

Non-Consolidated Financial Results
For the Nine Months Ended June 30, 2023
[Japanese GAAP]



July 28, 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: August 10, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None (scheduled to distribute video of financial results presentation)

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

1. Financial Results for the Nine Months Ended June 30, 2023 (October 1, 2022 to June 30, 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	%
Nine months ended June 30, 2023	9,132	28.1	2,947	13.3	2,955	13.5	1,989	13.3
June 30, 2022	7,132	—	2,601	—	2,603	—	1,756	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2023	103.68	—
June 30, 2022	92.02	91.64

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

2. Diluted earnings per share for the nine months ended June 30, 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 June 30, 2023	14,483	12,626	87.2
As of September 30, 2022	12,809	11,248	87.8

(Reference) Equity: As of June 30, 2023: ¥12,626 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	—	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 June 30, 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 June 30, 2023: 151,294 shares

As of September 30, 2022: 213,459 shares

3) Average number of shares outstanding during the period:

For the nine months ended June 30, 2023: 19,191,056 shares

For the nine months ended June 30, 2022: 19,088,697 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 nine months ended June 30, 2023, behavioral restrictions implemented in response to COVID-19 were relaxed, and the Japanese economy showed signs that socioeconomic activity was beginning to normalize. 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 medium- to long-term growth trend, on the back of the continued aging of SME business owners and the associated rise in the percentage of SMEs without successors passing on their business to third parties through M&A. 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 50,000 companies that were shuttered or dissolved in 2022 had reported profits during their most recent fiscal years (according to the "2023 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). In addition, in recent years, M&A has started to become a popular option for SMEs not only for the purpose of business succession, but also as a means to diversify their business and execute growth strategies. Meanwhile, the government has identified "facilitating business succession, including through restructuring and M&A" as one of the three key strategies for stimulating the growth of medium-sized enterprises, while the Small and Medium Enterprise Agency has presented a draft direction for strengthening policy support for M&A in its "Interim Report by the Study Group for the Realization of Growth Management of SMEs" in June 2023. Initiatives are therefore underway by the public and private sectors to promote M&A among SMEs.

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, Hyogo West Certified Public Tax Accountants' Association, and Okinawa Certified Public Tax Accountant's Association, thereby expanding its network of alliances with tax accountant cooperatives to include 16 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 40 new M&A consultants during the first nine months of the fiscal year under review.

As a result of these efforts, during the nine months ended June 30, 2023, we had closed 144 deals ^(Note 1), compared with 134 deals as of June 30, 2022, and 285 contracts ^(Note 2), versus 260 contracts as of June 30, 2022. Additionally, we had closed 20 large M&A deals (generating ¥100 million or more in sales per deal) as of June 30, 2023, versus nine large deals as of June 30, 2022. As of June 30, 2023, our new contract count ^(Note 3) was 484, versus 500 as of June 30, 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 in the nine months ended June 30, 2023 rose to ¥9,132 million (up 28.1% year on year), reflecting year-on-year growth in the number of deals closed as well as an increase of 11 large deals year on year. Cost of sales totaled ¥3,115 million (up 29.1% 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 ¥3,069 million (up 45.0% 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 ¥2,947 million (up 13.3% year on year). Ordinary profit totaled ¥2,955 million (up 13.5% year on year), with bottom-line profit coming in at ¥1,989 million (up 13.3% year on year) as a result of a ¥15 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 nine months ended June 30, 2023, as well as the corresponding targets we plan to achieve for the full year, are provided below.

	Nine months ended June 30, 2023 (actual)	Fiscal year ending September 30, 2023 (target)	Achievement of the full-year target
Number of deals closed	144	277	52.0%
Number of contracts closed	285	540	52.8%
Number of new contracts	484	756	64.0%
Net sales (millions of yen)	9,132	15,266	59.8%

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 June 30, 2023, current assets stood at ¥11,793 million, up ¥936 million from September 30, 2022. This increase was primarily the result of a ¥2,712 million rise in cash and deposits, which was partially offset by a ¥942 million decrease in income taxes refund receivable and an ¥854 million decrease in other current assets due mainly to a decrease in consumption taxes refund receivable.

Non-current assets amounted to ¥2,690 million, up ¥737 million compared to September 30, 2022. This increase occurred mainly because property, plant and equipment grew ¥359 million, reflecting an increase in facilities attached to buildings due to head office expansion and other factors, and investments and other assets rose ¥373 million primarily as a result of increases in shares of subsidiaries and associates and investment securities.

(Liabilities)

Current liabilities came to ¥1,730 million as of June 30, 2023, up ¥169 million from September 30, 2022. This rise was mainly the result of a ¥562 million increase in income taxes payable and a ¥702 million increase in provision for bonuses, despite a ¥1,077 million decrease in other current liabilities due primarily to the payment of accrued bonuses at the end of the previous fiscal year.

Non-current liabilities amounted to ¥127 million, up ¥127 million compared to September 30, 2022. This increase was attributable to a ¥127 million rise in long-term accounts payable—other.

(Net assets)

As of June 30, 2023, net assets totaled ¥12,626 million, up ¥1,378 million compared to September 30, 2022. This increase primarily reflected higher retained earnings—which grew ¥1,989 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.

(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 June 30, 2023
Assets		
Current assets		
Cash and deposits	8,542,139	11,254,822
Accounts receivable–trade	405,227	446,863
Income taxes refund receivable	942,038	—
Other	969,867	115,745
Allowance for doubtful accounts	(2,431)	(24,001)
Total current assets	10,856,840	11,793,430
Non-current assets		
Property, plant and equipment	373,714	732,943
Intangible assets	5,729	10,423
Investments and other assets		
Other	1,590,269	1,963,513
Allowance for doubtful accounts	(17,150)	(16,500)
Total investments and other assets	1,573,119	1,947,013
Total non-current assets	1,952,564	2,690,381
Total assets	12,809,404	14,483,812
Liabilities		
Current liabilities		
Accounts payable–trade	138,807	119,397
Income taxes payable	—	562,680
Contract liabilities	13,038	14,471
Provision for bonuses	—	702,151
Other	1,409,008	331,496
Total current liabilities	1,560,854	1,730,197
Non-current liabilities		
Other	—	127,026
Total non-current liabilities	—	127,026
Total liabilities	1,560,854	1,857,224
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	10,233,233	11,432,878
Treasury shares	(612,334)	(434,060)
Total shareholders' equity	11,246,131	12,624,051
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,298	2,536
Total valuation and translation adjustments	1,298	2,536
Share acquisition rights	1,119	—
Total net assets	11,248,550	12,626,587
Total liabilities and net assets	12,809,404	14,483,812

(2) Statement of Income

(Thousands of yen)

	For the nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)	For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)
Net sales	7,132,243	9,132,946
Cost of sales	2,413,206	3,115,751
Gross profit	4,719,037	6,017,195
Selling, general and administrative expenses	2,117,347	3,069,914
Operating profit	2,601,689	2,947,280
Non-operating income		
Interest income	120	122
Dividend income	340	2,015
Compensation for damage received	1,800	5,830
Interest on tax refund	—	8,551
Other	150	297
Total non-operating income	2,410	16,816
Non-operating expenses		
Loss on investments in investment partnerships	—	8,356
Commission for purchase of treasury shares	999	—
Total non-operating expenses	999	8,356
Ordinary profit	2,603,100	2,955,740
Extraordinary losses		
Loss on valuation of investment securities	—	15,400
Total extraordinary losses	—	15,400
Profit before income taxes	2,603,100	2,940,339
Income taxes—current	814,829	1,149,227
Income taxes—deferred	31,744	(198,584)
Total income taxes	846,573	950,643
Profit	1,756,527	1,989,696

(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 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 nine months ended June 30, 2023.