Message from the CFO

Director and CFO, in charge of Internal Controls

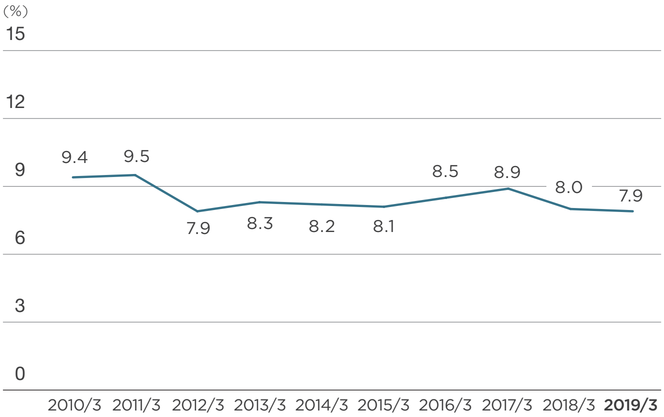
Kenji Ikeya

Maintaining a well-balanced allocation of operating cash flow, while enhancing financial strength

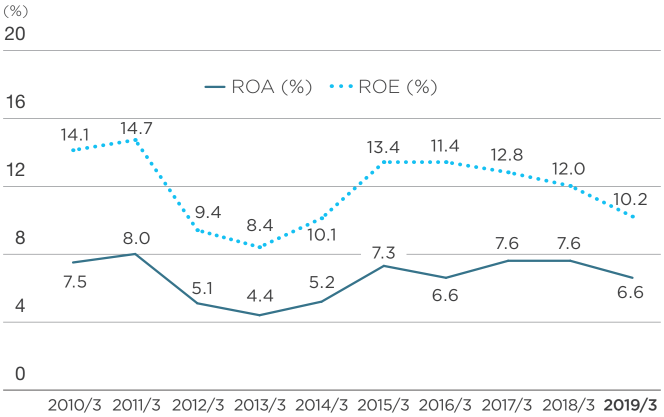
The INTAGE Group aims at raising sustainable, stable corporate value, driven by medium- to long-term growth. In order to achieve this, I think it is indispensable to establish a sound managerial base. The underlying basic financial policy that supports this is to strengthen our financial position and at the same time to funnel operating cash flow into growth investment and return to shareholders in a balanced manner. In the past five years our operating cash flow per year on average was about ¥3 billion and has been allocated to the three areas of capital improvement, return to shareholders, and investment, with due consideration given to balance and timing. We intend to make allocations in a similar way in the future.

Constant profit generation is imperative to secure stable operating cash flow. As one of our important financial Key Performance Indicators (KPIs), we target the consolidated operating margin at the 8% level in the current 12th Medium-Term Management Plan. We achieved the margin of 7.9% in fiscal 2018, roughly achieving the target. With regard to financial strength, we have established a solid financial base with the equity ratio at 63%, while ROE (Return on Equity) has been around 10-12% level in the last three years. From the management perspective, we pay close attention to ROA (Return on Assets) and ROIC (Return on Invested Capital), as KPIs.

Operating Margin



ROA / ROE



Both CVC and R&D will be drivers for medium- to long-term growth

As measures to secure medium- to long-term growth, we focus on R&D investment and investment via the Corporate Venture Capital (CVC), in addition to development investment in our core business of panel research. By targeting the ratio of R&D expenses to net sales at the 2% level in the current Medium-Term Management Plan, we are committed to consistent investing in R&D, while at the same time we remain consciously trying to be a leading-edge company in the industry.

The CVC (fund size of ¥5 billion), launched in October 2016, had invested ¥2.16 billion in total to 20 companies as of April 2019. The CVC's investment policy is to invest in advanced technologies and service companies, with which business synergy generation can be expected. Areas which have not been addressed in the past as well as seed- and early-stage ventures are also on the radar screen. The CVC's areas of investment are mainly research, marketing, and AI. The building of collaboration and other relationships with the invested companies, as well as financial return, are considered successful outcomes for the CVC. There are some cases which have already showed outcome from collaboration. As an example, in the marketing technology field, we are engaged in R&D in use of personal data and information bank jointly with DataSign Inc. In the case of Cross Compass Ltd., which has strength in use of AI in manufacturing, our relationship began as Cross Compass became a base for development of AI personnel of the INTAGE Group, through exchange of personnel, including sending of our personnel to Cross Compass, and Cross Compass is now our partner, supporting AI construction of our client companies.

Concerning M&A activities, we intend to be flexible and opportunity-hungry mainly in the Business Intelligence segment business, by taking into account such factors as the balance among business segments, market size, and market shares.

Change of the fiscal year timing, with the aim of improving efficiency in business operation

In May 2019, we announced a change of the fiscal year end from March 31 to June 30. (Fiscal 2019 will be an irregular 15-month fiscal year, from April 1, 2019 to June 30, 2020.)

Our Group's peak period in business used to fall in the fourth quarter (January-March), including March 31, when the fiscal year end of many of our customers is concentrated. This trend has become more apparent in recent years. During the same quarter, we also had to put together the next fiscal year's business plan. As a result, many adverse effects have emerged on the operational side, including an increase in overtime work and in outsourcing costs.

In view of this situation, we have decided to move the fiscal year end away from the business peak period, in order to enable us to raise efficiency in business operation.

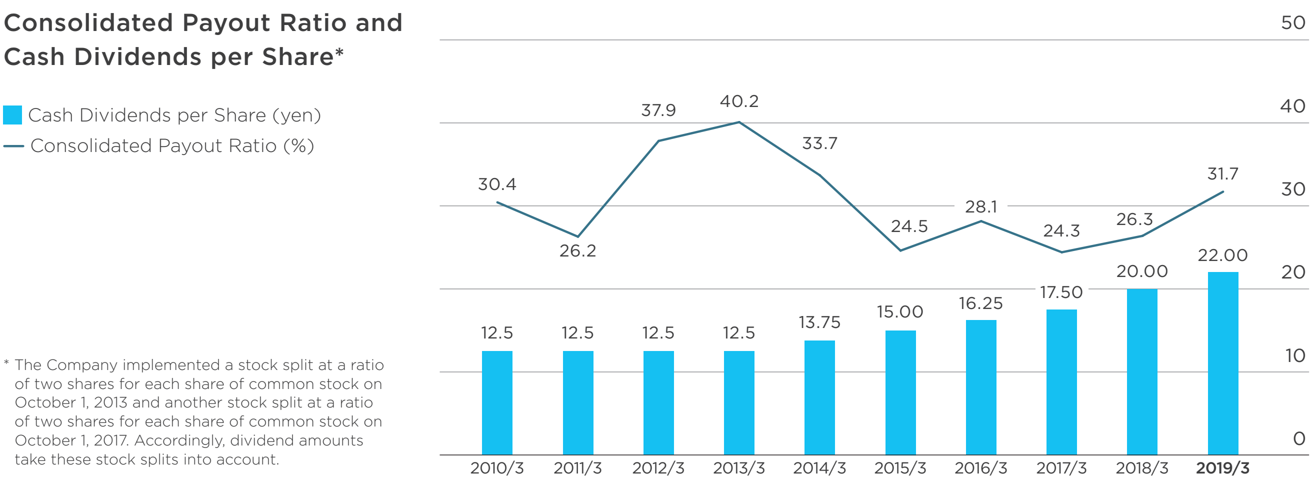
Return to shareholders and engagement with investors are our highest priorities

We consider the return of earnings to shareholders as one of our management priorities. Our basic policy is to distribute earnings in consideration of the balance between dividends and retained earnings, based on the consolidated results, and we target a consolidated payout ratio of 35% for fiscal 2019 (compared to the actual payout ratio of 31.7% in fiscal 2018). In addition, acquisition of treasury stock is implemented flexibly, while comprehensively considering the market environment and other factors, in order to raise capital efficiency.

With regard to engagement with investors, we maintain appropriate engagement, mainly by holding financial result briefings for institutional investors and analysts in May and November and IR visits to institutional investors (approximately 60 visits in a year). During the dialogues, investors raise questions and opinions on the INTAGE Group's growth strategy and business strategy, which we find useful in considering our management policy. Constructive dialogues with investors are therefore identified as precious opportunities.

I would like to ask for continued support from our shareholders and investors for our endeavors in the era of data.

Consolidated Payout Ratio and Cash Dividends per Share*



* The Company implemented a stock split at a ratio of two shares for each share of common stock on October 1, 2013 and another stock split at a ratio of two shares for each share of common stock on October 1, 2017. Accordingly, dividend amounts take these stock splits into account.