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On **January 14, 2020**, Shikigaku Co., Ltd. announced earnings results for Q3 FY02/20.

Cumulative (JPYmn)	FY02/19				FY02/20			FY02/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Revenue	249	564	907	1,252	365	780	1,252	71.4%	1,755
YoY	63.3%	74.5%	72.4%	65.8%	46.6%	38.2%	38.1%		40.2%
Gross profit	223	514	804	1,100	309	660	1,078	74.0%	1,457
YoY	65.0%	82.4%	75.1%	63.6%	38.9%	28.5%	34.0%		32.5%
Gross profit margin	89.3%	91.0%	88.7%	87.8%	84.6%	84.6%	86.1%		83.0%
SG&A expenses	180	401	601	852	256	526	858	72.9%	1,177
YoY	78.5%	65.7%	52.1%	41.2%	41.7%	31.1%	42.8%		38.1%
SG&A ratio	72.4%	71.1%	66.3%	68.1%	70.0%	67.4%	68.5%		67.1%
Operating profit	42	113	203	247	53	134	220	78.5%	280
YoY	24.6%	184.5%	217.5%	261.3%	26.7%	19.0%	8.1%		13.3%
Operating profit margin	16.9%	20.0%	22.4%	19.8%	14.6%	17.2%	17.6%		16.0%
Recurring profit	42	112	202	234	54	134	220	79.1%	278
YoY	23.9%	182.7%	206.0%	237.4%	28.3%	19.4%	8.8%		18.9%
Recurring profit margin	16.8%	19.8%	22.3%	18.7%	14.7%	17.1%	17.6%		15.8%
Net income	27	70	127	163	37	75	129	66.8%	193
YoY	-20.9%	155.8%	197.2%	285.0%	37.4%	7.1%	1.7%		18.6%
Net margin	10.7%	12.4%	14.0%	13.0%	10.0%	9.6%	10.3%		11.0%
EBITDA	43	115	207	253	57	146	246	73.2%	336
YoY	-	-	-	-	32.6%	27.4%	18.8%		-

Quarterly (JPYmn)	FY02/19				FY02/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	249	315	342	345	365	414	473
YoY	63.3%	84.5%	69.1%	50.5%	46.6%	31.6%	38.0%
Gross profit	223	291	291	295	309	351	418
YoY	65.0%	98.3%	63.6%	38.7%	38.9%	20.5%	43.8%
Gross profit margin	89.3%	92.4%	84.9%	85.5%	84.6%	84.6%	88.5%
SG&A expenses	180	221	200	251	256	270	332
YoY	78.5%	56.5%	30.6%	20.5%	41.7%	22.5%	66.1%
SG&A ratio	72.4%	70.0%	58.4%	72.8%	70.0%	65.2%	70.3%
Operating profit	42	70	91	44	53	81	86
YoY	24.6%	-	270.9%	897.5%	26.7%	14.3%	-5.3%
Operating profit margin	16.9%	22.4%	26.5%	12.7%	14.6%	19.4%	18.2%
Recurring profit	42	70	90	32	54	80	87
YoY	23.9%	-	240.7%	884.9%	28.3%	14.1%	-4.4%
Recurring profit margin	16.8%	22.2%	26.4%	9.2%	14.7%	19.3%	18.3%
Net income	27	44	57	36	37	39	54
YoY	-20.9%	-	272.2%	-	37.4%	-11.4%	-5.1%
Net margin	10.7%	13.8%	16.5%	10.4%	10.0%	9.3%	11.4%
EBITDA	43	72	92	46	57	89	100
YoY	-	-	-	-	32.6%	24.3%	8.2%

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

Percentages are not shown when YoY change exceeds 1,000%. YoY change rates for FY02/19 are based on quarterly results for FY02/18. Please note that quarterly results for FY02/18 have not been audited by an auditing firm.

The company transitioned to consolidated accounting in Q2 FY02/20. Figures through Q1 FY02/20 are non-consolidated.

Q3 FY02/20 results

Summary

Shikigaku transitioned to consolidated accounting in 1H FY02/20. Non-consolidated figures are provided for YoY comparisons.

- ▷ Revenue: JPY1.3bn (+38.1% YoY, 71.4% of company full-year forecast)
- ▷ Operating profit: JPY220mn (+8.1% YoY, 78.5%)
- ▷ Recurring profit: JPY220mn (+8.8% YoY, 79.1%)
- ▷ Net income: JPY129mn (+1.7% YoY, 66.8%)
- ▷ EBITDA: JPY246mn (+18.8% YoY, 73.2%)

The gross profit margin fell from 88.7% in Q3 FY02/19 to 86.1% in Q3 FY02/20. Revenue grew because of an increase in the number of consultants. This increase allowed Shikigaku to reduce its level of dependence on two executives who are also consultants (President Ando and Vice President Kajiyama) from 25.6% of revenue in Q3 FY02/19 to 14.2%. As of end-Q3 FY02/20, the company had 29 consultants and 62 employees.

Operating profit rose JPY17mn YoY to JPY220mn. Although revenue expanded JPY346mn YoY, much of this increase was absorbed by other expenses. Growth in the number of employees (including salespeople who are also consultants) caused personnel expenses to rise JPY137mn YoY. Advertising expenses were also up JPY29mn, partner commissions were up JPY29mn, investments in development were up JPY21mn, goodwill amortization was up JPY20mn, head office relocation expenses were JPY31mn, and other expenses were up JPY59mn. Of the head office relocation expenses, rents accounted for JPY23mn as fixed expenses and supplies JPY7.5mn as one-time expenses. Other expenses included fund and new business related expenses of JPY13mn.

Management Consulting Services

Revenue in the Management Consulting Services business was JPY1.2bn (+31.2% YoY). As of end-Q3 FY02/20, corporate clients numbered 1,378 (compared with 979 companies as of end-FY02/19).

Platform Services

Platform Services generated revenue of JPY101mn (+246.0% YoY). This rise reflected higher contributions from recurring-revenue businesses. These include the Shikigaku Cloud service, which the company began offering in FY02/19, and membership fee income from Shikigaku Members Service.

The company had Shikigaku Cloud contracts in place with 225 companies as of end-Q3 FY02/20 (up from 157 at end-FY02/19). Shikigaku Members Service clients numbered 184 (up from 57). The company initiated the Shikigaku Members Service in FY02/19. Under this service, members gain access to case studies of improvements attributed to the adoption of the *shikigaku* theory, securing opportunities for further learning. As of end-Q3 FY02/20, Platform Services revenue amounted to 8.1% of the total revenue, up from 3.2% at end-Q3 FY02/19.

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