

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.

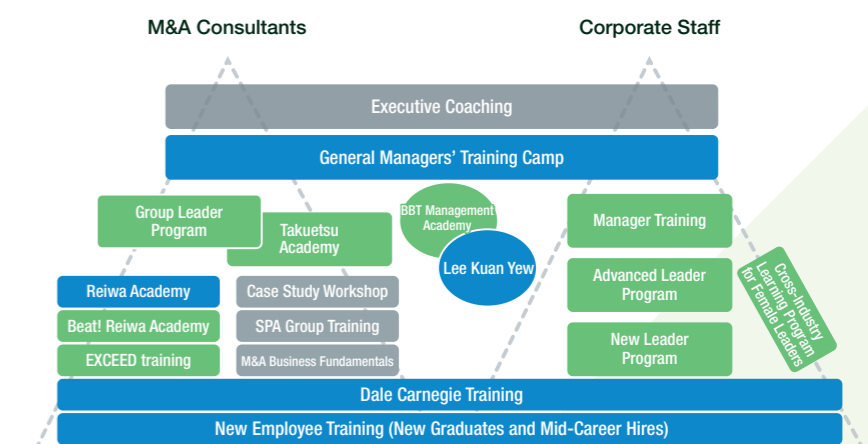
New Leader Program (NLP)/Advanced Leader Program (ALP)

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

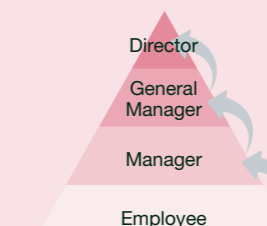
We are working on creating a collaborative culture and raising awareness among our female employees to cultivate an environment that promotes women’s empowerment. By implementing individual measures tailored to each level of the organization, we aim to achieve our goals.

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”.

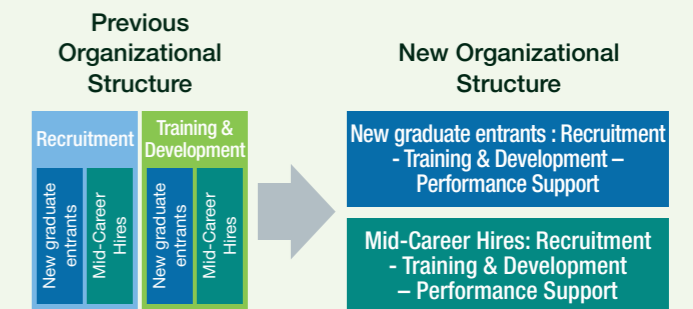
Transforming HR from “Functional Teams” into “Mission-Driven Teams”

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

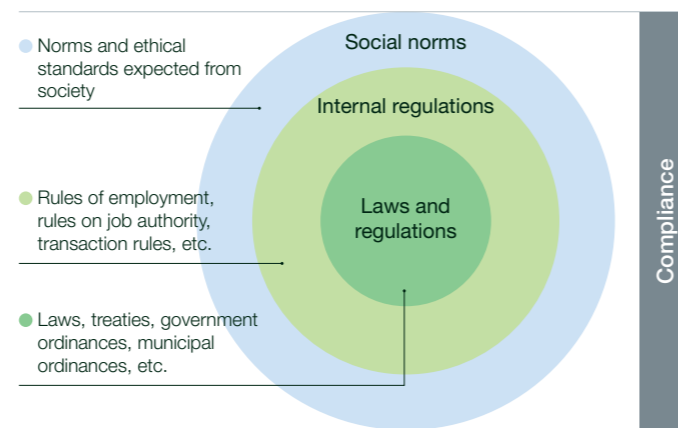
Nihon M&A Center Group places the utmost importance on on-going compliance activities, which we regard as essential for maintaining and improving trustworthiness in our business. In FY2022, we established a compliance foundation to prevent the recurrence of any inappropriate incident. Starting from FY2023, 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.

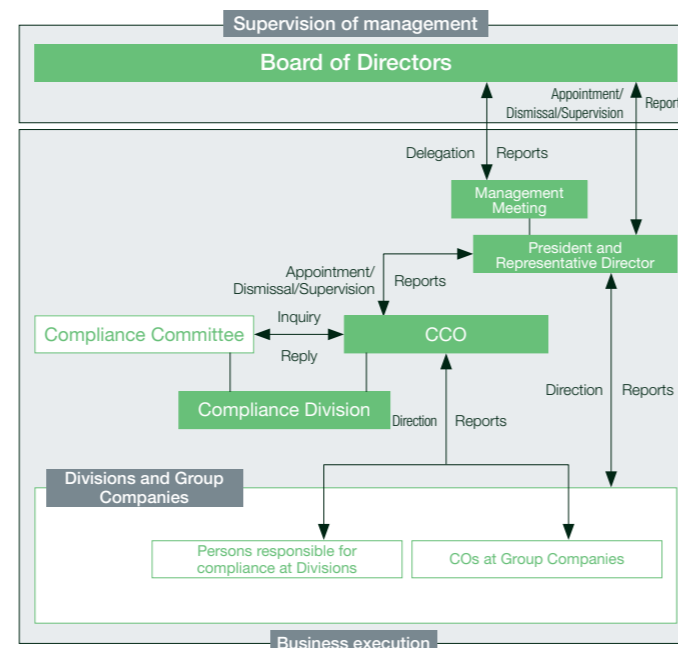
In addition, we are promoting enhancement of the compliance system of the Group, and at the same time, making on-going efforts to instill and establish compliance from the perspective of education through measures such as regular implementation of effective training.



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
	August	All division heads	Compliance	Monthly	New employees	Compliance
		All employees	Information security		New employees	Information security
September	All employees	Information security	New employees		Risk management	
	All employees	Prevention of insider trading	New employees		Information management	
			New 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)

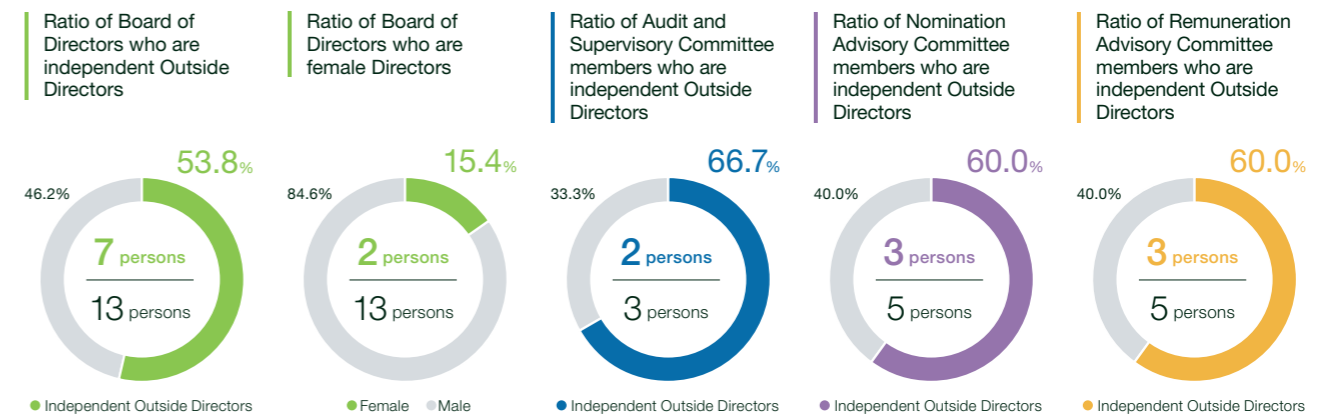
Board of Directors meeting: 100% (12/12)
Audit and Supervisory Committee meeting: 100% (13/13)

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.

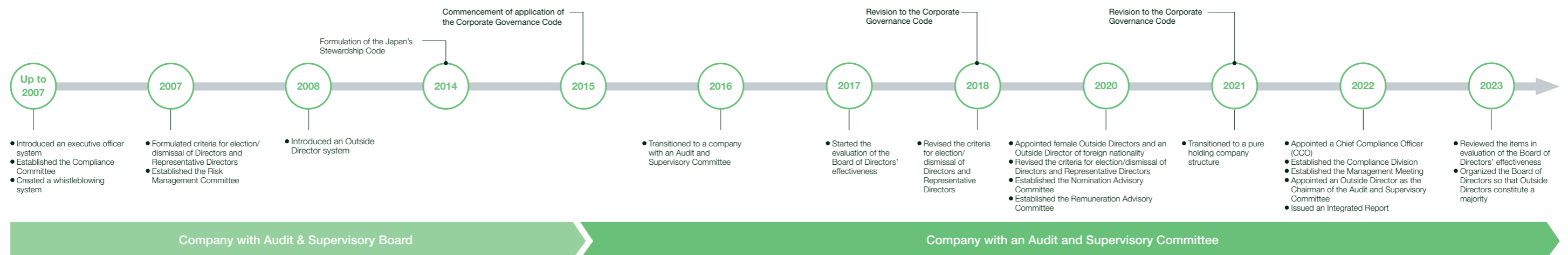
In the case that any event that is deemed to fall under the criteria for dismissal of a Director or Representative Director occurs, the Nomination Advisory Committee deliberates and reports to the Board of Directors which makes a decision on the action.

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.

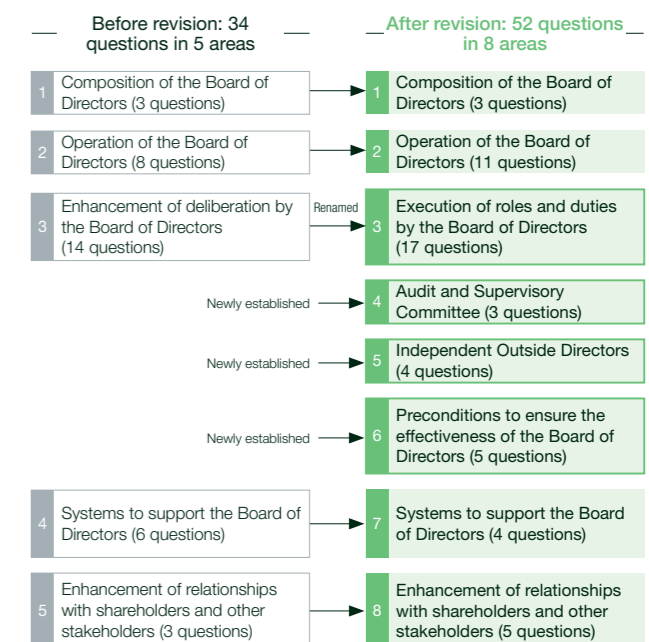
The summary of the evaluation results for FY2022 is as described below.

<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

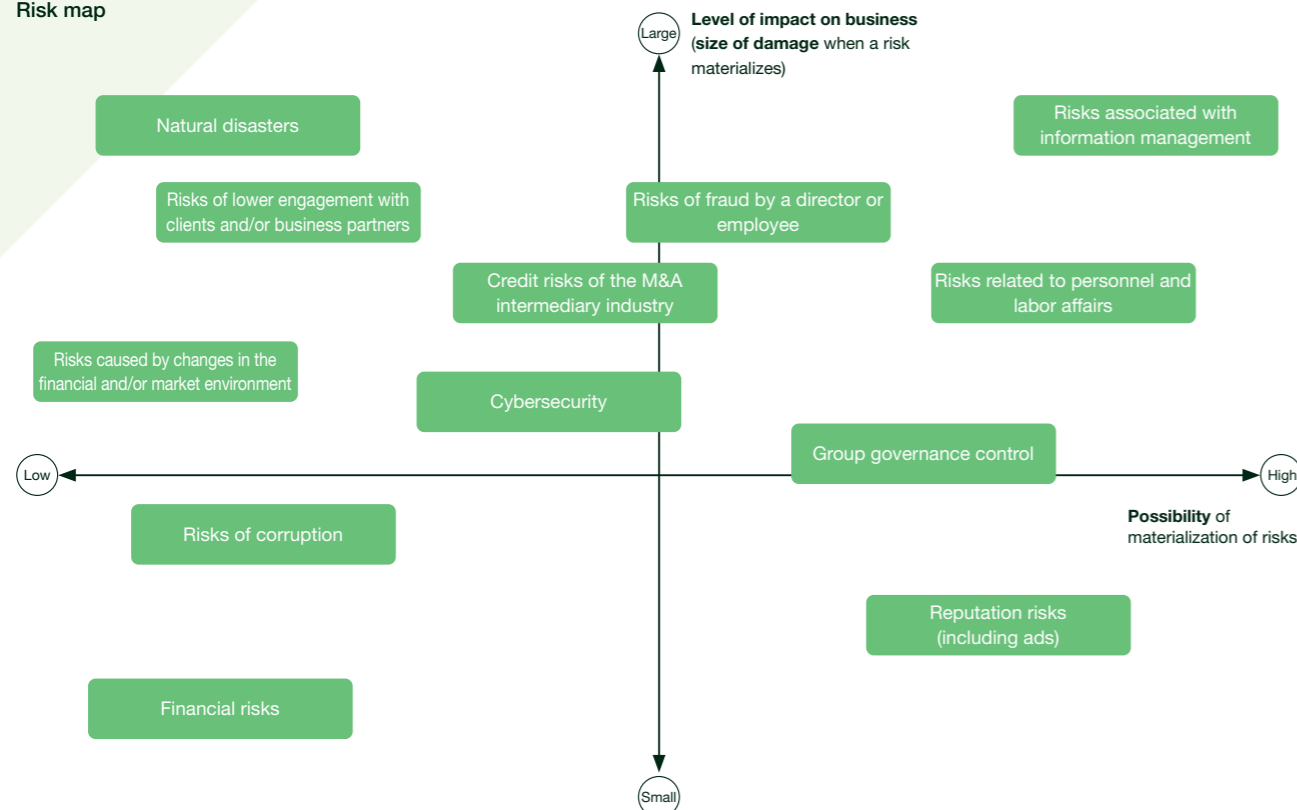
Meetings of the Risk Management Committee, which is chaired by CCO (Chief Compliance Officer), are held on a regular basis in order to address operational risks of the Group. The Committee identifies, analyzes, assesses risks, considers countermeasures, monitors the progress of and improves these measures. 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.

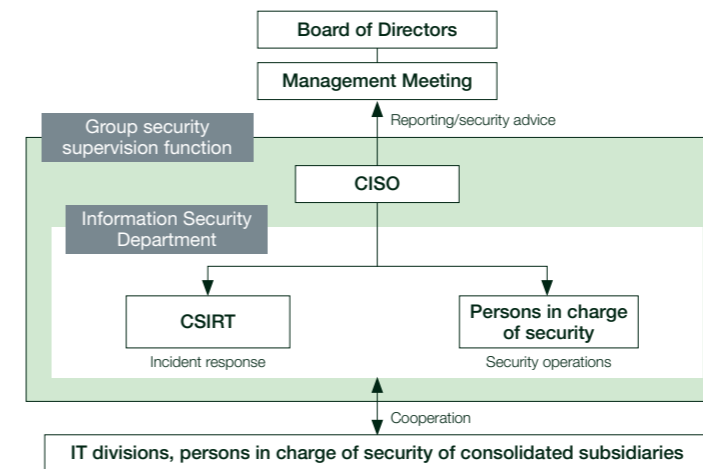
The "CSIRT" ascertains the situation when a security incident occurs, responds to the incident, mitigates damage, implements recovery and recurrence prevention measures, and handles such measures. The persons in charge of security ascertain security measures and plans, supervise them in their entirety,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



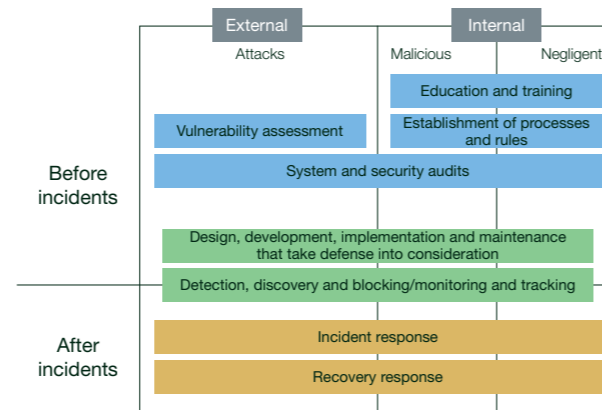
Risk Management

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

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>



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



Measures to mitigate climate change

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

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

Methods for adapting to climate change

Starting with protection from general flood damage, 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.

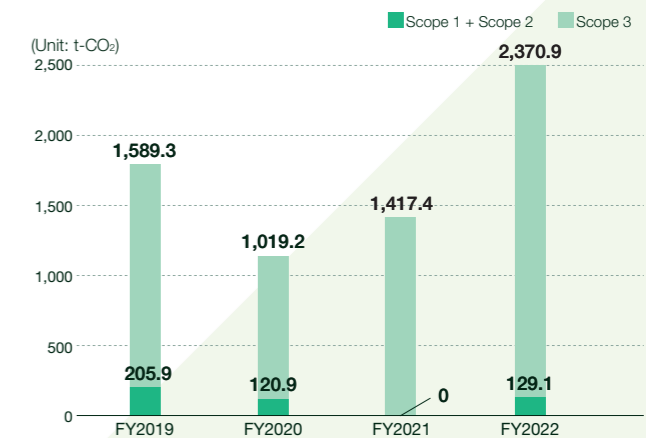
The Company has a system necessitating the use of the individual's ID card when printing documents, which captures information on how much each individual uses printers. In addition, in its M&A process, the Company has introduced electronic contracts to help reduce paper resources and contribute to enhancing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