

 Nihon M&A Center HD



Nihon M&A Center Holdings Inc.

Integrated Report

2024

Contents

Corporate Mission
Assisting companies to
continue and prosper
through M&A

Growth Strategies
to Realize Value
Creation

17-32

Vision of Nihon M&A Center Group

- 01 Corporate Mission/Contents/Editorial Policy/Tool Map
- 03 Our Purpose/Philosophy
- 05 Business Environment
- 09 About Nihon M&A Center Holdings
- 13 History of Value Creation
- 15 Value Creation Process
- 16 Accumulated Capital

Growth Strategies to Realize Value Creation

- 17 Messages from Management
 - 19 Message from President
 - 25 Message from Chairman of M&A Strategic Meeting
 - 28 Message from Chairman of Financial Strategic Meeting
 - 31 Message from Executive Managing Director,
Administration Headquarters

Message
from CHRO

43

Message from
Chairman of M&A
Strategic Meeting

Foundation for Value Creation

- 33 Materiality (Priority Issues)
- 35 FY2023 Initiatives related to Materiality
- 43 Message from CHRO
- 45 Human Resources Initiatives
- 53 Compliance
- 57 Corporate Governance
- 62 Board of Directors
 - 66 Skill Matrix
- 67 Risk Management
- 68 Information Security
- 71 Initiatives for Environment
- 73 Roundtable Discussion with Independent Directors

Messages from
Employees

51

Materiality
(Priority Issues)

33

Message
from CISO

70

Message
from CCO

56

Data Section

- 77 Financial and Non-financial Highlights
- 79 Consolidated Financial Statements
- 82 Corporate and Stock Information
- 83 External Evaluation, Commitments and Inclusion in the Index

Vision of Nihon M&A Center Group

01-16

Message from President



25

19

Message from Executive Managing Director, Administration Headquarters



31

Message from Chairman of Financial Strategic Meeting



28

Foundation for Value Creation

33-76

Roundtable Discussion with Independent Directors



73

Data Section

77-83

Editorial Policy

This Integrated Report is designed to convey information to our shareholders, investors, and other stakeholders about the Nihon M&A Center Group's medium- to long-term visions, strategies and initiatives as well as progress made and issues encountered. We hope that this report will serve as an information disclosure tool that conveys Group initiatives in a readily understandable way.

We will continue to improve the standard of our activities and make the report easier to understand, heeding stakeholder opinions on this report.

Referenced Guidelines

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

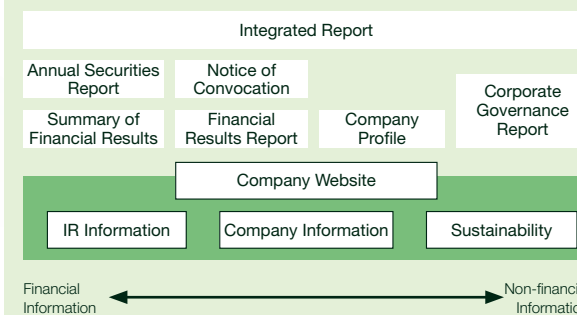
Scope of Report

Nihon M&A Center Holdings Inc. and its Group companies
 *The reporting period and organization may differ depending on the topic.

Report Publication Date

October 2024

Tool Map



Disclaimer

Any statements made in this report regarding industry trends and analysis, future plans and expectations, etc. are based on currently available information. We acknowledge the existence of risks and uncertainties that could significantly alter our future business environment. Therefore, those statements do not constitute a guarantee that any future plans and expectations will be achieved.

To access a broader range of relevant information

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



Purpose

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

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

With this aspiration, we have been a pioneer in M&A matching business. Understanding and trust towards M&A as a business alternative, however, are not yet very strong.

Hence hereby we commit to build communities in which M&A is a friendly business means. We connect ideas and thoughts of management, employees and their family members by bringing the best M&A to our clients for them to succeed.

We take pride in leading the industry, strive to perfect our services, and make a better world via top-class M&A in Japan and around the world.



Philosophy

(How We Act)

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

1. Utmost respect for our clients

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

2. High viewpoint, broad field of view

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

3. Challenge without fear of mistakes

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

4. Swing the pendulum in full

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

5. Best decisions upon free and open discussion

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

6. Never give up until the result is achieved

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

7. Be humble, learn and grow

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

8. The right things in the right way

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

 Please visit our website for more details

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



Business Environment Challenges Facing Japanese Companies

There are about 3.36 million small- and medium-sized enterprises (SMEs) in Japan, comprising 99.7% of all companies in the country*1. However, the environment surrounding SMEs is facing various kinds of anxiety over the future such as lack of successors, shrinking domestic markets due to population decline caused by a falling birthrate and aging population. In addition, there are severe conditions such as the labor shortage due to population decline, the challenge of improving productivity on the assumption of future labor supply constraints, and the recent rising costs of raw materials and resources. As a means of resolving these challenges, M&A is growing in importance and is on the rise in many industries. Here, we will explain these major challenges and how M&A can serve as a potential solution.

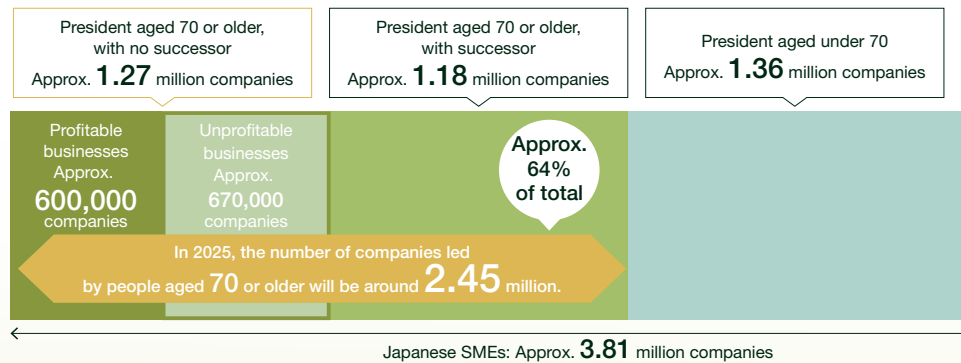
*1 As of June 1, 2021 (the Small and Medium Enterprise Agency: December 13, 2023)

1 Aging of SME owners and lack of successors

It is predicted that by 2025, about 2.45 million owners of SMEs will exceed the average retirement age of 70. In addition, about half of them, or 1.27 million firms, do not have a successor in place, of which about 0.6 million risk going out of business despite being profitable.

If action is not taken to remedy the current situation, the number of SMEs closing due to lack of successors will increase. Some data show that there is a risk of a cumulative loss of around 6.5 million jobs and about 22 trillion yen in GDP during the decade from 2016 to 2025.*2

Age composition of SME owners



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

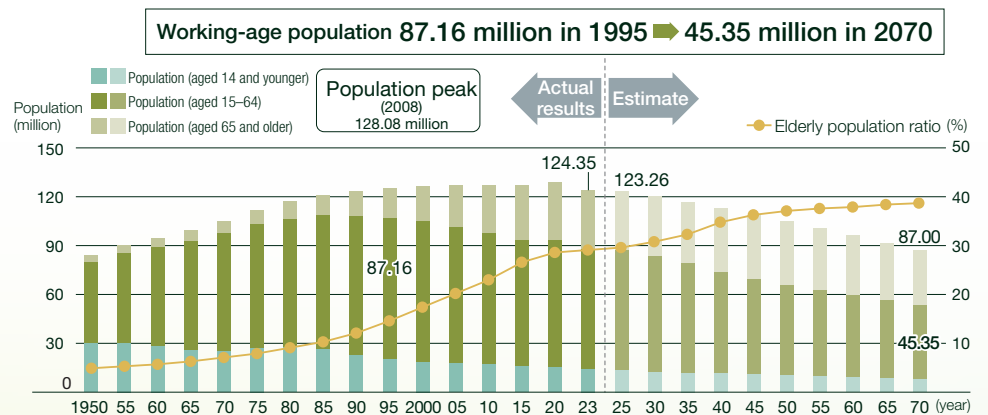
*2 Assumes that 31% of corporations and 65% of individual proprietorships whose owners are aged 70 or older will have gone out of business by 2025. The number of jobs indicated above is based on the average number of employees (5.13) employed by SMEs that went out of business between 2009 and 2014, while the GDP loss is based on the value added per corporation or individual proprietorship in FY2011, respectively (corporations: 60.65 million yen; individual proprietorships: 5.26 million yen)

2 Declining population and diminishing domestic market

The total population in Japan is in the process of long-term decline as the birthrate falls and the population ages. According to estimates by Japan's Cabinet Office, the total population in 2070 will fall below 90 million, and the working-age population is projected to decline to about 45 million.

Such a population decline from the falling birthrate and aging population will lead to a decrease in the number of consumers and the labor force, resulting in changes in consumption patterns and a decrease in the activity level in consumption and investment. As a result, there are growing concerns that the market will shrink, constraining the growth and profitability of SMEs, and it raises more serious worries about the negative impact on the shrinkage of Japan's overall economic scale and decline in GDP.

Total population and elderly population ratio in Japan



Source: Reorganized and processed data from the Annual Report on the Ageing Society 2023, "Trends in Ageing Population and Projection for the Future"

Business Environment Challenges Facing Japanese Companies

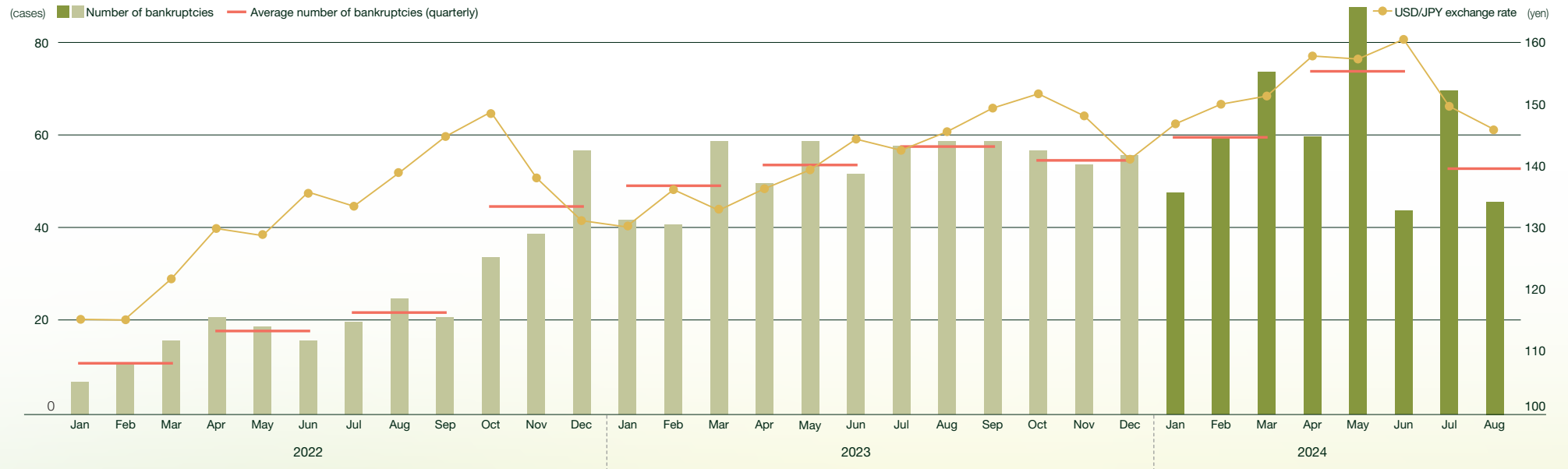
3 Low labor productivity and profitability

With no expected future increase in the number of workers due to the population decline, labor productivity and profitability of SMEs continue to remain flat at low level. Assuming that labor productivity remains at current levels with a decreasing workforce, Japan's nominal GDP per capita is estimated to gradually decline.

To improve labor productivity, solutions such as implementing digitalization and investing in labor-saving equipment like cashless payment systems are suggested. Data shows that about 90% of SMEs express interest in making investments. However, there are factors leading to increased costs, such as wage increases and addressing supply-chain emissions in response to client demands. So, not all SMEs can immediately make equipment investments.

Regarding profitability, the urgent issue is the need to pass-on the raising costs of raw materials. However, for SMEs, improving profitability through price negotiation is not easy due to their small scale of operations and weak bargaining power with business partners. As a result, the number of bankruptcies caused by inflation has increased, more than doubled when comparing the figures from 2022 to 2023.

Monthly bankruptcies caused by inflation



Source: Reorganized data from TOKYO SHOKO RESEARCH, LTD

Business Environment How We Can Address the Challenges

For the aforementioned challenges, Nihon M&A Center Group supports solutions and responses through the following four approaches.

1 M&A for Business Succession

Solutions to a lack of successors in SMEs are the appointment of family members, the appointment of employees or M&A. Even in cases where there are no potential successors among family or employees, integration with other companies or business transfers through M&A can pave the way to solving the succession problem. Although the appointment of family members is the most commonly chosen option in SMEs, it has been decreasing sharply since 2021, after the COVID-19 pandemic. On the other hand, more and more SMEs are appointing employees or choosing M&A, moving away from business succession by family members.

Due to factors such as the lack of successors, it is said that by 2025, about 0.6 million companies may face the possibility of going out of business despite being profitable. The Group, driven by the belief that “Companies are places to form lasting bonds,” considers it our mission to realize as many M&As as possible, thereby securing the future of employees and families, and passing down the technologies and expertise cultivated over time to the next generation.

**Retains Employment
and Technologies**

through M&A as Business Succession

2 M&A as Growth Strategy Enhances Competitiveness

In domestic market that is changing and shrinking, leveraging M&A as a growth strategy is crucial for the survival and growth of SMEs. Through M&A, companies can respond to changes in the market and competitive environment, expand into new business domains, increase their scale, and enhance their competitiveness.

When growth on stand-alone basis is limited, adopting a leverage strategy utilizing M&A can also be an effective way for SMEs to step up to Medium-sized companies and strengthen their global competitiveness. It also enables them to expand into other regions, including overseas, and enter new markets with growth potential.

In addition, by coming under the umbrella of a major company through M&A, companies can also accelerate their own growth on the back of business integration while leveraging its management resources.

The Group is committed to supporting SMEs in maximizing their potential and strengthening their growth and competitiveness through strategic advice and the support of experienced professionals.

**Enhances
Competitiveness**

through M&A as Growth Strategy

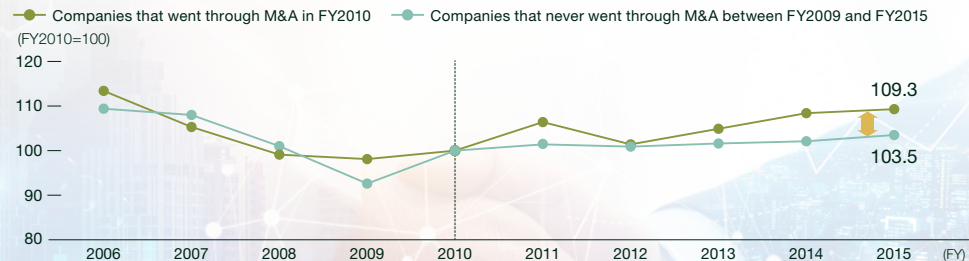
Business Environment How We Can Address the Challenges

3 M&A for Centralization of Management Resources

As securing a workforce becomes increasingly difficult due to the population decline, leveraging M&A enables companies to share resources and technologies, thereby improving productivity and efficiency. This is particularly beneficial for SMEs that face challenges in negotiating price pass-on requests from rising raw material costs or those struggling with profitability. M&A can create economies of scale and synergy effects, helping to reduce procurement costs for raw materials and resources. In addition, M&A can lead to an increase in management resources, making it possible to pursue business restructuring.

We find the best match using the database based on knowledge and experience accumulated in our 33-year history, as well as on over 9,000 deals closed, and contribute to the productivity improvement of SMEs and ultimately the local and Japanese economies.

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



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

Improves Productivity
through M&A for Centralization of Management Resources

4 Building Communities with Safe M&A

The number of small and medium-sized M&A transactions supported by private M&A support organizations has significantly increased from 260 deals in FY2014 to 4,036 deals in FY2022.*

Consequently, the number of M&A intermediaries in Japan continues to increase, growing nearly 2.7 times since the 2010s, when there were 1,062 companies. Given the rapid market expansion in response to societal demands, improving the quality of M&A intermediary services has become a key priority, as the scale and experience of these intermediaries vary widely.

In January 2024, we established the Office for Promotion of M&A Research with Academic, Industry & Government Collaboration as a specialist group reporting directly to the President. By promoting research in the field of SME M&A as well as promoting improvements of quality and ethics throughout the overall industry, we are contributing to the healthy development of M&A industry of SMEs.

*The number of deals for private M&A support organizations in FY2014 includes the following five companies: Nihon M&A Center, Strike, M&A Capital Partners, Ondeck, and meinan M&A. The number in FY2022 is based on the reported data from the M&A Registration Support System.

Source: Small and Medium Enterprise Agency, "Analysis of the Current Situation and Future Direction of Business Succession and M&A"



Towards communities in which everybody can embark on their M&A deals with peace of mind

About Nihon M&A Center Holdings

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

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

Nihon M&A Center HD Established in 1991. The top company for closed deals in the M&A intermediary services industry.

Japan PMI Consulting A consulting firm specializing in post-merger integration (PMI) support, the key to successful M&A.

Next Navi A comprehensive consulting firm, which was jointly established with Aoyama Zaisan Networks, for business succession, asset management, and life planning. It supports prior owners after M&A.

J-FUN Jointly established with Development Bank of Japan as a fund which plays roles of social infrastructure for the foundation for SMEs' growth.

SEARCH FUND JAPAN The first Japanese investment company which conducts search fund-based* M&As nationwide, which was jointly established with Kimitake Ito, Career Incubation and Development Bank of Japan.
*Search fund: activities in which individuals who are prospective business owners take the lead in business succession of SMEs and themselves engage in business management.

PE A company operating business succession and restructuring funds for SMEs and MBO (management buyout) funds, which was jointly established with Japan Asia Investment.

Nihon M&A Center HD

BATONZ Running BATONZ, M&A and business succession support platform utilizing the internet.

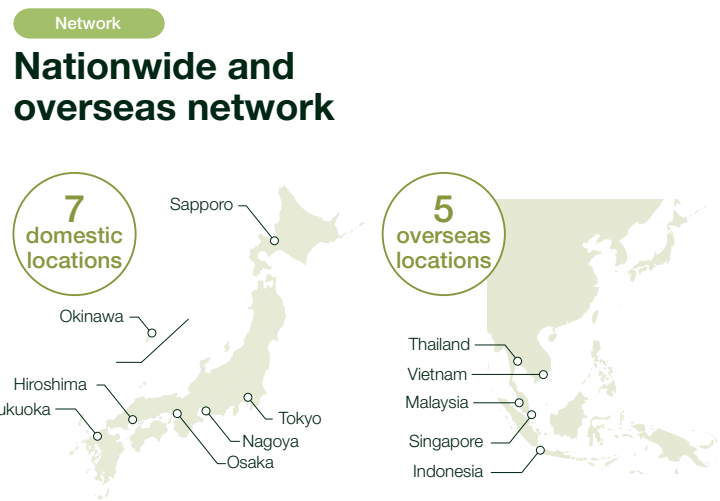
CORPORATE VALUE LABORATORY A company specializing in company valuation. It estimates and proposes neutral M&A transaction prices.

Special People Association co., Ltd. Special People Association co., Ltd, which handles BPO business, validation services and development services, became a subsidiary of the Company in October 2020.

Yano Research Institute Ltd. A leading company of market research.

Nihon DX Human Resources Center Offering support for digitalization initiatives of SMEs as well as learning contents to develop human resources with digitalization skills.

ZUUM-A Running THE OWNER, the media helpful for SME owners.



Overseas M&As

Remarkable advancement as a pioneer of overseas M&As for SMEs

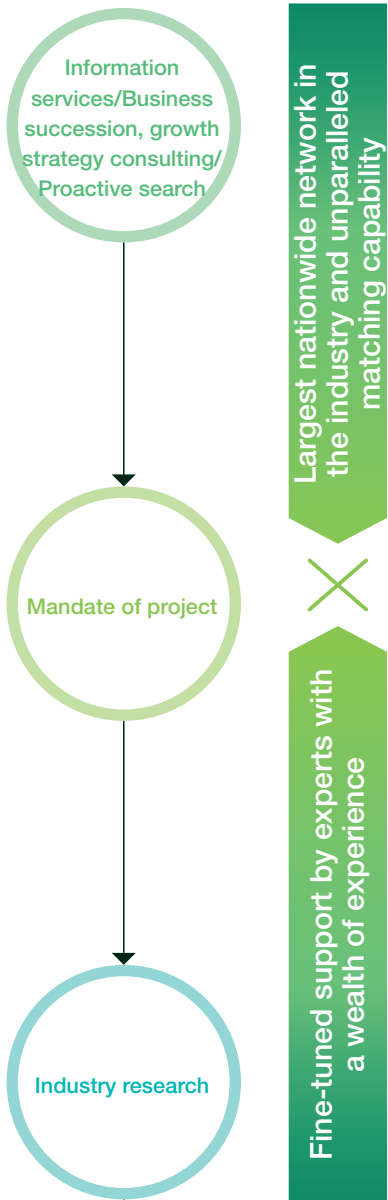
With 5 offices in major ASEAN countries, working with local staff, we are supporting clients with expansion into and withdrawal from overseas markets as well as the entrance to the Japanese market. In FY2023, we assisted with 14 overseas company-related M&A transactions, and invested in Korea M&A Exchange co., LTD., a Korean M&A intermediary company.

Member of World M&A Alliance
We became a member of one of the largest M&A alliance in the world for a foothold in the U.S. and European markets



Other 16 satellite offices and 4 local representative offices with discussion desk are located throughout Japan

About Nihon M&A Center Holdings



Awareness-raising activities and information services

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

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

*Proactive Search is a registered trademark (no. 6557253) of Nihon M&A Center Holdings.

Industry research and analysis based on the latest information

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

Strong collaboration with our affiliate Yano Research Institute Ltd., one of the pioneers of market research, enables us to understand market trends accurately.

Our own nationwide information network

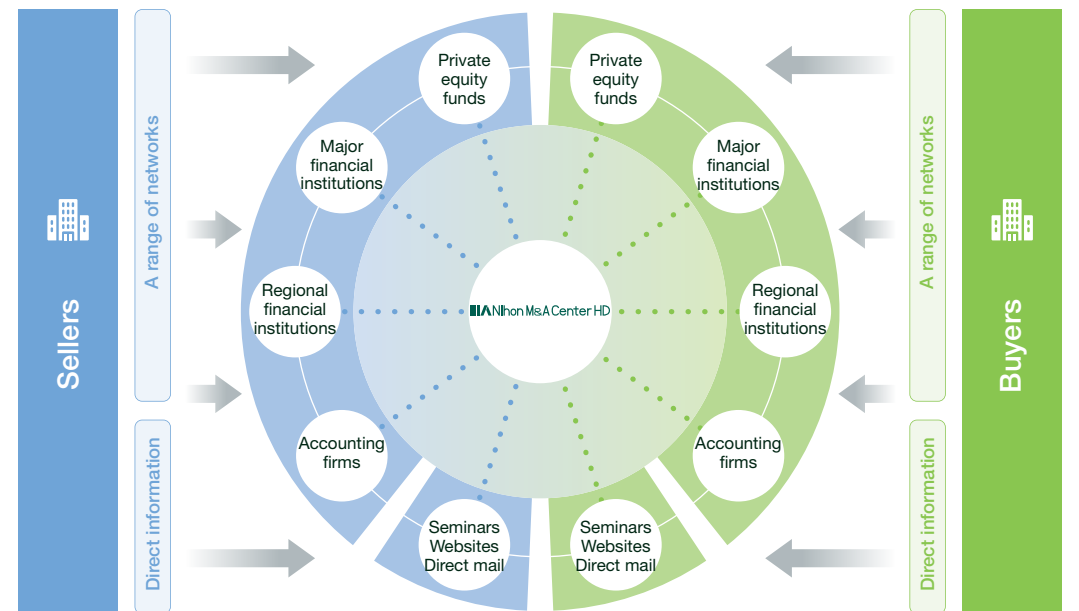
Cooperating with financial institutions, accounting firms and other business partners across Japan allows us to possess abundant information on projects.

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

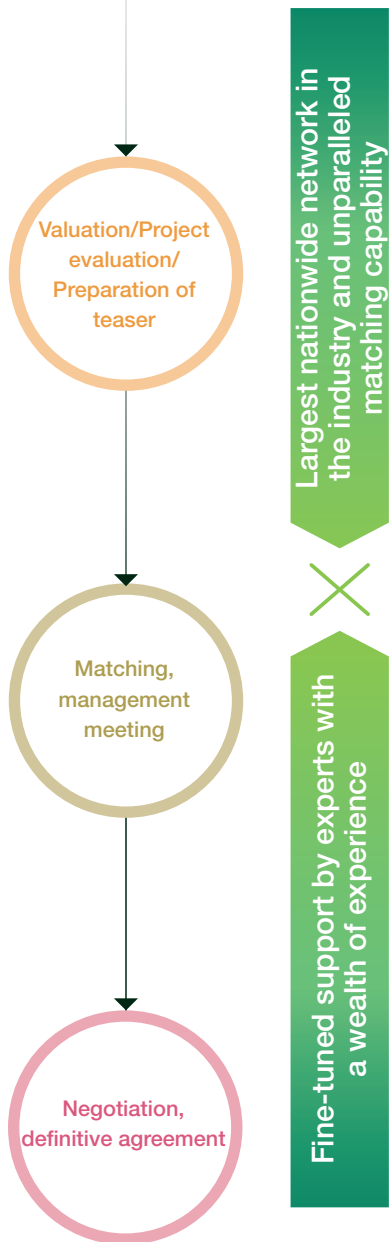
 **NOBUNAGA Succession**

 **Kyusyu M&A Advisors Co., Ltd.,**

M&A advisory companies jointly established by us and regional financial institutions. Further strengthened cooperation with regional financial institutions enables support specifically designed for each region.



About Nihon M&A Center Holdings



M&A operation systems that incorporate expertise

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

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



Specialized service tailored to industry and stage of each company

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

Medical	Nursing care	Dispensing pharmacies	IT	Listed companies
Logistics	Manufacturing	Food		Venture

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

Over 600 consultants

Consultants in charge of the seller and the buyer support negotiations from a neutral and objective standpoint, based on the understanding of both sides' intentions. We create information sharing opportunities within the Company, where consultants present mandates they are in charge of at Matching Event.

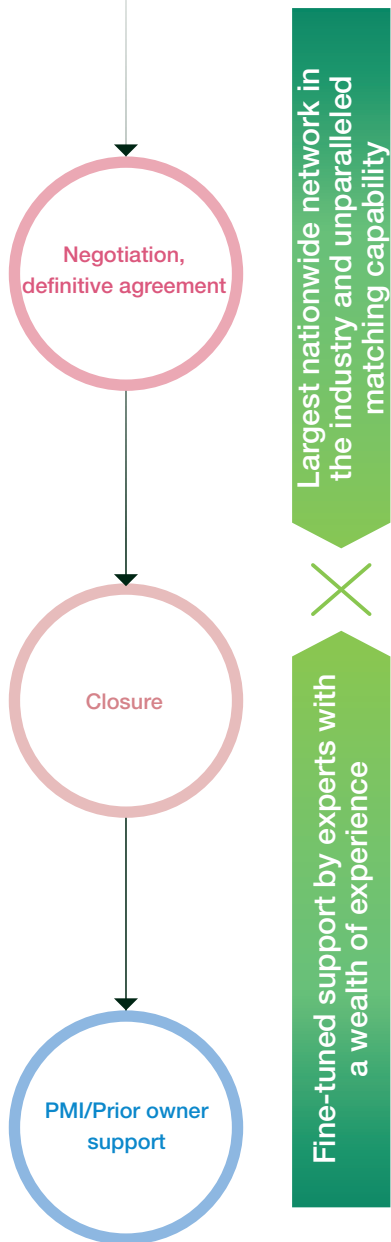
Development and operation of our own systems with data from hundreds of thousands of matches in the past

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



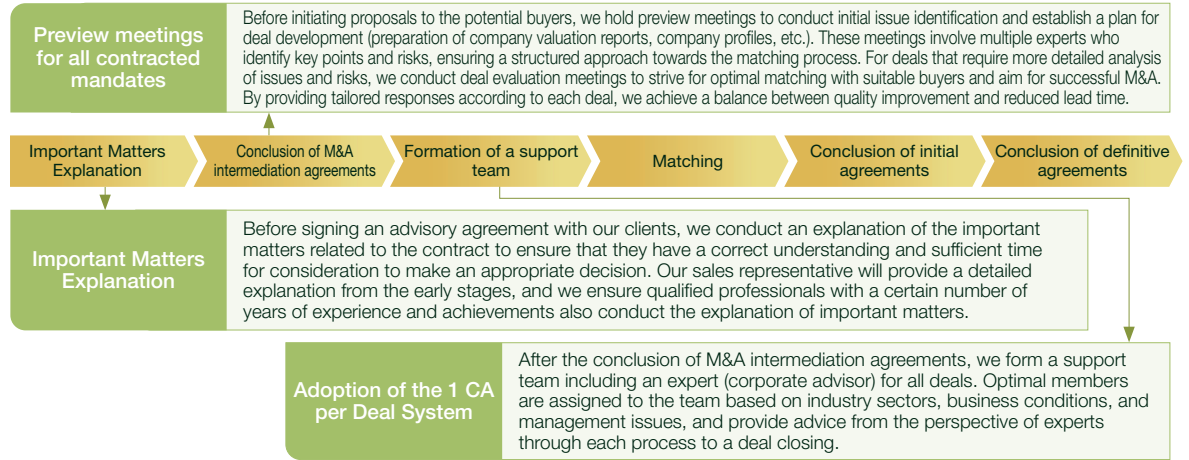
A system that lists prospective buyers based on deals concluded in the past and data on desired conditions for buyers.

About Nihon M&A Center Holdings



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

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



Deal Closing Ceremony organized by the M&A ceremony team

M&A closings are a starting point for growth for both parties. Deal Closing Ceremonies take place at various locations across Japan to take the first step for smooth integrations.

Dedicated staff, whom we call “M&A Ceremonists,” arrange ceremonies, from planning to running the event, including staging conceptualization, preparation and venue set-up. Our employees leverage the experience and know-how that they have refined working in top-class service industries, such as the bridal or aviation industries, to make arrangements down to the finest detail. A proper celebration of a new start for business owners leads to the successful M&A process after the conclusion of the deal.

[See page 38](#)

Support for success after deal conclusion

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

In addition, Next-Navi Inc., which was jointly established by us and Aoyama Zaisan Networks Co., Ltd., supports business succession, asset management, and life planning for prior owners after M&A.

Besides that, in 2021, we concluded a business alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd. to adopt the first warranty and indemnity insurance for M&A intermediation in Japan. Any unforeseen losses caused by warranty and indemnity violations will be covered to a certain amount, which may occur after the M&A transaction is concluded. All M&A transactions supported by Nihon M&A Center are covered without the need for payment of insurance premiums or screening by Tokio Marine & Nichido.

[See page 39](#)

History of Value Creation

Nihon M&A Center Group has led the expansion of SMEs M&A market and established know-how since its foundation in 1991. We consider the 30th anniversary of our foundation in 2021 as an opportunity of “Second Foundation,” and continue to pursue our aim of becoming the “top global integrated M&A company.”

1991- Founding period

Foundation of Nihon M&A Center primarily by CPAs and tax accountants nationwide

Became a base of nationwide network continuing until today

■ Foundation of the Company and network of accounting offices

Nihon M&A Center was established by prominent CPAs and tax accountants nationwide.

Accounting offices throughout Japan were organized into a network “Regional M&A Centers”.



Network of accounting offices

Network of regional financial institutions

- Regional banks
- Credit unions



■ Formation of network of regional financial institutions

We established a nationwide M&A workshop to expand our network with regional banks.

We also gradually expanded business alliances with Shinkin Central Bank, Shinkin Capital, and credit unions throughout Japan.

2006- IPO period

First listing as intermediary M&A services

Established know-how in SMEs M&A

■ TSE Mothers listing (October 2006)

The first listing of a company in Japan specializing in intermediary M&A services for SMEs.

■ TSE 1st Section listing (December 2007)

The forth-fastest transfer from Mothers at that time (14 months).



2011- Rapid growth period

Transformation into an integrated M&A company

Expanded business scale by establishing overseas locations and group companies

■ Further expansion of locations

- Sequential opening of locations in Sapporo, Nagoya, Fukuoka, Hiroshima and Okinawa.
- After opening of the Singapore office as the first overseas location in 2016, we sequentially expanded into Indonesia, Vietnam and Malaysia.

■ Further expansion of networks

- Full-fledged cooperation with major financial institutions Increase of business partners following the partnership with Nomura Securities, in 2008, Daiwa Securities, MUFG Bank, Mitsubishi UFJ Morgan Stanley Securities, and Okasan Securities.

Network of major financial institutions

- Megabanks
- Securities companies

■ Enhancement of fund-related business

In addition to Japan Private Equity established in 2000, we established Japan Investment Fund in 2018 and Search Fund Japan in 2020.

1991

2000

2010

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

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

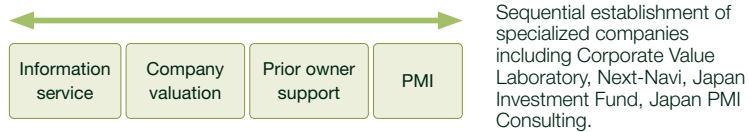
■ Consolidated sales (billion yen) ■ Ordinary profit (billion yen)



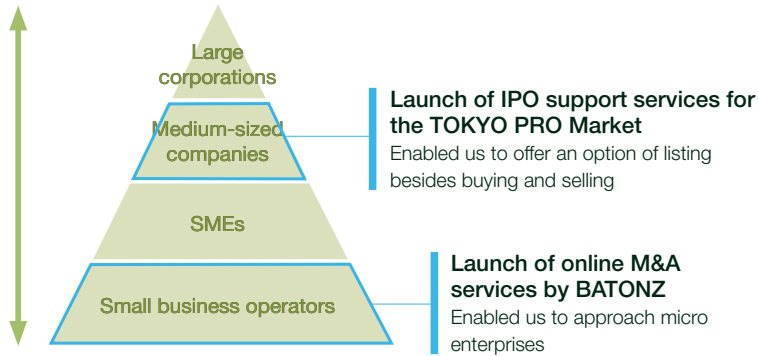
History of Value Creation

■ Expanding relevant services with M&A process on the horizontal axis and business scale on vertical axis

Establishment of subsidiaries and affiliates specializing in each stage of M&A process



Offering solutions tailored to a broad range of companies



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

2021- Second Foundation period

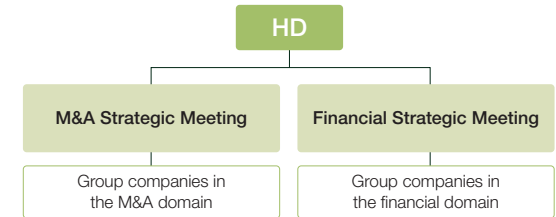
From the top of Japan to the top of the world

Marking the 30th anniversary of our foundation, we advance to achieve the top global integrated M&A company

■ Toward Second Foundation

Structure changes

- Transition to a holding company structure (October 2021)
- Establishment of respective meeting bodies in M&A and financial domains (April 2024)



Formulation of Purpose and Philosophy [▶ See page 3-4](#)

■ Further development of alliance

Expanded partnerships with Sumitomo Mitsui Banking Corporation, JAPAN POST and JAPAN POST HOLDINGS, Tokai Tokyo Securities, and SBI SECURITIES. Established a joint venture company with The Higo Bank, Ltd. (Kumamoto Prefecture) and E.SUN Venture Capital (Taiwan) in 2024. Continue to strengthen alliances with regional financial institutions for revitalization of regional economies.

■ Further enhancement of relevant services

Established Nihon DX Human Resources Center, a subsidiary that aims to support digitalization of corporations and develop human resources with digitalization skills in February 2024.

■ Remarkable advancement as a pioneer of overseas M&As for SMEs [▶ See page 35](#)

Established a local subsidiary in Thailand, making a structure of 5 locations in major ASEAN countries. Established AtoG Capital in December 2023. Made a decision to invest in Korea M&A Exchange in March 2024, a Korean M&A intermediary company, in the view to strengthen our support system for overseas M&A by expanding into East Asia.

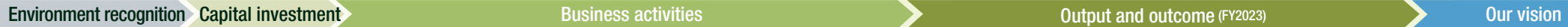
■ Promotion of collaboration among academia, government and M&A intermediary services industry [▶ See page 41-42](#)

Concluded the industry-academia collaboration agreement to promote the research and education of SMEs M&A with Graduate School of Business Administration of Kobe University in September 2022, and started to promote research on SME M&A through the establishment of donation-based lectures as well as opening of Small and Medium Sized M&A Research and Education Center (MAREC). Launched the Office for promotion of M&A research with academic, industry & government collaboration in January 2024. We contribute to the quality improvement of the entire M&A intermediary services industry as a trinity. Also started to offer donation-based lectures at Kyoto University in April 2024, collaborating with the Graduate School of Business Administration.

- The Small and Medium Enterprise Agency compiled the Plan to Promote M&A for SMEs in April 2021, redefining the importance of M&A.
- In August 2021, the Small and Medium Enterprise Agency created a registration system for M&A support institutions.
- In October 2021, a self-regulatory industry body, the M&A Intermediaries Association, was established by M&A intermediaries.
- As SMEs M&A popularizes, challenges faced by support organizations have become apparent.
- In September 2023, the Small and Medium Enterprise Agency revised the M&A guidelines for SMEs for the first time in three years.
- In December 2023, the M&A Intermediaries Association formulated ethical standards and self-regulatory rules.
- In August 2024, a second revision was made to the M&A guidelines for SMEs.

Value Creation Process

Nihon M&A Center Group will carry out corporate management based on the Purpose and take advantage of its strengths as a comprehensive M&A support company for SMEs. By doing so, the Group will create value by resolving social issues.

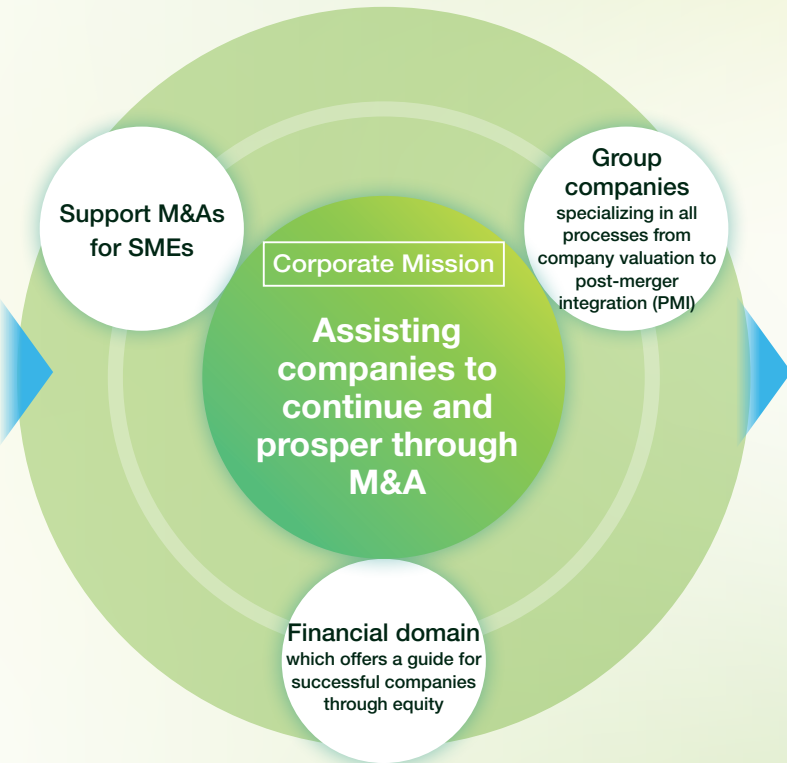


- Aging of SME owners and lack of successors
- Declining population and diminishing domestic market
- Low labor productivity and profitability

See page 5-6



See page 16



Materiality (Priority Issues) See page 33-34

Output		
Transactions closed by Nihon M&A Center	Of which related to overseas M&As	
1,146 (+96 YoY)	14	
Transactions closed by BATONZ	Sell-side mandates gained by Nihon M&A Center	
1,440	1,192	
Results of client satisfaction surveys	PMI services offered	Cases of business and property succession consulting by Next Navi Inc.
87.7/100 points	66	44
Companies we supported in TOKYO PRO Market listing	Number of portfolio exit cases in fund-related business	GHG emissions volume
17 companies	3	2,973 t-CO₂
Outcome		
Sales	Ordinary profit	ROE
¥44.1 billion	¥16.5 billion	21.8%
	Ordinary profit ratio	PBR
	37.4%	7.13
Improving the productivity of employees Sales per consultant with budget responsibility	83.9 million	Regional banks which introduced V-Compass (cumulative) 6 banks
Contribute to regional revitalization		
<ul style="list-style-type: none"> • Resolving SMEs' business succession issues • Sustaining and increasing employment • Improving corporate productivity • Reducing M&A risks • Creating regional core companies • Developing executive management personnel • Expanding partnership • Increasing employees' motivation • Improving employees' productivity 		
Effects of M&A contracts supported by Nihon M&A Center (FY2023)		
Number of M&A contracts supported by Nihon M&A Center	Total revenues for the companies involved in the left M&A contracts	
512 companies	¥336.7 billion	
Preventive effects on economic-losses	Preventive effects on job losses	Preventive effects on economic losses for the next decade
¥334.5 billion	23,795	¥2.5438 trillion

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

Source: Estimated by Yano Research Institute

Accumulated Capital

Capital that Nihon M&A Center Holdings has accumulated since its foundation is its strength itself. The capital which supports the Company's growth consists of four types: human capital, intellectual capital, social and relationship capital and financial capital. We will invest such capital to develop business activities, and thereby strive for our Purpose "To bring optimal M&A ever closer."

Human capital

The Company considers "Building a highly engaged organization through the recruitment and development of talented human resources" as one of the top priority issues in materiality. In addition to the largest manpower in the industry, fine-tuned support by an expert team including lawyers, public accountants and other experts allows us to offer high quality services.

Number of employees (consolidated)	1,043
Consultants	645
Staff and other positions	398
Employees with qualifications (Lawyers, notaries, certified public accountants, tax accountants, etc.)	Over 40

Intellectual capital

Advanced knowledge and know-how related to M&As for SMEs, which have been developed for more than 30 years since the Company's foundation, are important capital possessed only by us, the leading company. Moreover, by utilizing data from hundreds of thousands of matches in the past, we have developed our own M&A operation systems to enable higher operational efficiency and lead time reduction.

Cumulative total of transactions closed
Advanced knowledge and know-how related to
over 9,000 M&A cases for SMEs

Database containing information accumulated over a long period

Development and utilization of highly accurate M&A systems

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

Specialized teams by industry (medical, nursing care, dispensing pharmacies, IT, logistics, manufacturing, food, etc.)

Brand power that has been cultivated for over 30 years

Social and relationship capital

Leveraging our nationwide network with accounting firms and financial institutions since the Company's founding, we have created database of M&A information. With various locations having been established across Japan, we also expanded into overseas markets. We offer options according to region, industry and company size. In addition, by establishing group companies with a high level of expertise and service quality, we enhance comprehensive M&A-related services.

Accounting firms	1,021 firms	Regional banks	96 out of 99
Credit unions	212 out of 254	Major financial institutions	Nomura Securities, Daiwa Securities, MUFG Bank, Mitsubishi UFJ Morgan Stanley Securities, Sumitomo Mitsui Banking Corporation, Okasan Securities, JAPAN POST and JAPAN POST HOLDINGS, Tokai Tokyo Securities, and SBI SECURITIES.
Joint ventures with financial institutions	Approx. 60% of mandates are via business partners	Secondees from financial institutions and accounting firms, etc.	85 (cumulative in FY2023)
Member of World M&A Alliance	7 domestic locations	5 overseas locations	Domestic (Tokyo, Osaka, Nagoya, Fukuoka, Hiroshima, Sapporo, Okinawa) Overseas (Singapore, Indonesia, Vietnam, Malaysia, Thailand)
Number of group companies	Consolidated subsidiaries 13	Equity-method affiliates 11	
Satellite offices	16 locations	Local representative offices with discussion desk 4 locations	

Financial capital

Achieving an increase in sales for the 14th consecutive year, the Company always maintains a healthy financial position. We have set a target of 25% for ROE by FY2027, our current medium-term management target period. At the same time, we will maintain a payout ratio of 60% or more during the medium-term management target period, as an effort to strengthen the long-term return of profits to our shareholders by combining flexible repurchases of own shares.

ROE	21.8%	Total pay-out ratio	200.0%
Capital adequacy ratio	74.9%	Ordinary profit ratio	37.4%

Messages

Four top executives discuss the future

Toward return to a full-fledged growth trajectory

After reviewing our medium-term management targets and making a fresh start, the Group has embarked on various reforms aimed at shifting our business structure toward sustainable growth and further expansion of market value.

In this discussion, the four leaders guiding our group management will share their vision of the future through this “Second Foundation” from their respective standpoints, and explain the future growth strategies for the evolution and development of the Group’s business, as well as the financial strategies that will support these efforts.



Masahiko Otsuki
Executive Managing Director

Suguru Miyake
President and Representative Director

Takamaro Naraki
Executive Managing Director

Naoki Takeuchi
Managing Director

Toward return to a full-fledged growth trajectory

In December 2021, inappropriate internal behavior involving the bringing forward of sales reported were discovered in the Group's quarterly business results, leading to strict disciplinary action. Since the inappropriate incident, the Group has been committed to compliance-focused management by implementing measures to prevent recurrence, the development and penetration of our compliance foundation, and focusing on restoring unity within the Company. Throughout FY2022 and FY2023, we worked to establish a foundation to ensure the sound operation of the organization. Following these Initiatives, the Group aims to return to a full-fledged growth trajectory. Starting in FY2024, we have set forth three major growth strategies to realize further growth. We will pursue these growth strategies toward the achievement of 4th-period medium-term management targets. We are fully committed to regaining the trust and delivering value to our stakeholders.

Recover from inappropriate incident	Elucidation of cause	◎	<ul style="list-style-type: none"> • Vulnerabilities in the workflow related to sales reporting and recording • Excessive sales-oriented culture • Decline in morale 	<table border="1"> <tr> <td>Restoration of business model</td> <td>○</td> <td> <ul style="list-style-type: none"> • Cooperative relationships with partners remain good. • Reorganization of the department handling mid-cap mandates, which had a large number of departures, and the establishment of a dedicated department for promoting such projects • Promotion of direct marketing such as seminars, direct mails, etc., in accordance with guidelines </td> </tr> <tr> <td>Improvement of corporate productivity</td> <td>○</td> <td> <ul style="list-style-type: none"> • Increase in M&A sales per employee </td> </tr> <tr> <td>Curbing departures</td> <td>△</td> <td> <ul style="list-style-type: none"> • Implementation of enhancement measures of employee engagement • Regular interviews between employees and Directors • Introduction of management training for general managers, section managers, and group leaders • Introduction of 100% Supported Employee Stock Ownership Program, etc. </td> </tr> </table>	Restoration of business model	○	<ul style="list-style-type: none"> • Cooperative relationships with partners remain good. • Reorganization of the department handling mid-cap mandates, which had a large number of departures, and the establishment of a dedicated department for promoting such projects • Promotion of direct marketing such as seminars, direct mails, etc., in accordance with guidelines 	Improvement of corporate productivity	○	<ul style="list-style-type: none"> • Increase in M&A sales per employee 	Curbing departures	△	<ul style="list-style-type: none"> • Implementation of enhancement measures of employee engagement • Regular interviews between employees and Directors • Introduction of management training for general managers, section managers, and group leaders • Introduction of 100% Supported Employee Stock Ownership Program, etc.
	Restoration of business model	○	<ul style="list-style-type: none"> • Cooperative relationships with partners remain good. • Reorganization of the department handling mid-cap mandates, which had a large number of departures, and the establishment of a dedicated department for promoting such projects • Promotion of direct marketing such as seminars, direct mails, etc., in accordance with guidelines 										
	Improvement of corporate productivity	○	<ul style="list-style-type: none"> • Increase in M&A sales per employee 										
	Curbing departures	△	<ul style="list-style-type: none"> • Implementation of enhancement measures of employee engagement • Regular interviews between employees and Directors • Introduction of management training for general managers, section managers, and group leaders • Introduction of 100% Supported Employee Stock Ownership Program, etc. 										
	Implementation of measures to prevent recurrence	◎	<ul style="list-style-type: none"> • Clarification and standardization of sales report • Shift to a compliance-focused management policy 										
Strengthening of compliance system	◎	<ul style="list-style-type: none"> • Recruitment of CCO • Establishment of the Compliance Division • Thorough dissemination of the internal consultation and whistleblowing system: 74 consultations/reporting in FY2023 											
Cultural and organizational reform	○	<ul style="list-style-type: none"> • Establishment and thorough implementation of Purpose and Philosophy • Compliance training 											
Restoration of employee morale	○	<ul style="list-style-type: none"> • Direct dialogues between employees and Directors (Holding of "Teach-in" meetings by President with all employees, etc.) • Employee survey results show that responses regarding the "Sense of Unity" increased from 4.2 to 4.8 in one year (out of 7 points) • Improvement in the number of transactions closed 											

Growth strategy

Long-term vision

1 Marketing

To save about 0.6 million SMEs that will go out of business despite being profitable, it is important to improve the contact coverage rate with potential sellers and potential buyers. While our approach continues to focus on reaching companies through our traditional business partner network, the Group is also strengthening a direct approach to companies, given that SME M&A has become more common as a management strategy. Through approaches tailored by scale and region, we aim to engage more potential sellers and facilitate optimal matches between companies by maintaining close communication with our clients. This approach seeks to increase the number of new mandates and transactions closed.

2 Improvement of corporate productivity

To guide more companies to closure, we position the reduction of lead time to closure and the improvement of success rate as key strategic priorities. However, our focus is not solely on efficiency, we also place great importance on ensuring a secure and safe M&A process and achieving high satisfaction with the outcomes. To address the challenge of balancing productivity with quality, we are leveraging our 30 years of accumulated knowledge and experience, combined with the adoption of digitalization. We believe this will enable a more efficient M&A process and better meet the needs of our clients. Our goal is to achieve a sustainable increase in sales per head with a good balance between productivity and quality.

3 Recruitment, development and retention of human resources

The recruitment and development of talented consultants are fundamental to our sustainable growth and medium- to long-term enhancement of enterprise value.

By enhancing the quantity, quality, and speed of recruitment, as well as improving early development and retention rates simultaneously, we aim to achieve the sustainable expansion and growth of our organization.

4th-period medium-term management targets FY2027 Sales **¥76,200** million Ordinary profit **¥30,500** million

M&A Sector See page 25	Financial Sector See page 28	Overseas Sector See page 28
----------------------------------------	----------------------------------------------	---------------------------------------------

Message

from *Suguru Miyake*

Message from President

We are advancing the transformation of our business model to achieve a leap forward in our “Second Foundation”

As the Group progresses with 5-year medium-term management targets, EXCEED 30, we took a step toward returning to a growth trajectory in FY2023 by enhancing internal unity and increasing the number of transactions closed. In this session, I will explain our future business developments based on the direction and growth strategies the Group aims to pursue in light of the rapidly changing M&A market and industry trends.

Suguru Miyake

President and Representative Director

Message from President

Concentrating on Establishing a Compliance-focused Management System

Status of recovery from the inappropriate incident

Nihon M&A Center Group is a team of specialists that contribute to the survival and growth of companies through business development centered on M&A business. In 2022, we declared our Purpose of “To bring optimal M&A ever closer” as an expression of our *raison d’être*. We established our “Philosophy” statement in 2023 in order to realize the Purpose statement among employees, forming the basis for our corporate culture and for our employees in their conduct and decision-making processes, and have since worked to share and instill these values within the Company.

On the other hand, in 2021, the inappropriate recording of sales was discovered within the Company, and differences in values and opinions emerged among our employees regarding this incident and the disciplinary actions. Under such circumstances, we have been able to restore the sense of unity among employees that had been lost by deepening each employee’s understanding of our “Purpose” and practicing our “Philosophy” in order to realize it.

From a structural standpoint, we declared both internally and externally a shift to a compliance-focused management policy, including the clarification and standardization of sales recording standards, and we feel that the foundation for compliance management is in place through the recruitment of a CCO, the establishment of the new Compliance Division, and thorough dissemination of the internal consultation and whistleblowing system, etc. Going forward, we aim to achieve sustainable growth and enhance our trust by instilling compliance at the cultural level within our organization.

Steady increase in the number of transactions closed, reaching a record high

As mentioned above, FY2022 was a year focused on building a structure to prevent recurrence while bringing together the disparate feelings of employees over the inappropriate incident and subsequent disciplinary actions. In FY2023, we finally took the first step in reviving our performance by restarting our medium-term management targets (FY2023-FY2027) in which we have revised our goals. However, the initial progress was slow, with performance struggling to grow as expected. This was mainly due to low average revenue per transaction. To maintain and increase average revenue per transaction, it was essential to recover the number of transactions targeting mid-cap companies (companies with sales of over ¥1.0 billion or profit of over ¥50 million).

Starting in the second quarter, cross-company initiatives for gaining mid-cap project mandates, led by the Centre for Growth Strategy Development, a specialized department focused on mid-caps, began to yield actual results, and it leading to an increase in average revenue per transaction. As a result, in our consolidated results for FY2023, aided by the recovery in the sense of unity among employees over the previous fiscal year, the number of M&A transactions closed reached 1,146, and sales exceeded ¥44.1 billion, achieving an increase in sales for the 14th consecutive year. Both of these figures were the highest we have recorded. Although profits increased at all levels, they didn’t reach the initial targets.

The fact that we could catch up with sales guidance, thanks to the record high number of transactions closed and recovery of the average revenue per transaction is regarded

as a major achievement in FY2023. This achievement is attributed to the steady growth in network sales that we have been working on. Our strength is in network sales and we are achieving further growth based on stable partnerships with accounting firms. We also established new forms of partnerships with regional financial institutions. Specifically, in July 2023, we set up “NOBUNAGA Succession,” a joint venture with Juroku Financial Group, to engage in activities related to business and management succession support. In April of this year, we also established Kyusyu M&A Advisors Co., Ltd., advancing a joint venture with Higo Bank and E. Sun Venture Capital. Furthermore, we are expanding our partnerships with major financial institutions such as securities companies and megabanks. In June of this year, the Financial Services Agency announced the revised plans for the supervisory framework to encourage financial institutions to strengthen M&A support, which we view as a tailwind for our company. Going forward, we aim to further strengthen network sales and create new business opportunities. However, overall, there is still room for improvement, and we can say that our evaluation score is about 60.

Particularly in direct marketing, we have not been able to achieve sufficient results. This area needs to be addressed as a future challenge.

Unlike network sales, in which we receive referral for new mandates from financial institutions, securities companies, accounting firms, etc., direct marketing does not incur referral fees and thus offers a high gross profit margin. Previously, the Group’s contracted mandates were 60% through networks and 40% through direct marketing. However, due to an inappropriate incident in accounting, which limited proactive sales activities in direct business divisions, the ratio became imbalanced, leading to a

Message from President

deterioration in profit margins. In addition, the cost structure has also been inflated recently due to the impact of the pandemic and responses to the inappropriate incident, and a review from a profitability perspective is necessary. A perfect score of 100 is possible only if we make sure to improve our profit margin by strengthening direct marketing and reviewing the cost structure.

Strengthening direct marketing is also regarded as an important theme from a business strategy perspective. Unlike the past, the significance and effectiveness of M&A have become widely recognized in recent years. M&A is now considered more important by business owners as a method of business succession and growth strategy, making it crucial for us to directly contact executives who have M&A needs or concerns. In other words, we are now in a situation that could be described as the “BtoC shift of M&A,.” As sales activities of competing emerging M&A intermediaries and others are specializing in direct marketing, direct marketing must be strengthened in order to secure market share.

Responding to changes in the market environment and realizing our Purpose

Thus, the M&A industry has undergone various changes, and new needs and challenges are spreading to the M&A market for SMEs, which is the Group’s primary battleground. In this context, we have re-recognized our social responsibility and reinforced our commitment to realizing our “Purpose.” First, I would like to look at the market and the industry, and discuss how the Group is expected to respond to these changes.

According to estimates of Yano Research Institute Ltd., the potential demand for business succession-type M&A, mainly among SMEs, is expected to peak in 2035 and remain at above 90,000 companies (sales over ¥100 million) for the 20 years from 2025 to 2045. Reflecting this trend, there has been a significant increase in SME closures due to the aging of business owners. Specifically, by 2025, about 2.45 million

SME business owners will be over 70 years old, and among them, about 1.27 million companies will have no successors, of which around 0.6 million are said to be profitable companies. The forced closure of these 0.6 million profitable companies would result in a significant loss for Japan, as it would lead to the disappearance of advanced technologies, valuable manufacturing and services, or the loss of bearers of



As the M&A industry undergoes changes and new needs and challenges emerge, we are re-recognizing our social responsibility and responding to the changes.

regional culture. To prevent this, subsidies are provided to the companies involved in M&A for business succession and tax incentives to the buyers, creating a tailwind for the market.

Another problem Japan faces is indeed the decline in the working population due to the birthrate falls and the population ages. The number of people aged 15 to 64, known as the working-age population, is expected to decline

from about 80 million in 2010 to about 65 million by 2035 and about 50 million by 2050. Companies are required to respond to labor shortages, but investments in labor-saving, productivity improvement through employee training, and business innovation through digitalization are all challenging for small-sized companies to implement. Therefore, the government has set forth a policy to consolidate companies and promote industry restructuring to improve productivity. As a result, it is expected to lead to a surge in “industry restructuring-type M&A” around 2030, expecting its market expansion along with business succession-type M&A.

In Japan today, conditions remain extremely tough for medium-sized companies that want to expand their businesses, and it is becoming increasingly difficult to achieve sustainable growth and survive as a company through organic business activities alone. From the perspective of responding to the needs of the times, “shifting from organic growth to leveraged growth utilizing M&A,” the Group will further focus on responding to industry restructuring-type M&A.

A Year to Take the First Step Towards Re-growth

Enhancing development of human resource and sales initiatives

While keeping a close eye on market changes, we have positioned FY2024 as the year in which we will take the first step toward re-growth. To further energize our sales activities, the Group is developing additional strengthening initiatives. First is the enhancement of human resource recruitment, the reduction of turnover rates and the improvements in retention rates.

Message from President

The theme for human resource recruitment is to enhance both quality and quantity. The management, including myself, participates in company information sessions and other events, and we are actively recruiting through such means as conducting interviews with immediate decisions, as well as promoting referral recruitment. In FY2024, we plan to increase the number of consultants by 120 on a net basis.

Retention of mid-career employees is an important theme for reducing turnover and improving retention. In Japan's job market, many people believe that changing jobs after the age of 40 is difficult. The average age of our employees is 34, and those in their late 30s who have gained experience at our company often find themselves at a crossroads, reassessing their future and career, which sometimes leads them to leave the Company. To address this issue, I launched the "Azabu Project," where I engage in dialogues about career paths with mid-career employees. "Azabu Project" provides an opportunity for me and mid-career employees to discuss our careers in depth over dinner at a restaurant in Azabu. Through this project, we aim to prevent mid-career employees from leaving the Company. In addition, there are mid-career employees who used to utilize the stock option plan, but there is no new stock option plan at present. We recognize that this change has had no small impact on retirements. Therefore, we introduced a 100% Supported Employee Stock Ownership Program. Furthermore, we now hold quarterly financial results briefings for employees to enhance engagement. These initiatives are aimed at improving retention rates among mid-career employees and preventing turnover.

To build a structure capable of meticulously managing the large number of human resources we have hired, and to ensure that we can achieve the goals of our medium-term management targets, we dismantled our five divisions and established 11 mission-based channels in FY2024. Under 11 channel leaders, 36 general managers, and 60 group leaders will be assigned to provide detailed human resource

development by optimizing the number of subordinates to be supervised and managed and the number of projects to be handled.

The introduction of the channels is not only a human resource measure, but also is expected to increase efficiency and speed on the execution of the sales strategies that have been formulated by clarifying the jurisdictions, and enabling them to take ownership of the development of the business.

We aim to improve the overall performance of the organization by creating an environment in which each employee can seriously consider and develop their career.

In FY2024, in addition to human resource investment for active recruitment of consultants, we will make full-scale strategic investments to strengthen direct marketing, digitalization investments to improve productivity, and business investments to expand overseas business and financial sectors. Therefore, while we anticipate an increase in both sales and profit on a consolidated basis, we expect a temporary decline in the ordinary profit margin. I will explain this in more detail later.

Progress of the First Year of Medium-term Management Targets and Future Development

Achieving top-line expansion beyond guidelines

The ongoing medium-term management targets, EXCEED 30 (FY2023-FY2027), which were reviewed and reset in light of the delays in the growth strategy caused by the inappropriate incident, aim to achieve "sales of ¥76.2 billion" and "ordinary profit of ¥30.5 billion" in the final year of consolidated results.

As previously mentioned, in the first year of the target, we steadily increased the number of M&A transactions closed and achieved top-line expansion that exceeded the guideline (single-year target). We intend to continue to lead the plan in FY2024 with growth driven by top-line expansion. What is crucial is to increase the top-line while also ensuring steady growth of profit. Securing ordinary profit without growing the top-line is nothing more than a reduction in expenses. Although we can increase profits by curbing investment in human resources and sales marketing activities, this would hinder our ability to expand performance two or three years down to the line. In this sense, the fact that sales exceeded the guideline in the first year of the mid-term management targets is a significant breakthrough for me.

With the confidence gained from this increase in sales, in FY2024 we will proactively pursue growth-oriented investments, such as human resource recruitment as I mentioned. For that reason, we have set a conservative guideline for ordinary profit of ¥17.0 billion for FY2024, assuming a temporary decline in the ordinary profit margin. My expectation, of course, is to surpass the guideline, which we believe is fully possible through sales growth.

Productivity improvement towards achieving medium-term management targets

As a condition for achieving the EXCEED 30 final year (FY2027) targets, an improvement of productivity per head is particularly required. It is not easy to expand volume and raise average revenue per transaction at the same time, and efforts are required just to maintain the current average revenue per transaction.

We plan to improve productivity by increasing the number of transactions closed per consultant while maintaining average revenue per transaction. Specifically, we aim to keep average revenue per transaction between ¥38 million and ¥40 million,

Message from President

with a goal of achieving more than three transactions closed per consultant.

To achieve this, we will work on reducing the lead time of the process and improving the success rate. This will also contribute to customer satisfaction.

Thoughts Behind the “Second Foundation,” and What We Aim to Achieve

Responsibility as a leading company

Against the backdrop of a favorable market environment, the M&A industry has seen a rapid increase in the number of M&A intermediaries in recent years. Currently, more than 600 M&A intermediaries are active in Japan, of which about 85% are considered to be startups or small companies established within the past two years with four or less employees. In a situation that can be described as chaotic, there has been a decline in moral and business quality, and revitalizing the soundness of the industry as a whole has become a major challenge. The Small and Medium Enterprise Agency issued the “M&A Guidelines for SMEs,” which provide guidelines to improve the soundness of the industry. In 2021, the M&A Intermediaries Association was established within the industry, with me serving as the first representative director, to promote appropriate, fair, and smooth M&A transactions through self-regulation and other efforts.

Once again, returning to the Group’s Purpose “To bring optimal M&A ever closer,” our goal is to build communities in which all businesses can engage in M&A with confidence, and we believe that it is our responsibility as a leading company to enhance the business quality, customer satisfaction, and compliance throughout the industry to achieve this goal.

Amid the changes of the industry with the increase of industry restructuring-type M&A and the rise of new M&A intermediaries, we are conscious of the need for clear differentiation. The Group’s approach to M&A is far different from that of other companies. For us, M&A is more than just business. We believe that “Companies are places to form lasting bonds,” not only for its founders and employees, but also for all people involved in the business and their families, and our role is to undertake a succession plan for them. This requires commitment, and we also expect both sellers and buyers to have a sense of commitment as well. That is why we take in initial fees, work diligently, and provide the highest quality of work. The Group’s stance is to achieve the world’s highest success rate, and to aim for the world’s highest level of customer satisfaction. I continue to convey this stance to our employees through our Purpose.

Two new meeting bodies as a place for succession planning

When the Group marked the 30th anniversary of our foundation in 2021, based on the keywords of our “Second Foundation,” all of us took a new step forward with the spirit that “we are all founders”.

The term “Second Foundation” represents not only aiming for a further step up from the growth path since our founding. Second Foundation has two meanings.

First meaning is “transformation toward the times.”

We recognize that we need to change our business model in response to changes in the market from the potential demand for business succession-type M&A and the expansion of industry restructuring-type M&A, as I mentioned in the beginning, as well as the resulting change in the awareness of business owners, and the M&A industry’s change with the increase in M&A intermediaries. In this context, we hope that all employees in the Group will

become a founder of our “Second Foundation,” and that we will all achieve sustainable growth together.

The second is the succession of management.

As I look ahead to the future of the Group, the theme that I personally must keep in mind is implementing a succession plan to develop and appoint my own successor. I turn 72 this year, and while I am currently in good physical and mental health, I must prepare for the time when my energy and strength decline, leading me to step down from my current position. I started this initiative about three years ago and have been steadily moving forward with the creation of a company group that fit the new era. This is another meaning embedded in the term “Second Foundation.”

In FY2023, we established and began operating the M&A Strategic Meeting, which oversees our operating companies in the M&A domain, and the Financial Strategic Meeting, which oversees our operating companies in the fund management domain under the Management Meeting, as the management organization of the holdings structure. These two meeting bodies will work to coordinate the strategic aspects of their respective domains, with the aim of demonstrating synergies. Moreover, these meeting bodies will not only play an interim holding company-like role within the entire Group but also function as a place for succession planning to produce successors to group management.

In 2023, I appointed Masahiko Otsuki as the Representative Director of Japan Investment Fund Inc. under the Financial Strategic Meeting, and in 2024, Naoki Takeuchi took over as President and Representative Director of Nihon M&A Center Inc. under the M&A Strategic Meeting. I believe the quality of decision-making within these meeting bodies has significantly improved compared to when I was at the helm, and we are nearing a situation where we can have a succession at any time.

Message from President

Forming common understanding through materiality and ESG

Considering the level of importance to the Company and stakeholders, and to address social challenges through our business, the Group has identified the key theme to be focused on as materiality (priority issues). This materiality consists of seven items: “Further advancement as an integrated M&A company,” “Innovation,” “Secure and safe



We will maintain a balance between compliance, sustainable growth, and return of profits. We will continue our corporate activities in a manner that will satisfy all of you.

M&A,” “Contribution to society,” “Promotion of human capital management,” “Strengthening of information management,” and “Strengthening of governance foundations.” We are aiming for sustainable results by reviewing materiality as

necessary, in light of changes in the external environment and the status of internal initiatives.

In the reassessment of materiality, the members of the Management Committee express their opinions from their respective standpoints to form a common understanding. I believe this process is very meaningful. Furthermore, by publicly announcing the materiality, we expect that it will help us form a common understanding with our shareholders, investors and other stakeholders, and contribute to building good relationships with them.

The same can be said for our approach to ESG/sustainability themes. In dialogues with institutional investors in the U.S. and Europe during overseas IR roadshows and other occasions, particular emphasis is placed on efforts in ESG management, which serves as a major evaluation criterion. From this perspective, we recognize that ESG/sustainability is an important theme. For example, we actively promote Diversity & Inclusion, holding an annual Diversity & Inclusion event for employees. Additionally, we are advancing research for corporate valuation that incorporates ESG factors.

Through the business activities, we will focus on contributing to environmental conservation, providing social value, and maintaining strong governance, while striving to form a common understanding that will be supported by many people. The initiatives toward ESG/sustainability are essential elements of enhancing enterprise value and we regard them as important parts of our efforts to build a sustainable future.

A Future Shared with Stakeholders

We are dedicated to improving our performance to increase the level of returned profits, and we will reward the support of our shareholders and investors through improved capital efficiency.

Thanks to your support, the Group is now at the starting line of re-growth, gaining confidence in the steady expansion of both the number of transactions closed and sales. Going forward, we aim to catch up in terms of profitability during the EXCEED 30 period, and to connect our growth investment to the next leap forward.

As in the previous year, we will maintain a high degree of balance among compliance, sustainable growth and return of profits, and continue our corporate activities to satisfy our stakeholders. In this fiscal year, we introduced a restricted stock remuneration plan. This will be operated together with the 100% Supported Employee Stock Ownership Program mentioned earlier, and I’m sure that they will help to realize management in which both Directors and employees are united with our shareholders.

We hope that all of our stakeholders will look forward to the future that the Group will realize and continue to support us over the long term. We will continue to pursue sustainable growth and value creation through close cooperation with our stakeholders. We will develop our corporate activities continuously and build the future together with you.

Message

from **Naoki Takeuchi**

Messages from Chairman of M&A Strategic Meeting

We will expand the growth opportunities with a focus on the future of the M&A market

Naoki Takeuchi

Managing Director

Recreate Legendary Growth of the Past in New Forms

“A company is not a thing” as the foundational belief

I joined the Company in 2007, holding the belief that “a company is not a thing” as my foundational principle. At that time, I belonged to the Corporations Department and was mainly engaged in matching operations between sellers and buyers. Since the foundation phase, President Miyake has expanded the M&A business by demonstrating his outstanding skills in network sales to financial institutions and accounting firms. In the process, it became necessary to strengthen direct sales, and the Corporation Department was established. I took on the role of leading direct sales, and together with Miyake, I have been striving for the growth of the Group by strengthening both network and direct sales.

In my personal experience with many customers, I have come to realize that a company is not a “thing” but a “place to form lasting bonds.” I believe that our mission in the M&A business is to continue weaving the existence of

the “company” into the future, which was founded by the founder’s hopes and has involved many people and received their support.

Succession formed by two meeting bodies

In FY2023, we established the M&A Strategic Meeting and the Financial Strategic Meeting as the management organization of the holdings structure. As the chairman of the M&A Strategic Meeting, which oversees our operating companies in the M&A domain, I have taken on the role of President and Representative Director of core subsidiary, Nihon M&A Center Inc. from FY2024. These two meeting bodies function as organizations to promote cooperation among operating companies in their respective domains, creating synergies from the strategic aspect. At the same time, they are responsible for succession planning within the group management, focusing on developing the next generation of senior executives.

Under the leadership of Miyake, the Group has experienced rapid growth and business expansion over the 18 years since going public in 2006. Miyake, now 72 years old, will eventually need to pass the helm of management to his successor, but it will be difficult for the successor to take over the entire

Messages from Chairman of M&A Strategic Meeting

management of the Group by himself after such a rapid expansion. The important task ahead is a succession plan in which Miyake's high management qualities are inherited by multiple leaders. The establishment of the two meeting bodies is positioned as a foundational step in this succession process.

Over the past year, the M&A Strategic Meeting has engaged in a series of open discussions, sharing information related to human resources in the M&A domain as a whole and implementing active personnel exchanges across operating companies, including appropriate transfers and assignments. As an extremely effective meeting body, I believe we have been able to improve the functioning of the organization.

Theme based on current challenges and medium- to long-term outlook

There are three major challenges currently facing the M&A business: increasing sales per head, marketing to client companies, and recruiting and developing human resources.

The first challenge is to increase sales per head. Before the inappropriate incident, the sales per consultant with sales target at Nihon M&A Center was ¥112 million in FY2020, but this figure has since dropped to ¥83.9 million (FY2023 results). We see sales per head as an important indicator of customer satisfaction, so we need to increase it promptly. We are currently working to improve productivity in the M&A process in order to improve the number of transactions closed per consultant.

Specifically, we aim to improve the success rate and reduce the lead time to closure. To improve the success rate, it is important to manage processes and business quality. Therefore, we have established the "Business Processes Department," to take the lead in more effective matching

activities, analysis of break cases, and strategies to avoid such breaks.

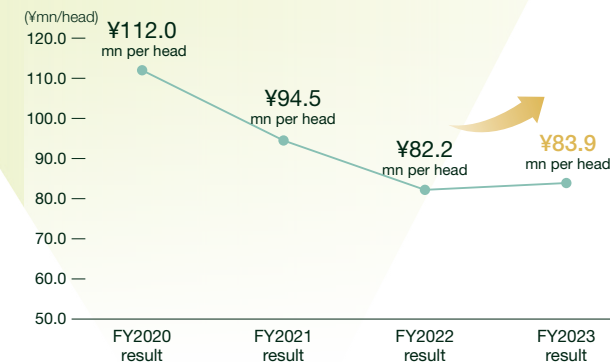
To shorten lead time, we focus on the "preparatory" process, which involves corporate evaluation and business analysis, as well as the "matching" process, which connects sellers and buyers together. First, in the "preparatory" process, we are streamlining the execution of corporate valuation, business analysis, and pre-due diligence by using digitalization to automate the risk identification and the organization of issues. In the "matching" process, the newly established "Matching Promotion Department" monitors case information in Salesforce and is responsible for improving operational efficiency. The "preparatory" process and the "matching" process proceed serially now, but we are thinking of changing it to a parallel progression to shorten this process. However, shortening the negotiation and execution processes could increase the risk of future issues, so in these processes, it is important to take sufficient time on grasping information, filling in terms and conditions, and promoting mutual understanding, without shortening lead time.

Digitalization is also being utilized in the sales field. A data utilization platform service utilizing Salesforce realizes effective information sharing through uniform management of the progress of M&A transactions and customer information. In addition, the introduction of an AI meeting analysis service has improved operational efficiency, from recording, transcribing, and summarizing interviews to automatically linking them to Salesforce.

Through these efforts, we aim to improve the number of transactions closed per consultant by shortening the preparatory and matching processes, respectively.

In addition, we plan to continue our current initiatives targeting mid-cap companies through the "Growth Strategy

Sales per employee with sales target at Nihon M&A Center (Calculated based on average number of employees at start and end of fiscal year)



*Excluding referral fees and outsourcing expenses

Development Centre," while increasing the introduction rate of services such as PMI (post-merger integration) support for buyers and the Tokyo Pro Market IPO support. Our goal for FY2024 is to return the sales per employee with sales target at Nihon M&A Center to ¥90 million, with a further recovery to the ¥100 million range in FY2025.

The second challenge is the marketing of client companies. In order to save about 600,000 SMEs from going out of business despite being profitable over the medium- to long- term through M&A, we need to build a database of companies that are willing to be matched with a potential seller. M&A is not merely a commodity transaction, but there must be an emotional match between sellers and buyers.

This database is an accumulation of not only quantitative corporate information, but also quantitative and qualitative information on management strategies that our consultants acquire by going deep into the history and future vision of the buyer. This makes it possible to match companies that combine logic (theory) with emotion. The database of buyers

Messages from Chairman of M&A Strategic Meeting

is targeted at financially sound companies among approximately 117,000 SMEs with sales of ¥1 billion yen or more, of which we already have connections with about 40% of business owners. Over the next four years, we intend to establish connections with the remaining approximately 60% and complete the database of buyers.

Another challenge is to improve the coverage rate of sellers. To save about 600,000 SMEs from going out of business despite being profitable, we need to conduct 60,000 M&A transactions per year for 10 years. However, the M&A business of the entire Group, including BATONZ, covers only about 2,000 cases per year. Even when combined with the number of transactions by other M&A boutiques in the industry, the total is likely around 5,000 to 6,000 cases, and coverage of the M&A industry as a whole is only about 10%.

In contrast, as Miyake also mentioned, our clients come through two main channels: referrals from partner networks and direct marketing. Currently, from the two perspectives of improving profitability and securing market share, we view strengthening direct marketing as an urgent priority. In developing our direct marketing strategy, we have established an “Area & Industry Strategy.” We divided the metropolitan area and regions into smaller areas, tailoring marketing strategies to the characteristics of each area, as well as implementing industry-specific approaches.

Furthermore, as a leading company, we believe it is necessary to transform our existing business mindset and strategies and share the M&A business expertise and service quality we have cultivated with other M&A boutiques through “co-creation.” By doing so, the Group aims to remain the industry’s leader and achieve a game-changing transformation. For such business development, we believe it is important to properly communicate our vision and strategy internally and externally to gain understanding. To this end,

we have appointed a member with experience as the Head of Marketing Department at Recruit Group as our CBO to lead branding strategies and project aimed at boutiques.

The third challenge, recruitment and development of human resources, is critical to our success.



Sharing Know-how and Service Quality with M&A Boutiques in the Same Industry. We Aim to Achieve a Game-Changing Transformation Through “Co-Creation.”

Regarding recruitment, we are actively pursuing recruitment activities to achieve the medium-term management targets. In particular, the trends in the industry are changing drastically, and we will continue to actively recruit business professionals who resonate with our mission, not salespersons who are solely motivated by money or incentives. In terms of the recruitment of new graduate

entrants, we ranked 2nd in the category “Contribution to personal development” of the “Most worthwhile internship for students in 2024”^{*} for FY2024. We will continue to leverage our advantage as the industry’s largest player and actively engage in recruitment activities.

For the development, we have dismantled the conventional sales organization with five divisions and shifted to a mission-based organization consisting of 11 channels. Under 11 channel leaders, 36 general managers and 60 group leaders were assigned to provide detailed human resource development based on specific missions by optimizing the number of subordinates and the number of projects to be handled. Furthermore, the HR Strategy Department and Sales Headquarters together enhance the skills of each individual by “standardizing” sales methods and expertise.

^{*}Online poll on website for company recruitment information Shukatsu Kaigi

Laying the foundation for a “Second Foundation” for the next 20 years

The Group, aiming to become “the Top Global Integrated M&A Company,” will expand its business domain and capture new growth opportunities by addressing social and client challenges surrounding M&A.

Through these efforts, we will strengthen the core of our M&A domain, while simultaneously expanding our financial domain and promoting the overseas development of our Japan-originated M&A business model. We hope to realize our “Second Foundation” with an eye to the next 20 years, and recreate the legendary growth of the past in new forms. To accomplish this, we will steadily achieve the medium-term management targets over the next four years and lay the foundation for future growth.

Message

from *Masahiko Otsuki*

Messages from Chairman of Financial Strategic Meeting

Entering a new stage of solving social issues with the keyword, “From Closing Deals to Growth”

Masahiko Otsuki

Executive Managing Director

Realizing Growth of SMEs Through Financial Power

What I have learned through my experience of turning “Zero” into “One”

After working for a financial institution, I joined the Group in 2006 and was in charge of mainly buyers in the Corporation Department. Later, after serving as Head of the Corporations Department and Head of Sales Headquarters, eventually overseeing the M&A-related business. From there, I went on to set up the current financial division, and looking back on my career, I think that I have experienced many roles in which I “did something new” within the Group. In the time I joined, business succession-type M&A among SMEs, we currently involved in, was still not widespread in Japan. Promoting this type of M&A among SME owners was truly a job turning “zero” into “one.” Similarly, launching overseas sector in the ASEAN region, where the business model of an M&A intermediary for SMEs had not yet existed, was also a job of turning “zero” into “one.” In the process of growing our business in this way, I am proud to say that I have played more of a role in turning “zero” into “one.”

Personally, I find great fulfillment in identifying solutions to existing challenges, implementing them, and generating new value and results. It suits my nature as well. If it is just a difficult challenge, I would take on tasks even though no one

else has succeeded before. I approach my tasks with this mindset.

Expanding into the new frontier of financial services

Why are we expanding into the financial domain in the first place? I believe that the Group operates in the business of solving social issues. Over 30 years since our founding, we have supported the succession of SMEs through M&A. As pioneers in the industry, as mentioned earlier, we have made M&A more widely known to the public and now handle over 1,000 M&A transactions annually. As the industry’s leading company, we recognize that we are now at the stage where we are moving on to the next stage toward solving social issues.

Regarding this next challenge, I have set the keywords “from closing deals to driving growth.” We became the first listed M&A intermediary company in Japan to go public in 2006,



Messages from Chairman of Financial Strategic Meeting

and at that time, the number of transactions closed was less than 100 cases. However, this number has now grown to over 1,000. More M&A intermediary companies are going public, and M&A support organizations are emerging one after another, leading to a rapid increase in the total number of M&A transactions closed across Japan. The increase in the number of M&A transactions closed signifies progress in solving Japan's social issues, and it is a challenge that we, as a leading company and related parties, must continue to focus on. However, I believe that as a leading company, we should also aim for the next stage.

Going forward, it is essential to not only rescue companies from closure or liquidation through business succession-type M&A and eliminate macroeconomic losses on a GDP basis, but also to enhance positive aspects such as their strengths and unique features, guiding them toward growth. The role of our Financial Division is to realize this growth through the power of equity.

For the Group, expansion into the financial domain is also a differentiation strategy against our competitors. There has already been a significant influx of new entrants in the M&A business, and expansion into peripheral business or overseas operations may also be replicated by others eventually as long as they are M&A-related businesses. However, combining financial and M&A business represents a business development that will bring about a position on a different level that is difficult for others to follow.

Current “Financial Strategic Meeting”

The “Financial Strategic Meeting”, which oversees the financial domain, includes Japan Investment Fund Inc. (J-Fun), Japan Private Equity Co., Ltd. (JPE), Search Fund Japan, Inc. (SFJ), and AtoG Capital, Inc. (AtoG). Each of these companies is an independent fund management

company, and unlike the “M&A Strategic Meeting,” confidentiality obligations prevent the coordination of operations or sharing of project information. Therefore, within this Meeting, we focus on case studies, sharing know-how, and exchanging opinions, while maintaining confidentiality.

AtoG Capital, Inc. (AtoG), which joined the Meeting after being established in December 2023 with 100% investment from the Company, is a new fund that acquires ASEAN-based sellers, reorganizes their governance and financial structures, and then sells them to Japanese companies. This business model was conceived during the expansion of our overseas operations.

Our overseas business primarily supports matching Japanese companies seeking overseas expansion with ASEAN companies looking to sell to Japanese firms until the deal is closed. ASEAN is a region with promising growth, and we have expanded into five countries: Singapore, Malaysia, Vietnam, Thailand, and Indonesia. Among these, Singaporean companies are the easiest for Japanese companies to acquire. Singaporean companies have well-established governance structures that align with the compliance and governance standards required by Japanese listed companies.

On the other hand, Vietnam and Indonesia have high growth potential, but have governance challenges that make them high acquisition risks for Japanese companies. However, it is precisely in these regions that Japanese companies need to enter for growth. Therefore, our concept is to acquire these companies through AtoG, resolve their governance issues, and prepare them for easy acquisition by Japanese firms.

Traditionally, when Japanese companies considered acquiring ASEAN companies, governance issues often led to lengthy processes to reach execution. However, through AtoG, we can introduce ASEAN companies with established

governance structures. Thus, AtoG plays an important role in the Group's overseas operations. By combining AtoG with our overseas operations, we hope to support M&A between Japanese and ASEAN companies as well as the expansion of Japanese companies into ASEAN.

A fund committed to the growth of acquired companies

As a core company of the Financial Strategic Meeting, J-Fun is a fund that is getting active now. Generally, in M&A between operating companies, the companies involved in the M&A have a parent-subsidiary relationship, and the subsidiary's management is influenced by the parent company's policies. However, the fund is “neutral” and is solely focused on the “growth” of the acquired company. This is the difference between when the buyer is an operating company and when it is a fund in M&A. In the former case, for example, when the business environment deteriorates, the survival of the parent company is often prioritized and the acquired business is sometimes liquidated. In contrast, there are many cases of the fund's portfolio companies who have managed to persevere and survive and even during the COVID-19 pandemic, despite facing adverse business conditions. For instance, Takumiya Corp., a tourism souvenir business in Ishikawa Prefecture and the first investment project of J-Fun, faced significant financial challenges when the COVID-19 pandemic struck shortly after its acquisition. However, it overcame the hardships of the pandemic-stricken tourism industry and achieved growth together with the fund, earning high praise from local financial institutions that are LP (investors).

Another example of an exit case within J-Fun is FUJIBAMBI Co., Ltd., a long-established confectionery manufacturer in Kumamoto Prefecture that faced succession issues. The

Messages from Chairman of Financial Strategic Meeting

company was so well-known in the prefecture, to the extent that virtually no one was unaware of it. However, this fame made it difficult to find a buyer within the prefecture, and, at the same time, they have psychological resistance to being acquired by an operating company outside the prefecture.



A business development combining financial and M&A brings about a position on a different level that is difficult for other companies to follow.

Therefore, J-Fun first acquired the company, neutralized the owner's influence, and, by co-owning the shares with a group company of the main bank, succeeded in preserving the image of a company within the prefecture. Additionally, a long-standing challenge for the company was how to expand its product reach outside the prefecture. After the acquisition by J-Fun, various value enhancement measures were implemented, breaking the impasse and achieving record-high sales and profits. Subsequently, to realize further growth,

an exit was realized with Kyushu Railway Company (JR Kyushu) as the buyer. In selecting the exit partner, our priority was not just to maximize the return for the fund, but also to partner with a "trusted, Kyushu-based company" with the eye to future growth. As a result, Fujibambi, despite its history and brand, was previously a deficit-ridden owner-operated business in Kumamoto Prefecture at the time of acquisition, but has now grown into a company with record-high sales and profits as a subsidiary of JR Kyushu. I believe this is one case by which we were able to prove J-Fun is a fund for regional development. Through J-Fun, we enhance the management capabilities of core local companies and foster their growth. The mission of J-Fun is to revitalize the regional economy and strengthen the competitiveness of local businesses.

"J-Search" expands career paths for employees

The search fund handled by SFJ is a system where individuals (searchers) aspiring to become business owners take over a business with the support of investors through the fund and become involved in management themselves. In other words, it can be described as "entrepreneurship through M&A," and is gaining attention as a new form of entrepreneurship. The search funds are highly regarded as a socially significant investment model that connects talented managerial candidates with attractive companies, and it is reported that over 700 search funds have already been established worldwide. However, the number is rapidly increasing, especially in the United States, where the search fund originated, to the extent that statistical data cannot keep up. During a recent marketing survey conducted during a visit to the U.S., we received information that the number of search funds might be as high as 3,000 to 5,000. Additionally, the increasing establishment of search funds in Japan has also been reported.

The Group is now working with regional financial institutions on the concept of expanding this search fund in a region-specific manner under the name of "J-Search (Japan Search Fund)." The idea is to establish small-scale search funds jointly with local financial institutions, gather searchers under the large framework of "J-Search," and match them with local seller companies and aspiring business owners.

In realizing this, we believe that our group employees, who have a strong passion for serving the region and SMEs and a keen interest in management, could also become searchers, in addition to recruitment through public offerings or via local financial institutions. In other words, the concept envisions "J-Search" also becoming the next career step for our employees.

The Group's business expansion in the financial domain is a challenge that is positioned as a "Second Foundation." We aim to enhance the management capabilities of SMEs and to create blue-chip companies in the region, through private equity funds, J-Fun and JPE. Additionally, we will use SFJ to solve business succession challenges and promote the rejuvenation of management. Furthermore, through AtoG Capital, we will support the overseas expansion of Japanese companies.

Going forward, to disseminate the fund's mechanism nationwide, we will first focus on materializing the "J-Search" concept. At the same time, we plan to accelerate our initiatives to expand beyond just funds to cover the entire spectrum of financial services, including bridge finance and asset management. In the way, we will further develop the financial domain of the Group.

Message

from
Takamaro Naraki

Message from Executive Managing Director, Administration Headquarters

Urgent need for cost structure reform and active recruitment to achieve the medium-term management targets

Takamaro Naraki

Executive Managing Director, Administration Headquarters

Review of FY2023

The Group is currently working toward its 4th-period medium-term management targets, aiming to achieve consolidated net sales of ¥76.2 billion and consolidated ordinary profit of ¥30.5 billion by FY2027.

In this context, the consolidated results for FY2023 showed net sales of ¥44,136 million and ordinary profit of ¥16,518 million. Although net sales achieved the medium-term management targets, ordinary profit fell short by approximately ¥500 million.

The main reasons for this shortfall were an increase in cost of sales due to a higher percentage of M&A transactions closed being introduced by the network, which is one of our strengths, and an increase in personnel costs. On the other hand, there were some improvements in expenses. Previously, travel expenses had been steadily increasing due to the growing number of consultants, but in FY2023, these expenses decreased by ¥270 million compared to the previous year. I feel that this reflects not only the thorough business travel criteria, but also a growing cost-consciousness among all employees.

We collect information in line with current strategies on the status of these expenses in a timely manner and share it with

the Board of Directors and Management Meeting to encourage vigorous discussions and support precise decision-making. We intend to flexibly execute the four investments (strategic, human resource, digitalization, and business) for the future from a medium- to long-term perspective, while reducing unnecessary and non-urgent expenditures, to achieve the 4th-period medium-term management targets.

Capital allocation policy

In FY2023, we conducted two rounds of share repurchases, totaling ¥7 billion, resulting in a total payout ratio of 200%, including dividends. ROE also returned to a level exceeding 20%. We believe that the Group is making steady progress toward achieving an ROE of 25% by the final year of the 4th-period medium-term management targets.

In addition, at the Annual General Meeting of Shareholders held in June 2024, we received approval to pay a portion of the remuneration for designated directors in company



Message from Executive Managing Director, Administration Headquarters

Views on Shareholder Returns and Capital Costs

shares. Going forward, to implement management more aligned with shareholder perspectives, we plan to grant restricted stock to Directors, thereby minimizing the impact on the stock market while increasing the shareholding ratio of Directors.

Shareholder return policy

As a comprehensive M&A company, the Group's basic policy is to further expand the financial base by providing high-value-added services to our customers and to actively return profits earned through this growth to our shareholders.

Based on this policy, we regard the return of profits to our shareholders, who have high expectations for the growth of the Group, as one of our important initiatives. On the other hand, we terminated the shareholder benefit program after the June 2024 delivery of shareholder benefit gifts. This is not only because it contributes to the principle of shareholder equality, but also because it has become difficult to stably secure the total amount of rice as a shareholder benefit gift and the administrative burden has increased due to undelivered benefit gifts as a result of address changes and other reasons. Following this termination of the benefit program, a special dividend of ¥6 is planned for FY2024 in addition to the regular dividend of ¥23, and the pay-out ratio is expected to be 83.6%.

Concept of capital costs

The primary business of the Group is the single business of an M&A intermediary, which is labor intensive. Since sales

increase in proportion to the number of consultants, the Group's invested capital is not recorded on the balance sheet, but is represented by personnel costs on the statements of income. Therefore, the primary management targets of the Group are not ROIC (Return on Invested Capital), but rather consolidated sales and consolidated ordinary profit at this point in time.



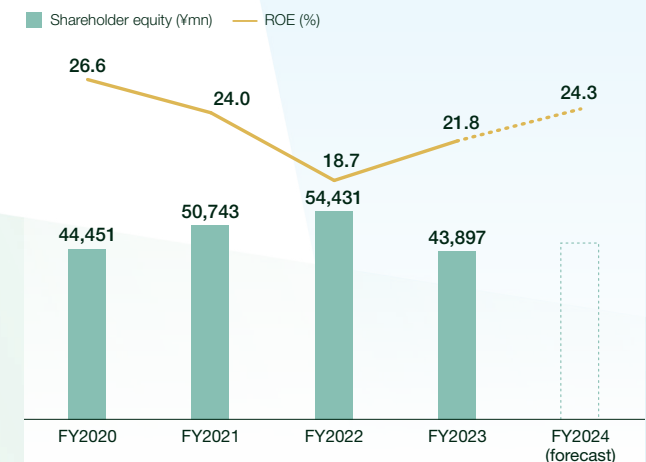
Constant recruitment of talented human resources and active investment in those hired will drive the Company to achieve high growth

As I mentioned earlier, since the increase in the number of consultants is directly related to sales and profit, how we can continuously recruit a large number of high-potential

consultant candidates as much as possible is a crucial key for the Group's sustainable growth and medium- to long-term enhancement of enterprise value. At the same time, we believe that investment in human capital is an essential factor in enhancing the competitiveness of our organization, including continuous skill and career development to maximize the abilities and growth of hired consultants, improvement of engagement, and promotion of diversity & inclusion.

We will also commit to further reforming our cost structure in order to maintain a high growth rate that significantly exceeds our capital cost.

Shareholder equity and ROE (return on equity)



Materiality

(Priority Issues)

Nihon M&A Center Group positions social issues as the theme of its business and creates value by resolving the issues through its business activities. Currently, the Group is faced with a number of social issues. We classified the impact of those issues on society as well as Nihon M&A Center Group in terms of risk and opportunity, and identified materiality (priority issues) as the themes we must especially focus on to resolve and address those issues.

Based on this materiality (priority issues), the Group will contribute to resolving social issues through its business activities and work to exert a positive impact on its stakeholders, aiming for the continuous enhancement of its corporate value and sustainable development of society.

Materiality identification process

Based on the concept of sustainability and the nature of the Group's business activities, we have identified ESG issues that have an impact on the Group and its stakeholders through the steps described below. Further, we use regular reviews to check our progress for each indicator, consider any problems, and revise the indicators as required.

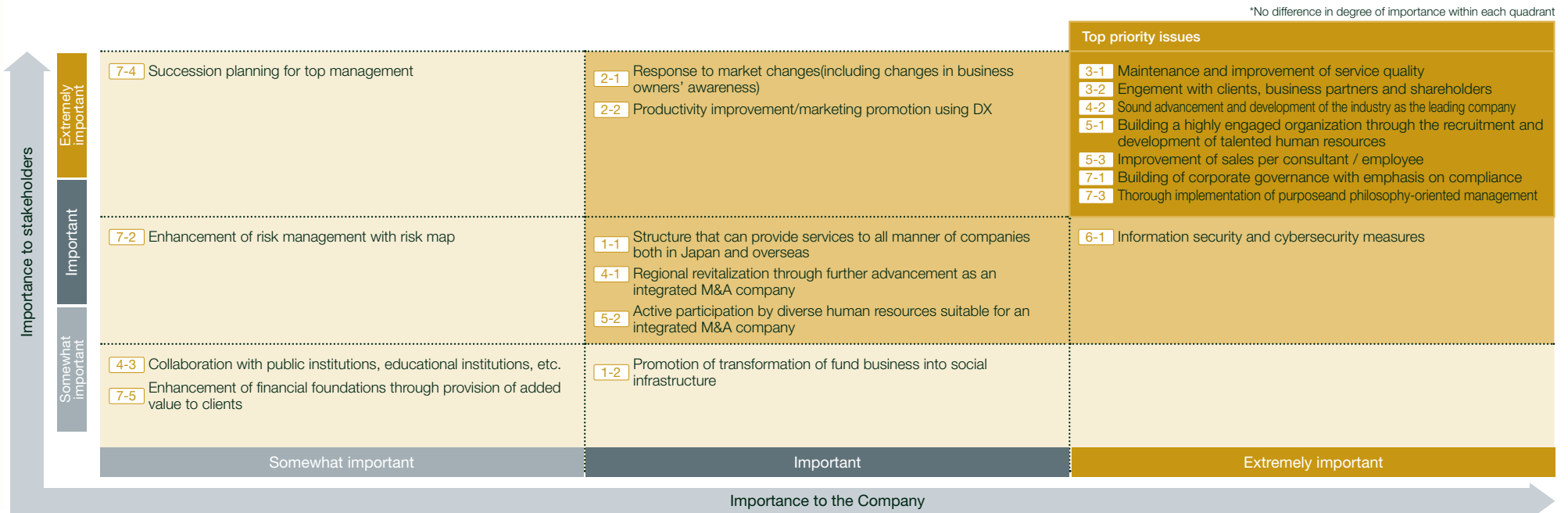
Materiality items identified are then reviewed and approved by the Board of Directors.



Materiality

1		Further advancement as an integrated M&A company	1-1	Structure that can provide services to all manner of companies both in Japan and overseas	5		Promotion of human capital management	5-1	Building a highly engaged organization through the recruitment and development of talented human resources
			1-2	Promotion of transformation of fund business into social infrastructure				5-2	Active participation by diverse human resources suitable for an integrated M&A company ▶ see page 43
2		Innovation	2-1	Response to market changes(including changes in business owners' awareness)	6		Strengthening of information management	5-3	Improvement of sales per consultant / employee
			2-2	Productivity improvement/marketing promotion using DX				6-1	Information security and cybersecurity measures ▶ see page 68
3		Secure and safe M&A	3-1	Maintenance and improvement of service quality	7		Strengthening of governance foundations	7-1	Building of corporate governance with emphasis on compliance ▶ see page 53
			3-2	Engement with clients, business partners and shareholders				7-2	Enhancement of risk management with risk map ▶ see page 67
4		Contribution to society	4-1	Regional revitalization through further advancement as an integrated M&A company				7-3	Thorough implementation of purpose- and philosophy-oriented management ▶ see page 3-4
			4-2	Sound advancement and development of the industry as the leading company				7-4	Succession planning for top management ▶ see page 64
			4-3	Collaboration with public institutions, educational institutions, etc.				7-5	Enhancement of financial foundations through provision of added value to clients ▶ see page 31

Materiality matrix



FY2023 Initiatives related to Materiality

1 Further advancement as an integrated M&A company

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

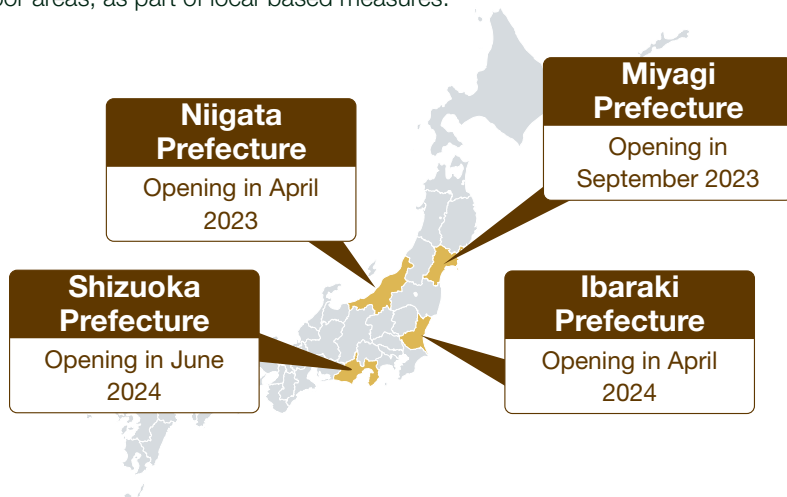
We will deliver M&A services to approximately 3.36 million companies in Japan as part of their management strategy.

By area

| Additional local representative offices with discussion desk

Nihon M&A Center has 7 offices, and established 16 satellite offices located in various locations throughout Japan after the COVID-19 pandemic. In FY2023, we newly established a “local representative offices with discussion desk” in Niigata Prefecture, as part of a region-specific strategy, and dedicated resident consultants began to serve local clients.

After that, we also sequentially opened “local representative offices with discussion desk” in Miyagi Prefecture, Ibaraki Prefecture and Shizuoka Prefecture, and four offices are now operating. We have developed region-specific marketing strategies and activities include Suguru Miyake, President and Representative Director of the Company, giving lectures on effective ways to proceed with business succession at seminars, based on business circumstances surrounding each prefecture, and broadcasting regionally limited TV commercials. In addition, resident consultants talk with clients in their prefectures or neighbor areas, as part of local-based measures.



| Joint ventures with regional financial institutions

In July 2023, we set up NOBUNAGA Succession Inc. (Gifu Prefecture), a joint venture with Juroku Financial Group, Inc. (Gifu Prefecture). This joint venture company helps to solve business succession issues of local companies and supports the sustainable growth of local economies, mainly in the Gifu and Aichi areas, by combining the Company’s M&A know-how with business infrastructure and networks of Juroku Financial Group.

As the second joint venture with regional financial institutions following NOBUNAGA Succession Inc., in April 2024, we established Kyushu M&A Advisors Co., Ltd. (Fukuoka Prefecture) by joint investment with The Higo Bank, Ltd. (Kumamoto Prefecture) and E.Sun Venture Capital (Taiwan). This joint venture company promotes matching of companies in Kyushu with companies across Japan and in Taiwan by leveraging the Company’s matching capabilities and know-how in M&A business. Kyushu M&A Advisors Co., Ltd. has a base in Fukuoka, and contributes to the sustainable growth of local societies by connecting the entire area of Kyushu.

We will further strengthen collaboration with regional financial institutions and support the sustainable growth of regional economies through these joint ventures.



A launch commemorative ceremony held in the style of a “departure for battle,” inspired by the name of NOBUNAGA Succession Inc.



A scene from a press conference for the establishment of Kyushu M&A Advisors Co., Ltd.

| Support overseas M&As

We have 5 offices in major ASEAN countries. Our business has been expanded through development, such as the establishment of a local subsidiary in Thailand in January 2024. In FY 2023, we assisted with 14 overseas company-related M&As.

Furthermore, we determined to invest in Korea M&A Exchange co., LTD. (Seoul), a Korean M&A intermediary company in March 2024. Korea M&A Exchange provides the M&A intermediary and consulting services for SMEs in Korea. It utilizes networks and M&A

FY2023 Initiatives related to Materiality

information of Korea and overseas, and has increased consultation cases from companies, recognized as a supporting organization with high reliability certified by the government. We will provide assistance services for In-Out and Out-Out M&As, taking this opportunity as the first step to develop our business in East Asia.



By industry

The Company develops strategies specializing in areas and industries.

| Enhancement of specialized team structure by industry

The Company has set up professional teams to support industries and fields with strong M&A activity, such as medical, nursing care, dispensing pharmacies, IT, logistics, manufacturing, food, etc. In FY 2023, we launched a new professional team to support the e-commerce industry. Since the Japanese e-commerce market, which continues growing, has many small business operators, we believe business expansion through M&A is essential for the development of the industry. The establishment of a team that has knowledge both in e-commerce business and M&A helps us support further growth of the e-commerce industry.

By business scale

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

| Establishment of a specialized department which serves mid-cap companies

In April 2023, the Growth Strategy Development Center was launched as a cross-sectional organization within the Sales Headquarters of Nihon M&A Center. It comprises a team specializing in the promotion of mid-cap company M&As as well as a team dedicated to studying and providing execution support for the disposal of subsidiaries and carve-outs of publicly traded companies. Teams working with mid-cap companies internally provide proposals and execution support reinforce mandates and deal closings as well as internally hold strategy meetings to develop mid-cap company deals, and issue monthly in-house newsletters containing the latest information on mandates and deal closings (e.g. best practices and planned events). Teams working with publicly traded companies provide comprehensive services from business portfolio analysis and the formulation of review

policies to the disposal of non-core businesses and subsidiaries. Both teams boast members with abundant experience and know-how.

| TOKYO PRO Market

In order to assist with listing on TOKYO PRO Market, a stock market operated by Tokyo Stock Exchange for professional investors, the Group obtained the J-Adviser qualification in July 2019, and has served over 100 companies on the J-Adviser contract. In FY 2023, the Group assisted with the listing of 17 companies on TOKYO PRO Market, among 40 companies newly listed. As a result, among all J-Advisers, the Group assisted with the largest number of listings.

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

We will use the power of fund to provide support for growth beyond the closing of the M&A transaction.

FY2023 results	
Japan Investment Fund	<ul style="list-style-type: none"> • 2 cases of new investment (cumulative total: 12) • 2 cases of portfolio exit (cumulative total: 2) • Establishment of "J-Fun Fund Number 2" • Listing of portfolio company on TPM
Japan Private Equity	<ul style="list-style-type: none"> • 1 case of new investment (cumulative total: 37) • 0 cases of portfolio exit (cumulative total: 27) • Establishment of "JR Shikoku Relationship Fund Number 1"
Search Fund Japan	<ul style="list-style-type: none"> • 4 cases of new investment (cumulative total: 6) • 1 case of portfolio exit (cumulative total: 1) • Establishment of "Search Fund Japan Fund Number 2" • Establishment of "Tokyo Search Fund"
AtoG Capital	<ul style="list-style-type: none"> • Establishment of AtoG Capital, Inc., a fund management company • Establishment of AtoG Investment Business Partnership Number 1

FY2023 Initiatives and Relevance to Materiality

2 Innovation

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

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

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

To realize our Purpose of "To bring optimal M&A ever closer," we have positioned branding improvement as a management issue, and in FY2024, we established a new CBO (Chief Branding Officer).


Corporate character of Nihon M&A Center Holdings

MA★PY Date of birth/hometown
April 25/woods in Chiyoda-ku, Tokyo

A corporate character was born, symbolizing the Nihon M&A Center Group's Purpose of "To bring optimal M&A ever closer."

M&A and HAPPY combined, the bluebird is a deliverer of the best M&A, and encompasses our hope to be a bluebird bringing happiness to everyone by connecting people's hopes.

Bring happiness to everyone!



Current passion Second Foundation

Specialty Delivering happiness

Favorite Deal Closing Ceremony

Belief Doing the right things in the right way

We will rebuild our brand following the changing times and our company growth while promoting deeper understanding of M&A by strengthening our communications capabilities to raise the brand value of our services.

As internal branding, in addition to producing a new corporate character to facilitate internal communications, we started the "Second Foundation Challenge," a system for soliciting internal ideas. We also develop recruitment branding, outer branding for clients, and branding strategy for branding improvement of the entire industry.



Kaoru Nakagawa Chief Branding Officer, President's Office
(Joined in 2023, Director and Senior Executive Officer of Nihon M&A Center Inc.)
Previously worked for Recruit Co., Ltd. as Head of Marketing Department and Head of Brand Strategy Office

2-2 Productivity improvement/marketing promotion using digitalization

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

Reduction of lead times and further improvement of the success rate

After having a mandate for sellers, the Group practices the following process. First, we carefully work on project planning, such as document preparation of company valuation and teaser. The next step is matching activities to a wide range of buyers. Then, we proceed to the negotiations stage that involves sellers and buyers. As a result of the process, the Group has enjoyed a high success rate. We consider it important to shorten lead times and further improve the success rate for higher productivity of the Group. To achieve this, we examine each stage of process for further review, and thereby strive to shorten lead times.

In addition, we aim at a higher success rate by reviewing the quality and quantity of matching activities. We will continue to invest in digitalization technologies, such as Salesforce, Bring Out (AI-driven analysis service on business negotiations), and V-Compass (company valuation system) for higher productivity.

For details of our efforts related to Salesforce, Bring Out and V-compass ▶ "Integrated Report 2023" page 32 - page 33.

FY2023 Initiatives and Relevance to Materiality

3 Secure and safe M&A

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

3-1 Maintenance and improvement of service quality

We are working to enhance our expert support system [▶ see page 12](#) consultant training [▶ see page 47](#), and knowledge management in our efforts to achieve the secure and safe closing of as many deals as possible.

Righting and quality improvement of business by the Business Processes Department

We believe that business and its process in the accurate and right way lead to fraud prevention and client satisfaction, and directly carry higher productivity. Based on this belief, the Business Processes Department in Quality Control Headquarters is working on righting and quality improvement of business. Especially in business process, we fully comply with the M&A Guidelines for SMEs set by the Small and Medium Enterprise Agency, and ethical standards and the industry self-regulatory rules set by the M&A Intermediaries Association.

Hideyuki Kumagai
Nihon M&A Center Inc.
Managing Director, Quality
Control Headquarters
(Joined in 2007)



Quality Control Headquarters is the department where specialists including lawyers and certified public accountants are assigned, and we work together with consultants to ensure secure and safe M&A transactions. In the M&A process, the most undesirable outcome is a break (deal collapse) after negotiations have begun. Stakeholders of both sellers and buyers incur significant costs to close a deal, but if a break occurs, all the incurred costs will have been in vain. To minimize such breaks, the crucial step is what we call the preparatory process, which is conducted after accepting a mandate. In this process, by extracting the risks that may cause a deal to break, we try to prevent the occurrence of breaks as much as possible. In the previous fiscal year, to better identify these risks, we focused on reviewing the questions in the “D-Compass” case analysis system, which was introduced the year before last, and incorporating its supplementary diagnostic functions into our practical use. Although the system requires constant maintenance due to the revisions of laws and regulations and other factors, we will continue dedicating efforts in the current fiscal year to this important initiative, which contributes to secure and safe M&A transactions.

3-2 Engagement with clients, business partners and shareholders

The Company places emphasis on engagement with clients, business partners and shareholders. Through deepened relationships of mutual trust, we aim to build sustainable co-creation relationships.

Clients

In terms of engagement with clients, to give clients a true sense of M&A as a secure and safe method, we aim to provide the best solutions by understanding clients' needs and requests through active communication. We pursue client satisfaction including post-M&A services, as well as M&A process.

Support after deal conclusion

The Company offers support services from various perspectives for successful M&As. The owners of sellers have a sense of responsibility and attachment to their company due to the fact that they had developed it for many years, and sometimes feel anxiety and a sense of loss after transfer. Our support gives the owners of sellers confidence in the new stage, so that they can pursue the second life with peace of mind. In addition, we provide support services for post-merger integration (PMI) process. We support the success of both sellers and buyers after M&A deal conclusion.

M&A Deal Closing Ceremony initiatives

The M&A Deal Closing Ceremony is a ceremony which takes place on a day on which a seller and buyer take the first step forward together, in the next stage right after negotiations on terms and conditions, with mutual understanding of corporate cultures. In the beginning, the M&A Deal Closing Ceremony took place on a trial basis. However, the ceremony started in full-scale as a project of Deal Closing Ceremony in 2015, based on M&A consultants' suggestion that companies that had the ceremony often experienced a smooth integration subsequently. Nihon M&A Center has organized a system in which dedicated staff for ceremonies (we call them M&A Ceremonist) hold M&A Deal Closing Ceremonies at various locations across Japan. The M&A Deal Closing Ceremony is often



Ratio of M&A Deal Closing
Ceremony held

85.1% in FY2022

⇒ 85.6% in FY2023

FY2023 Initiatives and Relevance to Materiality

compared to a wedding between companies. A dedicated team for brightening the special day directs an uplifting ceremony that is reminiscent of a wedding, creating a special and unforgettable day for participants.

| Implementation of client surveys upon deal conclusion

After a deal is closed, we conduct separate client surveys of both the seller and the buyer. As well as surveying the degree of satisfaction with the individual processes of the M&A and the services provided by the consultant who handled the deal, we also ask about reasons for determining M&A and what aspects of M&A they placed most importance on. This allows us to accurately gauge the level of our clients' satisfaction, which will assist in improvements of operational processes, provision of new services and review of the consultant training process.

Client satisfaction surveys

Overall average scores

87.2 points in FY2022

⇒ **87.7 points** in FY2023

| Production of The WAY, a memoir of the seller's owner

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



「The WAY」

| Provision of property succession consulting services

After the conclusion of the M&A, Next Navi Inc. provides services of property evaluation and property succession for the owner of the seller.

In addition, we offer various services after transactions, including organizing a membership club with the aim of enriching prior owners' second life.



The "NEXT CLUB" newsletter, which is an information magazine to enrich retired owners' lives after transferring companies, published for members (prior owners of companies transferred through our intermediary services)

| Automatic warranty and indemnity insurance coverage

In 2021, we concluded a business alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd. This insurance is designed for avoiding trouble and unforeseen losses caused by warranty and indemnity violations that may emerge after the M&A transaction is concluded. All M&A transactions supported by Nihon M&A Center are covered without the need for payment of insurance premiums or prior screening by Tokio Marine & Nichido. In the event of warranty and indemnity violations, the insurance helps prior owners keep a cooperative relationship with the buyer and contribute to achieving a smooth and satisfactory M&A.



| Post-merger integration (PMI) consulting services

Japan PMI Consulting Inc. offers post-merger integration (PMI) support services specializing in SMEs. It supports a smooth business integration and synergy generation in order that both the seller and buyer companies become partners in achieving growth. Japan PMI Consulting provides support for quantitative issues such as accounting and financial results as well as qualitative issues such as management vision and workflow to lead M&As to success.

Number of contracts of PMI consulting

55 in FY2022

⇒ **66** in FY2023

FY2023 Initiatives and Relevance to Materiality

Business partners

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

Number of partner accounting firms

FY2023

1,021 firms

Number of regional financial institutions

FY2023

308 banks and credit unions

Major financial institutions

Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd., MUFG Bank, Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Sumitomo Mitsui Banking Corporation, Okasan Securities Co., Ltd., JAPAN POST Co., Ltd. and JAPAN POST HOLDINGS Co., Ltd., Tokai Tokyo Securities Co., Ltd., and SBI SECURITIES Co., Ltd.

*Listed by the time series of partnership starting

| Accounting firms

- “Conference of Firms Which Closed Deals”, a meeting of partner accounting firms which led client companies to M&A closure in FY2023
- Revamping of “International Conference”, an annual event to share the visions of the Merger and Acquisition Association of Japan
- Opening of a website “MARINA” for accounting firm membership
- Conferences by area and by regional chapter
- Seminars targeting accounting firms
- Acceptance of seconded employees



A scene from the “International Conference” held in Madrid, Spain in March 2024

| Regional financial institutions

- Establishment of a joint venture company with Juroku Financial Group
- Expansion of banks which introduced V-Compass
- Establishment of a joint venture company with Higo Bank and E.Sun Venture Capital.
- Selection of M&A Bank of the Year
- Establishment of a co-investment fund with JR Shikoku jointly with The Iyo Bank, Ltd.
- Acceptance of seconded employees

| Major financial institutions

Depending on the degree of partnership, we jointly took various actions, such as the following

- Acceptance and dispatch of seconded employees
- Introduction of a recognition system
- Publication of public relations magazine
- Seminars
- Deal Closing Ceremony Project

Shareholders

We place importance on dialogue with shareholders and investors, actively conducting IR activities and announcing IR-related information.

- Disclosure of major items of news release simultaneously in Japanese and English
- About 100 individual interviews with institutional investors in Japan and overseas in each quarter
- Individual interviews with institutional investors in Japan and overseas by the President and Representative Director and Executive Managing Director
- Participation in IR conferences for institutional investors hosted by securities companies
- Individual interviews with institutional investors by the President and Representative Director in overseas (North America, Europe)
- Company information session for individual investors
- Disclosure of integrated report simultaneously in Japanese and English
- Feedback interviews on details of integrated report with institutional investors
- Enrichment of integrated report (selected for Most-improved Integrated Reports by GPIF)

FY2023 Initiatives and Relevance to Materiality

4 Contribution to society

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

The Company, as an integrated M&A company, has actively worked on initiatives for regional revitalization.

We consider the revitalization of regional M&A markets as an important theme, and strengthened collaboration with regional financial institutions by establishing joint ventures. In addition, we have developed collaborative area marketing with the regional media, while opening “local representative offices with discussion desk” for local-based services in Niigata, Miyagi, Ibaraki and Shizuoka Prefecture.

Moreover, we have handled projects which preserve regional specialty products. Japan Investment Fund Inc. contributed to nation-wide recognition of regional specialty products, due to the portfolio exit case of Fujibambi, a confectionery manufacturing company in Kumamoto to JR Kyushu. We proudly believe that this deal stimulated collaboration and capital flow among regional companies, leading to regional revitalization.

In order to maintain the recognition as an important partner for regional revitalization, we will continue initiatives for regional revitalization, contributing to regional development.

 Economic benefits provided by M&A intermediary activities of Nihon M&A Center ▶ See page 15

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

The SME M&A intermediary services industry is seeing a rapid increase in new operators with staff of less than 10 employees. The Small and Medium Enterprise Agency has created a registration system for M&A support organizations, which currently has over 2,800 registered organizations. Moreover, with constant listing of M&A intermediary services companies, the whole industry continues expanding.

This industry-wide expansion includes emerging problems, such as immoral sales activities and phishing-like advertisements. In addition, as M&As are popularized, various buyers have entered the M&A market, and some unethical buyers have caused problems, such as the misuse of M&A transactions without cancelling personal guarantees provided by business owners.

In order to address these issues, the Small and Medium Enterprise Agency revised the M&A guidelines for SMEs in September 2023, to introduce frameworks including explanation of principal contractual terms. Furthermore, another revision to the M&A

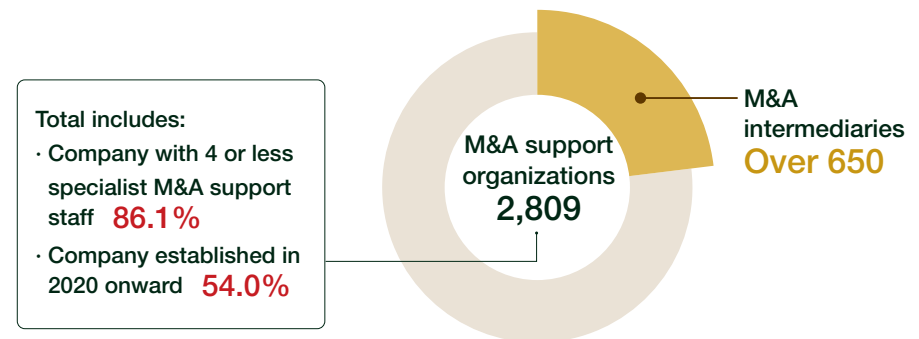
guidelines for SMEs was made in August 2024, with stipulations on a deepened framework of explanation of principal contractual terms, and the handling of unethical buyers problems, etc. At the political level, items such as sufficient disclosure of commission fees are stated in the “Meeting of the Council of New Form of Capitalism Realization”, which was established in the Cabinet.

As a leader in the industry, Nihon M&A Center is working for the sound development of the M&A intermediary services industry. First, to promote fair and smooth transactions and raise standards through human resources development support, we have collaborated with other listed companies to form M&A Intermediaries Association, the first self-regulatory industry body in October 2021. Suguru Miyake, our Representative Director, served as the first Representative of M&A Intermediaries Association, and still takes an important role in management as its executive member. He also fully provides know-how and various kinds of support for the association.

For example, M&A Expert Certification Qualification (total number of certified people is above 42,000, mainly from regional banks, accounting firms and lawyers) have been jointly planned and operated by Nihon M&A Center and Kinzai Institute for Financial Affairs, and M&A Intermediaries Association currently gives planning cooperation to the qualifications, taking over the role from Nihon M&A Center. As measures against unethical buyers, we will reorganize internal check frameworks, and Nihon M&A Center will join the Specified Business List, a framework of M&A Intermediaries Association to share unethical buyers information.

We will continue efforts to eliminate unethical buyers, as an industry-wide initiative.

Number of M&A support institutions



*As of September 18, 2024
 Source: “Disclosure of registered financial advisors and intermediaries providing institutional support for M&A (public invitation in FY2024 [August])” (the Small and Medium Enterprise Agency)

FY2023 Initiatives and Relevance to Materiality

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

In December 2023, we restructured our organization and established “Office for promotion of M&A research with academic, industry & government collaboration”. This organization is designed to serve the development of research for SME M&As through alignment with academia, and to make good use of its outcomes for drastic improvement of industry-wide service quality.

The Company and Graduate School of Business Administration of Kobe University established Small and Medium Sized M&A Research and Education Center (MAREC) in 2022. We research on SME M&A with full-time researchers, and run endowed courses. MAREC broadly seeks application for grant-type research and prize essays, and energetically conducts activities to discover researchers outside government and to expand related areas of SME M&A research.

In addition, we provide “Training Course for Entrepreneur I,” an endowed course, in the School of Commerce of Waseda University every year since 2021. This course is designed to develop student entrepreneurs and venture business owners in terms of M&A, and in fact, has produced student entrepreneurs. The Business Model Contest, which takes place at the university every year, has a nearly thirty-year history, and the Company has sent judges.

We also began an endowed course at Graduate School of Management, Kyoto University in April 2024. Feedback on the outcomes of these initiatives is shared with the public in symposiums hosted by MAREC. The third symposium were held this September. We aim to establish an association of SME M&A in 2025.



Cooperation with public institutions, on SME policies

The Company will continue to accelerate cross-industrial initiatives, going beyond the framework of the Company alone.

Public institutions

- Japan PMI Consulting Inc. took part in the Projects for SMEs Revitalization and Comprehensive Support for Business Succession under the Fiscal 2022 Supplementary Budget (a verification project on PMI support for medium- to large-scale deals) planned by the Small and Medium Enterprise Agency

Educational institutions

- Our articles contained in Occupation Yearbook, an annual illustrated magazine that introduces various occupations targeting children (increased recognition of M&A from elementary and junior high school students)
- Delivered outreach programs to four high schools. Attended presentation sessions in Period for Inquiry-Based Cross-Disciplinary Study, at four high schools
- Held endowed courses at Waseda University (third consecutive year)
- Held endowed courses at Kobe University (second consecutive year)
- Set up M&A Strategic Design Course at Graduate School of Business Administration of Kobe University
- Began joint research with Small and Medium Sized M&A Research and Education Center (the Center), Graduate School of Business Administration of Kobe University
- Held the second annual symposium of the Center titled “Study of Research, Policy and Practice of SME M&A.” Called for application for the second research grant program of the Center (The paper section and the research grant section. All grants are donated from Nihon M&A Center HD, which is also involved in the selection of eligible parties.)
- Spoke at a convention of Japan Finance Association



Impressions from students

- I did not have a good image on M&A, but learned actual M&A cases that satisfied both companies, with it turning into a good image.
- I felt that people enjoy working with pride in doing M&A business.

Program at a high school in Tokyo in March. Lectured by Takeuchi, President and Representative Director of Nihon M&A Center Inc.

Human Resource

Message from *Yasuhiro Takeda*



Message from CHRO

We aim to comprehensively address challenges related to the domain of “employees” and foster autonomous professional human resources.

Yasuhiro Takeda

Director, Chief Human Resources Officer

Human resource initiatives and compliance penetration through the cultivation of corporate culture

In June 2024, I was appointed Director, Chief Human Resources Officer, overseeing HR, compliance, and corporate culture.

To ensure the penetration of compliance, a corporate culture that values autonomy based on a high ethical standard is necessary, and by comprehensively addressing the two adjacent domains, human resources, and compliance, we aim to achieve more consistent management than ever before.

Enhancement of enterprise value through compliance

In December 2021, inappropriate internal behavior involving the bringing forward of sales reported were discovered, and this led to my appointment in July 2022 as CCO and Head of Compliance Division to realize compliance management within the Group.

Message from CHRO

In FY2022, I worked to develop a foundation for compliance, and in FY2023, I implemented initiatives to instill compliance as part of our culture. The results of employee awareness surveys conducted in FY2023 showed a significant increase in the percentage of positive responses to questions such as “Do you think the Company maintains a high level of compliance awareness?”, indicating that our efforts are yielding tangible results.

The external environment surrounding the M&A industry is changing significantly. In addition to the customer-first approach that we have always valued, the M&A intermediary services industry as a whole is now strongly required to have high ethical standards.

Under these circumstances, we believe that each and every employee plays a key role in realizing the concept of compliance. To realize our Second Foundation and further growth, we will create a corporate culture where employees, as the driving force, can grow professionally and autonomously, thereby enhancing our enterprise value.

Professionals in the group

At the time I was appointed to the position, I had one-on-one conversations with many employees, and I was impressed by how many cited the corporate mission of “Assisting companies to continue and prosper through M&A” as the reason for working for the Group. Rather than simply viewing such employees as resources, we consider their growth aspirations to be the foundation for the growth of the Group. My mission is to create an organization where each employee

can maximize their leverage and value as a professional, and where such employees are retained for a long time by increasing their engagement.

The Group defines professionals as follows.

① Professional consultant:

To support the survival and development of SMEs, which is a social issue, and ultimately contribute to the economic growth of the Japanese economy, the consultants must have the ability to provide comprehensive support not only to SMEs, and must be able to deliver result of closure about 10 M&A transactions in three to four years.

② Professional corporate staff:

The corporate staff must have the ability to identify problems, propose solutions on their own, and standardize these solutions into generalize patterns for efficient operation, and enhance their work through the use of digitalization. They should possess the skills to be a leader in the industry in their field.

Also, as a precondition for these, we believe that what all employees need to have in common is a sense of social mission, a customer-oriented mindset and ethical standards as a precondition for these.

The Group's development policy for autonomy

For the past two years since I became CCO, I have consistently aimed to strengthen the organization through

employee autonomy, and this also remains true in my role as CHRO. We aim to develop professional employees with high ethical standards who are self-disciplined, and to have them align our code of ethics to their own code of conduct.

The Group's services, centered on M&A intermediaries, are highly complex and require specialized expertise.

Amidst a rapidly changing business environment, we aim to solve the social challenges of contributing to the survival and development of the 600,000 companies in danger of closure that are struggling with business succession by developing the growth aspirations of our employees who support the world's leading comprehensive M&A group.

Creating a comfortable working environment

Furthermore, by simultaneously improving our corporate culture, we will work to instill compliance and prevent employee turnover.

For employees who work autonomously as professionals, we plan to create a system that allows for diverse work styles.

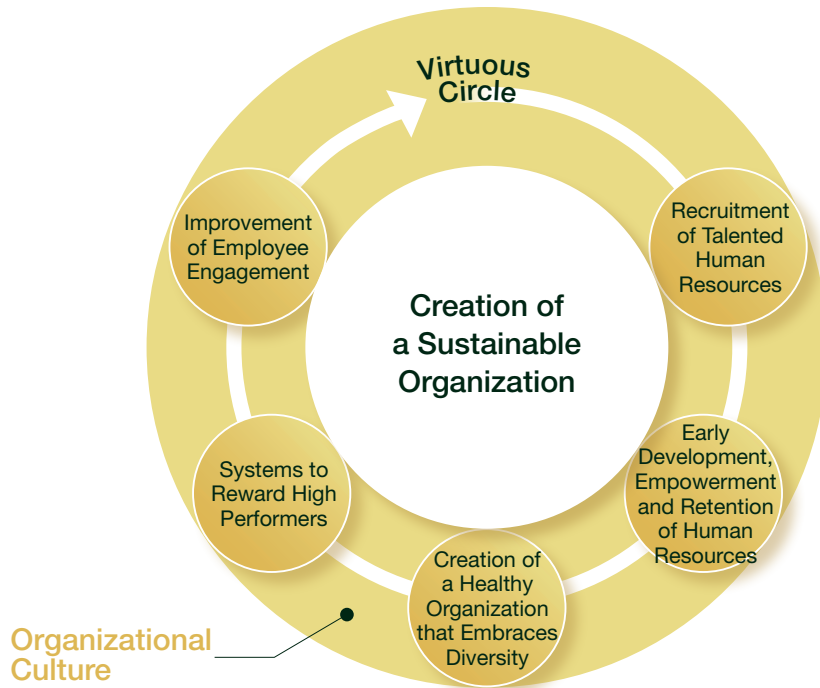
To this end, we will create an attractive workplace and communicate the benefits of working for the Group internally and externally, thereby building an organization that attracts professional personnel. Moreover, we will increase the number of talented employees by appealing to both the external and internal labor market by creating an environment that embraces diversity and where medium- to long-term work styles are possible so that talented employees will want to work for a long time.

Human Resources Initiatives

Our most important management resources at Nihon M&A Center Group are “human resources,” or “employees.” It is through the growth and success of our employees that we can achieve our “Purpose” of “To bring optimal M&A ever closer”. 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 continue to focus on promoting the “Philosophy” established in the FY2022. 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 common guideline from recruitment criteria to human resource development and performance evaluations. In addition, we have set “Becoming a Group of Autonomous Professionals!” as our management theme for FY2024, and have developed a variety of initiatives and activities to foster professionalism and support the growth of each employee.

Overall Picture of Initiatives for Human Resources



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

As we are the originator of M&A intermediary business for SMEs, our business model is unique to our company, which means there are few ready-to-go talents available in the job market. Therefore, we believe that recruiting and developing highly talented individuals in-house with untapped potential and providing an environment where they can excel over the medium- to long-term 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 designing the organization, we carefully review the background and aptitude of each individual before determining the department and role for both new graduate entrants and mid-career hires, in order to incorporate a wide variety of human resources into the organization. We have a system in place to provide thorough training for one to two months after employment, and to support even inexperienced employees until they become full-fledged M&A consultants. Under the banner of “Employee First Strategy” set in FY2020, these principles aim to strengthen the organizational structure that supports employees’ career enhancements.

■ Organizational culture (formulation and penetration 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 penetration of Philosophy within the Company. To assess the level of success, a “Philosophy Survey” was also conducted.

■ Recruitment of talented human resources

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 President and other executives as speakers, as well as utilizing internships, workshops, and YouTube streaming for students. The summer internship for students,

Human Resources Initiatives

conducted in FY2023, ranked 2nd in category “Contribution to personal development” of the “Most worthwhile internship for students in 2024” awards by “Shukatsu Kaigi.”

Additionally, we place emphasis on employee referral recruitment to secure individuals who resonate with our “Purpose”. In FY2024, we plan to hire approximately 120 consultants (including graduate entrants).

Number of consultants (consolidated)*

(persons)	FY2020	FY2021	FY2022	FY2023	FY2024 (forecast)
Net Increase	82	91	49	38	120
As of the End of the Fiscal Year	467	558	607	645	765

 YouTube video project We are releasing videos about a day in the life of an M&A consultant, training for new mid-career employees, etc. In FY2024, we released a new video about career stories of M&A consultants.

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



Early development, empowerment and retention of human resources

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 FY2021 - FY2022, 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 FY2023, we particularly aimed to foster and empower early-career employees within their first three years of joining the Company and ensure their long-term commitment. Additionally, we started implementing a talent management system to leverage each employee’s strengths and preferences in job assignments and project team formations.

The company-wide turnover rate for FY2023 was 16.9%, but our medium- to long-term goal is to maintain the rate at the 11-12% level. To improve retention rates, we are advancing initiatives such as reviewing the evaluation system and enhancing career plans.



Human Resources Initiatives

The following are excerpts from the training programs.

New employee training

Regardless of whether they are new graduates or mid-career hires, we conduct thorough training for each position over a period of one to two months. The training includes not only basic business etiquette and knowledge of the M&A intermediary services industry but also focuses on compliance education.

Middle manager training

We view the strengthening of management skills of newly appointed managers and other middle managers as an important factor for the growth of our business. We help them to develop their task management and people management skills while taking productivity and operational efficiency into consideration.

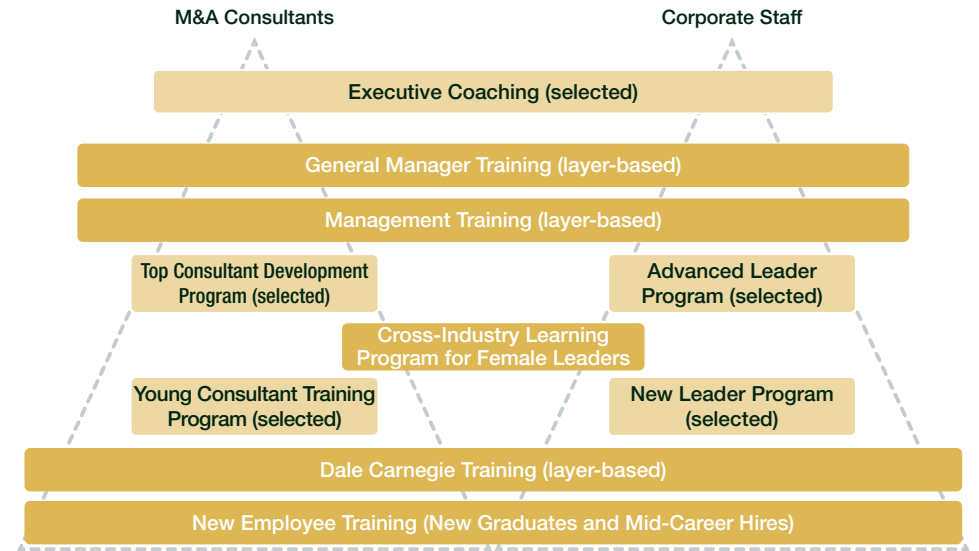
- General Manager Training (layer-based)
- Management Training (layer-based)

Special training from top management

The President and Directors take on the role of direct mentors, offering core and young consultants opportunities to learn practical know-how and develop a client-centric approach through case studies, role-playing, and discussions covering the process from basic agreements to closures. As a leading company, we intend to contribute to raising the level of talent and improving the quality of services across the industry.

- Young Consultant Training Program (selected)
- Top Consultant Development Program (selected)
- Executive Coaching (selected)

Training Program Structure



*Cross-Industry Learning Program for Female Leaders: Woman's Summit Tokyo (WST) cross-industry business leadership academy, a cross-industry learning program

Creation of a healthy organization that embraces diversity


Productivity improvement and workstyles

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. 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.

Human Resources Initiatives

Achievement of a healthy and safe workplace

Employee health is a necessary condition for the growth and success of our company. In April 2024, we introduced a dedicated company health insurance scheme for the Group. This scheme offers a flexible benefits plan called the “3KM Plan (Cafeteria Plan),” where each employee can use points to select various options for health promotion, relaxation, and more according to their preferences.

We continue to achieve a 100% participation rate in health check-ups, and the Group offers assistance for the cost of health check-ups at a level well above the legally mandated level. The risk indicators for stress checks conducted annually are also significantly lower than the national average. Additionally, we expanded our support system to ensure that employees have access to counseling from occupational health physicians and medical counselors as needed. In July 2024, we opened the “HR Portal Site” for employees, clearly indicating the contact point for the above counseling, as well as maintaining a FAQ for labor and human resource related inquiries and clearly indicating its contact point. Consultations and reports regarding bullying, harassment, and other labor issues are also accepted through our internal consultation and whistleblowing hotline.  [see page 54](#)

Moreover, we actively support employee participation in the sporting initiatives such as MA6 activities, company-wide golf competitions, and the Financial Runners relay race. Thus, as part of our health management, we are dedicated to creating a workplace environment where employees can work vigorously, healthy, and safely.

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. In FY2024, we added a new paid leave for child nursing care, and introduced on a trial basis an early return support program, which provides childcare subsidies to employees who return to work before their child turns one year old.

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 organizing overseas study trips for our partnering accounting firms.

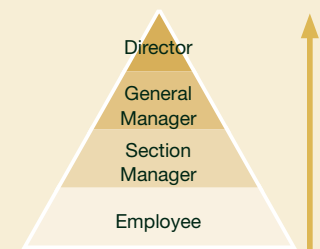
Promotion of diversity & inclusion

Under the belief that diversity is the key driver of innovation, we are actively promoting Diversity & Inclusion (D&I). In FY2022, we launched the “Women’s Empowerment Project” as an area of high urgency. Since FY2023, we have set various numerical targets and are fully committed to implementing D&I initiatives.

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 (Section 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



Major Activities During the 1st Phase (FY2022)

Understanding the current situation and creating a climate

- Understood the current situation through all-employee surveys
- Provided information within and to outside of the Group
- Held D&I event for all employees
- Produced the project movie of woman’s advancement
- Held training sessions for female managers
- Held leader training for female employees (external)
- Held management training (unconscious bias training)
- Set voluntary meeting opportunities with employees going through pregnancy, childbirth and childcare
- Introduced a system to subsidize babysitter fees
- Promoted male employees’ use of childcare leave

Human Resources Initiatives

Major Activities During the 2nd Phase (FY2023)

Raised awareness among female employees and cultivated an environment that promotes woman's empowerment

- Set quantitative targets
- Strengthened information dissemination within and to outside of the Group
- Continuously held D&I event for all employees
- Produced D&I concept movie.
- Developed next-generation female director candidates
- Held leader training for female employees (career design, external training)
- Supported the advancement of female consultants (enhancement of recruitment and development, network between employees)
- Conducted training for managements (awareness generation)
- Introduced internal recruitment system
- Paid leave for child nursing care
- Promoted male employees' use of childcare leave

Activity Goals for the 3rd Phase (FY2024)

Increased the number of successful female employees.

- Supported the advancement of female consultants
- Supported the advancement of female mid-level employees
- Provided information externally and cultivate the internal culture

D&I concept movie

We interviewed top management and project owners about their passion for promoting D&I, the background behind the launch of the D&I project, and the initiatives of the D&I project.

Additionally, we heard employees' opinions about the project's efforts to support the activities of female consultants, encourage male employees to take paternity leave, and collaborate with national staff at overseas offices.



<https://www.youtube.com/watch?v=wC5PKN1xVD0>



Initiatives concerning human rights

We have 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.

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". We adopted a system in which those who embody our Philosophy more concretely and achieve higher quantitative and qualitative goals receive high evaluations. The results of these evaluations are fed back through regular one-on-one meetings with their supervisors.

From the viewpoint of fostering leadership, employees at the executive officer level and above are given "360-degree feedback," in which information on the strengths and weaknesses of the individuals is gathered from surrounding employees and fed back to them directly. The results are used to appropriately recognize their own strengths, areas for improvement, and clearly envision their future goals to create a speedy growth cycle, and to check whether they are leaders who embody our Philosophy.

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.

Human Resources Initiatives

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. In addition, starting in FY2024, we have begun holding quarterly financial results briefings for employees.

Improvement of employee engagement

Employee survey

We conduct employee surveys every 1-2 years. The results of these surveys, which can be considered as the "voice of the employees," have led to the implementation of various training programs and HR initiatives. We have introduced a quarterly pulse survey to track the progress in a timelier manner. We will continue to monitor regularly and focus on improving employee engagement.

Second Pulse Survey (conducted in April 2024)

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

Theme	Question	2024	2023 Previous	Difference (pt)
Fun Company	I enjoy working for this company.	5.3	5.2	+0.1
Sense of Unity	I feel a sense of unity in this company.	4.8	4.2	+0.6
Sense of Growth	I can sense my growth working for this company, and believe that I can achieve my career objectives and dreams here.	5.2	5.1	+0.1
Contribution to Society	I can feel that I am contributing to society working for this company and that the job is rewarding.	5.6	5.6	±0.0
Mission, Purpose and Philosophy	I resonate with the Company's mission, Purpose and Philosophy, and put them into practice.	5.6	5.4	+0.2
Diversity	I feel that the Company has an environment and culture that respects and empowers employees with diverse backgrounds.	5.3	5.1	+0.2
Compliance	I feel that this company has a high level of awareness toward compliance.	4.8	4.3	+0.5
Pride	I would recommend working for this company to people around me.	4.7	4.5	+0.2

Strengthening internal communication

We place the "3KM" at the core of our management concept and organizational culture, and under the 3KM concept, employees work to increase Motivation for the three Ks, "Kojin" (individual), "Katei" (household), "Kaisha" (company), and promote Management based on Marks (targets). 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.

Furthermore, we support an internal activity called "MA6" (short for "Minna de After 6"), which promotes networking and team building across departments. In FY2023, about 100 communities and club activities were realized, with engaging activities including basketball, baseball, music, wine tasting, yoga, golf and running relay.



Family event held at Nishi-Nihon Branch



"MA6" basketball team

Human Resources Initiatives

Messages

Messages from Employees



Aiming to be the first female group leader

Ayaka Yoshino

Nihon M&A Center Inc. Consultant, Growth Strategy Channel

After serving in public office and engaging in corporate sales at a publishing company, joined the Company in 2021. Belongs to a department mainly in charge of mid-cap projects and plays an active part as a female consultant.

As I did interviews with business owners in my previous job, I started to feel that I wanted to understand their needs as fully as possible and offer services in line with that understanding. That led me to the M&A world. After joining the Company, I was assigned to the Growth Strategy Department and currently make a wide range of proposals on corporate growth strategy for medium-sized companies.

The first deal I closed was a request from an owner who had cancer. The owner wanted to find a buyer within three months. It was difficult at first, but a referral from a business partner helped things proceed smoothly. In the end, I was able to close the deal in three months.

It was a satisfying result. After the deal was closed, however, I received feedback from the client saying they wanted a different contact person because they felt that their feelings were not understood. This is a bitter memory for me, highlighting something I know I need to be aware of. The Company conducts client satisfaction surveys after deal closing, and we value clients' feedback. Consultants who receive praise or a perfect rating of 100 from a client are announced on a company-wide level. I myself aspire to achieve a perfect 100. My first closing made me determined to pursue client satisfaction in addition to just completing the deal.

M&A services require a high level of business ability, such as skills in sales, proposals, and coordination, as well as expertise in accounting and legal affairs. Pursuing better performance in each phase of the process is a rewarding part of working to earn a perfect 100 rating from clients.

Compared to the time when I just joined the Company, the number of female consultants is steadily increasing. This is my fourth year at the Company, and I'm striving to achieve one of my career goals: to become the first female group leader. I hope to forge a path ahead and continue playing an active role at work, even while I go through major life events. The Company seems to recognize female consultants' success as a medium- to long-term issue to address on a continuing basis, not just temporarily.

I hope more people will develop an interest in M&A consultant work and take on the challenge, regardless of gender.



Feeling what owners feel and supporting the best options for them

Shunpei Ajima

Nihon M&A Center Inc. Deputy General Manager, Corporations Channel

Since joining the Company in 2019, has belonged to departments which mainly provide matching services. Draws on previous job experience in a specialized trading company in the steel and machinery industry for an advantage in manufacturing. Has assisted in closing about 30 deals since joining the Company. In FY2023, assisted in closing 10 deals within a year and won the Top No. of Deals Closed Award. In FY2024, assumed the office of Deputy Head of the Chuubu Corporations Department.

Since joining the Company in 2019, has belonged to departments which mainly provide matching services. Draws on previous job experience in a specialized trading company in the steel and machinery industry for an advantage in manufacturing. Has assisted in closing about 30 deals since joining the Company. In FY2023, assisted in closing 10 deals within a year and won the Top No. of Deals Closed Award. In FY2024, assumed the office of Deputy Head of the Chuubu Corporations Department.

We have a subsidiary which provides services specializing in company valuation, including stock price calculation, business analysis, and preparation of teasers. We also have a wide range of functions, such as deal-based support teams for legal affairs and tax affairs composed of internal experts, and we have developed databases of information on various companies' M&A needs. In addition, we have organized education frameworks rooted in the 30 years of experience we have gathered since our founding. This environment allows new recruits as well as experienced employees to play active roles. This comprehensive strength helped me gain substantial experience since I joined the Company, and I managed to close deals starting early on. As a result, I assisted in closing 10 deals last fiscal year, the largest total company-wide.

Though all deals are memorable, the one I remember most is a project involving an owner's decision to sell a company with a long history. The owner was relatively young, just over 50, and the company was in excellent financial condition. However, the owner was anxious about the industry's future and worried about whether to sell the company or not, with the lack of a successor compounding the situation. Every time we had interviews with concrete prospective buyers, the owner and I worked together to consider future trends in the industry, the situation in Japan, and the company's and owner's futures. In the end, the owner determined that the best choice as a business owner was to prioritize the company's survival and the well-being of its employees over personal pride and others' opinions about M&A. Ultimately, the owner decided to sell the company to the buyer that would bring the best synergy. I still clearly remember the determined expression on the owner's face.

In the lead-up to the decision, I never asked the client to transfer the company. Rather, it was an outcome of multiple discussions. Our business is to talk honestly with clients about the futures of individuals, companies, employees, and their families. I hope to help create a stronger Japan through my involvement in important decision-making for owners and management.

Human Resources Initiatives

Messages from Employees



Leading the first execution of an M&A strategy since the establishment of JR Shikoku

Kensuke Suzuki

Nihon M&A Center Inc. General Manager, Regional Financial Institutions Channel

Since joining the Company in 2014, has engaged in support services for companies needing M&A, assisting with closing deals for about 50 companies through cooperation with regional financial institutions. Was seconded to Shikoku Railway Company (JR Shikoku) in 2022 and experienced the formulation of M&A strategy, investments, and PMI process at a large corporation. In FY2024, became Head of the Financial Corporations Department, Regional Financial Institutions Channel.

In 2022, it was decided that I would be seconded to JR Shikoku, our first secondment to a large corporation. I was appointed project leader for the first M&A execution since JR Shikoku was established, tasked with formulating an M&A strategy from scratch. I handled sourcing, negotiations with sellers, company valuations, and the preparation of various contracts. I also provided PMI services after deal closing. Coordinating with numerous internal and external stakeholders, I went through a series of large corporate M&A processes. In addition, I was involved in the establishment of a fund for accelerating the M&A strategy, experiencing the process from fundraising to investment. When I joined the Company, I never imagined that I would be involved in the M&A strategy development and fund establishment for a large corporation. I think I got that incredible opportunity because our company has flexibly changed its businesses and functions according to clients' needs.

Being able to work in a position that involves me in the entire process of conducting M&As instead of just assisting with M&A closings as an intermediary was a truly valuable experience. I learned how important it is to understand the real heart of things from a broad perspective and look beyond the immediate things at hand before setting to work.

My secondment ended, and I will soon be the head of a department from this fiscal year. I will take advantage of my secondment experience to work together with my team to do things that I would not be able to do alone. I also would like to keep growing and developing so that I can take part in work with a large impact.

Participating in significant management decisions in my second year out of school Overwhelming enhancement of basic elements as a business person

Kei Murakami

Nihon M&A Center Inc. Consultant, Area Strategy Channel

Joined the Company in 2022 after graduating from the Faculty of Law at Keio University. Has belonged to departments focusing on direct sales to clients. In FY2023, his second year since joining the Company, won both the Best New Recruit Award and the Best 2in1 Award.



Reflecting on the previous fiscal year, my second year at the Company, I had a lot of great help from people around me. We have an education system for new recruits, the "2in1 system," that pairs a new employee with a middle-level employee for a joint budget. I benefited from the system by gaining support from people around me when necessary, such as situations where I wasn't persuasive enough in business negotiations with only one year of experience. In particular, having a mentor I could share ideas with casually, besides the Head of the Department, was a great asset. This system helped me to win both the Best New Recruit Award and the Best 2in1 Award.

Our job is to seek buyers and provide suggestions to accelerate corporate growth for companies developed by seasoned owners over years and years of work. We have opportunities—with some of us as young as our mid-20s—to be part of corporate transformations and owners' big decisions, which is what makes our work so rewarding. Not only do we offer a diverse set of services, but our business also involves many stakeholders in each project and requires a vast amount of knowledge in everything from accounting and tax affairs to legal affairs and industry-specific points. I'm excited every day and absorbed in my work.

In addition, many of our senior colleagues have impressive track records in their previous jobs, and I can learn model sales methods by working closely with them. It allows us to take our fundamentals as businesspeople to a high level.

Although I currently work on domestic M&A services, I would like to challenge myself in new fields, such as cross-border M&As and fund management, in the future.

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.

After the detection of an inappropriate incident in 2021, we have focused on developing the foundation of compliance and worked to instill it throughout the Company. Currently the external environment surrounding the M&A industry is undergoing significant change and the number of buyers executing M&A for improper purposes and M&A intermediary services industry providing inappropriate services to clients is increasing. Amid such a situation, as a leading company, Nihon M&A Center Group, together with the Small and Medium Enterprise Agency and the M&A Intermediaries Association, aims to enhance the overall trust in the M&A intermediary industry to realize “the optimal M&A experience” by establishing self-regulatory rules, etc.

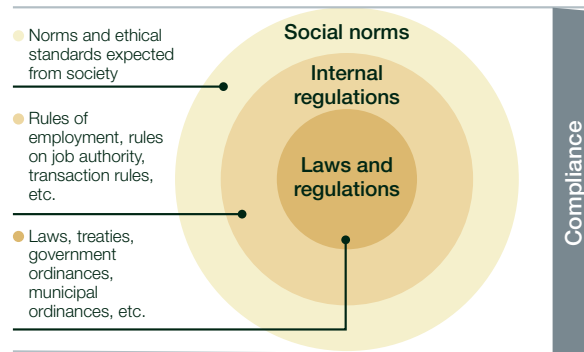
To this end, we will strive to become an even more trusted company through continuous initiatives in FY2024 and beyond.

Underlying compliance principles

The Group considers compliance to include adherence not only to laws, regulations and internal regulations but also to norms and ethical standards expected by 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.

We are working on fostering compliance awareness by thorough penetration of the Purpose, Philosophy, and Group Compliance Principle.

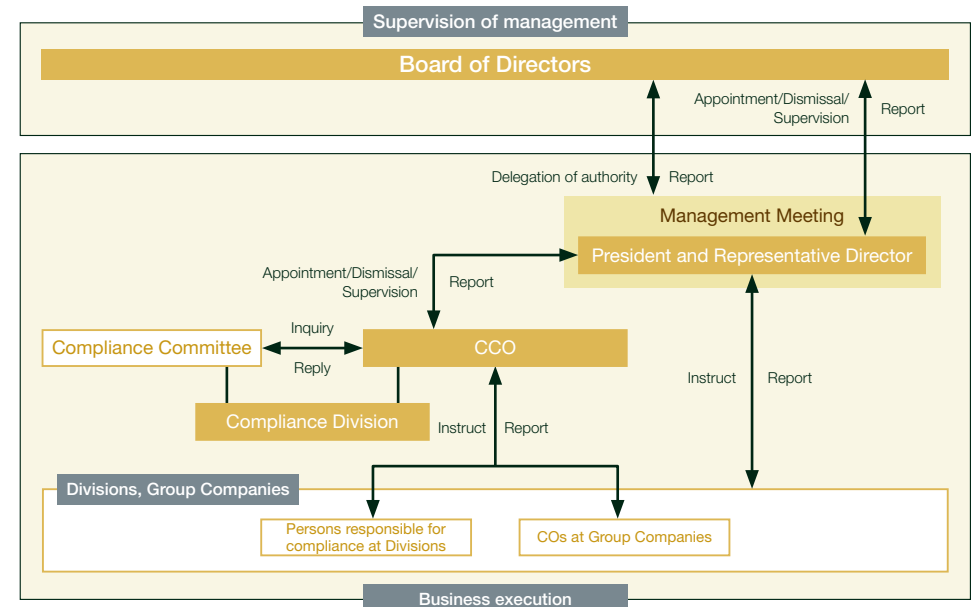
In addition, we are promoting the enhancement of the compliance system of the Group, and at the same time, making on-going efforts to instill and establish compliance from the perspective of education through measures such as regular implementation of effective training.



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 the CCO and has the functions of the internal consultation and whistleblowing hotline, and the Compliance Division, which is a secretariat to the CCO and the Compliance Committee, 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 the 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.



Compliance

Investigation, procedures and consequences when there is any doubt that a 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 stipulate that any employee who becomes aware of a compliance-related problem should immediately consult with or report it to appropriate parties within the Company, such as a manager or the Compliance Committee. A manager who has received a 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, and any important matters will be conveyed in turn to the President and Representative Director, while the anonymity of the person who did the consulting or reporting 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 the consultation, the whistleblower, the purportedly guilty party and those helping with the investigation.

The person who made the consultation or report is informed of the outcome and it can be used by the Compliance Division for the 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.

In addition to promoting the development of employee training and monitoring systems in the Compliance Division, initiatives will be taken in cooperation with the Human Resources Headquarters to be firmly rooted in the corporate culture with 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 a timely and 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 profit 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 the consultation or the 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 system to enable early detection of any problem. Additionally, we have built a system in which employees can make consultations and reports more easily by, for example, clearly displaying the abovementioned system on the top page of our intranet portal, and thoroughly and repeatedly raising awareness, including explanations about whistleblower protection.

Number of discussions consulted/reported

FY2022	FY2023
62	74

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	● Stricter requirements for recording sales
March	● Thorough announcement of the whistleblowing system
April	● ● Establishment of the Compliance Division
April	● Commencement of periodic compliance training sessions
April	● Transition to a new HR system including evaluation of ethical standards

Establishment of a foundation

Period	Initiative
April 2022	● Establishment of the Management Meeting
April to May	● Holding of "Teach-in" meetings by President with all employees
June	● Formulation of our Purpose
July	● ● Appointment of CCO and General Manager of the Internal Audit Office
July to November	● Holding dialogues between CCO and Audit and Supervisory Committee Members and key persons
October	● Conduction of an employee pulse survey
January 2023	● Formulation of the Philosophy

Establishment of a foundation

Period	Initiative
April 2023	● ● Persons responsible for compliance were appointed at major group companies
April	● ● Formulation of the new Group Compliance Principle
April	● Creation and distribution of the Compliance Handbook and MAstyle
April	● Receiving pledges for compliance from all employees
April	● Commencement of e-learning training
January 2024	● Conducting an employee pulse survey

Measures for permeation
On-going maintenance

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

Compliance

Specific Compliance Permeation Measures

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

In addition, for all 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.

At a monthly company-wide meeting, the CCO provides compliance-related updates every time.

To evaluate the effectiveness of these initiatives, Nihon M&A Center has been conducting compliance surveys for employees from FY2022. We intend to conduct such surveys on a periodic basis to ensure that we implement fixed-point observation of internal perceptions of compliance. The survey results for FY2023 showed that the overall compliance awareness figures improved compared to FY2022. We will continue to promote compliance-related initiatives.

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

Questionnaire	FY2022	FY2023
Awareness of compliance is maintained at a high level at the Company.	44%	74%
The Company addresses compliance incidents appropriately.	57%	79%
In my organization, there is an atmosphere that places an emphasis not only on sales and efficiency but also on compliance.	75%	70%
I know how to make a consultation or report for a compliance issue if I witness it.	84%	93%

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 including contract employees as well as full-time employees, by leveraging, for example, e-learning that introduced from FY2023. Furthermore, for employees in managerial positions, we conducted additional training to foster awareness of compliance. Moreover, the Group sequentially formulates and implements educational programs other than classroom training.



e-learning training

Details of e-learning training in FY2023

Month of Implementation	Theme
April	General Compliance and Compliance Pledge
May	Understanding the Risk of Information Leakage
July	Information Security
August	Harassment
October	Information Security Rules
November	Accurate Recording
January	Conducting a Compliance Awareness Survey
February	Prevention of Insider Trading

Compliance



Message from Mamoru Saito

Promoting compliance-focused management leveraging M&A business experience to enhance the growth and trust of the Group.

Mamoru Saito

Chief Compliance Officer

Message from CCO

I joined Nihon M&A Center in September 2009, and have served as CCO and Head of the Compliance Division of Nihon M&A Center Holdings from June 2024. Including my previous M&A experience at a major securities firm, my M&A career now spans 24 years.

Since joining Nihon M&A Center, I have been engaged in business as a consultant, served as Head of Risk Management Department since April 2021, and from April 2023, I also took on the role of Head of Business Control Division while continuing as Head of Risk Management Department. Throughout my career in M&A operations, I have focused on restructuring operational workflows and preventing and handling various incidents.

Since July 2022, when my predecessor, Yasuhiro Takeda (currently Director, Chief Human Resources Officer), took on the role of CCO, the Group has undertaken initiatives to establish a compliance system and strengthen governance, including the renewal of the Risk Management Committee and the implementation of governance projects. As a member of the project, I worked together with the CCO, and over the past two years, we have examined and implemented initiatives to establish governance and compliance system, as well as enhancing the foundation to ensure compliance with the “M&A Guidelines for SMEs” and the industry self-regulatory rules set by the M&A Intermediaries Association.

Going forward, I intend to continue the policies and initiatives established under my predecessor’s leadership as well as to further deepen the compliance awareness among the Group’s directors/employees by promoting the way it conveys information clearly and initiatives, based on my over 20 years of M&A experience.

In the SME M&A industry, compliance awareness and professional ethics are increasingly required, as seen in the September 2023 revision (second edition) of the “M&A guidelines for SMEs,” the industry self-regulatory rules enforced by the M&A Intermediaries Association in January and April 2024, and another revision (third edition) of the “M&A guidelines for SMEs” in August 2024.

Based on the compliance-focused management policy, the Group aims to further promote the development of robust systems, thereby increasing added value within the M&A industry. By doing so, we will earn the trust of stakeholders, grow into a company that is needed by even more clients, and meet the expectations of our investors by expanding our business performance.

As a leading company in the industry and an executive member of the M&A Intermediaries Association, we are committed not only to strengthening the Group’s compliance but also to contributing to the improvement of compliance awareness across the entire industry.

Corporate Governance

Nihon M&A Center Group considers the enhancement of corporate governance as a priority management issue in order to make a lasting contribution to society based on the corporate mission and to meet the expectations of various stakeholders.

By enhancing corporate governance, the Group can monitor the status of business execution and strengthen functions of appropriate check. The Group works the following points to be central to its corporate management and strive daily to achieve them.

- 1 Ensure sound and fair management and thorough compliance with laws and regulations
- 2 Ensure transparent management and full accountability
- 3 Ensure efficient management and strive to maximize shareholder value

We have adopted a governance system of a company with an Audit and Supervisory Committee.

Board of Directors

The Board of Directors has 13 members in total, which consist of 10 Directors (excluding Directors serving as Audit and Supervisory Committee Members), of which five are Independent Directors, and three Directors serving as Audit and Supervisory Committee Members, of which two are Independent Directors. The Board holds monthly regular meetings and extraordinary meetings as necessary to make decisions on basic management policies, important matters on management and matters stipulated in laws, regulations and the Articles of Incorporation as well as to supervise execution of duties by Directors.

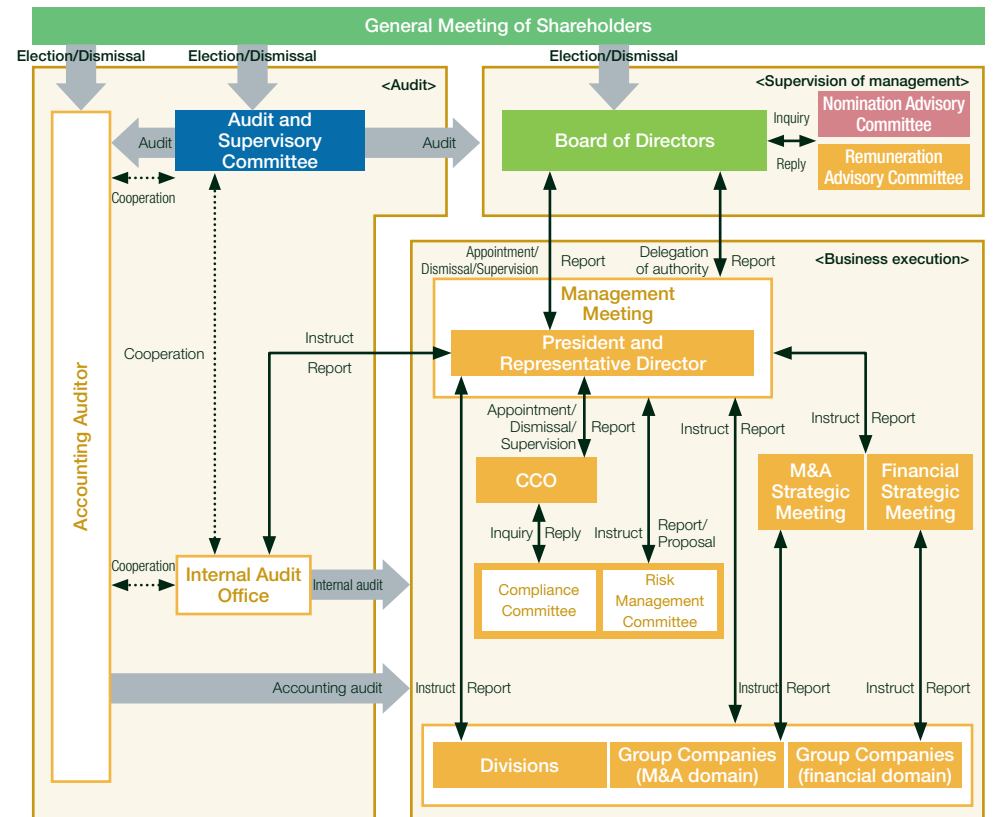
Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three members: one Director (full-time Audit and Supervisory Committee Member) and two Independent Directors (Audit and Supervisory Committee Members). The Audit and Supervisory Committee Members attend the Board of Directors meetings or other important meetings and constantly monitor the status of compliance with laws and regulations and other matters. They also browse important documents, conduct interviews on the progress of business and carry out audits on business execution, such as business audits and accounting audits. In addition, they regularly exchange information with the accounting auditor and employees in charge of internal audit to create a cooperative framework to monitor the management.

Nomination Advisory Committee

To ensure reasonableness and transparency of the candidate selection process for the proposal to elect Directors, which is submitted to the General Meeting of Shareholders, the Company has established the Nomination 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 Independent Directors. One of the three Independent Directors chairs the Committee. The Board of Directors respects the contents of the Committee's discussions to the maximum extent and submits the proposal to elect Directors to the General Meeting of Shareholders.

Corporate governance framework



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 Independent Directors. One of the three Independent 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.

M&A Strategic Meeting, Financial Strategic Meeting

Under the Management Meeting, the Company has established the M&A Strategic Meeting, which oversees our subsidiaries and affiliates in the M&A domain, and the Financial Strategic Meeting, which oversees our subsidiaries and affiliates in the fund management domain. Both meetings consist of full-time Directors of the Company, as well as directors and executive officers, etc. of our subsidiaries.

These meetings work for information-sharing and cooperation in strategic aspects among the Company, subsidiaries and affiliates, and also function as bodies for deliberations and reports on implementation of matters designated by the Company, based on the subsidiaries and affiliates management rules.

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, three directors and employees of Nihon M&A Center Inc. and a corporate lawyer. 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 for 2030 is to make the proportion of female Directors 31.3%.

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.

Independent 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

Corporate Governance

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 Independent Directors. However, Independent 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, Independent 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. The M&A Strategic Meeting oversees our group companies in the M&A domain, including Nihon M&A Center Inc., and the Financial Strategic Meeting oversees our group companies related to fund management, including Japan Investment Fund Inc. Masahiko Otsuki, Executive Managing Director and chairman of the Financial Strategic Meeting, assumed the position of Representative Director of Japan Investment Fund Inc. in February 2022. Naoki Takeuchi, Managing Director and chairman of the M&A Strategic Meeting, assumed the position of President and Representative Director of Nihon M&A Center Inc. in April 2024.

Major initiatives to strengthen corporate governance



Corporate Governance

■ Training for Directors

The Company offers purpose-specific training opportunities for Directors, in accordance with their expected roles, responsibilities and other factors where the expenses are borne by the Company. Internal Directors (including an Audit and Supervisory Committee Member) participate in external training programs, visit overseas countries to gain useful information and receive coaching. Meanwhile, Independent Directors (including 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 which then 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 Independent Directors (including 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 FY2023, consolidated ordinary profit totaled 16,518 million yen, achieving 97.2% of the full-year ordinary profit forecast of 17,000 million yen. The Company therefore did not pay performance-linked remuneration to Directors.

Introduction of stock remuneration plan

For the purpose of encouraging efforts for medium- to long-term enhancement of the Company’s corporate value, as well as promoting further value-sharing with our shareholders, we resolved to introduce a restricted stock remuneration plan for Directors (excluding Audit and Supervisory Committee Members and Independent Directors) at the 33rd Annual General Meeting of Shareholders held on June 25, 2024. The resolution determined that the amount of restricted stock remuneration is up to 240 million yen per year, which is within the limit of the current amount of remuneration (up to 1.2 billion yen per year, including a limit of 80 million yen for Independent Directors), and the total number of common shares to be granted is capped at 350,000 shares per year.

■ Operation of the Board of Directors

In FY2023, as part of compliance-oriented management which is a top priority task 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 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.

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 Independent Directors)	296	296	—	—	—	6
Directors who are Audit and Supervisory Committee Members (excluding Independent Directors)	14	14	—	—	—	1
Independent Directors	76	76	—	—	—	8

(Notes) 1 The number of persons eligible for remuneration, etc. for Independent Directors includes Directors who retired at the conclusion of the 32nd Annual General Meeting of Shareholders held on June 23, 2023.

2 Figures presented are rounded down to the nearest million yen.

Corporate Governance

Board of Directors meetings held in FY2023

Board of Directors meetings in FY2023	
Number of meetings held	17
Average number of agenda items (matters resolved and matters reported)	6.2
Average hours per meeting	2 hours and 19 minutes (3 hours and 15 minutes at the longest)

Major agenda items

- Review of the medium-term management target
- Establishment of an overseas local subsidiary
- Review on materiality (priority issues)
- LP investments
- Establishment of joint ventures with financial institutions
- Review of the evaluation of the Board of Directors' effectiveness
- Overall review of the recurrence prevention measures
- Examination on the future of the M&A industry
- Revision to privacy policy
- Report of digitalization diagnosis

Activities of voluntary committees

Activities of the Nomination Advisory Committee and Remuneration Advisory Committee in FY2023

	Nomination Advisory Committee	Remuneration Advisory Committee
Number of meetings held	8	1
Major agenda items	<ul style="list-style-type: none"> ● Succession plans ● Executive appointment of core subsidiaries ● Selection of Directors ● 360-degree evaluation for Directors ● Determination of candidates for Independent Directors 	<ul style="list-style-type: none"> ● Benchmarks for remuneration for Directors ● Remuneration details of overseas benchmarked companies

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 FY2023 is as described below.

<Method of evaluation>

The Company conducted a self-evaluation questionnaire survey which consists of 5-point scale evaluation for the following items and free writing for all Directors.

<Summary of evaluation results>

It was concluded that the overall operation of the Board of Directors is appropriate by and large and the effectiveness is ensured. Meanwhile, we recognize issues such as the positioning of the Board of Directors, operational efficiency, and advance provision of information to Independent 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.

Items in evaluation of the Board of Directors' effectiveness (total 52 questions in 8 areas)

- 1 Composition of the Board of Directors (3 questions)
- 2 Operation of the Board of Directors (11 questions)
- 3 Execution of roles and duties by the Board of Directors (17 questions)
- 4 Audit and Supervisory Committee (3 questions)
- 5 Independent Directors (4 questions)
- 6 Preconditions to ensure the effectiveness of the Board of Directors (5 questions)
- 7 Systems to support the Board of Directors (4 questions)
- 8 Enhancement of relationships with shareholders and other stakeholders (5 questions)

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.

We make 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.

Board of Directors



Suguru Miyake

President and Representative Director

Date of birth: January 18, 1952

Attendance status (FY2023)

Board of Directors meeting: 94.1% (16/17)

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 Chairman and Representative Director of Nihon M&A Center Inc.



Takamaro Naraki

**Executive Managing Director,
Administration Headquarters**

Date of birth: October 15, 1962

Attendance status (FY2023)

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 administrative divisions 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 Executive Managing Director of Nihon M&A Center Inc.



Masahiko Otsuki

Executive Managing Director

Date of birth: July 23, 1970

Attendance status (FY2023)

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 Corporations Division and Sales Headquarters, 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 June 2024. 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 Executive Managing Director of Nihon M&A Center Inc., Representative Director of Japan Investment Fund Inc. and Representative Director of AtoG Capital, Inc.



Naoki Takeuchi

Managing Director

Date of birth: February 11, 1978

Attendance status (FY2023)

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 June 2024. 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 President and Representative Director of Nihon M&A Center Inc.

Board of Directors



Yasuhiro Takeda

Director, Chief Human Resources Officer

Date of birth: April 7, 1966

Yasuhiro Takeda joined the Company in July 2022, after having held various positions including CAO, CFO and CCO at Mitsubishi Corporation group. He re-established the Group's compliance system as CCO, and strengthened risk management structure as the Chairman of the Risk Management Committee. He has been in his current position since June 2024. He has expertise in finance, accounting and risk management, as well as a wealth of experience and insight in the areas of compliance and human resources.

He concurrently serves as Director and Head of Human Resources Headquarters of Nihon M&A Center Inc.



Tokihiko Mori

Independent Director

Date of birth: July 17, 1952

Attendance status (FY2023)

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.



Minako Takeuchi

Independent Director

Date of birth: January 17, 1961

Attendance status (FY2023)

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, Independent Director of THE SHIGA BANK, LTD., Independent Director of Mitsubishi Steel Mfg. Co., Ltd., commissioner of Japan Wheelchair Basketball Federation, commissioner of Japan Basketball Association, and Council Member of Nippon Badminton Association.



Keiichi Nishikido

Independent Director

Date of birth: May 2, 1953

Attendance status (FY2023)

Board of Directors meeting: 94.1% (16/17)

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, Independent Director, Audit & Supervisory Committee member of Nippon Hilton Co., Ltd. and Independent Director, Audit & Supervisory Committee 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., Independent Director, Audit & Supervisory Committee member of Saibo Co., Ltd., and Representative Attorney-at-Law of KOHWA SOHGOH LAW OFFICES.

Board of Directors



Mariko Ohsato

Independent Director

Date of birth: April 22, 1963

Attendance status (FY2023)

Board of Directors meeting: 91.7%
(11/12)

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 digitalization, based on her wealth of experience and broad knowledge she has accumulated to this date.

She concurrently serves as President & CEO, Arc Communications Inc.; Independent Director, PUNCH INDUSTRY CO., LTD.; Commissioner, Japan Rowing Association; and Commissioner, Baseball Federation of Japan.



Iwao Hirayama

Director, Audit & Supervisory Committee member

Date of birth: January 7, 1961

Attendance status (FY2023)

Board of Directors meeting: 100% (17/17)
Audit and Supervisory Committee meeting: 95% (19/20)

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.

He concurrently serves as Audit & Supervisory Board Member of Nihon M&A Center Inc.



Takao Shimizu

Independent Director

Date of birth: March 10, 1957

Takao Shimizu has worked for the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry) and served as CFO and CIO and held other positions of JSR Corporation. He has been in his current position since June 2024.

He has been providing specific advice on the improvement of the overall management quality of the Company as well as on global management based on his extensive experience in politics, business, and government, and abundant insight into the management of a diversified company.

He concurrently serves as Advisor of Kakaku.com, Inc.



Yoshinori Yamada

Independent Director, Audit & Supervisory Committee member

Date of birth: May 22, 1946

Attendance status (FY2023)

Board of Directors meeting: 94.1% (16/17)
Audit and Supervisory Committee meeting: 90.0% (18/20)

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.

Board of Directors



Takayuki Matsunaga

Independent Director, Audit & Supervisory Committee member

Date of birth: April 6, 1981

Attendance status (FY2023)

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

Audit and Supervisory Committee meeting: 100% (20/20)

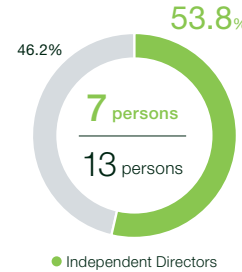
Takayuki Matsunaga has been in his current position since June 2022 after having worked for Makoto Law & Accounting Firm and establishing Minamiayama M's Law Accounting Firm.

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.

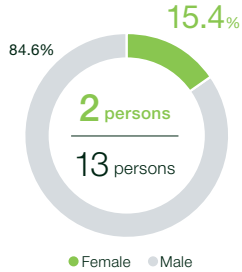
He concurrently serves as Representative Partner of Mile Law Firm.

Diversity of the Board of Directors

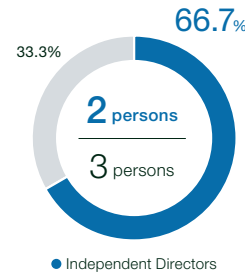
Ratio of Board of Directors who are Independent Directors



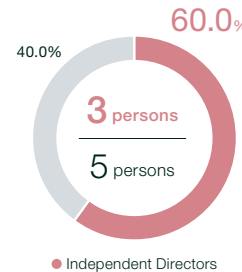
Ratio of Board of Directors who are female Directors



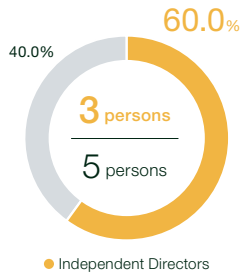
Ratio of Audit and Supervisory Committee members who are Independent Directors



Ratio of Nomination Advisory Committee members who are Independent Directors



Ratio of Remuneration Advisory Committee members who are Independent Directors



Members of each body (as of October 31, 2024)

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	◎			
Executive Managing Director	Takamaro Naraki	○			
Executive Managing Director	Masahiko Otsuki	○			
Managing Director	Naoki Takeuchi	○			
Director	Yasuhiro Takeda	○			
Independent Director	Tokihiko Mori	○		◎	◎
Independent Director	Minako Takeuchi	○			
Independent Director	Keiichi Nishikido	○			
Independent Director	Mariko Ohsato	○		○	○
Independent Director	Takao Shimizu	○			
Director, Audit & Supervisory Committee member	Iwao Hirayama	○	○		
Independent Director, Audit & Supervisory Committee member	Yoshinori Yamada	○	◎	○	○
Independent Director, Audit & Supervisory Committee member	Takayuki Matsunaga	○	○		

Board of Directors

Skill Matrix

Skills (knowledge, experience, and abilities) required of Directors are set based on the medium- to long-term management strategies and management issues of the Company. Internal Directors are required to possess knowledge related to M&A which is the mainstay business and considerable insight in the peripheral business, while also having deep understanding of the business of the Company. Meanwhile, Independent Directors are required to possess specialization in different fields, a wealth of experience, and broad insight that can be leveraged in, for example, supervision of execution of business.

★...Skills that are regarded as especially important

	Management strategy	M&A consulting	M&A execution	PMI	Fund management/ Investment banking	International business	B2C business	Sustainability/ ESG	Brand strategy/ Marketing	Administrative experience/ Division head	Finance/ Accounting	Compliance	HR development/ Personnel affairs	IOT/DX
Suguru Miyake (President and Representative Director)	★	●		●	●			●		●				
Takamaro Naraki (Executive Managing Director)	●		●							●	★	●	●	
Masahiko Otsuki (Executive Managing Director)	●	●			★	●				●	●			
Naoki Takeuchi (Managing Director)	●	★		●						●				●
Yasuhiro Takeda (Director)						●				●	●	★	●	
Tokihiko Mori (Independent Director)	★		●	●	●	●				●				
Minako Takeuchi (Independent Director)	●							●		●		●	★	
Keiichi Nishikido (Independent Director)			●									★		
Mariko Ohsato (Independent Director)	●					●							●	★
Takao Shimizu (Independent Director)	●					●				●	★			●
Iwao Hirayama (Director, Audit & Supervisory Committee member)		●								★				
Yoshinori Yamada (Independent Director, Audit & Supervisory Committee member)	★						●		●	●	●	●	●	
Takayuki Matsunaga (Independent Director, Audit & Supervisory Committee member)			●									★		

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.

Major policies to address risks with a large impact on business and a high possibility of materialization

1. Risks associated with information management:

Enforce full compliance with each internal regulation and rule related to information management.

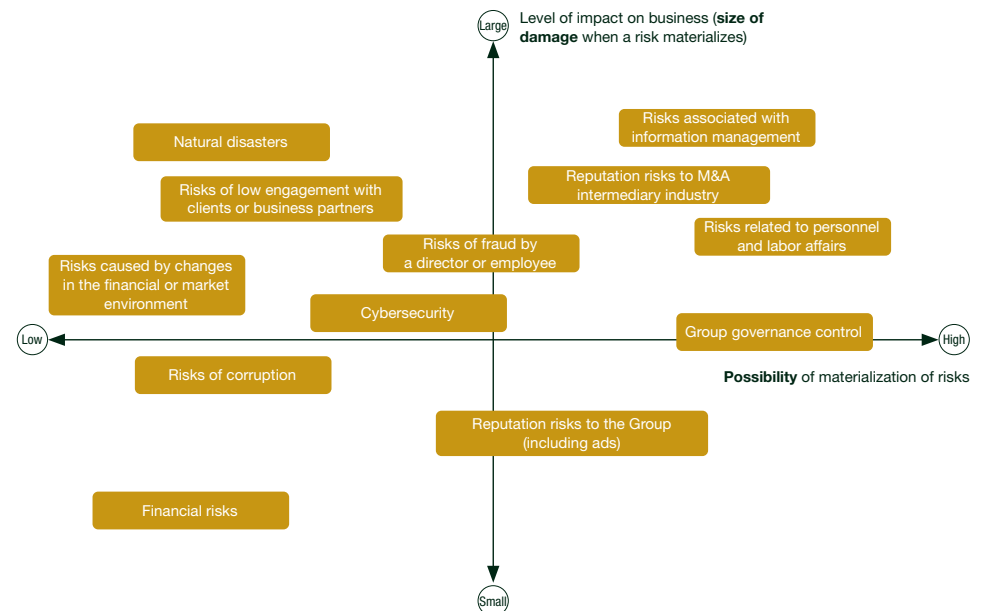
2. Reputation risks to M&A intermediary industry:

Promote initiatives to ensure compliance with guidelines and self-regulatory rules by M&A intermediary companies, cooperating with the Small and Medium Enterprise Agency and the M&A Intermediaries Association.

3. Risks related to personnel and labor affairs:

Reinforce labor management trainings for middle management personnel and upgrade organizational culture.

Risk map



Information Security

Nihon M&A Center 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 basic policies" and works to thoroughly enforce compliance with rules related to information security and implement safety measures.

 Information Security Basic Policies

https://www.nihon-ma.co.jp/groups/security_policy.html

*only available in Japanese

Information security promotion structure

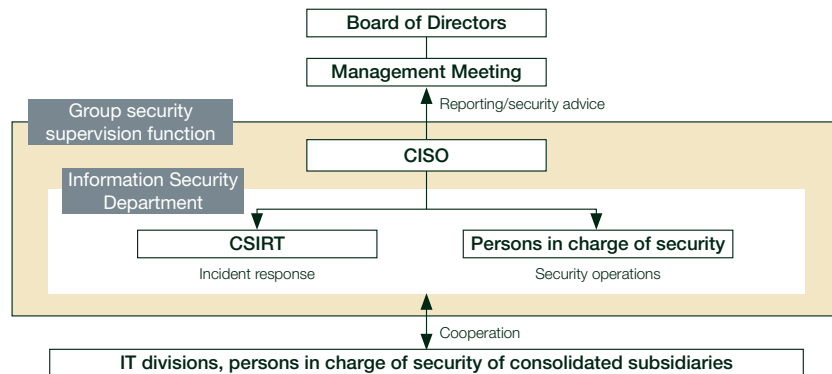
The Group security supervision function headed by the Chief Information Security Officer (CISO) formulates information security strategies and evaluates the status of its implementation.

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.

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.

[CSIRT] Ascertain the situation when a security incident occurs, responds to the incident, mitigates damage, implements recovery and recurrence prevention measures, and handles such measures.

[Persons in charge of security] Ascertain security measures and plans, supervise them in their entirety, and prevent security incidents.

[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.

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/IEC27001 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.



Information Security

■ 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 assess the confidentiality, availability and completeness of information assets, and take actions according to risk level with periodic reviews.

In addition, 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 securely and safely, 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. For the detected matters, we promptly respond according to alert level. Besides aspects of security threats and unauthorized access, details of connection performance, such as communication speed, stability and occurrence of delay at all locations are shared with dedicated departments, and we discuss actions to be taken on a monthly basis.

*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. We conduct periodic trainings and drills to handle targeted email attacks, and internally announce the results. Starting from FY2023, we utilize e-learning to improve the security awareness and to reduce violations of information security rules.

Timing	Content	Applicable employees
Training for new employees	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

We also introduced our own “M&A licensing system” as an initiative. The system is intended to aggregate, accumulate and analyze risks, and to take measures against them. We score for items M&A service providers should follow among rules for sales, compliance, information security, etc. of the Company, and points are added to violators. A department in charge totals points and sends back the data to each division head every month. Employees with higher points take extra trainings.

Information Security

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 *Taku Kikuchihara*

Balancing convenience and security, aiming for productivity enhancement through the use of IT

Message from CISO

Establishing a robust security framework across the entire group

Until an M&A transaction is closed, the fact remains confidential. Sharing of all information related to the target company is limited to some of the concerned people and is treated with utmost confidentiality. Therefore, it is crucial to maintain this highly confidential information under robust security and that our employees are highly aware of the importance of information protection.

As a leading company in the SME M&A industry, we are required to have the highest level of operational quality and ethics standards. We place great importance on information management, particularly on information security and cybersecurity measures, and since FY2023, we have established the position of CISO.

Under the CISO, we established the Information Security Department, which is responsible for overseeing the security of the entire Group. We have also established operational mechanisms, enabling each department to consult in advance with the Security Consultation Council at the stage of considering new initiatives or service use.

The Security Consultation Council evaluates the nature of the data being handled, potential risks and their impact, the probability of occurrence, and then studies and instructs the appropriate measures. In the last fiscal year, we received 77 consultations, which shows the employees’ passion for their work and high level of security awareness. Furthermore, by holding a monthly Security Cooperation Council among group companies, the awareness of the need to ensure system security and the establishment of rules, at each company has improved, increasing the priority of security challenges.

Taku Kikuchihara

Chief Information Security Officer



Monthly communications and e-learning for employees produce an effect

To enhance employees’ awareness of information protection and IT and security literacy, from the previous fiscal year, we have been conducting monthly communications from the CISO at company-wide meetings alongside e-learning. The results of drills on handling targeted email attacks and internal security audits show an improvement trend, and we are feeling the effects of these initiatives.

In general, the rate of incident occurrence tends to be higher among employees with shorter tenures due to a lack of awareness. Since we have many graduate entrants and mid-career hires, in the current fiscal year, we plan to conduct information dissemination and e-learning, focusing on the employees with shorter tenures.

Increasing productivity with early adoption of generative AI and ChatGPT

In today’s society, where IT functions as social infrastructure, generative AI has begun to provide changes in IT since last year. To address generative AI at an early stage, we immediately restricted access to ChatGPT following its public release and explored safe usage methods considering the risk of information leakage. By last summer, we had enabled the use of secure ChatGPT for business purposes, and introduced services leveraging generative AI. We established these initiatives to prevent data leakage outside the Company.

Going forward, we will continue to strive to enhance productivity through IT while balancing convenience and security, and provide secure and safe M&A services.

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	Mid-term (4-10yrs)	<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> <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	Mid-term (4-10yrs)	<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	Short-term (-3yrs)	<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	Short-term (-3yrs)	<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	Long-term (11yrs-)	<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>

Initiatives for Environment

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

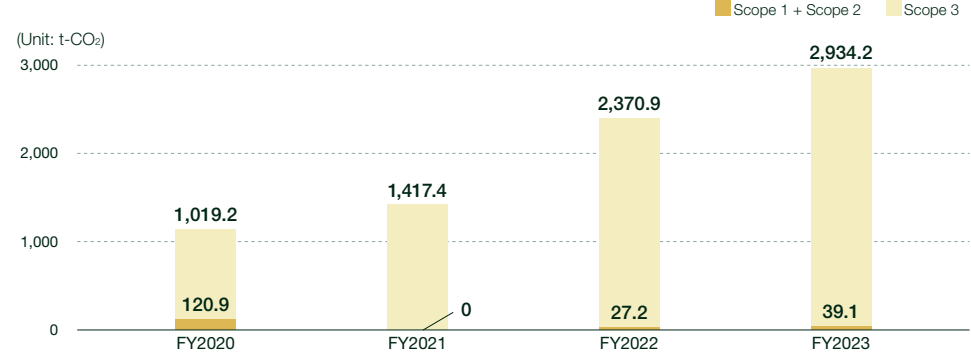
Reduction of burdens on the environment

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 its M&A process, the Company has introduced electronic contracts and promoted paperless work in expense settlement and invoice issuance to help reduce paper resources and contribute to enhancing information security.

In addition, the Group is working to increase the number of M&As that can contribute towards reducing the environmental burden on society as a whole. Through the investment trust offered by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., we made ESG investments in two ESG funds operated by BlackRock. In 2021, we made an ESG investment of ¥100 million in Climate Finance Partnership, which is a public-private infrastructure fund for climate change in emerging countries. The Company's investments avoided approximately 8,531 tons of CO₂ emission (as of December 31, 2023). In 2022, we made an ESG investment of ¥100 million in Decarbonization Partners Strategy which is a venture capital fund for decarbonization-related companies. 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 FY2020 to FY2023 is zero.

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

*Scope 3 emissions are calculated based on emissions from aircrafts used in business trips at all locations in and before FY2022. Emissions from cars used in business trips and commuting costs by car were added to items to calculate in FY2023.

*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 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 Independent Directors

Monitor and support the realization of “Second Foundation” from the external perspective

Nihon M&A Center Group, aiming to return to a growth trajectory amidst market change and advancing toward a transformation into the “Second Foundation.” How have the Independent Directors assessed these initiatives and how have they worked to encourage them?

We invited three Independent Directors, including an Audit & Supervisory Committee member, to review the activities of the Board of Directors in FY2023 and to discuss the direction of discussion in the Board of Directors meeting for FY2024 and beyond.



Tokihiko Mori
Independent Director



Mariko Ohsato
Independent Director



Yoshinori Yamada
Independent Director,
Audit & Supervisory
Committee member

A year aiming for both performance and compliance

Ohsato: Let me express what I felt during my first year as Independent Director. I would firstly say that I was impressed by the proactive and open atmosphere of the Board of Directors meeting. Each Independent Director actively participated in the discussion and President Miyake, along with other internal members, welcomed these opinions. I think it made the Board of Directors meeting a very comfortable place to have a discussion. In addition, by interacting with the employees, I found that this is a cheerful and energetic company. The Company has achieved steady growth by stepping on the accelerator successfully. In such a corporate culture, it is very favorable when new ideas come from employees and the executive management team is pleased about it, and I am very honored to be a part of it.

Mori: What did you think were the challenges?

Ohsato: While the Company is skilled at accelerating, I felt it might be less experienced in applying the brakes when needed. Until now, it has grown largely driven by a powerful mono-cultural approach, but after facing the inappropriate incident, it has come to understand the importance of diversity. What does diversity truly mean and what should we do to explain things to

Roundtable Discussion with Independent Directors

and be understood by a diversity of human resources? I believe it is in a learning phase on these points.

Mori: At the Board of Directors meeting, I'm encouraged to see that among the Independent Directors, Ms. Ohsato, a new member, has been the most active in speaking up. The Board of Directors meetings have lively discussions, but I feel that it would be rather nice if more comments were made by internal Directors.

Yamada: Discussions become more active when someone like Ms. Ohsato, who asks precise questions with clear themes and points of view, joins in. We saw a similar positive change six years ago when Mr. Mori joined. In this respect, the Board of Directors meeting has changed significantly since then. From the executive side, I would say that there are now more situations where they must respond appropriately to the questions posed by Independent Director.

Mori: Looking back on FY2023, it was the first year in which we implemented and instilled the compliance foundation that we had discussed and developed in the previous year. From the situation in which sales activities were constrained due to the inappropriate incident and stagnating performance, the theme has now become to ensure both performance and compliance while keeping a balance with sales activities. As Ms. Ohsato mentioned earlier, it's about mastering the use of both the accelerator and the brake, and this is not just a temporary issue but a perpetual challenge we must continue to address.

Yamada: We, the Audit & Supervisory Committee Members are required to properly supervise the business execution by the Board of Directors and executive management team. Moreover, considering that this was the first year of compliance implementation and penetration, we recognized the need to share information between the Independent Directors and the Audit & Supervisory Committee and decided to hold an "exchange of opinions" meeting once every three months. While

the Audit and Supervisory Committee had regularly scheduled meetings with the Chief Compliance Officer (CCO), I feel that having the CCO participate in these exchange of opinions meetings with the Independent Directors has deepened the discussions and led to significant progress.

Mori: From the standpoint of an Independent Director representing the shareholders, I would have liked to see a little more improvement in performance. What the shareholders are asking for is not only compliance, but also a swift recovery of the current stock price, which is now about a fifth of its peak. In FY2023, although the number of transactions closed marked the highest and continuous revenue growth has been achieved, profits did not reach the planned figures. The Group, being a pioneer in the industry, used to dominate as a top runner, but now they are being chased by many competitors, which means they need to adopt competitive strategic thinking that they haven't paid much attention to before. The market is shifting from a blue ocean to a red ocean, and the sales per consultant with sales target are not increasing. Productivity is also stagnating.

Ohsato: We have actually received such inquiries from shareholders as well. The Group has fulfilled an important mission as a leading company in expanding the market, but as competition has intensified, a new factor, productivity, is now required. It is important how they address this, but they are still lagging in shifting gears.

Yamada: In addition to being an industry with low entry barriers, it is difficult to increase productivity when competitors are competing on price. The Group has a role to play in leading the industry, which makes steering the Company increasingly challenging, but I have high expectations for the leadership of President Miyake and the other executives.

The improvement effect of the "Cockpit" on the Board of Directors

Mori: As a challenge for the Board of Directors, I believe that we should discuss building a business portfolio with a view to the future. However, since the M&A business currently accounts for more than 95% of total revenues, discussions naturally focus on the M&A business. The situation has not changed since I mentioned it in last year's roundtable discussion. The Board of Directors needs to spend time focusing on future-oriented themes to develop areas other than the Company's



As aiming to achieve both performance and compliance, improving productivity in response to market changes has become a challenge.

original business, such as developing adjacent businesses related to M&A and investment businesses, regardless of their current revenue share, and to discuss the Group's medium- to

Roundtable Discussion with Independent Directors

long-term direction over the next five to ten years. Although there has been some improvement in awareness, there is still much work to be done.

Yamada: On the other hand, the way discussions are conducted at the Board of Directors meetings has greatly improved through the exchange of opinions meetings between



We regularly hold exchange of opinions meetings with Independent Directors and the Audit & Advisory Committee. The introduction of the “Cockpit” has greatly improved the operation of the Board of Directors.

the Independent Directors and the Audit & advisory Committee, which I mentioned earlier. Although previously, the Board of Directors meetings focused primarily on performance reports, the “Cockpit” method was introduced at the suggestion of the Independent Directors, which involves sharing key points upfront for discussion on necessary management strategies, rather than spending time on detailed examinations of materials on performance.

Ohsato: In a sense, what can be discussed at the Board of Directors meeting is limited, but I feel that when discussions deepen outside the Board of Directors meeting, during off-the-record parts, it leads to richer and more meaningful discussions within the Board of Directors meeting itself. Regarding the business portfolio with a long-term view that Mr. Mori mentioned, I believe that as each Independent Director’s thoughts were understood and these messages were expressed within the Board of Directors meeting, it has been conveyed more effectively to the executive side. We proposed the “Cockpit” method because we wanted to discuss more efficiently without lowering the quality of reports at the Board of Directors meetings. The image here is like a cockpit where all the data necessary for the pilot to operate the aircraft is displayed on the instruments. Another intention is to share the materials used in the “Cockpit” not only with the Directors on the executive side, but also with the employees at the General Managers level. Thus, I hope they execute their duties with an awareness of the same issues.

Mori: I think it is a very important point. The “Cockpit” uses charts rather than text or tables to clearly show the essence needed for discussion. For example, concerning the productivity per consultants with sales targets, it would be nice to have a system that shows the data based on the same definition automatically and shared through the “Cockpit.” If the “Cockpit” can be used in sales activities, rather than simply as a document for the Board of Directors meeting, it would be possible to promote initiatives for productivity improvement in a comprehensive manner.

Yamada: I would like to promote digitalization further within the Company in areas related to sharing and utilizing such data. Currently, we are creating the “Cockpit” separately, from data output by the account system. While we are mainly focusing on digitalization for sales support at present, building an integrated system that includes accounting should also lead to cost reductions in indirect departments.

Mori: In the effective evaluation of the Board of Directors meeting conducted last year, the positioning of the Board of Directors and the efficiency of its operation were highlighted as challenges, but I determined that introduction of the “Cockpit” has contributed to resolving them. Regarding the efficiency evaluation itself, there were suggestions for improvement, such as not only analyzing the results of the survey, but also having follow-up discussions based on the outcome. I think that the exchange of opinions meetings we are currently organizing are playing similar role to it.

Changes toward the “Second Foundation” seen from an external perspective

Mori: The Group is now raising awareness of the need for transformation toward a new leap forward with “Second Foundation” as the key phrase. Amid the growing recognition of the need transforming the business model, the M&A Strategic Meeting and the Financial Strategic Meeting were established under the Management Meeting in April 2023, as an organization of the holdings structure. We, Independent Directors do not participate in these meetings, so we do not know what the situation is directly, but I understand that the purpose is to decentralize the authority that was concentrated in President Miyake, clarify business development, and divide functional roles. This is an important initiative, however, I do not see the establishment of the two strategic meetings as having much relevance to the “Second Foundation”, rather, I recognize it as an improvement in the way operations are conducted.

Ohsato: Regarding the “Second Foundation,” I feel that the initiatives to convey the idea that “everyone is a founder” through internal events have been successful, and employees are embracing this concept as something that is important to them. On the other hand, I don’t think we are at the stage yet to evaluate whether the two strategic meetings are functioning effectively. I think the term “Second Foundation” has two meanings: one theme is the need to fight in a new way and

Roundtable Discussion with Independent Directors

under new rules, as the business environment has changed drastically since the days when we dominated others as a pioneer in the industry. The other theme is the challenge of how to overcome the challenges that arise by the replacement of personnel when considering the succession to the next generation, after President Miyake, who founded the business with Honorary Chairman Wakabayashi, grew the Company to such a large scale in his single generation. I recognize that solving both of these challenges simultaneously is the Group's "Second Foundation."

Yamada: I think it is a very difficult subject, but the stance of the "Second Foundation" itself is understood to a certain degree within the Company. However, how it connects to the two strategic meetings is still unclear. I personally recognize that these organizations will rather function as opportunities for succession planning to nurture the next generation of management. Delegation of authority is a major challenge in the "Second Foundation," and I think we need to pay attention to the upcoming HR system that is to be established with this in mind.

Mori: The transition to a holding company itself is meant for the business succession of the Group, as President Miyake has mentioned in the past. I hope that the next management candidates will gain experience as top executives at operating companies and develop their qualities. Rather than the two meeting bodies being important, I see them having an educational effect by assigning responsibilities.

Yamada: As mentioned, we, the Independent Directors are not participating these two meetings, but I believe we need to approach areas we have not been involved in before as the Nomination Advisory Committee involved in the succession of top management. Therefore, also as Independent Directors, we should monitor these two meeting bodies in some way in the future.

Mori: In the Nomination Advisory Committee, when creating the criteria of a 360-degree evaluation for Directors, we identified items using President Miyake as a model. This is the "EINPACTS" indicator. The "E" stands for Execution, the ability to involve others and achieve overwhelming results. The "IN" stands for integrity, the honesty and high ethics to be upheld. The "P" stands for passion, the drive to make the Company the best in the world. The "A" is agility, the ability to make flexible and quick decisions and actions. The "C" is communication. The "T" is transformation, the ability to change. The last "S" is strategic, the ability to think strategically. I hope that those who possess these "EINPACTS" at a high level will become the next leaders in the "Second Foundation," and we also want the next successor after the next to have this goal in mind as they work toward it.



I wish the Company would continue to expand the excitement of making the world a better place in response to expectations for the M&A business, which is directly linked to solving social challenges.

Expectations for the future of the Nihon M&A Center Group

Ohmoto: The M&A business is a wonderful business that is directly linked to solving social issues. I think all employees should be proud of the fact that the Group has launched this industry and grown it to this level. Since the Group is a leading company, their good work will lead to improvements in the industry as a whole, and although there is great responsibility that comes with it, there are high expectations as well. I hope that they continue to expand the excitement of making the world a better place, responding to these expectations.

Mori: The Group is the only company that provides a drastic solution to the business succession issues faced by Japan and many other developed countries. I hope that all employees will continue to work and grow with great pride. On the other hand, a new competitive environment will emerge, advance technologies will appear, and the industry structure may change drastically. However, the Group is in the best position, with sufficient investments in these areas, the most information, and excellent human resources, to lead innovation. As a representative of the shareholders, my highest expectation is that they leverage this advantage to expand the future, increase corporate value, and drive stock price growth.

Yamada: It is said that Charles Chaplin, the King of Comedy, when asked what his best work was, always replied "My next film". The peak of Nihon M&A Center Group is neither in the past nor the present, but always in the "next" and in the future. I hope that all employees will respond to change with such spirit and achieve development in the "Second Foundation" by continuing to create new value.

Financial and Non-financial Highlights

Financial Items												
Fiscal Year		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Business performance												
Sales	(million yen)	10,547	12,227	14,778	19,069	24,625	28,463	32,009	34,795	40,401	41,315	44,136
M&A sales	(million yen)	10,361	12,009	14,542	18,800	24,321	27,965	31,191	33,743	38,807	39,785	42,788
Other sales	(million yen)	186	218	235	269	304	497	818	1,051	1,593	1,530	1,348
Operating profit	(million yen)	5,448	6,098	7,002	9,046	11,605	12,533	14,247	15,336	16,430	15,298	16,066
Ordinary profit	(million yen)	5,496	6,310	7,116	9,070	11,670	12,533	14,467	15,468	16,864	15,472	16,518
Profit before income taxes	(million yen)	5,474	6,311	7,116	9,070	11,670	12,515	14,681	15,616	16,661	15,472	16,519
Profit attributable to parent company	(million yen)	3,344	3,950	4,840	6,174	8,146	8,867	10,273	10,678	11,437	9,842	10,727
Financial positions												
Total assets	(million yen)	13,977	16,750	20,141	24,956	31,737	35,638	44,296	54,110	58,919	65,765	58,640
Property, plant and equipment	(million yen)	121	196	441	411	517	480	550	532	575	586	511
Capital	(million yen)	10,902	13,465	16,741	16,059	21,995	27,143	35,858	44,451	50,743	54,431	43,897
Net assets	(million yen)	10,903	13,465	16,763	16,080	22,043	27,264	35,943	44,690	51,026	54,720	43,973
Interest bearing liability (borrowings, bonds payable, etc.)	(million yen)	100	100	100	4,500	3,500	2,500	1,500	500	—	—	6,300
Cash flows												
Cash flows from operating activities	(million yen)	4,278	3,654	4,440	7,769	9,813	6,914	10,313	11,458	11,099	8,153	10,547
Cash flows from investing activities	(million yen)	(1,020)	(6,269)	(5,210)	1,462	(8,102)	(605)	(5,801)	22,324	270	(3,999)	(18,224)
Free cash flows	(million yen)	3,258	(2,615)	(770)	9,231	1,711	6,309	4,512	33,783	11,370	4,154	(7,677)
Cash flows from financing activities	(million yen)	(799)	(1,440)	(1,498)	(2,555)	(3,418)	(4,549)	(2,327)	(3,095)	(5,943)	(6,093)	(15,232)
Stock-related information ^{*2 *3}												
Basic earnings per share	(yen)	83.63	98.78	121.04	77.21	50.82	55.13	63.30	32.46	34.60	29.76	33.04
Net assets per share	(yen)	272.65	336.72	418.66	202.21	136.78	168.75	219.91	134.49	153.51	164.48	138.41
Dividends	(yen)	90	35	49	44.5	41	23	26	28	18	23	23
Payout ratio	(%)	35.9	35.4	40.5	40.2	40.3	41.7	41.1	43.1	52.0	77.3	69.6
Financial indicators												
ROE (return on equity)	(%)	34.7	32.4	32.0	37.6	42.8	36.1	32.6	26.6	24.0	18.7	21.8
ROA (return on assets)	(%)	44.8	41.1	38.6	40.2	41.2	37.2	36.2	31.4	29.8	24.8	26.6
Capital adequacy ratio	(%)	78.0	80.4	83.1	64.3	69.3	76.2	81.0	82.1	86.1	82.8	74.9
Others												
Market capitalization	(million yen)	110,529	165,953	261,926	292,928	599,512	496,481	490,722	1,007,254	581,233	331,543	332,554
Fiscal year-end share price ^{*2 *3}	(yen)	345.5	497.5	818.8	905.0	1,830.0	1,515.0	1,477.5	2,993.0	1,727.0	984.0	987.0
Transactions closed	(number of transactions)	256	338	420	524	649	770	885	886	996	1,050	1,146

Financial and Non-financial Highlights

Non-financial Items							
Fiscal Year			FY2019	FY2020	FY2021	FY2022	FY2023
Environment							
GHG emissions volume ^{*4 *5}		(t-CO ₂)	205.9	120.9	0	27.2	39.1
Scope 1 ^{*6}		(t-CO ₂)	0	0	0	0	0
Scope 2 ^{*6 *7*8}		(t-CO ₂)	205.9	120.9	0	27.2	39.1
Scope 3 ^{*9}		(t-CO ₂)	1,589.3	1,019.2	1,417.4	2,370.9	2,934.2
Employment							
Number of employees		(persons)	582	810	972	1,083	1,043 ^{*11}
Number of M&A consultants		(persons)	390	473	568	622	645 ^{*11}
Rate of annually taking paid leave ^{*1}		(%)	35.8	35.4	40.0	46.6	46.8
Average salary ^{*1}		(thousand yen)	13,533	12,434	12,022	11,140	11,821
Rate of turnover ^{*1}		(%)	12.6	11.2	15.1	14.9	17.0
Percentage of graduate entrants/ mid-career hires ^{*1}	Graduate entrants	(%)	7.9	8.5	10.1	19.6	26.6
	Mid-career hires	(%)	92.1	91.5	89.9	80.4	73.4
Number of graduate entrants hired ^{*1}		(persons)	14	16	24	43	41
Average age of employees ^{*1}		(age)	34.7	34.3	34.0	33.8	34.1
Number of labor accidents		(cases)	3	0	2	0	4
Diversity & inclusion							
Ratio of female managers		(%)	12.2	9.8	11.1	11.5	16.5
Return-to-work rate after maternity/ paternity leave	Male	(%)	—	—	100.0	100.0	100.0
	Female	(%)	—	87.5	100.0	100.0	60.0
Rate of taking maternity/paternity leave ^{*10}	Male	(%)	0.0	0.0	10.0	30.2	27.8
	Female	(%)	100.0	100.0	100.0	100.0	100.0
Health management							
Percentage of employees receiving health checkups ^{*1}		(%)	97.7	99.6	99.8	100.0	100.0

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

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

*3 As of October 1, 2016, April 1, 2018, and April 1, 2021, the Company conducted two-for-one share splits of its common stock respectively.

*4 Scope 1, 2, and 3 are defined by the GHG Protocol, an internationally recognized guideline.

Scope 1 is the direct GHG emissions from oil and fuels, etc. Scope 2 is the indirect GHG emissions from electricity use, etc.

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

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

*7 Since January 2021, the TEKKO BUILDING which houses the Company, has been running on 100% renewable energy (biomass power generation). This is Japan's first for a large-scale mixed-use building (according to research by Tekko Building Co., Ltd.).

Similarly, buildings which house the Nishi-Nihon Branch and Chuubu Branch use electricity generated from renewable energy. For this reason, consumed electricity from such sources was calculated using a CO₂ emission factor of zero.

*8 In April 2022, since GHG emissions volumes were recalculated using more precise and detailed electricity consumption data, the disclosed figures for FY2018 and beyond have been updated.

*9 Scope 3 emissions are calculated based on emissions from aircrafts used in business trips at all locations in and before FY2022. Emissions from cars used in business trips and commuting costs by car were added to items to calculate in FY2023.

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

*11 Batonz Co., Ltd. became an equity-method affiliate from a consolidated subsidiary from the second quarter of FY2023. As a result, the employees who belong to Batonz Co., Ltd. are no longer included in the consolidated figures.

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: thousand yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	45,575,005	37,439,818
Accounts receivable	2,998,881	2,579,173
Prepaid expenses	474,963	517,813
Other	3,958,614	1,851,973
Allowance for doubtful accounts	(8,490)	(2,211)
Total current assets	52,998,975	42,386,566
Fixed assets		
Property, plant and equipment		
Buildings	694,841	728,474
Accumulated depreciation	(326,241)	(384,244)
Buildings, net	368,599	344,229
Other	631,548	616,268
Accumulated depreciation	(413,643)	(448,689)
Other, net	217,905	167,579
Total property, plant and equipment	586,505	511,808
Intangible assets	298,324	173,846
Investments and other assets		
Investment securities	8,861,515	11,850,514
Deferred tax assets	656,265	392,792
Long-term time deposits	7,866	1,008,468
Other	2,355,610	2,316,612
Total investments and other assets	11,881,257	15,568,387
Total non-current assets	12,766,087	16,254,042
Total assets	65,765,062	58,640,609

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable	878,918	924,045
Current portion of long-term borrowings	—	1,400,000
Accrued expenses	1,734,574	2,011,368
Income taxes payable	4,682,440	2,704,829
Contract liabilities	297,975	327,026
Deposits received	142,598	229,261
Provision for bonuses	306,649	307,453
Other	2,634,965	1,581,440
Total current liabilities	10,678,121	9,485,426
Long-term liabilities		
Long-term borrowings	—	4,900,000
Long-term accounts payable - other	366,403	168,792
Deferred tax liabilities	—	112,778
Total long-term liabilities	366,403	5,181,570
Total liabilities	11,044,524	14,666,996
Net assets		
Shareholders' equity		
Paid-in capital	4,045,552	4,045,552
Capital surplus	3,908,630	3,993,551
Retained earnings	51,052,399	54,158,155
Treasury shares	(4,963,063)	(18,963,044)
Total shareholders' equity	54,043,518	43,234,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	357,701	592,244
Foreign currency translation adjustment	29,940	70,740
Total accumulated other comprehensive income	387,641	662,985
Share acquisition rights	14,404	12,443
Non-controlling interests	274,974	63,968
Total net assets	54,720,538	43,973,612
Total liabilities and net assets	65,765,062	58,640,609

Consolidated Financial Statements

Consolidated Statements of Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Sales	41,315,716	44,136,889
Cost of sales	17,803,776	19,500,556
Gross profit	23,511,939	24,636,333
Selling, general and administrative expenses	8,213,606	8,569,355
Operating profit	15,298,332	16,066,977
Non-operating income		
Interest income	12,928	37,831
Dividend income	35,016	41,020
Gain on investments in investment partnerships	25,310	31,196
Share of profit of entities accounted for using equity method	87,687	428,211
Miscellaneous income	60,846	24,009
Other	971	1,480
Total non-operating income	222,760	563,750
Non-operating expenses		
Interest expenses	0	14,679
Foreign exchange losses	10,389	25,111
Commission expenses	3,200	66,246
Miscellaneous losses	34,614	5,932
Total non-operating expenses	48,203	111,971
Ordinary profit	15,472,889	16,518,756
Extraordinary income		
Gain on sale of non-current assets	—	952
Total extraordinary income	—	952
Profit before income taxes	15,472,889	16,519,708
Income taxes - current	5,725,327	5,557,287
Income taxes - deferred	(103,627)	218,730
Total income taxes	5,621,700	5,776,017
Profit	9,851,188	10,743,691
Profit attributable to non-controlling interests	8,253	15,956
Profit attributable to owners of parent	9,842,935	10,727,734

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	9,851,188	10,743,691
Other comprehensive income		
Valuation difference on available-for-sale securities	(89,180)	234,543
Foreign currency translation adjustment	27,306	41,662
Total other comprehensive income	(61,873)	276,205
Comprehensive income	9,789,315	11,019,896
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,781,070	11,003,078
Comprehensive income attributable to non-controlling interests	8,244	16,818

Consolidated Financial Statements

Consolidated Financial Statements

(Unit: thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities			Cash flows from investing activities		
Profit before income taxes	15,472,889	16,519,708	Purchase of property, plant and equipment	(178,693)	(87,192)
Depreciation	205,120	152,646	Purchase of intangible assets	(139,879)	(43,524)
Amortization of goodwill	22,059	22,059	Purchase of investment securities	(2,674,892)	(3,354,457)
Increase (decrease) in allowance for doubtful accounts	8,490	6,652	Proceeds from share of profits on investments in capital	151,127	1,209,509
Increase (decrease) in provision for bonuses	(634)	4,599	Revenue from repayment of investment	—	69,698
Interest and dividend income	(47,944)	(78,851)	Payments into time deposits	(169,285)	(21,207,274)
Interest expenses	0	14,679	Proceeds from withdrawal of time deposits	—	5,256,412
Loss (gain) on sale of non-current assets	—	(952)	Purchase of shares of subsidiaries and associates	—	(80,000)
Foreign exchange losses (gains)	(10,350)	(5,496)	Other	(987,379)	12,715
Share of loss (profit) of entities accounted for using equity method	(87,687)	(428,211)	Cash flows provided by (used in) investing activities	(3,999,003)	(18,224,115)
Decrease (increase) in trade receivables	(1,538,414)	355,305	Cash flows from financing activities		
Decrease (increase) in prepaid expenses	(55,343)	(50,716)	Proceeds from issuance of shares	518,994	—
Increase (decrease) in trade payables	314,347	53,511	Proceeds from issuance of share acquisition rights	480	—
Increase (decrease) in accrued expenses	(242,175)	299,370	Proceeds from long-term borrowings	—	7,000,000
Increase (decrease) in contract liabilities	(136,178)	42,674	Purchase of treasury shares	(135)	(13,999,980)
Increase (decrease) in deposits received	(31,086)	93,864	Repayments of long-term borrowings	—	(700,000)
Increase (decrease) in long-term accounts payable - other	4,388	(197,610)	Dividends paid	(6,613,147)	(7,537,179)
Decrease (increase) in leasehold and guarantee deposits	(178,329)	19,677	Proceeds from share issuance to non-controlling shareholders	—	4,355
Decrease (increase) in consumption taxes refund receivable	(752,749)	1,409,380	Cash flows provided by (used in) financing activities	(6,093,808)	(15,232,804)
Other	722,052	(1,085,372)	Effect of exchange rate change on cash and cash equivalents	38,801	50,039
Subtotal	13,668,455	17,146,919	Net increase (decrease) in cash and cash equivalents	(1,900,610)	(22,859,621)
Interest and dividends received	99,651	145,231	Cash and cash equivalents at beginning of period	47,300,883	45,400,272
Interest paid	(0)	(8,789)	Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(237,015)
Income taxes paid	(5,614,707)	(6,736,103)	Cash and cash equivalents at end of period	45,400,272	22,303,634
Cash flows provided by (used in) operating activities	8,153,399	10,547,257			

Corporate and Stock Information (As of March 31, 2024)

Company Information

Company name	Nihon M&A Center Holdings Inc.
Paid-in capital	4,045 million yen (Tokyo Stock Exchange Prime Market/ Stock code: 2127)
Established	April 25, 1991
Number of employees (consolidated)	1,043
Location	Tokyo head office 24F TEKKO BUILDING, 1-8-2, Marunouchi, Chiyoda-ku, Tokyo, Japan 100-0005
Major group companies	Nihon M&A Center Inc. Corporate Value Laboratory Inc. Japan PMI consulting Inc. ZUUM-A Co., Ltd. Special People Association co., ltd Nihon DX Human Resources Center Inc. Nihon M&A Center Singapore Pte. Ltd. Nihon M&A Center Malaysia Sdn. Bhd. Nihon M&A Center Vietnam co., LTD. Nihon M&A Center (Thailand) CO., LTD Next-Navi Inc. Batonz Co., Ltd. Japan Investment Fund Inc. Search Fund Japan, Inc. Japan Private Equity Co., Ltd. Yano Research Institute Ltd. NOBUNAGA Succession Inc. Kyushu M&A Advisors Co., Ltd.

Stock Information

Total number of shares authorized	576,000,000
Total number of shares outstanding	336,934,800
Total number of shareholders	108,305

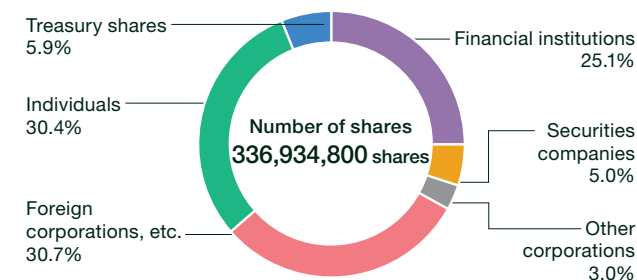
*Total number of shares outstanding includes 19,771,901 shares of treasury stock.

Major Shareholders

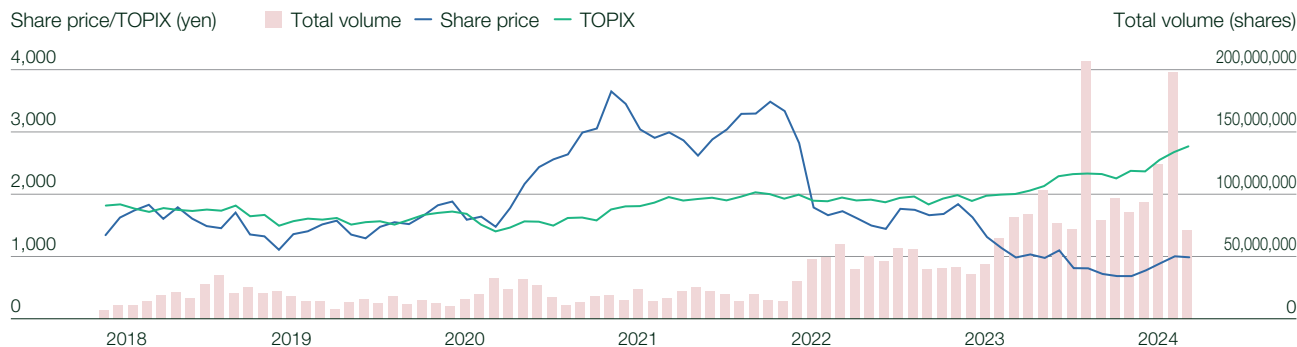
Name	No. of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	48,851,300	15.40
Custody Bank of Japan, Ltd. (trust account)	30,643,500	9.66
Suguru Miyake	20,831,714	6.57
Yasuhiro Wakebayashi	8,616,800	2.72
THE BANK OF NEW YORK MELLON 140044	5,337,261	1.68
NORTHERN TRUST CO. (AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT	5,185,083	1.63
THE BANK OF NEW YORK MELLON 140042	5,052,838	1.59
Goldman Sachs Japan Co. Ltd. BNYM	4,976,573	1.57
STATE STREET BANK AND TRUST COMPANY 505103	4,659,096	1.47
STATE STREET BANK WEST CLIENT – TREATY 505234	3,799,800	1.20

*Shareholding ratio is calculated excluding 19,771,901 shares of treasury stock.

Distribution of Shares by Type of Shareholder



Share Price



*As of April 1, 2021 and April 1, 2018, the Company conducted two-for-one share splits of its common stock.

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

External Evaluations, Commitments, and Inclusion in the Index

Nihon M&A Center Group places great emphasis on promoting dialogue with stakeholders and is strengthening the way it conveys information on initiatives to increase long-term corporate value. We use evaluations provided by global ESG evaluation organizations as reference indicators for our initiatives and participate in global initiatives to help create shared value with society. Below are details of the main ESG indices that include our stock, evaluations by external organizations, and the international initiatives we support.

FTSE4Good Index Series, FTSE Blossom Japan Series

We have been included in the FTSE4Good Index Series, a global index for ESG investment, and the FTSE Blossom Japan Index, a comprehensive ESG stock price index for Japanese companies, for four consecutive years since 2021.

We have also been included in the FTSE Blossom Japan Sector Relative Index (FTSE Blossom SR). The index is designed to reflect the performance of Japanese companies that demonstrate relatively excellent Environmental, Social and Governance (ESG) practices in their respective sectors. FTSE Blossom Japan Index and FTSE Blossom SR have been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).



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

S&P/JPX Carbon Efficient Index

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



Morningstar Japan ex-REIT Gender Diversity Tilt Index

We have been included in the Morningstar Japan ex-REIT Gender Diversity Tilt Index, a gender diversity index provided by the US based Morningstar, Inc. The index emphasizes companies that have an established gender diversity policy prevailing in corporate culture and are committed to offer equal opportunities to employees regardless of gender. The index has been selected as an ESG index for managing stocks by the Government Pension Investment Fund (GPIF).

JPX-Nikkei Index 400

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



JPX Prime 150 Index

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

GUINNESS WORLD RECORDS™ title

Guinness World Records recognized us as “Best-selling mergers and acquisitions advisory company” for four consecutive years in 2020 (783 cases), 2021 (1,013 cases), 2022 (989 cases), and 2023 (1,067 cases).

*Best-selling M&A financial advisory company Target period: 2020, 2021, 2022, 2023



UN Global Compact

In September 2022, we signed the UN Global Compact, the world’s largest sustainability initiative designed to encourage the UN, corporations, and organizations to join forces to build a healthy global society.



Nihon M&A Center Holdings Inc.

24F TEKKO BUILDING, 1-8-2, Marunouchi, Chiyoda-ku,
Tokyo, 100-0005 Japan

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

