OYAT ADVISORS -

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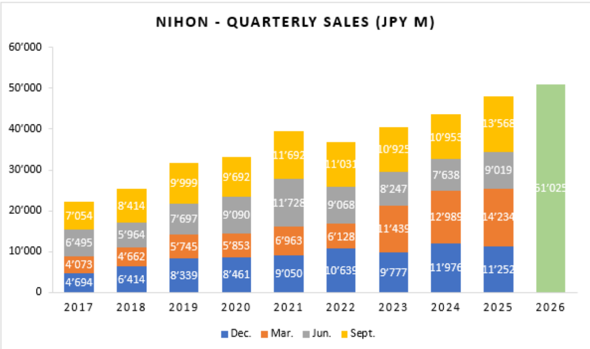
Update on the Japanese M&A brokerage sector

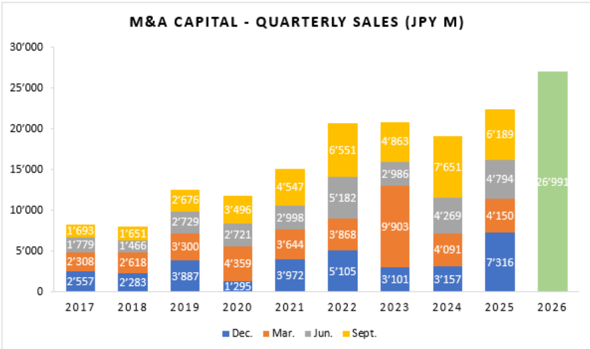
About a year ago, we followed up on an initial [article](#) introducing the Japanese M&A brokerage sector with an [update](#) on how the four largest firms - Nihon M&A Center Holdings Inc., M&A Capital Partners Co. Ltd., Strike Co. Ltd., and M&A Research Institute Holdings Inc. - had performed over the past year in terms of business fundamentals.

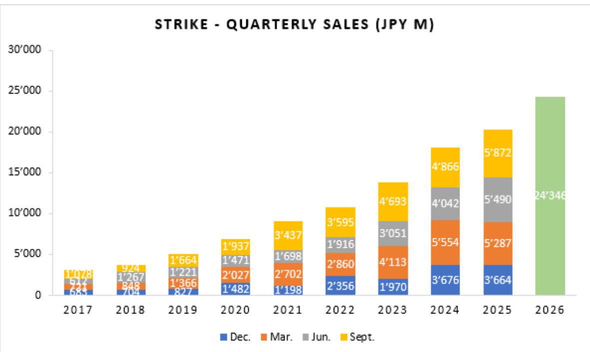
In today's article, we will repeat the exercise for the fiscal year ending on September 30, 2025 - and review the stock price performance of these companies over the past year, as well as current valuation levels.

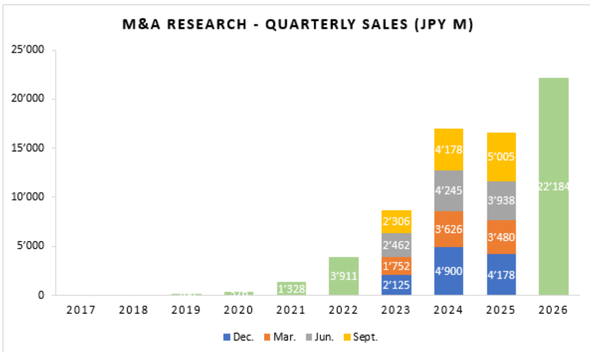
Financial performance

The following graphs show the evolution of quarterly sales since 2017 for the peer group, as well as guidance for the next fiscal year. The following set of graphs display the evolution in operating margins.









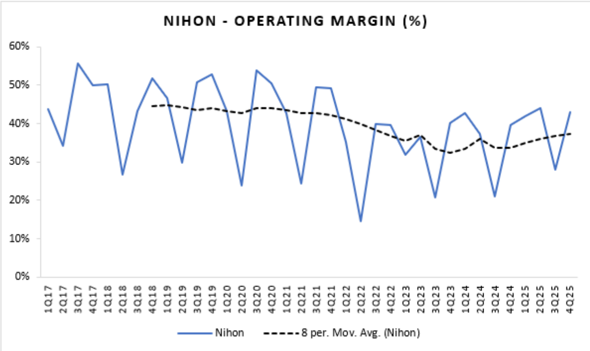
<u>Source</u>: LSEG, company filings

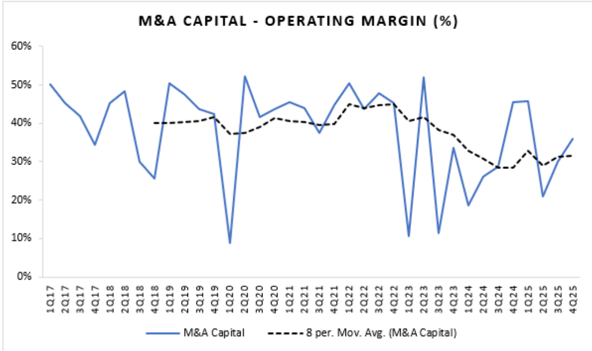
Notes:

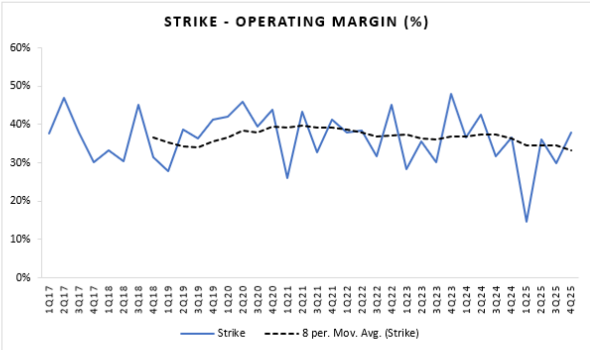
- M&A Capital, Strike, and M&A Research all have a fiscal year ending in September, and recently reported full year results. Nihon, on the other hand, has a fiscal year ending in March. Thus, in order to make the data comparable for all four companies, please note that we have re-arranged Nihon's data as if it had the same fiscal year-end as the rest of the peer group.

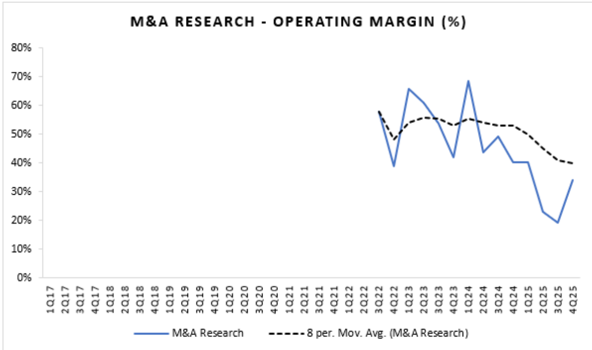
- M&A Research only became listed in 2022, and for the 2019-2022 period we only have yearly sales figures.

- The green bars represent company guidance for sales in fiscal 2026. For Nihon, it represents consensus estimates for sales over the next 4 quarters.









Source: LSEG, company filings

Let us start with Nihon. As the incumbent and largest Japanese M&A brokerage firm, Nihon is a fairly steady performer in this space. Over recent quarters, it has experienced a re-acceleration in sales growth, putting it in a good position to meet its guidance for the current fiscal year ending in March 2026. Profitability levels do bounce around a fair bit from quarter to quarter, as is the case for most peers, but Nihon appears on track to meet its operating margin target of 37% for the current fiscal year, following the strong quarter that it has just reported on. That being said, the flip side of being the largest, most established player in this market is that Nihon is seeking to grow from a sales base that is more than twice as large as its peers, meaning that achieving comparable growth rates is very challenging for the company.

Following two difficult years in fiscal 2023 and 2024 during which sales and profits declined, M&A Capital appears to have turned the corner with FY25 sales growing 17% and operating margins expanding 130 basis points (bps) year-on-year (yoy). Notably, the number of large deals (JPY 100m+) brokered by the company increased over 40% yoy to 62, representing 25% of total deals closed. This clearly demonstrates one of M&A Capital's strategic focus on larger, more complex transactions, as well as a more proactive approach to make M&A proposals to business owners directly. Looking at guidance for next fiscal year, M&A Capital expects sales to grow by 20% yoy, while operating margin and net income margin are guided to come in at 38% and 27% respectively.

Strike closed one of its more challenging fiscal years in recent history, with sales 'only' growing by 12% yoy and operating margins declining to 31%. The fiscal year started very badly, with the timing of deal closures impacting 1Q sales, all the while the company was in the process of ramping up investments for future growth. As a result, profitability levels suffered meaningfully due to lower fixed costs absorption. The second quarter saw some solid progress despite tough comps yoy, and the company recorded a good second half to the fiscal year, but that wasn't quite enough for the company to reach its guidance for FY26, which it had maintained throughout the year. Looking at guidance for next fiscal year, Strike also expects sales to grow by 20% yoy, while operating margin and net income margin are expected to recover somewhat to 34% and 24% respectively.

Finally, M&A Research had a bit of a nightmare of a year, judging by the very high standard it has set for itself over recent years, during which it grew at a massive rate and with very high profitability levels. But for fiscal 2025, the company recorded flat sales yoy, and operating margins plummeting to 30%. So what happened? Well, nothing particularly noteworthy, expect for one lesson that is always worth remembering: that very high growth rates ultimately normalize, sometimes quite rapidly. And for a company that had grown sales more than 12-fold between fiscal 2021 and 2024, or a CAGR of over 130%, a normalization in sales growth was inevitable. All of this is not to say that M&A Research won't grow again going forward. It most likely will, but certainly not as fast as previously. Moreover, one might argue that the company's expansion into new geographies, as well as new business activities such as consulting, asset management and the operating lease business, might have distracted attention from the core business and increased fixed costs just as sales growth is normalizing, which has hurt profitability levels. Looking at guidance for next fiscal year, M&A Research expects sales growth to re-accelerate, growing 34% yoy, but operating margin and net income margin are expected to continue to decline to 27% and 16% respectively.

Balance sheets & capital allocation

Before moving on to the stock price performance of these companies over the past year, as well as current valuation levels, we want to update readers on their respective balance sheets. Not only is this an important fundamental consideration, but it can also be very relevant in terms of valuation, which is why investors should consider both market capitalization (Mcap) and enterprise value (EV) as numerators when assessing valuation multiples.

As shown below, all four companies continue to have very strong balance sheets, with net cash positions. We translate figures from JPY to USD in the second table.

Balance sheets

JPY m, unless stated otherwise

Name	Price	Diluted shares (m)	Mcap	Cash	Debt	EV	Net cash % of
Nihon M&A Center Holdings Inc	727	336.9	244'817	35'231	4'700	214'286	12%
M&A Capital Partners Co Ltd	2'955	32.3	95'335	46'232	0	49'103	48%
Strike Co Ltd	3'805	19.2	73'066	20'149	0	52'917	28%
M&A Research Institute Holdings Inc	1'267	61.5	77'910	4'219	27	73'718	5%

JPY-USD 0.0065

Name	Price USD	Diluted shares (m)	Mcap USDm	Cash USDm	Debt USDm	EV USDm	Net cash % of
Nihon M&A Center Holdings Inc	4.7	336.9	1'591	229	31	1'393	12%
M&A Capital Partners Co Ltd	19.2	32.3	620	301	0	319	48%
Strike Co Ltd	24.7	19.2	475	131	0	344	28%
M&A Research Institute Holdings Inc	8.2	61.5	506	27	0	479	5%

Source: LSEG, company filings

Note:

Using closing prices as of October 31, 2025. Diluted shares outstanding, cash & equivalents, and total debt are as of last quarterly filings (September 30, 2025).

While not quite as extreme as when we last wrote about it a year ago, the case of M&A Capital continues to clearly stand out from the rest, with a net cash position representing close to 50% of its market capitalization, making its valuation all the more attractive on an enterprise value basis. Strike's large net cash position is also worth noting, representing close to 30% of its current market capitalization. Both Nihon and M&A Research hold much smaller net cash positions.

Looking at capital allocation decisions, all four companies prioritize investing in organic growth, but all four generate cash in excess of what can be reinvested organically in the core business.

For established companies such as Nihon, this 'problem' was solved long ago by distributing a meaningful portion of earnings via dividends, and very occasionally buying back stock, all the while maintaining a robust balance sheet.

Strike has also been purposeful in seeking to return more of its excess cash to shareholders, predominantly by raising its dividend payout ratio rapidly over recent years.

M&A Capital has only recently initiated its dividend policy over the last couple of years, and its dividend payout ratio remains quite low at present. As such, we expect that its cash hoard will continue to grow, as it did last fiscal year, up nearly 20% yoy to JPY 46 billion on the back of a very strong year of free cash flow generation. Beyond increasing its dividend payout ratio, or paying out a one-time special dividend, we would point out to the potentially value-adding deployment of capital in repurchasing one's own shares when they trade at a discount to their intrinsic worth. This, of course, is perhaps easier said than done, and very firms have a good long-term track record of adding value by buying back stock. In the vast majority of cases, they tend to destroy shareholder value by granting unreasonable amounts of stock-based compensation, and by buying back stock in a manner that is value-agnostic at best, and value-destructive at worse. But some firms have shown that it can be done in a fairly effective and simple way. Berkshire Hathaway comes to mind. While the methodology it has employed for itself (discount to a certain price to book multiple) may not be suitable for other companies, the principles and required level of discipline surely apply universally and are easily transferable to other types of businesses. And if any company has demonstrated that it is disciplined, notably judging by its fortress balance sheet, it is M&A Capital. As such, we have little doubt that if the company was so inclined, it could add meaningful value to shareholders by repurchasing stock when it trades at a large discount to its intrinsic worth. Especially as its stock is a lot more volatile than Berkshire's, augmenting the chances of it being inefficiently priced. At what discount to what price level is not for us to say, that it for the company's executives to think about and determine for themselves.

Lastly, M&A Research's capital allocation decisions are quite opportunistic, prioritizing growing the business via geographical expansion as well as expanding the scope of its business activities. At the same time, the company has just recently initiated its dividend policy, with its first-ever dividend payment due later this year. M&A Research has also been quite aggressive in buying back its own stock over the past fiscal year, clearly implying that it believes its stock to be undervalued. In doing so, the company concentrated the firm's ownership on a per share basis by close to 4% yoy.

Stock price performance

As a reminder, all four companies are fairly small firms with a market capitalization ranging from about USD 500 million to USD 1.5 billion, and as such their stock prices can be quite volatile. As previously mentioned, quarterly results can also be fairly choppy, which tends to accentuate volatility.

The chart below displays the stock price performance of the peer group in JPY, which largely mirrors the evolution of business fundamentals described earlier.

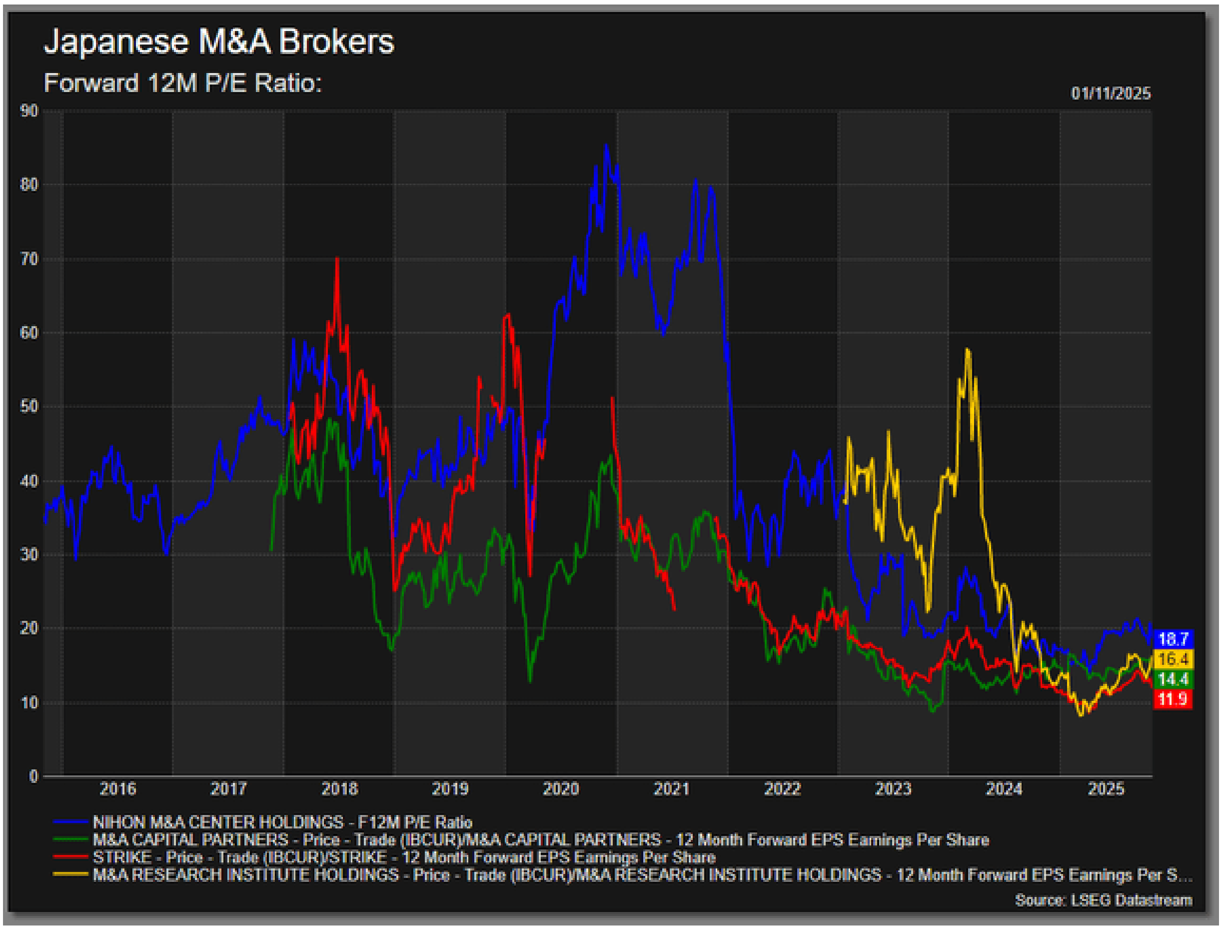
Nihon M&A Center ...	¥726.60	+¥54.80	↑ 8.16%
M&A Capital Partn...	¥2,955.00	+¥603.00	↑ 25.64%
Strike Co Ltd	¥3,805.00	+¥45.00	↑ 1.20%
M&A Research Inst...	¥1,267.00	-¥959.00	↓ 43.08%

Source: Google finance, as of October 31, 2025

Valuation levels

The graph below displays the forward 12-months price to earnings ratio according to consensus estimates. Bearing in mind that to assess these multiples on the basis of enterprise value (i.e. backing out net cash) one would have to halve M&A Capital's multiple to less than 8x, shave off nearly a third of Strike's multiple to below 9x, take off 10% of Nihon's multiple to about 17x, and leave M&A Research's multiple unchanged at 16-17x.

As such, a sizable valuation gap remains between Nihon and M&A Research on the one hand, and M&A Capital and Strike on the other.



Source: LSEG

Fair value estimates

Lastly, the table below summarizes our updated fair value estimates for these four companies, based on a number of scenarios:

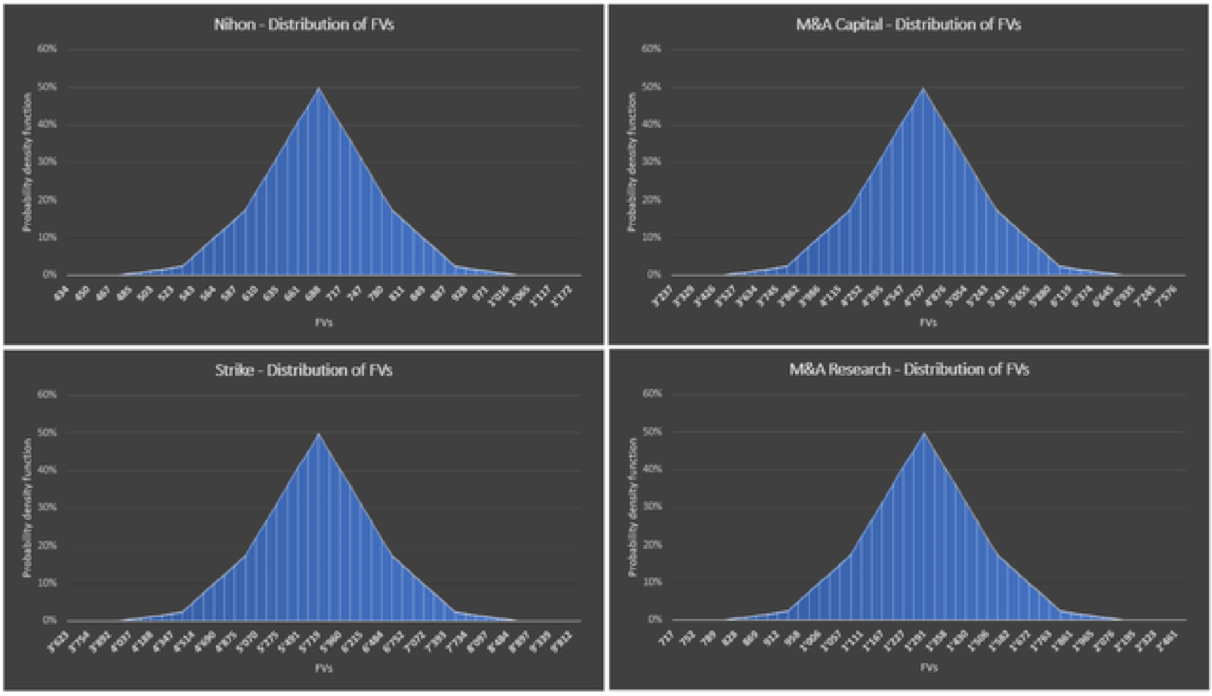
Name	Price	Probability-weighted FV	Probability-weighted upside	Worst	Best
Nihon M&A Center Holdings Inc	727	706	-3%	-40%	65%
M&A Capital Partners Co Ltd	2'955	4'815	63%	10%	162%
Strike Co Ltd	3'805	5'873	54%	-5%	164%
M&A Research Institute Holdings Inc	1'267	1'335	5%	-43%	100%

Source: Oyat estimates

Our valuation scenarios are based on the following (ranges of) assumptions:

- **Nihon:** 10y sales CAGR: 4-6%, Av. net income margin: 19-29%, Av. FCF conversion: 92-113%, terminal growth rate: 1-3%, WACC: 8-10%
- **M&A Capital:** 10y sales CAGR: 5 -7.5%, Av. net income margin: 20-30%, Av. FCF conversion: 94-114%, terminal growth rate: 1-3%, WACC: 8-10%
- **Strike:** 10y sales CAGR: 5-7.5%, Av. net income margin: 19.5-29%, Av. FCF conversion: 88-108%, terminal growth rate: 1-3%, WACC: 8-10%
- **M&A Research:** 10y sales CAGR: 7-10.5%, Av. net income margin: 17-25%, Av. FCF conversion: 90-110%, terminal growth rate: 1-3%, WACC: 8-10%

Assuming that our different valuation scenarios are somewhat normally distributed, the full range of outcomes and associated probabilities is shown on the graphs below:



Source: Oyat estimates

Conclusions

This article has aimed to provide a second yearly update on how the four main Japanese M&A brokerage companies have performed over the last fiscal year in terms of business fundamentals, stock price performance, and valuation levels.

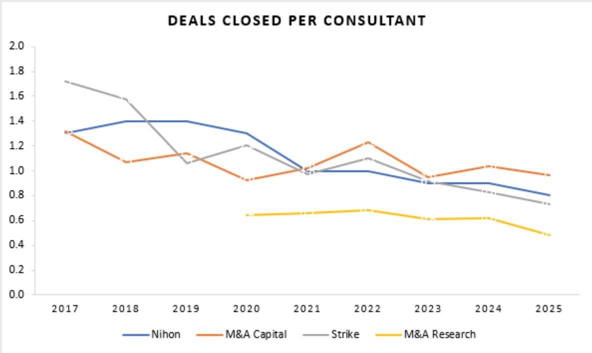
We continue to believe that there are many attractive characteristics of this particular niche of financial services, and that the underlying structural growth drivers for M&A brokerage services in Japan remain very supportive. These firms continue to be massively profitable, with high returns on invested capital and free cash flow generation. The balance sheets range from strong to absurdly strong, in the case of M&A Capital.

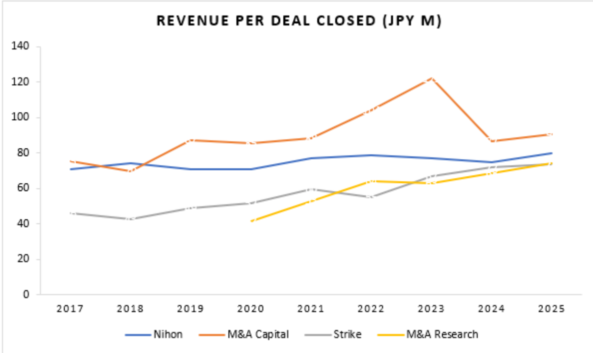
There are, however, a number of clear risks to investing in Japanese M&A brokerage firms, which we highlighted in more detail in our previous articles. Let us reiterate some of the main ones, which relate to the uncertain evolution of the competitive landscape, underlying market criticality, as well as foreign exchange risk for non-Japanese shareholders.

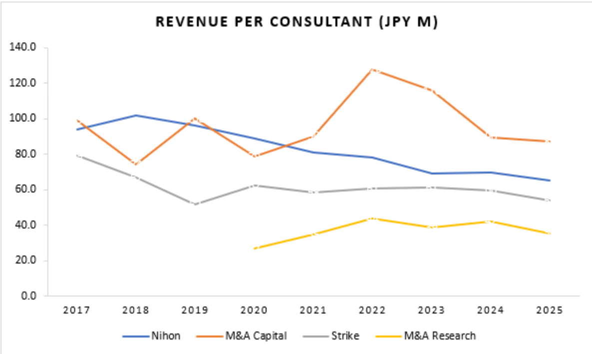
Still, we believe that global equity investors may find it interesting to look at this space and perform their own due diligence. Over recent years, we've made investments in both M&A Capital and Strike, and as of today we remain highly confident that these investments will create meaningful value over the long-term.

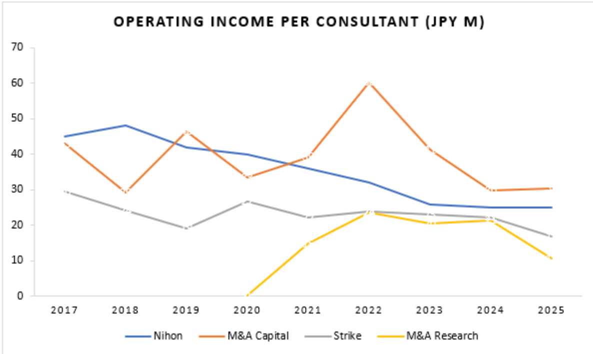
Appendix

Efficiency ratios









Source: Company filings, sharedresearch.jp

Disclosure:

We have a beneficial long position in shares of M&A Capital Partners Co. Ltd. and Strike Co. Ltd.

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