

Non-Consolidated Financial Results For the Nine Months Ended May 31, 2019 [Japanese GAAP]



June 28, 2019

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, 2019
 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, 2019 (September 1, 2018 to May 31, 2019)

(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, 2019	3,413	21.1	1,199	12.9	1,200	12.8	801	11.7
May 31, 2018	2,819	39.9	1,063	28.7	1,064	28.7	717	27.8

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended				
May 31, 2019	41.62		41.62	
May 31, 2018	37.06		36.99	

(Note) The Company conducted a two-for-one stock split on common shares on June 1, 2018. However, the calculation of basic earnings per share and diluted earnings per share reflects the stock split retroactively to the beginning of the fiscal year ended August 31, 2018.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2019	5,394	4,621	85.6
As of August 31, 2018	5,419	4,513	83.2

(Reference) Equity: As of May 31, 2019: ¥4,617 million
 As of August 31, 2018: ¥4,509 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, 2018	—	0.00	—	9.00	9.00
Fiscal year ending August 31, 2019	—	0.00	—		
Fiscal year ending August 31, 2019 (forecast)				11.00	11.00

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

3. Earnings Forecast for the Fiscal Year Ending August 31, 2019 (September 1, 2018 to August 31, 2019)

(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	4,545	21.4	1,591	17.6	1,591	17.5	1,066	16.0	55.51

(Notes) Changes in earnings forecast subsequent to most recent announcement: None

The Company purchased 250,000 treasury shares following a resolution of the Board of Directors on January 28, 2019. The share buyback is reflected in the Company's full-year forecast for basic earnings per share.

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, 2019: 19,354,200 shares

August 31, 2018: 19,354,200 shares

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

May 31, 2019: 250,000 shares

August 31, 2018: — shares

3) Average number of shares outstanding during the period:

Nine months ended May 31, 2019: 19,252,009 shares

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

(Note) The Company conducted a two-for-one stock split on common shares on June 1, 2018. However, the calculation of the total number of issued shares (common shares) reflects the stock split retroactively to the beginning of the fiscal year ended August 31, 2018.

* 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 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

During the first nine months of the fiscal year ending August 31, 2019, the Japanese economy showed a gradual recovery as corporate earnings and employment conditions continued to improve. However, the outlook remains uncertain due to concerns over an economic slowdown triggered by trade friction between the United States and China.

The M&A market involving small and medium-sized enterprises (SMEs) in which we operate has continued to expand. SMEs have struggled to find successors to their aging owners, and difficulties surrounding business succession at SMEs have been so deep-rooted that the Japanese government considers them to be a policy issue. According to the “2019 White Paper on Small and Medium Enterprises in Japan” issued by the Small and Medium Enterprise Agency in April 2019, the most common age of a business owner was 47 in 1995, while this has increased to 69 in 2018, and the number of managers (directors, sole proprietors) aged 60 or above has exceeded those who are 59 and below as of 2017. These figures underscore how business owners and managers in Japan have been rapidly aging and that many SMEs face an urgent need to find successors. While the Japanese government has expanded support systems to enable these companies to stay in business, we believe that further enhancement of these systems and the spread of M&A solutions are both necessary to encourage more SMEs to look to M&A as a way to effectively tackle this problem.

In light of these conditions, in February and March 2019, we hosted the “Top Leaders’ Conference 2019: Business Management Keys to Continued Growth” in Sapporo, Tokyo, Nagoya, Osaka, and then Fukuoka, and received a total of over 1,800 applications to participate, which was a record number of applications. We were able to offer many business owners the opportunity to learn more about M&A. Furthermore, in April 2019, we formed a business alliance with the Shiga Licensed Tax Accountant’s Cooperative to further expand our network of tax accountant office partners. We also strengthened our M&A support systems by accepting personnel from partner financial institutions and training them so that they would be able to better execute M&A operations after they return to their respective companies.

In terms of recruitment, we stepped up our hiring efforts and added 37 M&A consultants during the first nine months of the fiscal year in order to handle the rising number of new contracts and drive further business growth. In addition, we relocated our Osaka office in March 2019, aimed at further bolstering our sales capabilities in the Kansai area and streamlining operations in tandem with the increase in the number of consultants.

We have also worked to help companies learn about and explore M&A opportunities by expanding the database of our M&A portal website “M&A Online.” Specifically, we have built a database that allows users to search through all M&A deals signed in Japan that were announced in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange and makes all data recorded within the past 10 years free and public. With these efforts, M&A Online’s monthly page views have continued to exceed one million, contributing to the proliferation of M&A activity in Japan.

These initiatives led to more new contracts during the first nine months of the fiscal year than we had initially planned. Net sales were up 21.1% year on year to ¥3,413 million, boosted by the closure of four large deals and a higher average fee per deal closed, albeit the number of deals closed only grew modestly to 68 deals, from 63 deals during the same period of the previous fiscal year. The sluggish growth in the number of deals closed reflects the longer-than-anticipated duration until deals have been closed, caused by an increase in deals involving large seller or buyer companies. Cost of sales was up 21.7% year on year to ¥1,254 million, mainly due to ramping up spending on hiring new consultants and increased incentives resulting from higher sales. SG&A expenses were up 32.2% year on year to ¥958 million, stemming from higher personnel expenses after the addition of new consultants, an uptick in hiring costs, and increased rent expenses on land and buildings owing to sales office relocations and the expansion of its headquarters. As a result, operating profit was up 12.9% year on year to ¥1,199 million, ordinary profit was up 12.8% year on year to ¥1,200 million primarily on commission for purchase of treasury shares, and profit was up 11.7% year on year to ¥801 million.

Segment information has been omitted, as we have no segment other than the M&A brokerage business.

(2) Explanation of Financial Condition

(Assets)

As of May 31, 2019, current assets stood at ¥4,907 million, down ¥194 million from August 31, 2018. This mainly reflected a ¥197 million decrease in cash and deposits due to the purchase of treasury shares, offsetting a ¥3 million increase in accounts receivable—trade.

Non-current assets amounted to ¥487 million, up ¥170 million from August 31, 2018. This was mainly attributable to a ¥154 million increase in investments and other assets due to the purchase of investment securities.

(Liabilities)

Current liabilities came to ¥758 million as of May 31, 2019, down ¥120 million from August 31, 2018. This was mainly due to a ¥348 million decrease in other current liabilities stemming from the payment of accrued bonuses in the fiscal year ended August 31, 2018, offsetting a ¥244 million increase in provision for bonuses.

Non-current liabilities were ¥15 million, down ¥11 million from August 31, 2018.

(Net assets)

Net assets totaled ¥4,621 million as of May 31, 2019, up ¥107 million from August 31, 2018. This mainly reflected a ¥801 million increase in profit, offsetting decreases of ¥174 million and ¥518 million in retained earnings for payment of dividends and purchase of treasury shares, respectively.

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

Our earnings forecast for the fiscal year ending August 31, 2019 is unchanged from the figures announced on September 27, 2018.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousand yen)

	As of August 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	4,918,188	4,720,237
Accounts receivable—trade	152,188	155,566
Other	32,686	32,584
Allowance for doubtful accounts	(913)	(948)
Total current assets	5,102,150	4,907,439
Non-current assets		
Property, plant and equipment	80,861	96,684
Intangible assets	1,454	1,022
Investments and other assets	234,676	389,489
Total non-current assets	316,992	487,196
Total assets	5,419,143	5,394,636
Liabilities		
Current liabilities		
Accounts payable—trade	75,502	84,202
Income taxes payable	269,248	244,183
Provision for bonuses	—	244,332
Other	534,167	185,446
Total current liabilities	878,918	758,164
Non-current liabilities		
Other	26,380	15,074
Total non-current liabilities	26,380	15,074
Total liabilities	905,298	773,238
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	2,880,358	3,507,422
Treasury shares	—	(518,541)
Total shareholders' equity	4,505,591	4,614,115
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,058	3,088
Total valuation and translation adjustments	4,058	3,088
Share acquisition rights	4,194	4,194
Total net assets	4,513,844	4,621,397
Total liabilities and net assets	5,419,143	5,394,636

(2) Statement of Income

(Thousand yen)

	For the nine months ended May 31, 2018	For the nine months ended May 31, 2019
Net sales	2,819,522	3,413,589
Cost of sales	1,031,302	1,254,876
Gross profit	1,788,220	2,158,713
Selling, general and administrative expenses	725,153	958,970
Operating profit	1,063,067	1,199,742
Non-operating income		
Interest income	97	122
Dividend income	1,365	1,670
Other	209	—
Total non-operating income	1,672	1,792
Non-operating expenses		
Commission for purchase of treasury shares	—	1,037
Total non-operating expenses	—	1,037
Ordinary profit	1,064,739	1,200,497
Profit before income taxes	1,064,739	1,200,497
Income taxes—current	407,301	441,579
Income taxes—deferred	(59,919)	(42,333)
Total income taxes	347,381	399,245
Profit	717,357	801,252

(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)

The Company purchased 250,000 treasury shares following the resolution of the Board of Directors on January 28, 2019. As a result, treasury shares rose by ¥518,541 thousand in the first nine months of the fiscal year ending August 31, 2019, resulting in treasury shares amounting to ¥518,541 thousand as of May 31, 2019.

(Additional information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has applied changes outlined in Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan [ASBJ] Statement No. 28; February 16, 2018) and relevant accounting standards since the beginning of the first three months of the fiscal year ending August 31, 2019. As a result, deferred tax assets are now presented as part of investments and other assets and deferred tax liabilities are reported as part of non-current liabilities.