

Toward the steady implementation  
and rollout of our plan to become a  
strategic partner to our customers

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## Overview of the 12th Medium-Term Management Plan and Fiscal 2018 Results

**We are advancing three strategic points to become a strategic partner to our customers.**

Today, as [big data](#) and the [IoT](#) become increasingly commonplace, society is inundated with a wide variety of information that must be processed and utilized in real time. Born from a sense of crisis that rigid adherence to traditional marketing research offers a limited future, the INTAGE Group embarked upon its 12th Medium-Term Management Plan in the fiscal year ended March 31, 2018 (fiscal 2018). Covering the three-year period of fiscal 2018–2020, the plan's basic policy is *Take the Initiative—in the field of data-activation*. As information becomes increasingly crucial for all companies, this policy addresses transitioning from an information partner to our customers, to demonstrating our value as a strategic partner. From its inception, the plan has focused on three strategic points.

The first strategic point is to develop an R&D framework for creating growth drivers. To effectively utilize our resources and capabilities with an awareness of Group-wide synergy, we have established and are proactively developing the INTAGE Group R&D Center as a virtual organization. Moreover, in addition to securing and training data scientists, we will use [corporate venture capital](#) and other means to work with external partners to accelerate business development, technology research and innovation.

The second strategic point is to evolve business domains and increase data value. In the Marketing Support (Consumer Goods & Services) segment, we decided to conduct a renewal of [SRI](#), one of our flagship products, and are steadily advancing design and development. In the Marketing Support (Healthcare) and Business Intelligence segments, we intend to strengthen existing operations as well as cultivate businesses stemming from new ideas.

The third strategic point is to take on the challenge of workstyle reform. We aim to create a workplace where all of our diverse employees, as professionals, can play active, fulfilling roles. We will also raise productivity with workstyles suited to each team or individual, thus generating a higher level of added value than ever before.

Growing our businesses and strengthening our core competencies will be key to achieving the targets of the 12th Medium-Term Management Plan. We realize the necessity of concrete investments, and will maintain the ratio of R&D expenses to net sales at the 2% level rather than the former level of 1%. At the same time, we will ensure solid profitability and plan to maintain the consolidated operating margin at the 8% level (for the 3-year period of fiscal 2018–2020).

### Big Data

Generally, extremely large data sets that are generated and recorded in various types and formats every day.

### Internet of Things (IoT)

The networking of many different types of objects in the physical world through embedded devices that allow mutual communication and control via an Internet connection.

### Corporate Venture Capital (CVC)

A mechanism for companies to invest their own capital directly in external startup companies. Unlike typical venture capital, which gathers capital from investors and targets capital gains, the aim of CVC is often to generate synergy with a company's main business. The INTAGE Group established the INTAGE Open Innovation Fund in partnership with SBI Investment Co., Ltd. in October 2016.

### SRI

Nationwide retail tracking research

[▶ See page 17.](#)

12th Medium-Term Management Plan (Fiscal 2018–2020)

Group Basic Policy

***Take the Initiative—in the field of data-activation***

Management Numerical Targets (Fiscal 2019)

Maintain the consolidated operating margin at the 8% level  
and the ratio of R&D expenses to net sales at the 2% level

Strategic Points (Fiscal 2019)

1. Put more effort into and steadily roll out an R&D framework for creating growth drivers
2. Ensure the evolution of business domains and improvement in data value
3. Accelerate workstyle reform

Results for fiscal 2018, the first year of the 12th Medium-Term Management Plan, reached record highs, with consolidated net sales exceeding ¥50 billion and net income attributable to owners of parent exceeding ¥3 billion. Although operating income decreased slightly from the previous fiscal year, this was expected due to the steady execution of our planned investments including R&D activities and the renewal of SRI. The operating margin also reached the target level of 8%.

## Progress under Strategic Points of the 12th Medium-Term Management Plan

**Each of our priority strategies led to reassuring results.  
We are entering the next phase – ensuring implementation and rollout.**

We made solid progress in the first year of the plan, achieving reassuring results under each of the plan's strategic points.

For R&D, the structure set in place through the establishment of the INTAGE Group R&D Center during fiscal 2018 is producing results. Specifically, it has brought together more than 30 themes worthy of deeper study. Because the R&D Center is a virtual organization, the best human resources for each theme can participate across Group boundaries, and joint research by multiple companies has also started, incorporating Group companies outside Japan, among others. The initial testing stage can cost as little as a few hundred thousand yen, or up to several million yen at the most, so budgetary considerations are left to the discretion of respective workplaces. In such R&D activities, we consider it important to facilitate appealing activities that help to motivate and retain young talent.

In addition, the INTAGE Open Innovation Fund has invested in a total of more than 10 companies in a wide range of fields from those strongly connected to existing businesses to entirely unrelated fields. Using both the R&D Center, which centralizes the Group's internal knowledge, and CVC to utilize external resources, we will step up our efforts and steadily roll out an R&D framework to create growth drivers, which is the goal of our first strategic point.

We are also making steady progress in evolving business domains and improving data value, our second strategic point. To begin with, in the Marketing Support (Consumer Goods & Services) segment, we started work on the first renewal in over a decade for SRI, one of our flagship products. In recent years, differences in the products handled by retail channels such as convenience stores, supermarkets and drugstores are diminishing, and the boundaries between channels are becoming blurred. Consequently, we are considering discontinuing the service of offering data by business type, and instead, making data projections for individual stores across all business types. Doing so will require us to process big data on an unprecedented scale. We enter the development phase in 2018, which will include the establishment of high-speed processing infrastructure, for a planned release of Census-Hybrid SRI (tentative name) in 2020.

Efforts toward evolution and growth are accelerating in the Business Intelligence segment as well. This segment has high growth potential, and I have great expectations for it. Reasons underlying this sentiment are that the size of the domestic market has grown to approximately ¥21 trillion\* and in this business we will be able to leverage our existing advantages. Currently, we specialize in fields such as travel, publishing and healthcare, which are areas of strength for us, and we are aiming for future net sales of ¥10 billion. Introducing AI will be indispensable for reaching this target in order to provide our original systems solutions to our customers, and M&A represents another avenue for raising technological capabilities in the field of AI.

For workstyle reform, the third strategic point, we are establishing a workplace where individuals are free to choose the time and place they work. Measures include the introduction of systems for flextime and remote work. What is important, however, is accelerating reforms for the ultimate outcome of these measures, which is improving productivity and creativity. We are now introducing software robotics to free employees from routine work so they can spend time on the creative aspects of their jobs, and I believe the impact will be substantial. Of course, individual efforts are also necessary. After reading books by prominent figures who make their living

### INTAGE Group R&D Center

Established in April 2017 with the mission to conduct a wide range of R&D and business support for the creation of growth drivers.

▶ See pages 15–16.

### INTAGE Open Innovation Fund

Established in partnership with SBI Investment Co., Ltd. in October 2016. Invests in promising venture companies in Japan and overseas to build alliances in the Group's existing and new business domains as well as conduct joint R&D in cutting-edge technology fields.

### Artificial Intelligence (AI)

Software or systems that use a computer to imitate the cognitive processing performed by the human brain.

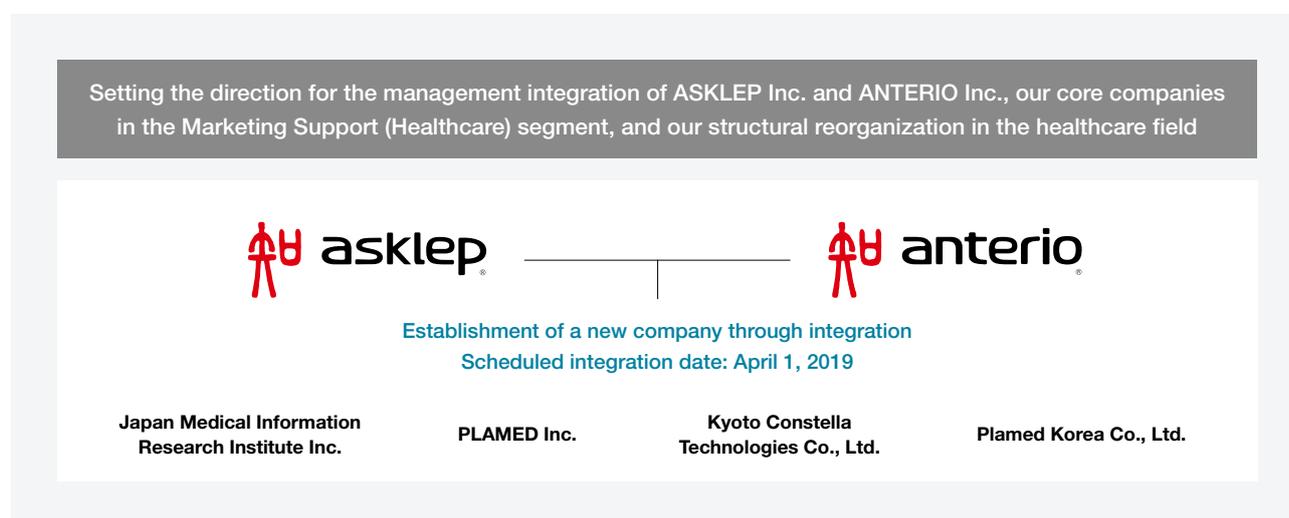
\* Source: Materials prepared by the Japan Information Technology Services Industry Association based on a 2015 fact-finding survey on specified services conducted by the Ministry of Economy, Trade and Industry

creating things, it is my conclusion that the key to cultivating one's creativity is making creative acts a daily habit, and I intend to consider initiatives to encourage such ways of working. At the same time, it is important to have more advanced expertise along with creativity, so creating a system for training employees in tandem with workstyle reform will be a matter to address. Putting in place such a system will make our company an attractive place to work, and allow us to better retain excellent talent. We are aware that creating a place where employees can work enjoyably with a positive attitude is one of the duties of management.

## Announcement of Management Integration of Two Companies in the Healthcare Field

**We are aiming to launch a new consumer-oriented business in line with current trends.**

In May 2018, we announced the major decision to integrate the management of ASKLEP Inc. and ANTERIO Inc., which form the core of our healthcare operations. The integration is scheduled for April 1, 2019, and at the same time we plan to structurally reorganize all companies responsible for the Group's healthcare operations. Management and employees on the front line are in agreement that integrating resources and centralizing investments are necessary for further growth in the Marketing Support (Healthcare) segment. The market for the post-marketing surveillance provided by ASKLEP is maturing and ANTERIO already has a high market share for the custom research it conducts in the healthcare field, so it is difficult to envision any significant future growth. By integrating these two companies, we will utilize their respective resources and work to expand their businesses into new consumer-related areas as we approach an age of self-care, in which consumers themselves are the ones who evaluate and choose medical services and pharmaceuticals. We have made it the objective of the management integration to focus investment resources on this new business.



## Toward Future Group Management

**We forecast increases in sales and income as we continue proactive investments in fiscal 2019. We will also emphasize shareholder returns through ongoing efforts to increase dividends.**

We have positioned fiscal 2019 for steady implementation and rollout of various measures for our three strategic points under the 12th Medium-Term Management Plan. We forecast increased sales in every segment. We are planning a total of around ¥1 billion in investment

expenses, the same as in fiscal 2018, which we will allocate primarily to R&D and the renewal of SRI. Even though the ratio of R&D expenses to net sales will be kept at the 2% level, we still expect operating income to increase year on year, and our policy will be to maintain the operating margin at the 8% level.

I am strongly committed to shareholder returns. The return of profits to our shareholders is a highest priority management issue. Our fundamental approach is to base shareholder returns on consolidated earnings and conduct profit distribution with consideration for the balance between dividends and retained earnings. Our goal is a consolidated dividend payout ratio of 35% in fiscal 2020. We have increased dividends every year since I assumed office as president, and I am determined to continue to do so. For fiscal 2019, we expect to pay a year-end dividend per share of ¥22, an increase of ¥2, for a forecast consolidated dividend payout ratio of 31.2%.

**Dividends**

Year-end dividend per share	
Fiscal 2018	¥20.00
Fiscal 2019 (forecast)	¥22.00
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Consolidated dividend payout ratio	
Fiscal 2018	26.3%
Fiscal 2019 (forecast)	31.2%

Note: The Company implemented a stock split at a ratio of two shares for each share of common stock on October 1, 2017.

**Fiscal 2019 Consolidated Performance Forecast By Segment**

(Millions of yen)

		Fiscal 2018 (results)	Fiscal 2019 (forecast)	Year-on-year
Consolidated	Net sales	50,499	53,000	+5.0%
	Operating income	4,023	4,200	+4.4%
	Ordinary income	4,311	4,250	-1.4%
	Net income attributable to owners of parent	3,050	2,900	-4.9%
Marketing Support (Consumer Goods & Services)	Net sales	33,186	35,000	+5.5%
	Operating income	2,165	2,200	+1.6%
Marketing Support (Healthcare)	Net sales	11,070	11,500	+3.9%
	Operating income	1,412	1,550	+9.7%
Business Intelligence	Net sales	6,243	6,500	+4.1%
	Operating income	446	450	+0.9%

**In the coming information age, we will continue to focus on our stakeholders' interests and help to resolve social issues by realizing our Group Vision.**

In an age of information overload, consumers and companies face a variety of information-related social issues. We must therefore evolve into a strategic partner to our customers to resolve those issues together with them.

For example, for the past ten years, I have thought that people should be able to keep all their own personal information on hand and manage it themselves. This includes hospital medical records. Essentially, people should be able to manage their own data, to be stored in a reliable place or disclosed, as necessary. I have no doubt that such a time will come. At that time, we will still need to ensure that consumers can confidently entrust us with their data. Moreover, I want to provide our employees with a sense of excitement as a company where they can do creative work by generating value in this way. At the INTAGE Group, we continue to connect our customers to their customers, and by realizing our Group Vision, "Know today, Power tomorrow," we will help to resolve various social issues. In doing so, we will improve our corporate value.

You can continue to expect great things from the INTAGE Group.

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