

March 23, 2022

To whom it may concern

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(Stock exchange code: 2127, TSE First Section)
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Implementation Status of Measures to Prevent Reoccurrence

As released in the "Announcement regarding receipt of the Research Committee Investigation Report and publication of its findings" dated February 14, 2022, we have taken seriously the cause of the incident identified by the Investigation Committee and the recommendations on preventive measures, and are making efforts to make effective preventive measures and strengthen internal controls.

We are pleased to inform you of the main implementation status at the present time as follows.

1. Establishment of the Management Committee

On March 1, 2022, we abolished the conventional Management Committee which consisted solely of full-time directors. We established a new Management Committee, which in addition to the full-time directors, is composed of divisional managers, full-time Audit and Supervisory Committee members, and a CCO (Chief Compliance Officers) who is currently being appointed, and which discusses management issues from a diverse perspective and openly shares management information.

2. Establishment of the Compliance Management Department

In order to promote compliance management and embed it as part of the organisational culture, a new Compliance Management Department was established on 1 March 2022 as a department independent of the current business units.

The department will take the lead in employee education, will strengthen measures to prevent any potential compliance violations (including questionable behaviour) and will respond as quickly as possible in the event of non-compliance.

In addition, we are currently appointing a new position of CCO (Chief Compliance Officer) from among a number of outside qualified personnel with extensive experience in this field.

3. Implementation of effective compliance training and education

On March 4, 2022, we invited an expert from outside to give lectures to executives at the manager level and above, and conducted compliance training. Similar compliance training was also provided to group leaders, who are middle managers, on 14th of the same month.

We will continue to establish and implement an effective compliance education system to foster and improve sound ethical standards throughout the group.

In addition, we are currently compiling the Compliance Book to clearly define our standards for daily conduct for all group employees.

4. Recruitment of comprehensive personnel evaluations

At a meeting of the Board of Directors held on February 28, 2022, a resolution was passed to shift to a new personnel system from the next fiscal year. Under the new personnel system, we have decided to comprehensively evaluate and appoint sales employees according to their compliance capabilities and management skills, as well as compliance governance capabilities, rather than performance based evaluation to date.

5. Enhancement of the whistle-blowing hotline

On March 4, 2022, Suguru Miyake, President and Representative Director, informed all executives at the manager level and above that they were obliged to report any violations of compliance (including incidents where a violation is suspected).

In addition, we are implementing a variety of measures to transform ourselves into a "Open company" such as

① Clear signposting of the relevant reporting website address on the home screen of the internal portal site, which is viewed by all employees. ② establishing a website on which employees can freely post customer opinions, and ③ holding employee interviews by senior management.

6. Disposition of employees related to the inappropriate cases

At a meeting of the Board of Directors held on March 11, 2022, the following disciplinary actions have been taken against the employees involved in this inappropriate incident in accordance with internal regulations.

Dismissal: 5 employees (including one senior corporate officer and one corporate officer)

Demoted: 35

Suspend from work: 33

Formal warning: 20

7. Restructuring of workflows related to sales reporting and recording of sales

The Investigation Committee made the following recommendations regarding the workflow for sales reporting and recording of sales as a measure to prevent reoccurrence.

We have changed its workflow in accordance with the said recommendations with effect from sales in the year ending March 2022.

① Rebuilding of Business Workflow for Reporting Sales

『The Company should consider taking such measures as requiring both parties (i.e., a seller and a buyer) to submit written confirmation of the execution of a final agreement to the Company with copies of the final agreement attached. The representative for seller will obtain this from the seller, and the representative for buyer will obtain this from the buyer. By requiring two originals of these written confirmations to be submitted to the Administration Division in addition to a copy of the definitive agreement when recording sales, it will become possible for the Administration Division to check the execution of the definitive agreement by using such original, and to conduct double-check by comparing documents submitted from both the representative for the seller and the representative for the buyer.』 (as per page 77 of the Investigation Report)

② Rebuilding of Business Workflow for Recording Sales

『With regard to the recording of sales, the Company should establish clear requirements that the Administration Division can check by objective criteria. For example, the Company should establish a clear requirement that considers the deal breakers might not be resolved when the period from the execution of a stock purchase agreement or other definitive agreement through remittance exceeds a certain time period (e.g., around 10 days), and therefore, does not recognize sales as of the time of the execution of the definitive agreement, unless extraordinary circumstances exist.』 (as per page 78 of the Investigation Report)

8. Rigorous management of contractual documents and other documents

A new Document Control Section was established on 1 March 2022 to manually collect and manage documents and check that they have not been replaced. In the future, the relevant tasks will be systematised.

9. Regarding initiatives currently under implementation

Initiatives currently under implementation are as follows.

① Management's formulation of a compliance management philosophy and clarification of management policies

Suguru Miyake, President and Representative Director, declared immediately after February 14, 2022 that we would switch to a compliance management policy and operational structure that can meet expectations both inside and outside the company.

Currently, we are working to formulate new purposes for our group based on compliance with the participation of all employees.

② Review of business management methods for achieving quarterly results

From the fiscal year ended March 31, 2022, we abolished the "Commitment (Lower Limit for Estimated Achievement of Performance Self-Reported by Sales Departments)" system, and have made it known that we will always work to proceed with customer-first projects without overly focusing on sales results in messages to sales employees and in meetings such as executive meetings.

③ Strengthening the Audit and Supervisory Divisions

Similar to the aforementioned appointment of CCOs, we are proceeding the appointment of personnel dedicated to internal audits from among a number of external personnel with a wealth of experience in this field.

At the same time, we will promote an auditing environment and establish a system to enable audits related to fraud prevention.

We will continue to actively promote efforts to prevent reoccurrence based on our compliance-oriented management policy. We will continue to announce the progress of various measures.