

Flash Report (Consolidated Basis)

Results for the nine months ended December 31, 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

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Planned filing of an annual security report: February 12, 2010

Planned start of dividend payments: —

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

1. Consolidated Financial Results of Nine Months Ended December 31, 2009

(1) Operating Results

Nine months ended December 31

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	24,226	0.2	2,127	1.2	2,103	0.8	1,050	(4.5)
2008	24,184	—	2,101	—	2,087	—	1,099	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	102.50	—
2008	107.31	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2009	23,229	12,127	51.8	1,173.44
March 31, 2009	21,180	11,590	54.2	1,120.90

(Reference) Total shareholders' equity: December 31, 2009: ¥12,024 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:

December 31, 2009: 10,404,000 shares March 31, 2009: 10,404,000 shares

2) Number of treasury stock

December 31, 2009: 157,109 shares March 31, 2009: 157,109 shares

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

Nine months ended December 31 2009: 10,246,891 shares 2008: 10,246,891 shares

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 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

For the third quarter of fiscal 2009 (the nine-month period from April 1 to December 31, 2009), the INTAGE Group posted consolidated net sales of ¥24,226 million, up 0.2% from the same period of the previous fiscal year. Operating income totaled ¥2,127 million (up 1.2%), with recurring profit of ¥2,103 million (up 0.8%) and net income of ¥1,050 million (down 4.5%).

During the subject third quarter, there was an illegal exchange of points given as payment for answering Internet surveys at our “cue monitor” site which implements Internet surveys in the customer research field of our market research and consulting business, and the company posted an associated ¥46 million extraordinary loss (refer to the Japanese-language news release dated December 17, 2009).

The results by business segment were as follows.

(1) Marketing Research and Consulting

In syndicated panel data services, revenues increased but earnings declined. While 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 domestic custom research, the revenue decline from the effects of the worsening economic environment during the second half of the previous year ended in the first half. The third quarter revenues increased, although the cumulative revenues for the nine-month period were still below the prior year's level. Overseas, custom research revenues greatly increased as the operations of our local Chinese subsidiary INTAGE Marketing Consulting (Shanghai) Co., Ltd. got on track.

As a result, sales in the Marketing Research and Consulting segment amounted to ¥16,442 million (down 0.1%), with operating income of ¥1,783 million (down 13.5%).

(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 ¥3,755 million (down 2.9%), with operating income of ¥38 million (compared with an operating loss of ¥186 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 ¥4,029 million (up 4.3%), with operating income of ¥306 million (up 35.7%).

2. Qualitative Information on the Consolidated Financial Position

Total assets at the end of the subject third quarter (December 31, 2009) amounted to ¥23,229 million, an increase of ¥2,048 million from the end of the previous fiscal year (March 31, 2009). This was due mainly to increases in cash and deposits, works in progress, and the increase in goodwill from the acquisition of the Chinese market research company Hyperlink Marketing Co., Ltd., offsetting declines in notes

receivable and in accounts receivable-trade.

Total liabilities amounted to ¥11,101 million, an increase of ¥1,512 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 reserve for bonus payments.

Total net assets amounted to ¥12,127 million, an increase of ¥536 million from the end of the previous fiscal year. This mostly resulted from the third quarter net income of ¥1,050 million minus the ¥512 million in dividend payments for the business results in the previous year.

3. Qualitative Information on Consolidated Forecasts

Sales through the third quarter were slightly below forecasts, and net income was also below forecasts because of the extraordinary loss that emerged in the third quarter. While factors remain that could cause fluctuation in results during the fourth 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 changes in 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 at the end of the subject third quarter for which the percentage of progress is deemed certain (estimates of the percentage of completion for software development are made mainly by calculating the percentage of the cost incurred to the estimated total cost), 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	
	December 31, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash and deposits	4,368,986	3,393,655
Note and accounts receivable-trade	5,605,542	6,299,126
Work-in-process	2,102,930	1,257,037
Stored item	25,762	40,162
Other	999,691	1,122,296
Allowance for doubtful accounts	(7,670)	(2,689)
Total current assets	13,095,243	12,109,588
Noncurrent assets:		
Property and equipment:		
Buildings and structures, net	2,165,106	2,111,268
Equipment and fixtures, net	471,381	543,502
Lease assets, net	542,157	233,036
Land	1,998,156	1,998,156
Other, net	162	221
Total property and equipment	5,176,964	4,886,186
Intangible assets:		
Goodwill	1,489,998	806,557
Other	1,123,986	997,811
Total intangible assets	2,613,984	1,804,369
Investments and other assets:		
Deferred tax assets	1,013,743	957,657
Other	1,357,092	1,422,434
Allowance for investment loss	(27,835)	—
Total investments and other assets	2,343,000	2,380,091
Total noncurrent assets	10,133,949	9,070,647
Total assets	23,229,192	21,180,236

Thousands of yen

	December 31, 2009	March 31, 2009
LIABILITIES		
Current liabilities:		
Accounts payable-trade	1,581,454	1,601,309
Short-term loans payable	3,924,000	1,942,300
Income taxes payable	249,752	831,196
Accrued employees' bonuses	665,193	1,321,194
Provision for directors' bonuses	20,400	27,800
Provision for point card certificates	112,672	36,743
Other	1,656,564	982,269
Total current liabilities	8,210,037	6,742,814
Noncurrent liabilities:		
Long-term loans payable	246,000	564,000
Provision for retirement benefits	2,164,851	2,058,220
Provision for directors' retirement benefits	29,000	29,000
Other	452,053	195,621
Total noncurrent liabilities	2,891,904	2,846,841
Total liabilities	11,101,941	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	9,260,179	8,722,229
Treasury stock	(247,406)	(247,406)
Total shareholders' equity	12,030,861	11,492,911
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	13,804	10,418
Deferred gains or losses on hedges	—	1,947
Foreign currency translation adjustments	(20,506)	(19,498)
Total valuation and translation adjustments	(6,701)	(7,132)
Minority interests	103,091	104,800
Total net assets	12,127,251	11,590,580
Total liabilities and net assets	23,229,192	21,180,236

(2) Consolidated Statements of Income

Nine months ended December 31

Thousands of yen

	2008	2009
Net sales	24,184,202	24,226,724
Cost of sales	16,598,561	16,768,522
Gross profit	7,585,640	7,458,202
Selling, general and administrative expenses:	5,484,172	5,330,658
Operating income	2,101,468	2,127,544
Non-operating revenues:		
Interest income	2,467	1,046
Dividends income	23,660	3,945
Insurance and dividends income	21,817	22,603
Other	7,820	9,611
Total non-operating revenues	55,765	37,207
Non-operating expenses:		
Interests expenses	31,802	31,028
Commission fee	7,414	7,134
Loss on disposal of equipment and fixtures	27,293	4,992
Foreign exchange loss	—	12,786
Other	3,618	5,455
Total non-operating expenses	70,129	61,397
Recurring profit	2,087,104	2,103,355
Extraordinary gain:		
Reversal of allowance for doubtful accounts	8,628	—
Gain on sales of investment securities	—	895
Total extraordinary gain	8,628	895
Extraordinary loss:		
Loss on revision of retirement benefit plan	—	78,433
Provision of allowance for investment loss	—	27,835
Loss on valuation of investment securities	6,497	—
Bad debts expenses	—	46,313
Total extraordinary loss	6,497	152,582
Income before income taxes	2,089,236	1,951,668
Income taxes-current	658,297	691,341
Income taxes-deferred	322,750	211,791
Total income taxes	981,047	903,132
Minority interests in income (loss)	8,590	(1,758)
Net income	1,099,598	1,050,293

Three months ended December 31	Thousands of yen	
	2008	2009
Net sales	7,876,291	8,470,276
Cost of sales	5,495,372	5,891,167
Gross profit	2,380,919	2,579,108
Selling, general and administrative expenses:	1,857,047	1,771,881
Operating income	523,871	807,227
Non-operating revenues:		
Interest income	234	238
Dividends income	15,910	995
Insurance and dividends income	20,907	18,120
Other	1,591	1,651
Total non-operating revenues	38,642	21,005
Non-operating expenses:		
Interests expenses	12,973	12,488
Commission fee	1,997	2,355
Loss on disposal of equipment and fixtures	7,518	1,395
Foreign exchange loss	—	5,362
Other	1,299	12
Total non-operating expenses	23,788	21,612
Recurring profit	538,725	806,621
Extraordinary gain:		
Reversal of allowance for doubtful accounts	351	—
Gain on sales of investment securities	—	681
Total extraordinary gain	351	681
Extraordinary loss:		
Provision of allowance for investment loss	—	(503)
Loss on valuation of investment securities	6,497	—
Bad debts expenses	—	46,313
Total extraordinary loss	6,497	45,810
Income before income taxes	532,578	761,492
Income taxes-current	(106,015)	23,768
Income taxes-deferred	367,366	321,364
Total income taxes	261,351	345,133
Minority interests in income (loss)	746	(3,218)
Net income	270,481	419,577

(3) Consolidated Statements of Cash Flows

Nine months ended December 31

Thousands of yen

	2008	2009
Cash flows from operating activities:		
Income before income taxes	2,089,236	1,951,668
Depreciation and amortization	686,848	710,797
Amortization of goodwill	213,411	213,411
Loss on revision of retirement benefit plan	—	78,433
Increase (decrease) in provision for retirement benefits	61,368	28,197
Increase (decrease) in provision for bonuses	(670,124)	(656,001)
Increase (decrease) in provision for directors' bonuses	(4,982)	(7,400)
Decrease in allowance for doubtful accounts	(8,638)	281
Increase in provision for point card certificates	14,126	75,928
Increase (decrease) in allowance for investment loss	—	27,835
Interest and dividends income	(26,128)	(4,992)
Interest expenses	31,802	31,028
Loss on disposal of equipment and fixtures	27,293	4,992
Loss (gain) on sales of short-term and long term investment securities	—	(895)
Loss (gain) on valuation of investment securities	6,497	—
Decrease (increase) in notes and accounts receivable-trade	1,515,805	853,441
Decrease (increase) in inventories	(1,022,747)	(826,666)
Increase (decrease) in notes and accounts payable-trade	(331,128)	(74,928)
Increase (decrease) in accrued consumption taxes	(60,824)	(58,250)
Other	62,771	490,246
Sub total	2,584,590	2,837,128
Interest and dividends income received	26,180	4,992
Interests expenses paid	(29,063)	(27,045)
Income taxes paid	(1,388,573)	(1,317,607)
Net cash provided by operating activities	1,193,134	1,497,467
Cash flows from investing activities:		
Payments into time deposits	(113,335)	(60,540)
Proceeds from withdrawal of time deposits	110,600	115,600
Purchases of property and equipment	(339,687)	(256,417)
Purchases of investment securities	(1,359)	(54,767)
Proceeds from sales of investment securities	—	10,755
Payments for loans receivable	(1,200)	(1,490)
Collection of loans receivable	1,984	2,253
Purchase of intangible assets	(375,090)	(449,233)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(848,338)
Proceeds from collection of guarantee deposits	1,396	2,639
Payments for guarantee deposits	(480)	(3,440)
Other	(19,729)	(13,038)
Net cash used in investing activities	(736,902)	(1,556,017)

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Nine months ended December 31	Thousands of yen	
	2008	2009
Cash flows from financing activities:		
Increase in short-term loans payable	5,910,000	6,410,000
Repayments of short-term loans payable	(5,336,270)	(4,420,000)
Proceeds from long-term loans payable	1,200,000	—
Repayments of long-term loans payable	(425,300)	(326,300)
Redemption of bonds	(1,000,000)	—
Proceeds from stock issuance to minority shareholders	5,010	—
Cash dividends paid	(411,461)	(504,542)
Repayments of lease obligations	(7,804)	(74,553)
Net cash used in financing activities	(65,825)	1,084,604
Effect of exchange rate changes on cash and cash equivalents	5,699	4,336
Net increase (decrease) in cash and cash equivalents	396,105	1,030,390
Cash and cash equivalents at beginning of term	3,394,165	3,303,611
Cash and cash equivalents at end of term	3,790,271	4,334,001

(4) Notes regarding premise of a going concern

Nine months ended December 31, 2009

No applicable items.

(5) Business Information

1. By Type of Business

Three months ended December 31, 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	5,385,988	1,182,286	1,308,016	7,876,291	—	7,876,291
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	5,385,988	1,182,286	1,308,016	7,876,291	(—)	7,876,291
Operating income (loss)	532,827	(95,868)	86,911	523,871	—	523,871

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 December 31, 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	5,858,500	1,285,478	1,326,297	8,470,276	—	8,470,276
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	5,858,500	1,285,478	1,326,297	8,470,276	(—)	8,470,276
Operating income	702,966	15,334	88,927	807,227	—	807,227

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

Nine months ended December 31, 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	16,456,516	3,865,957	3,861,728	24,184,202	—	24,184,202
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	16,456,516	3,865,957	3,861,728	24,184,202	(—)	24,184,202
Operating income (loss)	2,062,051	(186,429)	225,846	2,101,468	—	2,101,468

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.

Nine months ended December 31, 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	16,442,509	3,755,076	4,029,138	24,226,724	—	24,226,724
(2) Intra-group net sales and transfers	—	—	—	—	(—)	—
Total	16,442,509	3,755,076	4,029,138	24,226,724	(—)	24,226,724
Operating income	1,783,014	38,085	306,445	2,127,544	—	2,127,544

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 December 31, 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 nine months ended December 31, 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 December 31, 2008 and 2009, overseas sales is not disclosed because it was under 10% of consolidated sales.

For the nine months ended December 31, 2008 and 2009, overseas sales is not disclosed because it was under 10% of consolidated sales.

(6) Note regarding Significant Change in Shareholders' Equity

Nine months ended December 31, 2009

No applicable items.