

2020

ANNUAL REPORT

April 1, 2019–March 31, 2020

Power of Equity

IR Japan is a consulting company that offers services with high added value aimed at developing capital markets on the basis of the "Power of Equity."



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"Power of Equity" is a registered trademark of IR Japan, Inc.

IR Japan Holdings, Ltd.

Securities Code: 6035

To Our Shareholders

The coronavirus outbreak has posed serious questions about contact with people, cross-border lifestyles, and work styles although we have not encountered any problems. We believe that global economic activities and Japanese economic activities have passed into an era of unimaginable change. Listed companies that are the Group's clients have entered a stage in which their management abilities will be questioned in terms of their responses to these changes, their execution abilities, speed, as well as the time required for recovery. Amid the focus on management quality, activist activities targeting listed companies in Japan have reached a record high, while major activists around the world are continually entering the Japanese market. In addition, ownership battles between strategic buyers (business companies) and major shareholders are becoming everyday events. Even in capital markets in Japan, as in Europe and the United States, management ownership battles—that is, securing voting rights via TOBs and proxy fights—have come to be positioned as extremely important management strategies.

In these circumstances, the Company has achieved steady and accelerated growth by responding quickly and appropriately to emerging capital risks as an unparalleled consulting group—SR consulting, AI/SR research, investment banking (PA: proxy advisor, FA: financial advisor), stock transfer agency—that realizes the “Power of Equity® (the power of shareholder voting rights),” which it has expanded as its core business over the past 20 years. This has been based on totally “standing by the side of our clients,” “improving the common interests of shareholders while absolutely protecting minority shareholders,” and, in recent years, “avoiding the risk of conflicts of interests as an independent company.” In particular, we have been highly evaluated as a new investment bank (FA) by optimally combining into our expanded and strengthened investment banking units our M&A know-how relating to ownership battles, accumulated through many large-scale project entrustments.

In addition, the Ministry of Economy, Trade and Industry (METI) issued the “Practical Guidelines for Business Restructuring” in June of this year and plans to request that business-portfolio reviews be implemented at least once a year by board members (boards of directors) of listed companies. Going forward, management will increasingly be able to identify who is the best owner of each business within business portfolios. In addition to activists, these trends are also expected to intensify the actions of strategic buyers (business companies). Moreover, as recommended in METI's “Fair M&A Guidelines,” it is also concerned that conflicts of interests issues in M&As could provide activists with strong opportunities to drive events.

As an unparalleled equity consultant and investment banker, the Company will carefully respond to our client needs individually, focusing on execution ability and results, while continuing to firmly adhere to the unwavering stance that we stand by the side of our clients, which we have built up through IR/SR consulting, even in investment banking business that requires advanced expertise. Furthermore, as an advocate of Japanese capital-market reformers, the Company switched its business activities to remote work at an early stage. While making the most of our strengths of having a large number of AI engineers and IT engineers as in-house employees and proactively investing in new work styles that are not confined to conventional practices, we will steer our ship to make a major transformation toward establishing a unique operational system capable of providing clients quicker and more efficient access.

We ask for the continued support of our shareholders so that we can increase our presence by discovering new continents (existing but as-of-yet undiscovered fields), under the slogan of our great reforms, upon the seas (business fields) of Japanese IR/SR, M&A, legal, and stock transfer agency, for which we have set the course.

We will increase our presence in the Japanese IR/SR, M&A, legal, and stock transfer agency business fields as an unparalleled consulting group that realizes the “Power of Equity® (the power of shareholder voting rights).”



寺下史郎

Shirou Terashita

Representative Director,
President and Chief Executive Officer

Financial Results

Capital markets across the globe have become increasingly unstable due to unprecedented economic trends caused by the explosive outbreak of the new coronavirus (COVID-19), which began in the fourth quarter. A sense of alarm toward capital risks rapidly reached new heights among the listed companies that are the Group's clients. They have no choice but to review their business portfolios and those of their group companies, paying close attention to the realization of financial and capital policy reforms, such as delisting and M&As, which are management decisions now essential to the survival of their companies.

In these circumstances, the Group, on the basis of the Power of Equity^{*1} (the power of shareholder voting rights) and as an unparalleled and completely independent equity consulting firm that fuses PA services^{*2} and FA services^{*3}, and focused around SR (Shareholder Relations) advisory services, has accepted numerous large-scale projects, such as PA/FA projects, by consistently being on the client's side. Moreover, we substantially increased the number of entrustments that develops from

daily SR advisory services to FA services, not only new entrustments for individual projects.

As a result of the above factors, for fiscal 2019, net sales increased 59.1% year on year, to ¥7,682 million, operating profit increased 152.8% year on year, to ¥3,626 million, ordinary profit increased 149.5% year on year, to ¥3,611 million, and profit attributable to owners of parent increased 150.3% year on year, to ¥2,445 million, all figures record highs.

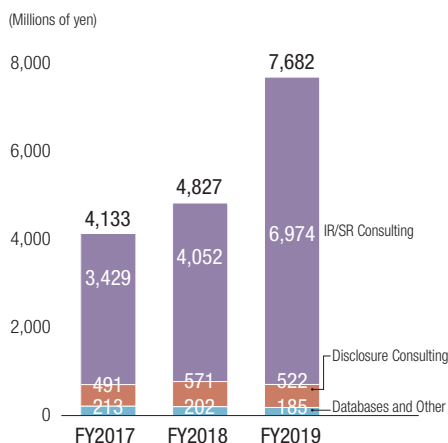
The year-end dividend is ¥45 per share, an increase of ¥15 from the previous forecast, owing to increases in both net sales and profit for fiscal 2019. As a result, the full-year dividend is ¥70 per share, including the interim dividend of ¥25 per share.

^{*1} "Power of Equity" is a registered trademark of our subsidiary, IR Japan, Inc. (No. 6196294).

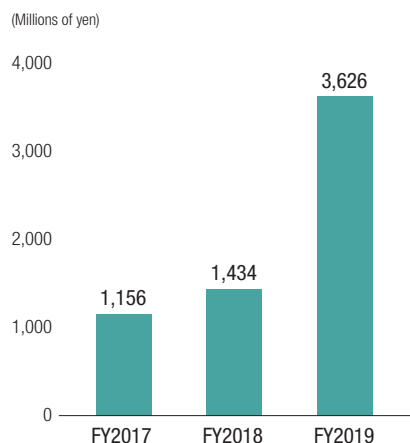
^{*2} PA services: Proxy Advisory services (Proxy fight services, in which the Company boasts an overwhelmingly successful track record)

^{*3} FA services: Financial Advisory services (Responses to activists, hostile TOBs, advanced MBOs, and M&As, to which Japan's largest and most cutting-edge group of experts is deployed)

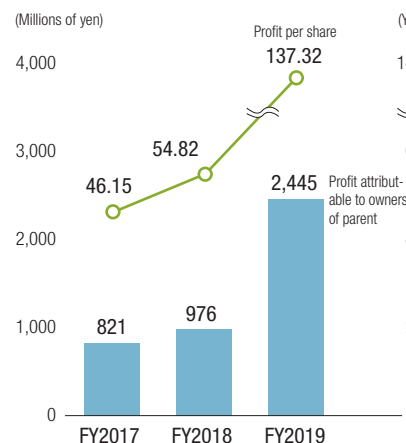
Net Sales



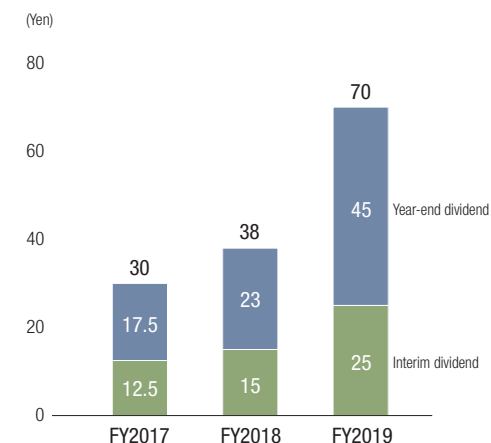
Operating Profit



Profit Attributable to Owners of Parent/Profit per Share



Trend in Dividends



^{*1} The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018. Profit per share figures have been calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

^{*2} The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018. The dividend for the fiscal year ended March 31, 2018 will be the reference value following the stock split.

Increased Number of Entrustments of Large-scale Projects

The fiscal year under review saw rapid growth in demand for more advanced and deeper-reaching investment banking and PA/FA services from the listed companies that are our clients, with whom we have built close relationships through our SR advisory services. Subsequently, results were significantly driven by numerous entrustments of large-scale projects focused on PA/FA services for ownership battles among listed companies, PA/FA services for responses to activists, and MBO-related FA services.

Going forward, we will continue to increase the number of entrustments of large-scale projects, as an unparalleled equity consulting firm that fuses PA services and FA services, adhering strictly to the protection of minority shareholders and enhancing shareholders' common interests.

Number of Contracts and Sales Amount of Large-scale Projects*

(Millions of yen)

	1st half		2nd half		Full year	
	Number of projects	Amount	Number of projects	Amount	Number of projects	Amount
FY2018	5	457	2	133	7	589
FY2019	7	702	16	2,537	23	3,239
Change	2	245	14	2,405	16	2,651

*Projects with sales of ¥50 million or more

Types and Sales Amount of Large-scale Projects

(Millions of yen)

Types of project	FY2019	FY2018
PA/FA for ownership battles	910	70
PA/FA for responses to activists	1,514	195
MBO-related FA	705	273
Other large-scale SR	110	52
Total	3,239	589

TOPIC

Ministry of Economy, Trade and Industry Issues the “Practical Guidelines for Business Restructuring (Draft)”

The Ministry of Economy, Trade and Industry issued the “Practical Guidelines for Business Restructuring (Draft)”** in April 2020 to the directors and outside directors of listed companies. Built around the pillar of regular business-portfolio reviews that should be performed at least once a year, etc., the Guidelines highlight the issues and directionality of the responses of boards of directors and outside directors, as well as the issues and methodology of responses, etc., to conduct dialogue with investors and disclose information related to business-portfolio reviews. Our Group's SR/PA/FA expertise and solutions are increasingly required by listed company clients.

**Practical Guidelines for Business Restructuring (Draft): Published by the Ministry of Economy, Trade and Industry on April 20, 2020. Draft of practical guidelines for concrete measures to build effective governance systems to encourage proactive business restructuring through spin-offs of Japanese companies, etc.

Forecast of Consolidated Operating Results for Fiscal 2020

Net sales are expected to increase mainly in the core SR advisory services and the investment banking business related to PA and FA services. However, the Company has disclosed its net sales forecast only in ranges for fiscal 2020, due to the difficulty of reasonably estimating the extent of the future impact of the new coronavirus and the difficulty of forecasting the end of the pandemic at this time (as of May 15, 2020).

(Millions of yen)

	Forecast FY2020			Actual FY2019	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	8,500 to 9,000	818 to 1,318	10.6 to 17.2	7,682	59.1

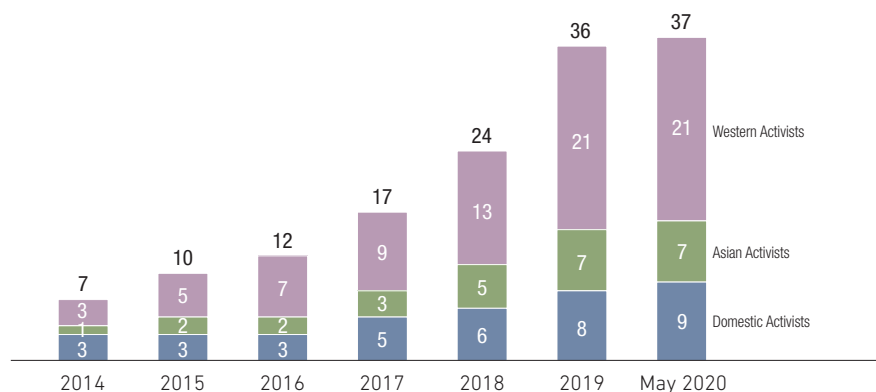
IR Japan's External Environment: Activists Becoming More Active in Japan

The pressure to overhaul corporate governance, business, and asset portfolios has reached a record high, which is suggestive of the submission of shareholder proposals or the exercise of proposal rights by activists, and Japan has now transformed into the second-largest activist market in the world after the United States. As of the end of March 2020, an estimated 600 Japanese companies were being targeted by activists.

Moreover, during the coronavirus pandemic, losses in shareholder value have increased the power of collective engagement, providing activists with excellent investment opportunities.

Raising the common interests of shareholders, these activists create high-level white papers for their target companies and propose reviews of business portfolios and governance, etc., with skill sets, and the frequency of their exercising of shareholder proposal rights is increasing, as they make well-prepared and persistent contact. In such a situation, it is important for listed companies to prepare for all capital risks during normal times.

Trends in the Number of Activist Funds Active in Japan



[Definition of the Number of Funds]

Funds that are clearly investing in Japan with a record of activist investment* either in Japan or overseas. The number of funds does not include Japanese equity investment before activist activities start.

*Submissions of shareholder proposals, announcements of letters/campaign websites, public requests through the media, etc.

Shareholder Q&A

—Answer to frequently asked question from shareholders—

What will be the effect of the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act) on activists?

The Ministry of Finance announced the “Factors to be considered in authorities’ screening of prior-notification for inward direct investment under the Foreign Exchange and Foreign Trade Act” in May 2020 and released a list of target companies. In enforcing the revised Foreign Exchange Act, the government has disclosed in a Q&A that the election of directors following the acquisition of shares and business-transfer shareholder proposals are possible upon the submission of a prior-notification and that the containment of activists is not its aim. As it is clearly stated that the revised act is not a way to limit shareholder rights or prevent the reinforcement of corporate governance, at present, we believe that it will have almost no direct impact on activist activities. However, we will keep a close watch on operations following enforcement of the revised act.



IR Japan's Core Business

1 Voting Rights Advisory with an Outstanding Track Record

The Group's overwhelming strengths lie in the area of securing control of listed companies or, in other words, advisory services concerned with voting rights. Among these services, our work receiving the most attention is for services relating to responses to activists. We are highly trusted by our clients due to our more than 20 years of experience, our thoroughly fact-oriented, cross-border investment and voting rights information analyses utilizing AI, cutting-edge strategy planning, and the prompt actions of our execution units that lead to TOBs and proxy-fight victories. By establishing a solid position as a leader in these areas, we continue to increase the number of entrustments of large-scale projects.

In such large-scale project entrustments, we deeply recognize that our most

important business is strengthening our daily relationships with listed company clients through our SR advisory services, which are the Group's core services. While simultaneously expanding the number of front personnel in the SR department and the number of research personnel who are proactively developing unique new voting rights-related services, we are focusing on increasing the depth of our SR advisory services (which include shareholder identification surveys, voting rights surveys, cross-border institutional shareholder engagement, evaluating the effectiveness of boards of directors, shareholder returns, corporate governance improvement, ESG disclosure improvement, and operation of the Shareholders' Club) at an accelerated pace. Added to those services are coronavirus countermeasures.

Our Strengths

Outstanding track record in advisory services related to securing control (voting rights) of listed companies



Cross-border investment/voting rights information analyses based on AI empirical analysis data



Track record of over 20 years of responding to activists



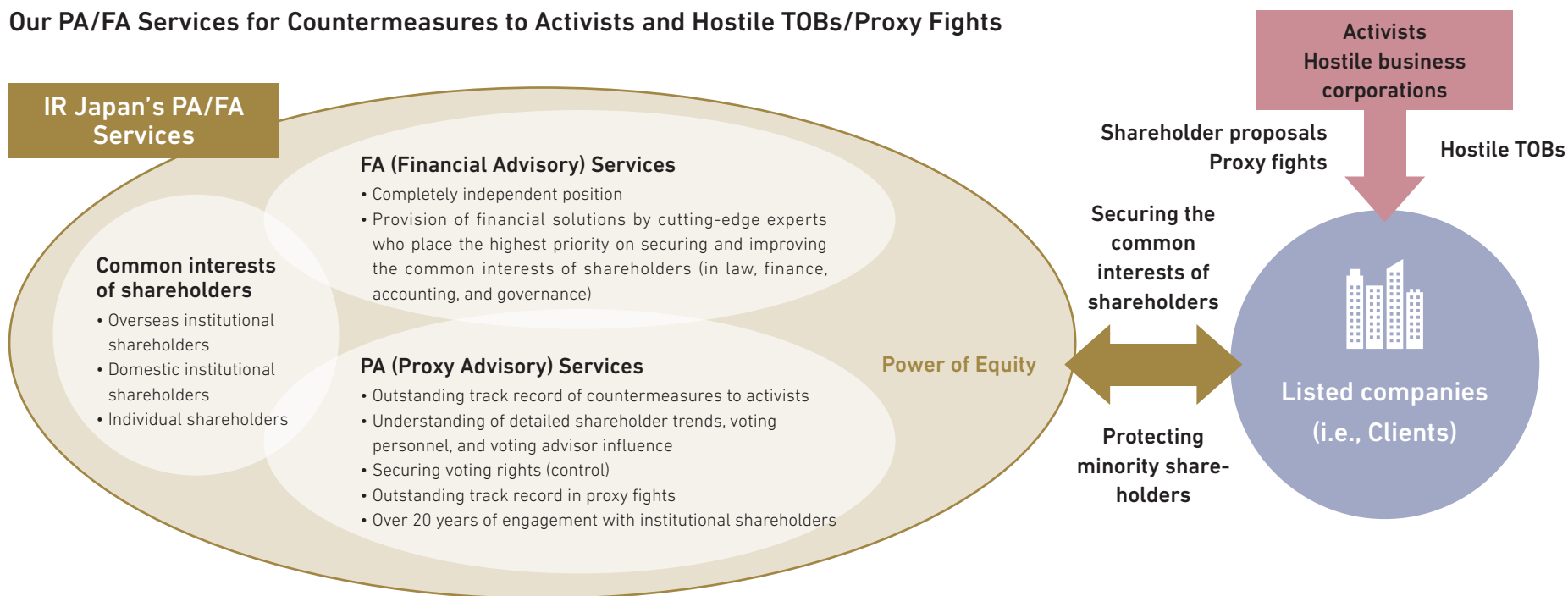
Leading proxy fights and TOBs to victory through cutting-edge strategy planning and prompt actions of execution units

2 PA/FA Services for Large-scale Projects

Activists, who have been increasing their activities amid the expansion of global ESG investments, have actually become even more active during the coronavirus outbreak, putting more pressure on companies. Furthermore, resistance to hostile M&As is greatly breaking up due to the close proximity of real-world examples in which even listed companies (strategic buyers) succeed in securing control during hostile TOBs and proxy fights.

In the Investment Banking Department, which operates PA/FA services, we are strengthening our human resources, who have a proven track record in advanced financial planning, and we are further increasing our presence as a completely new FA (financial advisor) in capital markets. Meanwhile, we further refine our unique strengths, such as avoiding the risk of conflicts of interests, and totally stand by the side of our clients, as an independent company.

Our PA/FA Services for Countermeasures to Activists and Hostile TOBs/Proxy Fights



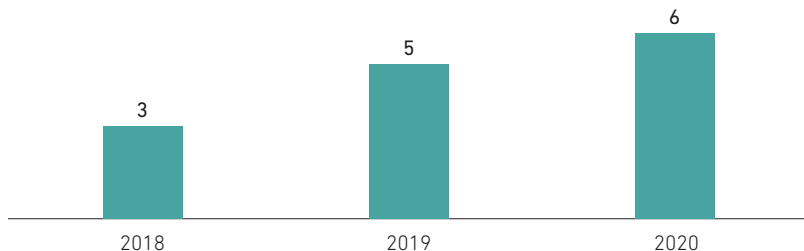
Solutions that Totally Stand by the Side of Our Clients

MBO Support

MBOs or other delisting measures are being considered by listed companies as a capital policy solution. Such entrustments are progressing smoothly at the Company, as we are highly evaluated for our planning and ability to execute advanced plans as a professional FA group. For example, we eliminate risk factors by protecting minority shareholders and securing the common interests of shareholders while standing on the side of the client, using our advanced and abundant experience in shareholder control structures.

Trend in the Number of MBOs

As of May 28, 2020



2020: Companies Announced as Private via MBOs

- Mamezou Holdings
- JEUGIA
- Miyako Inc.
- ODELIC Company
- Sogo Medical Holdings
- Nichiigakkan

Our FA Projects

Mamezou Holdings (target company-side FA)

ODELIC Company (buyer-side FA)

3 Stock Transfer Agency Business

In the stock transfer agency business, as of March 31, 2020, entrustments with 75 companies had been completed, and the number of shareholders under administration reached 359,285. Unlike conventional stock transfer agency organizations, the Company continuously deploys strategic sales activities from the standpoint of corporate defense against activists and hostile TOBs.



4 Disclosure Consulting

Disclosure Consulting consists of IR tool consulting services (support for the planning and creation of various disclosure documents required for IR activities, including annual reports, integrated reports, and shareholder newsletters) and legal documentation services (the creation of a variety of disclosure documents in English and the translation of such documents from Japanese to English in connection with business reorganization and M&As). Entrustments for consulting services relating to ESG disclosures have been increasing in response to the rising interest in ESG by fund providers and institutional investors.



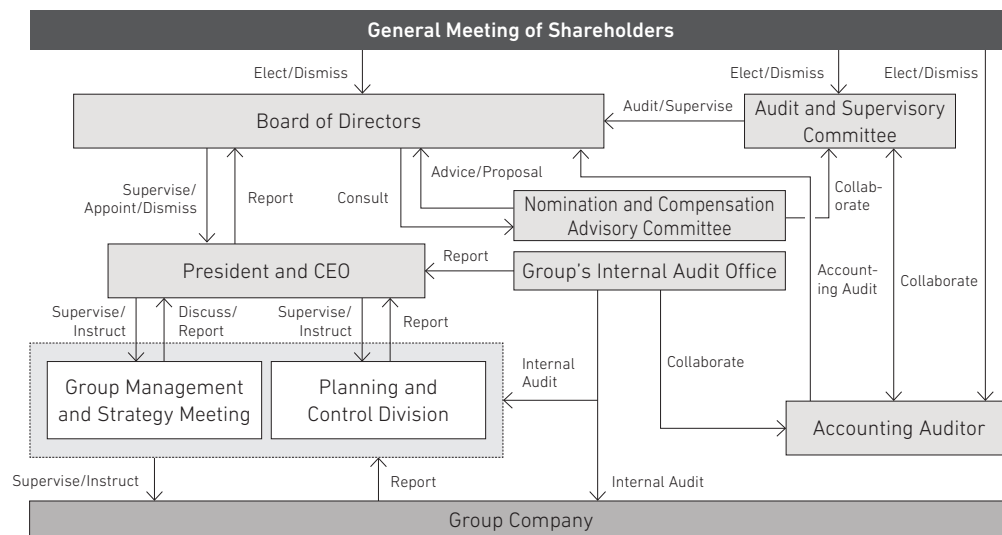
Management Team

As of June 25, 2020



Governance System

The Company seeks to improve its corporate value by emphasizing the establishment of good relationships with all stakeholders including shareholders, employees, and business partners. To achieve this, the Company believes it is essential to reinforce and enhance its corporate governance, and is making sincere efforts to establish an optimal management and administrative structure to ensure sound, efficient, and transparent management.



Stock Information

As of March 31, 2020

Status of Shares

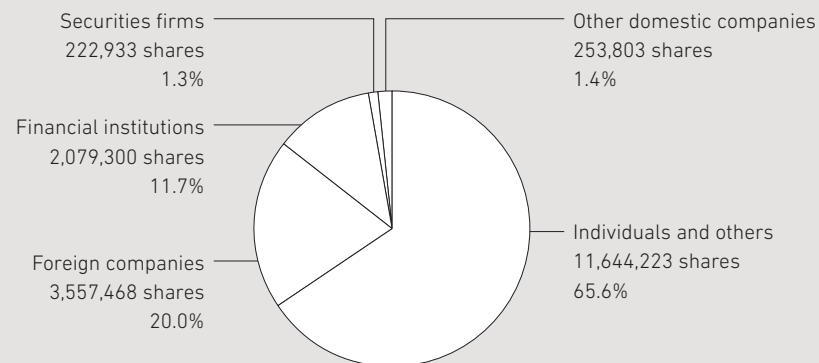
Total number of shares authorized to be issued:	70,000,000
Total number of shares issued:	17,833,810 (including 76,083 treasury shares)
Number of shareholders:	3,493

Major Shareholders

Name of shareholder	Number of shares	Percentage of ownership
Shirou Terashita	9,142,300	51.48
The Master Trust Bank of Japan, Ltd. (Trust account)	912,100	5.14
STATE STREET BANK AND TRUST COMPANY 505001	572,870	3.23
Japan Trustee Services Bank, Ltd. (Trust account)	481,200	2.71
SSBTC CLIENT OMNIBUS ACCOUNT	315,063	1.77
MSCO CUSTOMER SECURITIES	238,348	1.34
BBH FOR UMB BANK, NATIONAL ASSOCIATION- OBERWEIS INT OPP INSTITUTION FD	228,300	1.29
45eyes Co., Ltd.	209,100	1.18
Individual	183,200	1.03
Japan Trustee Services Bank, Ltd. (Trust account 5)	157,500	0.89

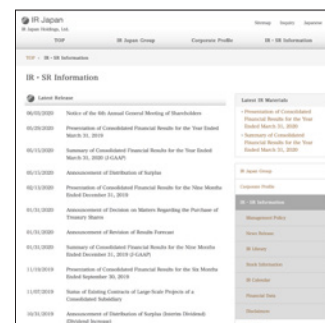
Note: Percentage of ownership is calculated excluding treasury shares (76,083 shares).

Shareholder Composition



Note: Percentage of ownership is calculated excluding treasury shares (76,083 shares).

**“IR • SR Information” is posted on our website.
Please peruse it at your leisure.**



https://www.irjapan.jp/en/ir_info/



IRJHD IR

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 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 the future, 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 the 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 for ordinary general meeting of shareholders. When necessary, information for holding meetings is announced in advance.
Ordinary general meeting of shareholders	June
Method of public announcements	Electronic notification (https://www.irjapan.jp/ir_info/release/publicnotice.html) (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 Toll-free dial: 0120-975-960 (only in Japan)

Request for change of address or the purchase or sale of shares in a number less than one share unit

Please contact the securities firm where you have your account.

Request for payment of unpaid dividends

Please contact the administrator of shareholder registry at the address shown above.

Company Profile

Name	IR Japan Holdings, Ltd.
Head Office	26th floor, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6026, JAPAN URL: https://www.irjapan.jp/en/
Established	February 2015
Capital	¥830 million (as of March 31, 2020)
Major Subsidiary	<p>IR Japan, Inc.</p> <ul style="list-style-type: none"> • Building Lots and Buildings Transaction Business Operator “Governor of Tokyo (1) No. 100534” • Type I Financial Instruments Business Operator “Kanto Local Finance Bureau (Kinsho) No. 2624” • Stock transfer agent • Designated administrator of shareholder registry, etc. • Member of the Japan Securities Dealers Association • Honorary international participant, Council of Institutional Investors (USA) • Certified investment evaluation institute • Supporting member, the Securities Analysts Association of Japan • Member, the IR Planners Association of Japan • Member, Japan Investor Relations Association • Charged Employment Placement License “License No. 13-Yu-303368”