

Annual Report 2016

April 1, 2015–March 31, 2016



Your Capital Market Intelligence
IR Japan Holdings, Ltd.

IR Japan Holdings, Ltd.
Securities code: 6035

To Our Shareholders

With the support of our shareholders, we will accelerate our transformation to a full-fledged growth company.

Japan's capital markets were confronted head on with the effects of uncertain factors in the global economy throughout the second half of the year under review. Meanwhile, "Power of Equity," a key phrase in that major change, has come to have a serious impact on the foundations of management at listed companies, our clients. For listed companies, the skill with which they respond to the Corporate Governance Code they must adhere to, in concert with the arrival of a second period of rising activists, is itself becoming the factor that determines their degree of risk.







As a unique group specializing in shareholder consulting, we have worked tirelessly to strengthen services that customers can "entrust to us with confidence." As a result, we have achieved our best-ever results, and are now reaching the point where we can see our growth come into full bloom. We are promoting the use of our core SR Consulting, which is still at an early stage, to follow up our full-scale response to the Corporate Governance Code. We will also expand earnings even further by accurately seizing business opportunities for original investment banking projects related to proxy fights and M&As, in addition to capital policies. Furthermore, we will enhance our operations as a frontrunner in new services to deal with new system changes such as evaluation of boards of directors and performance-linked compensation. In our stock transfer agency business where we are attracting attention as a financial consulting company that makes full use of IT, the foundation for future growth is taking shape as we plan to build on our track record of over 40 companies with whom entrustments have been concluded and 200,000 shareholders under administration.

As for returns to shareholders who support this cornerstone, we will continue to actively carry out various measures such as acquiring treasury shares to increase profit per share and maintain a high dividend payout ratio, while keeping in mind the balance with investment for growth. We therefore ask our shareholders for their continued strong support.

Shirou Terashita
Representative Director,
President and Chief Executive Officer

寺下史郎

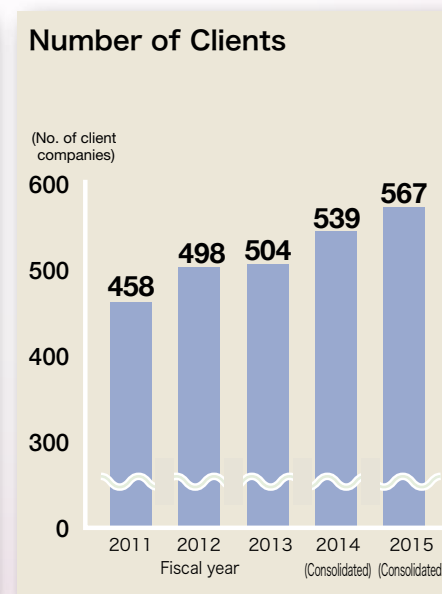
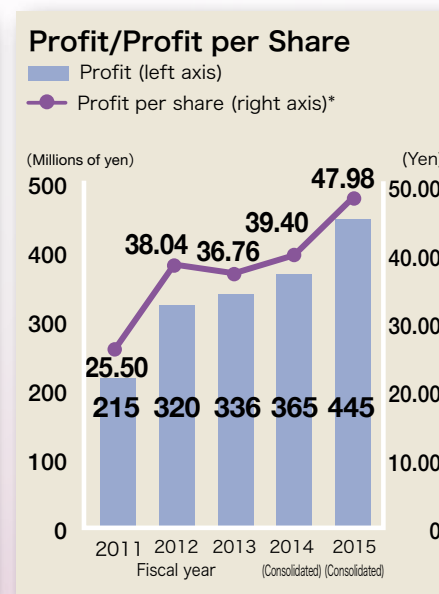
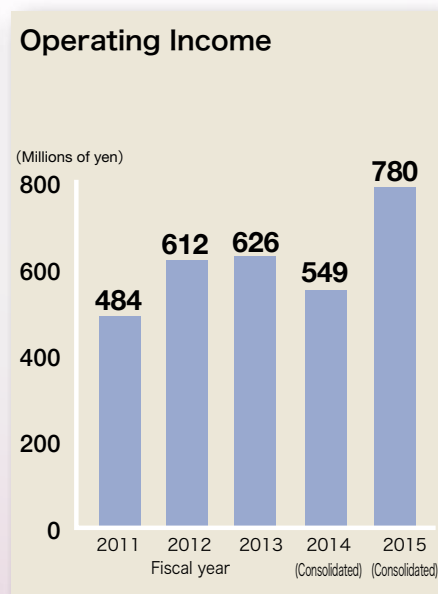
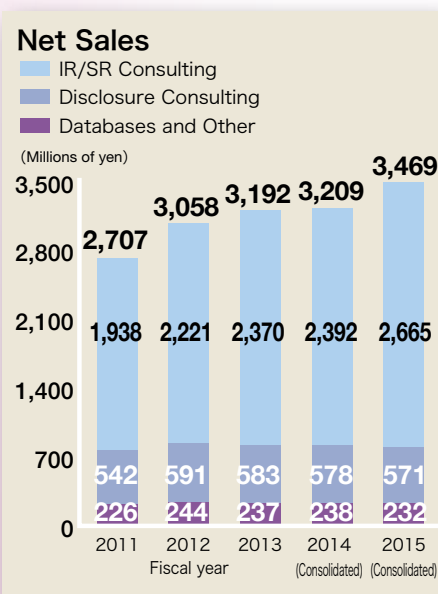
Highlights of Fiscal 2015 and Key Initiatives for the Future

-  1. We have achieved our best-ever results in net sales, operating income, ordinary income and profit.
-  2. SR Consulting services are attracting more and more attention.
-  3. Consulting on evaluation of boards of directors and other matters related to the Corporate Governance Code is increasing.
-  4. The investment banking business, which carries out M&A advisory and services related to proxy fights, is expanding.
-  5. In the stock transfer agency business, the number of shareholders under administration topped 190,000. In addition, entrustments with 40 companies have been agreed upon.
-  6. We improved capital efficiency by acquiring treasury shares, and will further reinforce shareholder returns going forward.

1. We have achieved our best-ever results in net sales, operating income, ordinary income and profit.

With listed companies, the Group's clients, fully engaged in implementing the Corporate Governance Code, our core business of IR/SR Consulting services remained strong. The SR-related business grew remarkably, as an increasing number of companies conduct SR visits to promote dialogue with shareholders holding voting rights, in addition to conventional IR services.

As a result of the above factors, for fiscal 2015, net sales increased 8.1% year on year, to ¥3,469 million, operating income increased 42.0%, to ¥780 million, ordinary income increased 41.4%, to 779 million, and profit increased 21.8%, to ¥445 million. The Company recorded its highest net sales, operating income, ordinary income, and profit since its listing.



*Profit per share takes into account the stock split conducted on November 27, 2013.

2. SR Consulting services are attracting more and more attention.

As the Corporate Governance Code is being fully implemented, the SR-related business has grown remarkably, including an increase in the number of companies conducting SR visits to promote dialogue with shareholders holding voting rights, and shareholder identification surveys in Japan and abroad. Additionally, with ISS, a proxy advisory firm, announcing a 5% ROE threshold, and actions by activists intensifying, we also saw an increase in engagement-related business, such as proxy voting simulation, promotion of exercise of voting rights, and proxy voting results analysis from companies concerned with the risks of having proposals rejected at a general meeting of shareholders. Furthermore, DSMS (Digital Shareholder Management System), which provides centralized management of institutional and individual investors by using a cloud database, is being introduced by a growing number of companies, primarily among major companies with greater market capitalization and a higher ratio of overseas shareholders.



3. Consulting on evaluation of boards of directors and other matters related to the Corporate Governance Code is increasing.

The business of evaluating boards of directors got into full swing from around October 2015, and has expanded further since the start of 2016. As a leading company in this business both in terms of our track record and know-how, we expect to see a significant increase in the number of entrustments by capitalizing on the Group's unique advantage of having in-depth insight into the needs of overseas institutional shareholders.

As for executive compensation, now that companies in Japan will be able to introduce share-based compensation including restricted stock and performance shares, we have started to provide cutting edge consulting that meets client needs.

4. The investment banking business, which carries out M&A advisory and services related to proxy fights, is expanding.

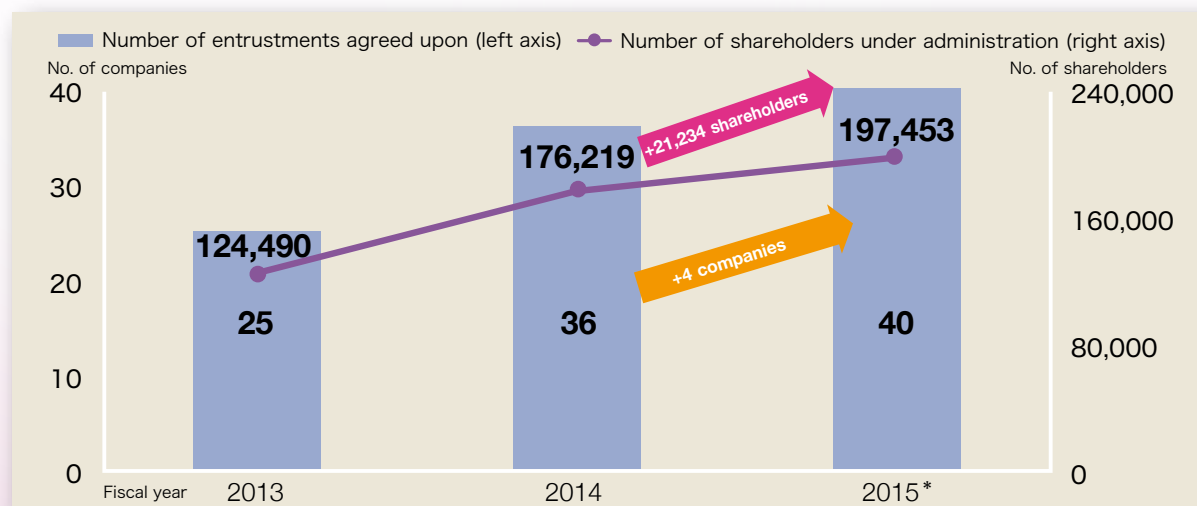
Through efforts to enhance our highly experienced human resources, we have established a system that can provide a full range of services to meet customers' needs in areas such as M&As, proxy fights and finance. Amid intensifying activities by activists in Japan as well as overseas, we expect further expansion of the investment banking business. The Group will accelerate the expansion of full-package provision of investment banking services by capitalizing on the strengths of our track record and performance that are unparalleled among our peers.

5. In the stock transfer agency business, the number of shareholders under administration topped 190,000. In addition, entrustments with 40 companies have been agreed upon.

In the stock transfer agency business, the number of shareholders under administration reached 197,453 and entrustments with 40 companies have been agreed upon as of May 13, 2016.

As a way of capturing new clients, we have been acting as an IPO advisor to companies that are planning to go public by providing integrated comprehensive services both before and after the IPO, in addition to stock transfer agency services. Furthermore, we have successfully gained entrustments in stock transfer agency services due to the high regard for our track record in handling critical situations.

Number of Entrustments with Companies and Number of Managed Shareholders



* As of May 13, 2016

6. We will further reinforce shareholder returns going forward.

For fiscal 2015, the year-end dividend is ¥18 per share. As a result, the full-year dividend is ¥28 per share, including the interim dividend of ¥10 per share.

For fiscal 2016, the Company is currently scheduled to pay ¥10 per share as an interim dividend and ¥18 per share as a year-end dividend.

Trend in Dividends per Share

| | 1 H-end | Year-end | Annual | Dividend payout ratio |
|---|---------|----------|--------|-----------------------|
| FY2016 Forecast (Announced on May 13, 2016) | ¥10 | ¥18 | ¥28 | — |
| FY2015 Actual | ¥10 | ¥18 | ¥28 | 58.4% |
| FY2014 Actual | ¥8 | ¥12 | ¥20 | 50.8% |
| FY2013 Actual | ¥8 | ¥12 | ¥20 | 54.4% |

Note: The dividends for FY2014 1H-end and before are actual dividends paid by IR Japan, Inc. and dividends for FY2014 year-end and later are actual dividends paid and dividend forecasts of the Company (IR Japan Holdings, Ltd.).

IR Japan, Inc., a wholly owned subsidiary of the Company, raised funds through a commitment-type rights offering based on a resolution to issue on April 12, 2013, and used these funds to expand and develop a comprehensive shareholders' database system in the stock transfer agency business. As we expect the intended amount of investment in this system to be lower than planned, and considering that we are on track for increased revenues and profits in the future, the Board of Directors resolved at a meeting held on May 13, 2016 to acquire treasury shares.

Internal reserves following the acquisition of treasury shares will be allotted for further reinforcement of existing businesses and investment in growth areas to increase corporate value.

| | |
|---------------------------------------|---|
| Total number of shares to be acquired | 386,000 shares (maximum) (4.16% of total number of shares issued (excluding treasury shares)) |
| Total purchase price of shares | ¥300,649 thousand (maximum) |

Board of Directors and Audit and Supervisory Committee Members (as of June 24, 2016)



Shirou Terashita
President and CEO

■ Ministry of Economy,
Trade and Industry
Member of the Study
Group on Ideal Corporate
Governance System



Takuji Kurio
Executive Vice President and COO

■ In charge of Investment
Banking Department



Koichiro Kimura
Outside Director/
Audit and Supervisory
Committee Member

■ Chairman of Audit and
Supervisory Committee



Nobuyoshi Yamori
Outside Director/
Audit and Supervisory
Committee Member

■ Professor, Graduate
School of Economics,
Kobe University
■ Member of the Financial
System Council, Financial
Services Agency



Keisuke Tomimatsu
Director/Audit and
Supervisory Committee
Member

■ Outside Corporate
Auditor of Musashi
Seimitsu Industry Co., Ltd.

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31)

(Millions of yen)

| | 2015 | 2016 | Amount change (YoY) | | 2015 | 2016 | Amount change (YoY) |
|---------------------------------------|-------|--------------|---------------------------|---|-------|--------------|---------------------------|
| Assets | | | | Liabilities | | | |
| Current assets | | | | Current liabilities | | | |
| Cash and deposits | 1,607 | 1,849 | 241 | Accounts payable—trade | 29 | 32 | 3 |
| Notes and accounts receivable—trade | 607 | 860 | 253 | Short-term loans payable | — | 100 | 100 |
| Work in process | 15 | 24 | 9 | Accounts payable—other | 335 | 84 | (251) |
| Prepaid expenses | 75 | 61 | (13) | Accrued expenses | 19 | 88 | 69 |
| Deferred tax assets | 76 | 62 | (14) | Income taxes payable | 113 | 214 | 101 |
| Other | 193 | 15 | (177) | Advances received | 43 | 37 | (5) |
| Allowance for doubtful accounts | — | (3) | (3) | Deposits received | 68 | 33 | (35) |
| Total current assets | 2,575 | 2,871 | 295 | Provision for bonuses | 67 | 76 | 8 |
| | | | | Provision for directors' bonuses | — | 3 | 3 |
| | | | | Other | 72 | 71 | (1) |
| Non-current assets | | | | Total current liabilities | 750 | 741 | (8) |
| Property, plant and equipment | | | | | | | |
| Facilities attached to buildings | 281 | 196 | (84) | Non-current liabilities | | | |
| Accumulated depreciation | (78) | (15) | 62 | Net defined benefit liability | 2 | 3 | 0 |
| Facilities attached to buildings, net | 203 | 180 | (22) | Provision for directors' retirement benefits | 124 | 147 | 23 |
| Tools, furniture and fixtures | 205 | 208 | 2 | Total non-current liabilities | 127 | 150 | 23 |
| Accumulated depreciation | (65) | (76) | (11) | Total liabilities | 877 | 891 | 14 |
| Tools, furniture and fixtures, net | 140 | 131 | (8) | | | | |
| Total property, plant and equipment | 343 | 311 | (31) | | | | |
| Intangible assets | | | | | | | |
| Software | 440 | 457 | 17 | | | | |
| Other | 18 | 21 | 2 | | | | |
| Total intangible assets | 459 | 479 | 20 | | | | |
| Investments and other assets | | | | Net assets | | | |
| Investment securities | 45 | 23 | (22) | Shareholders' equity | | | |
| Lease and guarantee deposits | 238 | 213 | (24) | Capital stock | 795 | 795 | — |
| Deferred tax assets | 44 | 65 | 20 | Capital surplus | 784 | 784 | — |
| Other | 19 | 19 | (0) | Retained earnings | 1,273 | 1,514 | 241 |
| Allowance for doubtful accounts | (1) | (1) | 0 | Treasury shares | (0) | (0) | (0) |
| Total investments and other assets | 347 | 320 | (26) | Total shareholders' equity | 2,854 | 3,095 | 240 |
| Total non-current assets | 1,149 | 1,111 | (38) | Accumulated other comprehensive income | | | |
| Deferred assets | | | | Valuation difference on available-for-sale securities | (0) | (0) | 0 |
| Deferred organization expenses | 5 | 4 | (1) | Total accumulated other comprehensive income | (0) | (0) | 0 |
| Total deferred assets | 5 | 4 | (1) | Total net assets | 2,853 | 3,095 | 241 |
| Total assets | 3,730 | 3,986 | 256 | Total liabilities and net assets | 3,730 | 3,986 | 256 |

Consolidated Statement of Income

For the year ended March 31

(Millions of yen)

| | 2015 | 2016 | Amount change (YoY) |
|---|-------|--------------|---------------------------|
| Net sales | 3,209 | 3,469 | 8.1 |
| Cost of sales | 1,190 | 1,092 | (8.2) |
| Gross profit | 2,018 | 2,376 | 17.7 |
| Selling, general and administrative expenses | 1,469 | 1,595 | 8.6 |
| Operating income | 549 | 780 | 42.0 |
| Non-operating income | | | |
| Interest income | 0 | 0 | |
| Gain on forfeiture of unclaimed dividends | 0 | 0 | |
| Referral fee | — | 0 | |
| Other | 1 | 0 | |
| Total non-operating income | 2 | 1 | (26.2) |
| Non-operating expenses | | | |
| Interest expenses | — | 0 | |
| Loss on sales of notes payable | 0 | 0 | |
| Foreign exchange losses | — | 0 | |
| Amortization of deferred organization expenses | 0 | 1 | |
| Total non-operating expenses | 0 | 2 | 692.7 |
| Ordinary income | 551 | 779 | 41.4 |
| Extraordinary income | | | |
| Gain on sales of non-current assets | 6 | — | |
| Total extraordinary income | 6 | — | — |
| Extraordinary losses | | | |
| Loss on retirement of non-current assets | — | 1 | |
| Loss on valuation of investment securities | — | 23 | |
| Total extraordinary losses | — | 25 | — |
| Income before income taxes and minority interests | 558 | 754 | 35.2 |
| Income taxes—current | 210 | 316 | |
| Income taxes—deferred | (17) | (6) | |
| Total income taxes | 192 | 309 | 62.2 |
| Profit | 365 | 445 | 21.8 |
| Profit attributable to non-controlling interests | — | — | |
| Profit attributable to owners of parent | 365 | 445 | 21.8 |

Consolidated Statement of Comprehensive Income

For the year ended March 31

(Millions of yen)

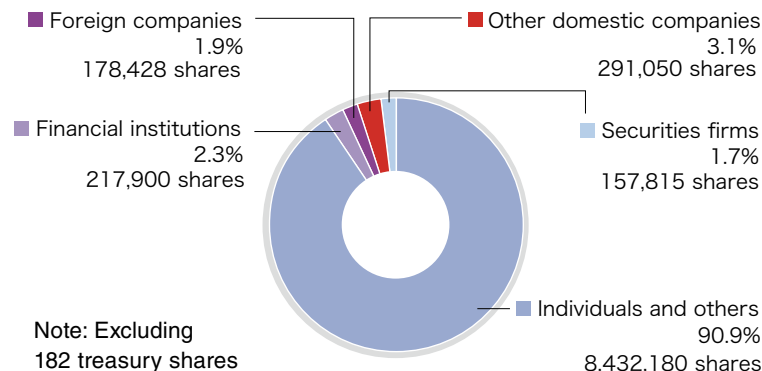
| | 2015 | 2016 | Amount change (YoY) |
|--|------|------------|---------------------------|
| Profit | 365 | 445 | 21.8 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | (0) | 0 | |
| Total other comprehensive income | (0) | 0 | (64.4) |
| Comprehensive income | 364 | 445 | 22.2 |
| Comprehensive income attributable to | | | |
| Comprehensive income attributable to owners of parent | 364 | 445 | |
| Comprehensive income attributable to non-controlling interests | — | — | |

Status of the Company's Shares as of March 31, 2016

● Status of Shares

| | |
|---|---|
| Total number of shares authorized to be issued: | 35,000,000 shares |
| Total number of shares issued: | 9,277,555 shares (including 182 treasury shares) |
| Number of shareholders: | 1,928 |

● Breakdown of Shares by Owner



● Major Shareholders

| Name of shareholder | No. of shares | Percentage of ownership (%) |
|--|---------------|-----------------------------|
| Shirou Terashita | 5,797,000 | 62.48 |
| 45 Corporation Co., Ltd. | 176,000 | 1.89 |
| Individual | 150,000 | 1.61 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 146,400 | 1.57 |
| Keisuke Tomimatsu | 131,700 | 1.41 |
| Asset Management Co., Ltd. | 95,000 | 1.02 |
| MLI EOR CLIENT GENERAL NON TREATY-PB | 91,400 | 0.98 |
| Hiroshi Inaba | 59,300 | 0.63 |
| Yutaka Minagawa | 55,900 | 0.60 |
| Yukihiko Aoyama | 55,650 | 0.59 |

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 | 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/)(Japanese only) 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 <i>Nihon Keizai Shimbun</i> . |
| Administrator of shareholder registry | IR Japan, Inc. |
| Contact information | 26th floor, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6026, JAPAN 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 Holdings, Ltd. |
| Address | 26th floor, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6026, JAPAN URL : http://www.irjapan.net/ |
| Established | February 2015 |
| Capital | 795,803 thousand yen (As of March 31, 2016) |
| Major subsidiary | IR Japan, Inc. <ul style="list-style-type: none"><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.A.)<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 |