

# Financial Results Presentation for Q2, 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 Q2, Fiscal Year Ending December 2021**

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# FY2021 Q2 Performance Highlights

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- **Performance trends well in FY2021 Q2**

In the same quarter the previous year (FY2020 Q2), the positive impact from the spread of COVID-19 had peaked, so growth rates were blunted, as expected, in the various KPIs for the Studying Business.

- **Net sales increased 60% year-on-year**

Sales of 961 million yen (up 360 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 60 million yen year-on-year to -71 million

- **Studying Business continues strong performance**

Net cash-based sales for the Studying Business increased 42% year-on-year to 1.09 billion yen

New paid members increased by 35% year-on-year to 24,611

- **Corporate Education Business also grew steadily**

Net sales in the Corporate Education Business increased 12% year-on-year to 65 million yen

Contracted companies with AirCourse increased 48% versus the end of the previous fiscal year

# FY2021 Q2 (Cumulative) Performance

Net sales increased 60% year-on-year to 961 million yen

Operating income decreased 60 million yen year-on-year to -71 million due to investment in TV commercials and other sales promotion boosts

Net sales and operating income for Q2 (Cumulative) settled at expected levels.

(Millions of yen)	FY2020 Q2 (Results)	FY2021 (Forecast)	FY2021 Q2 (Results)	Year-on- year change	Progress
<b>Total revenues</b>	<b>601</b>	<b>2,282</b>	<b>961</b>	<b>+60.0%</b>	<b>42.1%</b>
<b>Gross profit</b>	<b>443</b>	<b>1,900</b>	<b>799</b>	<b>+80.4%</b>	<b>42.1%</b>
<b>Operating income</b>	<b>(11)</b>	<b>173</b>	<b>(71)</b>	-	-
Operating income margin	-	7.6%	-	-	-
<b>Ordinary income</b>	<b>(13)</b>	<b>171</b>	<b>(72)</b>	-	-
Ordinary income margin	-	7.5%	-	-	-
<b>Net income</b>	<b>(13)</b>	<b>200</b>	<b>(61)</b>	-	-
Net income margin	-	8.8%	-	-	-

## FY2021 Q2 (Cumulative) Forecast and Comparison of Results

Net sales gained progress in line with Q2 performance forecasts (published May 14 2021).  
Below gross profit, each stage of profits settled at expected levels.

(Unit: millions of yen, %)

Category	FY2021 Q2 Cumulative (Performance Forecast)	FY2021 Q2 Cumulative (Results)	Achievement vs. Forecast
<b>Total revenues</b>	964	<b>961</b>	99.7%
Studying Business	898	896	99.8%
Corporate Education Business	66	65	99.0%
<b>Cost of sales</b>	166	<b>162</b>	97.7%
<b>Gross profit</b>	798	<b>799</b>	100.2%
<b>Operating income</b>	(73)	<b>(71)</b>	-
<b>Ordinary income</b>	(74)	<b>(72)</b>	-
<b>Net income</b>	(64)	<b>(61)</b>	-

# Net Sales by Business Q2 (Cumulative)

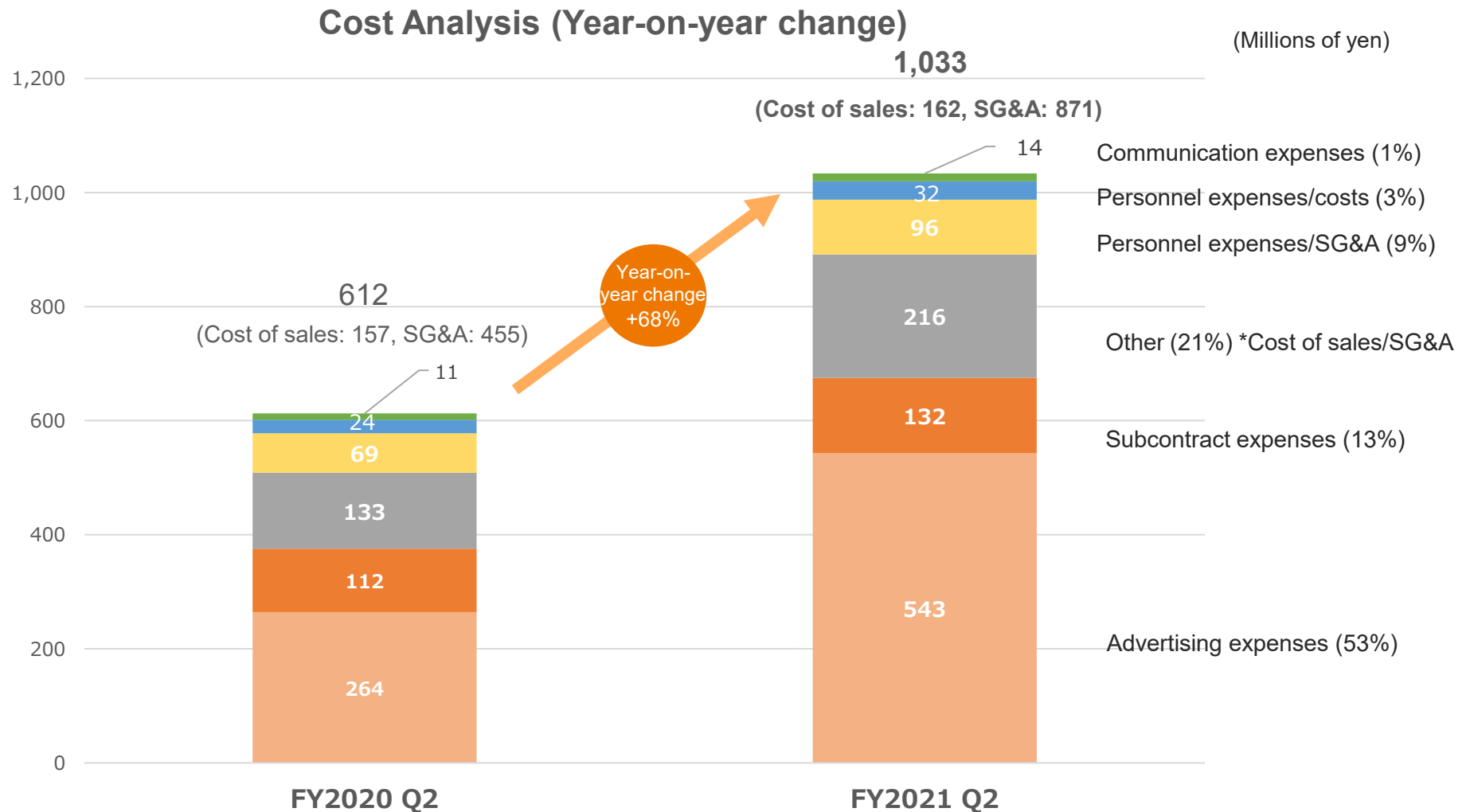
The Studying Business drove growth, with sales growing by 65% year-on-year  
Corporate Education Business net sales also grew steadily\*

(Millions of yen)	FY2020 Q2 (Results)	FY2021 (Forecast)	FY2021 Q2 (Results)	Year-on- year change	Progress
Total revenues	601	2,282	961	+60.0%	42.1%
Studying Business Net Sales	542	2,130	896	+65.3%	42.1%
Corporate Business Net Sales	58	151	65	+12.1%	43.1%

\* Corporate Education Business sales in FY2020 Q1 include extraordinary system development sales of 10 million yen.

# Cost Structure (Q2 (Cumulative))

Proactive investment in advertising expenses and securing talented personnel toward secure growth; though there has been progress in personnel hiring, goals remain unachieved\*.



\* The number of employees as of the end of June 2021 was 43 (up 10 year-on-year)



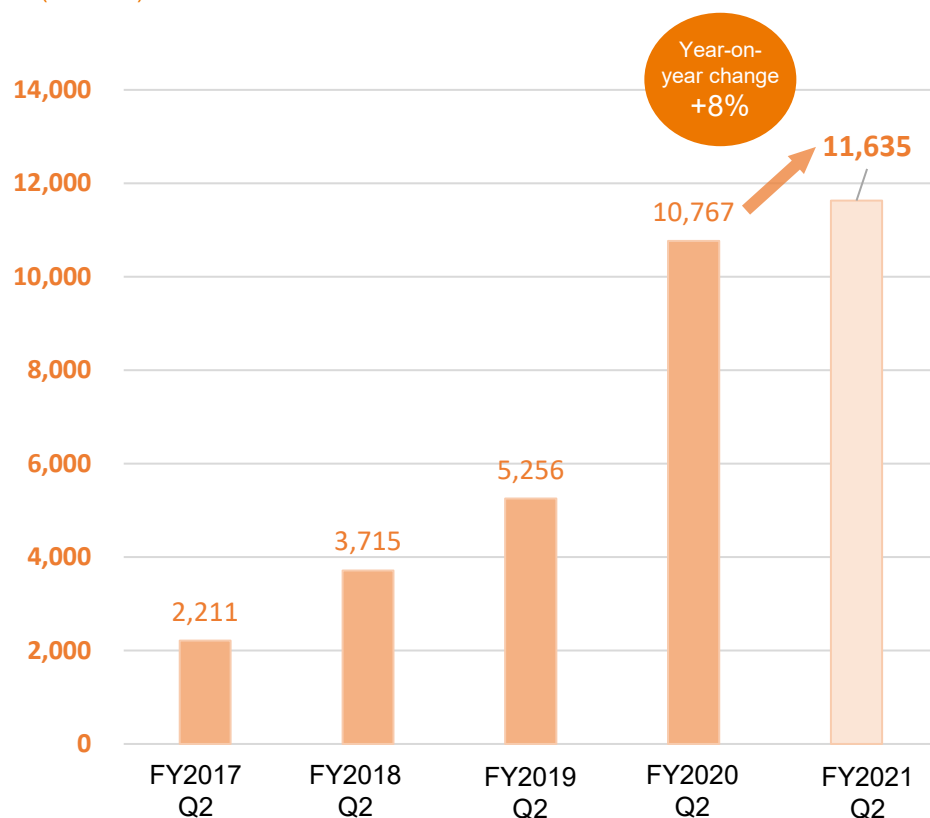
# Studying Business: KPIs (Apr-Jun Trend)

New paid members<sup>1</sup> saw significant growth in Apr-Jun 2020, and therefore year-on-year growth rates were slowed.

Net cash-based sales<sup>2</sup> performed similarly.

## Number of New Paid Members

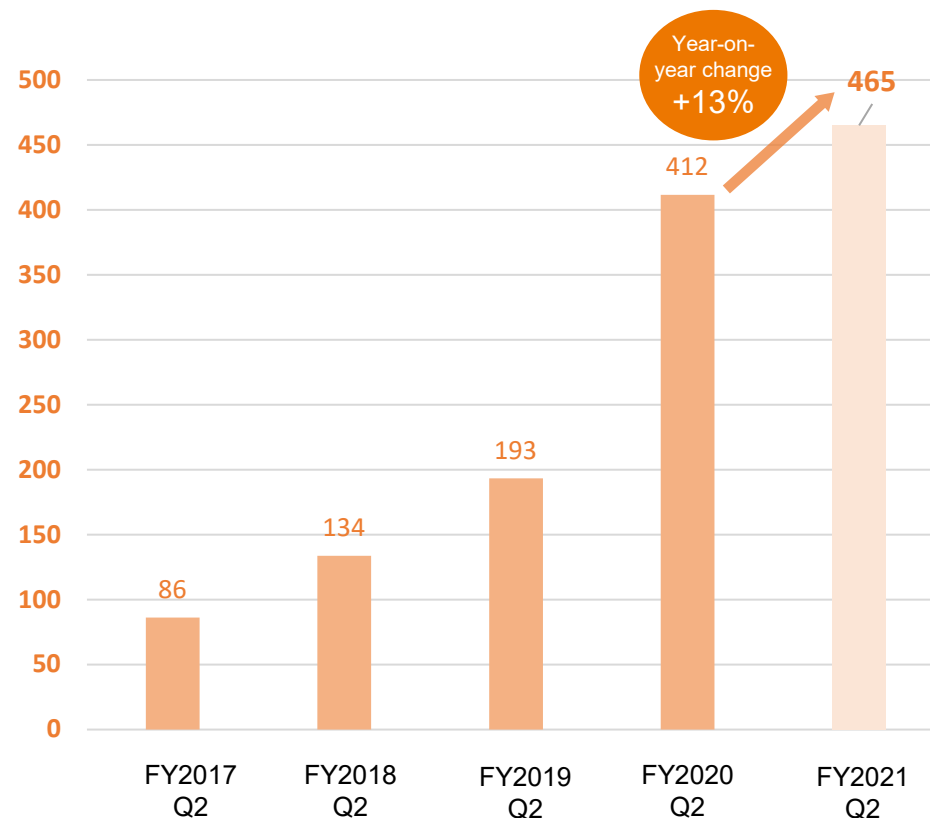
(Persons)



\*Includes those via corporate services

## Net Cash-Based Sales

(Millions of yen)



\*Includes those via corporate services

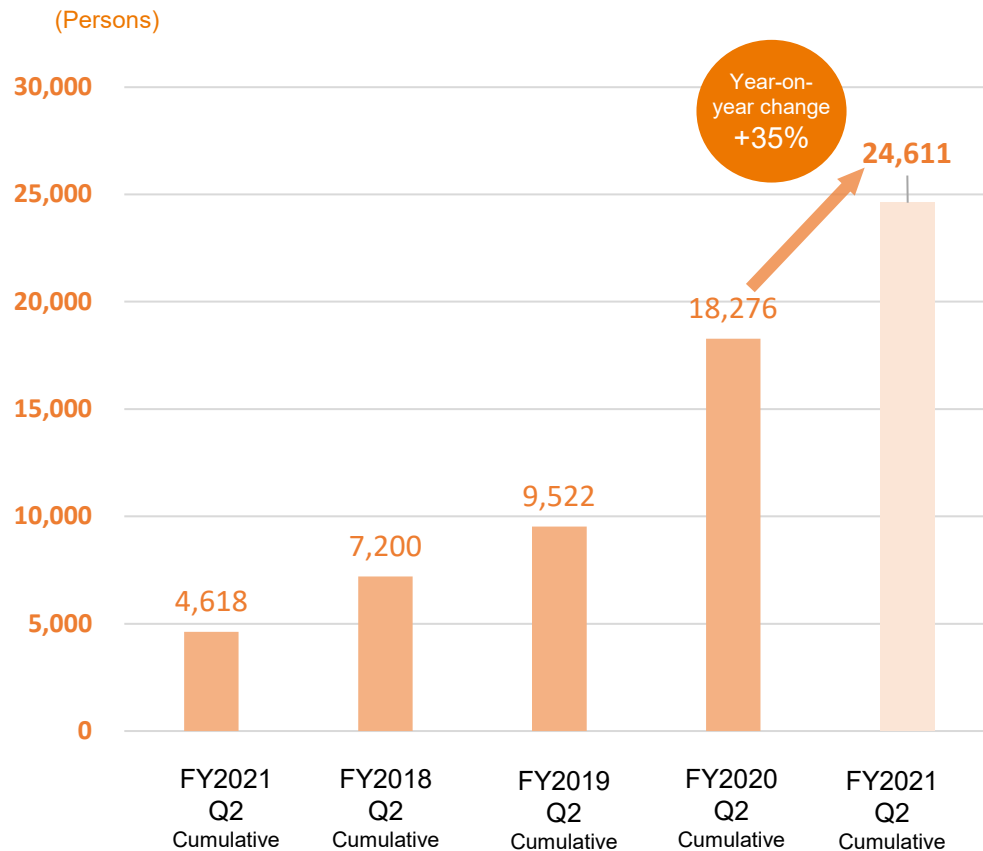
<sup>1</sup> The number of new paid members refers to the number of (unique) paid members newly acquired during the period

<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: KPIs (Jan-Jun Cumulative Trend)

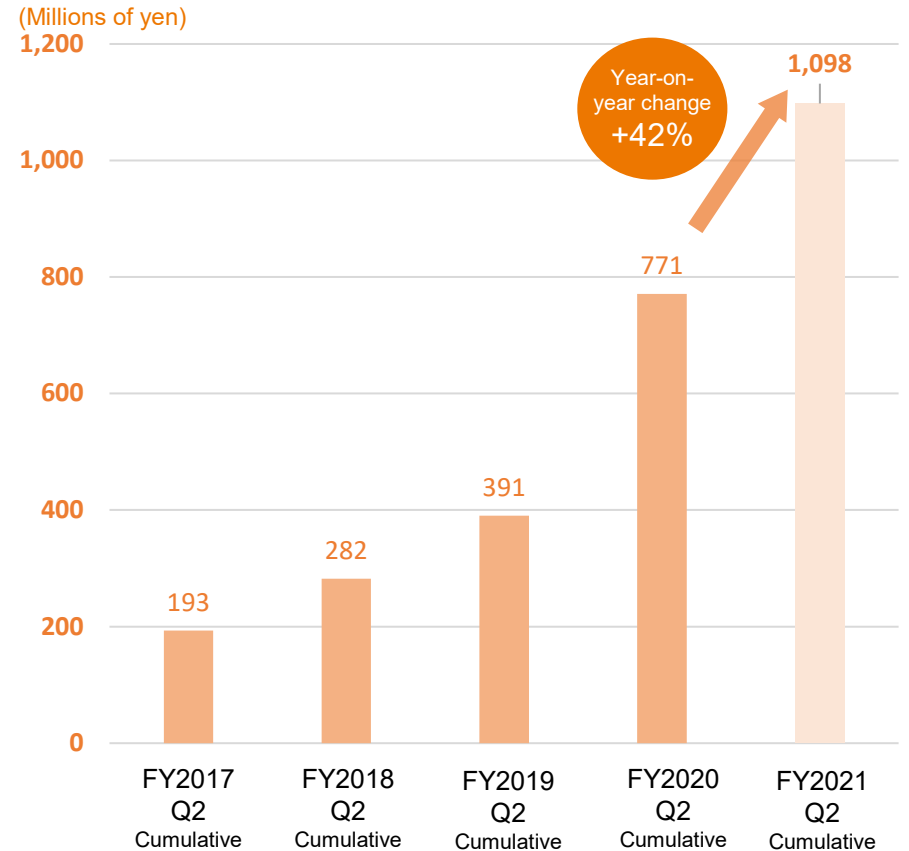
New paid members<sup>1</sup> experienced high growth rates, up 35% YoY (Jan-Jun 2020); net cash-based sales<sup>2</sup> performed similarly, maintaining high growth, up 42%

## Number of New Paid Members



\*Includes those via corporate services

## Net Cash-Based Sales



\*Includes those via corporate services

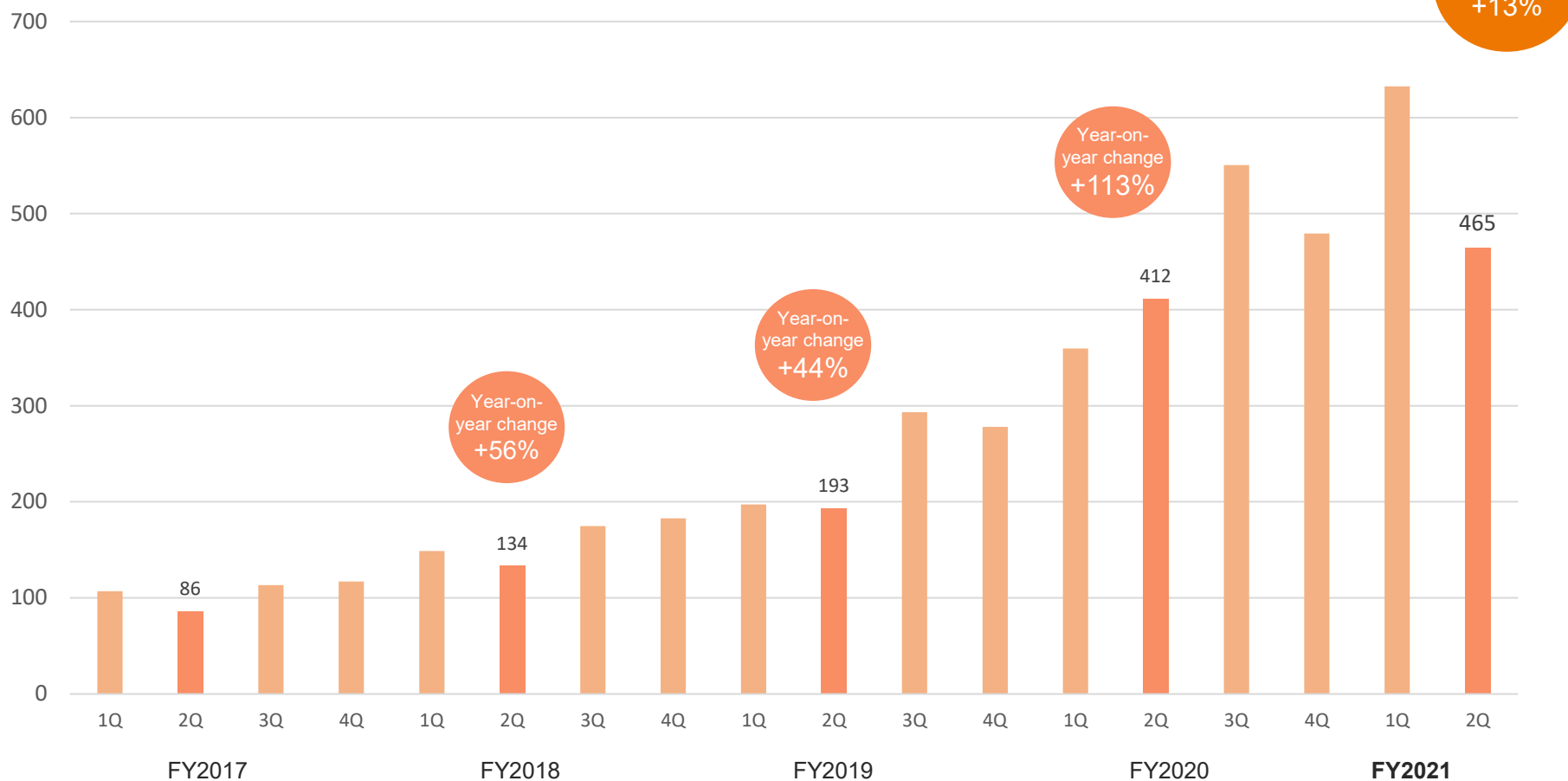
<sup>1</sup> The number of new paid members refers to the number of (unique) paid members newly acquired during the period

<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 Q2 (Apr-Jun) increased 13% year-on-year to 465 million yen  
Secured YoY increase in performance even versus significant positive effects from the COVID-19 pandemic.

(Millions of yen)



<sup>1</sup> Percentage notations show growth rates compared to Q4 net sales for each fiscal year (Includes 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)

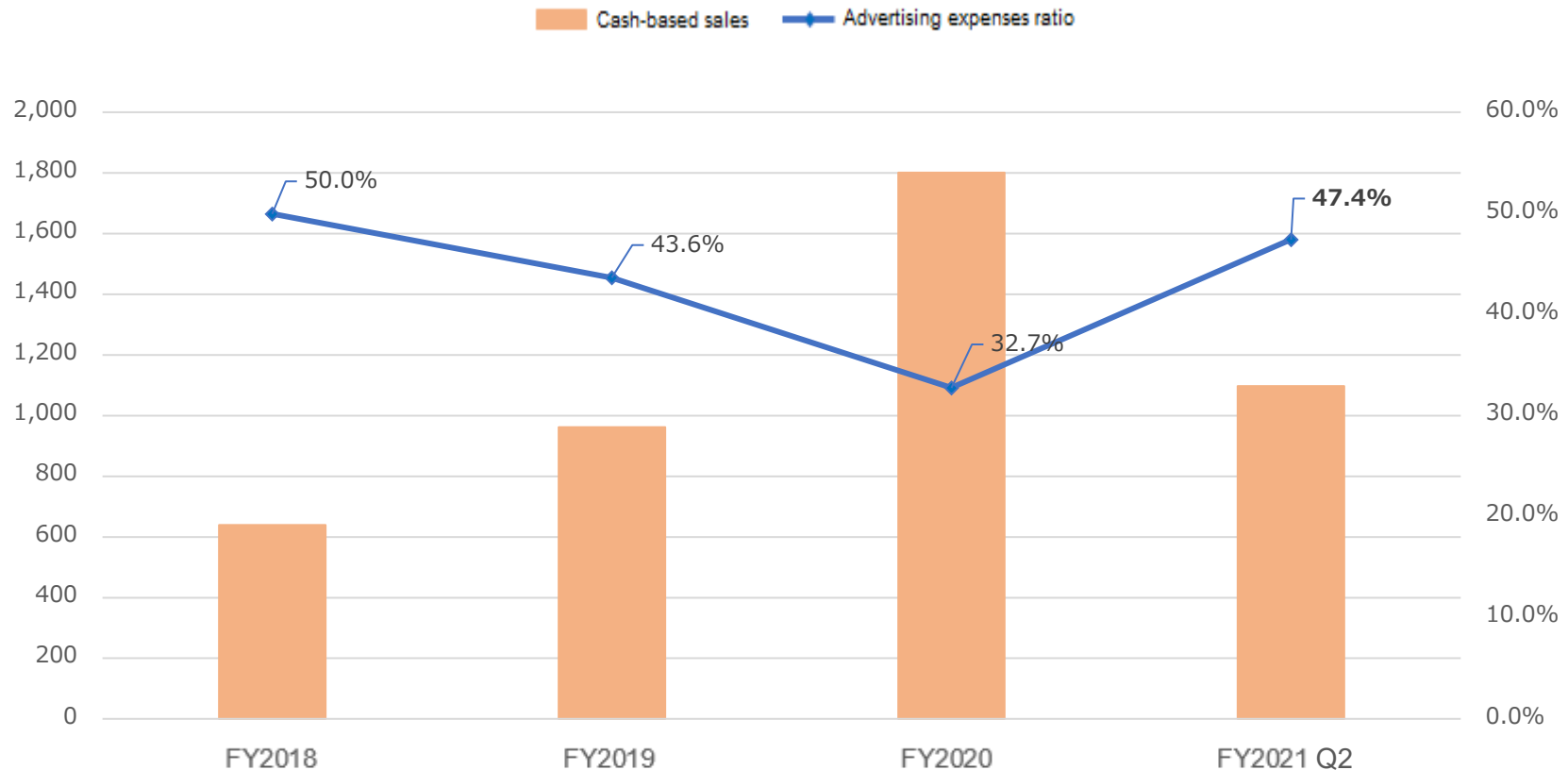
	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Trends for Company courses	Many people start learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
Cash-based sales	Sales high at the beginning of the year, trending 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 +14.7 points due to proactive investment in television commercials. Figures show improvement vs. initial expectations

(Millions of yen)

Net Cash-Based Sales and Advertising Expenses Ratio Over Time



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

# Studying Business: Topics

- **TV commercials launch in Jan 2021 at key metropolitan Tokyo stations**
  - Television commercials achieved customer attraction and increased sales impact in Q1 and Q2.
  - From Q3 onward, we will try to maximize impact from brand awareness through TV commercials.



- **Expansion of the medical field**

In addition to registered distributor courses (special qualifications for selling over-the-counter drugs), we launched the National Nurse Examination Course in July.

April Registered Distributors (Medical Field)

July National Nurse Examination (Medical Field)

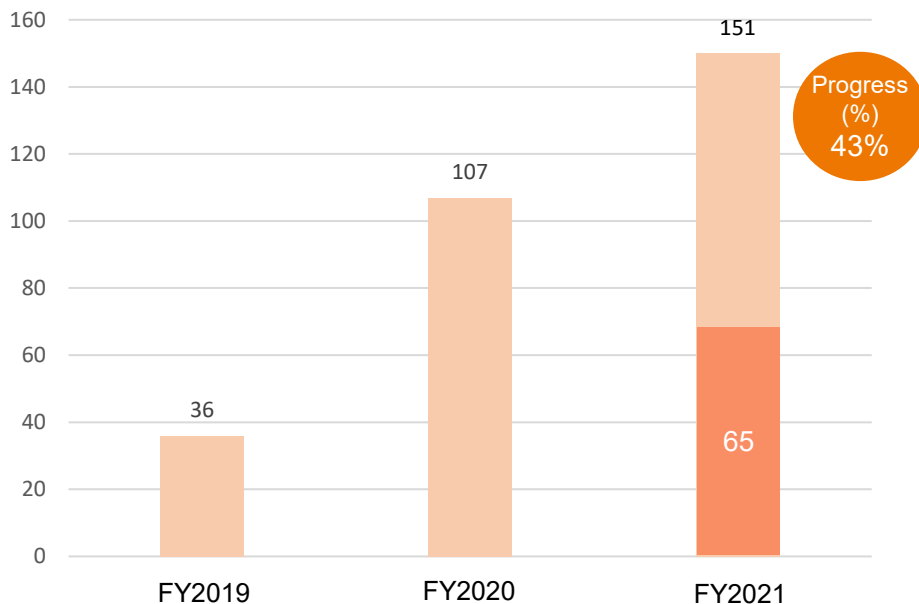
# Corporate Education Business: KPIs

With sales growth in the Corporate Education Business, contracted companies with AirCourse also increased by 48% YoY (up by 57)

AirCourse's average churn rate<sup>1</sup> at the end of the FY2021 Q2 was 1.74%, with adoption increasing among large companies

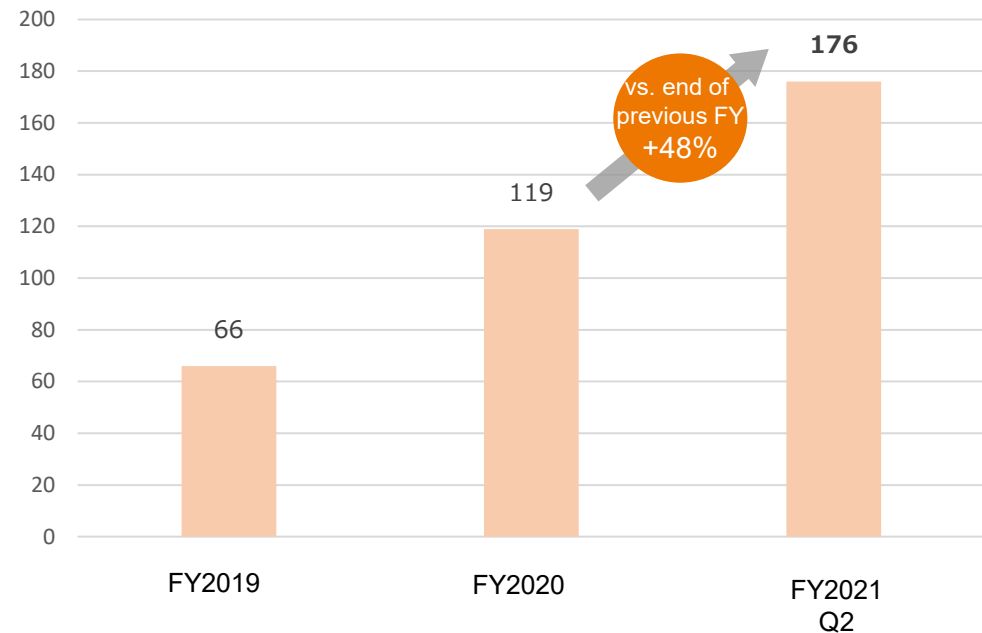
## Corporate Business Sales

(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%

# Corporate Education Business: Topics

- MBA Series newly available in Content Plus, the all-you-can-learn plan for AirCourse content; the number of courses increased from 151 at the end of December 2020 to **258** at the end of June 2021
- Large-scale orders for thousands of people grew alongside traditionally strong small to medium-sized projects (100 to 1000 employees)
- System development and improvements capturing various corporate needs results in positive reception of UI/UX.

## AirCourse User Companies (Partial)



e-learning covers all aspects of "onboarding for mid-career hires," "preparation for certification exams," and "employee benefits"

Nichii Carepalace Company.



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.



# Introduction of AirCourse's Newest Features

## Official integration with Zoom (released May)

Centralized management of online training/group training/e-learning through official integration with Zoom



- Detailed settings for Zoom meetings are now available when creating AirCourse courses

## Updated reporting function (released July)

Ability to create/save custom reports reduces administrator workload



- Filtering function (setting conditions)
- Selection and sorting functions for table items
- Graph selection function
- Customized report saving function
- Redesigned reports and improved operability
- Accelerated report display

# Other Topics: Office Relocation and Studio Improvements

- Moved the head office to Nagata-cho, Chiyoda Ward in April 2021
- Relocation in response to growing employee base due to business expansion, creating a comfortable, facilitative working environment
- Increased the number of recording studios to three. These studios enable efficient production of high-quality videos using virtual backgrounds and slides using cutting-edge equipment, and technology compositing speakers in real-time



# Impact of COVID-19 on Performance

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- The significant COVID-19-driven demand gains from Q2 last year are cooling, returning to normal after a phase of increased demand
- Digital transformation of education continues its steady progress, entering a new phase of competition

## Studying Business

- The increase in demand for online courses is cooling
- The shift from traditional classroom courses to online courses continues
- Stronger competing online courses, stronger web marketing

## Corporate Education Business

- The increase in demand for e-learning is cooling
- The shift from group training to online training and e-learning continues
- The method of attracting customers at exhibitions and visiting sales has shifted to online, and it is shifting to web marketing.

## Basic Policy

Pursuing a situation where students find it "easy to learn, easy to understand, and easy to continue" by utilizing AI and IT and strengthening content in order to create "courses with the highest pass rates"

Developing course lineups for high-demand qualifications

Increasing awareness, strengthening branding, increasing market share among majority segments

➔ Using an ongoing growth cycle of increasing the number of passing test-takers, thereby increasing the number of students and subsequently increasing passing test-takers again, to achieve #1 market share and boost competitive advantage

## Key Measures

### Functionality enhancement for learning services

- Optimizing learning for individuals using AI and attendance data
- Improving ease of learning and easier retention by expanding learning system functions

### Content enhancement

- Improving ease of understanding of course content, improving video and course quality

### Growing course lineup

- Developing new courses in high-demand categories and qualifications

### Strengthening branding and marketing

- Better branding, stronger customer attraction and sales through mass marketing and web marketing

## Basic Policy

In order to become "**the most efficient service for employee education**," strengthening our learning management system (LMS) and its content, and enhancing product power enabling digital transformation of employee education

Improving marketing and sales capabilities and establishing a partner model

➔ Growing customer base through stronger products and sales capabilities, increasing competitive advantage by achieving top market share in cloud LMS

## Key Measures

### Enhancing AirCourse functions and streamlining employee education

- Expanding education and training functions meeting the needs of telecommuting companies
- Enhancing student management and content management functions to support large companies

### Expanding Content Plus courses

- Enhancing of all-you-can-learn course lineup

### Strengthening web marketing and web sales

- Strengthening mechanism for closing sales online (customer attraction to negotiation and payment, all online)

### Developing platforms through partnerships

- Developing sales channels, OEM partners, content partners

### Overseas expansion

- Adding multilingual support for products, promoting overseas expansion

# 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.