

**Non-Consolidated Financial Results
For the Six Months Ended February 28, 2019
[Japanese GAAP]**



March 28, 2019

Company name:	Strike Co., Ltd.
Stock exchange listing:	First Section, Tokyo Stock Exchange
Code number:	6196
URL:	https://www.strike.co.jp/
Representative:	Kunihiko Arai, President and CEO
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Scheduled date of filing quarterly securities report:	April 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:	Scheduled (for institutional investors and analysts)

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

1. Financial Results for the Six Months Ended February 28, 2019 (September 1, 2018 to February 28, 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2019	2,192	41.3	757	53.8	756	53.5	503	52.1
February 28, 2018	1,552	10.6	492	-17.2	492	-17.1	331	-13.2
Basic earnings per share								
Six months ended	Yen		Yen		Yen		Yen	
February 28, 2019	26.07		26.05		17.12		17.10	

(Note) The Company conducted 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 this stock split had been conducted at 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 February 28, 2019	5,190		4,325		83.3
As of August 31, 2018	5,419		4,513		83.2

(Reference) Equity: As of February 28, 2019: ¥4,321 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
Fiscal year ended August 31, 2018	Yen —	Yen 0.00	Yen —	Yen 9.00	Yen 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. Financial Results 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 financial results 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):

February 28, 2019: 19,354,200 shares

August 31, 2018: 19,354,200 shares

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

February 28, 2019: 250,000 shares

August 31, 2018: — shares

3) Average number of shares outstanding during the period:

Six months ended February 28, 2019: 19,327,138 shares

Six months ended February 28, 2018: 19,354,200 shares

(Note) The Company conducted 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 this stock split had been conducted at the beginning of the fiscal year ended August 31, 2018.

* 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.

The Company plans to hold a financial results briefing session for securities analysts and institutional investors on Monday, April 8, 2019. The earnings presentation materials distributed at this briefing are scheduled to be posted on the Company's website shortly after the briefing.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

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

The market for M&A involving small and medium-sized enterprises (SMEs), which is the Company's area of business, continues to expand. SMEs struggle to find successors as their business owners age, and difficulties surrounding business succession at SMEs are so deep-rooted that the Japanese government considers them to be a policy issue. According to "The Productivity Improvement of SMEs and Micro Enterprises" released in October 2017 by the Ministry of Economy, Trade and Industry, about 2.45 million SME and micro enterprise owners will pass the age of 70 over the next ten years. Successors remain undecided for about half of these cases (1.27 million; about 30% of all Japanese companies). The Japanese government is expanding support systems to enable these companies to stay in business, but the Company believes that further enhancement of these systems and the spread of M&A solutions are both necessary for making companies that lack successors recognize M&A as a powerful solution to this issue.

Under this environment, the Company completely reformed its corporate identity (CI) and renewed its corporate logo. The new logo comprises three circles that express "seller companies," "buyer companies," and "Strike," the broker between them, and symbolizes the Company's stance of conducting business earnestly in order to realize M&A that values people's sentiments. In line with this stance, the Company has actively conducted public relations activities aimed at raising its external credibility and further establishing its reputation. It has also raised its employees' senses of belonging by unifying its internal organizations. Through these measures, the Company has established an environment that allows for secure and relaxed consultation with customers.

In terms of operations, the Company has strengthened M&A support systems by accepting personnel from partner financial institutions and training M&A human resources. In January, it partnered with the Tohoku Licensed Public Tax Accountant Cooperative to further expand its relationships with tax accountant offices as a move toward increasing its business succession projects.

In addition, to handle an increase in its number of deals, the Company added 22 M&A consultants during the first six months of the fiscal year.

The Company is also working to increase recognition of M&A by expanding the database of its M&A portal website, "M&A Online." Specifically, it has constructed a database that allows users to search through all cases of M&A conducted 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 exceeded one million for the first time, enabling the Company to help proliferate M&A.

These initiatives have resulted in an increase in larger projects, involving large seller or buyer companies, and slightly longer-than-anticipated pipelines until project completion. As a result, growth in the number of agreements closed remained sluggish at 44 in the first six months (43 in the first six months of the previous fiscal year), but net sales grew 41.3% year on year, to ¥2,192 million, owing to the conclusion of two large projects and an overall rise in sales per agreement. Cost of sales rose 31.3% year on year, to ¥795 million, resulting from upfront costs to actively increase consultants and higher incentives on increased sales. SG&A expenses rose 41.0% year on year, to ¥639 million, due to higher personnel expenses after increasing the number of personnel, 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 rose 53.8% year on year, to ¥757 million, ordinary profit grew 53.5% year on year, to ¥756 million, primarily on commission for purchase of treasury shares, and profit expanded 52.1% year on year, to ¥503 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

1) Assets, Liabilities, and Net Assets

(Assets)

As of February 28, 2019, current assets stood at ¥4,763 million, down ¥338 million from August 31, 2018, mainly due to a ¥71 million decrease in accounts receivable—trade and a ¥270 million drop in cash and deposits.

Non-current assets amounted to ¥426 million, up ¥109 million, attributable primarily to a ¥115 million rise in investments and other assets due to the purchase of investment securities.

(Liabilities)

Current liabilities came to ¥846 million as of February 28, 2019, down ¥32 million from August 31, 2018, mainly due to a ¥90 million fall in other current liabilities, despite a ¥56 million increase in provision for bonuses.

Non-current liabilities were ¥18 million, down ¥7 million from August 31, 2018.

(Net assets)

Net assets were ¥4,325 million as of February 28, 2019, down ¥188 million from August 31, 2018, mainly due to a decline of ¥174 million and ¥518 million in shareholders' equity for payment of dividends and purchase of treasury shares, respectively, despite a ¥503 million increase in profit.

1) Cash Flow

As of February 28, 2019, cash and cash equivalents stood at ¥4,647 million, down ¥270 million from August 31, 2018, mainly attributable to the following reasons.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥542 million (¥128 million in the first six months of the previous fiscal year), primarily attributable to an inflow of ¥756 million in profit before income taxes, despite an outflow of ¥244 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥118 million (¥36 million in the first six months of the previous fiscal year), mainly as a result of an outflow of ¥100 million on the purchase of investment securities, along with an outflow of ¥18 million in payments of leasehold deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥693 million (¥150 million in the first six months of the previous fiscal year), due to outflows of ¥519 million on the purchase of treasury shares and ¥174 million in dividends paid.

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

The Company's financial results forecast for the fiscal year ending August 31, 2019 is currently 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 February 28, 2019
Assets		
Current assets		
Cash and deposits	4,918,188	4,647,825
Accounts receivable—trade	152,188	80,572
Other	32,686	35,353
Allowance for doubtful accounts	(913)	(483)
Total current assets	<u>5,102,150</u>	<u>4,763,268</u>
Non-current assets		
Property, plant and equipment	80,861	75,548
Intangible assets	1,454	1,166
Investments and other assets	234,676	350,243
Total non-current assets	<u>316,992</u>	<u>426,959</u>
Total assets	<u>5,419,143</u>	<u>5,190,227</u>
Liabilities		
Current liabilities		
Accounts payable—trade	75,502	71,904
Income taxes payable	269,248	273,941
Provision for bonuses	—	56,900
Other	534,167	443,326
Total current liabilities	<u>878,918</u>	<u>846,072</u>
Non-current liabilities		
Other	26,380	18,843
Total non-current liabilities	<u>26,380</u>	<u>18,843</u>
Total liabilities	<u>905,298</u>	<u>864,915</u>
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	2,880,358	3,210,088
Treasury shares	—	(518,541)
Total shareholders' equity	<u>4,505,591</u>	<u>4,316,780</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,058	4,337
Total valuation and translation adjustments	<u>4,058</u>	<u>4,337</u>
Share acquisition rights	<u>4,194</u>	<u>4,194</u>
Total net assets	<u>4,513,844</u>	<u>4,325,312</u>
Total liabilities and net assets	<u>5,419,143</u>	<u>5,190,227</u>

(2) Statement of Income

(Thousand yen)

	For the six months ended February 28, 2018	For the six months ended February 28, 2019
Net sales	1,552,161	2,192,894
Cost of sales	606,145	795,922
Gross profit	946,015	1,396,972
Selling, general and administrative expenses	453,678	639,895
Operating profit	492,336	757,076
Non-operating income		
Interest income	69	93
Dividend income	105	110
Other	175	—
Total non-operating income	350	203
Non-operating expenses		
Commission for purchase of treasury shares	—	1,037
Total non-operating expenses	—	1,037
Ordinary profit	492,687	756,243
Profit before income taxes	492,687	756,243
Income taxes—current	150,394	252,520
Income taxes—deferred	11,042	(194)
Total income taxes	161,436	252,325
Profit	331,250	503,917

(3) Statement of Cash Flows

(Thousand yen)

	For the six months ended February 28, 2018	For the six months ended February 28, 2019
Cash flows from operating activities		
Profit before income taxes	492,687	756,243
Depreciation	5,795	7,752
Increase (decrease) in allowance for doubtful accounts	176	(430)
Increase (decrease) in provision for bonuses	37,000	56,900
Interest and dividend income	(174)	(203)
Decrease (increase) in trade receivables	(29,362)	71,615
Increase (decrease) in trade payables	25,284	(3,598)
Increase (decrease) in accounts payable—other	(120,483)	(123,214)
Increase (decrease) in accrued consumption taxes	(48,064)	(10,198)
Other, net	(18,494)	32,000
Subtotal	344,362	786,867
Interest and dividends received	174	203
Income taxes paid	(215,963)	(244,823)
Net cash provided by (used in) operating activities	128,573	542,247
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,218)	(649)
Purchase of investment securities	—	(100,000)
Payments of leasehold and guarantee deposits	(13,231)	(18,344)
Net cash provided by (used in) investing activities	(36,450)	(118,993)
Cash flows from financing activities		
Proceeds from issuance of share acquisition rights	4,338	—
Purchase of treasury shares	—	(519,578)
Dividends paid	(154,415)	(174,038)
Net cash provided by (used in) financing activities	(150,077)	(693,616)
Net increase (decrease) in cash and cash equivalents	(57,953)	(270,363)
Cash and cash equivalents at beginning of period	4,158,156	4,918,188
Cash and cash equivalents at end of period	4,100,202	4,647,825

(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 six months of the fiscal year ending August 31, 2019, resulting in treasury shares amounting to ¥518,541 thousand as of February 28, 2019.

(Additional information)

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

The Company has been applying 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. These changes are indicated in the classifications of deferred tax assets as investments and other assets and of deferred tax liabilities as non-current liabilities.