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August 6, 2021

Consolidated Financial Results for the Nine Months Ended June 30, 2021 [Under Japanese GAAP]

Company name:	SPRIX, Ltd.
Stock exchange listings:	Tokyo Stock Exchange
Securities code number:	7030
URL:	https://sprix.jp/
Representative:	Hiroyuki Tsuneishi, Representative Director and President
Contact:	Masafumi Shitara, General Manager
Telephone number:	(81) 3-6912-7058
Scheduled date for submission of securities report:	August 6, 2021
Scheduled date for dividend payment:	-
Availability of supplementary information for the quarterly financial results:	None
Organization of briefing on the quarterly financial results:	None

(All amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the nine months ended June 30, 2021 (from October 1, 2020 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentage figures represent changes from the same period of the previous fiscal year.)

Nine months ended	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	16,846	99.6	1,392	10.9	1,393	11.1	788	-12.1
June 30, 2020	8,438	—	1,255	—	1,254	—	896	—

(Reference) Comprehensive income For the nine months ended June 30, 2021: 772 million yen (-13.3%)
For the nine months ended June 30, 2020: 891 million yen (-%)

Nine months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2021	45.84	44.54
June 30, 2020	52.30	50.36

(Note) Quarterly consolidated financial statements are prepared from the second quarter ended March 31, 2020. Accordingly, year-on-year comparison in ratio for the nine months ended June 30, 2020 is not available.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
June 30, 2021	19,087	8,181	42.8
September 30, 2020	11,485	8,091	70.2
(Reference) Equity	As of June 30, 2021:	8,164 million yen	
	As of September 30, 2020:	8,063 million yen	

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2020	—	15.00	—	16.00	31.00
Fiscal year ending September 30, 2021	—	15.00	—		
Fiscal year ending September 30, 2021 (forecast)				16.00	31.00

(Note) Changes from the latest announced dividend forecast: None

3. Consolidated forecasts for the fiscal year ending September 30, 2021 (From October 1, 2020 to September 30, 2021)

(Percentage figures represent changes from the previous fiscal year.)

Fiscal year ending	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
September 30, 2021	24,983	111.0	1,477	-17.3	1,476	-17.4	859	-25.3	49.83

(Note) Changes from the latest announced consolidated forecasts: None

■ Notes

- (1) Changes in significant subsidiaries during the nine months ended June 30, 2021 (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly included : One company (Shonan Seminar CO., LTD.)
Excluded : None
For further detail on the new subsidiary, refer to “2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Nine Months Ended June 30, 2021)” in the attached Supplementary Information on page 9.
- (2) Application of specific accounting treatments to prepare quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
a. Changes in accounting policies due to revision in accounting standards: None
b. Changes in accounting policies other than the above a.: None
c. Changes in accounting estimates: None
d. Restatements: None
- (4) Number of issued and outstanding shares (common shares)
- a. Number of issued and outstanding shares (including treasury shares)
As of June 30, 2021: 17,467,350 shares
As of September 30, 2020: 17,313,450 shares
- b. Number of treasury shares
As of June 30, 2021: 345,245 shares
As of September 30, 2020: 170,245 shares
- c. Average number of issued and outstanding shares during the period (cumulative from the beginning of the fiscal year)
Nine months ended June 30, 2021: 17,200,067 shares
Nine months ended June 30, 2020: 17,146,078 shares

■ Quarterly financial results are exempt from quarterly reviews conducted by certified public accountants or an audit firm.

■ Explanation for the appropriate use of the forecasts and other matters to be noted
The forecasts for results of operations and other forward-looking information in this report are based on information currently available to SPRIX, Ltd. (the “Company”) and assumptions determined to be reasonable. They are not intended as the Company’s commitment to achieve such forecasts. Further, actual results may differ significantly from the forecasts due to various reasons. For assumptions that form the basis of the forecasts and other related matters when referring to the forecasts, see “1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS, (3) Explanation Regarding the Forecasts for the Consolidated Financial Results” in the attached Supplementary Information on page 4.

Supplementary Information

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1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

Forecast-related matters described in this report are based on the understandings as of June 30, 2021.

(1) Overview of Consolidated Operating Results

The economy in Japan continued to struggle during the nine months ended June 30, 2021 (the “current period”), due to the spread of COVID-19. The situation still needs to be carefully monitored, while vaccination and other preventive measures are taken to curb the spread of the pandemic.

The Japanese education service industry, in which the Company and its subsidiaries (the “Group”) are engaged, is required to take swift actions to address various impending issues, including declining birthrate, hiring difficulties and regional disparities. Further, as many industries are forced to transform their businesses from analog to digital and reassess their service lines amid the pandemic, the education service industry is also exploring different ways of delivering academic services to meet an increasing demand for utilizing information technology (IT) in education and teaching.

The Group has expanded its service lines amid such business environment by consolidating Shonan Seminar CO., LTD. (or “Shonan”) as a wholly-owned subsidiary of the Company from the first quarter ended December 31, 2020. In detail, the acquisition of Shonan has added variety of JUKU (*) schools offered by the Group under its School Operation Services. On top of the Company-operating “Mori JUKU,” dedicated to offering individual tutoring cram schools mainly for elementary and junior high school students, “Self-Study RED,” and “Sora JUKU,” which is the online version of Mori JUKU commenced in the previous fiscal year, now the Group expands its educational services to the following: “Mori JUKU” operated by Shonan; “Shonan Seminar,” offering group teaching-style JUKU; and “Kawaijuku Manavis,” specialized in teaching senior high school students to prepare for college entrance exams.

(*) JUKU are private, fee-paying schools in Japan that offer supplementary classes after school to support children’s school work or prepare for various entrance exams, including college entrance exams.

“Mori JUKU,” the Group’s core business, ran 175 schools as of June 30, 2021 (up 18 schools year-on-year), comprising 130 schools run by the Company (up 15 schools year-on-year) and 45 schools run by Shonan (up 3 schools year-on-year). On a year-on-year basis, the number of students as of June 30, 2021, not only surpassed the level of 2020 but also that of 2019, the pre-pandemic level. The accomplishment is largely due to the Group’s effort in providing high quality tutoring service and pursuing continuous R&D activities, while placing the highest priority on the safety of students, their parents and employees of the Group during the difficult time of the pandemic. In detail, as of June 30, 2021, the number of enrolled students for “Mori JUKU” totaled 38,625, up 11,943 year-on-year, thanks to the newly consolidated Shonan that also runs Mori JUKU. Of the 38,625 enrolled students, 29,883 students belonged to Mori JUKU run by the Company, an increase of 3,201 students from a year earlier, and 8,742 students to Mori JUKU run by Shonan.

The second largest business was the operation of “Shonan Seminar,” which offers group teaching-style classes mainly to elementary and junior high school students. As of June 30, 2021, 178 Shonan Seminar schools were run by the Group, up one school year-on-year.

Then came “Kawaijuku Manavis,” specialized in teaching senior high school students to prepare for college entrance exams using both video sessions and face-to-face tutoring. As of June 30, 2021, 47 schools were run by Shonan under a franchise, no change in numbers from a year earlier.

“Self-Study RED” offers virtual cram schools utilizing online academic contents. As of June 30, 2021, there were five directly-operated schools (no change in numbers year-on-year) and 152 franchised schools (up 37 schools from a year earlier).

The following table shows the breakdown of net sales and business profit by major JUKU brand for the nine months ended June 30, 2021, and other related information as of June 30, 2021:

	Mori JUKU	Mori JUKU (SPRIX)	Mori JUKU (Shonan) (Note 1)	Shonan Seminar (Note 1)	Kawaijuku Manavis (Note 1)
	Net sales (Million yen) (Note 2)	9,467	8,001	1,466	4,431
Business profit (Million yen) (Note 2&3)	2,159	2,013	146	897	40
Number of schools as of June 30, 2021	175	130	45	178	47
Number of enrolled students as of June 30, 2021	38,625	29,883	8,742	19,293	4,530

Note 1) Net sales and business profit in the current period for “Mori JUKU,” “Shonan Seminar,” and “Kawaijuku Manavis,” which are all run by Shonan, represent those for six months from December 1, 2020 to May 31, 2021, respectively.

Note 2) Net sales and business profit are in amounts before offsetting inter-business transactions.

Note 3) Business profit represents operating profit of each business before the allocation of common expenses such as administrative expenses.

Regarding the Education and Learning Services, the following current businesses performed well in the current period: “Foresta Series,” which offer teaching material for individual tutoring; “Fun-learning Series,” which provide online video teaching material using information and computer technology (ICT); and “JUKU Teachers JAPAN,” the job-search website for JUKU teachers. In addition, several other new businesses started to grow, including “QUREO programming school,” which is jointly operated with one of the group companies of CyberAgent, Inc., and “Programming Proficiency Test.” Also, other businesses were strategically reinforced to effectively realize synergy with the School Operation Services, including “Foresta Learning DOJO,” which offers AI-powered tablets to enhance fundamental academic skills, and “TOFAS (Test of Fundamental Academic Skills),” which is run by SPRIX Fundamental Academic Skills Lab to provide international proficiency tests for fundamental academic skills.

Meanwhile, both cost of sales as well as selling, general and administrative expenses increased during the current period, mainly due to the following reasons: personnel expenses and facility-related expenses for the opening of new schools increased as planned to reinforce business operations; and the Group boosted advertising and R&D activities.

Based on the above, the Group recorded net sales of 16,846,703 thousand yen (up 99.6% year-on-year), operating profit of 1,392,859 thousand yen (up 10.9% year-on-year), ordinary profit of 1,393,728 thousand yen (up 11.1% year-on-year), profit attributable to owners of parent of 788,485 thousand yen (down 12.1% year-on-year), and EBITDA (i.e. operating profit before depreciation and amortization of goodwill) of 1,972,044 thousand yen (up 43.9% year-on-year), during the nine months ended June 30, 2021.

Seasonality plays an important role in the Group’s operating results. For the School Operation Services, centered around the operation of “Mori JUKU,” “Shonan Seminar,” and “Kawaijuku Manavis,” net sales tend to rise in summer (July and August), winter (December and January), and spring (March and April), when sessions are intensively provided. For the Education and Learning Services, sales of textbooks tend to increase in around March to prepare for the new school year in Japan.

Segment information is not provided, given that the Company is operating its educational service business under a single segment. See the breakout of net sales and business profit by major types of JUKU in the above table.

(2) Overview of Consolidated Financial Position

Total assets as of June 30, 2021, were 19,087,707 thousand yen, an increase of 7,601,908 thousand yen from September 30, 2020. This is primarily attributed to an increase of 4,717,661 thousand yen in intangible assets, including goodwill arising from the subsidiary acquisition, and an increase of 1,956,953 thousand yen in property, plant and equipment mainly related to buildings for the subsidiary's school operation.

Total liabilities as of June 30, 2021, were 10,906,477 thousand yen, an increase of 7,512,141 thousand yen from September 30, 2020. This is primarily attributed to an increase of 5,389,518 thousand yen in current liabilities, including short-term borrowings and advances received due to the acquisition, and an increase of 2,122,622 thousand yen in non-current liabilities, including long-term borrowings and asset retirement obligations related to schools run by the acquired subsidiary.

Total net assets as of June 30, 2021, were 8,181,230 thousand yen, up 89,767 thousand yen from September 30, 2020. This is primarily attributed to the recording of profit attributable to owners of parent, offset by dividend payments and purchase of treasury shares.

(3) Explanation Regarding the Forecasts for the Consolidated Financial Results

For the financial results forecasts for the fiscal year ending September 30, 2021, refer to "Notice Concerning Revisions to Financial Results Forecasts for the Fiscal Year Ending September 30, 2021," which was announced on May 10, 2021.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	7,308,111	6,863,601
Accounts receivable - trade	175,344	256,755
Merchandise and finished goods	145,170	349,338
Work in process	53,872	16,134
Supplies	6,442	15,012
Accounts receivable - other	1,594,474	1,104,810
Other current assets	153,312	690,521
Allowance for doubtful accounts	(8,290)	(42,984)
Total current assets	9,428,437	9,253,190
Non-current assets		
Property, plant and equipment		
Building (net)	1,086,763	2,706,232
Other (net)	86,575	424,058
Total property, plant and equipment	1,173,338	3,130,291
Intangible assets		
Goodwill	66,330	2,977,730
Other	29,326	1,835,587
Total intangible assets	95,656	4,813,318
Investments and other assets		
Other	788,402	1,890,943
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	788,366	1,890,907
Total non-current assets	2,057,361	9,834,517
Total assets	11,485,798	19,087,707

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable – trade	76,035	87,841
Short-term borrowings	–	1,262,730
Accounts payable – other	778,548	2,230,718
Income tax payables	247,968	565,771
Advances received	1,336,243	3,018,538
Provision for bonuses	11,700	308,688
Provision for score guarantee payments	6,724	11,934
Provision for sales returns	15,832	15,655
Other current liabilities	402,349	763,040
Total current liabilities	2,875,401	8,264,920
Non-current liabilities		
Long-term borrowings	–	1,636,360
Provision for retirement benefits for directors	68,555	69,233
Retirement benefit liabilities	100,156	108,269
Asset retirement obligations	350,222	827,693
Total non-current liabilities	518,934	2,641,557
Total liabilities	3,394,335	10,906,477
Net assets		
Shareholders' equity		
Share capital	1,422,963	1,430,253
Capital surplus	1,412,963	1,420,253
Retained earnings	5,442,512	5,698,921
Treasury shares	(214,870)	(385,172)
Total shareholders' equity	8,063,569	8,164,255
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	114	28
Total accumulated other comprehensive income	114	28
Stock acquisition rights	–	4,736
Non-controlling interests	27,778	12,209
Total net assets	8,091,462	8,181,230
Total liabilities and net assets	11,485,798	19,087,707

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
[Quarterly Consolidated Statement of Income]

(Thousands of yen)

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
Net sales	8,438,796	16,846,703
Cost of sales	5,219,941	11,267,495
Gross profit	3,218,855	5,579,207
Selling, general and administrative expenses	1,963,276	4,186,348
Operating profit	1,255,578	1,392,859
Non-operating income		
Outsourcing service income	246	5,675
Subsidy income	450	4,238
Other	1,503	3,353
Total non-operating income	2,199	13,267
Non-operating expenses		
Interest expenses	–	7,208
Commission expenses	2,752	4,693
Other	228	496
Total non-operating expenses	2,981	12,398
Ordinary profit	1,254,797	1,393,728
Extraordinary income		
Gain on sale of investment securities	–	35,999
Gain on reversal of asset retirement obligations	19,428	–
Compensation income	71,105	–
Total extraordinary income	90,533	35,999
Extraordinary losses		
Impairment losses	–	70,937
Loss on extinguishment of tie-in shares	1,041	–
Other	–	0
Total extraordinary losses	1,041	70,937
Profit before income taxes	1,344,288	1,358,791

(continued)

Profit before income taxes	1,344,288	1,358,791
Income taxes – current	491,078	676,774
Income taxes – deferred	(36,380)	(90,900)
Income taxes	454,697	585,874
Profit for the period	889,590	772,916
Profit attributable to:		
Non-controlling interests	(7,150)	(15,569)
Owners of parent	896,740	788,485

[Quarterly Consolidated Statement of Comprehensive Income]

(Thousands of yen)

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
Profit for the period	889,590	772,916
Other comprehensive income		
Remeasurements of defined benefit plans	2,031	(86)
Total other comprehensive income	2,031	(86)
Total comprehensive income	891,622	772,830
Total comprehensive income attributable to:		
Owners of parent	898,772	788,399
Non-controlling interests	(7,150)	(15,569)

(3) Notes to the Quarterly Consolidated Financial Statements

[Notes Regarding Uncertainties of Entity's Ability to Continue as Going Concern]

Not applicable.

[Notes When There is Significant Changes in Amounts of Equity]

Not applicable.

[Changes in Significant Subsidiaries during the Nine Months Ended June 30, 2021]

The Company acquired the entire issued and outstanding shares of Shonan and included the entity as well as its wholly-owned subsidiary, Shonan Seminar Ocean Co., LTD. within the scope of the Company's consolidation from the first quarter ended December 31, 2020. Shonan has become the Company's specified subsidiary since the acquisition.

[Segment Information]

Segment information is not provided, given that the Group is operating its educational service business under a single segment.