STRIDERS

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019

[Japanese GAAP]

February 12, 2019

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 13, 2019
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, 2019 (April 1, 2018 – December 31, 2018)

(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, 2018	6,665	16.7	186	(15.3)	195	(5.4)	135	(4.9)
Nine months ended Dec. 31, 2017	5,710	21.9	219	(10.7)	206	(20.2)	142	(4.9)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2018: 133 (down 8.9%)
Nine months ended Dec. 31, 2017: 146 (down 14.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	15.23	15.22
Nine months ended Dec. 31, 2017	16.01	15.99

Note: The Company conducted a 1-for-10 reverse common stock split 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 reverse stock split 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, 2018	4,747	2,167	45.1	240.82
As of Mar. 31, 2018	4,837	2,033	41.6	226.65

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 2,139 As of Mar. 31, 2018: 2,013

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2019	-	0.00	-		
Fiscal year ending Mar. 31, 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(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	10,000	25.5	260	24.4	246	37.2	172	37.4	19.35

Note: Revisions to the most recently announced consolidated earnings forecast: None

*** 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: Yes
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, 2018:	8,887,089 shares	As of Mar. 31, 2018:	8,887,089 shares

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

As of Dec. 31, 2018:	2,709 shares	As of Mar. 31, 2018:	2,699 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018:	8,884,380 shares	Nine months ended Dec. 31, 2017:	8,884,467 shares

Note: The Company conducted a 1-for-10 reverse common stock split 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 reverse stock split had been conducted at the beginning of the previous fiscal year.

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* 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.”

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 has continued to recover moderately with ongoing improvement in employment and income environment supported by the effect of various economic measures. The Asian economy is generally on a track of moderate recovery in the Southeast and South Asian countries, despite the risk of a business downturn in China caused by events such as developments of the trade issues, responses to the excessive debt problem, and changes in the financial and capital market.

Under the economic circumstance described above, the Group (Striders Corporation and its consolidated subsidiaries) continued to engage in activities to seize new investment opportunities overseas. In addition, the Group implemented initiatives to expand sales from the existing business and improve operational efficiency.

Consequently, net sales for the period under review increased 16.7% year-on-year to 6,665 million yen, operating profit decreased 15.3% year-on-year to 186 million yen, ordinary profit decreased 5.4% year-on-year to 195 million yen, and profit attributable to owners of parent decreased 4.9% year-on-year to 135 million yen.

Business segment performance was as follows.

Since the previous fiscal year, we have changed a reportable segment classification from the previously defined five segments, consisting of the Information Technology Business, the Turnaround Consultancy Business, the Real Estate Lease Management Business, the Food Business, and the Hotel Business, to three segments, consisting of the Real Estate Business, the Hotel Business and the Overseas Business, based on the quantitative criteria of each business.

1) Real Estate Business

Trust Advisers Corporation currently operates the residential property business comprising of leasing service for condominium owners as well as a rental and condominium building management on a contract basis. The Company also engages in the land agency business that caters for condominium owners' needs for buying and selling properties. While the residential property business continued an increasing trend in the number of buildings under management, the land agency business suffered from lowered willingness of private owners to enter into a deal. Consequently, segment sales for the period under review increased 15.9% year-on-year to 4,606 million yen while operating profit decreased 9.9% year-on-year to 145 million yen.

2) 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. While a room rate for the inbound tourist group has continued to improve, an occupancy ratio has been lowered by intensified competitive environment in the Tokyo metropolitan area. We also observed the end of reconstruction demand after the torrential rain disaster in western Japan that occurred last year. Consequently, segment sales for the period under review increased 1.6% year-on-year to 1,113 million yen while operating profit decreased 0.7% year-on-year to 160 million yen.

3) Overseas Business

PT. Citra Surya Komunikasi mainly engages in the advertisement agency business that serves Japanese companies operating in the Republic of Indonesia. Though the weakened Indonesian rupiah has come to a stable stage, the local companies are more inclined to reduce advertisement expenses, given the presidential election this coming April. Consequently, segment sales for the period under review increased 136.1% year-on-year to 672 million yen and operating profit increased 380.2% year-on-year to 35 million yen. The year-on-year percentage change has become larger because we started this business from the second quarter of the previous fiscal year.

4) Other

Under the Other segment, Mobile Link Inc. has been engaged in development and sales activities of motor vehicle communication systems, M&A Global Partners Co., Ltd. in M&A consulting services, and Y. K. Masuda Seimen in production and sales of Chinese and other noodles.

Although Mobile Link Inc. is working hard to develop new customers for motor vehicle communication systems, it requires some more time to achieve tangible results. In addition, Y. K. Masuda Seimen is suffering from a weak growth of orders. Consequently, the segment reported sales of 273 million yen, down 23.4% year-on-year, with operating loss of 5 million yen (compared with operating profit of 21 million yen one year earlier) for the period under review.

(2) Explanation of Financial Position

Assets

Current assets decreased 290 million yen from the end of the previous fiscal year to 2,596 million yen at the end of the period under review. The main factors include decreases in cash and deposits by 194 million yen and accounts receivable-trade by 62 million yen. Non-current assets increased 200 million yen from the end of the previous fiscal year to 2,151 million yen. This was mainly attributable to an increase in investment securities by 228 million yen.

As a result, total assets were 4,747 million yen, a 90 million yen decrease from the end of the previous fiscal year.

Liabilities

Current liabilities decreased 240 million yen from the end of the previous fiscal year to 1,178 million yen at the end of the period under review. The main factors include decreases in short-term loans payable by 130 million yen and accrued expenses by 62 million yen. Non-current liabilities increased 15 million yen from the end of the previous fiscal year to 1,401 million yen. This was mainly due to increases in bonds payable by 100 million yen and long-term deposits received by 70 million yen, which were partially offset by a decrease in long-term loans payable by 124 million yen.

As a result, total liabilities were 2,579 million yen, a 224 million yen decrease from the end of the previous fiscal year.

Net assets

Net assets increased 134 million yen from the end of the previous fiscal year to 2,167 million yen at the end of the period under review. The main factors include booking of profit attributable to owners of parent of 135 million yen.

Consequently, the equity ratio was 45.1% (compared with 41.6% 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, 2018” dated May 14, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	2,214,398	2,019,668
Accounts receivable-trade, net	219,836	157,408
Securities	2,672	2,727
Inventories	326,574	333,641
Other	123,114	82,628
Total current assets	2,886,596	2,596,075
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	981,137	944,381
Land	348,663	348,663
Other, net	101,435	111,750
Total property, plant and equipment	1,431,236	1,404,796
Intangible assets		
Goodwill	216,551	187,022
Other	19,307	33,469
Total intangible assets	235,858	220,491
Investments and other assets		
Investment securities	33,019	261,857
Shares of subsidiaries and associates	84,147	90,441
Deferred tax assets	111,210	110,897
Other	55,282	62,754
Total investments and other assets	283,659	525,950
Total non-current assets	1,950,754	2,151,238
Total assets	4,837,351	4,747,314
Liabilities		
Current liabilities		
Accounts payable-trade	158,305	139,634
Short-term loans payable	215,352	85,095
Current portion of long-term loans payable	228,670	194,349
Unearned revenue	236,945	253,893
Accrued expenses	169,160	106,609
Accounts payable-other	103,758	97,143
Income taxes payable	32,232	34,751
Provision for bonuses	28,284	15,758
Deposits received	132,198	123,891
Interest rate swaps	29,569	28,003
Other	84,089	99,199
Total current liabilities	1,418,567	1,178,329
Non-current liabilities		
Bonds payable	-	100,000
Long-term loans payable	934,338	809,732
Long-term deposits received	-	70,000
Net defined benefit liability	37,069	35,616
Long-term lease and guarantee deposited	246,747	222,738
Deferred tax liabilities	167,607	163,403
Total non-current liabilities	1,385,762	1,401,490
Total liabilities	2,804,329	2,579,820

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,582,416	1,582,416
Capital surplus	106,207	106,207
Retained earnings	364,878	500,176
Treasury shares	(3,062)	(3,066)
Total shareholders' equity	2,050,440	2,185,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,009	(6,889)
Deferred gains or losses on hedges	(29,176)	(27,391)
Foreign currency translation adjustment	(3,253)	(8,722)
Remeasurements of defined benefit plans	(7,385)	(3,152)
Total accumulated other comprehensive income	(36,805)	(46,156)
Share acquisition rights	2,220	3,420
Non-controlling interests	17,166	24,496
Total net assets	2,033,021	2,167,493
Total liabilities and net assets	4,837,351	4,747,314

(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 FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	5,710,268	6,665,232
Cost of sales	4,053,587	4,881,492
Gross profit	1,656,680	1,783,740
Selling, general and administrative expenses	1,436,708	1,597,421
Operating profit	219,971	186,318
Non-operating income		
Interest income	1,985	1,688
Dividend income	135	79
Commission fee	15,853	19,655
Gain on sales of securities	1,243	7
Gain on valuation of securities	318	-
Foreign exchange gains	2,254	-
Share of profit of entities accounted for using equity method	-	6,293
Other	4,301	3,927
Total non-operating income	26,092	31,652
Non-operating expenses		
Interest expenses	11,254	11,435
Interest on bonds	-	40
Bond issuance cost	-	6,172
Share of loss of entities accounted for using equity method	28,058	-
Foreign exchange losses	-	4,547
Other	333	421
Total non-operating expenses	39,646	22,617
Ordinary profit	206,418	195,354
Extraordinary income		
Gain on sales of investment securities	8,421	-
Gain on sales of non-current assets	-	2,797
Other	-	96
Total extraordinary income	8,421	2,893
Extraordinary losses		
Loss on retirement of non-current assets	-	1,014
Loss on sales of shares of subsidiaries and associates	3,693	-
Office transfer expenses	3,952	-
Total extraordinary losses	7,645	1,014
Profit before income taxes	207,193	197,232
Income taxes-current	69,192	55,619
Income taxes-deferred	(4,293)	(4,203)
Total income taxes	64,899	51,415
Profit	142,294	145,816
Profit attributable to non-controlling interests	33	10,518
Profit attributable to owners of parent	142,261	135,298

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	142,294	145,816
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,342)	(9,899)
Deferred gains or losses on hedges	5,330	1,784
Foreign currency translation adjustment	(43)	(5,629)
Remeasurements of defined benefit plans, net of tax	-	1,204
Total other comprehensive income	3,945	(12,539)
Comprehensive income	146,239	133,277
Comprehensive income attributable to:		
Owners of parent	146,206	125,947
Non-controlling interests	33	7,329

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods in the Preparation of the Quarterly Consolidated Financial Statements

Not applicable.

Changes in Accounting Policies

(Application of Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

Effective from April 1, 2018, we applied "Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Practical Issues Task Force No. 36, January 12, 2018; hereinafter, "PITF No. 36") and other related pronouncements. Accordingly, we account for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions in accordance with "Accounting Standards for Share-based Payment" (Accounting Standards Board of Japan (ASBJ) No. 8, December 27, 2005) and other related pronouncements.

However, in respect of the application of PITF No. 36, pursuant to the provisional treatment stipulated in PITF No. 36, paragraph 10 (3), we will continue to apply the same accounting treatment as before for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions that were entered into prior to the effective date of PITF No. 36.

Additional Information

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

Effective from the beginning of the first quarter of the current fiscal year, we have applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment and Other Information

Segment Information

I. 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				Other (Note 1)	Total	Adjustment (Note 2)	Amount shown on quarterly consolidated statement of income (Note 3)
	Real Estate Business	Hotel Business	Overseas Business	Subtotal				
Net sales								
External sales	3,972,722	1,095,156	284,832	5,352,712	356,480	5,709,192	1,075	5,710,268
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	3,972,722	1,095,156	284,832	5,352,712	356,480	5,709,192	1,075	5,710,268
Segment profit	161,569	161,282	7,463	330,316	21,989	352,305	(132,333)	219,971

Notes: 1. The “Other” segment consists of activities that are not included in any of the reportable segments, and includes the information technology business and the food business.

2. The negative adjustment of 132,333 thousand yen to segment profit is mainly personnel and other expenses for administrative departments.

3. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. 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.

II. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

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

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount shown on quarterly consolidated statement of income (Note 3)
	Real Estate Business	Hotel Business	Overseas Business	Subtotal				
Net sales								
External sales	4,606,294	1,113,191	672,629	6,392,114	273,117	6,665,232	-	6,665,232
Inter-segment sales and transfers	-	-	-	-	12	12	(12)	-
Total	4,606,294	1,113,191	672,629	6,392,114	273,129	6,665,244	(12)	6,665,232
Segment profit (loss)	145,498	160,214	35,841	341,554	(5,014)	336,540	(150,221)	186,318

Notes: 1. The “Other” segment consists of activities that are not included in any of the reportable segments, and includes the information technology business and the food business.

2. The negative adjustment of 150,221 thousand yen to segment profit (loss) is mainly personnel and other expenses for administrative departments.

3. 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)

Since FY3/18, we have changed a reportable segment classification from the previously defined five segments, consisting of the Information Technology Business, the Turnaround Consultancy Business, the Real Estate Lease Management Business, the Food Business, and the Hotel Business, to three segments, consisting of the Real Estate Business, the Hotel Business and the Overseas Business, based on the quantitative criteria of each business. The segment information for the first nine months of FY3/18 is prepared and disclosed based on the reportable segment classification after the change.