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August 9, 2022

Consolidated Financial Results for the Nine Months Ended June 30, 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:	August 9, 2022
Scheduled date for dividend payment:	—
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	None

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

1. Consolidated financial results for the nine months ended June 30, 2022 (from October 1, 2021 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentage indicate year-on-year changes.)

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, 2022	21,109	25.3	1,211	-13.0	1,215	-12.8	741	-5.9
June 30, 2021	16,846	99.6	1,392	10.9	1,393	11.1	788	-12.1
(Reference) Comprehensive income	For the nine months ended June 30, 2022: 734 million yen (-4.9%) For the nine months ended June 30, 2021: 772 million yen (-13.3%)							

Nine months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2022	43.29	41.97
June 30, 2021	45.84	44.54

(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 nine months ended June 30, 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	%
June 30, 2022	17,445	8,899	50.8
September 30, 2021	19,277	8,864	45.9

(Reference) Equity As of June 30, 2022 :8,868 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 June 30, 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 nine months ended June 30, 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 June 30, 2022 :17,485,950 shares
As of September 30, 2021 :17,473,950 shares
- b. Number of treasury shares
As of June 30, 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)
Nine months ended June 30, 2022 :17,136,606 shares
Nine months ended June 30, 2021 :17,200,067 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, (3) 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 June 30, 2021, are also restated in million-yen units.

Supplementary Information

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1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

The economy in Japan during the nine months ended June 30, 2022 (the “current period”), started to recover from the COVID-19 shock. 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 nine months ended June 30, 2021.

“Mori JUKU,” the Group’s core business specialized in offering individual tutoring cram schools, ran 191 schools as of June 30, 2022, up 16 schools year-on-year, comprising 146 schools run by the Company, up 16 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 saw a declining trend. As a result, the number of enrolled students for Mori JUKU, including those run by Shonan, totaled 40,648, up 2,023 year-on-year as of June 30, 2022. Of the 40,648 enrolled students, 31,749 students belonged to Mori JUKU run by the Company, an increase of 1,866 students from a year earlier, and 8,899 students to Mori JUKU run by Shonan, an increase of 157 students from a year earlier.

“Shonan Seminar” offers group teaching-style classes mainly to elementary and junior high school students. As of June 30, 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 June 30, 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 June 30, 2022.

	Mori JUKU			Shonan Seminar	Kawaijuku Manavis
	Mori JUKU	Mori JUKU (SPRIX)	Mori JUKU (Shonan)		
Net sales (Million yen) (Note 1)	10,642	8,391	2,251	6,397	2,129
Segment profit (Million yen) (Note 1&2)	2,341	1,932	408	607	124
EBITDA (Million yen) (Note 3)	2,492	1,995	496	866	248
Number of schools as of June 30, 2022	191	146	45	181	48
Number of enrolled students as of June 30, 2022	40,648	31,749	8,899	18,707	4,485

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 June 30, 2022, there were five directly-operated schools with no change in numbers year-on-year, and 181 franchised schools, up 29 schools from a year earlier.

Included in educational services is the contents business, led by “Foresta Series” offering teaching material for individual tutoring and “Fun-learning Series” providing online video teaching material using information and computer technology (ICT), which slowed down in the current period after enjoying a boosted demand in the previous year when school textbooks were revised throughout Japan. “JUKU Teachers JAPAN,” the job-search website for JUKU teachers performed well in the current year. In addition, several other new businesses are starting 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 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 21,109 million yen, up 25.3% year-on-year, operating profit of 1,211 million yen, down 13.0% year-on-year, ordinary profit of 1,215 million yen, down 12.8% year-on-year, profit attributable to owners of parent of 741 million yen, down 5.9% year-on-year, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 2,057 million yen, up 4.3% year-on-year, for the current period.

(2) Overview of Consolidated Financial Position

Total assets as of June 30, 2022, were 17,445 million yen, a decrease of 1,832 million yen from September 30, 2021. This is primarily attributed to an increase of 408 million yen in buildings and structures, offset by a decrease of 1,187 million yen in cash and cash equivalents.

Total liabilities as of June 30, 2022, were 8,545 million yen, a decrease of 1,866 million yen from September 30, 2021, mainly due to a decrease of 1,001 million yen in advances received, offset by an increase of 174 million yen in accounts payable–other.

Total net assets as of June 30, 2022, were 8,899 million yen, up 34 million yen from September 30, 2021. This is primarily attributed to the recording of profit attributable to owners of parent of 741 million yen, offset by dividend payments of 685 million yen.

(3) 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	6,163	4,976
Accounts receivable–trade	231	306
Merchandise and finished goods	322	367
Work in process	24	19
Supplies	14	26
Accounts receivable–other	2,002	1,040
Other current assets	877	1,100
Allowance for doubtful accounts	(36)	(48)
Total current assets	9,599	7,788
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,650	3,059
Land	262	262
Other (net)	151	134
Total property, plant and equipment	3,064	3,456
Intangible assets		
Goodwill	2,877	2,649
Software	216	207
Other	1,588	1,326
Total intangible assets	4,682	4,183
Investments and other assets		
Investment securities	75	75
Deferred tax assets	332	331
Leasehold and guarantee deposits	1,451	1,538
Other	70	70
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,930	2,016
Total non-current assets	9,677	9,656
Total assets	19,277	17,445

(Millions of yen)

	As of September 30, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable—trade	151	141
Accounts payable—other	1,534	1,709
Current portion of long-term borrowings	363	363
Income tax payables	606	140
Accrued consumption taxes	361	108
Advances received	3,897	2,896
Provision for bonuses	581	406
Provision for score guarantee payments	10	—
Provision for sales returns	17	—
Other current liabilities	409	510
Total current liabilities	7,936	6,276
Non-current liabilities		
Long-term borrowings	1,454	1,181
Provision for retirement benefits for directors	69	71
Retirement benefit liabilities	107	121
Asset retirement obligations	843	895
Total non-current liabilities	2,476	2,269
Total liabilities	10,412	8,545
Net assets		
Shareholders' equity		
Share capital	1,430	1,431
Capital surplus	1,420	1,421
Retained earnings	6,377	6,400
Treasury shares	(385)	(385)
Total shareholders' equity	8,843	8,868
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	0
Total accumulated other comprehensive income	2	0
Stock acquisition rights	11	28
Non-controlling interests	7	2
Total net assets	8,864	8,899
Total liabilities and net assets	19,277	17,445

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

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net sales	16,846	21,109
Cost of sales	11,267	14,545
Gross profit	5,579	6,564
Selling, general and administrative expenses	4,186	5,352
Operating profit	1,392	1,211
Non-operating income		
Outsourcing service income	5	2
Subsidy income	4	4
Other	3	4
Total non-operating income	13	11
Non-operating expenses		
Interest expenses	7	4
Commission expenses	4	1
Other	0	3
Total non-operating expenses	12	8
Ordinary profit	1,393	1,215
Extraordinary income		
Gain on sale of investment securities	35	–
Compensation income	–	30
Total extraordinary income	35	30
Extraordinary losses		
Impairment losses	70	–
Other	0	–
Total extraordinary losses	70	–
Profit before income taxes	1,358	1,245
Income taxes—current	676	495
Income taxes—deferred	(90)	13
Income taxes	585	508
Profit for the period	772	736
Profit attributable to:		
Non-controlling interests	(15)	(5)
Owners of parent	788	741

[Quarterly Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Profit for the period	772	736
Other comprehensive income		
Remeasurements of defined benefit plans	(0)	(1)
Total other comprehensive income	(0)	(1)
Total comprehensive income	772	734
Total comprehensive income attributable to:		
Owners of parent	788	740
Non-controlling interests	(15)	(5)

(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 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 nine months ended June 30, 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 nine months ended June 30, 2021 (from October 1, 2020 to June 30, 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	9,323	4,433	1,296	15,052	1,793	16,846	—	16,846
Transactions with other segments	—	—	—	—	72	72	(72)	—
Total	9,323	4,433	1,296	15,052	1,866	16,919	(72)	16,846
Segment profit (loss)	2,084	541	(3)	2,622	45	2,668	(1,275)	1,392

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 (1,275) million yen is mainly comprised of amortization of goodwill of (156) million yen and corporate expenses that cannot be allocated to reportable segments of (1,118) 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 nine months ended June 30, 2022 (from October 1, 2021 to June 30, 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	10,642	6,397	2,129	19,169	1,939	21,109	—	21,109
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	10,642	6,397	2,129	19,169	1,939	21,109	—	21,109
Transactions with other segments	—	—	—	—	96	96	(96)	—
Total	10,642	6,397	2,129	19,169	2,035	21,205	(96)	21,109
Segment profit (loss)	2,341	607	124	3,072	(155)	2,917	(1,705)	1,211

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 (1,705) million yen is mainly comprised of amortization of goodwill of (228) million yen and corporate expenses that cannot be allocated to reportable segments of (1,477) 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 nine months ended June 30, 2021, is prepared to align with the new reportable segments for the nine months ended June 30, 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.

[Significant Events after Reporting Period]

Acquisition of business

At the Board of Directors meeting held on June 20, 2022, the Company resolved to establish a wholly-owned subsidiary, named WAYO Japanese-language School, Ltd., as of July 1, 2022, for the purpose of acquiring a Japanese-language school called WAYO Japanese-language School, which is one of the businesses run by HINOKIKAI, Ltd.

1. Purpose of the acquisition
To reinforce the Japanese-language school business and to develop contents for Japanese-language education for the Company’s expansion of overseas business.
2. Name of the company from which the Company acquires business
HINOKIKAI, Ltd.
3. Description of the acquired business
A Japanese-language school called WAYO Japanese-language School, which is one of the businesses run by HINOKIKAI, Ltd.
4. Detail of acquired assets and liabilities as well as their amounts
To be determined.
5. Consideration paid for the acquisition
The amount will not be disclosed as agreed with HINOKIKAI, Ltd.
6. Acquisition date
July 22, 2022