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

[Japanese GAAP]

November 12, 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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Tel: +81-3-5777-1891
Scheduled date of filing of Quarterly Report: November 13, 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 Second Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – September 30, 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	%
Six months ended Sep. 30, 2018	4,561	39.1	139	19.0	149	17.0	99	9.9
Six months ended Sep. 30, 2017	3,279	7.3	117	(38.5)	128	(31.2)	90	(34.1)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: 105 (up 11.2%)
Six months ended Sep. 30, 2017: 94 (down 32.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	11.24	11.23
Six months ended Sep. 30, 2017	10.23	10.21

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 Sep. 30, 2018	4,518	2,138	46.8	238.15
As of Mar. 31, 2018	4,837	2,033	41.6	226.65

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 2,115 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: 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 Sep. 30, 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 Sep. 30, 2018:	2,709 shares	As of Mar. 31, 2018:	2,699 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	8,884,380 shares	Six months ended Sep. 30, 2017:	8,884,480 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 4 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 half of the current fiscal year (hereinafter, “the period under review”), the Japanese economy continued to recover moderately with consistently higher corporate earnings and steady improvement in both employment and personal spending. The Asian economy has also recovered moderately notably in the Southeast and South Asian countries including India, despite the risk of a business downturn in China depending on developments of the trade issues, real estate price, and financial market facing the excessive debt problem.

Under the economic circumstance described above, the Group (Striders Corporation and its consolidated subsidiaries) continued to focus on seizing new business 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 39.1% year-on-year to 4,561 million yen, operating profit increased 19.0% year-on-year to 139 million yen, ordinary profit increased 17.0% year-on-year to 149 million yen, and profit attributable to owners of parent increased 9.9% year-on-year to 99 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. Thanks to a steadily maintained number of buildings under management in the residential property business, which has been increasing over the past nine months, and also to a successfully shortened holding period of properties in the land agency business, segment sales for the period under review increased 32.1% year-on-year to 3,142 million yen and operating profit increased 16.3% year-on-year to 109 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. As a result of our constant efforts over the past several years to raise guest room unit prices, we have successfully increased inbound tourist group rates. On the other hand, profitability was adversely affected by the higher heavy oil prices and the torrential rain in western Japan that occurred in July. Consequently, segment sales for the period under review increased 2.0% year-on-year to 740 million yen while operating profit decreased 0.9% year-on-year to 110 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. Despite a steady growth in transactions with existing customers, profitability was adversely affected by increased cost of purchase from abroad due to the weakened Indonesian Rupiah. Consequently, the segment reported sales of 510 million yen with operating profit of 31 million yen for the period under review. We do not report the year-on-year comparison as 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 of Chinese and other noodles.

Due mainly to a slowdown in the robust inflow of orders received by Mobile Link Inc. from existing customers for motor vehicle communication systems, the segment reported sales of 168 million yen, down 3.5% year-on-year, with operating loss of 11 million yen (compared with operating loss of 3 million yen one year earlier) for the period under review.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Current assets decreased 280 million yen from the end of the previous fiscal year to 2,606 million yen at the end of the period under review. The main factors include decreases in inventories by 116 million yen and accounts receivable-trade by 52 million yen. Non-current assets decreased 38 million yen from the end of the previous fiscal year to 1,911 million yen. This was mainly attributable to a decrease in goodwill by 20 million yen.

As a result, total assets were 4,518 million yen, a 318 million yen decrease from the end of the previous fiscal year.

Liabilities

Current liabilities decreased 327 million yen from the end of the previous fiscal year to 1,090 million yen at the end of the period under review. The main factors include decreases in short-term loans payable by 134 million yen and accrued expenses by 74 million yen. Non-current liabilities decreased 96 million yen from the end of the previous fiscal year to 1,289 million yen. This was mainly due to a decrease in long-term loans payable by 77 million yen. As a result, total liabilities were 2,380 million yen, a 424 million yen decrease from the end of the previous fiscal year.

Net assets

Net assets increased 105 million yen from the end of the previous fiscal year to 2,138 million yen at the end of the period under review. The main factors include booking of profit attributable to owners of parent of 99 million yen. Consequently, the equity ratio was 46.8% (compared with 41.6% at the end of the previous fiscal year).

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) decreased 36 million yen from the end of the previous fiscal year to 1,948 million yen at the end of the period under review.

Details of each cash flow category for the period under review and the major factors for changes are described as follows.

Cash flows from operating activities

Net cash provided by operating activities was 268 million yen (compared with net cash used of 56 million yen in the same period of the previous fiscal year). The main factors include booking of profit before income taxes of 150 million yen and a decrease in inventories by 110 million yen.

Cash flows from investing activities

Net cash used in investing activities was 66 million yen (compared with net cash used of 146 million yen in the same period of the previous fiscal year). The main factors include a payment for purchase of property, plant and equipment of 74 million yen.

Cash flows from financing activities

Net cash used in financing activities was 232 million yen (compared with net cash provided of 136 million yen in the same period of the previous fiscal year). The main factors include a decrease in short-term loans payable by 130 million yen and repayments of long-term loans payable of 161 million yen.

(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)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	2,214,398	2,147,172
Accounts receivable-trade, net	219,836	167,347
Securities	2,672	2,656
Inventories	326,574	210,485
Other	123,114	78,908
Total current assets	2,886,596	2,606,571
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	981,137	956,246
Land	348,663	348,663
Other, net	101,435	93,351
Total property, plant and equipment	1,431,236	1,398,262
Intangible assets		
Goodwill	216,551	195,637
Other	19,307	29,021
Total intangible assets	235,858	224,659
Investments and other assets		
Investment securities	33,019	32,740
Shares of subsidiaries and associates	84,147	82,170
Deferred tax assets	111,210	110,497
Other	55,282	63,640
Total investments and other assets	283,659	289,048
Total non-current assets	1,950,754	1,911,970
Total assets	4,837,351	4,518,541
Liabilities		
Current liabilities		
Accounts payable-trade	158,305	141,367
Short-term loans payable	215,352	80,567
Current portion of long-term loans payable	228,670	203,498
Unearned revenue	236,945	196,128
Accrued expenses	169,160	94,353
Accounts payable-other	103,758	71,335
Income taxes payable	32,232	44,654
Provision for bonuses	28,284	28,737
Deposits received	132,198	121,348
Interest rate swaps	29,569	25,252
Other	84,089	83,729
Total current liabilities	1,418,567	1,090,973
Non-current liabilities		
Long-term loans payable	934,338	857,160
Net defined benefit liability	37,069	35,538
Long-term lease and guarantee deposited	246,747	231,701
Deferred tax liabilities	167,607	164,804
Total non-current liabilities	1,385,762	1,289,204
Total liabilities	2,804,329	2,380,178

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,582,416	1,582,416
Capital surplus	106,207	106,207
Retained earnings	364,878	464,730
Treasury shares	(3,062)	(3,066)
Total shareholders' equity	2,050,440	2,150,287
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,009	2,816
Deferred gains or losses on hedges	(29,176)	(25,051)
Foreign currency translation adjustment	(3,253)	(8,998)
Remeasurements of defined benefit plans	(7,385)	(3,279)
Total accumulated other comprehensive income	(36,805)	(34,513)
Share acquisition rights	2,220	2,220
Non-controlling interests	17,166	20,369
Total net assets	2,033,021	2,138,363
Total liabilities and net assets	4,837,351	4,518,541

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	3,279,940	4,561,803
Cost of sales	2,271,892	3,348,630
Gross profit	1,008,048	1,213,172
Selling, general and administrative expenses	890,492	1,073,230
Operating profit	117,555	139,942
Non-operating income		
Interest income	1,605	863
Dividend income	105	49
Gain on valuation of securities	147	-
Gain on sales of securities	1,243	-
Commission fee	10,739	13,263
Foreign exchange gains	1,659	3,580
Other	3,814	2,103
Total non-operating income	19,315	19,861
Non-operating expenses		
Interest expenses	7,172	7,790
Share of loss of entities accounted for using equity method	1,414	1,977
Other	99	49
Total non-operating expenses	8,686	9,817
Ordinary profit	128,184	149,985
Extraordinary income		
Gain on sales of investment securities	4,930	-
Gain on sales of non-current assets	-	763
Total extraordinary income	4,930	763
Extraordinary losses		
Loss on retirement of non-current assets	1,083	58
Loss on sales of shares of subsidiaries and associates	3,693	-
Other	778	-
Total extraordinary losses	5,554	58
Profit before income taxes	127,560	150,690
Income taxes-current	39,540	46,493
Income taxes-deferred	(2,862)	(2,802)
Total income taxes	36,677	43,691
Profit	90,883	106,999
Profit attributable to non-controlling interests	18	7,147
Profit attributable to owners of parent	90,865	99,852

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	90,883	106,999
Other comprehensive income		
Valuation difference on available-for-sale securities	136	(193)
Deferred gains or losses on hedges	3,961	4,125
Foreign currency translation adjustment	(237)	(6,538)
Remeasurements of defined benefit plans, net of tax	-	953
Total other comprehensive income	3,860	(1,652)
Comprehensive income	94,744	105,346
Comprehensive income attributable to:		
Owners of parent	94,726	102,144
Non-controlling interests	18	3,202

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	127,560	150,690
Depreciation	37,677	51,145
Amortization of goodwill	13,023	16,179
Increase (decrease) in allowance for doubtful accounts	(1,057)	(1,089)
Interest and dividend income	(691)	(913)
Interest expenses	7,172	7,790
Foreign exchange losses (gains)	(170)	1,694
Share of loss (profit) of entities accounted for using equity method	1,414	1,977
Loss (gain) on sales of securities	(1,243)	-
Loss (gain) on sales of investment securities	(4,930)	-
Loss (gain) on sales of shares of subsidiaries and associates	3,693	-
Decrease (increase) in notes and accounts receivable - trade	18,921	65,106
Decrease (increase) in inventories	(232,822)	110,141
Increase (decrease) in notes and accounts payable - trade	(27,585)	(11,453)
Increase (decrease) in deposits received	22,586	(10,689)
Increase (decrease) in lease and guarantee deposits received	(3,998)	(15,046)
Increase (decrease) in other provision	55	1,285
Other, net	6,779	(67,192)
Subtotal	(33,614)	299,624
Interest and dividend income received	361	909
Interest expenses paid	(7,176)	(7,905)
Income taxes paid	(15,749)	(23,769)
Net cash provided by (used in) operating activities	(56,178)	268,859
Cash flows from investing activities		
Purchase of securities	(615)	-
Proceeds from sales of securities	14,972	-
Purchase of property, plant and equipment	(126,284)	(74,571)
Purchase of intangible assets	(1,450)	(12,980)
Purchase of investment securities	(20,000)	-
Proceeds from sales of investment securities	96,326	-
Net decrease (increase) in time deposits	(129,000)	30,811
Purchase of shares of subsidiaries and associates	(4,030)	-
Proceeds from sales of shares of subsidiaries and associates	27,040	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	4,748	-
Other, net	(7,928)	(9,975)
Net cash provided by (used in) investing activities	(146,221)	(66,715)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(20,000)	(130,000)
Proceeds from long-term loans payable	249,000	59,000
Repayments of long-term loans payable	(92,458)	(161,350)
Other, net	-	(4)
Net cash provided by (used in) financing activities	136,542	(232,354)
Effect of exchange rate change on cash and cash equivalents	62	(6,462)
Net increase (decrease) in cash and cash equivalents	(65,794)	(36,673)
Cash and cash equivalents at beginning of period	1,436,880	1,985,398
Cash and cash equivalents at end of period	1,371,085	1,948,725

(4) 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.

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, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standard Board of Japan (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 six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 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	2,379,505	725,919	-	3,105,425	174,514	3,279,940	-	3,279,940
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	2,379,505	725,919	-	3,105,425	174,514	3,279,940	-	3,279,940
Segment profit (loss)	94,404	111,392	-	205,797	(3,071)	202,726	(85,170)	117,555

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 85,170 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 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, goodwill increased by 63,116 thousand yen in the Overseas Business segment in the period under review.

II. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 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	3,142,241	740,633	510,519	4,393,394	168,409	4,561,803	-	4,561,803
Inter-segment sales and transfers	-	-	-	-	12	12	(12)	-
Total	3,142,241	740,633	510,519	4,393,394	168,421	4,561,815	(12)	4,561,803
Segment profit (loss)	109,791	110,410	31,093	251,295	(11,373)	239,921	(99,979)	139,942

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 99,979 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 six months of FY3/18 is prepared and disclosed based on the reportable segment classification after the change.