



Nihon M&A Center Holdings Inc. Integrated Report 2023




Nihon M&A Center HD
 Nihon M&A Center Holdings Inc. **2023**
Integrated Report



Nihon M&A Center Holdings Inc.

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Corporate Mission

**Assisting companies
to continue and
prosper through
M&A**

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Vision of the Nihon M&A Center Group

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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.

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

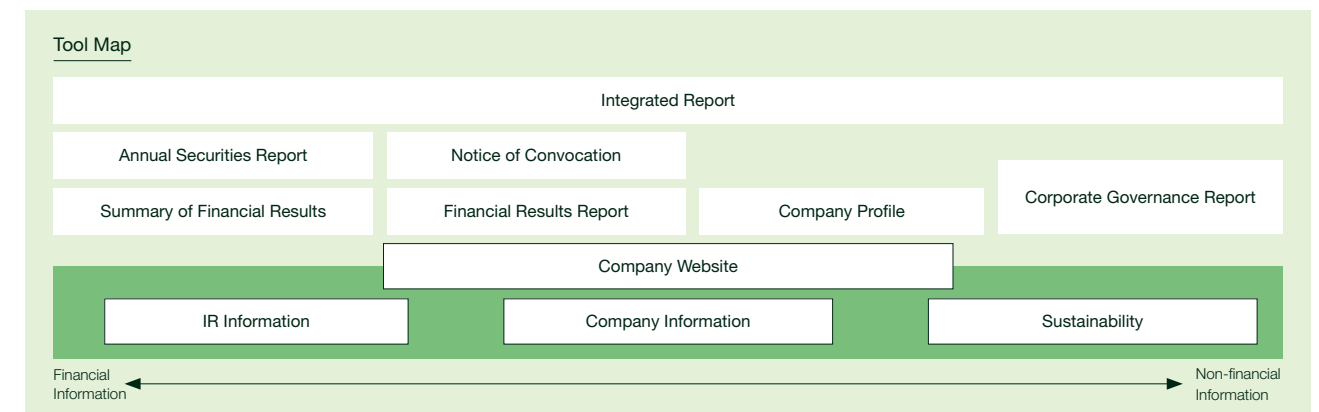
- "International Integrated Reporting Framework," International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation 2.0", Ministry of Economy, Trade and Industry

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 2023



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/>



Challenges Facing Japanese Companies

Small- and medium-sized enterprises (SMEs) comprise 99.7% 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.

Meanwhile, the environment surrounding SMEs is severe due to the dearth of successors and the diminishing domestic market. As a means of resolving these challenges M&A is growing in importance and is on the rise in many industries.

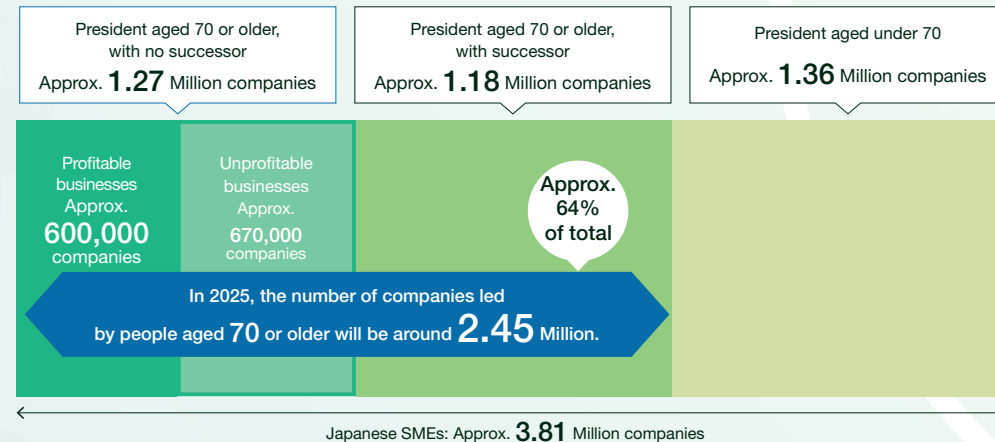
Here we consider M&A in terms of on three major challenges.

1 Aging of SMEs' management and lack of successors

It is said that by 2025, the average retirement age of the owners of about 2.45 Million SMEs, or 64% of all small- and medium-sized businesses, will be over 70. In addition, about half of them, or 1.27 Million firms, do not have a successor in place, of which about 0.6 Million 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 there is a risk of a cumulative loss of around 6.5 Million jobs and about 22 Trillion yen in GDP during the decade from 2016 to 2025*.

Age composition of SME owners

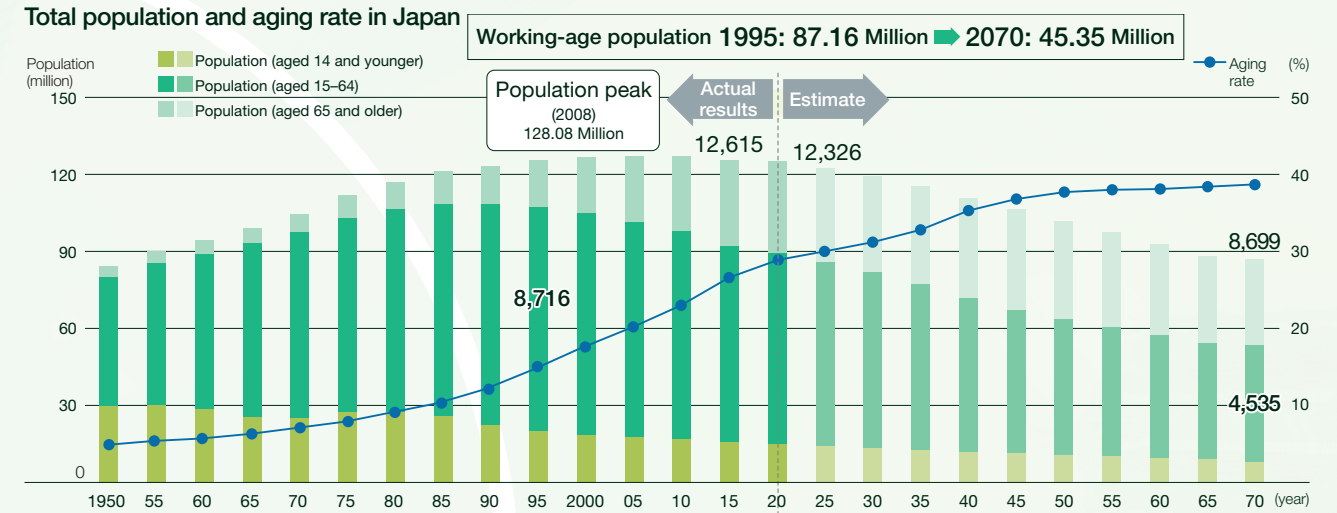


*Assumes that 31% of corporations and 65% of individual proprietorships whose owners are aged 70 or older will have gone out of business by 2025. The number of jobs indicated above is based on the average number of employees (5.13) employed by SMEs that went out of business between 2009 and 2014, while 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)

Source: Reorganized and processed data from the Small and Medium Enterprise Agency

2 Declining population and diminishing 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 2070 will fall below 90 Million, and the working-age population will be in the neighborhood of 45 Million. This situation continues to heighten concerns over the labor market and the resulting contraction in the size of the economy and potential contraction decline in GDP.



Source: Reorganized and processed data from the Annual Report on the Ageing Society FY2023, "Trends in Ageing Population and Projection for the Future"

3 Low labor productivity and profitability

Labor productivity of SMEs remains flat at a low level. Profitability of large corporations is low as well, compared with that in other countries.

A reason for this is inefficient business portfolios of companies that have expanded their business scale through diversification. While large-scale, diversified U.S. companies have higher operating profit margins, Japanese companies' operating profit margins tend to decline as they expand and diversify.

Operating profit margin of Japanese and U.S. companies by business scale and degree of diversification

(2000-2012 average)

Degree of diversification		Business scale			
		Small	Medium	Large	Mega
Specialized	Japan	8.8	5.9	6.5	7.0
	U.S.	-0.5	11.4	7.7	10.4
Semi-specialized	Japan	7.4	5.3	6.2	6.2
	U.S.	4.7	11.5	10.7	7.8
Semi-diversified	Japan	6.2	5.7	5.2	4.7
	U.S.	9.9	9.2	8.3	8.6
Diversified	Japan	5.1	5.4	5.4	3.0
	U.S.	-15.2	9.0	11.0	13.7

Degree of diversification
 Specialized: ~10%
 Semi-specialized: 10%~30%
 Semi-diversified: 30%~50%
 Diversified: 50%~

Business scale (sales)
 Small: ~¥50 Billion
 Medium: ¥50 Billion~¥500 Billion
 Large: ¥500 Billion~¥2 Trillion
 Mega: ¥2 Trillion~

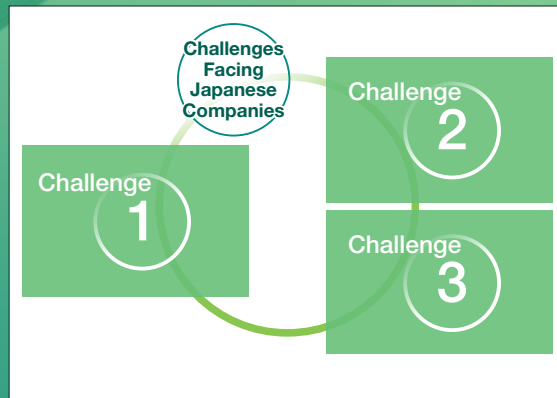
*The survey covers companies on TOPIX index for Japan and NYSE Composite Index components for the U.S. "Degree of diversification" indicates the proportion in total sales of sales in businesses other than the business with the highest sales composition ratio. For the classification, "business scale (sales)" of U.S. companies was converted to Japanese yen, based on the exchange rate of 1 USD = 100 JPY.

Source: Survey commissioned by the Ministry of Economy, Trade and Industry (Prepared by Deloitte Tohmatsu Consulting LLC based on Bloomberg data).

Propose to address and resolve issues through M&A

How We Can Address the Challenges

Having outlined three major challenges facing Japanese SMEs, Nihon M&A Center Group proposes 1) M&A for business succession, 2) M&A as growth strategy, and 3) M&A resulting in the centralization of management resources. Such ways to address and resolve issues through M&A are described in a specific manner on the right side.



Propose to address and resolve issues through M&A

1 To resolve the aging of successors

Solutions to a lack of successors are appointment of family members, appointment of employees or M&A. While the appointment of family members is the most commonly chosen option in Japan, it has been decreasing sharply since 2021, after the COVID-19 pandemic. On the other hand, more and more companies are appointing employees or choosing M&A, moving away from business succession by family members.

Under such circumstances, the Group aims to close as many M&A deals as possible, so that about 0.6 Million profitable companies that could go out of business by 2025 will continue and prosper. Our mission is to save such companies from going out of business. We will ensure the future of employees and their families, and pass on the cultivated technologies to the next generation.

of management and lack

To achieve this, the growth of the Group and the SME M&A support industry is essential.

Through recruitment and development of human resources, as well as utilization of digital transformation to expand the business scale and improve productivity, we will collaborate with our business partners to deliver M&A deals to a greater number of companies.



M&A for business succession retains employment and technologies

2 To address declining domestic market

Many large corporations have been accelerating overseas expansion in search of workers scarce in Japan or in preparation for the contraction of the domestic market. Meanwhile, many SMEs dependent on the domestic market are unable to see where they are going and concerned about the future.

SMEs are more likely to face labor shortages and other limitations in terms of management resources. For them to develop new businesses and expand business scale, an effective way is to take advantage of M&A as a growth strategy.

For example, coming under the umbrella of a major company through M&A and taking advantage of the parent company's management resources accelerates SMEs' growth on the back of business integration, or enables them to embark on new businesses with an eye

population and diminishing

on expansion to other regions, including overseas, or in search of new, growing markets.

In addition, M&A can broaden business fields by complementing value chains or improve productivity by facilitating insourcing and streamlining.

With a leveraging strategy that takes advantage of M&A, SME companies could grow further to medium-sized companies or aim to enhance global competitiveness. The Group supports SMEs' achievement of growth strategies and overseas expansion.



M&A as growth strategy enhances competitiveness

3 To resolve low labor

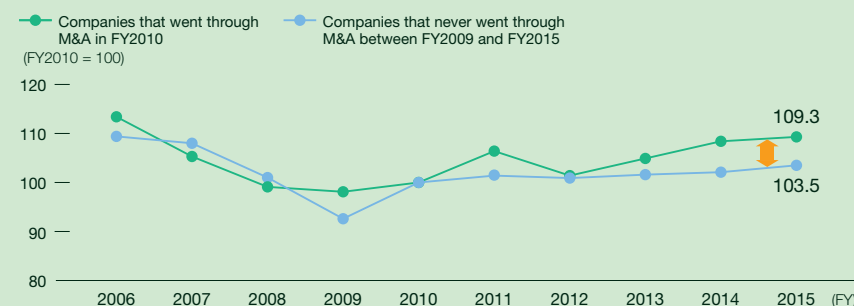
More companies are choosing M&A as a means of business succession. In addition, an increasing number of SMEs are taking advantage of M&A as a growth strategy. Companies that went through M&A expanded their business areas and the range of products and services, which in turn boosted their sales and profits. They thus improved added value they provide, as well as productivity.

We believe that matching sellers in need of a successor with buyers considering M&A as a growth strategy may improve the productivity of SMEs and ultimately the local and Japanese economies. We find the best match using the database based on knowledge and experience accumulated in our 32-year history, as well as on over 8,000 deals closed.

We also help large corporations review their inefficient business portfolios.

productivity and profitability

Labor productivity of companies that went through M&A and those that did not



Source: "Supplementary Material (1) Significance of SME M&A", Handout for the Fifth Meeting of the Commission on Centralization of SMEs' Management Resources, The Small and Medium Enterprise Agency

M&A for centralization of management resources improves productivity

Our Purpose

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

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

With this aspiration, 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.



Philosophy

(How We Act)

The philosophy statement forms the basis for the corporate culture reflecting the purpose statement for adoption by each and every employee in their code of conduct and decision-making criteria. We will work together as a team to achieve our purpose.

1. Utmost respect for our clients

With the utmost respect for our clients' lives, history and management, we act as their professional partner with sense of mission.

2. High viewpoint, broad field of view

We strive to take a bird's-eye view always looking into the future and considering overall optimization.

3. Challenge without fear of mistakes

We are challengers. We will generate many innovations and make them market standards.

4. Swing the pendulum in full

We will not settle for easy compromises. We will take a full swing, expand our horizon, and simultaneously realize what seems contradictory.

5. Best decisions upon free and open discussion

We value diverse opinions and hold thorough discussions, we unite and move forward.

6. Never give up until the result is achieved

Every one of us takes ownership in what we do. We do what it takes to accomplish our goals.

7. Be humble, learn and grow

We make efforts to better ourselves with vigorous curiosity. We encourage each other to grow as individuals as well as a company.

8. The right things in the right way

We are part of society. As individuals and as a company we shall take pride in doing the right things in the right way for our clients.



Please visit our website for more details:
<https://www.nihon-ma.co.jp/en/sustainability/philosophy.html>



About Nihon M&A Center Holdings

As the leader of Japan's SME M&A support industry, Nihon M&A Center Holdings has established industry standards.

From M&A information services to strategy development, optimal company valuation and post-merger integration (PMI), we offer a successful M&A process with a seamless structure.

Largest nationwide network in the industry and unparalleled matching capability

Fine-tuned support by experts with a wealth of experience

Awareness-raising activities and information services

We provide M&A information to company owners across Japan by various means, so that they can consider M&A as part of their management strategy.

We hold in-person and online seminars across Japan on various themes, and our subsidiary ZUUM-A CO., Ltd. runs THE OWNER, a media platform for SME owners. In addition, we offer the Proactive Search® service, where we proactively look for and reach out to prospective sellers based on the needs of buyers.

*Proactive Search is a registered trademark (no. 65557253) of Nihon M&A Center Holdings.



M&A operation systems that incorporate expertise

Taking advantage of an enormous amount of data accumulated in the Company, including data on the largest number of closed deals in the industry, and knowledge of in-house experts who are well-versed in M&A and have a wealth of experience, we have been working to digitalize each stage of the M&A process.

Corporate Value Laboratory Inc., our subsidiary specialized in company valuation (stock valuation/business analysis) in M&A for SMEs, develops and offers M&A operation systems. V-Compass, a private company valuation system, has been adopted by regional banks and accounting firms with which we are closely allied. In addition, D-Compass, which evaluates project risks, has automated risk identification and highlighting of red flags, contributing to the reduction of M&A lead time.



Largest manpower in the industry and well-organized matching based on data

Over 600 consultants
Consultants in charge of the seller and the buyer support negotiations from a neutral and objective standpoint, based on the understanding of both sides' intentions. We create information sharing opportunities within the Company. For example, consultants present mandates they are in charge of at Matching Event. We find approximately 20,000 matches a month.

Development and operation of our own systems with data from hundreds of thousands of matches in the past
We take advantage of systems and manage an enormous amount of information. Prospective buyers are proposed to sellers, based on deals concluded in the past and accumulated data on desired conditions for buyers. Systems allow us to explore every possibility and reduce the time needed for matching.



A system that lists prospective buyers based on deals concluded in the past and data on desired conditions for buyers.

Support for success after deal conclusion

Defining a successful M&A as "achievement of both the seller and buyer's growth", Japan PMI Consulting Inc., a specialized subsidiary, supports post-merger integration (PMI), which is the key to successful M&A.

In addition, we jointly established Next-Navi Inc. with Aoyama Zaisan Networks Co., Ltd. The comprehensive consulting firm focuses on business succession, asset management, and life planning and supports prior owners after M&A.



Information services/Business succession, growth strategy consulting/Proactive search

Mandate of project

Industry research

Valuation/Project evaluation/Preparation of teaser

Matching, management meeting

Negotiation, definitive agreement

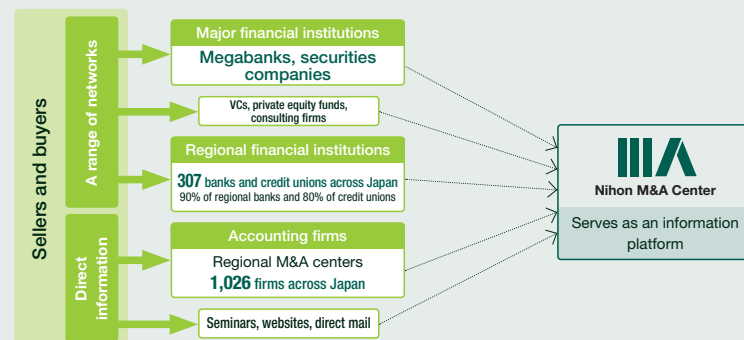
Closure

PMI/Prior owner support

Our own nationwide information network

Cooperating with financial institutions, accounting firms and other business partners across Japan allows us to possess abundant information on projects.

We can offer options to sellers and buyers without being bounded by region, industry and company size. Approximately 60% of deals closed by us materialize based on information from business partners.



Industry research and analysis based on the latest information

Industry research reviews characteristics, as well as opportunities and threats, of the seller's industry. Fully understanding the seller's operational process, as well as strengths and weaknesses, leads to a more attractive corporate profile and higher matching precision.

By leveraging resources provided by our affiliate Yano Research Institute Ltd., a pioneer of market research, enables us to understand market trends accurately.

Yano Research Institute Ltd.

Support by a specialized team with over 40 lawyers, certified public accountants, and other experts, covering a series of procedures from mandate of project to definitive agreement

Our specialized department, which has experts well-versed in legal affairs, accounting, tax affairs, and finance, such as lawyers, certified public accountants, notaries, and tax accountants, forms a support team for each deal and joins forces with consultants to proceed with the deal. Part of the execution process uses systems to both improve the quality of work and reduce M&A lead times.



Deal Closing Ceremony organized by the M&A ceremony team

Our employees include hospitality service professionals who have experience working in the bridal or aviation industry. They organize ceremonies that include reading surprise letters from family members and presenting gifts, backing up a successful completion by celebrating a new start for business owners.



History of Value Creation

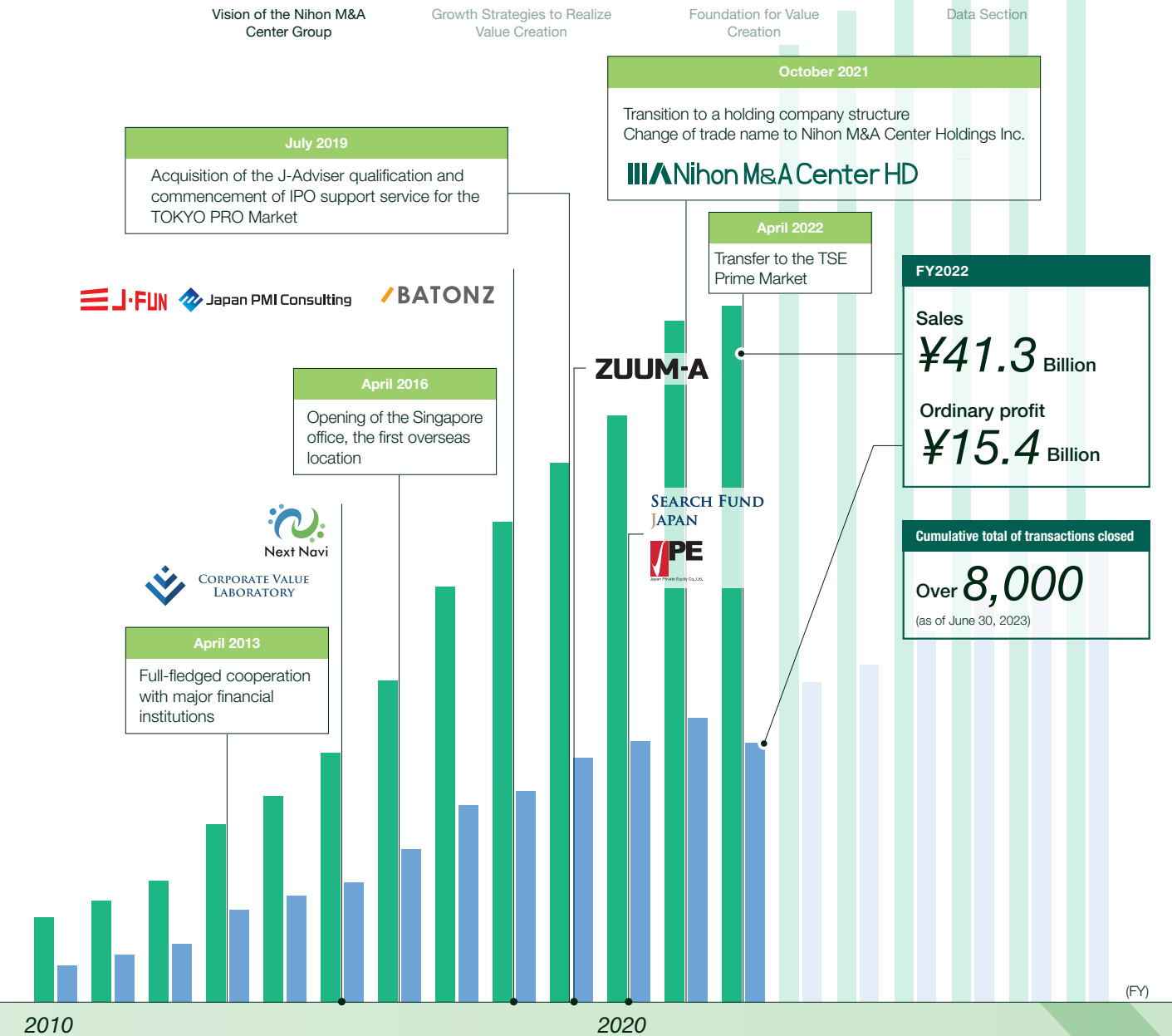
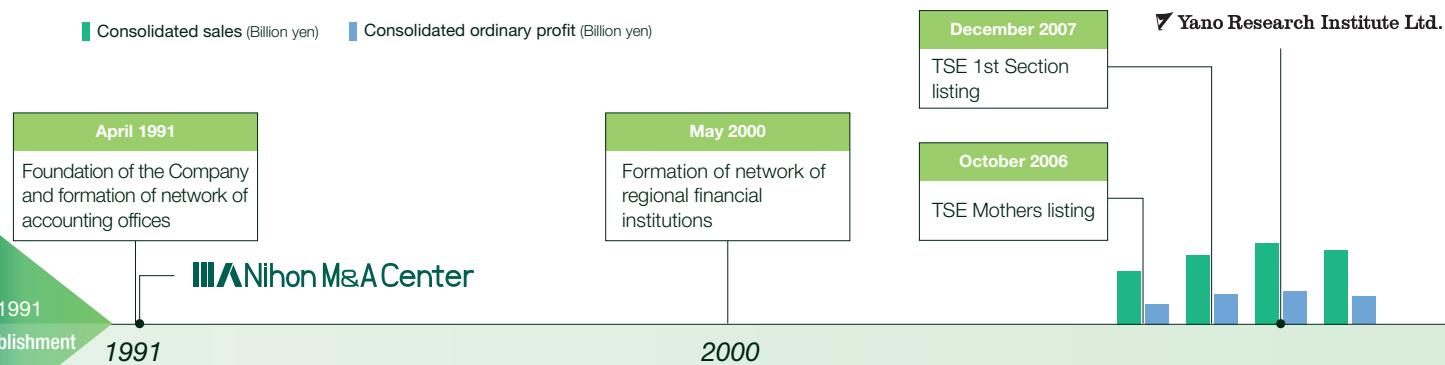
Aiming to Become the Top Global Integrated M&A Company

To achieve its corporate mission “assisting companies to continue and prosper through M&A”, Nihon M&A Center Group strives daily to support SMEs.

We have over 600 consultants (as of September 30, 2023), the largest number in the industry, while vitalization of the industry has enabled business owners today to choose partners from many M&A support companies based on a variety of information. In addition, we support M&A in Japan and overseas by stepping up the expansion of overseas locations, as well as the development of group companies that offer services in all processes from company valuation to post-merger integration (PMI). We have closed over 8,000 transactions in cumulative total.

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

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



1991–2000 Founding period 2001–2010 IPO period 2011–2020 Rapid growth period 2021– Second founding period

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 started to establish business alliances with credit unions throughout Japan.

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 transferred to 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 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.

Nihon M&A Center opened five locations in the ASEAN region, establishing a structure to press ahead with overseas 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 established our purpose and philosophy. In 2023, we set up a joint venture with the Juroku Financial Group, cementing our alliance with financial institutions. We aim to be the top global integrated M&A company in eight aspects: number of transactions closed, client satisfaction, service quality, coverage, overall capabilities, innovation capabilities, market capitalization, and employee satisfaction.

- Against the backdrop of the bubble economy in the 1980s, many large corporations went through outbound cross-border M&A.
- Due to the burst of the bubble economy in the 1990s, cross-border M&As involving large corporations decreased sharply. Meanwhile, SMEs faced challenges in the succession of management rights.

- Stock prices rose due to the IT bubble, and the number of M&A deals increased as well.
- While M&A became better known, it did not penetrate due to a negative impression associated with the Livedoor and Murakami Fund incidents.
- To facilitate smooth business succession to the next generation and invigorate SMEs' businesses, the Small and Medium Enterprise Agency drew up and published the Business Succession Guidelines in December 2006.
- The guidelines stated that M&A can be a means of business succession, which triggered a change in perception toward M&A.

- M&A started to take root as a method used in management strategy, and M&A by SMEs entered a rapid growth phase. The number of deals increased substantially from the previous decade.
- To promote SME owners' understanding of M&A, the Small and Medium Enterprise Agency published the Guidelines for Business Succession in 2015.
- The Small and Medium Enterprise Agency fully revised the Guidelines for Business Succession, and formulated the M&A Guidelines for SMEs in March 2020.
- Aging of business owners and lack of successors have become increasingly serious.

- The Small and Medium Enterprise Agency compiled the Plan to Promote M&A for SMEs in April 2021, redefining the importance of M&A.
- In August 2021, the Small and Medium Enterprise Agency created a registration system for M&A support institutions.
- In October 2021, a self-regulatory industry body, the M&A Intermediaries Association, was established by M&A intermediaries.
- As SMEs M&A popularizes, challenges faced by support organizations have become apparent.
- The M&A guidelines for SMEs has been revised for the first time in three years.

Nihon M&A Center Holdings in Data

Established in 1991

32 years in business



Actual transactions closed

Over **8,000** in cumulative total
(as of September 30, 2023)



Number of locations

7 domestic locations

(Tokyo, Osaka, Nagoya, Fukuoka, Hiroshima, Sapporo, Okinawa)

5 overseas locations

(Singapore, Indonesia, Vietnam, Malaysia, Thailand)



Number of group companies



Consolidated subsidiaries

10

Equity-method affiliates

7

ROE (return on equity)

18.7 %



Payout ratio

77.3 %

(FY2022)



Number of employees (Group)

1,111

Consultants

648

Staff and other positions

463

Employees with qualifications
(Lawyers, certified public accountants, tax accountants, notaries, etc.)

Over **40**
(as of September 30, 2023)

Business partners

Accounting firms

1,026 firms

Regional banks

95 out of **99** banks

Credit unions

212 out of **254** banks

Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation (as of June 30, 2023)

Approx. **60** % of mandates are via business partners

Sales **¥41,315** Million



Ordinary profit

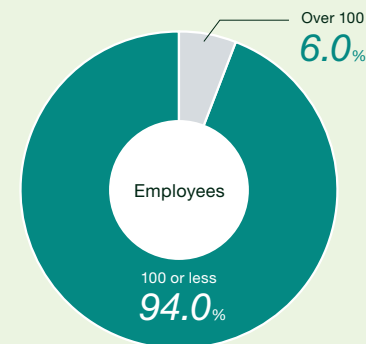
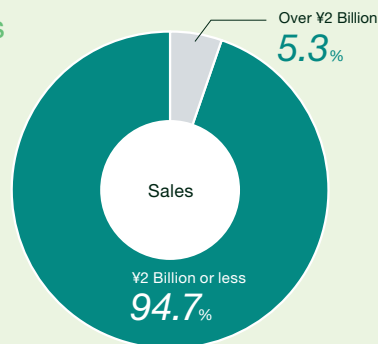
¥15,472 Million (FY2022)

Business scale of supporting sellers

Over **90** % are SMEs

with ¥2 Billion or less sales

(The Company's closing data for FY2022)

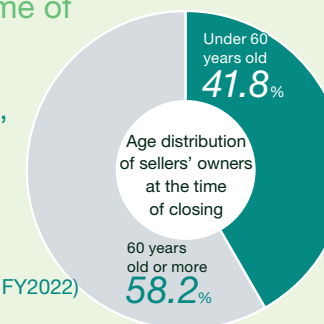


Owners' age at the time of transfer closing

Over **1/3** of sellers' owners are under

60 years old

(The Company's closing data for FY2022)



Actual matching results

Deliver best matches from a wide area and diverse industries

Actual matching results

(Company's closing data for FY2022)

	Same industry	Different industry	Subtotal
Same area	8.2%	20.0%	28.2%
Different area	29.4%	42.4%	71.8%
Subtotal	37.6%	62.4%	100.0%

Area: per prefecture
Industry: based on our original industrial classification (262 industries)



Average number of transactions closed per consultant with sales budget responsibility (FY2022)

2.4

*Number of consultants as of the end of the fiscal year.



Average age of employees

33.8

*Nihon M&A Center

Ratio of new graduate entrants to mid-career hires

New graduate entrants: **2**
Mid-career hires = **8**

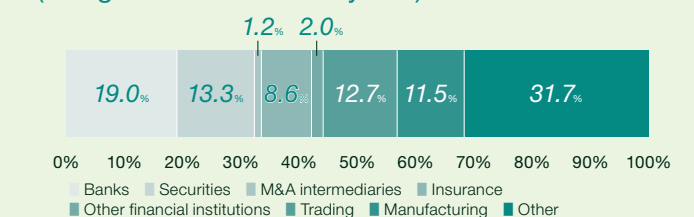
Number of employees hired annually **291**



*Nihon M&A Center Group

(FY2022)

Industries mid-career consultants come from (hiring in the latest three years)



Total annual training hours

56,169 hours

(FY2022)



Ratio of female managers **11.5** %

(FY2022)

Company with Audit and Supervisory Committees

Ratio of Outside Directors **53.8** %

Ratio of female Directors **15.4** %



GHG emissions volume

2,500.0 t-CO₂

(FY2022)



Value Creation Process

Nihon M&A Center Group will carry out management based on its purpose and take advantage of its strengths as a comprehensive M&A support company for SMEs that consists of its group companies 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
- Japanese companies' low labor productivity and profitability

Invested capital (as of September 30, 2023)

Human capital

Number of employees (consolidated) **1,111**

Consultants **648**

Hours spent on training **56,169** hours/year

Employees with qualifications **Over 40**
(Lawyers, notaries, certified public accountants, tax accountants)
Organic connections among employees of group companies
(Corporate Value Laboratory Inc., Batonz Co., Ltd., etc.)

Intellectual capital

Cumulative total of transactions closed **Advanced knowledge and know-how related to over 8,000 M&A cases for SMEs**

Database containing information accumulated over a long period

Development and utilization of highly accurate M&A systems

- Company valuation system "V-Compass"
- Case analysis system "D-Compass"
- Company sale simulation system "M-Compass"

Social and relationship capital

Strong relations with M&A information networks

- 307 regional financial institutions (90% of regional banks and 80% of credit unions nationwide)
- 1,026 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. 30** (regularly)

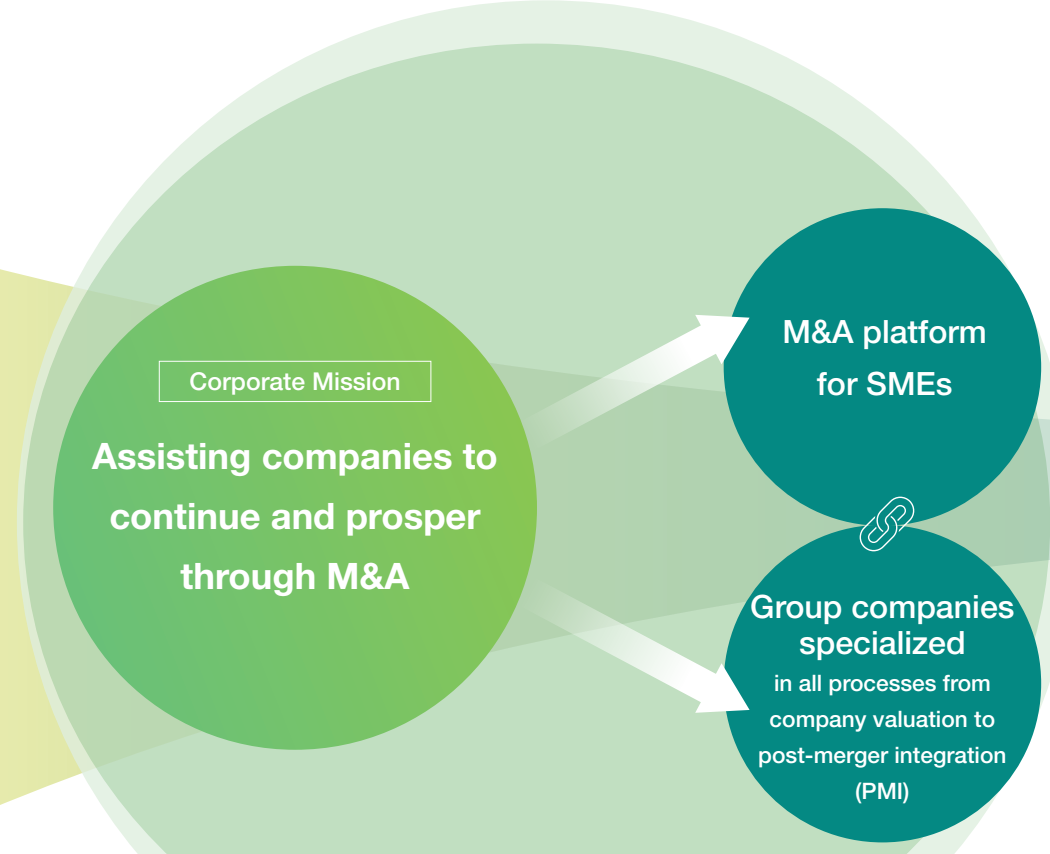
Member of World M&A Alliance

Financial capital

Financial base for value creation (as of March 31, 2023)

- Capital adequacy ratio **82.8%**
- Ordinary profit ratio **37.5%**

Business activities



Materiality (Priority Issues) of

- ◆ Further advancement as an integrated M&A company ◆ Innovation
- ◆ Safe and secure M&A ◆ Contribution to society

Key priorities

- Structure that can provide services to all manner of companies both in Japan and overseas
- Promotion of transformation of fund business into social infrastructure
- Response to market changes (including changes in business owners' awareness)
- Productivity improvement/marketing promotion using DX
- Maintenance and improvement of service quality
- Engagement with clients, business partners and shareholders
- Regional revitalization through further advancement as an integrated M&A company
- Sound advancement and development of the industry as the leading company

Nihon M&A Center Holdings

- ◆ Promotion of human capital management
- ◆ Strengthening of information management
- ◆ Strengthening of governance foundations

- Collaboration with public institutions, educational institutions, etc.
- Recruitment and development of talented human resources to revitalize the organization
- Active participation by diverse human resources suitable for an integrated M&A company
- Information security and cybersecurity measures
- Building of corporate governance with emphasis on compliance
- Enhancement of risk management with risk map
- Thorough implementation of purpose- and philosophy-oriented management
- Succession planning for top management
- Enhancement of financial foundations through provision of added value to clients

Materiality (Priority Issues) ⇒ P.27

Output/Outcome

Output

FY2022
Transactions closed by Nihon M&A Center **1,050/year**

No. of companies we supported in TOKYO PRO Market listing (as of Sept., 2023) **21** companies

Outcome

Contribute to regional revitalization by

- 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

Preventive effects on economic-losses and on job losses as of FY2022*

Number of M&A contracts supported by Nihon M&A Center **486**

Total revenues for the companies involved in the above M&A contracts **¥307.1** Billion

Preventive effects on economic-losses **¥346.8** Billion

Preventive effects on job losses **28,805**

Preventive effects on economic losses for the next decade **¥2.7185** Trillion

*Estimated by Yano Research Institute Ltd.

Our vision

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

Message from the President

As the industry leader, we will move forward displaying the highest standards.

Suguru Miyake
President and Representative Director

To return to a growth trajectory, Nihon M&A Center Group has reset its medium-term management targets and launched new initiatives to achieve them. Here, I will explain our recognition of our current issues and our future business developments, while looking back on our actions since the formulation of our purpose.

Sharing and Penetration of Our Purpose and Formulation of Our Philosophy

Purpose Formulated with Input From All Employees

In June 2022, the Group declared our purpose of “for the best M&A experience” as an expression of our *raison d’être*. It was followed in January 2023 by the announcement of our philosophy statement, which forms the basis for our corporate culture and reflects the purpose statement for adoption by our employees in their conduct and decision-making processes. Firstly, I would like to look back on our actions from the establishment of our purpose until after its announcement and the status of the sharing and penetration of the purpose throughout the Company.

When we marked the 30th anniversary of our foundation in 2021, based on the keywords of “our second foundation phase”, all of us pursued new initiatives with a spirit that we are all founders. The formulation of our purpose was one of those initiatives. In January 2022, I set up opportunities, such as purpose study sessions at company-wide training, to convey to our employees how important it was for the Company, its individual departments, and every single employee to possess their own purpose and to discover where those respective purposes overlap.

While this was happening, in February 2022, we made a public announcement of the fact that there had been

inappropriate internal behavior involving the bringing forward of sales reported in our quarterly business results, as well as the disciplinary actions taken against the Company’s directors, including myself. The disciplinary actions taken against the employees involved in this matter were decided in March 2022. Differences in values and opinions emerged among our employees regarding this incident and the content of the disciplinary actions, which led to a loss of our sense of unity as a company.

This further heightened the need for a purpose statement that would reunite the feelings of the Group’s approximately 1,000 employees. We felt that, instead of this purpose statement being decided by management, our employees should take the initiative and formulate it together, so we conducted a questionnaire of all employees. In this questionnaire, we canvassed suggestions for the values and intentions that employees wanted to preserve for the future and new keywords that they wanted to add. The Management Meeting then deliberated based on the 1,200 or so opinions received.

We conducted a variety of initiatives to ensure that all employees would understand the purpose, “for the best M&A experience”, that they would take ownership of it, and that it would be passed on to the future as our DNA. They included holding workshops about the purpose, publishing an in-house pamphlet containing discussions among individuals, and putting up posters.

Recovering Our Sense of Unity with Teach-in Sessions and the Formulation of the Purpose

Concurrently with the purpose formulation process, in an attempt to resolve the internal divisions that had been present since the inappropriate incident and restore employee solidarity, I personally held teach-in sessions to talk directly with all our employees. From April and into May of 2022, I held 50 such sessions for groups of 20, taking the time to speak frankly to every individual employee face-to-face.

I believe that one probable factor behind the loss of the sense of unity among employees is the fact that, during the pandemic, web meetings became the main form of internal communication, making explanations about the background to the incident and the content of the disciplinary actions more prone to misunderstandings and misconceptions. In these two-hour, in-person teach-in sessions, not only talking about the incident, I answered many questions, including about the Company’s vision and growth strategies and about my own views on life. In the course of these many cordial conversations, I sensed a real improvement in the atmosphere in the Company.

My sense was that the teach-in sessions resulted in a 50% recovery in the sense of internal unity and that, since the formulation of the purpose, it has now been restored to about 85%.

To raise our sense of unity even further, we need to be “Fun Company”. In FY2022, preventing a recurrence of the inappropriate incident has been our central theme, which meant that our employees have not been able to enjoy a fun company life. For that reason, this year, we plan to launch many club activities within the Company in our aim of being a fun company.

It is also important that we become a company that can be entrusted with the future.

Our growth strategy having been disrupted, it has become more difficult for our employees to catch sight of our outlook and vision for the future. It is essential that we make ours a company that is able to open up a bright future outlook for our employees, based on a clear corporate vision. With these initiatives, we will elevate our employees’ sense of unity to a higher level than prior to the inappropriate incident.

The Will and Values Conveyed by the Word “Ultimate”

In our purpose, we have instilled our intentions in the word “ultimate”, declaring three ultimates: “Ultimate Compliance”, “Ultimate Client Satisfaction” and “Ultimate Service Quality”.

For the past several years, Nihon M&A Center Group has focused on becoming the top global integrated M&A company. Our aim is to lead the world in eight categories: number of transactions closed, client satisfaction, service quality, coverage, overall capabilities, innovation capabilities, market capitalization, and employee satisfaction.

M&As help solve the problem of SMEs’ lack of successors and contribute to further corporate growth. As such, they will take on increasing importance in Japan and Asia and become an essential form of social infrastructure. Proud to call itself an industry leader, Nihon M&A Center Group believes that it has a responsibility to keep raising its own “ultimate” standards to elevate the standard of the industry as a whole.

We have entrusted those intentions and values to the word “ultimate”, making it the keyword for our purpose.

Expressing our Rules of Behavior in Plain Language that is Easy to Understand

What will be needed to realize our purpose and how will we prevent a recurrence of the inappropriate incident in future? Specifically, what kind of DNA will we preserve and what will we change? Recognizing the need to clarify anew our employees’ code of conduct and decision-making criteria, we held discussions over a three-month period and formulated our philosophy statement, which comprises eight new guidelines. We announced the contents of this philosophy statement internally at company-wide training sessions in January 2023.

Conscious that the words of the philosophy statement were aimed at future generations, instead of me saying too much about my own opinions, everybody engaged enthusiastically in its formulation, with the management team playing a central role.

We are currently working on the production of a pamphlet for employees to carry with them, and spontaneous group work is being undertaken with the aim of fostering understanding of and penetrating the philosophy statement within the Company. In our recruitment interviews this year, we have asked candidates to write a report about what kind of work they wanted to do at M&A Center in line with the points in the philosophy statement. In this way, the philosophy statement is functioning to allow the candidates and the Company to learn about and deepen their understanding of each other’s values.

Message from the President

Assessment of FY2022 and Actions for the Future

Increase in Revenue Not Enough to Achieve Plans, but a Major Comeback in the Second Half

In our consolidated results for FY2022, the number of M&A transactions closed reached 1,050, and sales exceeded ¥41.3 Billion, achieving an increase in sales for the 13th consecutive year. Both of these figures were the highest we have recorded. However, these results did not reach the initial target figures, and profit was down at all profit levels. I extend our apologies to shareholders and investors for our failure to achieve our targets.

One cause of this shortfall is that, due to the impact of the inappropriate incident, on a practical level, there was a two-month delay in starting our sales activities in FY2022. The continued resignations of dissatisfied employees who felt a sense of self-contradiction also took a heavy toll in the first half of the fiscal year. The departments in charge of large-scale mandates targeting mid-cap companies (companies with sales of over ¥1.0 Billion or profit of over ¥50 Million) lost a particularly large number of staff. After the discovery of the inappropriate incident, business development for mid-cap companies were suspended, and there was no progress in acquisition of large-scale mandates. This led to a drop in revenue per transaction and profit margin, and increases in fixed costs could not be offset, resulting in a decline in profit.

Under these circumstances, I believe that we are to be commended to some extent for the gradual restoration of corporate unity and for achieving an increase in revenue, all while working to prevent a recurrence of the incident. In the second half of the fiscal year, the success of initiatives led to a recovery, and the number of transactions closed, sales and ordinary profit in the fourth quarter all achieved record highs as results for a quarter results. Ordinary profit, in particular, increased by an extraordinary margin of 3.6 times that of the fourth quarter of the previous year. The number of transactions closed could be described as an indicator of “proof of employee enthusiasm”, and

my feeling is that its significant growth in the fourth quarter shows that we have once again become united as a company.

Launch of Conferences for Mid-cap Companies

Actions to capture more mid-cap mandates being essential to the improvement of results, we resumed planning activity in November 2022. We are now upgrading and actively rolling out our planning activity, and the entire company has banded together to hold regular monthly mid-cap strategy meetings.

In FY2023, taking reference from our inspections of the American M&A industry, we launched new conference-style planning activities. This approach involves inviting the business owners of a select group of mid-cap companies and holding discussions with them over several hours, and we have been feeling a definite response from the participants.

We expect the effects of these initiatives to become apparent in the second half of FY2023.

Addressing Revealed Issues to Improve Our Corporate Structure

The stagnation caused by the inappropriate incident revealed a number of issues that had previously been hidden during the steady expansion of its results until then.

For example, we could see that the growth of support staff in the back-office divisions had led to a rise in the ratio of support staff to consultants. We also noticed that production efficiency had worsened, as wasted efforts and excessive quality in operational processes in the individual divisions were prolonging lead times until the closing of transactions.

I am viewing in a positive light the fact that we have taken the time to identify and review these issues and made the opportunities to prepare ourselves for our next leap forward.

Revision of Medium-term Management Targets and New Growth Strategy

Pursuing Our Past Plan with a Two Year Delay Toward a Return to a Growth Trajectory

Previously, the Group set its fourth-period medium-term management targets for FY2021 through FY2026, and our aim was to achieve sales of ¥78.0 Billion and ordinary profit of ¥35.0 Billion in our FY2026 results on a consolidated basis. However, after failing to reach our FY2022 results, we downgraded our target figures for FY2023 through FY2026 and set new targets for our FY2027 consolidated results of ¥76.2 Billion in sales and ¥30.5 Billion in ordinary profit. By postponing our previous plan by about two years, we hope to return to a growth trajectory.

As a premise to the revision of our targets, in the external environment, SME M&A needs continue to expand, and we can anticipate medium- to long-term market growth. Although competition in the M&A industry is becoming more intense every year, M&A needs are increasing at an even greater rate. As such, there is no sign of the external environment worsening at this stage.

In terms of internal factors of this revision, meanwhile, we recognize that, due to the impact of the inappropriate incident, we are facing a two-year delay in our growth strategy. Against our initial target figures, ordinary profit results fell short in FY2021, and both sales and ordinary profit results fell short in FY2022. In this respect, the recent revision of our

Improvement of productivity is imperative if we are to return to our growth trajectory. We will achieve this by accelerating human resources growth and promoting digital transformation (DX).



targets has become a matter of “third time’s the charm”. We needed to formulate plans that could be achieved with certainty. With our FY2022 results as our launchpad, we set targets of ¥44.0 Billion in sales and ¥17.0 Billion in ordinary profit for FY2023, which are definitely achievable. Based on that, we then set target figures for the period up to FY2027.

In the second half of FY2022, particularly the fourth quarter, our employees had recovered their sense of unity, and their enthusiasm was apparent in our results, with record outcomes for the number of transactions closed, sales and ordinary profit. However, these results came about amid a whole-company surge, including us directors joining the frontlines to support a final spurt toward the end of the fiscal year. I recognize that this achievement does not reflect our true abilities when operating at our regular pace.

Internally, due to the disciplinary actions after the inappropriate incident, the number of department heads employees was reduced, increasing the number of subordinates managed by each division head. This greatly increased the burden on existing department heads. However, for the past two years, we have held monthly group leader training sessions for manager-class employees, which resulted in the development of suitable candidates for department head positions by the beginning of FY2023, and we are now able to make an optimal allocation. Of course, we expect it to take a little time for our new division heads to demonstrate their true abilities to the full. Nevertheless, we anticipate that they will contribute in earnest to our FY2023 results in the second half of the year.

Focus on Curbing Employee Turnover Alongside Acceleration of Human Resources Growth

To achieve our revised medium-term management targets and return to our growth trajectory over the next five years, the improvement of our productivity will be imperative. Our specific strategies for achieving that goal are the acceleration of human resources growth and the promotion of DX strategies.

In the acceleration of human resources growth, as evidenced by the production of department heads through group leader trainings that I mentioned above, early development through education and training, and the strengthening of the next generation of leaders are critical themes. Although I say “acceleration”, if we consider the complexity and difficulty of M&A operations, this initiative will take time to achieve, so we will pursue it steadily, enhancing our development plans to suit the different layers of employees.

Concurrently with our education efforts, another human resources strategy to help raise productivity that we will focus

on is the curbing of employee turnover. As a Group, we hope to halve our turnover rate in future. Our employees involved in M&A operations improve their abilities significantly and their outcomes expand dramatically in their first three years after joining us. As such, curbing turnover is key to raising productivity.

As an example of our initiatives in this area, we have introduced a “2 in 1” program, in which each new employee is paired with a senior colleague to work together, allowing them to experience the receipt of mandates and the closing of transactions at an early stage. The program also results in mutual growth for both members of the pair. At the same time, in our recruitment activities, we have shifted from a policy of securing numbers to one of emphasizing the quality of the talent recruited. I personally attend our mid-career hiring sessions to convey my thoughts to candidates and answer their questions. In doing so, as well as showing the level of the Group’s commitment toward recruitment, we are also working to prevent mismatches between company and candidates.

We have also been conducting annual employee engagement surveys for the past several years, the findings of which are fed back into our human resources strategies. In recent years, in light of the growing number of employees who are conscious of the issues regarding their own sense of personal growth and the sense of unity in the Company as a whole, we have been implementing strategies with the themes of “People First Strategy” and “becoming a fun company,” in our efforts to improve employee engagement.

[Human Resources Initiatives](#) ⇒ P.37

Improving Efficiency of the M&A Process and Raising Productivity with DX

In productivity improvements, we have decided on the number of transactions closed per employee per year as the KPI to measure effectiveness. In FY2022, the number of transactions closed per employee was only 2.8, but we plan to increase that to 3.5 over the next five years. Because the number of transactions closed is affected by the lead time between receiving a mandate from a seller and matching the seller to a buyer, we need to increase our yield while shortening that lead time as much as possible. The effectiveness of this policy will be demonstrated by the promotion of DX strategies for improving the efficiency of the M&A process.

Leveraging our track record of the highest number of transactions closed in the industry, the Group has developed and introduced advanced systems that take full advantage of digital technologies. They range from the estimation of the

Message from the President

share value of unlisted companies using an evaluation method known as the comparable transaction methodology to pre-transaction due diligence with automated risk identification and highlighting of red flags, matching that lists potential buyers based on one of the best databases in the industry, and the production and administration of contracts and closing packages at the final conclusion of transactions.

We will continue to invest proactively in DX strategies that will lead to the improvement of productivity.

Deepening Our Alliances with Financial Institutions to Respond to M&A Needs

As part of our networking strategy, we will deepen our alliances with regional banks and energize our activity in this area. In regional cities in particular, against a background of economic decline caused by depopulation, M&A needs among SMEs are growing, and the roles demanded of financial institutions are expanding. To respond to those needs, in July 2023, we established a joint venture company with Juroku Financial Group, Inc. and began providing M&A advisory services to regional businesses, mainly in the Gifu and Aichi areas.

We also introduced V-Compass, our share value calculation system for unlisted companies that uses comparable transaction methodology, which I mentioned earlier as an example of our DX strategies, into regional banks, and we are pursuing the deployment of the system by linking it with core banking systems. The Group will strengthen our alliances with regional banks through the introduction of V-Compass to help capture M&A demand.

In terms of direct strategies, we expect to see the intensification of competition with our competitors that do not have their own networks. Amid that growing competition, we are aiming to expand our market share by taking advantage of our area coverage with the deployment of 18 bases

nationwide (as of June 2023), including satellite offices, and the expertise in responses that we have built up in individual industries. In terms of area expansion, we hope to establish bases in all 47 prefectures in future, and we will strengthen our approaches by combining that coverage with our industry strengths.

Further Expansion of Overseas M&As and BATONZ Business

In terms of our overseas business, we now have bases in five ASEAN countries (Singapore, Vietnam, Malaysia, Indonesia, and Thailand) and are pursuing overseas M&As with Japanese companies. We anticipate the further acceleration of growth in this area going forward. We are steadily accumulating matchable acquisition projects in those countries, and building up our track record of In-Out transactions (acquisitions of overseas companies by Japanese companies).

Armed with these acquisition projects in ASEAN, we will now approach potential buyers not only in China, but also in the United States and Europe in a bid to expand our overseas M&As.

Further, among the Group businesses, BATONZ, our integrated M&A support platform that has continued to grow steadily over the past decade, supports the business succession of micro enterprises and sole traders that M&A support agencies are unable to cover, leaving none behind. In this way, it is fulfilling a role of maintaining lifestyle-adjacent services that provide the culture, flavor and infrastructure of the individual regions.

Currently, it is closing approximately 100 M&A transactions a month and providing value that meets the expectations of society. The extent of this market is of a completely different order of magnitude compared with the M&A needs of SMEs, and we have no doubt that it will continue to expand.



We will maintain a high degree of balance between compliance, perpetual growth, and return of profits.

What Responses to ESG Issues Will Achieve

Materiality Review and Responses to ESG Issues

In 2022, the Group identified ESG issues that have an impact on us and our stakeholders and defined a materiality consisting of 18 priority issues. Instead of making this a fixed materiality, we believe that we should review it annually in line with changes in the social environment and the Company. In our recent review, we deepened our awareness of the identified issues, reworked their contents, and redefined the materiality to make it clearer.

Materiality ⇒ p.27

Regarding the top priority materiality items, compliance and governance are the minimum requirements for the Company as it recovers from the inappropriate incident.

I also consider the recruitment and development of excellent human resources and the revitalization of the organization to be of top priority.

Recruitment, development, and revitalization will lead to the recovery of business results, our path to growth will be restored, and our employees will be able to have confidence and a positive outlook.

Our purpose and philosophy will be essential to this objective, and I believe that engagement will increase as a result.

For us, responding to ESG issues and sustainability is at once both our duty as an enterprise and an opportunity for growth. We also see it as a condition for our continued survival in the world.

In the environment (E) area, going beyond initiatives for the reduction of greenhouse gas emissions and the conservation of resources in our business activities, we have plans to benefit society through the provision of value by incorporating elements of ESG, such as environmental indicators, in the valuation of enterprises in the M&A process and responding to supply chain needs.

In the social (S) area, it is, of course, important that we contribute to the economic growth of Japan and Asia by encouraging regional revitalization through business succession support and improving the productivity of enterprises. However, beyond that, we are also providing employment opportunities that diverse human resources can take advantage of and playing a role in the creation of

innovation through the use of M&As as an exit strategy for venture capital and startups.

The governance (G) area can be described as efforts to guarantee the continuity of the Group's businesses. Such efforts include compliance, risk management and information security. Achieving a company that shareholders and investors can support with peace of mind will make it possible to invest in new value creation, resulting in expansion and reproduction that will further enhance our corporate value.

As the industry leader, we hope to contribute to the sound development of our industry by offering our governance expertise.

We will engage in responses to ESG issues and sustainability on a Group-wide basis and, as well as aiming for the continued enhancement of corporate value, we will contribute to the sustainable development of society.

Establishment of Two New Meeting Bodies in the Group Management Organization

In FY2023, we established two new meeting bodies under the Management Meeting, which we have placed at the center of the Group's management organization. Those two new bodies are the M&A Strategic Meeting, which oversees our operating companies in the M&A domain, and the Financial Strategic Meeting, which oversees our operating companies in the fund management domain. These two meeting bodies will play an interim holding company-like role within the Group management organization, working to coordinate the strategic aspects of their respective domains, with the aim of demonstrating synergies that transcend the boundaries of the individual operating companies. In the fund management domain, going forward, we will expand our range by setting up operating companies that will be responsible for various investment themes, such as venture capital, ASEAN and carbon neutrality.

In the eighteen months since the transition to a holding company structure, our structure that places the Management Meeting at the center has demonstrated its true worth in the turnaround after the discovery of the inappropriate incident, and it has achieved the strengthening of governance. The Management Meeting will continue to lead the promotion of growth in the Group as a whole, while pursuing succession plans for the formation of the next generation of management executives.

Message to Our Stakeholders

At the milestone of the 30th anniversary of our founding, we declared the start of our "second foundation" and set our sights on making new and great strides forward through the transition to a holding company. Prompted by the occurrence of the inappropriate incident, we have re-examined every facet of the entire Group, from our corporate culture to our management and financial structures, human resources initiatives, business strategies and operational processes. We will solve the issues thus identified at an early

stage and realize a lean, highly productive company that has potential for growth.

We will maintain a high degree of balance among compliance, perpetual growth and return of profits, and strive to satisfy our stakeholders.

I kindly ask for your ongoing support of the business of Nihon M&A Center Group.

Medium-term Management Targets

After coming through the pandemic, Nihon M&A Center Group established its fourth-period medium-term management targets in FY2021 and has been working toward further growth. We have, however, revised the medium-term management targets in consideration of the current internal and external business environments. Our aim is to return to a growth trajectory by postponing our previous plan by about two years. We will also work steadily toward achieving these targets by setting new KPIs.

4th-period medium-term management targets

EXCEED 30

FY2027

Ordinary profit target

30.5 Billion yen

Transactions closed

2,400

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

Consultants with sales budget responsibilities

Realize early development through a seamless structure for recruitment, development, and support for advancement and the strengthening of the next generation of leaders

End of FY2022

433



End of FY2027(plan)

766

Mandates

Revise direct strategies and shift to a more friendly and strategic approach

FY2022 results

Seller:

1,184



FY2027 (target)

Seller:

2,800

Transactions closed

Further increase the number of contracts by improving efficiency with DX, etc.

FY2022 results

Transactions closed:

1,050

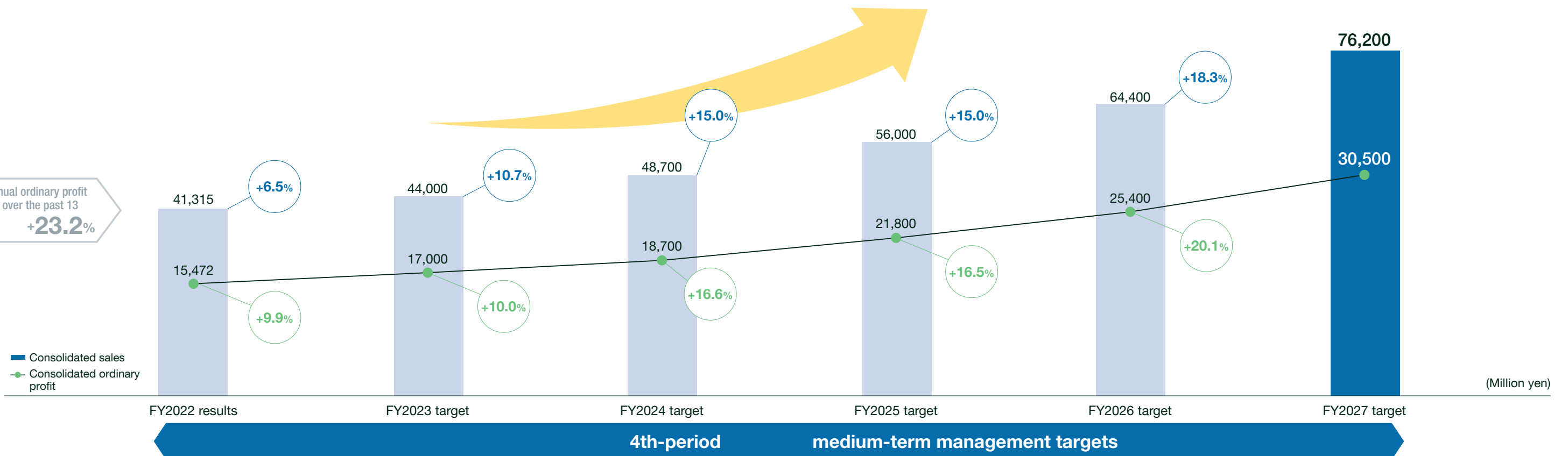


FY2027 (target)

Transactions closed:

2,400

Average annual ordinary profit growth rate over the past 13 fiscal years **+23.2%**



Financial Strategy



We will do our very best to reform our cost structure and raise our profit margin.

Takamaro Naraki
Senior Managing Director

Thoroughly Instill Cost Consciousness in Employees to Restore Our Profit Margin to Pre-Pandemic Levels

In our consolidated results for FY2022, although we marked new record highs in sales at ¥41.3 Billion and in the annual number of M&A transactions closed at 1,050, ordinary profit, at ¥15.4 Billion, was down on the previous fiscal year. The factors behind this fall in revenue are issues with our revenue structure, such as the decline in sales per employee, and issues with our cost structure, such as travel and transportation expenses. Under these circumstances, I believe my challenge as supervisory Director in charge of Administration Headquarters to be the reform of our cost structure. I will do my very best to bring our profit margin back up to pre-pandemic levels as soon as possible.

My first priority will be to reduce our travel and transportation expenses from consultants' business travel and other travel. During the pandemic, to reduce the risk of infection by our

consultants and customers as much as possible, in addition to recommending online meetings, we greatly relaxed our rules on the use of taxis or the shinkansen for short trips. However, because the pandemic situation has settled down compared with previously, while staying vigilant against the risk of infection, we will re-organize our business travel criteria and work to thoroughly instill a consciousness of costs among all employees once more.

Labor Expenses Rising, but Personnel Allocations Contributing to Group Growth

Next, I will present my thoughts on labor expenses. Our M&A consulting business is our main business, accounting for more than 90% of the Group's total revenue. Our consultants are the mainstay of those earnings, and we also have a full complement of specialist staff to support them. However, in FY2022, our staff numbers, excluding

consultants, increased at a higher rate than the rate of increase in revenue, placing pressure on our labor expenses as a result. On the other hand, when we consider the Group's capacity for growth, I also believe that we have already established personnel allocations that anticipate future requirements. For example, not only are we taking maximum advantage of DX to match sellers to buyers, but we are also working to improve the efficiency of company-wide operations across division boundaries. One example is in-house events where employees compete to present efficiency improvements using Salesforce, our internal customer information management and sharing system. These are just a few examples, but they are allowing us to conduct operations without delays even if we recruit consultants more aggressively. Our target is for consultants to account for at least 60% of total headcount before the end of this fiscal year.

Increase ROE to 25% Through Ongoing Cost Controls

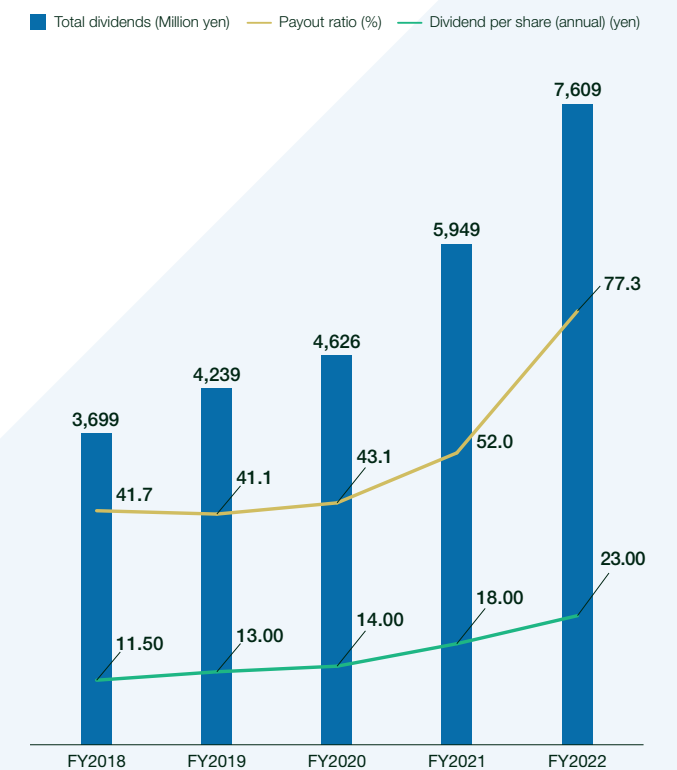
We have also set a target of 25% for ROE by FY2027, our current medium-term management target period. To achieve this target, we need to grow the company by increasing sales by 1.5 times from the current level to ¥76.0 Billion and doubling ordinary profit to over ¥30.0 Billion by the target period. As I noted above, we will need to ensure that we have enough consultants, reduce turnover to around 10%, and conduct ongoing cost controls.

Conducting Active Shareholder Returns Alongside Investment in New Business

Finally, I will share my thoughts on how we should use the Company's cash and deposits. In addition to strengthening our financial structure and management foundations, we recognize that the long-term return of profits to our shareholders is our most important management issue. Based on that recognition, during our medium-term management target period until FY2027, we have increased our payout ratio from 40% or more to 60% or more. In FY2023, as well as setting a payout ratio target of 69.2%, in May 2023, we purchased treasury stock worth ¥7.0 Billion, and we have strengthened our returns to our shareholders who have supported us.

We will continue with this shareholder returns policy and actively make investments in new businesses.

Total dividends and payout ratio



*After stock split is taken into account

Materiality (Priority Issues)

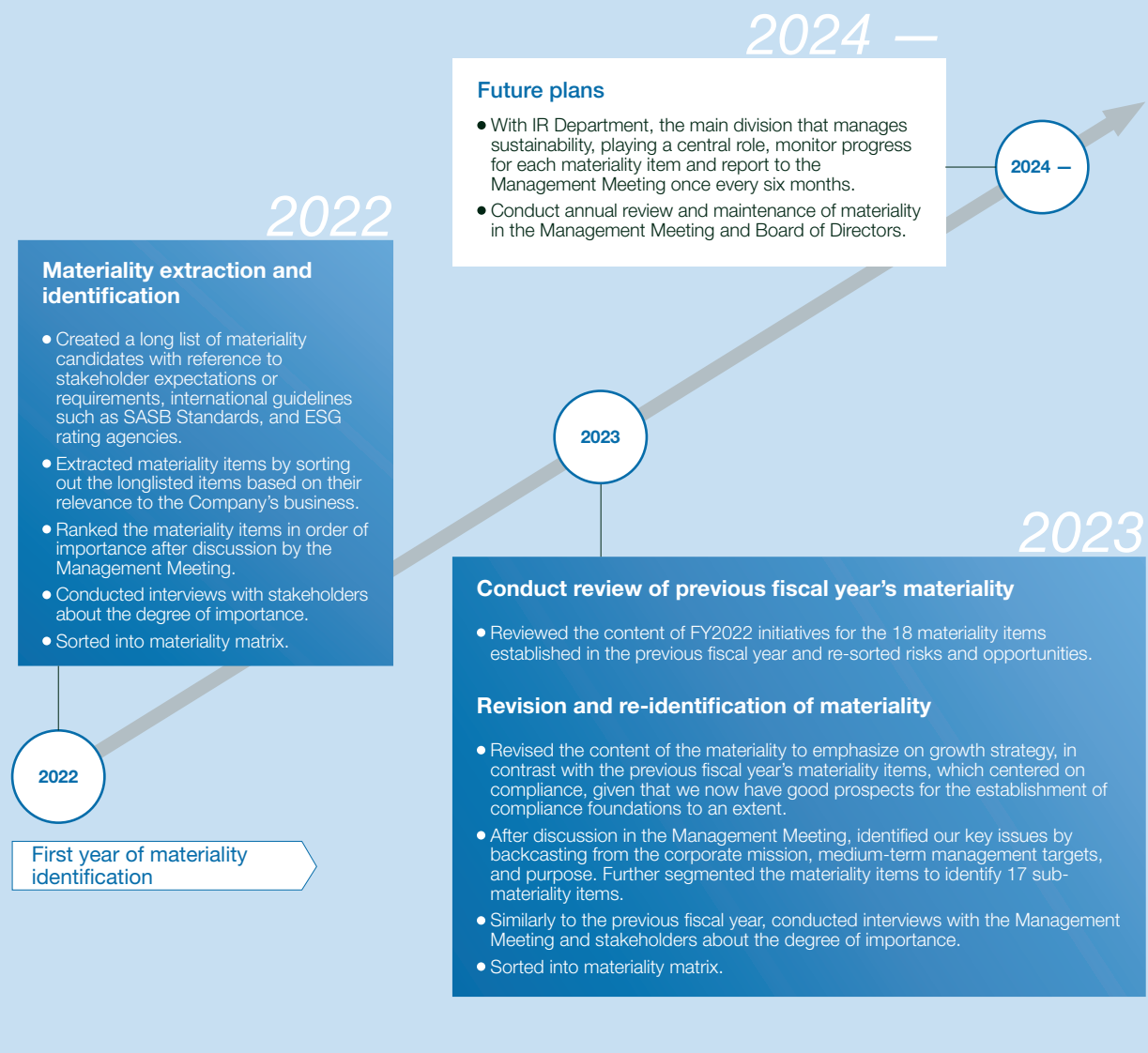
Nihon M&A Center Group positions social issues as the theme of its business and creates value by resolving the issues through its business activities. Currently, the Group is faced with a number of social issues. Last year, for the first time, we classified the impact of those issues on society as well as 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. We have also re-evaluated the materiality (priority issues) in light of the progress of our initiatives over the twelve months of last year.

Based on the re-evaluated 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. Further, we use regular reviews to check our progress for each indicator, consider any problems, and revise the indicators as required.

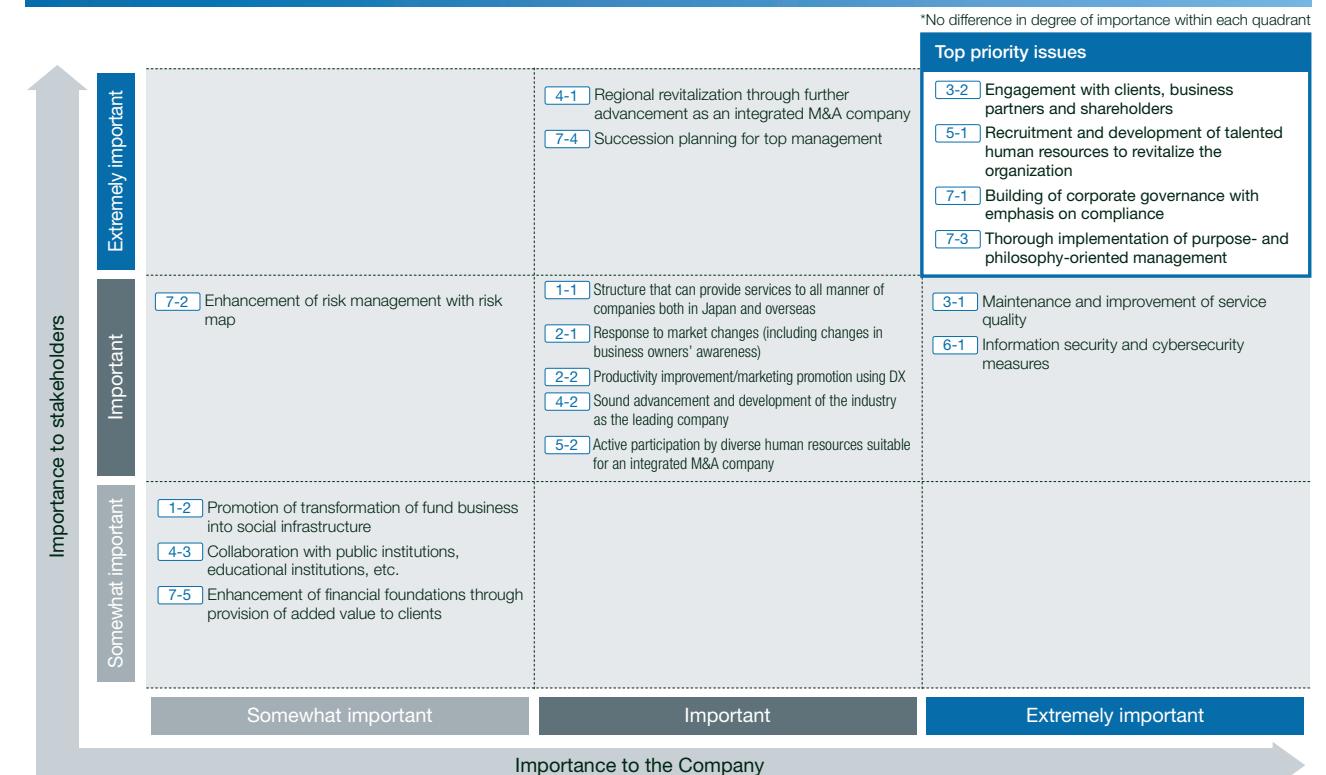
Materiality items identified are then reviewed and approved by the Board of Directors.



New Materiality Proposal

1		Further advancement as an integrated M&A company	1-1	Structure that can provide services to all manner of companies both in Japan and overseas
			1-2	Promotion of transformation of fund business into social infrastructure
2		Innovation	2-1	Response to market changes (including changes in business owners' awareness)
			2-2	Productivity improvement/marketing promotion using DX
3		Safe and secure M&A	3-1	Maintenance and improvement of service quality
			3-2	Engagement with clients, business partners and shareholders
4		Contribution to society	4-1	Regional revitalization through further advancement as an integrated M&A company
			4-2	Sound advancement and development of the industry as the leading company
			4-3	Collaboration with public institutions, educational institutions, etc.
5		Promotion of human capital management	5-1	Recruitment and development of talented human resources to revitalize the organization
			5-2	Active participation by diverse human resources suitable for an integrated M&A company
6		Strengthening of information management	6-1	Information security and cybersecurity measures
7		Strengthening of governance foundations	7-1	Building of corporate governance with emphasis on compliance
			7-2	Enhancement of risk management with risk map
			7-3	Thorough implementation of purpose- and philosophy-oriented management
			7-4	Succession planning for top management
			7-5	Enhancement of financial foundations through provision of added value to clients

Materiality matrix



FY2022 Initiatives and Relevance to New Materiality

Previous Materiality Items (FY2022)	Major Initiatives in FY2022	New Materiality Items (FY2023 and Beyond)
Information security and cybersecurity measures	<ul style="list-style-type: none"> Maintained ISO 27001 certification, the international standard for information security management systems (ISMS) Established information security policy and thorough dissemination throughout the entire company Continuous maintenance of the information security management systems and information security rules Conducted various forms of information security education and training Introduced software for responding to next-generation viruses (EDR) Introduced cloud storage system, "Box" Moved server environment Regular audits of security rule violations 	6-1 Information security and cybersecurity measures
Maintenance and improvement of business practices	<ul style="list-style-type: none"> Concluded agreement with Graduate School of Business Administration of Kobe University on promotion of comprehensive industry-academia collaboration Collaborated with public institutions 	4-2 Sound advancement and development of the industry as the leading company
Enhancement of risk management	<ul style="list-style-type: none"> Launched governance project Held weekly meetings about governance and risk management (total of 38 meetings, with external lawyers also present) Revised Compliance Principle, crisis management rules, risk management rules, and compliance rules Clarified flow of responses to occurrences of risk Revamped functions and membership of Risk Management Meeting (chaired by CCO) 	7-2 Enhancement of risk management with risk map
Enhancement of corporate governance	<ul style="list-style-type: none"> Established Compliance Division and recruited Chief Compliance Officer (CCO) and General Manager of Internal Audit Office externally Further raised awareness of consultation/reporting hotline and strengthened hotline's functions by engaging more call-takers, etc. (62 cases of consultation) Tightened requirements for recording sales Clearly stated consultation/reporting hotline for customers Revised Compliance Principle, crisis management rules, risk management rules, and compliance rules Revamped functions and membership of Risk Management Meeting (chaired by CCO) Improved coverage and quality of risk management by clarifying risk categories and supervisory roles 	7-1 Building of corporate governance with emphasis on compliance
Transformation into and establishment of a culture that prioritizes ethics	<ul style="list-style-type: none"> Established purpose and philosophy and implemented penetration initiatives Established Compliance Division and recruited Chief Compliance Officer (CCO) and General Manager of Internal Audit Office externally Began operating new HR system that incorporates ethical awareness in evaluation criteria Revised Compliance Principle, crisis management rules, risk management rules, and compliance rules Distributed Compliance Handbook and card-sized "MAstyle" to all employees Continued to hold quarterly compliance training for all employees and for managers Raised ethical standards through interviews and discussions with key persons of major subsidiaries Further raised awareness of consultation/reporting hotline and improved degree of confidence in consultation/reporting (62 cases of consultation/reporting) Held employee compliance survey 	7-1 Building of corporate governance with emphasis on compliance 7-3 Thorough implementation of purpose- and philosophy-oriented management
Stakeholder engagement	<ul style="list-style-type: none"> Revamped public relations magazine for clients and business partners Inaugurated business succession consulting service "Atotsugi Sagashi" with Japan Post Group Published books targeting accounting firms Held award ceremony for business partners that made particular efforts in M&A support Renewed executive partner agreement with FC Imabari Held company information session for individual investors Published new Integrated Report Signed UN Global Compact Held endowed courses at Waseda University (third consecutive year) Concluded agreement with Graduate School of Business Administration of Kobe University on promotion of comprehensive industry-academia collaboration 	3-2 Engagement with clients, business partners, and shareholders 4-3 Collaboration with public institutions, educational institutions, etc.
Development of next-generation executive management personnel	<ul style="list-style-type: none"> Establishment of Management Meeting 	7-4 Succession planning for top management
Diversity & inclusion	<ul style="list-style-type: none"> Held an event for networking among female employees Held training sessions for female managers Revitalized internal activities (called "MA6") Revitalized measures for employees' families Invited local employees in overseas locations to company-wide meetings Regular interactions (training, online lunch meetings, etc.) with local employees in overseas locations 	5-2 Active participation by diverse human resources suitable for an integrated M&A company
Talent management (recruitment, development and retention of human resources)	<ul style="list-style-type: none"> Conducted employee survey (once a year) Developed education system (enhancement of layer-based training system, system to support acquisition of qualification, etc.) Promoted 3KM* *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). Promoted communication among employees (MA6, implementation of kickoff meetings, MVP awards, etc.) Operated incentive system Responded to workstyle diversification (flextime work system, shortened work hours until children enter fourth grade, etc.) Strengthened recruitment contents (monthly events featuring our CEO and other executives as speakers, YouTube streaming, etc.) Established new training program for corporate staff employees Introduced "2-in-1 Program", a mentor program for junior consultants Launched new HR system that incorporates ethical awareness in evaluation criteria Held vision interviews between employees and Directors or division heads 	5-1 Recruitment and development of talented human resources to revitalize the organization

Previous Materiality Items (FY2022)	Major Initiatives in FY2022	New Materiality Items (FY2023 and Beyond)
Response to climate change	<ul style="list-style-type: none"> Made ESG investment in decarbonization-related venture capital fund Responded to CDP (Carbon Disclosure Project) 	
Promotion of projects that contribute to regional revitalization	<ul style="list-style-type: none"> In FY2022, M&A contracts supported by Nihon M&A Center averted economic losses of 346.8 Billion yen and job losses of 28,805 people in a single year (Estimated by Yano Research Institute Ltd.). Nearly 30 M&A transactions closed annually by M&A department specializing in medical care Regularly accept more than 30 seconded employees from regional banks, accounting firms and other organizations nationwide to cultivate local M&A leaders Investment business by the affiliate 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 the affiliate company, Search Fund Japan, Inc. (established second fund, 5 searchers) 	4-1 Regional revitalization through further advancement as an integrated M&A company
Resilience of business models	<ul style="list-style-type: none"> Revamped functions and members of Risk Management Meeting (chaired by CCO) Created and evoked corporate image using commercials Established purpose and philosophy and implemented penetration initiatives Developed education system (enhancement of layer-based training system, system to support acquisition of qualification, etc.) Established new Quality Control Headquarters and Business Control Division 	7-2 Enhancement of risk management with risk map
Utilization of digital technologies and promotion of digital transformation	<ul style="list-style-type: none"> Leveraged Salesforce to streamline sales activities, share information, turn such information into assets and improve operations of Salesforce Leveraged AI to streamline initial matching activities Developed and implemented M&A operation systems (V Compass, D Compass, M Compass) to streamline and standardize the M&A process Introduced company valuation system, V Compass, at regional banks (5 banks) Roll out of online M&A matching site, BATONZ, by the subsidiary, Batonz Co., Ltd. Held online seminars Operated THE OWNER, owned media for business owners by the subsidiary, ZUUM-A Co., Ltd. Posted information on prospective sell cases on Company website (228 postings → 359 postings) Disseminated information through M&A magazine content on the Company website Operated internal Salesforce certification acquisition scheme (20 qualified for MDD, 231 for MDA, 296 for MDS) Used cloud storage system, "Box" to streamline data sharing with clients Used audio analysis to create database of non-numerical data Used digital marketing initiatives to capture leads Initiatives that used digital marketing initiatives to raise recognition Launched national TV commercial 	2-2 Productivity improvement/marketing promotion using DX
Maintenance of financial health	<ul style="list-style-type: none"> Cash earned in FY2022 is being used effectively, such as to promote DX and obtain fund management expertise, with consideration given to the balance between shareholder dividends and investment. Return on equity (ROE): 18.7% (as of March 31, 2023) Capital adequacy ratio: 82.8% (as of March 31, 2023) 	7-5 Enhancement of financial foundations through provision of added value to clients
Creation of new added value for sustainable growth	<ul style="list-style-type: none"> Established "BELLS", an association of owners of businesses listed on the TOKYO PRO Market Search Fund Japan awarded "2022 Good Design Award" for its business model Supported regional revitalization with M&A and technological capabilities through equity investment in MOON-X Inc. Inaugurated business succession consulting service "Atotsugi Sagashi" with Japan Post Group 	1-1 Structure that can provide services to all manner of companies both in Japan and overseas 1-2 Promotion of transformation of fund business into social infrastructure 2-1 Response to market changes (including changes in business owners' awareness)
Improvement of client satisfaction	<ul style="list-style-type: none"> Implementation of M&A completion ceremony by "M&A Ceremonist" Implementation of client surveys upon deal conclusion Free production of THE WAY, a booklet on the history of the seller and its business owner (64 booklets completed in one year) Business and property succession consulting by the affiliate company, Next Navi Inc. Provision of post-merger integration (PMI) consulting services by the affiliate company, Japan PMI Consulting Inc. 	2-1 Response to market changes (including changes in business owners' awareness) 3-2 Engagement with clients, business partners, and shareholders
Maintenance and improvement of service quality	<ul style="list-style-type: none"> Concluded agreement with Graduate School of Business Administration of Kobe University on promotion of comprehensive industry-academia collaboration Revamping of corporate valuation system, V Compass Continued employee education for maintenance of service quality 	3-1 Maintenance and improvement of service quality
Provision of safe and fair M&A	<ul style="list-style-type: none"> Calculation of neutral, transparent M&A transaction reference price by subsidiary, Corporate Value Laboratory Inc. Provision of post-merger integration (PMI) consulting services by subsidiary, 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 industry Established new Quality Control Headquarters and Business Control Division Concluded agreement with Graduate School of Business Administration of Kobe University on promotion of comprehensive industry-academia collaboration 	3-1 Maintenance and improvement of service quality 4-2 Sound advancement and development of the industry as industry leader

Initiatives Concerning Materiality (Priority Issues)

1 Further advancement as an integrated M&A company

We will strive for our further advancement as an integrated M&A company through the development of both M&A and fund-related businesses.

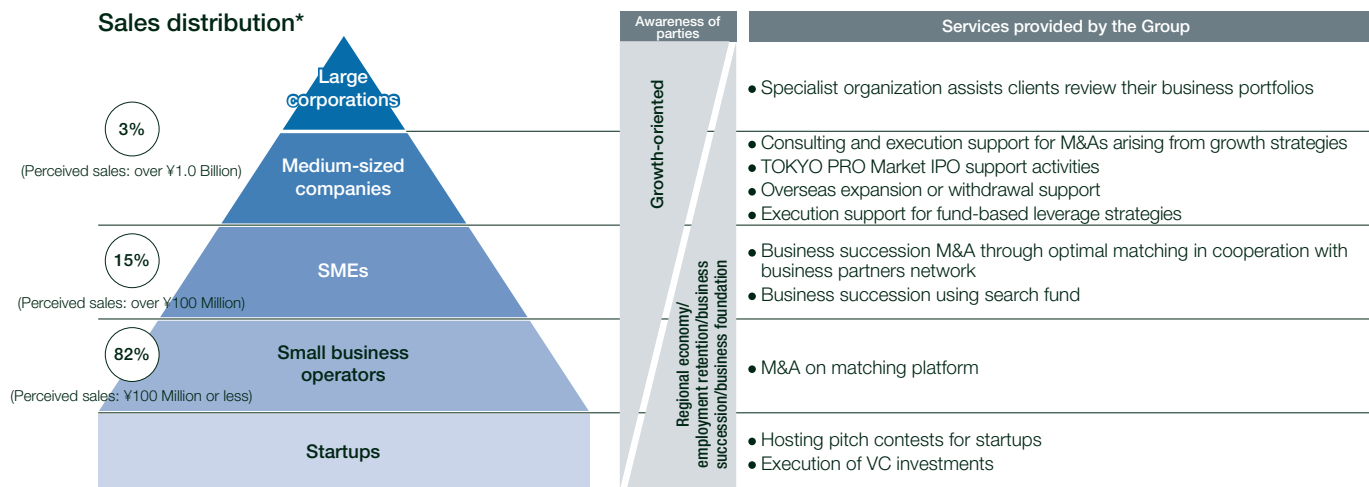
1-1 Structure that can provide services to all manner of companies both in Japan and overseas

We will deliver M&A services to approximately 3.8 Million companies in Japan as part of their management strategy.

By business scale

We will deliver tailored solutions to match their scale, stage, and needs of each company.

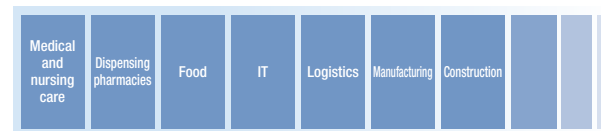
Sales distribution*



*Recompiled from "2016 Economic Census for Business Activity," Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry
Source: Recompiled from "Study Group on Consolidation of Management Resources of SMEs - the Plan to Promote M&A for SMEs"

By industry

Setting up support teams catering for industries and fields with strong M&A activity, we will provide advice based on expert knowledge and know-how.



By area

Nihon M&A Center has 7 offices and 18 satellite offices located in various locations throughout Japan. In FY2023, we launched a region-specific marketing strategy. Eyeing Niigata Prefecture as our first focus region under this new strategy, we have established the Niigata local representative office with discussion desk, a helpline that specializes in Niigata. We are in the process of developing a marketing strategy that will deliver Niigata-specific content, such as TV commercials and seminars.



Support overseas M&As for SMEs

We also have 5 offices in major ASEAN countries. The number of overseas M&A-related consultations and support is on the rise. In FY2022, we assisted with 14 overseas M&A transactions, including 3 from Europe and the United States. Working with local staff, we are supporting clients with expansion into and withdrawal from overseas markets as well as the entrance to the Japanese market.



1-2 Promotion of transformation of fund business into social infrastructure

The M&A intermediary industry for SMEs is thriving. The annual number of M&A transactions that we closed reached 1,050 in FY2022, there are now about 3,000 businesses registered as M&A support organizations. We are also witnessing a growing trend of M&A intermediary companies going public. Under these circumstances, whereas in the past, closing the transaction was the goal of SME M&As, now the goal is for the client to succeed after the M&A. However, the only thing that an M&A intermediary company by itself can do to support its client is to match the client with an optimal counterpart and achieve a smooth closing. By accelerating our fund-related business, we will use the power of equity to provide support for growth beyond the closing of the M&A transaction.

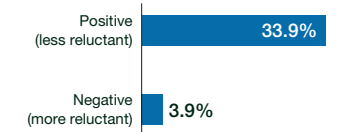
2 Innovation

The number of domestic M&A transactions is on the rise for both large corporations and SMEs. Recognition of M&A as a means of business succession is rapidly growing, as evidenced by approximately five-fold increase in the number of transactions handled by the Business Succession Center, under the jurisdiction of the Small and Medium Enterprise Agency, in the last decade. A change in awareness among business owners is said to be behind this increase. Data from the Small and Medium Enterprise Agency shows that there has been an improvement in the way that M&As are perceived by business owners, both sellers and buyers, compared with ten years ago. In addition, there are many business owners who choose specialized support organizations as their first point of contact when considering M&A, after financial institutions. Executives themselves started to actively search for support organizations and directly contact them for assistance.

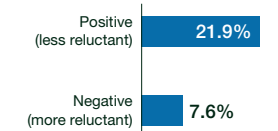
In this way, the market environment has shifted from support organizations exploring latent M&A needs by raising awareness among business owners, to a situation where M&A needs are more apparent, and business owners themselves are proactively searching for support organizations and choosing whom they will consult. As a support organization chosen by business owners, the Group is committed to addressing the apparent and latent needs of business owners and creating added value that only the intermediation of consultants can achieve.

Perceptions of M&A held by SMEs compared with 10 years ago

How do you feel about becoming a buyer?



How do you feel about becoming a seller?



Source: "2021 White Paper on Small and Medium Enterprises in Japan," the Small and Medium Enterprise Agency

2-1 Response to market changes (including changes in business owners' awareness)

We are pursuing the use of digital marketing to raise recognition of our services. In addition to launching TV commercials, we are also strengthening our online marketing.



"We Will Stand Up against the Issue" version



"The Hopes of a Business Owner" version



"With the Center's Support" version

Three TV commercials produced by the Group

2-2 Productivity improvement/marketing promotion using DX

Through our efforts to improve the productivity of the M&A process with the use of digital technology, we aim to close as many transactions as possible.

Use of information management cloud service

In 2014, Nihon M&A Center adopted the Salesforce cloud service as our in-house information management and sharing system. This tool, which is used by all our employees, realizes centralized management of M&A transactions and customer information, and supports optimal matching between companies for M&A.

The SFUG CUP 2022 10th Salesforce National Championship is a convention hosted by Salesforce Japan in September 2022 at which companies that have adopted Salesforce competed to present case studies of their own use of Salesforce from the three perspectives of "technology", "operational improvements", and "taking root". Our initiatives to firmly embed the system in our operations were highly commended for their originality, and we were proudly named champions in the large corporations category.

Internal Salesforce certification acquisition scheme

With the aims of promoting operational DX and employee re-skilling, the Group launched an internal Salesforce certification acquisition scheme in December 2021. More than 500 employees have since acquired certification, and major improvements in operation are being made in individual departments.

In May, we held our own Nihon M&A Center Group Salesforce CUP, an in-house competition in which certified employees presented to all employees case studies of the use of Salesforce in individual departments. Cases presented in this competition included productivity improvements implemented by a wide range of departments using Salesforce, such as buyer-seller matching, relationships with business partners, and inside sales.

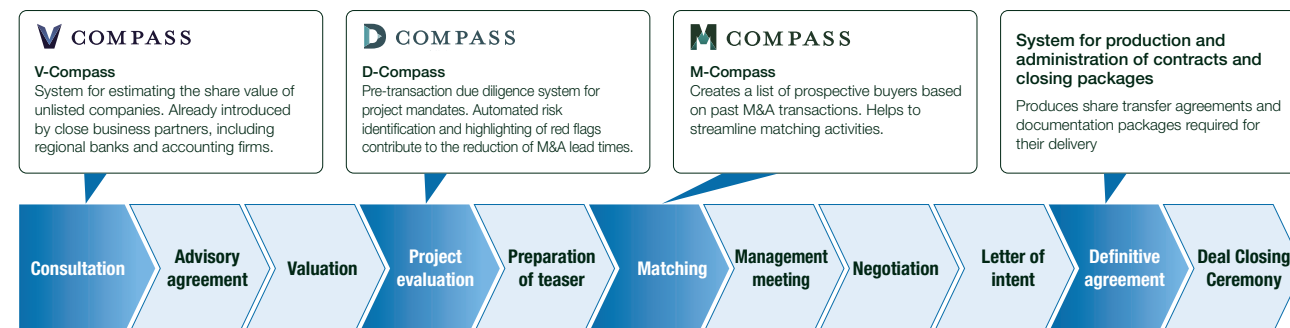
Initiatives Concerning Materiality

Shortening lead times in the M&A process

We are working to shorten lead times through the promotion of digitalization and efficiency improvements in the M&A process. We are pursuing both the ongoing improvement of efficiency and the strengthening of quality of operations that should be handled by humans. V-Compass, our company valuation system, evaluates enterprises using the comparable transaction methodology, in which share value is estimated based on the actual transaction prices of enterprises in similar industries, regions and financial situations, found in our database of actual M&A transactions. Our business partners, including financial institutions and accounting firms, have also started to introduce this system. As V-Compass allows us to make pre-estimates of the corporate value of clients who consult us and gives us a guide for realistic corporate value, it makes it easier for clients to consider undertaking an M&A. For the preliminary stage of searching for prospective buyers, we have also developed and introduced D-Compass, a system for automated risk identification and highlighting of red flags prior to accepting mandates for projects. For the matching stage, we have developed and introduced M-Compass, a system that creates a list of prospective buyers based on over 8,000 cases of completed transactions and the acquisition needs of over 10,000 prospective buyers in our database. In order to build a more accurate matching system, we are working to accumulate more data and improve the system on a daily basis.

Recently, we introduced an audio analysis system to visualize and accumulate business meeting data, as a means to discover both apparent and latent client needs. In this way, we are working to implement proposal activities that are more client-centric. On the buyer side as well, we are planning a trial release of a matching platform system for buyers this autumn.

In addition to the above, we have introduced “Box”, a cloud storage service similar to our in-house system, which we use to share data with clients, and we have also made it possible to create a smooth and secure environment for business negotiations with the realization of a VDR system. These are just some examples of the measures we have implemented, improved, or are contemplating to shorten lead times using DX.



3 Safe and secure M&A

By providing safe and secure M&As for SMEs as well as assisting with business succession and active business development, we are helping to solve social issues.

3-1 Maintenance and improvement of service quality

We are working to enhance our expert support system, consultant training, and knowledge management in our efforts to achieve the safe and secure closing of as many deals as possible.

Professional support

Nihon M&A Center has over 40 corporate advisors (CAs) who are well-versed in legal affairs, accounting, tax affairs and finance. They include lawyers, certified public accountants and tax accountants. Our CAs lean into the management issues, growth strategies and intentions of the client, and form the optimal support team for each deal, joining forces with the consultants to offer full support for the procedures involved in M&As. We provide systems and high-quality services that enable clients to embark on their M&A deals with peace of mind.

Education

We continue to enhance our consultant training system ([Details](#) ⇒ [Page 37](#)). We have recorded all the trainings as video content, which all employees can access when needed.



Knowledge management

We have established a dedicated follow-up department to engage in the prevention of errors and problems, and to enable a swift response in the event that such incidents occur. Incidents are shared within the Company as near misses and used to raise awareness to prevent recurrences.

Automatic warranty and indemnity insurance coverage

In 2021, we concluded a business alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd. This major non-life insurance company will cover any unforeseen losses caused by warranty and indemnity violations that may occur after the M&A transaction is concluded. All M&A transactions supported by Nihon M&A Center are covered without the need for payment of insurance premiums or screening by Tokio Marine & Nichido.

3-2 Engagement with clients, business partners and shareholders

To give clients a true sense of M&A as a safe and secure method, as well as striving to maintain and improve the quality of the M&A process, the Group makes effort to secure client satisfaction, including after closing of the M&A.

Deal Closing Ceremony initiatives

Nihon M&A Center has established a division dedicated to client satisfaction, in which dedicated staff, whom we call “M&A Ceremonists”, arrange M&A completion ceremonies, from planning to running the event, including staging conceptualization, preparation and venue set-up. M&A closings are a starting point for growth for both parties. As a first step toward smooth integration, we propose services that will lead to mutual cultural understanding between companies for each deal concluded. Our employees leverage the experience and know-how that they have refined working in top-class service industries, such as the bridal and aviation industries, to make arrangements down to the finest detail. A proper celebration of a new start encourages the successful M&A process after the conclusion of the deal. In FY2022, we held completion ceremonies for 84.5% of the M&As we closed.



Implementation of client surveys upon deal conclusion

After a deal is closed, we conduct separate client surveys of both the seller and the buyer. This allows us to accurately gauge the level of our clients’ satisfaction, which will assist in improvements of operational processes, provision of new services and review of the consultant training process. In FY2022, over 40% of our clients responded to these surveys. As well as surveying the degree of satisfaction with the individual processes of the M&A and the services provided by our staff who handled the project, we also ask about reasons for selling and what aspects of M&A they placed most importance on. Around 80% of seller clients replied that they would introduce us to other companies.

Production of THE WAY, a memoir of the seller's owner

After the conclusion of the M&A, we produce, free of charge, a booklet called “THE WAY”, based on interviews with the owner of the seller. The purpose of THE WAY is not only to recount the owner’s experience of the M&A and their achievements, but also to preserve intangible value, such as their attitude to life, intentions and their philosophy on life. The real experiences of the business owner who has implemented the M&A can also provide hints for other business owners with issues and concerns that will help them to solve their own problems.

Post-merger integration (PMI) consulting services

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 owner after conclusion of the contract

We also provide consulting services on property succession. For the owners of sellers that have concluded contracts through Nihon M&A Center, we provide consulting services after transactions. These services include property evaluation and support for second careers leveraging our management expertise.

Initiatives Concerning Materiality

Nihon M&A Center has alliances with accounting firms, regional financial institutions such as banks and credit unions, and larger financial institutions, including major commercial banks and securities companies, throughout Japan. Approximately 60% of the deals that we close are materialized based on introductions from our business partners. By sharing our knowledge and systems with our business partners, we promote cooperation and disseminate safe and secure M&A transactions.

Business partners

- Study sessions and seminars for business partners
- Publication of public relations magazine for business partners
- General meetings for board members of partner accounting firms
- Establishment of M&A Bank of the Year award for partner regional banks
- Introduction of “V-Compass” at partner regional banks
- Acceptance of trainees from business partners, mutual secondment scheme with regional banks
- Launch of joint venture with Juroku Financial Group • M&A certification acquisition system

Shareholders

- Annual General Meetings of Shareholders • Financial results briefings for institutional investors and posting of videos
- IR briefings for individual investors • IR interviews (individual/group) • IR roadshows overseas
- Enhancement of Integrated Report • Enhancement of website

4 Contribution to society

As the leading company, we will work not only on the growth of our own company, but on the sound advancement of the entire industry. We believe that the sound development of M&A intermediary industry for SMEs, which propose solutions to the challenges facing Japanese companies, will contribute to the whole of society.

4-1 Regional revitalization through further advancement as an integrated M&A company

The Group’s 7 offices cover the whole of Japan, accepting requests for consultation on business succession and M&A as needed. In our M&A information network strategy, we have formed solid relationships with accounting firms, regional financial institutions, major financial institutions and other entities across Japan. Through our industry-specific strategy implemented by specialized consultants who are well versed in particular industries, the seminars on business succession we hold nationwide, and other initiatives, we will disseminate M&A throughout Japan.

In addition, the Group operates a business that assists with the listing of SMEs on Tokyo Stock Exchange’s TOKYO PRO Market (TPM) for professional investors. Through this assistance with TPM listing, we will promote business succession and growth strategies for SMEs. By creating “star companies” around the nation, we will contribute to the true revitalization of the regions, including the reinvigoration of regional economics and job creation.

In our fund-related business that supports SMEs’ business succession and growth strategies, the Group has three affiliated companies—Japan Investment Fund Inc., Japan Private Equity Co., Ltd., and Search Fund Japan, Inc. The aim of Search Fund Japan, which began in October 2020, is to contribute to regional development through the expansion of search fund-based SME M&As and the production of business owners. It will achieve this goal by providing personnel who have potential to become business owners with specialist M&A/finance knowledge support, information/networks, shared infrastructure, credit supplementation, search activities/M&A funds (through the fund that it manages), and post-M&A management support.

4-2 Sound advancement and development of the industry as the leading company

The SME M&A intermediary services industry is seeing a rapid increase in new operators with staff of less than 10 employees. The Small and Medium Enterprise Agency has created a registration system for M&A support organizations, which currently has approximately 3,000 registered organizations (less than 30% of which have a track record of closing transactions).

As a leader in the industry, we are working for the sound development of the M&A intermediary services industry. To promote fair and smooth transactions and raise standards through human resources development support, we have collaborated with other listed companies to form a self-regulatory industry body. This organization provides content for skills advancement and conducts activities to raise awareness of the guidelines.



4-3 Collaboration with public institutions, educational institutions, etc.

The Ministry of Economy, Trade and Industry and the Small and Medium Enterprise Agency have grave concerns that the absence of successors will lead to the loss of the invaluable management resources of SMEs. With the objective of connecting those invaluable management resources to the future, they have compiled information about the significance and facilitation of M&A by SMEs in a “SME M&A Promotion Plan”. They have also compiled a “SME M&A Handbook” targeting SMEs with no business successors, in which it explains the key points of M&A as an option for business succession. Sharing the same recognition of this problem, we are actively cooperating in various measures related to M&A for SMEs.



Endowed lecture at Waseda University in FY2022



Published by The Asahi Shimbun Company and The Asahi Gakusei Shimbun Company

We are collaborating with academic institutions to promote research and education and open innovation on M&A for SMEs. Our industry-academic collaboration with the Graduate School of Business Administration of Kobe University and our endowed course in the School of Commerce of Waseda University are two examples of such collaborations. We also sponsor career education guidebooks targeting elementary and junior high school students and conduct talks at senior high schools around the country, reaching a wide range of age groups with our activities.

5 Promotion of human capital management

5-1 Recruitment and development of talented human resources to revitalize the organization

5-2 Active participation by diverse human resources suitable for an integrated M&A company

[For details of initiatives → p.37](#)

6 Strengthening of information management

6-1 Information security and cybersecurity measures

[For details of initiatives → p.58](#)

7 Strengthening of governance foundations

7-1 Building of corporate governance with emphasis on compliance

[For details of initiatives → p.52](#)

7-2 Enhancement of risk management with risk map

[For details of initiatives → p.57](#)

7-3 Thorough implementation of purpose- and philosophy-oriented management

[For details of initiatives → p.38](#)

7-4 Succession planning for top management

[For details of initiatives → p.54](#)

7-5 Enhancement of financial foundations through provision of added value to clients

[For details of initiatives → p.25](#)

Human Resources Initiatives

Our most important management resource at Nihon M&A Center Group is our employees. It is through the growth and success of our employees that we can achieve our “Purpose” of “Bringing you the best M&A experience”. Therefore, we consider the realization of an organization and environment where employees can work enthusiastically to be the most crucial component of our materiality.

Currently, we are making efforts to promote the “Philosophy” established in the fiscal year 2022. We position this “Philosophy” as the code of conduct and decision-making criteria for all employees to achieve our “Purpose”, and it serves as the foundation from recruitment criteria to performance evaluations. In addition, for the fiscal year 2023, we have set “Fun Company” as our management theme and are implementing various activities to boost engagement and foster a sense of unity. The newly established HR Headquarters take the lead in driving multiple initiatives, including recruitment, training & development, and performance support for the employees.

Integrated structure of recruitment, training & development, and performance support


As we are the originator of M&A intermediary business for SME, our business model is unique to our company, which means there are few ready-to-go talents available externally. Therefore, we believe that recruiting and developing talented individuals with untapped potential and providing an environment where they can excel are directly linked to our company’s growth and success. With this in mind, we have established a comprehensive system that encompasses recruitment, training & development, and performance support for our employees to succeed.

In organizational design, we categorize the backgrounds and personalities of diverse talents in order to incorporate them into the organization. We set a target talent portfolio and conduct recruitment activities while considering the department and position for both new graduates and mid-career hires. The members of HR who made the hiring decisions, support the development and performance of employees in each workplace. We connect the information gathered during the recruitment to placement and development, and conversely provide feedback on training and job performance to recruitment. Under the banner of “People First Strategy” set in the fiscal year 2020, we aim to strengthen the organizational structure that supports employees’ career enhancements.

Recruitment

In our recruitment activities, we enthusiastically communicate to deepen understanding of our company’s business operations and growth strategies. This includes monthly events featuring our CEO and other executives as speakers, as well as utilizing internships, workshops, and YouTube streaming for students. Additionally, we place emphasis on employee referral recruitment to secure individuals who resonate with our “Purpose”.

In FY2023, we plan to hire approximately 130 consultants (including graduate entrants).

 YouTube video project
<https://www.youtube.com/@nihonma/videos>

Training & Development

In terms of talent development, we have implemented training programs based on specific objectives and targeted organizational layer. They construct a structured and comprehensive curriculum. For consultants and corporate staff, we determine the focus for each fiscal year based on the experience levels in the three tiers: “senior management,” “middle management,” and “team members”. In the 2021-2022 fiscal year, we focused on strengthening the middle management layer, including group leaders and section managers. As the younger talent pool expanded due to active recruitment, for the fiscal year 2023, we are particularly aiming to foster and empower early-career employees within their first three years of joining the company and ensure their long-term commitment. Additionally, we have started implementing a talent management system to leverage each employee’s strengths and preferences in job assignments and project team formations.

The followings are excerpts from the training programs.

General Managers’ Training Camp

We organize training camps for newly appointed general managers, with the CEO and other executives, where they learn about various aspects of business, from strategic planning to organizational management. Participants are expected to present their vision and strategy proposals to the CEO and make a commitment to their goals.



Please visit our website for more details.
<https://www.nihon-ma.co.jp/en/sustainability/society.html>



Group Leader Program/Manager Training

We make efforts in training young managers who have subordinates for the first time in their careers to develop not only their management skills but also the qualities of being a “group leader/section manager” who can actively practice, guide, and improve in a continuous manner. Developing the next generation of general managers is also one of our objectives.

Takuetsu Academy (Program for Selected Top Consultants)

The CEO acts as the Principal of Takuetsu Academy. It is a program targeted at core consultants who have closed more than 20 deals but still are not general managers. The contents cover case studies and group discussions related to the deal phases from initial agreement to closing. Through these activities, we try to instill in them an attitude of understanding and supporting clients. As the leading company in M&A, we intend to contribute to raising the level of talent and improving the quality of services within this industry.

Reiwa Academy (Program for Selected Top Junior Consultants)

The head of Sales headquarters acts as the Principal of Reiwa Academy. Participants of the program are selected high-performing young consultants with less than 4 years of experience for mid-career hires and less than 5 years of experience for new graduates. They are provided with practical knowledge and skills through guest lectures and case studies. This program aims to accelerate the growth and advancement of young talented consultants.

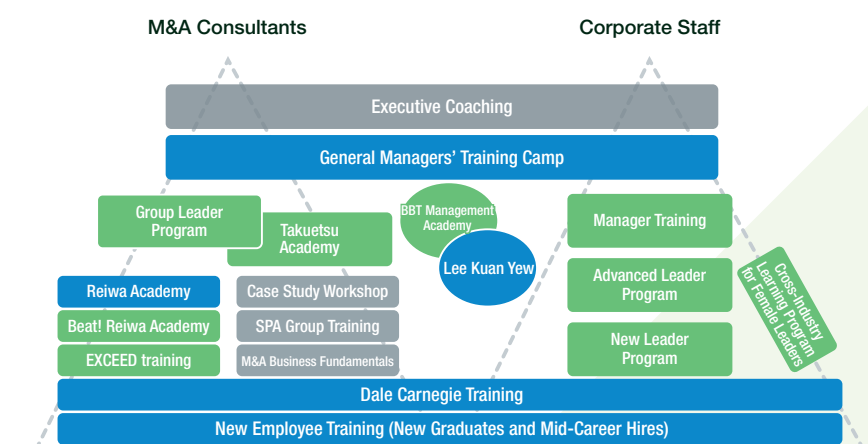
New Leader Program (NLP)/Advanced Leader Program (ALP)

We have introduced the NLP (Next Leader Program) for mid-level corporate staff members and the ALP (Advanced Leadership Program) for employees closing in on management positions. These programs aim to facilitate the further growth and productivity improvement of our corporate staff. The programs were implemented in the fiscal year 2023.

2-in-1 Program

Starting from the fiscal year 2023, we have implemented a program where consultants with less than 3 years of experience are paired with mid-level employees who have been with the company for 4 years or more. They work together towards common goals and shared budgets. By having mid-level employees act as mentors, we try to accelerate the development, empowerment, and retention of young consultants.

Training Program Structure



*Lee Kuan Yew: Dispatch to short programs in Lee Kuan Yew School of Public Policy
 *Cross-industry exchange for female leaders: Woman’s Summit Tokyo (WST) cross-industry business leadership academy, a cross-industry learning program

Organizational culture (formulation and instillment of our purpose and philosophy)

Promoting the understanding and adoption of our “Purpose” and “Philosophy” as shared values among employees is an important theme. After establishing our “Purpose”, we conducted “vision interviews” between executives and employees in each department on a one-on-one basis. The purpose of these interviews was for individuals to set their own individual “Purpose” and to perceive it as something personal. Our intention was to synchronize personal development plan with company’s growth.

Philosophy has become a key criterion in the current hiring process and employee performance evaluations. Various initiatives, such as training programs and management messages are being implemented to promote its instillment within the company. To assess the level of success, a “Philosophy Survey” was also conducted.

Comments from the members of “Philosophy Project”

In the “Philosophy Survey,” we measured the degree of realization among employees for each of the eight “Philosophy” themes on a scale of 1 to 5. The percentage of employees who responded that they “use the philosophy as a basis for daily actions and decisions” or “feel empathy and want to act accordingly” was approximately 80% on average for all items. This indicates that the “Philosophy” is becoming a shared set of values among employees. However, since our company hires approximately 100 mid-career employees with diverse backgrounds annually, a continuous approach is necessary to ensure its instillments. In the “Philosophy Project”, we aim to create an organization where the “Philosophy” serves as a basis for daily actions and decisions. We will continue to implement various initiatives to achieve this goal.

Human Resources Initiatives

Employee engagement

3KM

We place “3KM” (Kaisha, Katei, Kojin) vision at the core of our management concept and organizational culture. This vision emphasizes the importance of defining and achieving the visions of career, family, and individual, in order to realize fulfilling lives. For example, during one on one discussions between supervisors and subordinates, we encourage addressing all three aspects of 3KM covering topics from the perspective of “what it takes to be the happiest person possible”. Additionally, we organize events such as inviting high-performing employees and their partners to Disneyland, hosting family events, and publishing a PR magazine for employees’ families.



Mock Deal Closing Ceremony for Kids (Family Event)

Furthermore, we support an internal activity called “MAG” (short for “Minna de After 6”), which promotes networking and team building across departments. In the fiscal year 2023, our goal is to realize over 100 communities and club activities. The activities include basketball, baseball, music, wine tasting, yoga, golf and running relay.

Employee Survey

We have been conducting employee surveys every 1-2 years, which can be considered as the “voice of the employees”. The results of these surveys have led to the implementation of various training programs and HR initiatives. Starting from the fiscal year 2023, we have introduced a quarterly pulse survey to track the progress of becoming a “Fun Company” in a more timely manner. We will continue to monitor regularly and focus on improving employee engagement.

First Pulse Survey (conducted in July 2023)

Rated on a seven-point scale from 7 (highest) to 1 (lowest)

Theme	Question	Result
Fun Company	I enjoy myself working for this company.	5.2
Sense of Unity	I feel a sense of unity in this company.	4.2
Sense of Growth	I can sense my growth working for this company, and believe that I can achieve my career objectives and dreams here.	5.1
Contribution to Society	I can feel that I am contributing to society working for this company and that the job is rewarding.	5.6
Mission, Purpose and Philosophy	I resonate with the company’s mission, purpose and philosophy, and put them into practice.	5.4
Diversity	I feel that the company has an environment and culture respectful to and empowering employees with diverse backgrounds.	5.1
Compliance	I feel that this company has a high level of awareness toward compliance.	4.3
Pride	I would recommend working for this company to people around me.	4.5

Systems to reward high performers

Employee Evaluation System Based on Our Philosophy

The criteria for hiring and the metric of performance evaluation are designed based on the “Philosophy”. The system is structured in a way that individuals who embody the “Philosophy” receive high marks and are provided with such feedback through regular one-on-one meetings with their supervisors. The “360-degree feedback” conducted for executive officers and above also gathers information from surrounding employees about the strengths and weaknesses of the individuals, providing feedback directly to them. This enables executives to recognize their strengths, areas for improvement, and clearly envision their future goals. Similar to employees, leaders are also evaluated based on criteria centered around the “Philosophy”, serving as a check to determine if they embody it.

Talent management system that leverages employees’ strengths and passion

We have introduced a “Talent Management System” with the aim of conducting development and placement based on the experiences, skills, abilities, and preferences of each employee. This system visualizes and centrally manages individual employee’s personal purpose, hobbies, aspirations, training records, and results of performance evaluations. It is utilized for building talent strategies, career development, and organizational designs. Additionally, as mentioned earlier, the pulse survey is also conducted within this system.

Recognition of High Performers (MVP, Deal of the Year)

We have established a recognition system that awards outstanding performers twice a year. This system not only considers simple sales performance but also evaluates the quality of projects based on factors such as the significance of their social impact and the achievement of great synergy through innovative ideas. In addition to recognizing individuals with the Most Valuable Player (MVP) award, we also have the Deal of the Year, which acknowledges the entire team involved in a project’s success.

100% Supported Employee Stock Ownership Program

To promote a strong awareness among employees of increasing the enterprise value on par with the shareholders’ perspectives, we have introduced a special support system within our employee stock ownership program. Under this program, the company provides an incentive payment equal to the amount contributed by employees (100% matching). This initiative aims to enhance both enterprise value of the company and the asset formation of employees, fostering a sense of fulfillment for both.

Promotion of diversity & inclusion

Under the belief that diversity is the key driver of innovation, we are actively promoting Diversity & Inclusion (D&I). In the fiscal year 2022, we have launched the “Women’s Empowerment Project” as an area of high urgency. For the fiscal year 2023, we have set various numerical targets and are fully committed to implementing D&I initiatives.



Major Activities During the 1st Phase

Understanding the current situation and creating a climate

- Understood the current situation through all-employee surveys
- Held training sessions for female managers
- Set voluntary meeting opportunities with employees going through pregnancy, childbirth and childcare
- Introduced a system to subsidize babysitter fees
- Held an event for networking among female employees
- Provided information within and to outside of the Group
- Promoted male employees’ use of childcare leave



About 200 employees participated in the D&I event



Created a booklet on the theme of women’s advancement

Activity Goals for the 2nd Phase

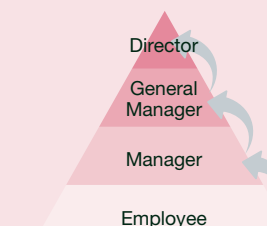
We are working on creating a collaborative culture and raising awareness among our female employees to cultivate an environment that promotes women’s empowerment. By implementing individual measures tailored to each level of the organization, we aim to achieve our goals.

Quantitative Targets

(As of start of the fiscal year)	2023	2027	2030
Ratio of female directors	14.3%	21.4%	31.3%
Ratio of female managers (Manager Level and Above)	16.1%	21.1%	21.9%
Ratio of female employees	27.8%	28.9%	30.2%

- April 2025 Obtain Eruboshi certification
- April 2027 Obtain Kurumin certification

*Calculation and definition to the ratio of female managers mentioned on page 68 differ from figures mentioned here (treatment of contract employees, commissioned employees, directors of affiliated subsidiaries and employees of overseas local corporations).



Activities

- Support the advancement of women in sales (enhanced recruitment and development)
- Support the development of female managers (career design, development, etc.)
- Conduct management level training (awareness generation)
- Develop next-generation director candidates
- Redesign HR policies (support for balancing work with childcare/nursing care, review of workstyles)
- Provide information within and to outside of the Group, nurture awareness and climate

Human Resources Initiatives



Kaoru Nakagawa
Senior Corporate Officer, Head of Planning Division

Our D&I project has been in full swing since last year, focusing on cultivating a supportive culture and laying the foundation. This year, CEO has already conducted one on one meetings with female executive candidates and roundtable meetings. Through these dialogues, we have felt a sense of enthusiasm from both the management team and our female employees. We are identifying challenges at both the company and individual levels and our board members are personally involved in fostering talent. We will expand mentoring programs and development plans led by female executives. Although our company has achieved continuous growth for 32 years since its establishment, we recognize that we are now entering a phase of discontinuous growth. To drive innovation, diversity in talent is essential. As the leading company, we have a mission to proactively create an industry environment where diverse talents can thrive. From the perspectives of society, our company, and individuals, we are fully committed to tackling this important challenge.

Creation of a healthy organization that embraces diversity

Productivity Improvement and Workstyles

We are striving to achieve a balanced state of mental, physical, and financial well-being for our employees in both their personal and professional lives by promoting operational efficiency and reducing long working hours. We have implemented flexible working hours for corporate staff and introduced a “free address office” in certain departments, where employees can choose their seats based on their daily tasks without having assigned spots. These initiatives aim to enhance internal communication and improve work efficiency. As a global company, we understand the purposes behind the laws and regulations set by each country and faithfully adhere to them. In Japan, we have concluded an agreement on “Overtime and Holiday Work (36 Agreement)” with the employee representatives based on the Labor Standards Act, ensuring compliance with appropriate working hours.

Achievement of a healthy and safe workplace

Employee health is a necessary condition for the growth and success of our company. We have achieved a 100% participation rate in health check-ups, and the risk indicators for stress checks conducted annually are significantly lower than the national average. We provide influenza vaccinations at our major offices in Tokyo and Osaka. Furthermore, we offer assistance for the health check-ups of employees’ spouses. We also ensure that employees have access to counseling from occupational health physicians as needed.

We strongly support employee participation in the sporting initiatives such as MA6 extracurricular activities, company-wide golf competitions, and the Financial Runners relay race. We also provide support in terms of nutrition as part of our health management initiatives, including the self-service cafeterias in the office where employees can have healthy meals and lactic acid drinks. We strive to create a workplace environment where employees can work energetically, healthily, and safely by promoting employee well-being and ensuring their nutritional needs are met.

Support for balancing work with childcare

We have implemented support systems for employees who are raising children, including a babysitter support fund and a system that allows them to extend the period of reduced working hours until their child reaches the fourth grade. We are continuously expanding these programs to support employees in achieving a balance between work and family life.

Diversity of Nationality

As our business expands globally, we actively recruit foreign nationals and local employees in overseas locations. In terms of equal opportunities and mutual understanding, we organize study sessions where overseas branch employees exchange information about sales methods and market analysis. We also offer opportunities such as hosting international students for homestays and internships, as well as organizing overseas study trips for our partnering accounting firms.

Initiatives concerning human rights

The Group has signed the United Nations Global Compact (UNGC), which is an initiative promoted by the United Nations. We respect the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the four core areas of the International Labour Organization (ILO) standards. We promote human rights in the Group Compliance Fundamental Guidelines. In recruitment and promotion, we adhere to a policy of non-discrimination based on nationality, race, religion, place of origin, gender, age, disability, and other factors. Additionally, recognizing the need for special consideration regarding children’s rights, we support the international norms outlined in the “Children’s Rights and Business Principles” and strive to protect and promote children’s rights in our business operations.

Message from the CHRO

HR that Fosters Innovation

Makoto Ariga CHRO
Nihon M&A Center Holdings



Execution of “People First Strategy”

In 2020, we established our “People First Strategy” in an effort to shift from a CEO driven employee development to more structured and organized programs. The very first action was to make the structure of training programs visible and synchronize them with each career advancement. Employees with tenure of less than three years will focus on obtaining advisory contracts. After that, the training theme becomes deal closings. And then, employees will engage in enhancing their management skills. As such, we are now able to realize well-planned and incremental learning and development steps. Towards the end of the last fiscal year, we have started to focus on the development of corporate staff. It is quite obvious that without strengthening the corporate staff departments, we will never be able to realize increases in productivity and competitive edge in business.

Recently, we have implemented quarterly pulse surveys to monitor employee motivation in a timelier manner. The contents cover indicators such as “sense of growth”, “recognition of contribution”, “superiors and colleagues” and “pay and benefits”. Rather than responding to each survey in a hastened manner, we would like to analyze the trend over time, and deliberately take actions. Our desire to make our employees happy, is indeed the essence of “People First Strategy”.

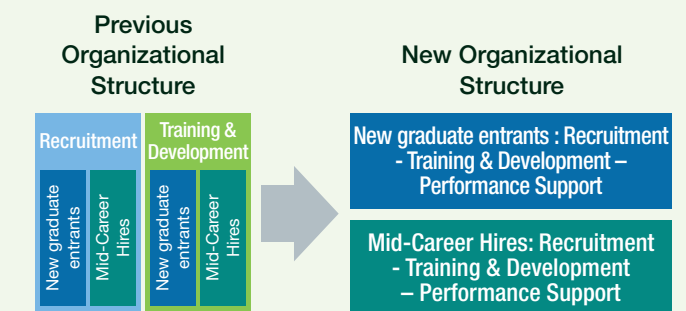
Transforming HR from “Functional Teams” into “Mission-Driven Teams”

In FY2023, we made a major transformation in our HR organization. We have initiated the HR Headquarters by combining the HR Department (recruitment, personnel affairs, labor relations, etc.) formerly under Administration Headquarters and the HR Strategy Department (development, productivity enhancement, employee engagement, etc.) formerly under Strategy Headquarters. The intent was to transform ourselves from “functional teams” into “mission-driven teams” and promote “recruitment-training & development-performance support” in an integrated manner.

As a result of this transformation, our KPI’s have changed. Previously, we focused our efforts on input, such as the number of people recruited and the number of training programs held, which might have not resulted in optimal staffing or development. After the transformation, our KPI’s now reflect the outputs such as onboarding lead time, retention and performance three years after joining the company. The new KPI’s better synchronize with the management strategy and are in line with the business goals.

One significant initiative deriving from this new emphasis on output is our “2-in-1 Program” (see Page 38 for details). From the new employees’ perspective, they have the reassuring presence of a mentor, while the senior colleagues are able to acquire skills in developing people, which will prepare them for taking on management positions in the future. HR provides ongoing support by conducting training and interviews for both the new employees and the senior colleagues participating in the program. Although it is too early to see the fruit of this program, the feedback from the participating employees has been quite positive, and I am certain that it will prove successful.

Innovation is in our DNA. We at HR will also keep challenging ourselves to continue with this DNA of innovation.



Compliance

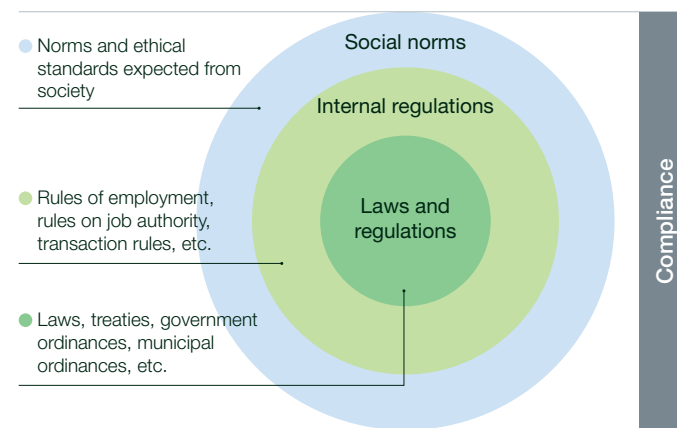
Nihon M&A Center Group places the utmost importance on on-going compliance activities, which we regard as essential for maintaining and improving trustworthiness in our business. In FY2022, we established a compliance foundation to prevent the recurrence of any inappropriate incident. Starting from FY2023, with the aim of being a more trusted company, we will continuously review and improve the foundation, regulations etc. to ensure those we have put in place do not lose substance. At the same time, we will step up measures to ensure that the concept permeates throughout the Group.

Underlying compliance principles

The Group considers compliance includes adherence to not only laws, regulations and internal regulations but also norms and ethical standards expected from society. To clarify this idea, the Group has established compliance regulations to perform duties to society through fair and appropriate corporate activities in accordance with applicable laws and regulations, internal regulations and social norms.

Following the formulation of our new purpose and philosophy, we have revised “Ten Guiding Principles for Compliance Behavior” which are the code of conduct of the Group as the “Group Compliance Principle” that extracts essential compliance contents common to the entire Group at large. By thoroughly implementing this Principle, we are striving to foster compliance awareness.

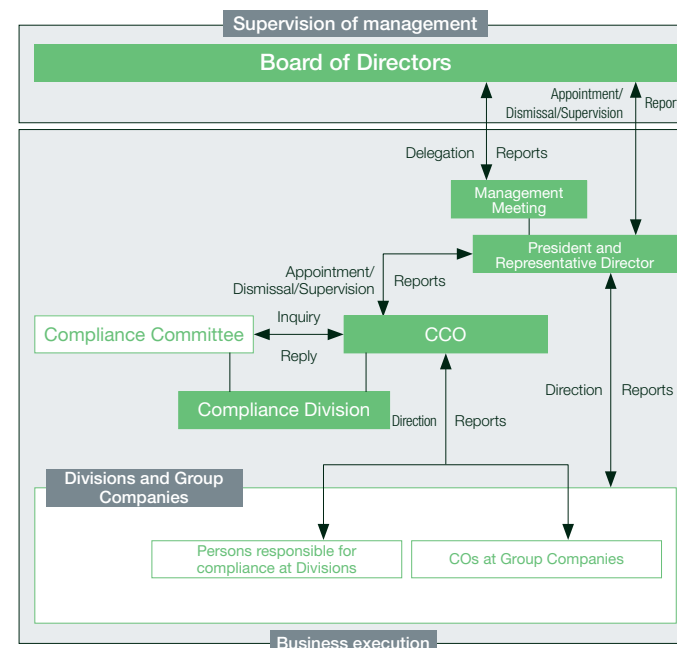
In addition, we are promoting enhancement of the compliance system of the Group, and at the same time, making on-going efforts to instill and establish compliance from the perspective of education through measures such as regular implementation of effective training.



Compliance promotion structure

With the Chief Compliance Officer (CCO) in charge of matters related to overall compliance at the core, the Company has established the Compliance Committee which is an advisory body to CCO and has the internal consultation and whistleblowing hotline function, and the Compliance Division which is a secretariat to CCO and the Compliance Committee, and has a compliance education function, respectively.

In addition, a person responsible for compliance is appointed in each division of Nihon M&A Center, and a Compliance Officer (CO) in each of other major Group companies. By doing so, we have established a system to prevent any potential breach in compliance and to respond as quickly as possible in the event of a breach in compliance or potential breach in compliance. At overseas Group companies, too, we are working to establish a compliance system that is capable of responding to future expansion of cross-border M&As.



Investigation, procedures and consequences when there is any doubt that compliance regulation has been infringed

Procedures for investigation and response

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 consultation and reporting

procedures regulations enables the employee concerned to be consulted by or to report the matter to appropriate parties within the Company such as a manager or the Compliance Committee. A manager who has received consultation or 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 consultation or report, which is to be conveyed in turn to the President and Representative Director, while the anonymity of the person who consulted or reported is maintained. 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 consultation and reports from group companies.

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

The outcome of this is informed of the person who made the consultation or 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.

Enhancement and strengthening of the internal consultation and whistleblowing system

The Group has put in place the internal consultation and whistleblowing system designating the Compliance Committee as a point of contact. In addition, the Group has also established a system for consultation with and reporting to an external lawyer. We respond in an appropriate fashion upon notification of any kind of breach in compliance 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 of the entire Group, including overseas group companies, 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 (in all cases, including those who have resigned or retired). All of these are with a view to strengthening our compliance system and preventing breaches. The consultation and reports (including advance consultation) can be made anonymously and under strict confidentiality such that the person who made consultation or 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. The Group encourages all directors and employees to utilize the consultation and whistleblowing hotline to enable early detection of any problem. Additionally, we have built a system in which people can make consultation and reports more easily by, for example, clearly signposting the abovementioned hotline on the top page of our intranet portal and informing the fact with explanation of whistleblower protection thoroughly and repeatedly.

Number of discussions consulted/reported

Q1	Q2	Q3	Q4	Total
10	13	25	14	62

Initiatives to strengthen compliance

Major initiatives to strengthen compliance

Period	Initiative
December 2021	● Detection of an inappropriate incident
February to March 2022	● Announcement of a disciplinary action
March 2022	● Stricter requirements for recording sales
March 2022	● Thorough announcement of the whistleblowing hotline
April 2022	● Establishment of the Compliance Division
April 2022	● Commencement of periodic compliance training sessions
April 2022	● Transition to a new HR system including evaluation of ethical standards
April 2022	● Establishment of the Management Meeting
April to May 2022	● Holding of “Teach-in” meetings by President with all employees
June 2022	● Formulation of our purpose

Period	Initiative
July 2022	● Appointment of CCO and General Manager of the Internal Audit Office
July to November 2022	● Holding dialogues between CCO and Audit and Supervisory Committee Members and key persons
October 2022	● Conducting an employee pulse survey
January 2023	● Formulation of the philosophy
April 2023	● Persons responsible for compliance were appointed at major group companies
April 2023	● Formulation of the new Group Compliance Principle
April 2023	● Creation and distribution of the Compliance Handbook and M&Astyle
April 2023	● Receiving pledges for compliance from all employees
April 2023	● Commencement of e-learning training

● Nihon M&A Center HD ● Nihon M&A Center

Compliance

Specific measures for permeation of compliance

At Nihon M&A Center, all employees have taken a pledge of compliance, in order to ensure that the compliance system established in the last fiscal year is further penetrated.

In addition, we are pushing forward with formulation of the Group Compliance Principle, compliance regulations and other internal regulations. For employees of Nihon M&A Center, we have issued copies of the “Compliance Handbook”, which explains our approaches to compliance and Group Compliance Principle, and the pamphlet “MAstyle” to carry with them, which contains not only our corporate mission, purpose, philosophy, and the Compliance Principle, but also where to make consultations or reports, the information security policy, disaster countermeasures, etc. At its overseas group offices the Group strives in various ways to increase compliance awareness using appropriate channels of communication and translated documentations.

During the last fiscal year, in order to evaluate the effectiveness of these initiatives, Nihon M&A Center conducted a compliance survey for employees for the first time. We intend to conduct such surveys on a periodic basis in the future to ensure that we implement fixed-point observation of internal perceptions of compliance.

Rates of affirmative answers for compliance items (examples) in the employee survey (conducted in October 2022)

Awareness of compliance is maintained at a high level at the Company.	44%
The Company addresses compliance incidents appropriately.	57%
In my organization, there is an atmosphere that places an emphasis on both sales and efficiency and compliance.	75%
I know how to make a consultation or report for a compliance issue if I witness it.	84%

Inaugurate effective compliance training and education

Nihon M&A Center Group holds regular compliance training sessions led by the Compliance Division. Nihon M&A Center holds training sessions for all employees, expanding from full-time employees only to all employees including contract employees, by leveraging, for example, e-learning that started in the current fiscal year. In addition, for the management, we invite external lecturers to conduct training to foster awareness of compliance. Moreover, the Group sequentially formulates and implements educational programs other than classroom training.



E-learning training

Details of training (FY2022)

Period	Applicable employees	Theme	Period	Applicable employees	Theme	
Q1	All employees	Compliance	Q3	All employees	Information security	
	All employees	Compliance		All division heads	Compliance	
	All employees	Governance		All employees	Prevention of insider trading	
	All employees	Information security		All employees	Information security	
May	All employees	Information security	December	All employees	Information security	
Q2	All division heads	Information security	Q4	All employees	Information security	
	All employees	Compliance		February	All employees	Cybersecurity
	All employees	Information security		March	All employees	Information security
	All employees	Compliance			All employees	Prevention of insider trading
	All division heads	Compliance	Monthly	New employees	Compliance	
	All employees	Information security		New employees	Information security	
	All employees	Information security		New employees	Risk management	
	All employees	Information security		New employees	Information management	
September	All employees	Information security	New employees	Prevention of insider trading		
	All employees	Prevention of insider trading				

Periodic review of the Group Compliance Principle

Through its Board of Directors and Management Meeting, the Group discusses and regularly reviews the Group Compliance Principle, which are ethical standards and also a code of conduct. The Board of Directors and the Audit and Supervisory Committee will also continue to check the status based on the monitoring results of each year.

Message from the CCO

As an industry leader, we will continue with our compliance efforts to provide a model for the entire industry

Yasuhiro Takeda CCO
Compliance Division



Renewing our thorough recognition of the compliance-focused policy and concentrating our efforts on the enhancement of the foundations

FY2022 was an important year for Nihon M&A Center in its aims for sustainable growth and the enhancement of corporate value.

Firstly, in light of the inappropriate incident that was uncovered in FY2021, we renewed our thorough recognition of the compliance-focused policy and concentrated our efforts on the enhancement of the foundations, including governance and risk management. Specifically, we worked to raise awareness of and increase confidence in the internal consultation and whistleblowing system that enables early detection of problems, with the acceptance that problems do emerge in organizations. Further, to create deeper collaboration with the levels that are responsible for the core of our operations, we held one-on-one interviews and group discussions with key persons at division head and manager level. Other initiatives for the enhancement of our compliance structure included the revision of our Guiding Principles for Compliance Behavior, the enhancement of various compliance-related regulations, and the distribution of the Compliance Handbook and the “MAstyle” card to employees of Nihon M&A Center to lay the groundwork for awareness of compliance even in between the highly effective compliance training sessions held every quarter. I believe that, through these efforts, we have been able to realize a structure that will prevent the spread of situations such as the inappropriate incident of FY2021. Going forward, we intend to conduct compliance awareness surveys as a fixed-point observation for confirming the degree of penetration of compliance awareness among employees and the degree of thorough implementation of compliance behavior. We will also turn the PDCA cycle by continuing with regular monitoring.

Further, we strengthened our initiatives for data privacy and information security and, placing top priority on the protection of client information, strengthened our responses to the Act on the Protection of Personal Information.

Toward an organizational culture in which each and every employee upholds compliance autonomously

We understand that, if we are to promise the stakeholders of Nihon M&A Center Group a business based on a more robust control environment and higher ethical standards, we must continue to further raise compliance awareness by each and every directors and employee, and to instill that awareness in all Group directors and employees.

As we almost complete the establishment of the frameworks and structures, such as regulations for compliance management, while continuing with our current measures on the one hand, in FY2023, we will place emphasis on the penetration of compliance awareness. We will create opportunities for frequent encounters with compliance, even brief ones, using e-learning and other means, and strengthen our medium- to long-term approach to forging an organizational culture in which each and every employee upholds compliance autonomously.

Working alongside employees to realize “ultimate compliance”

We have defined “ultimate compliance” as a state in which each and every employee shares the corporate mission and purpose and upholds laws and regulations, internal rules, and social norms voluntarily and autonomously, without them being imposed externally. It is my role to work alongside our employees to make such a state a reality.

As the M&A intermediary industry has become part of the social infrastructure, increasing stakeholders’ trust by strengthening compliance will prove a major strength of the Group. As an industry leader, by continuing with our compliance efforts to provide a model for the entire industry, I believe that we will be able to fulfill our responsibility to society.

Going forward, we will continue to promote initiatives to realize further transparency and compliance so that we may build relationships of trust with our clients and achieve sustainable growth.

Board of Directors



Suguru Miyake

President and Representative Director

Date of birth: January 18, 1952

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

Suguru Miyake joined the Company in September 1991, after having worked for Olivetti Corporation of Japan. He assumed the position of Director in June 1992 and has been in his current position since June 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 continuing to strongly implement compliance-oriented management.

He concurrently serves as President and Representative Director of Nihon M&A Center Inc.



Takamaro Naraki

Senior Managing Director in charge of Administration Headquarters

Date of birth: October 15, 1962

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

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 in June 2005, and since then, he has served as Head of Administration Headquarters for a long period of time. He has been in his current position since June 2023. He has a wealth of achievements and insight in the overall administration Headquarters and has played an important role in management. He has the experience and insight essential for continuing to strongly implement compliance-oriented management.

He concurrently serves as Senior Managing Director of Nihon M&A Center Inc.



Hideyuki Kumagai

Director and Head of Quality Control Headquarters

Date of birth: October 24, 1973

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

Hideyuki Kumagai joined the Company in August 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 April 2017, he has held various positions including Head of Project Support Business Division and General Manager, Corporate Advisor Control Division and assumed the position of Director in June 2020. He has been in his current position since May 2023. 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 has the experience and insight essential for continuing to strongly implement compliance-oriented management.

He concurrently serves as Director of Nihon M&A Center Inc.



Tokihiko Mori

Outside Director

Date of birth: July 17, 1952

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

Tokihiko Mori has served as Director of GE Japan Corporation, Representative Director of Teradyne K. K., Riverside Partners Co., Ltd., and Y. International, Inc. He has been in his current position since June 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.



Masahiko Otsuki

Managing Director

Date of birth: July 23, 1970

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

Masahiko Otsuki joined the Company in February 2006, after having worked for The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation). He has held various positions including Head of Corporations Department since assuming the position of Executive Officer in April 2009; and Head of Enterprise Business Division and Sales Division, and Managing Director in charge of group companies since assuming the position of Director in June 2010. 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 has the experience and insight essential for continuing to strongly implement compliance-oriented management.

He concurrently serves as Managing Director of Nihon M&A Center Inc. and Representative Director of Japan Investment Fund Inc.



Naoki Takeuchi

Director and Head of Strategy Headquarters

Date of birth: February 11, 1978

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

Naoki Takeuchi joined the Company in April 2007, after having worked for Shoko Fund Company Group. He has held various positions including Head of Corporations Department and Direct Business Division since assuming the position of Executive Officer in April 2014, and Head of Strategy Control Business Division and Sales Headquarters since assuming the position of Director in June 2018. He has been in his current position since October 2022. 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 formulation of the overall strategies of the Group. He has the experience and insight essential for continuing to strongly implement compliance-oriented management.

He concurrently serves as Director of Nihon M&A Center Inc.



Minako Takeuchi

Outside Director

Date of birth: January 17, 1961

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)

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 June 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., Outside Director of Mitsubishi Steel Mfg. Co., Ltd., commissioner of Japan Wheelchair Basketball Federation and commissioner of Japan Basketball Association.



Kenneth George Smith

Outside Director

Date of birth: January 8, 1961

Attendance status (FY2022)

Board of Directors meeting: 100% (12/12)

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 Japan Representative of Telecom Media Networks and Representative Director and President of Ernst & Young Transaction Advisory Services Limited. He has been in his current position since June 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. He has been providing specific advice on the improvement of the overall management quality of the Company as well as on cross-border M&A and PMI.

He concurrently serves as Senior Managing Director of Corporate Finance, FTI Consulting, Inc.

Management Framework



Keiichi Nishikido
Outside Director
Date of birth: May 2, 1953

Attendance status (FY2022)

Board of Directors meeting: 100% (12/12)

Keiichi Nishikido has worked for Nagashima & Ohno (currently 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 June 2022.

He has a wealth of knowledge and experience as an attorney-at-law, and has been providing 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 Hirosawaseiki 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 status (FY2022)

Board of Directors meeting: 100% (17/17)
Audit and Supervisory Committee meeting: 100% (22/22)

Iwao Hirayama joined the Company in March 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 April 2012, he has served as Head of Corporate Strategy Department and 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 June 2020. He leverages his wealth of hands-on experience in M&A deals at securities firms and the Company and deep insight into the Group's businesses in audits.



Mariko Ohsato
Outside Director
Date of birth: April 22, 1963

Mariko Ohsato has worked for organizations including IBM Japan Ltd. and Uniden Corporation (currently Uniden Holdings Corporation), and served in positions including Director of IDS Corporation, Director of Public Relations Society of Japan and part-time lecturer of the Department of Sport Sciences, Waseda University. She has been in her current position since June 2023.

She has a wealth of knowledge and experience as a corporate manager, and has been providing specific advice on the improvement of the overall management quality of the Company as well as on M&A and DX, based on her wealth of experience and broad knowledge she has accumulated to this date.

She concurrently serves as President & CEO, Arc Communications Inc.; Outside Director, PUNCH INDUSTRY CO., LTD.; and Vice Chairman, Japan Orienteering Association.



Yoshinori Yamada
Outside Director
(Audit and Supervisory Committee Member)
Date of birth: May 22, 1946

Attendance status (FY2022)

Board of Directors meeting: 100% (17/17)
Audit and Supervisory Committee meeting: 90.1% (20/22)

Yoshinori Yamada assumed the position of Audit & Supervisory Board Member of the Company in June 2013, after having served as Managing Director of The Yasuda Mutual Life Insurance Company, Representative Director of Japan Confirm Co., Ltd., full-time Audit & Supervisory Board Member of Mizuho Trust & Banking Co., Ltd., and Chairman of the Board of Directors of Nihon AP Center Co., Ltd. He has been in his current position since June 2016. He assumed the position of the Chairman of the Audit and Supervisory Committee in June 2022.

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 Audit and Supervisory Committee Member of the Company. His activities include conducting audits and providing advice from an independent and fair standpoint leveraging such experience.

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

Attendance status (FY2022)

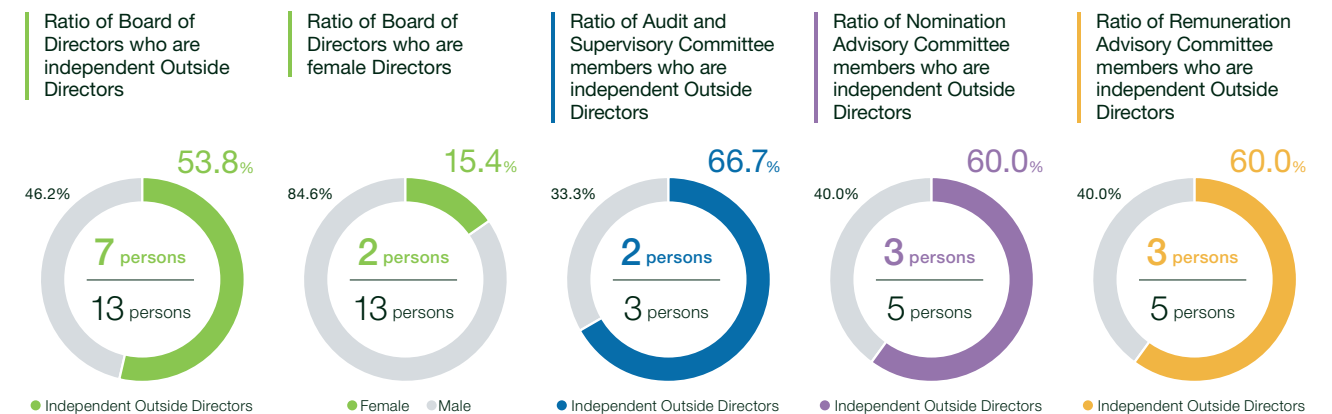
Board of Directors meeting: 100% (12/12)
Audit and Supervisory Committee meeting: 100% (13/13)

Takayuki Matsunaga has been in his current position since June 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. His activities include conducting audits and providing advice from an independent and fair standpoint leveraging such knowledge and experience.

He concurrently serves as Representative Partner of Mile Law Firm.

Diversity of the Board of Directors



Members of each body (as of October 31, 2023)

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	◎			
Senior Managing Director	Takamaro Naraki	○			
Managing Director	Masahiko Otsuki	○			
Director	Naoki Takeuchi	○			
Director	Hideyuki Kumagai	○			
Outside Director	Tokihiko Mori	○		◎	◎
Outside Director	Minako Takeuchi	○			
Outside Director	Kenneth George Smith	○		○	○
Outside Director	Keiichi Nishikido	○			
Outside Director	Mariko Ohsato	○			
Director (Full-time Audit and Supervisory Committee Member)	Iwao Hirayama	○	○		
Outside Director (Audit and Supervisory Committee Member)	Yoshinori Yamada	○	◎	○	○
Outside Director (Audit and Supervisory Committee Member)	Takayuki Matsunaga	○	○		

Corporate Governance

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 five members in total, including one Representative Director, one full-time Director and three Outside Directors (Independent 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.

Management Meeting

The Company has established the Management Meeting under the Board of Directors. The Management Meeting consists of full-time Directors, a full-time Audit and Supervisory Committee Member, and CCO, as well as directors and executive officers of our subsidiaries.

The Management Meeting deliberates and decides on matters stipulated in the Management Meeting rules and matters for which authority has been delegated by the Board of Directors. In addition, the Committee discusses and decides on matters related to risk categories stipulated in the risk management rules, and regularly reports to the Board of Directors.

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. At present, three members of the Internal Audit Office (of which, one is full-time member) are in charge of the system.

Risk Management Committee

Meetings of the Risk Management Committee, which is chaired by CCO and whose members consist of those who have been appointed by President and Representative Director, are held in order to address operational risks of the Group.

The Committee first identifies operational risks, analyzes, and assesses those risks. They then consider countermeasures which they monitor or improve if needed and report to the Management Meeting. While the Management Meeting covers other risks related to overall management, the Risk Management Committee reports those risks to the Management Meeting if they identify any.

In this way, we constantly create and maintain a framework where risks do not materialize, and where swift deliberation and communication are enabled should such risks materialize. The Group conducts encouragement and checks for directors and employees to ensure appropriate risk management.

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, which is chaired by CCO and whose members comprise a full-time Director and three directors and employees of Nihon M&A Center Inc. In addition to its activities as an advisory body to CCO, the Compliance Committee also has a function as a consultation and whistleblowing hotline.

Policies and procedures for the election/dismissal 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.

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.

Outside Directors are elected based on criteria which include the ability to participate in and contribute to management of the Company from a viewpoint different from that of internal Directors and the ability to independently supervise execution of duties by Directors. There are no clear criteria and policies set forth for the independence of Outside Directors. However, Outside Directors are elected from among those who have a high

level of independence. For this reason, persons who previously worked for the 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, the ideal configuration of the Board of Directors, and the results of the 360-degree evaluation conducted by the Nomination Advisory Committee, among other things, Director candidates are selected by the Nomination Advisory Committee and the Board of Directors passes a resolution on the candidate selection. Thereafter, the proposal is submitted to the General Meeting of Shareholders. The proposal for candidates for Audit and Supervisory Committee Members is submitted to the General Meeting of Shareholders upon obtaining consent from the Audit and Supervisory Committee. The senior management is appointed based on a resolution of the Board of Directors, after the candidates are selected by the Nomination Advisory Committee.

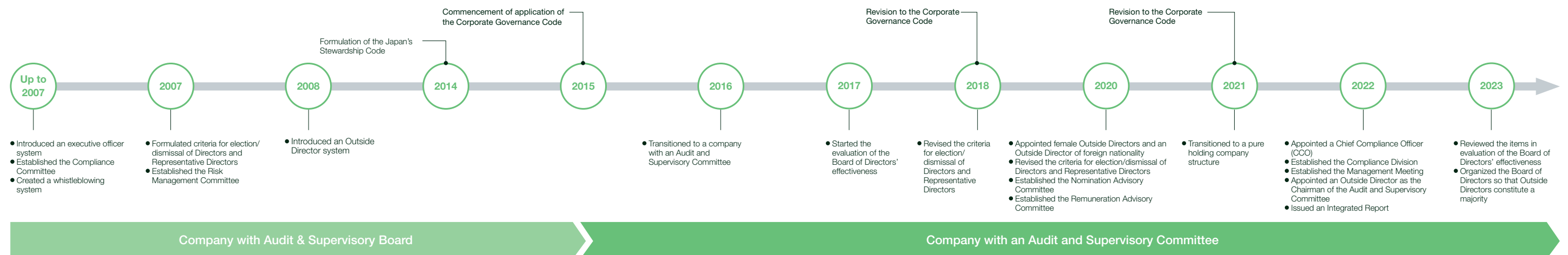
In the case that any event that is deemed to fall under the criteria for dismissal of a Director or Representative Director occurs, the Nomination Advisory Committee deliberates and reports to the Board of Directors which makes a decision on the action.

Succession plan

The Company deems the formulation and implementation of a succession plan for President and Representative Director as an important item in its management strategies. As part of the succession plan, the Company has changed to a pure holding company in October 2021. We will gradually delegate authority to each Group company and cultivate excellent human resources through their

management. More specifically, we established the Management Meeting in 2022, and the M&A Strategic Meeting and the Financial Strategic Meeting which are group-wide meeting bodies in 2023. We are working to develop management personnel by appointing next-generation management candidates as core members, such as chairpersons, of these important meeting bodies.

Major initiatives to strengthen corporate governance



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.

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 FY2022, consolidated ordinary profit totaled 15,472 Million yen, achieving 86.0% 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, etc. by Director category, total amount of remuneration, etc. by type and number of eligible Directors

Director category	Total amount of remuneration, etc. (Million yen)	Total amount of remuneration, etc. by type (Million yen)				Number of eligible Directors
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	Out of which, non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	338	338	—	—	—	7
Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)	14	14	—	—	—	1
Outside Directors	68	68	—	—	—	7

*1 The number of persons eligible for remuneration, etc. for Outside Directors includes Directors who retired at the conclusion of the 31st Annual General Meeting of Shareholders held on June 23, 2022.

*2 Figures presented are rounded down to the nearest Million yen.

Operation of the Board of Directors

In FY2022, as part of compliance-oriented management which is a top priority issue of the Group, we strengthened the compliance framework, re-established important rules related to compliance including the Compliance Principles, and reviewed our systems for risk management and crisis management to further sophisticate risk management. In addition, we spent time for deliberating agenda items such as investment projects, business alliances, materiality (priority issues) of the Company and quarterly financial reports.

Board of Directors meetings held in FY2022

Board of Directors meetings in FY2022	
Number of meetings held	17
Average number of agenda items (matters resolved and matters reported)	5.9
Average hours per meeting	1 hour and 48 minutes (2 hours and 40 minutes at the longest)

Major agenda items

- Re-establishment of regulations related to compliance
- Revision to regulations related to risks
- Progress of the recurrence prevention measures taken since the General Meeting of Shareholders and future plans
- Shareholder returns
- Evaluation of the Board of Directors
- Materiality (priority issues) of the Company
- Establishment of a joint venture with Juroku Financial Group

Activities of voluntary committees

Activities of the Nomination Advisory Committee and Remuneration Advisory Committee in FY2022

	Nomination Advisory Committee	Remuneration Advisory Committee
Number of meetings held	10	1
Major agenda items	<ul style="list-style-type: none"> • Proposed evaluation indicators for internal Directors • Proposed evaluation indicators for Outside Directors • 360-degree evaluation for Directors and executive officers • Composition of Directors in the following fiscal year 	<ul style="list-style-type: none"> • Proposal on fixed remuneration • Consideration of the remuneration system

Evaluation of the Board of Directors' effectiveness

The Company started implementing evaluation of the effectiveness of the Board of Directors in FY2017.

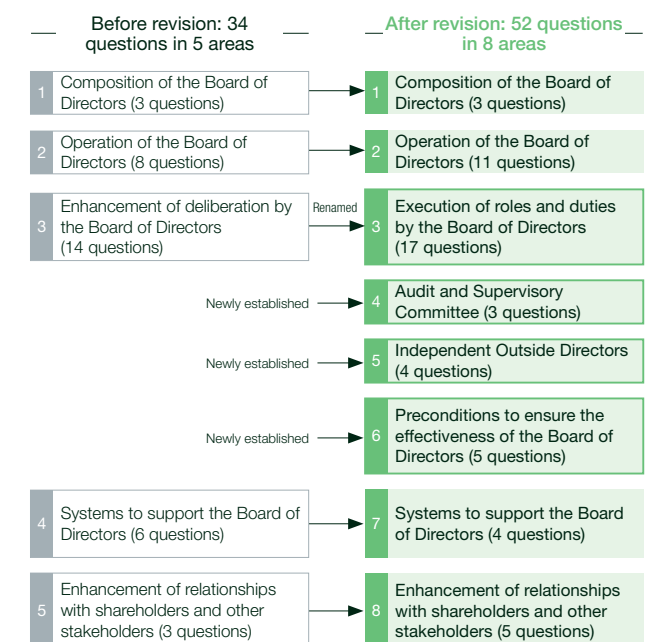
The summary of the evaluation results for FY2022 is as described below.

<Method of evaluation>

The Company conducted a self-evaluation questionnaire survey which consists of 5-point scale evaluation and free writing for all Directors. The evaluation items have been reviewed by the Board of Directors and revised as shown on the right.

<Summary of evaluation results>

The Company concluded that the overall operation of the Board of Directors is appropriate by and large and the effectiveness is ensured. Meanwhile, the Company recognizes issues such as the positioning of the Board of Directors, operational efficiency, and advance provision of information to Outside Directors. We will continue to examine and implement measures to improve these issues, evaluate the results for further improvement, and thereby work to enhance the functions of the Board of Directors.



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 value, in addition to an increase in our corporate value.

Risk Management

Nihon M&A Center Group structurally manages major risks that have the possibility to cause disadvantage to the Group to avoid and minimizes losses.

Risk management structure

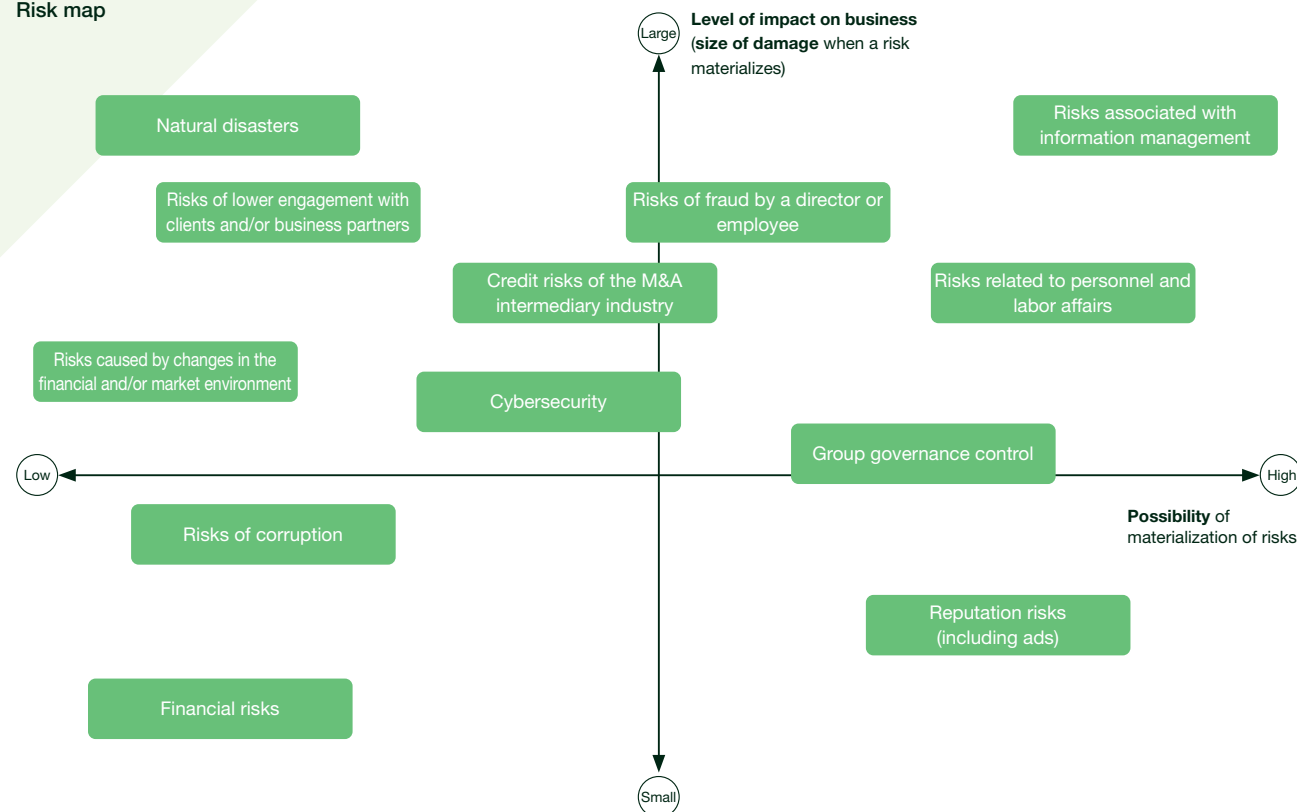
Meetings of the Risk Management Committee, which is chaired by CCO (Chief Compliance Officer), are held on a regular basis in order to address operational risks of the Group. The Committee identifies, analyzes, assesses risks, considers countermeasures, monitors the progress of and improves these measures. The results are reported or recommended to the Management Meeting, and also reported to the Board of Directors on a periodic basis. In addition, the Committee receives instructions, advice, etc. from external experts such as a corporate lawyer as necessary.

While management risks other than operational risks are managed by the Management Meeting, if the Risk Management Committee recognizes any such risks, it reports them to the Management Meeting.

In this way, we constantly create and maintain a framework where risks do not materialize, and where swift deliberation and communication are enabled should such risks materialize.

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 notify 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.

Risk map



Measures against main risks

1 Measures against risks of fraud by a director or employee

- In addition to the internal consultation and whistleblowing hotline, we established an external consultation and whistleblowing hotline, and made it widely known to business partners
- We formulated rules and created a framework to enable early recognition of complaints

2 Measures against risks associated with information management

- Revision to regulations related to information management
- Establishment of requirements for falling under the category of trade secrets (enabling identification and access restriction)

Information Security

The Group strives 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. The Group has formulated the "information security policies" and works to thoroughly enforce compliance with rules related to information security and implement safety measures.

Information security promotion structure

The Group security supervision function headed by the Chief Information Security Officer (CISO) formulates information security strategies and evaluates the status of its implementation.

A CSIRT (Computer Security Incident Response Team)*1 which is responsible for addressing incidents and persons in charge of security, who handle security operations, are appointed within the Information Security Department which reports to the CISO.

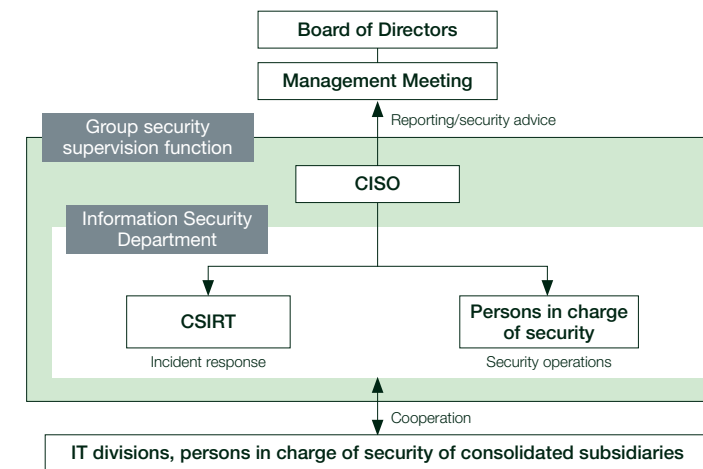
The "CSIRT" ascertains the situation when a security incident occurs, responds to the incident, mitigates damage, implements recovery and recurrence prevention measures, and handles such measures. The persons in charge of security ascertain security measures and plans, supervise them in their entirety, and prevent security incidents.

The Information Security Department cooperates with IT divisions or persons in charge of security of consolidated subsidiaries and works together with the entire Group to handle the situation when a security incident occurs or when implementing preventive measures. In addition, the Department plans and conducts information security education.

Activities of the CSIRT and the persons in charge of security are reported to the Management Meeting on a regular basis through the CISO.

Furthermore, the Risk Management Committee considers and monitors measures on a regular basis to reduce information security risks.

*1 A dedicated team that responds to security incidents when they occur.



Security Consultation Council
Determines response policies and issues instructions on cases of security consultation related to new initiatives and use of new services, among others, based on identified security risks. If the council determines it necessary based on the results of risk assessment, the severity of remaining risks, etc., the issue will be submitted to the Risk Judgment Council.

Risk Judgment Council
Reviews the risks and losses of cases submitted by the Security Consultation Council, considers whether to add any matters to be addressed, among other things and determines the feasibility from a comprehensive perspective. The council is composed of internal experts from compliance and risk management divisions, etc.

Security Cooperation Council
Holds liaison meetings among persons in charge of information security and information systems of the group companies. The council ascertains the situation of each company on a regular basis using a security report format designated by the Company. In addition, it aims to raise the level of security measures for the entire Group by sharing threats and the policies on how to respond to them.

Information security management system

The Group has built highly secure systems with support from external specialists. On May 25, 2016, Nihon M&A Center Inc. and Corporate Value Laboratory Inc. obtained ISO 27001 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 ISMS internal audits.

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.



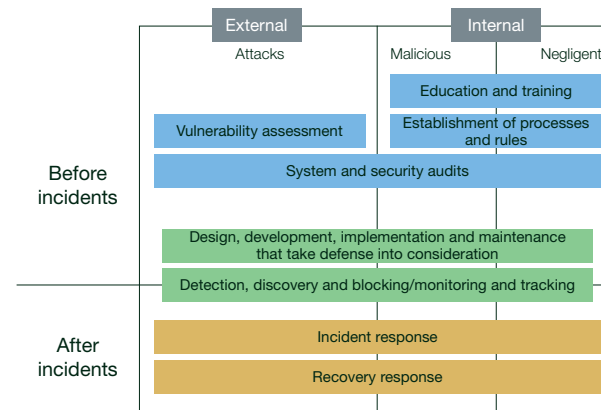
Risk Management

Initiatives for information security

As a business operator that handles important information, we have taken measures against external and internal threats to prevent serious security incidents.

We sort out and confirm facts promptly and implement recovery response when an incident occurs, and accumulate and share knowledge to prevent recurrence.

We are working to improve the security level of the entire Group, from the perspective of both before and after incidents.



Vulnerability assessment

We are working to ensure that the services we provide to the outside world can be used safely and securely, by modifying them or implementing countermeasures based on the results of vulnerability assessments by an external vendor specializing in security.

System and security audits

Security rules are checked on a monthly basis based on the “Rules of information security” that we have formulated.

Design, development, implementation and maintenance that take defense into consideration

The Group is strengthening its access control to internal systems, monitoring operations of terminals by introducing Endpoint Detection and Response (EDR)*2 and detecting threats by collecting and analyzing communication logs of terminals. As part of measures to strengthen the system infrastructure, since FY2021, we have reinforced the network lines and introduced SD-WAN (Software Defined-Wide Area Network)*3. By making communication contents and quality visible, we have created a network environment that is flexible and scalable. We mitigate security risks by using MSS (Managed Security Service)*4 and thereby preventing unauthorized access and improving our detection ability, while reducing the human burden.

*2 A security solution through which terminals (endpoints), such as personal computers and servers, that are connected to a network are monitored and any signs of cyberattacks such as abnormality, suspicious behavior, etc. are detected and notified to the administrator

*3 A technology through which a virtual WAN (wide area network) is created on a WAN that is built using physical network devices and managed using software

*4 A service in which an external company specializing in security, etc. undertakes the operation and management of a company's or organization's information security system

Detection, discovery, blocking/monitoring and tracking

The Group strives to strengthen access control to internal systems. A cloud storage, “Box”, was introduced in FY2022 to be used as a storage of data of the entire Group. Unlimited generation management made it possible to visualize file change history, and we also store detailed access logs of who did what and when.

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 directors/employees, use of the intranet., etc., and distribution of the “information security rule book” summarizing information security rules, and is making every effort to ensure the thorough implementation of these rules. Starting from FY2023, we also utilize e-learning to improve the security awareness.

Timing	Content	Applicable employees
Training for new employees (every month)	Training is provided for all new graduate entrants and mid-career hires to learn about security rules.	All employees including seconded employees
Training for all employees (every month)	We focus on different themes every month to raise awareness on information security, provide updates on rules and share relevant case studies.	All employees including temporary employees
Drills to handle targeted email attacks (twice a year)	We raise security awareness through hands-on experience by actually sending an e-mail pretending to be an attack e-mail to employees in a drill.	All employees including seconded and temporary employees

Establishment of processes and rules

Secure process design and rules are put in place for business processes with a high risk of information leakage. For example, as part of measures to prevent information leakage caused by human error, we have introduced a check tool that requires review of the addressees, subject, attached files, etc., before sending emails to external parties to prevent sending emails to wrong addresses. We prevent information leakage caused by mistakenly attaching wrong files to emails through the introduction of a mechanism to cancel the attached files.

Initiatives to protect personal information

The Group has formulated its “Privacy Policy”, which is posted on the website of each company. This policy is thoroughly shared with all directors and employees, and we are committed to ensuring the implementation thereof.

Message from the CISO

Based on compliance-focused management, we will protect our information assets to deliver safe and secure M&As

Taku Kikuchihara
CISO
Information Security Department



I joined Nihon M&A Center five years ago, in April 2018, and I assumed the role of CISO of Nihon M&A Center Holdings in FY2023. In those five years, we have made great progress in initiatives that leverage IT for internal and external purposes. With every upgrading or new release of systems, we are highly conscious of security aspects from the initial stages of design. For example, the company valuation system, V Compass, which we released last year, was designed to clear the FISC Security Guidelines and it has also cleared the introduction screening processes of the regional banks. This fiscal year, Nihon M&A Center Holdings established the position of CISO and the Information Security Department to administer the security of the entire group.

The Information Security Department has declared its objective for group security as “We will protect our information assets to deliver safe and secure M&As, to increase our competitive advantage and to ensure that there is no harm to our business.” The protection of information assets is viewed as our means to achieving that objective. I believe that what we require is a frame of mind of making business the subject and supporting it from a security aspect to maximize profits. As the use of IT in society progresses, many companies are generating new value that leverages IT. On the other hand, there is a growing risk of security accidents, such as information leaks and disruption of operations, resulting from cyber attacks that become more sophisticated every day. In the unlikely event that such a security accident were to occur at Nihon M&A Center, our credibility as a company that handles confidential M&A-related information would be lost, which could threaten the very survival of the company. In addition, this would not be a problem for our company alone. It could trigger a decline in the business performance of our client companies and impact the livelihoods of business owners and their families, as well as the employees of those companies and their families. To ensure that such a situation does not occur, our top priority challenge is to implement measures for the prevention of security accidents.

Cyber attacks are becoming more and more sophisticated, and although we are enhancing IT and processes to respond with mechanisms that will not allow security accidents to occur, it is becoming increasingly difficult to prevent such incidents completely. For this reason, it is crucial that we lower human operational risk by strengthening awareness of information protection among employees and strengthening their IT and security literacy.

To counter the risk of intentional human acts, our only option is to raise the awareness of each individual by undertaking thorough ethics education. We will prevent errors caused by negligence by conducting education to strengthen employees' imaginations and raise their individual awareness of information protection.

Through purpose-based management and the enhancement of compliance, we have been further strengthening our employees' intentions and awareness of doing the right thing in the right way. With such an awareness, we will firmly embed a strong awareness of information security.

Environment



Please visit our website for more details.
<https://www.nihon-ma.co.jp/en/sustainability/environment.html>



Every single employee of 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 the Group.

Types of risks	Duration of risks	Anticipated risks and countermeasures
Risks associated with the transition toward a low-carbon society	Policy/Regulation risks	<p>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 CO₂ emissions since FY2019. The Company will broaden the scope of its calculations gradually and assess the level of impact as well as consider the business plan.</p>
	Policy/Regulation risks	<p>Tightening of obligations to report greenhouse gas emissions The 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.</p>
	Market risks	<p>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 the Company, the IR Department is promoting our ESG-related initiatives as the main department in charge.</p>
	Reputation risks	<p>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 the Company, the IR Department 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.</p>
Physical risks associated with climate change	Acute risks	<p>Increase in and exacerbation of extreme weather events such as typhoons and floods The 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, the 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.</p>
	Chronic risks	<p>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.</p>

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, the 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. The Company is currently broadening the scope of its calculations and making aggregations, and at the same time, implementing a study to re-establish the target figures.

Consideration for the environment of our planet

Reduction of burdens on the environment

Our employees continuously 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.

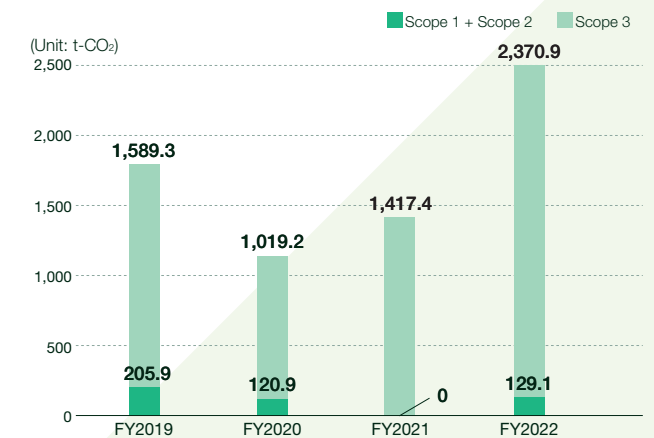
The Company has a system necessitating the use of the individual's ID card when printing documents, which captures information on how much each individual uses printers. In addition, in its M&A process, the Company has introduced electronic contracts to help reduce paper resources and contribute to enhancing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

Initiatives to reduce burdens on the environment through our business

The Group is working to increase the number of M&As that can contribute towards reducing the environmental burden on society as a whole.

In addition, through the investment trust offered by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., we made an ESG investment of ¥100 Million in Decarbonization Partners Strategy which is a venture capital fund for decarbonization-related companies operated by BlackRock. We intend to increase the effects of reduction of greenhouse gases through business expansion of our portfolio companies by investing in growing companies with superior technology.

GHG emission amount



*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.
 *Energy consumption in Scope 1 during the period from FY2019 to FY2022 is zero.
 *Scope 1 and 2 only covered Tokyo head office until FY2021, and are now expanded to 7 domestic branches (Tokyo head office, Nishi-Nihon Branch, Chubu Branch, Kyushu Branch, Chugoku-Shikoku Branch, Hokkaido Sales Office and Okinawa Sales 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 the 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 research by Tekko Building Co., Ltd.). 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, since GHG emissions volumes were recalculated using more precise and detailed electricity consumption data, the disclosed figures for FY2018 and beyond have been updated.

Roundtable Discussion with Outside Directors



Minako Takeuchi
Outside Director

Tokihiko Mori
Outside Director

Kenneth George Smith
Outside Director

Transformation Towards Becoming the Top Global Integrated M&A Company

Outside Eyes Providing Checks and Support

What kinds of management issues has the Board of Directors discussed in recent years and what kind of actions has it taken? Also, how have the Outside Directors assessed these moves from external perspectives and how have they worked to encourage improvement? We asked three of our Outside Directors to discuss their opinions and issues regarding the Company's corporate governance.

— External perspectives of management in FY2022

Mori: FY2022 was a year of major change. After announcing the inappropriate incident in FY2021, the Company began FY2022 by deliberating on recurrence prevention measures, while also considering the content of disciplinary actions imposed on the perpetrators. The mood in the Company at that time was that, although the disciplinary actions had been decided and the matter had been settled to a degree,

feelings had not yet caught up to that fact. Opinion was also divided within the Company about the adequacy of the Company's actions toward the employees who had received the punishment, and as the new fiscal year started, the sense of unity in the organization remained shaky. Against this background, sales activities in the three months of the first quarter did not go well as anticipated, and the remaining nine months were spent building up the required numbers. My view is that a diversity of values gradually manifested throughout this period.

It could be said that the Group was previously an organization with a monoculture, and that with its declared mission of "saving the 600,000 businesses that will go out of business despite being profitable due to the absence of a successor," it had achieved overwhelming success through spirit and determination. On the other hand, when it came to the work-life balance of employees, there was an element of the organization as a whole being seen as a group that skewed toward the work side of the scales. This was likely the corporate culture that had become established as the Company constantly pursued outcomes that exceeded the expectations of clients and shareholders. The executive management team recognized this point clearly as one cause of the inappropriate incident, and it spent the year launching activities that took diversity into consideration. This change in the attitude of management was, in my view, extremely swift, and I commend the high degree of the Company's ability to learn its lessons. Having said that, this work is far from complete, and there is still much that the Company needs to learn.

Takeuchi: The Group is now working on a balance between compliance and performance, and giving shape to that work and producing results will be its challenge for FY2023.

The executive management team has taken the various actions that they could conceive in an extremely short time, and my impression is that they have responded with a sense of speed. Mr. Mori mentioned that (employees') feelings had not yet caught up, and in that respect, the way that those responses have been perceived and accepted by employees has differed from person to person. We will need to carefully watch the process by which each individual comes to accept the situation.

Smith: This is my first year as an Outside Director, so I joined the Board of Directors when discussions about the inappropriate incident were already underway. I had heard that discussions in Board of Directors meetings were already very lively even before the problem occurred, and when I joined, I was greatly impressed by the frank and direct discussions taking place.

I believe that we could consider this incident as a wake-up call and view it as an opportunity for change and as something that has helped avoid an even larger problem occurring later down the track.

I have seen many companies in my 35 years as a management consultant, and I have found that the sense of speed and ability to get things done in this company to be outstanding. For example, issues that we raise at a Board of Directors meeting are often solved by the following month. I think that if that swift action could be conveyed well to shareholders and investors, it could become a good point of appeal.

Mori: With that example, the responses to our recommendations for the external recruitment of a chief

compliance officer (CCO) and the review of the sales structure were put into action with astounding swiftness.

Takeuchi: The situation in the Board of Directors is as Mr. Smith describes, and amid that, a number of agenda items have been raised regarding the issue of balance between compliance and performance that I mentioned earlier as an important topic.

For example, there is the question of how far compliance, which is the element of recurrence prevention, has progressed. We receive reports on what kind of internal whistleblowing reports have been made and on how they have been dealt with for the purpose of proper monitoring, and we check the contents of those reports and responses. In terms of performance, we drill down into each issue in our discussions, such as the questions of how the numbers are being reached and if they have not been reached, what the reasons are, what issues there are and how they should be responded to, and what specifically will be done to increase revenue per M&A transaction. The question of how to build a business portfolio to become the top global integrated M&A company comes up frequently, as do investment projects, and we emphasize discussions about their feasibility.



Giving shape to the balance between compliance and performance and producing results is the challenge for FY2023.

I do feel that the Company is approaching this challenge swiftly with a variety of actions.

Mori: By rights, the biggest issue for the Board of Directors of a holding company should be how to build the business portfolio under its umbrella and how to increase corporate and shareholder value, but unfortunately, this is not the case at the Group. One reason for this is that the Company was forced to respond to the incident very soon after its transition to the holdings company in October 2021, but there is also the fact that the core operating company of the Group, Nihon M&A Center, accounts for over 90% of overall revenue. In future, the operating companies should make their own decisions more independently, and the Board of the holdings company should discuss issues from a broader perspective.

Roundtable Discussion with Outside Directors

— Function of selection and nomination of Board of Directors membership

Mori: The Board of Directors membership in FY2022 was quite large, with eight internal Directors (including one who resigned) and seven Outside Directors, including Audit and Supervisory Committee Members. This was discussed in the Nomination Advisory Committee, and, coming after the compliance issue occurred, the conclusion was reached that it would be better not to make any significant changes. In FY2023, the number of internal Directors was reduced and there were changes made in the Outside Directors, and the Board now consists of six internal Directors and seven Outside Directors. In my personal opinion, I think that a membership of around ten is the optimal number.



A year in which activities that take diversity into consideration were launched. I commend the speedy change in management's attitude as the high degree of its ability to learn lessons.

Takeuchi: The Nomination Advisory Committee consists of three Outside Directors: Mr. Mori as chair, Mr. Yamada (Audit and Supervisory Committee member) and me, and two internal Directors: President Miyake and Senior Managing Director Naraki.

For the most recent election of Directors, the selection process and talent requirements were made clearer, and we achieved a higher degree of transparency, objectivity, and acceptability. Regarding the talent requirements, in particular, we identified the specifics of what kind of talent was needed in the Board for the current management strategy, and the Outside Directors on the Nomination Advisory Committee produced a list of potential candidates based on those requirements. We then narrowed down the candidates from that list.

We also applied those talent requirements to the Executive Officers who have the potential to become members of the Board of Directors in the future, conducting 360-degree evaluation and self-evaluation.

Mori: The full membership of the Committee checked the results of those evaluations, after which we split up and conducted feedback interviews with the Executive Officers. In addition to its nomination function, the Nomination

Advisory Committee is also involved in successor development plans. The fact that evaluations and interviews were conducted using the same talent requirements is, in my view, a major step forward in terms of ensuring transparency and strengthening development.

Smith: In my view, it is a very fair and well-structured system, and, even when viewed from outside, it is highly convincing and likely to gain a great deal of support. I believe that this aspect of updating these kinds of committee functions and constantly striving to improve is one in which the Company has the lead over other companies.

Mori: Regarding our new Outside Directors, the three of us each recommended candidates to produce a longlist of over 20 people. We then set an order of priority against the talent requirements, and we planned to sound the candidates out about becoming Outside Directors. Ms. Mariko Ohsato, who was at the top of the priority list, accepted and the decision was made quite quickly.

With her experience as a business founder and owner, Ms. Ohsato is able to view issues from the client's perspective. The fact that she is a woman could also be described as an important factor in the respect of building a corporate culture that accepts diverse values. I also believe that she will be able to make beneficial recommendations regarding broadening the client base into areas that it has previously not covered, which will be needed when the time comes for the Group to rebuild its growth model.

Takeuchi: Ms. Ohsato is someone who can think about the business of M&A as an involved party, and she also has insights regarding DX. I expect that she will express her unreserved and incisive opinions. This is because, for us to move forward with compliance, we need to be an organization that is able to state unequivocally when something is wrong.

Mori: The Nomination Advisory Committee is also involved in the succession planning for the top management executives. President Miyake himself is also a member, so we have quite in-depth debate both in the Committee and on other occasions.

However, President Miyake is what you might call a "charismatic manager" who has not only developed the business strategies and tactics of his own company, but who has also built up the very industry itself. I imagine that we will have great difficulty finding someone to replace him in all those roles completely.

Takeuchi: The Committee is working to build mechanisms for succession preparations and to ensure the transparency and acceptability of the process, but when the time comes, it will be a herculean task to match specific names to the talent requirements. The candidates will have to develop their own attitude that, while they may not be able to do

things in exactly the same way as President Miyake, they will convince everyone and be accepted with their own way of doing things. The person nominated should take a positive approach and not miss the opportunity.

Smith: My view is that, while on the one hand, succession planning is the biggest risk for the Group, it will also be an opportunity for the person who will become the next President. With the replacement of such a charismatic president who has driven the growth of the Company, the question is, how far will the management team follow the new top executive? Will they be truly convinced in their hearts? In professional services companies in particular, it has to be a person about whom others can believe, 'I can walk alongside this person and grow the Company together with them.' We will need to watch carefully regarding whether or not the management team will actually support the new leader.

— Issues and effectiveness of the operation of the Board of Directors

Takeuchi: As Mr. Mori said earlier, there is still a gap between our Board and the inherent image of the Board of Directors of a holdings company. While the recovery of the M&A business's performance is undoubtedly an important theme in the immediate term, the next step must be to split up the functions and roles of the holding company's Board of Directors and the Boards of the individual operating companies.

Another thing that I believe is an issue in terms of the operation of the Board of Directors is obtaining information from the frontlines. Our requests for information are responded to properly, and we will continue to act ourselves and lobby others for our own knowledge. However, for example, I would appreciate it if the reference materials for the Board of Directors meetings could be delivered a little earlier, so we have more time to study them carefully.

Smith: It probably takes a great deal of time to prepare these materials to ensure the accuracy of the data, but if we could receive them a little earlier, even in the draft stage, we could read and study them in advance, which may make for better discussions.

My personal view is that the operation of the Board has become progressively smoother over the last year. I feel that the appropriateness of the discussions has improved, that is, that there has been an increase in the content that we should discuss.

Mori: The effectiveness of the Board of Directors is evaluated in the form of a survey, but instead of merely collating and analyzing the survey results, I think that all members of the Board of Directors should hold a discussion based on the responses given in the survey. I think that

gathering our opinions together and deliberating on the evaluation items would be extremely productive.

Takeuchi: To take it even further, I would like to see an evaluation of us Outside Directors as well. I think it would be excellent if it could shed light on the gaps in information between the internal and Outside Directors, that is, what kinds of information and how much of it is being provided, as there are areas that we do not know about.

— Expectations of the Nihon M&A Center Group

Mori: I have three expectations for the future of the Group. The first is the realization of high profits and high growth. I want the Group to return to that trajectory as soon as possible and to sustain it for the next ten years. My second expectation is that it will solve as many social issues as possible through the expansion of the Group's business. The third thing I want the Group to do is to produce many outstanding talents who will be able to contribute to the advancement of the Japanese economy.

Takeuchi: My hope for the Group, as it aims to become an integrated M&A company, is that, in addition to its core M&A business, its other businesses, such as PMI, Japan Investment Fund, and Batonz be not just pump-primers, but that they each increase their profitability independently, and that this will generate synergies and elevate the Group's presence as a top runner in the industry. Also, it would be wonderful if the Group could become an organization in which each and every employee is able to demonstrate their individual diverse value and work with enjoyment and vitality.

Smith: I am in complete agreement with everything that you have both said. If I could add my own expectations to that list, I hope that the Group will become a world-leading professional services firm originating in Japan. I believe that the Group already holds all the pieces to achieve that. I hope that it will turn its sights toward the world in its human resources development and social contributions, and spread its wings wide.



The recent inappropriate incident was a wake-up call. I see it as an opportunity that has helped avoid future risks.

Financial and Non-financial Highlights

Financial Items												
Fiscal Year		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Business Performance												
Sales	(Million yen)	7,214	10,547	12,227	14,778	19,069	24,625	28,463	32,009	34,795	40,401	41,315
M&A sales	(Million yen)	7,064	10,361	12,009	14,542	18,800	24,321	27,965	31,191	33,743	38,807	39,785
Other sales	(Million yen)	150	186	218	235	269	304	497	818	1,051	1,593	1,530
Operating profit	(Million yen)	3,405	5,448	6,098	7,002	9,046	11,605	12,533	14,247	15,336	16,430	15,298
Ordinary profit	(Million yen)	3,437	5,496	6,310	7,116	9,070	11,670	12,533	14,467	15,468	16,864	15,472
Profit before income taxes	(Million yen)	3,432	5,474	6,311	7,116	9,070	11,670	12,515	14,681	15,616	16,661	15,472
Profit attributable to parent company	(Million yen)	2,074	3,344	3,950	4,840	6,174	8,146	8,867	10,273	10,678	11,437	9,842
Financial positions												
Total assets	(Million yen)	10,564	13,977	16,750	20,141	24,956	31,737	35,638	44,296	54,110	58,919	65,765
Property, plant and equipment	(Million yen)	96	121	196	441	411	517	480	550	532	575	586
Capital	(Million yen)	8,363	10,902	13,465	16,741	16,059	21,995	27,143	35,858	44,451	50,743	54,431
Net assets	(Million yen)	8,364	10,903	13,465	16,763	16,080	22,043	27,264	35,943	44,690	51,026	54,720
Interest bearing liability (borrowings, bonds payable, etc.)	(Million yen)	100	100	100	100	4,500	3,500	2,500	1,500	500	—	—
Cash flows												
Cash flows from operating activities	(Million yen)	2,707	4,278	3,654	4,440	7,769	9,813	6,914	10,313	11,458	11,099	8,153
Cash flows from investing activities	(Million yen)	309	(1,020)	(6,269)	(5,210)	1,462	(8,102)	(605)	(5,801)	22,324	270	(3,999)
Free cash flows	(Million yen)	3,017	3,258	(2,615)	(770)	9,231	1,711	6,309	4,512	33,783	11,370	4,154
Cash flows from financing activities	(Million yen)	(666)	(799)	(1,440)	(1,498)	(2,555)	(3,418)	(4,549)	(2,327)	(3,095)	(5,943)	(6,093)
Stock-related information												
Basic earnings per share*2 *3	(yen)	155.60	83.63	98.78	121.04	77.21	50.82	55.13	63.30	32.46	34.60	29.76
Net assets per share	(yen)	627.47	272.65	336.72	418.66	202.21	136.78	168.75	219.91	134.49	153.51	164.48
Dividends	(yen)	55	90	35	49	44.5	41	23	26	28	18	23
Payout ratio	(%)	35.3	35.9	35.4	40.5	40.2	40.3	41.7	41.1	43.1	52.0	77.3
Financial indicators												
ROE (return on equity)	(%)	27.1	34.7	32.4	32.0	37.6	42.8	36.1	32.6	26.6	24.0	18.7
ROA (return on assets)	(%)	35.8	44.8	41.1	38.6	40.2	41.2	37.2	36.2	31.4	29.8	24.8
Capital adequacy ratio	(%)	79.2	78.0	80.4	83.1	64.3	69.3	76.2	81.0	82.1	86.1	82.8
Others												
Market capitalization	(Million yen)	55,251	110,529	165,953	261,926	292,928	599,512	496,481	490,722	1,007,254	581,233	331,543
Fiscal year-end share price*2 *3	(yen)	172.7	345.5	497.5	818.8	905.0	1,830.0	1,515.0	1,477.5	2,993.0	1,727.0	984.0
Transactions closed	(number of transactions)	207	256	338	420	524	649	770	885	886	996	1,050

Non-financial Items												
Fiscal Year		FY2018	FY2019	FY2020	FY2021	FY2022		FY2018	FY2019	FY2020	FY2021	FY2022
Environment												
GHG emissions volume*4 *5	(t-CO ₂)	187.7	205.9	120.9	0	129.1						
Scope 1*6	(t-CO ₂)	0	0	0	0	0						
Scope 2*6 *7 *8	(t-CO ₂)	187.7	205.9	120.9*9	0*9	129.1						
Scope 3*9	(t-CO ₂)	1,496.9	1,589.3	1,019.2	1,417.4	2,370.9						
Employment												
Number of employees	(persons)	—	582	810	972	1,083						
Number of M&A consultants	(persons)	—	390	473	568	622						
Rate of annually taking paid leave*1	(%)	—	35.80	35.40	40.00	46.6						
Average salary*1	(thousand yen)	—	13,533	12,434	12,022	11,140						
Rate of turnover*1	(%)	—	12.6	11.2	15.1	14.9						
Percentage of graduate entrants/mid-career hires	Graduate entrants (%)	—	7.9	8.5	10.1	19.6						
	Mid-career hires (%)	—	92.1	91.5	89.9	80.4						
Number of graduate entrants hired	(persons)	—	14	16	24	43						
Average age of employees	(age)	—	34.7	34.3	34.0	33.8						
Number of labor accidents	(cases)	—	3	0	2	0						
Diversity & inclusion												
Ratio of female managers	(%)	—	12.17	9.77	11.11	11.50						
Return-to-work rate after maternity/paternity leave	Male (%)	—	—	—	100.00	100.00						
	Female (%)	—	—	87.50	100.00	100.00						
Rate of taking maternity/paternity leave*10	Male (%)	—	0.00	0.00	10.00	30.20						
	Female (%)	—	100.00	100.00	100.00	100.00						
Health management												
Percentage of employees receiving health checkups*1	(%)	—	97.7	99.6	99.8	100.0						

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

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

*3 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.

*4 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.

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

*6 Scope 1 and 2 cover the Tokyo head office until FY2021. The coverage has been expanded since FY2022. (Tokyo head office, Nishi-Nihon Branch, Chuubu Branch, Kyushu Sales Branch, Chuu-Shikoku Sales Branch, Hokkaido Sales Office, Okinawa Sales Office)

*7 Since January 2021, the TEKKO BUILDING which houses the 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 research by Tekko Building Co., Ltd.).

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.

*8 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.

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

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

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: thousand yen)

	As of March 31, 2022	As of March 31, 2023		As of March 31, 2022	As of March 31, 2023
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	47,303,408	45,575,005	Accounts payable	560,867	878,918
Accounts receivable	1,460,003	2,998,881	Accrued expenses	1,976,488	1,734,574
Prepaid expenses	419,422	474,963	Income taxes payable	2,168,560	4,682,440
Other	792,951	3,958,614	Contract liabilities	433,610	297,975
Allowance for doubtful accounts	—	(8,490)	Deposits received	173,589	142,598
Total current assets	49,975,785	52,998,975	Provision for bonuses	307,284	306,649
Fixed assets			Other	1,910,766	2,634,965
Property, plant and equipment			Total current liabilities	7,531,166	10,678,121
Buildings	594,309	694,841	Long-term liabilities		
Accumulated depreciation	(279,569)	(326,241)	Long-term accounts payable - other	362,015	366,403
Buildings, net	314,740	368,599	Total long-term liabilities	362,015	366,403
Other	624,830	631,548	Total liabilities	7,893,181	11,044,524
Accumulated depreciation	(363,715)	(413,643)	Net assets		
Other, net	261,115	217,905	Shareholders' equity		
Total property, plant and equipment	575,855	586,505	Paid-in capital	3,785,441	4,045,552
Intangible assets	230,947	298,324	Capital surplus	3,648,519	3,908,630
Investments and other assets			Retained earnings	47,822,611	51,052,399
Investment securities	6,449,837	8,861,515	Treasury shares	(4,962,928)	(4,963,063)
Deferred tax assets	505,457	656,265	Total shareholders' equity	50,293,642	54,043,518
Long-term time deposits	7,264	7,866	Accumulated other comprehensive income		
Other	1,174,035	2,355,610	Valuation difference on available-for-sale securities	446,881	357,701
Total investments and other assets	8,136,595	11,881,257	Foreign currency translation adjustment	2,624	29,940
Total non-current assets	8,943,399	12,766,087	Total accumulated other comprehensive income	449,506	387,641
Total assets	58,919,184	65,765,062	Share acquisition rights	16,123	14,404
			Non-controlling interests	266,729	274,974
			Total net assets	51,026,002	54,720,538
			Total liabilities and net assets	58,919,184	65,765,062

Consolidated Statements of Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Sales	40,401,573	41,315,716
Cost of sales	16,258,217	17,803,776
Gross profit	24,143,355	23,511,939
Selling, general and administrative expenses	7,713,252	8,213,606
Operating profit	16,430,102	15,298,332
Non-operating income		
Compensation income	2,404	—
Interest income	9,623	12,928
Dividend income	28,000	35,016
Gain on investments in investment partnerships	226,986	25,310
Share of profit of entities accounted for using equity method	111,893	87,687
Foreign exchange gains	3,058	—
Subsidy income	48,862	—
Miscellaneous income	20,409	60,846
Other	7,254	971
Total non-operating income	458,493	222,760
Non-operating expenses		
Interest expenses	593	0
Foreign exchange losses	—	10,389
Miscellaneous losses	23,939	34,614
Other	—	3,200
Total non-operating expenses	24,532	48,203
Ordinary profit	16,864,064	15,472,889
Extraordinary income		
Gain on sale of non-current assets	2,355	—
Gain on sale of investment securities	399	—
Total extraordinary income	2,755	—
Extraordinary losses		
Expenses related to correction of prior period financial statements	205,494	—
Total extraordinary losses	205,494	—
Profit before income taxes	16,661,325	15,472,889
Income taxes - current	5,233,687	5,725,327
Income taxes - deferred	(60,712)	(103,627)
Total income taxes	5,172,974	5,621,700
Profit	11,488,350	9,851,188
Profit attributable to non-controlling interests	50,789	8,253
Profit attributable to owners of parent	11,437,560	9,842,935

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	11,488,350	9,851,188
Other comprehensive income		
Valuation difference on available-for-sale securities	293,925	(89,180)
Foreign currency translation adjustment	4,315	27,306
Total other comprehensive income	298,241	(61,873)
Comprehensive income	11,786,591	9,789,315
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,735,285	9,781,070
Comprehensive income attributable to non-controlling interests	51,305	8,244

Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	16,661,325	15,472,889
Depreciation	142,561	205,120
Amortization of goodwill	22,059	22,059
Increase (decrease) in allowance for doubtful accounts	—	8,490
Increase (decrease) in provision for bonuses	72,868	(634)
Increase (decrease) in provision for bonuses for directors (and other officers)	(371,000)	—
Interest and dividend income	(37,623)	(47,944)
Interest expenses	593	0
Loss (gain) on sale of non-current assets	(2,355)	—
Foreign exchange losses (gains)	(4,960)	(10,350)
Share of loss (profit) of entities accounted for using equity method	(111,893)	(87,687)
Loss (gain) on sale of investment securities	(399)	—
Expenses related to correction of prior period financial statements	205,494	—
Decrease (increase) in trade receivables	1,589,704	(1,538,414)
Decrease (increase) in prepaid expenses	(88,618)	(55,343)
Increase (decrease) in trade payables	8,895	314,347
Increase (decrease) in accrued expenses	(126,677)	(242,175)
Increase (decrease) in advances received	(171,920)	—
Increase (decrease) in contract liabilities	433,366	(136,178)
Increase (decrease) in deposits received	21,996	(31,086)
Increase (decrease) in long-term accounts payable - other	(29,492)	4,388
Decrease (increase) in leasehold and guarantee deposits	29,072	(178,329)
Decrease (increase) in consumption taxes refund receivable	(656,631)	(752,749)
Other	(202,309)	722,052
Subtotal	17,384,056	13,668,455
Interest and dividends received	89,401	99,651
Interest paid	(596)	(0)
Payment of expenses related to correction of prior period financial statements	(106,424)	—
Income taxes paid	(6,266,452)	(5,614,707)
Cash flows provided by (used in) operating activities	11,099,984	8,153,399
Cash flows from investing activities		
Purchase of property, plant and equipment	(165,390)	(178,693)
Purchase of intangible assets	(89,397)	(139,879)
Purchase of investment securities	(873,857)	(2,674,892)
Proceeds from sale of investment securities	400	—
Proceeds from share of profits on investments in capital	383,941	151,127
Payments into time deposits	(2,999)	(169,285)
Proceeds from withdrawal of time deposits	1,000,000	—
Other	17,785	(987,379)
Cash flows provided by (used in) investing activities	270,480	(3,999,003)
Cash flows from financing activities		
Proceeds from issuance of shares	10,820	518,994
Proceeds from issuance of share acquisition rights	—	480
Purchase of treasury shares	(664)	(135)
Repayments of long-term borrowings	(500,000)	—
Dividends paid	(5,453,956)	(6,613,147)
Cash flows provided by (used in) financing activities	(5,943,800)	(6,093,808)
Effect of exchange rate change on cash and cash equivalents	10,463	38,801
Net increase (decrease) in cash and cash equivalents	5,437,128	(1,900,610)
Cash and cash equivalents at beginning of period	41,863,754	47,300,883
Cash and cash equivalents at end of period	47,300,883	45,400,272

Corporate and Stock Information (As of March 31, 2023)

Company Information

Company name	Nihon M&A Center Holdings Inc.
Paid-in capital	4,045 Million yen (Tokyo Stock Exchange Prime Market/ Stock code: 2127)
Established	April 25, 1991
Number of employees (consolidated)	1,111 (as of September 30, 2023)
Location	Tokyo head office 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. ZUUM-A Co., Ltd. Special People Association co., Ltd Nihon M&A Center Vietnam co., LTD. Nihon M&A Center Singapore Pte. Ltd. Nihon M&A Center Malaysia Sdn. Bhd. Japan Private Equity Co., Ltd. Yano Research Institute Ltd. Next-Navi Inc. Japan Investment Fund Inc. Search Fund Japan, Inc.

Major Shareholders

Name	No. of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	59,925,000	18.11
Custody Bank of Japan, Ltd. (trust account)	22,807,300	6.89
Suguru Miyake	20,817,400	6.29
SSBTC CLIENT OMNIBUS ACCOUNT	10,760,242	3.25
Yasuhiro Wakebayashi	8,616,405	2.60
THE BANK OF NEW YORK MELLON 140044	5,508,900	1.66
STATE STREET BANK WEST CLIENT - TREATY 505234	5,205,800	1.57
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	4,521,918	1.37
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	4,356,500	1.32
The Dai-ichi Life Insurance Company, Limited	3,981,200	1.20

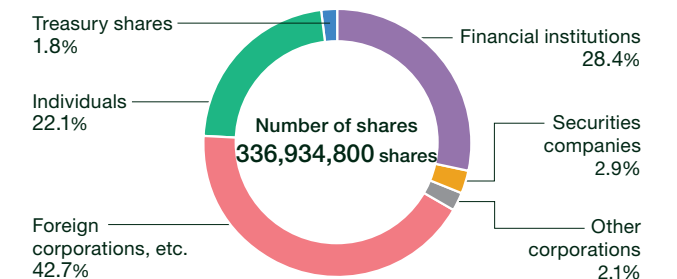
*Shareholding ratio is calculated excluding 6,005,099 shares of treasury stock.

Stock Information

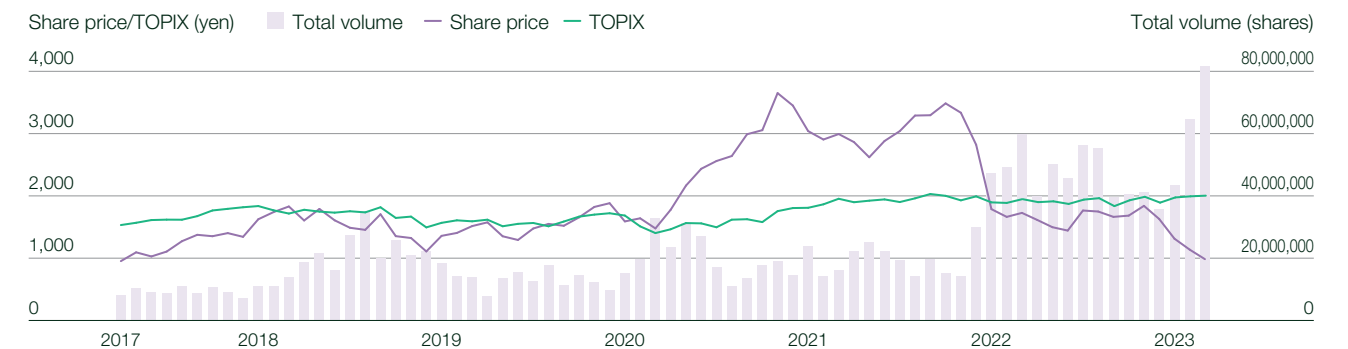
Total number of shares authorized	576,000,000 shares
Total number of shares outstanding	336,934,800 shares
Total number of shareholders	62,367

*Total number of shares outstanding includes 6,005,099 shares of treasury stock.

Distribution of Shares by Type of Shareholder



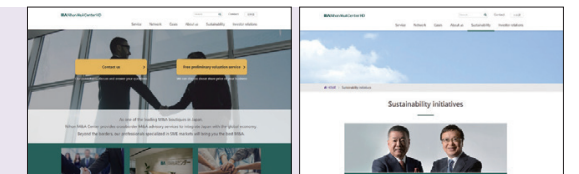
Share Price



*As of April 1, 2021 and April 1, 2018, 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, Commitments, and Inclusion in the Index

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 three 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).

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

TERMS AND CONDITIONS
<http://info.msci.com/1/36252/2017-06-27/kj5n9b>



FTSE4Good Index Series, FTSE Blossom Japan Series

We have been included 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, for three consecutive years since 2021. We were also included in the FTSE Blossom Japan Sector Relative Index (FTSE Blossom SR) which was newly established last year. The index is designed to reflect the performance of Japanese companies that demonstrate relatively excellent Environmental, Social and Governance (ESG) practices in their respective sectors.

FTSE Blossom Japan Index and FTSE Blossom SR have been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).

*FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that Nihon M&A Center Holdings, Inc. has qualified for inclusion in the FTSE4Good Global Index Series, FTSE Blossom Japan Index, and FTSE Blossom Japan Sector Relative Index as a result of independent investigation. These indexes were established and designed to measure the performance of companies that demonstrate excellent Environmental, Social and Governance (ESG) practices by FTSE Russell, a global index provider. The indexes are widely used to create and evaluate sustainable investment funds and other financial products.

S&P/JPX Carbon Efficient Index

We were included in the S&P/JPX Carbon Efficient Index, a stock price index with a focus on E (environment), which covers stocks listed on the Tokyo Stock Exchange Index (TOPIX) and determines the inclusion ratio of its constituent stocks based on the status of environmental information disclosure and the carbon efficiency level. The index was jointly developed and is calculated by the US-based S&P Dow Jones Indexes and the Japan Exchange Group. The index has been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).



JPX-Nikkei Index 400

The JPX-Nikkei Index 400 is composed of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives. The index is jointly calculated and published by JPX Market Innovation & Research and Nikkei.



JPX Prime 150 Index

We were included in the JPX Prime 150 Index, a new stock price index developed by JPX Market Innovation & Research, Inc., which is composed of stocks selected to represent companies that are estimated to create value based on two perspectives to measure value creation: return on capital and market valuation. The Company was selected based on equity spread criteria (return on capital).

GUINNESS WORLD RECORDS™ title

Guinness World Records recognized us as “Best-selling mergers and acquisitions advisory company” for three consecutive years in 2020 (783 cases), 2021 (1,013 cases), and 2022 (989 cases).

*Best-selling M&A financial advisory company
 Target period: 2020, 2021, 2022



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.

