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Consolidated Financial Results for the Nine Months Ended June 30, 2024 [Under Japanese GAAP]

August 9, 2024

Company name: SPRIX Inc.
Listed exchange: Tokyo
Securities code: 7030 URL: https://sprix.inc/
Representative: Hiroyuki Tsuneishi, Representative Director and President
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Scheduled date for commencement of dividend payments: –
Preparation of supplementary materials for financial results: Yes
Holding of financial results presentation meeting: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the nine months ended June 30, 2024 (from October 1, 2023 to June 30, 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	
Nine months ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	22,781	4.7	153	29.2	191	60.1	27	—
June 30, 2023	21,750	3.0	119	(90.2)	119	(90.2)	(16)	(102.2)

(Reference) Comprehensive income Nine months ended June 30, 2024 25 million yen (−%)
Nine months ended June 30, 2023 (21) million yen down 102.9%

	Earnings per share	Diluted earnings per share
Nine months ended:	Yen	Yen
June 30, 2024	1.58	1.57
June 30, 2023	(0.94)	(0.92)

))

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2024	18,976	9,087	47.7
September 30, 2023	20,143	9,706	48.0

(Reference) Shareholders' equity Nine months ended June 30, 2024 9,044 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) Significant changes in the scope of consolidation for the nine months ended June 30, 2024: 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)	June 30, 2024	17,777,100 shares	September 30, 2023	17,633,250 shares
(ii) Number of treasury shares at the end of the period	June 30, 2024	337,085 shares	September 30, 2023	341,085 shares
(iii) Average number of shares during the period (YTD)	Nine months ended June 30, 2024	17,428,692 shares	Nine months ended June 30, 2023	17,276,860 shares

* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or audit firm: None

* 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 Nine Months Ended June 30, 2024 Attachment p. 5 “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

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

(1) Explanation of operating results

During the nine months ended June 30, 2024, the Japanese economy was on a gradual recovery trend, as capital investment and other factors showed signs of recovery, despite some signs of stagnation. Looking ahead, with the employment and income environment improving, the economy is expected to continue to recover steadily, bolstered by the effects of various policy measures. However, in addition to the risk of downturns in overseas economies, such as concerns 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 nine months of the current fiscal year, the Group recorded net sales of 22,781 million yen (up 4.7% year on year), operating profit of 153 million yen (up 29.2% year on year), ordinary profit of 191 million yen (up 60.1% year on year), profit attributable to owners of parent of 27 million yen (loss attributable to owners of parent amounted to 16 million yen for the same period of the previous fiscal year), and EBITDA (i.e., operating profit before interest expenses, amortization of goodwill, and depreciation) of 1,056 million yen (up 5.6% year on year).

Results by segment are as follows:

Mori JUKU

As of the end of the reporting period (June 30, 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 46,048, an increase of 2,554 students from a year earlier.

	Nine months ended June 30, 2023	Nine months ended June 30, 2024	YoY change
Net sales (Note 1)	11,356 million yen	11,920 million yen	Up 5.0%
Segment profit (Notes 1, 2)	2,339 million yen	2,755 million yen	Up 17.8%
EBITDA (Note 3)	2,502 million yen	2,862 million yen	Up 14.4%
Number of schools	202	221	+19
Number of students	43,494	46,048	+2,554

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 (June 30, 2024), Shonan Seminar, which offers group tutoring classes, was operating 203 schools (an increase of 6 schools from a year earlier). Exam pass rates in spring 2024 maintained the previous year's recovery, and even though the number of elementary school students in core comprehensive courses increased year on 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 18,023 (a decrease of 433 students from a year earlier).

	Nine months ended June 30, 2023	Nine months ended June 30, 2024	YoY change
Net sales	6,173 million yen	6,363 million yen	Up 3.1%
Segment profit	309 million yen	277 million yen	Down 10.5%
EBITDA	564 million yen	598 million yen	Up 5.9%
Number of schools	197	203	+6
Number of students	18,456	18,023	(433)

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 (June 30, 2024), Shonan Seminar Co., Ltd. was operating 51 Kawaijuku Manavis schools (an increase of 1 school from a year earlier) as franchisees. As a result of an increase in the number of

students in all grades year on year, at the end of the reporting period, the number of enrolled students at Kawaijuku Manavis schools was 4,365 (an increase of 221 students from a year earlier).

	Nine months ended June 30, 2023	Nine months ended June 30, 2024	YoY change
Net sales	1,987 million yen	1,953 million yen	Down 1.7%
Segment loss	(25 million yen)	(96 million yen)	—
EBITDA	100 million yen	70 million yen	Down 30.0%
Number of schools	50	51	+1
Number of students	4,144	4,365	+221

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 (June 30, 2024), there were six directly operated schools (no year-on-year change) and 216 franchised schools (an increase of 21 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 7.5 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 (June 30, 2024) were 18,976 million yen, a decrease of 1,167 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly due to a decrease of 1,203 million in accounts receivable - other.

(Liabilities)

Total liabilities as of the end of the reporting period (June 30, 2024) were 9,888 million yen, a decrease of 548 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly because advances received decreased by 1,202 million yen, although accounts payable - other increased by 632 million yen.

(Net assets)

Net assets as of the end of the reporting period (June 30, 2024) were 9,087 million yen, a decrease of 618 million yen from the end of the previous fiscal year (September 30, 2023). This was mainly due to a decrease of 659 million yen due to the payment of dividends.

(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 June 30, 2024
Assets		
Current assets		
Cash and deposits	6,007	4,935
Accounts receivable - trade	381	377
Merchandise and finished goods	297	409
Work in process	45	42
Supplies	24	50
Accounts receivable - other	2,430	1,226
Other	757	1,099
Allowance for doubtful accounts	(37)	(47)
Total current assets	9,906	8,093
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,268	3,745
Land	450	517
Other, net	108	135
Total property, plant and equipment	3,828	4,397
Intangible assets		
Goodwill	2,496	2,261
Software	207	196
Other	927	763
Total intangible assets	3,631	3,220
Investments and other assets		
Investment securities	20	273
Deferred tax assets	605	795
Leasehold and guarantee deposits	2,044	2,094
Other	107	101
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,777	3,264
Total non-current assets	10,237	10,882
Total assets	20,143	18,976

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	103	109
Accounts payable - other	1,543	2,176
Short-term borrowings	754	1,023
Current portion of long-term borrowings	363	363
Income taxes payable	171	180
Accrued consumption taxes	200	275
Advances received	4,264	3,061
Provision for bonuses	441	410
Other	700	519
Total current liabilities	8,543	8,120
Non-current liabilities		
Long-term borrowings	727	543
Provision for retirement benefits for directors (and other officers)	73	74
Retirement benefit liability	124	126
Asset retirement obligations	968	1,023
Deferred tax liabilities	0	0
Total non-current liabilities	1,893	1,768
Total liabilities	10,437	9,888
Net assets		
Shareholders' equity		
Share capital	1,438	1,444
Capital surplus	1,428	1,434
Retained earnings	7,173	6,541
Treasury shares	(380)	(377)
Total shareholders' equity	9,659	9,043
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	2	0
Total accumulated other comprehensive income	2	0
Share acquisition rights	44	43
Total net assets	9,706	9,087
Total liabilities and net assets	20,143	18,976

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statements of income)

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Net sales	21,750	22,781
Cost of sales	15,027	15,992
Gross profit	6,723	6,788
Selling, general and administrative expenses	6,604	6,634
Operating profit	119	153
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	—	31
Outsourcing service income	0	1
Subsidy income	1	0
Commission income	2	—
Other	2	14
Total non-operating income	7	48
Non-operating expenses		
Interest expenses	3	5
Commission expenses	—	0
Other	3	5
Total non-operating expenses	7	10
Ordinary profit	119	191
Extraordinary income		
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	—	3
Extraordinary losses		
Loss on retirement of non-current assets	—	5
Impairment losses	—	17
Total extraordinary losses	—	22
Profit before income taxes	119	172
Income taxes - current	212	333
Income taxes - deferred	(75)	(188)
Total income taxes	136	145
Profit (loss)	(16)	27
Loss attributable to non-controlling interests	(0)	—
Profit (loss) attributable to owners of parent	(16)	27

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Profit (loss)	(16)	27
Other comprehensive income		
Remeasurements of defined benefit plans	(4)	(2)
Total other comprehensive income	(4)	(2)
Total comprehensive income attributable to:	(21)	25
Owners of parent	(20)	25
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.

(Notes on quarterly consolidated cash flow statements)

Consolidated cash flow statements for the current cumulative quarterly accounting period have not been prepared. Depreciation (including amortization related to intangible assets) and amortization of goodwill for the current cumulative quarterly accounting period are as follows.

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Depreciation	610 million yen	585 million yen
Amortization of goodwill	247 million yen	295 million yen

(Notes on segment information)

I. Nine months ended June 30, 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	11,356	6,173	1,987	19,517	2,233	21,750	—	21,750
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	11,356	6,173	1,987	19,517	2,233	21,750	—	21,750
Inter-segment sales or transfers	—	—	—	—	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

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 (1,840) million yen to segment profit or loss includes amortization of goodwill of 228 million yen and corporate expenses that cannot be allocated to reportable segments of 1,611 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. Nine months ended June 30, 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	11,920	6,363	1,953	20,237	2,543	22,781	—	22,781
Other revenues	—	—	—	—	—	—	—	—
Sales to external customers	11,920	6,363	1,953	20,237	2,543	22,781	—	22,781
Inter-segment sales or transfers	—	—	—	—	2	2	(2)	—
Total	11,920	6,363	1,953	20,237	2,546	22,784	(2)	22,781
Segment profit (loss)	2,755	277	(96)	2,935	(898)	2,037	(1,883)	153

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 (1,883) 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 1,873 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.