

Non-Consolidated Financial Results
For the Six Months Ended March 31, 2024
[Japanese GAAP]



April 30, 2024

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, 2024
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (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, 2024 (October 1, 2023 to March 31, 2024)

(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, 2024	9,230	51.8	3,706	82.9	3,705	82.1	2,440	78.3
March 31, 2023	6,082	16.6	2,025	1.6	2,035	2.0	1,368	1.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2024	127.08	—
March 31, 2023	71.32	—

(Note) Diluted earnings per share 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, 2024	20,079	15,960	79.5
As of September 30, 2023	18,285	14,503	79.3

(Reference) Equity: As of March 31, 2024: ¥15,960 million

As of September 30, 2023: ¥14,503 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, 2023	—	0.00	—	51.00	51.00
Fiscal year ending September 30, 2024	—	0.00	—	—	—
Fiscal year ending September 30, 2024 (forecast)	—	—	—	62.00	62.00

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

3. Earnings Forecasts for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(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	18,218	31.8	7,037	35.3	7,030	34.9	4,677	21.0	243.57

(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: None

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, 2024: 19,354,200 shares

As of September 30, 2023: 19,354,200 shares

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

As of March 31, 2024: 151,370 shares

As of September 30, 2023: 151,339 shares

3) Average number of shares outstanding during the period:

For the six months ended March 31, 2024: 19,202,851 shares

For the six months ended March 31, 2023: 19,185,131 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, 2024, the Japanese economy displayed signs of a gradual recovery. Corporate earnings improved as demand rebounded following the COVID-19 pandemic, and the Nikkei Stock Average hit its highest level since 1989. 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, heightening tensions in the Middle East, and concerns about a slowdown in economic growth in various countries owing to monetary tightening aimed at curbing 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 become a popular option for SMEs not only as a means of business succession, but also as a means to diversify their business and execute their growth strategies, such as innovation-type M&A aimed at creating new businesses and transforming companies. Moreover, the "Government's Initiatives for Startup Development," compiled by the Ministry of Economy, Trade and Industry in July 2023, lists the advancement of open innovation as one of the three pillars for startup development, stating the need to increase M&A between large companies and startups to promote open innovation. Furthermore, in September 2023, the "M&A Guidelines for SMEs" were revised to ensure and improve the quality of M&A services provided by M&A business operators. 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 initiatives to develop its M&A consultants and enhance its service quality, such as providing training to enhance proposal skills and holding internal proposal skills contests. 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, the Company focused on cultivating new startup-related opportunities in the M&A market 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 South Kyushu Certified Public Tax Accountants' Association, Wakayama Certified Public Tax Accountants' Association, and tax accountants' associations in Kobe, Nishinomiya, Amagasaki, and Itami in Hyogo Prefecture, thereby expanding its network of alliances with tax accountant cooperatives to include 22 organizations with more than 65,000 members nationwide. Additionally, by welcoming staff from partner financial institutions, we have committed to developing their M&A expertise and have strengthened our M&A support system through collaborative efforts.

In terms of recruitment, we actively worked to add new employees with the goal of expanding our business performance and successfully recruited 15 new M&A consultants during the first half of the fiscal year under review.

As a result of these efforts, during the six months ended March 31, 2024, we closed 130 deals ^(Note 1), compared with 104 deals a year earlier, and 256 contracts ^(Note 2), versus 206 contracts a year earlier. Additionally, we closed 23 large deals (generating ¥100 million or more in sales per deal) during the period under review, versus 13 large deals in the same period of the previous fiscal year. As of March 31, 2024, our new contract count ^(Note 3) was 446, versus 328 as of March 31, 2023.

(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 six months ended March 31, 2024 rose to ¥9,230 million (up 51.8% year on year) due to an increase in the number of deals closed compared to the same period of the previous year and an increase of 10 large deals year on year. Cost of sales totaled ¥3,248 million (up 56.3% 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 ¥2,276 million (up 15.1% year on year) on increased rent expenses on land and buildings resulting from head office expansion. As a result, operating profit came to ¥3,706 million (up 82.9% year on year). Ordinary profit totaled ¥3,705 million (up 82.1% year on year). In addition, as a result of posting ¥104 million in loss on valuation of investment securities as extraordinary losses, bottom-line profit came in at ¥2,440 million (up 78.3% year on year).

The number of deals closed, contracts closed, new contracts, and net sales recorded during the six months ended March 31, 2024, as well as the corresponding targets we plan to achieve for the full year, are provided below.

	Six months ended March 31, 2024 (actual)	Fiscal year ending September 30, 2024 (target)	Percentage against the full- year target
Number of deals closed	130	270	48.1%
Number of contracts closed	256	534	47.9%
Number of new contracts	446	814	54.8%
Net sales (millions of yen)	9,230	18,218	50.7%

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

1) Status of assets, liabilities, and net assets

(Assets)

As of March 31, 2024, current assets stood at ¥17,024 million, up ¥1,799 million from September 30, 2023. This increase was primarily the result of a ¥2,317 million rise in cash and deposits, despite a ¥522 million decrease in accounts receivable - trade.

Non-current assets amounted to ¥3,055 million, down ¥5 million compared to September 30, 2023. This was mainly because of a ¥35 million decrease in investments and other assets due primarily to a decrease in investment securities, despite a ¥31 million increase in property, plant and equipment owing to an increase in facilities attached to buildings and other factors.

(Liabilities)

Current liabilities came to ¥3,850 million as of March 31, 2024, up ¥258 million from September 30, 2023. This was mainly the result of a ¥259 million increase in income taxes payable, a ¥205 million increase in provision for bonuses, and a ¥163 million increase in other current liabilities due to a rise in accrued consumption taxes, despite a ¥421 million decrease in accounts payable - other due to the payment of accrued bonuses at the end of the previous fiscal year.

Non-current liabilities amounted to ¥268 million, up ¥77 million compared to September 30, 2023. This was due to a ¥77 million increase in long-term accounts payable - other.

(Net assets)

As of March 31, 2024, net assets totaled ¥15,960 million, up ¥1,457 million compared to September 30, 2023. This was primarily due to the recording of ¥2,440 million in bottom-line profit, despite a ¥979 million decline in retained earnings owing to the payment of dividends.

2) Status of cash flows

As of March 31, 2024, cash and cash equivalents stood at ¥16,420 million, up ¥2,317 million from September 30, 2023. Principal factors for the increase/decrease during the first half of the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥3,943 million (compared to ¥3,621 million provided by these activities in the previous fiscal year). The main cash inflows were ¥3,600 million in profit before income taxes, a ¥539 million decrease in trade receivables, and a ¥147 million increase in consumption taxes payable, while the main cash outflow was income taxes paid of ¥898 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥647 million (compared to ¥206 million used in these activities in the previous fiscal year). This primarily reflected ¥542 million in purchase of property, plant and equipment and ¥86 million in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥978 million (compared to ¥612 million used in these activities in the previous fiscal year). The main use of cash was dividends paid of ¥978 million.

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

Our earnings forecasts for the fiscal year ending September 30, 2024 are unchanged from the figures announced on October 30, 2023.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	14,102,865	16,420,322
Accounts receivable – trade	966,029	443,417
Other	181,535	172,526
Allowance for doubtful accounts	(26,013)	(11,940)
Total current assets	15,224,417	17,024,327
Non-current assets		
Property, plant and equipment	1,082,645	1,113,762
Intangible assets	12,476	10,623
Investments and other assets		
Other	2,007,616	1,955,961
Allowance for doubtful accounts	(41,800)	(25,300)
Total investments and other assets	1,965,816	1,930,661
Total non-current assets	3,060,938	3,055,048
Total assets	18,285,355	20,079,375
Liabilities		
Current liabilities		
Accounts payable – trade	160,070	126,972
Accounts payable – other	2,171,429	1,749,681
Income taxes payable	970,078	1,229,720
Contract liabilities	10,848	96,133
Provision for bonuses	—	205,050
Other	279,299	442,911
Total current liabilities	3,591,726	3,850,468
Non-current liabilities		
Other	190,539	268,145
Total non-current liabilities	190,539	268,145
Total liabilities	3,782,266	4,118,613
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	13,310,026	14,770,976
Treasury shares	(434,210)	(434,366)
Total shareholders' equity	14,501,049	15,961,843
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,039	(1,080)
Total valuation and translation adjustments	2,039	(1,080)
Total net assets	14,503,089	15,960,762
Total liabilities and net assets	18,285,355	20,079,375

(2) Statement of Income

(Thousands of yen)

	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)
Net sales	6,082,324	9,230,560
Cost of sales	2,078,216	3,248,426
Gross profit	4,004,107	5,982,133
Selling, general and administrative expenses	1,978,109	2,276,087
Operating profit	2,025,997	3,706,046
Non-operating income		
Interest income	91	117
Dividend income	1,250	1,460
Compensation for damage received	3,200	1,318
Interest on tax refund	8,551	—
Other	137	532
Total non-operating income	13,230	3,427
Non-operating expenses		
Loss on investments in investment partnerships	3,775	1,841
Compensation for damage	—	2,000
Other	—	50
Total non-operating expenses	3,775	3,891
Ordinary profit	2,035,453	3,705,582
Extraordinary losses		
Loss on valuation of investment securities	14,358	104,606
Total extraordinary losses	14,358	104,606
Profit before income taxes	2,021,095	3,600,975
Income taxes—current	726,467	1,148,529
Income taxes—deferred	(73,724)	12,150
Total income taxes	652,742	1,160,680
Profit	1,368,352	2,440,295

(3) Statement of Cash Flows

(Thousands of yen)

	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	2,021,095	3,600,975
Depreciation	30,378	79,857
Loss (gain) on valuation of investment securities	14,358	104,606
Increase (decrease) in allowance for doubtful accounts	33,840	(30,573)
Increase (decrease) in provision for bonuses	225,100	205,050
Interest and dividend income	(1,341)	(1,577)
Decrease (increase) in trade receivables	(508,101)	539,112
Increase (decrease) in trade payables	54,800	(33,098)
Increase (decrease) in accounts payable – other	(247,758)	10,642
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	1,016,590	147,309
Other, net	63,360	218,983
Subtotal	2,702,320	4,841,288
Interest and dividends received	1,341	1,577
Income taxes paid	(253)	(898,928)
Income taxes refund	917,770	—
Net cash provided by (used in) operating activities	3,621,179	3,943,937
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,420)	(542,714)
Purchase of investment securities	(90,545)	(86,893)
Purchase of shares of subsidiaries and associates	(100,000)	—
Payments of leasehold and guarantee deposits	—	(25,942)
Proceeds from refund of leasehold and guarantee deposits	—	18,344
Other, net	—	(10,440)
Net cash provided by (used in) investing activities	(206,966)	(647,645)
Cash flows from financing activities		
Purchase of treasury shares	(154)	(156)
Proceeds from disposal of treasury shares	152,887	—
Dividends paid	(765,207)	(978,678)
Net cash provided by (used in) financing activities	(612,474)	(978,834)
Net increase (decrease) in cash and cash equivalents	2,801,737	2,317,457
Cash and cash equivalents at beginning of period	8,542,139	14,102,865
Cash and cash equivalents at end of period	11,343,877	16,420,322

(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.