

# **Financial Results and Future Measures**

## **Year Ended August 31, 2019 (FY08/19)**

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

**October 7, 2019**

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While increasing the number of business succession M&A deals, we will address the growing M&A needs for other purposes. Over the long term, we aspire to become the leader in the number of M&A deals. In the near term, we aim to close 200 deals per year two years from now, and 250 three years from now.

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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 FY08/19

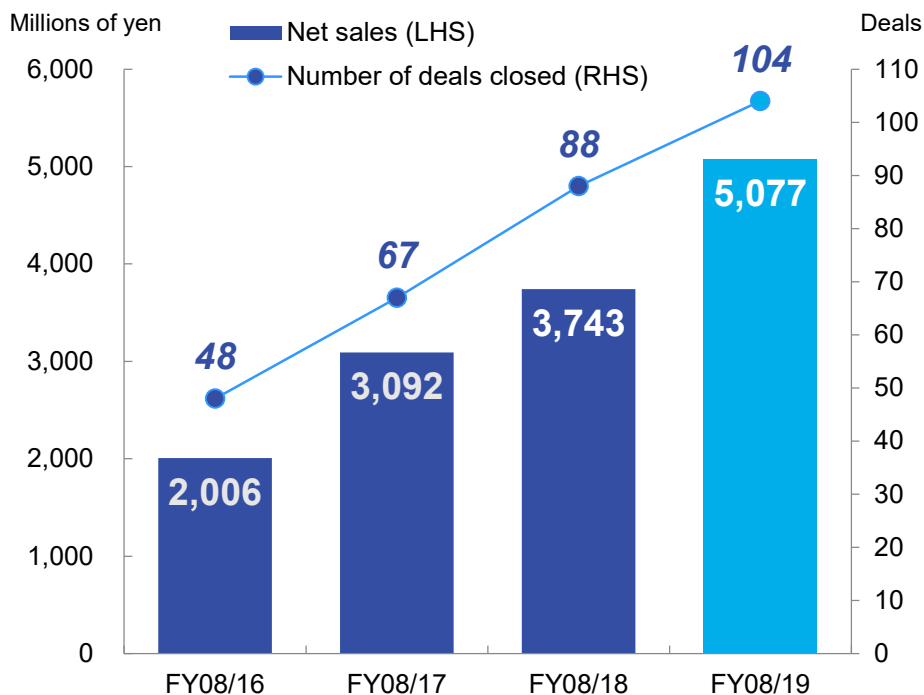
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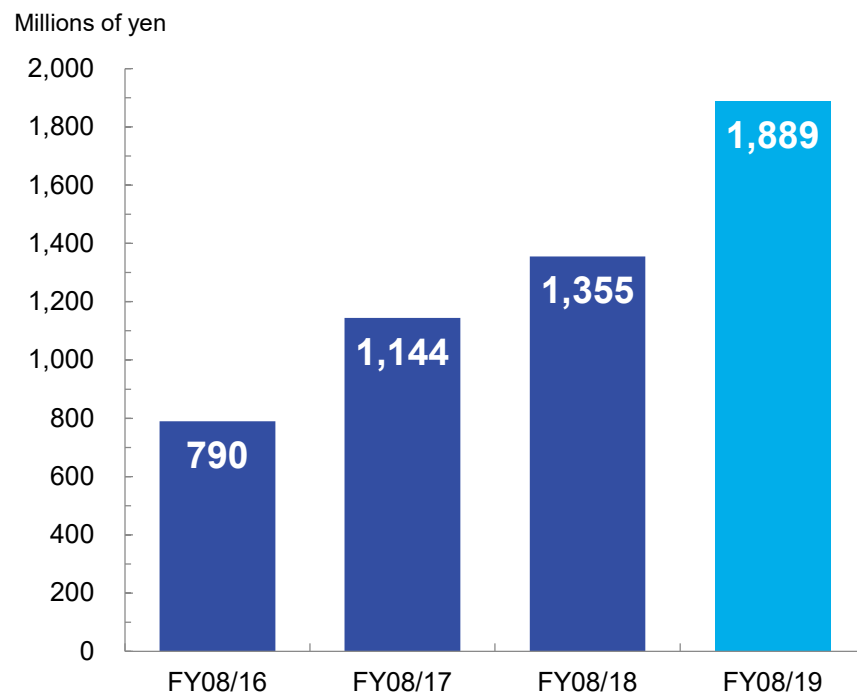
# FY08/19 Operating Performance

We achieved record high results in FY08/19, with 104 deals closed (+18.2% YoY), ¥5,077 million in net sales (+35.6% YoY), and ¥1,889 million in ordinary profit (+39.4% YoY).

## Net Sales and Number of Deals Closed



## Ordinary Profit



# Year-on-Year Comparison

Cost of sales rose ¥485 million on personnel expansion and an increase in deal introductions. Although SG&A expenses rose ¥314 million due to the headcount increase and expenses accompanying office relocation and expansion, the operating profit margin improved roughly 1pp.

Millions of yen

	FY08/18		FY08/19		
		% of net sales		% of net sales	YoY
Net sales	3,743	100.0%	5,077	100.0%	+35.6%
Cost of sales	1,424	38.1%	1,910	37.6%	+34.0%
Gross profit	2,318	61.9%	3,167	62.4%	+36.6%
Selling, general and administrative expenses	965	25.8%	1,280	25.2%	+32.6%
Operating profit	1,352	36.1%	1,886	37.2%	+39.5%
Non-operating income	2	0.1%	3	0.1%	+59.8%
Non-operating expenses	—	—	1	0.0%	—
Ordinary profit	1,355	36.2%	1,889	37.2%	+39.4%
Extraordinary income	0	0.0%	0	0.0%	-37.5%
Profit before income taxes	1,355	36.2%	1,889	37.2%	+39.4%
Income taxes	435	11.6%	547	10.8%	+25.6%
Profit	919	24.6%	1,342	26.4%	+45.9%

## Breakdown of cost of sales

	FY08/18	FY08/19
Personnel expenses	921	1,196
Introduction fees	394	569
Others	109	143
<b>Cost of sales</b>	<b>1,424</b>	<b>1,910</b>

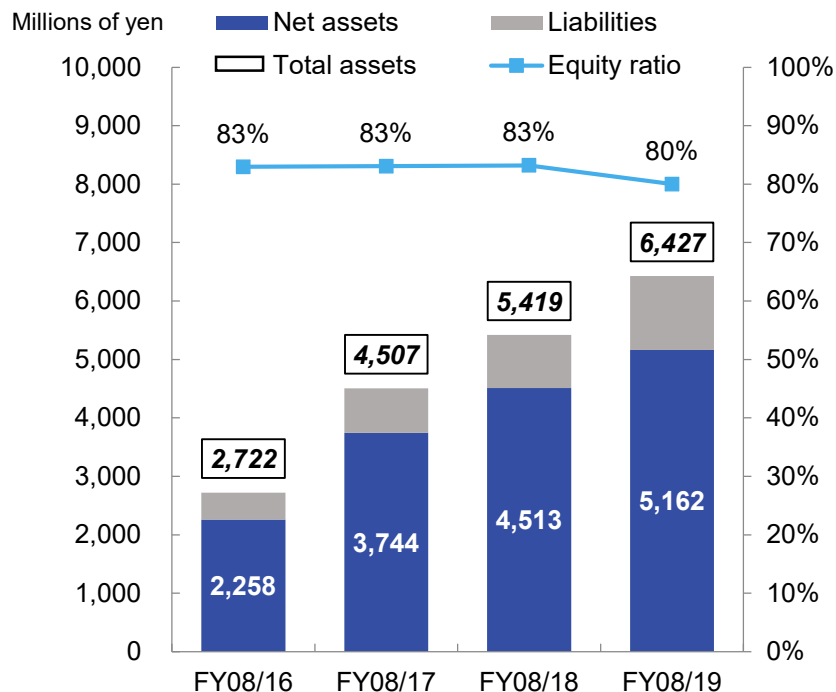
## Breakdown of selling, general, and administrative expenses

	FY08/18	FY08/19
Personnel expenses	359	590
Advertising expenses	159	128
Rent	119	157
Consumables	42	31
Others	283	372
<b>Selling, general and administrative expenses</b>	<b>965</b>	<b>1,280</b>

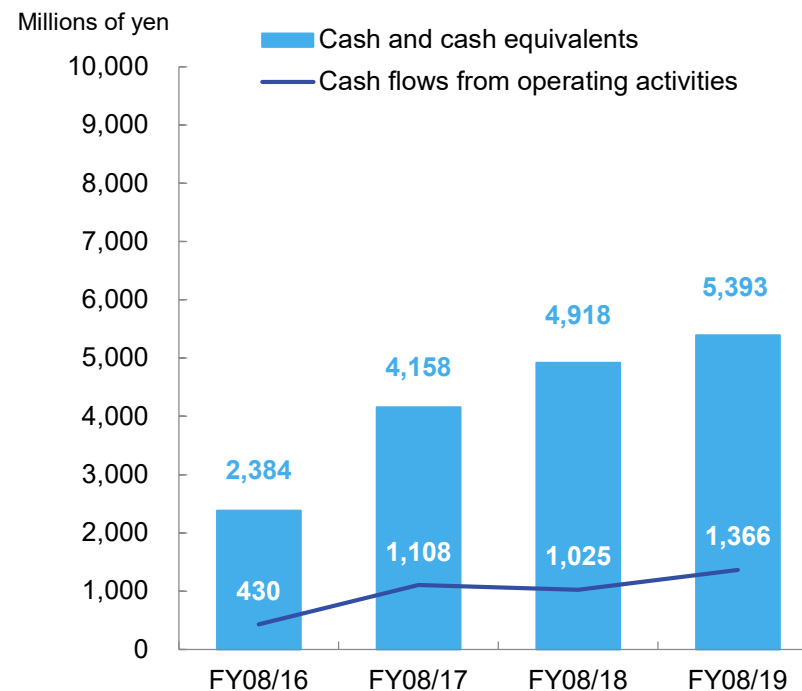
# FY08/19 Financial Position

As of end-FY08/19, total assets were ¥6,427 million, up ¥1,008 million YoY. Net assets came to ¥5,162 million, up ¥648 million YoY. The equity ratio declined 3pp YoY due to the purchase of treasury shares (¥518 million).

## Total Assets and Net Assets



## Cash and Cash Equivalents



# FY08/19 Performance Highlights

Net sales, ordinary profit, and profit increased YoY, and all achieved initial forecasts.

ROE increased from 22.3% in FY08/18 to 27.8% in FY08/19.

## FY08/19 Financial Results

- **Net sales** of ¥5,077 million, +35.6% YoY, +11.7% vs. initial forecast
- **Ordinary profit** of ¥1,889 million, +39.4% YoY, +18.7% vs. initial forecast
- **Profit** of ¥1,342 million, +45.9% YoY, +25.9% vs. initial forecast

## Performance versus Annual Targets

- We had targeted 120 deals closed (+32 YoY), but the actual **number of deals closed** fell short of target at **104 (+16 YoY)**.
- We exceeded our goal of 266 new contracts (+34 YoY) by 23, with the actual **number of new contracts** coming to **289 (+57 YoY)**.

## FY08/19 Operating Performance

- We closed a record number of deals and achieved record high net sales. The number of deals closed fell short of our target, but we closed **six** large deals (generating ¥100 million or more in sales per deal; +3 YoY), and overall fees per deal increased. As a result, we achieved our net sales target.
- The time required to close deals rose compared to before mainly because the growth in large deals and other factors drove an increase in deals involving large buyer companies.
- We **added 42 M&A consultants**, bringing the total to **96 as of end-FY08/19**. We worked to strengthen personnel at our regional offices, relocated our Osaka sales office, and strengthened regional sales further.
- Our capital efficiency improved through the purchase of treasury shares (¥518 million).

# Key Activities in FY08/19

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## Key events and developments in FY08/19

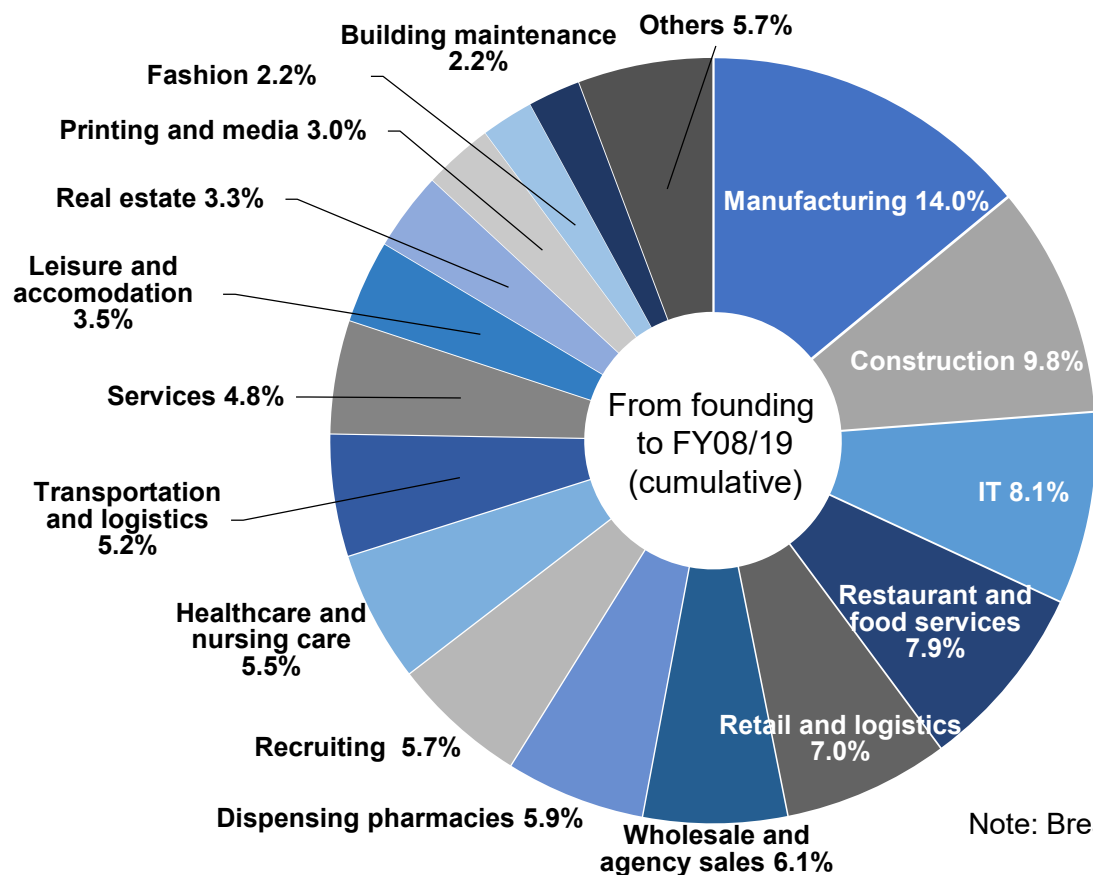
- November 2018** M&A Online registered over 1 million monthly page views
- January 2019** Partnered with Tohoku Licensed Public Tax Accountant Cooperative
- March 2019** Relocated Osaka sales office
- April 2019** Fully revamped M&A Market SMART and corporate websites
- April 2019** Partnered with Shiga Licensed Tax Accountant's Cooperative
- April 2019** Held first M&A seminar for startup companies
- July 2019** Launched new services on M&A Online
- July 2019** Featured over 300 times in newspapers, TV, and other media in one year
- August 2019** Signed new lease agreement to enable headquarters expansion (effective from September)
- August 2019** Included in the JPX-Nikkei Mid and Small Cap Index in FY2019



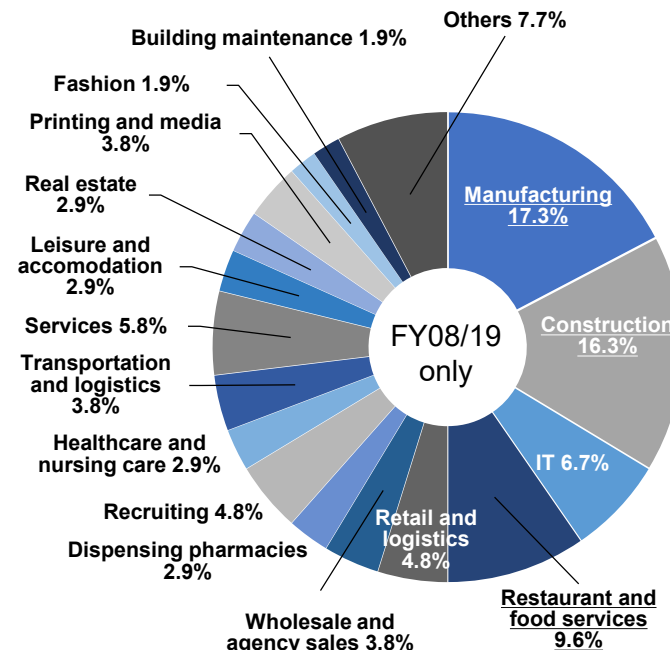
# Using the Internet to Respond to Various Types of Business

We facilitate M&A in a variety of business categories, while avoiding being confined to a specific industry. In FY08/19, we closed the highest number of deals in the following three business categories: (1) manufacturing, (2) construction, and (3) restaurant and food services.

M&A Deals Closed by Business Category



FY08/19 shares by business category



Note: Breakdown by category of business sold

# Forecast for FY08/20

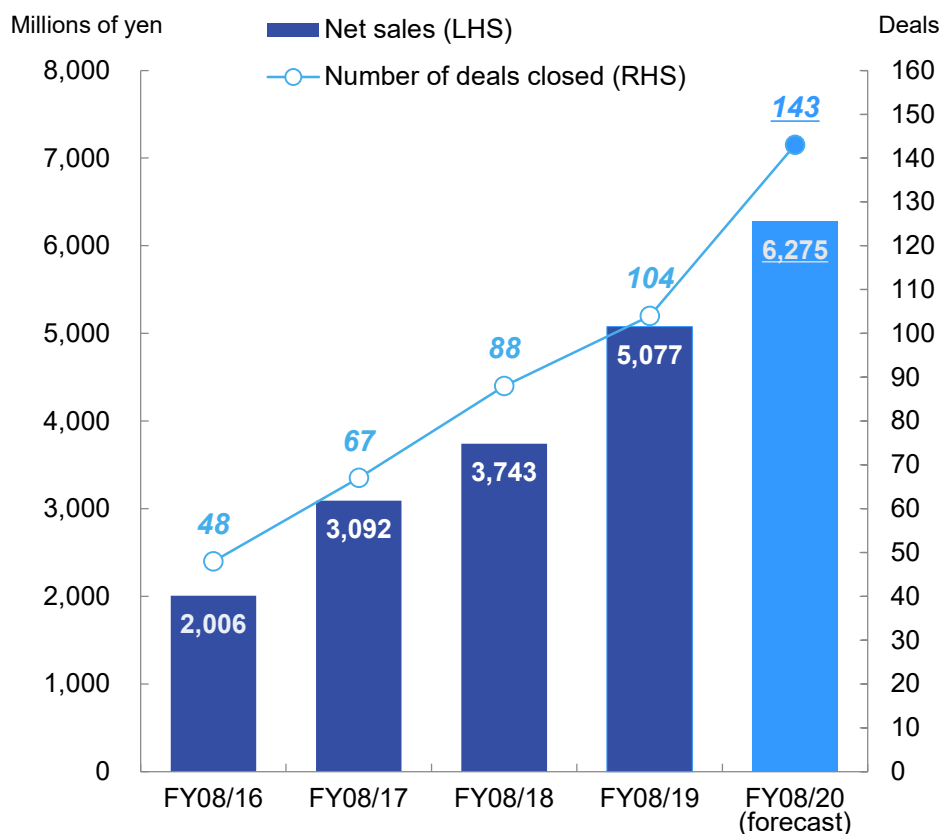
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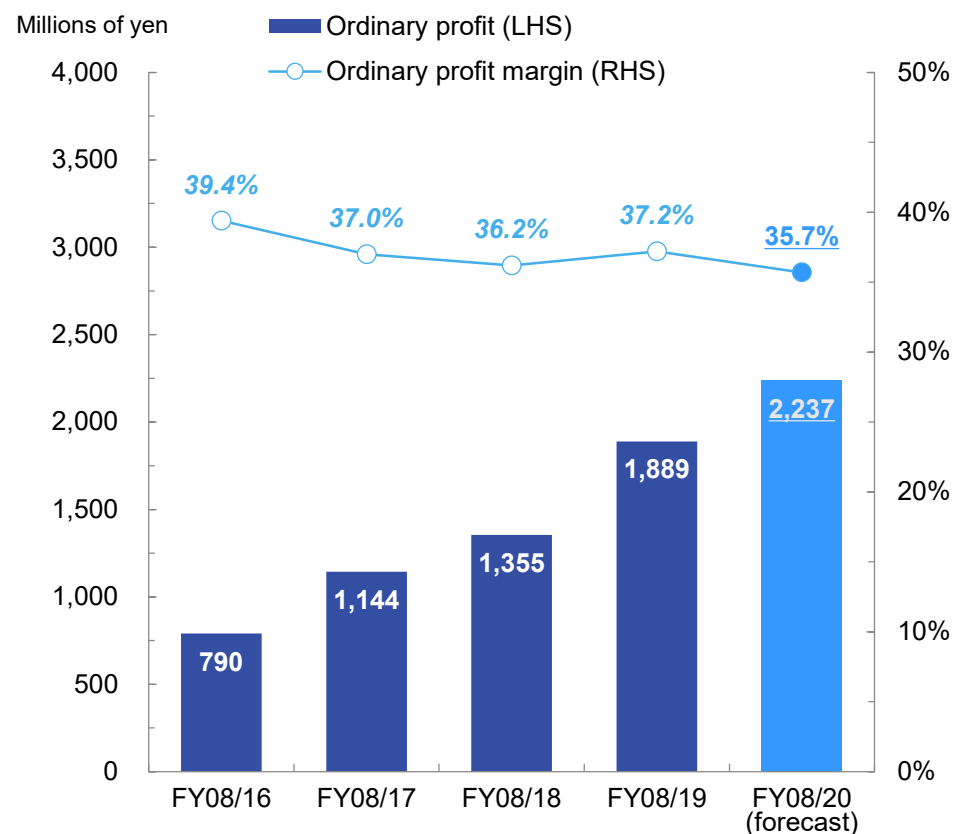
# FY08/20 Forecast

Based on the number of new contracts received as of the beginning of the fiscal year, we forecast 143 deals closed and net sales of ¥6,275 million. We also forecast ordinary profit of ¥2,237 million and a slight drop in the ordinary profit margin as expenses accompanying the FY08/19 headcount increase and office relocation will be incurred over the full year and advertising expenses to acquire new contracts will rise.

## Net Sales and Number of Deals Closed



## Ordinary Profit and Ordinary Profit Margin



# FY08/20 Forecast

We forecast net sales of ¥6,275 million (+23.6% YoY) and ordinary profit of ¥2,237 million (+18.4% YoY). We also expect operating profit to surpass our management objective of ¥2,000 million.

## ■ FY08/20 Forecast

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

## ■ Non-Monetary Targets

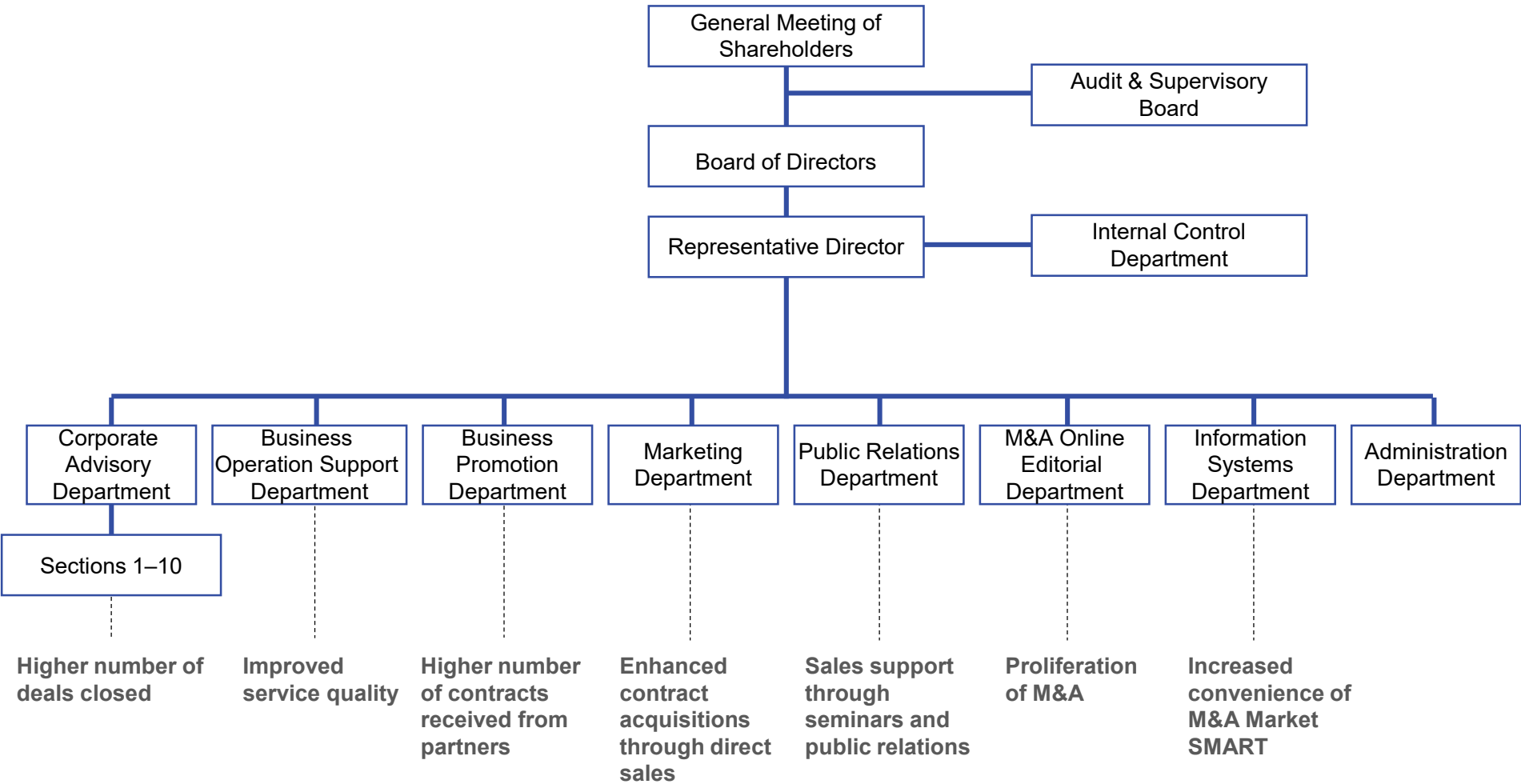
- **Close 143 deals**, +39 YoY
- **Receive 358 new contracts**, +69 YoY
- **Increase number of M&A consultants** to 121 by end-FY08/20, +23 YoY

## ■ Supplemental Information on Earnings Forecasts, Management Measures

- Although the number of new large prospective contracts is increasing, we only factored in **four** large closed deals into our forecasts in light of lingering uncertainties.
- We do not expect impact from the consumption tax hike, but assume the Tokyo Olympics may cause minor delays in deal progression in Q4.
- We plan to add consultants, but our first aim in FY08/20 is to secure profit contributions from consultants who joined in FY08/19.
- We aim to increase new contracts through aggressive advertising in an effort to drive further growth from FY08/21.
- We expanded our headquarters and plan to relocate our Sendai sales office.
- We target higher adoption of our new services on M&A Online Market.
- **We plan to book ¥225 million in extraordinary income from the sale of investment securities.**

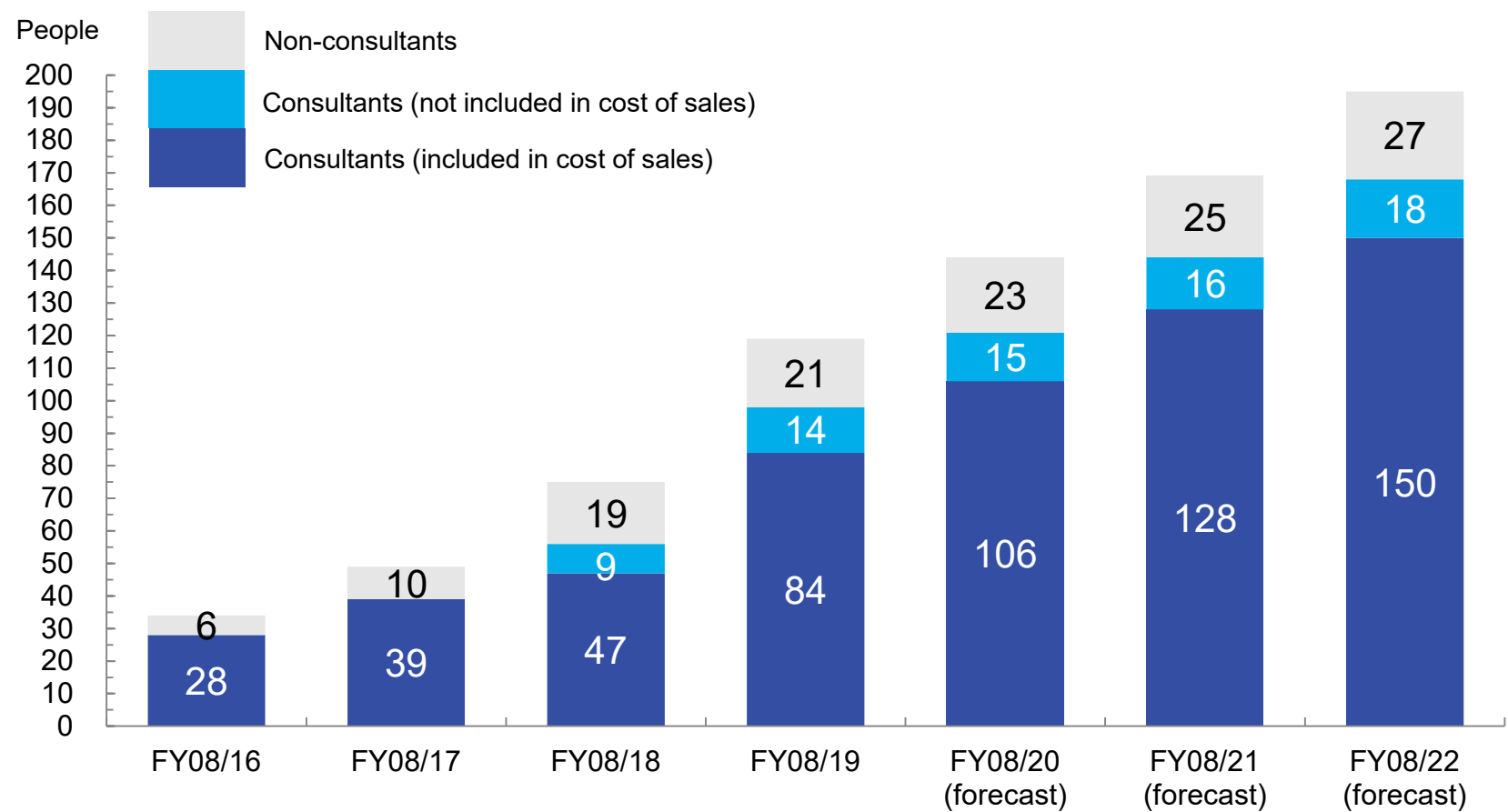
# Organization (as of September 1, 2019)

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



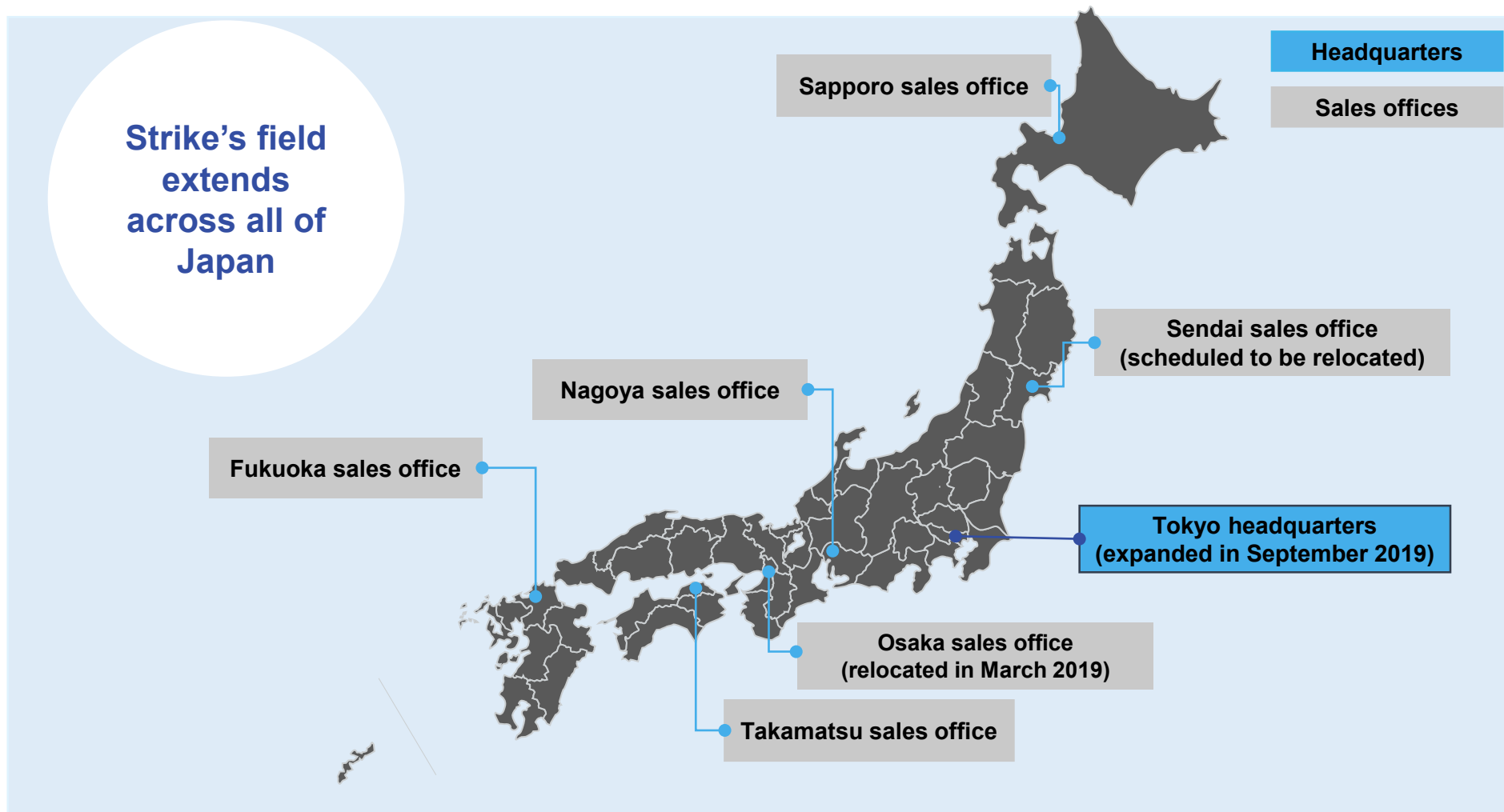
# Growing Number of Consultants: Present Conditions vs. Plan

As of end-FY08/19, we had increased our consultant headcount to 98 (+16 vs. initial forecast) and our non-consultant headcount to 21 (+1 vs. initial forecast). We will hire more new employees than forecast if we discover enough talented human resources, but less if we do not.



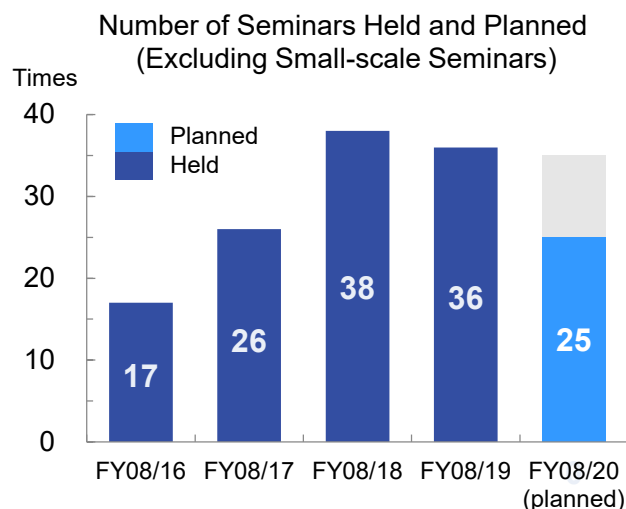
# Establishing a Nationwide Sales Network

We relocated our Osaka sales office in FY08/19. In FY08/20, we expanded our headquarters and plan to relocate our Sendai sales office. Coupled with an increase in personnel, these moves are expected to strengthen our sales foundations.



# 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.



Nationwide Seminars Held in FY08/19 and Planned for FY08/20		
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.–Jul. 2019	Kawasaki, Hiroshima, Tokyo, 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	Osaka, Nagoya, Tokyo	The Changing Landscape of the Insurance Industry and Utilizing M&A for Insurance Sales
Nov. 2019 (planned)	Tokyo, Osaka, Sapporo, Nagoya, Fukuoka	Gauging the Market Value of Your Company



# Expanding New Business Partners and Strengthening Ties with Existing Partners

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



## M & A Online

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

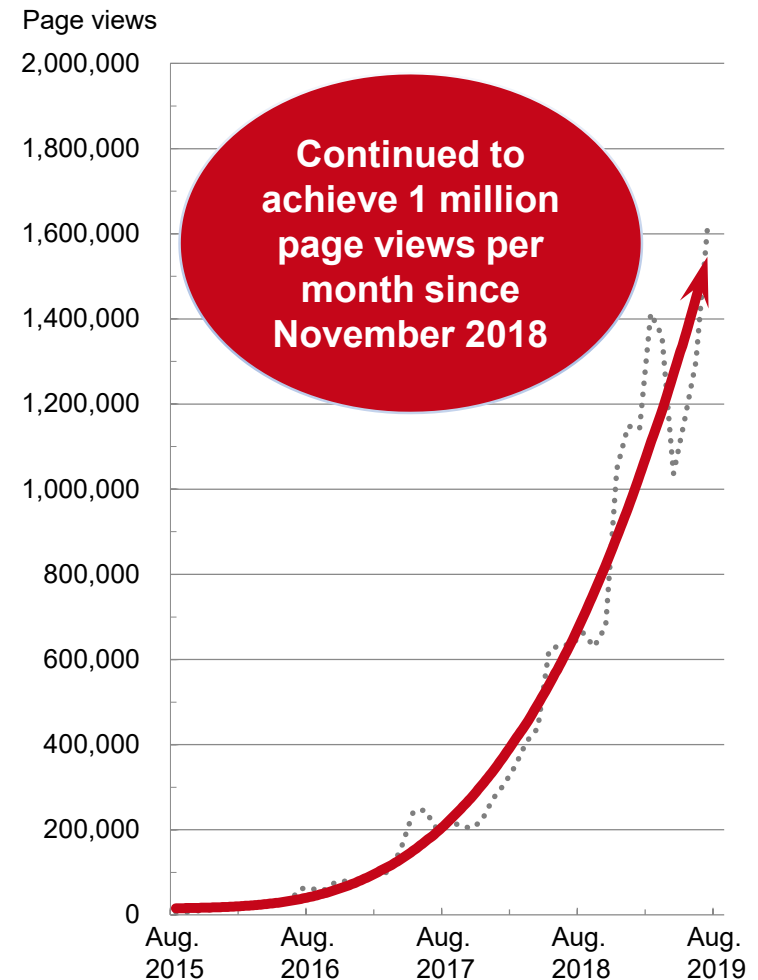


(<https://maonline.jp/>)



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

## Monthly Page Views for M&A Online



# Achieving Profitability for the M&A Portal Site

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

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

## 1. M&A Online Market

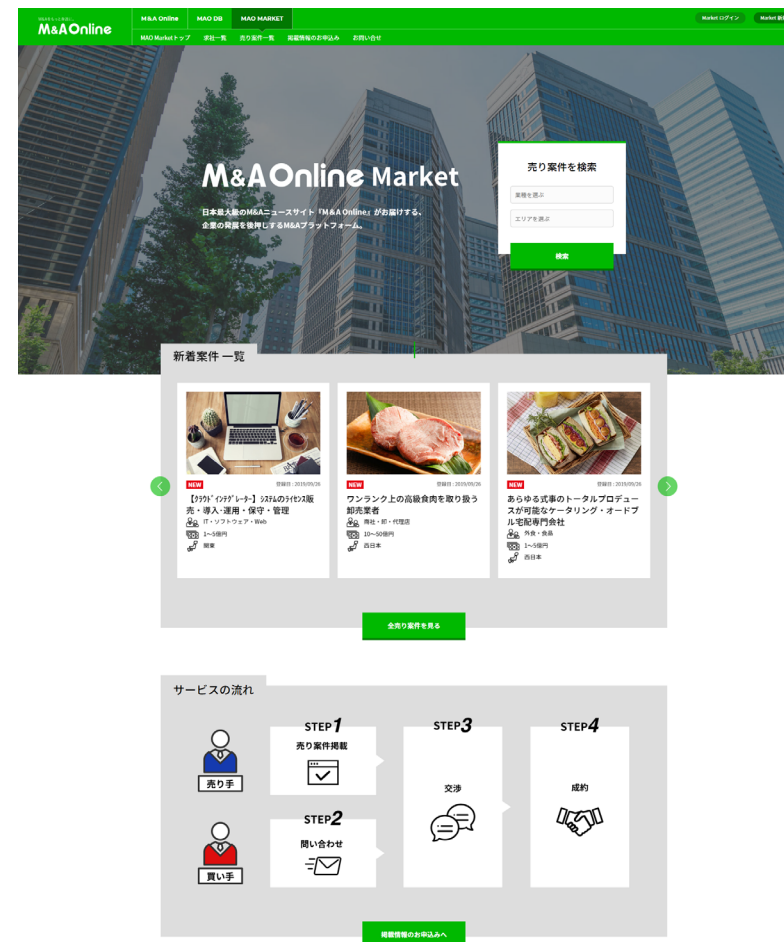
M&A Online Market facilitates anonymous posting of information on deals for which another company acts as the financial advisor of the seller. Strike functions as the financial advisor of buyers that make an inquiry, and aims to generate earnings in collaboration with the other financial advisor. This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

## 2. “Company wanted” ads

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

## 3. General advertisements

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



# Utilizing Paid Stock Options

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

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



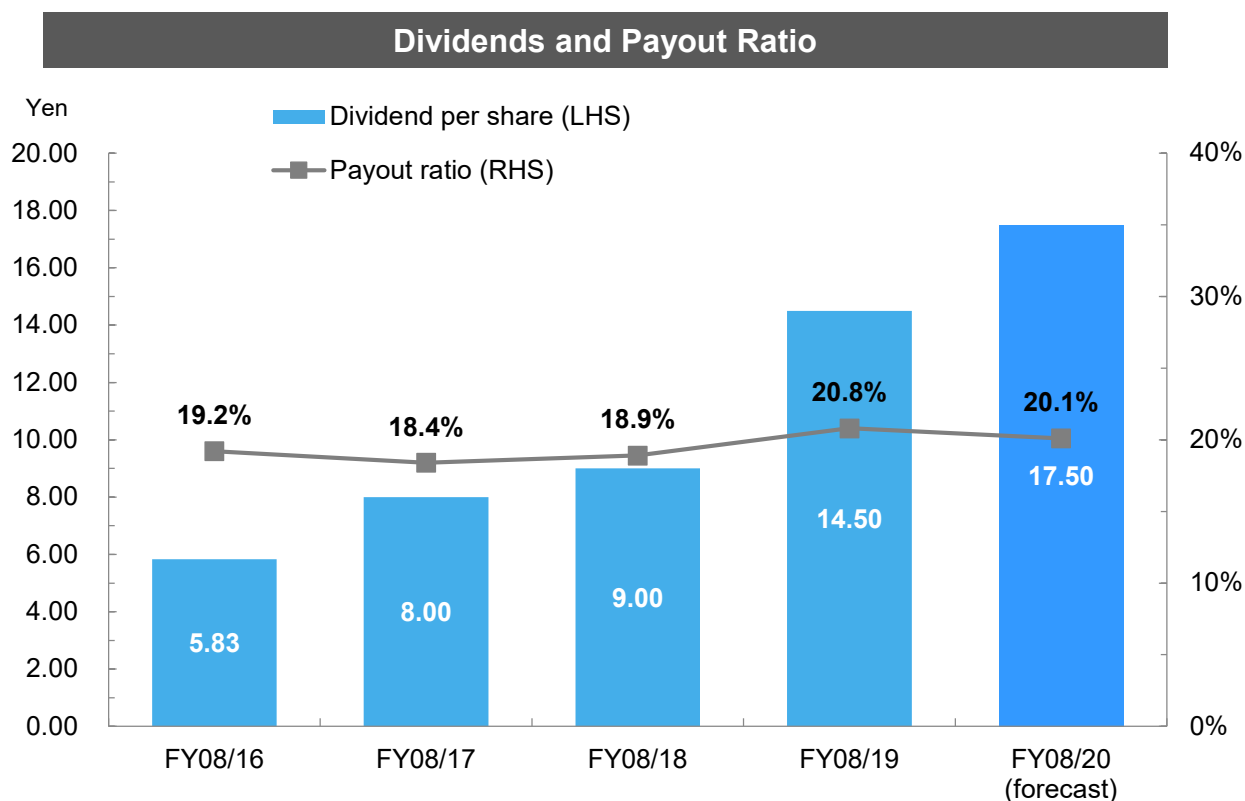
**Exercise condition (1) was achieved in FY08/18.**

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

# Forecast for Shareholder Returns

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

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



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

# Market Trends

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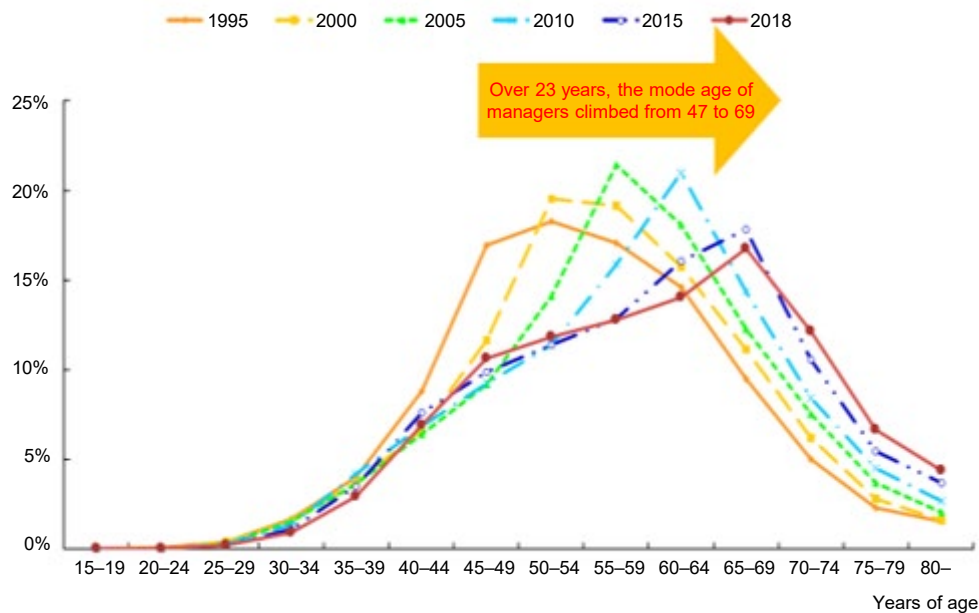
# Market Trends: Business Succession M&A Market Expected to Continue Expanding in Japan

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

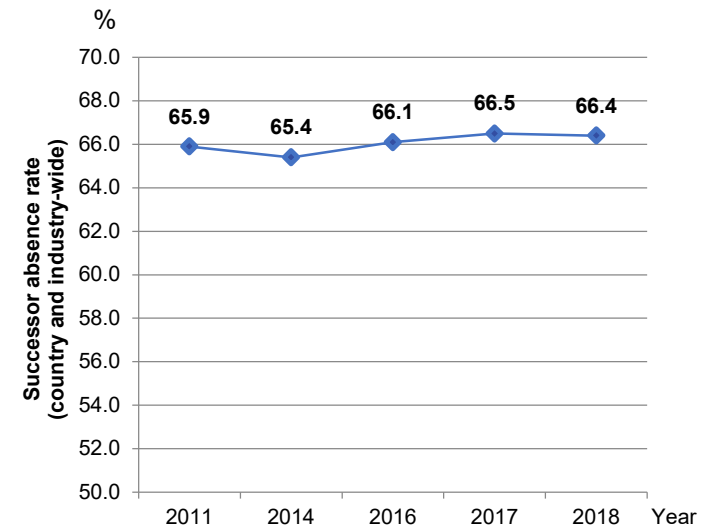
Age Distribution of Small and Medium-Sized Enterprise Managers



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

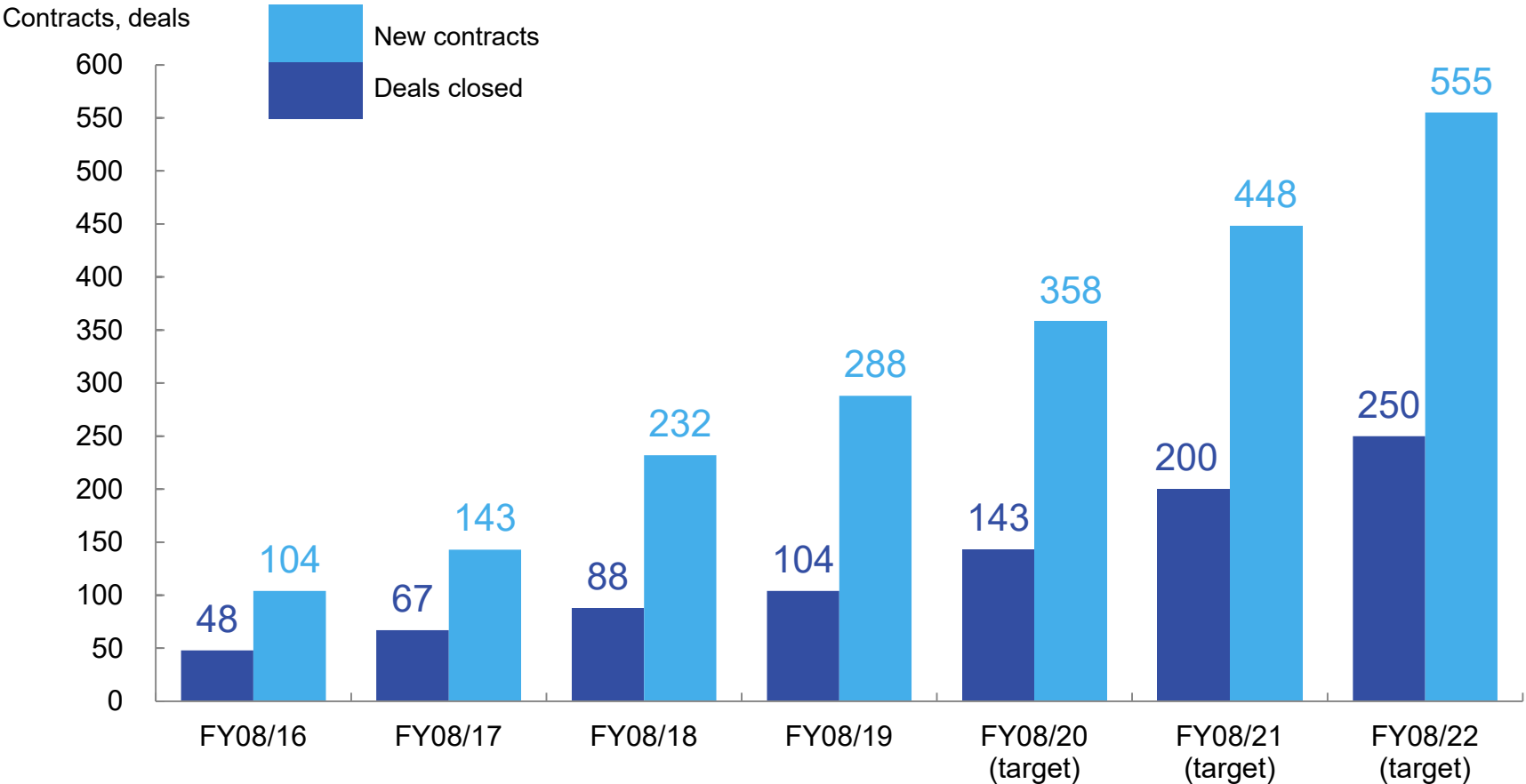
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# Results and Targets for New Contracts and Deals Closed

Based on our current personnel organization and plans for additional personnel increases, we aim to achieve 200 deals closed per year two years from now and 250 three years from now. We also target further growth through raising the productivity and efficiency of consultants.



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

## Reinforce Sourcing Routes

### 1. Enhance matching functions

1. Increase convenience of, and access to, M&A Market SMART
2. Accumulate data on acquisition needs, and strengthen data search functionality
3. Appoint dedicated staff to search potential buyers

### 2. Strengthen new contract sources

1. Expand partners and strengthen partnerships
2. Hold effective seminars
3. Increase direct sales primarily through the Marketing Department

### 3. Boost number of locations

- Expand regional sales offices



## Boost Productivity and Efficiency

### 1. Recruit and train talented consultants

- Hire even more qualified consultants by enhancing our name recognition
- Strengthen development by improving in-house training and expanding training content

### 2. Business support from specialists

- Further strengthen business support by increasing number of specialists (Business Operation Support Department) in fields such as accounting and law

### 3. Leverage IT

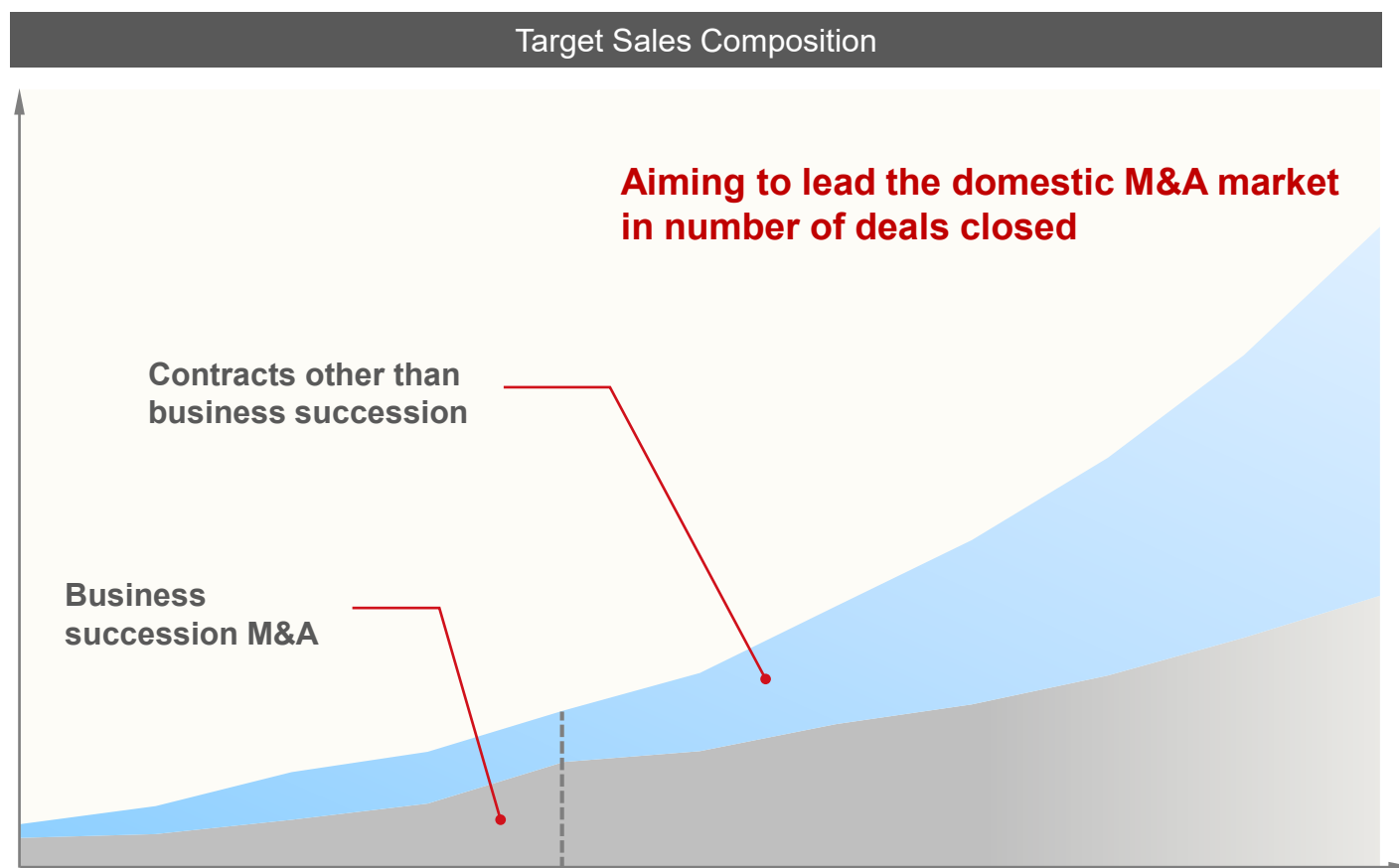
1. Support operation streamlining by improving internal systems with IT
2. Share deal information through in-house system, manage deal progress

**Optimize client discovery and brokerage services**

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

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

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



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

# Company Overview

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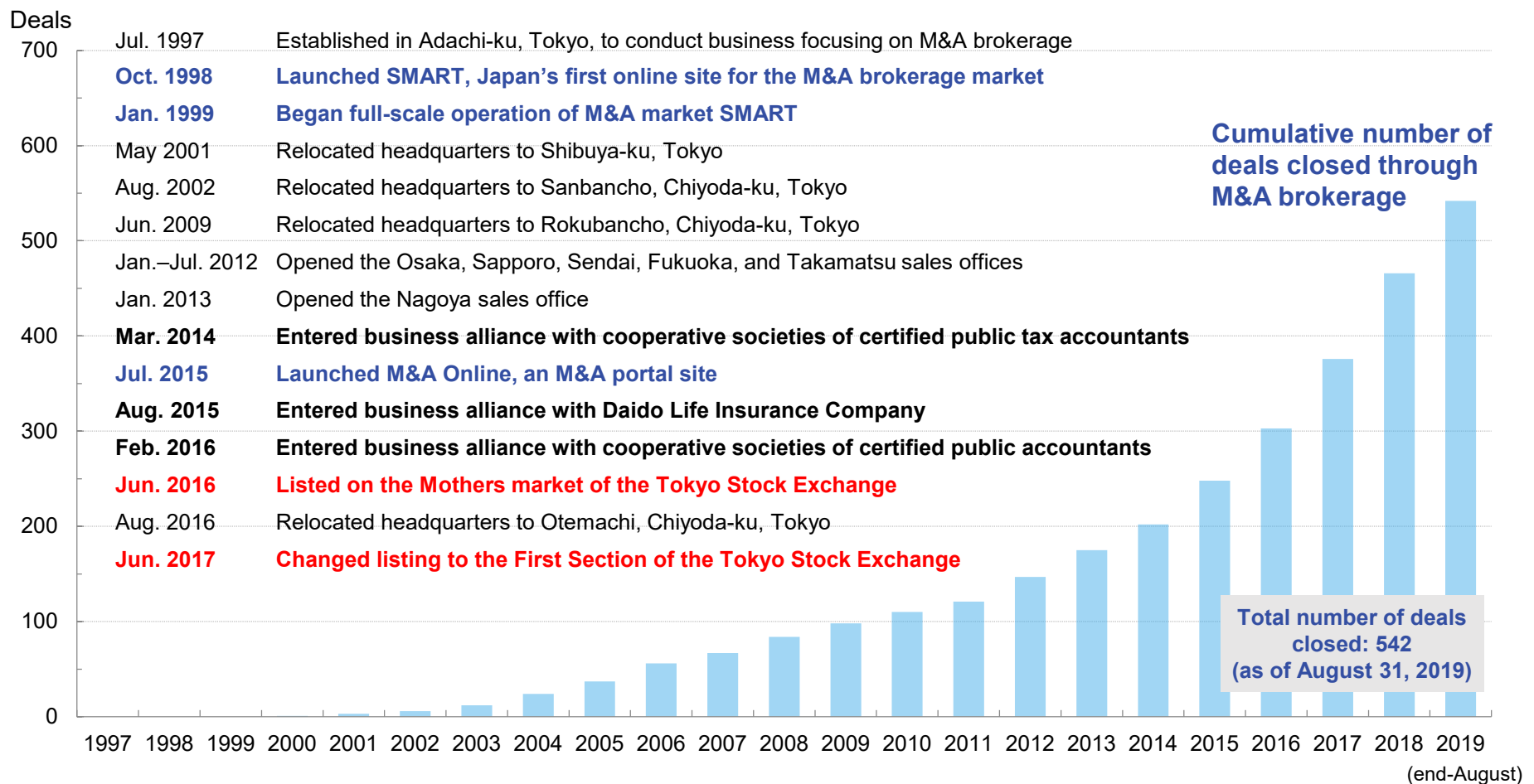
# Company Overview

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 August 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	119 (excluding temporary staff, as of August 31, 2019)
Net sales, operating profit	Net sales ¥5,077 million, operating profit ¥1,886 million (operating profit margin 37.2%) in FY08/19
Businesses	M&A brokerage business
Management philosophy	With “Realizing people’s aspirations through M&A” as our corporate credo, we propose M&A as a sincere solution to client needs. Our management philosophy is to contribute to society at large through M&A, providing corporate management structures to respond to fluctuations in the business environment and changes in the times. To realize this, we aim to become the leader in the number of M&A deals in Japan.

# History

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



# Business Overview

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

## Principal Businesses

### M&A Brokerage Business

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

### Company Characteristics

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

## Compensation Structure: Lehmann Method

### Sample Compensation Structure

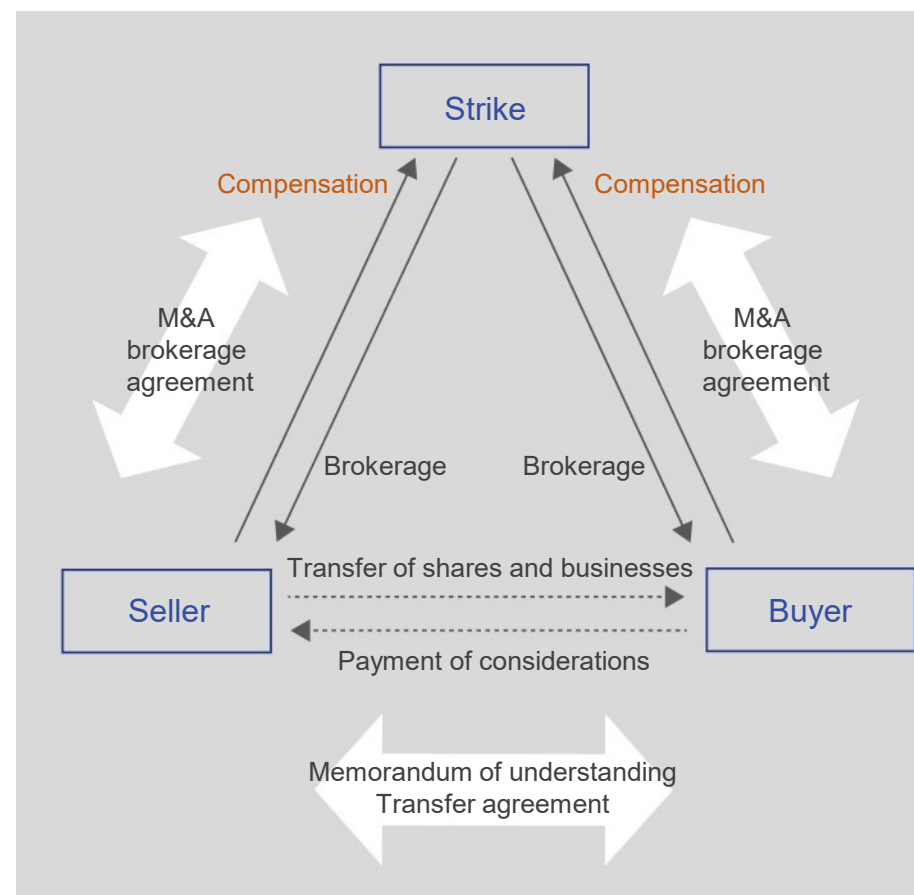
#### Seller

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

#### Buyer

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

## M&A Brokerage Earnings Model



# Flow of M&A Brokerage Business

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

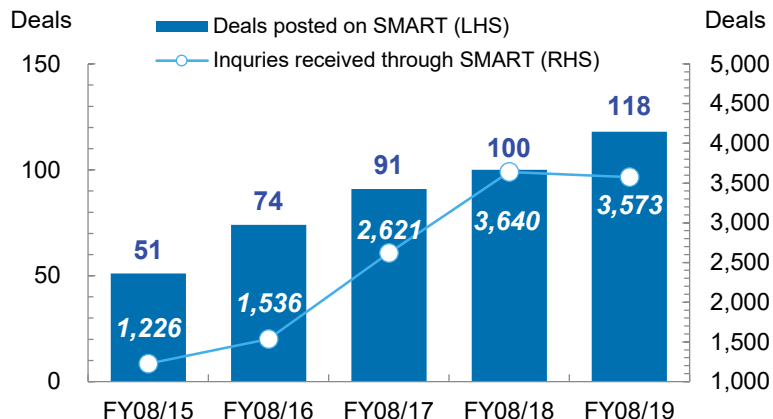




# Using the Internet to Search for Matches

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

## Inquiries Received Through SMART



## Advantages to using SMART

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

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



## SMART usage status

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

# Disclaimers

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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 (October 7, 2019). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.