

Non-Consolidated Financial Results
For the Three Months Ended December 31, 2021
[Japanese GAAP]



January 28, 2022

Company name: Strike Co., Ltd.
 Stock exchange listing: First Section, Tokyo Stock Exchange
 Code number: 6196
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 Scheduled date of filing quarterly securities report: February 14, 2022
 Scheduled date of commencing dividend payments: None
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: No physical session planned
 (video of briefing session to be distributed)

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Three Months Ended December 31, 2021 (October 1, 2021 to December 31, 2021)

(1) Operating Results

(Percentages indicate year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
December 31, 2021	2,355	—	893	—	894	—	603	—
November 30, 2020	1,197	-19.2	312	-49.7	312	-49.7	206	-63.9

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended				
December 31, 2021	31.57		31.41	
November 30, 2020	10.83		10.76	

(Note) Operating results for the first quarter of the fiscal year ended September 30, 2021 covers the period from September 1, 2020 to November 30, 2020, as the fiscal year ended September 30, 2021 was a 13-month accounting period from September 1, 2020 to September 30, 2021 due to a change in fiscal year-end. Accordingly, year-on-year percentage changes for the first quarter of the fiscal year ending September 30, 2022 (three months ended December 31, 2021) are not shown as the period for comparison differs.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	10,394	9,107	87.6
As of September 30, 2021	10,958	9,077	82.8

(Reference) Equity: As of December 31, 2021: ¥9,104 million

As of September 30, 2021: ¥9,073 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	0.00	—	32.00	32.00
Fiscal year ending September 30, 2022	—				
Fiscal year ending September 30, 2022 (forecast)		0.00	—	36.00	36.00

(Note) Changes in dividend forecast subsequent to most recent announcement: None

3. Earnings Forecasts for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

(Percentages indicate year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	5,625	—	2,138	—	2,138	—	1,391	—	72.73
Full year	11,208	—	4,210	—	4,211	—	2,729	—	142.70

(Note) Changes in earnings forecasts subsequent to most recent announcement: None

Note: Year-on-year percentage changes are not shown as the fiscal year ended September 30, 2021 was a 13-month accounting period from September 1, 2020 to September 30, 2021 due to a change in fiscal year-end.

Notes:

(1) Application of special accounting treatment in preparing the quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Applicable

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of December 31, 2021: 19,354,200 shares

As of September 30, 2021: 19,354,200 shares

2) Total number of treasury shares at the end of the period:

As of December 31, 2021: 211,859 shares

As of September 30, 2021: 228,021 shares

3) Average number of shares outstanding during the period:

For the three months ended December 31, 2021: 19,131,797 shares

For the three months ended November 30, 2020: 19,104,017 shares

* The quarterly financial statements are outside the scope of quarterly review by a certified public accountant or auditing firm.

* Explanation of the proper use of earnings forecasts and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company, and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

Due to a change in fiscal year-end, the previous fiscal year was an irregular 13-month accounting period from September 1, 2020 to September 30, 2021. As a result, we have not made comparisons between the first quarter of the current fiscal year (October 1, 2021 to December 31, 2021) and the first quarter of the previous fiscal year (September 1, 2020 to November 30, 2020) as the period for comparison differs. However, we have included the actual results for the first quarter of the previous fiscal year as a reference.

During the first three months of the fiscal year ending September 30, 2022, the Japanese economy showed signs of a pickup after the state of emergency declaration triggered by the spread of COVID-19 was lifted at the end of September 2021. However, the economic outlook remains uncertain with the emergence of the sixth wave of the COVID-19 infections in Japan and concerns of stagnation in economic activities due to the global pandemic.

The market for M&A involving small and medium-sized enterprises (SMEs), which is our area of business, is continuing to expand over the medium to long term in part thanks to the success of aggressive measures and promotion by the Japanese government to support SMEs struggling with the search for successors. According to the “2021 White Paper on Small and Medium Enterprises in Japan,” approximately 60% of the 49,000 companies that were shuttered or dissolved in 2020 had reported profits during their most recent financial years. This underlines the importance of facilitating a smooth passage of business into the hands of a subsequent generation of motivated managers to avoid squandering precious management resources for lack of appropriate successors. In April 2021, the Small and Medium Enterprise Agency formulated its “Promotion Plan for M&A among Small and Medium-sized Enterprises” to promote improved production through expansion in the scales of SMEs and encourage the establishment of businesses through the acquisition of third-party management resources. The formulation of this plan demonstrates that efforts to promote M&A among SMEs are underway in both the public and private sectors. Moving forward, M&A will likely play an increasingly prominent role as a solution for management issues facing SMEs.

Against this backdrop, in October 2021 we realigned our operations by sourcing route to enhance the organization. In addition, we aim to achieve further growth by introducing a team-based system to respond systematically to new contracts and improve project efficiency. Furthermore, we established an Innovation Support Office to strengthen cultivation of M&A market for startups and launched a new service, S venture Lab., to promote partnerships between startups and large companies.

On the sales front, while making effort to prevent the spread of COVID-19, we worked to attract new customers and close deals by hosting online seminars and making use of meetings via online conferencing systems. We also worked to uncover a wide range of M&A needs by carrying out industry-specific online advertising and proposal-based marketing. In addition, we strengthened our M&A support system through collaboration. We accepted personnel from partner financial institutions and trained them so that they would be able to execute M&A operations with greater effectiveness once they return to their respective companies.

In terms of recruitment, we actively strove to add new employees with the goal of expanding our business performance and successfully recruited nine new M&A consultants during the first three months of the fiscal year under review.

As a result, during the three months ended December 31, 2021, there were 38 deals closed ^(Note 1) (versus 25 during the three months ended November 30, 2020), and 72 contracts closed ^(Note 2) (versus 47). We closed four large M&A deals (generating ¥100 million or more in sales per deal) (versus two). Additionally, we accepted 182 new contracts ^(Note 3) (versus 88).

(Note 1) Number of deals closed:

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

(Note 2) 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.

(Note 3) New contracts:

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

In the three months ended December 31, 2021, net sales amounted to ¥2,355 million (versus ¥1,197 million in the three months ended November 30, 2020). Cost of sales came to ¥789 million (versus ¥465 million) due to the recording of ¥563 million in personnel expenses that reflected incentive compensation associated with sales and the addition of M&A consultants, as well as ¥168 million in introduction fees paid in connection with new contracts. Meanwhile, SG&A expenses totaled ¥672 million (versus ¥420 million), reflecting ¥286 million in personnel expenses and ¥95 million in rent expenses on land and buildings. As a result, operating profit reached ¥893 million (versus ¥312 million), ordinary profit came to ¥894 million (versus ¥312 million), and bottom-line profit amounted to ¥603 million (versus ¥206 million).

Net sales, the number of deals closed, contracts closed, and new contracts recorded during the three months ended December 31, 2021, as well as the corresponding targets we plan to achieve for the full year, are provided below.

	Three months ended December 31, 2021 (actual)	Three months ended December 31, 2021 (target)	Fiscal year ending September 30, 2022 (target)	Achievement of the full-year target
Number of deals closed	38	42	206	18.4%
Number of contracts closed	72	80	407	17.7%
Number of new contracts	182	151	660	27.6%
Net sales (millions of yen)	2,355	2,616	11,208	21.0%

Business results by segment are omitted, as the Company includes only the single M&A brokerage business segment.

(2) Explanation of Financial Condition

(Assets)

As of December 31, 2021, current assets stood at ¥9,293 million, down ¥688 million from September 30, 2021. This mainly reflected a decrease of ¥964 million in accounts receivable–trade.

Non-current assets amounted to ¥1,101 million, up ¥124 million from September 30, 2021. This was mainly the result of a ¥59 million increase in property, plant, and equipment owing to the purchase of facilities attached to buildings and a ¥65 million rise in investments and other assets due to an increase in deferred tax assets.

(Liabilities)

Current liabilities came to ¥1,287 million as of December 31, 2021, down ¥594 million from September 30, 2021. This was primarily attributable to a ¥281 million decline in income taxes payable due to the payment of income taxes and a ¥567 million decrease in other current liabilities stemming mainly from the payment of accrued bonuses at the end of the previous fiscal year, which offset an increase of ¥389 million in provision for bonuses.

(Net assets)

As of December 31, 2021, net assets totaled ¥9,107 million, up ¥30 million from September 30, 2021. This primarily reflected changes in retained earnings—which declined ¥612 million owing to the payment of dividends and grew ¥603 million due to the recording of bottom-line profit—and a ¥33 million decrease in treasury shares as a result of the exercise of share acquisition rights.

(3) Explanation of Earnings Forecasts and Other Forward-Looking Information

Our earnings forecasts for the fiscal year ending September 30, 2022 are unchanged from the figures announced on October 29, 2021.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	8,567,428	9,002,818
Accounts receivable–trade	1,181,143	216,230
Other	244,574	79,768
Allowance for doubtful accounts	(11,559)	(5,776)
Total current assets	9,981,586	9,293,041
Non-current assets		
Property, plant and equipment	335,291	395,197
Intangible assets	4,229	3,271
Investments and other assets	637,858	703,206
Total non-current assets	977,379	1,101,675
Total assets	10,958,966	10,394,716
Liabilities		
Current liabilities		
Accounts payable–trade	186,890	50,941
Income taxes payable	640,693	358,864
Provision for bonuses	—	389,992
Other	1,054,346	487,308
Total current liabilities	1,881,930	1,287,107
Total liabilities	1,881,930	1,287,107
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	810,377	816,849
Retained earnings	7,911,295	7,903,213
Treasury shares	(473,397)	(439,924)
Total shareholders' equity	9,072,017	9,103,881
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,544	545
Total valuation and translation adjustments	1,544	545
Share acquisition rights	3,474	3,182
Total net assets	9,077,036	9,107,609
Total liabilities and net assets	10,958,966	10,394,716

(2) Statement of Income

(Thousands of yen)

	For the three months ended November 30, 2020 (September 1, 2020 to November 30, 2020)	For the three months ended December 31, 2021 (October 1, 2021 to December 31, 2021)
Net sales	1,197,679	2,355,823
Cost of sales	465,053	789,724
Gross profit	732,625	1,566,099
Selling, general and administrative expenses	420,145	672,827
Operating profit	312,480	893,271
Non-operating income		
Interest income	27	25
Compensation for damage received	—	600
Other	—	150
Total non-operating income	27	776
Ordinary profit	312,507	894,048
Profit before income taxes	312,507	894,048
Income taxes—current	82,991	335,066
Income taxes—deferred	22,591	(44,974)
Total income taxes	105,582	290,092
Profit	206,925	603,955

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and relevant regulations issued by the Accounting Standards Board of Japan [ASBJ])

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

In applying the Accounting Standard for Revenue Recognition and relevant regulations, the Company has followed the transitional measures stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been reflected in retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied from the resulting beginning balance. However, the Company has applied the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition and has not applied the new accounting policy to contracts for which almost all the revenue amounts have been recognized in accordance with the previous method prior to the beginning of the first quarter of the current fiscal year.

The impact of this change on profits and the beginning balance of retained earnings for the first quarter of the current fiscal year is minimal.

(Application of Accounting Standard for Fair Value Measurement and relevant ASBJ regulations)

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year and will apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant regulations going forward in accordance with the transitional measures stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no impact from this change on the quarterly financial statements for the first quarter of the current fiscal year.

(Significant subsequent events)

(Purchase of treasury shares)

At a meeting on January 28, 2022, the Company's Board of Directors resolved matters regarding share repurchases under the provisions of Article 156 of the Companies Act as applied pursuant to the provisions of Article 165, Paragraph 3 of the same act.

1. Reasons for share repurchase

To improve capital efficiency and implement a flexible capital policy that can address future changes in the business environment.

2. Details on matters regarding share repurchases

- | | |
|--|--|
| (1) Type of shares to be acquired: | Common shares of the Company |
| (2) Total number of shares to be acquired: | 120,000 shares (upper limit; 0.6% of outstanding shares) |
| (3) Total purchase price: | ¥500 million (upper limit) |
| (4) Repurchase period: | February 1, 2022 to March 31, 2022 |
| (5) Purchase method: | Market purchase on the Tokyo Stock Exchange |