January 30, 2025

# Q1 FY2025/9 Earnings Presentation

## Strike Co., Ltd.

Prime Market, Tokyo Stock Exchange: 6196

STRIKE

FINANCIAL RESULTS AND FUTURE MEASURES

## Disclaimers

- Forward-looking statements contained in these materials are based on information available to Strike Co., Ltd. (the “Company”) as of the date of these materials. The forward-looking statements herein will not be updated or revised to reflect future events or conditions.

- Forward-looking statements involve risks and uncertainties. The Company’s future performance and results may differ from these forward-looking statements due to known and unknown risks, uncertainties and other factors.

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04 Market Environment

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# Executive Summary

## External Environment

- The number of M&A transactions involving listed companies in 2024 reached a record high of 1,221, marking a 14% YoY increase and surpassing the previous record of 1,169 set in 2007 (see p. 39).
- The industry organization was renamed to the M&A Advisors Association and restructured its framework in January 2025. Additionally, a Qualification System Review Committee has been established as part of ongoing efforts to promote the sound development of the industry.

## Operating Performance

- Q1 net sales were ¥3,664 million, down 0.3% YoY. The number of deals closed remained flat YoY at 54, not reflecting the growth in consultant headcount. The results fell below our targets as approximately 13 deals (approximately ¥940 million in success fees) had their final contracts signed between the seller and buyer in Q1, but execution postponed to Q2 or later, resulting in these deals not being recognized as revenue in Q1.
- Operating profit was ¥531 million, down 60.5% YoY. This significant profit decline was due to higher cost of sales ratio caused by an increase in personnel expenses associated with consultant headcount increase and an increase in referral fees due to the closing of large deals contracted through referrals from business partners, as well as a rise in the SG&A ratio due to higher advertising expenses to produce new TV commercials.
- Although net sales were 34.6% of our full-year net sales target and operating profit was 13.8% of our annual target as of Q1-end, we expect our first-half performance to be in line with the initial plan as we expect to bring in approximately ¥940 million in sales from the above-mentioned deals and also close a number of additional transactions.

## Other

- The consultant headcount increased by 15 against our annual target of 61.
- The number of new contracts totaled 288, which was 27.6% of the full-year target of 1,045.

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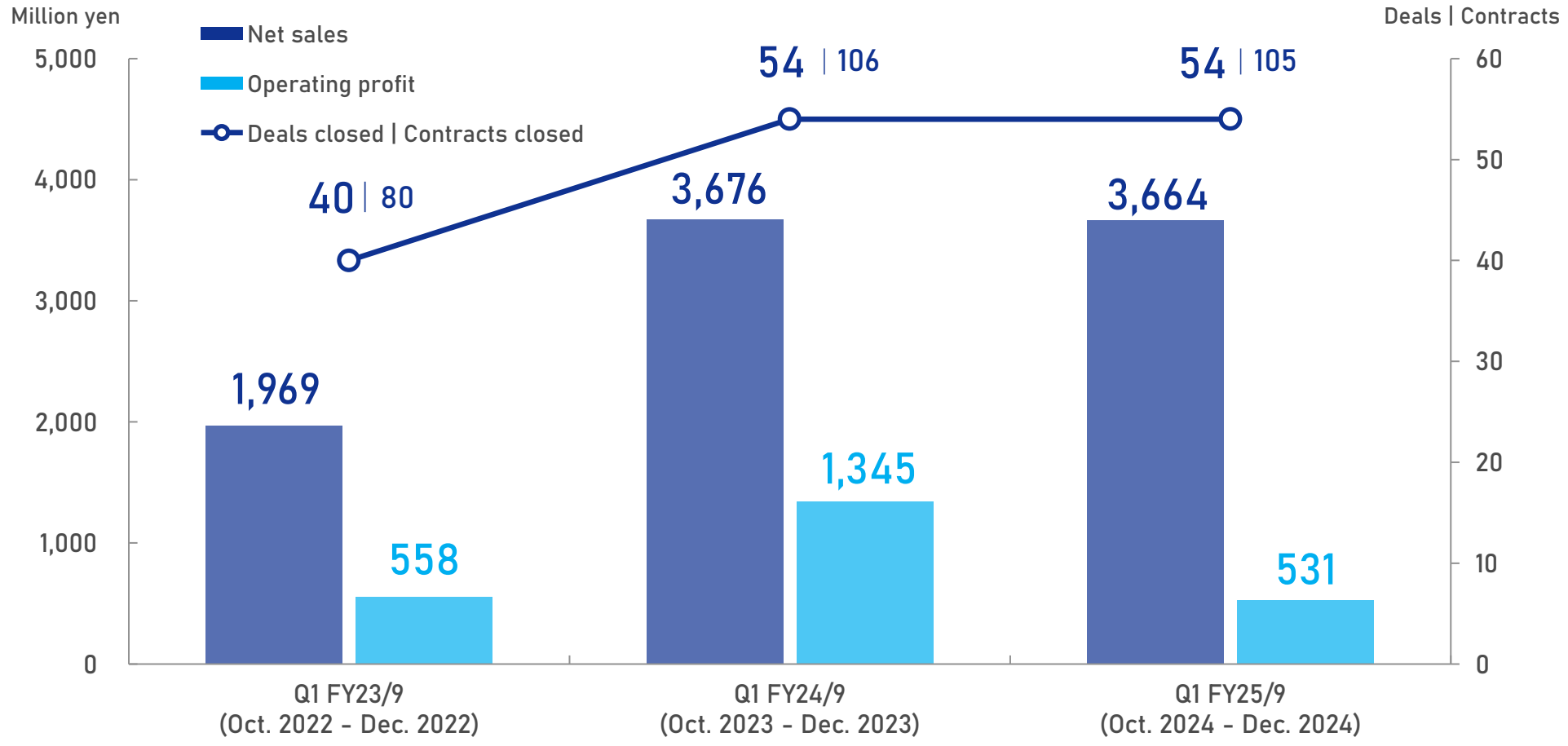
# Q1 FY25/9 Operating Performance

- The number of deals closed and average sales per deal closed remained largely flat YoY (from ¥68.0 million to ¥67.8 million).
- Net sales did not grow in line with headcount increase and operating profit decreased due to higher operating expenses.

## Quarterly Results

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## Year-on-Year Comparison

- The cost of sales ratio increased due to higher personnel expenses and an increase in referral fees, while the SG&A ratio rose as a result of higher advertising and personnel-related expenses, leading to a temporary decline in the operating profit margin.

Million yen

| | Q1 FY23/9 | Q1 FY24/9 | Q1 FY25/9 | YoY change |
|---|---|---|---|---|
| Net sales | 1,969 | 3,676 | 3,664 | -0.3% |
| Cost of sales | 722 | 1,277 | 1,794 | +40.5% |
| Cost of sales ratio | 36.7% | 34.7% | 49.0% | - |
| SG&A expenses | 687 | 1,053 | 1,339 | +27.2% |
| SG&A ratio | 34.9% | 28.6% | 36.5% | - |
| Operating profit | 558 | 1,345 | 531 | -60.5% |
| OPM | 28.3% | 36.6% | 14.5% | - |
| Ordibnary profit | 560 | 1,344 | 522 | -61.1% |
| Profit | 375 | 904 | 419 | -53.6% |

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# Factors Behind Changes in Cost of Sales and SG&A Expenses

☑ Cost of sales increased mainly due to headcount increase and a review of the incentive structure.

☑ Advertising expenses increased due to advance accrual of TV commercial expenses.

| | Q1 FY23/9 | Q1 FY24/9 | Q1 FY25/9 | YoY change | Factors behind changes |
|---|---|---|---|---|---|
| Cost of sales | | | | | |
| Personnel expenses | 495 | 872 | 1,224 | +351 | ・Increase in fixed salaries due to addition of 78 consultants<br>・Increase due to change in incentive calculation method(*) resulting from revision of incentive structure |
| (Salaries) | (271) | (357) | (537) | (+180) | |
| (Incentive bonuses) | (163) | (438) | (586) | (+147) | |
| Referral fees | 156 | 290 | 412 | +122 | ・Increase due to closure of large projects contracted through referrals |
| Other | 70 | 114 | 156 | +42 | ・Increase in overhead costs due to increase in consultant headcount |
| Total cost of sales | 722 | 1,277 | 1,794 | +516 | |
| SG&A expenses | | | | | |
| Personnel expenses | 235 | 343 | 381 | +37 | ・Increase in fixed salaries due to addition of temporary staff and 18 employees |
| Ad expenses | 74 | 79 | 235 | +156 | ・Increases in TV commercial expenses (+79), sales advertising expenses (+57) |
| Rent expenses | 94 | 219 | 237 | +18 | ・Increase in rent since FY24/9 due to expansion of head office in May 2023 |
| Other | 283 | 410 | 484 | +73 | ・Increases in recruiting expenses (+17), training expenses (+12) |
| Total SG&A expenses | 687 | 1,053 | 1,339 | +286 | |

(*) In addition to changes in the calculation method, the method for determining incentives has been changed from one based on the amount payable to one calculated based on the estimated annual incentive amount allocated to each quarter. Compared to the previous method, this change is expected to reduce fluctuations in the incentive ratio relative to quarterly sales. However, the incentive amounts recorded in Q1 and Q3 are expected to increase, while those in Q2 and Q4 are expected to decrease.

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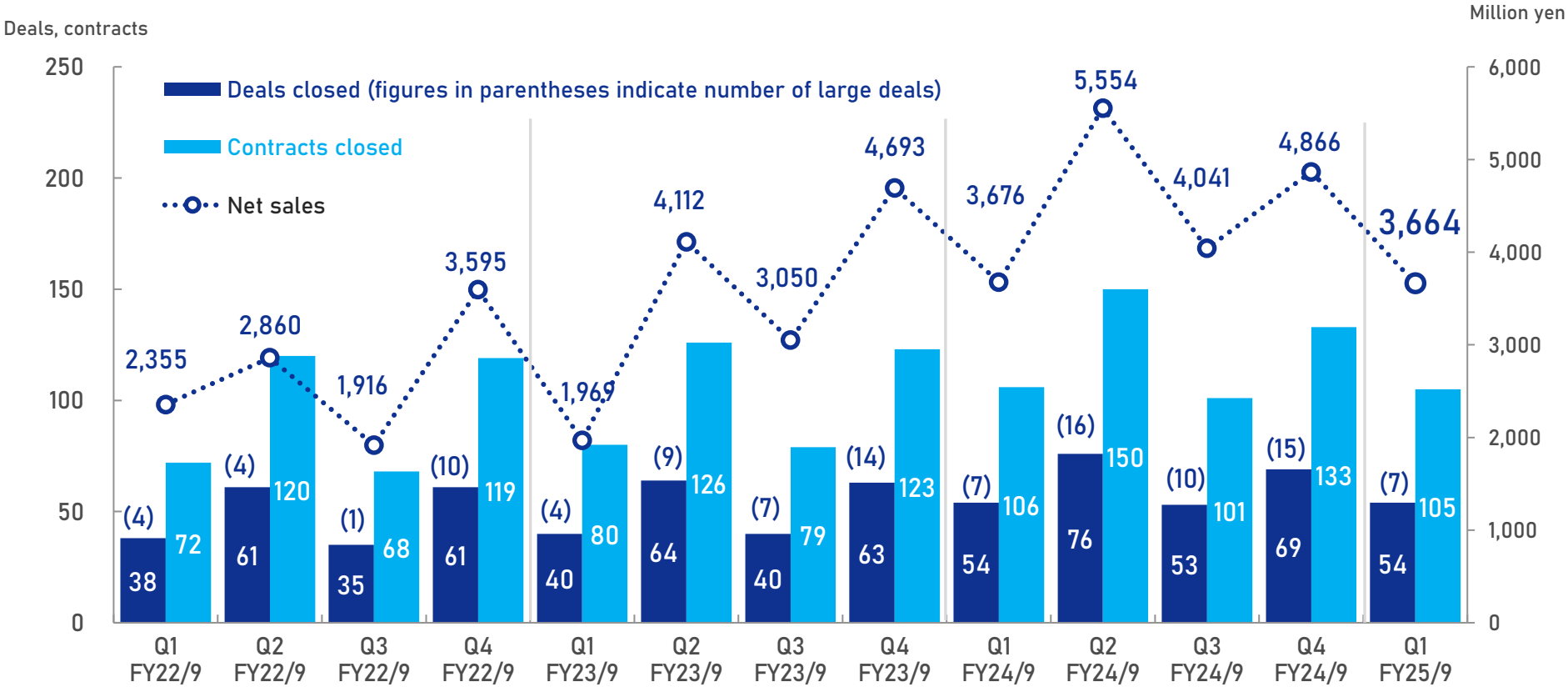
# Deals and Contracts Closed

☑ In addition to the impact of new business operations required under the new guidelines, a higher-than-expected number of M&A transactions were deferred to Q2 or later due to client requests, leading to temporarily sluggish sales.




**Deals closed:** Number of M&A transactions in which Strike provides brokerage or advisory services (i.e., number of deals)
(Large deals are those associated with per-deal sales of ¥100 million or more)

**Contracts closed:** Number of contracts on closed M&A deals in which Strike provides brokerage or advisory services (i.e., number of companies)

In brokerage services, each deal counts as two contracts (one for the seller and one for the buyer), while in advisory services, each deal counts as one contract.

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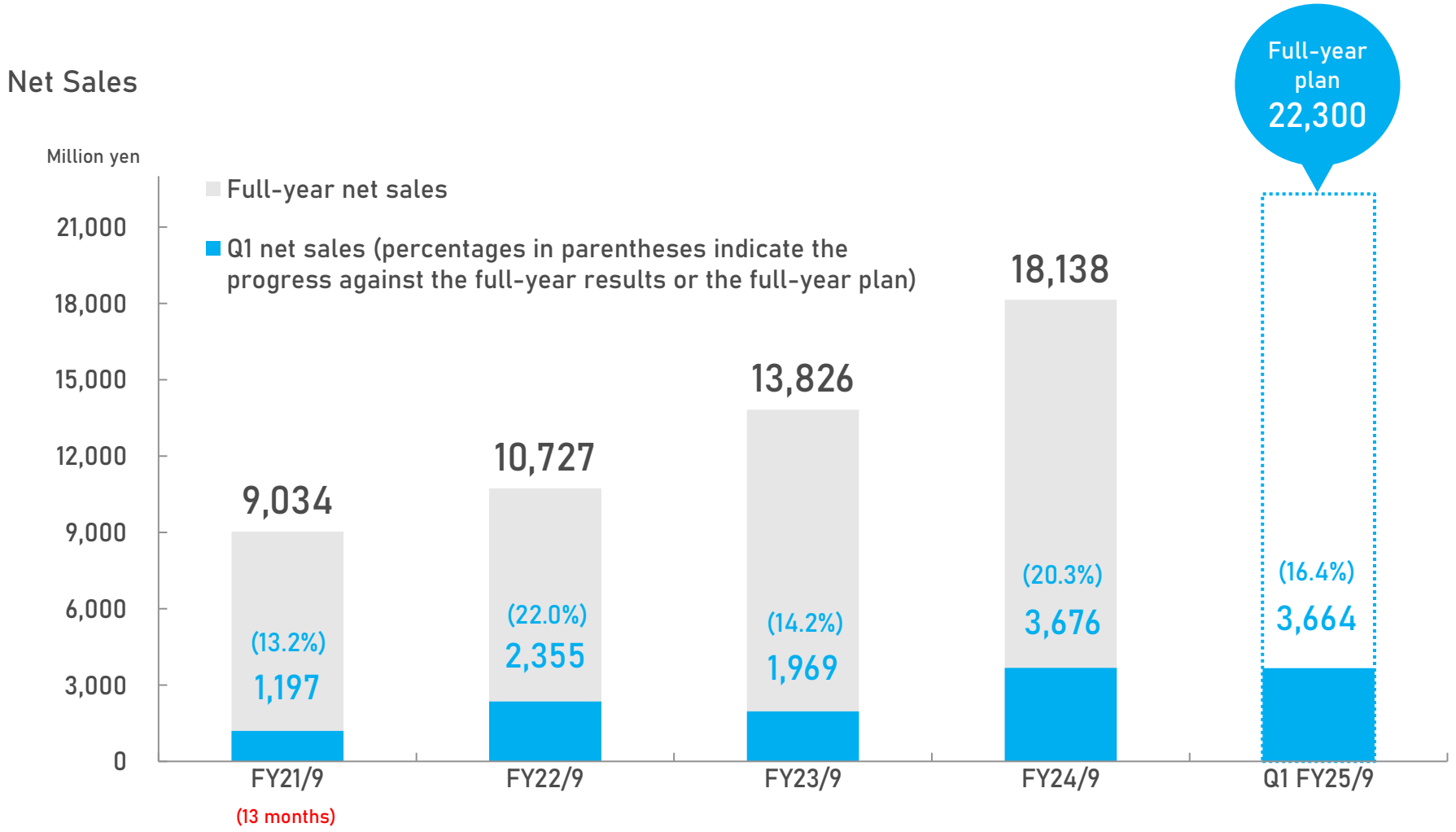
# Historical Net Sales

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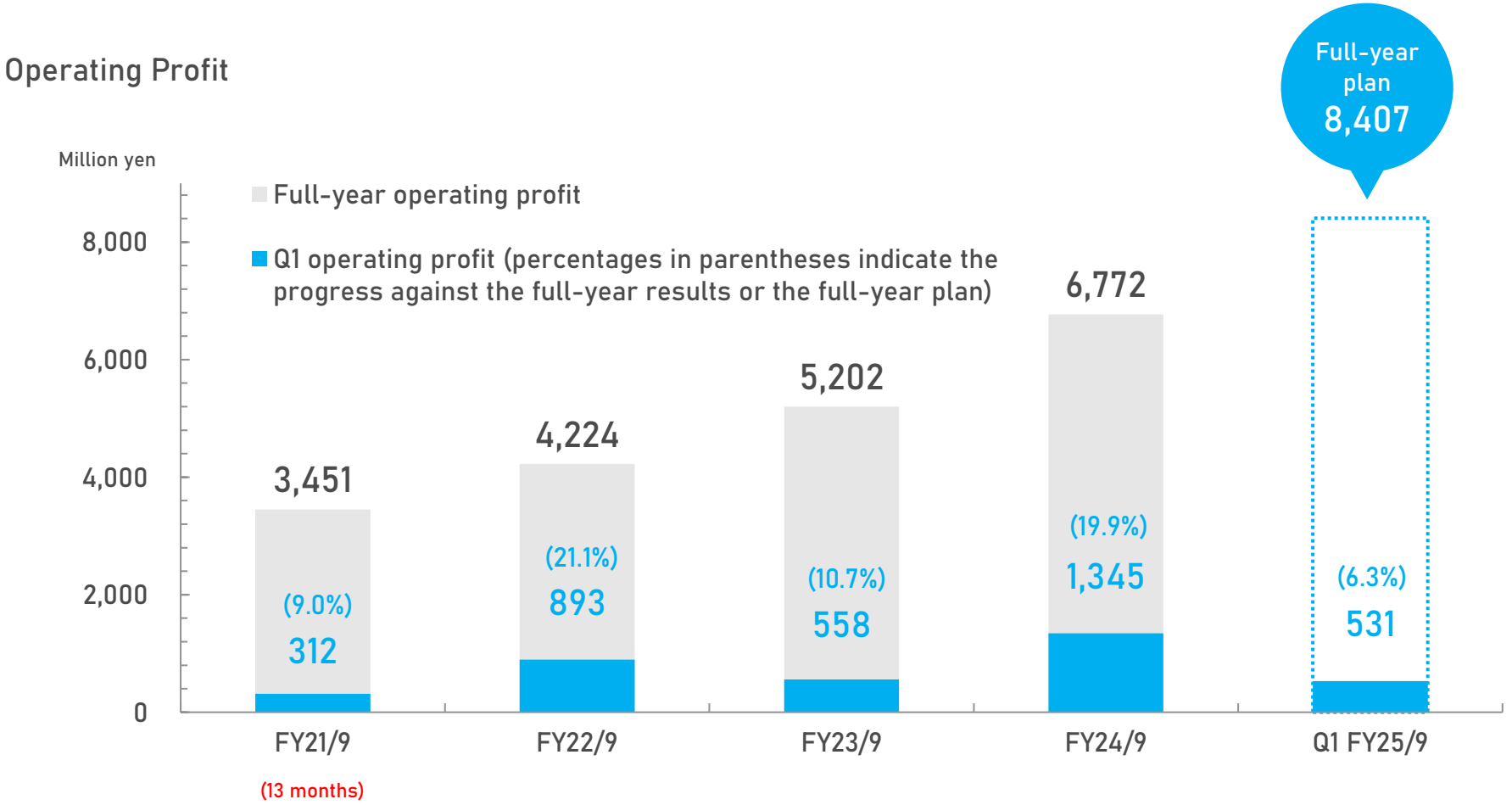
# Historical Operating Profit

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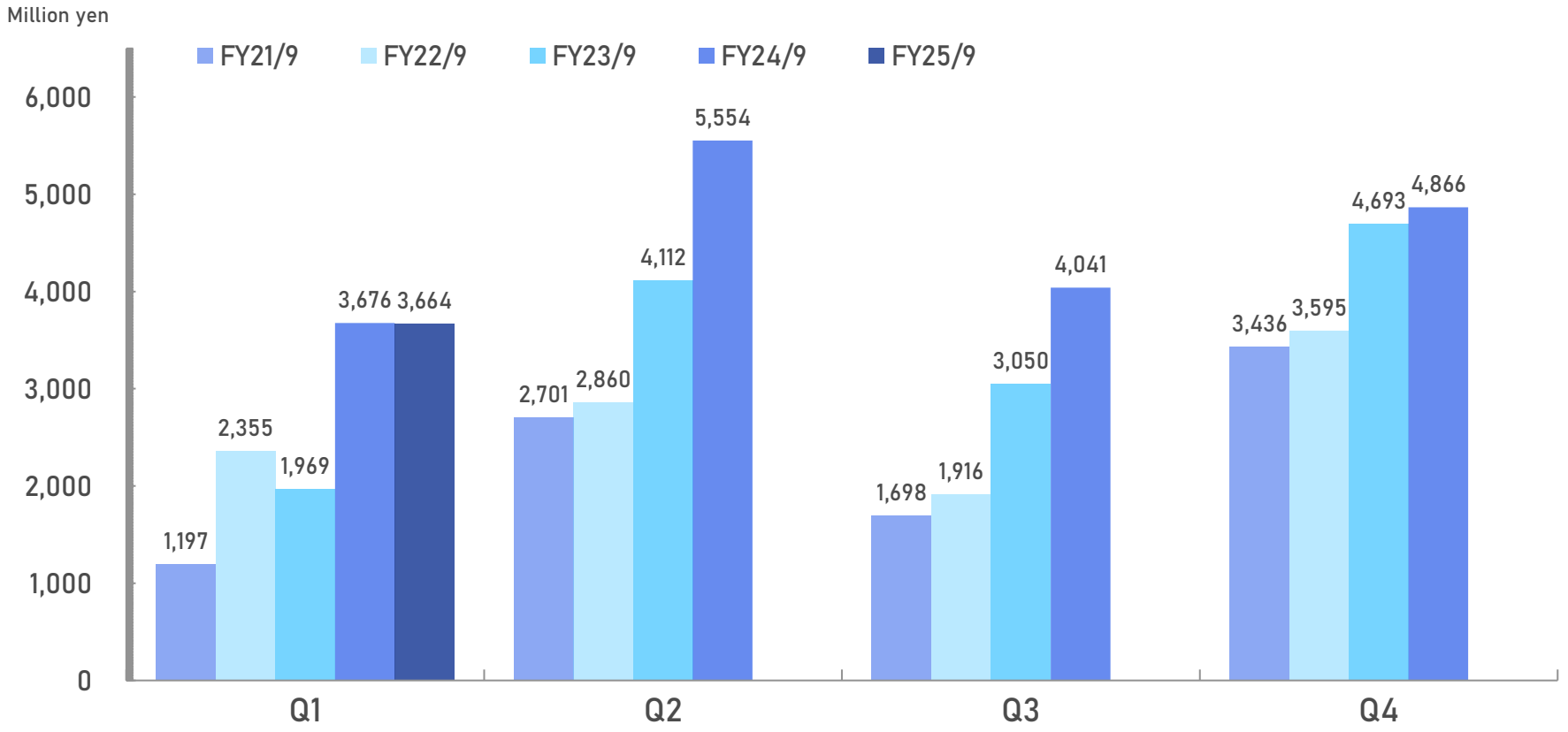
# (Reference) Quarterly Net Sales

## Three-month Net Sales

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# Short, Medium, and Long-term KPIs

☑ Maximize sales and profits by quantitatively monitoring the status of achievement of short, medium, and long-term KPIs below.

| | KPI | Time to productivity |
|---|---|---|
| Short-term | **Number of MoU signed**<br>Number of transactions for which exclusive negotiations began between the seller and buyer | Approx. 3 – 6 months |
| Medium-term | **Number of new contracts**<br>Number of brokerage contracts signed with sellers | Approx. 8 – 12 months |
| Long-term | **Number of consultants**<br>Total number of consultants which include both mid-career and new graduate hires | Approx. 12 months ~<br>for mid-career hires<br>Approx. 24 months ~<br>for new graduate hires |

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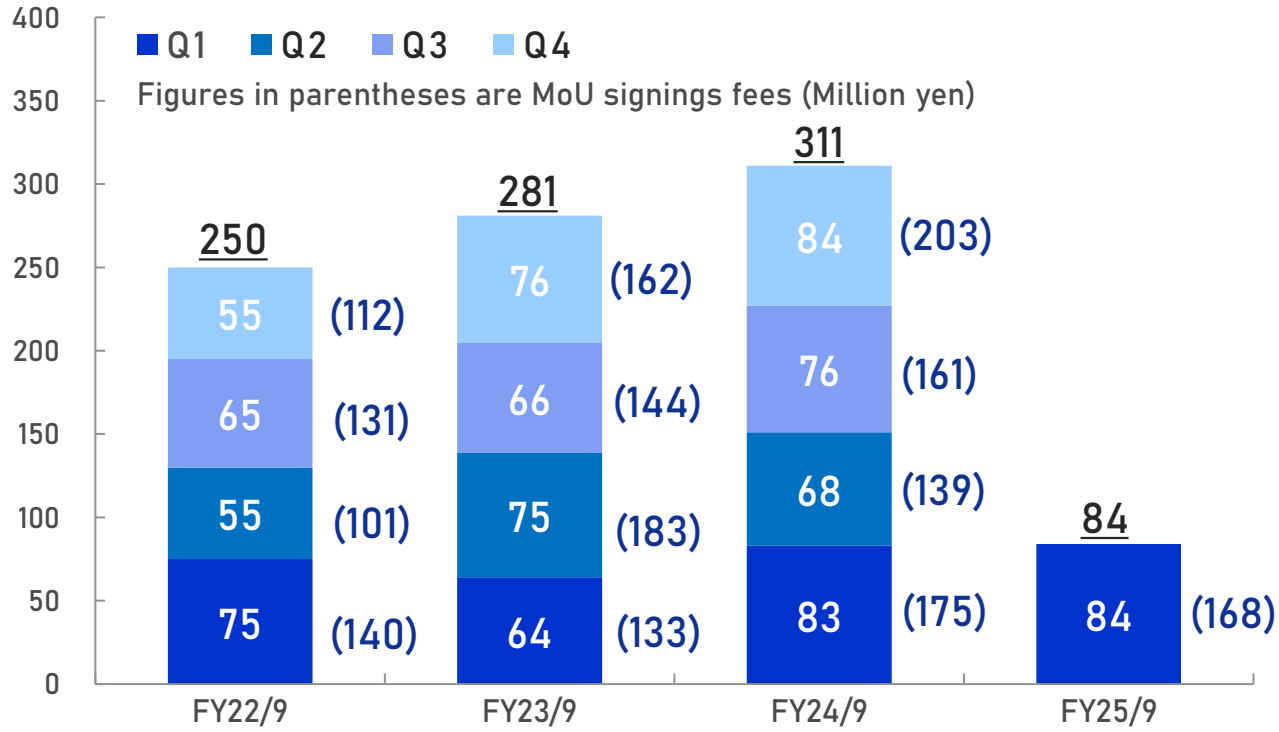
# Number of MoU Signed and MoU Signing Fees

- After a potential buyer and seller sign a Memorandum of Understanding (MoU), the M&A process advances to the due diligence stage before the conclusion of a final agreement. Therefore, an increase in MoU signing fees is a key performance indicator that leads to an increase in success fees.
- The number of MoU signed in Q1 was 84, maintaining our previous levels.

Number of MoU Signed




Notes:
1. Calculated from Q1 FY22/9 following the revision to the fee structure.
2. The MoU signing fee ranges from ¥1 million to ¥3 million, depending on the value of total assets of the potential seller. The number of MoU signed above includes only those where MoU signing fees were incurred.

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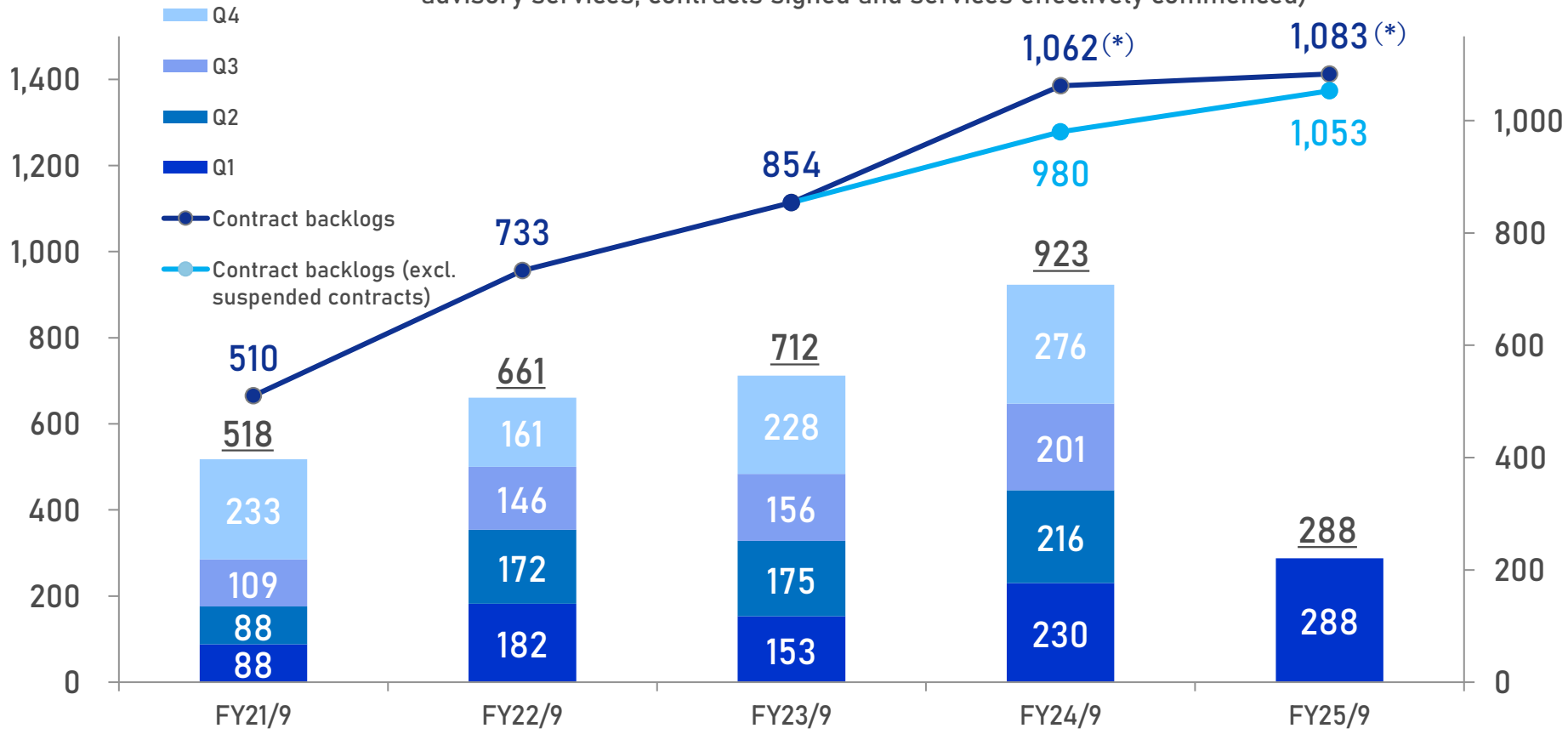
# New Contracts

- New contracts were strong, driven by an increase in referrals. Although the backlog grew only modestly, the quality of the backlog improved as contracts with a higher likelihood of closure increased following the liquidation of projects that had been long suspended due to client-related reasons.
- The average expected sales per new contract remained largely unchanged from FY24/9 (FY24/9: ¥82 million, FY25/9: ¥82 million).

New Contracts (Quarterly)

New contracts: New brokerage service contracts signed with sellers (or in the case of advisory services, contracts signed and services effectively commenced)




(*) Includes projects suspended due to client circumstances (FY24/9: 82 contracts, Q1 FY25/9: 30 contracts).

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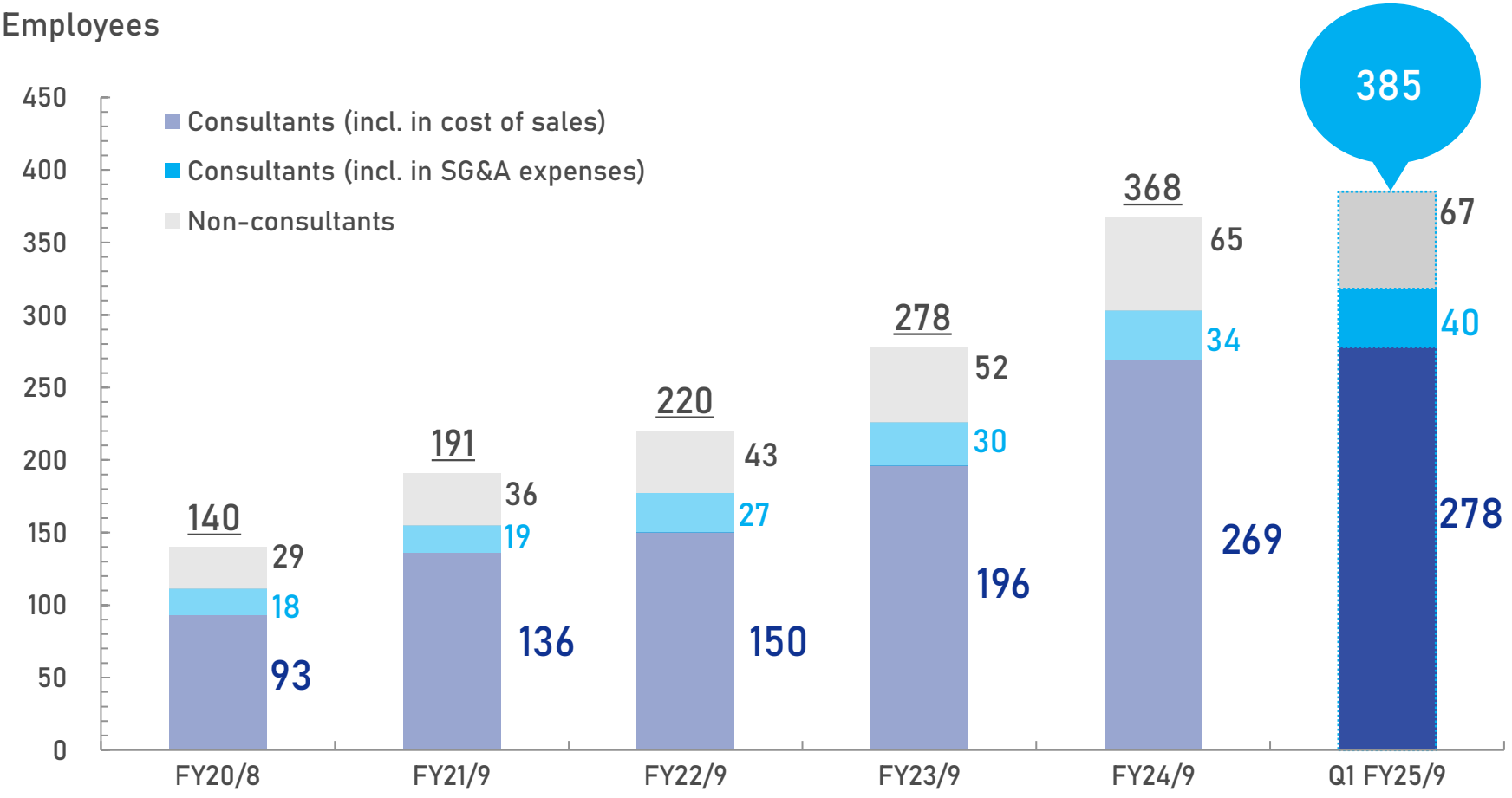
# Employees

☑ The consultant headcount increased by 15 in Q1, against our annual target of 61, a steady progress against our plan.

Consultants (included in cost of sales) are involved in the entire deal process, from sourcing and matching to closing.
Consultants (included in SG&A expenses) specialize in sourcing deals from financial institutions, accounting firms, etc.

Employees

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## Topic 1

### Launch of third series of Strike's TV commercials in December 2024

- The "Business Succession" and "Growth Strategy" versions are airing on nationwide BS channels and on the TV Tokyo network.
- The commercials, featuring actor Masato Wada, focus on addressing the concerns of business owners about business succession and growth strategies. (Special CM website: https://www.strike.co.jp/pr/cm2025.html)
- Enhancing the company's brand recognition and credibility is essential for driving contract acquisition through direct sales efforts. To achieve this, we are actively engaging in advertising and promotional activities.






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## Publication of *M&A Yearbook 2025*

### Released on January 30, 2025

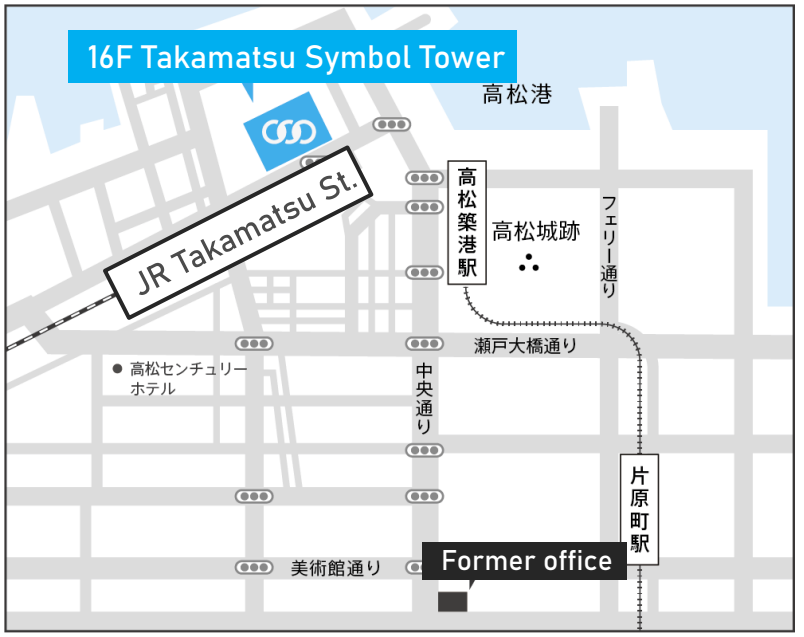
Fifth publication this year

The M&A Yearbook is a magazine-book covering data for all 1,221 M&A deals carried out by listed companies in 2024, examining the deals from various angles, including monetary value and industry type.




## Expansion and relocation of Takamatsu Office

In December 2024, we doubled our Takamatsu Office's floor space by relocating to the Takamatsu Symbol Tower in front of JR Takamatsu Station, the gateway to Shikoku, to further expand our operations.




New address: 16F Takamatsu Symbol Tower, 2-1 Sunport, Takamatsu City, Kagawa Prefecture

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# Full-year Earnings Forecast for FY25/9

The assumptions used for the forecast are as follows. There are no significant changes at this time.

Net sales

- ☑ The expected number of deals closed is planned based on a closing rate reduced by approximately 5% from the most recent results, in anticipation of an increase in the deal timeline due to the revision of SME M&A Guidelines.
- ☑ Average sales per deal closed is planned based on FY24/9 results (approx. ¥72 million per deal).
- ☑ While we target 20% growth in net sales, there is potential to exceed this target if the closing rate and average sales per deal closed improve.

Cost of sales

- ☑ Cost of sales ratio is expected to deteriorate due to an increase in referral fees, as more referrals were received for new contracts in FY24/9 than direct contracts (cost of sales ratio +0.5%).
- ☑ We expect a 61 net increase in consultant headcount. Th number of new graduates increased significantly by 17 in FY24/9 and is expected to increase further in FY25/9. New graduates take longer to contribute to earnings compared to mid-career hires, and as a result, we expect the cost of sales ratio to increase proportionally to the fixed salaries of these new graduates (cost of sales ratio +1.3%).
- ☑ The cost of sales ratio is expected to deteriorate due to an increase in incentive pay associated with the revision of the incentive structure (cost of sales ratio +0.6%).

SG&A expenses

- ☑ Although an increase in SG&A expenses is expected due to the expansion of the Hiroshima Office and relocation and expansion of the Takamatsu Office, we plan to limit the increase in SG&A expenses to about ¥350 million per year by strengthening cost control and improving the SG&A ratio.

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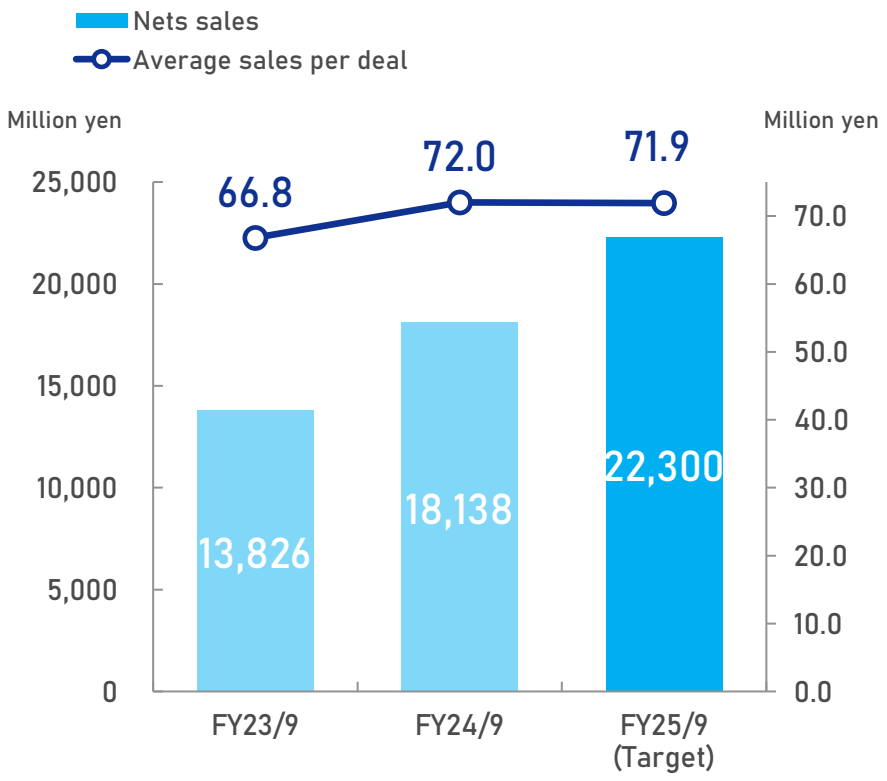
# Forecast for FY25/9

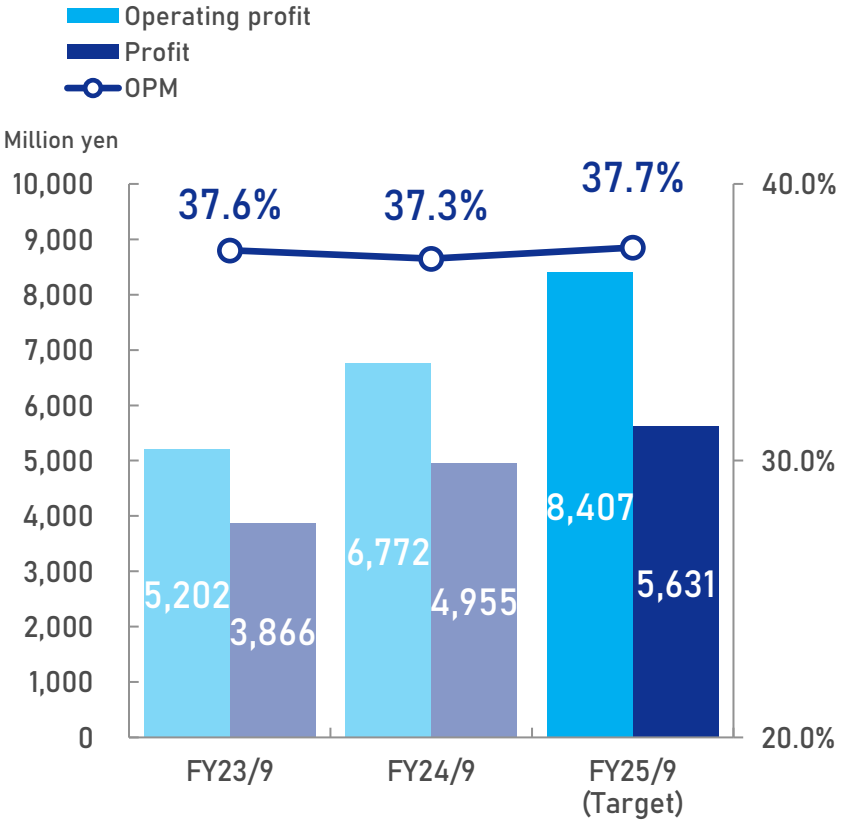
- Average sales generated per deal closed have been planned based on FY24/9 results. The number of closed deals has been planned with the assumption of a slight extension in the deal timeline due to compliance with the SME M&A Guidelines.

Net Sales and Average Sales per Deal




Note: Average sales per deal closed is calculated by dividing net sales by the number of deals closed.

Operating Profit and Profit




Note: The profit forecast does not account for the impact of tax credits, etc.

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# Forecast for FY25/9

- Our plan calls for closing 310 deals and taking on 1,045 new contracts.
- Cost of sales ratio is expected to deteriorate, but OPM is expected to improve slightly.

Million yen

| | FY2024/9 | FY2025/9 forecast | YoY change |
|---|---|---|---|
| Net sales | 18,138 | 22,300 | +22.9% |
| Cost of sales | 6,527 | 8,714 | +33.5% |
| Cost of sales ratio | 36.0% | 39.1% | - |
| Gross profit | 11,610 | 13,585 | +17.0% |
| SG&A expenses | 4,838 | 5,178 | +7.0% |
| SG&A ratio | 26.7% | 23.2% | - |
| Operating profit | 6,772 | 8,407 | +24.1% |
| Operating profit margin | 37.3% | 37.7% | - |
| Ordinary profit | 6,772 | 8,406 | +24.1% |
| Profit before income taxes | 6,730 | 8,406 | +24.9% |
| Profit | 4,955 | 5,631 | +13.7% |
| Number of deals closed | 252 | 310 | +58 |
| Number of new contracts | 923 | 1,045 | +122 |
| Employees | 368 | 434 | +66 |

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## Assumptions for the plan

- ☑ We plan to increase the percentage of new graduate employees for M&A consultants and therefore expect productivity to decline slightly until FY2027/9. However, we expect productivity to improve from FY2028/9 onwards, when new graduate employees start contributing to earnings.

- ☑ We expect the percentage of new graduates who will not contribute to earnings to increase until FY2027/9 and therefore expect the cost of sales ratio to increase proportionally to the fixed salaries of these new graduates.

- ☑ The ratio of referrals has increased since FY2024/9, and we expect this trend to continue for the next few years. Therefore, we expect a higher cost of sales ratio due to higher referral fees.

- ☑ We plan to expand our head office in FY2026/9 or later. Although the specifics have not yet been decided, we expect to incur a reasonable amount of rent and office expansion costs.

- ☑ We expect a slight increase in SG&A ratio from FY2026/9 due to factors such as an increase in expenses (including personnel expenses) in response to the strengthening of SME M&A Guidelines, and expenses for business expansion and new business development.

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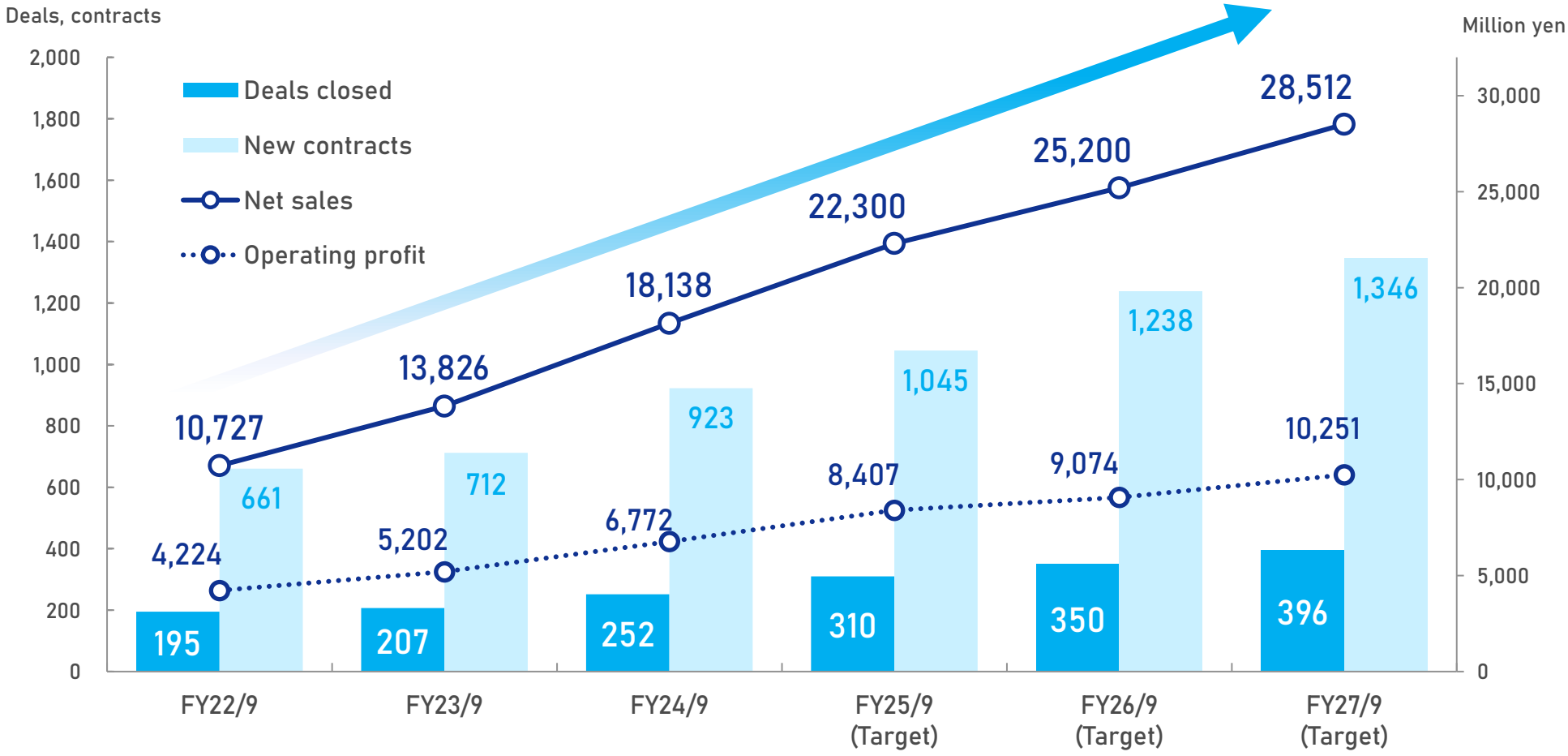
# Results and Targets: New Contracts, Deals Closed, Net Sales, and Operating Profit

- We target a net sales CAGR of 15 to 20%.
- The results could exceed the plan if average sales per deal closed increase, the closing rate remains steady, head office expansion costs are reduced, and there are no significant tightening of regulations.

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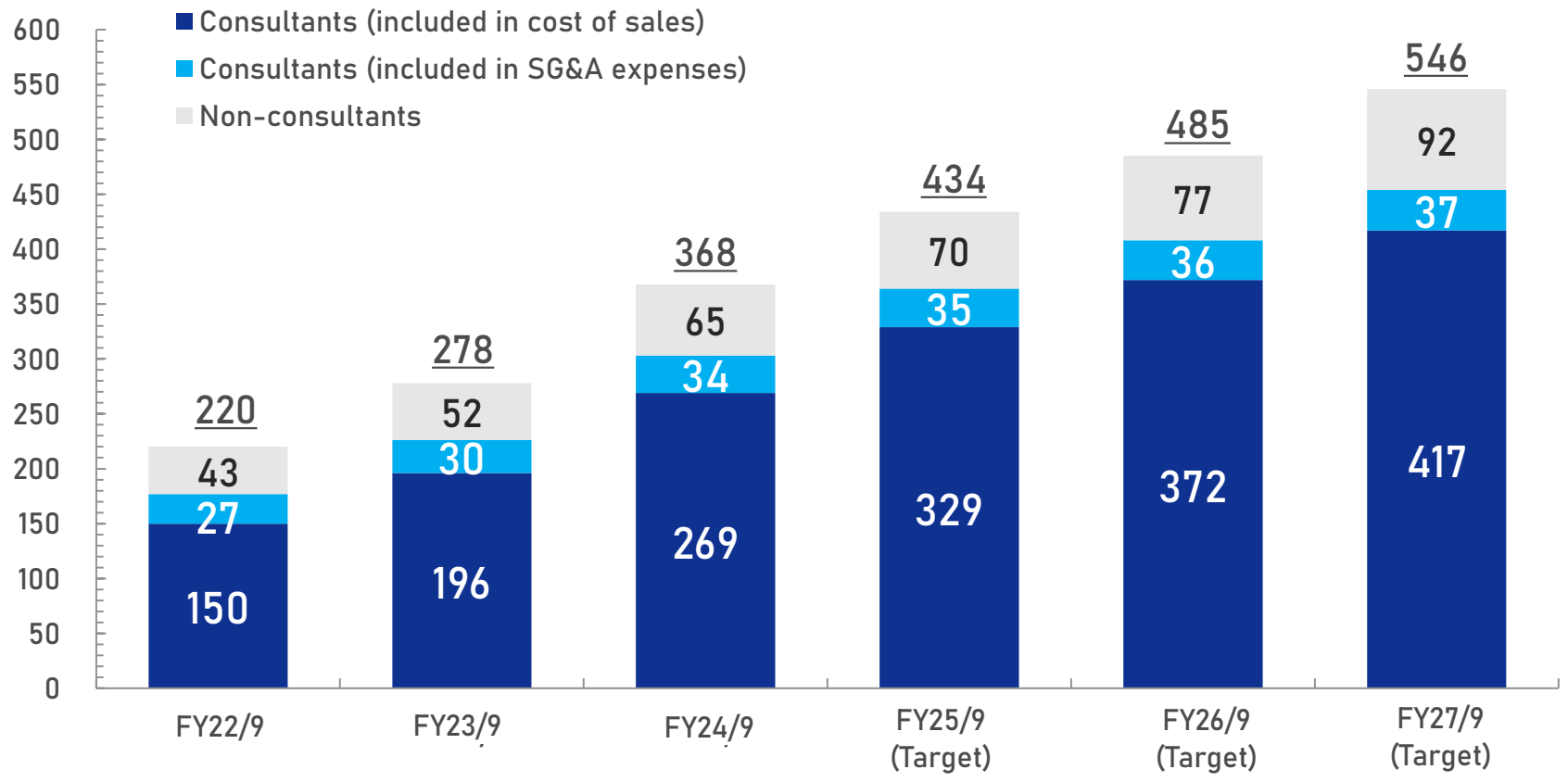
# Employees

- Consistently grow our team while maintaining service quality.
- Plan to raise the percentage of new graduate employees.

Employees (Fiscal Year-End)

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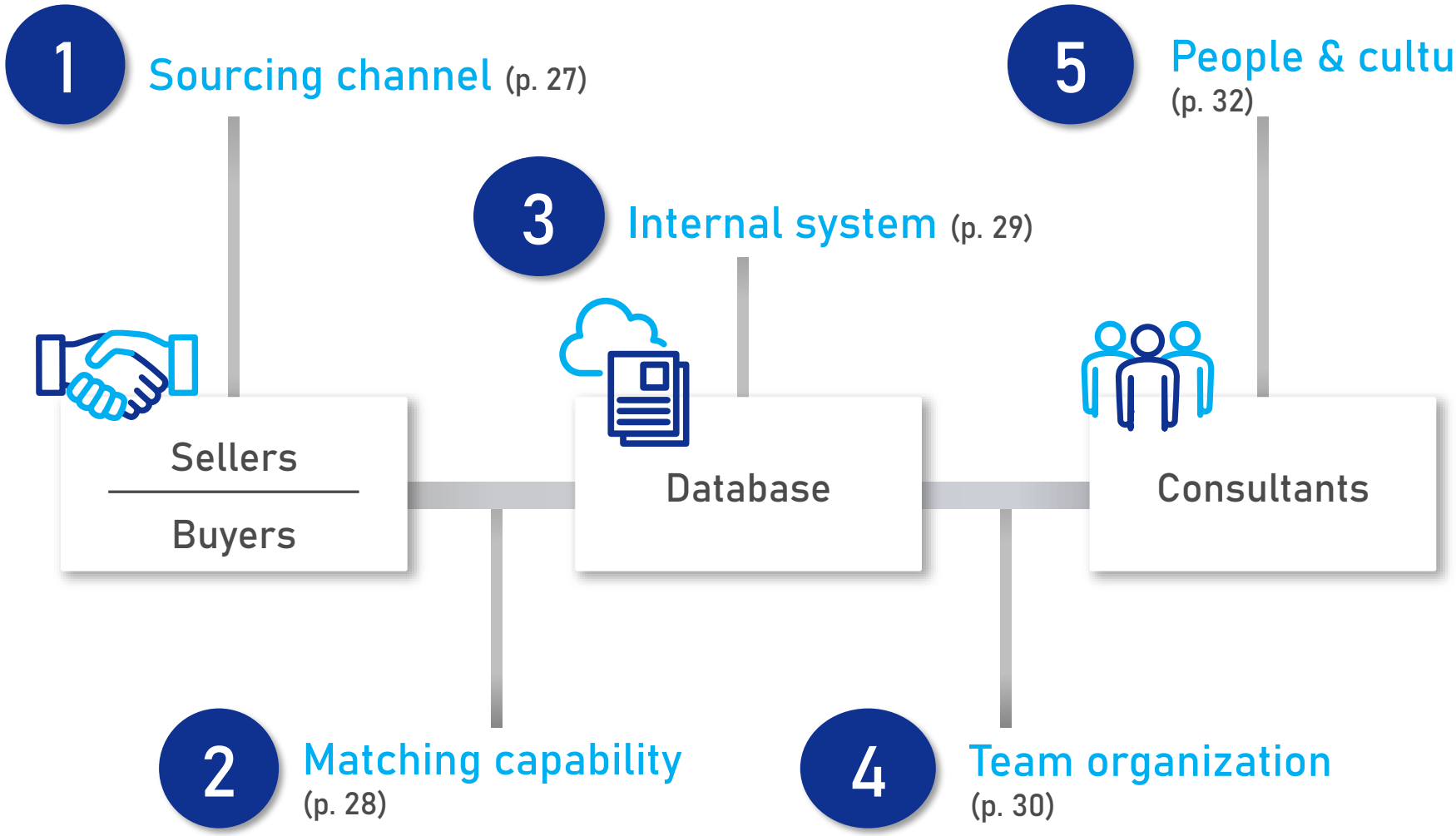
# Our Competitive Advantages

☑ Five strengths supporting our growth

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# 1) Sourcing Channel

☑ Increase the number of new contracts and average sales per deal closed by maintaining a good balance between direct sourcing and referrals.

Clients (Sellers and Buyers)

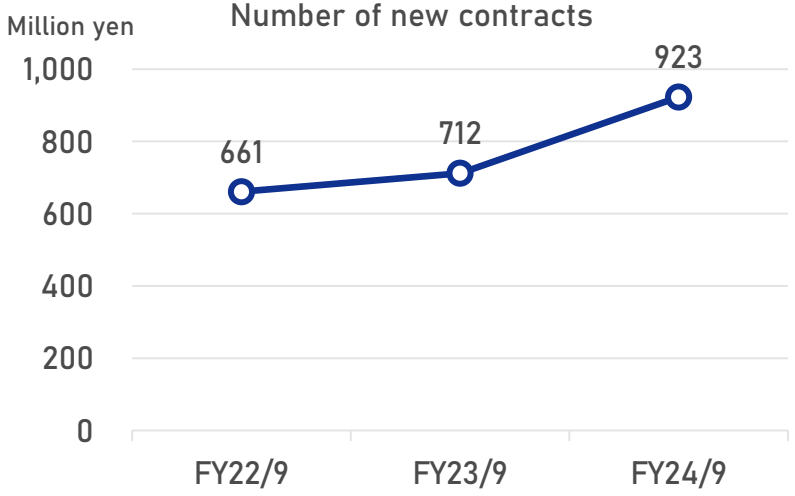
**Network**

Clients are referred from our network of more than 1,700 partners.

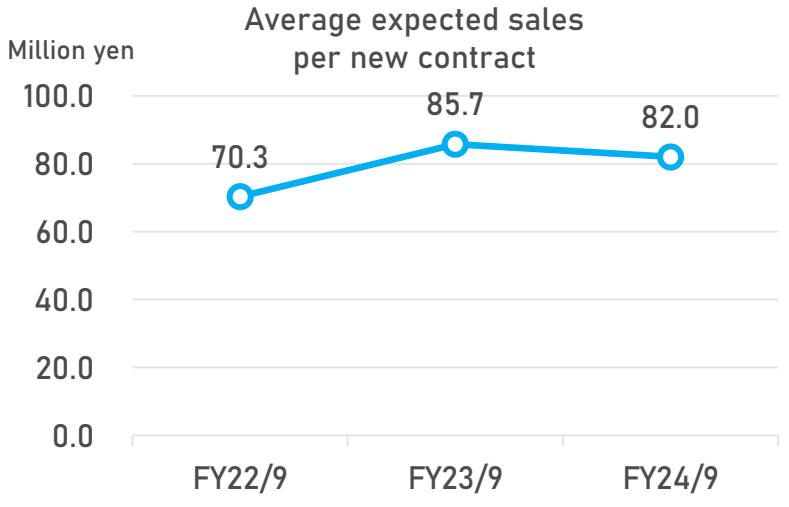
**Referrals: 49.8%**

**Direct Sourcing: 50.2%**

Strengthened relationships with business partners has led to an increase in the number of referrals.




Increased focus on direct sales to larger companies has resulted in higher average sales per deal.

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## 2) Matching Capability

### 1 Acquisition needs of +17,000 companies

Our consultants use Strike's internal database of M&A needs for over 17,000 companies to make direct proposals to potential sellers.

### 3 M&A brokerage site SMART

SMART 4,500

Our M&A brokerage site SMART garners over 4,500 annual inquiries from potential buyers about anonymously listed deals.

**Enhance client satisfaction** by offering sellers a broad range of buyer options

### 2 All-hands deal meeting

26,000

All consultants can propose potential acquisition targets for all projects. Approx. 26,000 potential acquisition targets are proposed annually.

### 4 Extensive network of partners

We receive referrals of companies that wish to acquire other companies from partner financial institutions, accounting firms, and others.

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## 3) Sales Management System

☑ Enhance operational efficiency and optimize matching by incorporating a wealth of corporate data into our internal sales management system.

### Increase operational efficiency and optimize matching

Leverage rich enterprise data that surpasses our competitors'

**Company data**

Contains all corporate data with corporate numbers

**Acquisition needs**

Contains M&A needs of more than 17,000 companies collected through daily sales activity

1. Client search

2. Automated matching & internal proposal

**Unique Sales Management System**

4. Project management

3. Sharing activity status

Linkage with Japan's first online M&A service

**SMART**



Annually, we receive 4,500 inquiries from potential buyers, which are used for matching and accumulating acquisition needs.

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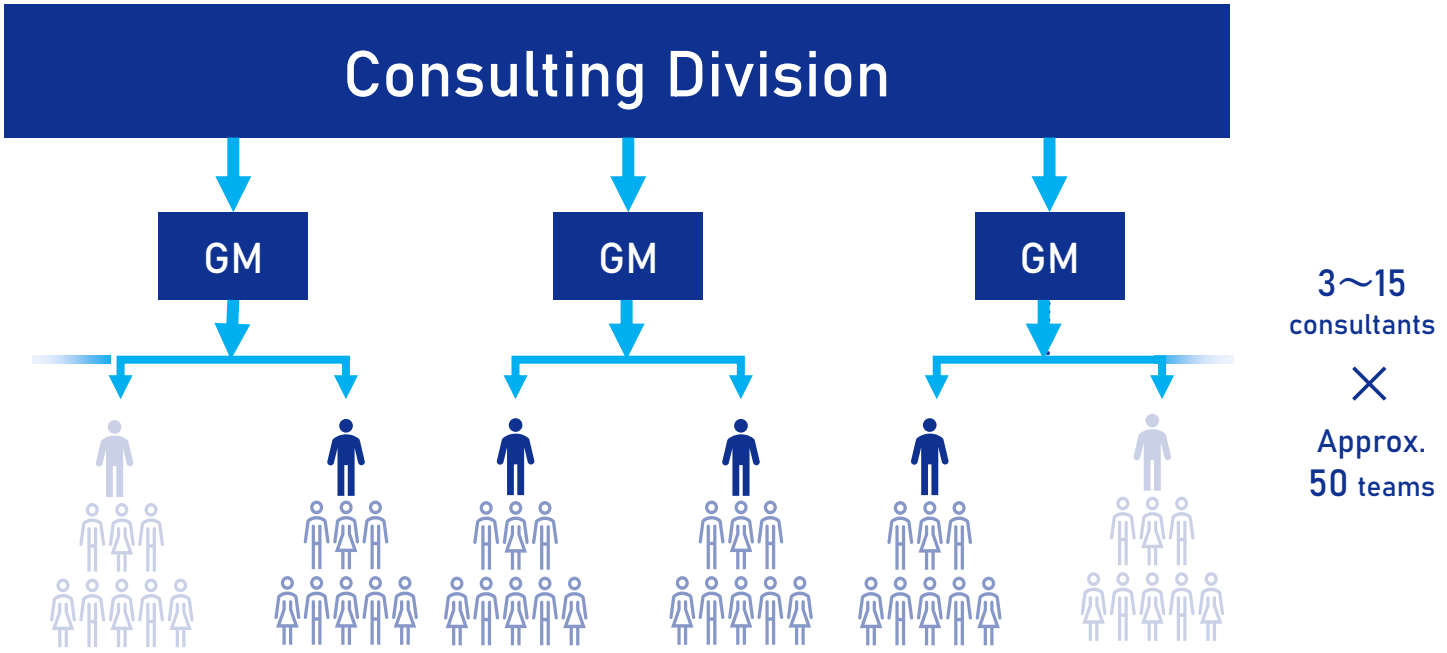
# 4) Team Organization - 1

- Team System: A collaborative approach where a team of multiple consultants works together to manage the entire deal process from sourcing to execution, instead of relying on a single consultant.
- By working as a team and leveraging each other's knowledge and experience, we strengthen the development of new employees and future leaders, avoid conflicts of interest, and enhance proposal and matching qualities.

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# 4) Team Organization - 2

☑ Advantages of the Team System

### Enhancing Proposal Quality

We leverage a diverse team of consultants to conduct in-depth analyses of specific industries. By sharing insights, we refine our proposals to address the unique challenges of each sector, resulting in more sophisticated and targeted proposals.

### Preventing Conflicts of Interest and Misconduct

Our team is highly vigilant in identifying and preventing conflicts of interest between buyers and sellers as well as misconduct within the company. This proactive approach ensures a secure and transparent environment for all transactions.

### Developing Next-Generation Leaders

Consultants can gain valuable experience by mentoring and supervising their team members. This helps team members develop and enhance the management skills needed for leadership roles, supporting the growth of the next generation of leaders.

### Enhancing Matching Quality

By specializing in specific industries, our team improves the quality of potential buyer selection within those sectors. Through detailed project sharing and collaborative efforts, we are able to present a broader selection of potential buyers to our seller clients.

### Accelerating New Employee Training

We provide new employees with ample opportunities to engage in various tasks and learn from experienced leaders and team members. This hands-on approach speeds up their growth, helping them to start contributing effectively much sooner than if they were working alone.

### Streamlining Operations

By distributing and sharing tasks within the team, we enhance the efficiency of our deal processes. Involving multiple team members in each project not only reduces imbalances between deal-making activity and MoU signing activity, but also allows us to handle multiple projects concurrently and effectively.

## Enables us to provide quality services sustainably and stably

(Reference) Net sales per consultant at the beginning of the year

FY23/9: ¥78 million → FY24/9: ¥80 million

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# 5) People & Culture - 1

☑ Our goal is to secure sustainable and reliable growth by fostering ongoing professional advancement and reinforcing our consultants' teamwork, anchored in our commitment to people & culture, the bedrock of our corporate value growth.

Mission

Create partnerships
that change the world.

STRIKE

**Extensive training programs**

Continuous professional development
of consultants

**Compliance awareness**

Thorough awareness
of legal compliance

**Network of business partners**

Providing services that earn
the trust of our partners

**Teamwork**

Mutual reinforcement of knowledge
and capabilities across departments

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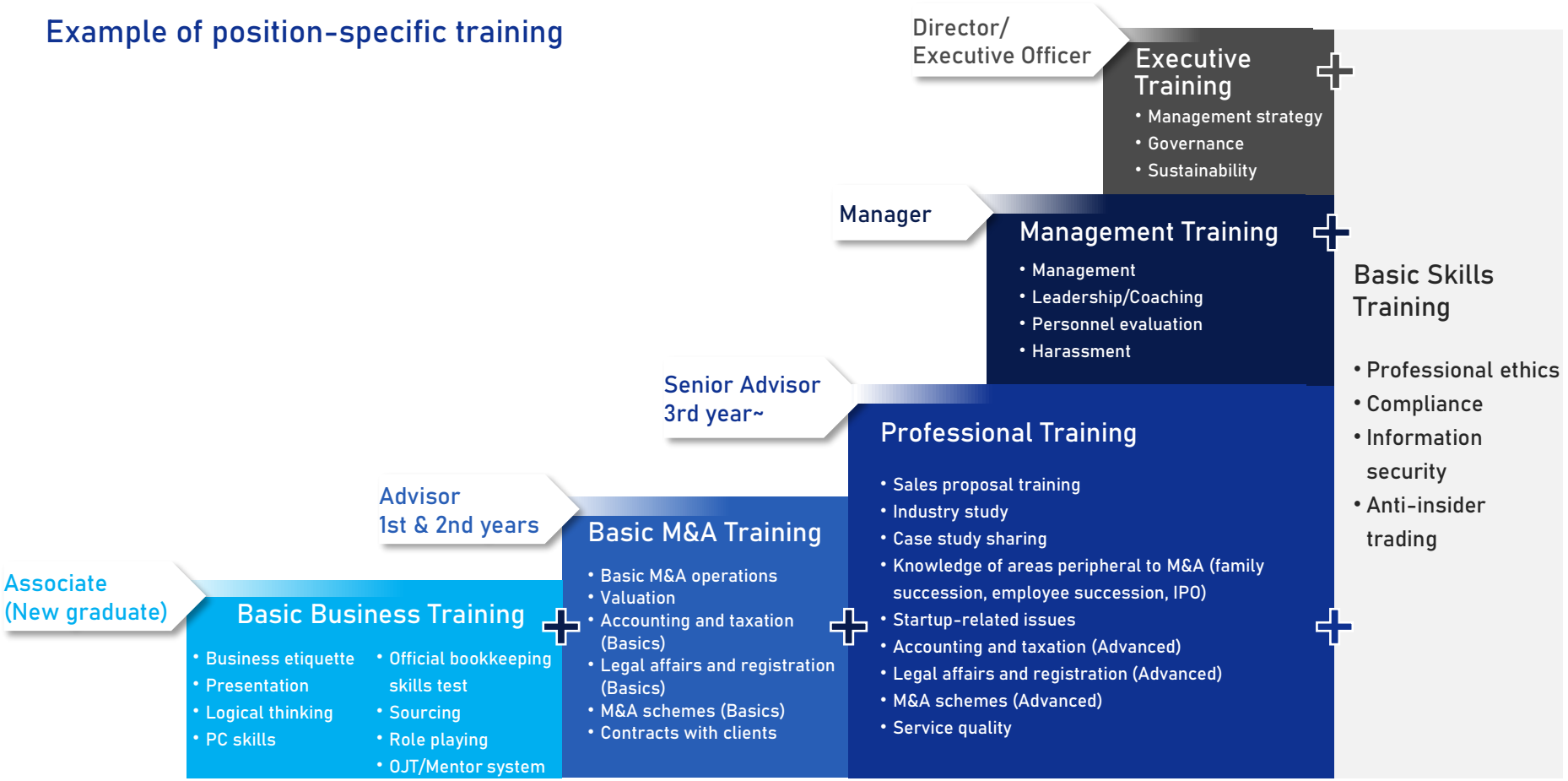
# 5) People & Culture - 2

☑ We provide a wealth of training content tailored to each position to develop consultants capable of achieving sales of ¥100 million or more in three years. Training is provided on an ongoing basis to continuously enhance the expertise of our consultants.

## Example of position-specific training

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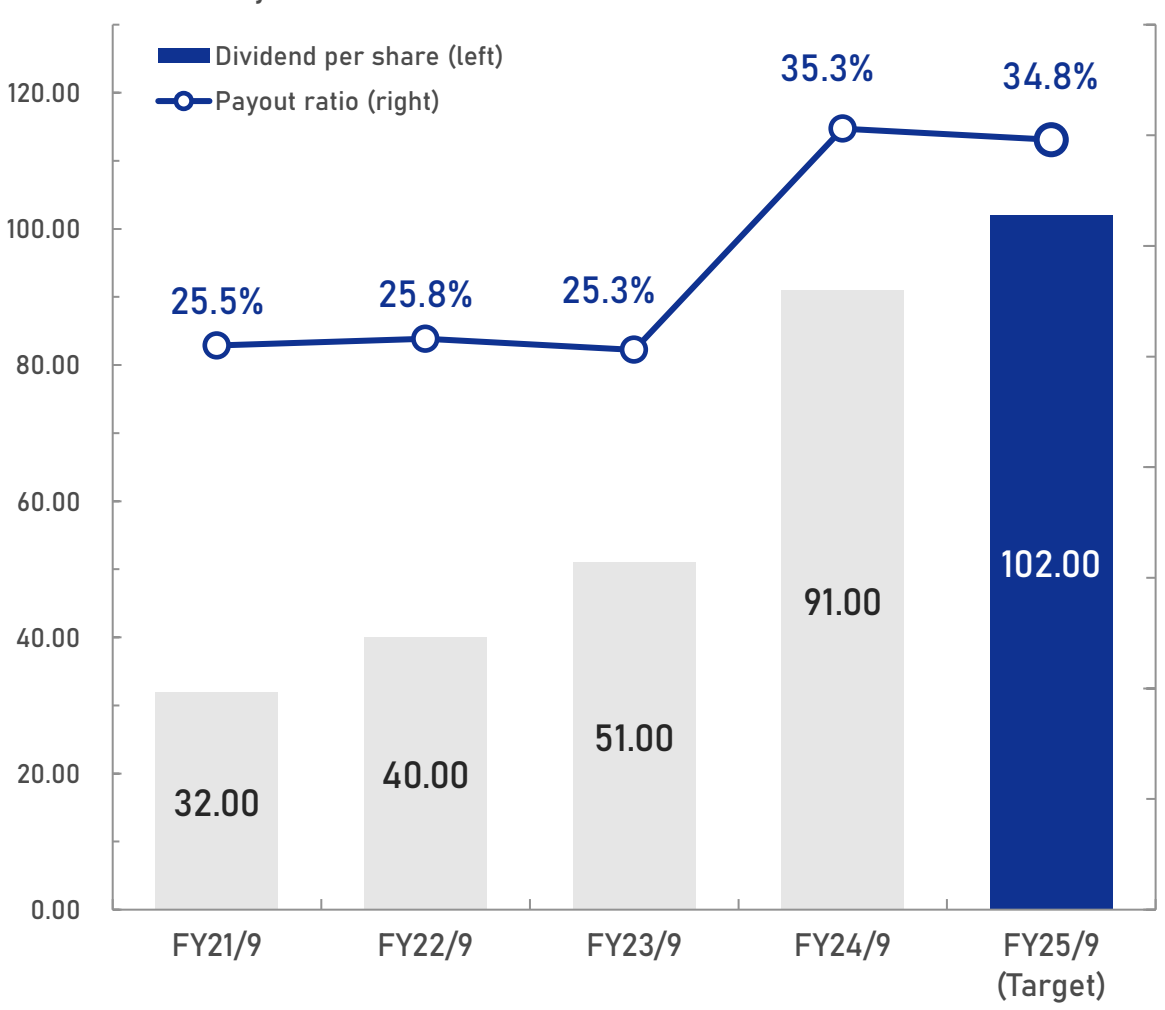
# Shareholder Return

☑ Payout ratio of 35%, aiming to maintain the current ROE level.

Dividends and Payout Ratio




**Dividends**

- Payout ratio of 35%. Consider further dividend increases based on profit levels.
- Maintain the initial dividend payout, provided that profits remain above 70% of our initial plan.

**Share buybacks**

- Consider share buybacks, depending on circumstances.

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# Initiatives to Enhance Corporate Value

☑ Under the initial plan, the ROE is expected to decrease slightly in FY25/9 from the 30.1% in FY24/9. We aim to improve ROE by achieving a higher-than-planned profit margin, with a target of maintaining an ROE between 25-30%.

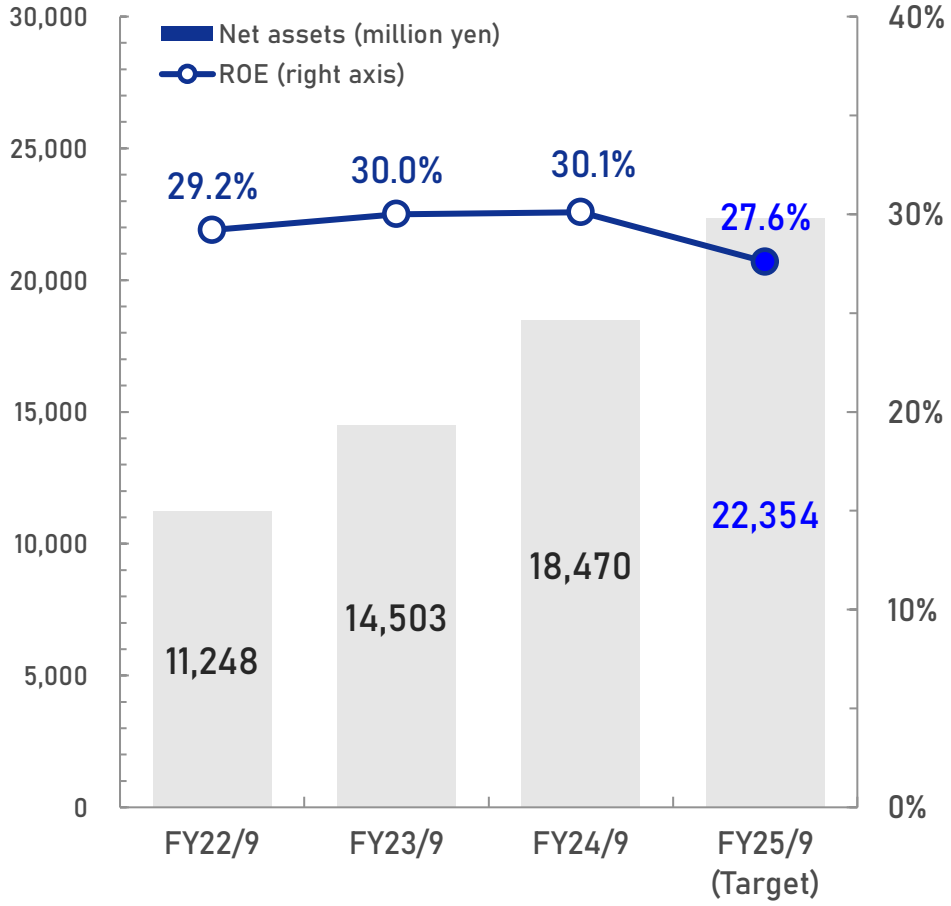
## Measures to maintain and improve ROE

(1) Target an appropriate level of shareholders' equity
- Raise the dividend payout ratio
- Flexibly consider share repurchases

(2) Raise the earnings level
While focusing on our core M&A brokerage business, expand into other business areas to increase profits.

(3) Utilize debt
Utilize borrowings to enhance capital efficiency when large investments are necessary.

Net assets and ROE

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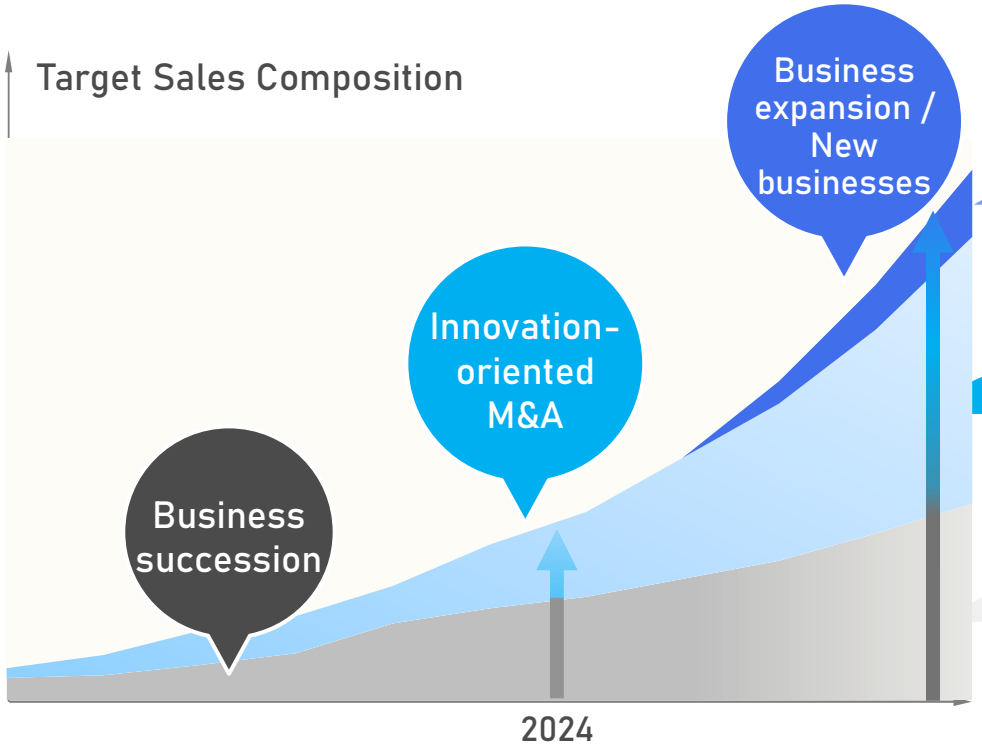
# Future Growth Strategy

- Positively impact a greater number of people through our M&A services as we strive to increase the number of M&A contracts and the deal size.
- Focus on market cultivation aimed at facilitating innovation-oriented M&A.
- Expand into peripheral areas and new business domains to achieve sustainable growth. Actively pursue acquisitions to realize this goal.




**Expand into peripheral areas and new business domains**

**Innovation-oriented M&A, etc.**

M&A that drive startup growth and support the creation of new businesses and corporate transformation.

**Business succession M&A**

Although the market is expected to expand over the next few years, the increase in the number of above transactions will reduce the reliance on business succession deals.

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STRIKE

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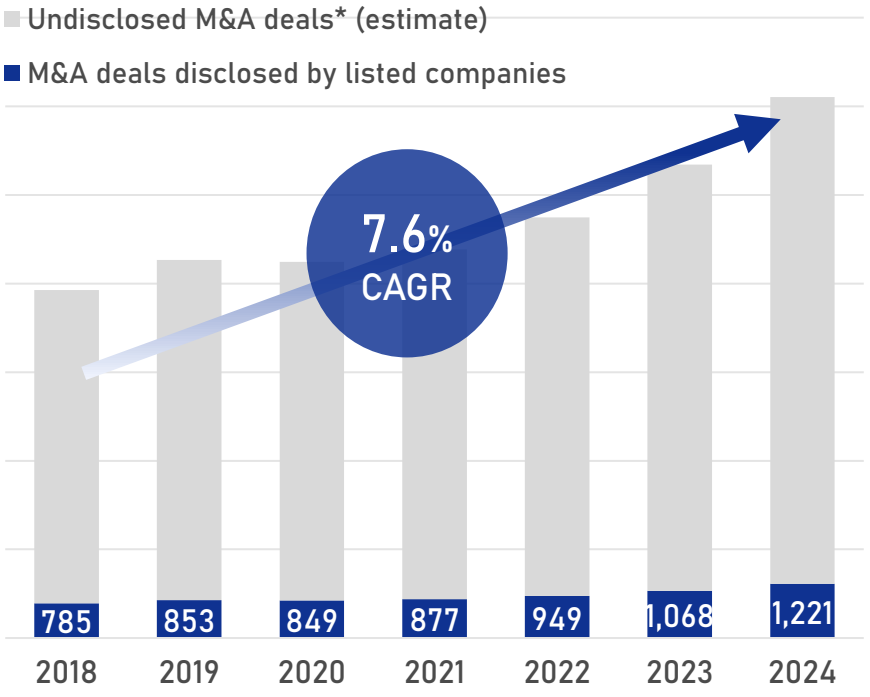
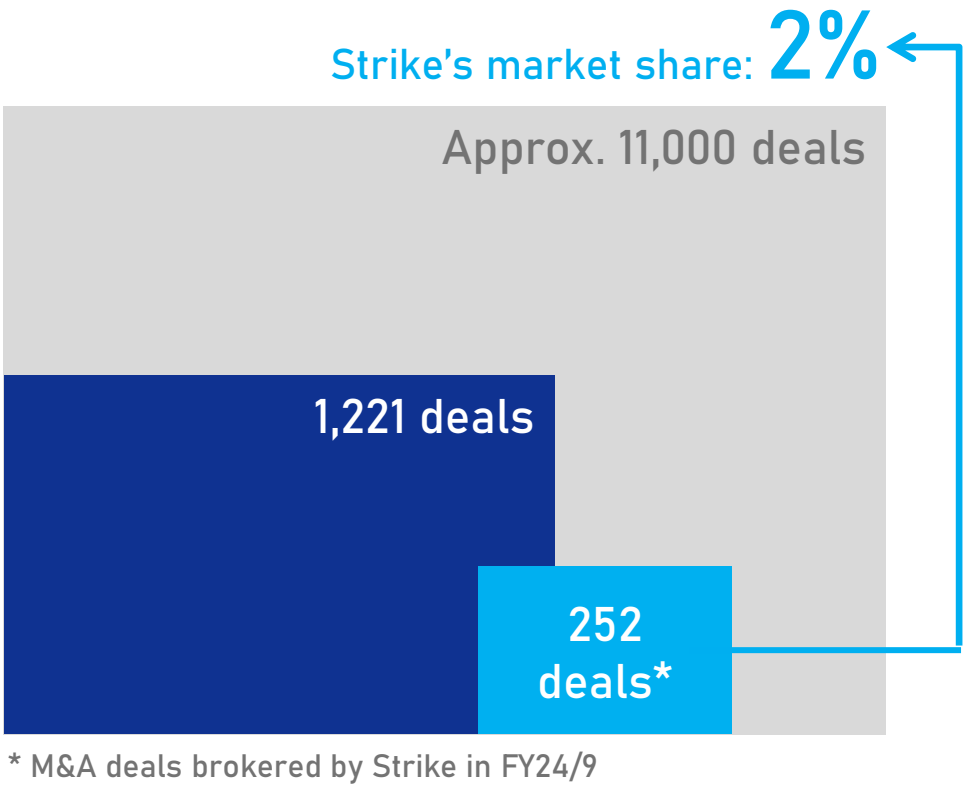
# Market Environment: Estimated Market Size in Japan

☑ Approximately 10% of our deals closed in 2024 were publicly disclosed through timely disclosures. By reverse calculating from the 1,221 M&A deals disclosed by listed companies in 2024, we estimate that the total number of M&A deals in Japan for 2024 was around 11,000.

Estimated number of M&A deals in Japan




* M&A deals brokered by Strike in FY24/9

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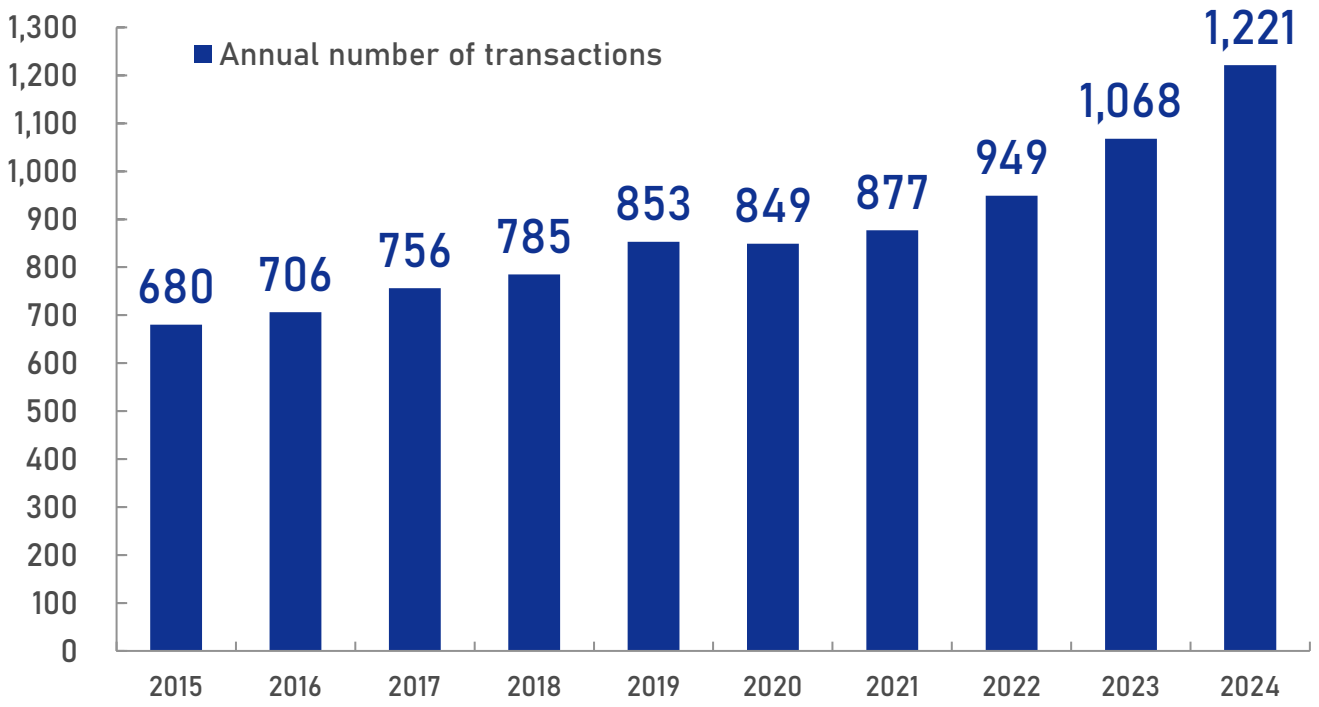
# Market Environment: Number of M&A Transactions in Japan

- The number of M&A transactions in Japan in 2024 rose by 14% YoY to 1,221 (based on timely disclosures of listed companies).
- Of this, 993 cases were M&A between Japanese companies (+16% YoY), while 228 of the deals involved overseas companies (+5% YoY).
- The annual number of deals exceeded the previous record of 1,169 (2007) for the first time in 17 years.

Number of M&A transactions in Japan
(based on timely disclosures of listed companies)




Source: M&A Online

Breakdown of M&A deals
(domestic and cross-border deals)

| | Jan.–Dec. 2023 | Jan. –Dec. 2024 |
|---|---|---|
| Total M&As | 1,068 | 1,221 |
| M&As between Japanese companies | 852 | 993 |
| Outbound M&As | 147 | 155 |
| Inbound M&As | 69 | 73 |

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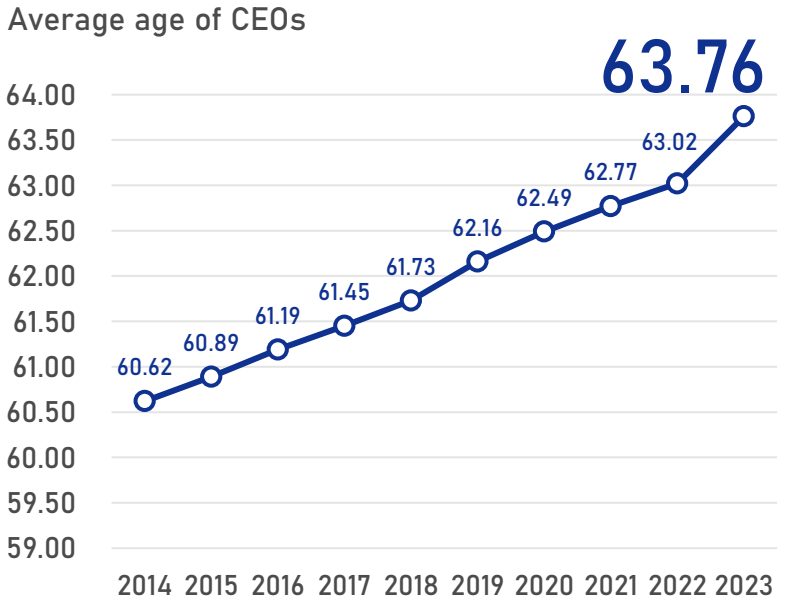
# Market Environment: Aging CEOs, Increase of Business Closure and Dissolution

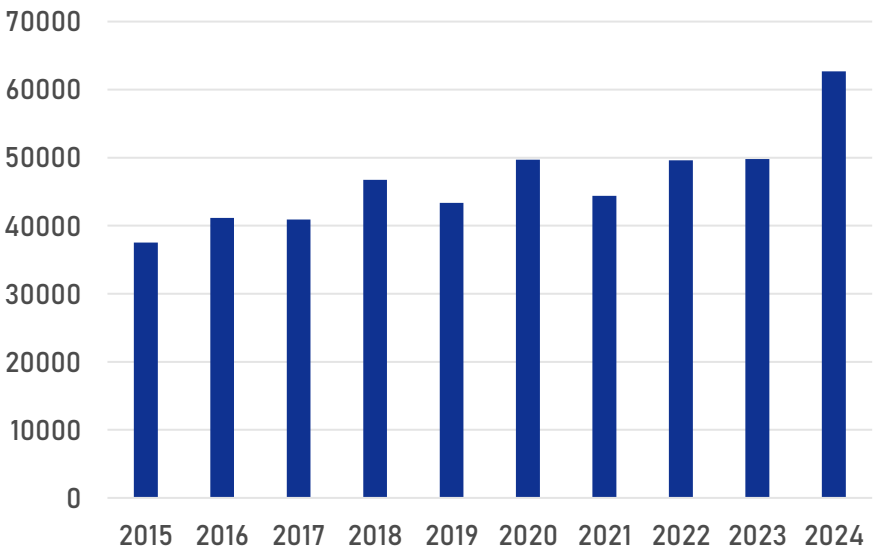
- With CEOs aging, there are many companies without successors, even among companies with elderly CEOs.
- The number of closed and dissolved businesses also remain at a high level.
- The market for business succession M&A is expected to continue expanding.

## Aging CEOs




Source: "Nationwide Survey of Company Presidents' Ages," Tokyo Shoko Research, Ltd.

## Number of Businesses Closed or Dissolved




Source: "2024 Survey of Trends in Closed and Dissolved Businesses," Tokyo Shoko Research, Ltd.

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# Market Environment: Boosting Productivity is Crucial to the Survival of SMEs

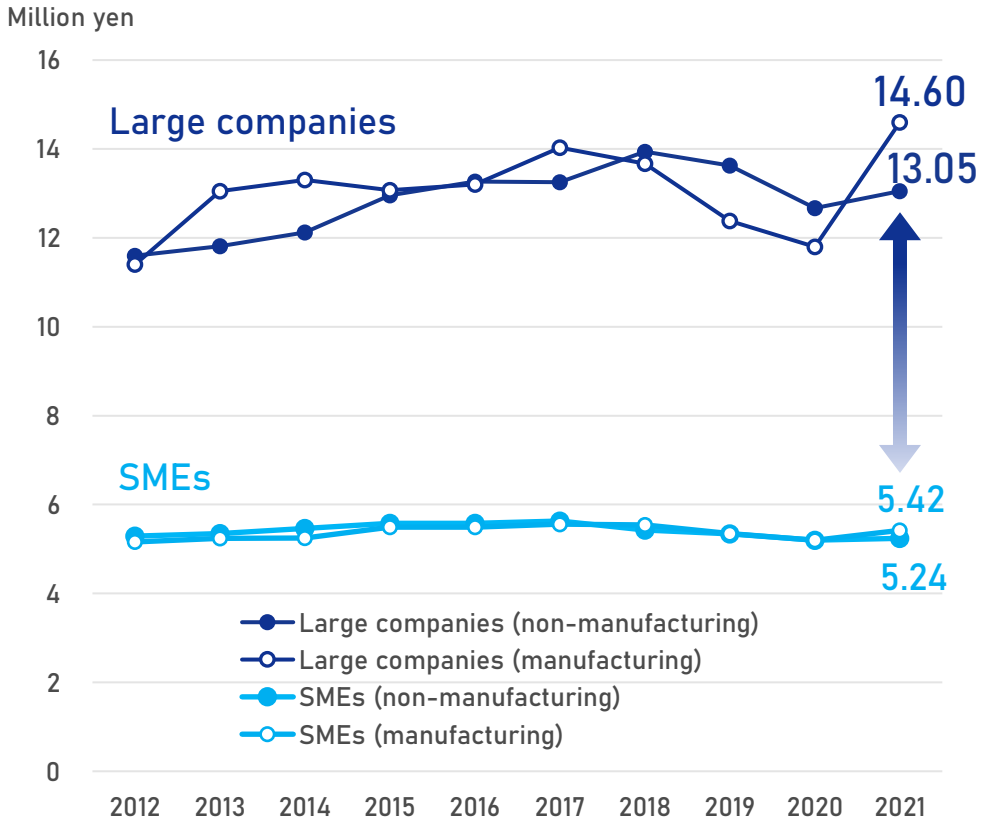
**Boosting productivity*** is essential for SMEs in Japan to achieve both wage increases and profit growth.

*Increase of added value

Creating new value through new businesses and exploring opportunities through cross-sector partnerships are becoming increasingly essential. M&A is a powerful strategy to achieve these goals.

## Widening Disparity in Added Value between Large Companies and SMEs

Added value per employee (labor productivity) by company size




Source: Financial Statements Statistics of Corporations by Industry, Annually by the Ministry of Finance, included in the 2023 White Paper on Small and Medium Enterprises in Japan

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# Market Environment: M&A of Startups

- The Japanese government has designated 2022 as the “first year of startup creation” and announced the “Startup Development Five-year Plan” in November 2022.
- As part of its efforts to create a startup ecosystem, the government is developing various measures to facilitate startup M&A activity.

## Japanese government’s five-year target and three pillars

Tenfold increase in startup investments over five years

¥800 billion in FY2022

↓

¥10 trillion in FY2027

### Nurture talent and build networks

The most important element of a successful startup is people. Accelerate business formation by fostering startup leaders.

### Strengthen funding and diversify exit strategies

Startups need funds to grow substantially. Expand investment from venture capitalists and individuals.

### Promote open innovation

Promote open innovation between large companies and startups, including facilitating M&A as an exit option for startups.

**Essential to develop the exit market**

**Startup M&A market expected to expand**

Source: Government Initiatives for Developing Startups by the Ministry of Economy, Trade and Industry; Startup Development Five-year Plan by the Council of New Form of Capitalism Realization

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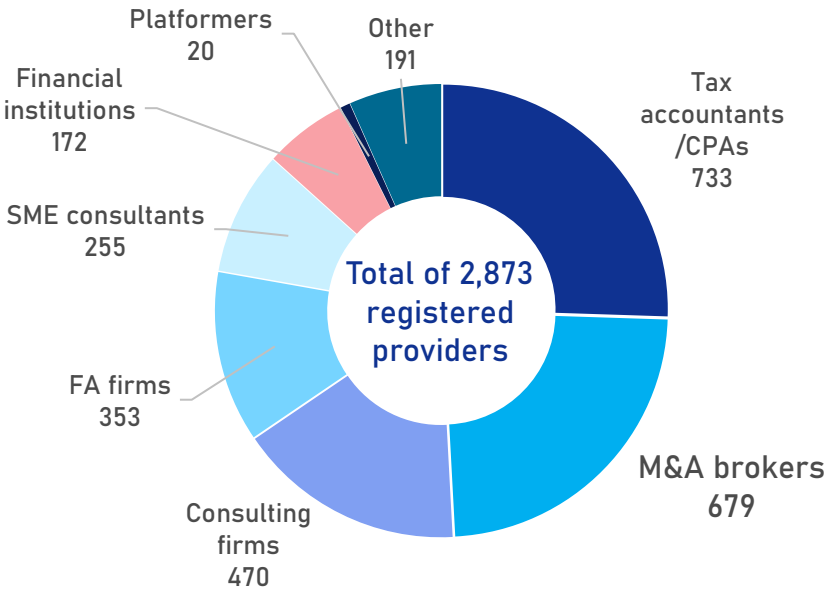
# Market Environment: Status of M&A Service Providers

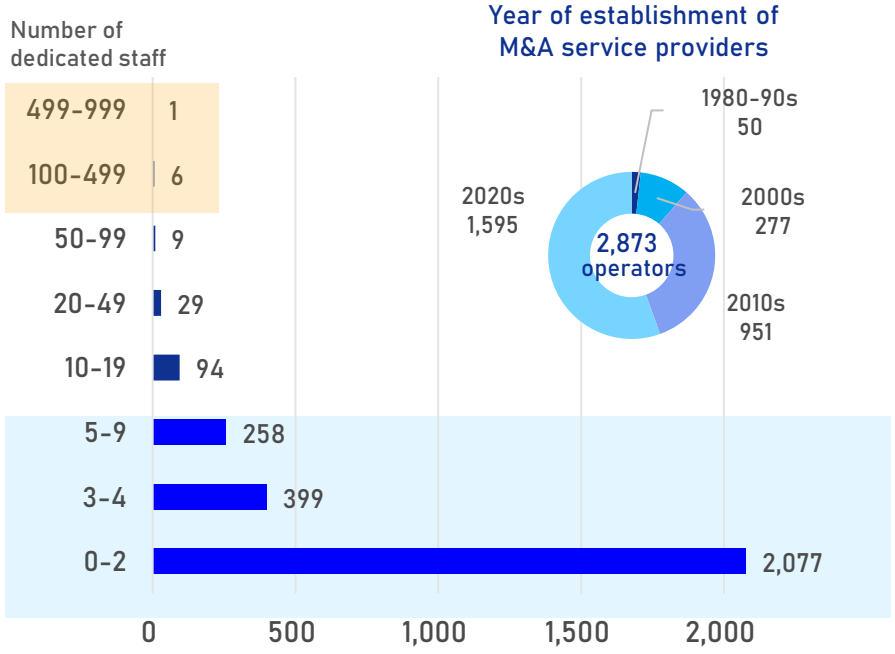
- The Small and Medium Enterprise Agency launched a registration system for M&A service providers in 2021 (although not mandatory, most providers are registered).
- Most registered M&A service providers are small in size.

## Number of Registered M&A Service Providers




Source: Current Registration Status (as of Jan. 20, 2025) by the Small and Medium Enterprise Agency

## Number of Staff Dedicated to M&A Services at Registered Operators




Source: Current Registration Status (as of Jan. 20, 2025) by the Small and Medium Enterprise Agency

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# Market Environment: Initiatives by SMEA and M&A Advisors Association

## Background

- M&A service providers in Japan do not need any permits or licenses to operate, and there are no overarching laws or regulations governing the industry.
- As the SME M&A market in Japan expands, more and more new entrants are entering the market. However, some of these entrants lack sufficient experience and knowledge in M&A support, resulting in inconsistent service quality and unclear fee structures.

## Initiatives by the Small and Medium Enterprise Agency (SMEA) and the M&A Advisors Association

- The Small and Medium Enterprise Agency is implementing measures to promote M&A among SMEs, including budget allocations for subsidy schemes to facilitate the use of M&A service providers, along with a comprehensive revision of its guidelines.
- To enhance overall service quality in the industry, the government expects the M&A Advisors Association, an industry organization, to establish uniform self-regulatory rules and ensure that M&A service providers adhere to these standards.

| | Measure | Organizations subject to guidelines/rules | Overview |
|---|---|---|---|
| SMEA | Published the M&A Guidelines for SME (3rd Edition in August 2024) | Companies, etc. registered as M&A service providers (*) | The Guidelines include points to be noted by M&A service providers, as well as key considerations for SMEs when they are considering M&A. |
| M&A Advisors Association | Established the industry's first Code of Ethics and three self-regulatory rules: Advertising and Sales Rules, Compliance Rules, and Rules for Explaining Important Contract Matters | Members of the M&A Advisors Association | The content is mainly aimed at M&A service providers, defining more specific and detailed regulatory content compared to the M&A Guidelines for SME. |

*SMEA's registration system for M&A service providers. Registered institutions are eligible for government subsidies.

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# Market Environment: M&A Guidelines for SME

## Key Points of Revisions to M&A Guidelines for SME (3rd Edition)

### Main revisions

1. Enhanced transparency of fees and services provided
   - Clarifying criteria for calculating fees
   - Clarifying payment terms for success fees

2. Enhanced conflicts of interest prevention measures
   - Prohibiting preferential treatment for repeat clients (e.g., selecting a buyer who does not meet the seller's needs or pushing for unfairly low sale prices).

3. Ensuring reliability and safety
   - Requiring verification of potential clients and creating a system for sharing information to eliminate inappropriate operators.
   - Providing clients with information on the consultant's qualifications, experience, and track record.

### Strike's response

Transparent fee structure and robust verification system

- We provide full transparency on our fee structure and ensure thorough explanations of key terms.
- A department independent of sales teams verifies the reasonableness of fees before deals are finalized.

Measures to mitigate conflict of interest risks

- All consultants are able to propose buyer candidates, ensuring that we do not rely on specific buyers.
- An independent department reviews the appropriateness of fee amounts.

Advanced client screening and training system

- Inappropriate businesses are managed in an internal database to prevent any contact from occurring.
- Financial details of potential sellers and buyers are verified at the time of concluding brokerage contracts.
- Both new employee training and deal facilitation are carried out effectively through a team-based approach.

**M&A brokers' service quality is becoming more crucial than ever.**

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# Market Environment: M&A Intermediaries Association

M&A支援機関協会
M&A Advisors Association

Based on the "SME M&A Promotion Plan" by the Small and Medium Enterprise Agency, this self-regulatory organization was established to advance fair and smooth M&A transactions and to contribute to the sound development of the M&A brokerage industry. As of January 1, 2025, the organization has 133 member companies.

On January 1, 2025, the organization has changed its name and welcomed three new board members. Membership will expand beyond M&A brokerage firms to include financial advisors (FAs), M&A platform operators, financial institutions, and professional service providers, aiming to become an inclusive industry organization.

Recent developments

| | |
|---|---|
| September 2024 | Commenced reciprocal disclosure of fee structures |
| October 2024 | Commenced operation of a list of specific entities |
| January 2025 | Established Qualification System Review Committee |
| | Established Self-regulatory Rules Review Committee |

| | | |
|---|---|---|
| Name | M&A Advisors Association (MAAA) | |
| Established | October 1, 2021 | |
| Representative director | Kunihiko Arai | President and CEO, Strike Co., Ltd. |
| Directors (*) indicate new members | Nobuo Onodera (*) | Representative Director, Managing Executive Officer, The Bank of Yokohama, Ltd. / Regional Banks Association of Japan |
| | Ryosuke Kubo | President, Ondeck Co., Ltd. |
| | Shunsaku Sagami | CEO, M&A Research Institute Inc. |
| | Yasuhito Shinoda | President, Meinan M&A Co., Ltd. |
| | Toshihiko Shibusa (*) | President, Toranomon Audit LLC<br>Executive Board Member,<br>The Japanese Institute of Certified Public Accountants |
| | Satoru Nakamura | President and CEO,<br>M&A Capital Partners Co., Ltd. |
| | Suguru Miyake | President and Representative Director,<br>Nihon M&A Center Inc. |
| | Akihiro Watanabe (*) | Certified Public Accountant |
| Auditor | Yutaro Kikuchi<br>(Attorney-at-law, Kikuchi Sogo Law Office) | |

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# Company Overview

| | |
|---|---|
| Company name | Strike Co., Ltd. |
| Established | July 1997 |
| Share capital | ¥823 million (as of December 31, 2024) |
| Representative | Kunihiko Arai, President and CEO |
| Headquarters | 15th floor of Mitsui & Co. Building<br>1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan |
| Employees | 385 (excluding temporary staff; as of December 31, 2024) |
| Net sales, operating profit | Net sales of ¥18,138 million and operating profit of ¥6,772 million (operating profit margin of 37.3%) in FY24/9 |
| Business | M&A brokerage business |
| Mission | Create partnerships that change the world |

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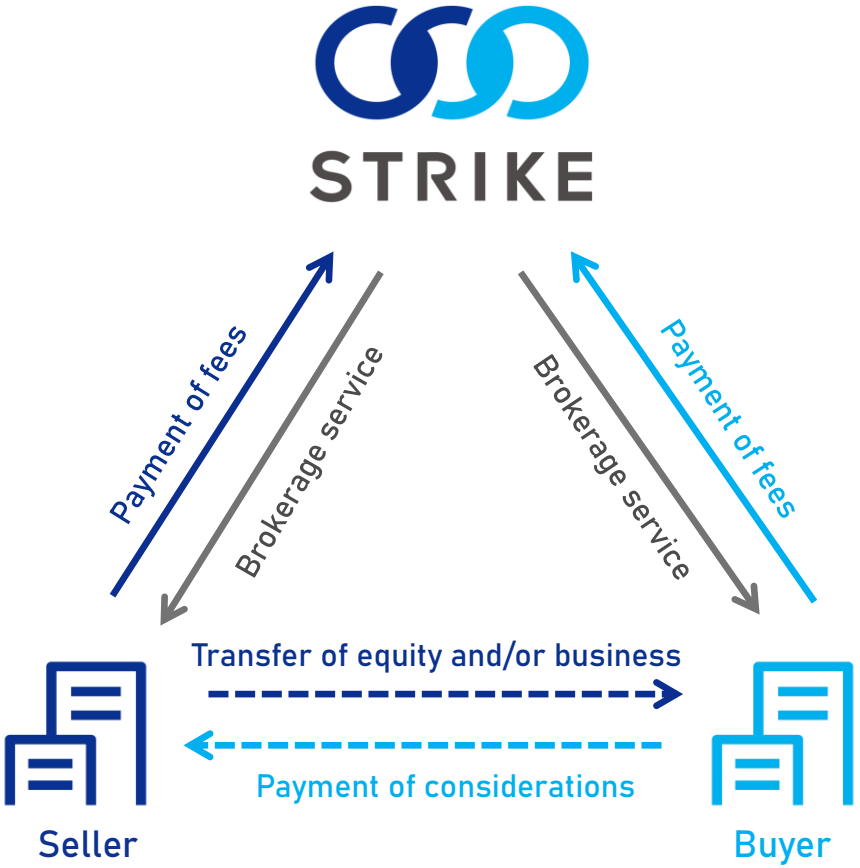
# Business Model




## Overview

- We match sellers with buyers and receive brokerage fees from both parties.
- We also act as financial advisors in some cases, representing either the seller or the buyer.

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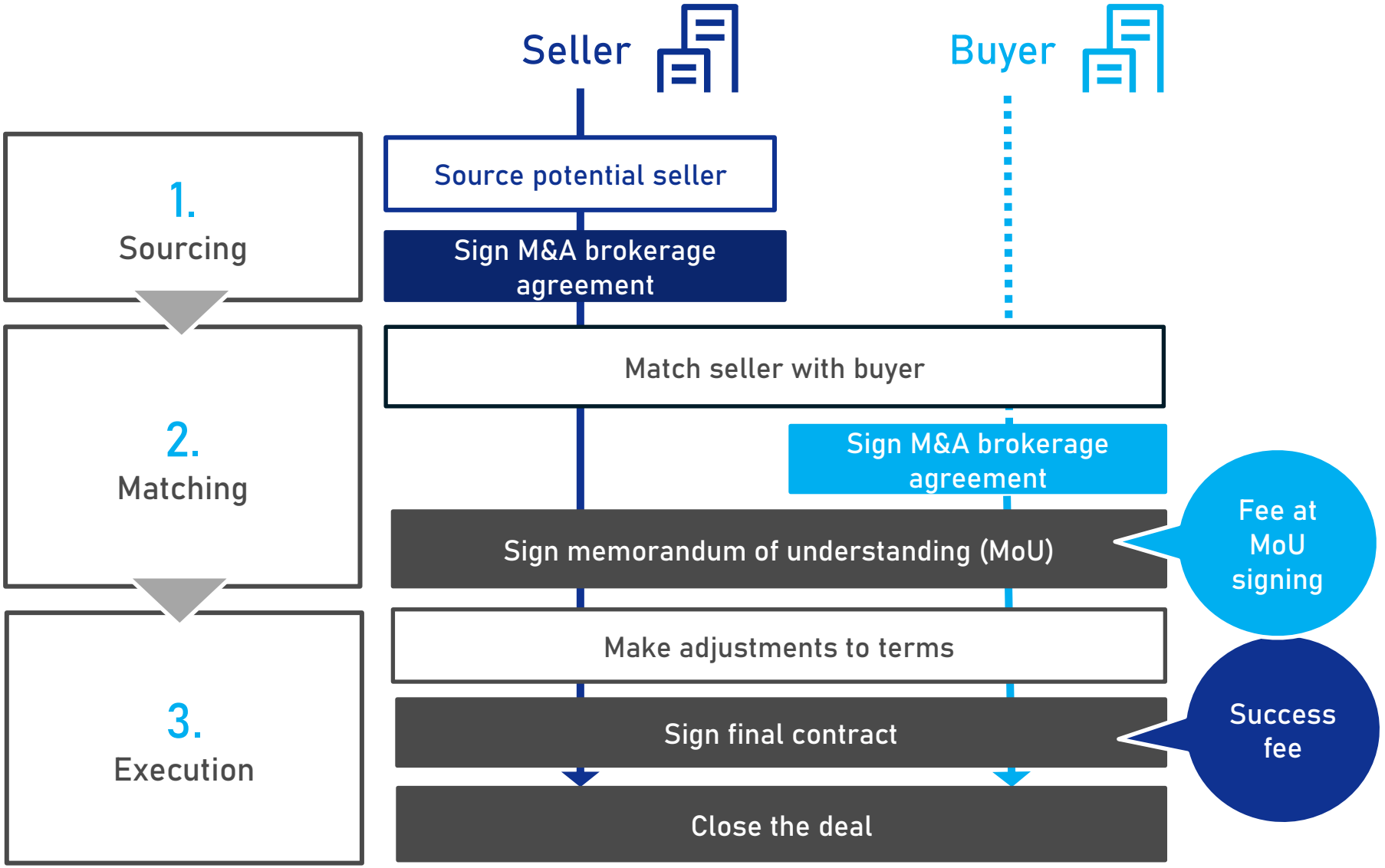
# Flow of M&A Brokerage Business

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# Fee Structure

☑ No start-up fee and low intermediary fee upon MoU signing.

| | Seller | | Buyer | |
|---|---|---|---|---|
| Start-up fee | Free | | Free | |
| Fee at MoU signing | ¥1–3mn when MoU is signed | | ¥1–3mn when MoU is signed | |
| Success fee (Lehman formula) | Value of seller's equity and officers' severance pay, etc. | | Value of seller's equity and total debt | |
| | Portion below ¥500mn | 5% | Portion below ¥500mn | 5% |
| | Portion from ¥500mn to ¥1bn | 4% | Portion from ¥500mn to ¥1bn | 4% |
| | Portion from ¥1bn to ¥5bn | 3% | Portion from ¥1bn to ¥5bn | 3% |
| | Portion from ¥5bn to ¥10bn | 2% | Portion from ¥5bn to ¥10bn | 2% |
| | Portion above ¥10bn | 1% | Portion above ¥10bn | 1% |

■ Since sellers pay the brokerage fees out of their sale proceeds, the base for calculating these fees is set as the seller's sales value, excluding the debt portion, to alleviate their burden.

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# M&A Track Record in Various Industries

Thanks to a vast referral network, we have a diverse M&A portfolio spanning multiple industries, which positions us to adeptly manage unique, specialized projects.

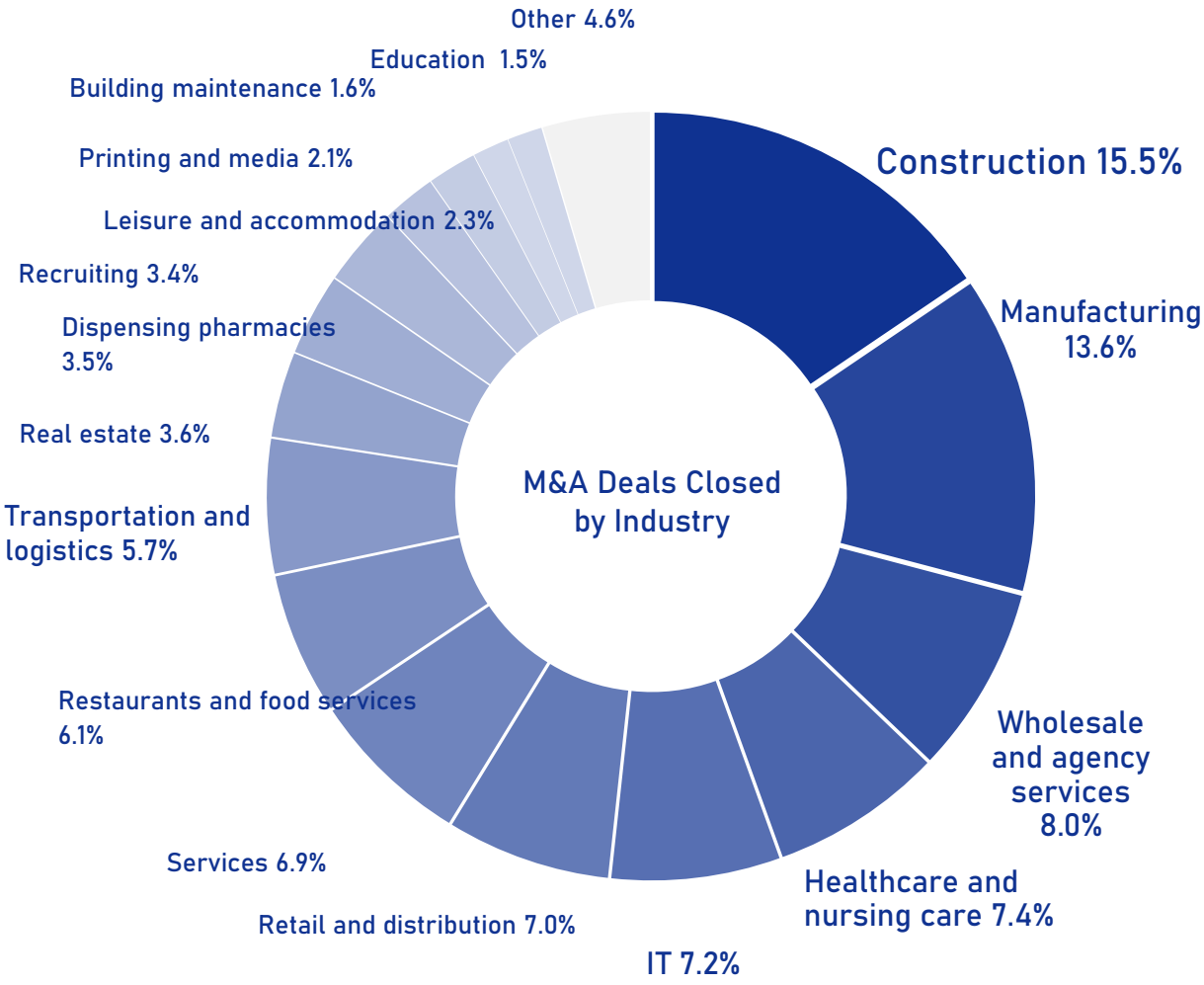
**Capable of flexibly responding to changes in the external environment and M&A needs.**

Top 5 industries in the recent two years

| FY23/9 | FY24/9 |
|---|---|
| Construction (20.8%) | Construction (18.3%) |
| Services (13.0%) | Services (13.9%) |
| Manufacturing (12.1%) | Manufacturing (11.5%) |
| Wholesale and agency services (9.2%) | Healthcare and nursing care (11.5%) |
| Healthcare and nursing care (8.2%) | Wholesale and agency services (10.3%) |

Total number of M&A deals closed since the Company's founding to FY24/9

Note: Breakdown of the number of businesses sold by industry

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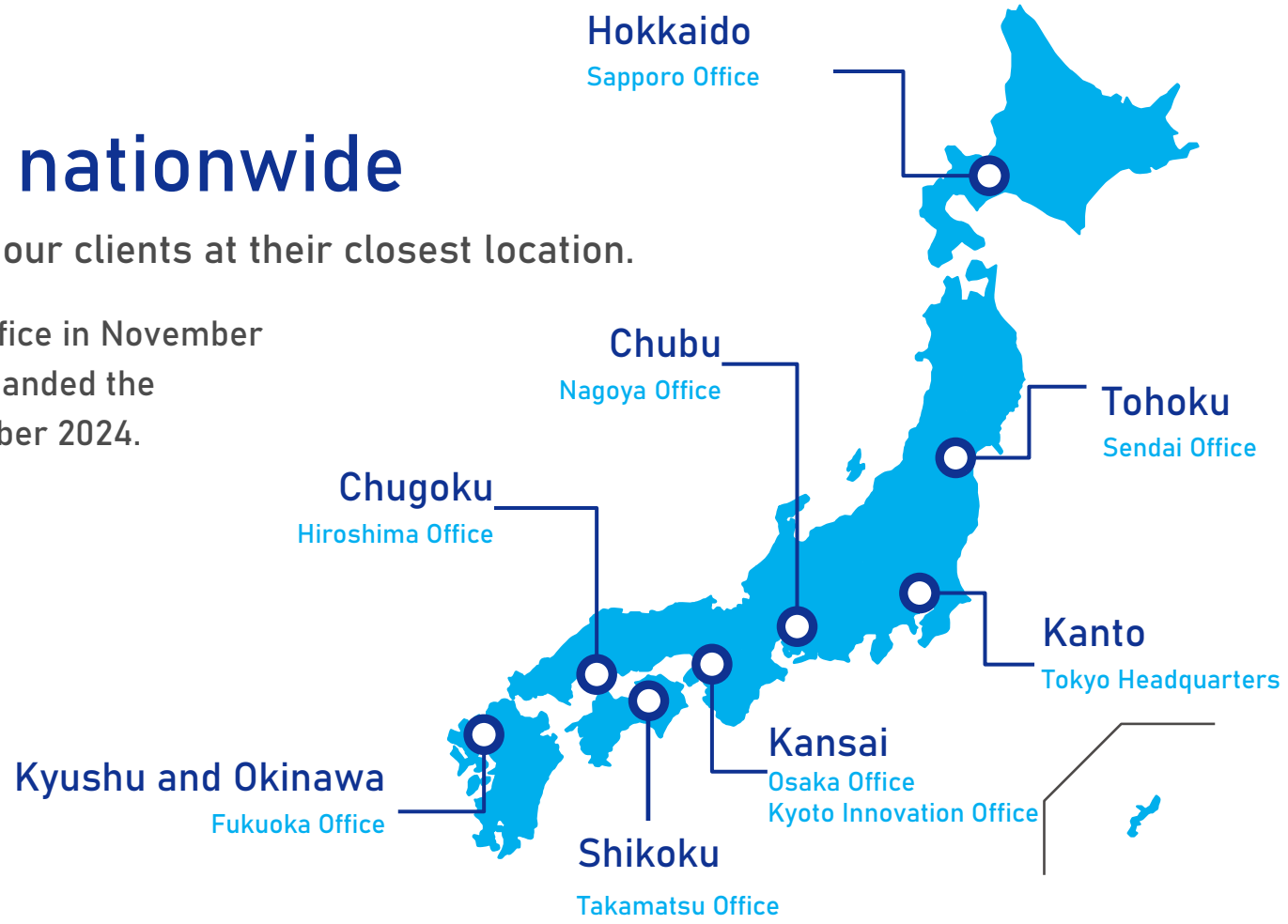
# Nine offices nationwide

Providing quality support to our clients at their closest location.

- Expanded the Hiroshima Office in November 2024 and relocated and expanded the Takamatsu Office in December 2024.

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# Operation of M&A Portal Site

- ☑ Gather and leverage M&A insights
- ☑ Offer information free of charge to foster M&A opportunities

M&A Online




## M&A Database

Our M&A database contains timely disclosures on M&A deals that can be searched by company name, securities code, scheme, and industry.

## Large Shareholding Report Database

We update and disclose the Large Shareholding Report Database, which provides insight into indicators of M&A activity and trading trends among major investors. We provide all large shareholding report data submitted to EDINET.

## Publication of *M&A Yearbook*

The M&A Yearbook is a magazine-book covering data for all M&A deals carried out by listed companies in a year, examining the deals from various angles, including monetary value and industry type.




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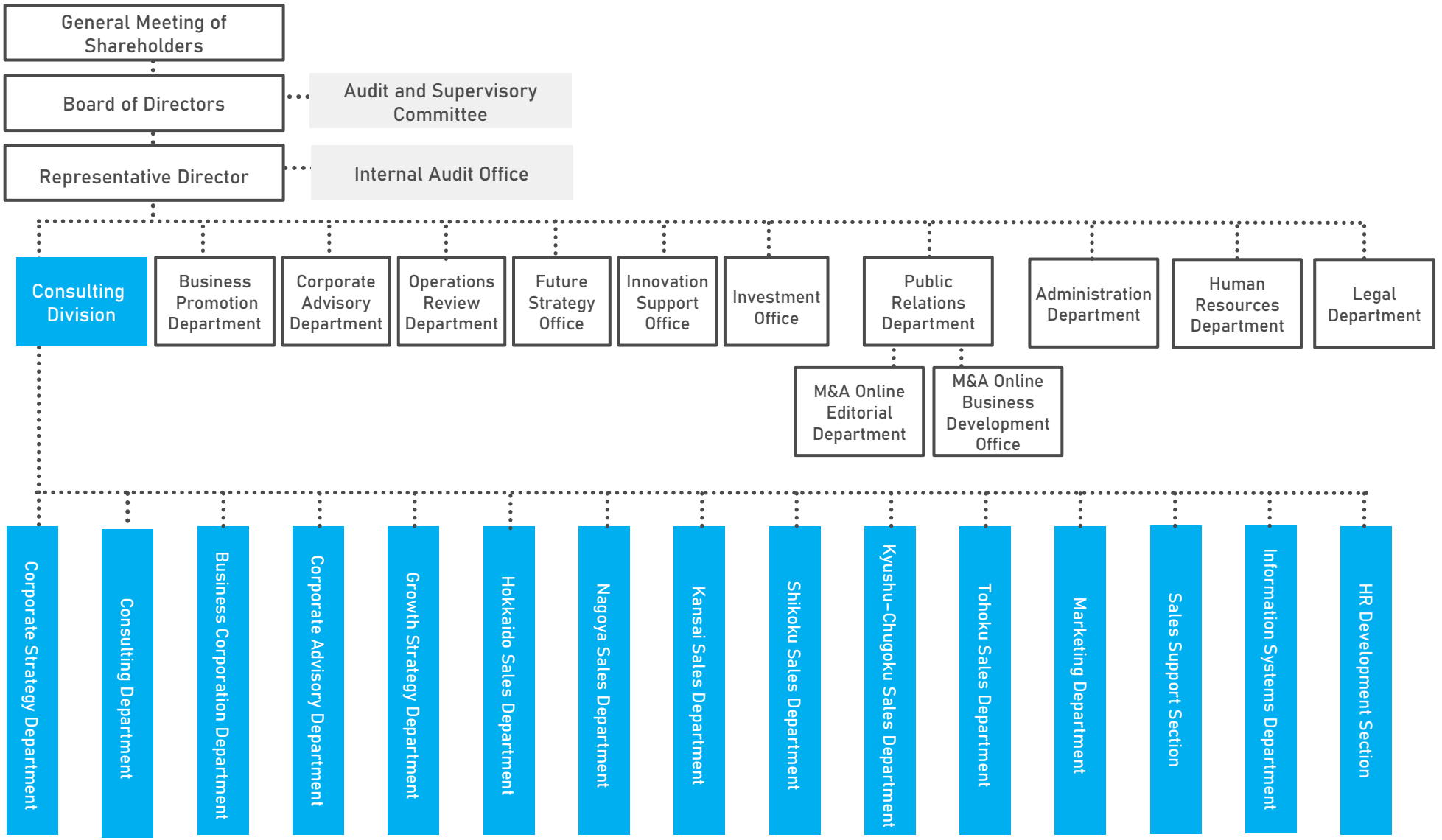
# Organization (as of January 1, 2025)

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# Our Mission

STRIKE

Create partnerships that change the world

Together, we can overcome the reality.
Together, we can find the right answer.
Together, we can enrich the world.
Together, we can exceed expectations.

Individually, possibilities are limited, but by joining together we become a great force.

The process of coming together can be challenging, but a new world awaits in the future if we overcome those difficulties.

We rise as one to overcome any challenge.

We listen, put our heads together, and dedicate our all to everyone involved in M&A.

We take every step with you to achieve a bright and positive future.

Together, we can create partnerships that change the world.

We are Strike.

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