

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 9, 2023

Consolidated Financial Results for the Nine Months Ended June 30, 2023 [Under Japanese GAAP]

Company name:	SPRIX Inc.
Stock exchange listings:	Tokyo Stock Exchange
Securities code number:	7030
URL:	https://sprix.jp/
Representative:	Hiroyuki Tsuneishi, Representative Director and President
Contact:	Toshihide Hirai, Director and General Manager
Telephone number:	(81) 3-6912-7058
Scheduled date for submission of securities report:	August 9, 2023
Scheduled date for dividend payment:	-
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	None

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

1. Consolidated financial results for the nine months ended June 30, 2023 (from October 1, 2022 to June 30, 2023)

(1) Consolidated operating results (cumulative)

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

Nine months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	21,750	3.0	119	(90.2)	119	(90.2)	(16)	(102.2)
June 30, 2022	21,109	25.3	1,211	(13.0)	1,215	(12.8)	741	(5.9)
(Reference) Comprehensive income	For the six months ended June 30, 2023: -21 million yen (-102.9%) For the six months ended June 30, 2022: 734 million yen (-4.9%)							

Nine months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2023	(0.94)	(0.92)
June 30, 2022	43.29	41.97

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
June 30, 2023	18,070	9,129	50.3
September 30, 2022	19,574	9,774	49.8
(Reference) Equity	As of June 30, 2023:	9,082 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 June 30, 2023: 17,633,250 shares
As of September 30, 2022: 17,487,150 shares
- b. Number of treasury shares
As of June 30, 2023: 341,085 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 June 30, 2023: 17,276,860 shares
Six months ended June 30, 2022: 17,136,606 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.

Supplementary Information

Table of Contents

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS	2
(1) Overview of Consolidated Operating Results	2
(2) Overview of Consolidated Financial Position	4
(3) Explanation Regarding the Forecasts for the Consolidated Financial Results	4
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
[Quarterly Consolidated Statement of Income]	7
[Quarterly Consolidated Statement of Comprehensive Income]	8
(3) Notes to the Quarterly Consolidated Financial Statements	9
[Notes Regarding Uncertainties of Entity's Ability to Continue as Going Concern]	9
[Notes Regarding Significant Changes in Equity]	9
[Changes in Accounting Policies]	9
[Segment Information]	10

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

Forecast-related matters described in this report are based on information as of June 30, 2023.

(1) Overview of Consolidated Operating Results

During the nine months ended June 30, 2023 (the “period under review”), of the fiscal year ending September 30, 2023, the Japanese economy saw a gradual recovery as a result of an improving employment and income environment and various policies. On the other hand, a number of risks have emerged in connection with a possible downturn in overseas economies in the face of continued global trend toward monetary tightening and other factors that could negatively affect the Japanese economy. Furthermore, with many industries being compelled to transform their businesses from analog to digital and to reassess their service lines due to the pandemic, the education service industry is also exploring different ways of delivering academic services to meet increasing demand for information technology (IT) that can be utilized in education and teaching.

Against this backdrop, “Mori JUKU,” the SPRIX Group’s core business specialized in offering individual tutoring schools, was running 202 schools as of June 30, 2023, up 18 schools year on year. These included 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. Despite a partial increase in tuition fees at Mori JUKU starting this spring, student enrollment has been growing steadily.

As a result, the number of enrolled students at “Mori JUKU” schools, including those run by Shonan Seminar Co., Ltd., totaled 43,494, up 2,846 year on year as of June 30, 2023. Of the 43,494 enrolled students, 34,701 students attended Mori JUKU schools run by the Company, an increase of 2,952 students from a year earlier, and 8,793 students were at Mori JUKU schools run by Shonan Seminar Co., Ltd., a decrease of 106 students from the previous year.

“Shonan Seminar” offers group teaching-style classes. As of June 30, 2023, a total of 197 Shonan Seminar schools were operational, up sixteen schools year on year. Although the 2023 spring exam pass rates have recovered from the lows reached during height of the pandemic, it will take time for these results to permeate. The number of enrolled students at Shonan Seminar schools as of the same date totaled 18,456, down 251, due in part to resurgences of the COVID-19 pandemic in winter 2022-2023 as well as lower exam pass rates achieved by this brand in the spring of 2022, which, mainly due to weak spring acceptance results, led to lower enrollment in March 2023.

“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 June 30, 2023, a total of fifty schools were run by Shonan Seminar as franchises, up two schools from a year earlier. The number of enrolled students at Kawaijuku Manavis schools as of the same date totaled 4,144, down 341 year on year, due primarily to the growing trend toward choosing college entrance exams under the recommendation of high schools, which, in turn, lead to lower enrollment rates.

The following table shows segment information by major JUKU brand, including net sales and segment profit for the nine months ended June 30, 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)	11,356	9,025	2,330	6,173	1,987
Segment profit (loss) (Million yen) (Notes 1 & 2)	2,339	1,816	522	309	(25)
EBITDA (Note 3)	2,502	1,896	606	564	100
Number of schools as of June 30, 2023	202	157	45	197	50
Number of enrolled students as of June 30, 2023	43,494	34,701	8,793	18,456	4,144

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 R&D expenses.

“Self-Study RED” offers virtual tutoring schools utilizing online academic media. As of June 30, 2023, there were six directly operated schools, up one school year on year, and 189 franchised schools, up 8 schools from a year earlier.

Included in educational services is the Foresta Series offering teaching materials for individual tutoring, the Fun-learning Series providing online video teaching materials using information and computer technology (ICT), and “JUKU Teachers JAPAN,” a job-search website for JUKU teachers, all of which performed well in the period under review. Similarly, several other new businesses saw stable growth. These included “DOJO,” which offers AI-powered tablets to enhance fundamental academic skills, and “QUREO programming 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 surpassed two million, and is on track for the plan for the current fiscal year.

In the period under review, the Company stepped up advancement of advertising for Mori JUKU. The Company also 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.

As a result of the above, the Group recorded net sales of 21,750 million yen, up 3.0% year on year, operating profit of 119 million yen, down 90.2% year on year, ordinary profit of 119 million yen, down 90.2% year on year, loss attributable to owners of parent of 16 million yen, profit attributable to owners of parent of 741 million yen year-on-year cumulative period, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 1,000 million yen, down 51.4% year on year, for the period under review.

(2) Overview of Consolidated Financial Position

Total assets as of June 30, 2023, were 18,070 million yen, a decrease of 1,503 million yen from September 30, 2022. This is largely attributable to a decrease of 1,097 million yen in cash and deposits.

Total liabilities as of June 30, 2023, were 8,941 million yen, a decrease of 858 million yen from September 30, 2022, despite an increase of 785 million yen in accounts payable—other, due to a decrease of 1,338 million yen in advances received.

Total net assets as of June 30, 2023, were 9,129 million yen, down 644 million yen from September 30, 2022. This is primarily attributable to the recording of offset by dividend payments of 654 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, 2023, which were 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	5,935	4,838
Accounts receivable–trade	241	318
Merchandise and finished goods	363	421
Work in process	43	21
Supplies	29	24
Accounts receivable–other	2,198	1,057
Other current assets	814	1,151
Allowance for doubtful accounts	(40)	(40)
Total current assets	9,586	7,793
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,004	3,148
Land	450	450
Other (net)	125	234
Total property, plant and equipment	3,581	3,833
Intangible assets		
Goodwill	2,827	2,579
Software	196	206
Other	1,251	1,015
Total intangible assets	4,275	3,801
Investments and other assets		
Investment securities	25	25
Deferred tax assets	446	524
Leasehold and guarantee deposits	1,593	2,003
Other	66	89
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,131	2,641
Total non-current assets	9,987	10,277
Total assets	19,574	18,070

(Millions of yen)

	As of September 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	136	138
Accounts payable–other	1,272	2,057
Short-term borrowings	–	637
Current portion of long-term borrowings	363	363
Income tax payables	591	–
Accrued consumption taxes	176	131
Advances received	4,142	2,804
Provision for bonuses	451	411
Other current liabilities	480	425
Total current liabilities	7,614	6,969
Non-current liabilities		
Long-term borrowings	1,090	818
Provision for retirement benefits for directors	71	73
Retirement benefit liabilities	115	125
Asset retirement obligations	907	954
Deferred tax liabilities	0	0
Total non-current liabilities	2,184	1,972
Total liabilities	9,799	8,941
Net assets		
Shareholders' equity		
Share capital	1,431	1,438
Capital surplus	1,421	1,428
Retained earnings	7,266	6,595
Treasury shares	(385)	(381)
Total shareholders' equity	9,734	9,081
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	5	1
Total accumulated other comprehensive income	5	1
Stock acquisition rights	33	46
Non-controlling interests	0	–
Total net assets	9,774	9,129
Total liabilities and net assets	19,574	18,070

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

(Millions of yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Net sales	21,109	21,750
Cost of sales	14,545	15,027
Gross profit	6,564	6,723
Selling, general and administrative expenses	5,352	6,604
Operating profit	1,211	119
Non-operating income		
Interest income	0	0
Outsourcing service income	2	0
Subsidy income	4	1
Commission fees	–	2
Other	4	2
Total non-operating income	11	7
Non-operating expenses		
Interest expenses	4	3
Commission expenses	1	–
Other	3	3
Total non-operating expenses	8	7
Ordinary profit	1,215	119
Extraordinary income		
Compensation income	30	–
Total extraordinary income	30	–
Profit before income taxes	1,245	119
Income taxes—current	495	212
Income taxes—deferred	13	(75)
Income taxes	508	136
Profit(loss) for the period	736	(16)
Profit(loss) attributable to:		
Non-controlling interests	(5)	(0)
Owners of parent	741	(16)

[Quarterly Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Profit(loss) for the period	736	(16)
Other comprehensive income		
Remeasurements of defined benefit plans	(1)	(4)
Total other comprehensive income	(1)	(4)
Total comprehensive income	734	(21)
Total comprehensive income attributable to:		
Owners of parent	740	(20)
Non-controlling interests	(5)	(0)

(3) Notes to the Quarterly Consolidated Financial Statements

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

Not applicable.

[Notes Regarding Significant Changes in 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 nine months ended June 30, 2021 (from October 1, 2021 to June 30, 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	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 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 1,705 million yen is mainly composed 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 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 June 30, 2023 (from October 1, 2022 to June 30, 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	11,356	6,173	1,987	19,517	2,233	21,750	—	21,750
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	11,356	6,173	1,987	19,517	2,233	21,750	—	21,750
Transactions with other segments	—	—	—	—	101	101	(101)	—
Total	11,356	6,173	1,987	19,517	2,334	21,851	(101)	21,750
Segment profit (loss)	2,339	309	(25)	2,624	(664)	1,959	(1,840)	119

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 1,840 million yen is mainly comprised of amortization of goodwill of 228 million yen and corporate expenses that cannot be allocated to reportable segments of 1,611 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.