

# **Financial Results and Future Measures**

## **Cumulative Q3 of Year Ending August 31, 2019 (FY08/19)**

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

**June 28, 2019**

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Net sales were up 21.1% YoY to ¥3,413 million, and ordinary profit was up 12.8% YoY to ¥1,200 million. Both sales and profit grew compared with cumulative Q3 FY08/18.

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Our initial forecasts are unchanged. As before, we aim to exceed net sales of ¥4,545 million and ordinary profit of ¥1,591 million.

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Demand for M&A is expanding driven by the growing business succession needs in Japan.

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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 longer term, we aspire to become the leader in the number of M&A deals. We aim to close 200 deals per year within the next three years.

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## Company Overview ... 25

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

# Operating Performance in Cumulative Q3 FY08/19

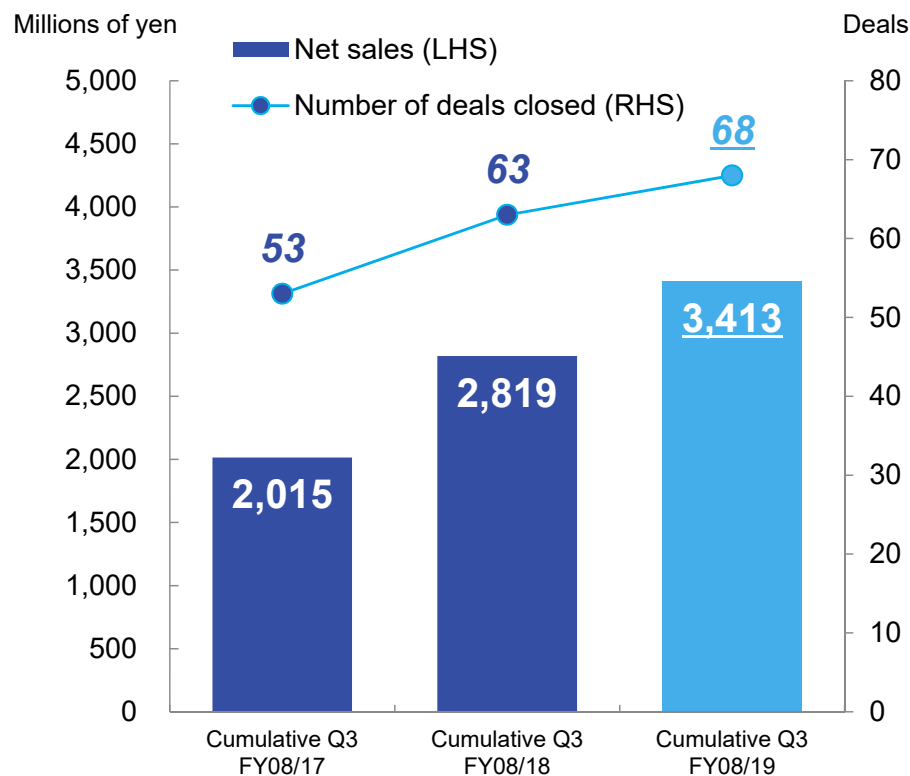
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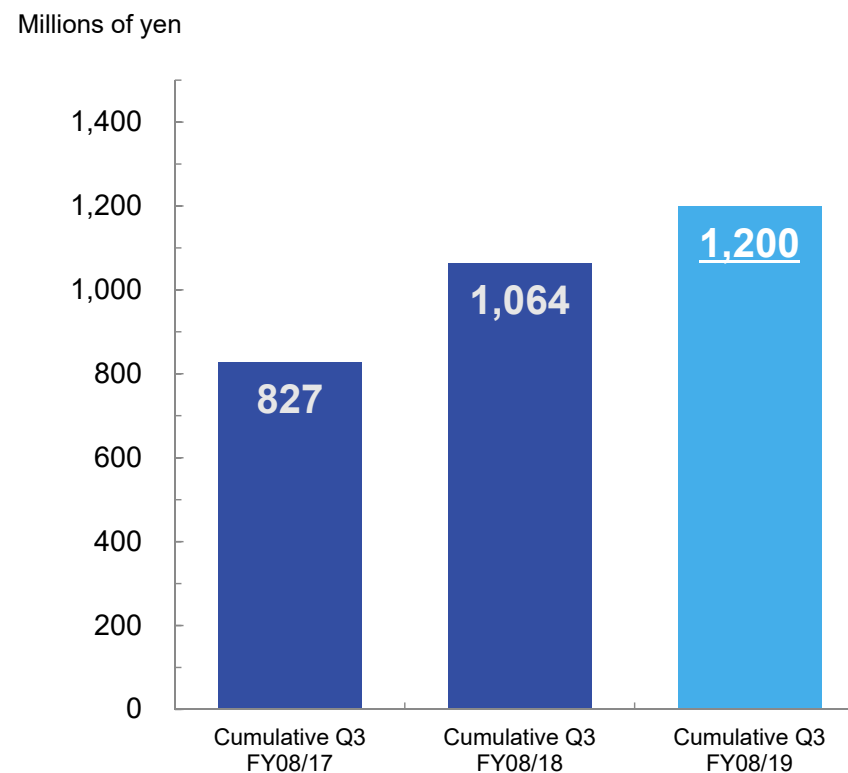
# Operating Performance in Cumulative Q3 FY08/19

In cumulative Q3 FY08/19, we closed 68 deals (+5 YoY), and achieved net sales of ¥3,413 million (+21.1% YoY) thanks to an increase in sales per deal. Ordinary profit came to ¥1,200 million (+12.8% YoY).

## Net Sales and Number of Deals Closed



## Ordinary Profit



# Year-on-Year Comparison

Net sales were up 21.1%. However, due to higher SG&A expenses accompanying an increase in headcount, operating profit only grew 12.9% to ¥1,199 million and ordinary profit 12.8% to ¥1,200 million.

Millions of yen

	Cumulative Q3 FY08/18		Cumulative Q3 FY08/19		
		% of net sales		% of net sales	YoY
Net sales	2,819	100.0%	3,413	100.0%	+21.1%
Cost of sales	1,031	36.6%	1,254	36.8%	+21.7%
Gross profit	1,788	63.4%	2,158	63.2%	+20.7%
Selling, general and administrative expenses	725	25.7%	958	28.1%	+32.2%
Operating profit	1,063	37.7%	1,199	35.1%	+12.9%
Non-operating income	1	0.1%	1	0.1%	+7.2%
Non-operating expenses	—	—	1	0.0%	—
Ordinary profit	1,064	37.8%	1,200	35.2%	+12.8%
Extraordinary income	—	—	—	—	—
Extraordinary losses	—	—	—	—	—
Profit before income taxes	1,064	37.8%	1,200	35.2%	+12.8%
Income taxes	347	12.3%	399	11.7%	+14.9%
Profit	717	25.4%	801	23.5%	+11.7%

## Breakdown of cost of sales

	Cumulative Q3 FY08/18	Cumulative Q3 FY08/19
Personnel expenses	697	796
Introduction fees	262	361
Others	71	96
<b>Cost of sales</b>	<b>1,031</b>	<b>1,254</b>

## Breakdown of selling, general and administrative expenses

	Cumulative Q3 FY08/18	Cumulative Q3 FY08/19
Personnel expenses	291	444
Advertising expenses	116	97
Rent	82	116
Others	235	299
<b>Selling, general and administrative expenses</b>	<b>725</b>	<b>958</b>

# Comparison of Financial Position vs. End-FY08/18

The acquisition of treasury shares resulted in a ¥518 million decrease in shareholders' equity, but this was more than offset by profit for the period, resulting in a recovery of total shareholders' equity above the end-FY08/18 level.

Millions of yen

	End-FY08/18	End-Q3 FY08/19			End-FY08/18	End-Q3 FY08/19	
	Balance	Balance	Change		Balance	Balance	Change
Cash and deposits	4,918	4,720	-197	Accounts payable—trade	75	84	+8
Accounts receivable—trade	152	155	+3	Income taxes payable	269	244	-25
Other	31	31	-0	Other	534	429	-104
Total current assets	5,102	4,907	-194	Total current liabilities	878	758	-120
Property, plant and equipment	80	96	+15	Total non-current liabilities	26	15	-11
Intangible assets	1	1	-0	Total liabilities	905	773	-132
Investments and other assets	234	389	+154	Share capital	823	823	—
Total non-current assets	316	487	+170	Capital surplus	801	801	—
				Retained earnings	2,880	3,507	+627
				Treasury shares	—	(518)	-518
				Total shareholders' equity	4,505	4,614	+108
				Valuation and translation adjustments/Share acquisition rights	8	7	-0
				Total net assets	4,513	4,621	+107
Total assets	5,419	5,394	-24	Total liabilities and net assets	5,419	5,394	-24

# Performance Highlights in Cumulative Q3 FY08/19

**In cumulative Q3 FY08/19, net sales were ¥3,413 million (+21.1% YoY) and ordinary profit was ¥1,200 million (+12.8% YoY). Although the number of deals closed fell short of our initial plan due to slightly longer project durations until closure, net sales and profit were generally in line with our initial plan. We aim to increase the number of deals closed in Q4 and achieve earnings surpassing our full-year forecast.**

## ■ Cumulative Q3 FY08/19 Financial Results

- In cumulative Q3, we closed 68 deals (+5 YoY, -22 vs. initial forecast). Project timelines until closure are growing slightly longer, resulting in fewer-than-expected deals closed.
- We closed four large deals (generating ¥100 million or more in sales per deal; +1 YoY), and overall fees per deal increased.
- We had 203 new contracts in cumulative Q3 (+34 YoY, +8 vs. initial forecast). Increased headcount helped make up for the delay in acquiring new contracts during 1H.
- Hiring progressed faster than we planned, as we added 37 new M&A consultants, for a total of 93 M&A consultants as of end-Q3.
- We relocated our Osaka sales office in March.

## ■ Targets and Initiatives for Q4 FY08/19

- Although growth in the number of deals closed is sluggish through Q3, we note that the number of new contracts is on an uptrend. Our target is to exceed our initial full-year forecast, through making up for the delay up to now and increasing the number of deals closed.
- In terms of hiring, we added more employees than we planned, and we believe the number of employees will exceed our initial plan at end-FY08/19.
- Thanks to increased headcount, we look to exceed our initial forecast for new contracts, and link this to net sales in FY08/20.
- We plan to roll out new measures aimed at making our “M&A Online” portal site profitable.

# Forecast for FY08/19

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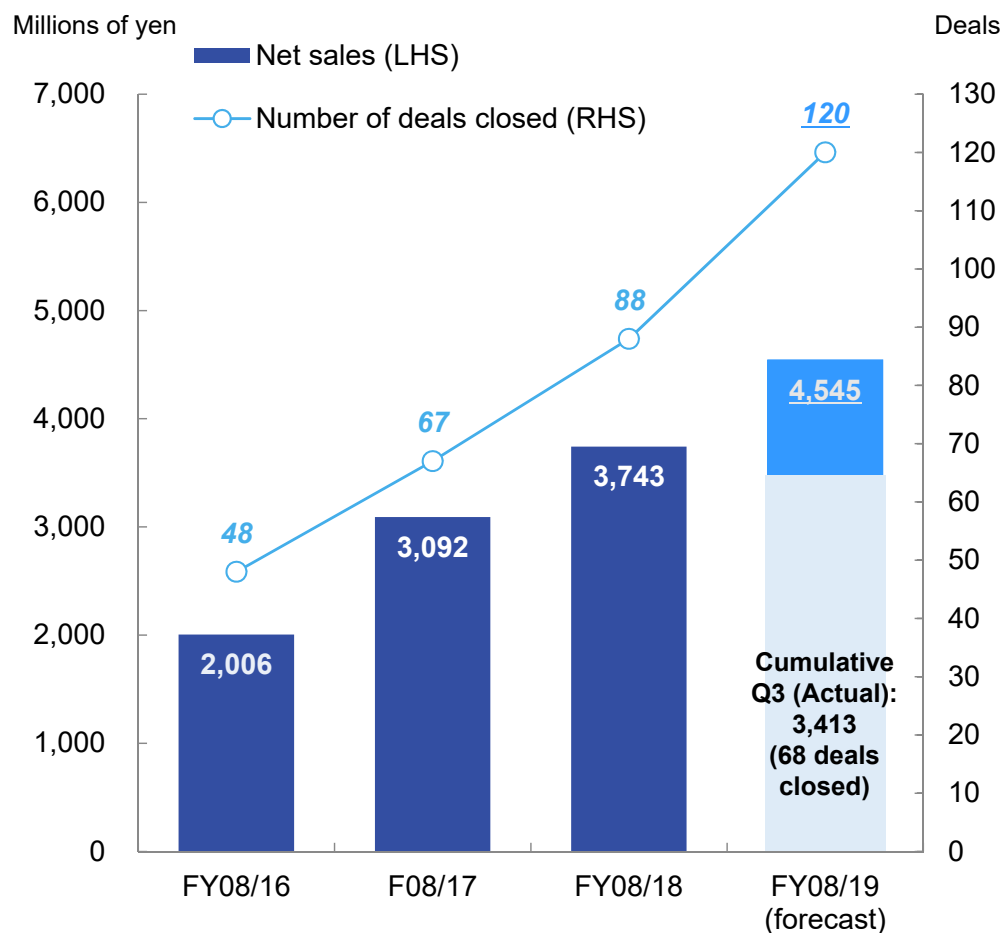




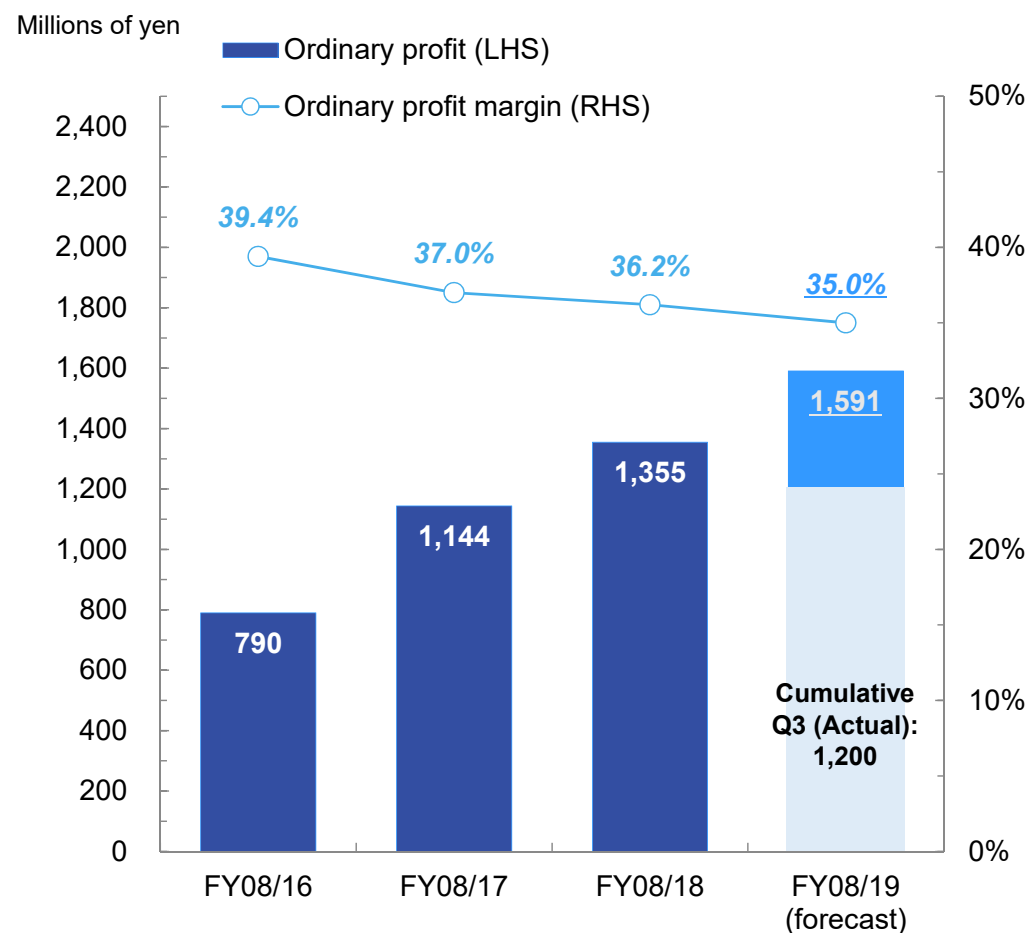
# FY08/19 Forecast

We made solid progress through Q3 toward achieving our initial forecasts of ¥4,545 million in net sales and ¥1,591 million in ordinary profit. In Q4, we aim to make up for the delay in the number of deals closed and exceed our initial forecasts.

## Net Sales and Number of Deals Closed

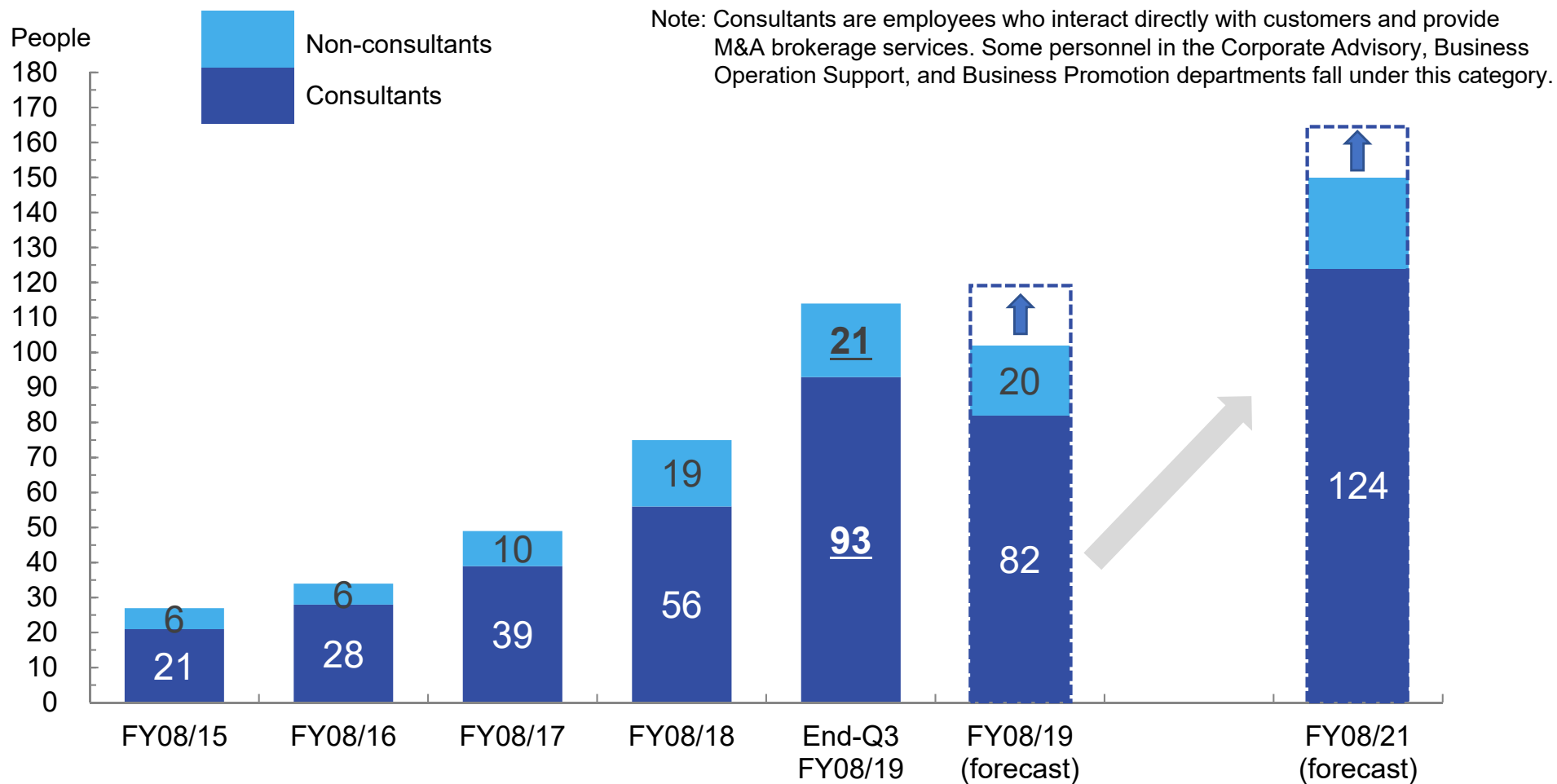


## Ordinary Profit and Ordinary Profit Margin



# Growing Number of Consultants

Although our initial plan was to have 82 consultants by end-FY08/19, we have already exceeded this target as of end-Q3. This is attributable to recruiting a larger number of talented personnel than we anticipated and adding 37 new consultants, resulting in a total of 93 consultants. We believe our hiring activities will continue to progress at a rate exceeding our plan.



# Turning the M&A Portal Site M&Aonline Profitable

## 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

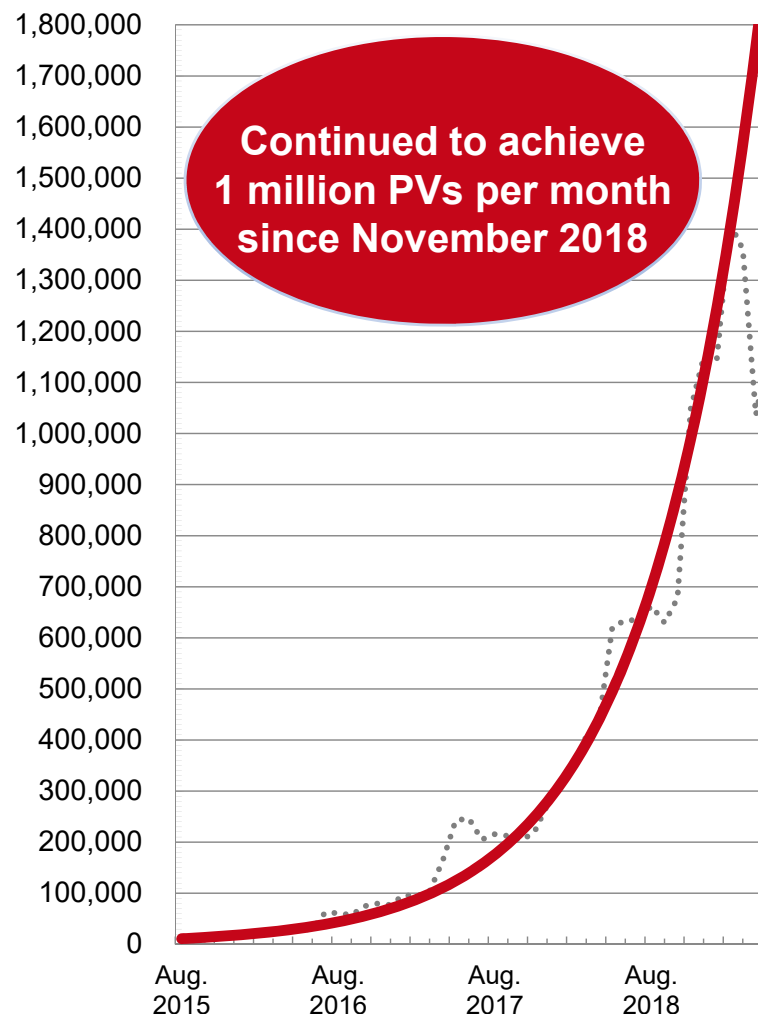


(<https://maonline.jp/>)

We plan to turn M&A Online profitable from Q4, through advertising and other measures.  
(Details scheduled to be disclosed in early July)

## Monthly Page Views for M&A Online

Page views

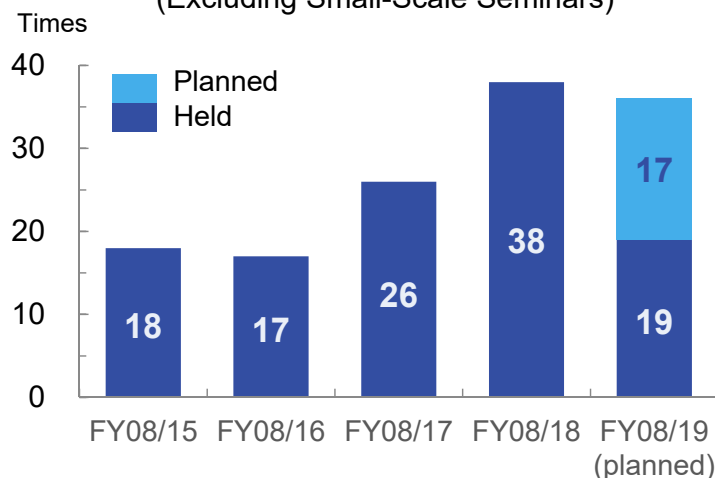


# Increasing and Streamlining Direct Contracts through Seminars

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 leads and contracts received directly.



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

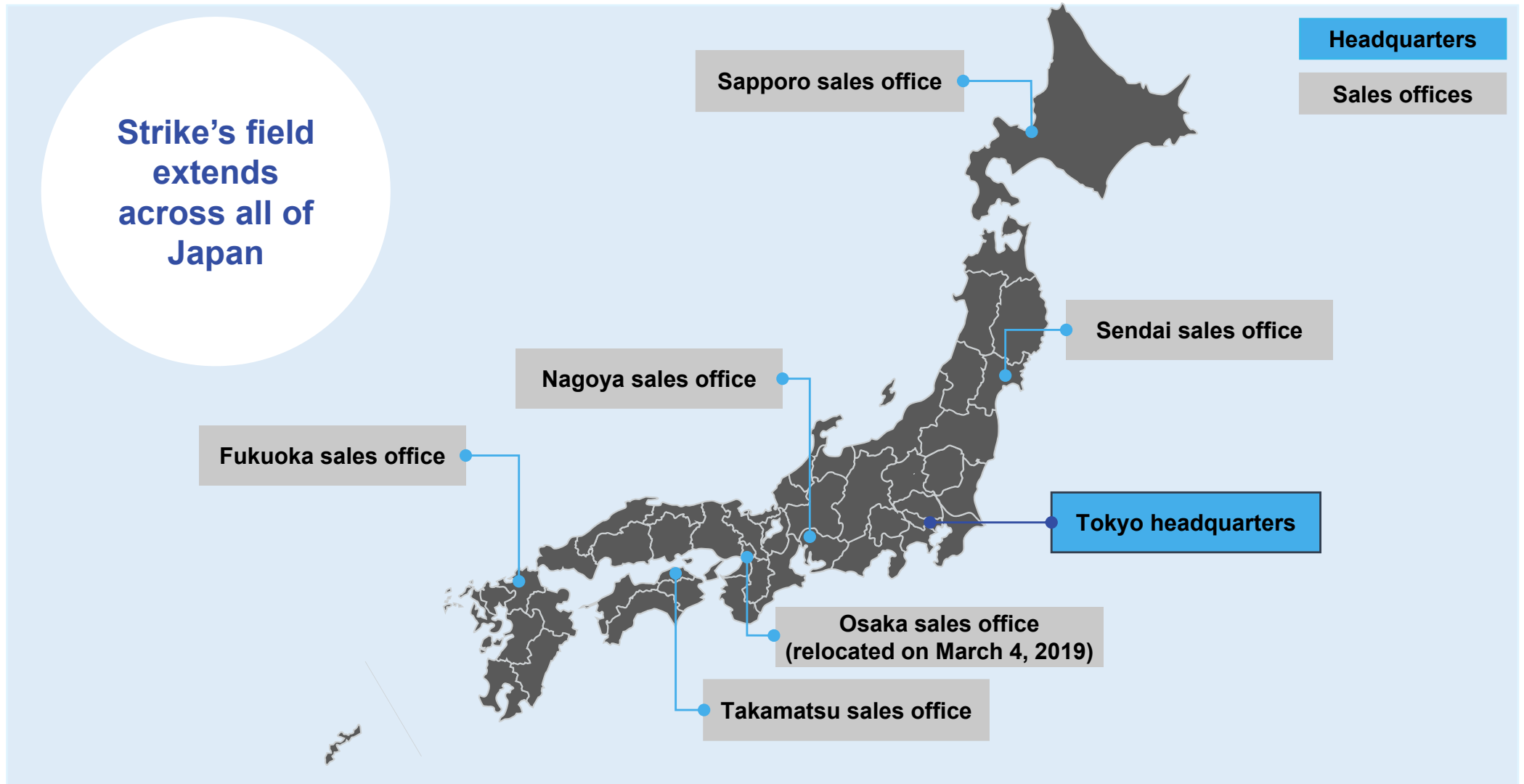


Nationwide Seminars Held and Planned for FY08/19

Date	Venue	Title
Oct.–Nov. 2018	Nagoya, Osaka, Sapporo, Fukuoka, Tokyo	Growth Strategies Utilizing M&A
Feb.–Mar. 2019	Tokyo, Osaka, Nagoya, Sapporo, Fukuoka	Business Management Keys to Continued Growth
Apr. 2019	Tokyo	Guide to M&A for Startups: How to Defend and Grow Your Business
May–Jun. 2019	Tokyo, Osaka, Nagoya	Seminar for Pharmacy Owners: Management Strategies for Survival
Jun. 2019	Tokyo, Nagoya	Sustainable Growth Strategies to Cope with Changes in the Business Environment
Jun. 2019	Kawasaki, Hiroshima, Tokyo	New Seminar for Business Owners on Growth Strategy through M&A
Jul. 2019 (planned)	Takamatsu, Nagoya, Sapporo, Osaka, Fukuoka, Omiya, Shizuoka, Kumamoto, Hakodate, Yokohama, Niigata, Funabashi, Tachikawa, Sendai	New Seminar for Business Owners on Growth Strategy through M&A
Jul. 2019 (planned)	Osaka, Nagoya, Tokyo	The Changing Landscape of the Insurance Industry and Utilizing M&A for Insurance Sales

# Establishing a Regional Sales Network

We relocated our Osaka sales office in 2H (on March 4, 2019), as we look to increase the number of personnel and boost sales performance in the Kansai region.



# Expanding New Business Partners and Strengthening Ties with Existing Partners

We newly partnered with the Tohoku Licensed Public Tax Accountant Cooperative and the Shiga Licensed Tax Accountant's Cooperative. We will continue to expand our partnerships with financial institutions, professionals, and investment companies. We plan on strengthening our ties with existing partners through personnel exchanges and possible capital alliances.



# 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.

<b>Allocated to</b>	2 executives, 36 employees (as of August 31, 2018)
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	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.**

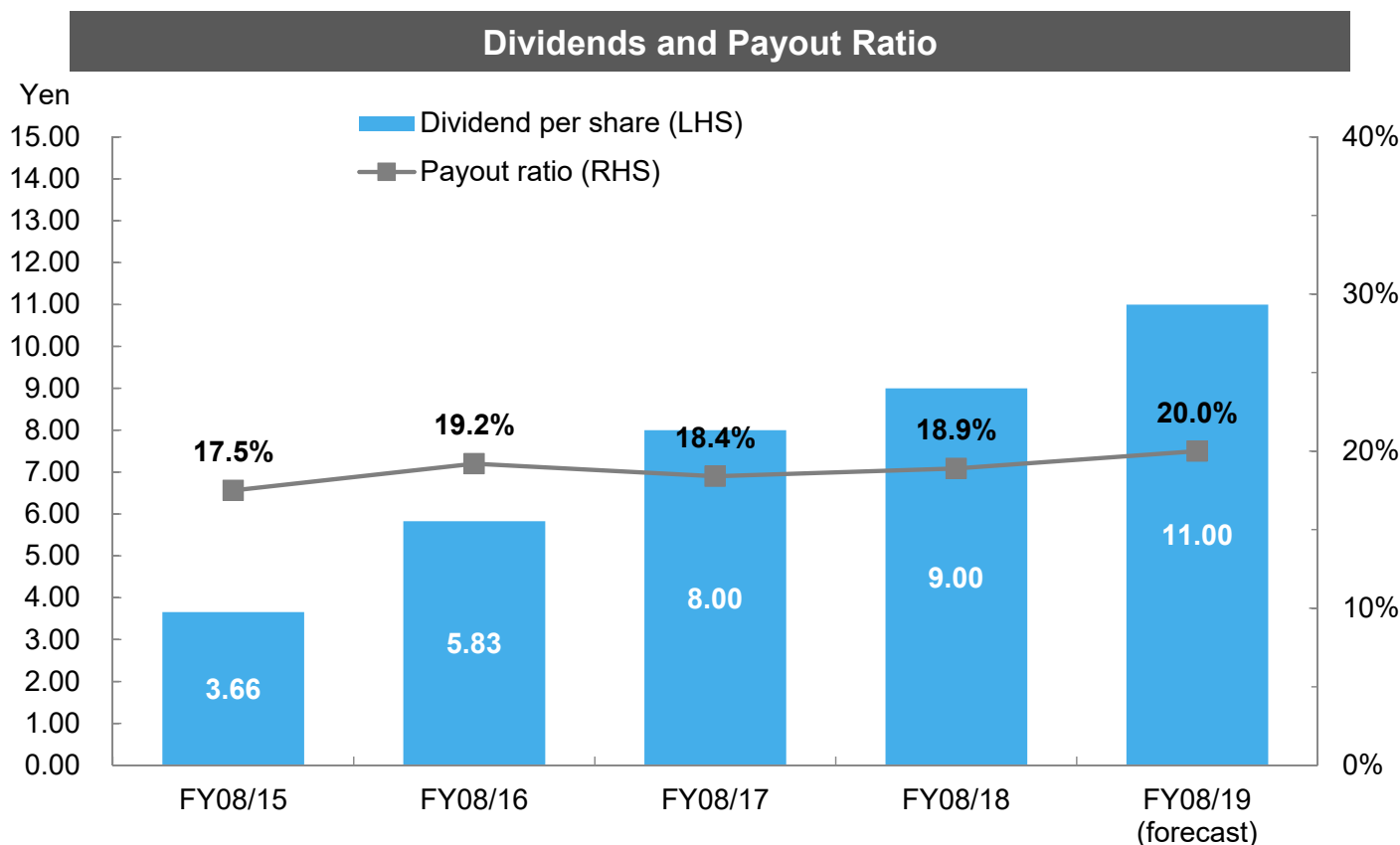
**FY08/19 is a transitional period toward achieving exercise condition (2) in FY08/20.**

# Forecast for Shareholder Returns

**Dividends:** We target a dividend payout ratio of 20%. We look to increase the dividend from ¥9 per share in FY08/18 to ¥11 per share in FY08/19.

**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).

**Share buybacks:** We acquired 250,000 treasury shares (1.3% of issued shares) in a bid to improve ROE and distribute profits to shareholders.



Note: Dividends per share figures reflect stock splits conducted on February 29, 2016, December 1, 2016, and June 1, 2018.



# Market Trends

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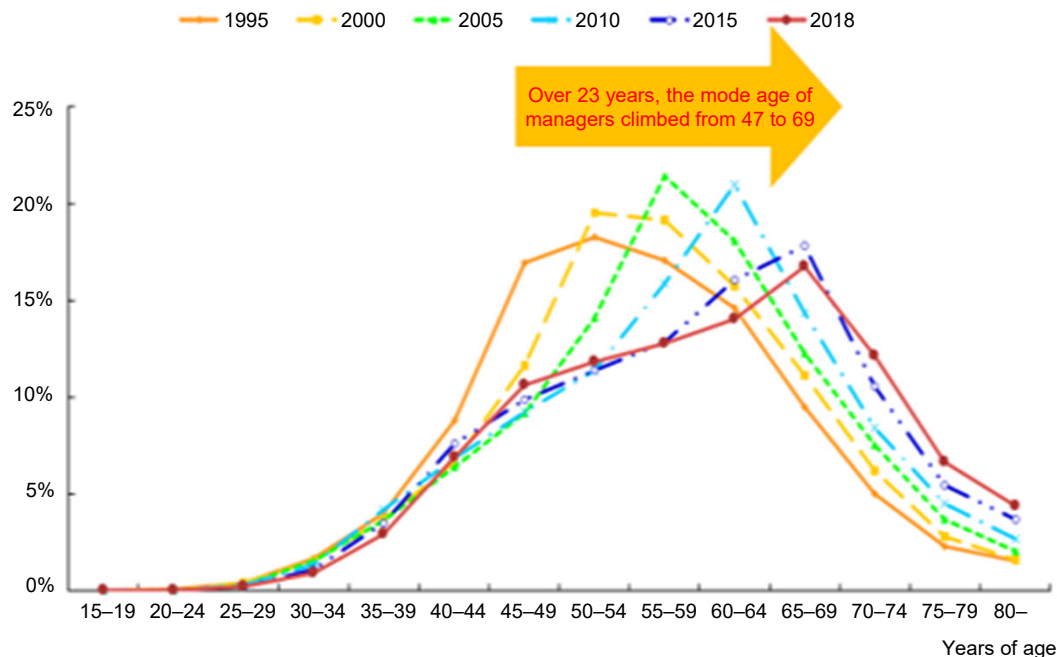
# Market Trends: Business Succession M&A Market Expected to Continue Expanding in Japan

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

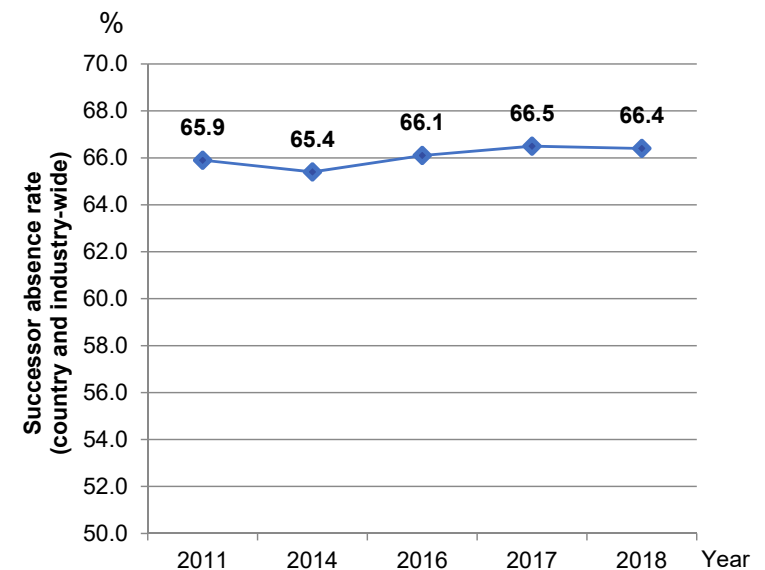
Age Distribution of Small and Medium-Sized Enterprise Managers



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, 2018)



Source: Teikoku Databank, Ltd., Nationwide Field Study regarding Companies Facing Successor Issues (2018)



Of the roughly **276,000 companies** surveyed, **66.4%** (over 180,000) have no successor in place.

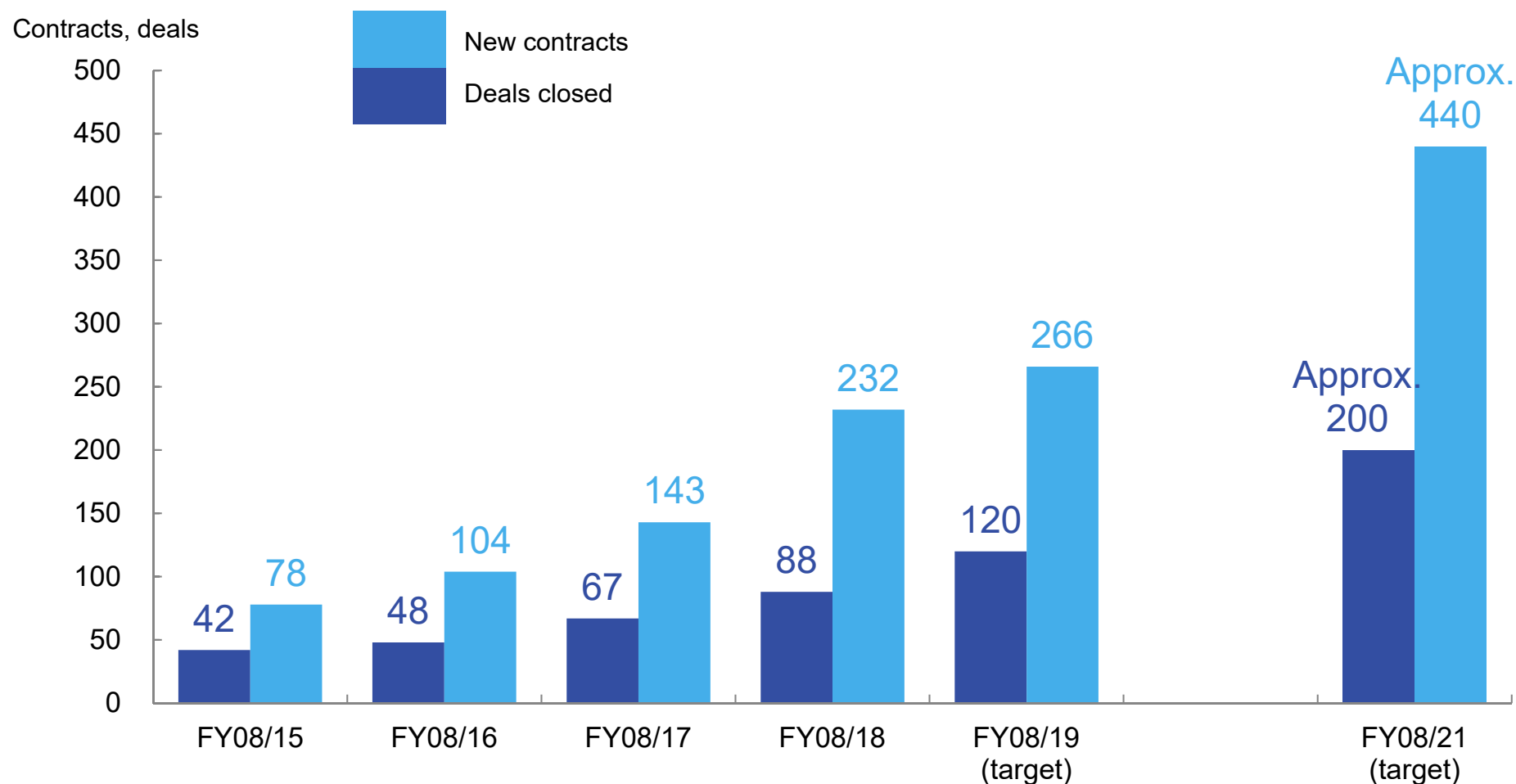
# Medium- to Long-Term Management Policy

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# Results and Targets for New Contracts and Deals Closed

We expect growth in new contracts to be modest in FY08/19, mainly due to a high year-earlier comparison (as new contracts exceeded our forecast in FY08/18), and the fact that growth in new contracts is typically dependent on growth in the number of personnel. We aim to achieve 200 deals closed per year by FY08/21. 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 online functions

1. Increase convenience of, and access to, M&A Market SMART
2. Enhance the value of M&A Online

### 2. Strengthen new contract sources

1. Expand partners
2. Hold effective seminars and PR activities
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

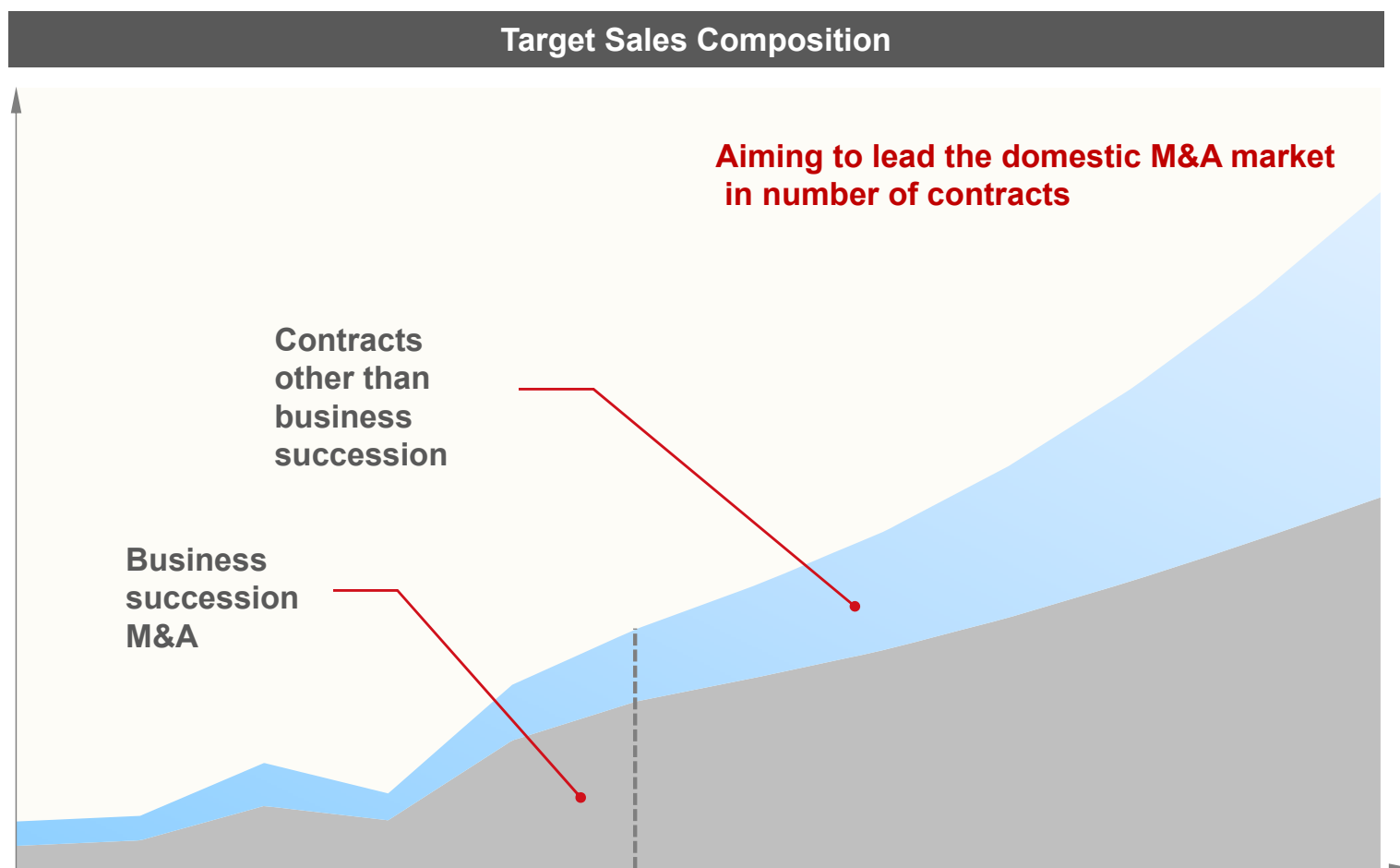
1. Support operational streamlining by improving internal systems with IT
2. Accumulate and enhance acquisition database

**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 Contracts

We aim to increase our share of the market for business succession M&A and actively pursue contracts in new fields to become the leader in the M&A brokerage market in Japan. Over the medium term, we intend to increase sales at over 20% per year.

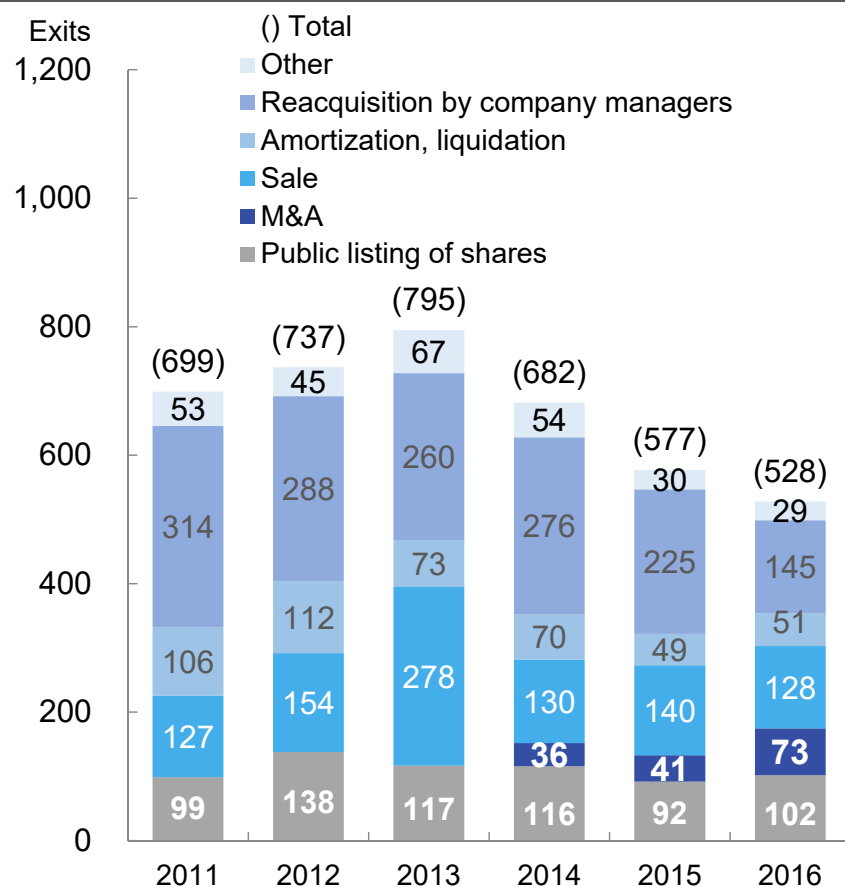


- **Medium-to long-term focus on becoming the leader in the Japanese M&A market in number of contracts**
- **Contracts other than business succession:**  
Cultivate the M&A business as an exit strategy for startup companies
- **Business succession M&A:**  
Market is forecast to expand for several years, but dependence on business succession contracts is expected to decline due to an increase in the types of contracts indicated above.

# Growing Needs for M&A as an Exit Strategy for Startups

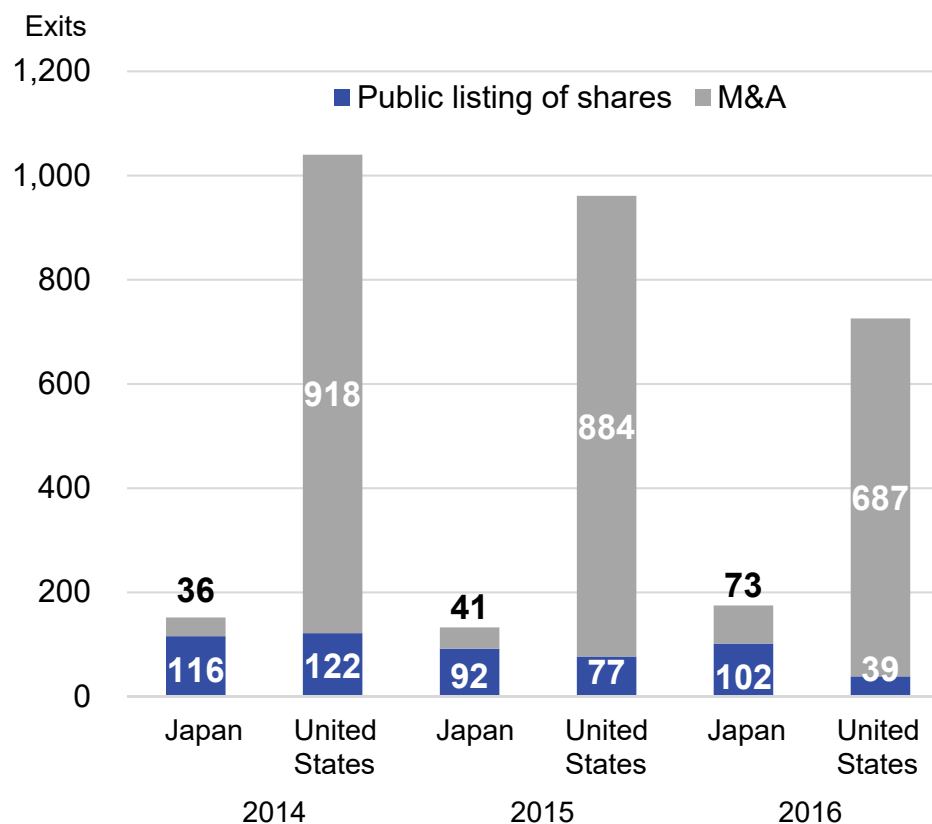
For Japanese startup companies, exits tend to be skewed toward IPOs, whereas M&A are mainstream in the United States. M&A exits are also increasing in Japan but their percentage of total exits is still low compared to the United States, suggesting a strong likelihood of a further increase in the future.

Venture Capital Exits in Japan



Source: 2018 White Paper on Small and Medium Enterprises  
(Data: Venture Enterprise Center's VEC Yearbook 2017)

Comparison between Number of IPOs and M&A Exits for Startup Investments in the United States and Japan



Source: 2018 White Paper on Small and Medium Enterprises  
(Data: Produced by the Small and Medium Enterprise Agency using the Venture Enterprise Center's VEC Yearbook 2017)

# Increasing Contracts for Exits of Startups

By building up our network of entrepreneurs and startup companies, we aim to focus on cultivating an M&A market targeting startup company exits. In FY08/18, we closed nine M&A deals involving startup companies that have been acquired within five years of their establishments (about 10% of total deals closed) through our brokerage services.





# Company Overview

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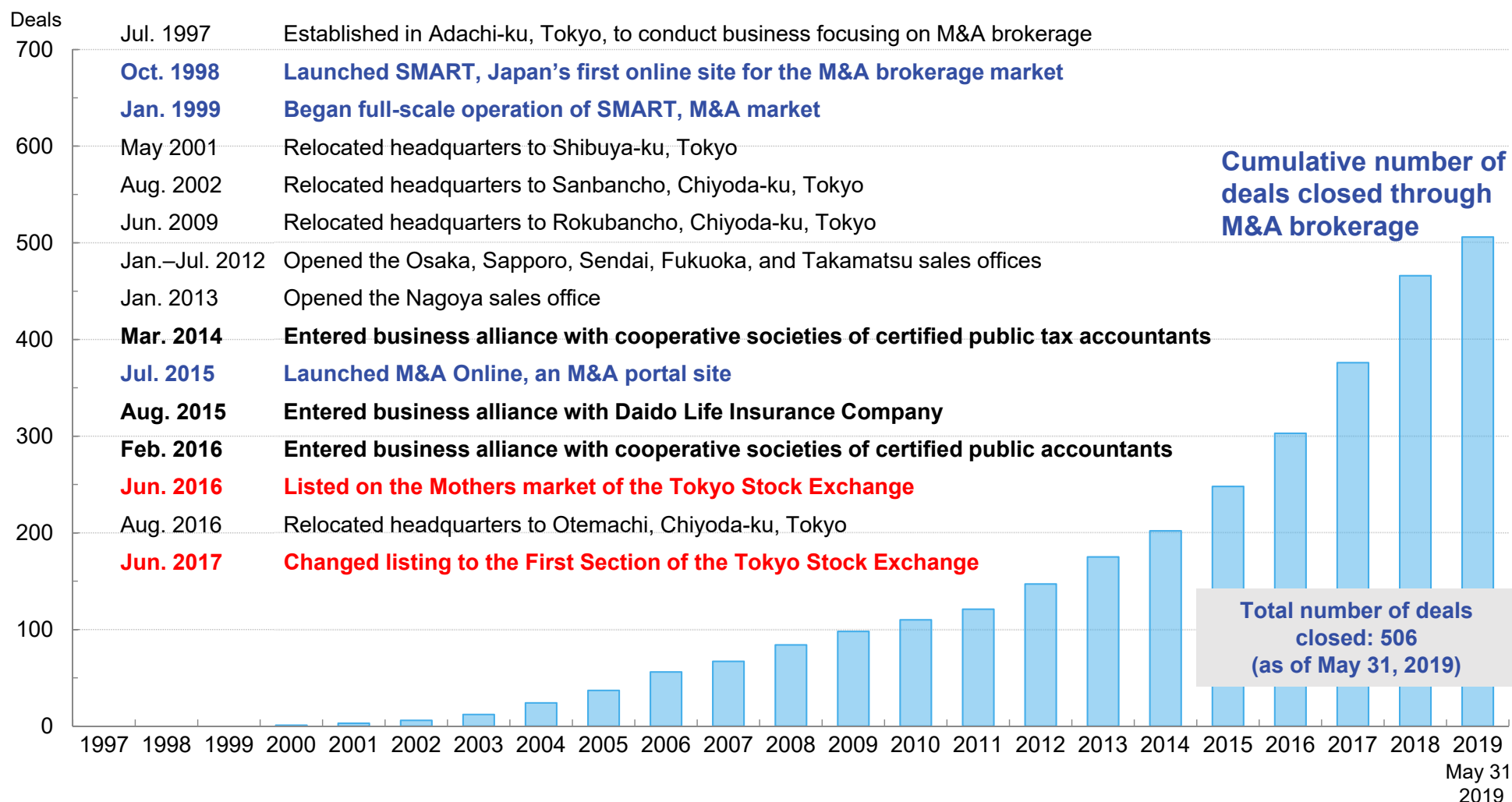
# Company Overview

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 offer M&A brokerage services focusing on the succession of small and medium enterprises, which is one of the serious issues facing Japan.

Company name	Strike Co., Ltd.
Established	July 1997
Capital stock	¥823 million (as of May 31, 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	114 (excluding temporary staff, as of May 31, 2019)
Net sales, operating profit	Net sales ¥3,743 million, operating profit ¥1,352 million (operating profit margin 36.1%) in FY08/18
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 satisfying clients through M&A deals that create value for both parties.

## 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 searching for potential buyers not only through our consultants but also by actively using our M&A Market SMART, 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

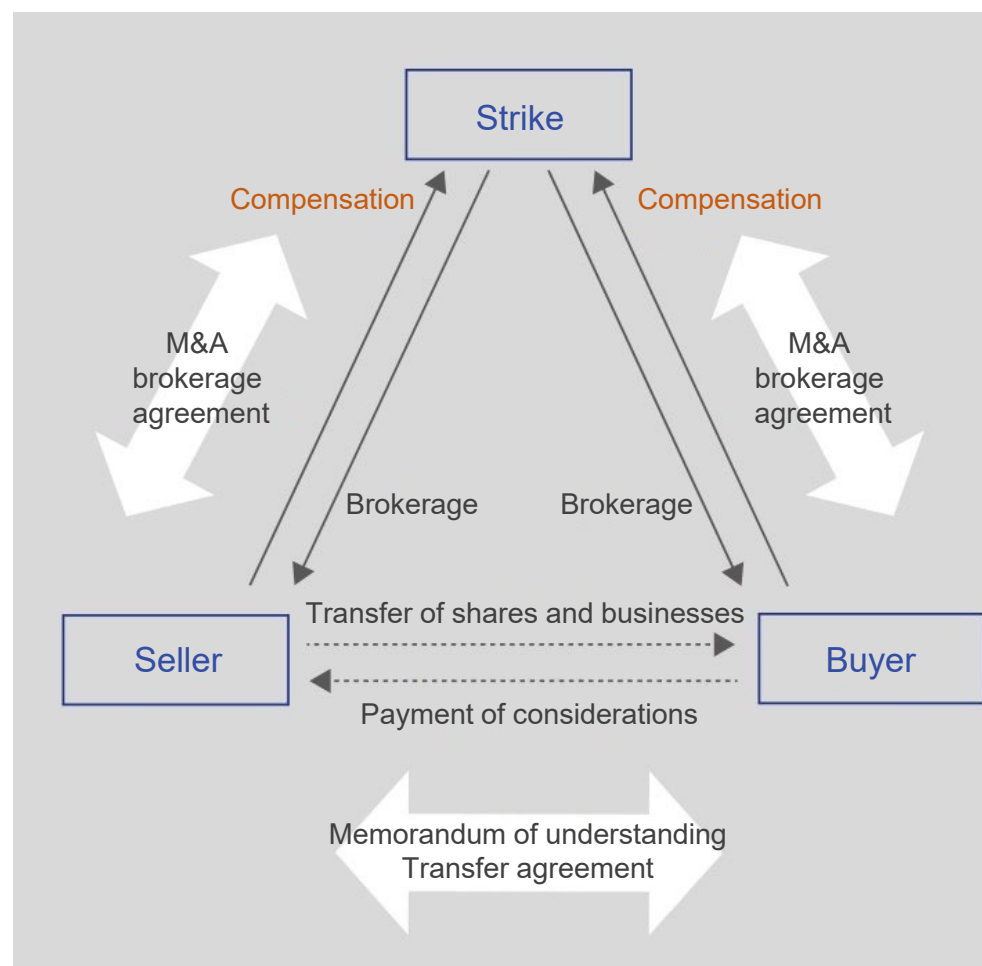
#### Seller

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

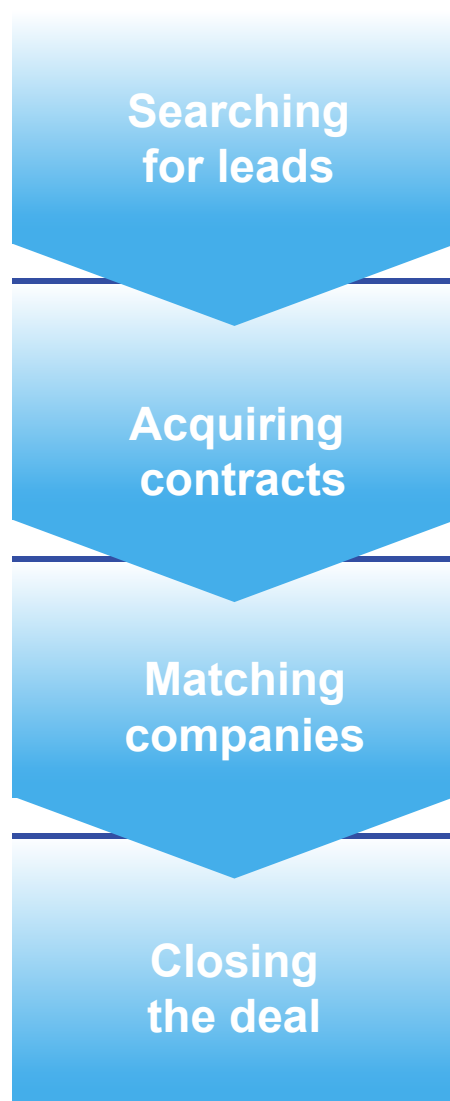
Market value of total assets at transfer	Rate
Portion below ¥500 mn	5%
Portion from ¥500 mn to ¥1.0 bn	4%
Portion from ¥1.0 bn to ¥5.0 bn	3%
Portion from ¥5.0 bn to ¥10.0 bn	2%
Portion above ¥10.0 bn	1%

## M&A Brokerage Earnings Model



# Flow of M&A Brokerage Business

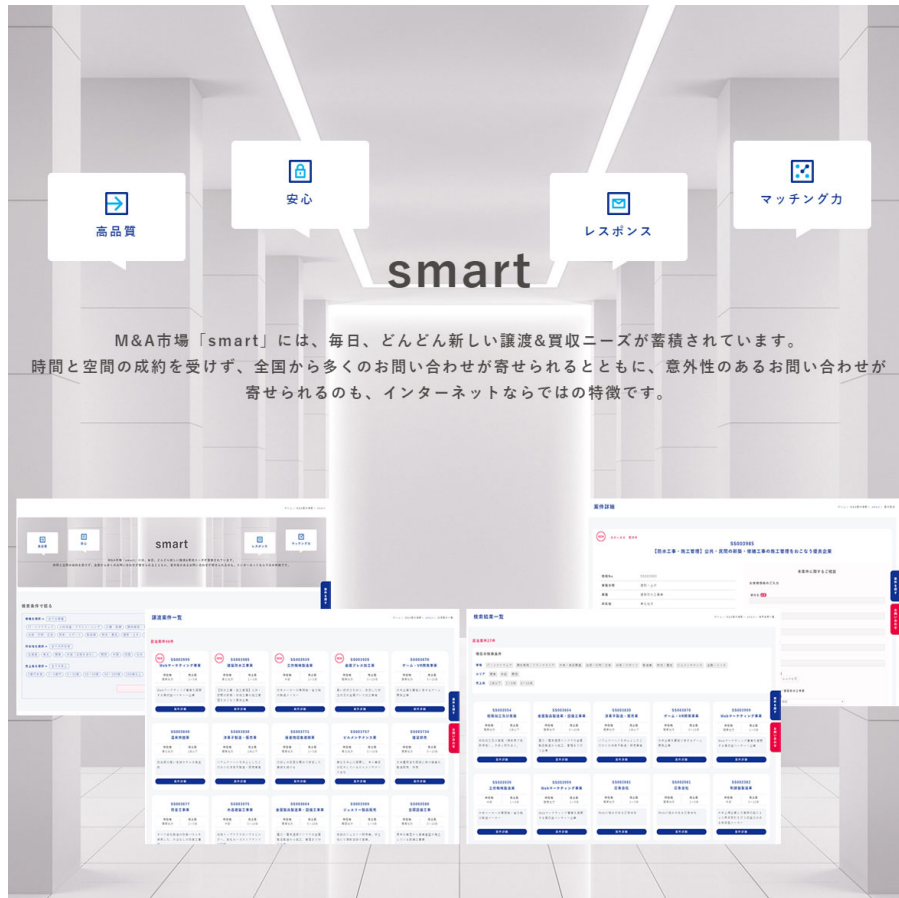
The brokerage process consists of searching for leads, acquiring contracts, matching companies, and closing the deal.



- 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**



## Advantages to using SMART

- Increases the number of choices for selling companies, and increases the possibility of selling the company to a good partner 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)

URL

<https://www.strike.co.jp/smart/>

(Accessible by anyone)

# 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.
- 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 (June 28, 2019). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.