

Power of Equity

IR Japan



# Financial Results

For the First Half of Fiscal Year Ending March 31, 2021  
(April 1, 2020–September 30, 2020)

November 19, 2020

IR Japan Holdings, Ltd. (6035)

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# **1. Financial Results for the First Half of the Fiscal Year Ending March 31, 2021**



# First Half of FY2021: Financial Highlights

**We achieved historical highs for sales and all measures of profit in our 2Q consolidated cumulative results.**

	<b>FY2021 1H</b> (April 2020—September 2020)			<b>FY2020 1H</b> (April 2019—September 2019)
	Amount (Millions of Yen)	Change (Millions of Yen)	Change from Previous Period (%)	Amount (Millions of Yen)
Net Sales	<b>4,102</b>	<b>703</b>	<b>20.7</b>	3,398
Operating Profit	<b>2,035</b>	<b>561</b>	<b>38.1</b>	1,474
Ordinary Profit	<b>2,030</b>	<b>559</b>	<b>38.0</b>	1,471
Profit Attributable to Owners of the Parent Company	<b>1,380</b>	<b>370</b>	<b>36.7</b>	1,009
(Reference) EBITDA*	<b>2,144</b>	<b>555</b>	<b>35.0</b>	1,588

\*EBITDA : Operational Profit + interest paid + depreciation cost

※ EBITDA : 経常利益+支払利息+減価償却費



# First Half of FY2021: Cost Breakdown

**SGA expenses increased due to continued proactive investment in human resources.**

(Millions of yen)

Breakdown	Item	FY2021 1H (April 2020—September 2020)	FY2020 1H (April 2019—September 2019)	Change
Variable Costs (Costs of Sales)	Outsourcing	315	359	-43
Fixed Costs (SG&A)	Personnel	983	851	132
	Depreciation	112	116	-3
	Rent	189	185	4
	Other (including database)	463	410	53
Total	COS + SG&A	2,066	1,924	142



- **We achieved success by transitioning our front office personnel from a “work from home” structure to a thorough COVID-19 preventive in office work environment. This successful transition led to record high profits and sales.**
- **Completion of a number of large scale projects was moved to the 3Q or later in the year. As a result of this, our 2Q consolidated cumulative financial results were below the forecasts for sales and profits disclosed following the announcement of 1Q financial results.**
- **Moving forward, as people’s special view of the COVID-19 crisis fades, proxy voting guidelines and voting decisions will become increasingly strict. We also assume that disclosures of disputes over corporate control by both activists and strategic buyers will be coming all at once.**



## The difference between forecast (July 2020) and actual 2Q consolidated (cumulative) results

- **2Q consolidated cumulative financial results were below forecasts for sales and profit as disclosed at the end of 1Q. The reason for this was due to the completion of a number of large scale projects moving into 3Q or later in the year.**

	<b>Cumulative 2Q</b>	<b>Forecast 2Q</b> <small>*as of 7/31/20</small>	<b>Difference</b>	<b>Rate Achieved</b>
Net Sales	<b>4,102</b>	<b>4,350</b>	<b>-248</b>	<b>94.2%</b>
Operating Profit	<b>2,035</b>	<b>2,218</b>	<b>-183</b>	<b>91.7%</b>
Ordinary Profit	<b>2,030</b>	<b>2,218</b>	<b>-188</b>	<b>91.5%</b>
Profit Attributable to Owners of the Parent Company	<b>1,380</b>	<b>1,505</b>	<b>-125</b>	<b>91.6%</b>
EPS	<b>77.74</b>	<b>84.78</b>	<b>-7.04</b>	<b>91.6%</b>



# Trend in the Number of Contracts and Forecast Sales Amounts for Large Scale Projects (>¥50m)

- For the first half (4/20 to 9/20) the number of large scale projects achieved was only 13, due to some completions moving into 3Q or later.
- At the time of the announcement of 2Q results, the number of large scale contracts scheduled for completion within the fiscal year showed a large increase year on year and sales for contracted projects are also forecast to be greater than the previous fiscal year.

## Year on Year Comparison (As at the time of 2Q results announcement)

	First Half		Second Half		Full Year Aggregate	
	Result		As announced at 2Q			
	Number	Sales (¥m)	Number	Sales (¥m)	Number	Sales (¥m)
FY2021 (Disclosed 10/30/2020)	13	1,694	13	1,742	26	3,437
FY2020 (Disclosed 11/7/2019)	7	702	9	1,058	16	1,759
Increase	6	993	4	685	10	1,678





# The Trend for the Forecast of Large Scale Projects (>¥50m) Contracts and Forecast Sales

- During the 2<sup>nd</sup> half of FY2020, we received orders for 7 large scale contracts. When combined with orders received during the 1<sup>st</sup> half of the year, we booked a total of 16 2<sup>nd</sup> half orders and a total of 23 projects for the year.
- For this period, we continue to leverage our unique strengths and look to further increase the number of orders for large scale projects.

## Year on Year Comparison (As of the announcement of 5/15/2020)

	First Half		Second Half				Total	
	Result		As of 2Q Results		From 3Q			
	Number	Amount (¥m)	Number	Amount (¥m)	Number	Amount (¥m)	Number	Amount (¥m)
FY2021 Announced 10/30/2020	13	1,694	13	1,742	—	—	26	3,437
FY2020 (Announced 5/15/2019)	7	702	9	1,058	7	1,479	23	3,238
Increase	6	993	4	685	—	—	3	198



# Types of Large Scale Projects (>¥50m) and Sales (Forecast)

## 1st Half Result

Type of Project	FY2021	FY2020	Change
	First Half	First Half	
PA・FA: Corporate Control	826	314	512
PA・FA: Activist Response	610	337	272
FA: Corporate (e.g. MBO)	200	—	200
SR・PA: Large Scale	58	50	8
Total	1,694	702	993

## Comparison with FY2020

Type of Project	FY2021	FY2020	Change
	2Q Announcement	Result	
PA・FA: Corporate Control	1,187	909	277
PA・FA: Activist Response	1,524	1,514	10
FA: Corporate (e.g. MBO)	325	705	-380
SR・PA: Large Scale	400	110	290
Total	3,437	3,238	198



# Revisions to the Forecast for Consolidated Earnings for FY2021 (announced October 30, 2020)

- We are expecting that our SR business will show favorable expansion and that our PA and FA investment banking business will see more orders for large scale projects.

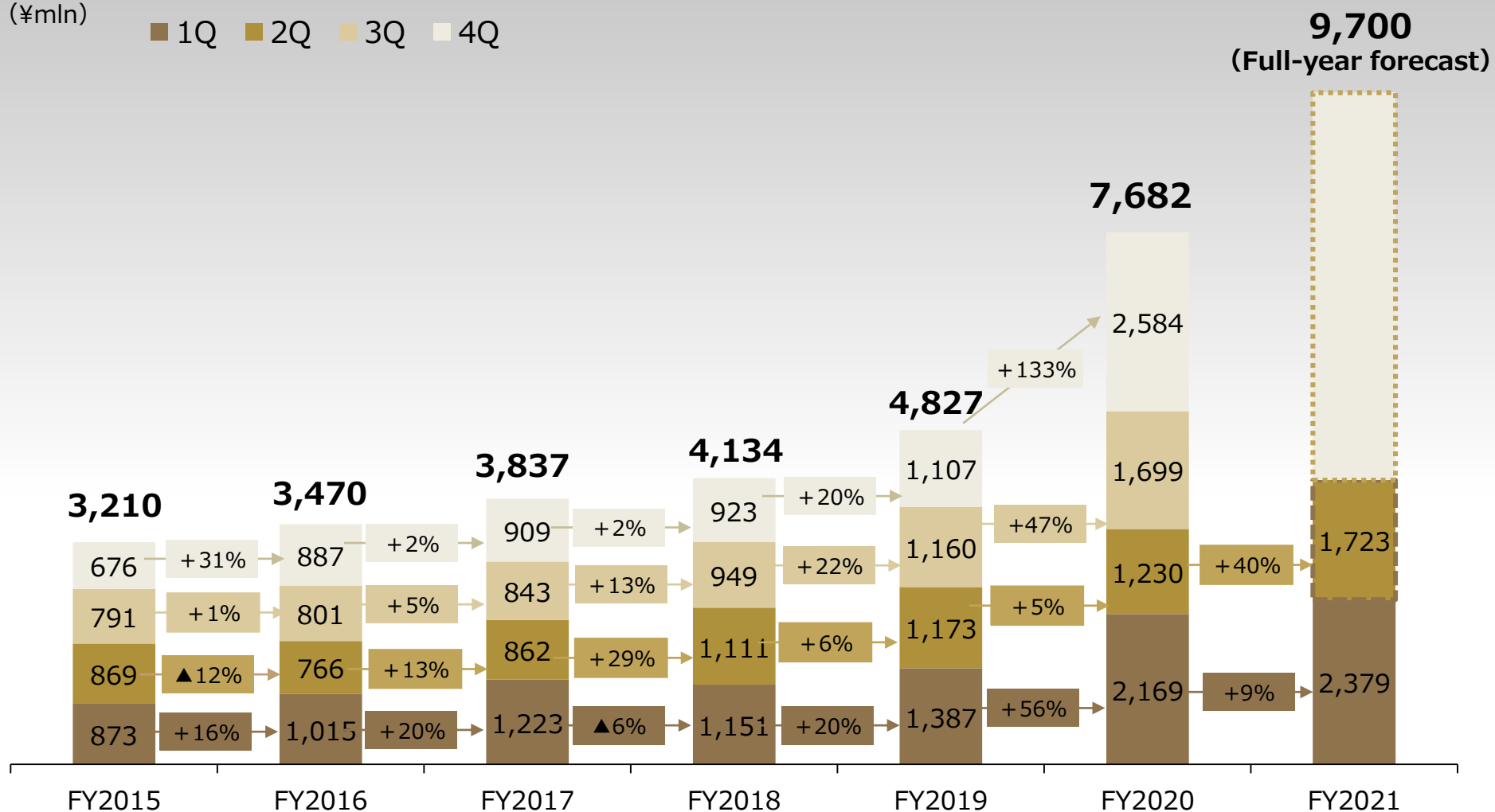
	Full Year (FY2021)			Previous Forecast *Announced on 7/31 (FY2021)		Previous Year (4/2019—9/2019)	
	Amount (¥m)	Change (¥m)	Change (%)	Amount (¥m)	Change (%)	Amount (¥m)	Change (%)
Sales	9,700	2,017	26.3	9,000 – 9,500	17.2 – 23.7	7,682	59.1
Operating Profit	4,700	1,073	29.6	—	—	3,626	152.8
Ordinary Profit	4,690	1,078	29.9	—	—	3,611	149.5
Profit attributable to owners of the parent company	3,150	704	28.8	—	—	2,445	150.3



# Trend of Quarterly Sales

(¥mln)

1Q 2Q 3Q 4Q

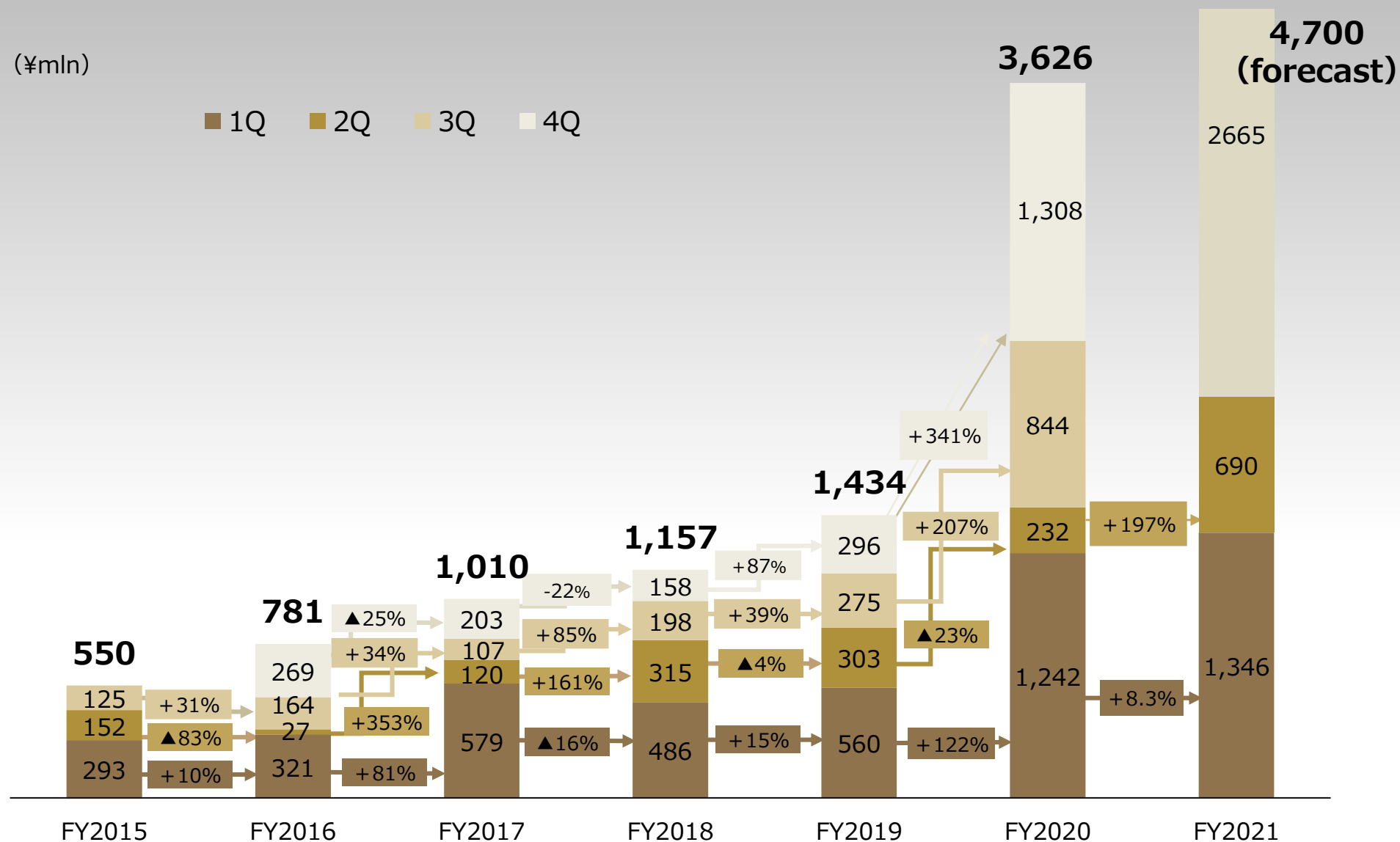




# Trend of Quarterly Operating Profit

(¥mln)

■ 1Q ■ 2Q ■ 3Q ■ 4Q





# More Activity Seen in Corporate Reorganizations and Contests for Corporate Control

We are seeing concrete and rapid progress in dramatic corporate actions such as group reorganizations, mergers, asset sales, review of strategic capital tie-ups, the dissolution of parent subsidiary dual listings and spin offs of portfolio businesses.

## Hostile Takeovers

**Nitori** TOB of **Shimachu**

**COLOWIDE** TOB of **OOTOYA**

**Maeda Corp.** TOB of **Maeda Road Construction**

**City Index Eleventh Co.** TOB of **Toshiba Machine**

**NuFlare Technology** TOB of **HOYA**

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## Dissolution of Parent Subsidiary Dual Listings

**NTT** 100% buyout of **NTT DoCoMo**

**ITOCHU** 100% buyout of **FamilyMart**

**SONY** 100% buyout of **Sony Financial**

**LIXIL** sale of **LIXIL Viva**

**Hitachi** sale of **Hitachi Chemical**

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# Increased Activity by Activist Investors

**Activists have broken through to making concrete suggestions to listed companies. The catalysts for reaching this stage is the use of event driven strategies such as hostile TOBs and making demands to convene extraordinary shareholder meetings.**

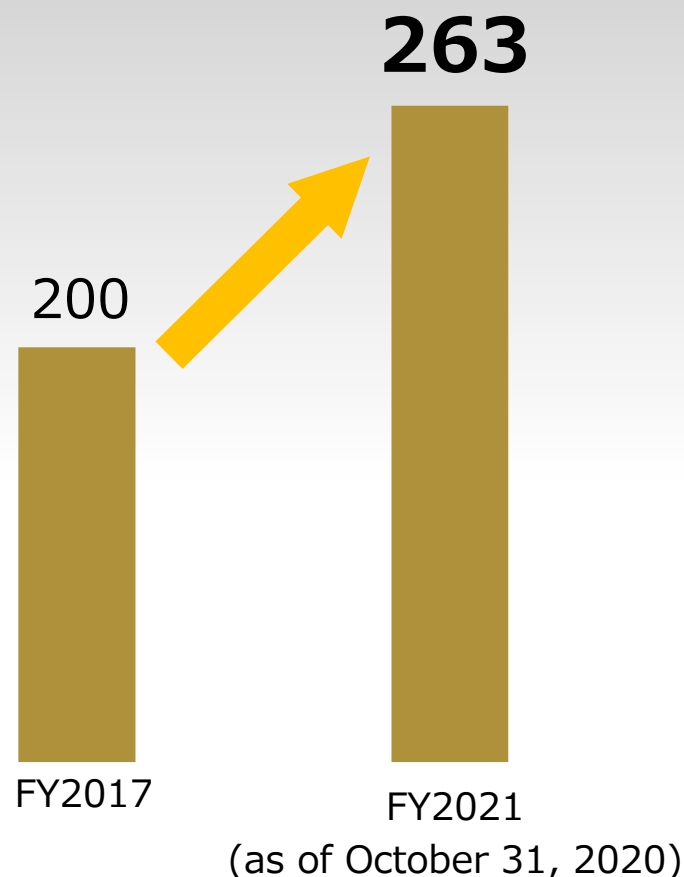
Fund	Company	Proposal Date	Demands
Alpha Leo	Inui Global Logistics	5/2020	Shareholder Proposal (Dismissal of 3 Corporate Auditors, Introduction of a Clawback Clause, Sale of Strategic Shareholdings, Changes to the Article related to Capital Raising) *General Meeting of Shareholders
Horizon Capital	Watanabe Sato	5/2020	Shareholder Proposal (Change to Articles related to the Disposal of Important Assets, Disposal of Non-Core Assets, Share Buybacks)
Oasis Management	Fujitec Co. Limited	5/2020	Shareholder Proposal (Change Articles Cancellation of Treasury Shares, Cancellation of Shares)
RMB Capital	TV Asahi	5/2020	Shareholder Proposal (Share Repurchase)
Japan Act	Sun A. Kaken	5/2020	Changes to the Articles (Sale of Strategic Shares, Share Repurchases)
LIM Advisors	Nichii Gakkan	6/2020	Made public a letter proposing an Increase to the MBO Price
3d Investment Partners	Toshiba	6/2020	Shareholder Proposal (Election of 2 Directors)
Effissimo Capital	Toshiba	6/2020	Shareholder Proposal (Election of 3 Directors)
Oasis Management	FamilyMart	8/2020	With regard to ITOCHU's TOB of FamilyMart, Demanded Special Dividend
RMB Capital	FamilyMart	8/2020	Made public a letter demanding ITOCHU raise the TOB price for FamilyMart
Oasis Management	Tokyo Dome	10/2020	Demanded the convening of an EGM (Dismissal of 3 Directors)
Strategic Capital	Keihanshin Building Co.	11/2020 <sup>1</sup>	TOB (Bid for 20% of shares (10,206,100 shares). Post bid holdings is 29.33%)



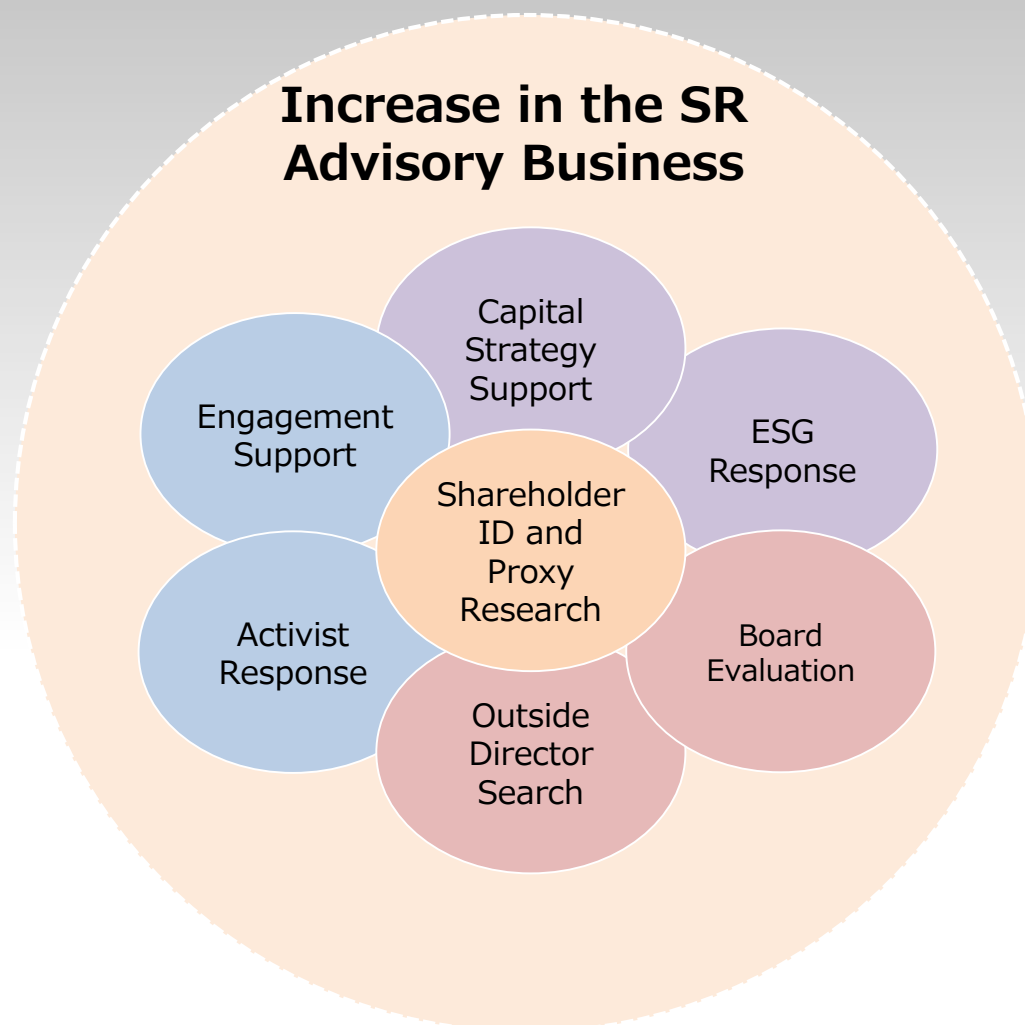
# The Source of Clients for the PA · FA Businesses (our SR Business)

## Increase in the Number of Core Clients

\*Yearly contracts greater than ¥5m



## Increase in the SR Advisory Business



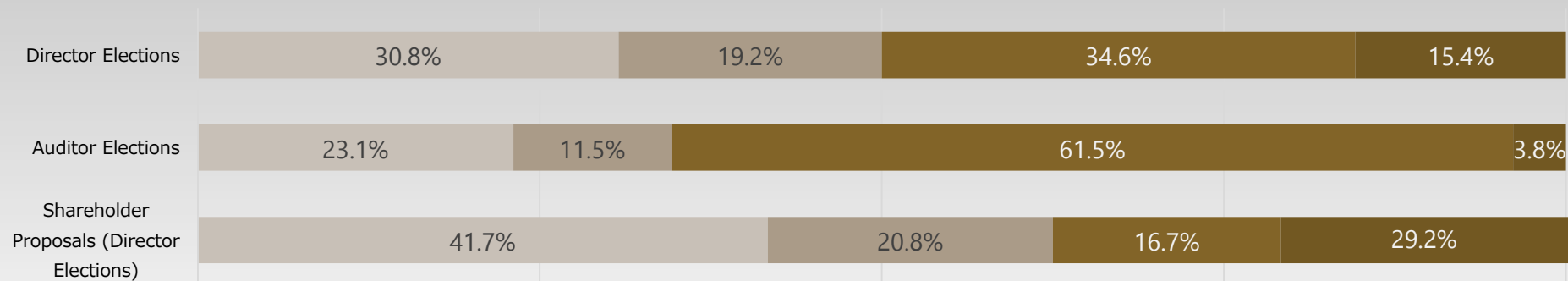




# Against Vote and Abstention Rates by Domestic, North American and European Institutional Investors

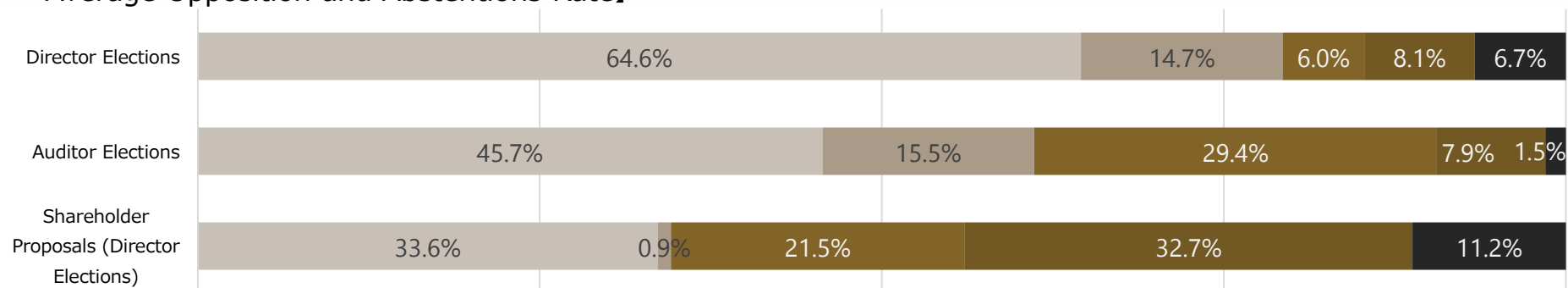
【Domestic Institutions : Average Opposition・Abstentions Rate】

0~5% 6~10% 11~20% 21~50% 51%~



【NA and European Institutional Investors:  
Average Opposition and Abstentions Rate】

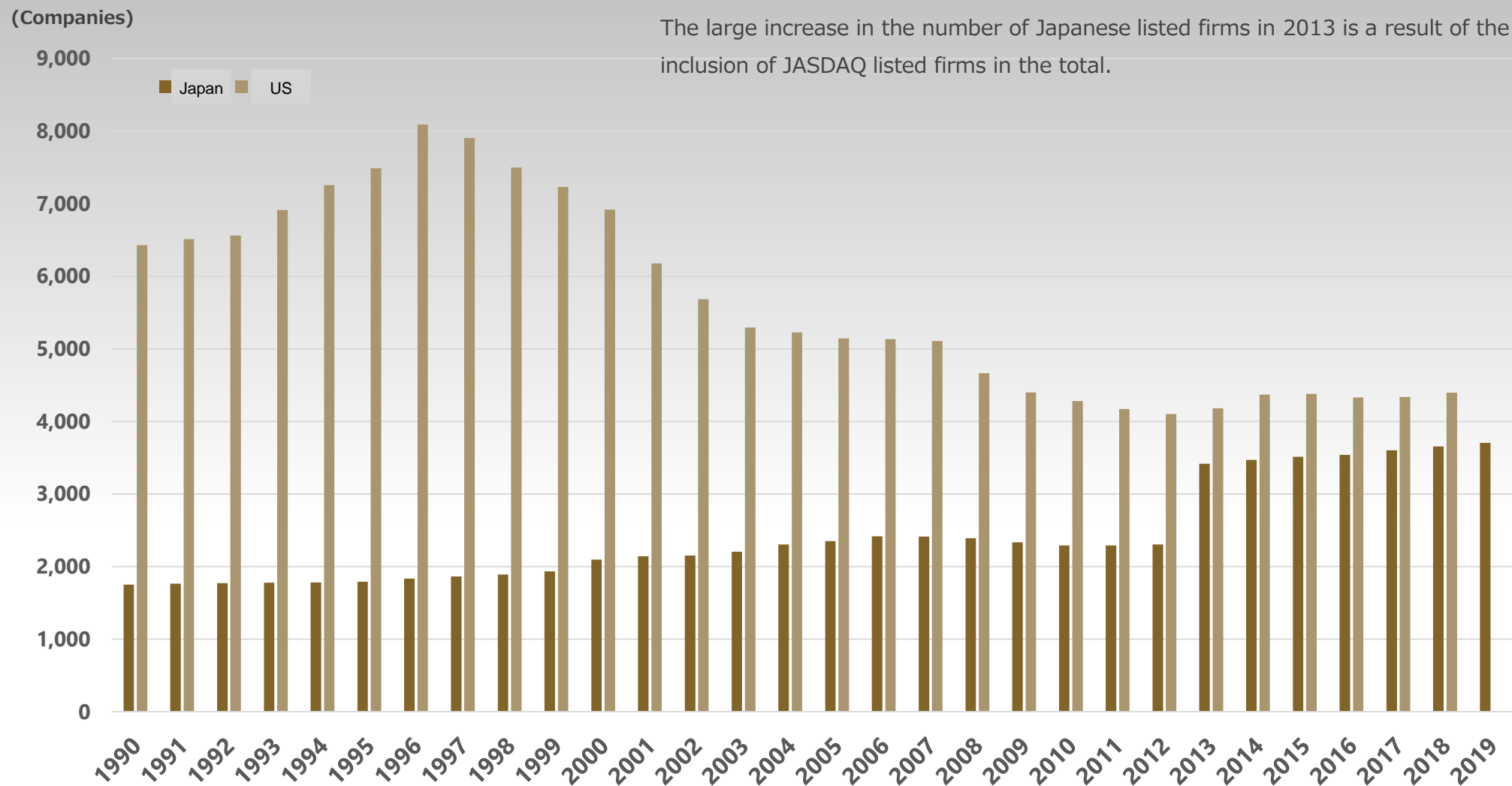
0~5% 6~10% 11~20% 21~50% 51%~



Note: IR Japan data aggregated from Public Sources



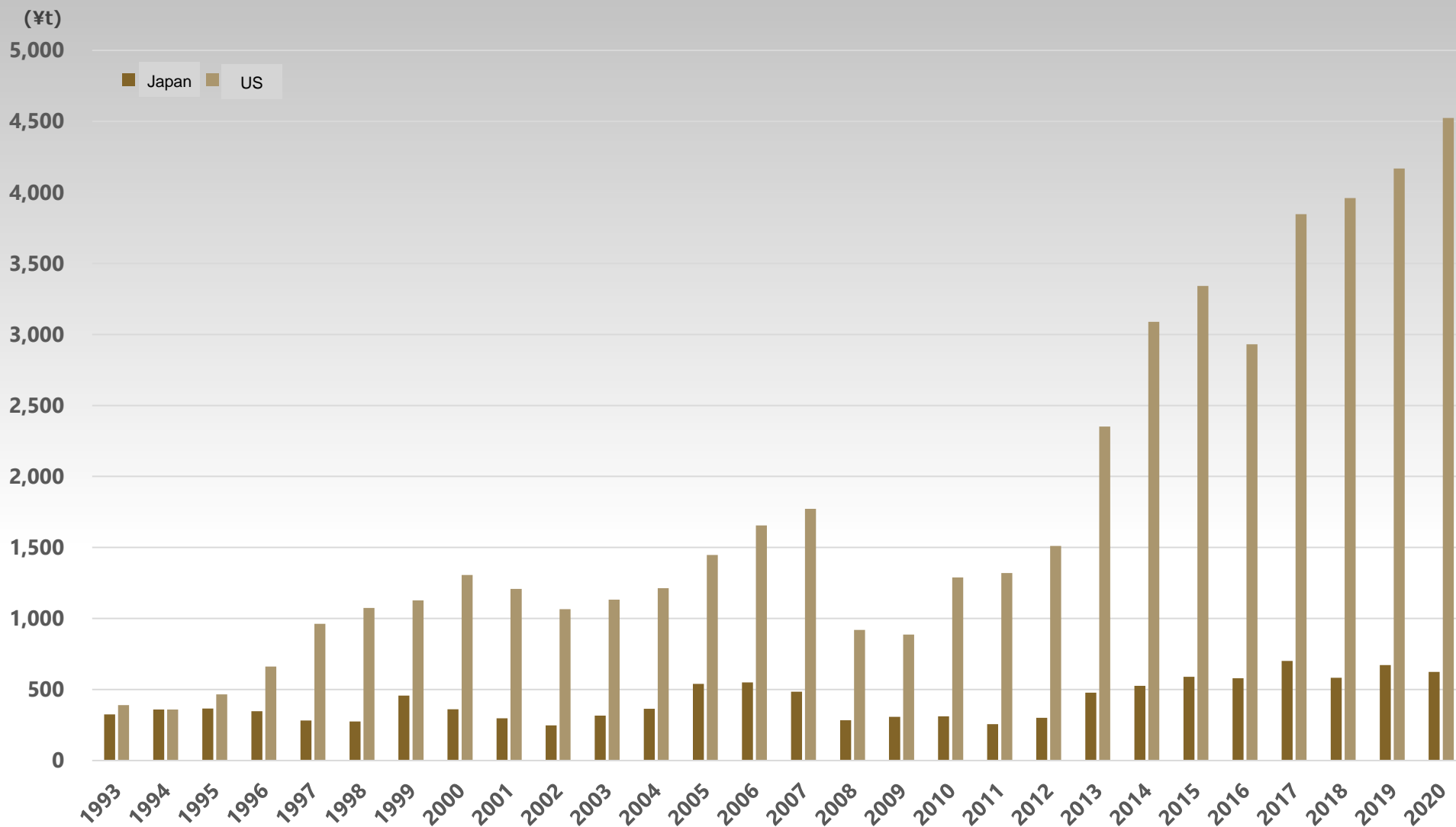
# Comparison of the Number of Listed Companies in the US and Japan



Note: IR Japan data aggregated from public information



# Comparison of the Market Capitalization of Japanese and US Firms



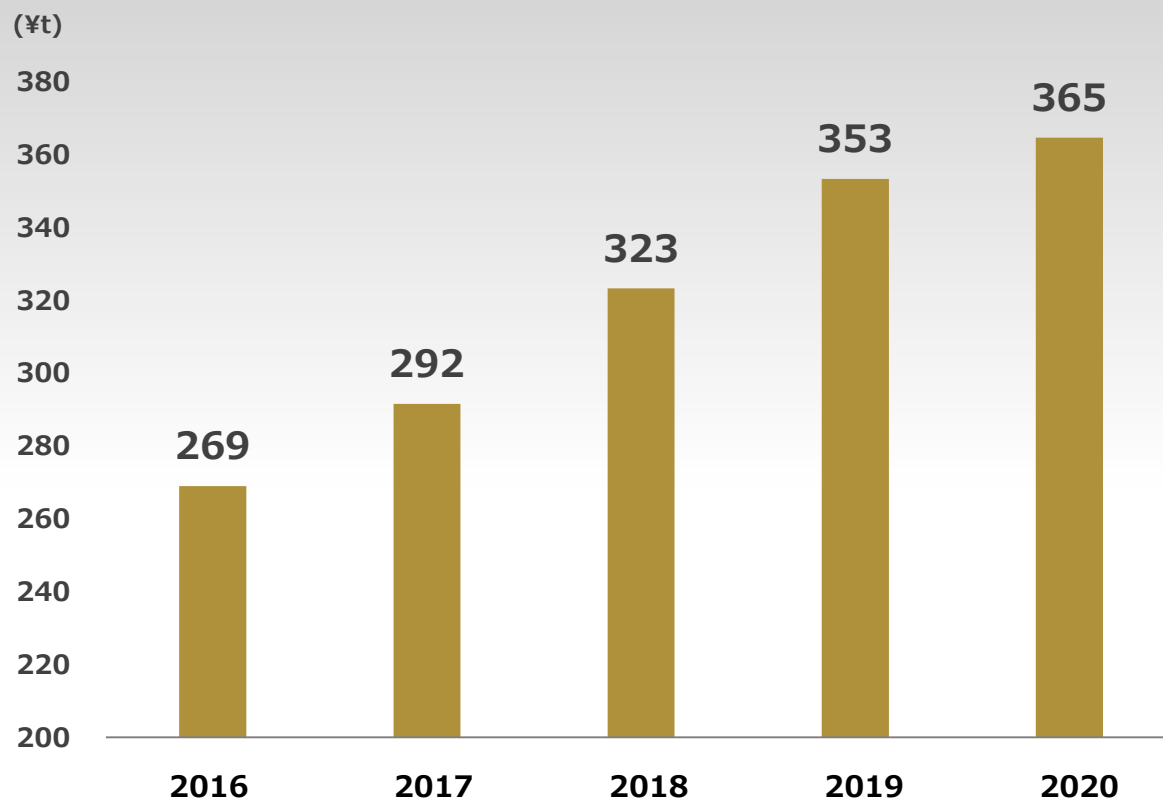
Note: IR Japan data aggregated from public information



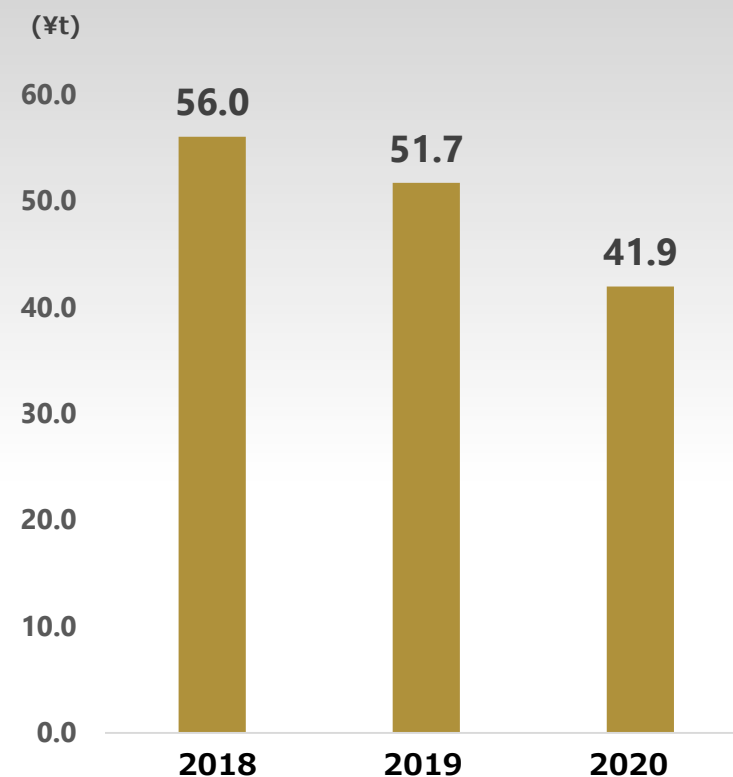
# Japanese Firms' Retained Earnings and Strategic Shareholdings

## Earned Surplus of Listed Japanese Companies

Note: Retained Earnings = Earned Surplus + modified by assumptions



## Strategic Shareholdings



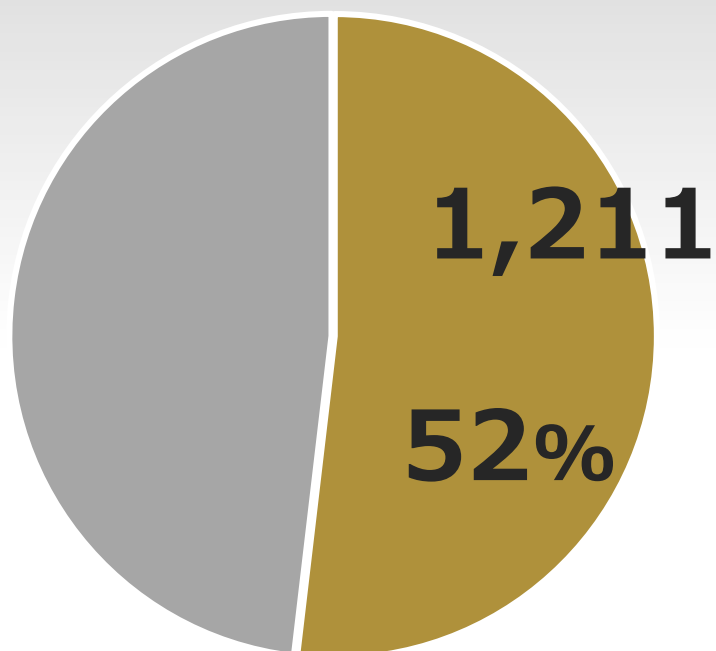
Note: IR Japan data aggregated from public information



## Companies with Multiple Business Lines: Number of Firms with a Negative EVA Spread

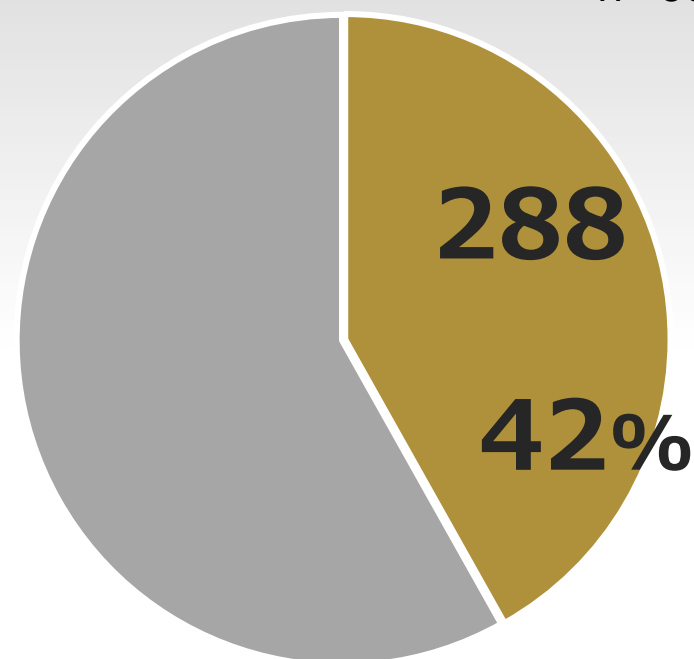
【All Listed Firms】

n=2,335



【Market Capitalization > ¥50b】

n=685



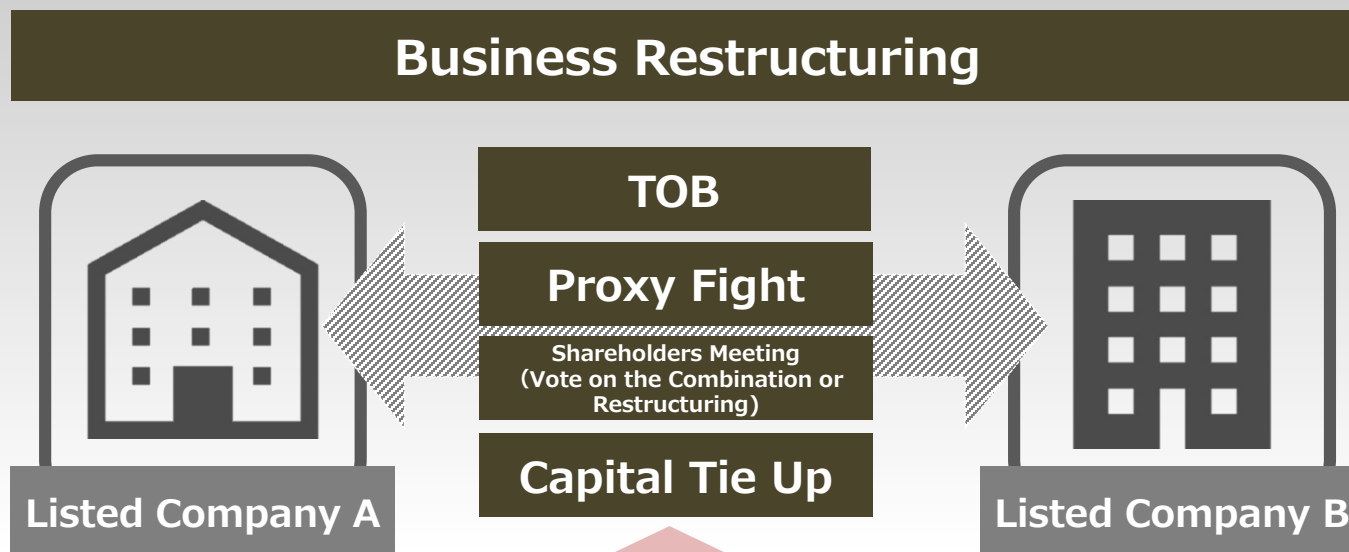
Note: IR Japan data aggregated from public information

Companies with 2 or more business lines



# The Positioning of our Firm in the Large Scale M&A Advisory Business

In the advisory business for large scale M&A related business restructurings and contests for corporate control, the most important activity is the getting proxy votes that make a TOB possible along with victory in proxy fights.



Understanding the point of view of shareholders, financial advice thoroughly aligned to clients and a strong familiarity with the Proxy Advisory business are absolutely necessary.

**Made in Japan Investment Bank**

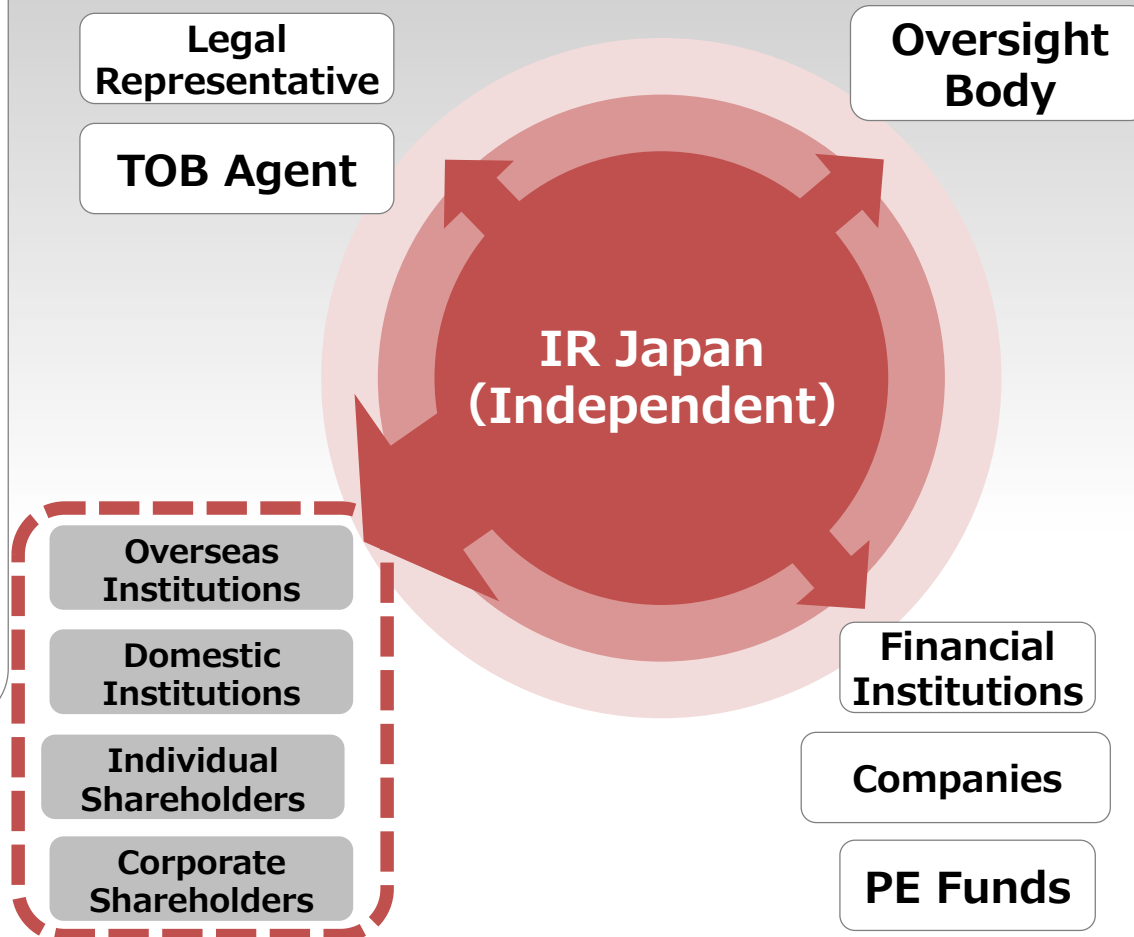


# Our “Made in Japan” Investment Banking Business

## IR Japan’s Positioning at the Time of a Business Restructuring



## Our Positioning in the Equity Market





## A “Made in Japan” Investment Banking Business

**Adhering strictly to the tenets of the defense of minority shareholders and increasing the shared economic interest of shareholders, we provide one and only equity consulting services using the weapon of our combination of Proxy Advisory and Financial Advisory services which leads to overwhelming results.**

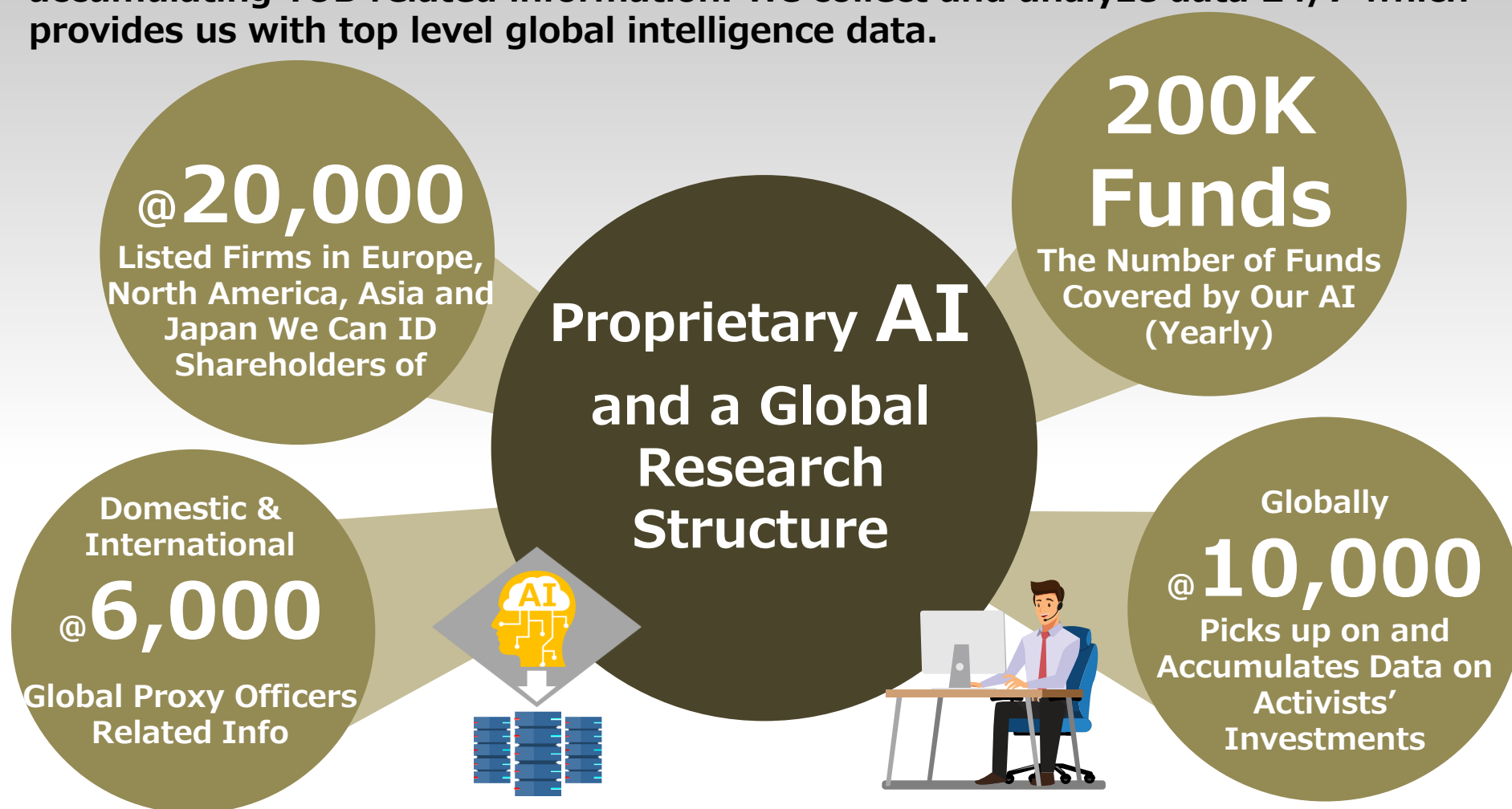
- ✓ **Complete strategic planning and execution for proxy fights**
- ✓ **Convening of and Responses to Extraordinary Meeting of Shareholders**
- ✓ **Proxy fights and tabulation**
- ✓ **Response to hostile TOBs**
- ✓ **Response for Shareholder Buyback TOBs**
- ✓ **TOB compliance simulations**
- ✓ **Placement Agent (Third Party Allotments)**
- ✓ **Strategic planning and execution of M&A & MBO**





# The Driving Forces Accelerating Orders of Large Scale Projects

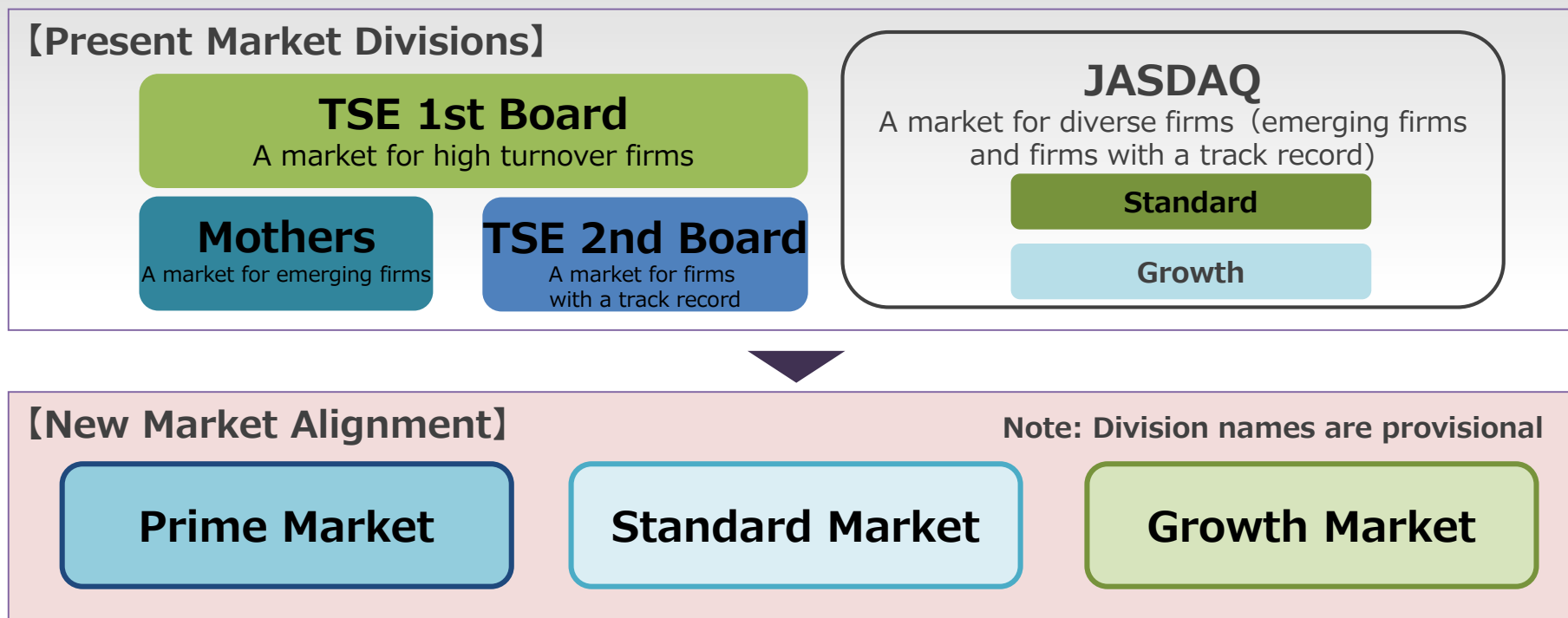
Fully utilizing AI, we augment our database by covering all global institutional shareholders, activist investors' shareholdings and proxy voting as well as accumulating TOB related information. We collect and analyze data 24/7 which provides us with top level global intelligence data.





# The Tokyo Stock Exchange Realignment

- The Japan Exchange Group has 5 divisions within its existing stock exchanges. The Group has proposed a revamp aiming for an April 1, 2022 change creating 3 divisions known as the “prime market,” the “standard market” and the “growth market.”
- Going forward it’s possible that we will see more demand for MBOs from firms for choosing that as an option when not listing on the prime market





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

Type of deal	Contracted Firm	Type of Contract	Content
Contest for Corporate Control	Listed Firm (Mkt. Cap>¥500b)	FA・PA	TOB
Contest for Corporate Control	Listed Firm (Mkt. Cap>¥500b)	FA・PA	TOB
Contest for Corporate Control	Listed Firm (Mkt. Cap>¥50b)	FA・PA	Business Strategy, M&A
Contest for Corporate Control	Listed Firm (Mkt. Cap>¥100b)	FA・PA	TOB
Activist Response	Listed Firm (Mkt. Cap>¥500b)	FA・PA	Business Strategy, M&A, Shareholder Return
Activist Response	Listed Firm (Mkt. Cap>¥500b)	FA・PA	Business Reorganization, TOB
Activist Response	Listed Firm (Mkt. Cap>¥100b)	FA・PA	Business Strategy, Shareholder Return, TOB
Activist Response	Listed Firm (Mkt. Cap>¥50b)	FA・PA	Business Strategy, Shareholder Return, TOB
Large SR-based support	Listed Firm (Mkt. Cap>¥500b)s	PA	Corporate Governance, SR
Large SR-based support	Listed Firm (Mkt. Cap>¥500b)	PA	Corporate Defense, SR
MBO	Listed Firm (Mkt. Cap>¥50b)	FA	MBO

**\*The above in-progress large-scale projects are expected to be booked in FY2021.**



- **The total number of firms licensed by the FSA, the TSE and all other stock markets to conduct the transfer agency business is presently four. It was recently discovered that of the 4 firms conducting the transfer agency business, 2 were found to not appropriately tabulate proxy votes.**
- **We have already disclosed the truth that IR Japan, Inc. has not engaged in the inappropriate tabulation of proxy votes.**

## Details of our Transfer Agency Business' Tabulation of Proxy Votes

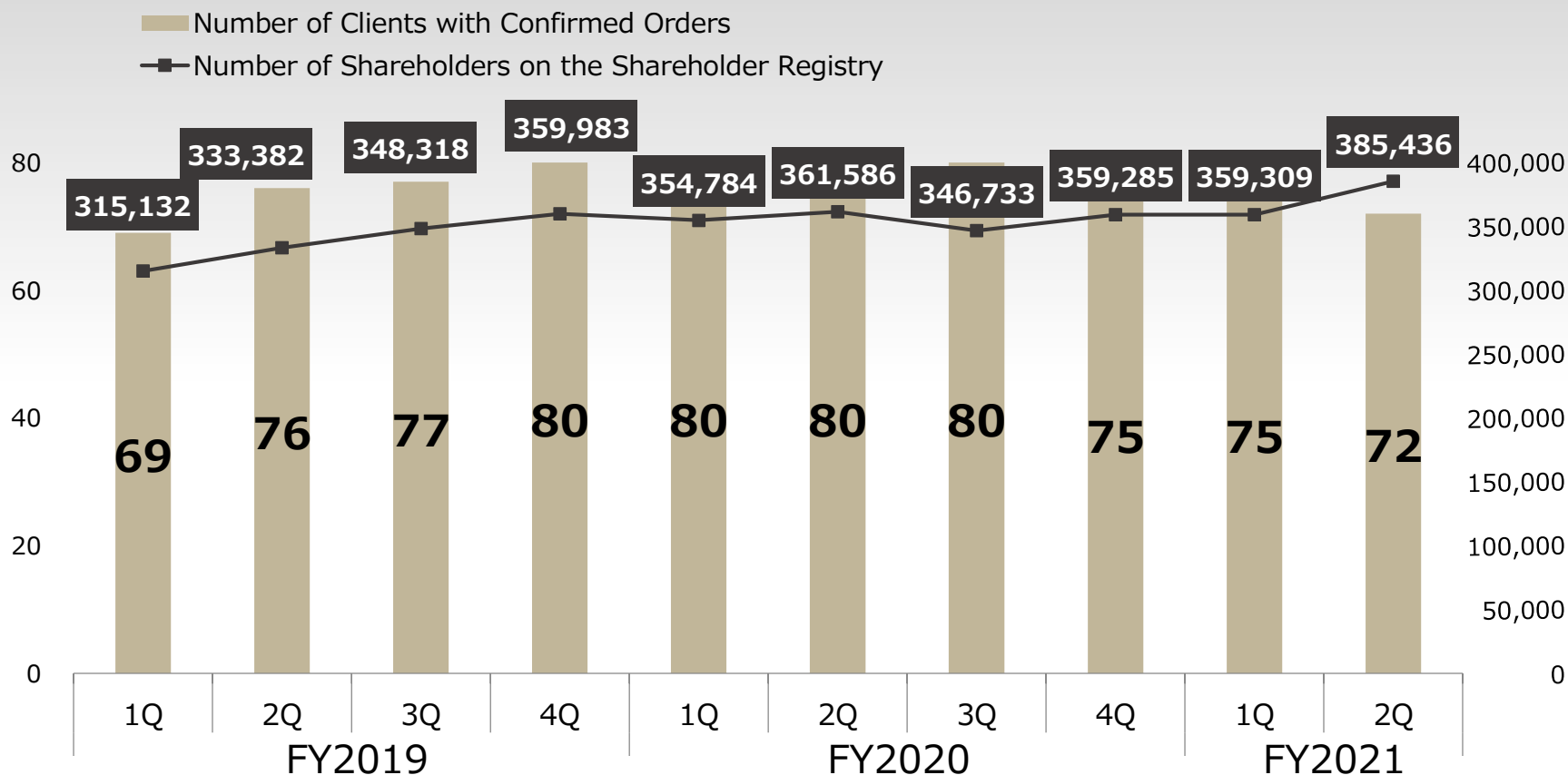
1. Voted proxy cards delivered from the post office are tabulated on the same day and the results are delivered to the company later on the same day.
2. Proxy cards delivered by the day prior to the cutoff time the day before the shareholder meeting are input on the same day, tabulated and reflected in the total result.
3. Votes cast via the internet are processed into the system and are accepted up to the cut-off time.
4. All valid proxy cards that arrive by the cut-off date for voting at the shareholders meeting in question are all counted and are reflected in the total tabulated.



# Transfer Agency Business

**Firms under contract number 72 and we administer 385,436 shareholders (as of September 30, 2020). We continue our strategic sales strategy of making a clear distinction from conventional transfer agents by focusing on defense against activists and hostile TOB.**

**Number of Contracts**



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



# Revision of the Forecast for the Entire Fiscal Year (Announced on October 30)

- We are expecting that our SR business will show favorable expansion and that our PA and FA investment banking business will see more orders for large scale projects.

	Full Year (FY2021)			Previous Forecast *Announced 7/31 (FY2021)		Previous Year (4/2019—9/2019)	
	Amount (¥m)	Change (¥m)	Change (%)	Amount (¥m)	Change (%)	Amount (¥m)	Change (%)
Sales	9,700	2,017	26.3	9,000 – 9,500	17.2 – 23.7	7,682	59.1
Operating Profit	4,700	1,073	29.6	—	—	3,626	152.8
Ordinary Profit	4,690	1,078	29.9	—	—	3,611	149.5
Profit attributable to owners of the parent company	3,150	704	28.8	—	—	2,445	150.3



■ Given the increase in forecasts for the full year, we will raise the interim dividend by 10 yen up to 35 yen per share.

We plan to raise the final dividend by 5 yen up to 50 yen per share. Thus, we plan to increase the full year dividend by 15 yen to 85 yen per share.

Dividend per Share	Interim	Year-end	Full Year	Payout Ratio
FY2021 (Forecast)	¥35	¥50	¥85	47.9%
FY2021 (Initial Forecast)	¥25	¥45	¥70	—
FY2020 Actual	¥25	¥45	¥70	51.0%



## **3. Supplementary Information**



# 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.

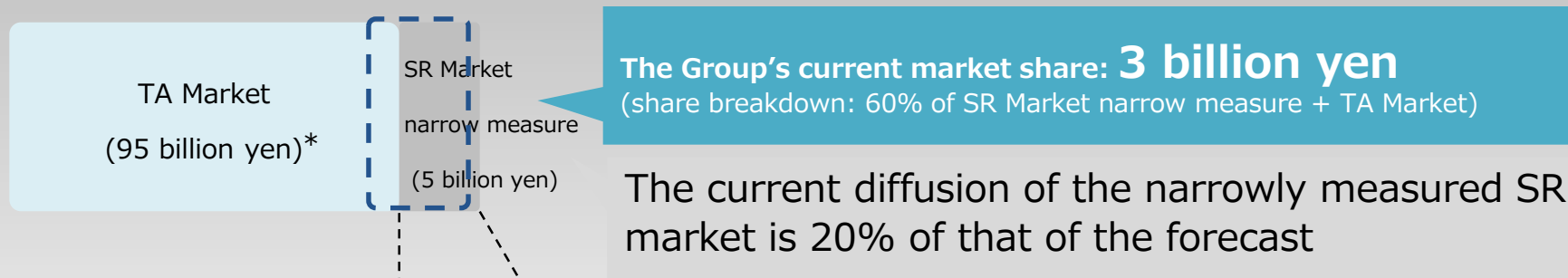
Data Source :

■ 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	3/31/2020	10/31/2020
1 Year	304.09%	413.04%
3 Years	673.90%	1853.32%
5 Years	1222.39%	2802.27%
From Listing (3/11/2011)	2820.25%	8608.84%

\*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.



# (Reference) Sales by Business Segment

## 2Q of the Fiscal Year ending March 31, 2021

	<b>FY2021 1H</b> (4/2020—9/2020)			<b>FY2020 1H</b> (4/2019—4/2019)
	Amount (¥m)	Percent of Total (%)	YOY Change (%)	Amount (¥m)
IR・SR Consulting	<b>3,791</b>	<b>92.4</b>	<b>27.8</b>	2,965
Disclosure Consulting	<b>226</b>	<b>5.5</b>	<b>-34.0</b>	343
Database/Other	<b>84</b>	<b>2.1</b>	<b>-5.8</b>	89

# 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



**“Power of Equity”** is a registered trademark of IR Japan