

# Corporate Presentation

## 2008 Interim Financial Results

# 2008 Interim Results & Q2 ones

# 2008 Interim Highlights

1. Higher sales but profits stay flat, resulting in margins down



- Top Line 3,354 mn, Y/Y growth 24.5%
- GP 1,251mn & OP 70mn remain flat Y/Y
- GP margin 37.3% (GP margin 2007 Interim, 46.4%)
- OP margin 2.1% (OP margin 2007 Interim, 2.6%)

2. Revenue growth attributable to expansions in Consulting & Sozon



- Consulting service 1,613mn, Y/Y growth 30.7%
- Sozon 563mn, Y/Y growth 78.6%

3. Net Interim Loss 80mn generated by a reversal of DTA



- Pretax income 37mn
- Adjustments for income tax 116mn
- Net Interim Loss 80mn

4. ValueCommerce affiliate ad networks become solid



- Merchants & media partners continue to grow
- Media partners surpassed 600K in Q2'08
- Affiliate TXs grow at a steady pace
- Reducing compensation payment to 1K yen

5. Upgrade functions in Web Service



- Attained a 22 mn products database
- Expansion of the Web Service to mobile platform
- Collaboration with GPS functions & map banners

6. Recruiting activities to bolster sales force



- Secured 257 staffs in total
- 13 new graduates joined in April

# 2008 Interim Consolidated Financial Results

JPY millions

	2008 Interim	As % of revenues	2007 Interim	As % of revenues	Y/Y
Revenues	3,354	-	2,695	-	124.5%
Cost of revenues	2,103	62.7%	1,444	53.6%	145.7%
Gross profit	1,251	37.3%	1,251	46.4%	100.0%
SGA expenses	1,180	35.2%	1,179	43.8%	100.0%
Operating income	70	2.1%	71	2.6%	99.8%
Recurring income	37	1.1%	79	3.0%	46.7%
Pretax income	37	1.1%	61	2.3%	61.6%
Taxes (including adjustments income taxes)	118	-	192	-	-
Minority interest	(1)	-	(3)	-	-
Net loss	(80)	(2.4%)	(128)	(4.8%)	-

- ❑ Top line growth entailed with COR growth resulting in GP & OP remaining flat
- ❑ Non OP expenses 39mn: exchange loss & JP21's equity method investment loss
- ❑ Net loss 80mn, resulting from a reversal of DTA and adjustments of income tax 116mn

## Revenues by Service

JPY millions

	2008 Interim	As % of revenues	2007 Interim	As % of revenues	Y/Y
Consulting Service	1,613	48.1%	1,235	45.8%	130.7%
ASP Service	1,178	35.1%	1,145	42.5%	102.9%
Sozon (Int'l SEM & SEO)	563	16.8%	315	11.7%	178.6%
Total	3,354	100.0%	2,695	100.0%	124.5%

- ❑ Consulting service & Sozon gain upward momentum
- ❑ ASP service remains flat

## Interim period elapsed...

JPY millions

	2008 Interim Results	Interim (Previous) Outlook Range
Revenues	3,354	3,100 ~ 3,400
Operating Income	70	(42) ~ 27
Recurring income	37	(77) ~ (8)
Net Loss	(80)	(78) ~ (10)

# Consolidated Cash Flows

JPY millions

	2008 Interim	2007 Interim	Y/Y changes	Factors
Operating activities	<b>74</b>	216	(142)	Increase in account receivable, decrease in deposit received & in account payable
Investing activities	<b>(242)</b>	(87)	(155)	Increase in investment securities, complete acquisition of a subsidiary, and capex
Financial activities	<b>4</b>	16	(12)	New stocks issuing executed by stock warrants
Free cash flow	<b>(168)</b>	129	(297)	
Net changes in cash flows	<b>(164)</b>	145	(309)	
Cash & equiv. beginning of year	<b>2,820</b>	3,063	(243)	
Cash & equiv. end of year	<b>2,656</b>	3,209	(553)	

# 2008 Q2 Consolidated Financial Results

JPY millions

	Q2' 08	As % of revenues	Q2' 07	As % of revenues	Q/Q	Q1' 08	As % of revenues	Changes from previous Q
Revenues	1,648	-	1,424	-	115.7%	1,706	-	96.6%
Cost of revenues	1,038	63.0%	791	55.5%	131.4%	1,064	62.4%	97.6%
Gross profit	609	37.0%	634	44.5%	96.1%	641	37.6%	95.0%
SGA expenses	601	36.5%	571	40.1%	105.1%	579	34.0%	103.8%
Operating income	8	0.5%	62	4.4%	13.5%	62	3.7%	13.5%
Recurring income	(3)	(0.2%)	66	4.7%	-	41	2.4%	-
Pretax income	(4)	(0.3%)	42	3.0%	-	41	2.4%	-
Taxes (including adjustments income taxes)	117	-	190	-	-	1	-	-
Net income/loss	(121)	(7.4%)	(146)	(10.3%)	-	40	2.4%	-

- ❑ COR growth outweighs revenue growth, resulting in GP margins down
- ❑ Recruiting activities stay strong – overall SGA expenses grew largely due to headcount growth
- ❑ Net loss 121mn, resulting from a reversal of DTA and adjustments of income tax 116mn

## Revenues by Service

JPY millions

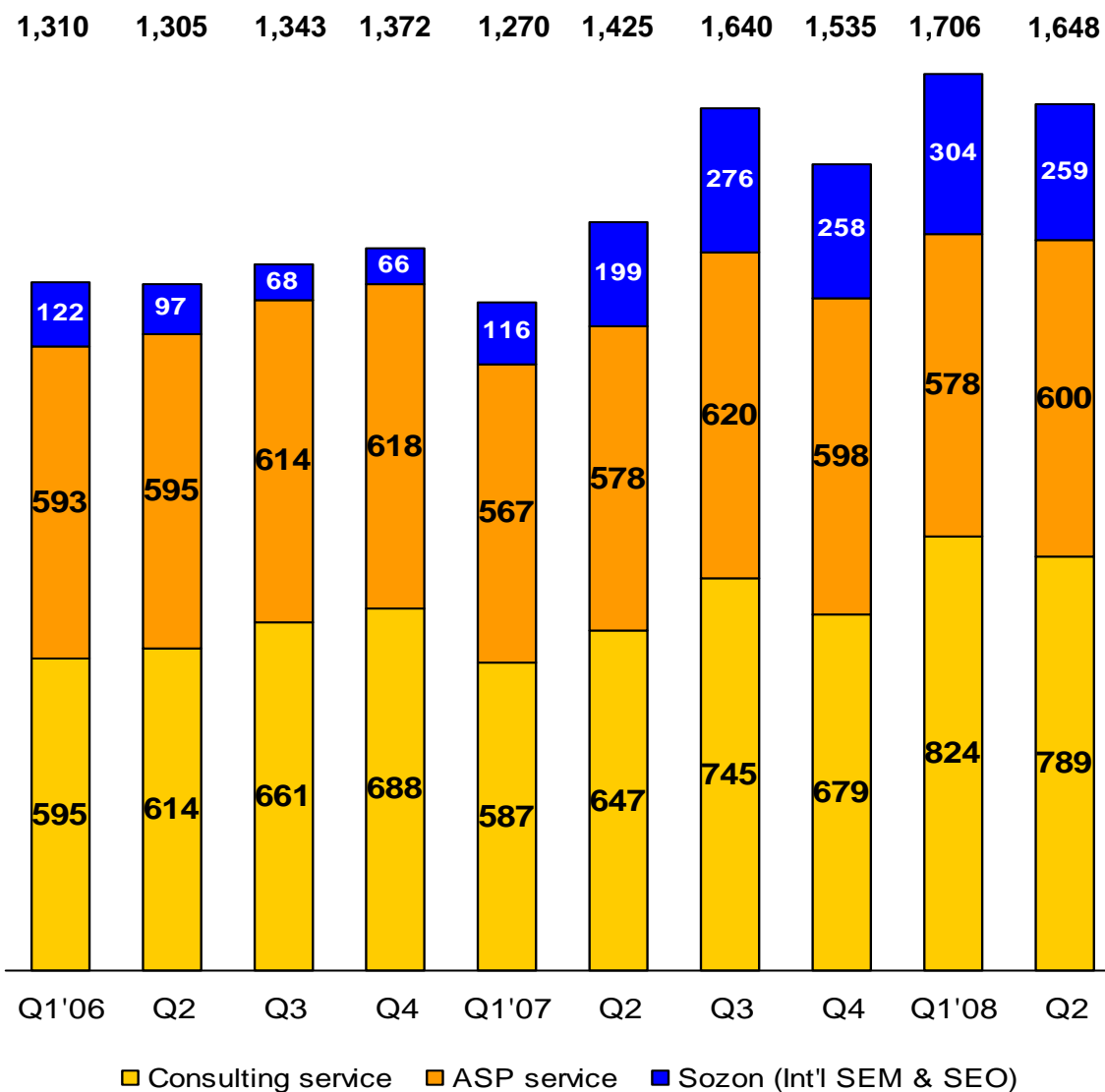
	Q2' 08	As % of revenues	Q2' 07	As % of revenues	Q/Q	Q1' 08	As % of revenues	Changes from previous Q
Consulting Service	789	47.9%	647	45.5%	121.9%	824	48.3%	95.8%
ASP Service	600	36.4%	578	40.6%	103.8%	578	33.9%	103.8%
Sozon (Int'l SEM & SEO)	259	15.7%	199	13.9%	130.3%	304	17.8%	85.1%
Total	1,648	100.0%	1,424	100.0%	115.7%	1,706	100.0%	96.6%

- ❑ Revenue growth in Consulting service & Sozon marked significantly Q/Q
- ❑ Increase in sales on listing ads accounted for revenue growth in ASP service

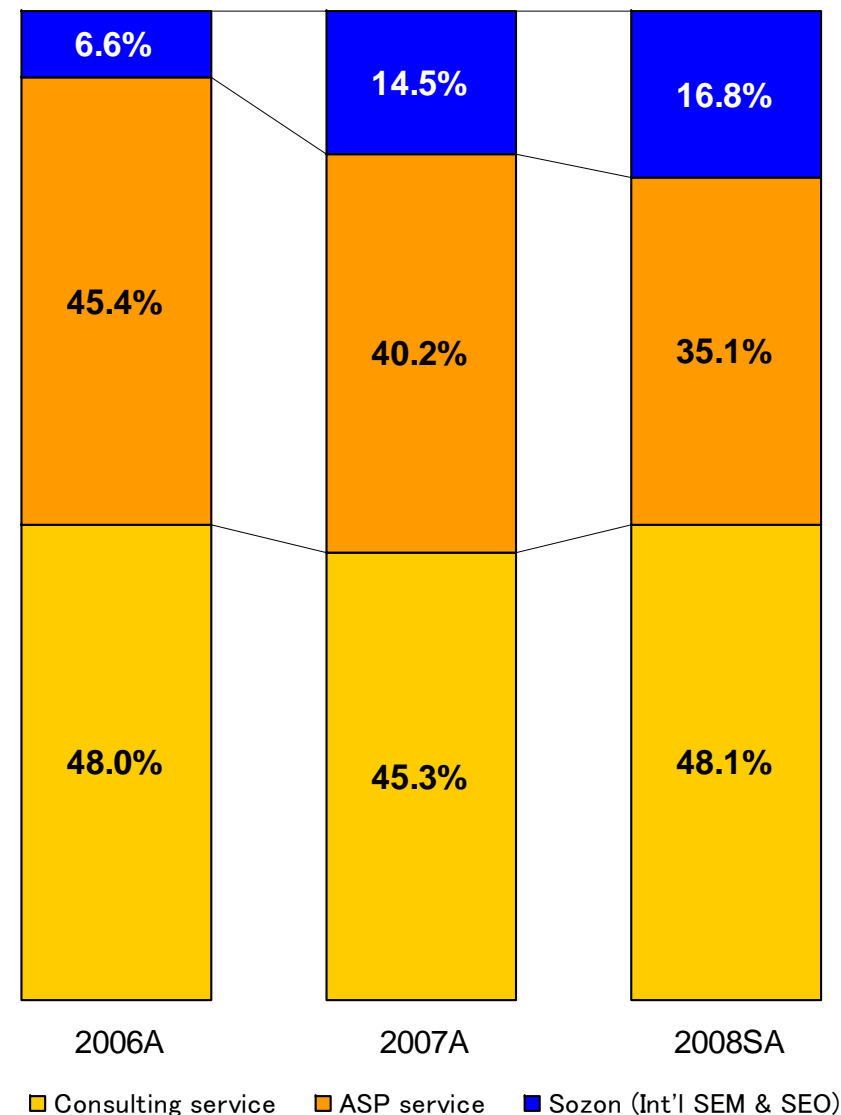
# Historical Revenue Trend by Service

Quarterly actual sales

JPY millions

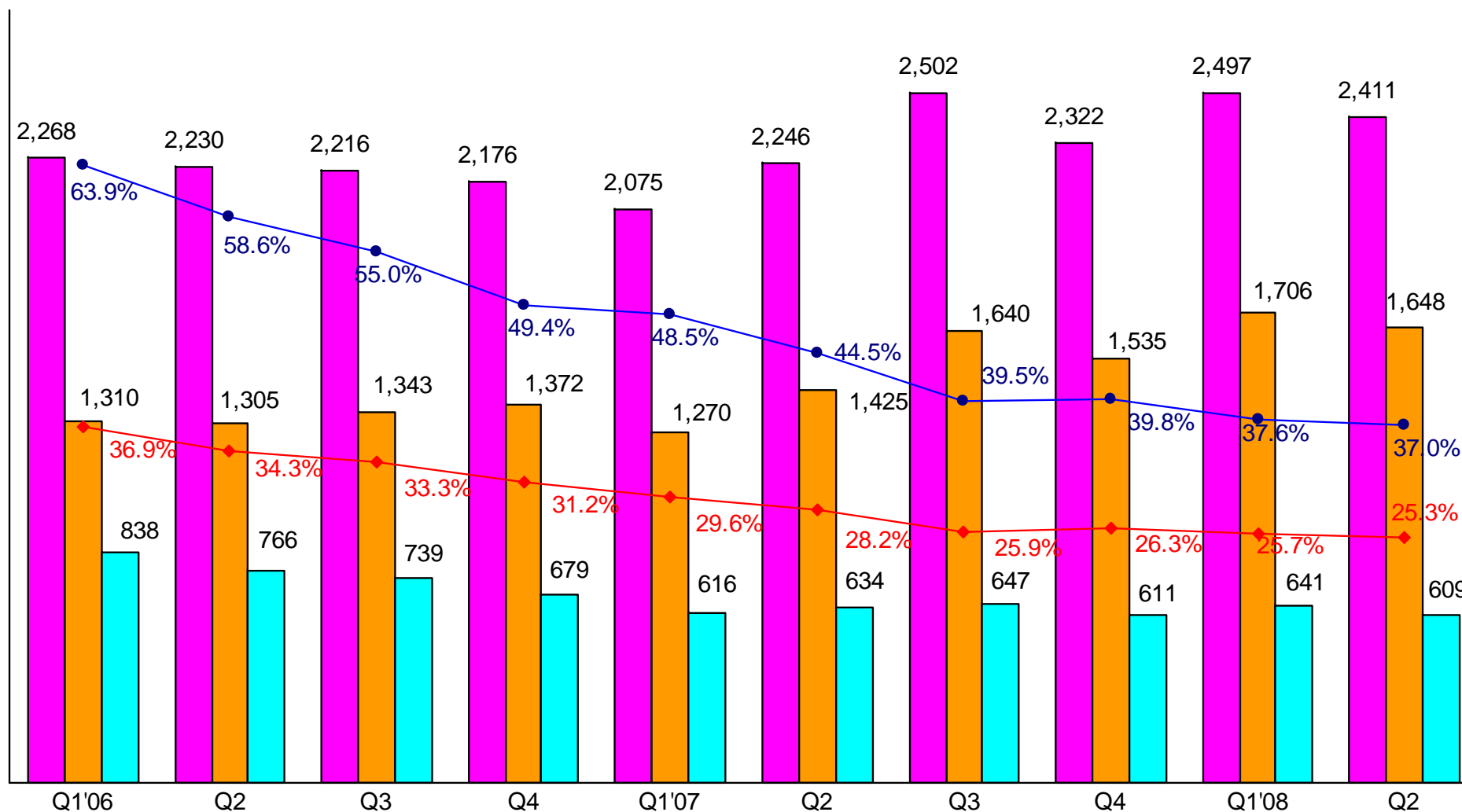







Ratio



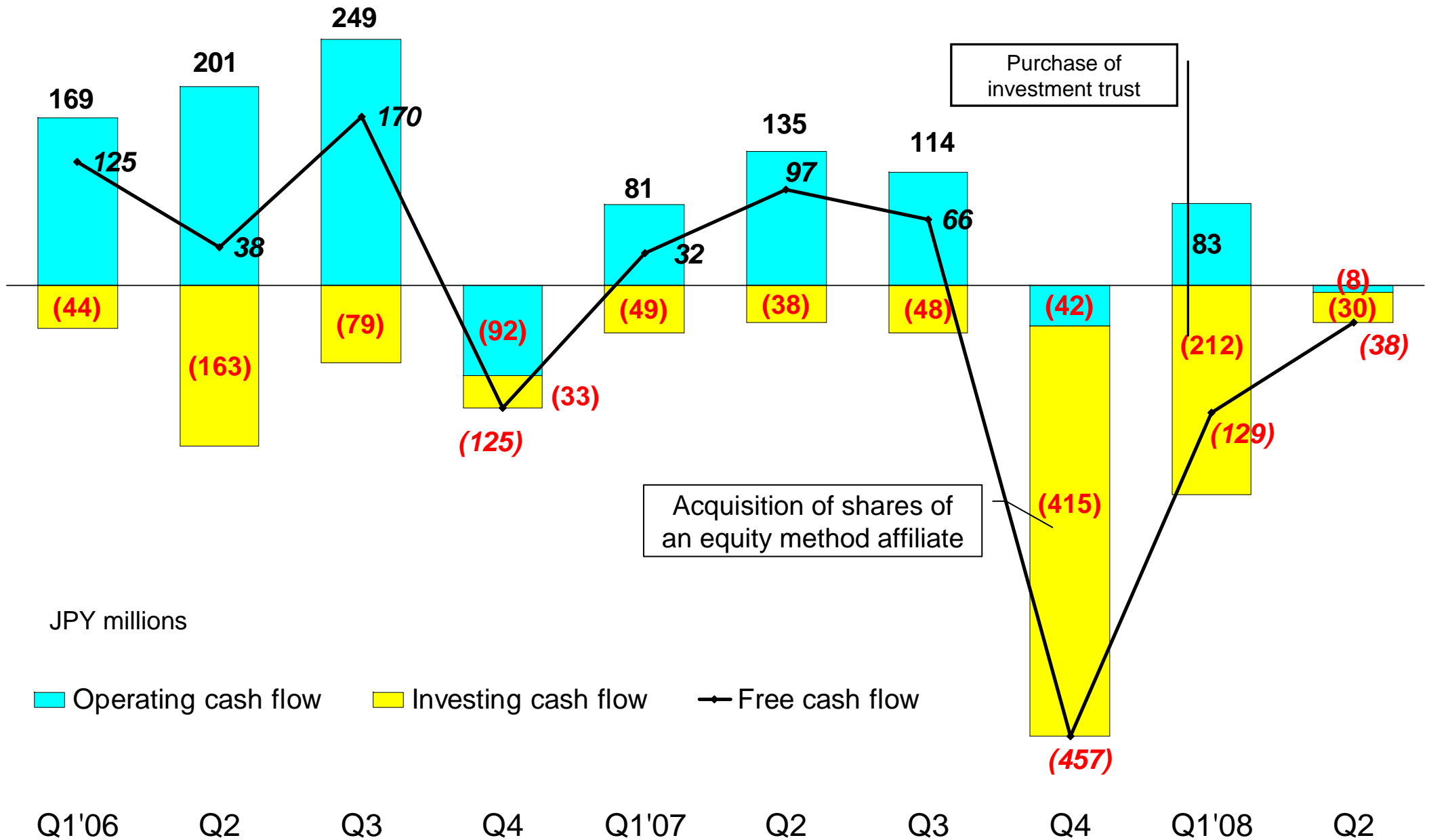
# Revenue, G/P, and G/P ratio Historical Trend

JPY millions



 Gross Revenues	2,268	2,230	2,216	2,176	2,075	2,246	2,502	2,322	2,497	2,411
 Net Revenues	1,310	1,305	1,343	1,372	1,270	1,425	1,640	1,535	1,706	1,648
 Gross Profit	838	766	739	679	616	634	647	611	641	609
 G margin (gross)	36.9%	34.3%	33.3%	31.2%	29.6%	28.2%	25.9%	26.3%	25.7%	25.3%
 G margin (net)	63.9%	58.6%	55.0%	49.4%	48.5%	44.5%	39.5%	39.8%	37.6%	37.0%

# Historical Trend in Consolidated Cash Flows



# Costs and Expenses 1)

JPY millions

	2008 Interim	As % of revenues	2007 Interim	As % of revenues	Y/Y
<b>Cost of revenues</b>	2,103	62.7%	1,444	53.6%	145.7%
Consulting service	1,165	34.8%	815	32.3%	142.9%
Media buying cost *	245	7.3%	152	5.6%	161.9%
COR in Sozon	500	14.9%	276	10.3%	180.7%
Others	191	5.7%	201	7.4%	95.9%
<b>SGA Expenses</b>	1,180	35.2%	1,179	43.8%	100.0%
Headcount cost	782	23.3%	721	26.8%	108.5%
Total Headcount	257	-	209	-	+48
Others	397	11.9%	458	17.0%	86.7%
<b>Total Costs &amp; Expenses</b>	3,283	97.9%	2,623	97.4%	125.1%

- ❑ COR increased proportionally with top line growth, Y/Y growth 45.7%
- ❑ Total headcount increased by 48, compared with 2007 Interim
- ❑ Overall SGA expenses remain flat by contribution of other SGA's reduction

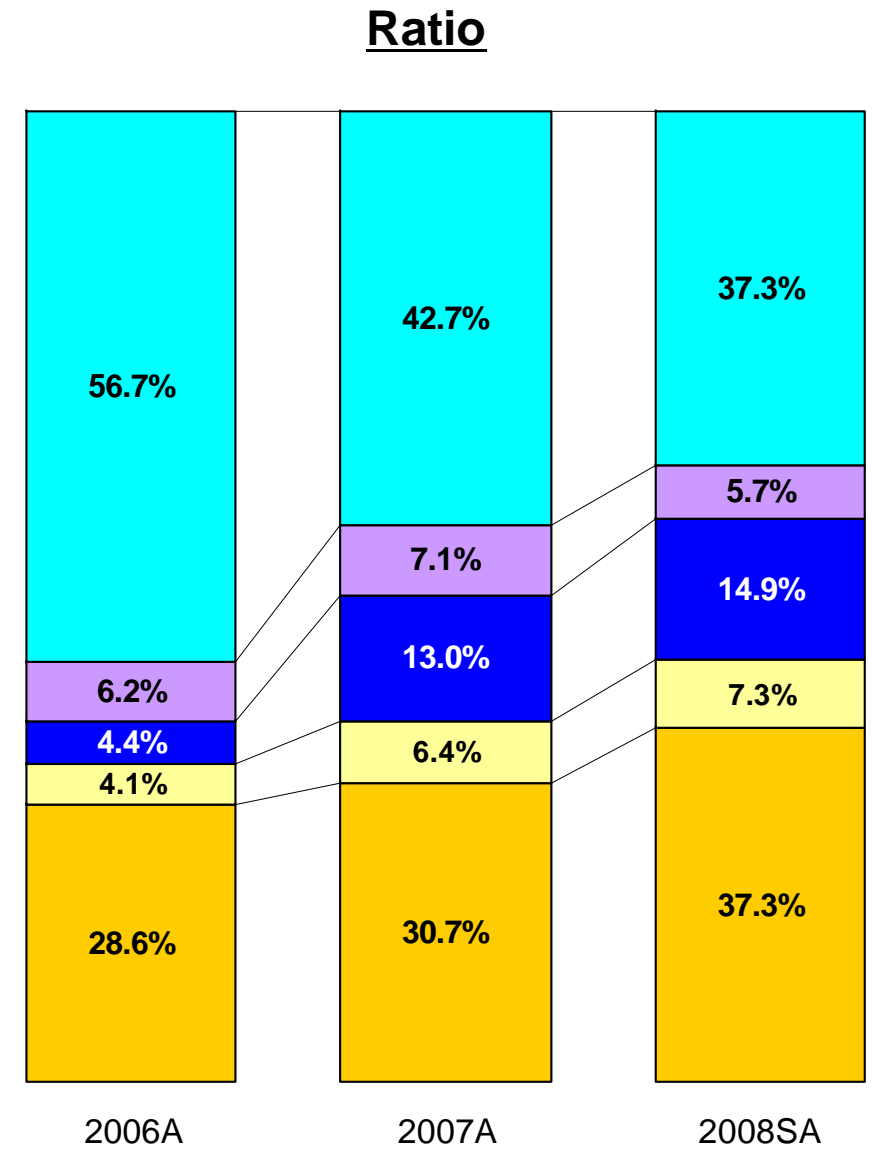
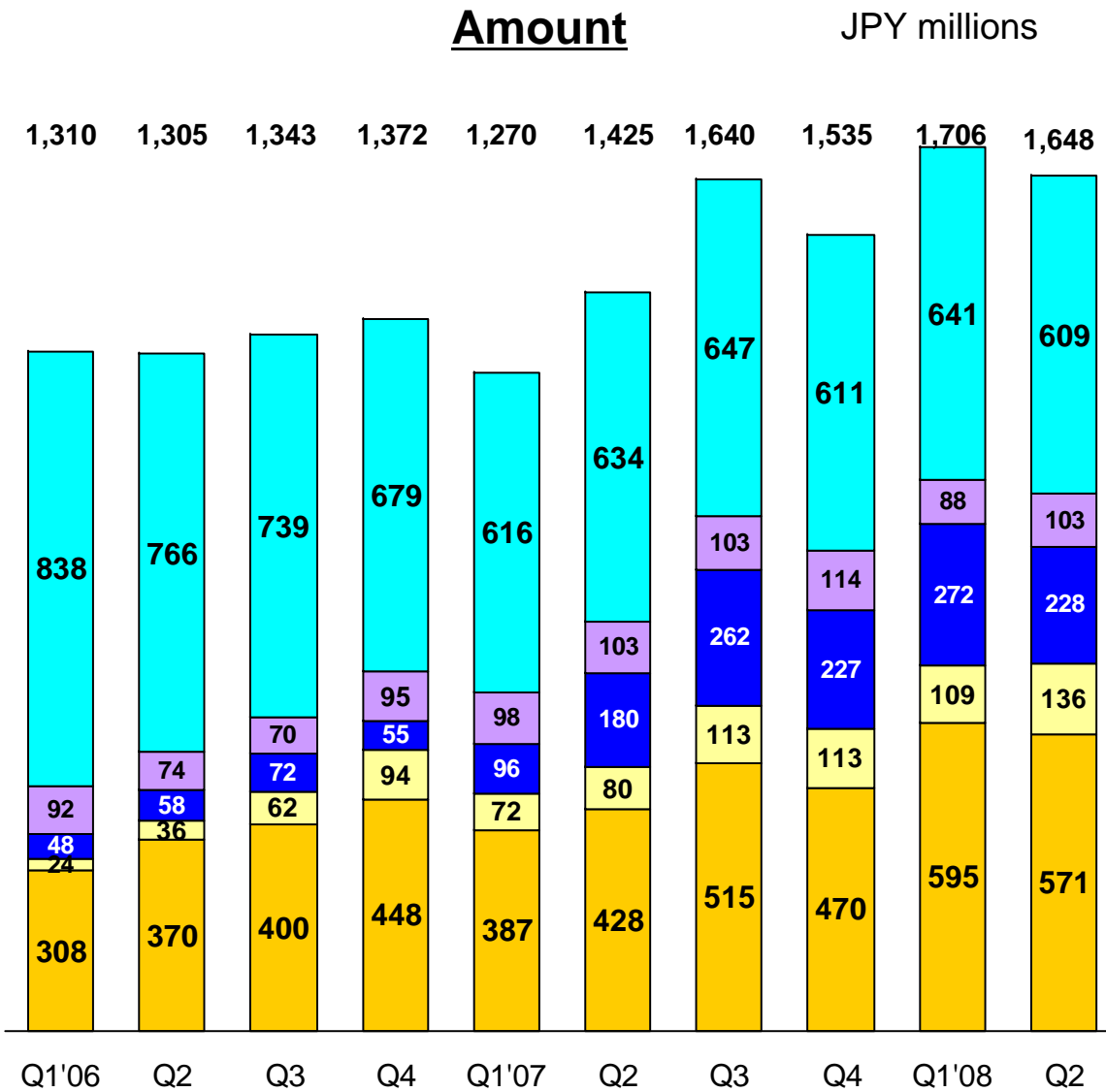
## Costs and Expenses 2)

JPY millions

	Q2' 08	As % of revenues	Q2'07	As % of revenues	Q/Q	Q1'08	As % of revenues	Changes from previous Q
<b>Cost of revenues</b>	1,038	63.0%	790	55.5%	131.4%	1,064	62.4%	97.6%
Consulting service	571	34.6%	428	30.1%	133.4%	595	34.9%	96.0%
Media buying cost *	136	8.3%	80	5.6%	169.9%	109	6.4%	124.4%
COR in Sozon	228	13.8%	180	12.7%	126.6%	272	15.9%	83.9%
Others	103	6.3%	101	7.1%	101.6%	88	5.2%	117.0%
<b>SGA expenses</b>	601	36.5%	571	40.1%	105.1%	579	34.0%	103.8%
Headcount cost	407	24.7%	356	25.0%	114.2%	375	22.0%	108.6%
Total Headcount	257	-	209	-	+48	216	-	+41
Others	193	11.7%	214	15.1%	90.0%	204	12.0%	94.9%
<b>Total Costs &amp; Expenses</b>	1,639	99.5%	1,361	95.6%	120.4%	1,643	96.3%	99.8%

- ❑ Consulting service Rise in payments to media partners following sales growth
- ❑ Media buying cost Cost increase resulting from expansion in listing ad projects handled
- ❑ Sozon Cost increase resulting from expansion in Int'l listing ad projects handled
- ❑ SGA expenses Overall SGA expenses grew largely due to headcount growth

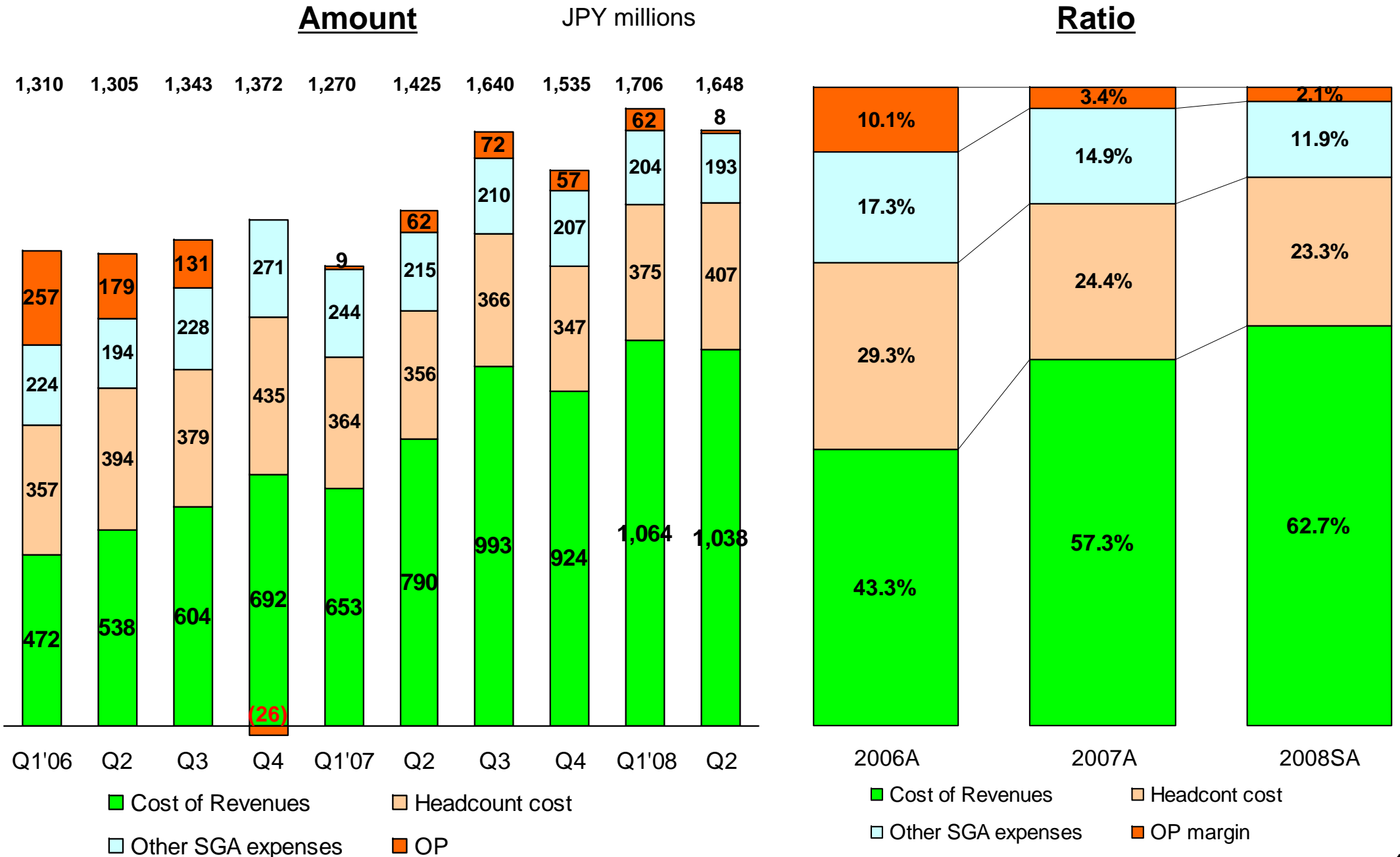
# Revenues B/D 1)-- Historical Trend in COR & GP Structure



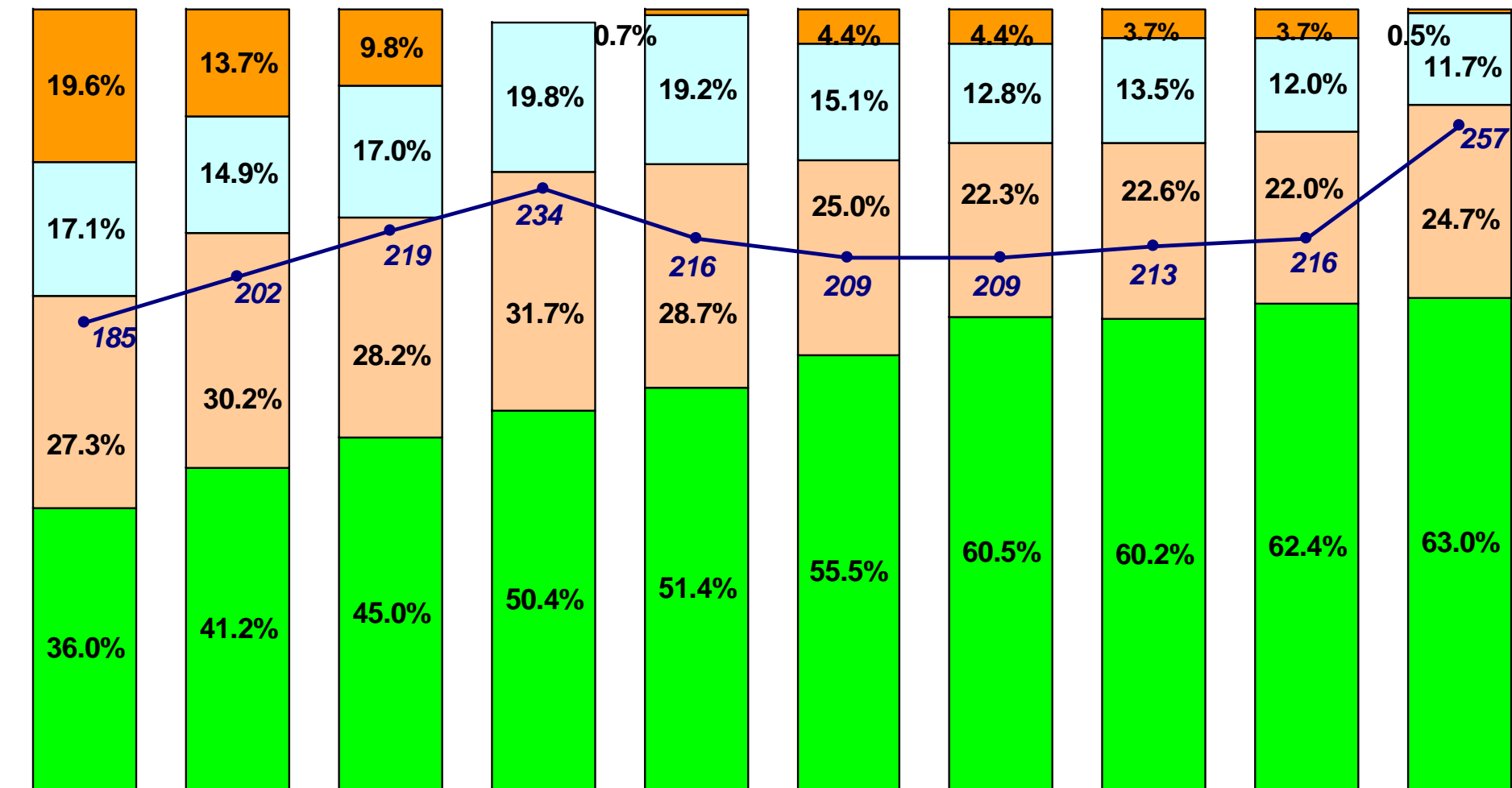
■ Consulting service 
 ■ Media buying cost 
 ■ CoR in Sozon 
 ■ Others 
 ■ Gross Profit

■ Consulting service 
 ■ Media buying cost 
 ■ CoR in Sozon 
 ■ Others 
 ■ Gross margin

# Revenues B/D 2) – Historical Trend in costs & expenses, and OP structure



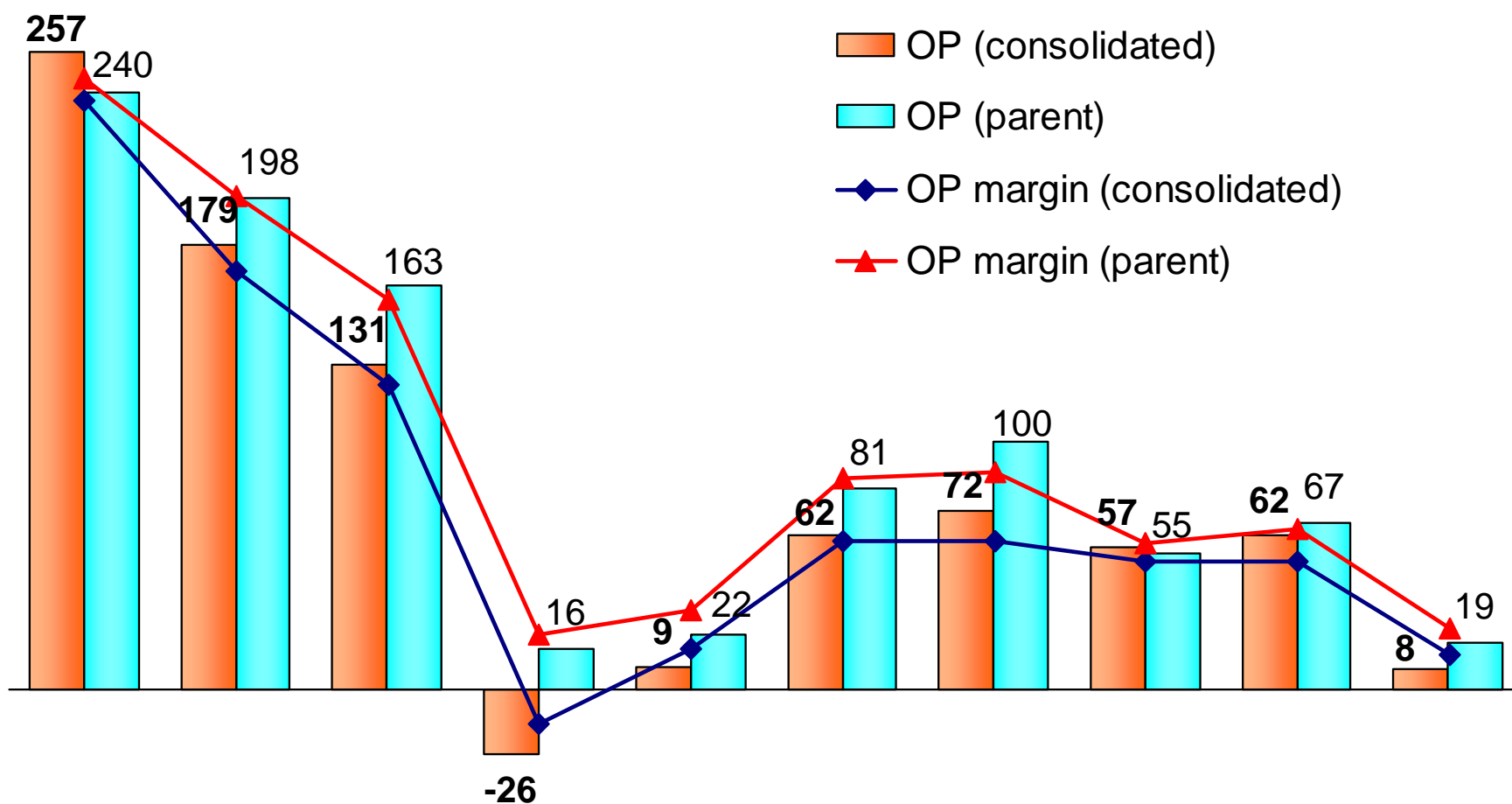
# Revenues B/D 3) – Quarterly Trend



	Q1'06	Q2	Q3	Q4	Q1'07	Q2	Q3	Q4	Q1'08	Q2
OP margin	19.6%	13.7%	9.8%	-1.9%	0.7%	4.4%	4.4%	3.7%	3.7%	0.5%
Other SGAs	17.1%	14.9%	17.0%	19.8%	19.2%	15.1%	12.8%	13.5%	12.0%	11.7%
Headcount	27.3%	30.2%	28.2%	31.7%	28.7%	25.0%	22.3%	22.6%	22.0%	24.7%
CoR	36.0%	41.2%	45.0%	50.4%	51.4%	55.5%	60.5%	60.2%	62.4%	63.0%
tll Headcount	185	202	219	234	216	209	209	213	216	257

# OP & OP margin Trend

JPY millions

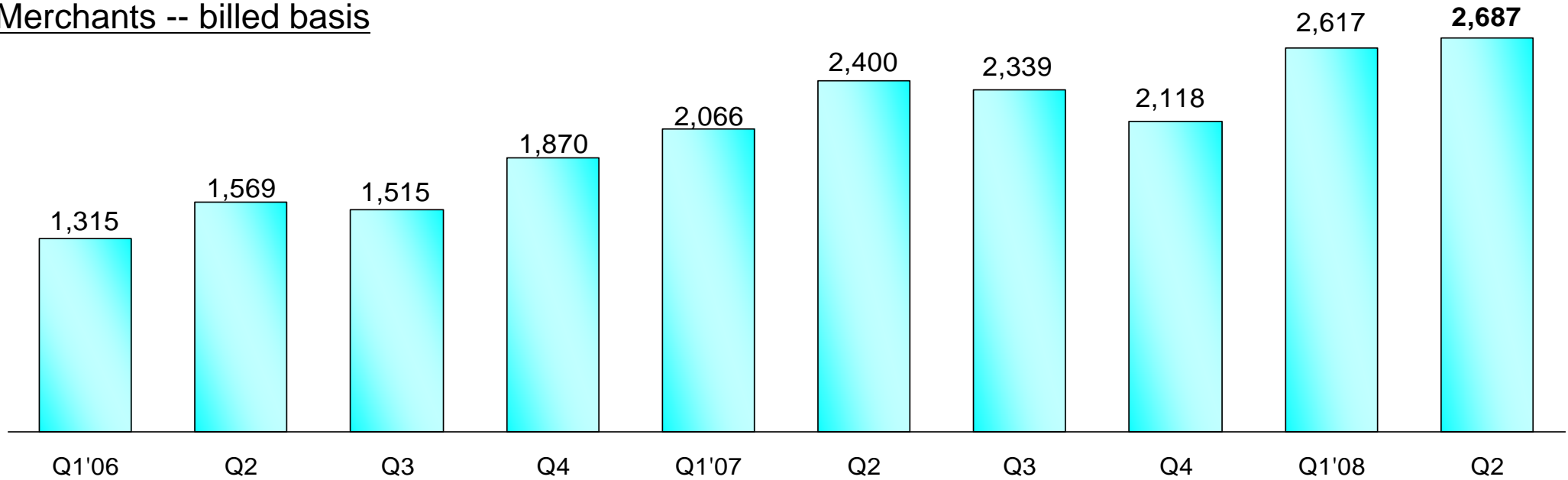


	Q1'06	Q2	Q3	Q4	Q1'07	Q2	Q3	Q4	Q1'08	Q2
OP (consolidated)	257	179	131	-26	9	62	72	57	62	8
OP (parent)	240	198	163	16	22	81	100	55	67	19
OP margin (consolidated)	19.6%	13.7%	9.8%	-1.9%	0.7%	4.4%	4.4%	3.7%	3.7%	0.5%
OP margin (parent)	20.4%	16.3%	12.7%	1.2%	2.0%	6.6%	6.8%	4.3%	4.8%	1.4%

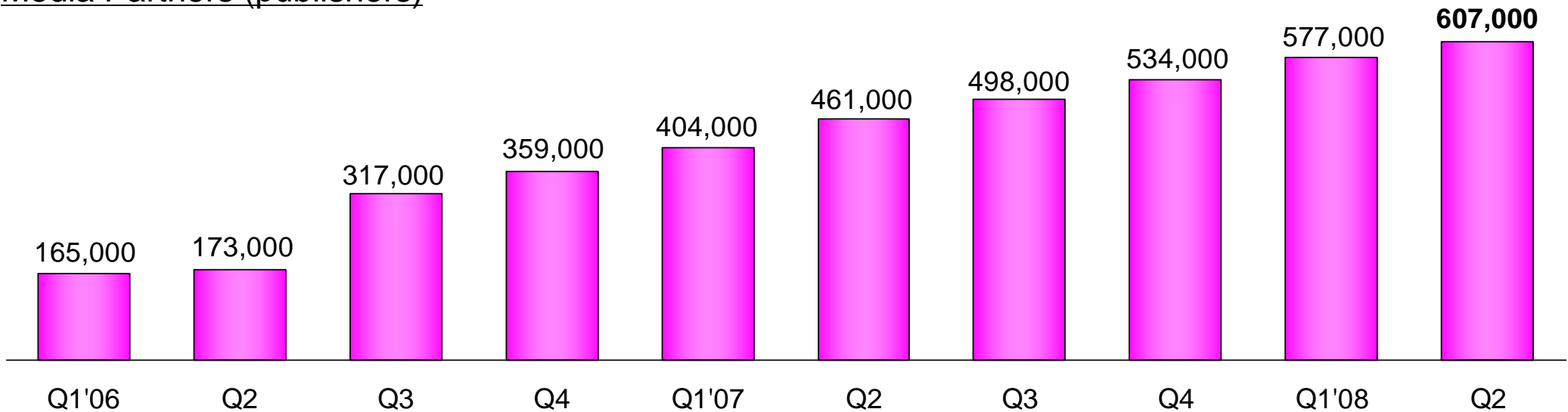
# Business Review

# Merchants & Media Partners Growth Trend

Merchants -- billed basis



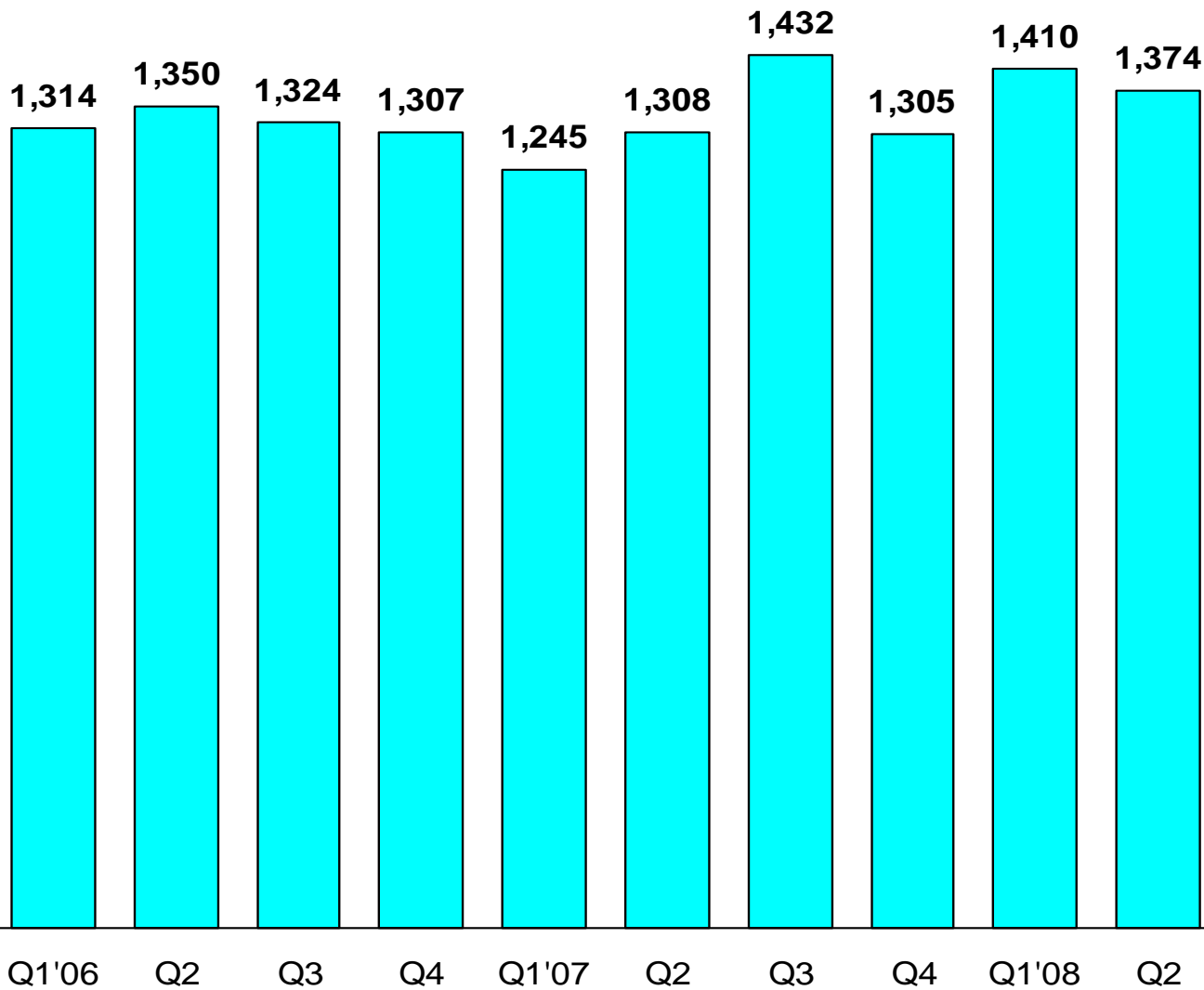
Media Partners (publishers)



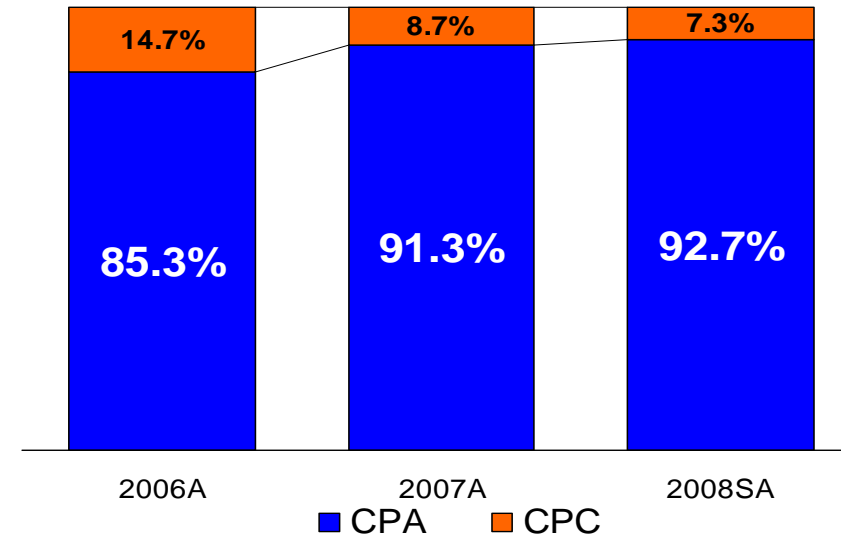
# Partner Payments related indices

## Partner Payments

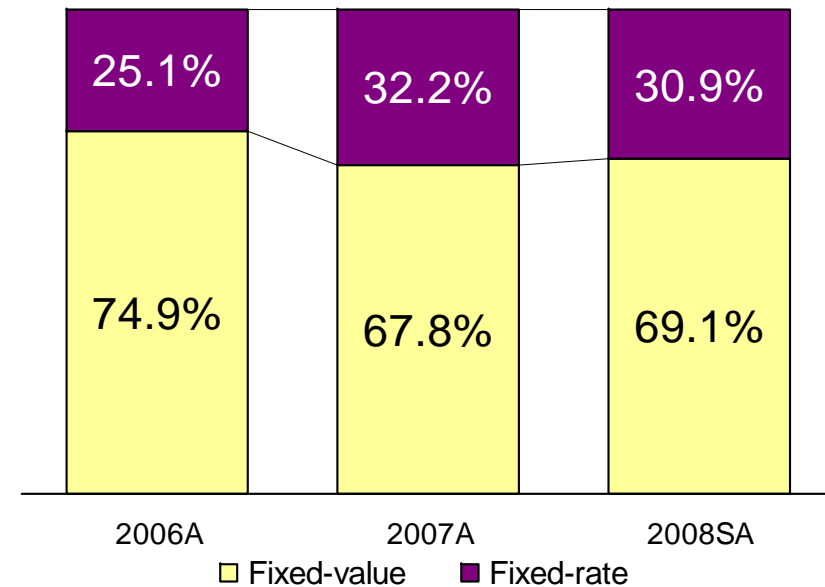
JPY millions



## CPA-CPC distribution



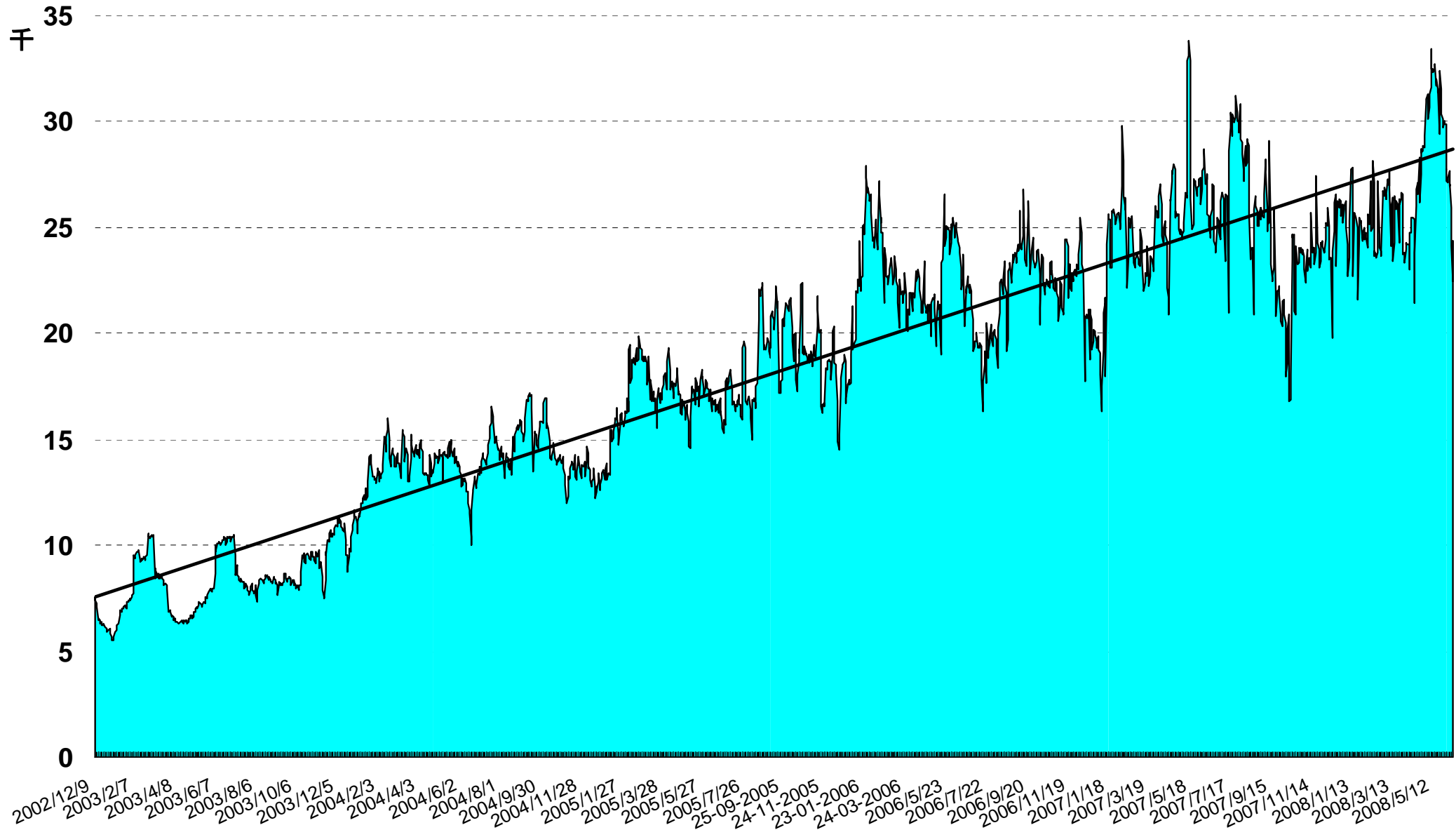
## Fixed-value/fixed-rate distribution



Partner payments refer to compensation paid to media partners confirmed on a quarterly basis. The figures represent total payments for the ASP service and for the consulting service

# Daily Transactions Number Trend

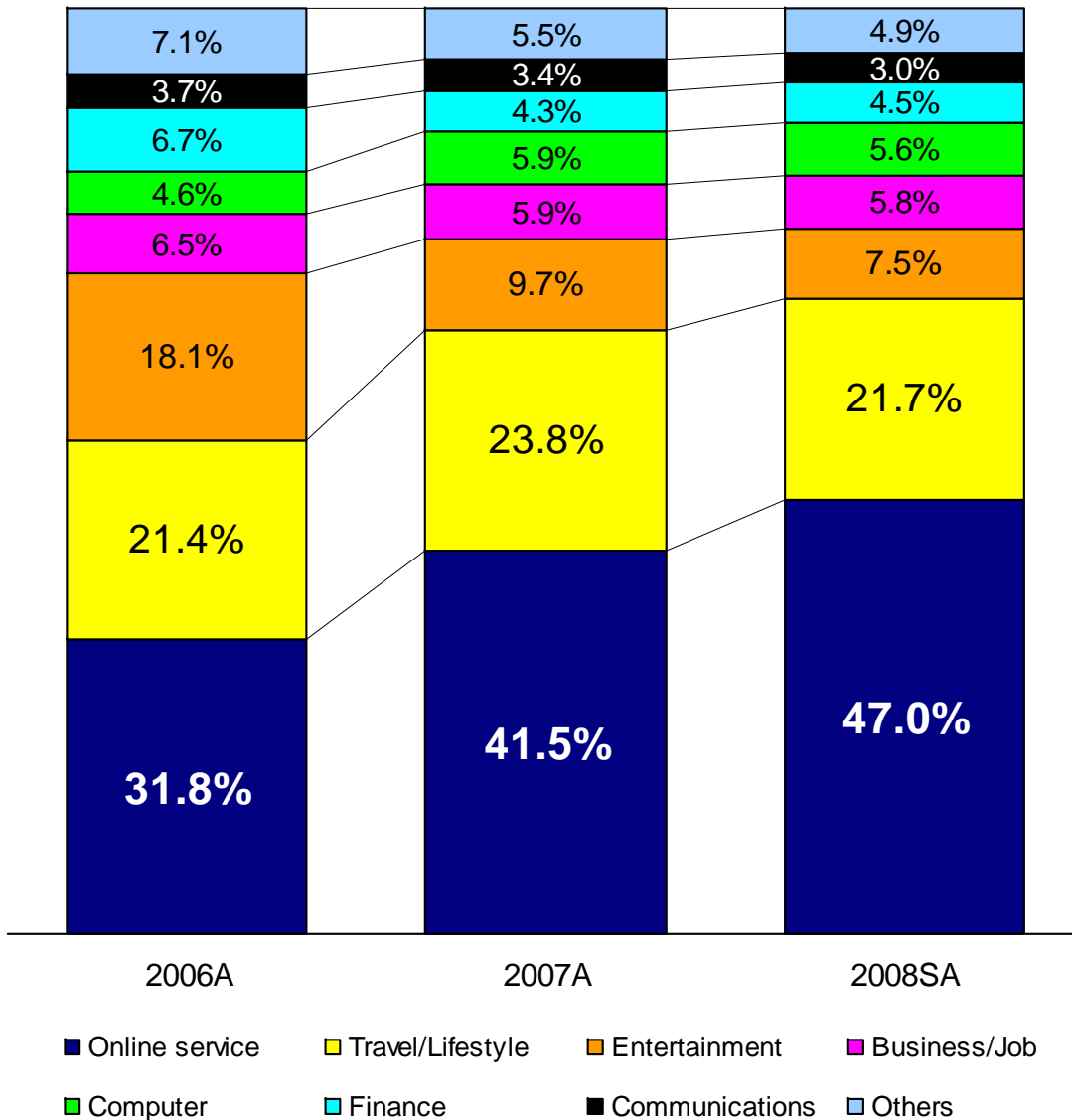
Daily TXs grow at a steady pace, achieving daily 30K on average during Q2



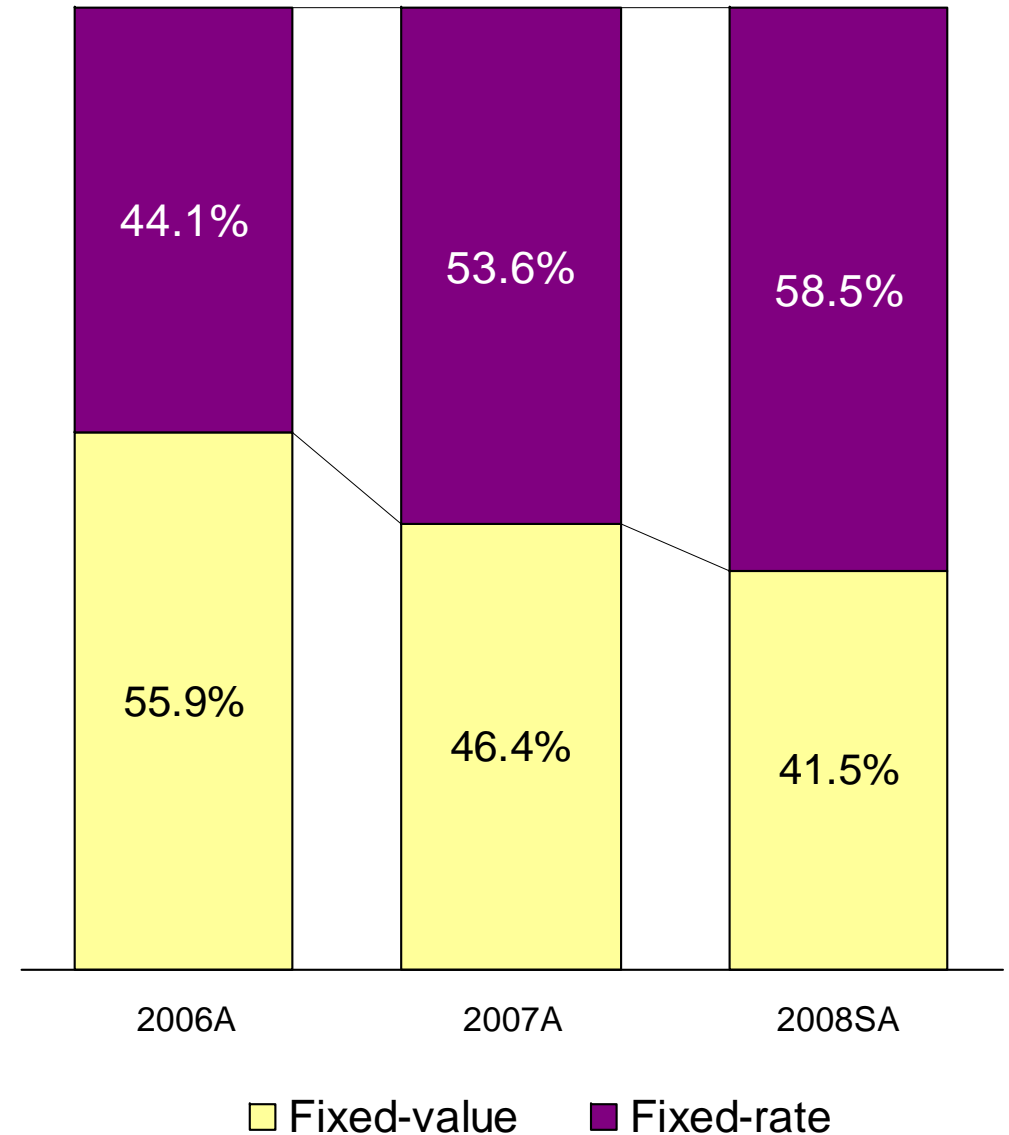
# Transactions related indices

The number of transactions in online service grows in line with the rise in transactions entailing fixed-rate payments

B/D by category

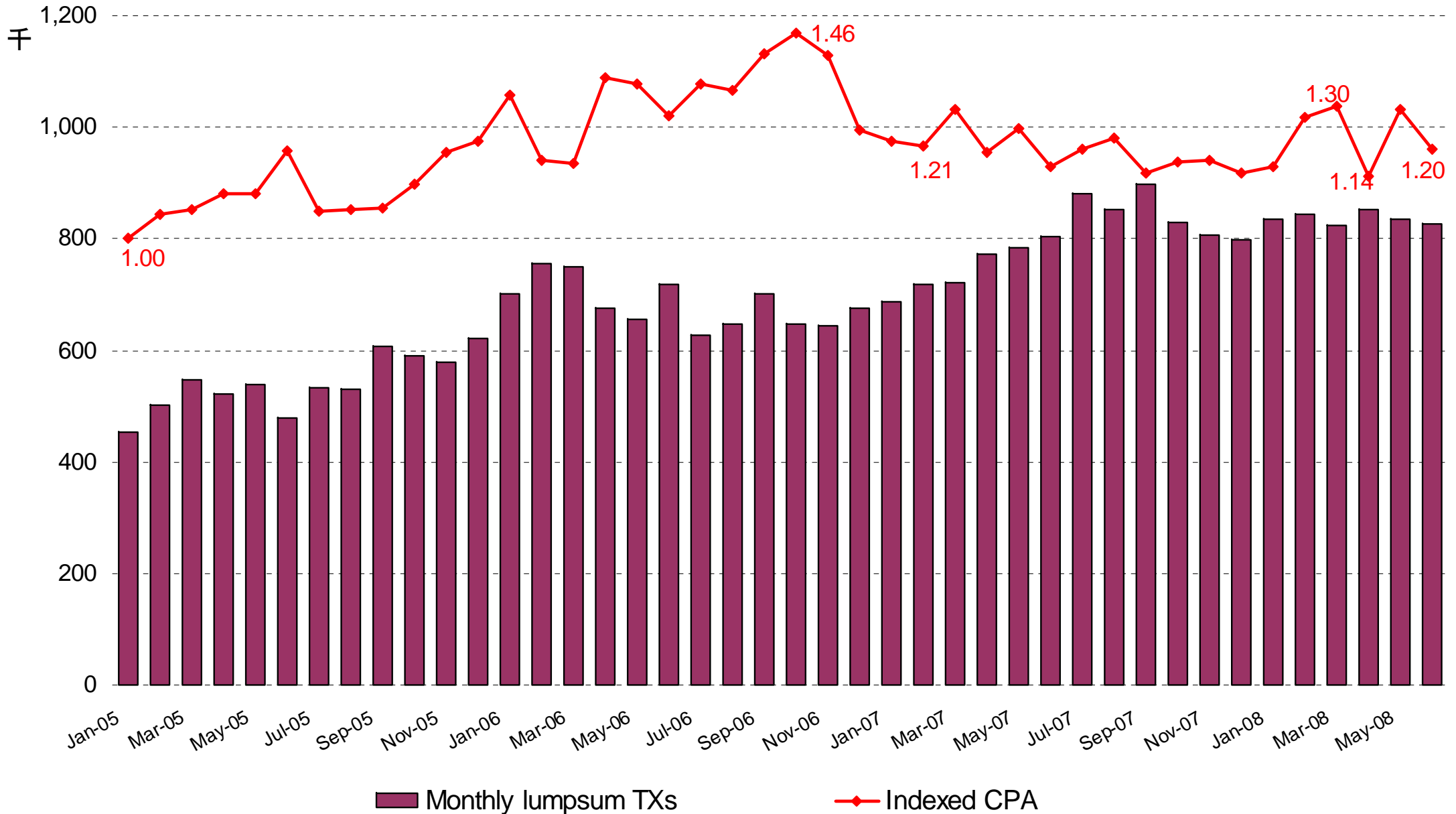


B/D by Fixed-value/Fixed-rate distribution

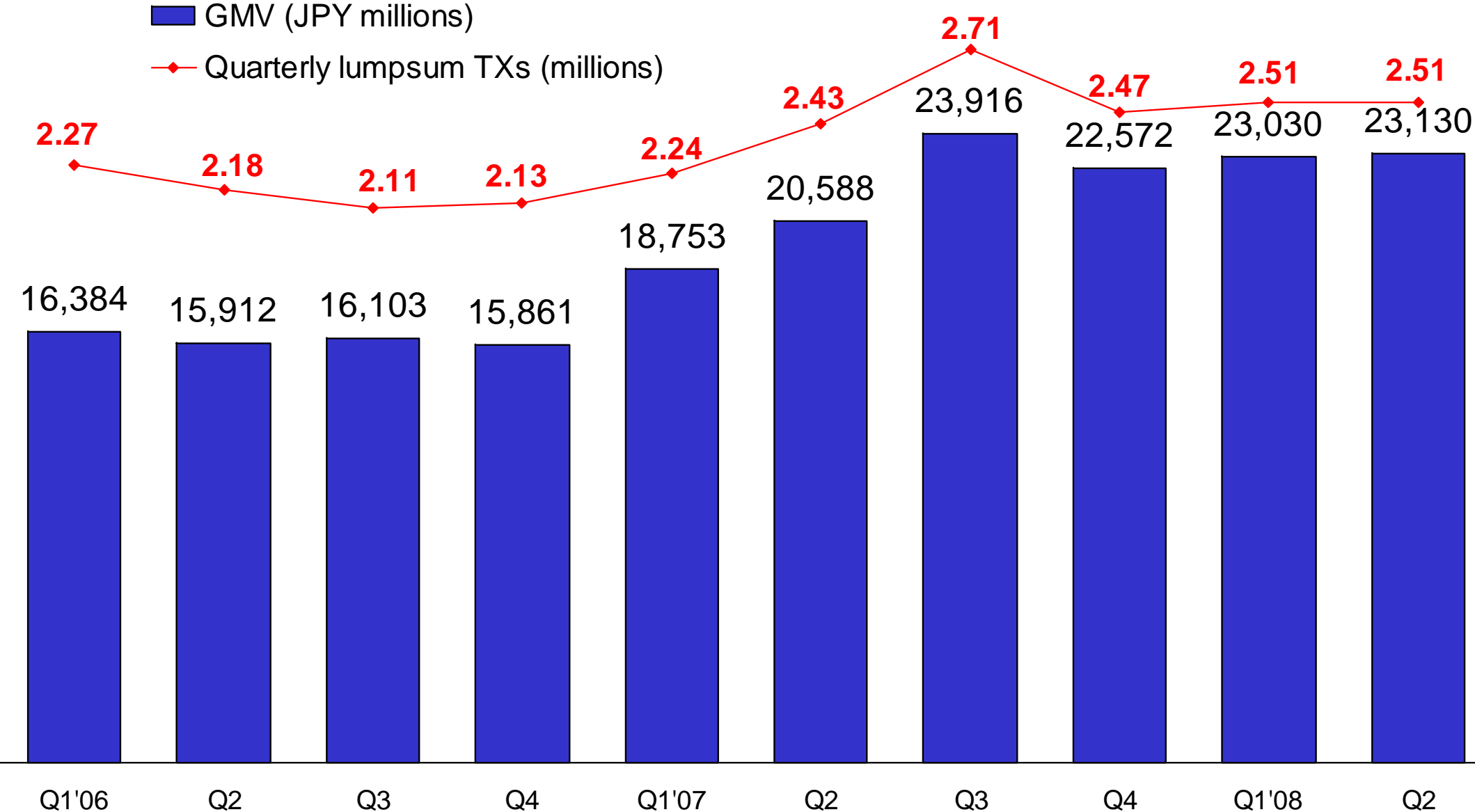


# CPA & Transactions – Historical Correlation

Diagram shows monthly data since 2005. The number of transactions represents the real value while the CPA index reflects an average of all categories, with an index value normalized on January 1, 2005



# Gross Merchandise Volume Growth & Correlation with TXs



\* GMV refers to the amount of purchases on shopping and goods sales sites and the amount of transactions on travel sites, both on PC and mobile phone platforms. It does not cover pay-per-lead transactions including those for requesting materials, membership subscriptions and quotations

# Merchants B/D in Revenues by Category

Figures represent the ratio on parent basis. Finance contribution nears 40% whereas consumer finance slightly edged down

	Q1' 06	Q2	Q3	Q4	Q1' 07	Q2	Q3	Q4	Q1' 08	Q2'08
Finance	33.8%	36.1%	36.7%	36.5%	34.2%	35.0%	33.2%	38.0%	39.7%	39.2%
(Consumer Finance *1)	(24.5%)	(24.3%)	(31.5%)	(31.3%)	(28.8%)	(27.7%)	(26.9%)	(30.0%)	(31.2%)	(28.6%)
(Consumer Finance *2)	(73.9%)	(82.9%)	(87.3%)	(86.7%)	(84.5%)	(78.2%)	(81.1%)	(78.9%)	(78.6%)	(73.0%)
Online Service	13.9%	13.8%	12.0%	13.1%	15.9%	18.8%	20.1%	14.5%	13.9%	13.2%
Travel/Lifestyle	9.2%	10.0%	10.3%	13.0%	15.1%	15.0%	16.2%	15.3%	13.4%	15.7%
Business/Job	10.2%	8.3%	8.6%	9.0%	9.7%	9.7%	7.8%	9.6%	9.3%	8.6%
Computer	4.7%	4.3%	4.7%	5.5%	6.2%	5.0%	7.4%	6.7%	9.0%	8.6%
Communications	6.3%	6.9%	6.7%	3.9%	4.4%	4.9%	4.8%	5.1%	4.5%	5.1%
Entertainment	5.4%	6.0%	4.4%	5.0%	4.1%	3.6%	3.2%	3.5%	3.8%	4.1%
Education	6.2%	7.8%	9.4%	7.1%	4.2%	3.1%	2.9%	2.4%	2.1%	1.2%
Health/Beauty	5.8%	4.0%	3.7%	3.1%	2.7%	2.7%	2.4%	2.3%	2.3%	2.6%
Automobile	3.9%	2.0%	2.4%	2.1%	3.2%	2.0%	1.7%	1.7%	1.9%	1.4%
Others	0.6%	0.8%	1.1%	1.7%	0.3%	0.2%	0.3%	0.9%	0.1%	0.3%

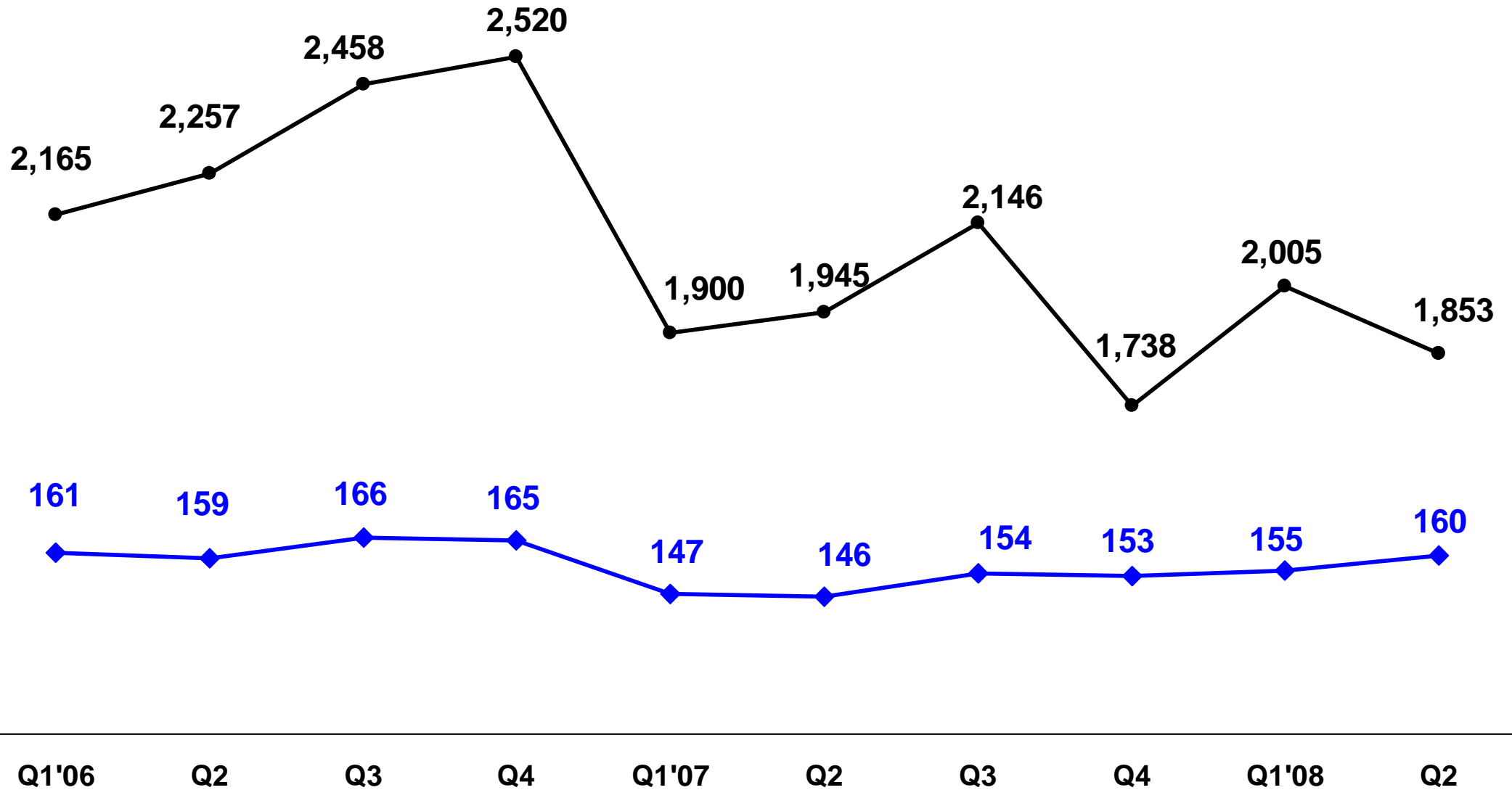
(\*1) refers to the percentage of revenues in consumer finance out of entire parent revenues. (\*2) refers to the one out of finance sector

# Revenue per Client by Service

JPY K

◆ ASP service revenue per client

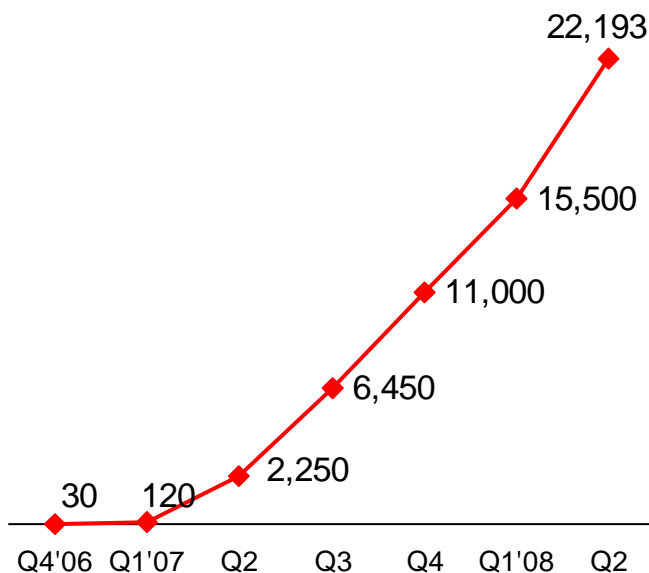
● Consulting service revenue per client



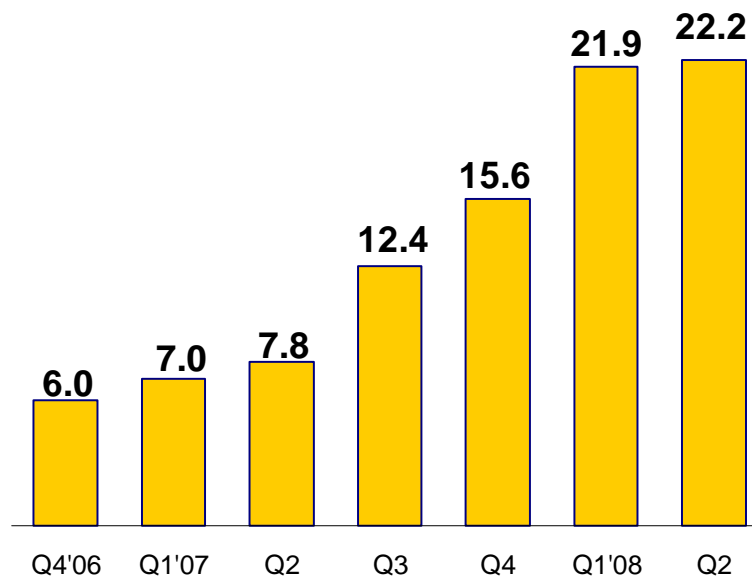
# ValueCommerce Web Service

At the top – over 22mn products database

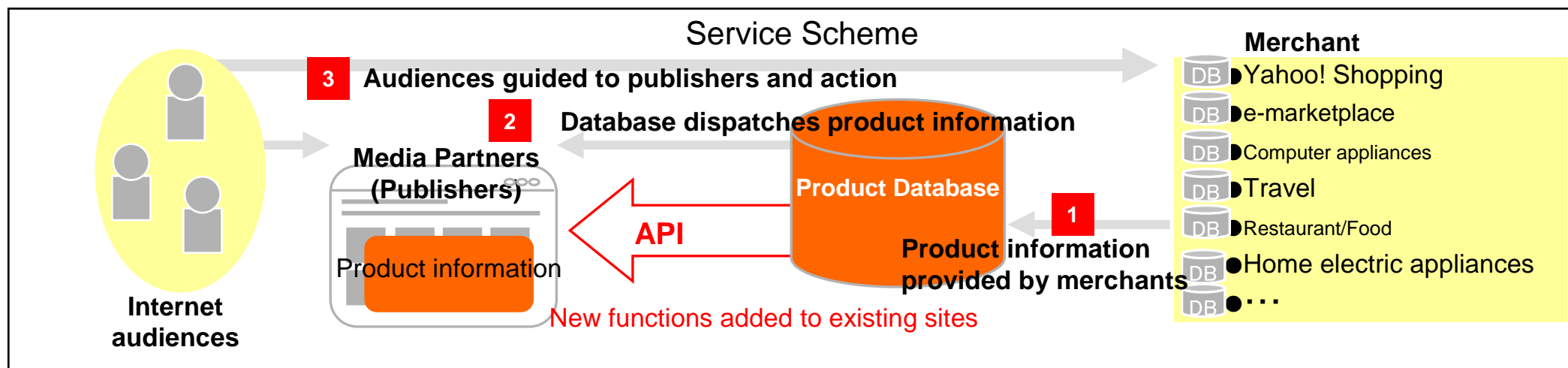
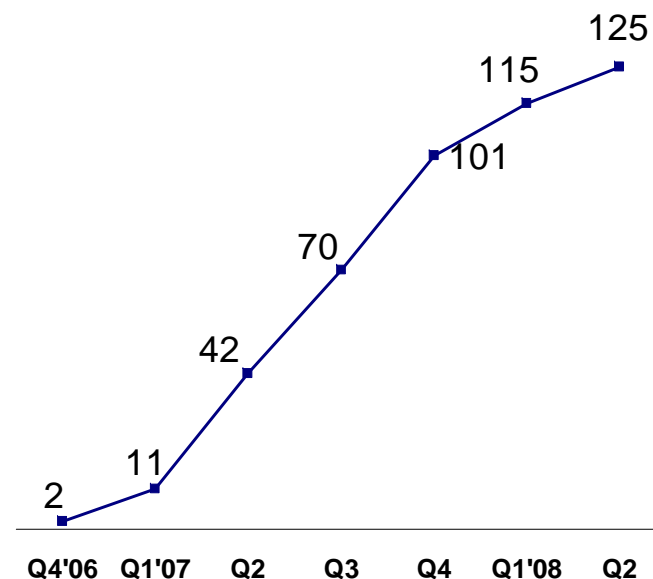
Media Partners



Product Number (millions)



Merchants



API stands for Application Program Interface. The product search API enables users to search product information on e-commerce sites. Using this API, media partners search products to easily retrieve product names, descriptions, prices, images, partner payment information and banner URLs and to place affiliate banners on their own media.

# ValueCommerce Web Service / Achievement in the Interim period

## *Upgrade functions*

- Installation of product identifier codes including JAN, ISBN, Brand ID etc
- Product categories further segmentation
- “My Gadget” functions provided (customized banner distribution available)

## *Supporting mobile affiliate marketing*

- Expansion of services to mobile phone platform
- Mash up with map banners
- Collaboration with GPS functions

## *Raising recognition of the service*

- Workshops for merchants and partners on regular basis
- Exhibitions featuring the Web Service and demonstrations

# 2008 2H Outlook & Strategies for the rest of the year

## 2008 Full Year Earnings Outlook Amendment

JPY millions

(Consolidated)	2008 Interim	Previous Outlook	Revised Outlook
Revenues	3,354	6,600~7,400	6,500~6,900
Operating Income	70	17~270	(72)~52
Recurring Income	37	(30)~225	(120)~3
Net Income (Loss)	(80)	(95)~155	(220)~(96)
(Parent)	2008 Interim	Previous Outlook	Revised Outlook
Revenues	2,795	5,400~6,100	5,400~5,700
Operating Income	86	4~260	(43)~73
Recurring Income	92	20~270	(33)~84
Net Income (Loss)	(26)	(50)~200	(130)~(12)

### (Factors of amendment)

- Revenues                      Slower growth in advertisements in consumer finance industry
- SGA expenses                Increase headcount for sales and tech
- Non OP expenses          JP21's equity method investment loss
- Tax adjustment              a reversal of DTA (2008 Interim)

# Strategic Initiatives for the rest of 2008

## *Finance*

- Focus efforts on other finance clients other than consumer finance
- Build capabilities to manage affiliate marketing
- Acquire leading media partners (publishers)

## *Consulting Service*

- Obtain large e-commerce clients
- Increase sales efforts to favorable online shoppings, travels, job searches

## *Mobile*

- Enhance mobile affiliate marketing
- Increase tie-ups with ad agencies

## *Alliance with Yahoo Japan*

- Collaboration with Yahoo! Shopping web service APIs
- Upgrade functions in Store Match service

## *ValueCommerce Web Service*

- Functional development in product database
- Further monetization through expanding GMV

This presentation contains financial outlooks and other statements on future results. They are based on information currently available and on certain assumptions that we deem reasonable. Actual results in the future may differ materially from projections due to various factors. Please do not rely entirely on the earnings forecasts in making investment decisions.