



Consolidated Financial Results

FY2018 3Q (October 1 2018 – December 31 2018)

January 31, 2019

IR Japan Holdings, Ltd. (6035)

IR Japan Holdings, Ltd.



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I . FY2018 3Q Consolidated Financial Results

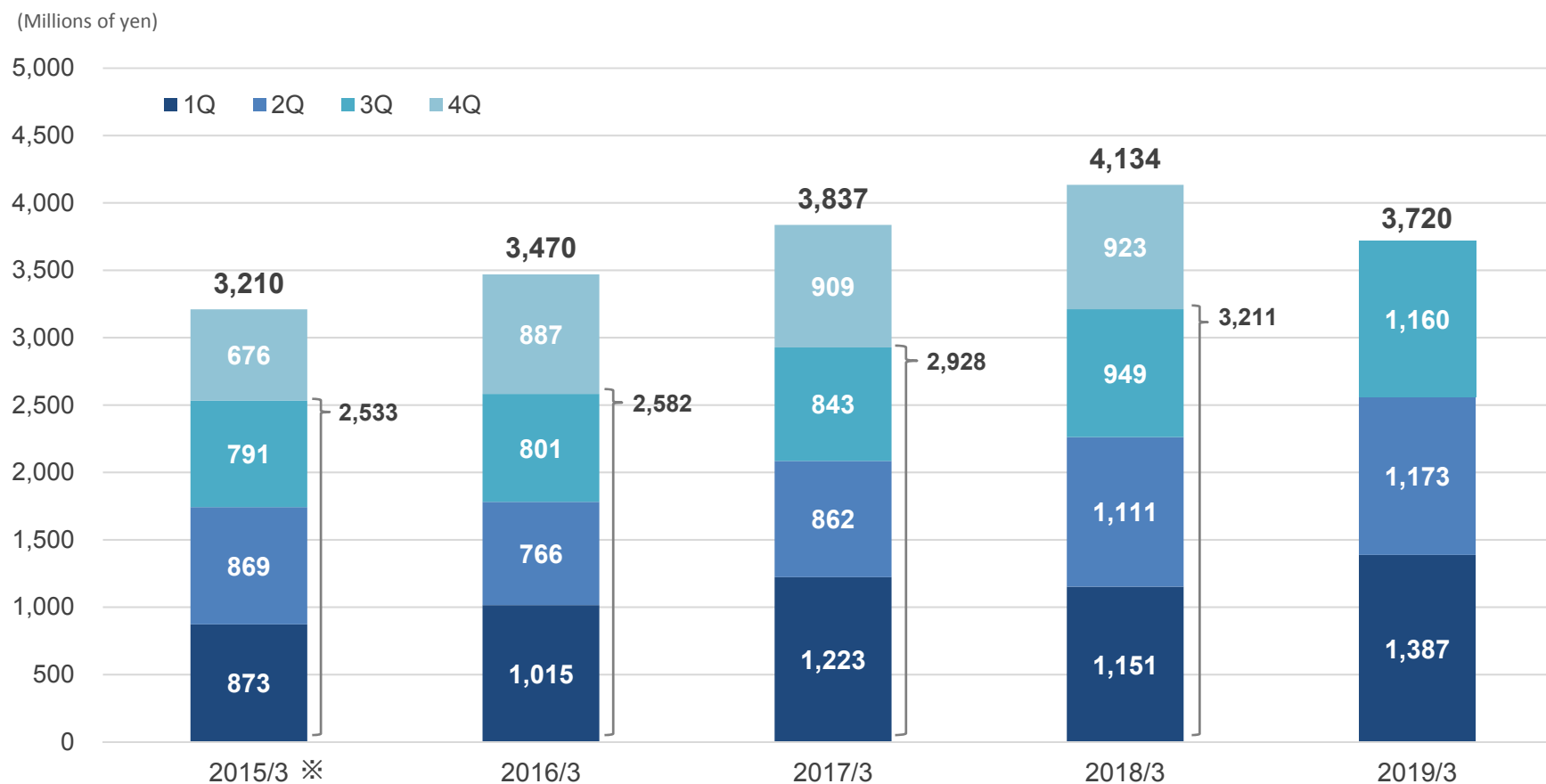
Summary : Consolidated Financial Results for the Nine Months Ended December 31, 2018

	Nine Months Ended December 31, 2018 (April to December 2018)			FY2017 (April to December 2017)
	Amount (Millions of yen)	Change (Millions of yen)	Percentage change (YoY)	Amount (Millions of yen)
Net Sales	3,720	509	15.9	3,211
Operating profit	1,138	139	14.0	998
Ordinary profit	1,154	155	15.6	998
Profit attributable to owners of parent	786	112	16.8	673
(Reference) EBITDA※	1,333	161	13.8	1,171

※ EBITDA : Ordinary profit + Interest expenses + Accumulated depreciation

- ✓ With the full-scale advent of activism in the Japanese market, listed companies have become concerned suddenly regarding the risks related to their capital structures. Due to this, there was an increase in demand for governance and investment banking services which was in addition to the increase in the base businesses of SR operations that identify shareholders and promote the stable exercise of voting rights. As a result, net sales and profits for the third quarter were at record highs for both the consolidated / non-consolidated quarter and the year to date.

Consolidated Net Sales from 2015



※Sales for 2015/3 include sales from IR Japan, Inc.

In addition to services related to SR (shareholder support) such as shareholder identification and voting rights, overall and quarterly sales in the Company and its subsidiary (hereinafter, “the Group” or “we”) have steadily increased due to factors such as Board evaluations, outside directors search, and the expansion of investment banking, including the FA business.

Summary : Consolidated Financial Results by Type of Services for the Nine Months Ended December 31, 2018

	Nine Months Ended December 31, 2018 (April to December 2018)			FY2017 (April to December 2017)
	Amount (Millions of yen)	Percentage of net sales (%)	Percentage change (YoY)	Amount (Millions of yen)
IR/SR Consulting	3,069	82.5	17.2	2,619
Disclosure Consulting Sales	505	13.6	16.5	434
Databases and Other sales	145	3.9	-7.6	157

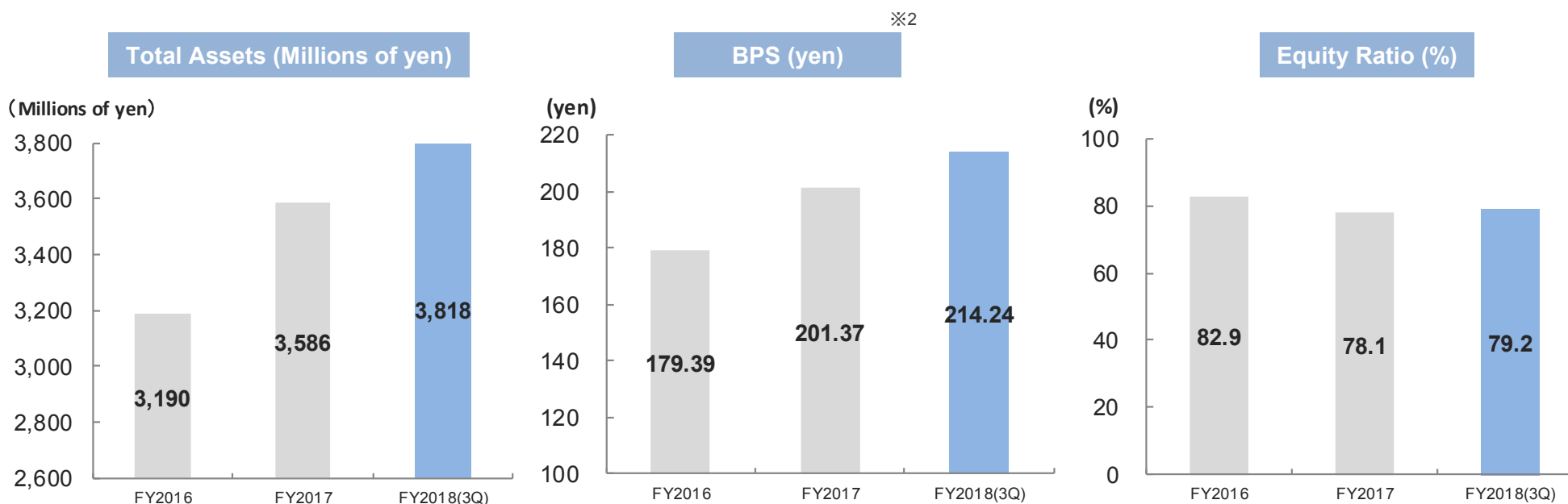
Breakdown of Costs : Consolidated Financial Results by Type of Services for the Nine Months Ended December 31, 2018

(Millions of yen)

Breakdown of costs	Accounts Name	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017	Change
Variable Costs (Cost of Sales)	Outsourcing Costs	358	295	63
Fixed Costs (SG&A)	Labor Costs	1,230	1,120	110
	Depreciation Costs	178	172	5
	Office Rents	278	154	124
	Others (Ex. costs related to IT System)	538	471	67
Fixed + Variable (in total)	Cost of Sales + SG&A (in total)	2,582	2,212	369

Summary of Consolidated B/S for the Nine Months Ended December 31, 2018

- The Group's total assets as of December 31, 2018 increased ¥231 million from the end of the previous fiscal year, to **¥3,818 million**
- The Group's BPS as of December 31, 2018 (¥201.37) increased ¥12.87 from the end of the previous fiscal year, to **¥214.24**
- The Group's Equity ratio as of December 31, 2018 (78.1%) increased 1.1pt from the end of the previous fiscal year, to **79.2%**
- The subsidiary: IR Japan, Inc. had a capital adequacy ratio of **340.2%** as of the end of December 2018 ^{※1}



※1 IR Japan, Inc., the subsidiary, is a Type I Financial Instruments Business Operator and is subject to the capital adequacy ratio requirements (obligation to maintain at least 120%) set forth in the Financial Instruments and Exchange Law.

※2 The Company carried out 2-for-1 stock split for its common shares on August 31, 2018, and the amount above is taking the stock split into account.

Highlights for the 3rd Quarter of the Fiscal Year Ending March 31, 2019

Power of Equity
IR Japan



1. SR (shareholder support) Consulting Services

- Increase in shareholder identification research to grasp trends of beneficial shareholders with the increase of domestic and overseas activism
- Increase in engagement arrangements with institutional investors due to increased risk of opposition as the Corporate Governance Code has been revised and more institutional investors adopt the Stewardship Code.
- Received large-scale orders for website development limited to individual shareholders using a system that centrally manages shareholder information to support companies' approaches to engagement with individual shareholders
- Increase in the number of companies adopting Activist Analytics that use AI to analyze the risk of corporate activism

2. Governance Consulting Services

- The number of projects as well as high-quality advice from the institutional investors' perspectives received high appraisal, leading to an increase in Board evaluation orders, mainly from large-cap companies.
- Increase in introduction services for outside directors search due to revision of ISS's proxy voting guidelines and the Company Law

3. Investment Banking Services

- Received projects to defend hostile takeovers and to advise listed companies' acquisitions of unlisted companies
- Received projects to support companies with activists regarding topics such as corporate control
- The Group's first transaction as a J-Adviser, and this is the first finance listing in the TOKYO PRO Market in six and a half years

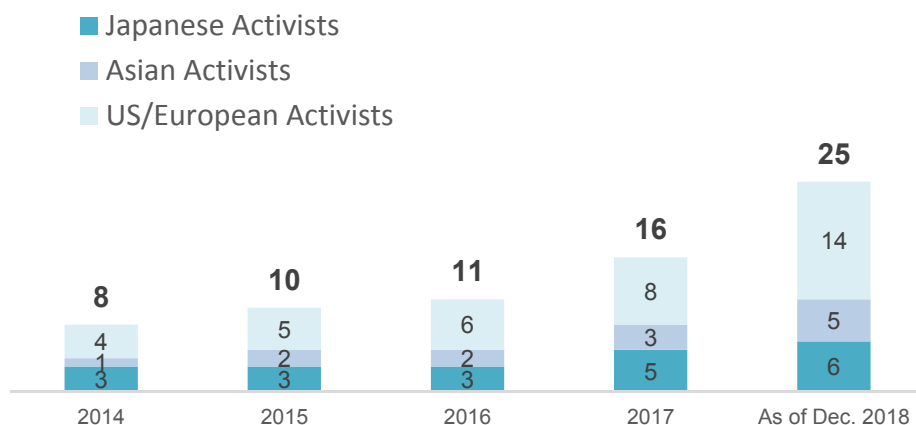
4. Transfer agency business

- The number of contracted companies increased significantly from the same period in the previous year to 77, and the number of shareholders managed increased to 348,318.

Full-scale start of activism in Japan by domestic & overseas activists

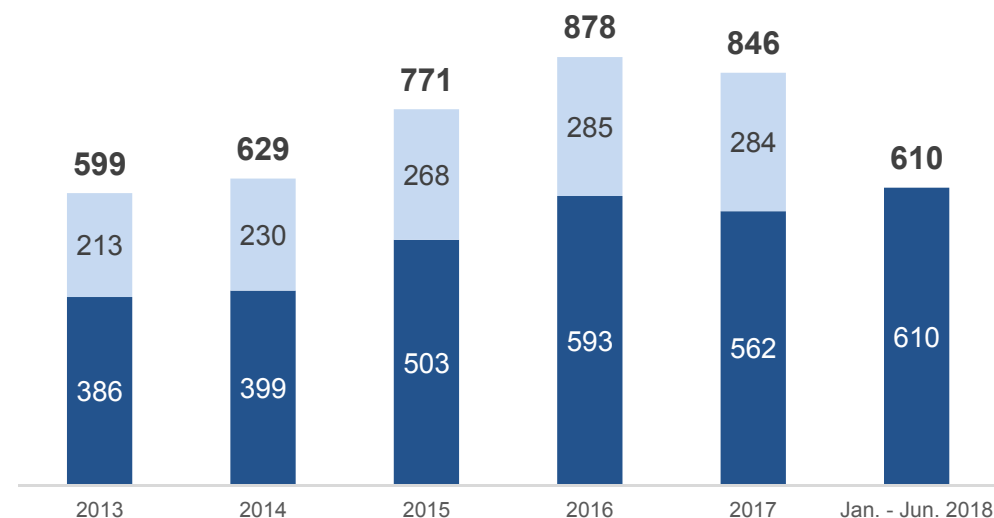
On January 2019, a listed company in Japan has announced it will nominate a director from activist shareholder. This is the first case in Japan where activist has won a board seat in a Japanese company without a shareholder vote. With the full-scale start of the activism in Japan, activists have submitted elaborate proposals to Japanese listed companies.

◆ Trends in Activists' activities in Japan



The number listed refers to funds that have used activist strategies either in domestic or overseas markets, and have been investing in Japanese stocks. Funds that have invested in Japanese companies, but have not adopted activist strategies in the same year, are not included in the count for that year. The data is based on shareholder proposals, publicly released demands, materials released publicly in the media such as letters, campaign sites.

◆ Trends in global activism



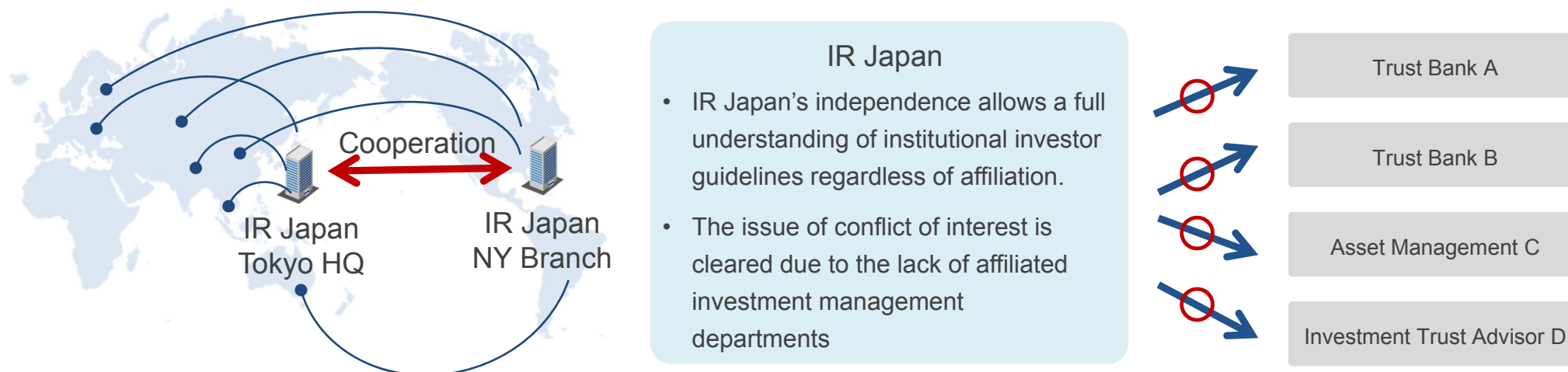
The number listed refers to companies targeted by activists, and the upper side of the graph shows the number during the second half.

The Company's research for shareholder identification

With the full-scale start of domestic and overseas activism, the significance to have a grasp on substantial shareholders has increased. As a result, there is an increase in number of companies that have adopted our Shareholder Identification Survey, a high-quality survey conducted since 1997

◆ Superiority of the Group Regarding Voting Rights

The number of staff in charge of proxy voting that IRJ perpetually has access to is approximately 6,000



◆ Reasons Clients Entrust the Investigations of Substantial Shareholders to the Group

- We complete our independent surveys without relying on external partners. Compared to other companies, we have reliable data and the ability to report the survey results in a short period of time.
- With over 900 projects per year regardless of sector or market value, our data can be compared with Japanese stock market trends and other companies within the same industry.
- Forecast opposition risks, inhibit opposition to proposals, and analyze the results of institutional investors' votes after the AGM.
- Formulate measures that cover not only institutional investors but also individual shareholders regarding topics such as shareholder proposals, response to hostile TOBs, and stock acquisitions by activist funds.

Increase in engagements with listed companies

The revision of the stewardship code requires rapid increase in collective engagement with institutional investors, while the revised Corporate Governance Code demands the reduction of cross-share holdings, making it difficult to secure stable shareholders. As such, listed companies realized the necessity and significance of engagement with institutional investors. In light of these circumstances, our company held a number of seminars on voting rights. This fiscal year we invited the largest institution investor in Europe: Norges Bank Investment Management to hold a seminar on the proxy voting guidelines and what they would like to see from Japanese companies moving forward. The large number in attendance showcased the high level of interest from listed companies.



Board Evaluation

◆ Board evaluation implemented (TSE 1st / 2nd section) (1,965 companies out of companies with "comply" in TSE 1st / 2nd section)

	Surveys	Interviews	Discussion	Others	Total	Percentage	% last year
Self-evaluation	1,162	155	51	234	1,602	81.5%	77.9%
Self-evaluation (with third-party involvement)	79	13	3	2	97	4.9%	6.4%
Third-party evaluation	127	34	1	4	166	8.4%	4.0%
Unclear	0	0	0	100	100	5.1%	11.6%
Total	1,368	202	55	340	1,965	100%	100%

◆ Board evaluation implemented (Nikkei 225) (222 companies out of companies with "comply" in Nikkei 225)

	Surveys	Interviews	Discussion	Others	Total	Percentage	% last year
Self-evaluation	95	31	9	13	148	66.7%	73.5%
Self-evaluation (with third-party involvement)	15	7	2	1	25	11.2%	10.4%
Third-party evaluation	21	21	0	1	43	19.4%	12.4%
Unclear	0	0	0	6	6	2.7%	3.8%
Total	131	59	11	21	222	100%	100%

Source: Corporate Governance Reports submitted by Japanese companies as of December 31st, 2018

13.3% of all listed companies implemented third party board evaluations. 30.6% of Nikkei 225 component firms performed third-party board evaluations. We strongly believe that more companies will consider third-party evaluations moving forward.

The Company's board evaluation

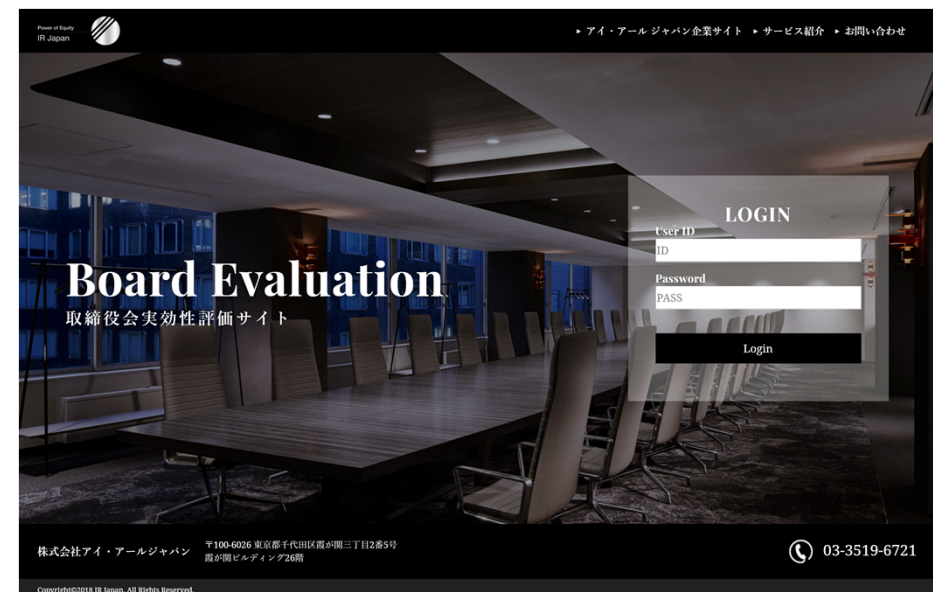
The number of companies that utilize third-party evaluations is steadily increasing year by year. Since the summer of 2015, the Group has supported a large number of listed companies by providing support for evaluation of board's effectiveness. Our clients highly appreciate our advice from the perspective of institutional investors, which is one of the Group's uniqueness, and our proposals to improve governance based on a global perspective that utilizes the most advanced knowledge from Europe and the United States.

◆ Major Achievements of the Group's Board Evaluation Service

No.	Market Cap	Industry	Evaluation Procedure
1	Over 1 trillion yen	Foods	Survey
2	Over 1 trillion yen	Wholesale	Interviews
3	Over 1 trillion yen	Pharmaceuticals	Interviews
4	Over 1 trillion yen	Transportation Equipment	Survey
5	Over 1 trillion yen	Oil and Coal	Interviews
6	Over 1 trillion yen	Pharmaceuticals	Interviews
7	Over 1 trillion yen	Air Transportation	Interviews
8	Over 1 trillion yen	Steel	Interviews
9	Over 1 trillion yen	Pharmaceuticals	Survey
10	Over 1 trillion yen	Glass and Stone	Survey
11	Over 1 trillion yen	Chemical	Interviews
12	Over 100 billion yen, Less than 1 trillion yen	Insurance	Interviews
13	Over 100 billion yen, Less than 1 trillion yen	Other manufactures	Survey
14	Over 100 billion yen, Less than 1 trillion yen	Ground Transportation	Survey
15	Over 100 billion yen, Less than 1 trillion yen	Gas and Electricity	Survey

◆ Website for Evaluation of Board's Effectiveness

We have launched a service that allows us to conduct a preliminary questionnaire regarding Evaluation Service of Board's Effectiveness online.



Major Investment Banking Projects in Q3

As a result of strengthening our FA consulting system with expertise in legal, accounting, and financial fields, in addition to our innovative PA consulting system, we have increased PA and FA services, mainly for projects that require expertise and experience unique to the Group.

Contents	Our Side	Counterparty	Transaction Details
Acquisition	Musashi Precision Machinery Co., Ltd. (7220)	Asada Forged Iron Works	Investment Banking Department Status: Musashi Precision Industries FA Musashi Precision Industries acquired 100% of the stock of Asada Forged Iron Works, and Asada became a wholly owned subsidiary. Musashi Precision Industries acquires all of the shares held by individual shareholders, such as founders.
Takeover Defence	A listed company (Market Cap: Over ¥10 billion)	A listed company	Investment Banking Department Status: Listed Firms FA Hostile takeover defense by listed companies
Acquisition /Financial Partnership	AIT Corporation (9381)	Nissin Transport Co., Ltd.	Investment Banking Department Status: AIT FA Share exchange between AIT and Nisshin Transportation, a subsidiary of Hitachi Logistics (Securities Code: 9086). (Nisshin Transportation becoming a wholly-owned subsidiary of AIT). Through the share exchange, Hitachi Logistics will own about 20% of, and both parties have joined hands as a capital and business alliance agreement.
Joint Venture Establishment	A listed company (Market Cap: Over ¥100 billion)	A Chinese Company	Investment Banking Department Status: A Listed Company FA FA related to the establishment of a joint venture with a Chinese company
Advice on Corporate Valuation	A listed company (Market Cap: Over ¥10 billion)	Oversea Activists	Investment Banking Department Status: A Listed Company FA FA for M&A activities
Proxy Fight	A major shareholder	A listed company	Investment Banking Department Status: A Major Shareholder PA PA with the aim of securing control
Proxy Fight	A listed company (Market Cap: Over ¥500 billion)	A major shareholder	Investment Banking Department Status: A Listed Company FA PA toward the establishment of a corporate merger

Major pipelines for the future

Contents	Our Side	Counterparty	Transaction Details
Support against Activism	A listed company (Market Cap: Over ¥100 billion)	Activists	Investment Banking Department Status: PA of a Listed Company Drastic Capital Policy for Large Cap Enterprises Proposal and Response to Shareholders
Proxy Fight	A Major Shareholder	A listed company	Investment Banking Department Status: A Major Shareholder PA PA with the aim of securing control
Proxy Fight	A listed company (Market Cap: Over ¥500 billion)	A Major Shareholder	Investment Banking Department Status: PA of A Listed Company PA toward the establishment of a corporate merger
Support against Activism	A listed company (Market Cap: Over ¥500 billion)	Activists	Investment Banking Department Status: PA of A Listed Company To respond to the activities by formulating capital policies and governance improvement measures and assisting in formulating a medium-term plan
Governance Consulting	A listed company (Market Cap: Over ¥500 billion)	Activists	Investment Banking Department Status: PA of A Listed Company Governance reform of a large cap company and support for engagement with its shareholders
Business Transfer	A private company	A Listed company	Investment Banking Department Status: A Listed Company (Seller) FA Business transfer of a listed company's subsidiary

Finance in TOKYO PRO Market

On November 28, 2018, the Company has completed its first project as a J-Adviser by supporting Tsukuba Seiko Co., Ltd. with its stock listing in TOKYO PRO Market (“TPM”). Also, Tsukuba Seiko has succeeded in equity financing on the TOKYO PRO Market for the first time in six and a half years. This is an extremely innovative project in that the issuing company directly allocates funds to professional investors without underwriting by a securities company using a book-based method, thus creating a new way for TPM listed company to raise funds.

◆Corporate Profile of Tsukuba Seiko Co., Ltd. (6596)

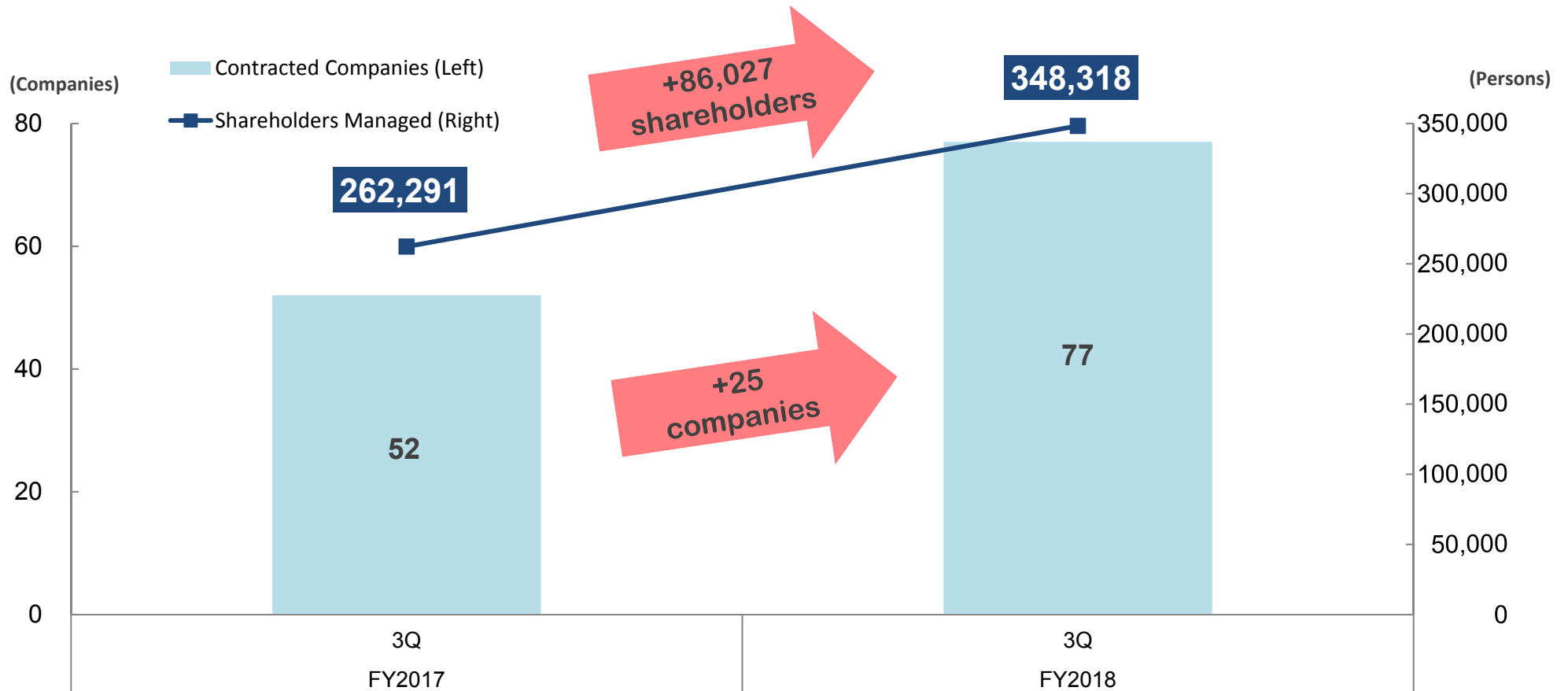
Headquarters	2168-10, Kamigawa-cho, Kawauchi-gun, Tochigi
Capital Stock	¥472 million Yen
Representative	Representative Director and President Fu Bai
Major Shareholders	Management (30%), VC (40%) and business partners (30%)
Number of employees	14 employees
Business Description	<p>◆ The main business is development, design, and sales of electrostatic adsorption and transport systems used in semiconductor manufacturing equipment.</p> <p>◆ By utilizing electrostatic adsorption technology, large-screen LCDs and thin wafers used in the manufacture of liquid crystal panels and semiconductors can be adsorbed, transported, and processed.</p> <p>(Main Clients) Device and equipment manufacturers in Japan, China and Taiwan</p>

◆Overview of the Finance

Number of outstanding shares	3,111,000 shares
Number of newly issued shares	695,000 shares
Offering prices	¥1,250
Total procurement	¥868,750,000
Market capitalization	¥4,757,500,000

Transfer Agency Business

Contracted companies in Transfer Agency Business : 77, Shareholders : 348,318 (as of January 31st, 2019)



The number of contracted companies increased significantly from the same period in the previous year by 25 to 77, and the number of shareholders managed also increased significantly by 86,027 to 348,318.



Ⅱ. Forecast for Financial Results / Shareholder Returns

Forecast for Financial Results (as of January 31, 2019)

The forecast for the fiscal year ending March 31, 2019 is based on reasonable grounds for calculation as of May 14, 2018.

	Forecast (FY2018)	Actual (FY2017)	Change (Millions of yen)	Percentage change (YoY)
	Amount (Millions of yen)	Amount (Millions of yen)		
Net sales	4,600	4,133	466	11.3
Operating Profit	1,300	1,156	143	12.4
Ordinary Profit	1,300	1,157	142	12.3
Profit attributable to owners of parent	888	821	66	8.1

Forecast for FY2018 annual dividend (as of January 31, 2019)

The Company revised its forecast of dividends which was announced on November 2nd, 2018, and it increased the year-end dividend by ¥2.5 to ¥20 per share due to the increase in net sales and profits for the third quarter (record high). Therefore, forecasted annual dividend is ¥35. Including repurchasing shares, the Company will flexibly implement our capital policy in consideration of the trend of business results.

Transition in Dividend per Share

	Interim	Year-end	Annual	Payout ratio
Forecast (FY2018) (As of November 2, 2018)	15 yen	20 yen	35 yen	71.3%
Forecast (FY2018) (As of May 14, 2018)	12.5 yen	17.5 yen	30 yen	60.2%
Actual (FY2017) ※	25 yen	35 yen	60 yen	65.0%
Actual (FY2016) ※	15 yen	25 yen	40 yen	51.5%

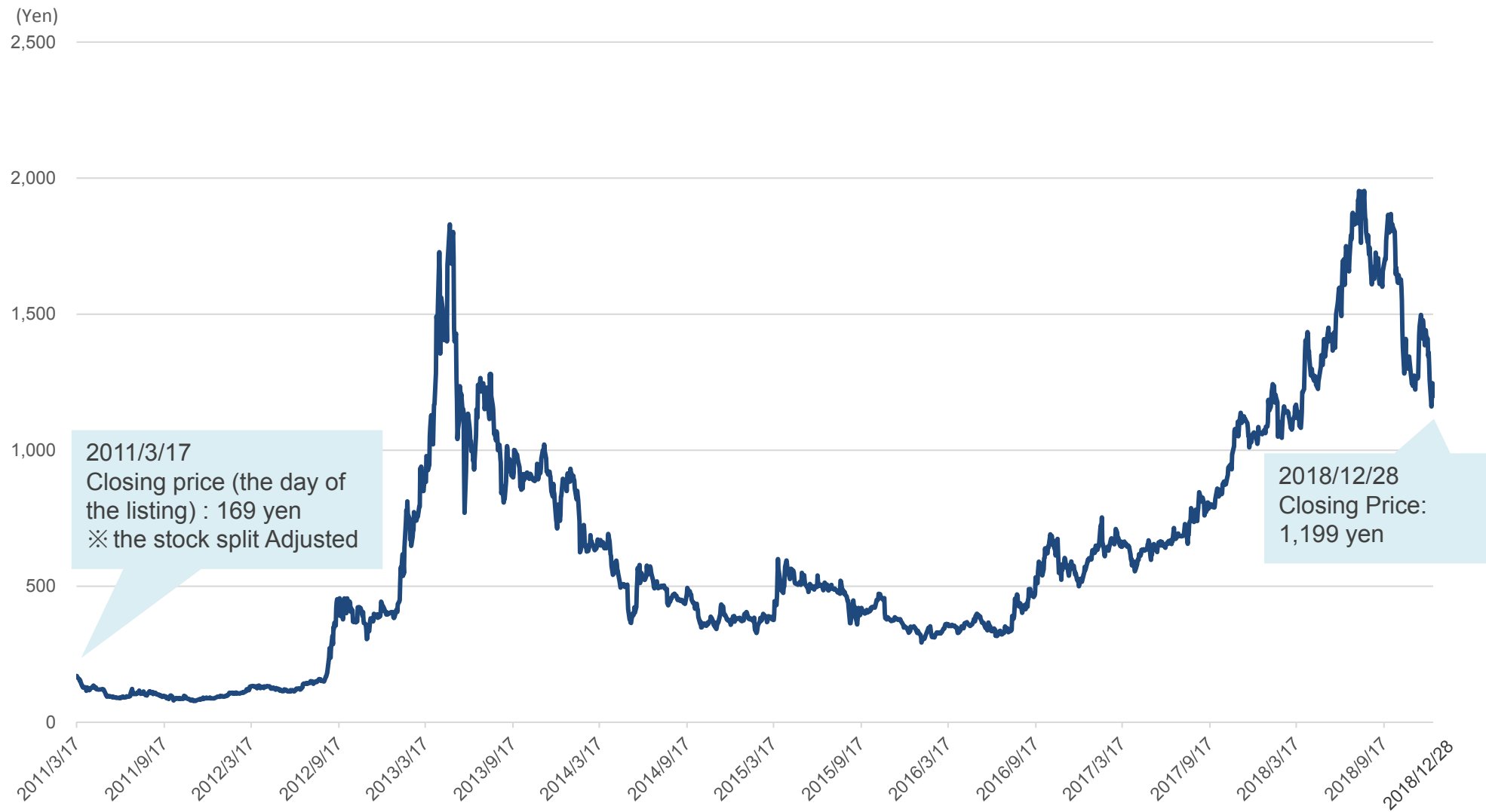
※ The Company carried out 2-for-1 stock split for its common shares on August 31, 2018, and the amount on FY2017 and FY2016 shown above is before taking the stock split into account.

The Company's Total Shareholder Return (TSR) as of the end of each fiscal first half and second half

		As of the end of the fiscal first half	As of the end of the fiscal second half
FY2018	1 year	223.84%	
	3 years	491.03%	
	5 years	230.02%	
	Since it listed(2011.3.17)	1,313.74%	
FY2017	1 year	152.43%	202.90%
	3 years	208.51%	268.03%
	5 years	220.71%	133.21%
	Since it listed(2011.3.17)	586.92%	870.41%
FY2016	1 year	137.12%	190.67%
	3 years	64.55%	109.74%
	5 years	648.78%	535.09%
	Since it listed(2011.3.17)	368.66%	449.16%
FY2015	1 year	94.83%	73.37%
	3 years	100.61%	36.46%
	5 years		308.45%
	Since it listed(2011.3.17)	267.55%	238.27%
FY2014	1 year	49.28%	81.73%
	3 years	465.89%	280.46%
	5 years		
	Since it listed(2011.3.17)	281.49%	334.49%

※ TSR is calculated by capital gains plus income gains, assuming that the income gains are reinvested each time they are paid.

The Company's stock price since IR Japan, Inc. listed on the market



Power of Equity

IR Japan

