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Consolidated Financial Results for the Six Months Ended March 31, 2024 [Under Japanese GAAP]

May 14, 2024

Company name: SPRIX Inc.
Listed exchange: Tokyo
Securities code: 7030 URL: https://sprix.inc
Representative: Hiroyuki Tsuneishi, Representative Director and President
Contact: Toshihide Hirai, Director and General Manager
Telephone: (81) 3-6912-7058
Scheduled date for filing of quarterly report: May 14, 2024
Scheduled date for commencement of dividend payments: June 3, 2024
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for securities analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the six months ended March 31, 2024 (from October 1, 2023 to March 31, 2024)

(1) Consolidated results of operations (YTD)

(Percentages denote year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	16,057	5.5	990	44.7	1,017	47.8	591	54.7
March 31, 2023	15,221	1.8	684	(53.8)	688	(53.8)	381	(58.6)

(Reference) Comprehensive income Six months ended March 31, 2024 589 million yen up 55.8%
Six months ended March 31, 2023 378 million yen down 58.7%

	Earnings per share	Diluted earnings per share
Six months ended:	Yen	Yen
March 31, 2024	33.92	33.53
March 31, 2023	22.11	21.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
March 31, 2024	20,698	9,984	48.0
September 30, 2023	20,143	9,706	48.0

(Reference) Shareholders' equity March 31, 2024 9,939 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	—	19.00			
Fiscal year ending September 30, 2024 (forecast)			—	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 six months ended March 31, 2024 (changes in specified subsidiaries involving change in the scope of consolidation): Yes

Newly included: 1 company (Name) ENGLISH SQUARE Co., Ltd.
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)	March 31, 2024	17,776,050 shares	September 30, 2023	17,633,250 shares
(ii) Number of treasury shares at the end of the period	March 31, 2024	337,085 shares	September 30, 2023	341,085 shares
(iii) Average number of shares during the period (YTD)	Six months ended March 31, 2024	17,423,499 shares	Six months ended March 31, 2023	17,271,492 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 Six Months Ended March 31, 2024 Attachment p. 6 "1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS (4) Explanation of consolidated financial results forecast and other forward-looking information."

○ Attachment: Table of Contents

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS 4
(1) Explanation of operating results....4
(2) Explanation of financial position 5
(3) Cash flow status 5
(4) Explanation of consolidated financial results forecast and other forward-looking information 6
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND MAIN NOTES 7
(1) Quarterly consolidated balance sheets 7
(2) Quarterly consolidated statements of income and comprehensive income 9
(Quarterly consolidated statements of income) 9
(Quarterly consolidated statements of comprehensive income) 10
(3) Quarterly consolidated cash flow statement 11
(4) Notes to the quarterly consolidated financial statements 12
(Notes on the going-concern assumption) 12
(Notes on significant changes in the amount of shareholders' equity)....12
(Segment information, etc.) 12

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

Forward-looking matters in the text were judged on the final day of the reporting period.

(1) Explanation of operating results

During the six months ended March 31, 2024, the Japanese economy continued its gradual recovery due to improvements in the employment and income environment, and the effects of various measures. However, in addition to the risk of downturns in overseas economies, such as the impact of global economic tightening and the concern about the outlook for China's economy, it is necessary to pay careful attention to the impact of inflation, the situation in the Middle East, fluctuation in financial and capital markets, etc.

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).

Under the circumstances outlined above, for the six months of the current fiscal year, the Group recorded net sales of 16,057 million yen (up 5.5% year on year), operating profit of 990 million yen (up 44.7% year on year), ordinary profit of 1,017 million yen (up 47.8% year on year), profit attributable to owners of parent of 591 million yen (up 54.7% year on year), and EBITDA (i.e., operating profit before interest expenses, amortization of goodwill, and depreciation) of 1,596 million yen (up 25.8% year on year).

Results by segment are as follows:

Mori JUKU

As of the end of the reporting period (March 31, 2024), Mori JUKU, the SPRIX Group's core business specialized in offering individual tutoring schools, was operating 221 schools (an increase of 19 schools from a year earlier). As a result of the number of students remaining strong, the number of enrolled students at Mori JUKU schools as of the end of the reporting period was 40,389, an increase of 1,323 students from a year earlier.

	Six months ended March 31, 2023	Six months ended March 31, 2024	YoY change
Net sales (Note 1)	7,853 million yen	8,331 million yen	Up 6.1%
Segment profit (Notes 1, 2)	1,604 million yen	2,236 million yen	Up 39.4%
EBITDA (Note 3)	1,711 million yen	2,304 million yen	Up 34.6%
Number of schools	202	221	+19
Number of students	39,066	40,389	+1,323

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 (March 31, 2024), Shonan Seminar, which offers group tutoring classes, was operating 200 schools (an increase of 16 schools from a year earlier). Exam pass rates in spring 2024 maintained the previous year's recovery, and even though the decrease in the number of enrolled elementary school students in core comprehensive courses was smaller than in the previous year due to expanded content and enhanced marketing for elementary school students, the number of enrolled students in Shonan Seminar at the end of the reporting period was 18,466 (a decrease of 345 students from a year earlier).

	Six months ended March 31, 2023	Six months ended March 31, 2024	YoY change
Net sales	4,487 million yen	4,678 million yen	Up 4.3%
Segment profit	467 million yen	552 million yen	Up 18.1%
EBITDA	638 million yen	774 million yen	Up 21.3%
Number of schools	184	200	+16
Number of students	18,811	18,466	(345)

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 (March 31, 2024), Shonan Seminar Co., Ltd. was operating 51 Kawaijuku Manavis schools (an increase of 2 schools from a year earlier) as franchisees. While the number of students in the second year of high school or below has improved recently, surpassing the previous year, the decrease in third-year high school students continued to have an impact, and at the end of the reporting period, the number of enrolled students at

Kawaijuku Manavis schools was 5,963 (a decrease of 107 students from a year earlier).

	Six months ended March 31, 2023	Six months ended March 31, 2024	YoY change
Net sales	1,282 million yen	1,232 million yen	Down 3.9%
Segment loss	(49 million yen)	(114 million yen)	—
EBITDA	34 million yen	(2 million yen)	—
Number of schools	49	51	+2
Number of students	6,070	5,963	(107)

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 (March 31, 2024), there were six directly operated schools (an increase of one school from a year earlier) and 204 franchised schools (an increase of 12 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 SPRIX LEARNING, DOJO, which offers AI-powered tablets to enhance fundamental academic skills, and QUREO Programing 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 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 (March 31, 2024) were 20,698 million yen, an increase of 554 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly because investment securities increased by 240 million yen and accounts receivable - trade increased by 232 million yen.

(Liabilities)

Total liabilities as of the end of the reporting period (March 31, 2024) were 10,714 million yen, an increase of 276 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly because advances received decreased by 906 million yen, although accounts payable - other increased by 739 million yen and income taxes payable increased by 408 million yen.

(Net assets)

Net assets as of the end of the reporting period (March 31, 2024) were 9,984 million yen, an increase of 277 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 591 million yen, less dividend payments of 328 million yen.

(3) Cash flow status

For the six months ended March 31, cash and cash equivalents ("cash") was 6,128 million yen (an increase of 121 million yen from the end of the previous fiscal year).

The cash flow status for the six months ended March 31 and the reasons for it are as follows:

(Cash flow from operating activities)

Cash acquired as a result of operating activities in the six months ended March 31 was 1,765 million yen (compared to 790 million yen in cash acquired a year earlier). This was mainly attributable to profit before income taxes of 1,002 million yen and an increase of 892 million yen in accounts payable - other.

(Cash flow from investment activities)

Cash used as a result of investment activities in the six months ended March 31 was 1,326 million yen (compared to 512 million yen in cash used a year earlier). This was mainly attributable to payments for purchase of tangible and intangible

assets of 1,007 million yen and payments for purchase of investment securities of 221 million yen.

(Cash flow from financial activities)

Cash used as a result of financial activities in the six months ended March 31 was 317 million yen (compared to 494 million yen in cash used a year earlier). This was mainly attributable to dividend payments of 328 million yen and repayment of short-term debt of 328 million yen, although there were proceeds from short-term borrowings of 418 million yen.

(4) 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 March 31, 2024
Assets		
Current assets		
Cash and deposits	6,007	6,128
Accounts receivable - trade	381	614
Merchandise and finished goods	297	434
Work in process	45	12
Supplies	24	24
Accounts receivable - other	2,430	1,912
Other	757	855
Allowance for doubtful accounts	(37)	(49)
Total current assets	9,906	9,932
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,268	3,366
Land	450	517
Other, net	108	383
Total property, plant and equipment	3,828	4,267
Intangible assets		
Goodwill	2,496	2,339
Software	207	206
Other	927	776
Total intangible assets	3,631	3,322
Investments and other assets		
Investment securities	20	260
Deferred tax assets	605	714
Leasehold and guarantee deposits	2,044	2,096
Other	107	103
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,777	3,176
Total non-current assets	10,237	10,765
Total assets	20,143	20,698

(Millions of yen)

	As of September 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	103	323
Accounts payable - other	1,543	2,282
Short-term borrowings	754	668
Current portion of long-term borrowings	363	363
Income taxes payable	171	580
Accrued consumption taxes	200	334
Advances received	4,264	3,358
Provision for bonuses	441	410
Other	700	551
Total current liabilities	8,543	8,872
Non-current liabilities		
Long-term borrowings	727	634
Provision for retirement benefits for directors (and other officers)	73	74
Retirement benefit liability	124	127
Asset retirement obligations	968	1,006
Deferred tax liabilities	0	0
Total non-current liabilities	1,893	1,841
Total liabilities	10,437	10,714
Net assets		
Shareholders' equity		
Share capital	1,438	1,444
Capital surplus	1,428	1,434
Retained earnings	7,173	7,436
Treasury shares	(380)	(377)
Total shareholders' equity	9,659	9,938
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	1
Total accumulated other comprehensive income	2	1
Share acquisition rights	44	44
Total net assets	9,706	9,984
Total liabilities and net assets	20,143	20,698

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Net sales	15,221	16,057
Cost of sales	10,137	10,813
Gross profit	5,084	5,244
Selling, general and administrative expenses	4,399	4,254
Operating profit	684	990
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	—	18
Outsourcing service income	0	1
Subsidy income	1	0
Commission income	2	—
Other	2	12
Total non-operating income	7	34
Non-operating expenses		
Interest expenses	2	3
Commission expenses	—	0
Other	1	4
Total non-operating expenses	3	7
Ordinary profit	688	1,017
Extraordinary income		
Gain on reversal of share acquisition rights	—	2
Total extraordinary income	—	2
Extraordinary losses		
Impairment losses	—	17
Total extraordinary losses	—	17
Profit before income taxes	688	1,002
Income taxes - current	369	519
Income taxes - deferred	(62)	(108)
Total income taxes	306	411
Profit	381	591
Loss attributable to non-controlling interests	(0)	—
Profit attributable to owners of parent	381	591

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Profit	381	591
Other comprehensive income		
Remeasurements of defined benefit plans	(2)	(1)
Total other comprehensive income	(2)	(1)
Total comprehensive income attributable to:	378	589
Owners of parent	378	589
Non-controlling interests	(0)	—

(3) Quarterly consolidated cash flow statement

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flow from operating activities		
Profit before income taxes	688	1,002
Depreciation	409	387
Amortization of goodwill	160	204
Share-based payment expenses	10	4
Impairment losses	—	17
Increase (decrease) in allowance for doubtful accounts	0	12
Increase (decrease) in provision for bonuses	(24)	(30)
Increase (decrease) in retirement benefit liability	3	1
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1	0
Interest income	(0)	(0)
Interest expenses	2	3
Gain on reversal of share acquisition rights	—	(2)
Investment loss (gain) on equity method	—	(18)
Decrease (increase) in trade receivables	(116)	284
Decrease (increase) in inventory	(111)	(104)
Decrease (increase) in other assets	(36)	(91)
Increase (decrease) in trade payables	57	219
Increase (decrease) in accounts payable - other	911	892
Increase (decrease) in advances received	(746)	(906)
Increase (decrease) in other liabilities	200	(218)
Increase (decrease) in accrued consumption taxes	82	132
Other	(157)	90
Subtotal	1,334	1,880
Interest received	0	0
Interest paid	(2)	(3)
Income taxes paid	(541)	(111)
Cash flow from operating activities	790	1,765
Cash flow from investment activities		
Payments for purchase of investment securities	—	(221)
Payments for purchase of tangible assets	(48)	(952)
Payments for purchase of intangible assets	(55)	(124)
Payments of leasehold and guarantee deposits	(413)	(163)
Proceeds from refund of leasehold and guarantee deposits	4	101
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	34
Other	—	(0)
Cash flow from investment activities	(512)	(1,326)
Cash flow from financial activities		
Proceeds from short-term borrowings	—	418
Repayment of short-term debt	—	(328)
Repayment of long-term borrowings	(181)	(92)
Proceeds from issuance of common shares	13	13
Dividend payments	(326)	(328)
Cash flow from financial activities	(494)	(317)
Increase (decrease) in cash and cash equivalents	(216)	121
Cash and cash equivalents at beginning of period	5,935	6,007
Cash and cash equivalents at end of period	5,719	6,128

(4) 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. Six months ended March 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	7,853	4,487	1,282	13,623	1,598	15,221	—	15,221
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	7,853	4,487	1,282	13,623	1,598	15,221	—	15,221
Inter-segment sales or transfers	—	—	—	—	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

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 (1,115) million yen to segment profit or loss includes amortization of goodwill of 152 million yen and corporate expenses that cannot be allocated to reportable segments of 963 million yen. These corporate expenses mainly represent selling, general and administrative expenses not attributable to reportable segments or the "Other" category.
3. Segment profit (loss) 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. Six months ended March 31, 2024

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	8,331	4,678	1,232	14,242	1,815	16,057	—	16,057
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	8,331	4,678	1,232	14,242	1,815	16,057	—	16,057
Inter-segment sales or transfers	—	—	—	—	0	0	(0)	—
Total	8,331	4,678	1,232	14,242	1,815	16,058	(0)	16,057
Segment profit (loss)	2,236	552	(114)	2,674	(537)	2,136	(1,146)	990

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 (1,146) million yen to segment profit or loss includes amortization of goodwill of 9 million yen and corporate expenses that cannot be allocated to reportable segments of 1,137 million yen. These corporate expenses mainly represent selling, general and administrative expenses not attributable to reportable segments or the “Other” category.
3. Segment profit (loss) 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.