

**Non-Consolidated Financial Results**  
**For the Six Months Ended February 29, 2020**  
**[Japanese GAAP]**



March 30, 2020

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  
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 Scheduled date of filing quarterly securities report: April 14, 2020  
 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 (cancelled to prevent spread of Coronavirus Disease 2019)

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

**1. Financial Results for the Six Months Ended February 29, 2020 (September 1, 2019 to February 29, 2020)**

**(1) Operating Results**

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

	Net sales		Operating profit		Ordinary profit		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 29, 2020	3,508	60.0	1,551	104.9	1,551	105.2	1,181	134.4
February 28, 2019	2,192	41.3	757	53.8	756	53.5	503	52.1

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
February 29, 2020	61.84	61.53
February 28, 2019	26.07	26.05

**(2) Financial Position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2020	7,729	6,071	78.5
As of August 31, 2019	6,427	5,162	80.3

(Reference) Equity: As of February 29, 2020: ¥6,067 million  
 As of August 31, 2019: ¥5,158 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, 2019	—	0.00	—	14.50	14.50
Fiscal year ending August 31, 2020	—	0.00			
Fiscal year ending August 31, 2020 (forecast)			—	17.50	17.50

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

**3. Earnings Forecast for the Fiscal Year Ending August 31, 2020 (September 1, 2019 to August 31, 2020)**

(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	6,275	23.6	2,237	18.6	2,237	18.4	1,667	24.2	87.28

(Note) Changes in earnings 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):
    - February 29, 2020: 19,354,200 shares
    - August 31, 2019: 19,354,200 shares
  - 2) Total number of treasury shares at the end of the period:
    - February 29, 2020: 250,110 shares
    - August 31, 2019: 250,036 shares
  - 3) Average number of shares outstanding during the period:
    - Six months ended February 29, 2020: 19,104,122 shares
    - Six months ended February 28, 2019: 19,327,138 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 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.

## 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 Forecast and Other Forward-Looking Information .....	5
2. Quarterly Financial Statements and Primary Notes.....	6
(1) Balance Sheet .....	6
(2) Statement of Income .....	7
(3) Statement of Cash Flows .....	8
(4) Notes to the Quarterly Financial Statements .....	9
(Notes on going concern assumption).....	9
(Notes in the event of significant changes in shareholders' equity).....	9

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

During the first six months of the fiscal year ending August 31, 2020, the Japanese economy was recovering modestly 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 and by the spread of the Coronavirus Disease 2019.

The market for M&A involving small and medium-sized enterprises (SMEs), which is our area of business, continues to grow in part thanks to the success of aggressive measures and promotion by the Japanese government to support SMEs struggling with the search for successors. According to materials published in March 2019 by the Subcommittee for Basic Problems of the Council for Small and Medium Enterprise Policy (a deliberative body of the Small and Medium Enterprise Agency), failure to resolve the problem of succession for SMEs could result in up to roughly 6.5 million jobs lost and an approximately ¥22 trillion decline in GDP by around 2025.

Against this backdrop, our Public Relations Department actively undertook activities to expand deal channels, and worked to improve our name recognition by increasing media exposure in newspapers and magazines. In addition, we worked to identify potential sell demand by holding seminars for business owners in five locations in Japan, and industry-specific seminars for dispensing pharmacy owners in another six locations around the country in November 2019.

On the sales front, we strengthened our 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 addition, the number of deals closed during the first six months of the fiscal year increased substantially as a result of a strategic focus on matching companies and closing deals rather than acquiring new contracts.

In terms of recruitment, we added seven new M&A consultants during the first six months of the fiscal year to cope with the increase in deals and support sustainable growth. In tandem with the personnel increase and growth in the number of trainees from financial institutions, we expanded our Tokyo headquarters a second time in September 2019.

As a result, the number of new contracts increased sharply to 197 (from 106 new contracts in the same period of the previous fiscal year). In the first six months of the fiscal year, the number of deals closed came to 70 (versus 44 deals closed in the same period of the previous fiscal year). Net sales reached ¥3,508 million, up 60.0% year on year, thanks in part to the closure of eight large deals (versus two large deals closed in the same period of the previous fiscal year). Cost of sales expanded 48.2% year on year to ¥1,179 million, primarily due to increased performance-linked incentive salaries accompanying higher net sales, as well as a rise in contract introduction fees. SG&A expenses grew 21.5% year on year to ¥777 million as expense reductions from cancelled seminars in March were offset by higher personnel expenses due to a personnel increase and by higher rent expenses on land and buildings following expansion of our headquarters. Consequently, operating profit rose 104.9% year on year to ¥1,551 million. Ordinary profit also came to ¥1,551 million, up 105.2% year on year. To improve asset efficiency, we sold a portion of investment securities and booked a ¥225 million gain on sales of investment securities as extraordinary income. At the same time, we recorded a ¥27 million loss on valuation of investment securities as an extraordinary loss. As a result, bottom-line profit rose 134.4% year on year to ¥1,181 million.

The number of deals closed and new contracts during the period under review, and the number we plan to achieve for the full year, are as follows:

	1H FY08/20 (actual)	1H FY08/20 (target)	FY08/20 (target)	Achievement of the full-year target
Number of deals closed	70	66	143	49.0%
Number of new contracts	197	169	358	55.0%

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

## (2) Explanation of Financial Condition

### 1) Assets, Liabilities, and Net Assets

#### (Assets)

As of February 29, 2020, current assets stood at ¥6,928 million, up ¥998 million from August 31, 2019. This mainly reflected increases of ¥872 million in cash and deposits and ¥124 million in accounts receivable-trade.

Non-current assets amounted to ¥800 million, up ¥303 million from August 31, 2019. This was mainly attributable to an increase of ¥291 million in investments and other assets due to an increase in leasehold deposits.

#### (Liabilities)

As of February 29, 2020, current liabilities came to ¥1,653 million, up ¥400 million from August 31, 2019. This was primarily due to increases of ¥266 million in income taxes payable and ¥116 million in the provision for bonuses.

Non-current liabilities were ¥3 million, down ¥7 million from August 31, 2019.

#### (Net assets)

As of February 29, 2020, net assets totaled ¥6,071 million, up ¥909 million from August 31, 2019. This mainly reflected a ¥1,181 million increase in profit, offsetting a ¥277 million decrease in retained earnings for payment of dividends.

### 2) Cash Flows

As of February 29, 2020, cash and cash equivalents stood at ¥6,265 million, up ¥872 million from August 31, 2019, mainly attributable to the following reasons.

#### (Cash flows from operating activities)

Net cash provided by operating activities totaled ¥1,236 million (compared to ¥542 million provided by these activities in the same period of the previous fiscal year). This mainly reflected the booking of ¥1,748 million in profit before income taxes, ¥341 million in income taxes paid, and a ¥225 million gain on sales of investment securities.

#### (Cash flows from investing activities)

Net cash used in investing activities came to ¥87 million (compared to ¥118 million used in these activities in the same period of the previous fiscal year). This was mainly attributable to ¥292 million in payments of leasehold deposits, offsetting ¥230 million in proceeds from sales of investment securities.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to ¥277 million (compared to ¥693 million used in these activities in the same period of the previous fiscal year). This was primarily due to ¥276 million in dividends paid.

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

Although the Coronavirus Disease 2019 is spreading around the world, we have at present not experienced any events that will have a major impact on earnings. Although operating performance may be affected in the future, we do not foresee notable fluctuations in earnings, and have therefore made no changes to our earnings forecasts for the fiscal year ending August 31, 2020 announced on September 30, 2019. If it becomes apparent earnings will be significantly affected due to changes in conditions or business progress, we will disclose this in a timely manner.

## 2. Quarterly Financial Statements and Primary Notes

### (1) Balance Sheet

(Thousand yen)

	As of August 31, 2019	As of February 29, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	5,393,580	6,265,873
Accounts receivable–trade	502,862	627,551
Other	36,611	39,024
Allowance for doubtful accounts	(3,016)	(4,302)
Total current assets	5,930,037	6,928,146
Non-current assets		
Property, plant and equipment	92,914	100,322
Intangible assets	884	5,901
Investments and other assets	403,444	694,743
Total non-current assets	497,244	800,967
Total assets	6,427,282	7,729,114
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	105,482	112,492
Income taxes payable	368,594	634,795
Provision for bonuses	—	116,758
Other	779,717	789,915
Total current liabilities	1,253,794	1,653,961
Non-current liabilities		
Other	11,305	3,768
Total non-current liabilities	11,305	3,768
Total liabilities	1,265,100	1,657,729
<b>Net assets</b>		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	4,048,506	4,952,911
Treasury shares	(518,618)	(518,949)
Total shareholders' equity	5,155,122	6,059,194
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,955	8,085
Total valuation and translation adjustments	2,955	8,085
Share acquisition rights	4,104	4,104
Total net assets	5,162,181	6,071,384
Total liabilities and net assets	6,427,282	7,729,114

## (2) Statement of Income

(Thousand yen)

	For the six months ended February 28, 2019	For the six months ended February 29, 2020
Net sales	2,192,894	3,508,445
Cost of sales	795,922	1,179,748
Gross profit	1,396,972	2,328,697
Selling, general and administrative expenses	639,895	777,464
Operating profit	757,076	1,551,232
Non-operating income		
Interest income	93	83
Dividend income	110	110
Other	—	33
Total non-operating income	203	227
Non-operating expenses		
Commission for purchase of treasury shares	1,037	—
Total non-operating expenses	1,037	—
Ordinary profit	756,243	1,551,459
Extraordinary income		
Gain on sales 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	756,243	1,748,816
Income taxes—current	252,520	597,104
Income taxes—deferred	(194)	(29,702)
Total income taxes	252,325	567,401
Profit	503,917	1,181,414

## (3) Statement of Cash Flows

(Thousand yen)

	For the six months ended February 28, 2019	For the six months ended February 29, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	756,243	1,748,816
Depreciation	7,752	11,895
Loss (gain) on valuation of investment securities	—	27,643
Loss (gain) on sales of investment securities	—	(225,000)
Increase (decrease) in allowance for doubtful accounts	(430)	1,286
Increase (decrease) in provision for bonuses	56,900	116,758
Interest and dividend income	(203)	(193)
Decrease (increase) in trade receivables	71,615	(124,689)
Increase (decrease) in trade payables	(3,598)	7,009
Increase (decrease) in accounts payable—other	(123,214)	(39,649)
Increase (decrease) in accrued consumption taxes	(10,198)	49,760
Other, net	32,000	4,255
Subtotal	786,867	1,577,892
Interest and dividends received	203	193
Income taxes paid	(244,823)	(341,335)
Net cash provided by (used in) operating activities	542,247	1,236,750
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(649)	(18,771)
Purchase of intangible assets	—	(5,548)
Purchase of investment securities	(100,000)	—
Proceeds from sales of investment securities	—	230,000
Payments of leasehold and guarantee deposits	(18,344)	(292,980)
Net cash provided by (used in) investing activities	(118,993)	(87,300)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(519,578)	(331)
Dividends paid	(174,038)	(276,826)
Net cash provided by (used in) financing activities	(693,616)	(277,157)
Net increase (decrease) in cash and cash equivalents	(270,363)	872,292
Cash and cash equivalents at beginning of period	4,918,188	5,393,580
Cash and cash equivalents at end of period	4,647,825	6,265,873



(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.