

October 29, 2021

# Financial Results for the Fiscal Year Ended September 30, 2021

Strike Co., Ltd.

First Section, Tokyo Stock Exchange: 6196



# STRIKE

FINANCIAL RESULTS AND FUTURE MEASURES

## 01 Operating Performance in FY09/21

**\*FY09/21 was a 13-month accounting period due to a change in fiscal year-end.**

## 02 Forecast for FY09/22

## 03 Medium- to Long-Term Management Policy

## 04 Company Overview

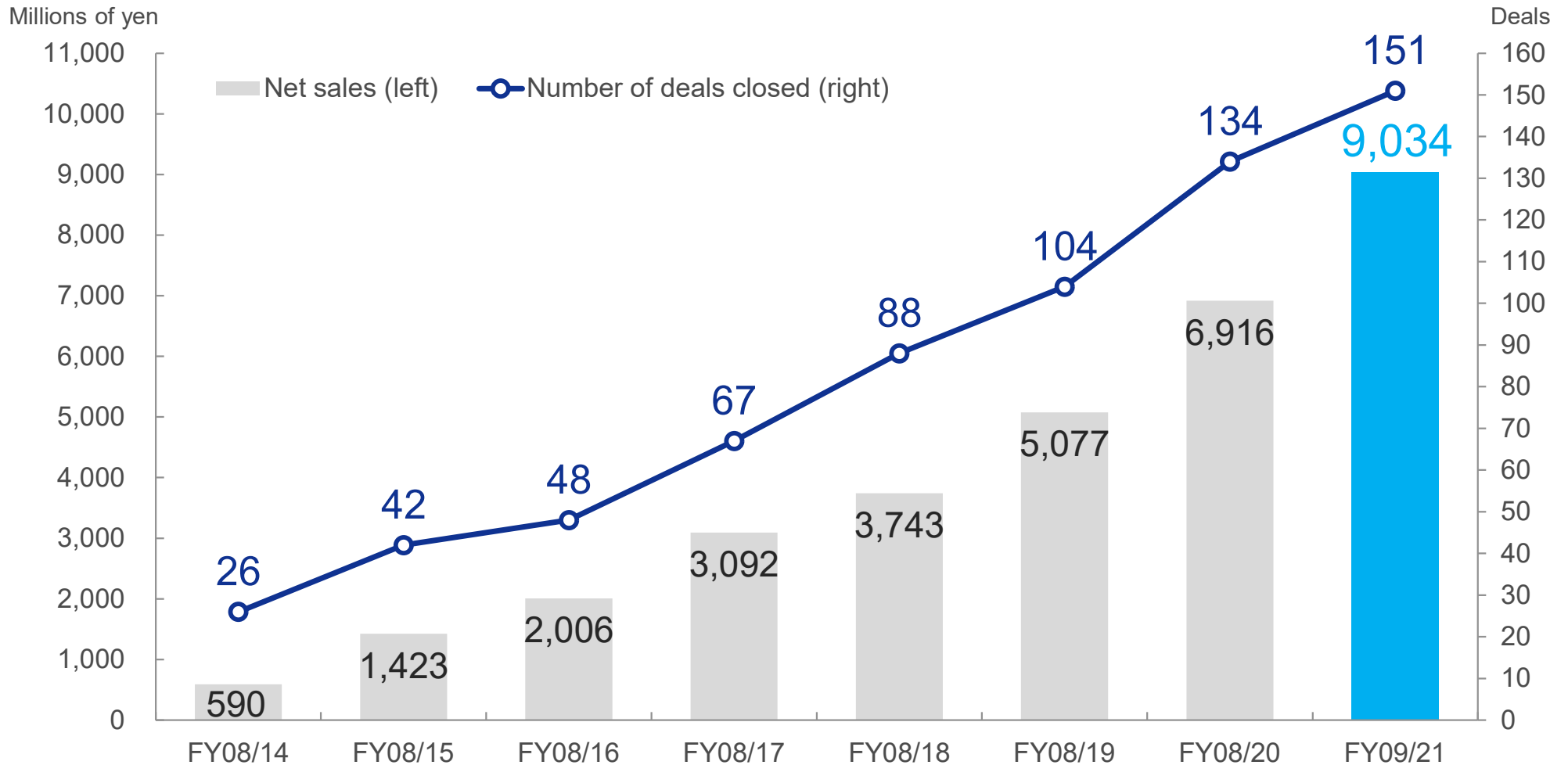
## 05 Market Trends

## FY09/21 Operating Performance



Net sales surpassed the forecast of ¥8,368 million, marking a record high.

### Net Sales and Number of Deals Closed



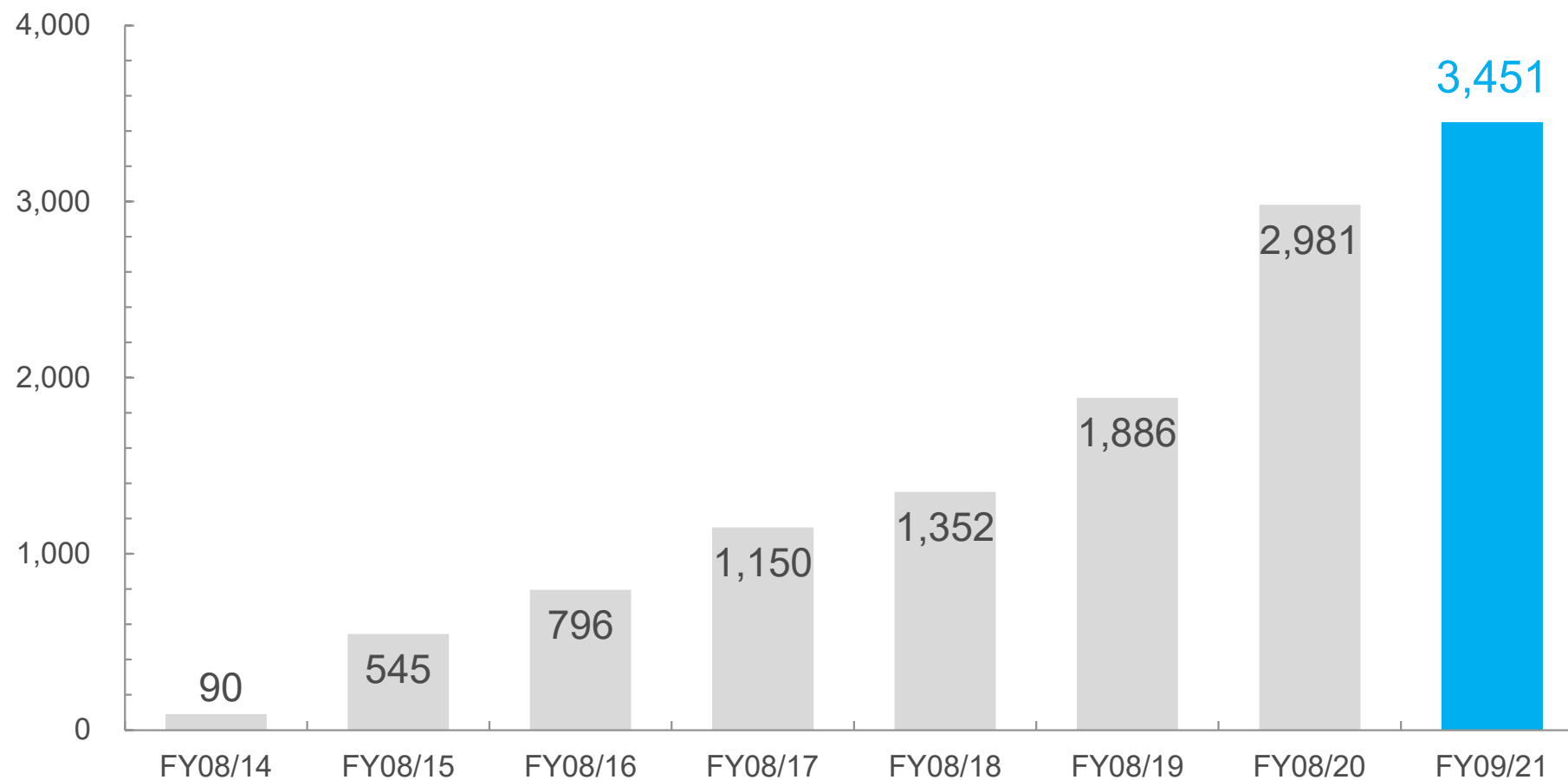
## FY09/21 Operating Performance



Operating profit came in above the forecast of ¥3,081 million to achieve a record high.

### Operating Profit

Millions of yen



## Year-on-Year Comparison



12-month adjusted results also show a YoY rise in net sales and profits.

Millions of yen

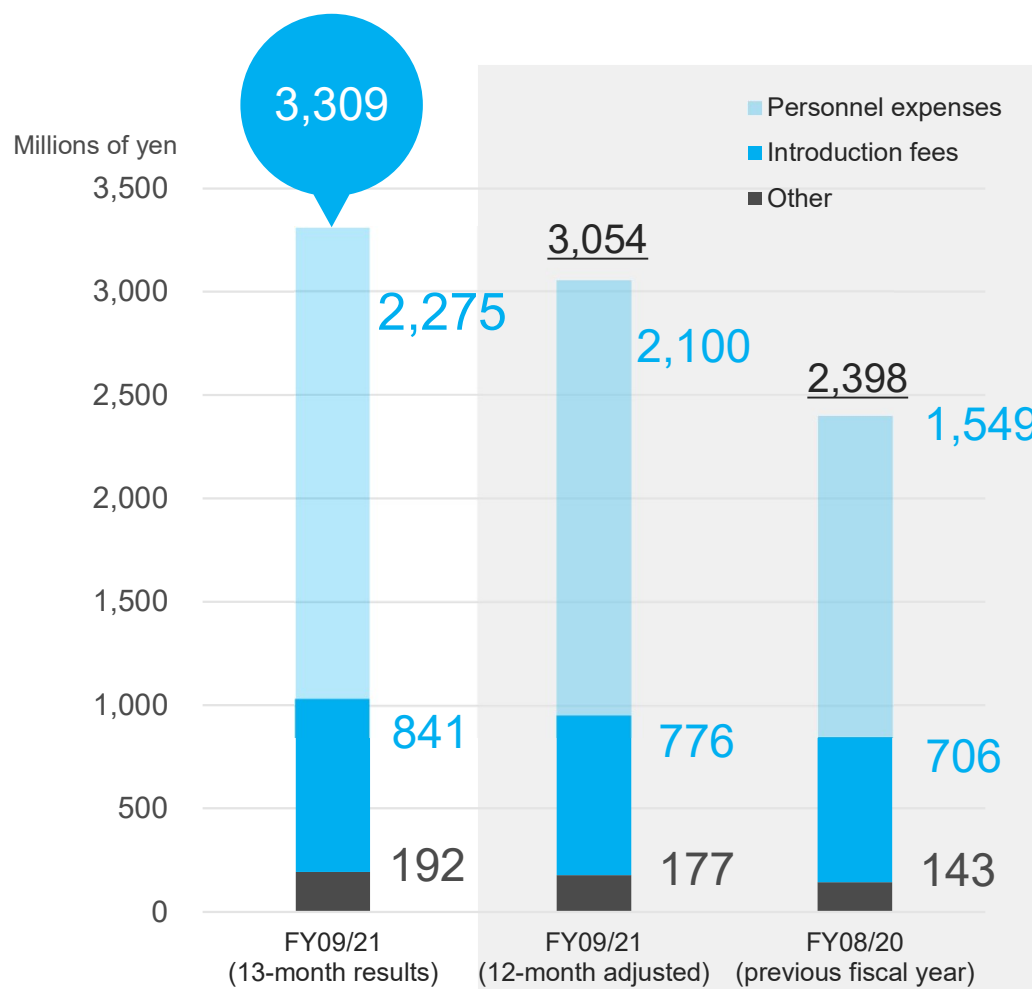
	FY09/21 13-month results		FY09/21 12-month adjusted results		FY08/20 Previous fiscal year		YoY change vs. 12- month adjusted results
		% of net sales		% of net sales		% of net sales	
Net sales	9,034	100.0%	8,339	100.0%	6,916	100.0%	+20.6%
Cost of sales	3,309	36.6%	3,054	36.6%	2,398	34.7%	+27.4%
Gross profit	5,725	63.4%	5,284	63.4%	4,518	65.3%	+17.0%
SG&A expenses	2,273	25.2%	2,099	25.2%	1,536	22.2%	+36.6%
Operating profit	3,451	38.2%	3,185	38.2%	2,981	43.1%	+6.9%
Non-operating income	24	0.3%	22	0.3%	2	0.0%	+986.2%
Non-operating expenses	—	—	—	—	—	—	—
Ordinary profit	3,475	38.5%	3,208	38.5%	2,983	43.1%	+7.5%
Extraordinary income	4	0.0%	3	0.0%	225	3.3%	-98.3%
Extraordinary losses	69	0.8%	63	0.8%	36	0.5%	+74.7%
Profit before income taxes	3,410	37.7%	3,148	37.8%	3,172	45.9%	-0.8%
Income taxes	1,014	11.2%	936	11.2%	969	14.0%	-3.4%
Profit	2,395	26.5%	2,211	26.5%	2,202	31.8%	+0.4%

Note: 12-month adjusted figures for FY09/21 calculated by dividing the 13-month actual results by  $\frac{12}{13}$

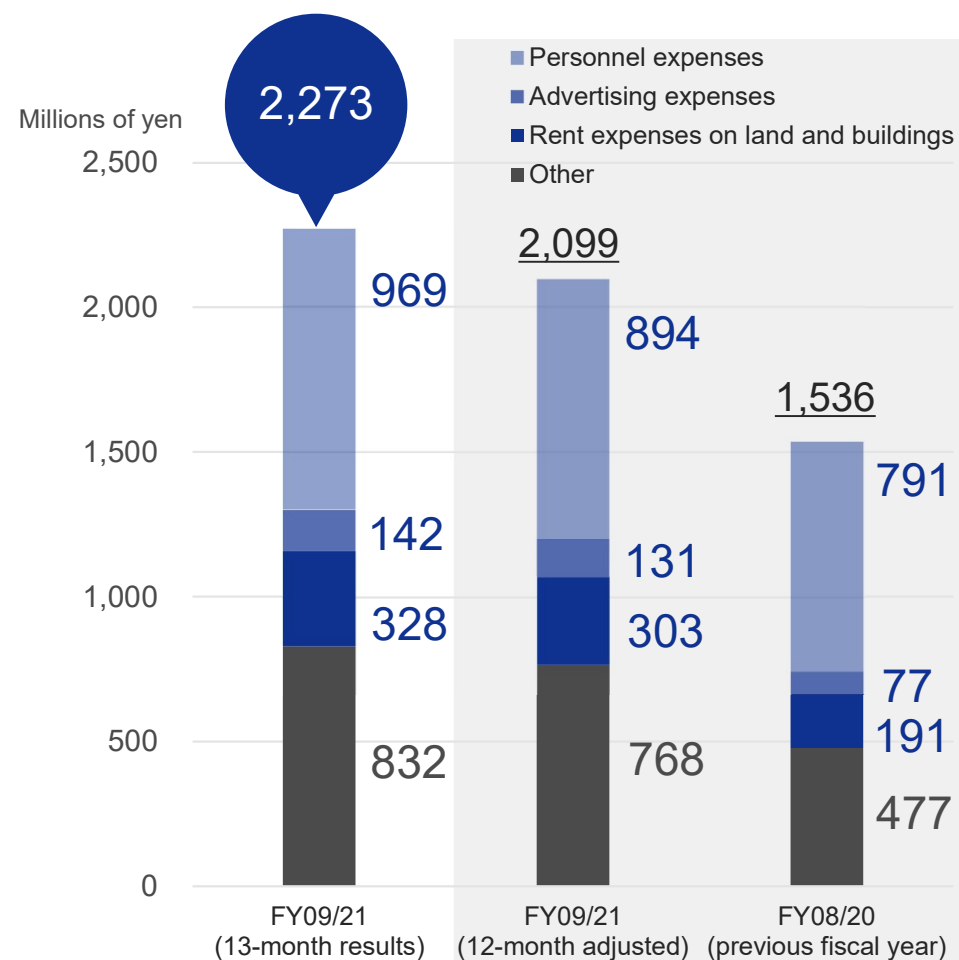
## Year-on-Year Comparison

Other expenses under SG&A expenses rose as a result of increases in recruiting expenses, purchase of data for sales activities, and depreciation and amortization of leasehold deposits associated with the relocation of our headquarters.

Breakdown of Cost of Sales



Breakdown of SG&A Expenses



Note: 12-month adjusted figures for FY09/21 calculated by dividing the 13-month actual results by  $\frac{12}{13}$

## Comparison of Financial Position vs. End-FY08/20



Our financial position remains healthy thanks to strong performance.

Millions of yen

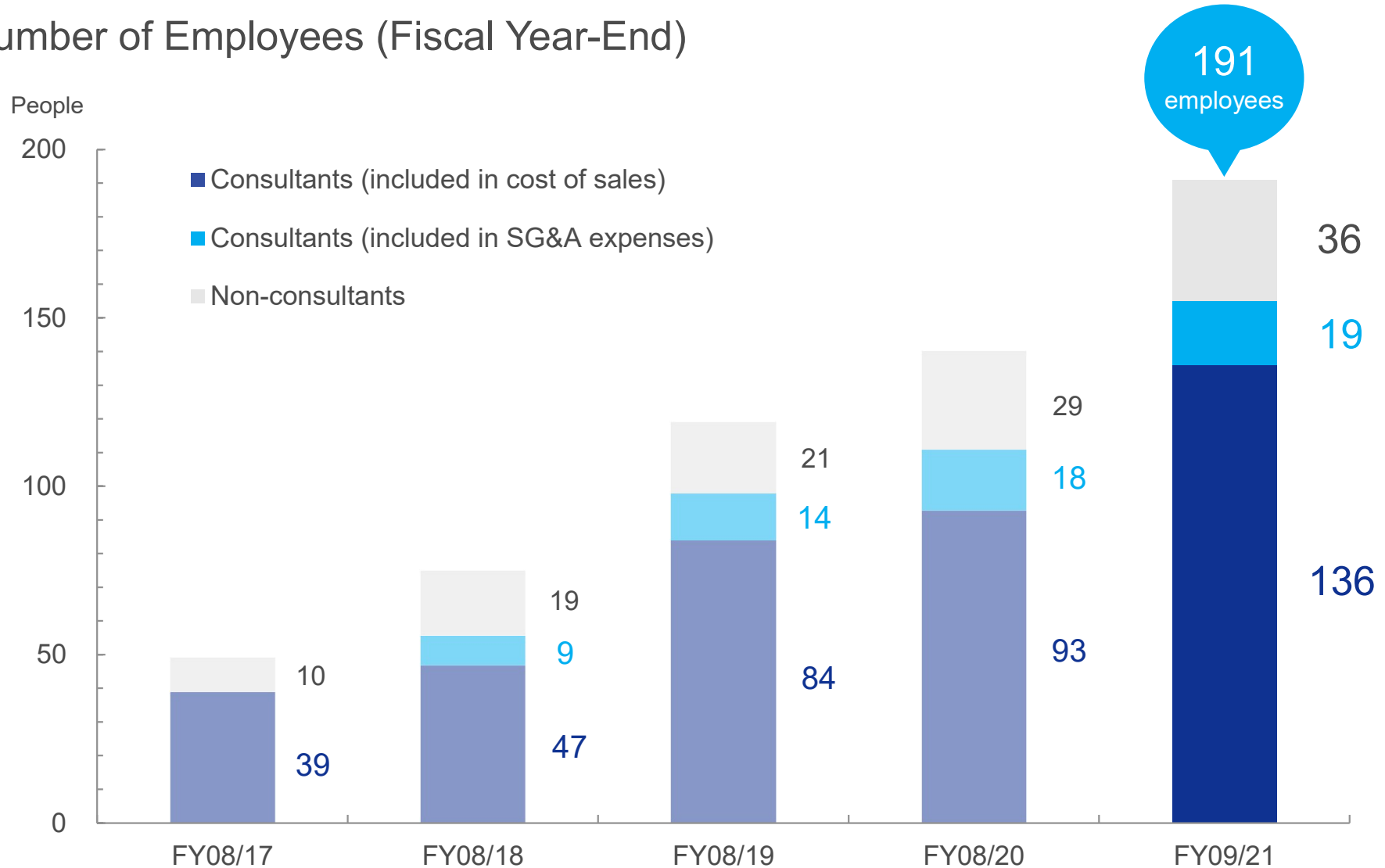
	End-FY09/21	End-FY08/20	Change		End-FY09/21	End-FY08/20	Change
	Balance	Balance			Balance	Balance	
Cash and deposits	8,567	7,871	+695	Accounts payable–trade	186	110	+76
Accounts receivable–trade	1,181	293	+887	Income taxes payable	640	793	-152
Other	233	45	+187	Other	1,054	1,050	+3
Total current assets	9,981	8,211	+1,770	Total current liabilities	1,881	1,954	-72
Property, plant and equipment	335	116	+219	Total non-current liabilities	—	—	—
Intangible assets	4	5	-0	<b>Total liabilities</b>	<b>1,881</b>	<b>1,954</b>	<b>-72</b>
Investments and other assets	637	713	-75	Share capital	823	823	—
Total non-current assets	977	834	+142	Capital surplus	810	801	+8
				Retained earnings	7,911	5,974	+1,937
				Treasury shares	(473)	(519)	+45
				Shareholders' equity	9,072	7,079	+1,992
				Valuation and translation adjustments/Share acquisition rights	5	11	-6
				<b>Total net assets</b>	<b>9,077</b>	<b>7,091</b>	<b>+1,986</b>
<b>Total assets</b>	<b>10,958</b>	<b>9,045</b>	<b>+1,913</b>	<b>Total liabilities and net assets</b>	<b>10,958</b>	<b>9,045</b>	<b>+1,913</b>

# Employees



We hired 44 consultants, above our plan of hiring 27 consultants.

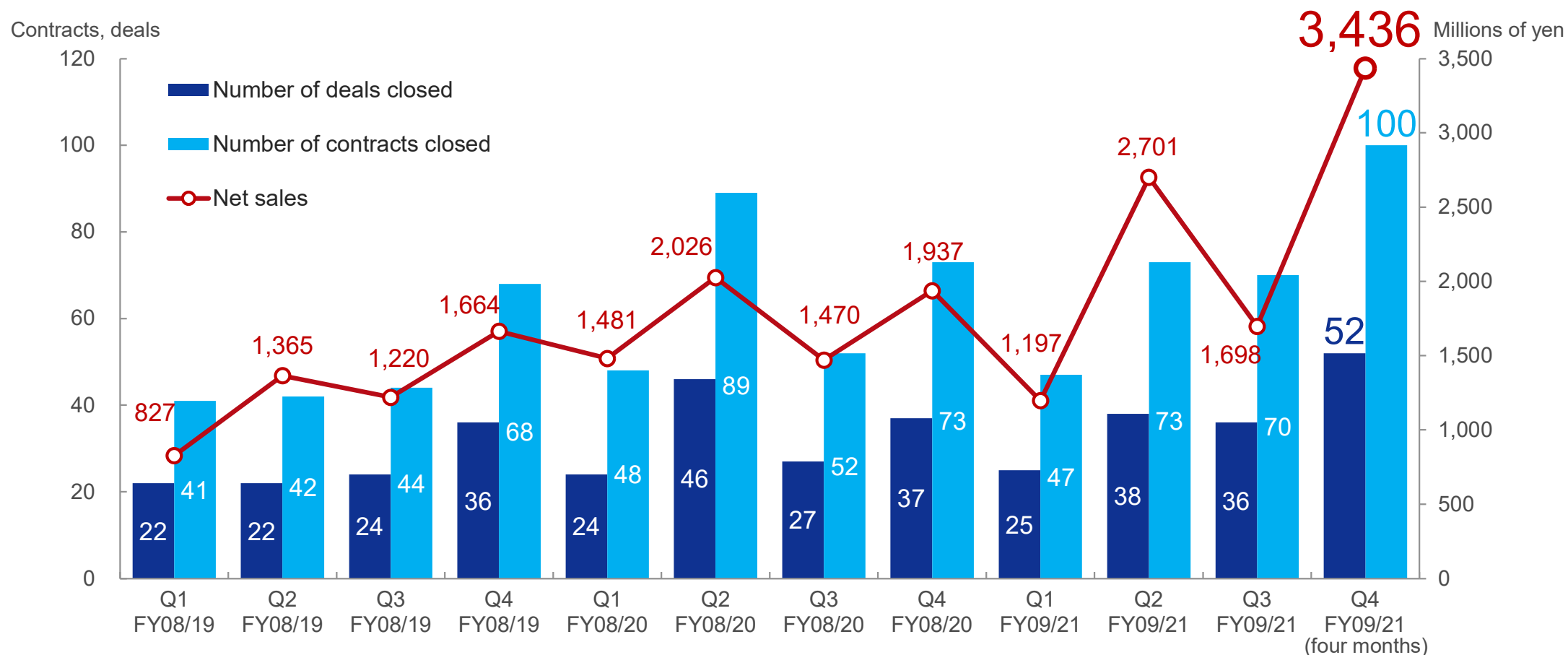
## Number of Employees (Fiscal Year-End)





## Deals and Contracts Closed

Number of Deals and Contracts Closed (Quarterly)



**Number of deals closed:** Number of M&A transactions in which Strike provides brokerage or advisory services (i.e., number of deals)

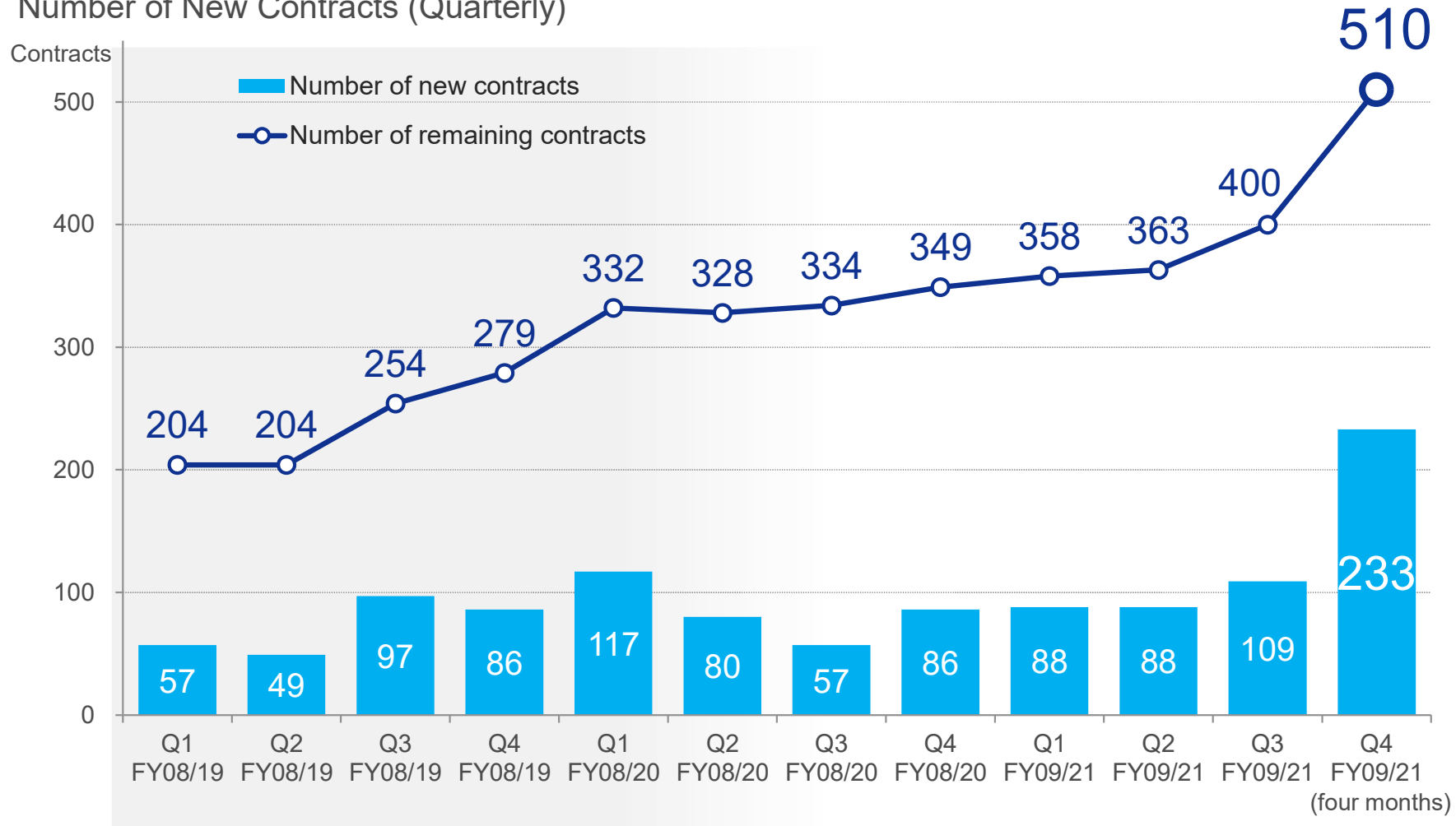
**Number of contracts closed:** Number of contracts on closed M&A deals in which Strike provides brokerage or advisory services (i.e., number of companies)

In brokerage services, each deal counts as two contracts (one for the seller and one for the buyer), while in advisory services, each deal counts as one contract.

## New Contracts

New contracts rose substantially thanks to an increase in consultant headcount, strengthened advertising activities such as online advertising, proposal-based marketing, and seminars, and revisions to our compensation structure.

Number of New Contracts (Quarterly)



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

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## Forecast for FY09/22



### Forecast Assumptions

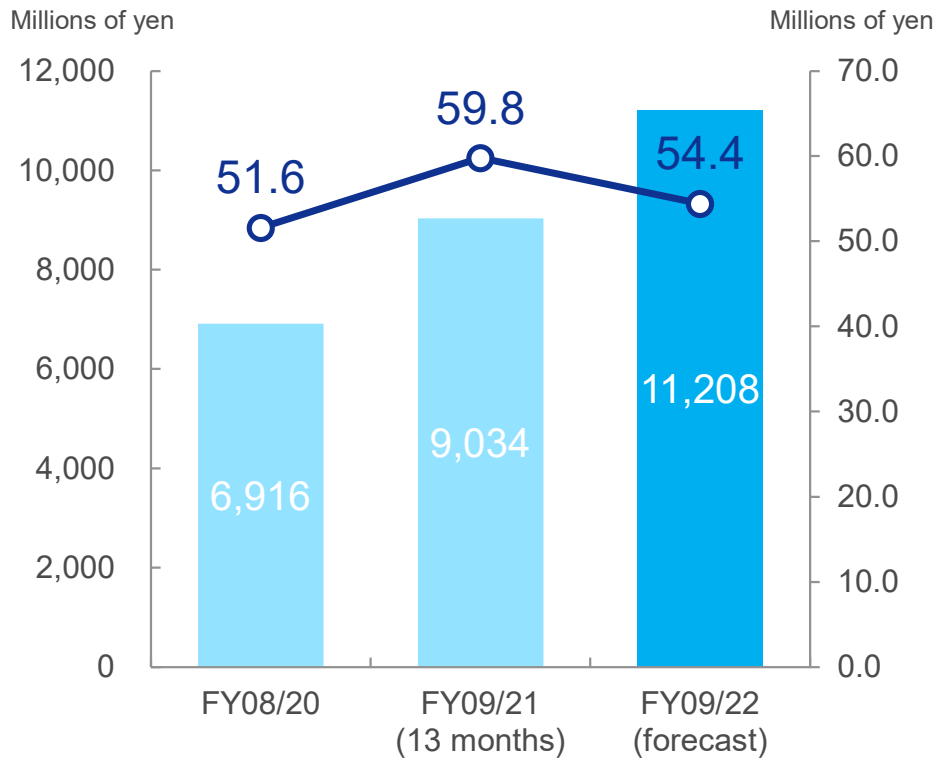
- Targeting to boost both net sales and profits compared to the 13-month FY09/21 results
- Forecast for the number of deals closed is conservative as contract closing rate for small projects has declined in the wake of the COVID-19 pandemic in FY09/21
- Proactively implement sales measures such as advertising, proposal-based marketing, and seminars in anticipation of the end of the COVID-19 pandemic; projecting additional ¥370 million in expenses YoY, including improvements to the sales management system
- Continue active recruitment of consultants and increase headcount by 26 people
- Expand and relocate Nagoya and Fukuoka sales offices and open a sales office in Hiroshima
- Strengthen governance and sustainability initiatives

# Forecast for FY09/22



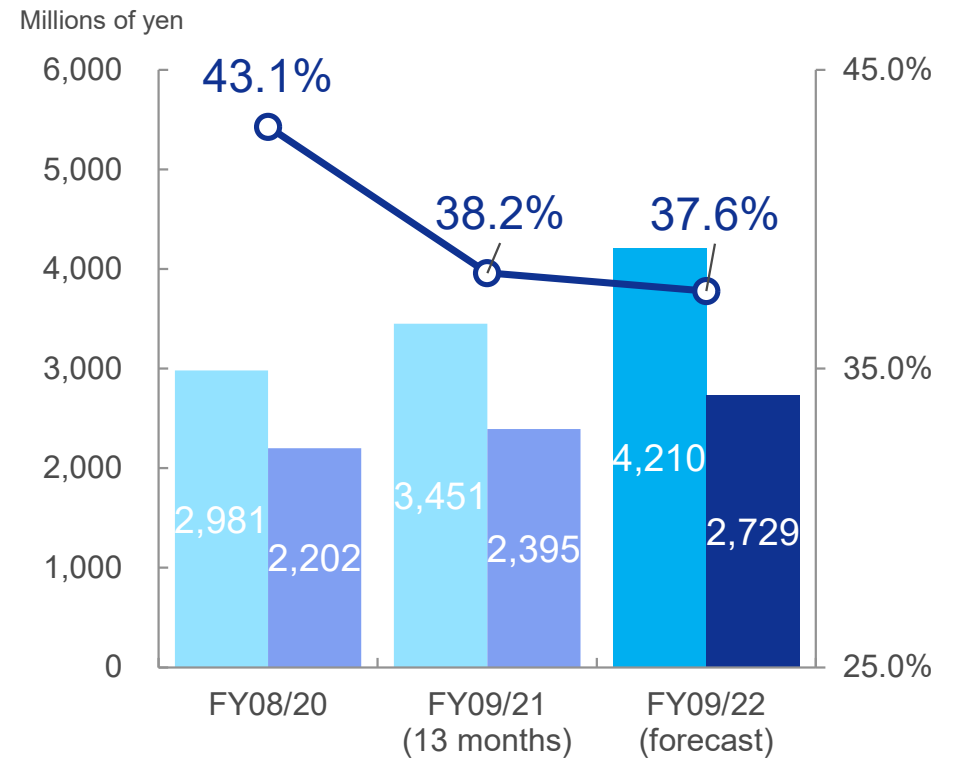
Net Sales and Average Sales Generated per Deal Closed

■ Net sales  
● Average sales generated per deal closed



Operating Profit and Profit

■ Operating profit  
■ Profit  
● Operating profit margin



## Forecast for FY09/22



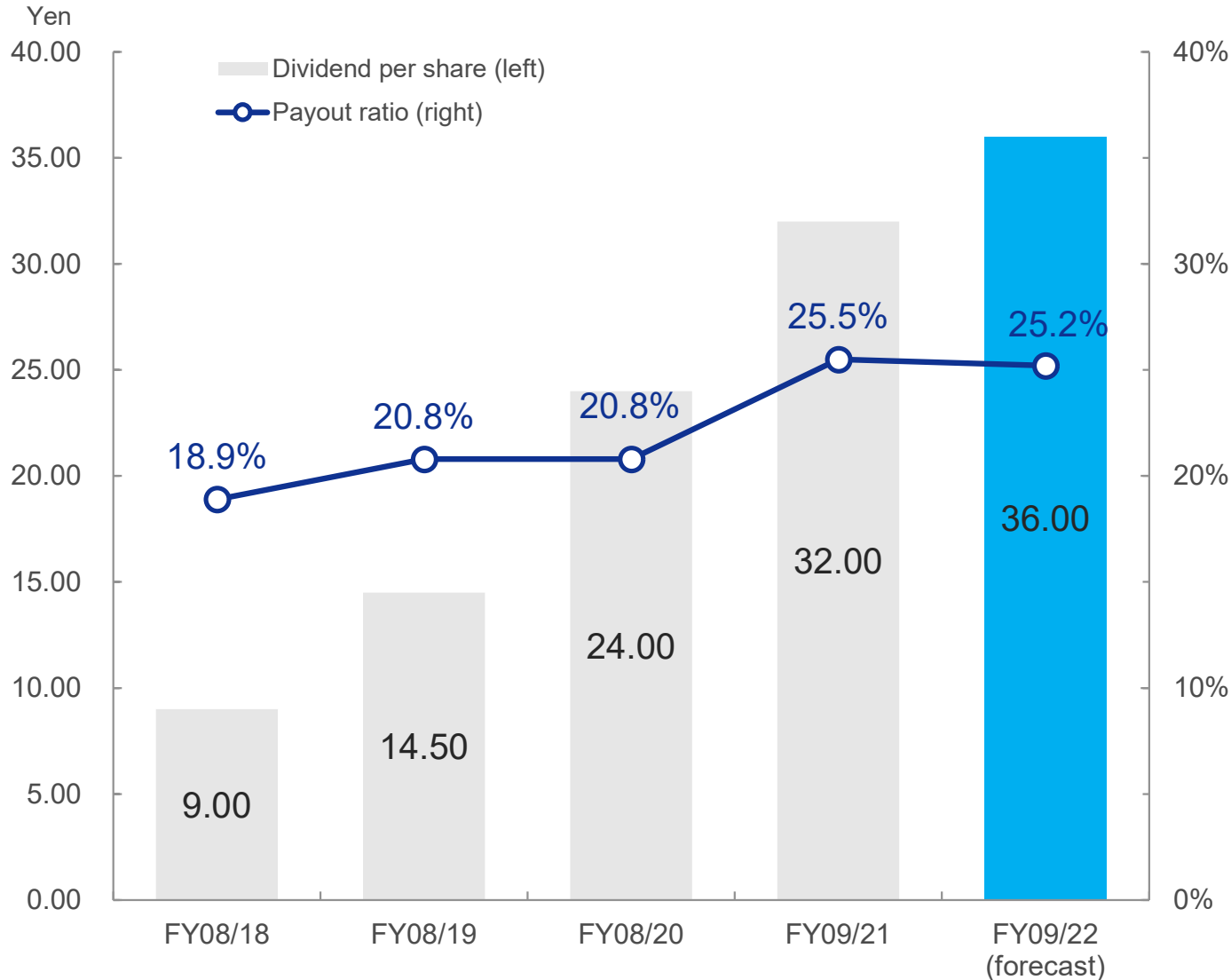
Millions of yen

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

# Planned Shareholder Returns



Dividends and Payout Ratio



**Dividends**  
 Starting in FY09/21, we raise dividend payout ratio from 20% to 25%

### Shareholder benefits

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

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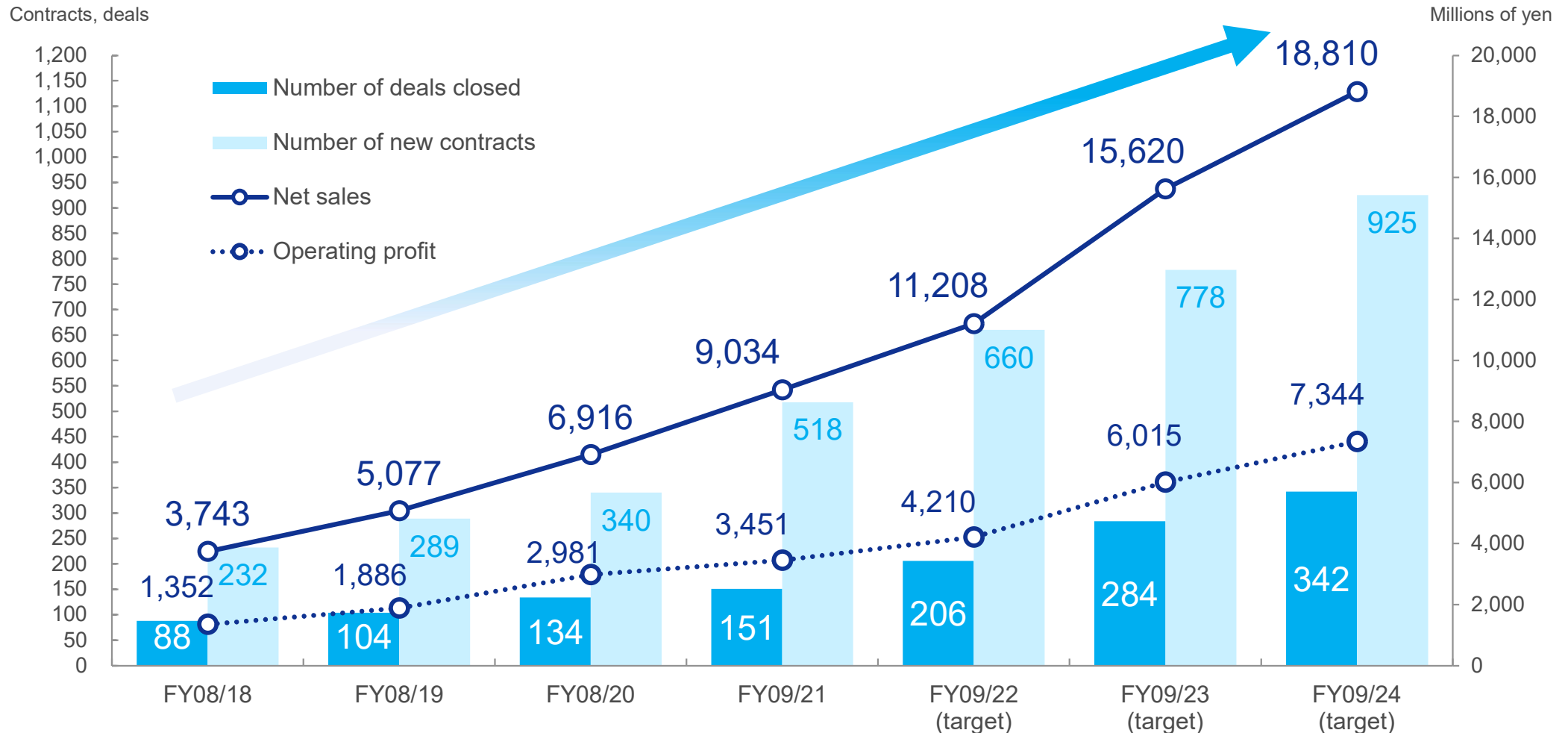


# Results and Targets: New Contracts, Deals Closed, Net Sales, and Operating Profit



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

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



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



### Enhance Organizational Capabilities

#### New contract sourcing

1. Restructure organization by sourcing route. Strengthen sourcing capabilities and streamline operations through internal collaboration.
2. Introduce team-based system to respond systematically to new contracts and improve project work efficiency

#### Enhance matching capabilities

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

#### Business support from specialists

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

### Boost Individual Strengths

#### Recruit and train talented consultants

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

#### Leverage IT

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

#### Boost expertise through division of labor

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

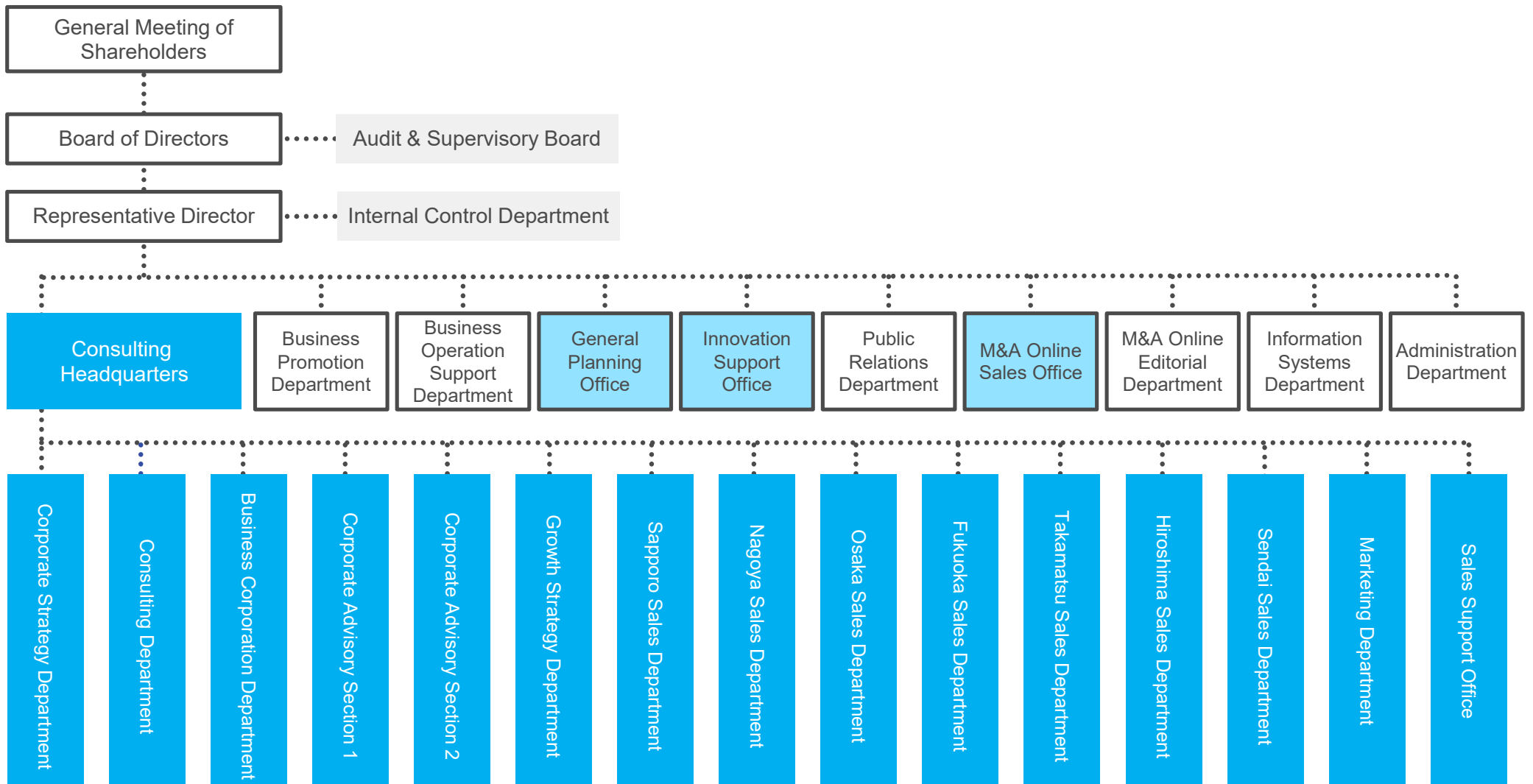


**>> Improve efficiency by strengthening organizational and individual capabilities**

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

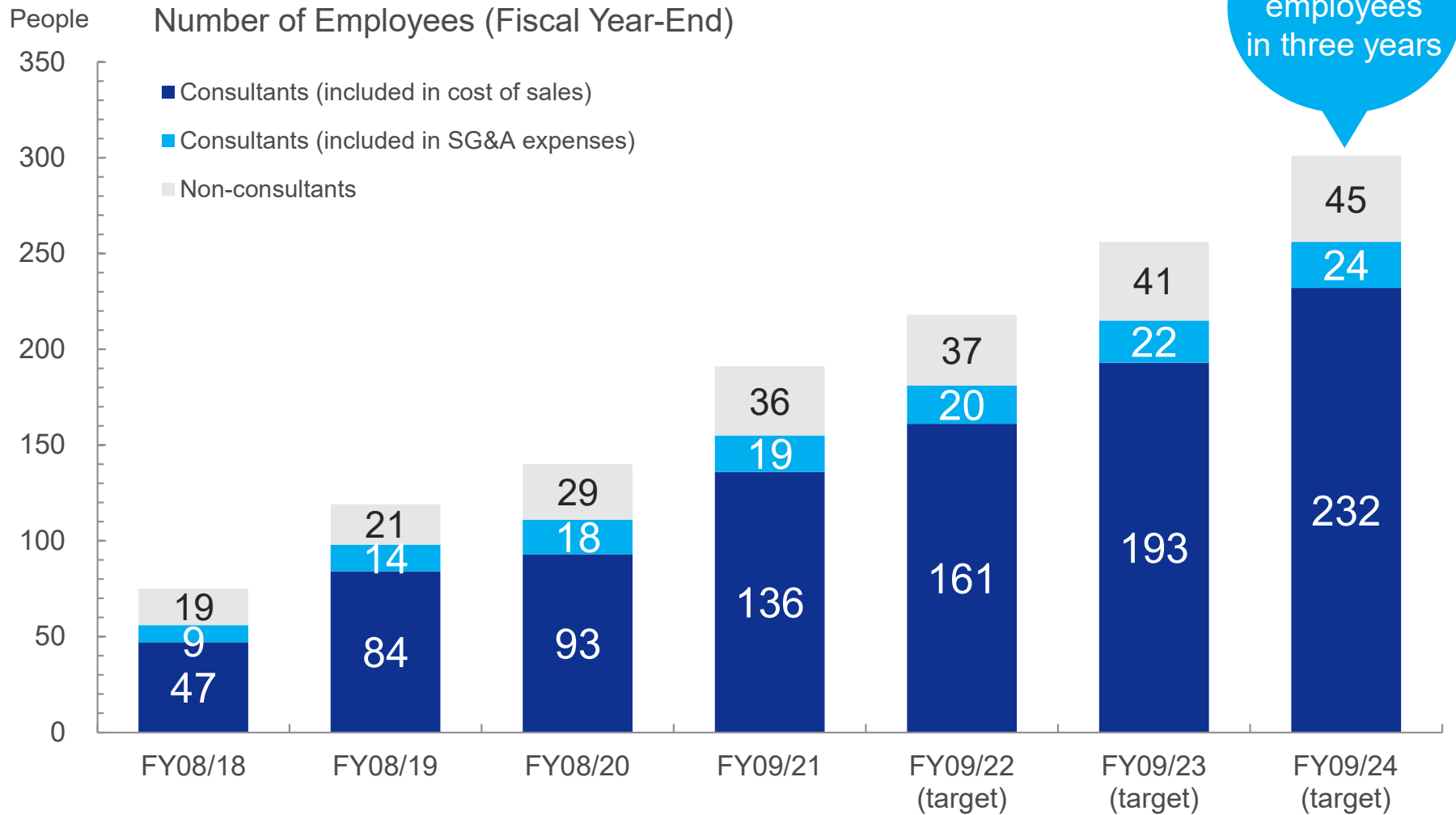
# Organization (as of October 1, 2021)

Reorganized previous Corporate Advisory Department based on sourcing routes



## Number of Employees

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

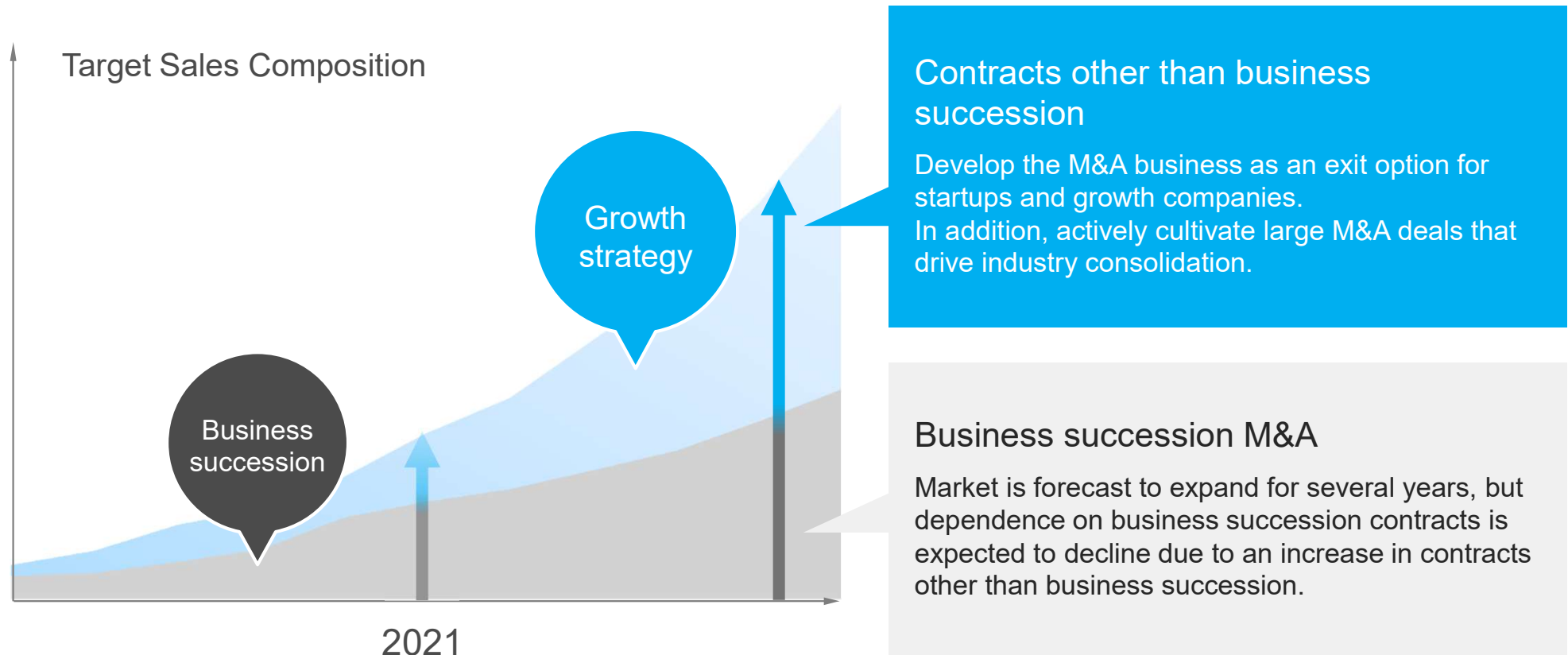


## Aiming to Top the Japanese M&A Market in the Number of Deals Closed



We aim to further increase our share of the market for business succession M&A, focus on cultivating the M&A market as an exit method for startups, and achieve net sales CAGR of over 20% over the medium term.

We established Innovation Support Office in October 2021 to strengthen cultivation of M&A market for startups.



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## Company Overview



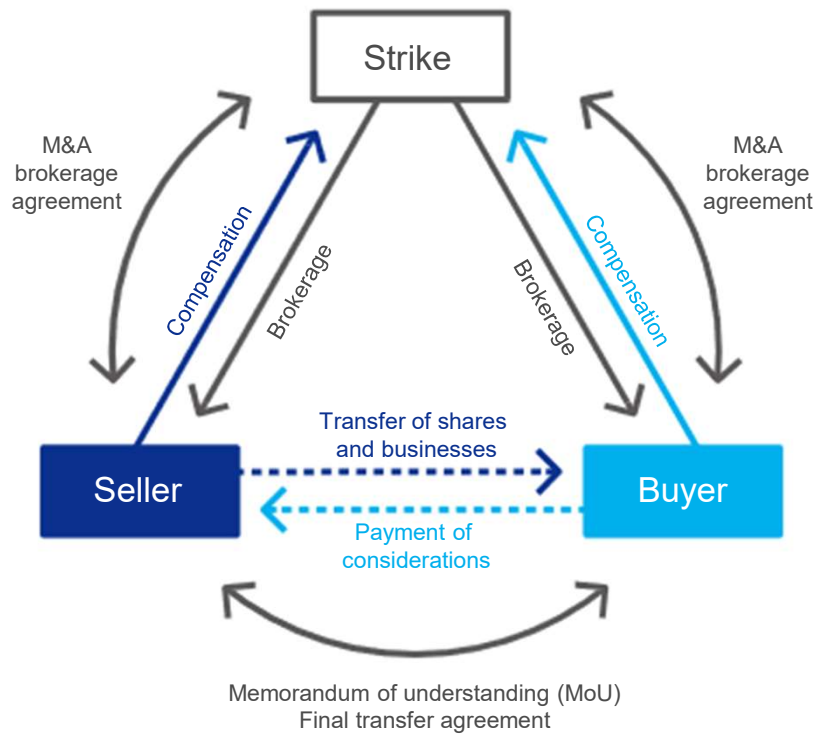
Company name	Strike Co., Ltd.
Established	July 1997
Share capital	¥823 million (as of September 30, 2021)
Representative	Kunihiko Arai, President and CEO
Headquarters	15th floor of Mitsui & Co. Building 1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan
Number of employees	191 (excluding temporary staff, as of September 30, 2021)
Net sales, operating profit	Net sales of ¥9,034 million and operating profit of ¥3,451 million (operating profit margin of 38.2%) in FY09/21
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.

## Business Overview



Our earnings model is based on brokerage fees received from both sellers and buyers. While carefully considering possible conflicts of interest, we place the utmost importance on **satisfying both clients**.

### M&A Brokerage Earnings Model



### Principal Businesses

#### M&A brokerage business

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

### Compensation Structure

#### Seller

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

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

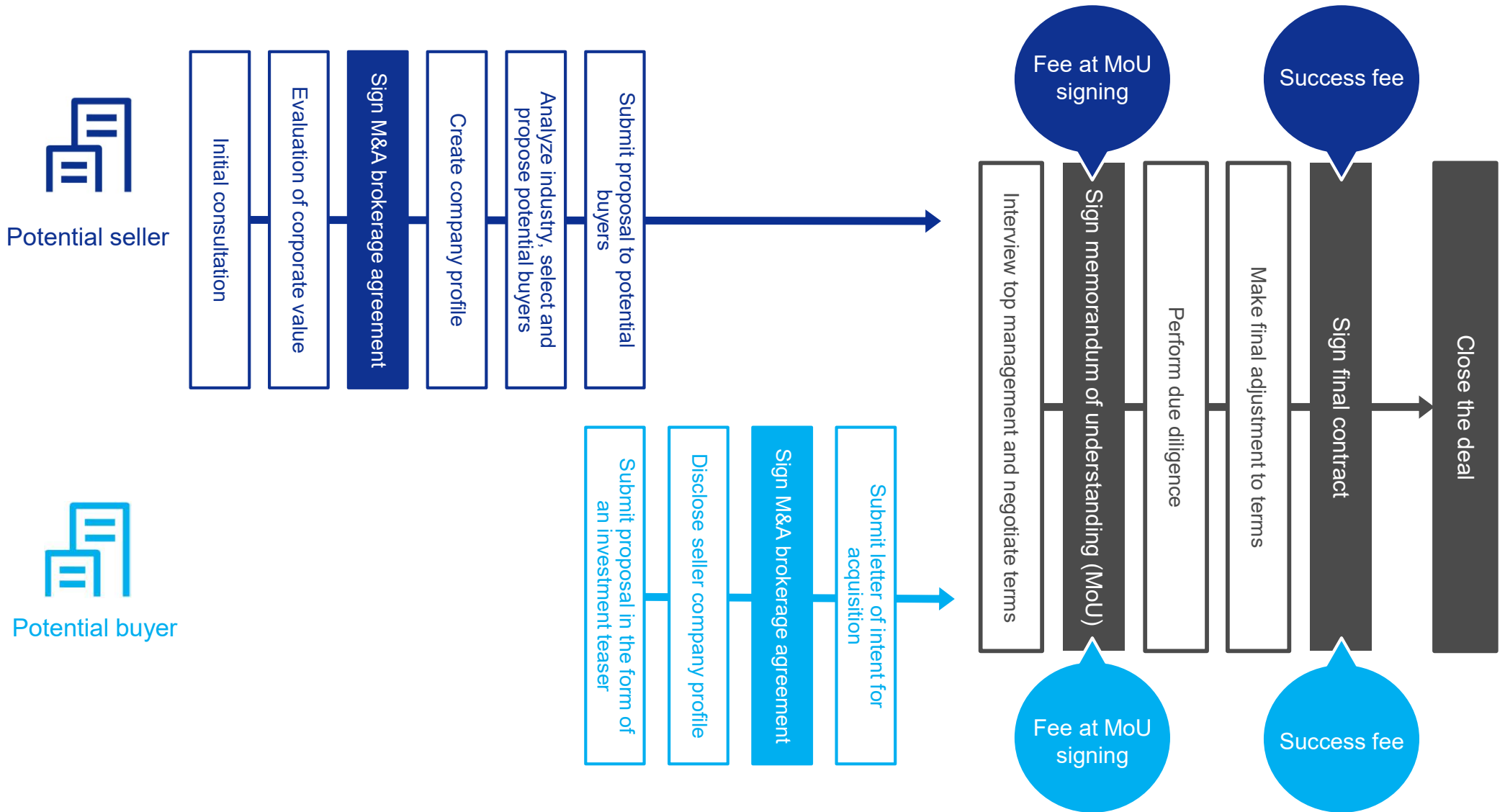
#### Buyer

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

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



# Flow of M&A Brokerage Business



## Feature 1

### Sourcing (New Contract Acquisition from Seller)



## Direct contracts

captured through approaching customers directly

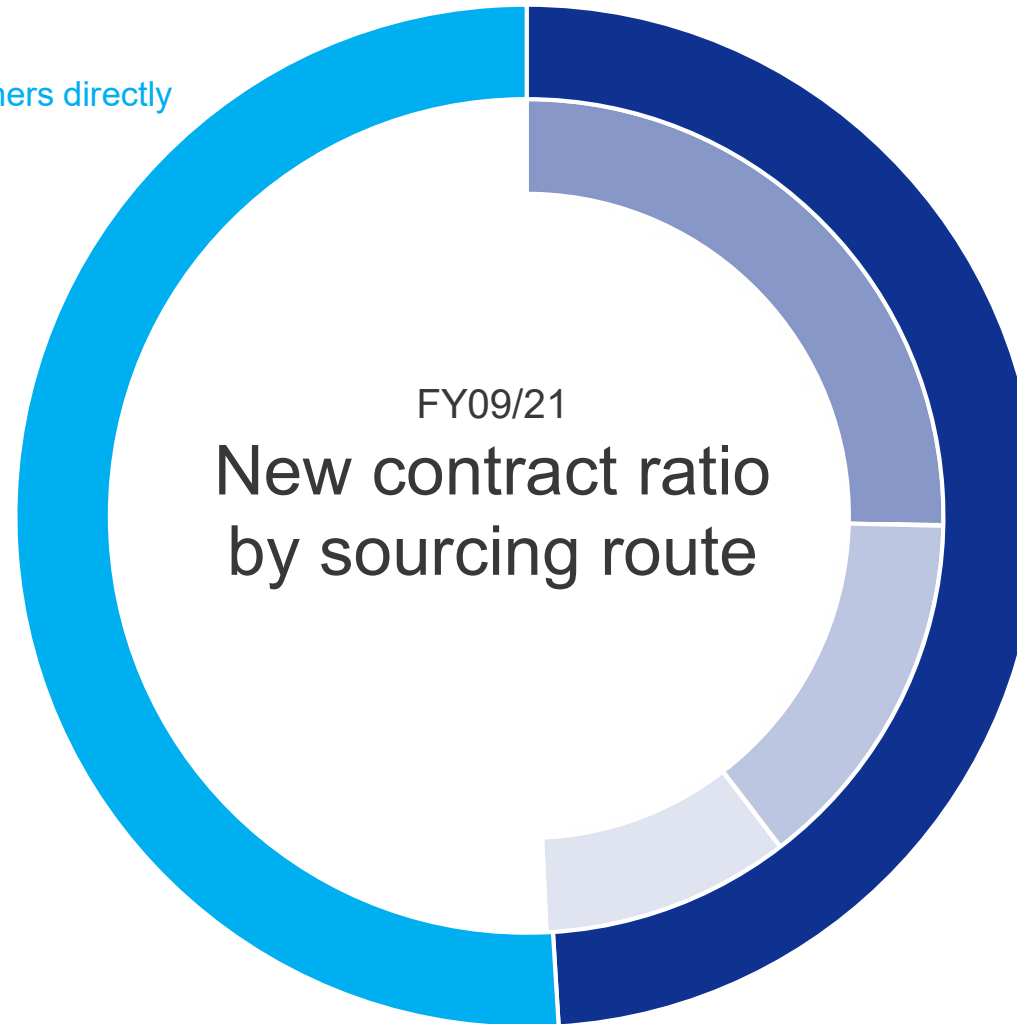
# 51%

### Proposal-based marketing

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

### Seminars

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



## Referrals

from business partners

# 49%



## Feature 2

### Fee Structure



## Compensation Structure for Potential Sellers

No initiation fee and low fees at MoU signing.

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

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

## Feature 3

### Matching: Proposal Flow of Pre-Marketing Services

Service to find potential sellers for potential buyers

We approach the seller on the buyer's behalf.

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

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

#### Standard M&A Brokerage Services



#### Pre-Marketing Services



## Methods for Finding More Potential Matches



### Methods used to search for potential buyers

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



M&A Market SMART  
[www.strike.co.jp/smart/](http://www.strike.co.jp/smart/)

#### 1 Over 12,000 companies with acquisition needs

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



#### 2 Quick acquisition offer

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



#### 3 Use of M&A Market SMART

We receive inquiries from potential buyers interested in deals posted anonymously on M&A Market SMART.



#### 4 Cooperation with financial institutions

We receive introductions to customers looking to make an acquisition from partner financial institutions.



# Feature 4

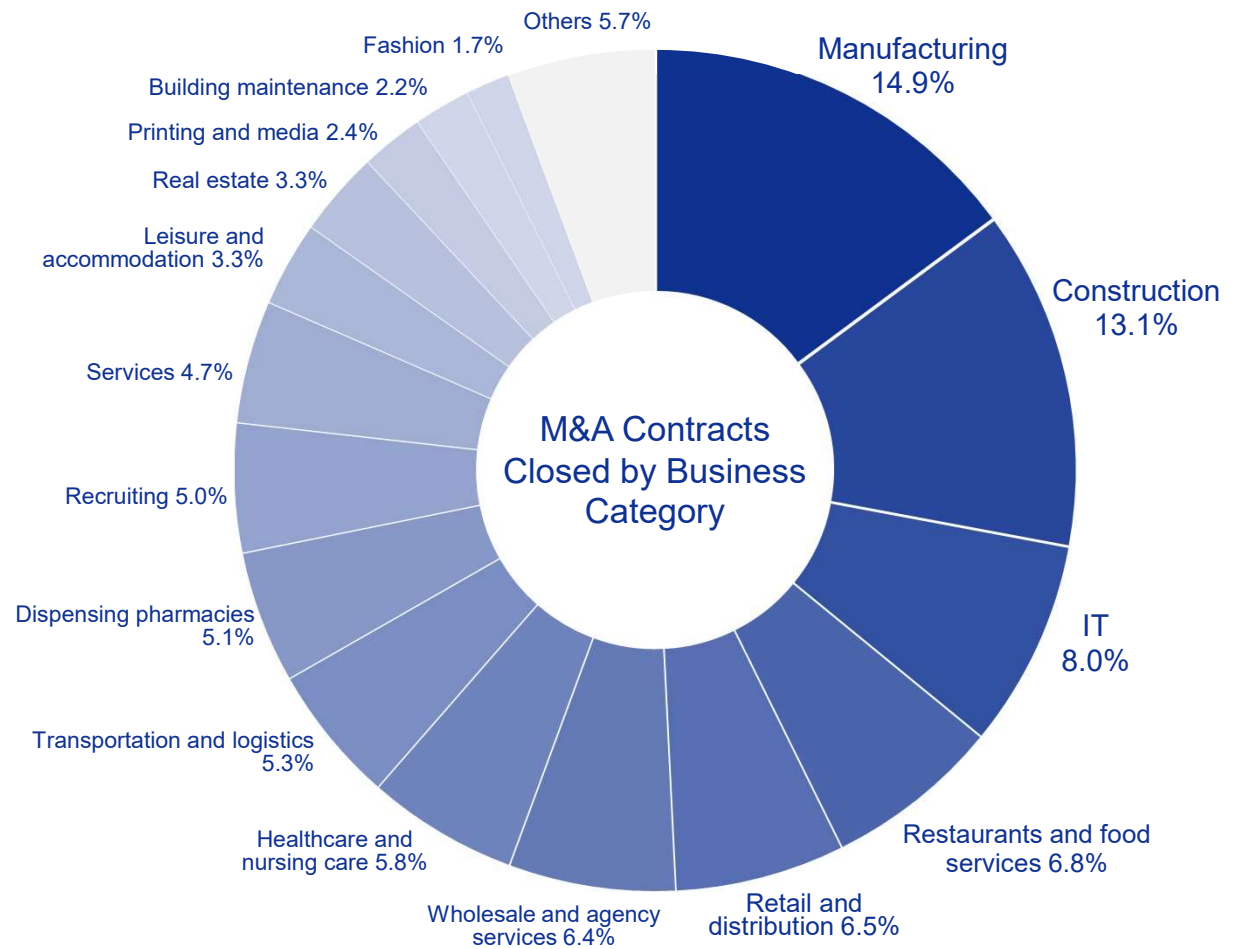
## M&A Track Record in Various Industries



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

Total number of deals from company founding through FY09/21

Note: Breakdown of the number of businesses sold by industry

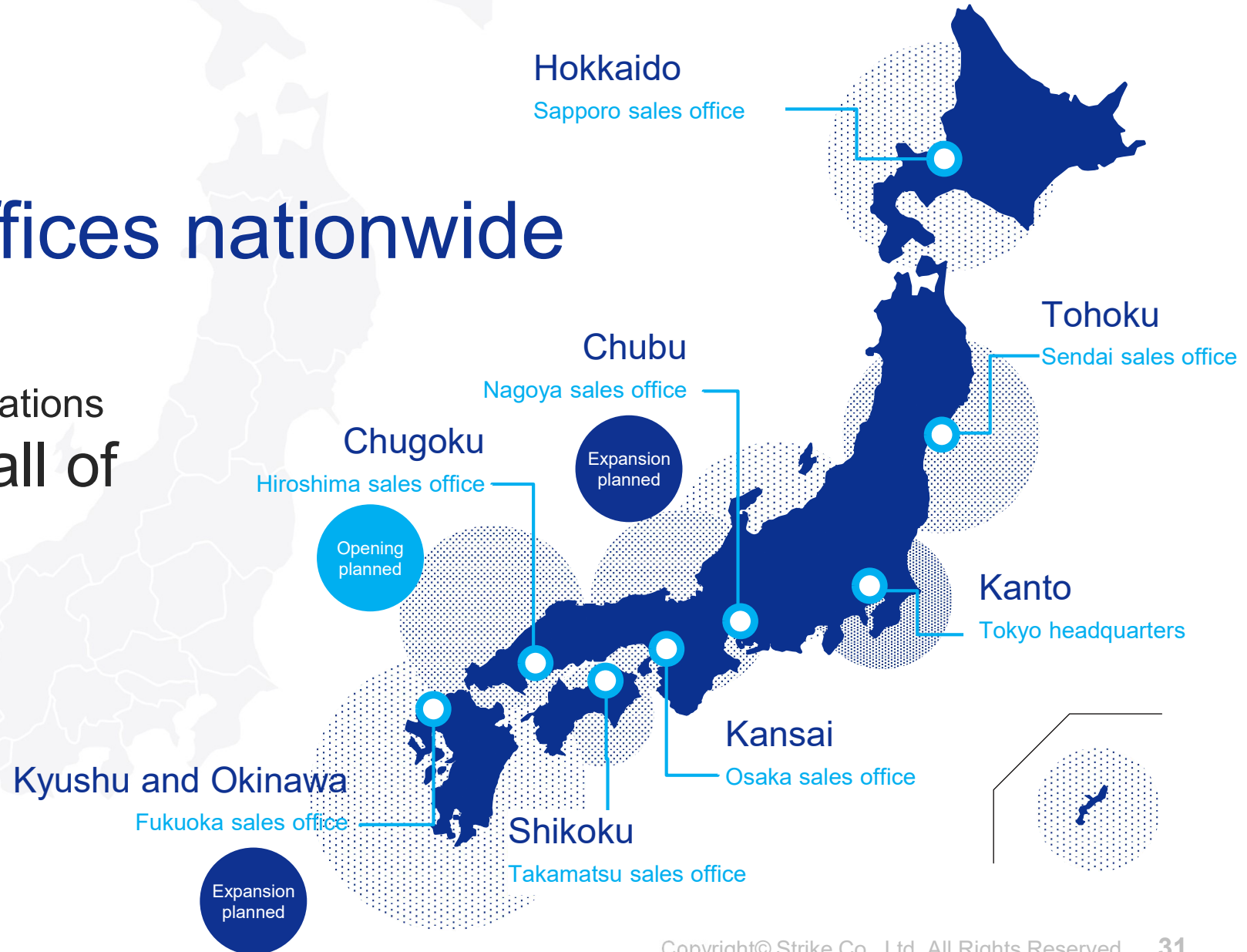


## Establishing a Nationwide Sales Network



# Eight offices nationwide

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



## 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

### M&A Database

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

### Large Shareholding Report Database

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

### Published M&A Yearbook 2021

The M&A Yearbook 2021 is a magazine-book covering data for all 850 M&A deals carried out by listed companies in 2020 with explanations from various angles such as deal values and industries.



3 million  
monthly page  
views





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

- ESG-focused management: Preparation to establish a Sustainability Promotion Committee underway

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

- Governance enhancement: Established a Nomination and Compensation Advisory Committee

In February 2021, we established a Nomination and Compensation Advisory Committee as a voluntary advisory committee of the Board of Directors to improve fairness, transparency, and objectivity of the Board of Directors.

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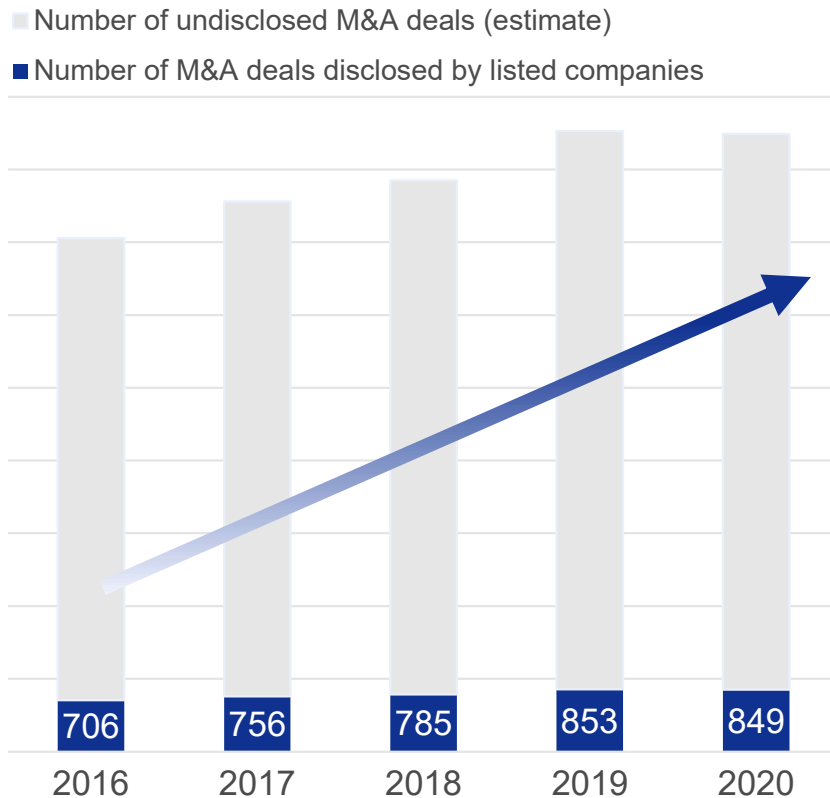
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## Market Trends: Japanese M&A Market Size (Estimated)

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

### Number of M&A Deals in Japan (Estimate)



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

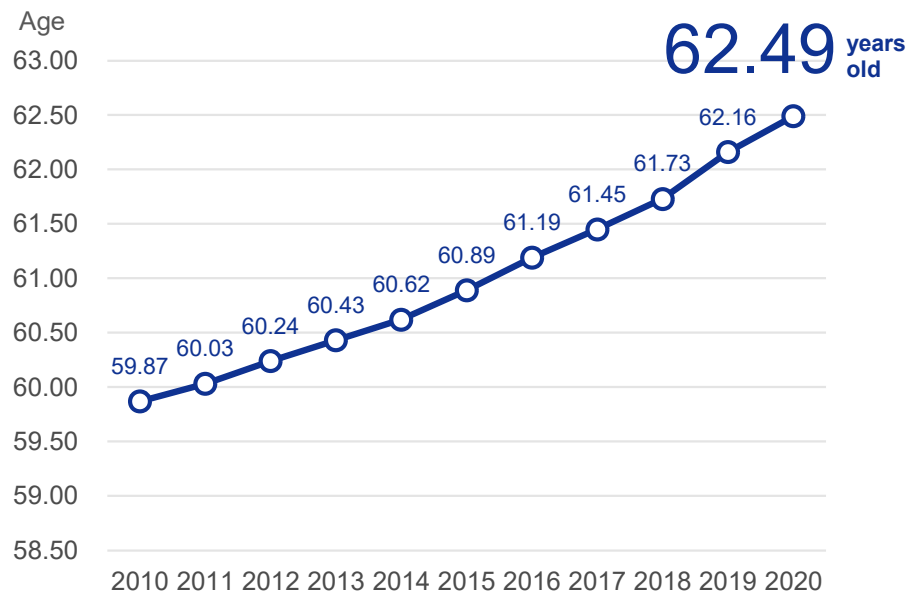
**Number of M&A deals disclosed by listed companies (Source: M&A Online)**  
 Number of M&A deals of listed companies involving a change in management that were subject to timely disclosure (excluding intra-group restructuring and deals not subject to timely disclosure)

## Market Trends: Aging CEOs, Lack of Successors

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

### Aging CEOs

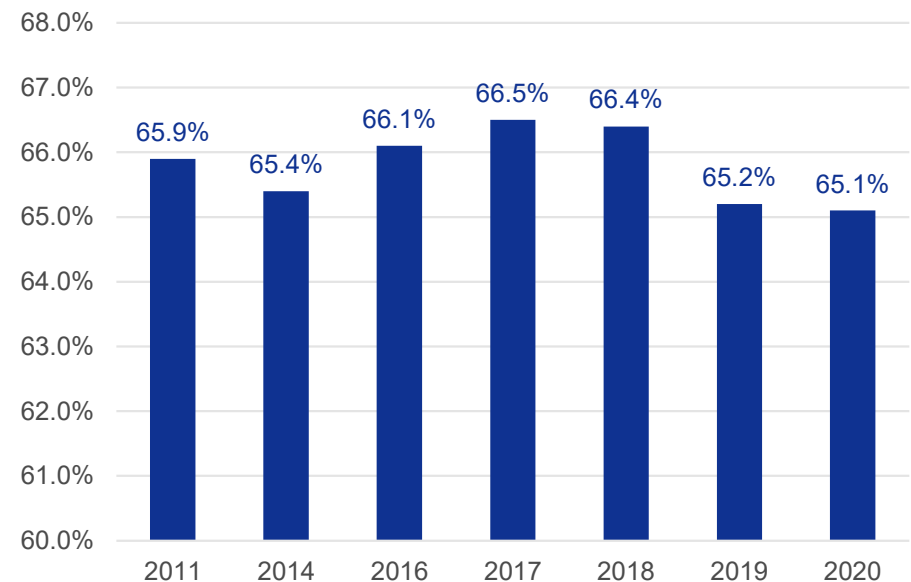
Average age of CEOs



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

### Many companies have no successor

Percentage of companies without a successor



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

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

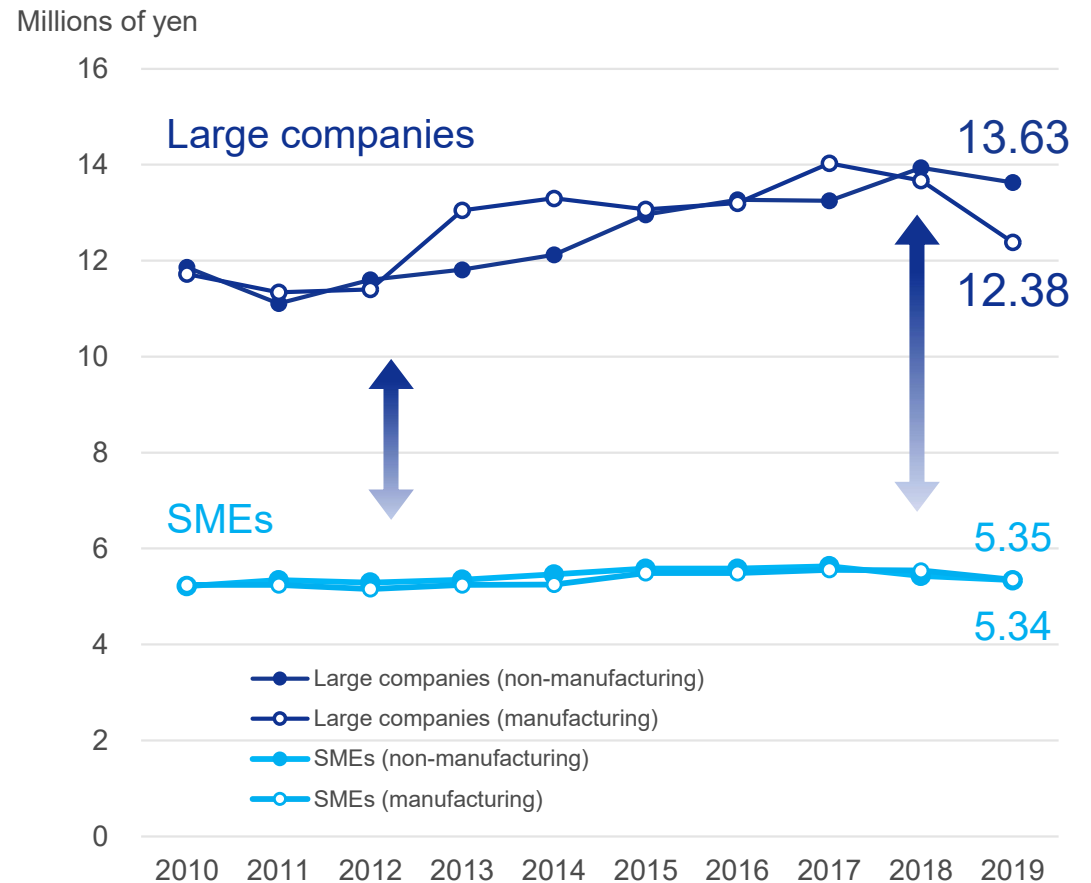


Boosting productivity\* is essential for SMEs in Japan to achieve both wage increases and profit growth.

\*Increase of value add

## Widening disparity in value added between large companies and SMEs

Value Added per Employee (Labor Productivity) by Company Size



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

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



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

\*Increase of value add

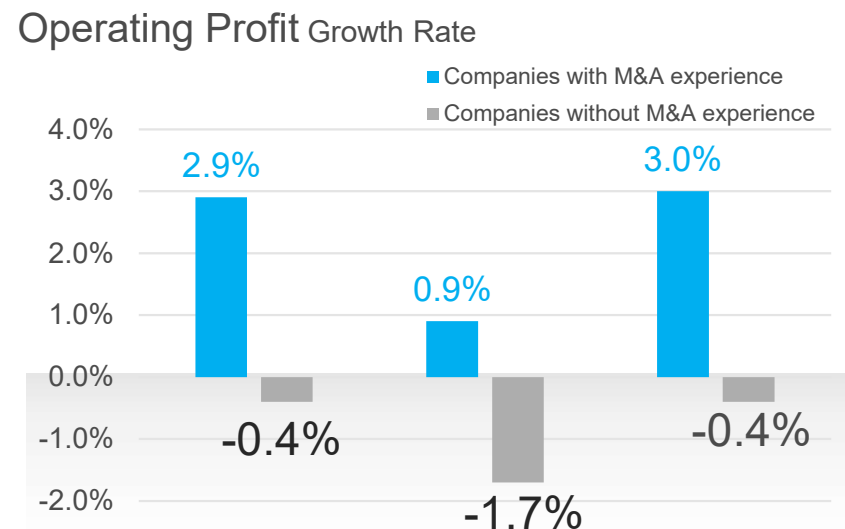
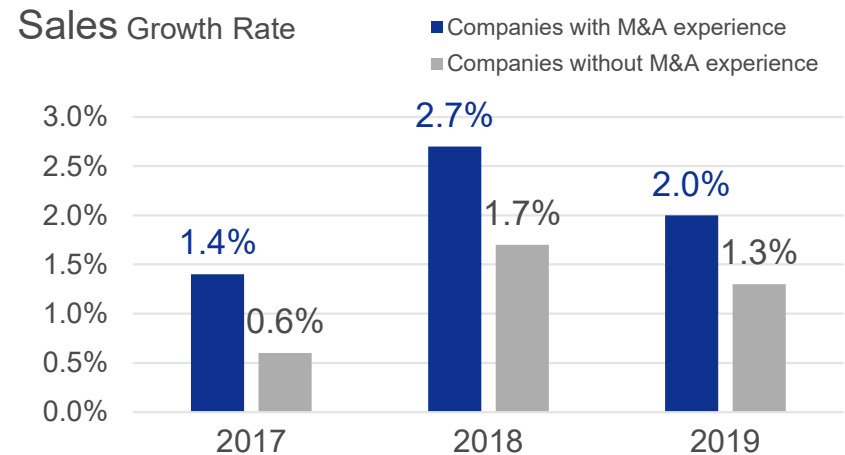
Creating new value through new business development and expanding possibilities through collaboration with companies in other industries will become important, and M&A is one way to do this.

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

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

## Performance driven by M&A deals

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

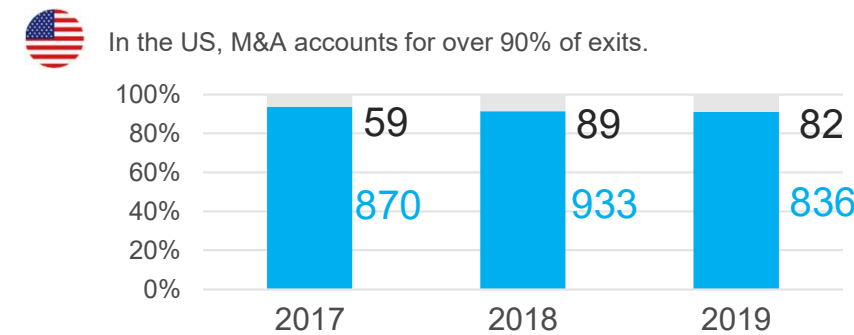
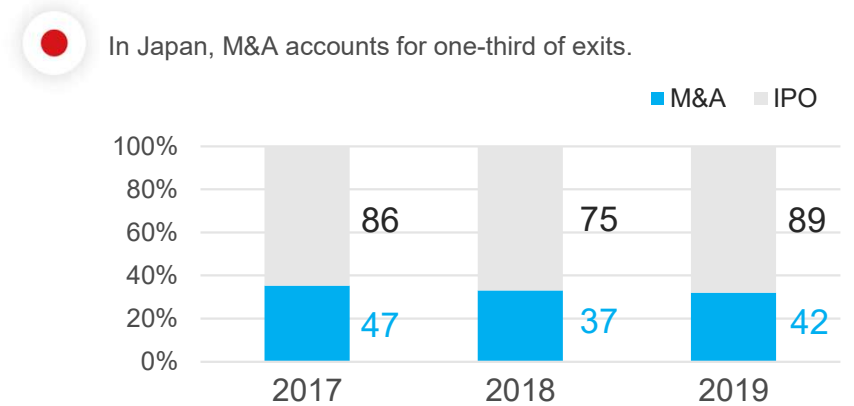


# Market Trends: M&A of Startups

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

## Small percentage of M&A exits among startups

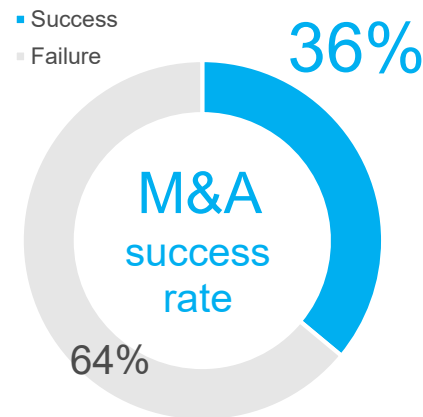
IPO and M&A status of venture capital portfolio companies



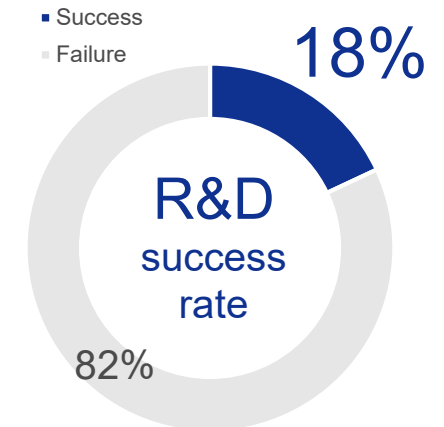
Source: Venture White Paper by the Venture Enterprise Center, included in the Survey Report on M&A Activities of Large Companies and Startups by the Ministry of Economy, Trade and Industry

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

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



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



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

## Market Trends: Other Topics



### Establishment of M&A Intermediaries Association



M&A仲介協会  
M&A Intermediaries Association

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

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

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



- 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 29, 2021). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.