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Consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]

October 12, 2023

Company name: SHIKIGAKU Co.,Ltd.

Stock exchange listing: Tokyo

Code number: 7049

URL: <https://corp.shikigaku.jp/>

Representative: Koudai Ando President and Representative Director

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Scheduled date of filing quarterly securities report: October 12, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended August 31, 2023 (March 1, 2023 to August 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2023	2,296	5.0	(145)	-	(194)	-	(194)	-	(137)	-
August 31, 2022	2,186	21.4	15	(93.5)	(22)	-	(38)	-	(57)	-

(Note) Comprehensive income: Six months ended August 31, 2023: ¥ (159) million [-%]
Six months ended August 31, 2022: ¥ (111) million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended August 31, 2023	Yen (15.64)	Yen -
August 31, 2022	(7.10)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of August 31, 2023	Millions of yen 4,569	Millions of yen 2,957	48.1
February 28, 2023	4,724	2,962	49.6

(Reference) Equity: As of August 31, 2023: ¥ 2,198 million
As of February 28, 2023: ¥ 2,341 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	-	0.00	-	0.00	0.00
Fiscal year ending February 29, 2024	-	0.00			
Fiscal year ending February 29, 2024 (Forecast)			-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending February 29, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024(March 1, 2023 to February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,224	17.2	271	842.3	168	-	157	-	35	-	3.89

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended August 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name: Shinshinkiei, a start-up investment vehicle)

Exclusion: - (Company name: -)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2023: 9,132,996 shares

February 28, 2023: 9,136,600 shares

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

August 31, 2023: 349,101 shares

February 28, 2023: 349,101 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2023: 8,784,404 shares

Six months ended August 31, 2022: 8,075,699 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	2,637,895	2,477,845
Accounts receivable - trade	425,428	393,087
Operational investment securities	576,715	653,183
Merchandise	6,242	2,373
Supplies	2,349	1,585
Prepaid expenses	323,512	366,611
Other	57,392	15,433
Allowance for doubtful accounts	(6,115)	(10,412)
Total current assets	4,023,419	3,899,708
Non-current assets		
Property, plant and equipment	149,669	145,023
Intangible assets		
Goodwill	54,797	-
Other	122,556	106,261
Total intangible assets	177,354	106,261
Investments and other assets		
Investment securities	101,820	92,392
Deferred tax assets	61,743	112,232
Other	211,160	214,535
Allowance for doubtful accounts	(200)	(200)
Total investments and other assets	374,524	418,961
Total non-current assets	701,548	670,246
Total assets	4,724,968	4,569,954
Liabilities		
Current liabilities		
Current portion of long-term borrowings	365,476	365,476
Accounts payable - other	128,005	172,675
Accrued expenses	232,754	252,090
Income taxes payable	-	4,349
Advances received	313,492	298,030
Provision for bonuses for directors (and other officers)	-	2,620
Other	73,197	65,300
Total current liabilities	1,112,926	1,160,543
Non-current liabilities		
Long-term borrowings	640,615	445,377
Deferred tax liabilities	9,161	6,670
Total non-current liabilities	649,776	452,047
Total liabilities	1,762,703	1,612,590
Net assets		
Shareholders' equity		
Share capital	265,159	10,000
Capital surplus	2,032,394	2,287,553
Retained earnings	322,467	185,098
Treasury shares	(290,245)	(290,245)
Total shareholders' equity	2,329,775	2,192,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,033	6,081
Total accumulated other comprehensive income	12,033	6,081
Share acquisition rights	51,778	37,197
Non-controlling interests	568,677	721,677
Total net assets	2,962,264	2,957,363
Total liabilities and net assets	4,724,968	4,569,954

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Net sales	2,186,369	2,296,563
Cost of sales	452,047	621,806
Gross profit	1,734,321	1,674,756
Selling, general and administrative expenses	1,756,887	1,869,207
Operating loss	(22,566)	(194,450)
Non-operating income		
Interest income	9	13
Subsidy income	1,140	2,856
Surrender value of insurance policies	2,914	1
Gain on investments in investment partnerships	-	1,751
Other	1,561	2,963
Total non-operating income	5,625	7,587
Non-operating expenses		
Interest expenses	1,171	2,808
Share issuance costs	1,043	158
Share of loss of entities accounted for using equity method	3,948	2,031
Amortization of restricted stock remuneration	14,497	2,499
Other	650	452
Total non-operating expenses	21,311	7,950
Ordinary loss	(38,252)	(194,813)
Extraordinary income		
Gain on sale of non-current assets	20	-
Gain on reversal of share acquisition rights	-	35,947
Total extraordinary income	20	35,947
Extraordinary losses		
Impairment losses	225	34,022
Loss on valuation of investment securities	35,755	-
Cancellation penalty	30,400	-
Total extraordinary losses	66,380	34,022
Loss before income taxes	(104,612)	(192,888)
Income taxes	3,061	(44,408)
Loss	(107,673)	(148,479)
Loss attributable to non-controlling interests	(50,306)	(11,110)
Loss attributable to owners of parent	(57,366)	(137,368)

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Loss	(107,673)	(148,479)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,625)	(11,482)
Total other comprehensive income	(3,625)	(11,482)
Comprehensive income	(111,299)	(159,962)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(57,898)	(143,321)
Comprehensive income attributable to non-controlling interests	(53,400)	(16,641)

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Cash flows from operating activities		
Loss before income taxes	(104,612)	(192,888)
Depreciation	15,532	25,278
Impairment losses	225	34,022
Amortization of goodwill	20,704	20,774
Increase (decrease) in allowance for doubtful accounts	3,517	4,296
Increase (decrease) in provision for bonuses	(3,910)	-
Increase (decrease) in provision for bonuses for directors (and other officers)	-	2,620
Interest and dividend income	(9)	(13)
Subsidy income	(1,140)	(2,856)
Interest expenses	1,171	2,808
Loss (gain) on investments in investment partnerships	-	(1,751)
Share issuance costs	1,043	158
Gain on reversal of share acquisition rights	-	(35,947)
Share of loss (profit) of entities accounted for using equity method	3,948	2,031
Amortization of restricted stock remuneration	14,497	2,499
Loss (gain) on valuation of investment securities	35,755	-
Decrease (increase) in trade receivables	(44,712)	32,341
Decrease (increase) in prepaid expenses	(93,111)	(46,053)
Decrease (increase) in investment securities for sale	(355,293)	(76,467)
Increase (decrease) in advances received	(17,082)	(15,461)
Increase (decrease) in accrued expenses	53,353	19,335
Increase (decrease) in accrued consumption taxes	(94,026)	21,467
Other, net	25,039	48,258
Subtotal	(539,108)	(155,546)
Interest and dividends received	9	13
Subsidies received	1,140	2,856
Interest paid	(1,171)	(2,808)
Income taxes paid	(161,410)	(6,343)
Income taxes refund	-	47,129
Net cash provided by (used in) operating activities	(700,540)	(114,699)

(Thousands of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,758)	(4,562)
Purchase of intangible assets	(24,132)	-
Purchase of investment securities	-	(6,000)
Payments of leasehold and guarantee deposits	(36,890)	(6,412)
Other, net	(5,930)	(3,388)
Net cash provided by (used in) investing activities	(101,713)	(20,362)
Cash flows from financing activities		
Proceeds from long-term borrowings	300,000	-
Repayments of long-term borrowings	(200,167)	(195,238)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	10,336	-
Purchase of issuance of share acquisition rights	(1,612)	(158)
Purchase of treasury shares	(199,939)	-
Proceeds from share issuance to non-controlling shareholders	257,900	198,300
Payment of dividends to non-controlling interests	-	(27,892)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(10,112)	-
Net cash provided by (used in) financing activities	156,405	(24,988)
Effect of exchange rate change on cash and cash equivalents	101	-
Net increase (decrease) in cash and cash equivalents	(645,746)	(160,049)
Cash and cash equivalents at beginning of period	2,625,498	2,637,895
Cash and cash equivalents at end of period	1,979,752	2,477,845