

Business-Related Risks

Risks related to the INTAGE Group's business operations and financial condition that may have a significant impact on investor decisions are described below. Note that any references to the future in this section are based on the judgment of the Group's management as of March 31, 2018.

1. Information Management

The information services industry in which the INTAGE Group participates involves handling a large volume and variety of corporate and personal information, given the characteristics of the business. Therefore, in addition to utilizing a system for protection of personal information in accordance with the Personal Information Protection Law and the Privacy Mark, the INTAGE Group gives adequate attention to management of various types of information, including establishing a specialized unit for information security management systems (ISMS) and computer security incidents and taking security measures for the public disclosure system.

In addition, as there is a risk that various types of information held by the Group may be improperly obtained or falsified as a result of unauthorized access to the Group's information systems, stringent verification is conducted when systems are used, and necessary measures are taken to protect their security.

However, any leakage or other misuse of information could cause a loss of public trust in the Group and could have a material impact on the Group's business results.

2. Dependence on Second-Half Performance

The business performance of the INTAGE Group is disproportionately weighted toward the second half of the fiscal year. This imbalance is attributable to three main factors: in the Marketing Support (Consumer Goods & Services) segment, research required by corporate clients for the preparation of the following year's marketing plans is concentrated toward the end of the fiscal year; completion and delivery periods for reports commissioned by governmental agencies are concentrated toward the end of the fiscal year; and, in the Business Intelligence segment, a high proportion of systems development contracts stipulate delivery at the end of the fiscal year.

3. Business Investment

The INTAGE Group makes investments that are necessary for ensuring growth in its established businesses and developing new areas of business.

However, negative effects that arise as a result of these investments, or the inability to obtain results from the investments as expected, could adversely affect the INTAGE Group's business performance and business development.

In addition, the delayed discovery of problems at a company the INTAGE Group has invested in and inability to take prompt corrective action, or the INTAGE Group's inability to devote sufficient personnel or other resources to investment activities, could adversely affect the INTAGE Group's business performance and business development.

4. Business Risk

(1) In panel research, the core service of the INTAGE Group's Marketing Support (Consumer Goods & Services) segment, the Group is introducing new products and working to increase added value through a shift from data provision to solutions provision in order to secure further growth potential. Should these measures fail to progress as anticipated, the INTAGE Group's business performance could be adversely affected.

In the custom research sector, competition is intensifying with the emergence of companies specializing in Internet research. To overcome this competition, the INTAGE Group must constantly invest in systems at each stage of collecting, processing, analyzing and providing research data. If the results of this competition and the cost of system investment become an excessive burden, the INTAGE Group's business performance could be adversely affected.

(2) The Marketing Support (Healthcare) segment can be greatly affected by trends in the pharmaceutical industry. The Group's business performance could be adversely affected in the event of a contraction of the market

Performance in Each Half of the Past Two Fiscal Years

(Millions of yen)

	Apr.-Sep. 2016	Oct. 2016-Mar. 2017	Apr.-Sep. 2017	Oct. 2017-Mar. 2018
Net sales	21,448 (44.7)	26,539 (55.3)	22,941 (45.4)	27,558 (54.6)
Marketing Support (Consumer Goods & Services)	13,828 (44.0)	17,604 (56.0)	14,806 (44.6)	18,379 (55.4)
Marketing Support (Healthcare)	5,098 (47.7)	5,595 (52.3)	5,388 (48.7)	5,681 (51.3)
Business Intelligence	2,521 (43.0)	3,339 (57.0)	2,746 (44.0)	3,497 (56.0)
Operating income	1,373 (32.2)	2,895 (67.8)	1,270 (31.6)	2,753 (68.4)
Ordinary income	1,370 (31.2)	3,022 (68.8)	1,469 (34.1)	2,842 (65.9)

Parentheses indicate percentage of total amounts for the year.

resulting from factors such as a decrease in new drug development in Japan, or by changes such as revisions to the Pharmaceuticals and Medical Devices Law or other laws or regulations.

(3) In the Business Intelligence segment, the INTAGE Group is strengthening its solution functions for specific industries based on the industry knowledge and client base it has cultivated by providing services in close contact with clients, such as operation, maintenance and management of systems. However, the Group's business performance could be adversely affected if these efforts do not progress as expected.

5. Personnel

As the INTAGE Group engages in many highly specialized businesses, the recruitment and development of human assets is an important matter. Recruitment of global human assets has also become urgent as the Group actively expands its business internationally.

Accordingly, the INTAGE Group continuously reviews the implementation of systems related to recruitment, development and evaluation of personnel, and the plan. Furthermore, the Group places priority on developing the next generation of managers, and is working to speed up succession.

However, should human asset development fail to progress satisfactorily despite these measures, the INTAGE Group's business performance could be adversely affected.

6. Conditions in Overseas Markets

The INTAGE Group conducts the custom research business at consolidated subsidiaries INTAGE CHINA Inc. in China, CONSUMER SEARCH HONG KONG LIMITED in Hong Kong and MACAO RESEARCH CENTRE LTD. in Macao; the healthcare research business at Plamed Korea Co., Ltd. in Korea; the custom research business at INTAGE (Thailand) Co., Ltd. in Thailand and INTAGE VIETNAM LIMITED LIABILITY COMPANY in Vietnam; the panel research and custom research businesses at INTAGE SINGAPORE PTE. LTD. in Singapore; and the custom research business at PT. INTAGE INDONESIA in Indonesia, INTAGE INDIA Private Limited in India and INTAGE USA Inc. in the United States.

However, the INTAGE Group's business performance could be adversely affected if laws or regulations related to the Group's business overseas are enacted, amended or otherwise changed; if situations that hinder the Group's business operations arise as a result of political factors; or if unforeseen events such as natural disasters or infectious disease epidemics occur.

7. Management Issues

The INTAGE Group maintains the Management System Committee to respond to various management issues. Furthermore, the Group has an Internal Control Committee and is placing particular emphasis on strengthening the compliance structure.

Nevertheless, should these mechanisms fail to function adequately and inadequate inculcation of the spirit of compliance at the individual employee level occur, the INTAGE Group's business performance could be adversely affected.

8. Changes in Foreign Exchange Rates

The INTAGE Group translates the financial statements of the overseas Group companies listed in 6. from local currencies into Japanese yen. Consequently, changes in exchange rates could adversely affect the INTAGE Group's business performance.

9. Systems Failure

The INTAGE Group's data center is manned around the clock, and the management system incorporates thorough security measures including the installation of surveillance cameras and information control at the time of entry and exit by means of electronic key cards. In addition, all possible measures are taken to ensure stable operation at all times, including an earthquake-resistant structure, fire-extinguishing equipment, redundancy of electric power facilities, and the installation of on-site power generation facilities.

Nevertheless, the inability to use the Group's facilities or networks due to unexpected serious events such as the occurrence of a system or hardware failure, a malicious computer virus, a hacker attack, a large-scale power outage or an earthquake, fire, flood, accident or other disaster of unexpected magnitude could adversely affect the INTAGE Group's business performance.

10. Intellectual Property

In the course of conducting its business activities, the INTAGE Group takes meticulous care not to violate the patents, trademarks or other intellectual property rights of third parties. Nevertheless, should the Group violate the intellectual property rights of a third party, or should a third party newly establish intellectual property rights in one of the INTAGE Group's business areas, the Group may be forced to discontinue business operations in the field in question, or receive demands for compensation, an injunction, or other claims from that third party. Such outcomes could adversely affect the INTAGE Group's business performance.

11. Holding Company

INTAGE HOLDINGS Inc., the listed holding company representing the INTAGE Group, derives its income from management fees paid to the Company by the operating companies whose shares it directly holds, and from dividends paid according to the business results and financial position of the operating companies. Therefore, deterioration of the financial position of operating companies resulting in their inability to pay dividends to the Company could adversely affect the Company's business performance.