

Power of Equity

IR Japan



# Financial Results

First Half of the Fiscal Year Ending March 31, 2020  
(April 1, 2019~September 30, 2019)

November 19, 2019

IR Japan Holdings, Ltd. (6035)

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# **1 . Financial Results for the First Half of Fiscal Year 2020**



# Financial Highlights of First Half of the FY 2020

**An increase in sales and profit led to record year on year results for sales and each measure of profit for the same consolidated period.**

	First Half of the FY2020 Consolidated (April 2019—Sept 2019)			First Half of the FY2019 Consolidated (April 2018—Sept 2018)
	Amount (Millions of Yen)	Change (Millions of Yen)	Change from Previous Quarter (%)	Amount (Millions of Yen)
Net Sales	<b>3,398</b>	<b>837</b>	<b>32.7</b>	2,560
Operating Profit	<b>1,474</b>	<b>610</b>	<b>70.8</b>	863
Ordinary Profit	<b>1,471</b>	<b>591</b>	<b>67.2</b>	879
Profit attributable to owners of parent company	<b>1,009</b>	<b>410</b>	<b>68.4</b>	599
(Reference) EBITDA	<b>1,588</b>	<b>590</b>	<b>59.1</b>	998



# First Half of the FY2020: Sales by Service

	First Half of the FY2020 Consolidated (April 2019 – September 2019)			First Half of the FY2019 Consolidated (April 2018—September 2018)
	Amount (Millions of Yen)	Ratio (%)	Change from Previous Quarter (%)	Amount (Millions of Yen)
IR・SR Consulting	<b>2,965</b>	<b>87.3</b>	<b>41.4</b>	2,097
Disclosure Consulting	<b>343</b>	<b>10.1</b>	<b>▲6.9</b>	368
Databases and Other	<b>89</b>	<b>2.6</b>	<b>▲5.0</b>	94



# First Half of the FY2020: Cost Breakdown

■ Investment in basic infrastructure such as offices, systems, AI, etc. have been completed. Moving forward, we will proactively invest in human capital. (Millions of Yen)

Breakdown	Item	First Half of the FY2020 Consolidated (April 2019—Sept 2019)	First Half of the FY2019 Consolidated (April 2018—Sept 2018)	Change
Variable Costs (Cost of Sales)	Outsourcing Costs	359	259	99
Fixed Costs (SG&A)	Labor Cost	851	805	45
	Depreciation Cost	116	118	▲1
	Office Rent	185	185	0
	Other Costs (IT related, etc.)	411	328	82
Total: Fixed + Variable	Total Cost of Sales + SG&A	1,924	1,697	226

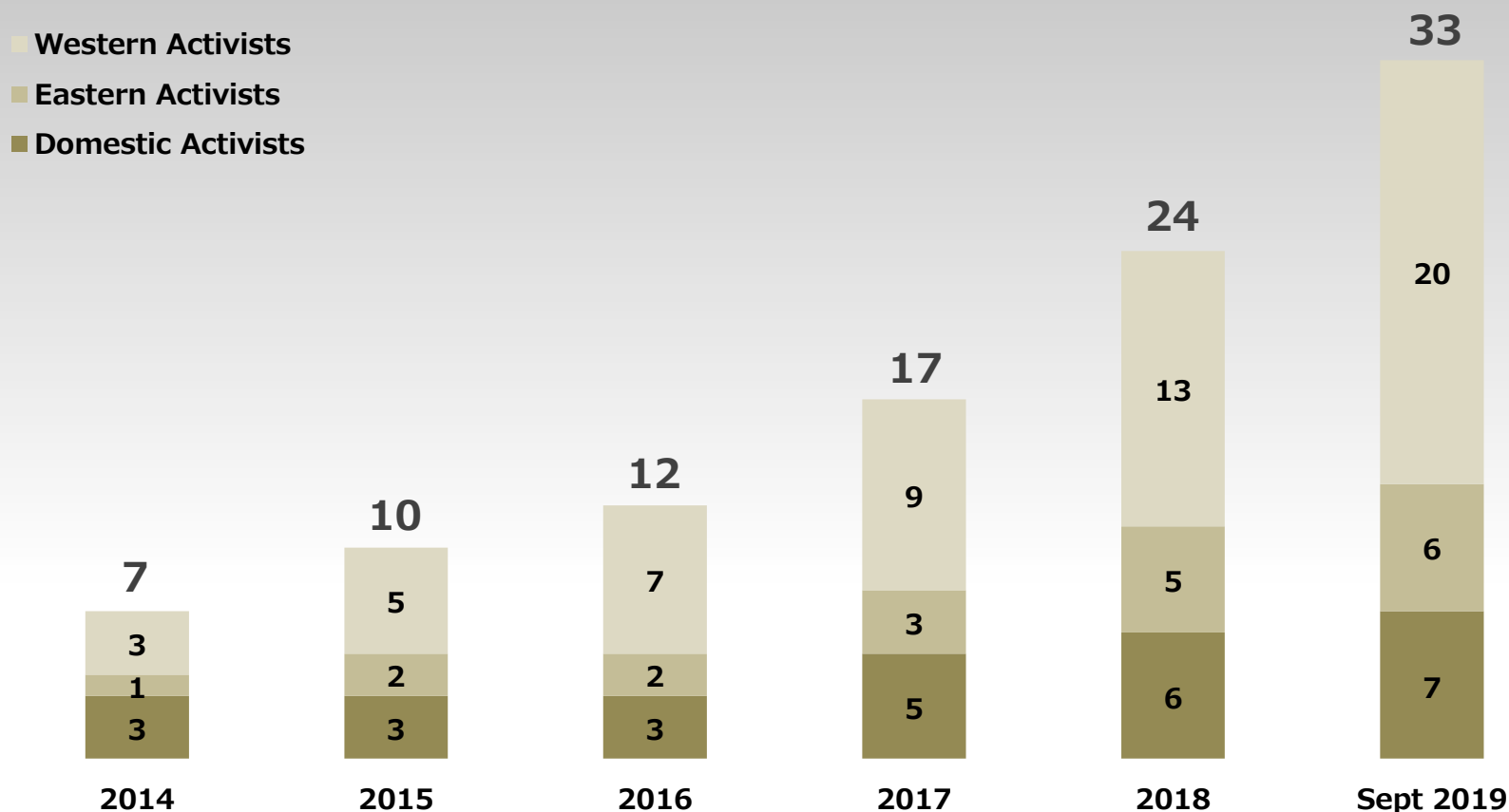


- **Our core business with existing clients is SR Consulting services, (shareholder identification, etc.) which recorded strong growth during the period.**
- **Utilizing the extensive data base cultivated through our SR business we are aiming to expand our Financial Advisory services. We saw increased orders for our capital risk response services (activist analytics, capital policy simulations, share buy-back simulations, etc.)**
- **Orders for large-scale PA/FA projects increased exponentially. Projects included both activist response and M&A for the acquisition of controlling stakes in firms.**



# Activist Situation in Japan

## Activist Funds Investing in Japan



【Definition of the number of funds】

Data Source: IR Japan

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)

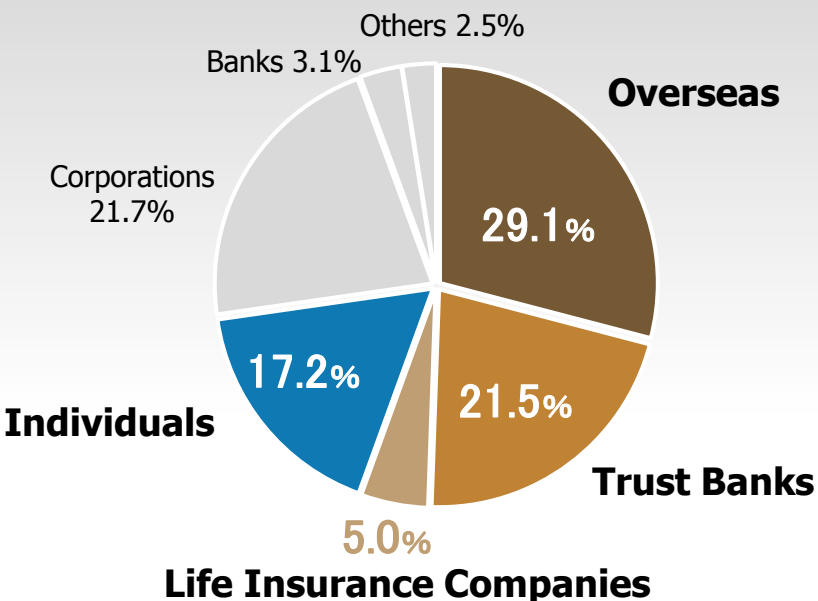




# The Current Shareholder Composition of Japanese Firms

■ As the sale of cross-shareholdings continues, Japanese listed companies are finding it difficult to secure stable shareholders.

## Shareholding Ratio by Investment Division



Overseas Institutional Shareholders

29.1%

Domestic Institutional Shareholders

21.5%

Life Insurance Companies

5.0%

Pure Institutional Shareholders under the SS Code **55.6%**

+

Individual Shareholders

17.2%

||

The Total Ratio of Pure Institutional and Individual Shareholders, Unrelated to Cross-Shareholdings

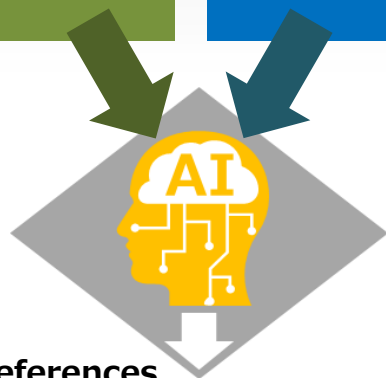
**72.8%**

Data Source:

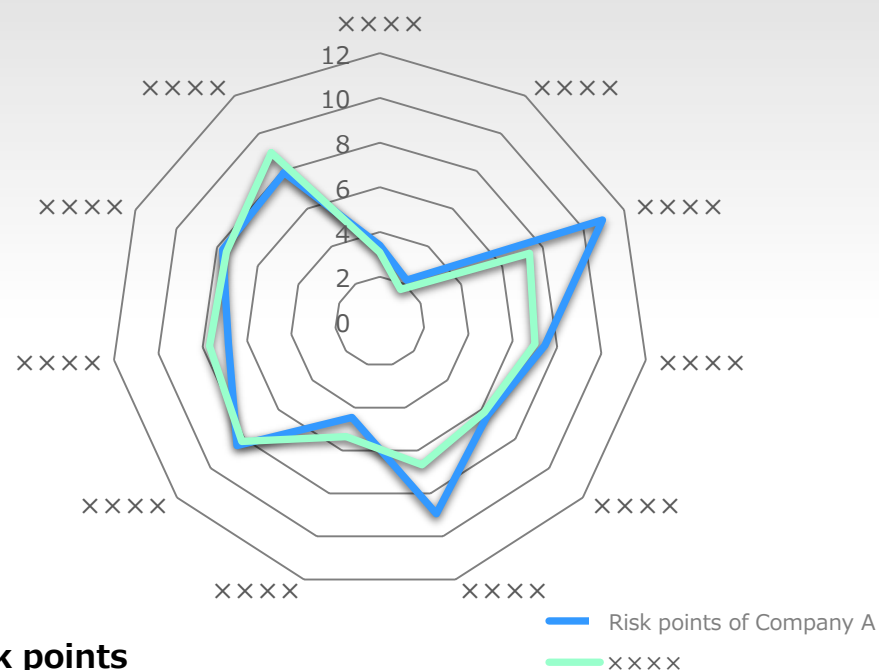
- Created based on TSE disclosed material "Shareholding Ratio by Investment Division"
- Shareholding ratio by investment division of all listed companies' market cap (based on price)
- As of end of March 2019

# Activist Analytics

Calculate what activists would target, based on AI analysis of global activism data, 10 years worth of quantitative information, etc.



- Identify activist preferences
- Measure the danger level of being targeted by an activist as risk points





# Acceleration of M&A between Domestic Companies

- The domestic M&A market is moving into a new stage as hostile TOBs and proxy contests by listed companies, once considered taboo, are now being conducted.

## Proxy Contest

**Star Asia Investment Corporation** took control of **Sakura Sogo REIT** via a proxy contest

## TOB

**Itochu Corp** launched a TOB for **Descente**

## TOB

**HIS** made tender offer for **Unizo**

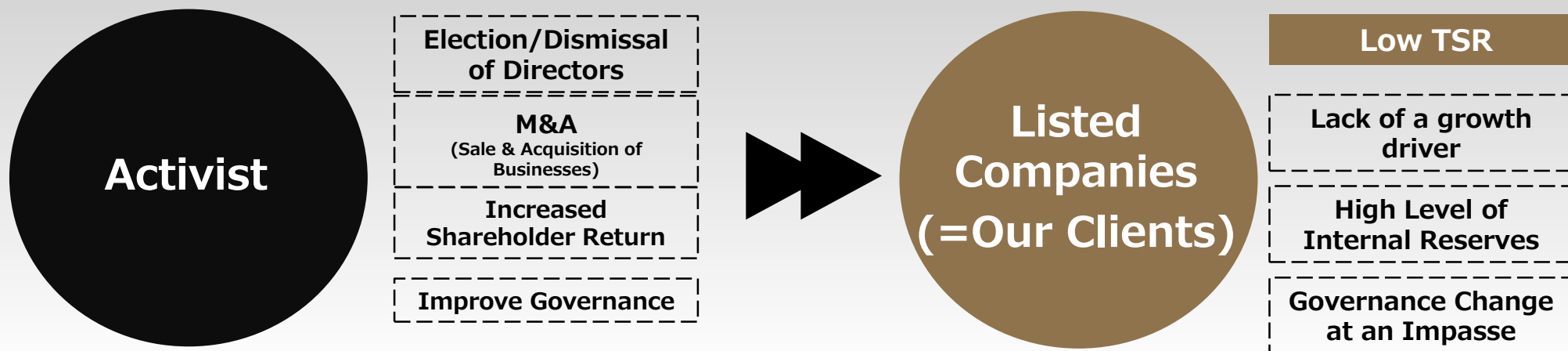
## Dismissal of Directors (including Outside Director)

Opposition against the reelection of **ASKUL Corp** 's directors, including the president, by **Yahoo** at the general shareholders meeting

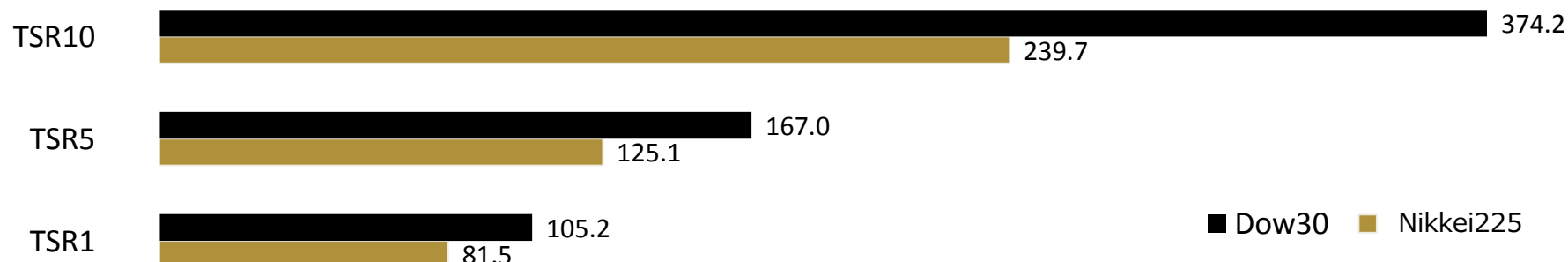


# The New Age of Activist (Activist Activity is Accelerating)

Activists have accelerated the pace of their investments into, and the number of their proposals sent to Japanese companies (speed of growth, excessive internal reserves, and complaints against low TSR).



【TSR Comparison between US and Japanese companies】





# Why are IR Japan's PA · FA businesses increasing?

## IR Japan's PA·FA Businesses: Countermeasures to Activists·Hostile TOB·Proxy Contests

### IR Japan's PA · FA

#### Financial Advisor

- Completely independent
- Providing financial solutions from our leading group of experts (legal, financial, accounting, governance) to secure & improve the common interests of shareholders.

#### Common Interest of Shareholders

- Overseas Institutional Shareholders
- Domestic Institutional Shareholders
- Individual Shareholders

#### Proxy Advisor

- Overwhelming record of achievement for activist response
- Accurate understanding of the influence of beneficial shareholders, proxy officers, and proxy advisory firms
- Securing the power of proxy (control)
- Overwhelming record of achievement in proxy contests
- Over 20 years of engagement with institutional investors

Power of Equity

Common Interest of Shareholders

Activists

Listed Companies  
(= Clients)

Board

Ministry of Economy Trade & Industry (METI)  
Conflict of Interest·Minority of Majority  
Shareholder Protection (MOM)  
(Fair M&A Guidelines)

Solutions that thoroughly comply  
with our clients' needs



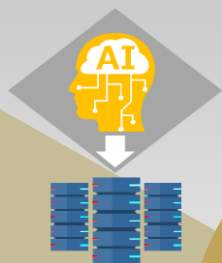
# IR Japan's Strengths①:

## Data-Oriented (analysis of empirical data)

Domestic & Overseas  
Proxy contacts are @

**6,000**

people  
We continue to grow  
our global proxy  
contacts



### Original AI and Global Research System



Global Total  
Approx.

**10,000**

cases  
Content logging of  
activist investments and  
activities

#### ■ Investment records of institutional investors to each companies

- Over 20 years of Significant Shareholder Report data
- Schedule 13D/Schedule 13G
- Domestic/Overseas investment reports, etc.

#### ■ Institutional Shareholder's Proxy Voting Results Data

- Over 10 years of proxy voting results

#### ■ Engagements with Proxy Contacts

- Over 20 years gathering information

**Our AI, Consultants, Attorneys & Accountants analyze characteristics of companies targeted by activists to provide a one-and-only solution**



- **Detailed trend analysis of 6,000 institutions (both overseas & domestic)**
- **Unparalleled Proxy Fight Related Knowledge**  
(Forecasts for Extraordinary Shareholder Meetings & Ordinary Shareholder Meetings, Forecast of Submitted Proposals, Voting Simulations, etc.)
- **Strong Functions (transfer agency services) to make Extraordinary & Ordinary Shareholders Meetings called by shareholders possible**
- **Overwhelming record of arranging convocation notices and securing proxy votes and power of attorney (have rarely lost proxy contests)**



## IR Japan's Strengths③ : Strengths and Achievements in FA

- **TOB contests for management control**
- **Proxy contests taking place concurrent to TOBs**
- **M&A related to company restructurings  
(securing fair guarantees)**
- **M&A related to activist response strategies**
- **M&A, MBO advisory leveraging our independent  
status**
- **Registered as a Placement Agent as an  
additional pillar of the Financial Advisory  
business**





## ■ First Project for the Placement Agent Business

- **As Fukushima Bank's FA, we concluded a third-party allocation of shares as well as capital alliance contract with SBI Holdings.**

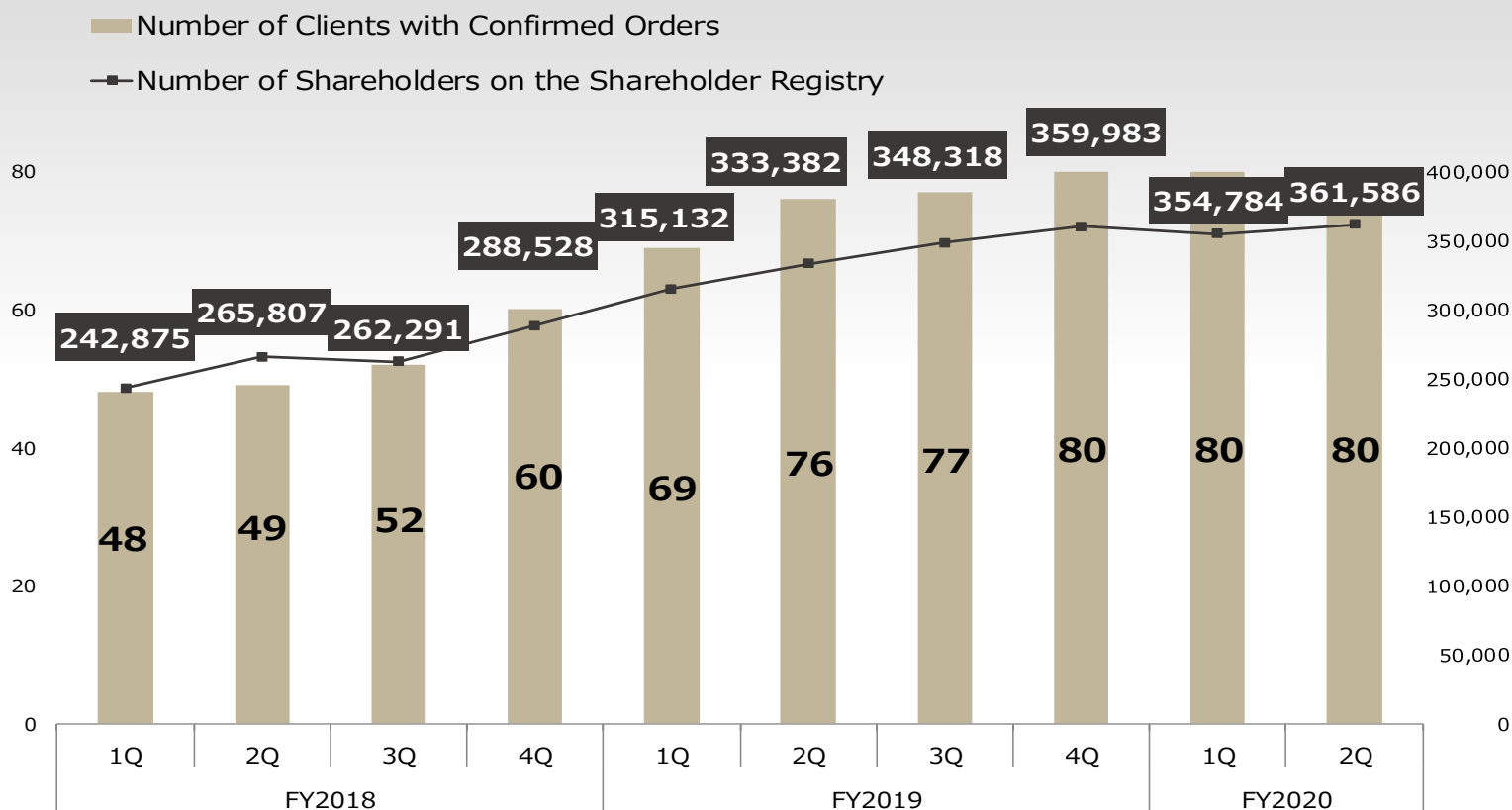
- On June 14, 2019, we completed our registry change for the purpose of expanding managed transactions, based on the Type I Financial Instruments Business.
- We are now capable of “Handling security offers and sales, handling private placements of securities, and offering sales to specific investors, etc.” as well as to act as “intermediary for sales and purchase of securities.”
- Under an advanced compliance structure, we will expand our solution to listed companies regarding various capital policies using our company's strengths, arranging placements to selective shareholders as the issuers desire.



# Transfer Agency Business

We currently have 80 clients (companies) and have registered 361,586 shareholders (as of October 28, 2019). We will continue to strategically expand the transfer agency business as our clients' shield by utilizing our expertise and strengths in special situations.

Trend in Orders from March 2019





# Trend regards Foreign Exchange and Trade Act


- The Japanese government made a cabinet decision to revise the Foreign Exchange and Foreign Trade Act to strengthen investment regulation for Japanese companies for national security purposes.

## <Main Points of Revision>

- To secure safe investments to companies, the new rules will require foreign investors to obtain approval from regulators through a pre-screening for holdings in excess of 1% of issued shares, lowering the threshold significantly from the current 10%.
- To appropriately respond to investments and post-investment activities that may impair national security such as leakage of information relating to critical technologies and disposition of important business activities, the revision added “director elections” and “transfer or disposition of important business activities.”

- ✓ The ACGA released a letter stating the disadvantages the revision would cause to the Japanese capital market and Corporate Governance in Japan.

- ✓ On the other hand, the Ministry of Finance clearly stated in the FAQ section of their homepage, that “The revision plan’s purpose is to promote healthy investments and to prevent leakage of information relating to critical technologies and disposition of important business activities. The purpose of the revision is not to prohibit activism.”



Although some activists may be affected by this revision,  
We will keep close attention to the implementation and management of this revision from the perspective of the expansion of Japanese capital market and the improvement of governance.

## **2. Results Forecast · Shareholder Return**



# Forecast of Financial Results (as of October 31, 2019)

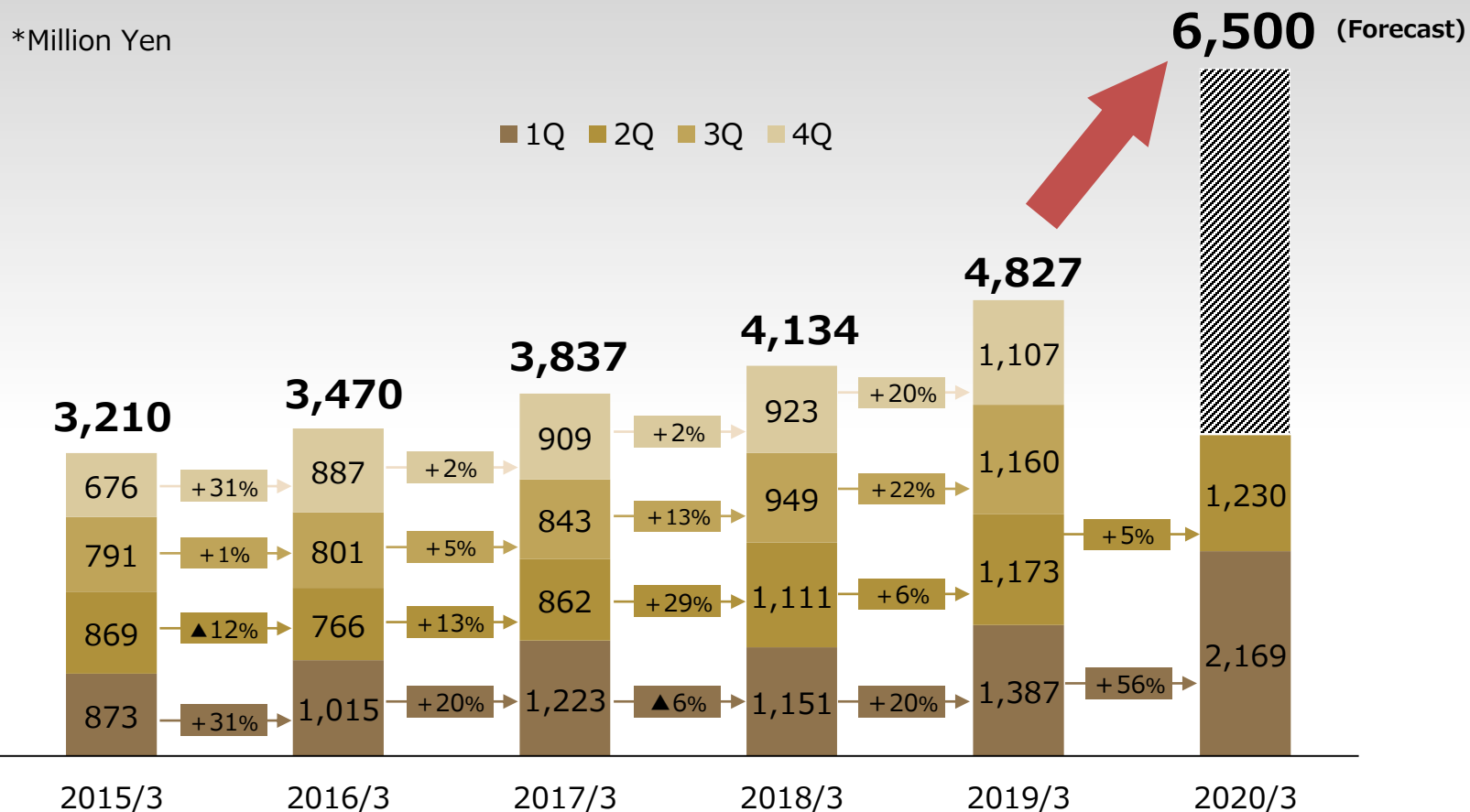
We have revised our forecasts for sales and profits upwards for the year as we expect continued strength in IR・SR Consulting and because we have entered into contracts related to large projects for activist responses.

	Forecast of this Quarter (FY2020)			Previous Forecast (As of August 2, 2019)		Previous Result (For FY2019)	
	Amount (Mill. Of yen)	Change from Last Quarter (Mill. Of yen)	Change from Last Quarter (%)	Amount (Mill. Of yen)	Change from Last Quarter (%)	Amount (Mill. Of yen)	Change from Last Quarter (%)
Net Sales	<b>6,500</b>	1,672	34.6	6,000	24.3	4,827	16.8
Operating Profit	<b>2,600</b>	1,165	81.3	2,150	49.9	1,434	24.0
Ordinary Profit	<b>2,600</b>	1,152	79.6	2,150	48.5	1,447	25.1
Profit attributable to owners of parent company	<b>1,750</b>	773	79.1	1,450	48.4	976	18.9



# Sales per Quarter

■ We continue to see an increase in total orders based on the situation for existing orders due to end this fiscal year and the continued expansion of new orders.





# Contracts for Major Projects

## Contracted Major Existing Projects (over 50 million yen) and the Forecast for Sales (Millions of Yen)

	First Half		Second Half		Full Year	
	Projects	Amount	Projects	Amount	Projects	Amount
FY2019	5	457	2	133	7	589
FY2020	7	702	9	1,058	16	1,759
<b>Change</b>	<b>2</b>	<b>245</b>	<b>7</b>	<b>925</b>	<b>9</b>	<b>1,170</b>

## Existing Major Projects by Type with the Forecast for Sales (Millions of Yen)

Types of Projects	Sales Amount
PA•FA for Corporate Control	794
PA•FA for Activist Support	765
FA related to MBO	100
Other Large SR Projects	100
<b>Total</b>	<b>1,759</b>

Existing Projects: Projects that will finish within the third and fourth quarters of FY2020. (Included in the full-year result forecast)

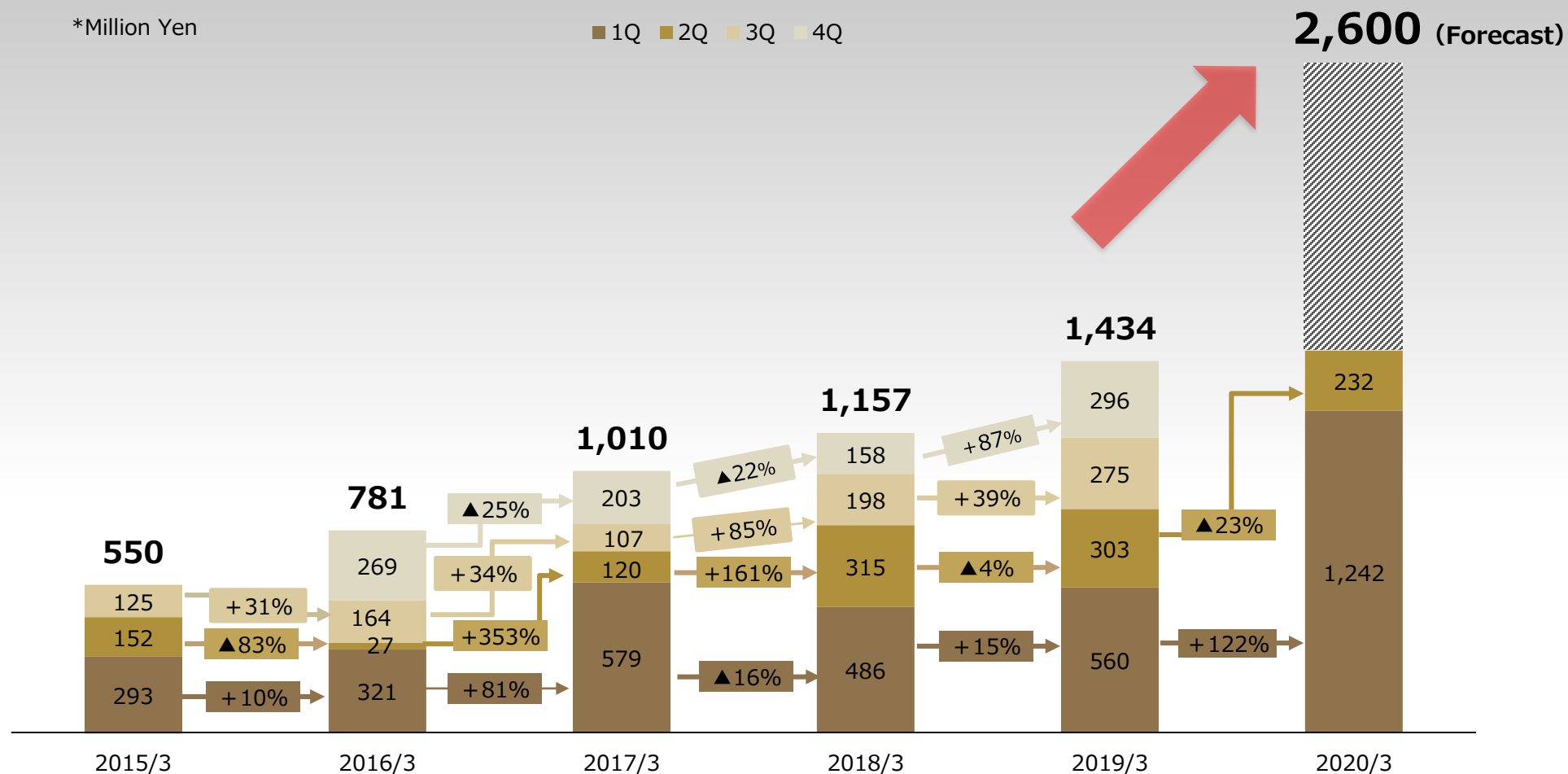
Additionally, large projects/pipelines that have not been closed are not included in this forecast.



# Operating Income per Quarter

\*Million Yen

■ 1Q ■ 2Q ■ 3Q ■ 4Q







# Large Upcoming Projects

Project Content	Client	Contract	Transaction Details
Activist Response	Listed Company (Market Cap. Over 500 bill. Yen)	FA・PA	SR, Governance, M&A, Shareholder Return
Activist Response	Listed Company (Market Cap. Over 500 bill. Yen)	FA・PA	SR, M&A
Activist Response	Listed Company (Market Cap. Over 500 bill. Yen)	FA・PA	M&A
Capital and Business Alliance	Listed Company (Market Cap. Over 50 bill. Yen)	FA	Placement Agent
MBO	Listed Company (Market Cap. Over 10 bill. Yen)	FA	Plan/Implement MBO Scheme
MBO	Listed Company (Market Cap. Over 10 bill. Yen)	FA	Plan/Implement MBO Scheme
Activist Response	Listed Company (Market Cap. Over 100 bill. Yen)	FA	SR, Governance, Shareholder Return
M&A	Unlisted Company	FA	FA for Purchasing Side
M&A	Listed Company (Market Cap. Over 50 bill. Yen)	FA	FA from the perspective of protecting minority shareholders

**\* These are still in progress, and the contracts have not been finalized.**



# Annual Dividend Forecast for FY

We revised the dividend forecast based on the revision of the dividend forecast for the first half of FY2020. The interim dividend is forecast to increase by 5 yen, to 25 yen/share. The year-end dividend is also forecast to increase by 5 yen, to 30 yen/share. The annual dividend, including the interim dividend, is forecasted to be 55 yen/share (increase of 17 yen/share).

Dividend per Share	Interim	Year-End	Annual	Payout Ratio
<b>Forecast of FY2020 (As of Oct 31, 2019)</b>	<b>25 yen</b>	<b>30 yen</b>	<b>55 yen</b>	<b>56.0%</b>
Forecast of FY2020 (As of May 14, 2019)	20 yen	25 yen	45 yen	55.3%
Actual FY2019	15 yen	23 yen	38 yen	69.3%



# Total Shareholder Return (TSR) For Holding Our Shares at Interim and Year-End

		September Interim	March Year-End
FY2020	1 Year	304.09%	—
	3 Years	673.90%	—
	5 Years	1222.39%	—
	Since listing (2011.3.17)	2820.25%	—
FY2019	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%
FY2018	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%
FY2017	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%
FY2016	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%

※ 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.



# Field Power of Equity and Market Size

## IR (Investor Relations) Investor Support

**IR Market in the wide  
sense: 45 billion yen**

- ◆ Institutional disclosure | FIEA-related business
- ◆ Voluntary disclosure |
  - Shareholder communication, disclosure magazine, English IR materials, etc.
- ◆ Total IR Support |
  - Information Session, conference, meeting...

### **Main Players**

Pronexus/Takara Printing  
Nomura IR/Daiwa IR/Nikko IR  
Japan IR and Investor Support/Japan  
Shareholder Services

## SR (Shareholders Relations) Shareholder Support

**SR Market in the wide  
sense: 100 billion yen**

- ◆ Transfer Agency
- ◆ Shareholder Meeting-related support
  - Prior voting result-simulation
  - Action plan to pass shareholder meeting proposals
  - Proxy voting result analysis
- ◆ Shareholder identification consulting

### **Main Players**

Mitsubishi UFJ Trust/ Mitsui  
Sumitomo Trust/ Mizuho Trust

## M&A (Mergers and Acquisitions) Corporate Acquisition

**M&A Market: 600 billion yen**

### ◆ M&A Commission

### **Main Players**

Nomura Securities/Mizuho FG/Goldman Sachs  
Daiwa Securities/JP Morgan/MUMSS/ Mitsui  
Sumitomo FG  
GCA/Japan M&A Center/M&A Capital  
Strike

Data Source:

■ M&A market scale is calculated based on the hypothesis of the commission rate is 2% of 2018 Japanese Corporate-related M&A cost (approx. 30 trillion yen) from the MARR statistics.

## Legal Sector Legal Services

**LA Market: 200 billion yen**

- ◆ Business Law (Companies Act, FIEA, etc.) support
- ◆ Corporate Governance

### **Main Players**

Anderson Mori & Tomotsune Law Firm  
Nagashima Ohno & Tsunematsu Law Firm  
Nishimura & Asahi Law Firm  
Mori Hamada & Matsumoto Law Firm  
TMI Associates

## Equity Consulting Market

Total about **1,000** billion yen

Data Source :

■ TA's numbers are calculated based on most recent commission income and gross business profit. IR and securities certificate printing companies' data are calculated based off their most recent sales.

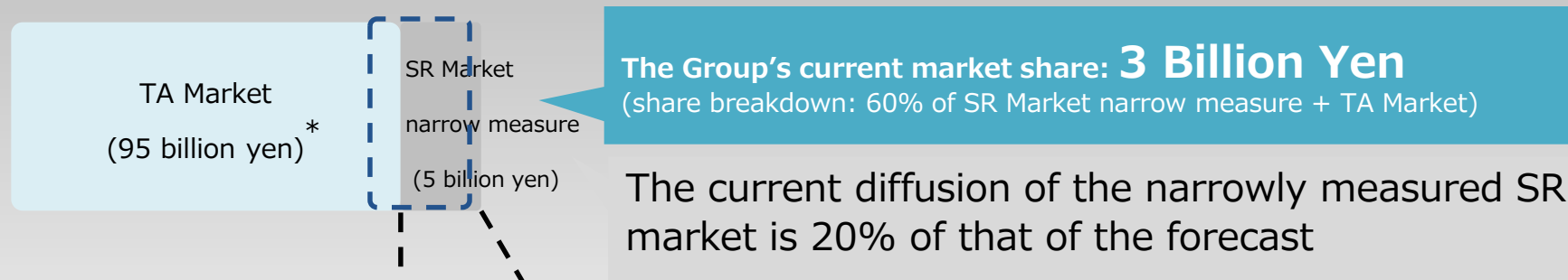
Data Source :

■ Calculated based on Japan IR Association's IR activity research "Average annual cost of IR activity" and recent sales of securities certificate printing and IR companies. The main players' sales are taken from each companies most recent financial statements.



# The Company's Long-Term Goals

The Current SR ("Shareholder Relations") Market (the broad market measure which includes TA ("Transfer Agency"))



Prospective Broad Measure SR Market (including TA)



\* Calculated by IR Japan based on sales amount of the main players

**Log-term aim of the Group:  
90 billion yen of total sales**

Power of Equity

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IR Japan

