

Financial Results and Future Measures

**First Quarter of the Fiscal Year Ending September 30, 2021
(Q1 FY09/21)**



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

December 24, 2020

Contents

1

Operating Performance in Q1 FY09/21 ... P. 3

Owing to delayed deal closings, net sales came to ¥1,197 million (-19.2% YoY) and ordinary profit ¥312 million (-49.7% YoY).

2

Forecast for FY09/21* ... P. 8

We aim to close 191 deals, generating net sales of ¥8,368 million and ordinary profit of ¥3,083 million.

* Due to a change in fiscal year-end, FY09/21 will be a 13-month period.

3

Market Trends ... P. 19

We expect the M&A market to expand, and not just in the area of business succession.

4

Medium- to Long-Term Management Policy ... P. 25

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 FY09/23, we aim to achieve 300 deals closed per year.

5

Company Overview ... P. 29

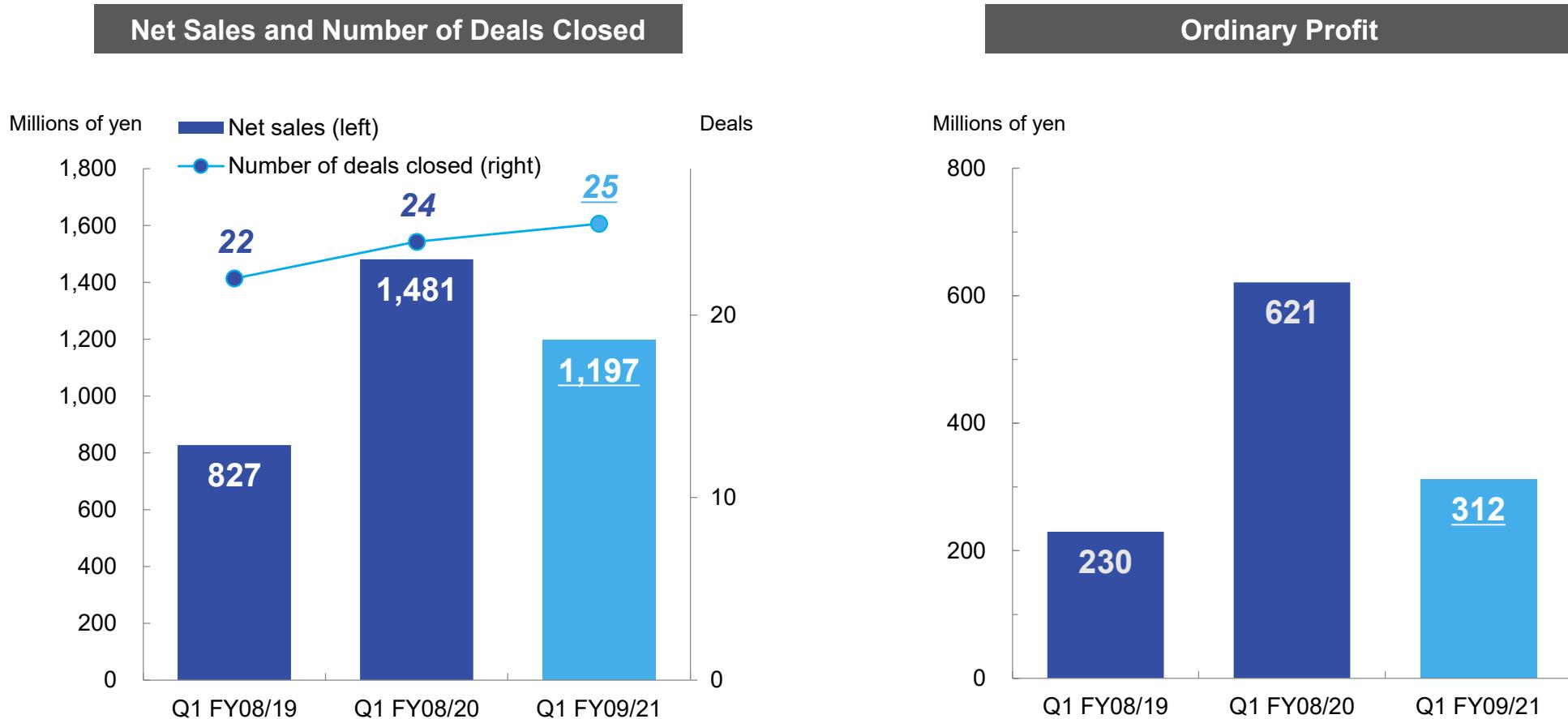
We are a group of M&A professionals, mainly certified public accountants, with “Realizing people’s aspirations through M&A” as our company credo.

Operating Performance in Q1 FY09/21



Operating Performance in Q1 FY09/21

In Q1 FY09/21, we closed 25 deals (one more than in Q1 FY08/20), and on three large deals, we signed the contracts during the quarter, but the actual closings were held over to the next Q2. As a result, net sales came to ¥1,197 million (-19.2% YoY), and due to this drop in sales, ordinary profit came to ¥312 million (-49.7% YoY).

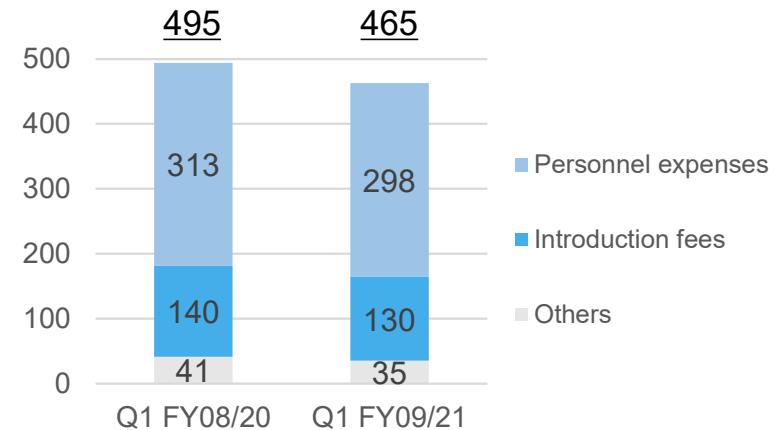


Year-on-Year Comparison

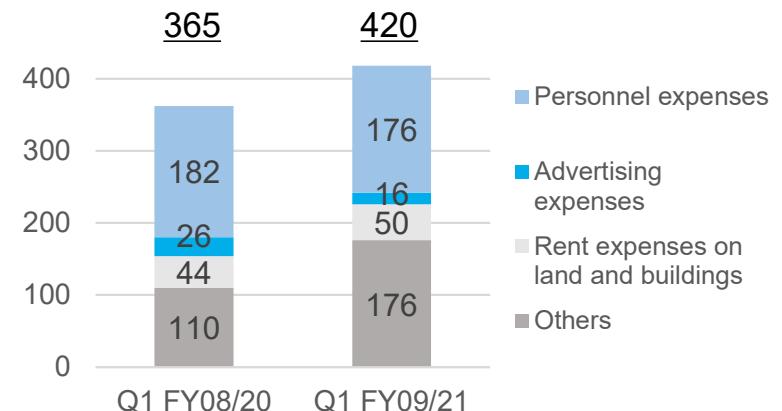
The cost of sales shrank 6.1% YoY to ¥465 million, and relatively higher introduction fees drove up the cost-to-sales ratio. SG&A expenses rose 15.0% YoY to ¥420 million due to increases in upfront spending to strengthen sales and marketing, and miscellaneous expenses following the increase in shareholders (both of which are categorized as “others”)

	Q1 FY08/20			Q1 FY09/21	
		% of net sales		% of net sales	YoY
Net sales	1,481	100.0%	1,197	100.0%	-19.2%
Cost of sales	495	33.4%	465	38.8%	-6.1%
Gross profit	986	66.6%	732	61.2%	-25.8%
SG&A expenses	365	24.6%	420	35.1%	+15.0%
Operating profit	621	41.9%	312	26.1%	-49.7%
Non-operating income	0	0.0%	0	0.0%	-5.2%
Ordinary profit	621	41.9%	312	26.1%	-49.7%
Extraordinary income	225	15.2%	—	—	—
Profit before income taxes	846	57.1%	312	26.1%	-63.1%
Income taxes	273	18.4%	105	8.8%	-61.4%
Profit	573	38.7%	206	17.3%	-63.9%

Breakdown of cost of sales



Breakdown of SG&A expenses



Performance Highlights in Q1 FY09/21

In Q1 FY09/21, there were three large M&A deals on which we signed the contracts, but the closing will not take place until Q2 or later, meaning no sales were recorded on them during Q1. Closure was also delayed on a number of smaller scale deals. Consequently, net sales declined YoY and fell short of our initial target.

■ Q1 Financial Results

- **Net sales:** ¥1,197 million (-19.2% YoY)
- **Ordinary profit:** ¥312 million (-49.7% YoY)
- **Profit:** ¥206 million (-63.9% YoY)

■ Net Sales-Related KPIs

- In Q1, the **number of deals closed** was 25 (+1 YoY), and the **number of large deals closed** was 2 (-2 YoY).
- For Q1, the **number of new contracts** was 88 (-29 YoY).

■ Business Conditions in Q1 and Future Plans

- The number of deals closed temporarily declined due to three factors: 1) COVID-19 caused more deals than we expected to experience prolonged negotiations on terms; 2) there were notable delays due to factors outside the contracting parties, such as waiting for financing processing or waiting for tax screening; 3) like in FY08/19 and FY08/20, there were a considerable number of deals that were expected to be closed by November but that were held back to December.
- There were delays in large deals (generating ¥100 million or more in sales per deal) as well, and we closed only two large deals in Q1. **There were three large M&A deals that were concluded but not recorded as sales in Q1 because the closing was held back to Q2 or later** (they account for an estimated ¥644 million in sales; two of them were recorded in December).
- We had a net increase of just two M&A consultants, but we expect them to increase at an accelerated pace from Q2 onward.

Quarterly Financial Performance

COVID-19 has taken its toll on many companies' earnings, and we are taking more care than usual with new contracts and in fact turning down contracts on which we may be unsuccessful in finding an M&A match that meets the seller's needs (i.e. the chances are the deal may not be closed). In terms of closings as well, it is generally taking longer to negotiate terms since buyer candidates have become more circumspect on decision making.

	FY08/19					FY08/20					FY09/21	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Total
Deal closings	22	22	24	36	104	24	46	27	37	134	25	25
Contract closings	41	42	44	68	195	48	89	52	73	262	47	47
New contracts	57	49	97	86	289	117	80	57	86	340	88	88
Net sales (Millions of yen)	827	1,365	1,220	1,664	5,077	1,481	2,026	1,470	1,937	6,916	1,197	1,197

“Deal closings”: Number M&A transactions in which Strike provides brokerage or advisory services (i.e. number of deals).

“Contract closings”: 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.

“New contracts”: Number of new brokerage service contracts signed with sellers (or in the case of advisory services, contracts signed and services effectively commenced).

Forecast for FY09/21

(This will be a 13-month period, as we have changed the fiscal year-end.)

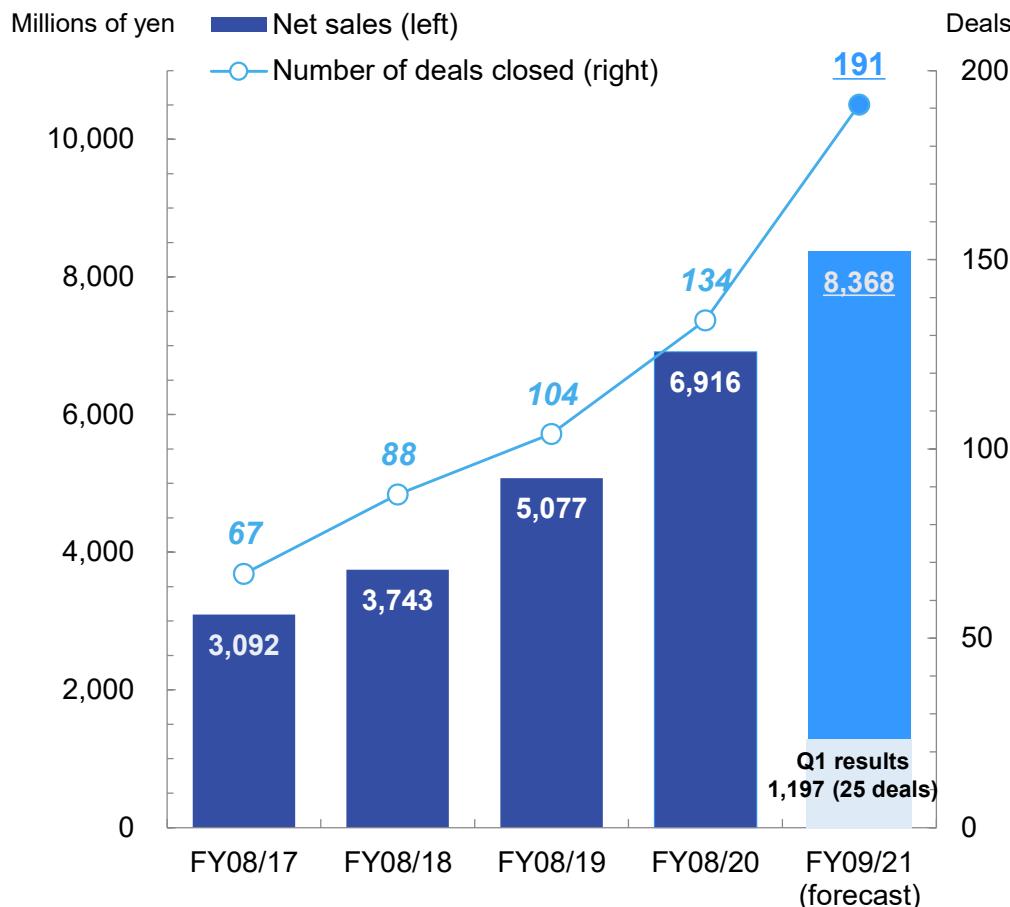


Forecast for FY09/21*

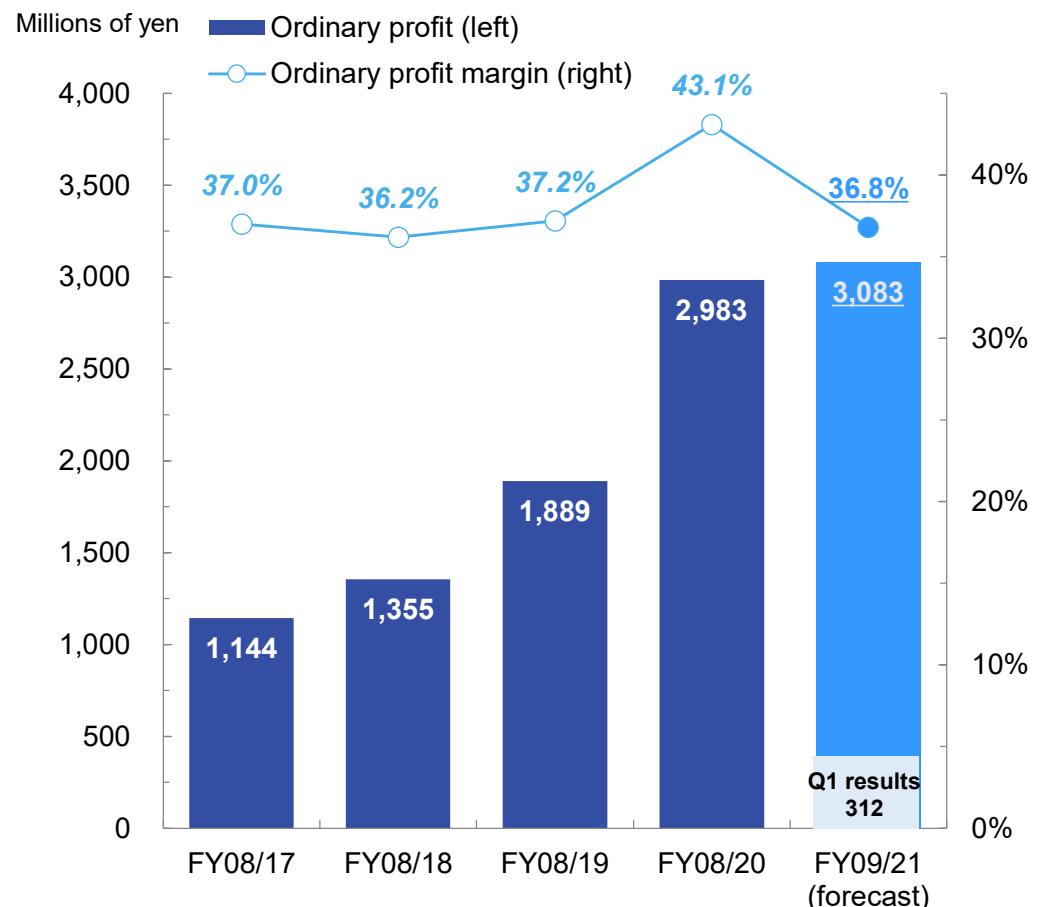
*Due to a change in fiscal year-end, FY09/21 will be a 13-month period.

For the 13-month fiscal period of FY09/21, we forecast 191 deal closings and net sales of ¥8,368 million. Although Q1 results fell short of initial target, we expect the delay in closings to be resolved in Q2 onward, and we therefore leave our forecast unchanged.

Net Sales and Number of Deals Closed



Ordinary Profit and Ordinary Profit Margin



FY09/21 Forecast

For FY09/21, we forecast net sales of ¥8,368 million and ordinary profit of ¥3,083 million. June 2021 marks the fifth anniversary of our initial public offering; we intend to invest aggressively to grow further past that point. Although there were notable delays in closing deals in Q1, we will work to make up that lost ground in Q2 onward.

■ FY09/21 Forecast

- **Net sales** of **¥8,368 million** (¥6,916 million in FY08/20)
- **Operating profit** of **¥3,081 million** (¥2,981 million in FY08/20)
- **Ordinary profit** of **¥3,083 million** (¥2,983 million in FY08/20)
- **Profit** of **¥2,069 million** (¥2,202 million in FY08/20)
- **EPS** of **¥108.35** (¥115.29 in FY08/20), **forecast dividend** of **¥27.00** (¥24.00 in FY08/20)

■ Non-Monetary Targets

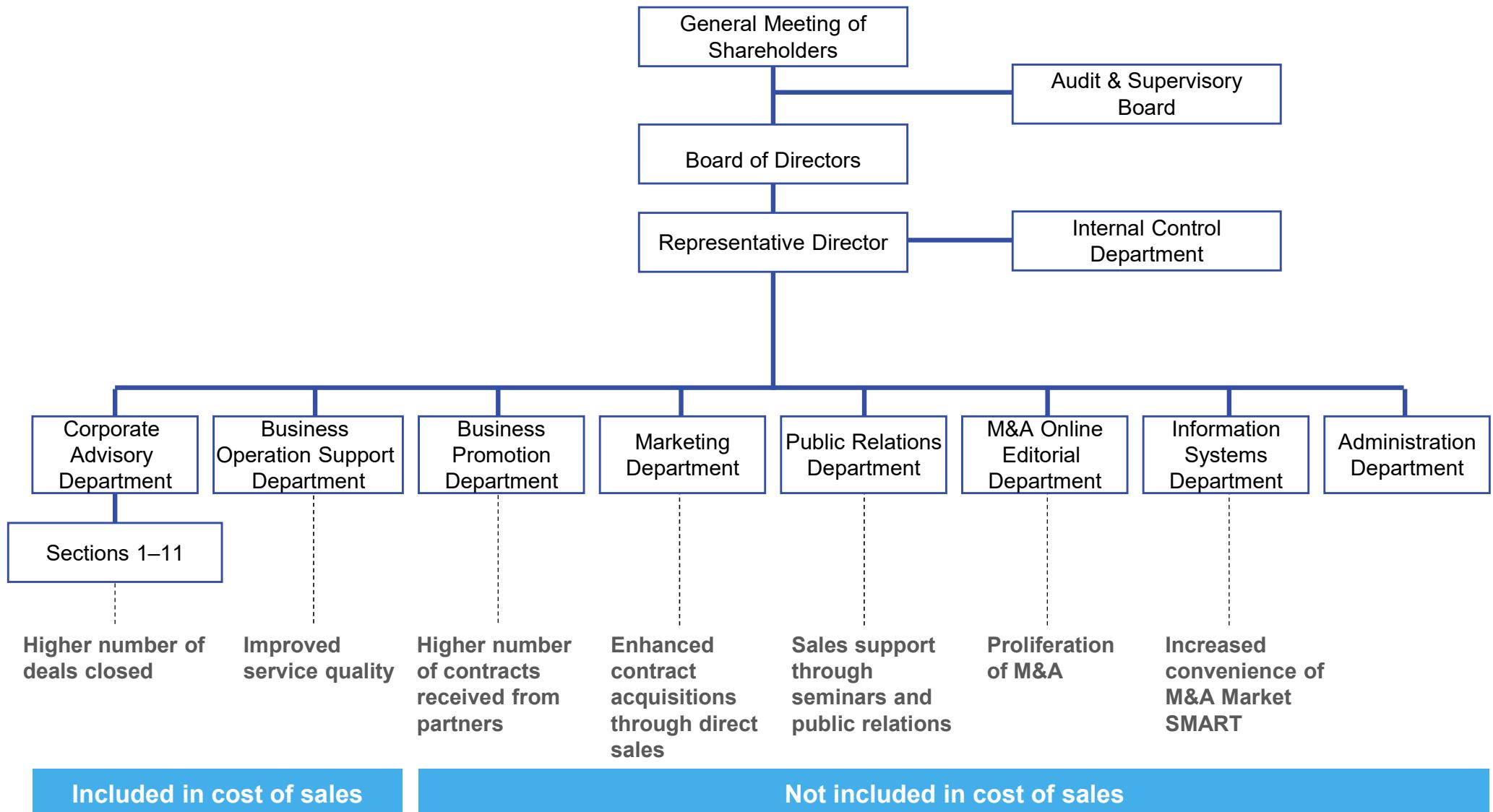
- **Close 191 deals** (+57 YoY)
- **Receive 482 new contracts** (+142 YoY)
- **Increase the number of M&A consultants** to **138** by end-FY09/21 (+27 vs. end-FY08/20)

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

- Due to a change in fiscal year-end, FY09/21 will be a 13-month period.
- The way our targets are formulated, our earnings forecasts assume basically no impact from COVID-19. The virus has been more infectious than initially anticipated, causing prolonged negotiations on some deals, but so far there has been no major impact on our earnings forecasts, with sales for December estimated to exceed ¥1 billion.
- We factored **12** large closed deals into our forecasts.
- We plan to relocate our headquarters around May 2012. Accordingly, we expect a rise in rents, as well as a temporary uptick in relocation-related expenses.
- We anticipate increases in operating expenses for online seminars, direct mail send outs, and the like.
- We intend to actively recruit new personnel; we expect around 20 consultants to join the Company in Q2 onward in FY09/21.

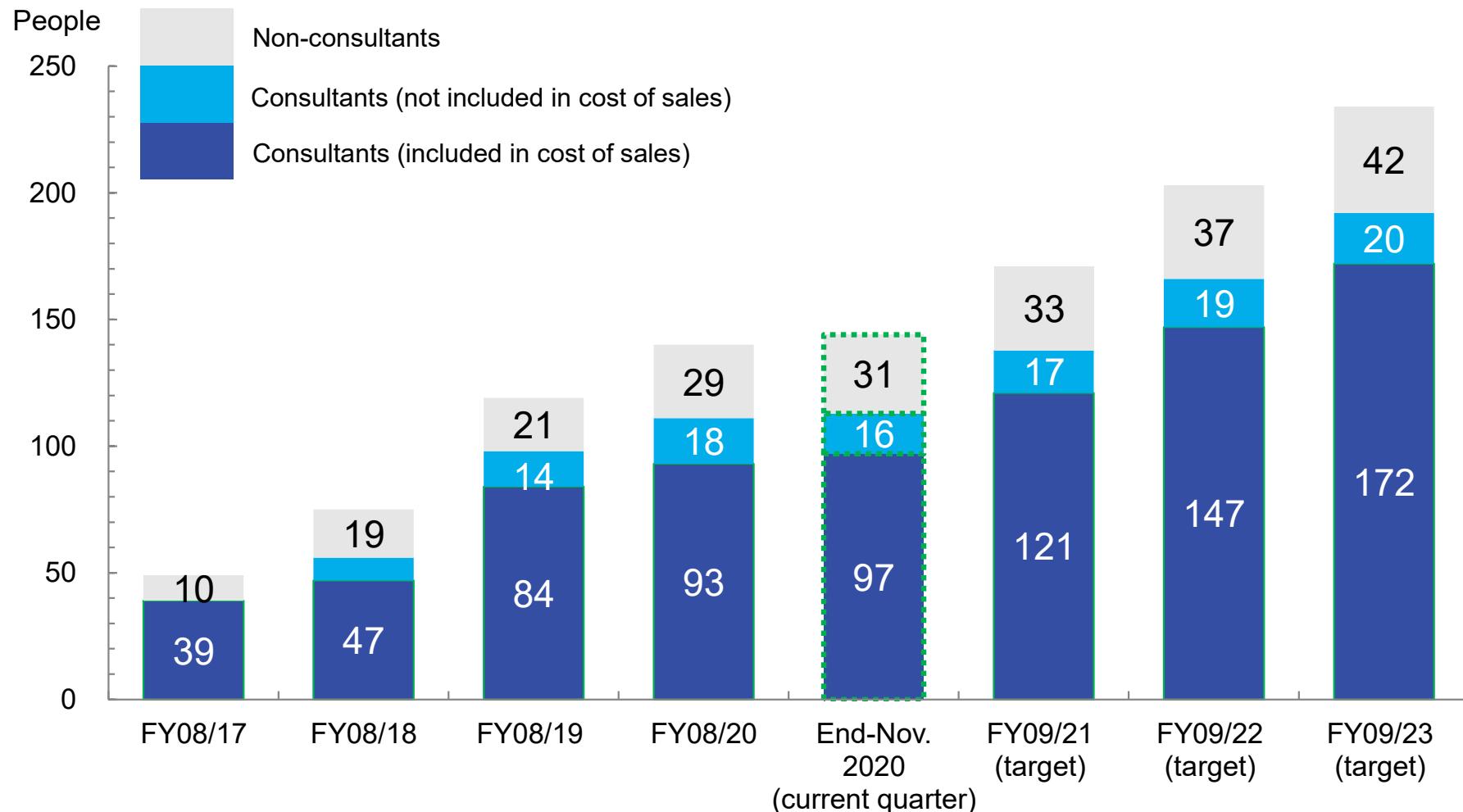
Organization (as of December 1, 2020)

Our organizational structure is unchanged.



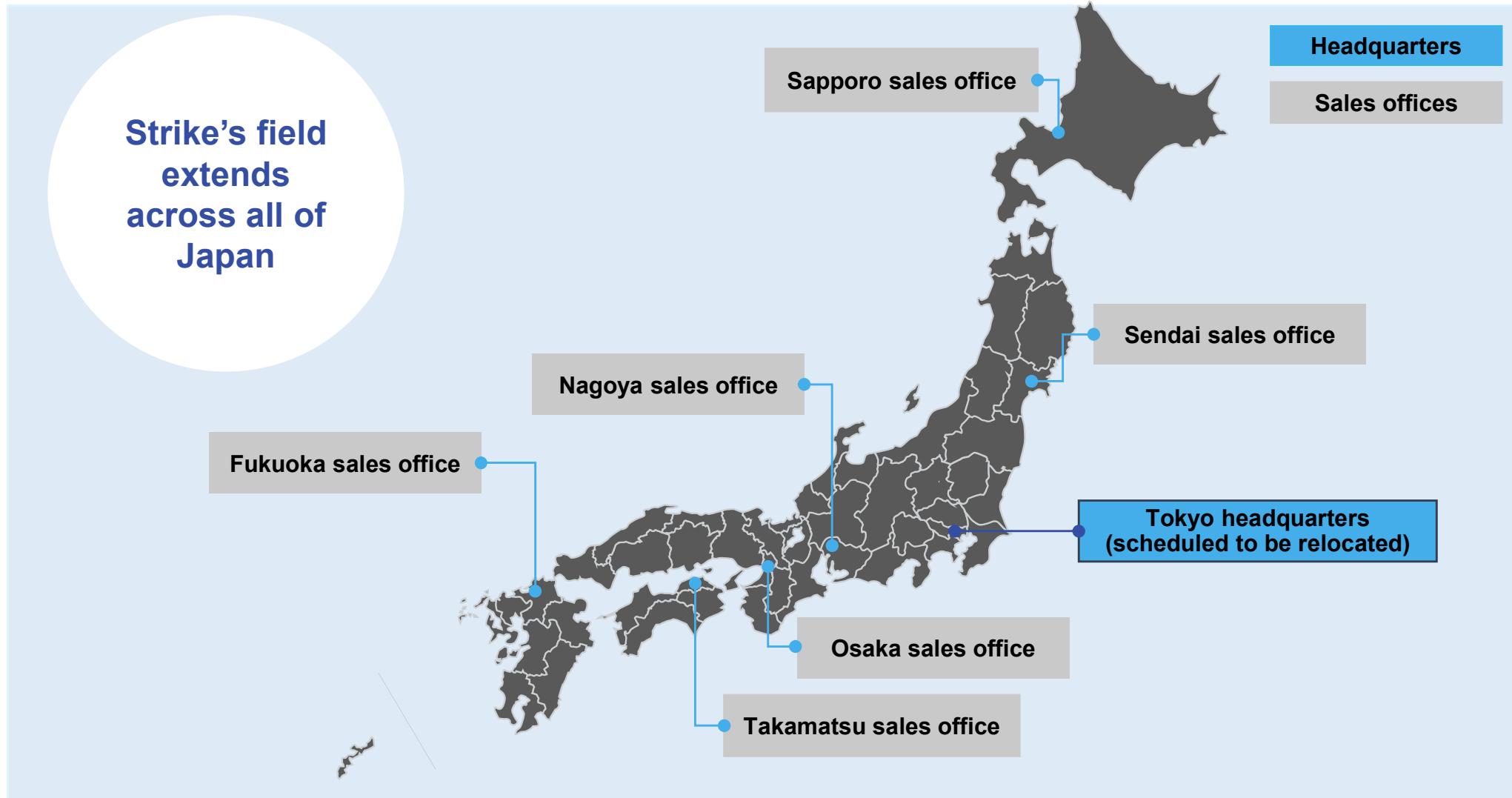
Growing Number of Consultants: Present Conditions vs. Plan

As of end-November 2020, we had increased our headcount of consultants to 113 and non-consultants to 31. We already have around 20 new consultants set to join the Company. We will hire more new employees than forecast if we discover enough talented human resources, but fewer if we do not.



Establishing a Nationwide Sales Network

In FY09/21, we plan to relocate our headquarters. We are actively recruiting personnel at our other sales offices as well.



Increasing and Streamlining Direct Contracts through Seminars

We are shifting from conventional in-person seminars to online seminars and increasing the number we hold. Online seminars have fewer regional and time restrictions, so more people can participate. Also, online seminars are substantially less expensive to hold.



オーナー経営者とM&A



202009016_法人マーケットの変遷を乗り切る生命保険販売とM&A

Online Seminars Held and Planned for FY09/21 (excluding small-scale seminars)			
Date	Type	Title	Applicants
Sep. 2020	Online seminar for insurance agents	Overcoming the Increasingly Stringent Corporate Market: Life Insurance Sales and M&A	731
Oct. 2020	Online-only seminar	Why Now is the Time for Proactive M&A	355
Nov. 2020	Online seminar for accounting offices	Business Succession Measures and M&A Support Expertise Tax Accountants Should Know	342
Dec. 2020	Online-only seminar	Analyzing M&A Strategies in Terms of Your Company's Enterprise Value: The Decision for Successful Executives	TBD
Jan. 2021 (planned)	Primarily online seminar	Management Seminar on Succeeding in the Post-COVID Era: Strategic M&A, Not Merely a Means of Business Succession	
Feb.–Mar. 2021 (planned)	Online-only seminar	The Secret to Making Progress on Corporate Business Succession and M&A Even Amid COVID-19	

Scheduled to plan and hold one or more online seminars each month

Expanding New Business Partners and Strengthening Ties with Existing Partners

We expand our partnerships with financial institutions, professionals, and investment companies. In addition, we aim to strengthen our ties with existing partners through further personnel exchanges.



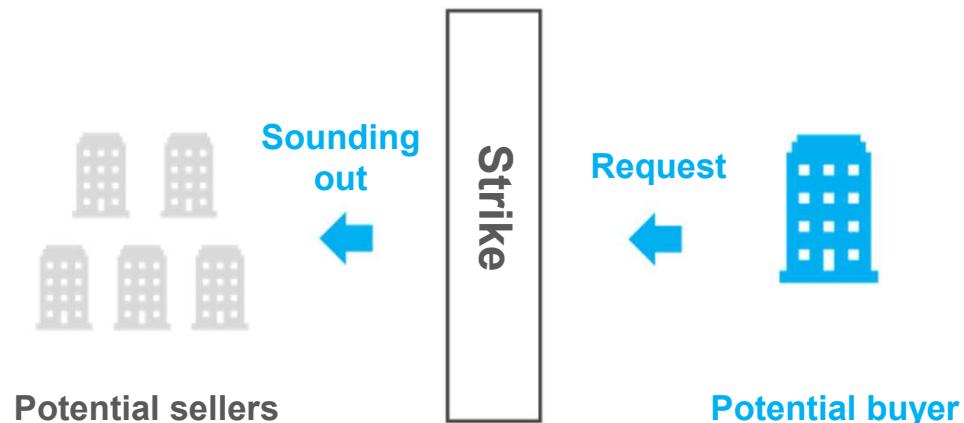
Proposal Flow of Pre-Marketing Services

Growing demand for pre-marketing services, which search for potential sellers from the potential buyer's perspective. We newly contracted with 30 companies for pre-marketing services in Q1.



Pre-Marketing Services

Approach the seller on the buyer's behalf



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

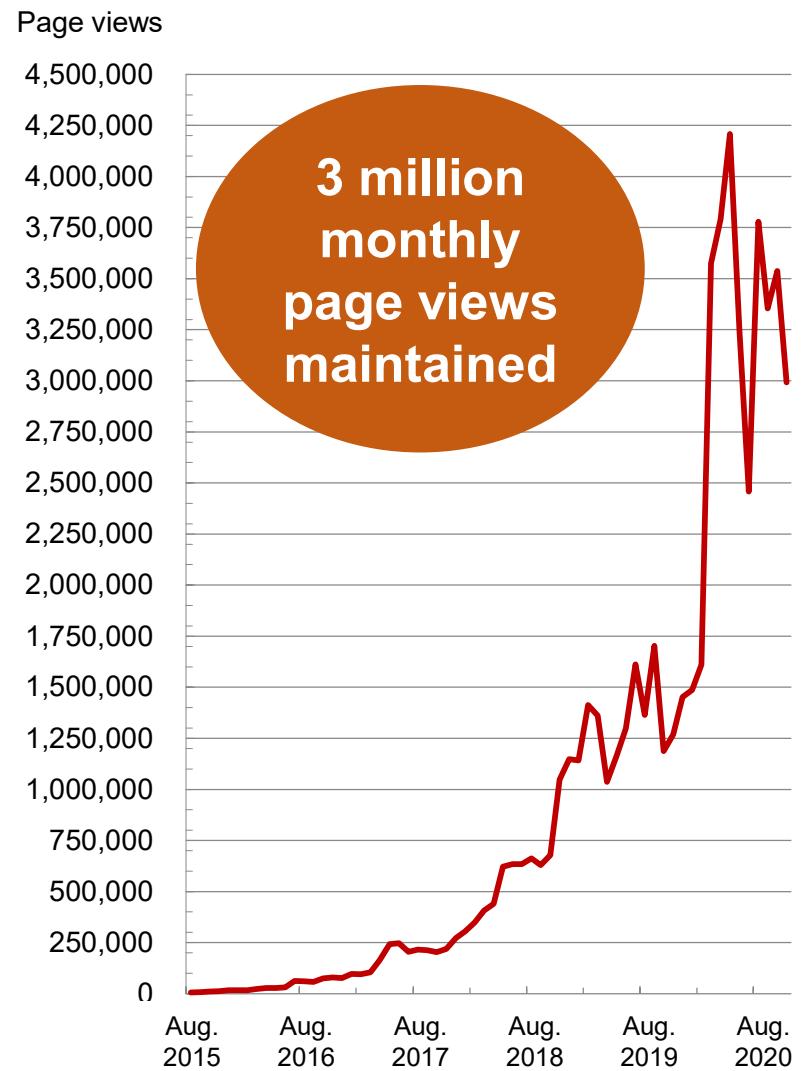


(<https://maonline.jp/>)

Achieving Profitability for M&A Online

- (1) **M&A Online Market** facilitates the posting of information on deals for which another company acts as the financial advisor of the seller. Strike strives to generate profits by functioning as the financial advisor of buyers that make an inquiry.
- (2) **“Company wanted” ads**, where buyers target sellers
- (3) **General advertisements** from companies involved in M&A operations

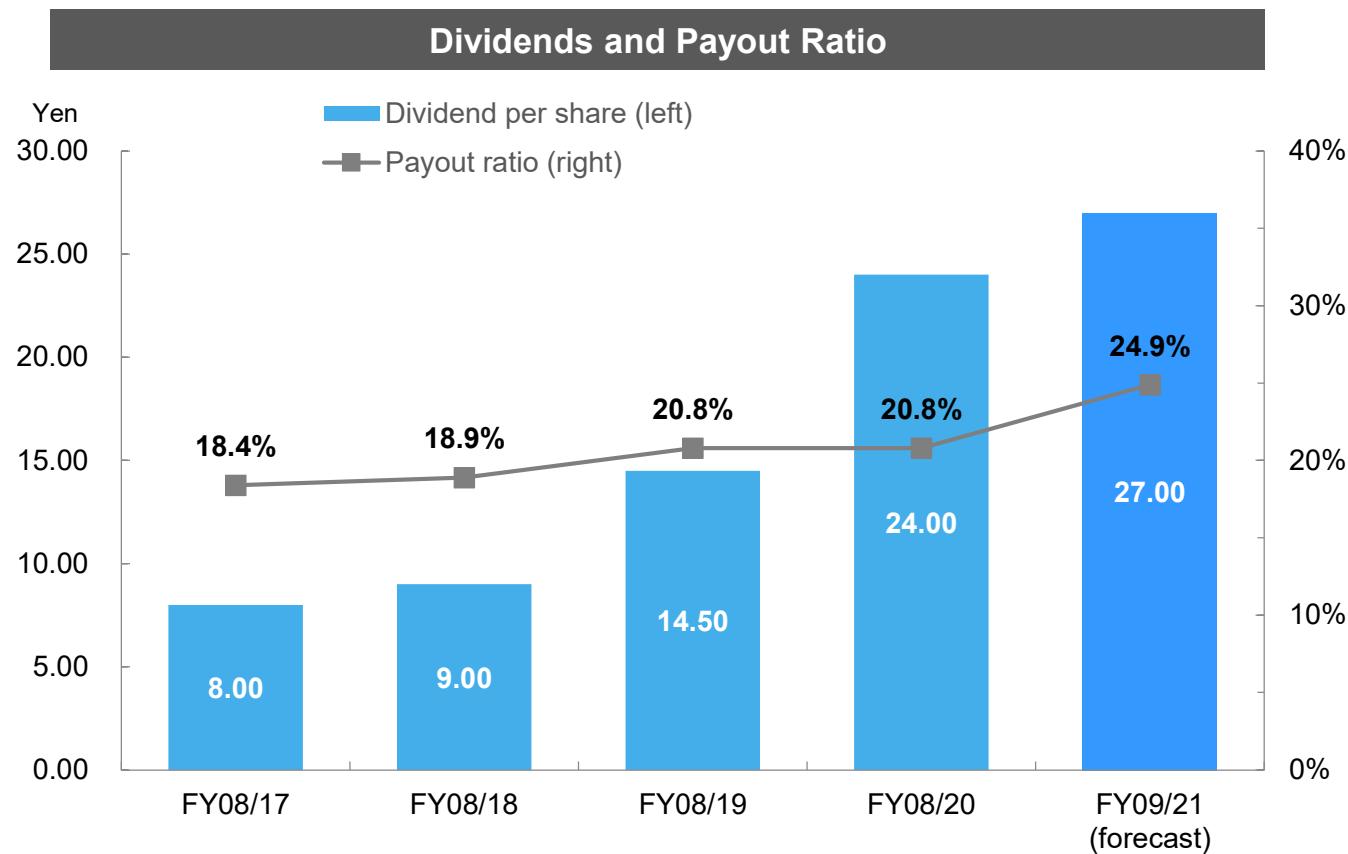
Monthly Page Views for M&A Online



Forecast for Shareholder Returns

Dividends: We plan to raise our dividend payout ratio from 20% to 25%, increasing the dividend from ¥24.0 per share in FY08/20 to ¥27.0 in FY09/21.

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.



Note: Dividend per share figures reflect a stock split conducted on June 1, 2018.

Market Trends



Strategies Attuned to the Market Environment

We expect demand to endure in our current mainstay field, M&A for business succession, which is characterized by aging business owners. Due in part to the impact of the COVID-19 pandemic, we expect opportunities in the M&A market to increase over the medium to long term.

1. Increasingly oligopolistic → Launch pre-marketing services

→ In times of economic crisis, strong companies grow even stronger.

2. Shifts in industrial policy → Increase headcount, relocate our headquarters, and take other measures to reinforce our sales structure

→ The Ministry of Economy, Trade and Industry, in particular, is shifting policy in a direction that seeks to address low productivity in the Japanese economy. (The 2019 White Paper on Small and Medium Enterprises in Japan mentions “productivity” 137 times. The word gets 526 mentions in the 2020 version.)

3. Leeway for M&A to gain traction → Increase headcount, relocate our headquarters, and take other measures to reinforce our sales structure

→ In the US, M&A transactions account for 7.5% of GDP. In Japan, the figure is 1.8%. In M&A, Japan is a developing country.

4. A rise in the number of startups → Enhance marketing measures targeting startup companies

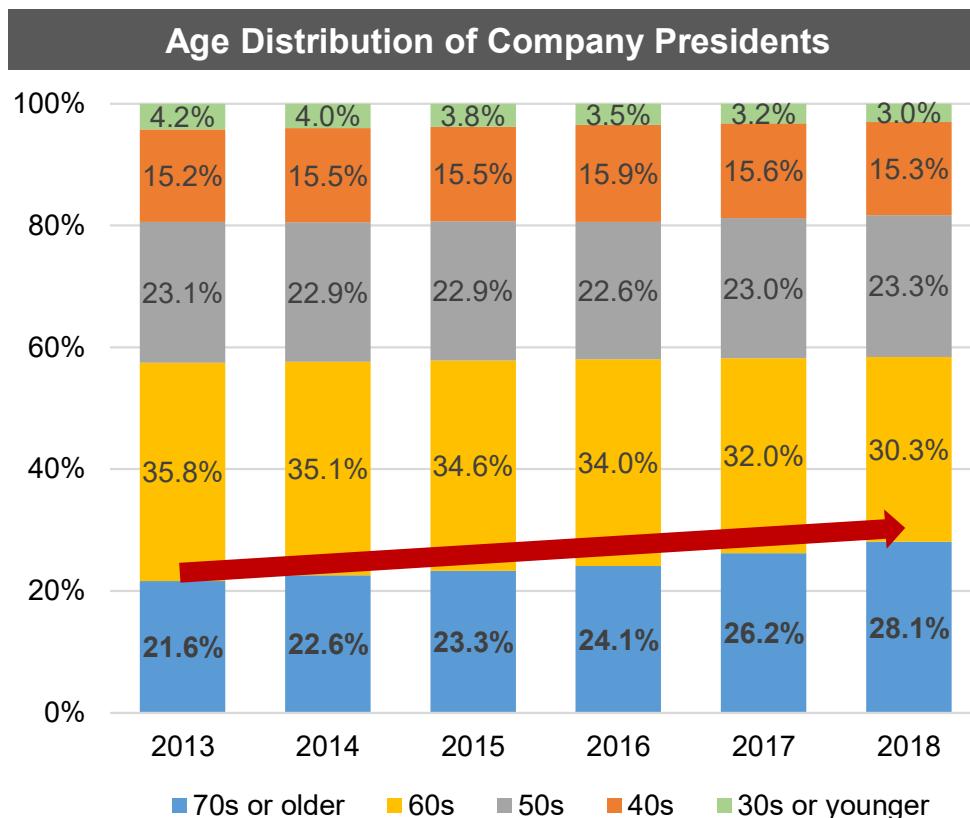
→ A changing social structure and shifting values are leading to distortions; businesses are appearing to address these issues.

Market Trends: Aging Company Presidents, a Lack of Business Successors

As the ages of company presidents advance, many companies even with relatively old presidents lack successors.

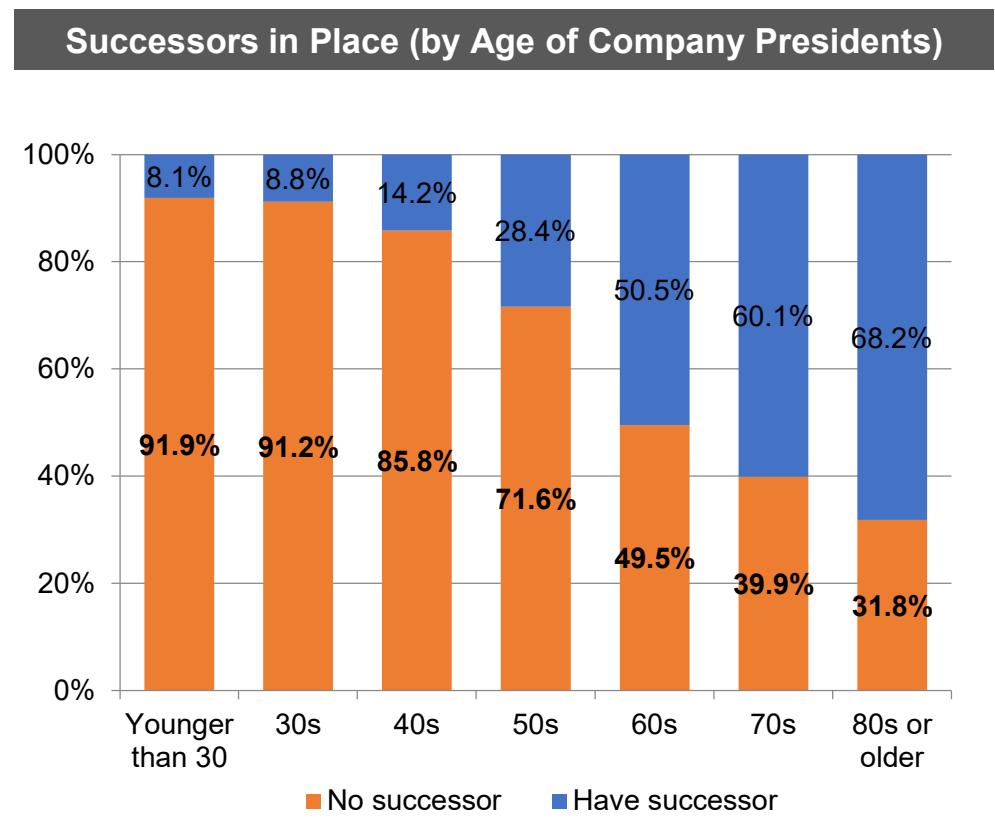
→ To address this problem of business succession, we expect the M&A market to continue growing.

■ Advancing Age of Company Presidents



Source: 2020 White Paper on Small and Medium Enterprises in Japan
(Data from "Nationwide Survey of Company Presidents' Ages," Tokyo Shoko Research, Ltd.)

■ Numerous Companies without Successors



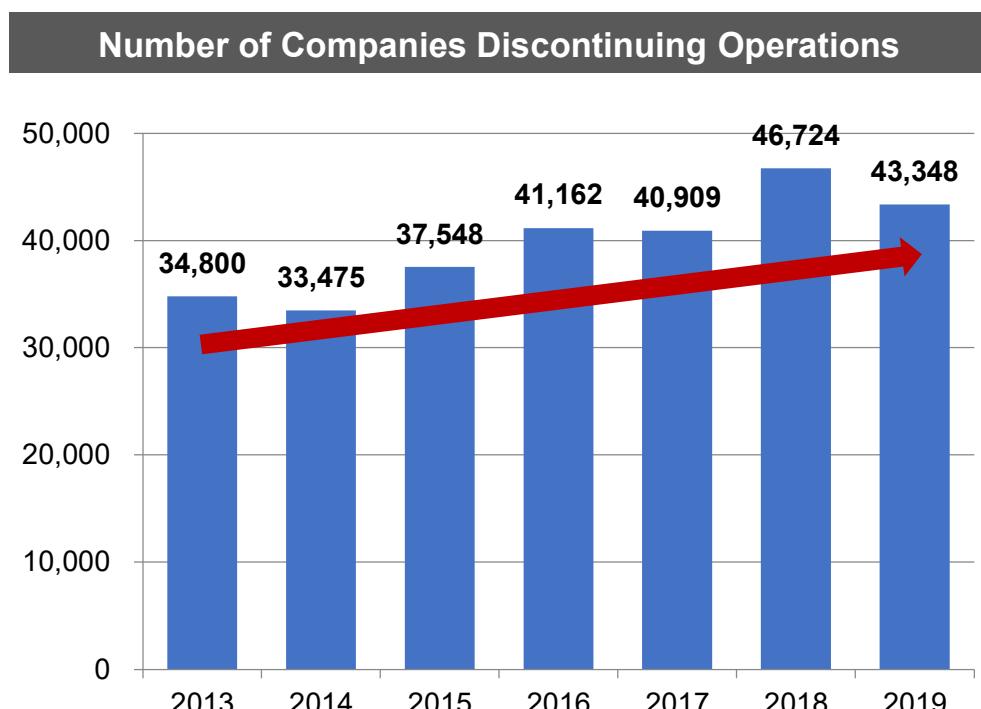
Source: 2020 White Paper on Small and Medium Enterprises in Japan
(Data from "Nationwide Field Study regarding Companies Facing Successor Issues [2019]," Teikoku Databank, Ltd.)

Market Trends: Issue of Passing on Key Management Resources to the Next Generation

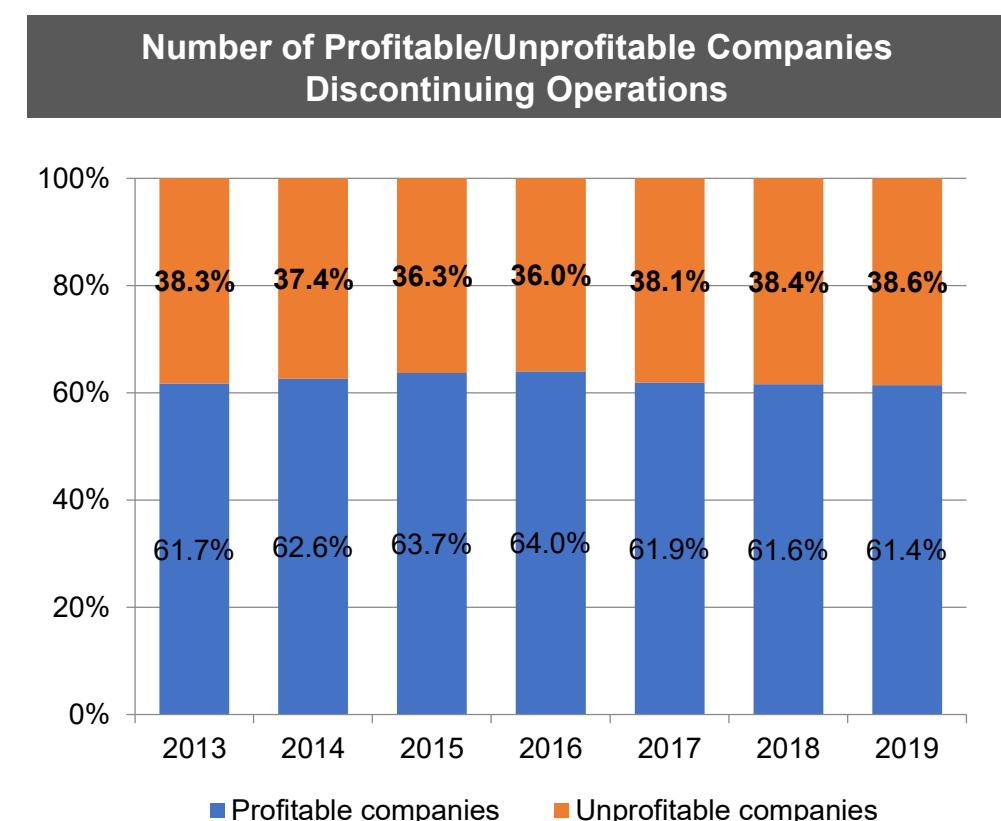
Even as older SMEs are replaced with newer ones, highly productive companies are also going out of business.

→ Passing on key management resources to motivated next-generation managers is an important issue. M&A is also effective.

■ More than 40,000 Companies Each Year Suspending Operations and Dissolving



■ 60% of Those Companies Are Profitable



Source: 2020 White Paper on Small and Medium Enterprises in Japan
(Data from "2019 Survey of Companies Suspending Operations and Dissolving," Tokyo Shoko Research, Ltd.)

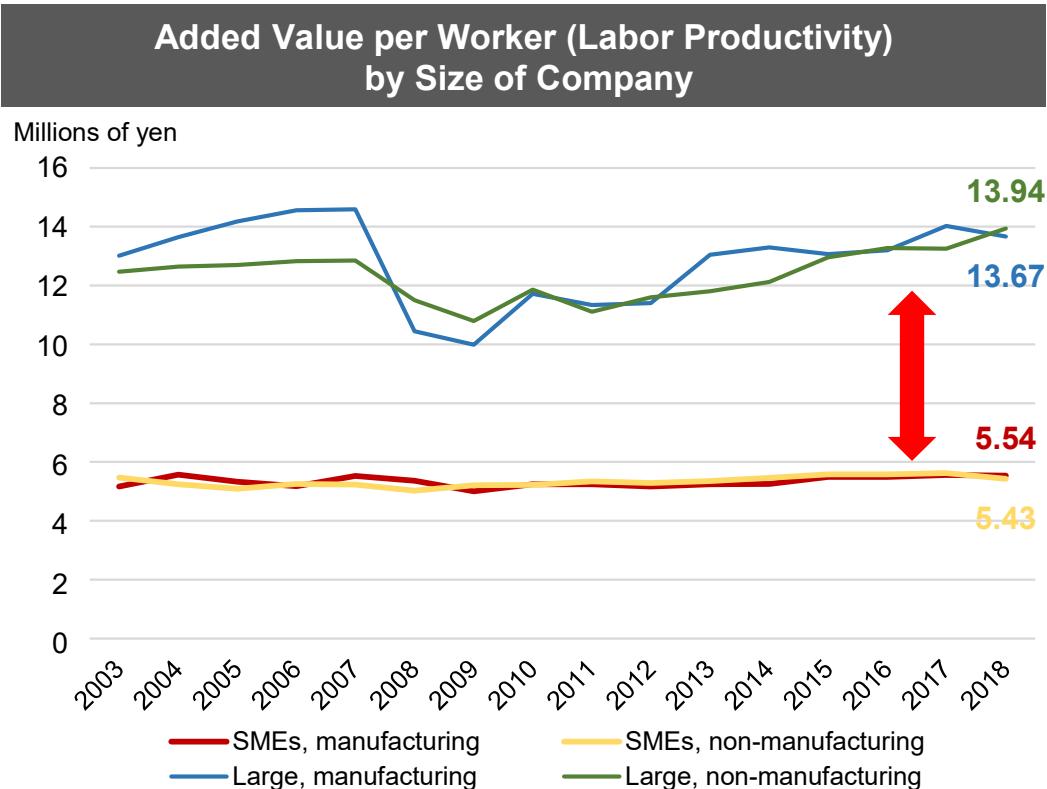
Source: 2020 White Paper on Small and Medium Enterprises in Japan
(Data from "2019 Survey of Companies Suspending Operations and Dissolving," Tokyo Shoko Research, Ltd.)

Market Trends: Issue of Ensuring SMEs' Survival through Increased Productivity

To simultaneously boost wages and ensure higher profits, Japan's SMEs need to raise productivity (increase added value).

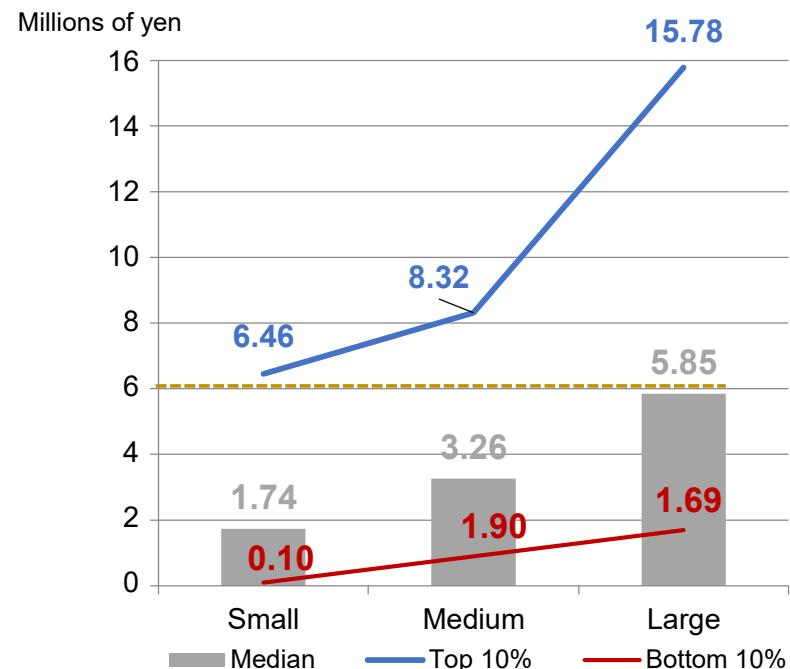
→ To achieve this, companies can create new value by developing new businesses or increase their potential through alliances with companies in other industries. M&A offers one method.

Growing Disparity in Added Value between Large Companies and SMEs



SMEs with High Labor Productivity Also Exist

Labor Productivity by Size of Company

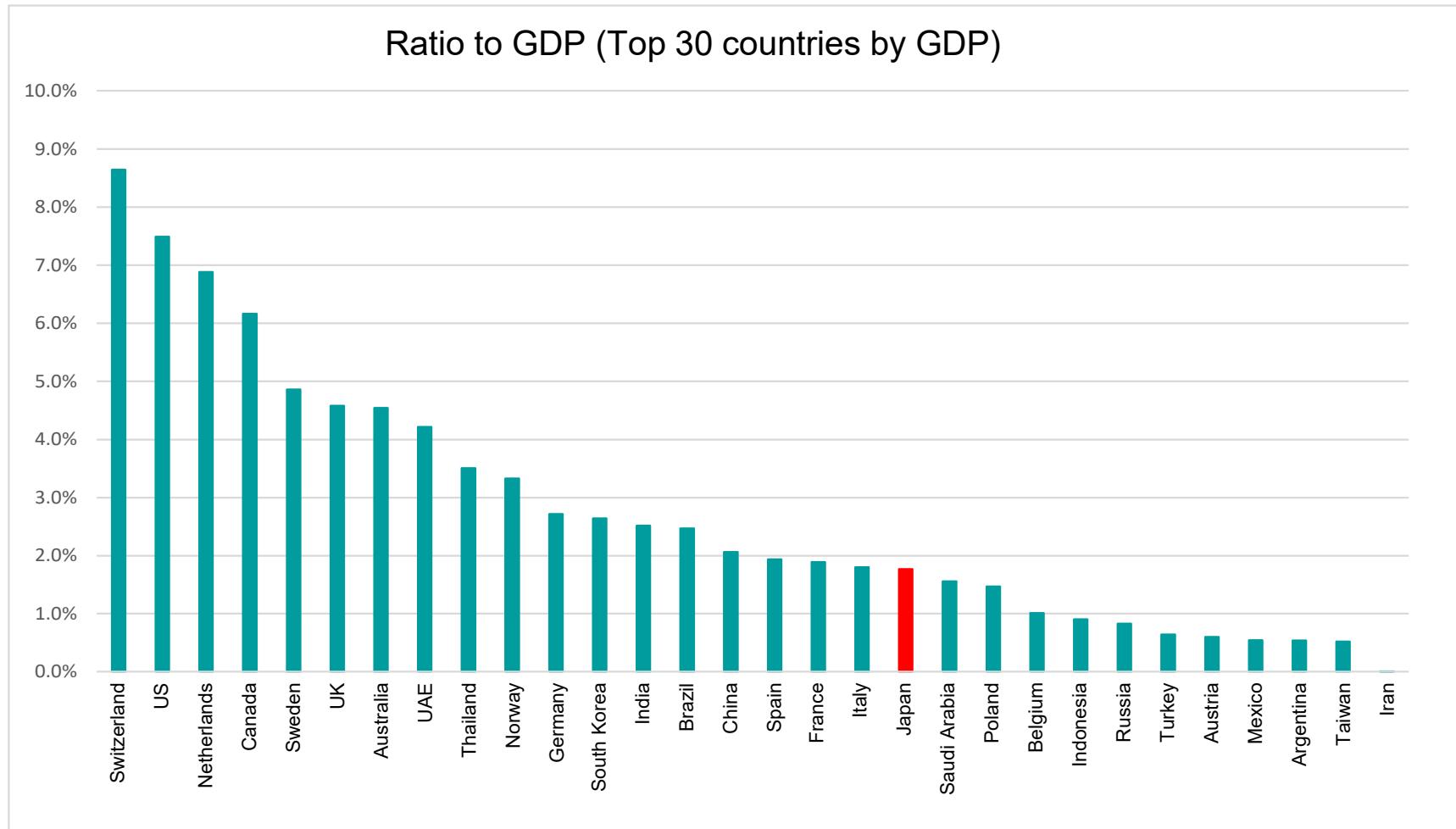


Note: Large companies are defined as those capitalized at ¥1.0 billion or more; SMEs are capitalized at less than ¥0.1 billion.

Source: 2020 White Paper on Small and Medium Enterprises in Japan (Data from the "Financial Statements Statistics of Corporations by Industry, Annually," Ministry of Finance)

Market Trends: M&A around the World

Compared with other countries with high levels of GDP, Japan ranks low in terms of M&A, suggesting development potential.



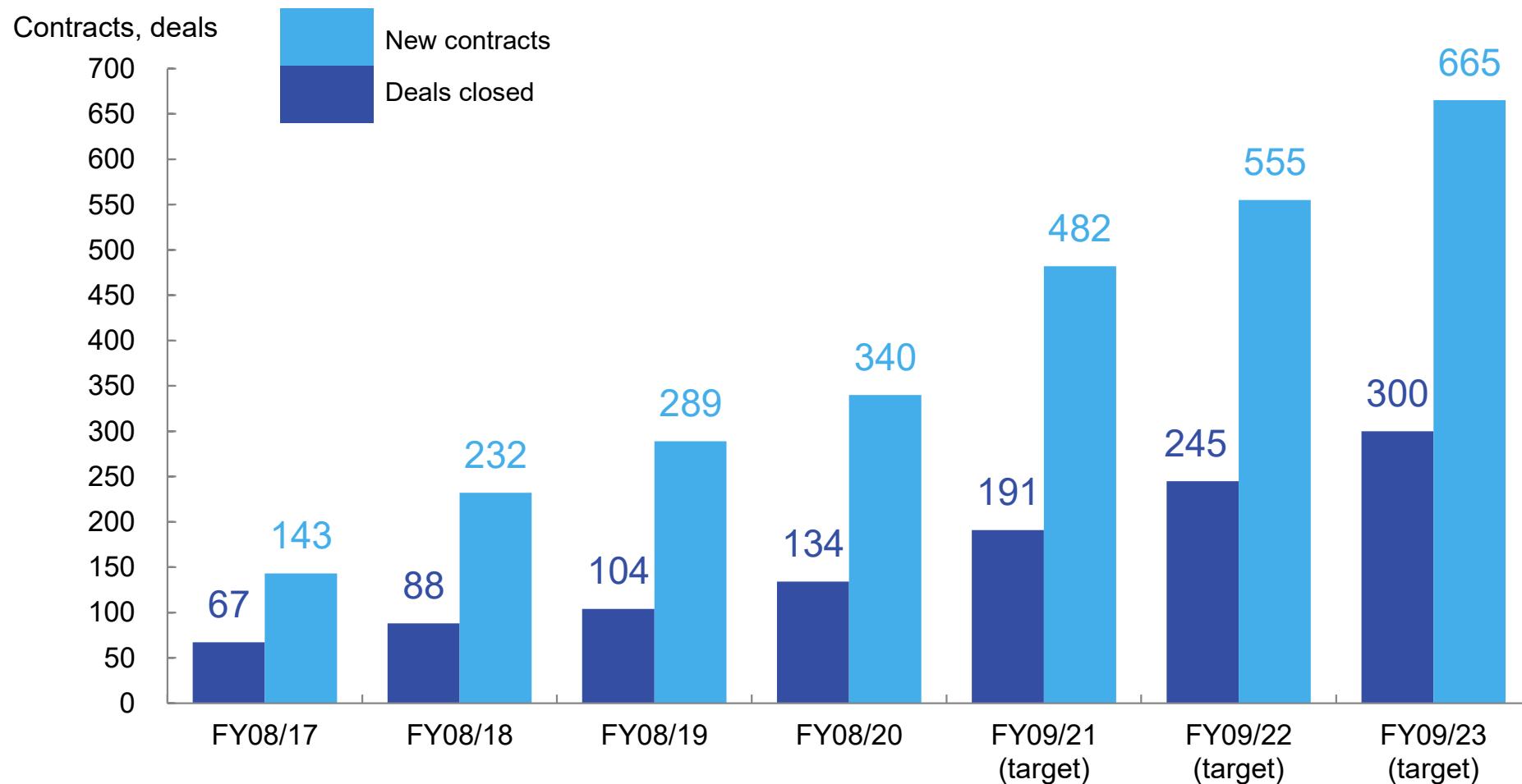
Sources: M&A amounts are from a study by Refinitive (2019). GDP figures are from an IMF survey (2018).

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 300 deals closed per year in three years. We also target further growth by raising the productivity and efficiency of consultants.



Aiming for Further Growth by Increasing Per-Consultant Efficiency (Number of Deals Closed)

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. Reinforce teams that search for potential buyers, step up internal information-sharing to enhance searches for potential buyers

2. Strengthen new contract sources

1. Promote personnel exchanges to enhance relationship with business partners
2. Step up sales of pre-marketing services
3. Increase direct sales primarily through the Marketing Department

3. Boost the 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 the 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

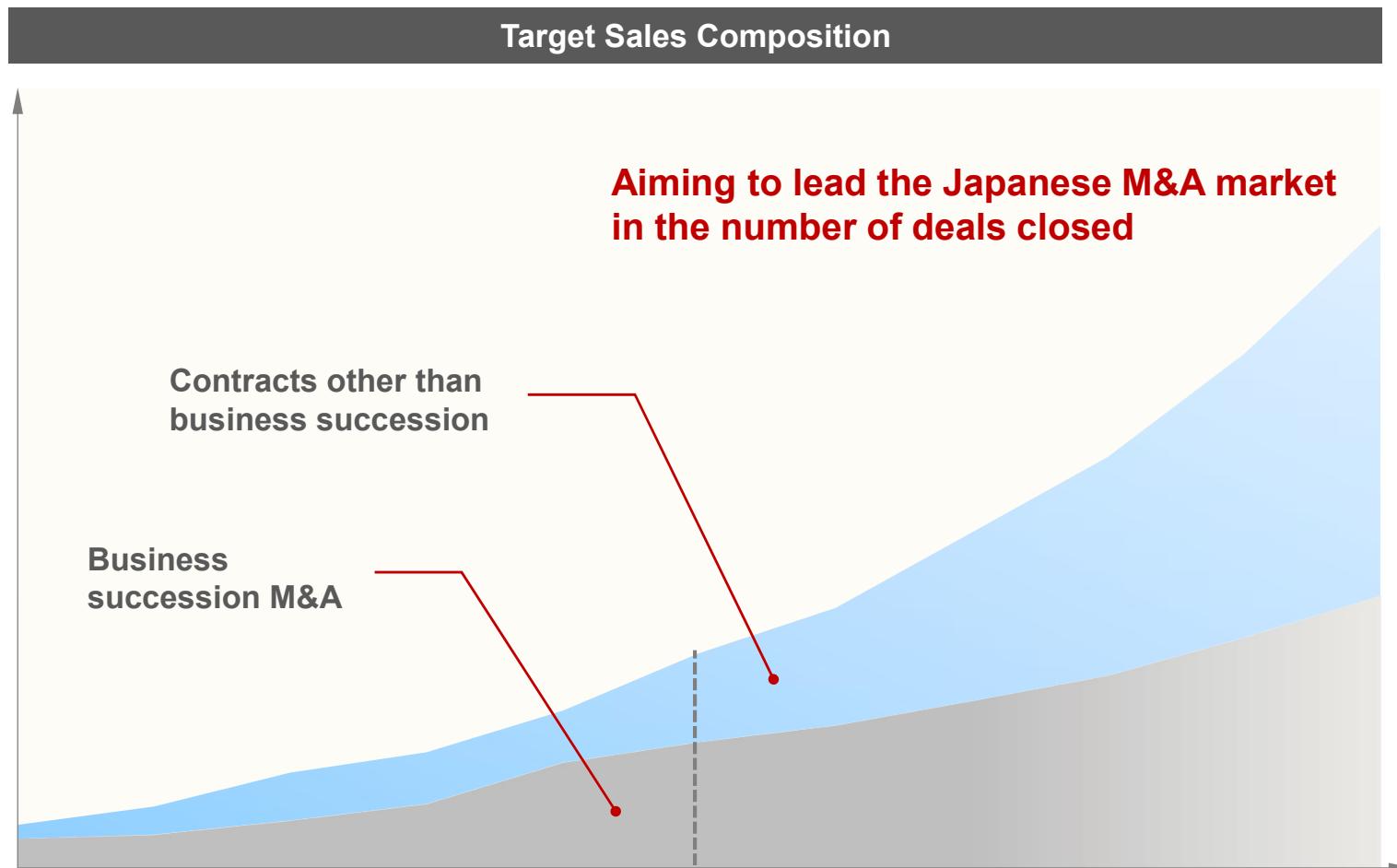
Optimize client discovery and brokerage services



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 achieve net sales CAGR of over 20% over the medium term. As in FY08/19, in FY08/20 we closed nine M&A deals involving startups (limited to companies that have concluded an M&A brokerage agreement within five years of their establishment).



- Medium- to long-term focus on becoming the leader in the Japanese M&A market in the 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



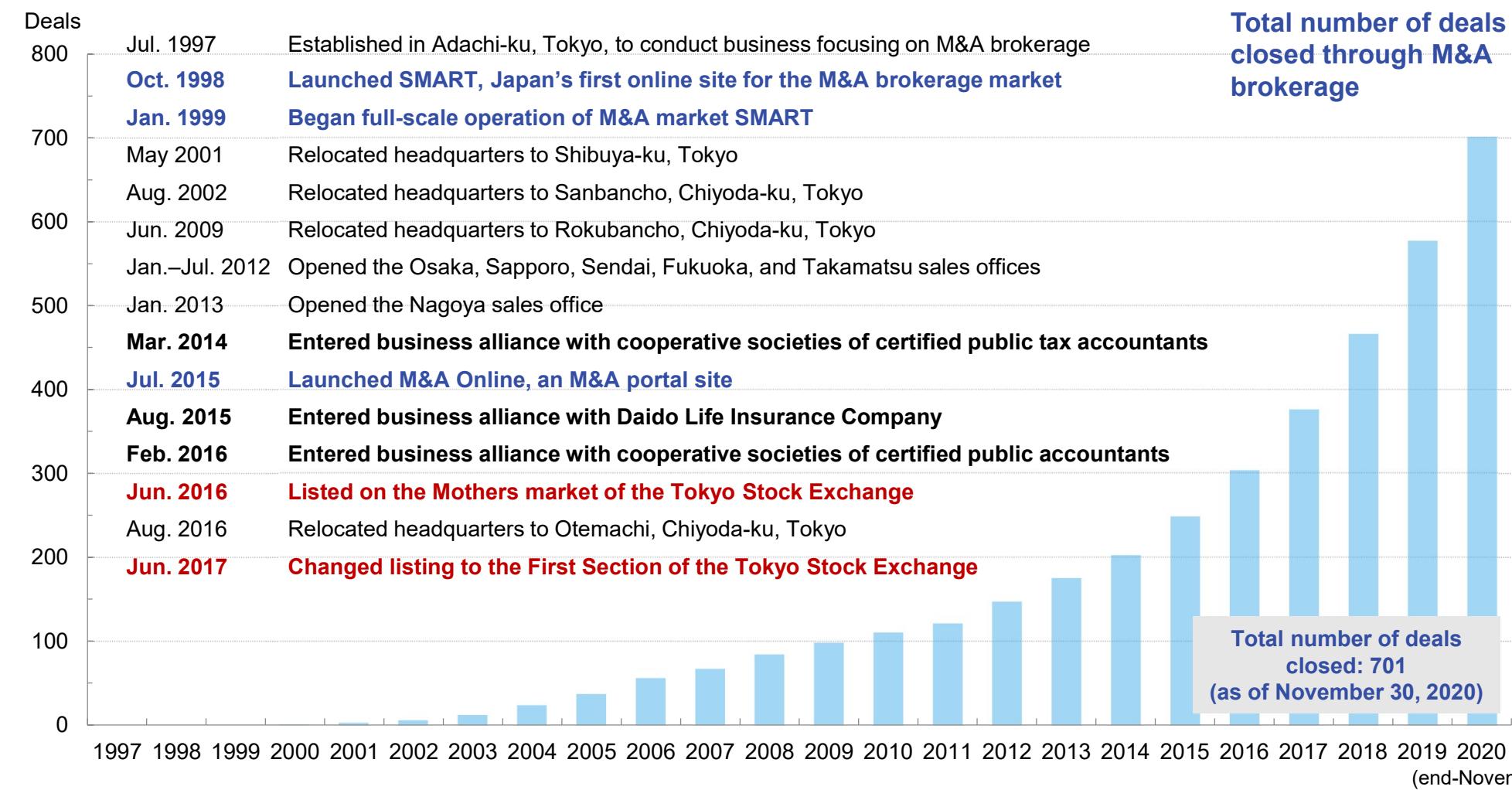
Company Overview

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 are developing our business by focusing on one of the serious issues facing Japan, the succession of small and medium-sized enterprises, through our efforts in M&A.

Company name	Strike Co., Ltd.
Established	July 1997
Share capital	¥823 million (as of November 30, 2020)
Representative	Kunihiko Arai, President and CEO
Headquarters	18th floor of Otemachi Financial City Grand Cube 1-9-2 Otemachi, Chiyoda-ku, Tokyo, Japan
Number of employees	144 (excluding temporary staff, as of November 30, 2020)
Net sales, operating profit	Net sales ¥6,916 million, operating profit ¥2,981 million (operating profit margin 43.1%) in FY08/20
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

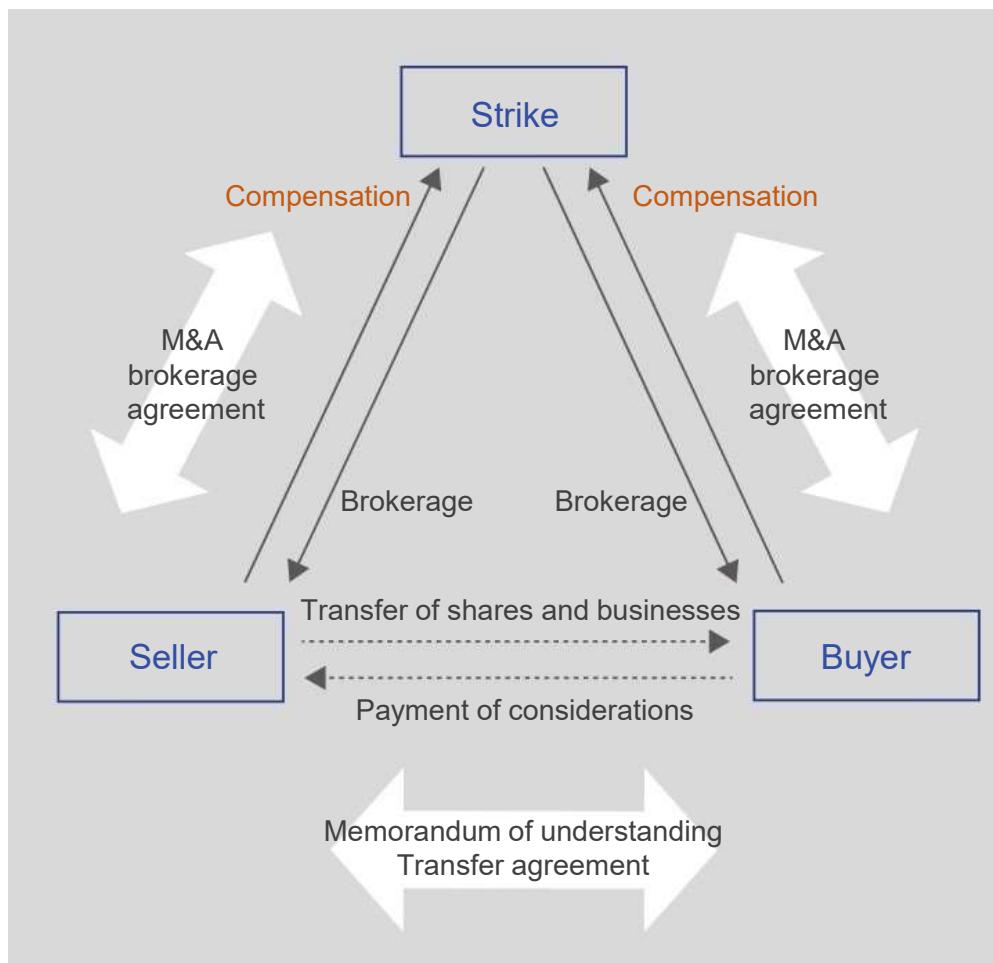
Seller

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

Buyer

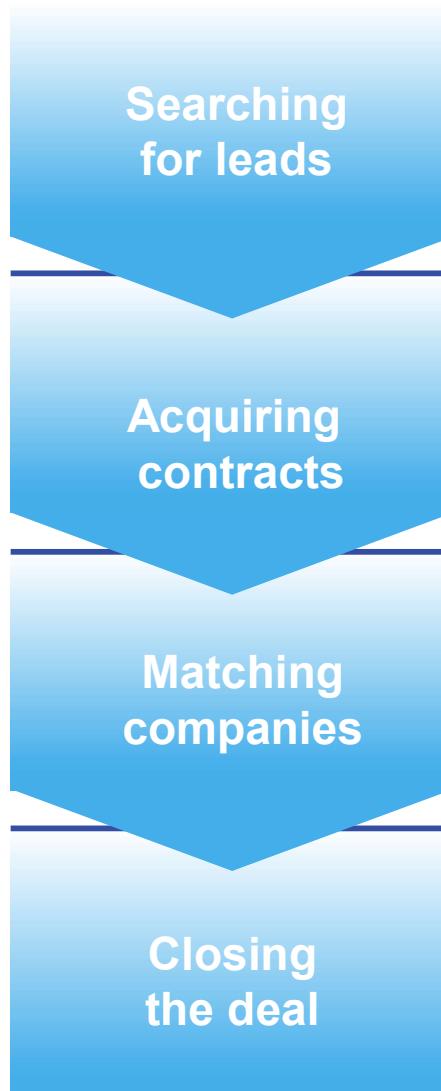
Market value of total assets at transfer	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1.0bn	4%
Portion from ¥1.0bn to ¥5.0bn	3%
Portion from ¥5.0bn to ¥10.0bn	2%
Portion above ¥10.0bn	1%

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 internet, newspapers, and magazines
- Contact potential sellers through direct sales and direct mail
- Cultivate 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

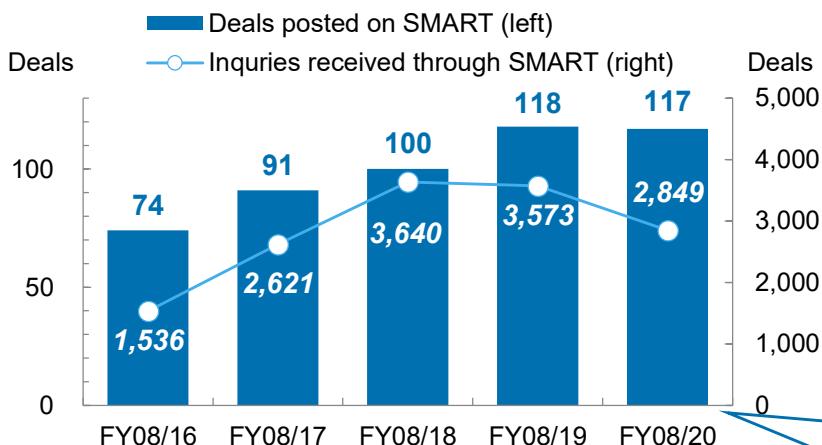
Using the Internet to Search for Matches

■ Methods used to search for potential buyers

- (1) Our consultants utilize Strike's internal database of acquisition needs (which contains data on M&A needs for over 10,000 companies collected through daily sales activities) to make direct proposals to potential buyers.
- (2) We receive inquiries from potential buyers interested in deals posted anonymously on **M&A Market SMART** (<https://www.strike.co.jp/smart/>).
- (3) We receive introductions to customers looking to make an acquisition from partner financial institutions.

⇒ Our mission is to introduce many buyer candidates to potential sellers through methods (1)–(3), allowing them to find the party that matches their needs. To this end, we make effective use of the internet.

Inquiries Received through SMART



■ Advantages to using M&A Market SMART

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

In FY08/20, an increase in teleworking prompted a decrease in the number of deals posted on SMART, and email distribution was limited. As a result, deals posted and inquiries received were both down year on year.

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, 2020). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.