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Consolidated Financial Results for the Three Months Ended December 31, 2023 [Under Japanese GAAP]

February 14, 2024

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 Listed exchange: Tokyo
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 Scheduled date for filing of quarterly report: February 14, 2024
 Scheduled date for commencement of dividend payments: —
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

(1) Consolidated results of operations (YTD)

(Percentages denote year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended:								
December 31, 2023	8,183	6.0	1,061	41.4	1,066	41.7	652	43.7
December 31, 2022	7,718	2.4	750	(40.9)	752	(40.8)	454	(44.1)

(Reference) Comprehensive income Three months ended December 31, 2023 651 million yen up 44.2%
 Three months ended December 31, 2022 451 million yen down 44.0%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended:		
December 31, 2023	37.48	37.04
December 31, 2022	26.31	25.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2023	20,609	10,045	48.5
September 30, 2023	20,143	9,706	48.0

(Reference) Shareholders' equity December 31, 2023 10,010 million yen
 September 30, 2023 9,662 million yen

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	—	19.00	—	19.00	38.00
Fiscal year ending September 30, 2024	—				
Fiscal year ending September 30, 2024 (forecast)		19.00	—	19.00	38.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages denote year-on-year changes)

	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
Full year	32,050	5.6	1,050	(20.4)	1,050	(20.4)	450	(19.9)	26.02

(Note) Revision to the forecast for financial results announced most recently: None

* **Notes**

(1) Changes in significant subsidiaries during the three months ended December 31, 2023 (changes in specified subsidiaries involving change in the scope of consolidation): None

Newly included: None

Excluded: None

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions in accounting standards: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of the period (including treasury shares)	December 31, 2023	17,774,400 shares	September 30, 2023	17,633,250 shares
(ii) Number of treasury shares at the end of the period	December 31, 2023	337,085 shares	September 30, 2023	341,085 shares
(iii) Average number of shares during the period (YTD)	Three months ended December 31, 2023	17,408,474 shares	Three months ended December 31, 2022	17,257,166 shares

* These quarterly financial results are not subject to an independent auditor or audit firm's quarterly review procedure.

* Explanation of the proper use of financial results forecasts and other notes

Any forward-looking statements, including the forecast of consolidated financial results included herein, were prepared based on information available to the Company at the time this release was prepared and on certain assumptions judged to be reasonable by the Company and shall not be construed as a promise by the Company as to their realization.

Actual results may differ significantly from forecasts due to various factors. For the assumptions underlying the financial results forecast and important notes concerning the use of the financial results forecast, please refer to Consolidated Financial Results for the Three Months Ended December 31, 2023 Attachment p. 6 "1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS (3) Explanation of consolidated financial results forecast and other forward-looking information."

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1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

(1) Explanation of operating results

During the three months ended December 31, 2023, the Japanese economy remained on a path to moderate recovery as movement toward the normalization of economic activity was well underway, and personal consumption and capital investment improved. On the other hand, the outlook for the Japanese economy remained uncertain due to, among other things, concerns over rising energy and raw material prices and inflation caused by the protracted situation in Ukraine and the Palestinian-Israeli conflict.

The Japanese educational services industry, in which the Company and its group companies (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 educational services industry is also required to meet increasing demand for educational and teaching services delivered in new formats utilizing information technology (IT).

As announced in the Notice of Company Split of a Consolidated Subsidiary (Absorption-Type Company Split through a Simplified Procedure) dated August 28, 2023, in order to improve the asset efficiency of the entire Group, the Company transferred the Mori JUKU business from its consolidated subsidiary Shonan Seminar Co., Ltd. through a company split on October 1, 2023, until which Shonan Seminar Co., Ltd. had been operating the business as a franchisee. Through the integration of the Mori JUKU business, the Company will strive to increase its competitiveness by building a strategic sales structure in the tutoring school industry, which is expected to undergo increasingly drastic changes going forward.

Under the circumstances outlined above, for the first three months of the current fiscal year, the Group recorded net sales of 8,183 million yen (up 6.0% year on year), operating profit of 1,061 million yen (up 41.4% year on year), ordinary profit of 1,066 million yen (up 41.7% year on year), profit attributable to owners of parent of 652 million yen (up 43.7% year on year), and EBITDA (i.e., operating profit before interest expenses, amortization of goodwill, and depreciation) of 1,362 million yen (up 30.5% year on year).

Results by segment are as follows:

Mori JUKU

As of the end of the reporting period (December 31, 2023), Mori JUKU, the SPRIX Group’s core business specialized in offering individual tutoring schools, was operating 209 schools (an increase of 18 schools from a year earlier). Sales increased due to the increase in tuition per student at Mori JUKU that started in spring 2023, and stable growth in the number of students.

As a result, the number of enrolled students at Mori JUKU schools as of the end of the reporting period was 47,193, an increase of 2,472 students from a year earlier.

	Three months ended December 31, 2022	Three months ended December 31, 2023	YoY change
Net sales (Note 1)	4,025 million yen	4,335 million yen	Up 7.7%
Segment profit (Notes 1, 2)	1,025 million yen	1,496 million yen	Up 45.9%
EBITDA (Note 3)	1,080 million yen	1,528 million yen	Up 41.4%
Number of schools	191	209	+18
Number of students	44,721	47,193	+2,472

Notes:

1. Net sales above represent net sales to external customers. Segment profit above represents figures before elimination of inter-segment transactions.
2. Segment profit above reflects amortization of intangible assets other than goodwill.
3. EBITDA represents operating profit before interest expenses, amortization of goodwill, and depreciation.

Shonan Seminar

As of the end of the reporting period (December 31, 2023), Shonan Seminar, which offers group tutoring classes, was operating 196 schools (an increase of 14 schools from a year earlier). Despite the recovery in 2023 spring exam pass rates, it is taking time for the effect of this recovery to permeate the market. Furthermore, even though there was an increase in tuition per student, the number of enrolled students at Shonan Seminar schools as of the same date was 19,884 (a decrease of 711 students from a year earlier).

	Three months ended December 31, 2022	Three months ended December 31, 2023	YoY change
Net sales	2,362 million yen	2,460 million yen	Up 4.1%
Segment profit	469 million yen	458 million yen	Down 2.3%
EBITDA	554 million yen	569 million yen	Up 2.8%
Number of schools	182	196	+14
Number of students	20,595	19,884	(711)

Kawaijuku Manavis

Kawaijuku Manavis specializes in preparing high school students for university entrance exams using video sessions and support tutors. As of the end of the reporting period (December 31, 2023), Shonan Seminar Co., Ltd. was operating 50 Kawaijuku Manavis schools (an increase of one school from a year earlier) as a franchisee. The number of enrolled students at Kawaijuku Manavis schools as of the same date was 4,959 (a decrease of 241 students from a year earlier) due primarily to the declining rate of general (i.e., not recommendation-based) university entrance exams, which, in turn, led to a decrease in the number of third-year high school students.

	Three months ended December 31, 2022	Three months ended December 31, 2023	YoY change
Net sales	774 million yen	721 million yen	Down 6.8%
Segment profit	78 million yen	26 million yen	Down 65.7%
EBITDA	120 million yen	82 million yen	Down 31.3%
Number of schools	49	50	+1
Number of students	5,200	4,959	(241)

Other

For segment reporting purposes, the “Other” category represents operating segments that cannot be classified into reportable segments, including new businesses (including R&D expenses), Independent learning 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.

Independent learning RED offers virtual tutoring schools utilizing educational IT. As of the end of the reporting period (December 31, 2023), there were six directly operated schools (an increase of one school from a year earlier) and 199 franchised schools (an increase of three schools from a year earlier).

As for the educational services included in the “Other” category, existing businesses, including the Foresta Series, which offers teaching materials for individual tutoring, the Fun-Learning Series, which provides online video teaching materials using information and computer technology (ICT), and Jukukoshi Japan, a job-search website for JUKU teachers, all performed well. In addition, some of the Group’s new businesses were on a steady growth path, including DOJO, which offers AI-powered tablets to enhance fundamental academic skills, and QUREO Programming Schools and the Programming Proficiency Test, which are jointly operated with CyberAgent group. Furthermore, the number of TOFAS (Test of Fundamental Academic Skills) examinees has surpassed 3.5 million on a cumulative basis, indicating that the business is going well, although it is still in the investment phase.

(2) Explanation of financial position

(Assets)

Total assets as of the end of the reporting period (December 31, 2023) were 20,609 million yen, an increase of 465 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly attributable to an increase of 327 million yen in accounts receivable - other.

(Liabilities)

Total liabilities as of the end of the reporting period (December 31, 2023) were 10,563 million yen, an increase of 126 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly attributable to an increase of 326 million yen in accounts payable - other, an increase of 285 million yen in income taxes payable, although advances received decreased by 558 million yen.

(Net assets)

Net assets as of the end of the reporting period (December 31, 2023) were 10,045 million yen, an increase of 339 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly attributable to the recognition of profit attributable to owners of parent of 652 million yen, less dividend payments of 328 million yen.

(3) Explanation of consolidated financial results forecast and other forward-looking information

No change has been made to the financial results forecast for the fiscal year ending September 30, 2024 disclosed in the Consolidated Financial Results for the Fiscal Year Ended September 30, 2023, which were issued on November 10, 2023.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND MAIN NOTES

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	6,007	6,313
Accounts receivable - trade	381	369
Merchandise and finished goods	297	505
Work in process	45	68
Supplies	24	21
Accounts receivable - other	2,430	2,757
Other	757	411
Allowance for doubtful accounts	(37)	(46)
Total current assets	9,906	10,400
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,268	3,249
Land	450	517
Other, net	108	118
Total property, plant and equipment	3,828	3,884
Intangible assets		
Goodwill	2,496	2,422
Software	207	215
Other	927	855
Total intangible assets	3,631	3,492
Investments and other assets		
Investment securities	20	20
Deferred tax assets	605	617
Leasehold and guarantee deposits	2,044	2,089
Other	107	103
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,777	2,831
Total non-current assets	10,237	10,209
Total assets	20,143	20,609

As of September 30, 2023 As of December 31, 2023

	As of September 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	103	207
Accounts payable - other	1,543	1,870
Short-term borrowings	754	838
Current portion of long-term borrowings	363	363
Income taxes payable	171	457
Accrued consumption taxes	200	180
Advances received	4,264	3,706
Provision for bonuses	441	345
Other	700	693
Total current liabilities	8,543	8,663
Non-current liabilities		
Long-term borrowings	727	725
Provision for retirement benefits for directors (and other officers)	73	74
Retirement benefit liability	124	126
Asset retirement obligations	968	974
Deferred tax liabilities	0	0
Total non-current liabilities	1,893	1,900
Total liabilities	10,437	10,563
Net assets		
Shareholders' equity		
Share capital	1,438	1,444
Capital surplus	1,428	1,434
Retained earnings	7,173	7,497
Treasury shares	(380)	(377)
Total shareholders' equity	9,659	9,999
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	2
Total accumulated other comprehensive income	2	2
Share acquisition rights	44	43
Non-controlling interests	—	—
Total net assets	9,706	10,045
Total liabilities and net assets	20,143	20,609

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)

(Millions of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Net sales	7,718	8,183
Cost of sales	4,948	5,118
Gross profit	2,769	3,064
Selling, general and administrative expenses	2,019	2,003
Operating profit	750	1,061
Non-operating income		
Interest income	0	0
Outsourcing service income	0	—
Subsidy income	1	0
Commission income	2	—
Other	1	9
Total non-operating income	5	9
Non-operating expenses		
Interest expenses	1	1
Other	1	2
Total non-operating expenses	2	3
Ordinary profit	752	1,066
Extraordinary income		
Gain on reversal of share acquisition rights	—	2
Total extraordinary income	—	2
Profit before income taxes	752	1,069
Income taxes - current	275	428
Income taxes - deferred	23	(11)
Total income taxes	299	416
Profit	453	652
Loss attributable to non-controlling interests	(0)	—
Profit attributable to owners of parent	454	652

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit	453	652
Other comprehensive income		
Remeasurements of defined benefit plans	(1)	(0)
Total other comprehensive income	(1)	(0)
Total comprehensive income	451	651
attributable to:		
Owners of parent	452	651
Non-controlling interests	(0)	—

(3) Notes to the quarterly consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, etc.)

I. Three months ended December 31, 2022

1. Information related to net sales and profit or loss and revenue breakdown by reportable segment

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Quarterly consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net sales								
Revenue from contracts with customers	4,025	2,362	774	7,162	555	7,718	—	7,718
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	4,025	2,362	774	7,162	555	7,718	—	7,718
Inter-segment sales or transfers	—	—	—	—	18	18	(18)	—
Total	4,025	2,362	774	7,162	574	7,736	(18)	7,718
Segment profit (loss)	1,025	469	78	1,573	(275)	1,298	(548)	750

Notes:

1. For segment reporting purposes, the “Other” category represents operating segments that cannot be classified into reportable segments, including new businesses (including R&D expenses), Independent learning 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.
2. The adjustment of (548) million yen to segment profit or loss includes amortization of goodwill of 76 million yen and corporate expenses that cannot be allocated to reportable segments of 471 million yen. These corporate expenses mainly represent selling, general and administrative expenses not attributable to reportable segments or the “Other” category.
3. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets, goodwill, etc., by reportable segment

Not applicable.

II. Three months ended December 31, 2023

1. Information related to net sales and profit or loss and revenue breakdown by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Quarterly consolidated financial statements (Note 3)
	Mori JUKU	Shonan Seminar	Kawaijuku Manavis	Total				
Net sales								
Revenue from contracts with customers	4,335	2,460	721	7,517	665	8,183	—	8,183
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	4,335	2,460	721	7,517	665	8,183	—	8,183
Inter-segment sales or transfers	—	—	—	—	0	0	(0)	—
Total	4,335	2,460	721	7,517	665	8,183	(0)	8,183
Segment profit (loss)	1,496	458	26	1,982	(248)	1,733	(672)	1,061

Notes:

1. For segment reporting purposes, the “Other” category represents operating segments that cannot be classified into reportable segments, including new businesses (including R&D expenses), Independent learning 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.
2. The adjustment of (672) million yen to segment profit or loss includes amortization of goodwill of 4 million yen and corporate expenses that cannot be allocated to reportable segments of 667 million yen. These corporate expenses mainly represent selling, general and administrative expenses not attributable to reportable segments or the “Other” category.
3. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets, goodwill, etc., by reportable segment

Not applicable.