

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.

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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

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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:

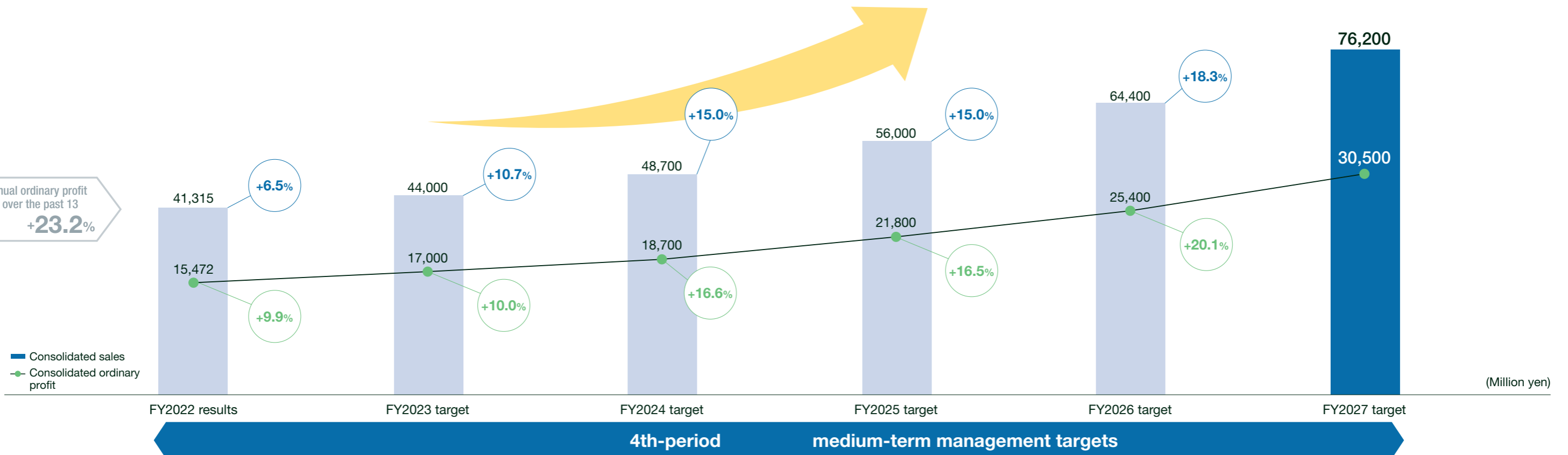
1,050

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

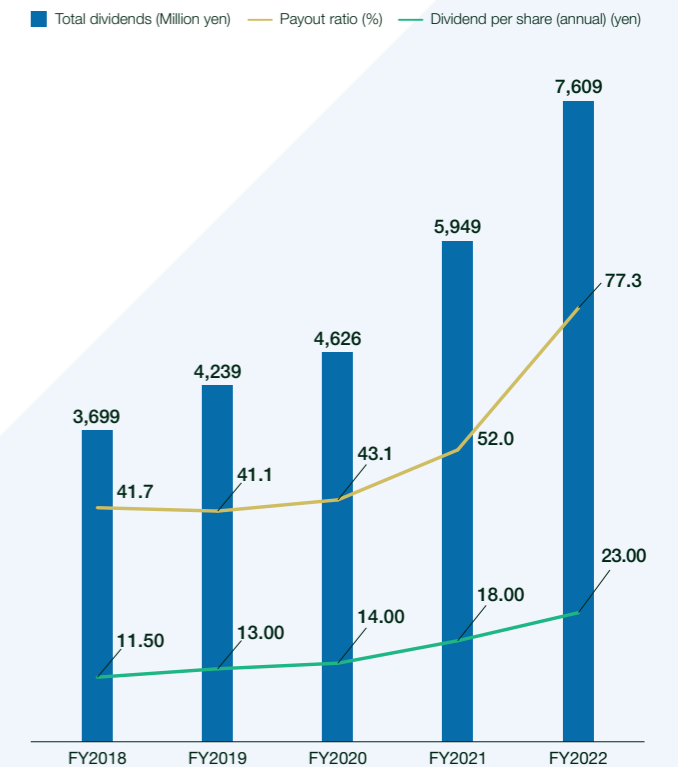
We have also set a target of 25% for ROE by FY2027, our current medium-term management target period. To achieve this target, we need to grow the company by increasing sales by 1.5 times from the current level to ¥76.0 Billion and doubling ordinary profit to over ¥30.0 Billion by the target period. As 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)

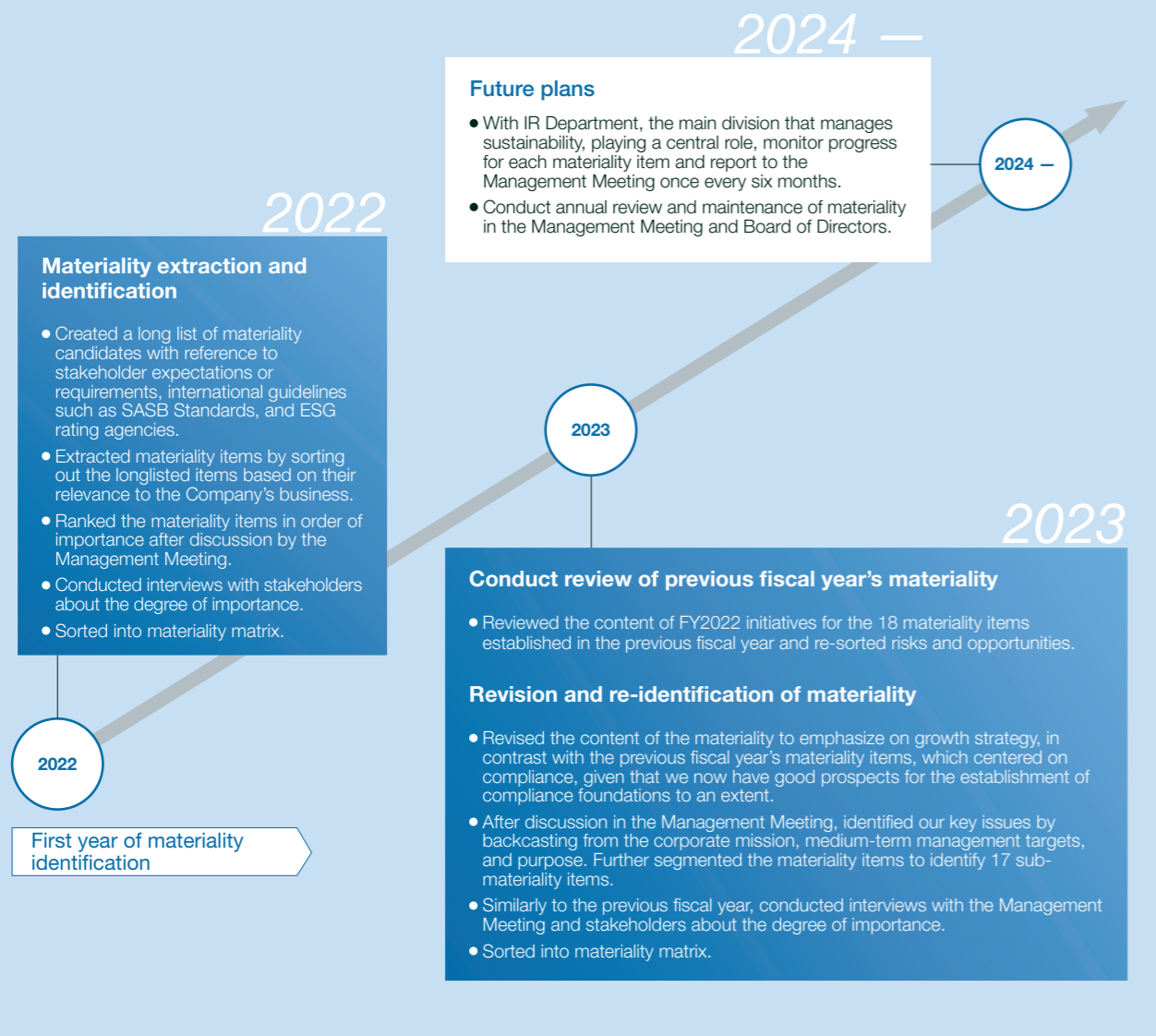
Nihon M&A Center Group positions social issues as the theme of its business and creates value by resolving the issues through its business activities. Currently, the Group is faced with a number of social issues. Last year, for the first time, we classified the impact of those issues on society as well 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.

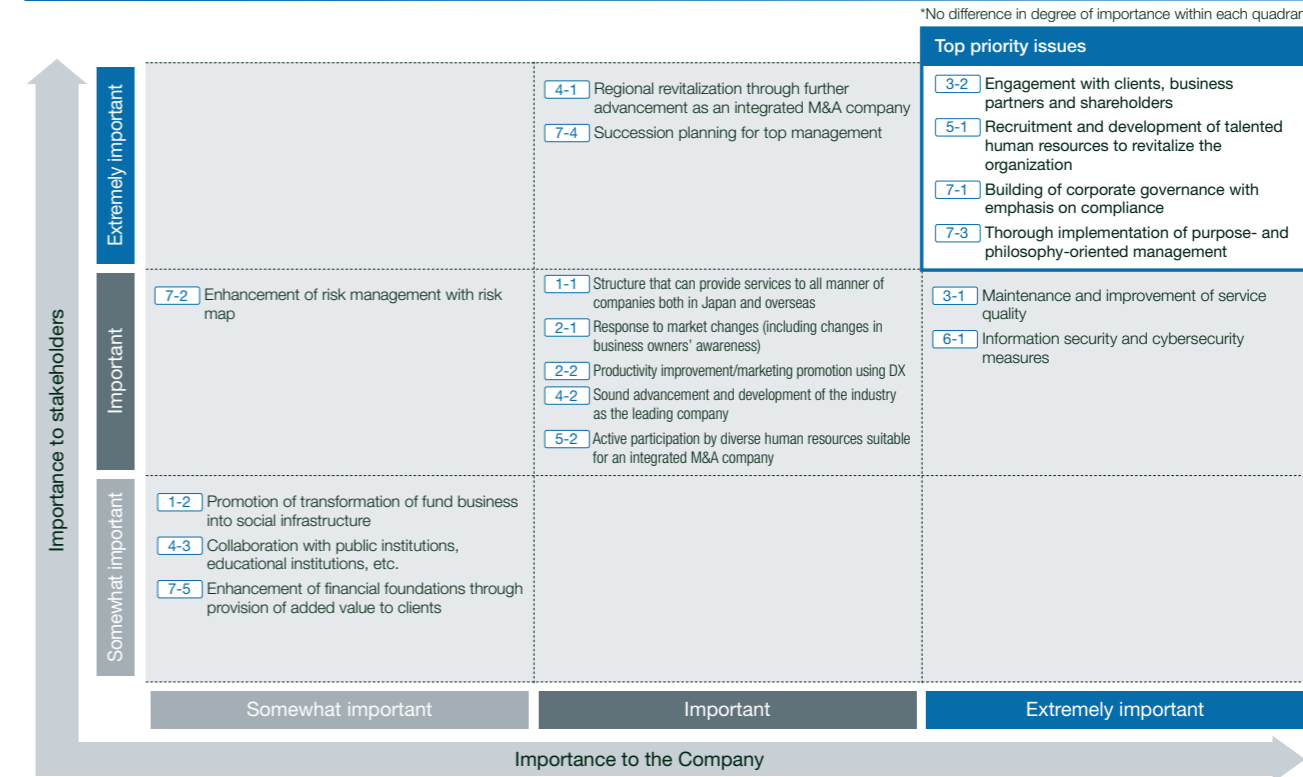
Materiality items identified are then reviewed and approved by the Board of Directors.



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.

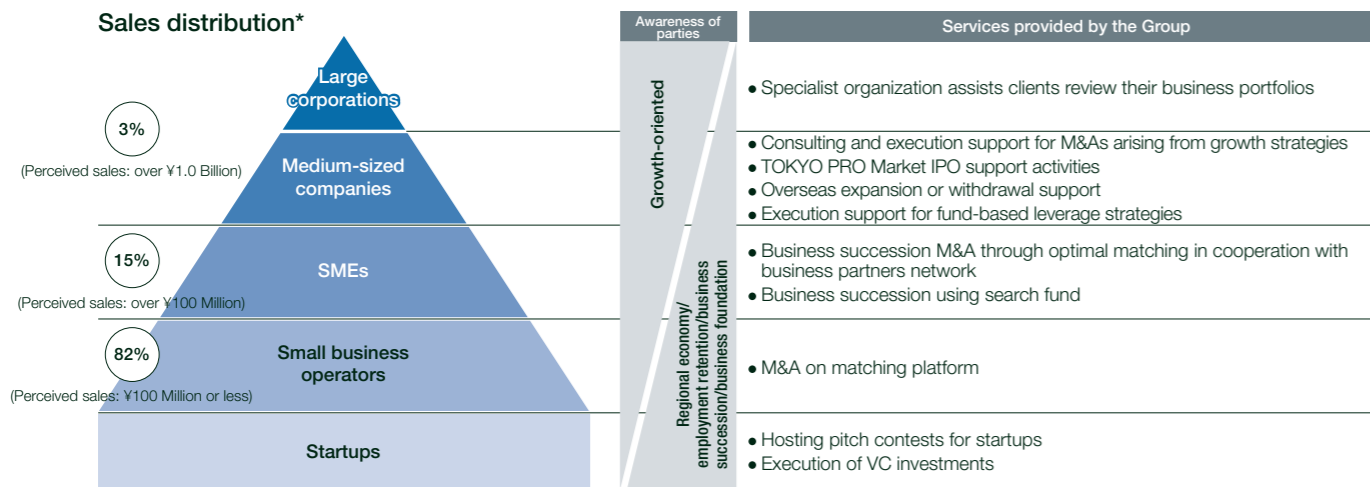
1-1 Structure that can provide services to all manner of companies both in Japan and overseas

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.

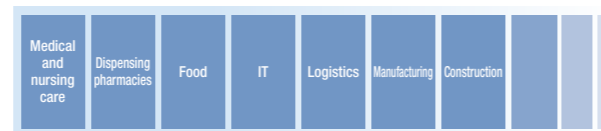
Sales distribution*



*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.



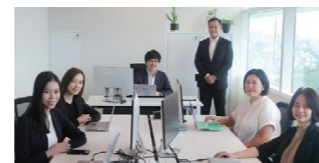
By area

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.

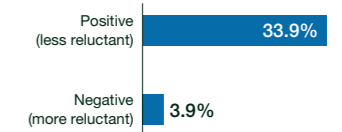
2 Innovation

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.

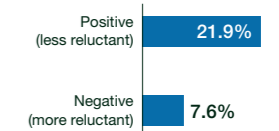
In this way, the market environment has shifted from support organizations exploring latent M&A needs by raising awareness among business owners, to a situation where M&A needs are more apparent, and business owners themselves are proactively searching for support organizations and choosing whom they 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?



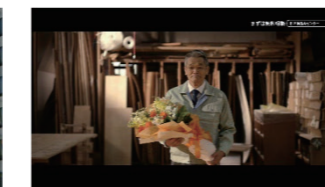
Source: "2021 White Paper on Small and Medium Enterprises in Japan," the Small and Medium Enterprise Agency

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.

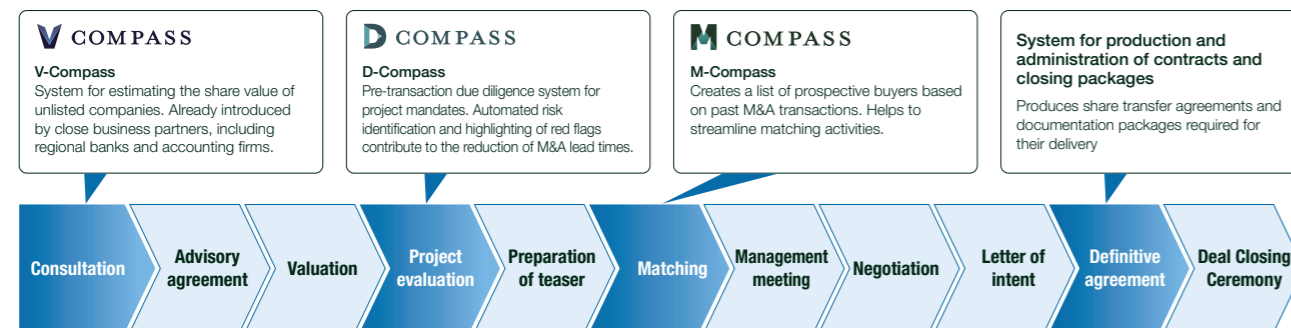
Initiatives Concerning Materiality

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](#)