

Non-Consolidated Financial Results For the Nine Months Ended May 31, 2020 [Japanese GAAP]



June 29, 2020

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 13, 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 Nine Months Ended May 31, 2020 (September 1, 2019 to May 31, 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended May 31, 2020	4,979	45.9	2,130	77.6	2,130	77.5	1,565	95.4
May 31, 2019	3,413	21.1	1,199	12.9	1,200	12.8	801	11.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended May 31, 2020	81.96	81.55
May 31, 2019	41.62	41.62

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2020	7,836	6,454	82.3
As of August 31, 2019	6,427	5,162	80.3

(Reference) Equity: As of May 31, 2020: ¥6,450 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 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):

May 31, 2020: 19,354,200 shares

August 31, 2019: 19,354,200 shares

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

May 31, 2020: 250,110 shares

August 31, 2019: 250,036 shares

3) Average number of shares outstanding during the period:

Nine months ended May 31, 2020: 19,104,111 shares

Nine months ended May 31, 2019: 19,252,009 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 forecast 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, 2020, the Japanese economy was recovering modestly supported by improvements in corporate earnings and employment conditions. However, the outlook remains uncertain due to concerns over an economic slowdown triggered by intensifying trade friction between the United States and China and by the global COVID-19 pandemic.

The market for M&A involving small and medium-sized enterprises (SMEs), which is our area of business, is continuing to expand over the medium to long term 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 the “2020 White Paper on Small and Medium Enterprises in Japan” published in April 2020 by the Small and Medium Enterprise Agency, of the 43,000 companies that suspended or discontinued operations or were dissolved entirely in 2019, roughly 60% recorded a profit in the immediately preceding fiscal year. This highlights the importance of rapidly passing on businesses to a new generation of motivated managers to ensure they do not close down as a result of a lack of a successor.

Against this backdrop, we cancelled all seminars from March to prevent the spread of COVID-19. In addition, during the state of emergency period, we instructed all our employees to switch to telework as a rule. This reduced opportunities for meetings with clients and led to delays in securing new contracts and closing deals. These circumstances hampered our sales activities, but we worked to attract new customers by leveraging our corporate website and other means to concurrently raise awareness about social distance and promote the concept of “M&A distance,” which entails bringing companies closer together through M&A to deepen their cooperation and enhance their productivity.

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. From March to May, our partners’ operations were similarly constrained by telework and other factors, and this led to a temporary drop in the number of new contract introductions.

In terms of recruitment, we added 14 new M&A consultants during the first nine months of the fiscal year to cope with the increase in new contracts 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, in the first nine months of the fiscal year, the number of new contracts amounted to 254 (versus 203 new contracts in the same period of the previous fiscal year). The number of deals closed came to 97 (versus 68 deals closed in the same period of the previous fiscal year). Net sales reached ¥4,979 million, up 45.9% year on year, thanks in part to the closure of 12 large deals (versus four large deals closed in the same period of the previous fiscal year). Cost of sales expanded 35.6% year on year to ¥1,701 million, primarily due to increased performance-linked incentive salaries accompanying higher sales, a rise in contract introduction fees, and higher personnel expenses attributable to an increase in M&A consultants. SG&A expenses grew 19.7% year on year to ¥1,147 million as reductions in advertising expenses caused by cancelled seminars were offset by higher personnel expenses due to an increase in headcount and by higher rent expenses on land and buildings following expansion of our headquarters. Consequently, operating profit rose 77.6% year on year to ¥2,130 million. Ordinary profit also came to ¥2,130 million, up 77.5% 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 ¥36 million loss on valuation of investment securities as an extraordinary loss. As a result, bottom-line profit rose 95.4% year on year to ¥1,565 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:

	Cumulative Q3 FY08/20 (actual)	Cumulative Q3 FY08/20 (target)	FY08/20 (target)	Achievement of the full-year target
Number of deals closed	97	105	143	67.8%
Number of new contracts	254	265	358	70.9%

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 May 31, 2020, current assets stood at ¥7,001 million, up ¥1,071 million from August 31, 2019. This mainly reflected increases of ¥832 million in cash and deposits and ¥239 million in accounts receivable-trade.

Non-current assets amounted to ¥835 million, up ¥337 million from August 31, 2019. This was mainly attributable to an increase of ¥331 million in investments and other assets due to a rise in leasehold deposits.

(Liabilities)

As of May 31, 2020, current liabilities came to ¥1,381 million, up ¥127 million from August 31, 2019. This was primarily the result of a ¥310 million increase in provision for bonuses, and a decline of ¥422 million in other current liabilities due to the payment of accrued bonuses at the end of the previous fiscal year.

Non-current liabilities were down ¥11 million from August 31, 2019.

(Net assets)

As of May 31, 2020, net assets totaled ¥6,454 million, up ¥1,292 million from August 31, 2019. This mainly reflected a ¥1,565 million increase in bottom-line profit, offsetting a ¥277 million decrease in retained earnings for payment of dividends.

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

Amid concerns over a second wave of COVID-19 infections, the impact of the pandemic on our operations has mainly centered on cancelled negotiations for some M&A brokerage deals and delays in the closure of deals, but our earnings have not been affected significantly. Although a resurgence of COVID-19 cases in the future may have a major impact on our operating performance, we currently do not foresee notable fluctuations in earnings, and have therefore made no changes to our earnings forecast for the fiscal year ending August 31, 2020 announced on September 30, 2019.

We will continue to monitor COVID-19 impact, and if there is a need to revise our earnings forecast in light of 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 May 31, 2020
Assets		
Current assets		
Cash and deposits	5,393,580	6,226,329
Accounts receivable–trade	502,862	742,274
Other	36,611	36,969
Allowance for doubtful accounts	(3,016)	(4,454)
Total current assets	5,930,037	7,001,118
Non-current assets		
Property, plant and equipment	92,914	95,011
Intangible assets	884	5,543
Investments and other assets	403,444	734,558
Total non-current assets	497,244	835,112
Total assets	6,427,282	7,836,231
Liabilities		
Current liabilities		
Accounts payable–trade	105,482	136,833
Income taxes payable	368,594	576,509
Provision for bonuses	—	310,918
Other	779,717	357,264
Total current liabilities	1,253,794	1,381,524
Non-current liabilities		
Other	11,305	—
Total non-current liabilities	11,305	—
Total liabilities	1,265,100	1,381,524
Net assets		
Shareholders' equity		
Share capital	823,741	823,741
Capital surplus	801,491	801,491
Retained earnings	4,048,506	5,337,226
Treasury shares	(518,618)	(518,949)
Total shareholders' equity	5,155,122	6,443,509
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,955	7,092
Total valuation and translation adjustments	2,955	7,092
Share acquisition rights	4,104	4,104
Total net assets	5,162,181	6,454,706
Total liabilities and net assets	6,427,282	7,836,231

(2) Statement of Income

(Thousand yen)

	For the nine months ended May 31, 2019	For the nine months ended May 31, 2020
Net sales	3,413,589	4,979,253
Cost of sales	1,254,876	1,701,295
Gross profit	2,158,713	3,277,957
Selling, general and administrative expenses	958,970	1,147,719
Operating profit	1,199,742	2,130,238
Non-operating income		
Interest income	122	112
Dividend income	1,670	230
Other	—	33
Total non-operating income	1,792	375
Non-operating expenses		
Commission for purchase of treasury shares	1,037	—
Total non-operating expenses	1,037	—
Ordinary profit	1,200,497	2,130,613
Extraordinary income		
Gain on sales of investment securities	—	225,000
Total extraordinary income	—	225,000
Extraordinary losses		
Loss on valuation of investment securities	—	36,598
Total extraordinary losses	—	36,598
Profit before income taxes	1,200,497	2,319,015
Income taxes—current	441,579	824,184
Income taxes—deferred	(42,333)	(70,898)
Total income taxes	399,245	753,286
Profit	801,252	1,565,729

(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.