



# Financial Results

Fiscal Year Ending March 31, 2019  
(April 1, 2018 – March 31, 2019)

May 30, 2019  
IR Japan Holdings, Ltd (6035)

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# **1 . Consolidated Financial Results for the Fiscal Year 2018**



# Fiscal Year 2018 Financial Highlights

**An increase in sales and profit at each stage greatly exceeded the same period in the previous year and recorded its highest in five consecutive accounting period.**

	Fiscal Year 2018 (April 2018 – March 2019)			FY 2017 (April 2017 – March 2018)
	Amount (Millions of yen)	Change (Millions of yen)	Change (YoY) (%)	Amount (Millions of yen)
Net Sales	<b>4,827</b>	<b>693</b>	<b>16.8</b>	4,133
Operating profit	<b>1,434</b>	<b>277</b>	<b>24.0</b>	1,156
Ordinary profit	<b>1,447</b>	<b>290</b>	<b>25.1</b>	1,157
Profit attributable to owners of parent	<b>976</b>	<b>155</b>	<b>18.9</b>	821
(Reference) EBITDA <sup>※</sup>	<b>1,691</b>	<b>302</b>	<b>21.8</b>	1,389

※EBITDA : Ordinary profit+Interest expenses+Accumulated depreciation

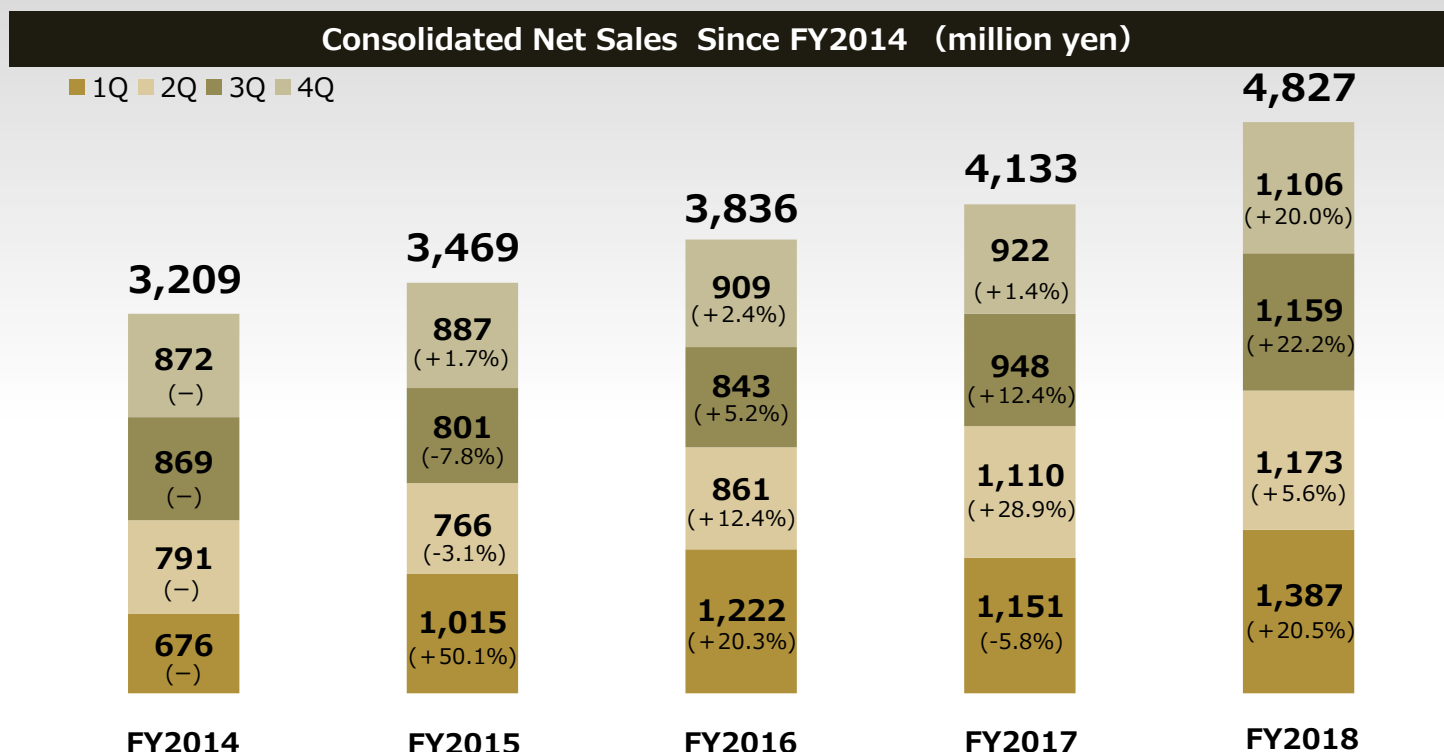
※ EBITDA : 経常利益+支払利息+減価償却費



# Consolidated Net Sales Since FY2014

With the exception of the 2<sup>nd</sup> quarter, achieved growth of 20% or more for quarterly net sales in FY2018.

Main factors: ①An increase in the amount of transactions with existing clients via deepened relationships ②Development of new customers ③Increase in large Proxy Advisory and M&A transactions



※Figures in parentheses are quarter-to-quarter changes.

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



# Fiscal Year 2018: Sales by Service

	Fiscal Year 2018 (April 2018 – March 2019)			FY 2017
	Amount (Millions of yen)	Ratio (%)	Change (YoY) (%)	Amount (Millions of yen)
IR/SR Consulting	<b>4,052</b>	<b>84.0</b>	<b>18.2</b>	3,429
Disclosure Consulting	<b>571</b>	<b>11.8</b>	<b>16.4</b>	491
Databases and Other	<b>202</b>	<b>4.2</b>	<b>-4.7</b>	213



# Fiscal Year 2018: Cost Breakdown

**Investments to expand our business' foundation including the establishment of the investment banking office are completed.**

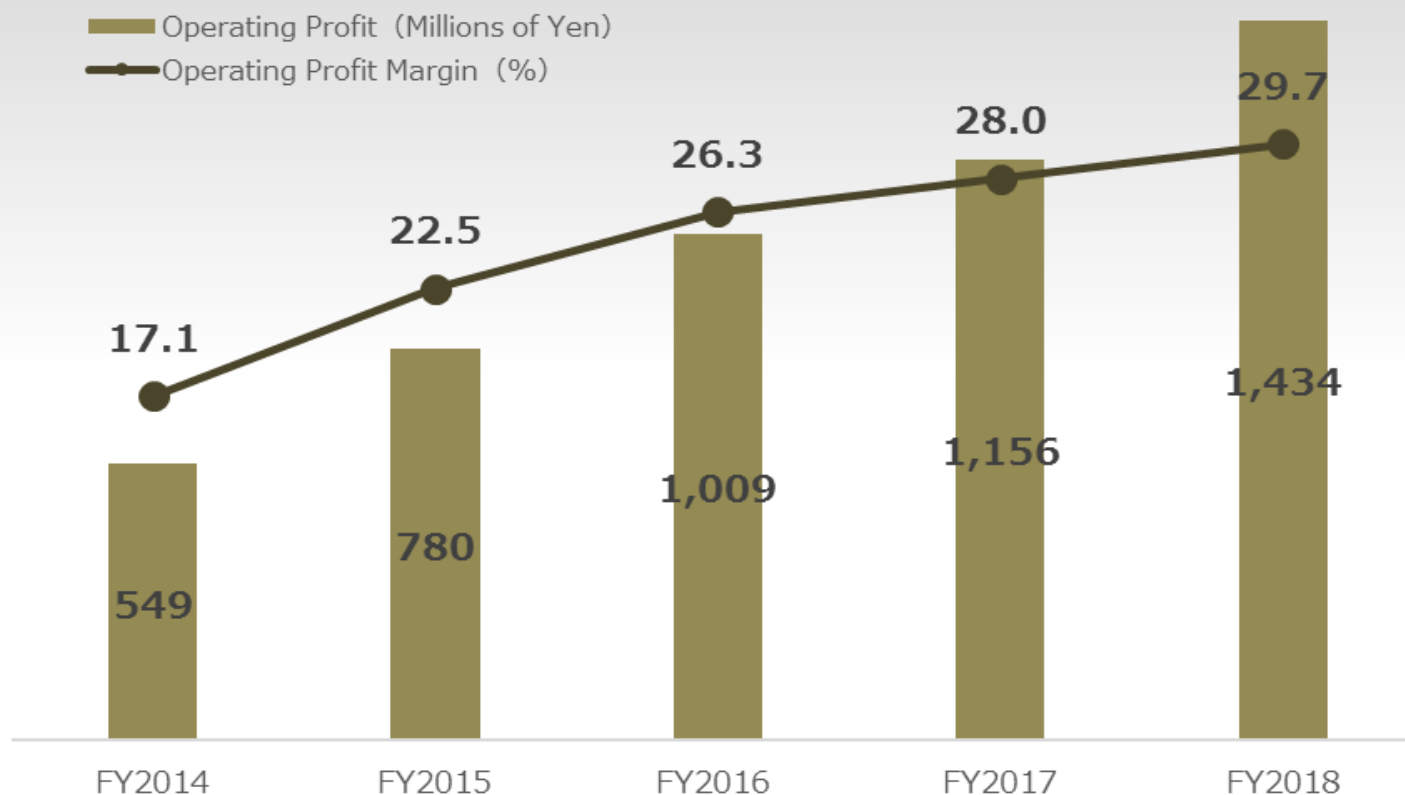
Breakdown	Cost Item	FY 2018 Consolidated	FY 2017 Consolidated	Change
Variable Costs (Cost of Sales)	Outsourcing Costs	<b>429</b>	369	60
Fixed Costs (SG&A)	Labor Cost	<b>1,624</b>	1,499	125
	Depreciation Cost	<b>242</b>	231	11
	Office Rent	<b>371</b>	247	124
	Others Costs (IT related and etc.)	<b>727</b>	631	96
Total Fixed + Variable	Total Cost of Sales + SG&A	<b>3,393</b>	2,977	416



# Fiscal Year 2018: Operating Profit Margin

Operating profit versus sales has grown for five consecutive years. Profitability increased as result of the increased size of individual project orders as well as an increase in M&A and Proxy Advisory business.

Operating Profit Margin Trend since FY2014

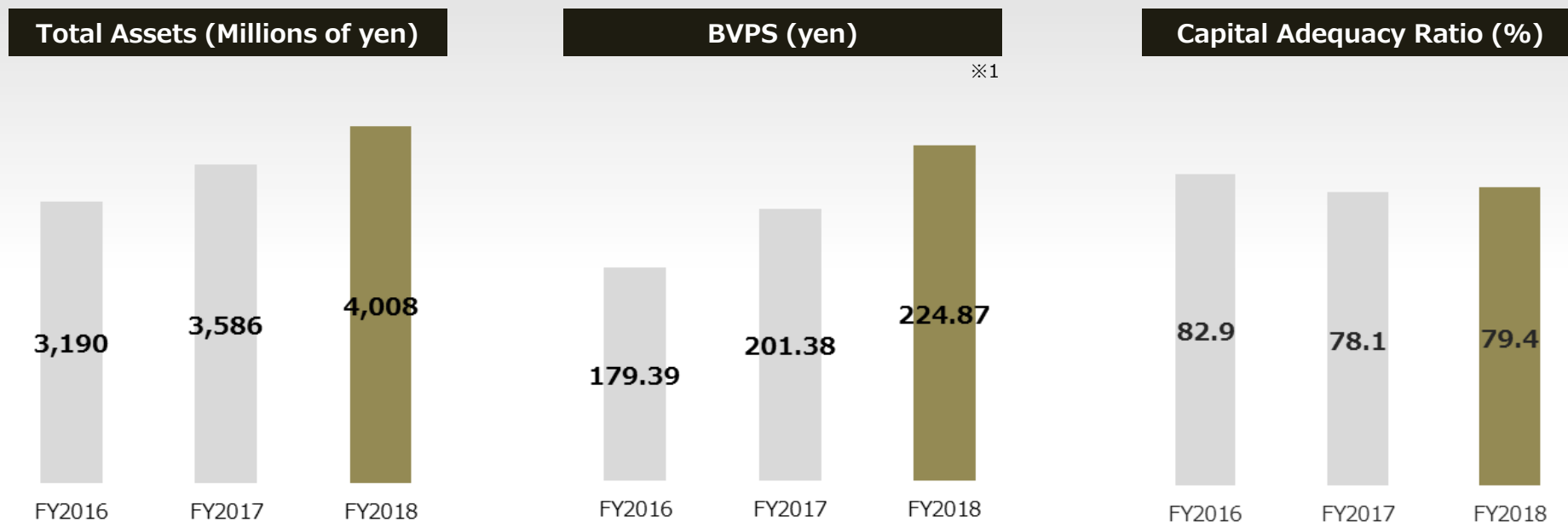






# Key Points of the Consolidated Balance Sheet

- Total assets as of 3/31/19 increased ¥421 million yoy to ¥4,008m.
- Book value per share as of 3/31/19 increased ¥23.49 yoy to ¥224.87 yen.
- The equity ratio as of 3/31/19 increased 1.3% yoy to 79.4%.



※1 The company conducted a 2-for-1 stock split of its common shares effective September 1, 2018, and the amount above is taking the stock split into account.



## ■ Strengthened Connections With Existing Customers

We increased the transaction value with existing customers by receiving orders for SR support services, governance consulting, capital strategy simulations, activist response using AI, disclosure support, and other services in addition to traditional shareholder identification surveys

## ■ Development of New Customers

IR Japan's greatest strength is to quickly and accurately analyze shareholder information. Our strength is widely recognized and acquisition of new customers is steadily progressing. Given the low present adoption rate of shareholder identification services we can expect our market share to grow.

## ■ Increase in Large Proxy Advisory and M&A Orders

With the increase in activist activities in Japan, we are leveraging our strength in analysis of shareholder information to increase large Proxy Advisory and M&A related orders.

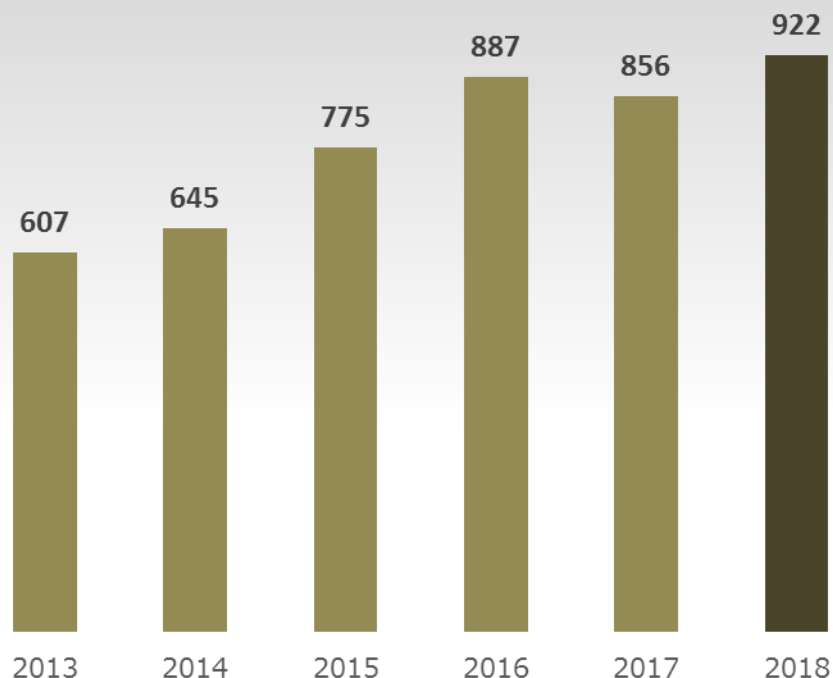


# Arrival of the New Era in Activism

**A record high 922 companies were targeted by activists globally in 2018.**

## Incidents of Global Activism

Data Source : Activist Insight

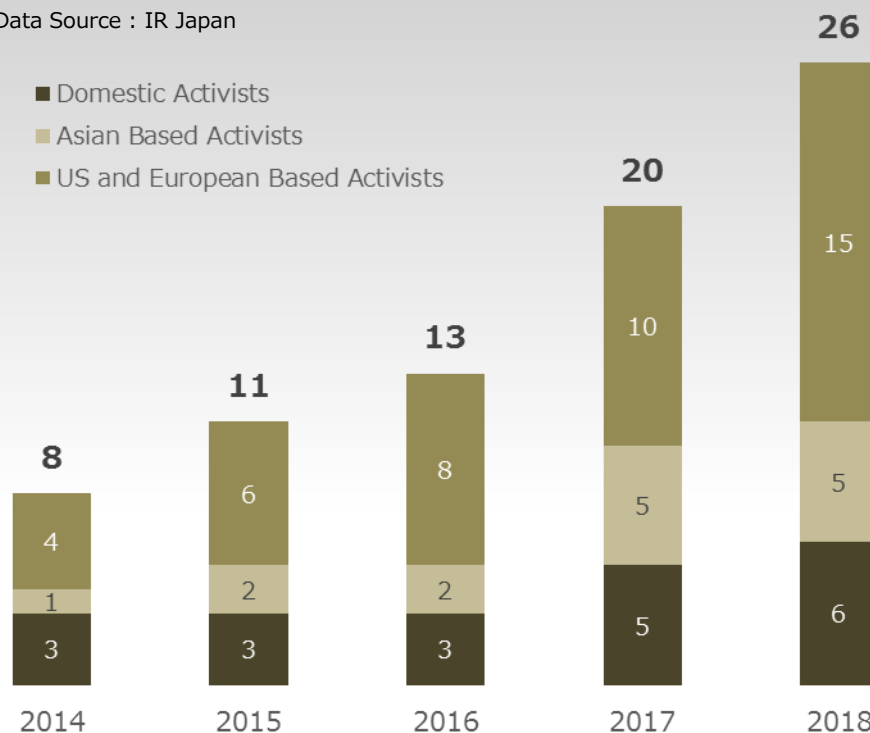


※Number of companies targeted by activists.

Data Source : Activist Insight

## Activist Funds Investing in Japan

Data Source : IR Japan



【Definition of the number of funds】

Funds that have used activist strategies either in domestic or overseas markets, and have been investing in Japanese equities(※). Funds that have invested in Japanese companies, but have not adopted activist strategies in the same year, are not included in the count.

(※ Data based on shareholder proposals, letters, campaign sites, and publicly released demands)



**The new era of activism has officially arrived. Institutional investors have joined traditional activist funds utilizing their powerful shareholder rights and their votes at Japanese companies to adroitly present their proposals.**

## Main Activist Activity Recorded in Japan FY2018

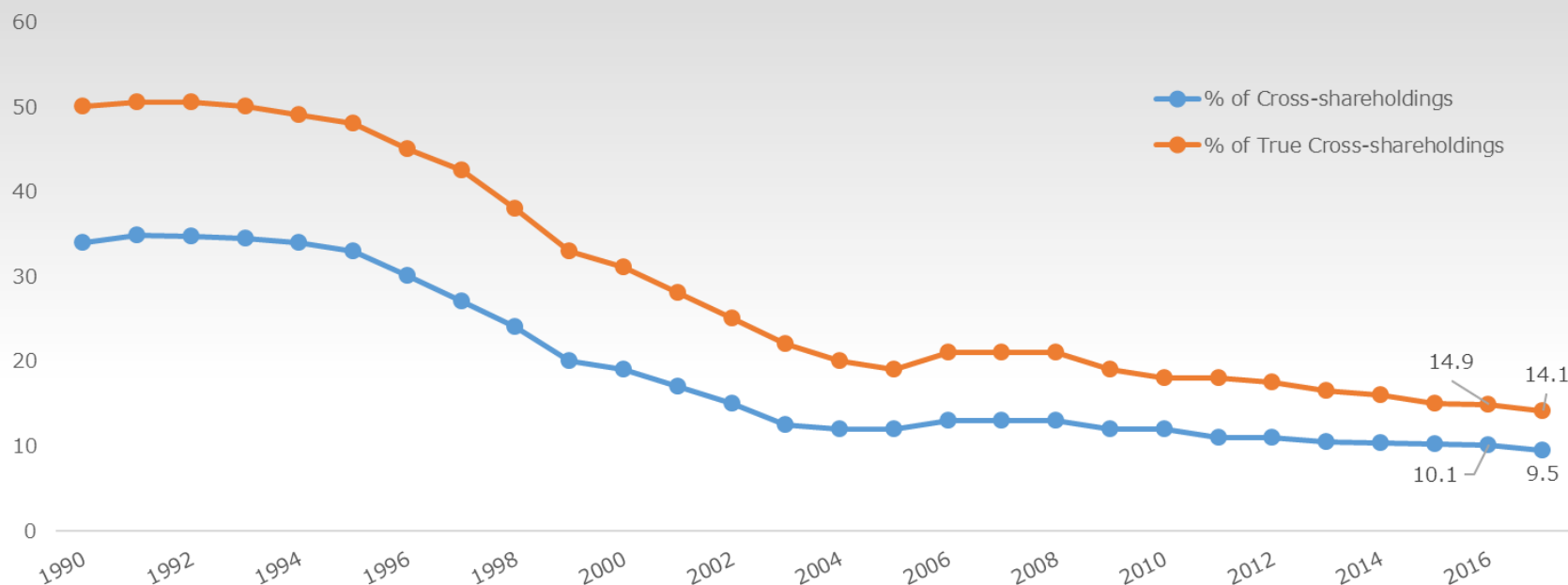
Fund	Company	Demands
Dalton Investments	A (Bank)	Shareholder proposal (Increase director compensation via restricted stock compensation)
King Street	B (Electronics)	Demanded increased scale of and early buyback of shares (created campaign website)
Oasis Management	A (Electronics)	At the extraordinary meeting of shareholders, opposed a proposal for a business integration and presented a shareholder proposal to increase the dividend
Argyle Street	D (Metals)	Demanded an increase in the number of outside directors, a share buyback, and a revision of management KPIs (created campaign website)
Fir Tree	E (Ground Transportation)	Published a letter demanding share buyback and implementation of stock compensation system
Strategic Capital	F (Other Products)	Improve operating profit margin (revise medium-term management and investment plans), sell cross-holdings, implement special dividends to reduce excessive net assets to an appropriate level (created campaign website)
ValueAct Capital	G (Precision Equipment)	Demanded an Extraordinary Meeting of Shareholders to reform the Board of directors ⇒ successfully appointed 2 directors to the Board
Sparx	H (Textile)	Shareholder proposals (Nomination of outside directors, Increase dividend, Shorten director's term of office from 2 years to 1 year)
Marathon Asset and 3 other funds	I (Metals)	Demanded an extraordinary meeting of shareholders for the purpose of dismissing the CEO and COO



# Increased Pace of the Reduction of Cross-shareholdings

The percentage of shares held as cross-shareholdings has decreased each year so securing stable shareholders have become difficult for listed companies

The Change Over Time of the "Ratio of Cross-shareholdings"



(Note)

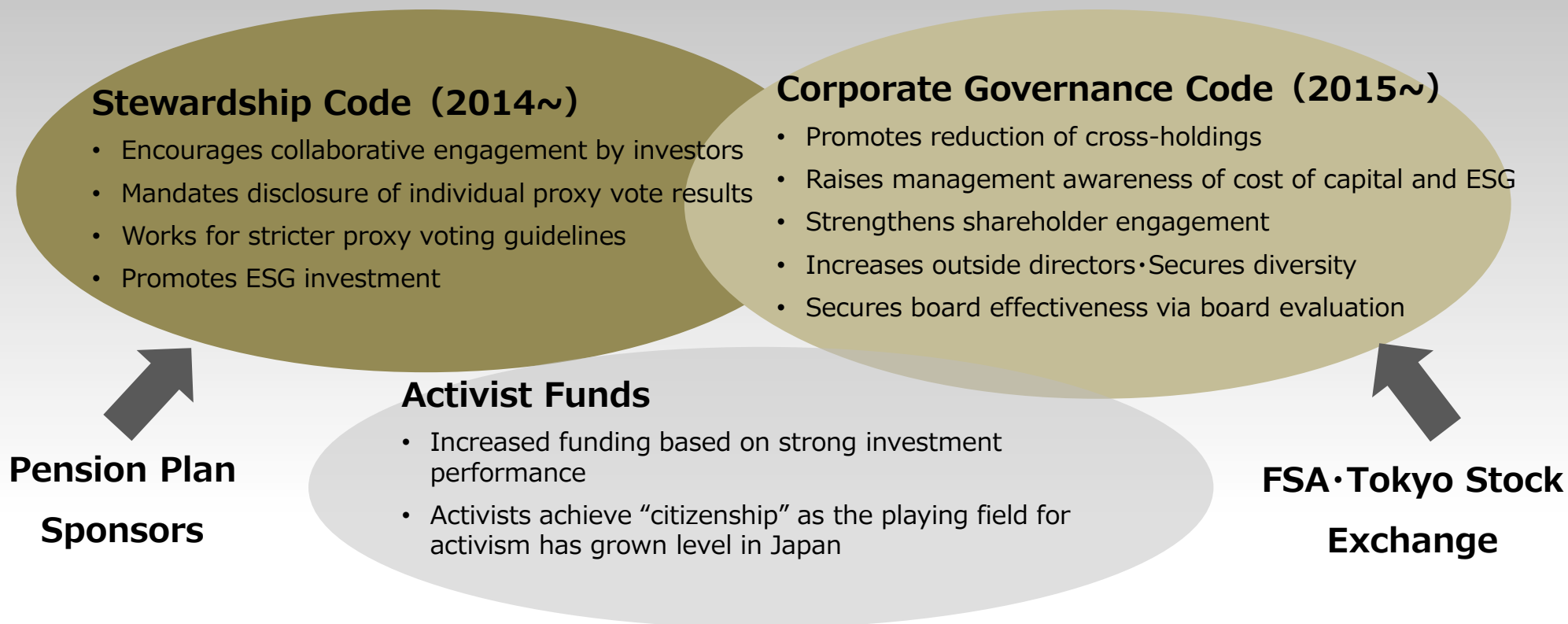
Percentage of cross-shareholdings : Percentage of market cap of the overall market to the shares of listed companies (based on market cap) held by other listed companies (excluding listed insurance companies)

True Cross Shareholdings : adding holdings by insurance companies to the percentage of cross-holdings

Data Source : Created by IR Japan, referencing "Our Country's Cross-shareholdings Situation of Listed Companies (2017)" by Kengo Nishiyama and Nomura Capital Market Quarter 2018 Autumn



# Current Environment for Corporate Governance



- **Demands to Improve Profitability and Capital Efficiency** (reduction of cross-holdings, introduce incentive based compensation, election/dismissal of CEO)
- **Demands for Board Reform** (increase outside directors, add diversity, establish committees)



# Our Unique Equity Consulting Framework

**To stand up to increasing activist demands, we will leave no stone unturned to provide our customers with solutions utilizing our Power of Equity to the maximum**

## Activist Demands

Pursuing listed companies from various perspectives such as capital policy, M&A strategy, and governance by hoisting protection of minority shareholders and need for stronger global shareholder return as their justice.

**Director Appointments  
/Dismissal**

**B/S  
(Buyback of shares, Dividend)**

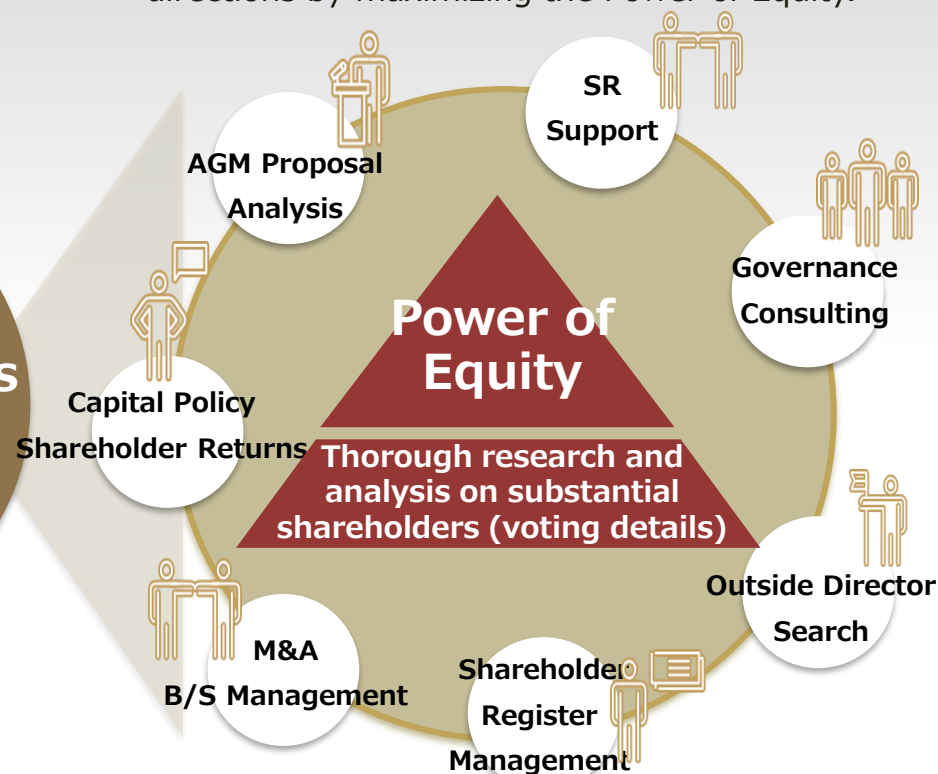
**M&A  
(Business sales, acquisitions)**

**Governance Improvements**

**Listed companies  
(= clients)**

## IR Japan's Solutions

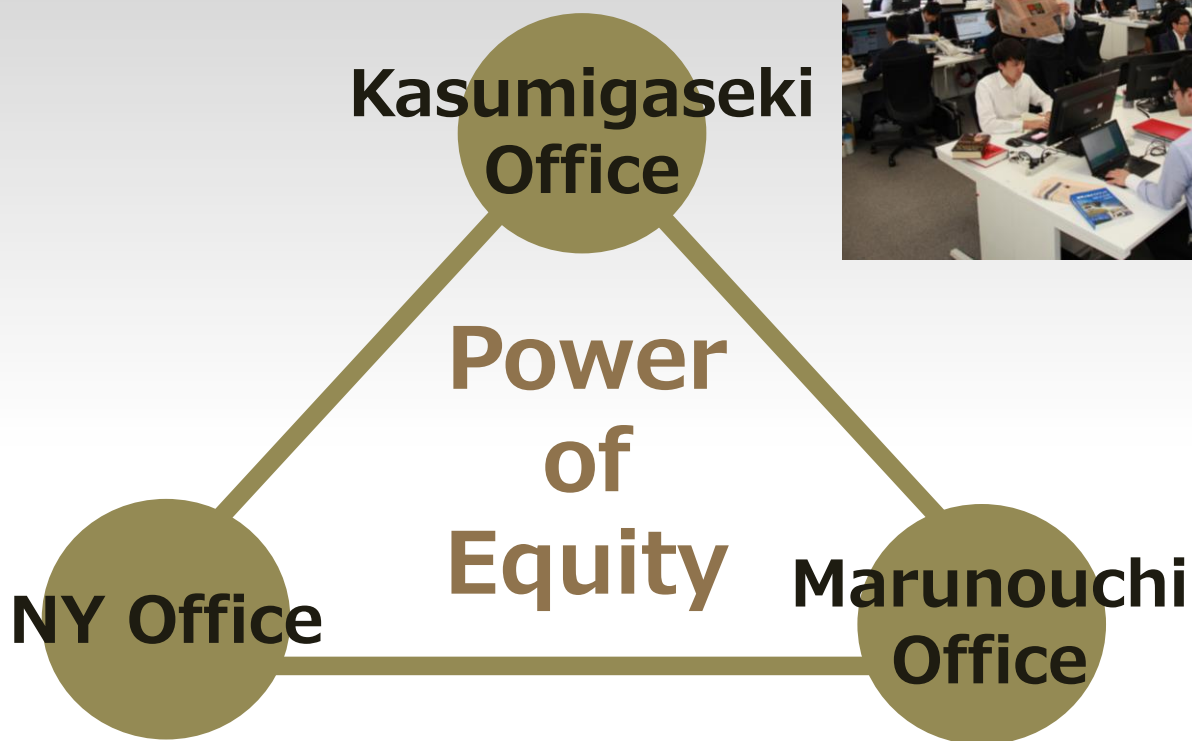
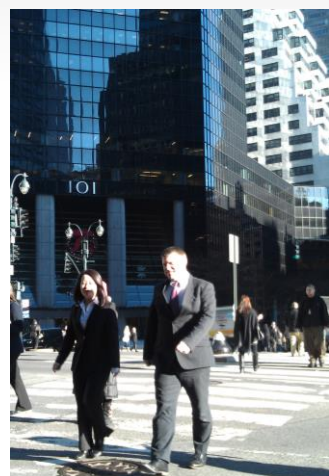
We provide solutions to clients from various directions by maximizing the Power of Equity.





# The Foundation for the Growth Stage is in Place

The three branches of our business in Kasumigaseki, Manhattan, and Marunouchi are in place and producing as we enter the upcoming full-scale growth stage





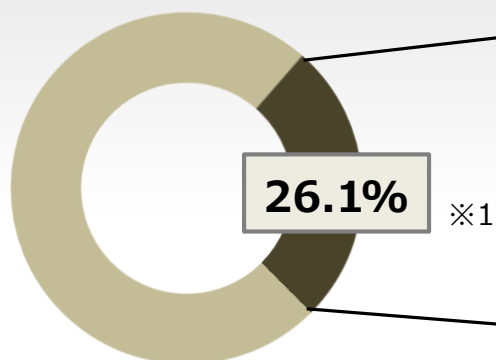


# Shareholder Identification

The number of firms implementing studies to identify their overseas shareholders have increased year after year.

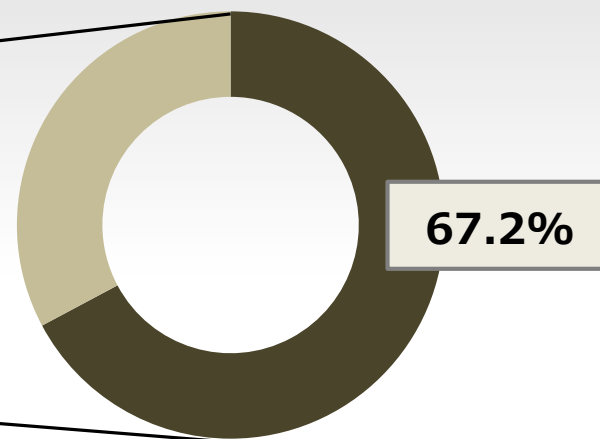
Market share of our group's main Shareholder Identification still offers room to expand.

Ratio of listed companies  
That have implemented  
Shareholder identification



N=1751 companies

Our company's overseas  
shareholder identification ratio



※1 Kabukon materials from October 2018



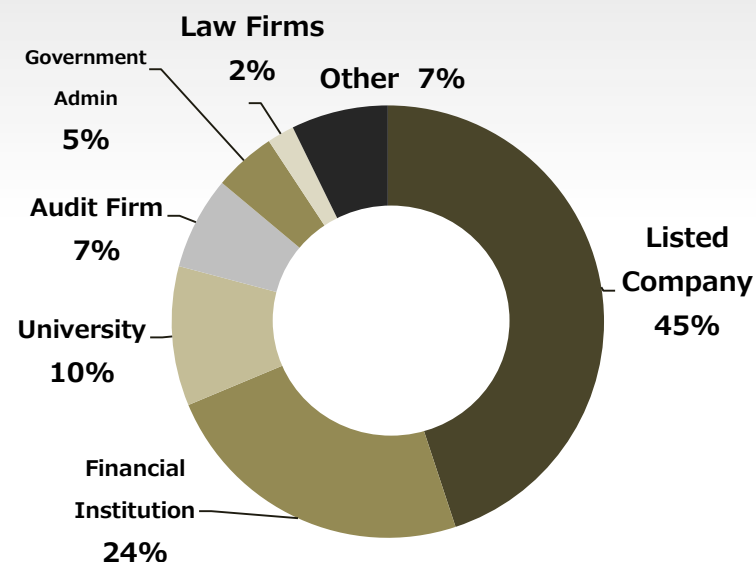
# Independent Director Search

Our data base of directors includes many director candidates who are not only richly diverse, but who also satisfy overseas shareholders independence criteria

## Main Directors Introduced in FY 2018

Industry	Market Cap	Position	Female	Background
Food	Over 1 trillion yen	Outside Dir.	●	Company management experience
Construction	Over 1 trillion yen	Outside Dir.	●	Government Ministry
Chemical	500 million ~ 1 trillion yen	Outside Dir.		Management experience
Chemical	500 million ~ 1 trillion yen	Outside Dir.	●	Management experience
Food	500 million ~ 1 trillion yen	Outside Dir.		Management experience
Construction	500 million ~ 1 trillion yen	Outside Dir.		Management experience
Wholesale	100 billion ~ 500 million yen	Outside Dir.		Management experience
Transportation Machinery	100 billion ~ 500 million yen	Outside Dir.	●	Management experience
Service	Unlisted	Outside Dir.		Management experience
Real Estate	Unlisted	Corporate Auditor		Audit Firm

## ID-Search: Breakdown of Registered Candidate Background (simulation of an independent outside director candidate search)





# Investment Banking Business : Main Projects in FY 2018

Project Content	Client	Counterpart	Transactions Details
Buyback	Sanshin Electronics (8150)	—	<b>IB Group Status : Financial Advisor to Sanshin Electronics</b> Advised Sanshin Electronics' regarding a share buyback through TOB. Sanshin Electronics completed a share buyback of 30.74% of ordinary shares (of total shares outstanding).
TOB	Major Shareholder of Sanshin Construction Industry (1984)	AKTIO HD	<b>IB Group Status : FA to Major Shareholder of Sanshin Construction Industry</b> AKTIO HD acquired and made Sanshin Construction Industry into a wholly-owned subsidiary via a TOB. The TOB resulted in 95.93% of shares being tendered in a case where a major individual shareholders held approximately 30% of the company (multiple holders with a total holding of 30%)
Acquisition	Musashi Seimitsu Industry (7220)	Asada Katan Chutetsusho	<b>IB Group Status : Financial Advisor to Musashi Seimitsu Industry</b> Musashi Seimitsu Industry acquired 100% of Asada Katan Chutetsusho's shares making them into a wholly-owned subsidiary. All shares held by the founding family and individual shareholders have been transferred to Musashi Seimitsu Industry.
Acquisition/ Capital and Business Alliance	AIT Corporation (9381)	Nisshin Transportation	<b>IB Group Status : Financial Advisor to AIT Corp.</b> Stock swap between AIT and Nisshin Transportation, which is a subsidiary of Hitachi Transportation System (Ticker Code: 9086) (turning Nisshin Transportation into a wholly-owned subsidiary of AIT). Through the stock swap, Hitachi Transportation System will hold approximately 20% of AIT's shares, Both parties reached an agreement to create a business alliance.
Partial Transfer of Operations	Koiwai Dairy Products	Mitsubishi Corporation (8058)	<b>IB Group Status : Financial Advisor to Koiwai Dairy Products</b> Advisory project to Kirin Holdings subsidiary Koiwai Dairy Products'. Financial Advisor for the partial transfer of their processed cheese business to Mitsubishi Corp (MC). Koiwai Dairy Products will transfer 100% of their shares to MC. upon MC's succession of the newly established Dairy Products Solution, which owns the partial holding of the processed cheese business as a subsidiary.



# Investment Banking Business: Pipeline Going Forward

Project Content	Client	Counterpart	Transaction Details
Governance Support	Listed Company (Market cap over 500 billion yen)	Institutional Investor	IB Group Status : Financial Advisor & Proxy Advisor to a Listed Company Governance reform and shareholder support for a large cap company
Activist Response	Listed Company (Market cap over 500 billion yen)	Activist	IB Group Status : Financial Advisor & Proxy Advisor to a Listed Company As a response to an activist approach, propose reform measures related to capital policy and governance, help create the Medium Term Management Plan
Business Transfer Support	Listed Company (Market cap over 100 billion yen)	Unlisted Company	IB Group Status : Financial Advisor to Acquiring Company Business succession of an unlisted company via M&A
Activist Response	Listed Company (Market cap over 500 billion yen)	Activist	IB Group Status: Financial Advisor & Proxy Advisor to a Listed Company Governance support for a listed company as well as comprehensively advising regarding response to shareholder proposals
Contest for Corporate Control	Listed Company (Market cap over 20 billion yen)	Major Shareholder	IB Group Status : Proxy Advisor to a Listed Company Advised on proxy fight strategies
Activist Response	Listed Company (Market cap over 50 billion yen)	Activist	IB Group Status : Financial Advisor & Proxy Advisor to a Listed Company Supported response to the activist
M&A	Unlisted FA	Listed Company	IB Group Status : Financial Advisor to the unlisted company (target) Sale of the unlisted company to a listed company



- Extend M&A advisory and FA businesses by utilizing our strengths of independence and overwhelmingly superior knowledge of shareholder trends and voting rights (the market for corporate control)



	Proxy Analysis & Consulting	Activist Defense Advisory	M&A Advisory, Financial Advisory
<b>IR Japan</b>	✓	✓	✓
Bank-affiliated FA / Broker-affiliated FA	-	-	✓

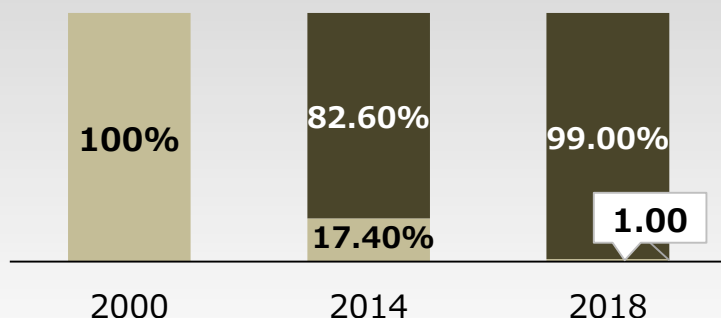


# Transfer Agency Business

In the US shareholder registry sector, specialist transfer agencies have taken over bank-affiliated transfer agencies following the digitalization of share certificates.

**Current Situation of the Transfer Agency Business in the US (S&P500 Companies)**

■ Bank-affiliated ■ Specialist



**(Reference) Major Changes in the US**

Acquisition Time	Acquirer	Acquired Company
2007	Computershare Limited	UMB Bank's transfer agent business
2008	Wells Fargo & Company	Wachovia Bank, N.A.
2009	Computershare Limited	National City Bank
2012	Computershare Limited	BNY Shareowner Services
2014	Computershare Limited	Registrar And Transfer Company
2017	Equiniti Group plc	Wells Fargo Shareowner Services

**(For Reference) Shareholder registry managers of major companies in the US**

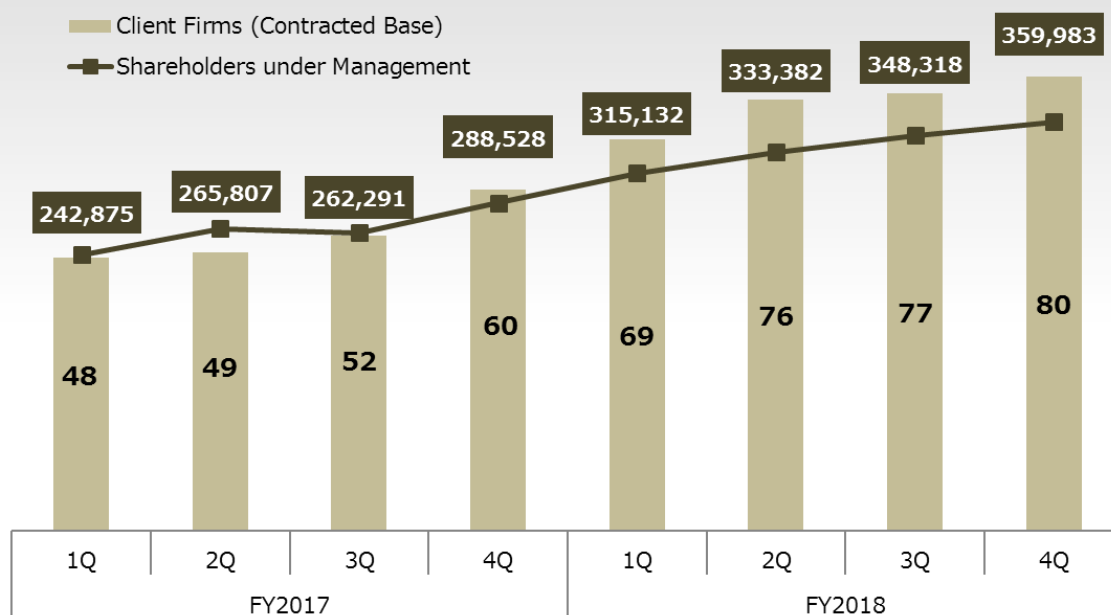
Rank	Company Name	Transfer Agency	Type of Transfer Agency
1	Apple	Computershare Limited	Specialist
2	ExxonMobil	Computershare Limited	Specialist
3	Alphabet (Google)	Computershare Limited	Specialist
4	Microsoft	American Stock Transfer & Trust Company, LLC	Specialist
5	Berkshire Hathaway	Equiniti Group plc (EQ Shareowner Services)	Specialist
6	Johnson & Johnson	Computershare Limited	Specialist
7	General Electric	Computershare Limited	Specialist
8	Wells Fargo	Equiniti Group plc (EQ Shareowner Services)	Specialist
9	Walmart	Computershare Limited	Specialist
10	Chevron	Computershare Limited	Specialist
11	Procter & Gamble Company	Equiniti Group plc (EQ Shareowner Services)	Specialist
12	JPMorgan Chase & Co	Computershare Limited	Specialist
13	Verizon Communications	Computershare Limited	Specialist
14	IBM	Computershare Limited	Specialist
15	Pfizer	Computershare Limited	Specialist
16	Oracle	Computershare Limited	Specialist
17	AT&T	Computershare Limited	Specialist
18	The Coca-Cola Company	Computershare Limited	Specialist
19	Merck & Co.	Equiniti Group plc (EQ Shareowner Services)	Specialist
20	Visa	Equiniti Group plc (EQ Shareowner Services)	Specialist



# Transfer Agency Business

Given the increased importance of shareholder information from transfer agents, who are the front line for shareholders, as well as the increased importance of the ability for flexible shareholder response, the number of contracted companies is 80, and the number of shareholders managed is 359,983. (As of May 14, 2019)

Trend in the Number of Contracts from March 2018



Major Contracts for Current Fiscal Year

Company(Ticker Code)	No. of Shareholders (Managed)	Contract Start Date
Acrodea Inc. (3823)	10,271	May 2018
Future Venture Capital Co.(8462)	9,679	June 2018
Gurunavi Inc. (2440)	15,425	September 2018
JP Holdings Inc. (2749)	18,042	2019年2月

### **3. Earnings Forecast & Shareholder Return**





# Earnings Forecast (as of May 14, 2019)

- We expect sales and profit to continue to grow in the fiscal year ending in March 2020, with most of the revenue generated from the core businesses: IR・SR Consulting, Proxy Fights, and Investment Banking.

	Forecast (FY2019)	Actual (FY2018)	Change (Millions of Yen)	Change (%)
	Amount (Millions of Yen)	Amount (Millions of Yen)		
Net Sales	<b>5,600</b>	4,827	772	16.0
Operating Profit	<b>1,870</b>	1,434	435	30.4
Ordinary Profit	<b>1,870</b>	1,447	422	29.2
Profit attributable to owners of parent	<b>1,250</b>	976	273	28.0



# Forecast Annual Dividend for FY Ending March 2020 (as of May 14, 2019)

- For FY2019, we are currently planning to pay out 20 yen per share for the interim dividend and 25 yen per share for the year-end dividend. This will result in an annual dividend of 45 yen (+7 yen).

Time Period	Interim	Year-End	Annual	Payout Ratio
<b>Forecast (FY2019) (As of May 14, 2019)</b>	<b>20 yen</b>	<b>25 yen</b>	<b>45 yen</b>	<b>64.2%</b>
Actual (FY2018) (Announced May 14, 2019)	15 yen	23 yen	38 yen	69.3%
Actual (FY2017) ※	25 yen	35 yen	60 yen	65.0%
Actual (FY2016) ※	15 yen	25 yen	40 yen	51.5%

※ The company conducted a 2-for-1 stock split on September 1, 2018, and the amounts shown above for FY2017 and FY2016 have not been adjusted to reflect the stock split.



# Regarding the Purchase of Company Shares

At a board meeting held May 14, 2019, the Board of Directors authorized the repurchase of company's shares with the aim of improving capital efficiency by implementing flexible capital policies in response to changes in the business environment as well as to further return profits to shareholders.

## Overview of the Share Repurchase Authorization

<b>Share Class</b>	<b>Common shares</b>
<b>Number of Shares</b>	<b>160,000 (maximum)</b> (0.90% of total of shares issued, excluding treasury shares)
<b>Amount of Acquisition</b>	<b>300,000,000 yen (maximum)</b>
<b>Date of Acquisition</b>	<b>May 21, 2019 ~ July 31, 2019</b>



# Total Shareholder Return (TSR)

## End of First and Second Half of Fiscal Year

		As of the End of September	As of the End of March
FY2018	1 year	223.84%	151.27%
	3 years	491.03%	564.43%
	5 years	230.02%	324.88%
	Since listing (2011.3.17)	1313.74%	1329.66%
FY2017	1 year	152.43%	202.90%
	3 years	208.51%	268.03%
	5 years	220.71%	133.21%
	Since listing (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 listing (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 listing (2011.3.17)	267.55%	238.27%
FY2014	1 year	49.28%	81.73%
	3 years	465.89%	280.46%
	5 years	-	-
	Since listing (2011.3.17)	281.49%	334.49%

※ TSR: Calculated as the sum of capital gains and income gains. Assuming that the income gains are reinvested, the value takes into account the amount of the reinvestment.



## Directors at Our Subsidiary

We plan to nominate the following employees as Directors at our subsidiary, IR Japan, at our Ordinary General Meeting on June 25, 2019.

### New Director Candidates

**Director Yuichiro Kitamura (Current: General Manager,  
Investment Banking 1<sup>st</sup> Division)**

**Director Akinosuke Ishigaki (Current: General Manager,  
Investment Banking 2<sup>nd</sup> Division)**

**Director Atsuko Furuta (Current: General Manager,  
Investment Banking 3<sup>rd</sup> Division)**

Power of Equity

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IR Japan

