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May 11, 2023

Consolidated Financial Results for the Six Months Ended March 31, 2023 [Under Japanese GAAP]

Company name:	SPRIX Inc.
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, 2023
Scheduled date for dividend payment:	June 5, 2023
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

(1) Consolidated operating results (cumulative)

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

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, 2023	15,221	1.8	648	(53.8)	688	(53.8)	381	(58.6)
March 31, 2022	14,954	39.9	1,482	2.3	1,488	2.9	922	(0.6)
(Reference) Comprehensive income	For the six months ended March 31, 2023: 378 million yen (-58.7%) For the six months ended March 31, 2022: 915 million yen (-0.1%)							

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	22.11	21.68
March 31, 2022	53.82	52.12

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
March 31, 2023	19,847	9,855	49.4
September 30, 2022	19,574	9,774	49.8
(Reference) Equity	As of March 31, 2023:	9,810 million yen	
	As of September 30, 2022:	9,739 million yen	

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2022	—	19.00	—	19.00	38.00
Fiscal year ending September 30, 2023	—	19.00			
Fiscal year ending September 30, 2023 (forecast)			—	19.00	38.00

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

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

(Percentage figures represent changes from the previous fiscal year)

Fiscal year ending	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
September 30, 2023	30,777	4.9	1,226	(55.9)	1,240	(55.4)	674	(58.0)	39.32

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

■ Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2023 (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 other than the above a.: None
c. Changes in accounting estimates: None
d. Restatements: None
- (4) Number of issued and outstanding shares (common shares)
- a. Number of issued and outstanding shares (including treasury shares)
As of March 31, 2023: 17,633,250 shares
As of September 30, 2022: 17,487,150 shares
- b. Number of treasury shares
As of March 31, 2023: 341,285 shares
As of September 30, 2022: 345,285 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, 2023: 17,271,492 shares
Six months ended March 31, 2022: 17,135,600 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.

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, 2023.

(1) Overview of Consolidated Operating Results

The economy in Japan during the six months ended March 31, 2023 (the “current period”) has been positively affected by a sense of anticipation regarding economic recovery as a result of various government policies under the new norm of living side by side with the risk of COVID-19 infection. On the other hand, the present situation requires great caution against risks arising from a possible downturn in overseas economies in the face of the global trend toward monetary tightening, and resulting deterioration in the Japanese economy.

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 birthrates.

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.

Against this backdrop, “Mori JUKU”, the Group’s core business specialized in offering individual tutoring schools, ran 202 schools as of March 31, 2023, up 18 schools year on year. These schools comprised 157 schools run by the Company, up 18 schools year on year, and 45 schools run by Shonan Seminar Co., Ltd., no change year on year. The Mori JUKU business thus remained strong, with student enrollment numbers now returning to pre-pandemic levels on the back of the lower withdrawal rate.

As a result, the number of enrolled students for “Mori JUKU” schools, including those run by Shonan Seminar Co., Ltd., totaled 39,066, up 1,978 year on year as of March 31, 2023. Of the 39,066 enrolled students, 30,824 students belonged to Mori JUKU schools run by the Company, an increase of 2,140 students from a year earlier, and 8,242 students to Mori JUKU schools run by Shonan Seminar Co., Ltd., a decrease of 162 students from the previous year.

“Shonan Seminar” offers group teaching-style classes. As of March 31, 2023, a total of 184 Shonan Seminar schools were operational, up three schools year on year. The number of enrolled students for Shonan Seminar schools as of the same date totaled 18,811, down 435, due in part to resurgences of the COVID-19 pandemic in the winter of 2022, in addition to lower exam pass rates achieved by this brand in the spring of 2022.

“Kawaijuku Manavis” specializes in teaching senior high school students to prepare for college entrance exams using video sessions with support from dedicated tutors. As of March 31, 2023, a total of 49 schools were run by Shonan Seminar as franchises, up one school from a year earlier. The number of enrolled students for Kawaijuku Manavis schools as of the same date totaled 6,070, down 378 year on year, due primarily to the growing trend toward choosing college entrance exams under recommendations from high schools, which, in turn, caused high school seniors to leave tutoring schools early.

The following table shows segment information by major JUKU brand, including net sales and segment profit for the six months ended March 31, 2023, as well as the number of schools and enrolled students as of the same date.

	Mori JUKU			Shonan Seminar	Kawaijuku Manavis
	Mori JUKU	Mori JUKU (SPRIX)	Mori JUKU (Shonan)		
Net sales (Million yen) (Note 1)	7,853	6,254	1,599	4,487	1,282
Segment profit (loss) (Million yen) (Notes 1 & 2)	1,604	1,294	310	467	(49)
EBITDA (Note 3)	1,711	1,345	366	638	34
Number of schools as of March 31, 2023	202	157	45	184	49
Number of enrolled students as of March 31, 2023	39,066	30,824	8,242	18,811	6,070

Note 1) Net sales represent sales to external customers, while segment profit includes inter-segment transactions.

Note 2) Segment profit and loss 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, the “Other” section represents businesses that cannot be classified into reportable segments. “Other” includes “Self-Study RED”, “Sora JUKU”, and other educational services, such as the sale of Foresta Series textbooks and the operation of Tokyo Dance Village, “WAYO Japanese-language School” and the “Programming Proficiency Test”, as well as new businesses, and also including R&D expenses.

“Self-Study RED” offers virtual tutoring schools utilizing online academic media. As of March 31, 2023, there were five directly operated schools with no change in numbers year on year, and 192 franchised schools, up 17 schools from a year earlier.

Included in educational services is the Foresta Series offering teaching material for individual tutoring, the Fun-learning Series providing online video teaching material using information and computer technology (ICT), and “JUKU Teachers JAPAN”, a job-search website for JUKU teachers, which all performed well in the current period. Similarly, several other new businesses saw stable growth. These included “DOJO”, which offers AI-powered tablets to enhance fundamental academic skills, and “QUREO programing school”, which is jointly operated with one of the group companies of CyberAgent, Inc., and the “Programming Proficiency Test”. Furthermore, although still in the investment phase, the number of “TOFAS (Test of Fundamental Academic Skills)” examinees has seen stable growth and surpassed one million.

In the current period, the Company has executed proactive investment in new businesses and R&D, thereby achieving steady progress with its plans. Going forward, the Company will remain active in investment and R&D so that these undertakings realize synergy with the JUKU service to the full extent of its potential. In addition, advertising for Mori JUKU was conducted earlier than the previous year.

Based on the above, the Group recorded net sales of 15,221 million yen, up 1.8% year on year, operating profit of 684 million yen, down 53.8% year on year, ordinary profit of 688 million yen, down 53.8% year on year, profit attributable to owners of parent of 381 million yen, down 58.6% year on year, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 1,269 million yen, down 37.9% year on year, for the current period.

(2) Overview of Consolidated Financial Position

Total assets as of March 31, 2023, were 19,847 million yen, an increase of 273 million yen from September 30, 2022. This is primarily attributed to an increase of 395 million yen in leasehold and guarantee deposits, offset by a decrease of 216 million yen in cash and deposits.

Total liabilities as of March 31, 2023, were 9,992 million yen, an increase of 192 million yen from September 30, 2022, mainly due to an increase of 988 million yen in accounts payable—other, despite a decrease of 746 million yen in advances received.

Total net assets as of March 31, 2022, were 9,855 million yen, up 80 million yen from September 30, 2022. This is primarily attributed to the recording of profit attributable to owners of parent of 381 million yen, offset by dividend payments of 325 million yen.

(3) Consolidated Cash Flows

Cash and cash equivalents (“cash”) as of the six months ended March 31, 2023 were 5,719 million yen (a decrease of 216 million yen from the end of the previous fiscal year). Cash flows and their primary factors during the six months ended March 31, 2023 are as follows.

(1) Cash flows from operating activities

Net cash provided by operating activities during the six months ended March 31, 2023 amounted to 790 million yen (net cash provided in the same period of the previous year was 1,092 million yen). The main factors were 688 million yen in profit before income taxes and an increase of 911 million yen from accounts payable—other, despite a decrease of 746 million yen in advances received among other factors.

(2) Cash flows from investing activities

Net cash used in investing activities during the six months ended March 31, 2023 amounted to 512 million yen (net cash used in the same period of the previous fiscal year was 635 million yen). The main factor was a payment of 413 million yen for leasehold and guarantee deposits.

(3) Cash flows from financing activities

Net cash used in financing activities during the six months ended March 31, 2023 amounted to 494 million yen (net cash used in the same period of the previous fiscal year was 539 million yen). The main factors were the payment of cash dividends amounting to 326 million yen, and the repayment 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, 2023, which was disclosed in the Consolidated Financial Results for the Fiscal Year Ended September 30, 2022, issued on November 11, 2022.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	5,935	5,719
Accounts receivable–trade	241	526
Merchandise and finished goods	363	522
Work in process	43	5
Supplies	29	20
Accounts receivable–other	2,198	2,030
Other current assets	814	812
Allowance for doubtful accounts	(40)	(41)
Total current assets	9,586	9,595
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,004	3,138
Land	450	450
Other (net)	125	118
Total property, plant and equipment	3,581	3,708
Intangible assets		
Goodwill	2,827	2,662
Software	196	208
Other	1,251	1,073
Total intangible assets	4,275	3,944
Investments and other assets		
Investment securities	25	25
Deferred tax assets	446	510
Leasehold and guarantee deposits	1,593	1,988
Other	66	74
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,131	2,599
Total non-current assets	9,987	10,252
Total assets	19,574	19,847

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	136	193
Accounts payable–other	1,272	2,260
Current portion of long-term borrowings	363	363
Income tax payables	591	420
Accrued consumption taxes	176	229
Advances received	4,142	3,396
Provision for bonuses	451	426
Other current liabilities	480	650
Total current liabilities	7,614	7,940
Non-current liabilities		
Long-term borrowings	1,090	909
Provision for retirement benefits for directors	71	72
Retirement benefit liabilities	115	121
Asset retirement obligations	907	949
Deferred tax liabilities	0	0
Total non-current liabilities	2,184	2,052
Total liabilities	9,799	9,992
Net assets		
Shareholders' equity		
Share capital	1,431	1,438
Capital surplus	1,421	1,428
Retained earnings	7,266	7,322
Treasury shares	(385)	(381)
Total shareholders' equity	9,734	9,807
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	5	2
Total accumulated other comprehensive income	5	2
Stock acquisition rights	33	44
Non-controlling interests	0	—
Total net assets	9,774	9,855
Total liabilities and net assets	19,574	19,847

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

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Net sales	14,954	15,221
Cost of sales	9,939	10,137
Gross profit	5,015	5,084
Selling, general and administrative expenses	3,533	4,399
Operating profit	1,482	684
Non-operating income		
Interest income	0	0
Outsourcing service income	2	0
Subsidy income	4	1
Commission fees	–	2
Other	6	2
Total non-operating income	12	7
Non-operating expenses		
Interest expenses	2	2
Commission expenses	1	–
Other	2	1
Total non-operating expenses	6	3
Ordinary profit	1,488	688
Extraordinary income		
Compensation income	30	–
Total extraordinary income	30	–
Profit before income taxes	1,518	688
Income taxes—current	635	369
Income taxes—deferred	(33)	(62)
Income taxes	602	306
Profit for the period	916	381
Profit attributable to:		
Non-controlling interests	(5)	(0)
Owners of parent	922	381

[Quarterly Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit for the period	916	381
Other comprehensive income		
Remeasurements of defined benefit plans	(1)	(2)
Total other comprehensive income	(1)	(2)
Total comprehensive income	915	378
Total comprehensive income attributable to:		
Owners of parent	921	378
Non-controlling interests	(5)	(0)

(3) Consolidated Statements of Cash Flows

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,518	688
Depreciation	392	409
Amortization of goodwill	152	160
Share-based payment expenses	12	10
Increase (decrease) in allowance for doubtful accounts	(2)	0
Increase (decrease) in provision for bonuses	(79)	(24)
Increase (decrease) in provision for score guarantee payments	(10)	–
Increase (decrease) in provision for sales returns	(17)	(26)
Increase (decrease) in retirement benefit liabilities	7	3
Increase (decrease) in provision for retirement benefits for directors	0	1
Interest income	(0)	(0)
Interest expenses	2	2
Decrease (increase) in accounts receivable—trade	(8)	(116)
Decrease (increase) in inventories	(71)	(111)
Decrease (increase) in other assets	82	(36)
Increase (decrease) in accounts payable—trade	13	57
Increase (decrease) in accounts payable—other	398	911
Increase (decrease) in advances received	(692)	(746)
Increase (decrease) in other liabilities	115	200
Increase (decrease) in accrued consumption taxes	(134)	82
Other	(33)	(131)
Subtotal	1,646	1,334
Interest received	0	0
Interest paid	(2)	(2)
Income taxes paid	(551)	(541)
Cash flows from operating activities	1,092	790
Cash flows from investing activities		
Purchase of property, plant and equipment	(506)	(48)
Purchase of intangible assets	(30)	(55)
Payments of leasehold and guarantee deposits	(111)	(413)

Proceeds from refund of leasehold and guarantee deposits	12	4
Other	0	–
Cash flows from investing activities	(635)	(512)
Cash flows from financing activities		
Repayment of long-term borrowings	(181)	(181)
Proceeds from issuance of shares	1	13
Purchase of treasury shares	(0)	–
Dividends paid	(359)	(326)
Cash flows from financing activities	(539)	(494)
Net increase (decrease) in cash and cash equivalents	(83)	(216)
Cash and cash equivalents at the beginning of period	6,163	5,935
Cash and cash equivalents at the end of period	6,079	5,719

(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]

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the *Implementation Guidance on Accounting Standards for Fair Value Measurement* (ASBJ Statement No. 31 issued on June 17, 2021), starting from October 1, 2022, the beginning date of the first quarter of the fiscal year ending September 30, 2023. New accounting policies set forth in this implementation guidance will be applied prospectively in accordance with the transition requirements stipulated in paragraph 27-2 of said guidance. The application has no effect on the consolidated quarterly financial statements.

[Segment Information]

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

i. Disclosure of net sales and profit (loss) for each reportable segment and the analysis of revenue components

(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 such educational services as the sale of the Foresta Series and the operation of Tokyo Dance Village and the Programming Proficiency Test.

Note 2) Adjustment for segment profit (loss) of negative 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 and loss is adjusted to align with the amount of operating profit in the quarterly consolidated financial statements.

ii. Impairment losses on non-current assets and goodwill, etc. recorded for each reportable segment
Not applicable.

For the six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

i. Disclosure of net sales and profit (loss) for each reportable segment and the analysis of revenue components

(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	7,853	4,487	1,282	13,623	1,598	15,221	—	15,221
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	7,853	4,487	1,282	13,623	1,598	15,221	—	15,221
Transactions with other segments	—	—	—	—	87	87	(87)	—
Total	7,853	4,487	1,282	13,623	1,686	15,309	(87)	15,221
Segment profit (loss)	1,604	467	(49)	2,023	(223)	1,800	(1,115)	684

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 such educational services as the sale of the Foresta Series and the operation of Tokyo Dance Village, WAYO Japanese-language School and the Programming Proficiency Test.

Note 2) Adjustment for segment profit (loss) of negative 1,115 million yen is mainly comprised of amortization of goodwill of 152 million yen and corporate expenses that cannot be allocated to reportable segments of 963 million yen. Corporate expenses primarily represent selling, general and administrative expenses not attributable to reportable segments or “Other.”

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

iii. Impairment losses on non-current assets and goodwill, etc. recorded for each reportable segment

Not applicable.