



**Management
Message**

Aiming to create demonstrations of new value as a Data + Technology company

President and Representative Director
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Achieved 30th consecutive period of increased net sales despite a decline in operating profit due to up-front investment

In the fiscal year ended June 2023, consumer values, their behavioral patterns and the processes for their purchasing behavior and other factors underwent significant changes due to the spread of COVID-19, and the demand for market research to understand these changes has continued to boom. However, with sharply rising raw material and fuel costs triggered by Russia's invasion of Ukraine in February 2022, compounded by the depreciation of the Japanese yen, consumer goods manufacturers, our mainstay clients, prioritized the short-term issue of dealing with price hikes in their own products, and demand for research temporarily declined as a result. Even under this difficult business environment, businesses and services that were positioned as key growth strategies, including our mainstay domestic panel research and custom research businesses, Asian countries on the recovery track from the COVID-19 pandemic and Research and Innovation Co., Ltd. which joined the Group in 2021, posted results that surpassed those of the previous year.

We are currently working to revamp our SCI (Nationwide Consumer Panel Survey) product in order to build a CX Marketing Platform*¹ as an evolved form of CRM*² that links consumers, retail and manufacturers with purchase data. As it is important to ascertain trends showing how data fluctuates chronologically over the long term, when switching data we must not stop using the previous data and immediately use the new data. A process is needed so that customers can view the old and new data, and confirm that trends are not changing and that it is safe to switch to the new data. For this reason, we retain back data going back at least two years before releasing the new data. Although dual costs are incurred to operate the existing SCI and redesigned SCI

in parallel, these costs are expected to peak in FY2023 and significantly decline in FY2025 when only the new SCI will be in operation.

In the fiscal year ended June 2023 we also evolved our human resource strategy and stepped up our investments in staff. To date, our basic hiring strategy was to recruit around 50 new graduates while acquiring people with research experience as mid-career hires in line with our growth. However, the research industry itself has never been large, limiting the pool of candidates with experience. We have also seen a trend of experienced researchers flowing into other industries. With the expectation that demand for research will grow in the medium-to long-term, we shifted our focus to the hiring of new graduates ahead of our competitors, in order to mitigate the risk of staffing shortages in the future. In April 2023, we hired 141 new graduates (56.7% of whom were women), three times the usual number. In addition to boosting the skills of junior employees, we will increase base salaries while improving retention rates. We will also implement multi-faceted measures to enhance human resources as the source of value creation, including efficiency improvements with the use of technology, and opening the door to accepting former employees who have transferred to other industries.

We originally planned to cover proactive investment in our CX Marketing Platform and investment in human resources with booming research demand, but due to the harsh short-term business environment described above, we posted net sales of ¥61.3 billion (up 1.9% year on year), operating profit of ¥3.7 billion (down 18.6%), and profit attributable to owners of parent of ¥3.5 billion (up 2.5%).

Our next theme is how to connect each sprout of growth as with cultivate it

*1 CX Marketing Platform
In the INTAGE Group's 14th Medium-Term Management Plan, we have been working to redesign SCI (Nationwide Consumer Panel Survey), one of the core panel research products of the INTAGE Group. By harnessing the revamped data with data from the CODE shopping app operated by Research and Innovation Co., Ltd., we are building a platform that will help our corporate clients improve the customer experience (CX).
(See [P21](#))

*2 CRM
An acronym for "Customer Relationship Management," describing the process of accurately ascertaining customer information for the purpose of maintaining and improving good relationships with customers in order to expand business.



The fiscal year ended June 2023 was the final year of our 13th Medium-Term Management Plan. Under the plan, we pursued a Group policy to redesign business, reframing, connecting and creating to reflect changing customers and consumers. We spent a lot of time over these three years contending with the COVID-19 pandemic, but I believe one of our accomplishments over this period was reaffirming the social role of and deep-seated need for marketing research when consumer values and behaviors undergo change. At the same time, we learned that there are limits to growth through marketing research alone. In a society in which the lines between online and offline are increasingly blurred, where marketing and business intelligence are being combined and people's lifestyles are increasingly diverse, it became clear that direct approaches toward consumers are needed.

For this reason, in the future it will become increasingly important to solve customer issues by leveraging the Group's collective strength. Rather than operating marketing intelligence (MI), custom research, panels, business intelligence (BI) and system development as separate endeavors, it will be increasingly important to connect them and provide them as services and solutions on a

greater scale. Unfortunately, in the 13th Medium-Term Management Plan, we failed to reach our stated goal of "redesigning business," and are still only part-way there, but each of the initiatives we have invested in to date have certainly started to sprout. The questions we face are how to connect these developments going forward, and what kinds of solutions can be provided in a manner that spans the entire Group. These questions have emerged as challenges to be tackled in our next Medium-Term Management Plan.

Helping to create a convenient and prosperous society without social loss

Our stated long-term Group vision is to "know today, power tomorrow: we connect our customers to their customers, to create a prosperous society of limitless possibilities." In formulating the 14th Medium-Term Management Plan, we continued to position this long-term vision as a basis, while discussing what we want to be in 2030 and what we need in order to achieve that, taking into account the social significance of the INTAGE Group. We also affirmed our goal of uniting as a group so that we continue to be a company that helps create a convenient and prosperous society without social loss, aiming for business growth in proportion to



Management Message

our contributions to solving business and social issues. Today, society faces myriad challenges, chief among which are population decline and a super-aging society. The advance of these issues post significant social challenges for the Japanese economy. At the same time, as digital transformation across the whole of society accelerates, all manner of data is being accumulated. We hope to link this data, combine it with the latest technologies, and support the optimization and strengthening of corporate activities.

In numerical terms, our vision for 2030 is net sales of ¥130-150 billion, operating profit of ¥15 billion, and a ROE of at least 12%.

Challenges in the new Medium-Term Management Plan —Accelerating Group coordination and helping to solve the social issues Japan faces—

We have developed the 14th Medium-Term Management Plan (running from the fiscal year ending June 2024 to the fiscal year ending June 2026) with a view to improving upon issues that emerged during the previous Medium-Term Management Plan, as well as by back-casting from our vision for 2030. The basic policy in our new Medium-Term Management Plan is the shift toward a new portfolio as a Data + Technology company. As I mentioned earlier, amid population decline, a super-aging society and the accelerating adoption of DX, a key point will be how we manage to treat these challenges as opportunities. Rather than functioning merely as a research company or systems company, we will solve issues through the collective strength that comes from coordinating as a Group. We also hope to conquer the major social issues that Japan faces by coordinating with outside data technology partners. As I mentioned earlier, this is the issue we became aware of during the previous Medium-Term Management Plan. To improve our response to this issue, in July 2023 we established a new organization known as the Group Co-creation Center. This is a new organization that exists outside the boundaries of segments and departments. Until now, we have operated based on the approach of having specific human resources summarize customer issues in planning documents, but with this new organization, we will develop solutions based on dialogue. This is an attempt to take the issues faced and plans developed

by individual departments and share them with other departments to solve challenges as “Team INTAGE.” Since we have grown under a segment structure to date, unseen barriers between departments developed as a matter of course. This new organization also sends the message that we will break down those barriers.

With the aim of practicing more sustainable management, starting in the fiscal year ending June 2024 we newly established the Sustainability Committee. The committee will set goals based on ESG themes, and engage in monitoring and evaluation of our progress in achieving them. This organization will evolve our ESG management from medium- and long-term perspectives, including environmental goals, improvements to employee engagement, diversity promotion and the advancement of effective governance.

In terms of numerical goals set out in the 14th Medium-Term Management Plan, for the fiscal year ending June 2026 we are aiming for net sales of ¥73.5 billion (demonstrating sustainable growth), operating profit of ¥6 billion (demonstrating business value), CAGR of 12% in profit per employee (demonstrating the improved human value), and a dividend payout ratio of at least 50% (management with an awareness of shareholder return). Additionally, we also set forth various items under the environment (E), society (S) and governance (G) as non-financial targets. (Reference)

The capital and business alliance with DOCOMO is focused on neutrality and autonomy

On September 6, 2023, we announced a tender offer from NTT DOCOMO, Inc. (“DOCOMO”) together with a capital and business alliance agreement. The tender offer was successfully completed on October 23. With DOCOMO thus holding a 51% stake, INTAGE became a consolidated subsidiary of DOCOMO. However, INTAGE’s stock listing on the Tokyo Stock Exchange Prime Market was maintained.

In discussions leading up to the basic agreement with DOCOMO, our biggest focus was on ensuring management autonomy and independence. That is because independence as a company leads to neutrality in research, and neutrality is the foundation of the trust our customers place in our business. This is because

we are in a neutral position that we receive data from some 53,600 consumers and 6,000 retail stores. If our neutrality was compromised, people would stop cooperating to provide information, and customers would leave. For us, neutrality was something we absolutely had to maintain. In addition to that, one of our strengths and something that makes us attractive is our free and open organizational culture. We are not a company that pursues things from a purely top-down approach. If we could not maintain autonomy, we could not hope to preserve our bottom-up way of doing things, which could lead to the resignations of the employees who had created value working under that structure. We reached a basic consensus with DOCOMO to integrate the point of neutrality in particular into the capital and business alliance agreement to quite a detailed degree, and rest assured that for its part, DOCOMO fully understands those concerns.

Having both companies work together to generate value from the behavioral data of approximately 97 million members

In the saturated telecommunication industry, DOCOMO has positioned the Smart Life Business as a pillar of growth in the non-telecom domain, and has laid plans to double revenues from the business compared with FY2021 levels (¥960.4 billion) by FY2025. Through the Smart Life Business, DOCOMO has rolled out a range of services including movies and entertainment, medical services, electricity, and cross reality (XR^{*3}), developing a customer base of some 97 million members and a vast amount of behavioral data. One of the aims of this capital and business alliance is to work with the INTAGE Group, which has data handling capabilities that span from the collection to the tabulation, analysis and visualization of this vast amount of accumulated data, in order to create genuine value from that data. We have collaborated with DOCOMO in the past, such as the joint establishment of DOCOMO InsightMarketing, Inc. (DIM), but this latest development marks a more serious step toward generating value from data.

Five synergies with DOCOMO and future possibilities

Through this capital and business alliance, DOCOMO and the INTAGE Group will aim to realize five synergies by leveraging the

characteristics and management resources of both entities. Those five synergies are (1) ID-based and one-stop marketing support focused on consumers for manufacturers of daily consumer goods, (2) total value chain support in distribution and retailing, (3) expansion into new business fields in the areas of customer satisfaction (CS) and employee satisfaction (ES), (4) full-funnel marketing support with a focus on consumers for durable consumer goods manufacturers and service providers, and (5) strengthening the ability to solve social issues in healthcare-related industries.

Additionally, we are currently developing tools to provide a CX Marketing Platform and feel there is potential to expand the possibilities for demonstrating value with this platform through the alliance with DOCOMO. For example, through the integrated use of the two companies' management resources, we can develop a virtual customer relationship management (CRM) platform enabling companies without a membership base to communicate with individual customers, enabling one-stop customer marketing covering every aspect from research to communication, sales promotion and customer development. Based on the integrated use of our new SCI product and CODE^{*4}, we may be able to provide one-stop research, advertising and sales promotion services that iterate on a cycle of (1) understanding of the market and target profiling, (2) being able to engage in direct dialogue with consumers and gain insight into customer experiential value, (3) making adjustments to marketing strategies while monitoring the response from consumers, and (4) tracking changing trends with high precision. In this way, the business and capital alliance with DOCOMO could vastly expand our possibilities.

Helping to reinvigorate Japan through our business activities

My heartfelt desire is to restore Japan to its former energetic self. Japan is in a position to understand the structure of an aging and maturing society ahead of the rest of the world, and if we manage to build marketing methods that enhance loyalty with the use of digital technology, we should be able to develop excellent models ahead of the global curve. We will work together as a group in continuing to take on challenges that make that a reality. Please expect great things from the INTAGE Group in the future.

^{*3} XR (cross reality)
A generic term to describe advanced technologies that create virtual worlds or a combination of the virtual and real worlds through virtual reality (VR), augmented reality (AR) and mixed reality (MR), enabling users to become immersed in the real and virtual worlds in ways that stimulate their senses as if they were real.

^{*4} CODE
Name of a shopping app maintained by Research and Innovation Co., Ltd., a member of the INTAGE Group.