INTAGE HOLDINGS Inc. August 8, 2014

Flash Report [Japanese GAAP] (Consolidated Basis)

Results for the three months ended June 30, 2014

Company Name: **INTAGE HOLDINGS Inc.** Stock listing: The First Section of the Tokyo Stock Exchange
Code number: 4326 URL http://www.intageholdings.co.jp
Representative: Kenji Miyakubi, President and Representative Director
Contact person: Kenji Ikeya, Corporate Officer, Director of Finance & IR Department Tel: +81-3-5294-7411
Planned filing of a quarterly report: August 12, 2014 Planned start of dividend payments: —
Preparation of supplementary explanations of quarterly financial results: None
Quarterly financial results presentation held: None

(Figures less than ¥1 million have been omitted.)

1. Consolidated Financial Results of Three Months Ended June 30, 2014

(1) Operating Results

Three months ended June 30 Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2014	9,178	5.2	271	17.1	246	23.3	1,499	—
2013	8,725	4.5	231	60.6	199	137.9	33	—

(Note) Comprehensive income: Three months ended June 30, 2014: ¥1,510 million, 790.1 %;
Three months ended June 30, 2013: ¥169 million, 301.0%

	Net income per share	Net income per share after dilution
	Yen	Yen
2014	74.54	—
2013	1.65	—

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The net income per share for the quarter is calculated assuming this stock split took place at the beginning of the previous consolidated fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2014	30,989	18,337	59.0
March 31, 2014	33,740	17,171	50.5

(Reference) Total shareholders' equity: June 30, 2014: ¥18,269 million, March 31, 2014: ¥17,025 million

2. Dividends

Year ended March 31, 2014/ Year ending March 31, 2015

	Annual dividend				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2014	—	0.00	—	27.50	27.50
2015	—				
2015 (Forecast)		0.00	—	30.00	30.00

(Note) Revisions to the most recently disclosed dividend forecasts: None

3. Forecasts for Fiscal Year ending March 31, 2015

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	19,600	5.9	900	2.3	770	(5.2)
Fiscal year	44,000	3.5	3,200	(8.7)	3,000	(11.3)

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	1,700	367.1	84.52
Fiscal year	2,730	66.2	135.73

(Note) Revisions to the most recently disclosed earnings forecasts: Yes

Notes

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
   Additions: None Deletions: None

2. Adoption of special accounting policy for quarterly financial reporting: None

3. Changes in accounting rules, accounting estimates and retrospective restatements in the consolidated financial statements
   1) Changes in accordance with revisions to accounting standards: Yes
   2) Changes other than 1) above: None
   3) Changes in accounting estimates: None
   4) Retrospective restatements: None

4. Number of shares issued and outstanding (Common shares)

	Three months ended June 30, 2014	Year ended March 31, 2014
1) Number of shares issued (including treasury stock)	20,808,000	20,808,000
2) Number of treasury stock	695,052	695,052
		Three months ended June 30, 2013
3) Average number of shares issued for each period	20,112,948	20,112,982

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The number of shares outstanding (common stock) is calculated assuming this stock split took place at the beginning of the previous consolidated fiscal year.

Indication regarding the status of review procedures

These financial statements are not subject to review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

Explanation for the Appropriate Use of the Forecasts of Financial Results and Other Special Instructions

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to management at the time of this document's release. Actual results may differ from the results anticipated in the statements. Regarding the forecast of financial results, please refer to “Explanation of Consolidated Performance Forecasts and other Projected Information” on page 4.

1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE SUBJECT PERIOD

(1) Explanation of Operating Results

During the first quarter of fiscal 2015 (April 1, 2014 to June 30, 2014), the Japanese economy maintained an overall tone of gentle recovery. Despite a decline in reaction to the spike in demand just prior to the consumption tax increase, a slowdown in growth in newly industrializing economies and resource-rich countries, and concerns regarding the impact from the tensions in Ukraine and other global conditions, with the effect of various economic stimulus measures by the government, there was no major slump in corporate earnings or personal consumption.

Under these conditions, during the first quarter ended June 30, 2014 the INTAGE Group posted consolidated net sales of ¥9,178 million (up 5.2% from the same period of the previous fiscal year), with operating income of ¥271 million (up 17.1%), ordinary income of ¥246 million (up 23.3%) and net income of ¥1,499 million (compared with net income of ¥33 million in the same period of the previous fiscal year).

Effective June 2, 2014 the Company's consolidated subsidiary ASKLEP Inc. transferred its clinical development and related businesses to A2 Healthcare Corporation, a newly established, wholly owned ASKLEP Inc. subsidiary, and on the same day all issued A2 Healthcare Corporation shares held by ASKLEP Inc. were transferred to ITOCHU Corporation.

With this transfer, the Company posted an extraordinary gain of ¥2,911 million on the sales of subsidiaries and affiliates' stocks. This extraordinary gain is reflected in the Forecasts for Fiscal Year ending March 31, 2015.

The results by business segment were as follows:

1) Market Research and Consulting

In Marketing Research and Consulting, revenue and earnings both rose with year-on-year increases in sales of the mainstay INTAGE Inc. panel data services SCI (nationwide individual consumer panel research), i-SSP (INTAGE Single Source Panel) and SRI (Retail tracking research) and in the prescription data analysis services provided by Japan Medical Information Research Institute, Inc. (JMIRI).

As a result, sales in the Marketing Research and Consulting segment amounted to ¥6,770 million (up 8.7% year on year), with operating income of ¥278 million (up 2.7%).

2) System Solutions

In the System Solutions business, revenue and earnings both continued rising following increases the previous fiscal year, as orders remained firm at INTAGE Inc. and INTAGE TECHNOSPHERE Inc.

As a result, sales in the System Solutions segment amounted to ¥1,288 million (up 27.6% year on year), with operating income of ¥159 million (compared with operating income of ¥9 million in the same period of the previous fiscal year).

3) Drug Development Solutions

The drug development solutions business posted reduced revenues and lower earnings. While orders for EDC (Electronic Data Capture) systems which meet customer needs were favorable at ASKLEP Inc., revenues and earnings declined because that company transferred its clinical development and related businesses.

As a result, sales in the Drug Development Solutions segment amounted to ¥1,120 million (down 24.5% year on year), with an operating loss of ¥167 million (compared with an operating loss of ¥49 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Assets

Current assets decreased ¥2,434 million from the end of the previous fiscal year (March 31, 2014) to ¥19,291 million. This decrease was mostly because while cash and deposits increased ¥783 million and work in progress rose ¥695 million, notes and accounts receivable-trade declined ¥3,681 million.

Noncurrent assets declined ¥315 million from the end of the previous fiscal year to ¥11,697 million. This was mostly because of a reduction of ¥278 million in goodwill.

As a result, total assets declined ¥2,750 million to ¥30,989 million.

Liabilities

Current liabilities decreased ¥3,387 million from the end of the previous fiscal year to ¥9,294 million. This change was partly because short-term bank loans declined ¥3,736 million.

Long-term liabilities declined ¥528 million to ¥3,358 million. This decrease was mostly because of a decline of ¥427 million in net defined benefit retirement liabilities.

As a result, total liabilities decreased ¥3,916 million to ¥12,652 million.

Net Assets

Total net assets increased ¥1,165 million from the end of the previous fiscal year to ¥18,337 million. This increase was mostly because retained earnings rose ¥1,245 million.

(3) Explanation of Consolidated Performance Forecasts and other Projected Information

For consolidated financial performance forecasts for the second quarter cumulative period ending September 30, 2014 and the full fiscal year ending March 31, 2015, see “Notice of Revision to Forecasts of Financial Performance” released today.

* The performance projections in this document are calculated based on information available to management at the time of this document's release. Actual results may differ from the projections due to future economic conditions and other factors

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

(1) Significant changes in subsidiaries during the subject period

Not applicable

(2) Adoption of special accounting policy for quarterly financial reporting

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Application of Accounting Standard for Retirement Benefits)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012, “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, “Retirement Benefits Guidance”), from the subject first quarter consolidated fiscal period the Company has applied the provisions in the body of Item 35 of the Retirement Benefits Accounting Standard and in the body of Item 67 of the Retirement Benefits Guidance, revised the method of calculating the amount of retirement benefit obligations and service costs, changed the period attribution for projected retirement benefit amounts from the period fixed amount standard to the benefit formula standard, and changed the discount rate determination method from a method using a discount rate based on the remaining service period to one using a single weighted average discount rate reflecting the projected retirement benefits payment periods and the amounts for each payment period.

Regarding the application of the Retirement Benefits Accounting Standard, in accordance with the transitional handling provisions of item 37 of the Retirement Benefits Accounting Standard, the amount of the impact from changing the retirement benefit obligations and service costs calculation methods was added or deducted from retained earnings at the beginning of the subject first quarter consolidated fiscal period.

As a result, at the beginning of the subject first quarter, net defined benefit assets and retained earnings increased by ¥174,948 thousand and ¥298,920 thousand, respectively, while net defined benefit liabilities and deferred tax assets declined by ¥289,574 thousand and ¥165,602 thousand, respectively. The effects on the profit and loss, segment information and per share information for the subject first quarter were negligible.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

Thousands of yen

	March 31, 2014	**June 30, 2014**
ASSETS		
Current assets:		
Cash and deposits	7,943,759	**8,727,589**
Note and accounts receivable-trade	9,830,446	**6,148,601**
Work in progress	1,453,724	**2,148,820**
Stored item	45,682	**48,174**
Deferred tax assets	1,132,052	**1,061,893**
Other current assets	1,321,189	**1,157,314**
Allowance for doubtful accounts	(519)	**(508)**
Total current assets	21,726,335	**19,291,885**
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	1,856,383	**1,749,535**
Equipment and fixtures, net	416,366	**377,351**
Land	1,998,156	**1,998,156**
Lease assets, net	720,746	**678,309**
Other, net	0	**0**
Property and equipment, net	4,991,652	**4,803,352**
Intangible assets:		
Goodwill	1,345,256	**1,066,925**
Other intangible assets	1,222,813	**1,156,162**
Total intangible assets	2,568,070	**2,223,087**
Investments and other assets:		
Investment securities	965,748	**1,204,034**
Deferred tax assets	1,373,076	**1,163,643**
Net defined benefit retirement assets	827,425	**1,016,433**
Other	1,287,736	**1,300,804**
Allowance for doubtful accounts	—	**(13,446)**
Total investments and other assets	4,453,986	**4,671,469**
Total non-current assets	12,013,710	**11,697,909**
Total assets	33,740,045	**30,989,795**

Thousands of yen

	March 31, 2014	**June 30, 2014**
LIABILITIES		
Current liabilities:		
Accounts payable-trade	2,421,006	**1,906,650**
Short-term loans payable	3,893,056	**156,875**
Lease obligations	314,165	**296,705**
Income taxes payable	1,407,293	**1,049,190**
Provision for bonuses	1,505,417	**747,561**
Allowance for point program	867,010	**903,974**
Allowance for directors' bonuses	3,000	**2,000**
Asset retirement obligations	—	**139,100**
Other current liabilities	2,270,995	**4,092,394**
Total current liabilities	12,681,944	**9,294,452**
Non-current liabilities:		
Long-term loans payable	37,000	**—**
Retirement allowance for directors	29,000	**4,000**
Net defined benefit retirement liability	3,321,845	**2,894,460**
Lease obligations	498,712	**456,611**
Other non-current liabilities	—	**2,970**
Total non-current liabilities	3,886,557	**3,358,042**
Total liabilities	16,568,501	**12,652,494**
NET ASSETS		
Shareholders' equity:		
Capital stock	1,681,400	**1,681,400**
Capital surplus	1,336,688	**1,336,688**
Retained earnings	14,012,756	**15,257,841**
Treasury stock, at cost	(533,097)	**(533,097)**
Total shareholders' equity	16,497,746	**17,742,831**
Valuation and translation adjustments:		
Unrealized holding gain on securities, net of taxes	21,738	**16,185**
Foreign currency translation adjustments	350,706	**304,624**
Remeasurements of defined benefit retirement plans	155,211	**205,676**
Total valuation and translation adjustments	527,656	**526,486**
Minority interests	146,140	**67,983**
Total net assets	17,171,543	**18,337,300**
Total liabilities and net assets	33,740,045	**30,989,795**

(2) Consolidated Statements of Operations and Consolidated of Comprehensive Income

Consolidated Statements of Operations

Three months ended June 30 — Thousands of yen

	2013	**2014**
Net sales	8,725,561	**9,178,613**
Cost of sales:	6,550,381	**6,794,379**
Gross profit	2,175,180	**2,384,233**
Selling, general and administrative expenses:	1,943,286	**2,112,785**
Operating income	231,893	**271,448**
Non-operating revenues:		
Interest income	1,413	**639**
Dividend income	24,867	**26,961**
Insurance benefit received and dividends	1,563	**17,057**
Other	4,060	**7,042**
Total	31,905	**51,701**
Non-operating expenses:		
Interest expenses	11,138	**13,676**
Equity in losses of affiliates	30,162	**45,933**
Foreign exchange losses	12,199	**6,090**
Other	10,654	**11,219**
Total	64,155	**76,920**
Ordinary income	199,644	**246,228**
Extraordinary income:		
Gain on sales of subsidiaries and affiliates' stocks	—	**2,911,668**
Gain on bargain purchase	—	**5,877**
Total	—	**2,917,546**
Extraordinary losses:		
Loss on transfer of business	13,626	**—**
Impairment loss	—	**178,398**
Special retirement expenses	—	**131,420**
Loss on abolishment of retirement benefit plan	—	**284,838**
Other	—	**7,500**
Total	13,626	**602,156**
Income before income taxes	186,017	**2,561,618**
Income taxes - current	19,224	**962,993**
Income taxes - deferred	135,651	**88,203**
Total	154,876	**1,051,197**
Income before minority interests	31,141	**1,510,420**
Minority interests in income (loss)	(2,134)	**11,151**
Net income	33,276	**1,499,269**

Consolidated of Comprehensive Income

Three months ended June 30		Thousands of yen
	2013	**2014**
Income before minority interests	31,141	**1,510,420**
Other comprehensive income:		
Valuation difference on available-for-sale securities	(718)	**(5,553)**
Foreign currency translation adjustments	139,233	**(47,067)**
Remeasurements of defined benefit retirement plans	—	**52,374**
Total of other comprehensive income	138,514	**(245)**
Comprehensive income	169,656	**1,510,174**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	170,443	**1,498,099**
Comprehensive income attributable to minority interests	(787)	**12,075**

(3) Note to Financial Statements

Note on Assumptions for Going Concern

Not applicable

Note in the Event of Major Change in Shareholders' Equity

Not applicable.

(4) Segment Information

Business Segment

1. Three months ended June 30, 2013

1. Information on Net Sales, Profit or Loss, Assets and Other Items by Reported Segment

Thousands of yen

	Reported Segment			Total
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	
Net sales:				
Net sales to third parties	6,231,239	1,009,854	1,484,467	8,725,561
Intra-group net sales and transfers	—	—	—	—
Total	6,231,239	1,009,854	1,484,467	8,725,561
Operating income (loss)	271,632	9,751	(49,490)	231,893

Note: The total of the segment profit and loss figures equals the operating income reported on the consolidated statements of income.

2. Three months ended June 30, 2014

1. Information on Net Sales, Profit or Loss, Assets and Other Items by Reported Segment

Thousands of yen

	Reported Segment			Total
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	
Net sales:				
Net sales to third parties	6,770,276	1,288,265	1,120,071	9,178,613
Intra-group net sales and transfers	—	—	—	—
Total	6,770,276	1,288,265	1,120,071	9,178,613
Operating income (loss)	278,856	159,759	(167,167)	271,448

Note: The total of the segment profit and loss figures equals the operating income reported on the consolidated statements of income.

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