

Financial Results and Future Measures

Q1 of Year Ending August 31, 2020 (FY08/20)



Strike Co., Ltd.
(The First Section of Tokyo Stock Exchange: 6196)

December 24, 2019

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While increasing the number of business succession M&A deals, we will address the growing M&A needs for other purposes. Over the long term, we aspire to become the leader in the number of M&A deals. In the near term, we aim to achieve 200 deals closed per year in FY08/21 and 250 in FY08/22.

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Company Overview... P. 25

We are a group of M&A professionals, mainly certified public accountants, with “Realizing people’s aspirations through M&A” as our company credo.

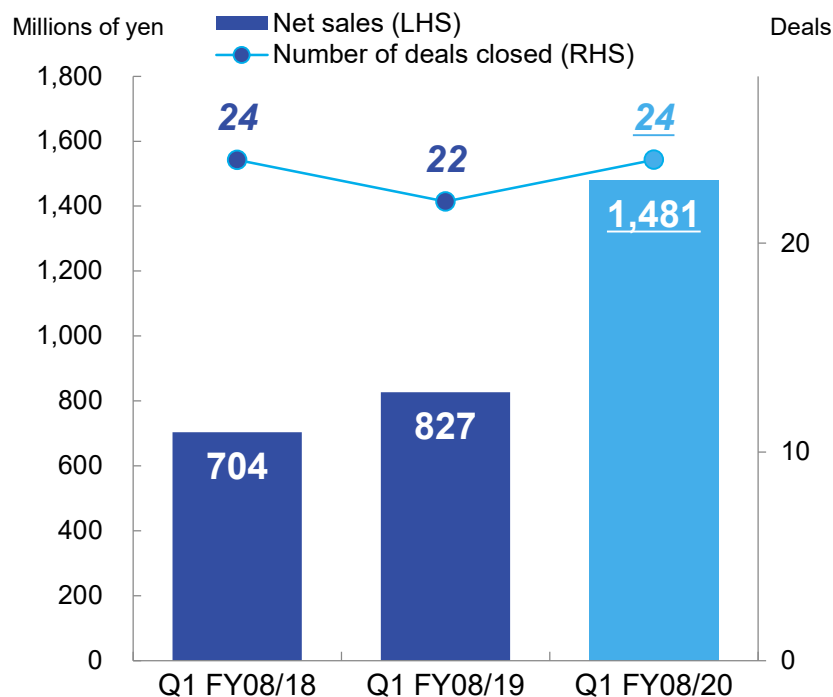
Operating Performance in Q1 FY08/20



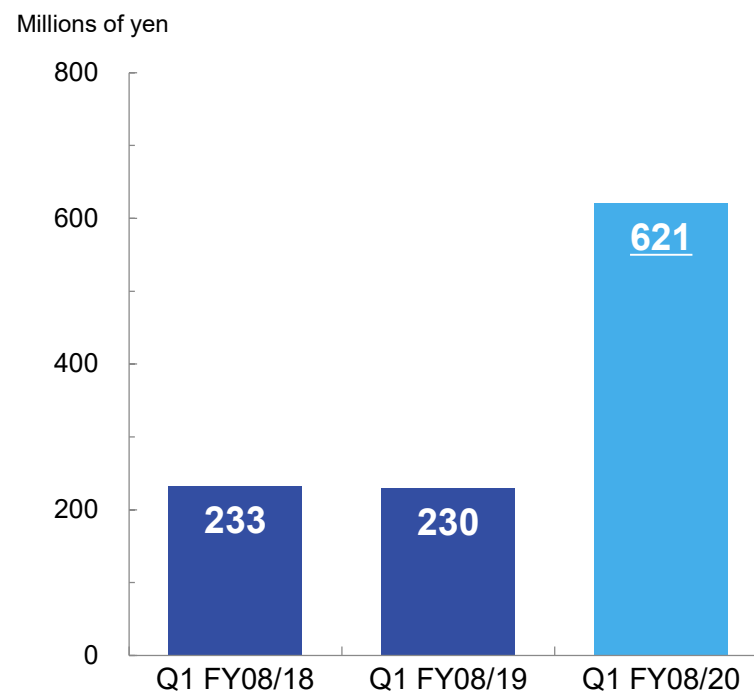
Q1 FY08/20 Operating Performance

In Q1 FY08/20, we closed 24 deals (+2 YoY). Net sales reached ¥1,481 million (+79.1% YoY) driven by an increase in fees per deal. Ordinary profit came to ¥621 million (+170.2% YoY).

Net Sales and Number of Deals Closed



Ordinary Profit



Year-on-Year Comparison

Cost of sales rose ¥218 million on higher personnel expenses included in cost of sales. However, gross profit amounted to ¥986 million (+79.1% YoY) as net sales grew. SG&A expenses rose ¥44 million due to an increase in personnel expenses. Nevertheless, operating profit came to ¥621 million (+170.3% YoY). Profit reached ¥573 million (+277.6% YoY) due in part to ¥225 million in extraordinary income.

Millions of yen

	Q1 FY08/19		Q1 FY08/20		
		% of net sales		% of net sales	YoY
Net sales	827	100.0%	1,481	100.0%	+79.1%
Cost of sales	276	33.4%	495	33.4%	+79.0%
Gross profit	550	66.6%	986	66.6%	+79.1%
Selling, general and administrative expenses	320	38.8%	365	24.6%	+13.8%
Operating profit	229	27.8%	621	41.9%	+170.3%
Non-operating income	0	0.0%	0	0.0%	- 36.6%
Ordinary profit	230	27.8%	621	41.9%	+170.2%
Extraordinary income	—	—	225	15.2%	—
Profit before income taxes	230	27.8%	846	57.1%	+268.1%
Income taxes	78	9.4%	273	18.4%	+249.6%
Profit	151	18.4%	573	38.7%	+277.6%

Breakdown of cost of sales

	Q1 FY08/19	Q1 FY08/20
Personnel expenses	175	313
Introduction fees	70	140
Others	30	41
Cost of sales	276	495

Breakdown of selling, general and administrative expenses

	Q1 FY08/19	Q1 FY08/20
Personnel expenses	128	182
Advertising expenses	53	26
Rent expenses on land and buildings	37	44
Others	101	110
Selling, general and administrative expenses	320	365

Q1 FY08/20 Performance Highlights

In Q1 FY08/20, although the number of deals closed came in below the initial plan, net sales exceeded the initial plan thanks to an increase in fees per deal. We generally made steady progress in closing deals, as many (seven) M&A deals were concluded but not recorded as sales in Q1. These deals will be executed in Q2 or later. From Q2, we intend to further step up our efforts in matching companies and closing deals.

■ Q1 FY08/20 Financial Results

- **Net sales** of ¥1,481 million, +79.1% YoY
- **Ordinary profit** of ¥621 million, +170.2% YoY
- **Profit** of ¥573 million, +277.6% YoY, due to ¥225 million in extraordinary income from a gain on sales of investment securities

■ KPIs for Net Sales

- In Q1, the **number of deals closed** was **24** (+2 YoY). The fees per deal increased, reflecting the closure of **4 large deals** (+4 YoY). As a result, we achieved **record high net sales for Q1**.
- In Q1, the **number of new contracts** was **117** (+60 YoY), exceeding the initial plan (83) by 34 contracts.

■ Business Conditions in Q1 and Future Plan

- The number of deals closed was fewer than the initial plan (30). However, we closed four (vs. two planned) large deals (generating ¥100 million or more in sales per deal). As a result, we achieved net sales exceeding our initial target (¥1,412 million).
- The number of deals closed is slightly behind our initial plan, but we generally made steady progress, as many (seven) M&A deals were concluded but not recorded as sales in Q1. These deals will be closed in Q2 or later.
- **The number of new contracts increased steadily. From Q2, we intend to focus more on matching companies and closing deals than acquiring new contracts.**
- The net increase in M&A consultant was one person. We plan to hire at least eight more consultants from Q2.

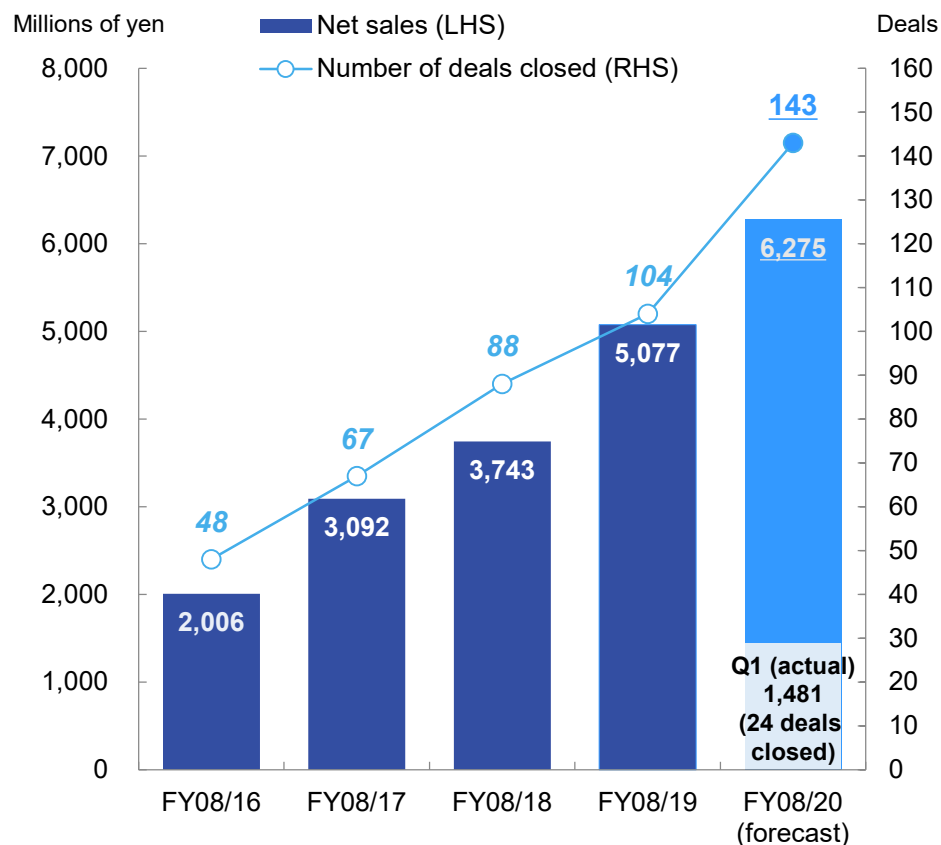
Forecast for FY08/20



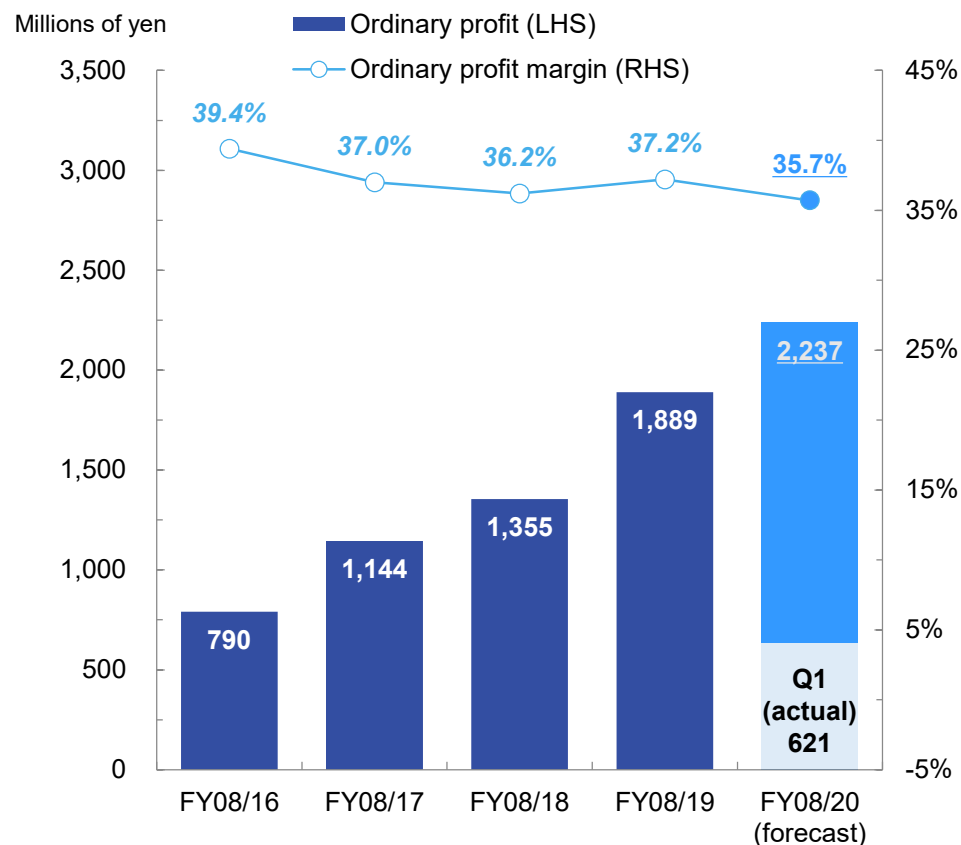
FY08/20 Forecast

In FY08/20, we aim to close 143 deals and record net sales of ¥6,275 million and ordinary profit of ¥2,237 million. In Q1, net sales and ordinary profit exceeded the initial plan by ¥68 million and ¥144 million, respectively, indicating steady progress toward the full-year targets.

Net Sales and Number of Deals Closed



Ordinary Profit and Ordinary Profit Margin



FY08/20 Forecast

As initially planned, we forecast net sales of ¥6,275 million (+23.6% YoY) and ordinary profit of ¥2,237 million (+18.4% YoY) for full-year FY08/20.

■ FY08/20 Forecast

- Net sales of ¥6,275 million, +23.6% YoY
- Operating profit of ¥2,237 million, +18.6% YoY
- Ordinary profit of ¥2,237 million, +18.4% YoY
- Profit of ¥1,667 million, +24.2% YoY, reflecting ¥225 million in extraordinary income from a gain on sales of investment securities
- EPS of ¥87.28 (¥69.86 in FY08/19), **forecast dividend** of ¥17.5 per share (¥14.5 in FY08/19)

■ Non-Monetary Targets

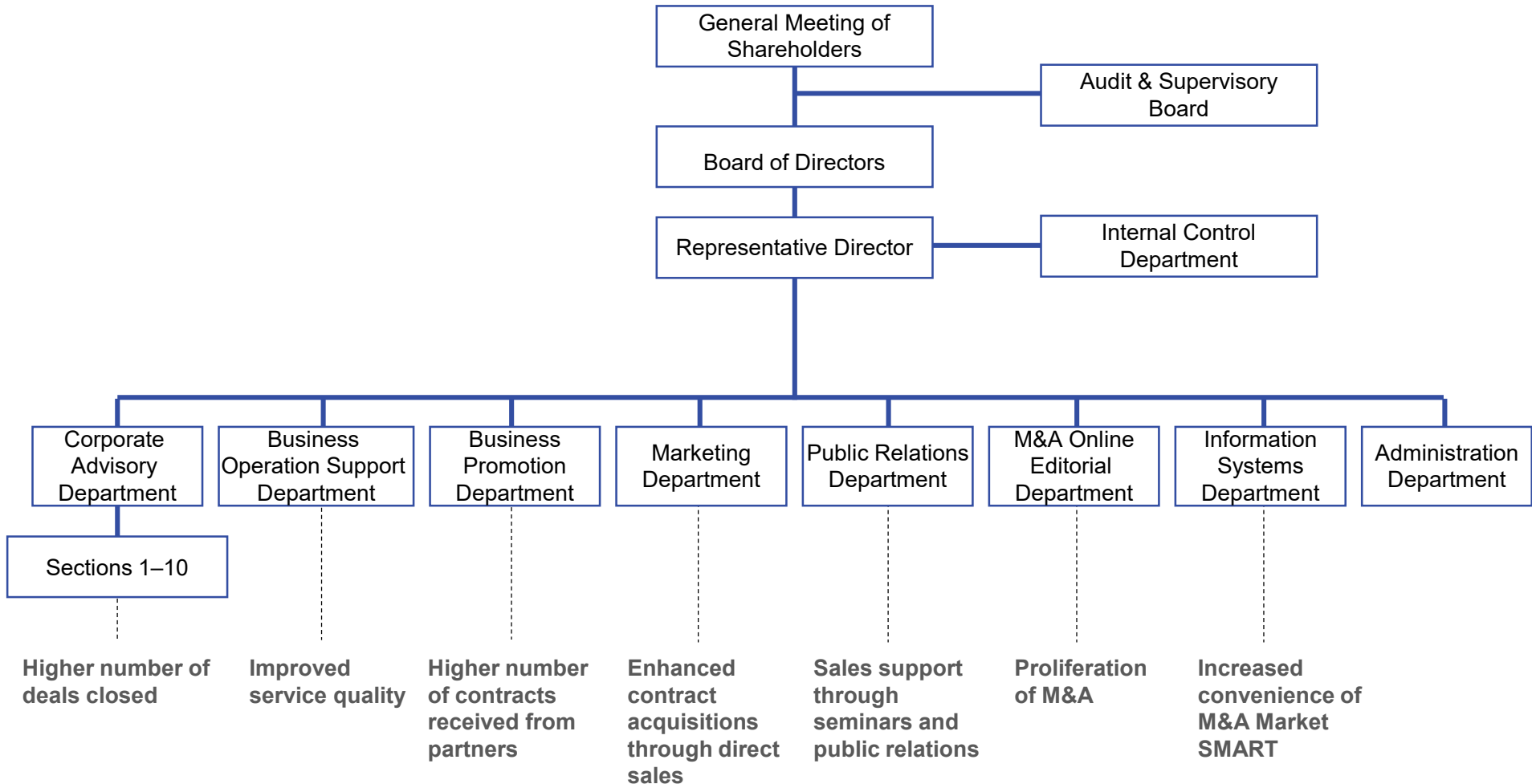
- Close 143 deals, +39 YoY
- Receive 358 new contracts, +69 YoY
- Increase the number of M&A consultants to 121 by end-FY08/20, +23 YoY

■ Supplemental Information on Earnings Forecasts, Latest Outlook (Underlined)

- Although the number of new large prospective contracts is increasing, we only factored in **four** large closed deals into our forecasts in light of lingering uncertainties.
→ We expect the number of large deals to exceed our plan.
- We assume the Tokyo Olympics may cause minor delays in deal progression in Q4.
- We plan to add consultants, but our first aim in FY08/20 is to secure profit contributions from consultants who joined in FY08/19.
- We aim to increase new contracts through aggressive advertising in an effort to drive further growth from FY08/21.
- We expanded our headquarters and relocated our Sendai sales office.
→ We also plan to relocate our Sapporo sales office.
- We target higher uptake of our new services on M&A Online Market.

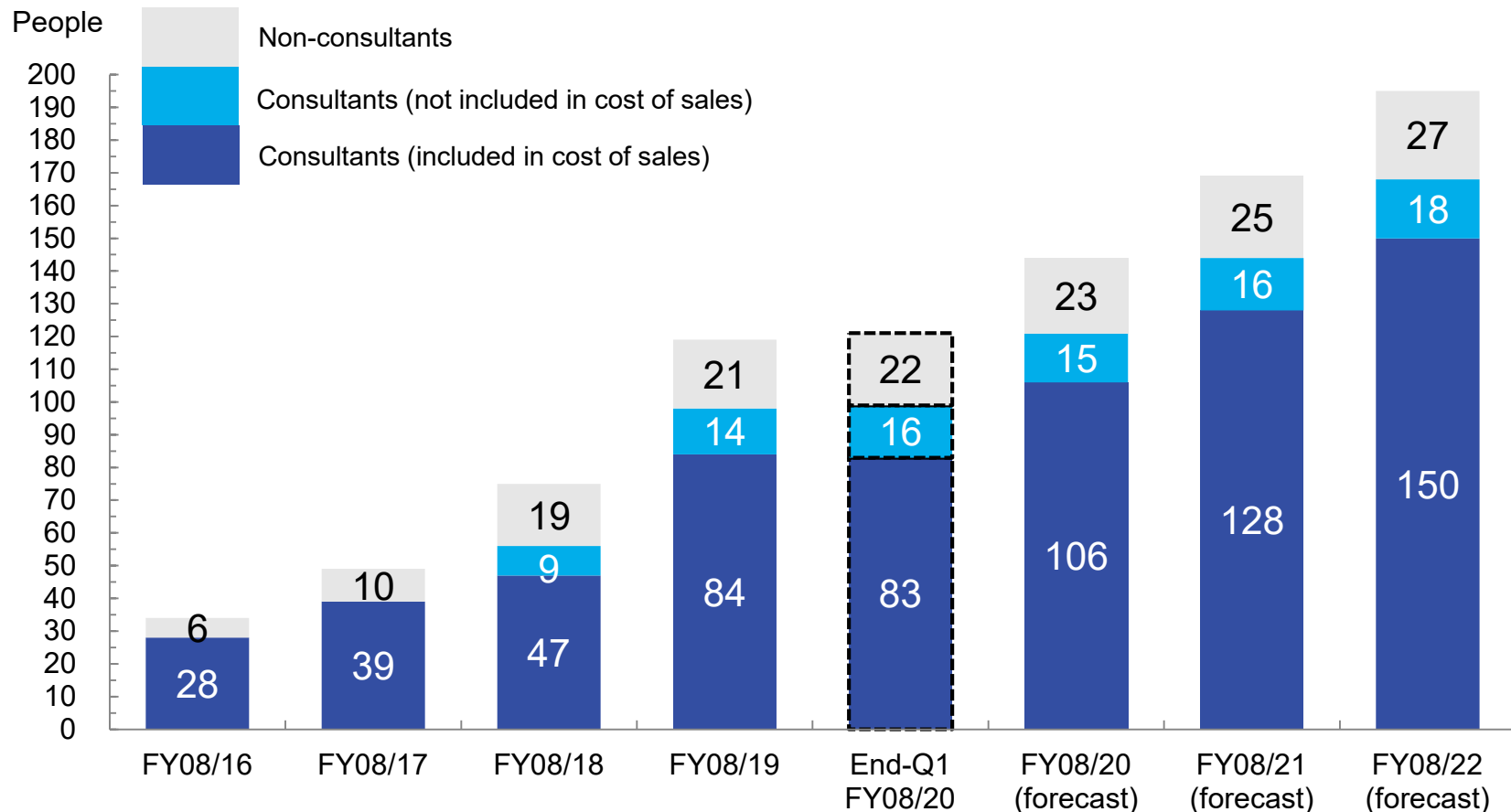
Organization (as of December 1, 2019)

Our organizational structure is unchanged. We will further enhance the functions of each department through personnel increases, and aim to increase the number of new contracts and deals closed.



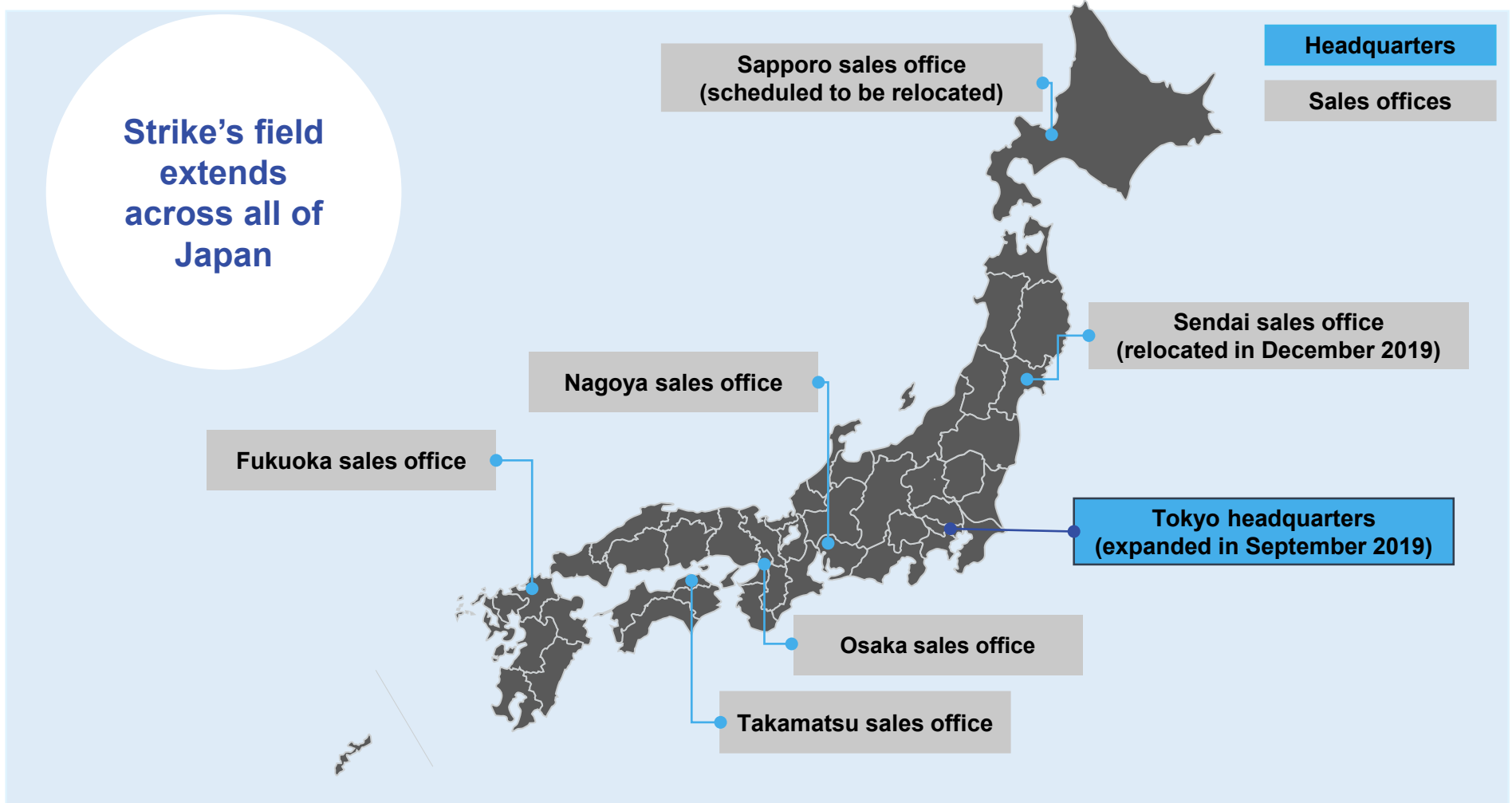
Growing Number of Consultants: Present Conditions vs. Plan

In Q1 FY08/20, the net increase in M&A consultant was one person. We plan to increase the number of consultants to 121 and non-consultants to 23 by end-FY08/20. We will hire more new employees than forecast if we discover enough talented human resources, but less if we do not.



Establishing a Nationwide Sales Network

We expanded our headquarters and relocated our Sendai sales office so far in FY08/20. We also plan to relocate our Sapporo sales office.

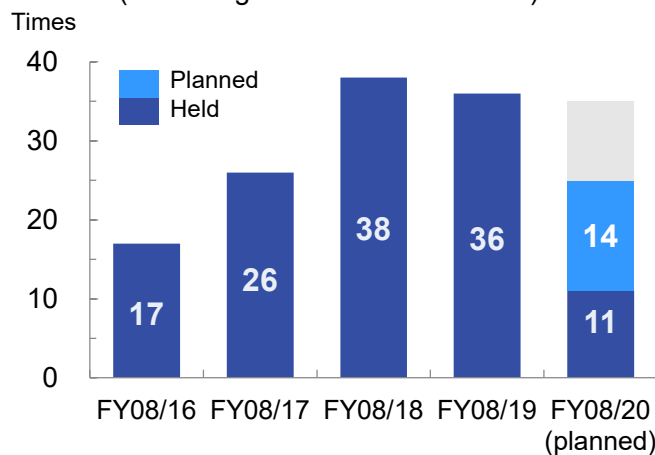


Increasing and Streamlining Direct Contracts through Seminars

We aim to efficiently and effectively hold nationwide M&A seminars by carefully choosing their timing, venue, and scale. Aside from nationwide seminars, we also plan to hold more joint seminars with partners and small-scale seminars to increase the number of contracts received directly.



Number of Seminars Held and Planned
(Excluding Small-scale Seminars)



Nationwide Seminars Held and Planned for FY08/20

Date	Venue	Title
Nov. 2019	Tokyo, Osaka, Sapporo, Nagoya, Fukuoka	Gauging the Market Value of Your Company
Nov. 2019	Sapporo, Tokyo, Nagoya, Fukuoka, Osaka, Sendai	Seminar for Pharmacy Owners: Management Strategies for Survival
Mar. 2020 (planned)	Sapporo, Tokyo, Osaka, Nagoya, Fukuoka	TBA

Note: Through our website, we will announce the details of the seminar planned for March 2020 and other planned seminars not listed above as they become available.

Expanding New Business Partners and Strengthening Ties with Existing Partners

We will continue to expand our partnerships with financial institutions, professionals, and investment companies. We also plan to strengthen our ties with existing partners through personnel exchanges and other means.



M & A Online

A **free** portal site that offers a variety of M&A-related information, such as the latest news and legal information, in a **timely** fashion

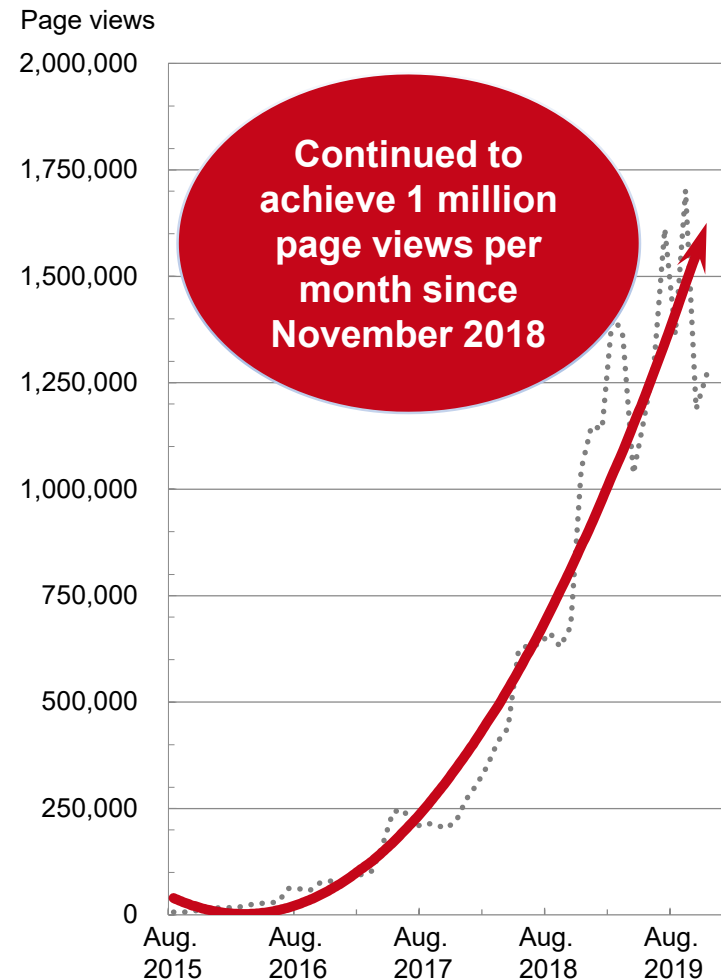


[\(https://maonline.jp/\)](https://maonline.jp/)



We launched new services on M&A Online in July 2019, and aim to achieve profitability for the site.

Monthly Page Views for M&A Online



Achieving Profitability for the M&A Portal Site

We launched three new services to achieve profitability for our M&A Online portal site.

Our goal is to have earnings from these services exceed the costs for M&A Online in three years.

1. M&A Online Market

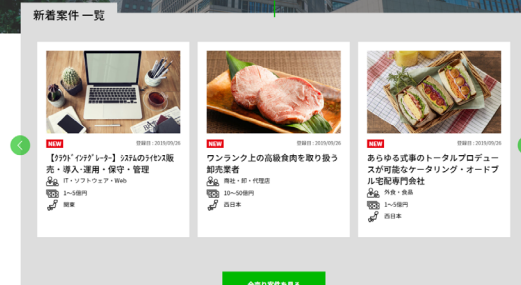
M&A Online Market facilitates anonymous posting of information on deals for which another company acts as the financial advisor of the seller. Strike functions as the financial advisor of buyers that make an inquiry, and aims to generate earnings in collaboration with the other financial advisor. This allows us to present a larger number of M&A deals to our clients.

2. “Company wanted” ads

Strike aims to generate earnings by posting “company wanted” ads, a version of “personnel wanted” ads for companies in search of an acquisition target. These ads allow buyers to make a detailed case for why they target an acquisition. Responses to the ads are directly forwarded to the posting company.

3. General advertisements

Strike aims to generate earnings by soliciting ads from companies involved in M&A operations, and posting them on M&A Online. Envisioned customers include recruitment companies, consulting firms, accounting firms, asset management companies, and real estate companies.



Utilizing Paid Stock Options

In December 2017, Strike issued paid stock options to its executives and employees. By setting certain operating performance levels as exercise conditions, we intend to build profit awareness among all members of the company and encourage everyone in the company to commit to achieving our performance targets.

Allocated to

2 executives, 32 employees (as of August 31, 2019)

	Target period	Performance conditions	Status
Exercise condition (1)	FY08/18	Operating profit of ¥1,300 million	Achieved
Exercise condition (2)	FY08/19	Operating profit of ¥2,000 million in one of these two periods	Target
	FY08/20		

Note: The options cannot be exercised unless conditions (1) and (2) are both satisfied.



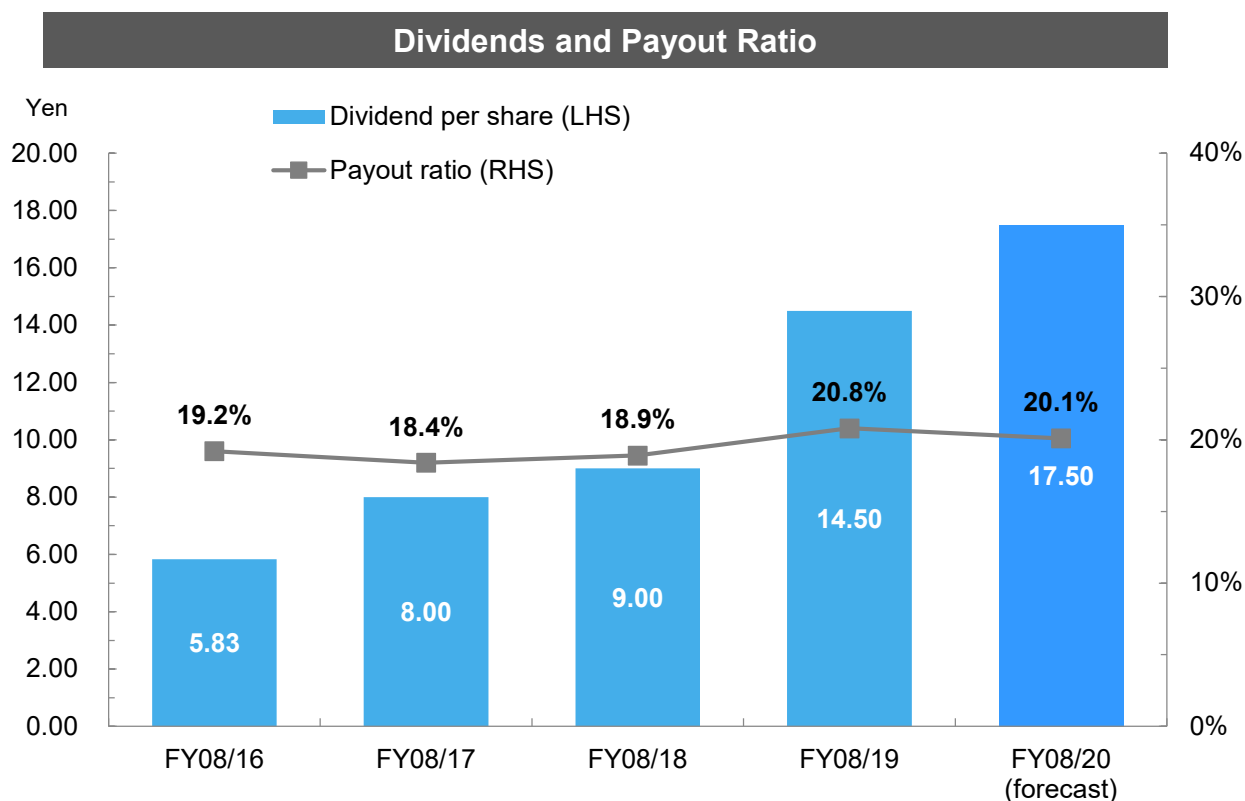
Exercise condition (1) was achieved in FY08/18.

We aim to achieve exercise condition (2) during FY08/20.

Forecast for Shareholder Returns

Dividends: We target a dividend payout ratio of 20%, increasing the dividend from ¥14.5 per share in FY08/19 to ¥17.5 in FY08/20.

Shareholder benefits: We present a QUO card worth ¥1,000 to each shareholder with at least one share unit (100 shares) at the fiscal year end (August 31 of each year).



Note: Dividend per share figures reflect stock splits conducted on December 1, 2016 and June 1, 2018.

Market Trends



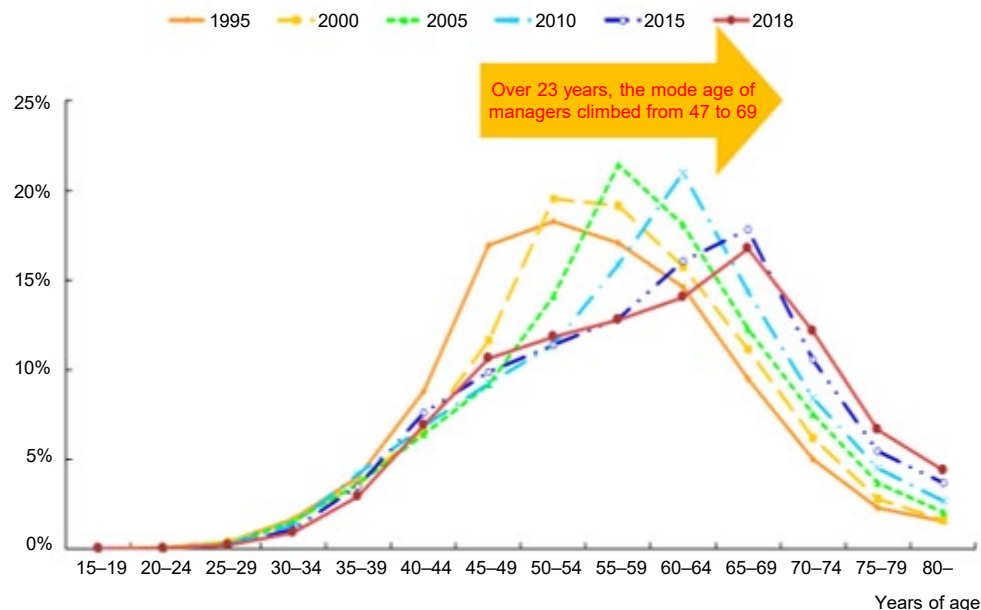
Market Trends: Business Succession M&A Market Expected to Continue Expanding in Japan

As company presidents advance in age, the number of Japanese companies facing a lack of eligible successors is expected to further increase.

→ The M&A market that provides solutions for business succession is expected to continue expanding.

Advancing Age of Company Presidents

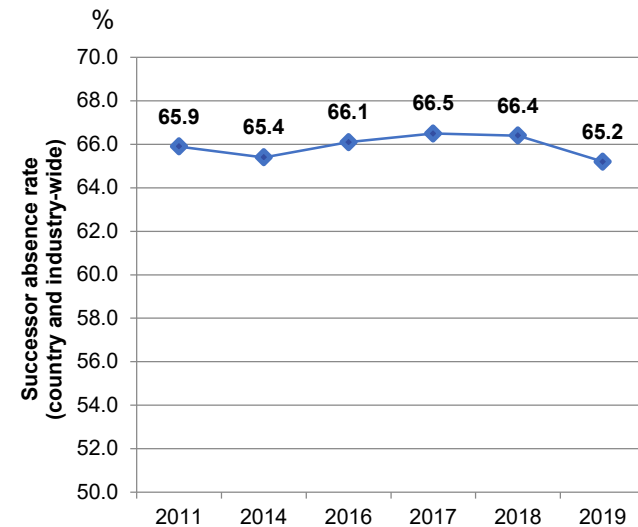
Age Distribution of Small and Medium-Sized Enterprise Managers



Source: 2019 White Paper on Small and Medium Enterprises
(Re-edited and processed data from Teikoku Databank, Ltd.'s COSMOS2
[Corporate profile file])

Numerous Companies without Successors

Status of Decision regarding Successors
(No. of Companies, 2019)



Source: Teikoku Databank, Ltd., Nationwide Field Study regarding Companies Facing Successor Issues (2019)

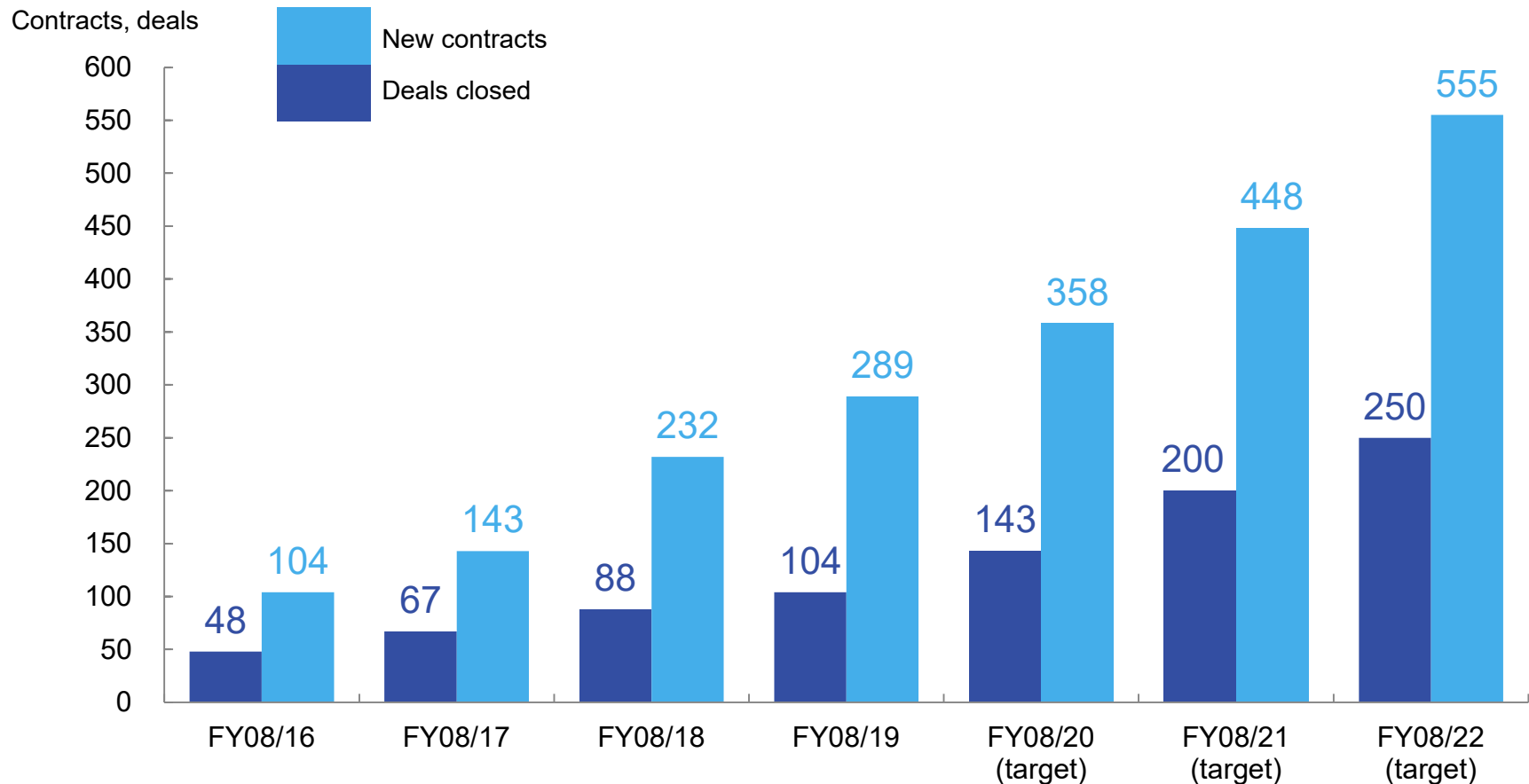
Of the roughly **275,000 companies** surveyed, **65.2%** (approx. **180,000**) have no successor in place.

Medium- to Long-Term Management Policy



Results and Targets for New Contracts and Deals Closed

Based on our current personnel organization and plans for additional personnel increases, we aim to achieve 200 deals closed per year in FY08/21 and 250 in FY08/22. We also target further growth through raising the productivity and efficiency of consultants.



Aiming for Further Growth by Increasing Per-Consultant Productivity and Efficiency

Reinforce Sourcing Routes

- 1. Enhance matching functions**
 1. Increase convenience of, and access to, M&A Market SMART
 2. Accumulate data on acquisition needs, and strengthen data search functionality
 3. Appoint dedicated staff to search potential buyers
- 2. Strengthen new contract sources**
 1. Expand partners and strengthen partnerships
 2. Hold effective seminars
 3. Increase direct sales primarily through the Marketing Department
- 3. Boost number of locations**

Expand regional sales offices



Boost Productivity and Efficiency

- 1. Recruit and train talented consultants**

Hire even more qualified consultants by enhancing our name recognition
Strengthen development by improving in-house training and expanding training content
- 2. Business support from specialists**

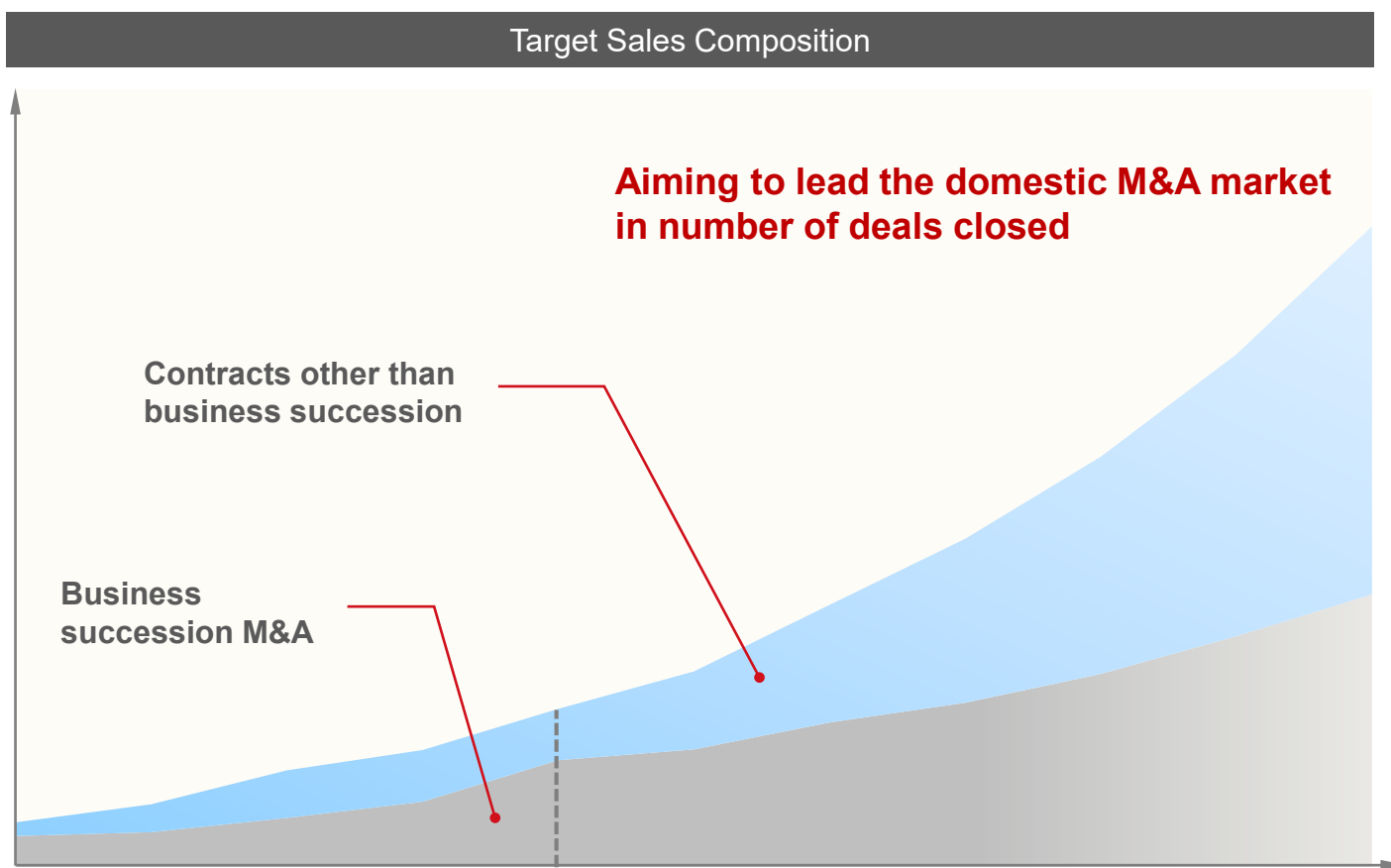
Further strengthen business support by increasing number of specialists (Business Operation Support Department) in fields such as accounting and law
- 3. Leverage IT**
 1. Support operation streamlining by improving internal systems with IT
 2. Share deal information through in-house system, manage deal progress

Optimize client discovery and brokerage services

Acquire more contracts and aim for four closed deals per consultant (with three or more years of experience) by shortening the time required until finding a buying company and closing the deal.

Aiming to Top the Japanese M&A Market in Number of Deals Closed

We aim to further increase our share of the market for business succession M&A, focus on cultivating the M&A market as an exit method for startup companies, and increase net sales at over 20% per year over the medium term. In FY08/19, we closed nine M&A deals involving startups (companies that have concluded an M&A brokerage contract within five years of their establishment).



- **Medium- to long-term focus on becoming the leader in the Japanese M&A market in number of deals closed**
- **Contracts other than business succession:** Cultivate the M&A business as an exit method for startup and growth companies. In addition, actively cultivate large M&A deals that drive industry consolidation.
- **Business succession M&A:** Market is forecast to expand for several years, but dependence on business succession contracts is expected to decline due to an increase in the types of contracts indicated above.

Company Overview



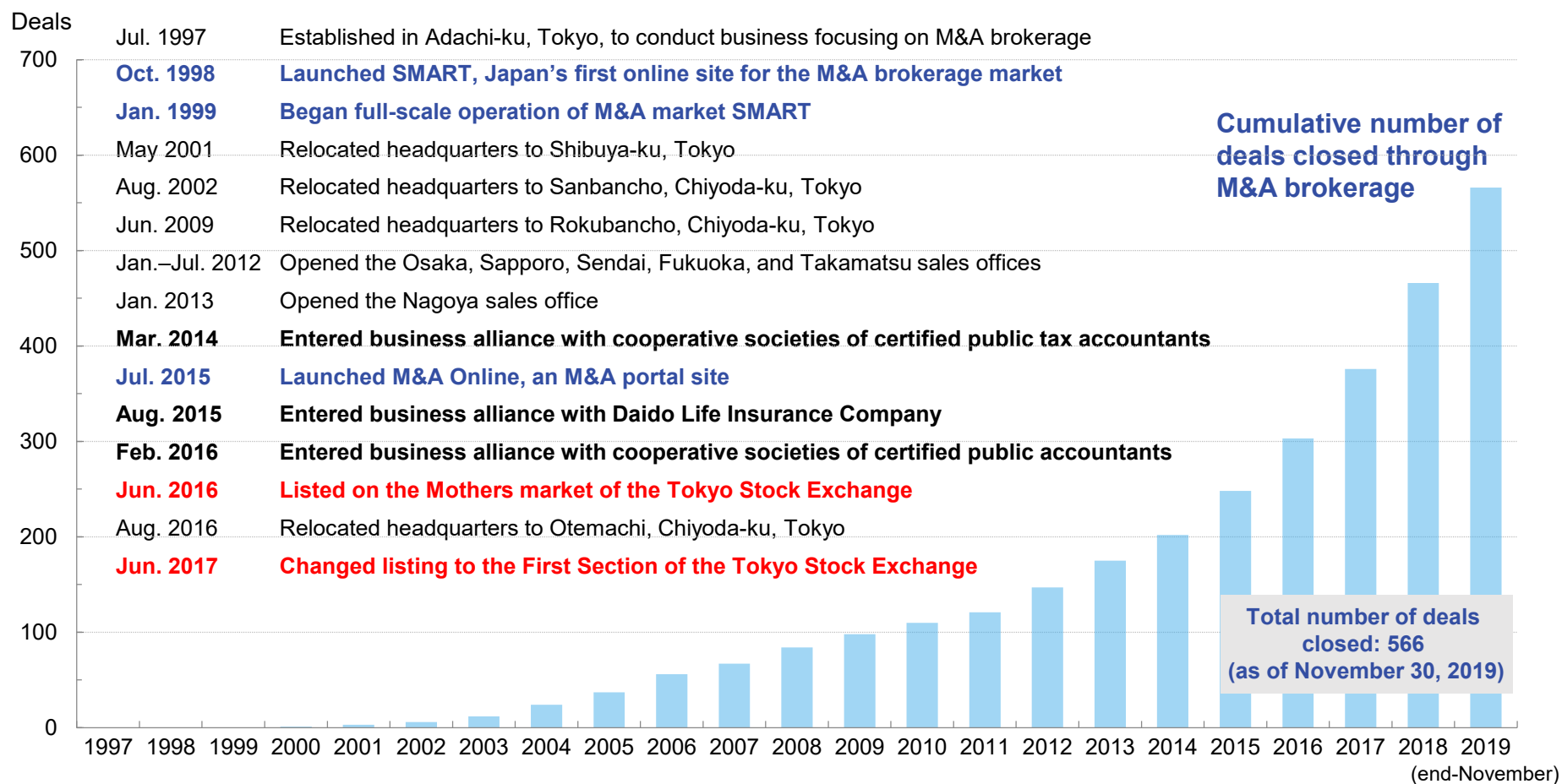
Company Overview

We are a group of professionals, chiefly certified public accountants, with “**Realizing people’s aspirations through M&A**” as our corporate credo. We established the first online M&A market in Japan. We offer M&A brokerage services focusing on the succession of small and medium-sized enterprises, which is one of the serious issues facing Japan.

Company name	Strike Co., Ltd.
Established	July 1997
Capital stock	¥823 million (as of November 30, 2019)
Representative	Kunihiko Arai, President and CEO
Head office	18th floor of Otemachi Financial City Grand Cube 1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Number of employees	121 (excluding temporary staff, as of November 30, 2019)
Net sales, operating profit	Net sales ¥5,077 million, operating profit ¥1,886 million (operating profit margin 37.2%) in FY08/19
Businesses	M&A brokerage business
Management philosophy	With “Realizing people’s aspirations through M&A” as our corporate credo, we propose M&A as a sincere solution to client needs. Our management philosophy is to contribute to society at large through M&A, providing corporate management structures to respond to fluctuations in the business environment and changes in the times. To realize this, we aim to become the leader in the number of M&A deals in Japan.

History

Established in July 1997, Strike broke new ground in Japan by leveraging the internet for M&A services. We are expanding our partnerships with organizations such as cooperative societies of certified public tax accountants and certified public accountants. In addition to our headquarters, we have sales offices in six major cities.



Business Overview

Strike primarily engages in the M&A brokerage business. Our earnings model is based on brokerage fees received from both sellers and buyers. While carefully considering possible conflicts of interest, we place the utmost importance on client satisfaction.

Principal Businesses

M&A Brokerage Business

We broker M&A deals between sellers and buyers and receive brokerage fees from both parties.

Company Characteristics

- By actively utilizing our M&A Market SMART online service, we aim to match better clients on better terms
- We employ a high percentage of specialists, including CPAs and certified public tax accountants, and can provide service for complicated projects

Compensation Structure: Lehmann Method

Sample Compensation Structure

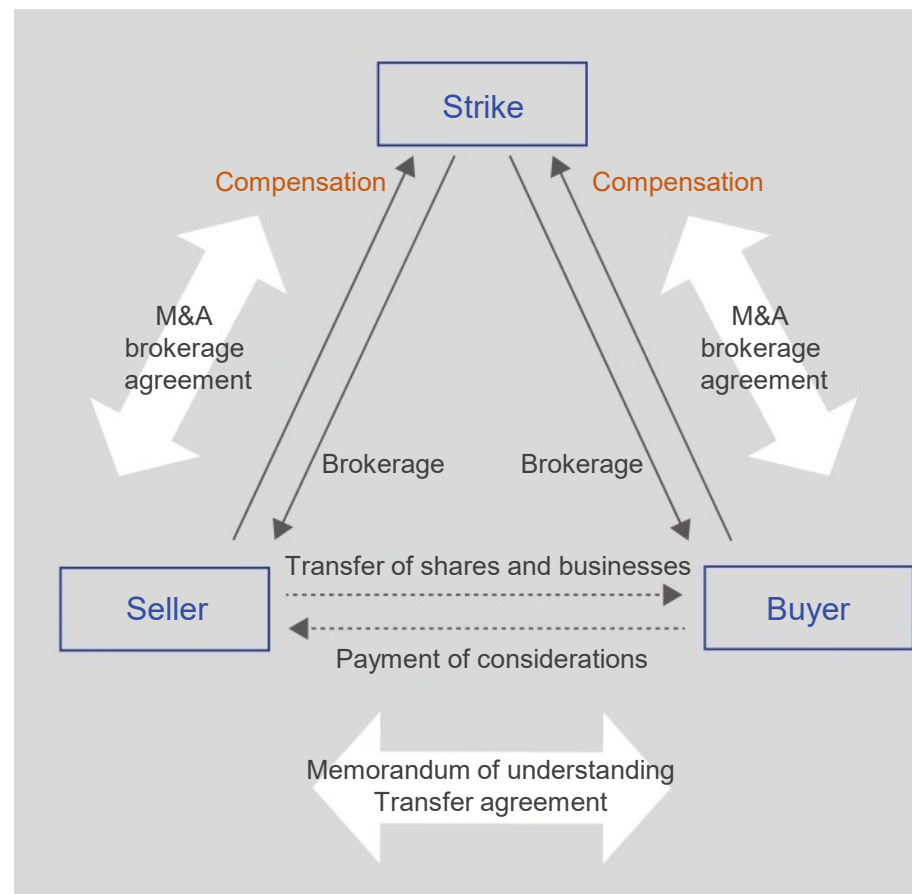
Seller

Amount of shares or assets to be transferred	Rate
Portion below ¥500 mn	5%
Portion from ¥500 mn to ¥1.0 bn	4%
Portion from ¥1.0 bn to ¥5.0 bn	3%
Portion from ¥5.0 bn to ¥10.0 bn	2%
Portion above ¥10.0 bn	1%

Buyer

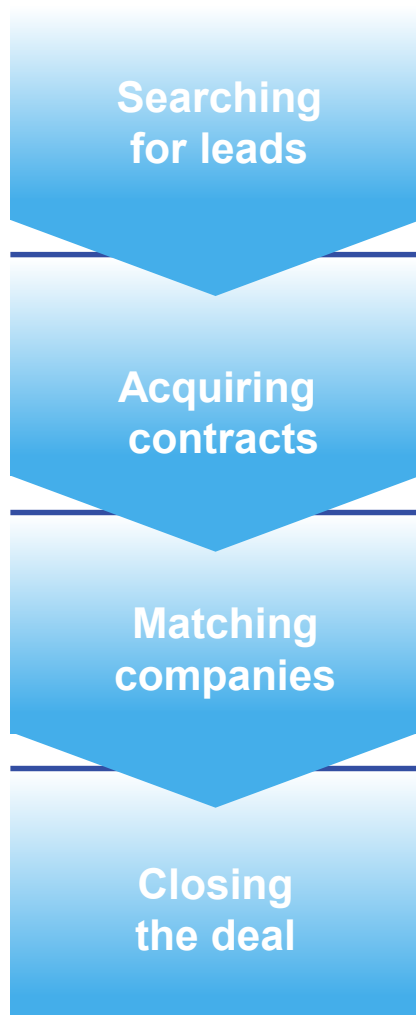
Market value of total assets at transfer	Rate
Portion below ¥500 mn	5%
Portion from ¥500 mn to ¥1.0 bn	4%
Portion from ¥1.0 bn to ¥5.0 bn	3%
Portion from ¥5.0 bn to ¥10.0 bn	2%
Portion above ¥10.0 bn	1%

M&A Brokerage Earnings Model



Flow of M&A Brokerage Business

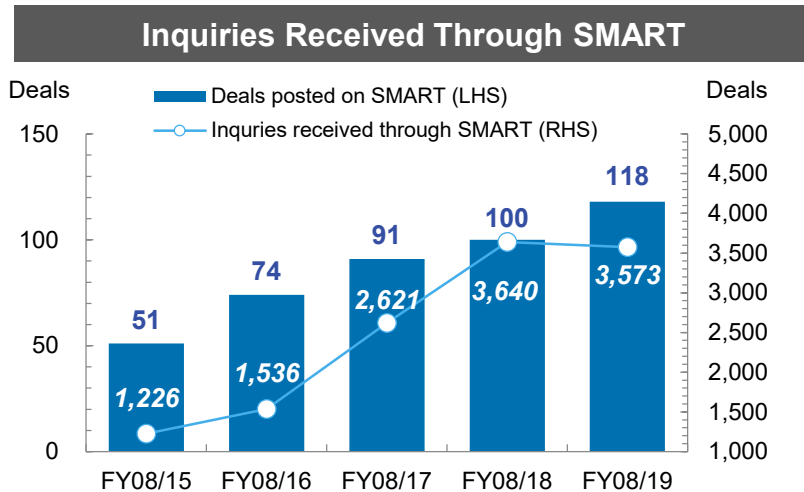
The brokerage process consists of searching for leads, acquiring contracts, matching companies, and closing the deal.



- Hold seminars, issue publicity magazines, and disseminate M&A information via web, newspapers, and magazines
- Contact potential sellers through direct sales and direct mail
- Cultivate operating business partners, strengthen relationships, and receive potential seller introduction from business partners
- Respond to consultations from potential seller and make proposals
- Sign non-disclosure agreement with potential seller and gather information on company to be sold
- Conduct prior corporate analyses and consider viability of sale
- Sign M&A brokerage agreement with potential seller
- Propose sale scheme and conduct corporate valuations
- Create proposal documents
- Search for potential buyer (post on **M&A Market SMART**) and make anonymous inquiries
- Sign non-disclosure agreement with potential buyer and disclose proposal document
- Sign M&A brokerage agreement with potential buyer
- Interview top management and arrange company visit
- Confirm potential buyer's intention and make adjustments to basic terms
- Provide support for the signing of memorandum of understanding
- Establish environment for potential buyer to conduct due diligence
- Make final adjustments to terms between potential seller and potential buyer
- Provide support for the signing of transfer agreement

Using the Internet to Search for Matches

M&A Market SMART, an internet-based service to anonymously post deals and search for potential buyers and sellers



Advantages to using SMART

- Enables searches outside a given region for potential buyers and allows for faster matching
- Increases the number of choices for selling companies, and increases the possibility of selling the company to a good buyer under favorable terms
- Provides the possibility of finding an unexpected potential buyer (increases the possibilities of sale for niche businesses and contributes to matching between different fields of business)

<https://www.strike.co.jp/smart/>
(Accessible by anyone)



SMART usage status

- Growth in number of inquiries from people using SMART directly to staff in charge of deals, rather than via the internet
 - Increase in cases where Strike provides proposals prior to receiving inquiries from clients based on internally accumulated database of buyer company needs
- ➔ **In FY08/19, actual buyers as a percentage of potential buyers making inquiries through SMART declined to 18% (from 30% in FY08/18), but SMART continues to function as an effective tool to search for potential matches.**

Disclaimers

- These materials contain forward-looking statements with respect to Strike Co., Ltd.'s business trends and business content, and are based on the Company's expectations, estimates, projections, and forecasts as of the time of publication.
- Expressions related to the Company's future outlook contain a variety of risks and uncertainties. Actual results may differ from those anticipated in expressions related to the future outlook due to known and unknown risks, uncertainties, and other factors.
- The actual content and results of Strike Co., Ltd.'s future business may differ from the future outlook contained in these materials.
- 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 (December 24, 2019). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.