

Flash Report (Consolidated Basis)

Results for the six months ended September 30, 2009

Company Name: **INTAGE, Inc.**

Stock listing: The First Section of the Tokyo Stock Exchange

Code number: 4326

URL <http://www.intage.co.jp>

Representative: Norio Taori, President and Representative Director

Contact person: Osamu Kudo, Member of the Board, Financial Management Director

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Planned filing of an annual security report: November 13, 2009

Planned start of dividend payments: —

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

1. Consolidated Financial Results of Six Months Ended September 30, 2009

(1) Operating results

Six months ended September 30

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

	Net sales		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2009	15,756	(3.4)	1,320	(16.3)	1,296	(16.3)	630	(23.9)
2008	16,307	—	1,577	—	1,548	—	829	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	61.55	—
2008	80.91	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2009	21,524	11,678	53.8	1,129.29
March 31, 2009	21,180	11,590	54.2	1,120.90

(Reference) Total shareholders' equity: September 30, 2009: ¥11,571 million, March 31, 2009: ¥11,485 million

2. Dividends

Year ended/ ending March 31

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2009	—	0.00	—	50.00	50.00
2010	—	0.00			
2010 (Forecast)			—	50.00	50.00

(Note) Revision of dividends forecast for this period: None

3. Forecasts for Fiscal Year Ending March 31, 2010

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

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	35,279	2.7	3,346	0.8	3,340	0.7

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	1,783	3.2	174.05

(Note) Revision of earnings forecast for this period: None

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation):

Additions: None

Deletions: None

2. Adoption of simplified accounting practices and special accounting policy for quarterly financial reporting: Yes

3. Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:

1) Changes based on revision of accounting standards: Yes

2) Changes other than 1) above: None

4. Number of shares outstanding (Common share)

1) Number of shares outstanding:

September 30, 2009: 10,404,000 shares March 31, 2009: 10,404,000 shares

2) Number of treasury stock

September 30, 2009: 157,109 shares March 31, 2009: 157,109 shares

3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30 2009: 10,246,891 shares 2008: 10,246,891 shares

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

QUALITATIVE INFORMATION RELATED TO BUSINESS PERFORMANCE AND FINANCIAL STATEMENTS

1. Qualitative Information on Consolidated Operating Results

Until the second quarter of fiscal 2009 (the six-month period from April 1 to September 30, 2009), the INTAGE Group posted consolidated net sales of ¥15,756 million, down 3.4% from the same period of the previous fiscal year. Operating income totaled ¥1,320 million (down 16.3%), with recurring profit of ¥1,296 million (down 16.3%) and net income of ¥630 million (down 23.9%).

The results by business segment were as follows.

(1) Marketing Research and Consulting

In the syndicated panel data services, revenues increased but earnings declined. While sales in the SRI (syndicated POS retail panel data), SPI (syndicated promotion effectiveness measurement) and Rep Track (MR activities evaluation index) businesses continued to rise from the previous period, investments were made in the renewal of the SLI (syndicated female consumer panel data) to make these services more attractive.

In custom research, domestic revenues declined as the effects of the worsening economic environment continued from the second half of the previous year and competition became even more severe. Overseas, however, custom research revenues greatly increased as the operations of our local Chinese subsidiary got on track

As a result, sales in the Marketing Research and Consulting segment amounted to ¥10,584 million (down 4.4%), with operating income of ¥1,080 million (down 29.4%).

(2) System Solutions

In the System Solutions segment, revenues decreased but earnings rose. Sales declined year-on-year because INTAGE eliminated unprofitable works, but profits rose from further reducing expenses and rationalizing operations.

As a result, sales in the System Solutions segment totaled ¥2,469 million (down 8.0%), with operating income of ¥22 million (compared with an operating loss of ¥90 million during the same period of the previous fiscal year).

(3) Drug Development Solutions

In the Contract Research Organization (CRO) business, while monitoring services competition remained harsh from the second half of the previous fiscal year, data management and analysis services sales rose considerably, resulting in increased revenues and increased earnings overall.

As a result, sales in the Drug Development Solutions segment amounted to ¥2,702 million (up 5.8%), with operating income of ¥217 million (up 56.6%).

2. Qualitative Information on the Consolidated Financial Position

Total assets at the end of the subject second quarter (September 30, 2009) amounted to ¥21,524 million, an increase of ¥344 million from the end of the previous fiscal year (March 31, 2009). This was due mainly to increases in cash and deposits and work-in-process, offsetting declines notes and accounts receivable-trade.

Total liabilities amounted to ¥9,845 million, an increase of ¥256 million from the end of the previous fiscal year. This was due mainly to increases in short-term loans payable, which offset decreases in long-term loans payable, income taxes payable and accounts payable-trade.

Total net assets amounted to ¥11,678 million, an increase of ¥87 million from the end of the previous

fiscal year. This mostly resulted from net income for the second quarter of ¥630 million minus the ¥512 million in dividend payments for the business results in the previous fiscal year.

3. Qualitative Information on Consolidated Forecasts

Although operating results for the second quarter was below forecasts, factors remain that could cause fluctuations in results from the third quarter. Our earnings forecasts announced on May 8, 2009 remain unchanged.

Earnings forecasts are calculated based on information available as of the date of this report. Actual results may differ from forecasts due to future economic conditions and other factors.

4. Other Items

- (1) Significant changes in subsidiaries during the subject fiscal period (Transfer of particular subsidiaries following a change in the scope of consolidation)

No applicable items.

- (2) Application of simplified accounting methods or special accounting methods for the preparation of consolidated quarterly statements

Valuation of Inventories

For the devaluation of the book value of inventories, the net sale value of inventories for which profitability has clearly diminished is estimated and devalued accordingly.

- (3) Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:

Changes to the Accounting Standards for Revenues and Costs of Completed Construction Contracts

In the past, INTAGE has adopted the completed-contract method as the standard for the posting of revenues on consigned software development works. From the first quarter consolidated accounting period, the Company has applied the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15; December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Guidance No. 18; December 27, 2007). Consequently, for works contracts initiated from the first quarter the Company has adopted the percentage-of-completion method for the completed portions of contracts for which the percentage of progress is deemed certain, and the completed-contract method for all other contracts.

The effects of this change on the consolidated business results of the INTAGE Group will be negligible.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Thousands of yen	
	September 30, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash and deposits	4,006,226	3,393,655
Note and accounts receivable-trade	5,079,605	6,299,126
Work-in-process	2,010,447	1,257,037
Stored item	30,079	40,162
Deferred tax assets	838,436	731,479
Other	437,184	390,816
Allowance for doubtful accounts	(2,867)	(2,689)
Total current assets	12,399,113	12,109,588
Noncurrent assets:		
Property and equipment:		
Buildings and structures, net	2,180,997	2,111,268
Equipment and fixtures, net	493,640	543,502
Lease assets, net	408,649	233,036
Land	1,998,156	1,998,156
Other, net	182	221
Total property and equipment	5,081,625	4,886,186
Intangible assets:		
Goodwill	664,283	806,557
Other	1,076,568	997,811
Total intangible assets	1,740,851	1,804,369
Investments and other assets:		
Deferred tax assets	988,175	957,657
Other	1,342,832	1,422,434
Allowance for investment loss	(28,338)	—
Total investments and other assets	2,302,669	2,380,091
Total noncurrent assets	9,125,146	9,070,647
Total assets	21,524,259	21,180,236

	September 30, 2009	Thousands of yen March 31, 2009
LIABILITIES		
Current liabilities:		
Accounts payable-trade	1,452,600	1,601,309
Short-term loans payable	2,324,000	1,942,300
Income taxes payable	678,606	831,196
Accrued employees' bonuses	1,432,070	1,321,194
Provision for loss on cancellation of contracts	13,600	27,800
Provision for point card certificates	85,362	36,743
Other	1,016,058	982,269
Total current liabilities	7,002,298	6,742,814
Noncurrent liabilities:		
Long-term loans payable	352,000	564,000
Provision for retirement benefits	2,108,949	2,058,220
Provision for directors' retirement benefits	29,000	29,000
Other	353,512	195,621
Total noncurrent liabilities	2,843,462	2,846,841
Total liabilities	9,845,760	9,589,656
NET ASSETS		
Shareholders' equity:		
Capital stock	1,681,400	1,681,400
Capital surplus	1,336,688	1,336,688
Retained earnings	8,840,601	8,722,229
Treasury stock	(247,406)	(247,406)
Total shareholders' equity	11,611,283	11,492,911
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	16,416	10,418
Deferred gains or losses on hedges	(44,250)	1,947
Foreign currency translation adjustments	(11,703)	(19,498)
Total valuation and translation adjustments	(39,537)	(7,132)
Minority interests	106,753	104,800
Total net assets	11,678,499	11,590,580
Total liabilities and net assets	21,524,259	21,180,236

(2) Consolidated Statements of Income

Six months ended September 30

Thousands of yen

	2008	2009
Net sales	16,307,910	15,756,447
Cost of sales	11,103,189	10,877,354
Gross profit	5,204,721	4,879,093
Selling, general and administrative expenses:	3,627,124	3,558,777
Operating income	1,577,597	1,320,316
Non-operating revenues:		
Interest income	2,233	808
Dividends income	7,750	2,950
Insurance and dividends income	—	4,483
Other	7,138	7,960
Total non-operating revenues	17,122	16,201
Non-operating expenses:		
Interests expenses	18,829	18,540
Commission fee	5,416	4,778
Loss on disposal of equipment and fixtures	19,775	3,597
Other	2,319	12,868
Total non-operating expenses	46,340	39,784
Recurring profit	1,548,379	1,296,734
Extraordinary gain:		
Reversal of allowance for doubtful accounts	8,277	—
Gain on sales of investment securities	—	213
Total extraordinary gain	8,277	213
Extraordinary loss:		
Loss on revision of retirement benefit plan	—	78,433
Provision of allowance for investment loss	—	28,338
Total extraordinary loss	—	106,771
Income before income taxes	1,556,657	1,190,175
Income taxes-current	764,312	667,572
Income taxes-deferred	(44,616)	(109,573)
Total income taxes	719,696	557,999
Minority interests	7,844	1,459
Net income	829,116	630,716

Three months ended September 30	Thousands of yen	
	2008	2009
Net sales	8,842,301	8,379,296
Cost of sales	5,939,410	5,800,573
Gross profit	2,902,891	2,578,722
Selling, general and administrative expenses:	1,926,581	1,779,749
Operating income	976,310	798,973
Non-operating revenues:		
Interest income	2,084	689
Dividends income	5,360	450
Insurance and dividends income	—	3,405
Other	3,435	4,760
Total non-operating revenues	10,880	9,305
Non-operating expenses:		
Interests expenses	10,582	10,143
Commission fee	3,121	2,314
Loss on disposal of equipment and fixtures	16,622	3,582
Other	1,293	(3,406)
Total non-operating expenses	31,620	12,633
Recurring profit	955,570	795,644
Extraordinary gain:		
Reversal of allowance for doubtful accounts	8,124	(125)
Gain on sales of investment securities	—	213
Total extraordinary gain	8,124	88
Extraordinary loss:		
Provision of allowance for investment loss	—	28,338
Total extraordinary loss	—	28,338
Income before income taxes	963,694	767,394
Income taxes-current	655,412	475,177
Income taxes-deferred	(243,706)	(119,390)
Total income taxes	411,706	355,786
Minority interests	3,908	1,289
Net income	548,079	410,317

(3) Consolidated Statements of Cash Flows

Six months ended September 30

Thousands of yen

	2008	2009
Cash flows from operating activities:		
Income before income taxes	1,556,657	1,190,175
Depreciation and amortization	438,113	456,053
Amortization of goodwill	142,274	142,274
Loss on revision of retirement benefit plan	—	78,433
Increase (decrease) in provision for retirement benefits	7,241	(27,704)
Increase (decrease) in provision for bonuses	157,858	110,875
Increase (decrease) in provision for directors' bonuses	(15,988)	(14,200)
Decrease in allowance for doubtful accounts	(8,286)	178
Increase in provision for point card certificates	6,049	48,618
Increase (decrease) in allowance for investment loss	—	28,338
Interest and dividends income	(9,984)	(3,758)
Interest expenses	18,829	18,540
Loss on disposal of equipment and fixtures	19,775	3,597
Loss (gain) on sales of short-term and long term investment securities	—	(213)
Decrease (increase) in notes and accounts receivable-trade	1,165,244	1,244,950
Decrease (increase) in inventories	(787,516)	(742,623)
Increase (decrease) in notes and accounts payable-trade	(305,857)	(233,429)
Increase (decrease) in accrued consumption taxes	(66,617)	(107,110)
Other	(135,951)	29,624
Sub total	2,181,842	2,222,619
Interest and dividends income received	10,036	3,758
Interests expenses paid	(16,105)	(16,136)
Income taxes paid	(771,151)	(746,815)
Net cash provided by operating activities	1,404,622	1,463,426
Cash flows from investing activities:		
Payments into time deposits	(59,635)	(59,640)
Proceeds from withdrawal of time deposits	57,800	57,800
Purchases of property and equipment	(330,894)	(232,988)
Purchases of investment securities	(732)	(793)
Proceeds from sales of investment securities	—	4,968
Payments for loans receivable	(500)	(1,490)
Collection of loans receivable	1,536	1,200
Purchase of intangible assets	(189,168)	(260,001)
Proceeds from collection of guarantee deposits	1,144	927
Payments for guarantee deposits	(450)	(2,725)
Other	(12,625)	739
Net cash used in investing activities	(533,526)	(492,003)

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Six months ended September 30	Thousands of yen	
	2008	2009
Cash flows from financing activities:		
Increase in short-term loans payable	2,905,000	2,900,000
Repayments of short-term loans payable	(3,426,680)	(2,510,000)
Proceeds from long-term loans payable	1,200,000	—
Repayments of long-term loans payable	(232,600)	(220,300)
Redemption of bonds	(1,000,000)	—
Proceeds from stock issuance to minority shareholders	5,010	—
Cash dividends paid	(411,461)	(503,710)
Repayments of lease obligations	(2,086)	(36,289)
Net cash used in financing activities	(962,818)	(370,300)
Effect of exchange rate changes on cash and cash equivalents	(130)	9,608
Net increase (decrease) in cash and cash equivalents	(91,852)	610,730
Cash and cash equivalents at beginning of term	3,394,165	3,303,611
Cash and cash equivalents at end of term	3,302,313	3,914,341

(4) Notes regarding premise of a going concern

Six months ended September 30, 2009

No applicable items.

(5) Business Information

1. By Type of Business

Three months ended September 30, 2008

	Thousands of yen					
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	Total	Eliminations or Corporation	Consolidation
Net sales and operating income:						
(1) Net sales to third parties	6,164,792	1,370,877	1,306,631	8,842,301	—	8,842,301
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	6,164,792	1,370,877	1,306,631	8,842,301	(—)	8,842,301
Operating income (loss)	973,628	(40,066)	42,747	976,310	—	976,310

Notes: 1. The segments adopted below are those used for internal control purposes.

2. Major operations by segment

(1) Marketing Research and Consulting Syndicated panel data, custom research

(2) System Solutions System development, operation and maintenance management

(3) Drug Development Solutions CRO, SMO

3. From the subject fiscal year the former Medical Solutions segment has been renamed Medical Development Solutions to more accurately reflect the business content of the segment.

Three months ended September 30, 2009

	Thousands of yen					
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	Total	Eliminations or Corporation	Consolidation
Net sales and operating income:						
(1) Net sales to third parties	5,793,706	1,270,554	1,315,035	8,379,296	—	8,379,296
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	5,793,706	1,270,554	1,315,035	8,379,296	(—)	8,379,296
Operating income	738,490	17,547	42,935	798,973	—	798,973

Notes: 1. The segments adopted below are those used for internal control purposes.

2. Major operations by segment

(1) Marketing Research and Consulting Syndicated panel data, custom research

(2) System Solutions System development, operation and maintenance management

(3) Drug Development Solutions CRO, SMO

Six months ended September 30, 2008

	Thousands of yen					
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	Total	Eliminations or Corporation	Consolidation
Net sales and operating income:						
(1) Net sales to third parties	11,070,528	2,683,670	2,553,712	16,307,910	—	16,307,910
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	11,070,528	2,683,670	2,553,712	16,307,910	(—)	16,307,910
Operating income (loss)	1,529,224	(90,561)	138,934	1,577,597	—	1,577,597

Notes: 1. The segments adopted below are those used for internal control purposes.

2. Major operations by segment

(1) Marketing Research and Consulting Syndicated panel data, custom research

(2) System Solutions System development, operation and maintenance management

(3) Drug Development Solutions CRO, SMO

3. From the subject fiscal year the former Medical Solutions segment has been renamed Medical Development Solutions to more accurately reflect the business content of the segment.

Six months ended September 30, 2009

	Thousands of yen					
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	Total	Eliminations or Corporation	Consolidation
Net sales and operating income:						
(1) Net sales to third parties	10,584,008	2,469,598	2,702,840	15,756,447	—	15,756,447
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	10,584,008	2,469,598	2,702,840	15,756,447	(—)	15,756,447
Operating income	1,080,047	22,750	217,517	1,320,316	—	1,320,316

Notes: 1. The segments adopted below are those used for internal control purposes.

2. Major operations by segment

(1) Marketing Research and Consulting Syndicated panel data, custom research

(2) System Solutions System development, operation and maintenance management

(3) Drug Development Solutions CRO, SMO

2. Geographical segment information

For the three months ended September 30, 2008 and 2009, geographical segment information is not disclosed because businesses within Japan occupied more than 90% of total sales of all segments, and of total assets of all segments.

For the six months ended September 30, 2008 and 2009, geographical segment information is not disclosed because businesses within Japan occupied more than 90% of total sales of all segments, and of total assets of all segments.

3. Overseas sales (Operating revenue)

For the three months ended September 30, 2008 and 2009, overseas sales is not disclosed because it was under 10% of consolidated sales.

For the six months ended September 30, 2008 and 2009, overseas sales is not disclosed because it was under 10% of consolidated sales.

(6) Note regarding Significant Change in Shareholders' Equity

Six months ended September 30, 2009

No applicable items.