INTAGE HOLDINGS Inc.

1H FY2016 Business Results

Six months ended September 30, 2015
FY2016: Fiscal year ending March 31, 2016

November 18, 2015

(TSE 4326)

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1H FY2016 Results

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Summary of Income Statements

Net sales increased year-on-year, and improved profitability at equity method affiliates contributed to ordinary income. However, net income declined in reaction to the extraordinary income posted in the previous fiscal year.
Net sales are slightly short of the forecast level.

(Millions of yen)

	1H FY2014 Actual	1H FY2015 Actual	1H FY2016 Actual (a)	Change YoY	1H FY2016 Forecast (b) (As of May 12)	a/b
Net Sales	18,505	19,338	**20,343**	5.2%	20,500	(0.8)%
Operating Income	880	1,317	**1,319**	0.1%	1,200	9.9%
Ordinary Income	811	1,255	**1,333**	6.2%	1,150	16.0%
Net income attributable to owners of the Parent	363	2,085	**704**	(66.2)%	700	0.6%
EPS(Yen)*1	18.09	103.87	**35.30**	—	35.07	—
ROE (%)	2.4	11.7	**3.5**	—		

*1 Net income per share includes company shares held in trust for director's compensation in the treasury stock deducted in the calculation of the average number of shares during the period.

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Summary of BS and CF

(Millions of yen)

Consolidated Balance Sheets	FY2015	1H FY2016	Change	Details
Current assets	21,560	19,089	(2,470)	Decrease in “cash and deposits” and “notes and accounts receivable-trade”
Non-current assets	11,740	12,157	416	Increase in “lease assets”, “net and investment securities”
Total assets	33,301	31,247	(2,054)	
Current liabilities	10,042	7,577	(2,465)	Decrease in “income taxes payable”
Non-current liabilities	3,342	3,530	188	Increase in “lease obligations”
Total liabilities	13,384	11,107	(2,277)	
Shareholders’ equity	18,489	18,610	121	Increases in “retained earnings”
Accumulated other comprehensive income	1,249	1,363	113	
Non-controlling interest	178	166	(11)	
Total net assets	19,917	20,139	222	

Consolidated Cash Flows	FY2015	1H FY2016	Change	Details
Cash flow from operating activities	932	(769)	(1,701)	Increase in “decrease in accrued consumption taxes” and “income taxes paid”
Cash flow from investing activities	3,305	(668)	(3,973)	There were revenues from the sale of shares of A2 Healthcare Corporation as a special factor in the previous fiscal year
Cash flow from financing activities	(4,662)	(816)	3,846	There were disbursements for the repayment of loans payable as a special factor in the previous fiscal year
Effect of exchange rate changes on cash and cash equivalents	(14)	10	24	
Net increase/(decrease) in cash and cash equivalents	(438)	(2,242)	(1,803)	
Cash and cash equivalents at beginning of year	7,926	8,366	439	
Cash and cash equivalents at end of quarter	7,487	6,120	(1,367)	

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Results by Segment
Marketing Support (Consumer Goods & Services)

Clients	×			
Consumer goods and consumer durables, services, and government offices		Panel Research	Custom Research (CR)-existing	Custom Research (CR)-web
		Communications (Co)	Consulting	Overseas subsidiaries

(Millions of yen)

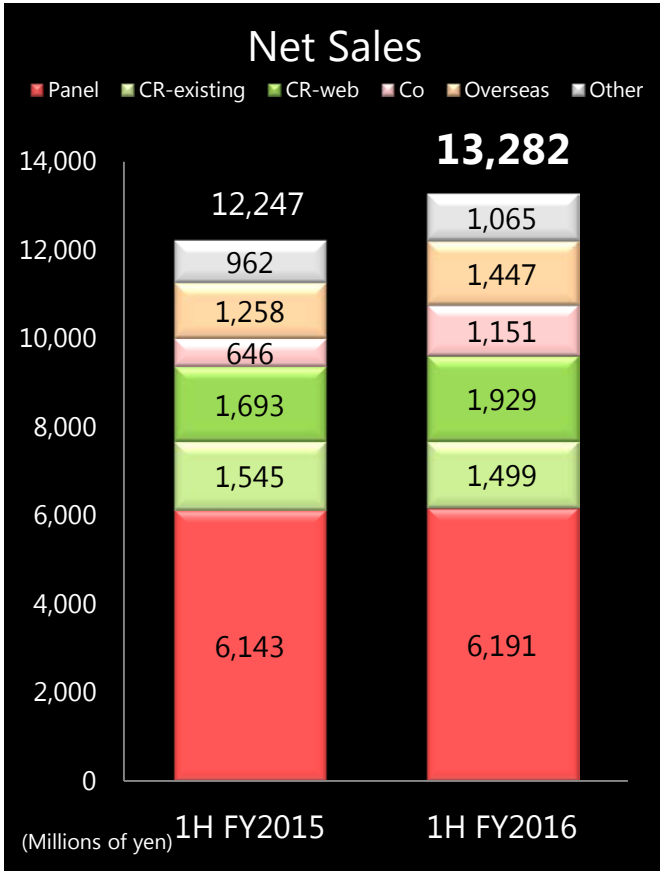
Net Sales			Operating Income		
1H FY2015	1H FY2016	Change YoY	1H FY2015	1H FY2016	Change YoY
12,247	13,282	108.5%	646	459	71.0%

■ Net sales

The media communication business such as interactive promotions, i-SSP, and Internet surveys sold well.

■ Operating income

Development cost for the media communications business and for the next-generation retail tracking research led to decreased profits. In addition, CR-web has lower profitability compared to panel research, which led to decreased profit.



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Results by Segment
Marketing Support (Healthcare)

Clients	×			
Pharmaceuticals		Panel Research	Custom Research (CR)-existing	Custom Research (CR)-web
		CRO	Communications	Consulting

(Millions of yen)

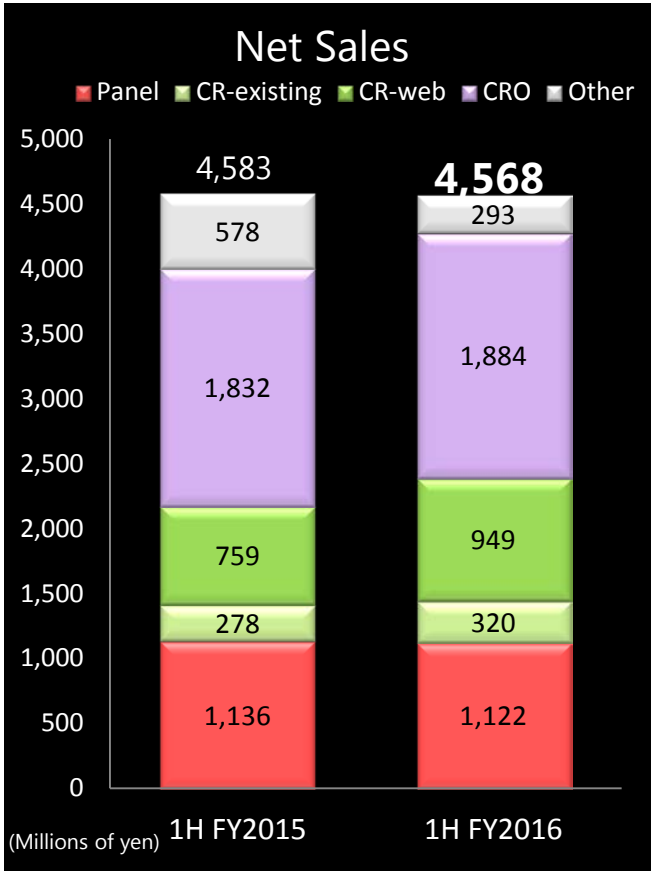
Net Sales			Operating Income		
1H FY2015	1H FY2016	Change YoY	1H FY2015	1H FY2016	Change YoY
4,583	4,568	99.7%	428	706	164.8%

■ Net sales

While partial transfer of business (monitoring) of ASKLEP Inc. in June 2014 led to decreased sales, CRO (EDC) and CR-web sold well. In total, it resulted in a slight decreased sales.

■ Operating income

Favorable sales in EDC and CR-web led to increased profit. Enhanced work efficiency such as business transfer and structural reform resulted in great increase in operating income.



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Results by Segment
Business Intelligence

Clients	×	Software Development	System Operation	Data Center Operation
Services, pharmaceuticals, and health insurance associations				

(Millions of yen)

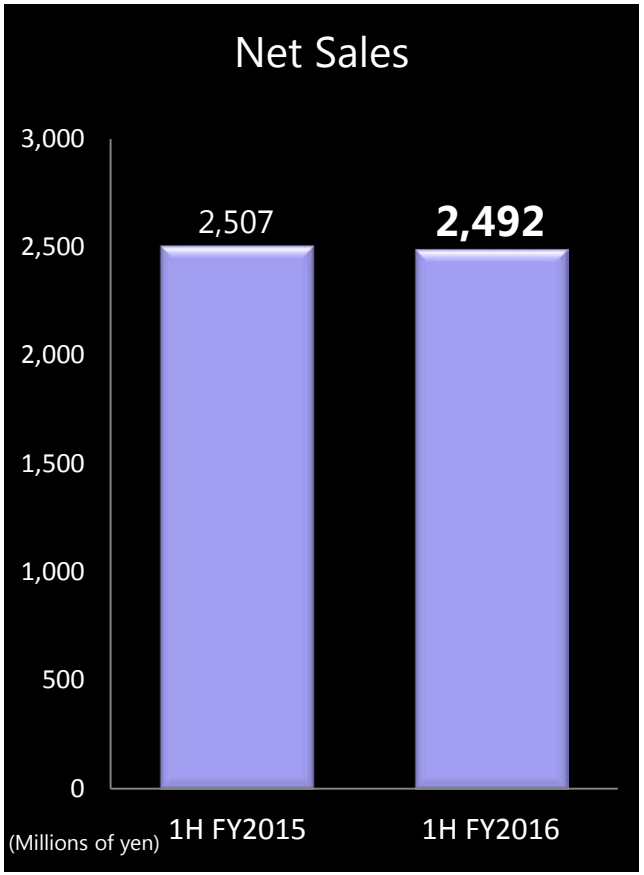
Net Sales			Operating Income		
1H FY2015	1H FY2016	Change YoY	1H FY2015	1H FY2016	Change YoY
2,507	2,492	99.4%	242	153	63.2%

■ Net sales

Sales were firm, but resulted in slight decreased sales in reaction to large orders (replacement of trunk systems in the wholesale and travel fields) received during the same period of the previous fiscal year.

■ Operating income

Declined substantially in reaction to the high profits posted from large orders in the same period of the previous fiscal year.



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FY2016 Earnings Forecast and Earnings Distribution

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FY2016 Earnings Forecast (consolidated; by segment)

(Millions of yen)

		FY2015 Actual	FY2016 Forecast	Change YoY
Marketing Support (Consumer Goods & Services)	Net Sales	28,963	30,800	6.3%
	Operating Income	1,916	1,980	3.3%
Marketing Support (Healthcare)	Net Sales	9,404	9,700	3.1%
	Operating Income	1,155	1,358	17.5%
Business Intelligence	Net Sales	5,557	5,500	(1.0)%
	Operating Income	499	462	(7.5)%
Consolidated	Net Sales	43,925	46,000	4.7%
	Operating Income	3,571	3,800	6.4%
	Ordinary Income	3,446	3,770	9.4%
	Net income attributable to owners of the Parent	2,463	2,400	(2.6)%
	ROE (%)	13.4	11.6	–

(Notes)

1. For FY 2014 “Net Income”
2. The above performance forecasts were based on information available at the time they were prepared and incorporate various uncertainties, so actual performance may differ materially from these projected figures.

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Basic Policy on Earnings Distribution

- The INTAGE Group's basic policy is to distribute earnings in consideration of the balance between dividends and retained earnings, based on the consolidated results.
- INTAGE HOLDINGS Inc. considers the return of earnings to shareholders to be one of its highest management priorities.

	Year-end Dividends (¥)	Payout Ratio (Consolidated) (%)	DOE (Consolidated) (%)
FY2015	30.00	24.5	3.3
FY2016 (Forecast)	32.50	27.2	—

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Topics

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INTAGE Group Business Plans for FY2016

Group Basic Policy

Further Acceleration of Renovation & Innovation

Strategy Points

- Introduction of new segments
- Restructuring of Group formation
- Strategic investments to generate Group growth
- Generate profitability in overseas businesses overall, and strengthen governance
- Steady growth of the media communications business

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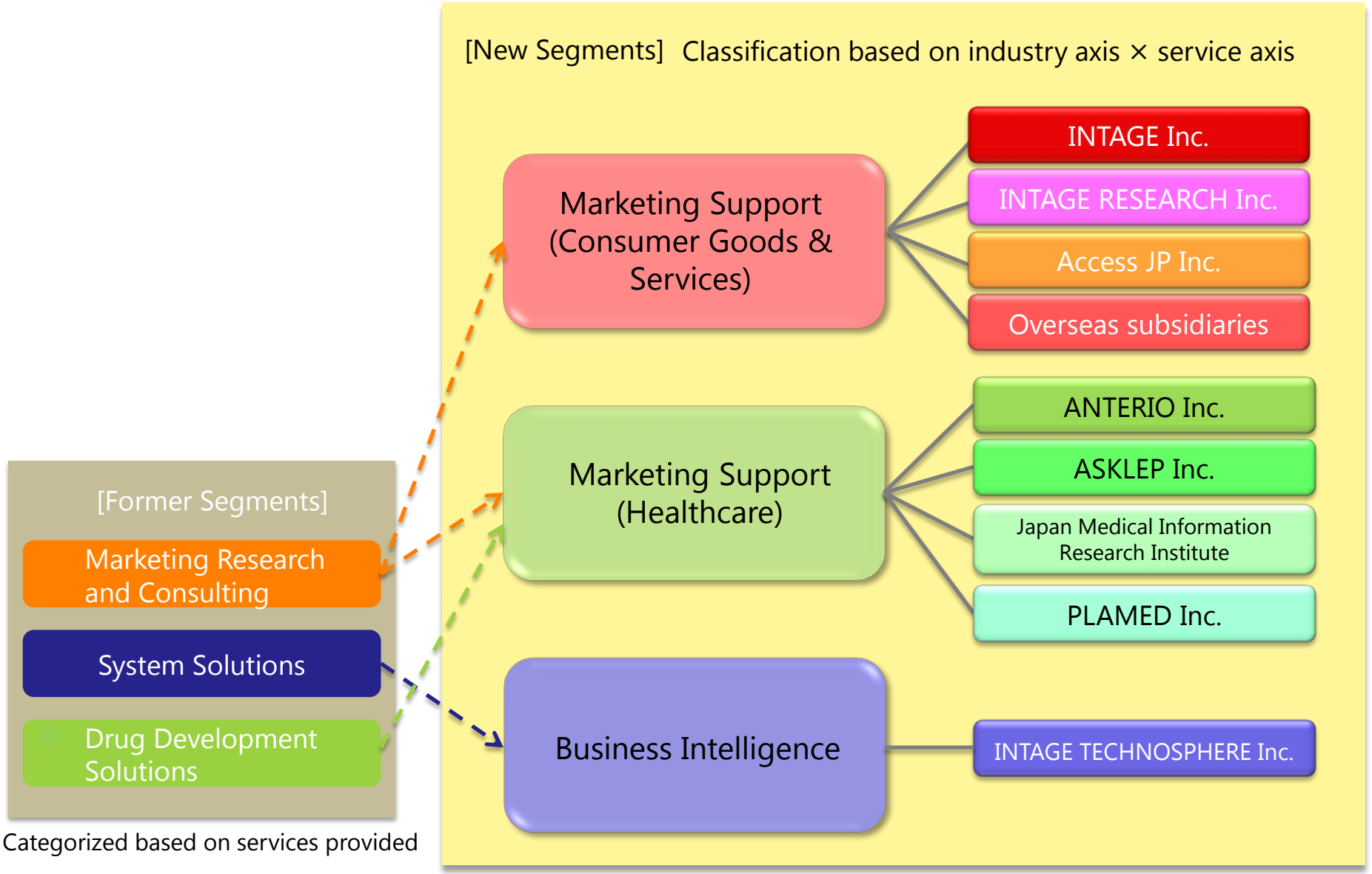
Introduction of New Segments



Categorized based on services provided

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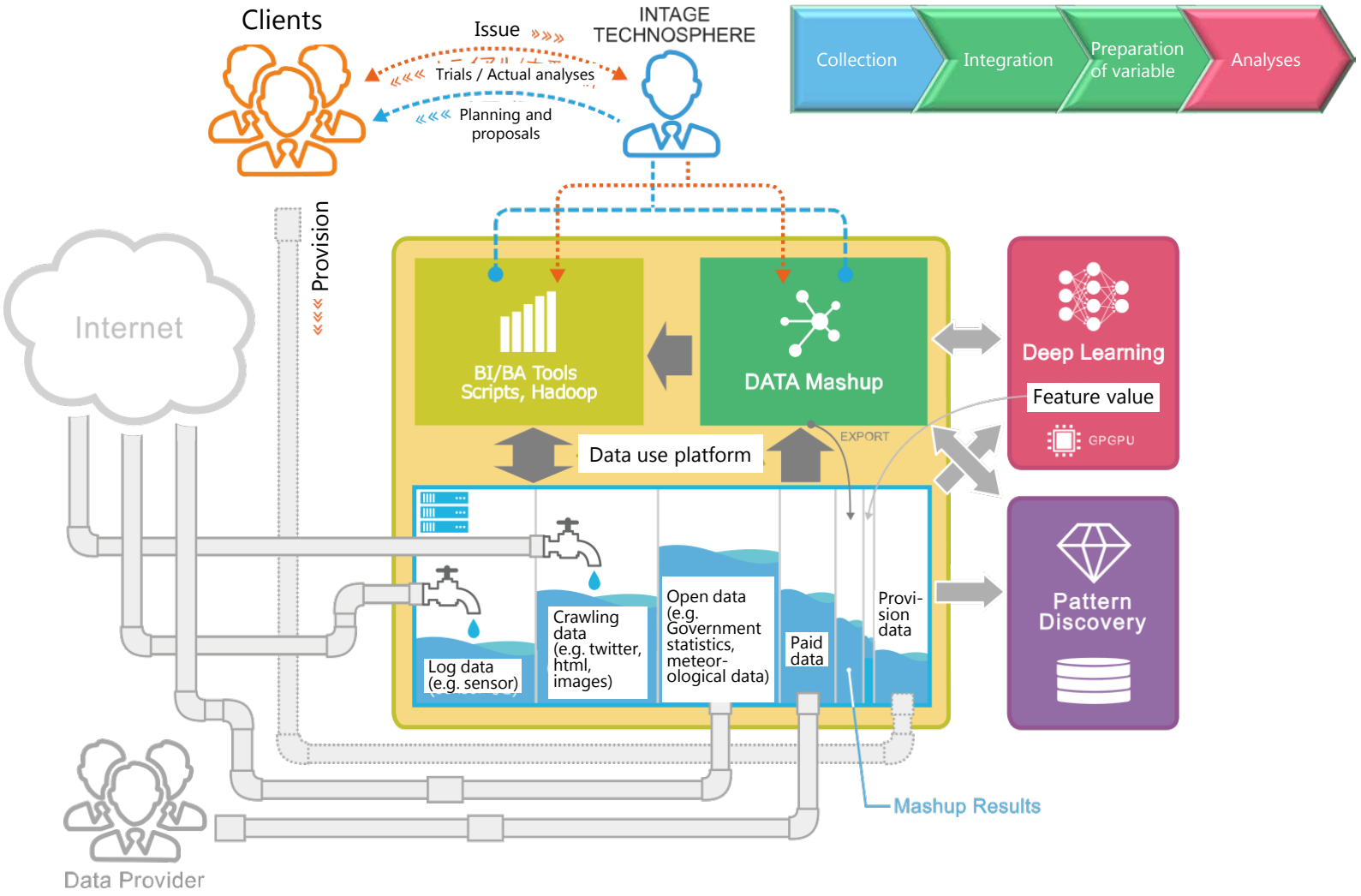
Next-Generation Data Use Platform



Marketing Support (Consumer Goods & Services)

Marketing Support (Healthcare)

Business Inteligence

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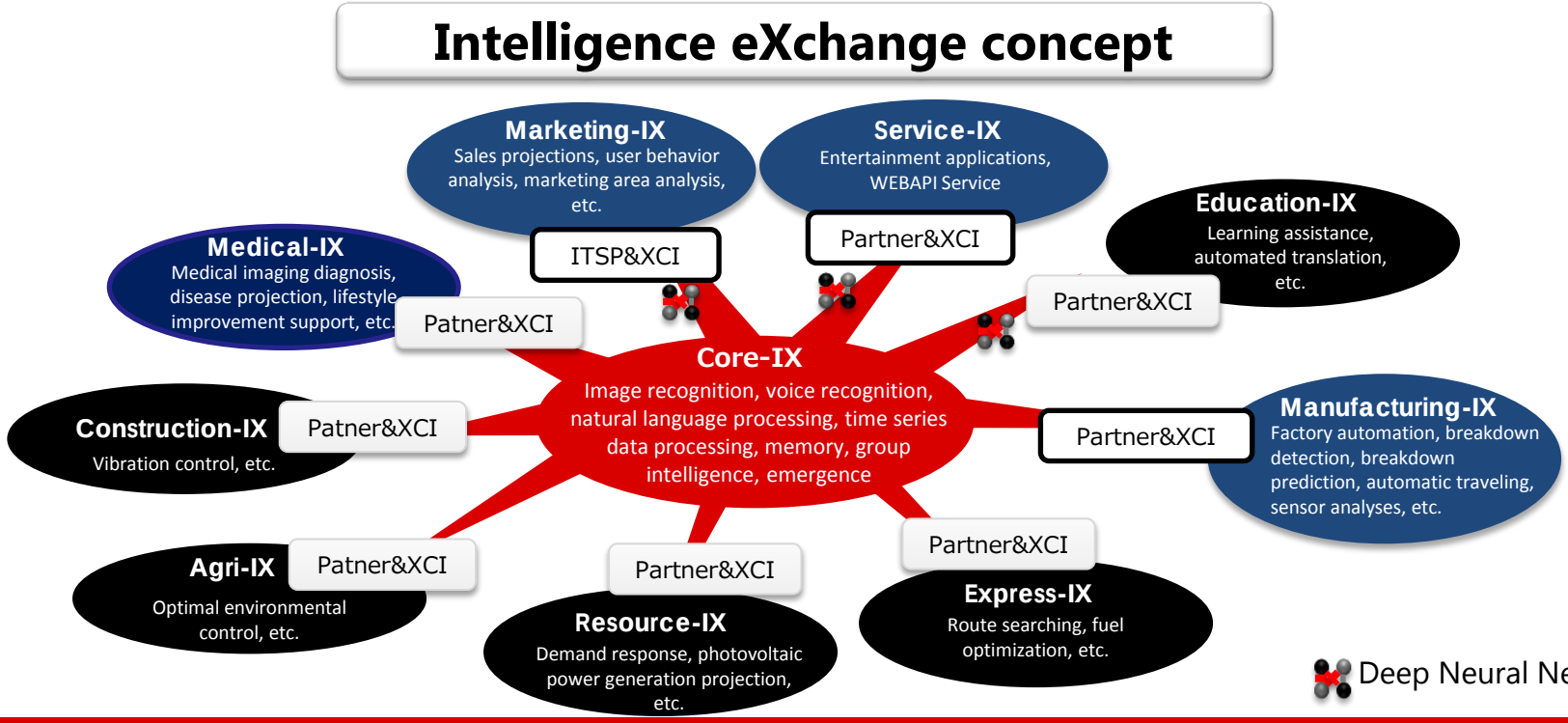
Capital/Business Alliance with XCompass Intelligence Ltd.

XCompass Intelligence Ltd. refers to a company split off from XCompass Ltd. (a venture established at Tokyo Institute of Technology in 2011) in 2015. XCompass Intelligence is specialized in the field of artificial intelligence-driven data processing technologies (e.g. Deep Learning), and is engaged in research and development of analysis engines. Increasing numbers of companies have placed orders such as developing model or analyzing data utilizing the artificial intelligence data processing technologies. Also, the alliance between INTAGE TECHNOSPHERE Inc. and XCompass Intelligence Ltd. will accelerate the concept "Intelligence eXchange", in order to create a new market where Deep Neural Network distributes.



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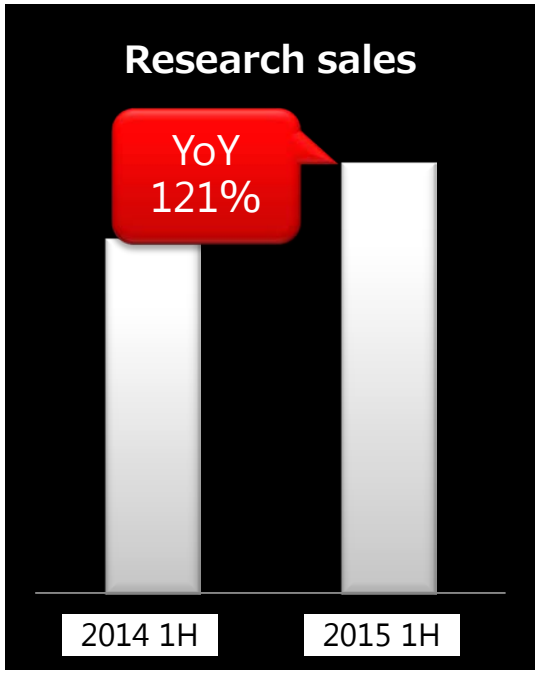
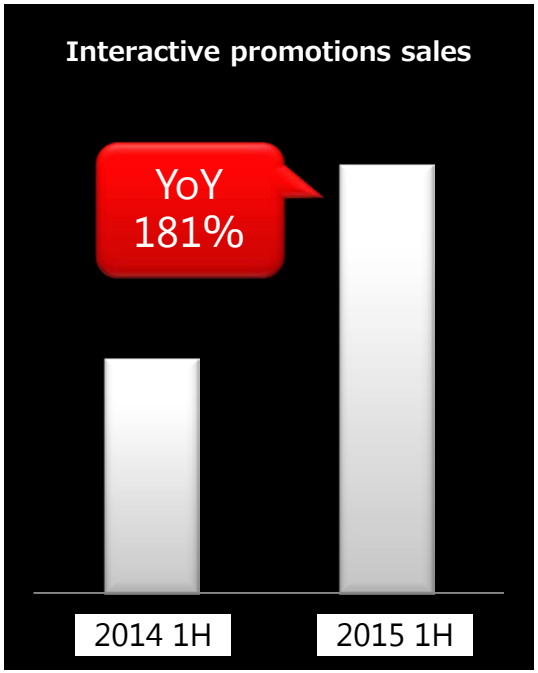
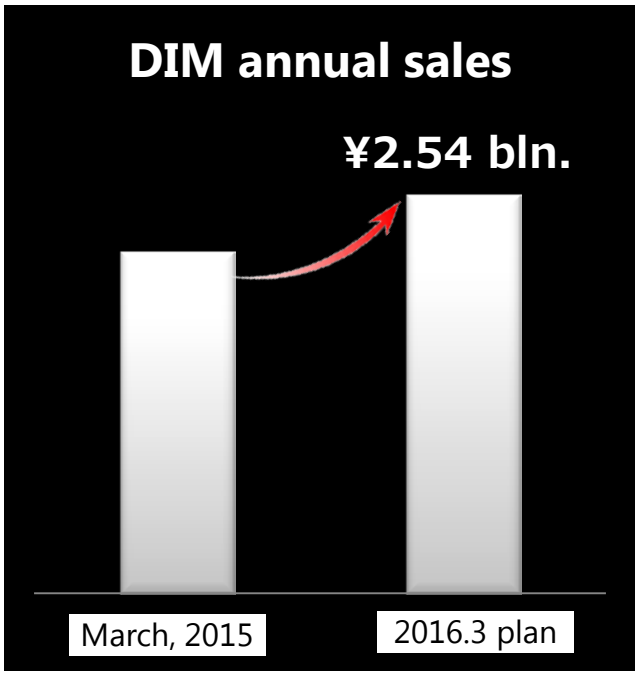
Progress in DOCOMO InsightMarketing, INC.

DOCOMO InsightMarketing, INC. achieved a substantial growth in sales of ¥1.08 billion during 1H FY2015, for its existing business such as research among “Mighty Monitors” (over six million registered) and interactive promotion made great progress.
It aims to achieve sustainable profitability by stabilizing foundations for existing businesses through stronger alliance with NTT DOCOMO INC. while expanding challenging new areas (e.g. di-PiNK, area marketing).







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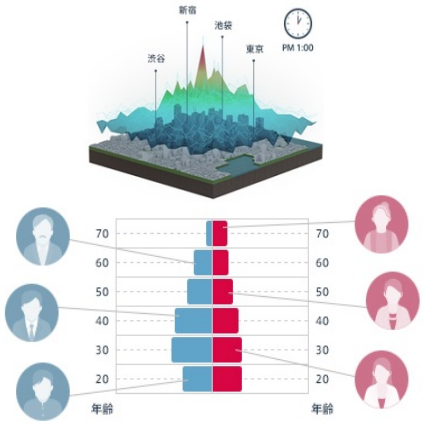
What is Mobile Spatial Statistics*4?

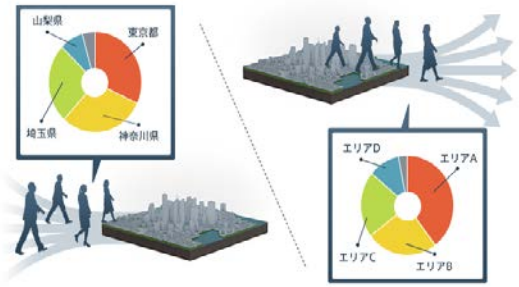
モバイル空間統計®

Mobile Spatial Statistics refers to a new population statistics showing “when”, “what types of people”, move “from where” “to where”



Mobile Spatial Statistics shows changes over hours in population distribution as well as the distribution of population attributes (sex, age bracket)

Estimates population from the number of terminals



Shows how many people are coming from where (country or residence)

Movement data*3 from approx. 65 million domestic phones*1 and approx. 2.5 million phones of short-term visitors from overseas in Japan*2

*1. Estimated excluding corporate name contract data, etc. *2. As of March 31, 2015; based on DOCOMO’s independent estimates. *3. Data requires mobile phone to always remain turned on. *4. The “Mobile Spatial Statistics” logo is a registered trademark of NTT DOCOMO.

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Research Services based on Mobile Phone Location Information

Offers a new survey service which uses location information to deliver directly to survey subjects → Facilitates a marketing cycle that was previously difficult to achieve

New services based on location information dat モバイル空間アンケート ココリサ

Prior to the period	Set period	Response
Subjects who have consented to di-PiNK	Present within the subject area (minimum a radius of 500m)	Response through the Premier Club questionnaire

Subject: Subjects limited to users giving consent

Operation: Selection of users in the subject area, after the subject period

Granting of points after fulfilling the request using the Premier Club questionnaire

Questionnaire is possible at earliest after three days.

[Usage Scene Examples]

Event surveys	(Large-scale) Shop surveys	Region surveys
Verify event effects (e.g. customer evaluations, advertising effect, and spread to the locality)	Surveys of customers at new shopping centers, comparisons with other facilities	Tourist behavior surveys (possible both at the prefectural and the regional levels)
Evaluation of company booths at exhibitions and comparisons with competitors	Weekly customer evaluations of entertainment facilities	Outdoor advertising contact ratios and response rates Comparisons by coverage areas

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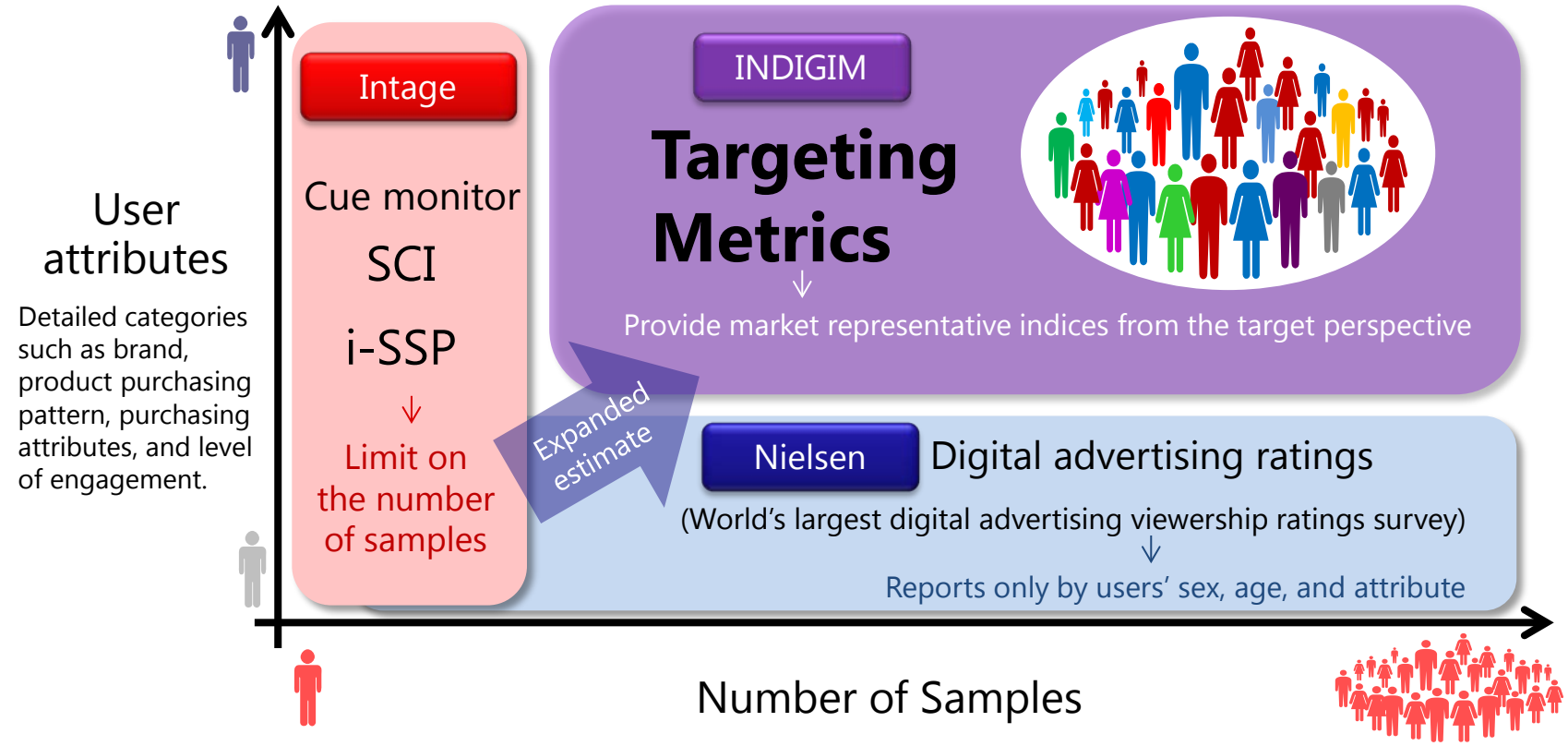
Scheduled for release on Nov. 30, 2015

New Service “Targeting Metrics” from Nielsen-INTAGE DigitalMetrics Inc.

“Targeting Metrics” refers to recent developed index which can evaluate the effect of digital advertisement. “Targeting Metrics” consists of two strengths; one is a large-scale panel research “Nielsen Digital Ad Ratings” by The Nielsen Company, and the other is high value-added “consumer attributes and purchasing data” by INTAGE Group. This service will start in January 2016.



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Progress in Group Healthcare
Release of Next-Generation EDC System “ADDIN EX”

[External factors]

- Increasing numbers of cases and rare diseases in FY2014 where existing drugs cannot serve their needs. ⇒ Surveys require even smaller scale.
- Pressure on manufacturers’ management foundations due to off-patent modern drugs and generics emergence
- Each vendor provides with EDC solutions for low price.

ADDIN EX Features

Considerable reduced development period, achieving the initial development within min. three months



Various survey templates based on our know-hows specialized in survey will shorten the delivery deadline.

Reduced costs through substantial efficiency improvements



We will offer EDC system for lower price to those who have currently adopted paper-based surveys and small-scale surveys.

High user-friendly function, causing less stress



Our multiple PMS management function will enable all types of surveys such as all-case surveys and changes in survey forms.

Our on-site EDC system would enable implementations of all post-marketing surveys including hybrid surveys, small-scale surveys, and all-case surveys, based on our know-how over years.

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