

Non-Consolidated Financial Results For the Nine Months Ended May 31, 2018 [Japanese GAAP]



June 28, 2018

Company name: Strike Co., Ltd.
 Stock exchange listing: First Section, Tokyo Stock Exchange
 Code number: 6196
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 Scheduled date of filing quarterly securities report: July 12, 2018
 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 Nine Months Ended May 31, 2018 (September 1, 2017 to May 31, 2018)

(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	%
Nine months ended May 31, 2018	2,819	39.9	1,063	28.7	1,064	28.7	717	27.8
May 31, 2017	2,015	40.6	825	38.7	827	38.6	561	46.1

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended May 31, 2018	37.06		36.99	
May 31, 2017	30.72		—	

- (Notes) 1. Diluted earnings per share are not shown for the nine months ended May 31, 2017 because no dilutive shares existed.
 2. The Company conducted a three-for-one stock split on common shares on December 1, 2016, and a two-for-one stock split on common shares on June 1, 2018. However, basic earnings per share and diluted earnings per share are calculated as if these stock splits had been conducted at the beginning of the fiscal year ended August 31, 2017.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2018	5,034	4,312	85.6
As of August 31, 2017	4,507	3,744	83.1

(Reference) Equity: As of May 31, 2018: ¥4,307 million
 As of August 31, 2017: ¥3,744 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, 2017	—	0.00	—	16.00	16.00
Fiscal year ending August 31, 2018	—	0.00	—		
Fiscal year ending August 31, 2018 (forecast)			—	9.00	9.00

- (Notes) 1. Changes in dividend forecast subsequent to most recent announcement: None
 2. The Company conducted a two-for-one stock split on common shares on June 1, 2018. Stated dividend amounts for the fiscal year ended August 31, 2017, are prior to the stock split. The impact of this stock split is taken into consideration for the fiscal year ending August 31, 2018.

3. Financial Results Forecast for the Fiscal Year Ending August 31, 2018 (September 1, 2017 to August 31, 2018)

(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
Full year	3,531	14.2	1,326	15.3	1,328	16.0	909	13.2	47.00

- (Notes) 1. Changes in financial results forecast subsequent to most recent announcement: None
2. The Company conducted a two-for-one stock split on common shares on June 1, 2018. Basic earnings per share are calculated as if this stock split had been conducted at the beginning of the fiscal year ending August 31, 2018.

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):

May 31, 2018: 19,354,200 shares

August 31, 2017: 19,354,200 shares

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

May 31, 2018: — shares

August 31, 2017: — shares

3) Average number of shares during the period:

Nine months ended May 31, 2018: 19,354,200 shares

Nine months ended May 31, 2017: 18,266,600 shares

(Note) The Company conducted a three-for-one stock split on common shares on December 1, 2016, and a two-for-one stock split on common shares on June 1, 2018. However, the total number of issued shares (common shares) is calculated as if these stock splits had been conducted at the beginning of the fiscal year ended August 31, 2017.

* The quarterly financial statements are outside the scope of quarterly review by certified public accountant and auditing firm.

* Explanation of the proper use of financial results forecast 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. For the assumptions underlying the forecast and precautions when using the forecasts, please see "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Financial Results Forecast and Other Forward-Looking Information" on page 4 of the Attached Materials.

Contents of Attached Materials

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

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the first nine months of the fiscal year ending August 31, 2018, despite the risk of global stock price declines originating in the United States, the business environment remained firm as the Bank of Japan is expected to maintain its current monetary easing policies.

The market for M&A involving small and medium-sized enterprises (SMEs) continued to grow. According to “The Productivity Improvement of SMEs and Micro Enterprises” released in October 2017 by the Ministry of Economy, Trade and Industry, the peak age of SME business owners has grown progressively older, from 47 to 66 over the past 20 years. By 2025, more than 60% of SME and micro enterprise owners will be over 70 years old as the baby boomer generation approaches widespread retirement. Furthermore, the Small and Medium Enterprise Agency announced the Five-Year Plan for Business Succession in July 2017, highlighting a period of concentrated business succession. M&A is gaining recognition as an effective means of resolving the issue of business succession. This topic is being treated as a national issue in such areas as tax reform, where revisions to the business inheritance tax system are being hotly debated.

In this environment, the Company cultivated new customers by holding seminars in September 2017 in Nagano and Matsumoto, in October and November 2017 in 15 locations around Japan, and in February and March 2018 in five locations around Japan. These seminars provided case studies of business succession through M&A and featured comments by former business owners who had sold their companies in this manner. To augment sales capabilities and bolster operating efficiency, the Company relocated its Fukuoka sales office in September 2017 and its Nagoya sales office in January 2018. In addition, to handle an increase in the number of deals, the Company added 14 M&A consultants during the first nine months of the fiscal year.

As a result, the Company concluded contracts for 63 deals in the first nine months (53 in the first nine months of the previous fiscal year), marking a record high number of contracts on a cumulative quarterly basis, resulting in net sales of ¥2,819 million (up 39.9% year on year). Operating profit rose 28.7% year on year, to ¥1,063 million, ordinary profit rose 28.7%, to ¥1,064 million, and profit increased 27.8%, to ¥717 million.

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

(2) Explanation of Financial Condition

(Assets)

As of May 31, 2018, current assets stood at ¥4,775 million, up ¥462 million from August 31, 2017. The main reason for this increase was a ¥410 million increase in cash and deposits.

Non-current assets amounted to ¥258 million, up ¥65 million, attributable primarily to a ¥15 million rise in property, plant and equipment and a ¥50 million increase in investments and other assets.

(Liabilities)

Current liabilities came to ¥692 million on May 31, 2018, down ¥28 million from August 31, 2017. The decrease was mainly the result of a ¥324 million decline in other current liabilities, although provision for bonuses expanded ¥296 million.

Non-current liabilities were ¥30 million, down ¥11 million from August 31, 2017.

(Net assets)

Net assets were ¥4,312 million on May 31, 2018, up ¥567 million from August 31, 2017. This expansion was due mainly to a ¥717 million rise in profit, while retained earnings fell ¥154 million due to the payment of dividends.

(3) Explanation of Financial Results Forecast and Other Forward-Looking Information

The Company's financial results forecast for the fiscal year ending August 31, 2018 is currently unchanged from the figures announced on September 29, 2017.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheets

(Thousand yen)

	As of August 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	4,158,156	4,568,348
Accounts receivable–trade	93,618	84,020
Other	62,445	123,907
Allowance for doubtful accounts	(562)	(504)
Total current assets	4,313,658	4,775,773
Non-current assets		
Property, plant and equipment	43,632	59,026
Intangible assets	2,068	1,603
Investments and other assets	147,915	198,314
Total non-current assets	193,616	258,944
Total assets	4,507,275	5,034,718
Liabilities		
Current liabilities		
Accounts payable–trade	22,130	18,532
Income taxes payable	241,558	244,292
Provision for bonuses	—	296,003
Other	457,537	133,463
Total current liabilities	721,225	692,291
Non-current liabilities		
Other	41,455	30,149
Total non-current liabilities	41,455	30,149
Total liabilities	762,680	722,440
Net assets		
Shareholders' equity		
Capital stock	823,741	823,741
Legal capital surplus	801,491	801,491
Retained earnings	2,115,459	2,677,982
Total shareholders' equity	3,740,692	4,303,216
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,902	4,723
Total valuation and translation adjustments	3,902	4,723
Share acquisition rights	—	4,338
Total net assets	3,744,594	4,312,277
Total liabilities and net assets	4,507,275	5,034,718

(2) Statements of Income

(Thousand yen)

	For the nine months ended May 31, 2017	For the nine months ended May 31, 2018
Net sales	2,015,120	2,819,522
Cost of sales	691,761	1,031,302
Gross profit	1,323,358	1,788,220
Selling, general and administrative expenses	497,387	725,153
Operating profit	825,970	1,063,067
Non-operating profit		
Interest income	62	97
Dividend income	1,000	1,365
Other	41	209
Total non-operating profit	1,104	1,672
Ordinary profit	827,074	1,064,739
Profit before income taxes	827,074	1,064,739
Income taxes—current	305,011	407,301
Income taxes—deferred	(39,088)	(59,919)
Total income taxes	265,923	347,381
Profit	561,151	717,357

(3) Notes to the 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.

(Significant subsequent events)

Based on a Board of Directors resolution on April 16, 2018, the Company conducted a stock split on June 1, 2018, as outlined below.

1. Objectives

The objectives of the stock split were to reduce the amount of money per unit of investment in the Company's shares, increase the liquidity of the Company's shares, and further expand the shareholder base.

2. Stock split ratio and timing

The Company conducted a two-for-one stock split on June 1, 2018, on shares held by shareholders registered in the final register of shareholders as of May 31, 2018.

3. Increase in shares resulting from the stock split: 9,677,100 common shares