

Financial Results and Future Measures

1H of Year Ending August 31, 2020 (FY08/20)



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

March 30, 2020

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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 achieve 200 deals closed per year in FY08/21 and 250 in FY08/22.

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Company Overview ... P. 28

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

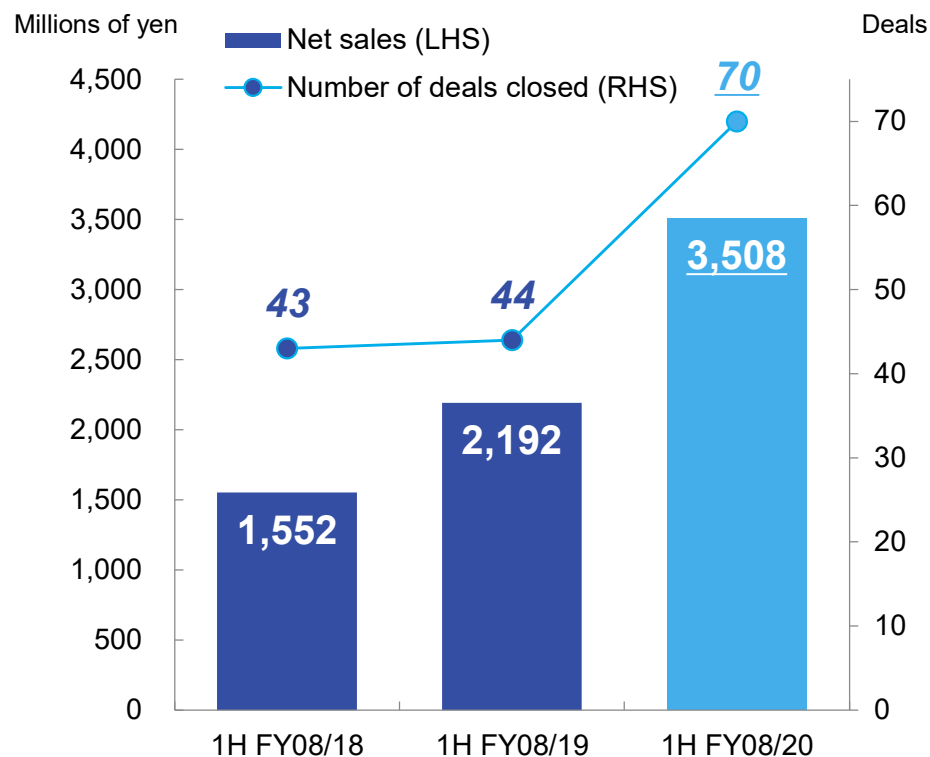
Operating Performance in 1H FY08/20



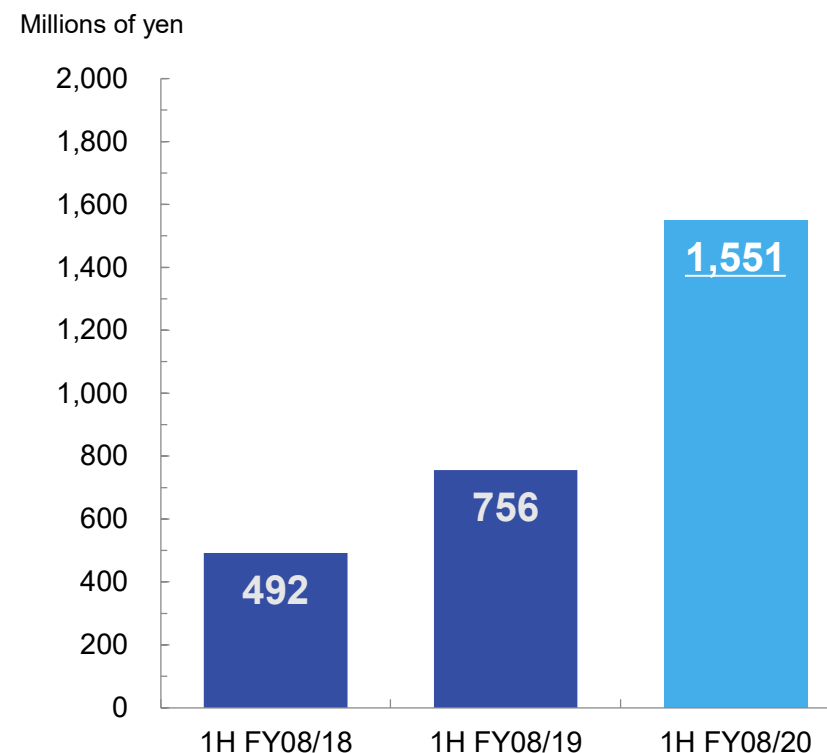
1H FY08/20 Operating Performance

In 1H FY08/20, we closed 70 deals (+26 YoY; bringing together a total of 137 selling and buying companies). We achieved net sales of ¥3,508 million (+60.0% YoY) driven in part by an increase in fees per deal. Ordinary profit came to ¥1,551 million (+105.2% YoY).

Net Sales and Number of Deals Closed



Ordinary Profit



Year-on-Year Comparison

Net sales rose 60.0% YoY. Cost of sales and SG&A expenses both grew due to higher personnel expenses driven by a personnel increase, but profit margins climbed across the board. As a result, operating profit rose 104.9% YoY to ¥1,551 million and ordinary profit rose 105.2% YoY to ¥1,551 million.

Millions of yen

	1H FY08/19		1H FY08/20		
		% of net sales		% of net sales	YoY
Net sales	2,192	100.0%	3,508	100.0%	+60.0%
Cost of sales	795	36.3%	1,179	33.6%	+48.2%
Gross profit	1,396	63.7%	2,328	66.4%	+66.7%
Selling, general and administrative expenses	639	29.2%	777	22.2%	+21.5%
Operating profit	757	34.5%	1,551	44.2%	+104.9%
Non-operating income	0	0.0%	0	0.0%	+11.5%
Non-operating expenses	1	0.0%	—	—	—
Ordinary profit	756	34.5%	1,551	44.2%	+105.2%
Extraordinary income	—	—	225	6.4%	—
Extraordinary losses	—	—	27	0.8%	—
Profit before income taxes	756	34.5%	1,748	49.8%	+131.3%
Income taxes	252	11.5%	567	16.2%	+124.9%
Profit	503	23.0%	1,181	33.7%	+134.4%

Breakdown of cost of sales

	1H FY08/19	1H FY08/20
Personnel expenses	499	779
Introduction fees	230	319
Others	65	80
Cost of sales	795	1,179

Breakdown of SG&A expenses

	1H FY08/19	1H FY08/20
Personnel expenses	287	401
Advertising expenses	79	42
Rent expenses on land and buildings	75	91
Others	196	242
SG&A expenses	639	777

Comparison of Financial Position vs. End-FY08/19

As a result of the strong 1H results, income taxes payable and retained earnings expanded considerably from end-FY08/19. Investments and other assets also rose due to a ¥289 million increase in leasehold deposits mainly to prepare for a headquarters relocation.

Millions of yen

	End-FY08/19	End-1H FY08/20			End-FY08/19	End-1H FY08/20	
	Balance	Balance	Change		Balance	Balance	Change
Cash and deposits	5,393	6,265	+872	Accounts payable—trade	105	112	+7
Accounts receivable—trade	502	627	+124	Income taxes payable	368	634	+266
Other	33	34	+1	Other	779	906	+126
Total current assets	5,930	6,928	+998	Total current liabilities	1,253	1,653	+400
Property, plant and equipment	92	100	+7	Total non-current liabilities	11	3	-7
Intangible assets	0	5	+5	Total liabilities	1,265	1,657	+392
Investments and other assets	403	694	+291	Share capital	823	823	—
Total non-current assets	497	800	+303	Capital surplus	801	801	—
				Retained earnings	4,048	4,952	+904
				Treasury shares	(518)	(518)	-0
				Total shareholders' equity	5,155	6,059	+904
				Valuation and translation adjustments/Share acquisition rights	7	12	+5
				Total net assets	5,162	6,071	+909
Total assets	6,427	7,729	+1,301	Total liabilities and net assets	6,427	7,729	+1,301

1H FY08/20 Performance Highlights

The number of deals closed finished ahead of plan as delays in closing deals in Q1 were offset by increased activities to match companies and close deals from the start of Q2. Marketing results also exceeded our initial forecast thanks in part to the closure of eight large deals.

■ 1H FY08/20 Financial Results

- **Net sales** of **¥3,508 million**, **+60.0%** YoY
- **Ordinary profit** of **¥1,551 million**, **+105.2%** YoY
- **Profit** of **¥1,181 million**, **+134.4%** YoY, reflecting ¥225 million in extraordinary income from a gain on sales of investment securities, and ¥27 million in extraordinary losses from a loss on valuation of investment securities

■ KPIs for Net Sales

- In 1H, the **number of deals closed** was **70** (+26 YoY), the **number of large deals closed** was **eight** (+6 YoY), and **net sales reached a record high for the period**.
- In 1H, the **number of new contracts** was **197** (+91 YoY), exceeding the initial plan (169) by 28 contracts.

■ Business Conditions in 1H

- We closed four more deals than initially planned (66), and **closed eight** (vs. four planned) **large deals (generating ¥100 million or more in sales per deal)**. As a result, net sales exceeded our initial target (¥3,202 million) by ¥305 million.
- **The number of deals closed rose steadily as we prioritized matching companies and closing deals over acquiring new contracts from the start of Q2.** Although this resulted in a QoQ decline in the number of new contracts in Q2, the number of new contracts in 1H exceeded the 1H target by 28, so there were no problems.
- **The net increase in M&A consultants was seven people.** Although recruiting ran slightly behind plan, we succeeded in hiring at least 10 new consultants who have joined or plan to join the Company in or after Q3.

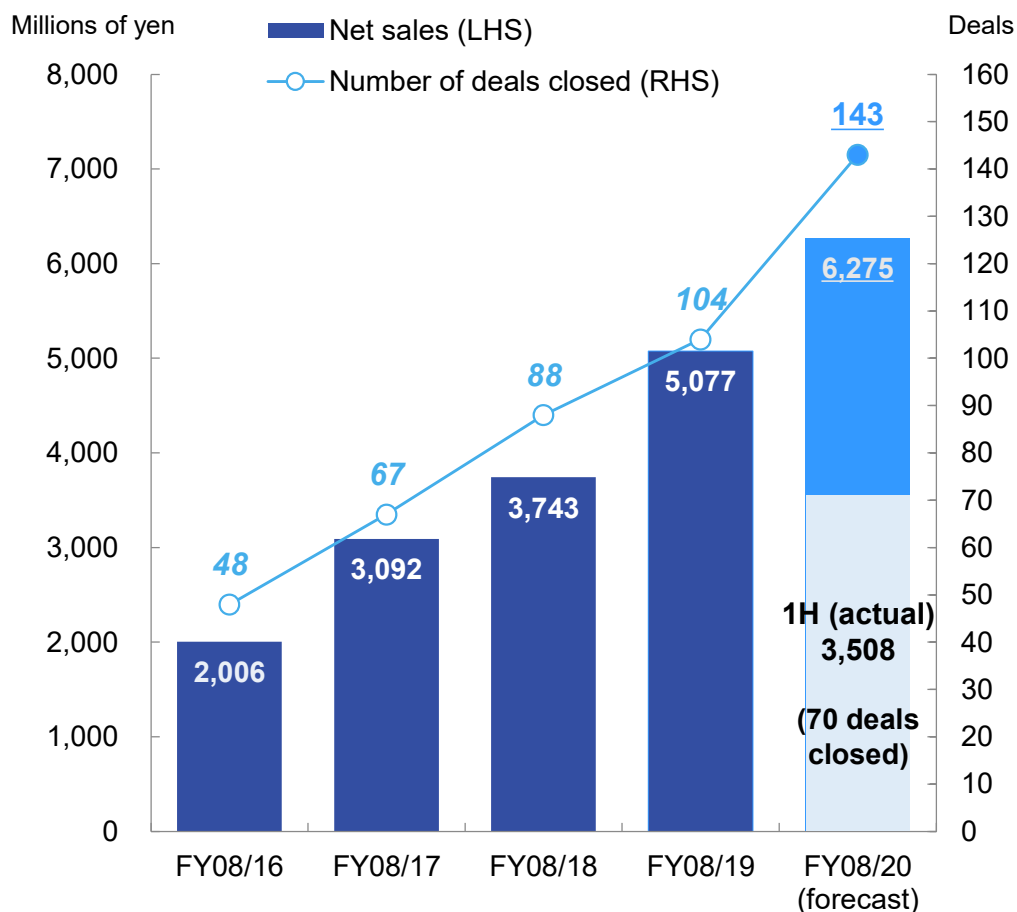
Forecast for FY08/20



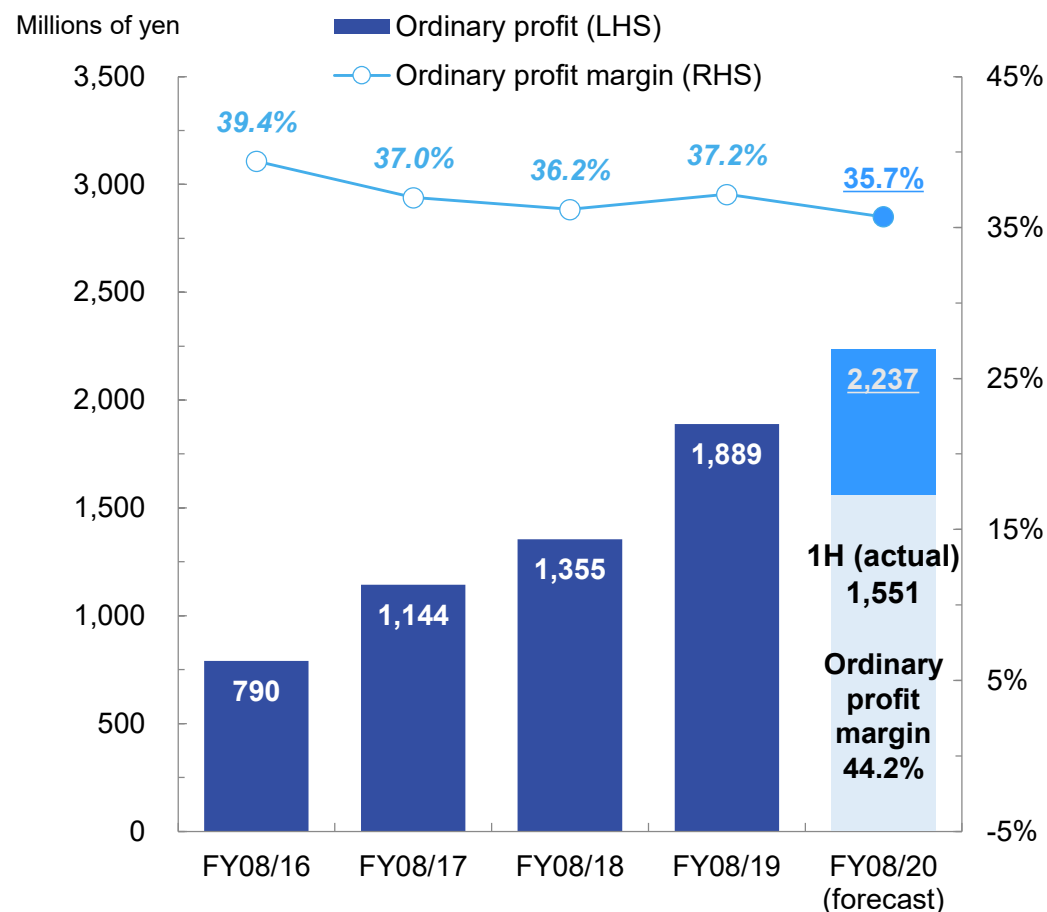
FY08/20 Forecast

In FY08/20, we aim to close 143 deals and record net sales of ¥6,275 million and ordinary profit of ¥2,237 million. In 1H, net sales and ordinary profit exceeded the 1H plan by ¥305 million and ¥374 million, respectively. **Although the outbreak of the Coronavirus Disease 2019 may have an impact on earnings, we believe we can achieve our initial forecasts.**

Net Sales and Number of Deals Closed



Ordinary Profit and Ordinary Profit Margin



FY08/20 Forecast

As initially planned, we forecast net sales of ¥6,275 million (+23.6% YoY) and ordinary profit of ¥2,237 million (+18.4% YoY) for full-year FY08/20.

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 sales of investment securities
- **EPS** of ¥87.28 (¥69.86 in FY08/19), **forecast dividend** of ¥17.5 per share (¥14.5 in FY08/19)

Non-Monetary Targets

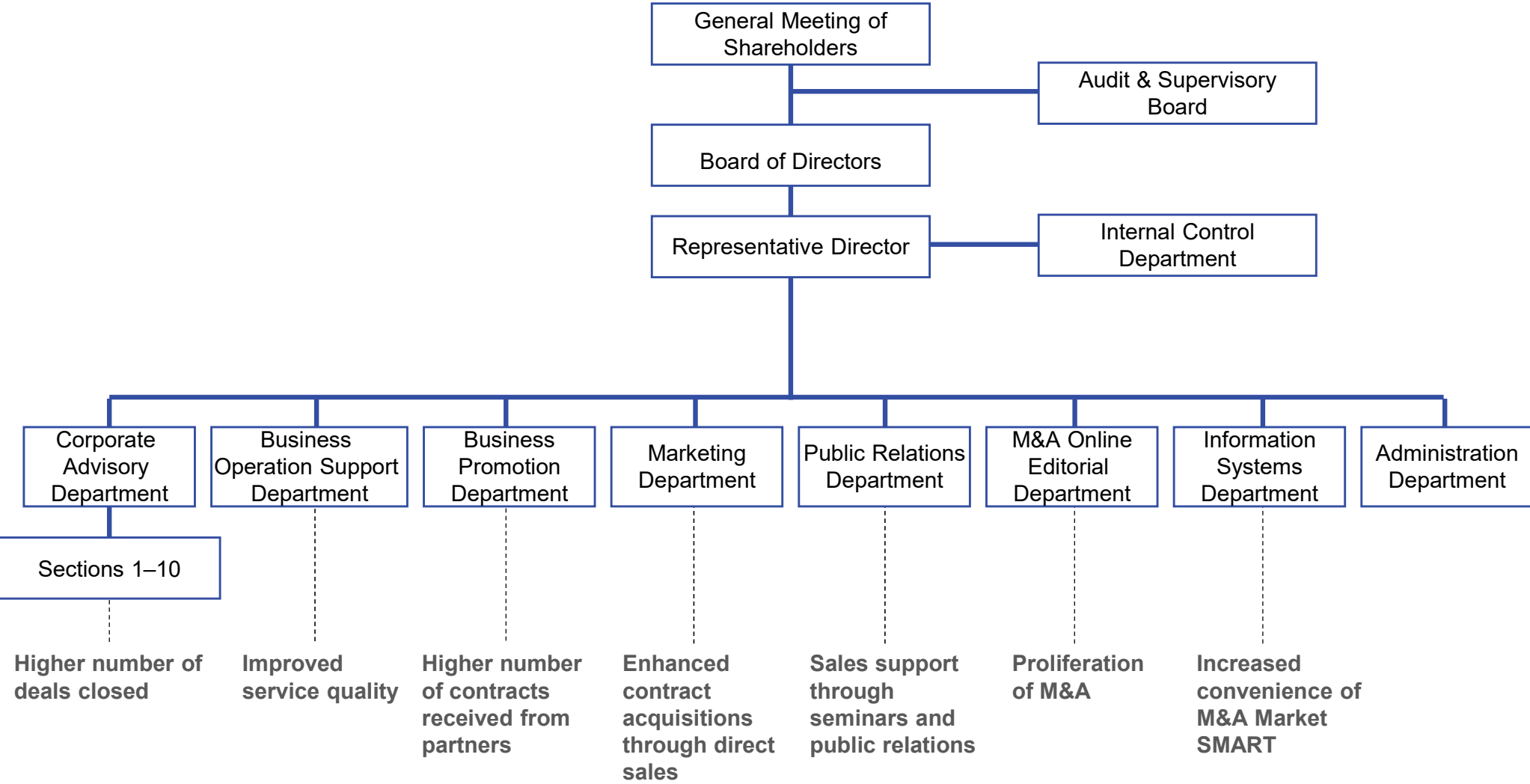
- **Close 143 deals**, +39 YoY
- **Receive 358 new contracts**, +69 YoY
- **Increase the number of M&A consultants** to 121 by end-FY08/20, +23 YoY

Supplemental Information on Earnings Forecasts, Latest Outlook

- We factored in the closure of four large deals over the full year, but already closed eight such deals in 1H. This number is likely to rise further as we expect to close additional large deals in 2H.
- Our original forecasts assumed deal progress would lag slightly in Q4 due to the Tokyo Olympics. Although the Tokyo Olympics have now officially been postponed, we believe the outbreak of the Coronavirus Disease 2019 will have a similar impact.
- **We cancelled seminars in March due to the outbreak of the Coronavirus Disease 2019. The cancellation may have an impact on new contracts, but we expect it will also contribute to expense reductions.**
- Our recruitment of consultants is slightly behind schedule, but we intend to hire aggressively in 2H, and achieve our targeted increase.
- **We plan to relocate our Sapporo sales office in May 2020.**

Organization (as of March 1, 2020)

Our organizational structure is unchanged. We expanded personnel in the Business Promotion Department (consultants not included in cost of sales) to increase partner sales.

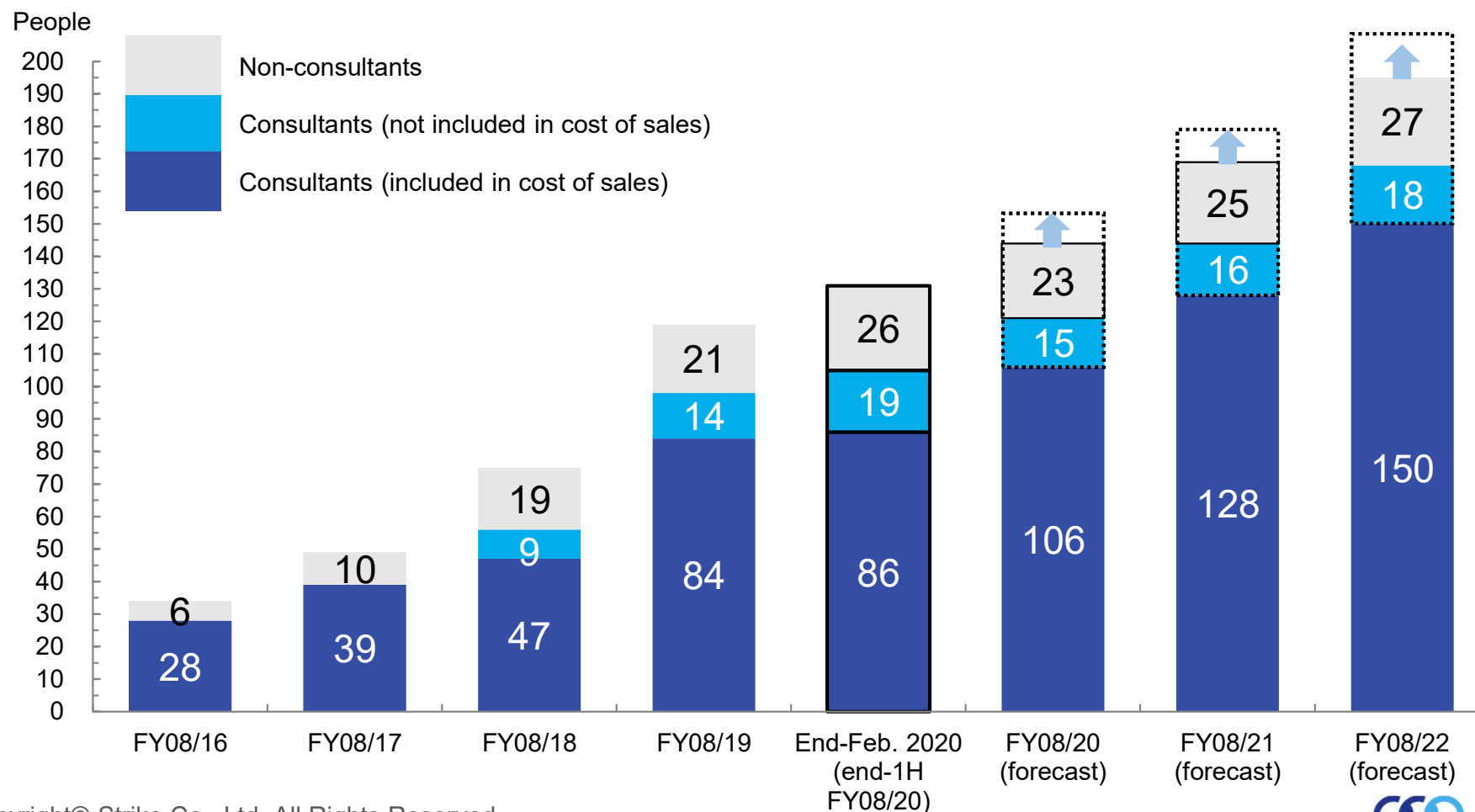


Included in cost of sales	Included in SG&A expenses
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Growing Number of Consultants: Present Conditions vs. Start of FY08/20

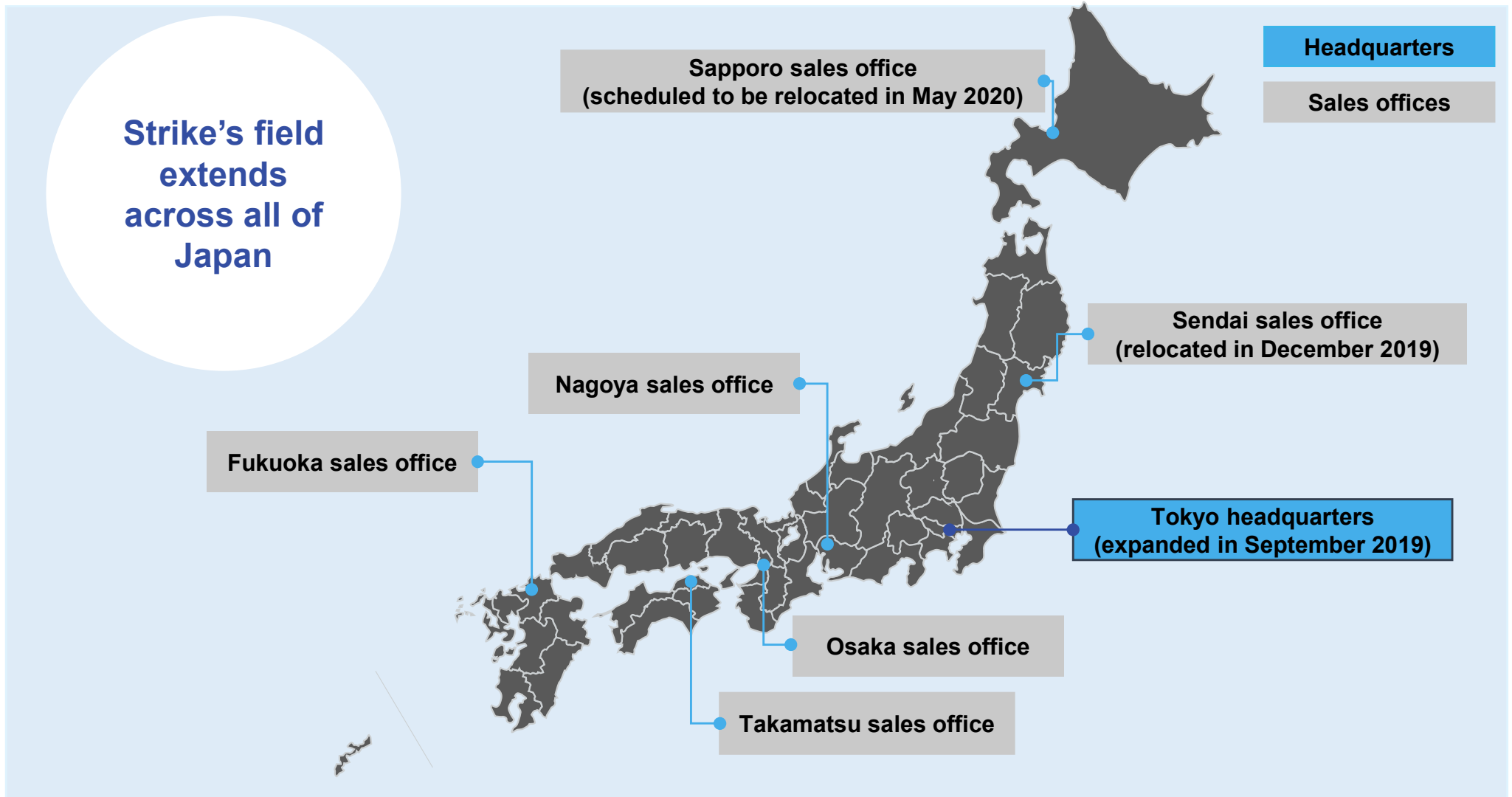
Our policy is to hire more new employees than forecast if we discover enough talented human resources, but less if we do not. We believe economic downtrends present hiring opportunities, so we aim to step up recruiting.

In 1H FY08/20, we added seven M&A consultants (net basis). We plan to increase the number of consultants to 121 by end-FY08/20. We hired more non-consultants than forecast to support business expansion and prepare for unforeseen circumstances.



Establishing a Nationwide Sales Network

We expanded our headquarters and relocated our Sendai sales office so far in FY08/20. We also plan to relocate our Sapporo sales office.



Impact of Coronavirus Disease 2019 Outbreak

We expect the outbreak of the Coronavirus Disease 2019 to have the following impact.

1. Near-term earnings: No major impact at present.

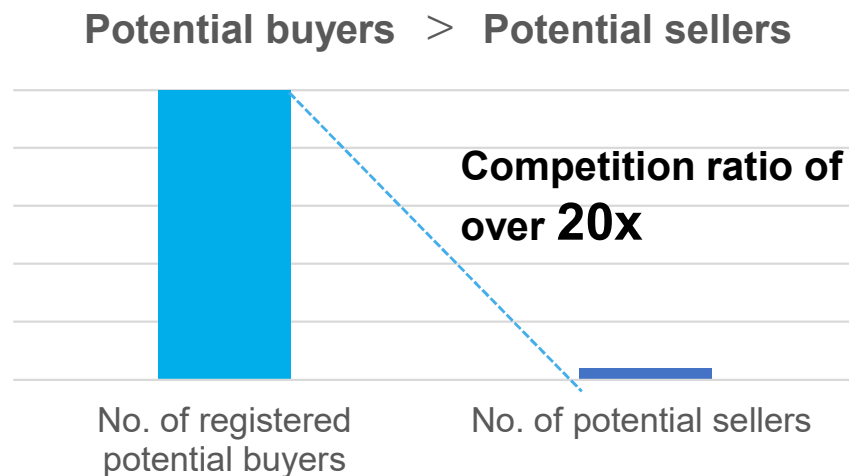
- (1) Worsening earnings or the uncertain outlook may lead companies to suspend deliberations related to sales or acquisitions, or complicate or push back deal negotiations.
⇒ If we cannot, or need more time to, close deals, our earnings will be affected. **At present, however, we have not experienced any events expected to have a significant impact on FY08/20 earnings.**
- (2) Cancellation of seminars planned for March
⇒ The cancellation is likely to have an impact on our activities to secure new contracts through seminars, but **we aim to achieve our target by focusing on contract acquisitions through business partners.** We have already allocated the necessary human resources by increasing the number of consultants who visit business partners.

2. Medium-term earnings: Negative impact. Overcoming this obstacle will be a challenge.

- (1) Sellers may push back the timing of a sale to avoid a lower sales price attributable to worsening earnings or other factors. Buyers, on the other hand, may refrain from making acquisitions due to the uncertain outlook, or may not be able to secure the necessary capital for an acquisition due to changes in the fundraising environment.
⇒ **There is a risk the M&A market may contract, which would have a negative impact on our earnings.**
- (2) Conversely, the uncertain outlook may encourage more companies to sell their businesses. In addition, there may be an increase in M&A deals driven by corporate rehabilitation as corporate earnings worsen.
⇒ Although (1) would have a major negative impact, it could also have some positive implications. **Some buyers may regard the uncertain outlook as a prime investment opportunity, so the challenge will be to identify these companies. Accordingly, we aim to further expand our pre-marketing services.**
Turning to M&A driven by corporate rehabilitation, we have hired a staff with experience in the field in FY08/20, and plan to continue strengthening our organization with the help of our existing team of attorneys and certified public accountants.

Pre-marketing Services

We are providing and expanding pre-marketing services, which entail searching for potential sellers on behalf of companies looking to make an acquisition.



Many companies that wish to make an acquisition are unable to do so.



Strike offers services that support an acquisition more aggressively

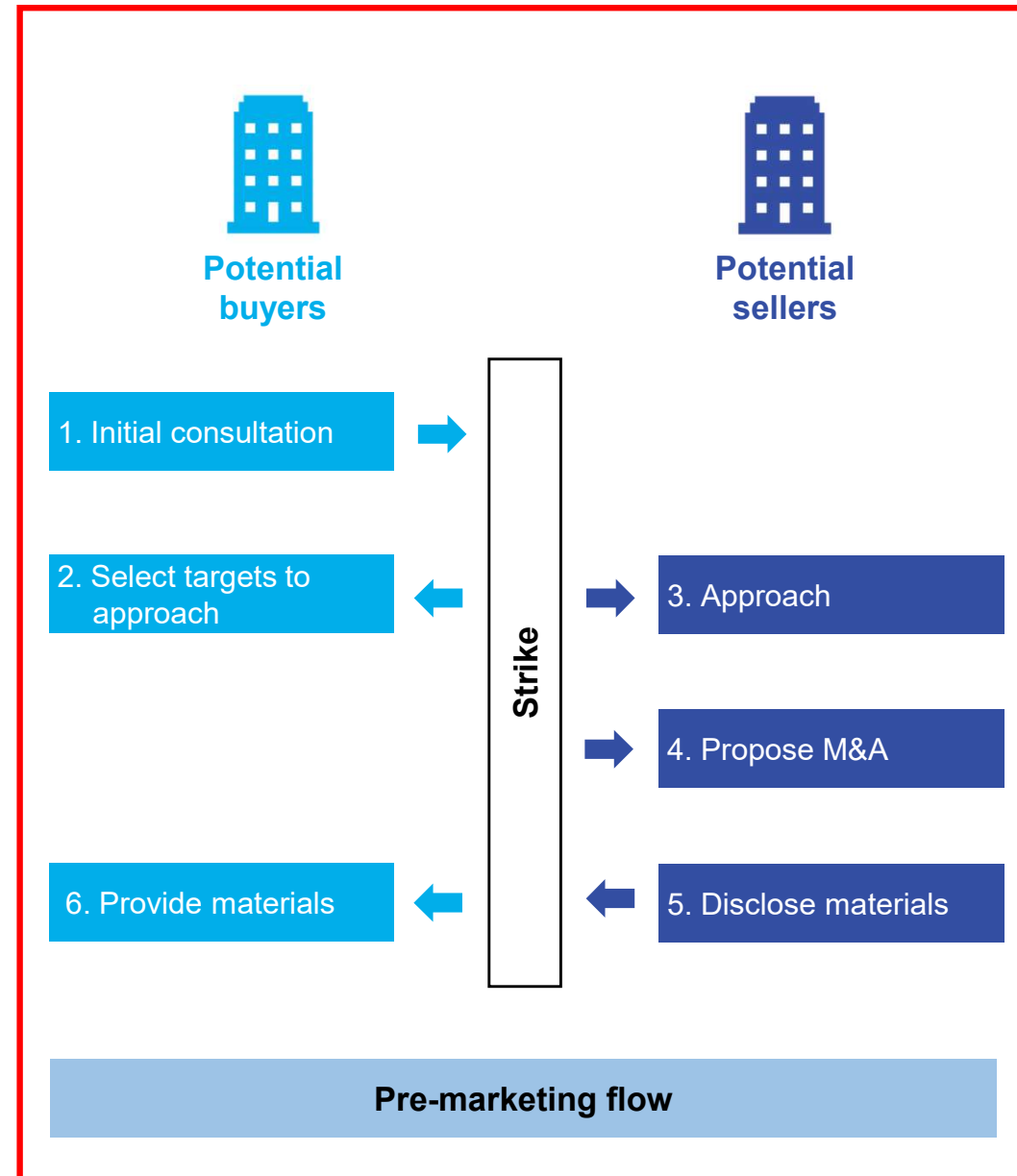
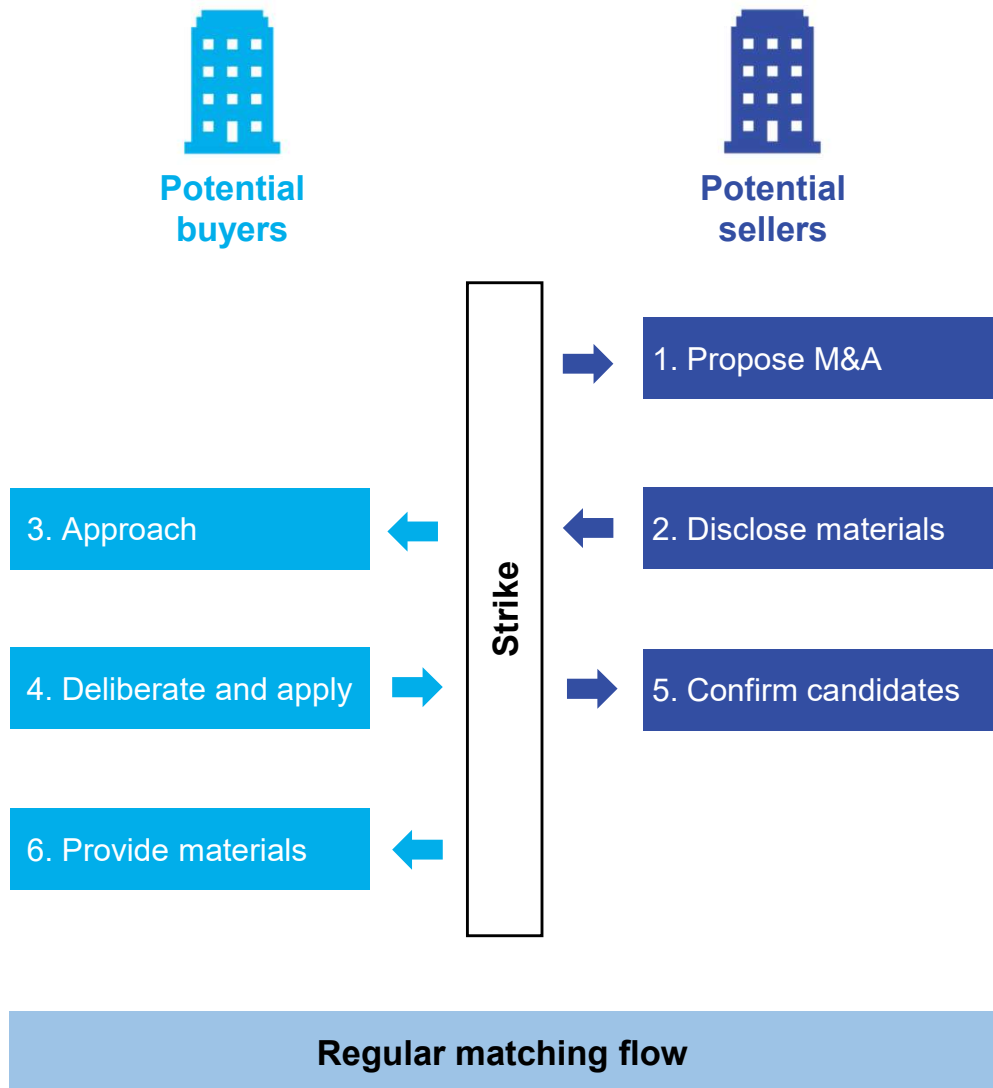
- (1) Provision of “**company wanted**” ads on M&A Online Market
- (2) Expansion of **pre-marketing services**

Pre-marketing services

1. Conduct in-depth interviews to determine acquisition needs and conditions
2. Select potential targets to approach based on various data
3. Confirm selling intent of potential targets via letter, telephone, visit, and other means. Place “company wanted” ads on M&A Online Market

⇒ Subsequently sign M&A brokerage agreement and provide support until deal is closed

Proposal Flow of 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

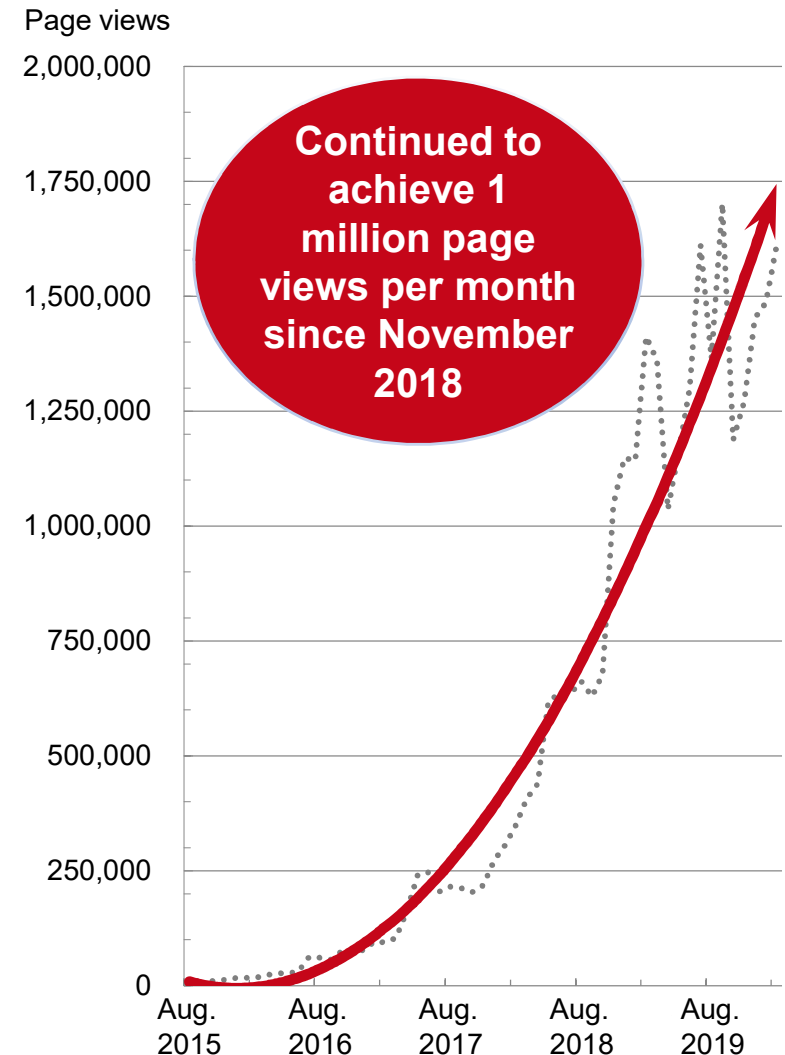


(<https://maonline.jp/>)



We launched new services on M&A Online in 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

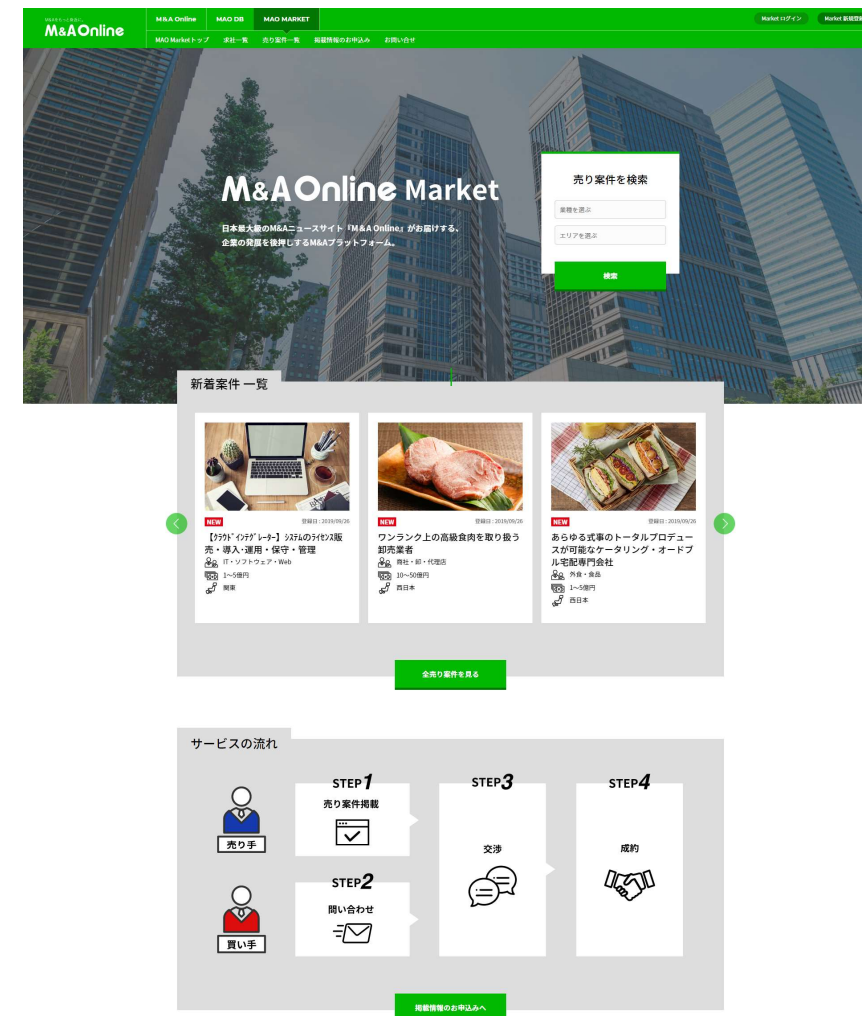
M&A Online Market facilitates anonymous posting of information on deals for which another company acts as the financial advisor of the seller. Strike functions as the financial advisor of buyers that make an inquiry, and aims to generate earnings in collaboration with the other financial advisor. This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



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 personnel exchanges. As a result, the share of new contracts secured through partners increased in 1H.



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.



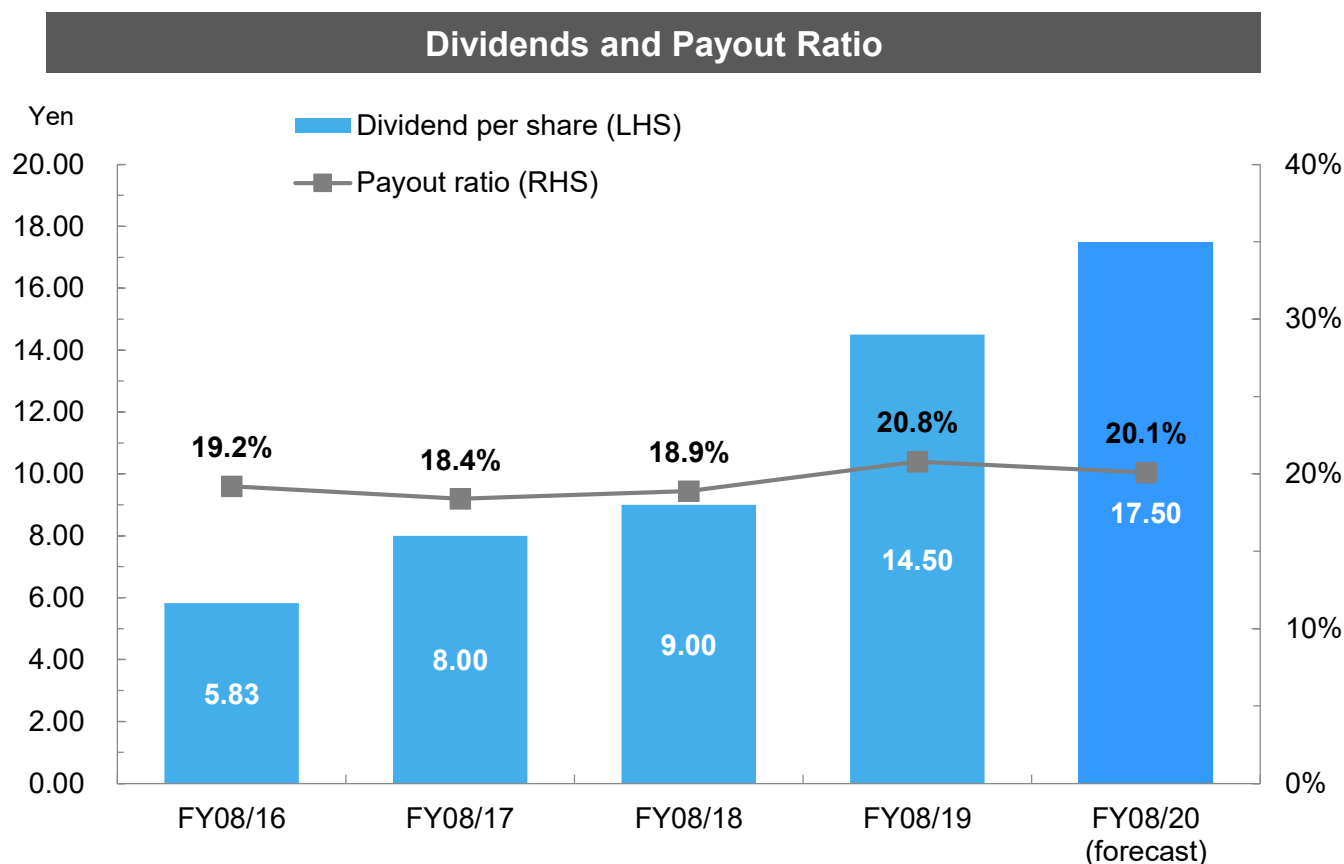
Exercise condition (1) was achieved in FY08/18.

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

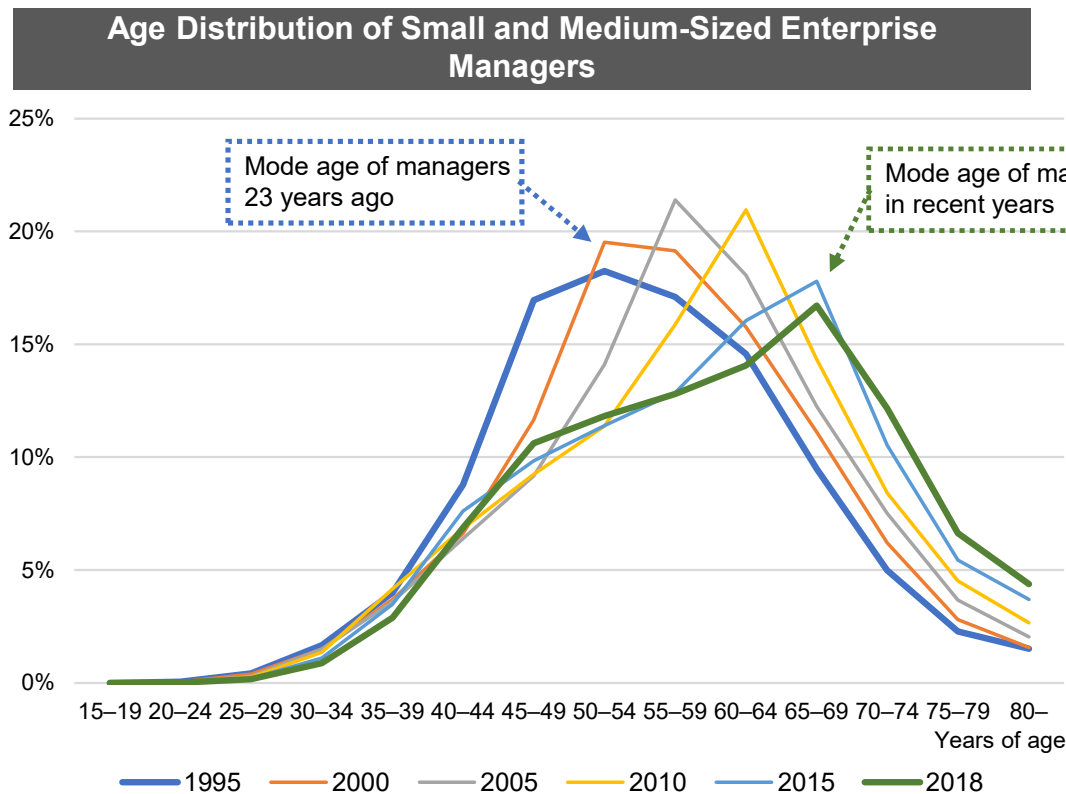


Market Trends: Advancing Age of Company Presidents, Lack of Eligible Successors

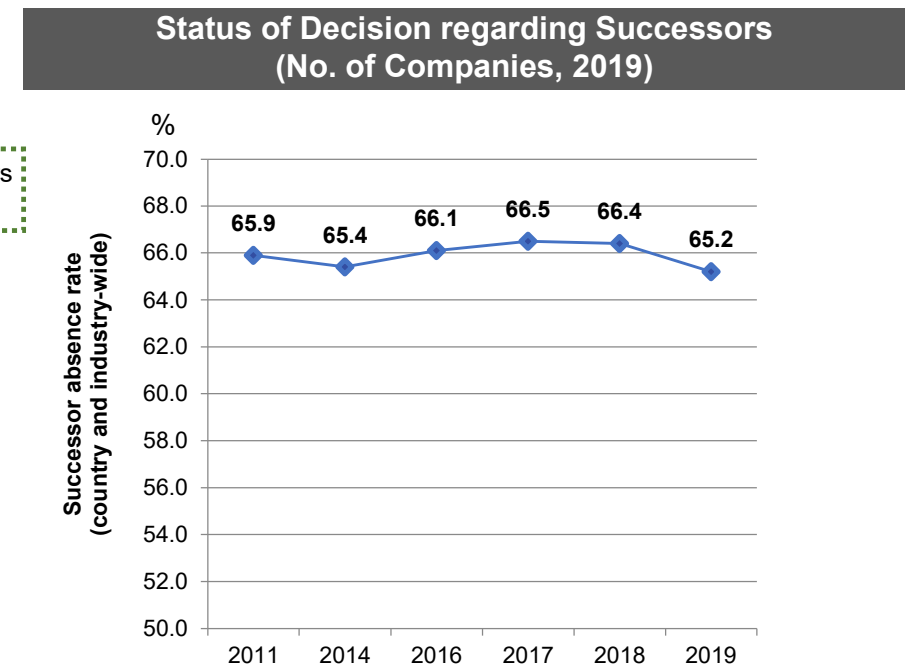
As company presidents advance in age, the number of Japanese companies facing a lack of eligible successors is expected to further increase.

→ The M&A market that provides solutions for business succession is expected to continue expanding.

Advancing Age of Company Presidents



Numerous Companies without Successors



Source: Teikoku Databank, Ltd., Nationwide Field Study regarding Companies Facing Successor Issues (2019)



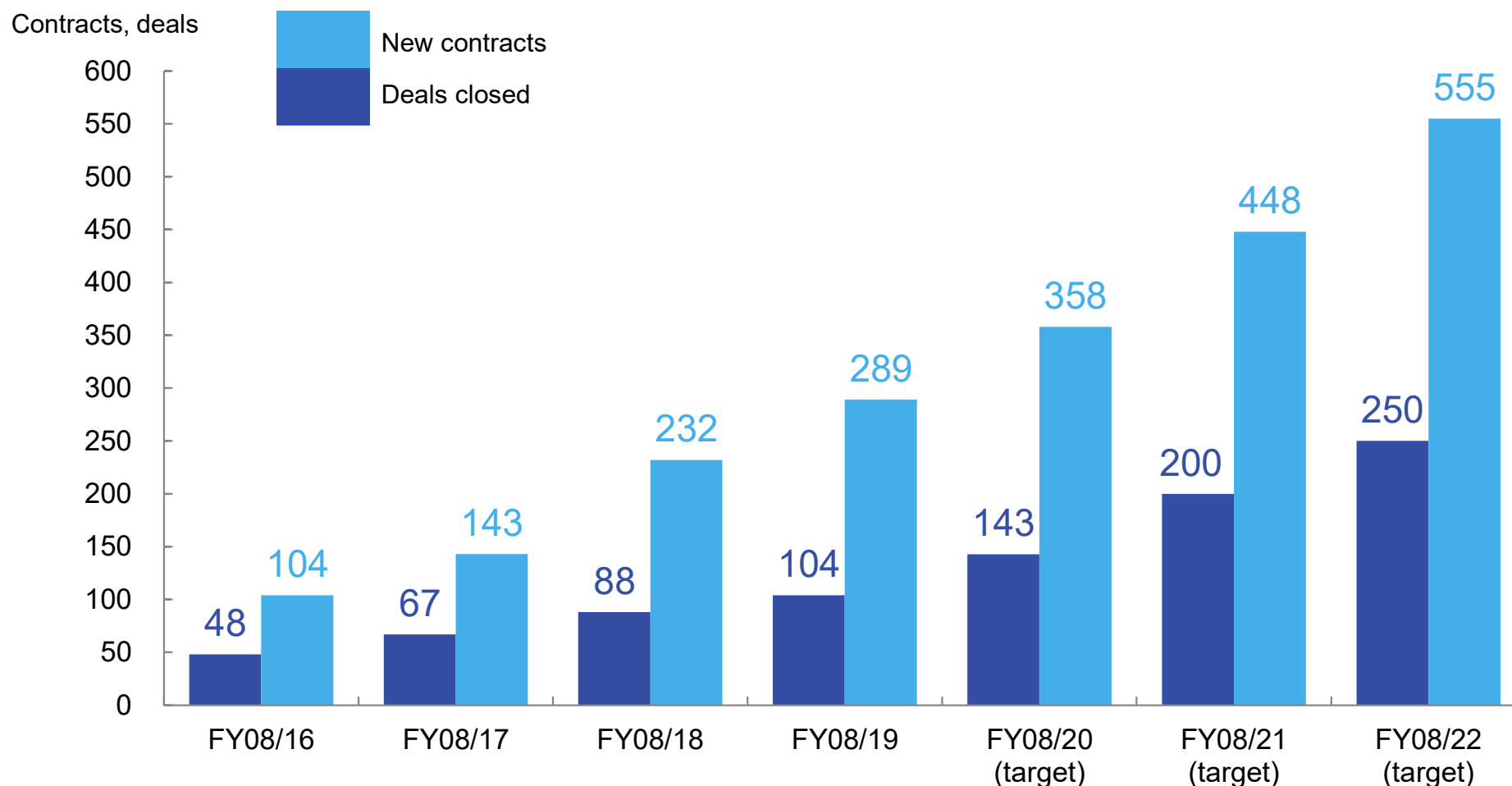
Of the roughly **275,000 companies** surveyed, **65.2%** (approx. 180,000) have no successor in place.

Medium- to Long-Term Management Policy



Results and Targets for New Contracts and Deals Closed

Based on our current personnel organization and plans for additional personnel increases, we aim to achieve 200 deals closed per year in FY08/21 and 250 in FY08/22. 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

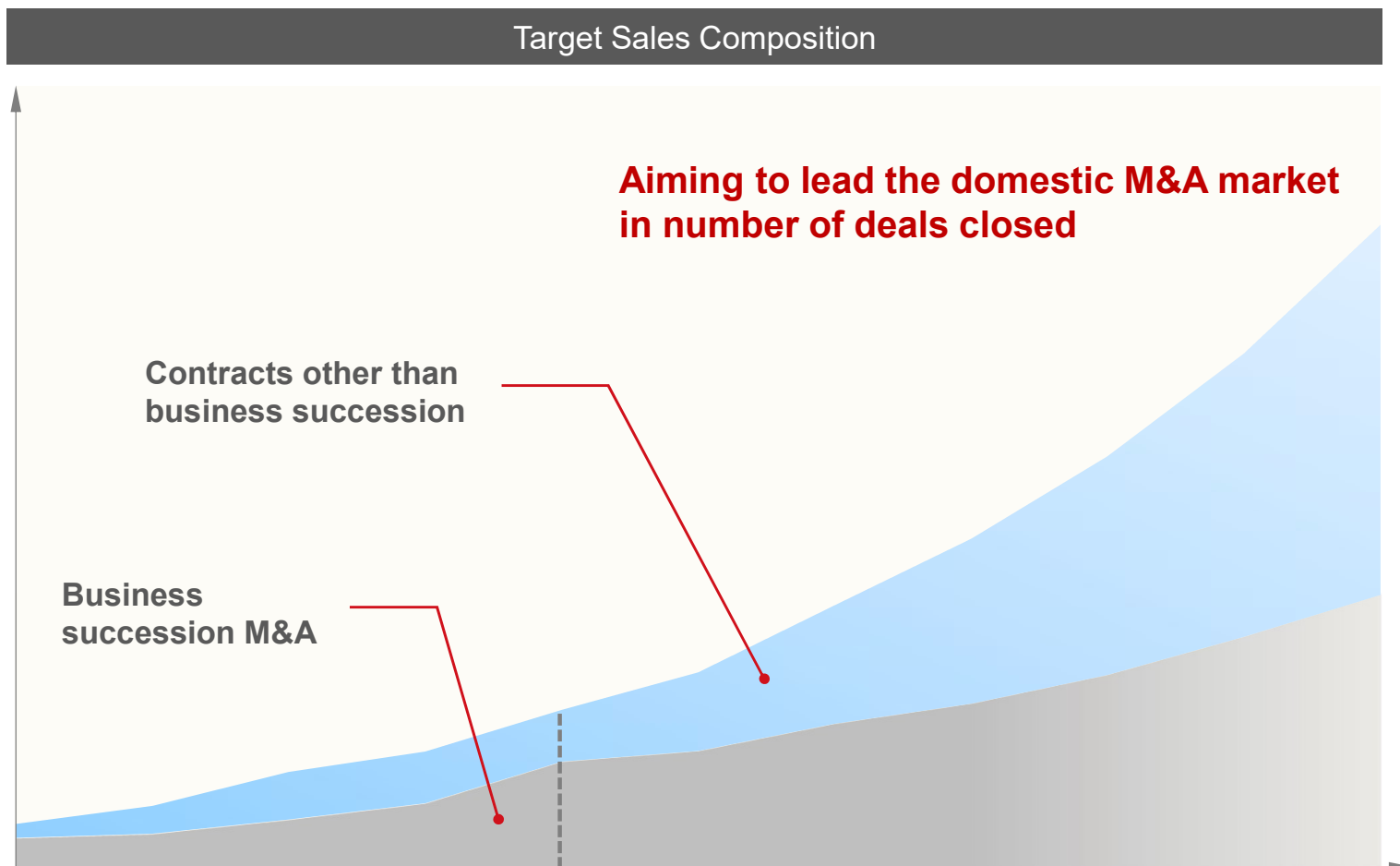
1. Support operation streamlining by improving internal systems with IT
2. Share deal information through in-house system, manage deal progress

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 achieve net sales CAGR of over 20% over the medium term. In FY08/19, we closed nine M&A deals 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



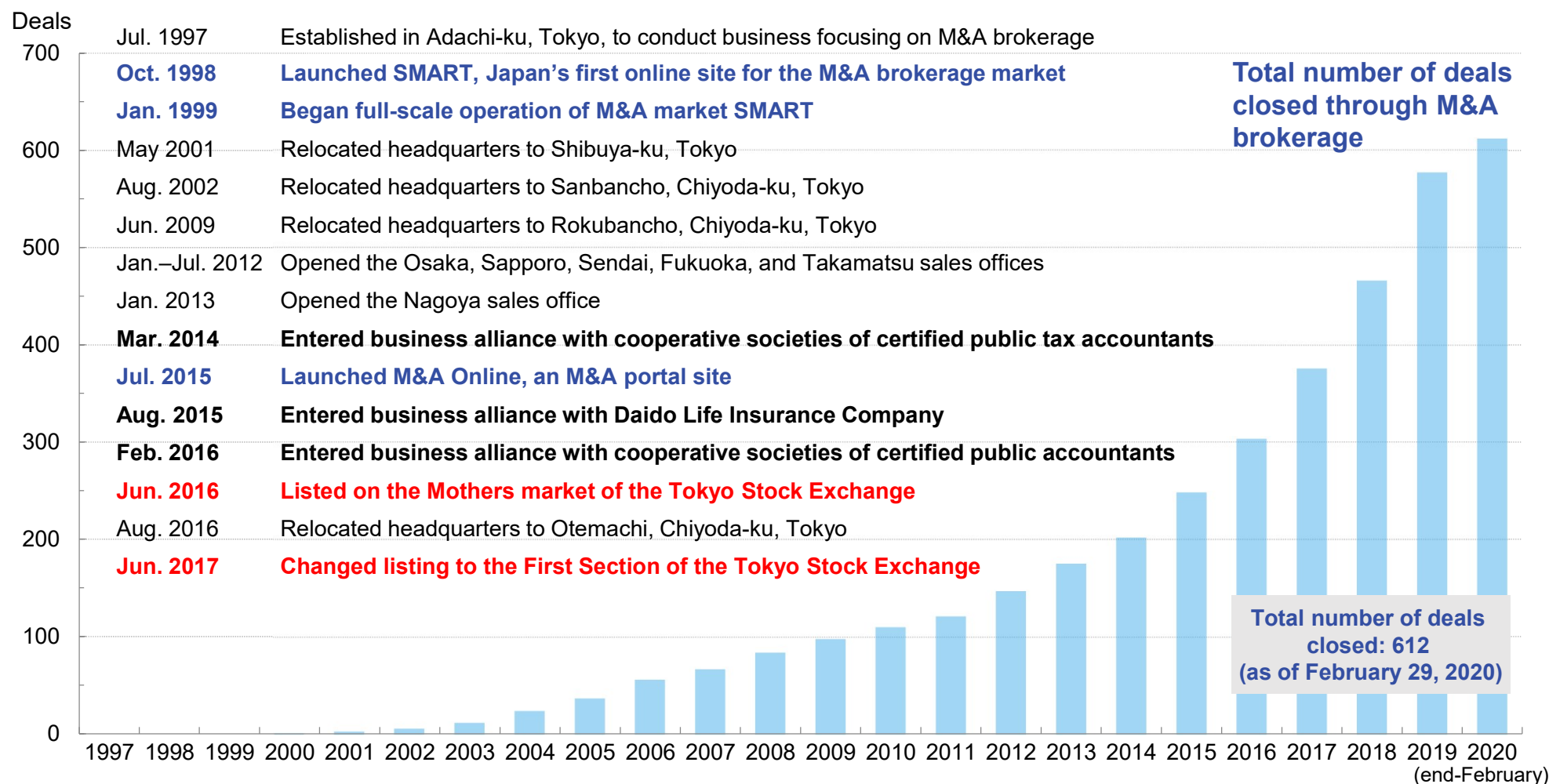
Company Overview

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-sized enterprises, which is one of the serious issues facing Japan.

Company name	Strike Co., Ltd.
Established	July 1997
Capital stock	¥823 million (as of November 30, 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	131 (excluding temporary staff, as of February 29, 2020)
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

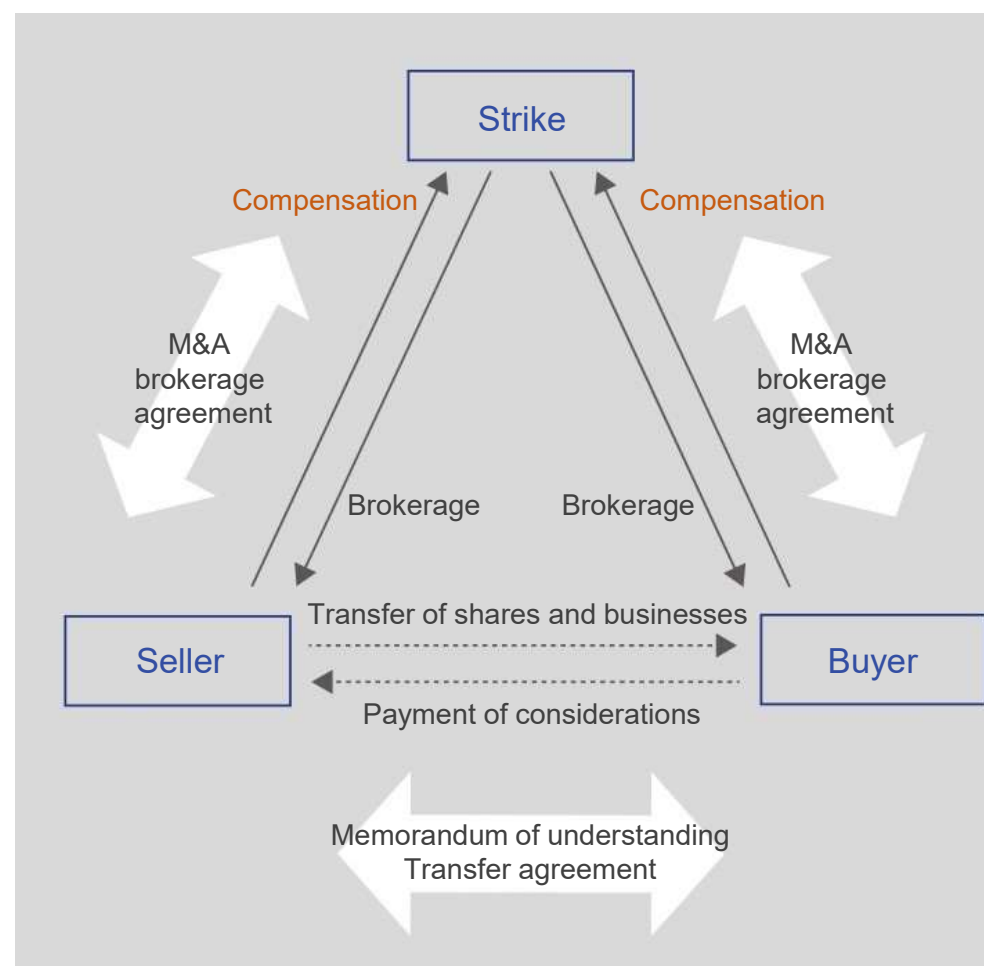
Seller

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

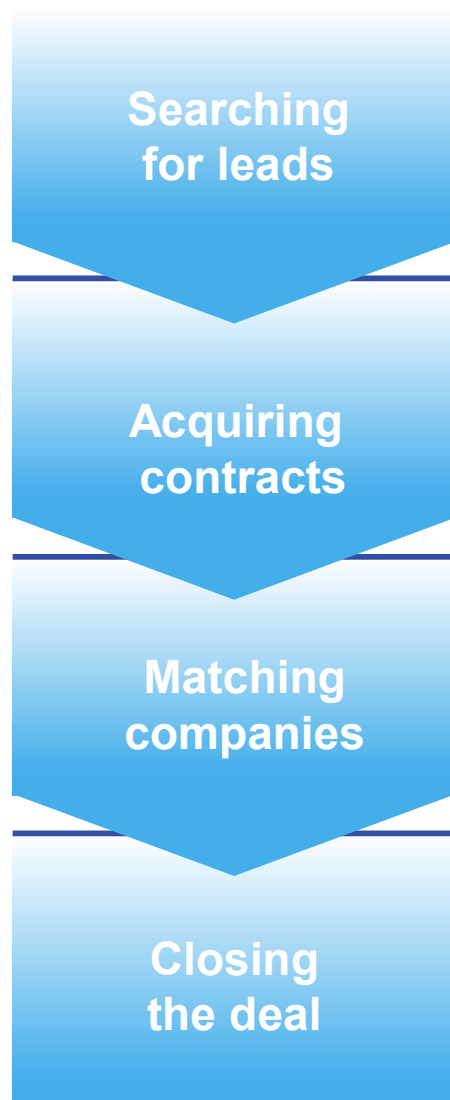
Market value of total assets at transfer	Rate
Portion below ¥500 mn	5%
Portion from ¥500 mn to ¥1.0 bn	4%
Portion from ¥1.0 bn to ¥5.0 bn	3%
Portion from ¥5.0 bn to ¥10.0 bn	2%
Portion above ¥10.0 bn	1%

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.



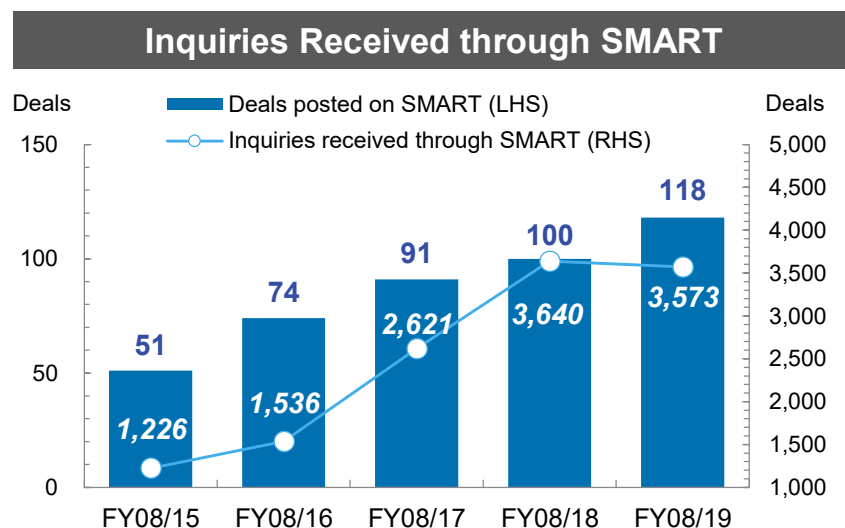
- Hold seminars, issue publicity magazines, and disseminate M&A information via internet, newspapers, and magazines
- Contact potential sellers through direct sales and direct mail
- Cultivate business partners, strengthen relationships, and receive potential seller introduction from business partners
- 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 utilizes Strike's internal database of acquisition needs (which contains data on M&A needs for over 9,000 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.**



■ 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

Disclaimers

- These materials contain forward-looking statements with respect to Strike Co., Ltd.'s business trends and business content, and are based on the Company's expectations, estimates, projections, and forecasts as of the time of publication.
- Expressions related to the Company's future outlook contain a variety of risks and uncertainties. Actual results may differ from those anticipated in expressions related to the future outlook due to known and unknown risks, uncertainties, and other factors.
- The actual content and results of Strike Co., Ltd.'s future business may differ from the future outlook contained in these materials.
- Expressions in these materials in relation to the future outlook are based on information available to Strike Co., Ltd., as of the date these materials were released (March 30, 2020). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.