STRIDERS

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018 (Nine Months Ended December 31, 2017) [Japanese GAAP]

February 13, 2018

Company name: Striders Corporation
Listing: Tokyo Stock Exchange (JASDAQ)
Stock code: 9816
URL: http://www.striders.co.jp/
Representative: Ryoichi Hayakawa, Chairman and Chief Executive Officer
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Scheduled date of filing of Quarterly Report: February 14, 2018
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 – December 31, 2017)

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2017	5,710	21.9	219	(10.7)	206	(20.2)	142	(4.9)
Nine months ended Dec. 31, 2016	4,684	25.2	246	(1.5)	258	5.9	149	(12.5)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 146 (down 14.0%)
Nine months ended Dec. 31, 2016: 170 (up 81.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	16.01	15.99
Nine months ended Dec. 31, 2016	16.87	16.74

Note: The Company conducted a consolidation of common shares according to a ratio of 1:10 effective on October 1, 2017. The amounts of net income per share and diluted net income per share were calculated based on the assumption that the consolidation of shares had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	4,659	2,042	43.7	228.64
As of Mar. 31, 2017	3,891	1,898	48.6	213.02

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 2,036 As of Mar. 31, 2017: 1,892
Note: The Company conducted a consolidation of common shares according to a ratio of 1:10 effective on October 1, 2017. The amount of net assets per share was calculated based on the assumption that the consolidation of shares had been conducted at the beginning of the previous fiscal year.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2018	-	0.00	-		
Fiscal year ending Mar. 31, 2018 (forecast)				0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,700	5.2	310	11.0	310	5.8	200	(12.7)	22.51

Note: Revisions to the most recently announced consolidated earnings forecast: None
The Company conducted a consolidation of common shares according to a ratio of 1:10 effective on October 1, 2017. Net income per share forecast for the fiscal year ending March 31, 2018 is based on the number of shares after the consolidation of shares. Please refer to the "Explanation of appropriate use of earnings forecasts, and other special items."

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec. 31, 2017:	8,887,089 shares	As of Mar. 31, 2017:	8,887,089 shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2017:	2,689 shares	As of Mar. 31, 2017:	2,609 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	8,884,467 shares	Nine months ended Dec. 31, 2016:	8,871,455 shares

Note: The Company conducted a consolidation of common shares according to a ratio of 1:10 effective on October 1, 2017. The number of shares outstanding at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period were calculated based on the assumption that the consolidation of shares had been conducted at the beginning of the previous fiscal year.

* The current quarterly financial report is not subject to quarterly review procedures.

* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

Consolidated earnings forecast after a consolidation of shares

The Company approved and passed the resolution related to a consolidation of shares at the 53rd Annual General Meeting of Shareholders held on June 22, 2017 and conducted a consolidation of shares according to a ratio of 1:10 effective on October 1, 2017. Consolidated earnings forecast that was translated before considering a consolidation of shares is as the follows:

Consolidated earnings forecast for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)
Net income per share 2.25 yen (full year)

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year (hereinafter “the period under review”), the Japanese economy continued to recover moderately thanks mainly to higher corporate earnings, lower unemployment, and increased personal spending, although there were several issues of concern including increasing labor costs due to exacerbating labor shortage.

On the other hand, the outlook for the global economy, despite some signs of modest recovery, remained uncertain with slowdown of economy in China and other emerging countries, the policy trends of the Trump Administration, and heightened geopolitical risks of North Korea and the Islamic State.

Under the economic circumstance described above, the Group (Striders Corporation and its consolidated subsidiaries) focused on increasing the Group’s earnings by implementing initiatives such as streamlining unprofitable businesses, strengthening sales and marketing capabilities of the existing business, and cutting overhead costs. In addition, the Group continued to work on creating new businesses.

Consequently, net sales for the period under review increased 21.9% year-on-year to 5,710 million yen, operating profit decreased 10.7% year-on-year to 219 million yen, ordinary profit decreased 20.2% year-on-year to 206 million yen, and profit attributable to owners of parent decreased 4.9% year-on-year to 142 million yen.

Business segment performance was as follows.

The Group established Overseas Business as a new reportable segment in the second quarter of the current fiscal year upon inclusion of PT. Citra Surya Komunikasi in the scope of consolidation as a consolidated subsidiary.

1) Information Technology Business

Mobile Link Inc. has been engaged in sales activities of motor vehicle communication systems. It has also started sales in Japan of its own brand on-board units developed by the joint venture with a Taiwanese company. However, it has yet to establish its brand identity in the market strong enough to ensure a steady stream of orders. The costs for developing new products decreased compared with the same period of the previous fiscal year.

Consequently, segment sales in the period under review decreased 5.7% year-on-year to 233 million yen but operating profit increased 29.9% year-on-year to 13 million yen.

2) Turnaround Consultancy Business

M&A Global Partners Co., Ltd. has been engaged in operations such as fund procurement support and M&A consulting services. Despite these efforts, it did not receive orders during the period under review.

Consequently, the segment reported no sales with operating loss of 0 million yen in the period under review, compared with sales of 30 million yen with operating profit of 26 million yen one year earlier.

3) Real Estate Lease Management Business

Trust Advisers Corporation has successfully increased the number of orders through sales and marketing efforts in the land agency business.

Consequently, segment sales in the period under review increased 26.1% year-on-year to 3,972 million yen and operating profit increased 37.4% year-on-year to 161 million yen.

4) Food Business

Y. K. Masuda Seimen produces Chinese and other noodles that are sold mainly to Yokohama house-type ramen restaurants in the Kanagawa area. The amount of orders received increased slightly year-on-year due mainly to an increase in the number of the existing ramen restaurants.

Consequently, segment sales in the period under review increased 1.4% year-on-year to 123 million yen but operating profit decreased 4.5% year-on-year to 9 million yen.

5) Hotel Business

We currently operate the Narita Gateway Hotel in the Narita International Airport area and the Kurashiki Royal Art Hotel located in the Kurashiki Bikan Historical Quarter, Okayama Prefecture. Despite an increase in the number of foreign tourists visiting Japan, both room rates and occupancy rates declined due mainly to an increase in the number of vacation rentals and openings of new hotels.

Consequently, segment sales in the period under review decreased 3.5% year-on-year to 1,095 million yen and operating profit decreased 20.4% year-on-year to 161 million yen.

6) Overseas Business

PT. Citra Surya Komunikasi is engaged in advertisement agency business for Japanese companies in the Republic of Indonesia. Specifically, it made store development proposals using new materials to our existing Japanese customers and provided advertising for events targeting local companies.

Consequently, the segment reported sales of 284 million yen with operating profit of 7 million yen in the period under review. We do not report the year-on-year comparison as we started this business from the second quarter of the current fiscal year.

(2) Explanation of Financial Position

Assets

Current assets increased 705 million yen from the end of the previous fiscal year to 2,856 million yen at the end of the period under review. The main factors include increases in cash and deposits by 365 million yen and inventories by 284 million yen. Non-current assets increased 62 million yen from the end of the previous fiscal year to 1,802 million yen. This was mainly attributable to increases in property, plant and equipment by 72 million yen and goodwill by 42 million yen, which were partly offset by a decrease in shares of subsidiaries and associates by 54 million yen.

As a result, total assets were 4,659 million yen, a 768 million yen increase from the end of the previous fiscal year.

Liabilities

Current liabilities increased 568 million yen from the end of the previous fiscal year to 1,393 million yen at the end of the period under review. The main factors include increases in accounts payable-trade by 172 million yen, short-term loans payable by 165 million yen, current portion of long-term loans payable by 49 million yen, and unearned revenue by 52 million yen. Non-current liabilities increased 56 million yen from the end of the previous fiscal year to 1,222 million yen. This was mainly due to an increase in long-term loans payable by 49 million yen.

As a result, total liabilities were 2,616 million yen, a 624 million yen increase from the end of the previous fiscal year.

Net assets

Net assets increased 144 million yen from the end of the previous fiscal year to 2,042 million yen at the end of the period under review. The main factor includes booking of profit attributable to owners of parent of 142 million yen.

Consequently, the equity ratio was 43.7% (compared with 48.6% at the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

Regarding the consolidated earnings forecast, we maintain the full-year consolidated earnings forecast that was disclosed in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017" dated May 12, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	1,536,880	1,902,428
Accounts receivable-trade, net	126,757	162,713
Securities	15,541	2,745
Inventories	316,409	600,876
Deferred tax assets	16,000	16,000
Other	139,479	172,012
Total current assets	2,151,067	2,856,777
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	883,211	936,504
Land	348,663	348,663
Other, net	41,932	60,696
Total property, plant and equipment	1,273,807	1,345,864
Intangible assets		
Goodwill	182,638	224,640
Other	22,695	18,636
Total intangible assets	205,333	243,277
Investments and other assets		
Investment securities	49,588	56,826
Shares of subsidiaries and associates	82,671	28,118
Deferred tax assets	68,693	73,564
Other	60,282	55,343
Total investments and other assets	261,235	213,853
Total non-current assets	1,740,376	1,802,995
Total assets	3,891,444	4,659,772
Liabilities		
Current liabilities		
Accounts payable-trade	86,120	258,455
Short-term loans payable	50,000	215,002
Current portion of long-term loans payable	166,108	215,840
Unearned revenue	119,734	172,242
Accrued expenses	84,261	107,169
Accounts payable-other	85,482	97,703
Income taxes payable	23,206	67,586
Provision for bonuses	28,606	14,140
Deposits received	92,383	123,920
Interest rate swaps	33,049	28,250
Other	56,968	93,637
Total current liabilities	825,922	1,393,948
Non-current liabilities		
Long-term loans payable	733,712	783,206
Net defined benefit liability	10,025	30,192
Long-term lease and guarantee deposited	240,135	231,572
Deferred tax liabilities	183,053	177,998
Total non-current liabilities	1,166,926	1,222,969
Total liabilities	1,992,848	2,616,918

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	1,582,416	1,582,416
Capital surplus	270,961	97,693
Retained earnings	68,359	381,943
Treasury shares	(3,020)	(3,056)
Total shareholders' equity	1,918,716	2,058,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,641	3,299
Deferred gains or losses on hedges	(33,049)	(27,719)
Foreign currency translation adjustment	2,279	2,236
Total accumulated other comprehensive income	(26,129)	(22,183)
Subscription rights to shares	5,415	5,415
Non-controlling interests	593	626
Total net assets	1,898,595	2,042,854
Total liabilities and net assets	3,891,444	4,659,772

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	4,684,364	5,710,268
Cost of sales	3,147,508	4,053,587
Gross profit	1,536,856	1,656,680
Selling, general and administrative expenses	1,290,483	1,436,708
Operating profit	246,373	219,971
Non-operating income		
Interest income	544	1,985
Dividend income	401	135
Gain on valuation of securities	-	318
Gain on sales of securities	6,138	1,243
Commission fee	11,921	15,853
Office work fee	2,800	-
Foreign exchange gains	-	2,254
Other	7,037	4,301
Total non-operating income	28,844	26,092
Non-operating expenses		
Interest expenses	13,363	11,254
Share of loss of entities accounted for using equity method	2,675	28,058
Other	535	333
Total non-operating expenses	16,574	39,646
Ordinary profit	258,643	206,418
Extraordinary income		
Gain on sales of investment securities	-	8,421
Total extraordinary income	-	8,421
Extraordinary losses		
Loss on valuation of investment securities	47,682	-
Loss on sales of shares of subsidiaries and associates	-	3,693
Office transfer expenses	-	3,952
Total extraordinary losses	47,682	7,645
Profit before income taxes	210,960	207,193
Income taxes-current	62,069	69,192
Income taxes-deferred	(787)	(4,293)
Total income taxes	61,282	64,899
Profit	149,678	142,294
Profit attributable to non-controlling interests	25	33
Profit attributable to owners of parent	149,652	142,261

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	149,678	142,294
Other comprehensive income		
Valuation difference on available-for-sale securities	10,040	(1,342)
Deferred gains or losses on hedges	9,087	5,330
Foreign currency translation adjustment	1,268	(43)
Total other comprehensive income	20,396	3,945
Comprehensive income	170,075	146,239
Comprehensive income attributable to:		
Owners of parent	170,049	146,206
Non-controlling interests	25	33

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Based on a resolution passed at the 53rd Annual General Meeting of Shareholders held on June 22, 2017, the Company covered the deficit of retained earnings brought forward by first reducing the amount of legal capital surplus by 173,267 thousand yen to transfer it to other capital surplus in accordance with the provisions of Article 448, Paragraph 1 of the Companies Act, and then reducing the amount of other capital surplus by 173,267 thousand yen to transfer it to retained earnings brought forward in accordance with the provisions of Article 452 of the Companies Act.

Consequently, legal capital surplus decreased by 173,267 thousand yen during the period under review.

Segment and Other Information

Segment Information

I. First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amount shown on quarterly consolidated statement of income (Note 2)
	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business			
Net sales								
External sales	247,023	30,000	3,150,351	121,767	1,135,220	4,684,364	-	4,684,364
Inter-segment sales and transfers	-	-	-	12	-	12	(12)	-
Total	247,023	30,000	3,150,351	121,779	1,135,220	4,684,376	(12)	4,684,364
Segment profit (loss)	10,095	26,835	117,630	9,488	202,532	366,581	(120,208)	246,373

Notes: 1. The negative adjustment of 120,208 thousand yen to segment profit (loss) is mainly personnel and other expenses for administrative departments.
2. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

II. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment						Total	Adjustment (Note 1)	Amount shown on quarterly consolidated statement of income (Note 2)
	Information Technology Business	Turnaround Consultancy Business	Real Estate Lease Management Business	Food Business	Hotel Business	Overseas Business			
Net sales									
External sales	233,056	-	3,972,722	123,424	1,095,156	284,832	5,709,192	1,075	5,710,268
Inter-segment sales and transfers	-	-	-	-	-	-	-	-	-
Total	233,056	-	3,972,722	123,424	1,095,156	284,832	5,709,192	1,075	5,710,268
Segment profit (loss)	13,110	(185)	161,569	9,065	161,282	7,463	352,305	(132,333)	219,971

Notes: 1. The negative adjustment of 132,333 thousand yen to segment profit (loss) is mainly personnel and other expenses for administrative departments.
2. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

(Addition of a reportable segment)

As the Company included PT. Citra Surya Komunikasi and Striders Global Investment Pte. Ltd. in the scope of consolidation in the second quarter of the current fiscal year, it established Overseas Business as a new reportable segment to add it to the exiting reportable segments: Information Technology Business, Turnaround Consultancy Business, Real Estate Lease Management Business, Food Business and Hotel Business.

3. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

(Significant change in goodwill)

Following the acquisition of PT. Citra Surya Komunikasi to make it a subsidiary, the Overseas Business segment increased goodwill by 61,538 thousand yen in the period under review.