

January 28, 2022

Financial Results for the First Three Months of the Fiscal Year Ending September 30, 2022

Strike Co., Ltd.

First Section, Tokyo Stock Exchange: 6196



STRIKE

FINANCIAL RESULTS AND FUTURE MEASURES

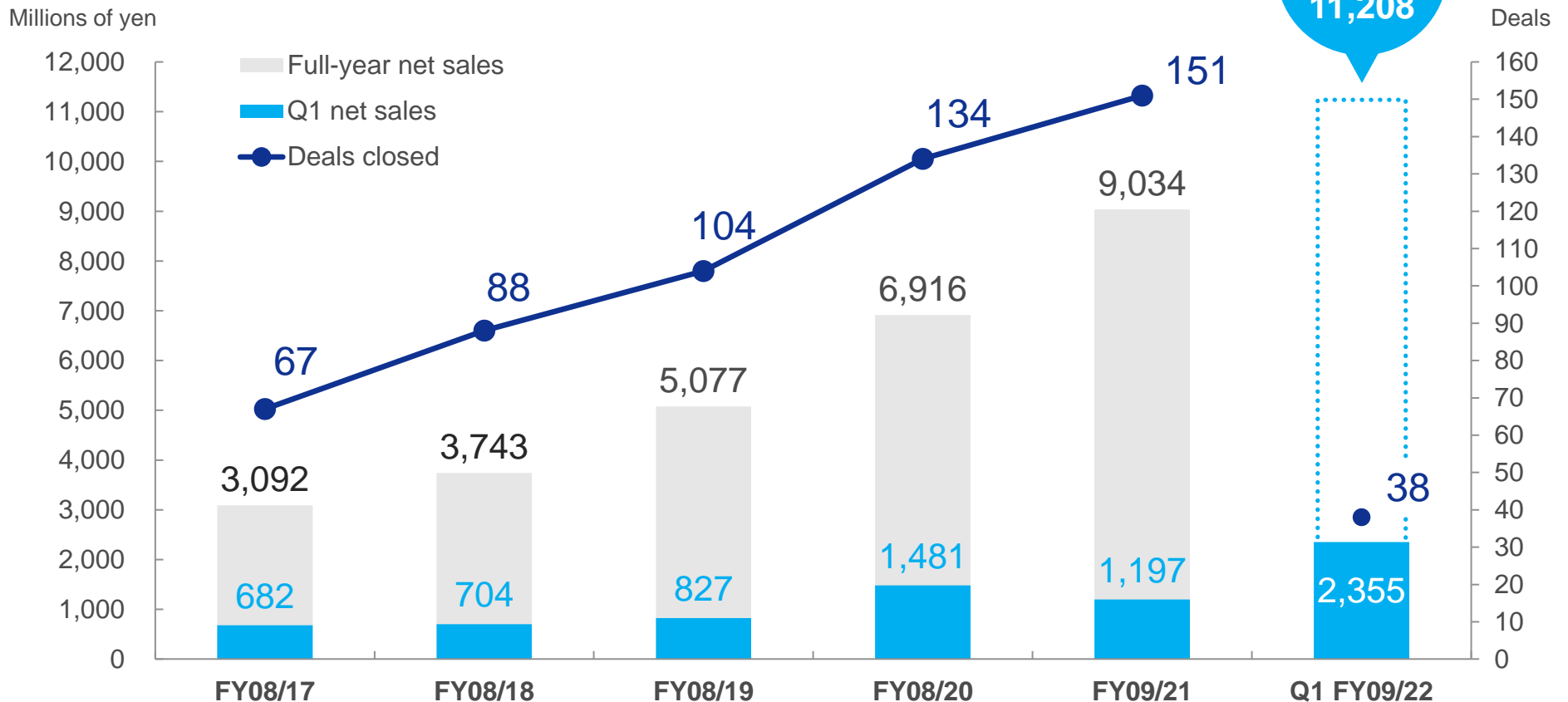
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Operating Performance in Q1 FY09/22



In Q1, operating performance hit **record highs** for the period. Q1 net sales reached 21.0% of the full-year target.

Net Sales

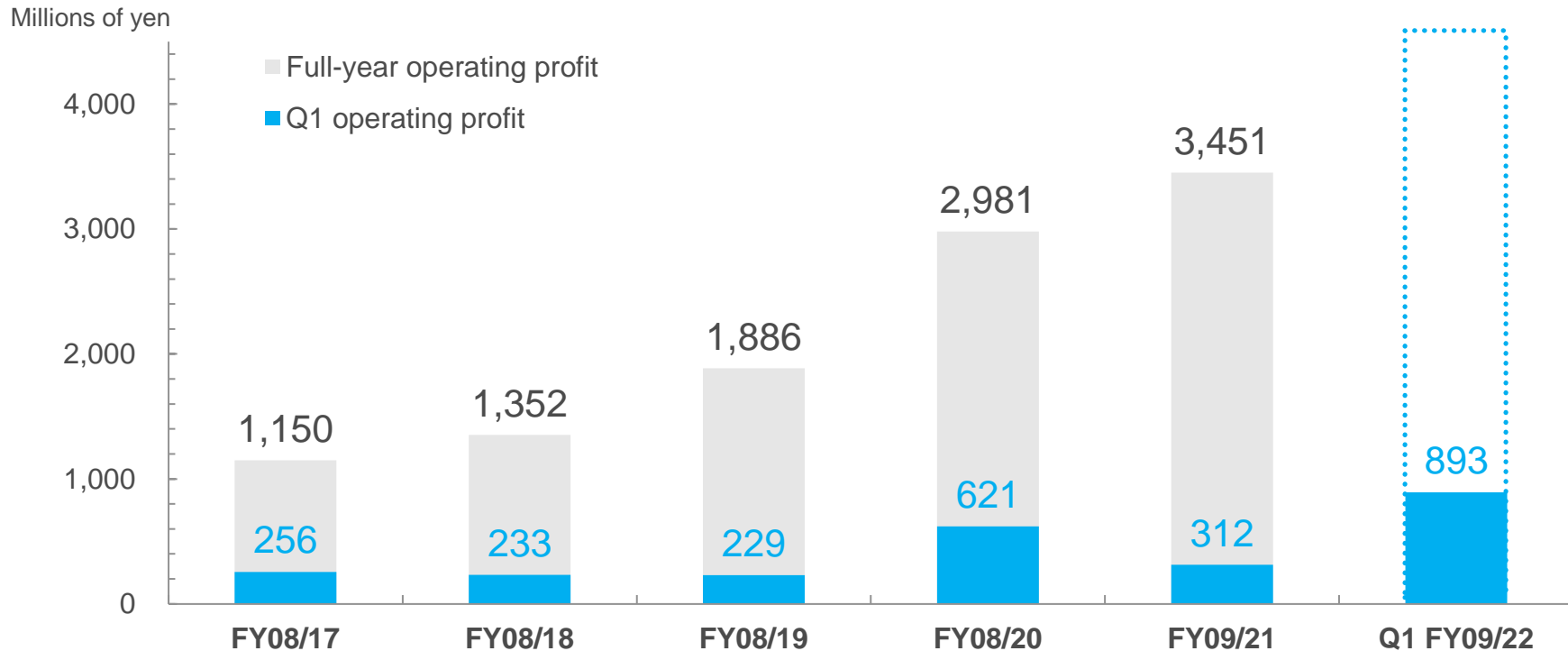


Operating Performance in Q1 FY09/22



In Q1, operating performance hit **record highs** for the period. Q1 operating profit reached 21.2% of the full-year target.

Operating Profit

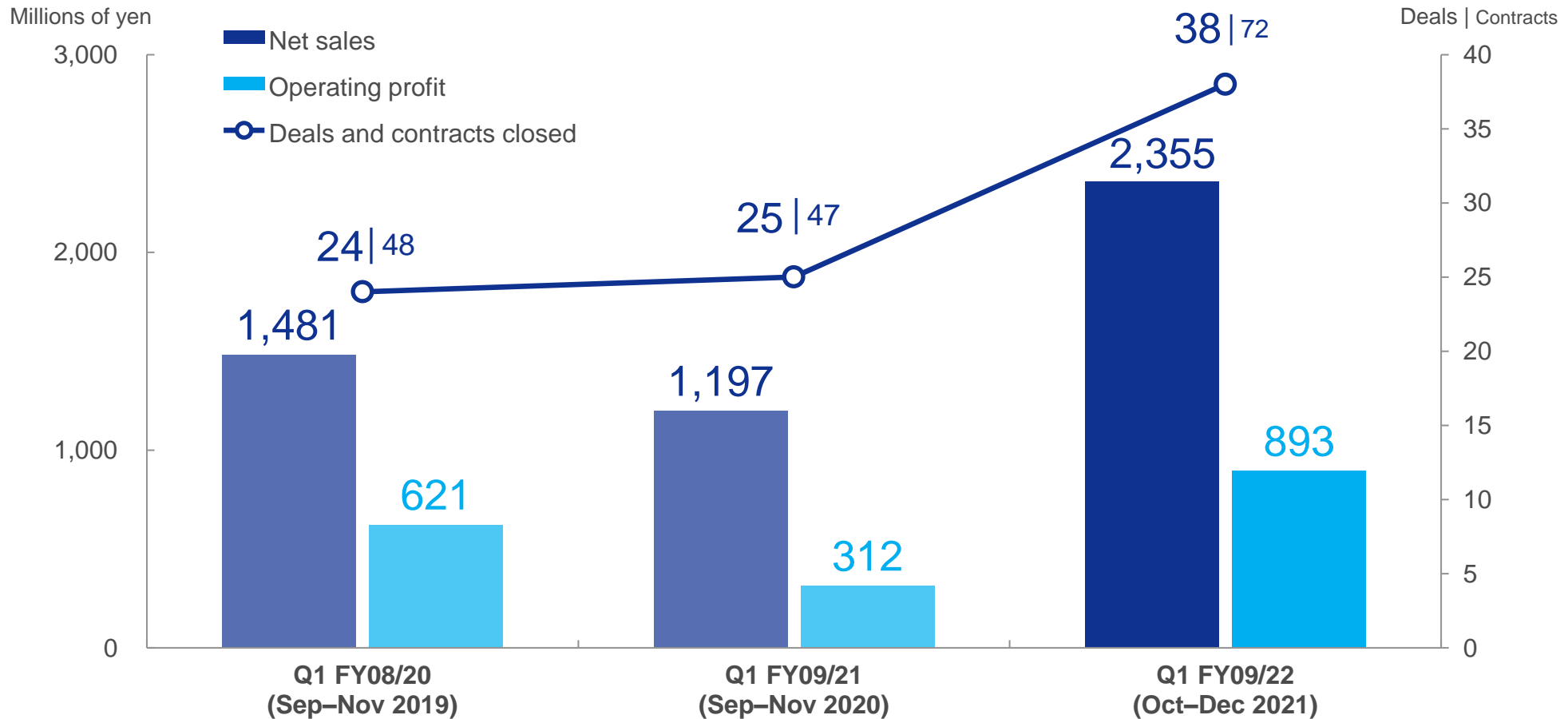


Operating Performance in Q1 FY09/22



The number of deals closed in Q1 fell slightly short of forecast (42 deals), but progress was generally steady.

Quarterly Results



Comparison vs. Q1 FY09/21 Results



Q1 net sales and profits rose substantially YoY owing to weak Q1 performance in FY09/21.

Millions of yen

	Q1 FY09/22		Q1 FY09/21*		Vs. Q1 FY09/21 results
		% of net sales		% of net sales	
Net sales	2,355	100.0%	1,197	100.0%	+96.7%
Cost of sales	789	33.5%	465	38.8%	+69.8%
Gross profit	1,566	66.5%	732	61.2%	+113.8%
SG&A expenses	672	28.6%	420	35.1%	+60.1%
Operating profit	893	37.9%	312	26.1%	+185.9%
Non-operating income	0	0.0%	0	0.0%	+2,723.5%
Ordinary profit	894	38.0%	312	26.1%	+186.1%
Profit before income taxes	894	38.0%	312	26.1%	+186.1%
Income taxes	290	12.3%	105	8.8%	+174.8%
Profit	603	25.6%	206	17.3%	+191.9%

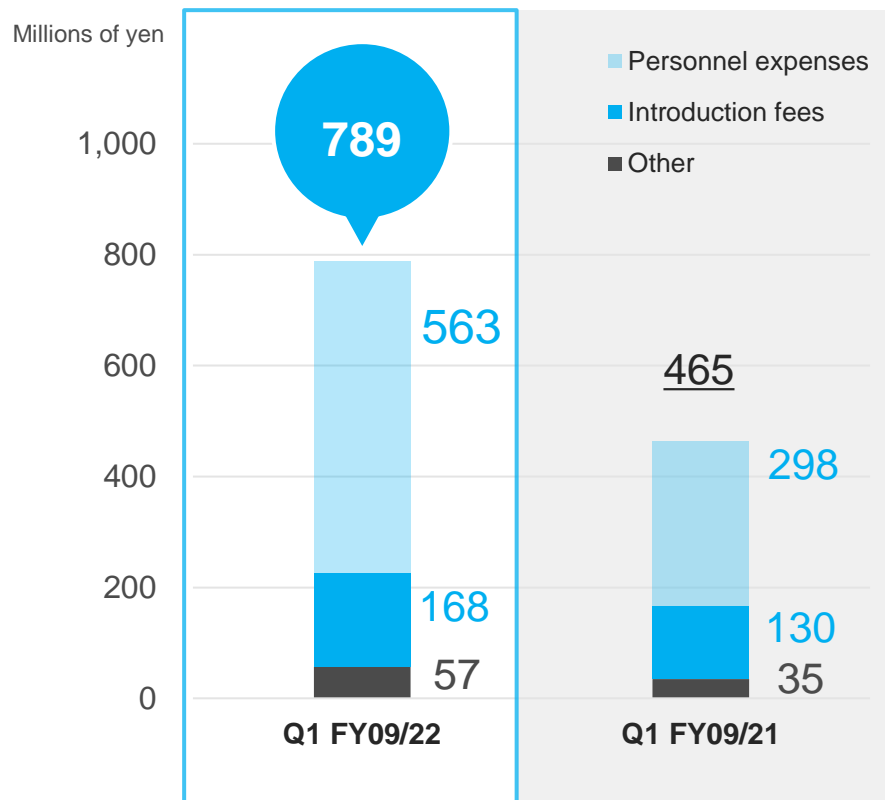
Note:

Q1 FY09/21 covers the period from September 1, 2020 to November 30, 2020, as FY09/21 was a transitional accounting period due to a change in fiscal year-end. Accordingly, the period for comparison differs.

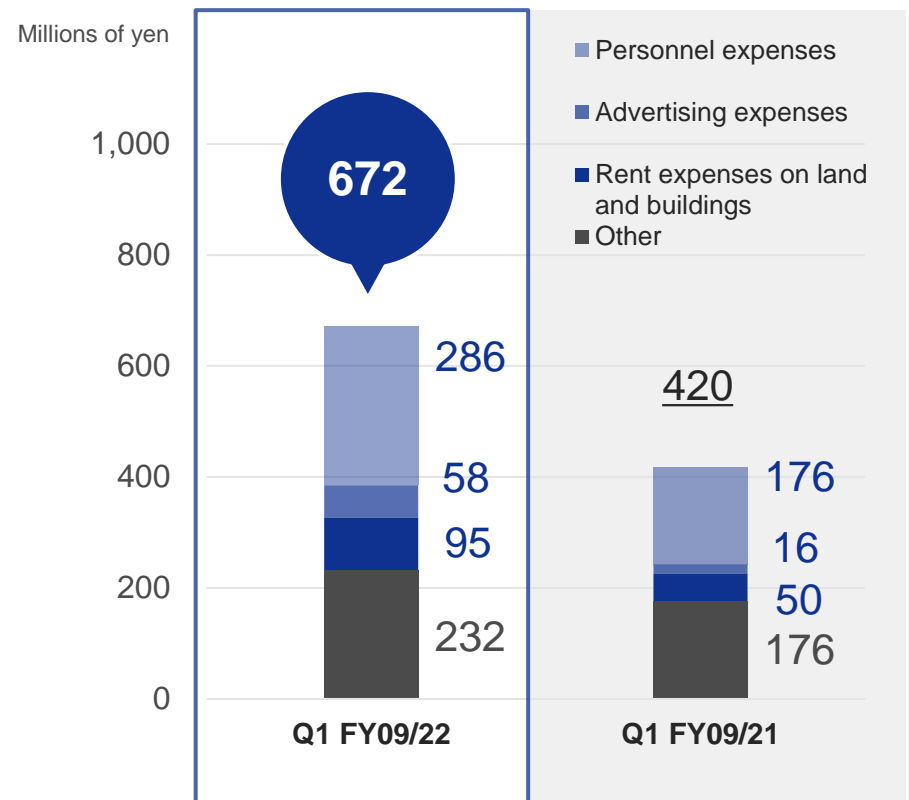
Comparison vs. Q1 FY09/21 Results

Other expenses under SG&A expenses grew as a result of increases in one-time expenses associated with the relocation of the Nagoya and Fukuoka sales offices, recruiting expenses, and purchase of data for sales activities.

Breakdown of Cost of Sales



Breakdown of SG&A Expenses



Note: Q1 FY09/21 covers the period from September 1, 2020 to November 30, 2020, as FY09/21 was a transitional accounting period due to a change in fiscal year-end. Accordingly, the period for comparison differs.

Comparison of Financial Position vs. End-FY09/21



Our financial position remains healthy.

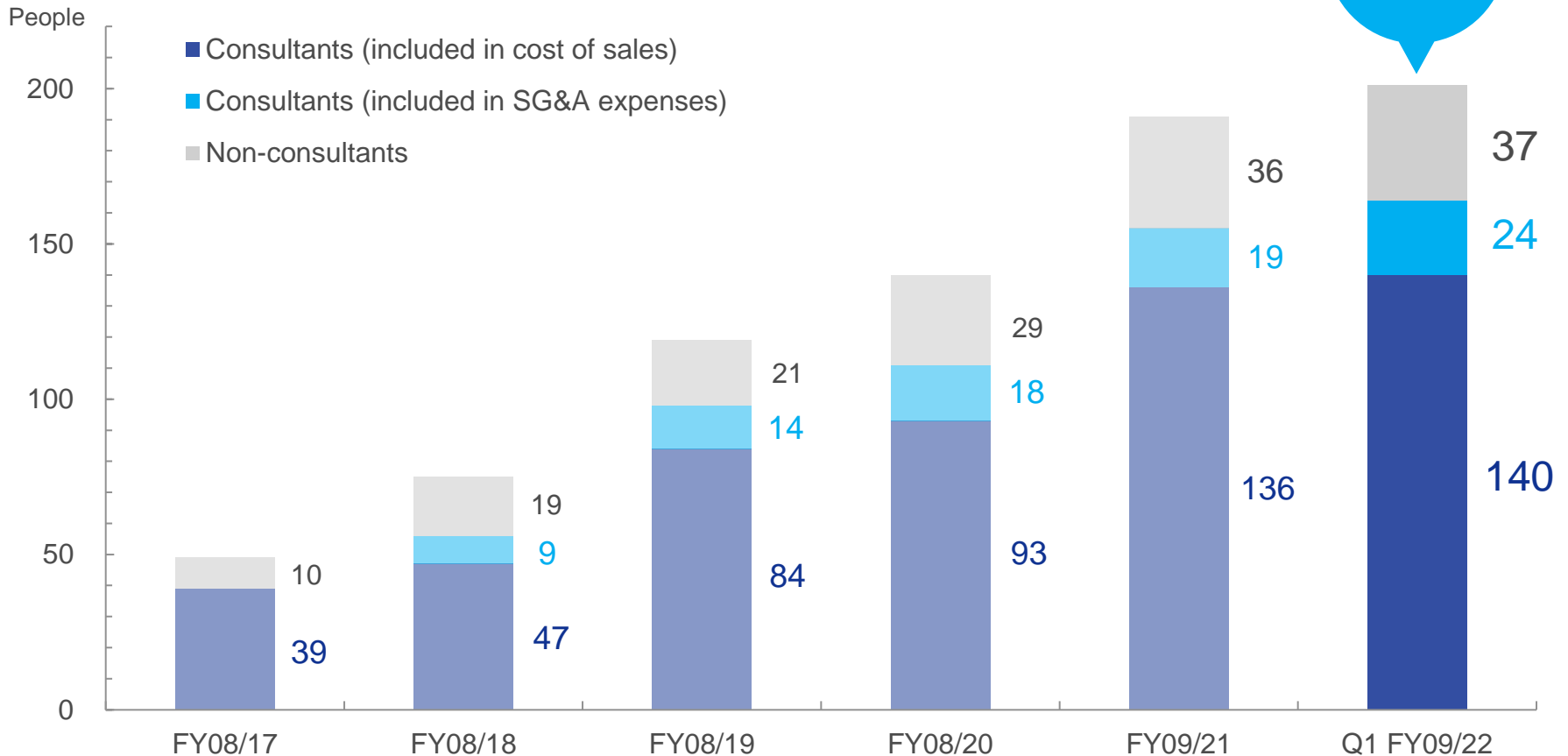
				Millions of yen			
	End-Q1 FY09/22	End-FY09/21	Change		End-Q1 FY09/22	End-FY09/21	Change
	Balance	Balance			Balance	Balance	
Cash and deposits	9,002	8,567	+435	Accounts payable–trade	50	186	-135
Accounts receivable–trade	216	1,181	-964	Income taxes payable	358	640	-281
Other	73	233	-159	Other	877	1,054	-177
Total current assets	9,293	9,981	-688	Total current liabilities	1,287	1,881	-594
Property, plant and equipment	395	335	+59	Total non-current liabilities	—	—	—
Intangible assets	3	4	-0	Total liabilities	1,287	1,881	-594
Investments and other assets	703	637	+65	Share capital	823	823	—
Total non-current assets	1,101	977	+124	Capital surplus	816	810	+6
				Retained earnings	7,903	7,911	-8
				Treasury shares	(439)	(473)	+33
				Shareholders' equity	9,103	9,072	+31
				Valuation and translation adjustments/Share acquisition rights	3	5	-1
				Total net assets	9,107	9,077	+30
Total assets	10,394	10,958	-564	Total liabilities and net assets	10,394	10,958	-564

Employees



We are planning to hire 26 consultants for the full year, and hired nine consultants in Q1.

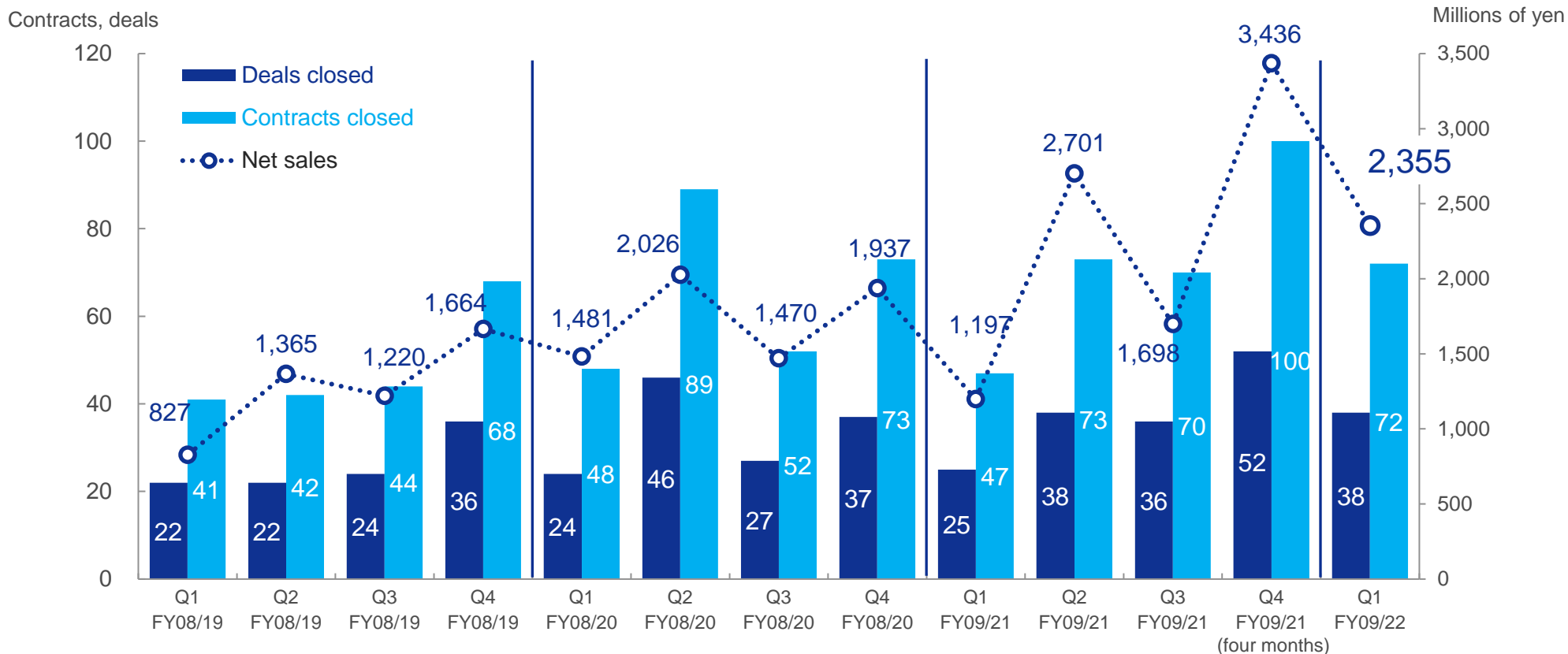
Employees (Fiscal Year-End)



Deals and Contracts Closed



Deals and Contracts Closed (Quarterly)



Number of deals closed: Number of 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.

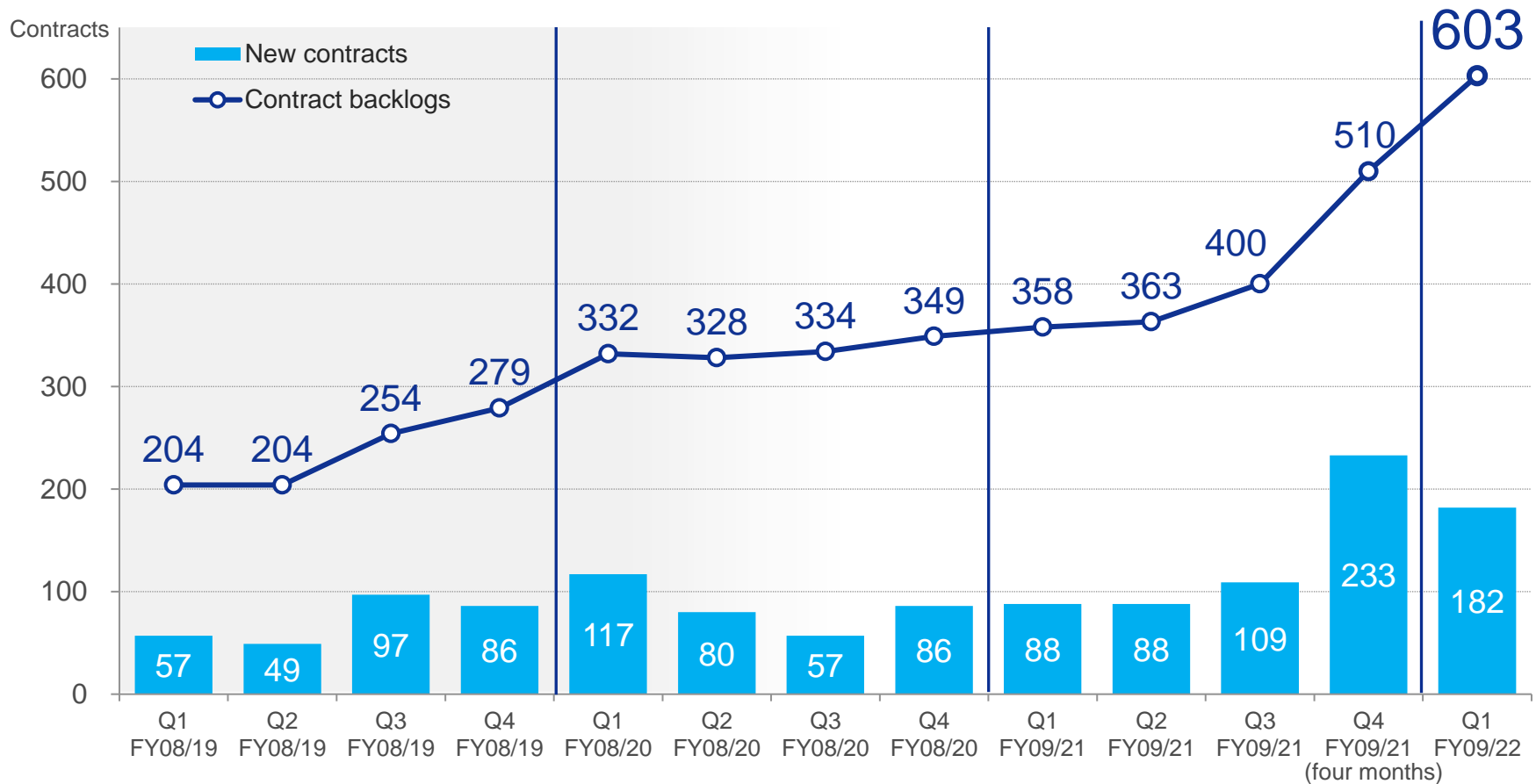
New Contracts



New contracts rose sharply following revisions to our compensation structure made in July 2021. New contracts grew in Q1 as well.

New Contracts (Quarterly)

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



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Forecast assumptions and recent trends

- Targeting to boost both net sales and profits compared to the 13-month FY09/21 results
 - Proactively implement sales measures such as advertising, proposal-based marketing, and seminars in anticipation of the end of the COVID-19 pandemic; projecting additional ¥370 million in expenses YoY, including expenditure for improvements to the sales management system
 - Continue actively recruiting consultants and increase headcount by 26 people
- ⇒ No changes made to initial forecast
- ⇒ Expansion and relocation of Nagoya and Fukuoka sales offices and establishment of new Hiroshima sales office completed as planned; hiring of consultants may exceed plan

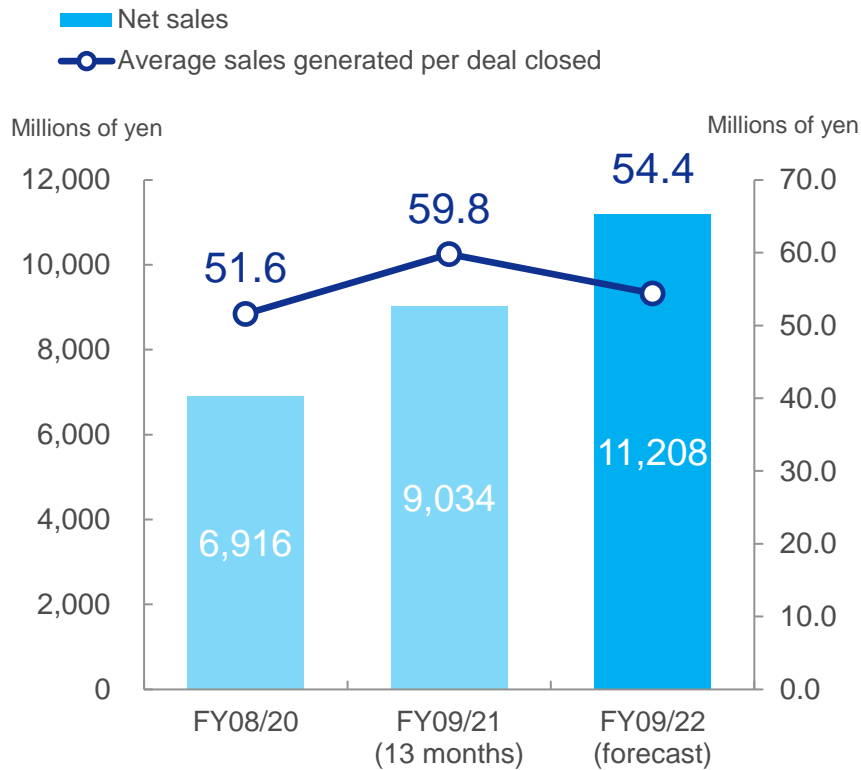
Note: Impact of COVID-19 resurgence

Although there are few restrictions on sales activities, deals may be delayed if any of the parties involved in the deal is infected with COVID-19.

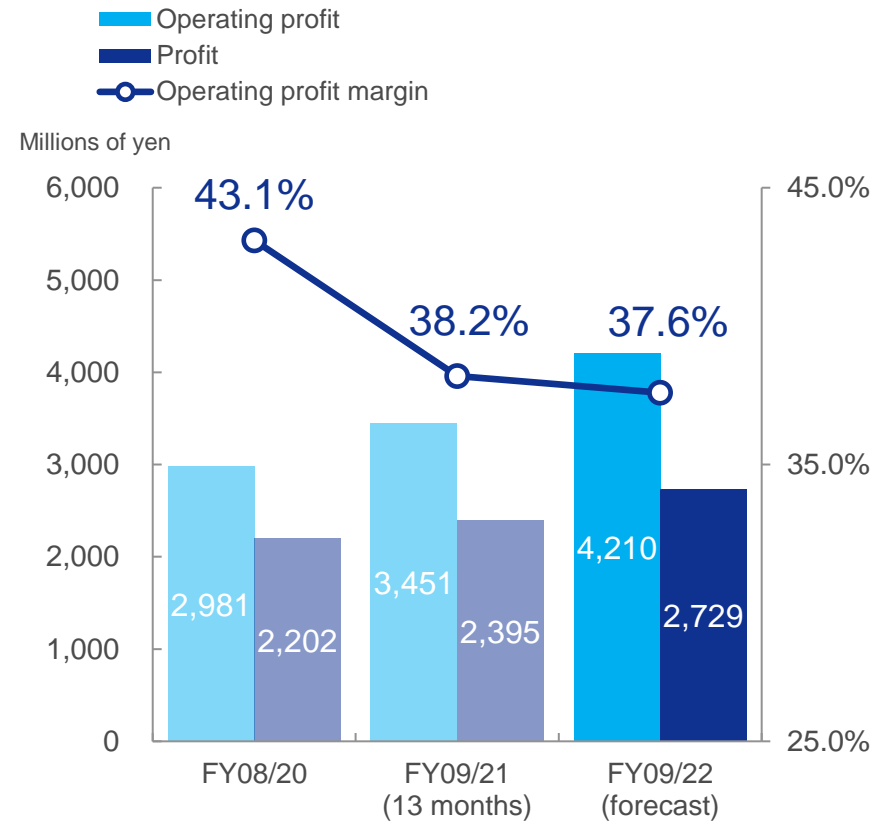
Forecast for FY09/22



Net Sales and Average Sales Generated per Deal Closed



Operating Profit and Profit



Forecast for FY09/22



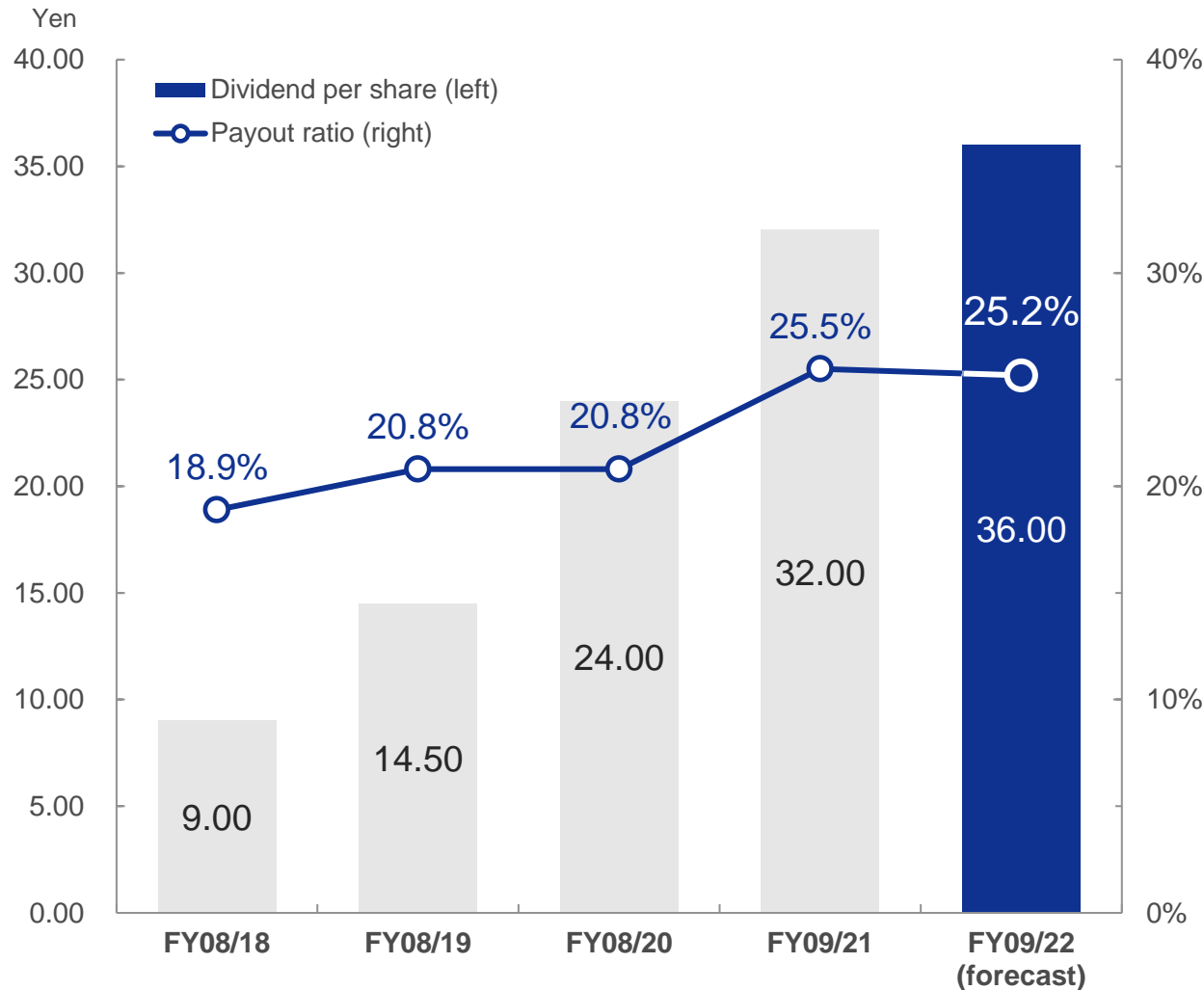
Millions of yen

	FY09/22		FY09/21 13-month results		FY09/21 12-month adjusted results		YoY change vs. 12-month adjusted results	
		% of net sales		% of net sales		% of net sales		
Net sales	11,208	100.0%	9,034	100.0%	8,339	100.0%	+2,869	+34.4%
Cost of sales	3,921	35.0%	3,309	36.6%	3,054	36.6%	+867	+28.4%
Gross profit	7,286	65.0%	5,725	63.4%	5,284	63.4%	+2,001	+37.9%
SG&A expenses	3,076	27.4%	2,273	25.2%	2,099	25.2%	+977	+46.5%
Operating profit	4,210	37.6%	3,451	38.2%	3,185	38.2%	+1,024	+32.2%
Ordinary profit	4,211	37.6%	3,475	38.5%	3,208	38.5%	+1,002	+31.3%
Profit before income taxes	4,211	37.6%	3,410	37.8%	3,148	37.8%	+1,063	+33.8%
Profit	2,729	24.4%	2,395	26.5%	2,211	26.5%	+517	+23.4%
Deals closed	206	—	151	—			Unadjusted +55 deals	
Contracts closed	660	—	518	—			Unadjusted +142 contracts	
Employees	218	—	191	—			Unadjusted +27 employees	

Planned Shareholder Returns



Dividends and Payout Ratio



Dividends

In FY09/21, we raised dividend payout ratio from 20% to 25%.

Shareholder benefits

We present a QUO card worth ¥1,000 to each shareholder with at least one share unit (100 shares) at fiscal year-end.

Share repurchase

At a meeting on January 28, 2022, the Board of Directors resolved to repurchase shares. We will continue to look into share repurchases as part of our capital policies.

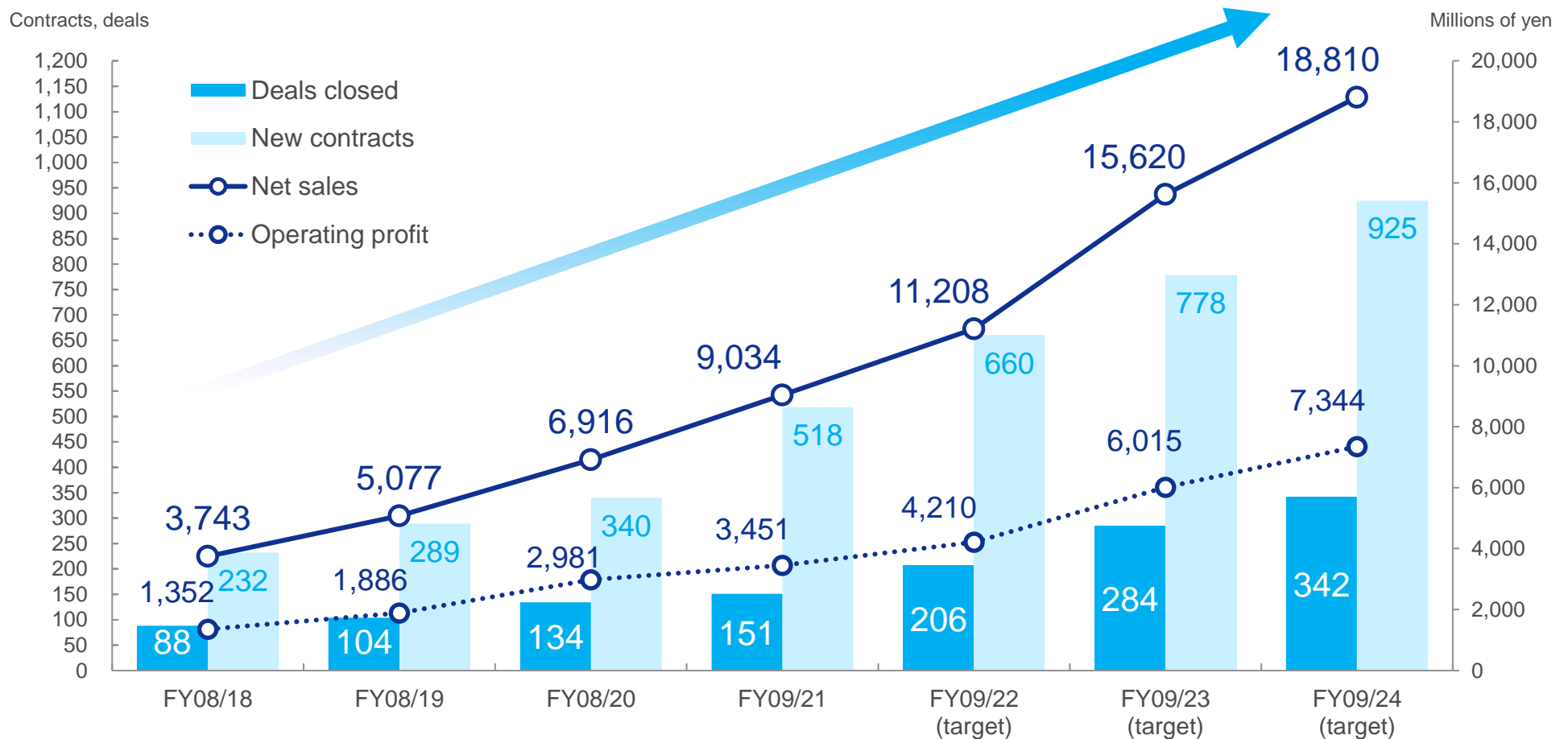
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Results and Targets: New Contracts, Deals Closed, Net Sales, and Operating Profit



We aim to double our performance for FY09/21 in three years.

We plan to achieve further growth by boosting the productivity (efficiency) of our consultants.



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



Improve efficiency by enhancing the **organization** and strengthening **individual capabilities**

For consultants under departments included in cost of sales, we aim to **achieve average sales of ¥100 million per consultant** within the first three years of employment (target changed from the number of deals to cash value to promote team-based consulting).

Enhance the Organization

New contract sourcing

1. Realign the organization by sourcing route; strengthen sourcing capabilities and streamline operations through internal collaboration
2. Introduce team-based system to respond systematically to new contracts and improve project efficiency

Enhance matching capabilities

1. Enhance matching capabilities by increasing personnel in the department dedicated to buyer search (reinforce division of labor)
2. Strengthen match search and proposal capabilities of all consultants
3. Accumulate data on acquisition needs and enhance data search functionality

Business support from specialists

1. Increase the number of accounting, legal, and other specialists
2. Strengthen business support system to include basic tasks such as preparing proposal materials to specialized work such as handling complex contracts

Strengthen Individual Capabilities

Recruit and train talented consultants

1. Hire even more qualified consultants by enhancing our name recognition
2. Improve in-house training and expand training content

Leverage IT

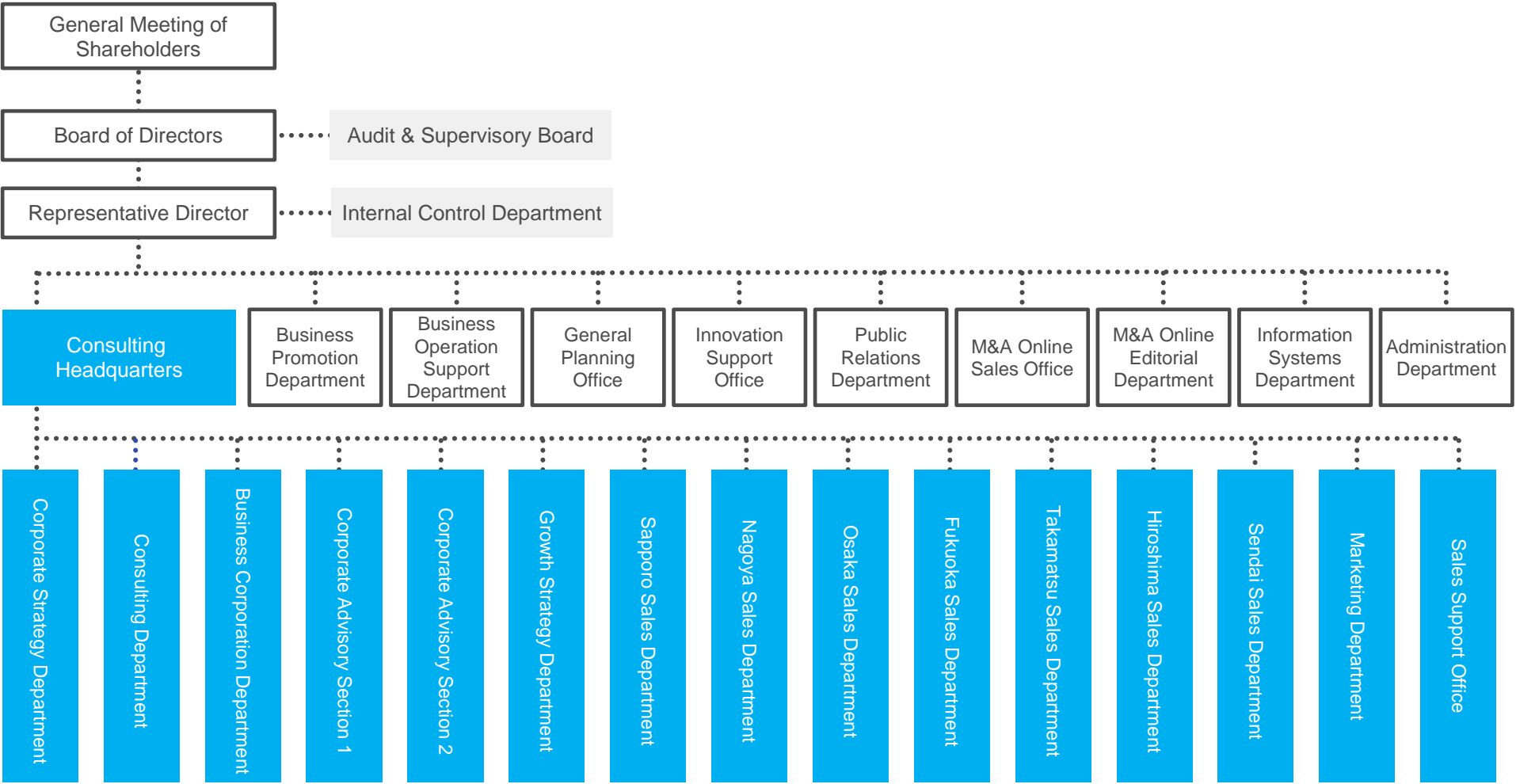
1. Streamline operations by reviewing internal systems that use IT tools
2. Share deal information and manage deal progress through in-house systems

Boost expertise through division of labor

1. Establish a department specializing in inside sales and a M&A department for specific fields; boost expertise through division of labor
2. Establish and deepen individual areas of expertise by introducing cross-divisional, industry-specific team structures and team-based consulting

Organization (as of January 1, 2022)

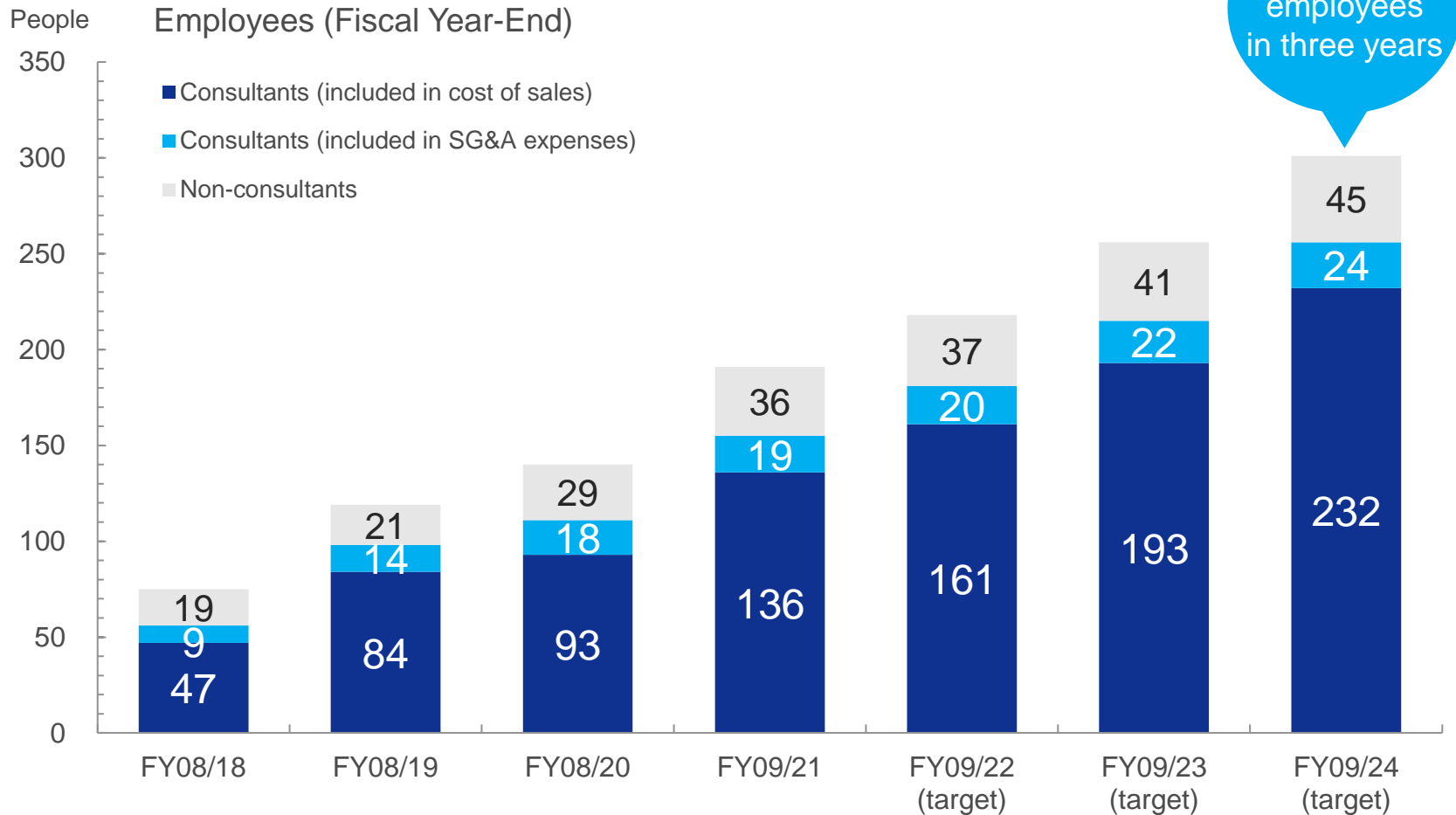
In FY09/22, we realigned operations formerly handled by the Corporate Advisory Department by sourcing route.



Employees



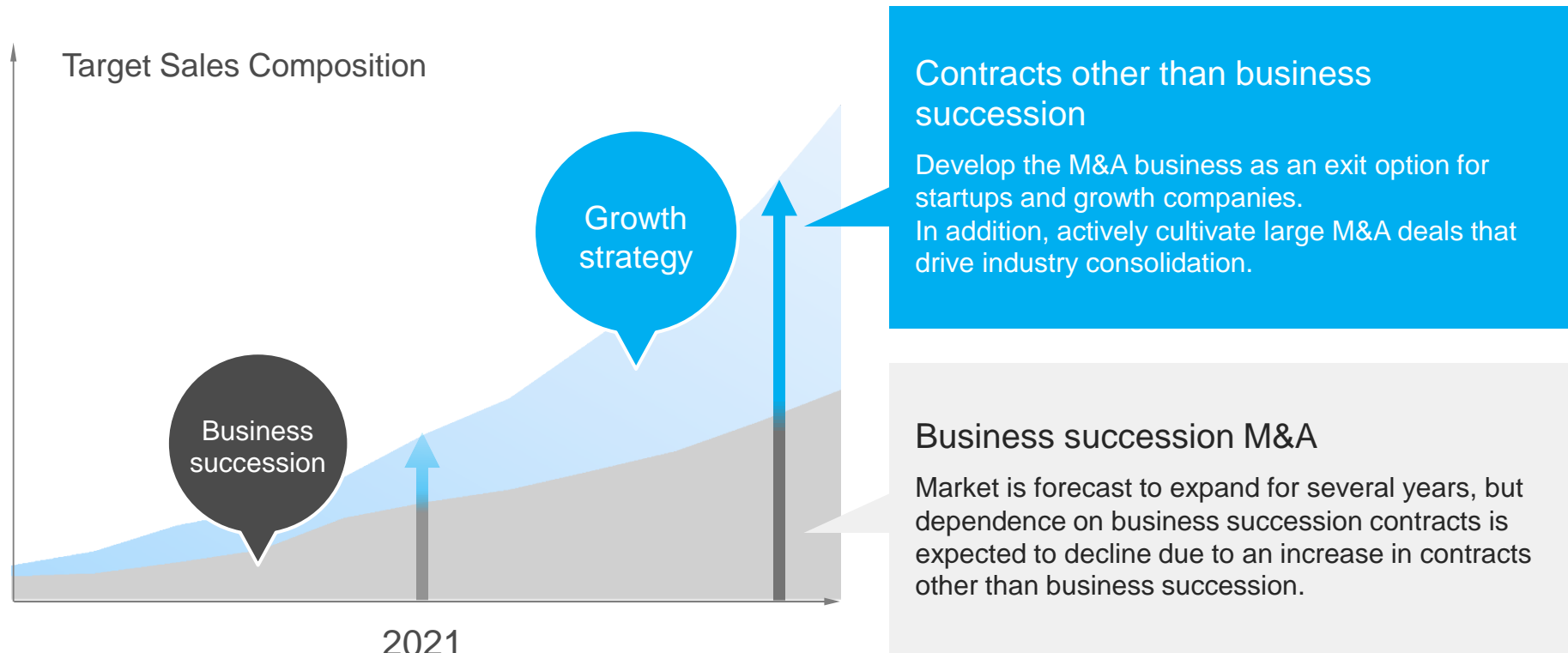
We will maintain our policy of hiring more than planned when we find excellent candidates.



Aiming to Top the Japanese M&A Market in the 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 startups, and achieve net sales CAGR of over 20% over the medium term.

We established an [Innovation Support Office](#) in October 2021 to strengthen cultivation of M&A market for startups.



S venture Lab.

- ✓ Membership service promoting **partnerships between startups and large companies**
- ✓ In addition to M&As, many startups and large companies want to form business alliances and collaborations as a preliminary step toward an M&A deal. We aim to **create new businesses and markets** by bringing together startups that need funding and large companies that seek innovation.
- ✓ Network building through **regular matchmaking consultations**
- ✓ Paid members can **consult with our experts** on finance and business strategy development

For Challenge
For Growth



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Company Overview



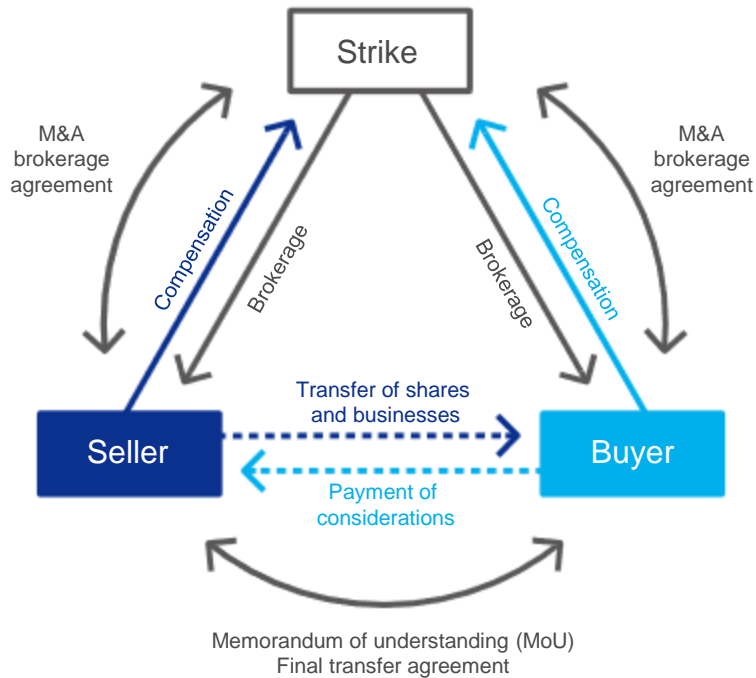
Company name	Strike Co., Ltd.
Established	July 1997
Share capital	¥823 million (as of December 31, 2021)
Representative	Kunihiko Arai, President and CEO
Headquarters	15th floor of Mitsui & Co. Building 1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan
Employees	201 (excluding temporary staff, as of December 31, 2021)
Net sales, operating profit	Net sales of ¥9,034 million and operating profit of ¥3,451 million (operating profit margin of 38.2%) in FY09/21
Business	M&A brokerage business
Mission	Create partnerships that change the world

Business Overview



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 **satisfying both clients**.

M&A Brokerage Earnings Model



Principal Businesses

M&A brokerage business

We broker M&A deals between sellers and buyers and receive brokerage fees from both parties. In some cases, we only provide M&A advisory services to one of the parties.

Compensation Structure

Seller

- 1. Initiation fee**
Free
- 2. Fee at MoU signing**
¥1–3mn when MoU is signed
- 3. Success fee (Lehmann method)**

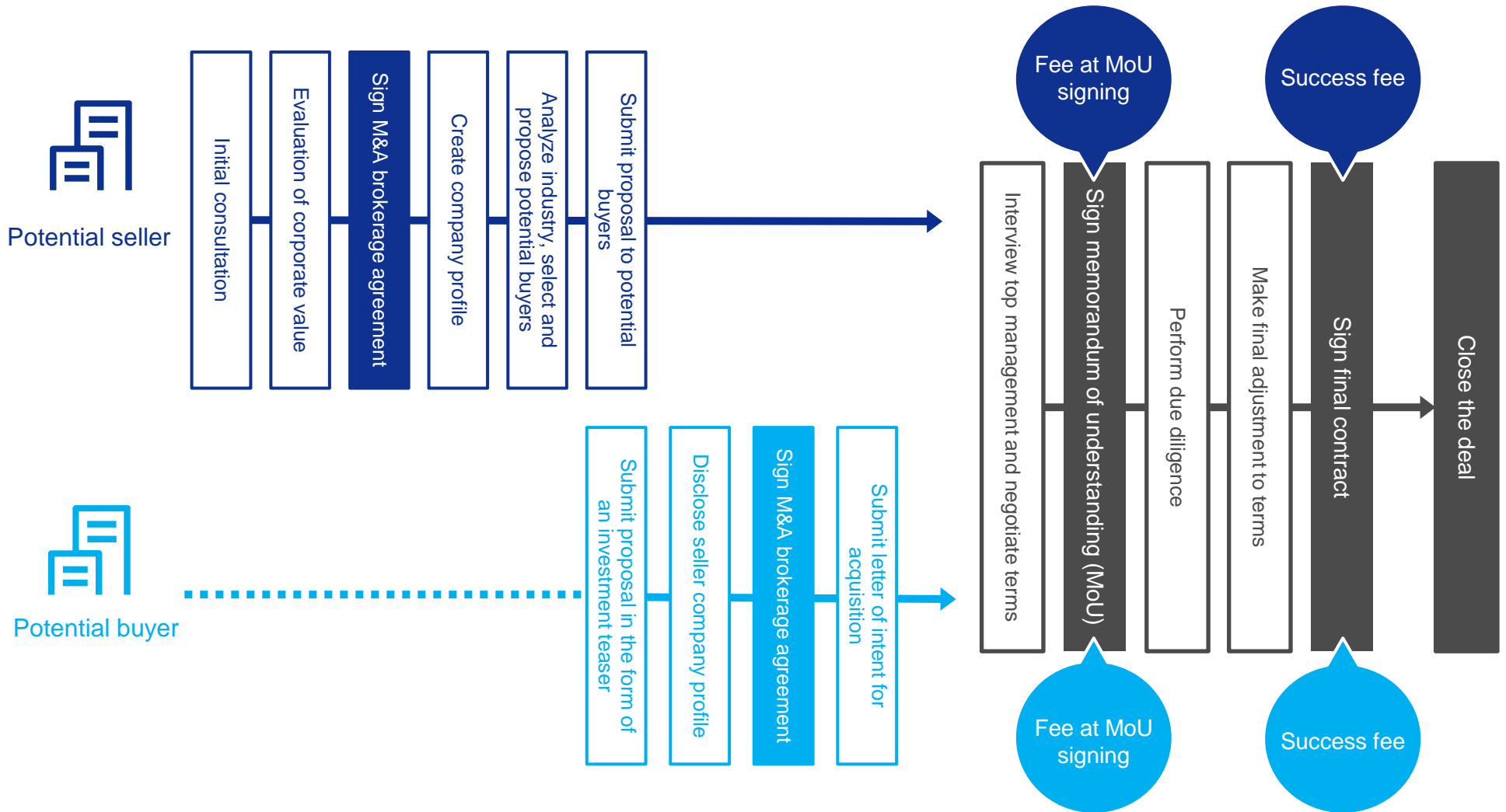
Amount of shares or assets to be transferred	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1bn	4%
Portion from ¥1bn to ¥5bn	3%
Portion from ¥5bn to ¥10bn	2%
Portion above ¥10bn	1%

Buyer

- 1. Initiation fee**
Free
- 2. Fee at MoU signing**
¥1–3mn when MoU is signed
- 3. Success fee (Lehmann method)**

Market value of total assets at transfer	Rate
Portion below ¥500mn	5%
Portion from ¥500mn to ¥1bn	4%
Portion from ¥1bn to ¥5bn	3%
Portion from ¥5bn to ¥10bn	2%
Portion above ¥10bn	1%

Flow of M&A Brokerage Business



Feature 1

Sourcing (New Contract Acquisition from Seller)

Direct contracts

captured through approaching customers directly

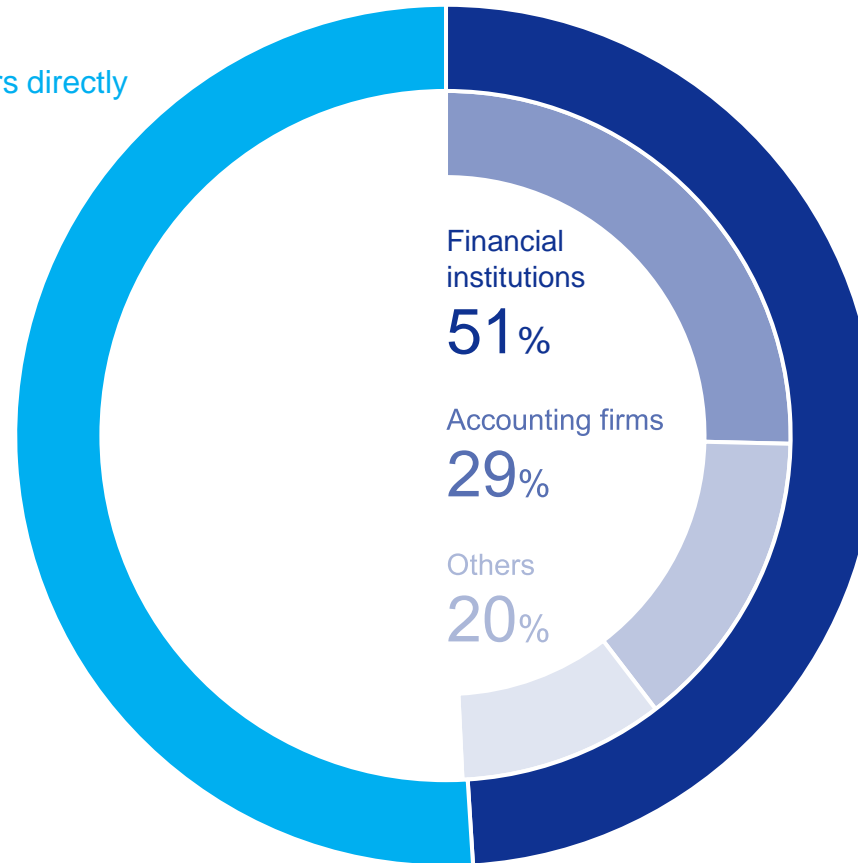
51%

Proposal-based marketing

- Secure effective leads by organizing a dedicated marketing department
- Boost efficiency by signing pre-marketing service contracts and approaching companies with a potential buyer already in place
- Carry out proposal-based marketing tailored to the characteristics of each industry by organizing industry-specific teams

Seminars

Actively use online seminars in light of the COVID-19 pandemic



FY09/21

New contract ratio
by sourcing route

Referrals

from business partners

49%

Feature 2

Fee Structure



Compensation Structure for Potential Sellers

No initiation fee and low fees at MoU signing.

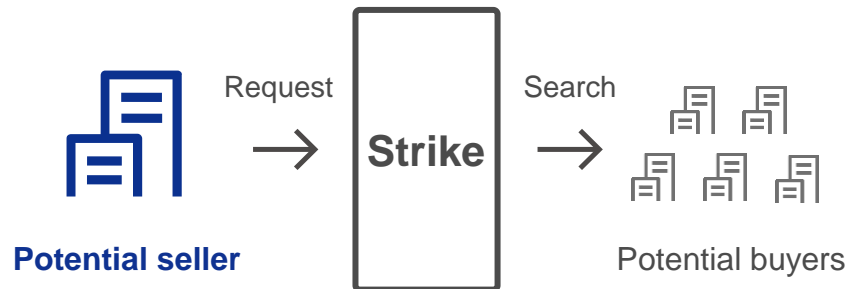
By lowering the hurdle for sellers to consult with us, we encourage M&A deals among SMEs.

	Strike	Company A	Company B
Initial consultation	Free	Free	Free
Upon M&A brokerage agreement signing	Free	Paid	Free
Upon MoU signing	¥1–3mn	Free	Intermediate compensation 10% of success fee
Upon final contract signing	Success fee	Success fee	Success fee

Feature 3

Matching: Proposal Flow of Pre-Marketing Services

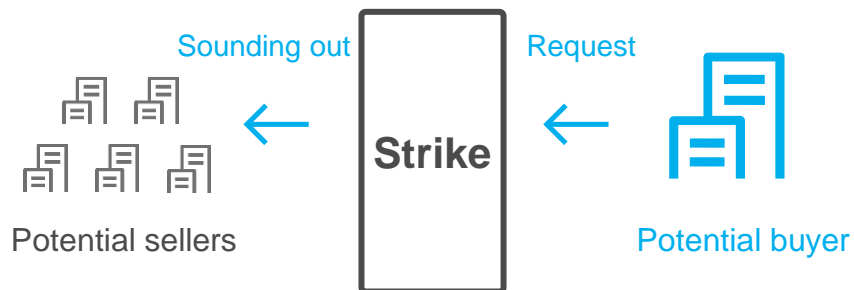
Standard M&A Brokerage Services



In our pre-marketing services, we find potential sellers for potential buyers.

We approach the seller on the buyer's behalf.

Pre-Marketing Services



We have concluded a total of **over 130 contracts** since the service was launched in April 2020.

In FY09/21, we concluded **18 brokerage contracts** with seller companies from this service.

Methods for Finding More Potential Matches



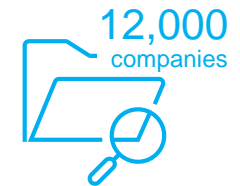
Methods used to search for potential buyers

We are expanding our selection of potential matches by going beyond in-house information and searching for more candidates over the internet and through partner companies.



M&A Market SMART
www.strike.co.jp/smart/

- 1 Over 12,000 companies with acquisition needs**
Our consultants utilize Strike's internal database of acquisition needs (which contains data on M&A needs for over 12,000 companies collected through daily sales activities) to make direct proposals to potential buyers.



- 2 Quick acquisition offer**
We have a system in place that enables all of our consultants to propose potential acquisition targets for all projects, and we leverage information from all our employees to search for potential acquisition targets.



- 3 Use of M&A Market SMART**
We receive inquiries from potential buyers interested in deals posted anonymously on M&A Market SMART.



- 4 Cooperation with financial institutions**
We receive introductions to customers looking to make an acquisition from partner financial institutions.

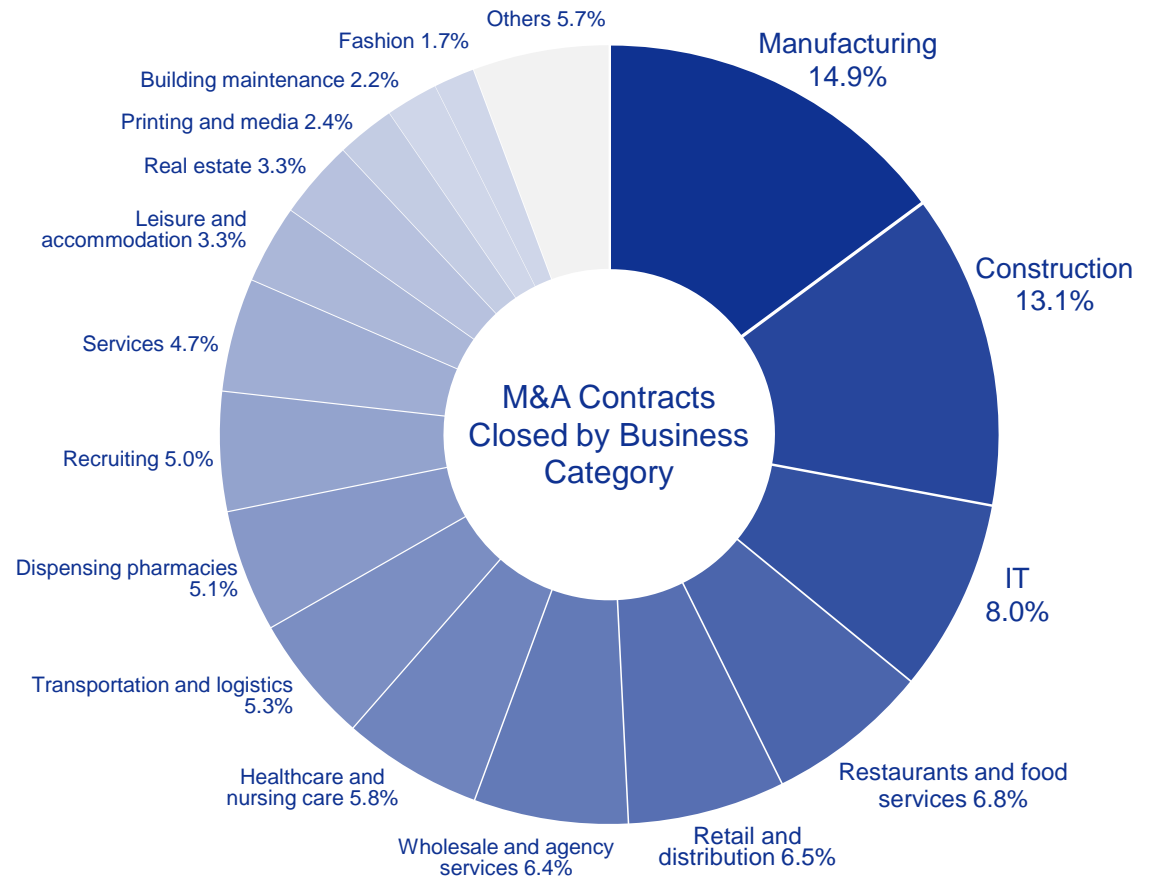


Feature 4 M&A Track Record in Various Industries

With a large number of referrals, we have a balanced **track record of M&A in a variety of industries.**

Total number of deals from company founding through FY09/21

Note: Breakdown of the number of businesses sold by industry

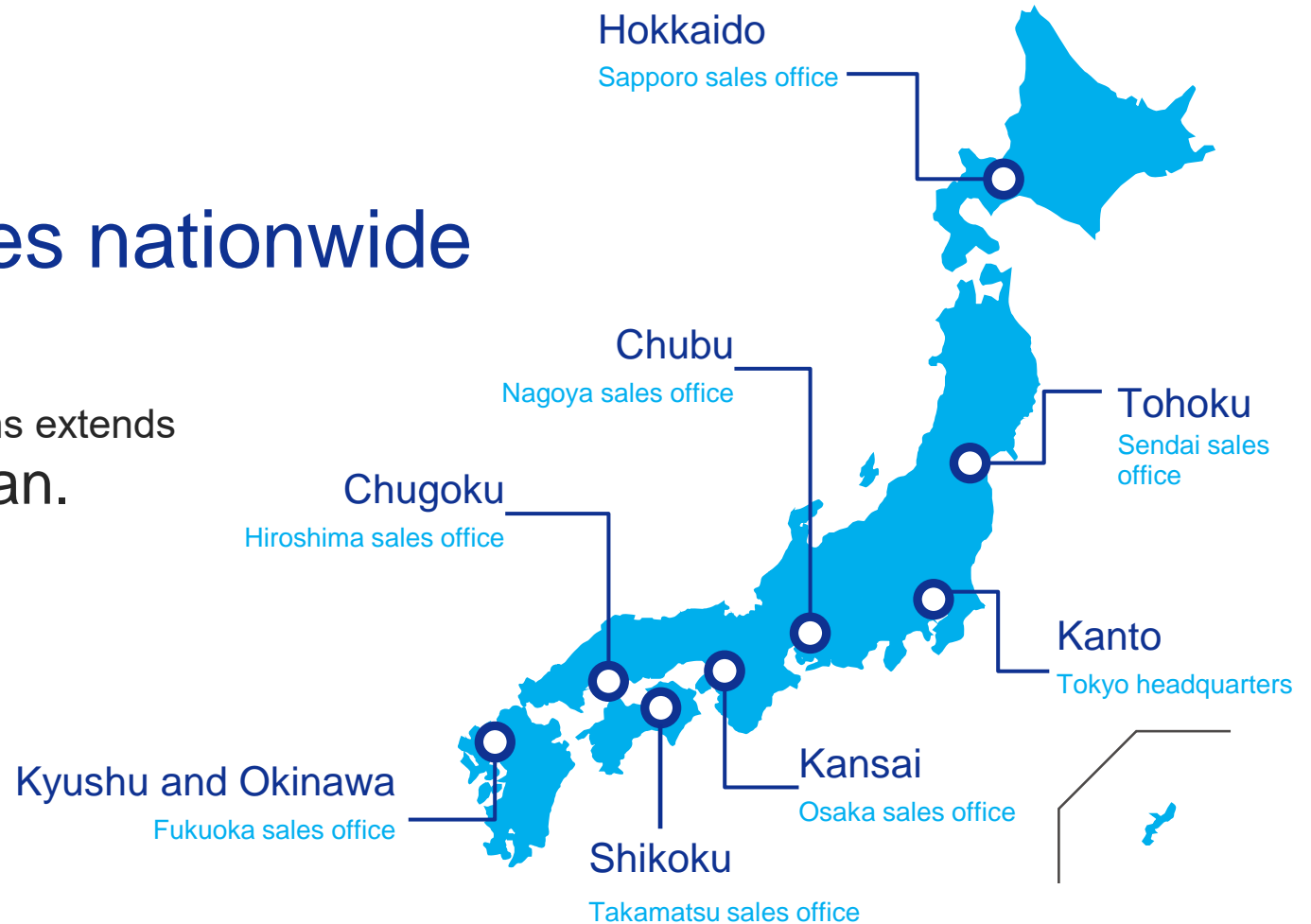


Establishing a Nationwide Sales Network



Eight offices nationwide

Strike's base of operations extends across all of Japan.



Operation of M&A Portal Site

M&AOnline

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

M&A Database

Our M&A database contains timely disclosures on M&A deals that can be searched by company name, securities code, scheme, and industry.

Large Shareholding Report Database

We released our Large Shareholding Report Database, which provides insight into indicators of M&A activity and trading trends among major investors. We are distributing all large shareholding report data submitted to EDINET.

Published M&A Yearbook 2022 (Released on January 31, 2022)

The M&A Yearbook 2022 is a magazine-book covering data for all 880 M&A deals carried out by listed companies in 2021 with explanations from various angles such as deal values and industries.



Selected the **Prime Market** in Tokyo Stock Exchange's New Market Segments

ESG-focused management

Establish a Sustainability Promotion Committee

We will set company-wide targets and formulate specific initiatives, while focusing on addressing sustainability issues through M&A support.

Governance enhancement

Comply with the Corporate Governance Code

We are working to improve our governance with a focus on the Corporate Governance Code applicable to companies listed on the Prime Market, which calls for higher standards of governance.

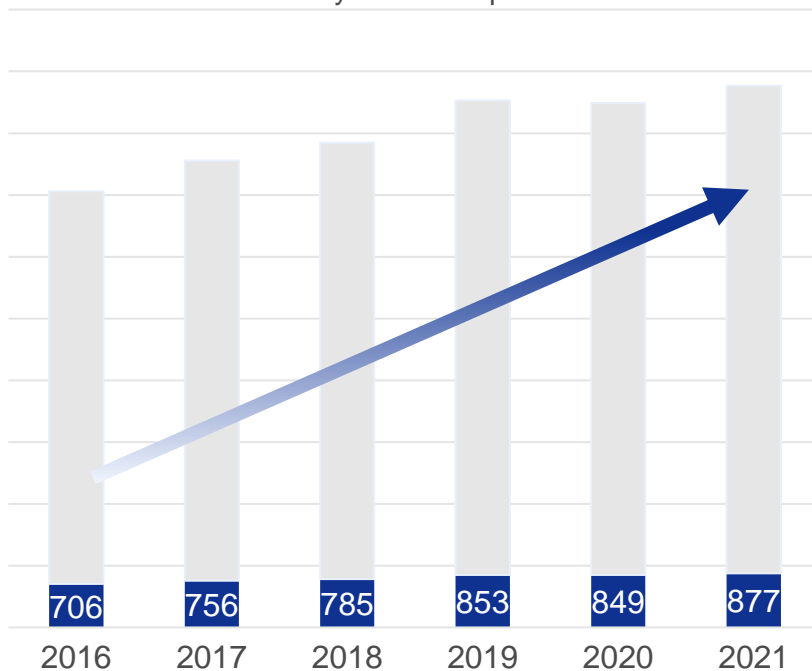
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Market Trends: Japanese M&A Market Size (Estimated)

Although there is no comprehensive data on M&A activity in Japan, we estimate that the annual number of M&A deals in Japan is about 10 times higher (over 8,000 deals) than the number of M&A deals disclosed by listed companies. (This figure is higher when including extremely small M&A deals.)

M&A Deals in Japan (Estimate)

- Undisclosed M&A deals (estimate)
- M&A deals disclosed by listed companies



Undisclosed M&A deals (Strike estimate)

This estimate is calculated based on the percentage of M&A deals we were involved in that were not subject to timely disclosure.

M&A deals disclosed by listed companies

(Source: M&A Online)

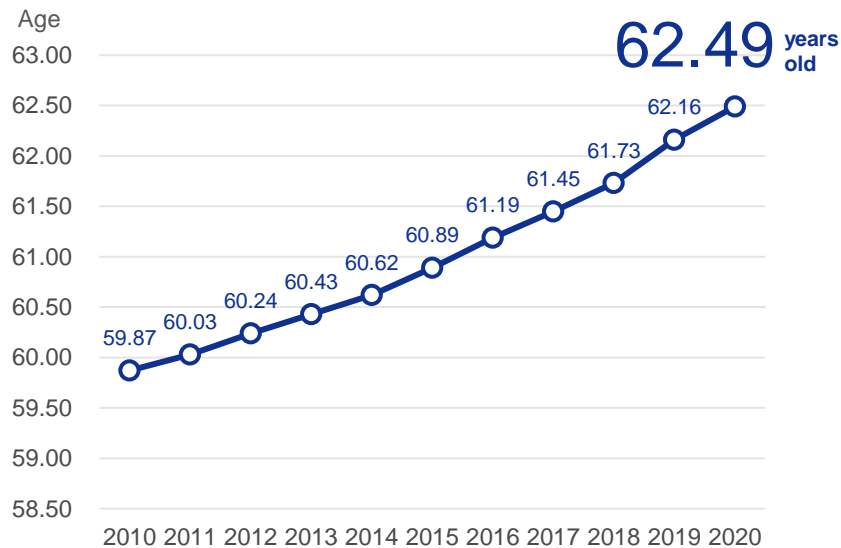
M&A deals of listed companies involving a change in management that were subject to timely disclosure (excluding intra-group restructuring and deals not subject to timely disclosure)

Market Trends: Aging CEOs, Lack of Successors

With CEOs aging, there are many companies without successors, even among companies with older CEOs. We expect the market for M&A deals that help address business succession to continue expanding.

Aging CEOs

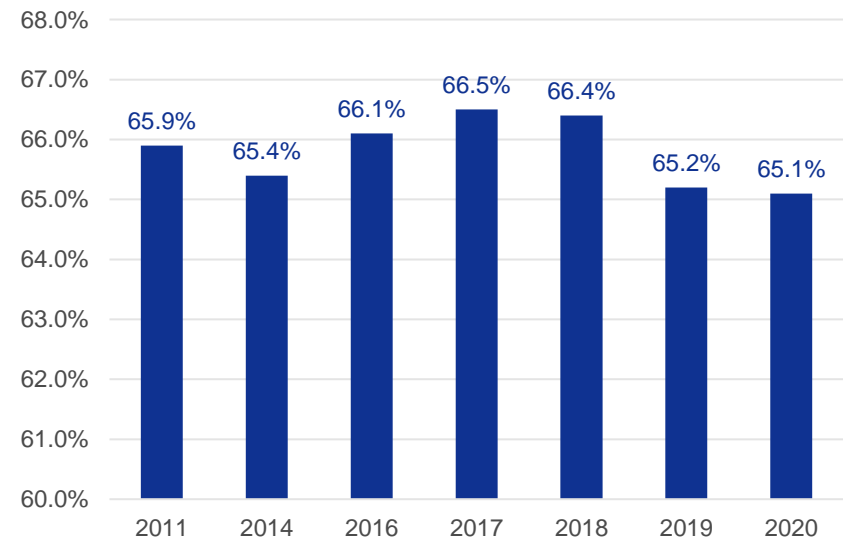
Average age of CEOs



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

Many companies have no successor

Percentage of companies without a successor



Source: Nationwide Survey on the Percentage of Companies without Successors (2020) by Teikoku Databank, Inc. included in the 2021 White Paper on Small and Medium Enterprises in Japan

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

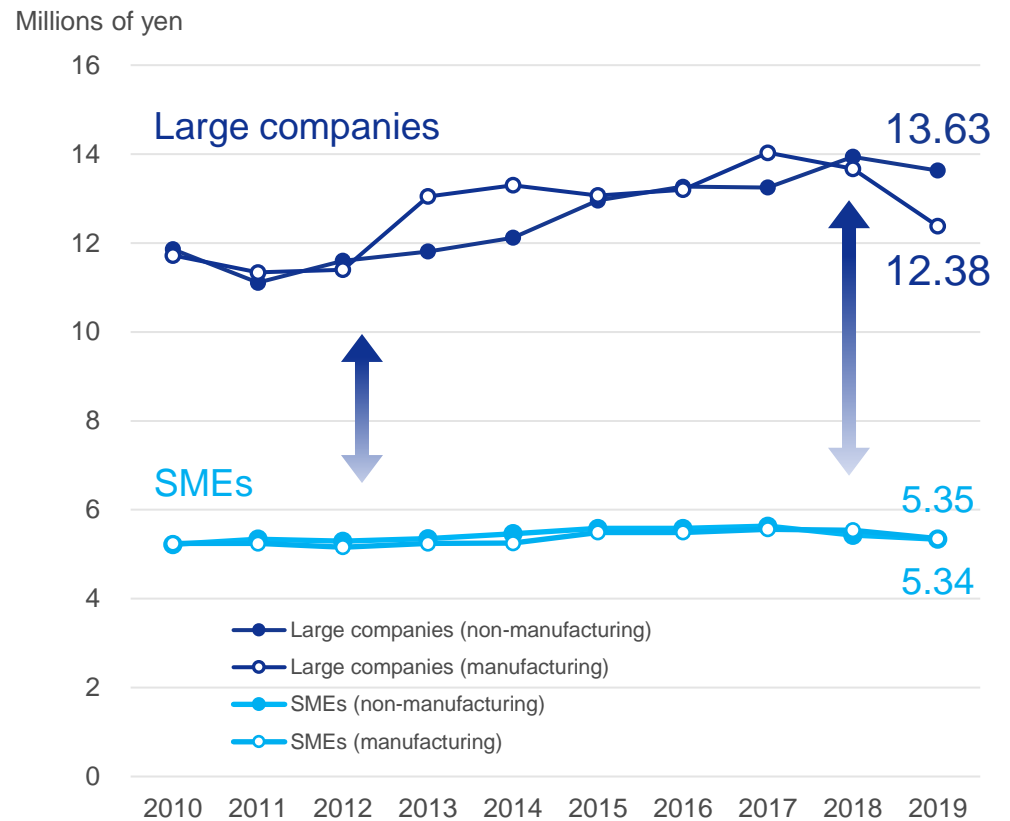


Boosting productivity* is essential for SMEs in Japan to achieve both wage increases and profit growth.

*Increase of value add

Widening disparity in value added between large companies and SMEs

Value Added per Employee (Labor Productivity) by Company Size



Source: Financial Statements Statistics of Corporations by Industry, Annually by the Ministry of Finance, included in the 2021 White Paper on Small and Medium Enterprises in Japan

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



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

*Increase of value add

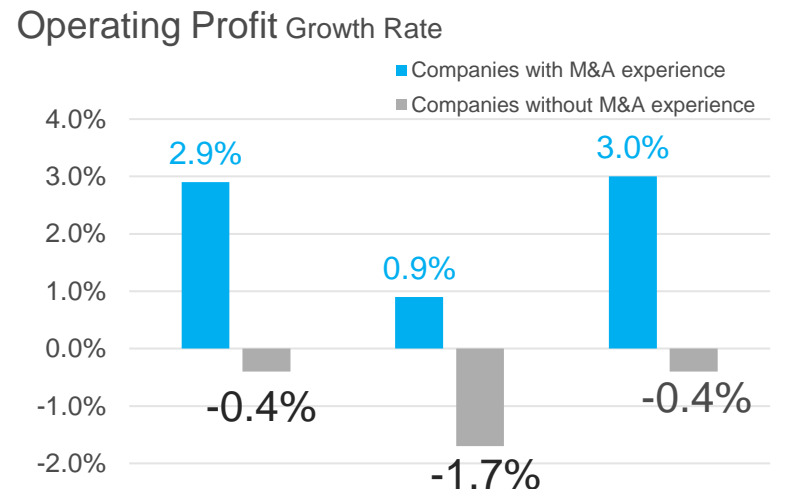
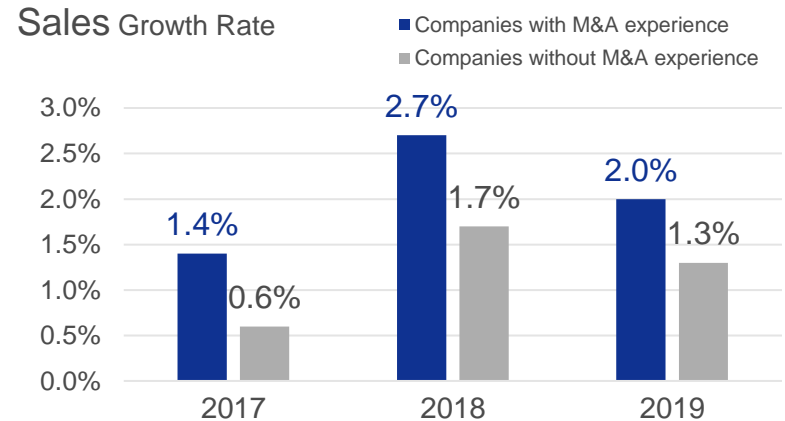
Creating new value through new business development and expanding possibilities through collaboration with companies in other industries will become important, and M&A is one way to do this.

Companies that carried out M&A deals: Companies with confirmed M&A deals as a buyer in 2015. Growth rates were calculated as a comparison with the previous period, and outliers in the top 5% and bottom 5% were removed.

Source: Corporate Information File by Tokyo Shoko Research, Ltd., included in the 2021 White Paper on Small and Medium Enterprises in Japan

Performance driven by M&A deals

Growth rates: Companies with M&A experience vs. companies without M&A experience (median)

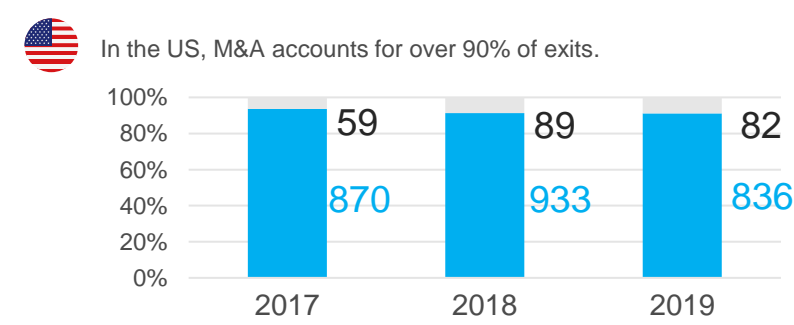
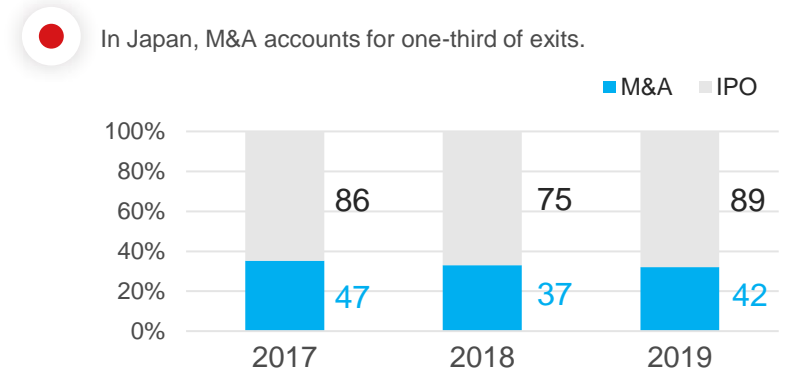


Market Trends: M&A of Startups

Currently, there are few M&A deals involving startups in Japan, but there is a lot of room for growth. Acquiring startups as part of R&D investment can help companies grow and increase corporate value more efficiently than if they were to conduct R&D on their own.

Small percentage of M&A exits among startups

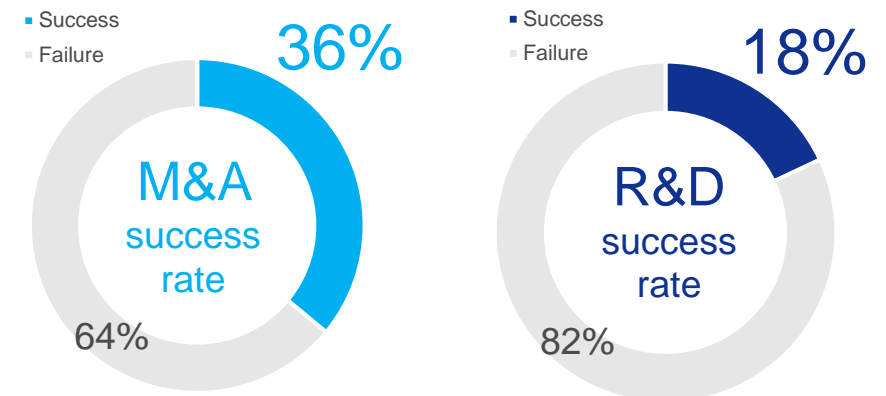
IPO and M&A status of venture capital portfolio companies



Source: Venture White Paper by the Venture Enterprise Center, included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

M&A success rate is higher than R&D success rate

Success rate of medium- to long-term R&D and M&A



Source: Investigation into the Actual Conditions of Companies that Have Conducted M&A (2013) by Deloitte Tohmatsu Consulting Co., Ltd., included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

Source: Survey on the Establishment of a Japanese Innovation System from a Medium- to Long-Term Perspective by the Japan Research Institute, included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

Establishment of M&A Intermediaries Association



The M&A Intermediaries Association is a self-regulatory organization established for the purpose of improving the quality of M&A intermediary services, promoting the sound development of the M&A intermediary industry as a whole, and supporting companies engaged in M&A through the thorough implementation of appropriate transaction rules, including the M&A Guidelines for SMEs.

We will actively engage in the activities of the association and contribute to the **sound development of the industry.**

Name	M&A Intermediaries Association (MAIA)	
Established	October 1, 2021	
Representative director	Suguru Miyake	President and Representative Director Nihon M&A Center Inc.
	Kunihiko Arai	President and CEO Strike Co., Ltd.
	Satoru Nakamura	President and CEO M&A Capital Partners Co., Ltd.
	Ryosuke Kubo	President Ondeck Co., Ltd.
	Yasuhito Shinoda	President Meinan M&A Co., Ltd.
Auditor	Yutaro Kikuchi (attorney-at-law, Kikuchi Sogo Law Office)	

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- 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 (January 28, 2022). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.