

**Non-Consolidated Financial Results
For the Three Months Ended November 30, 2019
[Japanese GAAP]**



December 24, 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
 Contact: Koichi Nakamura, Director, Executive Officer and CFO
 Phone: +81-3-6865-7766
 Scheduled date of filing quarterly securities report: January 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

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

1. Financial Results for the Three Months Ended November 30, 2019 (September 1, 2019 to November 30, 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	
Three months ended November 30, 2019	Million yen 1,481	% 79.1	Million yen 621	% 170.3	Million yen 621	% 170.2	Million yen 573	% 277.6
November 30, 2018	827	17.5	229	-1.6	230	-1.6	151	-4.8
	Basic earnings per share		Diluted earnings per share					
Three months ended November 30, 2019	Yen 30.01		Yen 29.89					
November 30, 2018	7.85		7.82					

(2) Financial Position

	Total assets	Net assets	Equity ratio
As of November 30, 2019	Million yen 6,346	Million yen 5,465	% 86.0
As of August 31, 2019	6,427	5,162	80.3

(Reference) Equity: As of November 30, 2019: ¥5,461 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	—	—	—	—	—
Fiscal year ending August 31, 2020 (forecast)	—	0.00	—	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
First half	Million yen 3,202	% 46.1	Million yen 1,176	% 55.4	Million yen 1,176	% 55.6	Million yen 942	% 87.0	Yen 49.32
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):

November 30, 2019: 19,354,200 shares

August 31, 2019: 19,354,200 shares

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

November 30, 2019: 250,076 shares

August 31, 2019: 250,036 shares

3) Average number of shares outstanding during the period:

Three months ended November 30, 2019: 19,104,138 shares

Three months ended November 30, 2018: 19,354,200 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) Notes to the Quarterly Financial Statements	8
(Notes on going concern assumption).....	8
(Notes in the event of significant changes in shareholders' equity).....	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the first three 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.

Strike operates in an M&A market that involves small and medium-sized enterprises (SMEs) and continues to grow. SMEs are struggling 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 statistical mode for the age of a business owner in 1995 was 47, and this increased to 69 in 2018. Additionally, the number of managers (directors, sole proprietors) aged 60 or above exceeded the number of those who were 59 or below as of 2017. These figures highlight the rapid aging of business owners and managers in Japan and the urgent need to find successors that faces many SMEs. Against this backdrop, the Japanese government has expanded support systems to enable these companies to stay in business. The number of M&A transactions has been on the rise, and a growing number of business owners now view M&A as a solution for business succession. However, we believe further efforts are necessary to disseminate information on M&A and bolster systems and initiatives to support business owners looking for succession.

To provide these business owners with more information on M&A, the Company held a seminar titled “Gauging the Market Value of Your Company” in Sapporo, Tokyo, Nagoya, Osaka, and Fukuoka. In this seminar, we explained concrete steps explaining how business owners who are looking for successors can sell their businesses. The seminar served as an opportunity to raise awareness on how to initiate the M&A process. The Company also published a PR brochure and articles on M&A in websites, newspapers, and magazines. By disseminating information on M&A, we have been working to capture the latent demand of business owners to sell their businesses.

On the sales front, the Company strengthened its 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 terms of recruitment, we added one new M&A consultant during the first three months of the fiscal year to handle the rising number of new contracts and drive further growth. In September 2019, we expanded our Tokyo headquarters to accommodate the increase in personnel, which was driven by business expansion, as in the previous fiscal year.

During the first three months of the fiscal year ending August 31, 2020, the number of new contracts increased sharply to 117 (from 57 new contracts in the same period of the previous fiscal year). However, the number of deals closed only rose to 24 (from 22), as many (seven) contracts were concluded but not recorded as sales during the period under review. These deals will be executed in the following quarter or later. That said, overall fees per deal increased thanks to the closure of four large deals (versus none in the same period of the previous fiscal year). As a result, net sales reached ¥1,481 million, up 79.1% year on year. Cost of sales expanded 79.0% year on year to ¥495 million, primarily due to increased incentives stemming from higher net sales, as well as a rise in contract introduction fees. SG&A expenses grew 13.8% year on year to ¥365 million, mainly attributable to higher personnel expenses caused by an increase in personnel and higher rent expenses on land and buildings following expansion of our headquarters. Consequently, operating profit rose 170.3% year on year to ¥621 million. Ordinary profit also came to ¥621 million, up 170.2% year on year. To improve asset efficiency, the Company sold a portion of investment securities and booked a ¥225 million gain on sales of investment securities as extraordinary income. As a result, bottom-line profit rose 277.6% year on year to ¥573 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:

	Q1 FY08/20 (actual)	Q1 FY08/20 (target)	FY08/20 (target)	Achievement of the full-year target
Number of deals closed	24	30	143	16.8%
Number of new contracts	117	83	358	32.7%

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

(2) Explanation of Financial Condition

(Assets)

As of November 30, 2019, current assets stood at ¥5,794 million, down ¥135 million from August 31, 2019. This mainly reflected a ¥163 million decrease in accounts receivable—trade, offsetting a ¥19 million increase in cash and deposits.

Non-current assets amounted to ¥552 million, up ¥55 million from August 31, 2019. This was mainly attributable to increases of ¥6 million in property, plant and equipment caused by the purchase of non-current assets when expanding the headquarters and ¥43 million in investments and other assets due to an increase in deferred tax assets.

(Liabilities)

As of November 30, 2019, current liabilities came to ¥873 million, down ¥379 million from August 31, 2019. This was primarily the result of a ¥73 million decrease in accounts payable—trade and a ¥478 million drop in other current liabilities that stemmed from payment of accrued bonuses in the fiscal year ended August 31, 2019 and offset a ¥209 million increase in provision for bonuses.

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

(Net assets)

As of November 30, 2019, net assets totaled ¥5,465 million, up ¥302 million from August 31, 2019. This mainly reflected a ¥573 million increase in profit, offsetting a ¥277 million decrease in retained earnings for payment of dividends.

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

Our earnings forecast for the fiscal year ending August 31, 2020 is unchanged from the figures announced on September 30, 2019.

2. Quarterly Financial Statements and Primary Notes

(1) Balance Sheet

(Thousand yen)

	As of August 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	5,393,580	5,412,955
Accounts receivable—trade	502,862	339,315
Other	36,611	43,927
Allowance for doubtful accounts	(3,016)	(2,035)
Total current assets	5,930,037	5,794,164
Non-current assets		
Property, plant and equipment	92,914	99,036
Intangible assets	884	6,259
Investments and other assets	403,444	447,089
Total non-current assets	497,244	552,386
Total assets	6,427,282	6,346,550
Liabilities		
Current liabilities		
Accounts payable—trade	105,482	31,701
Income taxes payable	368,594	331,302
Provision for bonuses	—	209,841
Other	779,717	301,043
Total current liabilities	1,253,794	873,889
Non-current liabilities		
Other	11,305	7,537
Total non-current liabilities	11,305	7,537
Total liabilities	1,265,100	881,426
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	4,048,506	4,344,889
Treasury shares	(518,618)	(518,761)
Total shareholders' equity	5,155,122	5,451,361
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,955	9,658
Total valuation and translation adjustments	2,955	9,658
Share acquisition rights	4,104	4,104
Total net assets	5,162,181	5,465,123
Total liabilities and net assets	6,427,282	6,346,550

(2) Statement of Income

(Thousand yen)

	For the three months ended November 30, 2018	For the three months ended November 30, 2019
Net sales	827,320	1,481,799
Cost of sales	276,488	495,028
Gross profit	550,831	986,770
Selling, general and administrative expenses	320,862	365,209
Operating profit	229,969	621,561
Non-operating income		
Interest income	45	28
Total non-operating income	45	28
Ordinary profit	230,014	621,590
Extraordinary income		
Gain on sales of investment securities	—	225,000
Total extraordinary income	—	225,000
Profit before income taxes	230,014	846,590
Income taxes—current	83,140	313,883
Income taxes—deferred	(4,994)	(40,685)
Total income taxes	78,146	273,197
Profit	151,868	573,392

(3) 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.