

# Financial Results Presentation for Q1, Fiscal Year Ending December 2021

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KIYO Learning Co.,Ltd.

Mothers (Tokyo Stock Exchange): 7353

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# **Financial Results Presentation for Q1, Fiscal Year Ending December 2021**

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# FY2021 Q1 Performance Highlights

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- **Net sales increased 73% year-on-year**

Sales of 435 million yen (up 185 million yen year-on-year) showed continued high growth

- **Each stage of profits settled at expected levels due to proactive investment in advertising expenses (TV commercials)**

Operating income decreased 35 million yen year-on-year to -67 million

- **Studying Business drove company growth**

Net cash-based sales for the Studying Business increased 75% year-on-year to 633 million yen

New paid members increased by 72% year-on-year to 12,976

- **Corporate Education Business also grew steadily**

Net sales in the Corporate Education Business increased 12% year-on-year to 32 million yen

Contracted companies with AirCourse increased 22% versus the end of the previous fiscal year

# FY2021 Q1 Performance

Net sales increased 73.8% year-on-year to 435 million yen

Operating income decreased 32 million yen year-on-year to -67 million due to investment in TV commercials

(Millions of yen)	FY2020 Q1 (Results)	FY2021 (Forecast)	FY2021 Q1 (Results)	Year-on- year change	Progress
Net sales	250	2282	435	+73.8%	19.1%
Gross profit	176	1900	363	+105.7%	19.1%
Operating income	(35)	173	(67)	-	-
Operating income margin	-	7.6%	-	-	-
Ordinary income	(36)	171	(67)	-	-
Ordinary income margin	-	7.5%	-	-	-
Net income	(36)	200	(57)	-	-
Net income margin	-	8.8%	-	-	-

# Sales by Business

The Studying Business drove company growth, with sales growing by 81.6% year-on-year  
Sales of the Corporate Education Business also grew steadily<sup>1</sup>

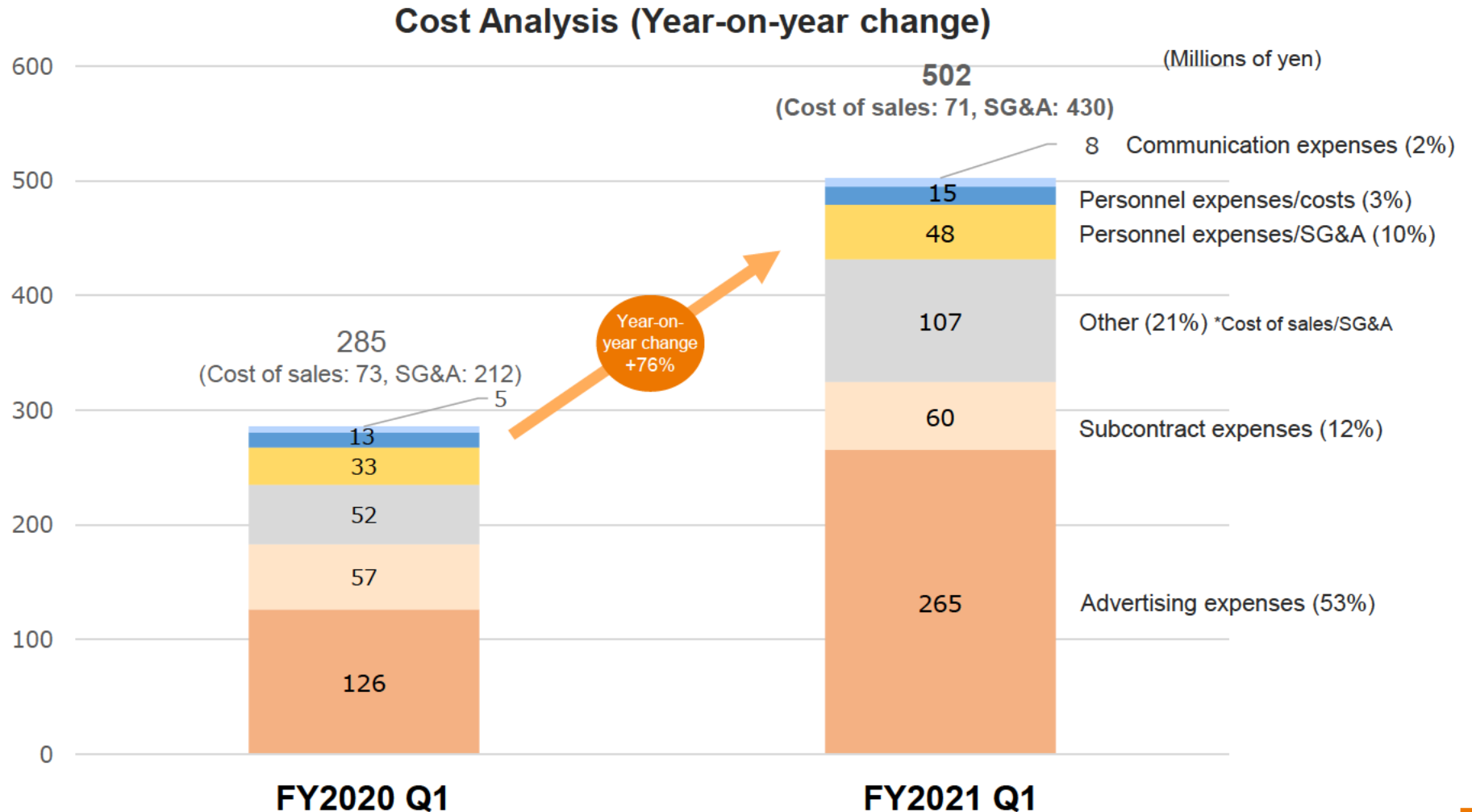
(Millions of yen)	FY2020 Q1 (Results)	FY2021 (Forecast)	FY2021 Q1 (Results)	Year-on- year change	Progress
<b>Total revenues</b>	<b>250</b>	<b>2282</b>	<b>435</b>	<b>+73.8%</b>	<b>19.1%</b>
<b>Studying Business Net Sales</b>	<b>222</b>	<b>2130</b>	<b>403</b>	<b>+81.6%</b>	<b>18.9%</b>
<b>Corporate Business Net Sales</b>	<b>28</b>	<b>151</b>	<b>32</b>	<b>+12.5%</b>	<b>21.1%</b>

<sup>1</sup> Corporate Business sales in FY2020 Q1 include extraordinary system development sales of 10 million yen. Net sales excluding this figure are 18 million yen.  
Net sales growth excluding these extraordinary sales is 78% year-on-year

# Cost Structure (FY2021 Q1)

Proactively invested in advertising expenses and in hiring talented personnel in the interest of growth

Maximized cost effectiveness through cost controls



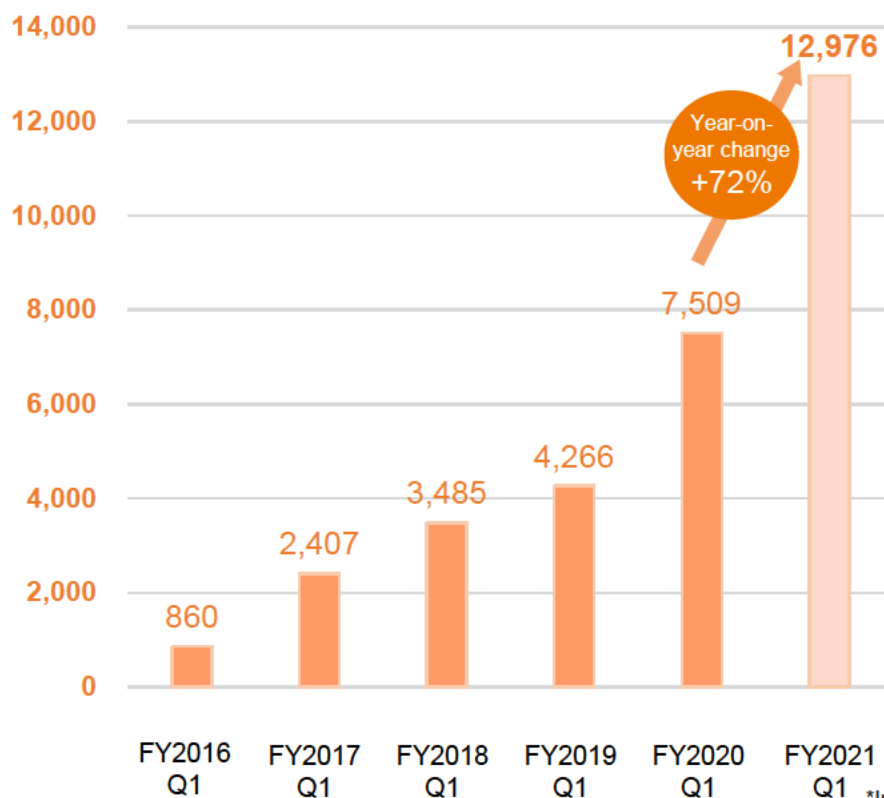
# Studying Business: KPIs

New paid members<sup>1</sup> increased (up 72% year-on-year in FY2021 Q1)

Net cash-based sales<sup>2</sup> also grew rapidly (up 75% year-on-year in FY2021 Q1)

## Number of New Paid Members

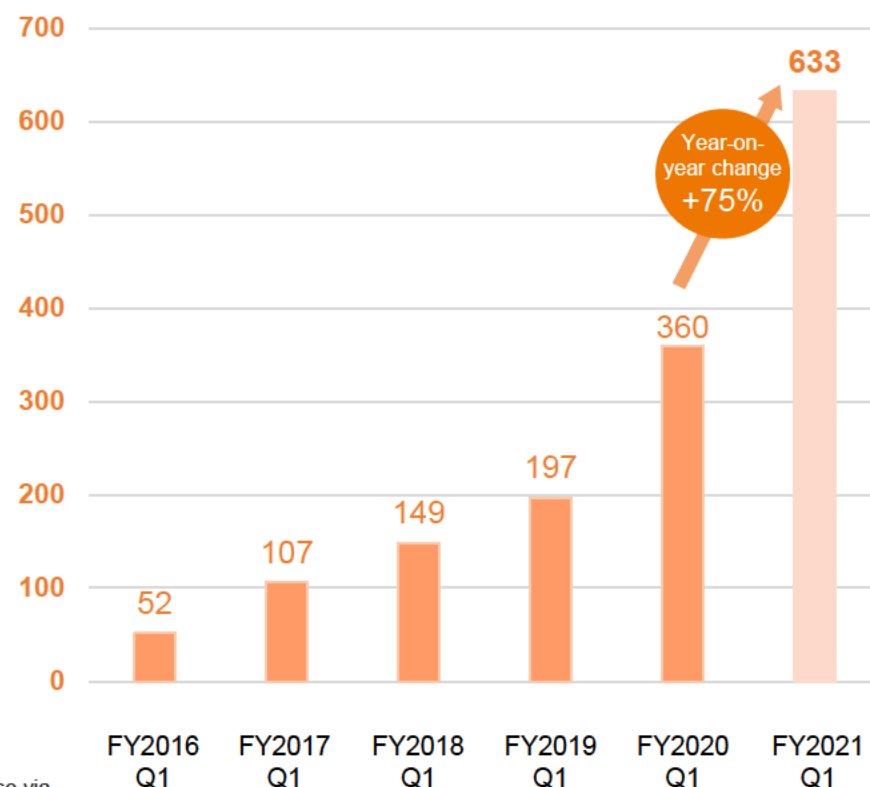
(Persons)



\*Includes those via corporate services

## Net Cash-Based Sales

(Millions of yen)



\*Includes those via corporate services

<sup>1</sup> The number of new paid members refers to the number of (unique) paid members newly acquired during the period

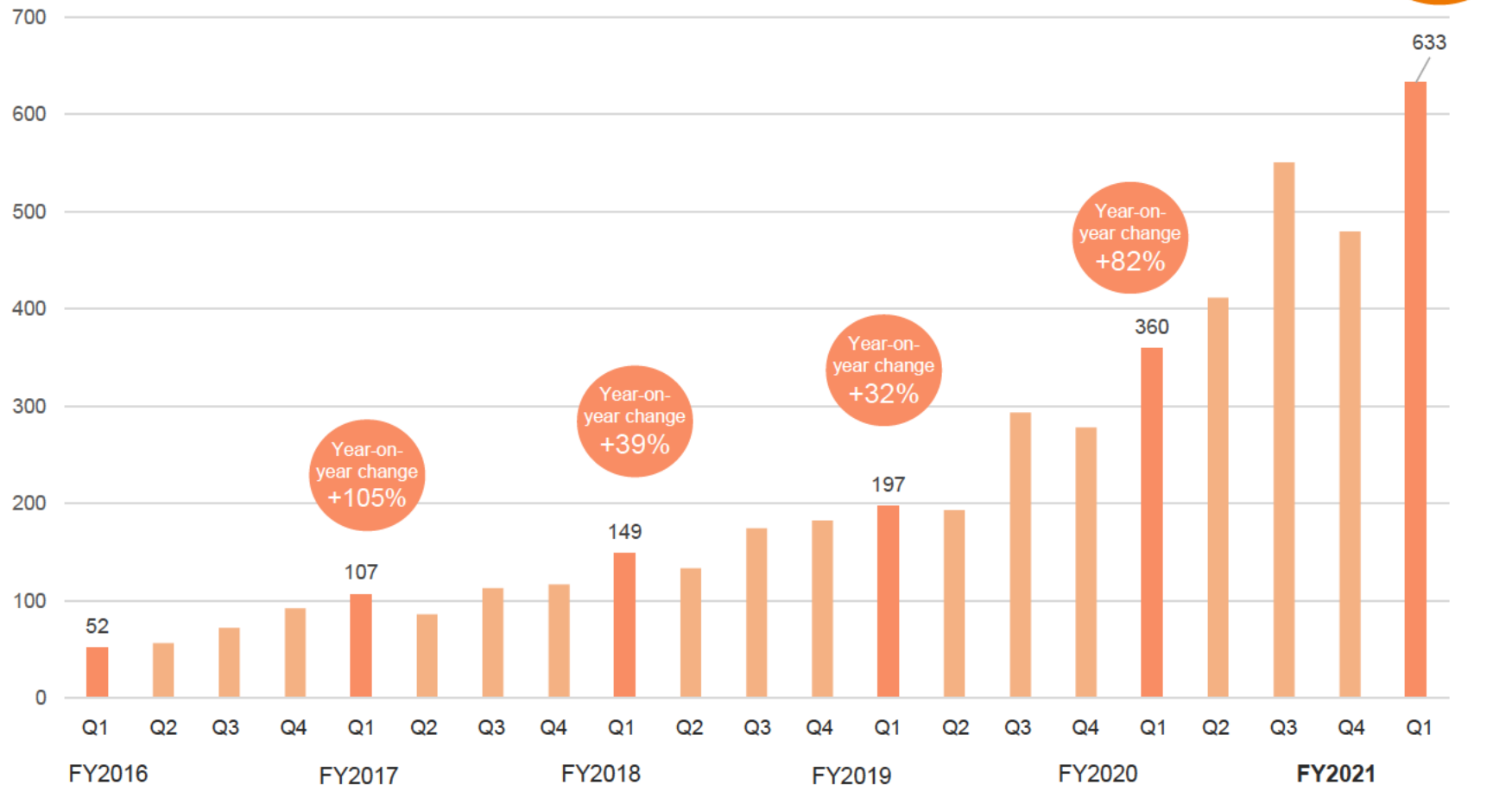
<sup>2</sup> Net cash-based sales refers to the amount of orders received during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)



# Studying Business: Quarterly Net Cash-Based Sales Over Time

Cash-based sales in Q1 (Jan-Mar) increased 75% year-on-year to 633 million yen

(Millions of yen)



<sup>1</sup> Percentage notations show growth rates compared to Q4 net sales for each fiscal year (including those via corporate services)

# Studying Business: Quarterly Trends in Sales and Profit

Demand trends in the qualifications industry, sales trends and net cash-based sales apportionment have led to the trends below for the Company over the past few years (however, trends may change due to COVID-19 impact)

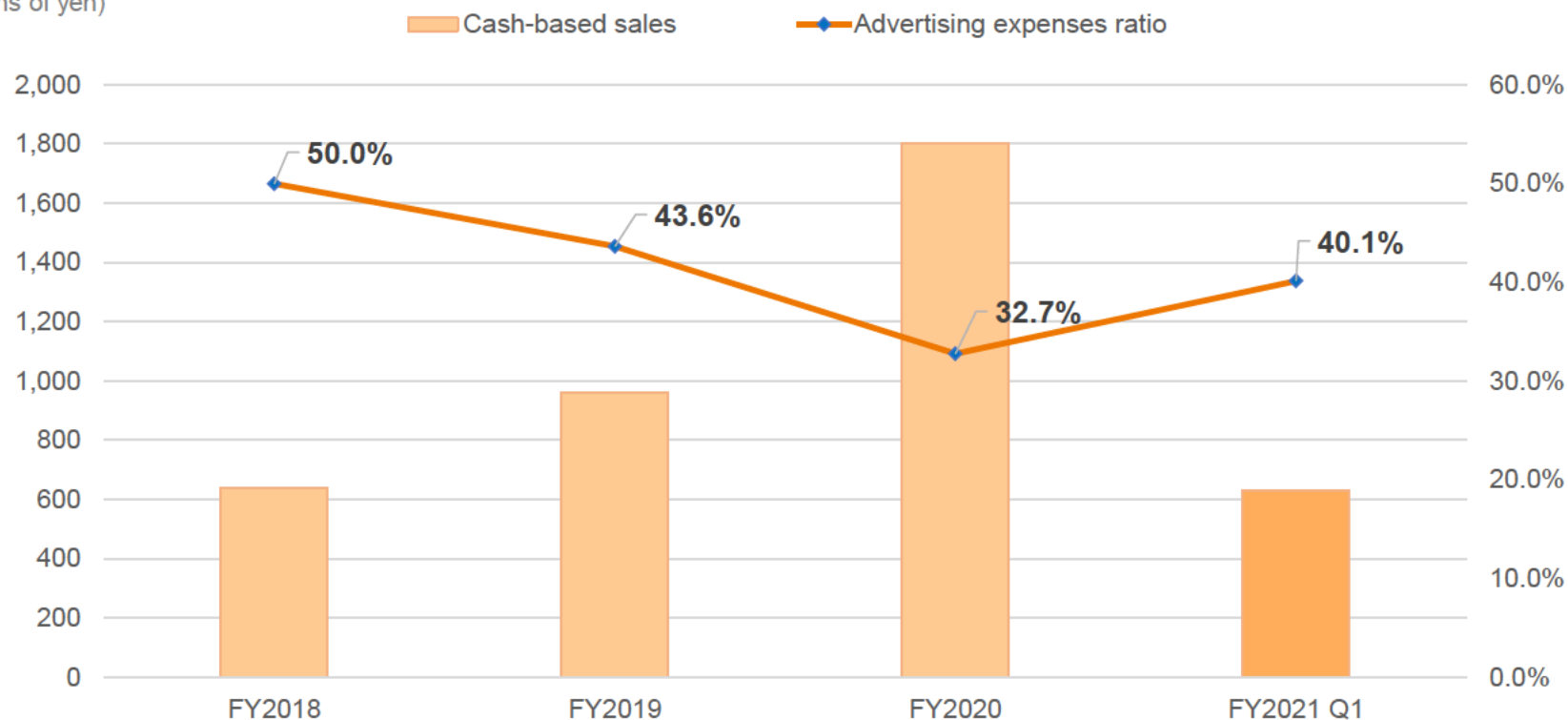
	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Trends for Company courses	Many people start learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
Cash-based sales	Sales high at the beginning of the year, trending slightly low after that	Trending slightly low due to being immediately before tests for difficult qualifications	Increase in new course purchases and renewal courses immediately post-test	High purchase demand for courses for the next year's tests
Accrual-based sales	Since cash-based sales are apportioned over the long term, contributions from accrual-based sales tends to be small	Cash-based sales are on a downward trend, but prorated accrual-based sales are trending up	Due to concentrated deadlines for major courses, prorated accrual-based sales have growing contribution to the current period	Since most of cash-based sales are apportioned to the next period, the contribution of accrual-based sales to the current period is smaller
Profit trend	Poor	Middling	Great	Good

# Studying Business: Advertising Expenses Ratio

Advertising expenses ratio<sup>1</sup> increased by 7.4 points versus the previous full year due to proactive investment in television commercials

Net Cash-Based Sales and Advertising Expenses Ratio Over Time

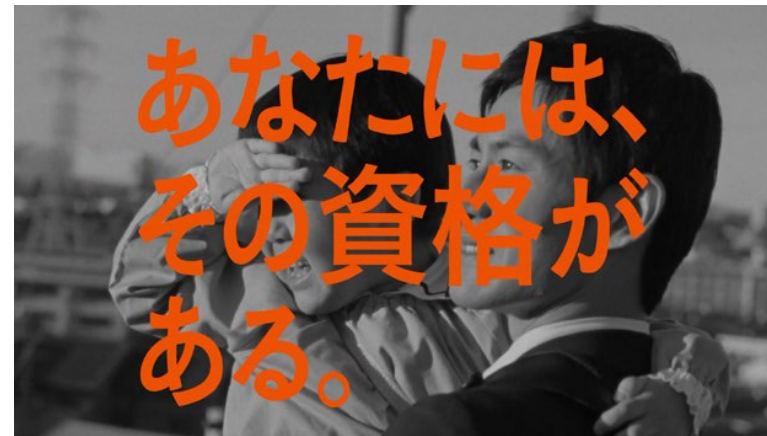
(Millions of yen)



<sup>1</sup> Advertising expenses ratio = (Advertising expenses incurred in the Studying Business) ÷ (Cash-based sales)

# Studying Business: Other Topics

- TV commercials launch in Jan 2021 at key metropolitan Tokyo stations
  - Achieved a certain amount of customer attraction and increased sales impact in Q1
  - Targeting stronger awareness and brand in medium to long-term



- Released Applied Information Technology Engineer course (Jan)
- Released TOEIC(R) Score 800 course (Feb)
- Released Registered Distributor course (Apr)

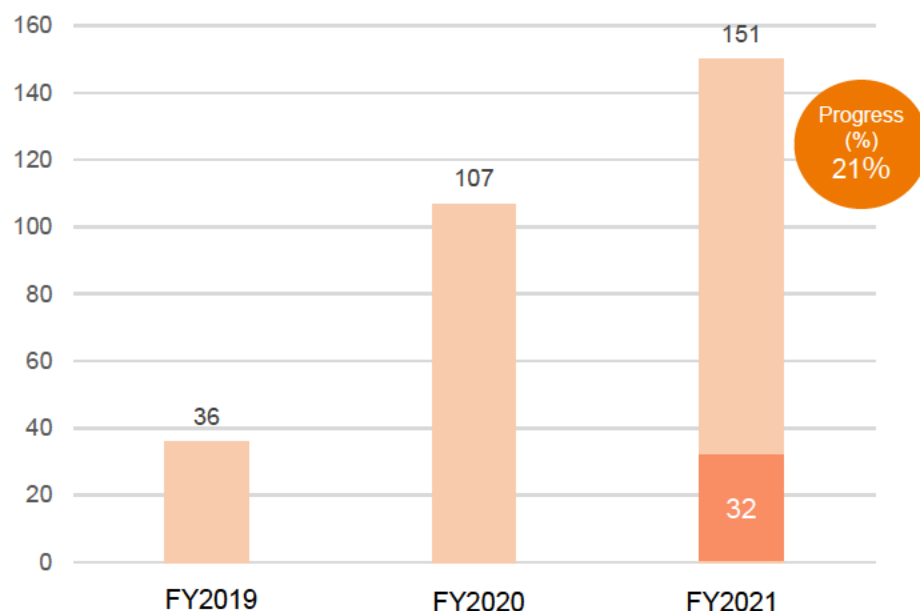
# Corporate Education Business: KPIs

With Corporate Business sales growth, contracted companies with AirCourse also increased

Average churn rate<sup>1</sup> for AirCourse in FY2021 Q1 was 1.38%, building a stock business model with high retention rate

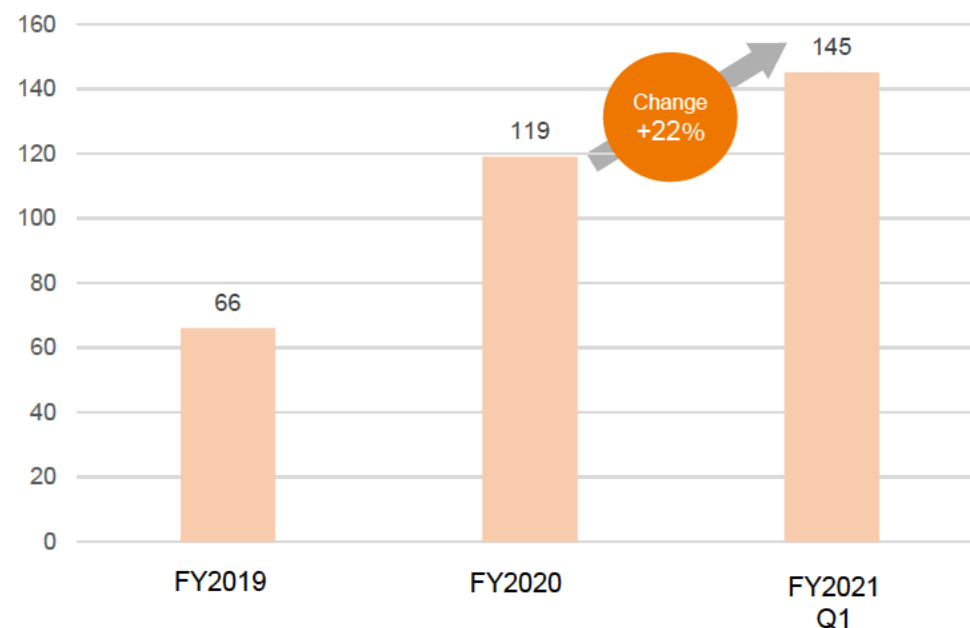
## Corporate Business Sales

(Millions of yen)



## AirCourse Contracted Companies

(No. of companies)



<sup>1</sup> The average churn rate is calculated by taking the monthly stock sales for AirCourse (monthly sales minus spot sales) and determining the rate of decrease from the previous month to the current month due to churn (= monthly termination rate), and averaging these numbers over a full year

<sup>2</sup> The average churn rate for the fiscal year ending December 2020 was 1.16%

<sup>3</sup> Corporate Business sales in FY2020 Q1 include extraordinary system development sales of 10 million yen. Net sales excluding this figure are 18 million yen. Net sales growth excluding these extraordinary sales is 78% year-on-year

# Corporate Education Business: Other Topics

- MBA Series newly available in Content Plus, the all-you-can-learn plan for AirCourse content  
More remote work has led to greater demand in e-learning for employees; this addresses the increasing needs for self-development content  
The number of courses increased from 151 at the end of December 2020 to 177 at the end of March 2021
- Large-scale orders for thousands of people grew alongside traditionally strong small to medium-sized projects (100 to 1000 employees)

## AirCourse User Companies (Partial)



We have an in-house certification test system that has evolved into a movement, achieving a 15.2% increase in order unit price  
SHIFT Inc.



Achieved 50% reduction in training work time by introducing AirCourse

Renoveru, Inc.



Full utilization of e-learning promotes growth of each individual

NEO CAREER CO., LTD.



Achieved both organizational expansion and strengthening of the education system!

Matching Service Japan Co., Ltd.

# Impact of State of Emergency Declaration and COVID-19 on Performance

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While upsides from COVID-19 created remarkable demand growth in Q2 of last year, the effect on increased demand has diminished from the second half of last year into Q1 of this year

Other, non-COVID-19 demand growth factors (e.g. sales promotion impact from TV commercials, greater sales impact from growth in passing test-takers for existing courses) were more influential on increasing sales in Q1

We must address factors like stronger web marketing among competitors

## ■ Studying Business

### Positive Factors:

- Increased demand for online courses (avoidance of classroom courses)
- Growth in user visits via web/advertisements (remote work)
- Awareness of acquiring qualifications as a way to prepare for economic downturn

### Negative (Risk) Factors:

- Stronger competing online courses, new entrants
- Increased competition for web advertising, increased advertising costs
- Decreased motivation to learn due to postponement of qualification exams, etc.

## ■ Corporate Education Business

### Positive Factors:

- Increased demand for e-learning (alternative to group training)
- Changes in employee education methods due to remote work and DX (e-learning becomes essential)
- OJT, video utilization for improving business skills

### Negative (Risk) Factors:

- Cuts to education and training expenses due to deterioration of corporate performance
- Increased competition for web advertising, increased advertising costs
- Stronger competing e-learning courses, new entrants

## ■ Company-Wide

- Relocation of head office (from April 26), expansion of business by adding studios (three studios), addressing increased employee count by expanding floor space
- Promotion of employee remote work support (ensuring safety)
- Improving business efficiency by implementing online business negotiations and web conferencing

# **Revision of Forecast for the First Half of the Fiscal Year Ending December 2021**

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# Revision of Forecast for the First Half of the Fiscal Year Ending December 2021

## Primary Reasons for Revision

- Increase in accrual-based sales (up 20 million yen) during the first half of FY2021 due to increase in cash-based sales in Q1
- Decrease in expenses due to personnel expenses and recruiting expenses postponed to Q3 and beyond because of delayed personnel hiring
- The full-year performance forecast remains unchanged based on proactive investment (advertising expenses and securing talented personnel) for sales expansion from the third quarter onward

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Dividends per share*
Previous Forecast (A) (Announced February 12, 2021)	944	(105)	(106)	(106)	(48.53)
Forecast (B)	964	(73)	(74)	(64)	(29.15)
Increase/Decrease (B-A)	20	32	32	42	
Change (%)	2.1	30.5	30.2	39.6	
(Reference) Prior-Year Q2 Results (Q2, FY 2020)	601	(11)	(13)	(13)	(7.17)

# Caution

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This document makes forward-looking statements based on current plans, estimates, outlooks and/or forecasts regarding trends in the Company's industry and regarding its business lines.

A variety of risks and uncertainties is inherent in these forward-looking statements. Risks, uncertainties, and other factors that are already known or not yet known may lead to results differing from those found in these forward-looking statements.

The Company's actual business lines and performance may differ in the future versus content of forward-looking statements in this document.

Forward-looking statements in this document are made by the Company based on the information available at the time of this document's drafting, and no forward-looking statements shall be updated or changed to reflect future events or circumstances.