

Q2 FY2021 Consolidated Financial Results

(Six months ended March 31, 2021)

May 12, 2021



SPRIX, Ltd.

(TSE code: 7030)

MISSION

**Bring new life stage (SPRING) through Education
to people around the world**

VISION

Be the No.1 in Education

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Appendix (DATA SHEET)

1 Operating Results

1-1. Q2 FY2021 Operating Results - Executive Summary

Operating Results

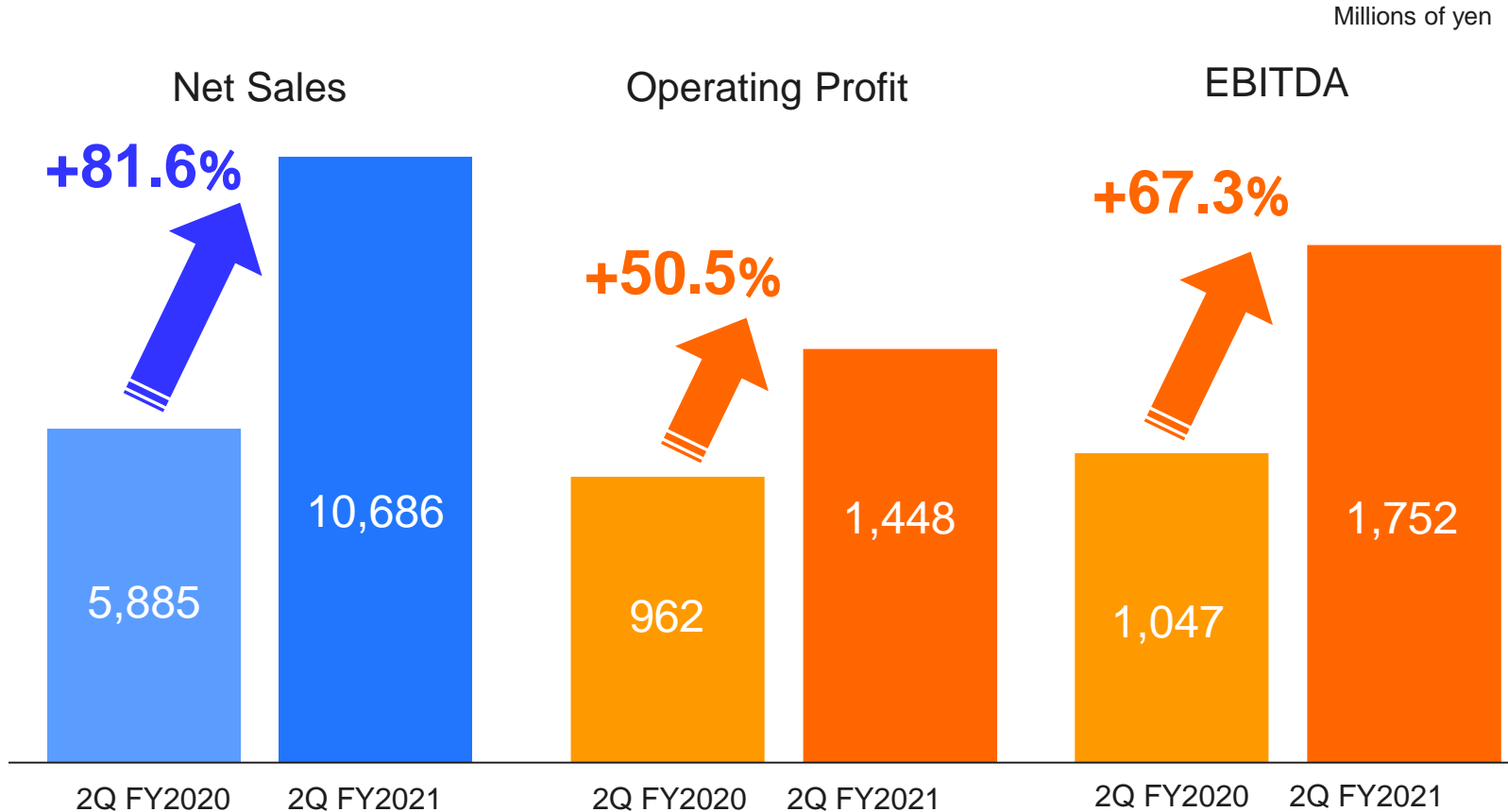
Consolidated Net Sales:	10,686 million yen (YoY +81.6%)
Consolidated Operating Profit:	1,448 million yen (YoY +50.5%)

Topics

- Sharp rise in both net sales and operating profit due to the consolidation of Shonan Seminar CO., LTD. (“Shonan”)
- Strong organic growth of SPRIX, Ltd. (“SPRIX”) on a non-consolidated basis.
- Recovery seen in operating results of School Operation Service, our core business, from December-January winter sessions.
 - ▶ Mori JUKU: 169 schools operated as of March 31, 2021 (+19 YoY), 36,401 students enrolled as of March 31, 2021 (+11,347 YoY)
 - ▶ Shonan Seminar: 178 schools operated as of February 28, 2021 (+4 YoY), 20,838 students enrolled as of February 28, 2021
- Increase in operating expenses due to aggressive advertising and R&D activities as well as capital spending relating to the opening of new schools.

1-1. Q2 FY2021 Operating Results - Overview

- Net sales increased by 81.6% YoY.
- Both operating profit and EBITDA* increased by 50.5% and 67.3%, respectively.



* EBITDA represents operating profit before depreciation and amortization of goodwill.

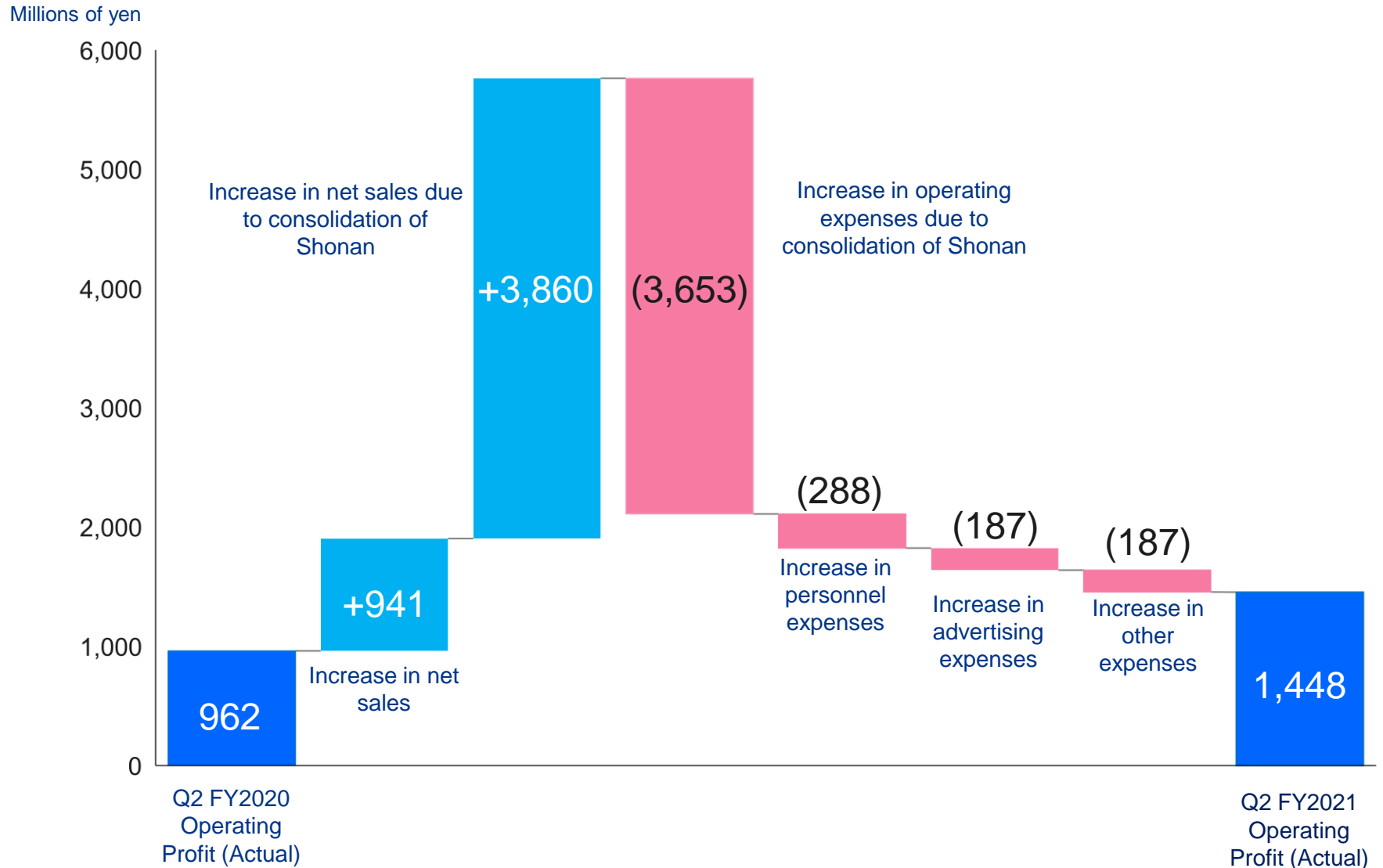
1-1. Q2 FY2021 Operating Results - Change from FY2020 and Initial Forecast

- Stronger-than-expected net sales and profit led to a significant growth from the previous year.

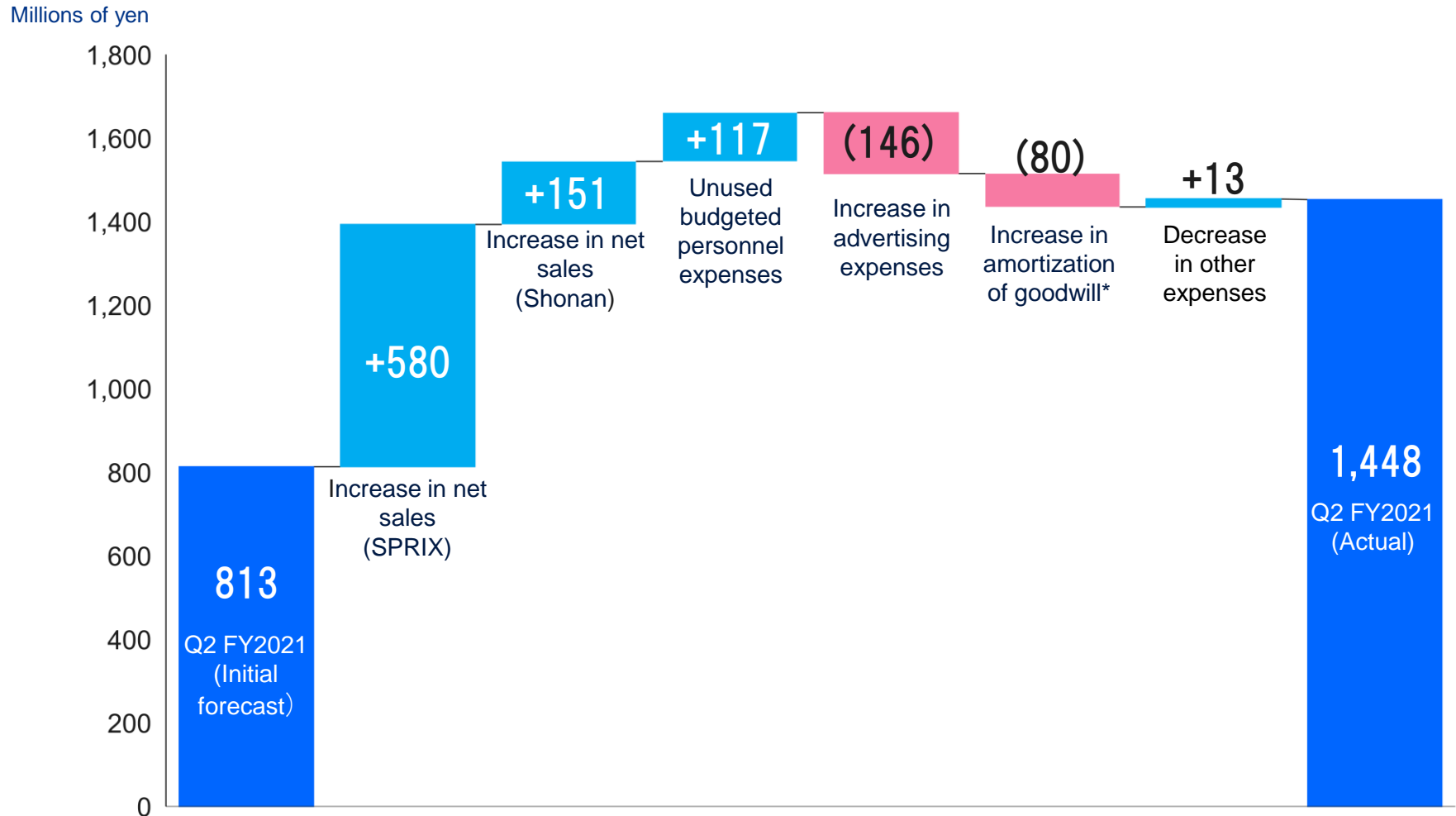
	Q2 FY2020 (Consolidated) Actual		Q2 FY2021 (Consolidated) Initial Forecast		Q2 FY2021 (Consolidated) Actual			
	Amount (A)	Margin	Amount (B)	Margin	Amount (C)	Margin	(C)/(A)	(C)/(B)
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(%)	(%)
Net Sales	5,885	—	9,956	—	10,686	—	+81. ⁶ %	+7. ³ %
Operating Profit	962	16. ⁴ %	813	8. ² %	1,448	13. ⁶ %	+50. ⁵ %	+78. ² %
Ordinary Profit	962	16. ³ %	813	8. ² %	1,446	13. ⁶ %	+50. ³ %	+78. ⁰ %
Profit attributable to owners of parent	698	11. ⁹ %	477	4. ⁸ %	927	8. ⁷ %	+32. ⁸ %	+94. ⁴ %
EBITDA*	1,047	—	—	—	1,752	—	+67. ³ %	—

* EBITDA represents operating profit before depreciation and amortization of goodwill.

1-2. Q2 FY2021 Attribution Analysis - Operating Profit (YoY)



1-2. Q2 FY2021 Attribution Analysis - Operating profit (vs Initial forecast)



* Amortization of intangible assets resulting from the consolidation of Shonan.

Revised earnings forecast

- Forecasts for net sales and profit, including EBITDA, are revised upward.

	Net sales	EBITDA*	Operating Profit	Ordinary Profit	Profit attributable to owners of parent
Amount (million yen)	24,983	2,519	1,477	1,476	859
Margin (%)	—	—	5.9%	5.9%	3.4%
vs initial forecast	+13.5%	+60.3%	+141.3%	+122.0%	+200.3%

* EBITDA represents operating profit before depreciation and amortization of goodwill.

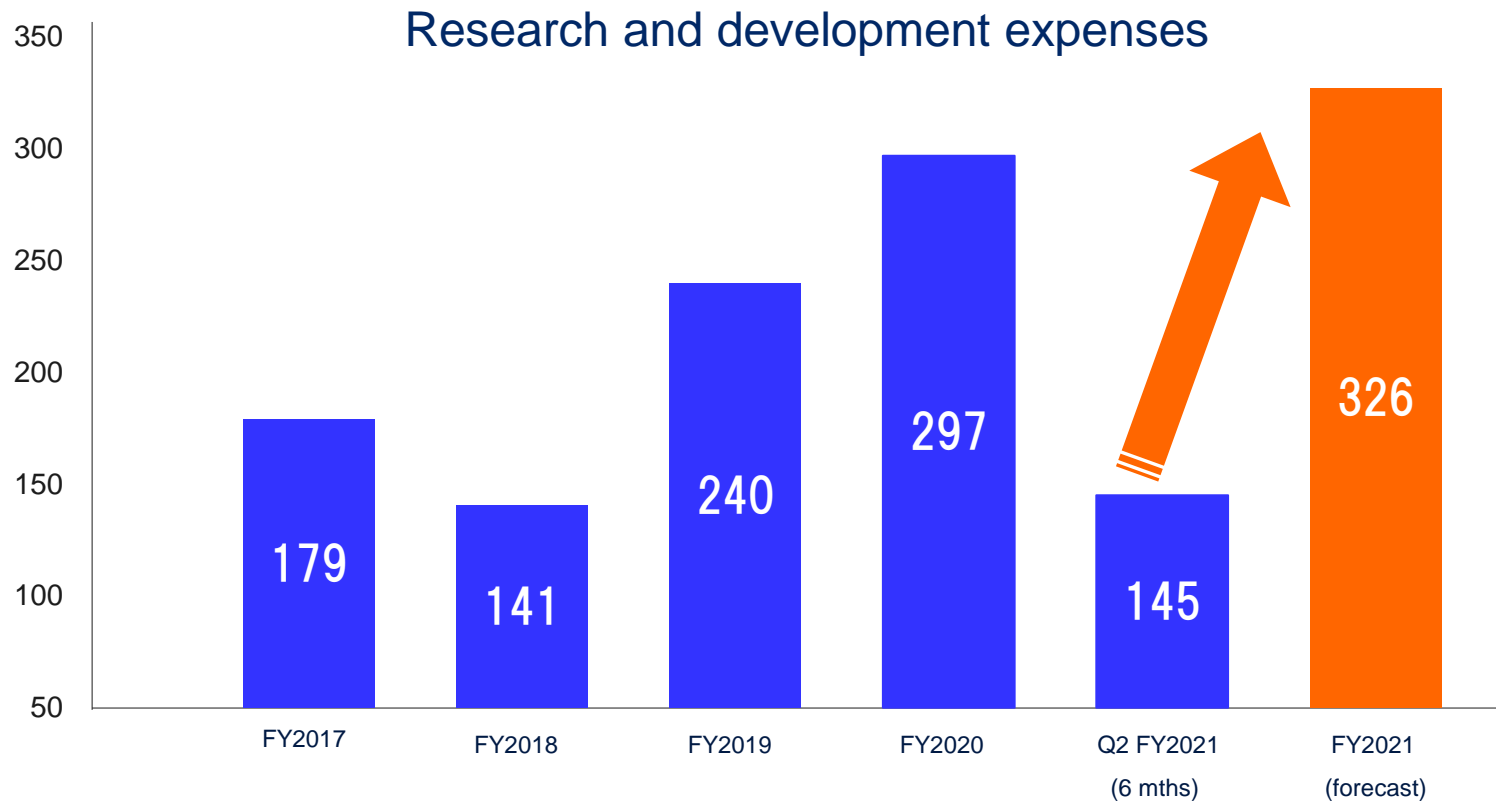
Reasons for upward revision

- Net Sales
 - School Operation Services will continue to grow in the second half of FY2021 and onwards.
 - Due to the change in reporting period, operating performance of Shonan for 10 months (from December 2020 to September 2021) will contribute to the consolidated operating results, compared to the previously forecasted nine months (from December 2020 to August 2021).
- Profit
 - Plan to boost advertising and R&D activities as an upfront investment to expand business in the coming years.
 - Despite the increase in expenses, profit will be maintained at the level of Q2 FY2021.

1-3. Forecast for FY2021 – R&D expenses

- To grow further in the second half of FY2021 and onwards, we plan to boost R&D activities, mainly in the area of artificial intelligence (AI) and information technology (IT).

Millions of yen



1-4. Q2 FY2021 Financial Position and Cash Flows

(Millions of yen)

		September 30, 2020 (non-consolidated)		March 31, 2021 (consolidated)			
		Amount	%	Amount	%	Change	Major reasons
	Current Assets	9,428	82. ¹ %	9,687	49. ⁶ %	+259	· Consolidation of Shonan: +4,733 · Decrease in cash and deposits: (4,086)
	Non-current Assets	2,057	17. ⁹ %	9,860	50. ⁴ %	+7,802	· Consolidation of Shonan: +4,766 · Increase in goodwill :+2,997
	Total Assets	11,485	100. ⁰ %	19,547	100. ⁰ %	+8,061	
	Current Liabilities	2,875	25. ⁰ %	7,850	40. ² %	+4,975	· Increase relating to Shonan: +4,878 · Increase in accounts payable :+333
	Non-Current Liabilities	518	4. ⁵ %	3,052	15. ⁶ %	+2,533	· Increase relating to Shonan : +2,465
	Total Liabilities	3,394	29. ⁵ %	10,903	55. ⁸ %	+7,509	
	Net Assets	8,091	70. ⁴ %	8,644	44. ² %	+552	· Increase in retained earnings: +653 · Decrease in treasury shares: (103)
	Liabilities and Net Assets	11,485	100. ⁰ %	19,547	100. ⁰ %	+8,061	

		Q2 FY2020 (non-consolidated)	Q2 FY2021 (consolidated)	
				Major reasons
	Cash flows from operating activities	907	1,200	
	Cash flows from investing activities	(228)	(1,444)	Acquisition of subsidiaries: (1,297)
	Cash flows from financing activities	(431)	(427)	Dividend paid: (267)
	Net increase (decrease) in cash and cash equivalent	247	(671)	
	Cash and cash equivalent	7,157	6,636	

1-5. Return to shareholders

- Aiming to keep stable dividend payments while monitoring dividend payout ratio based on consolidated profit and consolidated EBITDA.

	Interim	Year-end	Total	Dividend payout ratio (consolidated profit basis)	Dividend payout ratio (consolidated EBITDA basis)
FY2019	15 yen	16 yen	31 yen	-	-
FY2020	15 yen	16 yen	31 yen	46. ² %	27. ⁴ %
FY2021 (forecast)	15 yen	16 yen	31 yen	62. ² %	21. ² %

- Dividend payout ratio for FY2019 is not presented as the consolidated financial results are available from Q2 FY2020.
- Consolidated EBITDA represents consolidated operating profit before depreciation and amortization of goodwill.

2 Business Topics

2-1. Business Overview

- SPRIX Group is a **one-stop educational service provider**, holding several **No.1 brands**
- Centered around the School Operation Services, SPRIX also offers IT-based educational contents and lifelong learning opportunities

88.8%

of total net sales*

School Operation Services



自ら学ぶ力で、大学現役合格を。
河合塾マナビス



11.2%

of total net sales*

Education and Learning Services



* Net sales composition is calculated based on results for the six-month period ended Mar 31, 2021

* "No.1 brand" is based on surveys conducted by SPRIX Group as follows:

- Mori JUKU: Japan's largest for # of students per class
- RED: No.1 share in the self-studying market
- Foresta: No.1 share in teaching material for individual tutoring
- Tokyo Dance Village: Japan's largest for # of students per school

- HSK text books: No.1 share in preparation materials drills for HSK
- JUKU Teachers JAPAN: Japan's largest recruit site for cram school teachers
- Grim School: No.1 market share in reading educational program
- QUREO programming school: No.1 in # of programming schools

2-1. Business Overview

● School Operation Service by brand

(Millions of yen, except the number of schools and students)
(Figures are those as of March 31, 2021)

	Mori JUKU	SPRIX	Shonan Seminar ⁽¹⁾	Shonan Seminar ⁽¹⁾	Kawaijuku Manavis ^(1,4)	Other
Net sales ⁽²⁾	6,385	5,577	808	2,449	596	-
Business profit ^(2,3)	1,642	1,486	156	588	(15)	-
Number of schools	169	124	45	178	47	-
Number of enrolled students	36,401	27,342	9,059	20,838	5,783	-
Feature	* Individual tutoring (two students per one teacher) * Pioneered in introducing score guarantee system * Japan's largest in the average number of students per school			Group teaching schools rolled out mainly in Kanagawa	Largest franchisee of Kawaijuku Manavis	RED, Sora JUKU and others

(1) Net sales and business profit for "Mori JUKU," "Shonan Seminar," and "Kawaijuku Manavis" run by Shonan Seminar for the current period represent those for the three-month period from December 1, 2020 to February 28, 2021, respectively.

(2) Net sales and business profit are in amounts before offsetting inter-business transactions.

(3) Business profit represents operating profit of each business before the allocation of common expenses such as administrative expenses. Loss amounts are in parentheses.

(4) Net sales and business profit for "Kawaijuku Manavis" usually see a dent in February and March, when high school seniors leave JUKU to take college entrance exam.

2-2. Business topics - Mori JUKU



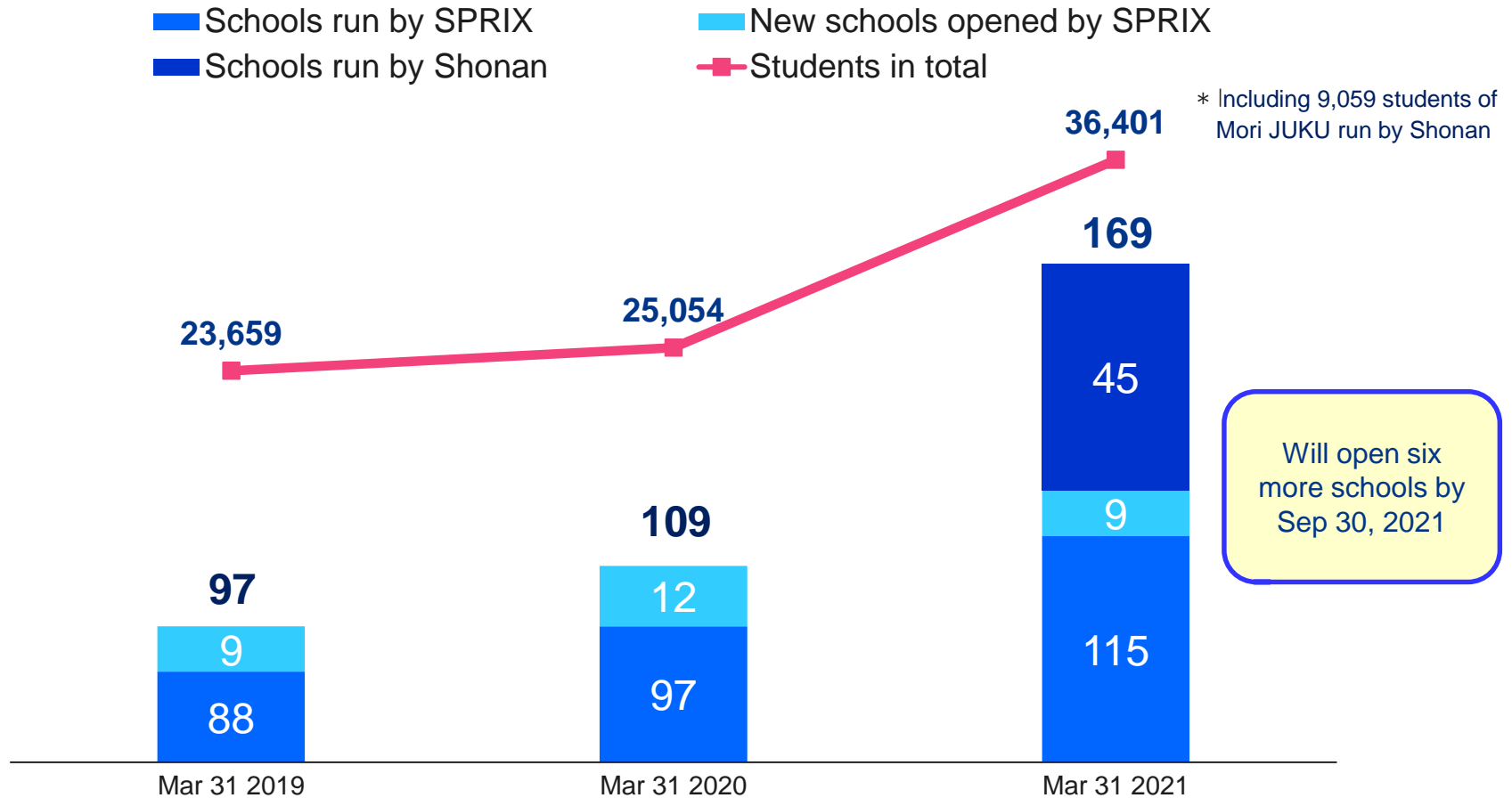
<Mori JUKU>

Operating cram schools under the brand name of “Mori JUKU,” mainly targeting elementary school and junior high school students

- ▶ Specialized in individual tutoring
(one tutor teaches no more than two students at a time)
- ▶ Achieved the Japan’s largest in the average number of students per school
- ▶ Total 169 schools (SPRIX 124, Shonan Seminar 45) * As of March 31, 2021
- ▶ Introduced the unique “Score guarantee system,” guaranteeing to raise exam scores by 20 points or more for each subject at school
- ▶ Leveraged cutting-edge technology to achieve efficient school operation

2-2. Business topics - Mori JUKU

● Mori JUKU: Number of schools and students



* "Mori JUKU" run by Shonan is included from Q2 FY2021.

2-2. Business topics - Shonan Seminar



Founded in 1976, operating cram schools mainly in Kanagawa Prefecture
Famous for best pass rates for highly competitive schools in the area



- ▶ Offers group teaching to elementary, junior and senior high school students
- ▶ Targeting students aiming to pass best schools and collages
- ▶ Operating 178 schools as of March 31, 2021
- ▶ Specialized in providing tailored and individualized lessons even in group teaching

2-2. Business topics - Kawaijuku Manavis

自ら学ぶ力で、大学現役合格を。
河合塾マナビス



- ▶ Operates cram schools for senior high school students aiming to pass college entrance exams while in high school
- ▶ Distributes a wide variety of 1,000 or more video sessions, hosted by most popular tutors at Kawaijuku
- ▶ Offers face-to-face support as needed
- ▶ Ranked as the largest franchisee of Kawaijuku Manavis

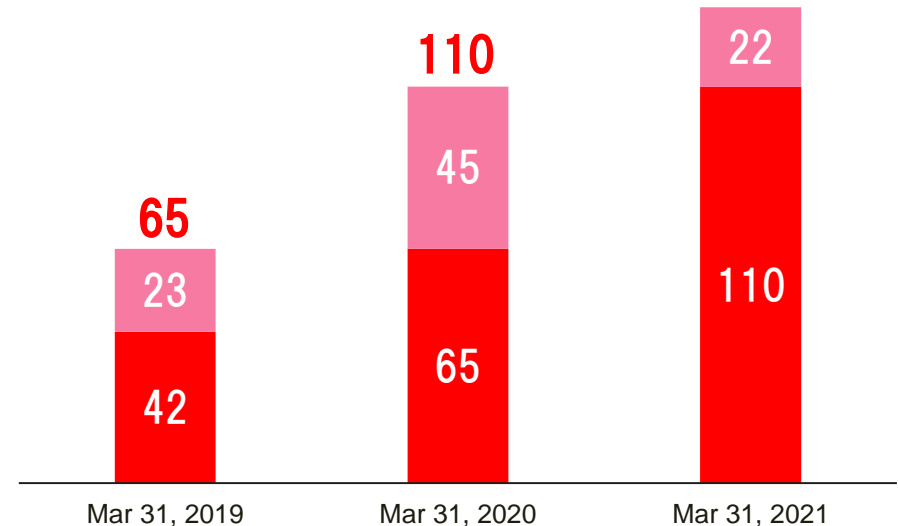
2-2. Business topics - Self-Study RED



第3回 日本サービス大賞
経済産業大臣賞



Self-Study RED (# of FC schools) **132**



- ▶ Offers AI-based online self-studying program (provides face-to-face support as needed)
 - Even adaptable to remote or rural areas where few qualified tutors are available
- ▶ Focuses on franchise to achieve rapid growth
- ▶ Stores big data through the AI-driven program, expected to drastically improve the tutoring quality
- ▶ Won the METI Minister's Prize of "Nihon Service Award" in 2020

*METI: Ministry of Economy, Trade and Industry

2-2. Business topics - Sora JUKU

Online
individual
tutoring



- ▶ Offers online individual tutoring
- ▶ 80-minute class offered to students aged 6-18 who prefer studying online via PC or smartphones from home
- ▶ Reasonable tuition fee due to online tutoring
- ▶ Tutors mainly from best universities in Japan
- ▶ Unlimited access to video lectures



2-2. Business topics - Foresta Net and Foresta Coach



フォレストネット

Challenging the public education network

The nation's largest online community for teachers. Continued to be selected in 2020 by the Ministry of Education as **“EDU-Port Japan’ support project”** and by the Ministry of Economy as **“Experimental business for the ‘Learning Innovation’ initiative”**



フォレストコーチ

Supporting student's passion to “study”

Application software stimulating motivation of junior and senior high school students to study. Installs study planner function and group studying function for students to motivate self-studying.



2-2. Business topics - Tokyo Dance Village

東京ダンス Village ヴィレッジ



- ▶ Women-only dance school, targeting beginners in their 20's and 30's. Holds 400 classes with 11 genres, the largest in Japan for its school size
- ▶ Located in central Tokyo, boasting a spacious dance floor
- ▶ Fully utilized SPRIX's school operation know-how developed through the cram school management and systematically designed curriculums for dance classes, thereby maximizing operation
- ▶ Aims to become No.1 in the dance school business and plans to open schools in other areas

2-2. Business topics - QUREO programming school



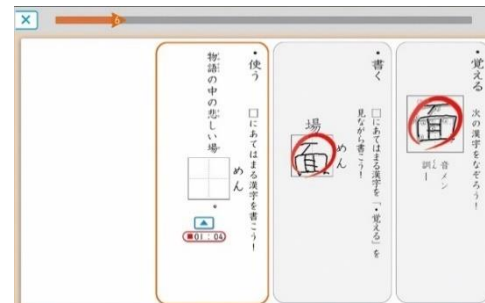
- ▶ Programming school operated by QUREO, Inc., a company jointly established by SPRIX and one of the subsidiaries of CyberAgent, Inc.
- ▶ SPRIX is responsible for school operation as well as marketing and training to Japanese cram schools
- ▶ Won the Minister of Internal Affairs prize at the most prestigious e-learning award event in Japan
- ▶ Won the AES GLOBAL BRONZE PRIZE of the Global e-Learning Award 2021, which honors leading EdTech service providers in Asia
- ▶ Successfully opened more than 2,000 schools and became the largest in Japan since launched in 2019 amid the increasing demand for programming education

2-2. Business topics - Foresta Learning DOJO*

フォレスト学習道場

“DOJO”

Japanese name for a place for immersive learning or meditation.



- ▶ Learning program, leveraging big data to improve fundamental academic skills and offering spiral learning tailored to the level of each student
- ▶ Currently two courses available: Japanese language focusing on practicing *kanji* characters and expanding vocabulary; and English language. (Will launch calculation course shortly)
- ▶ Effectively develops students' knowledge and skills, the most basic of the “three elements of academic abilities” defined by the Ministry of Education of Japan
- ▶ Transformed as a joint research project with Matsuo Institute, Inc., an entity utilizing accomplishments of Matsuo Lab, Graduate School of Engineering at the University of Tokyo
- ▶ Will expand the use to almost entire Mori JUKU schools as the joint research progresses

2-3. New Businesses - Programming Research Institute

プログラミング総合研究所

Programming Research Institute, Ltd. is co-founded by SPRIX and CyberAgent, Inc.



- ▶ The institute is engaged in the development, operation and marketing of “Programming Proficiency Test,” assessing basic programming skills
- ▶ SPRIX provides the know-how of running proficiency tests. Also responsible for sales and marketing to Japanese cram schools and other educational institutions
- ▶ Dedicated to provide a new measurement to contribute to the rapidly expanding programming education in Japan

プログラミング能力検定

2-3. New Businesses - SPRIX Fundamental Academic Skills Lab

スプリックス基礎学力研究所

- Dedicated to assess children's true academic ability and improve their learning by focusing on fundamental academic skills
- Promotes R&D activities with a mission to improve children's fundamental academic skills all over the world



Research results
posted on Nikkei
Newspaper



- ▶ Responds to growing need and awareness of fundamental academic skills under the rapidly changing educational environment
- ▶ Conducts scientific R&D activities based on quantitative/qualitative data accumulated through SPRIX school operation and educational contents businesses, leveraging up-to-date information and cutting-edge technology

2-3. New Businesses - TOFAS

TOFAS

Test of Fundamental Academic Skills

International proficiency test for fundamental academic skills



Article posted on
Mainichi
Newspapers



- ▶ Program developed and operated by SPRIX Fundamental Academic Skills Lab
- ▶ “Fundamental academic skills” regarded as important by parents in 11 countries, particularly in Japan where 96% parents agreed so
 - *Source: Survey conducted by SPRIX Fundamental Academic Skills Lab
- ▶ Focused on testing “Fundamental academic skills” and comparing results globally
- ▶ First test held on March 21, 2021 in five countries, including Japan and the U.S., participated by several thousand students. Subjects tested will increase further

2-3. New Businesses - Learning Innovation

Selected by the Ministry of Economy (METI) for four consecutive years as one of the experimental businesses for the “Learning Innovation” initiative

- ▶ The government-led initiative called “Learning Innovation” supports experimental businesses using EdTech to develop educational programs that enhance skills for identifying and solving issues. One of the focus areas is the launching of “STEAM Library,” promoting learning experience through STEAM (Science, Technology, Engineering, Arts and Mathematics).
- ▶ SPRIX contributes to “Learning Innovation” by adding a new web page to the Company’s “Foresta Net,” the largest online community for teachers in Japan, which is linked to the government’s “STEAM Library.” Teachers’ interactive communication on the website will provide insights to the government’s experiment.



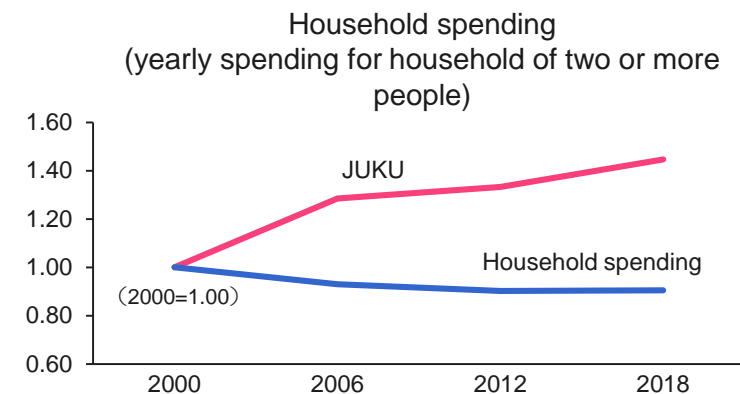
METI Learning Innovation homepage
<https://www.learning-innovation.go.jp>



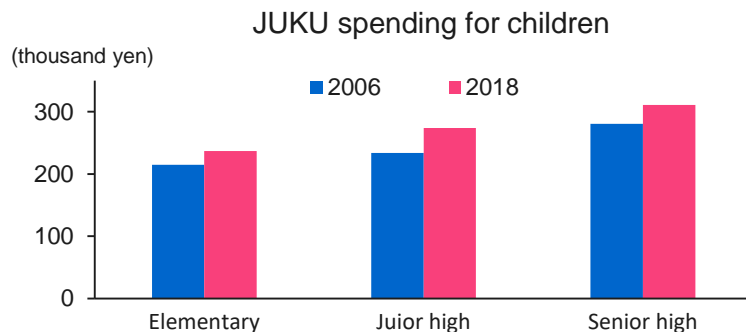
Foresta Net “Learning Innovation Room”

2-4. Reference - Market for Japanese cram schools (JUKU)

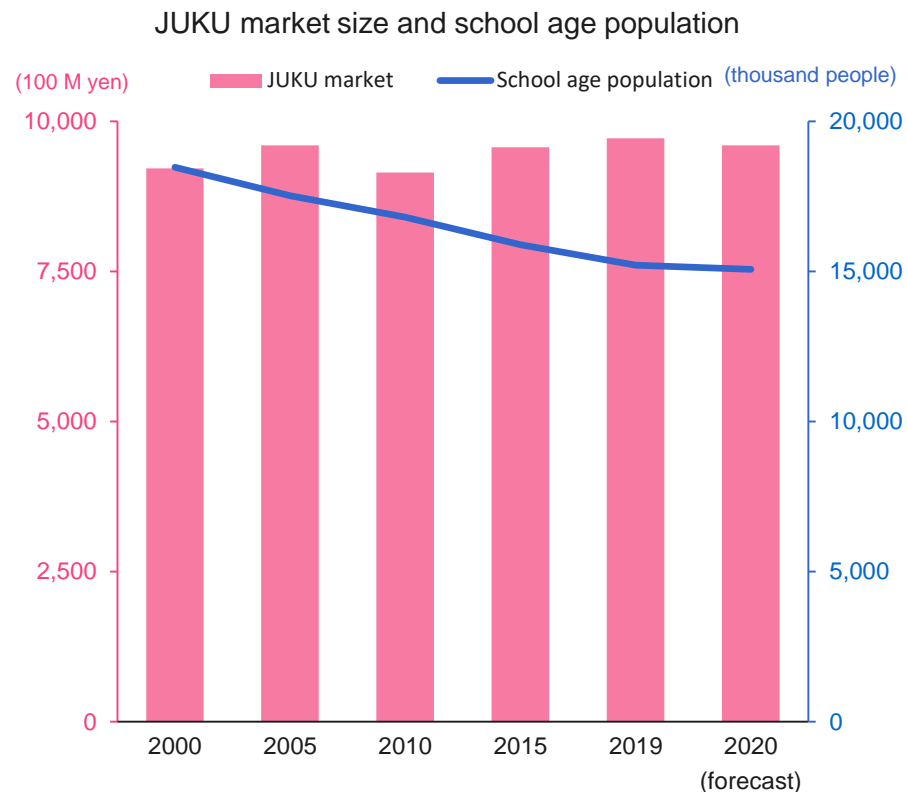
- ▶ JUKU market in Japan is growing steadily despite a decline in the number of children
- ▶ While the number of children is decreasing, more investment is made in individual child for better education
- ▶ It is a HOT market given that this trend is expected to continue for a while
- ▶ Market share of SPRIX Group is just 2-3% yet



Source: Prepared by SPRIX based on Ministry of Internal Affairs "Household Survey" and Ministry of Education "Statistic research on education expenditure"

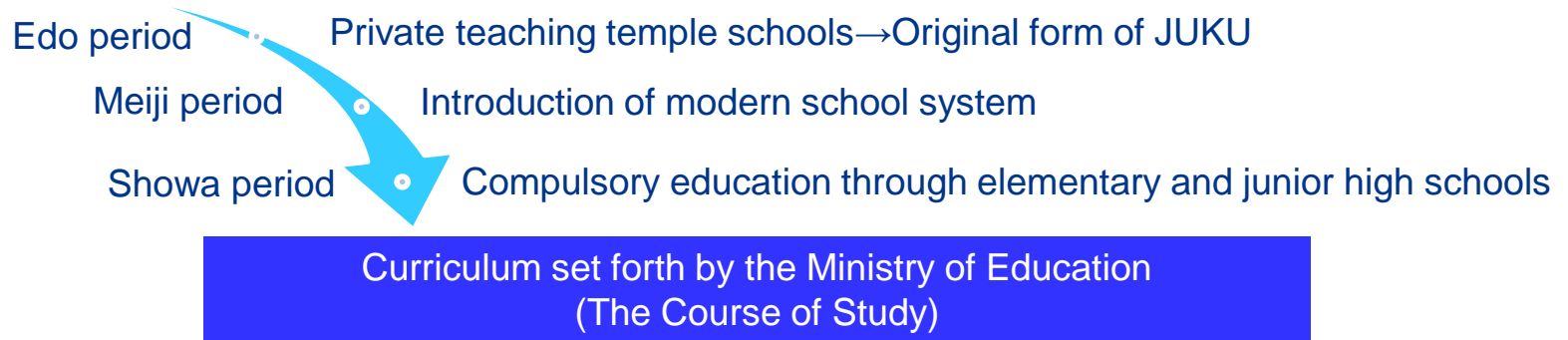


Source: Prepared by SPRIX based on Ministry of Education "Statistic research on education expenditure"



Source: Prepared by SPRIX based on "Education Industry 2020" by Yano Research Institute, Ltd. and Ministry of Internal Affairs "Population Estimates"

2-4. Reference - About JUKU in Japan

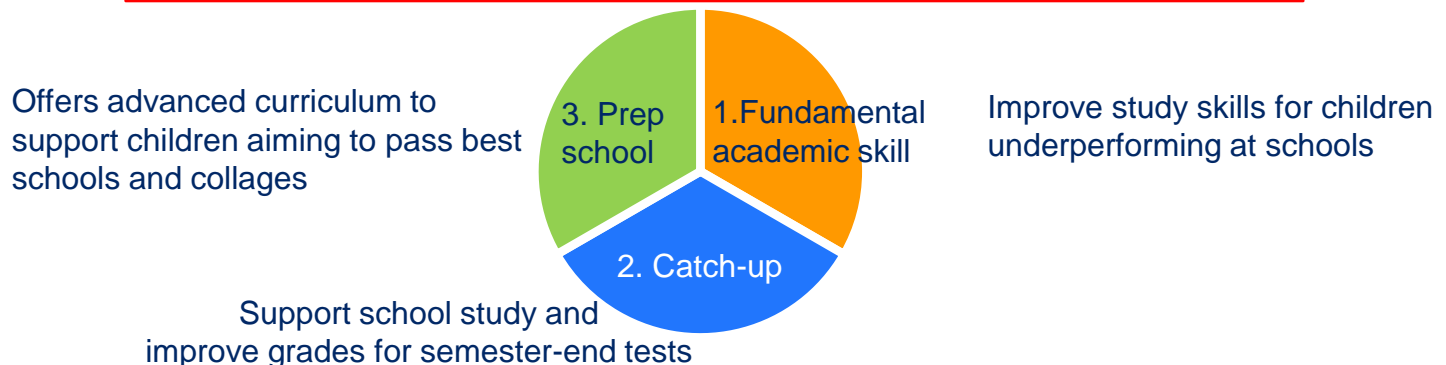


Increasing curriculums → Teaching speed too fast → Cannot spend enough time for all students in class

**Gap in
study skills**

JUKU as a supporting role for school education

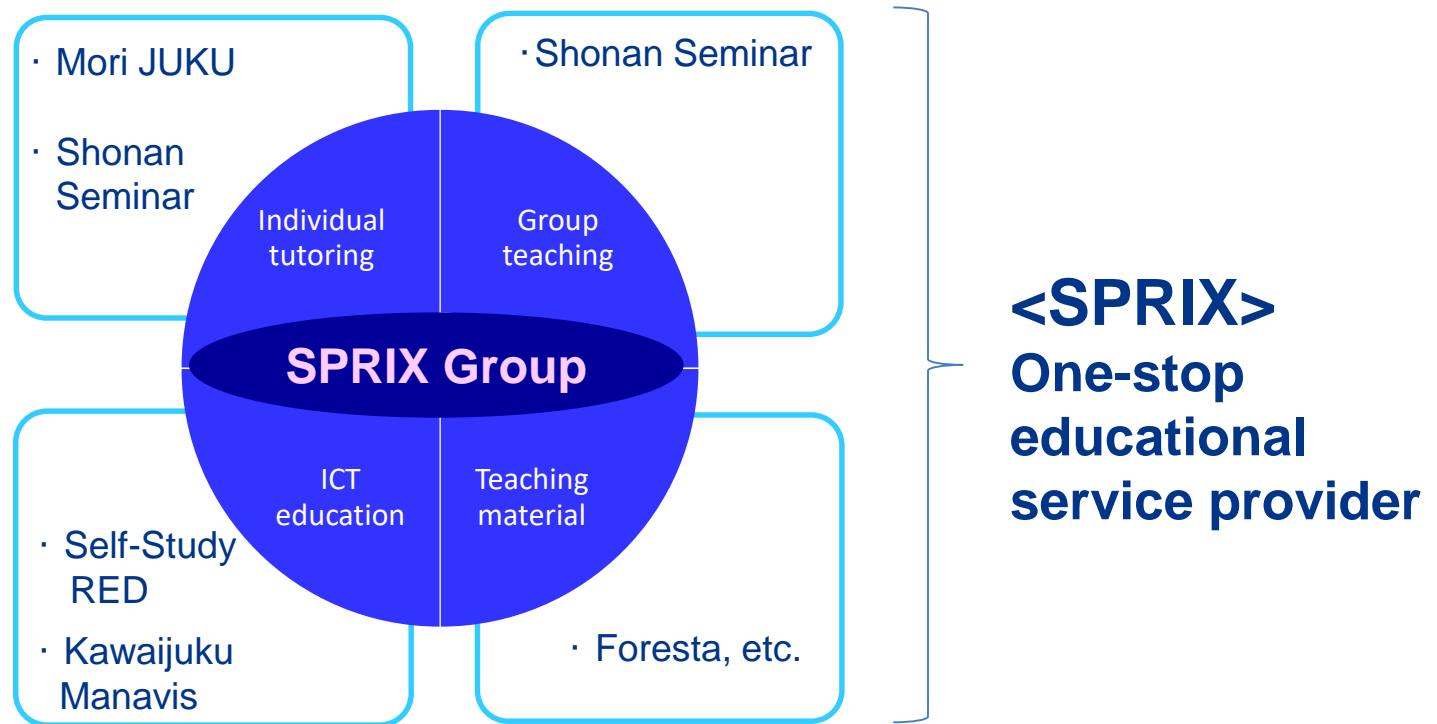
1. Fundamental academic skills 2. Catch-up study 3. Prep school



2-4. Reference - Public education vs SPRIX Group

- Public education (public/private school) only offers group teaching classes
- SPRIX Group offers total support for children's learning experience, including group teaching, individual tutoring, ICT education, and originally-developed teaching material

⇒ **SPRIX offers educational services tailored to each child and serves as a supporting role for public education**



Appendix

DATA SHEET

DATA SHEET

		(thousands of yen)				
		2017.9 (non- consolidated)	2018.9 (non- consolidated)	2019.9 (non- consolidated)	2020.9 (consolidated)	2021 Q2 (6 mths) (consolidated)
Operating Results	Net Sales	8,504,920	10,451,776	11,410,180	11,843,550	10,686,753
	Operating Profit	1,164,342	2,467,110	2,741,939	1,787,702	1,448,876
	Ordinary Profit	1,165,398	2,423,278	2,744,083	1,787,315	1,446,224
	Profit attributable to owners of parent	854,949	1,566,498	1,773,188	1,150,015	927,399
Assets/Liabilities	Current Assets	3,791,005	8,587,133	8,891,575	9,428,437	9,687,527
	Non-current Assets	1,262,749	1,380,251	1,970,033	2,057,362	9,860,075
	Total Assets	5,053,755	9,967,384	10,861,608	11,485,799	19,547,602
	Current Liabilities	2,097,318	3,099,047	2,788,199	2,875,402	7,850,615
	Non-current Liabilities	361,683	399,126	430,985	518,934	3,052,839
	Total Liabilities	2,459,001	3,498,173	3,219,185	3,394,336	10,903,454
	Total Net Assets	2,594,753	6,469,210	7,642,423	8,091,463	8,644,147
Cash Flows	Cash flows from operating activities	1,340,595	2,499,904	1,288,692	1,459,139	1,200,468
	Cash flows from investing activities	(320,403)	(145,923)	(696,196)	(373,312)	(1,444,495)
	Cash flows from financing activities	(47,356)	2,263,676	(598,509)	(687,962)	(427,086)
	Cash and cash equivalent at the end of the period	2,207,901	6,825,559	6,819,546	7,308,111	6,636,997

<Important Notice>

The forecasted operating results and business plans described in this presentation are determined based on the information available as of the date of the release of this presentation material. They may change significantly depending on the macroeconomic situation and the environment of the industry we are engaged in. Therefore, users of the presentation material should be aware of risks and uncertainties that the actual results may differ significantly from those in this presentation. Any significant changes will be announced accordingly.

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