CFO Message

As we enter a new stage, we will aim to enhance corporate value in the medium- to long-term with growth-focused financial management

Director
CFO in charge of Internal Controls
Toru Takeuchi

Continuing to invest in growth despite increased sales and declining profit in the fiscal year ended June 2023

In the fiscal year ended June 2023, sales from our domestic operations fell short of forecasts, in part due to reduced demand from consumer goods manufacturers and other customers impacted by sharply rising raw material costs and other factors, but across the entire Group, sales improved in our overseas business and other units, resulting in higher net sales overall. However, personnel expenses and other costs associated with structural improvements in each business rose, leading to a decline in operating profit. Even so, in part due to a reduced tax burden from the restructuring of our overseas site structure, profit attributable to owners of parent still increased. During this period we also continued to invest in future growth, and assess that we have made steady progress with our investment plans. Additionally, in August 2023 we announced our 14th Medium-Term Management Plan (FY2024/6 to FY2026/6). In connection with our SCI product where we plan to expand the sample size and make other improvements to provide new value to customers, we are incurring duplicate cost burdens to operate the old and new SCI products in parallel. While we expect this will have an effect on profits in the fiscal years ending June 2024 and June 2025, the cost issues associated with these parallel operations will be eliminated in the fiscal year ending June 2026, when we expect to achieve significant profit growth.

Dividends during the 14th Medium-Term Management Plan will be progressive as we aim for growth with an awareness of capital efficiency

We have long seen the return of profits to shareholders as one of the most important management issues, and our basic policy is to ensure a distribution of profits that balances dividends with growth investment based on consolidated financial performance that represents the results of Group management. In the previous Medium-Term Management Plan, we set a target dividend payout ratio of 40%, but in the fiscal year ended June 2023 we increased dividends from ¥38 to ¥42 per share (a dividend payout ratio of 46%), and have managed to constantly maintain a level exceeding 40%. Recognizing that we had strengthened our financial status and managed to allocate sufficient funds for growth investment, in August 2023 we made changes to our basic policy on the allocation of profits in order to further strengthen the return of profits to shareholders. Dividends over the course of the 14th Medium-Term Management Plan will be progressive, with the aim of hitting a consolidated dividend payout ratio of 50% in the fiscal year ending June 2026, the final year of the plan. We have also targeted a return on equity (ROE) of 12%.

We will enhance investor engagement and make our case regarding our growth strategies including the alliance with DOCOMO

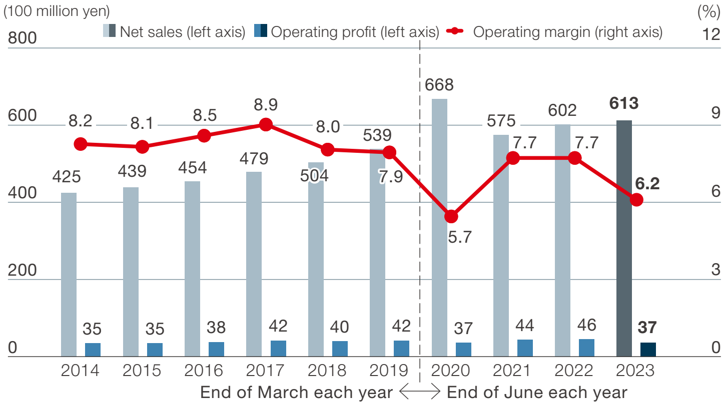
In September 2023, we announced a capital and business alliance with DOCOMO as part of the INTAGE Group's medium- to long-term growth strategy. We have launched multiple project teams within the Group which are currently in the process of seriously discussing their respective business plans.
To coincide with the announcement of the new Medium-Term Management Plan, we also announced "Towards 2030," which indicated the direction the INTAGE Group will pursue in the medium- and long-term to realize its vision. We believe that the recent capital and business alliance will increase the speed at which that vision will be reached, and raise the likelihood of success. To gain the understanding of shareholders and investors regarding these points, we will be further stepping up engagement activities, including timely explanations of the new business plans we will determine in the future and the directions we will pursue.

Maintaining a sound financial base while taking on the challenge of a new growth stage

Due to the nature of our business (from the perspective of maintaining the neutrality and independence of a research business), we have always seen it as important to maintain a sound financial base. We have managed to maintain this sound financial footing while incorporating objective perspectives from outside bodies such as by obtaining a rating from R&I (Rating and Investment Information, Inc.).
Our current capital policy is to emphasize capital efficiency (an ROE of 12%) based on this sound financial base while allocating end profits to growth investment and shareholder return.
To achieve medium- to long-term growth in particular, we plan to continue with base investments to maintain and strengthen our current business foundations and strategic investments aimed at co-creation-driven value expansion such as M&A and alliances for further growth. Through these growth investments we will take on the greatest challenge of enhancing corporate value.

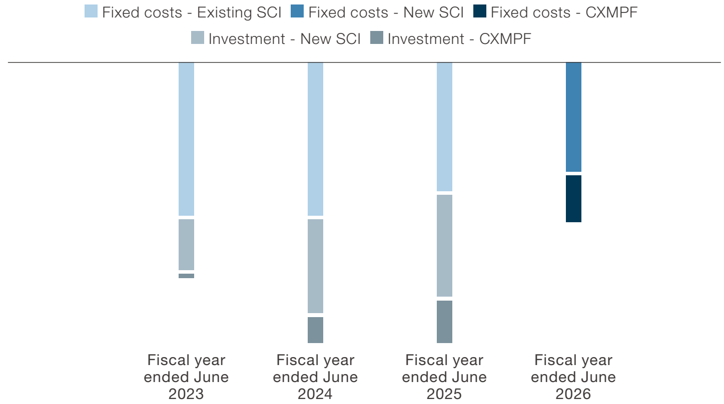
Through the recent capital and business alliance with DOCOMO, we at the INTAGE Group will enter a new stage. We will continue making every effort to enhance corporate value, and appreciate the support of our valued stakeholders underpinned by their high hopes for the INTAGE Group.

Change in Business Results Over the Past Ten Years



(Note) The fiscal year ended June 2020 is an irregular 15-month period due to a change in the fiscal period.

Visualization of Changes in Investment and Expenses

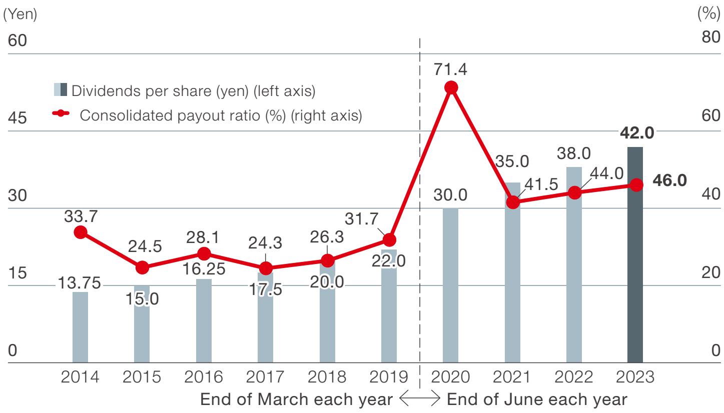


Excerpt from "Explanation Materials for Consolidated Financial Results for the Year Ended June 30, 2023" released on August 25, 2023

Basic Policy on Profit Allocation During the 14th Medium-Term Management Plan

Final year (fiscal year ending June 2026) targets	Dividend payout ratio **50%** ROE (Return on equity) **12%** Progressive dividend increases

Consolidated payout ratio / dividends per share



(Note) The fiscal year ended June 2020 is an irregular 15-month period due to a change in the fiscal period.