



# Financial Results

Fiscal Year Ending March 31, 2020 1Q  
(April 1, 2019 – June 30, 2019)

August 21, 2019  
IR Japan Holdings, Ltd (6035)

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# **1. Consolidated Financial Results for the Fiscal Year 2020 1Q**



# FY 2020 1Q: Financial Highlights

■ Net sales and profit at each stage were significantly higher than the same period in the previous year, resulting in record-high sales and profit.

	Three Months Ended June 30, 2019 (April to June 2019) )			FY2019 (April to June 2018)
	Amount (Millions of yen)	Change (Millions of yen)	Percent Change (YoY)	Amount (Millions of yen)
Net Sales	<b>2,169</b>	<b>781</b>	<b>56.3</b>	1,387
Operating profit	<b>1,242</b>	<b>682</b>	<b>121.8</b>	559
Ordinary profit	<b>1,241</b>	<b>664</b>	<b>114.9</b>	577
Profit attributable to owners of parent	<b>847</b>	<b>454</b>	<b>115.5</b>	393
(Reference) EBITDA ※	<b>1,304</b>	<b>667</b>	<b>104.8</b>	636

※EBITDA: Ordinary profit + Interest expenses + Accumulated depreciation



# FY2020 1Q: Sales by Service

	Three Months Ended June 30, 2019 (April to June 2019)			FY2019 (April to June 2018)
	Amount (Millions of yen)	Percentage of Net Sales (%)	Percentage Change (YoY)	Amount (Millions of yen)
IR/SR Consulting	<b>2,046</b>	<b>94.3</b>	<b>65.3</b>	<b>1,237</b>
Disclosure Consulting	<b>75</b>	<b>3.5</b>	<b>▲23.5</b>	<b>98</b>
Databases and Others	<b>47</b>	<b>2.2</b>	<b>▲7.2</b>	<b>51</b>



# FY 2020 1Q: Cost Breakdown

■ Investment in infrastructure development for offices, systems, AI, etc. are complete.

(Millions of yen)

Breakdown	Cost Item	Three Months Ended June 30, 2019 (April to June 2019)	FY 2019 (April to June 2019)	Change
Variable Costs (Cost of Sales)	Outsourcing Costs	144	124	20
Fixes Costs (SG&A)	Labor	434	405	29
	Depreciation Cost	62	58	3
	Office Rent	92	92	▲0
	Other Costs (IT related and etc.)	192	145	46
Total Fixed + Variable	Total Cost of Sales + SG&A	927	827	99



## ■ Expanded our client base

Expanded SR consulting services (shareholder identification, proxy voting services, voting simulations, etc..) for our existing client base and captured new customers.

## ■ Drastically expanded capability for general meeting support services focused on advisory services

Broadened advisory services for companies responding to shareholder proposals from increasingly sophisticated and vocal activists and proxy fights with specific shareholders

## ■ Accelerated transition from PA to FA

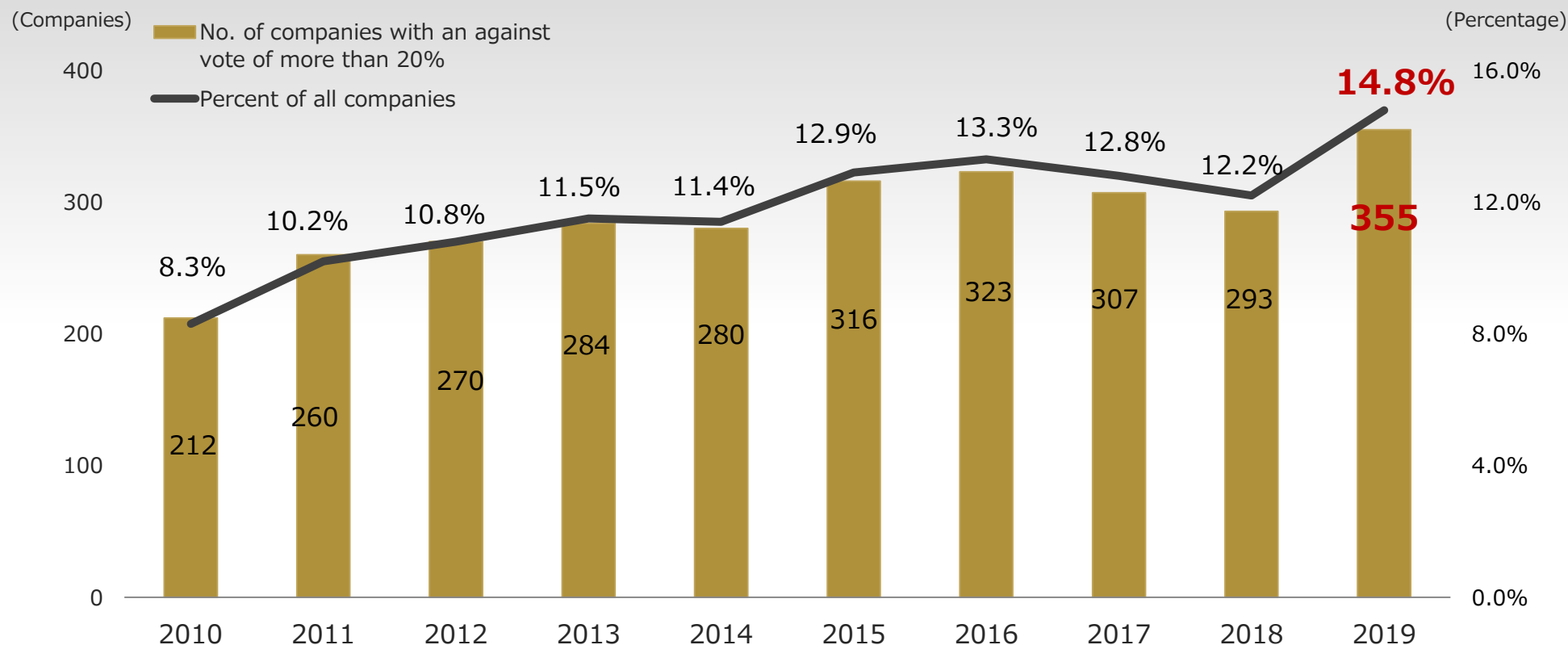
FA projects are steadily increasing. We are changing over from proxy projects into M&A projects including deals such as the sale of unlisted company assets to listed firms.



# Stricter Voting at Shareholders' Meetings (June 2019 Meetings)

- Against votes are increasing due to institutional investors' stricter guidelines.
- Prompt and accurate analysis of real shareholder trends are becoming increasingly important.

## Companies With An Against Vote of More Than 20%







# Shareholder Proposals at Shareholders' Meetings (June 2019 Meetings)

- The number of companies that received shareholder proposals increased by 14 from last year, up to a record-high of 54.
- The number of companies that received shareholder proposals from institutional investors for this year is 12, which is also a record-high.

## Submission of Shareholder Proposals

	2015	2016	2017	2018	2019
No. of companies that received proposals	31	37	40	40	<b>54</b>
No. of shareholder proposals	161	167	212	161	<b>175</b>
companies with passed shareholder proposals passed	3	1	1	2	<b>2</b>

## Companies that Received Shareholder Proposals from Institutional Investors



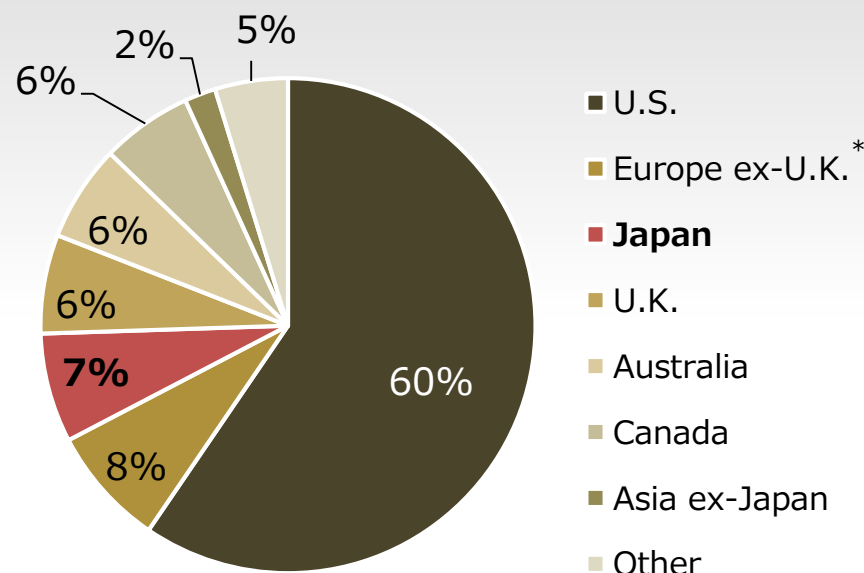


# Activists Trends in the First Half of 2019

- After the US, Japan is the country with the second highest number of activist campaigns.
- There are a record-high 33 activist funds in Japan

## Geographic Breakdown of Activist Campaigns

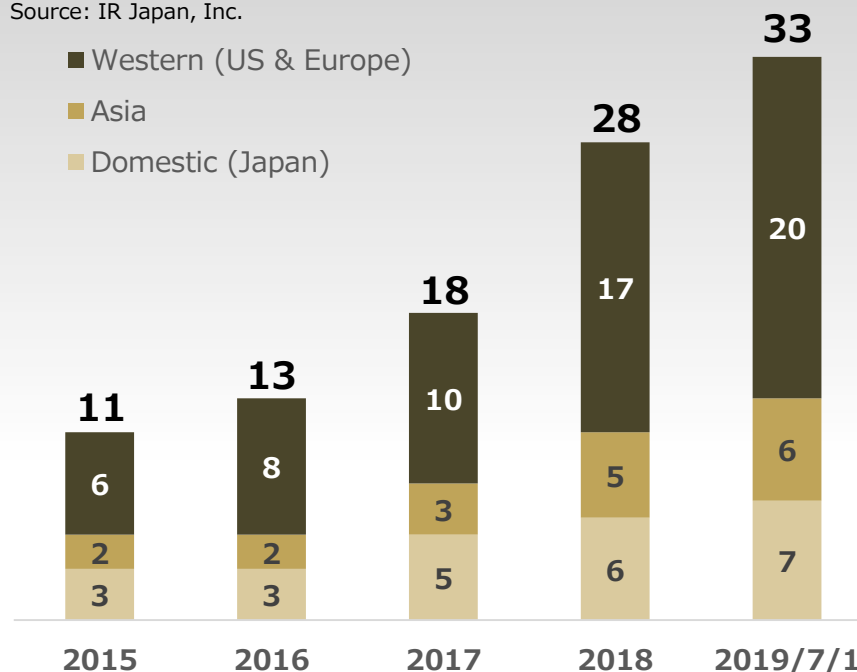
Source: Calculated by IR Japan based on data from Activist Insight



\* Total for continental Europe

## Activist Funds in Japan

Source: IR Japan, Inc.



[Method of Counting Funds]

The number of funds listed are those that have used activist strategies in domestic as well as overseas markets and have been investing in Japanese stocks.

Funds not adopting activist strategies for individual years are not included in the count for that year.

(※ Based on shareholder proposals, publicly released demands, materials released publicly in the media such as letters and campaign sites.)



# A New Era of Activism

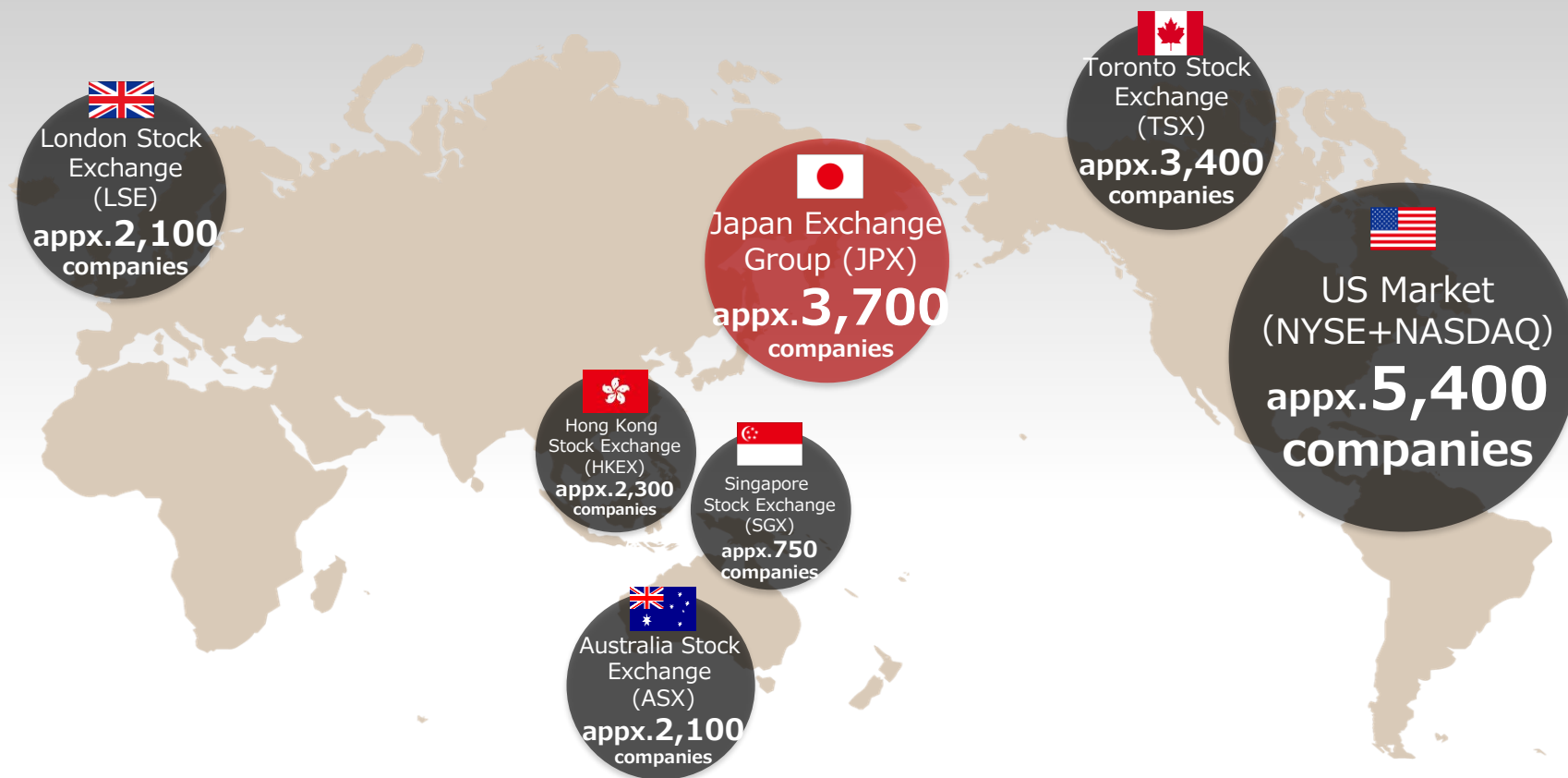
- Activists are submitting unprecedented shareholder proposals and there are a number of instances where activists have won board seats.
- In addition, traditional institutional investors are becoming increasingly supportive of shareholder proposals.

Activist	Target Company	Demands				
		Director Election/Resignation	Strengthen Shareholder Return/Sell Cross-Shareholdings	Sale, Spinoff, Merger	Business Strategy	Governance-related
King Street Capital	Electronic Goods Company A	●	●			
Third Point	Electronic Goods Company B		●	●	●	
ValueAct Capital	Medical Instruments & Supplies Company C	●				●
Effissimo Capital	Shipping & Ports D	●				
Lone Alpha Capital	Food Distribution Company E Other non-public campaigns			●		
Oasis Management	Construction Company F Other non-public campaigns	●	●			●
Fir Tree Capital	Land Transportation Company G	●	●			●
Dalton Investments	Chemical Company H, Banking Company I	●	●			



# Japan: Major Battlefield for Activists

- Japan has one of the largest number of listed companies worldwide after US.



Source: Created by IR Japan based on each stock exchange's website



## ■ United States

- Has a system (Plurality Voting) wherein directors who do not receive a majority of votes as stated in the bylaw can still be elected to the Board
- There is a system (No-Action Letters) to exclude shareholder proposals
- Even if a shareholder proposal is accepted, the proponent has to create separate proxy materials

## ■ Japan

- The Companies Act stipulates in detail what resolutions can be brought up at Shareholders' Meetings
- There is no way to exclude shareholder proposals and the burden of including proposals in the proxy materials rests on the company

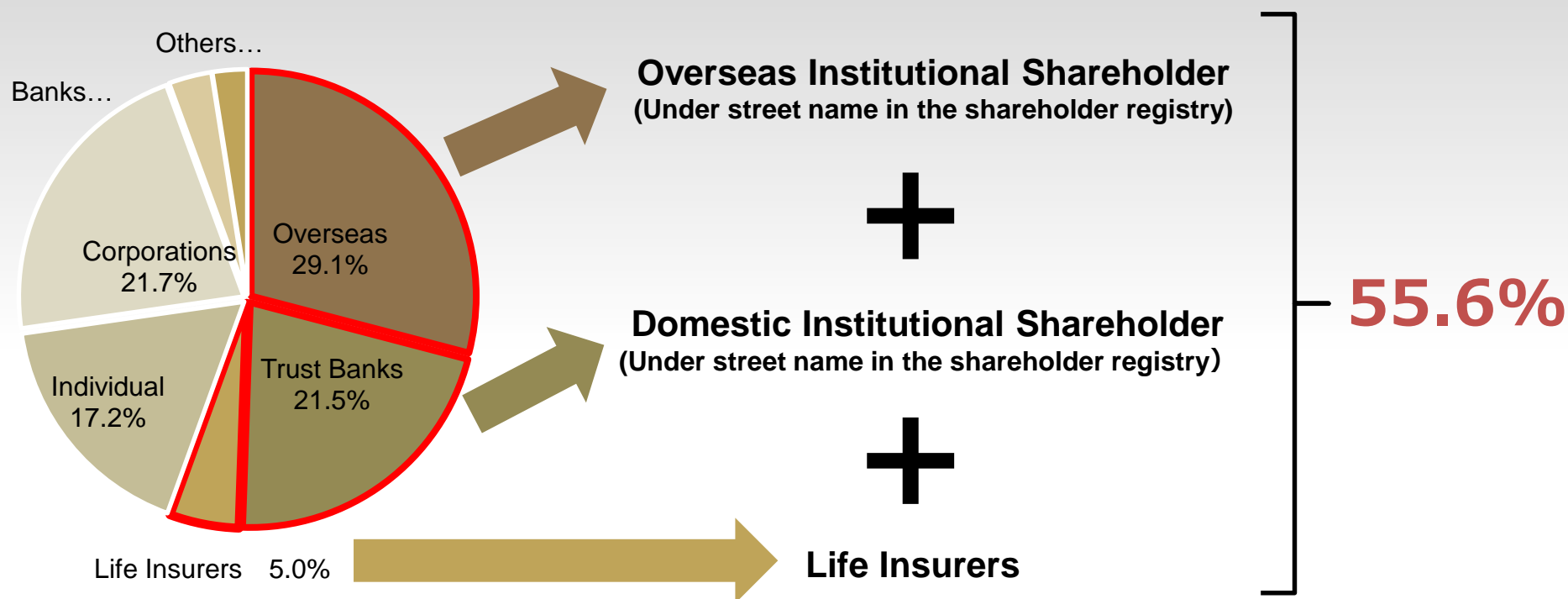


**Japan has strong shareholder rights and is a viable market for activists.**



# Stricter Proxy Voting Decisions

- Shareholdings of overseas institutional shareholders combined with those of domestic institutional shareholders' holdings are above 50% of the total.
- Following implementation of the Stewardship Code, life insurance companies have introduced stricter proxy voting guidelines.



Data Source: Tokyo Stock Exchange's disclosed material (at the end of March 2019)



# Our Unique Structure for Equity Consulting

Our structure for equity related consulting is complete. We can respond to the most pressing needs of our listed customer base providing speedy and appropriate consulting related to high level and complex capital risks.

Power of Equity  
IR Japan

**Providing a Unique  
Equity Solution**



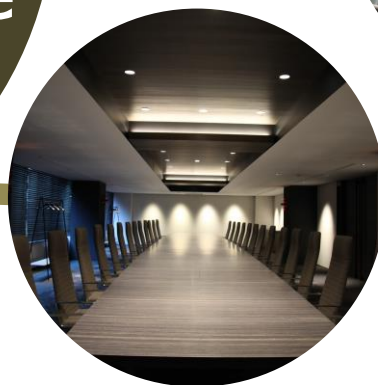
## Kasumigaseki Office

- Upgraded our SR Consulting staff
- Completed our AI based Research Structure
- Renewed our TA Business



## NY Office

- CII Member since 2004
- Everyday Contact with Overseas Institutional Investors for Immediate Feedback to Clients



## Marunouchi Office

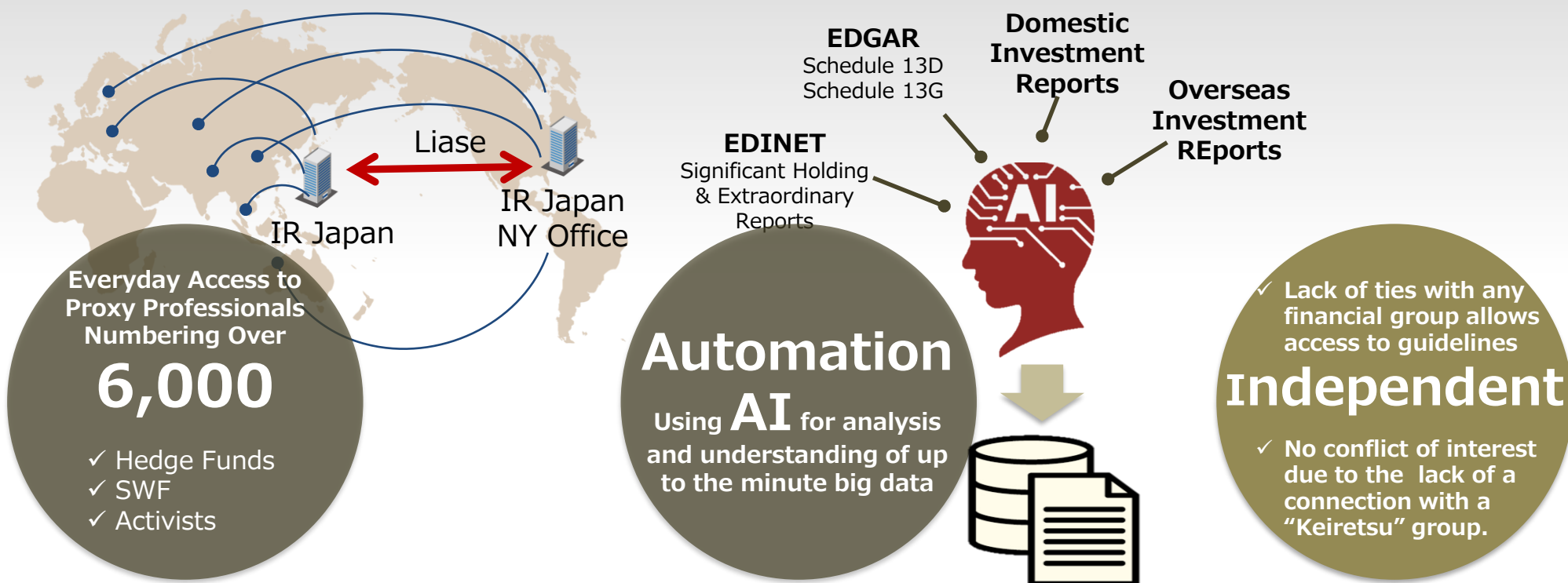
- Updated and Strengthened Investment Banking Division Structure



# Shareholder ID and Proxy Research are Increasingly Important

As we see increased investment by domestic and overseas activists, demand is growing for fast and precise shareholder identification and proxy research. More firms are hiring us for these services.

## The Superiority of Our Firm'S Proxy Response







# Q1 Main Proxy Advisory & Investment Bank Projects

Project	Client	Counterpart	Transaction Details
Governance Support	Listed Company (Market Cap>¥500b)	Institutional Investor	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Provided support on corporate governance reform and shareholder engagement for a large cap company.
Activist Response	Listed Company (Market Cap>¥500b)	Activist	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Activist response included the creation of a capital allocation and corporate governance reform proposal and support in the creation of the medium term business plan
Activist Response	Listed Company (Market Cap>¥500b)	Activist	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Supported a listed company regarding corporate governance and provided advice regarding a shareholder proposal.
Contest for Corporate Control	Listed Company (Market Cap>¥1t)	Listed Company	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Supported a listed company's successful takeover bid.
Activist Response	Listed Company (Market Cap>¥50b)	Activist	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Supported the company's response to the activist.



# Investment Banking Business: Going Forward

- As the projects we take on move from proxy services towards M&A, another strength of our firm, the Financial Advisory (FA) Business, is seeing organic growth due to our independent status which incorporates an understanding of minority shareholders.

**Moving Closer to our Clients  
Steadily Building our Status  
as a new Financial Advisor**

<Introduction of the IB Business>  
Expanded our M&A Support Services to  
our Strong Customer Base  
= FA (IRJ as a Financial Advisor)

<Prior to our IB Business>  
= PA (Proxy Advisor)  
Support Services



- We expect that demand for independent FA advisory will increase following METI's release of "Fair M&A Guidelines; Enhancing Corporate Value and Protecting Shareholders' Interest". METI's guidelines seek efficiencies from the provision of independent professional M&A advice by outside experts.

## ■ The Fair M&A Study Group

- Fair M&A Guidelines (June 28, 2016)
- Special Committee Advisors (Selection of independent advisors who will seek out trustworthy specialist advice)
- Securing the opportunity for bids from alternative buyers
- Setting of Majority of Minority (MOM) Conditions

## ■ Corporate Governance System (CGS) Study Group

- Practical Guidelines for Corporate Governance Systems (June 28, 2019)
- The importance of directors independent from a parent company at a listed subsidiary
- Thinking about approval rates minus the votes of a controlling shareholder (MOM)



- **With the goal of increasing our scope of business, on June 14<sup>th</sup>, 2019, we completed the registration change to a Financial Instruments Business Operator Engaged in Type I Financial Instruments Business.**
- **IR Japan Holdings can now engage in the following business:**
  1. **Dealing in Public Offering or Secondary Distribution of Securities, Private Placement of Securities, or Solicitation for Selling, etc. only for Professional Investors\***
  2. **intermediary for the service of sales and purchases of securities**
- **Under this highly dynamic compliance system, we can fully utilize our network of institutional investors found via our shareholder identification process to make placement of shares to shareholders as desired by listed companies. Using our strengths, we can propose capital policies that expand the solutions available to these listed firms.**

\*unofficial IR Japan translation of the FIEA Article2-(8)-ix)



# Investment Banking Business: Main Pipeline Going Forward

Project Content	Client	Counterpart	Transaction Details
Activist Response	Listed Company (Market Cap > ¥ 100b)	Activist	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Draft capital policy and support corporate defense as part of activist response.
Activist Response	Listed Company (Market Cap > ¥ 500b)	Activist	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Reform governance and support shareholder correspondence as part of activist response.
Business Succession Support	Listed Company (Market Cap > ¥ 100b)	Unlisted Company	IB Group Status: Financial Advisor to the Purchasing Company's Side Business succession-type M&A for an unlisted company
Contest for Corporate Control	Listed Company (Market Cap > ¥ 100b)	Listed Company	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Support establishing TOB of a listed company.
Contest for Corporate Control	Listed Company (Market Cap > ¥ 50b)	Listed Company	IB Group Status: Proxy Advisor to a Listed Company Support establishing a case in regards to a proxy fight.
Capital Policy Support	Listed Company (Market Cap > ¥ 100b)	Foreign Company	IB Group Status: Financial Advisor and Proxy Advisor to a Listed Company. Support corporate defense of a listed company.



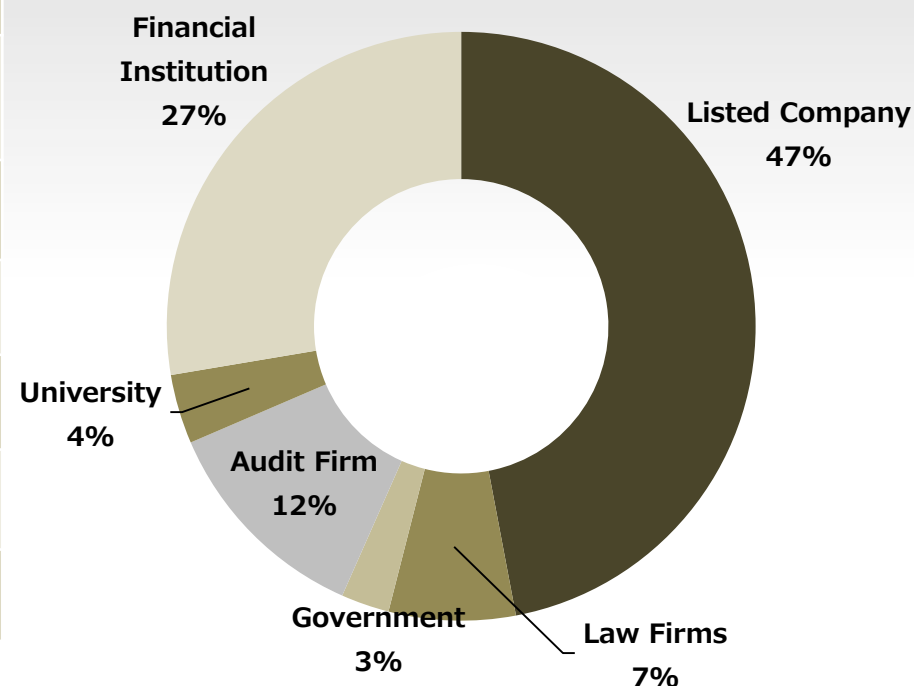
# Independent Director Search

- Our database of directors includes many director candidates who are not only richly diverse, but who also satisfy overseas shareholders' independence criteria.

## Main Directors Introduced in FY2020 1Q

Industry	Market Cap	Position	Female	Background
Chemical	Over 1 trillion yen	Outside Director	●	Lawyer
Chemical	500 billion ~ 1 trillion yen	Outside Director		University Professor (Foreigner)
Transportation	500 billion ~ 1 trillion yen	Outside Director		Management experience
Machinery	50 ~ 100 billion yen	Outside Director	●	Management experience
Machinery	50 ~ 100 billion yen	Outside Director		Management experience
Service	1 ~ 10 billion yen	Outside Director		Management experience
Service	Unlisted	Outside Director		Certified Public Accountant

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

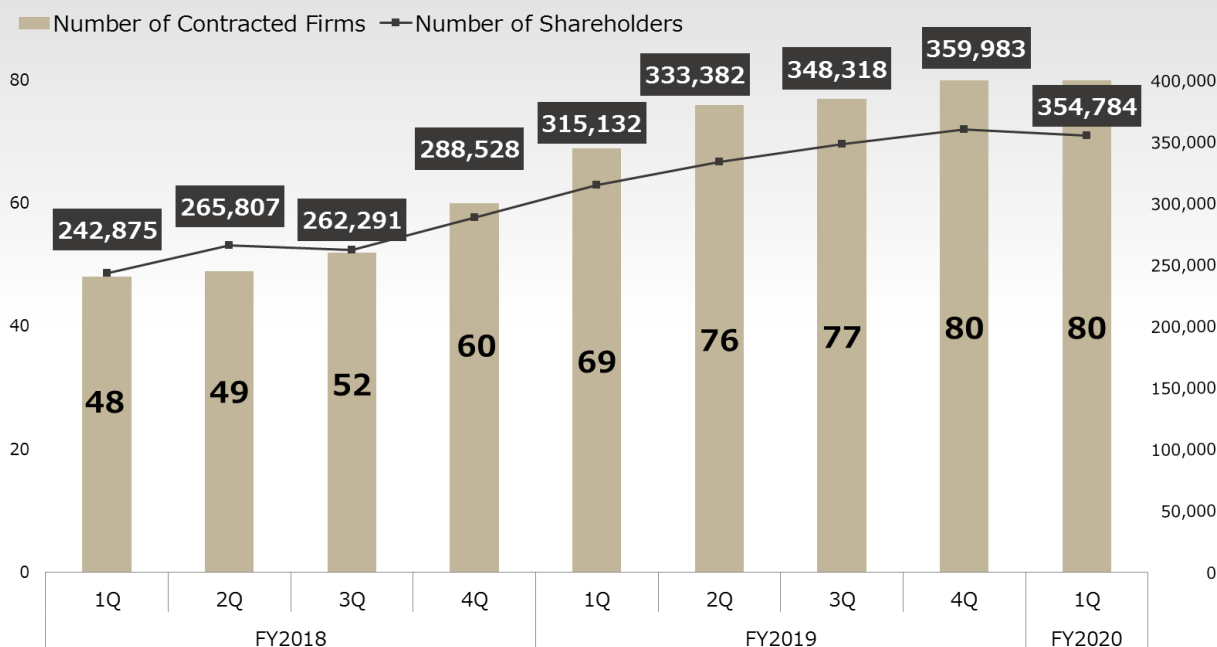




# Transfer Agency Business

- 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 354,784. (As of August 2, 2019)

Trend in the Number of Contracts from FY2018



Transfer Agency Business Restructuring

Both information about shareholders and the ability to quickly respond are increasingly important for Transfer Agents, who stand on the front line of a firms' shareholders



Drastically reformed the system as  
**“A Transfer Agency Strong at Corporate Defense”**





# Seminars for Listed Companies (Our Clients)



IR・SR Consulting Seminar held August 6, 2019  
“Shareholder Meetings at a Historical Turning Point  
~Rampaging Activists and Increasing Shareholder  
Voting Power~”

IR・SR Consulting Seminar held August 19, 2019  
“Using Quantitative Strategies to Determine the Most  
Appropriate Share Buyback Strategy”  
–What is the Ideal Way of Buying Back Shares?”





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



# Earnings Forecast (As of August 2, 2019)

**■ We have made an upward revision of full year sales and profits because we expect a steady growth in IR/SR Consulting, especially in the proxy and financial advisory pipelines.**

	Full Year Forecast (after revision)	Previous Forecast	Change (%)	Previous Year Result (FY2018)	Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	Amount (Millions of yen)		Amount (Millions of yen)		
Net Sales	<b>6,000</b>	5,600	7.1	4,827	1172	24.3
Operating Profit	<b>2,150</b>	1,870	15.0	1,434	715	49.9
Ordinary Profit	<b>2,150</b>	1,870	15.0	1,447	702	48.5
Profit attributable to owners of parent	<b>1,450</b>	1,250	16.0	976	473	48.4



## Forecast of Annual Dividend for Fiscal Year Ending March 2020

At present, the dividend for Fiscal Year ending March 2020 is scheduled to be as follows: 20 yen/share for the interim dividend and 25 yen/share for year-end dividend. This results in an annual dividend of 45 yen/share (an increase of 7 yen).

Change in DPS	Interim	Year-End	Annual	Payout Ratio
<b>Forecast for the Fiscal Year ending March 2020 (as of May 14, 2019)</b>	<b>20 yen</b>	<b>25 yen</b>	<b>45 yen</b>	<b>55.3%</b>
Result of the Fiscal Year ending March 2019 (Announced May 14, 2019)	15 yen	23 yen	38 yen	69.3%



# Regarding the Purchase of Company Shares

At a board meeting held on August 2, 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

Share Class	Common shares
Number of Shares	105,000 (maximum) (0.59% of total shares issues, excluding treasury shares)
Amount of Acquisition	300,000,000 yen (maximum)
Date of Acquisition	August 5, 2019 ~ December 30, 2019



# 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.

Power of Equity

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IR Japan

