

# Financial Results for the 1st Quarter of the Fiscal Year Ending February 29<sup>th</sup>, 2024

July 13<sup>th</sup>, 2023

Tokyo Stock Exchange Growth Market (7049)



# Financial Summary for the 1st Quarter of the Fiscal Year Ending February 29, 2024

## Performance Highlights

Segment	Summary	Topics
Consolidated	<p><b>Net Sales : 1,195 million yen (YoY+8.5%)</b></p> <p><b>Operating Income : -146 million yen (33million yen in same period of previous year)</b></p> <p><b>Net Loss*1 : -81 million yen (-26million yen in same period of previous year)</b></p>	<ul style="list-style-type: none"> <li>The effective allocation of marketing costs to acquire new leads resulted in a record-breaking number of appointment acquisitions.</li> <li>Recruitment of consultant candidates for this fiscal year has been closed as we have reached the fixed number due to internal transfers.</li> <li>The third installment of the book series, "Anyway, Systematize," has been published on May 31st.</li> </ul>
Organizational Consulting	<p><b>Net Sales : 1,047 million yen (YoY+4.5%)</b></p> <p><b>Operating Income : -118 million yen (108 million yen in same period of previous year)</b></p> <p><b>Sales per consultant : 3.06 million yen per month(QoQ-8.4%)</b></p> <p><b>Number of consultants : 95 as of the end of May, 2023</b></p> <p><b>Order backlog : 701 million yen (QoQ+7.7%)</b></p> <p>※Order backlog for management consulting only</p>	<p>①Organizational consulting business</p> <ul style="list-style-type: none"> <li>While the conversion rate improvement did not be achieved, resulting in sluggish growth in new orders, there has been an improving trend in a single month in June.</li> <li>The churn rate of the platform services have been <b>ranging from 1% to 3%</b>.</li> </ul> <p>②Number of Consultants</p> <ul style="list-style-type: none"> <li><b>The number of consultants reached 95</b>, which exceeded the target increase of 10-15 from 85 at the end of previous year as a result of focus on nurturing existing consultant candidates.</li> <li>Number of consultants who resigned in 1Q: <b>2 consultants</b></li> <li>Number of consultants who resigned in previous year: 38 consultants</li> </ul>
Sports Entertainment	<p><b>Net Sales : 118 million yen (YoY+36.1%)</b></p> <p><b>Operating Income : -21 million yen (-44 million yen in same period of previous year)</b></p>	<ul style="list-style-type: none"> <li>The Highest attendance in a single game of <b>3,071 spectators</b> has been set on March 11<sup>th</sup>.</li> <li>The first attempt to secure sponsors for Aizu matches is going well.</li> <li>The team failed to promote to B1 despite the advance to the playoffs. The team is now starting preparations for the 2024 season.</li> </ul>
VC Fund Hands-on Support	<p><b>Invested in : 3 companies</b></p>	<ul style="list-style-type: none"> <li>In 1Q, <b>three investments</b> were made.</li> <li>One company exit occurred through M&amp;A in Shikigaku No.2 Fund. <b>*The investment return rate is 120%</b>.</li> <li>We have jointly established a fund with TKP Corporation.</li> </ul>

\*1 Net loss attributable to owners of parent company

# Performance Highlights - Organizational Consulting Business Results

- The improvement results and progress status for the 1Q measures are as follows:

Issue	1Q measures		Result
Delays in responding to changing customer needs	<ul style="list-style-type: none"> <li>we have separated the sales and consulting functions as a measure to focus on acquiring new orders in response to changing customer needs.</li> </ul>	Good	<ul style="list-style-type: none"> <li>Creating an environment where consultants can focus solely on their tasks has resulted in a reduction of the churn rate for Shikigaku Basic Services to 1-3%.</li> <li>The separation of roles has significantly improved the consultant turnover rate. Number of consultants who resigned in 1Q: 2 consultants Number of consultants who resigned in previous year: 38 consultants</li> </ul>
	<ul style="list-style-type: none"> <li>By increasing the man-hours dedicated to new sales, we aim to increase new orders through an increase in the number of demonstrations and sales proposals.</li> </ul>	Unsatisfactory	<ul style="list-style-type: none"> <li>There has been an improving trend in a single month in June due to the increase in the number of demonstrations and proposals since April although there was a sluggish growth in new order acquisition and contract rates in 1Q.</li> </ul>
Large Enterprise Development and Advertising Investment	We will continue to effectively invest in advertising expenses and develop large enterprises.	Good	<ul style="list-style-type: none"> <li>The number of new appointments in 1Q reached a record high of 477.</li> <li>Large enterprise order numbers: In 1Q, orders were received from <b>6 companies</b> with over 500 employees.</li> </ul>

# Financial Summary for the 1st Quarter of the Fiscal Year Ending February 29, 2024

## Performance Highlights - Measures for Organizational Consulting Business from 2Q onwards

- We have achieved the monthly order amount target of **410 million yen** as set in the previous year, based on the results for June.
- We will strive to keep monthly operating expenses at around 330 million yen by reducing sales costs from 2Q onwards.

Policy	Results for 1Q in FY 2024/02	The situation in June	Measures from 2Q onwards FY 2024/02
Net sales and acquisition of new orders	<ul style="list-style-type: none"> <li>• There has been a slowdown in acquiring new orders while net sales has increased.</li> <li>• The orders that were not secured in 1Q will be carried over to the second quarter and beyond for acquisition.</li> </ul>	<ul style="list-style-type: none"> <li>• We achieved the monthly order amount target of 410 million yen based on the results for June.</li> <li>• In order to acquire new orders, we have reviewed the product design of Shikigaku Basic Services and made changes to make it easier for new customers to introduce.</li> </ul>	<ul style="list-style-type: none"> <li>• Through the plan review, we have made it mandatory to sell the platform services and management consulting services as a bundled package.</li> <li>• In order to promote new customer acquisition, we aim to shorten the minimum contract period for Shikigaku platform services from 1 year to 3 months.</li> </ul>
Restructuring of the revenue structure	<p>The average monthly operating expenses for 1Q were 390 million yen. The main expenses are as follows.</p> <ul style="list-style-type: none"> <li>• <b>Advertising expenses and outsourcing expenses</b> We have recorded the expenses for the advertising measures that continued from the previous period in the first quarter. The recording of expenses for the measures from the previous period has been completed.</li> <li>• <b>Personnel expenses and recruitment and training costs</b> The recruitment of consultant candidates for the current period has ended as the designated number has been reached through internal transfers.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Advertising expenses and outsourcing expenses</b> With the completion of the previous period's measures, advertising and outsourcing expenses for June have decreased.</li> <li>• <b>Personnel expenses and recruitment and training costs</b> As the consultant headcount has achieved the target, no further recruitment will be conducted from June onwards, and there will be no recruitment costs incurred.</li> </ul>	<ul style="list-style-type: none"> <li>• In order to keep the monthly operating expenses at around 330 million yen, we will primarily focus on cost reduction in advertising expenses, outsourcing expenses, and recruitment costs.</li> </ul>

# Financial Summary for the 1st Quarter of the Fiscal Year Ending February 29, 2024

## Consolidated Statements of Profit and Loss

- Despite sluggish new orders, 1 Q net sales reached 1,195 million yen. (Progress rate against annual budget : 22.9%)
- Operating profit has been achieved in line with the budget as the expenses for the ongoing advertising measures from the previous period were recorded and completed in the first quarter.
- Due to the expansion of the sports entertainment business, which has a lower gross profit margin, the overall gross profit margin has decreased.

( million yen)	FY2023/02	FY2024/02	YoY	FY2024/02	Progress rate
	1Q(QTD)	1Q(QTD)		Full Year Budget	
Net sales	1,102	1,195	8.5%	5,224	22.9%
Operating Expenses*1	1,068	1,342	25.6%	5,055	26.5%
Personnel expenses/recruitment and training costs*2	500	543	8.7%	2,256	24.1%
Advertising expenses	145	304	109.5%	900	33.8%
Team operating expenses/box-office expenses	86	97	13.4%	401	24.3%
Outsourcing expenses	65	51	▲21.5%	203	25.2%
Other operating expenses	231	345	49.1%	1,294	26.7%
Operating profit and loss	33	▲146	-	168	-
EBITDA	49	▲121	-	271	-
Gross profit margin ratio	78.2%	71.5%	-	-	-

\*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 consultants

# Financial Summary for the 1st Quarter of the Fiscal Year Ending February 29, 2024

## Summary of Profit and Loss by Segment

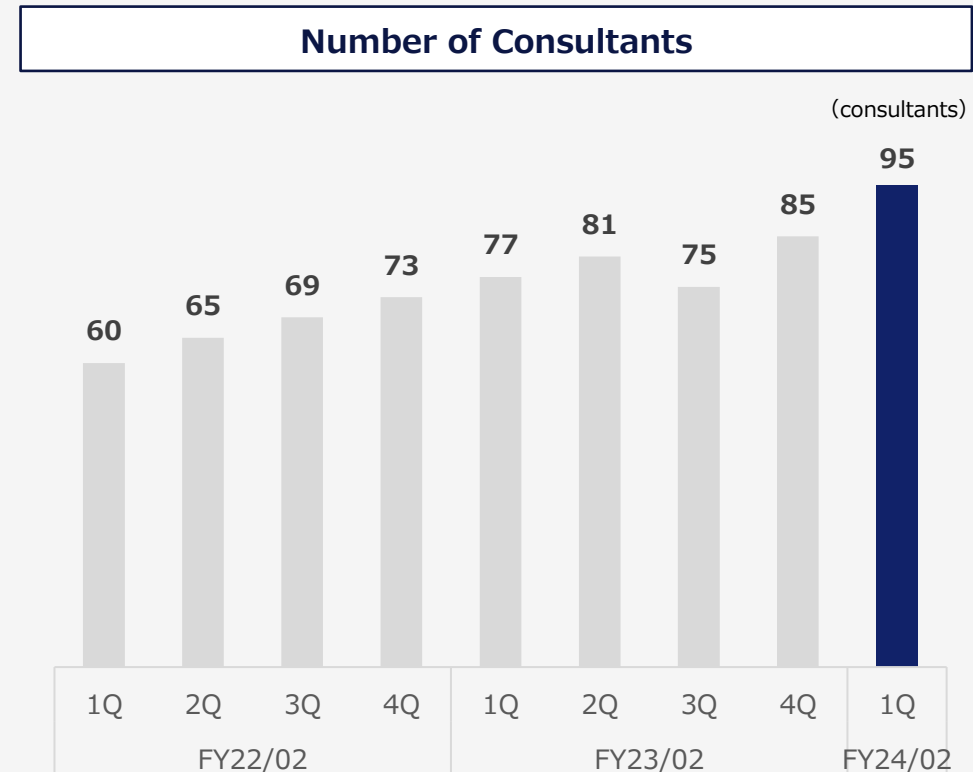
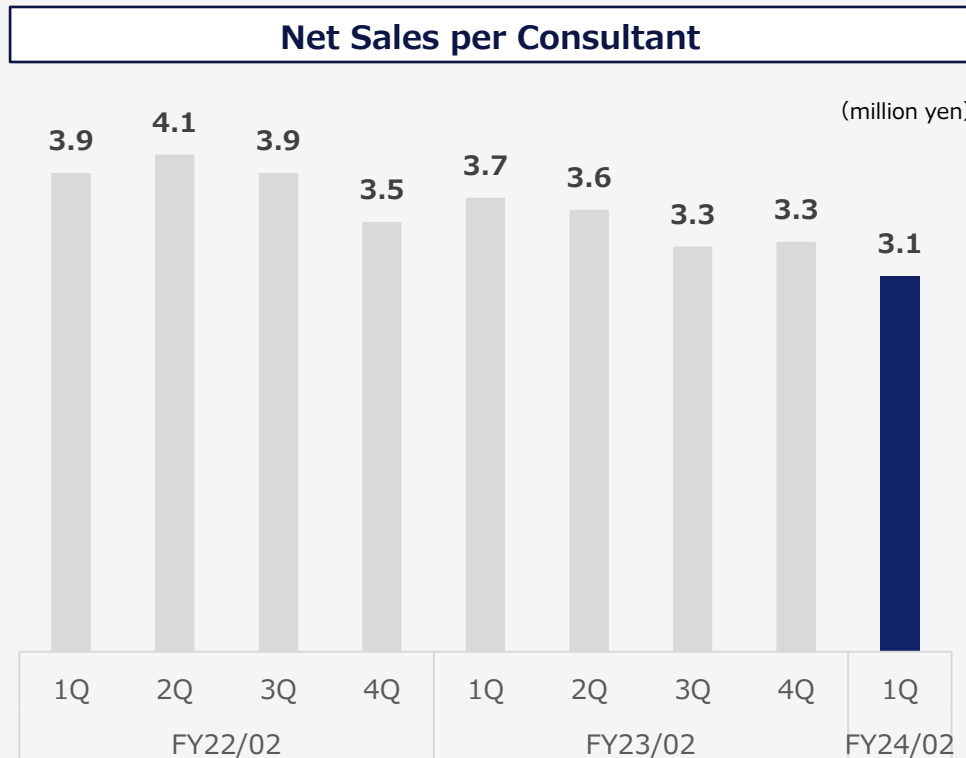
- **Organizational Consulting:** Orders from new and existing customers have grown, resulting in an increase in sales for 1Q compared to the previous quarter. We have completed the recording of the ongoing advertising measures from the previous period 1Q, and as a result, the profit ended with a deficit.
- **Sports entertainment:** Succeeded in acquiring sponsors at the Aizu box office in April, achieving sales of **118 million yen. (YoY+36.1%)**
- **One company in the Shikigaku No.2 Fund's portfolio has exited through an M&A transaction. (The investment return rate: 120.0%)**

( Million Yen)	FY2022/02				FY2023/02				FY2024/02	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY
<b>Net Sales</b>	<b>844</b>	<b>957</b>	<b>1,006</b>	<b>1,015</b>	<b>1,102</b>	<b>1,083</b>	<b>1,117</b>	<b>1,154</b>	<b>1,195</b>	<b>8.5%</b>
Organizational consulting	729	828	890	873	1,001	1,023	987	1,011	1,047	4.7%
Sports Entertainment	51	39	72	121	87	60	130	142	118	36.1%
VC Fund	—	—	—	—	—	—	—	—	30	—
Hands-on Support Fund	—	—	—	—	—	—	—	—	—	—
Others (Contract Development)	62	89	43	20	13	—	—	—	—	—
<b>Segment Profit</b>	<b>71</b>	<b>129</b>	<b>76</b>	<b>82</b>	<b>33</b>	<b>▲56</b>	<b>▲74</b>	<b>40</b>	<b>▲146</b>	—
Organizational Consulting	121	173	161	109	108	7	▲27	79	▲118	—
Sports Entertainment	▲39	▲35	▲60	8	▲44	▲49	▲39	▲30	▲21	—
VC Fund	—	▲13	▲15	▲18	▲28	▲23	▲20	▲20	▲16	—
Hands-on Support Fund	—	—	▲1	▲1	▲3	▲1	▲1	▲1	▲1	—
Others (Contract Development)	▲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).

## Main Business KPIs (1/5)

- **95 consultants and 7 consultant candidates** as of the end of 1Q FY 2024/02
- Per capita sales of consultants who have joined the company at least 8 months prior **3.62 million yen / monthly average in 1Q** (average of the previous quarter: 3.48 million yen per month)
- We did not conduct any new consultant recruitments and have ended the process as we have reached the designated number through internal transfers.
- Sales per consultant decreased due to the increase of 10 consultants in 1Q.



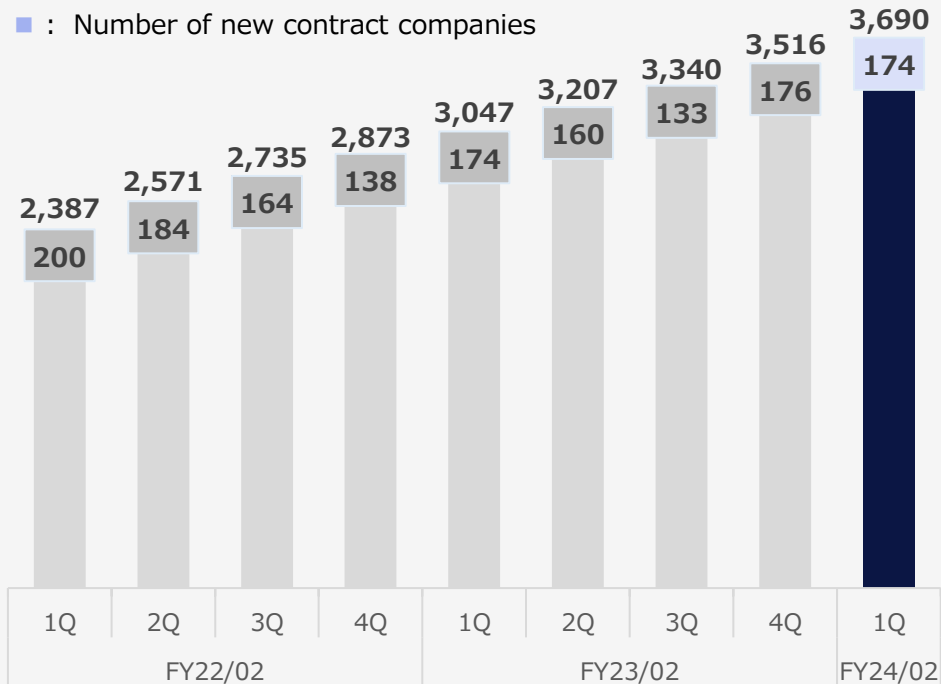
\*Sales per person = (sales of management consulting services (excluding Shikigaku careers) + sales of platform services) ÷ number of consultants

\*Calculated by excluding the sales of consultants at partner companies

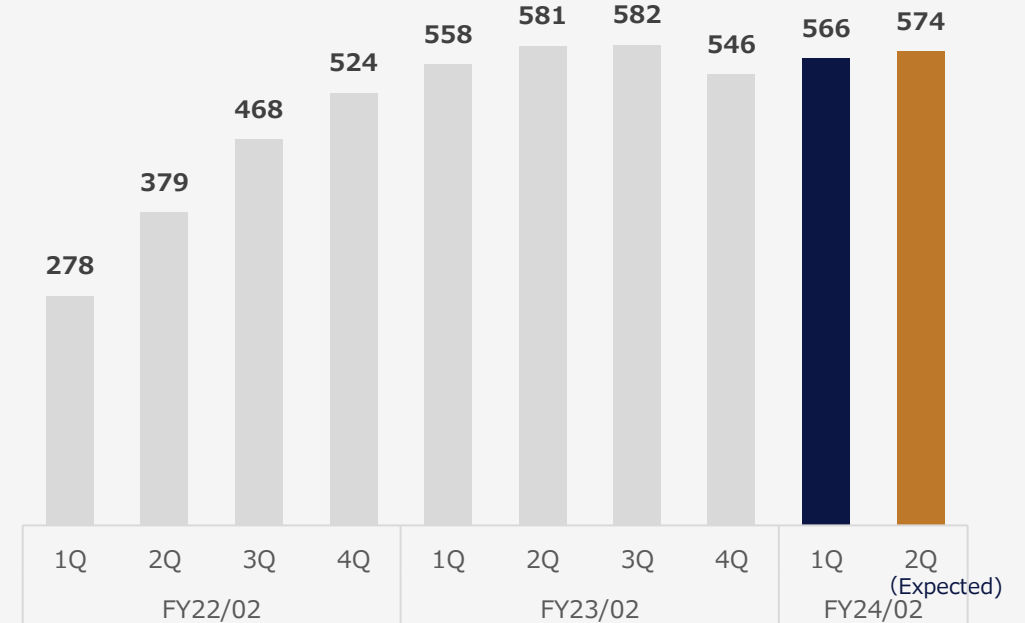
## Main Business KPIs (2/5)

- **Management Consulting** : While the pace of consultant candidate development has improved, the contract acquisition rate has remained stable, resulting in a flat number of new contract clients QoQ.
- **Platform Services**: As a result of transitioning to structure which consultants were able to concentrate on Shikigaku Basic Services, the number of Shikigaku Basic contracts has increased since the number of new contracts surpassed the cancellations.
- The churn rate continues to rage from **1% to 3%\*2** observed an improving trend.

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



**Number of companies contracted to Shikigaku Basic Services**



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

\*2 Most recent 12-month trend

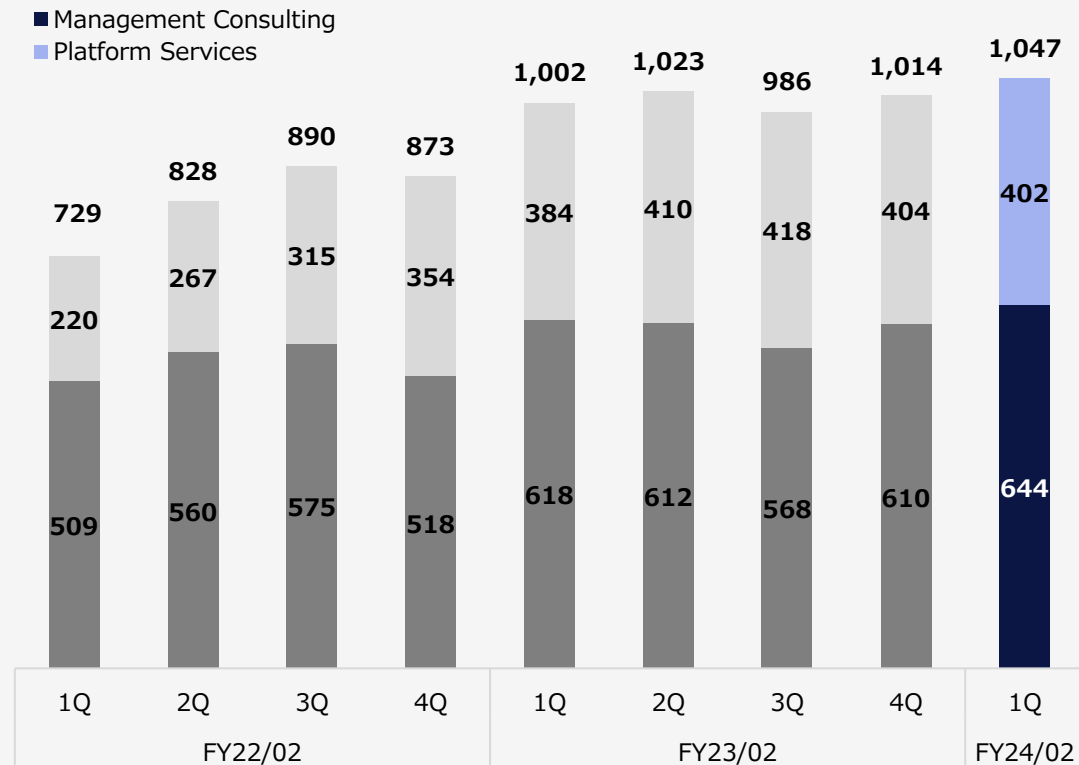


# Main Business KPIs (3/5) - Trends of Net Sales in Organization Consulting Business

- **Management consulting sales** : Although there has been a sluggish growth in new order acquisition and contract rates, there has been an improving trend in a single month in June due to an increase in the number of demonstrations and proposals since April.
- **Monthly sales of platform services** : Monthly sales of platform services is again showing a growth trend due to the reduction of churn rate. We aim to improve profitability by taking measures to acquire new contracts.

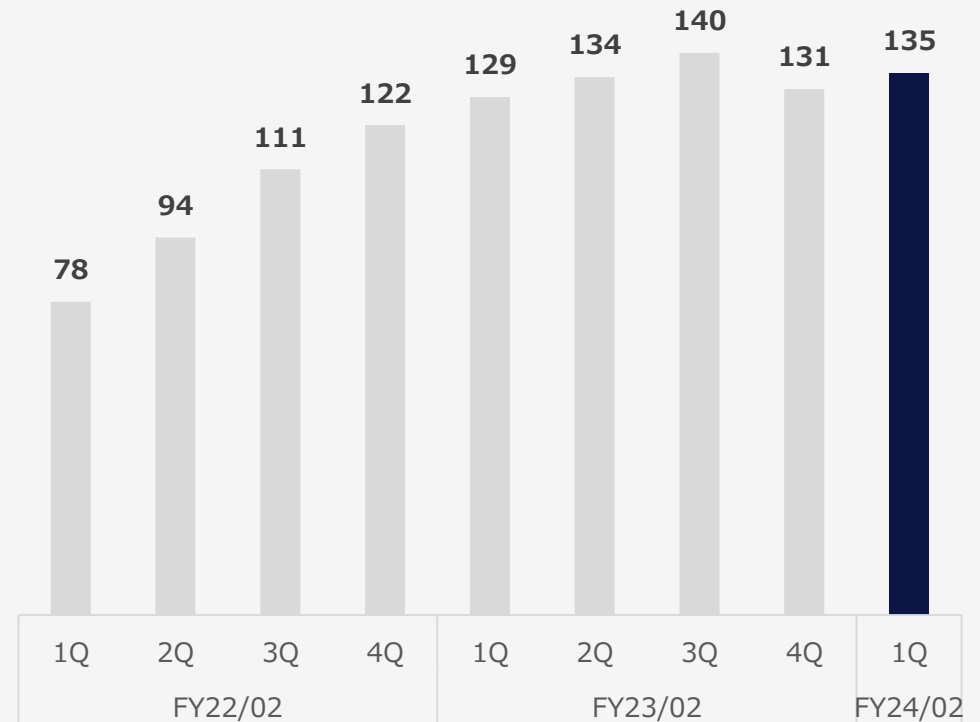
**Trends in Net Sales for Organizational Consulting Business**

( million yen)



**Monthly Sales Trends for Platform Services**

( million yen)



# Main Business KPIs (4/5) - Recruitment and Training of Consultants

- The measure to separate sales and consulting roles from current period led to the reduction of churn rate of Platform Services from the previous period's level of 2-3% to a level of **1-3%**.
- Focusing on nurturing existing consultant candidates resulted in **15 successful candidates** in 1Q **achieving the annual target of a 10% increase in personnel**.
- No further recruitment will be conducted after 2Q since the number of consultants can be adjusted by internal transfers.
- We continue to focus on increasing net sales per consultant \*1 by letting sales personnels dedicate to making new sales efforts and consultants dedicate to improving service quality.

Number of Consultants	
7 Executive Consultants	<b>Focus on new sales*2</b> <b>■ Expected Effects</b> · Increase in volume of sales activities · Increase in new orders
9 Senior Consultants	
7 Consultants	
4 Executive Consultants	<b>Focus on consulting*3</b> <b>■ Expected Effects</b> · Improvement of service quality · Decrease in churn rate for Basic Services
6 Senior Consultants	
62 Consultants	
9 Candidate Consultants	
<b>102 Consultants in total</b>	

Length of training period for consultant candidates in primary stages	
Average time required from entering company becoming consultant	<b>96.5 days</b>
<hr/> *Average time required in FY2022/02: 107.3 days	

\*1 "Revenue per person"="Organizational consulting business revenue" ÷ (Number of new sales representatives + consulting representatives)

"Organizational consulting business revenue" is calculated by excluding the revenue of partner company consultants.

\*2 Focus on new sales: Only those at the rank of Senior Consultants and above are in charge of new sales (some consultants are also transitioning to sales roles due to the transition period).

\*3 Focus on consulting: Those at the rank of 'Consultant' and above carry out consulting services, as opposed to sales.

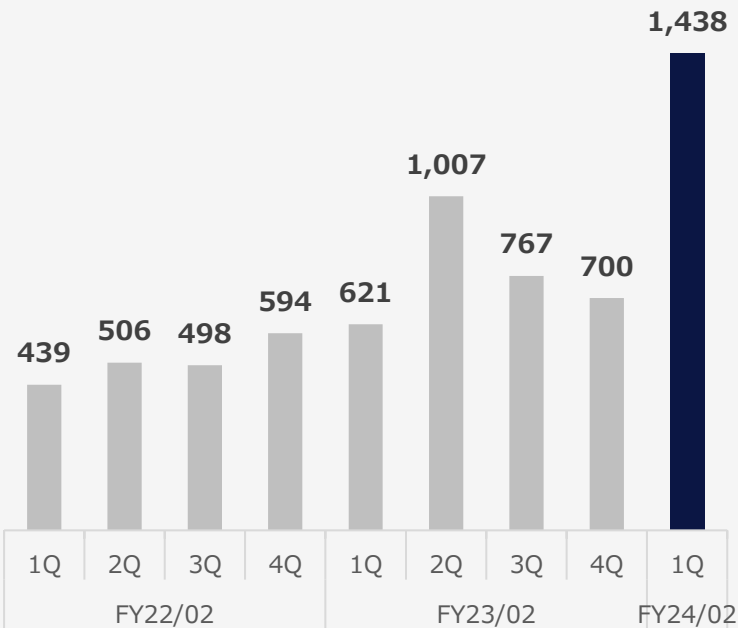
# Financial Summary for the 1st Quarter of the Fiscal Year Ending February 29, 2024

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

- Investment effect of advertising and promotional expenses is monitored through **the number of new appointments acquired**.\*
- New appointment acquisition\*: Advertising expenses spent in 1Q led to securing **1,438 appointments (YoY+131.2%) in total in 1Q**.
- Quarterly new appointment acquisition\*: The target of 900 new appointments was achieved, with 1438 appointments secured.
- The efficiency of appointment acquisition has improved. The company aims to **increase the order amount by improving the order rate**

### Number of new appointments acquired (quarterly change)

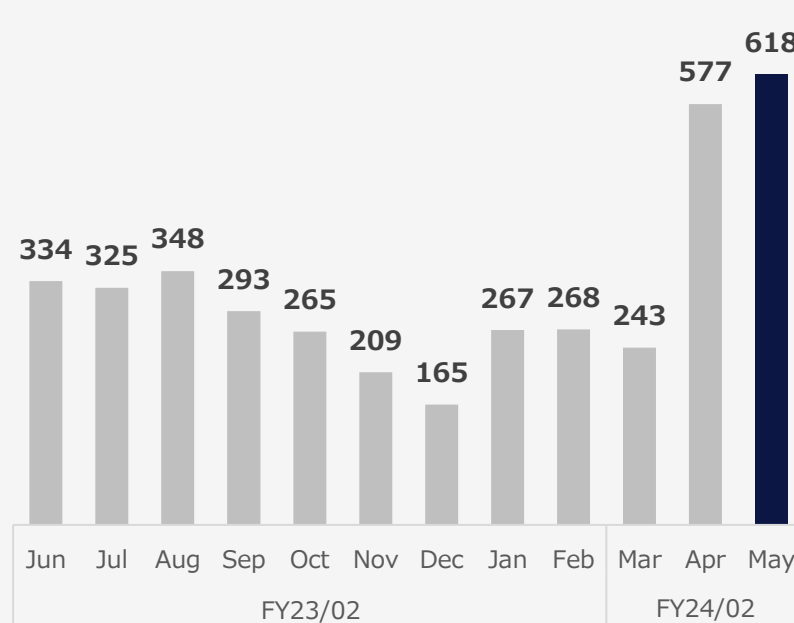
(appointments)



### Number of new appointments acquired (monthly Change)

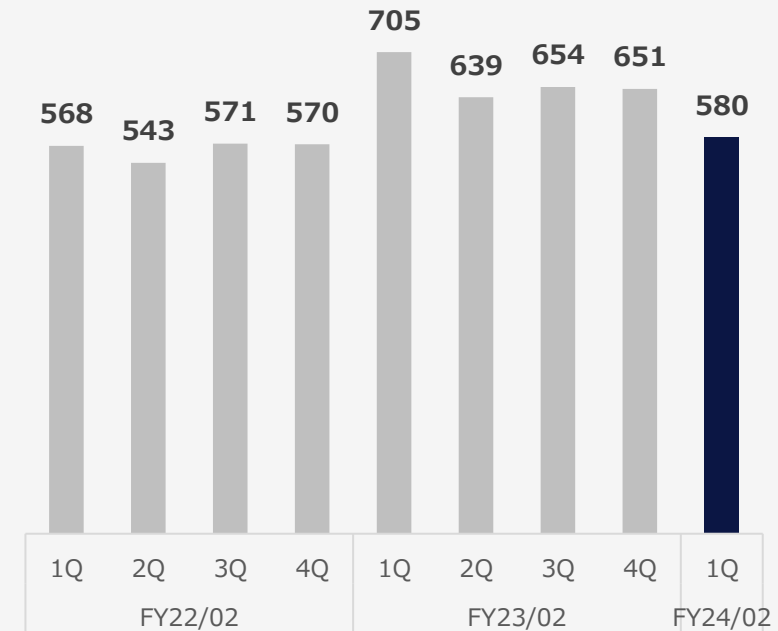
\*June 2022-May 2023 : Based on assumption of internal plan of 900 appointments made in 1Q

(appointments)



### Order amount (quarterly change)

( million yen)



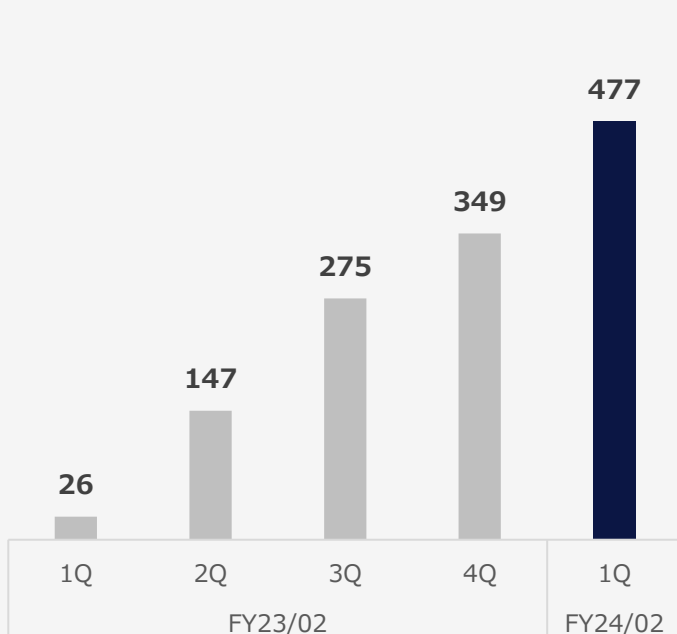
\*Number of new appointments acquired: after inquiries from prospective clients to the company, the number of opportunities to make a sales proposal after Inside Sales Department initially contacts a prospective client.

## Performance Highlights - Orders received by large companies

- Order value from enterprise companies (\*) in 1Q: **6 million yen (YoY-88.9%)**
- In June, we secured orders worth **54 million yen** on a monthly basis.
- Number of new appointments acquired: **477** enterprise company appointments in 1Q, with an increasing trend each quarter.
- A new approach for enterprise companies by conducting joint seminars through a sales partnership with TKP Corporation has started.

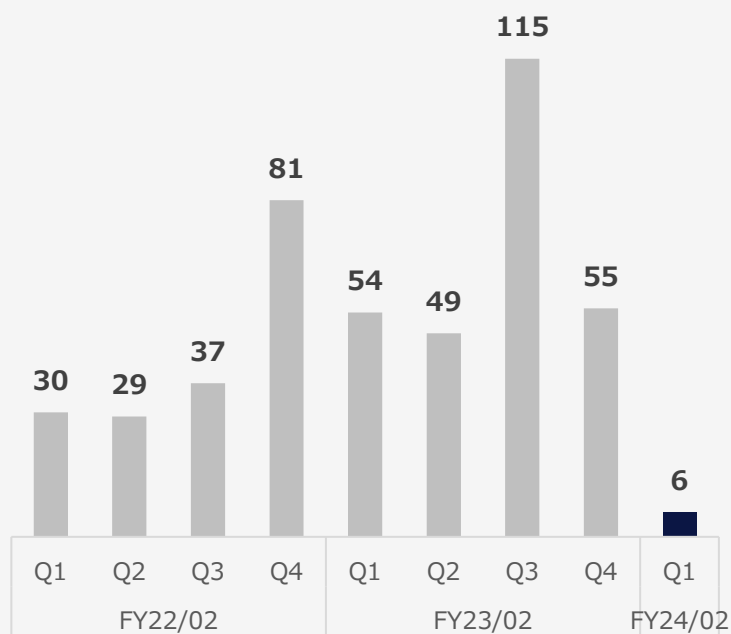
### New Appointment Acquisition Numbers (Quarterly Trends)

(Number of appointments)



### Order Value (Quarterly Trends)

(million yen)



### Examples of Implementation in Enterprise Companies

Aidoma Holdings Co., Ltd. 	ASNOVA Co., Ltd. 	SUS Co., Ltd. 
Enjin Co., Ltd. 	Good Life Company Co., Ltd. 	Direct Marketing Mix Co., Ltd. 
Fenwal Japan Co., Ltd. 	Peers Co., Ltd. 	Maruhachi Securities Co., Ltd. 
Marumae Co., Ltd. 	Mito Securities Co., Ltd. 	Memolead Co., Ltd. 
RIZAP Group Co., Ltd. 	Renesas Electronics Corporation 	Ryukyu Astida Sports Club Co., Ltd. 

\*Enterprise companies: Companies with 500 or more employees or listed companies

## VC Fund Business-VC Fund Investment Results

- Shikigaku Fund No. 1, which focused on the organizational strength based on “Shikigaku”, has helped to prove the usefulness of Shikigaku’s concepts (cumulative return of **109.0%**)
- Shikigaku No. 2 Fund **has invested in 3 companies** in 1Q and will shift to support investment these destinations in the future.
- One of the portfolio companies of Shikigaku No. 2 Fund has exited through an M&A transaction, resulting in investment returns (**investment return rate: 120.0%**).
- In collaboration with TKP Corporation, we have established the "Shinshinkiei, a start-up investment vehicle."

Shigaku No. 1 Fund	Investment amount ( million yen) (A)	Collected amount ( million yen) (B)	Appraisal value ( million yen) (C)	Recovery rate ((B+C)/A)
Geocode Inc.	29	101	—	339.3%
Aidoma Holdings Co., Ltd.	35	250	19※2	751.1%
6 unlisted companies*1	181	—	—	—
Unexecuted investments	93	—	—	—
<b>Total</b>	<b>341</b>	<b>352</b>	<b>19</b>	<b>109.0%</b>

\*1 Surpass Co. Ltd., White Seed Co. Ltd., Itami Art Co. Ltd., and the total investment amount of three other companies

\*2 Indicates difference between the appraisal value based on the stock price as of the end of May 2023 and the acquisition price.

Shigaku No. 2 Fund	Investment amount ( million yen) (A)	Collected amount ( million yen) (B)	Appraisal value ( million yen) (C)	Recovery rate ((B+C)/A)
13 unlisted companies*3	426	30	—	7.0%
Unexecuted investments	284	—	—	—
<b>Total</b>	<b>711</b>	<b>30</b>	<b>—</b>	<b>4.2%</b>

\*3 Garnet Co. Ltd., Guidable Co., Ltd., HIF Co., Ltd., Hadlas Holdings Co. Ltd., Retriever Co. Ltd., NanoBridge Semiconductor Co. Ltd., Petit Job Co. Ltd., and six other companies.

# Regarding the capital and business alliance with TKP Corporation

- As a collaborative effort through a sales partnership, we held the "Leader's Mask Seminar."
- We held the "TKP & Shikigaku Open Leader Training."
- TKP Corporation and Shikigaku established the "Shinshinkiei, a start-up investment vehicle" as a joint fund.



Details of Partnership	Current Progress
Sales Partnership	<ul style="list-style-type: none"><li>• The first "Leader's Mask Seminar" was held on June 5th, utilizing TKP's facilities.</li><li>• The "TKP &amp; Shikigaku Open Leader Training" will be held in July. Seminars are planned to be continuously held to acquire new orders.</li></ul>
Fund Establishment	<ul style="list-style-type: none"><li>• TKP Corporation and Shikigaku have established <b>"Shinshinkiei, a start-up investment vehicle."</b> Fund Size: 750 million yen Shikigaku: 400 million yen investment. TKP Corporation: 350 million yen investment.</li></ul>

# Disclaimer

## Cautionary Note Regarding Forward-Looking Statements

- Forward-looking statements included in this material are based on judgments and assumptions based on information available at the time this material was created, and we do not guarantee its accuracy. In addition, this document includes financial figures that have not been audited by an independent certified public accountant or audit firm.
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