

# Non-Consolidated Financial Results For the Three Months Ended November 30, 2017 [Japanese GAAP]



December 25, 2017

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: January 15, 2018  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing material on quarterly financial results: Not available  
 Schedule of quarterly financial results briefing session: Not scheduled

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

## 1. Financial Results for the Three Months Ended November 30, 2017 (September 1, 2017 to November 30, 2017)

### (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	%
Three months ended November 30, 2017	704	3.1	233	(8.8)	233	(8.8)	159	1.3
November 30, 2016	682	—	256	—	256	—	157	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended November 30, 2017	16.48	—
November 30, 2016	17.62	16.56

- (Notes)
1. Year-on-year changes are not shown for the three months ended November 30, 2016, as the Company began disclosing first-quarter results from the fiscal year ended August 31, 2017.
  2. Diluted earnings per share are not shown for the three months ended November 30, 2017 because no dilutive shares existed.
  3. The Company conducted a three-for-one stock split on common shares on December 1, 2016. However, basic earnings per share and diluted earnings per share for the three months ended November 30, 2017 are calculated as if this stock split 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 November 30, 2017	4,126	3,749	90.9
As of August 31, 2017	4,507	3,744	83.1

(Reference) Equity: As of November 30, 2017: ¥3,749 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	—				
Fiscal year ending August 31, 2018 (forecast)		0.00	—	18.00	18.00

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



### 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
First half	1,769	26.1	637	7.3	638	7.3	436	14.4	45.12
Full year	3,531	14.2	1,326	15.3	1,328	16.0	909	13.2	93.99

(Note) Changes in financial results forecast 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):

November 30, 2017: 9,677,100 shares

August 31, 2017: 9,677,100 shares

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

November 30, 2017: — shares

August 31, 2017: — shares

3) Average number of shares during the period:

Three months ended November 30, 2017: 9,677,100 shares

Three months ended November 30, 2016: 8,938,800 shares

(Note) The Company conducted a three-for-one stock split on common shares on December 1, 2016. However, the total number of issued shares (common shares) is calculated as if this stock split 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.

#### \* 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.



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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

In the first three months of the fiscal year ending August 31, 2018, the Nikkei stock index surpassed the ¥23,000 level for the first time in 26 years, against the backdrop of an overwhelming victory of the Liberal Democratic Party in the election of members of the House of Representatives and ongoing depreciation of the yen against the dollar. The business environment was firm, although a sense of caution prevailed given the high stock levels.

The market for M&A involving small and medium-sized enterprises (SMEs), which is the Company's area of business, continued to grow, partly owing to difficulty in finding successors due to the aging of business owners. According to the Business Succession Guidelines released in December 2016 by the Small and Medium Enterprise Agency, the peak age of SME business owners has shifted from 44 to 66 over the past 20 years. Furthermore, 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 worked proactively to cultivate new customers. For example, we held seminars for business owners in September 2017 in Nagano and in October and November 2017 in 15 locations around Japan. These seminars provided case studies of business succession through M&A and featured lectures by former business owners who had sold their companies in this manner. In line with this business expansion, the Company relocated its Fukuoka sales office in September 2017. In addition, the Company actively recruited personnel to further increase the number of deals, adding seven M&A consultants during the first three months of the fiscal year.

Due to the rise in the number of M&A consultants, the Company concluded contracts for 24 deals in the first three months (17 in the first three months of the previous fiscal year), marking a record high on a quarterly basis. However, the amount of fees generated per deal decreased year on year, reflecting a falloff in the number of large deals, leading to net sales of ¥704 million (up 3.1% year on year). Personnel expenses rose due to the Company's proactive recruiting efforts to expand the business. Consequently, operating profit fell 8.8% year on year, to ¥233 million; and ordinary profit dropped 8.8%, to ¥233 million; while profit rose 1.3%, to ¥159 million.

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

### (2) Explanation of Financial Condition

#### (Assets)

As of November 30, 2017, current assets stood at ¥3,911 million, down ¥401 million from August 31, 2017. The main reason for this decrease was a ¥459 million decline in cash and deposits, although accounts receivable—trade expanded ¥57 million.

Non-current assets amounted to ¥214 million, up ¥20 million, attributable primarily to a ¥8 million rise in property, plant and equipment and a ¥12 million increase in investments and other assets.

#### (Liabilities)

Current liabilities came to ¥338 million on November 30, 2017, down ¥382 million from August 31, 2017. The decrease was mainly the result of ¥163 million lower income taxes payable and a ¥316 million decrease in other current liabilities, despite an ¥84 million increase in provision for bonuses.

Non-current liabilities were ¥37 million, down ¥3 million from August 31, 2017.

#### (Net assets)

Net assets were ¥3,749 million on November 30, 2017, up ¥5 million from August 31, 2017. This expansion was due mainly to a ¥159 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 November 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	4,158,156	3,698,889
Accounts receivable—trade	93,618	151,500
Other	62,445	62,310
Allowance for doubtful accounts	(562)	(909)
Total current assets	4,313,658	3,911,792
Non-current assets		
Property, plant and equipment	43,632	51,885
Intangible assets	2,068	1,913
Investments and other assets	147,915	160,600
Total non-current assets	193,616	214,399
Total assets	4,507,275	4,126,192
<b>Liabilities</b>		
Current liabilities		
Accounts payable—trade	22,130	33,683
Income taxes payable	241,558	78,549
Provision for bonuses	—	84,813
Other	457,537	141,471
Total current liabilities	721,225	338,517
Non-current liabilities		
Other	41,455	37,686
Total non-current liabilities	41,455	37,686
Total liabilities	762,680	376,204
<b>Net assets</b>		
Shareholders' equity		
Capital stock	823,741	823,741
Legal capital surplus	801,491	801,491
Retained earnings	2,115,459	2,120,104
Total shareholders' equity	3,740,692	3,745,338
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,902	4,649
Total valuation and translation adjustments	3,902	4,649
Total net assets	3,744,594	3,749,988
Total liabilities and net assets	4,507,275	4,126,192



## (2) Statements of Income

(Thousand yen)

	For the three months ended November 30, 2016	For the three months ended November 30, 2017
Net sales	682,608	704,085
Cost of sales	229,060	234,881
Gross profit	453,547	469,203
Selling, general and administrative expenses	197,206	235,418
Operating profit	256,341	233,784
Non-operating profit		
Interest income	1	27
Other	8	24
Total non-operating profit	9	51
Ordinary profit	256,350	233,836
Profit before income taxes	256,350	233,836
Income taxes—current	129,230	76,404
Income taxes—deferred	(30,342)	(2,048)
Total income taxes	98,887	74,356
Profit	157,462	159,479



### (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)

Issuance of stock acquisition rights for subscription (paid stock options)

At a Board of Directors meeting on November 30, 2017, the Company resolved to issue No. 2 stock acquisition rights (the "Stock Acquisition Rights") to Company directors and employees pursuant to Articles 236, 238, and 240 of the Companies Act. The Stock Acquisition Rights were issued on December 15, 2017.

Number of stock acquisition rights	1,205 units
Number and class of shares subject to stock acquisition rights	120,500 shares of the Company's common stock (100 shares per stock acquisition right)
Issue price for stock acquisition rights	¥3,600 per stock acquisition right (¥36 per share subject to stock acquisition rights)
Exercise price for stock acquisition rights	¥4,915 per share
Exercise period for stock acquisition rights	December 1, 2019 to November 30, 2022 (if the below-stated "exercise conditions for stock acquisition rights" are satisfied)
Capitalization if new shares are issued due to the exercise of stock acquisition rights	The increase in capital stock due to the issuance of shares resulting from the exercise of the Stock Acquisition Rights shall be one-half of the upper limit of capital increase as calculated in accordance with Article 17-1 of the Rules of Corporate Accounting. If the calculation results in a fractional amount of less than one yen, that amount shall be rounded up. The amount of increase in legal capital surplus shall be the upper limit of the capital increase stated above, less the amount of increase in capital stock.
Exercise conditions for stock acquisition rights	(See Notes below)
Allottees of stock acquisition rights	Two directors: 350 rights (35,000 shares) 38 employees: 855 rights (85,500 shares)
Transfer restrictions on stock acquisition rights	The acquisition of the Stock Acquisition rights by transfer shall require approval of the Company's Board of Directors.

(Notes) Exercise conditions for the Stock Acquisition Rights are as follows.

- 1) A holder of stock acquisition rights may exercise the Stock Acquisition Rights only if operating profit (excluding expenses stated in association with the issuance of the Stock Acquisition Rights; the same applies below) stated in the Company's statement of income (refers to consolidated operating profit if the Company prepares consolidated financial statements) for the fiscal year ending August 31, 2018 exceeds ¥1.3 billion and operating profit exceeds ¥2.0 billion in either the fiscal year ending August 31, 2019 or the fiscal year ending August 31, 2020. In the event of a significant change, such as in the concept of operating profit being referred to or a change in the accounting period, the Company's Board of Directors shall, within reason, determine a different index of reference.
- 2) The holder of stock acquisition rights must also be a director, corporate auditor, or employee of the Company or its affiliates at the time the Stock Acquisition Rights are exercised. This requirement does not apply, however, if the holder leaves the Company at the end of his/her term of office, at the statutory retirement age, or for some other appropriate reason that is approved by the Board of Directors.
- 3) The Stock Acquisition Rights may not be exercised by an heir to the holder of stock acquisition rights.
- 4) The Stock Acquisition Rights may not be exercised if their exercise would cause the total number of shares outstanding to exceed the total number of shares authorized to be issued.
- 5) Stock Acquisition Rights may not be exercised in units of less than one right.