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# 31<sup>st</sup> Annual General Meeting Business Overview

23 June 2022

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Supporting long-term business success

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

Year to March 2022

Apology for the occurrence of incidents of  
inappropriate behaviour

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We apologize sincerely to all our shareholders for having caused such considerable concern and trouble.

Detail of this will be explained in the business overview report.

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# Business Overview

President and Representative Director Suguru Miyake

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

## What happened

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In October 2021 inappropriate behaviour was discovered. Cases came to light of falsification of contract registration copies for internal use to bring forward sales in quarterly reporting.

### *Note on our sales standards*

There is no impact on fulfillment of transactions concerning the actual contracts between buyers and sellers

## 1 Internal investigation

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**Terms of investigation:** 22 October 2021 – 6 December 2021

## 2 Investigation by Committee

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**Investigation body:** Nihon M&A Center Holdings Inc. Investigation Committee

<b>Members:</b>	Attorney-at-Law	Yo Yamagishi, Yuya Inoue
	CPA	Masahiko Kume, Joji Ikegawa
	Independent Directors	Naoki Kinoshita, Yoshinori Yamada
	Assistants	14 assistants (12 attorneys, 2 CPAs)

**Terms of investigation:** 20 December 2021 – 14 February 2022

## 3 Digital forensics investigation

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**Investigation body:** Ernst & Young ShinNihon LLC

**Content :** Review of communication data such as directors' emails and texts

## 1 Number of people involved: about 80

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## 2 Number of cases

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FY2021 : 39 cases

FY2020 : 35 cases

FY2019 : 7 cases

FY2018 : 2 cases

FY2017 : 0 cases

FY2016 : 0 cases

## 3 Financial impact of revisions

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FY2021: Sales +¥1.335bn/Ordinary profit +¥1.082bn

FY2020: Sales ▲¥1.335bn/Ordinary profit ▲¥1.072bn

## 1 Corporate culture

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- ① Shortfalls in our compliance consciousness
- ② Weakness in internal controls
- ③ Strictness of culture of meeting targets

## 2 Pressure from the EXCEED 30 campaign

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Desire to commemorate the 30<sup>th</sup> anniversary with wonderful financials

## 3 Worsening of the coronavirus environment

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- ① Difficulty meeting owners in person
- ② Delays to financing



## 1 Actions for directors

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14 February

Decision on responsibilities of directors and actions

## 2 Actions for responsible personnel

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11 March

Decision on treatment of employees connected with the incidents



**1** Compliance-centric management

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**2** Rebuilding internal controls

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**3** Cultural change

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Be assured that these are not mere slogans.  
We shall do our utmost  
to monitor the actions and results

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# Status of Prevention of Reoccurrence and Status of Implementation

## 1. Compliance-centric management

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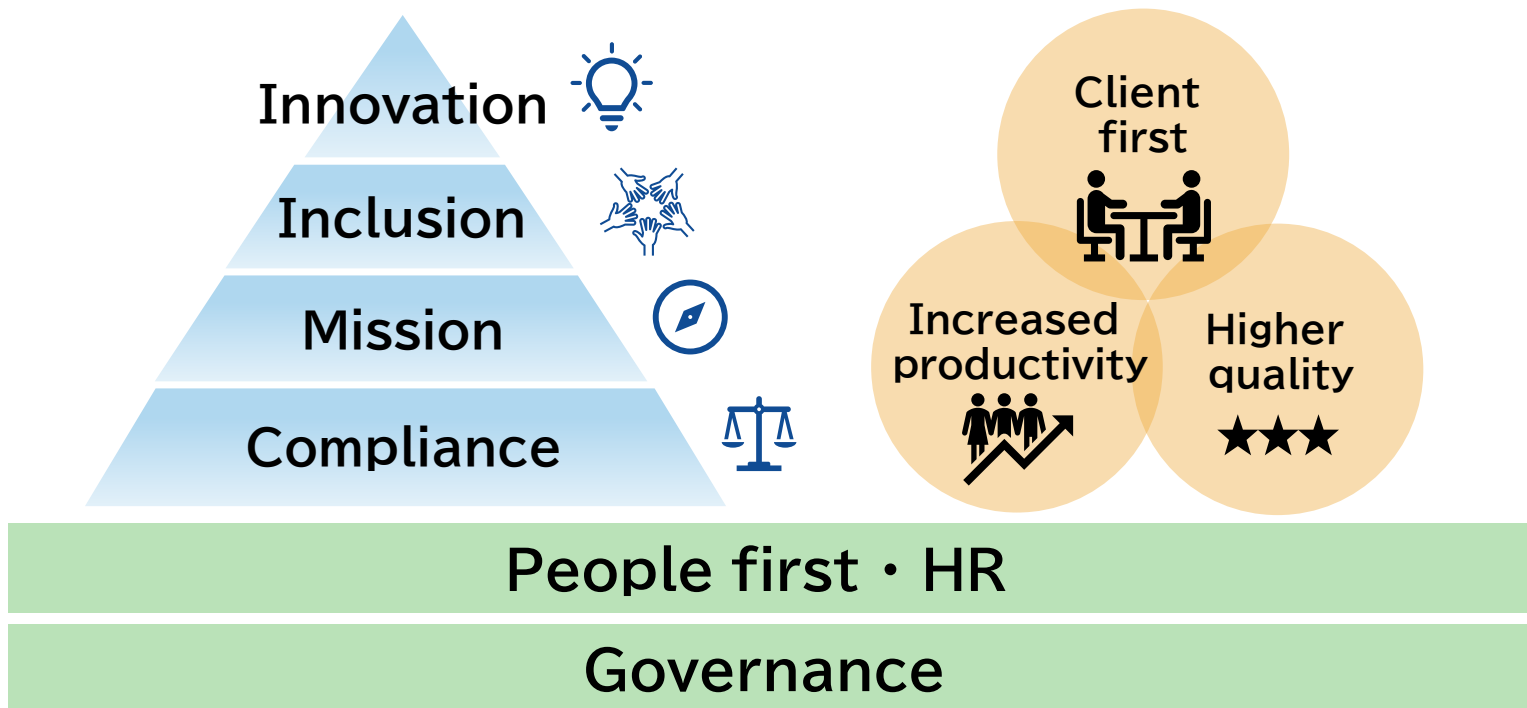
<https://www.nihon-ma.co.jp/en/>

## 1. Compliance-centric management

### 1 Declaration of compliance-centric management

Nihon M&A Center Holdings Group will

- \* Transform itself for compliance-centric management
- \* Elevate consciousness of compliance so that it is core to the corporate culture

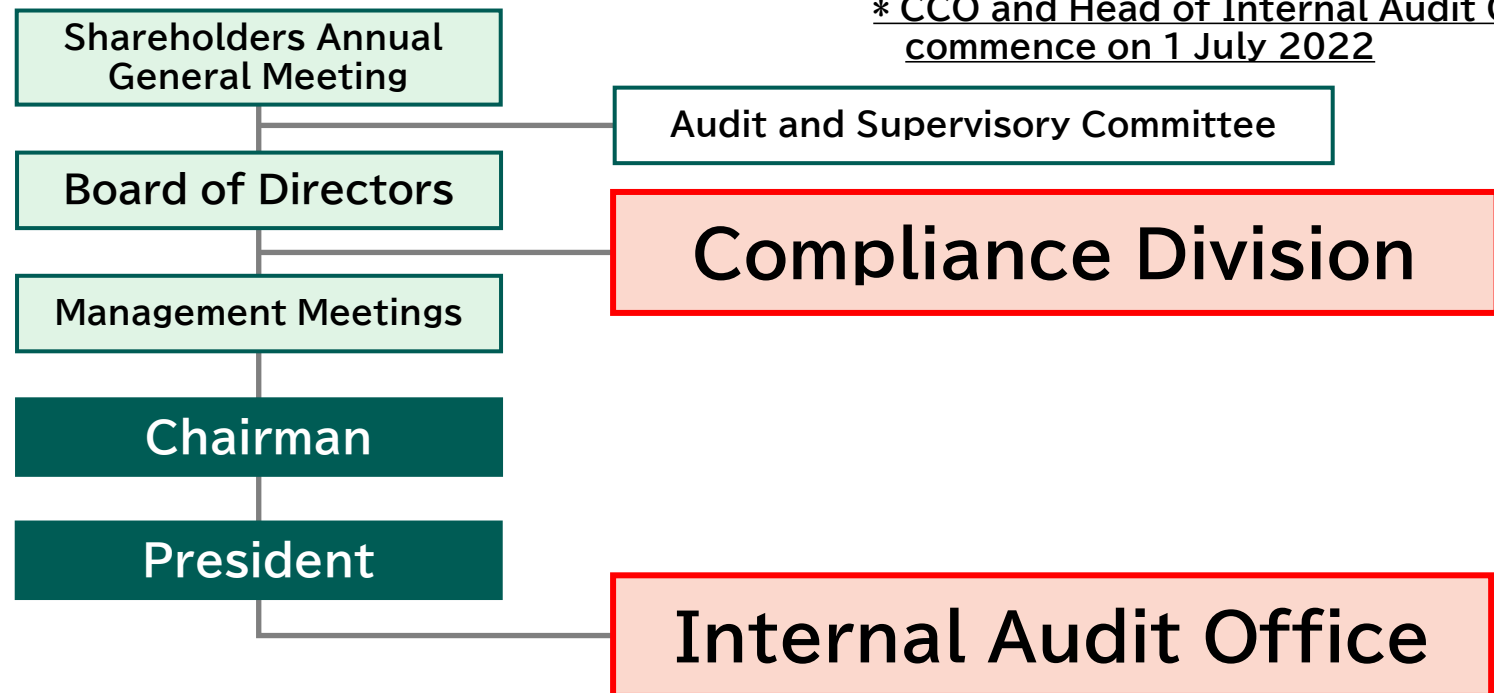


## 1. Compliance-centric management

### 2 Establishment of compliance division

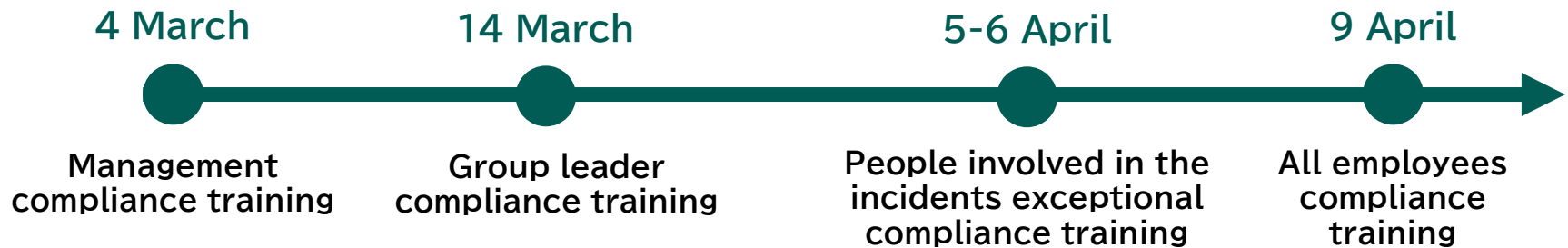
- Recruitment of CCO (Chief Compliance Officer)
- Strengthening of internal audit office
  - recruitment of external personnel to be responsible

\* CCO and Head of Internal Audit Office  
commence on 1 July 2022

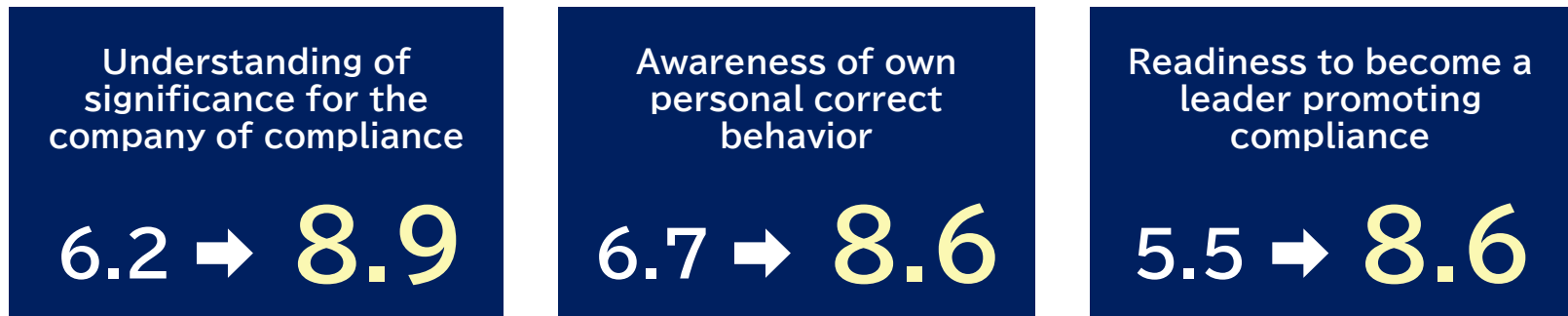


## 1. Compliance-centric management

### 3 Effective compliance training and education



#### Result of survey of people involved in the incidents (Before and after training)



## 1. Compliance-centric management

### 4 Introduction of new HR system

Introduction of new HR system on 1 April

Changing from pure results-centric system to one based on both results and compliance observance

#### Sales evaluation

Change from pure results-centric system to one based on both results and compliance observance

#### Administration promotion

Promotion evaluated with comprehensive review of management ability including compliance implementation

**Employees to join in having a strong sense of ethics,  
creating a vibrant corporate atmosphere**

## 1. Compliance-centric management

### 5 Strengthening system of reporting

Establishment of an environment for easy reporting



Icon displayed for reporting compliance matters on the intranet



Creation of zone on the intranet for clients messages



Senior management meetings with employees

### Results so far

- |                                     |   |  |
|-------------------------------------|---|--|
| ■ Increase in reports of concerns   | ➔ | Number of reports 12 (As of 28 Apr 2022) |
| ■ Voice of clients                  | ➔ | Number of reports 55                     |
| ■ Opinions solicited from employees | ➔ | Number of reports approx. 600            |

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# Status of Prevention of Reoccurrence and Status of Implementation

## 2. Rebuilding internal controls

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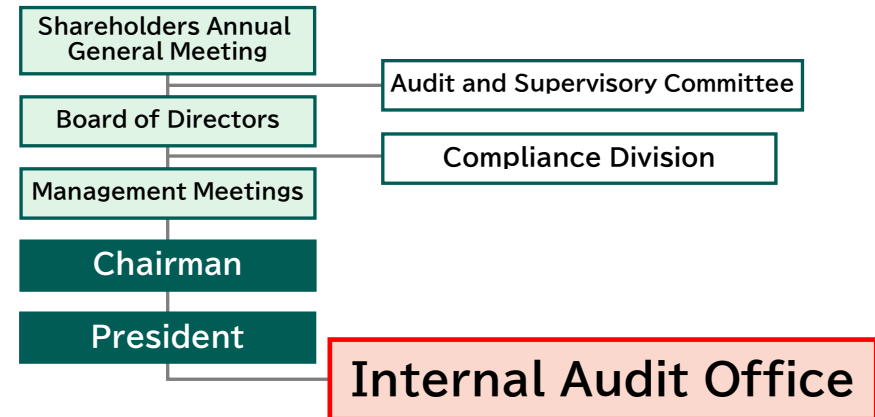
<https://www.nihon-ma.co.jp/en/>



## 2. Rebuilding internal controls

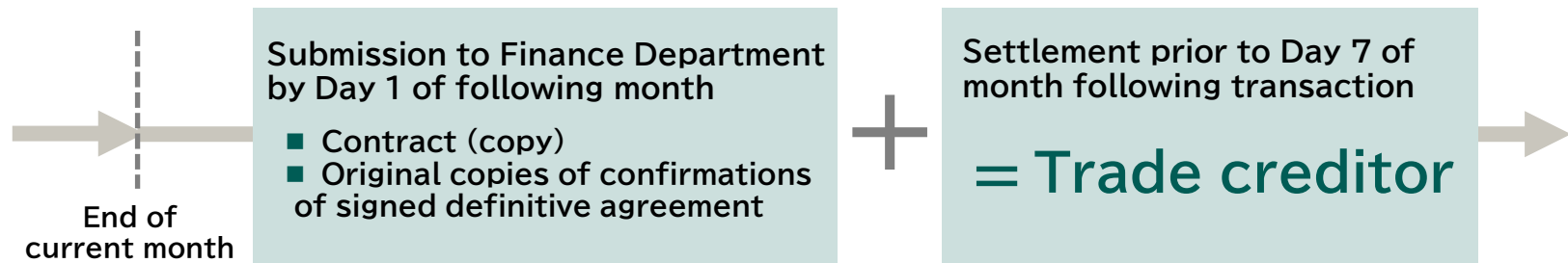
### 1 Strengthening of internal audit office

Recruitment of external person to be responsible for internal audit  
(Commence on 1 July 2022)



### 2 Clarity of sales basis

**Increased clarity and rigidity of sales reporting and accounting**



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## Status of Prevention of Reoccurrence and Status of Implementation

### 3. Cultural change

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

### 3. Cultural change

#### 1 Creation of culture for priority of ethics

Our company's business is highly significant for society  
**Carrying out correct work in a correct manner**



High  
**ethical awareness**  
(morality)



High  
**specialisation**  
(professionalism)



High  
**spirit of  
cooperation**  
(inclusiveness)

### 3. Cultural change

#### 2 Establish corporate mission with involvement of all employees

Going back to our roots to review the reason for the company's existence and aspirations



#### Gaining opinions from all employees

Correct work in a correct manner

Clients first

Strength through diversity

**Creating a new way of operating  
as we start our second foundation phase**

## 3. Cultural change

### 3 Introduction of management meetings

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**Create culture for open dialogue  
at management meetings**

Every week disseminate management information,  
discuss from lots of points of view

**Participants** Directors, general managers,  
Audit & Supervisory Committee member, CCO

**Proposers of plans present their plans**

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## Issue

**Instigating a sense of unity in the company**

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Our strength

Oneness of employees based on a combined sense of purpose

## Feb-Mar

There were internal divisions and a lack of sense of unity

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## Response

Teach-ins for all employees

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**President Miyake talked with all 1,000 employees**

2-hour teach-ins in groups of 20

50 teach-ins with groups of 20 to talk with all employees

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# Business Overview

(1 April 2021 – 31 March 2022)

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## 30<sup>th</sup> anniversary – Thank you!

It would not have been possible without  
support from all our shareholders

### Exceed30 activities (FY2020-2021)

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- 1** First year of our second foundation phase
- 2** Our future leaders
- 3** Transition to a holding company
- 4** 2021 conference - 150,000 registrations



30<sup>th</sup> anniversary – FY2021

**Sales and ordinary profit at record highs**

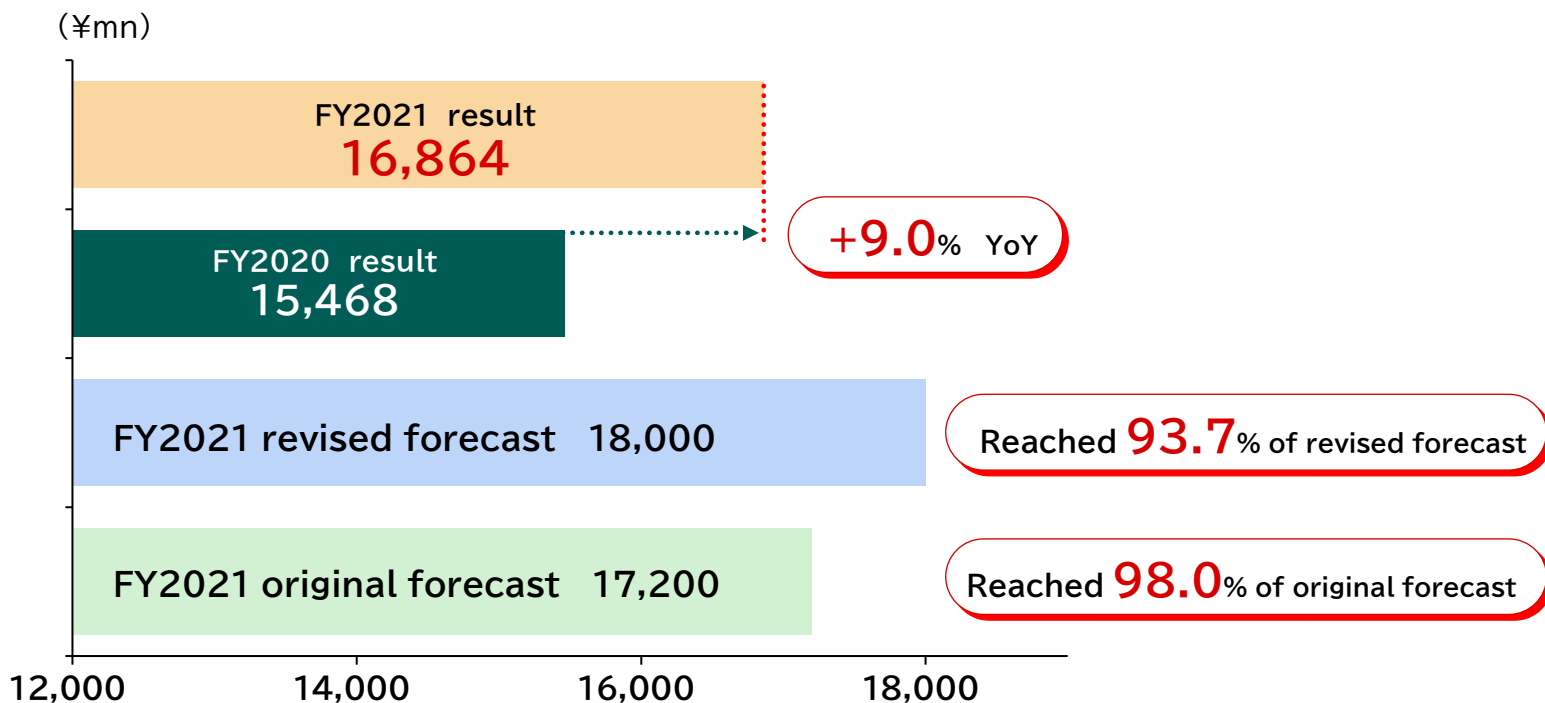
		FY2021 result	FY2020 result	Change (YoY)
Profitability	Sales (¥mn)	40,401	34,795	+16.1%
	Ordinary profit (¥mn)	16,864	15,468	+9.0%
Growth	Total number of employees	972人	810人	+20.0%
	Transactions closed (Counting sell-side and buy-side mandates separately)	996	886	+12.4%

## Results relative to full-year forecast

Revised forecast ¥18.0bn ... reached **93.7%**

Original forecast ¥17.2bn ... reached **98.0%**

## Results relative to full-year forecast



# FY2021 Overview



		FY2021	FY2020	Change (YoY)
1.	Sales (¥mn)	40,401	34,795	+16.1%
2.	Ordinary profit (¥mn)	16,864	15,468	+9.0%
3.	Ordinary profit margin	41.7%	44.5%	▲2.8%
4.	SGA expenses (¥mn)	7,713	5,882	+31.1%
		Advertising expenses: FY21/1,718 ← FY20/861 (+857)		+99.5%
		(EXCEED30 150,000 registrations)		
5.	Total number of employees	972	810	+20.0%
6.	Transactions closed	996	886	+12.4%
7.	4Q ordinary profit (¥mn)	1,220	1,813	▲32.7%

# Mid-term Management Targets (No. 3)

~Paid-in Stock Options and Performance Targets~



**Achieved** ordinary profit options **exercise targets**  
for the **year to March 2022**

➔ **100%** exercise of options possible

	Period	Conditions on ordinary profit (annual)	Results on ordinary income	Ratio of exercisable paid-in stock options
1.	FY2018	Over 11.5 billion yen	FY2018 result <b>¥12.53</b> bn	With (1) and (2) 30% of all paid-in stock options allotted
2.	FY2019	Over 12.5 billion yen	FY2019 result <b>¥14.46</b> bn	
3.	FY2020	Over 13.5 billion yen	FY2020 result <b>¥15.46</b> bn	30% of all paid-in stock options allotted
4.	FY2021	<b>Over 15 billion yen</b>	FY2021 result <b>¥16.86</b> bn	40% of all paid-in stock options allotted

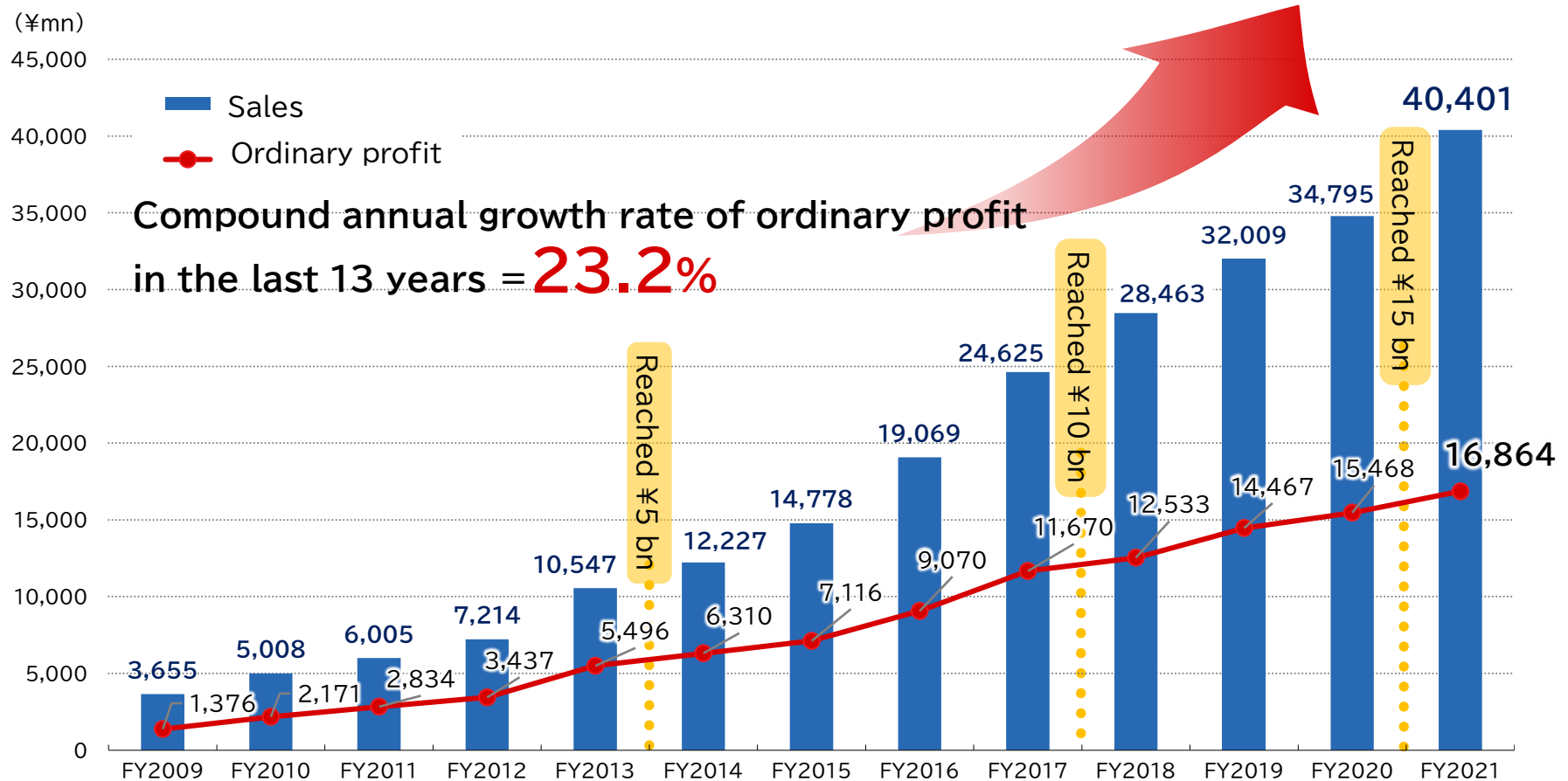
\*In the event that ordinary income dips below 9 billion yen at any time between FY2018 and FY2021 the paid-in stock options cannot be exercised (regardless of other conditions)

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

# 13-year Results Record



**12<sup>th</sup> consecutive period of higher sales and profit**  
Our aim is to maintain **continuous growth** in the future



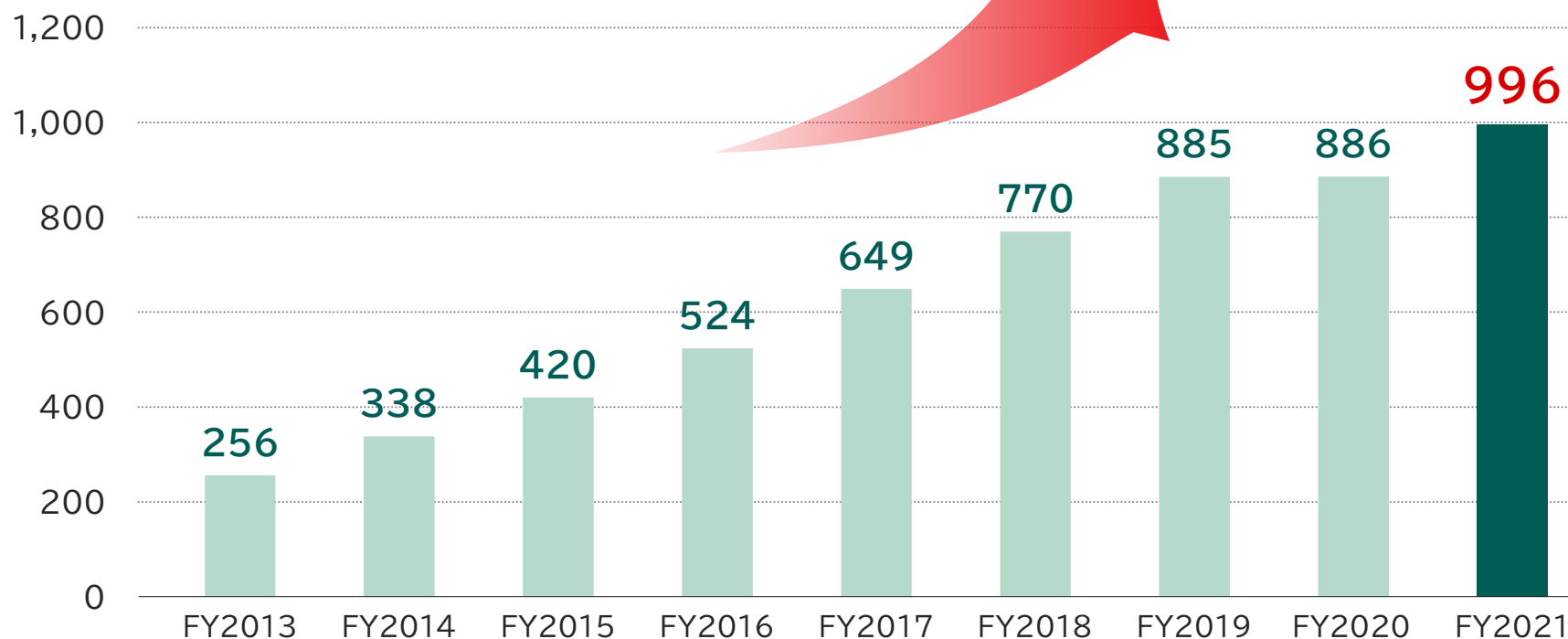
# Record of Transactions Closed



The number of transactions closed has been **increasing** even with the coronavirus crisis

## Number of transactions closed (by no. of companies\*) (restated)

(Unit: transactions volume)

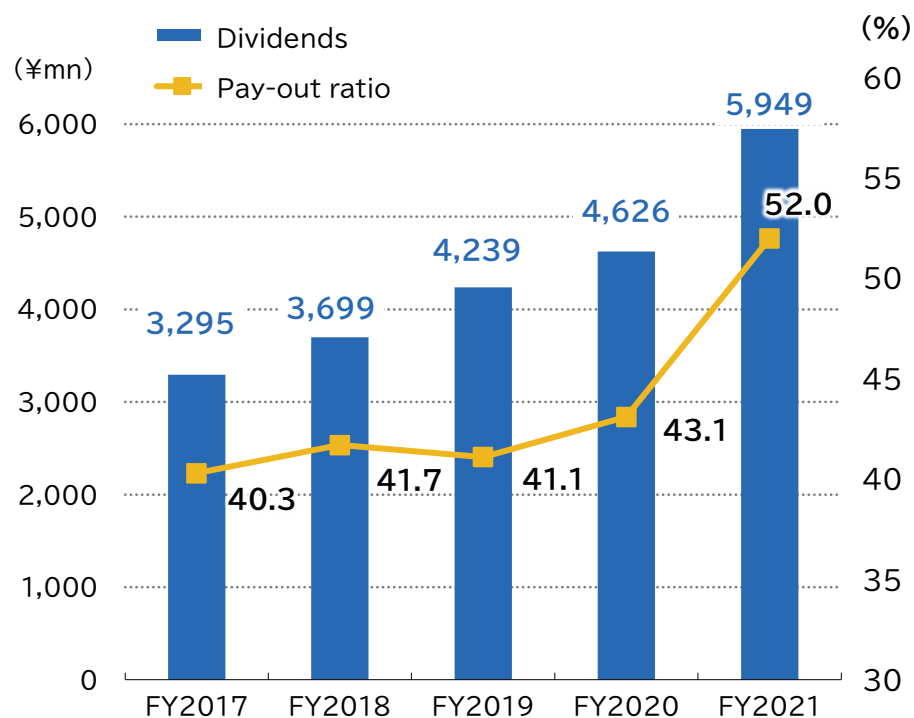


\* The total number of transactions closed represents the sum of the number of completed sell-side and buy-side mandated transactions

## Aiming for **sustained long-term growth**

**Pay-out ratio** **Sustained at over 40% since FY2015**

### Dividends and the pay-out ratio



*Dividend and pay-out ratio data in chart are based on the assumption that the proposed final dividend for FY2021 is approved at the general meeting of shareholders.*

### Market capitalization (From Apr 2017)



## Our M&A intermediary activities provide economic benefits

Source: Yano Research Institute study

### 1. Basic information

Period	FY2021
Number of companies acquired※	453
Total revenues of acquired companies	¥321.4 billion

※Excluding the acquisition of certain foreign companies and partial acquisitions

### 2. Level of Revenue saved and jobs preserved

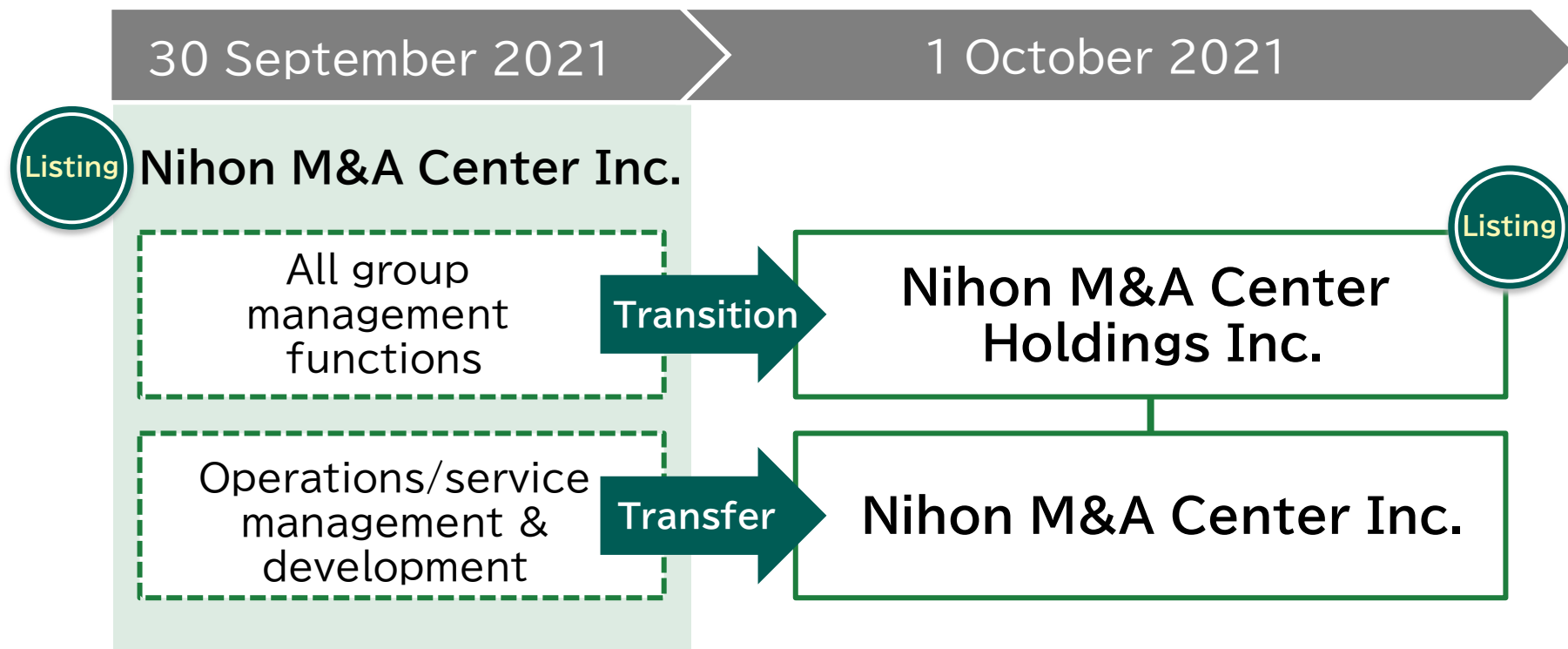
Revenue saves (1 year)	¥349.3 billion
Jobs preserved (1 year)	28,850

### 3. Future economic benefit

Future Economic benefit (3 year)	¥949.5 billion
Future Economic benefit (5 year)	¥1.5083 trillion
Future Economic benefit (10 year)	¥2.6857 trillion



## Completion of **transition** to a **holding company structure** on **1 October 2021**



Completion of transition to a **holding company structure** on **1 October 2021**  
**Change of name to Nihon M&A Center Holdings Inc.**

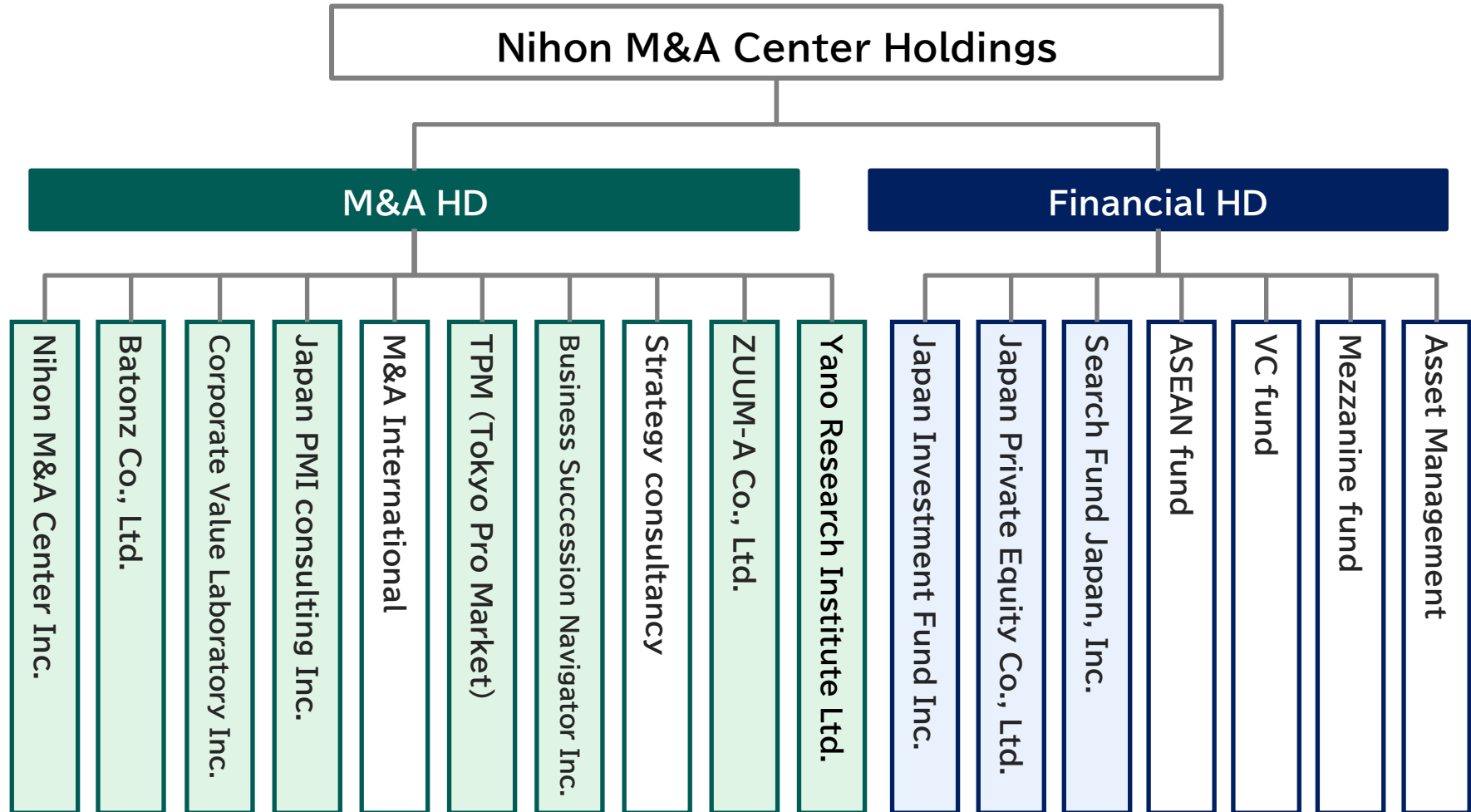


Purpose of changing to a holding company structure

- 1 Further development of each group company
- 2 Development of optimal human resource for management of all group companies
- 3 Maximise group company value
- 4 Further group development in domestic and overseas markets

Aiming to offer more **integrated solutions** by **acceleration** of development of the **depth and breadth** of each group company

## Future concept for the holding company



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# EXCEED30 Achievements

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## Webinar with 150,000 registrations

- 1 Regional banks collaboration
- 2 Accountants collaboration
- 3 Collaboration with others



## Establishment of huge foundation for sales activity

Big opportunity for buyer and seller mandates  
Boost for TPM, Batonz, international sales activity



Best-selling mergers and acquisitions advisory company in 2020

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# Other Features

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

## TOKYO PRO Market J-Adviser mandates **exceed 100,** **a year ahead of target**

### J-Adviser contracts progress

As of end-May 2022

**102** J-Adviser mandates  
**secured**

➔ Of these companies, 10 are listed

TPM: Launched in 2009.

55 companies are now on the TPM section as of end-May

Creation of star companies nationwide  
through our TOKYO PRO Market activity,  
contributing to **regional regeneration**  
and the **regeneration of Japan**

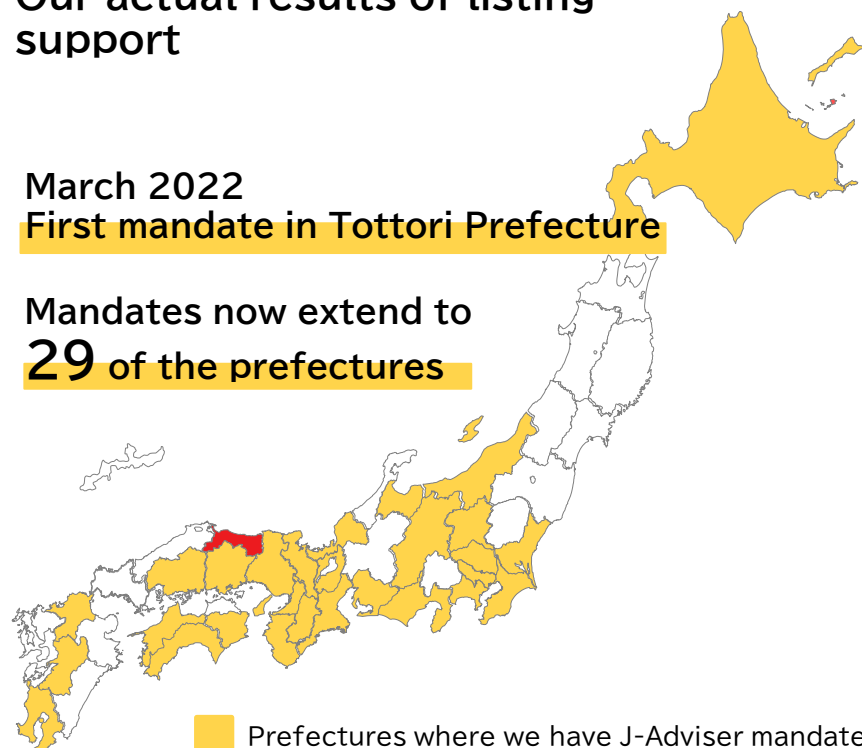


### Our actual results of listing support

March 2022

**First mandate in Tottori Prefecture**

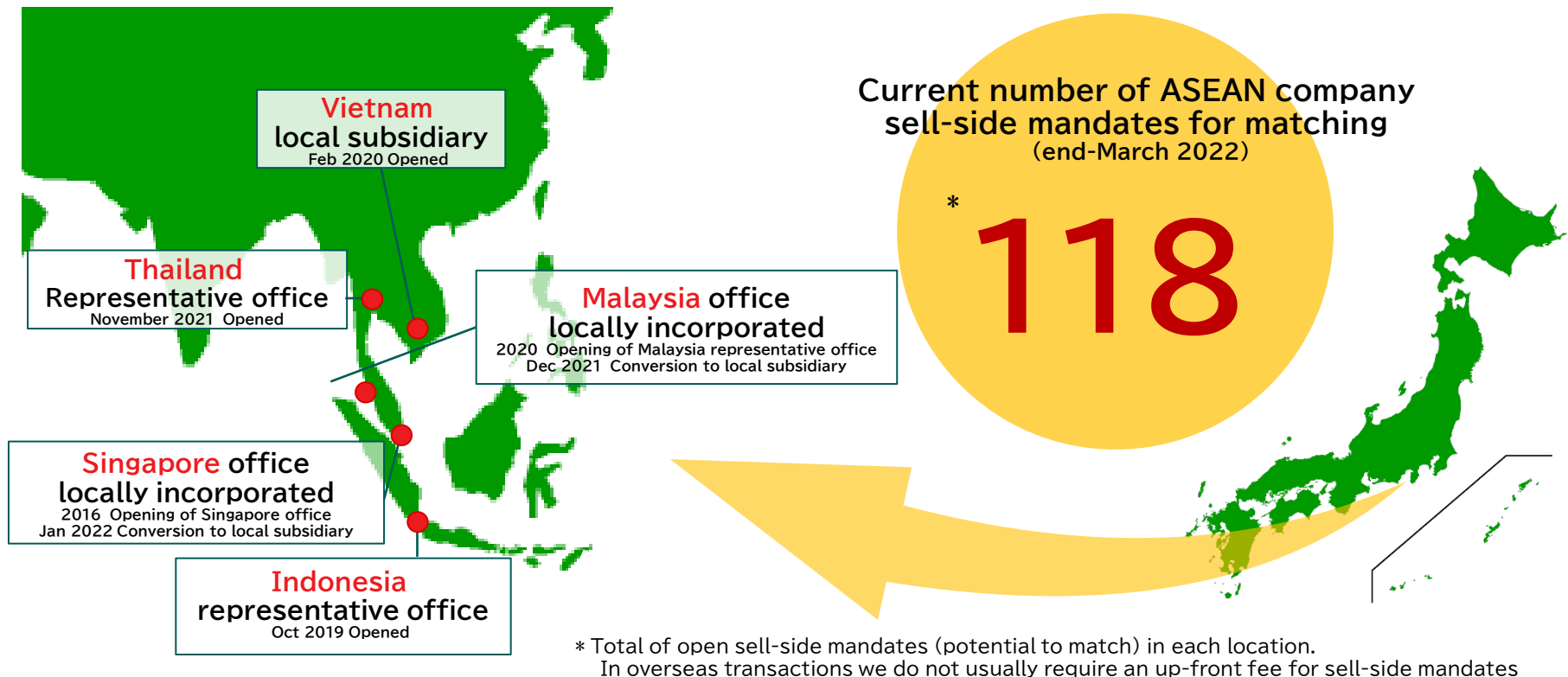
Mandates now extend to  
**29** of the prefectures



- Prefectures where we have J-Adviser mandates
- Prefecture where a new J-Adviser mandate was originated



Established presence in **5 locations** in ASEAN region  
Positioned to promote **strong support for cross-border M&A**



Prediction for **increase in M&A demand**  
once corona-related travel restrictions are eased

With a view to future **activities**  
**in Europe and USA**  
Joined **global top ranking M&A alliance**



WORLD M&A  
ALLIANCE

<https://world-ma.com/>

Centred in Europe and USA with  
**13** boutique M&A member firms  
covering **20** countries.

## Purposes for joining the alliance

1. Stimulate outbound M&A transactions for Japanese companies
2. Stimulate Europe and USA cross-border M&A on behalf of ASEAN companies
3. Development of global mid-market M&A

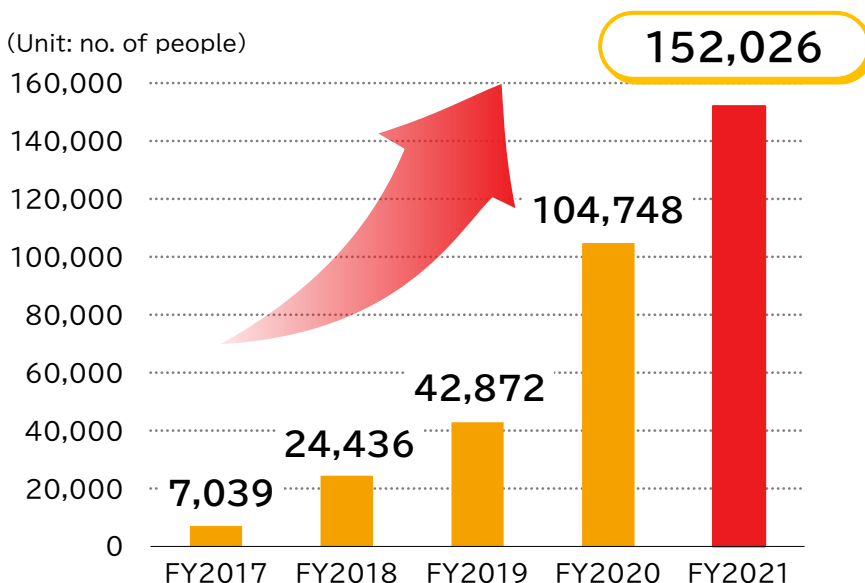
# Rapid Progress for BATONZ



Online M&A matching by **BATONZ**  
Cumulative number of transactions closed  
**Over double prior year level**

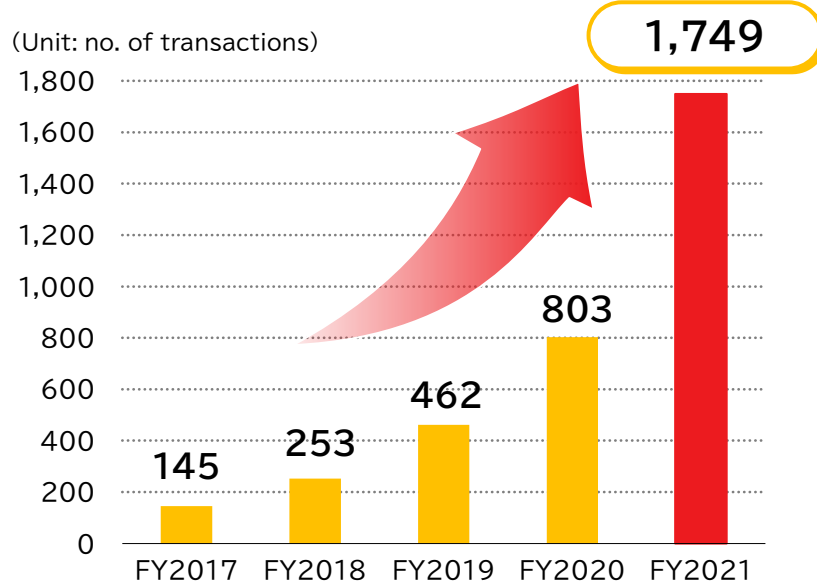
## User registrations

(Unit: no. of people)



## Transactions closed (cumulative)

(Unit: no. of transactions)



Building a network of over 1,000 specialist companies  
for M&A support



Stimulating successful  
M&A transactions

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

## V COMPASS company valuation system using transaction comps Adopted for the first time by a financial institution

11 January 2022 Introduced at The Bank of Okinawa

 おきなわフィナンシャルグループ

 沖縄銀行

The Bank of Okinawa  
President  
Mr. Masayasu Yamashiro



 Nihon M&A Center HD

 企業評価総合研究所

Nihon M&A Center Holdings Inc.  
President and Representative Director  
Suguru Miyake



Over 1,000 transactions per year, cumulative total of  
13,000 valuation records  
(excluding very simple corporate valuation)



**V COMPASS**  
取引事例法評価システム

→ Use as source for management  
decision

Employee at branch  
brings a simple  
corporate valuation



Owner



Easy to review highly credible corporate  
valuation conducted through close  
scrutiny of financial institution

→ Use as source for  
management decision

First target is to serve M&A requirements  
of clients throughout Okinawa

→ Leading to further adoption by other financial institutions

The **only consulting company in Japan specialised in PMI**  
**Continuous growth in mandates** since establishment in 2018

## The basis for the formation of Nihon PMI Consulting

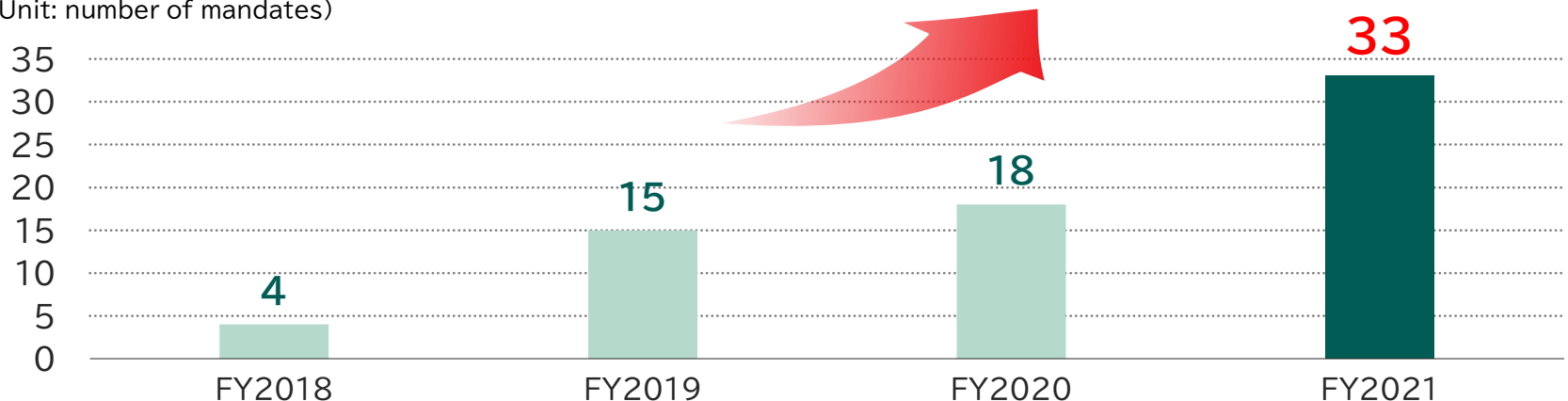


PMI (Post merger integration) is a general process for optimising integration to ensure that the result of M&A is in line with the initial plan once the transaction has completed.

Nihon PMI Consulting supports the important process that leads from the contract to successful implementation.

## Number of PMI mandates

(Unit: number of mandates)



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# Key themes to address

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- 1** Compliance-centric management
- 2** Becoming an integrated M&A company
- 3** Optimal response to the coronavirus
- 4** Recruitment and development of consultants



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## To regain trust: prevention of reoccurrence and stronger results

### Prevention of reoccurrence

- Compliance-centric management
- Building structure so that stops inappropriate behaviour
- Changing culture

### Stronger results

- Growth of company in unity
- Culture to enhance recruitment and HR development
- Increased productivity through digitalisation

**1** New national coverage by region and sector

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**2** Strengthening of HR development

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**3** Increasing productivity through digitalisation

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# Growth Strategy

1. New national coverage by region and sector

# 1. New National Coverage by Region and Sector



## New matrix of regions and sectors

### 1 Increase of regional coverage with establishment of satellite offices in 47 prefectures

- Fukushima prefecture Representative who has lived locally in Aizuwakamatsu
- Chiba prefecture Representative who has lived locally in Chiba

Striving to achieve personal ambition

### 2 Region and sector matrix



# Growth Strategy

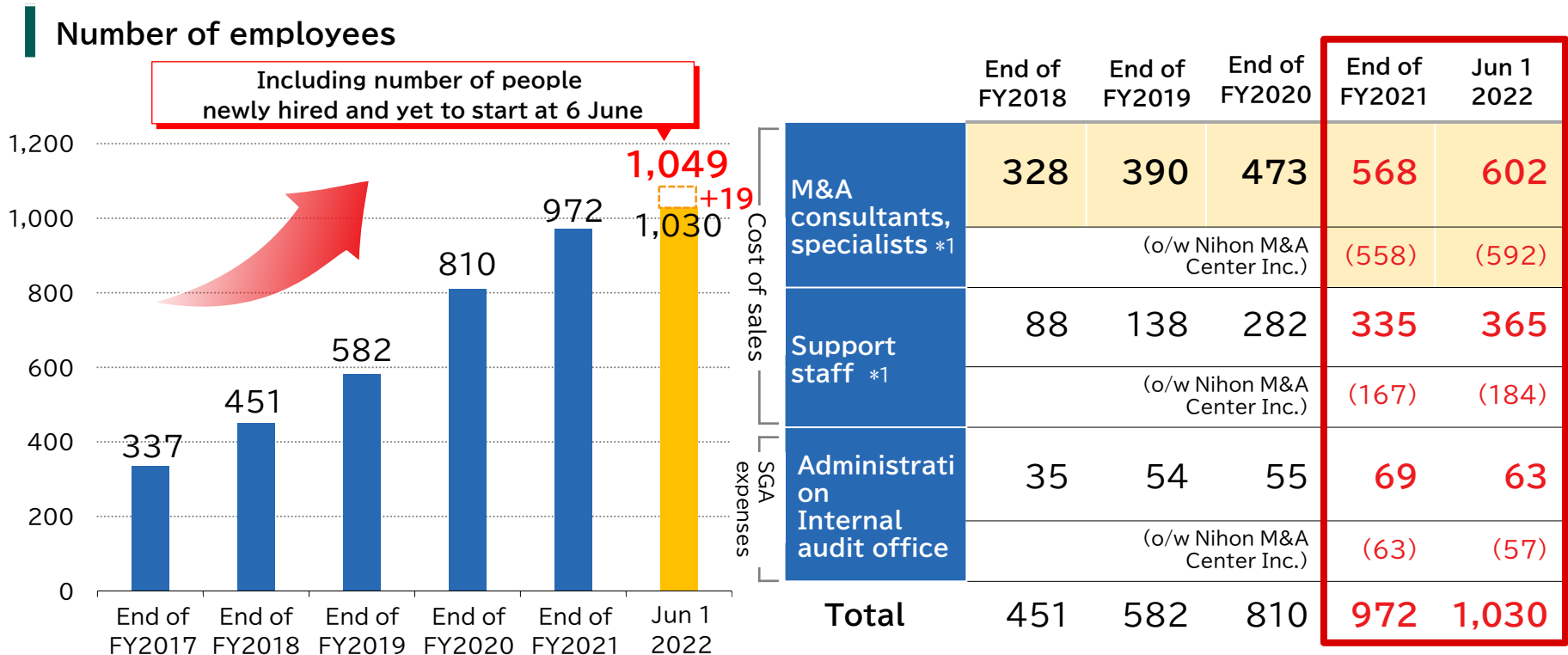
## 2. Strengthening of HR development

## 2. Strengthening of HR Development



### Number of employees

Implemented **recruitment drive** including referrals  
 → Fulfilling medium-term growth plan with buoyant M&A



\*1 The definitions of M&A consultants/specialists and Support staff included in the total number of employees are as follows.

M&A consultants, specialists: sales personnel (including at subsidiaries); Mid-cap Support Office members; legal and accounting professionals specialized in M&A transaction support. Support staff: employees in Strategy H.Q., training department, internal sales, sales support in subsidiaries, IT support.

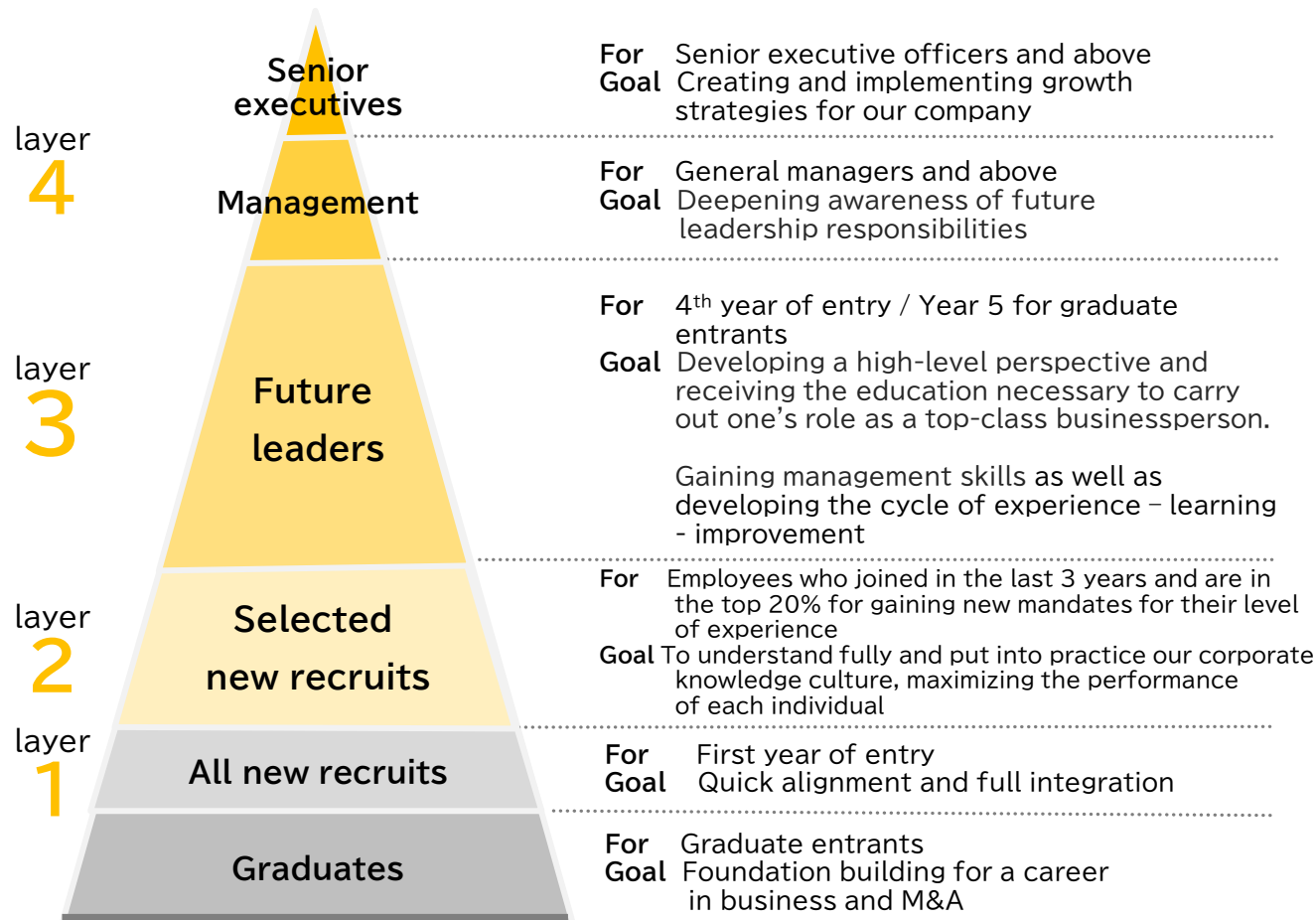
# 2. Strengthening of HR Development



## Human resources training

A layered approach for thoroughness

We aim to achieve **fast results** from the training



### Core to strengthened training plan

Executive offsites/  
Management meetings

Evaluation/Management interviews  
/Senior level offsites  
General manager offsites/training

Future leader offsites  
**Group leader meeting**

#### Exceed Club

Early training for next generation  
of General Manager

For consultants not yet  
at general manager level  
who have closed over 20 transactions  
+ equivalent staff

**Transaction closure academy**

#### Reiwa training

Gaining practical knowledge and  
developing a High-level perspective  
by vision sharing with senior executives  
and management

**Foundation academy**

**Getting off to a good start**

**Graduate education  
project**

# Growth Strategy

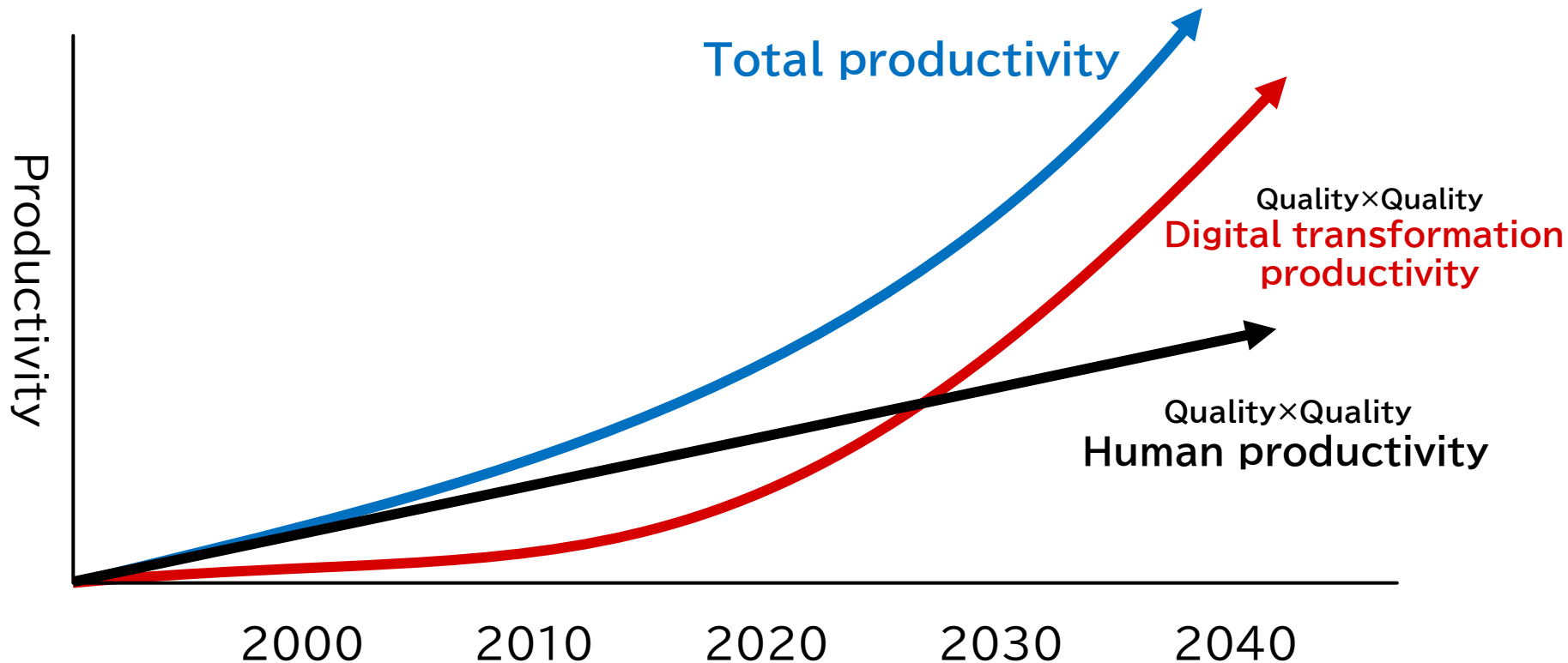
3. Increasing productivity through digitalisation

### 3. Increasing Productivity through Digitalisation



#### Digital transformation strategy

A combination of digital transformation for sales (external) and operational efficiencies (internal) holds the **key for future corporate growth**



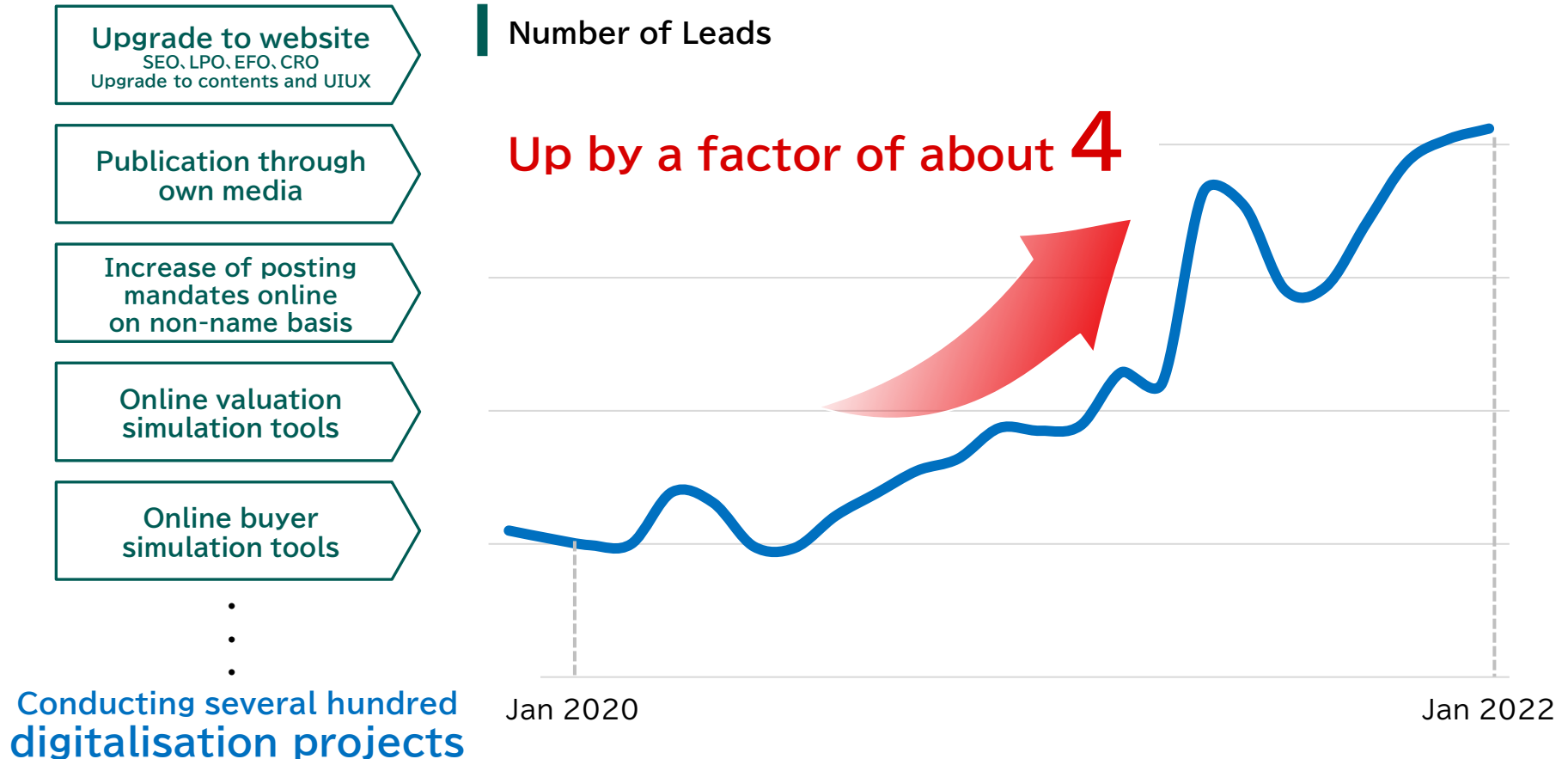
### 3. Increasing Productivity through Digitalisation



#### Digital transformation strategy (external)

Digital transformation impact on marketing

**Quadrupling of leads in 2 years** (Jan 2020 – Jan 2022)





### 3. Increasing Productivity through Digitalisation



## Digital transformation strategy (external)

From June 2022

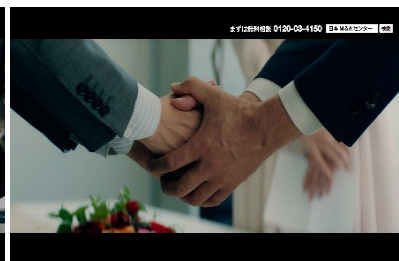
## Start of TV commercials (starting from Kanto area)



「Ratio of companies without a successor - 61.5%※1」

Number of companies without a successor - 1.27 million※2」

Reporting accurately the data behind this issue facing Japanese companies. Seeking recognition that business succession is not a topic for the distant future, but an urgent matter facing us now. Informing how our company has many years of experience in dealing with this.



※1 Teikoku Databank “National research on trends in the ratio of companies lacking successors” (2021)

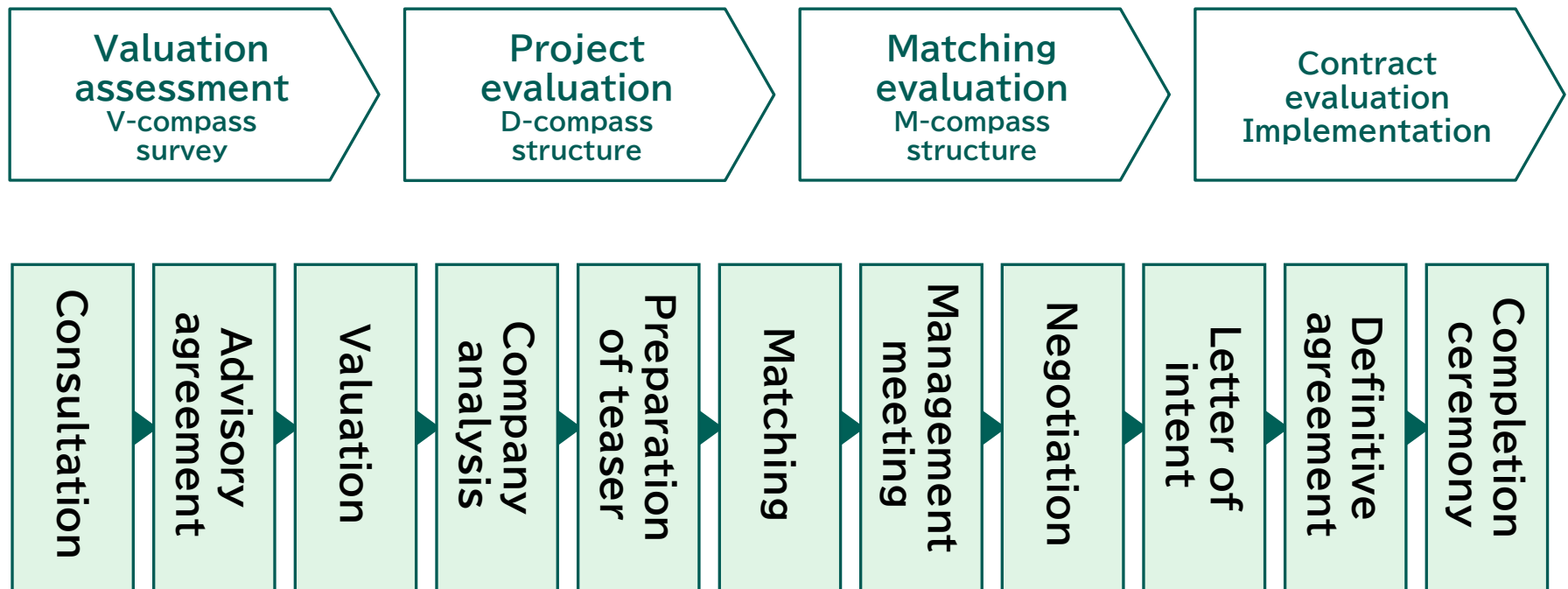
※2 Small and Medium Enterprise Agency “Current situation concerning M&A for SMEs and topics arising”

### 3. Increasing Productivity through Digitalisation



## Digital transformation strategy (internal)

### M&A process



Digitalising of M&A, increasing productivity

~To bring optimal M&A ever closer~  
We connect thoughts  
Helping create a society in which M&A  
can be conducted at ease  
In Japan, then globally

**Optimal M&A means  
compliance prioritised, clients coming first, highest quality**

Our company's reason for existence and ambition  
is not just to **rescue any particular one company,**  
but to **rescue as many companies as possible**

We shall make another quantum leap  
The fiscal year to March 2023 will be  
**the springboard for the next quantum leap**



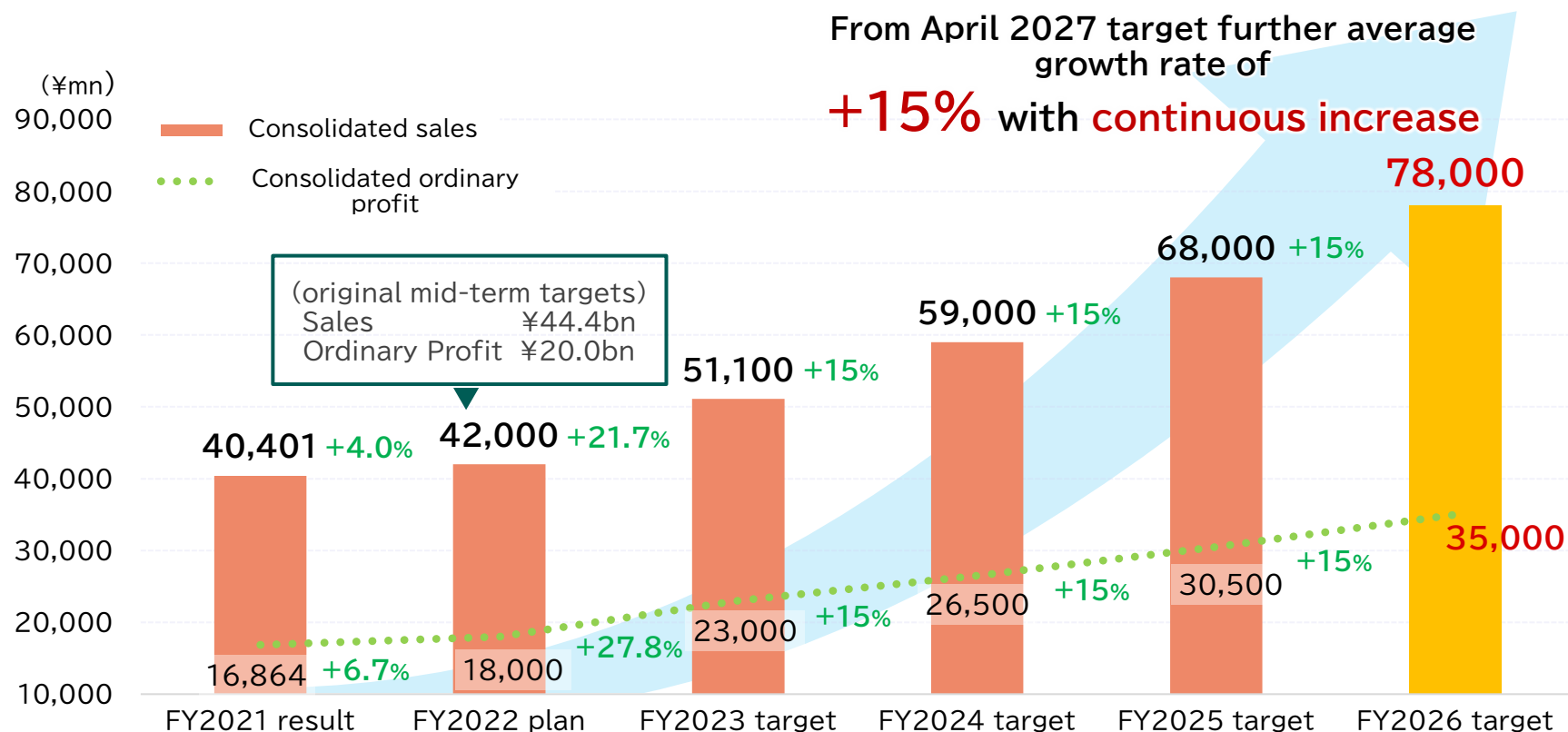


# 5-year Mid-term Plan



## Ordinary profit target of **¥35bn** by the year to March 2027

Expected target of **over 1,000** completed transactions  
(**2,000** total number of buy-side and sell-side mandates completed)



Number of employees with sales target : 425 (at start of period) → CAGR +10% → 622 (initial target)

We caused great inconvenience  
with the recent incidents

To meet the expectations of all our  
shareholders, employees and society:

The incidents will prove a turning point,  
with compliance prioritised,

and we shall make a quantum leap as we  
enter this new period!

# Director Candidates



**Yasuhiro Wakebayashi**

High level strategic view

**Suguru Miyake**

Steering management,  
development of next generation of leadership

**Takamaro Naraki**

Strengthening and development of  
administration structure

**Masahiko Otsuki**

Large financial institutions, cross-border M&A,  
private equity

**Naoki Takeuchi**

Increased productivity, digitalisation

**Tsuneo Watanabe**

Sector coverage development, venture capital

**Hideyuki Kumagai**

Quality control

**Tokihiko Mori**

PE funds, governance

**Anna Dingley**

Overseas investor views, TPM

**Minako Takeuchi**

HR development, activity of women

**Kenneth George Smith**

M&A in USA, PMI

**Keiichi Nishikido**

Lawyer  
Compliance, governance  
M&A activity checks (company law)



## Audit & Supervisory Committee member

**Iwao Hirayama**

M&A experience,  
highly knowledgeable about our company

## Independent Audit & Supervisory Committee member

**Yoshinori Yamada**

Director of large financial institution,  
auditor

**Takayuki Matsunaga**

Lawyer  
Compliance, governance, whistle blowing

# Proposed Composition of the Board in this Financial Year



Directors	7
Audit & Supervisory Committee member	1
Independent directors	5
Independent Audit & Supervisory Committee members	2

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Total	15
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Independent directors	46.6%
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(Last fiscal year 38.4%)

2 lawyers, 1 accountant

Thank you very much for  
your participation

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We appreciate your continued future  
support for Nihon M&A Center.

 Nihon M&A Center HD