

**Non-Consolidated Financial Results**  
**For the Six Months Ended February 28, 2021**  
**[Japanese GAAP]**



March 30, 2021

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: April 14, 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: 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 Six Months Ended February 28, 2021 (September 1, 2020 to February 28, 2021)**

(1) Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended February 28, 2021	3,899	11.1	1,481	-4.5	1,484	-4.3	999	-15.4
February 29, 2020	3,508	60.0	1,551	104.9	1,551	105.2	1,181	134.4

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended February 28, 2021	52.33		52.02	
February 29, 2020	61.84		61.53	

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2021	9,282	7,657	82.5
As of August 31, 2020	9,045	7,091	78.3

(Reference) Equity: As of February 28, 2021: ¥7,653 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	—	0.00	—	—	—
Fiscal year ending September 30, 2021 (forecast)	—	—	—	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 previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 is 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):

February 28, 2021: 19,354,200 shares

August 31, 2020: 19,354,200 shares

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

February 28, 2021: 240,383 shares

August 31, 2020: 250,183 shares

3) Average number of shares outstanding during the period:

Six months ended February 28, 2021: 19,108,527 shares

Six months ended February 29, 2020: 19,104,122 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 .....	6
2. Quarterly Financial Statements and Primary Notes.....	7
(1) Balance Sheet .....	7
(2) Statement of Income .....	8
(3) Statement of Cash Flows .....	9
(4) Notes to the Quarterly Financial Statements .....	10
(Notes on going concern assumption).....	10
(Notes in the event of significant changes in shareholders' equity).....	10

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

During the first six months of the fiscal year ending September 30, 2021, the Japanese economy faced severe conditions due to the impact of the COVID-19 pandemic, although it also showed signs of resilience thanks to the government's stimulus measures. Amid these conditions, the economic outlook remains uncertain due primarily to the Japanese government's declaration of a second state of emergency affecting 11 prefectures in response to a rapid rise in COVID-19 infections at the end of 2020.

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 in part to the effective implementation of proactive measures by the Japanese government to address SME owners who are struggling to find successors. 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 hosted jointly with local media or seminars specializing in potential buyer companies. Owing to these efforts, the second state of emergency declared by the Japanese government did not have a large impact on our sales activities. However, the COVID-19 pandemic's prolonged spread has had an impact on the operating results of a growing number of SMEs. This trend has had an effect on our M&A negotiations, causing an ongoing increase in the number of projects that require relatively long lengths of time to work out terms and search for appropriate clients. Additionally, we have encountered difficulties in selling businesses according to desired terms, primarily in cases of contracts that we acquired prior to the start of the pandemic. Consequently, we encountered more sale cancellations than we had initially expected. On the other hand, we have also achieved steady progress through many large M&A deals despite incurring impact on business performance, and have consequently seen a rise in sales per deal.

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 actively strove to add new employees with the goal of expanding our business performance and successfully recruited 16 new M&A consultants during the first six months of the fiscal year under review.

As a result, during the six months ended February 28, 2021, there were 63 deals closed <sup>(Note 1)</sup> (versus 70 a year ago), and 120 contracts closed <sup>(Note 2)</sup> (versus 137). We closed 10 large M&A deals (generating ¥100 million or more in sales per deal) (versus eight a year ago). Additionally, we accepted 176 new contracts <sup>(Note 3)</sup> (versus 197 a year ago).

(Note 1) Number of deals closed:

Number 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).

Despite a year-on-year decline in the number of deals closed, net sales rose to ¥3,899 million, up 11.1% year on year, thanks to an increase in sales per deal that stemmed primarily from large-scale projects. Cost of sales grew 25.1% year on year to ¥1,476 million due in part to a rise in incentives paid that accompanied the increase in sales, an uptick in introduction fees paid in connection with new contracts, and expansion in personnel expenses caused by the addition of new M&A consultants. SG&A expenses climbed to ¥942 million, up 21.2% year on year, due primarily to growth in recruiting expenses caused by the active employment of consultants, an upturn in advertising expenses stemming from a rise in the number of seminars held, and an increase in general overhead expenses resulting from sales activity enhancement. Consequently, operating profit fell 4.5% year on year to ¥1,481 million. Ordinary profit came to ¥1,484 million, down 4.3% year on year. In addition, whereas the Company booked a ¥225 million gain on sale of investment securities as extraordinary income a year ago, the absence of that extraordinary income in the six months ended February 28, 2021 resulted in bottom-line profit of ¥999 million, down 15.4% year on year.

Net sales, the number of deals closed, contracts closed, and new contracts recorded during the period under review, as well as the corresponding targets we plan to achieve for the full year, are as follows:

	1H FY09/21 (actual)	1H FY09/21 (target)	FY09/21 (target)	Achievement of the full-year target
Number of deals closed	63	97	191	33.0%
Number of contracts closed	120	191	375	32.0%
Number of new contracts	176	205	482	36.5%
Net sales (million yen)	3,899	4,276	8,368	46.6%

Business results by segment are omitted, as the Company includes only the single M&A brokerage business segment.

## (2) Explanation of Financial Condition

### 1) Status of assets, liabilities, and net assets

#### (Assets)

As of February 28, 2021, current assets stood at ¥8,402 million, up ¥191 million from August 31, 2020. This mainly reflected a ¥75 million increase in cash and deposits and a ¥120 million uptick in accounts receivable–trade.

Non-current assets amounted to ¥879 million, up ¥45 million from August 31, 2020. This was mainly attributable to an increase of ¥86 million in property, plant, and equipment that was primarily the result of a rise in construction in progress and offset a decline of ¥41 million in investments and other assets stemming from a downturn in leasehold deposits.

#### (Liabilities)

As of February 28, 2021, current liabilities came to ¥1,625 million, down ¥329 million from August 31, 2020. This result was primarily attributable to a ¥292 million decline in income taxes payable.

#### (Net assets)

As of February 28, 2021, net assets totaled ¥7,657 million, up ¥566 million from August 31, 2020. This mainly reflected an upward impact of ¥999 million on retained earnings that stemmed from bottom-line profit and offset a downward impact of ¥458 million on retained earnings that was inflicted by the payment of dividends.

### 2) Cash flow status

As of February 28, 2021, cash and cash equivalents (below, “net cash”) amounted to ¥7,947 million, up ¥75 million compared to August 31, 2020. The primary factors contributing to this change during the first six months of the fiscal year ending September 30, 2021 are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥617 million (versus ¥1,236 million during the same period of the previous fiscal year). This decline occurred despite ¥1,484 million in profit before income taxes due to a downward impact of ¥748 million from income taxes paid and a ¥168 million decline in accrued consumption taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥107 million (versus ¥87 million during the same period of the previous fiscal year). This total was due to ¥107 million in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥434 million (versus ¥277 million during the same period of the previous fiscal year). This total was due primarily to ¥458 million in dividends paid.

### (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 February 28, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	7,871,870	7,947,522
Accounts receivable–trade	293,725	414,329
Other	52,067	47,986
Allowance for doubtful accounts	(6,235)	(6,965)
Total current assets	8,211,428	8,402,874
Non-current assets		
Property, plant and equipment	116,118	202,988
Intangible assets	5,184	4,468
Investments and other assets	713,168	672,074
Total non-current assets	834,471	879,530
<b>Total assets</b>	<b>9,045,900</b>	<b>9,282,404</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	110,882	160,093
Income taxes payable	793,203	500,305
Provision for bonuses	—	110,656
Other	1,050,784	854,225
Total current liabilities	1,954,870	1,625,280
<b>Total liabilities</b>	<b>1,954,870</b>	<b>1,625,280</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	805,414
Retained earnings	5,974,078	6,515,571
Treasury shares	(519,312)	(498,970)
Total shareholders' equity	7,079,998	7,645,756
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,122	7,634
Total valuation and translation adjustments	7,122	7,634
Share acquisition rights	3,909	3,733
<b>Total net assets</b>	<b>7,091,030</b>	<b>7,657,124</b>
<b>Total liabilities and net assets</b>	<b>9,045,900</b>	<b>9,282,404</b>

## (2) Statement of Income

(Thousand yen)

	For the six months ended February 29, 2020	For the six months ended February 28, 2021
Net sales	3,508,445	3,899,390
Cost of sales	1,179,748	1,476,012
Gross profit	2,328,697	2,423,378
Selling, general and administrative expenses	777,464	942,057
Operating profit	1,551,232	1,481,321
Non-operating income		
Interest income	83	3,310
Dividend income	110	—
Other	33	185
Total non-operating income	227	3,496
Ordinary profit	1,551,459	1,484,817
Extraordinary income		
Gain on sale of investment securities	225,000	—
Total extraordinary income	225,000	—
Extraordinary losses		
Loss on valuation of investment securities	27,643	—
Total extraordinary losses	27,643	—
Profit before income taxes	1,748,816	1,484,817
Income taxes—current	597,104	464,906
Income taxes—deferred	(29,702)	19,921
Total income taxes	567,401	484,828
Profit	1,181,414	999,989



## (3) Statement of Cash Flows

(Thousand yen)

	For the six months ended February 29, 2020	For the six months ended February 28, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,748,816	1,484,817
Depreciation	11,895	23,465
Loss (gain) on valuation of investment securities	27,643	—
Loss (gain) on sale of investment securities	(225,000)	—
Increase (decrease) in allowance for doubtful accounts	1,286	730
Increase (decrease) in provision for bonuses	116,758	110,656
Interest and dividend income	(193)	(3,310)
Decrease (increase) in trade receivables	(124,689)	(120,603)
Increase (decrease) in trade payables	7,009	49,211
Increase (decrease) in accounts payable—other	(39,649)	1,522
Increase (decrease) in accrued consumption taxes	49,760	(168,424)
Other, net	4,255	(11,844)
Subtotal	1,577,892	1,366,219
Interest and dividends received	193	86
Income taxes paid	(341,335)	(748,716)
Net cash provided by (used in) operating activities	1,236,750	617,588
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(18,771)	(107,584)
Purchase of intangible assets	(5,548)	—
Proceeds from sale of investment securities	230,000	—
Payments of leasehold and guarantee deposits	(292,980)	—
Net cash provided by (used in) investing activities	(87,300)	(107,584)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(331)	—
Proceeds from disposal of treasury shares	—	24,088
Dividends paid	(276,826)	(458,440)
Net cash provided by (used in) financing activities	(277,157)	(434,351)
Net increase (decrease) in cash and cash equivalents	872,292	75,652
Cash and cash equivalents at beginning of period	5,393,580	7,871,870
Cash and cash equivalents at end of period	6,265,873	7,947,522

(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.