

October 30, 2023

# Financial Results for the Fiscal Year Ended September 30, 2023 and Future Measures

Strike Co., Ltd.

Prime Market, Tokyo Stock Exchange: 6196



# STRIKE

FINANCIAL RESULTS AND FUTURE MEASURES

## Disclaimers



- Expressions in these materials in relation to the future outlook are based on information available to Strike Co., Ltd. as of the date these materials were released. Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.
- Expressions related to the Company's future outlook contain a variety of risks and uncertainties. The Company's business performance and results in the future may differ from the forward-looking statements contained in these materials due to known or unknown risks, uncertainties, and other factors.

**01 Operating Performance in FY09/23**

02 Forecast for FY09/24

03 Medium- to Long-Term Management Policy

04 Company Overview

05 Market Trends

## Executive Summary

### External Environment

- ☑ Listed companies have started to see a recovery in their performance as the Covid-19 pandemic had subsided, and overall M&A activity has been brisker than a year ago (see page 42).
- ☑ While some small and medium-sized enterprises (SMEs), such as those in the restaurant and accommodation industry, have shown a recovery, others have been slow to recover due to factors including soaring prices of raw materials and energy resources, and the number of bankruptcies has been on the rise.

### Operating Performance

- ☑ Full-year net sales grew to ¥13,826 million (+28.9% YoY) and operating profit rose to ¥5,202 million (+23.1% YoY), both record highs.
- ☑ Average sales per deal closed rose because of an increase in large deals, but the consequent lengthening of closing periods resulted in the number of deals closed falling short of our target. Small and medium-sized deals that were cancelled due to performance issues and other factors increased compared to the previous year.
- ☑ The bottom-line profit exceeded our target thanks to cost optimization efforts and the effective use of tax incentives to promote wage increases, while net sales fell short of our target.

### Recruiting

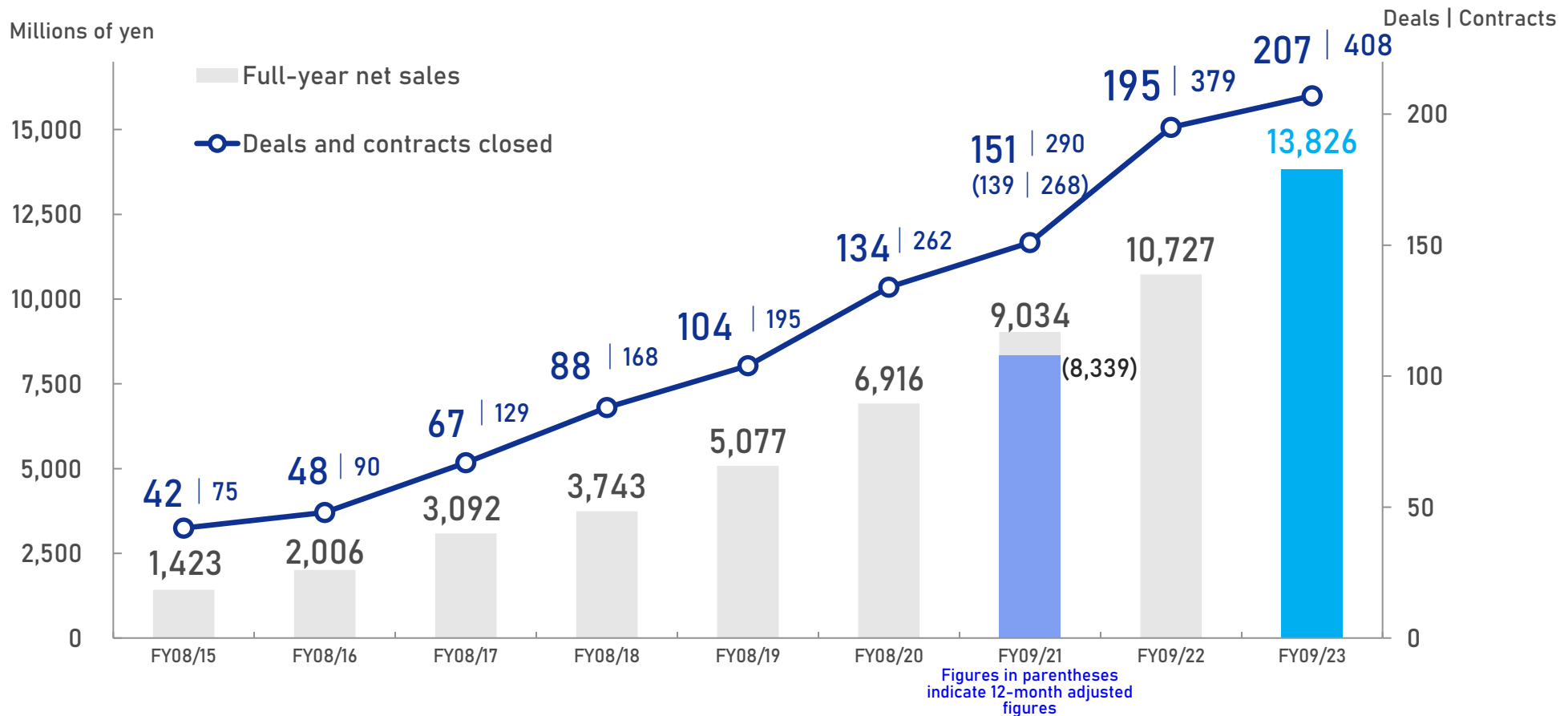
- ☑ The consultant headcount increased by 49 during FY09/23, exceeding our initial target of 40.

# FY09/23 Operating Performance



Net sales increased 28.9% YoY, achieving **the ninth consecutive year of sales growth.**

## Net Sales

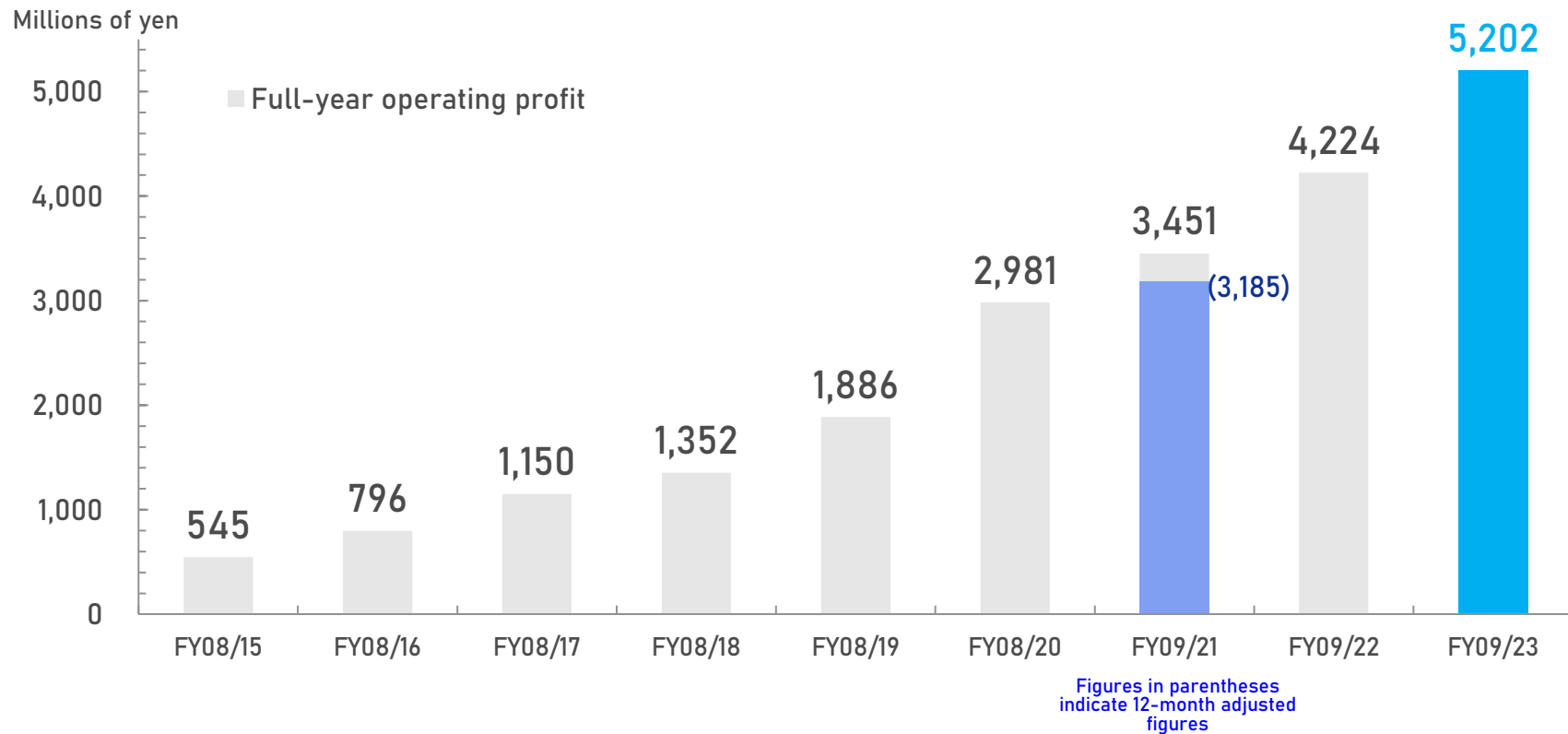


## FY09/23 Operating Performance



Operating profit was up 23.1% YoY, marking **the ninth consecutive year of profit growth**.

### Operating Profit



## Year-on-Year Comparison

The bottom-line profit margin improved YoY, while the operating profit margin declined YoY due to increases in advertising expenses and head office expansion expenses.

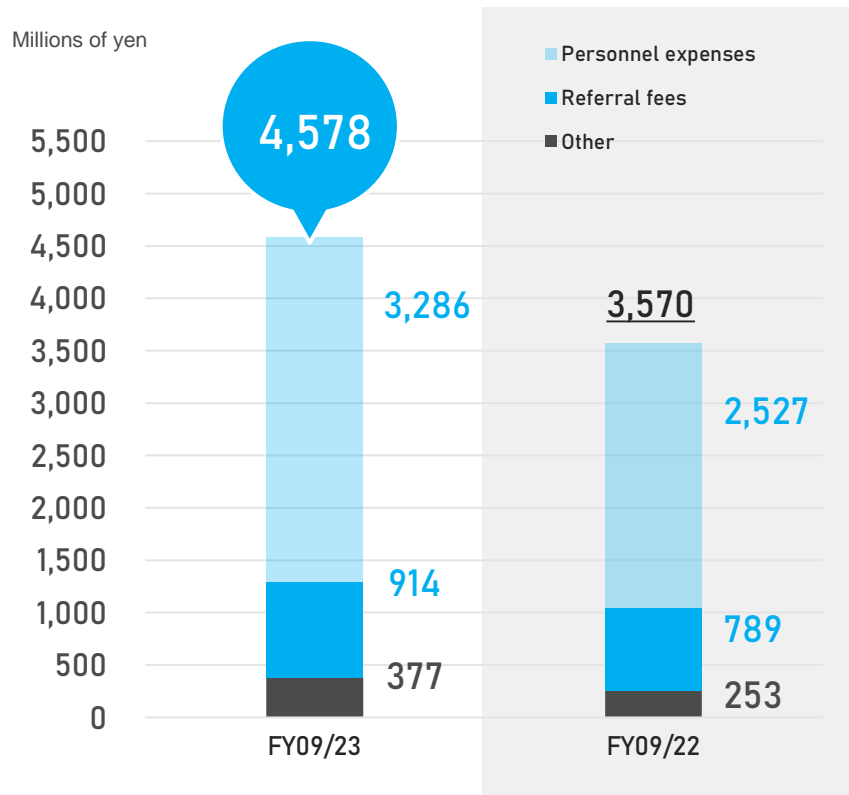
Millions of yen

	FY09/23		FY09/22		YoY change	
		% of net sales		% of net sales		
Net sales	13,826	100.0%	10,727	100.0%	+3,099	+28.9%
Cost of sales	4,578	33.1%	3,570	33.3%	+1,008	+28.2%
Gross profit	9,247	66.9%	7,157	66.7%	+2,090	+29.2%
SG&A expenses	4,045	29.3%	2,932	27.3%	+1,112	+37.9%
Operating profit	5,202	37.6%	4,224	39.4%	+977	+23.1%
Ordinary profit	5,211	37.7%	4,226	39.4%	+984	+23.3%
Profit before income taxes	5,196	37.6%	4,226	39.4%	+969	+22.9%
Profit	3,866	28.0%	2,962	27.6%	+904	+30.5%
Number of deals closed	207	-	195	-	+12 deals	
Number of new contracts	712	-	661	-	+51 contracts	
Employees	278	-	220	-	+58 employees	

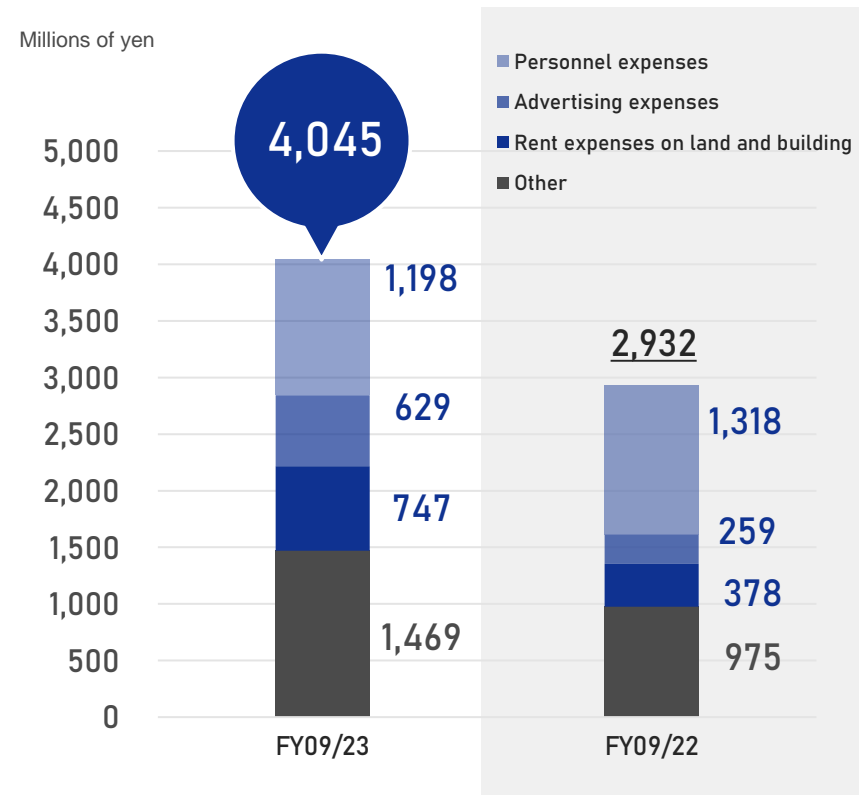
## Year-on-Year Comparison

While cost of sales increased, the cost of sales ratio was generally on par with the previous fiscal year. SG&A expenses grew YoY, mainly reflecting increases in advertising expenses due to TV commercials, etc. (+¥370 million), rent expenses on land and buildings associated with head office expansion (+¥368 million), other expenses related to recruiting activities (+¥97 million) and head office expansion (+¥151 million).

### Breakdown of Cost of Sales



### Breakdown of SG&A Expenses





## Comparison of Financial Position vs. End-FY09/22



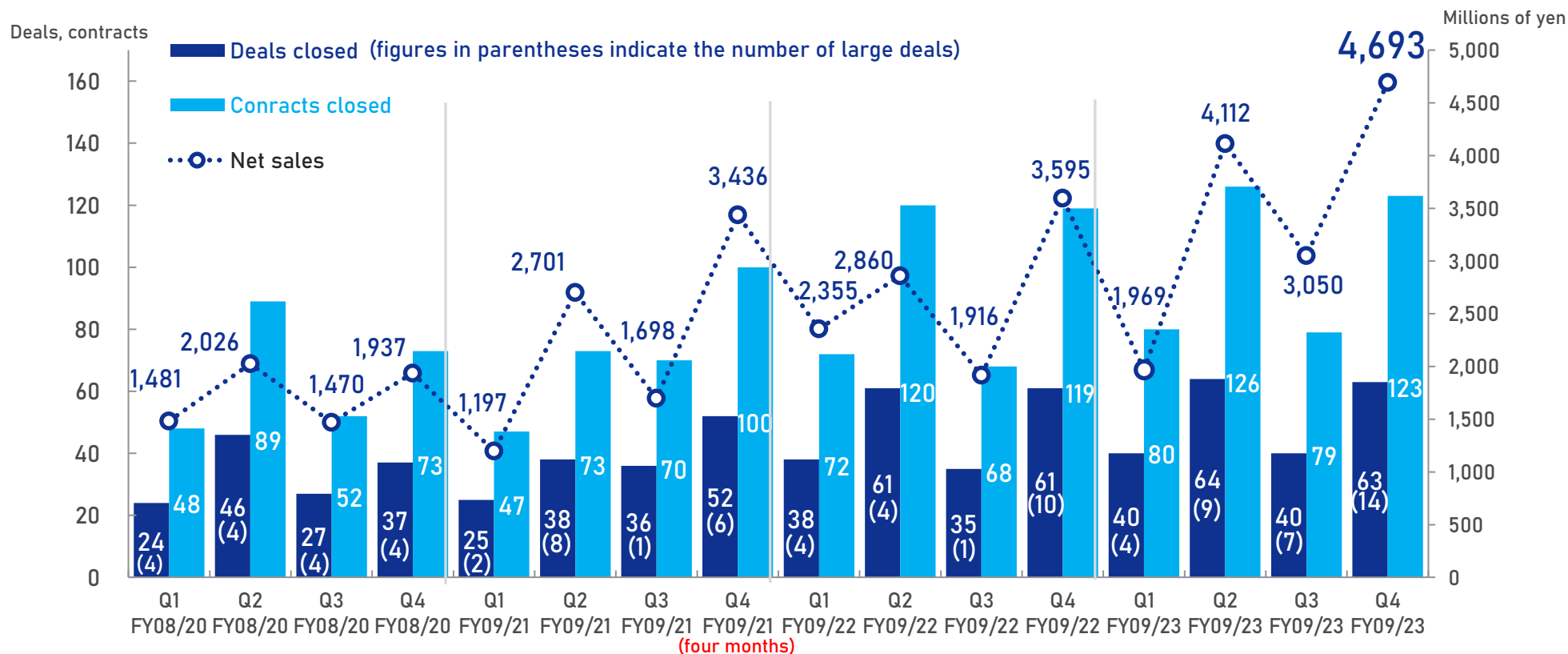
Property, plant and equipment increased by ¥708 million owing to head office expansion.

Millions of yen

	End-FY09/23 Balance	End-FY09/22 Balance	Change		End-FY09/23 Balance	End-FY09/22 Balance	Change
Cash and deposits	14,102	8,542	+5,560	Accounts payable-trade	160	138	+21
Accounts receivable-trade	966	405	+560	Income taxes payable	970	-	+970
Consumption taxes refund receivable	-	863	-863	Other	2,461	1,422	+1,039
Income taxes refund receivable	-	942	-942	Total current liabilities	3,591	1,560	+2,030
Other	155	104	+51	Total non-current liabilities	190	-	190
Total current assets	15,224	10,856	+4,367	<b>Total liabilities</b>	<b>3,782</b>	<b>1,560</b>	<b>+2,221</b>
Property, plant and equipment	1,082	373	+708	Share capital	823	823	-
Intangible assets	12	5	+6	Capital surplus	801	801	-
Investments and other assets	1,965	1,573	+392	Retained earnings	13,310	10,233	+3,076
Total non-current assets	3,060	1,952	+1,108	Treasury shares	(434)	(612)	+178
				Shareholders' equity	14,501	11,246	+3,254
				Valuation and translation adjustments	2	2	-
				/Share acquisition rights			
<b>Total assets</b>	<b>18,285</b>	<b>12,809</b>	<b>+5,475</b>	<b>Total net assets</b>	<b>14,503</b>	<b>11,248</b>	<b>+3,254</b>
				<b>Total liabilities and net assets</b>	<b>18,285</b>	<b>12,809</b>	<b>+5,475</b>

## Deals and Contracts Closed

We closed 14 large deals in Q4, achieving record high quarterly net 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)

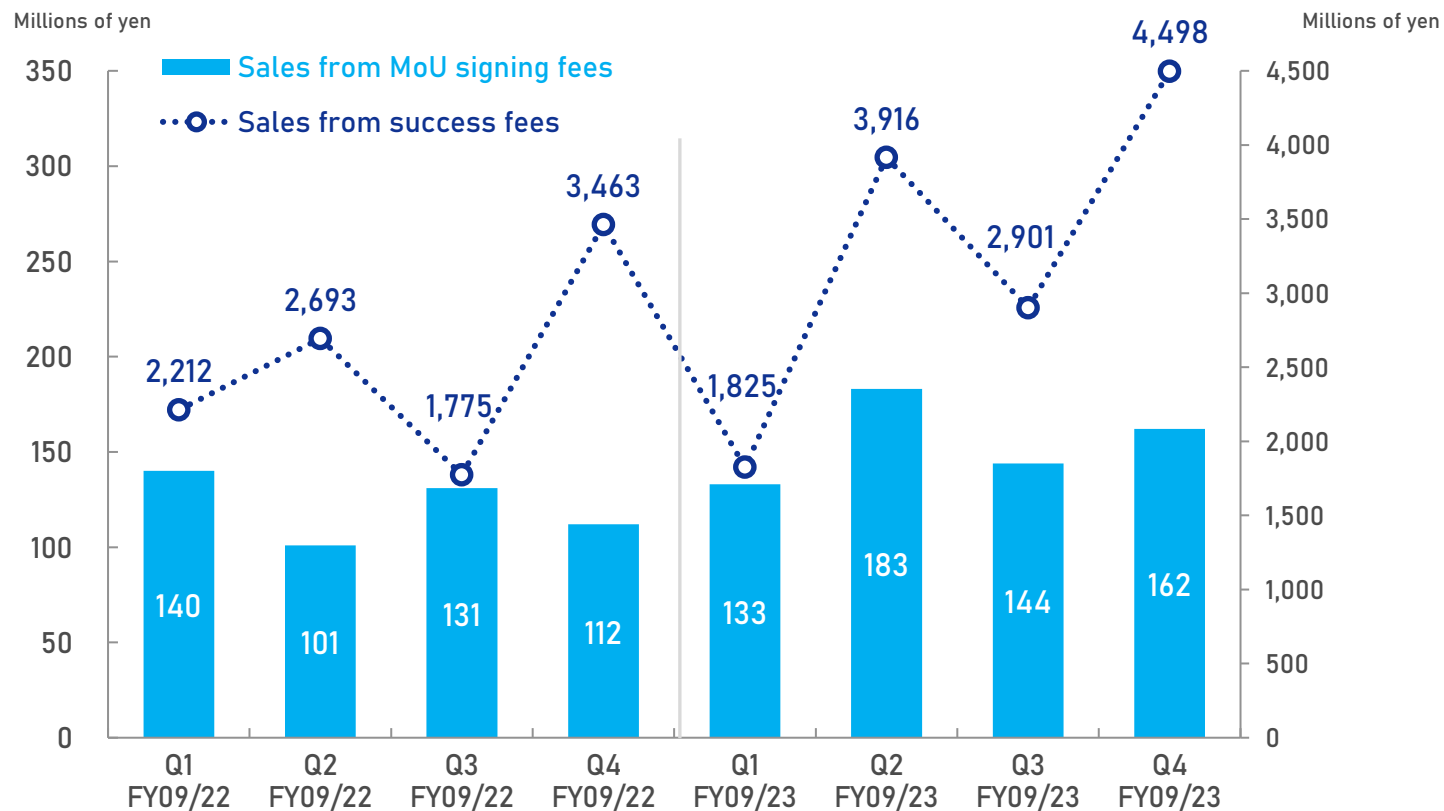
In brokerage services, each deal counts as two contracts (one for the seller and one for the buyer), while in advisory services, each deal counts as one contract.

## MoU Signing Fees and Success Fees

We were able to secure both MoU signing fees and success fees by putting further efforts into matching activity alongside closing activity.

Sales from MoU signing fees

Sales from success fees



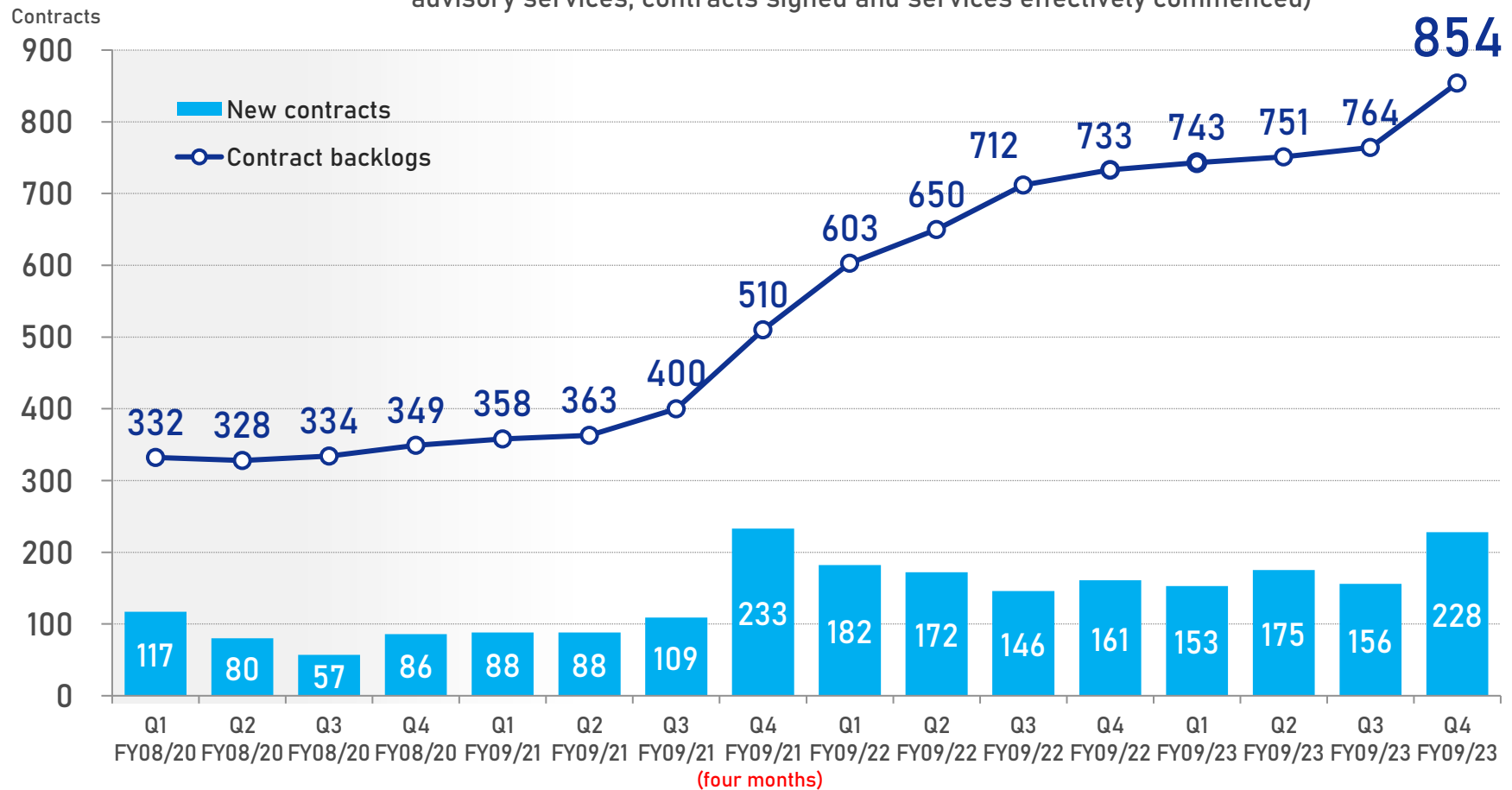
Notes: Calculated from Q1 FY09/22, following a revision of the compensation structure

MoU signing fees in the previous quarter and success fees in the following quarter tend to be correlated.

## New Contracts

The number of new contracts in Q4 remained above 70 per month, a significant increase from the previous quarter. Average sales generated per deal closed have also been on the rise, growing from ¥70 million in FY09/22 to ¥85 million in FY09/23.

**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)

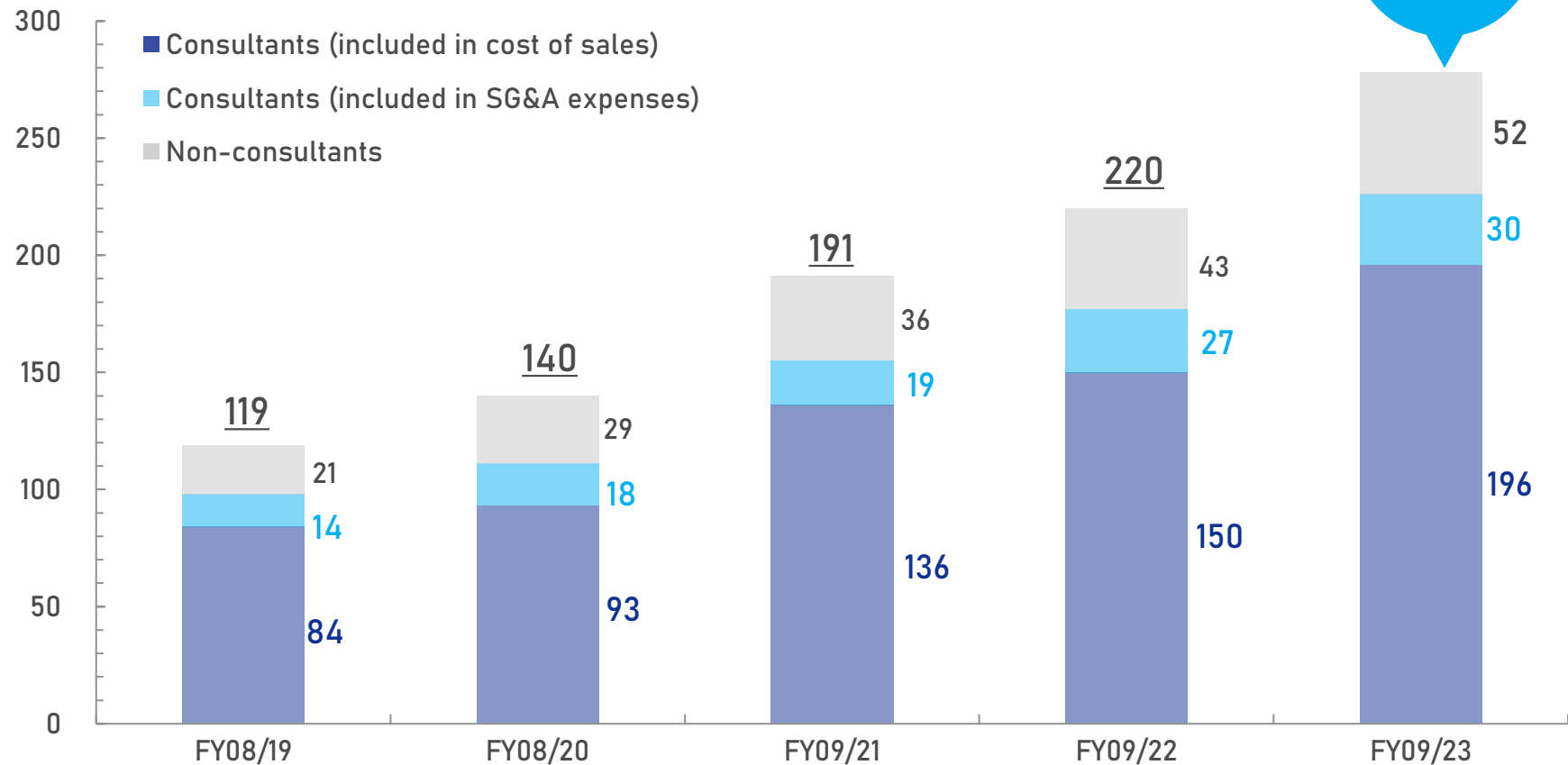


# Employees



The consultant headcount increased by 49, up 28% YoY.

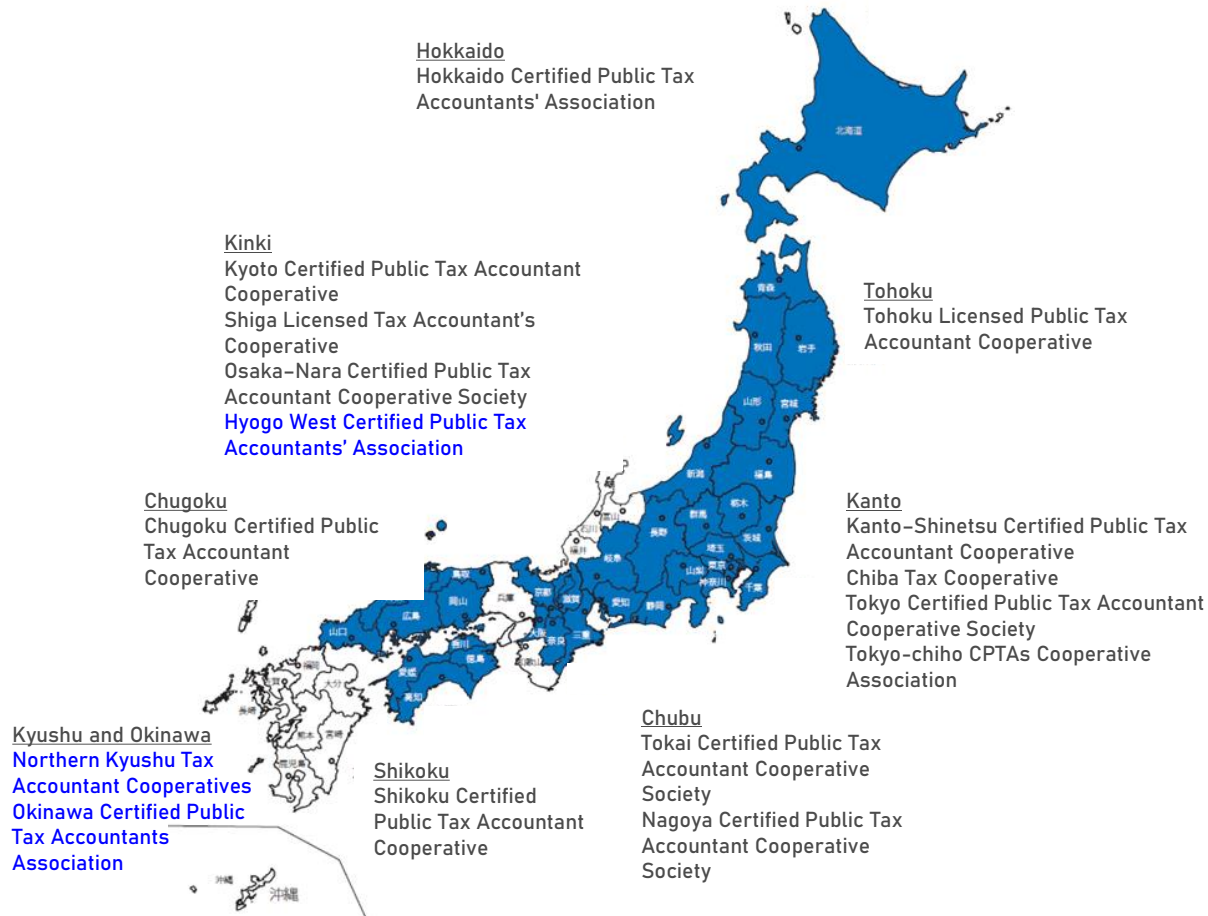
Employees (Fiscal Year-End)



## Topics

# 01 Expansion of business alliance with accounting firms

### Status of Alliances with Tax Accountant Cooperatives (Blue text indicates newly formed alliances in FY09/23)



Our network expanded to include 16 organizations with more than 60,000 members nationwide.

We aim to achieve an increase in M&A deals closed by collaborating with tax accountant cooperatives replete with tax accounting companies and individual tax accountants. We seek to bring together their advanced tax expertise with our strengths in M&A partner search and brokerage services.

Many potential sellers consult with their accounting firms about business succession and corporate transfers.

## Topics

# 02 Airing of TV commercials

- Direct sourcing is aimed at acquiring new contracts by 1) responding to apparent demand (demand of clients who have decided to sell their company) and 2) actualizing latent demand (demand of clients who are considering or putting off their decision to sell their company).

The company's name recognition and credibility are the key to success. This is why we are actively rolling out advertising and promotion campaigns.

- We are also focusing on recruiting and training employees, aiming to improve individual capabilities and the quality of services provided by Strike as a whole. We expect our advertising campaign will also have a positive impact on recruitment.



## Topics

### 03 Hosting of Conference of S venture Lab.

We host Conference of S venture Lab., a monthly event that brings together startups and business companies.

We invite various guests, including startup founders, to discuss a specific theme set for each event. The event also includes pitches by startups, feedback from guests, and networking opportunities.

To date, the events have been held nationwide in Tokyo, Kanagawa, Sapporo, Kyoto, Hiroshima, and Kumamoto.

With the participation of members also from large companies, this event has served as an opportunity for us to build networks with potential buyers as well.



From the 1st to the 15th event, we had:

**1,532**  
attendees

**63**  
startups  
(as speakers)

**299**  
meetings





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## Forecast for FY09/24



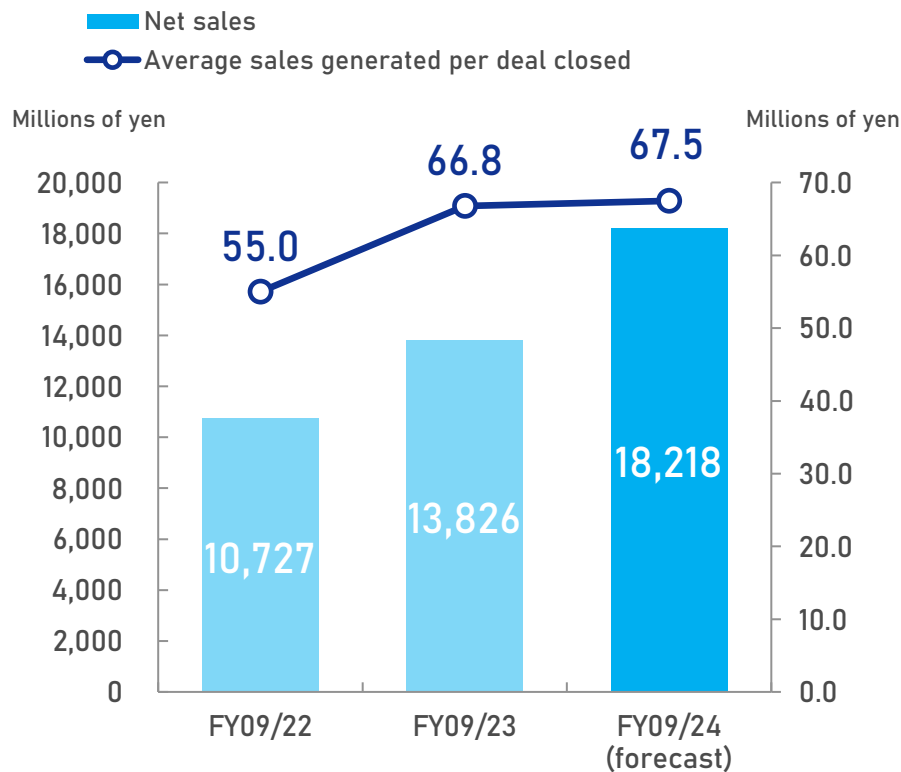
### Forecast Assumptions

- ☑ Our target CAGR is 20%.
  
- ☑ To grow further over the medium- to long-term, we expect to spend approximately 100 million yen in additional advertising expenses as we aggressively roll out web advertising, TV commercials, and other sales initiatives.
  
- ☑ We will continue to actively recruit consultants and increase the consultant headcount by 40.
  
- ☑ We plan to relocate our Osaka sales office. With this relocation and head office expansion conducted in FY09/23, we expect rent expenses on land and buildings to rise by about ¥170 million.
  
- ☑ We plan to review our organizational structure in accordance with the revised M&A Guidelines for SMEs, issued by the Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry.

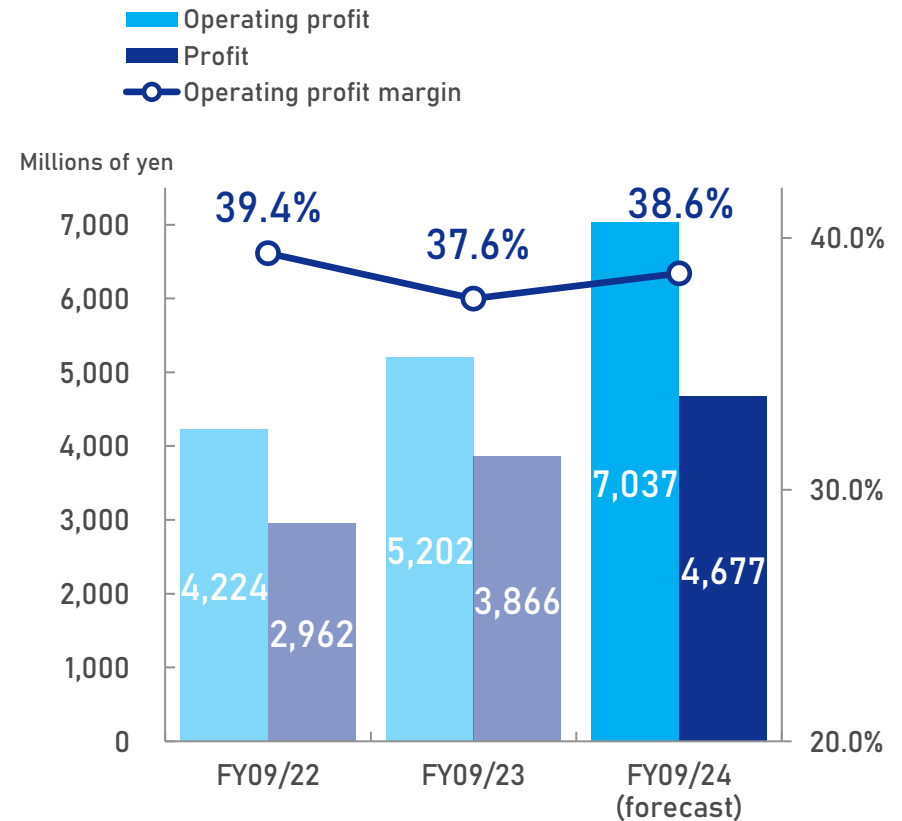
## Forecast for FY09/24

Average sales generated per deal closed have been planned based on FY09/23 results. Operating profit margin is expected to improve with the increase in net sales.

### Net Sales and Average Sales Generated per Deal Closed



### Operating Profit and Profit



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

## Forecast for FY09/24



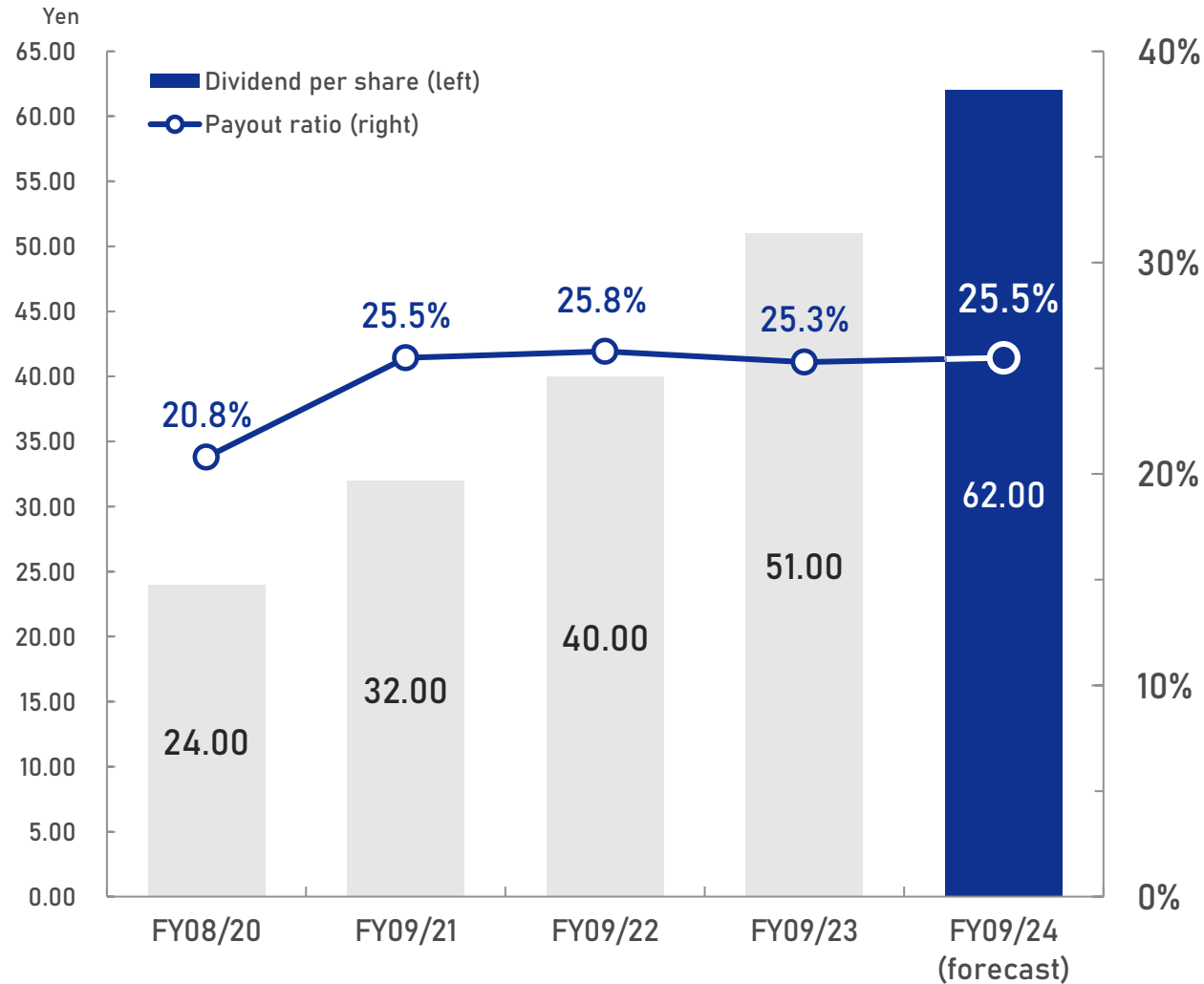
Our plan calls for closing 270 deals and taking on 814 new contracts.

Millions of yen

	FY09/24 forecast		FY09/23		YoY change	
		% of net sales		% of net sales		
Net sales	18,218	100.0%	13,826	100.0%	+4,392	+31.8%
Cost of sales	5,862	32.2%	4,578	33.1%	+1,284	+28.1%
Gross profit	12,355	67.8%	9,247	66.9%	+3108	+33.6%
SG&A expenses	5,317	29.2%	4,045	29.3%	+1,272	+31.5%
Operating profit	7,037	38.6%	5,202	37.6%	+1,835	+35.3%
Ordinary profit	7,030	38.6%	5,211	37.7%	+1,818	+34.9%
Profit before income taxes	7,030	38.6%	5,196	37.6%	+1,834	+35.3%
Profit	4,677	25.7%	3,866	28.0%	+810	+21.0%
Number of deals closed	270	-	207	-	<b>+63 deals</b>	
Number of new contracts	814	-	712	-	<b>+102 contracts</b>	
Employees	329	-	278	-	<b>+51 employees</b>	

## Planned Shareholder Returns

### Dividends and Payout Ratio



#### Dividends

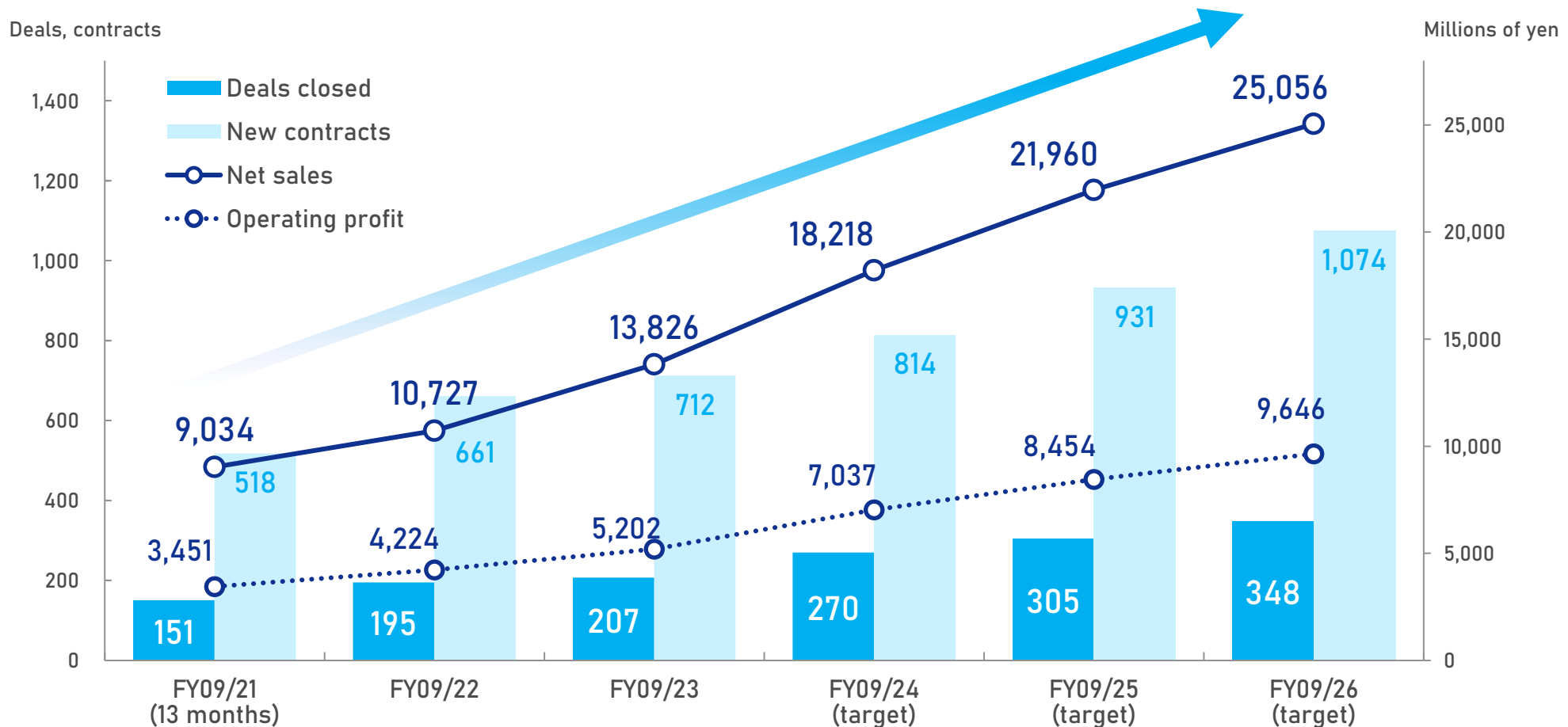
We target a dividend payout ratio of 25%. We had initially planned a dividend of ¥48 per share for FY09/23 but raised this to ¥51 per share due to a profit increase.

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

We target a CAGR of 20%.

We have reviewed our targets for the average sales generated per deal closed and number of deals closed based on recent results.



## Aiming for Sustainable Growth by Increasing Per-Consultant Efficiency (Net Sales)

Improve efficiency and enhance the quality of our services by strengthening the **organization** and **individual capabilities**

Aim to **achieve average sales of ¥100 million per consultant** within the first three years of employment.

### Strengthening the **Organization**

#### **New contract sourcing**

1. Focus on the sourcing of large deals through the direct sourcing channel by collaborating internally to carry out effective proposal-based sales.
2. Work to increase new contracts from referrals by raising the headcount of the department specializing in building relationships with business partner firms.

#### **Enhance matching capabilities**

1. Enhance the all-hands deal meeting to strengthen our matching capability.
2. Accumulate data on acquisition needs and enhance data search functionality.

#### **Business support from specialists**

1. Increase the number of accounting, legal, and other specialists and enhance support provided by them.
2. Comply with the M&A Guidelines for SMEs and industry association's voluntary regulations, and review internal rules and manuals to enhance the quality of services.

### Strengthening **Individual Capabilities**

#### **Recruit and train talented consultants**

1. Hire even more qualified consultants by enhancing our name recognition.
2. Improve in-house training program and expand training content.

#### **Leverage IT**

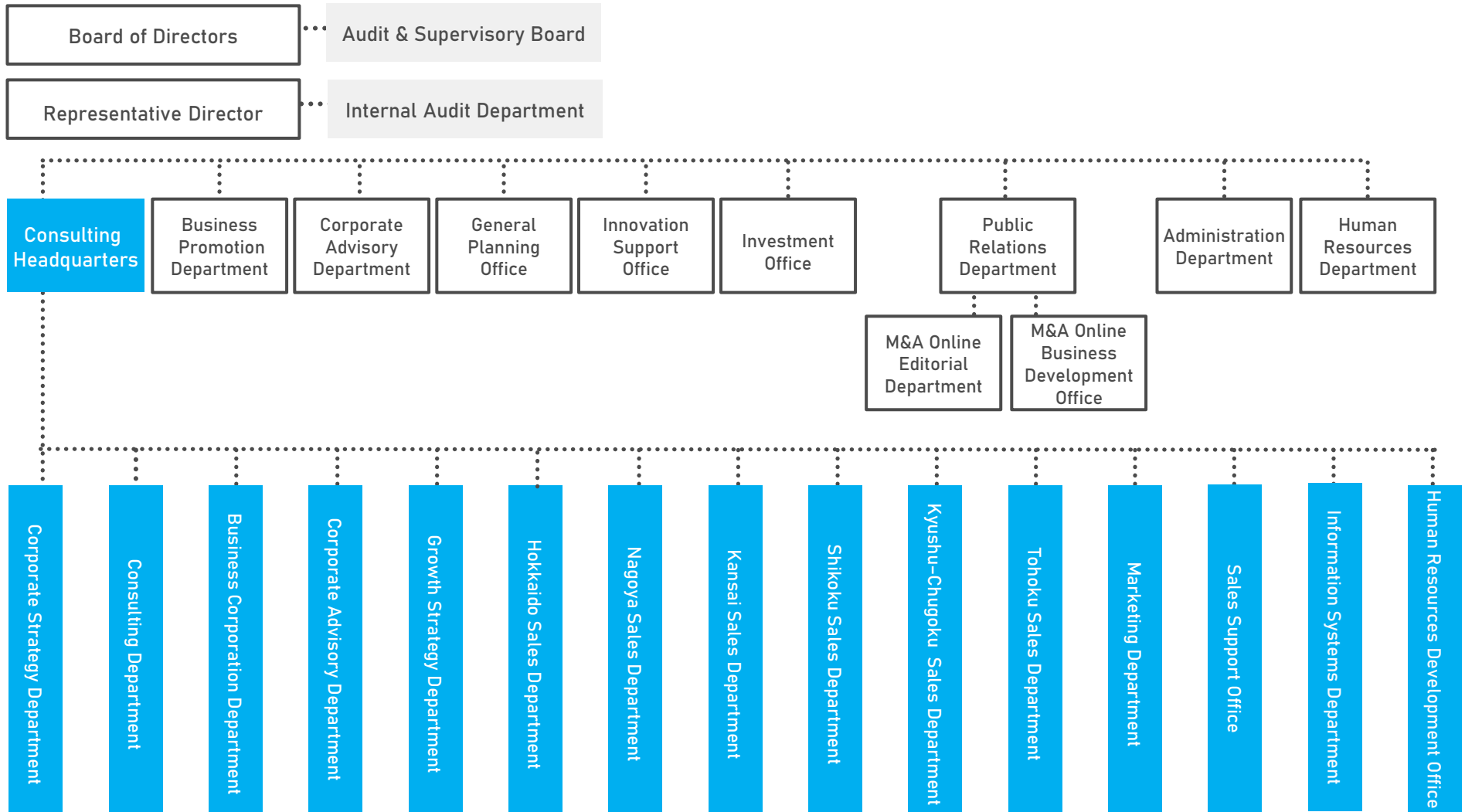
1. Improve efficiency of individual consultant's sourcing and matching operations by reviewing internal systems, including adoption of IT tools.
2. Share deal information and manage deal progress through in-house systems.

#### **Boost expertise through division of labor**

1. Establish a department specializing in inside sales and a M&A department for specific fields; enhance the quality of services by strengthening consultants' expertise.
2. Establish and deepen individual areas of expertise by introducing cross-divisional, industry-specific team structures and team-based consulting.



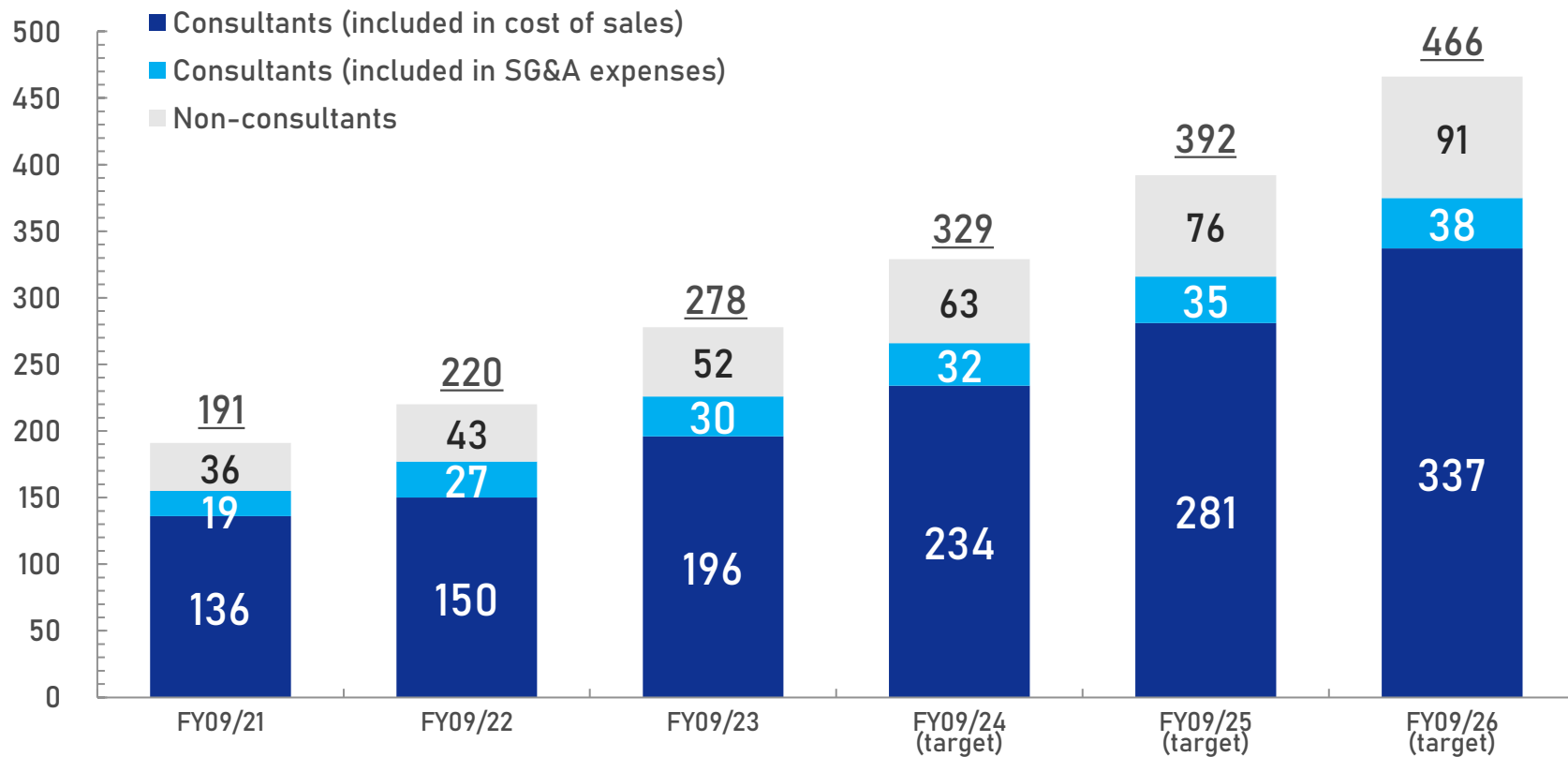
# Organization (as of October 1, 2023)



## Employees

- Raise the percentage of new graduates in new hires
- Strengthen training and development of consultants to enhance service quality
- Recruit more than planned when good candidates are found

Employees (Fiscal Year-End)

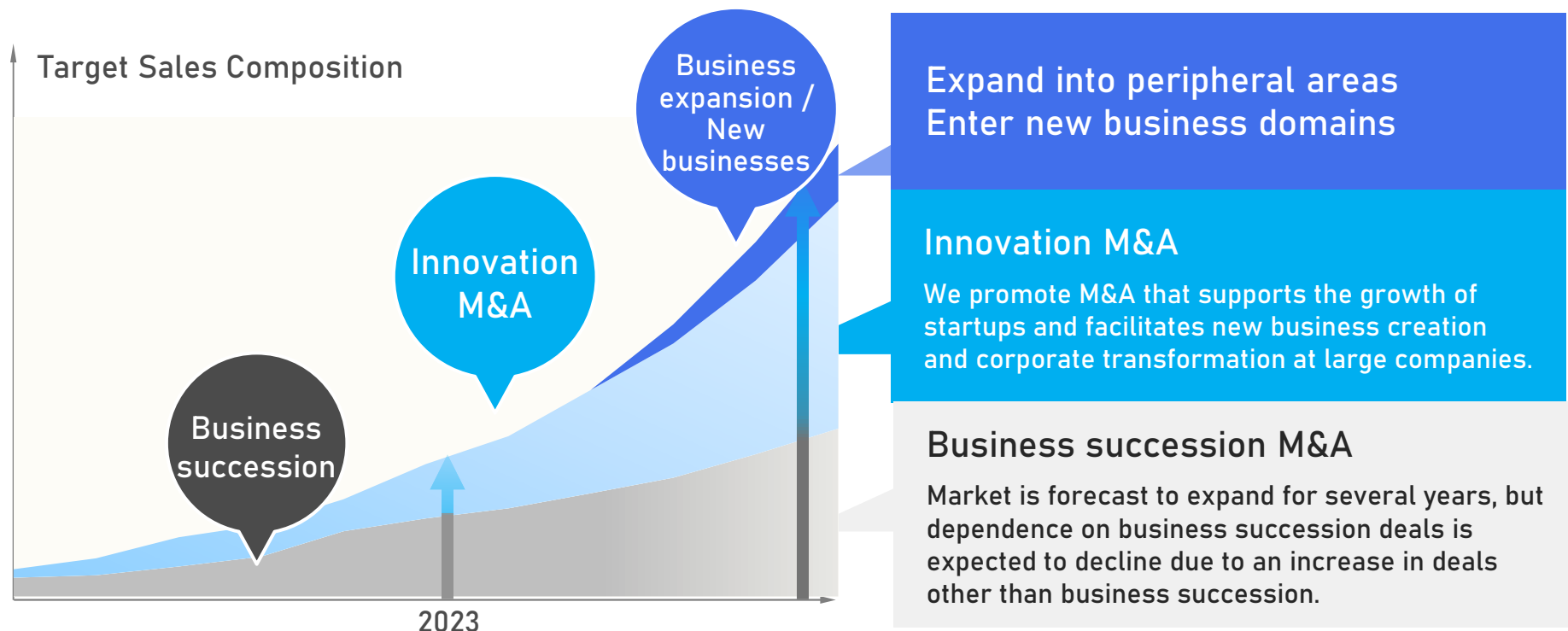


## Future Growth Strategy

We aim to positively impact a greater number of people through our M&A support services as we strive to increase the number of M&A contracts and the size of deals.

In addition to further increasing our share of the M&A market for business succession, we will focus on market development aimed at facilitating innovation M&As.

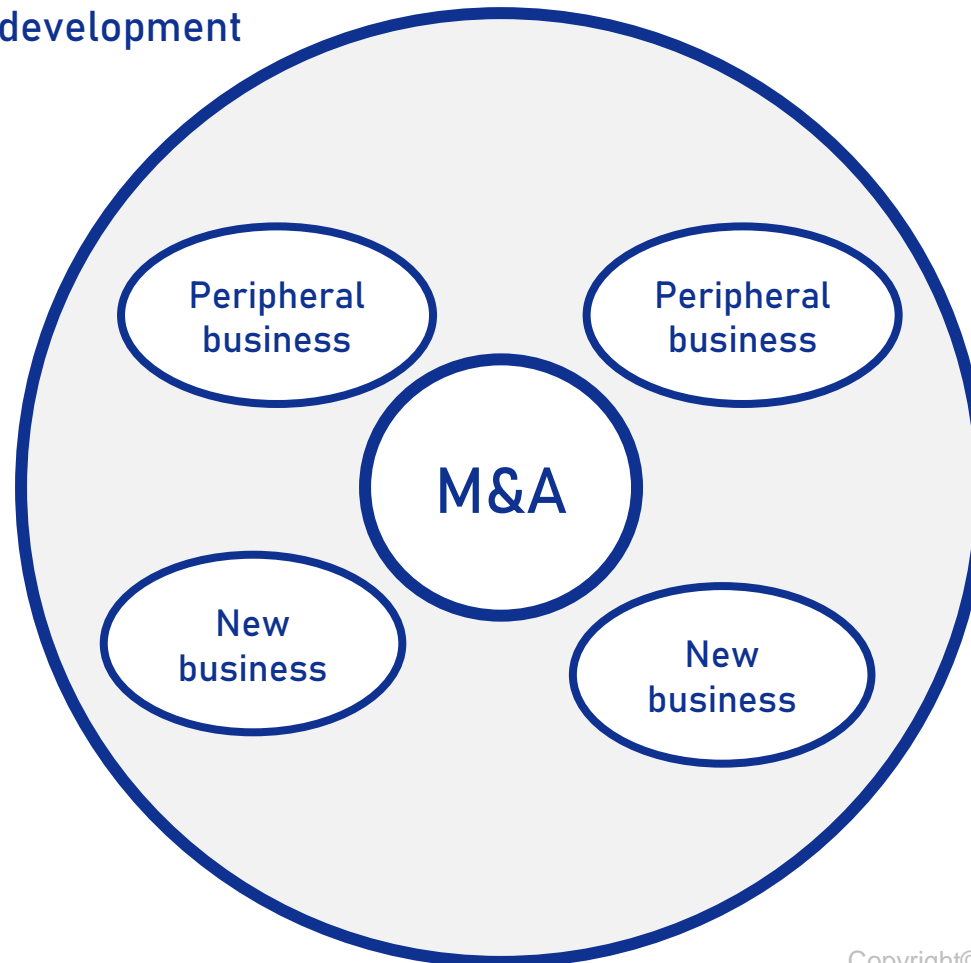
We will also expand into peripheral areas and enter new business domains to achieve sustainable growth.



## Future Growth Strategy

To realize our mission, “Create partnerships that change the world,” we intend to enter new business domains and peripheral areas of the M&A business as part of our efforts to create new *nakama* (partners). Some new businesses have been launched during the period under review and others are in preparation.

### Image of business development



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## Company Overview

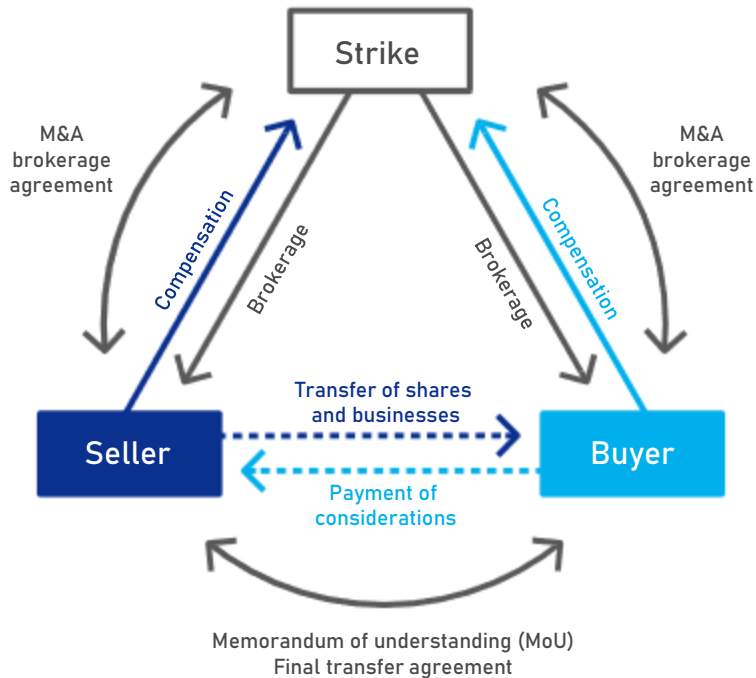


Company name	Strike Co., Ltd.
Established	July 1997
Share capital	¥823 million (as of September 30, 2023)
Representative	Kunihiko Arai, President and CEO
Headquarters	15th floor of Mitsui & Co. Building 1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan
Employees	278 (excluding temporary staff; as of September 30, 2023)
Net sales, operating profit	Net sales of ¥13,826 million and operating profit of ¥5,202 million (operating profit margin of 37.6%) in FY09/23
Business	M&A brokerage business
Mission	Create partnerships that change the world

## Business Overview

Earnings from the M&A brokerage business are mainly derived from brokerage fees received from both the sellers and buyers. While always being alert to possible conflicts of interest, we place the utmost importance on **satisfying both clients**.

### M&A Brokerage Earnings Model



### Principal Businesses

#### M&A brokerage business

We broker M&A deals between sellers and buyers and receive brokerage fees from both parties. In some cases, we only provide M&A advisory services to one of the parties.

### Compensation Structure

#### Seller

1. Mobilization fee  
Free
2. Fee at MoU signing  
¥1–3mn when MoU is signed
3. Success fee (Lehmann method)

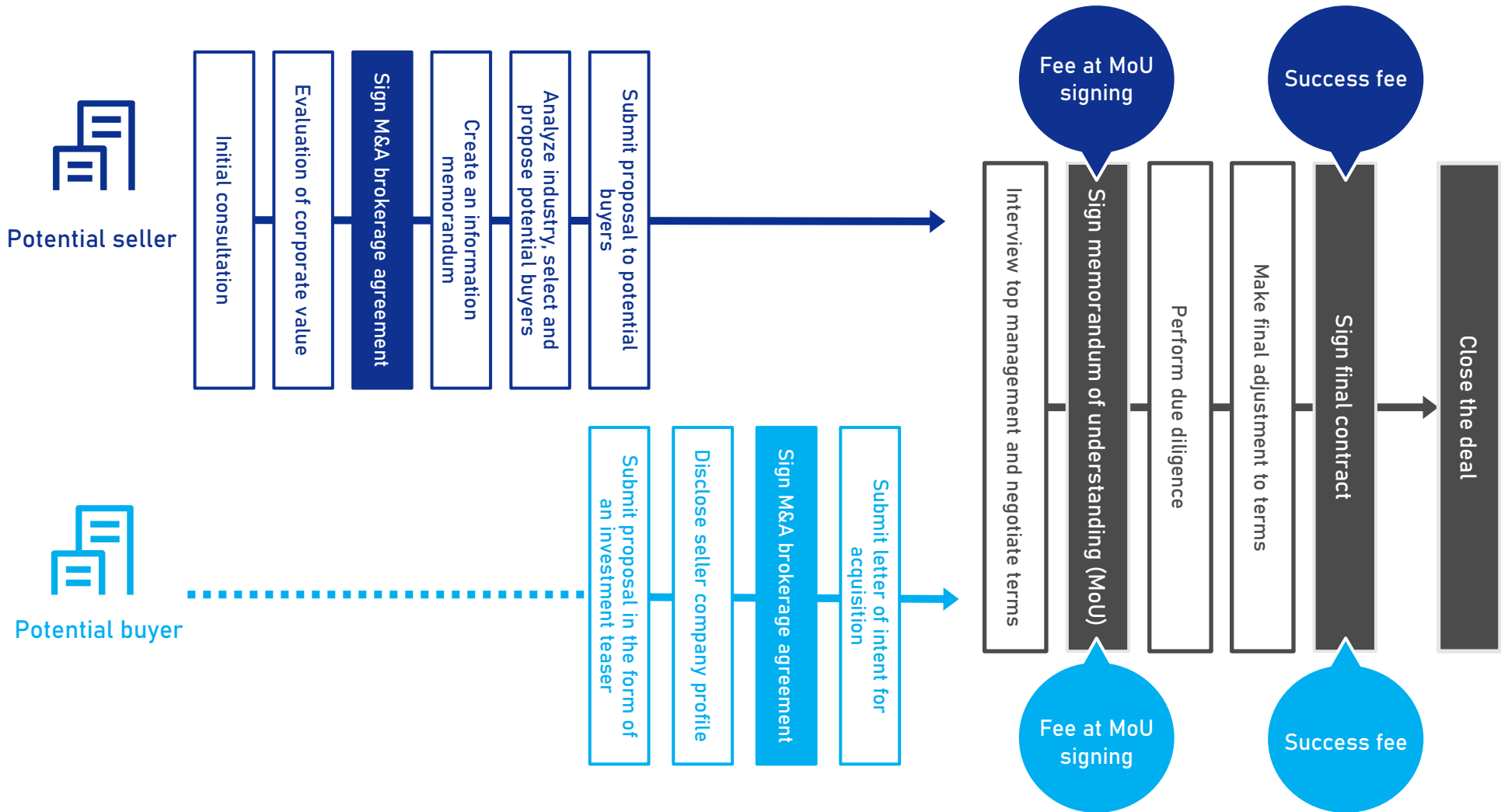
Amount of seller's shares or assets to be sold	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1bn	4%
Portion from ¥1bn to ¥5bn	3%
Portion from ¥5bn to ¥10bn	2%
Portion above ¥10bn	1%

#### Buyer

1. Mobilization fee  
Free
2. Fee at MoU signing  
¥1–3mn when MoU is signed
3. Success fee (Lehmann method)

Market value of seller's total assets	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1bn	4%
Portion from ¥1bn to ¥5bn	3%
Portion from ¥5bn to ¥10bn	2%
Portion above ¥10bn	1%

# Flow of M&A Brokerage Business





## Feature 1

### Sourcing (New Contract Acquisition from Seller)



## Direct contracts

acquired through approaching customers directly

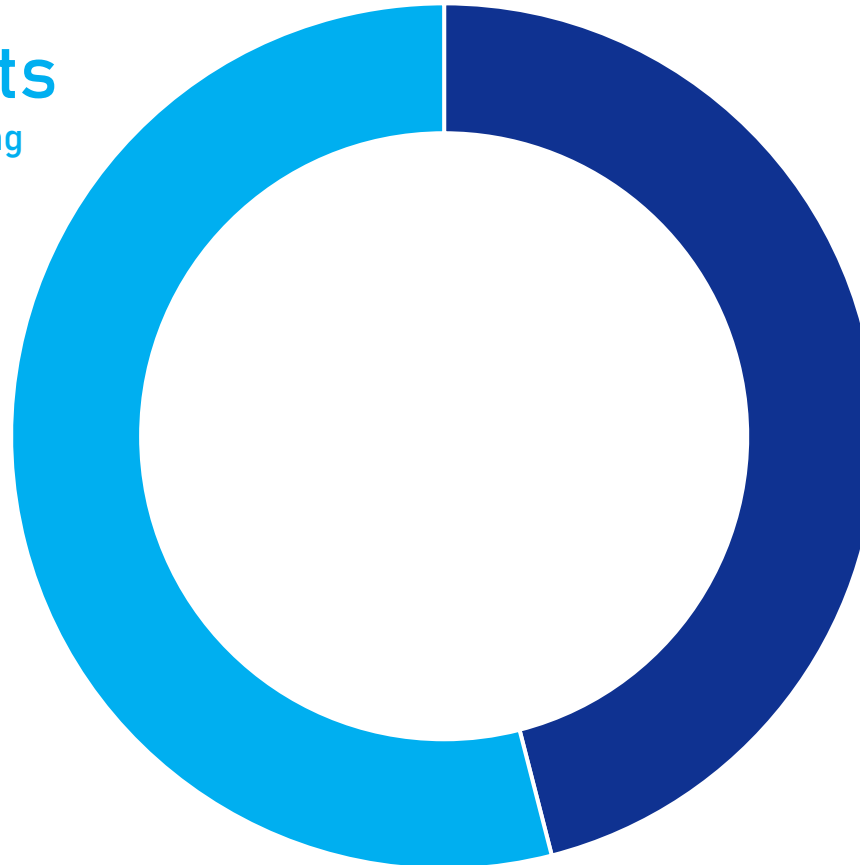
54%

### Proposal-based marketing

- Secure effective leads by organizing a dedicated marketing department
- Boost efficiency by signing pre-marketing service contracts and approaching companies with a potential buyer already in place
- Carry out proposal-based marketing tailored to the characteristics of each industry by organizing industry-specific teams

### Seminars

Host seminars on a variety of topics based on customer needs



FY09/23

New contract ratio by sourcing route

## Referrals

from business partners

46%

### Main business partners

- Major financial institutions
- Regional banks
- Shinkin banks
- Securities companies
- Insurance companies
- Accounting firms
- General business companies

## Feature 2 Fee Structure



### Compensation Structure for Potential Sellers

No initiation fee and low fees at MoU signing.

By lowering the hurdle for sellers to consult with us, we encourage M&A deals among SMEs.

	Strike	Company A	Company B
Initial consultation	Free	Free	Free
Upon M&A brokerage agreement signing	Free	Paid (¥1-5mn)	Free
Upon MoU signing	Fees at MoU signing ¥1-3mn	Free	Intermediate compensation 10% of success fee
Upon final contract signing	Success fee (based on seller's sale price)	Success fee (based on amount of seller's shares plus total liabilities)	Success fee (based on seller's sale price)

## Feature 3 Methods for Finding More Potential Matches

# Methods used to search for potential buyers

We leverage our extensive internal database, all-hands deal meeting, proprietary brokerage site, and a broad network of business partners to source multiple potential buyers that match the aspirations and needs of our clients.

We strive to determine the best match from a large number of candidates, to enhance customer satisfaction.

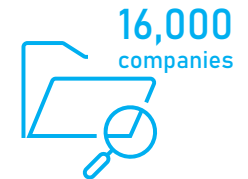


M&A Market SMART  
[www.strike.co.jp/smart/](http://www.strike.co.jp/smart/)

1

### Extensive internal database

Our consultants utilize Strike's internal database that contains data on M&A needs of 16,000+ companies collected through daily sales activities to make direct proposals to potential sellers.



2

### All-hands deal meeting

We have a system in place that enables all consultants to propose potential acquisition targets for all projects, enabling us to offer a broad range of buyer options that are highly aligned with client needs.



3

### Japan's first M&A brokerage site SMART

We receive inquiries from potential buyers interested in deals that are posted anonymously on our M&A brokerage site SMART.



4

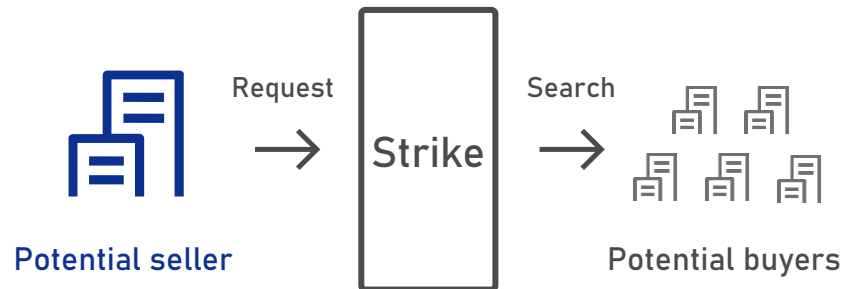
### Extensive network of partners

We receive referrals of clients who wish to sell their own companies or acquire other companies from partner financial institutions, accounting firms, and others.



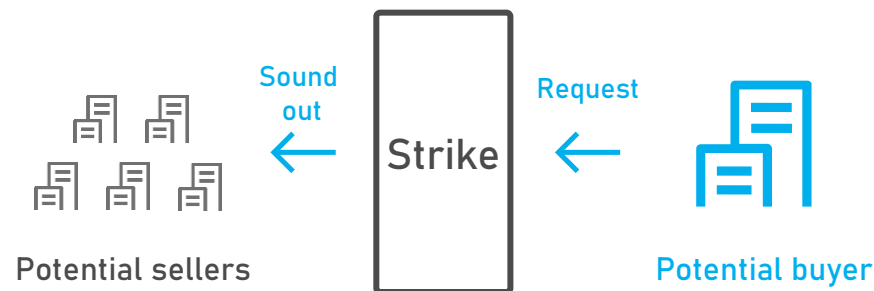
## Matching: Proposal Flow of Pre-Marketing Services

### Standard M&A Brokerage Service



In our pre-marketing service, we find potential sellers for potential buyers. We approach the seller on the buyer's behalf.

### Pre-Marketing Service



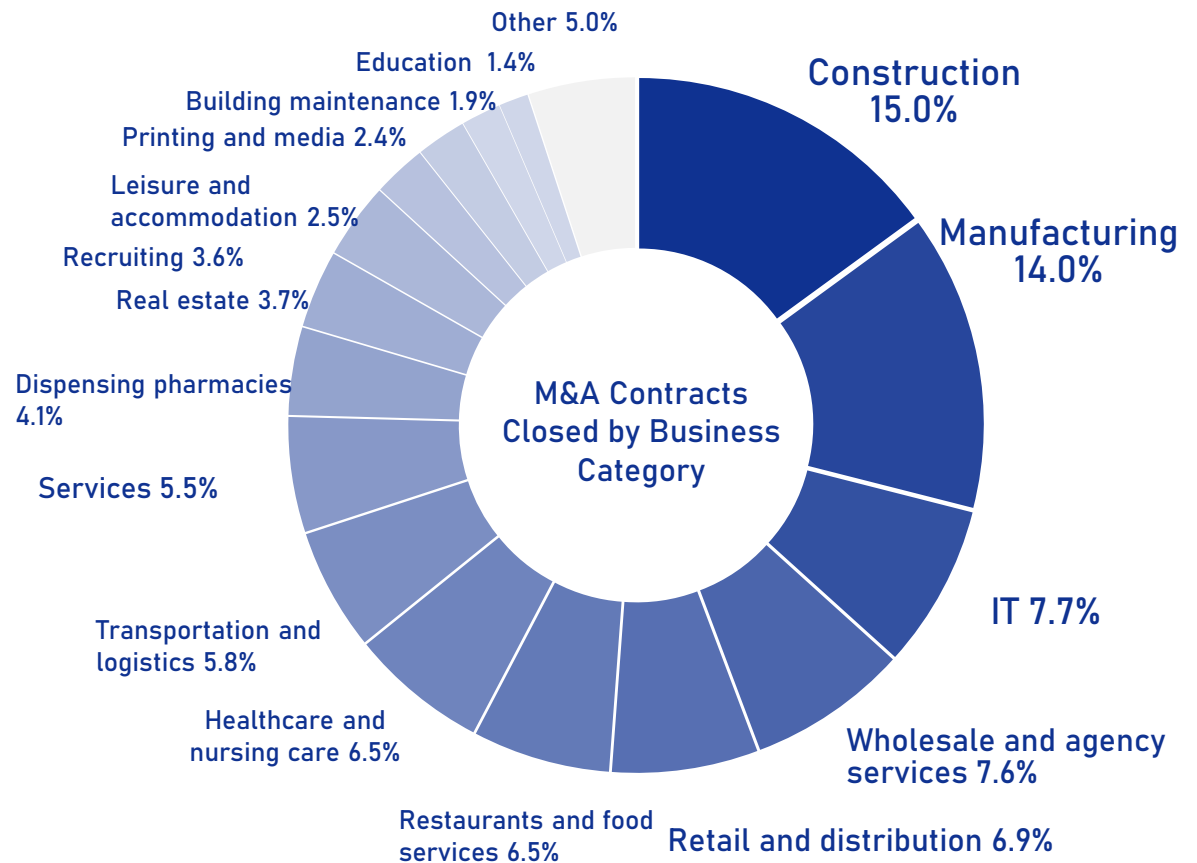
We launched this service ahead of our competitors to further enhance the satisfaction of our buyer clients.

## Feature 4 M&A Track Record in Various Industries



Total number of M&A deals from  
the Company's founding through FY09/23

Note: Breakdown of the number of businesses sold by industry



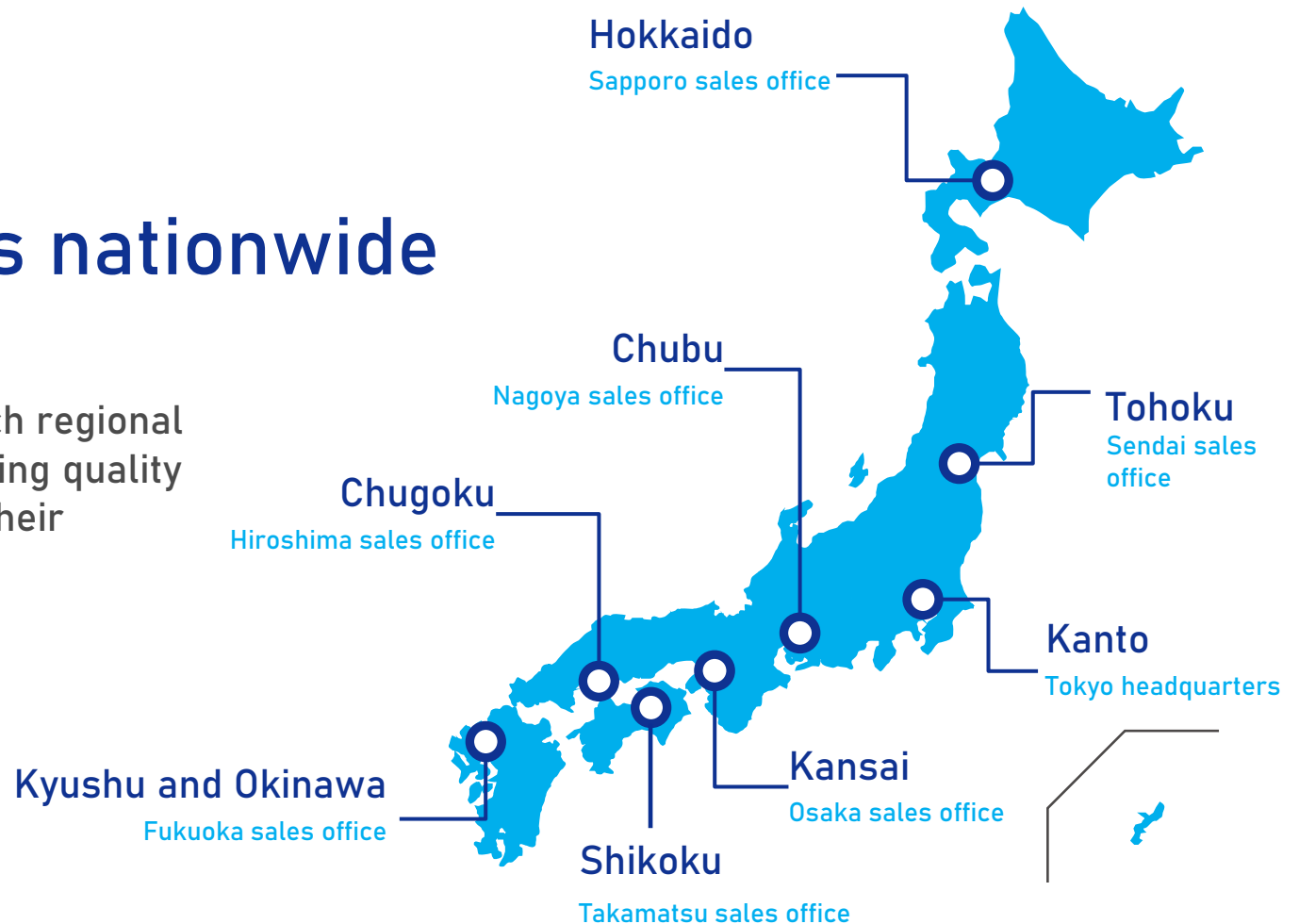
Because a large number of our deals come from referrals, we have a balanced **track record of M&As in a variety of industries.**

**We are also capable of handling irregular, complex deals.**

## Feature 5 Establishing a Nationwide Sales Network

# Eight offices nationwide

Enhancing our service by establishing offices in each regional block of Japan and providing quality support to our clients at their closest office.



## Feature 6

### Operation of M&A Portal Site

# M&AOnline

## 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.

## Launch of "M&A Online Prime"

Launched "M&A Online Prime," a new talk show content, in October 2023.

We invite guests deeply involved in M&A deals in high-profile industries to discuss their growth strategies including through M&A.

From left: Kunihiko Arai, President & CEO of Strike, Kenji Higasa, President of MBS Innovation Drive, and Takeo Ishizaki, President & CEO of ABC Dream Ventures, discuss growth strategy of TV broadcasters

## 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.



## Our Mission



# STRIKE

Create partnerships that change the world

By joining together, we can open up new paths, find solutions for going forward, and become more prosperous. Joining together allows us to pursue bigger things.

Individually, each of us has only so much power, but by joining together, we become a great force.

Joining together can be challenging at times, but a new world awaits in the future if we surmount those difficulties.

For these reasons, we will strive to help our clients overcome the challenges they face. For clients seeking mergers and acquisitions, we will do everything possible to understand their aspirations, closely listen to them, and share their concerns.

All of us at Strike will work positively to create a better future and forge partnerships that change the world.



## Sustainability and ESG initiatives



We have published a sustainability page on our corporate website. (<https://www.strike.co.jp/sustainability/>)

Led by our Sustainability Promotion Committee, we will make efforts to contribute to realizing a sustainable society.

### Examples of ESG Initiatives

#### Disclosure based on TCFD recommendations

- Conducted risk analysis and business impact assessment associated with climate change
- GHG emissions in FY09/22 and reduction targets by 2030  
GHG emissions reduction target

Target: GHG emissions (total of Scope 1 and Scope 2)

Goal: 50% reduction in FY09/30 compared to the base year (FY09/22)

#### Holding of endowed lectures at university

- Graduate School of Management, Kyoto University  
(lecture on M&A of startups)

#### Utilization of corporate version of hometown tax program

- Provided support for local sport activities

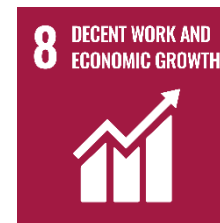
### Priority Issues in Business Activities



#### Priority Issue (1)

##### 17. Partnerships for the Goals

Encourage and promote partnerships through M&A and contribute to society's overall ability to achieve the SDGs.



#### Priority Issue (2)

##### 8. Decent Work and Economic Growth

Help SMEs strengthen their economic base and improve productivity through M&A. Contribute to the growth of SMEs while maintaining and promoting employment.



#### Priority Issue (3)

##### 9. Industry, Innovation and Infrastructure

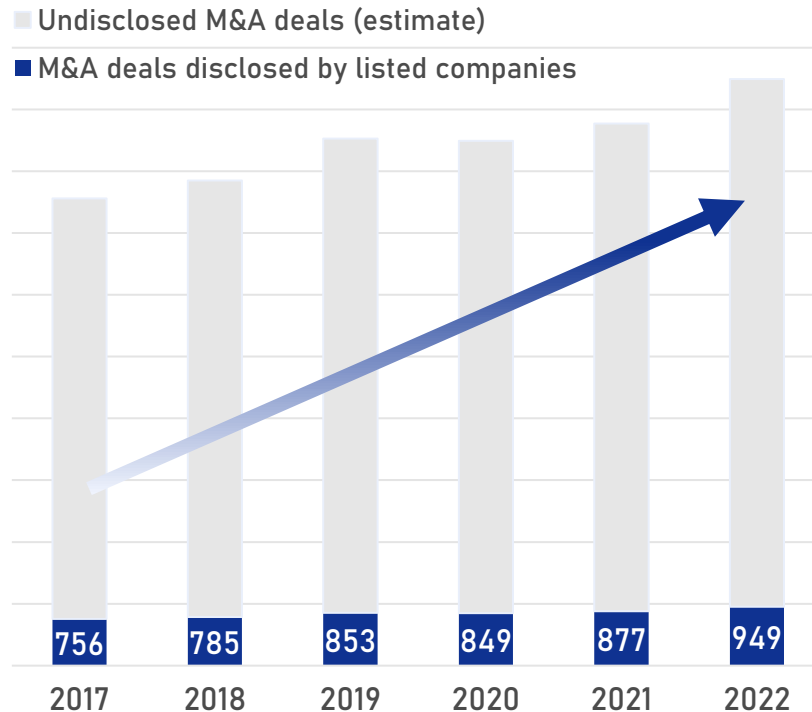
Support innovation, the diversification of industries, and the creation of added value in products and services by combining the management resources of various entities through M&A.

- 01 Operating Performance in FY09/23
- 02 Forecast for FY09/24
- 03 Medium- to Long-Term Management Policy
- 04 Company Overview
- 05 Market Trends**

## Market Trends: Japanese M&A Market Size (Estimated)

Although there is no comprehensive data on M&A activity in Japan, we estimate the annual number of M&A deals in Japan is about 10 times higher (over 8,000 deals) than the number of M&A deals disclosed by listed companies. (This figure is higher when including extremely small M&A deals.)

### M&A Deals in Japan (Estimate)



#### Undisclosed M&A deals (Strike estimate)

This estimate is calculated based on the percentage of M&A deals we were involved in that were not subject to timely disclosure.

#### M&A deals disclosed by listed companies

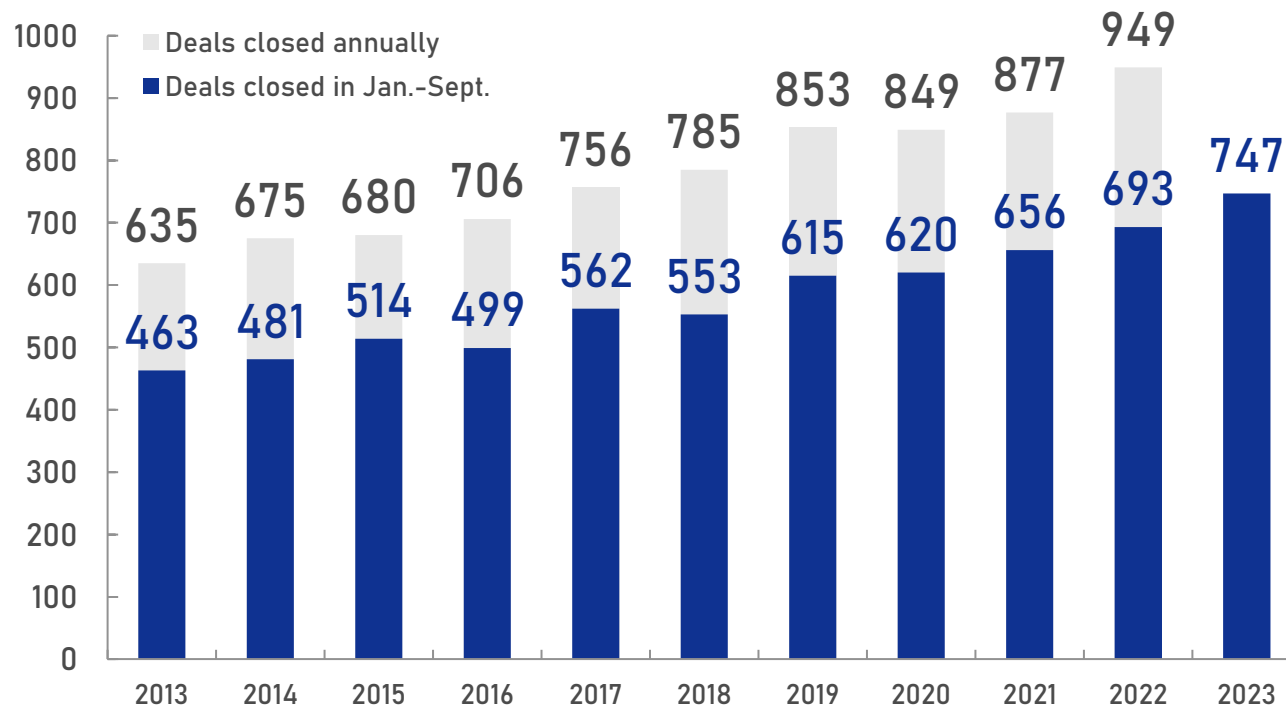
(Source: M&A Online)

M&A deals of listed companies involving a change in management that were subject to timely disclosure (excluding intra-group restructuring and deals not subject to timely disclosure)

## Market Trends: Number of M&A Deals in Japan (based on timely disclosure materials of listed companies)

The number of M&A deals in Japan during the January–September period in 2023 rose by 54 YoY to 747 (according to information disclosed by listed companies) and is on a high growth pace to reach 1,000 deals per year. Of this total, 604 were M&As between Japanese companies (+29 YoY), while 143 of the deals involved overseas companies (+25 YoY). Both domestic and cross-border M&A activity has been brisk during the period.

### Number of M&A Deals in Japan (based on timely disclosure materials of listed companies)



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

	Jan.–Sept. 2022	Jan.–Sept. 2023
Total M&As	693	747
M&As among Japanese companies	575	604
Outbound M&As (acquisitions of overseas companies)	69	94
Inbound M&As (acquisitions by overseas companies)	49	39

Source: M&amp;A Online

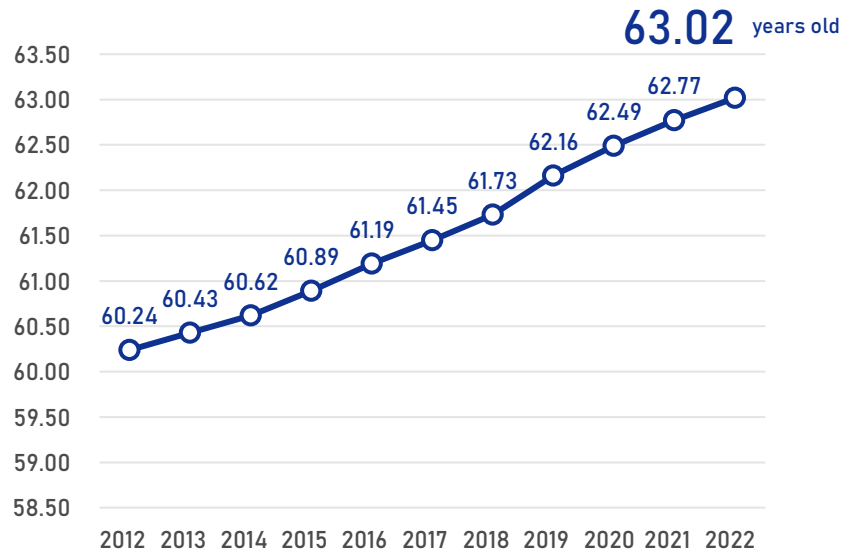
## Market Trends: Aging CEOs, Lack of Successors



With CEOs aging, there are many companies without successors, even among companies with elderly CEOs. We expect that the market for business succession M&A will continue expanding.

### Aging CEOs

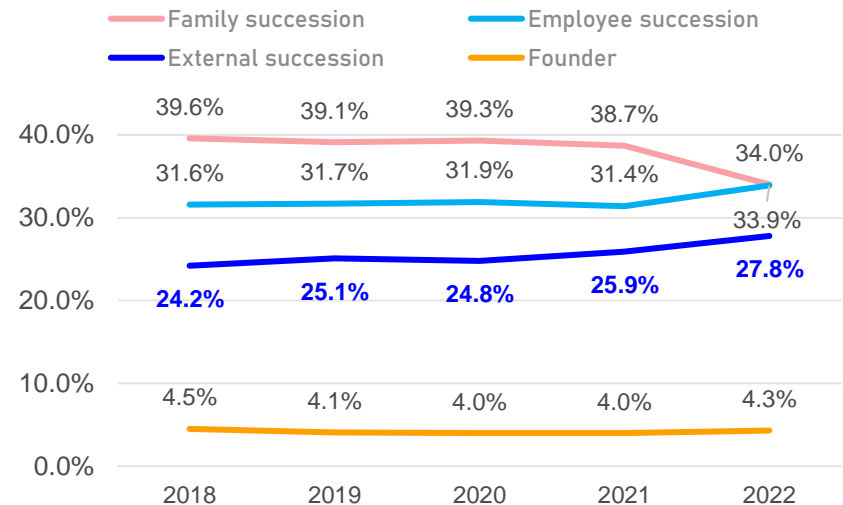
Average age of CEOs



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

### Business Succession to Third Parties Also on the Rise

Reasons for taking over business



Source: Nationwide Survey on the Percentage of Companies without Successors (2022) by Teikoku Databank, Inc. included in the 2023 White Paper on Small and Medium Enterprises in Japan

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

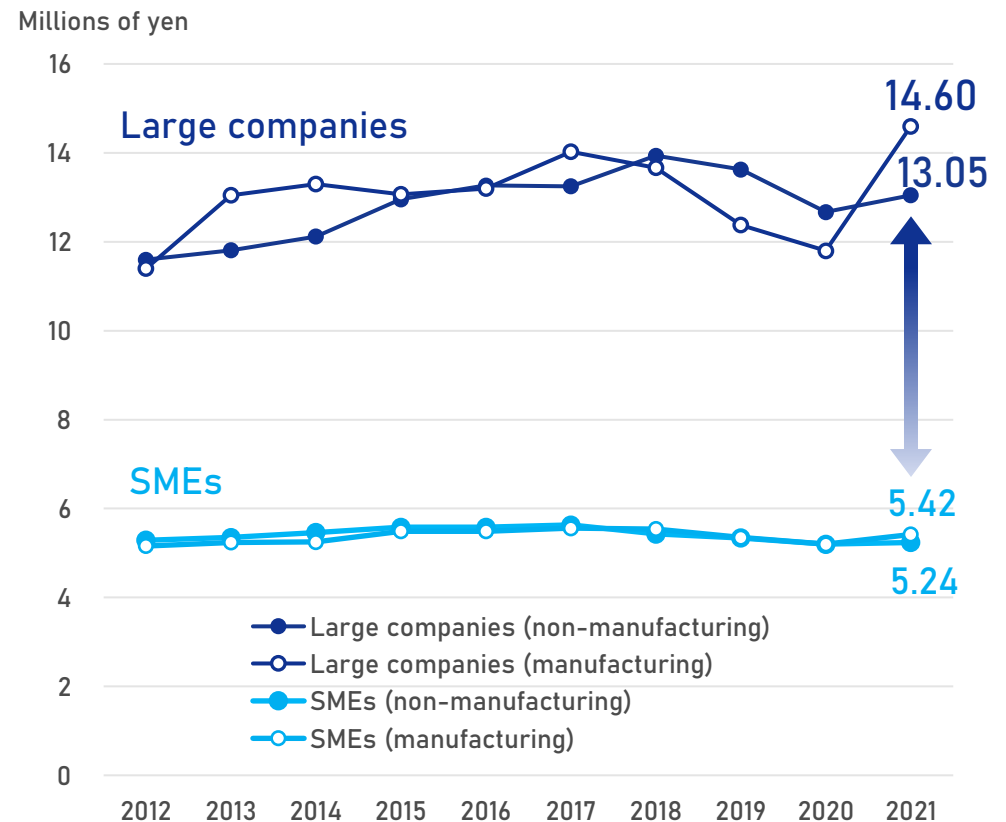


**Boosting productivity\*** is essential for SMEs in Japan to achieve both **wage increases** and **profit growth**.

\*Increase of added value

## 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

# Market Trends: 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

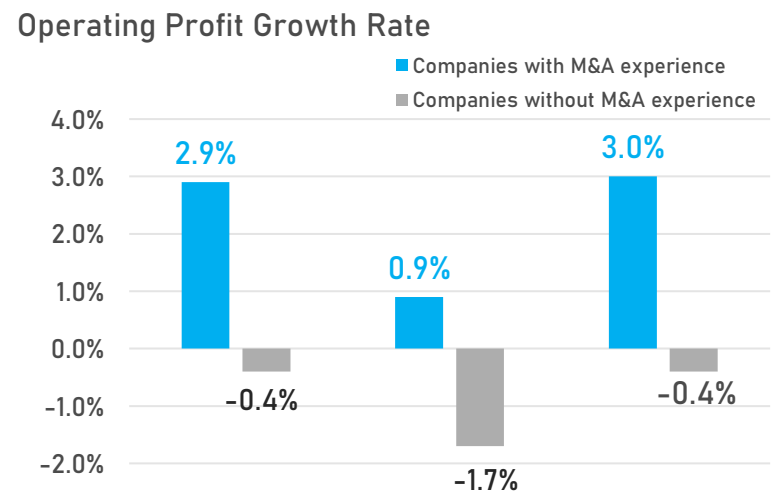
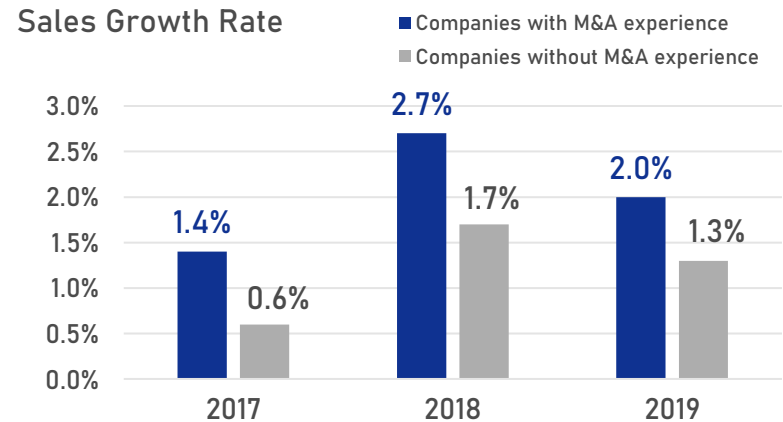
Creating new value through new business development and expanding possibilities through collaboration with companies in other industries will become important, and M&A is one way to do this.

Companies that carried out M&A deals: Companies with confirmed M&A deals as a buyer in 2015. Growth rates were calculated as a comparison with the previous period, and outliers in the top 5% and bottom 5% were removed.

Source: Corporate Information File by Tokyo Shoko Research, Ltd., included in the 2021 White Paper on Small and Medium Enterprises in Japan

## Performance Driven by M&A Deals

Growth rates: Companies with M&A experience vs. companies without M&A experience (median)

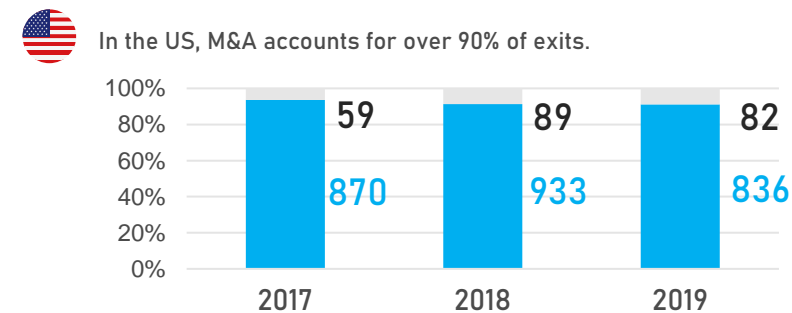
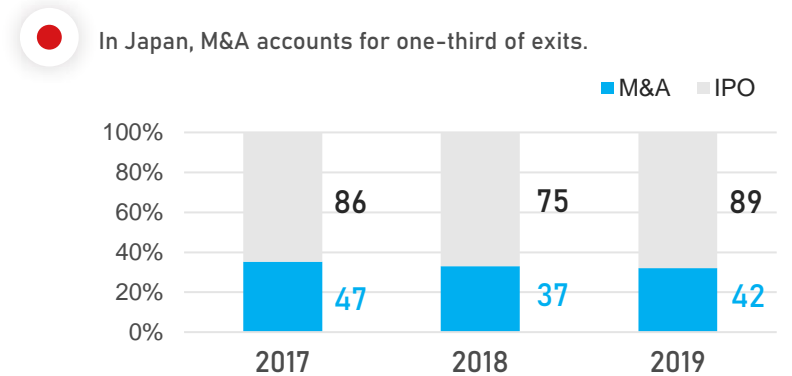


## Market Trends: M&A of Startups

Currently, there are few M&A deals involving startups in Japan, but there is a lot of room for growth. Acquiring startups as part of R&D investment can help companies grow and increase corporate value more efficiently than if they were to conduct R&D on their own.

### Small percentage of M&A exits among startups

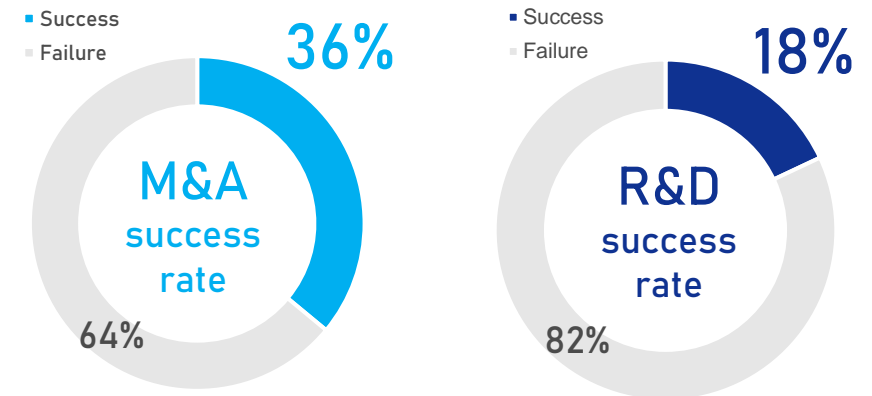
IPO and M&A status of venture capital portfolio companies



Source: Venture White Paper by the Venture Enterprise Center, included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

### M&A success rate is higher than R&D success rate

Success rate of medium- to long-term R&D and M&A



Source: Investigation into the Actual Conditions of Companies that Have Conducted M&A (2013) by Deloitte Tohmatsu Consulting Co., Ltd., included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

Source: Survey on the Establishment of a Japanese Innovation System from a Medium- to Long-Term Perspective by the Japan Research Institute, included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry



## Market Trends: M&A of Startups

The Japanese government has designated 2022 as the “First Year of Startup Creation” and is promoting various policies to create a startup ecosystem, including by announcing the “Startup Development Five-year Plan” in November 2022. As part of these efforts, the government is developing measures to promote M&A deals involving startups.

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



Essential to develop the exit market

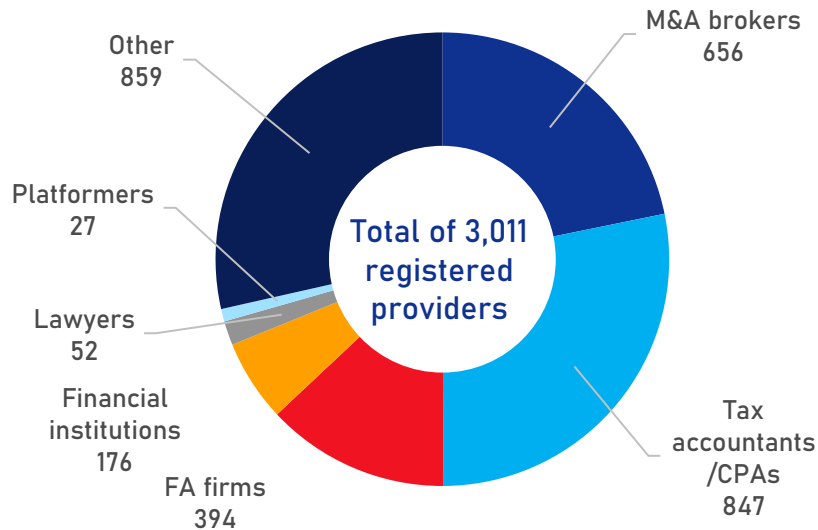
Startup M&A market expected to expand

## Market Trends: Status of 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).

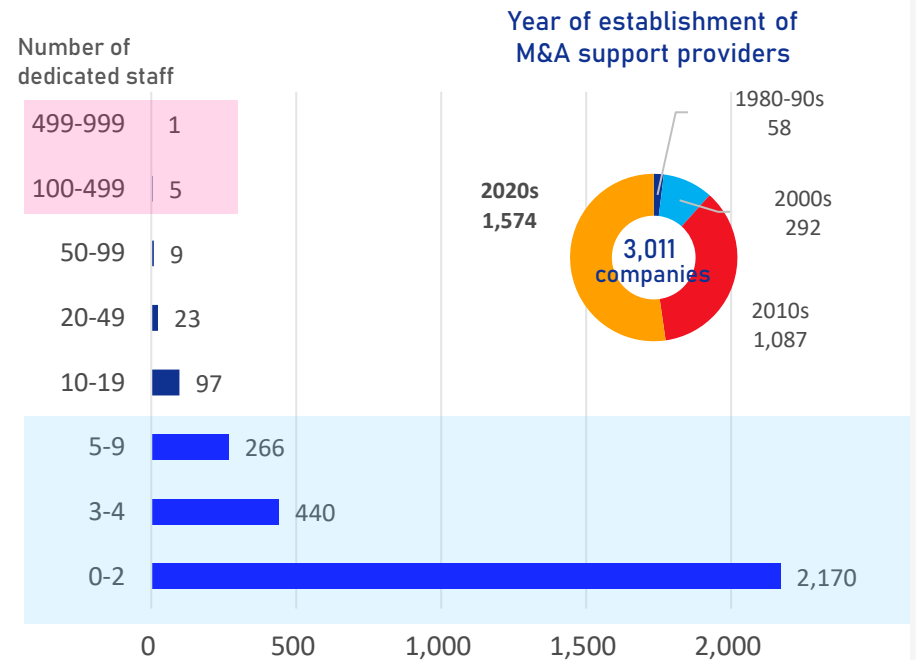
Although the number of M&A service providers has been on the rise in recent years, many are still small.

### Number of Registered M&A Service Providers



Source: Current Registration Status (as of October 18, 2023) by the Small and Medium Enterprise Agency

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



Source: Current Registration Status (as of October 18, 2023) by the Small and Medium Enterprise Agency

### The Small and Medium Enterprise Agency publishes the revised M&A Guidelines for SMEs on September 22, 2023

The Small and Medium Enterprise Agency has revised the M&A Guidelines for SMEs in response to changes in the transaction environment, such as the expansion of the SMEs M&A market and the increase in the number of M&A support organizations, since the publication of the first edition of the guidelines in March 2020. The revised guidelines address issues including the lack of clarity on contracts, variations in the quality of support provided by individual consultants, and the lack of clarity on fee structures.

#### Revised sections in "Basic Information for Supporting Organizations"

1. Efforts to ensure and improve the quality of support
  - Clarified the need to fulfill contractual obligations and adhere to professional ethics.
  - Specified efforts required of individual support organizations and the industry to ensure and improve the quality of support.
  
2. Explanation of important matters in writing prior to the conclusion of brokerage and FA contracts
  - Reviewed items of important matters to be explained in writing.
  - Specified that: explanations must be given to the person authorized to conclude the contract (if the client is an individual, the explanation should be given to said individual, and if the client is a juridical person, the explanation should be given to its representative or the person who has been delegated the authority to conclude the contract.); adequate time must be given to the client for consideration after explanations are provided; persons providing explanations on important matters are desired to be sufficiently experienced and competent to respond appropriately to clients' questions and opinions.
  
3. Points to note regarding provisions on limitation of direct negotiation

Source: "Overview of Revised M&A Guidelines for SMEs (Second Edition)," Small and Medium Enterprise Agency.

## Market Trends: Other Topics



The M&A Intermediaries Association is a self-regulatory organization established for the purpose of improving the quality of M&A intermediary services, promoting the sound development of the M&A intermediary industry as a whole, and supporting companies engaged in M&A through the thorough implementation of appropriate transaction rules, including the M&A Guidelines for SMEs.

We will actively engage in the activities of the association and contribute to the sound development of the industry.

Name	M&A Intermediaries Association (MAIA)	
Established	October 1, 2021	
Representative director	Kunihiko Arai	President and CEO Strike Co., Ltd.
	Suguru Miyake	President and Representative Director Nihon M&A Center Inc.
	Satoru Nakamura	President and CEO M&A Capital Partners Co., Ltd.
	Ryosuke Kubo	President Ondeck Co., Ltd.
	Yasuhito Shinoda	President Meinan M&A Co., Ltd.
Directors		
Auditor	Yutaro Kikuchi (Attorney-at-law, Kikuchi Sogo Law Office)	