



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

SHIKIGAKU CO., LTD. (7049, TSE MOTHERS) PERFORMANCE FOR THE FIRST SIX MONTHS ENDED AUGUST 31, 2021

October 18, 2021—Tokyo

Both sales and profit grew substantially during the six months ended August 31, 2021. Results were strong in the core Consulting business, and the Company reported large growth in performance from management consulting services and platform services.

Summary of results

During the six months ended August 31, 2021, the economic environment in Japan continued to be unforgiving due to impact from the COVID-19 pandemic. However, the market is demonstrating strong need for improvement in organizational productivity achieved through means such as results-based employee management and rule-oriented organizational management that generates results regardless of the workplace being utilized. Accordingly, demand for the Company's services remains robust.

Under its corporate philosophy of "Disseminate Shikigaku and maximize people's potential," the Shikigaku Group provides services that facilitate the permeation of its "Shikigaku" organizational management theory within client organizations. Additionally, through its Sports Entertainment business, the Company has been actively conducting sales activities aimed at acquiring sponsors in preparation for the start of the 2021–2022 season of the B.LEAGUE professional basketball organization. In the VC Fund business, Aidma Holdings, Inc., the first company in which SHIKIGAKU No. 1 Investment Limited Partnership invested, successfully listed shares on the TSE Mothers Index. With this listing, two investee companies of SHIKIGAKU No. 1 Investment Limited Partnership have conducted IPOs within the year and a half since its establishment. The Company considers these results to be proof that the Shikigaku organization consulting method supports organizational management aimed at achieving public listings.

For the six months ended August 31, 2021, the Company reported net sales of JPY1,801,483,000 (+86.4% YoY), EBITDA (operating profit + depreciation + amortization of goodwill + amortization of leasehold deposits) of JPY236,142,000 (+7,588.7% YoY), operating profit of JPY201,292,000 (versus operating loss of JPY24,381,000 for the six months ended August 31, 2020), ordinary profit of JPY197,270,000 (versus ordinary loss of JPY25,918,000 for the six months ended August 31, 2020), and JPY120,333,000 in net income attributable to owners of parent (versus JPY105,132,000 in net loss for the six months ended August 31, 2020).

The Company has five reporting segments: the Organization Consulting business, the Sports Entertainment business, the Contract development business, the VC Fund business, and the Hands-On Support Fund Business.

Through its Organization Consulting business, the Company provides management consulting services and platform services.

The COVID-19 pandemic impacted management consulting services during the six months ended August 31, 2021. However, the Company continued to conduct investment supported by vigorous marketing activities to facilitate active recruitment of consultants and expansion in its customer base. Consequently, its consultant count increased to 65, up 11 compared to the February 28, 2021. As of August 31, 2021, the Company reported that it had formed management consulting service contracts with a cumulative total of 2,571 companies. Its management consulting services generated JPY1,070,358,000 in sales over the six months ended August 31, 2021 (+36.5% YoY).

During the period under review, in the category of platform services, the Company focused on expanding sales of its SHIKIGAKU Basic Services, which provide ongoing operational support until organizational management grounded in its Shikigaku theory (corresponding service launched in September 2020) take hold. The diagnoses that accompany these services clarify organizational issues and enable support for their eventual resolution. Accordingly, the Company has been striving to improve customer satisfaction associated with its SHIKIGAKU Basic Services. As of August 31, 2021, the Company had SHIKIGAKU Basic Service agreements in place with 379 companies (versus 167 as of February 28, 2021) while also reporting 157 SHIKIGAKU Cloud agreements (versus 229 as of February 28, 2021) and 340 Shikigaku Member clients (versus 479 as of February 28, 2021). Platform services generated JPY487,545,000 in sales over the six months ended August 31, 2021 (+210.5% YoY).

As a result of these factors, sales in the Organization Consulting business amounted to JPY1,558,103,000 (+65.5% YoY) while operating profit came to JPY294,660,000 (+3,997.2% YoY).

In the Sports Entertainment business, the Company fulfilled its function as a community-based club by conducting initiatives aimed at stimulating and expanding interest in local sports while also striving to facilitate team strengthening in pursuit of promotion to the B1 League level. During the three months ended August 31, 2021, the Company expanded sales activities aimed at acquiring sponsors for the 2021–2022 season, increased the scope of its sales personnel recruitment, and strengthened its collaboration with local governments to raise tax payments made under the corporate version of Japan's hometown tax system, which has become a new revenue base. Due in part to these efforts, sponsorship orders were strong, increasing to JPY9,397,000 (+75.8% YoY). However, costs took precedent over profit in during the period under review as the Company continued to invest in operation aimed at achieving team strengthening.

Consequently, sales generated through the Sports Entertainment business amounted to JPY91,784,000 while operating loss in the business came to JPY75,255,000.

In the Contract Development business, the Company leveraged its engineer sources and the extensive expertise it cultivated while handling numerous and diverse development projects as it conducted development operations associated with the platform services of its own corporate group and contracted development related to e-learning systems linked to certification courses. In March 2021, the Company released Work Experience DX, a recruitment matching service that allows users to simulate the experience of joining participating companies, thereby gaining knowledge of the work they do and an

understanding of how compatible they are with these companies.

As a result of these factors, sales generated through the Contract Development business amounted to JPY151,595,000 while corresponding operating loss came to JPY13,752,000.

In the VC Fund business, the Company conducted investment focused on establishing and expanding organizational power and becoming a growth-generating organization. Meanwhile, it also operated venture capital funds that support growth by facilitating organizational improvements at companies in which they invest by implementing the Company's Shikigaku theory. In June 2021, the Company established the SHIKIGAKU No. 2 Investment Limited Partnership, converted it into a subsidiary, and began including its performance in consolidated financial results. In June and July 2021, the Company sold a portion of the shares held by SHIKIGAKU No. 1 Investment Limited Partnership and booked a JPY167 million gain on sales of investment securities, categorizing this gain as extraordinary income because it was generated by investment conducted on or prior to June 29, 2021.

Consequently, operating loss in the VC Fund business amounted to JPY13,113,000.

In the Hands-On Support Fund business, the Company operated hands-on support funds that provide organizational improvement and finance support and draw income from capital gains generated through investment exit (IPO, M&A, etc.). In June 2021, the Company established Shinsei Shikigaku Growth Support I Investment Limited Partnership and converted it into an equity-method affiliate. The goal of this fund is to invest in companies that are expected to grow, provide hands-on support aimed at improving their financial performance and facilitating this growth, and raise investment capital through their subsequent sale.

As a result spending associated with these efforts, the Hands-On Support Fund business generated an operating loss of JPY990,000.

The Company has made no changes to its earnings forecast for the fiscal year ending February 28, 2022, which projects sales of JPY3,798 million (+51.6% YoY), EBITDA of JPY470 million (+136.2% YoY), operating profit of JPY400mn (+191.2% YoY), and ordinary profit of JPY353mn (+77.4% YoY).

Shikigaku Co., Ltd. (7049, TSE Mothers) <https://corp.shikigaku.jp/>

Please visit the following URL for a summary of consolidated financial results for the six months ended August 31, 2021

→<https://global-assets.irdirect.jp/pdf/tdnet/batch/140120210929404217.pdf>

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