

Annual Report 2013

April 1, 2012 ~ March 31, 2013

Your Capital Market Intelligence

IR Japan

IR Japan, inc.
Securities code : 6051

To Our Shareholders

During the fiscal year ended March 31, 2013, IR Japan managed to further strengthen its foundation, propelling itself into the growth stage as an innovator of capital markets in Japan.

We are deeply grateful for being able to achieve this feat, thanks to the considerable support from our shareholders.

Backed by this support, we will fully utilize all of our business resources efficiently and effectively and work to significantly improve shared value for shareholders. In doing so, we will achieve even more sustainable and long-term returns to shareholders.

We would like to thank our shareholders for their continued support and understanding in these endeavors.

The main points of this report are described as follows.

Representative Director,
President and Chief Executive Officer

寺下史郎



Main Points of the Report

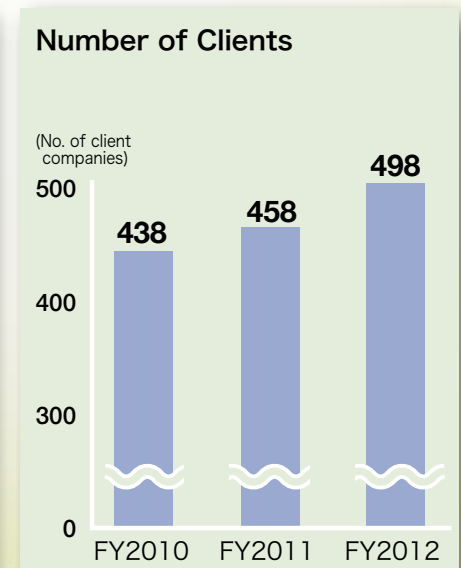
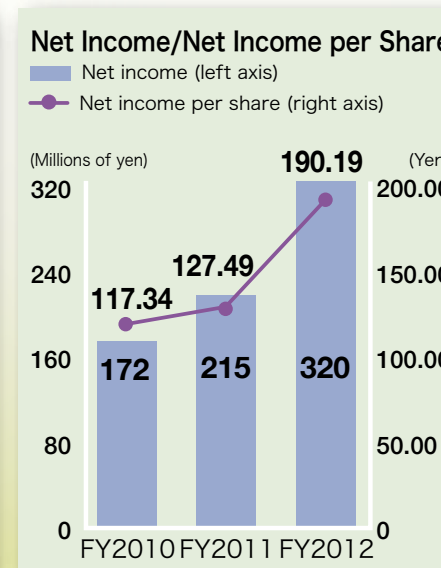
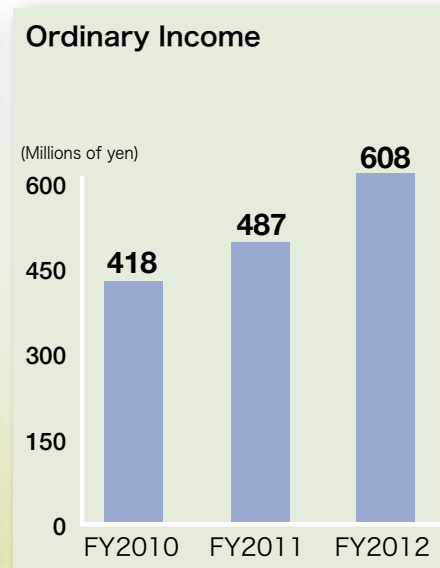
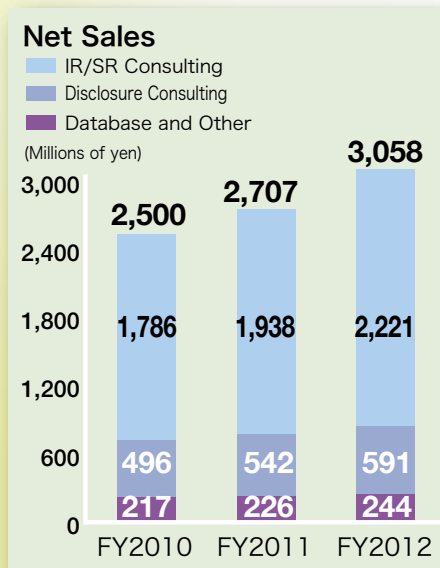
1. We have achieved our highest sales and profit levels since our stock listing.
2. In response to “Abenomics,” there has been a surge in the presence of pure investors such as foreign investors, domestic institutional investors, and individual investors. The increase in demand for advanced IR/SR consulting services has been remarkable.
3. Our new stock transfer agency business has started firmly on track.
4. We implemented Japan’s first commitment-type rights offering by fully leveraging the cutting-edge features of our stock transfer agency business. Thanks to the support of shareholders, the exercise ratio for the Stock Acquisition Rights was 98.3%, allowing us to achieve a big success in our financing goals.
5. The foundation development plan for accelerating further growth is steadily underway.
6. The directors system has been revamped to further strengthen our management system.
7. We plan to more actively provide returns to shareholders going forward.

1. We have achieved our highest sales and profit levels since our stock listing.

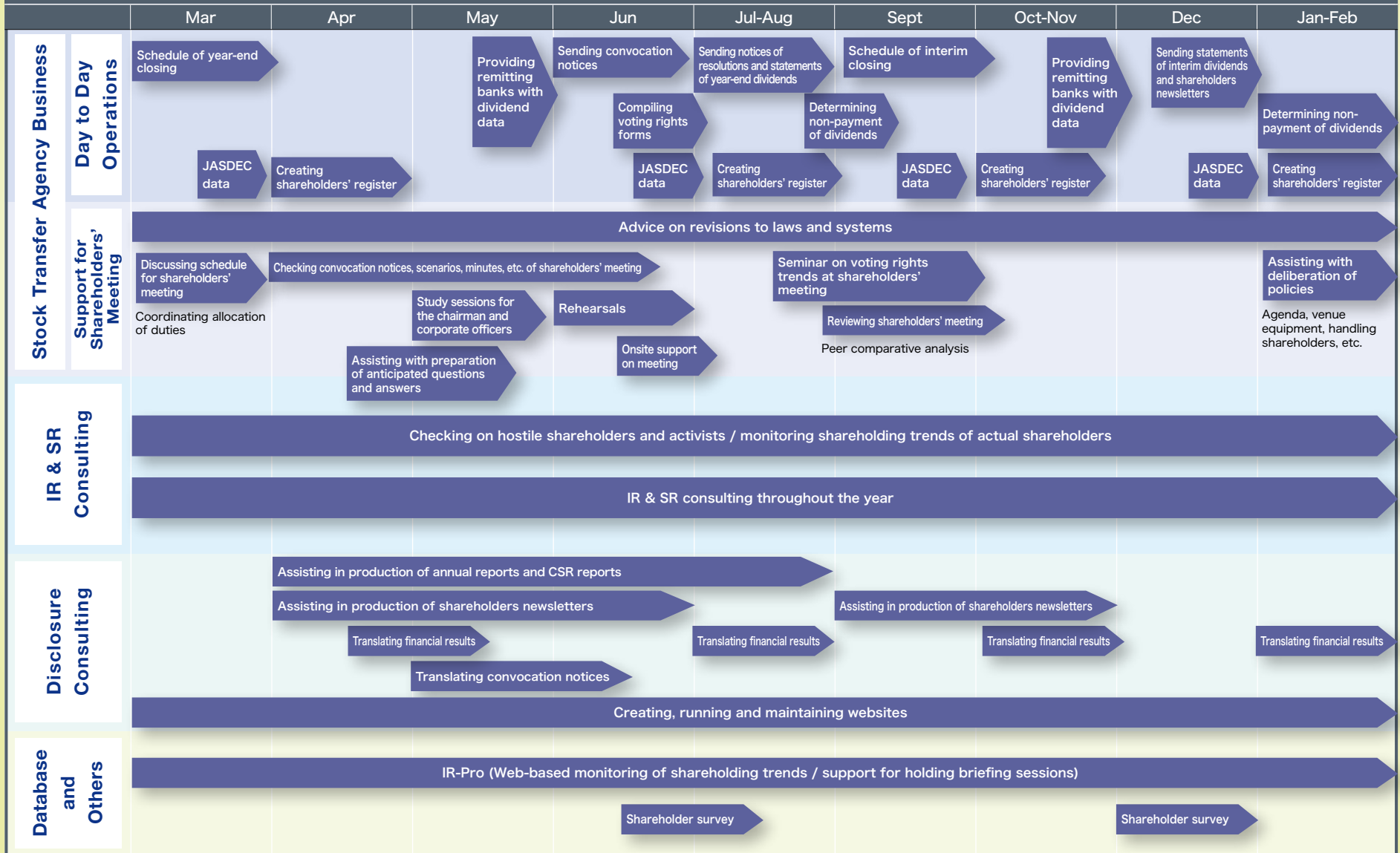
In April 2012, the Company became the first new entrant into the stock transfer agency business in 40 years.

Our overall lineup of IR/SR services has been strengthened with the launch of the stock transfer agency business, and there has been a steady increase in the number of client companies, particularly mid- to small-cap companies (companies with a relatively small market capitalization) with which we have not done much business in the past. Due to these developments, net sales have increased significantly for all services, particularly for our core IR/SR consulting services.

As a result of the factors above, for the fiscal year ended March 31, 2013, the Company recorded its highest sales and profit levels since becoming listed. Net sales increased 13.0% year on year to ¥3,058 million, operating income increased 26.4% to ¥612 million, ordinary income increased 24.6% to ¥608 million, net income increased 49.2% to ¥320 million, and net income per share increased to ¥190.19.



Providing Solutions to Customers (Listed Companies) throughout the Year

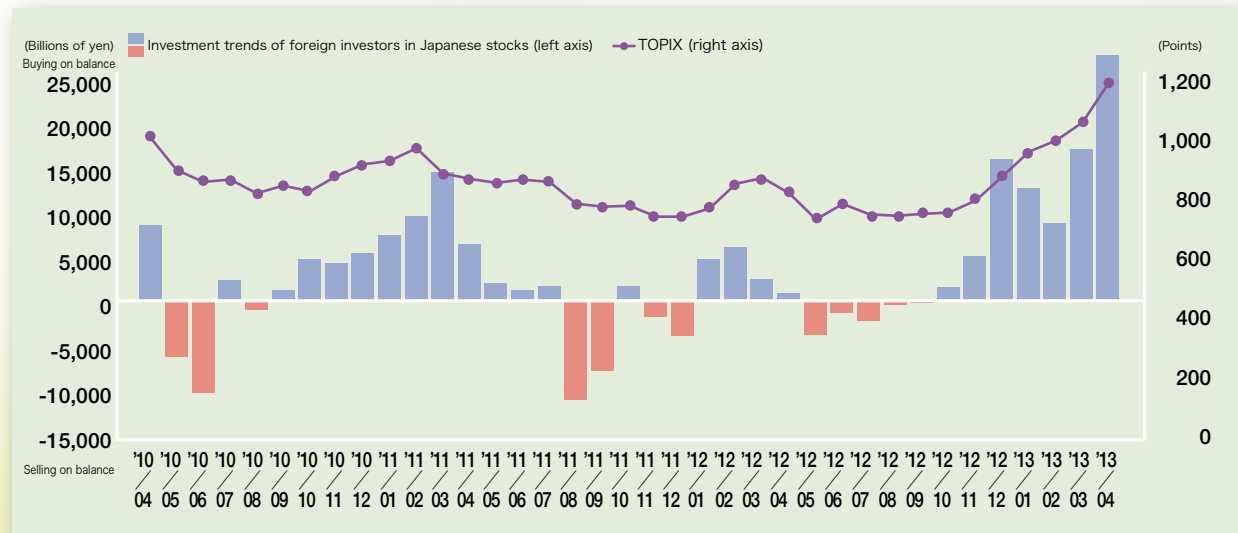


2. In response to “Abenomics,” there has been a surge in the presence of pure investors such as foreign investors, domestic institutional investors, and individual investors. The increase in demand for advanced IR/SR consulting services has been remarkable.

The demand for advanced and diversified IR (investor relations) and SR (shareholder relations) consulting services has surged. The factors include a rising percentage of stock held by foreign investors who are actively purchasing Japanese stocks, an outbreak of hostile takeovers by strategic buyers*, the reemergence of activism among shareholders, and an increase in proposals from shareholders. In order to meet this growing demand, the Company has constructed a system that allows it to provide appropriate and efficient services. This was accomplished by enhancing the quality of our consultants through intensive employee education and reinforcing our research department. Additionally, the Company is working on initiatives that include coordination with FAs (Financial Advisor: investment banks) and LAs (Legal Advisor: law firms), with the aim of taking advantage of every sales opportunity.

* A buyer that acquires the companies required for business strategies. Buyers attempt to increase investment value through the effects such as management guidance and business synergies.

Investment Trends of Foreign Investors in Japanese Stocks



Source: Tokyo Stock Exchange

3. Our new stock transfer agency business has started firmly on track.

In the stock transfer agency business, contracts were decided with seven listed companies for stock transfer agency service in the year following our entry in this market, after we offered completely new service that fully leverages the benefits of the paperless stock transfer system.

Requests from numerous listed companies across the country to participate in bidding on stock transfer agency contracts have increased. This has convinced us of the importance of our market entry and has boosted our confidence in our competitiveness.

As of May 14, 2013, contracts with 12 companies had been decided.

IR Japan's Main Business Fields and Strengthened Area

IR/SR Consulting

Reinforcement for the increasing number of contingent projects such as the exercise of a shareholder's right to make proposals and hostile takeovers

- Shareholder identification survey
- Proxy advisory
- Consulting on defense against hostile takeovers, etc.

Stock Transfer Agency Business

Reinforcement for bidding participation with the aim of gaining contracts in response to requests received from numerous listed companies

- Shareholders' register administrator service
- Stock transfer clerical service, etc.

Rights Offering-related Business

Reinforcement of services for rights offering, which is expected to spread in Japan

- Advisory
- Information agent service
- 10% test, etc.

Market Size: Approx. ¥100 Billion



A commemorative item is presented to Mr. Hiroshi Otsuka, President & CEO of Musashi Seimitsu Industry Co., Ltd., (listed on the First Section of the Tokyo Stock Exchange) which was the first company to contract our stock transfer agency service.

4. We implemented Japan's first commitment-type rights offering by fully leveraging the cutting-edge features of our stock transfer agency business.

Thanks to the support of shareholders, the exercise ratio for the Stock Acquisition Rights was 98.3%*, allowing us to achieve a big success in our financing goals.

The great success that we achieved in our financing goals has been a result of the support of our shareholders. We would once again like to express our deep appreciation to our shareholders. A rights offering normally requires 75 to 80 days from the date of resolution on allotment until the date of completing the exercise period. However, this period was reduced to 49 days by us conducting our own stock transfer agency work for the rights offering.

As a result, this provided other listed companies with an understanding of our strengths in the stock transfer agency service, which will have a positive effect on business activities as well.

* 100% when the portion exercised by the Commitment Company Nomura Securities Co., Ltd. is added.

5. The foundation development plan for accelerating further growth is steadily underway.

The stock transfer agency business that we have focused on as a growth driver has enjoyed steady progress as contracts were decided with seven listed companies in the first year since market entry.

In order to further grow our stock transfer agency business in the future and expand contract share over the medium to long term, we believe it is necessary to develop a system that is capable of handling up to 40 million shareholders (the current system can handle up to 4 million).

Although the current comprehensive shareholders' database system operates sufficiently, in light of such a situation, the Company has determined to develop the system to further extend the number of shareholders to be handled to accommodate the anticipated increase in the number of its clients.

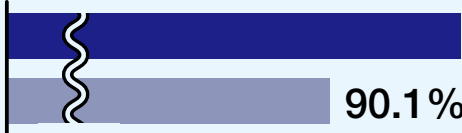
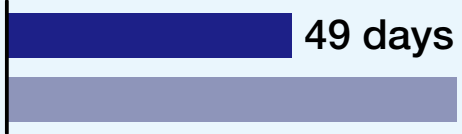
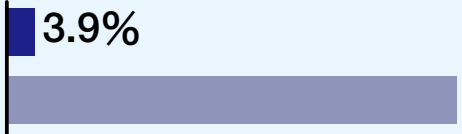
A rights offering is a major fund procurement method in the European market, and accordingly we are engaged in the development of this new business, including related advisory and information agent services*.

Given the increasing concerns about large-scale dilution of shares due to allocation of shares to a third party or public offerings, there have been signs of rights offerings spreading within Japan as well. (As of June 7, 2013, rights offerings have been implemented by nine companies, including IR Japan.)

The Company will continue to enhance the content of its services in order to contribute to the diversification of the means of raising capital in the Japanese market, and to play a significant part in the development of capital markets in accordance with the Company's philosophy.

* Information agent services are services generally available in the United States to provide information for shareholders. Operating through a call center, these services communicate information to shareholders related to TOB (takeover bids), rights offerings, and other matters.

Japan's First Commitment-type Rights Offering Implemented by IR Japan

Amount of funds procured (Total amount to be paid)	1,012,217,400yen
The ratio of exercised rights (Ratio to the total stock acquisition rights issued during the general investors exercise period)	<p>Highest of 98.3%</p> <p>⇒Compared to three-company average of 90.1% that can be confirmed at this time</p> <p>The general investor exercise rate is 95.5% when excluding the majority shareholder Shirou Terashita, Representative Director, President and Chief Executive Officer of IR Japan (62.47% ownership).</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 20px;"> <p>The Company</p> <p>Three-company average</p> </div> <div style="margin-right: 20px;">  </div> <div style="margin-left: 20px;"> <p>98.3%</p> <p>90.1%</p> </div> </div>
Financing period (Number of days from the date of resolution on allotment until the date of completing the exercise period)	<p>Shortest of 49 days</p> <p>⇒Compared to an average of 77 days for eight companies that can be confirmed at this time</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 20px;"> <p>The Company</p> <p>Eight-company average</p> </div> <div style="margin-right: 20px;">  </div> <div style="margin-left: 20px;"> <p>49 days</p> <p>77 days</p> </div> </div>
Dilution rate (Ratio of planned procurement amount (with 100% exercise) to total market value of stock on date prior to the date of resolution on allotment)	<p>Lowest of 3.9%</p> <p>⇒Compared to an average of 54.2% for eight companies that can be confirmed at this time</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 20px;"> <p>The Company</p> <p>Eight-company average</p> </div> <div style="margin-right: 20px;">  </div> <div style="margin-left: 20px;"> <p>3.9%</p> <p>54.2%</p> </div> </div>
Use of funds procured	<p>Funds for extensive development of the renewed comprehensive shareholders' data base system in the stock transfer agency business</p> <p>⇒While up to 4 million shareholders can currently be handled, this will be increased to 40 million by March 2015.</p>

6. The directors system has been revamped to further strengthen our management system.

The Company emphasizes decision-making and execution speed in corporate management.

At the same time, we seek to enhance corporate governance through the active recruitment of independent outside directors and independent outside corporate auditors.

To further strengthen our corporate governance system, two new directors assumed their office (increasing the total number of directors by one).

Based on this new system, we will continue our concerted efforts to achieve the long-term goal of “being an advanced provider of comprehensive solutions in the capital markets.”

<Introduction of New Directors>

Takuji Kurio Representative Director, Executive Vice President and Chief Operating Officer

Mr. Kurio has been engaged in investment banking-related work including IPOs, financing for listed companies, and M&As at major investment banks in Japan for over 20 years.

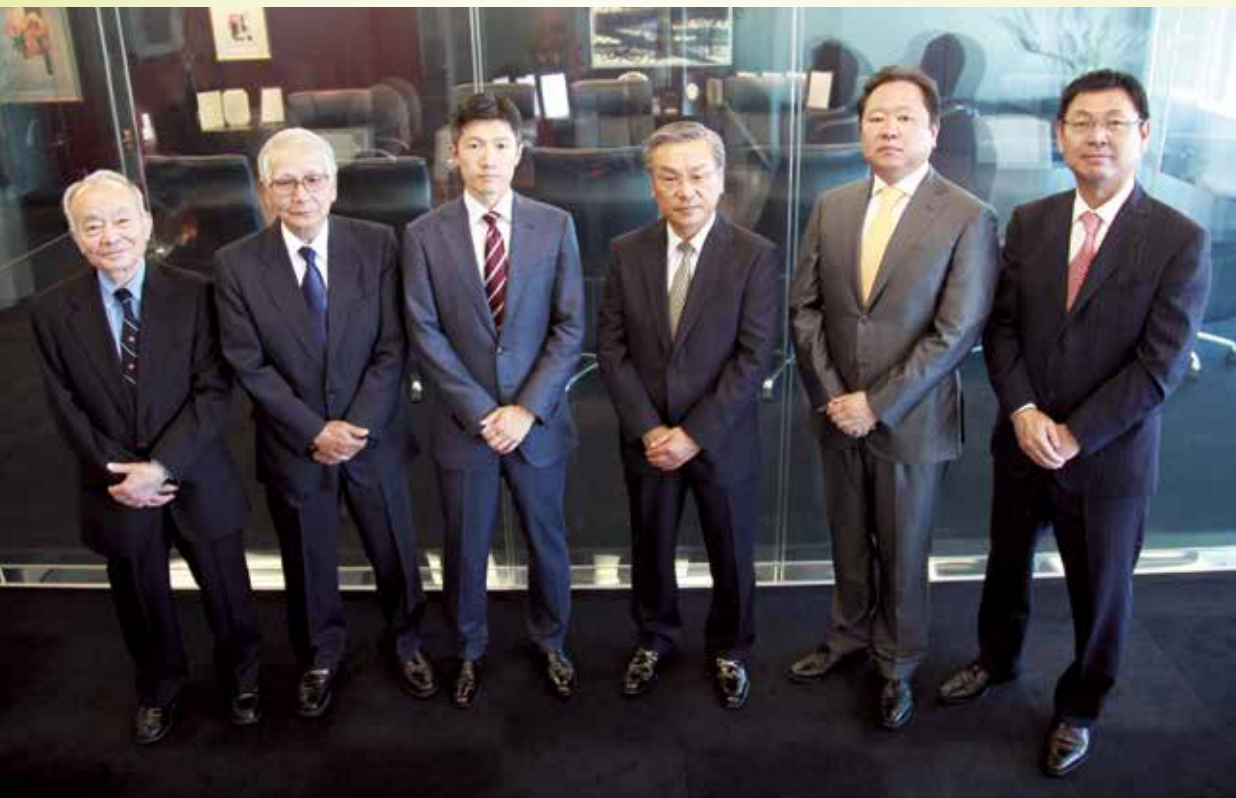
We use his experience, knowledge, and broad network in the capital markets for the supervision of our consulting activities and education of our consultants in order to strengthen our proposal and organizational capabilities as a consulting company.

Daisuke Tsuchiya Director

Before assuming the office of Director and Unit Chief of IR/SR Consulting Unit, Mr. Tsuchiya served in the Overseas Research Department, as the New York Office Manager, and as General Manager of IR/SR Consulting Department since joining us in 2001. He has a broad range of consulting experience, from day-to-day IR/SR consulting to contingent consulting (such as serving as a proxy advisor in proxy fights and consulting regarding defense measures against hostile takeovers).

Board of Directors and Corporate Auditors(as of June 25, 2013)

Board of Directors



Taro Yamada
Outside Director

Hiroshi Inaba
Outside Director

Daisuke Tsuchiya
Director

Yukihiro Aoyama
Executive Director

Takuji Kurio
Executive Vice
President and COO

Shirou Terashita
President and CEO

*Note: Mr. Yamada and Mr. Inaba are outside directors pursuant to Article 2, Item 15 of the Companies Act.

Corporate Auditors



Keiko Nishimura
Corporate Auditor
(Full-time)

Koichiro Kimura
Outside Corporate
Auditor (Full-time)

Nobuyoshi Yamori
Outside Corporate
Auditor

*Note: Mr. Kimura and Mr. Yamori are outside corporate auditors pursuant to Article 2, Item 16 of the Companies Act.

7. We plan to more actively provide returns to shareholders going forward.

The Company makes it a basic policy to distribute profits to its shareholders in line with its business results, while maintaining its financial strength by securing sufficient internal reserves to carry out sound business operations.

In terms of dividends for the fiscal year ended March 31, 2013, we paid a year-end dividend of ¥47.5 per share (¥70 yen per share including the interim dividend [with a payout ratio of 36.8%], a dividend increase of ¥25 year on year): the U.S. standard payout ratio of around 35% (according to “Trends of Japanese Companies’ Shareholder Returns” by Nomura Securities Co., Ltd.).

For the fiscal year ending March 31, 2014, we plan to pay an interim dividend of ¥40 per share and a year-end dividend of ¥50 per share, for a total of ¥90.

Trend of Dividends per Share

	FY2011 (Actual)	FY2012 (Actual)	FY2013 (Forecast)
1H-end	—	¥22.5	¥40
Year-end	¥45	¥47.5	¥50
Annual	¥45	¥70	¥90
Payout Ratio	35.3%	36.8%	38.9%

Financial Statements

Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013	Change		As of March 31, 2012	As of March 31, 2013	Change
Assets				Liabilities			
Current assets				Current liabilities			
Cash and deposits	897	1,142	244	Accounts payable–trade	54	100	46
Accounts receivable–trade	292	308	15	Lease obligations	15	7	△ 8
Work in process	45	71	25	Accounts payable–other	4	3	△ 0
Supplies	2	2	0	Accrued expenses	50	61	10
Prepaid expenses	17	30	12	Income taxes payable	166	161	△ 5
Deferred tax assets	61	60	△ 0	Advances received	36	33	△ 2
Other	2	2	△ 0	Deposits received	8	14	6
Allowance for doubtful accounts	△ 0	△ 0	△ 0	Provision for bonuses	73	71	△ 1
Total current assets	1,319	1,616	296	Provision for directors' bonuses	19	13	△ 5
Noncurrent assets				Other	22	19	△ 2
Property, plant and equipment				Total current liabilities	451	488	36
Buildings and accompanying facilities	72	72	—	Noncurrent liabilities			
Accumulated depreciation	△ 47	△ 51	△ 4	Lease obligations	7	—	△ 7
Buildings and accompanying facilities, net	25	21	△ 4	Long-term accounts payable–other	0	—	△ 0
Vehicles	—	1	1	Provision for retirement benefits	1	1	0
Accumulated depreciation	—	△ 1	△ 1	Provision for directors' retirement benefits	71	98	26
Vehicles, net	—	0	0	Total noncurrent liabilities	79	99	19
Tools, furniture and fixtures	41	59	17	Total liabilities	531	587	56
Accumulated depreciation	△ 27	△ 35	△ 7	Net Assets			
Tools, furniture and fixtures, net	13	24	10	Shareholders' equity			
Construction in progress	7	—	△ 7	Capital stock	289	289	—
Total property, plant and equipment	46	45	△ 0	Capital surplus			
Intangible assets				Legal capital surplus	278	278	—
Goodwill	85	—	△ 85	Total capital surplus	278	278	—
Software	51	201	149	Retained earnings			
Software in progress	106	—	△ 106	Other retained earnings			
Other	3	3	—	Reserve for special depreciation	5	3	△ 1
Total intangible assets	247	205	△ 42	Retained earnings brought forward	701	910	208
Investments and other assets				Total retained earnings	706	913	206
Investment securities	4	4	0	Treasury stock	△ 0	△ 0	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	7	7	—	Total shareholders' equity	1,274	1,481	206
Lease and guarantee deposits	140	136	△ 3	Valuation and translation adjustments			
Deferred tax assets	47	60	12	Valuation difference on available-for-sale securities	△ 0	△ 0	0
Allowance for doubtful accounts	△ 7	△ 7	—	Total valuation and translation adjustments	△ 0	△ 0	0
Total investments and other assets	192	201	9	Total net assets	1,274	1,481	207
Total noncurrent assets	486	453	△ 33				
Total assets	1,806	2,069	263	Total liabilities and net assets	1,806	2,069	263

Financial Statements

Income Statement

(Millions of yen)

	FY 2011	FY 2012	Change (%)
Net Sales	2,707	3,058	13.0
Cost of sales	1,014	1,180	16.4
Gross profit	1,692	1,877	10.9
Selling, general and administrative expenses	1,207	1,264	4.7
Operating income	484	612	26.4
Non-operating income			
Interest income	0	0	
Foreign exchange gains	1	—	
Reversal of allowance for doubtful accounts	2	—	
Other	0	0	
Total non-operating income	5	1	△ 68.1
Non-operating expenses			
Interest expenses	1	1	
Foreign exchange losses	—	4	
Other	0	0	
Total non-operating expenses	2	6	202.1
Ordinary income	487	608	24.6
Extraordinary loss			
Loss on retirement of noncurrent assets	0	—	
Total extraordinary loss	0	—	—
Income before income taxes	487	608	24.6
Income taxes—current	280	299	
Income taxes—deferred	△ 7	△ 11	
Total income taxes	272	287	5.2
Net income	215	320	49.2

Cash Flow Statement

(Millions of yen)

	FY 2011	FY 2012
Net cash provided by operating activities		
Income before income taxes	487	608
Depreciation and amortization	35	49
Amortization of goodwill	85	85
Increase (decrease) in provision for bonuses	8	△ 1
Increase (decrease) in provision for directors' bonuses	19	△ 5
Increase (decrease) in provision for retirement benefits	0	0
Increase (decrease) in provision for directors' retirement benefits	16	26
Increase (decrease) in allowance for doubtful accounts	△ 2	0
Loss on retirement of property, plant and equipment	0	—
Foreign exchange losses (gains)	0	3
Interest income	△ 0	△ 0
Interest expenses	1	1
Decrease (increase) in notes and accounts receivable—trade	△ 111	△ 15
Decrease (increase) in inventories	△ 8	△ 26
Increase (decrease) in notes and accounts payable—trade	8	43
Increase (decrease) in accounts payable—other	△ 18	0
Increase (decrease) in accrued expenses	18	10
Increase (decrease) in accrued consumption taxes	11	△ 2
Increase (decrease) in advances received	11	△ 2
Other	14	△ 0
Subtotal	578	773
Interest and dividends income received	0	1
Interest expenses paid	△ 1	△ 1
Income taxes paid	△ 273	△ 304
Net cash provided by operating activities	303	468
Net cash used in investing activities		
Net decrease (increase) in time deposits	△ 250	△ 350
Purchase of property, plant and equipment	△ 11	△ 14
Purchase of intangible assets	△ 80	△ 75
Payment for lease and guarantee deposits	—	△ 1
Proceeds from collection of lease and guarantee deposits	43	—
Net cash used in investing activities	△ 298	△ 441
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	△ 150	—
Repayments of lease obligations	△ 15	△ 15
Cash dividends paid	△ 50	△ 113
Purchase of treasury stock	△ 0	—
Other	△ 1	—
Net cash used in financing activities	△ 217	△ 129
Effect of exchange rate change on cash and cash equivalents	△ 0	△ 3
Net increase (decrease) in cash and cash equivalents	△ 212	△ 106
Cash and cash equivalents at beginning of period	625	413
Cash and cash equivalents at end of period	413	307

Status of the Company's (Shares as of March 31, 2013)

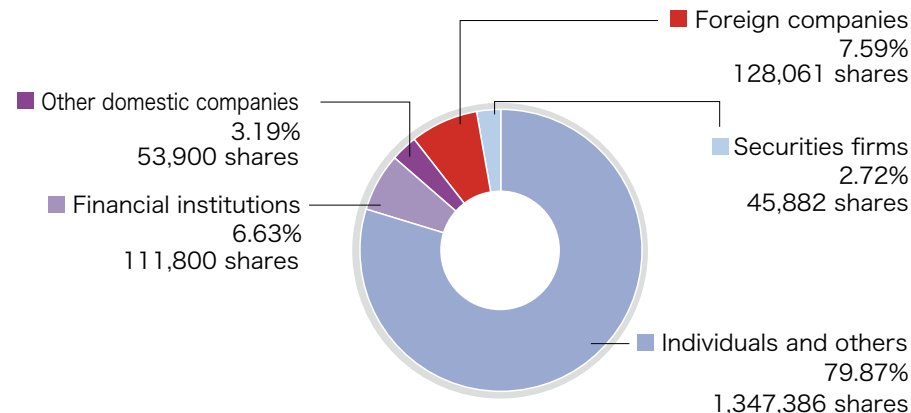
● Status of the Company's Shares

Total number of shares authorized to be issued: 5,800,000 shares
 Total number of shares issued: 1,687,100 shares
 (including 71 shares of treasury stock)
 Number of shareholders: 420

● Major shareholders

Shareholder name	Number of shares held	Shareholding ratio (%)
Shirou Terashita	1,054,000	62.47
The Master Trust Bank of Japan, Ltd. (Trust account)	56,056	3.32
Tetsuaki Kanemoto	50,000	2.96
Keisuke Tomimatsu	40,100	2.37
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	37,500	2.22
THE BANK OF NEW YORK MELLON AS AGENT BNYM AS EA DUTCH PENSION OMNIBUS 140016	34,400	2.03
45 Corporation Co., Ltd.	32,000	1.89
SBI SECURITIES Co., Ltd.	30,900	1.83
Japan Trustee Services Bank, Ltd. (Trust Account)	27,266	1.61
Hideo Ohya	20,000	1.18

● Breakdown of Shares by Owner



Note: Excluding 71 shares of treasury stock

Statements in this report that are not historical facts are forward-looking statements based on the assumptions and beliefs of the Company's management in light of the information currently available to it and involve risks and uncertainties, including economic trends, market demand, and revisions to the tax system or regulatory systems. These factors could affect the Company's business and financial results in future periods, and the Company assumes no responsibility for any damages that may occur due to the use of information in this report. The Company assumes no obligation to revise forward-looking statements contained herein, whether as a result of new information or future events.

Information for Shareholders

Business year	From April 1 to March 31 of the following year
Record date of dividend payment	Year-end dividend: March 31 Interim dividend: September 30 Other information is announced in advance when necessary.
Record date of general meeting of shareholders	The record date for the ordinary general meeting of shareholders is March 31. Other information is announced in advance when necessary.
Ordinary general meeting of shareholders	June
Method of public announcements	Electronic notification (http://www.irjapan.net/koukoku/) However, in the event that electronic notification of public announcements is impossible owing to an accident or other unavoidable reason, public announcements will be published in the Nihon Keizai Shimbun.
Administrator of shareholder registry	IR Japan, Inc.
Contact information	2-3, Kita-Aoyama 1-chome, Minato-ku, Tokyo 107-8666 Tel: 0120-975-960

Please make requests for change of address or the purchase or sale of shares in a number less than one share unit at the securities firm where you have your account.

Please contact the administrator of shareholder registry at the address shown above to request payment of unpaid dividends.

Company Profile

Name	IR Japan, Inc. <input type="radio"/> Type I Financial Instruments Business Operator “Kanto Local Finance Bureau (Kinsho) No. 2624” <input type="radio"/> Stock transfer agent <input type="radio"/> Designated administrator of shareholder registry, etc. <input type="radio"/> Member of the Japan Securities Dealers Association <input type="radio"/> Honorary international participant, Council of Institutional Investors (U.S.) <input type="radio"/> Certified investment evaluation institute <input type="radio"/> Supporting member, The Securities Analysts Association of Japan <input type="radio"/> Member, The IR Planners Association of Japan <input type="radio"/> Member, Japan Investor Relations Association
Address	11th floor, Aoyama Building, 2-3, Kita-Aoyama 1-chome, Minato-ku, Tokyo 107-0061 URL : http://www.irjapan.net/
Established	October 2007
Capital	795,803 thousand yen (as of June 7, 2013)