



# Financial Results

For the Fiscal Year Ending March 31, 2020  
(April 1, 2019~March 31, 2020)

May 23, 2020  
IR Japan Holdings, Ltd. (6035)

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# **1 . Financial Results for the Fiscal Year Ending March 2020**



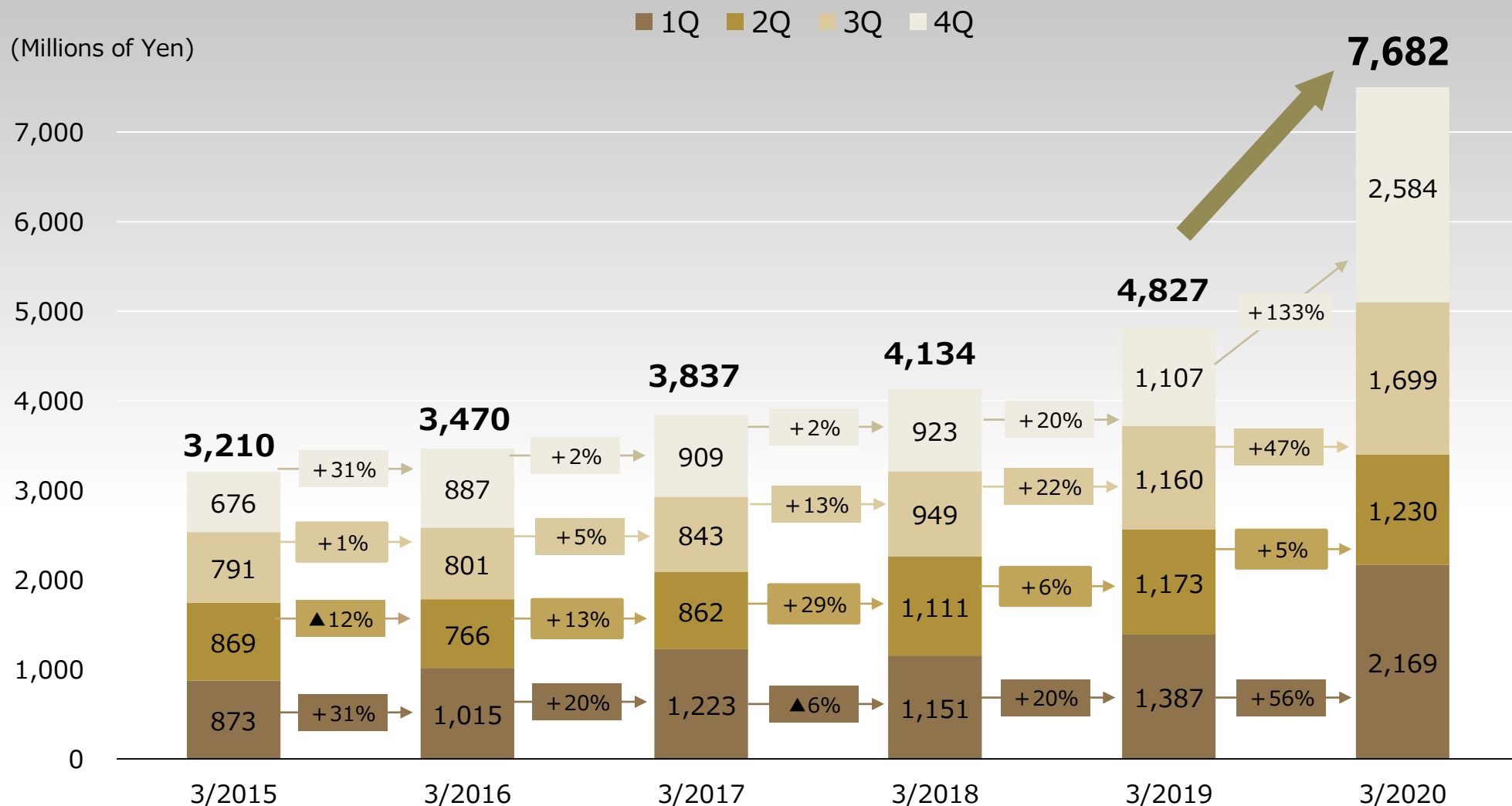
# Financial Highlights for the Fiscal Year Ending March 2020

- We achieved record high consolidated sales as well as record highs for all measures of profit during the year.

	Fiscal Year 2020 (April 2019—March 2020)			Previous (April 2018—March 2019)
	Amount (Millions of Yen)	Change (Millions of Yen)	Change from Previous Period (%)	Amount (Millions of Yen)
Net Sales	<b>7,682</b>	<b>2,854</b>	<b>59.1</b>	4,827
Operating Profit	<b>3,626</b>	<b>2,191</b>	<b>152.8</b>	1,434
Ordinary Profit	<b>3,611</b>	<b>2,163</b>	<b>149.5</b>	1,447
Profit Attributable to Owners of the Parent Company	<b>2,445</b>	<b>1,468</b>	<b>150.3</b>	976
EBITDA (Reference)	<b>3,837</b>	<b>2,146</b>	<b>126.9</b>	1,691



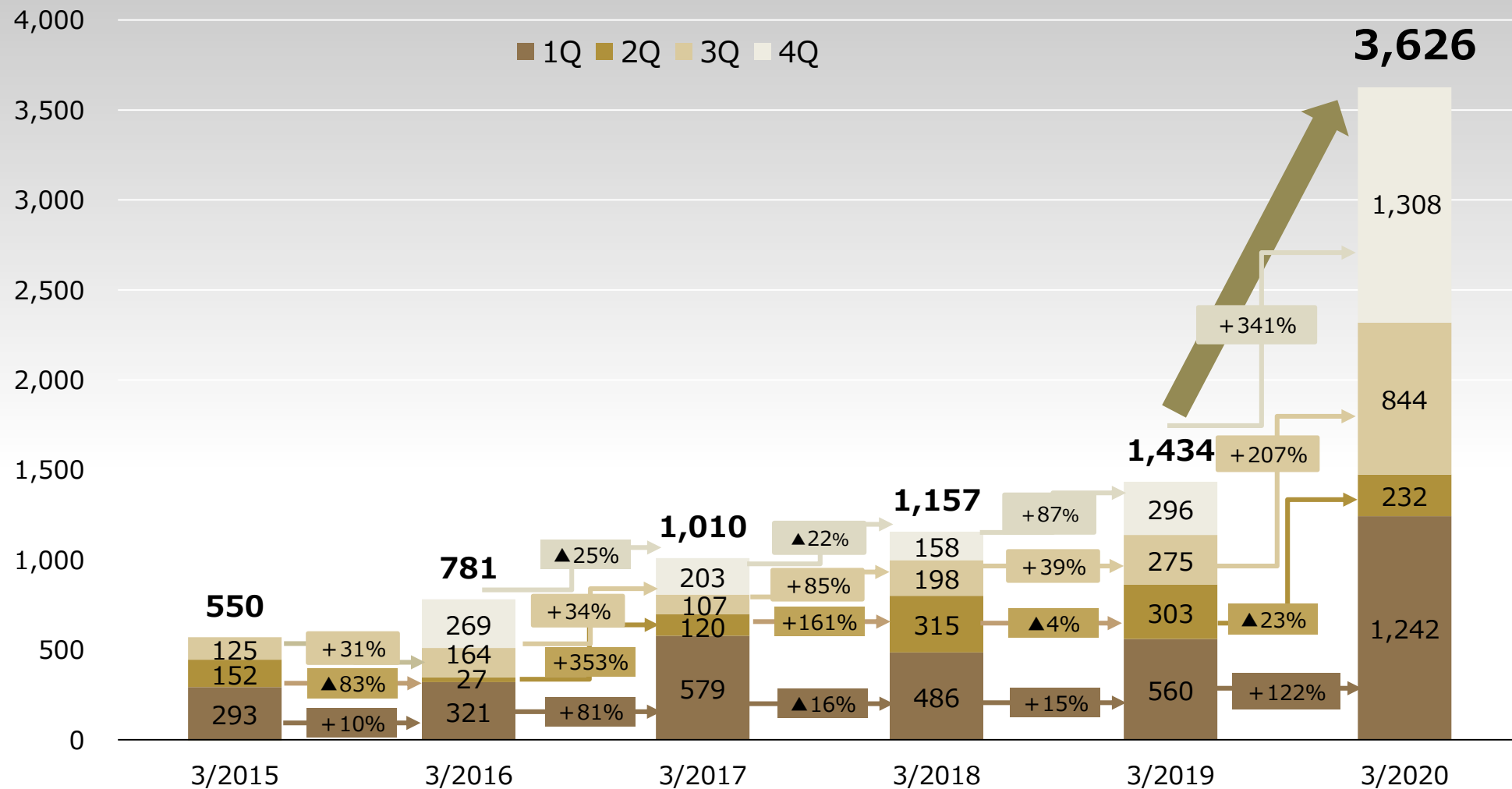
# Trend of Quarterly Sales





# Trend of Quarterly Operating Profit

(Millions of Yen)





# Cost Breakdown as of March 2020

- Investments in new offices, database systems and AI are complete. The addition of outstanding staff is progressing steadily.

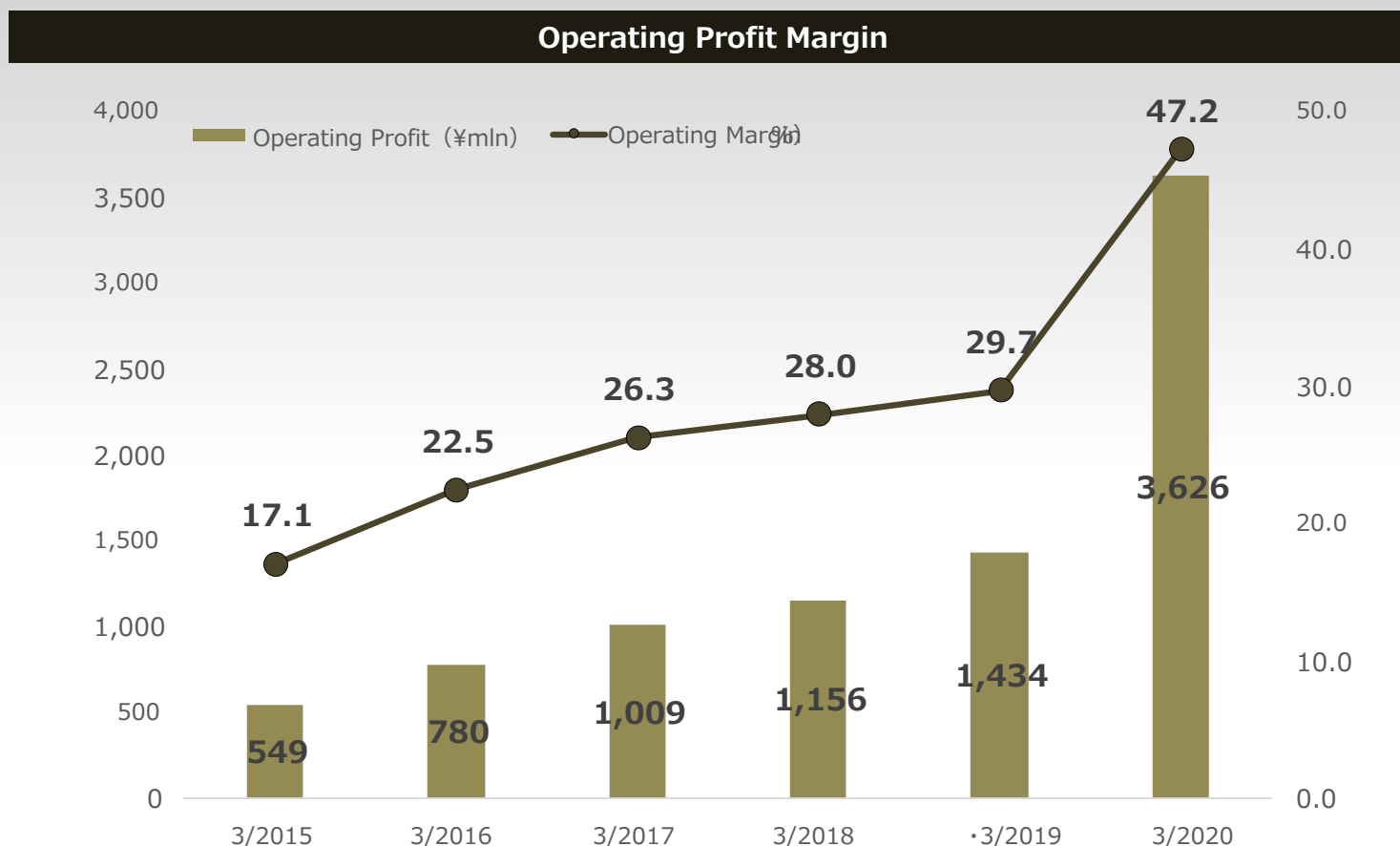
(Millions of Yen)

Breakdown	Item	Current (April 2019—March 2020)	Previous (April 2018—March 2019)	Change
Variable Costs (Cost of Sales)	Outsourcing	592	427	164
Fixed Costs (SG&A)	Personnel	1,987	1,624	362
	Depreciation	224	242	▲17
	Rent	371	371	0
	Other (including database)	882	729	153
Total	COS + SG&A	4,056	3,393	662



# March 2020 Operating Profit Margin

- The operating profit margin increased significantly recording an all time high. Investment in updating computer systems and AI is complete so the increase in sales led to higher profitability.







# March 2020 Sales by Segment

	<b>Current</b> (April 2019-March 2020)			<b>Previous</b> (April 2018—March 2019)
	Amount (Millions of Yen)	% of Total (%)	Change (%)	Amount (Millions of Yen)
IR・SR Consulting	<b>6,974</b>	<b>90.8</b>	<b>72.1</b>	4,052
Disclosure Consulting	<b>522</b>	<b>6.8</b>	<b>▲8.7</b>	571
Database/Other	<b>185</b>	<b>2.4</b>	<b>▲8.7</b>	202



## Financial Highlights of Fiscal Year 2020

- **The needs of our clients with whom we have created close ties from our SR advisory services have evolved. Demand for Investment Banking related Proxy Advisory (PA) and Financial Advisory (FA) services from these clients has shown rapid growth.**
- **While our SR Advisory service is the pillar of our business, close access to our clients has allowed us to close multiple large-scale PA & FA projects.**
- **Our overwhelmingly positive results in services related to the contest for the control of firms (including activist response strategies, proxy fights & hostile TOBs) are highly regarded and we continuously received orders for large-scale projects.**



# Trend in the Number of Large-Scale Projects

## Number of Large-Scale Projects\* and Trend in Sales

\*Projects over 50 million yen

(¥mln)

	First Half		Second Half		Total	
	Number	Sales	Number	Sales	Number	Sales
March 2019	5	457	2	133	7	589
March 2020	7	702	16	2,537	23	3,239
Change	2	245	14	2,405	16	2,651

## Large-Scale Projects by Type and Sales

(¥mln)

Type	March 2020	March 2019
P A • F A : related to corporate control	910	70
P A • F A : activist response strategy	1,514	195
F A : MBO related	705	273
S R : Other	110	52
<b>Total</b>	<b>3,239</b>	<b>589</b>



## Our Strengths

### We Boast an Overwhelming Share of Involvement in the Securing of Control of Firms (Proxies)

**Over 20  
Years  
Track Record  
for Activist  
Response**

Winning proxy  
contests and TOBs by  
creating cutting-edge  
strategies  
implemented by  
rapid response teams

**AI**  
Cross-border investment  
& proxy analysis  
based on  
empirical analysis

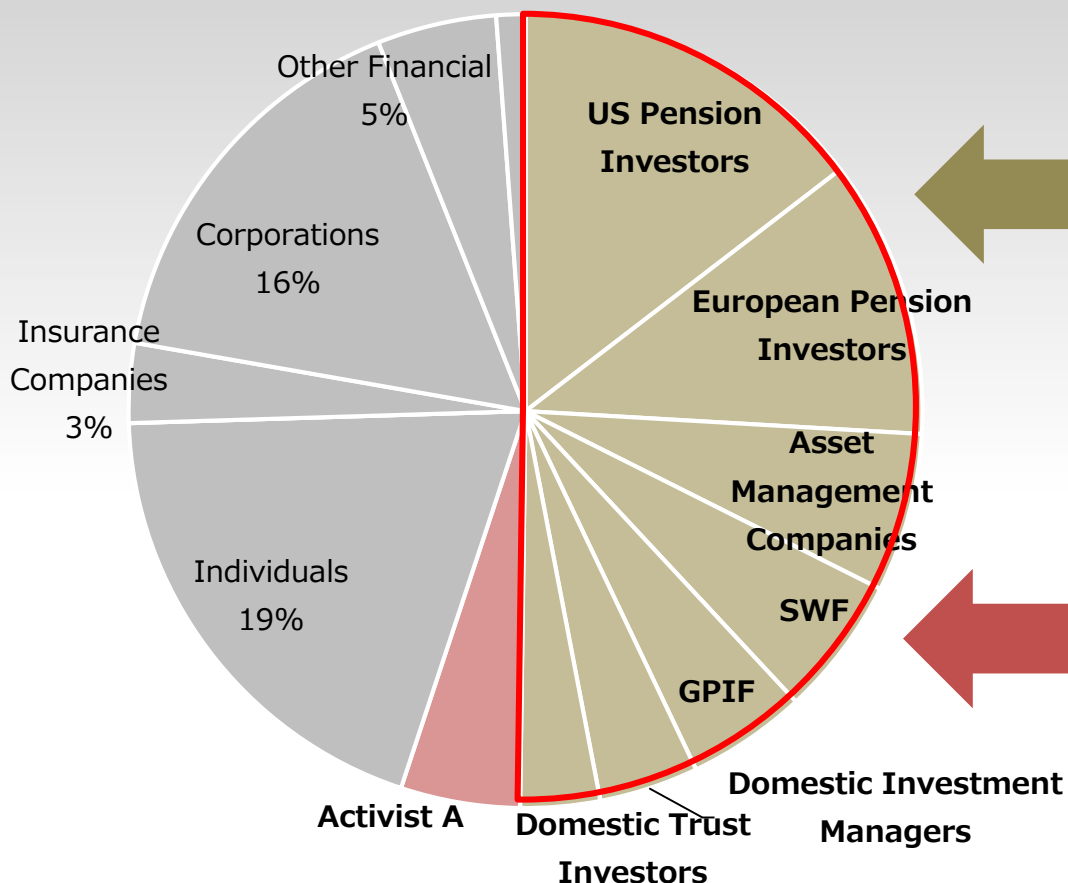




# Securing Proxies During an Activist Response

## ■ Shareholder Composition of Company A

(Based on the Shareholder Composition of Corporate Japan)



**6,000** Domestic and Overseas

We contact global proxy officers daily to update information

**IR Japan**

Based on a 20+ year proxy database we approach important Institutional Investors

**VS**

**Activist A**

Collective Engagement  
Contacting Institutions



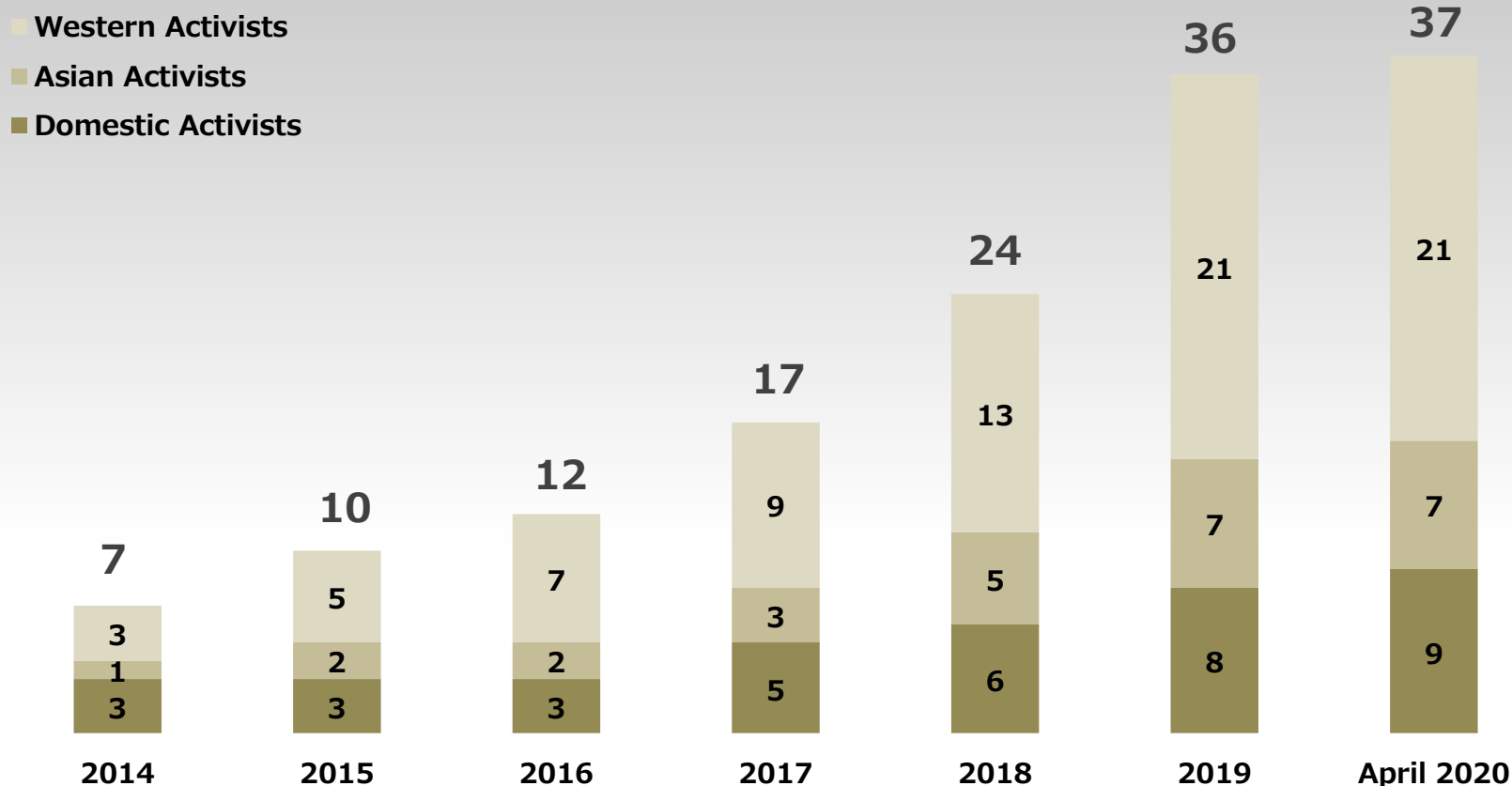
## ■ Activists are moving aggressively during the Corona pandemic

- ✓ The pandemic has led to a great investment opportunity for activists, damage to shareholder value has led to the increased power of collective engagement.
- ✓ Proposals with improved white papers appear to lead to improvements in the shared benefit of shareholders.
- ✓ On April 20<sup>th</sup> METI released [Draft Guidelines for Business Restructuring]※ which points to the conducting of a regular autonomous review of firms' portfolio of businesses. ※No official translation has been released for the guidelines. This is an unofficial translation by IR Japan.
- ✓ Governance proposals are using well prepared skill sets.
- ✓ The investment community is in step with activists.
- ✓ The activist community doesn't overlook M&A deals that ignore the shareholder's perspective.



# Activist's Activity in the Japanese Market

## The Trend 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. (※)

Not including funds not using strategies at the time they are investing in Japan.

(※) Including funds making shareholder proposals public letter campaigns and websites, making public demands in the media

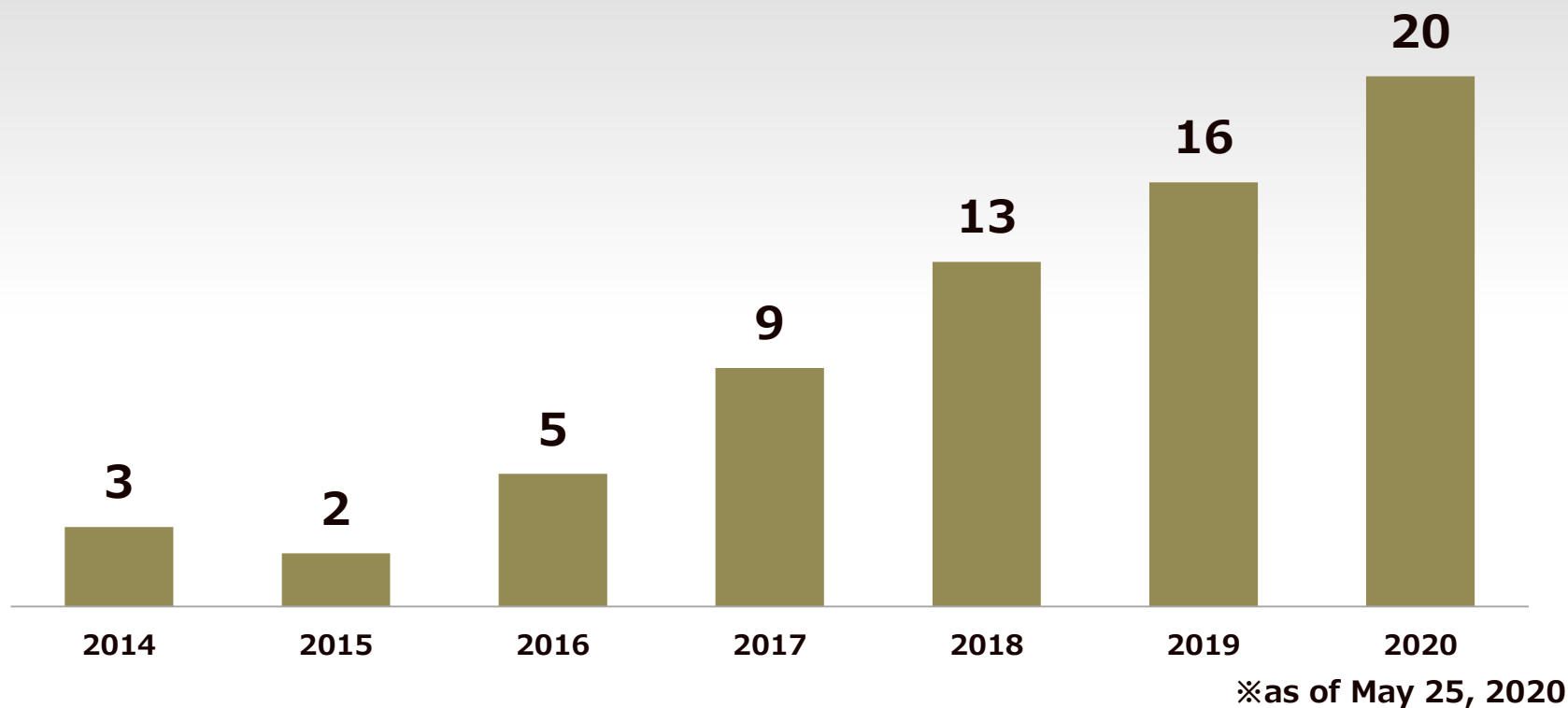
Source : IR Japan Data



# Activists are Acting Aggressively

- The number of activist funds submitting shareholder proposals in 2020 is already at record levels.

## Trend in the Number of Activist Funds Submitting Proposals







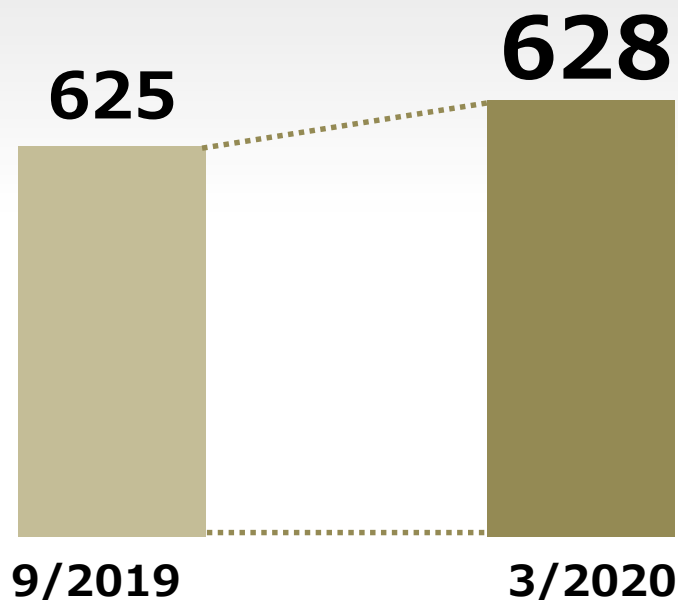
## Potential Japanese Firms with High Risk from Activists

There are over 600 Japanese firms that have a high risk of being targeted by activists. ※ The number of such firms has soared over the second half.

※ Firms with a Risk Quotient of over 60 as judged by IR Japan's proprietary AI model.

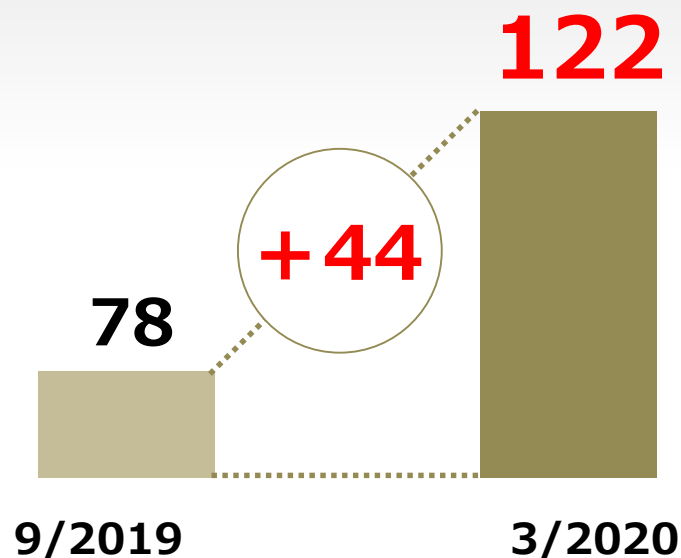
### Firms with a Risk Quotient > 60

n=3,875



### Firms with a Risk Quotient > 80

n=3,875





## Western Style M&A is Still Accelerating (Hostile Bids by a Strategic Buyer)

Hostile TOBs, buyouts via proxy contests by listed firms (strategic buyers) and the use of M&A to wrest control over management are now part of the investment culture.

### Contest for Control

**Kokuyo** bidding for **Pentel's** Shares

### TOB

TOB of **Maeda Road Construction** by **Maeda Corporation**

### TOB

TOB of **Toshiba Machine** by **City Index Eleventh (Murakami)**

### TOB

TOB of **Unizo** by **Fortress**

### TOB

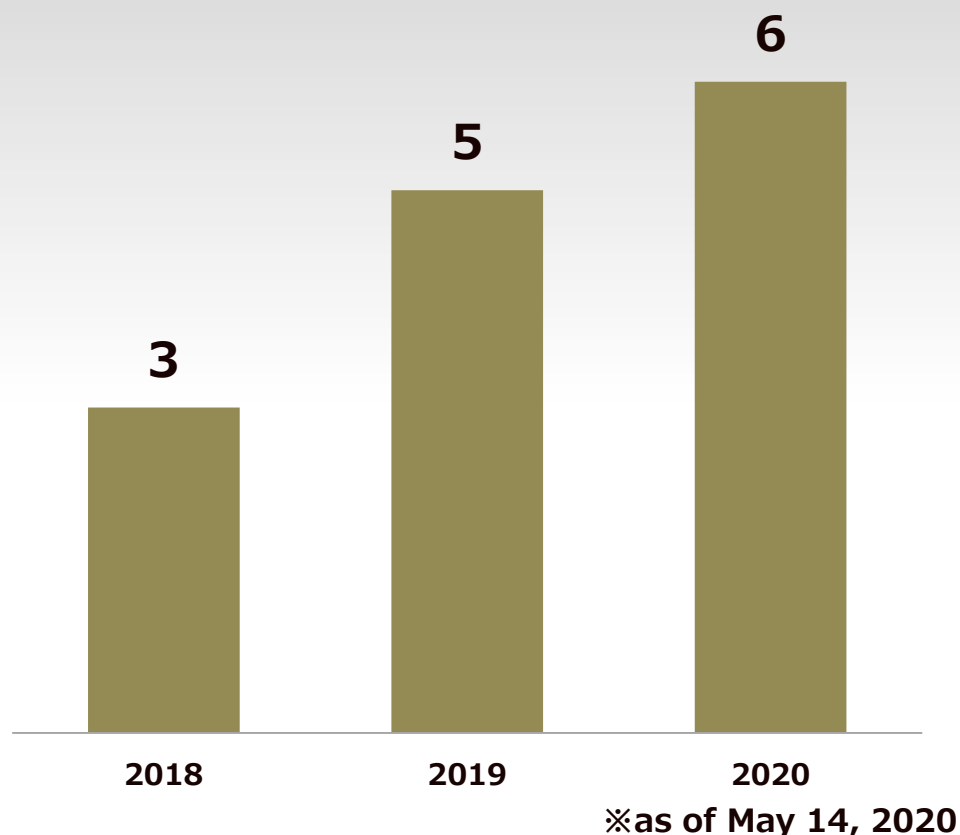
TOB of **NuFlare Technology** by **Hoya**



# Supporting Management Buyouts (MBO)

Based on their extensive experience in the execution of high level schemes for the creation of control structures, our specialist FA teams are gaining a reputation for their ability to aid firms de-listing by MBO.

Trend in the Number of MBOs



2020: Firms De-Listing by MBO

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

**【Our FA Projects】**

- Mamezou Holdings (Target Company FA)
- ODELIC Company (Buyer Side FA)



# Publication of the Draft Guidelines for Business Restructuring

- The Ministry of Trade, Economy and Industry released the draft Guidelines for Business Restructuring on April 20, 2020. This guideline aims to substantially reinforce the governance reforms undertaken by Japanese companies, following the practical guidelines from the Corporate Governance Code and the release of the Practical Guidelines for Group Governance Systems※. The main focus is on the decision-making and execution of a flexible portfolio review (particularly in divesting non-core businesses) in consideration of the changes in the business environment and business life cycles.

## <Main Points>

- Regular discussion of business portfolio at board meetings (at least once a year)
- Basic policy on business portfolio formulated by the board of directors
- Clarifying the responsibilities of outside director to shareholders (pro-active involvement in engagements, appropriate response to shareholder proposals (including informal proposals), etc.)
- Engaging external specialist advisors to supplement outside directors' knowledge

※Source: [https://www.meti.go.jp/english/press/2019/pdf/0628\\_004a.pdf](https://www.meti.go.jp/english/press/2019/pdf/0628_004a.pdf)

**There is demand for the ability to advise the board of directors/outside directors from the perspective of investors/shareholders, and our Group's specialized SR/PA/FA knowledge is becoming increasingly indispensable to our listed company clients.**



# The Foreign Exchange and Foreign Trade Act (FEFTA)

- In May 2020, the Ministry of Finance published the “Factors to be considered in authorities’ screening of foreign direct investment” and released the list of classifications of listed companies at the same time. It is expected that clarifying the list of core companies will ensure the smooth operation and implementation of the revised Foreign Exchange and Foreign Trade Act.

## <Main Points>

- Lowers the threshold for prior-notification of stock purchases in companies that are crucial to national security from 10% to 1%.
- Added “nomination of board members and auditors” and “proposing the transfer and disposition of investee company’s business” as actions post-acquisition that could lead to leakage of technologies or information that relate to national security and to loss in business activities.
- Exempt investors are required, even post-acquisition, to submit prior notification prior for certain actions regarding the appointment of directors, and the transfer and disposition of businesses.

**The government has made it clear that shareholder proposals for the appointment of directors and the transfer of business can still be submitted following the filing. The Q&A section of the announcement made it clear that the amendment is not targeting activists.** The announcement also made it clear that the revision is not aimed to restrict shareholder rights or hinder the strengthening of corporate governance.



# Pipeline of Large-Scale Projects In-Progress\*

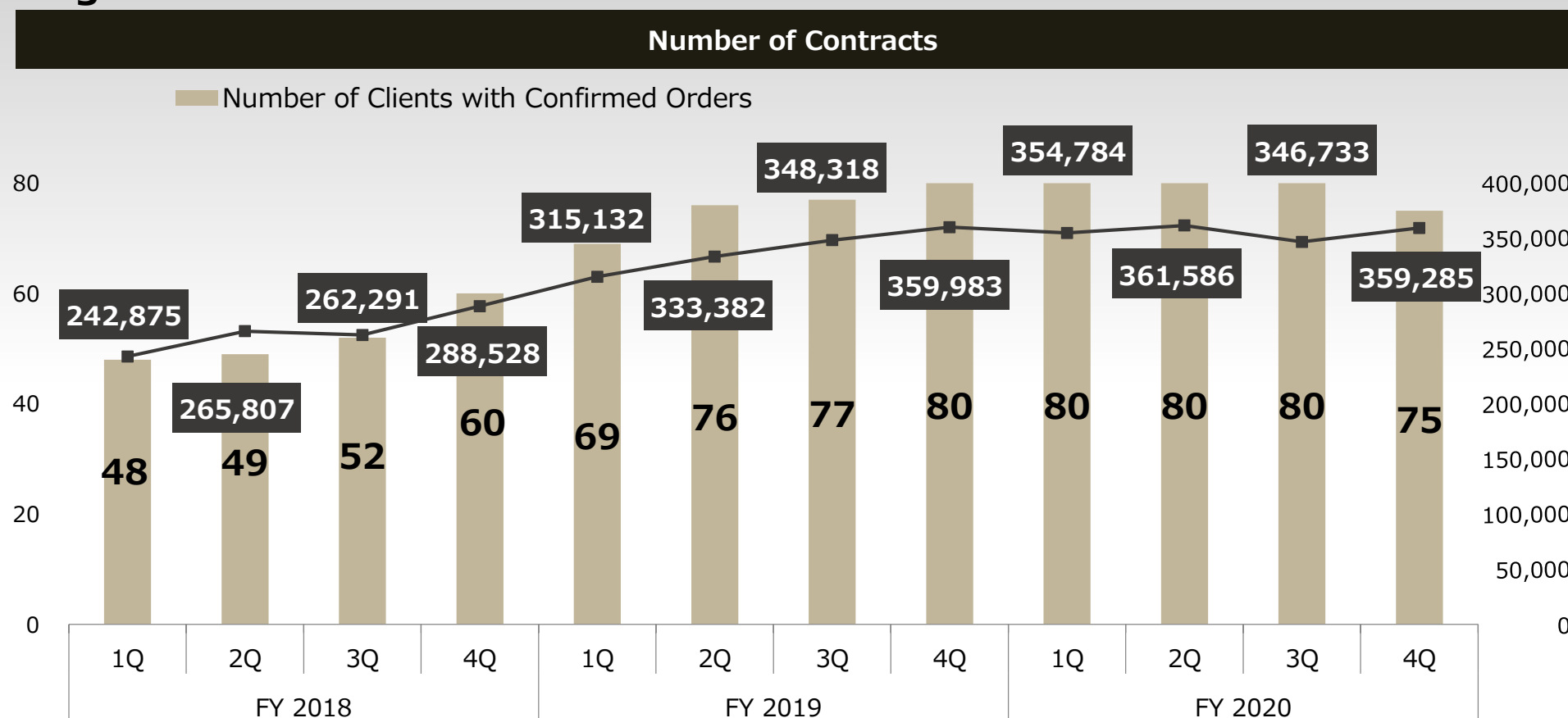
Type of Deal	Contracted Firm	Type of Contract	Content
TOB	Listed Firm (Mkt. Cap.>¥100b)	FA	Hostile TOB
TOB	Listed Firm (Mkt. Cap.>¥100b)	FA	Hostile TOB
Activist Response	Listed Firm (Mkt. Cap.>¥500b)	FA・PA	SR, Shareholder Return
Activist Response	Listed Firm (Mkt. Cap.>¥500b)	FA	Business Strategy, M&A
Activist Response	Listed Firm (Mkt. Cap.>¥100b)	FA・PA	Business Strategy, Shareholder Return
Activist Response	Listed Firm (Mkt. Cap.>¥100b)	FA・PA	Business Strategy, SR
Activist Response	Listed Firm (Mkt. Cap.>¥100b)	PA	Business Strategy, Shareholder Return, TOB
Activist Response	Listed Firm (Mkt. Cap.>¥50b)	FA・PA	TOB, Proxy Solicitation
Proxy Fight	Listed Firm (Mkt. Cap.>¥50b)	FA・PA	Business Strategy, M&A
Proxy Fight	Listed Firm (Mkt. Cap.>¥500b)	PA	SR, Corporate Governance
Battle for Corporate Control	Listed Firm (Mkt. Cap.>¥50b)	PA	Proxy Solicitation
Battle for Corporate Control	Listed Firm (Mkt. Cap.>¥100b)	FA・PA	Proxy Solicitation
Capital Alliance	Listed Firm (Mkt. Cap.>¥50b)	FA・PA	Placement Agent

\* The above in-progress large-scale projects are expected to be booked in the fiscal year ending March 2021



# Transfer Agency Business

- The number of client companies contracted is 75, and the number of shareholders we administrate is 359,285 (as of March 31, 2020).
- Contrary to traditional agency's strategy, we will continue to promote strategic business development by focusing on defending companies against activists and hostile TOBs.



## **2. Forecast of Financial Results & Shareholder Return**





## Forecast of Financial Results (as of May 15, 2020)

- We expect net sales to grow mainly in the core SR Advisory business and Investment Advisory businesses related to the Proxy Advisory and Financial Advisory areas.
- As of May 15, 2015, it is difficult to predict the extent of the impact and convergence of the novel coronavirus, and therefore, only the range is disclosed for the forecast for the fiscal year ending March 2021.

	Forecast (FY2021)			Actual (FY2020)	
	Amount (Millions of Yen)	Change (Millions of Yen)	Change (%)	Amount (Millions of Yen)	Change (%)
Net Sales	8,500~ 9,000	818~ 1,318	10.6~ 17.2	7,682	59.1



# Shareholder Return

- We increased the year-end dividend for FY2020 by 15 yen from the previous forecast to 45 yen per share. Including the interim dividend of 25 yen, the total annual dividend is 70 yen.
- For FY2021, the annual dividend is expected to be 70 yen, with an interim dividend of 25 yen per share and a year-end dividend of 45-yen per share.

Dividend per Share	Interim	Year-End	Annual	Payout Ratio
FY2019	15 yen	23 yen	38 yen	69.3%
<b>Actual FY2020</b>	<b>25 yen</b>	<b>45 yen</b>	<b>70 yen</b>	<b>50.9%</b>
Forecast of FY2021	25 yen	45 yen	70 yen	—



# Response to Covid-19

**We are committed to preventing the spread of infection and give the highest priority to continuing business activities while ensuring the safety of all stakeholders including employees and their families, customers, and business partners.**

## We Ensure Safety



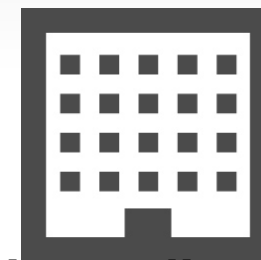
**Remote Work  
(office work is prohibited)**

## How We Work



**Providing laptops  
Utilizing mobile  
technologies**

## Web· Conference Calls



**Utilizing online meetings  
(internal and external  
meetings, recruitment  
interviews)**



# 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.

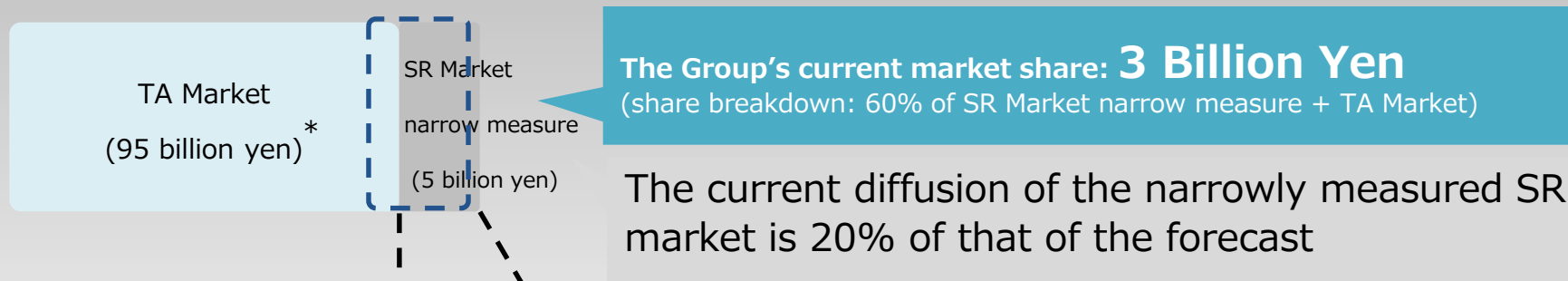
Data Source :

■ 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**



# Total Shareholder Return (TSR)

	Period	9/30/2019	4/30/2020
For the Fiscal Year Ending March 2020	1 Year	304.09%	524.59%
	3 Years	673.90%	1162.54%
	5 Years	1222.39%	2108.74%
	From Listing (3/11/2011)	2820.25%	4865.20%

※TSR: calculated as capital gain + income gain assuming the income gain is re-invested and the value of the re-invested dividend is taken into account.

# Power of Equity

We, IR Japan, are a consulting firm  
that provides services with high additional value based on voting power,  
for the development of the capital market.

Power of Equity

IR Japan



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