Q1 FY2025/9 Non-Consolidated Financial Results [Japanese GAAP]

January 30, 2025

Company name: Strike Co., Ltd.
Stock exchange listing: Prime Market, Tokyo Stock Exchange
Code number: 6196
URL: https://www.strike.co.jp/en/
Representative: Kunihiko Arai, President and CEO
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Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: None (scheduled to distribute earnings video)

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

1. Financial Results for the Three Months Ended December 31, 2024 (October 1, 2024 to December 31, 2024)

(1) Operating Results

(Percentages indicate year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	3,664	(0.3)	531	(60.5)	522	(61.1)	419	(53.6)
December 31, 2023	3,676	86.6	1,345	140.8	1,344	140.1	904	140.9

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2024	21.85	—
December 31, 2023	47.11	—

(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 December 31, 2024	19,309	17,147	88.8
As of September 30, 2024	22,690	18,470	81.4

(Reference) Equity: As of December 31, 2024: ¥17,147 million
As of September 30, 2024: ¥18,470 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, 2024	—	0.00	—	91.00	91.00
Fiscal year ending September 30, 2025	—				
Fiscal year ending September 30, 2025 (forecast)		0.00	—	102.00	102.00

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

3. Earnings Forecasts for the Fiscal Year Ending September 30, 2025 (October 1, 2024 to September 30, 2025)

(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
First half	10,592	14.8	3,859	4.1	3,858	4.1	2,582	5.8	134.47
Full year	22,300	22.9	8,407	24.1	8,406	24.1	5,631	13.7	293.27

(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 December 31, 2024: 19,354,200 shares
As of September 30, 2024: 19,354,200 shares

2) Total number of treasury shares at the end of the period:
As of December 31, 2024: 151,409 shares
As of September 30, 2024: 151,409 shares

3) Average number of shares outstanding during the period:
For the three months ended December 31, 2024: 19,202,791 shares
For the three months ended December 31, 2023: 19,202,861 shares

* Review of the Japanese-language originals of the attached quarterly non-consolidated financial statements by certified public accountants or an audit firm: None

* 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 three months ended December 31, 2024, the Japanese economy displayed signs of a gradual recovery. This was driven by an increase in capital investment, a pickup in personal consumption, growth in inbound demand, and improvements in the employment and income environment. On the other hand, the outlook remains uncertain due to various factors, including the ongoing global instability, such as the conflict in Ukraine and rising tensions in the Middle East, along with concerns about the Chinese economy's future and fluctuating foreign exchange rates.

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 about half of approximately 50,000 companies that were shuttered or dissolved in 2023 had reported profits during their most recent fiscal years (according to the "2024 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 Japanese government identifies the advancement of open innovation as a key pillar for startup development, emphasizing the need to increase M&A between large companies and startups to promote open innovation.

In August 2024, the "M&A Guidelines for SMEs" were revised to their third edition. The updated guidelines aim to foster an environment where high-quality intermediaries are selected by clients, with new items added to address the content and quality of services provided, fees, and efforts by M&A support organizations to ensure and enhance the quality of their service.

Within this environment, we undertook a variety of initiatives to develop our M&A consultants and enhance our service quality, such as providing training to enhance proposal skills and holding internal proposal skills contests. Meanwhile, we 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 startup-related opportunities in the M&A market by holding monthly networking events through "S venture Lab.," a service designed to promote partnerships between startups and business companies. In December 2024, we expanded and relocated the Takamatsu Office and enlarged the Hiroshima Office to accommodate our business growth.

With regard to collaborative efforts involving our business partners, we have welcomed staff from partner financial institutions to enhance their M&A expertise, thereby strengthening our M&A support system.

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 three-month period under review.

As a result of these efforts, during the three months ended December 31, 2024, we closed 54 deals (Note 1), compared with 54 deals a year earlier, and 105 contracts (Note 2), versus 106 contracts a year earlier. This was because about 13 deals (approximately ¥900 million in success fees) had their final contracts signed between the seller and buyer in the first quarter, but execution postponed to the second quarter or later, resulting in these deals not being recognized as revenue in the first quarter. Additionally, we closed 7 large deals (generating ¥100 million or more in sales per deal) during the period under review, versus 7 large deals in the same period of the previous fiscal year. As of December 31, 2024, our new contract count (Note 3) was 288, versus 230 as of December 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 three months ended December 31, 2024 was ¥3,664 million (down 0.3% year on year) due to the abovementioned delays in deal closing. Cost of sales totaled ¥1,794 million (up 40.5% year on year), owing to higher incentive bonuses paid in line with the revisions to the incentive structure, higher personnel expenses associated with the rise in the number of M&A consultants, and an increase in referral fees due to the closing of large deals contracted through referrals from business partners. SG&A expenses amounted to ¥1,339 million (up 27.2% year on year) on increased advertising expenses associated with TV commercials and PR activities. As a result, operating profit came to ¥531 million (down 60.5% year on year). Ordinary profit totaled ¥522 million (down 61.1% year on year) and bottom-line profit came in at ¥419 million (down 53.6% year on year).

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

	Three months ended December 31, 2024 (actual)	Fiscal year ending September 30, 2025 (target)	Percentage against the full-year target
Number of deals closed	54	310	17.4%
Number of contracts closed	105	604	17.4%
Number of new contracts	288	1,045	27.6%
Net sales (millions of yen)	3,664	22,300	16.4%

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 December 31, 2024, current assets stood at ¥15,883 million, down ¥3,343 million from September 30, 2024. This decrease was primarily the result of a ¥3,011 million decrease in cash and deposits and a ¥373 million decline in accounts receivable - trade.

Non-current assets amounted to ¥3,425 million, down ¥37 million compared to September 30, 2024. This was mainly because of a ¥71 million decrease in investments and other assets due primarily to a decrease in deferred tax assets, despite a ¥34 million increase in property, plant and equipment owing primarily to capital investments for the expansion and relocation of the Takamatsu Office and the expansion of the Hiroshima Office.

(Liabilities)

Current liabilities were ¥1,851 million, down ¥2,072 million from September 30, 2024. This was mainly the result of a ¥1,083 million decrease in income taxes payable due to the payment of income taxes and a ¥1,253 million decrease in other current liabilities due mainly to the payment of accrued bonuses at the end of the previous fiscal year.

Non-current liabilities amounted to ¥310 million, up ¥14 million compared to Septembe 30, 2024.

(Net assets)

As of December 31, 2024, net assets totaled ¥17,147 million, down ¥1,322 million compared to September 30, 2024. This was primarily due to a ¥1,747 million decline in retained earnings owing to the payment of dividends, despite a ¥419 million increase in retained earnings because of the recording of profit.

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

Our earnings forecasts for the fiscal year ending September 30, 2025 are unchanged from the figures announced on October 30, 2024.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	18,358,964	15,347,289
Accounts receivable – trade	643,867	270,212
Other	245,866	275,150
Allowance for doubtful accounts	(20,759)	(8,712)
Total current assets	19,227,939	15,883,939
Non-current assets		
Property, plant and equipment	1,146,207	1,180,944
Intangible assets	8,770	8,030
Investments and other assets		
Other	2,332,762	2,261,409
Allowance for doubtful accounts	(25,300)	(25,300)
Total investments and other assets	2,307,462	2,236,109
Total non-current assets	3,462,440	3,425,084
Total assets	22,690,380	19,309,024
Liabilities		
Current liabilities		
Accounts payable – trade	254,826	187,046
Income taxes payable	1,143,689	59,972
Contract liabilities	11,112	10,857
Provision for bonuses	—	332,098
Other	2,514,321	1,261,275
Total current liabilities	3,923,949	1,851,250
Non-current liabilities		
Other	296,328	310,420
Total non-current liabilities	296,328	310,420
Total liabilities	4,220,278	2,161,670
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	17,285,684	15,957,878
Treasury shares	(434,538)	(434,538)
Total shareholders' equity	18,476,379	17,148,574
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(6,278)	(1,220)
Total valuation and translation adjustments	(6,278)	(1,220)
Total net assets	18,470,101	17,147,353
Total liabilities and net assets	22,690,380	19,309,024

(2) Statement of Income

(Thousands of yen)

	For the three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)	For the three months ended December 31, 2024 (October 1, 2024 to December 31, 2024)
Net sales	3,676,229	3,664,614
Cost of sales	1,277,366	1,794,087
Gross profit	2,398,863	1,870,527
Selling, general and administrative expenses	1,053,002	1,339,362
Operating profit	1,345,860	531,164
Non-operating income		
Interest income	26	181
Dividend income	1,460	80
Compensation for damage received	718	600
Other	532	—
Total non-operating income	2,737	861
Non-operating expenses		
Loss on investments in investment partnerships	1,841	9,461
Compensation for damage	2,000	—
Total non-operating expenses	3,841	9,461
Ordinary profit	1,344,755	522,565
Extraordinary income		
Gain on sale of investment securities	—	89,264
Total extraordinary income	—	89,264
Profit before income taxes	1,344,755	611,829
Income taxes–current	467,136	56,356
Income taxes–deferred	(27,092)	135,825
Total income taxes	440,044	192,181
Profit	904,710	419,648

(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.

(Notes on segment information, etc.)

[Segment information]

This information is omitted as the Company operates in a single operating segment of the M&A brokerage business.

(Notes to the statement of cash flows)

The Company has not prepared a statement of cash flows for the three months ended December 31, 2024.

Depreciation and amortization (including amortization of intangible assets) for the three-month period is as follows:

(Thousands of yen)

	For the three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)	For the three months ended December 31, 2024 (October 1, 2024 to December 31, 2024)
Depreciation and amortization	39,914	41,618