

Financial Results and Future Measures

Q1 of Year Ending August 30, 2019 (FYE08/19)



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

December 25, 2018

Contents

1

Operating Performance in Q1 FYE08/19 ... 3

Net sales were up 17.5% year-on-year (YoY) to ¥827 million, and ordinary profit was down 1.6% YoY to ¥230 million. In other words, sales grew but profit declined.

2

Forecast for FYE08/19 ... 8

We expect 120 agreements closed, net sales of ¥4,545 million, and ordinary profit of ¥1,591 million.

3

Market Trends ... 21

Demand for M&A is expanding due to business succession measures.

4

Medium- to Long-Term Management Policy ... 23

While increasing the number of business succession M&A agreements, we will address growing M&A needs for other purposes. Over the long term, we aim to become the leader in terms of the number of M&A projects. We aim to close 200 agreements per year within the next three years.

5

Company Overview ... 29

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

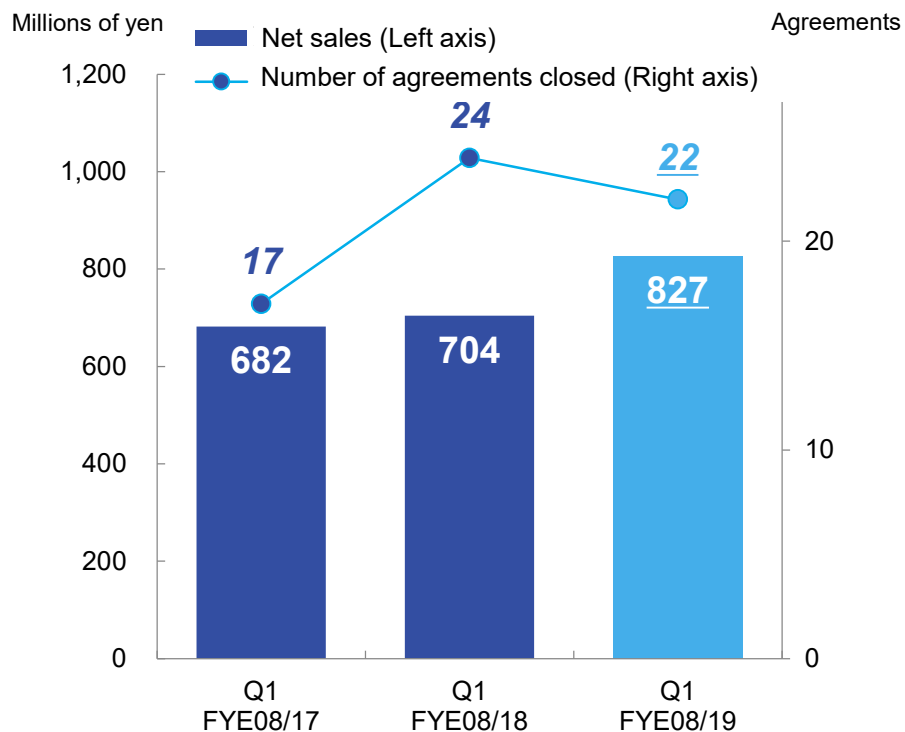
Operating Performance in Q1 FYE08/19



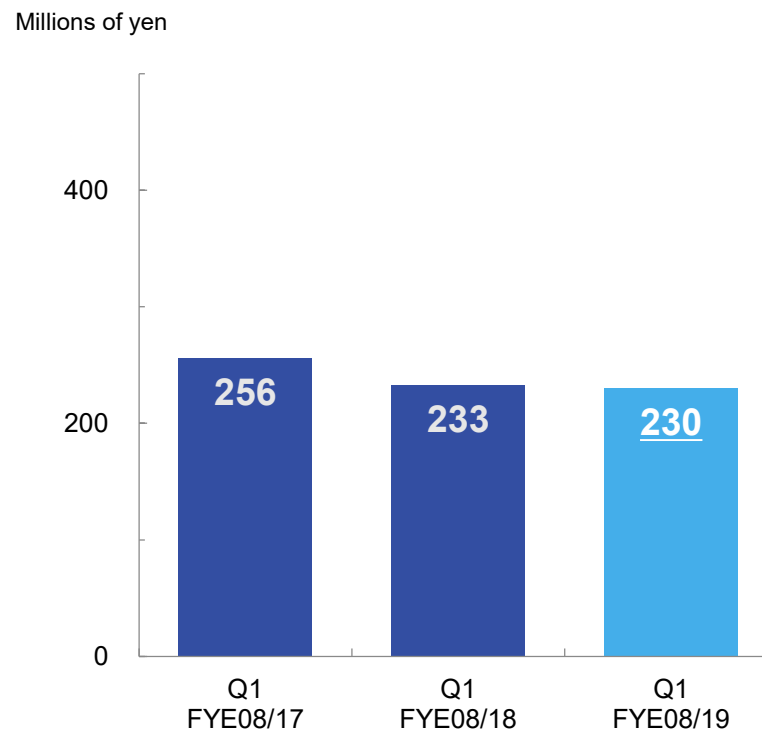
Operating Performance in Q1 FYE08/19

In Q1 FYE08/19, we closed 22 agreements (-2 YoY), and achieved net sales of ¥827 million (+17.5% YoY) thanks to an increase in sales per agreement. Ordinary profit came to ¥230 million (-1.6% YoY) owing in part to an increase in personnel expenses.

Net Sales and Number of Agreements Closed



Ordinary Profit



Year-on-Year Comparison

Gross profit rose ¥81 million on a 17.5% increase in net sales, but selling, general and administrative expenses also increased ¥85 million as personnel numbers grew (also includes impact from accounting adjustments due to organizational changes, with some consultants being reclassified from “cost of sales” to “selling, general and administrative expenses”). Operating profit declined a modest 1.6%, mainly reflecting an increase in upfront investment expenses aimed at expanding future performance.

Millions of yen

	Q1 FYE08/18		Q1 FYE08/19		
		% of net sales		% of net sales	YoY
Net sales	704	100.0%	827	100.0%	+17.5%
Cost of sales	234	33.4%	276	33.4%	+17.7%
Gross profit	469	66.6%	550	66.6%	+17.4%
Selling, general and administrative expenses	235	33.4%	320	38.8%	+36.3%
Operating profit	233	33.2%	229	27.8%	-1.6%
Non-operating income	0	0.0%	0	0.0%	-10.8%
Non-operating expenses	—	—	—	—	—
Ordinary profit	233	33.2%	230	27.8%	-1.6%
Profit before income taxes	233	33.2%	230	27.8%	-1.6%
Income taxes	74	10.6%	78	9.4%	+5.1%
Profit	159	22.7%	151	18.4%	-4.8%

Breakdown of Cost of Sales

	Q1 FYE08/18	Q1 FYE08/19
Personnel expenses	154	175
Introduction fees	53	70
Others	26	30
Cost of sales	234	276

Breakdown of Selling, General and Administrative Expenses

	Q1 FYE08/18	Q1 FYE08/19
Personnel expenses	69	128
Advertising expenses	66	53
Rent	25	37
Others	73	101
Selling, general and administrative expenses	235	320

Performance Highlights in Q1 FYE08/19

In Q1 FYE08/19, net sales rose 17.5% YoY to ¥827 million and ordinary profit declined 1.6% YoY to ¥230 million. Although personnel hiring and training costs increased ahead of a rise in net sales due to aggressive hiring efforts from FYE08/18, we believe we can achieve our full-year forecasts.

■ Q1 FYE08/19 Financial Results

- Net sales of ¥827 million, up 17.5% YoY
- Ordinary profit of ¥230 million, down 1.6% YoY
- Profit of ¥151 million yen, down 4.8% YoY

■ Indicators Related to Net Sales

- In Q1, we closed 22 agreements (-2 YoY), and although there were no large agreements, sales per agreement increased YoY, contributing to a YoY increase in net sales.
- We target 57 new projects over the full year (+6 YoY).

■ Q1 FYE08/19 Operating Performance

- In Q1, net sales reached a record-high ¥827 million (+17.5% YoY). There were no large agreements (generating ¥100 million or more in sales per project; unchanged YoY), but sales per agreement increased.
- Hiring outpaced our forecasts. We added 16 M&A consultants, bringing the end-Q1 total to 72.
- We steadily secured new projects, and expect to close large agreements from Q2. As a result, we believe we can achieve our full-year forecasts.

Projects Closed

NO	Date closed	Assignor Company Business Category	Assignor Company Location	Assignee Company Business Category	Assignee Company Location
1	September 2018	Printing and media	Greater Tokyo Area	IT	Greater Tokyo Area
2	September 2018	Printing and media	Greater Tokyo Area	Printing and media	Greater Tokyo Area
3	September 2018	Wholesale and agency sales	Greater Tokyo Area	Wholesale and agency sales	Greater Tokyo Area
4	September 2018	Restaurants and food services	Greater Tokyo Area	Building maintenance	Greater Osaka Area
5	September 2018	Retail and distribution	Greater Tokyo Area	Retail and distribution	Greater Tokyo Area
6	October 2018	Retail and distribution	Greater Tokyo Area	Services	Greater Osaka Area
7	October 2018	Services	Greater Tokyo Area	Services	Greater Tokyo Area
8	October 2018	IT	Hokkaido/Tohoku	Construction	Central Japan Area
9	October 2018	Real estate	Central Japan Area	Real estate	Greater Tokyo Area
10	October 2018	Retail and distribution	Hokkaido/Tohoku	Services	Hokkaido/Tohoku
11	November 2018	IT	Greater Tokyo Area	IT	Greater Tokyo Area
12	November 2018	Services	Greater Osaka Area	Services	Greater Tokyo Area
13	November 2018	Printing and media	Greater Tokyo Area	Manufacturing	Central Japan Area
14	November 2018	Building maintenance	Chugoku/Shikoku	Building maintenance	Greater Tokyo Area
15	November 2018	Recruiting	Greater Tokyo Area	IT	Greater Tokyo Area
16	November 2018	Construction	Greater Tokyo Area	Construction	Greater Tokyo Area
17	November 2018	Construction	Central Japan Area	Services	Central Japan Area
18	November 2018	Manufacturing	Central Japan Area	Services	Central Japan Area
19	November 2018	Healthcare and nursing care	Greater Osaka Area	Services	Greater Tokyo Area
20	November 2018	Restaurants and food services	Central Japan Area	Services	Greater Tokyo Area
21	November 2018	Restaurants and food services	Greater Tokyo Area	Others	Greater Tokyo Area
22	November 2018	Manufacturing	Greater Tokyo Area	Construction	Greater Tokyo Area

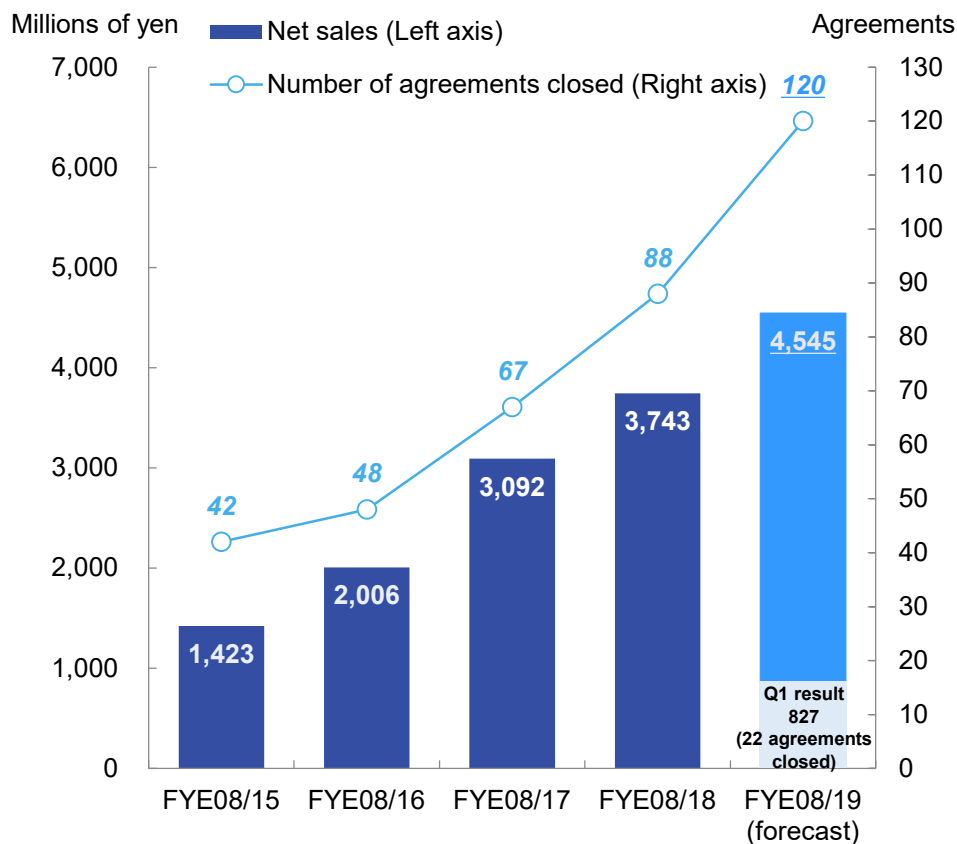
Forecast for FYE08/19



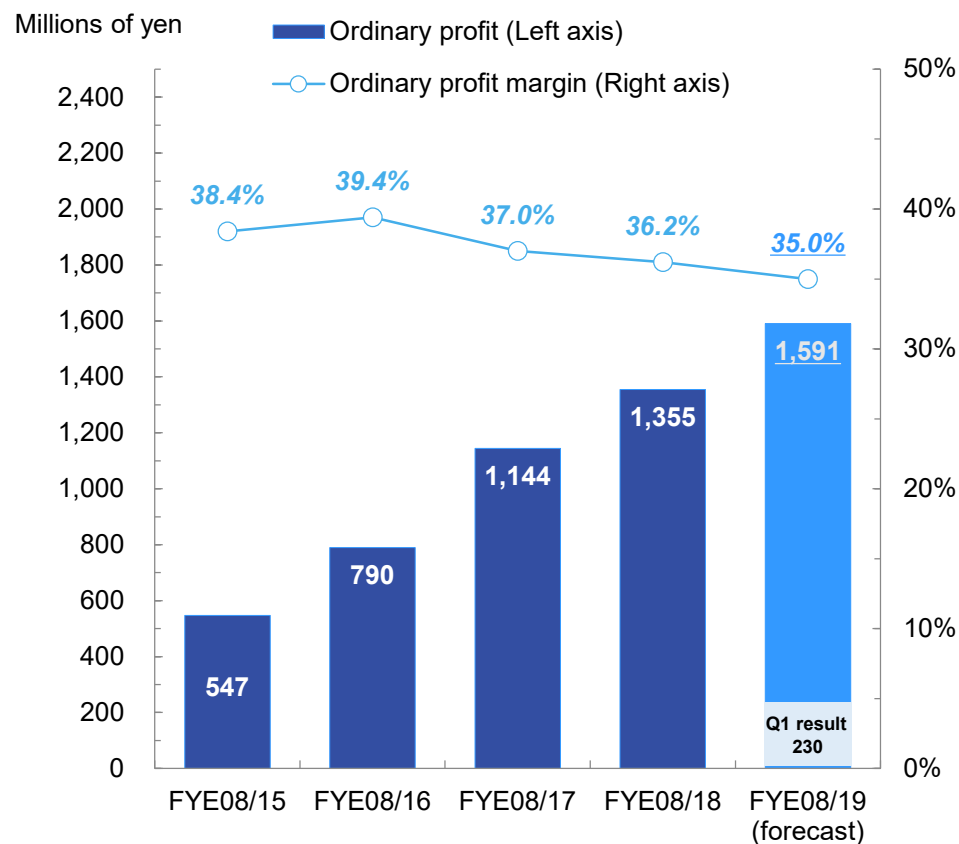
FYE08/19 Forecast

Based on the number of new projects received as of the beginning of the fiscal year, we forecast 120 agreements closed, net sales of ¥4,545 million, and ordinary profit of ¥1,591 million. Although the Q1 progress rate was not high, we believe our full-year targets are fully achievable based on the current progress with projects.

Net Sales and Number of Agreements Closed



Ordinary Profit and Ordinary Profit Margin



FYE08/19 Forecast

We have made no changes to our initial FYE08/19 (full-year) forecast, which calls for net sales of ¥4,545 million (+21.4% YoY) and ordinary profit of ¥1,591 million (+17.5% YoY).

■ FYE08/19 Forecast

- Net sales of ¥4,545 million, up 21.4% YoY
- Ordinary profit of ¥1,591 million, up 17.5% YoY
- Profit of ¥1,066 million, up 16.0% YoY
- EPS of ¥55.11 (¥47.52 in FYE08/18)
- Forecast dividend of ¥11.00, dividend payout ratio of 20.0%

■ Non-Monetary Targets

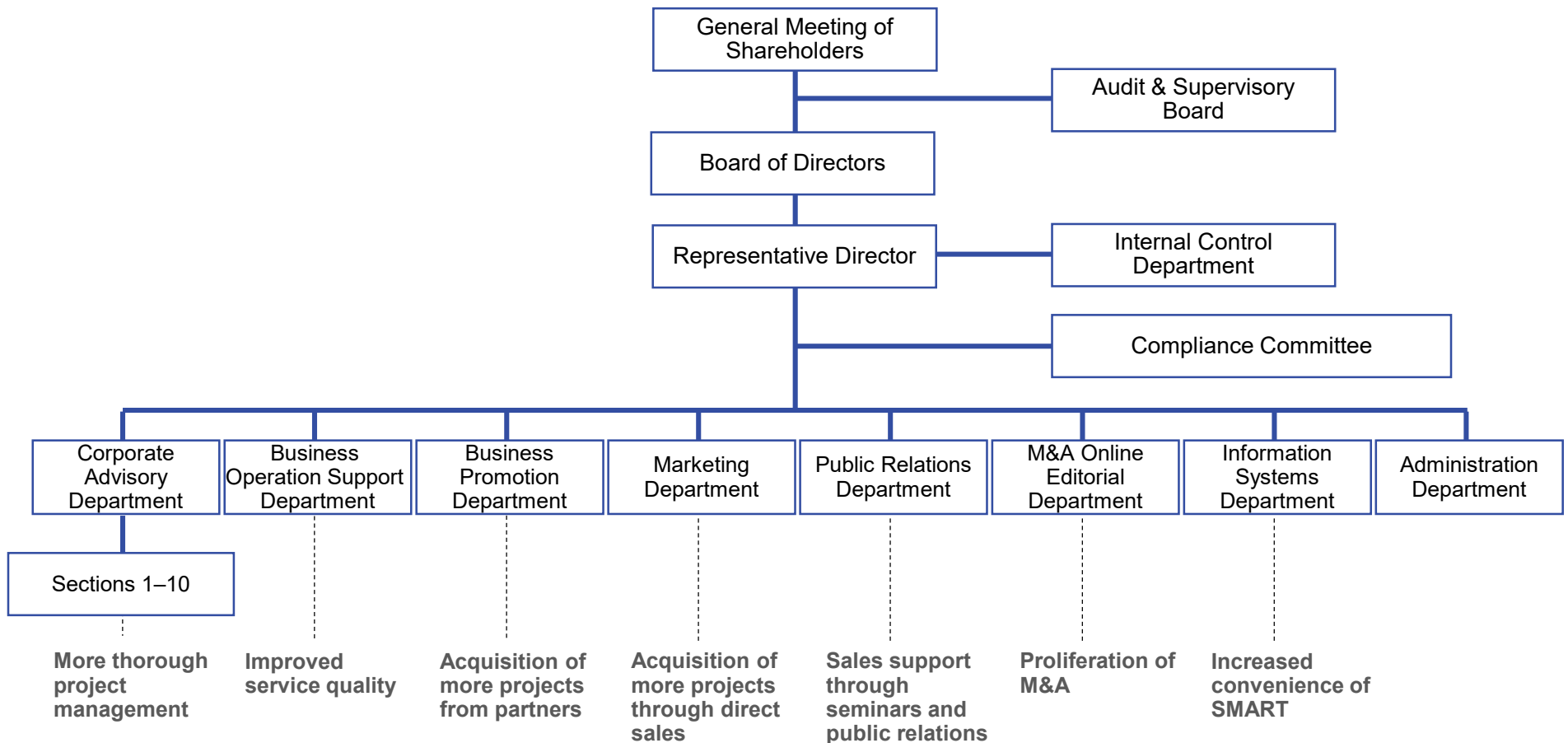
- Close 120 agreements, up 32 YoY
- Receive 266 new projects, up 34 YoY
- Increase number of M&A consultants to 82, up 26 YoY (expected to finish slightly above initial target)

■ Management Measures and Outlook

- Subdivide our Corporate Advisory Department in pursuit of more thorough project management; also, establish new Marketing and Public Relations Departments to increase the number of projects received directly
- Treat FYE08/19 as a transitional period that will allow us to secure operating profit of ¥2.0 billion in FYE08/20; during this transition, actively hire consultants and conduct internal training
- Plan relocation of the Osaka sales office; we have decided on a new location
- Increase and improve internal systems; create a system framework that can cope with future increases in personnel and projects
- In addition to the above, we expect profitability to decline modestly as a result of an increase in personnel expenses driven by a headcount increase in FYE08/18, and higher rent over the full year due to sales office relocations and an expansion of the headquarters

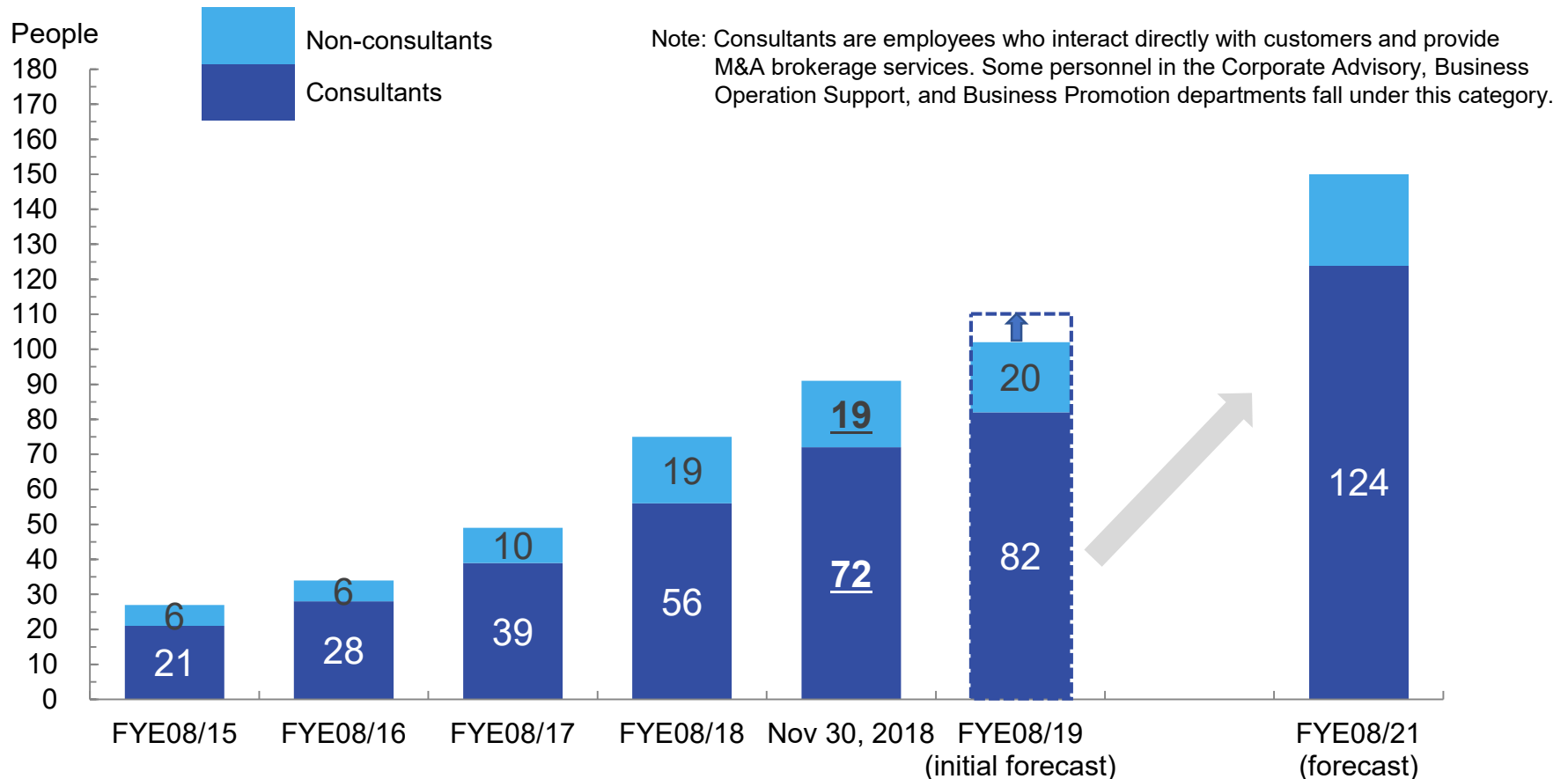
Organization (as of September 1, 2018)

We have updated our organizational structure to accommodate expanding business operations. Our Corporate Advisory Department has been subdivided into a 10-section structure in pursuit of more thorough project management. We have also established a new Marketing Department to enhance our ability to secure new projects through direct marketing and a new Public Relations Department, which will conduct seminars and public relations activities to strengthen our sales support system.



Increasing Number of Consultants

We are aiming for an organization of 82 consultants by August 31, 2019. In Q1 FYE08/19, we added 16 consultants. We are making steady progress with hiring and expect our hiring pace to slightly exceed our forecast. We will hire more new employees than forecast if we can secure talented human resources, and less if we cannot.



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

M & A Online

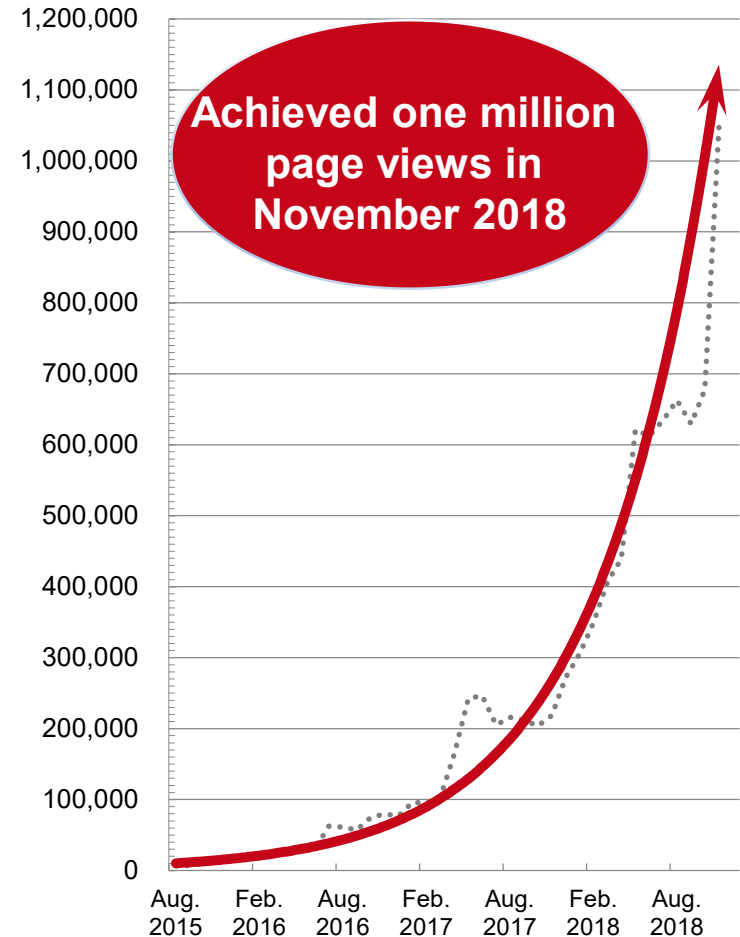
A **free** portal site that offers a variety of M&A-related information, such as the latest news and legal information, in a **timely** fashion



[\(https://maonline.jp/\)](https://maonline.jp/)

Monthly Page Views for M&A Online

Page views



Expand M&A Database, a free service allowing users to search for M&A information



The screenshot shows the M&A Portal Site interface. At the top, there are search filters for '検索' (Search), '買収金額トップ10' (Top 10 Acquisition Amount), 'スキーム別' (By Scheme), '業種別' (By Industry), and '地域別' (By Region). Below this, a section titled '2018年 買収金額トップ10' (2018 Top 10 Acquisition Amount) lists the top deals. The first deal is highlighted as '第1位' (1st place) and involves Shire plc and 武田薬品工業(株) (Takeda Pharmaceutical Co., Ltd.). To the right, there is a 'M&Aデータベース 当事者情報' (M&A Database Party Information) section with filters for '海外-国内' (Overseas-Domestic) and '同業種のみM&A' (M&A only in the same industry). Below this is a table with columns for '企業名・当事者名' (Company Name/Party Name), '証券コード' (Security Code), '業種' (Industry), and 'エリア' (Area). The table shows details for the first deal, including the buyer (武田薬品工業(株)), target (Shire plc), and seller (株主). At the bottom, there are search filters for 'M&Aスキーム' (M&A Scheme), '買収金額' (Acquisition Amount), 'アドバイザー費用等' (Advisor Fees, etc.), '公開日' (Disclosure Date), '実行予定日' (Execution Date), and '実行日' (Execution Date).

Our M&A Database stores M&A-related information (deals accompanied by a transfer of management rights; excludes group-internal reorganizations) in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange.

It currently provides information about M&A deals from 2014. Information about deals that took place in 2011–2013 will be added in late December 2018.

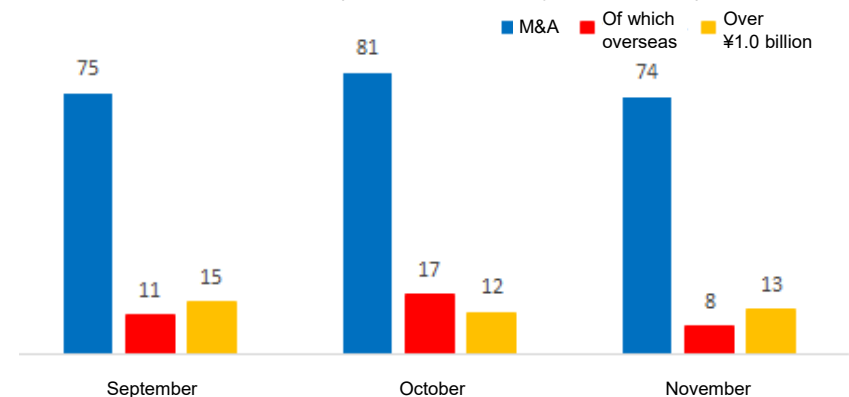
Users can perform keyword searches not only for company names and securities codes, but also industry types, regions, and M&A schemes. As such, the database is a powerful information tool for (1) people who examine M&A activity, (2) certified public accountants, certified public tax accountants, lawyers, or investors involved in corporate acquisitions, and (3) people interested in the economy or corporate management.

M&A Research Report

We publish the “M&A Summary” research report at the start of each month, which outlines M&A-related data and trends in an easy-to-understand format. The report provides a convenient way to stay up to date with the latest trends.

Example: [November 2018 M&A Summary]
Daikin brings European company under its umbrella for ¥114.5 billion

M&A Deals (Based on Timely Disclosure)

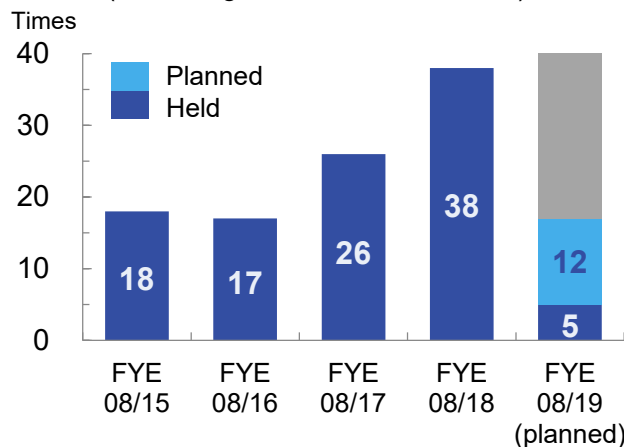


Increase the Number of Projects Received Directly through Seminars

We aim to efficiently and effectively hold nationwide M&A seminars by carefully choosing their timing, venue, and scales. 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)



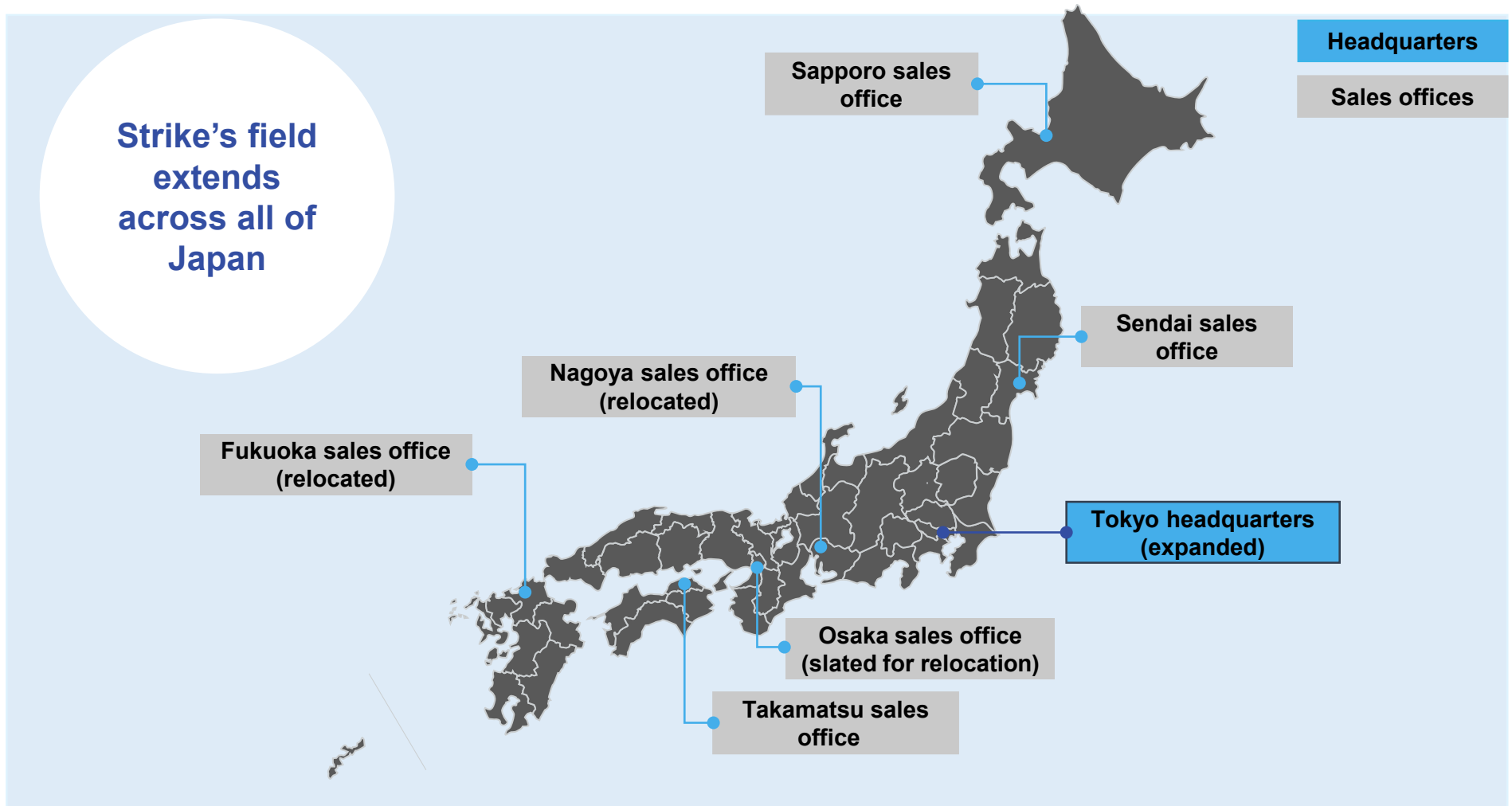
Nationwide Seminars Planned for FYE08/19

Date	Venue	Title
October–November 2018	Nagoya, Osaka, Sapporo, Fukuoka, Tokyo	Growth Strategies Utilizing M&A
February 21, 2019	Tokyo	Seminars planned that address M&A case studies, M&A growth strategies, and other topics
February 26, 2019	Osaka	
February 28, 2019	Nagoya	
March 7, 2019	Sapporo	
March 13, 2019	Fukuoka	
June–July 2019	Nationwide	Seminars planned throughout Japan

Note: Through our website, we will announce the venues and dates of nationwide seminars planned for 2019 (including those not listed above) as they become available.

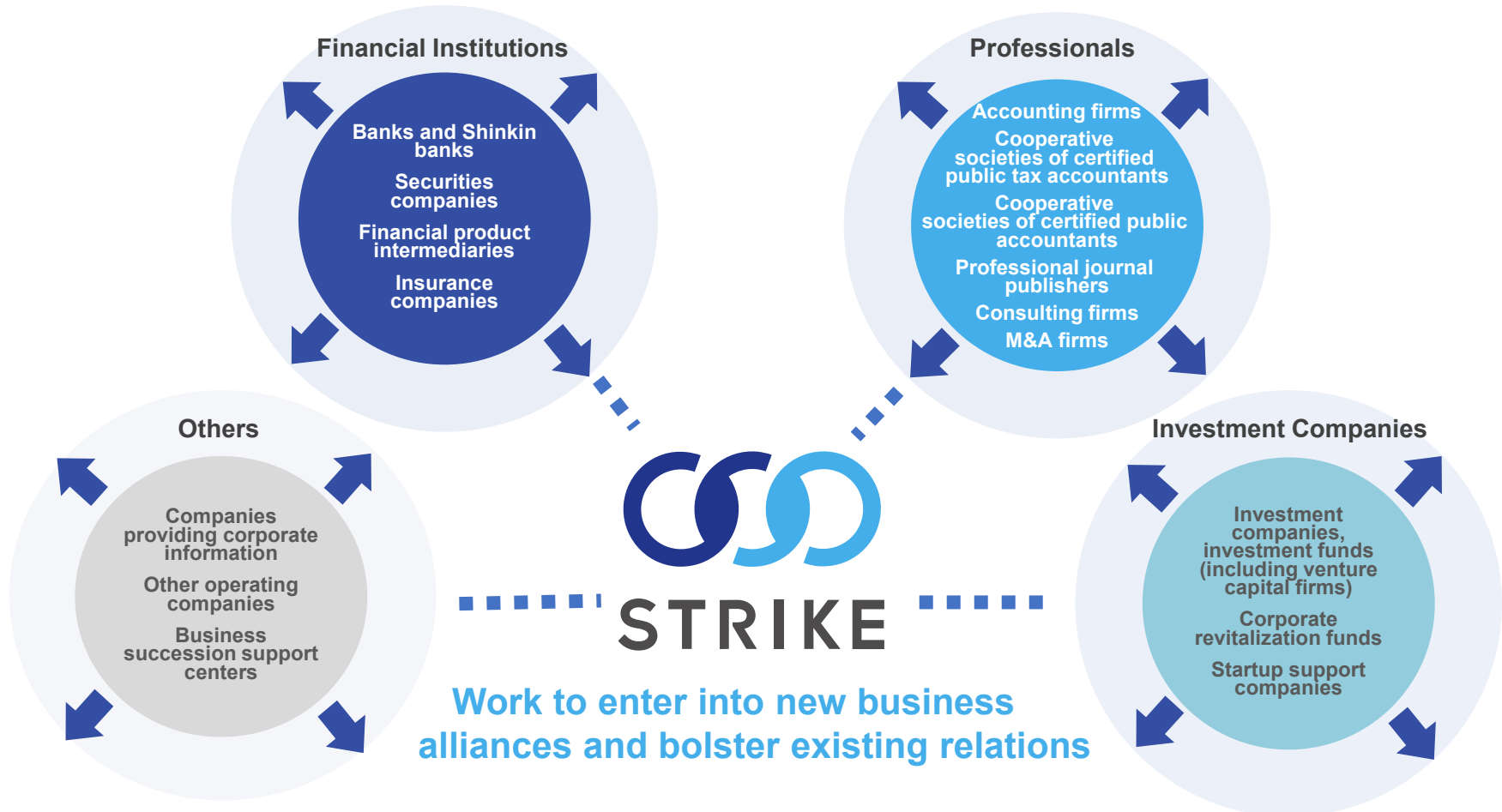
Establishing Regional Sales Bases

In FYE08/18, we relocated the Nagoya and Fukuoka sales offices and expanded our headquarters. In FYE08/19, we plan to relocate the Osaka sales office, increase personnel, and accordingly improve sales at all sales offices.



Cultivate New Operating Business Partners and Strengthen Relationships with Existing Partners

We continue to expand partnerships with financial institutions, professionals, and investment companies. While continuing to promote personnel exchange with existing partners, we will also set our sights on strengthening our relationships with these partners through capital alliances.



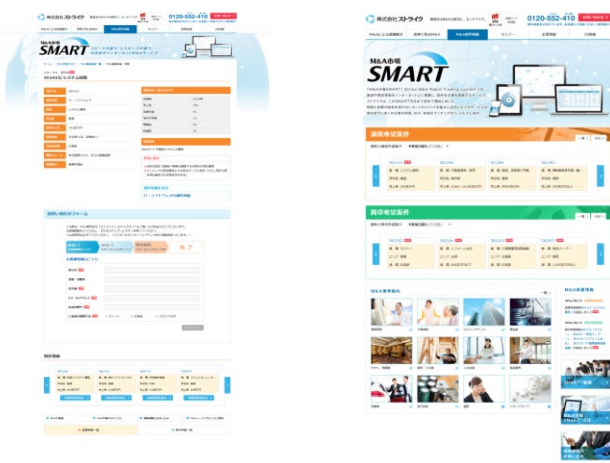
Further Leverage M&A Market SMART

We aim to enhance the information on M&A Market SMART and increase its page view numbers.
 (<https://www.strike.co.jp/smart/>)

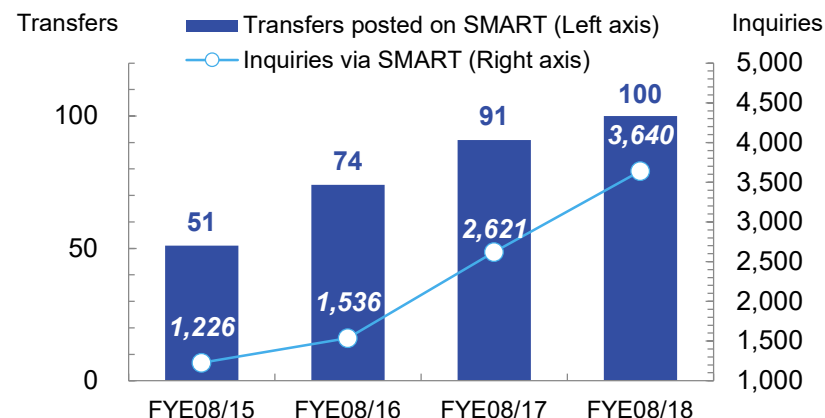
Primary Development and Improvement Targets for SMART

- Strengthen functions connected with internal systems
- Make improvements aimed at increasing the number of viewers

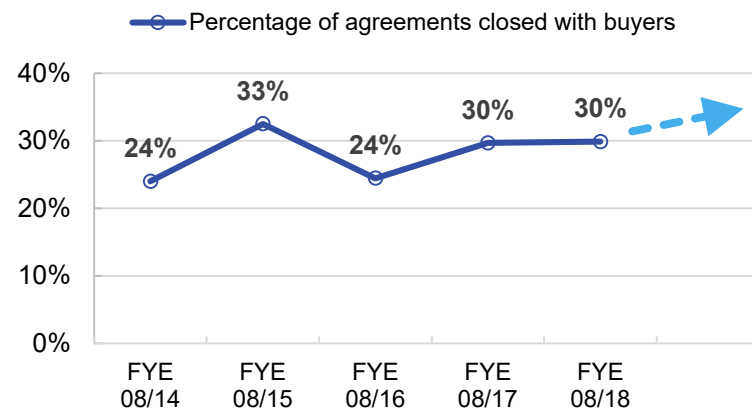
Strengthen systems and aim for more efficient matching



Inquiries via SMART



Matching Results Using SMART



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.



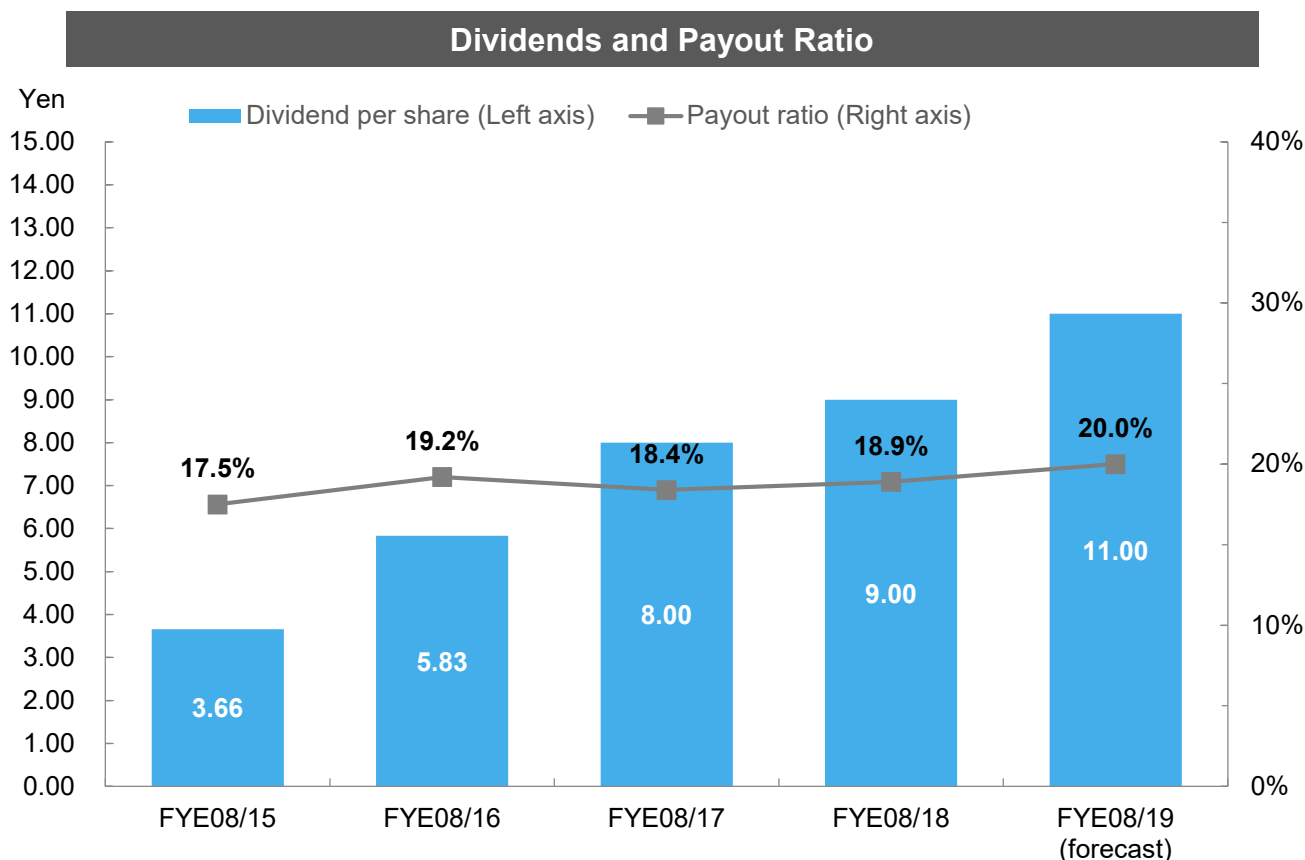
Exercise condition (1) was achieved in FYE08/18.

**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%, increasing 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).



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

Market Trends



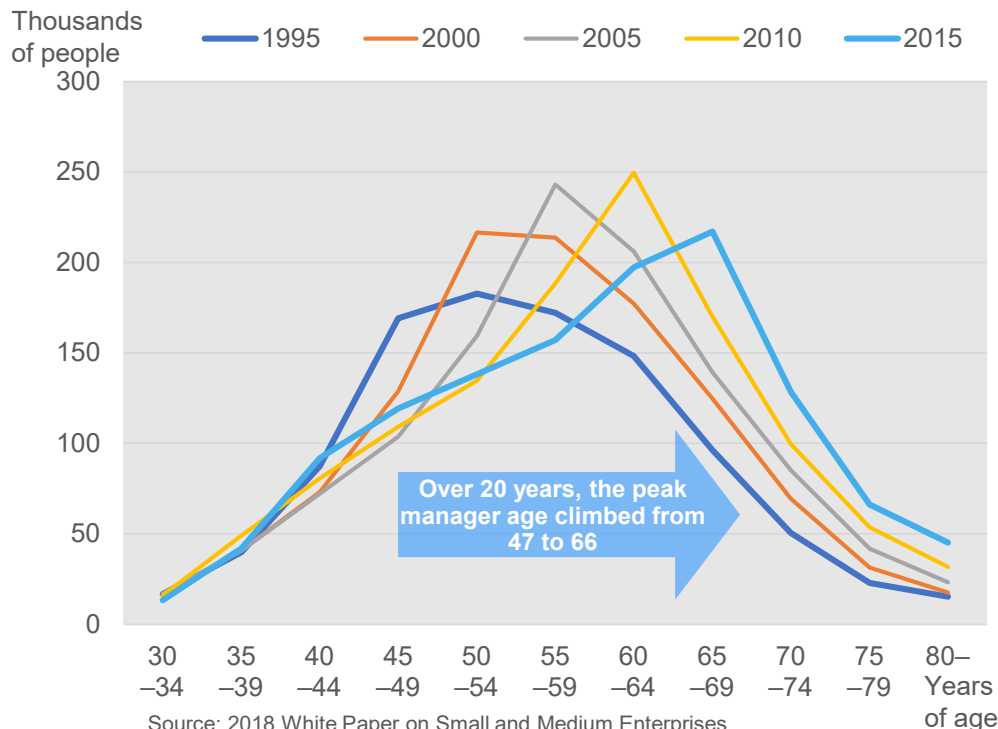
Market Trends: Business Succession M&A Market Expected to Continue Expanding

As company presidents advance in age, the number of 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

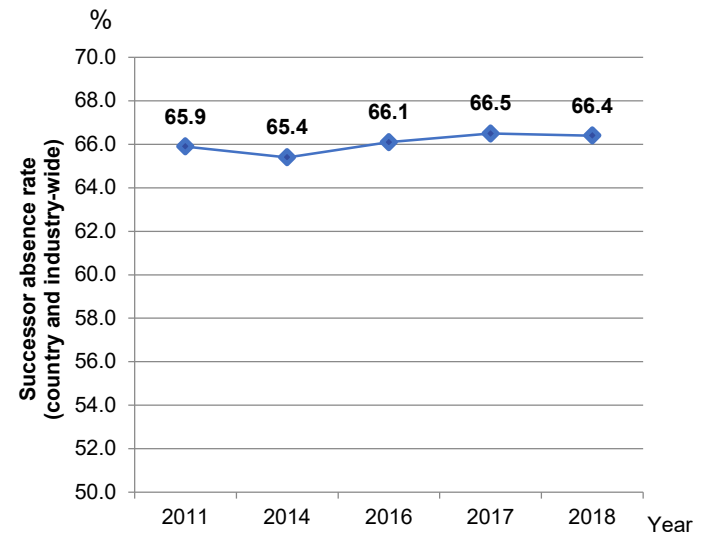
Age Distribution of Small and Medium-Sized Enterprise Managers



Source: 2018 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)

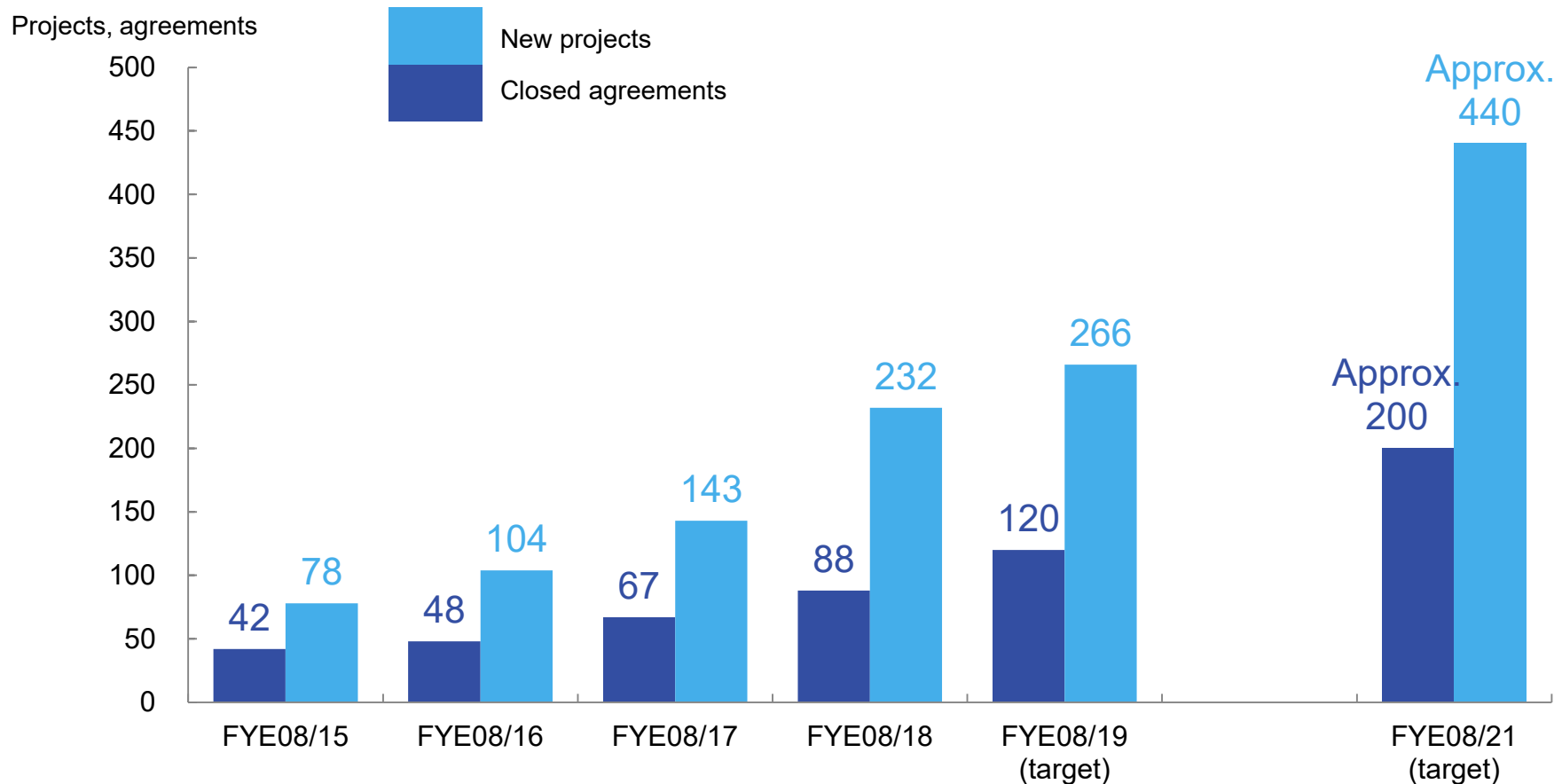
Of the roughly 276,000 companies surveyed, **66.4%** (over 180,000) have no successor in place.

Medium- to Long-Term Management Policy



Results and Targets for New Projects and Agreements Closed

We anticipate that the FYE08/19 growth rate for new projects will be on the low side based on the balance between personnel and new project numbers and the fact that new projects from FYE08/18 exceeded estimates. We aim to achieve 200 agreements closed per year within the next three years. By raising consultant productivity and efficiency, we target further growth.



Aim for Further Growth by Increasing Individual 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. Cultivate new business partners
2. Hold effective seminars and public relations activities
3. Strengthen direct sales primarily through the Marketing Department

3. Boost number of locations

Expand regional sales bases



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

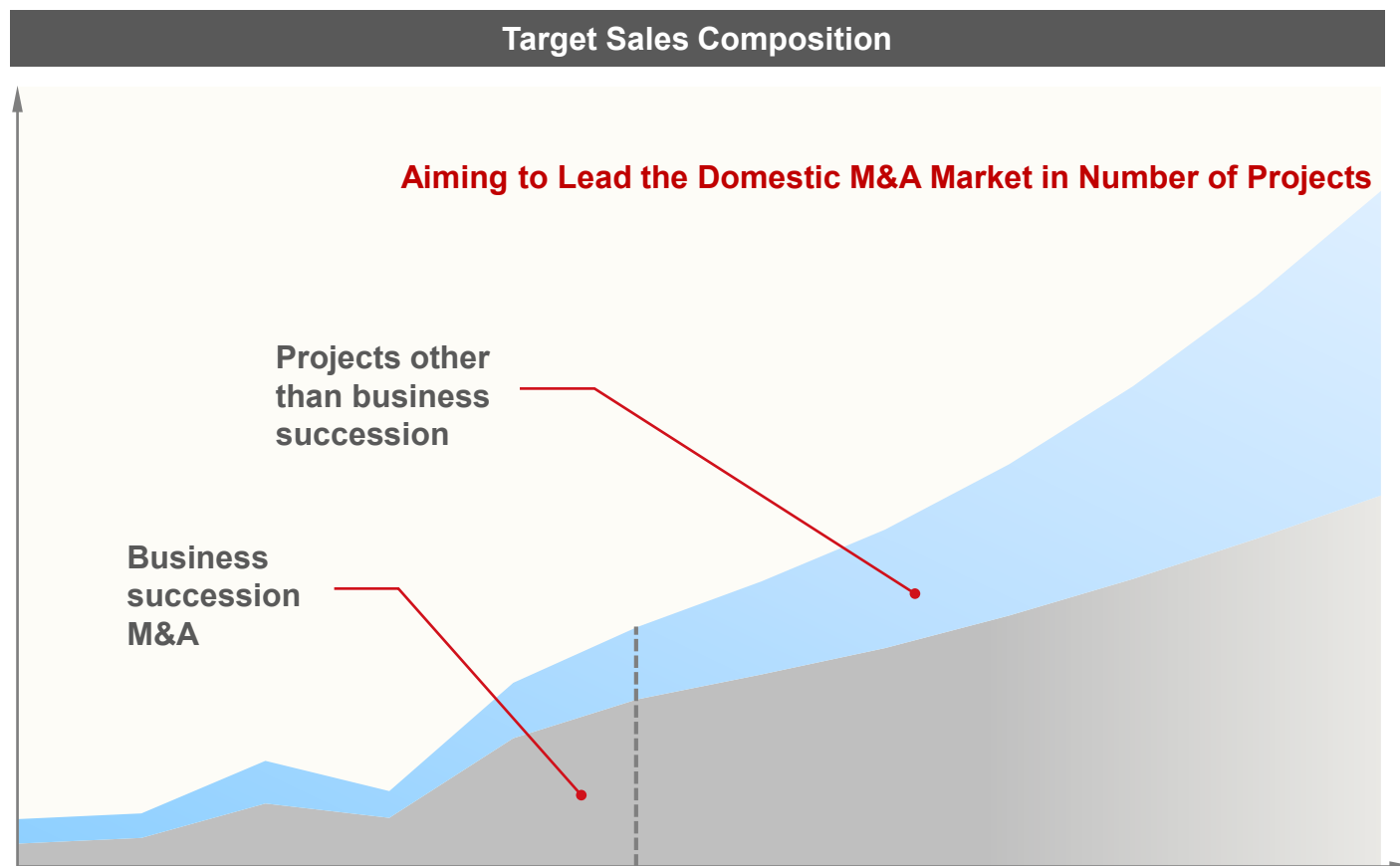
1. Support operational streamlining by improving internal systems with IT
2. Accumulate and enhance acquisition database

Optimize customer acquisition and brokerage services

Acquire more projects, and target closing of four agreements per year per consultant with three or more years of service by shortening the period of time between customer acquisition and agreement closing

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. Over the medium term, we intend to increase sales at 20% per year.

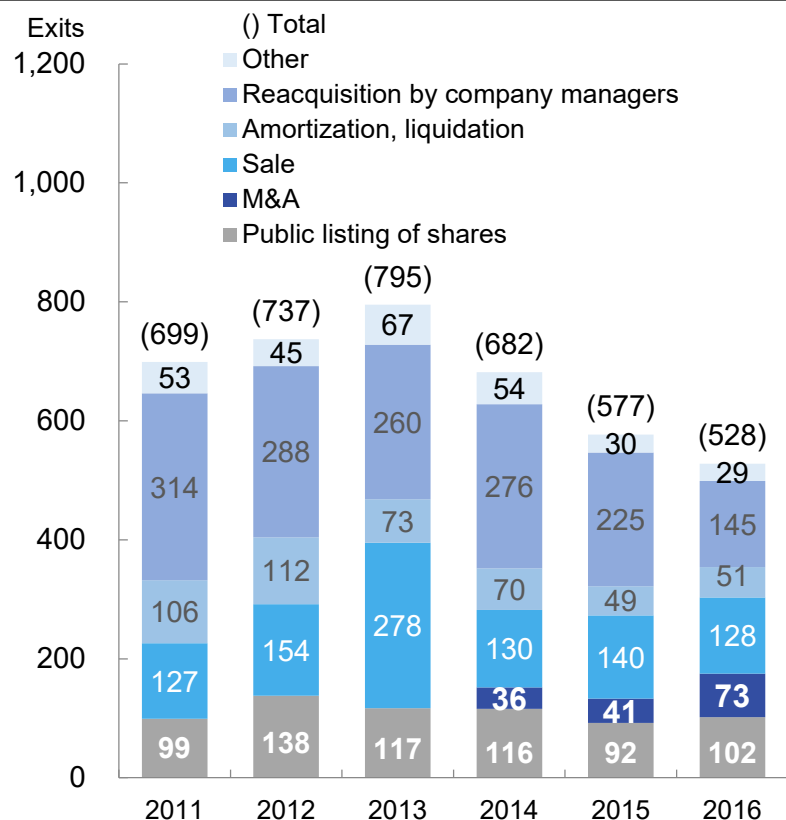


- **Medium-to long-term focus on becoming the leader in the Japanese M&A market in number of projects**
- **Projects other than business succession:**
Cultivate the M&A business as an exit method for startup companies
- **Business succession M&A:**
Market is forecast to expand, but dependence on business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

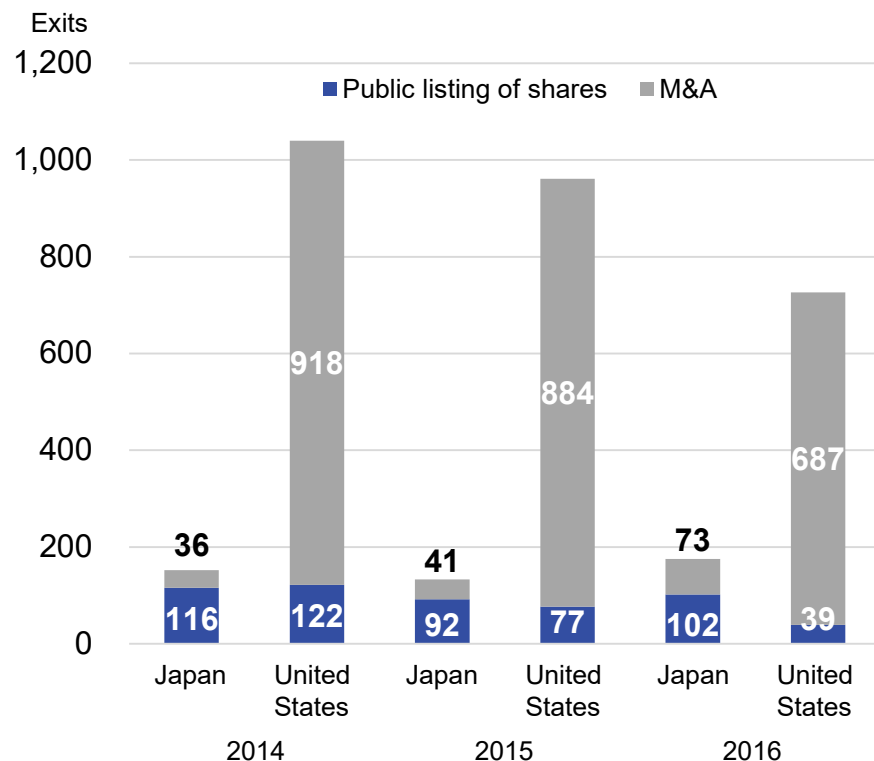
For Japanese startup companies, exits tend to be skewed toward IPOs, whereas M&A are mainstream in the United States. M&A exits are also increasing in Japan but their percentage of total exits is still low compared to the United States. They have a high possibility of even further increase in the future.

Venture Capital Exits in Japan



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

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



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

Cultivate Startup Company Exit Projects

By building up our network of entrepreneurs and startup companies, we will focus on cultivating M&A market targeting startup company exits. In FYE08/18, we closed nine M&A agreements (about 10% of total agreements closed) involving startup companies (transferred within five years of their establishments) through our brokerage services.



Company Overview



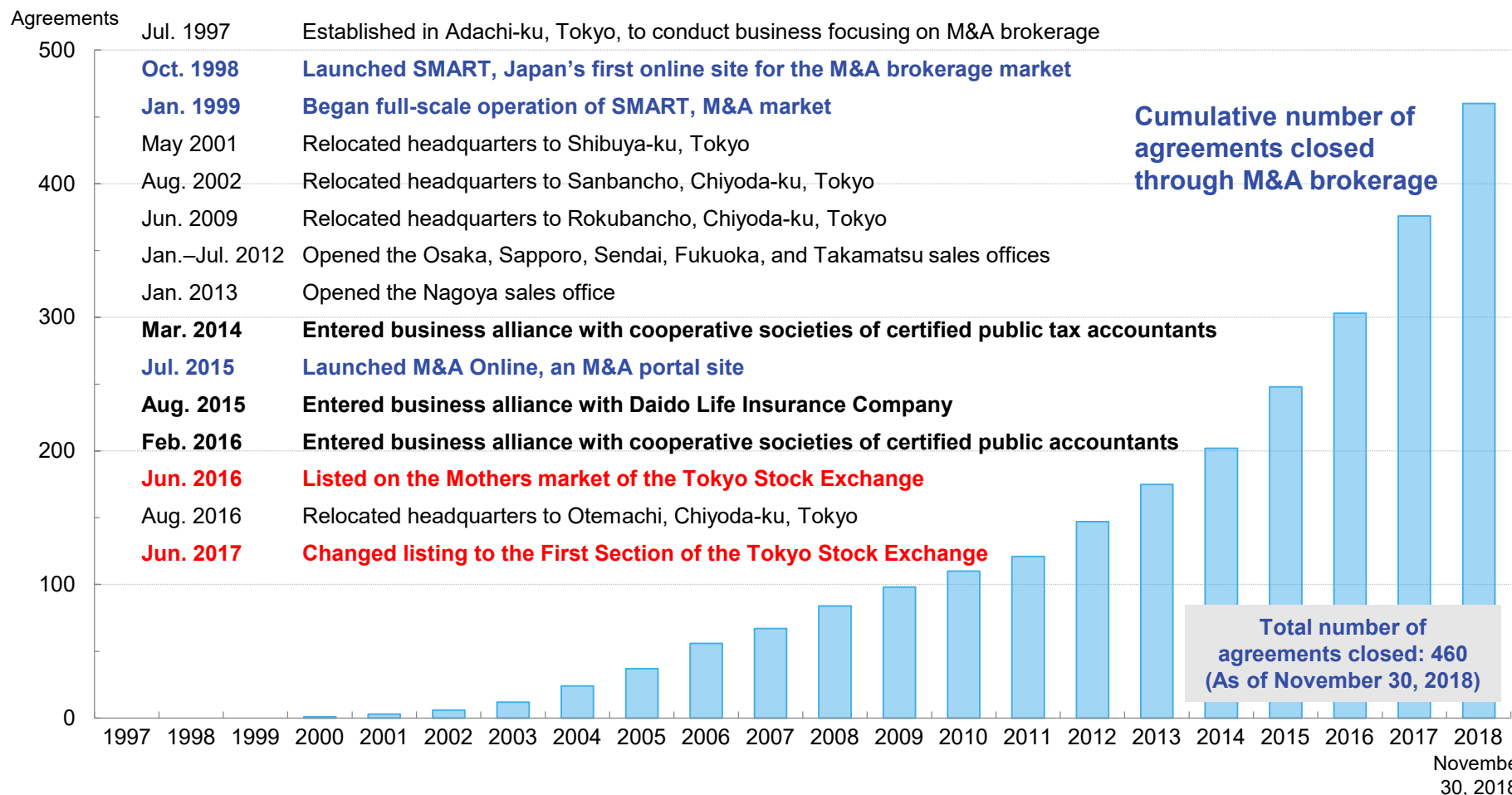
Company Overview

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 (November 30, 2018)
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	91 (excluding temporary staff, November 30, 2018)
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 both clients.

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

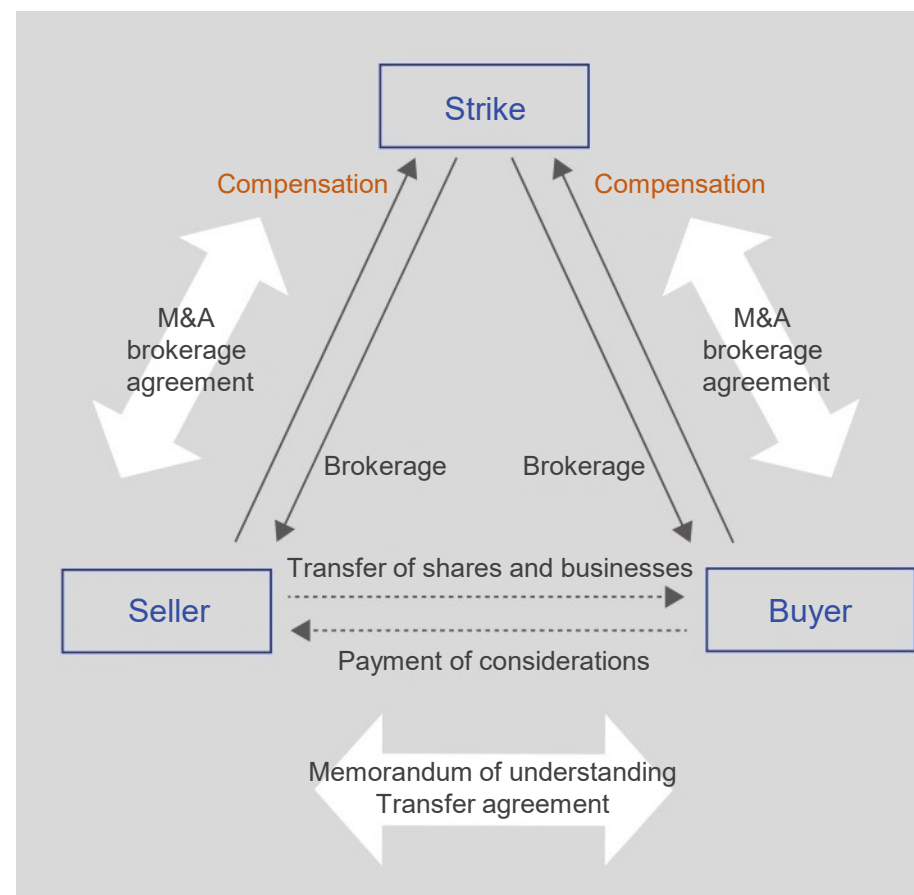
Seller

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

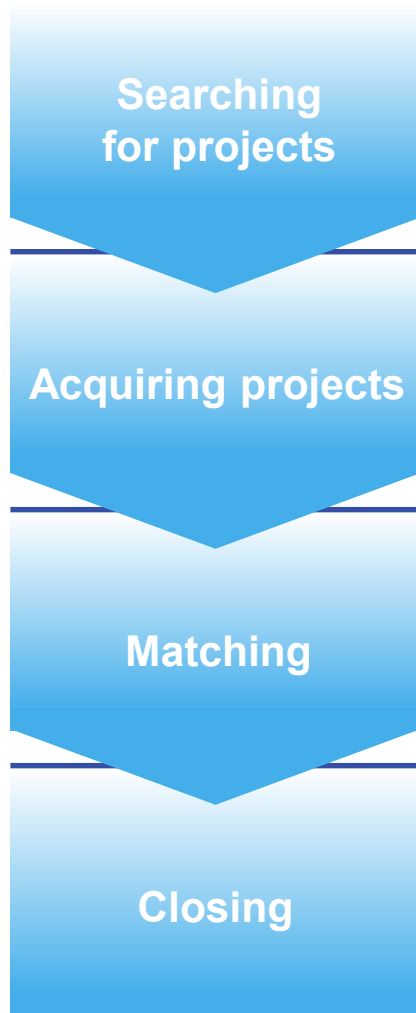
Market value of total assets at transfer	Rate
Portion below ¥500 mn	5%
Portion from ¥500 mn to ¥1.0 bn	4%
Portion from ¥1.0 bn to ¥5.0 bn	3%
Portion from ¥5.0 bn to ¥10.0 bn	2%
Portion above ¥10.0 bn	1%

M&A Brokerage Earnings Model



Flow of 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

- 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 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 (December 25, 2018). Expressions regarding the future outlook will not be updated or revised to reflect future events and conditions.