

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



January 30, 2023

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: February 13, 2023
 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, 2022 (October 1, 2022 to December 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	%
Three months ended December 31, 2022	1,969	-16.4	558	-37.4	560	-37.3	375	-37.8
December 31, 2021	2,355	—	893	—	894	—	603	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2022	19.59	—
December 31, 2021	31.57	31.41

- (Notes) 1. Operating results for the first three months 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 three months of the fiscal year ended September 30, 2022 (three months ended December 31, 2021) are not shown as the period for comparison differs.
2. Diluted earnings per share for the three months ended December 31, 2022 have been omitted due to an absence of dilutive shares.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	11,824	11,011	93.1
As of September 30, 2022	12,809	11,248	87.8

(Reference) Equity: As of December 31, 2022: ¥11,011 million

As of September 30, 2022: ¥11,247 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2022	Yen —	Yen 0.00	Yen —	Yen 40.00	Yen 40.00
Fiscal year ending September 30, 2023	—	—	—	—	—
Fiscal year ending September 30, 2023 (forecast)	—	0.00	—	48.00	48.00

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

3. Earnings Forecasts for the Fiscal Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

(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	6,871	31.7	2,280	14.4	2,281	14.4	1,506	11.6	78.72
Full year	15,266	42.3	5,454	29.1	5,454	29.1	3,608	21.8	188.52

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

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, 2022: 19,354,200 shares

As of September 30, 2022: 19,354,200 shares

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

As of December 31, 2022: 151,294 shares

As of September 30, 2022: 213,459 shares

3) Average number of shares outstanding during the period:

For the three months ended December 31, 2022: 19,167,742 shares

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

During the three months ended December 31, 2022, behavioral restrictions implemented in response to COVID-19 were relaxed, and the Japanese economy was marked by signs indicating that socioeconomic activity was beginning to recover to its normal pace. On the other hand, the economic outlook remains uncertain due to factors such as soaring resource and energy prices caused by ongoing conflict in Ukraine and sharp exchange rate fluctuations.

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.

Within this environment, the Company undertook a variety of sales-related initiatives, aiming to acquire new clients and close deals through hybrid seminars held in person and online, as well as through consultations conducted using a web-based conferencing system. Meanwhile, the Company also strove to identify a wide range of M&A needs by rolling out industry-specific online advertisements and proposal-based sales activities. Furthermore, we focused on cultivating new opportunities for startup companies in M&A markets by holding monthly networking events through "S venture Lab.," a members-only service designed to promote partnerships between startups and operating companies.

With regard to collaborative efforts involving its business partners, the Company has launched a business alliance with Northern Kyushu Tax Accountant Cooperatives, thereby expanding its network of alliances with tax accountant cooperatives to include 14 organizations with more than 60,000 members nationwide. 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 seven new M&A consultants during the first three months of the fiscal year under review.

As a result of these efforts, at the close of the three months ended December 31, 2022, we had closed 40 deals ^(Note 1), compared with 38 deals as of December 31, 2021, and had closed 80 contracts ^(Note 2), versus 72 contracts as of December 31, 2021. Additionally, we had closed four large M&A deals (generating ¥100 million or more in sales per deal) as of December 31, 2022, level with the four we had concluded as of December 31, 2021. During the three-month period ended December 31, 2022, we were unable to record sales associated with three large deals because despite the conclusion of final M&A contracts during this three-month period, the actual execution of associated M&A transactions was postponed until the second quarter (ending March 31, 2023) or later. As of December 31, 2022, our new contract count ^(Note 3) had fallen to 153, down from 182 as of December 31, 2021. This result was primarily due to our focus on acquiring large projects.

(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).

Consequently, net sales recognized during the three months ended December 31, 2022 fell to ¥1,969 million (down 16.4% year on year) despite year-on-year growth in the number of deals closed. This result occurred primarily because circumstances forced us to postpone the recording of some sales associated with large deals we expected to book during the period under review until the second quarter or later, causing a decrease in average sales generated per deal. Regardless of growth in personnel expenses that stemmed from the addition of M&A consultants, cost of sales came to ¥722 million (down 8.5% year on year), declining due mainly to a downturn in incentive bonuses paid caused by lower sales. Meanwhile, operating profit dropped to ¥558 million (down 37.4% year on year) largely because SG&A expenses expanded to ¥687 million (up 2.2% year on year) as a result of growth in advertising expenses and other spending aimed at bolstering our sales activities. Due to these circumstances, ordinary profit came to ¥560 million (down 37.3% year on year), while bottom-line profit finished at ¥375 million (down 37.8% year on year).

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

	Three months ended December 31, 2022 (actual)	Three months ended December 31, 2022 (target)	Achievement of the full-year target
Number of deals closed	40	277	14.4%
Number of contracts closed	80	540	14.8%
Number of new contracts	153	756	20.2%
Net sales (millions of yen)	1,969	15,266	12.9%

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, 2022, current assets stood at ¥9,887 million, down ¥969 million from September 30, 2022. This decline occurred primarily because other current assets fell by ¥801 million, reflecting a downturn in consumption taxes refund receivable.

Non-current assets amounted to ¥1,936 million, down ¥16 million compared to September 30, 2022. This decrease was mainly attributable to a ¥14 million decline in property, plant and equipment due to depreciation.

(Liabilities)

Current liabilities amounted to ¥812 million as of December 31, 2022, down ¥748 million compared to September 30, 2022. This downturn occurred despite growth of ¥237 million in our provision for bonuses and was chiefly due to a decline of ¥885 million in other current liabilities, which mainly stemmed from the payment of bonuses accrued as of September 30, 2022.

(Net assets)

As of December 31, 2022, net assets totaled ¥11,011 million, down ¥237 million compared to September 30, 2022. This decline occurred despite a ¥375 million retained earnings boost provided by bottom-line profit and a ¥178 million decrease in treasury shares caused by the exercise of share acquisition rights and was primarily the result of dividend payments that had a downward impact of ¥765 million on retained earnings.

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

Our earnings forecasts for the fiscal year ending September 30, 2023 are unchanged from the figures announced on October 28, 2022.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	8,542,139	8,752,977
Accounts receivable–trade	405,227	197,213
Income taxes refund receivable	942,038	782,767
Other	969,867	168,493
Allowance for doubtful accounts	(2,431)	(13,681)
Total current assets	10,856,840	9,887,771
Non-current assets		
Property, plant and equipment	373,714	359,064
Intangible assets	5,729	5,272
Investments and other assets		
Other	1,590,269	1,593,073
Allowance for doubtful accounts	(17,150)	(21,000)
Total investments and other assets	1,573,119	1,572,073
Total non-current assets	1,952,564	1,936,409
Total assets	12,809,404	11,824,181
Liabilities		
Current liabilities		
Accounts payable–trade	138,807	40,500
Contract liabilities	13,038	10,853
Provision for bonuses	—	237,675
Other	1,409,008	523,718
Total current liabilities	1,560,854	812,747
Total liabilities	1,560,854	812,747
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	10,233,233	9,818,748
Treasury shares	(612,334)	(434,060)
Total shareholders' equity	11,246,131	11,009,921
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,298	1,512
Total valuation and translation adjustments	1,298	1,512
Share acquisition rights	1,119	—
Total net assets	11,248,550	11,011,433
Total liabilities and net assets	12,809,404	11,824,181

(2) Statement of Income

(Thousands of yen)

	For the three months ended December 31, 2021 (October 1, 2021 to December 31, 2021)	For the three months ended December 31, 2022 (October 1, 2022 to December 31, 2022)
Net sales	2,355,823	1,969,829
Cost of sales	789,724	722,957
Gross profit	1,566,099	1,246,872
Selling, general and administrative expenses	672,827	687,948
Operating profit	893,271	558,923
Non-operating income		
Interest income	25	26
Dividend income	—	1,250
Compensation for damage received	600	600
Interest on tax refund	—	3,005
Other	150	137
Total non-operating income	776	5,019
Non-operating expenses		
Loss on investments in investment partnerships	—	3,775
Total non-operating expenses	—	3,775
Ordinary profit	894,048	560,168
Profit before income taxes	894,048	560,168
Income taxes—current	335,066	161,429
Income taxes—deferred	(44,974)	23,173
Total income taxes	290,092	184,602
Profit	603,955	375,566

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan [ASBJ] Guidance No. 31; June 17, 2021) from the first quarter of the fiscal year ending September 30, 2023. Moving forward, we have decided to apply new accounting policies set forth therein in accordance with transitional procedures prescribed within Paragraph 27-2 of the same document.

There is no impact from this change on the quarterly financial statements for the three months ended December 31, 2022.