

Non-Consolidated Financial Results
For the Nine Months Ended June 30, 2022
[Japanese GAAP]



July 29, 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: August 12, 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 Nine Months Ended June 30, 2022 (October 1, 2021 to June 30, 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 | % |
| Nine months ended June 30, 2022 | 7,132 | — | 2,601 | — | 2,603 | — | 1,756 | — |
| May 31, 2021 | 5,597 | 12.4 | 2,035 | -4.5 | 2,038 | -4.3 | 1,371 | -12.4 |

| | Basic earnings per share | | Diluted earnings per share | |
|---------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended June 30, 2022 | 92.02 | | 91.64 | |
| May 31, 2021 | 71.79 | | 71.38 | |

(Note) Operating results for the first nine months of the fiscal year ended September 30, 2021 covers the period from September 1, 2020 to May 31, 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 nine months of the fiscal year ending September 30, 2022 (nine months ended June 30, 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 June 30, 2022 | 10,536 | 9,785 | 92.8 |
| As of September 30, 2021 | 10,958 | 9,077 | 82.8 |

(Reference) Equity: As of June 30, 2022: ¥9,782 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 June 30, 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 June 30, 2022: 318,059 shares

As of September 30, 2021: 228,021 shares

3) Average number of shares outstanding during the period:

For the nine months ended June 30, 2022: 19,088,697 shares

For the nine months ended May 31, 2021: 19,111,865 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 nine months of the current fiscal year (October 1, 2021 to June 30, 2022) and the first nine months of the previous fiscal year (September 1, 2020 to May 31, 2021) as the period for comparison differs. However, we have included the actual results for the first nine months of the previous fiscal year as a reference.

During the nine months ended June 30, 2022, the Japanese economy showed signs of picking up as the COVID-19 vaccination rate increased and the government eased restrictions on social and economic activities. However, the economic outlook remains uncertain due to steeply rising energy prices, which were exacerbated by the war in Ukraine, and the impact of the yen's rapid depreciation on financial markets.

The market for mergers and acquisitions of small and medium-sized enterprises (SMEs), in which the Company's main M&A brokerage business operates, has been on a long-term growth trend, largely attributable to the success of proactive measures carried out by the Japanese government to support SMEs in need of successors. Facilitating the transfer of these businesses to a new generation of ambitious management teams is important for preventing valuable operational resources from being wasted and supporting sustainable growth of the Japanese economy, highlighted by the fact that over half of approximately 44,000 companies that were shuttered or dissolved in 2021 had reported profits during their most recent fiscal years (according to the "2022 White Paper on Small and Medium Enterprises in Japan" issued by the Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry). Therefore, various initiatives have been launched in accordance with the "Promotion Plan for M&A among Small and Medium-sized Enterprises" announced in April 2021 by the Small and Medium Enterprise Agency, including the establishment of a registration system for organizations that support M&A and revisions of business succession guidelines. Furthermore, facilitating business succession, including through restructuring and M&A, has been positioned as one of the government's three key strategies for stimulating the growth of medium-sized enterprises. Accordingly, a new action plan was drafted by the government in June 2022, and initiatives are underway to promote M&A among SMEs through cooperation between the public and private sectors.

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 strove 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 worked to add new employees with the goal of expanding our business performance and successfully recruited 24 new M&A consultants during the first nine months of the fiscal year under review.

As a result, during the nine months ended June 30, 2022, there were 134 deals closed ^(Note 1) (versus 99 during the nine months ended May 31, 2021) and 260 contracts closed ^(Note 2) (versus 190). We closed nine large M&A deals

(generating ¥100 million or more in sales per deal) (versus 11). Additionally, we accepted 500 new contracts (Note 3) (versus 285).

(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 nine months ended June 30, 2022, net sales amounted to ¥7,132 million (versus ¥5,597 million in the nine months ended May 31, 2021). Cost of sales came to ¥2,413 million (versus ¥2,073 million) due to the recording of ¥1,697 million in personnel expenses that reflected incentive compensation associated with sales and the addition of M&A consultants, as well as ¥531 million in introduction fees paid in connection with new contracts. Meanwhile, SG&A expenses totaled ¥2,117 million (versus ¥1,489 million), reflecting ¥911 million in personnel expenses and ¥284 million in rent expenses on land and buildings. As a result, operating profit reached ¥2,601 million (versus ¥2,035 million), and ordinary profit came to ¥2,603 million (versus ¥2,038 million). Bottom-line profit amounted to ¥1,756 million (versus ¥1,371 million).

Net sales, the number of deals closed, contracts closed, and new contracts recorded during the nine months ended June 30, 2022, as well as the corresponding targets we plan to achieve for the full year, are provided below.

| | Nine months ended June 30, 2022 (actual) | Nine months ended June 30, 2022 (target) | Fiscal year ending September 30, 2022 (target) | Achievement of the full-year target |
|-----------------------------|--|--|--|-------------------------------------|
| Number of deals closed | 134 | 151 | 206 | 65.0% |
| Number of contracts closed | 260 | 297 | 407 | 63.9% |
| Number of new contracts | 500 | 483 | 660 | 75.8% |
| Net sales (millions of yen) | 7,132 | 8,588 | 11,208 | 63.6% |

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 June 30, 2022, current assets stood at ¥8,644 million, down ¥1,337 million from September 30, 2021. This mainly reflected decreases of ¥2,414 million in cash and deposits as well as ¥830 million in accounts receivable–trade, which was partially offset by increases of ¥1,402 million in income taxes refund receivable and ¥501 million in other current assets, which largely resulted from an increase in consumption taxes refund receivable.

Non-current assets amounted to ¥1,892 million, up ¥914 million from September 30, 2021. This was primarily the result of an ¥871 million rise in investments and other assets due to increases in leasehold deposits and investment securities.

(Liabilities)

Current liabilities amounted to ¥751 million as of June 30, 2022, down ¥1,130 million from September 30, 2021. This was mainly attributable to a decrease of ¥851 million in other current liabilities, which largely resulted from the payment of bonuses accrued as of September 30, 2021, and a decrease of ¥640 million in income taxes payable. These factors

more than offset an increase of ¥487 million in provision for bonuses.

(Net assets)

As of June 30, 2022, net assets totaled ¥9,785 million, up ¥708 million from September 30, 2021. This primarily reflected changes in retained earnings—which declined ¥612 million owing to the payment of dividends and grew ¥1,756 million due to the recording of bottom-line profit—and a ¥438 million increase in treasury shares as a result of market purchases.

(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 June 30, 2022 |
|---|--------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,567,428 | 6,152,807 |
| Accounts receivable–trade | 1,181,143 | 350,251 |
| Income taxes refund receivable | — | 1,402,202 |
| Other | 244,574 | 745,837 |
| Allowance for doubtful accounts | (11,559) | (6,574) |
| Total current assets | 9,981,586 | 8,644,524 |
| Non-current assets | | |
| Property, plant and equipment | 335,291 | 380,461 |
| Intangible assets | 4,229 | 2,587 |
| Investments and other assets | 637,858 | 1,509,155 |
| Total non-current assets | 977,379 | 1,892,204 |
| Total assets | 10,958,966 | 10,536,728 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable–trade | 186,890 | 60,904 |
| Income taxes payable | 640,693 | — |
| Provision for bonuses | — | 487,797 |
| Other | 1,054,346 | 202,899 |
| Total current liabilities | 1,881,930 | 751,601 |
| Total liabilities | 1,881,930 | 751,601 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 823,741 | 823,741 |
| Capital surplus | 810,377 | 814,131 |
| Retained earnings | 7,911,295 | 9,055,785 |
| Treasury shares | (473,397) | (912,393) |
| Total shareholders' equity | 9,072,017 | 9,781,264 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,544 | 860 |
| Total valuation and translation adjustments | 1,544 | 860 |
| Share acquisition rights | 3,474 | 3,002 |
| Total net assets | 9,077,036 | 9,785,126 |
| Total liabilities and net assets | 10,958,966 | 10,536,728 |

(2) Statement of Income

(Thousands of yen)

| | For the nine months ended May 31, 2021 (September 1, 2020 to May 31, 2021) | For the nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022) |
|--|---|---|
| Net sales | 5,597,507 | 7,132,243 |
| Cost of sales | 2,073,116 | 2,413,206 |
| Gross profit | 3,524,391 | 4,719,037 |
| Selling, general and administrative expenses | 1,489,364 | 2,117,347 |
| Operating profit | 2,035,027 | 2,601,689 |
| Non-operating income | | |
| Interest income | 3,336 | 120 |
| Dividend income | 60 | 340 |
| Compensation for damage received | — | 1,800 |
| Other | 185 | 150 |
| Total non-operating income | 3,582 | 2,410 |
| Non-operating expenses | | |
| Commission for purchase of treasury shares | — | 999 |
| Total non-operating expenses | — | 999 |
| Ordinary profit | 2,038,609 | 2,603,100 |
| Profit before income taxes | 2,038,609 | 2,603,100 |
| Income taxes—current | 680,055 | 814,829 |
| Income taxes—deferred | (13,435) | 31,744 |
| Total income taxes | 666,620 | 846,573 |
| Profit | 1,371,988 | 1,756,527 |

(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)

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 ¥438,996 thousand during the first nine months of the current fiscal year and amounted to ¥912,393 thousand as of June 30, 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 nine 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 nine months of the current fiscal year.