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November 12, 2021

Company name: SPRIX, Ltd.
 Name of representative: Hiroyuki Tsuneishi,
 Representative Director and
 President
 Securities code: 7030 1st Section of the Tokyo
 Stock Exchange
 Inquiries: Masafumi Shitara
 General Manager
 (Telephone: +81-3-6912-7058)

Plan for Compliance with the Continued Listing Criteria for the New Market Segment

SPRIX, Ltd. (the “Company”) announces that it has submitted an application to select the top-tier Prime Market with respect to the restructuring of market segments of the Tokyo Stock Exchange, Inc. scheduled in April 2022. As of the base date for transition (June 30, 2021), the Company failed to meet the continued listing requirements for the new market. Accordingly, the Company has prepared a plan for compliance with the continued listing criteria for the new market segment as described below.

1. Compliance with the continued listing criteria and targeted date

According to the Company’s compliance status regarding the continued listing criteria for Prime Market as of June 30, 2021, the base date for transition, the Company’s market capitalization of tradable shares is 7.3 billion yen, which is behind the required amount. The Company is ready to take necessary measures to meet the criteria for market capitalization of tradable shares by the fiscal year ending September 30, 2025.

	Number of tradable shares (unit)	Market capitalization of tradable shares (yen)	Tradable share ratio (%)	Daily average trading value (yen)
The Company’s status (at the base date for transition)	64,601	7.3 billion	37.3%	80 million
Continued listing criteria	20,000	10.0 billion	35.0%	20 million
Item described in the Company’s plan		○		

2. Basic policy, challenges, and initiatives for the compliance with the continued listing criteria

(1). Basic policy

The Company is aiming to comply with the continued listing criteria for Prime Market by promoting necessary measures to achieve sustainable growth and enhance enterprise value over the next few years. Further, the Company is committed to address the following to further strengthen its corporate governance system: to review the organization structure so that it has greater flexibility amid the rapidly changing business environment; and to reinforce risk management systems and raise awareness on compliance.

(2). Challenges and initiatives

(Challenges)

While the number of shareholders and tradable shares is retained at a certain level, the Company has failed to meet the criteria of “Market capitalization of tradable shares.” Accordingly, it is essential for the Company to successfully undertake initiatives to enhance the enterprise value of the Company.

(Initiatives)

Going forward, the Company will carry out initiatives based on the “Mid-term KPI targets and three business strategies” disclosed in the Presentation Material, the supplementary information for the fiscal year ended September 30, 2021, which is attached herein.

The forecasts for results of operations and other forward-looking information in this material are based on information currently available to the Company as of the date of the announcement and assumptions subject to a number of uncertainties that may affect future results. Actual results may differ from the forecasts due to various reasons.

The background of the slide features a soft-focus image of a white spiral-bound notebook with lined pages. Scattered across the notebook are several light pink rose petals. A green pencil lies diagonally across the bottom right corner of the notebook. The overall lighting is warm and gentle, creating a clean and professional aesthetic.

FY2021 Consolidated Financial Results

(October 2020 to September 2021)

November 12, 2021

SPRIX 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

1

Operating Results



First step toward expansion
Net sales and profit increased in FY2021
due to acquisition of Shonan Seminar
and organic growth

Impact from consolidation—Year on year comparison

Impact from consolidation of Shonan Seminar CO., LTD. (“Shonan”)

- Consolidated Shonan from FY2021 Q1
- Started contributing to consolidated financial results from FY2021 Q2 (for 10 months)

Fiscal year	Consolidation period	Q1	Q2	Q3	Q4
Previous year (FY2019)		SPRIX (non-consolidated basis)			
Current year (FY2020)	10 months	SPRIX (non-consolidated basis)			
		Shonan (10 months)			

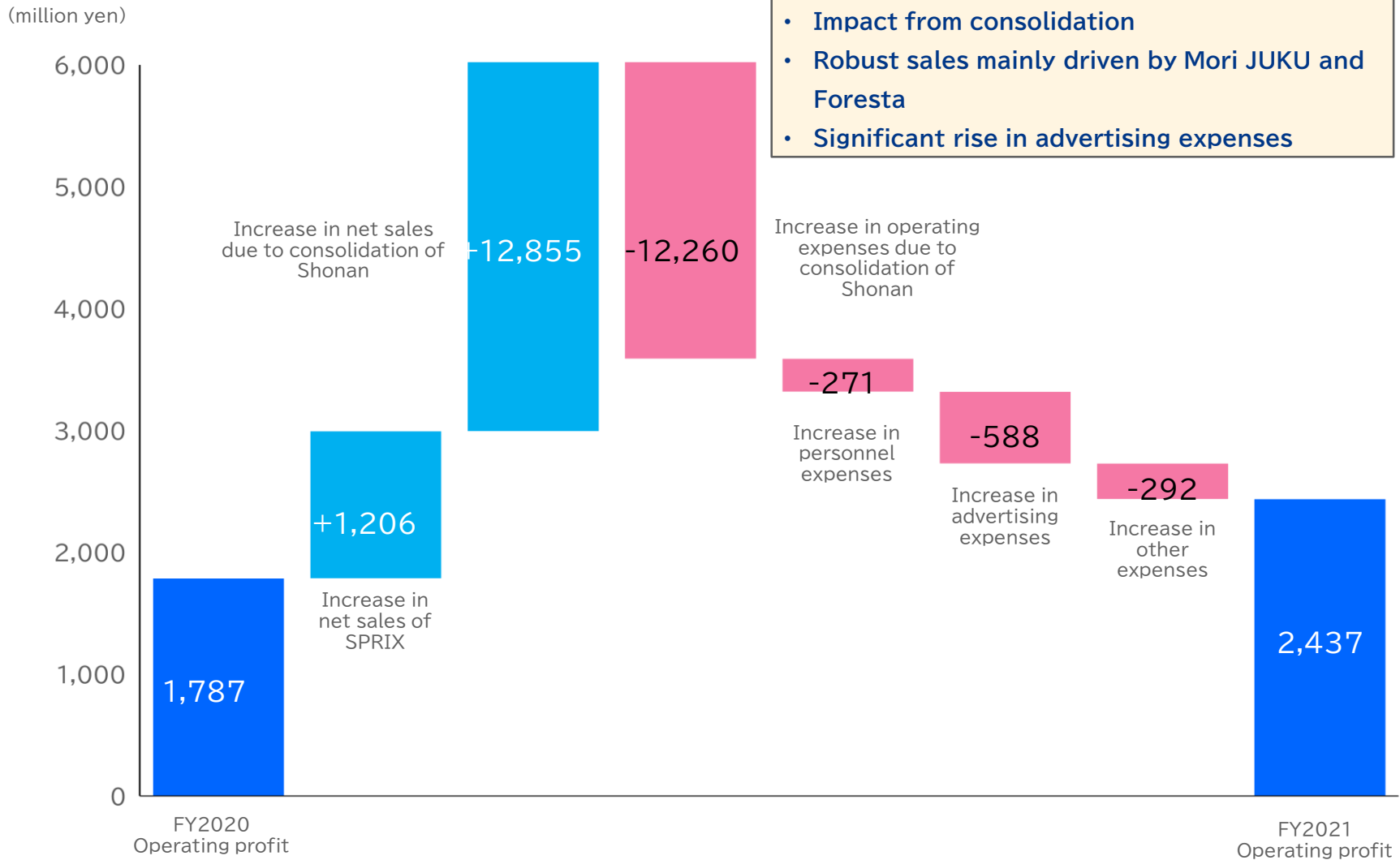
The diagram illustrates the contribution periods for SPRIX and Shonan across four quarters (Q1, Q2, Q3, Q4). For the previous year (FY2019), SPRIX (non-consolidated basis) contributed for the entire duration of all four quarters. For the current year (FY2020), SPRIX (non-consolidated basis) also contributed for all four quarters. Additionally, Shonan (10 months) contributed starting from the beginning of Q2 and continued through the end of Q4, covering a 10-month period.

FY2021 Operating results

- Net sales increased because of acquisition of Shonan, and robust operation of Mori JUKU as well as Foresta
- Both operating profit and EBITDA soared despite an increase in operating expenses due to goodwill and advertising expenses
- EBITDA recorded all-time high

(million yen)	FY2020	FY2021	Change (%)	Reasons
Net Sales	11,843	25,901	+14,058 (+118.7%)	<ul style="list-style-type: none"> • Acquisition of Shonan (contributing to consolidated financial results for 10 months)
Operating Profit (margin, %)	1,787 (15.1%)	2,437 (9.4%)	+650 (+36.3%)	<ul style="list-style-type: none"> • Mori JUKU run by SPRIX recorded an increase in net sales by approx. 900 million yen
EBITDA (margin, %)	1,937 (16.3%)	3,385 (13.0%)	+1,448 (+74.7%)	<ul style="list-style-type: none"> • Foresta (teaching materials) sold well driven by quadrennial textbook revision • Increase in advertising expenses raised operating expenses
Profit attributable to owners of parent (margin, %)	1,150 (9.7%)	1,467 (5.6%)	+317 (+27.6%)	<ul style="list-style-type: none"> • Personnel expenses stayed lower than expected

FY2021 Attribution analysis—Operating profit (Year on Year)



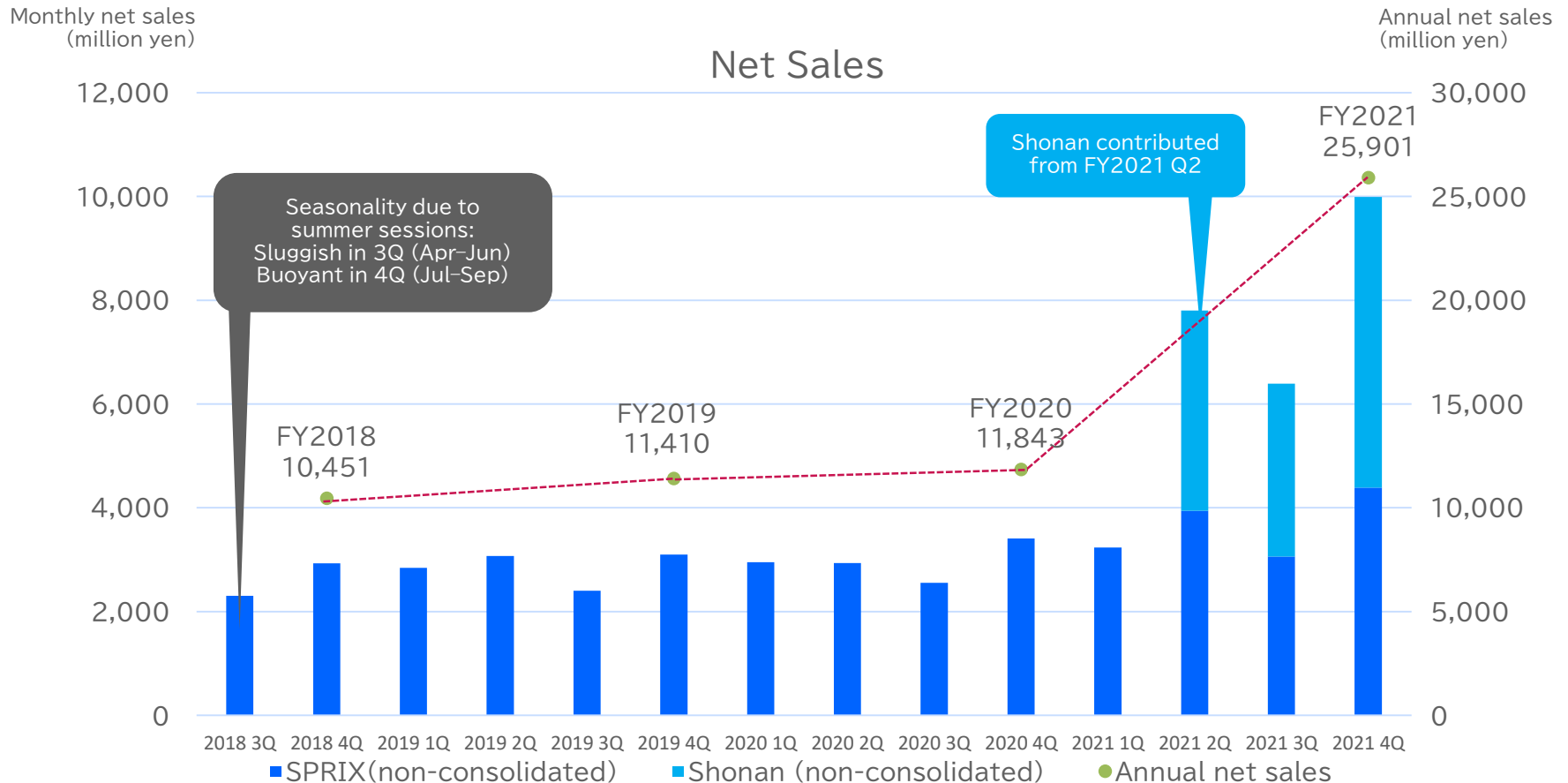
FY2021 Quarterly operating results

- Acquired subsidiary, Shonan, began contributing to consolidated operating results from 2Q (Jan-Mar)
- School Operation Services exhibit seasonality: 3Q(Apr-Jun) is typically sluggish, while 4Q(Jun-Sep) is strong amid the summer session

(million yen)	FY2021 Q1 (Oct-Dec)	FY2021 2Q (Jan-Mar)	FY2021 3Q (Apr-Jun)	FY2021 4Q (Jul-Sep)
Net sales	3,233	7,453	6,160	9,055
Operating profit (margin, %)	743 (22.9%)	705 (9.5%)	-56 (-0.9%)	1,045 (11.5%)
EBITDA (margin, %)	774 (23.9%)	978 (13.1%)	220 (3.5%)	1,413 (15.6%)
Reasons	<ul style="list-style-type: none"> • Prior to consolidation of Shonan 	<ul style="list-style-type: none"> • Shonan operating results contributed from Q2 	<ul style="list-style-type: none"> • School Operation Services, especially Shonan engaged in group teaching, were in the off-season • Advertising expenses increased for TV commercials (including Sora JUKU and SRPIX) 	<ul style="list-style-type: none"> • Summer session performed well • Change in accounting period of Shonan: four-month operating results (Jun-Sep) were included in 4Q • Boosted advertising and R&D expenses

Quarterly operating results—Net sales on the rise

- Net sales soared from FY2021 Q2 (Jan–Mar) as Shonan began contributing to consolidated operating results
- Net sales tend to rise in Q4 (Jul–Sep), as cram schools in general experience a significant sales increase during summer sessions

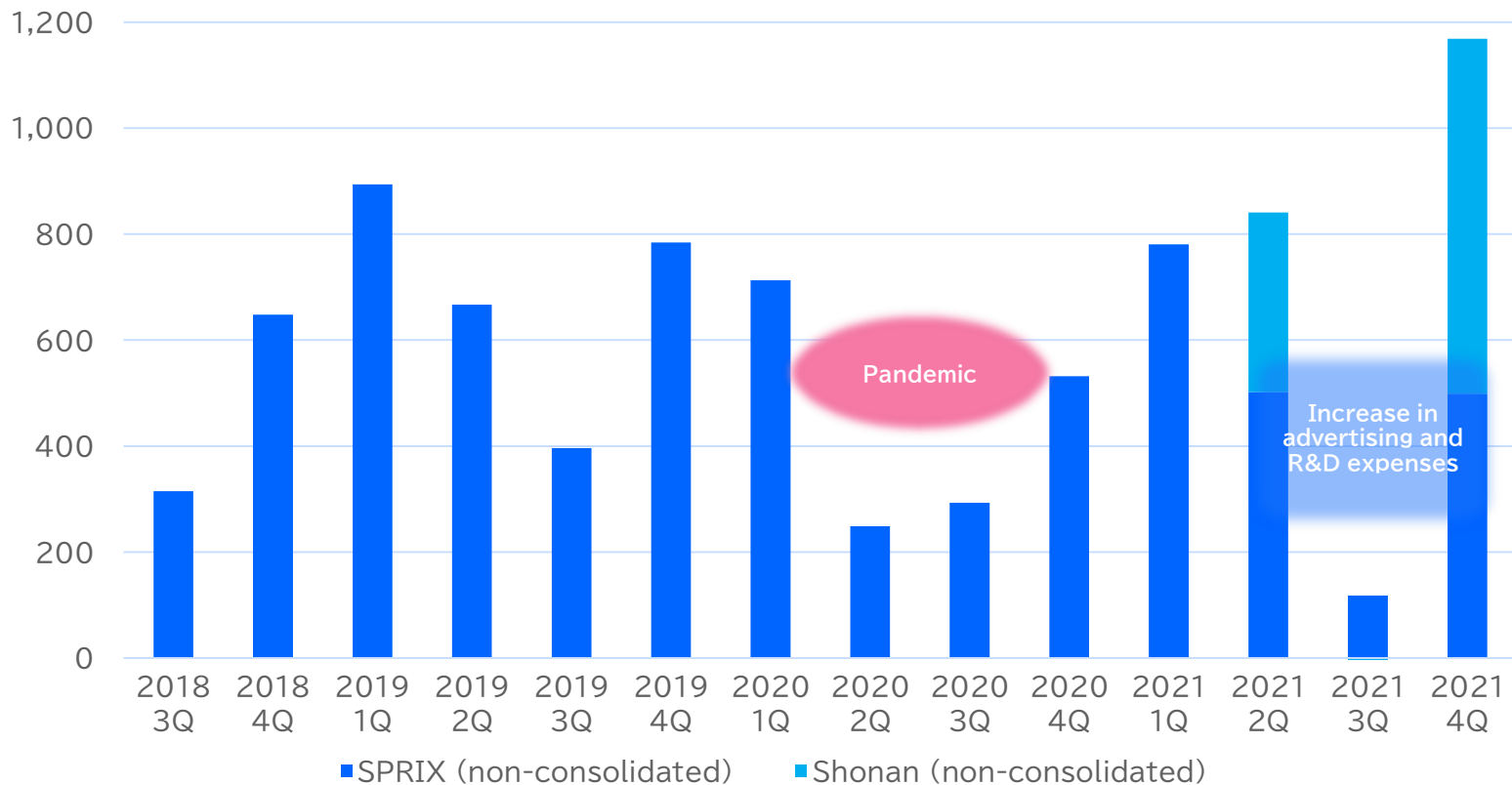


Quarterly operating profit—Diversified profit stream realized by multi-brands

- Shonan contributed to consolidated operating profit from FY2021 Q2 (Jan-Mar)
- Multi-brand strategy has enabled SPRIX to make upfront investment

(million yen)

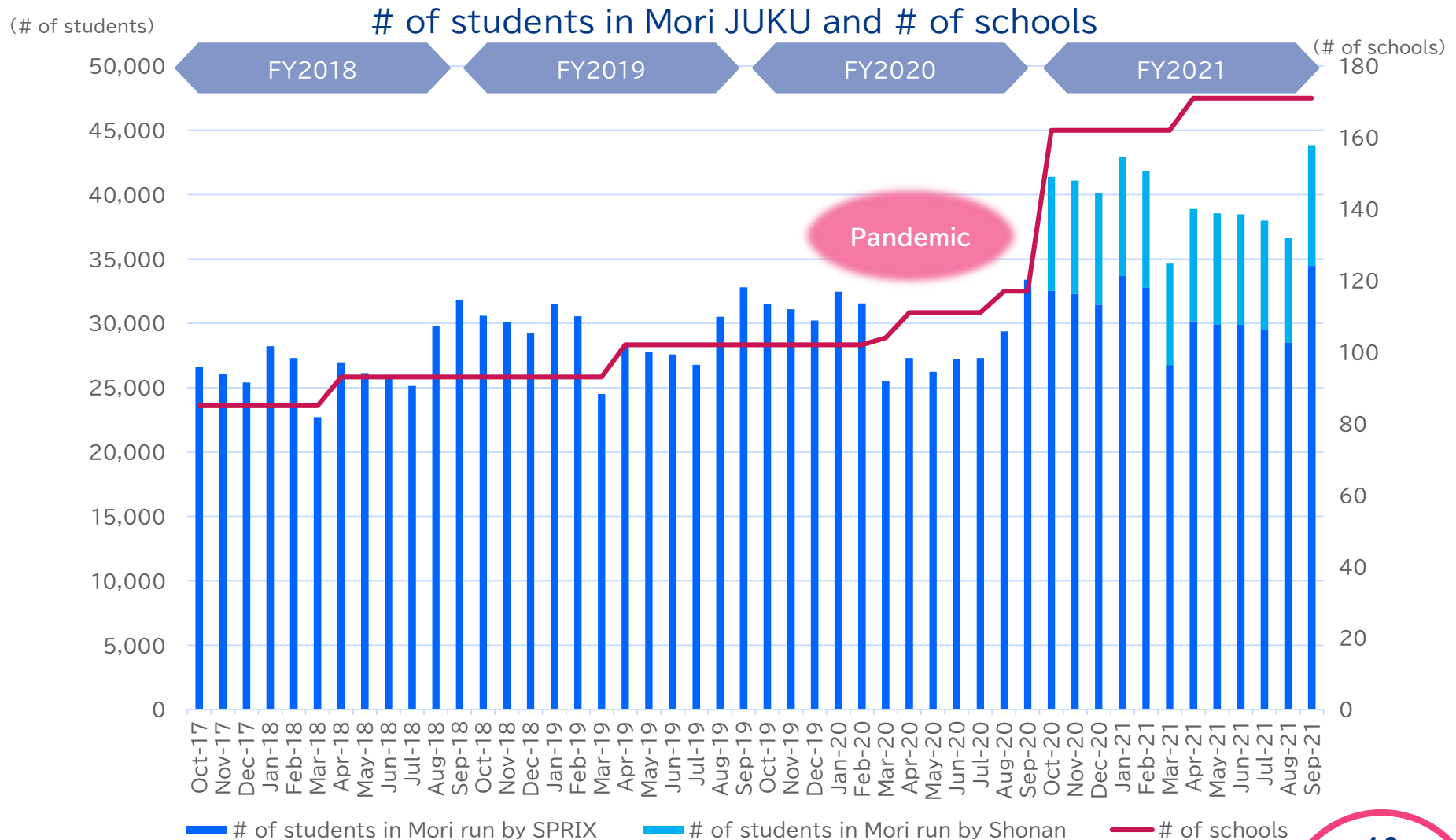
Quarterly operating profit*



* Operating profit in the chart represents the amount before offsetting intercompany transactions.
As a result, the aggregate amounts differ from the consolidated operating profit.

(Reference) # of students in Mori JUKU and # of schools

- The number of students saw a drop in FY2020 amid the pandemic, but recovered significantly in FY2021








FY2022 Forecast

- Mori JUKU plans 16 new school openings, and Foresta expects resilient sales
- Increase in net sales and profit is forecast even after making a strategic investment in advertising and R&D

(million yen)	FY2021 (actual)	FY2022 (forecast)	Change (%)	Reasons
Net sales	25,901	29,546	+3,645 (+14.0%)	<ul style="list-style-type: none"> • With Shonan fully contributing to consolidated results, net sales will increase, and profit margin will see a slight decline • Plans to open 16 Mori schools in the Tokyo metropolitan area • Will open three new Shonan Seminar schools • Expects an increase in advertising and R&D expenses associated with new businesses
Operating profit (margin, %)	2,437 (9.4%)	2,699 (9.1%)	+262 (+10.7%)	
EBITDA (margin, %)	3,385 (13.0%)	3,917 (13.2%)	+532 (+15.7%)	
Profit attributable to owners of parent (margin, %)	1,467 (5.6%)	1,756 (5.9%)	+289 (+19.7%)	

FY2022 Planned initiatives by major brands

FY2022 (forecast)

	<ul style="list-style-type: none"> • Will open 16 Mori schools in the Tokyo metropolitan area • Schools opened during the pandemic are expected to take off, while existing schools will also show a recovery
	<ul style="list-style-type: none"> • Will open three new Shonan Seminar schools • Plans to focus on a newly launched course tailored to a popular public high school in Kanagawa prefecture, while reinforcing existing classes for elementary and junior high school students
	<ul style="list-style-type: none"> • Will launch Foresta Plus, a tablet-type teaching material
	<ul style="list-style-type: none"> • Expects an increase in the number of students thanks to advertising activities in FY2021, including TV commercials
	<ul style="list-style-type: none"> • Plans to open 44 schools next year, resulting in 208 schools in total as of Sep 30, 2022

- 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)
FY2021 (latest forecast)	15 yen	16 yen	31 yen	36.3%	15.7%
FY2021	15 yen	21 yen	36 yen	42.1%	18.2%
FY2022 (forecast)	19 yen	19 yen	38 yen	37.1%	16.6%

※ Consolidated EBITDA represents consolidated operating profit before depreciation and amortization of goodwill

2

Our Business

- 2-1. MISSION and VISION
- 2-2. Mid-term KPI target and 3 business strategies
- 2-3. Strategy(1): No.1 share in individual tutoring
- 2-4. Strategy(2): Diversified portfolio of JUKU brands
- 2-5. Strategy(3): Aggressive R&D investment
- 2-6. New Business—Another leap towards MISSION

MISSION

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

VISION

Be the No.1 in Education

Short-term goal

Improve school performance
Enhance motivation to study

+

Long-term goal

Develop fundamental academic skills
Expand options in life

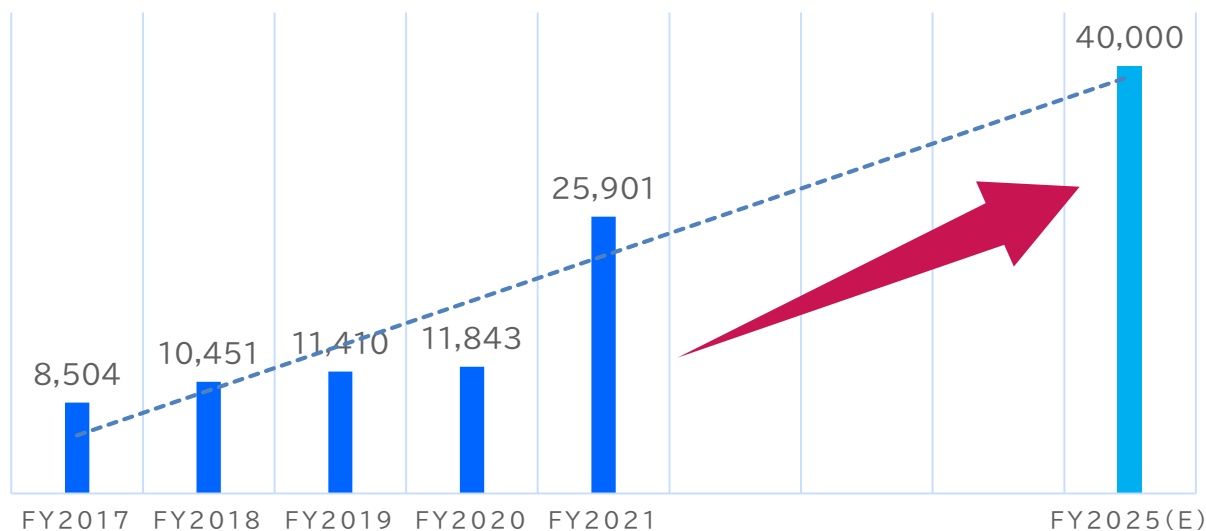
Realizing a world where every child can move one step
up in their life stage

2-2. Mid-term KPI target and 3 business strategies Where we are now



(million yen)

NET SALES



Mid-term KPI
(FY2025)

Net sales: ¥40 billion
EBITDA: ¥6 billion

2-2. Mid-term KPI target and 3 business strategies

	FY2020 (actual)	FY2021 (actual)	FY2025 (forecast)
Net sales (million yen)	11,843	25,901	40,000
EBITDA (million yen)	1,937	3,385	6,000
Mori JUKU (#of schools)	115	175	250
Mori JUKU (# of students)	32,156	44,631	60,000
R&D (million yen, % of net sales)	296 (2.5%)	392 (1.5%)	800 (2.0%)

Three business strategies to achieve mid-term KPI

Strategy (1)

No.1 share in individual tutoring

- Profitable organic growth driven by unique SPRIX method
- Business model adaptable throughout Japan

Strategy (2)

Diversified portfolio of JUKU brands

- Enable to reach untapped market
- Enhance SPRIX brand as a whole

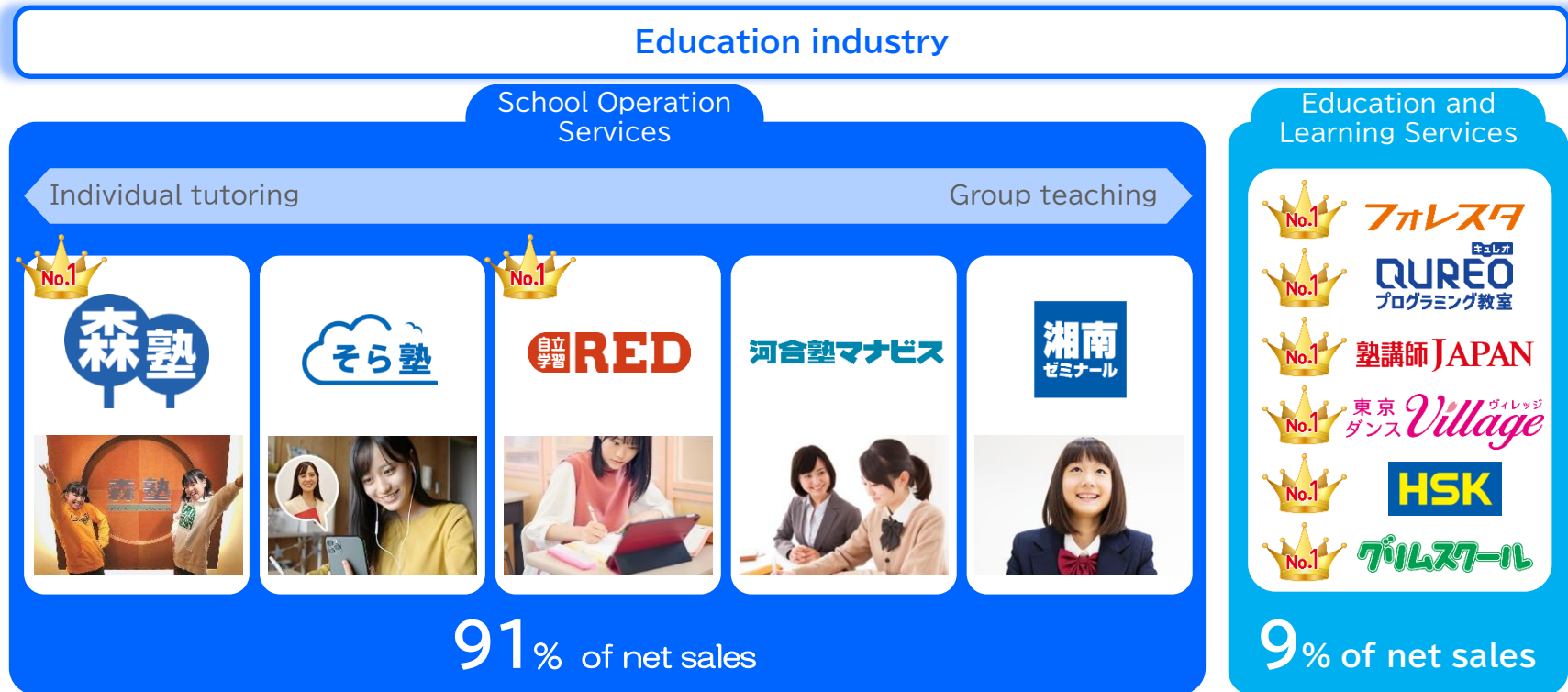
Strategy (3)

Aggressive R&D investment, leveraging IT and big data

- Targeted R&D to sales ratio: 1.5-2.0%
- Be the frontrunner in educational technology/big data

2-3. Strategy (1): No.1 share in individual tutoring

Education is the core of SPRIX business model, with individual tutoring being the value driver



2-3. Strategy (1): No.1 share in individual tutoring

Profitable organic growth model driven by unique SPRIX method, combining analogue and information technology (IT)

Students

System to organically increase students

Analogue

- ▶ Teacher's main role is to motivate students with fun
- ▶ Number of students increases by word of mouth

Analogue (people) × IT
SPRIX method

IT

- ▶ Performance analysis of teachers
- ▶ Gathering big data for students' weak points
→ Timely development of teaching material, progress management, and behavioral analysis

Unit price

Low-cost operation to enable affordable tuition

Business model adaptable throughout Japan

- ▶ Proprietary teaching materials developed based on textbooks compliant with the curriculum set forth by the Ministry of Education* are applicable to every student in Japan, enabling SPRIX to rollout JUKU business nationwide



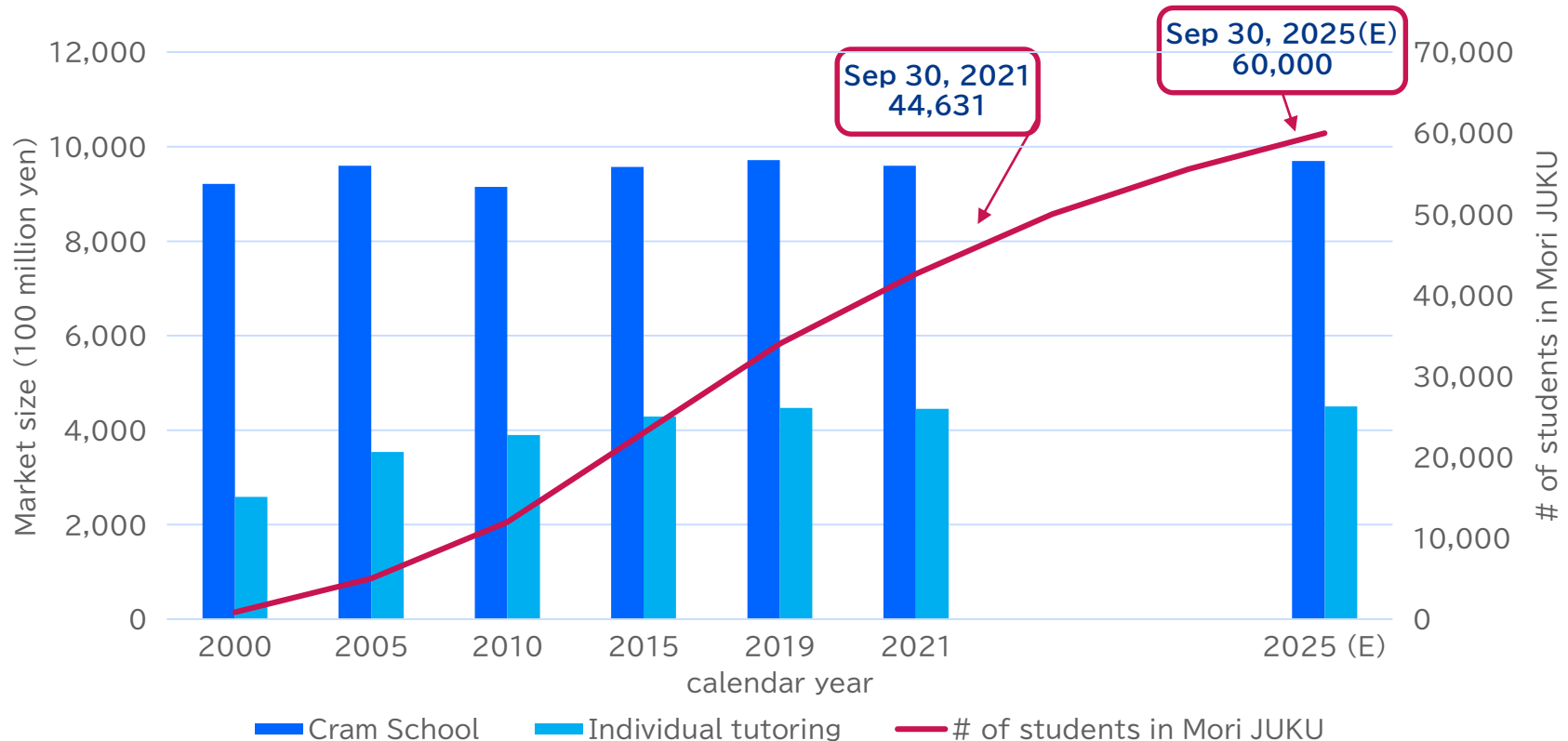
(*) The Ministry of Education, Culture, Sports, Science and Technology has established the educational curriculum to ensure any student in any region can receive a certain level of education. The curriculum is reviewed every four years.

2-3. Strategy (1): No.1 share in individual tutoring

Number of Mori JUKU students is expected to top 60,000 in 2025

- ▶ Despite a decline in the number of children, educational spending per child is on the rise, with half of the cram school market consisting of individual tutoring
- ▶ Number of Mori JUKU students is expected to top 60,000 by the end of FY2025 (compared to 44,631 as of Sep 30, 2021)

Cram school market and # of students in Mori JUKU








Source: Prepared by SPRIX based on "Education Industry 2021" by Yano Research Institute, Ltd.

2-4. Strategy (2): Diversified portfolio of JUKU brands

Diversified portfolio of No.1 JUKU brands and Education and Learning Services

- ▶ Reaching potential customers through different customer target, multiple service channel and teaching style, depending on each customer needs
- ▶ Aiming to enhance SPRIX brand and market share as a whole group

Brand					
Target customer	Elementary/junior high school students				Senior high school students
Teaching style	Individual	Individual	Individual	Group	Individual
Purpose	Supporting school study	Supporting school study	Supporting school study	Passing entrance exams	Passing entrance exams
Service channel	Classroom	Classroom +Tablet	Smart phone, PC (at home)	Classroom	Classroom +monitor
Operation	Directly-operated	Franchise	Directly-operated (managed by HQ)	Directly-operated	Franchise
# of classes*	175	164	None (online teaching)	178	47
# of enrolled students*	44,631	-	-	20,512	5,582
Strength	Industry-first score guarantee system	Industry-first AI-driven self-studying style cram school	Online individual tutoring suitable to post-pandemic environment	Major group-teaching style cram schools in Kanagawa	On-demand sessions provided by Kawajuku, a famous cram school for collage entrance exam
Weakness	Hiring and training teachers	Customers less familiar with self-studying style	Students with little experience of learning from each other	Constant pressure to improve pass rates	Number of students per class

Education and Learning Services NO.1 achievement

 **フォレスト**

 **QUREO**
プログラミング教室

 **塾講師 JAPAN**

 **東京 Village**
ダンス

 **HSK**

 **ドリルスクール**

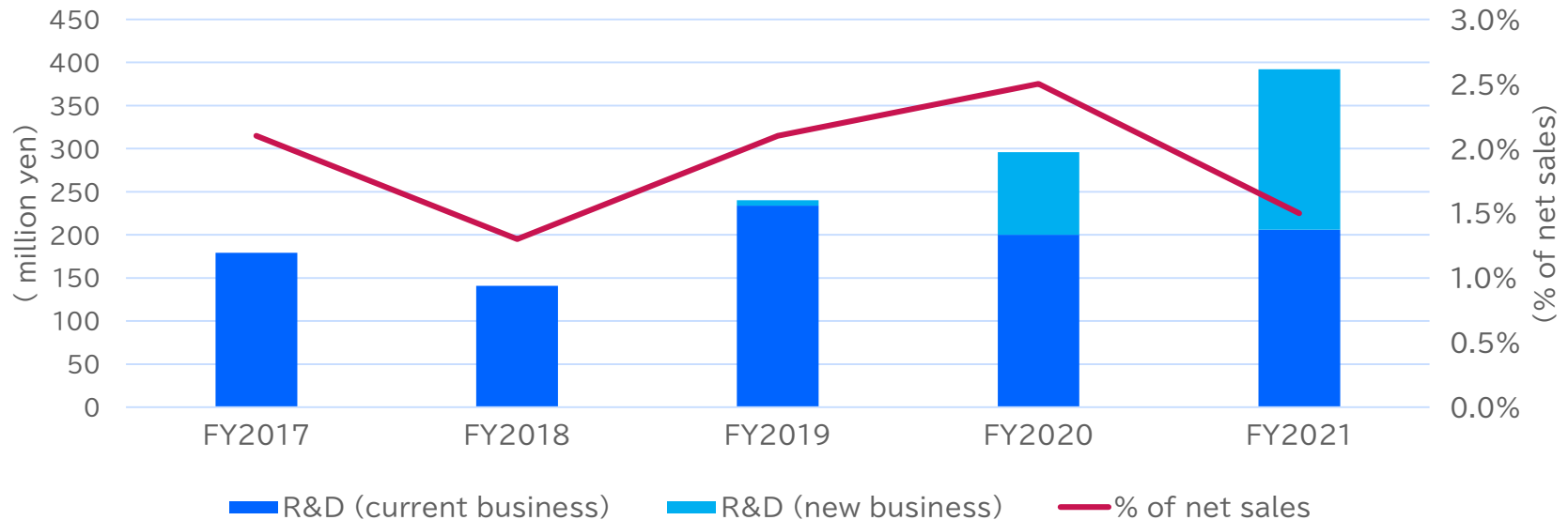
* As of September 30, 2021

2-5. Strategy (3): Aggressive R&D investment

Aggressive R&D investment, leveraging IT and big data

- ▶ Investment in current JUKU business: Collect big data for both tutors and students to develop teaching material, check progress, track performance, and enable efficient class teaching
- ▶ Investment in new business: Develop learning programs that focus on improving fundamental academic skills
- ▶ R&D to net sales ratio is expected to be around 1.5–2.0% going forward

R&D expenses



R&D (current business)

- ✓ e-Foresta
- ✓ Foresta Net

R&D (new business)

- ✓ Foresta Learning DOJO, a co-development project with Matsuo Institute, Inc.
- ✓ TOFAS
- ✓ Overseas research on education market

2-6. New Business—Another leap toward MISSION



School operation revealed learning challenges that children face

Lack of fundamental academic skills

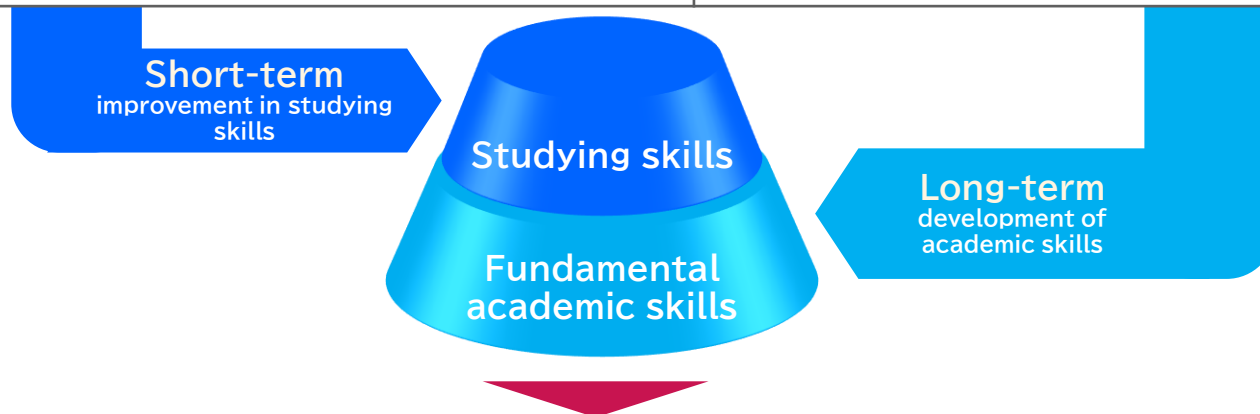
Spiral learning experience required to develop fundamental academic skills cannot be obtained through the curriculum set forth by the Ministry of Education
Apart from preparing for regular exams, another initiative to develop fundamental academic skills is essential

Obtaining true academic skills, rather than getting good scores in regular exams will help children move one step up in their life stage and pave their ways

2-6. New Business—Another leap toward MISSION

Improve children's overall academic skills by developing fundamental academic skills in addition to short-term improvement in studying skills

	Current business	New business
Purpose	Raise regular exam scores	Develop fundamental academic skills
Metrics	"Score guarantee system," aiming to raise 20 points or more per subject	Proficiency test
Teaching material	Foresta	Foresta Learning DOJO
Subject	Japanese language, mathematics, social science, science, English	Calculation, Kanji characters (Chinese characters), English vocabulary, programming
Target customers	Japan (Elementary and junior high school students)	Japan and overseas (including emerging countries)
Key Enabler	Mori JUKU, RED, Sora JUKU	TOFAS, Foresta Learning DOJO, Programming Proficiency Test, QUREO



SRPIX is dedicated to improve children's academic skills around the globe

New business model by combining Training and Assessment

- ▶ "Fundamental academic skills" is a field less affected by foreign investment restrictions, making it easier to expand the business overseas
- ▶ Enhanced fundamental academic skills could bring new learning and job opportunities

Training

フォレスト学習道場

- Learning program, focusing on fundamental academic skills such as calculation, Kanji characters, English vocabulary, and programming
- Co-development with Matsuo Institute, Inc., a venture company from the University of Tokyo

キュレオ
QUREO
プログラミング教室

- #of schools topped 2,000 (FY2021)



Assessment

TOFAS

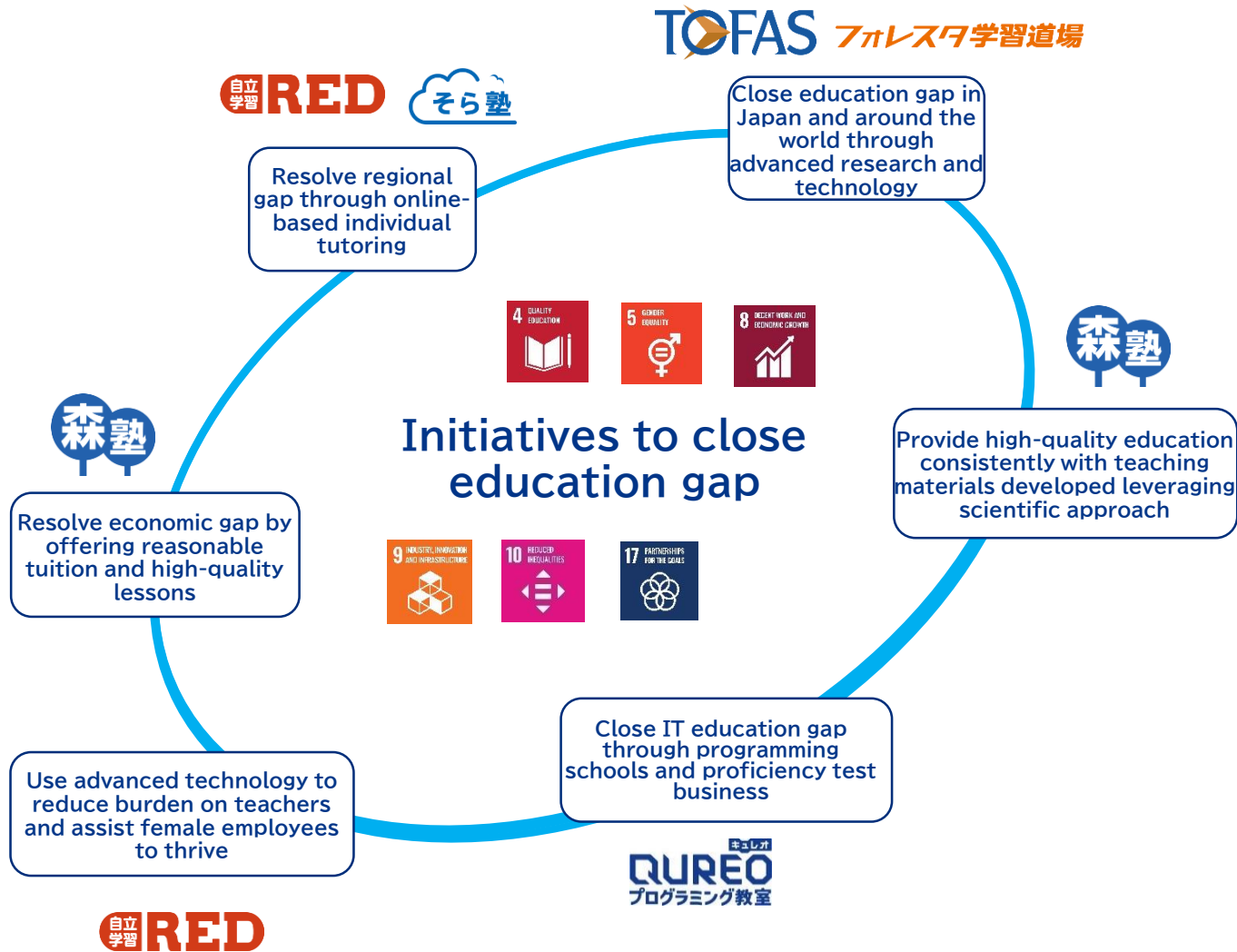
- New measurement developed to assess fundamental academic skills
- First test held in March 2021
- ICT-based test enables highly scalable and low-cost operation

 **プログラミング
能力検定**

- Assess basic programming skills
- Provide a new measurement for programming education

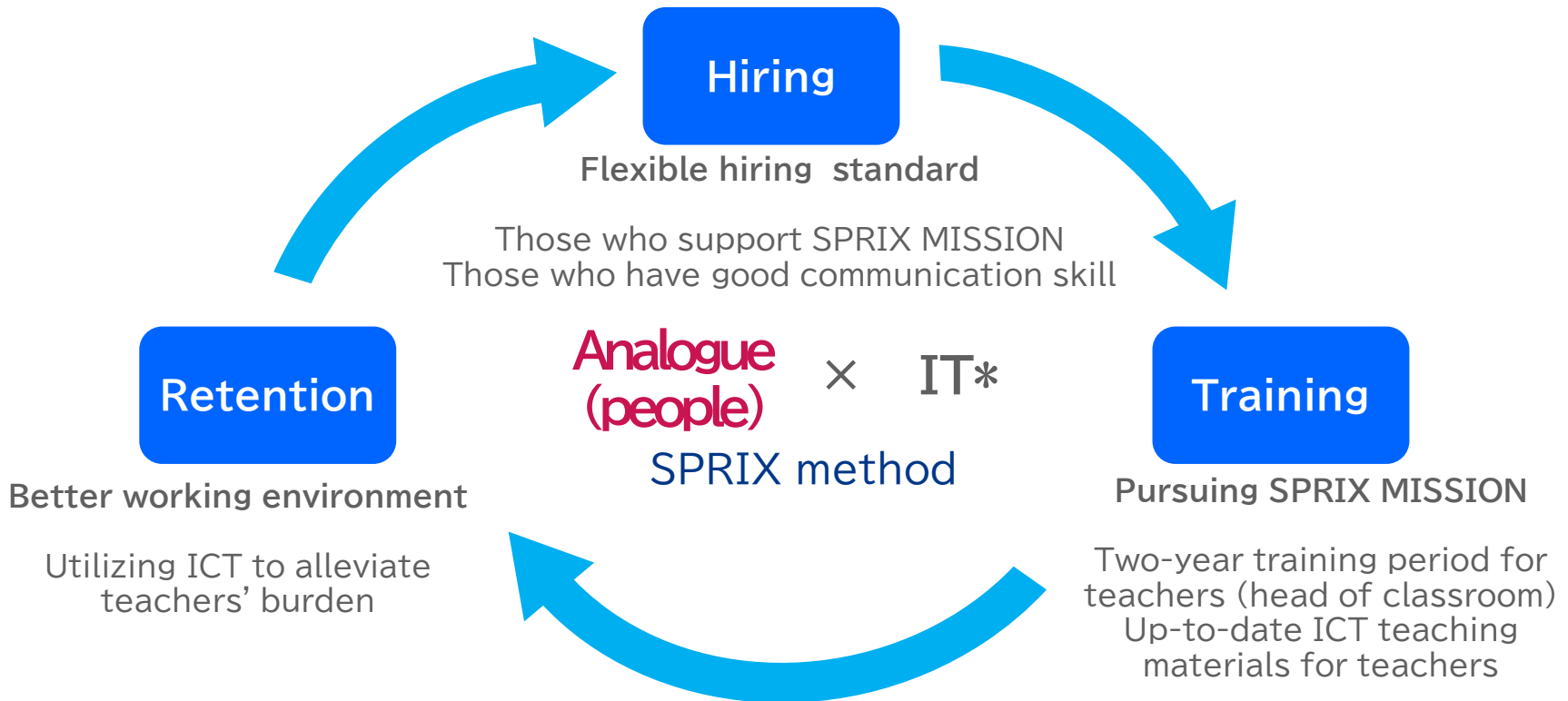
Reference

Approach SDG Goals by tackling social issues



Investment in our people (human capital) is the key pillar of the SPRIX business model

- ▶ Manualizing teachers' work alleviates the burden of hiring, training, and retention
- ▶ Appealing to candidates' passion, while focusing on communication skills help broaden the applicant base
- ▶ Making it even further attractive for prospective candidates by becoming No.1 in individual tutoring and turning JUKU industry to one of the most popular jobs in Japan



* Discussion on IT strategy is on slide "Strategy (3) Aggressive R&D investment"

(Reference) At a glance as of September 30, 2021



24

Years since foundation



1,305

Employees



8

No.1 Brands*



255

Mori JUKU
of students per school



0

No closure of Mori JUKU
since foundation



42,000

Suggestions for
improvement submitted
per year*



390

million yen
Invested for R&D
in FY2021



25.9

billion yen
FY2021 Net sales



3.38

billion yen
FY2021 EBITDA

* No.1 brand is based on surveys conducted by SPRIX Group

(Reference) At a glance—Fact sheet

(million yen)	FY2017 (non-consolidated)	FY2018 (non-consolidated)	FY2019 (non-consolidated)	FY2020 (consolidated)	FY2021 (consolidated)
Net sales	8,504	10,451	11,410	11,843	25,901
Operating profit	1,164	2,467	2,741	1,787	2,437
EBITDA	1,277	2,569	2,851	1,937	3,385
Total assets	5,053	9,967	10,861	11,485	19,277
Net assets	2,594	6,469	7,642	8,091	8,864
Cash flows from operating activities	1,340	2,499	1,288	1,459	2,647
Cash flows from investing activities	-320	-145	-696	-373	-1,859
Cash flows from financing activities	-47	2,263	-598	-687	-1,932
Cash and cash equivalent at the end or the period	2,207	6,825	6,819	7,308	6,163
Equity ratio (%)	51.3	64.9	70.4	70.2	45.9
Operating profit margin (%)	13.6	23.6	24.0	15.0	9.4
EBITDA margin (%)	15.0	24.5	24.9	16.3	13.0
Return on equity (ROE) (%)	39.0	34.6	25.1	14.6	17.4

* Monetary amount is rounded down to the nearest 100 million yen, while percentage is rounded down to one decimal

SPRIX