

Assisting companies to continue and prosper through M&A

# IR Nihon M&A Center Report

Financial Results Report for Q3 FY2019

Year to March 2020 TSE 1st Section 2127

The information included in this presentation, such as industry trends and analysis, future plans and forecasts, is based on data available at the time of release. As the operating environment is subject to risks of large changes and uncertainties we make no guarantees regarding future plans or forecasts.

30.1.2020

「Aiming to become the  
top global integrated  
M&A company」



# To Become the Top Global Integrated M&A Company

## Number of projects

Number of mandated projects,  
number of transactions closed

## Customer satisfaction

Optimal matching and post-merger integration

## Quality control

Valuation, execution

## Broad coverage

Expanding operations from very small customers to large ones (in different space from investment banks) increasing our global presence

**Eight leading qualities**  
related to M&A that our group  
is aiming to achieve

## Integrated solutions

Providing a full range of services, including PMI, strategic, financial and HR planning, as well as every kind of related activity

## Innovation

Creating new industry standards for M&A

## Market capitalisation

Top market capitalisation in the M&A sector

## Employee satisfaction

Motivation, personal development, remuneration

\*Our aim is not to gain top rankings in league tables or among investment banks – it is to become the top global integrated company by achieving the eight qualities described above.



# Overview of Q3 FY2019 Results

9-month sales and ordinary profit at a record high

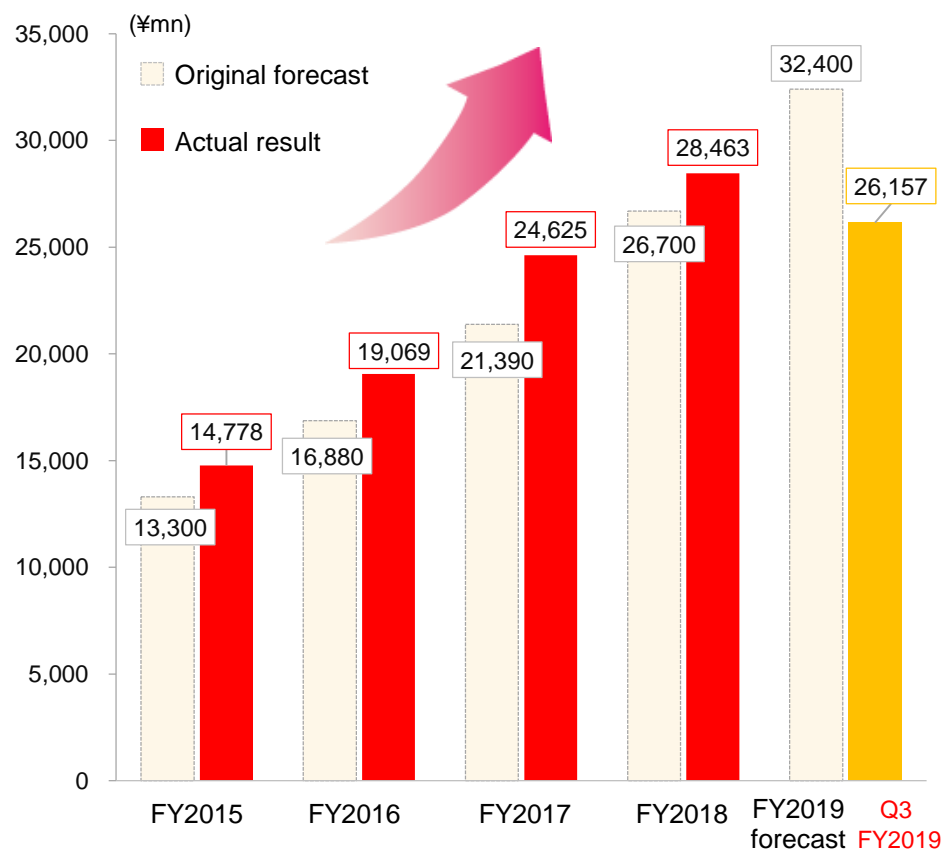
		FY2019 Q3(Cumulative)	FY2018 Q3(Cumulative)	Change (yoy)
Profitability	Sales (¥mn)	26,157	22,717	+15.1%
	Ordinary profit (¥mn)	13,003	10,829	+20.1%
Growth	Total number of employees	544	432	+25.9%
	Transactions closed <small>* Counting sell-side and buy-side mandates separately.</small>	743	605	+22.8%



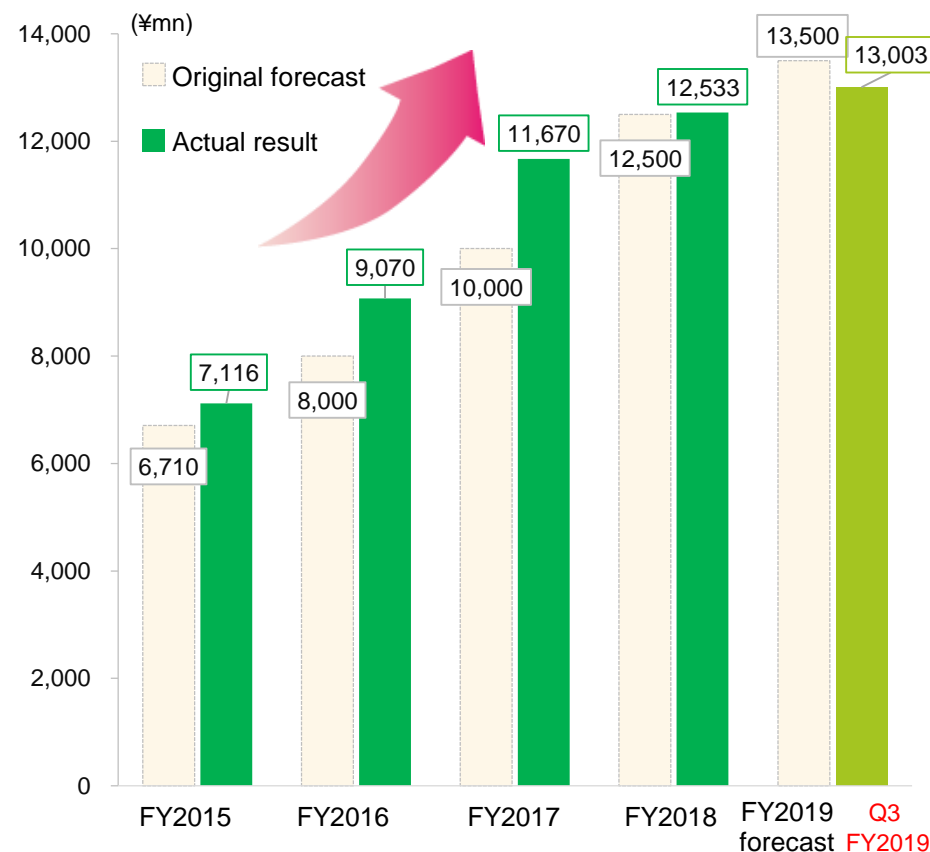
# Original Forecasts Versus Actual Results

For 9 consecutive years we exceeded original forecasts

## Sales



## Ordinary profit





# Paid-in Stock Options and Performance Targets

Achieved FY2019 ordinary income target (¥12.5 billion) in FY2018  
⇒ Aiming for early achievement of ¥15 billion target

	Period	Ordinary income (annual)	Ratio of exercisable paid- in stock options	Notes on ordinary income
(1)	FY2018	Over 11.5 billion yen	With (1) and (2) 30% of all paid-in stock options allotted	<FY2018 result> <b>¥12.53 bn</b>
(2)	FY2019	Over 12.5 billion yen		<FY2019 earnings forecast> <b>13.5 billion yen</b> , which equates to the level under the FY2020 exercise terms
(3)	FY2020	Over <b>13.5 billion yen</b>	30% of all paid-in stock options allotted	
(4)	FY2021	Over 15 billion yen	40% of all paid-in stock options allotted	

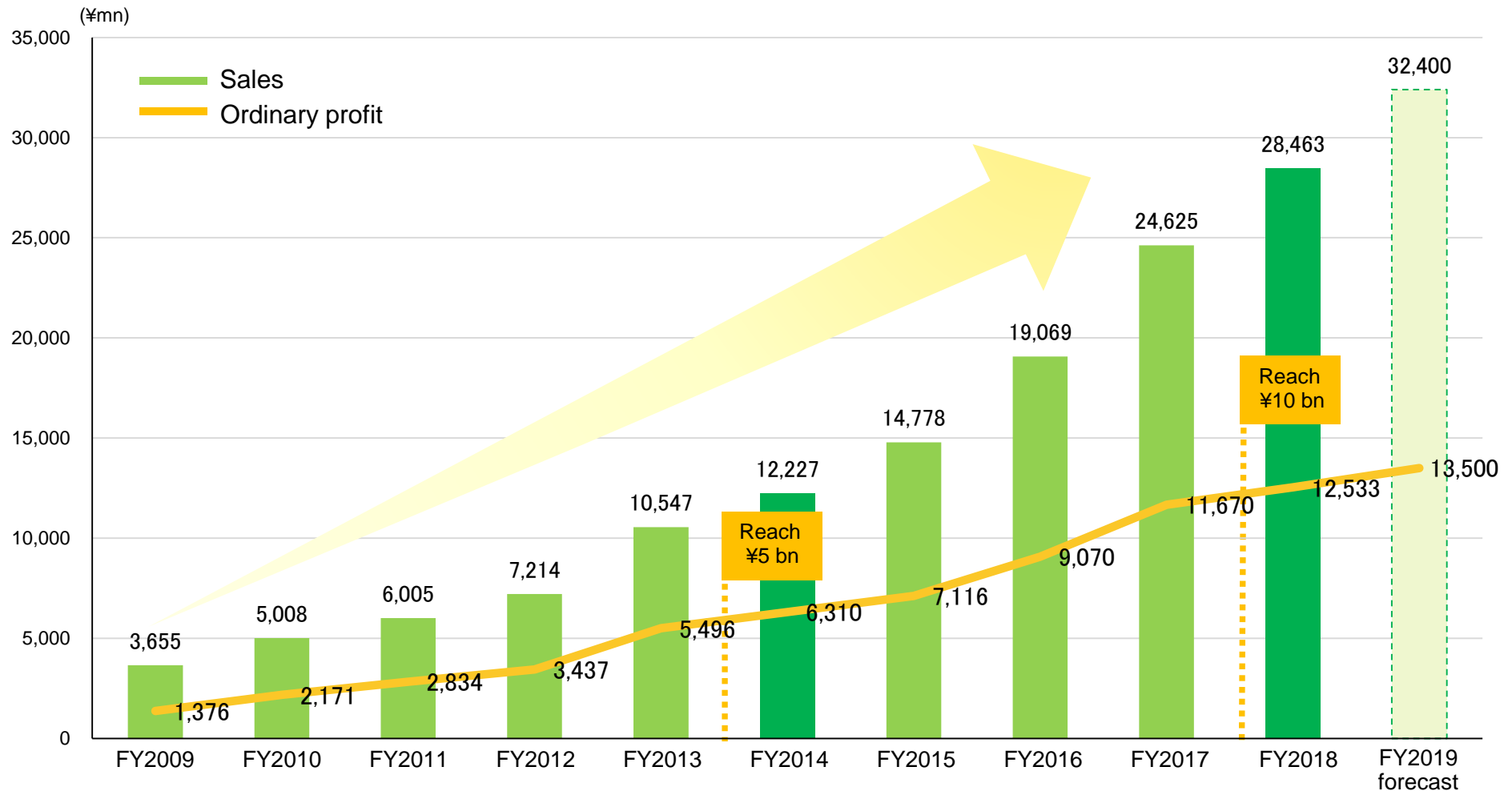
\* In the event that ordinary income dips below 9 billion yen at any time between FY2018 and FY2021 the paid-in stock options cannot be exercised (regardless of other conditions)

\* The maximum share issuance from paid-in stock options is equivalent to 2.7% of outstanding shares, exercisable on or after 1 July 2022



# 10-year Results Record

9th consecutive period of higher sales and profit





# Income Statement Key Data

Record profit: 9-month ordinary profit at a record high  
Ordinary profit +20.1%

(¥mn , %)	FY2019 (Q3 Results)		YoY %	FY2019 (Full-year Forecast)		FY2018 (Q3 Results)		FY2018 (Full-year Results)	
	Total	%		Total	%	Total	%	Total	%
Sales	26,157	100.0	+15.1%	32,400	100.0	22,717	100.0	28,463	100.0
(of which M&A sales)	(25,585)	(97.8)				(22,364)	(98.4)	(27,965)	(98.3)
Cost of sales	9,434	36.1				8,359	36.8	11,351	39.9
(of which referral fees and outsourcing expenses)	(3,774)	(14.4)				(3,404)	(15.0)	(4,328)	(15.2)
(of which personnel and transportation costs)	(5,521)	(21.1)				(4,816)	(21.2)	(6,857)	(24.1)
Gross profit	16,722	63.9				14,357	63.2	17,111	60.1
SGA expenses	3,869	14.8				3,532	15.6	4,578	16.1
Operating profit	12,853	49.1	+18.7%	13,500	41.7	10,825	47.7	12,533	44.0
Non-operating income	155	0.6				12	0.1	21	0.1
Non-operating expenses	5	0.0				7	0.0	21	0.1
Ordinary profit	13,003	49.7	+20.1%	13,500	41.7	10,829	47.7	12,533	44.0
Extraordinary gain	143	0.6				-	-	-	-
Extraordinary loss	0	0.0				-	-	17	0.1
Pretax profit	13,146	50.3				10,829	47.7	12,515	44.0
Tax (corporation tax & other)	4,130	15.8				3,177	14.0	3,648	12.8
Net profit	9,016	34.5	+17.8%	9,120	28.1	7,652	33.7	8,867	31.2

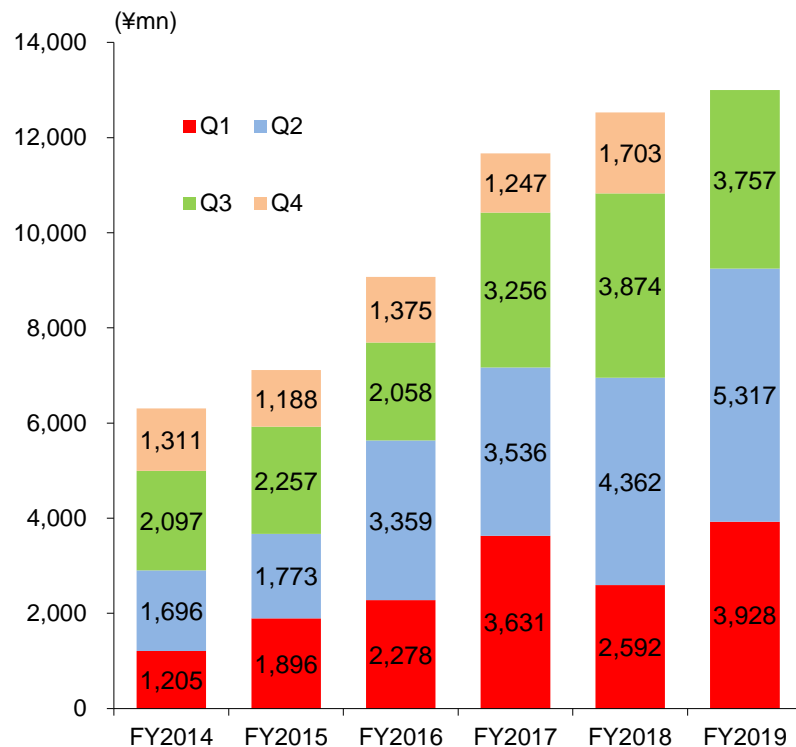




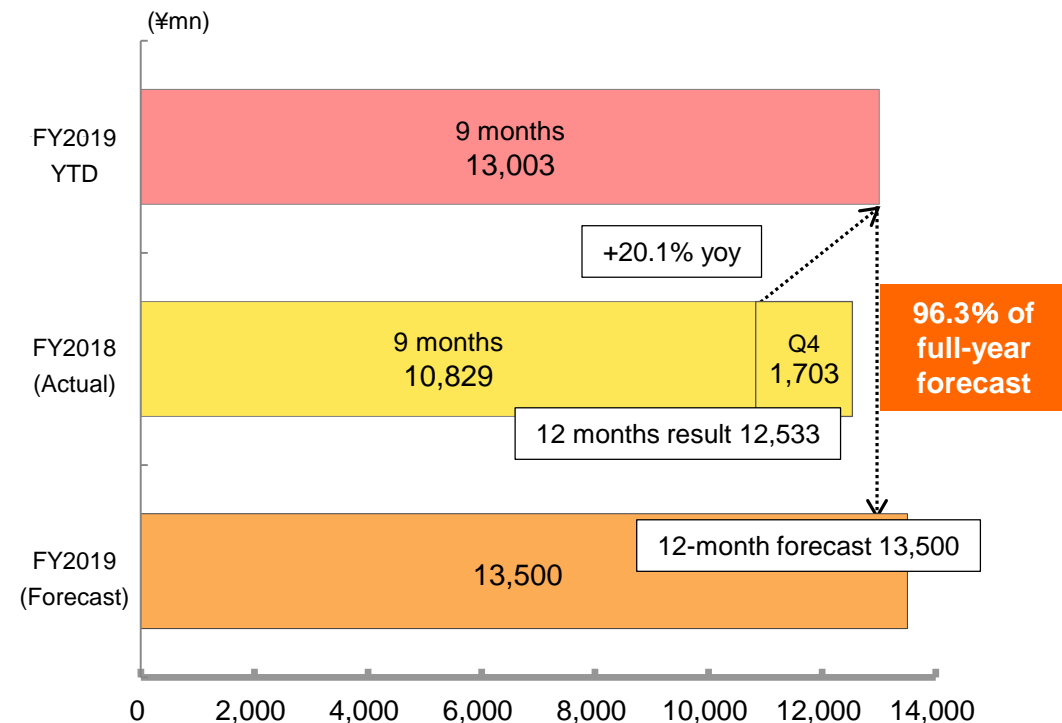
# Development of Ordinary Profit in Q3

9-month result 96.3% of full-year forecast

## Quarterly ordinary profit



## Results relative to full-year forecast



# Sales and Profit by Business Segment

## Breakdown of consolidated sales and gross profit by M&A and other

(¥mn)

	FY 2016		FY 2017			FY 2018 (Q3)		FY 2018			FY 2019 (Q3)		
	Total	%	Total	%	Y o Y	Total	%	Total	%	Y o Y	Total	%	Y o Y
Sales ①	19,069	100.0%	24,625	100.0%	129.1%	22,717	100.0%	28,463	100.0%	115.6%	26,157	100.0%	115.1%
Direct costs*1 ②	2,745	14.4%	3,716	15.1%	135.4%	3,542	15.6%	4,493	15.8%	120.9%	3,913	15.0%	110.5%
Gross profit (before unallocated cost of sales)	16,324	85.6%	20,909	84.9%	128.1%	19,174	84.4%	23,969	84.2%	114.6%	22,244	85.0%	116.0%
M&A sales	18,800	100.0%	24,321	100.0%	129.4%	22,364	100.0%	27,965	100.0%	115.0%	25,585	100.0%	114.4%
M&A cost of sales*2	2,604	13.9%	3,578	14.7%	137.4%	3,404	15.2%	4,328	15.5%	121.0%	3,774	14.8%	110.9%
M&A gross profit	16,195	86.1%	20,742	85.3%	128.1%	18,959	84.8%	23,636	84.5%	114.0%	21,810	85.2%	115.0%
Other sales	269	100.0%	304	100.0%	113.1%	353	100.0%	497	100.0%	163.5%	572	100.0%	162.0%
Other cost of sales	140	52.1%	137	45.1%	97.9%	137	39.1%	164	33.1%	120.0%	138	24.2%	100.2%
Other gross profit	128	47.9%	167	54.9%	129.6%	215	60.9%	332	66.9%	199.2%	433	75.8%	201.6%
Unallocated cost of sales*3 ③	4,233	22.2%	5,413	22.0%	127.9%	4,816	21.2%	6,857	24.1%	126.7%	5,521	21.1%	114.6%
Gross profit ((①)-(②)-(③))	12,090	63.4%	15,495	62.9%	128.2%	14,357	63.2%	17,111	60.1%	110.4%	16,722	63.9%	116.5%

\*1 Direct costs include M&A cost of sales (referral fees, outsourcing expenses) and other cost of sales

\*2 M&A cost of sales consists of referral fees and outsourcing expenses

\*3 Unallocated cost of sales includes personnel costs, transportation costs, other



# Balance Sheet Key Data

## Maintaining a healthy balance sheet

<b>Assets</b> (Unit: ¥mn, %)	<b>End-December 2019</b>	<b>%</b>	<b>Change</b>		<b>End-March 2019</b>
I Current assets	29,886	69.1	12,398		17,488
Cash and deposits	23,633	54.6	10,138		13,495
Other current assets	6,252	14.5	2,260		3,992
II Fixed assets	*13,362	30.9	-4,787		*18,149
<b>Total assets</b>	<b>43,249</b>	<b>100.0</b>	<b>7,611</b>		<b>35,638</b>

<b>Liabilities and net assets</b> (Unit: ¥mn, %)	<b>End-December 2019</b>	<b>%</b>	<b>Change</b>		<b>End-March 2019</b>
I Current liabilities	6,947	16.1	447		6,499
II Long-term liabilities	1,365	3.2	-508		1,874
<b>Total liabilities</b>	<b>8,313</b>	<b>19.2</b>	<b>-60</b>		<b>8,373</b>
Interest bearing liabilities	2,000	4.6	-500		2,500
<b>Net assets</b>	<b>34,936</b>	<b>80.8</b>	<b>7,672</b>		<b>27,264</b>
Retained earnings	34,528	79.8	5,324		29,203
<b>Total liabilities and net assets</b>	<b>43,249</b>	<b>100.0</b>	<b>7,611</b>		<b>35,638</b>

\* of which long-term deposits 9,000



# Transaction volumes

9-month total transactions closed a record high +22.8% (605⇒743)

(Units: number of deals, million yen)

	FY2016		FY2017					FY2018					FY2019			
	Q1	Full year	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Total
Total number of transactions closed (by number of companies) *1	127	524	173	207	151	118	649	173	212	220	165	770	234	285	224	743
Cumulative total for the financial year	406	-	173	380	531	649	-	173	385	605	770	-	234	519	743	-
Number of sell-side transactions closed	63	262	83	104	76	60	323	89	106	106	81	382	118	145	114	377
Number of buy-side transactions closed	64	262	90	103	75	58	326	84	106	114	84	388	116	140	110	366
Other transactions closed (eg restructuring)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
M&A sales (¥mn)	4,633	18,800	6,422	6,985	6,343	4,570	24,321	5,867	8,268	8,228	5,601	27,965	7,520	9,814	8,249	25,585
M&A sales/transaction (¥mn) *2	36.5	35.9	37.1	33.7	42.0	38.7	37.5	33.9	39.0	37.4	33.9	36.3	32.1	34.4	36.8	34.4
Total number of transactions closed *1	64	267	91	105	76	60	332	89	110	115	88	402	119	145	114	378
Cumulative total for the financial year	207	-	91	196	272	332	-	89	199	314	402	-	119	264	378	-
Number of sell-side mandates pending completion	650	700	710	750	810	880	880	950	1,030	1,070	1,100	1,100	1,300	1,370	1,410	1,410
Number of new sell-side mandates		624					760					986				-

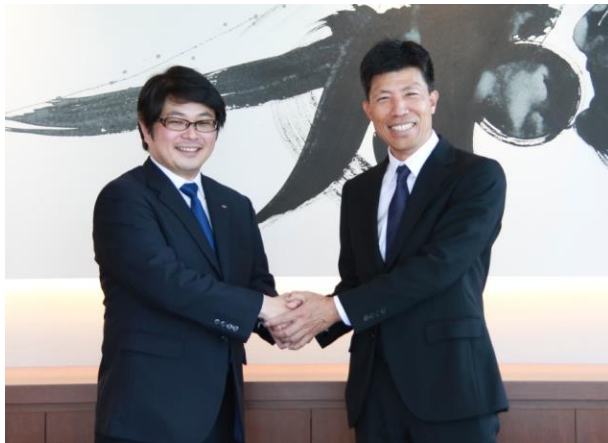
\*1 The total number of transactions closed by number of companies represents the sum of the number of completed sell-side and buy-side mandated transactions; the total number of transactions closed represents the number of transactions in which we were involved.

\*2 This number represents M&A sales (including retainers and other fees) divided by the number of transactions closed (number of companies)

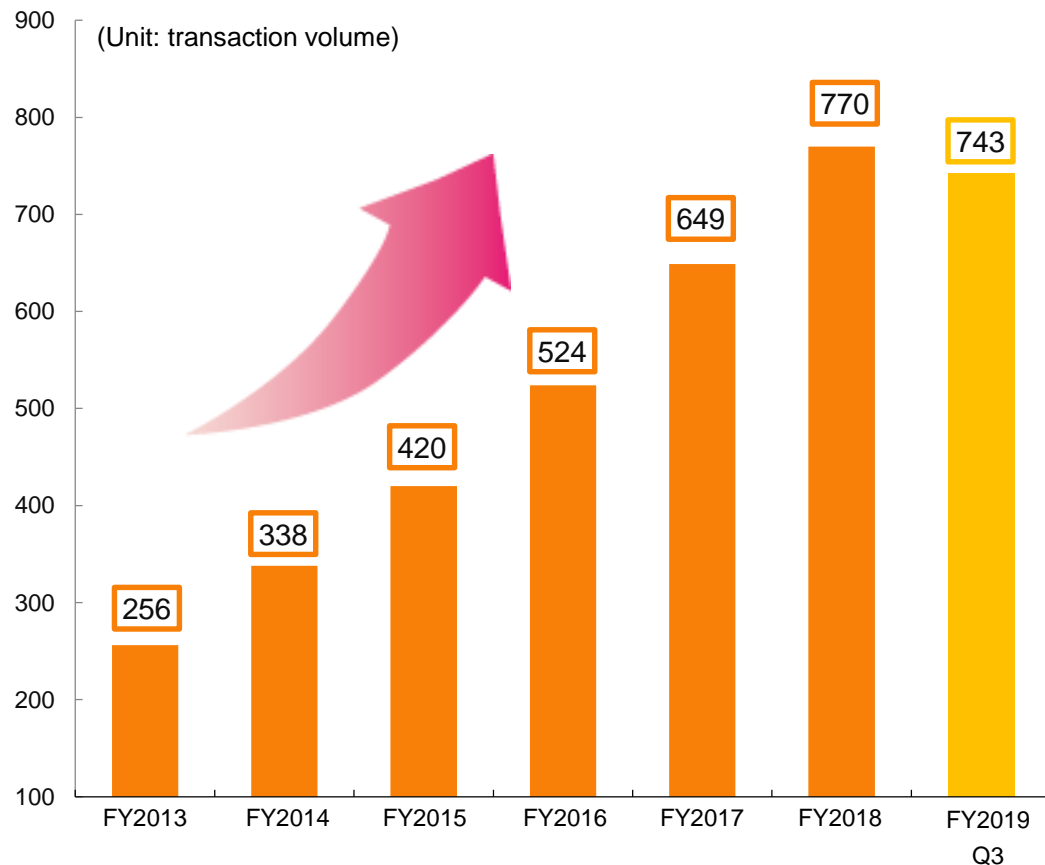


# Number of Transactions Closed

The number of transactions closed has been increasing steadily, tripling in the last five years from 256 to 770



Number of transactions closed

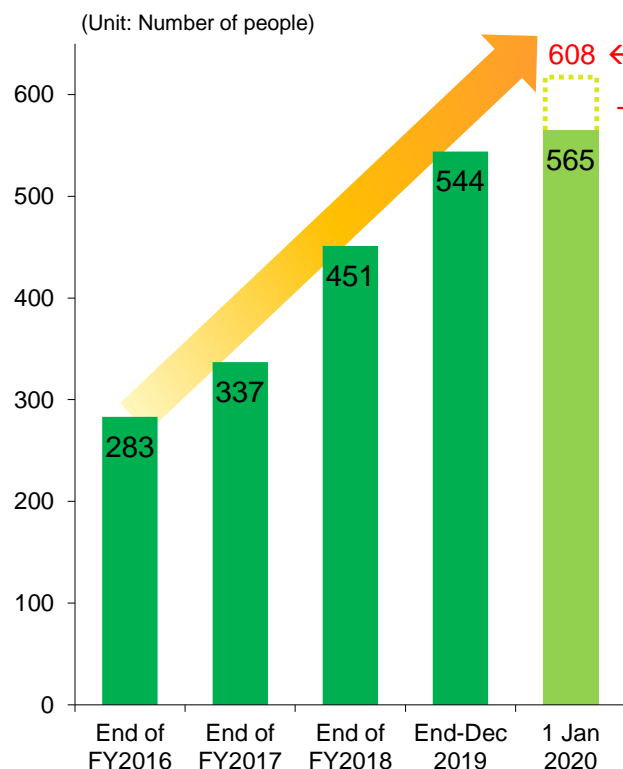




# Number of Employees

Strong staff increase: 565 on Jan 1, +25.3% versus Mar 31 2019 (451)  
Fulfilment of our medium-term growth plan with buoyant M&A

## Number of employees



608 ← Including number of people newly hired who are yet to start.

(Unit: Number of people)

		End-Mar 2017	End-Mar 2018	End-Mar 2019	End-Dec 2019	1 Jan 2020
Cost of sales	M&A consultants, specialists *1	217	264	328	365	380
	Administration *1	45	55	88	126	130
SGA expenses	Administration headquarters, Office of the President, Internal audit office	21	18	35	53	55
Total		283	337	451	544	565

\* Seconded employees are not included in the number of employees shown above  
Graduate recruitment scheme impact from FY2018.

\*1) The definitions of M&A consultants/specialists and administration included in the total number of employees have changed from April 2019.

M&A consultants, specialists: sales personnel (including at subsidiaries); Mid-cap Support Office members; legal and accounting professionals specialized in M&A transaction support

Administration: employees in corporate planning department, training department, internal sales, sales support in subsidiaries



# Number of Transactions Closed in Q3 (1/4)

114 transactions closed, 224 by number of companies

There is also a strong pipeline of fresh mandates

	Selling company		Acquiring company		Transaction type
	Industry classification	Region	Industry classification	Region	
1	Architect	Kansai	Construction services	Chugoku, Shikoku	Stock transfer
2	Construction services	Kanto	Construction services	Kanto	Stock transfer
3	Property management	Kansai	Medical services	Kansai	Stock transfer
4	Pipe contractor	Kanto	Electrical and telecoms contractor	Kanto	Stock transfer
5	Information services	Kanto	Manpower dispatching	Kyushu, Okinawa	Stock transfer
6	Metal processing	Kansai	Production tools manufacturing	Kansai	Business transfer
7	Customised software development	Kanto	Electric machine tool manufacturing	Kanto	Stock transfer
8	Entertainment	Hokkaido, Tohoku	Education services	Kanto	Stock transfer
9	Tuition school	Koshinetsu	Tuition school	Kanto	Stock transfer
10	Metal processing	Tokai, Hokuriku	Steel products wholesale	Kansai	Stock transfer
11	Pharmacy	Kansai	Pharmacy	Tokai, Hokuriku	Business transfer
12	Software development	Kansai	Customised software development	Kanto	Stock transfer
13	Building construction	Kanto	Building construction	Kanto	Stock transfer
14	Beauty products retail	Kanto	Beauty products retail	Kanto	Stock transfer
15	Education services	Kanto	Education services	Kanto	Stock transfer
16	Rubber & plastic products manufacturing	Kanto	Rubber & plastic products manufacturing	Kanto	Stock transfer
17	Rubber & plastic products manufacturing	Kanto	Rubber & plastic products manufacturing	Kanto	Stock transfer
18	Industrial machinery leasing	Kansai	Industrial machine parts wholesale	Kansai	Stock transfer
19	Industrial machinery leasing	Kanto	Transportation	Hokkaido, Tohoku	Stock transfer
20	Electrical contracting	Kyushu, Okinawa	Electrical contracting	Kyushu, Okinawa	Stock transfer
21	Pipe contractor	Kanto	Engineering contracting	Kansai	Stock transfer
22	Truck transportation	Kyushu, Okinawa	Fishing	Kyushu, Okinawa	Stock transfer
23	Food wholesale	Chugoku, Shikoku	Food wholesale	Kanto	Stock transfer
24	Financial services	Kanto	Automotive parts wholesale	Kansai	Share exchange
25	Medical equipment component production	Kanto	Plastics production	Kansai	Stock transfer
26	Restaurant	Kyushu, Okinawa	Private equity fund	Kyushu, Okinawa	Stock transfer

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# Number of Transactions Closed in Q3 (2/4)

⇒ (continued from previous page)

	Selling company		Acquiring company		Transaction type
	Industry classification	Region	Industry classification	Region	
27	Laundry	Kanto	Leasing	Kanto	Equity scheme
28	Food retail	Kanto	Sweets retail	Kanto	Stock transfer
29	Textiles	Tokai, Hokuriku	Textiles	Tokai, Hokuriku	Stock transfer
30	Metals material wholesale	Tokai, Hokuriku	Metals material wholesale	Tokai, Hokuriku	Stock transfer
31	Metals material wholesale	Kanto	Real estate sales	Tokai, Hokuriku	Stock transfer
32	Metals product wholesale	Kansai	Metals product wholesale	Kanto	Stock transfer
33	Production machinery parts manufacturing	Hokkaido, Tohoku	Transportation	Hokkaido, Tohoku	Stock transfer
34	Production machinery parts manufacturing	Kanto	Production machinery parts mfg	Kanto	Stock transfer
35	Civil engineering contractor	Hokkaido, Tohoku	Industrial tools manufacturing	Hokkaido, Tohoku	Stock transfer
36	Building construction	Kanto	Property management	Kanto	Stock transfer
37	Building construction	Tokai, Hokuriku	Building construction	Tokai, Hokuriku	Stock transfer
38	Miscellaneous shop retail	Chugoku, Shikoku	Food wholesale	Kanto	Stock transfer
39	Educational consultant	Kanto	Tuition school	Kanto	Stock transfer
40	Construction consultant	Kanto	Building construction	Kanto	Stock transfer
41	Architect	Kanto	Pavement contracting	Kanto	Stock transfer
42	Architect	Tokai, Hokuriku	Building maintenance	Kansai	Stock transfer
43	Architect	Chugoku, Shikoku	Pipe contractor	Kanto	Stock transfer
44	Construction services	Hokkaido, Tohoku	Construction services	Kanto	Stock transfer
45	Cosmetics manufacturing & wholesale	Kanto	Private equity fund	Overseas	Stock transfer
46	Building maintenance	Tokai, Hokuriku	Building maintenance	Tokai, Hokuriku	Stock transfer
47	Property management	Kyushu, Okinawa	Steel material wholesale	Kyushu, Okinawa	Stock transfer
48	Industrial machinery parts leasing	Kyushu, Okinawa	Industrial machinery parts manufacturing	Kyushu, Okinawa	Stock transfer
49	Electrical and telecoms contractor	Kansai	Non-ferrous metal production	Kyushu, Okinawa	Stock transfer
50	Electrical and telecoms contractor	Kanto	Electrical and telecoms contractor	Chugoku, Shikoku	Stock transfer
51	Electrical and telecoms contractor	Kansai	Machine parts retail	Chugoku, Shikoku	Stock transfer
52	Production tools manufacturing	Tokai, Hokuriku	Transport	Tokai, Hokuriku	Stock transfer
53	Metal products manufacturing	Kansai	Engineering contractor	Kansai	Stock transfer
54	Internet services	Kanto	Customised software development	Kanto	Business transfer
55	Truck transportation	Kanto	Food manufacture and wholesale	Kanto	Stock transfer
56	Truck transportation	Kanto	Truck transportation	Kanto	Stock transfer
57	Truck transportation	Tokai, Hokuriku	Truck transportation	Kansai	Stock transfer

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# Number of Transactions Closed in Q3 (3/4)

⇒ (continued from previous page)

	Selling company		Acquiring company		Transaction type
	Industry classification	Region	Industry classification	Region	
58	Truck transportation	Tokai, Hokuriku	Truck transportation	Tokai, Hokuriku	Stock transfer
59	Miscellaneous retail	Kanto	Miscellaneous retail	Kanto	Stock transfer
60	Miscellaneous wholesale	Kanto	Miscellaneous wholesale	Kansai	Stock transfer
61	Construction materials wholesale	Tokai, Hokuriku	Industrial machinery wholesale	Tokai, Hokuriku	Stock transfer
62	Construction materials wholesale	Kansai	Construction materials wholesale	Kanto	Stock transfer
63	Property development	Kanto	Property development	Kanto	Stock transfer
64	Electric components manufacturing	Koshinetsu	Electric machinery parts wholesale	Kanto	Stock transfer
65	Electric machinery parts manufacturing	Kanto	Electric machinery parts wholesale	Kansai	Stock transfer
66	Customised software development	Kanto	Building construction	Kanto	Stock transfer
67	Internet services	Tokai, Hokuriku	Information services	Kanto	Stock transfer
68	Restaurant	Kanto	Management consultant	Kanto	Stock transfer
69	Consumer service	Hokkaido, Tohoku	Consumer service	Hokkaido, Tohoku	Stock transfer
70	Wedding & funeral services	Kanto	Wedding & funeral services	Kanto	Stock transfer
71	Wedding & funeral services	Koshinetsu	Wedding & funeral services	Koshinetsu	Stock transfer
72	Education	Kyushu, Okinawa	Nursing and welfare	Kyushu, Okinawa	Stock transfer
73	Education	Hokkaido, Tohoku	Education consultant	Kanto	Stock transfer
74	Machine parts manufacturing	Kansai	Textile wholesale	Kansai	Stock transfer
75	Transport equipment parts manufacturing	Hokkaido, Tohoku	Transport equipment parts mfg	Tokai, Hokuriku	Stock transfer
76	Clinic	Kanto	Medical services	Kanto	Equity scheme
77	Clinic	Kanto	Hospital	Kanto	Equity scheme
78	Industrial waste management	Tokai, Hokuriku	Industrial waste management	Tokai, Hokuriku	Stock transfer
79	Industrial waste management	Tokai, Hokuriku	Paper products manufacturing	Kanto	Stock transfer
80	Construction machinery leasing	Hokkaido, Tohoku	Industrial machinery parts wholesale	Kansai	Stock transfer
81	Fashion retail	Kanto	Fashion production	Kanto	Stock transfer
82	Food retail	Chugoku, Shikoku	Food retail	Chugoku, Shikoku	Stock transfer
83	Food retail	Tokai, Hokuriku	Food production	Tokai, Hokuriku	Stock transfer
84	Pharmacy	Hokkaido, Tohoku	Pharmacy	Kanto	Stock transfer
85	Pharmacy	Kansai	Pharmacy	Kansai	Stock transfer
86	Pharmacy	Koshinetsu	Pharmacy	Kanto	Stock transfer
87	Fashion retail	Kansai	Private equity fund	Kanto	Stock transfer
88	Second hand retail	Tokai, Hokuriku	Second hand retail	Tokai, Hokuriku	Corporate split

⇒ (continued on next page)



# Number of Transactions Closed in Q3 (4/4)

⇒ (continued from previous page)

	Selling company		Acquiring company		Transaction type
	Industry classification	Region	Industry classification	Region	
89	Food production	Kansai	Industrial waste collection	Kansai	Stock transfer
90	Chemicals wholesale	Kanto	Chemicals wholesale	Kanto	Stock transfer
91	Non-ferrous metal processing	Kansai	Private equity fund	Kanto	Stock transfer
92	Non-ferrous metal wholesale	Chugoku, Shikoku	Non-ferrous metal wholesale	Chugoku, Shikoku	Stock transfer
93	Production machinery parts wholesale	Koshinetsu	Chemicals wholesale	Koshinetsu	Stock transfer
94	Production machinery parts wholesale	Hokkaido, Tohoku	Building maintenance	Hokkaido, Tohoku	Stock transfer
95	Production machinery parts wholesale	Kyushu, Okinawa	Pipe contractor	Kyushu, Okinawa	Stock transfer
96	Machine parts wholesale	Kanto	Ceramics	Kanto	Stock transfer
97	Industrial materials wholesale	Kanto	Private equity fund	Kanto	Stock transfer
98	Beauty	Kyushu, Okinawa	Beauty	Kanto	Stock transfer
99	Machine tooling	Tokai, Hokuriku	Machine tooling	Tokai, Hokuriku	Stock transfer
100	Production machine parts manufacturing	Tokai, Hokuriku	Production machine parts manufacturing	Tokai, Hokuriku	Stock transfer
101	Production machine parts manufacturing	Hokkaido, Tohoku	Steel products wholesale	Tokai, Hokuriku	Stock transfer
102	Petrol station	Chugoku, Shikoku	Petrol station	Chugoku, Shikoku	Stock transfer
103	Civil engineering contractor	Chugoku, Shikoku	Specialist engineering contractor	Kyushu, Okinawa	Stock transfer
104	Civil engineering contractor	Tokai, Hokuriku	Civil engineering contractor	Tokai, Hokuriku	Stock transfer
105	Civil engineering contractor	Kanto	Architect	Kanto	Stock transfer
106	Civil engineering contractor	Kanto	Civil engineering contractor	Koshinetsu	Stock transfer
107	Building construction	Kyushu, Okinawa	Private equity fund	Kanto	Stock transfer
108	Construction	Tokai, Hokuriku	Building construction	Tokai, Hokuriku	Stock transfer
109	Civil engineering contractor	Kanto	Civil engineering contractor	Kansai	Stock transfer
110	Construction	Hokkaido, Tohoku	Construction	Kansai	Stock transfer
111	Construction	Kanto	Construction	Kanto	Stock transfer
112	Property management	Kanto	Property management	Kanto	Stock transfer
113	Clinic	Hokkaido, Tohoku	Clinic	Hokkaido, Tohoku	Stock transfer
114	Nursing and welfare	Kanto	Education	Kanto	Business transfer



# FEATURE(1)

## Helping to revitalize regional economies

To revitalize regional economies it is important to ensure:

Continuity of local SMEs and maintenance of employment through succession planning

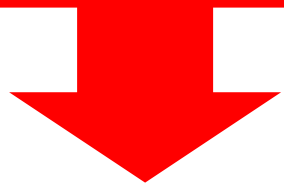
Establishment of great companies to attract the younger working population

### **Establishment of great companies**

Attracting the younger working population

### **Succession planning**

Maintaining employment



2 strategies

### **①Japan Investment Fund**

Creation of growth strategies

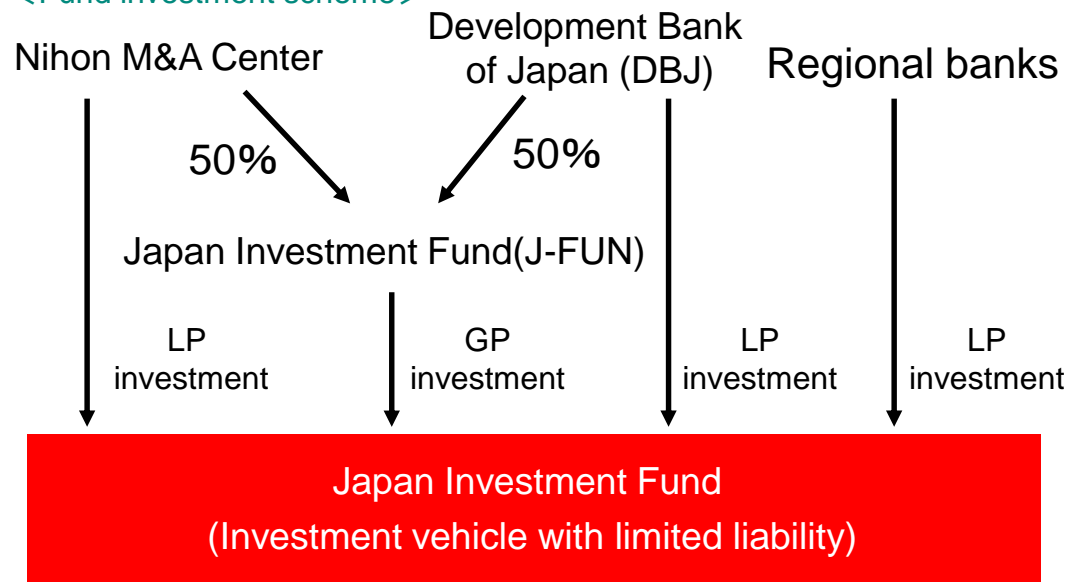
### **②TOKYO PRO Market to support IPOs**

Increasing trust through going public

# IIIA FEATURE(1)-1

Japan Investment Fund Inc. (J-FUN) is a private equity fund jointly owned with DBJ  
Investment from over 10 regional banks (AUM ¥10.5bn)

## <Fund investment scheme>



## Investments hitherto

- 1** July 2018 Takumiya Holdings Ltd  
 Ishikawa Prefecture  
 Japanese sweets production  
 Sales: ¥1.3bn  

- 2** September 2018 Fujibambi Co., Ltd  
 Kumamoto Prefecture  
 Japanese sweets production  
 Sales: ¥1.6bn  

- 3** January 2019 Art Japan Co., Ltd  
 Miyazaki Prefecture  
 Construction machinery components  
 Sales: ¥1.1bn  

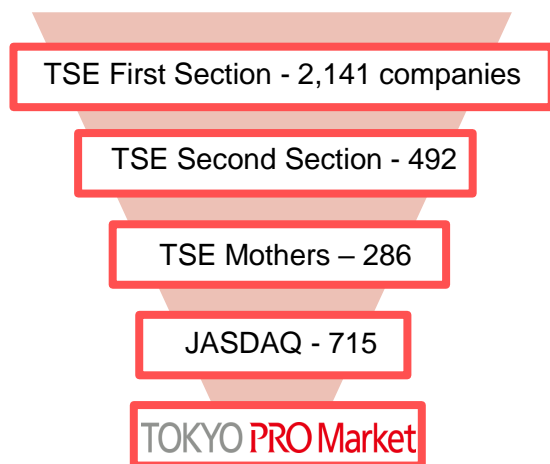
- 4** September 2019 Shimono Co., Ltd  
 Aluminium components production  
 Sales: ¥1.1bn  


# IIA FEATURE (1)-2

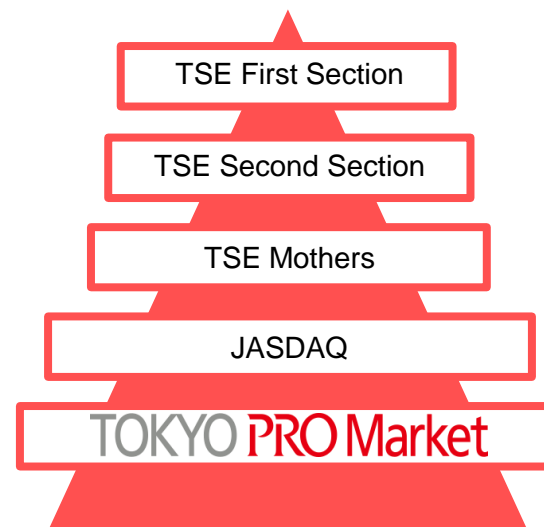
Sponsorship of initial public offerings in TOKYO PRO Market  
**Target 100 mandates as J-Adviser** (by March 2023)

Increasing opportunities for new M&A projects through creating sustainable relationships with mid-cap companies

<Current structure of Tokyo Stock Exchange (TSE) listed companies>



<Our view of how it should be>



Source: Tokyo Stock Exchange (7 May 2019)

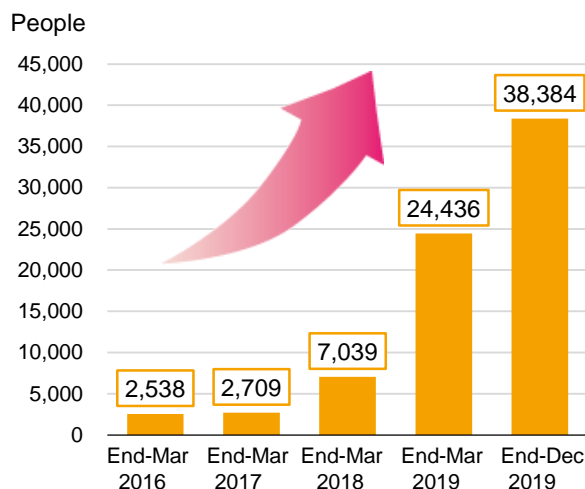
**One of our sponsored companies promoted to TSE Mothers in November 2019)**

(First case since the establishment of TOKYO PRO Market for a company to be promoted to TSE Mothers)

→ A strength of ours as J-Adviser is to support growth after the IPO

## Online M&A matching site Batonz 38,000 user registrations and over 300 transactions completed

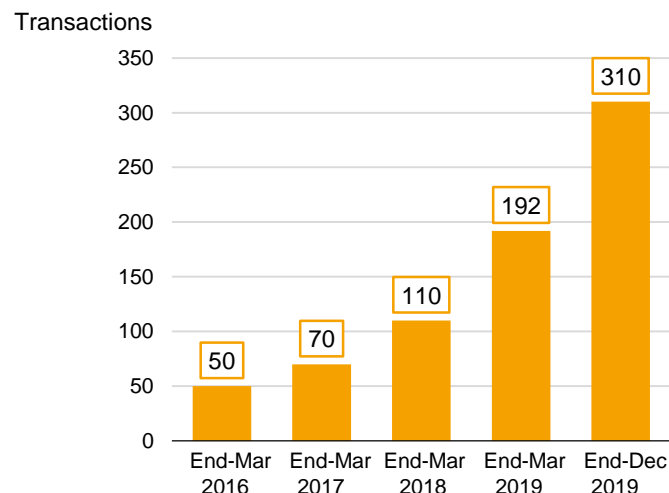
### User registrations



### Batonz Ventures

Service to match start-ups with business angel investors/corporates  
In use by around 400 start-ups and large domestic companies

### Transactions completed (Cumulative)



### Promoting ties with regional

Collaborations include Kochi Prefecture, Kawasaki City, Sue-machi in Fukuoka Prefecture, Narita City, Choshi City, Ibaraki Prefecture, Saga Prefecture  
(January 2020)

Targeting the M&A needs of owners of small companies with under ¥100mn turnover, accounting for over 85% of all industry (individual operators included)

# III A FEATURE (3)

## THE OWNER - our media for company owners Content well received and progressing well

In July 2019 we founded ZUUM-A together with ZUU Co., Ltd to develop a media platform for company owners.  
For our initial service we launched The Owner, a media product for company owners

### Continually introducing new content

### <Operational structure>

#### 1. Segregated by industry



#### 2. Third party collaboration



and many others.

※Kenja no Sentaku and Keizaikai  
to be available soon

Nihon M&A Center

ZUU

(TSE code:4387)

50%

50%

Formation of joint venture

ZUUM-A

Media product  
for company owners

**THE OWNER**

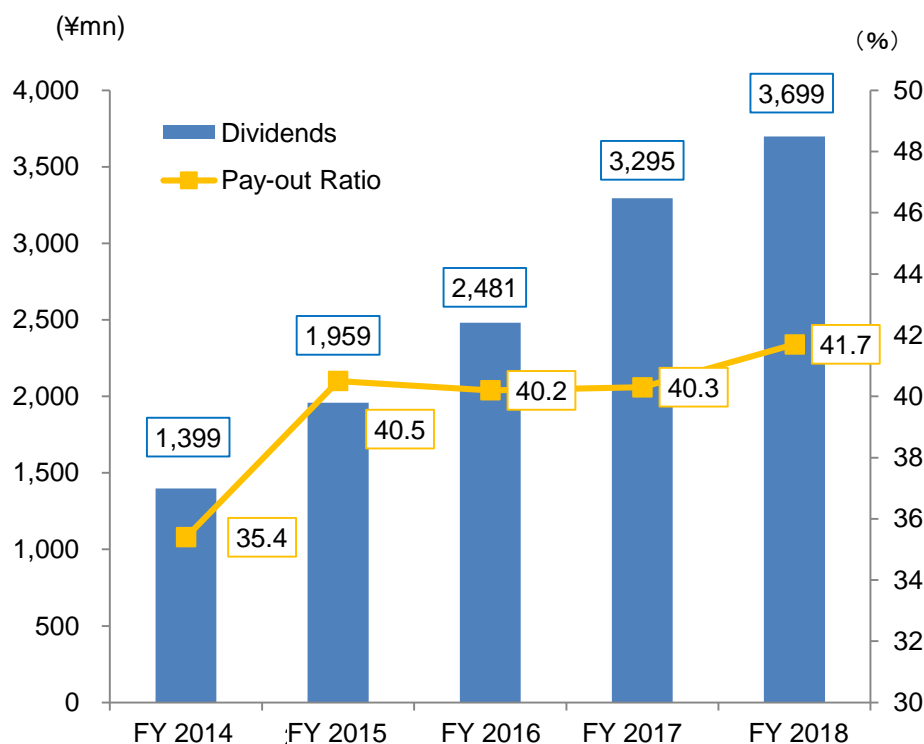
Strengthening of direct customer contact⇒Increase in M&A project origination



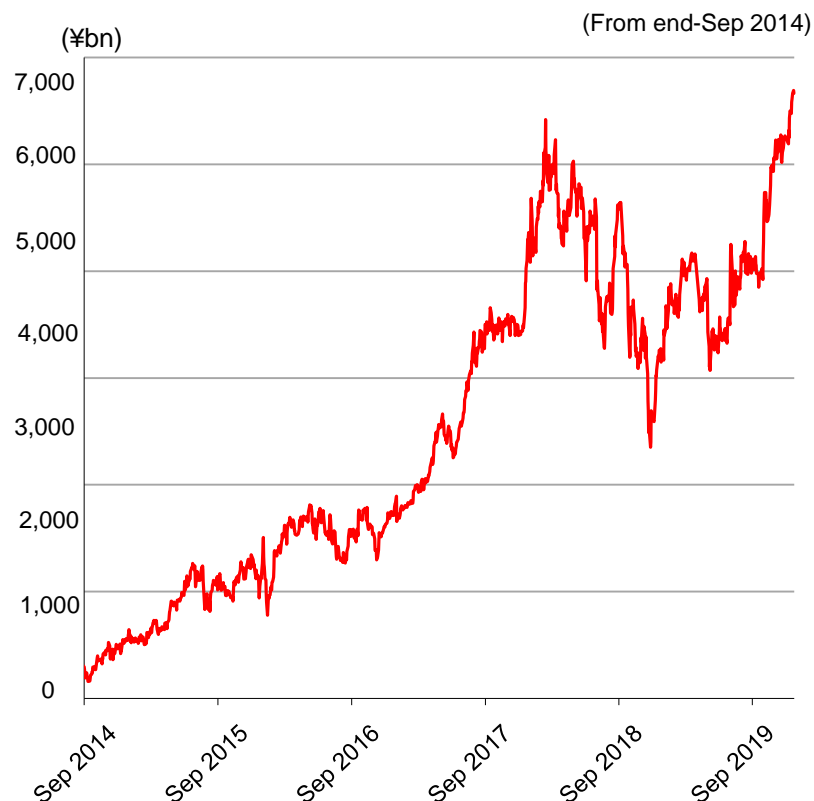
# Dividend Payments and Market Capitalization

Aiming for sustained long-term growth

## Dividends and the pay-out ratio



## Market capitalization



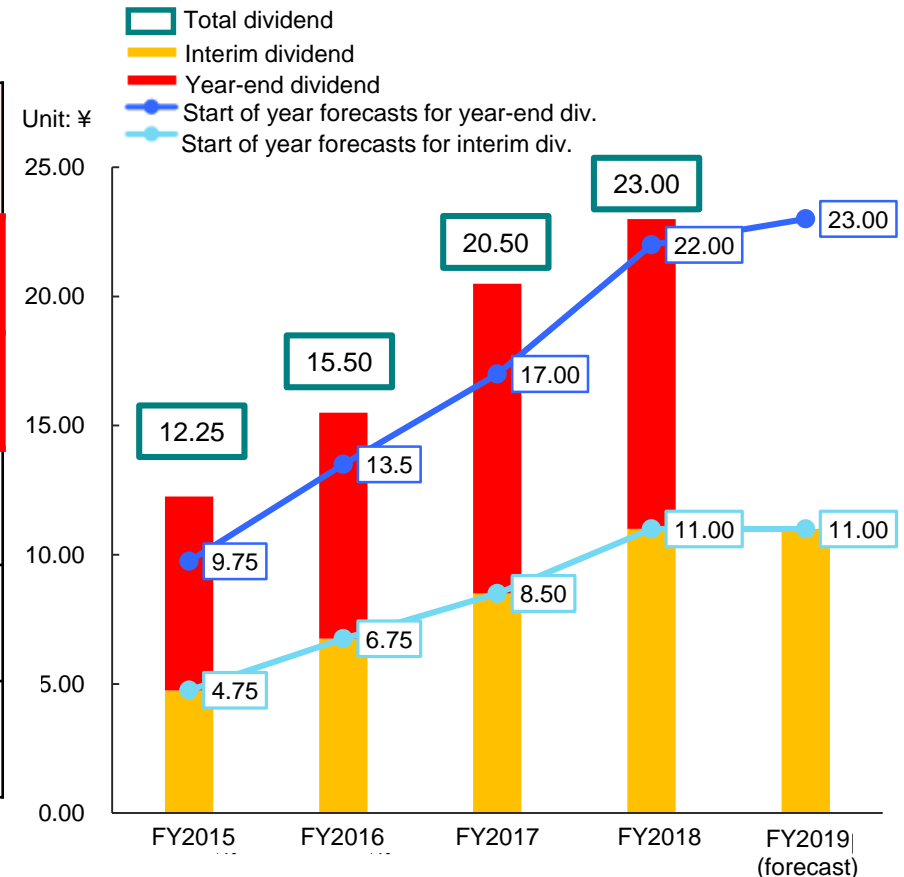




# Dividend Per Share

Sustained consolidated pay-out ratio of over 40% since FY2015

	Dividend forecast at start of year		Dividend paid		Pay-out ratio (%)
	Dividend	Breakdown	Dividend	Breakdown	
<b>FY 2019 (forecast)</b>	<b>23.00 yen</b>	Interim 11.00 yen Year-end 12.00 yen	- yen	Interim 11.00 yen - Yen	- %
<b>FY 2018</b>	<b>22.00 yen</b>	11.00 yen 11.00 yen	<b>23.00 yen</b>	11.00 yen 12.00 yen	41.7 %
FY 2017	17.00 yen	8.50 yen 8.50 yen	20.50 yen	8.50 yen 12.00 yen	40.3%
FY 2016	13.50 yen	6.75 yen 6.75 yen	15.50 yen	6.75 yen 8.75 yen	40.2%
FY 2015	9.75 yen	4.75 yen 5.00 yen	12.25 yen	4.75 yen 7.50 yen	40.5%



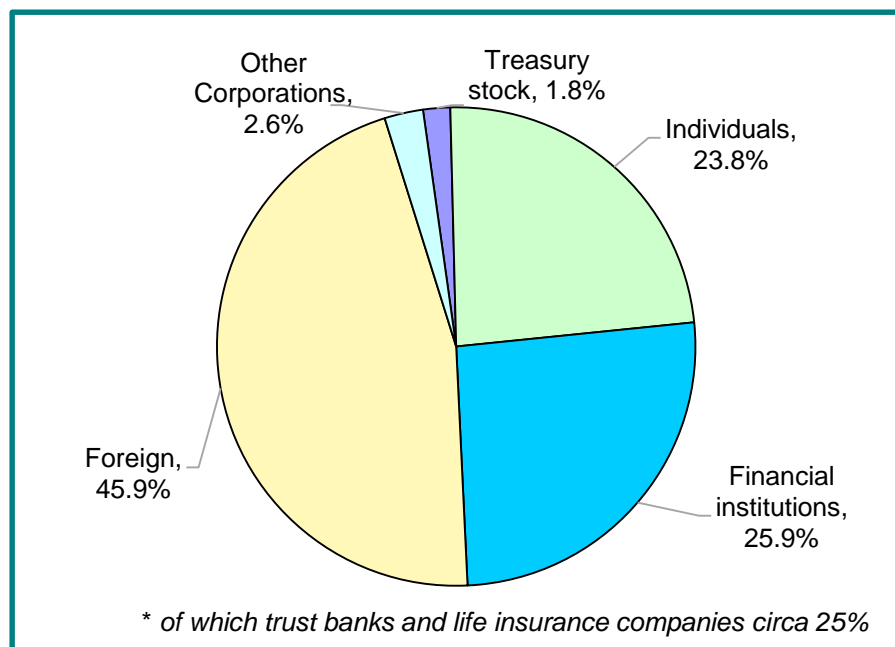
※Adjusted for two-for-one share splits on 1 Oct 2016 and 1 Apr 2018



# Share Ownership

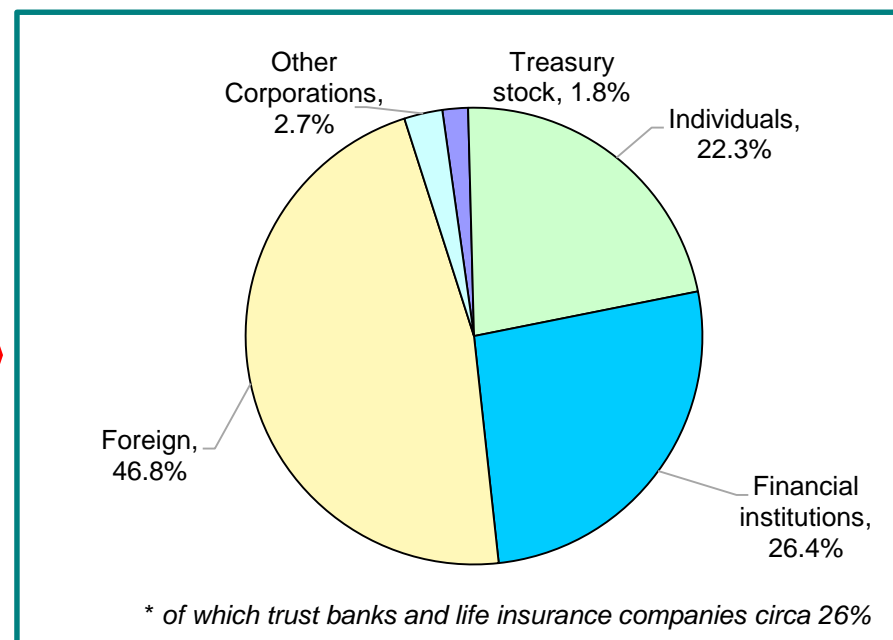
Foreign share ownership has now risen to 46.8%

31 March 2019



Number of shareholders: 21,036; number of shares issued: 163,855,200

30 September 2019



Number of shareholders: 17,823; number of shares issued: 166,022,800



## Company Overview



# Introduction

## External environment

- Business succession planning becomes a chronic concern
- Rising pace of industries restructuring
- Wider understanding of growth strategies



- M&A needs will intensify in the future.
- Rising concerns about employment and socio-economic impacts\*

**Nihon M&A Center established as the leading M&A intermediary firm between small and mid-cap companies**

- The use of a unique M&A information network
- Over 360 professional M&A consultants
- A database with many years of accumulated information



- Efficient collection of information for transactions
- Strong ability to find appropriate partners
- Highest quality M&A process

**Enable long-term growth**

**Achieve high profitability**

**Help revitalize regional economies**

\* According to Ministry of Economy, Trade and Industry (METI), ignoring business succession issues will lead to corporate failures such that in the space of a decade there could be the loss of 6.5 million jobs and a ¥22 trillion reduction in GDP



# Corporate Profile

(End-December 2019)

Leading company in M&A intermediary services  
with a track record of over 5,000 completed transactions

Company name	Nihon M&A Center Inc.		
Established	April 1991		
Business outline	M&A support for small and medium-sized enterprises (SMEs)		
Representatives	Chairman and founder    Yasuhiro Wakebayashi President                      Suguru Miyake		
Offices	Domestic 7    Tokyo headquarters, Osaka branch, Nagoya branch, Fukuoka branch, Sapporo sales office, Hiroshima sales office, Overseas: 2    Okinawa sales office, Singapore office, Indonesia representative office		
Paid-in capital	¥2.5 billion	Number of shares issued	166,050,800
Market listing	Tokyo Stock Exchange 1st section	Stock code	2127
No. of employees (consolidated)	544 (excluding 6 full-time directors)	Breakdown of employees by type	Consultants    365 Other            179

# Corporate History

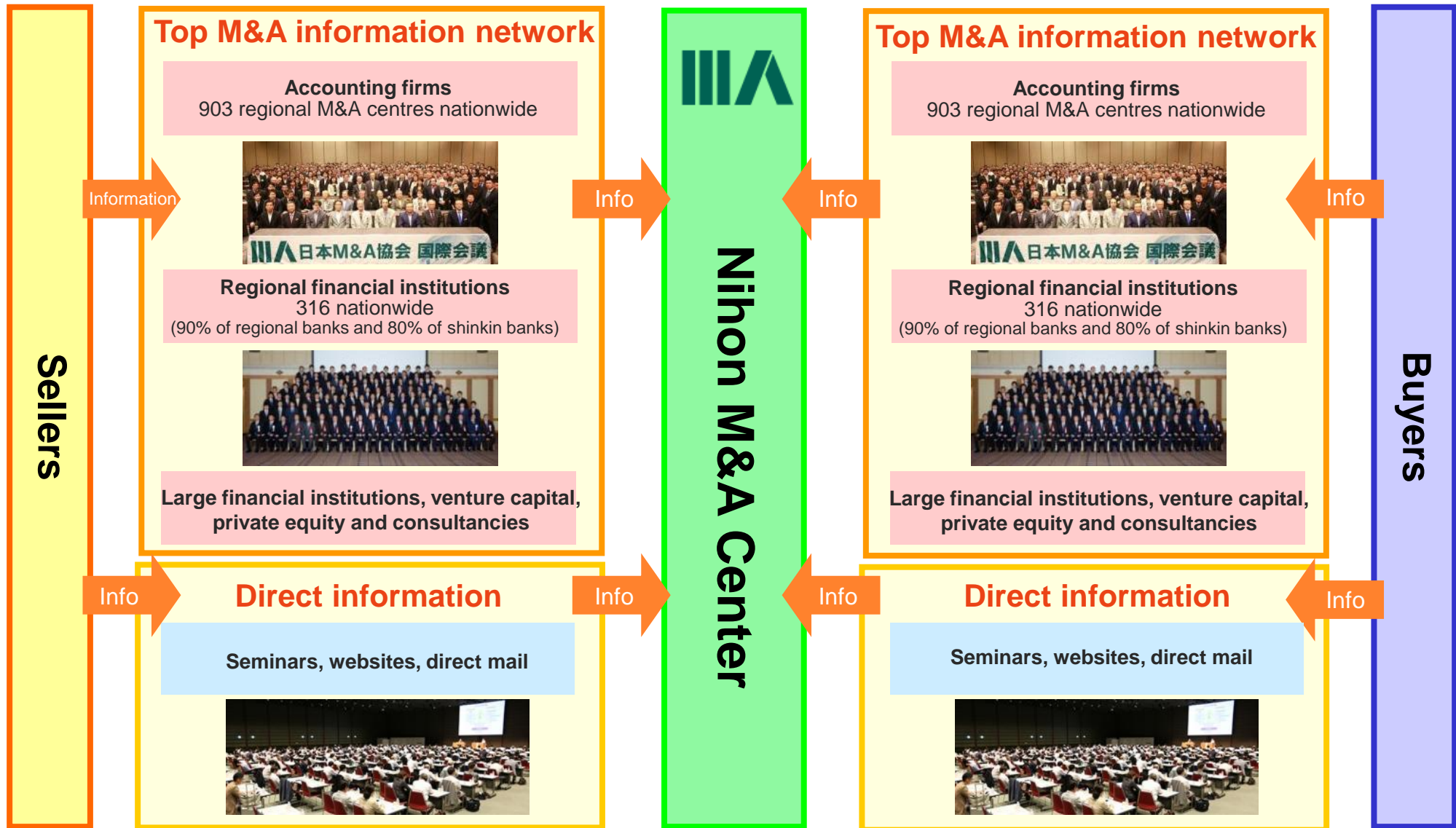
-	<b>Prior to our founding</b>	Chairman Yasuhiro Wakebayashi and President Suguru Miyake worked at Olivetti Japan. They had responsibility for sales of computers nationally to accounting firms and regional financial institutions. The current M&A network has evolved from their network at that time.
April 1991	<b>Company founded</b>	Nihon M&A Center Inc. was founded with eminent certified public accountants and tax accountants nationwide at the core. Accounting offices throughout the country were organized into a <u>network of regional M&amp;A centers</u> . (903 regional M&A centers as at end-December 2019)
May 2000	<b>Network of regional financial institutions</b>	We established a nationwide M&A study group to expand our network with regional banks (98 regional bank alliance agreements as at end-December 2019). We formed a business alliance with Shinkin Central Bank, followed by a roll out of similar alliances with its subsidiary Shinkin Capital and shinkin banks throughout Japan (218 alliance agreements with Shinkin banks as at end-December 2019).
October 2006	<b>TSE Mothers listing</b>	Shares were listed on the TSE Mothers Stock Exchange on 10 October 2006. <u>This was the first listing of a company in Japan specializing in M&amp;A intermediary services for SMEs.</u>
December 2007	<b>TSE 1st section listing</b>	The company's stock was transferred from TSE Mothers to 1st Section on 10 December 2007 (a year and two months from listing on TSE Mothers, the fourth fastest such transfer) We were <u>the first M&amp;A intermediary services firm to list on the TSE 1st Section.</u>

★ We have been profitable since the second year of our history and have continuously paid a dividend

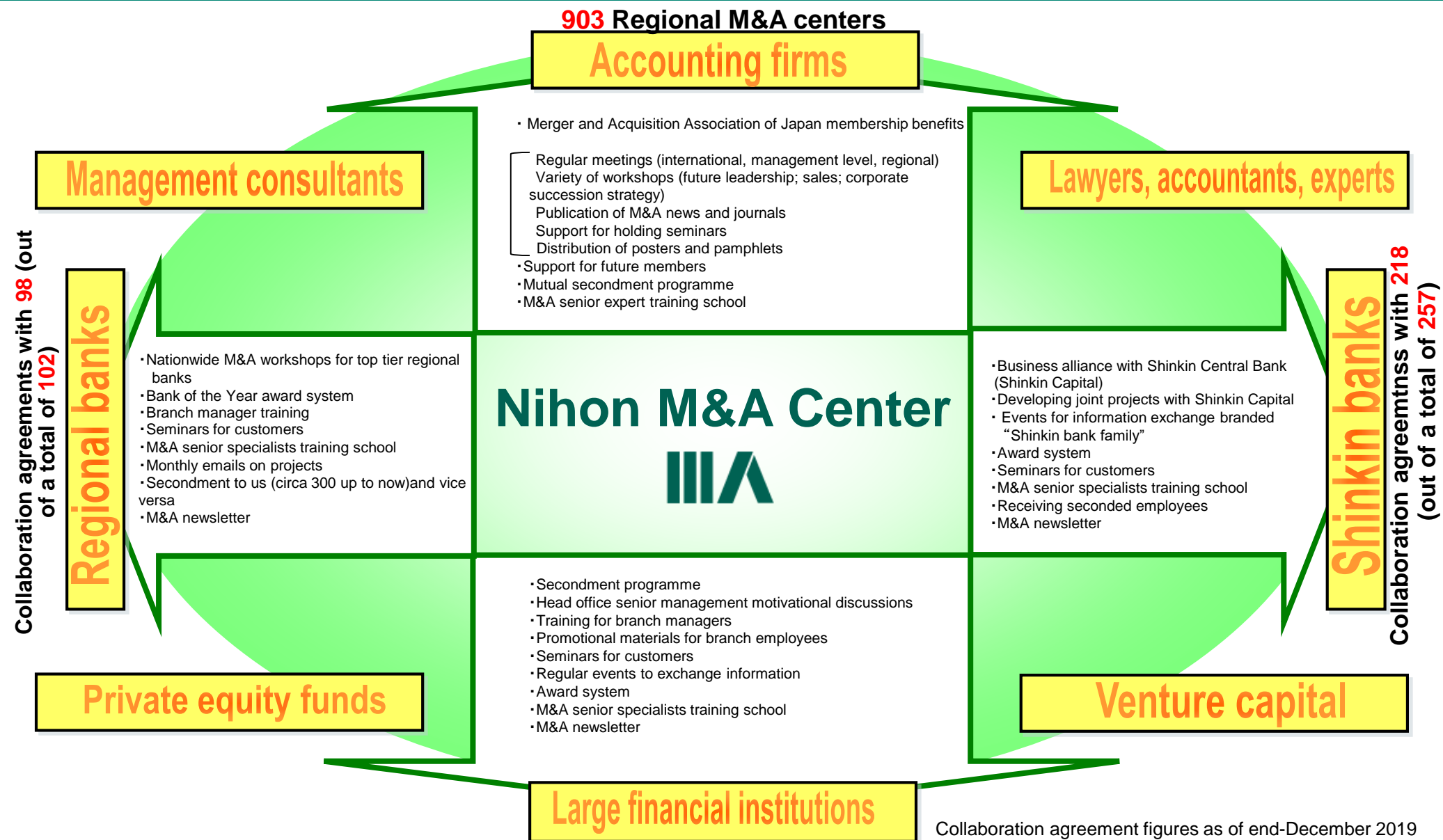


# Business Model

A Platform for the M&A Market



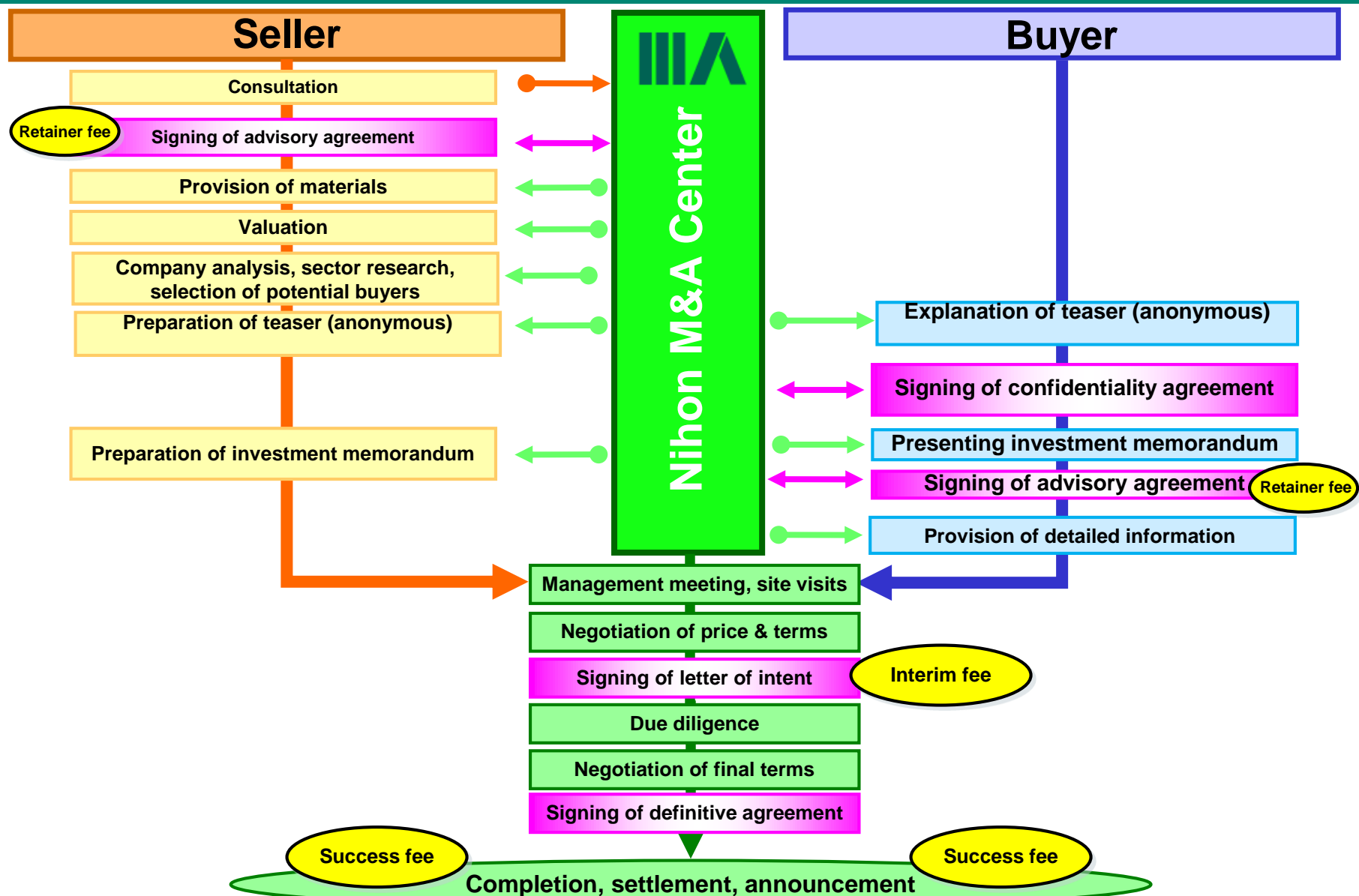
# Initiatives to Optimise our Information Network







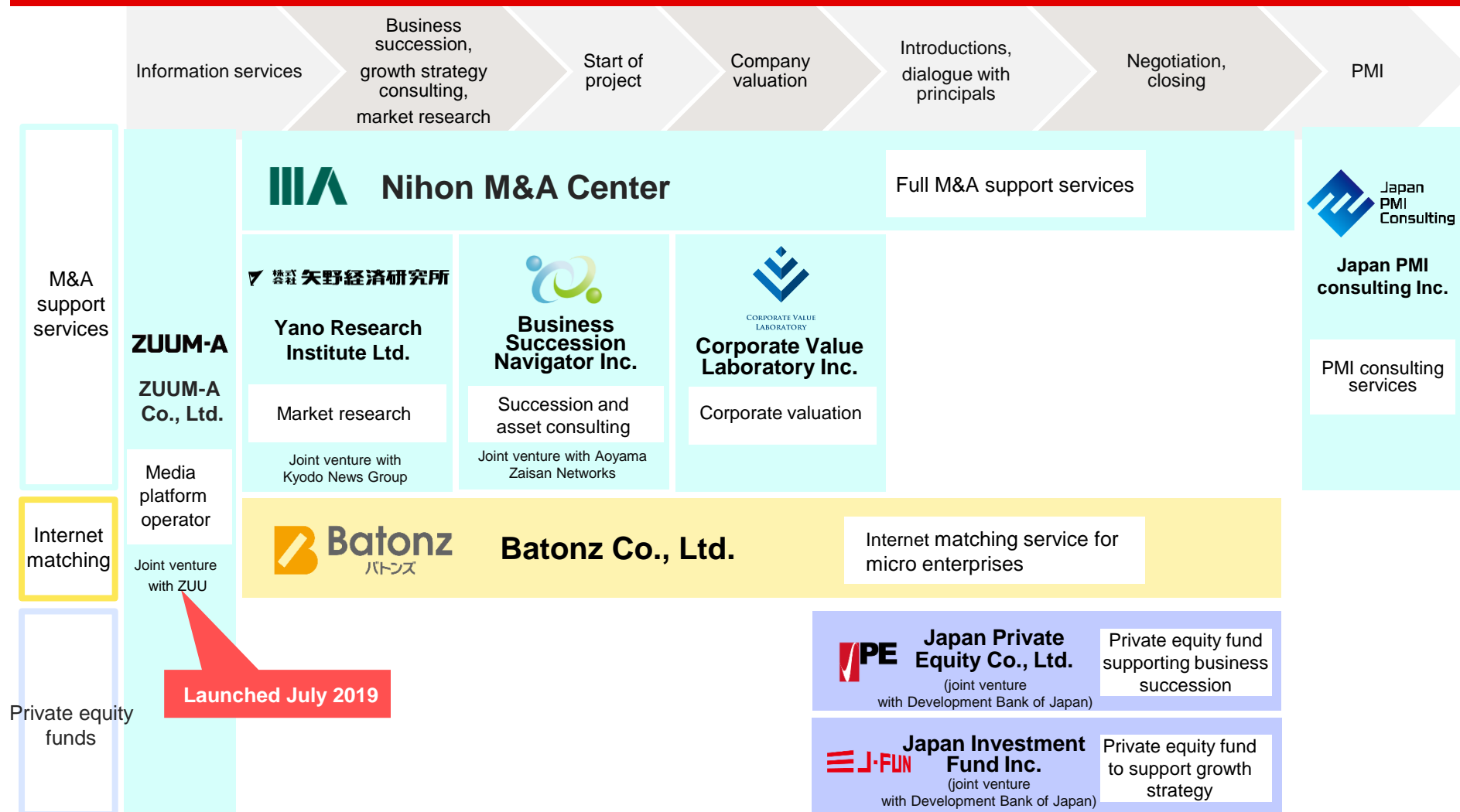
# Our Workflow as an M&A Intermediary



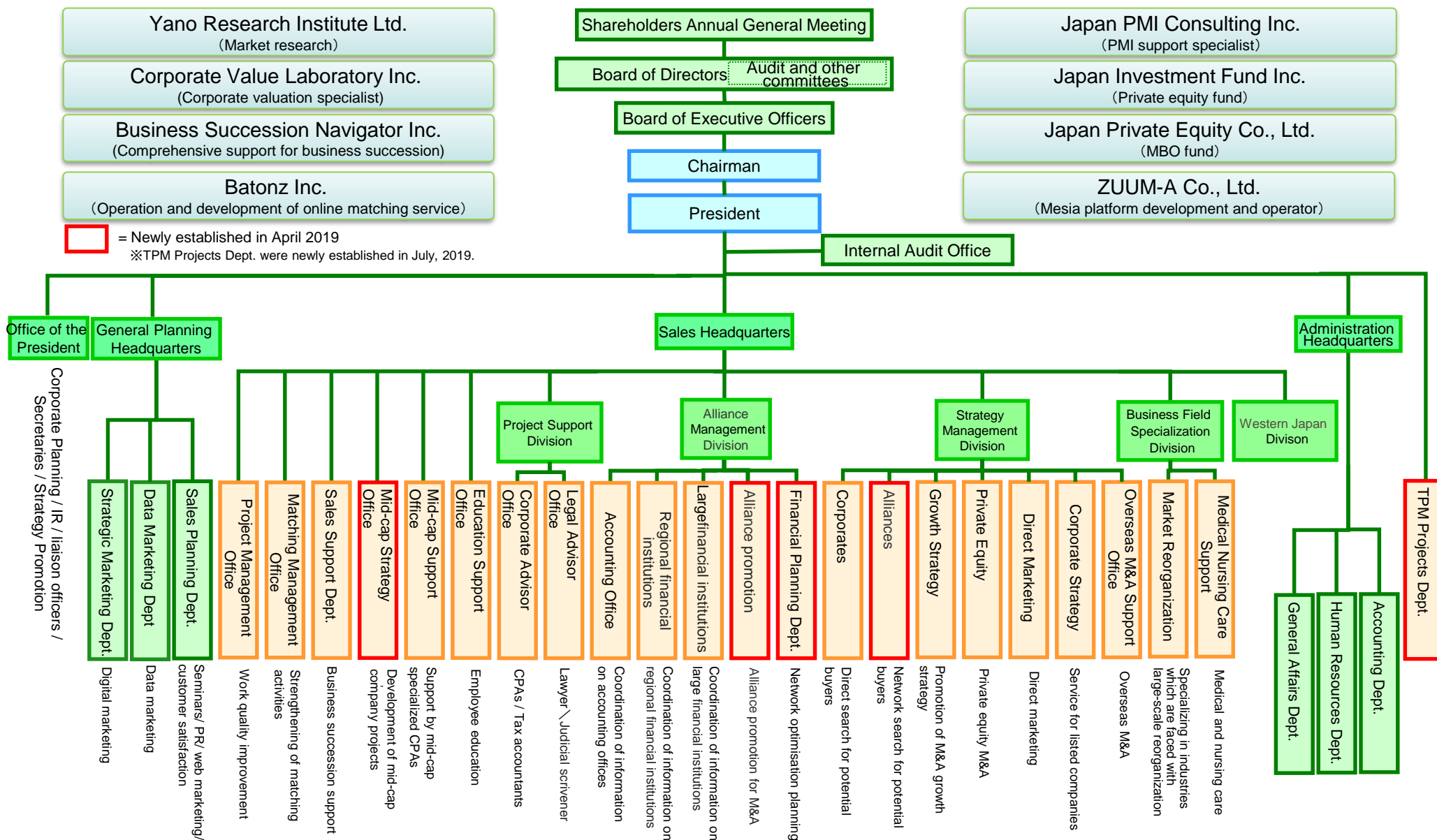


# Becoming an Integrated M&A Company

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



# Our Organization Structure (from April 2019)





# Human Resources Training

Subsidy system for training of new recruits and further development of key employees

## Internal training

### 【Training for new recruits】

- Understanding of our company and management principals of our chairman
- M&A project flow
- Creating company profiles
- Company valuation
- Matching of companies
- Use of databases for projects
- Role playing

### 【Improvement for every level】

- Success and failure analysis
- M&A special structures
- M&A by industry type (when required)
- M&A related tax/legal regulation change
- Sales technique
- Off-sites with senior management
- Future generation leadership
- Leaders training
- Presentations and public speaking.

### 【Regular training】

#### Monthly training

- Compliance
- Information security systems

#### Annual training

- Overseas visits (high performers)
- Management principals explanation meeting
- Training for all employees

## External training

- Dale Carnegie course
- Management training
- Coaching
- Ritsumeikan University Saionji leadership course
- Lee Kuan Yew School of Public Policy short graduate programme

## Education subsidies

- Bookkeeping Level 2
- Business succession, M&A expert qualifications
- Public accountant, tax accountant, social security officer, SME advisor and equivalents
- Contribution to cost of purchase of specialist textbooks
- English conversation

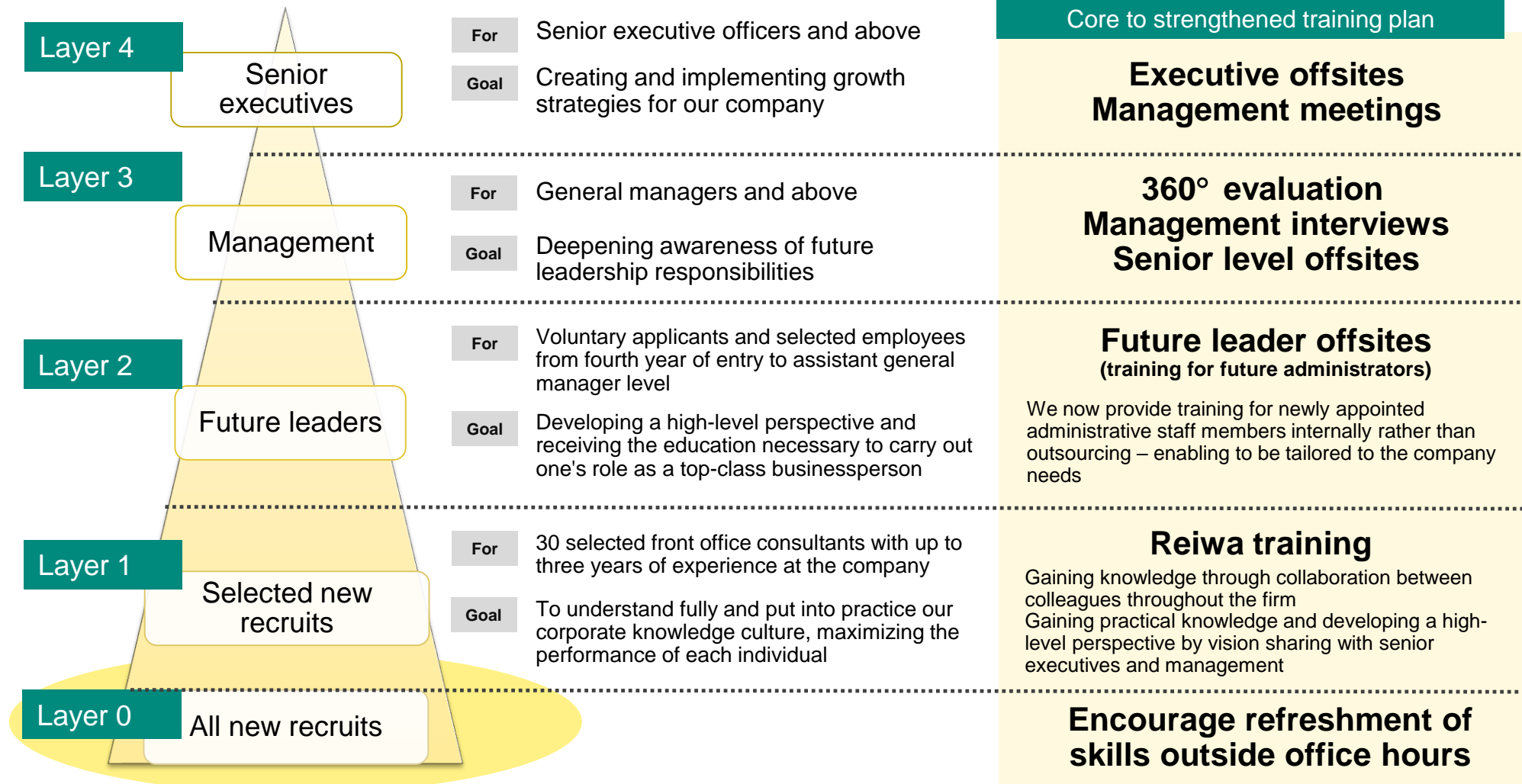
It takes 6-12 months to get an overall understanding of M&A, but we always have several M&A transactions on the go, enabling employees to gain a lot of practical experience in a short space of time

- **Training inexperienced employees to develop quickly into M&A specialists**
- **Training M&A specialists to reach a more senior level**



# Human Resource Development Plan

A layered approach for thoroughness.  
We aim to achieve fast results from the training





# Sustainability

## Environmental Social and Governance (ESG) practice

		Important topics	Our main policies
Env	Society orientated towards recycling	◆Decreasing the environmental burden	Use of public transport, promoting use of IT, reduction of unnecessary printing
	Employment practices	◆Employee satisfaction ◆Respect for human rights and promotion of diversity ◆System for increasing motivation ◆Promotion of communication	Employee reviews (twice per year), “secret letter” to CEO system, ranked fourth in the category of employee satisfaction in the 2018 Fisco institutional investor and analyst industrial research award (published on 18 February 2019) Discrimination prohibited; promotion of activities by females; medium-term target of 30% for female employees across the group Stock option plan Subsidies for events including tennis, basketball, 5-a-side football and running
Social	Health and safety	◆Creation of a safe and healthy workplace	Health and stress checks, subsidies for spouse health checks, vaccinations to prevent influenza, health advice from occupational health and safety specialist
	Human development	◆Education system	See pages 36-37 of this document
	Corporate governance	◆Corporate governance system ◆Internal control system ◆10 guiding principals for compliance behaviour ◆Internal communication system	Ratio of 1:3 of non-executive directors, corporate governance system ( <a href="https://www.nihon-ma.co.jp/corporate/businessbase.html">https://www.nihon-ma.co.jp/corporate/businessbase.html</a> ), establishment of committees for audit and other Establishment of internal regulatory system ( <a href="https://www.nihon-ma.co.jp/ir/pdf/report_governance1906.pdf">https://www.nihon-ma.co.jp/ir/pdf/report_governance1906.pdf</a> ), strict scrutiny of M&A projects Periodic training for all employees in the 10 selected guiding principals for compliant behaviour Employee communication protocols codified
Governance	Risk management	◆Risk management committee ◆Response to incidents	Creation of risk management committee Objectives (1) No highly serious incidents to occur (2) Strive to prevent occurrence of incidents
	Information security	◆Information security maintained and ISO27001 accreditation	Implementation of information security systems and oversight policies Information security policy created ( <a href="https://www.nihon-ma.co.jp/corporate/security_policy.html">https://www.nihon-ma.co.jp/corporate/security_policy.html</a> ) ISO27001 international standard obtained ※All domestic branches, foreign offices excluded



# Example of Improving Employment Practices

## Corporate Value Laboratory Inc.

Specialist in share price valuation (research into corporate value and activities), which forms the basis of any M&A price negotiation

Formed in 2012 as a specialist group within Nihon M&A Center to concentrate on corporate valuation component of the M&A process. It was hived off as a separate entity in 2016 with the name Corporate Value Laboratory Inc. It contributes to the productivity of our group as a whole.



CORPORATE VALUE  
LABORATORY

Management philosophy to strive to be best in class for workplace comfort and best in class for quality

- ◆ Support for family time (childcare, nursing)

System for working at home, paid leave for nursing children, extension of period for part-time work

- ◆ Work-life balance support

System for paid holiday hourly credits→More flexible work times from April 2020

- ◆ Female employee ratio 90.6% (end-September 2019)

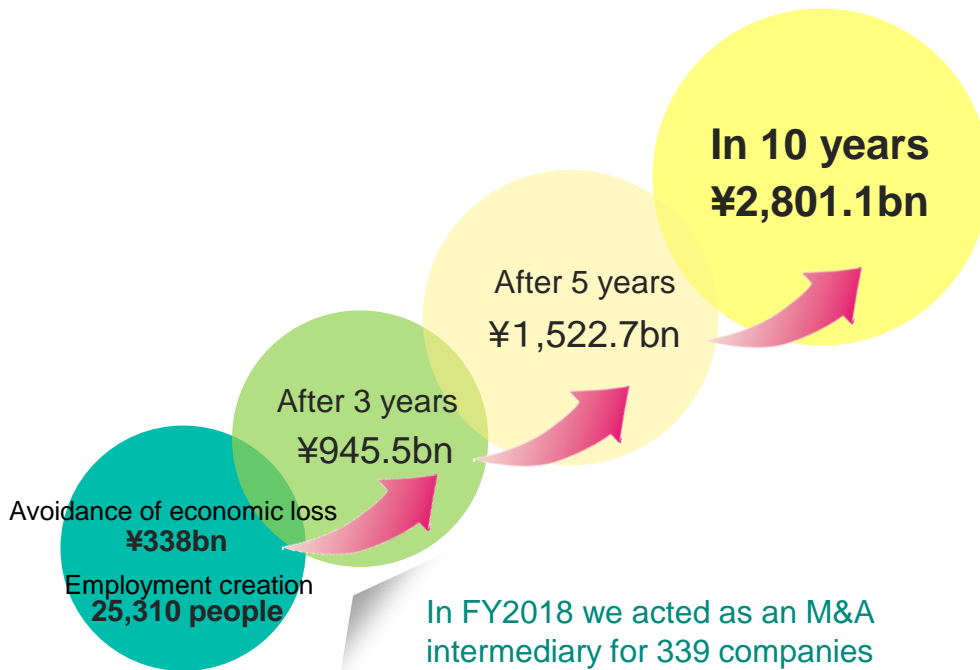


CEO Kyoko Yonezawa ▶



Our commitment to support amicable M&A contributes to the sustainable growth of society by reinforcing management foundations and growth in employment

## FY2018 contribution to avoidance of economic loss



Sell-side advisor for 339 transactions in which combined turnover of companies sold was ¥293.3bn  
Source: Yano Research Institute Ltd

## Other activities contributing to society

- Donations following natural catastrophes
- Education support (scholarships) in areas impacted by natural catastrophes

- Cultural sponsorship (support for young artists in film production, Noh, opera, photography and other)
- Protection of designated Cultural Properties

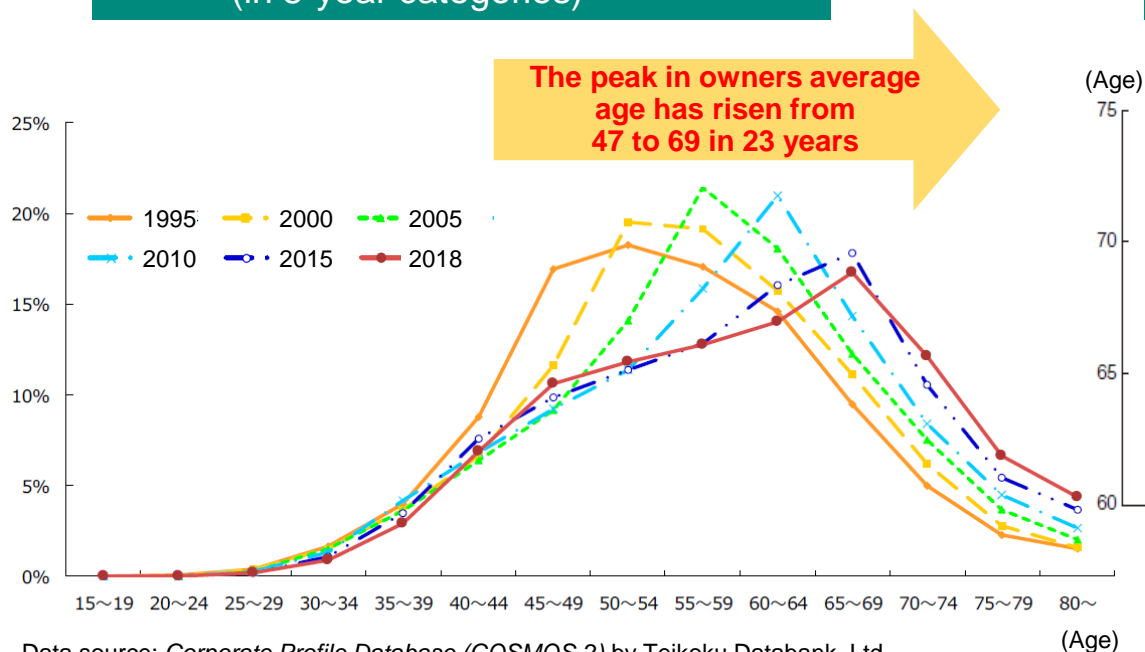
## Overview of our group CSR policies





Highest average age category of SME owners has risen to 69 (Figure1)  
Rising average retirement age (Figure 2)

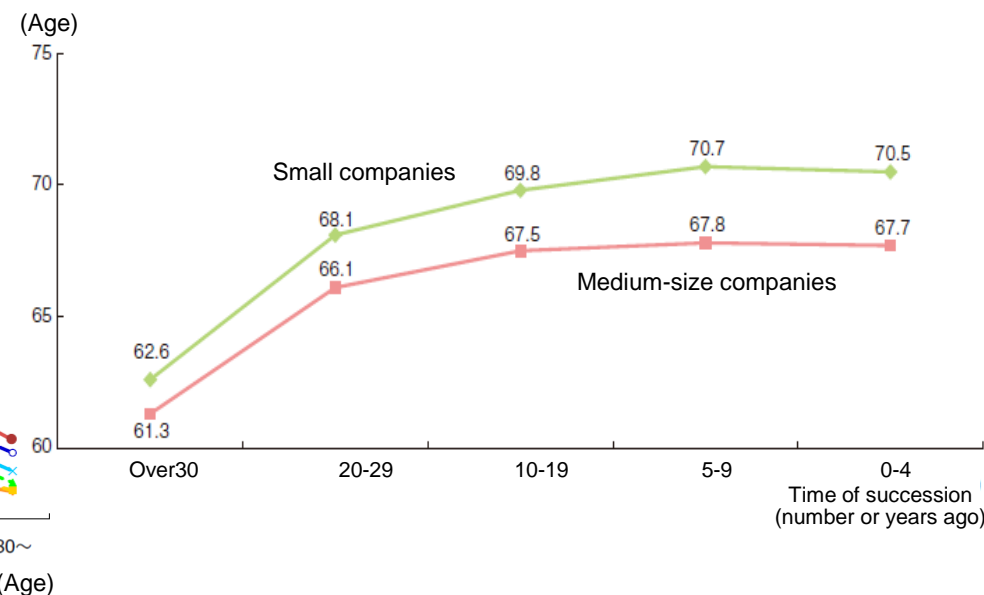
Figure 1: Age distribution of SME owners  
(in 5-year categories)



Data source: Corporate Profile Database (COSMOS 2) by Teikoku Databank, Ltd  
Note: Since ages are in 5-year categories the peak on the chart is the same in 2015 and 2018, but underlying data shows the peak to have increased by three years in this period.

Source: White Paper on Small and Medium Enterprises in Japan (26 April 2019)

Figure 2: Changes in owners average retirement age

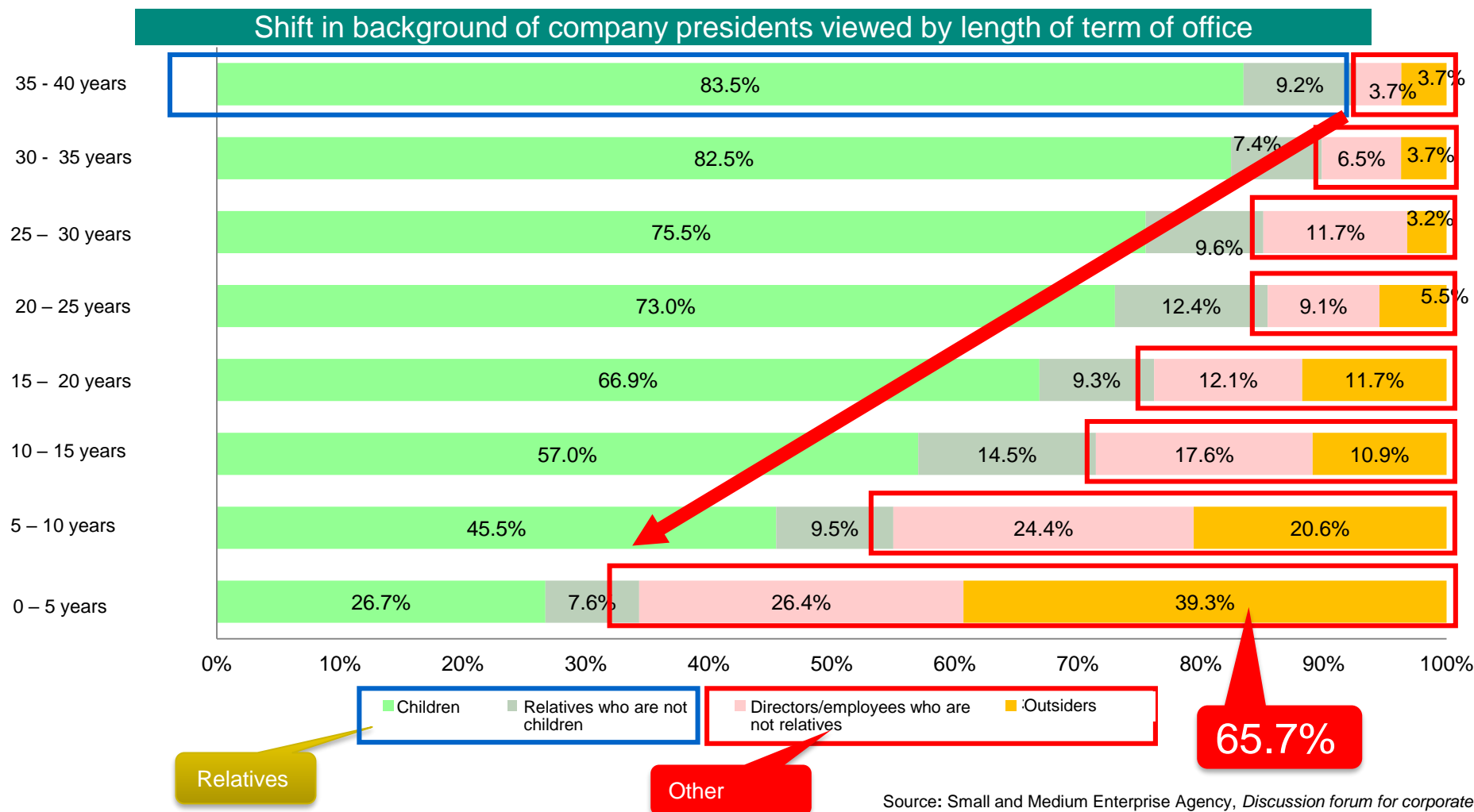


Source: Small and Medium Enterprise Agency, Discussion forum for corporate revitalization, focus on succession (1st in series)



# Strong Increase in Succession Outside Family

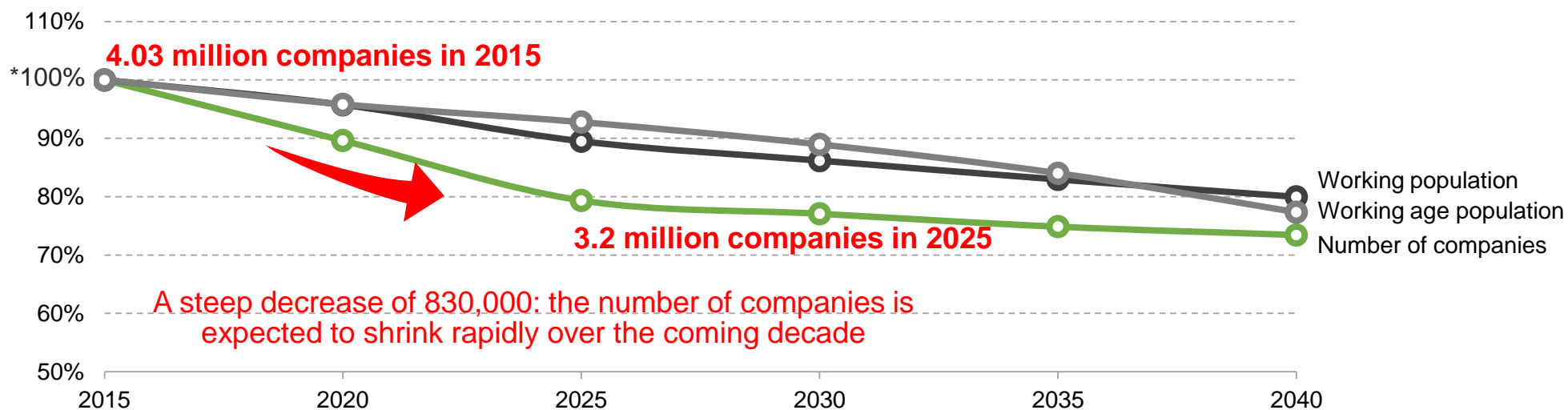
Succession outside family has increased to over 65%



Source: Small and Medium Enterprise Agency, Discussion forum for corporate revitalization, focus on succession (1st in series)

## Number of companies to decrease by 830,000 within the next 10 years

	* Basis for calculation: end-2015 = 100%					
	End-2015	End-2020	End-2025	End-2030	End-2035	End-2040
■ Number of companies (,000)	4,025 100%	3,607 90%	3,195 79%	3,103 77%	3,014 75%	2,956 73%
■ Working population (,000)	58,457 100%	55,054 96%	51,460 89%	49,553 86%	47,693 83%	45,981 80%
■ Working age population (,000)	77,282 100%	74,058 96%	71,701 93%	68,754 89%	64,942 84%	59,777 77%



\*Includes individual business proprietors

Sources: Numbers of companies and workers - *Estimates of Future Numbers of Companies and Employees by Region*, Yoshiaki Murakami, Naomi Kodama and Yoshio Higuchi, from *Financial Review* published June 2017 by the Policy Research Institute, Ministry of Finance, Japan  
 Working age population - *Regional Population Projections for Japan* (statistics from 2018)  
 Estimates of Future Numbers of Companies and Employees by Region - *Population Decline and Local Economies*, by the Policy Research Institute, Ministry of Finance, Japan



# M&A Market Potential

There is a potential market in excess of ¥20 trillion

## ◆ Business succession potential market estimate

	Number of companies	Ratio of companies with no successor	Number of companies with no successor	Sales per M&A transaction	M&A market size	Our position/initiative		
Employees 100~300	48,673	×	48.40%	=	23,558	¥50 mn	¥23 trillion	New market to develop Taking measures to increase our presence
Employees 20~99	535,783	×	63.00%	=	350,151	¥30 mn		Established with dominant network Expanding presence as top brand
Employees 1~19	3,003,013	×	75.00%	=	2,252,260	¥5 mn		Mostly domain of our subsidiary Batonz High growth segment

Note: These estimates are based on data from sources including Small and Medium Enterprise Agency, Ministry of Internal Affairs and Communications, METI, Teikoku Data Bank, as well as Nihon M&A Center completed transactions in April 2016 – September 2019

In addition, M&A arising from restructuring of industries and growth strategies, unrelated to business succession  
(20% of our sell-side transactions completed in FY2018 were for companies with a CEO under 50 years old)

## I. Management principles

### ◆ Management principles

Assisting companies to continue and prosper through M&A

### ◆ Company goal

Management priority on adherence to compliance and corporate social responsibility

Building up higher level governance structure

## II. To investors

### ◆ Increase market value

We aim to increase market value through high profitability and growth

### ◆ Return profits to shareholders

Increase in market value together with stability and growth in dividends

Contact: <https://www.nihon-ma.co.jp/action/contact/>

IR page URL: <https://www.nihon-ma.co.jp/ir/>

English website URL: <https://www.nihon-ma.co.jp/en/about/investors/>