** | **11.1%** | **12.2%** |
| SG&A expenses | 3.6% | 3.5% | 4.2% | 6.5% | 5.9% | 7.1% | 7.2% | 7.9% | 8.2% | 9.6% | 11.0% |
| Personnel expenses | 1.7% | 1.7% | 2.3% | 2.7% | 3.1% | 3.6% | 3.6% | 3.8% | 3.8% | 4.4% | 4.5% |
| Other | 1.9% | 1.7% | 2.0% | 3.7% | 2.8% | 3.4% | 3.6% | 4.1% | 4.4% | 5.2% | 6.5% |
| **Operating profit** | **10.6%** | **8.6%** | **5.7%** | **1.5%** | **2.2%** | **2.9%** | **2.4%** | **2.9%** | **1.9%** | **1.5%** | **1.2%** |
| **Cost of sales breakdown (parent) (JPYmn)** | **FY02/10 Par.** | **FY02/11 Par.** | **FY02/12 Par.** | **FY02/13 Par.** | **FY02/14 Par.** | **FY02/15 Par.** | **FY02/16 Par.** | **FY02/17 Par.** | **FY02/18 Par.** | **FY02/19 Par.** | **FY02/20 Par.** |
| **Sales** | **34,253** | **37,572** | **34,814** | **30,819** | **28,255** | **24,667** | **28,302** | **33,952** | **33,215** | **29,292** | **24,779** |
| Cost of sales | 29,396 | 33,046 | 31,367 | 28,290 | 25,740 | 21,765 | 25,071 | 30,008 | 29,896 | 25,696 | 21,078 |
| Media costs | 25,666 | 28,542 | 26,619 | 23,375 | 21,023 | 18,669 | 21,572 | 25,842 | 15,768 | 22,029 | 17,467 |
| Outsourcing costs | 3,364 | 4,233 | 4,516 | 4,724 | 4,549 | 2,939 | 3,333 | 4,047 | 3,997 | 3,623 | 3,599 |
| Cost of merchandise | 367 | 270 | 232 | 192 | 168 | 157 | 166 | 118 | 130 | 42 | 11 |
| **Gross profit** | **4,857** | **4,526** | **3,447** | **2,529** | **2,515** | **2,902** | **3,231** | **3,944** | **3,319** | **3,595** | **3,700** |
| **% of sales** | | | | | | | | | | | |
| Cost of sales | 85.8% | 88.0% | 90.1% | 91.8% | 91.1% | 88.2% | 88.6% | 88.4% | 90.0% | 87.7% | 85.1% |
| Media costs | 74.9% | 76.0% | 76.5% | 75.8% | 74.4% | 75.7% | 76.2% | 76.1% | 47.5% | 75.2% | 70.5% |
| Outsourcing costs | 9.8% | 11.3% | 13.0% | 15.3% | 16.1% | 11.9% | 11.8% | 11.9% | 12.0% | 12.4% | 14.5% |
| Cost of merchandise | 1.1% | 0.7% | 0.7% | 0.6% | 0.6% | 0.6% | 0.6% | 0.3% | 0.4% | 0.1% | 0.0% |
| **Gross profit** | **14.2%** | **12.0%** | **9.9%** | **8.2%** | **8.9%** | **11.8%** | **11.4%** | **11.6%** | **10.0%** | **12.3%** | **14.9%** |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

### Cost of sales

The main cost of sales is media costs and outsourcing expenses. On a parent-only basis, the CoS ratio decreased 6.4pp from 92.2% in FY02/07 to 85.8% in FY02/10. This fall was attributable to a 6.4pp drop in media costs as a percentage of sales, from 81.3% in FY02/07 to 74.9% in FY02/10. The main reason was the ongoing popularity of its performance incentive contracts (PI contracts).

From FY02/10 to FY02/13, the CoS ratio at the parent rose 6.0pp, from 85.8% to 91.8%. This increase was mainly due to a rise in outsourcing expenses as a percentage of sales, which rose 5.5pp, from 9.8% in FY02/10 to 15.3% in FY02/13. Since FY02/15 the CoS ratio has generally stayed between 88% and 90% on a consolidated basis.

The company made improvements to its transaction rules in FY02/19 (consolidated), including revised terms of agreement for PI contracts. In FY02/20, the CoS ratio at the consolidated level declined 1.1pp YoY to 87.8%, aided by a reduction of low-margin transactions and a better matching of media buys with demand.

### SG&A expenses

SG&A expenses are mostly salaries and allowances, as well as rent. The SG&A expense ratio rose 7.8pp, from 3.2% in FY02/07 (parent only) to 11.0% in FY02/20 (consolidated). The main reason was higher salaries and allowances as a percentage of sales, increasing 3.1pp from 1.4% in FY02/07 (parent only) to 4.5% in FY02/20 (consolidated).

As a percentage of sales, other SG&A expenses rose from 1.7% in FY02/07 (parent only) to 6.5% in FY02/20 (consolidated); the 4.8pp increase was due to aggressive M&A to start its retail sales and mail order businesses (most notably the acquisition of Mail Customer Center in FY02/13), which in turn drove up personnel-related expenses (including hiring and training expenses), advertising expenses, and rents.

# Market and value chain

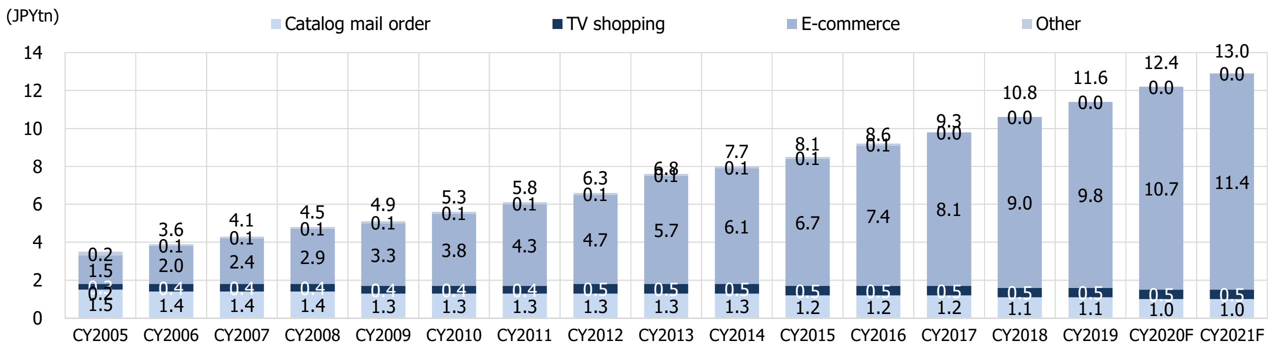
## Direct marketing (DM) market

Tri-Stage operates in the market of direct marketing (DM), as its main business involves TV shopping programs. Direct marketing categories include catalog mail orders, TV shopping, and e-commerce. Through direct marketing, companies introduce their products via TV shopping channels or the internet, and take orders directly from consumers.

According to estimates by Fuji Keizai Co., Ltd., the value of the DM market expanded, from JPY5.3tn in 2009 to JPY12.4tn in 2020. Growth in e-commerce was the primary factor, as over the same period the value of e-commerce expanded from JPY3.3tn to an estimated JPY10.7tn, spurred by the convenience of being able to buy via smartphones as well as PCs. In 2020, e-commerce accounted for an estimated 86% of the market.

Fuji Keizai forecasts that growth in e-commerce will cause the value of the market to expand to JPY13.0tn in 2021 (+5.4% versus its estimate for 2020).

**Direct marketing market**



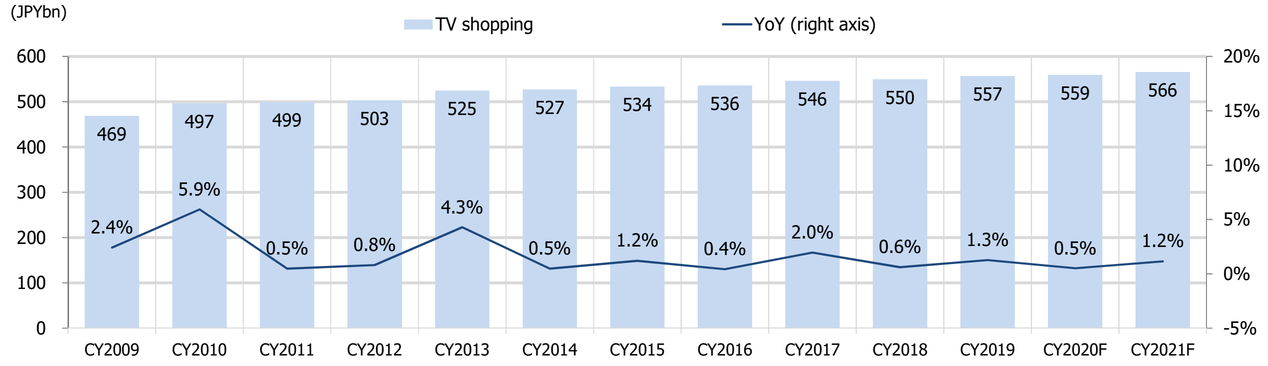

Source: Shared Research, based on data from Q3 FY02/21company results presentation materials (Fuji Keizai "Mail Order and e-Commerce Business 2020: Current and Future")
Note: Figures less than JPY1tn are rounded off.

### TV shopping market

Fuji Keizai estimates that the TV shopping market grew 19.3% in value terms, from JPY469.0bn in 2009 to JPY559.4bn in 2020. The market expanded in tandem with an increase in the number of channels dedicated to TV shopping between 2005 until 2011, growing at a CAGR of 5.7%. However, following Great East Japan Earthquake in 2011, the market grew at the much more modest pace of a CAGR of 1.3% through 2020.

TV shopping consumers tend to shift to direct mail and e-commerce after their first purchase sparked by TV shopping programs. Fuji Keizai counts products introduced on TV but ordered online as e-commerce. As such, the actual rate of growth of the TV shopping market is likely higher than Fuji Keizai's assessment of "modest growth." The market is solid as TV shopping is suited to winning new customers of repeat-purchase products, such as health foods and cosmetics.

**TV shopping market**




Source: Shared Research based on materials from Fuji Keizai Co., Ltd.

Jupiter Shop Channel Co., Ltd. and QVC Japan Inc. operate dedicated shopping channels with live 24-hour broadcasts, which account for more than 30% of the domestic TV shopping market. While Tri-Stage tends to focus on supplements/medications, which require detailed explanations, these shopping channels run programs that introduce products ranging from apparel to home electronics, and tend to offer numerous products on a single program.

According to a survey by the trade publication *Tsuhan Shimbun*, since 2013 sales of a shopping channel broadcaster, Jupiter Shop Channel Co., Ltd. has steadily expanded while sales growth for others has varied. Still, Tri-Stage's earnings have been stable, due to efforts to diversify its client base.

Supplements/medications account for 30% of the TV shopping market, followed by apparel and then beauty (cosmetics), at 20% each. Women tend to be the core target customer segment for TV shopping programs (75% of the market).

Since 2013, in the TV shopping industry sales of supplements/medications and cosmetics—most of the shopping programs Tri-Stage handles are in these categories—have grown. For example, according to Fuji Keizai's "Mail order and e-Commerce Business 2020: Current Status and Future", the top-ten health food and pharmaceuticals companies involved in TV shopping marketing in 2019 include Suntory Wellness Ltd. (fourth), Q'sai Co., Ltd. (sixth), and Toyama-jobiyaku Group (ninth).

### Attributes of TV shoppers

In the TV shopping market, roughly 77% of customers are women (Fuji Keizai study). Women aged 40 or above account for more than 60% of the overall TV shopping market (of this, about 20% were women in their 40s and 40% women aged 50 or older).

The National Institute of Population and Social Security Research forecasts that the number of women aged 40 or older will increase from 38.7mn in 2010 to 41.4mn in 2020, and gradually decrease thereafter.

As second-generation baby boomers (born 1971–1974) join the 50-and-older group, currently the largest customer segment of TV shopping, Shared Research assumes that they will embrace the convenience of TV shopping, supporting stable growth in the TV shopping market through 2025.

## Similar companies and competitors

Tri-Stage offers a variety of services that support direct marketing (chiefly TV shopping programs), and the company claims it is unique in developing such a business. Each of Tri-Stage's segments have some competitors, but no other company has the same service portfolio, making simple comparisons difficult.

### Direct Marketing Support segment

According to Tri-Stage, the Direct Marketing Support segment has some 40–50 competitors, including advertising agencies, their subsidiaries, and companies run by individuals who previously worked at advertising agencies. Tri-Stage's main competitor in buying and selling broadcasting slots is Dentsu Direct Force Inc. (unlisted; subsidiary of Dentsu).

### Direct Mailing segment

The Direct Mailing segment has several competitors but one of the main ones is DMS Inc. (TSE JASDAQ: 9782), the market leader for direct mail. According to Tri-Stage, several companies involved in the direct mail business withdrew from 2015 onward when major delivery companies raised their delivery fees.

# Strengths and weaknesses

## Strengths

- **Offers end-to-end development capabilities in the TV business from media choice, program production, and order management through customer management**: The company distinguishes itself from its competitors in its core TV business by offering its direct marketing clients an end-to-end suite of services comprising the creation of marketing plans, choosing the right media, buying, operations, and results measurement as well as order management and customer management, which are not offered by the typical advertising agency. Tri-Stage uses data it has accumulated on nationwide broadcast time slots and orders to contact centers to enable it to choose the right media for each product. The company also produces mail-order programs and commercials ranging from 60 seconds to 29 minutes using proprietary logic that reflects product features to induce purchasing behavior on the part of consumers when it creates programming. It also possesses expertise on order management gained through integrated management of multiple contact centers as well as data and information analysis capabilities.
- **Scale economies in the Direct Mailing segment from sending 300mn items a year:** In the Direct Mailing segment, mainly operated through subsidiary Mail Customer Center, the company collaborates with the Direct Marketing Support segment to promote ongoing product purchases from consumers. According to the company, it is one of the industry leaders in terms of volume, sending out roughly 300mn items a year. According to a Dentsu survey, in the narrow sense of the term the direct mailing market (postage and delivery charges) was worth JPY364.2bn (-1.0% YoY) in 2019. However, there is an ancillary data marketing market that is not captured in the narrow definition. Many experts focus on the potential for the direct mail market from the perspective of media tie-ups and data use. It not only has synergies with the TV business, The Direct Mailing segment has an important role to play from the perspective of boosting lifetime value per customer (LTV) in the burgeoning e-commerce market (synergies with web business) if used effectively. Direct mailing is an important element in the direct data marketing (DDM) initiatives the company is working on.
- **Ability to effectively propose and manage in web business due to its consulting capabilities and use of AI tools**: The company's adflex communications subsidiary supports online direct marketing businesses. It has consulting capabilities due to its thorough understanding of customers and provides solutions that directly drive results for the advertiser. In February 2019, the Japan Marketing Research Organization conducted a brand image survey of companies that use AI tools. Tri-Stage ranked first in three categories: "AI tools chosen by marketing manager;" "easy to use AI tools;" and "company skilled at use of AI." The survey covered the top nine companies (excluding advertising and portals) based on Google search results for the phrase "AI tools". adflex communications uses the latest AI tools in its digital marketing, and customizes them to suit the Japanese market in collaboration with overseas companies. It was judged to have a proven track record in maximizing results. There are prospects that this will create new values in direct data marketing by using TV and internet cross-media, while also boosting margins through enhanced operational efficiency.

## Weaknesses

- **Earnings fluctuations due to main clients' product life cycles:** Although Tri-Stage's clients number well over a hundred, the top five clients account for about 40% of sales. For this reason, product life cycles at these five clients have a significant impact on the company's sales.
- **Limited growth in the domestic TV shopping market due to a declining population of target customers:** Women aged 40 or above make up more than 60% of the audience for TV shopping programs (20% in their 40s, 40% aged 50 or above). By 2025, many second-generation baby boomers now in their 40s will move into core 50s demographic for the TV shopping market. However, we think consumers currently in their 20s and 30s (who are more accustomed to buying online) are unlikely to shift to TV shopping, so it may be difficult for the TV shopping market to sustain growth.
- **Buying in bulk can lead to unsold broadcasting slots in inventory:** Stable buying of broadcasting slots in bulk leaves Tri-Stage open to the risk of holding unsold slots in inventory if demand falls below expectations. Profit margins could suffer due to price cuts if broadcasting slot inventory exceeds demand. However, since FY02/19, the company appears to be procuring more flexibly in response to demand forecasts under a new procurement policy.

# Historical financial statements

## Cumulative Q3 FY02/21 results (out January 14, 2021)

### Overview

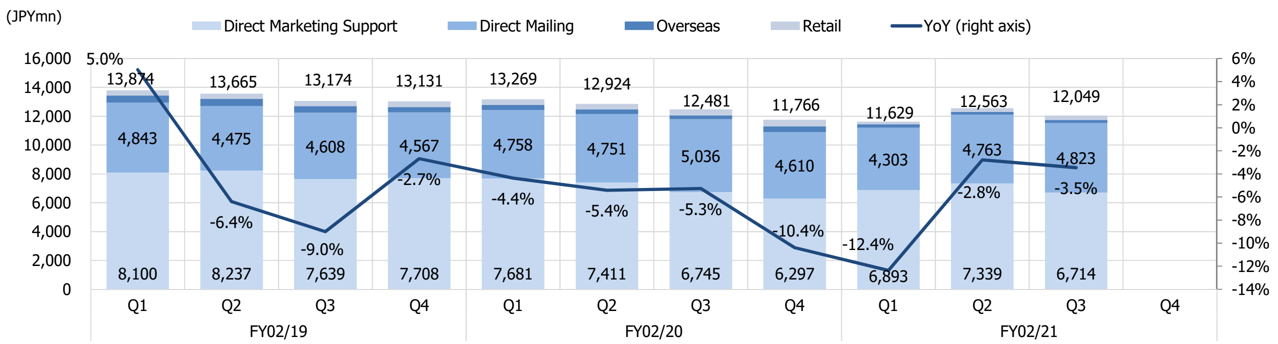
- In cumulative Q3 FY02/21, the company reported consolidated sales of JPY36.2bn (-6.3% YoY), operating profit of JPY1.0bn (+192.0%), recurring profit of JPY1.1bn (+262.6%), and net income attributable to owners of the parent of JPY655mn (+280.0%).
- Results through Q3 left the company with 73.1% of its full-year target for sales (versus 76.6% of full-year results in Q3 FY02/20), 83.1% for operating profit (56.8%), 87.5% for recurring profit (74.4%), and 100.8% for net income attributable to owners of the parent (94.4%).
  - The slowdown in Q3 (September–November, 2020) is in line with the company's projections. In Q3, sales declined 3.5% YoY and operating profit 25.4% YoY (versus YoY changes in Q2 of -2.8% and +87.6% respectively). Overall earnings kept pace with company targets.
  - The core TV business fell slightly short of company projections due to factors including higher unit prices for spot ad slots, but the web business outpaced projections as sales activities have been making a comeback since September 2020. The Direct Mailing and Overseas segments kept pace with company projections. The Retail segment followed a recovery trend in Q3.
- Sales down 6.3% YoY: This is attributable to the liquidation of unprofitable businesses in FY02/20 as well as the COVID-19 pandemic.
  - Direct Marketing Support segment: Sales were down 4.1% YoY. In the core TV business, sales were down 5.4% YoY. In 1H FY02/21, the company was able to procure TV program slots at relatively lower prices in the wake of the COVID-19 pandemic. Meanwhile, the response to TV shopping programs featuring health foods and pharmaceuticals was brisk, with more consumers staying home and becoming more health-conscious. Moving in 2H, however, business was affected by the rise in unit prices for broadcasting slots due to the revival in demand for media advertising slots, largely for corporate branding advertising. On the other hand, the web business saw sales climb 5.4% YoY. 1H experienced delays in new appointments due to the COVID-19 pandemic, but in 2H, new appointments have been recovering.
  - Direct Mailing segment: Sales down 4.5% YoY. Some industries cut back on the volume of direct mail sent.
  - Overseas segment: Sales down 30.5% YoY. The company scaled down its operations as a result of withdrawing from JML Singapore Pte. Ltd. in FY02/20.
  - Retail segment: Sales down 37.0% YoY. The business had to close or reduce opening hours at all stores to prevent the spread of COVID-19, but returned to regular operations for the most part in June 2020 and has been gradually recovering.
- Operating profit up 192.0% YoY: Operating profit was up 34.2% YoY in the Direct Marketing Support segment, and up 20.2x in the Direct Mailing segment. The Overseas segment returned to profitability from operating losses in 1H FY02/20. Meanwhile, profitability in the Retail segment slightly deteriorated.
  - The gross profit margin fell 1.1pp YoY to 11.2%. The SG&A-to-sales ratio improved to 8.3%, down 3.0pp YoY. SG&A expenses shrank by JPY1.4bn (or 31.2%) versus cumulative Q3 in FY02/20, thanks to declines of JPY170mn in advertising and promotions costs, JPY77mn in rent, JPY23mn in goodwill amortization, and JPY1.1bn in provision of allowance for doubtful accounts and other SG&A expenses. Notably, the withdrawal from loss-making operations in FY02/20 contributed to a JPY400mn YoY decrease. In cumulative Q3 FY02/20, in addition, the company recorded a JPY257mn provision of allowance for doubtful accounts in the Direct Mailing segment related to the mail customer center and

booked litigation-related expenses at the parent. However, there were no such one-time factors in cumulative Q3 FY02/21, and the company recorded a reversal of the provision of allowance for doubtful accounts during the term. Furthermore, there were declines in costs such as advertising and promotions, and travel expenses and carfare as the COVID-19 pandemic restricted sales activities.

- OPM improved 2.0pp YoY to 2.9%.

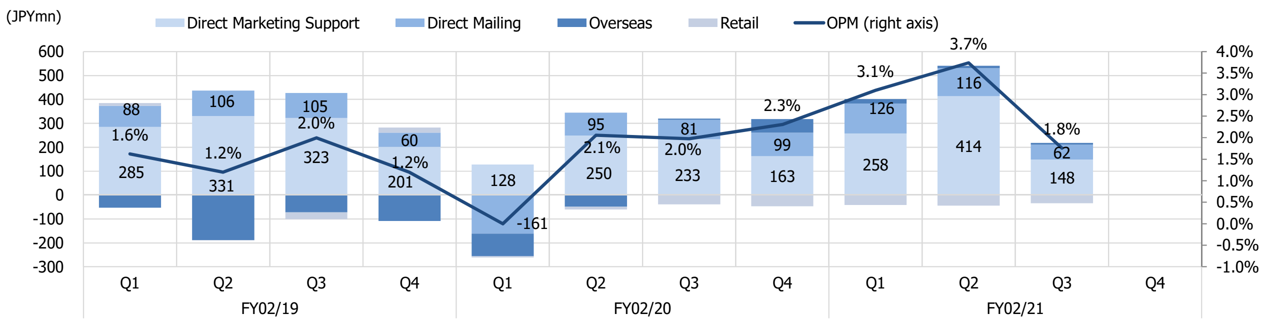
- Booking of extraordinary profit/losses: The company recorded JPY218mn in impairment losses in 1H primarily in response to significant changes in the business environment caused by the COVID-19 pandemic. This figure includes JPY172mn recorded as impairment losses from JPY305mn in unamortized goodwill associated with consolidated subsidiary adflex communications, Inc. It also includes JPY47mn in impairment losses associated with fixed assets belonging to consolidated subsidiary Nippon Department Store. In Q3 FY02/21, the company recorded a JPY70mn extraordinary gain on the sale of investment securities for selling some of its shareholdings in TV Direct Public Company Limited.
- As a result of the decision to focus on selected businesses in FY02/20, the company allocated more management resources to the TV and web businesses (Direct Marketing Support segment) and Direct Mailing segment. It also completed the foundations for supporting new customer acquisition and LTV improvement in direct marketing through Tri-DDM, a service launched in December 2019. In December 2020, the company commenced video resonance analysis and TV-linked listing ads services (detailed later in this report). It is also engaging in further systems development such as QR code ordering service. The company made solid progress in its strategies for each segment for FY02/21.

**Quarterly sales**




Source: Shared Research based on company data

**Quarterly operating profit**




Source: Shared Research based on company data

## Segment breakdown

### Direct Marketing Support segment

- In Q3 FY02/21, the Direct Marketing Support segment reported sales of JPY20.9bn (-4.1% YoY) and operating profit of JPY820mn (+34.2% YoY). The company says that the core TV business fell slightly short of company projections due to factors including higher unit prices for spot ad slots, but the web business outpaced projections as sales activities have been making a comeback since September 2020.
  - TV business: Sales were JPY18.2bn (-5.4% YoY) and operating profit was JPY996mn (+20.6% YoY). In 1H FY02/21, the company was able to procure TV program slots at relatively lower prices in the wake of the COVID-19 pandemic. Meanwhile, the response to TV shopping programs featuring health foods and pharmaceuticals was brisk, with more consumers staying home and becoming more health-conscious. Moving into 2H, however, a recovery in demand for commercials brought the market environment for media advertising slots back to the pre-pandemic levels and increased per-unit prices, while sales efficiency also returned to normal. Customers adopting the direct marketing platform, Tri Direct Data Marketing (Tri-DDM), grew steadily to 10 companies at end-October, and 20 companies at end-November (see the Tri-DDM section for details). The company believes it was successful in sharing with clients the value of media advertising slots and in improving measures.
  - Web business: Sales were JPY3.2bn (+5.4% YoY), and the business had an operating loss of JPY176mn (compared to a JPY215mn loss in cumulative Q3 FY02/20). In 1H, although the company aimed for rapid expansion in the number of companies using its AI-based listing ads optimization tools, there were fewer opportunities for signing up new clients as a result of canceled trade fairs and increased remote working amid the spread of COVID-19. In 2H, however, the situation is gradually improving with the resumption of events and new appointments.
- In the TV business, the company provides end-to-end solutions to direct marketing operators for all their direct marketing needs, including supplying TV program and commercial slots, program and commercial production, order management, and customer management. It excels in acquiring new customers through “provision of optimal media based on data analysis,” “hit video production,” and “efficient order management.”
- The company’s new direct data marketing business infrastructure Tri Direct Data Marketing (Tri-DDM) brings together and analyzes all of its data (including broadcast timeslot and order data) to bring clarity to the value of specific broadcasting slots, and facilitates accurate assessments of the right operating conditions for contact centers.
- At the web business, the company’s efforts centered around adflex communications. Here, the company worked to help clients maximize their sales and earnings, making proposals that utilize both TV and web and actively apply AI technology. The company commented that it is continuing to roll out robust, new AI tools to help improve services in areas other than listing ads optimization, and is maintaining efforts to attract new clients and do more business with existing clients. In February 2021, adflex communications is scheduled to relocate to the company’s head office (Shiodome Building) to reduce costs and comprehensively implement measures for the TV and web businesses.

### Direct Mailing segment

- In Q3 FY02/21, the Direct Mailing segment reported sales of JPY13.9bn (-4.5% YoY) and operating profit of JPY304mn (versus an operating profit of JPY15mn in Q3 FY02/20).
- The segment is involved in the direct mail agency business for Yu-Mail and Kuroneko DM Bin, with most of the operations handled by Mail Customer Center Co., Ltd. (MCC). In 1H FY02/21, direct mailing for the small package delivery business for Yu-Mail (Yu Packet) and Kuroneko DM Bin (Neko Posu) was brisk, but sales declined YoY as some industries cut back on the volume of direct mail sent.

- Profit was affected by a partial reversal of allowances for doubtful accounts recorded in FY02/20.
- On March 31, 2020, Tri-Stage acquired remaining shares in consolidated subsidiary Mail Customer Center Co., Ltd. and made it a wholly owned subsidiary. In September 2020, it obtained an operational warehouse to enhance operations, shipping and management. The company says the facility is operating smoothly. It aims to provide comprehensive direct mailing services.

### Overseas segment

- In Q3 FY02/21, the Overseas segment reported sales of JPY656mn (-30.5% YoY) and operating profit of JPY36mn (versus an operating loss of JPY139mn in Q3 FY02/20).
- PT. Merdis International handles most of the group's businesses in TV shopping and wholesaling in ASEAN countries. The company withdrew from JML Singapore Pte. Ltd. in FY02/20, which shrank the scale of its Overseas business but also sharply reduced losses. At PT. Merdis International, despite constraints on the supply of some products due to COVID-19, wholesale sales to TV shopping channels were brisk as more consumers stayed home.

### Retail segment

- In Q3 FY02/21, the Retail segment reported sales of JPY751mn (-37.0% YoY) and an operating loss of JPY120mn (versus an operating loss of JPY56mn in Q3 FY02/20).
- Nippon Department Store Inc., which runs Nippon Department Store retail stores, is striving to strengthen the wholesale business and increase profits from each of its stores. The company had anticipated severe business conditions in Q3 FY02/21 amid the spread of COVID-19; all stores had to close or reduce opening hours after a state of emergency was declared on April 7, 2020. In June 2020, the business had largely returned to normal operations and is showing gradual recovery. It made solid progress toward improving profitability by strengthening its management base, closing unprofitable stores, and developing new products. In addition, the company worked to reduce costs and make use of various subsidies.

#### Quarterly sales and operating profit at group companies

| Category | Company | Location | Business description | Stake | Capital (JPYmn) | Total assets (JPYmn) | Sales (JPYmn) | | | | OP (JPYmn) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | FY02/20 | FY02/21 | | | FY02/20 | FY02/21 | | |
| | | | | | | | FY | Q1 | Q2 | Q3 | FY | Q1 | Q2 | Q3 |
| Consolidated subsidiaries | | | | | | | | | | | | | | |
| Web | adflex communications, Inc. | Minato-ku, Tokyo | Online ad agency | 100% | 25 | 1,455 | 3,998 | 1,213 | 1,016 | 1,018 | -233 | -2 | -28 | -105 |
| Direct Mailing | Mail Customer Center Co., Ltd. | Minato-ku, Tokyo | Direct mailing | 100% | 223 | 3,149 | 19,207 | 4,314 | 4,777 | 4,831 | 113 | 129 | 119 | 65 |
| Retail | Nippon Department Store Inc. | Minato-ku, Tokyo | Retail | 100% | 91 | 518 | 1,653 | 175 | 260 | 314 | -104 | -41 | -43 | -29 |
| Overseas | PT. Merdis International | Jakarta, Indonesia | Wholesale | 74% | 57 | 757 | 1,026 | 248 | 197 | 188 | 74 | 22 | 16 | 12 |

Source: Shared Research based on company data
Note: The figures above show the financial results of individual companies and do not reflect amortization of goodwill. The impact of internal transactions has not been eliminated from these figures.

## Status of Tri-DDM

- The company launched this service in December 2019. Since then, existing clients have been gradually implementing Tri-DDM: Tri Direct Data Marketing*[1], which is a direct marketing platform provided by the company as a core measure of focus during FY02/21. As of January 2021, 24 companies have adopted this platform. That number grew steadily from 14 companies at end-October 2020 and 20 companies at end-November of the same year.
- Achieved target key performance indicators at each client (quantitative targets worked out with individual clients, including order rates*[2] and upsell conversion rates*[3], that are primarily applied to call centers). According to the company, performance has generally improved from previous levels by about 10%.
- Existing services include:

- Media reporting: Service providing analysis of results associated with specific TV broadcast timeslots (enables metrics such as cost per order [CPO; cost required to acquire each product or service order] to be shown in real time)
- Contact center reporting: Quantitatively reports on metrics such as response rate, order rate, upsell conversion rate, and operator utilization rate
- Purchaser profile analysis: Statistical data regarding purchasers (gender, age, area, etc.). Previously, order data obtained from purchasers was simply passed along to clients in unaltered form. Through Tri-DDM, the company has launched a service that imports attribute data into a system and allows users to analyze purchaser profiles on-screen.
- AI-based phone call forecasting: Reporting that uses AI to predict the volume of calls that will be received during TV broadcasts. Direct marketing through television programs aims to receive orders via telephone. Accordingly, companies conducting this type of marketing need to predict the volume of calls they will receive and allocate an appropriate number of personnel to their call centers.
- Offer database: This service creates a database of all client products and provides offers (order elements) that have been optimized according to product categories (for example, selling products at half price, offering free samples, etc.).

*1: A direct marketing platform provided by the company that clarifies the value associated with individual broadcasting timeslots and facilitates understanding regarding appropriate operational statuses at contact centers by integrating various data related to broadcast timeslots and orders and performing immediate and detailed analyses using business intelligence software. This platform uses big data to improve the effects of direct marketing, thereby providing data-driven direct marketing support. Specifically, the company gathers all relevant data through Tri-DDM and subsequently analyzes current circumstances associated with policy evaluation using this data and business intelligence software. Furthermore, it performs predictive analyses using AI tools. The company then applies the data obtained through these analyses to apply appropriate marketing policy management (policies associated with TV, infomercial, radio, and newspaper marketing, as well as call center management). In the future, the company plans to expand its application of data to online advertising conducted by adflex communications, a consolidated subsidiary responsible for operating the web business, and CRM measures implemented through Mail Customer Center, a consolidated subsidiary in charge of operating the Direct Marketing business.

*2: Order rate: Order volume ÷ number of incoming calls received at call centers
*3: Upsell conversion rate: Periodic purchase volume ÷ order volume

▷ The company launched two new services in December 2020.

- Video resonance analysis: This service provides a visualization of how well TV shopping programs resonate with viewers. The company conducts analyses and observations on the data obtained through call volume waveform measurement, which is conduced while a program is on air, and online questionnaire surveys (approximately 300), then to propose specific improvements. The company says it can offer this service at roughly one-third of standard market prices since it is developed in-house.

*[4] Call volume data is obtained from NTT's network systems and analyzed by broadcasting slot.

- TV-linked listing ads: This is a system that automatically couples television broadcasting schedule data and listing ads bidding and management systems so that the information acquired through TV and online media can seamlessly be shared and managed. This service allows the operations of listing ads associated with places and times of broadcast as well as products on air. Specifically, it increases the conversion rate by raising bidding unit prices on general words for the products featured during given TV broadcast times.

▷ The company plans to develop the following services moving forward:

- QR code ordering service: This service promotes online orders traffic and boosts effectiveness (by more than 10% in actual use so far) by displaying QR codes on screen, through which channel customers find their way to the landing page (LP). Tri-DDM obtains access logs and conversion (CV) logs from Google Analytics and plots the conversion rate, based on which broadcasting slots are arranged. It manages broadcasting slots by tracking the amount of sales made by telephone and the amount of sales made by QR code. The company plans to officially launch the service in 2021.

- AI-based video analysis: This service will use AI to analyze tracking data for incoming phone calls and determine which types of videos lead to eventual sales.
- Analysis of lifetime value by media type: The company is considering applying data to CRM measures in the future and is looking into providing a service that analyzes the status of lifetime value provided by individual media types by establishing links with customer databases.

▷ Through Tri-DDM, the company will utilize big data and AI technology to optimize marketing processes across multiple channels and maximize the effects these processes generate. In the future, the company wants to convert Tri-DDM into a foundation for marketing services provided through the TV, web, and Direct Marketing businesses. By making this conversion, the company aims to increase the value it provides to customers and raise its own corporate value.

## 1H FY02/21 results (out October 12, 2020)

### Overview

▷ In 1H FY02/21, the company reported consolidated sales of JPY24.2bn (-7.6% YoY), operating profit of JPY858mn (JPY110mn in 1H FY02/20), recurring profit of JPY880mn (JPY54mn in 1H FY02/20), and net income attributable to owners of the parent of JPY426mn (JPY5mn in 1H FY02/20).

- Impact from the spread of the COVID-19 pandemic: The COVID-19 pandemic had a positive impact on the TV business and a negative impact on the web business, the Direct Mailing business, and the Retail business (more details later in this report)

▷ Progress versus company forecast: Results through 1H left the company with 100.4% of its 1H target for sales, 330.2% for operating profit, 356.4% for recurring profit, and JPY426mn net income versus the 1H company forecast of a JPY19mn net loss. Sales were down YoY due to the company's withdrawal from unprofitable businesses and the impact of the COVID-19 pandemic. However, profits were substantially above forecast driven by favorable performance in the TV business, reduced costs due to restricted business activities in each business, and the absence of one-time factors[*1] that dragged profits in FY02/20. Results through 1H left the company with 48.8% of its full-year target (profit targets revised upward on October 12, 2020[*2], when financial results for 1H were released) for sales (versus 51.9% of full-year results in 1H FY02/20), 68.4% for operating profit (17.5%), 70.7% for recurring profit (13.3%), and 65.5% for net income attributable to owners of the parent (2.9%).

▷ Sales down 7.6% YoY: Sales were down 5.7% YoY in the Direct Marketing Support segment, down 4.7% YoY in the Direct Mailing segment, down 30.8% YoY in the Overseas segment, and down 43.6% in the Retail segment[*3]. Sales fell JPY2.0bn YoY, of which the company's withdrawal from JML Singapore Pte. Ltd and the domestic Mail Order business accounted for about JPY400mn.

- Although the Direct Marketing Support segment was negatively affected by reduced ad placements by some clients associated with the spread of COVID-19, the response to TV shopping programs featuring health foods and pharmaceuticals was brisk, because more consumers stayed home and became more health-conscious.
- In the Direct Mailing segment, some industries cut back on sending direct mail.
- The company scaled down its operations in the Overseas segment as a result of withdrawing from JML Singapore Pte. Ltd. in FY02/20.
- The Retail segment had to temporarily close or reduce opening hours at all stores to prevent the spread of COVID-19.

▷ Operating profit up 679.3% YoY: Operating profit was up 77.9% YoY in the Direct Marketing Support segment, while the Direct Mailing and Overseas segments returned to profitability from operating losses in 1H FY02/20. Meanwhile, profitability in the Retail segment slightly deteriorated. The gross profit margin fell 1.2pp YoY to 11.4%. SG&A expenses dropped due to reductions in advertising expenses, rent, and goodwill amortization. In 1H FY02/20, the company recorded a JPY257mn provision of allowance for doubtful accounts in the Direct Mailing segment related to the mail customer center and booked litigation-related expenses at the parent. However, there were no such one-time factors in 1H FY02/21, and the company recorded a reversal of allowance for doubtful accounts. Accordingly, the SG&A expense ratio improved 4.3pp YoY to 7.8%, and OPM improved 3.1pp YoY to 3.5%.

▷ Booking extraordinary losses: The company recorded JPY218mn in impairment losses primarily in response to significant changes in the business environment caused by the COVID-19 pandemic. This figure includes JPY172mn recorded as impairment losses from JPY305mn in unamortized goodwill associated with consolidated subsidiary adflex communications, Inc. It also includes JPY47mn in impairment losses associated with fixed assets belonging to consolidated subsidiary Nippon Department Store.

▷ As a result of the decision to focus on selected businesses in FY02/20, the company allocated more management resources to the TV and web businesses (Direct Marketing Support segment) and the Direct Mailing segment. It also completed the foundations for supporting new customer acquisition and LTV improvement in direct marketing through Tri-DDM, a service launched in December 2019, as well as engaging in further systems development. The company made solid progress in its strategies for each segment for FY02/21.

*[1] In 1H FY02/20, the company recorded a JPY257mn provision of allowance for doubtful accounts in the Direct Mailing segment related to the mail customer center and booked litigation-related expenses at the parent. In addition, as an accounting treatment for the misconduct of former employees, the company cancelled JPY162mn in cost of sales and recorded it as a provision of allowance for doubtful accounts.

*[2] **Revised earnings forecast for full-year FY02/21 (out October 12, 2020)**

| | |
|---|---|
| Sales: | JPY49.5bn (versus previous forecast of JPY52.6bn) |
| Operating profit: | JPY1.3bn (versus JPY1.1bn) |
| Recurring profit: | JPY1.2bn (versus JPY1.1bn) |
| Net income*: | JPY650mn (versus JPY550mn) |

*Net income attributable to owners of the parent

Reasons for revision

✧ The company lowered its sales forecast due to the anticipated 2H impact of delays in new business negotiations during 1H in the web business and the expected continuation of fewer direct mail sent in the Direct Mailing segment.

✧ Even with expected lower sales in 2H, the company expects profits to exceed its previous forecasts due to substantially higher-than-expected 1H results and cost reductions.

✧ In the web business, the company is planning to relocate its offices in anticipation of strengthening synergies with the TV business and the permanent shift to remote work.

✧ At the parent level, the company lowered its 2H sales forecast in anticipation of a lull in demand for ad placements in the TV business, but expects full-year sales, operating profit, and recurring profit to exceed forecasts due to substantially higher-than-expected sales in 1H and continued high GPM in 2H. The company lowered its net income forecast as it booked JPY647mn in loss on valuation of shares of subsidiaries and associates related to adflex communications, Inc. and an additional JPY65mn in loss on valuation of shares of subsidiaries and associates related to Nippon Department Store Inc. in light of significant changes in the business environment caused by the COVID-19 pandemic. However, these bookings of loss on valuation of shares of subsidiaries and associates did not accompany cash expenditures, and the parent had JPY6.1bn in retained earnings at end-1H. Accordingly, the company has made no changes to its shareholder return policy.

✧ The impact of the pandemic on the earnings forecast remains uncertain, and while the company factored some uncertainties into its 2H forecast, it revised its full-year forecast based on specific assumptions.

*[3] In FY02/20, the company completed the liquidation of consolidated subsidiary Nippon Healthcare Advisors Inc. and withdrew from the Mail Order business. Consequently, it abolished the Mail Order segment from Q1 FY02/21. The Retail business, which was previously part of the Other segment, was newly established as a reportable segment due to its increased quantitative importance. Segment information for 1H FY02/20 is based on the new segments.

## Q1 FY02/21 results (out July 10, 2020)

### Overview

- In FY02/21, the company reported consolidated sales of JPY11.6bn (-12.4% YoY), operating profit of JPY360mn (operating loss of JPY155mn in Q1 FY02/20), recurring profit of JPY357mn (recurring loss of JPY210mn in Q1 FY02/20), and net income attributable to owners of the parent of JPY257mn (net loss of JPY218mn in Q1 FY02/20).
- Versus company forecast: The company forecasts YoY growth of 4.4% in sales and 81.8% in operating profit in FY02/21, taking into consideration its efforts to withdraw from unprofitable businesses and strengthen its management base through end-FY02/20. Under such circumstances, in Q1 both sales and operating profit exceeded company forecast. However, the company commented that there were concerns over the impact of delays in winning new appointments with prospective clients in the web business in Q1 on sales and profit growth.
  - Results through Q1 left the company with 48.2% of its 1H target for sales (versus 50.7% of 1H results in Q1 FY02/20), 138.6% for operating profit (operating loss in Q1 FY02/20), 144.7% for recurring profit (recurring loss in Q1 FY02/20), and a JPY257mn net income versus the 1H company forecast of a JPY19mn net loss (net loss in Q1 FY02/20).
  - Results through Q1 left the company with 22.1% of its full-year target for sales (versus 26.3% of full-year results in Q1 FY02/20), 31.6% for operating profit (operating loss in Q1 FY03/20), 32.0% for recurring profit (recurring loss in Q1 FY02/20), and 46.7% for net income attributable to owners of the parent (net loss in Q1 FY02/20).
  - The company left its 1H and full-year forecasts unchanged.
- Sales down 12.4% YoY: Sales were down 10.3% YoY in the Direct Marketing Support segment, down 9.6% YoY in the Direct Mailing segment, down 24.6% YoY in the Overseas segment, and down 55.8% in the Retail segment*. Although the Direct Marketing Support segment was negatively affected by reduced ad placements by some clients due to product manufacturing delays associated with the spread of COVID-19, the response to TV shopping programs featuring health foods and pharmaceuticals was brisk, because more consumers stayed home and became more health-conscious. In the Direct Mailing segment, some industries, including event and tutoring school industries, cut back on sending direct mail. The company scaled down its operations in the Overseas segment as a result of withdrawing from JML Singapore Pte. Ltd. in FY02/20. The Retail segment had to close or reduce opening hours at all stores to prevent the spread of COVID-19.
- Operating profit of JPY360mn: Operating profit was up 101.6% YoY in the Direct Marketing Support segment, while profitability improved in the Direct Mailing, Overseas, and Retail segments. The gross profit margin fell 0.3pp YoY to 11.3%, but this was offset by a drop in the SG&A expense ratio due to reductions in personnel expenses, rent, advertising and promotional expenses, and goodwill amortization. In Q1 FY02/20, the company recorded a JPY259mn provision of allowance for doubtful accounts in the Direct Mailing segment related to the mail customer center and booked litigation-related expenses at the parent, but there were no such one-time factors in Q1 FY02/21. Accordingly, the SG&A expense ratio improved 4.4pp YoY to 8.2%, and OPM was 3.1% (operating loss in Q1 FY02/20).
- As a result of the decision to focus on selected businesses in FY02/20, the company allocated more management resources to the TV and web businesses (Direct Marketing Support segment) and Direct Mailing segment. It also completed the foundations for supporting new customer acquisition and LTV improvement in direct marketing through Tri-DDM, a service launched in December 2019, as well as engaging in further systems development. The company made solid progress in its strategies for each segment for FY02/21. Learnings from past failures, the company intends not to leave loss-making businesses unattended. Further, it will not make acquisitions from which it can expect no synergy effects or growth potential.

*In FY02/20, the company completed the liquidation of consolidated subsidiary Nippon Healthcare Advisors Inc. and withdrew from the Mail Order business. Consequently, it abolished the Mail Order segment as of Q1 FY02/21. The Retail business, which was previously part of the Other segment, was newly established as a reportable segment due to its increased quantitative importance. Segment information for Q1 FY02/20 has been reclassified based on the new segments.

### Impact of COVID-19 pandemic

- Earnings forecast for FY02/21 released on April 3, 2020 was formulated under the assumption that contact centers and delivery and other infrastructure would remain uninterrupted. These assumptions held true.
- The differences between actual Q1 results and company forecast were as follows.
    - TV business: The company projected that consumption associated with stay-at-home demand would increase while some clients would cut back on ad placements due to product manufacturing delays. In Q1, the ad placement volume varied by product, but on average it did not fall as much as the company had expected, with the actual result surpassing company's expectations. Tri-DDM, one of the company's growth drivers, was affected by the difficulty in tuning the service to meet client needs, but implementation of Tri-DDM by customers and the second phase of the system development are largely proceeding in line with plan.
    - Web business: The company expected the pandemic to have a limited impact on the web business, although it had concerns about the possibility of delays in acquiring new appointments due to the spread of telework. In Q1, demand from clients in some industries was somewhat weak due to the slowdown in economic activity caused by the pandemic, but sales overall were strong. On the profit front, efforts to cut expenses contributed. Obtaining new appointments with prospective clients through participating in expos and hosting seminars was almost completely put on hold, and the company expects to see impacts of this from Q2. However, the web business—one of the company's growth drivers—has scored high marks from clients, and the company is currently taking various measures to counter the impact of the pandemic. Further, it is continuing to make progress in winning appointments with top management of major companies. Tri-Stage thinks that from a long-term perspective, the current delay would only be for a few months.
    - Direct Mailing segment: The company expected the pandemic to have a limited impact on the segment. In Q1, some industries, including event and tutoring school industries, cut back on sending direct mail. Leveraging its position as an industry leader in terms of the volume of direct mail it handled, the company continues working to deliver a total service package. It also focuses on dealing with small package delivery services such as Neko Posu and Yu-Packet as mail order and online sales are brisk amid the pandemic.
    - Overseas segment: The company projected that its wholesaling business would be affected by lower utilization rates at contract manufacturing facilities. Q1 results were largely in line with company forecast.
    - Retail segment (Nippon Department Store): The company expected retail sales to fall sharply as consumers refrained from going out and inbound demand dropped due to the pandemic. In Q1, sales fell below company forecast but thanks to cost reduction measures, profit exceeded forecast.

### Capital increase implemented at TV Direct Public Company Limited

- On June 22, 2020, equity-method affiliate TV Direct Public Company Limited ("TVD"; listed on the Market for Alternative Investment [mai], a Thai stock exchange), implemented a capital increase equivalent to 15% of its outstanding shares.
- As a result, as of end-1H TVD will no longer be an equity-method affiliate of the company. The company plans to book a loss on change in equity in Q2.

## Full-year FY02/20 results (out April 3, 2020)

### Overview

- In FY02/20, the company reported consolidated sales of JPY50.4bn (-6.3% YoY), operating profit of JPY628mn (-22.4% YoY), recurring profit of JPY404mn (+45.8% YoY), and net income attributable to owners of the parent of JPY183mn (versus a loss of JPY992mn in FY02/19).
- Versus company forecast: Full-year FY02/20 results for sales, operating profit, recurring profit, and net income were in line with the revised forecasts* announced on April 1, 2020. Results fell short of the initial company forecasts. However, profits were on targets adjusted for one-time factors such as a provision of allowance for doubtful accounts, impairment charges, and a former employee's involvement in fraudulent transactions.
- Sales down 6.3% YoY: The company moved forward with its medium-term business plan (Rolling Plan 2019) and focused more resources on selected business area. It sold its holdings in JML Singapore and the mail order business operated by Nippon Healthcare Advisors.
- Operating profit down 22.4% YoY: Gross profit margin improved 1.1pp YoY to 12.2%*, but this was offset by an increase in SG&A expense ratio, which rose 1.4pp YoY to 11.0%**. Consequently, operating profit margin fell 0.3pp YoY to 1.2%. The increase in SG&A expense ratio was due to a provision of allowance for doubtful accounts of JPY194mn prompted by concerns about the collectability of accounts receivable from one of the client companies of consolidated subsidiary Mail Customer Center, whose finances suddenly deteriorated, and additional provision of allowance for doubtful accounts for general accounts receivables, for a total of JPY258mn in additional provisions for doubtful accounts.
- Recurring profit up 48.5% YoY: Losses on investments in equity-method affiliates contracted sharply from JPY508mn to JPY168mn following the narrowing of a JPY495mn impairment loss booked in FY02/19 due to the reduction of goodwill in the company's holdings in TV Direct Public Company Limited (TVD) to JPY148mn in FY02/20.
- Net income attributable to owners of the parent amounted to JPY183mn. The company booked JPY172mn in loss on liquidation of subsidiaries (under extraordinary losses) in connection with its exit from JML Singapore. However, from an individual corporate tax accounting perspective it became possible to book losses on valuation of shares of JML Singapore and allowance for doubtful accounts as deductible items. As a result, the losses were smaller than first expected and Tri-Stage was able to finish the period in the black.
- Progress in two years of medium-term plan: Tri-Stage has reviewed its businesses and has selected those in which it should focus and concentrate its resources. Although results are tracking behind the company's medium-term targets due to special factors (bankruptcies, impairment losses, and misconduct by former employees), it has the business infrastructure needed to move toward its targets.

*Revised earnings forecast for full-year FY02/20 (announced April 1, 2020)

| | |
|---|---|
| Sales: | JPY50.4bn (versus previous forecast of JPY51.8bn) |
| Operating profit: | JPY628mn (versus JPY588mn) |
| Recurring profit: | JPY404mn (versus JPY531mn) |
| Net income: | JPY182mn (versus JPY340mn) |

Reasons for revision
The company projects lower sales than previously forecast mainly due to lower-than-expected demand from clients for media ad placement in the TV business (non-consolidated earnings). In terms of profits, the company expects operating profit to exceed the previous forecast mainly due to improved profitability in the TV business and cost reductions. However, as announced on March 3, 2020, the company recorded a one-time amortization of goodwill equivalent to JPY148mn under non-operating expenses due to a decrease in the market value of equity-method affiliate TV Direct Public Company Limited. As a result, the company expects recurring profit and net income attributable to owners of the parent to be lower than previously forecast. The company plans to maintain a year-end dividend of JPY7 per share for FY02/20. It has no plans to change shareholder benefits.

**The former employee's misconduct impacted 1H FY02/20 accounting in the following manner: the JPY162mn charge to the cost of sales was cancelled and recorded instead as a provision of allowance for doubtful accounts (under SG&A expenses). GPM excluding this impact was 14.3%.

**Direct Marketing Support segment**

The Direct Marketing Support segment reported sales of JPY28.1bn (-11.2% YoY) and operating profit of JPY773mn (-32.1% YoY). Sales in the TV business were JPY24.8bn (-15.4% YoY; including internal sales), and operating profit was JPY1.1bn (-9.4% YoY). Segment sales were down 11.2% YoY on normalization of broadcasting slot purchase volume and reduction of low-margin transactions, but GPM was little changed YoY (+2.9% YoY on results after accounting treatment basis [relating to the former employee's misconduct]). GPM imp roved 2.0pp YoY to 14.3% in real terms and was up 2.6pp YoY to 14.9% on results after accounting treatment basis. Limiting high-risk transactions and negotiating prices carefully resulted in greater certainty in estimating gross profit when accepting orders. SG&A expenses rose 6.1% YoY as a result of accounting for former employee's misconduct (cancellation of JPY162mn in cost of sales and a recording of the same amount under SG&A expenses as provision of allowance for doubtful accounts); upfront investment spending on Tri Direct Data Marketing (Tri-DDM) and other endeavors; and legal expenses*.

*There were two opposing lawsuits. In the first, Hazuki Systems Co., Ltd. (currently Kanda Communication Systems Co., Ltd.) and Hazuki Company sued Tri-Stage for damages regarding a sales agreement for broadcasting media slots. In the other lawsuit, the company sued Kanda Communication Systems Co., Ltd. for payments for broadcasting media slots. On June 11, 2019, the company reached a settlement in court regarding the lawsuits.

In the TV business, the company provides end-to-end solutions to direct marketing operators for all their direct marketing needs, including supplying TV program and commercial slots, program and commercial production, order management, and customer management. It excels in acquiring new customers through "provision of optimal media based on data analysis," "hit video production," and "efficient order management."

In FY02/20, the company continued its efforts to 1) automate operations by utilizing its broadcast schedule management system and use IT to improve operational efficiency; 2) exercise greater flexibility in its media buying operations so as to better match the ebb and flow of demand from client companies; and 3) build up its sales force, including the addition of a new branch office in Kyushu. Also, during Q3, the company continued testing new ways of selling broadcast timeslots. This effort culminated in December 2019 with the launch of its new members-only Sokures service that provides daily emails with updates on timeslot availability to online members.

With respect to the buildup of business infrastructure to support the growth of its direct data marketing business (one of the priorities under its medium/long-term growth strategy), the company launched its new Tri Direct Data Marketing (Tri-DDM) service in December 2019. Plans call for the scope of services under Tri-DDM to be phased over time, with the first stage bringing together all of its data (including broadcast timeslot and order data) so as to permit fast and detailed analysis using business intelligence (BI) tools, bring clarity to the value of specific broadcasting slots, facilitate accurate assessments of the right operating conditions for contact centers, and automate the compilation of delivery data (i.e., maintain or lower client companies' customer acquisition costs). In the second stage, the company plans to roll out additional services, including an integrated support service for direct marketing with applications including customer relationship management (i.e., improve client companies' customer LTV).

Within the Direct Marketing Support segment, sales in the web business were JPY4.0bn (+26.6% YoY; including internal sales), and the operating loss was JPY299mn (operating loss of JPY44mn in FY02/19). Sales grew 26.6% YoY on steady new client acquisition, but operating loss widened due to upfront spending on human resources and pioneering new AI tools. A decline in labor-intensive display (banner) ads and the utilization of AI-based optimization tools for listing ads, which are more cost-effective, led to expansion of search engine marketing (SEM). This indicates a qualitative change in sales.

At the web business, the company's efforts centered around adflex communications. Here, the company worked to increase transactions with existing clients and secure new clients and help them maximize their sales and earnings, making proposals that utilize both TV and web and actively apply AI technology. With regard to its service that uses AI tools to optimize listing ads, the company is steadily adding to its customer base and will continue working to roll out robust, new AI tools to help improve services in areas other than listing ads optimization.

### Direct Mailing segment

In FY02/20, the Direct Mailing segment reported sales of JPY19.2bn (+3.6% YoY) and operating profit of JPY114mn (-68.4% YoY). Direct mail handling volume exceeded 300mn items per year. Operating profit fell YoY due to a JPY258mn provision of allowance for doubtful accounts. Excluding this factor, operating profit would have been up 3.2% YoY.

The segment is involved in the direct mail agency business for Yu-Mail and Kuroneko DM Bin, with most of the operations handled by Mail Customer Center Co., Ltd. (MCC). During the period, the segment booked a JPY194mn provision of allowance for doubtful accounts (under SG&A expenses) following the sudden deterioration in finances of one of the clients of Mail Customer Center that put in the collectability of related receivable into question. This resulted in higher provisioning rates for general accounts receivable and an aggregate JPY258mn in additional provisions for doubtful accounts. Going forward, the company plans to further strengthen management oversight and work to turn segment earnings around. During FY02/20, the company geared up to begin dealing with small package delivery services such as Yamato's "Neko Posu" and Japan Post's "Yu-Packet" service and expanded its workforce to handle the additional volume, leading to increases in both sales and gross profit from regular transactions.

### Overseas segment

For FY02/20, the Overseas segment reported sales of JPY1.3bn (-25.3% YoY) and an operating loss of JPY82mn (versus an operating loss of JPY422mn in FY02/19).

In ASEAN countries, JML Singapore Pte. Ltd. and PT. Merdis International had been handling most of the group's businesses in TV home-shopping, online sales, retailing, and wholesaling. At JML Singapore, after reassessing the situation in the context of its medium-term business plan and reconsidering prospects for future earnings and synergies with other group companies, Tri-Stage decided to sell its interest in JML with the goal of optimizing its allocation of group business resources. It completed the sale of its shareholdings in JML in August 2019.

At PT. Merdis International, sales rose on popular product lines, enabling the segment to turn black in Q3 for a sharp narrowing of the operating loss. (Quarterly operating profit trends in the Overseas segment in FY02/20: JPY94mn loss in Q1, JPY48mn loss in Q2, JPY4mn profit in Q3, and JPY56mn profit in Q4).

The Direct Response Agency (DRA) business*, which the company jointly operates in Thailand with TV Direct Public Company Limited, an equity-method affiliate, achieved a certain level of results based on the results of a business test. Accordingly, the company plans to provide its expertise and shift this business into high gear. Due to a sharp drop in the share price of TV Direct, the company recorded a JPY168mn investment loss in an equity-method affiliate (including JPY149mn write-off of amount equivalent to TV Direct-related goodwill). It also booked as an extraordinary loss a JPY172mn loss on liquidation of subsidiaries and associates when it transferred shares in JML.

* A business based on customizing the business models the company uses in Japan, customizing them for other localities, and then exporting them to these localities.

### Mail Order business

For FY02/20, the Mail Order segment reported sales of JPY156mn (-58.2% YoY) and an operating loss of JPY76mn (versus an operating loss of JPY271mn in FY02/19).

Following its assessment of the Mail Order business' future profitability and potential for generating synergies with other group companies, in July 2019 Tri-Stage decided to dissolve consolidated subsidiary Nippon Healthcare Advisors Inc. and sell the Mail Order business operated by Nippon Healthcare Advisors, completing the sale of the business to Tea Life Co., Ltd. in September 2019. In this relation, the company completed the liquidation of Nippon Healthcare Advisors in FY02/20.

**Other business**

For FY02/20, the Other business segment reported sales of JPY1.7bn (+10.6% YoY) and an operating loss of JPY103mn (versus an operating profit of JPY2mn in FY02/19).

Nippon Department Store Inc. retails local specialties from various regions of Japan under the Nippon Department Store brand name. It is striving to strengthen the wholesale business and increase profits from each of its stores. In June 2019, Nippon Department Store opened Nippon Department Store Shokuhinkan Ichikawa in the Shapo Ichikawa mall. This was followed in September 2019 by the opening of Nippon Department Store Nihonbashi Sohoten store in the Coredo Muromachi Terrace shopping mall. Sales rose YoY on the addition of a new store from FY02/19, however customer traffic was sluggish at some of its existing stores. The company indicated that it would begin a complete business restructuring to expand earnings and strengthen wholesale sales of each store (i.e., increase its efforts to stock more eye-catching merchandise and also step up PR activity).

# Income statement

| Income statement (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **34,253** | **37,572** | **34,814** | **33,826** | **36,024** | **32,185** | **37,132** | **47,302** | **55,776** | **53,844** | **50,440** |
| YoY | 35.8% | 9.7% | -7.3% | -2.8% | 6.5% | -10.7% | 15.4% | 27.4% | 17.9% | -3.5% | -6.3% |
| Cost of sales | 29,396 | 33,046 | 31,367 | 31,145 | 33,131 | 28,993 | 33,555 | 42,150 | 50,163 | 47,862 | 44,289 |
| Cost ratio | 85.8% | 88.0% | 90.1% | 92.1% | 92.0% | 90.1% | 90.4% | 89.1% | 89.9% | 88.9% | 87.8% |
| **Gross profit** | **4,857** | **4,526** | **3,447** | **2,681** | **2,892** | **3,193** | **3,577** | **5,152** | **5,613** | **5,982** | **6,152** |
| GPM | 14.2% | 12.0% | 9.9% | 7.9% | 8.0% | 9.9% | 9.6% | 10.9% | 10.1% | 11.1% | 12.2% |
| SG&A expenses | 1,238 | 1,302 | 1,468 | 2,184 | 2,117 | 2,273 | 2,678 | 3,757 | 4,581 | 5,172 | 5,524 |
| YoY | 22.6% | 5.2% | 12.7% | 48.8% | -3.1% | 7.4% | 17.8% | 40.3% | 21.9% | 12.9% | 6.8% |
| SG&A ratio | 3.6% | 3.5% | 4.2% | 6.5% | 5.9% | 7.1% | 7.2% | 7.9% | 8.2% | 9.6% | 11.0% |
| **Operating profit** | **3,619** | **3,224** | **1,979** | **497** | **775** | **919** | **898** | **1,395** | **1,032** | **810** | **628** |
| YoY | 77.6% | -10.9% | -38.6% | -74.9% | 56.1% | 18.6% | -2.3% | 55.3% | -26.0% | -21.6% | -22.4% |
| OPM | 10.6% | 8.6% | 5.7% | 1.5% | 2.2% | 2.9% | 2.4% | 2.9% | 1.9% | 1.5% | 1.2% |
| Non-operating income (expenses) | 4 | 13 | 9 | 7 | 2 | 12 | -8 | -28 | -124 | -538 | -224 |
| Financial income (expenses) | 3 | 9 | 8 | 5 | 1 | 2 | -0 | -17 | -26 | -26 | -28 |
| Equity in earnings of affiliates | - | - | - | - | - | - | -7 | -70 | -112 | -508 | -168 |
| Other | 1 | 4 | 2 | 2 | 1 | 10 | -0 | 59 | 14 | -4 | -28 |
| **Recurring profit** | **3,622** | **3,237** | **1,989** | **504** | **777** | **932** | **890** | **1,367** | **908** | **272** | **404** |
| YoY | 80.1% | -10.6% | -38.6% | -74.7% | 54.4% | 19.8% | -4.4% | 53.5% | -33.5% | -70.0% | 48.5% |
| RPM | 10.6% | 8.6% | 5.7% | 1.5% | 2.2% | 2.9% | 2.4% | 2.9% | 1.6% | 0.5% | 0.8% |
| Extraordinary gains (losses) | -4 | -0 | -26 | 1 | 98 | 5 | -2 | -34 | -24 | -1,025 | -237 |
| Income taxes | 1,508 | 1,328 | 815 | 253 | 315 | 402 | 409 | 563 | 493 | 252 | -29 |
| Implied tax rate | 41.7% | 41.0% | 41.5% | 50.1% | 36.0% | 42.9% | 46.1% | 42.2% | 55.8% | -33.5% | -17.4% |
| Net income attrib. to non-controlling interests | - | - | - | 2 | -11 | 1 | 5 | 10 | 11 | -13 | 14 |
| **Net income** attributable to parent company shareholders | **2,110** | **1,909** | **1,148** | **248** | **375** | **533** | **475** | **761** | **386** | **-992** | **183** |
| YoY | 83.3% | -9.5% | -39.9% | -78.4% | 51.1% | 42.3% | -11.0% | 60.3% | -49.3% | -357.1% | -118.4% |
| Net margin | 6.2% | 5.1% | 3.3% | 0.7% | 1.0% | 1.7% | 1.3% | 1.6% | 0.7% | -1.8% | 0.4% |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

# Balance sheet

| Balance sheet (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current assets** | **9,353** | **10,750** | **10,877** | **11,220** | **11,291** | **11,981** | **8,491** | **13,103** | **14,137** | **14,156** | **13,429** |
| Cash and cash equivalents | 5,341 | 6,561 | 7,179 | 6,849 | 5,960 | 5,244 | 3,469 | 6,189 | 6,230 | 6,183 | 6,349 |
| Accounts receivable | 3,885 | 4,086 | 3,590 | 4,064 | 3,786 | 4,147 | 4,855 | 6,148 | 7,038 | 7,223 | 6,602 |
| Inventories | - | - | 0 | 5 | 13 | 7 | 9 | 397 | 585 | 388 | 288 |
| Others | 127 | 103 | 108 | 301 | 1,533 | 2,583 | 157 | 369 | 284 | 361 | 191 |
| **Fixed assets** | **263** | **238** | **390** | **1,106** | **1,451** | **1,006** | **1,371** | **3,514** | **3,821** | **2,090** | **2,051** |
| Tangible fixed assets | 104 | 83 | 128 | 111 | 327 | 273 | 264 | 522 | 471 | 378 | 377 |
| Intangible fixed assets | 31 | 28 | 80 | 520 | 470 | 345 | 331 | 1,411 | 1,787 | 703 | 578 |
| Investments and other assets | 129 | 126 | 182 | 474 | 653 | 388 | 775 | 1,582 | 1,563 | 1,009 | 1,096 |
| **Total assets** | **9,616** | **10,988** | **11,267** | **12,325** | **12,742** | **12,987** | **9,861** | **16,695** | **18,020** | **16,295** | **15,481** |
| **Current liabilities** | **4,115** | **3,563** | **2,939** | **3,566** | **3,685** | **3,595** | **4,169** | **5,292** | **5,734** | **6,767** | **5,284** |
| Accounts payable | 2,561 | 2,867 | 2,531 | 3,042 | 2,719 | 2,632 | 3,179 | 3,788 | 4,602 | 4,464 | 3,978 |
| Short-term debt | - | - | - | 219 | 350 | 415 | 272 | 110 | 442 | 1,454 | 78 |
| Other current liabilities | 1,554 | 696 | 407 | 306 | 616 | 548 | 719 | 1,394 | 690 | 849 | 1,228 |
| **Fixed liabilities** | **19** | **28** | **78** | **371** | **442** | **398** | **279** | **2,276** | **3,371** | **2,493** | **3,269** |
| Long-term debt | - | - | - | 278 | 289 | 239 | 107 | 2,063 | 3,095 | 2,212 | 3,006 |
| Others | 19 | 28 | 78 | 94 | 153 | 160 | 173 | 213 | 276 | 281 | 264 |
| **Total liabilities** | **4,134** | **3,591** | **3,017** | **3,938** | **4,127** | **3,993** | **4,449** | **7,568** | **9,105** | **9,260** | **8,553** |
| **Net assets** | **5,482** | **7,397** | **8,250** | **8,388** | **8,615** | **8,994** | **5,413** | **9,127** | **8,915** | **7,036** | **6,927** |
| Capital stock | 631 | 634 | 636 | 638 | 644 | 645 | 645 | 646 | 646 | 646 | 646 |
| Capital surplus | 621 | 624 | 626 | 628 | 634 | 635 | 635 | 750 | 746 | 745 | 745 |
| Retained earnings | 4,231 | 6,140 | 7,137 | 7,237 | 7,464 | 7,848 | 7,792 | 8,120 | 7,852 | 6,568 | 6,557 |
| Treasury stock | -0 | -0 | -148 | -148 | -148 | -148 | -3,696 | -729 | -703 | -1,164 | -1,298 |
| Accum. other comprehensive income | - | - | - | - | -1 | -0 | -0 | 105 | 142 | 32 | 53 |
| Share subscription rights | - | - | - | - | - | 3 | 19 | 31 | 33 | 37 | 37 |
| Non-controlling interests | - | - | - | 31 | 23 | 12 | 17 | 205 | 199 | 173 | 187 |
| **Total liabilities and capital** | **9,616** | **10,988** | **11,267** | **12,325** | **12,742** | **12,987** | **9,861** | **16,695** | **18,020** | **16,295** | **15,481** |
| Working capital | 1,324 | 1,220 | 1,059 | 1,023 | 1,067 | 1,515 | 1,676 | 2,360 | 2,437 | 2,759 | 2,624 |
| Total interest-bearing debt | - | - | - | 496 | 639 | 654 | 378 | 2,173 | 3,537 | 3,665 | 3,084 |
| Net cash | 5,341 | 6,561 | 7,179 | 6,353 | 5,321 | 4,590 | 3,091 | 4,016 | 2,693 | 2,518 | 3,265 |
| Days in accounts receivable | 36 | 39 | 40 | 41 | 40 | 45 | 44 | 42 | 43 | 48 | 50 |
| Days in inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 4 | 4 | 3 |
| Days in accounts payable | 29 | 30 | 31 | 33 | 32 | 34 | 32 | 30 | 31 | 35 | 35 |
| Working capital cycle | 7 | 9 | 9 | 9 | 8 | 11 | 13 | 14 | 16 | 17 | 18 |
| Current ratio | 227% | 302% | 370% | 315% | 306% | 333% | 204% | 248% | 247% | 209% | 254% |
| Fixed ratio | 4.8% | 3.2% | 4.7% | 13.2% | 16.8% | 11.2% | 25.3% | 38.5% | 42.9% | 29.7% | 29.6% |
| Equity ratio | 57.0% | 67.3% | 73.2% | 67.8% | 67.4% | 69.1% | 54.5% | 53.3% | 48.2% | 41.9% | 43.3% |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

## Assets

At end-FY02/20, the company's main assets were cash and cash equivalents (41.0% of total assets), accounts receivable (42.6%), and fixed assets (13.3%). Fixed assets accounted for 21.2% of assets at the end of FY02/18, up from only 9.0% of assets at the end of FY02/13 owing to M&A and expansion into new businesses and the accompanying increase in goodwill (intangible fixed asset) and investment securities holdings. As of the end of FY02/19, goodwill on the company's balance sheet was down to JPY444mn, a decline of JPY1.1bn versus the end of FY02/18, reflecting a combination of regular goodwill amortization and large, one-time write-downs. With this drop in goodwill the proportion of total assets accounted for by fixed assets came down to 12.3% as of the end of FY02/19. Goodwill was JPY338mn at end-FY02/20 (-JPY106mn YoY).

## Liabilities

At end-FY02/20 the company's main liabilities were accounts payable (46.5% of total liabilities), which move in line with cost of sales. Accounts payable turnover had been stable at around 30 days going all the way back to FY02/08, but in FY02/20 rose to 35 days (flat YoY).

## Net assets

At end-FY02/20 the company's balance sheet showed net assets of JPY6.9bn, down JPY109mn versus the end of FY02/19. The decline reflected dividend payments made entirely from retained earnings and purchase of treasury shares.

# Cash flow statement

| Cash flow statement (JPYmn) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities (1)** | 2,500 | 1,296 | 981 | 128 | 720 | 606 | 719 | 837 | 740 | 855 | 819 |
| **Cash flows from investing activities (2)** | -2,107 | -3,481 | -769 | 829 | -1,039 | -61 | 4,358 | -1,525 | -831 | -230 | -138 |
| Free cash flow (1+2) | 393 | -2,186 | 212 | 957 | -319 | 545 | 5,077 | -689 | -91 | 625 | 682 |
| **Cash flows from financing activities** | 7 | 6 | -294 | -138 | 1 | -149 | -4,352 | 4,082 | 233 | -657 | -461 |
| Net income attributable to parent company shareholder | 2,110 | 1,909 | 1,148 | 248 | 375 | 533 | 475 | 761 | 386 | -992 | 183 |
| Depreciation | 30 | 42 | 51 | 64 | 61 | 85 | 80 | 108 | 135 | 149 | 144 |
| Amortization of goodwill | - | - | - | 42 | 100 | 107 | 111 | 162 | 235 | 145 | 86 |
| Purchase of tangible fixed assets | -24 | -75 | -18 | -42 | -109 | -141 | -41 | -55 | -31 | -86 | -57 |
| Purchase of intangible fixed assets | -33 | -6 | -51 | -54 | -21 | -89 | -72 | -106 | -112 | -87 | -84 |
| Change in working capital | 616 | -105 | -161 | -36 | 44 | 448 | 161 | 684 | 76 | 323 | -136 |
| Simple FCF | 1,466 | 1,974 | 1,290 | 295 | 361 | 47 | 392 | 185 | 536 | -1,194 | 408 |
| **Cash and cash equivalents (year-end)** | **5,341** | **6,561** | **7,179** | **6,849** | **5,960** | **5,244** | **3,469** | **6,189** | **6,230** | **6,183** | **6,349** |

Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

## Cash flows from operating activities

Cash flows from operating activities have historically moved closely in line with net income, but FY02/19 (when the company posted a loss) was a big exception. In FY02/17, for example, net cash from operating activities was JPY837mn versus net income of JPY761mn. In FY02/18operating cash inflow of JPY740mn in FY02/18 was unusually large relative to the net income of JPY386mn. In FY02/19, however, positive net cash flow of JPY855mn compared with a JPY992mn loss reported at the net income level, as the loss stemmed largely from JPY1.0bn in impairment losses and JPY508mn in losses from investments in equity-method subsidiaries (neither of which impacts cash flow). In FY02/20, the company recorded a net cash inflow of JPY819mn due to factors including posting net income, booking a JPY394mn provision of allowance for doubtful accounts, and a decrease in accounts receivable.

## Cash flows from investing activities

Cash flows from investing activities vary with payments into and withdrawals from time deposits, as well as the acquisition and redemption of negotiable securities. In FY02/10 and FY02/11, investing activities used net cash of JPY2.1bn and JPY3.5bn due to payments into time deposits. In FY02/16, investing activities provided net cash of JPY4.4bn due to withdrawals from time deposits. In FY02/17 the company spent JPY1.5bn to buy investment securities and acquire the shares of affiliated companies; in FY02/18, changes in the scope of companies included in consolidated results led to another JPY831mn in cash outflows to acquire shares of subsidiaries. Net cash outflows from investing activities were JPY230mn in FY02/19, as the company laid out JPY602mn to acquire new marketable securities while receiving JPY447mn from the redemption of existing securities holdings. In FY02/20, the company recorded a net cash outflow of JPY138mn due to factors such as acquisition of tangible and intangible fixed assets and outflows such as loans provided.

## Cash flows from financing activities

Cash flows from financing activities are affected by changes in interest-bearing debt and purchases of treasury stock. In FY02/17, net cash inflows from financing activities were JPY4.1bn, due to proceeds including those from the disposal of treasury stock. In FY02/18, the company had a net cash inflow of JPY233mn from long-term borrowings and other sources. In FY02/19 the company reported a net cash outflow of JPY657mn from financing activities, having laid out JPY447mn for share buybacks and JPY291mn for dividend payments to shareholders. In FY02/20, the company recorded a net cash outflow of JPY461mn due to factors such as JPY1.0bn repayment of long-term loans and JPY194mn in dividends paid.

# Other information

## History

| Date | Event |
|---|---|
| Mar. 2006 | Established in Minato-ku, Tokyo, to provide support to TV shopping companies, ranging from sales support to customer management |
| Aug. 2008 | Shares listed on the Mothers section of the Tokyo Stock Exchange |
| Nov. 2012 | Mail Customer Center Co., Ltd., converted to a subsidiary (now a consolidated subsidiary) |
| Sep. 2015 | Opened Kansai branch in Kita-ku, Osaka |
| Feb. 2016 | Invested in PT. Merdis International (now a consolidated subsidiary) in Indonesia |
| Mar. 2016 | Established Nippon Healthcare Advisors Inc. (now a consolidated subsidiary), which conducts mail order sales of over the counter drugs |
| Mar. 2016 | Subsidiary Tri-Stage Retailing Co., Ltd., took over the Nippon Department Store business (retailing local specialties from various regions of Japan) from Contan Co., Ltd., and changed its name to Nippon Department Store Inc. |
| Apr. 2016 | Signed a capital and business alliance with Sojitz Corporation (TSE1: 2768); Sojitz became a major shareholder |
| Sep. 2016 | JML Singapore Pte. Ltd., a TV shopping company in Singapore, converted to a subsidiary (now a consolidated subsidiary) |
| Mar. 2017 | adflex communications, Inc., which handles online advertising, converted to a subsidiary (now a consolidated subsidiary) |
| Mar. 2019 | Opened Kyushu branch in Chuo-ku, Fukuoka |

Source: Shared Research based on company data

## News and topics

### December 2020

On December 25, 2020, the company announced it has secured funds, including refinancing of existing loans.

The company secured a total of JPY6.0bn through a combination of syndicated term loan and credit facility agreements. The new financing arrangements will be used to refinance existing loans and provide the company with a stable line of credit going forward.

Purpose of new syndicated credit facility and loan agreements

- The company entered into a syndicated loan agreement with MUFG Bank, Ltd. serving as both the arranger and agent, Sumitomo Mitsui Banking Corporation serving as the joint arranger, and Mizuho Bank, Ltd. serving as the co-arranger.
- The loan agreement covers a total of three tranches: two term loans and a committed credit facility. The two term loans will be used to refinance existing loans. The committed credit facility will go toward meeting the ongoing credit needs of the Tri-Stage group as it develops its business, giving the group a stable-yet-flexible line of credit to support future growth.
- By establishing closer ties with the financial institutions with which it does business, the company is looking to both stabilize its financial position and put itself in a better position to respond to changes in social conditions, thereby increasing its enterprise value.

Overview of syndicated credit facility and loan agreements

| | Credit facility | Term loan A | Term loan B |
|---|---|---|---|
| (1) Grand total | JPY6.0bn | | |
| (2) Subtotals | JPY2.5bn | JPY1.0bn | JPY2.5bn |
| (3) Structure | Committed credit facility (syndicated) | Term loan (syndicated) | Term loan (syndicated) |
| (4) Contract date | December 25, 2020 | | |

| | | | |
|---|---|---|---|
| (5) Effective date | March 31, 2021 | March 31, 2021 | March 31, 2022 |
| (6) Term | One year<br>(option to extend to five years) | One year | Five years |
| (7) Arranger | MUFG Bank, Ltd. | | |
| (8) Joint Arranger | Sumitomo Mitsui Banking Corporation | | |
| (9) Co-Arranger | Mizuho Bank, Ltd. | | |
| (10) Agent | MUFG Bank, Ltd. | | |
| (11) Participating banks | MUFG Bank, Ltd.<br>Sumitomo Mitsui Banking Corp.<br>Mizuho Bank, Ltd. | MUFG Bank, Ltd.<br>Sumitomo Mitsui Trust Bank, Ltd<br>Resona Bank, Ltd. | MUFG Bank, Ltd.<br>Sumitomo Mitsui Banking Corp.<br>Mizuho Bank, Ltd.<br>Sumitomo Mitsui Trust Bank, Ltd<br>Resona Bank, Ltd. |

### Impact on FY02/21 results

The new financing arrangements are not expected to have a material impact on the company's financial results for FY02/21.

On November 30, 2020, the company announced the establishment of a subsidiary (change of specified subsidiary) through a company split (simplified incorporation-type company split).

At a meeting of its Board of Directors held on November 30, 2020, the company resolved to establish Tri-Stage Media Inc. as a wholly owned subsidiary of the company through a simplified incorporation-type company split, and to transfer the company's advertising agency business to the new company. The establishment of Tri-Stage Media is scheduled for February 1, 2021.

- ▷ Purpose of the company split: The new company that is established by the split will oversee the advertising agency business that is currently operated in-house. This will strengthen the group's media planning capabilities and improve the efficiency of its media buying business.
- ▷ Company split method: Tri-Stage Inc. is the splitting company and Tri-Stage Media Inc. is the new company established by the simplified incorporation-type company split.
- ▷ Details of allotment of shares related to the company split: The new company will issue 8,000 shares at the time of the split, all of which will be allocated to the company.
- ▷ Stock acquisition rights and bonds with stock acquisition rights of the splitting company: There is no change in stock acquisition rights issued by the company due to the split.
- ▷ Changes in capital due to company split: There is no change in the company's capital due to the split.
- ▷ Rights and obligations taken on by the new company: The new company shall take on cash and deposits and the contractual obligations of the business that is split from the company.
- ▷ Fulfillment of obligations: The split is deemed to have no impact on fulfillment of debt obligations of the company and the newly established company.

## June 2020

On June 11, 2020, the company announced the details concerning stock options (share subscription rights).

The company announced that it had decided on previously undetermined matters related to the issuance of stock options (share subscription rights) resolved at a Board of Directors meeting held on May 26, 2020. Newly determined details of the stock options are as follows.

Amount of assets to be contributed upon exercise of share subscription rights

- JPY31,900 per share subscription right (JPY319/share)
- The company set the amount of assets to be contributed upon exercise of share subscription rights at JPY319, after comparing the average closing price of the company's common stock on the Tokyo Stock Exchange in May 2020 (the month preceding the month in which the date of allotment of share subscription rights falls; excludes days in which trades were not executed) of JPY300 to the closing price of JPY319 on the allotment date (June 11, 2020).

## May 2020

On May 26, 2020, the company announced matters regarding a controlling shareholder.

The company made the following announcements regarding its controlling shareholder Sojitz Corporation (TSE1: 2768), which the company refers to as the "other affiliated company."

- As of February 29, 2020, Sojitz held a 21.21% share of voting rights in Tri-Stage. On April 14, 2020, the company acquired 7.19% of its own outstanding shares, which contributed to a passive increase in the voting rights shares of the company's shareholders. As a result, the share of voting rights held by Sojitz stood at 23.07% as of May 26, 2020.
- On April 19, 2016, the company and Sojitz entered into a capital and business alliance with the aim of further improving enterprise value at the two companies by combining their expertise, achievements, and networks. The agreement also allowed the mutual use of the respective party's management resources and expertise.
- As of May 26, 2020, one of the company's seven directors was also serving as a Sojitz employee. In addition, one Sojitz employee was seconded to Tri-Stage at the latter's request, where that employee was appointed to a managing officer position. However, the move in no way impinges on the company's ability to make its own management decisions, and there are no matters related to decision making for which Tri-Stage must obtain approval from Sojitz in advance. Based on these conditions, the company believes it has been able to maintain a certain degree of independence.
- There were no important transactions with controlling shareholders that required disclosure in FY02/20.

On the same day, the company announced the approval for the allocation of stock options.

Based on the approval of the related resolution at the company's General Meeting of Shareholders held on the same day and pursuant to the provisions of Articles 236, 238, and 239 of the Companies Act, Tri-Stage resolved at a meeting of its Board of Directors held on the same day the terms and conditions related to the offering of share subscription rights as stock options. The Board of Directors also resolved to solicit subscribers for the share subscription rights.

- Purpose: The company's purpose in issuing share subscription rights as stock options without charge to its directors and employees is to improve their morale and motivation to increase enterprise value and group earnings while simultaneously lifting management participation awareness by incorporating the perspective of shareholders.
- Name of share subscription rights: Tri-Stage Inc. 11th series share subscription rights.
- Total number of share subscription rights: 588
- Exercise period of share subscription rights: June 12, 2022–June 11, 2025.
- Allotment date of share subscription rights: June 11, 2020
- Number of share subscription rights and the number and titles of allottees: 588 share subscription rights, four company directors.

On May 18, 2020, the company announced the judgment in a lawsuit that it had filed.

On May 18, 2020, the Tokyo District Court handed down its judgment in relation to a lawsuit (the lawsuit) that the company had disclosed in its "Notice Regarding the Filing of a Lawsuit Against Former Employee of the Company" on December 27, 2019. The company expects the impact of this matter on its performance to be minor.

Details of lawsuit

- Court: Tokyo District Court
- Date of the judgment: May 18, 2020
- Defendant: One former employee of the company
- Case title: Claim for damages
- Compensation sought: JPY64.4mn

Background to the lawsuit

- An affair arose in which, from October 2018 through August 2019, a former employee was indirectly misappropriated money by instructing that subcontractor company A pay the majority of outsourcing fees to a company with which the former employee was affiliated.
- The company filed a lawsuit against the former employee for damages based on this misconduct in respect of a figure calculated on the basis of damages minus a partial payment amount.

Content of the judgment

The court recognized the liability of the former employee (defendant) to pay damages, and ordered payment of the full amount.

## Corporate governance and top management

**Corporate governance system as of May 26, 2020)**

| | |
|---|---|
| **Capital structure** | |
| Controlling shareholders | None |
| Foreign shareholder ratio | Less than 10% |
| **Organization, directors, corporate auditors** | |
| Organizational form | Company with Audit & Supervisory Board |
| Number of directors under the Articles of Incorporation | 8 |
| Number of directors | 7 |
| Term of office for directors, under the Articles of Incorporation | 1 year |
| Chair of the Board of Directors | President |
| Number of outside directors | 4 |
| Number of independent outside directors | 3 |
| Voluntary committees equivalent to a nominating committee or a remuneration committee | Yes |
| Number of members of Audit & Supervisory Board under the Articles of Incorporation | 4 |
| Number of members of Audit & Supervisory Board | 3 |
| Number of outside members of Audit & Supervisory Board | 3 |
| Number of independent outside members of Audit & Supervisory Board | 3 |
| **Other** | |
| Status of measures related to the granting of incentives to directors | Stock option system in place |
| Stock option recipients | Inside directors, outside directors, employees, directors of subsidiaries, employees of subsidiaries |
| Disclosure of individual director remuneration | No |
| Policy for determining remuneration amounts and method of calculation | Yes |
| Introduction of takeover defense measures | Yes |

Source: Shared Research based on company data

**President and Representative Director: Yasuhisa Kurata (born March 27, 1956)**

Joined Daiko Advertising Inc. in April 1979. Became Executive Officer of Daiko in June 2005 and Director and Executive Officer in June 2009. In April 2010, became Director and Managing Executive Officer of Daiko and in April 2011 became Director and Senior Managing Executive Officer. Joined Tri-Stage as Executive Officer in May 2015 and became Director in May 2019. In March 2020, became Director and President. After the 14th General Meeting of Shareholders and meeting of the Board of Directors on May 26, 2020, became President and Representative Director (current).

## Dividend policy

Tri-Stage's core dividend policy is to consider and implement appropriate measures for returning profits to shareholders, while maintaining internal reserves sufficient to strengthen the company's financial base and ensure ongoing growth. In FY02/20, the company paid a dividend of JPY7.0 per share. It also plans to pay a dividend of JPY7.0 per share in FY02/21.

## Major shareholders (as of February 29, 2020)

| Top shareholders | Shares held | Shareholding ratio |
|---|---|---|
| Akio Maruta | 6,572,400 | 24.11% |
| Sojitz Corporation | 5,782,400 | 21.21% |
| Isao Senoo | 4,272,400 | 15.67% |
| Yuji Hagiwara | 263,800 | 0.96% |
| Aya Imaizumi | 132,800 | 0.48% |
| Mitsuo Kobayashi | 130,900 | 0.48% |
| Tri-Stage Employees Stockholding Association | 105,000 | 0.38% |
| Toshio Ichikawa | 69,000 | 0.25% |
| Yoshihiko Yamada | 68,000 | 0.24% |
| Isao Otsu | 62,400 | 0.22% |
| Total shares outstanding | 30,517,200 | 100.00% |

Source: Shared Research, based on company data
Note: The company conducted a 4-for-1 stock split on March 1, 2017.
Note: In addition to shares held by major shareholders above, there were 3,263,260 shares of treasury stock as of February 29, 2020. Treasury stock holdings are not included in shares outstanding.

## Major group companies (as of February 29, 2020)

| Subsidiary | Location | Ownership | Main businesses |
|---|---|---|---|
| Mail Customer Center Co., Ltd. | Minato-ku, Tokyo | 100.00% | Direct mailing preparation |
| Nippon Department Store inc. | Minato-ku, Tokyo | 100.00% | Operation of retailer Nippon Department Store, which sells local specialties from various regions of Japan, and mail order sales |
| adflex communications, Inc. | Minato-ku, Tokyo | 100.00% | Direct marketing support, including online advertising |
| PT. Merdis International | Indonesia | 74.00% | Retail/wholesaling |
| TV Direct Public Company Limited | Thailand | 15.0% | TV mail order, retail/wholesaling, e-commerce |

Source: Shared Research based on company data

## Employees

| Number of employees (consolidated) | FY02/10 Par. | FY02/11 Par. | FY02/12 Par. | FY02/13 Cons. | FY02/14 Cons. | FY02/15 Cons. | FY02/16 Cons. | FY02/17 Cons. | FY02/18 Cons. | FY02/19 Cons. | FY02/20 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tri-Stage (parent) | 62 | 93 | 108 | 116 | 129 | 134 | 157 | 165 | 171 | 167 | 165 |
| Group companies | - | - | - | 21 | 26 | 21 | 19 | 145 | 165 | 178 | 189 |
| Consolidated total employees | 62 | 93 | 108 | 137 | 155 | 155 | 176 | 310 | 336 | 345 | 354 |

Source: Shared Research based on company data

### Origin of the company name

Combining the prefix “Tri”, representing the number three, and “Stage”, the company’s name reflects a company, which builds strong, trust-based relationships, and provides support by offering “cross points” that bring together “consumers” and “client companies” (products).

## Profile

| Company | Head office |
|---|---|
| Tri-Stage Inc. | Shiodome Bldg. 21F, 1-2-20 Kaigan<br>Minato-ku Tokyo 105-0022 |
| **Phone** | **Listed on** |
| +81-3-5402-4111 | Mothers (Tokyo Stock Exchange) |
| **Established** | **Exchange listing** |
| March 2006 | August 7, 2008 |
| **HP** | **Financial year-end** |
| http://www.tri-stage.jp/en/ | February |
| **IR contact** | **IR web** |
| - | http://www.tri-stage.jp/en/ir/ |

# About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at https://sharedresearch.jp.

**Current Client Coverage of Shared Research Inc.**

Advance Create Co., Ltd.
ADJUVANT COSME JAPAN CO., LTD.
Aeon Delight Co., Ltd.
Aeon Fantasy Co., Ltd.
Ai Holdings Corporation
AI inside Inc.
AirTrip Corp.
and factory, inc.
ANEST IWATA Corporation
AnGes Inc.
Anicom Holdings, Inc.
Anritsu Corporation
Apaman Co., Ltd.
ARATA CORPORATION
Artspark Holdings Inc.
AS ONE CORPORATION
Ateam Inc.
Aucfan Co., Ltd.
AVANT CORPORATION
Axell Corporation
Azbil Corporation
AZIA CO., LTD.
AZoom, Co., Ltd.
Base Co., Ltd
BEENOS Inc.
Bell-Park Co., Ltd.
Benefit One Inc.
B-lot Co.,Ltd.
Broadleaf Co., Ltd.
CanBas Co., Ltd.
Canon Marketing Japan Inc.
Career Design Center Co., Ltd.
Carna Biosciences, Inc.
CARTA HOLDINGS, INC
CERES INC.
Chiyoda Co., Ltd.
Chori Co., Ltd.
Chugoku Marine Paints, Ltd.
cocokara fine Inc.
COMSYS Holdings Corporation
COTA CO.,LTD.
CRE, Inc.
CREEK & RIVER Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
Daiseki Co., Ltd.
Demae-Can CO., LTD
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
DIP Corporation
Doshisha Corporation
Dream Incubator Inc.
Earth Corporation
Edion Corporation
Elecom Co., Ltd.
en Japan Inc.
Estore Corporation.
euglena Co., Ltd.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
First Brothers Col, Ltd.
FreeBit Co., Ltd.
Fujita Kanko Inc.
Gamecard-Joyco Holdings, Inc.
GameWith, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HENNGE K.K.
Hope, Inc.
HOUSEDO Co., Ltd.
H2O Retailing Corporation
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
Itochu Enex Co., Ltd.
JAFCO Co.,Ltd.
JMDC Inc.
JSB Co., Ltd.
JTEC Corporation
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kanamic Network Co.,LTD
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
KLab Inc.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
Locondo, Inc.
LUCKLAND CO., LTD.
MATSUI SECURITIES CO., LTD.
Media Do Co., Ltd.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Metaps Inc.
Micronics Japan Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
Mortgage Service Japan Limited.
MRT Inc.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net Marketing Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
Nihon Denkei Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
OLBA HEALTHCARE HOLDINGS,Inc.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
Serverworks Co.,Ltd.
SHIFT Inc.
Shikigaku Co., Ltd
SHIP HEALTHCARE HOLDINGS, INC.
SIGMAXYZ Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Star Mica Holdings Co., Ltd.
Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
The Hokkoku Bank,Ltd.
TKC Corporation
TKP Corporation
Tsuzuki Denki Co., Ltd.
TOCALO Co., Ltd.
TOKAI Holdings Corporation
Tokyu Construction Co., Ltd.
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
TSURUHA Holdings
VISION INC.
VISIONARY HOLDINGS CO., LTD.
World Holdings Co., Ltd.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
YUMESHIN HOLDINGS CO., LTD.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.



**Contact Details**

Shared Research Inc.
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan
https://sharedresearch.jp
Phone: +81 (0)3 5834-8787
Email: info@sharedresearch.jp