

# Financial Results and Future Measures

**First Six Months of the Fiscal Year Ending September 30, 2021  
(1H FY09/21)**



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

**March 30, 2021**

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## Operating performance in 1H FY09/21 ... P. 3

Net sales rose 11.1% YoY to ¥3,899 million as we steadily closed deals on large M&A projects. Meanwhile, ordinary profit declined 4.3% YoY to ¥1,484 million due primarily to workforce expansion.

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

We project net sales of ¥8,368 million and ordinary profit of ¥3,083 million.  
\*FY09/21 is a 13-month accounting period due to a change in fiscal year-end.

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We expect expansion in the M&A market, mainly in the category of business succession.

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In addition to expanding M&A associated with business succession, we aim to fulfill rising needs associated with other types of M&A. Over the long term, we strive to become the M&A broker with the highest number of deals closed.

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

# Operating Performance in 1H FY09/21

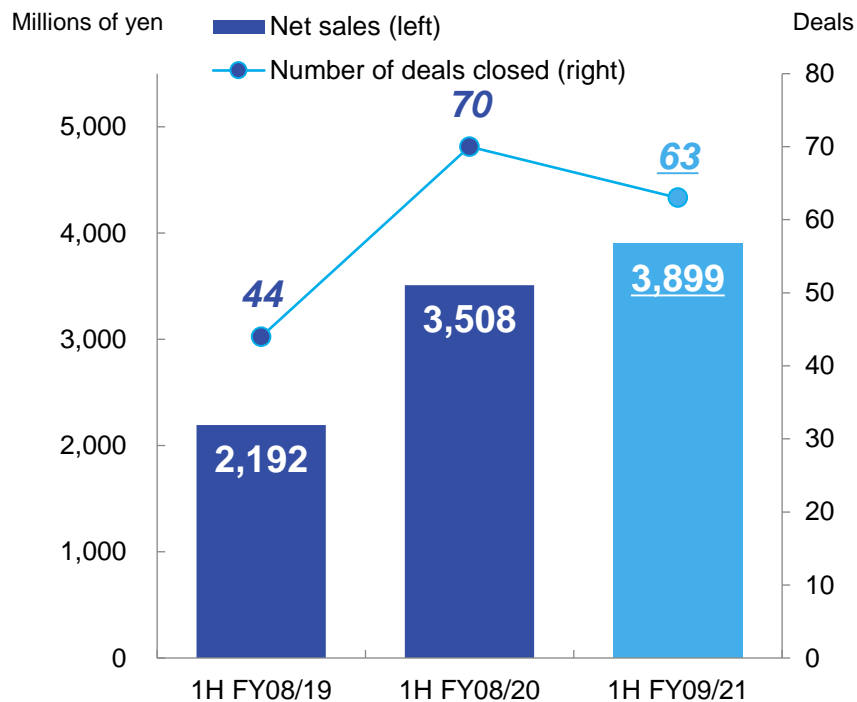
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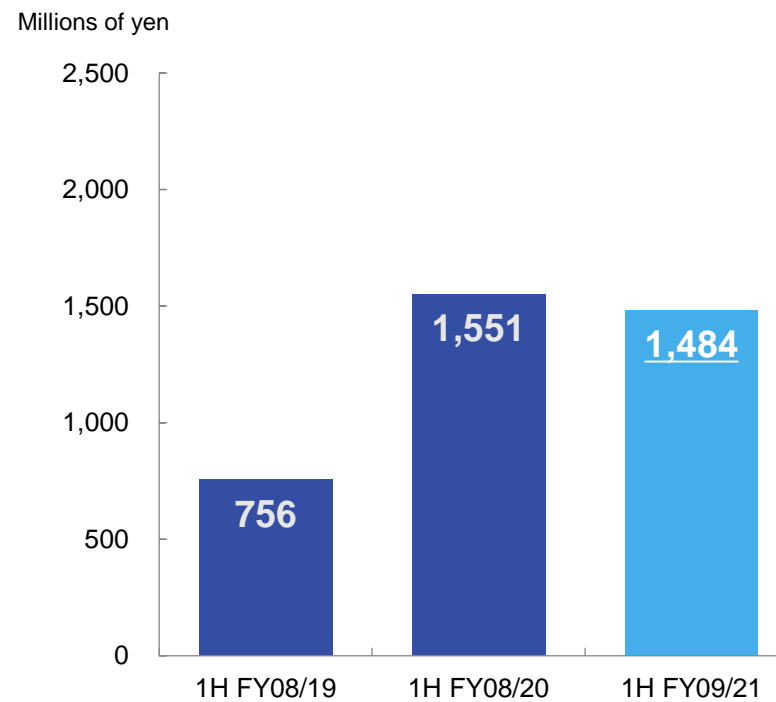
# 1H FY09/21 Operating Performance

In 1H FY09/21, deals closed fell to 63 (minus seven YoY). Meanwhile, net sales rose to ¥3,899 million (+11.1% YoY), primarily due to the steady closing of deals associated with large M&A projects, and **reached a record high for 1H**. Ordinary profit dropped to ¥1,484 million (-4.3% YoY) due to increases in personnel expenses and operating expenses.

### Net Sales and Number of Deals Closed



### Ordinary Profit



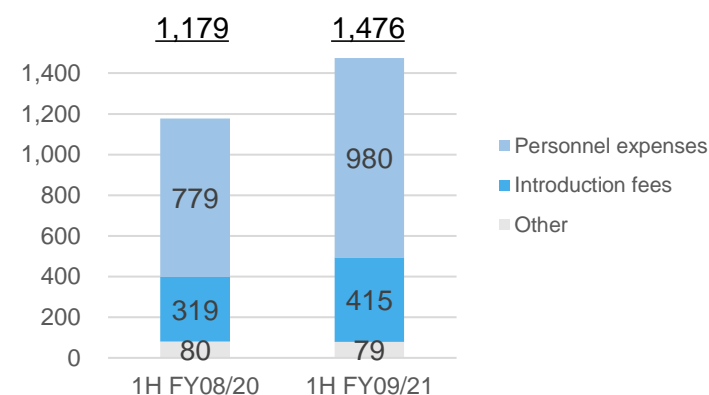
## Year-on-Year Comparison

Cost of sales rose 25.1% YoY to ¥1,476 million, and the cost-to-sales ratio increased, as personnel expenses and introduction fees grew. SG&A expenses expanded 21.2% YoY to ¥942 million due primarily to an uptick in operating expenses—increases of ¥17 million in advertising expenses and ¥20 million in expenses associated with the purchase of marketing data (included under “Other”)—and a ¥37 million upturn in recruiting expenses (included under “Other”).

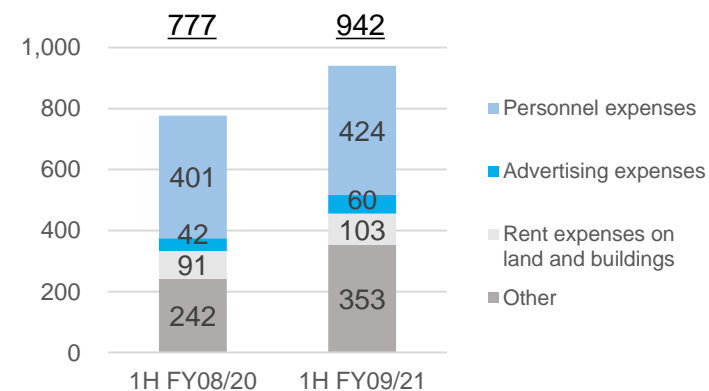
Millions of yen

	1H FY08/20		1H FY09/21		YoY
		% of net sales		% of net sales	
Net sales	3,508	100.0%	3,899	100.0%	+11.1%
Cost of sales	1,179	33.6%	1,476	37.9%	+25.1%
Gross profit	2,328	66.4%	2,423	62.1%	+4.1%
SG&A expenses	777	22.2%	942	24.2%	+21.2%
Operating profit	1,551	44.2%	1,481	38.0%	-4.5%
Non-operating income	0	0.0%	3	0.1%	+1438.6%
Ordinary profit	1,551	44.2%	1,484	38.1%	-4.3%
Extraordinary income	225	6.4%	—	—	—
Extraordinary losses	27	0.8%	—	—	—
Profit before income taxes	1,748	49.8%	1,484	38.1%	-22.1%
Income taxes	567	16.2%	484	12.4%	-14.6%
Profit	1,181	33.7%	999	25.6%	-15.4%

Breakdown of cost of sales



Breakdown of SG&A expenses



## Quarterly Financial Performance

Despite sluggish growth in the number of deals closed caused primarily by the COVID-19 pandemic, we closed on a larger number of large-scale M&A deals and achieved **record-high net sales for the three months ended February 28, 2021**. In terms of new contract acquisition, we are taking care to ensure that we obtain contracts for projects on which we can close deals but still steadily attained contracts for projects expected to be large in scale.

	FY08/19					FY08/20					FY09/21		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Total
Number of deals closed	22	22	24	36	104	24	46	27	37	134	25	38	63
Number of contracts closed	41	42	44	68	195	48	89	52	73	262	47	73	120
Number of new contracts	57	49	97	86	289	117	80	57	86	340	88	88	176
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	2,701	3,899

### Number of deals closed:

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

### Number of 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.

### New contracts:

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

# 1H FY09/21 Performance Highlights

In 1H FY09/21, we did not achieve growth in deal closures on small and medium-sized M&A projects, and net sales and deal closures fell short of our initial projections. However, deal closures on large M&A projects increased, and net sales rose YoY. Overall, costs were mostly in accordance with our expectations as sales activities and recruiting generally proceeded according to plan.

## 1H FY09/21 Financial Results

- **Net sales** of ¥3,899 million (+11.1% YoY)
- **Ordinary profit** of ¥1,484 million (-4.3% YoY)
- **Profit** of ¥999 million (-15.4% YoY); recorded a ¥225 million gain on sale of investment securities in 1H FY08/20

## KPIs for Net Sales

- In 1H, the **number of deals closed** was **63** (-7 deals YoY), and the **number of large deals closed** was **10** (+2 deals YoY).
- In 1H, the **number of new contracts** was **176** (-21 contracts YoY).

## Business Conditions in 1H FY09/21

- Sales activities were more or less typical despite a state of emergency declared in response to COVID-19.
- The number of deals closed (primarily those associated with small and medium-sized M&A projects) fell temporarily due to factors resulting from **deteriorating business performance caused by COVID-19**, including an **increase in the number of projects that required lengthy term negotiations**. In addition **we encountered more sale cancellations than we had initially expected, primarily in cases of contracts that we acquired prior to the start of pandemic**, which also contributed to the temporary decline.
- We saw **steady progress** in terms of large M&A projects (those associated with per-deal sales of ¥100 million or more) and closed **ten deals** on these projects.
- The number of acquired contracts did not grow, but **acquisition of contracts expected to develop into large-scale projects was steady**.
- We achieved a net increase of 16 M&A consultants and have also secured new future staff members who are scheduled to join the Company starting in Q3.

# Forecast for FY09/21

(FY09/21 is a 13-month period due to a change in fiscal year-end.)



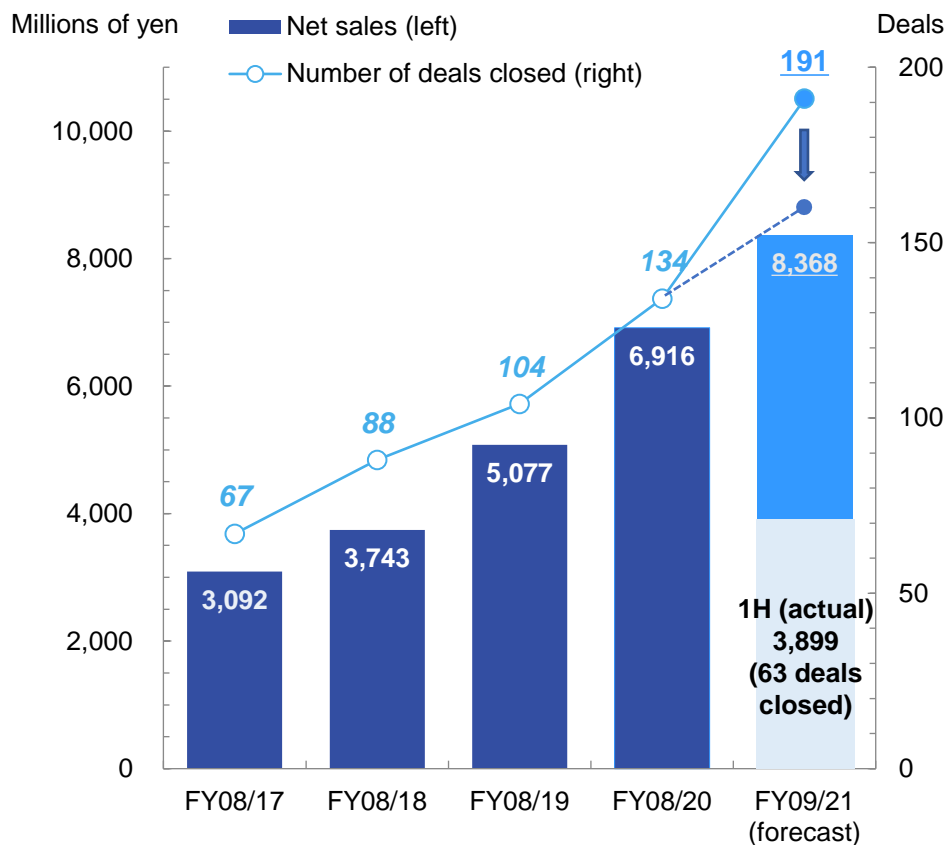


# FY09/21 Forecast

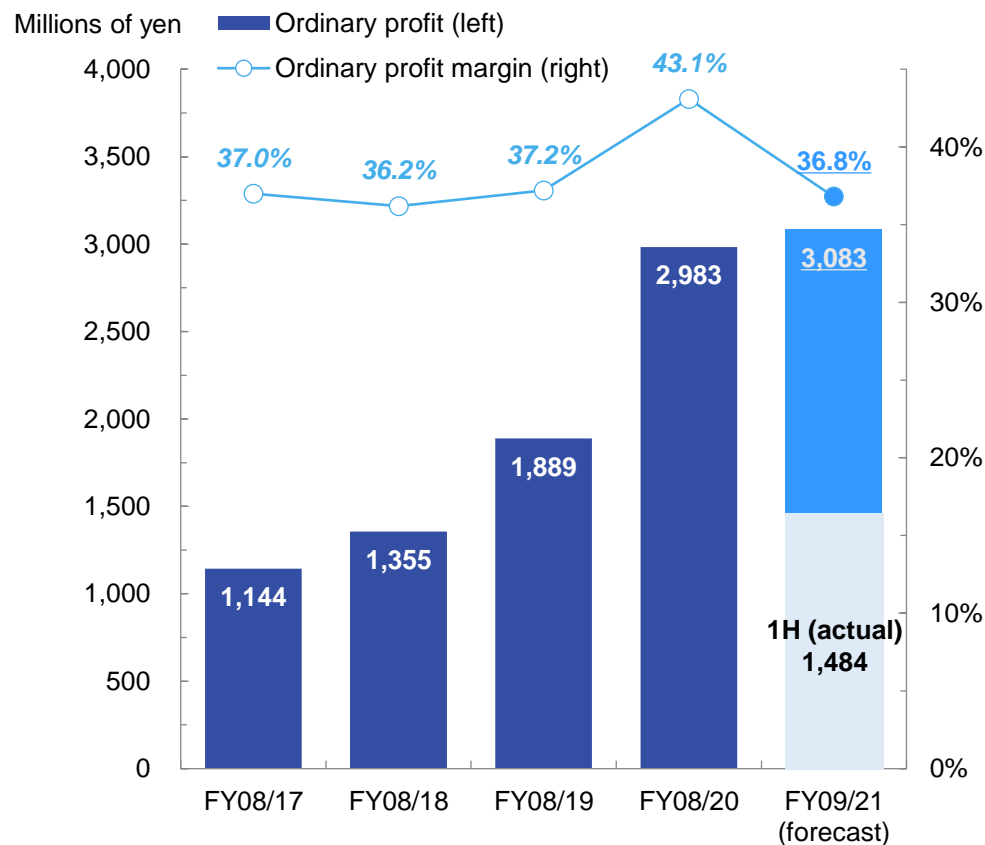
(Note: FY09/21 is a 13-month period due to a change in fiscal year-end.)

For the 13-month accounting period of FY09/21, we had previously forecast 191 deal closings and net sales of ¥8,368 million. Based on circumstances surrounding deal closings on small and medium-sized M&A projects during 1H, we expect that the number of deals closed will fall short of our full-year projections. However, many large-scale projects are proceeding steadily, and we anticipate that net sales and profit will meet their full-year targets.

### Net Sales and Number of Deals Closed



### Ordinary Profit and Ordinary Profit Margin



## FY09/21 Forecast

For full-year FY09/21, we forecast net sales of ¥8,368 million and ordinary profit of ¥3,083 million. June 2021 will mark the fifth anniversary of our public listing; accordingly, we will resolutely conduct proactive investment activities in pursuit of further growth in the future.

### 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) and **forecast dividend** of **¥27.00** (¥24.00 in FY08/20)

### Non-Monetary Targets

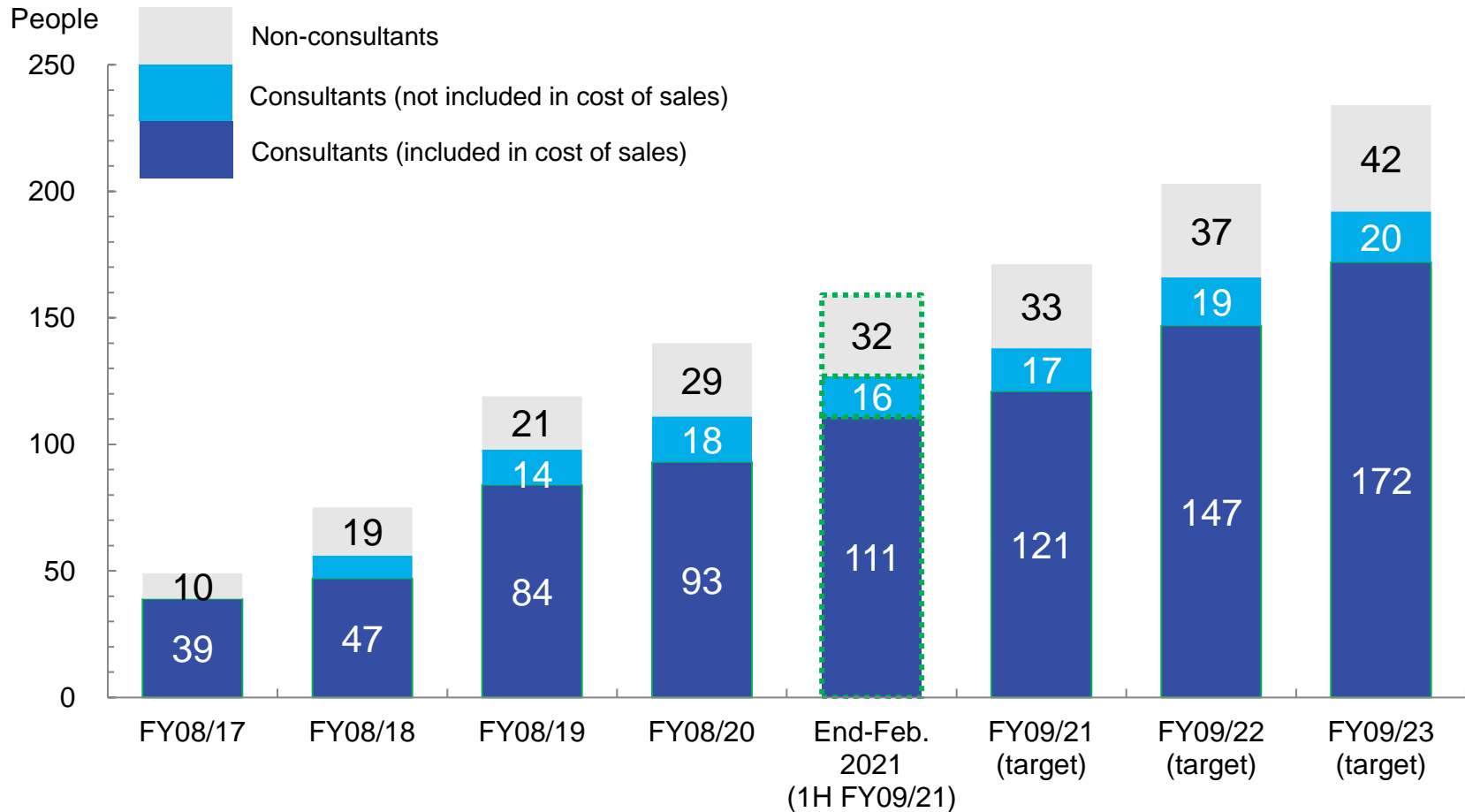
- We aim to **close 191 deals (+57 deals YoY)** but expect that the final number will fall short of this goal. In addition, we acknowledge the possibility that **new contract acquisitions** may finish underneath our target of **482 (+142 contracts YoY)**.
- We forecast a total of **138 M&A consultants** at end-FY09/21 (**+27 consultants** versus end-FY08/20), but the pace of recruitment is on pace to exceed this target.

### Supplemental Information on Earnings Forecasts, Latest Outlook

- **FY09/21 is a 13-month accounting period due to a change in fiscal year-end.**
- Our initial forecast assumed that performance would be mostly unaffected by the COVID-19 pandemic. However, we encountered increases in the number of delayed small and medium-sized M&A projects and in project cancellations and now **expect that total number of deals closed will fall short of our targets.** Meanwhile, negotiations concerning many large-scale projects are proceeding steadily, and we **project that deal closures on large-scale projects will rise in number.** (We initially expected to close 12 of these deals but now project a greater number of these closures).
- We plan to relocate our headquarters in **May 2021** and accordingly expect to experience an increase in rent and to incur temporary relocation expenses.
- We added **13 new M&A consultants in March** and **nine more are expected to join in April.** We plan to continue our proactive recruitment efforts moving forward.

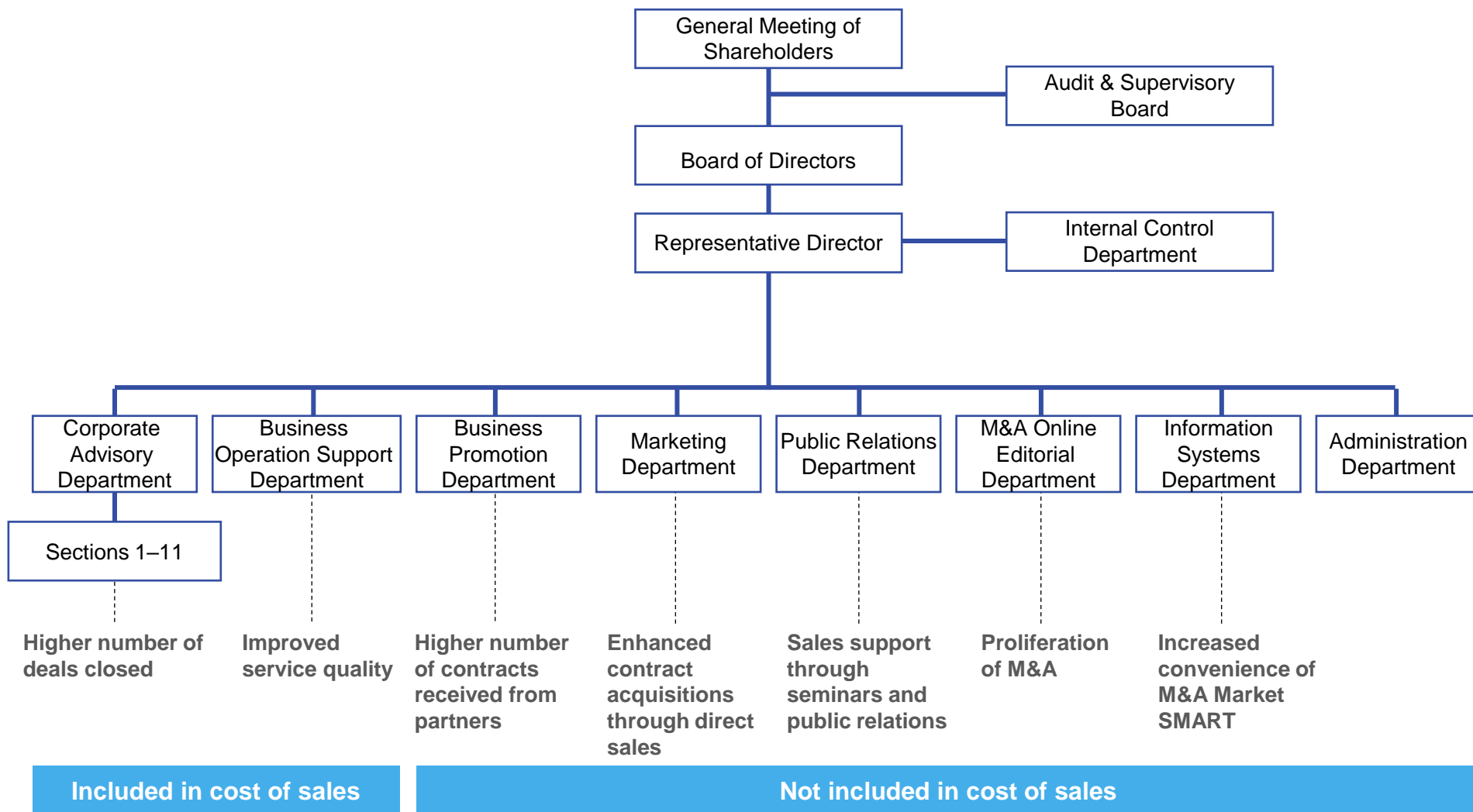
## Growing Number of Consultants: Present Conditions vs. Plan

As of end-February 2021, we had increased our headcount of consultants to 127 and non-consultants to 32. In March, more than 20 new consultants had either joined or were scheduled to join the Company in the future. We will hire more new employees than forecast if we discover enough talented human resources, but fewer if we do not.



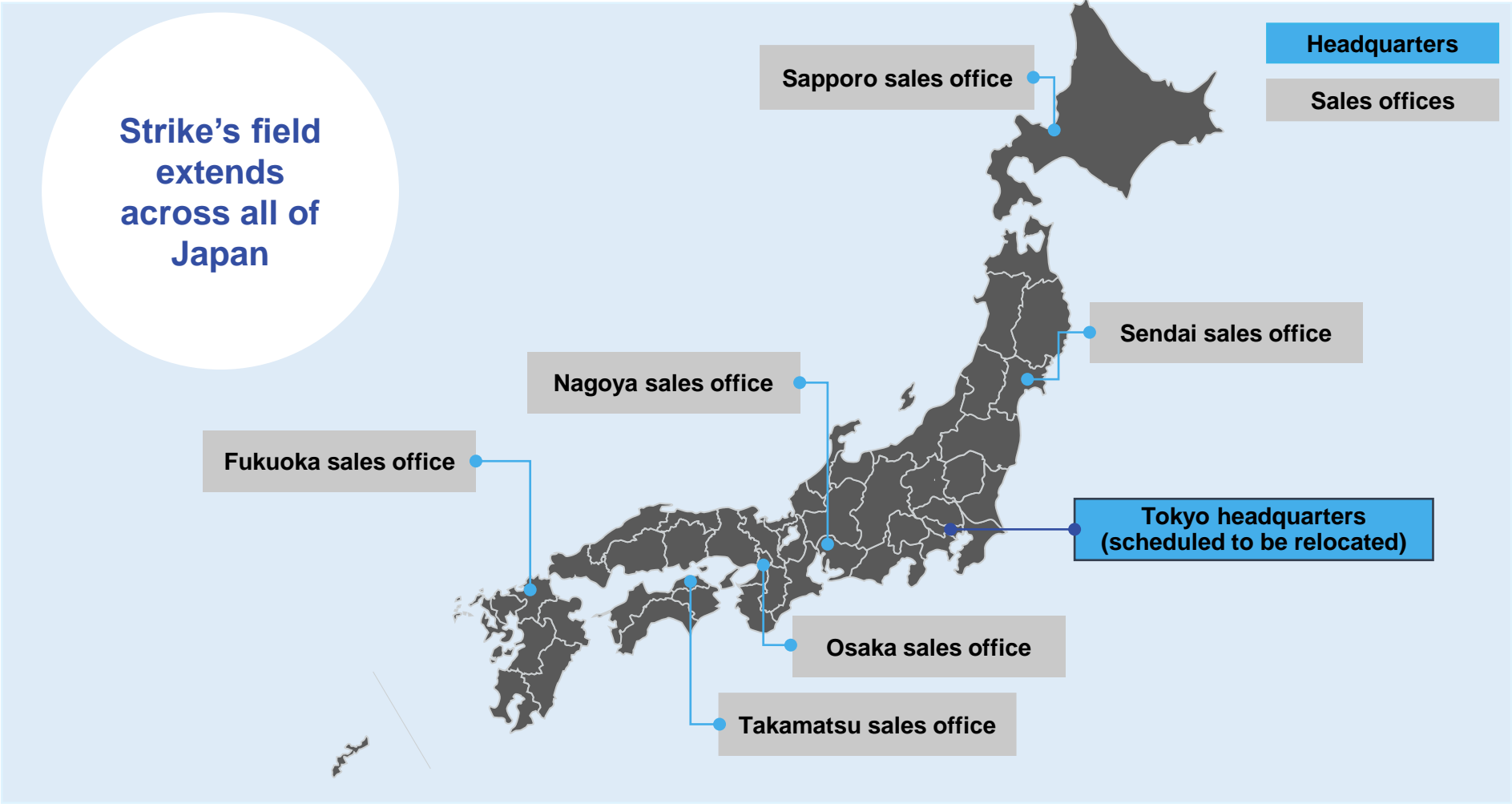
# Organization (as of March 1, 2021)

Our organizational structure is unchanged.



# Establishing a Nationwide Sales Network

We plan to relocate our headquarters in May 2021. 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.



## Online Seminars Held and Planned for FY09/21 (excluding small-scale seminars)

Date	Type	Title	Applicants
Sep. 2020	Online-only seminar	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-only seminar	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	224
Jan. 2021	Primarily online seminar	Management seminar on succeeding in the post-COVID era: Strategic M&A, not merely a means of business succession	217
Jan.–Feb. 2021	Online-only seminar	What you need to know about taxes and succession methods before implementing your business succession	131
Feb. 2021	Online-only seminar	Strategies for surviving in the COVID era: Maintaining and growing your business using M&A	73
Feb.–Mar. 2021	Online-only seminar	The secret to making progress on corporate business succession and M&A even amid COVID-19	1,867
Mar. 2021	Online-only seminar	Procedures for conducting business succession through the use of investment funds: The reasons why a company with one billion yen in net sales used an investment fund for business succession	Under calculation
Mar. 2021	Online-only seminar	Construction industry seminar: Business succession and M&A in today's construction industry	Under calculation
Mar. 2021	Online-only seminar	The characteristics of companies in Shikoku that have achieved growth during COVID-19: The economic outlook for the Shikoku region and expertise concerning the use of M&A to endure and achieve growth	Under calculation
Apr. 2021 (planned)	Online-only seminar	What can be done to create synergy through M&A: How to achieve growth post-M&A	
Apr. 2021 (planned)	On-site and through online broadcast	New M&A strategies for management: The secret to successful M&A strategies that will prevail in this era of uncertainty	

Note: 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—thus far, we have concluded new pre-marketing service contracts with 44 companies in FY09/21.

## Standard M&A Brokerage Services



## Pre-Marketing Services





## 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

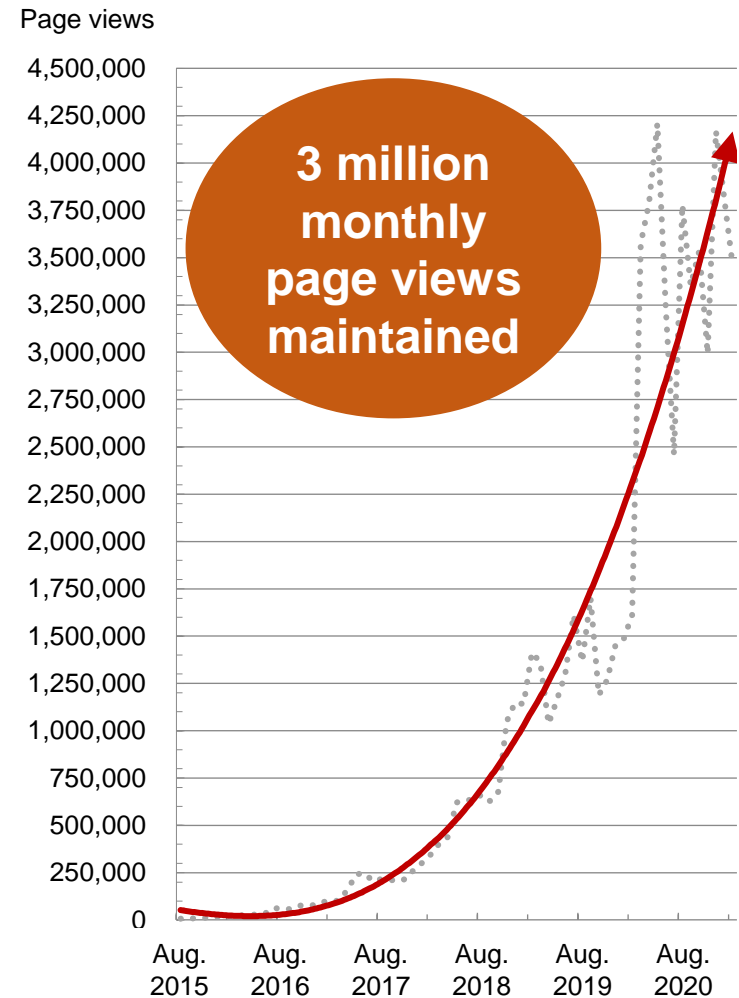


(<https://maonline.jp/>)

### 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

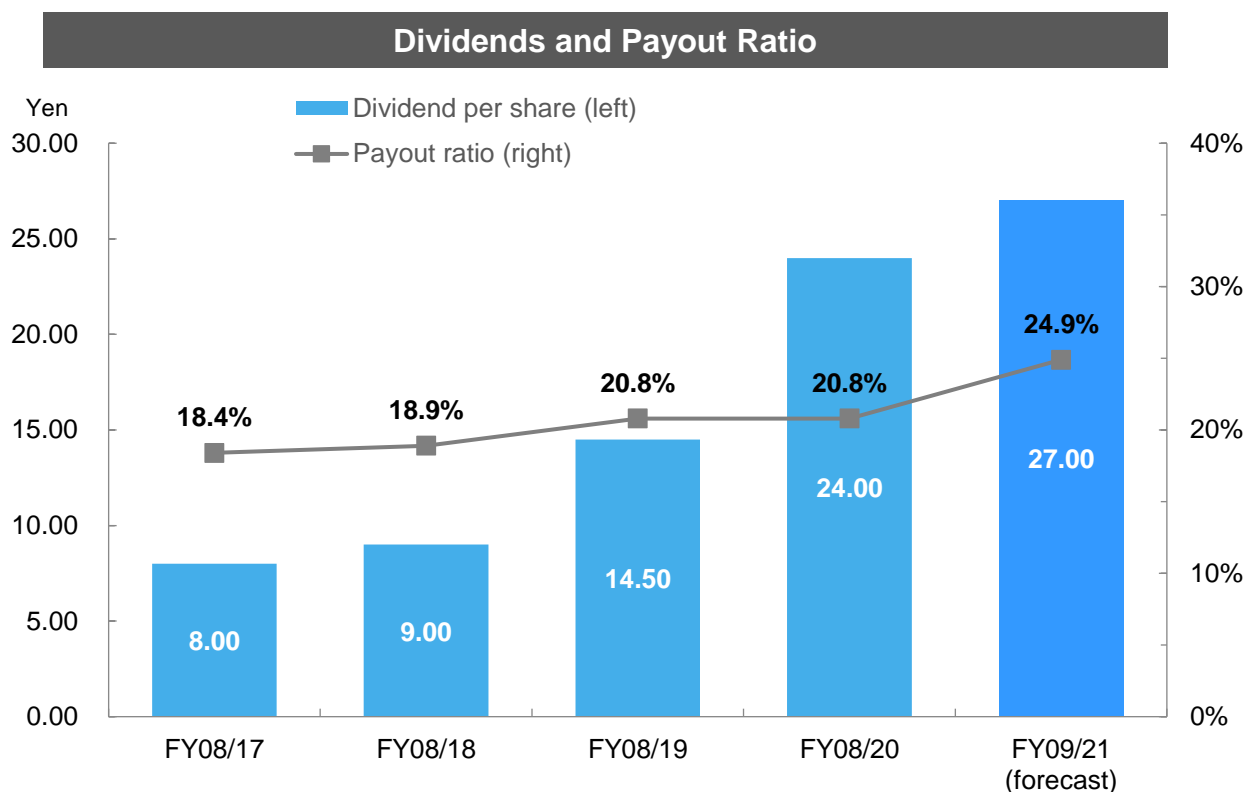
## Monthly Page Views for M&A Online



# 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

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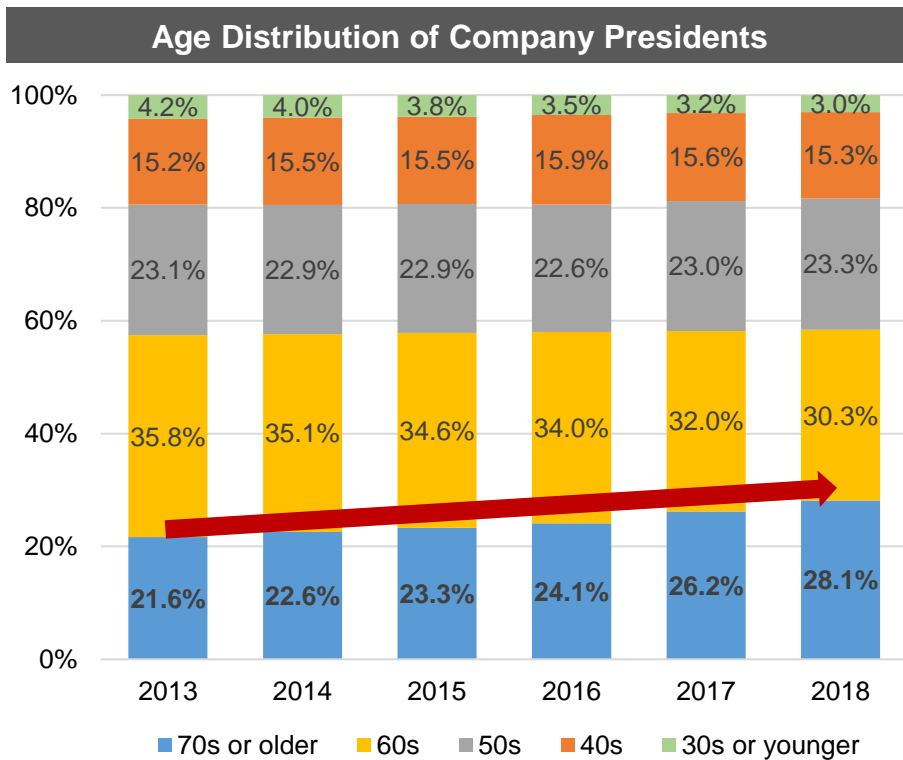


# Market Trends: Aging Company Presidents, a Lack of Business Successors

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

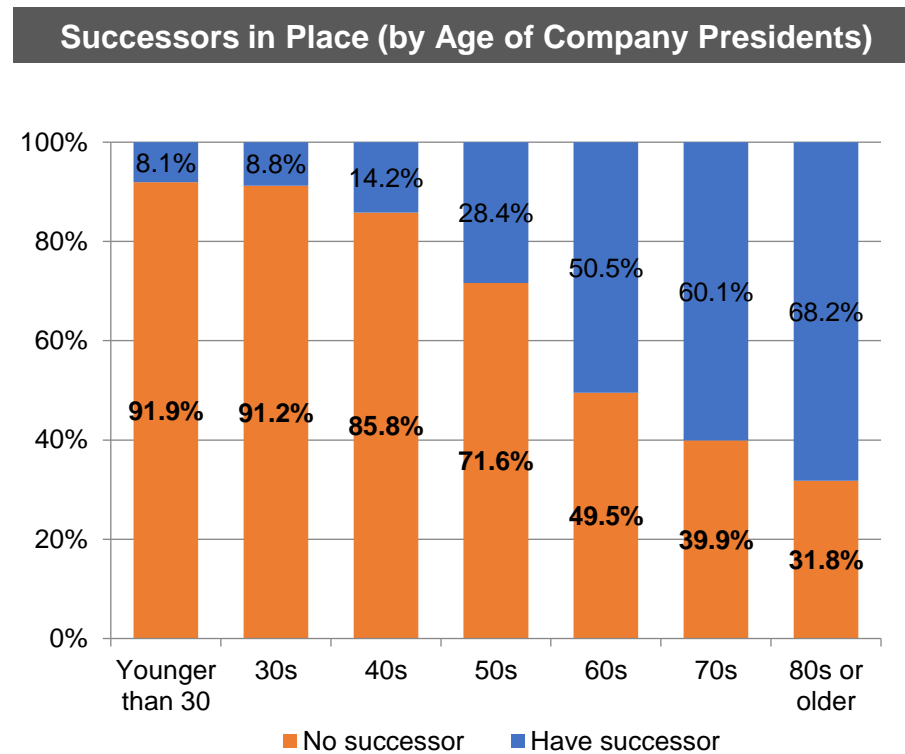
→ To address this problem of business succession, we expect the M&A market to continue growing.

## 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.)

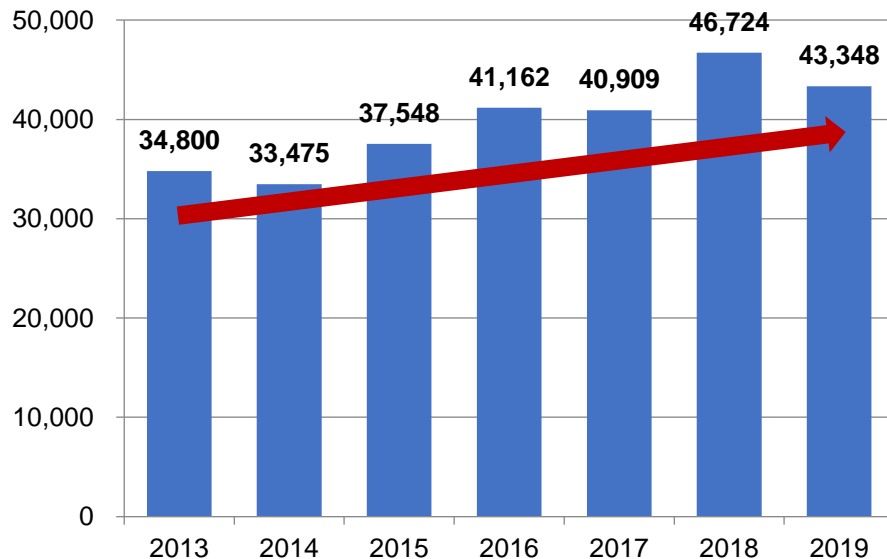
# Market Trends: Issue of Passing on Key Management Resources to the Next Generation

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

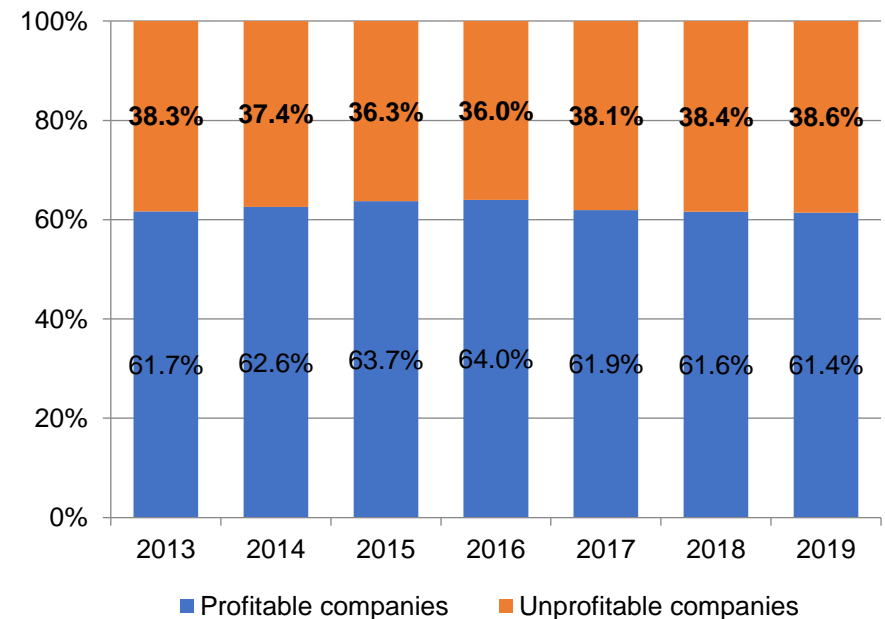
Number of Companies Discontinuing Operations



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.)

■ 60% of Those Companies Are Profitable

Number of Profitable/Unprofitable Companies Discontinuing Operations



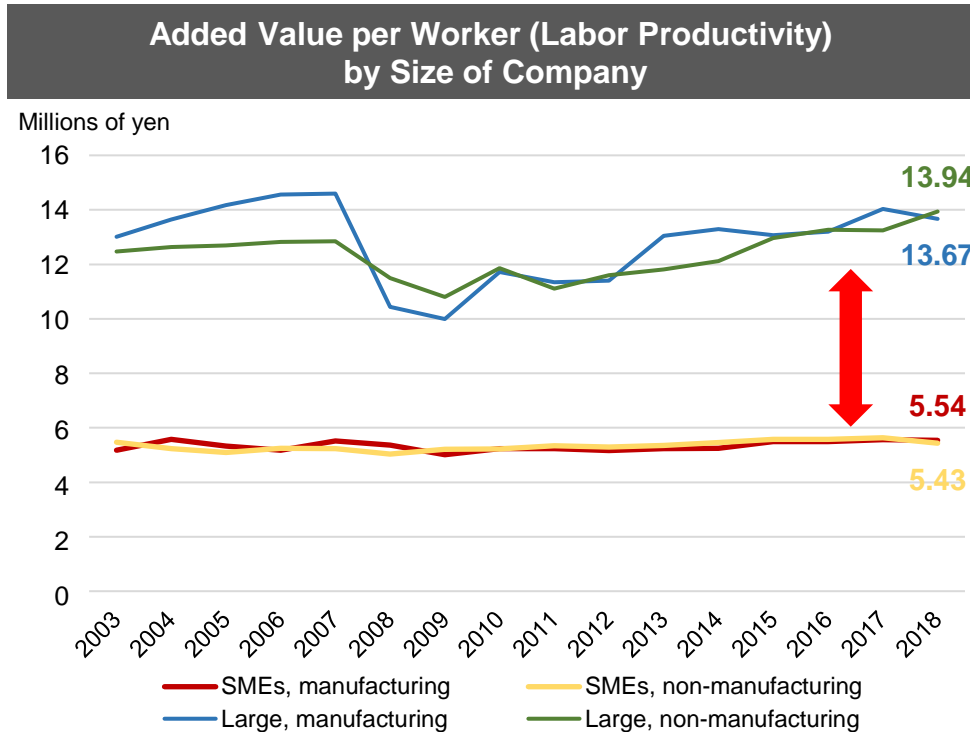
Source: 2020 White Paper on Small and Medium Enterprises in Japan  
(Data from "2019 Survey of Companies Suspending Operations and Dissolving," Tokyo Shoko Research, Ltd.)

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

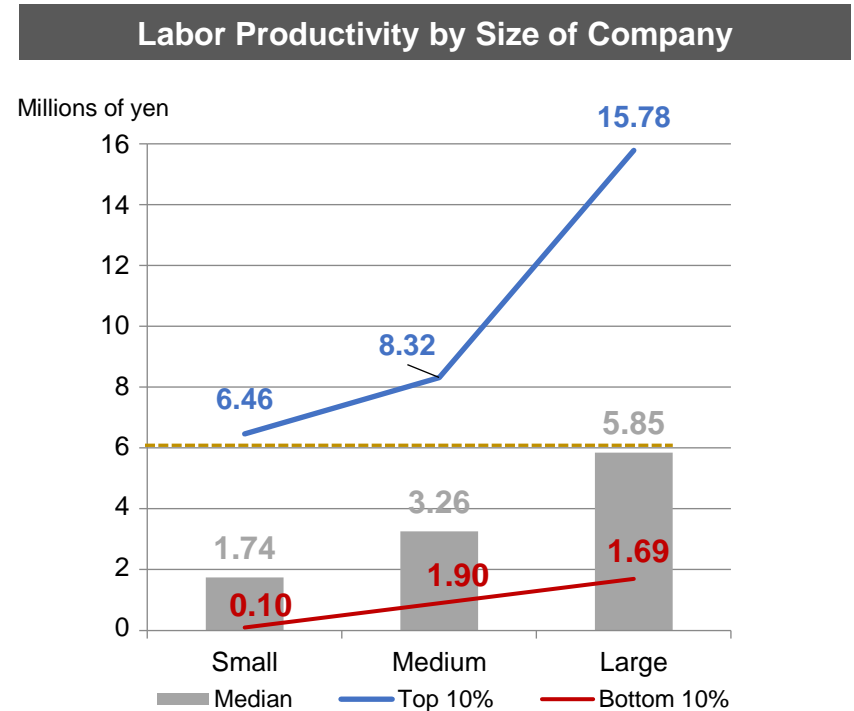
To simultaneously boost wages and ensure higher profits, Japan's SMEs need to raise productivity (increase added value).

→ 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



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

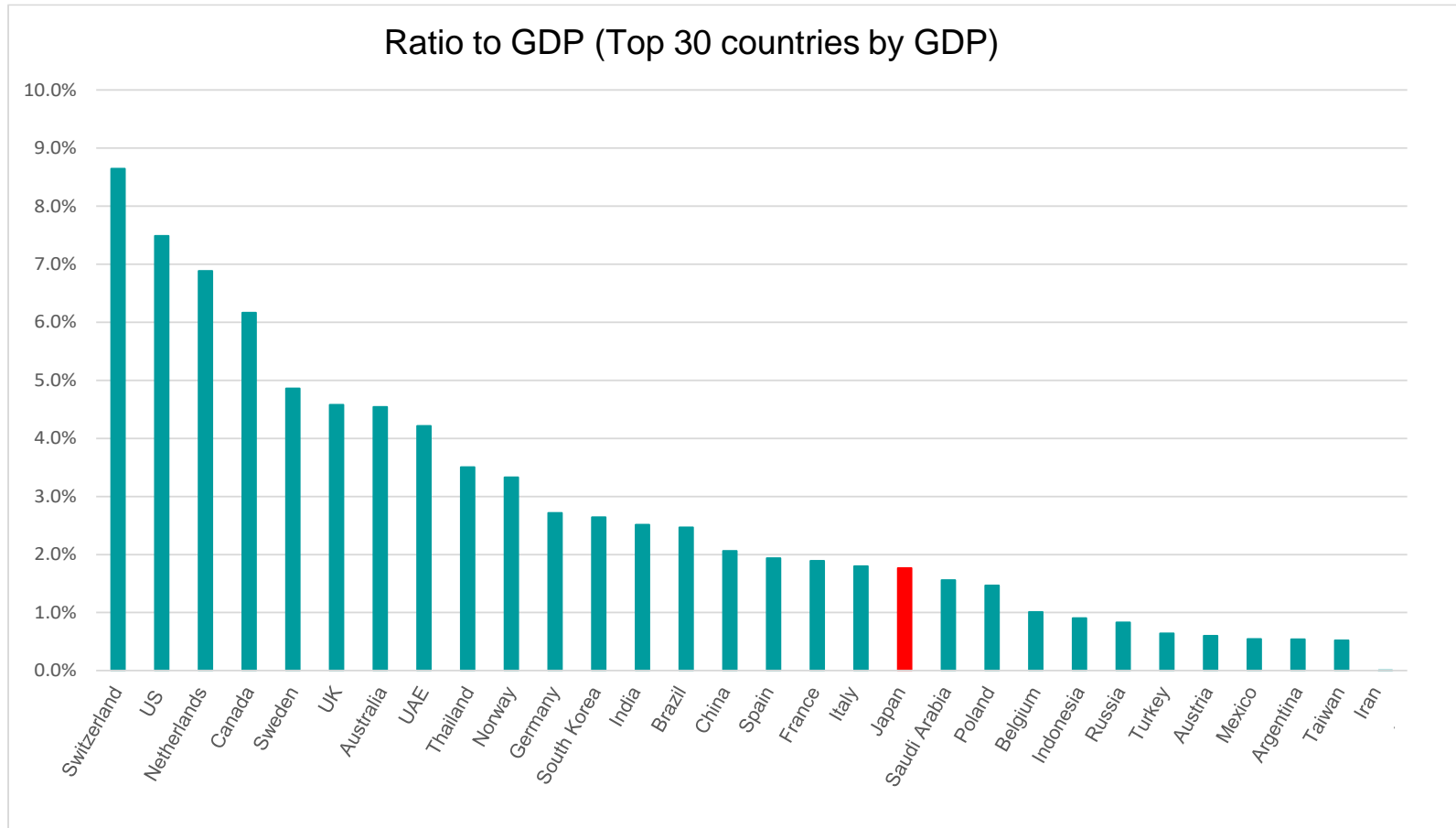
Source: 2020 White Paper on Small and Medium Enterprises in Japan (Data revised and processed from the "2016 Economic Census for Business Activity in Japan," Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry)

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

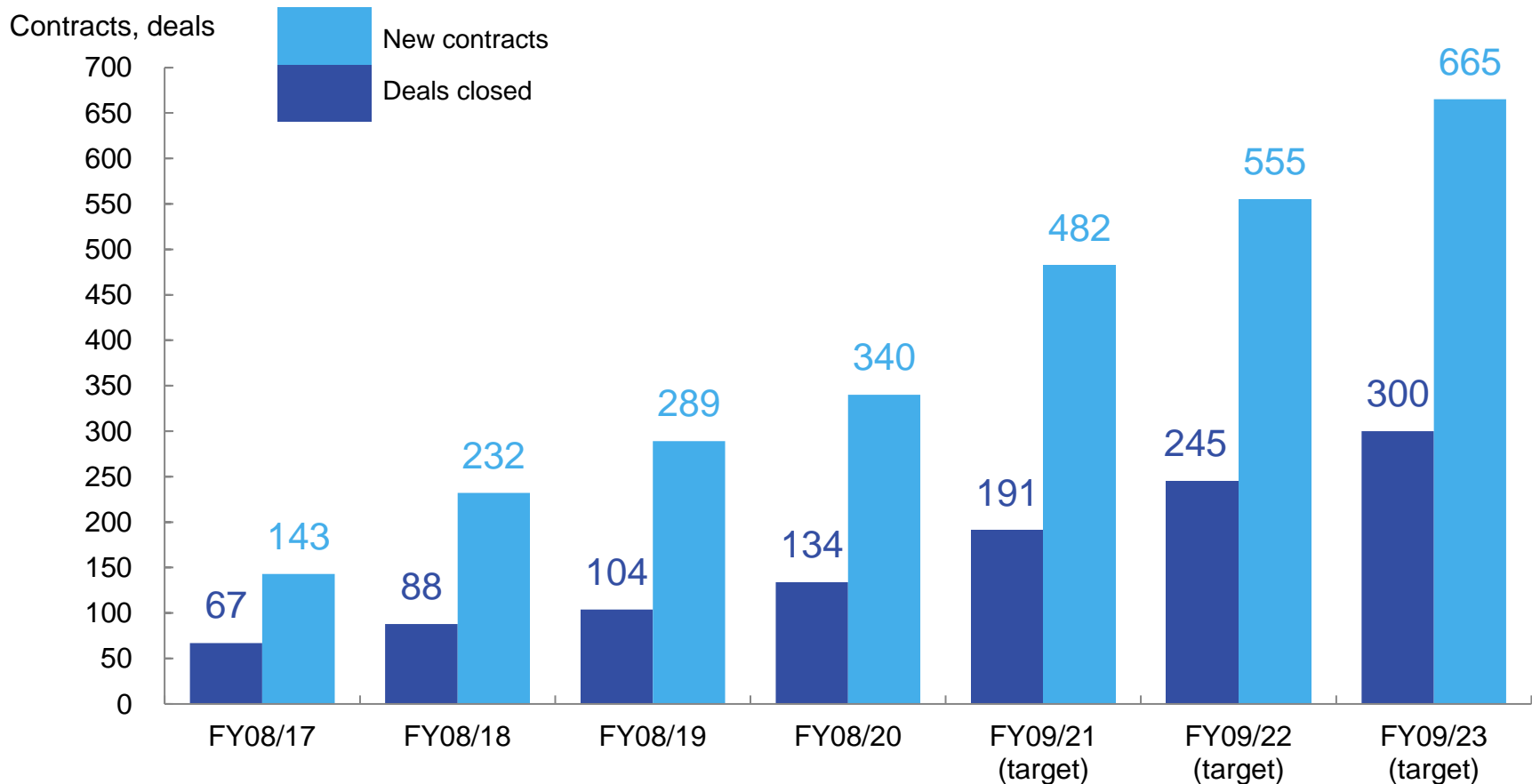
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# Results and Targets for New Contracts and Deals Closed

Based on our current personnel organization and plans for additional personnel increases, we aim to achieve 300 deal closings 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

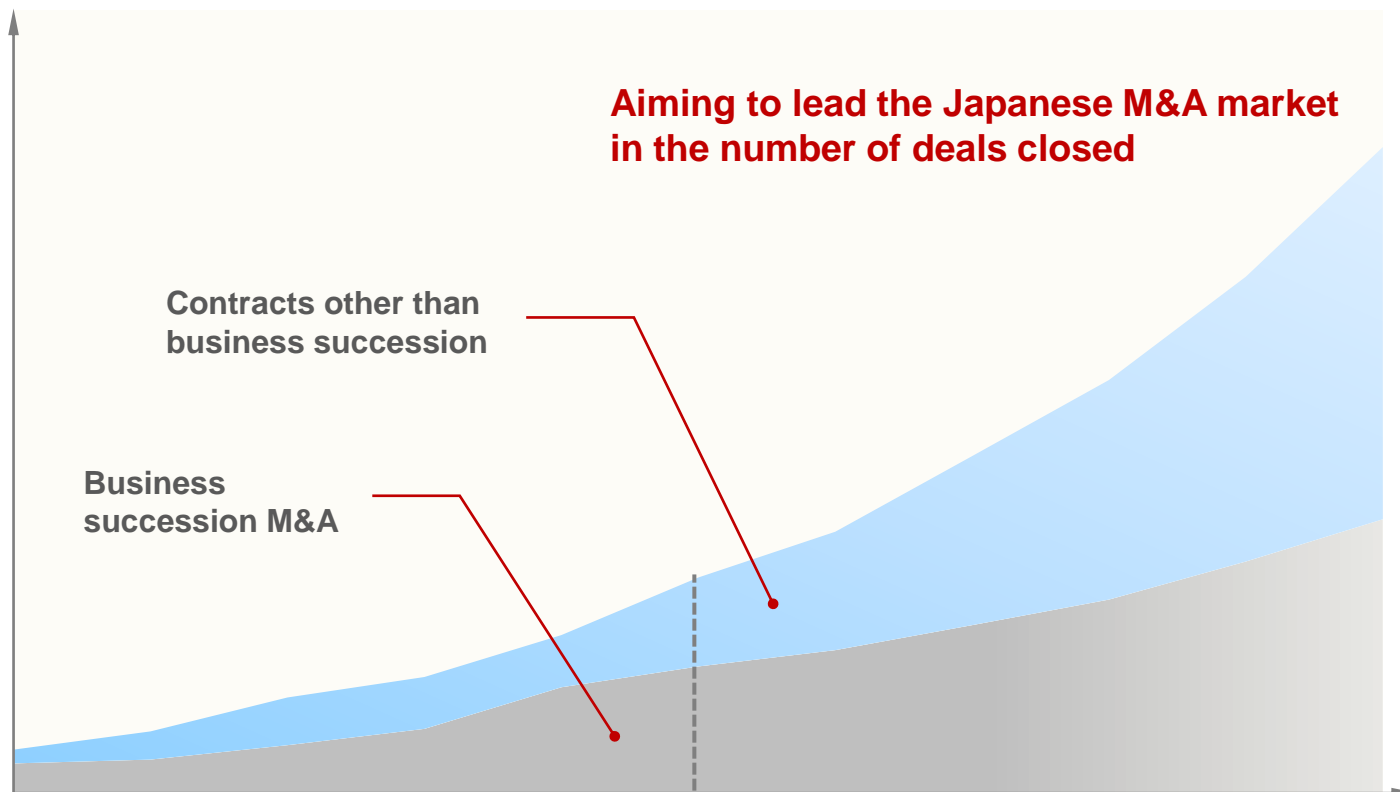
**Optimize client discovery and brokerage services**

**Acquire more contracts and aim for four deal closings 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).

## Target Sales Composition



- **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

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## 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 February 28, 2021)
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	159 (excluding temporary staff, as of February 28, 2021)
Net sales, operating profit	Net sales of ¥6,916 million and operating profit of ¥2,981 million (operating profit margin of 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

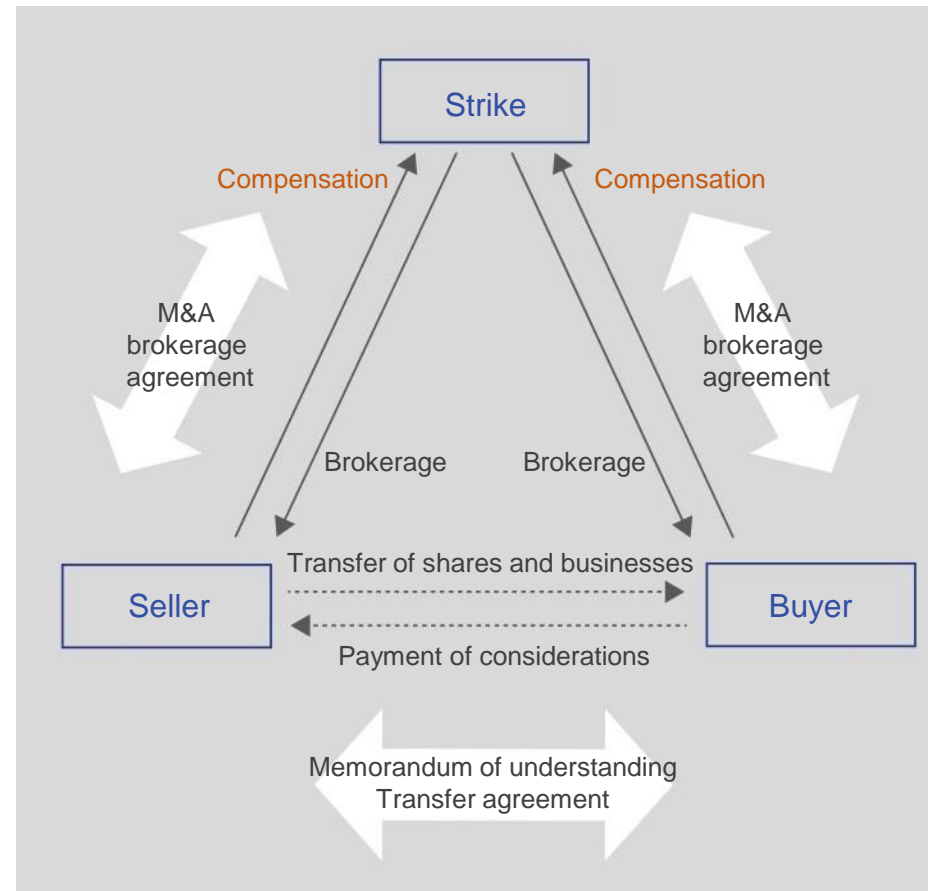
#### Seller

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

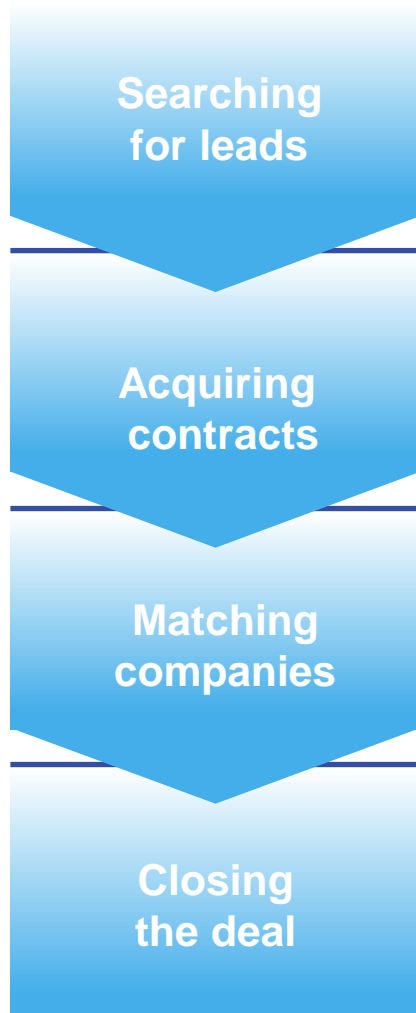
Market value of total assets at transfer	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1.0bn	4%
Portion from ¥1.0bn to ¥5.0bn	3%
Portion from ¥5.0bn to ¥10.0bn	2%
Portion above ¥10.0bn	1%

## 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



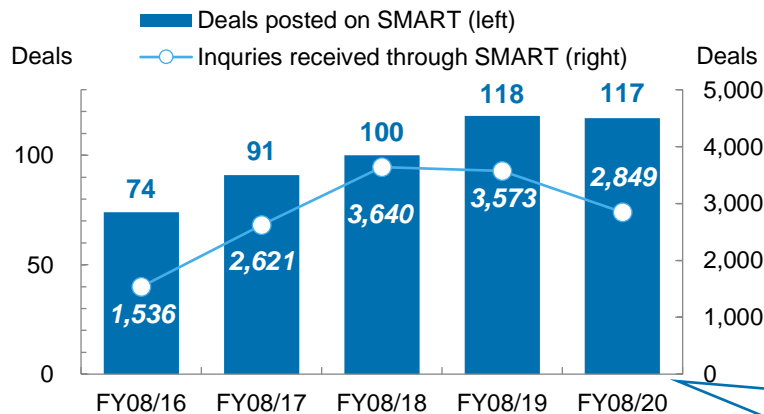
# Using the Internet to Search for Matches

## ■ 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

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- 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.
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