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May 11, 2022

Consolidated Financial Results for the Six Months Ended March 31, 2022 [Under Japanese GAAP]

Company name:	SPRIX, Ltd.
Stock exchange listings:	Tokyo Stock Exchange
Securities code number:	7030
URL:	https://sprix.jp/
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Scheduled date for submission of securities report:	May 11, 2022
Scheduled date for dividend payment:	June 6, 2022
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended March 31, 2022 (from October 1, 2021 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentage indicate year-on-year changes.)

Six 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	%
March 31, 2022	14,954	39.9	1,482	2.3	1,488	2.9	922	-0.6
March 31, 2021	10,686	81.6	1,448	50.5	1,446	50.3	927	32.8

(Reference) Comprehensive income For the six months ended March 31, 2022: 915 million yen (-0.1%)
For the six months ended March 31, 2021: 916 million yen (31.4%)

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	53.82	52.12
March 31, 2021	53.79	52.27

(Note) SPRIX, Ltd. (the "Company") applied accounting standards for revenue recognition, including the ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* issued on March 31, 2020, starting from October 1, 2021, the beginning date of the first quarter ended December 31, 2021. Accordingly, financial results for the six months ended March 31, 2022, are reported in amounts after applying the accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2022	19,374	9,399	48.4
September 30, 2021	19,277	8,864	45.9
(Reference) Equity	As of March 31, 2022	:9,375 million yen	
	As of September 30, 2021	:8,846 million yen	

(Note) The Company applied accounting standards for revenue recognition, including the ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* issued on March 31, 2020, starting from October 1, 2021, the beginning date of the first quarter ended December 31, 2021. Accordingly, financial results for as of March 31, 2022, are reported in amounts after applying the accounting standards.

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, 2021	–	15.00	–	21.00	36.00
Fiscal year ending September 30, 2022	–	19.00			
Fiscal year ending September 30, 2022 (forecast)			–	19.00	38.00

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

3. Consolidated forecasts for the fiscal year ending September 30, 2022 (From October 1, 2021 to September 30, 2022)

(Percentage indicate year-on-year changes.)

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, 2022	29,546	14.1	2,699	10.8	2,706	11.2	1,755	19.6	102.45

(Note 1) Changes from the latest announced consolidated forecasts: None

(Note 2) The Company applied accounting standards for revenue recognition, including the ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* issued on March 31, 2020, starting from October 1, 2021, the beginning date of the first quarter ended December 31, 2021. Accordingly, the forecasts stated above are reported in amounts after applying the accounting standards.

■ Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2022 (changes in specified subsidiaries resulting in change in scope of consolidation): None
Newly included : None
Excluded : None
- (2) Adoption of accounting treatment specific to the preparation of 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 :Yes
b. Changes in accounting policies due to other reasons :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 March 31, 2022 :17,482,650 shares
As of September 30, 2021 :17,473,950 shares
- b. Number of treasury shares
As of March 31, 2022 :345,285 shares
As of September 30, 2021 :345,245 shares
- c. Average number of issued and outstanding shares during the period (cumulative from the beginning of the fiscal year)
Six months ended March 31, 2022 :17,135,600 shares
Six months ended March 31, 2021 :17,239,689 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 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, (4) Explanation Regarding the Forecasts for the Consolidated Financial Results" in the attached Supplementary Information on page 4.

The amounts stated in the Company's quarterly consolidated financial statements and related notes were originally presented in thousand-yen units. However, effective from the first quarter ended December 31, 2021, such amounts are replaced with million-yen units. Note that amounts for the previous fiscal year and the previous quarter ended March 31, 2021, are also restated in million-yen units.

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 March 31, 2022.

(1) Overview of Consolidated Operating Results

The economy in Japan during the six months ended March 31, 2022 (the “current period”), gradually recovered from severe hardship due to the spread of COVID-19. However, downside economic risks, including soaring raw material prices and unstable financial markets, need to be carefully monitored amid the uncertainties around the globe, such as Russian invasion in Ukraine.

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.

Under such circumstances, the Group determined to strengthen and streamline the operation management of the educational service business by each business model and reassess the management method of Group businesses. Starting from the first quarter ended December 31, 2021, the Group classified its businesses into three reportable segments, namely “Mori JUKU,” “Shonan Seminar,” and “Kawaijuku Manavis.” Segment information is provided accordingly.

The Group acquired the entire shares of Shonan Seminar CO., LTD. (or “Shonan”) as a wholly-owned subsidiary as of December 31, 2020. Accordingly, the subsidiary’s operating results for the first quarter ended December 31, 2020, are not included in amounts for the period of six months ended March 31, 2021.

“Mori JUKU,” the Group’s core business specialized in offering individual tutoring cram schools, ran 184 schools as of March 31, 2022, up 15 schools year-on-year, comprising 139 schools run by the Company, up 15 schools year-on-year, and 45 schools run by Shonan, no changes year-on-year. Mori JUKU business remained stable during the current period as the number of newly enrolled students continued to grow even under the difficult time of COVID-19 while the number of drop-out students stayed at a low level. As a result, the number of enrolled students for Mori JUKU, including those run by Shonan, totaled 37,088, up 1,631 year-on-year as of March 31, 2022. Of the 37,088 enrolled students, 28,684 students belonged to Mori JUKU run by the Company, an increase of 1,342 students from a year earlier, and 8,404 students to Mori JUKU run by Shonan, an increase of 289 students from a year earlier.

“Shonan Seminar” offers group teaching-style classes mainly to elementary and junior high school students. As of March 31, 2022, 181 Shonan Seminar schools were run by Shonan, up three schools year-on-year.

“Kawaijuku Manavis” specializes in teaching senior high school students to prepare for college entrance exams using both video sessions and face-to-face tutoring. As of March 31, 2022, 48 schools were run by Shonan under a franchise, up one school from a year earlier.

The following table shows segment information by major JUKU brands, including net sales and segment profit for the current period as well as the number of schools and enrolled students as of March 31, 2022.

	Mori JUKU			Shonan Seminar	Kawaijuku Manavis
	Mori JUKU	Mori JUKU (SPRIX)	Mori JUKU (Shonan)		
Net sales (Million yen) (Note 1)	7,436	5,856	1,579	4,734	1,384
Segment profit (Million yen) (Note 1&2)	1,809	1,501	307	764	35
EBITDA (Million yen) (Note 3)	1,909	1,542	366	934	118
Number of schools as of March 31, 2022	184	139	45	181	48
Number of enrolled students as of March 31, 2022	37,088	28,684	8,404	19,246	6,448

Note 1) Net sales represent sales to external customers, and segment profit are in amounts after offsetting inter-segment transactions.

Note 2) Segment profit is stated in amounts after deducting amortization expenses for intangible assets, excluding goodwill.

Note 3) EBITDA represents operating profit before interest expenses, depreciation, and amortization of goodwill.

For segment reporting purposes, “Other” section represents business segments that cannot be classified into reportable segments. “Other” includes “Self-Study RED,” “Sora JUKU,” educational services including sales of Foresta Series and operation of Tokyo Dance Village, “Programming Proficiency Test,” and new businesses including R&D expenses.

“Self-Study RED” offers virtual cram schools utilizing online academic contents. As of March 31, 2022, there were five directly-operated schools with no change in numbers year-on-year, and 175 franchised schools, up 43 schools from a year earlier.

The following existing businesses related to educational services included in “Other” grew at a brisk pace 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 are starting to grow, including “QUREO programing school,” which is jointly operated with one of the group companies of CyberAgent, Inc., and “Programming Proficiency Test.” Also, other businesses are strategically reinforced to effectively realize synergy with the JUKU service, 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.

Based on the above, the Group recorded net sales of 14,954 million yen, up 39.9% year-on-year, operating profit of 1,482 million yen, up 2.3% year-on-year, ordinary profit of 1,488 million yen, up 2.9% year-on-year, profit attributable to owners of parent of 922 million yen, down 0.5% year-on-year, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 2,042 million yen, up 16.6% year-on-year, for the current period.

(2) Overview of Consolidated Financial Position

Total assets as of March 31, 2022, were 19,374 million yen, an increase of 97 million yen from September 30, 2021. This is primarily attributed to an increase of 396 million yen in buildings and structures, offset by a decrease of 291 million yen in accounts receivable–other.

Total liabilities as of March 31, 2022, were 9,975 million yen, a decrease of 437 million yen from September 30, 2021, mainly due to a decrease of 692 million yen in advances received, offset by an increase of 410 million yen in accounts payable–other.

Total net assets as of March 31, 2022, were 9,399 million yen, up 535 million yen from September 30, 2021. This is primarily attributed to the recording of profit attributable to owners of parent of 922 million yen, offset by dividend payments of 359 million yen.

(3) Overview of Consolidated Cash Flows

Cash and cash equivalents at the end of the current period, or the six months ended March 31, 2022, were 6,079 million yen. The overview of cash flows during the current period and the main components are as follows:

Net cash provided by operating activities during the current period was 1,092 million yen, mainly comprised of profit before income taxes of 1,518 million yen, offset by a decrease of 692 million yen in advances received.

Net cash used for investing activities during the current period was 635 million yen, mainly comprised of 506 million yen due to purchase of property, plant and equipment.

Net cash used for financing activities during the current period was 539 million yen, mainly comprised of dividend payments of 359 million yen and repayments of long-term borrowings of 181 million yen.

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

No change has been made to the financial results forecasts for the fiscal year ending September 30, 2022, which was disclosed in the Consolidated Financial Results for the Fiscal Year Ended September 30, 2021, issued on November 12, 2021.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	6,163	6,079
Accounts receivable–trade	231	531
Merchandise and finished goods	322	410
Work in process	24	4
Supplies	14	17
Accounts receivable–other	2,002	1,710
Other current assets	877	788
Allowance for doubtful accounts	(36)	(34)
Total current assets	9,599	9,508
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,650	3,047
Land	262	262
Other (net)	151	144
Total property, plant and equipment	3,064	3,454
Intangible assets		
Goodwill	2,877	2,725
Software	216	191
Other	1,588	1,427
Total intangible assets	4,682	4,343
Investments and other assets		
Investment securities	75	75
Deferred tax assets	332	378
Leasehold and guarantee deposits	1,451	1,539
Other	70	73
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,930	2,067
Total non-current assets	9,677	9,866
Total assets	19,277	19,374

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable—trade	151	165
Accounts payable—other	1,534	1,945
Current portion of long-term borrowings	363	363
Income tax payables	606	690
Accrued consumption taxes	361	223
Advances received	3,897	3,205
Provision for bonuses	581	502
Provision for score guarantee payments	10	—
Provision for sales returns	17	—
Other current liabilities	409	525
Total current liabilities	7,936	7,621
Non-current liabilities		
Long-term borrowings	1,454	1,272
Provision for retirement benefits for directors	69	70
Retirement benefit liabilities	107	115
Asset retirement obligations	843	893
Total non-current liabilities	2,476	2,353
Total liabilities	10,412	9,975
Net assets		
Shareholders' equity		
Share capital	1,430	1,431
Capital surplus	1,420	1,421
Retained earnings	6,377	6,906
Treasury shares	(385)	(385)
Total shareholders' equity	8,843	9,373
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	1
Total accumulated other comprehensive income	2	1
Stock acquisition rights	11	23
Non-controlling interests	7	1
Total net assets	8,864	9,399
Total liabilities and net assets	19,277	19,374

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

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Net sales	10,686	14,954
Cost of sales	6,796	9,939
Gross profit	3,890	5,015
Selling, general and administrative expenses	2,441	3,533
Operating profit	1,448	1,482
Non-operating income		
Interest income	1	0
Outsourcing service income	1	2
Subsidy income	2	4
Other	1	6
Total non-operating income	6	12
Non-operating expenses		
Interest expenses	5	2
Commission expenses	3	1
Other	0	2
Total non-operating expenses	9	6
Ordinary profit	1,446	1,488
Extraordinary income		
Gain on sale of investment securities	35	–
Compensation income	–	30
Total extraordinary income	35	30
Profit before income taxes	1,482	1,518
Income taxes—current	506	635
Income taxes—deferred	59	(33)
Income taxes	565	602
Profit for the period	916	916
Profit attributable to:		
Non-controlling interests	(10)	(5)
Owners of parent	927	922

[Quarterly Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Profit for the period	916	916
Other comprehensive income		
Remeasurements of defined benefit plans	(0)	(1)
Total other comprehensive income	(0)	(1)
Total comprehensive income	916	915
Total comprehensive income attributable to:		
Owners of parent	927	921
Non-controlling interests	(10)	(5)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,482	1,518
Depreciation	216	392
Amortization of goodwill	80	152
Share-based payment expenses	–	12
Loss (gain) on sale of investment securities	(35)	–
Increase (decrease) in allowance for doubtful accounts	15	(2)
Increase (decrease) in provision for bonuses	220	(79)
Increase (decrease) in provision for score guarantee payments	1	(10)
Increase (decrease) in provision for sales returns	(3)	(17)
Increase (decrease) in retirement benefit liabilities	2	7
Increase (decrease) in provision for retirement benefits for directors	(0)	0
Interest income	(1)	(0)
Interest expenses	5	2
Decrease (increase) in accounts receivable–trade	(185)	(8)
Decrease (increase) in inventories	(13)	(71)
Decrease (increase) in other assets	(155)	82
Increase (decrease) in accounts payable–trade	63	13
Increase (decrease) in accounts payable–other	(144)	398
Increase (decrease) in advances received	(206)	(692)
Increase (decrease) in other liabilities	75	115
Increase (decrease) in accrued consumption taxes	38	(134)
Other	23	(33)
Subtotal	1,481	1,646
Interest received	1	0
Interest paid	(5)	(2)
Income taxes paid	(276)	(551)
Cash flows from operating activities	1,200	1,092

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from investing activities		
Proceeds from sale of investment securities	35	–
Purchase of property, plant and equipment	(118)	(506)
Purchase of intangible assets	(16)	(30)
Purchase of share of subsidiaries resulting in change in scope of consolidation	(1,297)	–
Payments of leasehold and guarantee deposits	(49)	(111)
Proceeds from refund of leasehold and guarantee deposits	–	12
Others	0	0
Cash flows from investing activities	(1,444)	(635)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,000	–
Repayments of short-term borrowings	(2,000)	–
Proceeds from long-term borrowings	2,000	–
Repayments of long-term borrowings	(2,000)	(181)
Proceeds from issuance of shares	14	1
Purchase of treasury shares	(103)	(0)
Dividends paid	(267)	(359)
Cash flows from financing activities	(427)	(539)
Net increase (decrease) in cash and cash equivalents	(671)	(83)
Cash and cash equivalents at the beginning of the period	7,308	6,163
Cash and cash equivalents at the end of the period	6,636	6,079

(4) Notes to the Quarterly Consolidated Financial Statements

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

Not applicable.

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

Not applicable.

[Changes in Accounting Policies]

(Accounting standard for revenue recognition)

The Group has applied accounting standards for revenue recognition, including the ASBJ Statement No. 29 (revised 2019) *Accounting Standard for Revenue Recognition* issued on March 31, 2020, starting from October 1, 2021, the beginning date of the current period. Under the new accounting standards, revenue is recognized when control of promised goods or services is transferred to customers in an amount of consideration to which an entity expects to be entitled in exchange for the transfer.

Accounting policies are affected under the new accounting standards mainly in the following areas: The Group has changed the accounting for student grant refunds in accordance with the requirement for variable consideration, where revenue is recognized for tuition fees excluding expected refunds at the time of offering classes. The Group has also changed the accounting for score guarantee payments and identified them as separate performance obligations. Accordingly, revenue is recognized when the performance obligation for score guarantee payments is satisfied.

The accounting standards for revenue recognition are applied retrospectively in accordance with the transition requirement set forth in the notes to paragraph 84 of the ASBJ Statement No. 29. As a result, the Group recognizes the net cumulative effect of retrospectively applying the new accounting standard prior to October 1, 2021, the beginning date of the current period, in the opening balance of retained earnings in the current period, thereby applying the new accounting standards effective October 1, 2021. The application has minimal effect on profit or loss in the current period as well as the opening balance of retained earnings as of October 1, 2021.

The Group has not provided disaggregate disclosures for revenue from contracts with customers for the previous period, or the six months ended March 31, 2021, in accordance with the transition requirement set forth in paragraph 28-15 of the ASBJ Statement No. 12 *Accounting Standard for Quarterly Financial Reporting* issued on March 31, 2020.

(Accounting standard for fair value measurement)

The Group has applied accounting standards for fair value measurement, including the ASBJ Statement No. 30 *Accounting Standard for Fair Value Measurement* issued on July 4, 2019, starting from October 1, 2021, the beginning date of the current period. New accounting policies set forth in the accounting standards will be applied prospectively in accordance with the transition requirements stipulated in paragraph 19 of the ASBJ Statement No. 30 and paragraph 44-2 of the ASBJ Statement No. 10 (revised 2019) *Accounting Standard for Financial Instruments* issued on July 4, 2019. The application has no effect on the consolidated quarterly financial statements.

[Segment Information]

For the six months ended March 31, 2021 (from October 1, 2020 to March 31, 2021)

i. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net Sales								
Sales to external customers	6,318	2,454	596	9,370	1,316	10,686	—	10,686
Transactions with other segments	—	—	—	—	52	52	(52)	—
Total	6,318	2,454	596	9,370	1,368	10,738	(52)	10,686
Segment profit (loss)	1,626	416	(37)	2,005	192	2,198	(749)	1,448

Note 1) “Other” represents businesses not included in reportable segments, mainly consisting of the following: new businesses, including associated R&D expenses; Self-Study RED; Sora JUKU; and educational services, including sales of Foresta Series, operation of Tokyo Dance Village, and Programming Proficiency Test.

Note 2) Adjustment for segment profit (loss) of (749) million yen is mainly comprised of amortization of goodwill of (80) million yen and corporate expenses that cannot be allocated to reportable segments of (668) million yen. Corporate expenses primarily represent selling, general and administrative expenses not attributable to reportable segments or “Other.”

Note 3) Segment profit (loss) is adjusted to align with the amount of operating profit in the quarterly consolidated financial statements.

For the six months ended March 31, 2022 (from October 1, 2021 to March 31, 2022)

i. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net Sales								
Revenue from contracts with customers	7,436	4,734	1,384	13,555	1,399	14,954	—	14,954
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	7,436	4,734	1,384	13,555	1,399	14,954	—	14,954
Transactions with other segments	—	—	—	—	80	80	(80)	—
Total	7,436	4,734	1,384	13,555	1,480	15,035	(80)	14,954
Segment profit (loss)	1,809	764	35	2,608	(52)	2,556	(1,073)	1,482

Note 1) “Other” represents businesses not included in reportable segments, mainly consisting of the following: new businesses, including associated R&D expenses; Self-Study RED; Sora JUKU; and educational services, including sales of Foresta Series, operation of

Tokyo Dance Village, and Programming Proficiency Test.

Note 2) Adjustment for segment profit (loss) of (1,073) million yen is mainly comprised of amortization of goodwill of (152) million yen and corporate expenses that cannot be allocated to reportable segments of (921) million yen. Corporate expenses primarily represent selling, general and administrative expenses not attributable to reportable segments or “Other.”

Note 3) Segment profit (loss) is adjusted to align with the amount of operating profit in the quarterly consolidated financial statements.

ii. Changes in reportable segments

Segment information was not provided in previous fiscal years because the Group had been operating its educational service business under a single segment. However, as the Group strengthened and streamlined the operation management of the educational service business by each business model, the Group has determined to classify the educational service business into three reportable segments, namely “Mori JUKU,” “Shonan Seminar,” and “Kawaijuku Manavis.” Segment information is provided accordingly starting from the first quarter ended December 31, 2021.

Segment information for the six months ended March 31, 2021, is prepared to align with the new reportable segments for the six months ended March 31, 2022.

Further, as stated in the notes for [Changes in Accounting Policies], the Group has applied the new accounting standards for revenue recognition effective October 1, 2021, the beginning date of the current period and changed the accounting treatment for revenue recognition. Accordingly, the Group has changed the calculation method for profit or loss for certain businesses. The change has minimal effect on profit or loss in the current period.