

# Business Results for FY2007 and Strategy for Future Growth

May 15, 2008



**INTAGE** Inc.

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## ■ Business Results for FY2007

## ■ Strategy for Future Growth

### 1. The Business Environment for the INTAGE Group

### 2. The Ninth Medium-Term Business Plan

### 3. Outlook for FY2008

\*Note: FY 2007 represents the fiscal year ended March 31, 2008. In this document, FY stands for INTAGE's fiscal year, which begins April 1 and ends March 31.

Plans, expectations, and strategies included in this document that are not historical facts are forward-looking statements related to INTAGE Inc. or the INTAGE Group decided by management based on currently available information. Accordingly, the reader should avoid placing undue reliance on these forward-looking statements. INTAGE cautions that a number of factors affecting the business could cause actual results to differ materially from these forward-looking statements. These include, but are not limited to, general economic conditions and changes or reforms in the industries in which our clients operate.



## ■ Business Results for FY2007

## ■ Strategy for Future Growth

1. The Business Environment for the INTAGE Group

2. The Ninth Medium-Term Business Plan

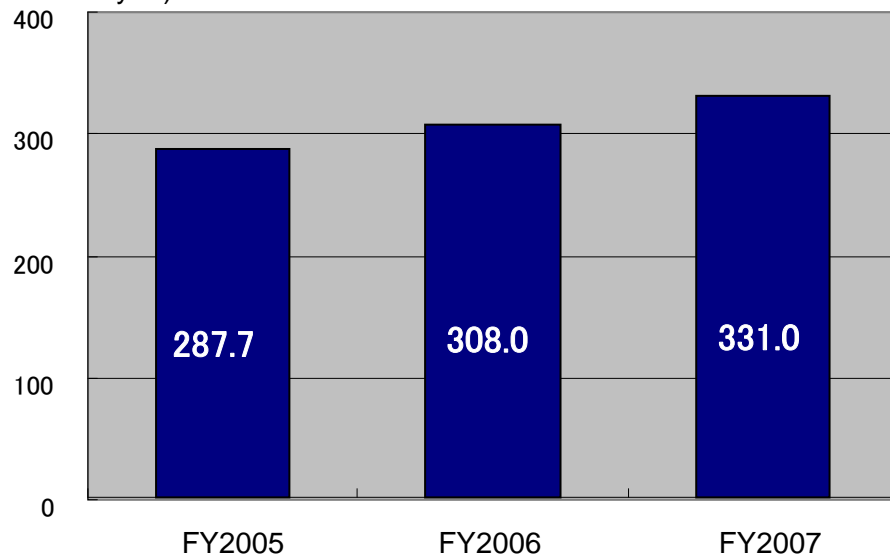
3. Outlook for FY2008

# Financial Highlights (Consolidated)

The INTAGE Group achieved record-high sales and profits, and operating income ratio reached 10%.

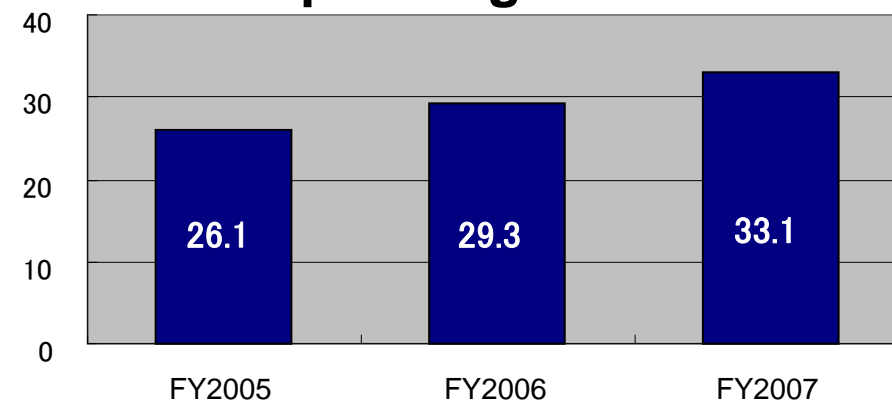
## Net Sales

(100 millions of yen)



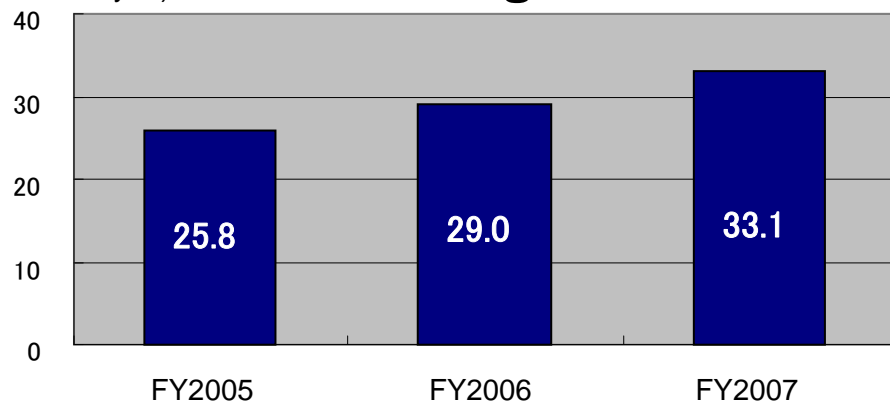
## Operating Income

(100 millions of yen)



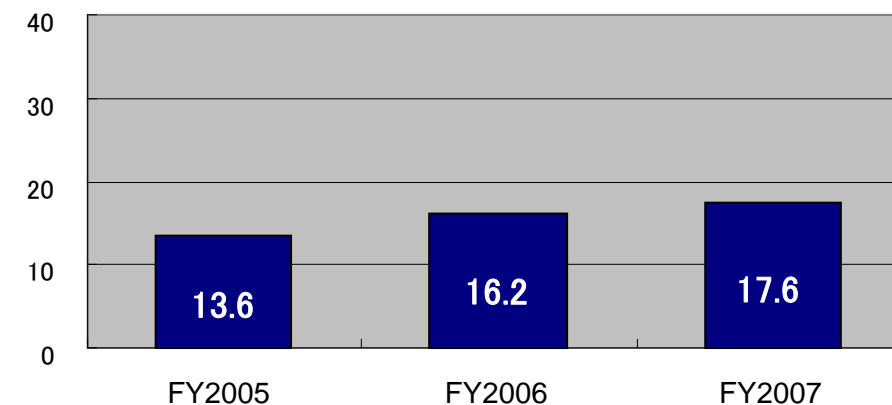
## Recurring Profit

(100 millions of yen)



## Net Income

(100 millions of yen)



# Profit and Loss Summary for FY2007

INTAGE achieved sales and profits increases after absorption of an increase in premises costs attendant on the headquarters relocation.

(Millions of yen)

	FY2006 actual	FY2007 forecast	FY2007 actual	Year-on-year change	
<b>Consolidated</b>	<b>Net Sales</b>	30,800	33,227	33,104	+7.5%
	<b>Operating income</b>	2,930	3,279	3,314	+13.1%
	<b>Recurring Profit</b>	2,905	3,269	3,316	+14.1%
	<b>Net income</b>	1,626	1,727	1,765	+8.5%
	<b>EPS</b>	¥157.58	¥166.18	¥170.10	—
<b>Non-consolidated</b>	<b>Net Sales</b>	25,412	25,979	26,143	+2.9%
	<b>Operating income</b>	1,924	2,271	2,222	+15.5%
	<b>Recurring Profit</b>	1,956	2,372	2,337	+19.5%
	<b>Net income</b>	1,158	1,409	1,419	+22.6%
	<b>EPS</b>	¥112.21	¥135.57	¥136.78	—

# Balance Sheet and Cash Flows Summary for FY2007

(Millions of yen)

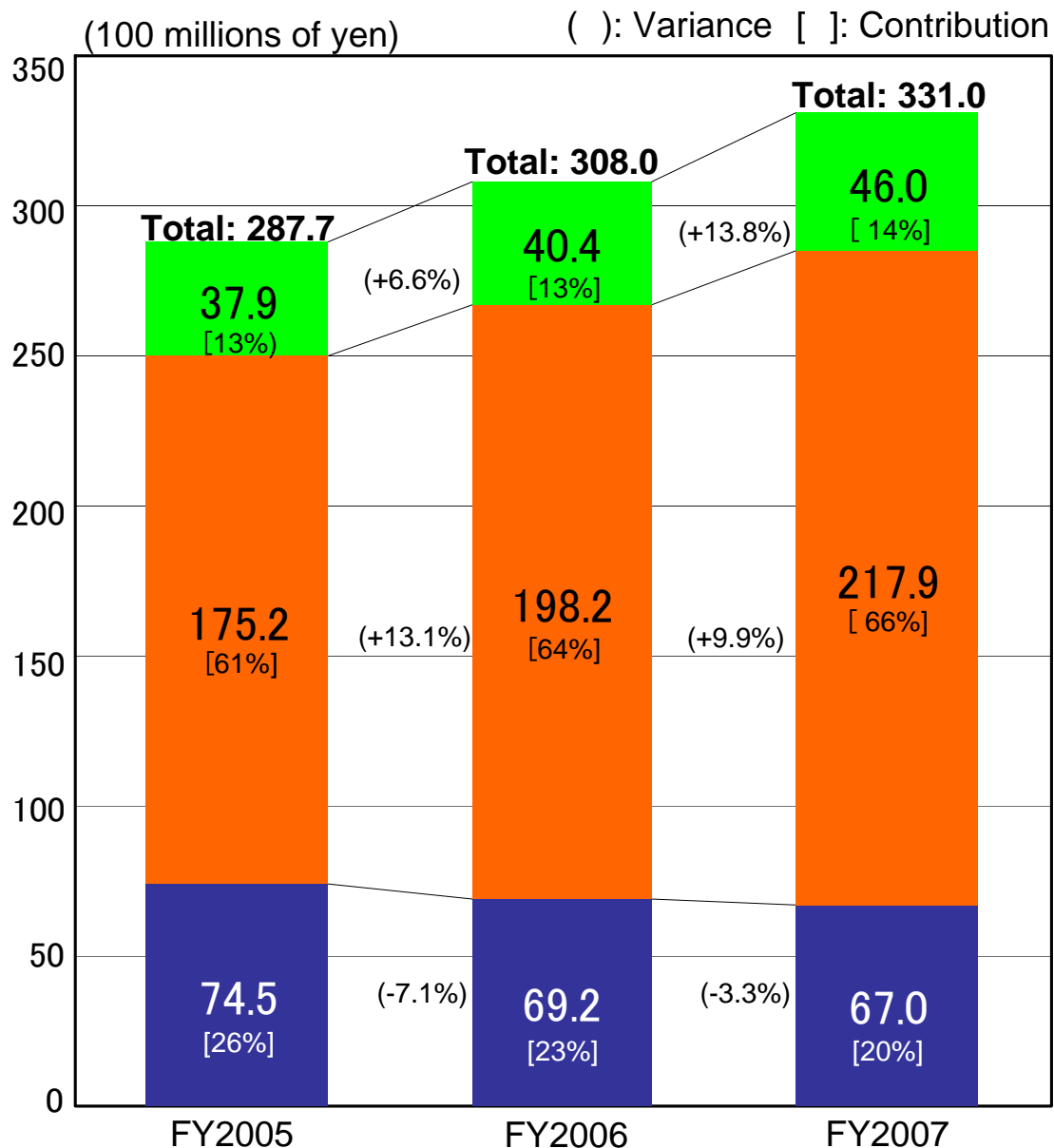
Consolidated balance sheet summary	FY2006	FY2007	Variance	Remarks
Current assets	11,742	12,651	909	Principally increases in cash and time deposits and accounts receivable - trade
Fixed assets	8,530	8,610	79	Principally an increase in internally developed software
<b>Total assets</b>	<b>20,272</b>	<b>21,261</b>	<b>989</b>	—
Current liabilities	7,659	8,965	1,306	Principally increases in short-term bank loans and bonds due within one year
Long-term liabilities	3,578	2,008	(1,570)	Principally an decrease attendant on the reclassification of bonds due within one year
<b>Total liabilities</b>	<b>11,237</b>	<b>10,973</b>	<b>(264)</b>	—
Shareholders' equity	8,747	10,174	1,426	Principally an increase in retained earnings
Valuation and translation adjustments	40	15	(25)	Decrease in unrealized holding gains on securities due to a decline in stock prices
Minority interests	246	98	(147)	Decrease due to assignment of ownership interest in INTAGE Interactive Inc.
<b>Total net assets</b>		<b>10,288</b>	<b>1,253</b>	—

(Millions of yen)

Consolidated cash flow summary	FY2006	FY2007	Variance	Remarks
Cash flows from operating activities	2,042	2,247	205	Principally an increase in net income before income taxes and a decrease in accounts payable - trade
Cash flows from investing activities	(1,902)	(1,033)	868	Principally a decrease in payments for purchases of shares of consolidated subsidiaries
Cash flows from financing activities	9	(546)	(555)	Principally a decrease in proceeds from long-term bank loans and an increase in payments for purchase of treasury stock
Effect of exchange rate changes on cash and cash equivalents	2	4	2	—
Net increase in cash and cash equivalents	151	673	521	—
Cash and cash equivalents at beginning of year	2,569	2,721	151	—
Cash and cash equivalents at end of year	2,721	3,394	673	—

# Sales by Segment

Revenue from Marketing Research and Consulting and Medical Solutions increased.



## Medical Solutions

- In the CRO operation, sales in data management rose sharply, and sales in monitoring increased as well.
- Revenue from the SMO operation decreased as reinforcement of selling capabilities did not occur.

## Marketing Research and Consulting

### <Panel Research>

- Sales of SRI increased sharply owing to a major competitor's withdrawal from the market in Japan.
- Sales of "personal eye" nearly doubled due to client acquisition and cultivation.

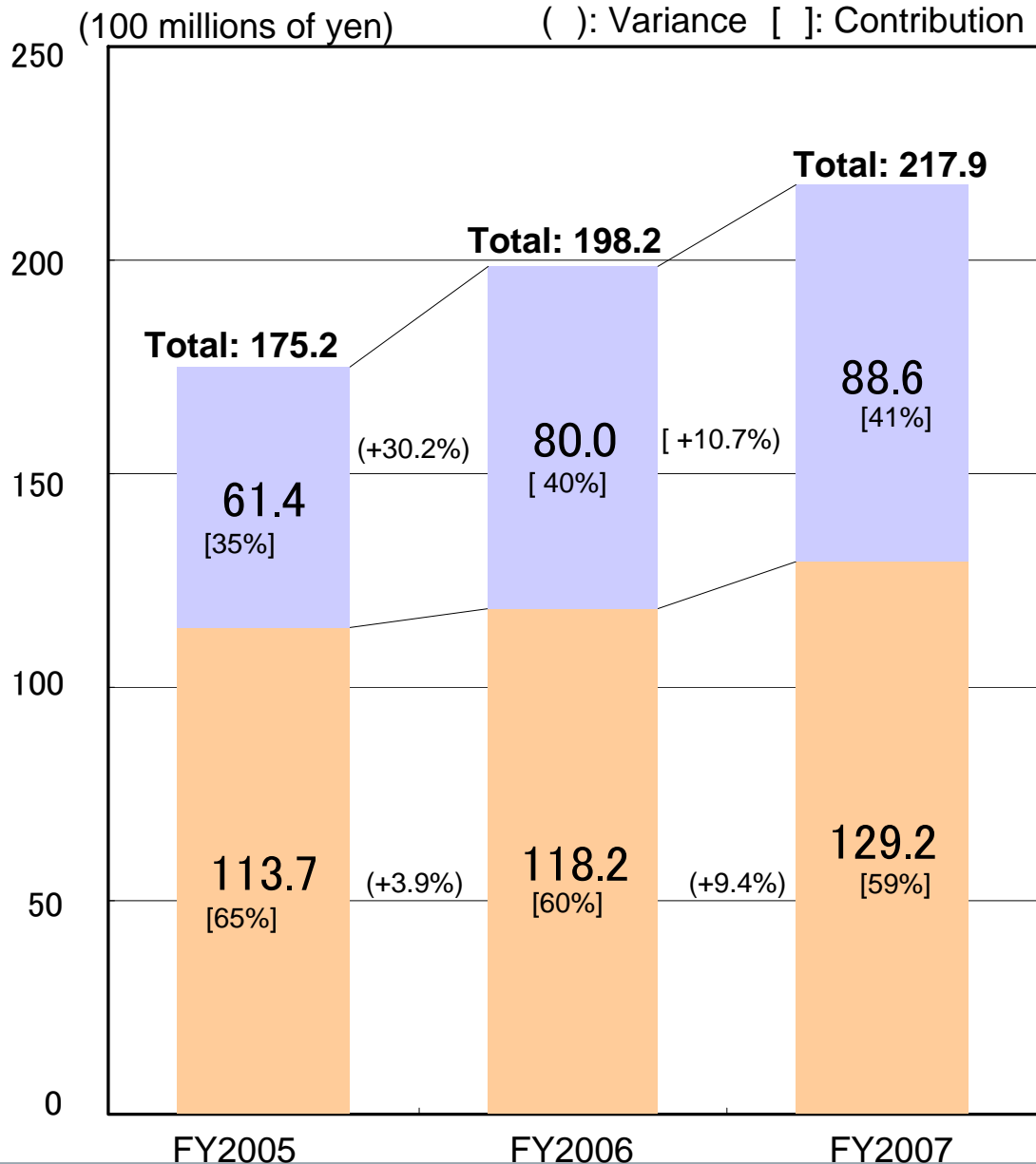
### <Custom Research>

- Although sales in the 2nd half eventually flattened out, sales in Internet research saw double digit growth.
- Revenues from conventional research also increased due to M&A activity.

## System Solutions

- Sales decreased despite business structure transformation measures.

# Marketing Research and Consulting Sales Breakdown

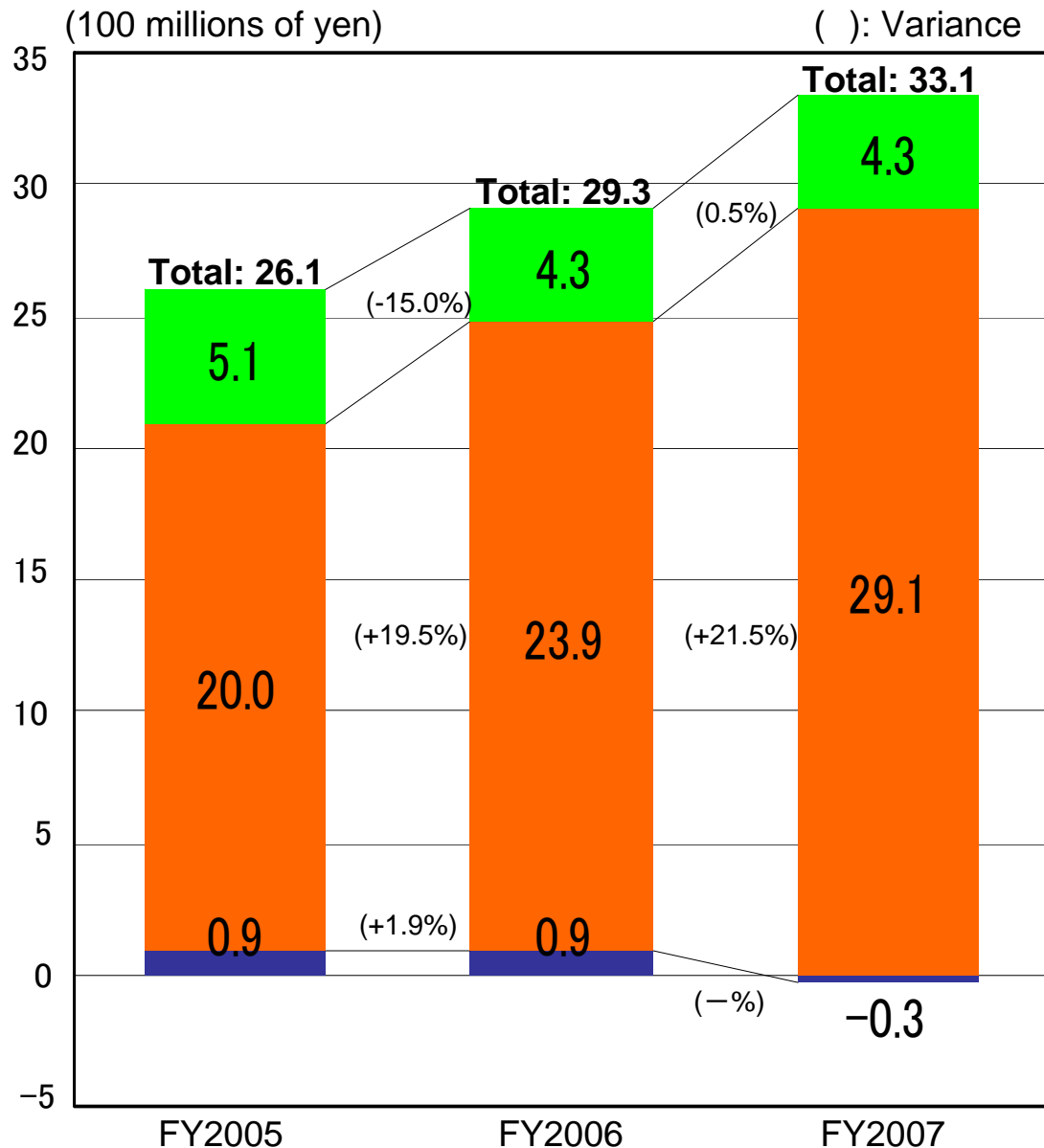


## Marketing Research and Consulting

- Custom Research
  - Conventional research (mail surveys, face-to-face interviews, etc.)
  - Internet research
- Panel Research
  - SRI (nationwide retail panel)
  - SDI (nationwide pharmacy and drugstore panel)
  - SCI (nationwide consumer household panel)
  - SLI (nationwide female consumer panel)
  - personal eye (individual consumer panel), others

# Operating Income by Segment

A sharp increase in profits from panel research fueled record-high operating income.



## Medical Solutions

Although profits from the CRO operation increased due to favorable orders received, overall profit was nearly flat year-on-year on lower profits from the SMO operation.

## Marketing Research and Consulting

<Panel Research>


Profit from SRI increased sharply, and “personal eye” went into profit.

<Custom Research>

Profit decreased owing to up-front investment and dulling of growth in the second half.

## System Solutions

An operating loss was recorded due to the impact of profitability deterioration for a large-scale development project.



■ **Business Results for FY2007**

■ **Strategy for Future Growth**

**1. The Business Environment for the INTAGE Group**

**2. The Ninth Medium-Term Business Plan**

**3. Outlook for FY2008**

# Eighth Medium-Term Management Plan Summary

- The INTAGE Group achieved revenue and profit increases for three consecutive terms after absorption of the cost of relocating the headquarters to Akihabara and increased premises costs.
- Cross-organizational collaboration has progressed due to the change to a business division structure. INTAGE has also reduced distance from clients through the headquarters relocation and introduction of I-style.
- In the retail panel sector, a major competitor withdrew from the market in Japan. → Securement of a stable, secure business base
- Tasks remain with regard to structural reform of the systems business and the Internet shift.
- INTAGE listed its shares on the 2<sup>nd</sup> Section of the Tokyo Stock Exchange (January 22, 2008).

**INTAGE accomplished key tasks and laid the groundwork for the next stage of growth.**

# INTAGE Group Business Environment Analysis (SWOT Analysis)

		External Opportunities	External Threats
External Management Resources	Industry structure	<ul style="list-style-type: none"> <li>● Sense of urgency within the central government concerning the information services industry</li> <li>● Deregulation and the opening up to the private sector of statistics work performed by government agencies</li> </ul>	<ul style="list-style-type: none"> <li>● Rapid change in the business environment centered on the Internet</li> <li>● Slowing of growth in the CRO and SMO markets</li> <li>● Price competition for the cost principle business model</li> </ul>
	Competitive environment	<ul style="list-style-type: none"> <li>● Withdrawal of a major competitor from the market in Japan</li> <li>● Convergence of the research, systems, and consulting sectors</li> </ul>	<ul style="list-style-type: none"> <li>● Realignment of the global research industry</li> <li>● Market entry by players from other industries by leveraging the Internet</li> </ul>
	Clients	<ul style="list-style-type: none"> <li>● Expectations for expansion of the scope of support required of a business partner</li> <li>● Client globalization</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in the number of clients due to industry realignment or M&amp;A</li> <li>● Existence of continuous cost reduction pressure</li> </ul>
		Internal Strengths	Internal Weaknesses
Internal Management Resources	Finance	<ul style="list-style-type: none"> <li>● Securement of continuous revenue sources</li> <li>● Financial base stability and expansion of reserve investment capacity</li> </ul>	<ul style="list-style-type: none"> <li>● Sluggish increase in the total market value of INTAGE shares</li> </ul>
	Products and services	<ul style="list-style-type: none"> <li>● Overwhelming market share in the panel research sector</li> <li>● High-quality Internet research</li> <li>● Unique solutions that fuse research and systems</li> </ul>	<ul style="list-style-type: none"> <li>● Development of business processes that can cope with the increasing multiplication and complexification of products and services</li> <li>● Price competitiveness in contract operations</li> </ul>



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# The Ninth Medium-Term Business Plan Basic Policy

**Full-scale realization of the Intelligence Provider Business through construction of industry-specific platforms**

**- Transition to a business model for the next 50 years -**

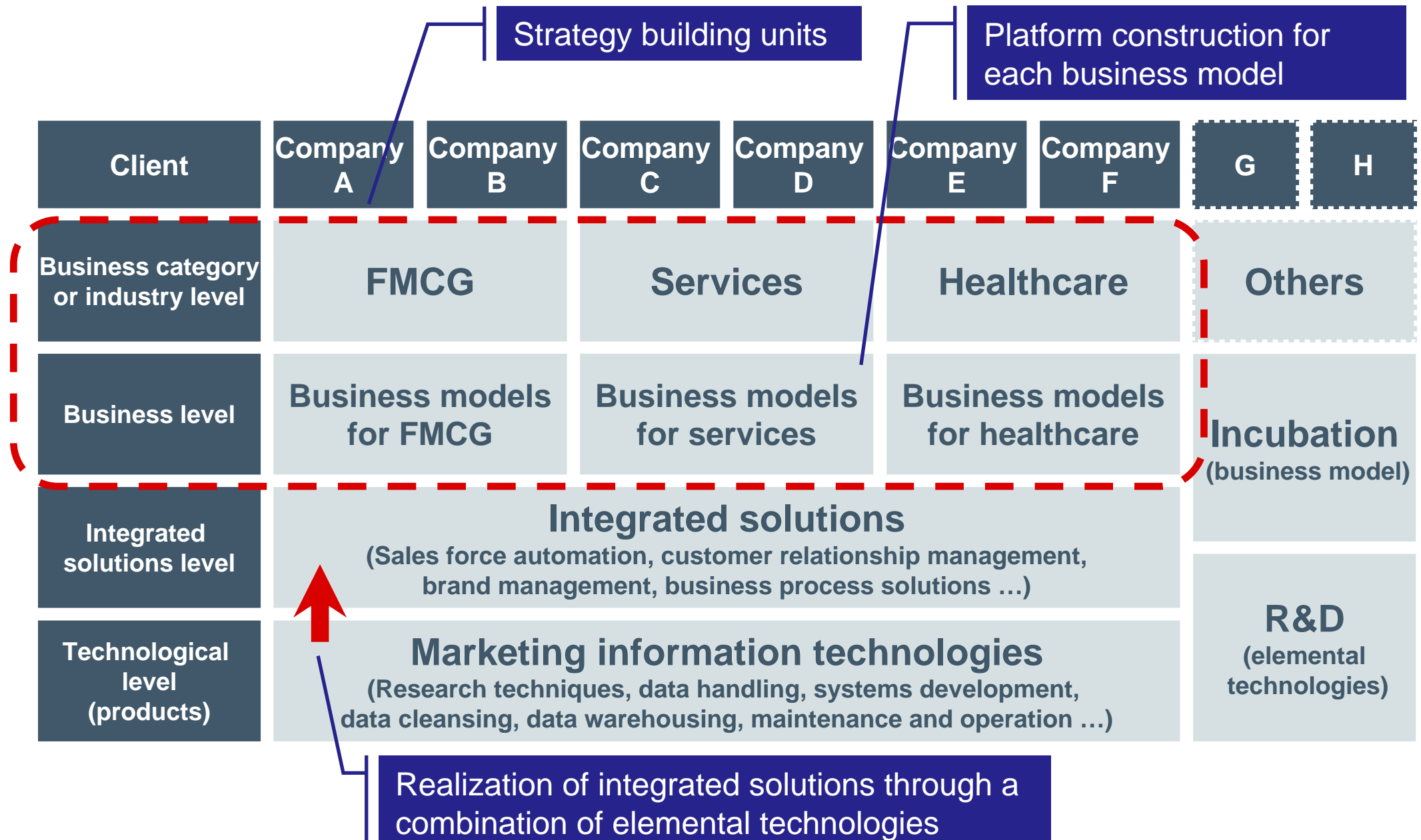
## Import of the Ninth Medium-Term Business Plan

- INTAGE has positioned the term of the plan, during which we will mark our 50th anniversary, as a **business model transition period** during which we will lay the foundation for continuous growth and link the foundation to a new growth stage.
- Accomplish a transition from a Cost Principle business model to a Value Principle business model.
- Leverage a stable financial base to undertake active investment, including investment in new business sectors and M&A.

## Ninth Medium-Term Business Plan Targets

- By the final year of the plan, exceed ¥40,000 million in sales, list INTAGE shares on the 1<sup>st</sup> Section of the Tokyo Stock Exchange, and secure a place among the top ten research companies worldwide.

# A New Business Model with Clearly Defined Industry-Specific Strategies



# What Is a “Platform?”

## How INTAGE Defines “Platform”

- 1) Environments and mechanisms for the development of INTAGE’s businesses
- 2) Among the business development services that INTAGE provides to clients, information infrastructure to provide environments and mechanisms shared within industries

### Conditions for Platform Construction

**Data Infrastructure Expansion**

**Systematization of Solutions**

**Breakthroughs through IT**

**Formation of Public Consensus**

# Priorities in the Ninth Medium-Term Business Plan

## Business Structure Reform

**Priority 1** Pursuit of a new business model through construction of industry-specific platforms

**Priority 2** Reinforcement of existing businesses through business process reform

## Business Infrastructure Reinforcement

**Priority 3** Advancement of marketing innovation

**Priority 4** Reinforcement of technology infrastructure

## Group Management Infrastructure Reinforcement

**Priority 5** Reinforcement of HR strategy

**Priority 6** Reinforcement of group management capabilities

# Organizational Structure in Fiscal 2008



## Business Development Division



## Technology Division

- Business Development Division newly established
- Marketing Division organizations integrated into three units according to client industry
- Consulting Department newly established within the Marketing Division
- Continuation of three units (Marketing Solutions, Business Solutions, Custom Research)

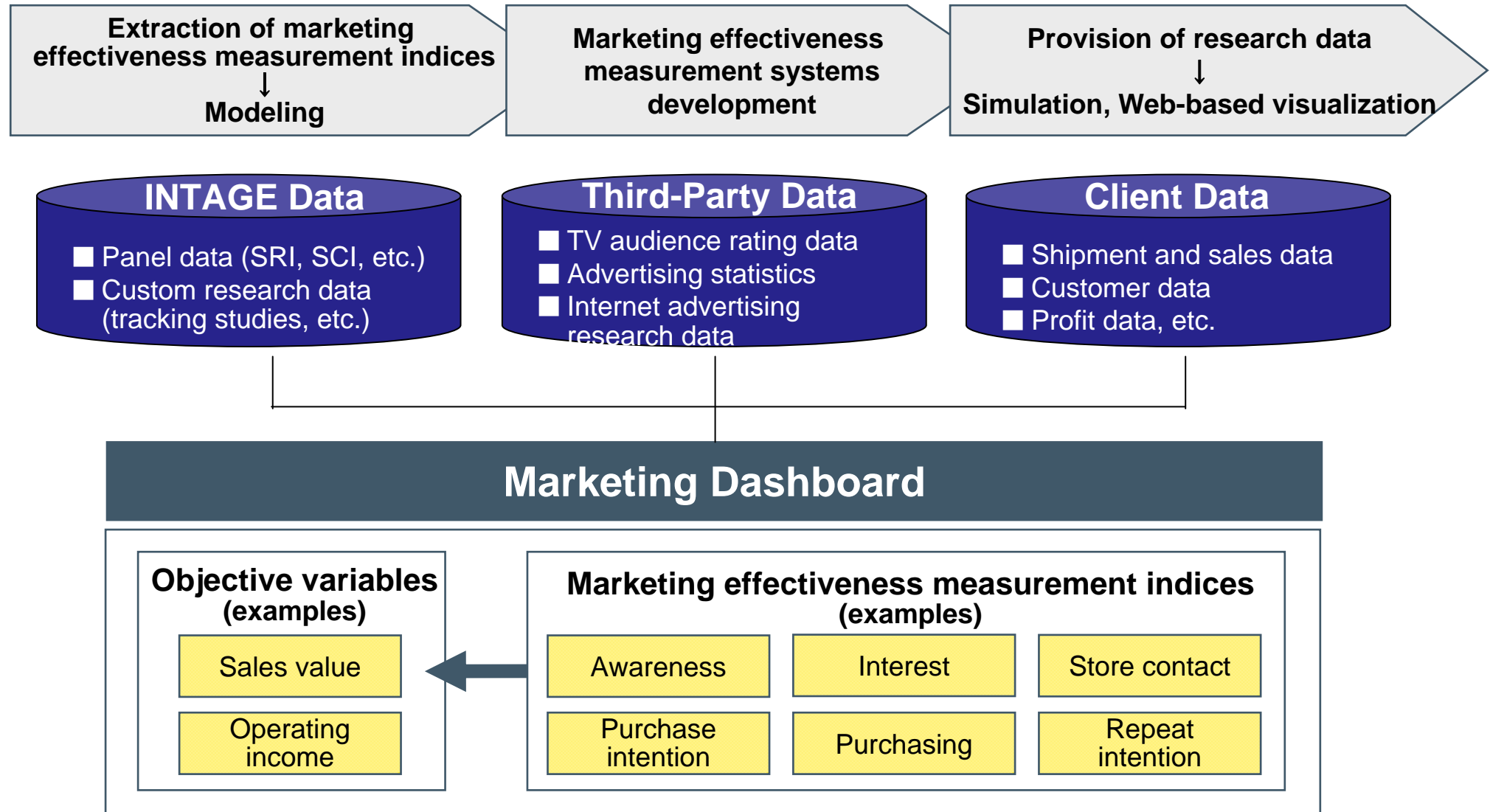
# Construction of a Manufacturer-Retailer Collaboration Platform for the FMCG Industry

Creation of a platform to promote collaboration to ensure smooth, efficient transactions between manufacturers and retailers in the FMCG sector



# Commercialization of “Marketing Dashboard”

## ■ INTAGE Business Domains



# Marketing Research and Consulting (1)

### Panel Research Sector

## Establishment of a new panel research business framework to advance to the Next Stage

- **Data infrastructure expansion in preparation for industry-specific platform construction**
  - Conversion to Web-based consumer panels, sample expansion, and visualization of consumer behavior
  - Pursuit of in-store visualization (causal data expansion)
  - Expansion of chain POS
- **Systematization of solutions**
  - Brand marketing solutions
  - Trade marketing solutions
- **Enhancement of Rep Track product appeal (expansion to staff physicians) and sales expansion**

# Marketing Research and Consulting (2)

## Custom Research Sector

### No. 1 in Custom Research Attainment of No. 1 status in Internet Research

- **Continued investment in Internet research, securement of growth**
  - High-speed (speed & low cost) response for the high-end sector (quality & insights)
- **Realization of research process engineering**
  - Research process standardization and systematization
- **Creation of new competitive weapons, reinforcement of client relationships**
  - Establishment of the R&D Department
  - Investment in new product and new technique development for the consumer generated media sector
  - Construction of client portal sites

# Priorities by Business Segment

## System Solutions Business

### Transition to an industry-specific solutions provider business

- **Leverage client and industry familiarity to promote a transition from a subcontract-based business structure**
  - **Clear definition and sharing of business domains and transition to a solutions provider organization**
  - **Pursuit of business expansion and profit improvement through a functionally structured organization**
- 
- **Sector-Specific Strategies**
    - **Pharmaceuticals**      Establishment of business development geared toward pharmaceutical industry
    - **Travel**      Expansion of an industry platform that includes careers, facilities, and agencies
    - **Health information**      Establishment of a health information services business
    - **Supply chain planning**      Further service level improvement and greater efficiency in maintenance and operation
    - **Others**      Downsize Cost Principle operations except for strategically important areas and key clients

# Drug Development Solutions Business

**Infrastructure reinforcement as a total solutions company for drug development and endeavor to enter new business areas**

- **Reinforcement of Business Infrastructure**

- Construction of a total solutions structure encompassing everything from strategy development to regulatory affairs and application consulting
- Keep No. 1 position in the PMS sector through active utilization of electronic data capturing
- Independence of the SMO operation through establishment of ASKLEP Medio
- Maximization of group synergies (research capabilities and systems development capabilities)

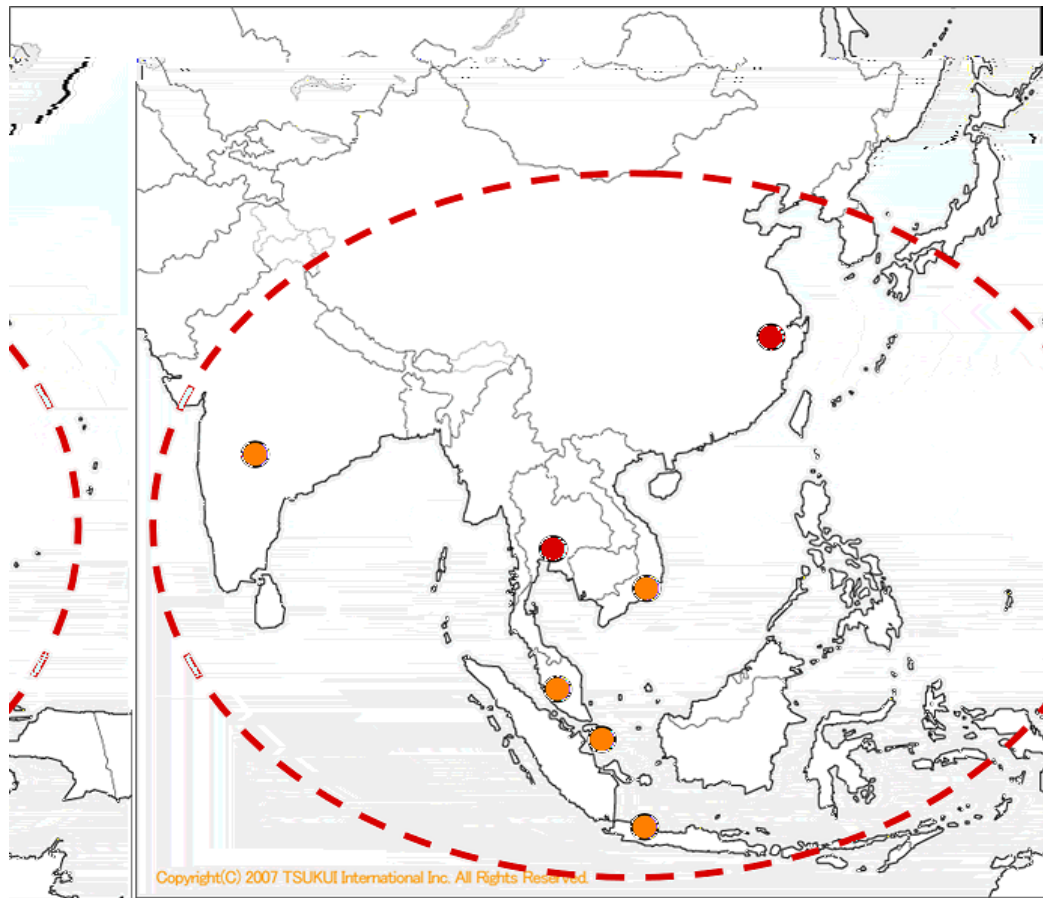
- **Endeavor to Enter New Business Areas**

- Reinforcement of anticancer clinical trial outsourcing structure
- Construction of trial outsourcing structure in Asia for global studies

**Aim for a solid position in the top three in the industry and active business expansion**

# New International Business Direction

Promotion of the “INTAGE Asia” concept  
International business synchronized with client globalization



1st

**China**

2002 Establishment of INTAGE Marketing Consulting (Shanghai) Co., Ltd.

2nd

**Thailand**

2008 Establishment of INTAGE Thailand Co., Ltd. (planned)

3rd

**From point to line, from line to plane**

Malaysia, Indonesia, Singapore, Vietnam, India, etc.

Seek expansion in the Asia region through active investment

**Single point of contact for multi-country projects in Asia**

# Three-Year Sales and Operating Income Plan (Consolidated)

(100 millions of yen)

	FY2008 (forecast)	FY2009 (forecast)	FY2010 (forecast)
Net Sales	352.3	381.4	414.8
Year-on-year change	+6.4%	+8.3%	+8.8%
Operating income	35.7	40.0	43.6
Year-on-year change	+7.9%	+11.9%	+9.2%

## Growth Drivers

- Expansion into new business sectors building on the foundation of panel research
- Growth of the custom research sector driven by implementation of the Internet shift
- Infrastructure reinforcement and development of new business sectors in the drug development solutions business.
- Active expansion of investment, including M&A

The forecast of business results has been prepared based on information currently available to the Company and includes a number of uncertainties. Actual results may differ from the projected figures.

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# FY2008 Full-Year Forecast (Consolidated / by Segment)

(Millions of yen)

		FY2007 actual	FY2008 forecast	Year-on-year change
 Marketing Research and Consulting	Net sales	21,795	23,984	+10.0%
	(Panel research)	12,927	14,181	+9.7%
	(Custom research)	8,867	9,802	+10.5%
	Operating income	2,914	3,179	+9.1%
 System Solutions	Net sales	6,702	5,947	-11.3%
	Operating income	(39)	(180)	—
 Drug Development Solutions	Net sales	4,606	5,300	+15.1%
	Operating income	439	576	+31.2%
Consolidated	Net sales	33,104	35,231	+6.4%
	Operating income	3,314	3,575	+7.9%
	Recurring profit	3,316	3,568	+7.6%
	Net income	1,765	1,985	+12.5%

Notes: 1. In fiscal 2008 the name of the Medical Solutions segment has changed to Drug Development Solutions segment.  
2. Some sectors have been reclassified from the System Solutions segment to the Marketing Research and Consulting segment.

The forecast of business results has been prepared based on information currently available to the Company and includes a number of uncertainties. Actual results may differ from the projected figures.

# Profit Distribution

- INTAGE maintains a basic policy of distributing profits to shareholders while taking into consideration the balance between dividends and internal reserves on a consolidated basis.
- INTAGE regards the provision of shareholder returns as one of its most important management priorities.
- Although heretofore INTAGE has aimed for a consolidated dividend payout of 20%, in the coming years we intend to strive for a consolidated dividend payout of 25%.

	Year-end dividend per share	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	Yen	%	%
FY2006	30.00	19.0	3.9
FY2007	40.00	23.5	4.3
FY2008 (planned)	50.00	25.8	—



**Intelligence Inspiring Marketing Innovation,  
Empowering Business Solutions**