



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

SHIKIGAKU' BUSINESS STRATEGIES AND EARNINGS REVIEWED BY KCR

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The Company is achieving rapid growth with the SHIKIGAKU theory. SHIKIGAKU is a new organization consulting company that is striving to resolve issues related to low labor productivity in Japan.

Tokyo –[SHIKIGAKU Co., Ltd. \(TOKYO:7049\)](#), the company that primarily provides management consulting and platform services based on "Shikigaku," an organizational management theory grounded in original and unique logical concepts, recently has been reviewed by KCR Inc., an independent research and investor relations support company providing reports on various publicly traded Japanese companies. In this report, KCR provides analysis of the company's business model and earnings.

Report Highlights

With its corporate philosophy of "Disseminate Shikigaku and maximize people's potential," SHIKIGAKU Co., Ltd. (TSE Mothers: 7049) has focused on conducting activities aimed at propagating its Shikigaku theory since its founding. Established in March 2015, the Company has since applied its Shikigaku theory internally, and was listed on the Mothers section of the Tokyo Stock Exchange within just four years. The Shikigaku theory was invented by Kenji Fukutomi, currently the second largest shareholder of the Company, and was subsequently systematized and expanded by Koudai Ando, the Company's president and representative director. When the Company was established, it started with only JPY500,000 in capital, including JPY250,000 each from President Ando and Kenji Fukutomi, and has since been growing with astonishing speed.

The company's existing businesses include its core Organization Consulting business; the Sports Entertainment business, which consists mainly of a B2 League basketball team that the Company acquired to expand its business domain; and the VC Fund business. Additionally, the Company has launched a Hands-On Support Fund business and a Contract Development business as new businesses. In its Organization Consulting business, the Company plans to once again increase its consultant staff by 20–25 consultants. Ultimately, the Company aims to prove the effectiveness of its Shikigaku theory by expanding the size of this staff to 100 consultants. Meanwhile, the company is working to further increase the pool of contracted companies and sales figures associated with its platform services and expand sales generated through SHIKIGAKU Career while striving to maintain per-consultant sales of JPY4 million. The Company is also endeavoring to prove the utility of its Shikigaku theory in all of its other business domains by developing for-profit business operations within these areas. For example, the Company began developing its fund-related

businesses by proving that investees receiving support from the Company generated higher results when implementing the Company's Shikigaku theory on a full scale.

The unique logic of the Shikigaku system implies a structure of consciousness, and the system itself represents patterns of behavioral logic that are set in motion from the time a person or organization becomes aware of an issue to the time this issue is acted upon. By minimizing misunderstandings and misperceptions that arise within organizations, the system reduces time lost while communicating to the lowest possible level, improves employee concentration, and ultimately increases organizational productivity. Fundamentally, the system focuses on leadership training and is characterized by its suitability for all business operations conducted by organizations. Due to the Company's revenue model, earnings increase in accordance with growth in the number of consultants providing services. The Company's growth hinges on the product generated when multiplying per-consultant sales by the total size of the consultant staff. Meanwhile, earnings stemming from the Company's platform services, which generate recurring revenue on a monthly basis by providing support for ongoing organizational management based on the Company's Shikigaku theory, increase along with the associated number of contracted companies. The Company sets a very high bar for its consultants, and only 1.6% of applicants received job offers over the past year. SHIKIGAKU successfully shortened its required consultant training period to 78 days, 30 days fewer than the previous year.

The Company is currently receiving a large volume of inquiries concerning its Shikigaku theory. Effectively, the Company acquires about 70% of its customers through referrals, which can be viewed as evidence of the high level of trust that clients place in the Shikigaku system. Under its medium-term management plan, the Company aims to firmly position its Shikigaku system as an essential tool for corporate and organizational management and satisfy terms for listing on the Tokyo Stock Exchange's Prime Market by achieving a sufficient market cap, generating adequate business results, and establishing a satisfactory governance system. Through this same plan, the Company aims to generate net sales of JPY6.3 billion, operating profit of JPY1.5 billion, and ROE of 25% in FY02/24.

Based on the current average amount of sales it generates per customer, the Company estimates growth potential in the domestic market at JPY1.1 trillion. Its current share encompasses only about 0.06% of the 3.58 million companies in Japan, which leaves substantial room for growth. The Company's Shikigaku system can be implemented within any industry and can also be applied to non-corporate organizations. The Company's Shikigaku system can be utilized in an extremely wide range of circumstances because it can be implemented within any industry and can also be applied to non-corporate organizations. In recent years, comparatively low labor productivity has become a pressing issue in Japan (which ranks 26th out of 37 OECD countries), and the Company expects that its Shikigaku system will attract attention as a method for improving labor productivity in Japan over the medium to long term.

Currently, the Company is generating strong results. It generated substantial increases in both sales and profit in 1H FY02/22. By the end of 1H, consolidated net sales amounted to JPY1,801,483 thousand (up 86.4% YoY), while EBITDA (operating income + depreciation + amortization of goodwill + amortization of leasehold deposits) was JPY236,142 thousand (up 7,588.7% YoY), operating profit JPY201,292 thousand (versus an operating loss of JPY24,381 thousand in 1H FY02/21), ordinary profit JPY197,270 thousand (versus ordinary loss of JPY25,918 thousand in 1H FY02/21), and profit attributable to owners of parent JPY120,333 thousand (versus a loss of JPY105,132 thousand attributable to owners of

parent in 1H FY02/21). In FY02/22, the Company projects net sales of JPY3,798 million (up 51.6% YoY), EBITDA of JPY470 million (up 136.2% YoY), operating profit of JPY400 million (up 191.2% YoY), and ordinary profit of JPY353 million (up 77.4% YoY).

Link and Motivation Inc. (TSE1: 2170), Funai Soken Holdings Inc. (TSE1: 9757), and Insource Co., Ltd. (TSE1: 6200) are all similar or comparable to SHIKIGAKU. The Company issued its fourth series of stock acquisition rights in April 2021. About half of these stock acquisition rights have already been exercised. SHIKIGAKU will primarily use funds raised through these stock acquisition rights to recruit consultants and cover advertising expenses. For the time being, the Company is focused on achieving growth and is not issuing dividends.

Read the full research report (KCR Inc.), please see:

https://global-assets.irdirect.jp/pdf/menu_file/7049/20211203181033_897.pdf

For details about SHIKIGAKU Co., Ltd. (TOKYO:7049), please see:

<https://ir.shikigaku.jp/en/>

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