

# Investor Presentation

August 2024



# Disclaimer

- 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.

# Company Profile

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Company name	Strike Co., Ltd.
Established	July 1997
Representative	Kunihiko Arai, President & CEO
Capital	823 million yen (as of March 31, 2024)
Directors	Kunihiko Arai, President & CEO Nobuo Suzuki, Director & CHO Kazuya Kaneda, Managing Director & COO Koichi Nakamura, Director & CFO Yuji Furumoto, Outside Director Jiro Araki, Outside Director (Audit and Supervisory Committee Member) Nozomi Kogoma, Outside Director (Audit and Supervisory Committee Member) Hiroshi Sakamaki, Outside Director (Audit and Supervisory Committee Member) Tomoko Kato, Outside Director (Audit and Supervisory Committee Member)
Headquarters	15F MITSUI & CO. Building, 1-2-1 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan
Business	M&A brokerage business

# Strike at a Glance

1997

Founded

278

Employees\*

¥13.8B

Net sales\*

30%

ROE\*

37.6%

OPM\*

28.9%

CAGR\*

9

offices  
nationwide

9

straight  
years of profit  
and sales  
growth

\* FY2023/9

# Strike's Value Proposition



Our mission is to “Create partnerships that change the world,” creating meaningful connections and realizing people’s aspirations through M&A.



We have achieved nine consecutive years of sales and profit growth, while consistently maintaining a high profit margin.

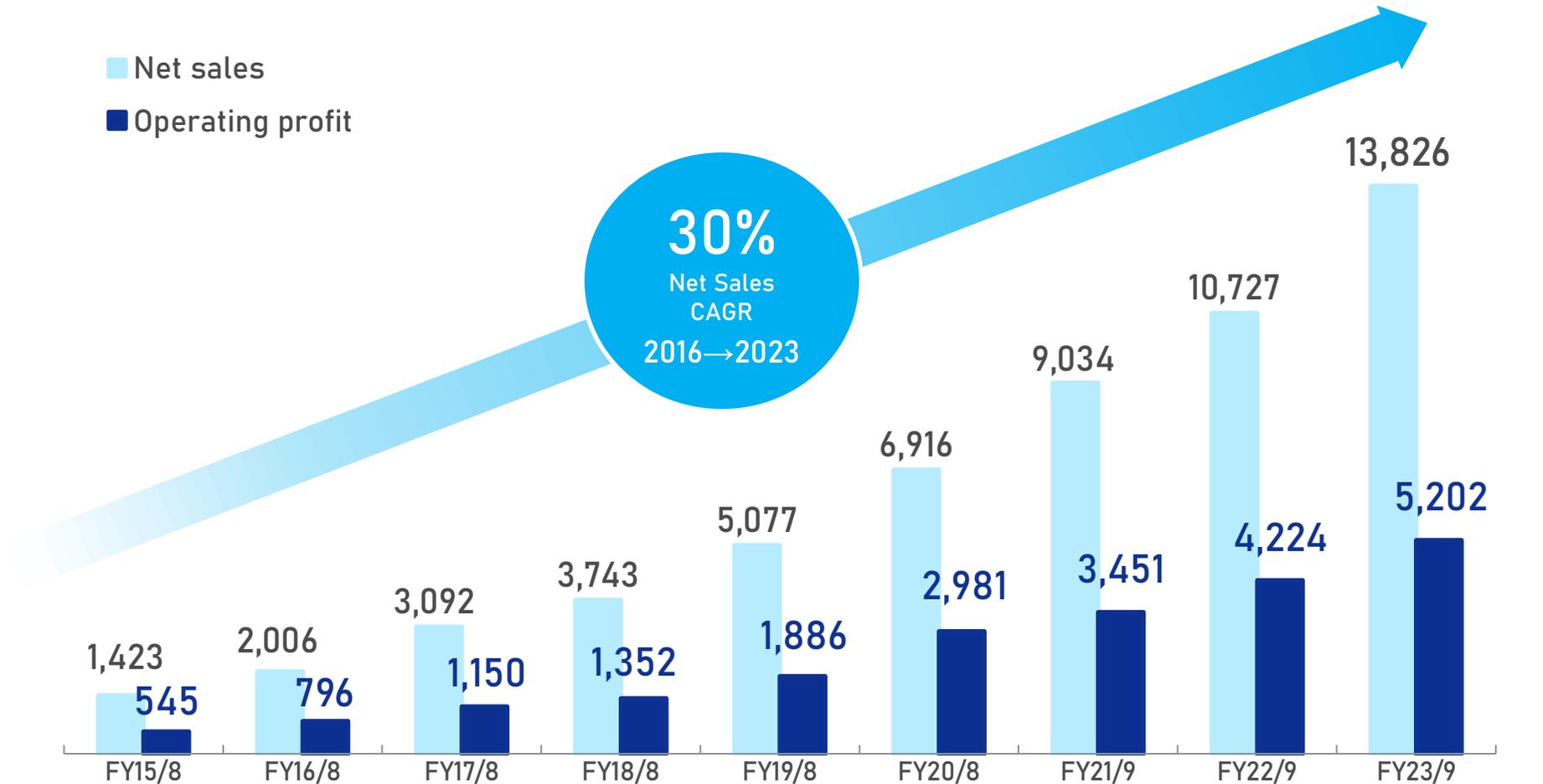


We continue to see significant opportunity ahead of us with the large and growing M&A market in Japan.



Strike’s leadership team is committed to outstanding service quality and delivering positive results.

# Our History



**1997**  
Strike founded

**1998**  
Launches Japan's first M&A brokerage site, SMART

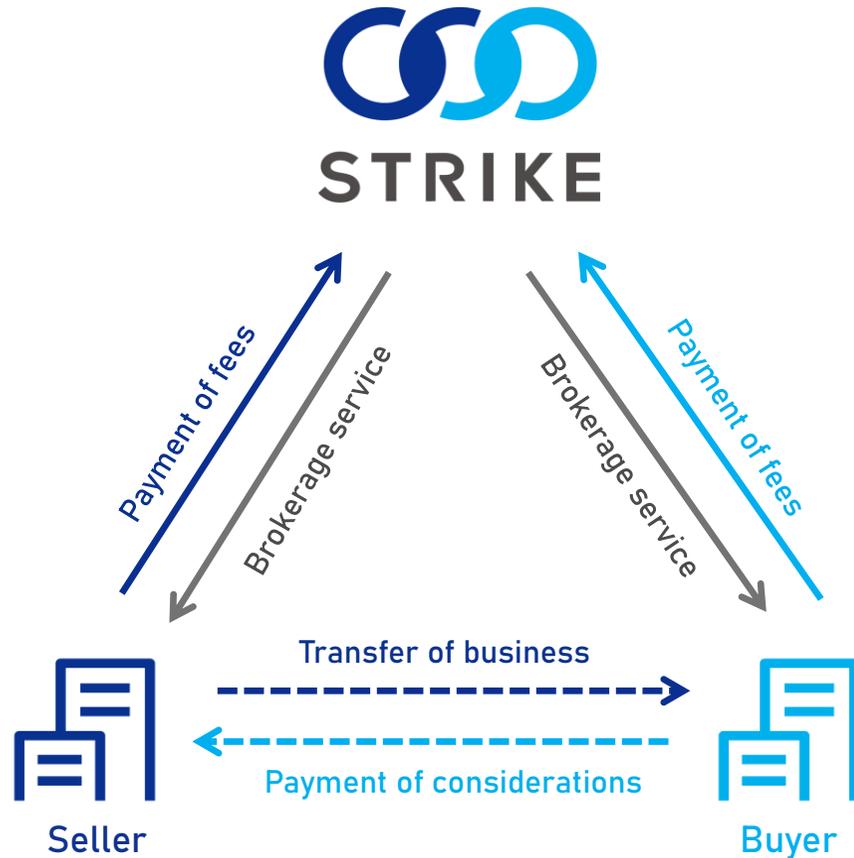
**2014**  
Strike shifts to growth strategy following listing of other M&A brokerage firms

**2016**  
Goes public on the Mothers section of TSE

**2017**  
Listing changes to the First section of TSE

**2022**  
Listing changes to the Prime section of TSE

# Business Model



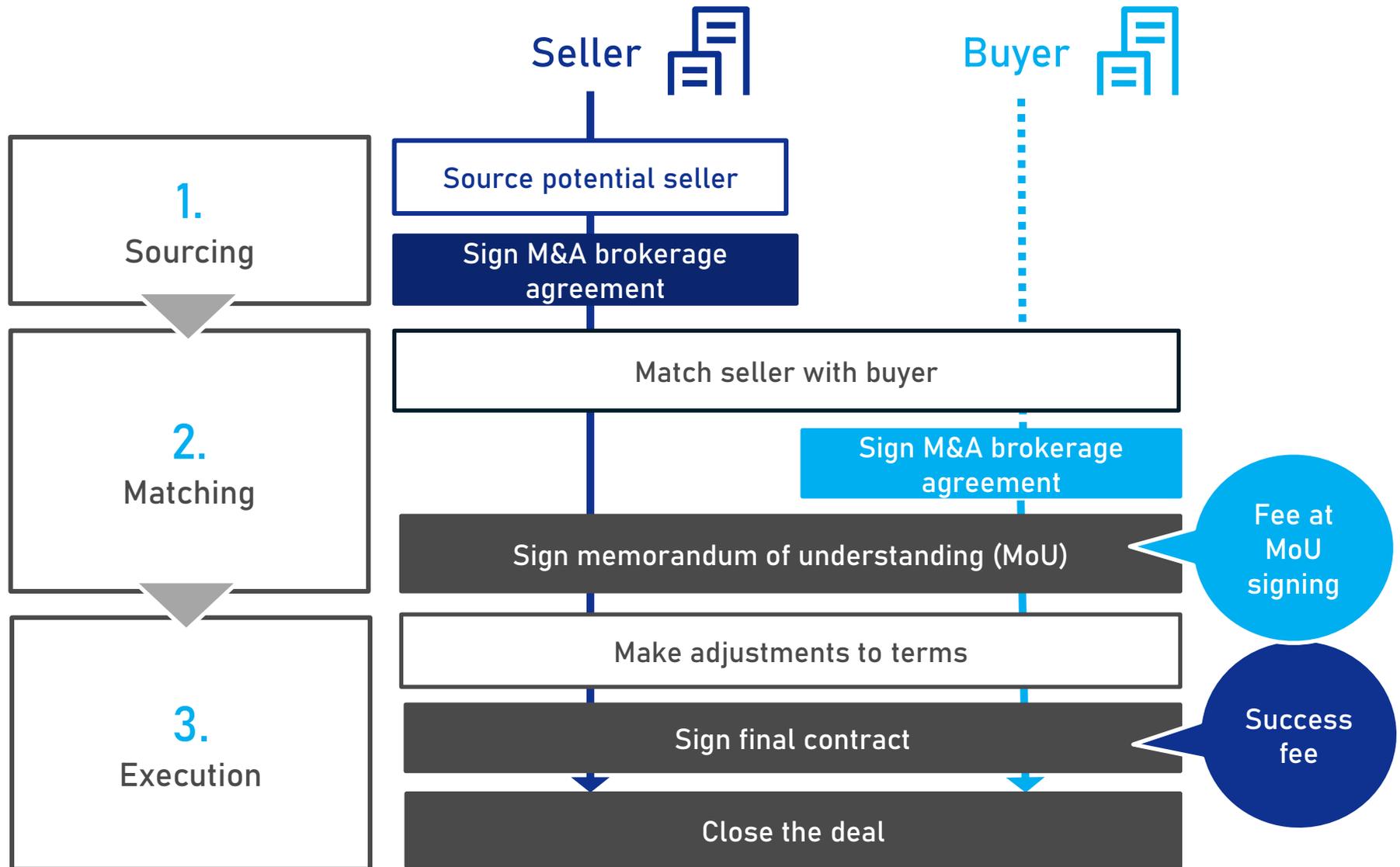
## Overview

- ✓ 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.

## Client Profile

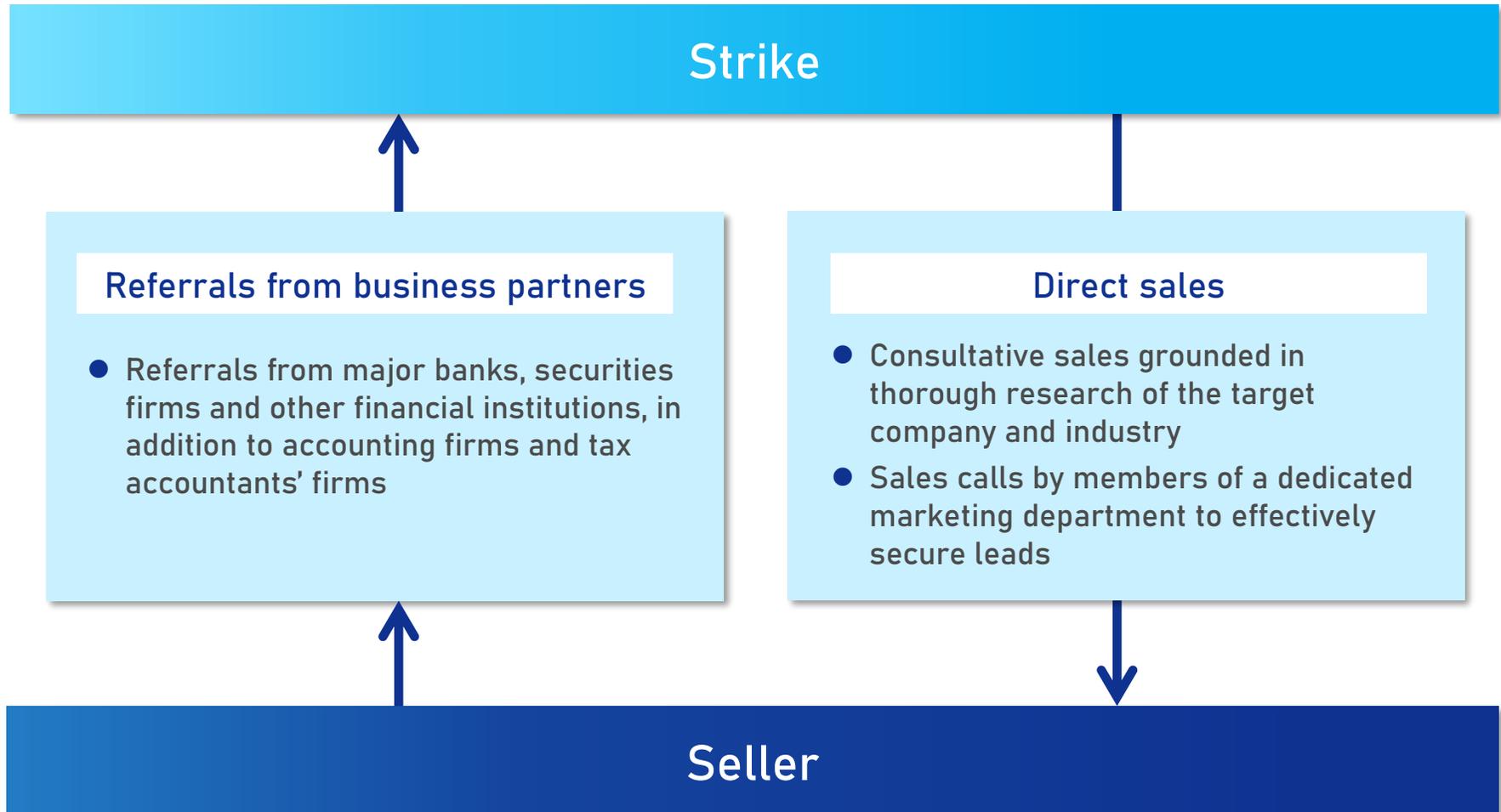
- ✓ Main sellers are SMEs in Japan.
- ✓ Main buyers are listed and unlisted Japanese companies, as well as private equity funds.

# Flow of M&A Brokerage Business



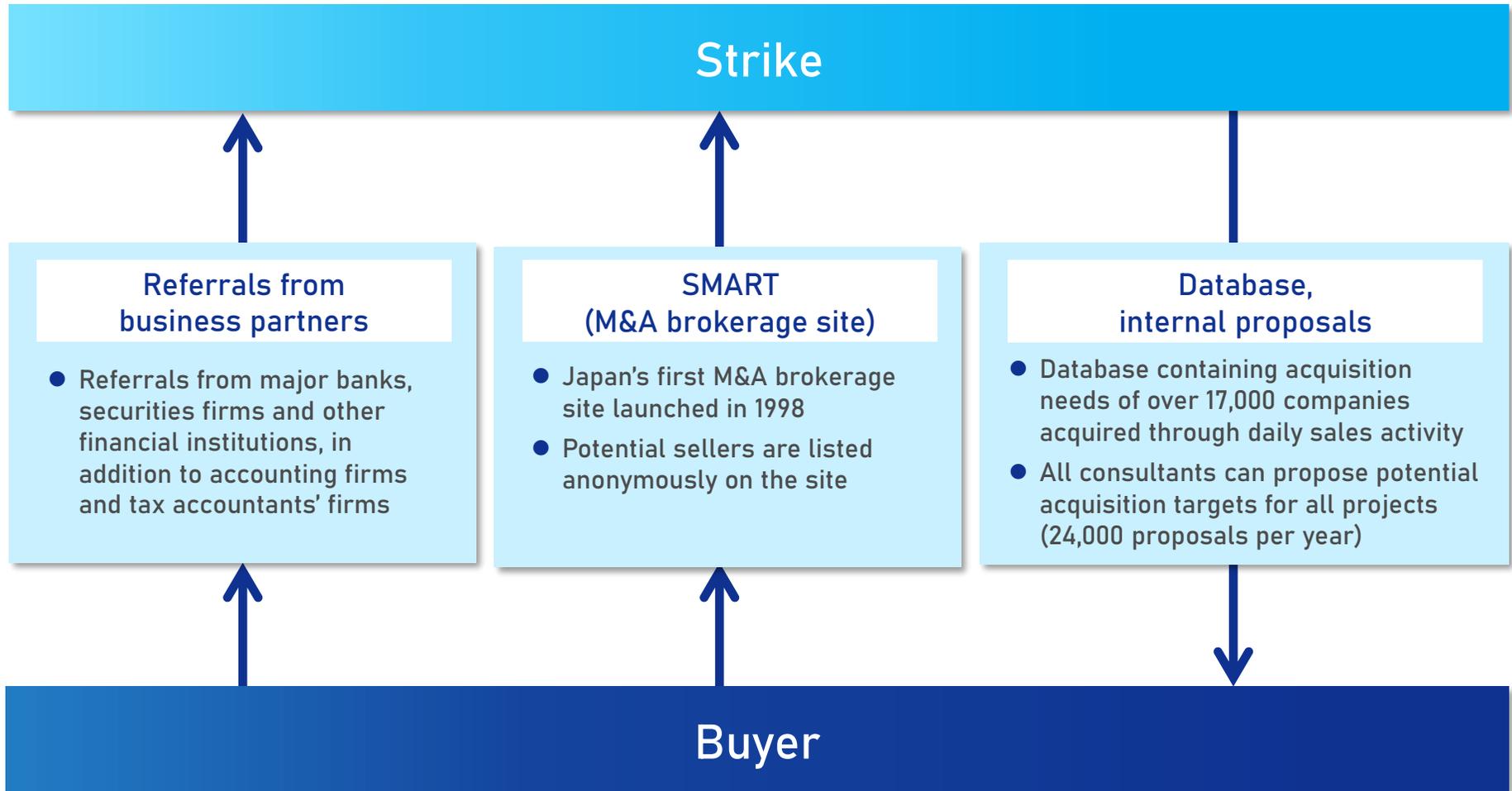
# Sourcing Channel (Seller)

- ✓ Potential sellers are sourced through direct sales channels and referrals from business partners.



# Sourcing Channel (Buyer)

- ✓ We source potential buyers using our extensive database accumulated through years of sales activities as well as our M&A brokerage site, SMART.



# 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.

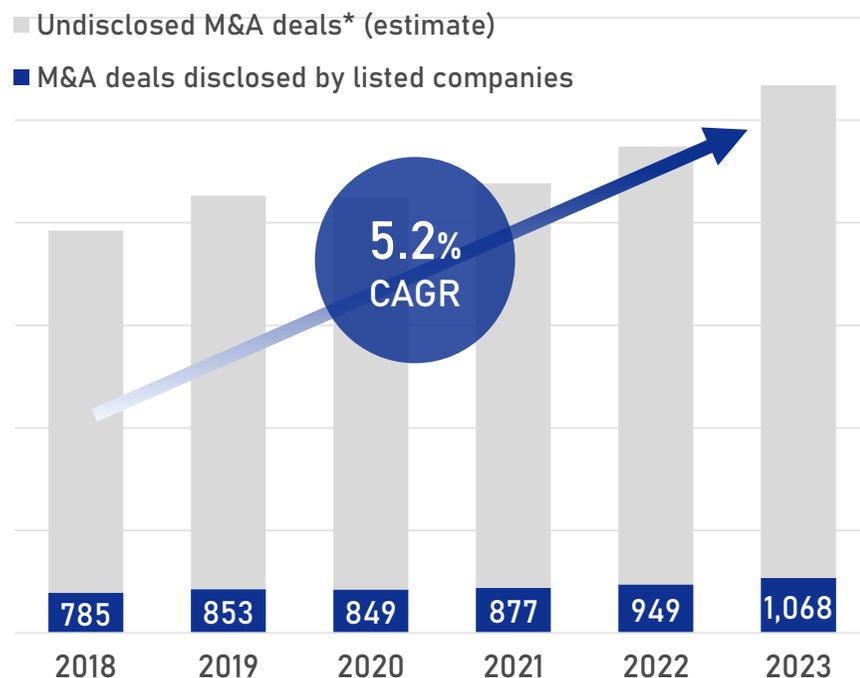
# Short, Medium, and Long-term KPIs

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

# Market Size

- ✓ Although there is no comprehensive data on M&A activity in Japan, we estimate that there are over 10,000 M&A deals annually in Japan, which are about 10 times higher than the number of M&A deals disclosed by listed companies. (This figure is even higher when including extremely small M&A transactions.)



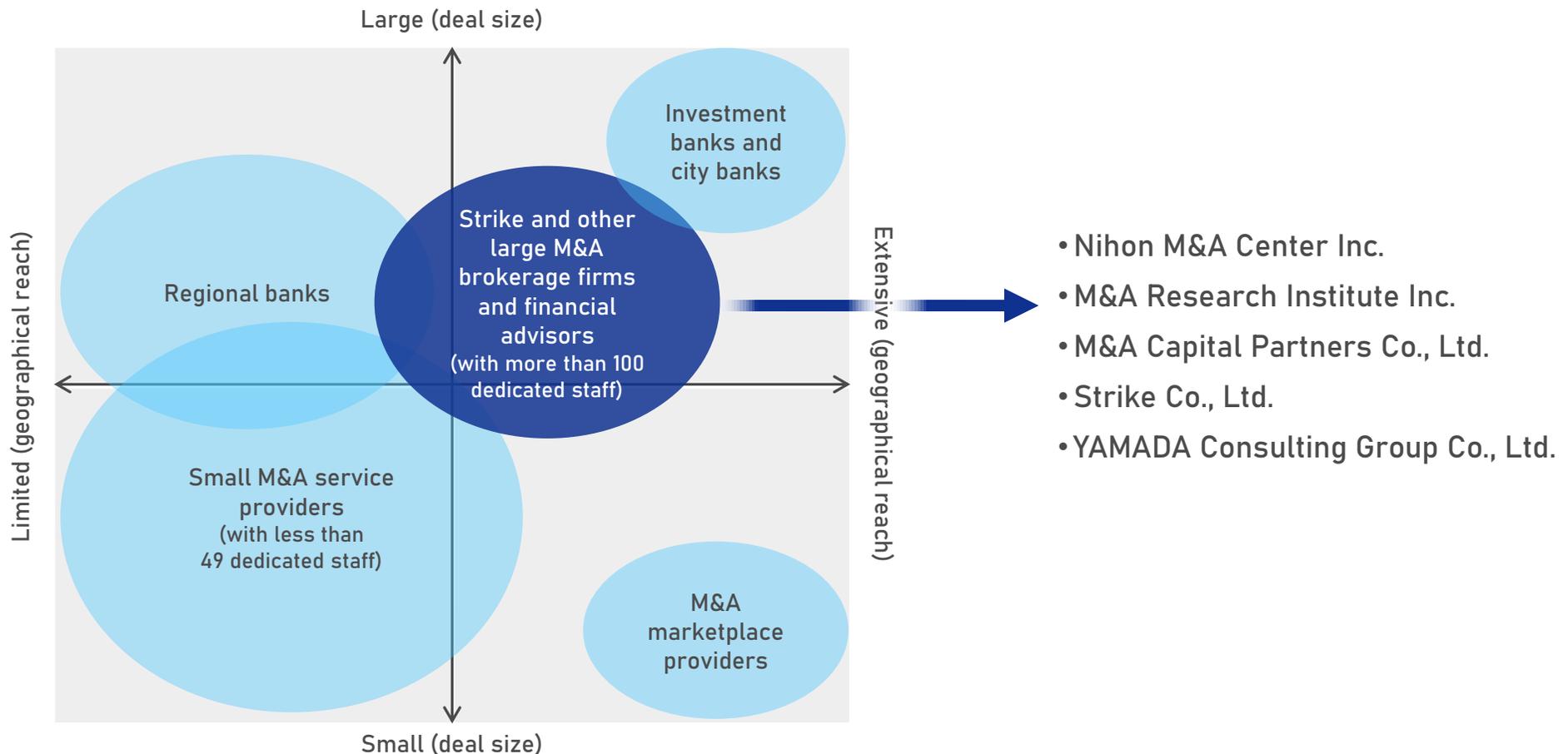
\*Estimated number of undisclosed M&A deals (Strike's estimate based on the percentage of M&A deals Strike were involved in that were not subject to timely disclosure).



\* M&A deals brokered by Strike in FY23/9

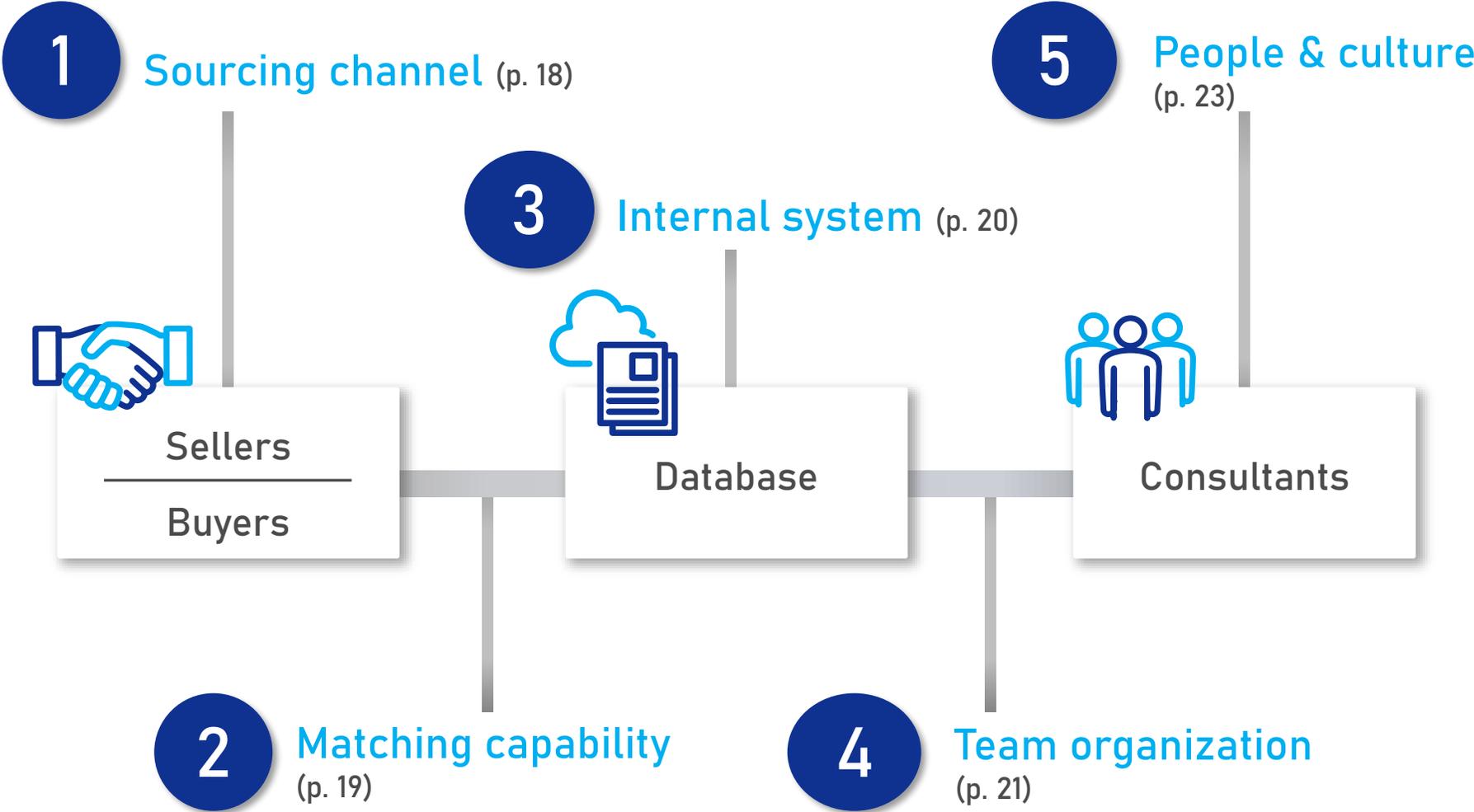
# Competitive Environment

- ✔ Despite a significant increase in the number of new entrants, over 95% of them have fewer than 10 employees and are typically involved in small deals.
- ✔ Our main competitors are M&A service providers and M&A financial advisors with more than 100 dedicated staff.



# Our Competitive Advantages

☑ Five strengths supporting our growth

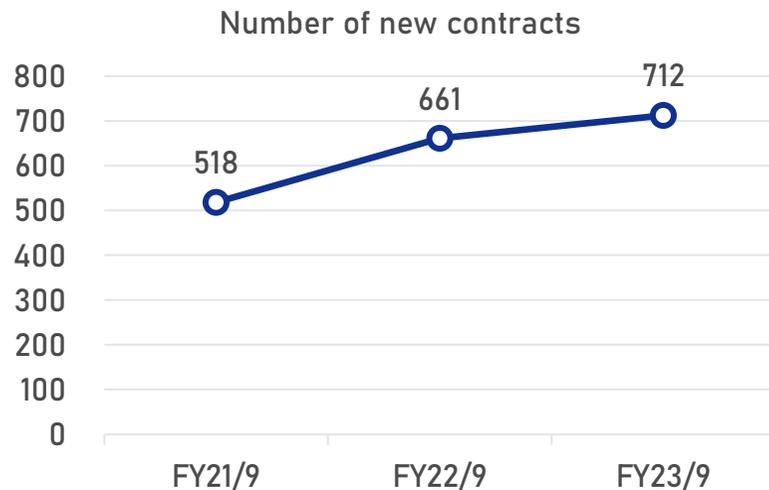


# 1) Sourcing Channel

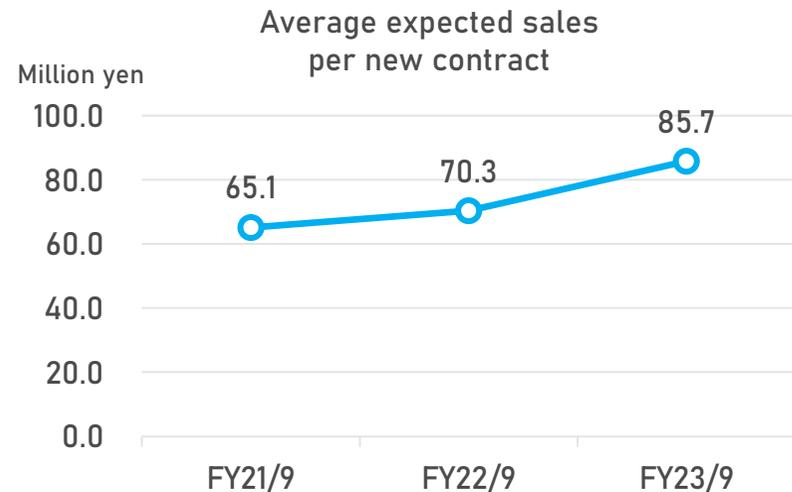
- ☑ Increase the number of new contracts and average sales per deal closed by maintaining a good balance between direct sourcing and referrals.



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.



## 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

Our M&A brokerage site SMART garners over 4,000 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

All consultants can propose potential acquisition targets for all projects. Approx. 24,000 potential acquisition targets are proposed annually.

24,000



4

Extensive network of partners

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



### 3) Sales Management System

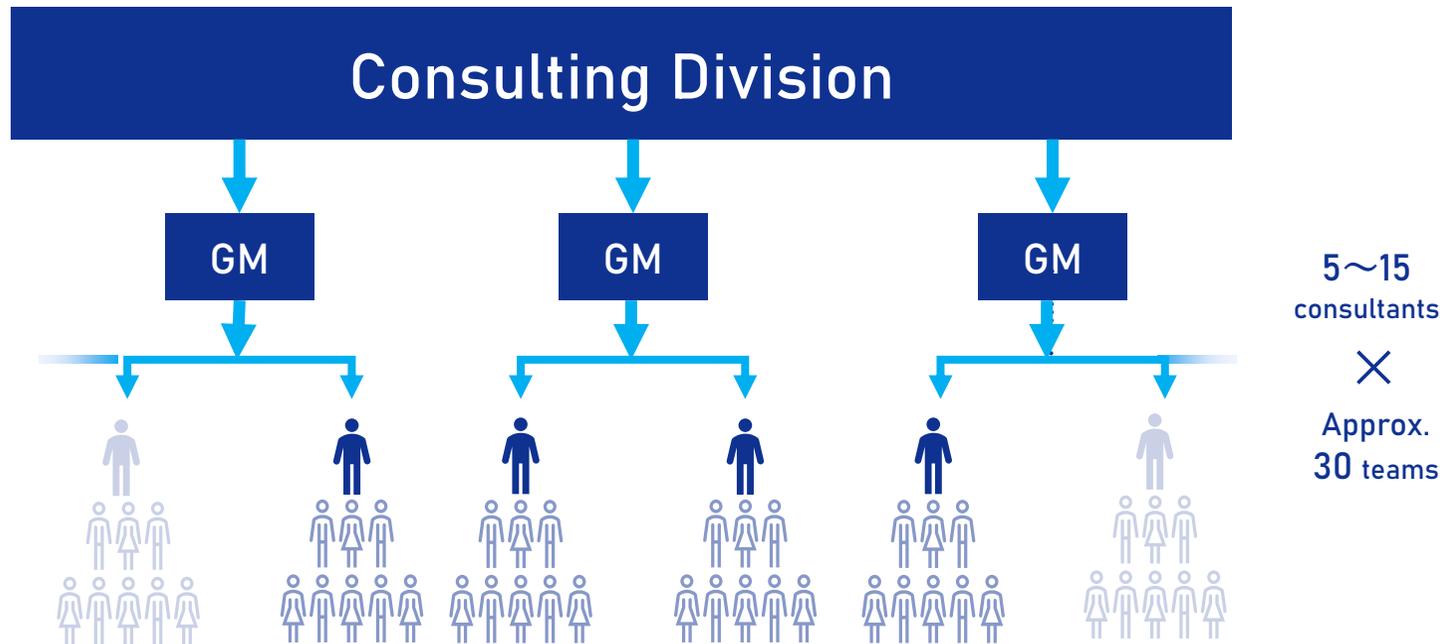
- ✓ Enhance operational efficiency and optimize matching by incorporating a wealth of corporate data into our internal sales management system.

Increase operational efficiency and optimize matching



## 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.



## 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 consultants 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**

## 5) People & Culture - 1

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- ✓ 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.



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

## 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



# M&A Track Record in Various Industries

## ✓ Breakdown of the number of businesses sold by industry

Industry	FY2021/9	FY2022/9	FY2023/9	Total
Construction	28	33	43	104
Manufacturing	32	24	25	81
IT	24	24	8	56
Services	10	21	17	48
Healthcare and nursing care	9	15	17	41
Wholesale and agency services	11	13	12	36
Transportation and logistics	11	10	15	36
Retail and distribution	8	12	7	27
Restaurants and food services	9	9	4	22
Real estate	3	12	6	21
Education	4	7	2	13
Leisure	3	4	1	8
Dispensing pharmacies	2	3	2	7
Recruiting	4	2	1	7
Other	2	5	0	7
Printing and media	3	2	1	6
Fashion	1	3	1	5
Building maintenance	3	1	1	5
Rental services	2	1	1	3

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.

# Market Environment: Public and Private Sector Initiatives

## 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 Intermediary 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 Intermediary 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 (2nd Edition in Sept. 2023)	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 Intermediary 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 Intermediary 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.

# Market Environment: Stricter Regulations

- ✓ In May 2024, the Small and Medium Enterprise Agency outlined plans to revise the second edition of the SME M&A Guidelines, which was published last September, to a third edition at the third meeting of the subcommittee on reviewing the SME M&A Guidelines.

## Planned Revision to M&A Guidelines for SME (3rd Edition)

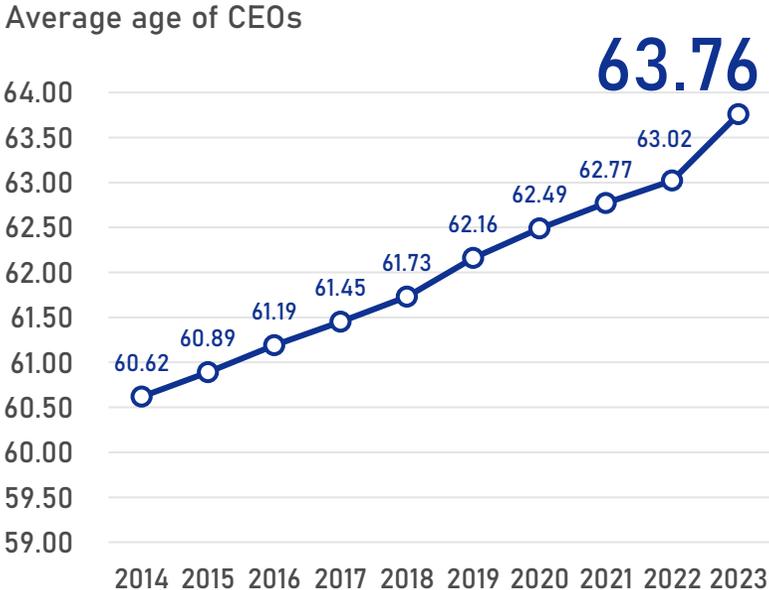
1. Explanation of brokerage and FA fees
  - Disclosure of standard fees, and for brokerage firms, disclosure of the brokerage fees receivable from the seller to the buyer and vice versa, etc.
2. Clarification of prohibited advertising and sales practices
3. Specification of prohibited conflict of interest actions in brokerage business
  - Prioritizing buyers' interests by receiving additional fees from them or making sellers to agree to unjustly low sale prices to favor the buyer.
  - Favoring repeat clients and providing them with special benefits.
  - Demanding a certain percentage of the difference between the desired sales price and the actual sales price from the buyer or seller, in addition to standard fees.
4. Addressing issues that may lead to disputes between parties after signing the final contract
5. Handling of personal guarantees
6. Elimination of inappropriate operators
  - Establishment of a mechanism to share information about inappropriate operators within the industry, etc.

**Tighter regulations are essential for the industry's development. Strike has been taking steps to address these potential changes and does not anticipate any major impact on our business.**

# Market Environment: Aging CEOs, Increase of Business Closures

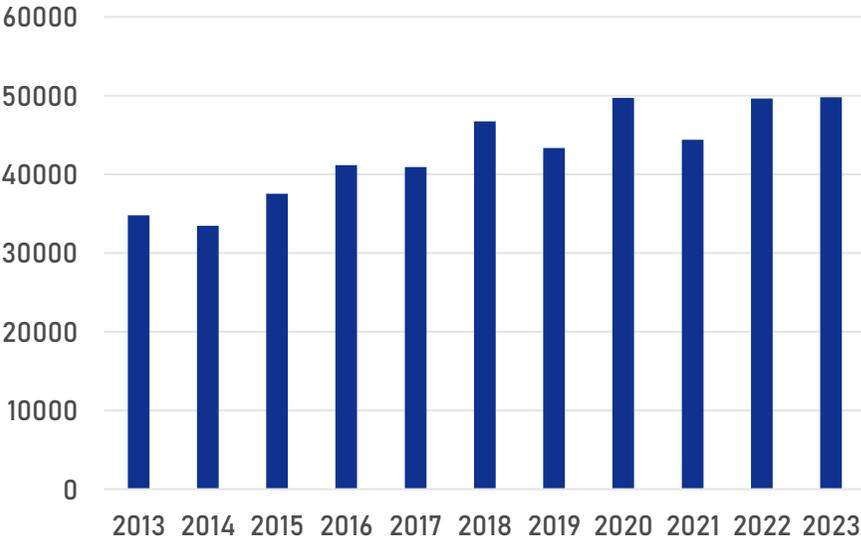
- ✔ With CEOs aging, there are many companies without successors, even among companies with elderly CEOs.
- ✔ The number of closed and dissolved businesses also remain at a high level.
- ✔ The market for business succession M&A is expected to continue expanding.

## Aging CEOs



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

## Number of Businesses Closed or Dissolved

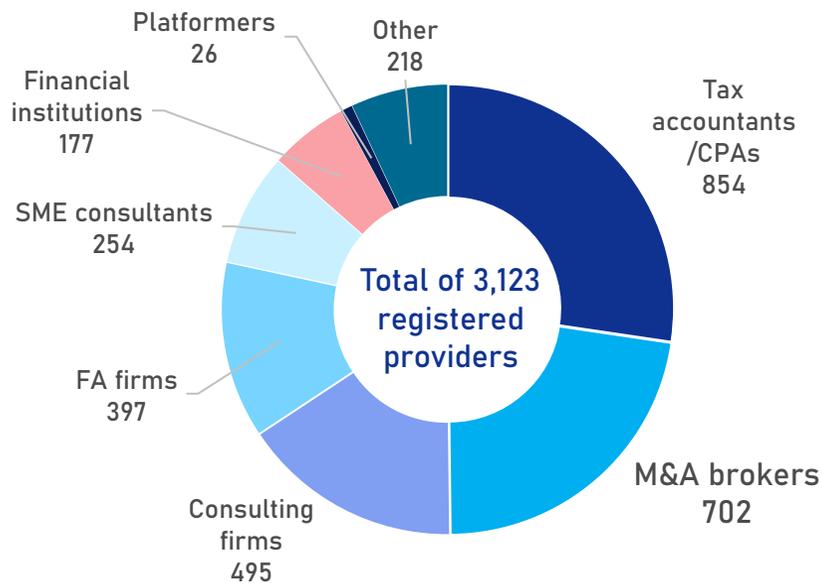


Source: "2023 Survey of Trends in Closed and Dissolved Businesses," Tokyo Shoko Research, Ltd.

# Market Environment: M&A Service Providers

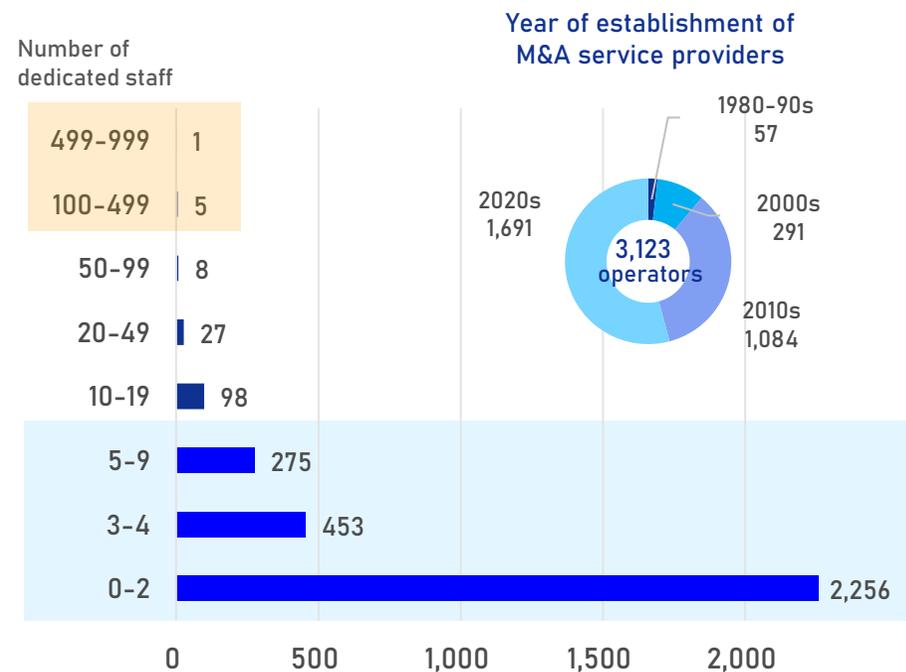
- ✓ The Small and Medium Enterprise Agency launched a registration system for M&A service providers (although not mandatory, most providers are registered).
- ✓ Although the number of M&A service providers has been on the rise in recent years, many are still small in size.

## Number of Registered M&A Service Providers



Source: Current Registration Status (as of Mar. 13, 2024) by the Small and Medium Enterprise Agency

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

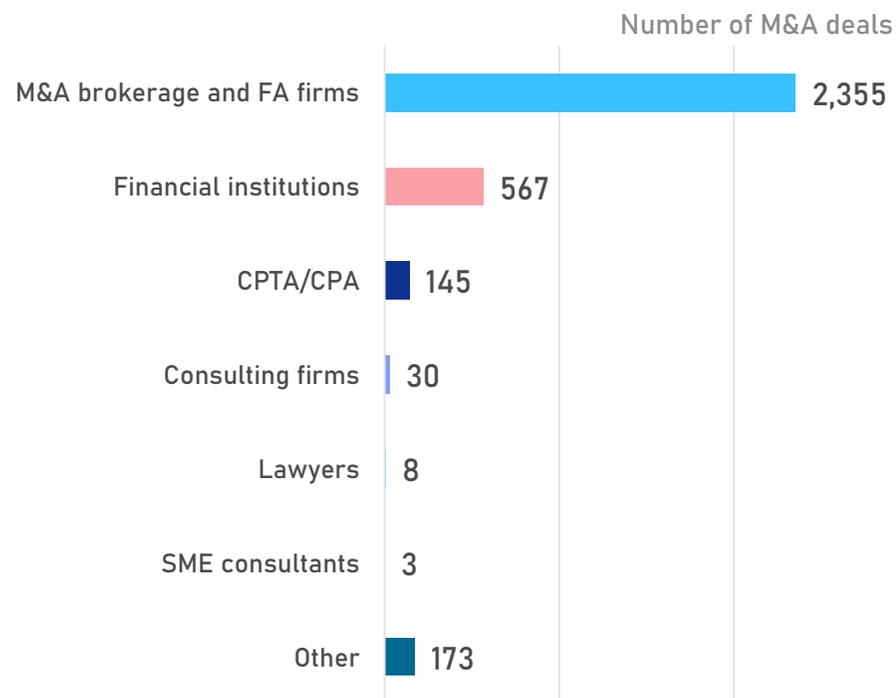


Source: Current Registration Status (as of Mar. 13, 2024) by the Small and Medium Enterprise Agency

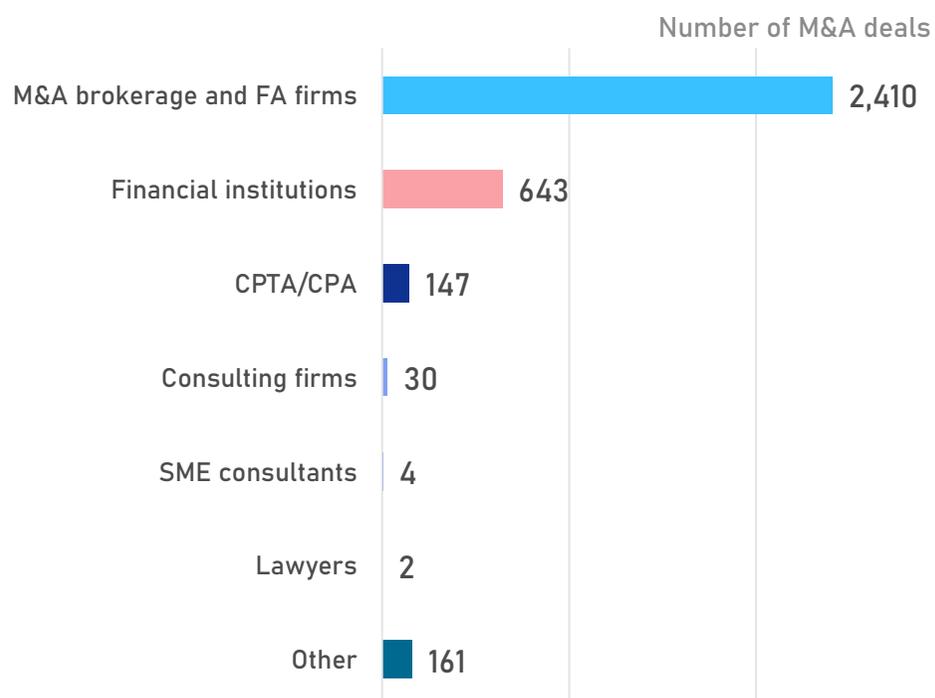
# Market Environment: Status of Use of M&A Service Providers

- ☑ A large percentage of sellers use M&A brokerage firms and financial advisory (FA) firms when selling their business or acquiring another business.

## Sale of Own Business



## Purchase of Other Business



Created based on FY2021 Performance Report of the Registration System for M&A Support Organizations.

# Market Environment: M&A of Startups

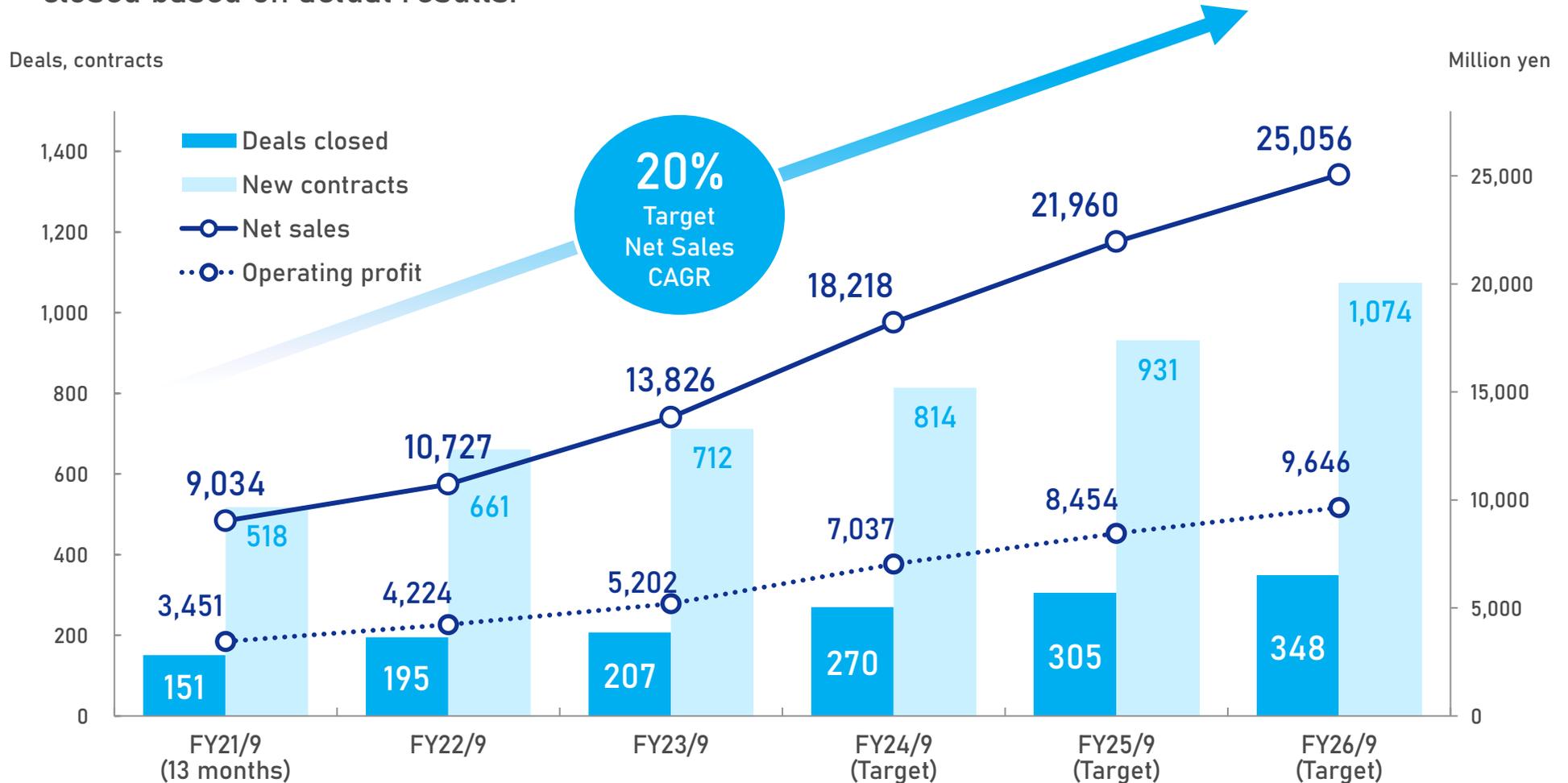
- ✓ The Japanese government has designated 2022 as the “first year of startup creation” and announced the “Startup Development Five-year Plan” in November 2022.
- ✓ As part of its efforts to create a startup ecosystem, the government is developing various measures to facilitate startup M&A activity.

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



# Results and Targets

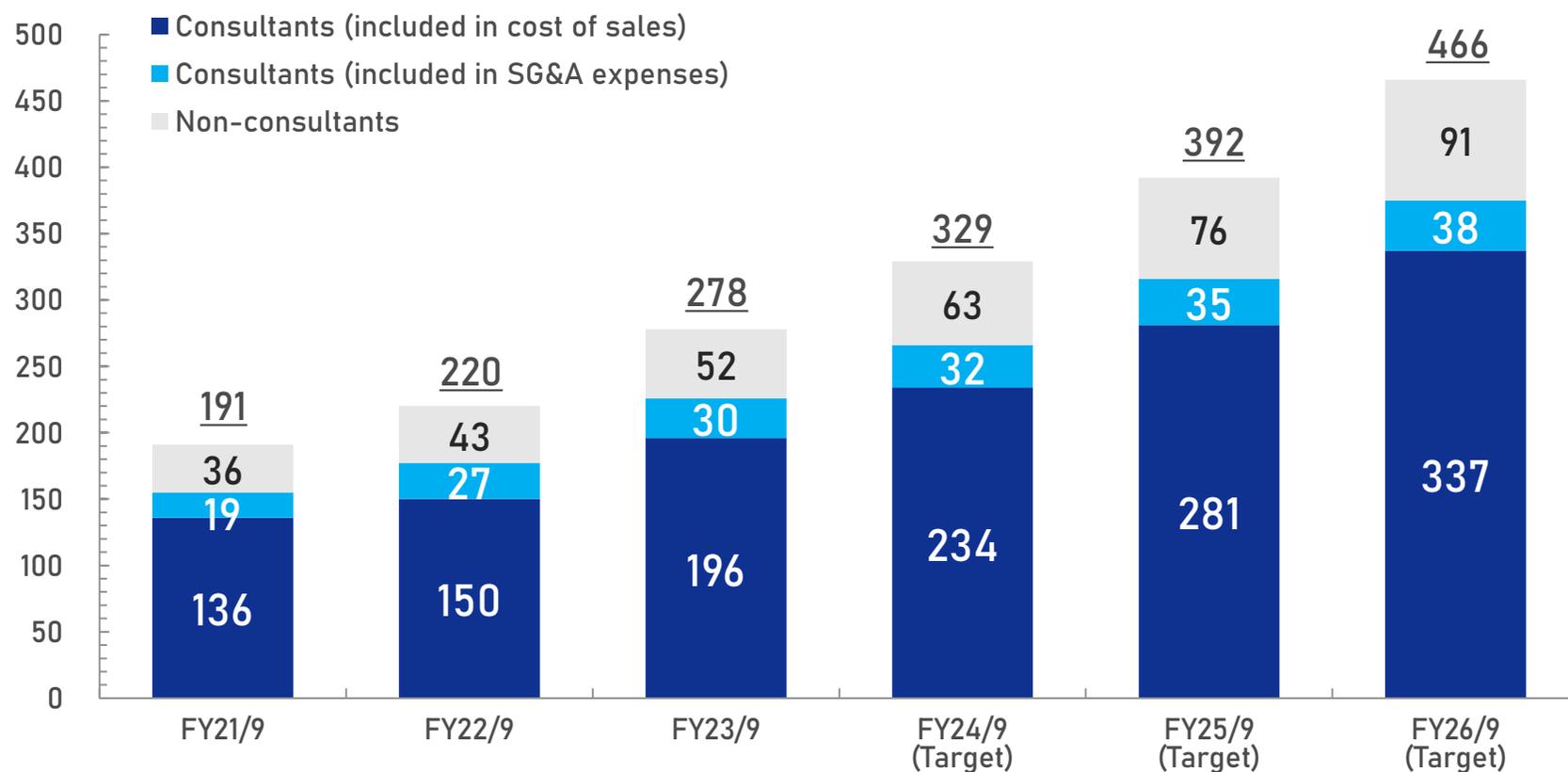
- ✓ An updated version of the following plan, which was set at the beginning of the fiscal year, will be provided upon the announcement of the full-year FY24/9 results. The review will include the number of new contracts, closing rate, number of deals closed, average sales generated per deal closed based on actual results.



# Employees

- ✔ Consistently grow our team while maintaining service quality.
- ✔ Strengthening our candidate outreach by enhancing recruitment content and organizing hiring events.

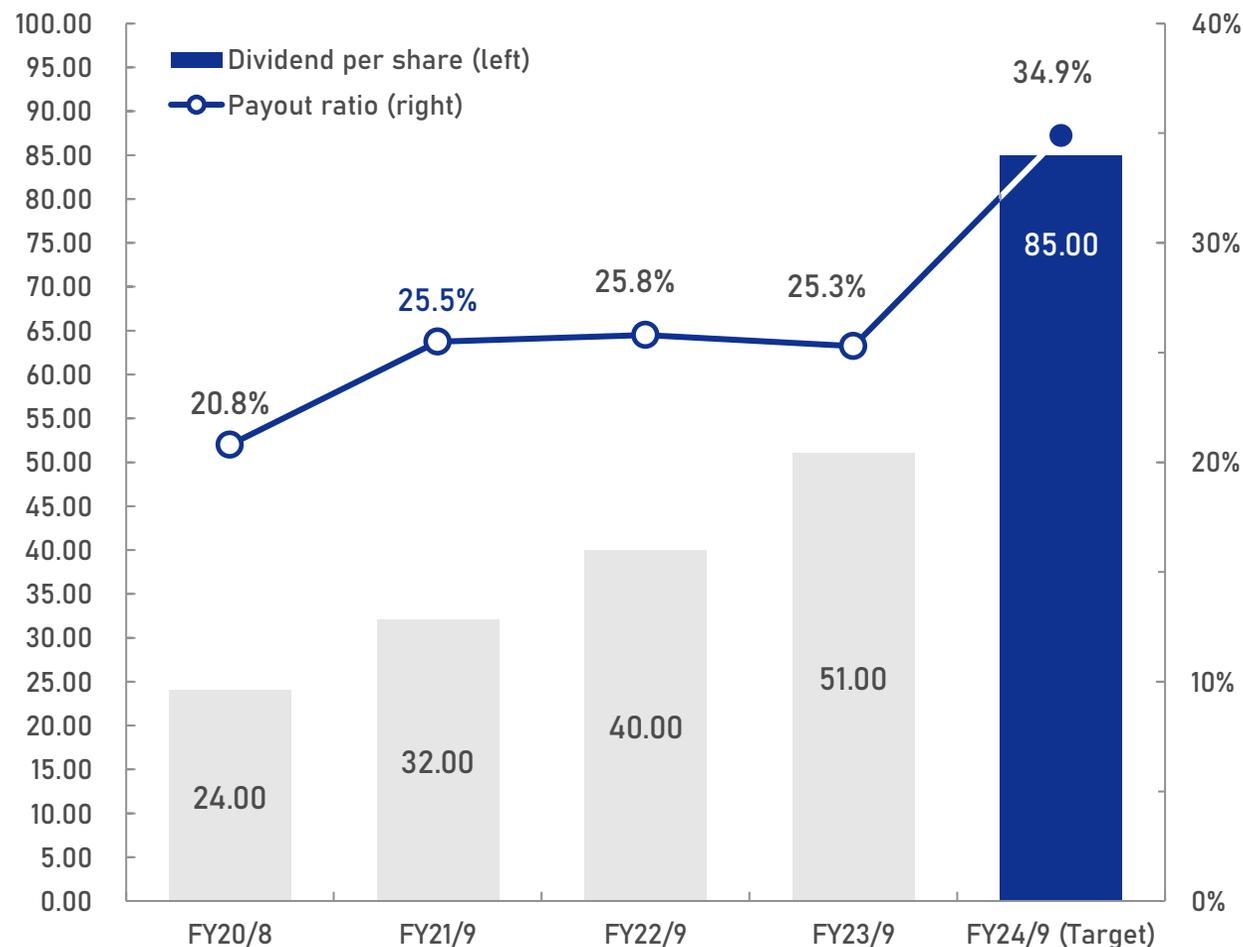
Employees (Fiscal Year-End)



# Shareholder Return

- ✓ Raised the payout ratio from 25% to 35%, aiming to maintain the current ROE level.
- ✓ Increased dividend per share from ¥62 to ¥85. However, the shareholder special benefit plan has been discontinued.

Dividends and Payout Ratio



## Dividends

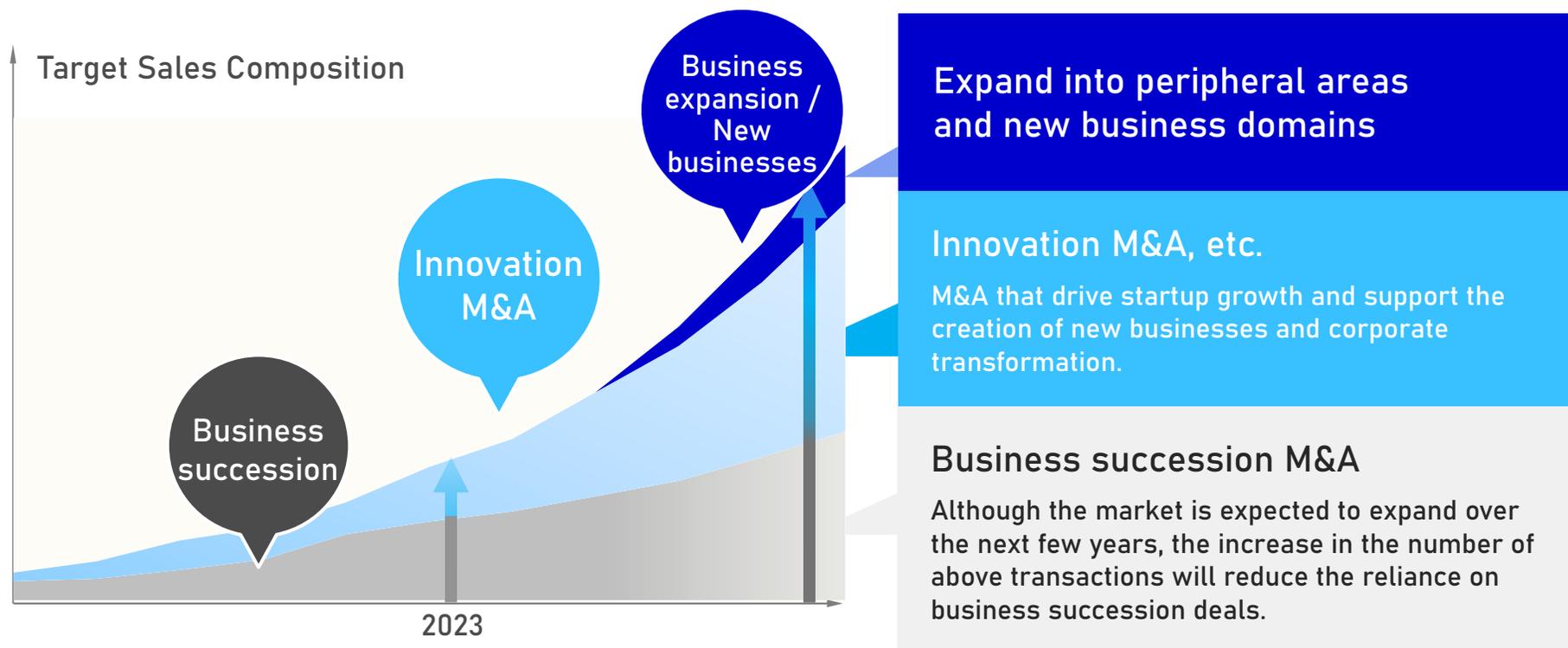
- Payout ratio of 35%. Consider further dividend increases based on the level of profits.
- Maintain the initial dividend payout, provided that profits remain above 70% of our initial plan.

## Share buybacks

- Consider share buybacks, depending on circumstances.

# 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.
- ✔ Further increase our market share of business succession M&A.
- ✔ Focus on market cultivation aimed at facilitating innovation M&A.
- ✔ Expand into peripheral areas and new business domains to achieve sustainable growth.



# Our Mission

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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.