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November 10, 2023

Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 [Under Japanese GAAP]

Company name:	SPRIX Inc.
Stock exchange listings:	Tokyo Stock Exchange
Securities code number:	7030
URL:	https://sprix.inc
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Scheduled date of annual general meeting of shareholders	December 22, 2023
Scheduled date for submission of securities report:	December 22, 2023
Scheduled date for dividend payment:	December 25, 2023
Availability of supplementary information for the financial results:	Yes
Organization of briefing on the financial results:	Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Consolidated operating results (Percentage figures represent changes from the same period of the previous fiscal year)

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, 2023	30,363	3.4	1,318	(52.6)	1,319	(52.6)	561	(65.1)
September 30, 2022	29,352	13.3	2,778	14.0	2,782	14.3	1,607	9.5

(Reference) Comprehensive income For the fiscal year ended September 30, 2023: 557 million yen (-65.2%)
For the fiscal year ended September 30, 2022: 1,604 million yen (10.7%)

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, 2023	32.51	31.89	5.8	6.6	4.3
September 30, 2022	93.80	91.02	17.3	14.3	9.5

(Reference) Share of profit of entities accounted for using equity method:
For the fiscal year ended September 30, 2023: – million yen
For the fiscal year ended September 30, 2022: – million yen

(2) 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, 2023	20,143	9,706	48.0	558.76
September 30, 2022	19,574	9,774	49.8	568.19

(Reference) Equity As of September 30, 2023: 9,662 million yen
As of September 30, 2022: 9,739 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, 2023	1,676	(1,354)	(249)	6,007
September 30, 2022	2,203	(1,384)	(1,047)	5,935

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			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
September 30, 2022	–	19.00	–	19.00	38.00	685	40.5	7.0
September 30, 2023	–	19.00	–	19.00	38.00	654	116.9	6.7
Fiscal year ending September 30, 2024 (forecast)	–	19.00	–	19.00	38.00		146.0	

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

3. Consolidated forecasts for the fiscal year ending September 30, 2024 (From October 1, 2023 to September 30, 2024)

(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, 2024	32,050	5.6	1,050	(20.4)	1,050	(20.4)	450	(19.9)	26.02

Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2023 (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 other than the above a.: None

c. Changes in accounting estimates: None

d. Restatements: None

(3) Number of issued and outstanding shares (common shares)

a. Number of issued and outstanding shares (including treasury shares)

As of September 30, 2023: 17,633,250 shares

As of September 30, 2022: 17,487,150 shares

b. Number of treasury shares

As of September 30, 2023: 341,085 shares

As of September 30, 2022: 345,285 shares

c. Average number of issued and outstanding shares during the year

Fiscal year ended September 30, 2023:	17,276,331 shares
Fiscal year ended September 30, 2022:	17,137,780 shares

Reference: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Non-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, 2023	15,565	7.9	975	(49.9)	906	(53.5)	518	(57.7)
September 30, 2022	14,420	7.9	1,946	2.4	1,949	2.8	1,225	(9.9)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2023	30.00	29.43
September 30, 2022	71.52	69.40

(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, 2023	14,565	9,222	63.0	530.81
September 30, 2022	13,649	9,330	68.1	542.35

(Reference) Equity As of September 30, 2023: 9,178 million yen
As of September 30, 2022: 9,296 million yen

- Financial results reports are exempt from 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 FINANCIAL RESULTS, (4) Outlook for the Fiscal Year Ending September 30, 2024" in the attached Supplementary Information on page 4.

Supplementary Information

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1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS

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

(1) Overview of Consolidated Operating Results

During the year ended September 30, 2023 (the “period under review”), 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 a continued global trend toward monetary tightening and other factors that could negatively affect the Japanese economy. Additionally, we need to closely monitor the impacts of price increases and fluctuations on financial and capital markets.

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 declining birthrates. Furthermore, with many industries being compelled to transform their businesses from analog to digital and to reassess their service lines, 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.

As a result of the above, the Group recorded net sales of 30,363 million yen, up 3.4% year on year, operating profit of 1,318 million yen, down 52.6% year on year, ordinary profit of 1,319 million yen, down 52.6% year on year, profit attributable to owners of parent of 561 million yen, down 65.1% year on year, and EBITDA (i.e., operating profit before interest expenses, depreciation, and amortization of goodwill) of 2,521 million yen, down 36.0% year on year, for the period under review.

Segment results are as follows.

As of the end of the period under review, “Mori JUKU,” the SPRIX Group’s core business specialized in offering individual tutoring schools, was running 209 schools as of September 30, 2023, up 18 schools year on year. These included 164 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 remained steady.

As a result, the number of enrolled students at “Mori JUKU” schools, including those run by Shonan Seminar Co., Ltd., totaled 49,089, up 1,361 year on year as of September 30, 2023. Of the 49,089 enrolled students, 39,193 students attended Mori JUKU schools run by the Company, an increase of 1,602 students from a year earlier, and 9,896 students were at Mori JUKU schools run by Shonan Seminar Co., Ltd., a decrease of 241 students from the previous year.

“Shonan Seminar” offers group teaching-style classes. As of September 30, 2023, a total of 196 Shonan Seminar schools were operational, up fourteen schools year on year. Although the 2023 spring exam pass rates have recovered, it will take time for the effect of this recovery to permeate. The number of enrolled students at Shonan Seminar schools as of the same date totaled 18,233, down 2,685 year on year.

“Kawaijuku Manavis” specializes in preparing senior high school students for college entrance exams using video sessions with support from dedicated tutors. As of September 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 4,857, down 345 year on year, due primarily to the declining rate of college entrance exams, 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 year ended September 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)	15,530	12,372	3,157	8,798	3,106
Segment profit (Million yen) (Notes 1 & 2)	3,725	2,926	798	745	312
EBITDA (Million yen) (Note 3)	3,948	3,037	910	1,083	480
Number of schools as of September 30, 2023	209	164	45	196	50
Number of enrolled students as of September 30, 2023	49,089	39,193	9,896	18,233	4,857

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 September 30, 2023, there were six directly operated schools, up one school year on year, and 197 franchised schools, up fourteen 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 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 surpassed 3.5 million, far exceeding the planned number of two million examinees for the fiscal year under review.

(2) Overview of Consolidated Financial Position

Total assets as of September 30, 2023, were 20,143 million yen, an increase of 569 million yen from September 30, 2022. This is largely attributable to an increase of 450 million yen in leasehold and guarantee deposits and 264 million yen in buildings and structures.

Total liabilities as of September 30, 2023, were 10,437 million yen, an increase of 637 million yen from September 30, 2022. This is mainly attributable to a decrease of 363 million yen in long-term borrowings, an increase of 754 million yen in short-term borrowings, and 271 million yen in accounts payable—other.

Total net assets as of September 30, 2023, were 9,706 million yen, down 68 million yen from September 30, 2022. This is primarily attributable to the recording of profit attributable to owners of parent of 561 million yen, offset by dividend payments of 654 million yen.

(3) Consolidated Cash Flows

Cash and cash equivalents (“cash”) as of the twelve months ended September 30, 2023 were 6,007 million yen (a decrease of 71 million yen from the end of the previous fiscal year). Cash flows and their primary factors during the year ended September 30, 2023 are as follows.

(1) Cash flows from operating activities

Net cash provided by operating activities during the year ended September 30, 2023 amounted to 1,676 million yen. The main factors were 841 million yen in depreciation expenses, and goodwill amortization of 330 million yen, and an increase in advances received of 122 million yen, among other factors.

(2) Cash flows from investing activities

Net cash used in investing activities during the year ended September 30, 2023 amounted to 1,354 million yen. The main factors include 751 million yen for the acquisition of property, plant and equipment, and 482 million yen for leasehold and guarantee deposits.

(3) Cash flows from financing activities

Net cash used in financing activities during the year ended September 30, 2023 amounted to 249 million yen. The main factors were the payment of cash dividends amounting to 654 million yen, the repayment of short-term borrowings of 509 million yen, and long-term borrowings of 363 million yen, although there was 1,264 million yen in income from short-term borrowings.

(4) Outlook for the Fiscal Year Ending September 30, 2024

The SPRIX Group works in the educational services market in Japan, and is facing increasingly intense competition due to such factors as the decline in the school-aged population as a result of declining birthrates and expanding ICT services. The Group adapts its tutoring school services to meet the diverse needs of the market, including for individualized tutoring, such as at Mori JUKU and Self-Study RED; Shonan Seminar, a group teaching-style JUKU; Kawaijuku Manavis, in which senior high school students are prepared for college entrance exams; and Sora JUKU, the online version of Mori JUKU, which started services in 2021.

We plan to open twenty new Mori JUKU schools in fiscal 2024 and expect the total number of such schools to reach 229 by September 30, 2024. Student enrollment is expected to remain steady thanks to new schools opening in fiscal 2024, including in the Kansai region. Although facility-related expenses are expected to increase due to the addition of new schools, JUKU operations will improve in efficiency as a result of the integration of 45 classrooms operated by Shonan Seminar Co., Ltd. into SPRIX, Inc. in October 2023. We will also work to further enhance our competitiveness by accumulating further expertise.

The number of schools for “Shonan Seminar” and “Kawaijuku Manavis” is forecast to reach 203 and 51, respectively, by the end of fiscal 2024. For Self-Study RED, we will strengthen collaboration with Meiko Network Japan Co., Ltd., actively promote FC expansion with the goal of increasing the number of schools by 30 per year, and aim to be operating 223 schools, including FC and directly managed schools, by the end of fiscal 2024. At Sora JUKU, we expect to increase student enrollment by riding the wave popularity generated by our winning the title of number one online tutoring school.

We will work to improve the brand power of WAYO Japanese-language School, which SPRIX acquired in June

2022, and aim to integrate the school's operations the SPRIX Group's expertise in school management and thereby respond to Japan's labor shortage due to the declining birthrate and aging population and well as to meet demand due to the recovery in the number of foreign students after movement restrictions related to the COVID-19 pandemic were lifted.

In education-related services, we expect sales of the Foresta series to remain strong, and in the fundamental academic skills business, which is focused on the TOFAS international basic academic ability test, we expect to see profit growth in fiscal 2025. We also expect to continue investing in R&D to increase the number of examinees, which will be an important profitability indicator in fiscal 2025.

Tokyo Dance Village opened a new Shibuya school in September 2023, following the opening of the Ikebukuro and Shinjuku schools, with the goal of further business expansion. In addition, we will continue to develop services for the "Programming Proficiency Test" (PROKEN) at SPRIX subsidiary Programming Research Institute, Ltd., as well as R&D in the EdTech field, with the aim of monetizing these services.

As a result, the forecast for the consolidated fiscal year ending September 30, 2024 is net sales of 32,050 million yen (5.6% increase from the previous fiscal year), consolidated operating profit of 1,050 million yen (20.4% increase from the previous fiscal year) Consolidated ordinary profit of 1,050 million yen (20.4% decrease from the previous fiscal year), and net profit attributable to owners of the parent of 450 million yen (19.9% decrease from the previous fiscal year). Furthermore, EBITDA (equaling operating profit plus goodwill amortization plus depreciation expenses), which we view as an important indicator, is expected to be 2,350 million yen (6.8% decrease from the previous fiscal year).

2. BASIC VIEWS ON THE SELECTION OF ACCOUNTING STANDARDS

The Company prepares its consolidated financial statements under Japanese GAAP for the time being to make them comparable to other accounting periods and 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, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	5,935	6,007
Accounts receivable–trade	241	381
Merchandise and finished goods	363	297
Work in process	43	45
Supplies	29	24
Accounts receivable–other	2,198	2,430
Other current assets	814	757
Allowance for doubtful accounts	(40)	(37)
Total current assets	9,586	9,906
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,004	3,268
Land	450	450
Other (net)	125	108
Total property, plant and equipment	3,581	3,828
Intangible assets		
Goodwill	2,827	2,496
Software	196	207
Other	1,251	927
Total intangible assets	4,275	3,631
Investments and other assets		
Investment securities	25	20
Deferred tax assets	446	605
Leasehold and guarantee deposits	1,593	2,044
Other	66	107
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,131	2,777
Total non-current assets	9,987	10,237
Total assets	19,574	20,143

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable—trade	136	103
Accounts payable—other	1,272	1,543
Short-term borrowings	—	754
Current portion of long-term borrowings	363	363
Income tax payables	591	171
Accrued consumption taxes	176	200
Advances received	4,142	4,264
Provision for bonuses	451	441
Other current liabilities	480	700
Total current liabilities	7,614	8,543
Non-current liabilities		
Long-term borrowings	1,090	727
Provision for retirement benefits for directors	71	73
Retirement benefit liabilities	115	124
Asset retirement obligations	907	968
Deferred tax liabilities	0	0
Total non-current liabilities	2,184	1,893
Total liabilities	9,799	10,437
Net assets		
Shareholders' equity		
Share capital	1,431	1,438
Capital surplus	1,421	1,428
Retained earnings	7,266	7,173
Treasury shares	(385)	(381)
Total shareholders' equity	9,734	9,659
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	9,706
Total liabilities and net assets	19,574	20,143

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

(Millions of yen)

	Year ended September 30, 2022	Year ended September 30, 2023
Net sales	29,352	30,363
Cost of sales	19,633	20,495
Gross profit	9,718	9,868
Selling, general and administrative expenses	6,940	8,549
Operating profit	2,778	1,318
Non-operating income		
Interest income	0	0
Outsourcing service income	3	0
Subsidy income	5	2
Rental income	3	2
Commission fees	–	2
Other	4	1
Total non-operating income	17	9
Non-operating expenses		
Interest expenses	5	5
Commission expenses	1	–
Other	6	3
Total non-operating expenses	13	9
Ordinary profit	2,782	1,319
Extraordinary income		
Compensation income	30	–
Total extraordinary income	30	–
Extraordinary losses		
Loss on valuation of shares of associates	50	4
Impairment losses	99	120
Losses from cancelled contracts	–	75
Total extraordinary losses	150	200
Profit before income taxes	2,661	1,118
Income taxes—current	1,161	715
Income taxes—deferred	(100)	(158)
Income taxes	1,061	557
Profit for the year	1,600	560
Profit attributable to:		
Non-controlling interests	(6)	(0)
Owners of parent	1,607	561

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Year ended September 30, 2022	Year ended September 30, 2023
Profit for the year	1,600	560
Other comprehensive income		
Remeasurements of defined benefit plans	3	(3)
Total other comprehensive income	3	(3)
Total comprehensive income	1,604	557
Total comprehensive income attributable to:		
Owners of parent	1,610	558
Non-controlling interests	(6)	(0)

(3) Consolidated Statement of Changes in Equity

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)
Restricted stock compensation					
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

	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)
Restricted stock compensation					
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

For the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of October 1, 2022	1,431	1,421	7,266	(385)	9,734
Cumulative effects of changes in accounting policies					
Restated balance	1,431	1,421	7,266	(385)	9,734
Change during the year					
Issuance of new shares	6	6			13
Dividends			(654)		(654)
Profit attributable to owners of parent			561		561
Acquisition of treasury shares				4	4
Restricted stock compensation					
Net changes in items other than shareholders' equity					
Total change during the year	6	6	(92)	4	(74)
Balance as of September 30, 2023	1,438	1,428	7,173	(381)	9,659

	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, 2022	5	5	33	0	9,774
Cumulative effects of changes in accounting policies					
Restated balance	5	5	33	0	9,774
Change during the year					
Issuance of new shares					13
Dividends					(654)
Profit attributable to owners of parent					561
Acquisition of treasury shares					
Restricted stock compensation					4
Net changes in items other than shareholders' equity	(3)	(3)	10	(0)	6
Total change during the year	(3)	(3)	10	(0)	(68)
Balance as of September 30, 2023	2	2	44	–	9,706

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities	2,661	1,118
Profit before income taxes	818	841
Depreciation	309	330
Amortization of goodwill	22	11
Share-based payment expenses	99	120
Impairment loss	50	4
Loss on valuation of shares of subsidiaries and associates	–	75
Increase (decrease) in allowance for doubtful accounts	4	(3)
Increase (decrease) in provision for bonuses	(130)	(10)
Increase (decrease) in provision for score guarantee payments	(10)	–
Increase (decrease) in provision for sales returns	(17)	11
Increase (decrease) in retirement benefit liabilities	11	7
Increase (decrease) in provision for retirement benefits for directors	1	2
Interest income	(0)	(0)
Commission expenses	5	5
Decrease (increase) in accounts receivable–trade	(207)	(371)
Decrease (increase) in inventories	(75)	69
Decrease (increase) in other assets	89	(9)
Increase (decrease) in accounts payable–trade	(15)	(32)
Increase (decrease) in accounts payable–other	(264)	5
Increase (decrease) in advances received	171	122
Increase (decrease) in accrued consumption taxes	(179)	49
Increase (decrease) in other liabilities	66	213
Other	(26)	256
Subtotal	3,384	2,817
Interest received	0	0
Interest paid	(5)	(5)
Income taxes paid	(1,175)	(1,135)
Cash flows from operating activities	2,203	1,676
Cash flows from investing activities		
Purchase of property, plant and equipment	(669)	(751)
Purchase of intangible assets	(69)	(125)
Purchase of share of subsidiaries resulting in change in scope of consolidation	(497)	–
Payments of leasehold and guarantee deposits	(166)	(482)
Proceeds from refund of leasehold and guarantee deposits	17	4
Others	0	–
Cash flows from investing activities	(1,384)	(1,354)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	1,264
Repayments of short-term borrowings	–	(509)
Repayments of long-term borrowings	(363)	(363)
Proceeds from issuance of shares	1	13
Purchase of treasury shares	(0)	–
Dividends paid	(685)	(654)
Cash flows from financing activities	(1,047)	(249)
Net increase (decrease) in cash and cash equivalents	(227)	71
Net increase (decrease) in cash and cash equivalents	6,163	5,935
Cash and cash equivalents at the end of the year	5,935	6,007

(5) Notes to the Consolidated Financial Statements

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

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 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 financial statements.

[Segment Information]

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

In line with the strengthening of business management in the education service business, the Group has classified its operations into three reportable segments: "Mori JUKU," "Shonan Seminar," and "Kawaijuku Manavis," and discloses an overview of the performance of each segment.

Mori JUKU is a individual tutoring cram school for elementary, junior high, and senior high school students, where one teacher teaches up to two students. Shonan Seminar is a group teaching-style JUKU for elementary, junior high, and senior high school students, offering a variety of courses ranging from periodic tests to preparation for entrance exams to difficult-to-enter schools, utilizing its unique "QE Class" style of teaching. Kawaijuku Manavis is a college preparatory school that combines video lessons and "study navigation" (in-person support) for current high school students.

2. Calculation of net sales, profit or loss, and other items by reportable segment

The accounting method of the reported business segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements.

Profit by reportable segment is based on operating income.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on sales, profit or loss, assets, and other items by reportable segment and decomposition of income

Previous fiscal year (October 1, 2021 to September 30, 2022)

(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	766	1,276	15	1,291

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 2,241 million yen is mainly composed 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) Adjustment of segment assets of 9,275 million yen is corporate assets that are not allocated to each reportable segment and mainly consist of cash and deposits and goodwill.

Note 4) Segment profit and loss is adjusted to align with the amount of operating profit in the consolidated financial statements.

Current fiscal year (October 1, 2022 to September 30, 2023)

(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	15,530	8,798	3,106	27,435	2,927	30,363	—	30,363
Other revenue	—	—	—	—	—	—	—	—
Sales to external customers	15,530	8,798	3,106	27,435	2,927	30,363	—	30,363
Transactions with other segments	—	—	—	—	124	124	(124)	—
Total	15,530	8,798	3,106	27,435	3,052	30,488	(124)	30,363
Segment profit (loss)	3,725	745	312	4,783	(1,011)	3,772	(2,453)	1,318
Segment assets	4,719	1,690	1,006	7,416	2,958	10,375	9,768	20,143
Other items								
Depreciation	222	338	168	729	80	809	31	841
Amortization of goodwill	—	—	—	—	25	25	304	330
Impairment loss	5	79	36	120	—	120	—	120
Increase in property, plant and equipment and intangible assets	210	148	88	447	365	812	2	815

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 2,453 million yen is mainly comprised of amortization of goodwill of 304 million yen and corporate expenses that cannot be allocated to reportable segments of 2,149 million yen. Corporate expenses primarily represent selling, general and administrative expenses not attributable to reportable segments or “Other.”

Note 3) Adjustment of segment assets of 9,768 million yen is corporate assets that are not allocated to each reportable segment and mainly consist of cash and deposits and goodwill.

Note 4) Segment profit and loss is adjusted to align with the amount of operating profit in the consolidated financial statements.

Related information

Previous fiscal year (October 1, 2021 to September 30, 2022)

1. Information by product and service

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other (Education Related services)	Total
Sales to external customers	14,512	8,945	3,330	2,563	29,352

2. information by region

(1) Net sales

This information is omitted because consolidated sales to external customers in Japan account for more than 90% of the net sales in the statement of income.

(2) Tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet, so this information is omitted.

3. Information by major customer

Not applicable since there is no single external customer whose sales account for 10% or more of the net sales in the consolidated statements of income.

Current fiscal year (October 1, 2022 to September 30, 2023)

1. Information by product and service

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other (Education Related services)	Total
Sales to external customers	15,530	8,798	3,106	2,927	30,363

2. information by region

(1) Net sales

This information is omitted because consolidated sales to external customers in Japan account for more than 90% of the net sales in the statement of income.

(2) Tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet, so this information is omitted.

3. Information by major customer

Not applicable since there is no single external customer whose sales account for 10% or more of the net sales in the consolidated statements of income.

Information on impairment loss on fixed assets by reportable segment

Previous fiscal year (October 1, 2021 to September 30, 2022)

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other	Total
Impairment loss	29	69	-	-	99

Current fiscal year (October 1, 2022 to September 30, 2023)

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other	Total
Impairment loss	5	79	36	-	120

Information on amortization and unamortized balance of goodwill by reportable segment

Previous fiscal year (October 1, 2021 to September 30, 2022)

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other	Corporate and elimination	Total
Amortization for the year	-	-	-	5	304	309
Balance at the end of year	-	-	-	253	2,573	2,827

Current fiscal year (October 1, 2022 to September 30, 2023)

(Millions of yen)

	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Other	Corporate and elimination	Total
Amortization for the year	-	-	-	25	304	330
Balance at the end of year	-	-	-	227	2,269	2,496

(Note) "Other" is a business segment not included in the reportable segments, and the amortized amount and unamortized balance for the current period are those of " WAYO Japanese-language School ".

Information on gain on negative goodwill by reportable segment

Previous fiscal year (October 1, 2021 to September 30, 2022)

Not applicable.

Current fiscal year (October 1, 2022 to September 30, 2023)

Not applicable.

[Per Share Information]

(Yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net assets per share	568.19	558.76
Basic earnings per share	93.80	32.51
Diluted earnings per share	91.02	31.89

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

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Basic earnings per share	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	1,607	561
Profit for the year not attributable to common shareholders	—	—
Profit attributable to owners of parent for common shares	1,607	561
	(Number of shares)	(Number of shares)
Average number of common shares outstanding during the year	17,137,780	17,276,331
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	523,434	334,687
(Of which stock acquisition rights)	(523,434)	(334,687)
Description of diluted shares not included in diluted earnings per share as they have no dilutive effect	—	—

[Significant Events after Reporting Period]

Not applicable.