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November 11, 2022

Consolidated Financial Results for the Fiscal Year Ended September 30, 2022 [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
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Scheduled date of annual general meeting of shareholders	December 23, 2022
Scheduled date for submission of securities report:	December 23, 2022
Scheduled date for dividend payment:	December 26, 2022
Availability of supplementary information for the financial results:	Yes
Organization of briefing on the financial results:	Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Consolidated operating results

(Percentage indicates year-on-year changes.)

Fiscal year 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	%
September 30, 2022	29,352	13.3	2,778	14.0	2,782	14.3	1,607	9.5
September 30, 2021	25,901	118.7	2,437	36.3	2,434	36.2	1,467	27.6
(Reference) Comprehensive income	For the fiscal year ended September 30, 2022: 1,604 million yen (10.7%) For the fiscal year ended September 30, 2021: 1,449 million yen (27.1%)							
Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on Equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales			
	Yen	Yen	%	%	%			
September 30, 2022	93.80	91.02	17.3	14.3	9.5			
September 30, 2021	85.41	82.99	17.4	15.8	9.4			

(Reference) Share of profit of entities accounted for using equity method:

For the fiscal year ended September 30, 2022: – million yen

For the fiscal year ended September 30, 2021: – million yen

(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 the fiscal year ended September 30, 2022. Accordingly, financial results for the fiscal year ended September 30, 2022, are reported in amounts after applying the accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2022	19,574	9,774	49.8	568.19
September 30, 2021	19,277	8,864	45.9	516.46
(Reference) Equity	As of September 30, 2022: 9,739 million yen As of September 30, 2021: 8,846 million yen			

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2022	2,203	(1,384)	(1,047)	5,935
September 30, 2021	2,647	(1,859)	(1,932)	6,163

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2021	–	15.00	–	21.00	36.00	532	42.1	7.3
Fiscal year ended September 30, 2022	–	19.00	–	19.00	38.00	685	40.5	7.0
Fiscal year ending September 30, 2023 (forecast)	–	19.00	–	19.00	38.00		96.6	

3. Consolidated forecasts for the fiscal year ending September 30, 2023 (From October 1, 2022 to September 30, 2023)

(Percentage indicates 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, 2023	30,777	4.9	1,226	(55.9)	1,240	(55.4)	674	(58.0)	39.32

■ Notes

- (1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries resulting in change in scope of consolidation): None
 Newly included : None
 Excluded : None
- (2) 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 September 30, 2022 :17,487,150 shares
 As of September 30, 2021 :17,473,950 shares
- b. Number of treasury shares
 As of September 30, 2022 :345,285 shares
 As of September 30, 2021 :345,245 shares
- c. Average number of issued and outstanding shares during the year
 Fiscal year ended September 30, 2022 :17,137,780 shares
 Fiscal year ended September 30, 2021 :17,181,540 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-consolidated operating results

(Percentage indicates year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	14,420	7.9	1,946	2.4	1,949	2.9	1,225	(9.9)
September 30, 2021	13,362	12.8	1,900	4.6	1,895	4.3	1,360	16.4

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2022	71.52	69.40
September 30, 2021	79.16	76.91

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	13,649	9,330	68.1	542.35
September 30, 2021	12,758	8,765	68.7	511.11

(Reference) Equity As of September 30, 2022: 9,296 million yen
 As of September 30, 2021: 8,754 million yen

- Financial results reports are exempt from audits 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. OVERVIEW OF FINANCIAL RESULTS, (4) Outlook for the Fiscal Year Ending September 30, 2023" in the attached Supplementary Information on page 4.

The amounts stated in the Company's 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 year ended September 31, 2021, are also restated in million-yen units.

Supplementary Information

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1. OVERVIEW OF FINANCIAL RESULTS

Forecast-related matters described in this report are determined based on the understandings as of September 30, 2022.

(1) Overview of Consolidated Operating Results

Social and economic activities in Japan gradually resumed during the fiscal year ended September 30, 2022, as COVID-related restrictions eased. However, downside economic risks, including soaring raw material prices and unstable financial markets, need to be carefully monitored amid the continuous uncertainties arising from the Russia-Ukraine crisis.

The Japanese education service industry, in which the Company and its subsidiaries (the “Group”) are engaged, is experiencing changes arising from the reform of Japanese public education systems on the back of the issue of declining birthrate. 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 the management operation of the educational service business. As such, 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 fiscal year ended September 30, 2021.

Segment information is as follows:

“Mori JUKU,” the Group’s core business specialized in offering individual tutoring cram schools, ran 191 schools as of September 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 strong for the fiscal year despite the resurgence of COVID-19 over a period when the business had to attract new students for summer sessions. As a result, the number of enrolled students for Mori JUKU, including those run by Shonan, totaled 47,728, up 3,097 year-on-year as of September 30, 2022. Of the 47,728 enrolled students, 37,591 students belonged to Mori JUKU run by the Company, an increase of 2,364 students from a year earlier, and 10,137 students to Mori JUKU run by Shonan, an increase of 733 students from a year earlier.

“Shonan Seminar” offers group teaching-style classes. As of September 30, 2022, 182 schools were run by Shonan, up four schools year-on-year.

“Kawaijuku Manavis” specializes in teaching senior high school students to prepare for college entrance exams using video sessions with support of dedicated counselors. As of September 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 fiscal year ended September 30, 2022, as well as the number of schools and enrolled students as of September 30, 2022.

	Mori JUKU			Shonan Seminar	Kawaijuku Manavis
	Mori JUKU	Mori JUKU (SPRIX)	Mori JUKU (Shonan)		
Net sales (Million yen) (Note 1)	14,512	11,480	3,031	8,945	3,330
Segment profit (Million yen) (Note 1&2)	3,564	2,964	600	1,113	545
EBITDA (Million yen) (Note 3)	3,786	3,069	716	1,462	710
Number of schools as of September 30, 2022	191	146	45	182	48
Number of enrolled students as of September 30, 2022	47,728	37,591	10,137	20,918	5,202

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 businesses that cannot be classified into reportable segments. “Other” includes “Self-Study RED,” “Sora JUKU,” “Programming Proficiency Test,” “WAYO Japanese-language School,” and other educational services, such as sales of Foresta Series and operation of Tokyo Dance Village as well as new businesses including R&D expenses.

“Self-Study RED” offers virtual cram schools utilizing online academic contents. As of September 30, 2022, there were five directly-operated schools with no change in numbers year-on-year, and 183 franchised schools, up 24 schools from a year earlier.

Included in educational services are “Foresta Series” offering teaching material for individual tutoring, “Fun-learning Series” providing online video teaching material using information and computer technology (ICT), and “JUKU Teachers JAPAN” running the job-search website for JUKU teachers, which all performed well in the current fiscal year. In addition, several other new businesses, including “QUREO programming school,” which is jointly operated with one of the group companies of CyberAgent, Inc., and “Programming Proficiency Test,” saw a stable growth. Further, other businesses are strategically reinforced to effectively realize synergy with JUKU school operations, including “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 29,352 million yen, up 13.3% year-on-year, operating profit of 2,778 million yen, up 14.0% year-on-year, ordinary profit of 2,782 million yen, up 14.3% year-on-year, profit attributable to owners of parent of 1,607 million yen, up 9.5% year-on-year, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 3,938 million yen, up 16.3% year-on-year, for the fiscal year ended September 30, 2022.

(2) Overview of Consolidated Financial Position

Total assets as of September 30, 2022, were 19,574 million yen, an increase of 296 million yen from September 30, 2021. This is primarily attributed to increases of 353 million yen in buildings and structures as well as 188 million yen in land, offset by a decrease of 227 million yen in cash and cash equivalents.

Total liabilities as of September 30, 2022, were 9,799 million yen, a decrease of 612 million yen from September 30, 2021, mainly due to decreases in long-term borrowings of 363 million yen and accounts payable–other of 262 million yen, offset by an increase of 244 million yen in advances received.

Total net assets as of September 30, 2022, were 9,774 million yen, up 909 million yen from September 30, 2021. This is primarily attributed to the recording of profit attributable to owners of parent of 1,607 million yen, offset by dividend payments of 685 million yen.

(3) Overview of Consolidated Cash Flows

As of September 30, 2022, cash and cash equivalents were 5,935 million yen. The analysis of cash flows by activity during the fiscal year ended September 30, 2022, is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 2,203 million yen. This is mainly attributable to cash inflows due to profit before tax of 2,661 million yen, offset by payment of income taxes of 1,175 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,384 million yen, primarily due to the purchase of property, plant and equipment of 669 million yen and payments for acquisition of businesses of 497 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,047 million yen, primarily due to the payment of cash dividends of 685 million yen and repayment of long-term borrowings of 363 million yen.

(4) Outlook for the Fiscal Year Ending September 30, 2023

Looking ahead, tougher competition will be seen in the Japanese education service industry, in which the Group mainly operates, as school age population is shrinking due to a declining birthrate and the industry is boosting ICT investment to attract more students. Under such circumstances, to respond to various needs in the market, the Group has strategically expanded its JUKU brands under its school operation services, including the following: “Mori JUKU” and “Self-Study RED,” offering individual tutoring-style cram schools; group teaching-style JUKU “Shonan Seminar” operated by Shonan; “Kawaijuku Manavis,” specialized in teaching senior high school students to prepare for college entrance exams; and “Sora JUKU,” the online version of Mori JUKU launched in 2021.

In the fiscal year ending September 30, 2023, the Group plans to open 18 Mori JUKU schools, including those run by Shonan. As a result, the total number of Mori JUKU schools is expected to reach 209 on a consolidated basis as of September 30, 2023. The number of enrolled students shall also see a stable growth due to the following reasons: we expect the schools that opened during the pandemic and experienced sluggish performance, will attract more students as the impact of the pandemic recedes; the student enrollment for existing schools will return to the pre-pandemic level; new schools to be opened in FY2023 will contribute to an increase in the number of students, although the impact of COVID-19 remains to be carefully monitored. Meanwhile, the Group continues to aggressively hire teachers and other human resource to prepare for future school-openings. Also, facility-related expenses for new schools will continue to rise.

The number of schools for “Shonan Seminar” and “Kawaijuku Manavis” is forecast to reach 186 and 51, respectively, as of September 30, 2023.

The Group plans to boost the franchise operation of “Self-Study RED” by reinforcing the collaboration with Meiko Network Japan Co., Ltd., which remained sluggish during the pandemic. Accordingly, the Group aims to newly open 40 franchised schools and two directly-operated schools, resulting in 230 RED schools in total, including directly-operated schools, as of September 30, 2023. “Sora JUKU” shall also see more enrollments, leveraging its eminence as the top runner in the online individual tutoring industry.

As Japan is facing the issue of labor shortage due to a declining birth rate and aging population, while the number of foreign students is expected to increase thanks to the easing of COVID restrictions, the Group plans to expand effort to bolster “WAYO Japanese-language School,” a Japanese-language school newly acquired in June 2022, by enhancing brand awareness and integrating the Group’s school operation knowhow.

Educational services will remain strong as sales growth will continue for “Foresta Series” the teaching material for individual tutoring. The Group will boost R&D expenses for the fundamental academic skills business to make it profitable in the fiscal year ending September 30, 2025. In detail, the Group plans to invest aggressively in the following areas to increase the number of people taking proficiency tests, one of the key performance indicators to measure the success of

the fundamental academic skills business: marketing activities to both domestic and overseas educational institutions for the purpose of expanding the market globally; and IT infrastructure to build a robust system capable of handling a large volume of service access from people around the world. The Group will expand the “Tokyo Dance Village” operation as it plans to open one school in Shibuya, Tokyo, in November 2023. The Group will also pursue the development of “Programming Proficiency Test (PROKEN)” operated by one of the Group’s subsidiaries, Programming Research Institute, Ltd. and uplift R&D activities for new services in the educational technology area.

Based on the above, the Group forecasts the consolidated financial results for the fiscal year ending September 30, 2023, as follows: net sales of 30,777 million yen, up 4.9% year-on-year, operating profit of 1,226 million yen, down 55.9% year-on-year, ordinary profit of 1,240 million yen, down 55.4% year-on-year, and profit attributable to owners of parent of 674 million yen, down 58.0% year-on-year. EBITDA, which represents one of the Group’s significant key performance indicators, is expected to mark 2,354 million yen, down 40.2% year-on-year.

2. BASIC VIEWS ON THE SELECTION OF ACCOUNTING STANDARDS

The Company prepares and will prepare its consolidated financial statements under Japanese GAAP for the time being to make them comparable to other accounting periods/ companies.

The Company will consider the adoption of IFRS as appropriate, taking into consideration the socioeconomic landscape both in Japan and overseas.

3. CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,163	5,935
Accounts receivable–trade	231	241
Merchandise and finished goods	322	363
Work in process	24	43
Supplies	14	29
Accounts receivable–other	2,002	2,198
Other current assets	877	814
Allowance for doubtful accounts	(36)	(40)
Total current assets	9,599	9,586
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,650	3,004
Land	262	450
Other (net)	151	125
Total property, plant and equipment	3,064	3,581
Intangible assets		
Goodwill	2,877	2,827
Software	216	196
Other	1,588	1,251
Total intangible assets	4,682	4,275
Investments and other assets		
Investment securities	75	25
Deferred tax assets	332	446
Leasehold and guarantee deposits	1,451	1,593
Other	70	66
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,930	2,131
Total non-current assets	9,677	9,987
Total assets	19,277	19,574

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable–trade	151	136
Accounts payable–other	1,534	1,272
Current portion of long-term borrowings	363	363
Income tax payables	606	591
Accrued consumption taxes	361	176
Advances received	3,897	4,142
Provision for bonuses	581	451
Provision for score guarantee payments	10	–
Provision for sales returns	17	–
Other current liabilities	409	480
Total current liabilities	7,936	7,614
Non-current liabilities		
Long-term borrowings	1,454	1,090
Provision for retirement benefits for directors	69	71
Retirement benefit liabilities	107	115
Asset retirement obligations	843	907
Deferred tax liabilities	–	0
Total non-current liabilities	2,476	2,184
Total liabilities	10,412	9,799
Net assets		
Shareholders' equity		
Share capital	1,430	1,431
Capital surplus	1,420	1,421
Retained earnings	6,377	7,266
Treasury shares	(385)	(385)
Total shareholders' equity	8,843	9,734
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	5
Total accumulated other comprehensive income	2	5
Stock acquisition rights	11	33
Non-controlling interests	7	0
Total net assets	8,864	9,774
Total liabilities and net assets	19,277	19,574

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

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	25,901	29,352
Cost of sales	17,188	19,633
Gross profit	8,713	9,718
Selling, general and administrative expenses	6,276	6,940
Operating profit	2,437	2,778
Non-operating income		
Interest income	0	0
Outsourcing service income	5	3
Subsidy income	7	5
Rental income	2	3
Other	3	4
Total non-operating income	19	17
Non-operating expenses		
Interest expenses	10	5
Commission expenses	5	1
Foreign exchange losses	0	–
Consumption tax losses	5	–
Other	0	6
Total non-operating expenses	22	13
Ordinary profit	2,434	2,782
Extraordinary income		
Gain on sale of investment securities	35	–
Compensation income	19	30
Total extraordinary income	55	30
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	–	50
Impairment losses	84	99
Loss on retirement of non-current assets	4	–
Total extraordinary losses	88	150
Profit before income taxes	2,401	2,661
Income taxes—current	1,078	1,161
Income taxes—deferred	(124)	(100)
Income taxes	954	1,061
Profit for the year	1,447	1,600
Profit attributable to:		
Non-controlling interests	(20)	(6)
Owners of parent	1,467	1,607

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit for the year	1,447	1,600
Other comprehensive income		
Remeasurements of defined benefit plans	2	3
Total other comprehensive income	2	3
Total comprehensive income	1,449	1,604
Total comprehensive income attributable to:		
Owners of parent	1,469	1,610
Non-controlling interests	(20)	(6)

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of October 1, 2020	1,422	1,412	5,442	(214)	8,063
Change during the year					
Issuance of new shares	7	7			15
Dividends			(532)		(532)
Profit attributable to owners of parent			1,467		1,467
Acquisition of treasury shares				(170)	(170)
Net changes in items other than shareholders' equity					
Total change during the year	7	7	935	(170)	780
Balance as of September 30, 2021	1,430	1,420	6,377	(385)	8,843

(Millions of yen)

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of October 1, 2020	0	0	—	27	8,091
Change during the year					
Issuance of new shares					15
Dividends					(532)
Profit attributable to owners of parent					1,467
Acquisition of treasury shares					(170)
Net changes in items other than shareholders' equity	2	2	11	(20)	(7)
Total change during the year	2	2	11	(20)	773
Balance as of September 30, 2021	2	2	11	7	8,864

For the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of October 1, 2021	1,430	1,420	6,377	(385)	8,843
Cumulative effects of changes in accounting policies			(33)		(33)
Restated balance	1,430	1,420	6,344	(385)	8,810
Change during the year					
Issuance of new shares	0	0			1
Dividends			(685)		(685)
Profit attributable to owners of parent			1,607		1,607
Acquisition of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total change during the year	0	0	922	(0)	923
Balance as of September 30, 2022	1,431	1,421	7,266	(385)	9,734

(Millions of yen)

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of October 1, 2021	2	2	11	7	8,864
Cumulative effects of changes in accounting policies					(33)
Restated balance	2	2	11	7	8,830
Change during the year					
Issuance of new shares					1
Dividends					(685)
Profit attributable to owners of parent					1,607
Acquisition of treasury shares					(0)
Net changes in items other than shareholders' equity	3	3	22	(6)	19
Total change during the year	3	3	22	(6)	943
Balance as of September 30, 2022	5	5	33	0	9,774

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,401	2,661
Depreciation	669	818
Amortization of goodwill	256	309
Share-based payment expenses	11	22
Loss (gain) on sale of investment securities	(35)	–
Loss on retirement of non-current assets	4	–
Impairment loss	84	99
Loss on valuation of shares of subsidiaries and associates	–	50
Increase (decrease) in allowance for doubtful accounts	6	4
Increase (decrease) in provision for bonuses	415	(130)
Increase (decrease) in provision for score guarantee payments	2	(10)
Increase (decrease) in provision for sales returns	1	(17)
Increase (decrease) in retirement benefit liabilities	10	11
Increase (decrease) in provision for retirement benefits for directors	1	1
Interest income	(0)	(0)
Interest expenses	10	5
Commission expenses	4	–
Decrease (increase) in accounts receivable–trade	(276)	(207)
Decrease (increase) in inventories	(103)	(75)
Decrease (increase) in other assets	(337)	89
Increase (decrease) in accounts payable–trade	63	(15)
Increase (decrease) in accounts payable–other	(358)	(264)
Increase (decrease) in advances received	645	171
Increase (decrease) in accrued consumption taxes	(14)	(179)
Increase (decrease) in other liabilities	148	66
Other	23	(26)
Subtotal	3,634	3,384
Interest received	0	0
Interest paid	(10)	(5)
Income taxes paid	(976)	(1,175)
Cash flows from operating activities	2,647	2,203

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from investing activities		
Proceeds from sale of investment securities	35	–
Purchase of property, plant and equipment	(276)	(669)
Purchase of intangible assets	(156)	(69)
Payments for acquisition of businesses	–	(497)
Purchase of share of subsidiaries resulting in change in scope of consolidation	(1,297)	–
Payments of leasehold and guarantee deposits	(167)	(166)
Proceeds from refund of leasehold and guarantee deposits	5	17
Others	(2)	0
Cash flows from investing activities	(1,859)	(1,384)
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	(3,242)	(363)
Proceeds from issuance of shares	15	1
Purchase of treasury shares	(170)	(0)
Dividends paid	(531)	(685)
Others	(3)	–
Cash flows from financing activities	(1,932)	(1,047)
Net increase (decrease) in cash and cash equivalents	(1,144)	(227)
Cash and cash equivalents at the beginning of the year	7,308	6,163
Cash and cash equivalents at the end of the year	6,163	5,935

(5) Notes to the Consolidated Financial Statements

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

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 first quarter of the fiscal year ended September 30, 2022. 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, in the opening balance of retained earnings in the fiscal year ended September 30, 2022, thereby applying the new accounting standards effective October 1, 2021. The application has minimal effect on profit or loss in the fiscal year ended September 30, 2022, the opening balance of retained earnings as of October 1, 2021, and per share information.

(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 first quarter of the fiscal year ended September 30, 2022. 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 financial statements.

[Segment Information]

(Segment information)

For the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

i. Disclosure of net sales, profit (loss), assets, liabilities and other items for each reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net Sales								
Sales to external customers	13,198	7,541	2,839	23,580	2,321	25,901	—	25,901
Transactions with other segments	—	—	—	—	113	113	(113)	—
Total	13,198	7,541	2,839	23,580	2,434	26,015	(113)	25,901
Segment profit (loss)	3,263	888	494	4,646	(143)	4,502	(2,065)	2,437
Segment assets	4,049	1,931	1,909	7,890	1,403	9,293	9,984	19,277
Other items								
Depreciation	175	283	149	608	45	654	14	669
Amortization of goodwill	—	—	—	—	—	—	256	256
Impairment loss	—	38	46	84	—	84	—	84
Increase in property, plant and equipment and intangible assets	746	1,581	1,584	3,912	22	3,934	3,575	7,510

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 (2,065) million yen is mainly comprised of amortization of goodwill of (256) million yen and corporate expenses that cannot be allocated to reportable segments of (1,808) 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 consolidated financial statements.

For the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

i. Disclosure of net sales, profit (loss), assets, liabilities and other item for each reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net Sales								
Revenue from contracts with customers	14,512	8,945	3,330	26,788	2,563	29,352	—	29,352
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	14,512	8,945	3,330	26,788	2,563	29,352	—	29,352
Transactions with other segments	—	—	—	—	120	120	(120)	—
Total	14,512	8,945	3,330	26,788	2,684	29,472	(120)	29,352
Segment profit (loss)	3,564	1,113	545	5,223	(204)	5,019	(2,241)	2,778
Segment assets	4,259	1,827	1,793	7,880	2,418	10,298	9,275	19,574
Other items								
Depreciation	221	348	165	735	69	804	13	818
Amortization of goodwill	—	—	—	—	5	5	304	309
Impairment loss	29	69	—	99	—	99	—	99
Increase in property, plant and equipment and intangible assets	216	259	33	509	1,036	1,546	15	1,561

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, Programming Proficiency Test, and WAYO Japanese-language School, Ltd.

Note 2) Adjustment for segment profit (loss) of (2,241) million yen is mainly comprised of amortization of goodwill of (304) million yen and corporate expenses that cannot be allocated to reportable segments of (1,936) 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 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 of the fiscal year ended September 30, 2022.

Segment information for the fiscal year ended September 30, 2021, is prepared to align with the new reportable segments.

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, and changed the accounting treatment for revenue recognition in the fiscal year ended September 30, 2022. Accordingly, the Group has changed the calculation method for profit or loss for certain business segments. The change has minimal effect on segment profit or loss in the fiscal year ended September 30, 2022.

[Per Share Information]

(Yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net assets per share	516.46	568.19
Basic earnings per share	85.41	93.80
Diluted earnings per share	82.99	91.02

The basis for the calculation of basic earnings per share and diluted earnings per share is presented below:

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Basic earnings per share	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	1,467	1,607
Profit for the year not attributable to common shareholders	—	—
Profit attributable to owners of parent for common shares	1,467	1,607
	(Number of shares)	(Number of shares)
Average number of common shares outstanding during the year	17,181,540	17,137,780
Diluted earnings per share	(Millions of yen)	(Millions of yen)
Adjustments to profit attributable to owners of parent	—	—
	(Number of shares)	(Number of shares)
Increase in number of common shares	501,495	523,434
(Of which stock acquisition rights)	(501,495)	(523,434)
Description of diluted shares not included in diluted earnings per share as they have no dilutive effect	—	—

[Significant Events after Reporting Period]

Not applicable.