

Financial Results for the 3rd Quarter of the Fiscal Year Ending February 28th, 2023

January 10th, 2023

TSE Growth (7049)



Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

Performance Highlights

Segment	Summary	Topics
Consolidated	<p>Net Sales: 3,303 million yen (YoY+17.7%, 98.8% compared with plan)</p> <p>Operating Income: -97 million yen (277 million yen in same period of previous year)</p> <p>Net Loss*1: -117million yen (141million yen in same period of previous year)</p>	<ul style="list-style-type: none"> In the organization consulting business, the monthly order amount was 360 million yen compared to the target of 410 million yen at the time of the previous earnings announcement, falling short of the target. The company has a target of improving order to 410 million yen in 4Q
Organizational Consulting	<p>Net Sales: 3,013 million yen (YoY+23.1%)</p> <p>Operating Profit: 87 million yen (YoY-80.8%)</p> <p>Sales per consultant: 328 million yen/month (QoQ -5.0%)</p> <p>Number of consultants: 75 as of the end of November, 2022 *At time of disclosure of this material: 76</p> <p>Order backlog: 691 million yen (QoQ -6.0%)</p> <p>*Order backlog for management consulting only</p>	<p>①Organizational consulting business</p> <ul style="list-style-type: none"> Management consulting services, platform services: <p>While appointments made for consideration of services increased, new orders were sluggish due to closing rates not improving. Sales of platform services also grew at a sluggish pace due to the above factors</p> <p>②Consultant Recruitment:</p> <p>FY02/2023 figures: Number of new hires: 39</p> <p>Number of resignations: 26</p> <p>Shifted to a policy of reducing hiring and investing resources to training of existing instructors</p> <p>Decrease in number of successful consultants due to stricter internal testing standards to improve caliber of consultants</p> <p>*Six consultants had been promoted by the end of December, but five had resigned by the time of disclosure of these materials.</p> <p>③Effectiveness of investing in advertisements</p> <ul style="list-style-type: none"> Despite expenses that were lower than originally planned, we were able to surpass our goal of 750 new appointments, reaching 780, showing an improvement in acquisition efficiency.
Sports Entertainment	<p>Sales: 277 million yen (YoY+69.1%)</p> <p>Operating income: -133 million yen (vs. -135 million yen in same period last year)</p>	<ul style="list-style-type: none"> Sponsor orders reached a total of 201 million yen (YoY+46.5%), a record high. Deficit due to continued investment in team operating expenses in order to strengthen team Acquisition of preferential negotiating rights to the 'Kaiseizan District Sports Facility Improvement Project (PFI Project)'
VC Fund Hands-on Support	<p>Invested in: 2 companies</p> <p>Investment decisions: 0 companies</p>	<ul style="list-style-type: none"> In 3Q, two investments were made.

*1 Net loss attributable to owners of parent company

Performance Highlights - Organization Consulting Business Results

- Orders received in 3Q did not reach monthly target (Target: 410 million yen; Actual: 360 million yen)
- Revised 4Q monthly target for orders to 410 million yen in order to promote investment

Measure	3Q Results	Details
Consultant Recruitment	Unsatisfactory	<ul style="list-style-type: none"> • As a result of restrained hiring, budgeted number of consultants was not reached.
Consultant Training (Candidate Consultants)	Good	<ul style="list-style-type: none"> • Stricter testing criteria for candidate consultants, with one successful consultant promotion during 3Q • *During single month of December, 6 consultants passed our consultant training test requirements.
Advertising Expenses- Increase in Orders	Poor	<ul style="list-style-type: none"> • Although the following measures were implemented, they were not effective during 3Q, so number of new orders remained sluggish. <ul style="list-style-type: none"> ①Assigning of new appointments to experienced consultants ②Review of product planning in order to eliminate differences in service content among different consultants ③Monitoring of internal meetings of all managers in sales department in accordance with our own Shikigaku method in order to achieve results, as well as monitoring of management within company.
Advertising Expenses- Increase in Number of Appointment	Excellent	<ul style="list-style-type: none"> • Acquired 780 new appointments in 3Q (YoY+56.6%), despite cost containment
Advertising Expenses- Enterprise Company Development	Good	<ul style="list-style-type: none"> • Received 2 orders from companies with more than 1,000 employees • Additional orders have been received from 2 large existing clients, and development of orders with large companies is progressing steadily.

Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

Performance Highlights-Sources of Missed Targets and Areas for Improvement in Organizational Consulting Business

- Orders received in 3Q did not reach the monthly target (Target: 410 million yen, Actual: 360 million yen)
- As a result of improvements in the process of being made during 3Q, the causes that we are aware of for missing targets, as well as measures to be taken in 4Q are as follows:

Cause	Details	4Q Measures
Delayed response to changing customer needs	<ul style="list-style-type: none"> • We were not able to counter misunderstandings that one could simply learn everything necessary about Shikigaku through information available on Youtube and in Shikigaku-related books. The popularity of Shikigaku-related books has led to a generalization of its concepts among certain parts of the Japanese public involved in management. 	<p>①Revision of service concepts Revision of services from <i>conveying</i> Shikigaku concepts to <i>installing</i> Shikigaku concepts. Specifically, the main focus was shifted from management consulting to Shikigaku Basic Services. * Together with this shift, sales materials have been revised completely.</p> <p>②Standardization of Shikigaku Basic Services Standardization and formulization of services were too dependent on specific individuals, along with our management consulting services.</p>
Weaknesses in consultant training department	<ul style="list-style-type: none"> • Failure to strength consultant training department in response to target of 50 new consultants results in situation in which consultants can pass training requirements even at a low standard • Above situation led to a condition in which even consultants who had passed training criteria later had poor performance in terms of personal goals, which in turn led to an increase in resignations. 	<p>①Stricter training standards for candidate consultants</p> <p>②Increase in staff in consultant training department (from one full-time staff member to three)</p> <p>③Revision of number of consultants to be hired in the future</p>
Delay in Development of Enterprise Business Contracts	<ul style="list-style-type: none"> • Looking at the sales situation in current term, it can be assumed that our services had a certain level of recognition among enterprise companies even before the previous term, but we were reluctant to attempt contracts with such larger companies due to experience several years earlier in which we could easily attain appointments. • Although customer needs for our services were high, the impact on the current fiscal year's performance has been limited to the lengthening of negotiating period. 	Continuation of investments in personnel and advertising in order to acquire orders from enterprise companies
Low return on investment in raising awareness of Shikigaku	<ul style="list-style-type: none"> • Despite the already existing influence of Shikigaku-related books (written by President Ando) on its awareness within the business environment due to very strong sales, further advertising investments were made on increasing brand recognition. As a result, the return on advertising investments was very low and did not lead to an increase in orders. 	Limit investing on advertising based on brand recognition and increase investing in areas that are expected to be more effective in obtaining appointments.

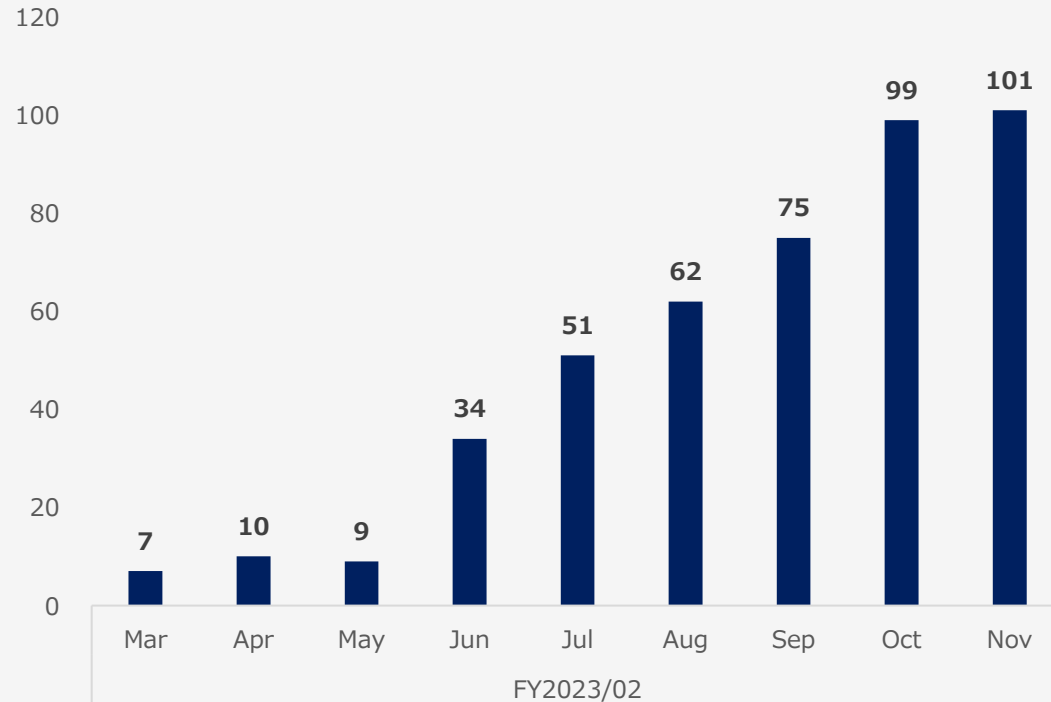
***Shikigaku Basic Services**: A service that provides operational support for organizational management based on Shikigaku principles.

Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

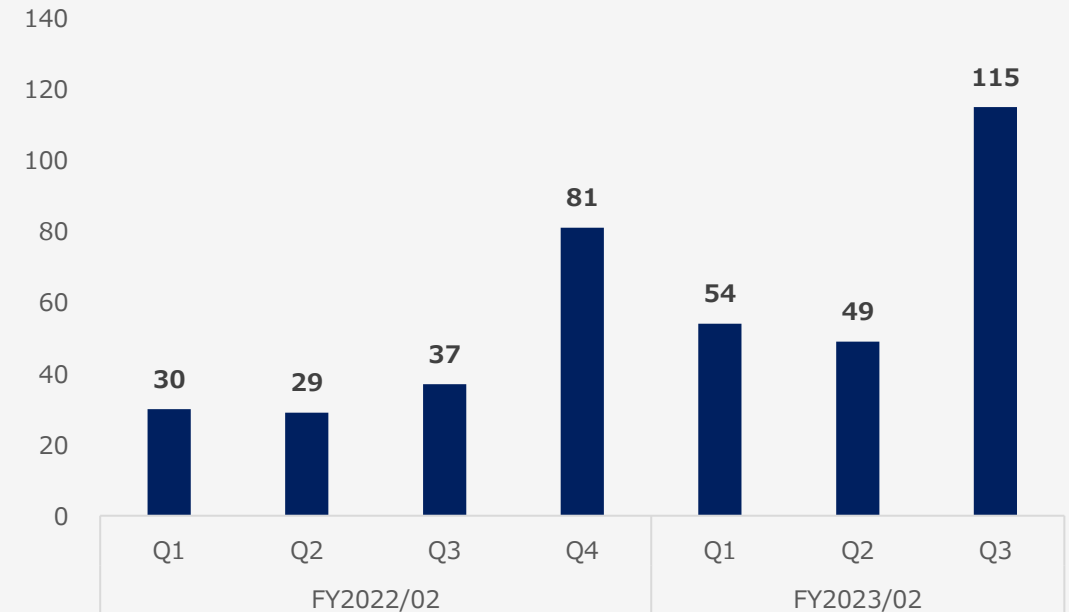
Performance Highlights: Enterprise Company Orders

- Orders from large companies until 3Q of this year: **219 million yen (YoY+123.6%)**
- Number of new appointments acquired: Appointment acquisitions remained steady, reaching **115% of target for 3Q cumulative period.**

Number of New Appointments Made (Monthly)



Orders Received (Quarterly Change)



* Enterprise companies/Large companies: companies with 500 or more employees, or listed companies

Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

Consolidated Statements of Profit and Loss

- As a result of sluggish new orders, 3Q cumulative sales reached 3.3 billion yen **(98.8% of plan)**
- Operating income was in line with revised budget. Gross profit margin of entire group improved due to withdrawal from contract development business
(Gross profit margin of organizational consulting business: **80% or higher**)

(Millions of Yen)	FY2022/02	FY2023/02	YoY	FY2022/02	FY2023/02	YoY	FY2023/02	
	3Q (QTD)	3Q (QTD)		3Q (Cumulative Period)	3Q (Cumulative Period)		Full Year Budget (Revised)	Rate of Progress
Net Sales	1,006	1,117	11.0%	2,808	3,303	17.7%	4,600	71.8%
Operating Expenses ^{*1}	930	1,192	28.2%	2,530	3,401	34.4%	4,700	72.4%
Personnel expenses/ recruitment and training costs ^{*2}	416	556	33.5%	1,160	1,578	36.1%	2,235	70.6%
Advertising expenses	107	208	94.2%	297	613	106.0%	800	76.6%
Rent expenses on land and buildings	37	46	23.9%	103	135	30.3%	185	72.8%
Team operating expenses/box- office expenses	99	94	-5.4%	202	235	16.0%	359	65.6%
Outsourcing expenses	92	29	-68.1%	267	106	-60.1%	150	71.1%
Other operating expenses	176	257	45.9%	498	731	46.9%	969	75.5%
Operating profit and loss	76	-74	-	277	-97	-	-100	-
EBITDA	93	-50	-	330	-35	-	-10	-
Gross profit margin	68.7%	74.4%	-	71.5%	77.7%	-	74.5%	-

*1 Operating expenses=Cost of sales+Selling costs, general and administrative expenses

*2 Personnel cost=Personnel cost for consultants+Personnel cost for staff other than lecturers

Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

Segment PL

- **Organizational Consulting:** Slow growth in the number of new contracts for management consulting services affected progress in platform services.
- **Sports Entertainment:** **+69.1% YoY to 277 million yen** due to an increase in sponsor orders

(Million Yen)	FY2021/02				FY2022/02				FY2023/02			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY
Net sales	426	540	729	809	844	957	1,006	1,015	1,102	1,083	1,117	11.0%
Organizational consulting	426	515	639	640	729	828	890	873	1,001	1,023	987	10.9%
Sports Entertainment	—	25	47	119	51	39	72	121	87	60	130	80.2%
VC Fund	—	—	—	—	—	—	—	—	—	—	—	—
Hands-on Support Fund	—	—	—	—	—	—	—	—	—	—	—	—
Others (Contract Development)	—	—	42	50	62	89	43	20	13	—	—	—
Segment Profit	-32	8	61	100	71	129	76	82	33	-56	-74	—
Organizational Consulting	-32	39	103	118	121	173	161	109	108	7	-27	—
Sports Entertainment	—	-31	-52	-6	-39	-35	-60	8	-44	-49	-39	—
VC Fund	—	—	—	—	—	-13	-15	-18	-28	-23	-20	—
Hands-on Support Fund	—	—	—	—	—	-0	-1	-1	-3	-1	-1	—
Other (Contract Development)	—	—	-1	-3	-4	-9	10	-9	-10	—	—	—

*1 As the Sports Entertainment business generates sales of merchandise and ticket revenue during the B. LEAGUE season (October to April), the net sales and operating profit tend to be skewed toward the Company's second half of the fiscal year (September to February).

*2 Since Fukushima Sports Entertainment Co., Ltd. has been consolidated since the 2Q of the fiscal year ended February 28, 2021, the figures of the Sports Entertainment business before the 1Q of the fiscal year ended February 28, 2021 are shown as "-".

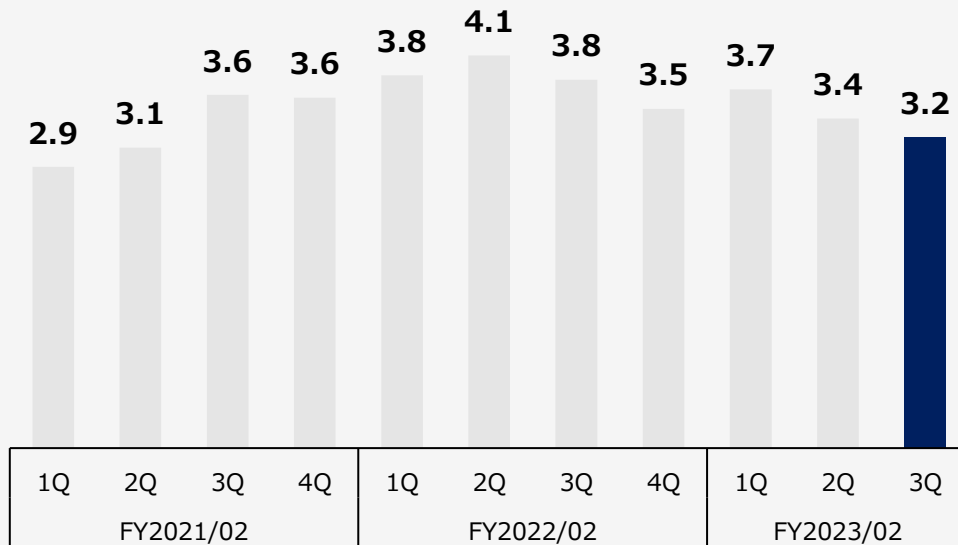
*3 Since MAGES.Lab (currently SHIKI Lab Inc.) has been consolidated since the 3Q of the fiscal year ended February 28, 2021, the figures for the Contract development business before the 2Q of the fiscal year ended February 28, 2021 are shown as "-".

Main Business KPIs (1/5)

- **269 employees (75 consultants and 27 potential instructors)** at the end of the third quarter of FY02/2023
- Numbers as of the date of disclosure of this document: **76 consultants, 21 candidate consultants, 9 people who have accepted job offers (total of 106 consultants and prospective consultants)**
- Per capita sales of consultants who have joined the company at least 8 months prior: **3.76 million yen/monthly average in 3Q**
- Due to factors such as resignations of consultant/sales members and the prolonging of training period, the number of such staff is expected to be reach **90-95**.

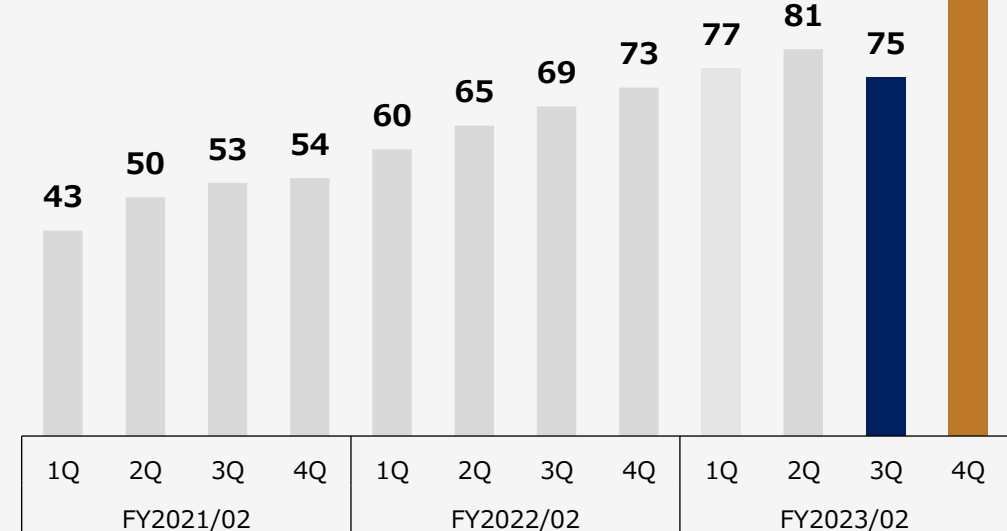
Net Sales per Consultant

(Million Yen)



Number of Consultants

**90-95
Consultants Expected**



*1 Calculated based on (net sales of management consulting services(*2) + net sales of platform services) ÷ number of consultants(*3)

*2 Net sales of officer consultants and net sales of consultants of partner companies are excluded from the calculation.

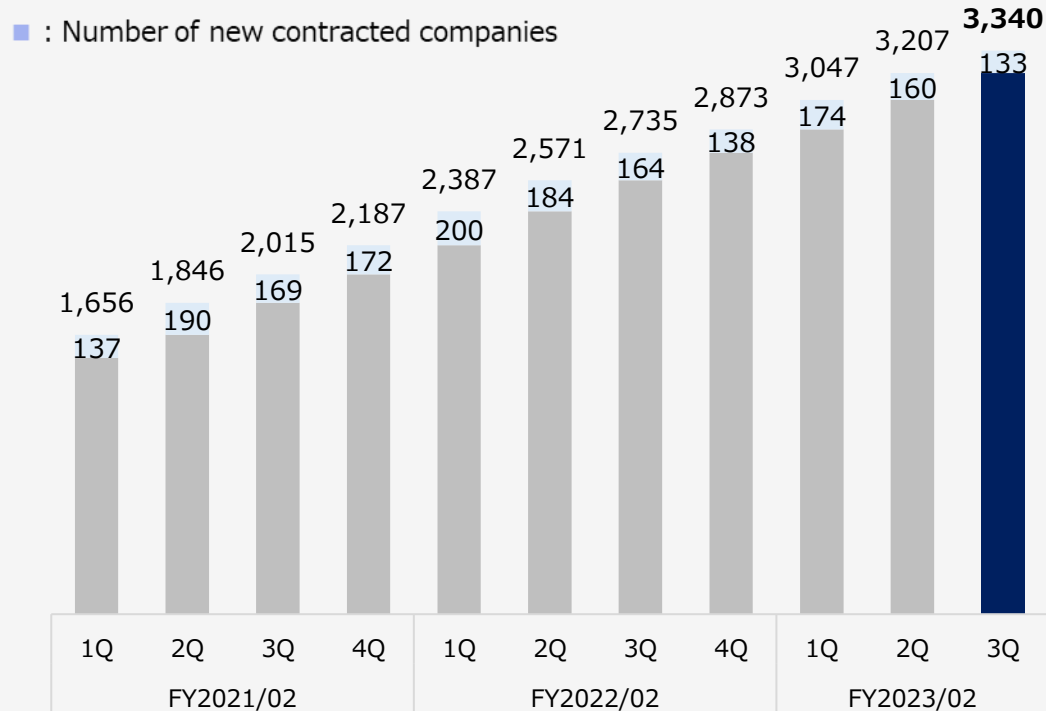
*3 The figures exclude officer consultants (2 persons).

Main Business KPIs (2/5)

- **Management Consulting:** **New contracts decreased QoQ** due to a slowdown in pace of sales and consultant training and decline in order rate.
- **Platform Services:** Number of subscriptions to basic services were stagnant due to decline in new management consult subscriptions.

Churn rate continues to trend around **2-3%***²

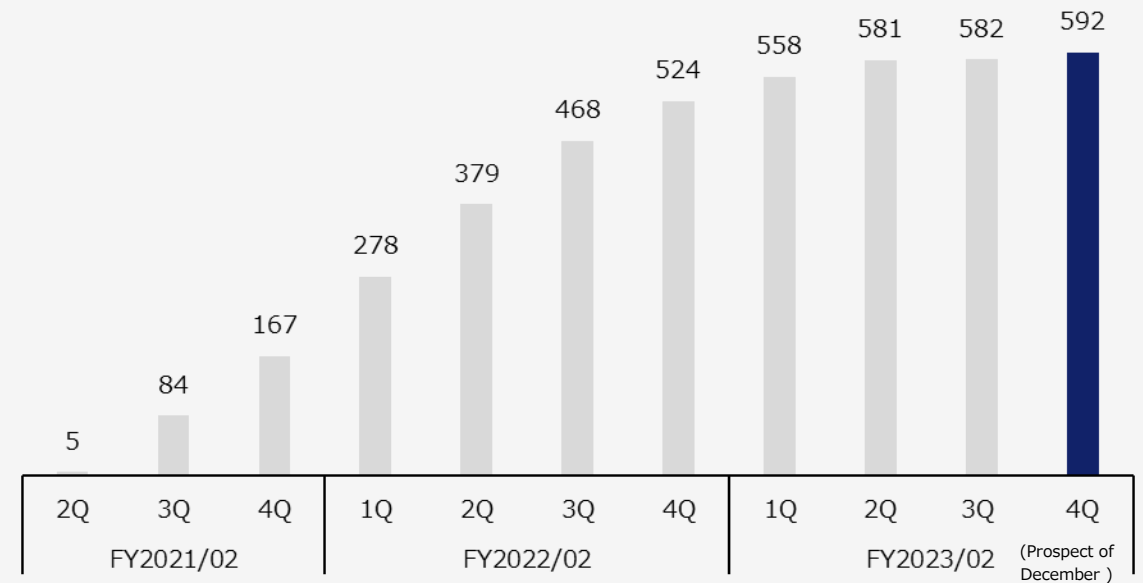
**Cumulative number of contracted companies
(Management Consulting)*¹**



*1 Number of cumulative contracted companies is limited to paid contracted companies.

*2 Most recent 12-month trend

Number of companies contracted to Shikigaku Basic Services

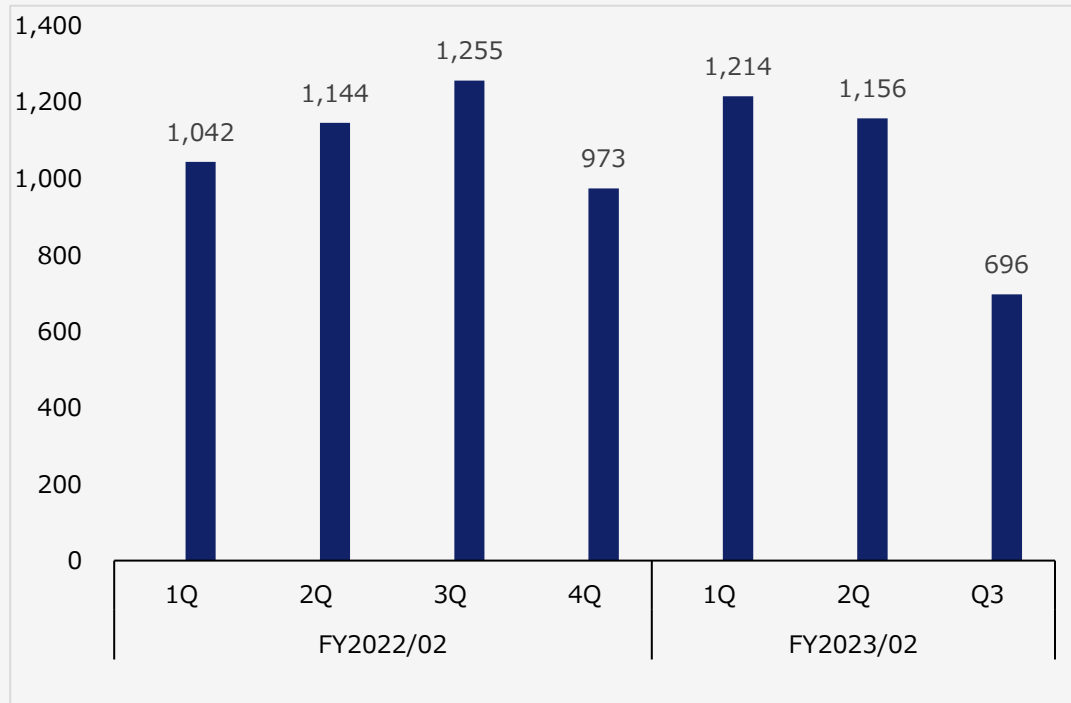


Main Business KPIs (3/5) - Recruitment and Training of Consultants

- Number of job applications: From October, the company shifted to a policy of curbing new hiring and focusing on training existing consultants and associate consultants.
- Longer training period from entry-level candidate consultant to associate consultant
- Increased number of consultants in charge of training from **2 staff to 3 staff** in order to improve pace of training and curb resignations

Number of job applications for candidate consultant position

(Number of Applications)



Length of training period for consultants in primary stages

Average time required from entering company becoming junior consultant

92.0 days

*Average time required in FY2022/02: 69.6 days

Average time required for promotion from junior consultant to associate consultant

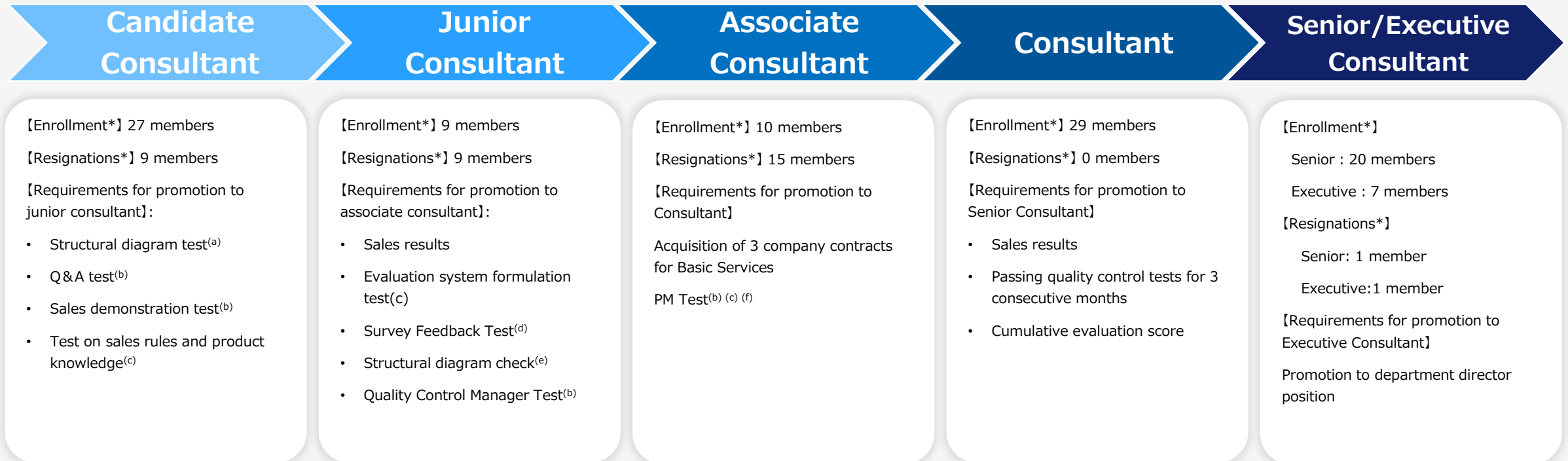
107.4 days

*Average time required in FY2022/02: 95.9 days

Main Business KPIs (4/5) - Steps for Promotion from Candidate Consultant

- Experienced consultants have been assigned to the Human Resource Development Department in order to provide resources for training, and to help graduates become effective and competitive soon after promotion
- After graduation, consultants are assigned directly below department heads, so that they can improve as salespeople and consultants through on-the-job training
- Since the turnover rate remains low for those at the Consultant level (the fourth stage in the table below) and above, we will further implement policies for strengthening training and management of those at the candidate consultant, junior consultant and associate consultant stages.

■ Promotion Steps and Requirements



*The enrollment and resignation figures are calculated as of the date of release of this document.

*Person in charge of each test is as follows: (a)Person in charge of human resource development (b)Person in charge of quality control (c)Sales planning and management staff (d)Customer success management staff (e)Direct supervisor (f)Quality Control Manager
 【About the contents of tests】 (Contents and items will be updated as needed):

①Structural diagram test: Test to see if the participants can memorize and write about 100 diagrams illustrating the theory of Shikigaku, and can explain the diagrams in accordance with the manual.

②Q&A Test: Oral test with 5 questions randomly selected from 400 questions in the company's Q&A collection (all questions must be answered correctly to pass)

③Sales Demonstration Test: Test to see if a sales representative can explain the product information in an appropriate manner without hesitation

④Sales rule and product knowledge test: Tests on contents such as training report deadlines, Master Training fees, and training periods.

⑤Evaluation system establishment test: Written test on product content and role-playing on the introduction of the evaluation system (overall picture and points to keep in mind when introducing the system)

⑥Survey Feedback Test: Test in the form of a role-play in which one reacts to Shikigaku Survey results testing whether they can understand the results and provide feedback correctly to the client

⑦Organizational chart check: Check for any deficiencies by explaining the 12 Master Training sessions' structural diagrams to the supervisor or together with the supervisor

⑧Quality Control Manager Test: Conduct role-play training for the manager in charge of quality control

⑨PM Test: Role-play of Basic Service roadmap creation and proposal to a given company

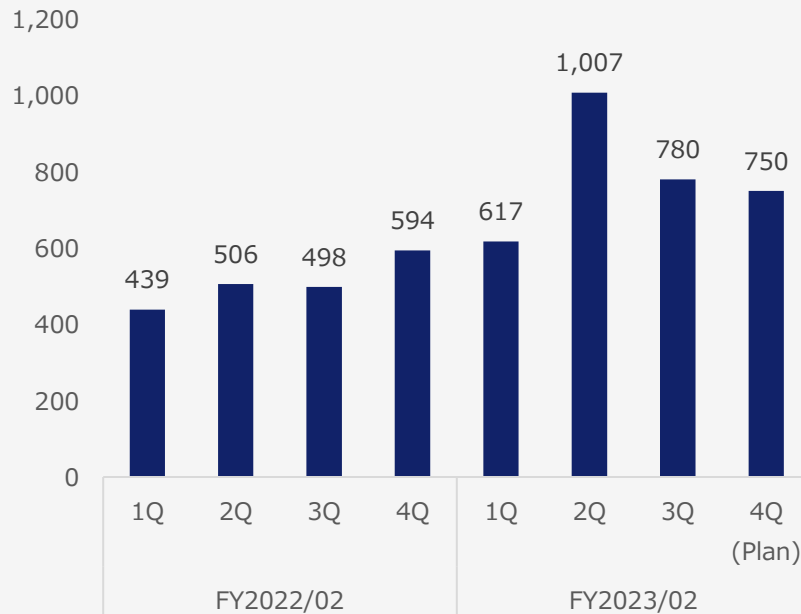
Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

Main Business KPIs (5/5) - Advertising Investment Results Measured by Demand

- Return on investment in advertising is monitored by **new appointments acquired**.*
- Number of new appointments acquired*: **780 in 3Q**, exceeding internal target of 750 (YoY +56.6%).
- Annual number of new appointments* (target): Investment in advertising expenses with **target of 3,000 appointments**, a 50% increase over figures in previous fiscal year.
- Improvements in efficiency of appointment acquisition despite curbing advertising expenses, with aims to **increase order value through improvements in order acceptance rate**

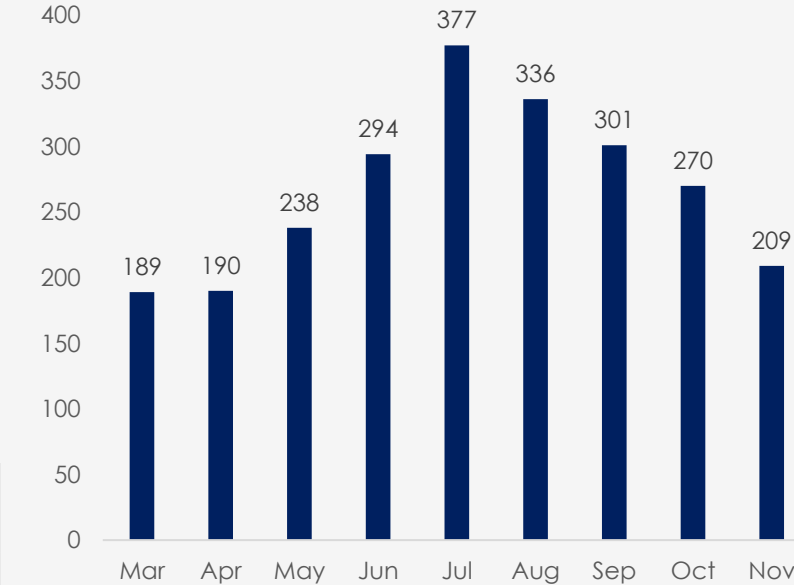
Number of new appointments acquired (quarterly change)

(Number of cases)



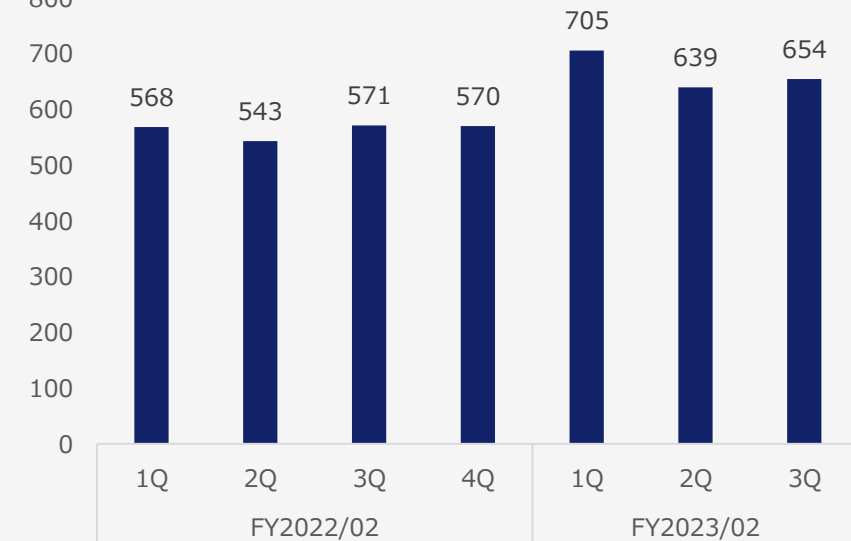
Number of new appointments acquired (monthly)
*September-November : Based on assumption of internal plan of 750 appointments made in 2Q

(Number of cases)



Order amount (quarterly change)

(Million Yen)



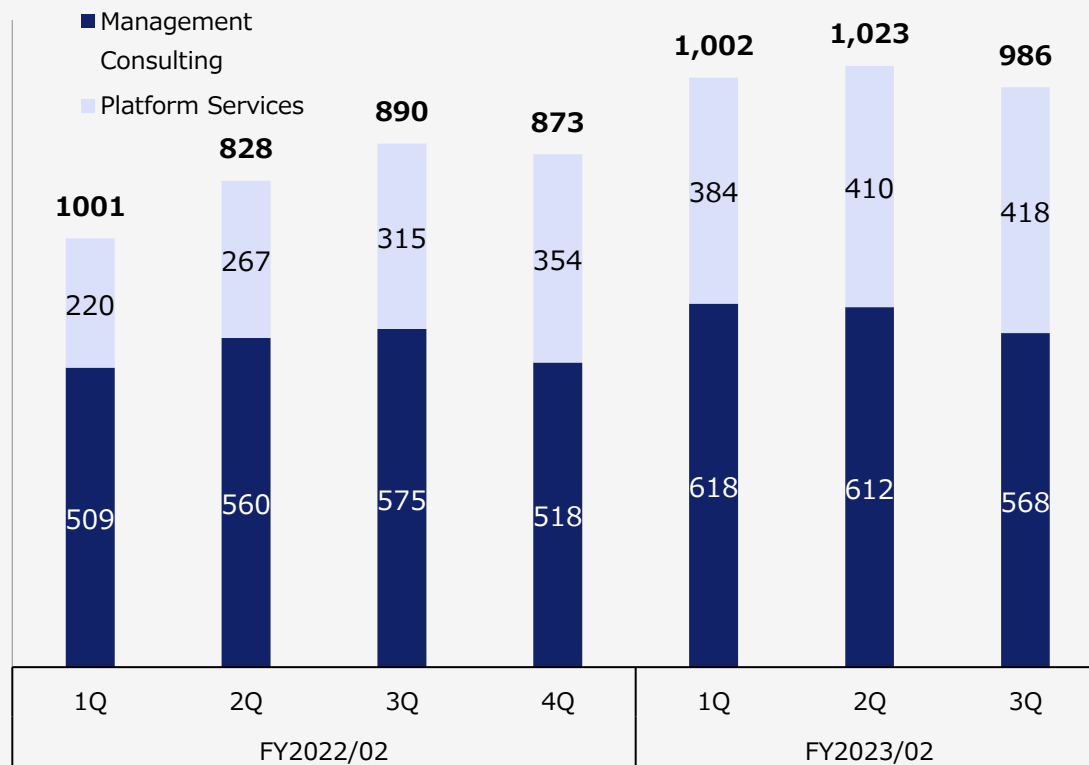
*Number of new appointments acquired: after inquiries from prospective clients to the company, the number of opportunities to make a sales proposal after Inside Sales Department makes contact with prospective client.

Trends of Net Sales in Organization Consulting Business

- Monthly sales of platform services: No growth in new orders due to worsening of ratio of successful contract negotiations
- Management consulting sales: Decreased QoQ due to slow growth in the number of newly acquired companies due to delay in consultant training and lower order rate

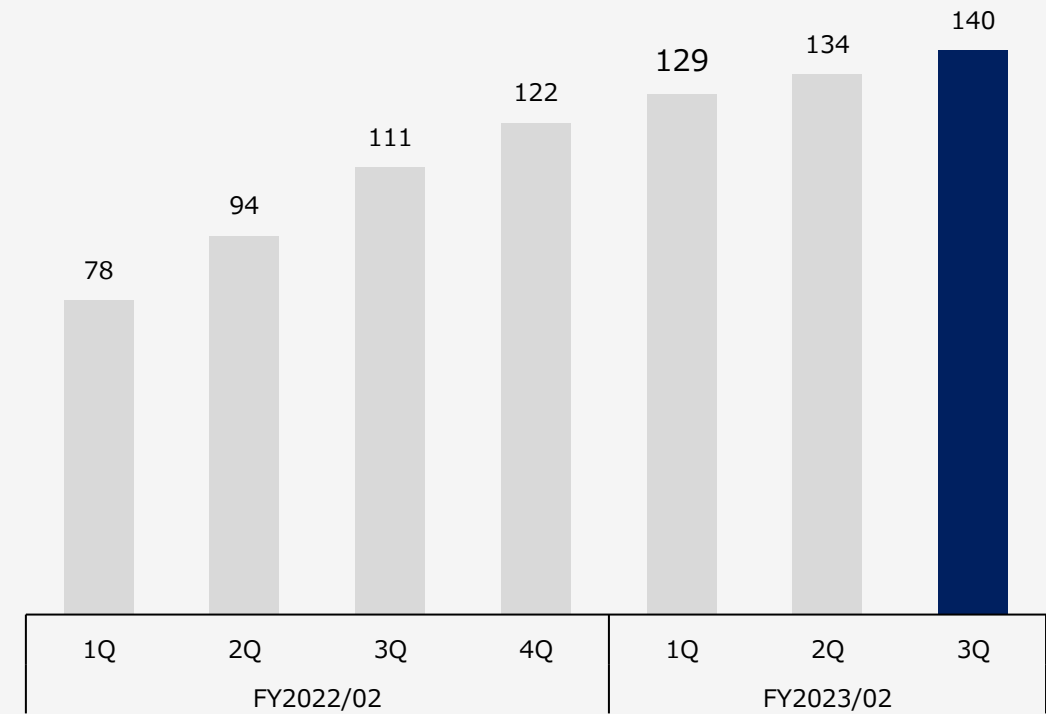
Trends in Net Sales for Organizational Consulting Business

(Million yen)



Monthly Sales Trends for Platform Services

(Million yen)



Financial Summary for the 3rd Quarter of the Fiscal Year Ending February 28, 2023

識学キャリア-業績ハイライト

- Overall sales of Shikigaku Career: **46 million yen (YoY+86.1%)**
- Recruitment: Increase of 1 CA*¹ staff member, with **objective to increase number of referrals per person** in order to increase capabilities in next quarter
- Recruitment training and flow development: Increase in RA*² personnel as well as clarification of scope of responsibilities, as well focus on new business acquisitions, led to an increase of new company contracts acquired.

Segment	Summary	Topics
Recruitment	<p>Number of job registrations*³: 8,945 (QoQ+3.6%)</p> <p>Number of referrals*⁴: 198 companies (QoQ+15.1%)</p> <p>Number of companies offering jobs: 436 (QoQ -5.4%)</p> <p>Number of job offers: 14 (QoQ-6.7%)</p>	<ul style="list-style-type: none"> • Increase of 1 CA personnel • Increase in referrals with job offers at a similar rate as previous quarter (However, number of referrals per person decreased from 28.7 in 2Q to 28.3 in 3Q)
Recruitment Training Establishment of Shikigaku-style Recruitment Flow	<p>Number of companies contracted for recruitment consulting: 10 (compared to 5 in previous quarter)</p> <p>Number of contracts for establishment of recruitment flow: 5 (4 in previous quarter)</p>	<ul style="list-style-type: none"> • The division of roles into those in our agency business*⁵ and those in our recruitment consulting business*⁶ has enabled us to focus on acquiring new projects, and the number of consulting contracts acquired is strong at 10 companies.
Shikigaku Tenshoku (Career Change)	<p>Direct recruiting platform for job seekers</p> <p>Platform to meet the needs for increasing number of people who wish to work at companies implementing Shikigaku concepts.</p>	<ul style="list-style-type: none"> • Steady progress in number of registrations for service due to effectiveness of advertisement • Company's own mid-career recruiting activities have used Shikigaku Tenshoku in order to reduce recruiting costs.

*1 CA : Career Advisor

*2 RA : Recruiting Advisor

*3 Job registrants: Total of (1), (2), and (3) below (1) Number of people who registered as friends on Shikigaku Career's LINE account (2) Number of people who applied for jobs (3) Number of job offers made by our company and interviews set up with our career advisors.

*4 Number of referrals: Number of job seekers introduced to employers (document screening)

*5 Agent business: Recruitment agency (CA/RA) *6 Recruitment consulting business: Support services for companies including both recruitment proxy services and establishment of recruitment flow

VC Fund Business-VC Fund Investment Results

- **2 investment projects implemented, 0 new investment decisions made**
- **Plan to continue building relationships with portfolio companies for investments in next quarter and beyond, as well as providing for future exits.**

Shikigaku No.1 Investment, L.P.	Invested amount (million yen) (A)	Recovery (million yen) (B)	Valuation gain (million yen) (C)	Return ratio ((B+C)/A)
Geocode Co., Ltd.	29	101	—	339.3%
Aidma Holdings, Inc.	35	250	37*2	801.7%
Unlisted companies: 6*1	181	—	—	—
Unexecuted investment	93	—	—	—
Total	341	352	37	114.3%

*1 Total invested amount of Surpass Co., Ltd./WhiteSeed Inc./Itami Arts Inc., and three other investee companies.

*2 Difference between the valuation gain based on the stock price as of the end of November 2022 and the acquisition price.

識学2号ファンド	Invested amount (million yen) (A)	Recovery (million yen) (B)	Valuation gain (million yen) (C)	Recovery % ((B+C)/A)
Unlisted companies: 9*3	325	—	—	—
Unexecuted investment	385	—	—	—
Total	711	—	—	—

*3 Total investment amount of Garnet Co., Ltd, Guidable Co., Ltd., H.I.F. Co., Ltd., HardoLass Holdings Co., Ltd., NanoBridge Semiconductor, Inc. and four other companies.