

Non-Consolidated Financial Results
For the Six Months Ended March 31, 2023
[Japanese GAAP]



April 27, 2023

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 Stock exchange listing: Prime Market, Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: May 12, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Available (for institutional investors and analysts)

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

1. Financial Results for the Six Months Ended March 31, 2023 (October 1, 2022 to March 31, 2023)

(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, 2023	6,082	16.6	2,025	1.6	2,035	2.0	1,368	1.4
March 31, 2022	5,216	—	1,994	—	1,994	—	1,349	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2023	71.32	—
March 31, 2022	70.60	70.28

(Notes) 1. 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 ended September 30, 2022 (six months ended March 31, 2022) are not shown as the period for comparison differs.

2. Diluted earnings per share for the six months ended March 31, 2023 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 March 31, 2023	14,965	12,004	80.2
As of September 30, 2022	12,809	11,248	87.8

(Reference) Equity: As of March 31, 2023: ¥12,004 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2022	—	0.00	—	40.00	40.00
Fiscal year ending September 30, 2023	—	0.00	—	—	—
Fiscal year ending September 30, 2023 (forecast)	—	—	—	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
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 March 31, 2023: 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 March 31, 2023: 151,294 shares

As of September 30, 2022: 213,459 shares

3) Average number of shares outstanding during the period:

For the six months ended March 31, 2023: 19,185,131 shares

For the six months ended March 31, 2022: 19,116,130 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 six months ended March 31, 2023, 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 protracted conflict in Ukraine and sharp exchange rate fluctuations stemming from monetary tightening in various countries to guard against inflation.

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 and Hyogo West Certified Public Tax Accountants' Association, thereby expanding its network of alliances with tax accountant cooperatives to include 15 organizations with more than 60,000 members nationwide. In addition, by accepting personnel from partner financial institutions, we have taken on the responsibility of developing M&A personnel within the partner financial institutions and enhanced our M&A support system through collaboration.

In terms of recruitment, we actively worked to add new employees with the goal of expanding our business performance and successfully recruited 21 new M&A consultants during the first six months of the fiscal year under review.

As a result of these efforts, during the six months ended March 31, 2023, we had closed 104 deals ^(Note 1), compared with 99 deals as of March 31, 2022, and had closed 206 contracts ^(Note 2), versus 192 contracts as of March 31, 2022. Additionally, we had closed 13 large M&A deals (generating ¥100 million or more in sales per deal) as of March 31, 2023, versus eight large deals as of March 31, 2022. As of March 31, 2023, our new contract count ^(Note 3) had fallen to 328, down from 354 as of March 31, 2022.

(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 six months ended March 31, 2023 rose to ¥6,082 million (up 16.6% year on year), reflecting year-on-year growth in the number of deals closed as well as an increase of five large deals year on year. Cost of sales totaled ¥2,078 million (up 18.8% year on year), owing to higher incentive bonuses paid in line with increased sales and higher personnel expenses associated with the rise in the number of M&A consultants. SG&A expenses amounted to ¥1,978 million (up 34.3% year on year) on increased advertising expenses to strengthen sales activities, including TV commercial airings, and higher rent expenses on land and buildings resulting from head office expansion. As a result, operating profit came to ¥2,025 million (up 1.6% year on year). Ordinary profit totaled ¥2,035 million (up 2.0% year on year), with bottom-line profit coming in at ¥1,368 million (up 1.4% year on year) as a result of a ¥14 million loss on valuation of investment securities recorded as an extraordinary loss.

The number of deals closed, contracts closed, new contracts, and net sales recorded during the six months ended March 31, 2023, as well as the corresponding targets we plan to achieve for the full year, are provided below.

	Six months ended March 31, 2023 (actual)	Fiscal year ending September 30, 2023 (target)	Achievement of the full-year target
Number of deals closed	104	277	37.5%
Number of contracts closed	206	540	38.1%
Number of new contracts	328	756	43.4%
Net sales (millions of yen)	6,082	15,266	39.8%

Business results by segment are omitted, as the Company operates in a single operating segment of the M&A brokerage business.

(2) Explanation of Financial Position

(Assets)

As of March 31, 2023, current assets stood at ¥12,382 million, up ¥1,525 million from September 30, 2022. This increase was primarily the result of a ¥2,801 million rise in cash and deposits, which was partially offset by a ¥942 million decrease in income taxes refund receivable.

Non-current assets amounted to ¥2,583 million, up ¥630 million compared to September 30, 2022. This increase occurred mainly because property, plant and equipment grew ¥404 million, reflecting an increase in construction in progress and other factors, and investments and other assets rose ¥227 million primarily as a result of increases in shares of subsidiaries and associates and investment securities.

(Liabilities)

Current liabilities came to ¥2,897 million as of March 31, 2023, up ¥1,336 million from September 30, 2022. This rise was mainly the result of a ¥780 million increase in income taxes payable and a ¥225 million increase in provision for bonuses.

Non-current liabilities amounted to ¥63 million, up ¥63 million compared to September 30, 2022. This increase was attributable to a ¥63 million rise in long-term accounts payable—other.

(Net assets)

As of March 31, 2023, net assets totaled ¥12,004 million, up ¥755 million compared to September 30, 2022. This increase primarily reflected higher retained earnings—which grew ¥1,368 million due to the recording of bottom-line profit and declined ¥765 million owing to the payment of dividends—and ¥178 million decrease in treasury shares as a result of the exercise of share acquisition rights.

Cash Flows

As of March 31, 2023, cash and cash equivalents stood at ¥11,343 million, up ¥2,801 million from September 30, 2022. Principal factors affecting changes in cash flows during the six months ended March 31, 2023 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥3,621 million (compared to ¥1,956 million provided by these activities in the first six months of the previous fiscal year). Main sources of cash were ¥2,021 million in profit before income taxes, a ¥1,016 million decrease in consumption taxes payable and consumption taxes refund receivable due to the refund of consumption taxes, etc., and ¥917 million in income taxes refund, which were partially offset by a ¥508 million increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥206 million (compared to ¥783 million used in these activities in the first six months of the previous fiscal year). This result primarily reflected ¥100 million in purchase of shares of subsidiaries and associates and ¥90 million in purchase of investments securities.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥612 million (compared to ¥1,062 million used in these activities in the first six months of the previous fiscal year). The main use of cash was dividends paid of ¥765 million, which was partially offset by proceeds from disposal of treasury shares of ¥152 million.

(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 March 31, 2023
Assets		
Current assets		
Cash and deposits	8,542,139	11,343,877
Accounts receivable–trade	405,227	926,628
Income taxes refund receivable	942,038	—
Other	969,867	148,490
Allowance for doubtful accounts	(2,431)	(36,921)
Total current assets	10,856,840	12,382,075
Non-current assets		
Property, plant and equipment	373,714	777,752
Intangible assets	5,729	4,815
Investments and other assets		
Other	1,590,269	1,817,303
Allowance for doubtful accounts	(17,150)	(16,500)
Total investments and other assets	1,573,119	1,800,803
Total non-current assets	1,952,564	2,583,371
Total assets	12,809,404	14,965,446
Liabilities		
Current liabilities		
Accounts payable–trade	138,807	193,607
Accounts payable–other	1,371,225	1,501,591
Income taxes payable	—	780,851
Contract liabilities	13,038	12,669
Provision for bonuses	—	225,100
Other	37,783	183,996
Total current liabilities	1,560,854	2,897,816
Non-current liabilities		
Other	—	63,513
Total non-current liabilities	—	63,513
Total liabilities	1,560,854	2,961,329
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	10,233,233	10,811,535
Treasury shares	(612,334)	(434,060)
Total shareholders' equity	11,246,131	12,002,707
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,298	1,408
Total valuation and translation adjustments	1,298	1,408
Share acquisition rights	1,119	—
Total net assets	11,248,550	12,004,116
Total liabilities and net assets	12,809,404	14,965,446

(2) Statement of Income

(Thousands of yen)

	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)
Net sales	5,216,169	6,082,324
Cost of sales	1,748,718	2,078,216
Gross profit	3,467,450	4,004,107
Selling, general and administrative expenses	1,473,320	1,978,109
Operating profit	1,994,130	2,025,997
Non-operating income		
Interest income	92	91
Dividend income	—	1,250
Compensation for damage received	1,200	3,200
Interest on tax refund	—	8,551
Other	150	137
Total non-operating income	1,442	13,230
Non-operating expenses		
Loss on investments in investment partnerships	—	3,775
Commission for purchase of treasury shares	999	—
Total non-operating expenses	999	3,775
Ordinary profit	1,994,573	2,035,453
Extraordinary losses		
Loss on valuation of investment securities	—	14,358
Total extraordinary losses	—	14,358
Profit before income taxes	1,994,573	2,021,095
Income taxes—current	662,192	726,467
Income taxes—deferred	(17,280)	(73,724)
Total income taxes	644,912	652,742
Profit	1,349,661	1,368,352

(3) Statement of Cash Flows

(Thousands of yen)

	For the six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,994,573	2,021,095
Depreciation	29,316	30,378
Loss (gain) on valuation of investment securities	—	14,358
Increase (decrease) in allowance for doubtful accounts	6,669	33,840
Increase (decrease) in provision for bonuses	236,980	225,100
Interest and dividend income	(92)	(1,341)
Decrease (increase) in trade receivables	793,752	(508,101)
Increase (decrease) in trade payables	(80,238)	54,800
Increase (decrease) in accounts payable—other	29,132	(247,758)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(455,957)	1,016,590
Other, net	(1,013)	63,360
Subtotal	2,553,122	2,702,320
Interest and dividends received	92	1,341
Income taxes paid	(596,509)	(253)
Income taxes refund	—	917,770
Net cash provided by (used in) operating activities	1,956,704	3,621,179
Cash flows from investing activities		
Purchase of property, plant and equipment	(91,118)	(16,420)
Purchase of investment securities	(200,000)	(90,545)
Purchase of shares of subsidiaries and associates	—	(100,000)
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	(783,867)	(206,966)
Cash flows from financing activities		
Purchase of treasury shares	(501,113)	(154)
Proceeds from disposal of treasury shares	49,651	152,887
Dividends paid	(611,365)	(765,207)
Net cash provided by (used in) financing activities	(1,062,828)	(612,474)
Net increase (decrease) in cash and cash equivalents	110,009	2,801,737
Cash and cash equivalents at beginning of period	8,567,428	8,542,139
Cash and cash equivalents at end of period	8,677,437	11,343,877

(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)

There is no relevant information.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan [ASBJ] Guidance No. 31; June 17, 2021) from the beginning of the first quarter of the fiscal year ending September 30, 2023. In accordance with the transitional procedures prescribed in Paragraph 27-2 of the guidance, the Company has prospectively applied the new accounting policies set forth therein.

This change has no impact on the quarterly financial statements for the six months ended March 31, 2023.