

Non-Consolidated Financial Results
For the Six Months Ended March 31, 2022
[Japanese GAAP]



April 27, 2022

Company name: Strike Co., Ltd.
 Stock exchange listing: Prime Market, Tokyo Stock Exchange
 Code number: 6196
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 Scheduled date of filing quarterly securities report: May 13, 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 Six Months Ended March 31, 2022 (October 1, 2021 to March 31, 2022)

(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	%
Six months ended								
March 31, 2022	5,216	—	1,994	—	1,994	—	1,349	—
February 28, 2021	3,899	11.1	1,481	-4.5	1,484	-4.3	999	-15.4

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended				
March 31, 2022	70.60	70.28	70.28	70.28
February 28, 2021	52.33	52.02	52.02	52.02

(Note) Operating results for the first six months of the fiscal year ended September 30, 2021 covers the period from September 1, 2020 to February 28, 2021, 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 six months of the fiscal year ending September 30, 2022 (six months ended March 31, 2022) 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 March 31, 2022	11,260	9,363	83.1
As of September 30, 2021	10,958	9,077	82.8

(Reference) Equity: As of March 31, 2022: ¥9,360 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	—	0.00	—	—	—
Fiscal year ending September 30, 2022 (forecast)	—	—	—	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
Full year	11,208	—	4,210	—	4,211	—	2,729	—	143.10

(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. The Company acquired 116,200 treasury shares in accordance with a resolution passed at the Board of Directors meeting held on January 28, 2022. The basic earnings per share presented in the earnings forecast reflects the impact of this share repurchase.

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 March 31, 2022: 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 March 31, 2022: 324,059 shares

As of September 30, 2021: 228,021 shares

3) Average number of shares outstanding during the period:

For the six months ended March 31, 2022: 19,116,130 shares

For the six months ended February 28, 2021: 19,108,527 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 six months of the current fiscal year (October 1, 2021 to March 31, 2022) and the first six months of the previous fiscal year (September 1, 2020 to February 28, 2021) as the period for comparison differs. However, we have included the actual results for the first six months of the previous fiscal year as a reference.

During the first six 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, concerns of stagnation in economic activities due to the global pandemic, and heightened geopolitical risks.

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, 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.

Furthermore, we strengthened our service offerings in collaboration with our partners, including the launch of a joint M&A brokerage service with Zeimu Kenkyukai Inc., which commands overwhelming name recognition among accounting firms, and the full-scale rollout of an M&A brokerage service for the medical industry through a business partnership with M3, Inc., which operates m3.com, a website dedicated to medical professionals. 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 19 new M&A consultants during the first six months of the fiscal year under review.

As a result, during the six months ended March 31, 2022, there were 99 deals closed ^(Note 1) (versus 63 during the six months ended February 28, 2021) and 192 contracts closed ^(Note 2) (versus 120). We closed eight large M&A deals (generating ¥100 million or more in sales per deal) (versus 10). Additionally, we accepted 354 new contracts ^(Note 3) (versus 176).

(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 six months ended March 31, 2022, net sales amounted to ¥5,216 million (versus ¥3,899 million in the six months ended February 28, 2021). Cost of sales came to ¥1,748 million (versus ¥1,476 million) due to the recording of ¥1,219 million in personnel expenses that reflected incentive compensation associated with sales and the addition of M&A consultants, as well as ¥410 million in introduction fees paid in connection with new contracts. Meanwhile, SG&A expenses totaled ¥1,473 million (versus ¥942 million), reflecting ¥633 million in personnel expenses and ¥189 million in rent expenses on land and buildings. As a result, operating profit reached ¥1,994 million (versus ¥1,481 million), and ordinary profit also came to ¥1,994 million (versus ¥1,484 million). Bottom-line profit amounted to ¥1,349 million (versus ¥999 million).

Net sales, the number of deals closed, contracts closed, and new contracts recorded during the six months ended March 31, 2022, as well as the corresponding targets we plan to achieve for the full year, are provided below.

	Six months ended March 31, 2022 (actual)	Six months ended March 31, 2022 (target)	Fiscal year ending September 30, 2022 (target)	Achievement of the full-year target
Number of deals closed	99	98	206	48.1%
Number of contracts closed	192	191	407	47.2%
Number of new contracts	354	315	660	53.6%
Net sales (millions of yen)	5,216	5,625	11,208	46.5%

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 March 31, 2022, current assets stood at ¥9,409 million, down ¥571 million from September 30, 2021. This mainly reflected a decrease of ¥793 million in accounts receivable-trade.

Non-current assets amounted to ¥1,850 million, up ¥872 million from September 30, 2021. This was primarily the result of a ¥55 million increase in property, plant and equipment owing to the purchase of facilities attached to buildings and a ¥818 million rise in investments and other assets due to increases in leasehold deposits and investment securities.

(Liabilities)

Current liabilities came to ¥1,896 million as of March 31, 2022, up ¥14 million from September 30, 2021. This was mainly attributable to a ¥236 million increase in provision for bonuses, which was partially offset by a ¥210 million decrease in other current liabilities due to the payment of accrued consumption taxes for the previous fiscal year.

(Net assets)

As of March 31, 2022, net assets totaled ¥9,363 million, up ¥286 million from September 30, 2021. This primarily reflected changes in retained earnings—which declined ¥612 million owing to the payment of dividends and grew ¥1,349 million due to the recording of bottom-line profit—and a ¥456 million increase in treasury shares as a result of market purchases.

(2) Cash Flows

As of March 31, 2022, cash and cash equivalents stood at ¥8,677 million, up ¥110 million from September 30, 2021. Principal factors affecting changes in cash flows during the six months ended March 31, 2022 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,956 million (compared to ¥617 million provided by these activities in the first six months of the previous fiscal year). Main sources of cash were ¥1,994 million in profit before income taxes and a ¥793 million decrease in trade receivables, which were partially offset by ¥596 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥783 million (compared to ¥107 million used in these activities in the first six months of the previous fiscal year). This primarily reflected ¥637 million in payments of leasehold and guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥1,062 million (compared to ¥434 million used in these activities in the first six months of the previous fiscal year). Main uses of cash were dividends paid of ¥611 million and purchase of treasury shares of ¥501 million.

(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 March 31, 2022
Assets		
Current assets		
Cash and deposits	8,567,428	8,677,437
Accounts receivable–trade	1,181,143	387,391
Other	244,574	363,219
Allowance for doubtful accounts	(11,559)	(18,228)
Total current assets	9,981,586	9,409,820
Non-current assets		
Property, plant and equipment	335,291	390,547
Intangible assets	4,229	2,912
Investments and other assets	637,858	1,456,779
Total non-current assets	977,379	1,850,239
Total assets	10,958,966	11,260,059
Liabilities		
Current liabilities		
Accounts payable–trade	186,890	106,651
Income taxes payable	640,693	709,616
Provision for bonuses	—	236,980
Other	1,054,346	843,369
Total current liabilities	1,881,930	1,896,617
Total liabilities	1,881,930	1,896,617
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	810,377	816,487
Retained earnings	7,911,295	8,648,919
Treasury shares	(473,397)	(929,605)
Total shareholders' equity	9,072,017	9,359,542
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,544	788
Total valuation and translation adjustments	1,544	788
Share acquisition rights	3,474	3,110
Total net assets	9,077,036	9,363,441
Total liabilities and net assets	10,958,966	11,260,059

(2) Statement of Income

(Thousands of yen)

	For the six months ended February 28, 2021 (September 1, 2020 to February 28, 2021)	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Net sales	3,899,390	5,216,169
Cost of sales	1,476,012	1,748,718
Gross profit	2,423,378	3,467,450
Selling, general and administrative expenses	942,057	1,473,320
Operating profit	1,481,321	1,994,130
Non-operating income		
Interest income	3,310	92
Compensation for damage received	—	1,200
Other	185	150
Total non-operating income	3,496	1,442
Non-operating expenses		
Commission for purchase of treasury shares	—	999
Total non-operating expenses	—	999
Ordinary profit	1,484,817	1,994,573
Profit before income taxes	1,484,817	1,994,573
Income taxes—current	464,906	662,192
Income taxes—deferred	19,921	(17,280)
Total income taxes	484,828	644,912
Profit	999,989	1,349,661

(3) Statement of Cash Flows

(Thousands of yen)

	For the six months ended February 28, 2021 (September 1, 2020 to February 28, 2021)	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,484,817	1,994,573
Depreciation	23,465	29,316
Increase (decrease) in allowance for doubtful accounts	730	6,669
Increase (decrease) in provision for bonuses	110,656	236,980
Interest and dividend income	(3,310)	(92)
Decrease (increase) in trade receivables	(120,603)	793,752
Increase (decrease) in trade payables	49,211	(80,238)
Increase (decrease) in accounts payable—other	1,522	29,132
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(168,424)	(455,957)
Other, net	(11,844)	(1,013)
Subtotal	1,366,219	2,553,122
Interest and dividends received	86	92
Income taxes paid	(748,716)	(596,509)
Net cash provided by (used in) operating activities	617,588	1,956,704
Cash flows from investing activities		
Purchase of property, plant and equipment	(107,584)	(91,118)
Purchase of investment securities	—	(200,000)
Payments for investments in capital	—	(10,000)
Payments of leasehold and guarantee deposits	—	(637,226)
Proceeds from refund of leasehold and guarantee deposits	—	172,521
Other, net	—	(18,044)
Net cash provided by (used in) investing activities	(107,584)	(783,867)
Cash flows from financing activities		
Purchase of treasury shares	—	(501,113)
Proceeds from disposal of treasury shares	24,088	49,651
Dividends paid	(458,440)	(611,365)
Net cash provided by (used in) financing activities	(434,351)	(1,062,828)
Net increase (decrease) in cash and cash equivalents	75,652	110,009
Cash and cash equivalents at beginning of period	7,871,870	8,567,428
Cash and cash equivalents at end of period	7,947,522	8,677,437

(4) 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)

The Company acquired 116,200 treasury shares in accordance with a resolution passed at the Board of Directors meeting held on January 28, 2022. As a result of this acquisition, treasury shares increased by ¥456,208 thousand during the first six months of the current fiscal year and amounted to ¥929,605 thousand as of March 31, 2022.

(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 six months 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 six months of the current fiscal year.