



Nihon M&A Center Holdings Inc.

24F TEKKO BUILDING, 1-8-2, Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Japan

Phone: +81-3-5220-5451

<https://www.nihon-ma.co.jp/en/>



Corporate Mission

Assisting companies to continue and prosper through M&A

Contents

● Nihon M&A Center Group Vision and Value Creation

- 1 Corporate Mission/Contents/Editorial Policy/Tool Map
- 3 Our Purpose
- 5 About Nihon M&A Center Holdings
- 7 History of Value Creation
- 9 Value Creation Process
- 11 Message from the President

● Initiatives to Prevent Recurrence and Strengthen Systems

- 17 Message from the Chief Compliance Officer (CCO)
- 19 Progress of Recurrence Prevention Measures
- 23 Compliance

● Growth Strategies Designed to Create Value

- 25 Business Environment
- 27 Medium-term Management Targets
- 29 Management Strategy Driven by Our Purpose
- 35 Message from the Human Resources Officer
- 37 Human Resources Strategy: M&A Consultants

● Foundation that Supports Value Creation

- 39 Materiality (Priority Issues)
- 43 Management Framework
- 48 Corporate Governance
- 52 Risk Management
- 53 Information Security
- 55 Roundtable Discussion with Directors and Outside Directors
- 59 Human Resource Initiatives
- 63 Environment
- 65 Message from the Chairman

● Data Section

- 67 Financial and Non-financial Highlights
- 69 Consolidated Financial Statements
- 72 Corporate and Stock Information
- 73 External Evaluations and Commitments

Editorial Policy

This Integrated Report is designed to convey information to our shareholders, investors, and other stakeholders about the Nihon M&A Center Group's medium- to long-term visions, strategies and initiatives as well as progress made and issues encountered. We hope that this report will serve as an information disclosure tool that conveys Group initiatives in a readily understandable way for all stakeholders.

We will continue to improve the standard of our activities and make the report easier to understand, heeding stakeholder opinions on this report.

Referenced Guidelines

- "International Integrated Reporting Framework", International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation", Ministry of Economy, Trade and Industry

Reporting Period

April 1, 2021 to March 31, 2022
(Includes some contents that fall outside this target period)

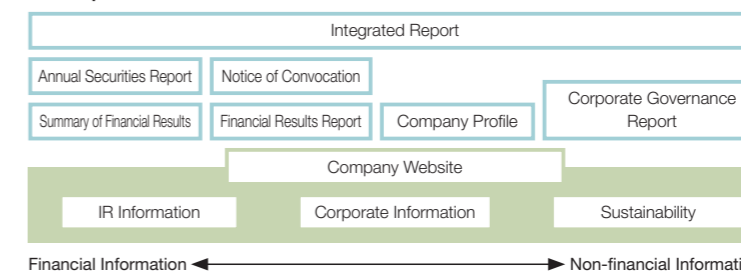
Scope of Report

Nihon M&A Center Holdings Inc. and its Group companies
*The reporting period and organization may differ depending on the topic.

Report Publication Date

November 2022

Tool Map



Disclaimer

Any statements made in this report regarding industry trends and analysis, future plans and expectations, etc. are based on currently available information. We acknowledge the existence of risks and uncertainties that could significantly alter our future business environment. Therefore, those statements do not constitute a guarantee that any future plans and expectations will be achieved.

To access a broader range of relevant information:
<https://www.nihon-ma.co.jp/en/>



Our Purpose To connect hopes and dreams for the best M&A experience in Japan and then the world

Our Determination Expressed in Our Commitment

Many companies face tough challenges in management succession. Others struggle to realize organic growth. Our mission is to connect both parties through M&A and support them to continue and prosper. We work hard to sustain traditional brands and protect unique technologies, help them grow, revive regional communities and ultimately revive Japan.

With this desire, we have been a pioneer in M&A matching business. Understanding and trust towards M&A as a business alternative, however, are not yet very strong. Hence hereby we commit to build communities in which M&A is a friendly business means. We connect ideas and thoughts of management, employees and their family members by bringing the best M&A to our clients for them to succeed.

We take pride in leading the industry, strive to perfect our services, and make a better world via top-class M&A in Japan and around the world.

Three Ultimate's

- Ultimate Compliance
- Ultimate Client Satisfaction
- Ultimate Service Quality

Three Thoughts

- Thoughts of Our Clients
- Thoughts of Employees of Companies Involved and Their Family Members
- Our Thoughts

Three Connects

- Connecting Companies
- Connecting Regions and Communities
- Connecting People

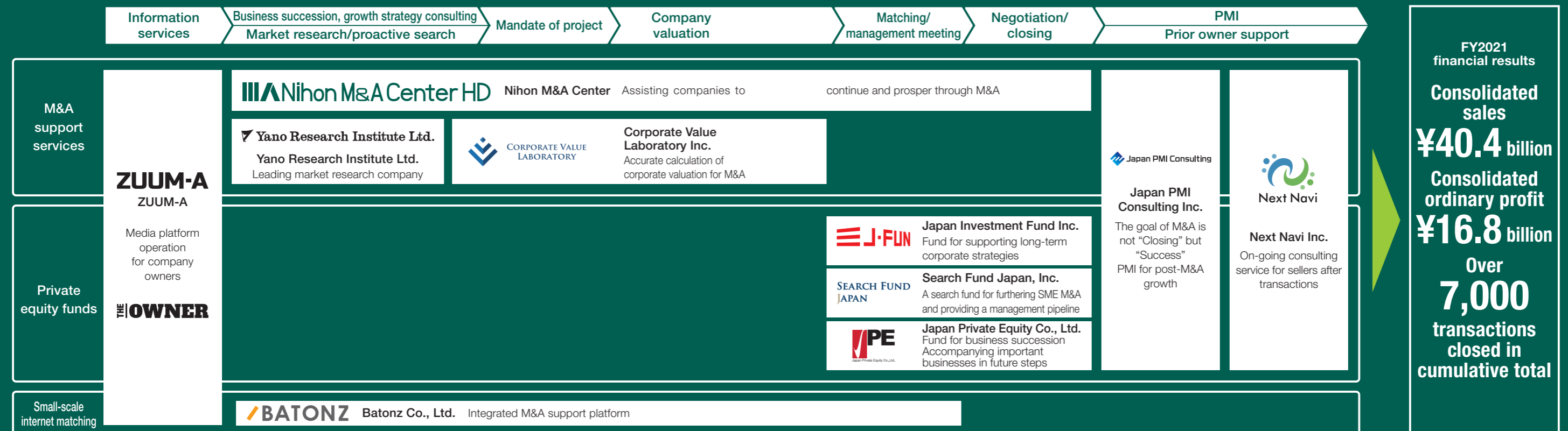


About Nihon M&A Center Holdings

As the industry leader, Nihon M&A Center Holdings aims to rescue as many companies as possible through M&A. To this end, our Group supports M&A in an integrated manner, by engaging in not only M&A intermediary activities but also strategy development, optimal company valuation, post-merger integration (PMI), and support through private equity funds.

The Group transitioned to a holding company structure on October 1, 2021. Positioning Nihon M&A Center as the hub, our specialized high quality group companies are expanding the scope of their services.

Nihon M&A Center becoming a hub for specialized high quality group companies



Business fields of the Nihon M&A Center Group

The Nihon M&A Center Group has established group companies dedicated to M&A-related support services, including company valuation and PMI. This enables us to offer specialized M&A-related services.

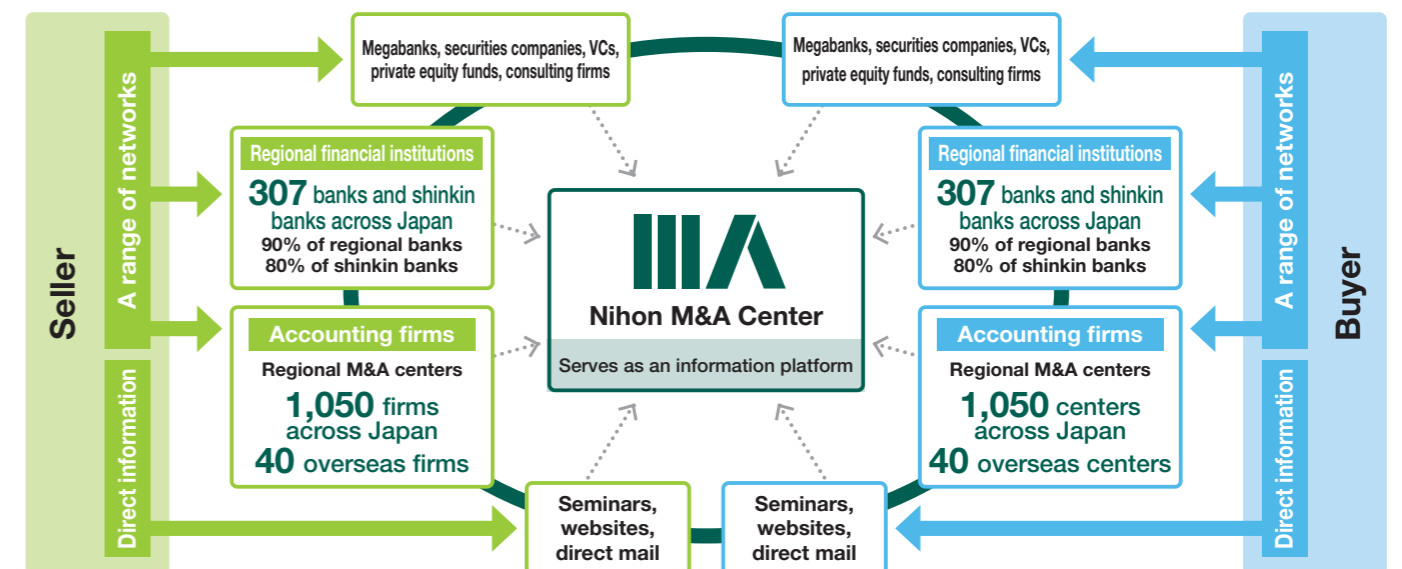
In addition, we strive to cover a wider range of services by creating an online matching system for small companies and strengthening services for medium-sized and overseas companies.

Our strengths

As the industry leader, the Nihon M&A Center Group has established industry standards for M&A intermediary services for SMEs.

In collaboration with accounting firms and regional financial institutions across Japan as well as major financial institutions and other entities we have built systems to collect information on M&A transactions. We have approximately 600 M&A consultants, which is the largest number in the industry. Well-organized matching activities are carried out taking advantage of company-wide matching meetings and company database containing information accumulated over a long period.

We achieve optimal M&A by taking all possible measures, such as ensuring an overwhelming matching capacity to find a company that has a corporate culture compatible with the seller's culture and/or highly values the seller, offering speedy support by experts with a wealth of experience and giving advice to prevent troubles.



History of Value Creation

To achieve its corporate mission “assisting companies to continue and prosper through M&A”, the Nihon M&A Center Group has been striving daily to support SMEs for 30 years since its foundation.

We have closed over 7,000 transactions in cumulative total, and we currently support M&As across Japan with 589 consultants (as of September 30, 2022), the largest number in the industry. In addition, we are stepping up the expansion of overseas locations as well as group companies that offer specialized services.

We will actively develop businesses to meet customer needs, continue to be the industry leader of M&A intermediary services for SMEs, and aim to become the top global integrated M&A company.

Aiming to Become the Top Global Integrated M&A Company

1991 Establishment

● April 1991
Foundation of the Company and formation of network of accounting offices

● May 2000
Formation of network of regional financial institutions

● October 2006
TSE Mothers listing

● December 2007
TSE 1st Section listing

■ Consolidated sales (million yen) ■ Consolidated ordinary profit (million yen)

1991 2000 2010 2020 (FY)

Founding period (1991 to 2000)

Nihon M&A Center Inc. was established by prominent CPAs and tax accountants nationwide. Accounting offices throughout the country were organized into a network “Regional M&A Centers”. We then established a nationwide financial M&A workshop to expand our network with regional banks. We also established a business alliance with Shinkin Central Bank, followed by similar alliances with its subsidiary Shinkin Capital and shinkin banks throughout Japan.

IPO period (2001 to 2010)

TSE Mothers listing in 2006. It was the first listing of a company in Japan specializing in intermediary M&A services for SMEs. In 2007, the Company was listed on the TSE 1st Section (a year and two months from the listing on the TSE Mothers, which is the fourth fastest transfer). The Company became the first M&A intermediary firm to list on the TSE 1st Section. In addition, nationwide business development started with the opening of Sapporo sales office in 2010.

Rapid growth period (2011 to 2020)

In the 2010s, Nihon M&A Center expanded M&A-related services by establishing subsidiaries and affiliates that offer specialized services, such as Corporate Value Laboratory Inc., Business Succession Navigator Inc. (currently Next Navi Inc.), Japan Investment Fund Inc., CG-J Partners Co., Ltd. (currently Japan PMI Consulting Inc.), &Biz Co., Ltd. (currently Batonz Co., Ltd.), ZUUM-A Co., Ltd., Search Fund Japan, Inc. In 2019, the Company obtained the J-Adviser qualification and launched IPO support services for the TOKYO PRO Market, thereby expanding business fields that contribute to regional and national regeneration.

Second founding period (2021-)

After opening the Singapore office in 2016, Nihon M&A Center opened representative offices and established overseas subsidiaries in the ASEAN region. We thus established our five locations, creating a structure that enabled us to press ahead with cross-border M&A support. We transitioned to a holding company structure in 2021, the year of our 30th anniversary. Considering this transition as the second founding, we will continue to take an active management approach to become the top global integrated M&A company.

● April 2013
Full-fledged cooperation with major financial institutions

● April 2016
Opening of the Singapore office

● May 2020
Selection as a component of the MSCI Index

FY2021

Sales
¥40.4 billion

Ordinary profit
¥16.8 billion

Cumulative total of transactions closed

Over 7,000

● July 2019
Acquisition of the J-Adviser qualification and commencement of IPO support service for the TOKYO PRO Market

● October 2021
Transition to a holding company structure
Change of trade name to Nihon M&A Center Holdings Inc.

Value Creation Process

The Nihon M&A Center Group will carry out management based on its purpose and take advantage of its strengths as an M&A platform for SMEs that consists of its group companies and affiliates specialized in all processes from company valuation to post-merger integration (PMI). By doing so, the Group will create value by resolving social issues.

Environment recognition Aging company owners Increasing percentage of companies with no successor Decreasing population Shrinking domestic markets and declining GDP More companies going out of business M&A becoming common Diversifying values and needs Acceleration of digitalization Climate change Increasing awareness of ESG	Invested capital (as of September 30, 2022) Human capital <ul style="list-style-type: none"> Number of employees (consolidated) 1,033 Consultants 589 Hours spent on training 49,941 hours/year Employees with qualifications Over 40 <small>(Lawyers, notaries, certified public accountants, tax accountants)</small> Organic connections among employees of group companies and affiliates <small>(Corporate Value Laboratory Inc., Batonz Co., Ltd., etc.)</small> Intellectual capital <ul style="list-style-type: none"> Cumulative total of transactions closed Advanced knowledge and know-how related to over 7,000 M&A cases for SMEs Database containing information accumulated over a long period Development and utilization of highly accurate M&A systems <ul style="list-style-type: none"> M&A transactions comparison approach valuation system "V Compass" Case analysis system "D Compass" Company sale simulation system "M Compass" Social and relationship capital <ul style="list-style-type: none"> Strong relations with M&A information networks <ul style="list-style-type: none"> 307 regional financial institutions (90% of regional banks and 80% of shinkin banks nationwide) 1,050 accounting firms Major financial institutions (megabanks, major securities companies) Chamber of Commerce and Industry, venture capitals, etc. Number of locations 12 Secondees from financial institutions and accounting firms, etc. Approx. 90 Member of World M&A Alliance Financial capital <ul style="list-style-type: none"> Financial base for value creation <small>(as of March 31, 2022)</small> <ul style="list-style-type: none"> Capital adequacy ratio 86.1% Ordinary profit ratio 41.7%
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Corporate Mission
Assisting companies to continue and prosper through M&A

M&A platform for SMEs

Group companies and affiliates specialized in all processes from company valuation to post-merger integration (PMI)

Materiality of Nihon M&A Center Holdings (top priorities)

- Transformation into and establishment of a culture that prioritizes ethics
- Development of next-generation executive management personnel
- Improvement of client satisfaction
- Provision of safe and fair M&A
- Promotion of businesses that contribute to regional revitalization

Key priorities

- Measures for information security and cybersecurity
- Maintenance and improvement of business practices
- Enhancement of risk management
- Enhancement of corporate governance
- Stakeholder engagement
- Diversity & inclusion
- Talent management (recruitment, development, and retention of human resources)
- Response to climate change
- Resilience of business models
- Utilization of digital technologies and promotion of digital transformation
- Maintenance of financial health
- Creation of new added value for sustainable growth
- Maintenance and improvement of service quality

Output FY2021 Transactions closed by Nihon M&A Center 996/year No. of companies we supported in TOKYO PRO Market listing <small>(as of September 30, 2022)</small> 11 companies
Outcome Contribute to regional revitalization by <ul style="list-style-type: none"> Resolving SMEs' business succession issues Sustaining and increasing employment Improving corporate productivity Reducing M&A risks Creating regional core companies Developing executive management personnel Our M&A intermediary activities provide economic benefits* FY2021 assumed economic benefits <ul style="list-style-type: none"> Number of companies acquired 453 Total revenues of acquired companies ¥321.4 billion Revenue saved ¥349.3 billion Jobs preserved 28,850 Future economic benefits (10 years) ¥2.6857 trillion <small>*Estimate by Yano Research Institute Ltd.</small>

Our vision

To connect hopes and dreams for the best M&A experience in Japan and then the world

Business strategies to achieve our purpose
 Page 29

Suguru Miyake,

President and Representative Director



Message from the President

We intend to make great strides based on compliance-focused management in what will serve as our second establishment.

President and Representative Director Suguru Miyake talks about Nihon M&A Center's journey so far and reflects frankly on recent inappropriate incidents and subsequent preventative measures. He also expresses his strong feelings on the Company's social role in helping SMEs continue to prosper and his strategy for future growth.

Our 30-year Journey So Far

Solve Business Succession Problems of SMEs Through M&A

We launched the Company in 1991 to help solve business succession problems due to a severe lack of potential successors that would likely become increasingly apparent in the not too distant future. We also wanted to help ensure SMEs continued to prosper.

At the time, Japan was in its bubble economy phase and well-known major companies in the Tokyo metropolitan area were hiring new staff in large numbers. As a result, regional SMEs and other firms found it hard to recruit staff and many feared this shortage of human resources would eventually develop into a serious problem that could threaten SMEs' survival. Our current Chairman and Founder, Yasuhiro

Wakebayashi, used to work for a company that sold computer-driven business planning systems to accounting firms. When visiting those firms, he often heard about the concerns held by SME owners. He felt a growing sense of crisis that SME owners' inability to secure appropriate successors could turn into a significant social issue going forward. So, Mr. Wakebayashi sought to help solve this problem by encouraging accounting firms across Japan to invest in establishing Nihon M&A Center Inc. The investing accounting firms were organized into a network of regional M&A centers. Nihon M&A Center was the first company ever created to solve SME business succession problems through M&A. As this mission resonated with me, I joined the Company at the time of its founding.

Creating De Facto M&A Standards

When Nihon M&A Center was first established, attitudes toward M&A were fiercely negative in Japan. M&A was considered tantamount to a takeover and this proved a major obstacle to the spread of M&A. As a company, we decided to create de facto standards for M&A in Japan in order to fuel better understanding and broader use of M&A. At the time, there was no established standard method for calculating company valuation, the base for determining M&A transaction prices. There were also no unified criteria for evaluating unlisted companies in particular because they did not have any formatted information such as annual securities reports. Drawing on my experience in the IT industry, I was convinced that standardizing the methods and procedures for valuing companies and establishing de facto standards for the M&A industry would greatly expand the market, and enable us to become a leading company in the SME M&A arena.

I used the financial sector contacts cultivated in my previous job to build a network of financial institutions consisting not only of accounting firms but also regional banks, shinkin banks, and city banks. Then, in May 2000, we set up the "Financial M&A Workshop", which is a network of regional financial institutions, with Nihon M&A Center as the secretariat.

Opting for the Growth Strategy, Steadily Expanding Business Performance

Despite steadily amassing a successful M&A track record over the first decade, the potential number of annual transactions was restricted due to limited staff numbers. We had to overcome that situation, so we reviewed our business model and considered two potential future directions. The first involved developing a small team of elite professionals that strictly selects a small number of high-margin projects. The second involved pursuing a growth-focused trajectory and expanding projects and business results by significantly increasing employee numbers. When drawing up these two scenarios, I recalled some past words of thanks for ensuring their company's survival expressed by managers when signing M&A contracts. At a time when many companies across Japan faced risks of extinction due to a lack of successors, I decided we had to spread the same joy that these corporate managers had felt about the survival of their companies. So, we declared our intention, both internally and externally, to mark our 10th anniversary by transforming Nihon M&A Center and opted for the growth strategy. In October 2006, we became the first company in Japan specializing in intermediary M&A services for SMEs to list on the Tokyo Stock Exchange (TSE) Mothers Section. One year later, in December 2007, the Company was transferred to the TSE First Section.

I became Representative Director in 2008. In 2016, we capitalized on our fresh strength as a trusted listed company and opened our first office outside Japan in Singapore. Including cross-border transactions, we subsequently established various Group companies and strengthened our overall capabilities in order to provide a high degree of expertise in all M&A services. I am proud to say that, over the past decade, we have made great strides and accumulated a wealth of practical M&A knowledge by responding to various SME needs.

We transitioned to a holding company structure on October 1, 2021, the year of our 30th anniversary, and changed our name to Nihon M&A Center Holdings Inc. In December of the same year, just as we were launching our "EXCEED 30: All Employees Should Adopt the Mindset of a Founder" growth strategy as a second founding phase designed to turn us into a world-leading comprehensive M&A company, we discovered our first incidents of inappropriate behavior.

Learning Lessons from the Incidents to Create a New Nihon M&A Center Group

Review Causes and Sincerely Reflect on Our Own Responsibility

In December 2021, we discovered inappropriate internal behavior involving the bringing forward of sales

reported in our quarterly business results. Based on the findings of our internal investigation and a committee of external experts, we decided to take punitive action against the Company's corporate officers, including myself, and employees involved in the incidents. I

would like to deeply apologize for the great concern and inconvenience caused to our stakeholders.

I believe these incidents can be attributed primarily to insufficient compliance awareness, lenient internal controls, a tough, results-oriented corporate culture, pressure generated by “EXCEED 30”, and changing environments in the wake of COVID-19.

During “EXCEED 30”, we planned a commemorative event to celebrate our second founding and encourage all employees to adopt the mindset of a founder. We also energetically encouraged employees to strive to exceed former achievements and attain performance targets. However, we recognize that a factor behind the incidents was the widening gap between those performance targets and the actual situation caused by a rapid deterioration in our business environment during the COVID-19 pandemic, such as a lack of face-to-face meetings, which are vitally important for concluding successful M&A deals. I feel remorseful about the incidents as the president.

Indeed, before the pandemic, I myself used to conduct employee team-building camps and hold executive meetings 45 times a year. I also used to gather all employees together once a month and convey my thoughts through my “Letter of P” (roughly 10 A4 pages). However, I feel acutely responsible for the loss of those face-to-face training and communication opportunities due to COVID-19, which ultimately resulted in insufficient sharing of ethical values with our employees.

Instilling a Compliance-focused Culture

Right now, the most important theme for our Group is to restore the trust of our stakeholders. With that aim in mind, we first have to work to prevent such incidents from reoccurring and to pursue reforms from both an organizational and a cultural perspective. For more details on the organizational reform, please refer to page 19 “Progress of Recurrence Prevention Measures”, which includes information on the newly established Chief Compliance Officer (CCO) post and clarification of

requirements for recording sales. Here, I would like to explain the cultural transformation we are pursuing.

A fading commonplace awareness of compliance, ethics and mission was a major factor behind the recent incidents. We could have avoided that by establishing a solid training system and building a culture that practices the lessons learned through that training. We have reflected on the fact that our previous compliance training had become somewhat of a formality and are now conducting different training programs led by external instructors to enhance effectiveness. We need to convey not only what constitutes a compliance violation, but also how we should approach compliance as human beings. Compliance involves adhering to laws and regulations, but I believe it is also a responsibility that society expects us to fulfill. We are involved in a quest to help SMEs survive, which is a mission with great social significance, so we have to do proper work in the proper way. We take every opportunity to convey to our employees the need to strike a good balance between high ethical standards, expertise and cooperative spirit, and I feel we have successfully instilled that message across the Company.

I believe the way to restore trust is not only to avoid a repeat occurrence, but also to continue growing the Company. Our corporate mission to assist companies to continue and prosper through M&A and our growth strategy that links the aspirations of as many companies as possible are two values that have supported the Company for a long time. These latest reforms add a third pillar value to that list, namely compliance.

The diagram illustrates the Group’s future management. Based on the governance and employee-first principle, the left side describes the Group’s vision in which our employees, who are all committed to compliance and our purpose, create fresh innovation through inclusion. The right side illustrates the Group’s vision for achieving high growth while improving service quality and productivity based on a client-first approach. In other words, I believe we will only be able to restore trust once we have built a complete business model that inspires innovation and focuses on both high growth and compliance.

In January 2022, we launched a group-wide discussion surrounding our purpose in preparation for our second founding and we developed a “purpose movement” to encourage all employees to go back to the starting point and consider the *raison d’être* and the goals of the Company as a whole, their own department and themselves as individuals. Executives spent time discussing the roughly 1,200 ideas submitted by employees and formulated our purpose.

That purpose focuses on optimal M&A, which means achieving three ultimates: “Ultimate Compliance”, “Ultimate Client Satisfaction” and “Ultimate Service Quality”. The Group’s businesses and employees are becoming increasingly diverse as we grow. It was the

The Purpose of Nihon M&A Center Holdings

To connect hopes and dreams for the best M&A experience in Japan and then the world

best time to develop a purpose that included the importance of compliance to serve as a common language.

In the second half, we established the Quality Control Headquarters to achieve “Ultimate Service Quality”. The headquarters is made of a group of certified public accountants, tax accountants, lawyers and other experts. Consultants in our Sales Headquarters work closely with customers to achieve “Ultimate Client Satisfaction” and the Quality Control Headquarters works with those consultants to ensure “Ultimate Service Quality”.

Teach-in Activities Enhance Our Sense of Internal Unity

Internal division was one of the major issues facing the Company at the start of FY2022. With an emphasis on speed, we had been making online announcements across the Group about the Company’s views, policies, and punitive measures with regard to the inappropriate incidents. However, we were unable to communicate directly with employees, which resulted in various opinions including speculation and misunderstandings. We witnessed some internal division within the Company, with some employees voicing critical opinions about those who were subjected to disciplinary actions and some expressing sympathy. Various opinions were also voiced on whether the nature of the actions was unfair or was too lenient on directors.

To help heal those rifts, we quickly uploaded a form on our internal portal site that enabled employees to voice their opinions anonymously, with roughly 600 employees submitting responses. I felt I needed to read

all the posts and talk directly with all the employees who submitted their honest opinions. In an attempt to resolve these internal divisions and increase our sense of solidarity, I decided to hold teach-in sessions to talk directly with nearly 1,000 employees by splitting them into groups of 20 and holding 50 separate sessions. During the two-hour session, we talked about the incidents, our future growth strategies etc. and it proved a great opportunity for a frank discussion with employees. I was able to communicate directly with all the employees, which I feel has improved the atmosphere within the Company. Other executives are planning to hold vision meetings with all employees by the end of FY2022 and we intend to continue implementing various measures to foster a greater sense of unity across the Group.

Restoring Trust and Passing the Baton to the Next Generation of Managers

Some stakeholders have asked whether the president should take responsibility for the incidents and resign. However, I am aware of my current role to promote effective preventative measures and strengthen internal controls to guide even greater progress going forward and truly restore trust, as well as to firmly pass the baton to the next generation of managers who will be leading the Company for the next ten or twenty years.

In 2021, we announced candidates for the Group’s next-generation management team. We are also holding lively discussions at the meeting of the Management Committee (newly established in March 2022) among members including the Company’s full-time directors, division heads, the full-time Audit and Supervisory Committee member and the CCO. We are keenly aware of the need to develop next-generation managers and are determining various policies within a collegial system.

Our transition to a holding company structure in October 2021 was fueled by our intention to select and appoint managers to lead the Group from among the management resources each Group company had been steadily nurturing in their respective specialist fields.

I intend to fulfill the recognized role mentioned here and I will do everything I can to achieve that mission.

Declaration of Compliance-focused Management



Growth Strategies to Generate Even Greater Future Progress

Addressing Society’s Demands Regarding M&A

In FY2021, despite the impact of the COVID-19 pandemic, we achieved increases in sales and profit for the 12th consecutive year with consolidated sales rising to ¥40.4 billion (+16.1% year on year) and ordinary profit

expanding to ¥16.8 billion (+9.0%). Transactions closed increased favorably to 996 (+12.4%).

Japan’s population is continuing to age and the issue of finding business successors for SMEs is becoming increasingly serious. There are currently approximately 3.8 million SMEs in Japan. However, the presidents of 2.45 million of those companies are over the age of 65

and roughly half, or 1.27 million, are thought to have no clear successor. Even more concerning is the fact that 0.6 million of the 1.27 million companies are still profitable, which means that excellent SMEs that possess strong technological expertise and support the local economy and culture are in danger of going out of business due to the absence of successors.

Now, the Japanese government also considers M&A to be a powerful solution to the business succession issue. In addition to providing subsidies and other support, the government has been promoting awareness-raising activities. In March 2020, the Ministry of Economy, Trade and Industry formulated the Guidelines for SME M&A and in April 2021, the Small and Medium Enterprise Agency announced public-private sector initiatives for the next five years under the SME M&A Promotion Plan. In October 2021, a self-regulatory industry body, the M&A Intermediaries Association, was established with five listed M&A intermediaries serving as directors, including the Company. The association discusses the creation of rules for M&A operations and encourages the public and private sectors to work together to help ensure smooth business succession for SMEs without successors.

In Japan, the need for M&A as a way to help solve SMEs' business succession problems is a very important issue and M&A is becoming increasingly necessary from a social point of view as well. Our Group believes that revitalizing regions through these SME support measures will also help revitalize Japan as a whole. We are promoting growth strategies to achieve that aim and implementing various measures under our five-year medium-term plan to achieve FY2026 targets for ordinary profit of ¥35.0 billion and over 2,000 transactions closed (1,000 matches of buy-side and sell-side mandates).

New National Coverage by Region and Sector

In order to promote M&A deals designed to revitalize local regions, we are working on a matrix-style strategy with areas (regions) on the horizontal axis and sectors on the vertical axis.

As part of our area strategy, we had established 26 bases nationwide (as of September 2022) including branches, sales offices and satellite offices, and we would like to expand those bases to cover all 47 Japanese prefectures. We also believe that in addition to helping SMEs solve their business succession problems, it will be essential for us to foster star companies that will serve as regional drivers and generate growth across the area, to realize regional revitalization. As part of that drive, the Group has become an accredited J-Advisor entrusted to screen listings for the Tokyo Stock Exchange's TOKYO PRO Market (TPM) for professional investors and we assist

with the listing of regional companies. As of September 30, 2022, we have signed J-Advisor contracts with 106 companies and 11 companies have already been successfully listed. Inspired by our enthusiasm for TPM listings, many companies are now entering the market and TPM market activity is becoming increasingly energetic.

Meanwhile, as part of our sector strategy, we have established specialized support systems tailored to the individual characteristics of each industry including the creation of a database of specialist knowledge and technologies in the hospital, dispensing pharmacy, logistics, construction, manufacturing, food, IT and other industries. Combining our area and sector strategies will enable us to provide more comprehensive and specialized support to SMEs in each region on solving business succession issues and formulating growth initiatives.

Dual-perspective DX Strategy

Nihon M&A Center is developing a digital transformation (DX) strategy that focuses on two aspects. The first is to address the changing awareness of M&A among SME owners and the second focuses on improving our own productivity.

Regarding SME owners' perceptions of M&As, owners used to want to conceal any company transfers. Today however, an increasing number of owners view M&A as something more positive and we are starting to move into a new era where owners gather information online and select an M&A intermediary themselves. In other words, M&A is just entering a B2C era. Therefore, we are working to raise awareness among a broader range of people by developing mass media commercials and strengthening our owned media content. That includes the development of THE OWNER, online media for company owners at ZUUM-A Co., Ltd., a joint venture with ZUU Co., Ltd. The site has grown into one of Japan's leading information sites for SME business owners, with the number of company owner members already topping 12,000 and monthly PVs exceeding 2 million. We have also developed Japan's No.1 M&A online matching platform called BATONZ, which boasts more than 180,000 members and a total of over 2,500 transactions closed.

To improve productivity, we are promoting DX in M&A operations and working to shorten lead times for individual business processes and improve yields. For instance, we are using an AI-driven recommendation system to improve matching accuracy or a contract system to shorten lead times for all business processes, both of which are designed to ultimately improve service quality and profitability. We intend to introduce a voice-recognition analysis system from the second half to help create corporate profiles that are highly accurate and easier to match.

We are also using cloud-based services to manage customer data and manuals within the Company. These initiatives earned high praise at the SFUG CUP 2022 10th Salesforce National Championship (hosted by Salesforce Japan and held in September 2022), where we were awarded the Salesforce Grand Prix.

Supporting Cross-border M&A from ASEAN

As Japan's population continues to decline, we have established bases within the ASEAN region to promote cross-border M&A between Japan and ASEAN, which is expected to increase continuously from a medium- to long-term perspective. Currently, we have local subsidiaries in Singapore, Malaysia and Vietnam as well as representative offices in Indonesia and Thailand. Going forward, we aim to expand our business with a view to supporting M&A between ASEAN local companies and the Western companies, and to develop M&A operations in the global SME market. We are currently the only Japanese corporate member of the World M&A Alliance, one of the world's leading M&A alliance organizations.

Building these frameworks will enable us to support the overseas expansion of SMEs through M&A.

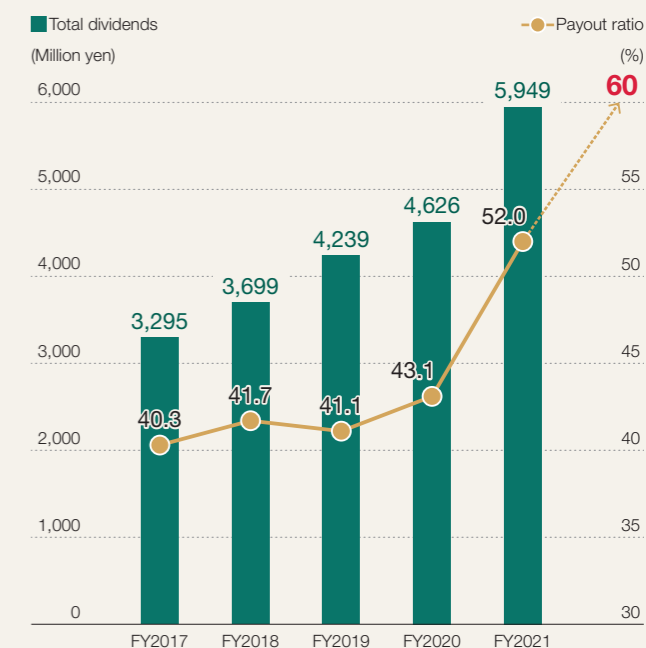
Continue Growth that Focuses on Prizing People and Fulfilling Social Responsibilities

Human resources are key to promoting our growth strategy. On the recruitment front, new graduates and mid-career recruits with high aspirations join our Group because we do important and socially significant work that helps promote regional and by extension, national revitalization. Regarding post-employment training, we create detailed training plans for each level including employees in their first three years of employment,

mid-level employees and senior managers. Going forward, we plan to strengthen the management and innovation capabilities of our next generation of executives and to conduct thorough compliance management through compliance training, teach-in sessions, vision meetings, and other means.

With regard to shareholders return, while we have maintained a minimum payout ratio of 40% since FY2015, we decided to raise our payout ratio target and achieve a consistent ratio of approximately 60% as we believe that it is necessary to further enhance shareholder returns. We intend to achieve a payout ratio of approximately 60% during the existing medium-term management target period and are currently striving to fulfill that target.

• Total dividends and payout ratio



In Conclusion

Inappropriate incidents should never be allowed to take place. The recent incident has proved an extremely difficult experience for the Group. However, I believe that it has also been a great learning experience for our Group as we continue on our road to becoming a world-leading, truly comprehensive M&A company. In order to fulfill the expectations of our many stakeholders, we intend to emphasize compliance

management while also drawing even more deeply on the trust and networks that our Group has built up over the years to develop a high level of compliance and sales activities in tandem.

We are committed to making further great strides towards the new era and we kindly ask for your continued support.

Message from the Chief Compliance Officer (CCO)

We aim to establish a compliance platform based on the autonomous actions of each and every employee.

Yasuhiro Takeda

Senior Corporate Officer,
Chief Compliance Officer, and
Head of Compliance Division

Fully Utilizing My Own Experience to Contribute to Realizing Our Group Vision

I joined the Group in July 2022 as Chief Compliance Officer (CCO) and Head of the Compliance Division.

I started to work in 1990 at a general trading company where I gained experience in finance before being put in charge of risk management and internal control at a local subsidiary in the United States. I was then involved in a wider range of corporate departments at a subsidiary in Latin America including human resources and compliance. Upon returning to Japan, I was appointed as CCO of a joint venture IT company with an Indian partner and a machine tools trading company, where I was involved in building compliance frameworks from a management perspective. During my career, I recognized just how important SME strength was to Japan's economic development and I personally witnessed how companies who had acquired additional scale through M&A, etc. were now making investments that would not have been possible before. These experiences deepened my empathy for Nihon M&A Center's corporate mission to support companies to continue and prosper and were a large factor in my decision to join the Group.

Since my appointment, I have built cooperative ties with senior managers, Audit and Supervisory Committee members and external lawyers. I have also conducted interviews with approximately 80 employees, including division heads, general manager and group leaders in the sales headquarters to avoid a forming of self-righteous initiatives as we seek to establish compliance practices that satisfy the demands of society and our modern era. These meetings enabled me to confirm just how well our employees understand the social significance of M&A business and how proud they are of the work they do. I was reminded that these energetic people, full of challenging spirit, are the Group's greatest strength and support.

We aim to use our experience of recent inappropriate incidents as a springboard for achieving sustainable growth. I will fully apply the knowledge and expertise I have gained over the years to contribute to achieving that Group vision. I also intend to work with colleagues across the Group to help revitalize regional economies and, by extension, Japan as a whole by energizing SMEs.

Working to Strengthen Compliance from a Short-, Medium- and Long-term Perspective

My job as CCO is to develop internal rules and systems for encouraging compliance management and to build an ethics-driven corporate culture that seeks to do the right job in the right way. I am working on measures for solving issues from a short-, medium- and long-term perspective.

Regarding short-term measures, we have to accept that problems do emerge in organizations. Based on the belief that it is important to create systems that minimize risk through early detection, we are improving whistleblowing systems and strengthening cooperation with our Internal Audit Office.

Nihon M&A Center is improving its whistleblowing system by posting contact information in a prominent position on the internal portal site to encourage people to submit internal reports. It is also striving to create an environment where people can more readily voice their concerns. Going forward, I would like to listen to people's opinions so we can make the system even easier to use. We also hold senior management interviews with employees to try to get our message across that whistleblowing will ultimately benefit both the Company and its employees. The Company is putting a firm Plan-Do-See cycle in place where its Internal Audit Office checks whether there are any problems with the development of internal rules and governance systems conducted by the Compliance Division. I believe this will lead to more successful problem resolution.

Meanwhile, we recognize that reforming our organizational culture is a priority for realizing proper compliance management over the medium- to long-term. Simply creating strict compliance rules and punishing those who do not comply may have a short-term impact, but it would not ensure medium- to long-term continuity. Excessive pressure to achieve numerical targets was one cause of the recent incidents along with an internal culture that made it difficult to disagree with senior colleagues on those internal targets and strategies. To instigate meaningful change, the Company needs to ensure psychological safety in all gatherings from small groups to executive-level meetings and to build an organizational culture that encourages every employee to take an autonomous standpoint and freely highlight any problems. We aim to change employee awareness through the regular and continuous effective training sessions and training camps, including compliance training and education to encourage all employees and managers to develop a deeper understanding of compliance and purpose training to instill an appreciation of our purpose.

The survey of all employees conducted by our Human Resources Department in October 2022 sought to ascertain the degree of internal compliance recognition by including questions that encouraged fixed-point observations, such as "Are there any compliance issues in your immediate vicinity?" I will continue to conduct regular and continuous surveys to verify the effectiveness of measures we introduce.

Strengthening Compliance Together with Employees Who Share Our Mission

Compliance tends to be viewed as a defensive concept, like risk management for instance. Of course, it is natural to emphasize compliance as being a defensive measure. However, in my previous work, I saw companies with high-level compliance systems achieve successful cooperative relationships with other companies that seek a similar commitment, so I firmly believe that compliance also strengthens a company's offensive strategy.

Improving corporate trust by strengthening compliance should prove a major strength and an important weapon as the Group pursues its growth strategy in overseas markets. In future, the Group plans to confirm the status of compliance in all group companies worldwide but first, it provides senior managers of each company with a checklist clearly indicating the expected level of compliance so that they can start with updating their knowledge and awareness through self-checks.

I firmly believe that a team that can share their mission is strong. I feel the Group is able to successfully share its corporate mission and purpose with its employees. The commitment to "ultimate compliance" stipulated in our purpose should not be imposed externally, but stem from the determined will of all employees to voluntarily comply with laws, regulations and rules. As Group CCO, I intend to fulfill my role of promoting employee autonomy and working with employees to build the Group's compliance foundations, while always adhering to my motto: "Do not deny, do not impose your will, but never give up".

Our individual employees are all striving to grow stronger. I hope our stakeholders anticipate a positive future for the Nihon M&A Center Group and continue to extend their precious support.

Progress of Recurrence Prevention Measures

Nihon M&A Center is taking prompt action on the nine recurrence prevention measures as recommended in the Investigation Report disclosed on February 14, 2022.

1. Formulation of compliance-centric management principles and announcement of related management policies

Compliance management directive

At the announcement of management policies on April 9, 2022 by the management and division heads, President Miyake declared to all employees that the management would transform Nihon M&A Center Group into compliance-centric management and elevate consciousness of compliance so that it is the core to the corporate culture.

Creation of new purpose

On June 23, 2022 we disclosed a new compliance-centric corporate purpose, created with the participation of all employees. ***Please see page 3 for details on our purpose.**

2. Strengthen risk management with creation of dedicated compliance department and CCO position

Establishment of Management Committee

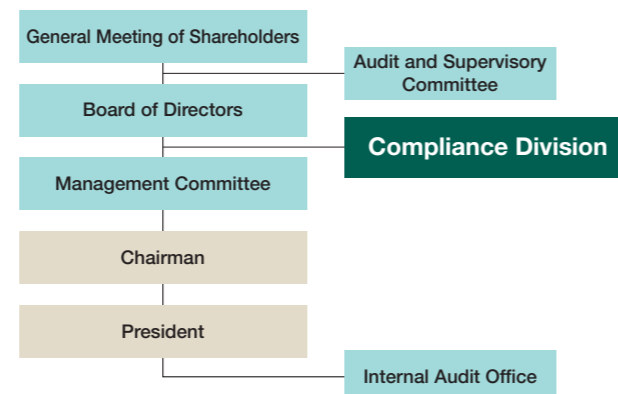
On March 1, 2022, the Company abolished the conventional senior management meetings which consisted solely of full-time directors. The Company established a new Management Committee, which openly shares management information. The Management Committee, which in addition to the full-time directors, is composed of division heads, the full-time Audit and Supervisory Committee member, and the CCO (Chief Compliance Officer), actively discusses management issues from a diverse perspective.

Establishment of the Compliance Division

In order to promote compliance management and for corporate culture to be firmly rooted therein, Compliance Division was newly established on March 1, 2022 as a department independent of the current business units. The Division will ensure employee education, develop monitoring systems, prevent any potential breach in compliance, and take the lead in responding as quickly as possible in the event of a breach in compliance (including any cause for suspicion thereof).

Appointment of CCO

We have appointed a new position of CCO (Senior Corporate Officer) from among a number of outside qualified personnel with extensive experience in this field, and a CCO joined us on July 1, 2022.



3. Inaugurate effective compliance training and education

Compliance training system

The Company has formulated a compliance training system. It plans to conduct compliance training for management and compliance training for all employees once in each quarter in FY2022.

The Nihon M&A Center Group will continue to establish and implement an effective compliance education structure to foster and improve sound ethical standards throughout the Group.

Compile the compliance manual

The Group has compiled the compliance manual to clearly define its standards for daily conduct for all Group employees. The compliance manual has been issued to all the Group's employees since April 1, 2022.

Implementation of compliance training

On March 4, 2022 we invited an expert from outside to give lectures to executives at the division heads level and above, and conducted compliance training. Similar compliance training was also conducted to group leaders, who are middle managers, on 14th of the same month.

In addition, two more compliance training sessions were held to different target audiences.

- April 5 and 6 Exceptional compliance training for people involved in the incident
- April 9 Compliance training for all employees
Survey of participants was conducted before and after the exceptional compliance training conducted on April 5 and 6.

Result of survey of people involved in the incident (before and after training)



The Group conducted compliance training focusing more on specific themes for each rank from July to September 2022. Nihon M&A Center will foster a highly transparent corporate culture that values personal autonomy and ethical standards, and allows for free discussion by conducting training on an ongoing basis to emphasize the importance of early consultation and reporting.

- For all employees Nurturing a corporate culture of respect for compliance (August)
- For division heads Risk management training (July)
Virtual reality experience of unconscious bias (August)
- For new employees CCO compliance training (monthly from September onward)
*Video-based training by the Human Resources Department until August
- For newly appointed managers About compliance management (September)

4. Multi-faceted employee evaluations and review of methods for management of quarterly financial targets

Shift to a new HR system

At a meeting of the Board of Directors held on February 28, 2022, a resolution was passed to shift to a new HR system and this transition took effect on April 1, 2022.

Under the new HR system, we comprehensively evaluate and appoint sales employees according to their

compliance capabilities, and for managers, according to management skills including compliance governance capabilities, rather than performance-based evaluation to date.

Progress of Recurrence Prevention Measures

5. Strengthening system of reporting, establishing regular meetings with key sales people

Enhancement of the whistleblowing hotline

On March 4, 2022, President Miyake clarified to executives at the division heads level and above that there is a clear duty of whistleblowing in the event that anyone is aware of a breach in compliance (including any cause for suspicion thereof).

By clearly signposting the relevant reporting hotline on the home screen of our intranet, which is utilized by all employees, 23 reports were received during the first half of FY2022. The number of whistleblowing has increased as a result of our efforts to make employees aware of their duties to report a breach in compliance.

Creation of zone on the intranet for clients messages

From February 28, 2022 to May 8, 2022, a temporary zone was established on the intranet on which employees can freely post clients messages in order to properly respond to clients as well as humbly listen to clients messages to deeply reflect and strengthen our resolve to

make a new start (anonymous posting is possible). Approximately 60 clients messages and 20 opinions solicited from employees were posted. All messages and opinions posted were reviewed at the Management Committee to discuss and implement individual responses as well as used as materials for compliance training. Due to a decrease in messages and opinions posted, we have decided to close the temporary zone as we concluded that it had served its role for the time being. The Company is currently considering the establishment of a permanent zone from the perspective of client first and improving client satisfaction levels.

Managers meetings with employees

Thirty-eight meetings, known as “Teach-in,” were held between President Miyake and all employees over a period of two months. Each session lasted approximately 2 hours, attended by approximately 20 to 40 employees.

6. Strengthening of audit and supervisory departments

Introduction of internal audit specialist

Similar to the aforementioned appointment of CCO, the Company has recruited an internal audit specialist from among a number of outside qualified personnel with a wealth of experience in this field who joined us on July 1, 2022. Nihon M&A Center will build an auditing

environment and establish a structure to enable audits related to the prevention of inappropriate behavior. In addition, by transferred planning and KPI responsibility from the Sales Headquarters to the Strategy Headquarters, Nihon M&A Center has transitioned to a structure in which mutual checks function.

7. Clarity on responsibility for the inappropriate reporting which occurred and a review of the sales organization

Punishment of employees involved in the inappropriate case

At a meeting of the Board of Directors held on March 11, 2022, measures were taken implementing an appropriate process to the employees involved in the inappropriate case in accordance with internal regulations, including those with supervisory responsibilities.

Reorganization of the sales force and appointments in new administrative roles

The Company has reviewed the sales force as part of the rebuilding of internal controls. It has reorganized five divisions and assigned supervisory directors in charge as owner in every division.

8. Reconstruct the business flow for reporting and accounting for sales

Change of business flow for accounting for sales

The Investigation Committee made proposals regarding the business flow for reporting and accounting for sales as a measure to prevent recurrence, and Nihon M&A Center has changed its business flow in accordance with said recommendations with effect from sales in FY2021 and clarified and defined this change (fully in effect for results for year to March 2022). In addition, the Company has made changes such as more stringent document submission process and settlement prior to Day 7 of the month following a transaction for posting accounts receivable.

1 Rebuilding of business flow for reporting sales

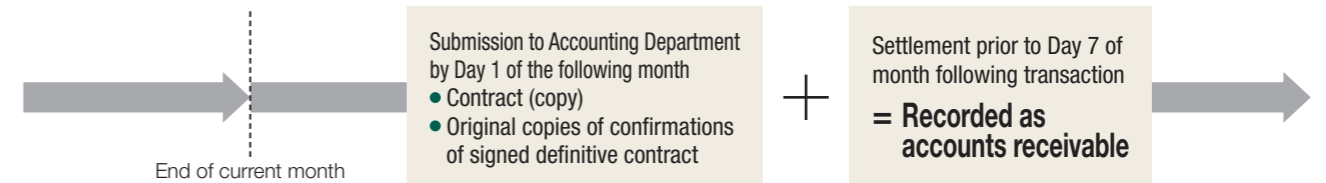
“The Company should consider taking such measures as requiring both parties (i.e., a seller and a buyer) to submit written confirmation of the execution of a final agreement to the Company with copies of the final agreement attached. The representative for seller will obtain this from the seller, and the representative for buyer will obtain this from the buyer. By requiring two originals of these written confirmations to be submitted to the Administration Division in addition to a copy of

the definitive agreement when recording sales, it will become possible for the Administration Division to check the execution of the definitive agreement by using such original, and to conduct double-check by comparing documents submitted from both the representative for the seller and the representative for the buyer” (as per page 77 of the Investigation Report).

2 Rebuilding of business flow for recording sales

“With regard to the recording of sales, the Company should establish clear requirements that the Administration Division can check by objective criteria. For example, the Company should establish a clear requirement that considers the deal breakers might not be resolved when the period from the execution of a stock purchase agreement or other definitive agreement through remittance exceeds a certain time period (e.g., around 10 days) and therefore does not recognize sales as of the time of the execution of the definitive agreement, unless extraordinary circumstances exist” (as per page 78 of the Investigation Report).

Change to method for business flow of accounting for sales with clarity and rules (fully in effect for results for year to March 2022)



9. Implementation of process for management of documents such as contracts

The Document Management Section was newly established on March 1, 2022 to manually collect and manage documents and check that they have not been replaced (Later, the Document Management Department

was newly established). In addition, in order to create a system resilient to fraud, a Box system, which allows us to check revision history, was introduced and the use of electronic signatures is under consideration.

Compliance

The Nihon M&A Center Group places the utmost importance on on-going compliance activities, which we regard as essential for maintaining and improving trustworthiness in our business.

Underlying compliance principles

The Group has established compliance regulations requiring employees to perform duties to society acting in accordance with applicable laws, internal regulations and ethical standards, behaving in a fair and appropriate manner.

The Group's policy for matters such as anti-corruption is manifested in ten articles outlining the Ten Guiding Principles for Compliance Behavior.

On December 20, 2021, the Group issued "Announcement of Investigation on Attribution Period of Sales at our Subsidiary", followed by the implementation of effective measures to prevent recurrence and strengthen internal controls. These include the

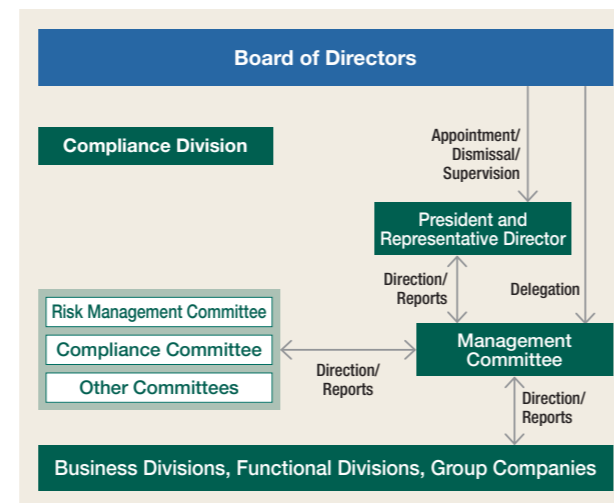
establishment of a new Compliance Division, external appointment of a Chief Compliance Officer (CCO), formulation of a compliance education structure and regular compliance training sessions.

A compliance manual has been issued to all our officers and employees detailing our internal regulations spanning our corporate mission, corporate code of conduct, compliance rules, respect for human rights and prevention of harassment. At its overseas group offices the Group strives in various ways to increase group compliance awareness using appropriate channels of communication and translated documentations.

Compliance promotion structure

Our Group has established the Compliance Division, which reports directly to the Board of Directors of Nihon M&A Center Holdings and is headed by a CCO, to oversee compliance-centric management. The Division will prevent any potential breach in compliance and will respond as quickly as possible in the event of a breach in compliance or potential breach in compliance.

In addition to holding regular compliance training sessions, the Division verifies risks related to business activities, formulates preventive measures including the establishment of a structure for business process to minimize the possibility of the occurrence of said risks, formulates policies for responding to a breach in compliance that has materialized and formulates measures to prevent recurrence.



Enhancement and strengthening of a whistleblowing system

The Group has put in place a whistleblowing system designating the Compliance Committee as a point of contact. In addition, the Group has also established a system for reporting to an external lawyer. We respond in an appropriate fashion upon notification of any kind of breach in compliance, illegal conduct or suspicious activities. This includes bullying, harassment and forms of corruption such as illicit profits sharing, excessive entertainment and gifts. This is applicable to employees bound by employment contracts such as directors, staff and part-time workers, as well as those who are

seconded to our companies on a temporary or agency basis. All of these are with a view to strengthening our compliance system and preventing breaches. The discussions can be done anonymously and under strict confidentiality such that the whistleblower is not disadvantaged in any way and is strictly protected.

Should it nevertheless occur that such a person is put at any form of disadvantage, help will be provided swiftly and there will be remediation, with the perpetrator also dealt with in an appropriate manner. In response to the incident of inappropriate sales reporting in FY2021, as

one of the measures to prevent any recurrence the Group clarified to executives that there is a clear duty of whistleblowing in the event that anyone is aware of a breach in compliance (including any cause for suspicion

thereof). Additionally, by clearly signposting the reporting hotline on our intranet, which is utilized by all employees, we have built a system in which people can discuss and report compliance matters more easily.

Investigation, procedures and consequences when compliance regulation is deemed to have been infringed

In the event that a problem arises causing an infringement of compliance regulations, be it a concern that this might be the case or that there is any doubt in terms of compliance, the process outlined in our compliance regulations enables the employee concerned to report the matter to appropriate parties within the Company such as a manager or the Compliance Committee. A manager who has received a report of this kind in turn has the duty to report the matter concerned swiftly to the Compliance Committee, followed by a discussion of the content of the report, which is to be conveyed in turn to the President and Representative Director. The outline of the report of the problem received by the President and Representative Director as well as the status of the response is reported to the Board of Directors along with any related reports from group companies.

The Compliance Committee will research as necessary the subject of the reports, taking due care to protect the privacy, individual rights and reputations of all parties including the whistleblower, the purportedly guilty party and those helping with the investigation.

The outcome of this is informed of the person who made the report and it can be used by the Compliance Division for formulation of measures to prevent a future recurrence. The Disciplinary Committee makes a decision on the verdict on what action to take towards the guilty party in accordance with the disciplinary procedure rules.

The Compliance Division is currently implementing processes for the development of employee training and monitoring systems for corporate culture to be firmly rooted in a consciousness of high respect for compliance.

Following the incident there were 33 reports of compliance transgressions (as of October 31, 2022).

Compliance education

The Nihon M&A Center Group holds regular compliance training sessions led by the Compliance Division. In addition to compliance training for all employees, the Group invites external lecturers to conduct compliance training for management to foster consciousness of

compliance. Moreover, the Group sequentially formulates and implements educational programs other than classroom training. It has also compiled and issued to all of its employees a compliance manual that clearly defines its code of conduct.

Details of compliance training (FY2021)

Theme	Period	Applicable employees
Prevention of insider trading	Apr-21	All employees
Information security, Risk management	May-21	
Information security, Information management	Jun-21	
Information security, Information management	Jul-21	
Compliance (comprehensive), Information security, Information management	Aug-21	
Information security	Sep-21	
Information security, Information management, Credit management	Oct-21	
Information security, Prevention of insider trading	Nov-21	

Theme	Period	Applicable employees
Information security, Cybersecurity	Dec-21	All employees
Compliance (comprehensive), Prevention of insider trading	Jan-22	
Cybersecurity, Information management	Feb-22	
Information security, Cybersecurity, Credit management	Mar-22	
Information security	At start of employment	New employees
Risk management		
Information management		
Prevention of insider trading		

Business Environment

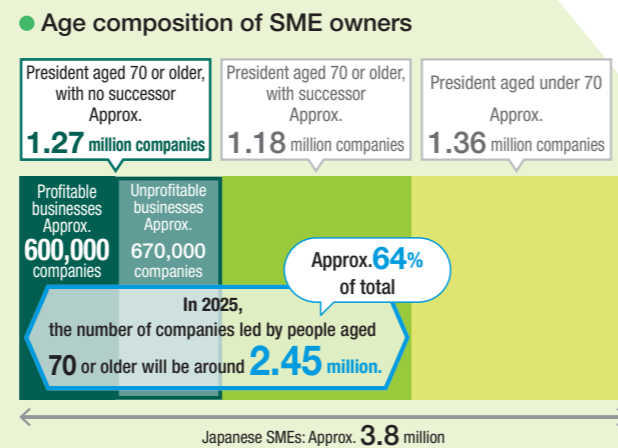
The environment surrounding small- and medium-sized enterprises (SMEs), which play a vital role in Japan, is severe due to the dearth of successors and the diminishing domestic market. As a means of resolving these issues, M&A is growing in importance and is on the rise, regardless of industry.

Challenges Facing SMEs 1 Aging of management and lack of successors

SMEs comprise about 99% of all companies in Japan. SMEs play a key role in supporting the stability of the local economy and the livelihood of the local community.

There are two major issues, however, surrounding SMEs.

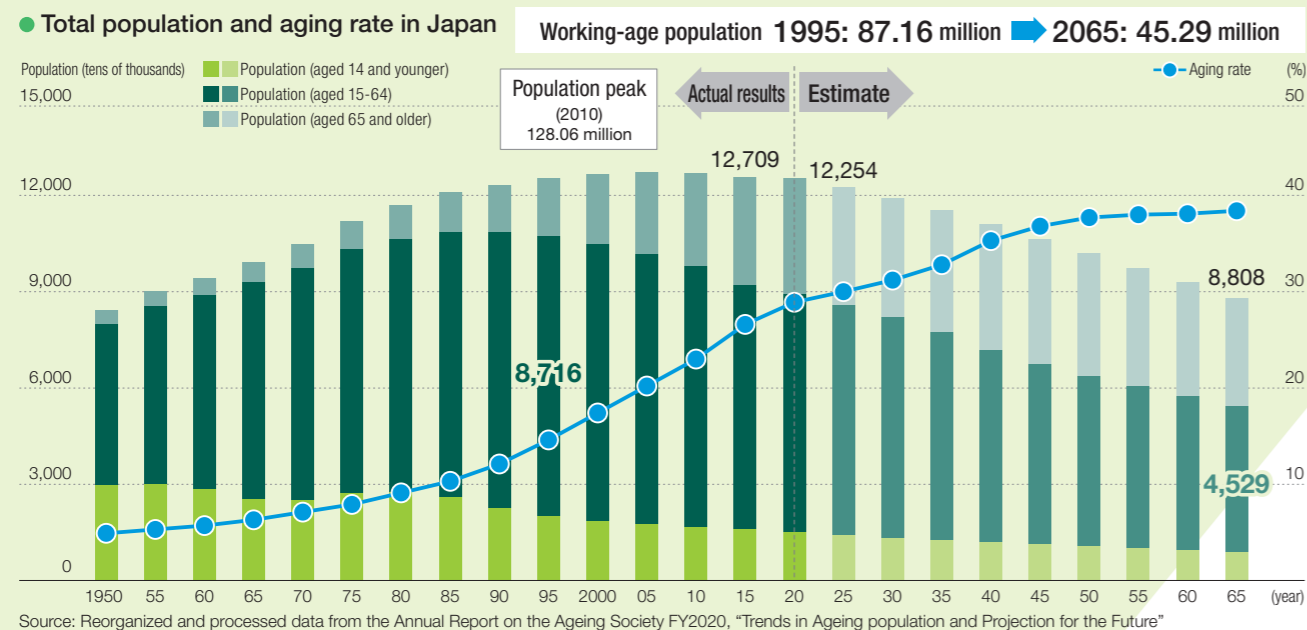
One is the aging of management and a lack of successors. According to data from the Small and Medium Enterprise Agency, by 2025, the owners of about 2.45 million SMEs, or 64% of all small- and medium-sized businesses, will be over 70, the average retirement age. About half of them, or 1.27 million firms, do not have a successor in place and about half risk going out of business despite being profitable. If action is not taken to remedy the current situation, the number of SMEs closing due to lack of successors will continue to increase. Some data show that the risk exists of a cumulative loss of around 6.5 million jobs and about 22 trillion yen in GDP over the next decade*.



*Assumes that 31% of corporations and 65% of individual proprietorships whose owners are aged 70 or older will have gone out of business by 2025. The number of jobs indicated above is based on the average number of employees (5.13) employed by SMEs that went out of business between 2009 and 2014, while the GDP loss is based on the value added per corporation or individual proprietorship in FY2011, respectively (corporations: 60.65 million yen; individual proprietorships: 5.26 million yen)

Challenges Facing SMEs 2 Declining population and contracting domestic market

The second is the declining population and contracting domestic market. The total population in Japan is in the process of long-term decline as the birthrate falls and the population ages. According to estimates by Japan's Cabinet Office, the total population in 2065 will be over 30% smaller than at present, and the working-age population will be in the neighborhood of 45 million. This situation is heightening concerns over the labor market and the resulting contraction in the size of the economy and potential decline in GDP.

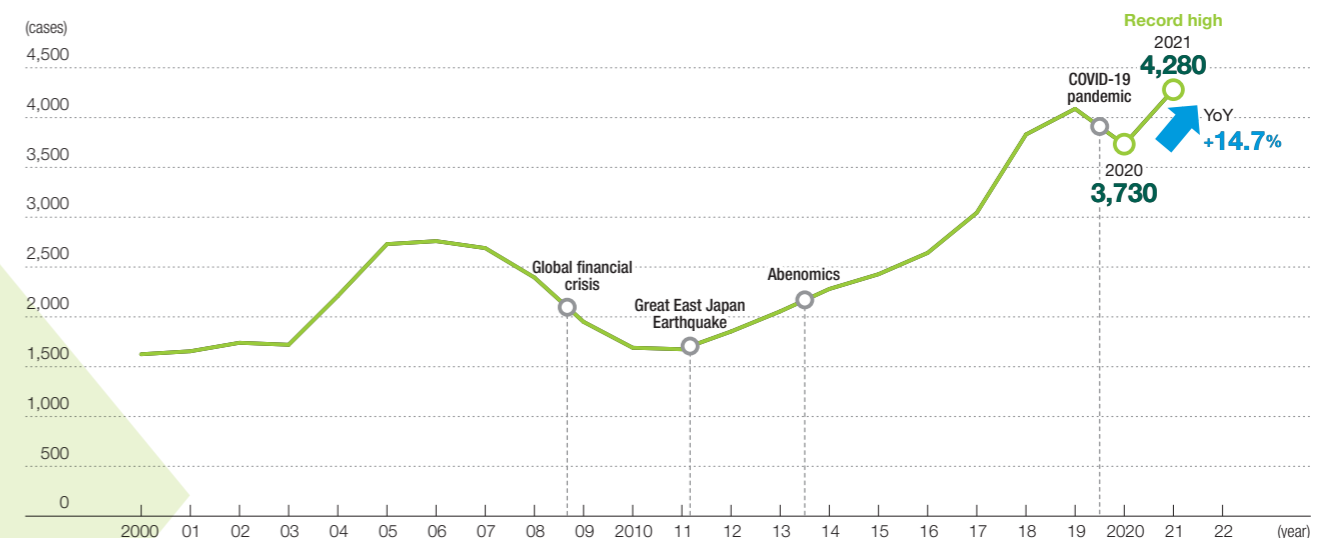


M&A for issue resolution

M&A is attracting attention as a means to cope with aging management and lack of successors, as well as the declining population and contracting domestic market. In recent years, the number of M&A transactions involving Japanese companies has generally trended upward

—aside from a temporary decline due to the COVID-19 pandemic—and reached a record high of 4,280 in 2021. In 2022, the number of cases during the January–September period was 3,272, surpassing the pace of the preceding year.

Number of M&As involving Japanese companies



This is due to an increasing number of leaders leveraging M&A to accelerate the growth of their companies amidst uncertainty over the future due to the contracting domestic market, in addition to the M&A driven by the dearth of successors as mentioned earlier. M&A activity in all industries has been increasing in this regard and continued growth is anticipated.

Intermediaries Association (MAIA), a self-regulatory organization of M&A intermediaries, was founded. MAIA conducts activities such as the enforcement of appropriate transaction rules including SME M&A guidelines, offering support for the development of M&A support personnel and providing a claim consultation service related to intermediary activities.

The government has also promoted M&A in the past, chiefly as a means of ensuring business succession for leaders. In March 2020, the government formulated the M&A Guidelines for SMEs to provide basic M&A matters and fee guidelines for selling and buying companies, as well as action guidelines for appropriate M&A to related support organizations. The "Small and Medium M&A Promotion Plan" compiled in April 2021 outlines public and private sector initiatives that should be implemented over the next five years to promote M&A. The promotion plan also redefines the importance of M&A from the perspective of improving SME productivity and promoting the launch of businesses.

According to the Small and Medium Enterprise Agency, as of October 25, 2022, there were 2,688 M&A support organizations. Of these, 70% have zero to two employees engaged exclusively in M&A support and just fewer than 50% were established in the 2020s. This indicates that the majority are small M&A support organizations that have recently been founded.

In August 2021, a registration system for M&A support organizations was established. In October, the M&A

In response to the significant potential M&A needs of SMEs, Nihon M&A Center aims to contribute to the development and maintenance of the Japanese economy by working together with support organizations involved in M&A intermediation to help companies succeed their businesses to the next generation and create new opportunities for growth.

Medium-term Management Targets

The Group rode out the turmoil of FY2020 plagued from start to finish by COVID-19 through its ability to innovate and accumulate data and has positioned FY2021—the 31st year of its existence—as the “first year of its second foundation”. Accordingly, it has set its fourth-period medium-term management targets for FY2021 through FY2026, with its long-term vision as a goal.

We have revised Mid-term Management Plan on April 28, 2023.
 Details on "Financial Results Report for FY2022" on page 29.
https://www.nihon-ma.co.jp/ir/pdf/230428_presentation_en.pdf

Past Medium-term Management Targets

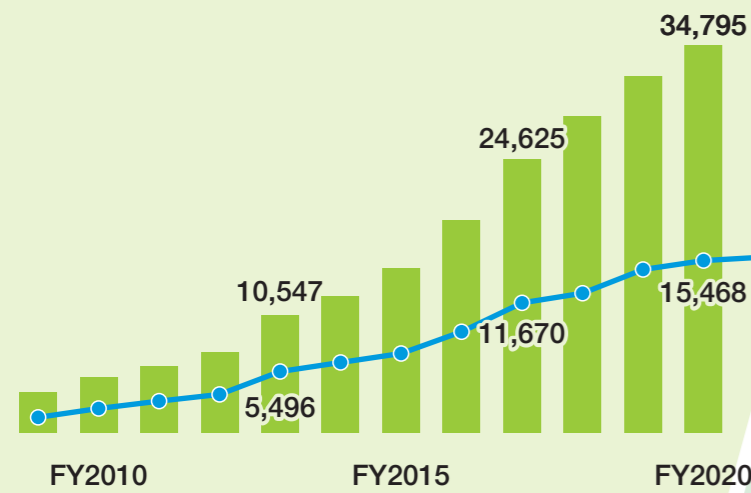
Achieved all past medium-term management targets ahead of schedule/Established stable growth and unparalleled position as a leader in the SME M&A industry

Targets achieved

- 1st period: Ordinary profit 5 billion yen
- 2nd period: Ordinary profit 10 billion yen
- 3rd period: Ordinary profit 15 billion yen

Average annual ordinary profit growth rate over the past 13 fiscal years

+23.2%



4th-period medium-term management targets

EXCEED 30

Ordinary profit target for FY2026: **35 billion yen**
 Number of contracts: **1,000**

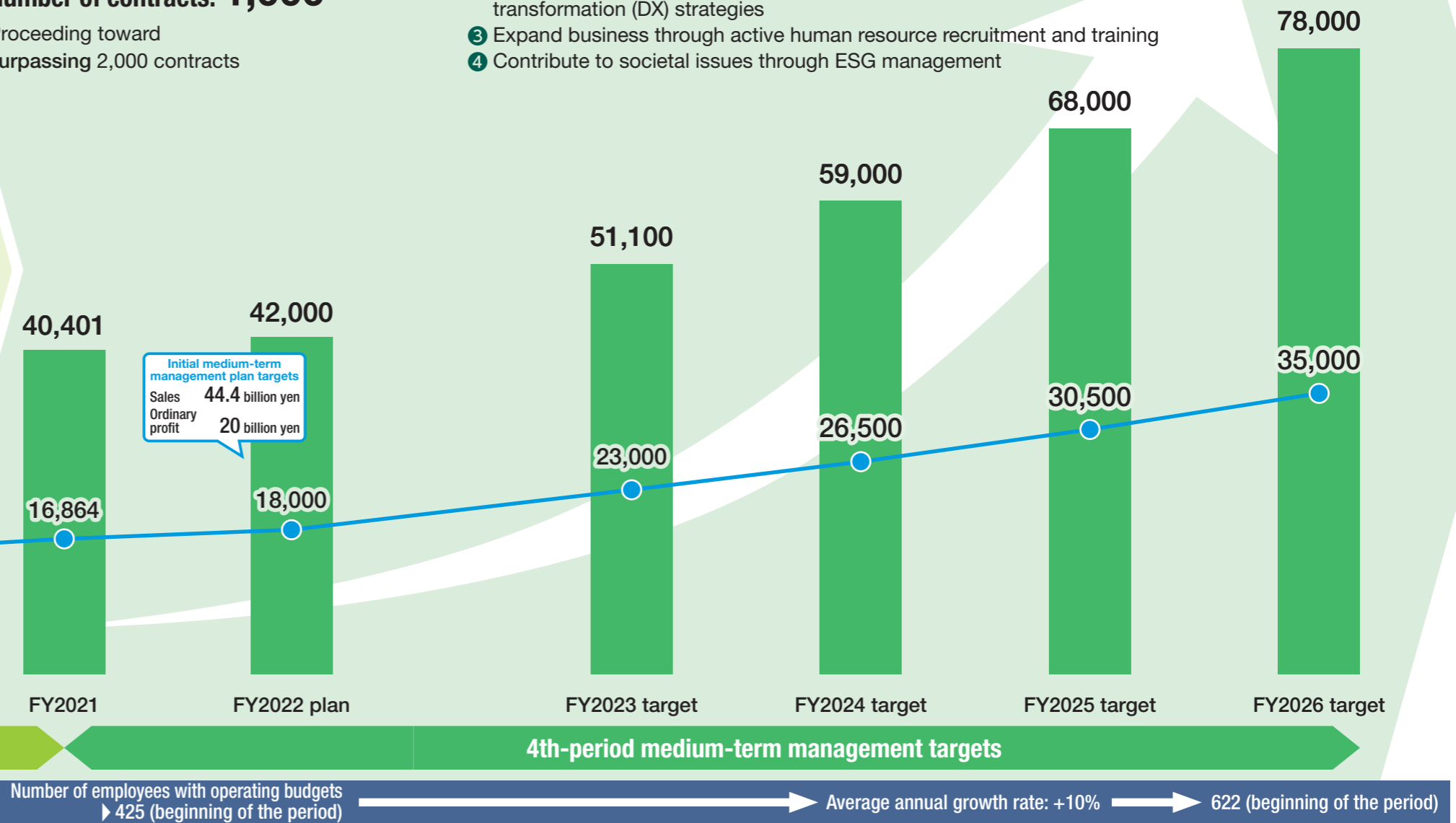
Proceeding toward surpassing 2,000 contracts

First year of the second foundation

Priority action items

- 1 Increase management decision-making speed by becoming a pure holding company
- 2 Expand sales opportunities and improve productivity by promoting digital transformation (DX) strategies
- 3 Expand business through active human resource recruitment and training
- 4 Contribute to societal issues through ESG management

Aim for
continuous growth at an average rate of +15%
 in FY2027 and beyond



Initial medium-term management plan targets
 Sales 44.4 billion yen
 Ordinary profit 20 billion yen

Management Strategy Driven by Our Purpose

Based on the purpose we have defined this year, we hereby present the management strategy of the Nihon M&A Center Group.

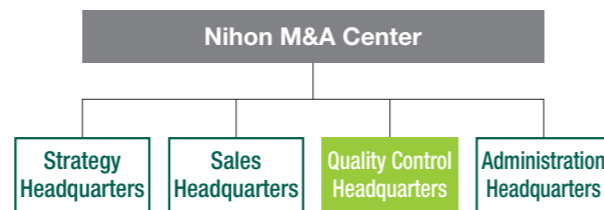
Our Purpose

To connect hopes and dreams
for the best M&A experience
in Japan and then the world

Providing optimum M&A with “Ultimate Service Quality”

Established Quality Control Headquarters to provide the “Ultimate Service Quality”

In October 2022, Nihon M&A Center established the Quality Control Headquarters, a specialized department, as an independent division within the business units to further ensure and enhance the quality of our services.



comment Message from Head of the Quality Control Headquarters



The Quality Control Headquarters, as the name suggests, is a business unit whose mission is to ensure the ultimate service quality in order to achieve the best M&A. The quality of work that the Quality Control Headquarters must ensure is extensive, ranging from optimum deal making and scheme proposals to provision of contract drafts. By raising the quality of these operations, we hope to 1) increase the closing rate, 2) avoid problems after closing and 3) enhance customer satisfaction. If we are to make M&A more accessible to society, we must make more people aware that M&A can be undertaken safely and securely. To this end, the Quality Control Headquarters believes that it is extremely important to ensure projects progress smoothly, from contract to closing. This entails us securing a partner when we enter into an agreement with a client, closing the deal smoothly without breaking it and concluding a contract that minimizes the possibility of problems arising between the buyer and seller after closing.

The Company focuses on trouble-free closing, as well as on satisfying its customers. The Quality Control Headquarters will also strive to evaluate companies, provide quality briefs and make appropriate scheme proposals with the objective of better satisfying our clients.

Hideyuki Kumagai, Director and Division Heads, Quality Control Headquarters

Leveraging the collective strength of the Group to provide the “Ultimate Client Satisfaction”

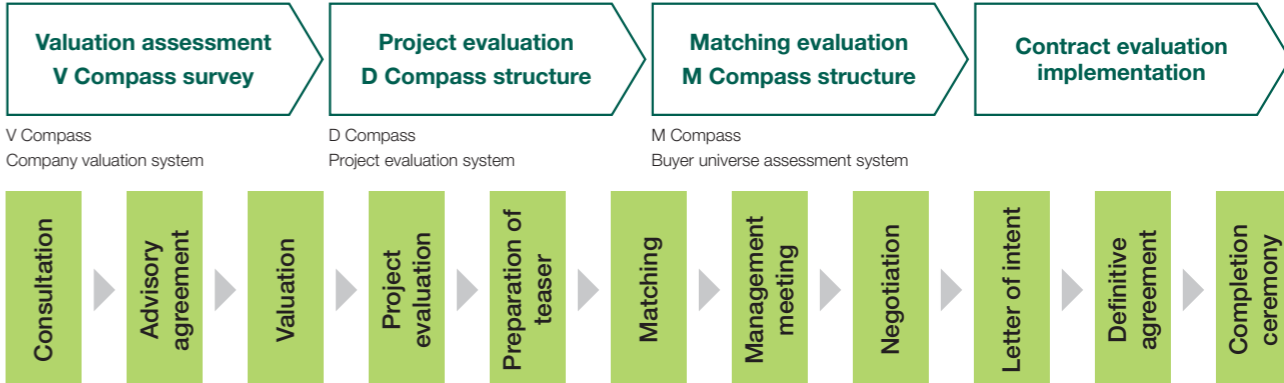
Appropriate M&A company evaluation (stock valuation/business analysis)

Corporate Value Laboratory Inc. adopts a neutral perspective in calculating and presenting M&A transaction prices. It calculates fair M&A corporate valuation prices based on transaction case studies from the data collected through Nihon M&A Center's extensive experience in corporate valuation.



Promotion of M&A digitalization

Corporate Value Laboratory is promoting efficiency in each M&A process and reducing lead time through the use of systems such as the V Compass company evaluation system and the M Compass buyer universe assessment system. It is working to enhance productivity even further through the digitalization of M&A.



Expert accompaniment

Nihon M&A Center has over 40 professionals as employees, including lawyers, certified public accountants, tax accountants and notaries. A support person is appointed to facilitate each case from legal and tax perspectives. Based on its accumulated high-level M&A expertise, the Company provides swift, appropriate advice in accordance with the progress of each deal. It resolves issues in a timely and appropriate manner to achieve trouble-free, safe and secure M&A transactions.

Moreover, Nihon M&A Center provides services with a major non-life insurance company, Tokio Marine & Nichido Fire Insurance Co., Ltd. In principle, all M&A transactions brokered by Nihon M&A Center are covered by warranty and indemnity insurance, which requires neither screening nor the payment of insurance premiums.



Management Strategy Driven by Our Purpose

Completion ceremony to celebrate a new beginning

Nihon M&A Center holds a grand completion ceremony upon the conclusion of an M&A deal. The Company have established an M&A ceremony team which specializes in staging M&A closing ceremonies and proposes services that lead to mutual cultural understanding between companies for each deal concluded. A proper celebration of a new start encourages the successful M&A process after the conclusion of the deal.



Support following conclusion of M&A deal

Japan PMI Consulting Inc. offers post-merger integration (PMI) consulting services. It supports both the seller and buyer companies in forming a common understanding of their visions and aspirations to become partners in achieving growth. Japan PMI Consulting provides support for quantitative issues such as accounting and financial results as well as qualitative issues such as management vision and workflow.



Supporting the life of the seller's management after conclusion of the contract

Next Navi Inc. offers consulting services on the business succession decision-making process as well as on property succession. For managers of sellers that have concluded contracts through Nihon M&A Center, Next Navi provides consulting services after transactions. These services include property evaluation and support for second careers leveraging our management expertise.



Making M&A more accessible via the internet

Utilization of web platform

Batonz Co., Ltd. is an M&A matching platform company that is the leader in Japan in terms of the number of contracts signed and users*. Batonz targets primarily small businesses and SMEs with annual sales of less than 100 million yen—which account for 85% of all companies in Japan—and matches sellers and buyers via the internet to assist them in closing deals. As of September 30, 2022, the number of registered users was around 180,000 with a cumulative total of 2,527 contracts signed.

Based on the vision of “realizing a society where M&A can be done by anyone, anywhere, easily and freely”, Batonz is characterized by the development of services that combine internet-based system and human support to achieve safe, secure M&A transactions.

Batonz, which focuses on community-based M&A support by partnering with more than 1,400 M&A support specialists—including professionals and consulting firms nationwide—has also partnered with Osaka Prefecture and other municipalities throughout Japan. Moreover, it began offering B MASS, an M&A support system exclusively for financial institutions. The system continues to be adopted by financial institutions nationwide.

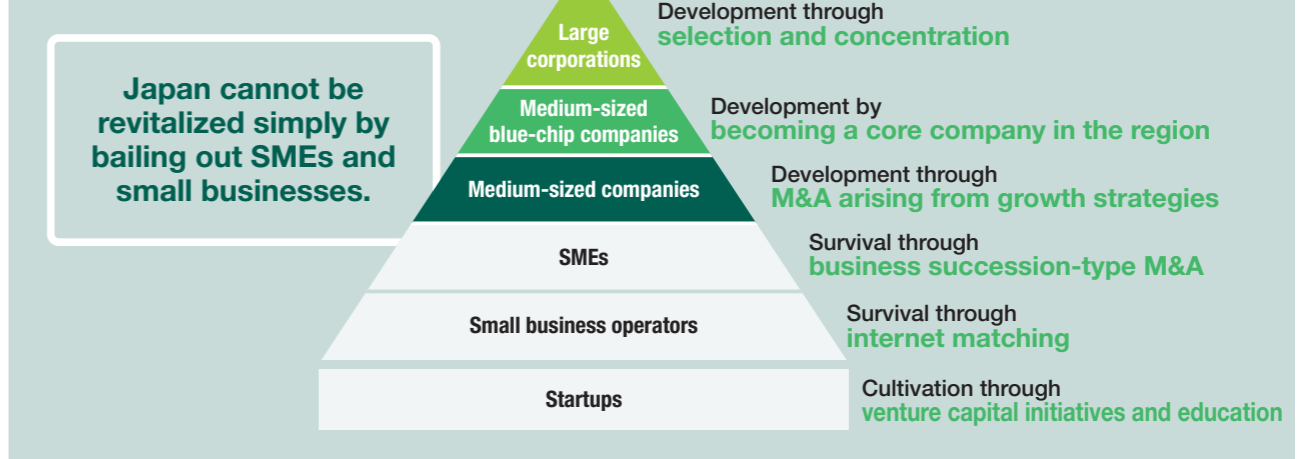
Furthermore, to protect the safety of small-scale M&A transactions, it developed with Tokio Marine & Nichido Fire Insurance a due diligence service named Batonz DD, which is covered by warranty and indemnity insurance. Batonz provides a safe M&A service for all clients, regardless of location.



*No. 1 in cumulative numbers of users and contracts, according to Japan Marketing Research Organization, Inc. Aggregation period: January 25–March 11, 2022; Market research (including estimates) in designated areas

Corresponding to all markets

Structure of companies supporting Japan and the role of Nihon M&A Center



Supporting growth through funds

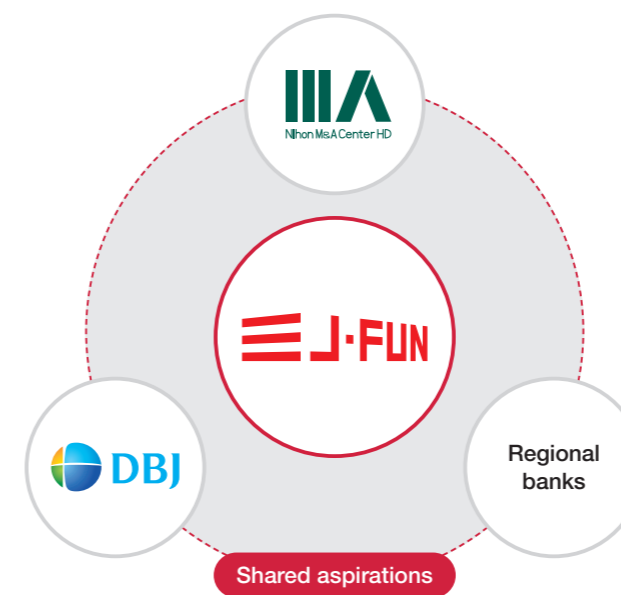
Although fund-based M&A is not yet common among SMEs, Nihon M&A Center believes that using a fund that specializes in supporting investee company growth is a shortcut to corporate growth.

Japan Investment Fund Inc. is a private equity fund management company established through a joint venture between Nihon M&A Center and Development Bank of Japan Inc. As of September 30, 2022, including investments from more than 10 regional banks, the fund size is 10.5 billion yen and the number of companies invested is seven.



Japan Investment Fund intends to invest strategically with the aim of formulating a social infrastructure that will be instrumental in the growth and development of Japan's SMEs and the revitalization of local communities. It will accelerate growth through fund utilization and additional acquisitions to create regional star companies that can enjoy sustainable growth after exiting from the fund.

A search fund is an activity in which superior management candidates take the initiative to acquire attractive SMEs and become involved in their management. Search Fund Japan, Inc. is Japan's first nationwide, all-industry search fund investment firm. As of April 30, 2022, the size of the fund was about 1.0 billion yen and it had been responsible for two business successions. It was jointly established by Nihon M&A Center Holdings, Kimitake Ito, a leading search fund manager, Career Incubation, Inc., and Development Bank of Japan Inc. Search Fund Japan supports human resources-first business succession and aims to regenerate regional communities through the cultivation of managerial human resources.



Management Strategy Driven by Our Purpose

TOKYO PRO Market IPO support activities

TOKYO PRO Market is a stock market for professional investors operated by the Tokyo Stock Exchange (TSE). By limiting the investors who can purchase shares to professional investors with extensive knowledge and experience in stock investment (specified investors), the listing criteria (institutional design) can be more flexible than in general markets, where many investors participate. By creating listed companies throughout the country, we aim to revitalize regional employment.



TOKYO PRO Market features a unique scheme called the J-Adviser System.

TSE grants J-Adviser status to companies that it recognizes as having “extensive experience in providing management support to companies and in-depth knowledge of IPOs” and entrusts them with listing examination and monitoring services. J-Advisers provide comprehensive support for listing preparation, examination and post-listing monitoring on behalf of TSE and securities companies. As of October 31, 2022, there were 15 J-Advisers certified nationwide.

The strengths of Nihon M&A Center as a J-Adviser are: 1) unparalleled expertise in supporting the growth of small- and medium-sized companies, 2) aggressive promotional activities that also contribute to further raising the profile of client companies and 3) a full complement of listing support members, ranging from listing specialists to M&A experts.

with them. Having a rough estimate of corporate value based on actual conditions facilitates management's consideration of M&A.

By offering accumulated expertise and accepting seconded employees, the Company will contribute to the further growth of a sound market.

Can be undertaken safely; spread more success stories

Raise awareness through digital channels and mass media

Nihon M&A Center promotes digital transformation strategies in the areas of marketing and the M&A process. In marketing, the Company is proactively implementing B2C-conscious measures in line with the generalization of M&A. TV commercials will also be broadcast to expand top-of-mind awareness.



Utilization of owned media THE OWNER

ZUUM-A Co., Ltd. is a media platform management company established through a joint venture between Nihon M&A Center Holdings and ZUU Co., Ltd. Owned media THE OWNER is a media designed to resolve management issues. It provides information on corporate succession to those facing such issues and information on M&A and management strategies for further growth to medium-sized companies. It aims to become Japan's No. 1 media platform for business owners to resolve management issues by capturing the lifespan of a company from beginning to end, from the start-up of an individual to the exit of a company whose life spans centuries, and by providing a wide range of approaches that cater to the interests of business owners.



Collaborating with partners nationwide

Sharing know-how with partners

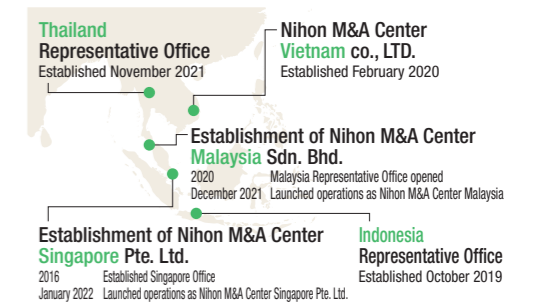
Nihon M&A Center has alliances with accounting firms, regional financial institutions such as banks and credit unions as well as larger financial institutions including major commercial banks and securities companies throughout Japan. In addition to compiling a database of M&A information obtained through these alliances, it also serves as a platform for M&A.

For example, the aforementioned company valuation system V Compass has been adopted by affiliated financial institutions and accounting firms and is used for simple calculations of the corporate value of clients who have consulted

Expand cross-border M&A support not just in Japan, but around the world

Strengthening support systems in ASEAN region

In response to the increasing number of cross-border M&A deals in recent years involving Japanese companies expanding overseas and the sale of overseas group companies, Nihon M&A Center has established five offices in Singapore and other ASEAN countries to enable more robust cross-border M&A support. With the post-pandemic easing of travel restrictions, the Company anticipates a further rise in M&A demand and it can expect cross-border M&A transactions by SMEs to increase significantly as well.



Entry into Europe, US

With an eye to future expansion in Europe and the United States, Nihon M&A Center has joined the World M&A Alliance, one of the largest M&A alliances in the world. The World M&A Alliance was established in 2014 and, as of October 31, 2022, had 13 member companies —primarily M&A boutiques in Europe and the United States—from about 20 countries. As a pioneer in cross-border M&A for small businesses and SMEs, Nihon M&A Center will further expand our business abroad by bolstering cooperation with global firms.



Examples of cross-border M&A (partial)

In FY2022, the Group concluded its first cross-border M&A between companies in ASEAN and Europe.

Seller	Buyer
Singapore/geotechnical engineering equipment	The United Kingdom/testing, inspection, certification
Japan/trading company	The Netherlands/trading company

comment Message from the director in charge of international business



Cross-border M&A is no longer exclusively for large companies. SMEs are also beginning to explore cross-border M&A as well as large corporations as an effective means of overseas expansion. SMEs with limited management resources such as people, goods and money can expand overseas more quickly, safely and reliably by acquiring a company that already has a proven track record in that region, as opposed to establishing operations independently. On the other hand, there is no shortage of SMEs in the ASEAN region that would like to transfer their business to Japanese companies. As in Japan, there are many companies that lack successors and there are also businesses that covet Japanese experience, technological capability or brands. We aim to meet the needs of both Japanese and ASEAN companies and to serve as a bridge between them.

Masahiko Otsuki, Managing Director

Message from the Human Resources Officer



We are promoting our Human Resources First Strategy to develop a foundation for the next era.

Makoto Ariga,

Associate Senior Corporate Executive Officer,
HR First Management Division

HR Development Is the Key Driver of Nihon M&A Center Group Growth

When I joined the Nihon M&A Center Group in April 2020, President Miyake and I agreed on a mission to “take our second foundation phase as an opportunity to update and rebuild our strategic model in which employee growth drives business growth and prepares us for the next era”. We placed particular emphasis on “making senior manager-driven HR training the DNA of the entire organization” and we created our Human Resources First banner to champion that aim.

Ever since the Group was founded, Chairman Wakebayashi and President Miyake have valued their employees and channeled considerable effort into their training. Business models that strive to rescue SMEs through M&A are few and far between, even on a global scale. Trying to hire external staff who can hit the ground running was thus not a realistic proposition. The only option from a management perspective was to hire people with strong potential and train them in-house. That very commitment by senior managers to train staff has resulted in creating

extremely talented employees and a strong organization.

However, as the Group expanded and our workforce rapidly grew from 300 to 1,000, our system of having the president himself involved in employee training had clearly reached its limit. The key goal of our Human Resources First has become to make future training a management team effort and to make HR development the DNA of our entire organization.

During my 40-year career, I have worked with people and organizations in a variety of environments, including traditional Japanese companies such as a steel company, a leading global IT company headquartered in the United States or trail-blazing companies in Japan. I was also involved in management myself as president of a fashion brand. I fully exploit these experiences to create our Human Resources First and a strategic narrative, together with colleagues in the Nihon M&A Center Group.

Formulating the HR First Strategy, Placing Highest Priority on Building and Visualizing Training Systems

I had to work from home during the first two months on the job from April 2020 due to COVID-19 but I held repeated discussions with the Division Heads of the HR Strategy Office and Human Resources Department and other next-generation leaders. I also held online meetings, getting executive officers involved if necessary, to present an HR strategy perspective on the Group’s ideal future vision.

We started by analyzing our external environment and then considered the Company’s internal strengths and challenges. We reconfirmed our strengths to be:

our clear social mission, our expertise and network as an industry leader, our senior management that is committed to human resource development, our extremely talented employees with their rich strategy, logic and their sensitive understanding of frontline issues. We proceeded to discuss strategies and measures for further expanding these strengths and overcoming challenges.

One thing the Nihon M&A Center Group did was to sum up its Human Resources First vision using five key phrases: (1) Next-generation focus, (2) A culture that

nurtures people, (3) A high degree of engagement, (4) A company people want to work for and (5) An organization in which 1+1 add up to 3. The Group also divided its specific measures into five categories: (1) Hire, (2) Nurture, (3) Reward, (4) Connect and (5) Support. It then held brainstorming sessions that identified approximately 120 measures and placed them in order of priority, determining the execution schedules and resource proposals for the first two fiscal years. We positioned this complete HR First Strategy as the starting point to which everyone should always return if in any doubt of the process for implementing measures over the medium-term.

One concrete measure we worked on in the first fiscal year was to construct and visualize new training

frameworks. Traditionally, the Group’s training programs focused on M&A business and other operations. However, as the number of employees rapidly increased, I must admit the training became more of a patchwork of urgent, impulsive or one-off content. We systematized our training programs to link them more closely to employee career-building and professional growth and visualized the overall structure. Subsequent employee surveys suggest that the current evaluation of these efforts has been fairly positive. Having said that, I believe it is essential to continue to strengthen, expand and restructure these systems as the organization grows.

**Please refer to page 37 for details on the Group’s education and training programs.*

Our Purpose and Compliance As Two Sides of the Same Coin

In FY2021, the second year of our Human Resources First Strategy, we set about reforming our personnel systems and formulating our purpose as a companywide initiative. Our corporate mission is to help companies continue and prosper through M&A. That is what it has always been and always will be. Our purpose defines our raison d’être as we carry out the corporate activities designed to achieve our corporate mission.

We asked all employees to contribute keywords and held repeated discussions at the management level before deciding on the following corporate purpose.

To connect hopes and dreams for the best M&A experience in Japan and then the world

We actually uncovered the recent inappropriate incident just before we started formulating our purpose. The incident reminded me that compliance violations inevitably occur when people take an action that differs from the chosen ideal, and that our purpose and compliance are inextricably linked.

The important thing in discussing our purpose was to simultaneously incorporate our two aspirations: strength (as a leading company) and kindness (as upstanding individuals with a passionate commitment to regional revitalization). While the incident should never have happened, it did encourage deeper discussions when determining our purpose. We hold training sessions every three months in companywide meetings and Division Heads meetings to ensure people do not forget the two aspirations we confirmed in our purpose. The Company also introduced a new human resources system in April 2022 that clearly and systemically defined job roles, grades, target-setting, evaluation criteria and compensation frameworks. We also focused on the fact that ethics form the bedrock of

all that we do. We decided to include attitudes or mindsets that illustrate a keenness to train and nurture others as important evaluation criteria, in addition to numerical results.

The key challenge going forward will be to balance thorough compliance management and the building of a free and vibrant corporate culture to fuel the Group’s unique innovative capacity. We are very conscious of diversity and inclusion as an effective mechanism for achieving this balance. Nihon M&A Center aims to create an environment that encourages close links between management and frontline operations, channels diverse opinions from inside and outside the Company into spurring fresh innovation and serves as a varied monitoring function.

For instance, at a recent Division Heads meeting, a training session was conducted in which all participants wore 3D glasses for a virtual experience of being a working mother or LGBTQ employee. This training was aimed at eradicating unconscious bias. We also hold online sessions and other family events to nurture more fans of the Group among our employees’ families.

Our employees get opportunities to work with people with a wealth of specialist knowledge as soon as they enter the Company, including SME business owners, lawyers, certified public accountants/tax accountants, and people working in financial institutions and they experience on-the-ground situations across many industries and business fields. While the average age of our employees is comparatively young, I think it is safe to say that we have developed an environment that enables our employees to grow into effective business people extremely rapidly. In short, our human resources development is the key driver of the corporate growth. I intend to do my utmost to create a concrete foundation for next-era development under our Human Resources First banner.

**Please refer to page 3 for details of our purpose.*

Human Resources Strategies: M&A Consultants

Our employees are our greatest management asset in achieving our objective of “assisting companies to continue and prosper through M&A”. With the aim of maximizing the power of our human resources, Nihon M&A Center is actively engaged in initiatives to underpin the growth of its employees.

Program to accelerate human resources growth

The Small and Medium Enterprise Agency is working to construct a system to save 60,000 companies a year, as there are 600,000 companies that may go out of business despite being profitable. As a leading company, the Nihon M&A Center Group is continuously working to reinforce its system to drive the realization of this goal. The purpose of our existence is to develop human resources who can support companies to continue and prosper through M&A operations and ultimately contribute to the revitalization of the Japanese economy.

Meanwhile, few people in Japan have experience in M&A for SMEs and the majority of employees who join our Group do not have any experience in M&A operations. For this reason, the Group has established a dedicated organization, the HR First Mgmt. Div., which upholds the principle of employee-first and formulates training programs by objective and rank, providing systematic education based on a comprehensive curriculum to enable employees to swiftly become active as M&A consultants. We will maximize the social added value created by each employee and the Group.



Total annual training hours (FY2021)

Training led by the HR Strategy Office		Course duration (hours)
Total annual training hours		49,941
Average hours of education and training per regular employee		51

Major off-the-job training courses attended (FY2021)

Name of training	Target level	Course duration (hours)
New graduate development project	New employees (sales positions)	300
One-month training for new employees	1st year mid-career employees	150
Group training on basic practical operations	1st year mid-career employees	15
Reiwa academy	Employees who have been with the Company for less than three years and are in the top 20% in terms of the number of contracts per month of service	36
Group leader meeting	Group leader/manager	36
Executive training camp	Group leader and above	36

The following are excerpts from the training programs listed at left.

4th year and later mid-career employees/5th year and later new graduates

Special training for top consultants (transaction closure academy)

The transaction closure academy is a training program for top consultants or employees in the top 20% in terms of KPIs (calculated monthly based on the cumulative number of transactions closed), who are in their fourth year or later of mid-career or in their fifth year or later of new graduate employment. The employees eligible for admission to the academy changes monthly based on the ranking of the relevant KPIs. The training program will increase per-capita productivity in terms of the number of transactions closed by establishing admission requirements and will also focus on case studies and discussions related to the phases from basic agreement to the closing of transactions. The objective of this program is to enhance perspectives on service quality and customer satisfaction. Through the transaction closure academy, Nihon M&A Center is developing human resources who will contribute to raising the bar for the industry and improving quality.



Mid-career employees who have been with the Company for less than three years/new graduates for less than four years

Training for selected new consultants (Reiwa academy)

The Reiwa academy is a training program for mid-career employees who have been with the Company for less than four years and new graduates for less than five years and are in the top 20% in terms of KPIs, which are calculated monthly based on the cumulative number of transactions closed. The employees eligible for admission to the academy changes monthly based on the ranking of the relevant KPIs. The purpose of this program is to acquire a broader perspective through the sharing of visions by guest lecturers at the division heads level or above as well as talks by guest lecturers from outside the Company. Participants also acquire practical know-how through the introduction of examples of actions exhibited by mid-level employees during the period covered by the Reiwa academy. Through the Reiwa academy, the Company fosters professional human resources with a heightened perspective and high level of performance required when communicating with managerial personnel on the client side.



Mid-career employees who have been with the Company for less than three years/new graduates for less than four years

Training for new consultants to acquire knowledge (Strike! Reiwa academy)

The Strike! Reiwa academy is a training program for employees who are not selected for the Reiwa academy program. The objective of this program is to acquire the know-how to secure contracts through case studies by mid-career employees on themes such as company introductions and obtaining trust from clients, with the aim of becoming eligible for admission to the Reiwa academy. Through the Strike! Reiwa academy training program, the Company is making steady progress in cultivating M&A consultants.

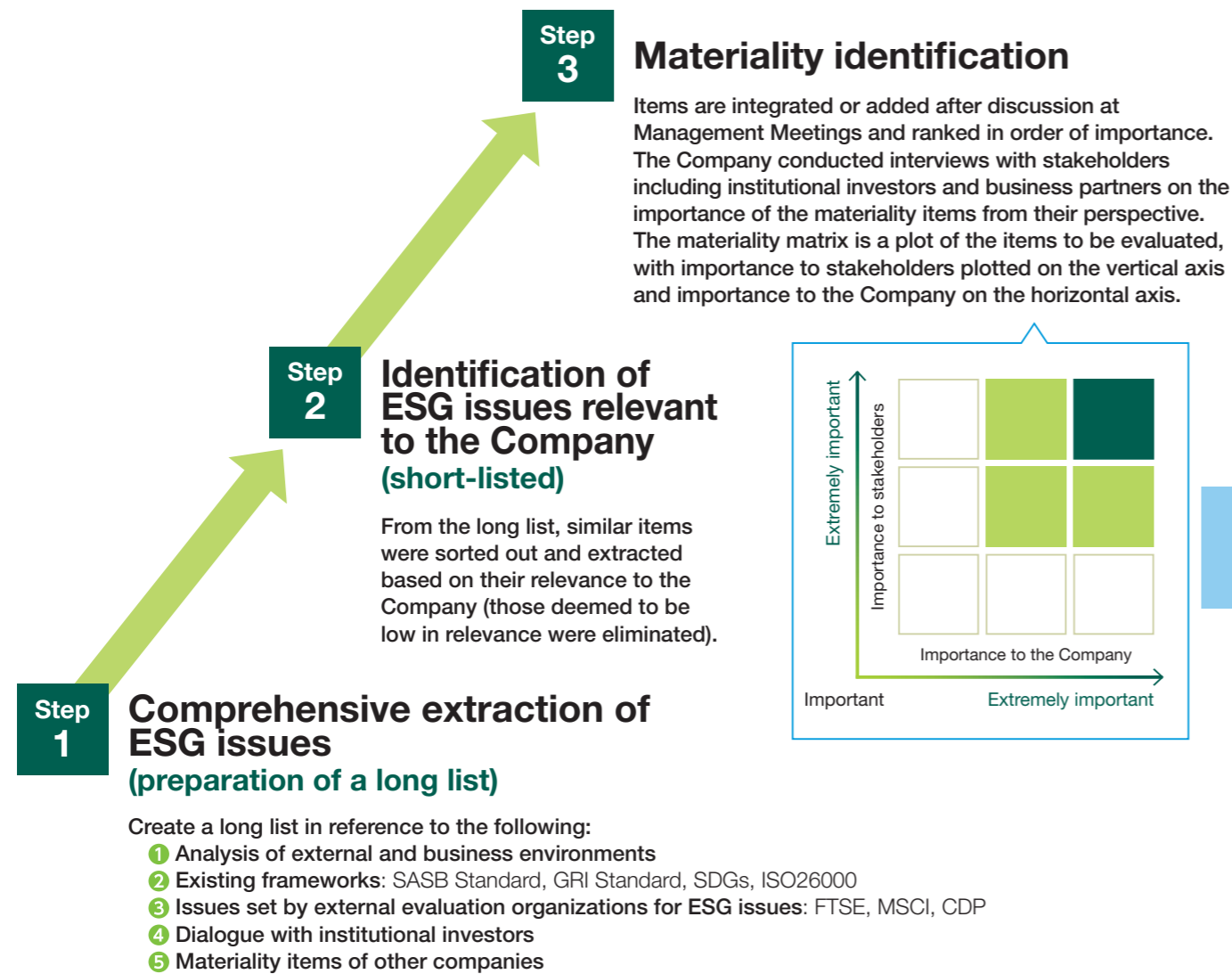


Materiality (Priority Issues)

The Nihon M&A Center Group positions social issues as the theme of its business and creates value by resolving the issues through its business activities. Currently, the Group is faced with a number of social issues. We have classified the impact of these issues on society as well as the Nihon M&A Center Group in terms of risk and opportunity, and identified materiality (priority issues) as the themes we must especially focus on to resolve and address those issues. Based on this materiality (priority issues), the Group will contribute to resolving social issues through its business activities and work to exert a positive impact on its stakeholders, aiming for the continuous enhancement of its corporate value and sustainable development of society.

Materiality identification process

Based on the concept of sustainability and the nature of the Group's business activities, we have identified ESG issues that have an impact on the Group and its stakeholders through the steps described below. Materiality items identified are then reviewed and approved by the Board of Directors.



Nihon M&A Center Group materiality items

- ① Measures for information security and cybersecurity
- ② Maintenance and improvement of business practices
- ③ Enhancement of risk management
- ④ Enhancement of corporate governance
- ⑤ **Transformation into and establishment of an ethics-oriented culture**
- ⑥ Stakeholder engagement
- ⑦ **Development of next-generation executive management personnel**
- ⑧ Diversity & inclusion
- ⑨ Talent management (recruitment, development and retention of human resources)
- ⑩ Response to climate change
- ⑪ **Promotion of businesses that contribute to regional revitalization**
- ⑫ Resilience of business models
- ⑬ Utilization of digital technologies and promotion of digital transformation
- ⑭ Maintenance of financial health
- ⑮ Creation of new added value for sustainable growth
- ⑯ **Improvement of client satisfaction**
- ⑰ Maintenance and improvement of service quality
- ⑱ **Delivery of safe and fair M&A**

Materiality matrix



Materiality (Priority Issues)

Examples of major materiality (priority issues) initiatives

The Company will periodically review materiality items based on the external environment and the degree of their implementation to promote effective initiatives.


■ Top priority issues/ ■ important issues

Key priorities	Examples of major initiatives
1 Information security and cybersecurity measures	<ul style="list-style-type: none"> Acquisition of ISO27001 certification, an international standard Establishment of information security policy and ensuring thorough recognition on the part of all employees (internal posting, distribution of the information security rule book to all employees, etc.) Establishment of information management system and rules Various training and drills (information security training for new employees, monthly company-wide meetings to disseminate information, targeted e-mail attack training, etc.)
2 Maintenance and improvement of business practices	<ul style="list-style-type: none"> Compliance with the Guidelines for SME M&A (clear explanations of intermediary transactions and fee structure, etc.) Participation in the establishment of the M&A Intermediaries Association (MAIA) for the sound development of the M&A intermediary industry
3 Enhancement of risk management	<ul style="list-style-type: none"> Development and reinforcement of risk management systems Confirmation of ESG risks upon taking on new mandates
4 Enhancement of corporate governance	<ul style="list-style-type: none"> Development and reinforcement of corporate governance structure Reestablishment and strengthening of internal control systems Promotion of diversity of the Board of Directors Strengthening oversight functions through the establishment of a Nomination Committee and a Remuneration Committee Establishment of Compliance Division and appointment of chief compliance officer (CCO)
5 Transformation into and establishment of a culture that prioritizes ethics	<ul style="list-style-type: none"> Creation and distribution of a compliance book Implementation of compliance training Promotion of purpose-oriented management
6 Stakeholder engagement	Customer <ul style="list-style-type: none"> Conduct customer surveys Establishment of concierge desk for customer consultation
	Shareholder <ul style="list-style-type: none"> General meeting of shareholders Financial results briefing IR interviews (individual/group)
	Business partners <ul style="list-style-type: none"> Implementation of study sessions for business partners Publication of public relations magazine for business partners Holding general meetings for board members of partner accounting firms Establishment of M&A Bank of the Year award for partner regional banks M&A certification acquisition system
	Employee <ul style="list-style-type: none"> Conduct annual employee engagement survey Teach-in with management and employees
	Local community <ul style="list-style-type: none"> Industry-academia collaboration with Kobe University to promote SME M&A research and education Hold endowed courses at universities Support activities for culture and the arts Subsidize activities to revitalize local regions through the corporate version of the hometown tax payment program Joint donation activities with management of sellers upon conclusion of M&A deals
	Public institution <ul style="list-style-type: none"> Cooperation with measures implemented by public organizations (observer of "Study Group on Consolidation of Management Resources of SMEs", member of "Subcommittee for Formulation of Guidelines for PMI for SME", etc.)
7 Development of next-generation executive management personnel	<ul style="list-style-type: none"> Participation of next-generation executive management personnel in the newly established Management Committee Transition to a holding company structure
8 Diversity & inclusion	<ul style="list-style-type: none"> Promotion of diversity (hiring local human resources overseas, organizing internal projects to promote women's advancement in the workforce, etc.) Promotion of inclusion (formation of cross-departmental projects) Promotion of internal Salesforce certification acquisition

■ Top priority issues/ ■ material issues

Material issues	Examples of major initiatives
9 Talent management (recruitment, development and retention of human resources)	<ul style="list-style-type: none"> Conduct annual employee engagement survey Development of education system (enhancement of rank-based training system, system to support acquisition of qualification, etc.) Promotion of 3KM* Promotion of communication among employees (MA6 subsidy system for employee-initiated events, implementation of kickoff meetings, MVP awards, etc.) Incentive system Respond to workstyle diversification (flextime work system, shortened work hours until children enter fourth grade, etc.) <p>*Under the 3KM concept, employees work to increase Motivation for the three Ks, "Kojin" (individual), "Katei" (household), "Kaisha" (company) and promote Management based on Marks (targets).</p>
10 Response to climate change	<ul style="list-style-type: none"> Identification of climate change-related risks and formulation of response Efforts to mitigate climate change (reducing electricity usage, encouraging Cool Biz/Warm Biz) Efforts to adapt to climate change (server backup measures and cloud storage of critical data, teleworking capabilities, etc.) Initiatives to reduce greenhouse gas (GHG) emissions
11 Promotion of projects that contribute to regional revitalization	<ul style="list-style-type: none"> M&A transactions supported by Nihon M&A Center have averted economic losses of 349.3 billion yen and preserved the jobs of 28,850 people in a single year. *Estimated by Yano Research Institute Ltd. based on actual number of transactions closed in FY2021 Nearly 30 M&A transactions closed annually by M&A department specializing in medical care Regularly accept more than 90 seconded employees from regional banks, accounting firms and other organizations nationwide to cultivate local M&A leaders Investment business by group company Japan Investment Fund Inc. to nurture regional star companies TPM Division's business to support listing on the Tokyo Stock Exchange's TOKYO PRO Market Support for development of executive management personnel by group company Search Fund Japan, Inc.
12 Resilience of business models	<ul style="list-style-type: none"> Maintenance and enhancement of competitiveness (building sustainable relationships with business partners)
13 Utilization of digital technologies and promotion of digital transformation	<ul style="list-style-type: none"> Leveraging Salesforce to streamline sales activities, share information and turn such information into assets Leveraging AI to streamline initial matching activities Development and implementation of various M&A operation systems (V Compass, D Compass, M Compass) to streamline and standardize the M&A process Digital marketing initiatives to raise recognition Roll out of online M&A matching site BATONZ by group company Batonz Co., Ltd. Hold online seminars Operation of THE OWNER, owned media for business owners by group company ZUUM-A Co., Ltd. Posting of project information on the Company website Dissemination of information through M&A magazine content on the Company website
14 Maintenance of financial health	<ul style="list-style-type: none"> Monitoring of financial indicators including those of subsidiaries
15 Creation of new added value for sustainable growth	<ul style="list-style-type: none"> Creation of new businesses (M&A of e-commerce operators and management support business through alliance with MOON-X Inc.)
16 Improvement of client satisfaction	<ul style="list-style-type: none"> Implementation of M&A completion ceremony by a professional ceremony team Implementation of customer surveys upon deal conclusion Free production of THE WAY, a booklet on the history of the seller and its business owner Business and property succession consulting by group company Next Navi Inc. Provision of post-merger integration (PMI) consulting services by group company Japan PMI Consulting Inc.
17 Maintenance and improvement of service quality	<ul style="list-style-type: none"> System that enables the provision of timely, appropriate advice by in-house experts (lawyers, certified public accountants, tax accountants, etc.) Development and implementation of a systematic consultant training system Standardized corporate evaluation and preparation of corporate profiles by group company Corporate Value Laboratory Inc. Thorough document management and review of systems
18 Provision of safe and fair M&A	<ul style="list-style-type: none"> Calculation of neutral, transparent M&A transaction reference price by group company Corporate Value Laboratory Inc. Provision of post-merger integration (PMI) consulting services by group company Japan PMI Consulting Inc. Initiatives to enhance M&A literacy by holding various seminars Participation in the establishment of the M&A Intermediaries Association (MAIA) for the sound development of the M&A intermediary industry


Management Framework



Suguru Miyake
President and Representative Director
Date of birth: January 18, 1952

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Suguru Miyake joined the Company in September 1991, after having worked for Olivetti Corporation of Japan. He assumed the position of Director of the Company in June 1992 and has been in his current position since 2008. As Director, he has led the management of the Company for many years and led the Company's performance growth. Further, he also fulfilled a significant role in determining important management matters and supervising business execution. He has the experience, insight and leadership essential for strongly implementing compliance-oriented management and measures to prevent recurrence. He concurrently serves as President and Representative Director of Nihon M&A Center Inc.



Yasuhiro Wakebayashi
Chairman and Director
Date of birth: August 28, 1943

Attendance (FY2021)
● Board of Directors meeting: 95.5% (21/22)

Yasuhiro Wakebayashi founded the Company and assumed the position of Director in April 1991, after having worked for Olivetti Corporation of Japan. He assumed the position of President and Representative Director of the Company in June 1992 and Chairman and Representative Director in June 2008. He has been in his current position since 2022. As founder of the Company, he has formulated and established the corporate mission undertaken educational activities regarding M&A of SMEs and made significant achievements in business expansion, playing an important role in management. He concurrently serves as Chairman and Director of Nihon M&A Center Inc.



Naoki Takeuchi
Director
Date of birth: February 11, 1978

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Naoki Takeuchi joined the Company in April 2007. He served as Division Heads, Corporations Department from 2013 and assumed the position of Executive Officer of the Company in the following year. He assumed his current position in 2022 after having served as Division Heads, Corporations Department; Head of Direct Business Division; Head of Strategy Control Business Division; and Head of Sales Headquarters. He has achievements and a wealth of experience in acquiring customers by solving corporate growth issues through M&A (growth strategy type M&A) and has played an important role in the business growth of the Company. He has the experience and insight essential for strongly implementing compliance-oriented management and measures to prevent recurrence of the incidents. He concurrently serves as Director of Nihon M&A Center Inc.



Tsuneo Watanabe
Director
Date of birth: September 22, 1983

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Tsuneo Watanabe joined the Company in 2008 as a new graduate. He served as Division Heads, Industry Reorganization Department from 2016 and assumed the position of Executive Officer of the Company in the following year. He assumed his current position in 2020 after having served as Head of Industry Specific Business Division. He has insight and a wealth of operational M&A experience in various industries, such as establishing an approach specific to certain industries based on expert knowledge (industry-specific M&A) and has played an important role in the business growth of the Company. He concurrently serves as Director of Nihon M&A Center Inc.



Takamaro Naraki
Senior Managing Director
Date of birth: October 15, 1962

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Takamaro Naraki joined the Company in January 1993, after having worked for Daio Paper Corporation. He joined Daiwa Securities SMBC Co. Ltd. in June 2000 after which he rejoined the Company in March 2005. He assumed the position of Director and Division Heads, Administration Division of the Company in June 2005 and has been in his current position since February 2022. He has a wealth of achievements and insight in the overall administration division and has played an important role in management. He has the experience and insight essential for strongly implementing compliance-oriented management and measures to prevent recurrence. He concurrently serves as Senior Managing Director of Nihon M&A Center Inc.



Masahiko Otsuki
Managing Director
Date of birth: July 23, 1970

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Masahiko Otsuki joined the Company in February 2006, after having worked for The Sumitomo Bank, Ltd. Since assuming the position of Executive Officer of the Company in 2009, he has held various positions including Division Heads, Corporations Dept.; Division Heads, Enterprise Business Division; Division Heads, Sales Division; and Managing Director in charge of group companies. He has been in his current position since December 2019. He has a wealth of achievements and insight in the overall sales division and has played an important role in the growth of the Group as a whole. He concurrently serves as Managing Director of Nihon M&A Center Inc. and Representative Director of Japan Investment Fund Inc.



Hideyuki Kumagai
Director
Date of birth: October 24, 1973

Attendance (FY2021)
● Board of Directors meeting: 100% (22/22)

Hideyuki Kumagai joined the Company in 2007, after having worked for Chuo Audit Corporation. He served as General Manager, Internal Audit Office and General Manager, Corporate Advisor Tokyo Office of the Company, as well as President and Representative Director of Corporate Value Laboratory Inc. After assuming the position of Executive Officer of the Company in 2017, he has held various positions including General Manager, Corporate Advisor Office; Head of Project Support Business Division; and General Manager, Corporate Advisor Control Department and has been in his current position since 2020. He has broad advisory experience as a certified public accountant in IPO and M&A, etc. and has played an important role in the business growth of the Company. He concurrently serves as Director of Nihon M&A Center Inc.

Management Framework



Tokihiko Mori

Outside Director

Date of birth: July 17, 1952

Attendance (FY2021)

- Board of Directors meeting: 90.9% (20/22)

Tokihiko Mori has served as Director of GE Japan Corporation, Representative Director of Teradyne K.K., Representative Director of Riverside Partners Co., Ltd., and Representative Director of Y. International, Inc. He has been in his current position since 2018. Having served as Representative Director of an investment advisory company and as a corporate manager in various industries, he has a wealth of M&A experience. He has been providing advice on the improvement of the overall management quality of the Company as well as fund-related business based on his wealth of experience and broad insight as a corporate manager. He concurrently serves as Representative Director of Change Management Consulting Co., Ltd. and Outside Director of CAC Holdings Corporation.



Anna Dingley

Outside Director

Date of birth: September 11, 1974

Attendance (FY2021)

- Board of Directors meeting: 100% (22/22)

Anna Dingley has worked for organizations including the Association for Japan Exchange and Teaching (AJET), Kyoto Research Park Corp., Ingia (U.K.), Bloomberg L.P. and JPMorgan Securities Japan Co., Ltd., and served in positions including TOKYO AIM Business Development Director of London Stock Exchange Group plc and U.K. Representative of SparkCognition. She has been in her current position since 2020. She has sufficient insight and experience in investor relations activities and engagement with foreign institutional investors from a global perspective. She has been providing advice on the improvement of the overall management quality of the Company, investor relations and corporate branding as well as on IPO support services based on her experience of being profoundly involved in the launch of TOKYO AIM, the predecessor of TOKYO PRO Market. She concurrently serves as Managing Director of Japan Connect Ltd.



Keiichi Nishikido

Outside Director

Date of birth: May 2, 1953

Keiichi Nishikido has worked for Nagashima Ohno & Tsunematsu and Glass McCullough Sherrill & Harrold in the U.S. and served as Partner of KOHWA SOHGOH LAW OFFICES, Outside Audit & Supervisory Board Member of Nippon Hilton Co., Ltd. and Outside Audit & Supervisory Board Member of Pioneer Corporation. He has been in his current position since 2022. He has a wealth of knowledge and experience as an attorney-at-law. The Company newly appointed him as Outside Director of the Company at the 2022 General Meeting of Shareholders, expecting that he will be able to provide specific advice on the improvement of the overall management quality of the Company as well as on M&A and corporate legal affairs. He concurrently serves as Audit & Supervisory Board Member of Hiroawaseiki Seisakusho Co., Ltd., Outside Audit & Supervisory Board Member of Saibo Co., Ltd., and Representative Attorney-at-Law of KOHWA SOHGOH LAW OFFICES.



Iwao Hirayama

Director
(Full-time Audit and Supervisory
Committee Member)

Date of birth: January 7, 1961

Attendance (FY2021)

- Board of Directors meeting: 100% (22/22)
- Audit and Supervisory Committee meeting: 100% (16/16)

Iwao Hirayama joined the Company and assumed the position of Division Heads, Corporate Development Department in 2007, after having worked for Yamaichi Securities Co., Ltd., Nikko Cordial Securities Inc. and Ichiyoshi Securities Co., Ltd. After assuming the position of Executive Officer of the Company in 2012, he has served as Division Heads, Corporate Strategy Department and Division Heads, Employee Education Support Office of the Company as well as Representative Director of CG-J Partners Co., Ltd. (currently JAPAN PMI Consulting Inc.). He has been in his current position since 2020. He has a wealth of hands-on experience in M&A deals at securities firms and the Company. He also possesses deep insight into the Group's businesses, and thus has provided advice based on such insight he has garnered during his term as Director serving as an Audit and Supervisory Committee Member.



Minako Takeuchi

Outside Director

Date of birth: January 17, 1961

Attendance (FY2021)

- Board of Directors meeting: 100% (22/22)

Minako Takeuchi has worked for NEC Corporation and served as Representative Director and Vice President of Stanton Chase International, Co., Ltd. and Director of JAPAN PROFESSIONAL BASKETBALL LEAGUE. She has been in her current position since 2020. She has sufficient experience as a corporate manager in addition to a wealth of knowledge and experience in talent management and has been taking actions and providing specific advice on the improvement of the overall management quality of the Company, as well as on women's advancement and promotion of women to managerial positions. She concurrently serves as Representative Director of TM Future Corporation, Outside Director of THE SHIGA BANK, LTD., commissioner of Japan Wheelchair Basketball Federation and commissioner of Japan Basketball Association.



Kenneth George Smith

Outside Director

Date of birth: January 8, 1961

Kenneth George Smith has worked for organizations including C. Brewer & Co., Ltd., American Hawaii Cruises, Inc., Ernst & Young Limited, Deloitte Tohmatsu Consulting LLC. (currently ABeam Consulting Ltd.), KVH Co., Ltd. and served in positions including Representative Director and President of Ernst & Young Transaction Advisory Services Limited. He has been in his current position since 2022. He has sufficient experience as a corporate manager in addition to a wealth of knowledge and experience in cross-border M&A and PMI. The Company newly appointed him as Outside Director of the Company at the 2022 General Meeting of Shareholders, expecting that he will fulfill his role by providing specific advice on the improvement of the overall management quality of the Company as well as on cross-border M&A and PMI.



Yoshinori Yamada

Outside Director
(Audit and Supervisory
Committee Member)

Date of birth: May 22, 1946

Attendance (FY2021)

- Board of Directors meeting: 100% (22/22)
- Audit and Supervisory Committee meeting: 100% (16/16)

Yoshinori Yamada assumed the position of Audit & Supervisory Board Member of the Company in 2013, after having served as Managing Director of Meiji Yasuda Life Insurance Company, Representative Director of Japan Confirm Co., Ltd., full-time Audit & Supervisory Board Member of Mizuho Trust & Banking Co., Ltd., Chairman of the Board of Directors of Nihon AP Center Co., Ltd., and Outside Director of TETSUJIN Inc. He has been in his current position since 2016. He has experience as a Director and Audit & Supervisory Board Member of a major financial institution and also has audit experience as an Audit & Supervisory Board Member and Director (Audit and Supervisory Committee Member) of the Company. To date, he has provided advice based on insight he has garnered during his term as Outside Director. He concurrently serves as Director (Audit and Supervisory Committee Member) of Fit Corporation.



Takayuki Matsunaga

Outside Director
(Audit and Supervisory
Committee Member)

Date of birth: April 6, 1981

Takayuki Matsunaga has been in his current position since 2022 after having worked for Makoto Law & Accounting Firm and establishing Minamiaoyama M's Law Accounting Firm. He has a wealth of knowledge and experience in M&A and business succession deals of SMEs which he has garnered through his involvement in these deals as an attorney-at-law. The Company newly appointed him as Outside Director of the Company at the 2022 General Meeting of Shareholders, expecting that he will be able to make use of his experience and capabilities in improving the overall management quality and audit of the Group. He concurrently serves as Representative Partner of Mile Law Firm and Outside Director of Maeda Co., Ltd.

*Kenneth George Smith, Keiichi Nishikido and Takayuki Matsunaga were elected at the General Meeting of Shareholders held on June 23, 2022. The above profiles therefore do not include their attendance at Board of Directors/Audit and Supervisory Committee meetings.

Management Framework

Skill Matrix

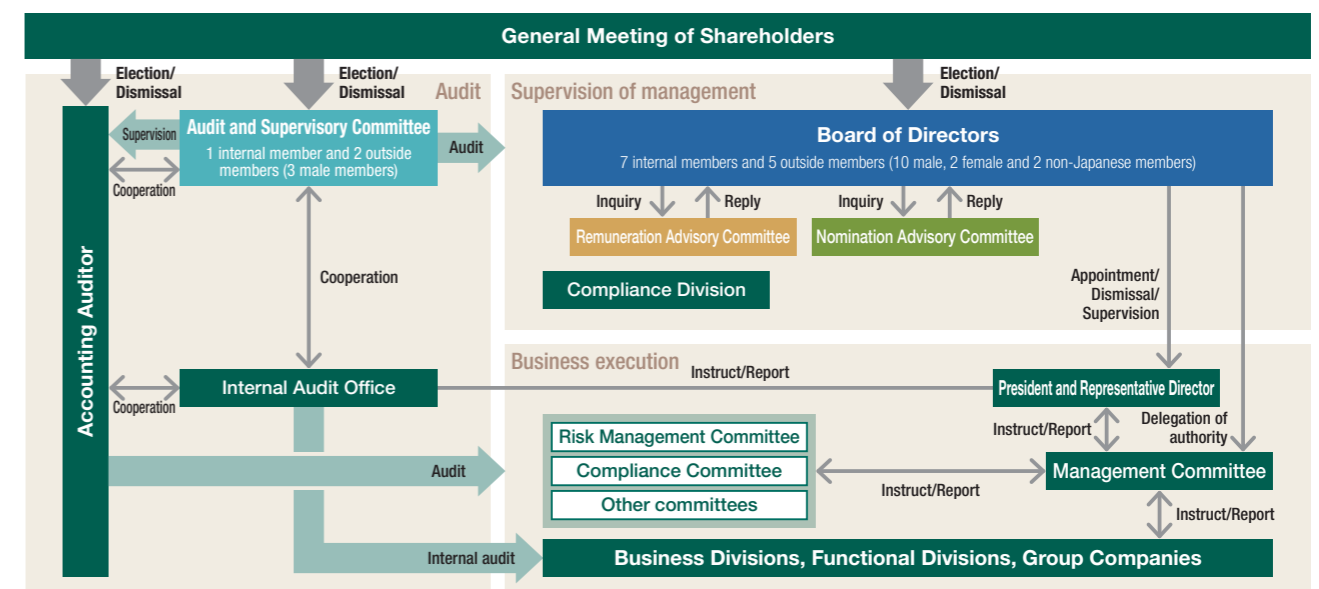
	Management strategy	M&A consulting	M&A execution	PMI	Fund management/ Investment banking	International business	B2C	Sustainability/ESG	Brand strategy/Marketing	Administrative experience/ Division head	Finance/Accounting	Compliance	HR development/Personnel affairs	IOT/DX
Suguru Miyake (President and Representative Director)	●	●		●	●			●		●				
Yasuhiro Wakebayashi (Chairman and Director)	●	●								●				
Takamaro Naraki (Senior Managing Director)	●		●							●	●	●	●	
Masahiko Otsuki (Managing Director)	●	●		●	●	●				●	●			
Naoki Takeuchi (Director)	●	●								●				●
Tsuneo Watanabe (Director)		●								●				
Hideyuki Kumagai (Director)			●							●	●	●		
Tokihiko Mori (Outside Director)	●		●	●	●	●				●				
Anna Dingley (Outside Director)	●					●	●	●					●	●
Minako Takeuchi (Outside Director)	●						●			●		●	●	
Kenneth George Smith (Outside Director)	●	●		●		●				●	●			
Keiichi Nishikido (Outside Director)			●									●		
Iwao Hirayama (Director, Full-time Audit and Supervisory Committee Member)		●								●				
Yoshinori Yamada (Outside Director, Audit and Supervisory Committee Member, Chairman of Audit and Supervisory Committee)	●						●	●	●	●	●	●	●	
Takayuki Matsunaga (Outside Director, Audit and Supervisory Committee Member)			●								●			

Corporate Governance

The Nihon M&A Center Group considers the enhancement of corporate governance as a priority management issue in order to make a lasting contribution to society based on the corporate mission and other policies and to meet the expectations of various stakeholders. By enhancing corporate governance, the Group works to strengthen the functions to monitor and check the status of business execution. The Group works the following points to be central to its corporate management and strive daily to achieve them.

- Ensure sound and fair management and thorough compliance with laws and regulations
- Ensure transparent management and full accountability
- Ensure efficient management and strive to maximize shareholder value

Corporate governance framework



Composition of Committees (as of September 9, 2022)

*The mark "◎" represents chairperson

Title	Name	Board of Directors	Audit and Supervisory Committee	Nomination Advisory Committee	Remuneration Advisory Committee
President and Representative Director	Suguru Miyake	◎		○	○
Chairman and Director	Yasuhiro Wakebayashi	○			
Senior Managing Director	Takamaro Naraki	○		○	○
Managing Director	Masahiko Otsuki	○			
Director	Naoki Takeuchi	○			
Director	Tsuneo Watanabe	○			
Director	Hideyuki Kumagai	○			
Outside Director	Tokihiko Mori	○		◎	◎
Outside Director	Anna Dingley	○			
Outside Director	Minako Takeuchi	○		○	○
Outside Director	Kenneth George Smith	○			
Outside Director	Keiichi Nishikido	○			
Director (Full-time Audit and Supervisory Committee Member)	Iwao Hirayama	○	○		
Director (Audit and Supervisory Committee Member)	Yoshinori Yamada	○	◎	○	○
Director (Audit and Supervisory Committee Member)	Takayuki Matsunaga	○	○		

Corporate Governance

We have adopted a governance system of a company with an Audit and Supervisory Committee.

● Board of Directors

The Board of Directors consists of 12 Directors (excluding Directors serving as Audit and Supervisory Committee Members), of which five are Outside Directors, and three Directors serving as Audit and Supervisory Committee Members, of which two are Outside Directors. The Board holds monthly regular meetings, as well as extraordinary meetings as necessary. Important managerial decisions are made at the meetings, such as deciding basic management policies and important matters on management and checking the progress of business initiatives.

● Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three members: one Director (full-time Audit and Supervisory Committee Member) and two Outside Directors (Audit and Supervisory Committee Members). The Audit and Supervisory Committee Members attend the Board of Directors meetings or other important meetings and constantly monitor the status of compliance with laws and regulations and other matters. They also browse important documents, conduct interviews on the progress of business and carry out audits on business execution, such as business audits and accounting audits. In addition, they regularly exchange information with the accounting auditor and employees in charge of internal audit to create a cooperative framework to monitor the management.

● Nomination Advisory Committee

To ensure reasonableness and transparency of the candidate selection process for the proposal to elect Directors, which is submitted to the General Meeting of Shareholders, the Company has established the Nomination Advisory Committee, a voluntary advisory body to the Board of Directors. The Committee consists of one Representative Director, one full-time Director and three Outside Directors. One of the three Outside Directors chairs the Committee. The Board of Directors respects the contents of the Committee's discussions to the maximum extent and submits the proposal to elect Directors to the General Meeting of Shareholders.

● Remuneration Advisory Committee

To ensure transparency and appropriateness of remuneration for Directors, the Company has established the Remuneration Advisory Committee, a voluntary advisory body to the Board of Directors. The Committee consists of one Representative Director, one full-time Director and three Outside Directors. One of the three Outside Directors chairs the Committee. The Committee deliberates and decides on the policy for determination of remuneration, etc. for Directors as well as on the details of remuneration, etc. for individual Directors. Based on the Committee's report, the Board of Directors determines the amount to be paid.

Compliance Division

In order to promote compliance management and to firmly establish a compliance culture, the Compliance Division was newly established on March 1, 2022 as a department independent of the frontline business units. The Division will take the lead in promoting employee education, creating checking functions, preventing any potential compliance transgressions and responding as quickly as possible in the event of a compliance transgression (including a suspected transgression).

Management Committee

The Management Committee consists of full-time Directors and Nihon M&A Center's division heads. The Committee discusses various items concerning business execution in group companies and gives instructions, etc. to business divisions and group companies.

Internal Audit System

The Company introduced an internal audit system for business execution. In executing business, the Company constantly monitors compliance with laws, regulations and rules, as well as matters concerning standardization and efficiency improvement. Two employees from the Internal Audit Office are currently in charge of this task. From July 1, 2022, another employee who will work exclusively on internal audit will join the team.

Risk Management Committee

There are meetings convened for the Risk Management Committee, whose members comprise full-time Directors and a senior manager of our legal department. Besides in-depth discussion of matters pertaining to overall risk administration, the committee reports to the Board of Directors in an appropriate fashion, with reference to guidance and advice from external parties when necessary, such as legal advisors whom we may consult. In this way we have a structure in place to respond quickly to any important matters impacting the business, with swift discussions to reach a mutual understanding. The committee provides encouragement and carries out checks to ensure officers and employees continuously act in accordance with compliance rules and social ethics. In addition, the effectiveness of the Risk Management Committee is evaluated by the Board of Directors with a view to taking corrective action as and when appropriate. In the event that it is necessary to respond to changes in the business environment that require our reaction to be notified to all employees or to respond to a new form of risk category, we have in place measures to report issues and actions of each case to the Board of Directors.

Compliance Committee

There is a regular cycle of meetings convened for the Compliance Committee, whose members comprise a full-time Director, a division head and a department division heads from Nihon M&A Center, and an outside attorney-at-law. The committee discusses and implements measures to disseminate information on and raise awareness about compliance in the Company, thereby preventing compliance transgressions.

Major initiatives to strengthen corporate governance

FY	Initiative Details
Up to 2007	Introduced an executive officer system
2007	Created a whistle-blowing system
2007	Established the Risk Management Committee
2007	Established the Compliance Committee
2008	Introduced an outside director system
2016	Transitioned to a company with an Audit and Supervisory Committee
2017	Started the evaluation of the Board of Directors' effectiveness
2020	Established the Nomination Advisory Committee
2020	Established the Remuneration Advisory Committee
2022	Established the Compliance Division

Policies and procedures for the election of Directors

To make appropriate decisions in accordance with the nature and scale of our business, we ensure that the Board of Directors maintains diversity and has an appropriate number of members.

In electing Directors, the Nomination Advisory Committee selects candidates to ensure that the Board has well-balanced knowledge, experience, skills and diversity. The Company respects the contents of the Committee's discussions to the maximum extent possible and submits the proposal to the General Meeting of Shareholders. The Company aims for a diverse Board of Directors in terms of skills, a wide range of experience, years in office, age and gender. Our medium-term target up to 2025 is to ensure that the proportion of female Directors does not fall below 10%.

Internal Directors are elected based on the achievements in their respective fields. In addition, they are required to meet specific criteria, such as having a sense of mission, leadership skills, planning skills and other qualities required of a corporate manager; deeply resonating with our corporate mission and being able to constantly strive for the achievement of our management vision; and having the character and insights appropriate for a Director and being keenly aware of the importance of compliance with laws and regulations.

In order to enhance the supervisory function, Outside Directors are elected from among those who have a high level of independence. For this reason, persons who previously worked for our Group, major shareholders, persons related to major business partners and important stakeholders are excluded from the candidates. In addition, Outside Directors must have corporate management experience or knowledge of legal affairs or finance.

Based on the election/dismissal criteria and the ideal configuration of the Board of Directors, Director candidates are selected, after which the Nomination Advisory Committee, a majority of whose members are Outside Directors, determines the candidates, the Board of Directors passes a resolution on the candidate selection and the proposal is submitted to the General Meeting of Shareholders. The candidates for Audit and Supervisory Committee Members are resolved at the Audit and Supervisory Committee meeting. The senior management is appointed based on a resolution of the Board of Directors, after the candidates are selected by the Nomination Advisory Committee.

Directors are dismissed based on a resolution of the Board of Directors, after the Nomination Advisory Committee discusses the details of dismissal criteria.

Training for Directors

The Company offers purpose-specific training opportunities for Directors, in accordance with their expected roles, responsibilities and other factors. The expenses are borne by the Company. For example, internal Directors (including those serving as Audit and Supervisory Committee Members) participate in external training programs, visit

overseas countries to gain useful information and receive coaching. Meanwhile, Outside Directors (including those serving as Audit and Supervisory Committee Members) participate in company events and interact with managerial employees to deepen their understanding of management strategies, the nature and status of our business.

Corporate Governance

Remuneration system for Directors

Basic policy on remuneration for Directors

The Company has established a policy for determining the amount or calculation method of remuneration, etc. for Directors (the "Policy"). Specifically, remuneration, etc. for Directors consists of basic remuneration as fixed remuneration and performance-linked remuneration, etc. The amount is determined within the scope of the total amount approved by the General Meeting of Shareholders, taking into account the position, years in office, the degree of contribution to business results and other factors. The breakdown of remuneration by type, the amount of remuneration for individual Directors, etc. are deliberated and determined by the Remuneration Advisory Committee and resolved by the Board of Directors based on the report from the Committee. In determining the details of remuneration, etc. for individual Directors, the Remuneration Advisory Committee discusses the original proposal from multifaceted perspectives, including consistency with the Policy. The Board of Directors therefore generally respects the report

from the Committee and believes the committee's decision to be in line with the Policy.

Indicators used for performance-linked remuneration

The Company has selected consolidated ordinary profit as an indicator that represents business results most appropriately. It uses the level of achievement of consolidated ordinary profit as the indicator for determining the actual amount of remuneration to be paid. The Remuneration Advisory Committee, a majority of whose members are Outside Directors (including those serving as Audit and Supervisory Committee Members), deliberates and decides on the amount of performance-linked remuneration for each Director. Based on the report from the Committee, the Board of Directors resolves the amount to be paid.

For FY2021, consolidated ordinary profit totaled 16,864 million yen, achieving 93.7% of the full-year ordinary profit forecast of 18,000 million yen. The Company therefore did not pay performance-linked remuneration to our Directors.

Total amount of remuneration by type (FY2021)

Category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			Number of eligible Directors
		Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	Other remuneration, etc.	
Directors (excluding those serving as Audit and Supervisory Committee Members)	368	—	—	368	10
(of which Outside Directors)	(23)	—	—	(23)	(3)
Directors (Audit and Supervisory Committee Members)	30	—	—	30	3
(of which Outside Directors)	(15)	—	—	(15)	(2)

Evaluation of the Board of Directors' effectiveness

Every year, Nihon M&A Center conducts a questionnaire-style self evaluation of the overall effectiveness of the Board of Directors, targeting all Directors. The results are reported to the Board of Directors. The FY2021 questionnaire results indicated

that our Board of Directors is run appropriately and is effective on the whole. Based on the results of the effectiveness evaluation, we are working on necessary improvements to further enhance the Board of Directors' functions.

Cross-shareholdings

Our basic policy for holding shares for purposes other than pure investment is to ensure that such shareholdings create synergy effects on our M&A intermediary services through business alliances with investee companies, acquisition of projects, business expansion, etc. and contribute to an increase in our corporate value. The Company holds shares in accordance with the Rules on Securities Management, Rules on Approval Requests, and Rules on Job Authority and complies with these rules in managing the shares.

In addition, the Board of Directors periodically reviews whether or not to keep major cross shareholdings, based on risks and returns of those shareholdings from a medium- to long-term perspective. The Company reduces cross-shareholdings when it cannot justify the appropriateness of the shareholding.

Nihon M&A Center makes decisions on the exercise of voting rights after considering if the proposal leads to an increase in the investee company's corporate value, in addition to an increase in our corporate value.

Risk Management

Our Group implements risk management to ensure that we can respond in a quick and appropriate way to risks which may have a significant negative impact on our business activities.

Risk Management Committee

There is a regular cycle of meetings convened for the Risk Management Committee, whose members comprise full-time Directors and a senior manager of our legal department. Besides in-depth discussion of matters pertaining to overall risk administration, including adherence to our ten guiding principles for Compliance Behavior, the committee reports regularly to the Board of Directors in an appropriate fashion, with reference to guidance and advice from external parties when necessary, such as legal advisors whom we may consult.

In this way Nihon M&A Center has a structure in place to respond quickly to any important matter impacting the business, with swift discussions to reach a mutual understanding.

Moreover, the committee provides encouragement and carries out checks to ensure officers and employees continuously act in accordance with compliance rules and social ethics.

The effectiveness of the Risk Management Committee is evaluated by the Board of Directors with a view to taking corrective action as and when appropriate. Furthermore, in the event that it is necessary to respond to changes in the business environment that require our reaction to be disseminated to all employees or to respond to a new form of risk category, the Company has in place measures to report issues and actions of each case appropriately to management.

Responding to incidents

The Risk Management Committee is the first call for when an incident occurs and will act in an appropriate manner at the right time, deciding how the incident should be reported, communicated and discussed, depending on its

content, urgency and importance. Also, it analyzes incidents and takes appropriate measures to prevent a recurrence.

Assessment of ESG risk in new mandates

When taking on new mandates Nihon M&A Center conducts an assessment with checks that include the probability of a successful sale, the reason for the sale, trustworthiness and a provisional valuation. Not only does this assessment of new mandates play an important role in risk management, it also contributes to greater trustworthiness of the transactions the Company undertakes.

From January 2021 Nihon M&A Center has added new ESG negative screening components to this assessment process for new mandates. It is checking for any overt problems from an ESG perspective, such as an outbreak

of pollution to land or water, work-related injuries, product-related health risks, repatriation of illegal foreign workers, illegal labor practices through encouragement or coercion, unpaid salary or rental, or inappropriate relationships with public officials.

If the process of this assessment leads to the discovery of ESG risk, an overall judgment is made on whether or not to proceed with the proposed transaction, also taking into account a series of other checks.

In FY2021 there were 14 mandates deemed to contain ESG risk.

Evaluating corruption risk in our business

In order to develop our business activities in other countries it is necessary to understand anti-corruption measures required to operate locally in compliance with laws and regulations and international standards. The Group put in place the necessary procedures in consultation with both in-house counsel and external legal advisors for corruption risk assessment to prevent risks such as entertainment or present giving which people

might think suspicious or dubious; inappropriate cash incentives for generating profit and any other form of attempt to profit by bribery. Accordingly, officers and employees associated with overseas business undertake training to raise awareness of the risk of corruption in "high risk" emerging markets that may arise from local customs such as excessive entertainment, present or profit giving incentives.

Risk Management

Classification and definition of major risks

The Company has identified eight risks: three risks arising from the external environment that may affect the Group's results, financial condition, stock price, etc., and five risks arising from the internal environment such as the Group's business.

The Company considers these risks to be of particular importance and it will take swift and appropriate action when they materialize.

Risks arising from the external environment	Legal restrictions and other regulations
	Competition
	Threats including new viruses
Risks arising from the internal environment	Wrongdoing of officers and employees
	Information security
	Litigation
	Concentration on M&A intermediary business
	Dependence on Representative Director

Information Security

The Group strive to handle security of information in the best possible way. Confidentiality obligations are of paramount importance to the Group's business activities. We meet what is expected of us by our stakeholders and give consideration to what is mission critical for our M&A professionals.

Furthermore, our Group considers information as our asset and promotes our digital transformation strategy with the aim of improving productivity and client satisfaction by maintaining and accumulating this asset in a sound and safe manner.

Our security measures include the formulation of information security policies and the establishment of related rules and an information security management structure by each group company for the purpose of continuous improvement.

The formulation of information security strategies and evaluation of their implementation status are carried out by the Digital Management Division headed by a senior corporate officer. In addition, the Risk Management Committee, which includes full-time officers, holds discussions on a regular basis to reduce information security risks.

Information security procedures and ISO27001 certification

Our Group has built highly secure systems with support from external specialists. On May 25, 2016, Nihon M&A Center obtained ISO27001 certification, which is an international standard of the Information Security Management System (ISMS), to ensure thorough information management and continuous improvement thereof. Furthermore, the adequacy of operational

performance is verified through internal audits and other means.

For plans to respond to information security risks and response to information security risks that must be addressed on an ongoing basis, Nihon M&A Center mitigates security risks by continuously running a risk approval process.



Cybersecurity countermeasures

The Group is strengthening its access control to internal systems, monitoring operations of terminals by introducing Endpoint Detection and Response (EDR) and detecting threats by collecting and analyzing communication logs of terminals. With the diversification of work styles and broader use of cloud services, the location of information assets and access routes have become more diverse. The Company is reviewing conventional countermeasures

that protect the boundary between the internal network and internet and building a zero-trust security infrastructure that verifies the legitimacy of any access. In FY2021, the Company reviewed its network environment that serves as a foundation of its security infrastructure and in addition to strengthening our network lines, the Company has created a network environment with flexibility and scalability by introducing SD-WAN.

Prevention of information leakage

The Group has introduced device encryption, email misdirection countermeasure tools and website filtering systems, remote locking and remote data deletion system for lost devices to respond to accidental threats. Moreover, in its system risk management, the Group

works to maintain information, the Group's critical asset, by incorporating a security review process for procurement and development in accordance with information security requirement standards.

Information security education and training

Raising employees' awareness and conducting training is essential to continuously improve responses to security.

The Group works to strictly ensure that comprehensive rules for information security are constantly communicated to employees through training of officers/employees and use of the intranet. In particular, with regard to sending email, a key form of communication, in order to eliminate email misdirection the Group strives to raise awareness of security as well as reduce security risks by displaying awareness posters with the name of each division head handwritten thereon at all locations. A rule book summarizing information security rules has been issued to all our officers and employees since April 2022.

In addition, the Group conducts training for targeted email attacks and other cyberattacks by carrying out targeted email attack training at least twice a year by actually sending email disguised as targeted email attack to employees to raise awareness of security through actual experience, in addition to holding new employee training.





Naoki Takeuchi, Tokihiko Mori, Yoshinori Yamada, Minako Takeuchi, Tsuneo Watanabe,

Director Outside Director Outside Director (Audit and Supervisory Committee member) Outside Director Director

Roundtable Discussion with Directors and Outside Directors

We aim to steadily promote diversity & inclusion and build an environment where our diverse human resources can play an active role.

The Nihon M&A Center Group is embarking on a second founding phase fueled by its corporate mission and purpose.

We held a roundtable discussion with two full-time directors and three outside directors about recent changes, issues, strengths and expectations surrounding the Group's social role.

Strengthen the Functioning of the Board of Directors, Create a Venue for Deep-rooted Discussion

Yamada: When I joined the Board of Directors in 2016, much of the discussion was led by Chairman Wakebayashi and President Miyake. I used to try and encourage more discussion or ask younger people to speak up. Things took a major turn in 2020 when two female outside directors, Minako Takeuchi and Anna Dingley, were appointed and started carefully and politely questioning the Board's traditional practices.

The subsequent gradual increase in opportunities for young directors to ask questions and voice opinions and for members to conduct frank Q&A sessions and debates has energized the Board of Directors.

Mori: The Board of Directors' agenda has been changing since roughly 2020 in line with company growth and we started having more lively discussions and longer meetings. I think we are now able to have

more substantive discussions as we face the medium- to long-term issues of compliance, next-generation management and other matters.

M. Takeuchi: After joining the Board, I pretended I was not aware of the underlying atmosphere and just asked simple questions, such as "What do you think about diversity?" or "Do you really think women need to play an active role?" I felt things were changing gradually but last fiscal year proved a major turning point. Overcoming a major crisis prompted all directors to recognize the need to sincerely acknowledge problems and pursue deeper discussions, which has energized the Board.

N. Takeuchi: The Company has sought to strengthen the functioning of the Board of Directors in stages by increasing the ratio of outside directors, actively appointing female and foreign directors, establishing a Nomination Advisory Committee and a Remuneration Advisory Committee. As all the outside directors have commented, the Board of Directors has become a venue where more constructive discussions can take place following the recent incident.

Watanabe: The former senior management meetings has been restructured. The atmosphere in the newly established Management Committee is more open, with

additional diverse members including division heads, Senior Corporate Officer and the CCO, Mr. Yasuhiro Takeda joining the debate and the original creators of various plans making presentations. The participation of former outside director and lawyer Naoki Kinoshita as an observer providing an external specialist perspective which I feel further energizes the debate.



Evolve Holding Company Structure to Achieve Our Ideal Group Vision

Mori: I feel one area that requires deeper discussion is the Group's next-generation management. As part of our aim to become the top global comprehensive M&A company, the Group has expanded its business domains by establishing group companies and affiliated companies in specific fields, such as company valuation, post-merger integration (PMI) and PE funds. As we shifted to a holding company structure in October 2021, the senior managers of each operating company are required to further improve their efforts as future managers of the Group.

However, becoming a holding company does not automatically nurture human resources. Nihon M&A Center

still needs to solve many issues, so I intend to encourage even deeper debates as we work to organize and clarify the roles of the holding company and our operating companies based on our future vision for the Group.

Yamada: The Group has defined the next 30 years as its "second founding phase" and is making great strides. Looking 30 years ahead, the challenge will be whether we can maintain our current excellent sales prowess. We need to reinforce our human resource and improve profitability while also considering our compliance responsibilities. I expect strong future growth for our operating companies and I think there are still many things the holding company can do to promote the growth of each company.

N. Takeuchi: One year has passed since Nihon M&A Center adopted the holding company structure and we intend to steadily realize the benefits of that structure going forward, including the points mentioned here. The Company is looking at ultimately organizing its operating companies by function within the broad categories of M&A and finance.

Nihon M&A Center Inc. currently constitutes the majority of the Group's earnings. However, we have been able to gradually increase sales from other group companies and are strengthening and expanding their functions to provide comprehensive M&A support. As a comprehensive M&A company, the Nihon M&A Center Group continues to create and expand domains that will enable each and every employee to play an active role by drawing on their diverse values and areas of expertise.



Diversity, Equity and Inclusion: The Future Key to Corporate Growth

Mori: Given our dramatically changing lifestyles, promoting diversity & inclusion (D&I) is an urgent priority if we are to acquire excellent talent. The Group has always set extremely high goals and achieved higher-than-expected results. In that sense, the Company has a very strong so-called stretch mentality. Discussing how to weave better D&I into the Company without sacrificing stretch mentality is the key theme for the future.



M. Takeuchi: We need to promote the D&I that Mr. Mori mentioned for recruitment purposes, as well as for building business foundations and platforms that enable those diverse recruits to achieve diverse results through diverse workstyles. Promoting D&I is not only essential for the internal workings of the Group, but also for enabling us to develop into a company that can provide diverse solutions to our customers going forward.

Our Group is a collection of companies that exhibit ambition in their work and an extremely high level of commitment to achieving targets. That has enabled us to consistently meet the expectations of our shareholders and investors. However, if I am being honest, I feel the Company's organizational structure is still very homogenous in many areas.

Recently, people have started to focus more on the concept of diversity, equity & inclusion (DE&I) which introduces equity into the D&I debate. The Group has strong sales capabilities, but the most important thing is to shift from individual sales to team sales, enabling all employees to generate results on an equal footing, and to be firmly convinced of that possibility and to potential.

Mori: The Group is now expanding into overseas market, mainly in Southeast Asia, so promoting DE&I is

increasingly vital for attracting excellent human resources and customers globally. Inter-departmental partnerships will also become a theme from an equity perspective.

N. Takeuchi: Since its founding, the Group has strengthened its Sales Headquarters by focusing on cooperation within each organization and independence. Now, the Company is also embarking on future growth-oriented initiatives that focus on diversity and collaboration between organizations. For example, in 2021, the Company launched a group leader system designed to encourage a shift from individual power to team strength. We conduct management training sessions with 30 group leaders every month. We recognize that teamworking is important, partly because it encourages staff to acknowledge each other's diverse values and partly because it can increase individual productivity.

As the Group experiences rapid growth, we have also expanded our back-office divisions, split up the Sales Headquarters functions and established the Strategy Headquarters and the Quality Control Headquarters. It is important for each Headquarters to work side by side to provide high-quality services and achieve successful results. We will work earnestly to make the concept of DE&I truly our own while also maintaining our strength in sales.

Watanabe: One specific initiative involves a launch of our Promoting Female Participation Project to create an environment where women can feel comfortable working after marriage or before/after childbirth. We have promoted the involvement of female consultants in our International Division through various initiatives. Now, the majority of M&A consultants in our Malaysian subsidiary in particular are female, and similar efforts are also starting to produce results in Japan.



Yamada: Corporate cultures are always changing, and they differ from department to department and employee to employee. It is wrong to assume that everyone will exhibit the same individual traits because they work in the same department. Of course, each person will be different. That's diversity.

However, you cannot maintain a corporate culture itself unless individuals with different traits work as an organization and all face in the same direction. I believe purpose-driven management is all about uniting a company under a single cultural umbrella. The Group's corporate mission and purpose are the starting points that indicate the direction we should take to ensure that customers can continue and prosper through M&A.

I see a company's purpose as a message from management to employees saying, "Be proud of your work". I believe the mission of leaders responsible for next-generation management to gather people with their own established sense of self and purpose together and create a collective *raison d'être* as a company.

It is possible to incorporate diverse values into a single corporate culture. Hopefully, all our young employees change the Group's culture and ensure it evolves and suits the new era.



How People See the Group's Social Role

Mori: I come from a manufacturing background, so I feel very strongly about the importance of passing on SME technology. I suppose the Group has a very large social role to play there. I want the Group to establish and expand M&A for SMEs, and I also would like to see the Group further enhance PE funds, PMI and other peripheral M&A business areas to help SMEs continue and prosper as the world's No.1 comprehensive M&A company and by extension, revitalize Japan's regions and the national as a whole.

I feel the Group's strengths lie in its great ability to learn and to continuously change in the face of various different problems. I expect the Company to evolve so it can continue to fulfill its social role going forward.

Yamada: One of the Group's key strengths is its foresight. By that I mean its ability to create a truly unique business model and anticipate potential market growth. I hope all our next generation of leaders, including Mr. Takeuchi and Mr. Watanabe who are here today as we mark the Company's second founding phase, will continue to change over the next 30 years and grow as people who can really influence our world.

M. Takeuchi: I would like to see you further enhance your M&A presence as a leading company and establish ways of rescuing SMEs through M&A both in Japan and overseas. Another medium- to long-term issue for the company is to construct a new management style that incorporates DE&I to an extent

that befits this second founding phase era. Please never lose your strong sense of mission and ambition as well as your agility and capacity for change and continue to tackle difficult issues.

Watanabe: Thank you for sharing your various opinions. Going forward, the Nihon M&A Center Group will continue to transform itself, tackle the issues you have highlighted across the Group, and fulfill the Group's social mission. Personally, I have tackled various jobs within the Group and have experienced the joy of seeing a job well done and my own dreams dovetail perfectly with the company's strategy. These formative experiences are significant in terms of changing our corporate culture. Whenever possible, I want our employees to experience the joy of doing high-quality work and making customers happy, and to grow as a result.

N. Takeuchi: We have heard some very useful ideas from our outside directors today. As a leading company, we must firmly establish and further expand different methods for conducting M&A both inside and outside Japan to help companies continue and prosper. To achieve that, it is important to firmly share our purpose with all employees and promote a style of management that enables each and every employee to play an active role. This discussion has reinforced that point for me. So, let's be proud of our history of building a one-of-a-kind business model while continuing to transform ourselves as part of our second founding phase.

Human Resources Initiatives

Our employees are the most important asset for our Group's business. It would be impossible to provide our services without our employees. The Group takes care over employee retention through meticulous development programs and providing fulfilling careers.

Every single employee should have a sense of mission and through this unleash their creativity. Nihon M&A Center believes that this will contribute to invigorating our organization and grow our Group's business, in turn contributing to regional economic development.

Training system

Few people in Japan have experience in M&A for SMEs and the majority of employees who join our Group do not have any experience in M&A operations. For this reason, the Group has established a dedicated organization, the HR First Mgmt. Div., which upholds the principle of employee-first and formulates training programs by objective and rank, providing systematic education based on a comprehensive curriculum to enable employees to swiftly become active as M&A consultants.

In addition, the Group has in place a support system to provide partial subsidies to those who wish to acquire qualifications for certified public tax accountants, SME management consultants and bookkeeping exams, etc.

Company-wide training

Announcement of management policies

Our corporate mission, purpose, aim and our way have been established to thoroughly put our universal way of thinking into practice. However, our officers and employees must gradually adjust how they think and act as the external environment changes and in response to the evolution of management.

At our Group, the top management announces the management plan to all employees at the start of the financial year. In addition, every month the president distributes a letter (typically about ten A4 sheets) to all officers and employees prior to monthly regular meetings, in which he outlines his thoughts on business activities in detail. The president himself explains his thoughts at the

Evaluation system

The Company began operating a new HR system in April 2022 that incorporates ethical standards in the definition of internal ranks, evaluation items and promotion/demotion requirements.

Compared to the conventional evaluation system, the new system clarifies and is linked to what is expected of employees by the Company. Each employee sets goals in line with the definition of internal ranks using goal

meeting to share the basic thinking of management. In FY2022, the Group started sending out a letter written by next-generation management members.

Understanding our Company (corporate mission training)

Our Group believes that it is important for our officers and employees to act in accordance with common values and principles.

As our corporate mission serves the basis of the organization's culture and has a significant impact on all of our business activities, we clarify it and share it among officers and employees, including through corporate mission training provided to new employees.

Manager training

The Group conducts training for newly appointed managers jointly with an external training company.

External training

The Group selects and utilizes the most appropriate external training according to its purposes.

Cross-industry business leadership academy

The Group sends qualified members to cross-industry exchange meetings and leadership academies for female employees.

management sheets. As evaluation results are fed back to employees appropriately via interviews, etc., they can clearly envision the next step they should take.

The Company will foster a corporate culture in which all our employees can have strong ethical standards and play an active role through the operation of the new HR system.

System for higher incentives

The Nihon M&A Center Group remunerates employees with a competitive base salary rate intended to support a stable lifestyle. In addition to this the Group provides an incentive plan which enables employees to increase significantly the level of salary depending on performance. This puts us at the forefront of companies in Japan ranked by salary levels. Additionally Nihon M&A Center has a system in place to increase the motivation of employees who contribute most to our financial results, who can earn the right to participate in an overseas training trip in which they learn about overseas M&A.

Furthermore, all employees are entitled to receive an allocation of any new issue of paid-in stock options, exercise of which is linked to our financial results. The

system has been put in place both to motivate employees to strive for better results and to enhance the value of our Company, so the effect is to benefit all employees with little risk. The Company has amended its conventional employee stock ownership plan to replace the abovementioned paid-in stock options beginning in 2022 to increase the incentive grant rate.



Training in New York in 2016

Training in London in 2018

comment 100% supportive stock ownership plan



The Group has decided to introduce a special incentive plan in the employee stock ownership plan, starting in FY2022, under which the Group provides 100% incentive to employees for their contributions up to a certain limit.

If an employee makes a monthly contribution of 50,000 yen to the employee stock ownership plan, the Group provides the same amount of monthly incentive of 50,000 yen. As a result, an employee can purchase a total of 100,000 yen worth of the Company's stock each month.

The main purpose of this special incentive plan is to make employees more conscious of the need to improve corporate value of their own company from the same perspective as shareholders.

Promoting our purpose of "To connect hopes and dreams for the best M&A experience" daily will contribute to the improvement of our Group's corporate value. And employees who contribute to this purpose can build assets in the form of the Company's stock through a special incentive plan, thereby enriching his or her well-being both materially and mentally. We hope to expand this virtuous cycle continuously.

Takamaro Naraki, Senior Managing Director

Creating a safe and healthy workplace

Promoting work style reform

The Nihon M&A Center Group does business in Japan and globally and recruits local staff in each country in which it operates. As a global enterprise the Group adheres to all local laws and regulations, taking due care to be mindful of the basis upon which they have been established.

Our Group encourages efficient work practices and assesses ways to improve the style of work so that our employees can work less long hours and have capacity for personal development and quality time with family and friends. From April 2022 Nihon M&A Center introduced a flexible working system for all employees other than those in sales. The Group encourages its employees to seek a

flourishing work-life balance, ensuring that time can be spent individually, with family, and at work in good physical, mental and financial condition.

In its domestic market in Japan the Group works to optimize working hours by concluding the Labor Standards Act agreement on Overtime Work and Work on Days Off (Article 36) with employee representatives.

Occupational safety and health initiatives

Our Group aims for every one of our employees to receive checks for both their physical and mental health. The Group also offers support for spouses to receive health checks. It arranges for its staff to have influenza

Please visit our website for more details.

<https://www.nihon-ma.co.jp/en/sustainability/society.html>



Human Resources Initiatives

vaccinations at our main offices in Tokyo and Osaka. Arrangements are made so our employees can receive counselling from an occupational therapist, as we endeavor to ensure the workplace is safe and healthy.

Promotion of 3KM

Under the 3KM concept, employees work to increase Motivation for the three Ks, “Kojin” (individual), “Katei”

(household), and “Kaisha” (company), and promote Management based on Marks (targets).

Through 3KM employees are encouraged as an individual, in their home life and at work to aim to create a balance to remain mentally and physically in good health while prospering financially.

Our employees receive training to sustain 3KM, taking work-life balance to a new level.

Labor practices and diversity

Promoting diversity

Nihon M&A Center conducts training for newly appointed managers jointly with an external training company.

• Gender

Our Group encourages all of our employees to play an active role irrespective of gender and believes this enhances the value of our Company.

It is recognized that female employees may face constraints in how they can work depending on their stage of life and we accordingly have put in place several measures to enable different styles of work, including remote working, shorter working hours and flextime systems.

The Group is keen to promote women to positions of seniority. Female officers with childcare responsibilities are also playing active roles. Presently the percentage of women in the Group’s consolidated workforce is 29.6% (as of March 31, 2022) and the Group has a medium-term target to raise this to over 30%.



The Group conducted training for division heads to deepen their understanding of harassment and unconscious bias using VR goggles.

• Employment of people with disabilities

Our Group embraces the employment of staff with disabilities. For the motivation at work of staff with disabilities Nihon M&A Center takes into consideration the nature of the disability and career aspirations of each individual so that arrangements can be made for

their assignments, responsibilities and working hours upon entry into our Company with a view to them being able to fulfil their potential in a working environment which has been duly considered and organized.

• Reemployment

Our Group believes that the experience and knowledge of older employees represents an important valuable asset. In 2019 the Group introduced a system for reemployment to provide an opportunity for employees wishing to continue working after reaching the normal age of retirement.

• Employment of foreigners

As its business becomes more global, the Nihon M&A Center Group is keen to increase the number of international employees and local employment in its overseas offices. The Group has introduced several initiatives to ensure equal opportunities and cross-cultural understanding. These include training for our employees overseas on topics such as sales methods and information exchange on the market environment, arranging home stays and internships for visiting students, and study tours with foreign accountancy company offices.

Promoting women’s advancement

Our Group has established the Women’s Advancement Promotion Project as one of the measures to become a company where all our employees can play more active roles. Under the project, the Group is working to develop a workplace environment and systems where women can play an active role over the medium- to long-term by understanding the current situation through questionnaires and organizing various projects including career counselling events to develop female managers.

<Examples of activities under the project>

• First women’s career meeting

Nihon M&A Center held an event for female managers. The event included a lecture by Minako Takeuchi, Outside Director of the Company, on leadership qualities and a discussion to share concerns and challenges as a manager.

comment

Project to promote women’s advancement

In FY2022 Tsuneo Watanabe, an officer of the Company in charge of inclusion, launched a project to promote women’s advancement in the Nihon M&A Center Group. The project, led by female employees in leadership positions in the field, identifies issues that must be addressed based on a survey of all employees and discuss the ideal picture of women’s advancement unique to our Group. Multiple projects have been carried out simultaneously.

Specifically, the Group has been working to create a culture and system where not only female employees and all other employees can play an active role while respecting each other’s diversity by offering opportunities for training and exchanges aimed at raising female managers’ management skills and consciousness, support related to childbirth, childcare, infertility treatment, and support for the advancement of female employees working in sales. The members participating in the project are always working positively and engaging in lively discussions at all times.

Ayumi Kumagai, Project Member and Division Heads of PR Office



A video of their interview will also be available.

Communication encouragement

Our Group subsidizes many kinds of employee activity to encourage communication between members of different departments and to help enhance a sense of unity. Tennis, golf, futsal, baseball game watching, running and wine seminars are among the activities taking place.

These activities form a way for information to be exchanged and for employees to relax. In cases where

dining among staff is deemed also to provide a good forum for problem solving and increased motivation there is a system in place for staff to apply for partial expenses to be subsidized by the Company.

Employee satisfaction

Our Group believes that high employee satisfaction is an essential ingredient for improvements in the quality of service we offer our customers and others. The Group has regular staff reviews twice a year and it actively pursues the aim of “hearing the wishes of our employees and helping them come true”. Moreover, to improve ongoing employee engagement the Group carries out a survey of all its employees every two years.

(Unit: Pt)

Question items	This time conducted in July 2021	Last time conducted in May 2019	Difference
There is a sense of unity in the Company	5.3	4.7	+0.6
Members of my organization use their originality and ingenuity to further develop the Company	5.4	5.1	+0.3
The Company makes a sufficient contribution to society through its business	6.2	6.0	+0.2

comment

Industry-academia collaboration to promote SME M&A research and education

Nihon M&A Center Holdings concluded an agreement with the Graduate School of Business Administration of Kobe University on the promotion of comprehensive industry-academia collaboration regarding SME M&A on September 27, 2022. **This is the first and only agreement in Japan to promote SME M&A research and education.**

The Company has established the Small and Medium Sized M&A Research and Education Center (“MAREC”) as one of the measures to strongly promote this collaboration. With MAREC as its flagship organization, the Company will work to produce results by conducting research, education and human resources development.

The Company has already established a course provided by top management, “M&A for SMEs” for undergraduate students. It also plans to offer practical internship programs primarily for doctoral students and young researchers at Kobe University.

Nihon M&A Center will provide them with opportunities to demonstrate their research themes on the management issues of SMEs, as well as promote the establishment of a system that will foster the development of researchers in the field of SME M&A and the enhancement of students’ motivation.



Environment

Every single employee of the Nihon M&A Center Group behaves as a corporate citizen recognizing that engagement with environmental issues is a social duty and it is incumbent upon them to act in all fields of work with consideration to the environment, including reduction in greenhouse gas emissions, mitigating and adapting to climate change. Furthermore, in its daily work the Group endeavors to reduce burdens on the environment by encouraging the reduction of waste, low energy consumption and saving resources, whilst taking into account the risks that climate change poses on the business environment.

Response to climate change

Identifying and responding to climate change risks

The following is a summary of identified climate related risks and responses by our Group.

Types of risks		Duration of risks	Anticipated risks and countermeasures
Risks associated with the transition toward a low-carbon society	Policy/Regulation risks	Mid-term (4-10yrs)	Increase in prices relating to greenhouse gas emissions If Carbon Tax and/or Emission Trading Scheme are/is introduced in the future, there is a risk that costs of energy use will increase. In case these new policies are introduced, the Company needs to calculate the degree of impact on profitability, so it started calculating and monitoring the amount of CO ₂ emissions since FY2019. Going forward the Company will broaden the scope of its calculations and assesses the level of impact as well as considers the business plan.
	Policy/Regulation risks	Mid-term (4-10yrs)	Tightening of obligations to report greenhouse gas emissions Our Group is currently not subject to reporting obligations determined by the Japanese government as well as any local governments to report greenhouse gas emissions and reduction plans, hence the Group is not affected. Going forward, if there is an expansion of the scope of reporting obligations or a newly created energy-saving policy, additional costs may be incurred with regard to our operational improvement and facility introduction, depending on the degree of the obligations. Therefore, the Group is broadening the scope of CO ₂ emissions calculations.
	Market risks	Mid-term (4-10yrs)	Changes in behavior of our clients There is a risk that our clients, suppliers and investors may prefer other, more sustainable companies due to changes in their behavior caused by growing interest in the risks posed by climate change, the spread of ESG-related investment and recognition of SDGs. At our Company, the IR Office is promoting our ESG-related initiatives as the main department in charge.
	Reputation risks	Short-term (-3yrs)	Increase in concerns or negative feedback from our stakeholders There is a risk that our societal reputation may be damaged if the request from clients, investors and society on climate change issues progress rapidly and our responses are delayed or we lack appropriate information disclosure. At our Company, the IR Office is promoting our ESG-related initiatives as the main department in charge. The Company has selected several companies as references for ESG-related initiatives and compared/evaluated our initiatives with the reference companies, in line with the evaluation framework of several ESG evaluation companies; if the Company's initiatives are inferior to others or the Company believes further improvement is required, the Company reports to its management to discuss future measures to take to deal with the situation.
Physical risks associated with climate change	Acute risks	Short-term (-3yrs)	Increase in and exacerbation of extreme weather events such as typhoons and floods Our Group operates seven offices in Japan and five offices abroad and around 90% of our total employees are based in Japan. There is a risk that our operations may be suspended if we suffer a breakdown/cutoff in transportation infrastructure connecting our business locations and clients/partners or information infrastructure, due to any extreme weather event in Japan such as typhoons, floods or heavy rain and thunderstorms caused by global warming. In addition, as our business operation is labor intensive, a reduction in the number of days worked due to the events described above may lead to the risk of our labor expenses-to-sales ratio increasing. As our countermeasures against these risks, our Group is promoting the strengthening of our system infrastructure so that even if our business locations are hit by a disaster, it will not lead to an effective shutdown of our functions. In addition, Nihon M&A Center is also endeavoring to reduce the risks during disasters by establishing a structure that allows all employees to telework during emergencies and conduct remote meetings and due diligence with clients. At all of its offices, the Group has disaster stockpile items at hand and we periodically conducts evacuation drills. Any intensification of natural disasters has the possibility to cause damage to the local economy. The Company has experience of flexibly establishing satellite offices throughout the country during emergencies. Through this experience, the Company can develop further-localized business activities and speedily grasp the needs of potential clients that desire M&A.
	Chronic risks	Long-term (11yrs-)	Rise in average temperatures and sea level There is a risk that costs may increase from a drop in productivity caused by more frequent heat strokes and/or from much use of air conditioning, due to a rise in average temperatures. There is also a risk of flooding due to a rise in sea level. In the ASEAN region, there is a risk of frequent flood damage due to extreme heat and prolongation of the rainy season caused by global warming.

Please visit our website for more details.

<https://www.nihon-ma.co.jp/en/sustainability/environment.html>



Measures to mitigate climate change

As one way to reduce greenhouse gas emissions the Group is working to reduce our levels of electricity consumption.

The Group promotes the so-called Cool Biz and Warm Biz initiatives in Japan to set air conditioning temperatures at a certain high level in the summer months and also at a certain low level in the winter months. This is one form of engagement for saving energy consumption, which also includes varying specific settings of air conditioning in different workspaces, powering down non-essential equipment and generally raising awareness about environmental matters among our employees.

Methods for adapting to climate change

Starting with protection from general flood damage, our Group continuously takes action to minimize the impact

on the business with systems to back up the server and to preserve important data in the cloud. Nihon M&A Center aims to minimize any risk of physical damage that the business might otherwise incur through climate change.

Greenhouse gas (GHG) emission reduction targets

With the level of emissions in FY2019 as a basis, the target was to reduce the level of GHG emissions resulting from electricity use in our Tokyo head office by 1% per full time employee by FY2025. Since January 2021, the TEKKO BUILDING which houses our Tokyo head office, has been running on 100% renewable energy. As a result, theoretical GHG emissions came to zero and our target was achieved in FY2021. Going forward, the Company will broaden the scope of its calculations and continue our efforts to reduce GHG emissions.

Consideration for the environment of our planet

Reduction of burdens on the environment

Our employees strive to reduce burdens on the environment and lower energy consumption through the use of public transport, use of IT and reduction of unnecessary printed materials.

Our Company has a system necessitating the use of the individual's ID card when printing documents, which captures information on how much each individual uses printers. In addition, in its M&A process, the Company has introduced electronic contracts to help reduce paper resources and contribute to enhancing information security.

For example there could be a case where a transportation company which has a high proportion of its business taking cargo from Tokyo to Nagoya combines through an M&A transaction with a company with a high proportion of its business taking cargo from Nagoya to Tokyo, and they integrate operations. It is most efficient when a transportation company operates with a loading capacity close to 100%, which leads to a reduction of the burden for the environment.

M&A for reducing burdens on the environment

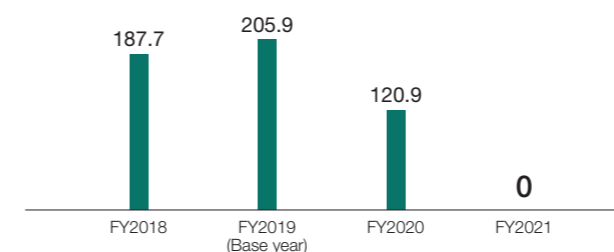
There are many ways in which M&A can contribute towards reducing the environmental burden on society.

Strengthening overseas M&A

The Nihon M&A Center Group is working to increase its level of cross-border SME M&A activity. The Group expects Japanese companies acquiring companies overseas will have the opportunity to export excellent environmental technologies and that this will help alleviate the burden on the environment.

GHG emissions from Nihon M&A Center's Tokyo head office

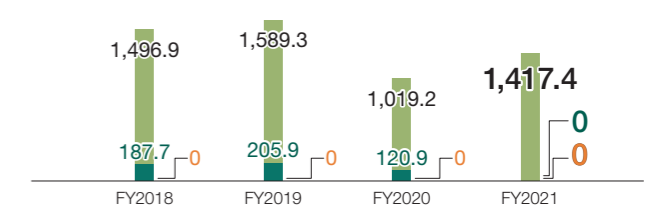
(Unit: t-CO₂)



GHG emission amount

(Unit: t-CO₂)

Scope 1 Scope 2 Scope 3



*Scope 1, 2, and 3 are defined by the GHG Protocol, an internationally recognized guideline.

Scope 1 is the direct GHG emissions from oil and fuels, etc. Scope 2 is the indirect GHG emissions from electricity use, etc.

*Scope 2 forms the basis of calculation of total GHG emissions as Scope 1 energy use is zero.

*Scope 1 and 2 cover the Tokyo head office.

*Scope 3 emissions are calculated based on emissions from aircrafts used in business trips at all locations (April 2016 - August 2017 domestic routes only).

*Since January 2021, the TEKKO BUILDING which houses our Company, has been running on 100% renewable energy (biomass power generation). This is Japan's first for a large-scale mixed-use building (according to our research). For this reason, the GHG emissions of Scope 2 were calculated using a CO₂ emission factor of 0 (zero) during the period from January to March 2021.

*In April 2022 the Company measured GHG emissions using more precise and detailed data for energy consumption. As such, figures in and after FY2018 have been updated.

Message from the Chairman

Spirit of “Benefit for oneself and others”

Yasuhiro Wakebayashi Founder and Chairman



Establishing Our Own Network

When we founded our company, SME owners were facing two business succession issues. One was the inheritance tax burden resulting from soaring asset values and stock prices and the other was a lack of suitable successors. When I covered SMEs and accounting firms across Japan as a sales manager for a foreign-affiliated computer manufacturer, I often came across companies that were concerned about these business succession issues. I felt that, if the emerging declining birthrate and aging population trend continued along the same trajectory, we would reach a stage in the future where it would be very difficult to keep our SMEs and ensure their survival. So I took the drastic decision to quit my job and use my contact network to set up a company that could solve these problems.

In 1992, the newly founded company's second business year, we placed a full-page advertisement in the *Nikkei* newspaper. That generated a huge response and we received inquiries from hundreds of companies in just one week. At the time, the term M&A had no

solid place in Japan, but I was reminded of the fact that there were still many managers who were worried about business succession issues. I wanted to save as many companies as possible so I asked many accountants at accounting firms to become shareholders in our company and to introduce owners facing succession issues while at the same time proactively expanding our networks. I also thought we should provide a corresponding dividend to our shareholders as they provided risk funds. Indeed, we have continued to pay aggressive dividends from that second business period right up to the present day. As a result, we have performed strongly, our stock price has risen favorably, and we have been able to further expand our network. This virtuous cycle has boosted our brand recognition and credibility. The Group has been able to hire talented employees, as well as to form business alliances with major financial institutions. This long track record serves as the bedrock for our current network and is a major strength of the Group.

Social Change Is Increasing Our Social Role across the Industry

Today, 30 years since our company's founding, SMEs are facing even more serious succession issues. In the

1990s, the appointment of family members accounted for approximately 90% of all successions, but that has

since dwindled to roughly 30%. Right now, roughly 60% of SMEs across Japan have no determined successor and many companies are still suffering successor-related difficulties. Japan's declining population is further exacerbating this situation. Japan's population is expected to decline from its peak of roughly 130 million people in the 2000s to roughly 60 million people by around 2100. Therefore, many fear that the size of Japan's markets will also shrink due to the decline in purchasing power and the country's labor force. Furthermore, business succession issues are also increasing in Asia and other overseas markets in the same way as in Japan.

Given the circumstances, the social role of our Group and the whole M&A industry is increasing, not only because M&A can serve as an important means of solving business succession issues, but also as a tool for solving management issues, such as the restructuring of industries and development of overseas markets sparked by Japan's declining population.

As the role M&A is expected to play evolves, we continue to pursue our founding mission to help customers continue and prosper, while committing to engage in M&A that will only prove beneficial to all parties involved. We have built our business on the belief that pursuing “Benefit for oneself and others”

(doing and practicing things that benefit others, namely society, will ultimately benefit you too) will generate synergy benefits for SME owners as well as for their purchasers. That will make all stakeholders happy, including employees and the accounting firm intermediary. In that sense, the fundamental rule of M&A is that 1+1 can sometimes equal 3 or even 5. That's why we are always careful to understanding the feelings of each individual owner as closely as possible.

My management philosophy is that our salespeople should serve as “the legendary blue bird of happiness” for our customers. If an M&A deal facilitates the acquisition of a company's business built up by its managers, then the value of that company could increase several times over and the M&A consultants will have proved themselves to be true blue birds of happiness. The whole M&A industry, not just our Group, should adopt a spirit of “Benefit for oneself and others” approach to further enhance its knowledge of individual industries and deepen its specialist expertise of overseas M&A, private equity funds, and other ways of supporting customers from multiple perspectives. It is our social mission to promote regional and national revitalization, connect companies in Japan and overseas and support the sustainable growth of society as a whole.

Financial and Non-financial Highlights

Financial Items												
Fiscal Year		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Business Performance												
Sales	(million yen)	6,005	7,214	10,547	12,227	14,778	19,069	24,625	28,463	32,009	34,795	40,401
M&A sales	(million yen)	5,878	7,064	10,361	12,009	14,542	18,801	24,321	27,966	31,192	33,743	38,808
Other sales	(million yen)	128	151	186	218	236	269	304	498	818	1,052	1,594
Operating profit	(million yen)	2,771	3,405	5,448	6,098	7,002	9,046	11,605	12,533	14,247	15,336	16,430
Ordinary profit	(million yen)	2,834	3,437	5,496	6,310	7,116	9,070	11,670	12,533	14,467	15,468	16,864
Profit before income taxes	(million yen)	2,819	3,432	5,474	6,311	7,116	9,070	11,670	12,515	14,681	15,616	16,661
Profit attributable to owners of parent company	(million yen)	1,609	2,074	3,344	3,950	4,840	6,174	8,146	8,867	10,273	10,678	11,437
Financial positions												
Total assets	(million yen)	8,628	10,564	13,977	16,750	20,141	24,956	37,710	35,638	44,296	54,110	58,919
Property, plant and equipment	(million yen)	73	96	121	196	441	411	517	480	550	532	575
Capital	(million yen)	6,931	8,363	10,902	13,465	16,741	16,059	21,995	27,143	35,858	44,451	50,743
Net assets	(million yen)	6,932	8,364	10,903	13,465	16,763	16,080	22,043	27,264	35,943	44,690	51,026
Interest bearing liability (borrowings, bonds payable, etc.)	(million yen)	100	100	100	100	100	4,500	3,500	2,500	1,500	500	0
Cash flows												
Cash flows from operating activities	(million yen)	1,348	2,707	4,278	3,654	4,440	7,769	9,813	6,914	10,313	11,458	11,099
Cash flows from investing activities	(million yen)	695	309	(1,020)	(6,269)	(5,210)	1,462	(8,102)	(605)	(5,801)	22,324	270
Free cash flows	(million yen)	2,043	3,017	3,258	(2,615)	(770)	9,231	1,711	6,309	4,512	33,783	11,370
Cash flows from financing activities	(million yen)	(465)	(666)	(799)	(1,440)	(1,498)	(2,555)	(3,418)	(4,549)	(2,327)	(3,095)	(5,943)
Stock-related information												
Basic earnings per share	(yen)	120.77 ²	155.60	83.63 ³	98.78	121.04	77.21 ⁴	50.82	55.13 ⁴	63.30	32.46	34.60 ⁴
Net assets per share	(yen)	519.97 ²	627.47	272.65 ³	336.72	418.66	202.21 ⁴	136.78	168.75 ⁴	219.91	134.49	153.51 ⁴
Dividends	(yen)	8,500 ²	55	90 ³	35	49	44.5 ⁴	41	23 ⁴	26	28	18 ⁴
Payout ratio	(%)	35.2	35.3	35.9	35.4	40.5	40.2	40.3	41.7	41.1	43.1	52.0
Financial indicators												
ROE (return on equity)	(%)	25.4	27.1	34.7	32.4	32.0	37.6	42.8	36.1	32.6	26.6	24.0
ROA (return on assets)	(%)	35.4	35.8	44.8	41.1	38.6	40.2	41.2	37.2	36.2	31.4	29.8
Capital adequacy ratio	(%)	80.3	79.2	78.0	80.4	83.1	64.3	69.4	76.2	81.0	82.1	86.1
Others												
Market capitalization	(million yen)	29,205	55,251	110,529	165,953	261,926	292,928	599,424	496,481	490,722	1,007,254	581,233
Fiscal year-end share price	(yen)	91.29 ²	172.71	335.38 ³	497.5	818.75	905 ⁴	1,830	1,515 ⁴	1,467.50	2,993	1,727 ⁴
Transactions closed	(cases)	194	207	256	338	420	524	649	770	885	886	996

Non-financial Items												
Fiscal Year		FY2017	FY2018	FY2019	FY2020	FY2021		FY2017	FY2018	FY2019	FY2020	FY2021
Environment												
GHG emissions volume ^{5,10}	(t-CO ₂)	78.7	187.7	205.9	120.9	0						
Scope 1 ^{6,7}	(t-CO ₂)	—	0	0	0	0						
Scope 2 ⁷	(t-CO ₂)	—	187.7	205.9	120.9 ⁹	0 ⁹						
Scope 3 ⁸	(t-CO ₂)	—	1,496.9	1,589.3	1,019.2	1,417.4						
Employment												
Number of full-time employees	(persons)	—	—	582	810	972						
Number of M&A consultants	(persons)	—	—	390	473	568						
Rate of annually taking paid leave ¹¹	(%)	—	—	35.80	35.40	40.00						
Average salary ¹	(thousand yen)	—	—	13,533	12,434	12,022						
Rate of turnover ¹	(%)	—	—	12.6	11.2	15.1						
Percentage of graduate entrants/mid-career hires	Graduate entrants (%)	—	—	7.9	8.5	10.1						
	Mid-career hires (%)	—	—	92.1	91.5	89.9						
Number of graduate entrants hired	(persons)	—	—	14	16	24						
Average age of employees	(age)	—	—	34.7	34.3	34.0						
Number of labor accidents	(cases)	—	—	3	0	2						
Diversity & inclusion												
Ratio of female managers	(%)	—	—	12.17	9.77	11.11						
Return-to-work rate after maternity/paternity leave	Male (%)	—	—	—	—	100.00						
	Female (%)	—	—	—	87.50	100.00						
Rate of taking maternity/paternity leave ¹¹	Male (%)	—	—	0.00	0.00	10.00						
	Female (%)	—	—	100.00	100.00	100.00						
Health management												
Percentage of employees receiving health checkups ¹	(%)	—	—	97.7	99.6	99.8						

*1 These are the figures for Nihon M&A Center Inc.

*2 As of April 1, 2012, the Company conducted a 200-for-1 share split of its common stock.

*3 As of April 1, 2014, the Company conducted a three-for-one share split of its common stock.

*4 As of October 1, 2016, April 1, 2018, and April 1, 2021, the Company conducted two-for-one share splits of its common stock respectively.

*5 Scope 1, 2, and 3 are defined by the GHG Protocol, an internationally recognized guideline. Scope 1 is the direct GHG (greenhouse gas) emissions volume from such as oil and fuels. Scope 2 is the indirect GHG emissions volume due to electricity use, etc.

*6 Since Scope 1 energy use is zero, total GHG emissions volume is assumed with Scope 2.

*7 Scope 1 and 2 are for the Tokyo headquarters.

*8 The emissions volume of Scope 3 is calculated based on the scope of business travels by aircraft at all locations (only domestic aircraft from April 2016 to August 2017).

*9 From January 2021, all electric power used by the TEKKO BUILDING in which the Company is located has been switched to 100% renewable energy (biomass power generation), the first such switch for a large-scale building complex in Japan (according to the Company's survey). As a result, Scope 2 GHG emissions volumes for the period from January to March 2021 onward are calculated with a CO₂ emission factor of 0 (zero).

*10 In April 2022, since GHG emissions volumes were recalculated using more precise and detailed electricity consumption data, the disclosed figures for FY2018 and beyond have been updated.

*11 Special People Association co., Ltd is excluded from the calculation.

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: thousand yen)

	As of March 31, 2021	As of March 31, 2022		As of March 31, 2021	As of March 31, 2022
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	42,863,754	47,303,408	Accounts payable	550,807	560,867
Accounts receivable	3,049,570	1,460,003	Current portion of long-term borrowings	500,000	—
Prepaid expenses	330,761	419,422	Accrued expenses	2,103,072	1,976,488
Others	89,707	792,951	Income taxes payable	3,350,413	2,168,560
Total current assets	46,333,793	49,975,785	Contract liabilities	—	433,610
Fixed assets			Advances received		
Property, plant and equipment				171,920	—
Buildings	562,504	594,309	Deposits received	151,507	173,589
Accumulated depreciation	(237,319)	(279,569)	Provision for bonuses	234,415	307,284
Buildings, net	325,184	314,740	Provision for bonuses for directors (and other officers)	371,000	—
Other	525,816	624,830	Other	1,595,328	1,910,766
Accumulated depreciation	(318,199)	(363,715)	Total current liabilities	9,028,464	7,531,166
Other, net	207,616	261,115	Long-term liabilities		
Total property, plant and equipment	532,801	575,855	Long-term accounts payable - other	391,507	362,015
Intangible assets	186,934	230,947	Total long-term liabilities	391,507	362,015
Investments and other assets			Total liabilities	9,419,971	7,893,181
Investment securities	5,235,712	6,449,837	Net assets		
Deferred tax assets	613,726	505,457	Shareholders' equity		
Long-term time deposits	6,659	7,264	Paid-in capital	3,780,010	3,785,441
Other	1,200,808	1,174,035	Capital surplus	3,643,087	3,648,519
Total investments and other assets	7,056,907	8,136,595	Retained earnings	41,839,006	47,822,611
Total non-current assets	7,776,643	8,943,399	Treasury shares	(4,962,264)	(4,962,928)
Total assets	54,110,437	58,919,184	Total shareholders' equity	44,299,840	50,293,642
			Accumulated other comprehensive income		
			Valuation difference on available-for-sale securities	152,956	446,881
			Foreign currency translation adjustment	(1,174)	2,624
			Total accumulated other comprehensive income	151,781	449,506
			Share acquisition rights	23,420	16,123
			Non-controlling interests	215,423	266,729
			Total net assets	44,690,465	51,026,002
			Total liabilities and net assets	54,110,437	58,919,184

Consolidated Statements of Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Sales	34,795,191	40,401,573
Cost of sales	13,576,578	16,258,217
Gross profit	21,218,612	24,143,355
Selling, general and administrative expenses	5,882,600	7,713,252
Operating profit	15,336,011	16,430,102
Non-operating income		
Compensation income	7,563	2,404
Interest income	3,546	9,623
Dividend income	29,175	28,000
Gain on investments in investment partnerships	—	226,986
Share of profit of entities accounted for using equity method	107,097	111,893
Foreign exchange gains	—	3,058
Subsidy income	—	48,862
Miscellaneous income	—	20,409
Other	8,561	7,254
Total non-operating income	155,944	458,493
Non-operating expenses		
Interest expenses	3,863	593
Loss on investments in investment partnerships	14,511	—
Foreign exchange losses	1,933	—
Commission expenses	2,830	—
Miscellaneous losses	185	23,939
Total non-operating expenses	23,324	24,532
Ordinary profit	15,468,631	16,864,064
Extraordinary income		
Gain on sale of non-current assets	27	2,355
Gain on sale of investment securities	148,536	399
Total extraordinary income	148,563	2,755
Extraordinary losses		
Expenses related to correction of prior period financial statements	—	205,494
Loss on sale of investment securities	1,022	—
Total extraordinary losses	1,022	205,494
Profit before income taxes	15,616,173	16,661,325
Income taxes - current	5,101,380	5,233,687
Income taxes - deferred	(183,131)	(60,712)
Total income taxes	4,918,248	5,172,974
Profit	10,697,924	11,488,350
Profit attributable to non-controlling interests	18,983	50,789
Profit attributable to owners of parent	10,678,940	11,437,560

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	10,697,924	11,488,350
Other comprehensive income		
Valuation difference on available-for-sale securities	97,161	293,925
Foreign currency translation adjustment	(773)	4,315
Total other comprehensive income	96,387	298,241
Comprehensive income	10,794,312	11,786,591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,775,457	11,735,285
Comprehensive income attributable to non-controlling interests	18,854	51,305

Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	15,616,173	16,661,325
Depreciation	118,922	142,561
Amortization of goodwill	21,387	22,059
Increase (decrease) in provision for bonuses	55,398	72,868
Increase (decrease) in provision for bonuses for directors (and other officers)	24,000	(371,000)
Interest and dividend income	(32,721)	(37,623)
Interest expenses	3,863	593
Loss (gain) on sale of non-current assets	(27)	(2,355)
Foreign exchange losses (gains)	1,248	(4,960)
Share of loss (profit) of entities accounted for using equity method	(107,097)	(111,893)
Loss (gain) on sale of investment securities	(147,514)	(399)
Expenses related to correction of prior period financial statements	—	205,494
Decrease (increase) in trade receivables	(672,450)	1,589,704
Decrease (increase) in prepaid expenses	(52,305)	(88,618)
Increase (decrease) in trade payables	(85,940)	8,895
Increase (decrease) in accrued expenses	660,242	(126,677)
Increase (decrease) in advances received	72,345	(171,920)
Increase (decrease) in contract liabilities	—	433,366
Increase (decrease) in deposits received	(6,039)	21,996
Increase (decrease) in long-term accounts payable - other	25,612	(29,492)
Decrease (increase) in leasehold and guarantee deposits	(310,856)	29,072
Decrease (increase) in consumption taxes refund receivable	—	(656,631)
Other	629,013	(202,309)
Subtotal	15,813,254	17,384,056
Interest and dividends received	43,883	89,401
Interest paid	(3,869)	(596)
Payment of expenses related to correction of prior period financial statements	—	(106,424)
Income taxes paid	(4,394,558)	(6,266,452)
Cash flows provided by (used in) operating activities	11,458,711	11,099,984
Cash flows from investing activities		
Net decrease (increase) in negotiable certificates of deposit	1,700,000	—
Purchase of property, plant and equipment	(87,767)	(165,390)
Purchase of intangible assets	(51,994)	(89,397)
Purchase of investment securities	(2,733,026)	(873,857)
Proceeds from sale of investment securities	299,004	400
Proceeds from share of profits on investments in capital	80,178	383,941
Payments into time deposits	(100,791)	(2,999)
Proceeds from withdrawal of time deposits	23,200,971	1,000,000
Purchase of shares of subsidiaries and associates	(7,500)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	19,063	—
Other	6,583	17,785
Cash flows provided by (used in) investing activities	22,324,721	270,480
Cash flows from financing activities		
Proceeds from issuance of shares	2,383,862	10,820
Purchase of treasury shares	—	(664)
Repayments of long-term borrowings	(1,056,372)	(500,000)
Dividends paid	(4,593,588)	(5,453,956)
Proceeds from share issuance to non-controlling shareholders	170,150	—
Cash flows provided by (used in) financing activities	(3,095,947)	(5,943,800)
Effect of exchange rate change on cash and cash equivalents	(2,449)	10,463
Net increase (decrease) in cash and cash equivalents	30,685,036	5,437,128
Cash and cash equivalents at beginning of period	11,178,717	41,863,754
Cash and cash equivalents at end of period	41,863,754	47,300,883

Corporate and Stock Information (As of March 31, 2022)

Company Information

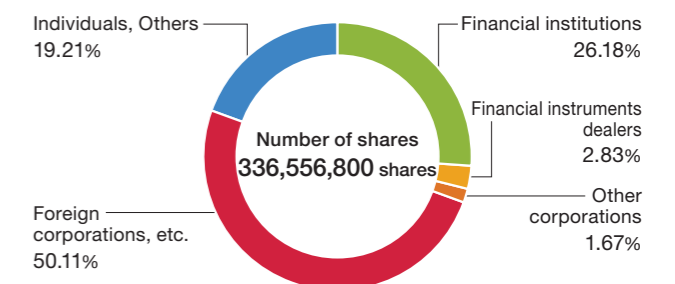
Company name	Nihon M&A Center Holdings Inc.
Paid-in capital	3,785 million yen (Tokyo Stock Exchange Prime Market/Stock code: 2127)
Established	April 25, 1991
Number of employees (consolidated)	1,033 (as of September 30, 2022)
Location	Tokyo headquarters 24F TEKKO BUILDING, 1-8-2, Marunouchi, Chiyoda-ku, Tokyo, Japan 100-0005
Major group companies	Nihon M&A Center Inc. Corporate Value Laboratory Inc. Japan PMI consulting Inc. Batonz Co., Ltd. Japan Investment Fund Inc. Search Fund Japan, Inc. Next-Navi Inc. ZUUM-A Co., Ltd. Special People Association co., Ltd Yano Research Institute Ltd. Japan Private Equity Co., Ltd.

Major Shareholders

Name	No. of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	55,607,500	16.82
Suguru Miyake	20,809,800	6.30
Custody Bank of Japan, Ltd. (trust account)	18,642,500	5.64
SSBTC CLIENT OMNIBUS ACCOUNT	14,132,699	4.28
Yasuhiro Wakebayashi	8,615,400	2.61
THE BANK OF NEW YORK MELLON 140042	5,116,300	1.55
STATE STREET BANK WEST CLIENT - TREATY 505234	4,770,600	1.44
JPMorgan Securities Japan Co., Ltd.	4,272,444	1.29
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	4,125,118	1.25
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	3,989,800	1.21

*Shareholding ratio is calculated excluding 6,005,019 shares of treasury stock.

Distribution of Shares by Type of Shareholder

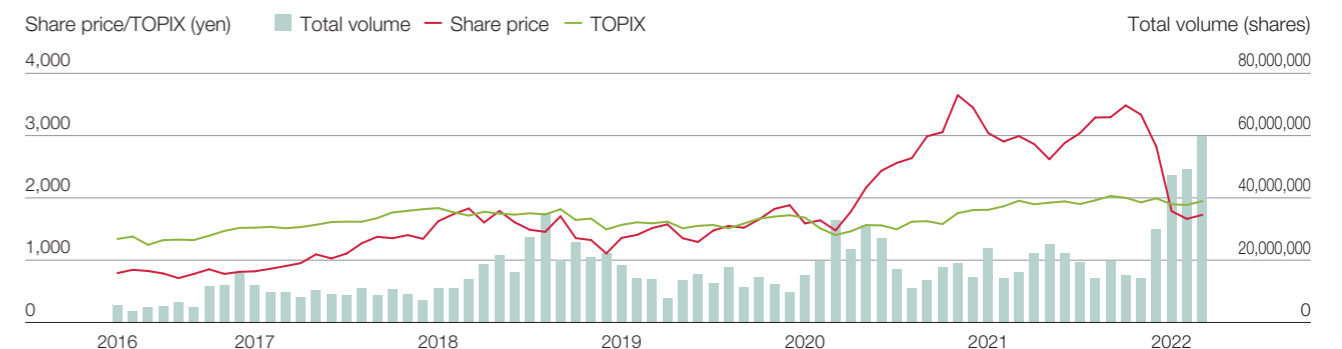


Stock Information

Total number of shares authorized	576,000,000 shares
Total number of shares outstanding	336,556,800 shares
Total number of shareholders	36,261

*Total number of shares outstanding includes 6,005,019 shares of treasury stock.

Share Price



*As of April 1, 2021, April 1, 2018, and October 1, 2016, the Company conducted two-for-one share splits of its common stock.

The Company's Website

<https://www.nihon-ma.co.jp/en/>

External Evaluations and Commitments

The Nihon M&A Center Group places great emphasis on promoting dialogue with stakeholders and is strengthening the way it conveys information on initiatives to increase long-term corporate value. We use evaluations provided by global ESG evaluation organizations as reference indicators for our initiatives and participate in global initiatives to help create shared value with society. Below are details of the main ESG indices that include our stock, evaluations by external organizations, and the international initiatives we support.

MSCI Japan Empowering Women Index (WIN)

Nihon M&A Center has been included in the MSCI Japan Empowering Women Index (WIN), a global index for ESG investment, for two consecutive years since 2021. The index is made up of companies from individual industries with an excellent record in diversity-related initiatives. It has been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).

2022 CONSTITUENT MSCI日本株女性活躍指数 (WIN)

FTSE4Good Index Series

In 2022, we were included for second consecutive years in the FTSE4Good Index Series, a global index for ESG investment, and the FTSE Blossom Japan Index, a comprehensive ESG stock price index for Japanese companies.

The indices include companies that meet various ESG valuation criteria, and the FTSE Blossom Japan Index has been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).



FTSE4Good



FTSE Blossom Japan

*The inclusion of Nihon M&A Center Holdings Inc. in the MSCI Index and the use of the MSCI logo, trademark service mark, or index name in this Integrated Report do not constitute any sponsorship, endorsement, or promotion of Nihon M&A Center Holdings Inc. by MSCI or its affiliates. The MSCI Index is the exclusive property of MSCI. The index name and logo are trademarks or service marks of MSCI or its affiliates.

2022 Japan Executive Team Rankings

Nihon M&A Center Holdings Inc. was selected as a Most Honored Company by Institutional Investor, the leading U.S. financial magazine. Japanese listed companies that conduct outstanding IR activities are ranked by sector and selected based on votes by global institutional investors and security company analysts. We were ranked second in the Best CEO, Best IR Team, and Best ESG categories for the Insurance and Other Non-bank Financial Sector.



GUINNESS WORLD RECORDS™

GUINNESS WORLD RECORDS™ recognized us as “Best-selling mergers and acquisitions advisory company” for two consecutive years in 2020 (783 cases) and 2021 (1,013 cases).

*Best-selling M&A financial advisory company
Target period: 2020, 2021



UN Global Compact

In September 2022, we signed the UN Global Compact, the world's largest sustainability initiative designed to encourage the UN, corporations, and organizations to join forces to build a healthy global society.

