

Financial Results Presentation for Q3, Fiscal Year Ending December 2021

November 2021

KIYO Learning Co., Ltd.

Mothers (Tokyo Stock Exchange): 7353

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Financial Results Presentation for Q3, Fiscal Year Ending December 2021

FY2021 Q3 Performance Highlights

- **Performance trends well in FY2021 Q3**

Net sales increased +55% year on year; operating income trended well, swinging to positive figures.

- **Net sales continued high growth**

Sales of 1.69 billion yen (up 601 million yen year on year), showing continued high growth.

- **Operating income swung to positive territory for Q3**

Operating income was 73 million yen, and 145 million yen for stand-alone Q3 (July-September).

- **Studying Business continues strong performance**

Net cash-based sales for the Studying Business increased 37% year on year to 1.81 billion yen

New paid members increased by 28% year on year to 37,742

- **Corporate Education Business also grew steadily**

Net sales in the Corporate Education Business increased 33% year on year to 1.0 billion yen

Contracted companies with AirCourse increased 57% versus the end of the previous fiscal year, reaching 187 companies (+68 companies)

FY2021 Q3 (Cumulative) Performance

Net sales increased 55% year-on-year to 1.69 billion yen

Operating income decreased 52 million yen year on year to 73 million due to investments in TV commercials and stepped-up sales promotions

(Millions of yen)

Category	FY2020 Q3 Cumulative (Results)	FY2021 (Forecast)		FY2021 Q3 Cumulative (Results)	Year-on- year change	Progress
Revenues	1,089	2,282		1,690	55.2%	74.1%
Studying Business	1,009	2,130		1,582	56.8%	74.3%
Corporate Education Business	80	151		107	33.8%	70.9%
Cost of sales	238	382		274	15.1%	71.7%
Gross profit	851	1,900		1,416	66.4%	74.5%
SG&A	726	1,727		1,342	84.8%	77.7%
Operating income	125	173		73	-41.3%	42.6%
Ordinary income	112	171		72	-35.8%	42.1%
Net income	94	200		61	-35.3%	30.4%

Net Sales by Business Q3 (Cumulative)

The Studying Business drove growth, with sales growing by 56% year-on-year
Corporate Education Business net sales also grew steadily

(Millions of yen)	FY2020 Q3 (Results)	FY2021 (Forecast)	FY2021 Q3 (Results)	Year-on- year change	Progress
Total revenues	1,089	2,282	1,690	+55.1%	74.1%
Studying Business Net Sales	1,009	2,130	1,582	+56.8%	74.3%
Corporate Business Net Sales	80	151	107	+33.8%	70.9%

Q3 Results (July-September)

Net sales (July-September) increased 49% year on year to 729 million yen

Q3 (July-September) operating income amounted to 145 million yen, as the Corporate Business performed well.

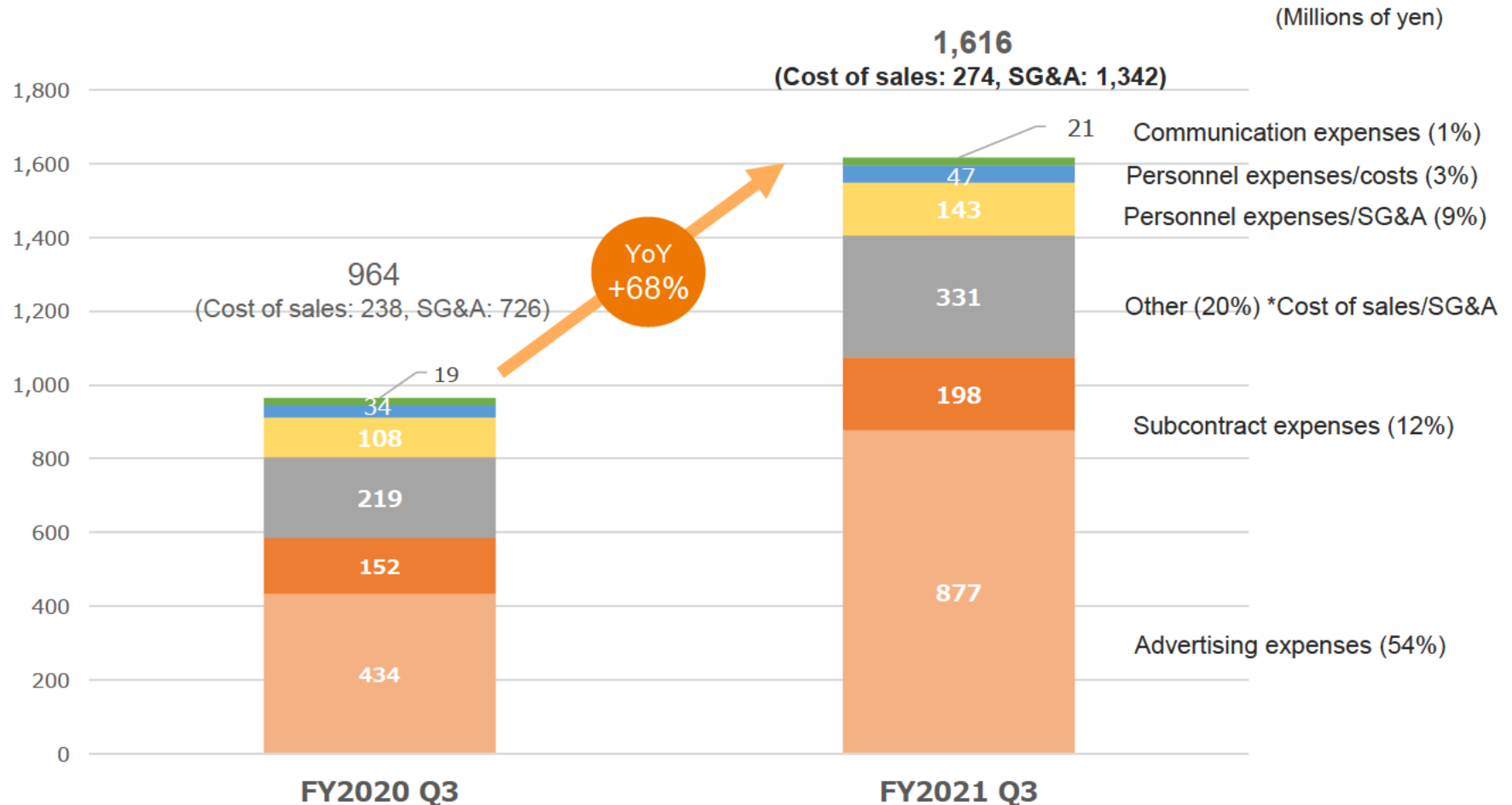
(Millions of yen)

Category	FY2020 Q3 (Results)	FY2021 Q3 (Results)	Year-on-year change
Revenues	488	729	49.4%
Studying Business	467	686	46.9%
Corporate Education Business	22	42	90.9%
Cost of sales	81	109	34.6%
Gross profit	408	619	51.7%
SG&A	272	473	74.6%
Operating income	136	145	5.9%
Ordinary income	125	145	15.2%
Net income	107	122	14.0%

Cost Structure (Q3 (Cumulative))

Proactive investment in advertising expenses and securing talented personnel toward secure growth

Cost Analysis (Year-on-year change)

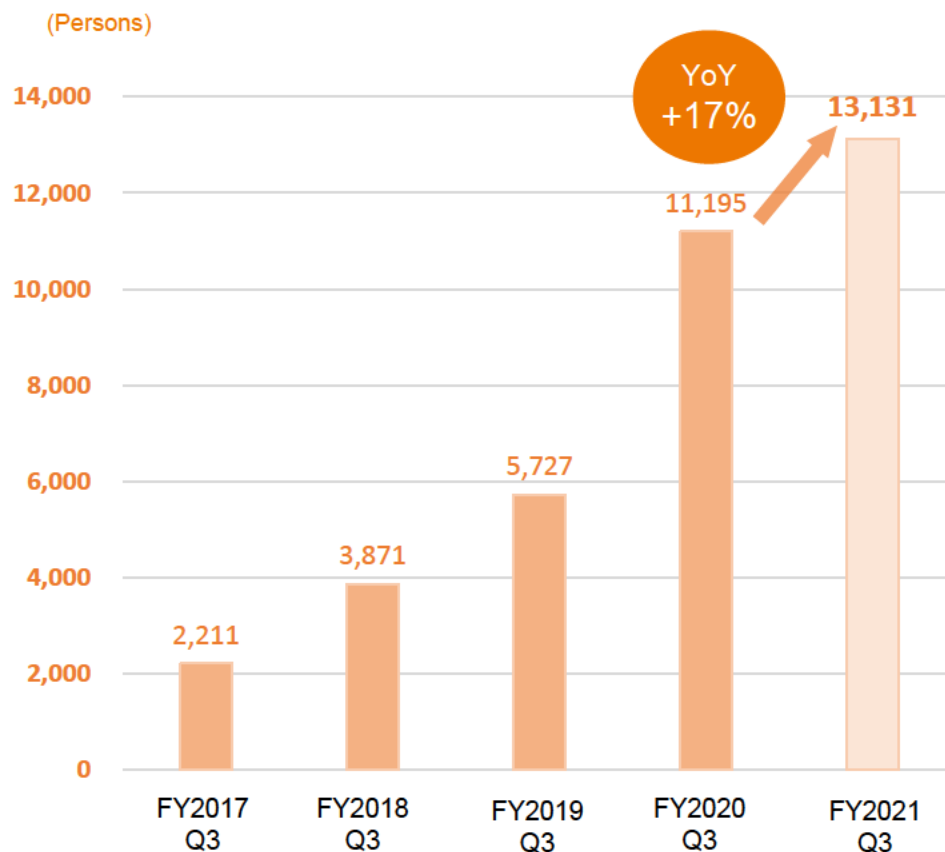


Studying Business: KPIs (July-September Comparison)

New paid members¹ up 17% year on year (July-September).

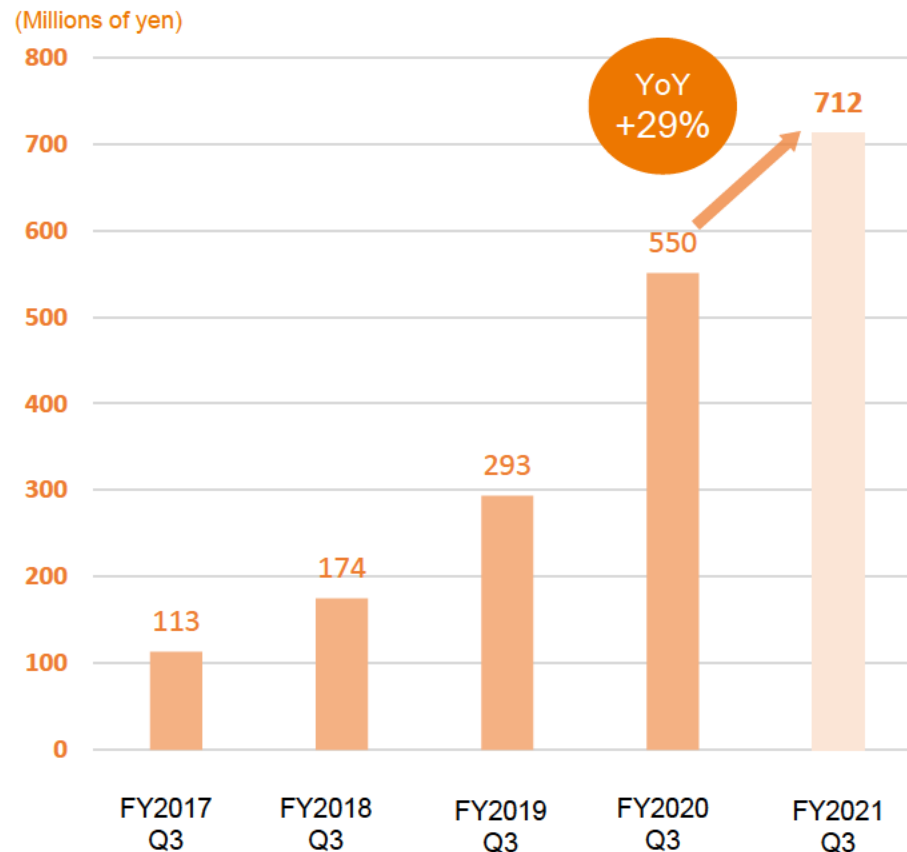
Net cash-based sales² up 29% year on year, demonstrating strong performance.

Number of New Paid Members



*Includes those via corporate services

Net Cash-Based Sales



*Includes those via corporate services

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

² 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)

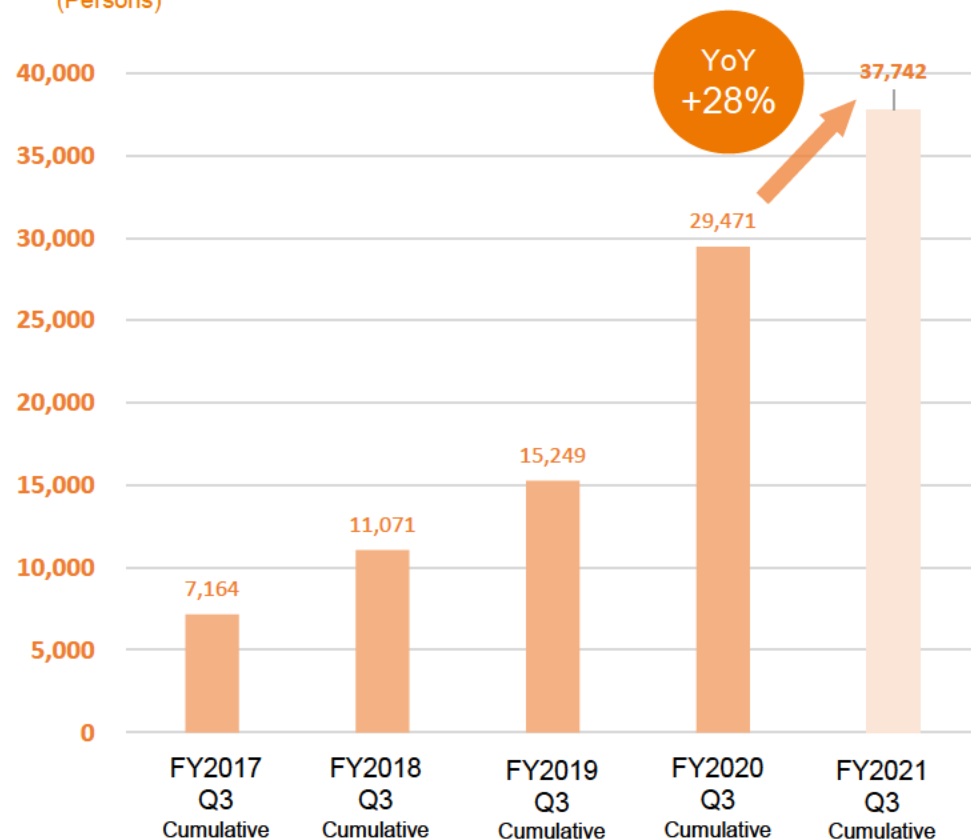
Studying Business: KPIs (January-September Cumulative Comparison)

New paid members¹ up 28% year on year (January-September).

Net cash-based sales² up 37% year on year, demonstrating strong performance.

Number of New Paid Members

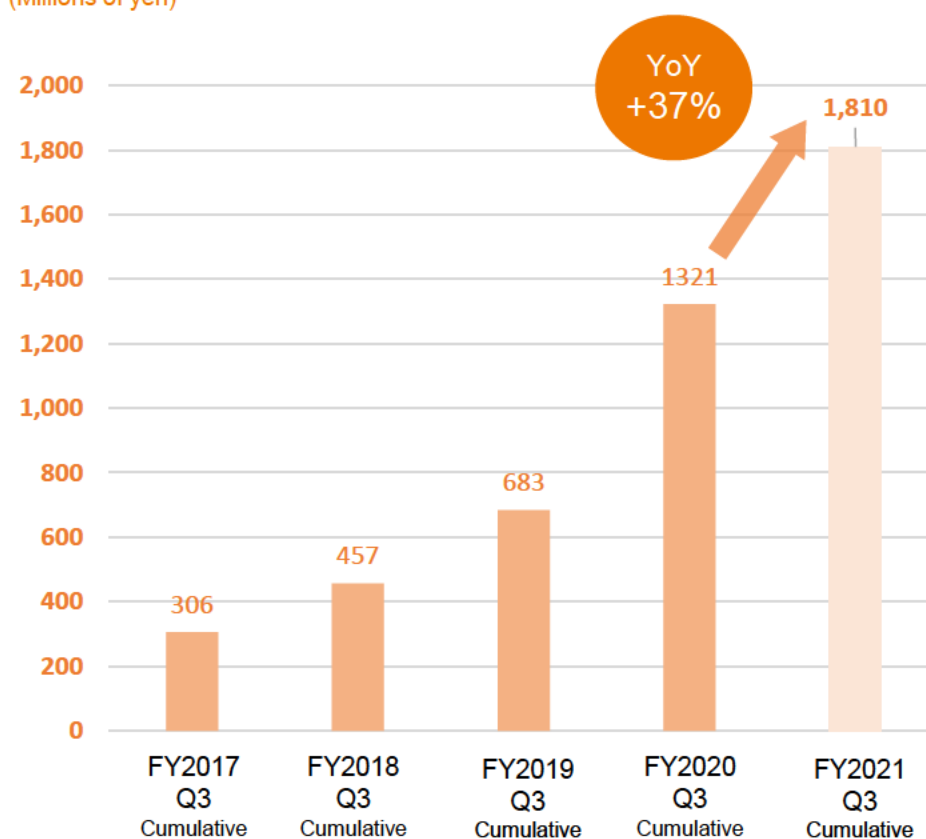
(Persons)



*Includes those via corporate services

Net Cash-Based Sales

(Millions of yen)



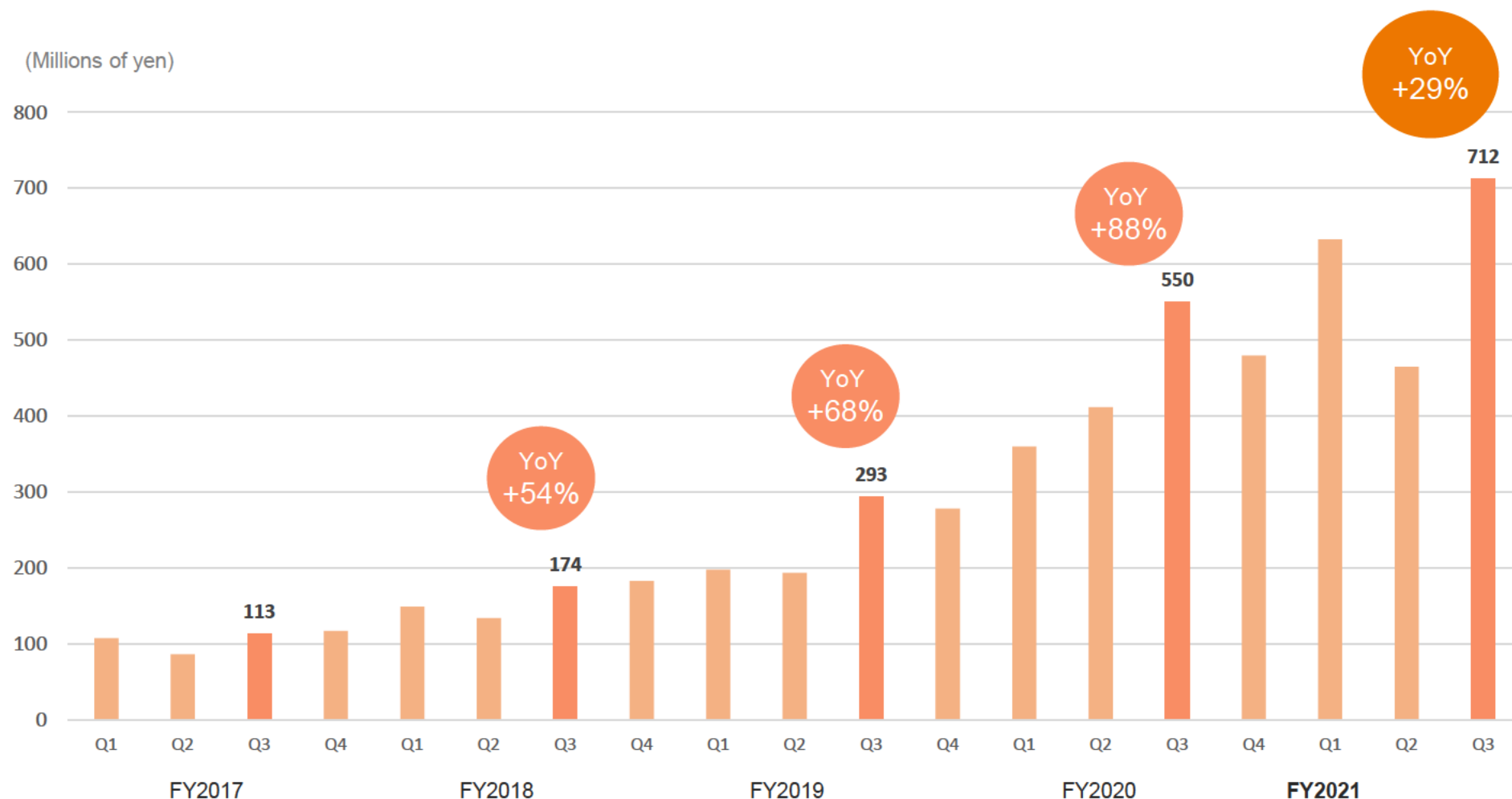
*Includes those via corporate services

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

² 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 Q3 (July-September) increased 29% year-on-year to 712 million yen
Posted record-high performance, outperforming the same period in the prior fiscal year, which benefited from positive effects due to the COVID-19 pandemic



¹ Percentage notations show growth rates compared to Q3 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)

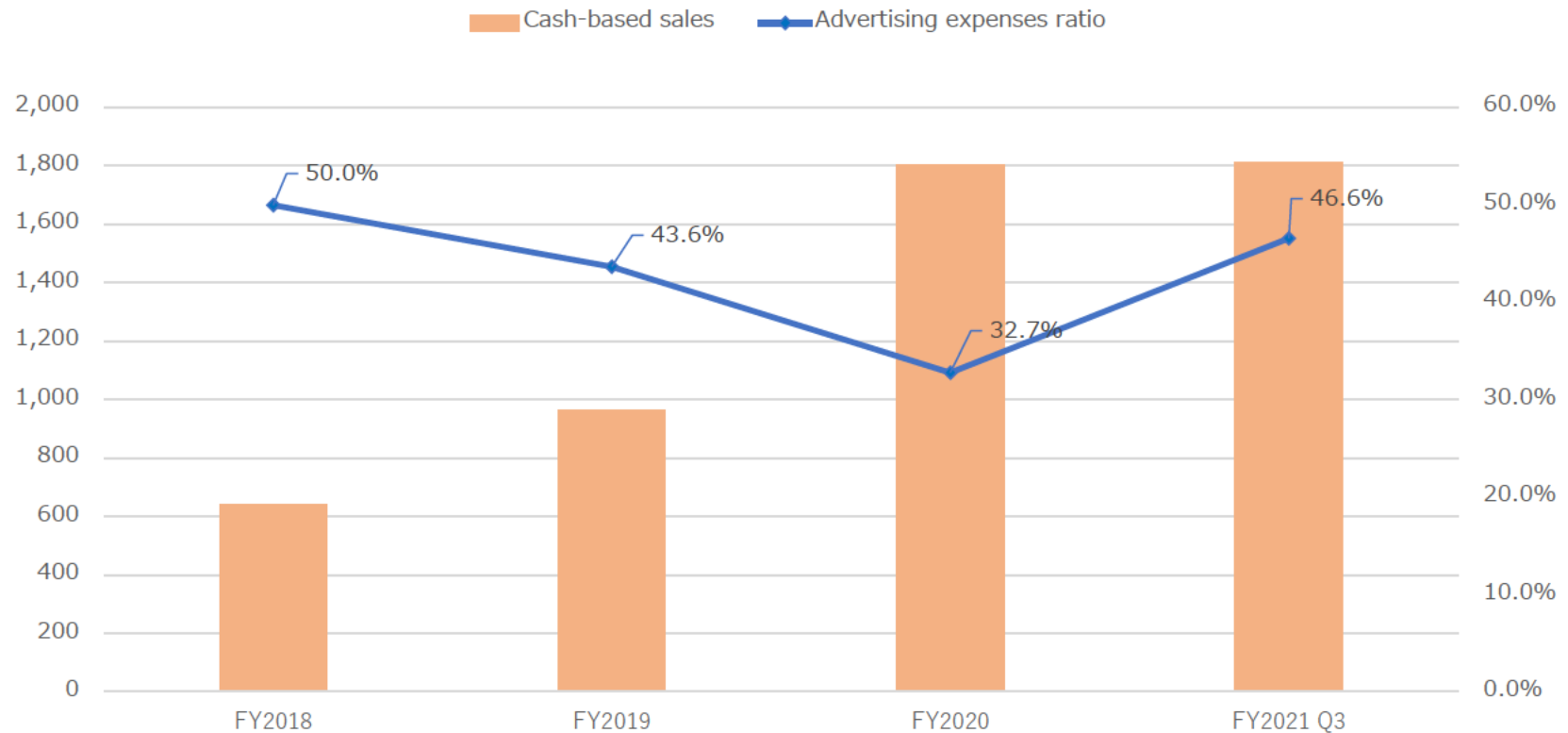
	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Trends for Company courses	Many people start learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
Cash-based sales	Sales high at the beginning of the year, trending 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 ratio¹ increased by 13.9 points, due to proactive investments in TV commercials; however, this increase was an improvement compared to our initial forecast.

(Millions of yen)

Net Cash-Based Sales and Advertising Expenses Ratio Over Time



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

Studying Business: Topics

- New TV commercial, *Successful Candidates Who Made Their Dreams Come True*, aired on key stations in the Tokyo metropolitan area during August 2021

Aiming to maximize recognition through TV commercials and be top-of-mind when people think about obtaining certifications



- **New courses**

July: National Nurse Examination (Medical Field)

August: Bookkeeping Level 1 Course (Accounting and Finance)

- **Strengthening AI functions**

September: Released *AI Competency Scoring** function *Patent pending

New function that allows users to check their current competence in real time based on personal learning data using AI

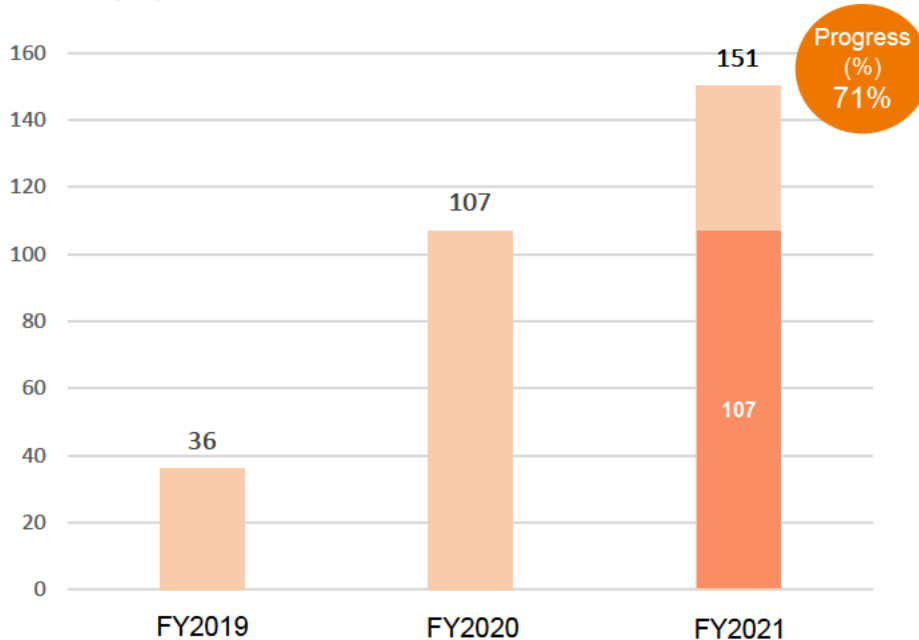
Corporate Education Business: KPIs

With sales growth in the Corporate Education Business, contracted companies with AirCourse also increased by 57% YoY (up by +68)

AirCourse's average churn rate¹ at the end of the FY2021 Q3 was 1.84%, with adoption increasing among large companies

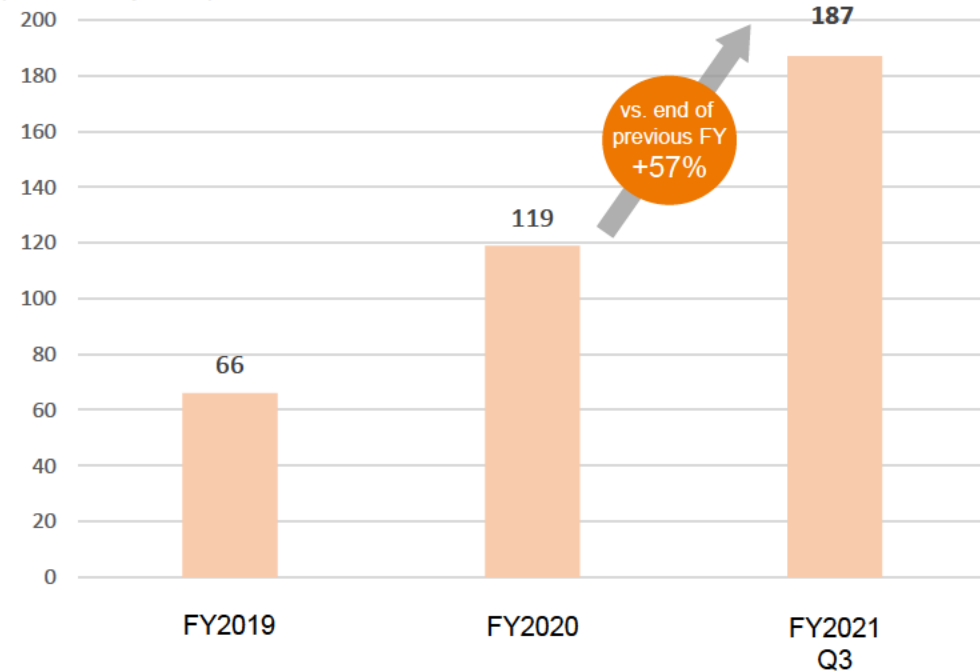
Corporate Business Sales

(Millions of yen)



AirCourse Contracted Companies

(No. of companies)



¹ 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

Corporate Education Business: Topics

- In addition to highly regarded MBA series, new human resources evaluation training series added to the all-you-can-learn AirCourse (Content Plus).

The number of courses increased from 151 at the end of December 2020 to **303** at the end of September 2021

- Large-scale orders for thousands of students grew alongside traditionally strong orders from small- to medium-sized companies (100 to 1000 employees) due to the addition of various new functions

<New Features Added Recently>

- July: Customized AirCourse report function
- August: Added support for single sign-on with SAML authentication

AirCourse User Companies (Partial)



Centralized management of training information through e-learning, drastically reducing labor hours required for administration!

Gurunavi, Inc.

[More Details](#)



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

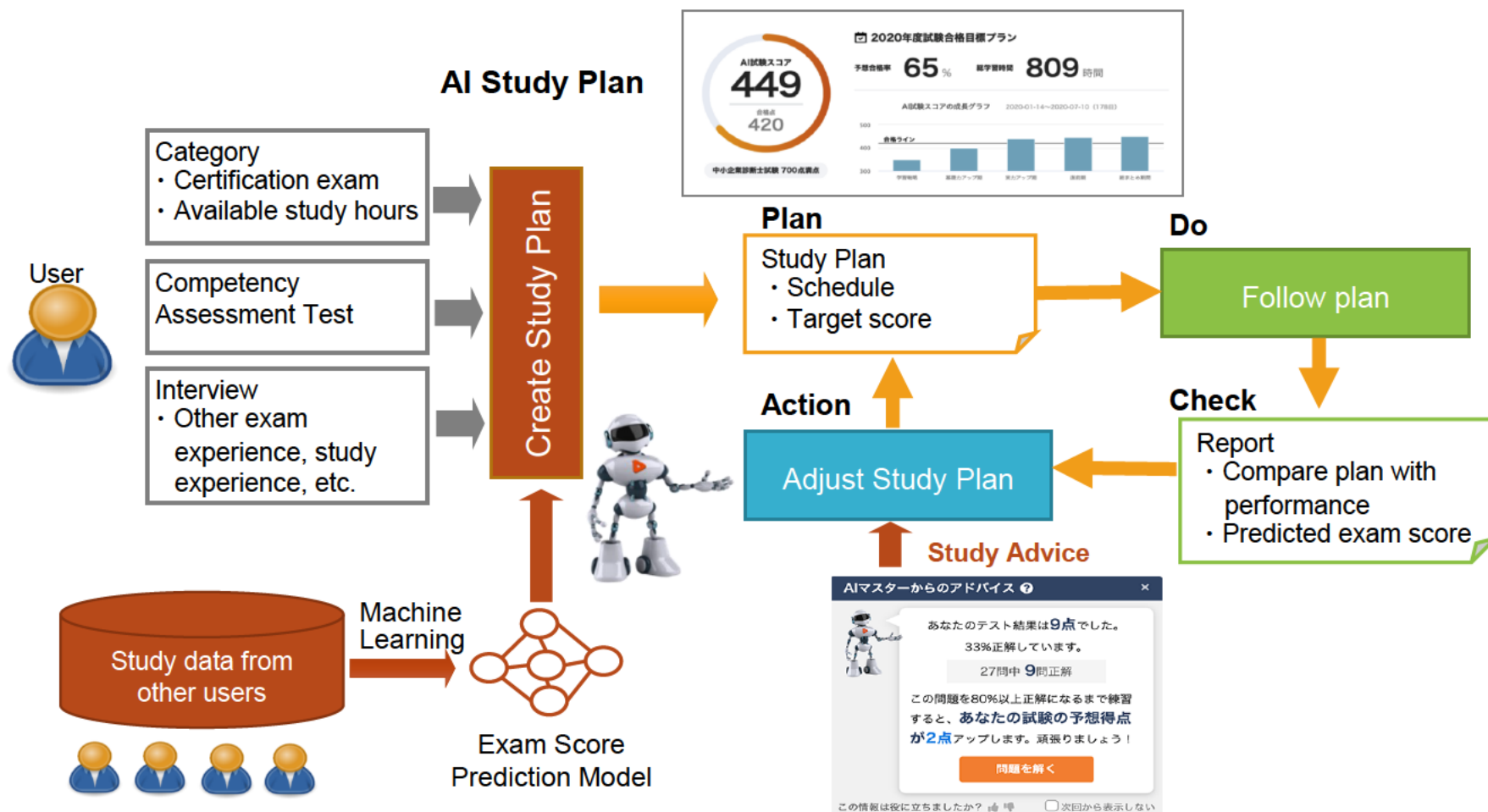
NEO CAREER CO., LTD.

AI and Intellectual Property Strategy

Breaking through the conventional concept of standardized learning, we are engaged in innovative efforts to maximize the capabilities of each individual through AI and study data

The AI Study Plan analyzes study history data to predict exam scores and create an optimal study plan personalized for each student

We will be upgrading the AI study plan and other personalized learning functions over time



Patent: AI Study Plan Patent No. 6661139

AI Study Plan System

The Studying Business stores an enormous amount of data on study history and scores from questions and practice exams. The AI Study Plan function uses AI to analyze this data and generate an exam score prediction model indicating what and how much to study to improve a predicted exam score (AI exam score). Using this model, the AI creates a study plan expected to produce the highest predicted exam score for each individual student. Students are provided with daily study topics based on the study plan, which help them to study efficiently.



History Behind the AI Study Plan Development

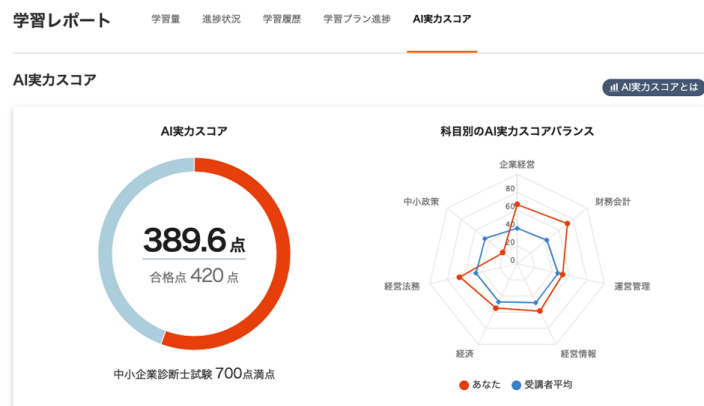
When studying for a certification, an individual must study from a variety of content, including as videos, questions, and past papers. Conventional certification courses leave the decision of what, when, and how much to study up to the student. Therefore, the student had to think about study schedules and manage their own progress on a daily basis. However, some students may lack the time necessary to pass an exam as defined in a study plan. Some students may lack the experience necessary to study for a certain certification, following an inefficient study schedule. Such individuals tend to be unclear about what they should study on a particular day, unable to study efficiently to pass an exam.

To help solve this problem, we developed the AI Study Plan function, which uses AI to create a highly accurate study plans designed for each individual. This function guides students to pass exams by following a study plan on a daily basis.

Patent Pending: AI Competency Score

AI Competency Score System

The Studying Business stores an enormous amount of data on study history and scores from questions and practice exams. The AI Competency Score function uses AI to analyze this data and predicts a student's score if they took an exam immediately. As students study day by day, the system identifies competency by subject and topic in real time, identifying how many more points a student needs to pass a subject, subjects presenting a challenge to the student, and other factors. In this way, the system allows students to prepare efficiently for exams.



History Behind the AI Competency Score Development

Most certification exams have a passing score or line. Students study to pass this score. However, in the past, the only way to measure one's ability was to take practice exams and other tests, regardless of whether one was studying for a certification through school, by correspondence, or online. This system has been quite burdensome for students, who could not check their competency on a daily basis.

Therefore, we have developed a system to help students understand how much their competency has improved in daily study, as well as to identify weaknesses and strengths at a glance. We hope that the AI Competency Score function helps students overcome weaknesses and confirm the results of their efforts, passing pass exams in the shortest time possible.



Impact of COVID-19

Impact of COVID-19 on Performance

- The significant COVID-19-driven demand gains in Q2 and Q3 in the prior year have slowed currently, returning to normal levels.
- At the same time, the digital transformation of education continues to make steady progress, and online services are entering a new phase of competition. In response, we have invested aggressively in mass advertising to increase awareness and to attract customers via online channels.

Studying Business

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

Corporate Research Business

- The increase in demand for e-learning is slowing
- 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

Caution

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.