

Non-Consolidated Financial Results
For the Three Months Ended November 30, 2020
[Japanese GAAP]



December 24, 2020

Company name: Strike Co., Ltd.
 Stock exchange listing: First Section, Tokyo Stock Exchange
 Code number: 6196
 URL: <https://www.strike.co.jp/>
 Representative: Kunihiro Arai, President and CEO
 Contact: Koichi Nakamura, Director, Executive Officer and CFO
 Phone: +81-3-6865-7766
 Scheduled date of filing quarterly securities report: January 13, 2021
 Scheduled date of commencing dividend payments: None
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None

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

1. Financial Results for the Three Months Ended November 30, 2020 (September 1, 2020 to November 30, 2020)

(1) Operating Results

(Percentage changes are in comparison with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2020	1,197	-19.2	312	-49.7	312	-49.7	206	-63.9
November 30, 2019	1,481	79.1	621	170.3	621	170.2	573	277.6

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2020	10.83	10.76
November 30, 2019	30.01	29.89

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2020	7,471	6,839	91.5
As of August 31, 2020	9,045	7,091	78.3

(Reference) Equity: As of November 30, 2020: ¥6,835 million
 As of August 31, 2020: ¥7,087 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2020	—	0.00	—	24.00	24.00
Fiscal year ending September 30, 2021	—	—	—	—	—
Fiscal year ending September 30, 2021 (forecast)	—	0.00	—	27.00	27.00

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

3. Earnings Forecasts for the Fiscal Year Ending September 30, 2021 (September 1, 2020 to September 30, 2021)

(Percentage changes are in comparison with the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,276	21.9	1,818	17.3	1,819	17.2	1,224	3.6	64.09
Full year	8,368	—	3,081	—	3,083	—	2,069	—	108.35

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

Note: Due to a change in fiscal year-end, the fiscal year ending September 30, 2021 will be a 13-month period, from September 1, 2020 to September 30, 2021.

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):
November 30, 2020: 19,354,200 shares
August 31, 2020: 19,354,200 shares
 - 2) Total number of treasury shares at the end of the period:
November 30, 2020: 250,183 shares
August 31, 2020: 250,183 shares
 - 3) Average number of shares outstanding during the period:
Three months ended November 30, 2020: 19,104,017 shares
Three months ended November 30, 2019: 19,104,138 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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Results.....	4
(1) Explanation of Business Results	4
(2) Explanation of Financial Condition	5
(3) Explanation of Earnings Forecasts and Other Forward-Looking Information	5
2. Quarterly Financial Statements and Primary Notes.....	6
(1) Balance Sheet	6
(2) Statement of Income	7
(3) Notes to the Quarterly Financial Statements	8
(Notes on going concern assumption).....	8
(Notes in the event of significant changes in shareholders' equity).....	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the first three months of the fiscal year ending September 30, 2021, the Japanese economy remained in severe condition due to the impact of the COVID-19 pandemic, although it also showed signs of resilience thanks to the government's stimulus measures. However, the outlook remains uncertain due to concerns over an economic slowdown triggered by a flare up again in COVID-19 cases in Japan and the spread of the pandemic worldwide.

Strike operates in an M&A market that involves small and medium-sized enterprises (SMEs) and is currently on a medium- to long-term growth path thanks to the effective implementation of proactive measures by the Japanese government to address SME owners who are struggling to find successors. Active publicity activities are being carried out to help SMEs become better acclimated to M&A. In September 2020, for example, the Small and Medium Enterprise Agency compiled a "M&A Handbook for SMEs" that spells out the points of M&A for SMEs.

According to the "2020 White Paper on Small and Medium Enterprises in Japan" published in April 2020, for SMEs to boost productivity, it is essential that they offer greater added value, and some of the main options for achieving that are to expand into new areas of business or to make use of alliances with other companies. Moreover, of the 43,000 companies that either closed up shop (either temporarily or permanently) or liquidated in 2019, some 60% had actually generated a profit in the most recent fiscal year. This underlines the importance of having the next generation of ambitious managers take over quickly to ensure that the absence of successors does not thwart SME's ability to continue operations. We believe M&A will be more enthusiastically embraced as a means of solving this dilemma.

Against this backdrop, while making effort to prevent the spread of COVID-19, we worked to attract new customers and close deals by hosting online seminars and making use of meetings via online conferencing systems. Our online seminars are designed to cultivate a wide range of M&A needs, with different monthly themes, such as seminars specializing in potential buyer companies or seminars for accounting firms. Our sales activities are running at levels comparable to pre-COVID levels, but the pandemic nevertheless caused delayed closings on a number of deals due to prolonged negotiations on terms.

On the sales front, the Company strengthened its 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 added two new M&A consultants during the first three months of the fiscal year to handle the rising number of new contracts and enable ongoing growth.

As a result, during the first three months of the fiscal year ending September 30, 2021, there were 25 deals closed ^(Note 1) (versus 24 in the year-ago quarter), and 47 contracts closed ^(Note 2) (versus 48). We closed two large M&A deals (generating ¥100 million or more in sales per deal) (versus four a year ago). The reason for this is that there were three large M&A deals that were concluded but not recorded as sales during the period under review. These deals will be executed in the following quarter or later. There were 88 new contracts ^(Note 3) (versus 117 a year ago).

(Note 1) "Deal closings": Number M&A transactions in which Strike provides brokerage or advisory services (i.e. number of deals).

(Note 2) "Contract closings": 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).

Owing to the delayed deal closings described above, net sales dipped to ¥1,197 million, down 19.2% year on year. Cost of sales shrank 6.1% year on year to ¥465 million, as, although the additional M&A consultant headcount drove up personnel expenses, the decline in sales resulting in reduced payout of incentive compensation and reduced contract

introduction fees. SG&A expenses grew 15.0% year on year to ¥420 million, as, although the change from in-person seminars to online seminars reduced the cost of hosting seminars and, by extension, advertising expenses, the Company spent more on various budgets to augment sales activities. Consequently, operating profit fell 49.7% year on year to ¥312 million. Ordinary profit also came to ¥312 million, down 49.7% year on year. In addition, whereas the Company booked a ¥225 million gain on sale of investment securities as extraordinary income in the year-ago quarter, the absence of that extraordinary income in the three months ended November 30, 2020 resulted in bottom-line profit of ¥206 million, down 63.9% year on year.

The number of deals closed, contracts closed, and new contracts during the period under review, and the number we plan to achieve for the full year, are as follows:

	Q1 FY09/21 (actual)	Q1 FY09/21 (target)	FY09/21 (target)	Achievement of the full-year target
Number of deals closed	25	47	191	13.1%
Number of contracts closed	47	91	375	12.5%
Number of new contracts	88	100	482	18.3%

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 November 30, 2020, current assets stood at ¥6,692 million, down ¥1,519 million from August 31, 2020. This mainly reflected a ¥1,512 million decrease in cash and deposits.

Non-current assets amounted to ¥779 million, down ¥54 million from August 31, 2020. This was mainly attributable to a decline of ¥47 million in investments and other assets due to a decrease in deferred tax assets.

(Liabilities)

As of November 30, 2020, current liabilities came to ¥632 million, down ¥1,322 million from August 31, 2020. The main reason for this is that, although provision for bonuses increased ¥133 million, this was offset by a ¥700 million decrease in income taxes payable (owing to the payment of income taxes) and a ¥742 million drop in other current liabilities that stemmed from payment of accrued bonuses at the end of previous fiscal year.

(Net assets)

As of November 30, 2020, net assets totaled ¥6,839 million, down ¥251 million from August 31, 2020. This mainly reflected a ¥458 million decrease in retained earnings due to payment of dividends, which offset a ¥206 million increase owing to bottom-line profit.

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

Our earnings forecasts for the fiscal year ending September 30, 2021 are unchanged from the figures announced on September 30, 2020.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousand yen)

	As of August 31, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	7,871,870	6,358,962
Accounts receivable–trade	293,725	281,441
Other	52,067	58,068
Allowance for doubtful accounts	(6,235)	(6,161)
Total current assets	8,211,428	6,692,312
Non-current assets		
Property, plant and equipment	116,118	108,638
Intangible assets	5,184	4,826
Investments and other assets	713,168	666,123
Total non-current assets	834,471	779,588
Total assets	9,045,900	7,471,900
Liabilities		
Current liabilities		
Accounts payable–trade	110,882	98,179
Income taxes payable	793,203	92,596
Provision for bonuses	—	133,549
Other	1,050,784	308,396
Total current liabilities	1,954,870	632,721
Total liabilities	1,954,870	632,721
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	5,974,078	5,722,506
Treasury shares	(519,312)	(519,312)
Total shareholders' equity	7,079,998	6,828,427
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,122	6,842
Total valuation and translation adjustments	7,122	6,842
Share acquisition rights	3,909	3,909
Total net assets	7,091,030	6,839,178
Total liabilities and net assets	9,045,900	7,471,900

(2) Statement of Income

(Thousand yen)

	For the three months ended November 30, 2019	For the three months ended November 30, 2020
Net sales	1,481,799	1,197,679
Cost of sales	495,028	465,053
Gross profit	986,770	732,625
Selling, general and administrative expenses	365,209	420,145
Operating profit	621,561	312,480
Non-operating income		
Interest income	28	27
Total non-operating income	28	27
Ordinary profit	621,590	312,507
Extraordinary income		
Gain on sale of investment securities	225,000	—
Total extraordinary income	225,000	—
Profit before income taxes	846,590	312,507
Income taxes—current	313,883	82,991
Income taxes—deferred	(40,685)	22,591
Total income taxes	273,197	105,582
Profit	573,392	206,925

(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.