

Financial Results and Future Measures

1H of Year Ending August 31, 2019 (FYE08/19)



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

April 8, 2019

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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.

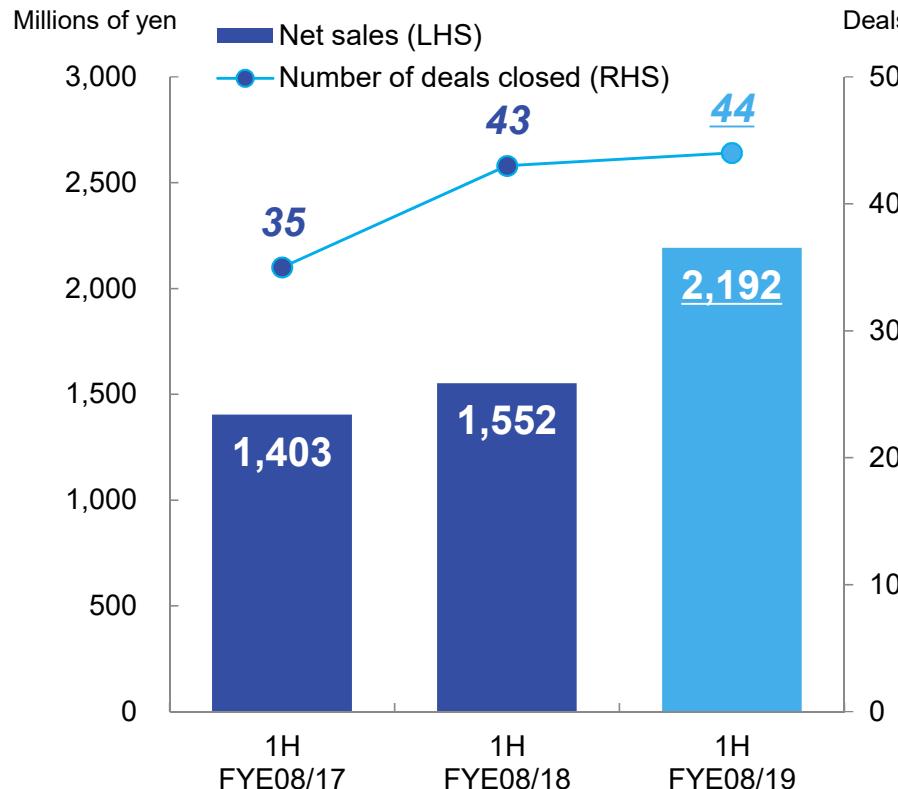
Operating Performance in 1H FYE08/19



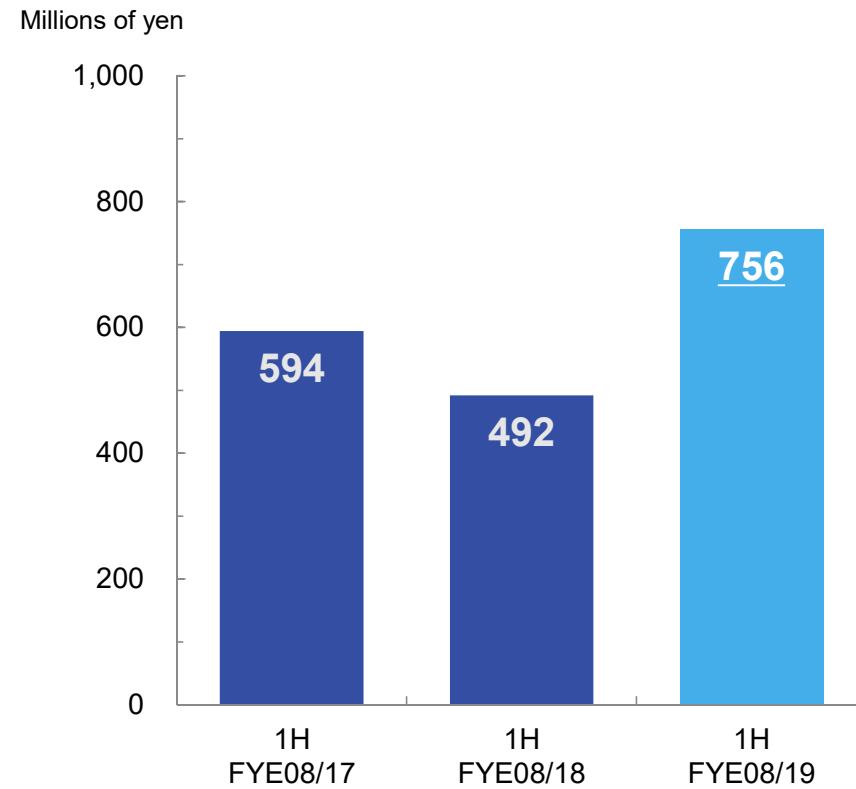
Operating Performance in 1H FYE08/19

In 1H FYE08/19, we closed 44 deals (+1 YoY), and achieved net sales of ¥2,192 million (+41.3% YoY) thanks to an increase in sales per deal. Ordinary profit came to ¥756 million (+53.5% YoY).

Net Sales and Number of Deals Closed



Ordinary Profit



Year-on-Year Comparison

Although cost of sales and sales, general and administrative expenses increased (due to higher personnel expenses and greater incentives arising from increased sales), net sales rose 41.3% YoY, boosting operating profit by 53.8% YoY to ¥757 million, and ordinary profit by 53.5% YoY to ¥756 million.

| | Millions of yen | | | | | |
|--|-----------------|----------------|-------------|----------------|---------|-----|
| | 1H FYE08/18 | | 1H FYE08/19 | | | YoY |
| | | % of net sales | | % of net sales | | |
| Net sales | 1,552 | 100.0% | 2,192 | 100.0% | +41.3% | |
| Cost of sales | 606 | 39.1% | 795 | 36.3% | +31.3% | |
| Gross profit | 946 | 60.9% | 1,396 | 63.7% | +47.7% | |
| Selling, general and administrative expenses | 453 | 29.2% | 639 | 29.2% | +41.0% | |
| Operating profit | 492 | 31.7% | 757 | 34.5% | +53.8% | |
| Non-operating income | 0 | 0.0% | 0 | 0.0% | - 41.9% | |
| Non-operating expenses | — | — | 1 | 0.0% | — | |
| Ordinary profit | 492 | 31.7% | 756 | 34.5% | +53.5% | |
| Extraordinary income | — | — | — | — | — | |
| Extraordinary losses | — | — | — | — | — | |
| Profit before income taxes | 492 | 31.7% | 756 | 34.5% | +53.5% | |
| Income taxes | 161 | 10.4% | 252 | 11.5% | +56.3% | |
| Profit | 331 | 21.3% | 503 | 23.0% | +52.1% | |

Breakdown of Cost of Sales

| | 1H FYE08/18 | 1H FYE08/19 |
|----------------------|-------------|-------------|
| Personnel expenses | 386 | 499 |
| Introduction fees | 172 | 230 |
| Others | 47 | 65 |
| Cost of sales | 606 | 795 |

Breakdown of Selling, General and Administrative Expenses

| | 1H FYE08/18 | 1H FYE08/19 |
|---|-------------|-------------|
| Personnel expenses | 162 | 287 |
| Advertising expenses | 75 | 79 |
| Rent | 54 | 75 |
| Others | 161 | 196 |
| Selling, general and administrative expenses | 453 | 639 |

Comparison of Financial Position vs. End-FYE08/18

Acquisition or treasure shares (-¥518 million) resulted in a decline in cash and deposits (current assets) and shareholders' equity compared with end-FYE08/18.

Millions of yen

| | End-FYE08/18 | End-1H FYE08/19 | | | End-FYE08/18 | End-1H FYE08/19 | |
|-------------------------------|--------------|-----------------|--------|--|--------------|-----------------|--------|
| | Balance | Balance | Change | | Balance | Balance | Change |
| Cash and deposits | 4,918 | 4,647 | -270 | Accounts payable—trade | 75 | 71 | -3 |
| Accounts receivable—trade | 152 | 80 | -71 | Income taxes payable | 269 | 273 | +4 |
| Other | 31 | 34 | +3 | Other | 534 | 500 | -33 |
| Total current assets | 5,102 | 4,763 | -338 | Total current liabilities | 878 | 846 | -32 |
| Property, plant and equipment | 80 | 75 | -5 | Total non-current liabilities | 26 | 18 | -7 |
| Intangible assets | 1 | 1 | -0 | Total liabilities | 905 | 864 | -40 |
| Investments and other assets | 234 | 350 | +115 | Share capital | 823 | 823 | — |
| Total non-current assets | 316 | 426 | +109 | Capital surplus | 801 | 801 | — |
| | | | | Retained earnings | 2,880 | 3,210 | +329 |
| | | | | Treasury shares | — | (518) | -518 |
| | | | | Total shareholders' equity | 4,505 | 4,316 | -188 |
| | | | | Valuation and translation adjustments/Share acquisition rights | 8 | 8 | +0 |
| | | | | Total net assets | 4,513 | 4,325 | -188 |
| Total assets | 5,419 | 5,190 | -228 | Total liabilities and net assets | 5,419 | 5,190 | -228 |

Performance Highlights in 1H FYE08/19

In 1H FYE08/19, net sales were ¥2,192 million (+41.3% YoY) and ordinary profit was ¥756 million (+53.5% YoY). Although project timelines until closing deals have grown slightly longer, we aim to meet our full-year forecasts primarily by increasing the number of deals closed from Q3 onward.

■ 1H FYE08/19 Financial Results

- In 1H, we closed 44 deals (+1 YoY, -16 vs. initial forecast). Project durations until closure are growing slightly longer, resulting in fewer-than-expected deals closed.
- We closed two large deals (generating ¥100 million or more in sales per deal; unchanged YoY), and overall sales per deal increased.
- We had 106 new projects in 1H (+3 YoY, -21 vs. initial forecast). Although we did not expect a significant uptick in new projects from our initial forecast, the sluggish growth in new projects was due in part to delays in closures of ongoing projects.
- Hiring progressed faster than we planned, as we added 22 new M&A consultants, for a total of 78 M&A consultants as of end-1H.

■ Forecast and challenges for Q3 and Q4 FYE08/19

- As of end-1H, we saw an uptrend in the number of projects, even though growth in the number of deals closed was sluggish. We aim to achieve earnings exceeding our initial forecasts, driven by a recovery from Q3, and an increase in deals closed.
- Over 10 new M&A consultants are scheduled to join the company in Q3 and Q4. We therefore expect to hire more M&A consultants than we anticipated over the full fiscal year.
- We relocated our Osaka sales office in March as part of our efforts to bolster our sales activities in the Kansai region.
- We aim to further strengthen our project acquisition efforts, primarily through an expansion of our partnerships, along with seminars and PR activities, to boost sales in FYE08/20.

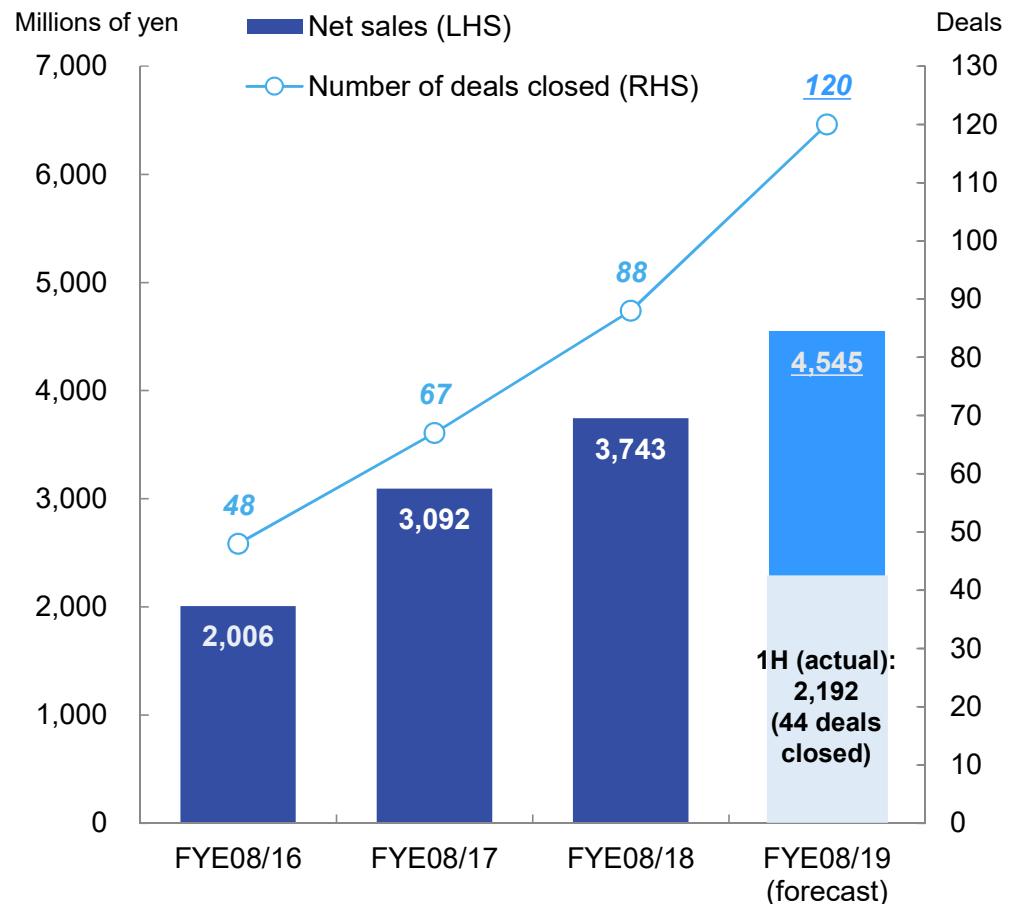
Forecast for FYE08/19



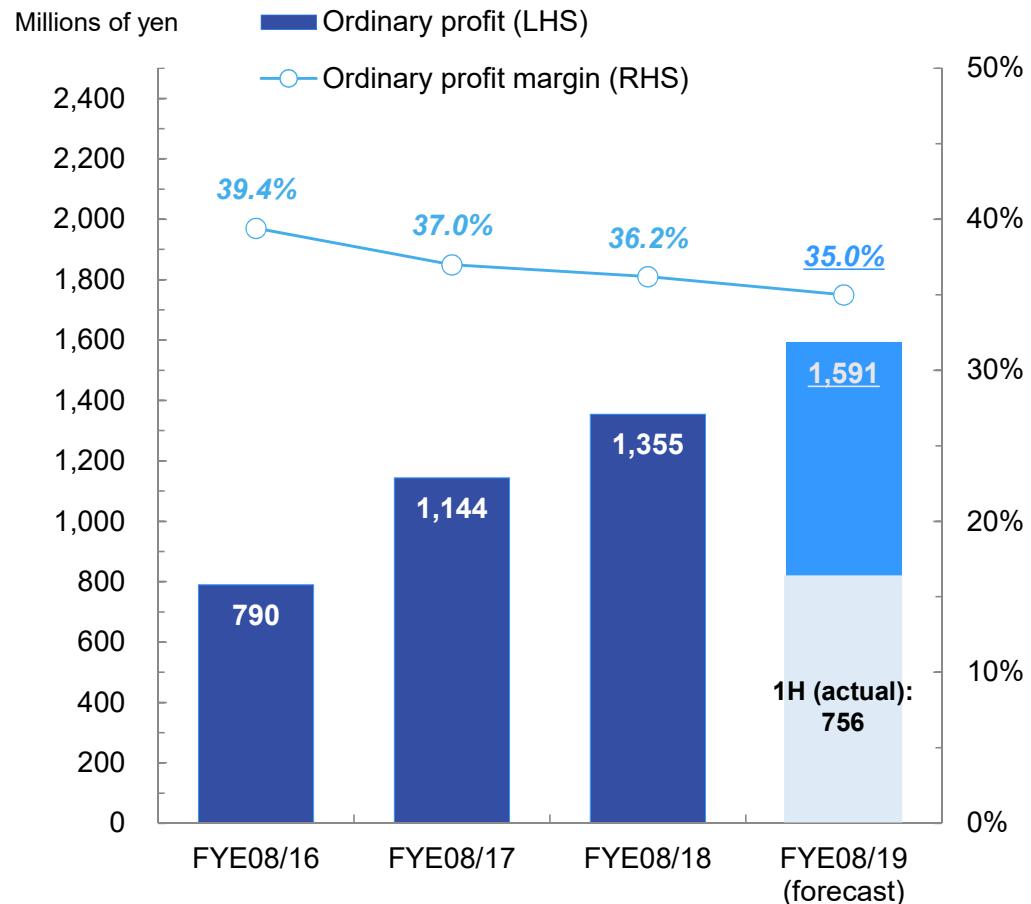
FYE08/19 Forecast

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

Net Sales and Number of Deals Closed

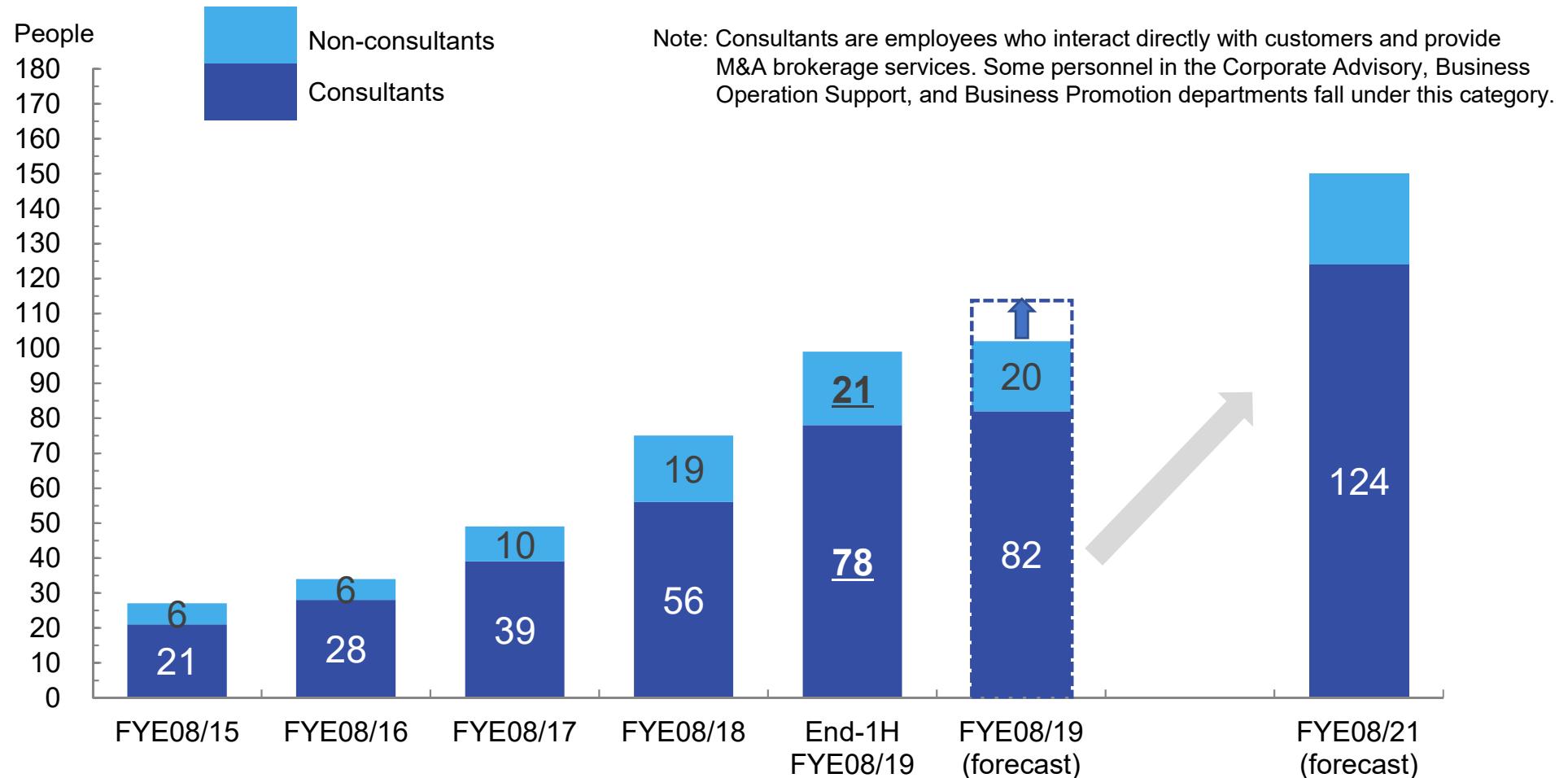


Ordinary Profit and Ordinary Profit Margin



Growing Number of Consultants

We plan to have 82 consultants by end-FYE08/19. As of end-1H, we added 22 new consultants (78 total). Hiring is progressing steadily, and we expect the increase in consultants to run slightly ahead of plan.



Encouraging the Proliferation of M&A through M&Aonline Portal Site

M & A Online

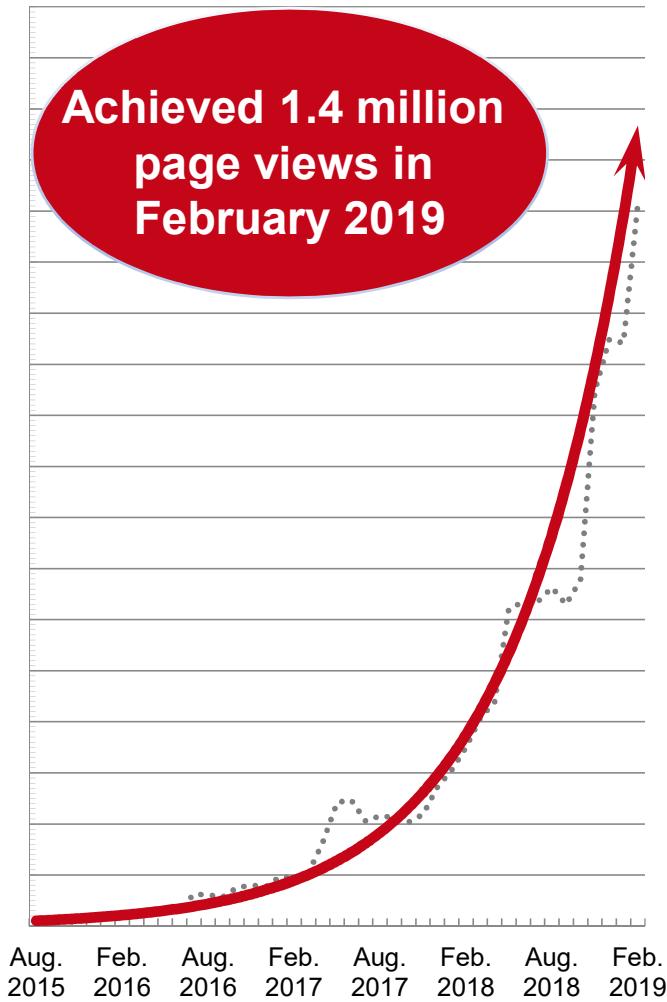
A **free** portal site that offers a variety of M&A-related information, such as the latest news and legal information, in a **timely** fashion



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

Monthly Page Views for M&A Online

Page views

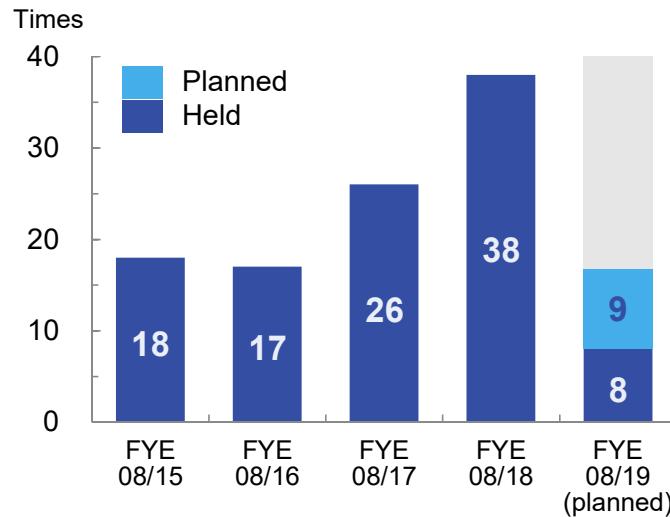


Increasing and Streamlining Direct Projects through Seminars

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 projects received directly.



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

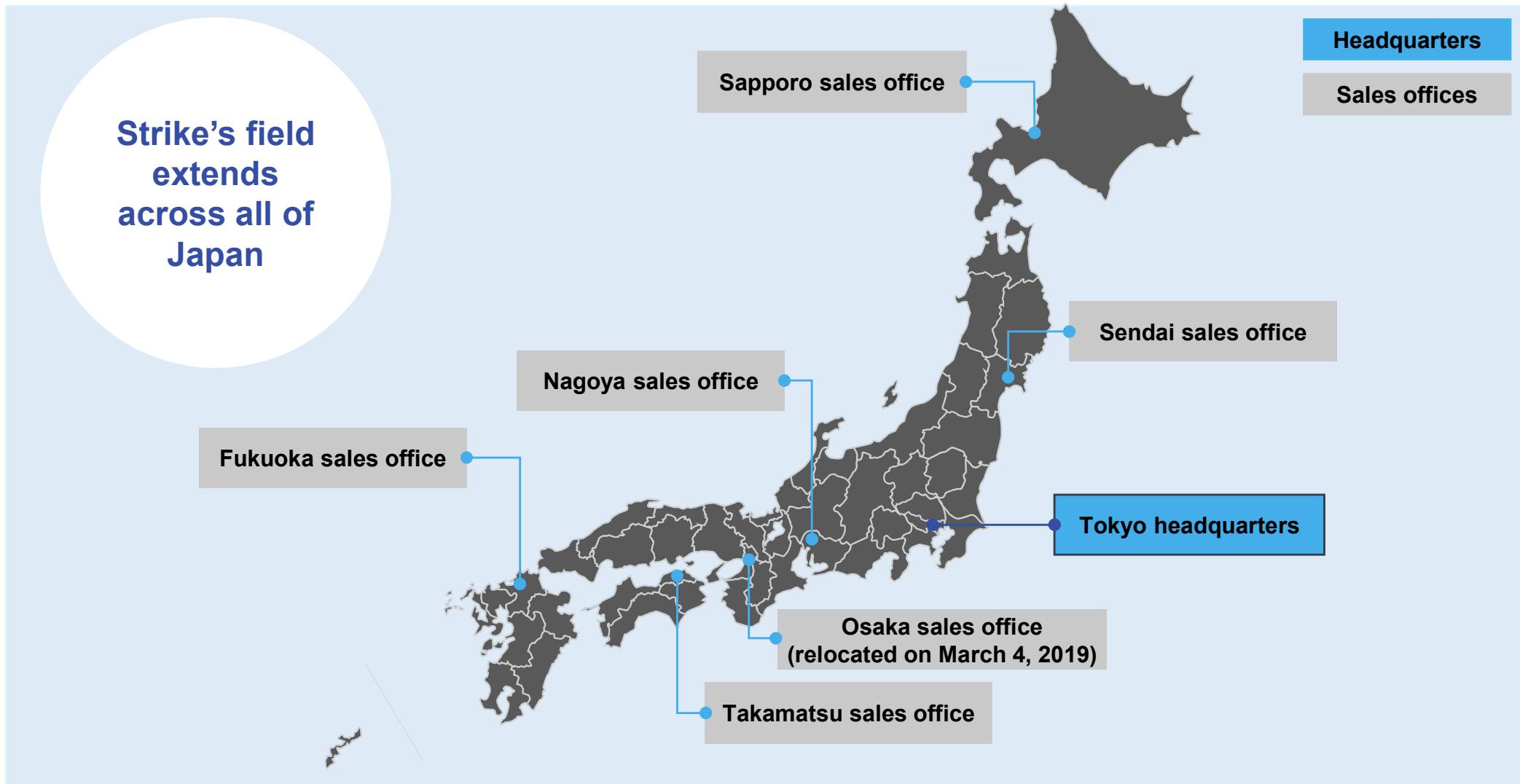


Nationwide Seminars Planned for FYE08/19

| Date | Venue | Title |
|-----------------------|--|---|
| October–November 2018 | Nagoya, Osaka, Sapporo, Fukuoka, Tokyo | Growth Strategizes Utilizing M&A |
| February 2019 | Tokyo, Osaka, Nagoya | Management Essence for Companies to Continue to Grow |
| March 7, 2019 | Sapporo | Management Essence for Companies to Continue to Grow |
| March 13, 2019 | Fukuoka | Management Essence for Companies to Continue to Grow |
| April 17, 2019 | Tokyo | Guide to M&A for startups: Seminar on M&A to defend and grow your business |
| June–July 2019 | Nationwide | Seminars planned throughout Japan |

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

In Q2, we newly partnered with the Tohoku Licensed Public Tax Accountant Cooperative, and continued 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.

| | |
|--------------|--|
| Allocated to | 2 executives, 36 employees (as of August 31, 2018) |
|--------------|--|

| | Target Period | Performance Conditions | Status |
|------------------------|---------------|---|----------|
| Exercise condition (1) | FYE08/18 | Operating profit of ¥1,300 million | Achieved |
| Exercise condition (2) | FYE08/19 | Operating profit of ¥2,000 million in one of these two periods | Target |
| | FYE08/20 | | |

Note: The options cannot be exercised unless conditions (1) and (2) are both satisfied.



Exercise condition (1) was achieved in FYE08/18.

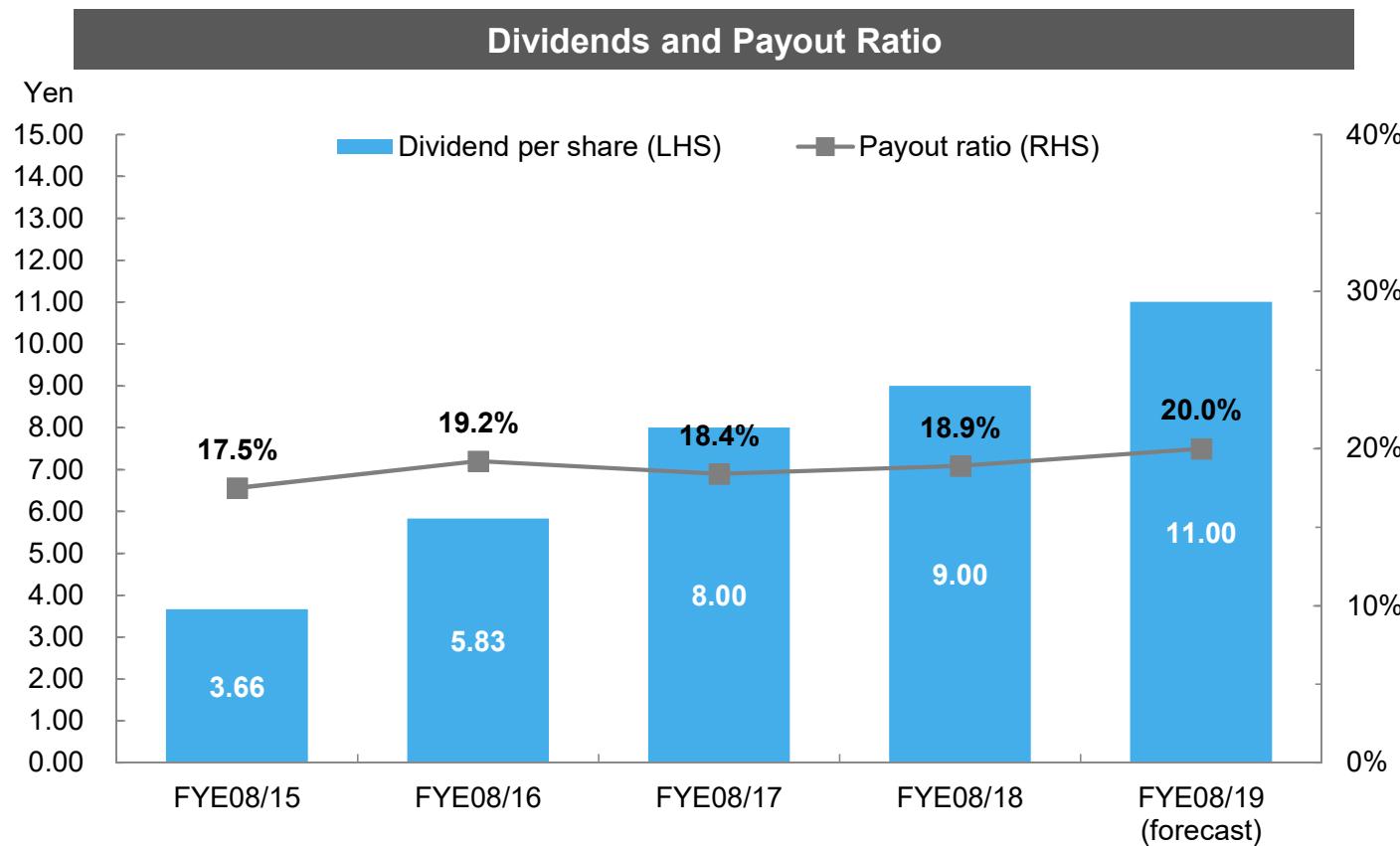
FYE08/19 serves as a transition period toward achieving exercise condition (2) in FYE08/20.
(Earlier achievement is also possible depending on project statuses.)

Forecast for Shareholder Returns

Dividends: We target a dividend payout ratio of 20%. We look to increase the dividend from ¥9 per share in FYE08/18 to ¥11 per share in FYE08/19.

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

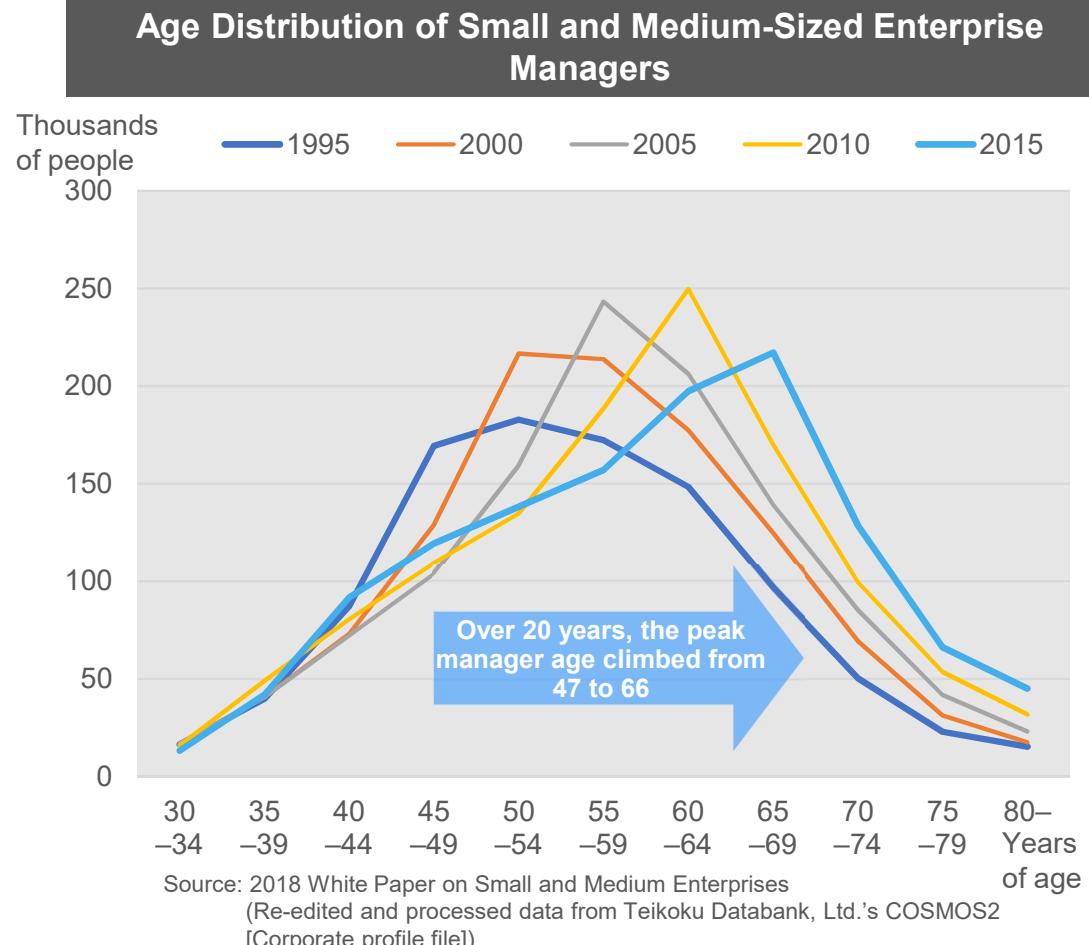


Market Trends: Business Succession M&A Market Expected to Continue Expanding in Japan

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

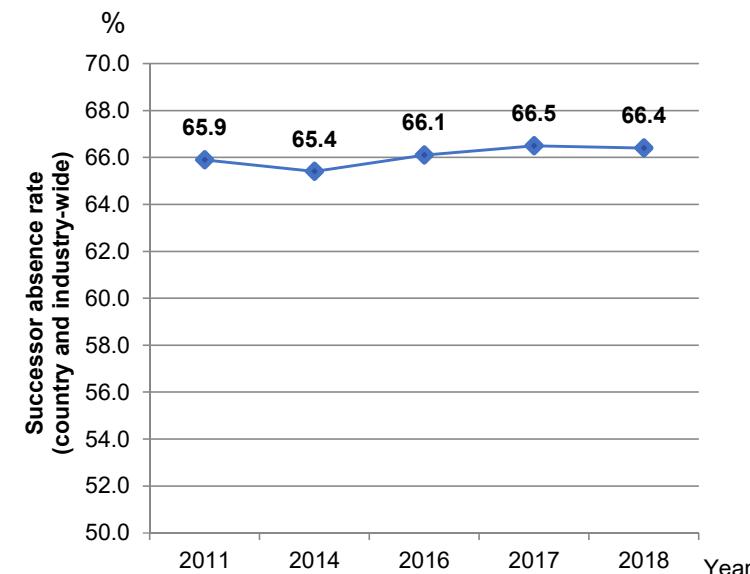
→ The M&A market segment that provides solutions for business succession is expected to continue expanding.

■ Advancing Age of Company Presidents



■ 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)



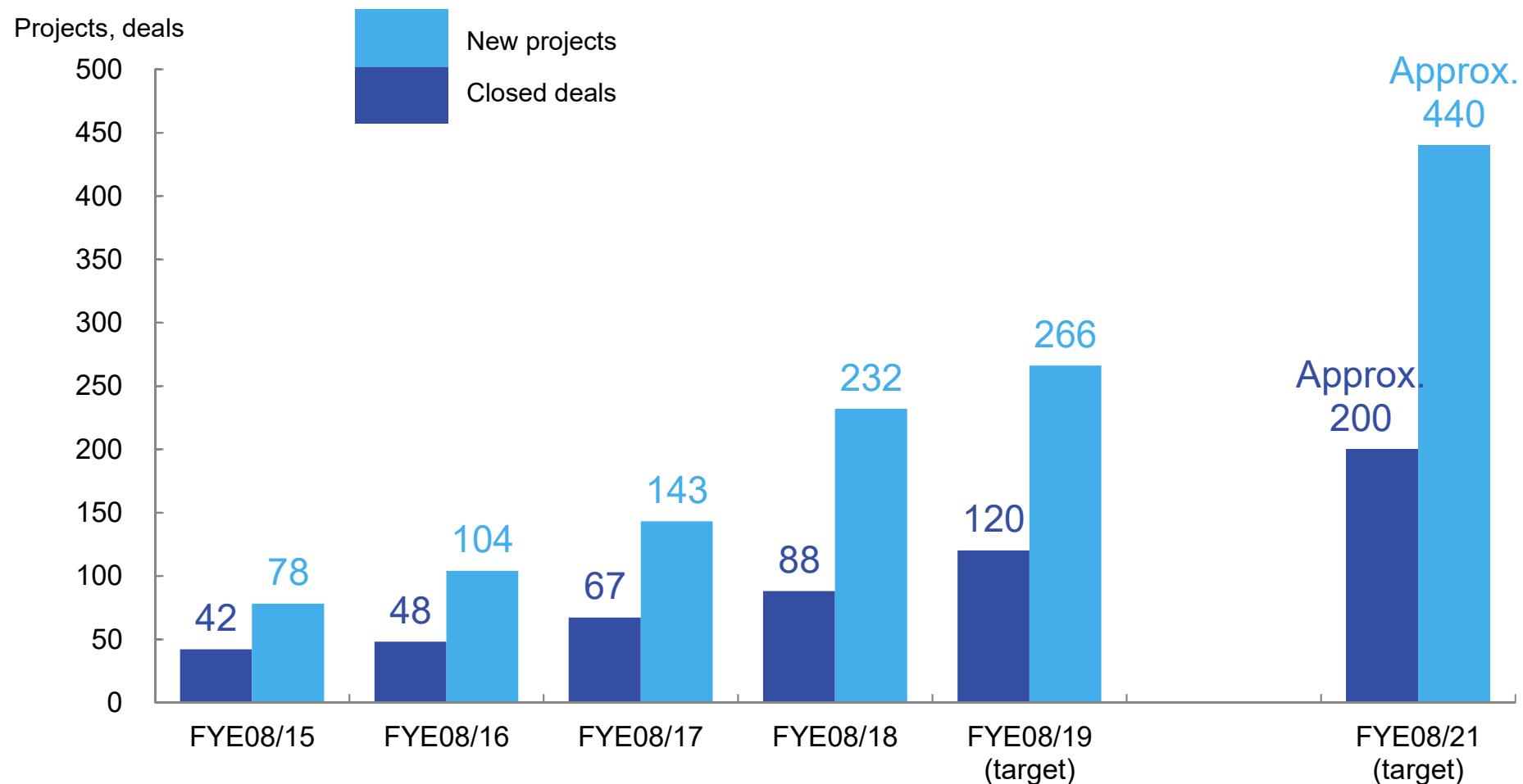
Of the roughly **276,000 companies** surveyed, **66.4%** (over 180,000) have no successor in place.

Medium- to Long-Term Management Policy



Results and Targets for New Projects and Deals Closed

We expect the FYE08/19 growth rate for new projects to be modest, mainly due to a high year-earlier comparison (as new projects exceeded our forecast in FYE08/18), and the fact that growth in new projects is typically dependent on growth in the number of personnel. We aim to achieve 200 deals closed per year within the next three years. We target further growth by raising consultant productivity and efficiency.



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 project 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 better 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

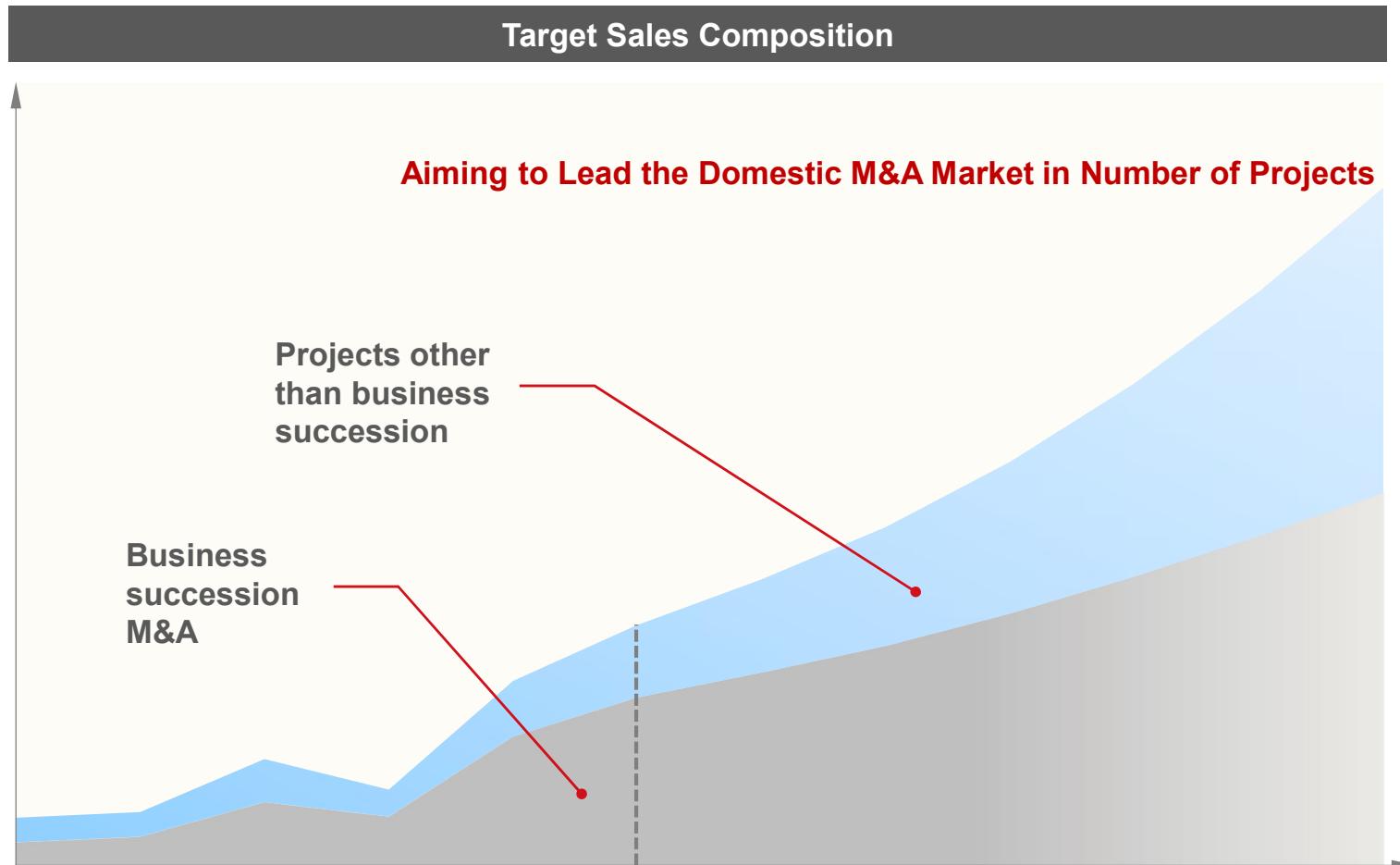
Optimize client discovery and brokerage services



Acquire more projects 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

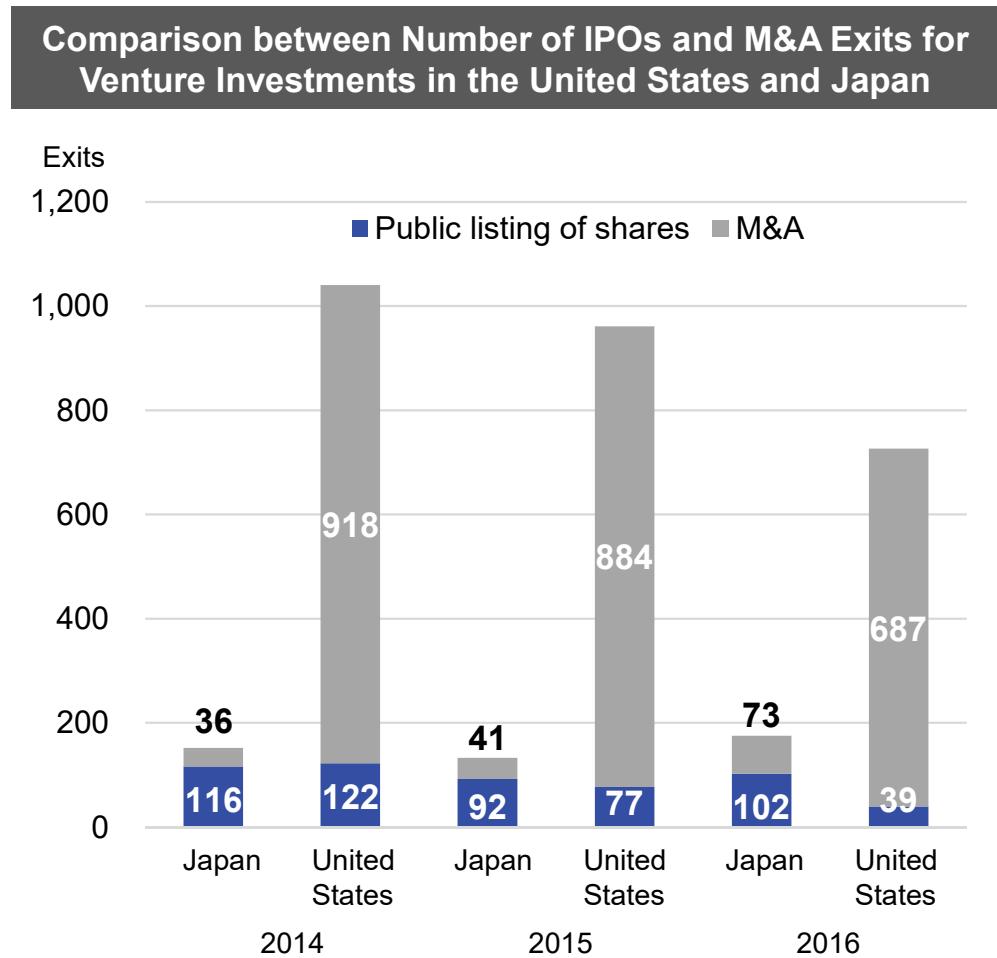
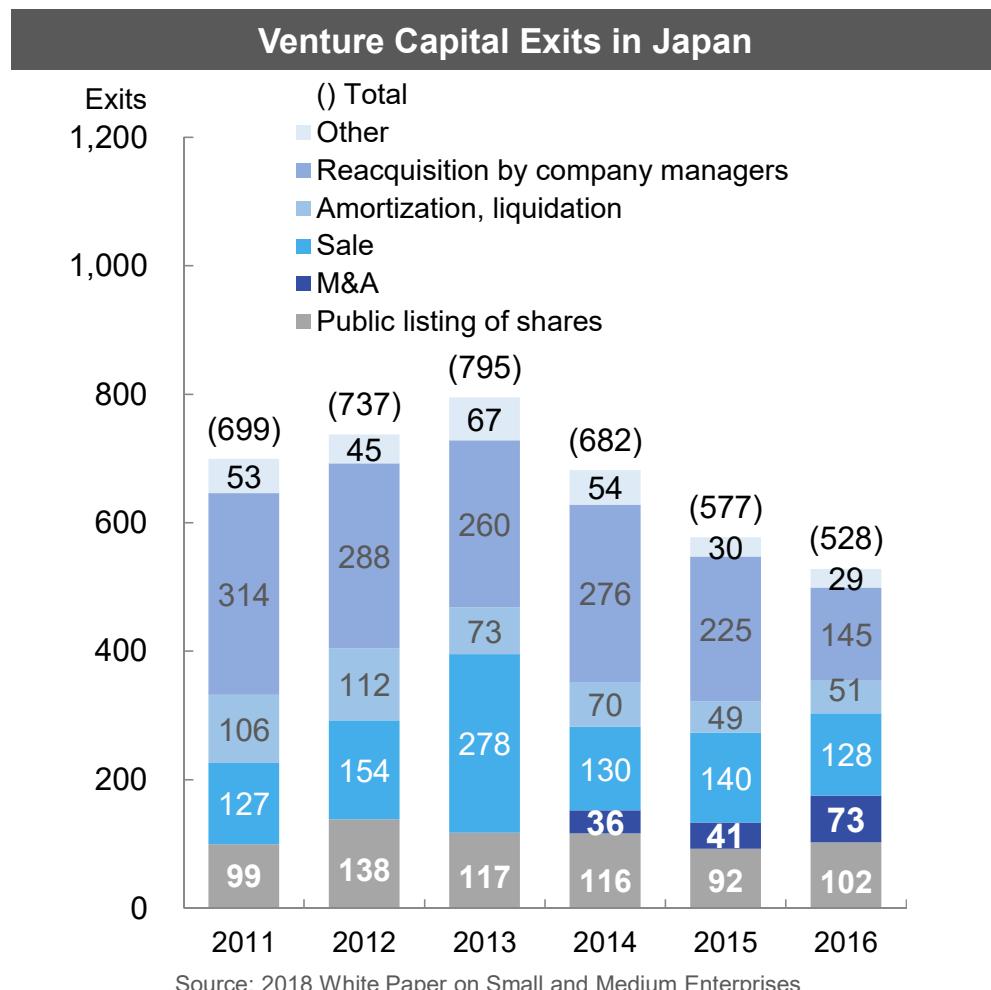
We aim to increase our share of the market for business succession M&A and aggressively cultivate projects in new fields, becoming the leader in the M&A brokerage market in Japan. Over the medium term, we intend to increase sales at over 20% per year.



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

Growing Needs for M&A as a Startup Exit Strategy

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.



Cultivating Startup Company Exit Projects

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 FYE08/18, we closed nine M&A deals involving startup companies transferred within five years of their establishments (about 10% of total deals closed) through our brokerage services.



Company Overview



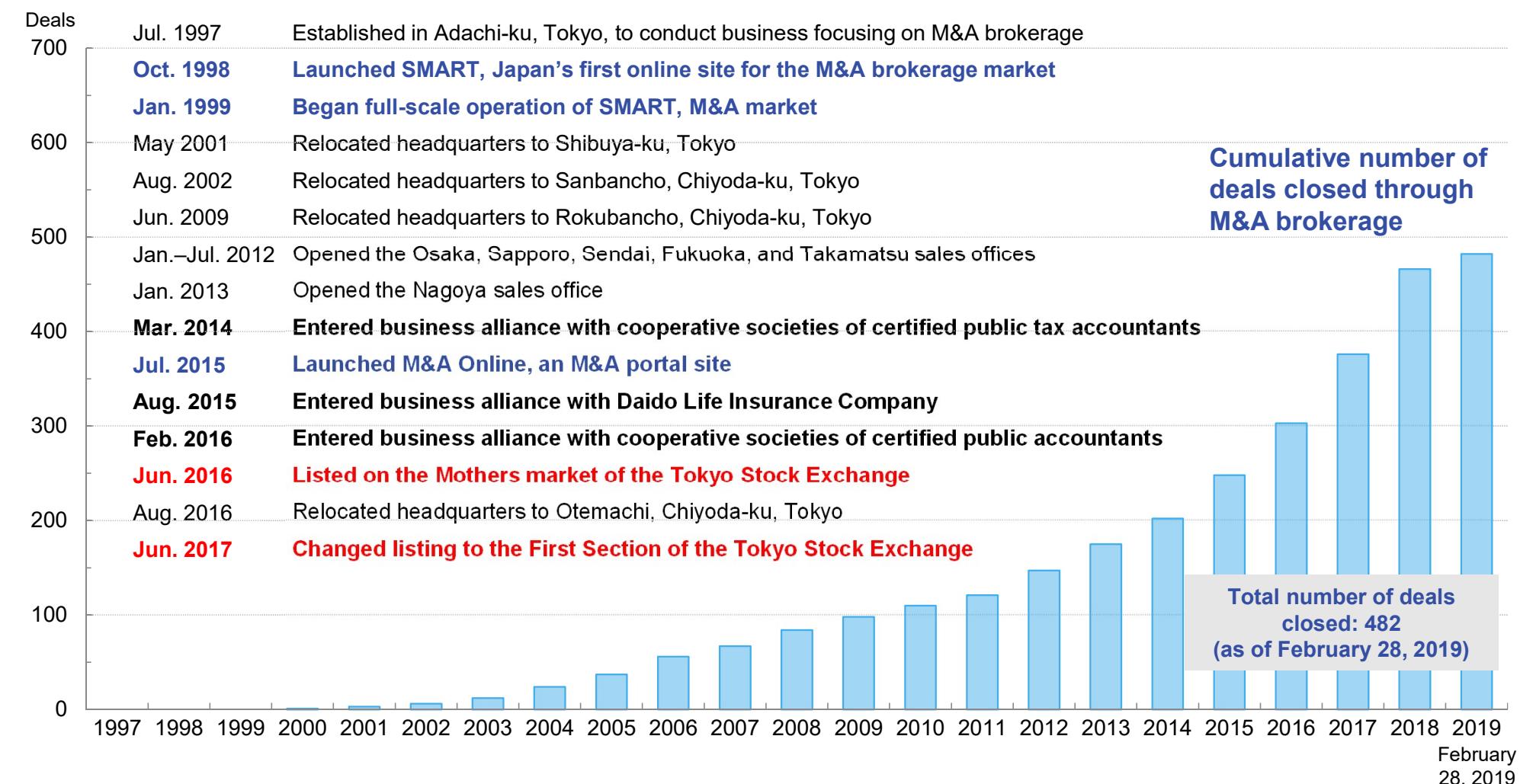
Company Overview

We are a group of professionals, chiefly certified public accountants, with “**Realizing people’s aspirations through M&A**” as our corporate credo. We were established as the first company in Japan to leverage the internet for the M&A market. We are currently developing our business by focusing on one of the serious issues facing Japan, the succession of small and medium enterprises, through our efforts in M&A.

| | |
|------------------------------------|--|
| Company name | Strike Co., Ltd. |
| Established | July 1997 |
| Capital stock | ¥823 million (as of February 28, 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 | 99 (excluding temporary staff, as of February 28, 2019) |
| Net sales, operating profit | Net sales ¥3,743 million, operating profit ¥1,352 million (operating profit margin 36.1%) in FYE08/18 |
| 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 response 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 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 obtained 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

Through introductions via business alliances with sellers and buyers, receive brokerage fees from both sellers and buyers.

Company Characteristics

- By actively using our 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.

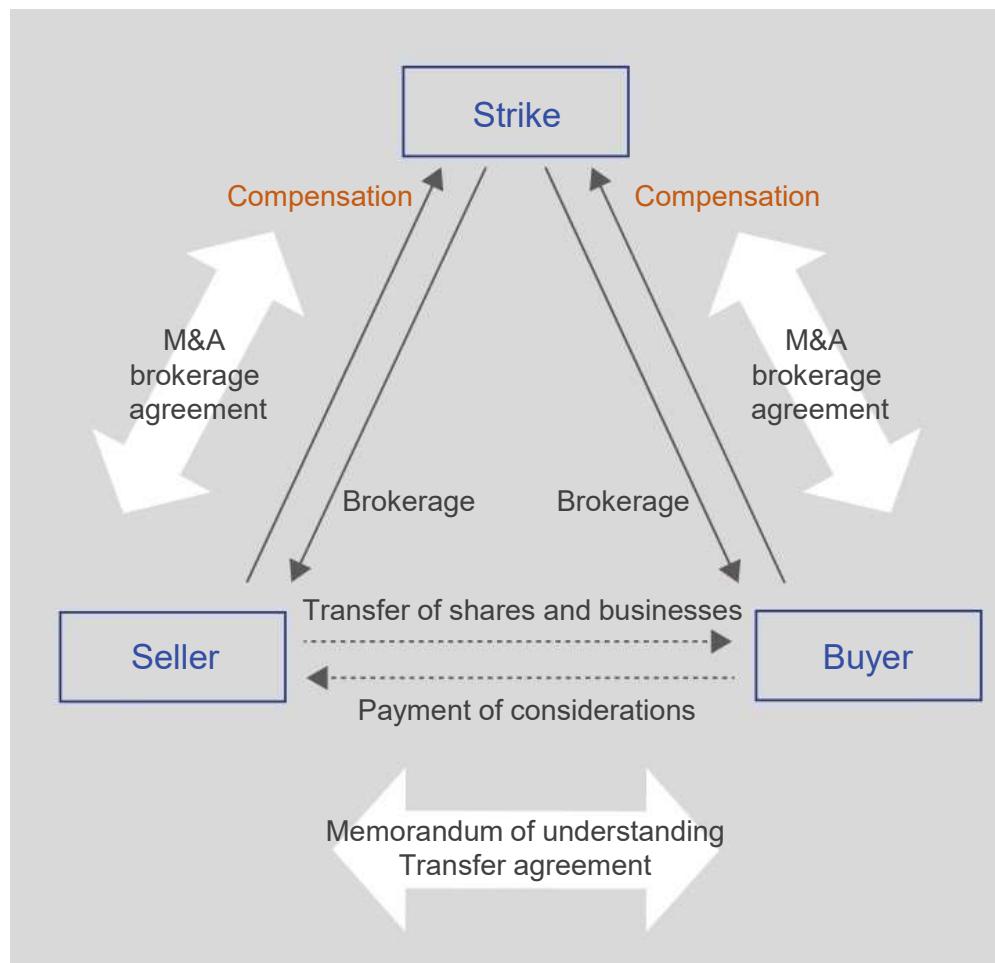
Compensation Structure: Lehmann Method

Sample Compensation Structure

| Seller | Buyer |
|--|-------|
| 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% |

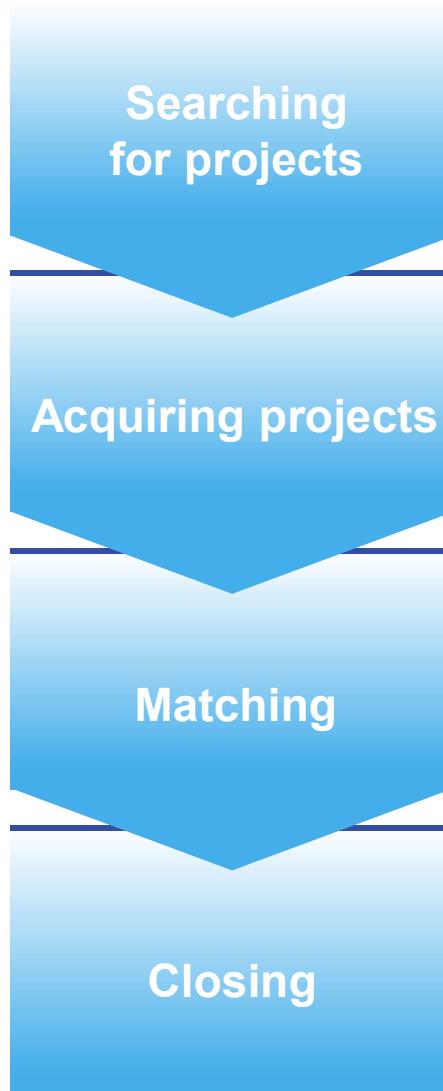
| Seller | Buyer |
|--|-------|
| Market value of total assets at transfer | Rate |
| Portion below ¥500 mn | 5% |
| Portion from ¥500 mn to ¥1.0 bn | 4% |
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M&A Brokerage Earnings Model



Flow of the M&A Brokerage Business

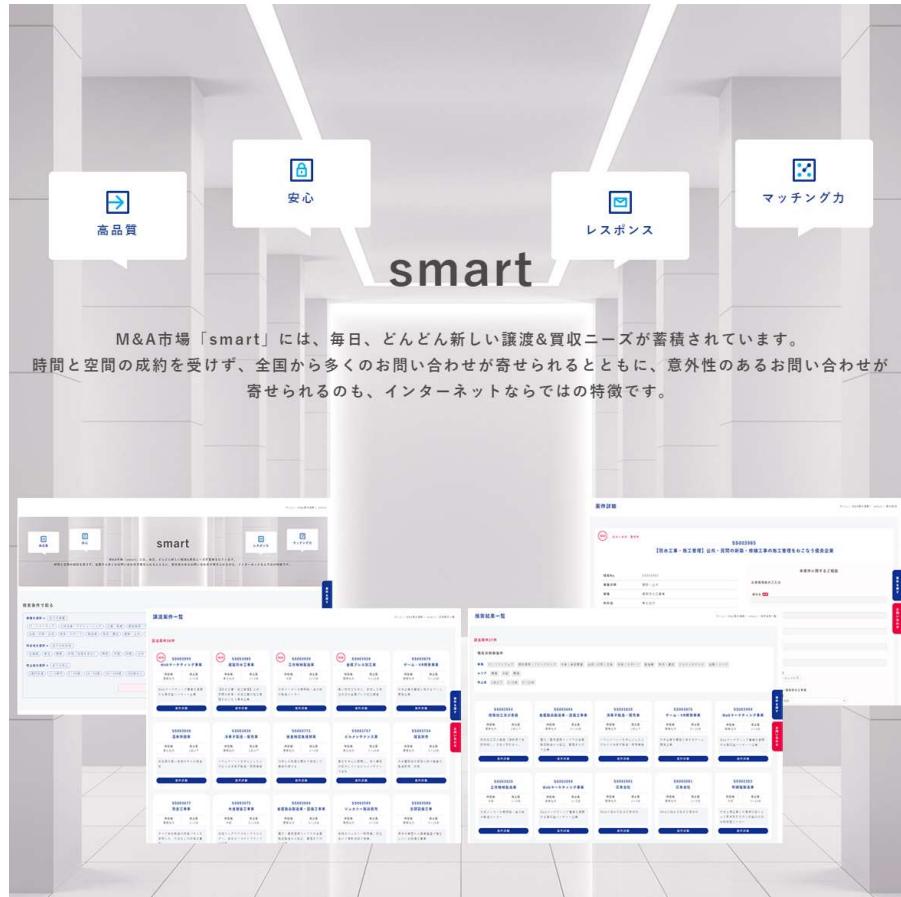
Conduct brokerage through searching for projects, acquiring projects, matching, and closing



- 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 partners



■ 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/>

(Viewable to anyone with an internet connection)

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 (April 8, 2019). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.