

Message from the President

President and Representative Director,
the Company
Noriaki Ishizuka



Becoming a data activation company, needed in society now and in the future

Determined to exert leadership that unifies the group

I was appointed President and Representative Director of INTAGE HOLDINGS Inc. on April 1, 2019. Having been the President of INTAGE, Inc., a core company of the Group, up to the end of March 2019, my first work after the appointment was to understand the current condition of the entire group, giving priority to dialogues with the operating companies, in particular those in the Marketing Support (Healthcare) segment, the Business Intelligence Business segment, and overseas business, which I had not been the person directly in charge of. While I had been briefed on important matters in the Management Meeting of INTAGE HOLDINGS and other occasions, I have newly recognized competitive advantages and challenges of each operation through the dialogues. At the same time, I have realized once again the need to manage the Group with a sense of speed by strengthening collaboration of not merely each company but of the entire Group and related group assets.

The INTAGE Group has kept on growing by having unique products and services that have competitive advantages, such as SRI (nationwide retail panel research) and SCI (nationwide individual consumer panel research). With each advance in digitalization, our customers face different challenges. I think it is

critically important for us to not merely sell products and services but also to understand the changing challenges our customers face and exert our group's comprehensive strength in providing solutions. In other words, we must change ourselves from being an information partner to a strategic partner. This requires leadership that unifies the group. I am determined to play that role.

We were persistent but our challenges emerged.

In the fiscal year ended March 31, 2019 (fiscal 2018), we achieved a year-on-year increase in both sales and profit, with consolidated net sales of of ¥53.98 billion (up 6.9% year-on-year) and operating income of ¥4.26 billion (up 6.1%). While the results up to the third quarter were sluggish, we retained our original numerical targets and made an all-out effort to catch up, which resulted in growth in sales and profit of all segments. I applaud such persistence of our employees but will not this camouflage our challenges. In the fast-changing, hardly-predictable digital era, it is said that a shift is under way from PDCA (Plan, Do, Check, Act) to OODA (Observe, Orient, Decide, Act). We must Observe what is happening at the points where our clients do business, Orient the situation, Decide on specific measures and action plans, and Act. Our challenge therefore is to further strengthen our capacity to promptly and flexibly respond to changing and emerging issues of our customers.

Integrating assets for solving customers' challenges

With regard to the 12th Medium-Term Management Plan covering the three-year period of fiscal 2017–2019, our targets are to maintain the consolidated operating margin at the 8% level and the ratio of R&D expenses to net sales at the 2% level under the plan's basic policy, "Take the Initiative—in the field of data-activation." In fiscal 2018, we achieved both targets to a high degree and have generally smoothly been implementing three strategic points.

(1) Concerning the first strategic point, to "put more effort into and steadily roll out an R&D framework for creating growth drivers," the R&D Center, in its second year, firmly established a structure that crosses over systemic barriers of the Group. Many examples of PoC Proof of Concept have been rolled out, and specific outcomes have started to emerge. In addition, the INTAGE Open Innovation Fund, which was established in 2016, has invested in 20 companies in total. We have thus added a new platform for evolving our existing businesses and have established a base to tackle clients' problems with these two channels. Our next theme will be how to comprehensively apply the outcomes of these activities to solving our customers' problems.

(2) As for "ensuring the evolution of business domains and improvement

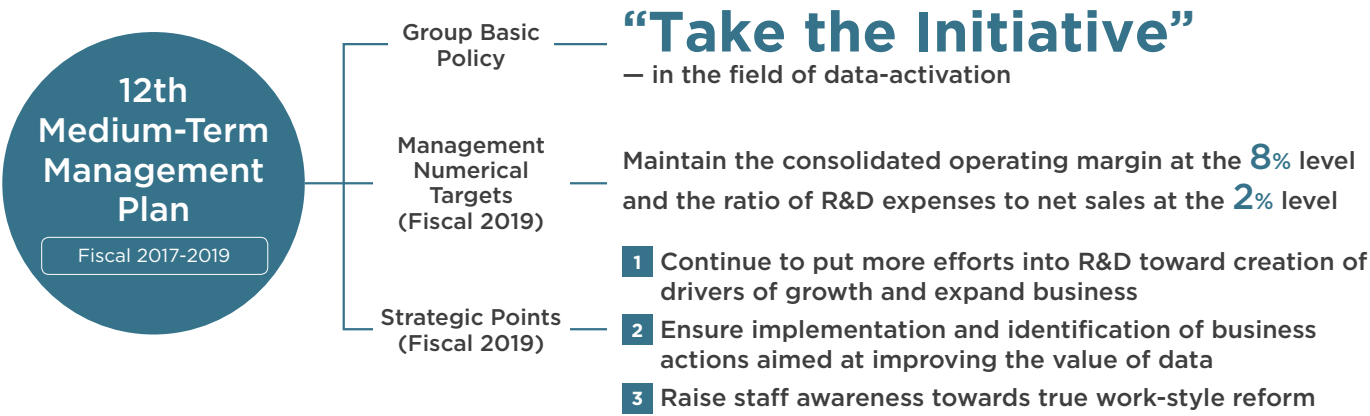
in data value," we are planning a renewal of the SRI (our nationwide retail tracking research service), one of our core offerings to our customers. We began providing test data in January 2019 and are preparing for the official rollout in or soon after 2020. Up to the present, the SRI has accurately reflected the status of markets and has functioned as data for auditing for customers. We find it important to maintain this position as a social role. Part of the context of this is that retail markets are changing drastically. The SRI+, an upgraded version of the SRI, incorporates EC channels and more accurately reflects such sea changes in the retail market. Further ahead, we intend to build up SRI+ with input from diverse big data and business data sources, and create a structure that enables a retailer and a manufacturer to make optimal strategy while looking at the same data. We desire to change to an emphasis on providing strategic data while maintaining data for auditing. That would take some time and we first need to accurately and comprehensively record and gather data. This phase will kick off in 2020 and after.

(3) Finally, for the point of "accelerating workstyle reform," adoption and use of systems for flextime and remote work, which we introduced last year, have been steadily made. We also introduced e-Learning platform and began testing AI Chatbot.

In fiscal 2018, we also acquired a few companies, mainly in the healthcare business. As a main example, KYOWA KIKAKU Ltd. is an advertising company engaged in promotion of pharmaceutical companies. Although KYOWA KIKAKU and the INTAGE Group have many customers in common, we separately made proposals in areas of our respective strength before the acquisition. After acquiring KYOWA KIKAKU, we can make and implement a proposal on themes such as "effective promotion based on market analysis." As regulations on promotion are being tightened, the integration of both companies will potentially become more valuable in this domain. We anticipate generating more business opportunities through integration of assets of both companies and of their customers.

The INTAGE Group's 60 years of engagement with data

In the past our business as a research company was completed just by handling research data. Nowadays, in the IoT era, everything is converted into data. We are therefore required to convert such data into usable data for marketing by extending the value of using data, while observing what is behind the abundance of data. However, it is difficult to raise the value of single data point alone. I believe that a new value is created only when diverse data are combined.



Know today, Power tomorrow

**We connect our customers to their customers,
to create a prosperous society of limitless possibilities.**



For example, retail “stores” as they are still called, will become rapidly digitalized in form, such as Amazon Go, and for customers operating such business venues we think we can find out, by combining data, “what kind of customer visits the stores, which product should be installed in which shelf space, how to promote products, and estimate how much is likely to be sold”. Extending the value of using data by connecting research data with big data, or big data with another set of big data, while respecting the “research” viewpoint – we call this “data activation.” My vision of the INTAGE Group is to build up a structure to more deeply understand general and medical consumers. Although many companies have big data, I believe only we, the INTAGE Group, can become this “data activation company,” as we have high-quality panel research data and diverse masters, including Product Masters, that can generate profit from data, and have been steeped in data for 60 years. In order to realize our Group Vision, “We connect our customers to their customers, to create a prosperous society of limitless possibilities,” we have got to become a data activation company. The SRI+ described above is a challenge to build an actual example for this.

Social contribution that only the INTAGE Group can do

As stated in our Group Vision, “We connect our customers to their customers, to create a prosperous society of limitless possibilities,” I believe that our business itself contributes to society. For people to be healthy and happy, we, as an information partner and a strategic partner of our corporate customers, use research data and big data and assist our customers when they tackle challenges in society and markets, related to general and medical consumers, with the aim of creating a sustainable, “prosperous society of limitless possibilities.” For example, in order to solve a problem of food loss, it is indispensable to accurately understand the actual situation and make precise demand estimates. We can also provide feedback on product development or renewal that are tailored to ethical orientation of consumers. Furthermore, I believe that our services can help raise efficiency and productivity of our customers’ work and improve their workstyles. While we tend to handle highly confidential information,

we are ready to disclose as much information as we can and to contribute to creating a better society.

Achieving stable, steady growth to keep raising the total amount of dividends

Cash dividends are one of important means of shareholder returns for the INTAGE Group. Eleven years ago, our payout ratio was at the 20% level. Since then, we have gradually raised the total amount of dividends and the payout ratio, while doing investment. We are committed to maintain a target payout ratio of 35% for fiscal 2019, and at the same time to achieve stable, steady growth, meeting the expectation of our shareholders.

While renewing awareness that companies are part of society, we continue to pursue THE INTAGE GROUP WAY. This adamantly remains the same even now that I have become the President. I am fully committed to pursuing fulfillment of our shareholders, customers, business partners, employees, and all other stakeholders, and to strive for the INTAGE Group to keep contributing to a development of a fair society.