CFO MESSAGE

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Director, CFO in charge of Corporate Management

Entering a new stage by accelerating synergy and optimization

Focusing on a management strategy of achieving corporate growth over the medium- and long-term

In the fiscal year ended June 2024, sales increased but profit declined mainly due to an increase in temporary expenses.

In the fiscal year ended June 2024, net sales increased year on year although the level was lower than planned, mainly due to the impact of some customers tightening their budgets. This was a result of mainstay panel surveys remaining firm and a recovery trend in the research business for consumer goods manufacturers and the healthcare field. However, profit declined year on year in part due to the impact of duplicate cost burdens attributed to the parallel operation of the old and new versions of SCI (Nationwide Consumer Panel Survey). This is associated with the renewal of SCI, which is an investment being made in anticipation of the expansion of operations in core businesses and for which we are implementing ongoing measures. The decline in profit is also attributed in part to a temporary increase in expenses related to the development of the CX Marketing Platform (see P.10 ↗) and the capital and business alliance with NTT DOCOMO, INC. (hereafter, “DOCOMO”).

However, we regard these to be temporary increases, and there are no problems regarding the INTAGE Group’s actual earning power. The parallel operation of the old and new versions of SCI will end in March 2025, and only the new version of SCI will be operated thereafter, resulting in the elimination of the duplicate cost burden. We also expect profit to grow in Marketing Support (Consumer Goods & Services), the main area where we demonstrate synergy with DOCOMO. We expect both sales and profit to grow in the fiscal year ending June 2025, partly reflecting the impact of the transfer of the company that took over the contract research organization (CRO) business which was spun off from INTAGE Healthcare Inc. to Alfresa Holdings Corporation.

Moving more hand-in-hand with stakeholders than ever before with the disclosure of the cost of capital and the payment of interim dividends

As an initiative to enhance corporate value over the medium and long term, we practice management that is conscious of the cost of capital and the profitability of capital. To enable our shareholders fully understand our current status and future, we have decided to additionally disclose the cost of capital, a figure we use internally. While we understand that the cost of shareholders’ equity in the INTAGE Group has been between 5% and 8% in the last several years, we have conservatively adopted an 8% cost of capital which we use internally. Every year until the fiscal year ended June 2023, excluding the fiscal year ended June 2020, when our performance was affected by the COVID-19 pandemic, we achieved a return on equity (ROE) of 10-13%, exceeding the cost of shareholders’ equity, and a price-book value ratio (PBR) of 1.2 to 2.0. In the fiscal year ended June 2024, however, our ROE was 7.8%, almost the same as the cost of shareholders' equity, due to a temporary rise in related expenses including the expenses for the parallel operation of the old and new versions of SCI and the capital and business alliance with DOCOMO. We expect ROE to recover to the 11% level in the fiscal year ending June 2025, partly reflecting the reduction of the above temporary expenses and the gain on sale of the CRO business. We aim to maintain an ROE of around 12% in and after the fiscal year ending June 2026 by achieving the growth of profit through synergy with DOCOMO.

In addition, we will begin to pay interim dividends in the fiscal year ending June 2025. Previously, we paid dividends of surplus once a year due to the characteristics of our businesses, which feature net sales concentrated in March. We have decided to increase the number of opportunities to return profits to our shareholders, mainly because net sales have stabilized. Under the basic policy on the allocation of profits for the period of the 14th Medium-Term Management Plan, we will continue to pay progressive dividends, aiming for a consolidated dividend payout ratio of 50% and an ROE of 12% in the fiscal year ending June 2026, the final year of the plan.

Accelerating existing businesses and growth businesses through drastic reforms for optimal organizational management

Regarding our future management policy, it is important to optimize and maximize our achievements in both our existing and growth businesses, while maintaining a balance between the two. To support growth, we are reviewing our organizational management, improving our business management, and strengthening our financial capital strategy.

The INTAGE Group started with the business of INTAGE Inc., which is an operating company. It has since been expanding its business domains by increasing the number of subsidiaries it has. The larger an organization grows, the more difficult it becomes to make decisions promptly, making it impossible to act with agility. To avoid this, we have been spinning off companies and have enjoyed the benefits of this. This is how we have been achieving growth. On the other side of the coin, when a company is spun off, there is also an issue: the overlaps generated in both tangible and intangible aspects of business. For existing businesses, we will try to solve this issue by proactively consolidating overlapping functions within the Group and promoting DX in pursuit of comprehensive optimization, so that practice profit-oriented management. On the other hand, for the growth businesses that will be created through the capital and business alliance with DOCOMO and other initiatives, we will first approach customers proactively and increasing sales will be important. Further, in business management, we will try to achieve and accelerate growth using an internal index called base profit, with which we separately manage matters that temporarily impact operating profit, such as expenses in existing businesses, the cost of M&A activities and investments needed for business expansion, and expenses related to the synergy-driven businesses with DOCOMO. Through these initiatives, we will strengthen our financial management with an awareness of the cost of shareholders' equity while also anticipating the initiatives to have an effect in the promotion of the reform of awareness within the Group. We will thus advance our management strategy through synergy and optimization.

The door to continued growth opened by synergy with DOCOMO

While maintaining the stable growth of existing businesses and continuing to invest, we have created a privileged environment that enables us to leverage the customer base and behavioral data possessed by DOCOMO thanks to our alliance with the company. This has enabled us, the INTAGE Group, to enter domains we were unable to access on our own. Once again, I am sure that the capital and business alliance with DOCOMO will increase the certainty of success in new business domains, open the door to continued growth, and greatly impact the INTAGE Group.

The INTAGE Group has entered a new stage towards the creation of new opportunities to demonstrate value. Please look forward to the INTAGE Group's activities in the future.

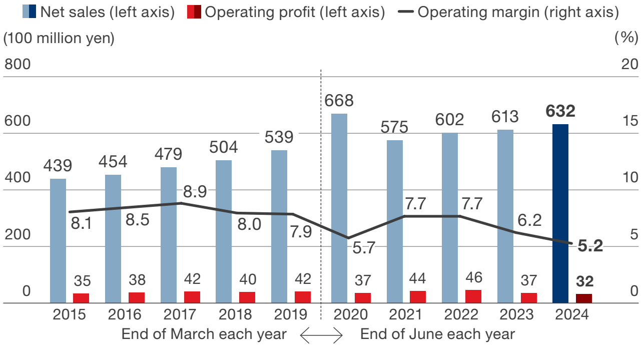
Basic Policy on Profit Allocation During the 14th Medium-Term Management Plan

Final year targets
(Fiscal year ending June 2026)

Dividend payout ratio 50%
ROE (Return on equity) 12%

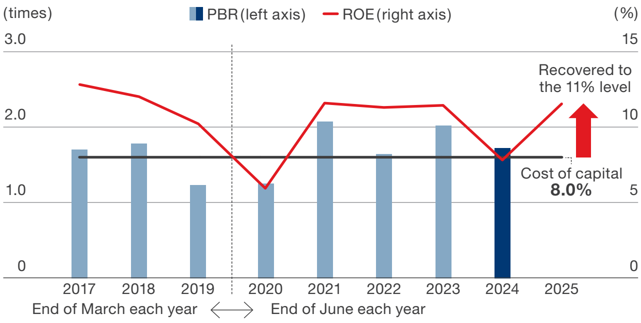
Progressive dividend increases

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.

Changes in ROE and PBR



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