

Flash Report [Japanese GAAP] (Consolidated Basis)

Results for the six months ended September 30, 2013

Company Name: **INTAGE HOLDINGS, Inc.** Stock listing: The First Section of the Tokyo Stock Exchange
 Code number: 4326 URL <http://www.intageholdings.co.jp/>
 Representative: Kenji Miyakubi, President and Representative Director
 Contact person: Kenji Ikeya, Corporate Officer, Director of Finance & IR Department Tel: +81-3-5294-7411
 Planned filing of a quarterly report: November 14, 2013 Planned start of dividend payments: —
 Preparation of supplementary explanations of quarterly financial results: Yes
 Quarterly financial results presentation held: Yes

(Figures less than ¥1 million have been omitted.)

1. Consolidated Financial Results of Six Months Ended September 30, 2013

(1) Operating Results

Six months ended September 30

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2013	18,505	2.0	880	(16.7)	811	(18.5)	363	(27.1)
2012	18,148	9.3	1,056	21.0	996	19.0	499	15.4

(Note) Comprehensive income: Six months ended September 30, 2013: ¥547 million, 3.6%

Six months ended September 30, 2012: ¥528 million, 33.4%

	Net income per share	Net income per share after dilution
	Yen	Yen
2013	18.09	—
2012	24.81	—

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The net income per share for the quarter is calculated assuming this stock split took place at the beginning of the previous consolidated fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2013	28,834	15,602	53.7
March 31, 2013	29,398	15,493	52.5

(Reference) Total shareholders' equity: September 30, 2013: ¥15,486 million, March 31, 2013: ¥15,432 million

2. Dividends

Year ended March 31, 2013/ Year ending March 31, 2014

	Annual dividend				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2013	—	0.00	—	50.00	50.00
2014	—	0.00			
2014 (Forecast)			—	27.50	27.50

(Note) Revisions to the most recently disclosed dividend forecasts: None

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The (projected) year-end dividend for the year ending March 2014 is stated considering the impact from this stock split.

3. Forecasts for Fiscal Year ending March 31, 2014

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	43,052	7.8	3,606	9.0	3,383	5.3

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	1,861	48.9	92.55

(Note) Revisions to the most recently disclosed earnings forecasts: None

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The (projected) net income per share for the fiscal year is stated considering the impact from this stock split.

Notes

- Significant changes in subsidiaries during the subject period (Transfer of particular subsidiaries following a change in the scope of consolidation): None
Additions: None Deletions: None
- Adoption of special accounting policy for quarterly financial reporting: None
- Changes in Accounting Policies, Changes in Accounting Estimates, Restatements:
 - Changes in accordance with revisions to accounting standards: None
 - Changes other than 1) above: None
 - Changes in accounting estimates: None
 - Retrospective restatements: None
- Number of shares issued and outstanding (Common share)

	Six months ended September 30, 2013	Year ended March 31, 2013
1) Number of shares issued (including treasury stock)	20,808,000	20,808,000
2) Number of treasury stock	695,052	695,018
		Six months ended September 30, 2012
3) Average number of shares issued for each period	20,112,980	20,113,099

(Note) On October 1, 2013 the Company implemented a stock split at a ratio of two shares for each share of common stock. The number of shares outstanding (common stock) is calculated assuming this stock split took place at the beginning of the previous consolidated fiscal year.

Indication of quarterly review procedure implementation status

These financial statements are not subject to review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

Explanation for the Appropriate Use of the Forecasts of Financial Results and Other Special Instructions

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements. Regarding the forecast of financial results, please refer to "Explanation of Consolidated Performance Forecasts and other Projected Information" on page 5.

As announced in "Notice of Stock Split, Partial Changes to Articles of Incorporation with the Stock Split, and Revision to Dividend Forecast" released August 8, 2013, the Company implemented a stock split on October 1, 2013 at a ratio of two shares for each share of common stock. Accordingly, the net income per share for the quarter, the (projected) year-end dividend for the year ending March 2014, the (projected) net income per share for the fiscal year in the consolidated performance projections and the number of shares outstanding (common stock) are stated considering the impact from this stock split.

1. QUALITATIVE INFORMATION ON CONSOLIDATED FINANCIAL RESULTS FOR THE SUBJECT PERIOD

(1) Explanation of Operating Results

During the first half of fiscal 2014 (the six-month period from April 1, 2013 to September 30, 2013), the Japanese economy showed a gradual recovery trend from the effects of various economic stimulus measures by the government and monetary easing by the Bank of Japan. Nevertheless, it remained difficult to be optimistic regarding the outlook with the slump in Europe and the slowdown in China and other newly emerging economies.

Under these conditions, during the first half of FY2014 the INTAGE Group posted consolidated net sales of ¥18,505 million (up 2.0% from the same period of the previous fiscal year), with operating income of ¥880 million (down 16.7%), recurring profit of ¥811 million (down 18.5%), and net income of ¥363 million (down 27.1%).

The results by business segment were as follows.

1) Market Research and Consulting

In syndicated panel data services, revenues and earnings both increased. Sales of SCI-personal (nationwide individual consumer panel data) and i-SSP (INTAGE Single Source Panel), which collects and analyzes purchasing and media/advertisement exposure data, rose and investment expenses declined.

In custom research, sales were steady for both conventional and Internet research. As a result, sales in the Marketing Research and Consulting segment amounted to ¥13,227 million (up 3.7% year on year), with operating income of ¥934 million (up 0.6%).

2) System Solutions

In System Solutions, revenue and earnings both rose as new and existing orders and conditions remained firm with a recovery in corporate investment in IT systems while the Company held down expenses and improved operating efficiency.

As a result, sales in the System Solutions segment amounted to ¥2,330 million (up 7.9% year on year), with operating income of ¥94 million (compared to an operating loss of ¥12 million in the same period of the previous fiscal year).

3) Drug Development Solutions

In Drug Development Solutions, revenue and earnings declined in both monitoring services and data management and analysis services from decreased new orders under intensified competition and increased leading investment in international business.

As a result, sales in the Drug Development Solutions segment amounted to ¥2,947 million (down 8.9% year on year), with an operating loss of ¥148 million (compared to an operating profit of ¥140 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Assets

Current assets decreased ¥425 million from the end of the previous fiscal year (March 31, 2013) to ¥17,844 million. While work in progress rose ¥1,045 million, notes and accounts receivable—trade declined ¥1,653 million.

Noncurrent assets decreased ¥138 million from the end of the previous fiscal year to ¥10,990 million. Although goodwill increased ¥209 million, lease assets, net, decreased ¥138 million and buildings and structures, net, were down ¥99 million.

As a result, total assets decreased ¥563 million to ¥28,834 million.

Liabilities

Current liabilities decreased ¥628 million from the end of the previous fiscal year to ¥7,101 million. This was mostly because income taxes payable declined ¥623 million.

Long-term liabilities decreased ¥43 million from the end of the previous fiscal year to ¥6,131 million. While retirement benefits increased ¥48 million, lease obligations were down ¥96 million.

As a result, total liabilities decreased ¥671 million to ¥13,232 million.

Net Assets

Total net assets increased ¥108 million from the end of the previous fiscal year to ¥15,602 million. While retained earnings declined ¥138 million, foreign currency translation adjustments rose ¥194 million.

Consolidated Cash Flows

Cash and cash equivalents (hereinafter “cash”) on September 30, 2013 increased ¥61 million from the end of the previous fiscal year to ¥5,967 million. In detail, there was ¥990 million in cash provided by operating activities against ¥471 million in cash used in investing activities and ¥544 million in cash used in financing activities.

Cash flows from operating activities

Cash provided by operating activities amounted to ¥990 million (down ¥467 million from the same period of the previous year). This was mainly because of increases in inventory assets and in income tax payments.

Cash flows from investing activities

Cash used in investing activities amounted to ¥471 million (¥340 million less than used in the same period of the previous year). This was mainly because payments for acquisition of property and equipment and payments for acquisition of intangible assets declined and income was received from withdrawal of time deposits.

Cash flows from financing activities

Cash used in financing activities amounted to ¥544 million (¥268 million more than used in the same period of the previous year). This was mainly because while proceeds from short-term

loans payable and proceeds from long-term loans payable increased, expenditures for repayments of short-term loans payable increased.

(3) Explanation of Consolidated Performance Forecasts and other Projected Information

Consolidated performance forecasts for the full fiscal year (ending March 31, 2014) are unchanged from those announced in the May 10, 2013 release “Flash Report [Japanese GAAP] (Consolidated Basis) Results for fiscal year ended March 31, 2013.”

* The performance projections in this document are calculated based on information available to the management at the time of this document's release. Actual results may differ from the projections due to future economic conditions and other factors

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

(1) Significant changes in subsidiaries during the subject period

Not applicable

(2) Adoption of special accounting policy for quarterly financial reporting

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

Not applicable

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Thousands of yen	
	March 31, 2013	September 30, 2013
ASSETS		
Current assets:		
Cash and deposits	5,986,046	5,967,866
Note and accounts receivable—trade	9,278,009	7,624,403
Work in progress	1,314,762	2,359,780
Stored item	56,439	28,125
Deferred tax assets	1,161,411	1,203,053
Other current assets	477,695	661,427
Less allowance for doubtful accounts	(4,699)	—
Total current assets	18,269,665	17,844,657
Noncurrent assets:		
Property and equipment:		
Buildings and structures, net	2,028,588	1,929,124
Equipment and fixtures, net	371,300	392,704
Land	1,998,156	1,998,156
Lease assets, net	742,850	604,779
Other, net	29	14
Property and equipment, net	5,140,925	4,924,779
Intangible assets:		
Goodwill	1,142,536	1,352,095
Other intangible assets	1,353,623	1,230,419
Total intangible fixed assets	2,496,159	2,582,515
Investments and other assets:		
Investment in securities	1,070,569	1,005,901
Deferred income tax	1,225,437	1,253,663
Other	1,195,681	1,223,419
Total investments and other assets	3,491,688	3,482,985
Total noncurrent assets	11,128,773	10,990,279
Total assets	29,398,439	28,834,937

	March 31, 2013	September 30, 2013
LIABILITIES		
Current liabilities:		
Accounts payable—trade	1,729,578	1,629,475
Short-term bank loans	461,602	709,150
Lease obligations	358,152	300,447
Income taxes payable	1,176,162	552,705
Accrued employee's bonuses	1,435,119	1,547,951
Allowance for point program	756,417	814,502
Accrued directors' bonuses	6,100	2,368
Other current liabilities	1,806,710	1,544,958
Total current liabilities	7,729,843	7,101,559
Long-term liabilities:		
Long-term borrowings	3,100,000	3,105,000
Retirement benefits	2,563,987	2,612,152
Retirement allowance for directors	29,000	29,000
Lease obligations	481,647	385,205
Total long-term liabilities	6,174,635	6,131,357
Total liabilities	13,904,478	13,232,916
NET ASSETS		
Shareholders' equity:		
Common stock	1,681,400	1,681,400
Capital surplus	1,336,688	1,336,688
Retained earnings	12,873,127	12,734,221
Treasury stock, at cost	(533,056)	(533,097)
Total shareholders' equity	15,358,159	15,219,211
Valuation and translation adjustments:		
Unrealized gains on securities, net of taxes	22,346	21,009
Foreign currency translation adjustments	52,013	246,021
Total valuation and translation adjustments	74,359	267,030
Minority interests	61,441	115,778
Total net assets	15,493,960	15,602,020
Total liabilities and net assets	29,398,439	28,834,937

(2) Consolidated Statements of Income and Consolidated of Comprehensive Income

Consolidated Statements of Income

Six months ended September 30

Thousands of yen

	2012	2013
Net sales	18,148,705	18,505,733
Cost of sales:	13,415,693	13,859,772
Gross profit	4,733,012	4,645,960
Selling, general and administrative expenses:	3,676,388	3,765,887
Operating income	1,056,623	880,073
Non-operating revenues:		
Interests income	2,029	2,985
Dividends income	3,531	25,317
Insurance benefit received and dividends	2,033	2,213
Others	23,375	29,764
Total	30,971	60,280
Non-operating expenses:		
Interests expenses	29,117	24,098
Equity in losses of affiliates	34,476	64,856
Commission fee	5,190	5,602
Loss on disposal of equipment and fixtures	7,212	2,816
Foreign exchange losses	14,008	20,626
Others	1,519	10,443
Total	91,524	128,443
Recurring profit	996,070	811,910
Extraordinary loss:		
Loss on transfer of business	—	13,626
Loss on cancellation of lease contracts	96,643	—
Total	96,643	13,626
Income before income taxes	899,426	798,284
Income taxes and enterprise taxes	565,193	514,690
Adjustment for income taxes	(164,907)	(69,097)
Total	400,286	445,593
Income before minority interests	499,139	352,690
Minority interests in income (loss)	63	(11,227)
Net income	499,076	363,918

Consolidated of Comprehensive Income

Six months ended September 30	Thousands of yen	
	2012	2013
Income before minority interests	499,139	352,690
Other comprehensive income:		
Valuation difference on available-for-sale securities	864	(1,336)
Foreign currency translation adjustments	28,478	195,924
Total of other comprehensive income	29,343	194,587
Comprehensive income	528,483	547,278
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	527,788	556,589
Comprehensive income attributable to minority interests	694	(9,311)

(3) Consolidated Statements of Cash Flows

Six months ended September 30

Thousands of yen

	2012	2013
Cash flows from operating activities:		
Income before income tax and minority interests	899,426	798,284
Depreciation	730,326	725,381
Amortization of goodwill	125,477	96,524
Increase (decrease) in employee's retirement benefits	92,070	46,804
Increase (decrease) in accrued employees' bonuses	182,531	112,811
Increase in directors' bonuses	3,748	(3,731)
Increase (decrease) in allowance for doubtful accounts	—	(4,699)
Increase in allowance for point program	79,291	58,084
Interest and dividend income	(5,561)	(28,303)
Interest expenses	29,117	24,098
Equity in (earnings) losses of affiliates	34,476	64,856
Loss on retirement of equipment and fixtures	7,212	2,816
Decrease (increase) in notes and accounts receivable-trade	1,002,638	1,903,296
Decrease (increase) in inventories	(718,220)	(1,004,328)
Increase (decrease) in notes and accounts payable-trade	(82,697)	(139,147)
Increase (decrease) in accrued consumption taxes	(62,264)	(101,027)
Other	96,883	(468,333)
Sub total	2,414,456	2,083,385
Proceeds from interests and dividend income	5,561	27,933
Payment of interests Interest expenses paid	(28,049)	(24,262)
Payment of income taxes Income taxes paid	(933,944)	(1,096,863)
Net cash provided by operating activities	1,458,024	990,193
Cash flows from investing activities:		
Payments for purchases of property and equipment	(172,577)	(118,129)
Payments for acquisition of intangible assets	(420,466)	(229,261)
Payments for purchases of investment securities	(985)	(1,025)
Proceeds from withdrawal of time deposits	—	80,000
Payments for loans	(900)	—
Proceeds from the loans collected	580	956
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(221,631)	(186,641)
Proceeds from refund of security deposits	3,216	11,040
Payments for security deposits	(5,242)	(32,093)
Other	6,268	3,517
Net cash used in investing activities	(811,739)	(471,636)

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	2012	2013
Cash flows from financing activities:		
Proceeds from short-term loans payable	707,020	886,299
Repayments of short-term loans payable	(207,020)	(809,200)
Proceeds from long-term loans payable	—	100,000
Repayments of long-term loans payable	(110,000)	(59,000)
Repayments of lease obligations	(164,072)	(193,646)
Proceeds from stock issuance to minority shareholders	—	34,300
Payments for acquisition of treasury stock	(132)	(41)
Dividends paid	(501,696)	(502,021)
Cash dividends paid to minority shareholders	—	(1,300)
Net cash used in financing activities	(275,901)	(544,610)
Effect of exchange rate changes on cash and cash equivalents	(9,012)	87,873
Net increase in cash and cash equivalents	361,371	61,819
Cash and cash equivalents at beginning of year	4,599,824	5,906,046
Increase in cash and cash equivalents resulting from merger	109,713	—
Cash and cash equivalents at end of year	5,070,909	5,967,866

(4) Note to Financial Statements

Note on Assumptions for Going Concern

Not applicable

Note in the Event of Major Change in Shareholders' Equity

Not applicable.

(5) Segment Information

Business Segment

1. Six Months Ended September 30, 2012

1. Information on Net Sales, Profit or Loss, Assets and Other Items by Reported Segment

Thousands of yen

	Reported Segment			Total
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	
Net sales:				
Net sales to third parties	12,753,226	2,160,175	3,235,302	18,148,705
Intra-group net sales and transfers	—	—	—	—
Total	12,753,226	2,160,175	3,235,302	18,148,705
Operating income (loss)	928,697	(12,124)	140,051	1,056,623

Note: The total of the segment profit and loss figures equals the operating income reported on the consolidated statements of income.

2. Items Concerning Changes, Etc. in Reported Segments

As stated in "Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates," in accordance with revisions to the Corporation Tax Act, from the first quarter of the subject fiscal year the Company and its consolidated subsidiaries changed the accounting policy for property and equipment acquired on or after April 1, 2012 to the depreciation method based on the revised Corporation Tax Act.

The effect on consolidated financial statements is negligible.

2. Six Months Ended September 30, 2013

1. Information on Net Sales, Profit or Loss, Assets and Other Items by Reported Segment

Thousands of yen

	Reported Segment			Total
	Marketing Research and Consulting	System Solutions	Drug Development Solutions	
Net sales:				
Net sales to third parties	13,227,035	2,330,870	2,947,826	18,505,733
Intra-group net sales and transfers	—	—	—	—
Total	13,227,035	2,330,870	2,947,826	18,505,733
Operating income (loss)	934,120	94,711	(148,758)	880,073

Note: The total of the segment profit and loss figures equals the operating income reported on the consolidated statements of income.

(6) Material Subsequent Events

Stock Split

A stock split was implemented on October 1, 2013 based on a resolution approved at the Board of Directors meeting held August 8, 2013.

(1) Purpose of the Stock Split

The purpose is to arrange an environment that makes it easier to invest and to increase the range of investors by decreasing the price per investment unit and increasing share liquidity.

(2) Outline of the Stock Split

1) Split Method

The Company's common stock was split at a ratio of two shares for every one share for shares owned by the last shareholders of record in the shareholder registry on September 30, 2013.

2) Share Increase from the Stock Split

Total number of shares outstanding as of September 30, 2013:	10,404,000 shares
Number of shares increased from the stock split:	10,404,000 shares
Total number of shares outstanding after the stock split:	20,808,000 shares
Maximum number of shares outstanding after the stock split:	74,000,000 shares

(3) Share Split Schedule

The split will come into effect from October 1, 2013, with September 30, 2013 as the record date.

(4) Impact on Per Share Information

The per share information would be as follows if the stock split had taken place at the beginning of the previous fiscal year.

Net Income Per Share

Yen

Item	Six months ended September 30	
	2012	2013
Net income per share	24.81	18.09

(Note) The fully diluted per share quarterly net income is not stated because there are no convertible securities.

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