

January 30, 2024

Financial Results for the Three Months Ended December 31, 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.

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- 01 **Operating Performance in Q1 FY09/24**
- 02 Forecast for FY09/24
- 03 Medium- to Long-Term Management Policy
- 04 Company Overview
- 05 Market Trends

Executive Summary

External Environment

- ✔ Listed companies' performance was on a recovery trend, with the number of M&A transactions between listed companies in October-December 2023 increasing by 65 (from 256 to 321) YoY. On a full-year basis, the number of M&A deals in 2023 significantly exceeded that of the previous year (see page 50).
- ✔ There were no significant changes in the SMEs M&A market.
- ✔ Full-fledged efforts have been made to improve M&A service quality, including revision of M&A Guidelines for SMEs and establishment of industry self-regulatory rules by an industry association.

Operating Performance

- ✔ Net sales in Q1 were ¥3,676 million, up 86.6% YoY due to an increase in deals size. The number of deals closed increased by 14 YoY.
- ✔ Operating profit was ¥1,345 million, up 140.8% YoY, despite the impact of higher rent expenses on land and buildings than originally planned.
- ✔ Q1 net sales and operating profit reached 44.8% and 45.9% of the 1H plan, respectively, a solid start considering seasonally higher sales in Q2.

Recruiting

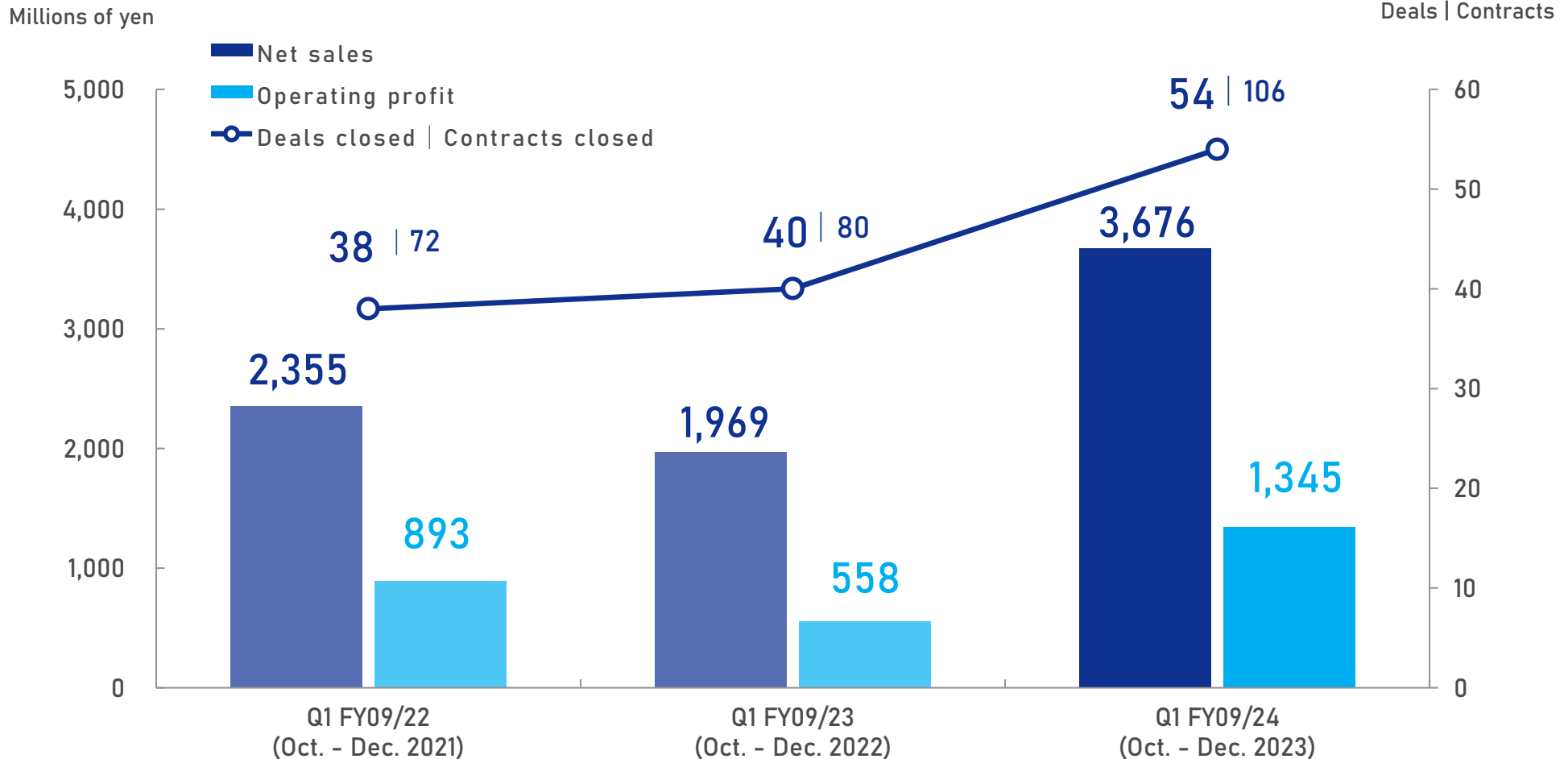
- ✔ The consultant headcount increased by five during Q1 against our annual target of 40.
- ✔ The number of new contracts totaled 230, 28.3% of the full-year target of 814.

Q1 FY09/24 Operating Performance

Large deals closed increased by three YoY (from four to seven).
 Average sales per deal closed* also rose YoY (from ¥49 million to ¥68 million).

* Net sales / the number of deals closed

Quarterly Results



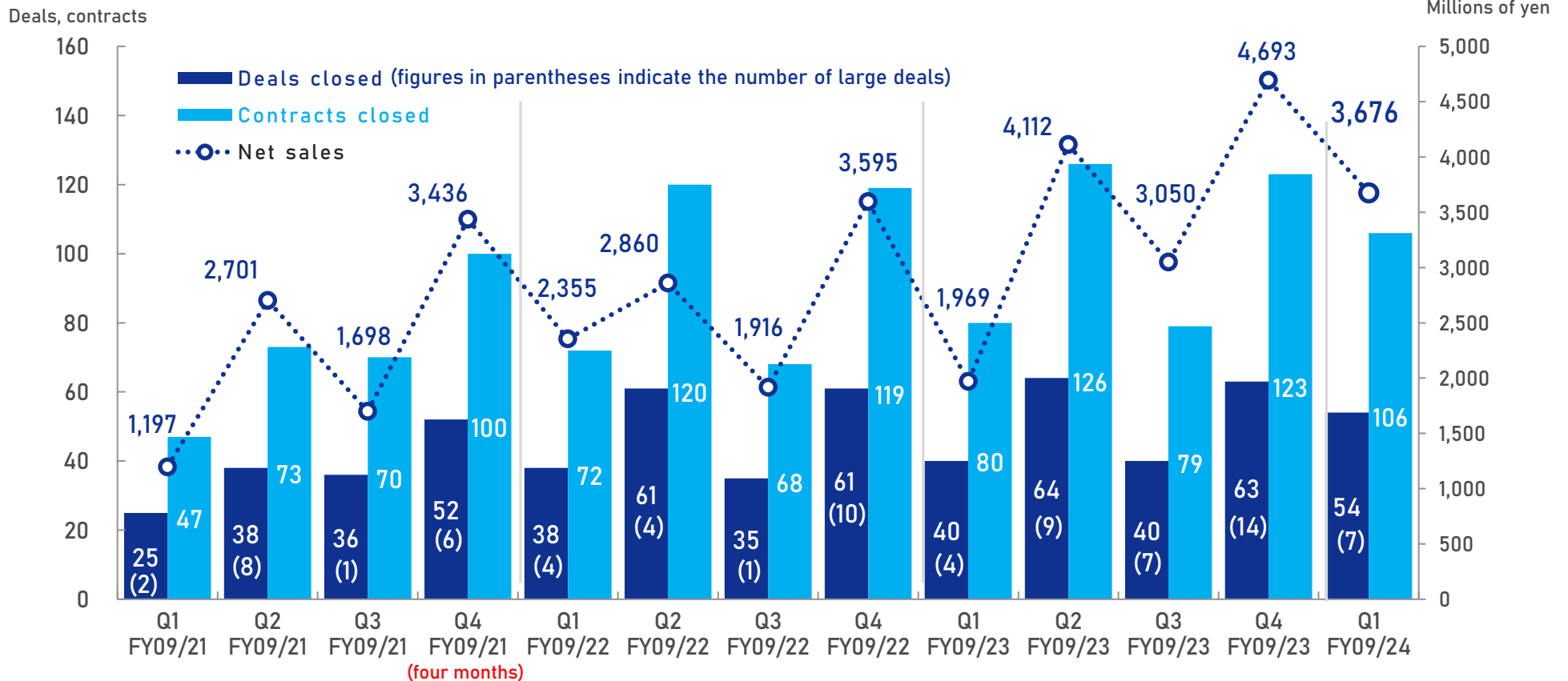
Year-on-Year Comparison

Strong start for both net sales and operating profit compared to the same period last year.

	Q1 FY09/24		Q1 FY09/23		Millions of yen
		% of net sales		% of net sales	YoY change
Net sales	3,676	100.0%	1,969	100.0%	+86.6%
Cost of sales	1,277	34.7%	722	36.7%	+76.7%
SG&A expenses	1,053	28.6%	687	34.9%	+53.1%
Operating profit	1,345	36.6%	558	28.4%	+140.8%
Ordinary profit	1,344	36.6%	560	28.4%	+140.1%
Profit	904	24.6%	375	19.1%	+140.9%

Deals and Contracts Closed

While we aim to improve quarterly performance fluctuations, the number of deals closed remains seasonally higher in Q2 compared to Q1.



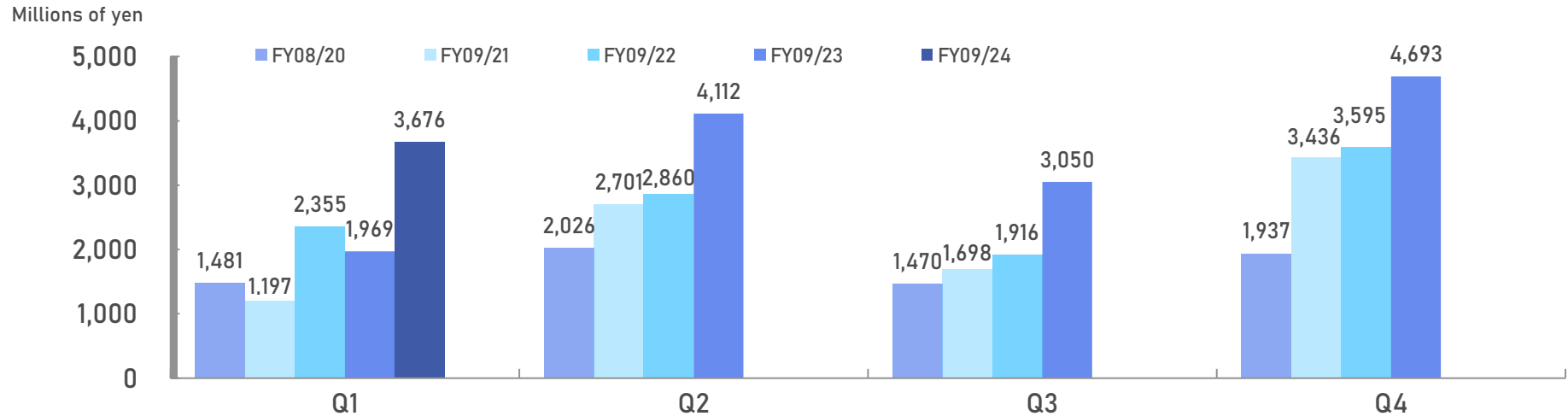
Deals closed: Number of M&A transactions in which Strike provides brokerage or advisory services (i.e., number of deals)
(Large deals are those associated with per-deal sales of ¥100 million or more)

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

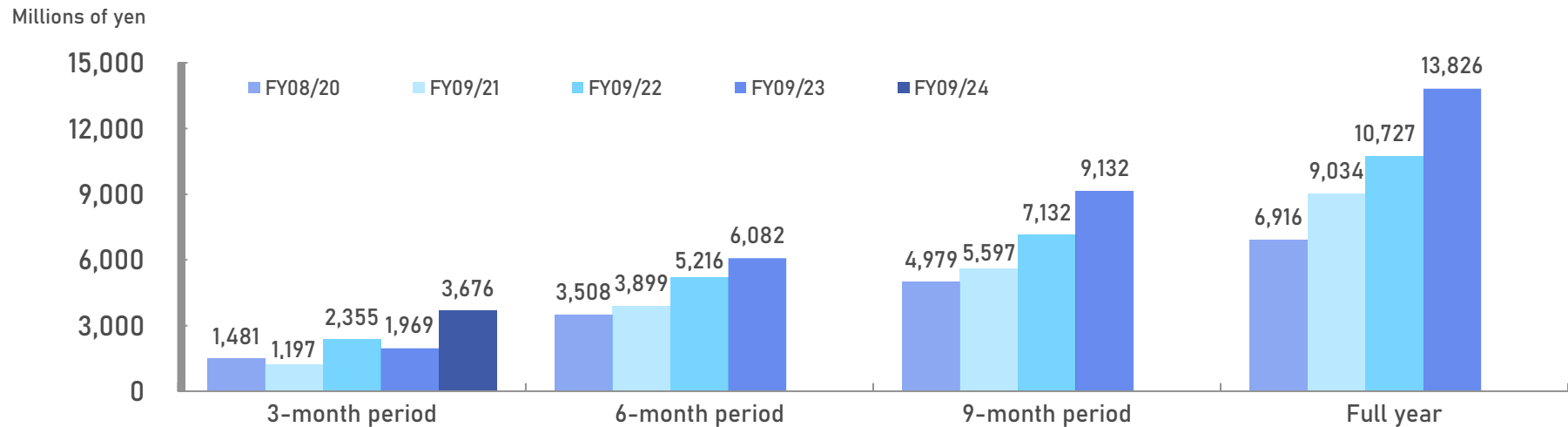
In brokerage services, each deal counts as two contracts (one for the seller and one for the buyer), while in advisory services, each deal counts as one contract.

(Reference) Historical Sales

Historical Sales (Accounting Period)



Historical Sales (Cumulative Period)

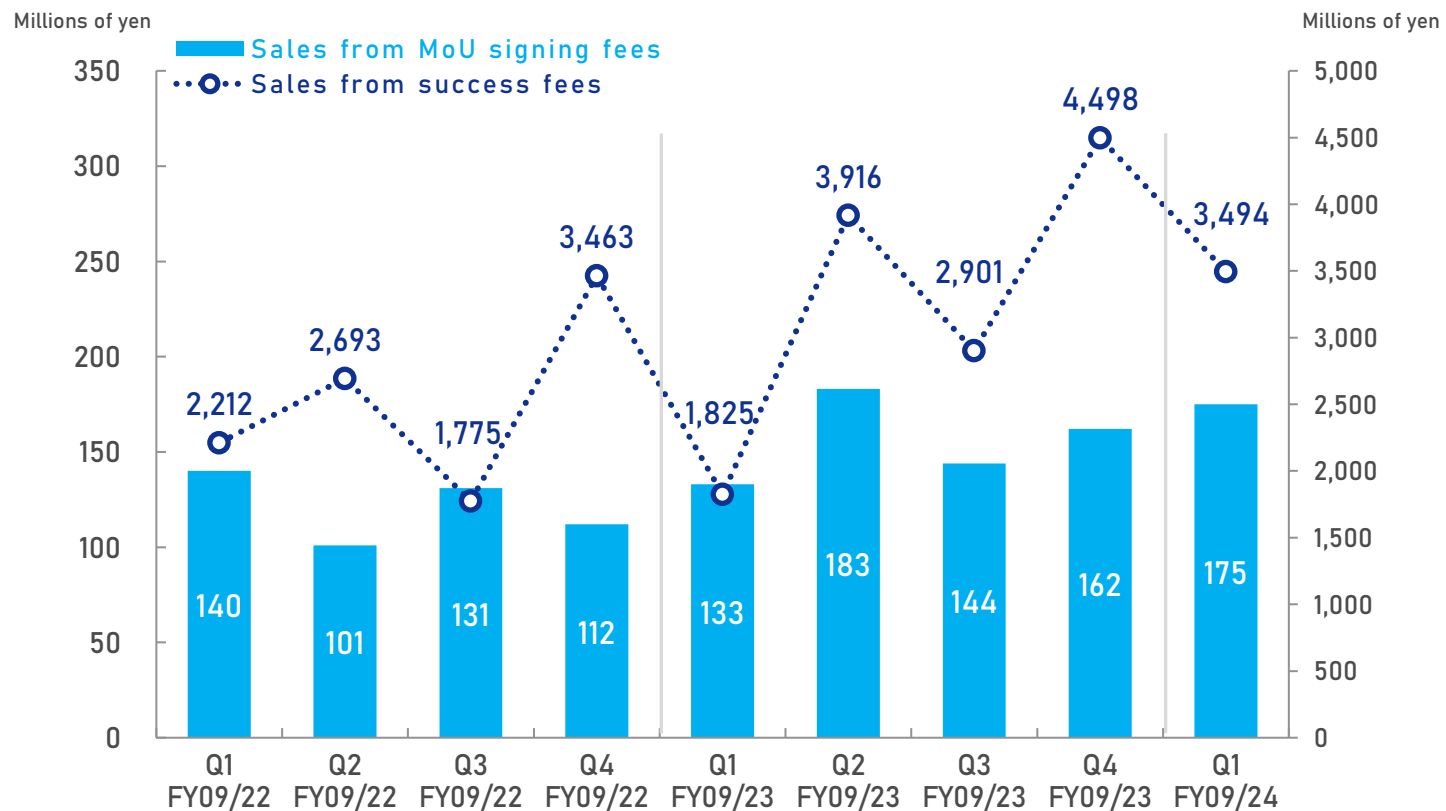


MoU Signing Fees and Success Fees

MoU signing fees have been increasing on a quarterly basis, and matching activities are progressing well.

Sales from MoU signing fees

Sales from success fees

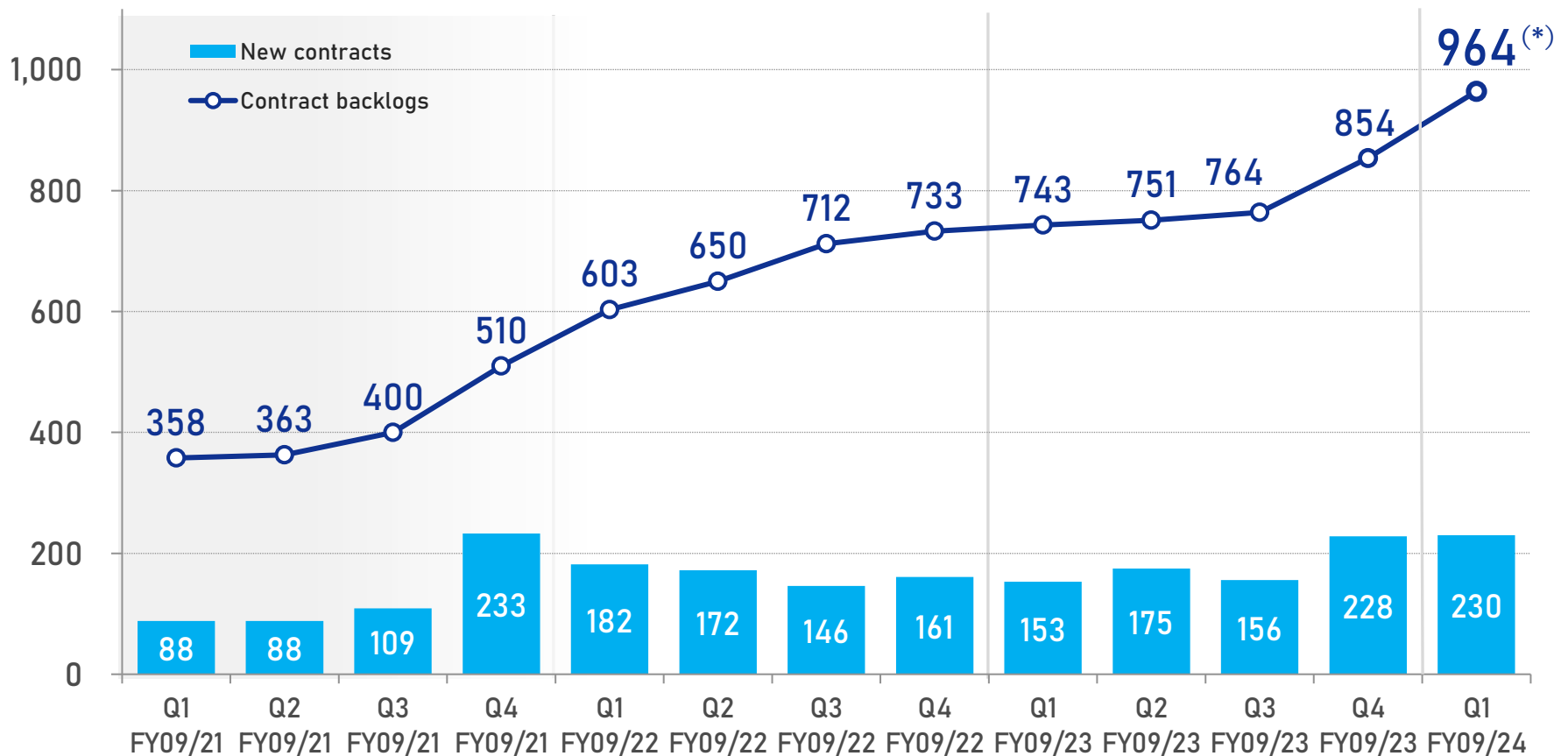


Notes: Calculated from Q1 FY09/22, following a revision of the fee structure.

New Contracts

Average sales generated per deal closed remained largely the same as the previous fiscal year (FY09/23: ¥85 million, Q1 FY09/24: ¥86 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)



(four months)

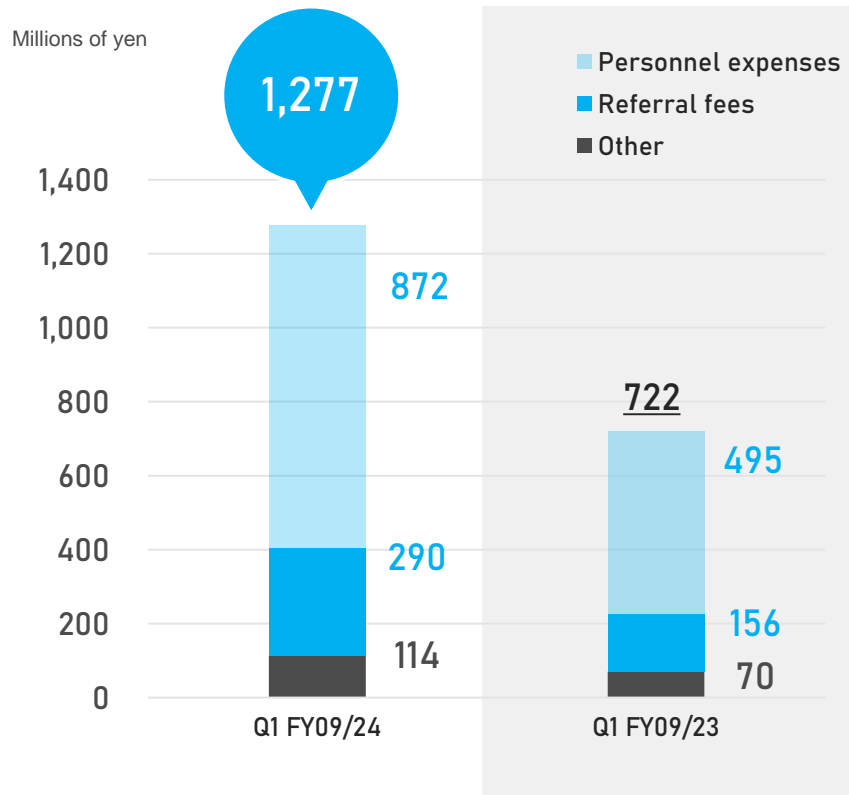
* Includes 142 stalled deals

Year-on-Year Comparison

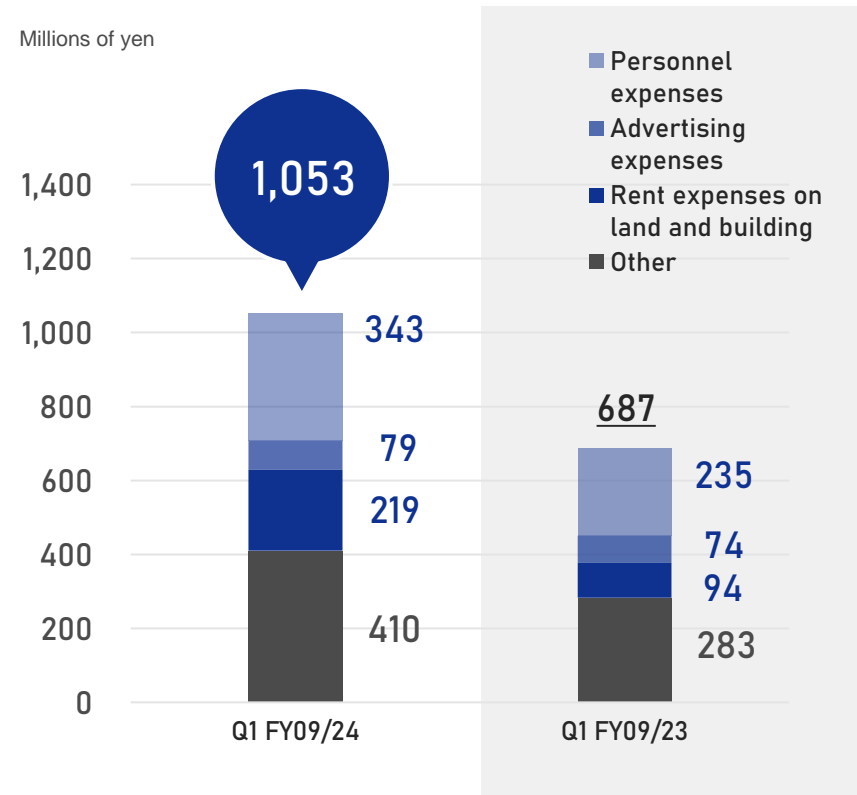
Cost of sales increased, but cost of sales ratio declined due to improvement in the percentage of personnel expenses to sales.

Rent expenses on land and buildings under SG&A expenses increased because of head office expansion (+¥124 million). Other expenses rose due to depreciation associated with head office expansion (+¥24 million).

Breakdown of Cost of Sales



Breakdown of SG&A Expenses



(Reference) Quarterly Trends in Cost of Sales and SG&A Expenses



Millions of yen

	FY09/22					FY09/23					FY09/24	
Cost of sales	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Total
Personnel expenses	563	656	477	830	2,527	495	967	742	1,080	3,286	872	872
Referral fees	168	241	121	257	789	156	291	193	272	914	290	290
Other	57	60	65	69	253	70	96	101	109	377	114	114
Total	789	958	664	1,156	3,570	722	1,355	1,037	1,462	4,578	1,277	1,277

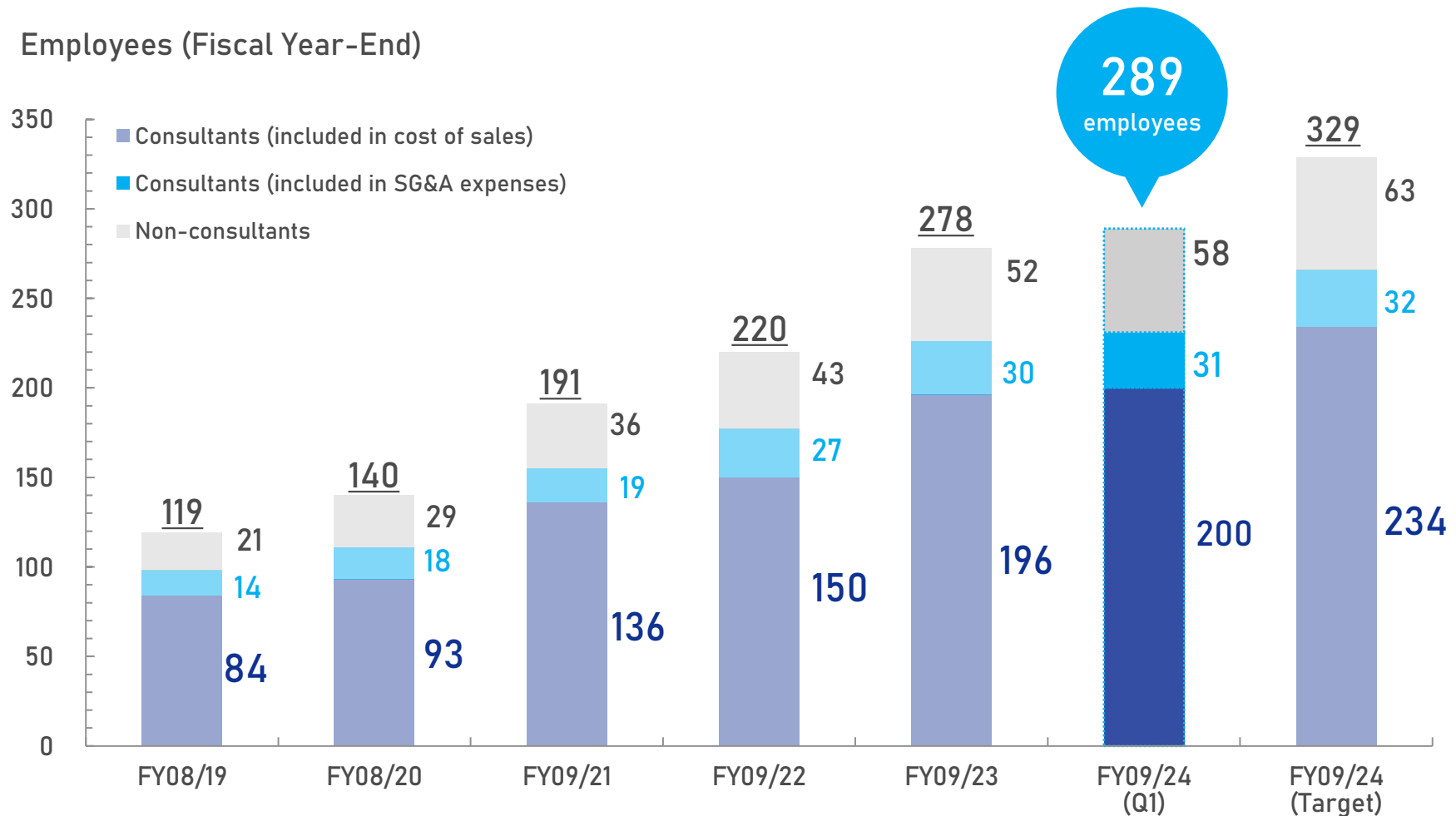
	FY09/22					FY09/23					FY09/24	
SG&A expenses	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Total
Personnel expenses	286	346	277	407	1,318	235	379	329	253	1,198	343	343
Advertising expenses	58	83	60	57	259	74	282	193	80	629	79	79
Rent expenses on land and buildings	95	94	94	94	378	94	217	217	217	747	219	219
Other	232	275	211	256	975	283	410	351	423	1,469	410	410
Total	672	800	644	815	2,932	687	1,290	1,091	975	4,045	1,053	1,053

Some figures have been reclassified in compiling data.

Employees

The consultant headcount increased by five in Q1. Expect to increase 40 by the end of FY09/24.

Employees (Fiscal Year-End)



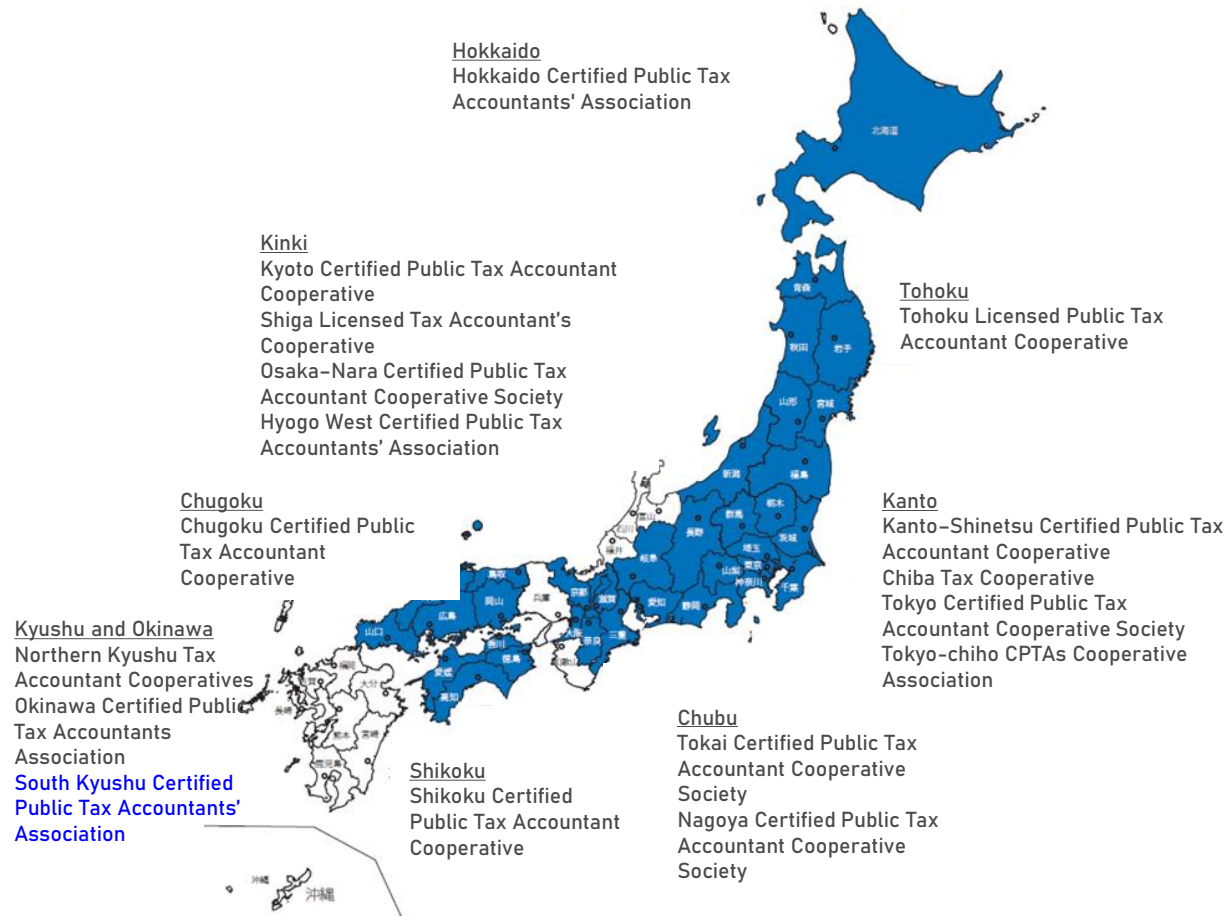
Comparison of Financial Position vs. End-FY09/23

Accounts receivable-trade decreased by ¥700 million due to the collection of receivables at the end of the previous fiscal year. Other under current liabilities decreased by ¥1.2 billion due to factors including bonus payments for FY09/23.

				Millions of yen			
	End-Q1 FY09/24	End-FY09/23	Change		End-Q1 FY09/24	End-FY09/23	Change
Cash and deposits	12,996	14,102	-1,106	Accounts payable-trade	155	160	-4
Accounts receivable-trade	245	966	-720	Income taxes payable	497	970	-472
Other	194	155	+38	Other	1,237	2,461	-1,224
Total current assets	13,435	15,224	-1,788	Total current liabilities	1,890	3,591	-1,700
Property, plant and equipment	1,148	1,082	+66	Other	254	190	+63
Intangible assets	11	12	-0	Total non-current liabilities	254	190	+63
Investments and other assets	1,977	1,965	+11	Total liabilities	2,144	3,782	-1,637
Total non-current assets	3,137	3,060	+76	Share capital	823	823	-
				Capital surplus	801	801	-
				Retained earnings	13,235	13,310	-74
				Treasury shares	(434)	(434)	-
				Shareholders' equity	14,426	14,501	-74
				Valuation and translation adjustments /Share acquisition rights	1	2	-0
				Total net assets	14,428	14,503	-74
Total assets	16,573	18,285	-1,712	Total liabilities and net assets	16,573	18,285	-1,712

Concluded business alliance with South Kyushu Certified Public Tax Accountants' Association.

Status of Alliances with Tax Accountant Cooperatives



Our network expanded to include 17 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

Launch of Healthcare Team

We launched the Healthcare Team to support M&A of medical corporations such as hospitals, clinics, nursing care providers, and dispensing pharmacies.

The team's consultants come from diverse backgrounds such as finance, medical representatives, human resources, and auditing firms, and have extensive experience and knowledge in formulating optimal M&A schemes for medical corporations.

Companies are matched on a nationwide scale, capitalizing on Strike's expansive network of accounting firms, financial institutions, and other partner companies.



Hosting of seminars on industry, tax systems, and other topics

We held a range of seminars, including a seminar for dental clinic owners and a seminar on open innovation tax incentives provided by staff from the Ministry of Economy, Trade and Industry.

Conference of S venture Lab., an event to promote collaboration between startups and business corporations, was also held monthly in Nagoya and other parts of Japan.

⇒ Aim to capture a wide range of M&A needs.



The image displays four promotional posters for various seminars and conferences:

- Top Left:** "加速する 歯科医院M&Aの実態" (Accelerating Dental Clinic M&A Realities). Online seminar for dental clinic owners. Date: 11月19日(日) 10:00~11:00. Speakers: 中野 善夫 (P&C株式会社), 浅見 雄人 (株式会社ストライク).
- Top Right:** "経産省現役官僚が解説! オープンイノベーション 促進税制の狙いと活用術" (Ministry of Economy, Trade and Industry Official Explains! Open Innovation Promotion Tax System Targets and Usage). Free seminar for tax accountants. Date: 11月7日(火) 16:00~17:00. Speaker: 加藤 隆一氏 (経済産業省).
- Bottom Left:** "京都の老舗喫茶が目指すファンドとのM&Aによる事業成長" (Business Growth of Kyoto's Old Tea House Aimed at M&A with Funds). Free seminar for operators. Date: 10月23日(月) 14:00~15:00. Speaker: 前田 利重氏 (株式会社イノダコーヒ).
- Bottom Right:** "伝統と革新が交わる 名古屋のCVCが語る" (Where Tradition and Innovation Meet: Nagoya's CVCs Speak). Conference of S venture Lab. Date: 11月8日(水) 18:00~20:00. Speakers: 岡田 和也 (株式会社ストライク), 山本 隆一 (NTG), 山本 隆一 (NTG).

Relocation and expansion of Osaka Office

The Osaka Office was relocated to JP Tower Osaka, which is directly connected to Osaka Station, Osaka's largest business district and key transportation hub.

Capitalizing on the convenient location, we will work to further uncover M&A needs in the Kansai area and enhance our performance.



Publication of M&A Yearbook 2024

Released on January 31, 2024

This year marks the fourth publication.

The M&A Yearbook is a “mook” (portmanteau of “magazine” and “book”) that comprehensively compiles data on all of the approximately 1,068 M&A conducted by listed Japanese companies in 2023, examining them from various angles, including monetary value and industry type.



Topics 04

Launched second series of TV commercials, “Business Succession” and “Business Expansion,” in January 2024.

- 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.



- 01 Operating Performance in Q1 FY09/24
- 02 Forecast for FY09/24**
- 03 Medium- to Long-Term Management Policy
- 04 Company Overview
- 05 Market Trends

Forecast for FY09/24

Forecast Assumptions and Most Recent Trends

- ☑ 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. ⇒ **Completed in November 2023**
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.

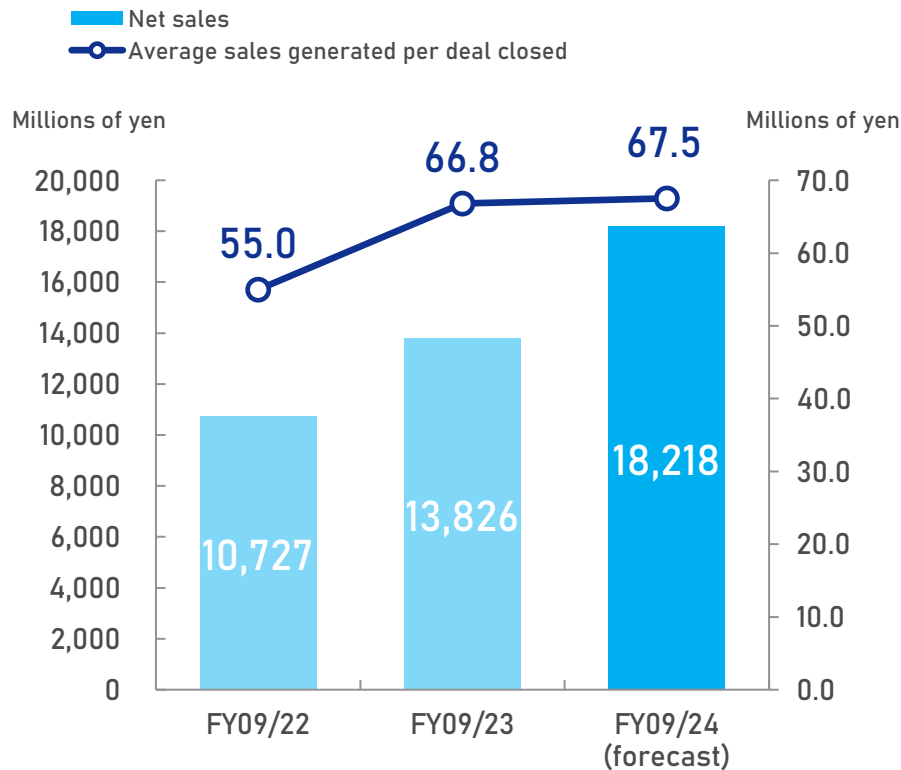
- ☑ Review of our organizational structure in accordance with the revised M&A Guidelines for SMEs.

⇒ **Performance forecasts remain unchanged from the initial plan.**

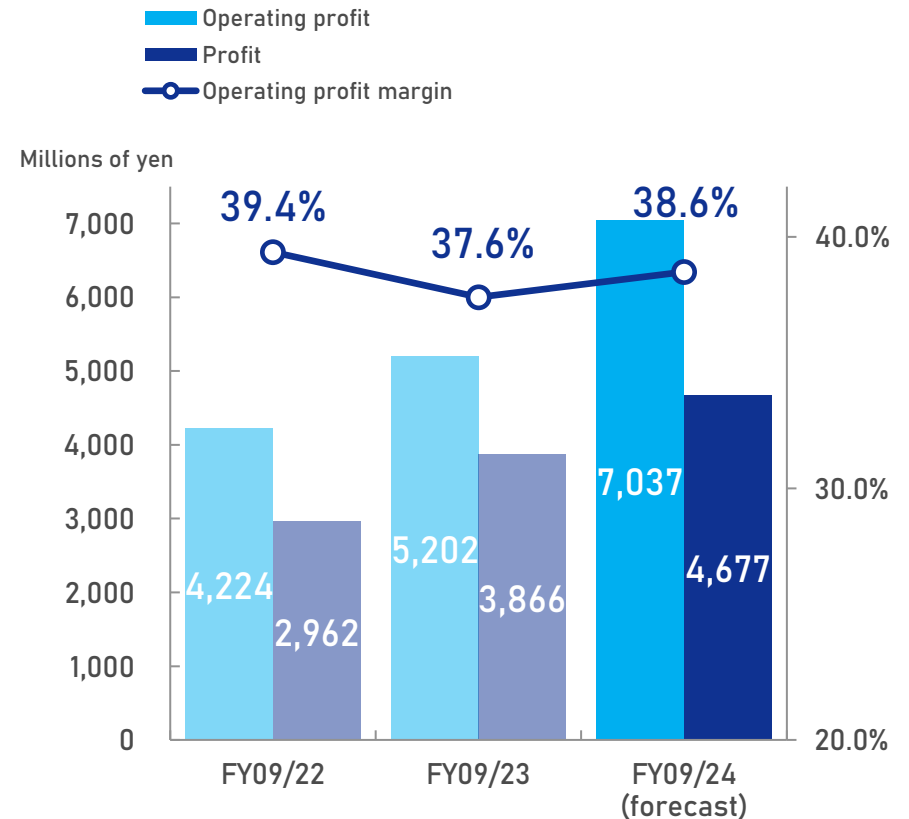
Forecast for FY09/24

Average sales generated per deal closed have been planned based on FY09/23 results. Operating profit margin is expected to improve along 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



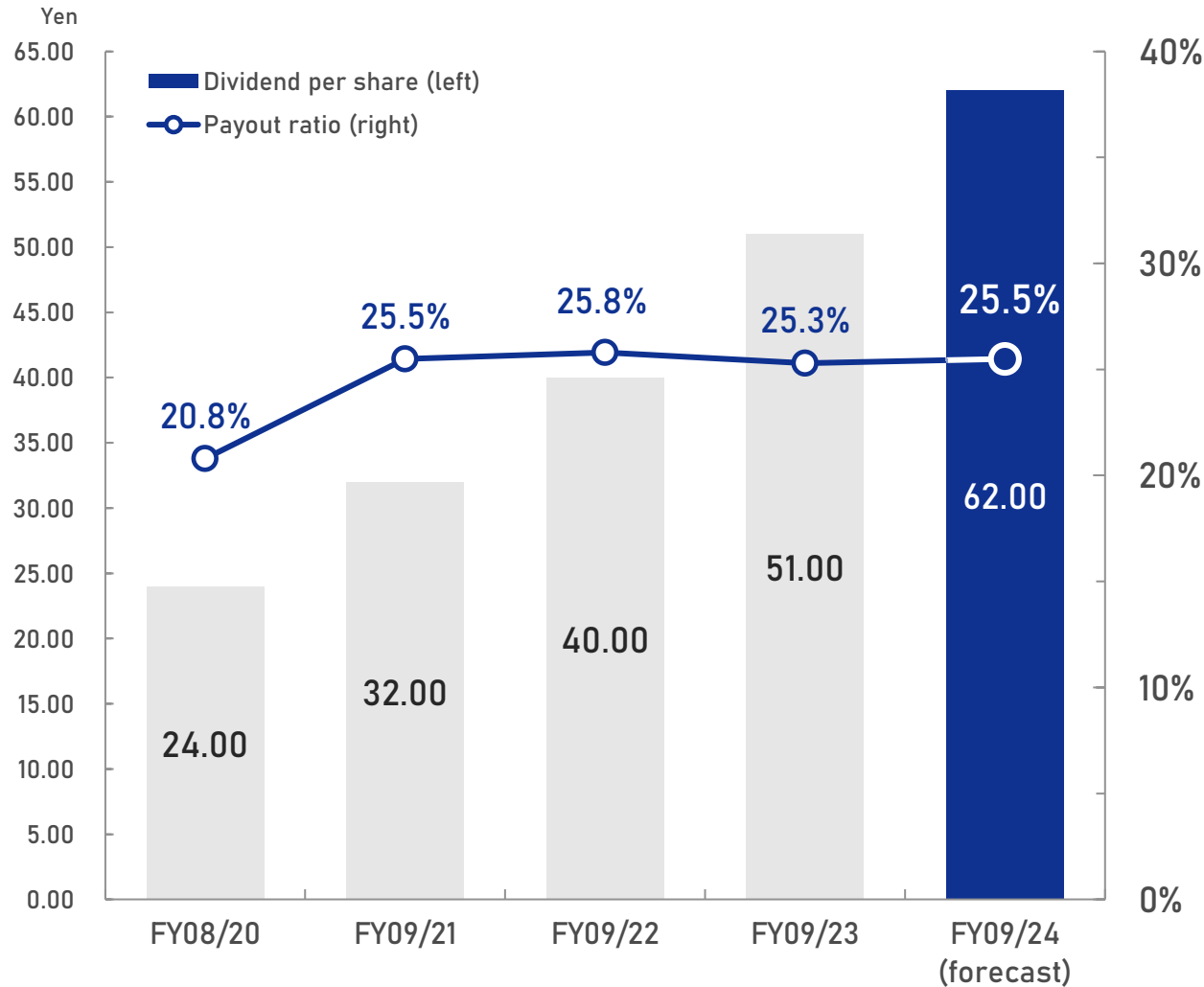
Our plan calls for closing 270 deals and taking on 814 new contracts.

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	-	+63 deals	
Number of new contracts	814	-	712	-	+102 contracts	
Employees	329	-	278	-	+51 employees	

Planned Shareholder Returns

Dividends and Payout Ratio



Dividends

While targeting a dividend payout ratio of 25% or more for the time being, we intend to consider raising the ratio, taking into account our future investment prospects and other factors.

ROE

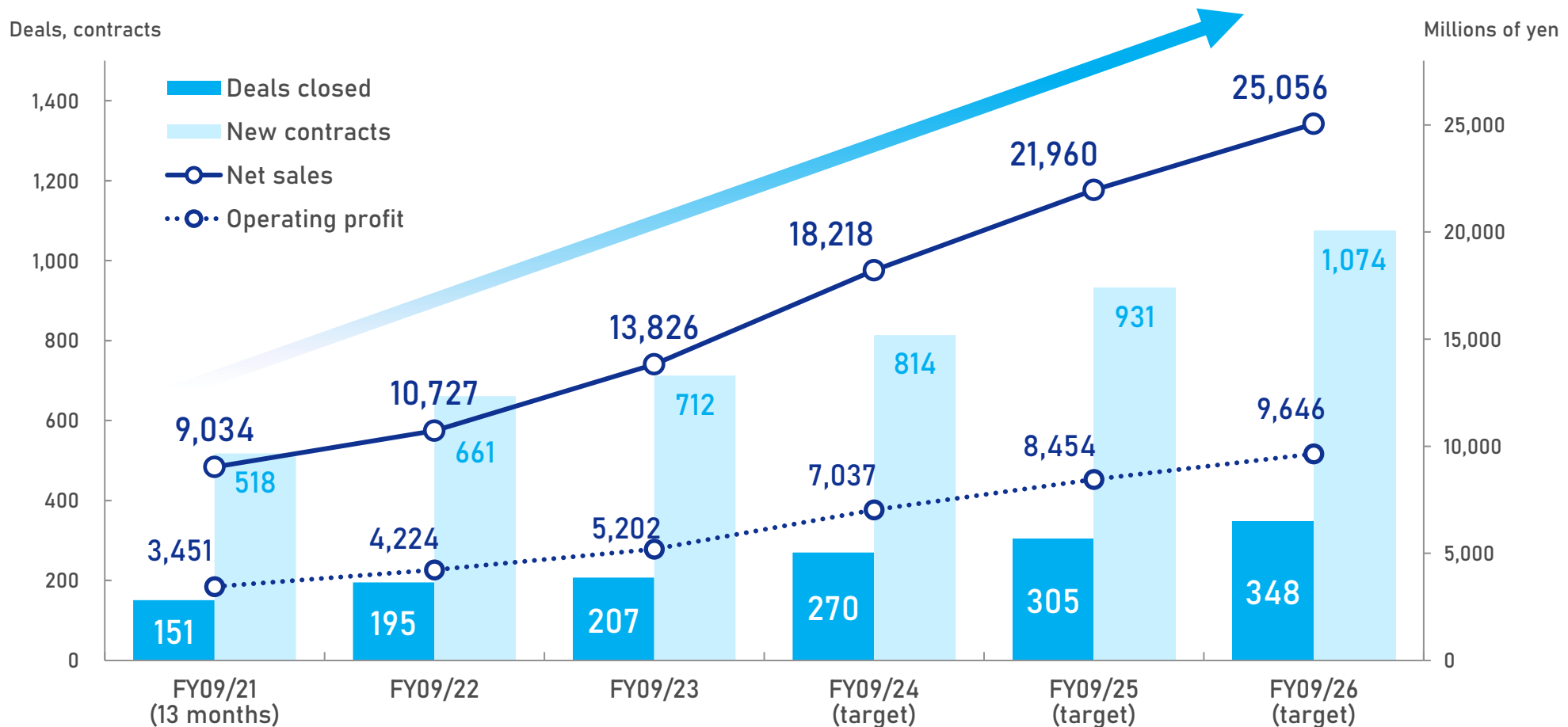
We aim to maintain ROE of 20% or higher for the time being and look into buying back shares depending on circumstances.

- 01 Operating Performance in Q1 FY09/24
- 02 Forecast for FY09/24
- 03 Medium- to Long-Term Management Policy**
- 04 Company Overview
- 05 Market Trends

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



We target a CAGR of 20%.



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

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

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

Strengthening **Organizational Power**

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

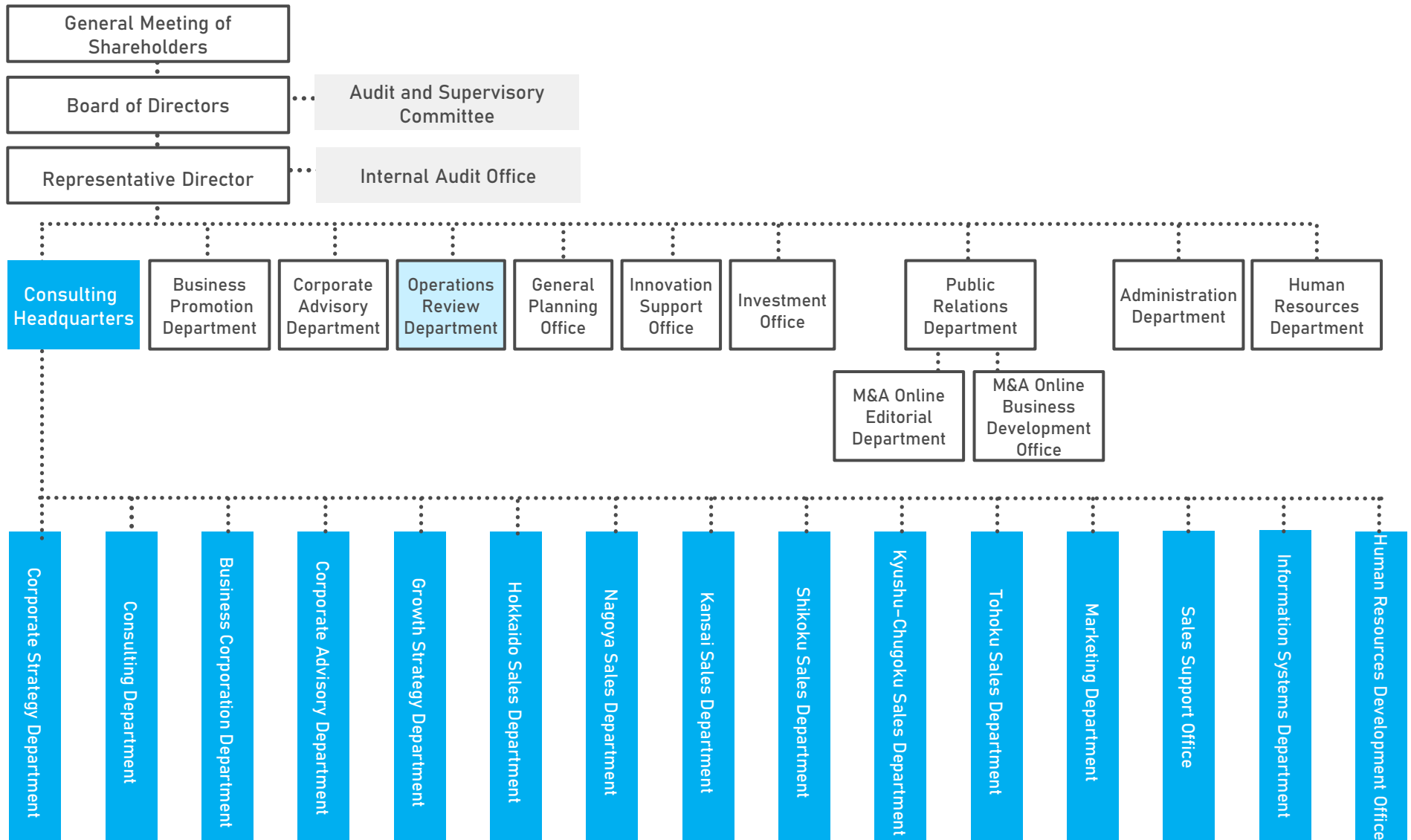
1. Improve efficiency of individual consultant's sourcing and matching operations by reviewing internal systems, including adoption of IT tools.
2. Share deal information and manage deal progress through internal systems.

Boost expertise through specialization

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 January 1, 2024)

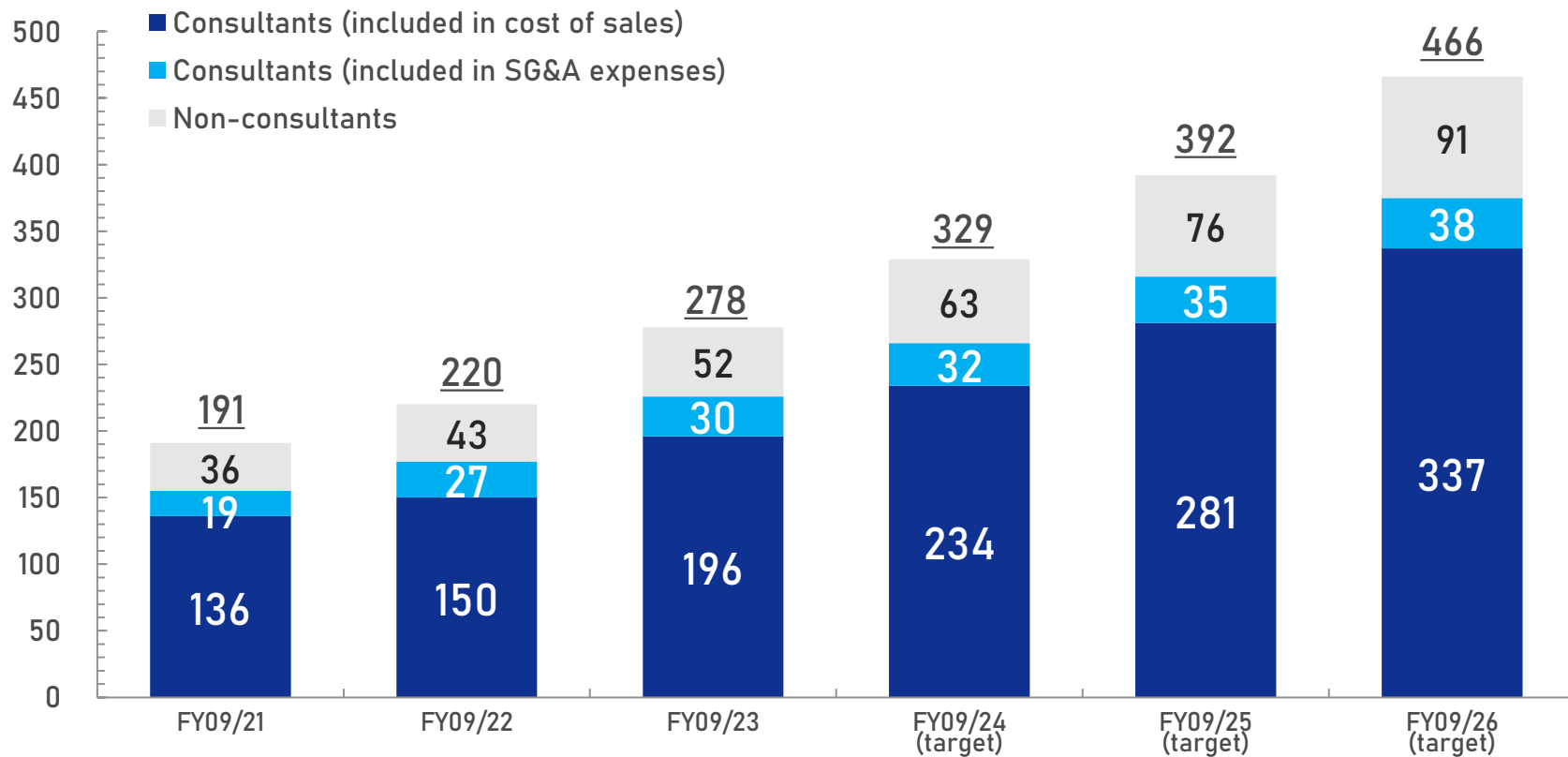
Established the Operations Review Department to comply with the M&A Guidelines for SMEs and industry self-regulatory rules.



Employees

- Stably increase headcount while maintaining service quality
- Recruit more than planned when good candidates are found

Employees (Fiscal Year-End)

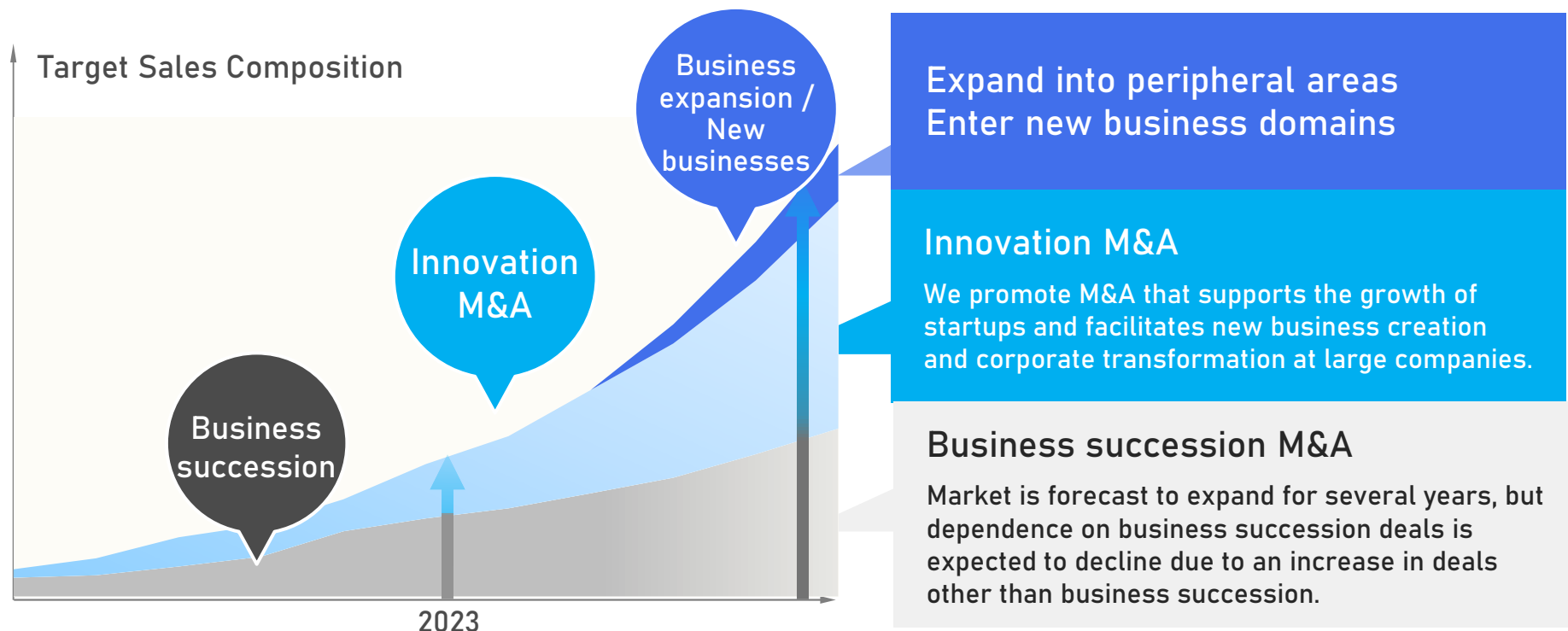


Future Growth Strategy

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.

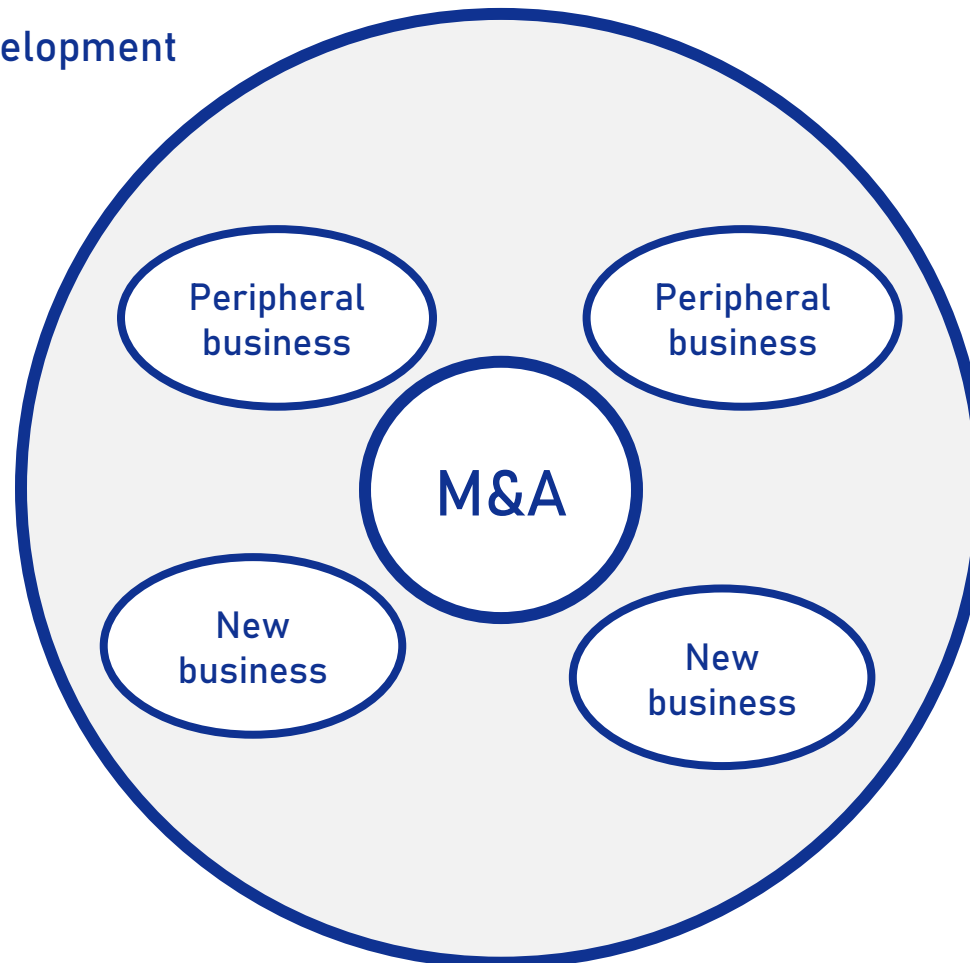
We will also expand into peripheral areas and enter new business domains to achieve sustainable growth.



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



- 01 Operating Performance in Q1 FY09/24
- 02 Forecast for FY09/24
- 03 Medium- to Long-Term Management Policy
- 04 Company Overview**
- 05 Market Trends

Company Overview

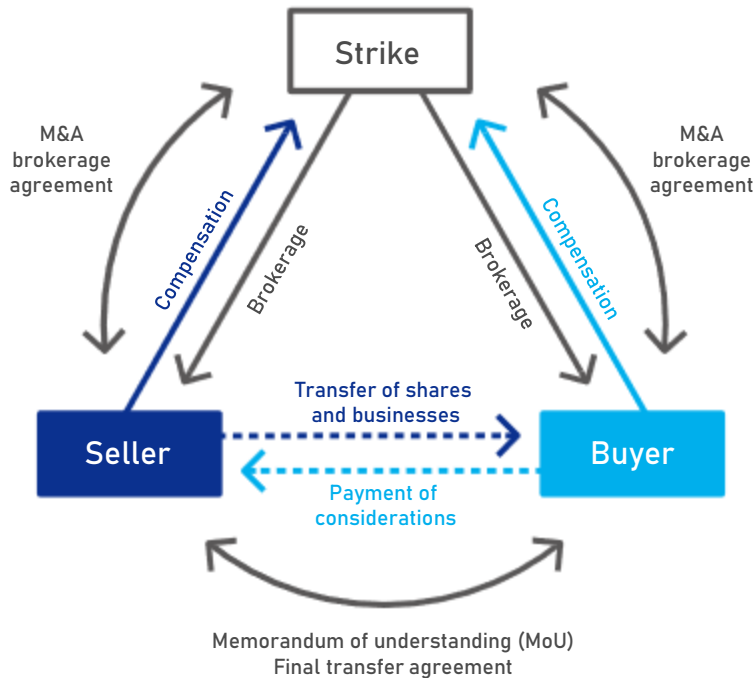


Company name	Strike Co., Ltd.
Established	July 1997
Share capital	¥823 million (as of September 30, 2023)
Representative	Kunihiko Arai, President and CEO
Headquarters	15th floor of Mitsui & Co. Building 1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan
Employees	289 (excluding temporary staff; as of December 31, 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)

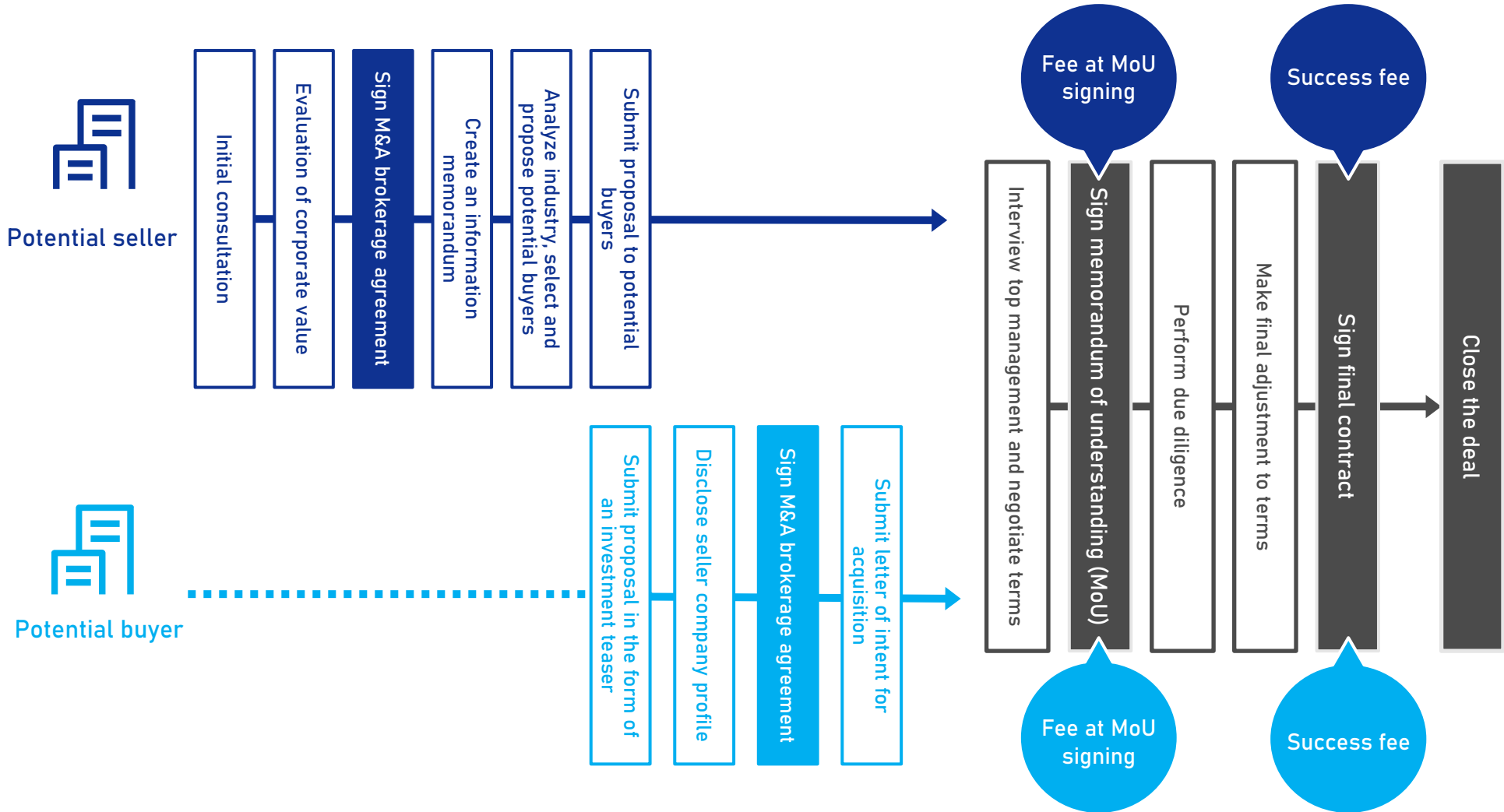
Amount of seller's shares or assets sold	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1bn	4%
Portion from ¥1bn to ¥5bn	3%
Portion from ¥5bn to ¥10bn	2%
Portion above ¥10bn	1%

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%

Strengthen proposal-based sales

- Strengthen consultative sales based on target company research and in-depth industry knowledge
- Effectively secure leads by organizing a dedicated marketing department
- Carry out proposal-based sales tailored to the characteristics of each industry by organizing industry-specific teams

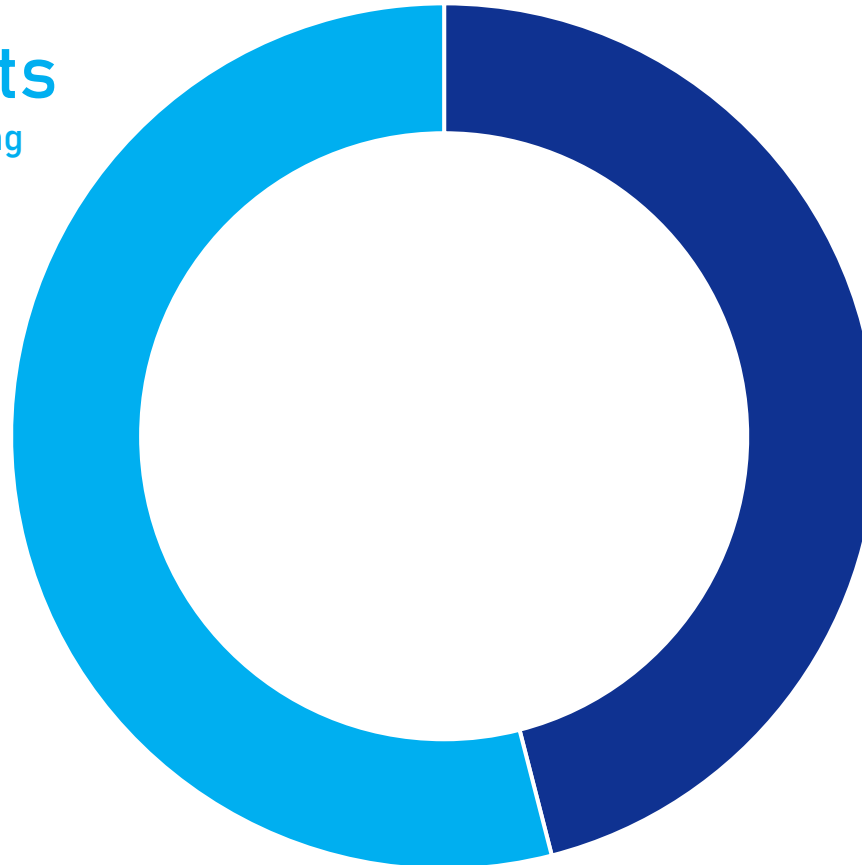
Referrals

from business partners

46%

Main business partners

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



FY09/23

New contract ratio
by sourcing route

Feature 1 | Sourcing Capability / Track Record



Raising both average sales per deal closed and number of contracts by capitalizing on our well-balanced sourcing routes.

54%

Direct contracts

acquired through approaching customers directly

Raise average sales per deal

Increasing the number of large deals by making proposals tailored to clients' needs.



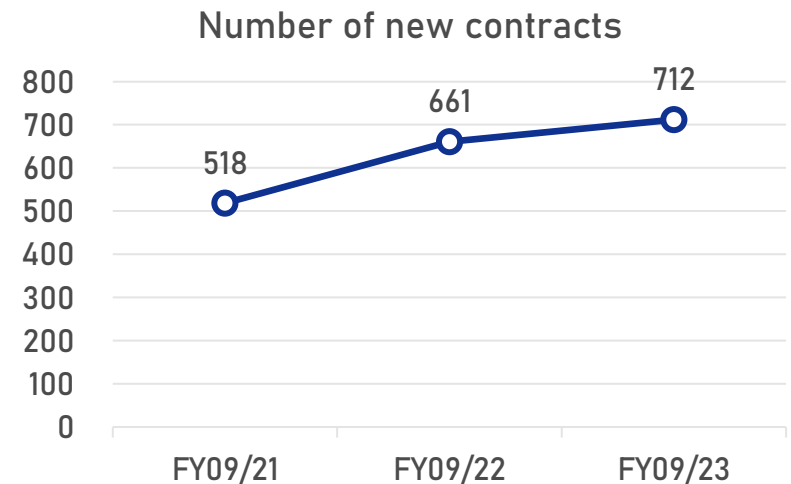
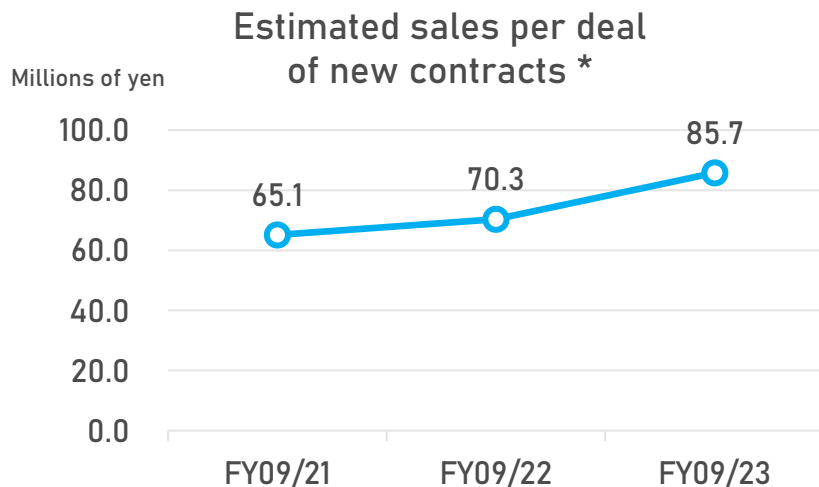
46%

Referrals

from business partners

Raise the number of new contracts

Efficiently increasing the number of contracts through referrals from business partners.



* Amount of compensation per deal estimated at the time of contract signing (assuming a deal is closed).

Feature 2 | Matching Capability

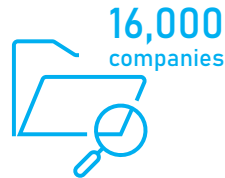
Methods used to search for potential buyers



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

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.



Extensive data on acquisition needs



Buyer search by all consultants



Direct inquiries from prospective buyers



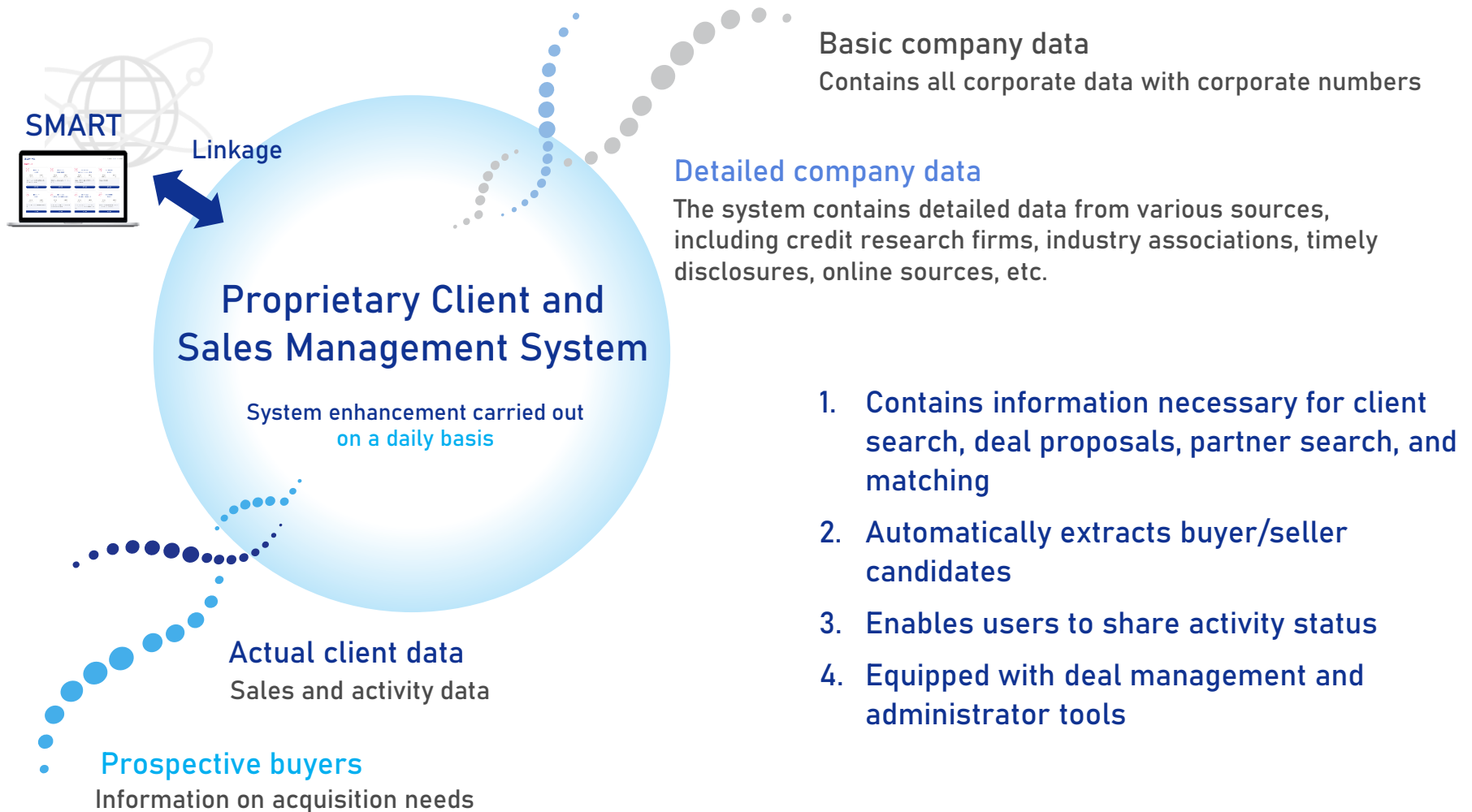
Utilization of information from business partners



Enhance client satisfaction by offering them a broad range of buyer options

Feature 3 | Client and Sales Management System

Streamline operations using proprietary client and sales management system / extensive data



Feature 4 | Recruitment and Development

Recruitment of consultants

- ✓ Acquire **diverse human resources**, including those who have no industry experience. Shift the focus of recruitment from mid-career professionals to new graduates.
- ✓ Hire for quality rather than for the sake of hiring to **maintain the quality of operations**. May hire more than planned if good candidates are found but will not do so just to meet the recruitment targets.

Development of consultants

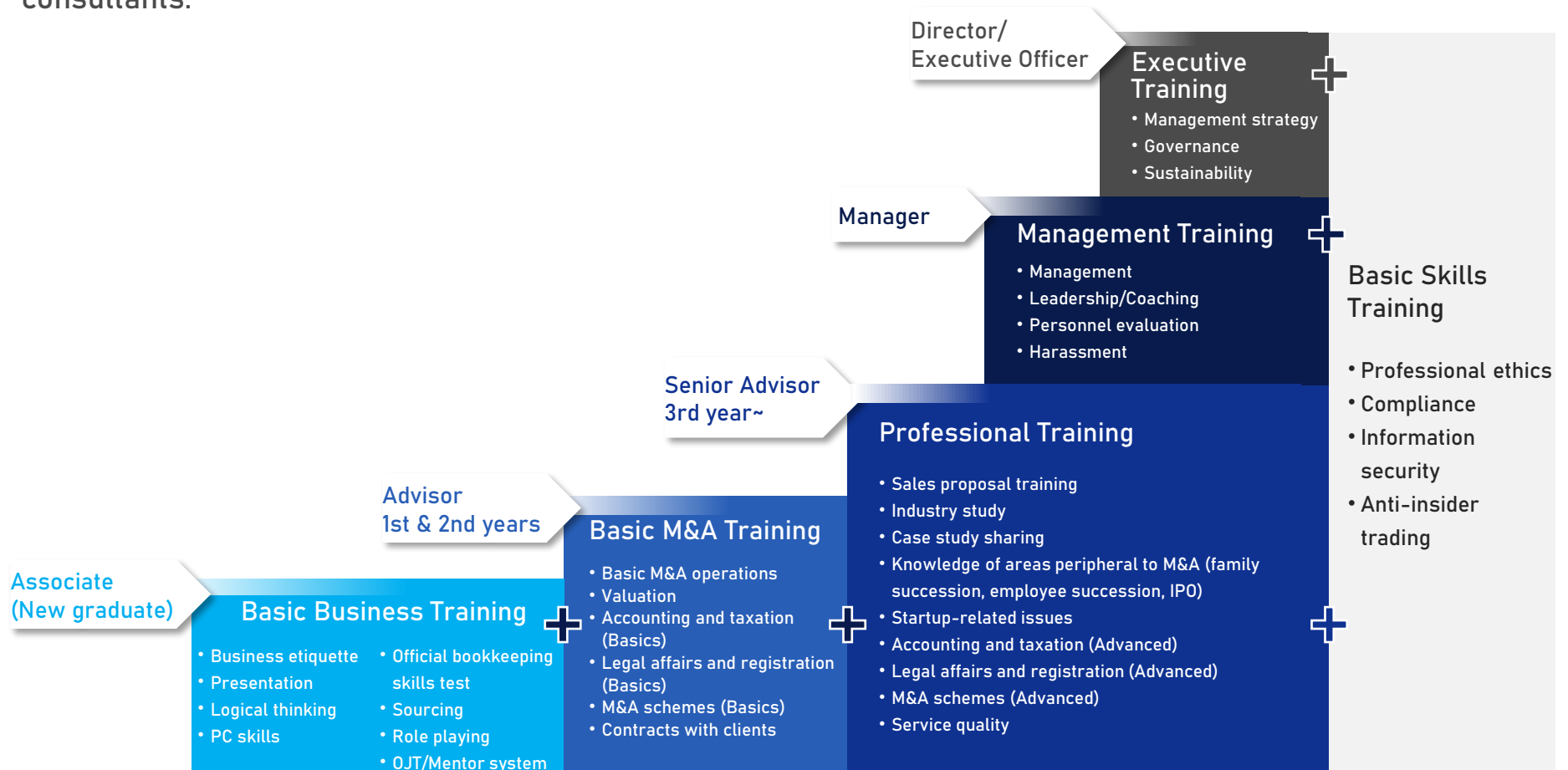
- ✓ **Develop professionals** capable of closing multiple deals per year within roughly three years.
- ✓ Develop and provide **sustainable training programs** to enhance service quality.

Feature 4 | Recruitment and Development / Consultant Development Program



Develop M&A professionals to enhance service quality.

We provide a broad range of position-specific training programs to foster M&A professionals in roughly three years. Training is provided on an ongoing basis to continuously enhance the expertise of our consultants.



Feature 5 | Fee Structure

Compensation Structure for Sellers

No initiation fee and low fees at MoU signing. Success fees are based on the amount of seller's shares or assets (does not include the liability portion).

⇒ Making it easier for clients to approach us.

	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 6 | M&A Track Record in Various Industries

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

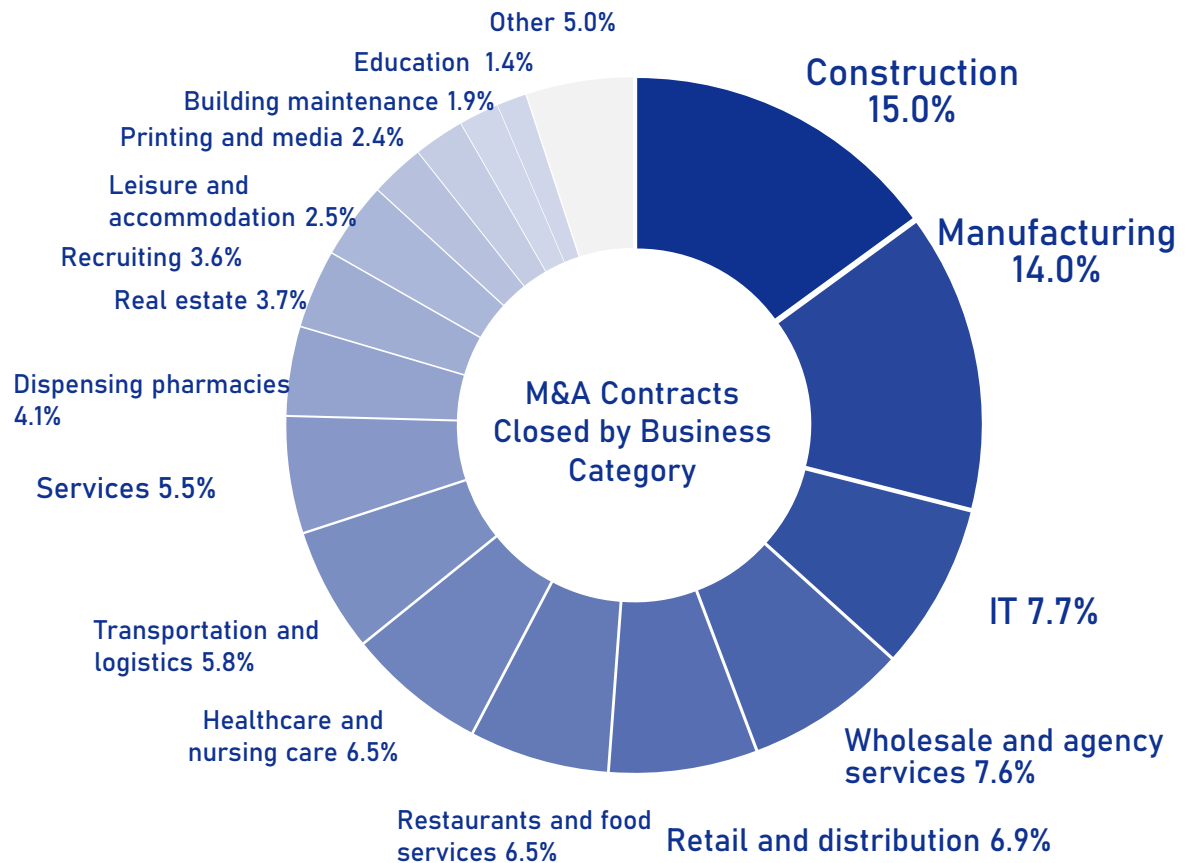
We are also highly capable of handling irregular, complex deals.



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

Total number of M&A deals since the Company's founding to FY09/23

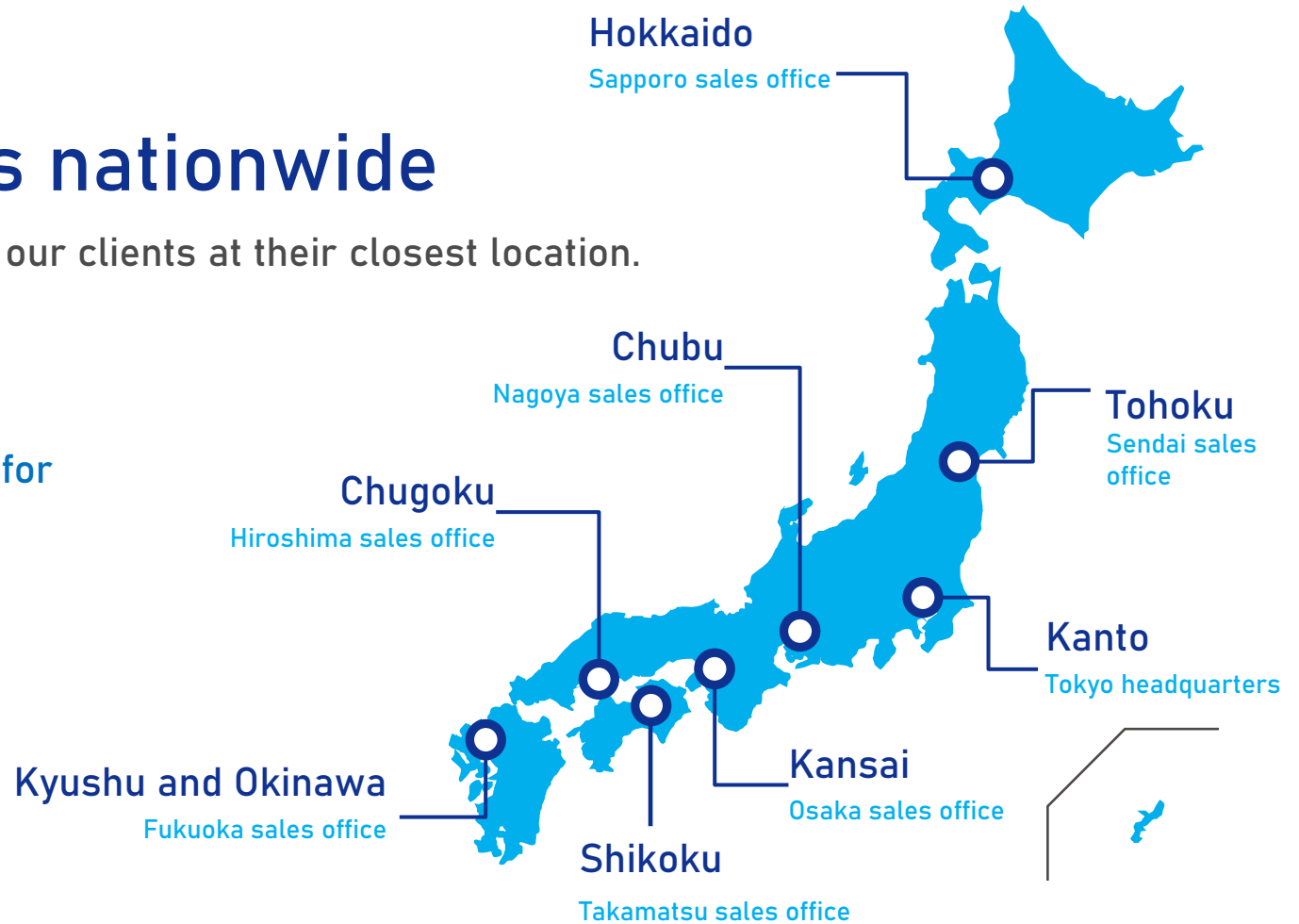
Note: Breakdown of the number of businesses sold by industry



Eight offices nationwide

Providing quality support to our clients at their closest location.

- Plan to relocate Tohoku and Takamatsu offices
- Plan to establish a base for nurturing startups



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 Video Content

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



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.

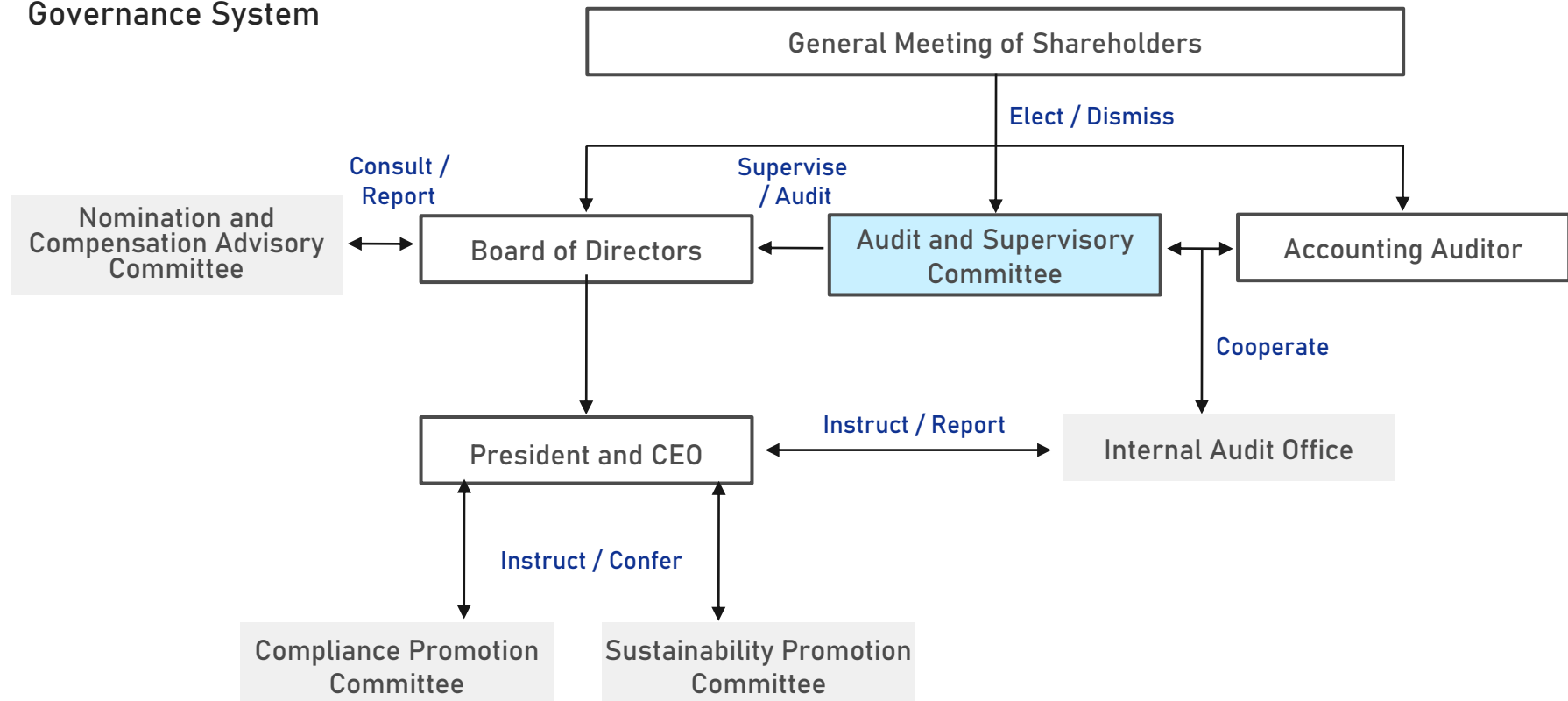
All of us at Strike will work positively to create a better future and forge partnerships that change the world.

Initiatives to Strengthen Governance

<Recent changes>

- Transitioned to a company with an Audit and Supervisory Committee in December 2023.
- To strengthen governance, the majority of the members of the Board of Directors are outside directors.
- The chair of the Nomination and Compensation Advisory Committee is appointed from outside directors (majority of the committee members are also outside members).

Governance System



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

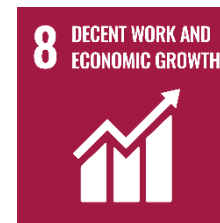
Priority Issues in Business Activities



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

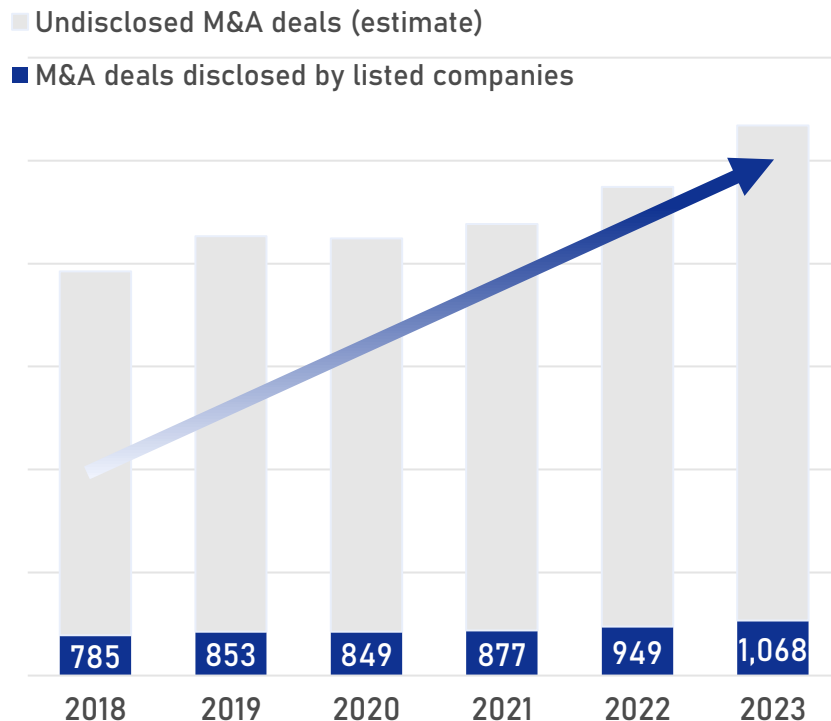
Support innovation, the diversification of industries, and the creation of added value in products and services by combining the management resources of various entities through M&A.

- 01 Operating Performance in Q1 FY09/24
- 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& Deals in Japan (based on timely disclosure materials of listed companies)

The number of M&A deals in Japan in 2023 rose by 119 YoY to 1,068 (according to information disclosed by listed companies). This was the first time since 2007 (1,169 deals), the year before the collapse of Lehman Brothers, that the number exceeded 1,000. Of this total, 852 were M&As between Japanese companies (+59 YoY), while 143 of the deals involved overseas companies (+60 YoY). The recovery in outbound transactions (domestic to overseas) was particularly strong.

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.-Dec. 2022	Jan. -Dec. 2023
Total M&As	949	1,068
M&As between Japanese companies	793	852
Outbound M&As (acquisition of overseas companies)	91	147
Inbound M&As (acquisition by overseas companies)	65	69

Source: M&A Online

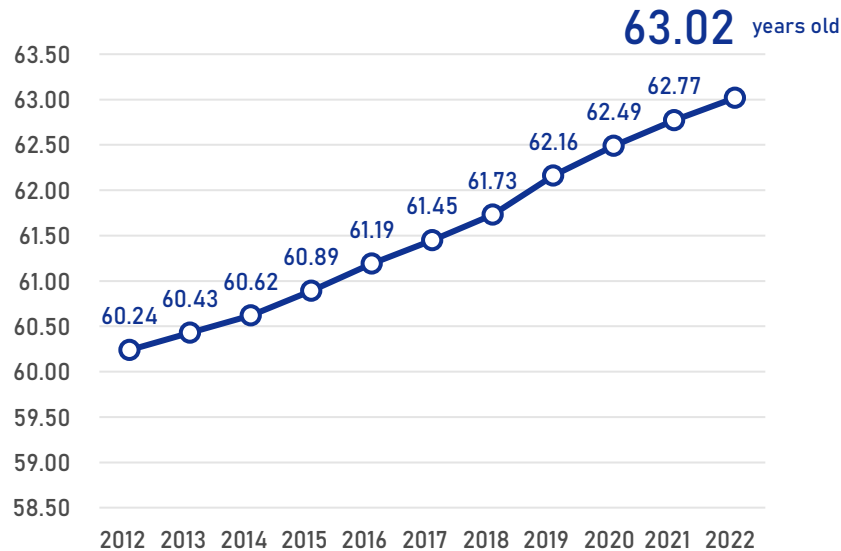
Market Trends: Aging CEOs, Lack of Successors



With CEOs aging, there are many companies without successors, even among companies with elderly CEOs. The market for business succession M&A is expected to continue expanding.

Aging CEOs

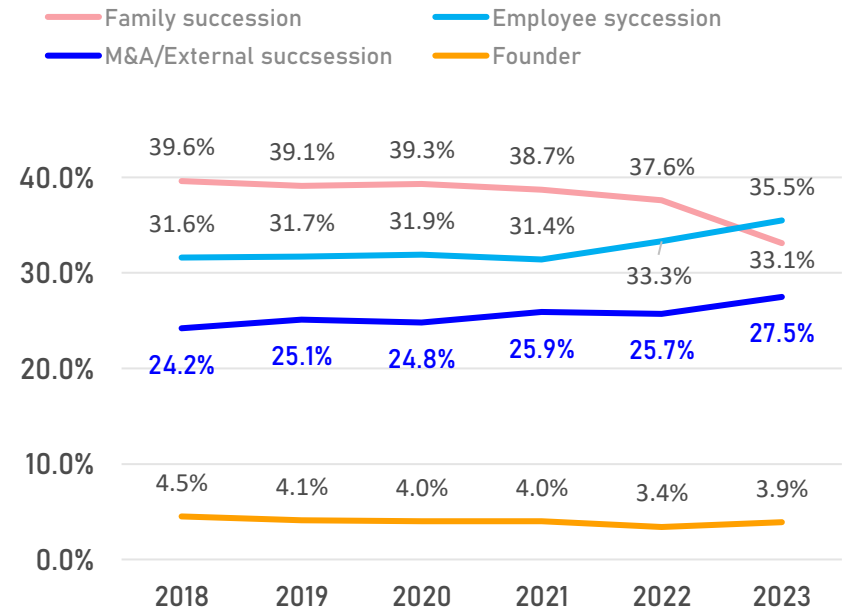
Average age of CEOs



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

Business Succession to Third Parties on the Rise (partly driven by business succession through M&A)

Reasons for taking over business



Source: Nationwide Survey on the Percentage of Companies without Successors (2023) by Teikoku Databank, Inc. (2023 figures are preliminary)

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

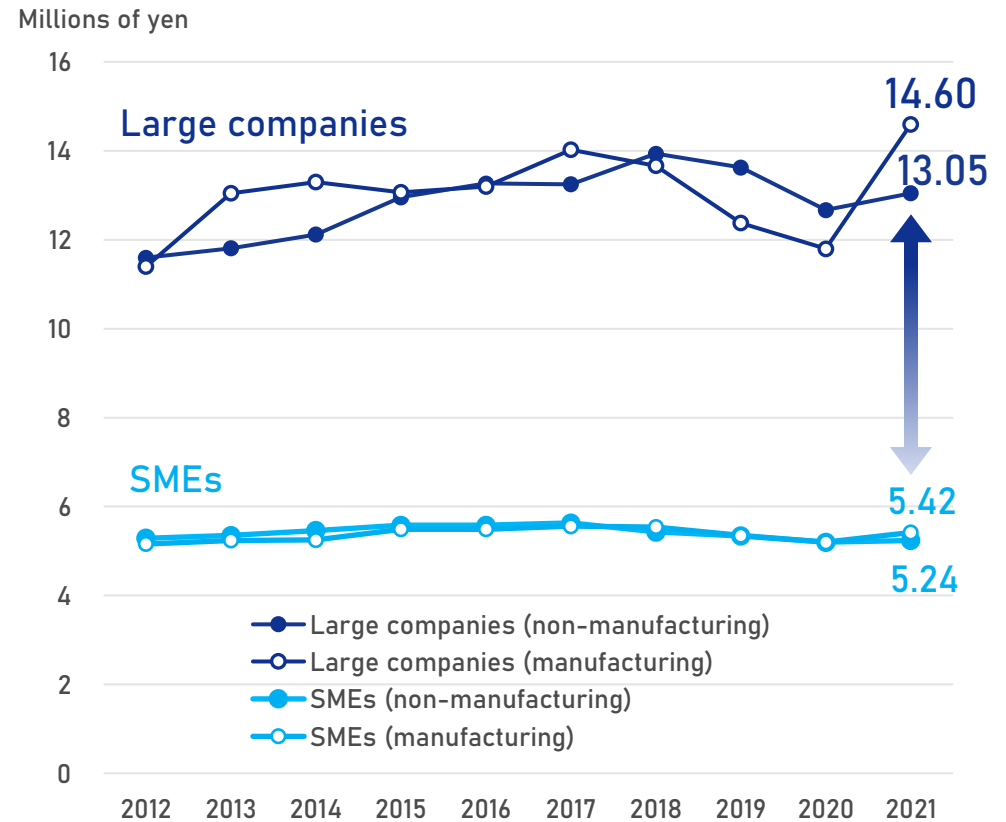


Boosting productivity* is essential for SMEs in Japan to achieve both **wage increases** and **profit growth**.

*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

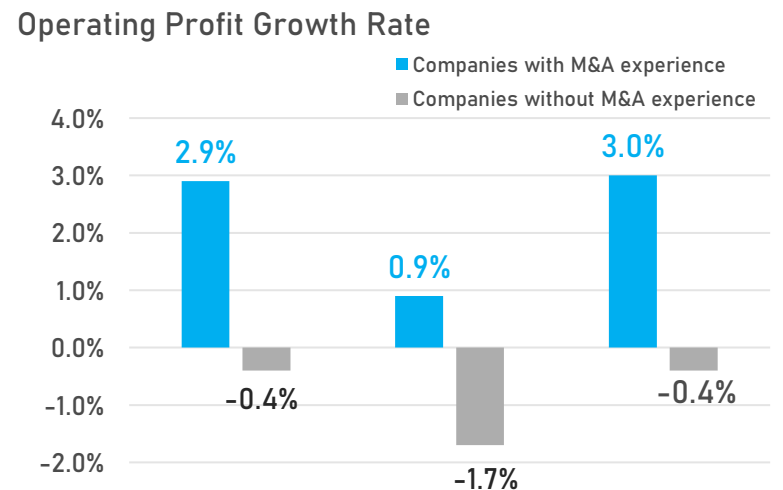
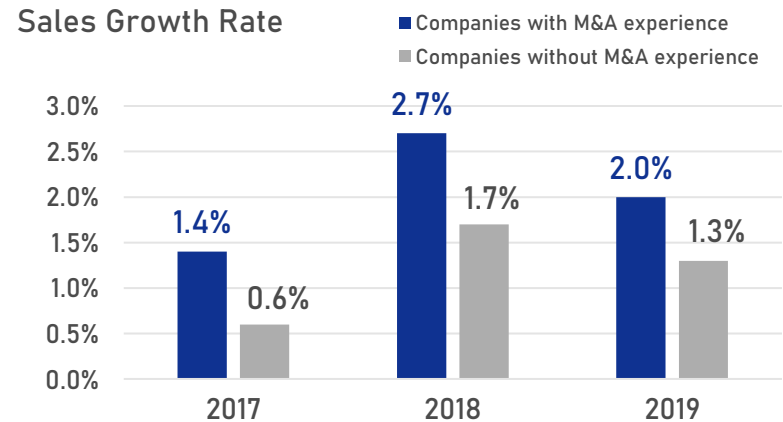
Creating new value through new business development and expanding possibilities through collaboration with companies in other industries will become important, and M&A is one way to do this.

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)

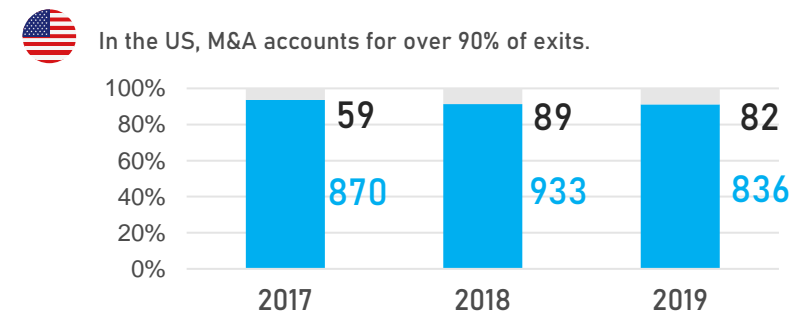
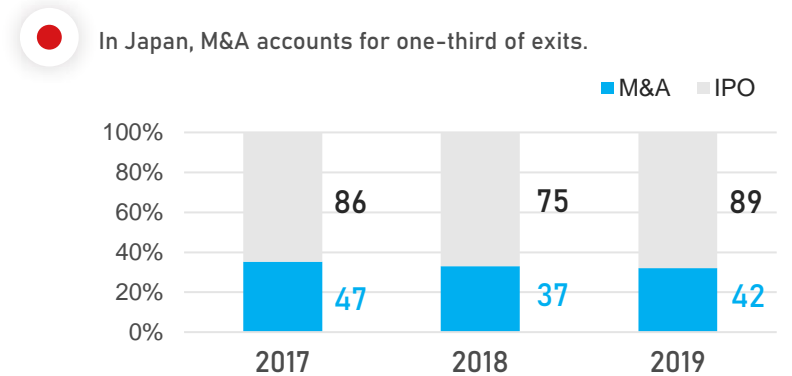


Market Trends: M&A of Startups

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

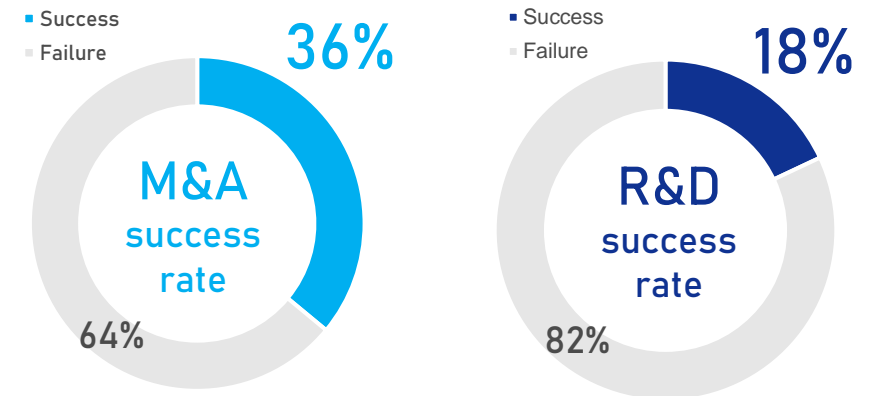
IPO and M&A status of venture capital portfolio companies



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

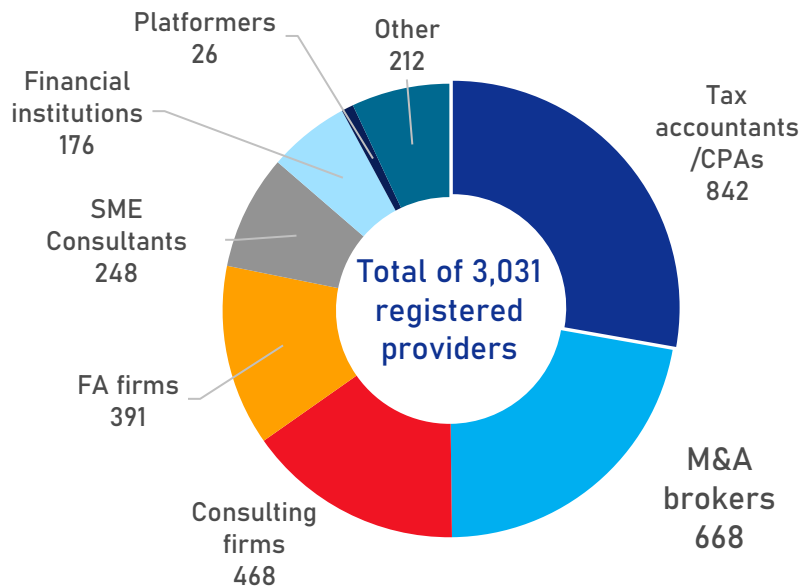
Startup M&A market expected to expand

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).

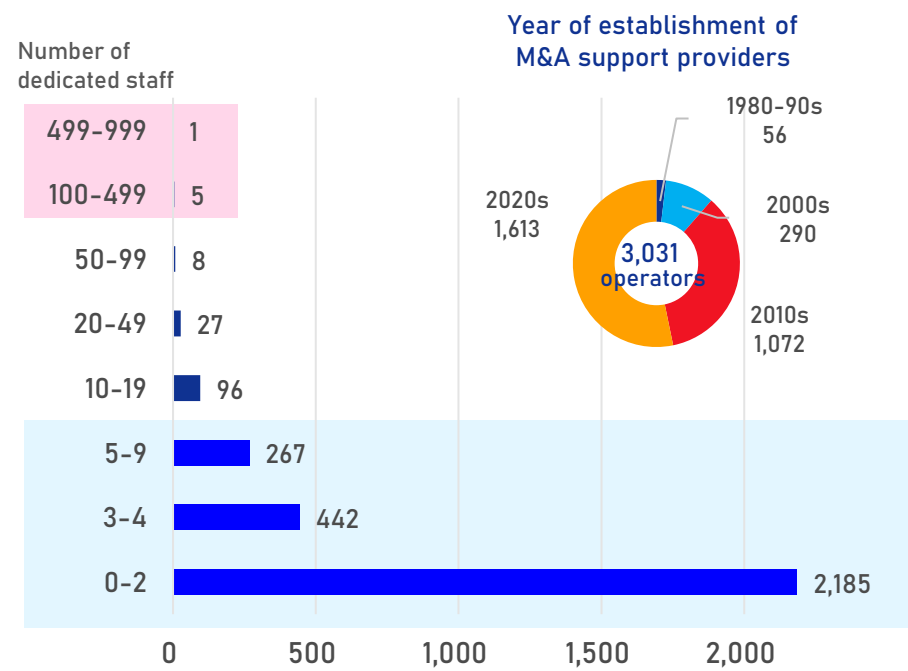
Although the number of M&A service providers has been on the rise in recent years, many are still small in size.

Number of Registered M&A Service Providers



Source: Current Registration Status (as of Jan. 19, 2024) by the Small and Medium Enterprise Agency

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



Source: Current Registration Status (as of Jan. 19, 2024) by the 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)	

Market Trends: Industry Self-regulatory Rules



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

The M&A Intermediaries Association, an industry association, also established the Code of Ethics and Industry Self-regulatory Rules on December 14, 2023.

➔ Full-scale industry-wide efforts to improve service quality

Status of compliance with M&A Guidelines for SMEs, Code of Ethics, and Industry Self-regulatory Rules

1. Review of workflows, internal rules, etc.
Reviewed workflows and internal rules to respond to newly required procedures such as the provision of explanation of important matters in writing prior to the conclusion of a contract with a client.
2. Review of organizational structure
Established the Operations Review Department to enhance the review function within the sales and deal process.
3. Improvement of internal systems
Customized the internal IT system to respond to the new workflow. Added a new automatic problem detection function.
4. Training sessions and internal certification system
Held lectures to familiarize employees with the self-regulatory rules.
An internal certification system was established to certify consultants with sufficient experience and knowledge to provide explanations of important matters to clients.