

Financial Results Presentation for Q1, Fiscal Year Ending December 2022

May 2022

KIYO Learning Co., Ltd.

Growth (Tokyo Stock Exchange): 7353

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Financial Results Presentation for Q1, Fiscal Year Ending December 2022

FY2022 Q1 Performance Highlights

- **Net sales increased 35.2% year-on-year**
Sales of 588 million yen (up 153 million yen year on year); continued high growth
- **Each stage of profits settled at expected levels due to proactive investment in advertising expenses (TV commercials)**
Operating loss 398 million yen narrower year on year
- **Studying Business drove company growth**
Net cash-based sales for the Studying Business increased 28.7% year on year to 814 million yen
New paid members increased by 38.4% year on year to 17,957
- **Corporate education business also continued high growth**
Net sales in the Corporate Education Business increased 48.5% year on year to 47 million yen
Contracted companies with AirCourse increased by 72 versus the end of the previous fiscal year

FY2022 Q1 Performance

Net sales increased +35.2% year-on-year to 588 million yen

Operating income decreased 398 million yen year on year to -465 million due to investment in TV commercials

(Millions of yen)

Category	FY2021 Q1 (Results)	FY2022 Q1 (Results)	FY2022 (Performance Forecast)	Year-on- year change	Progress (%)
Revenues	435	588	3,200	35.2%	18.4%
Studying Business	403	541	2,945	34.1%	18.4%
Corporate Education Business	32	47	255	48.5%	18.6%
Cost of sales	71	97	475	36.3%	20.6%
Gross profit	363	490	2,725	35.0%	18.0%
SG&A	430	956	2,575	121.9%	37.1%
Operating income	-67	-465	150	-	-
Ordinary income	-67	-466	150	-	-
Net income	-57	-395	149	-	-

Sales by Business

Studying Business sales rose +34.1% year on year

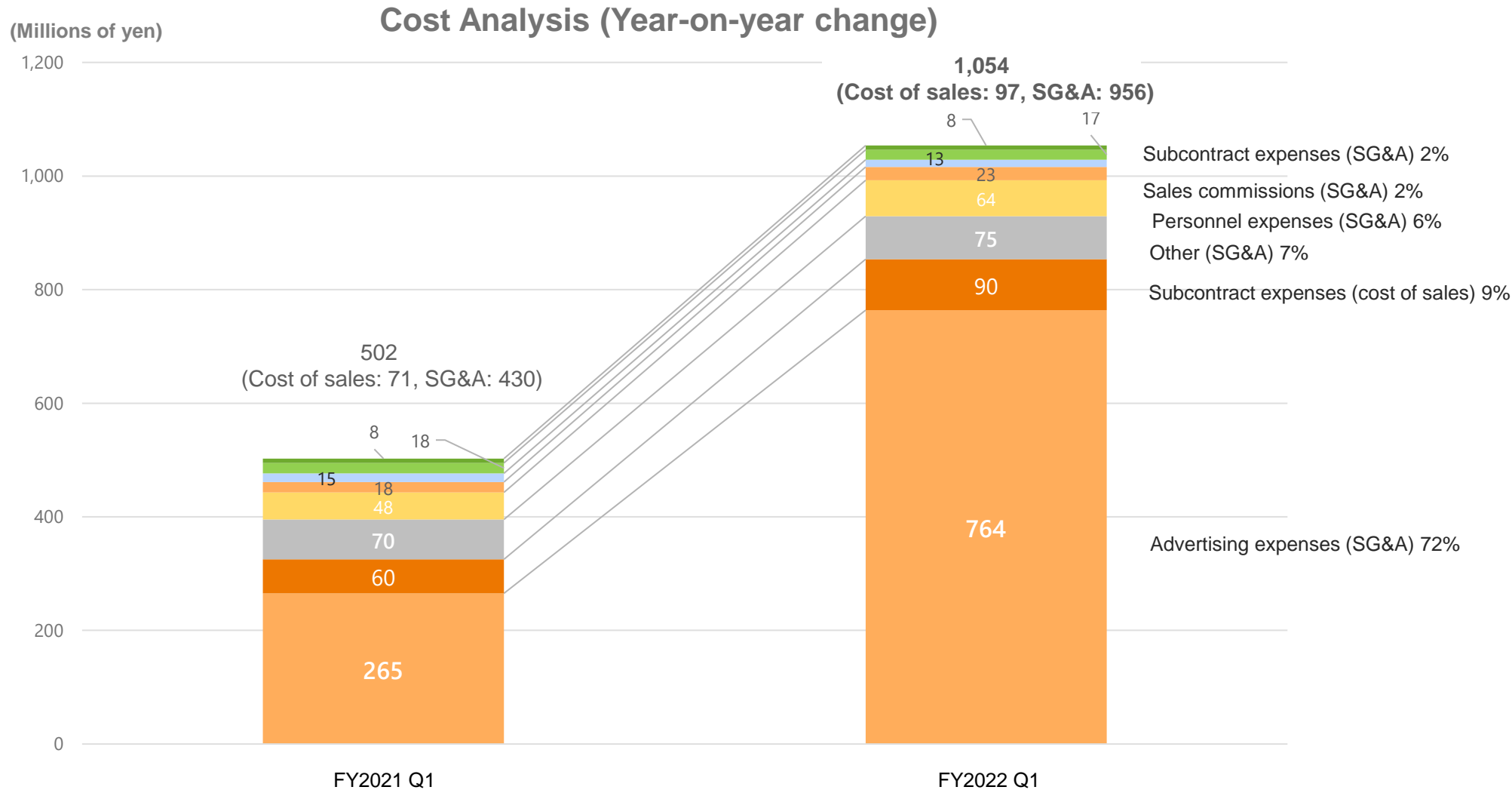
Corporate Education Business rose +48.5% year on year

(Millions of yen)

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Corporate Education Business	32	47	255	48.5%	18.6%

Cost Structure (FY2022 Q1)

Proactive investments in advertising expenses, including TV commercials, and in securing talented personnel toward growth



* 50 employees (including part-timer) as of March 2022 (+5 year on year)

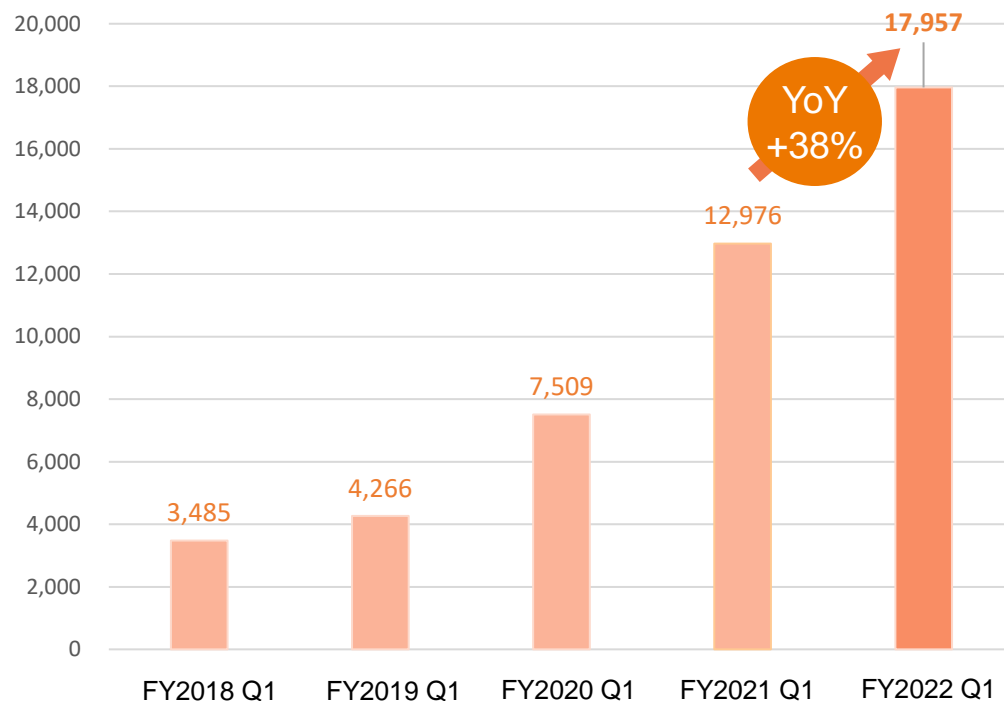
Studying Business: KPIs

New paid members¹ increased (up +38.4% year-on-year in FY2022 Q1)

Net cash-based sales² also grew (up +28.7% year-on-year in FY2022 Q1)

Number of New Paid Members

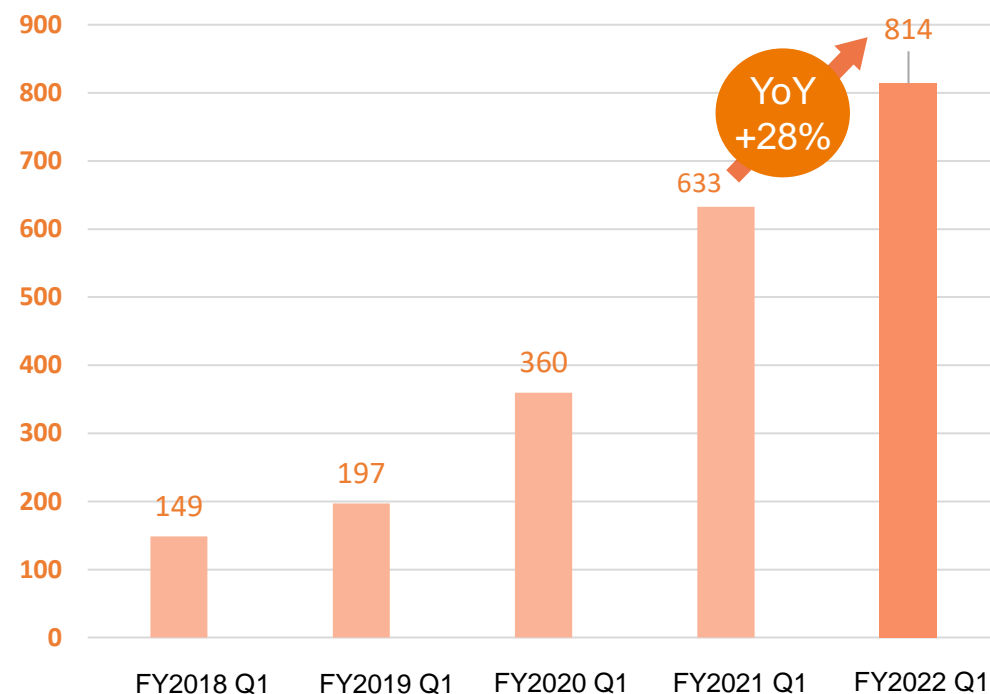
(Persons)



*Includes those via corporate services

Net Cash-Based Sales

(Millions of yen)



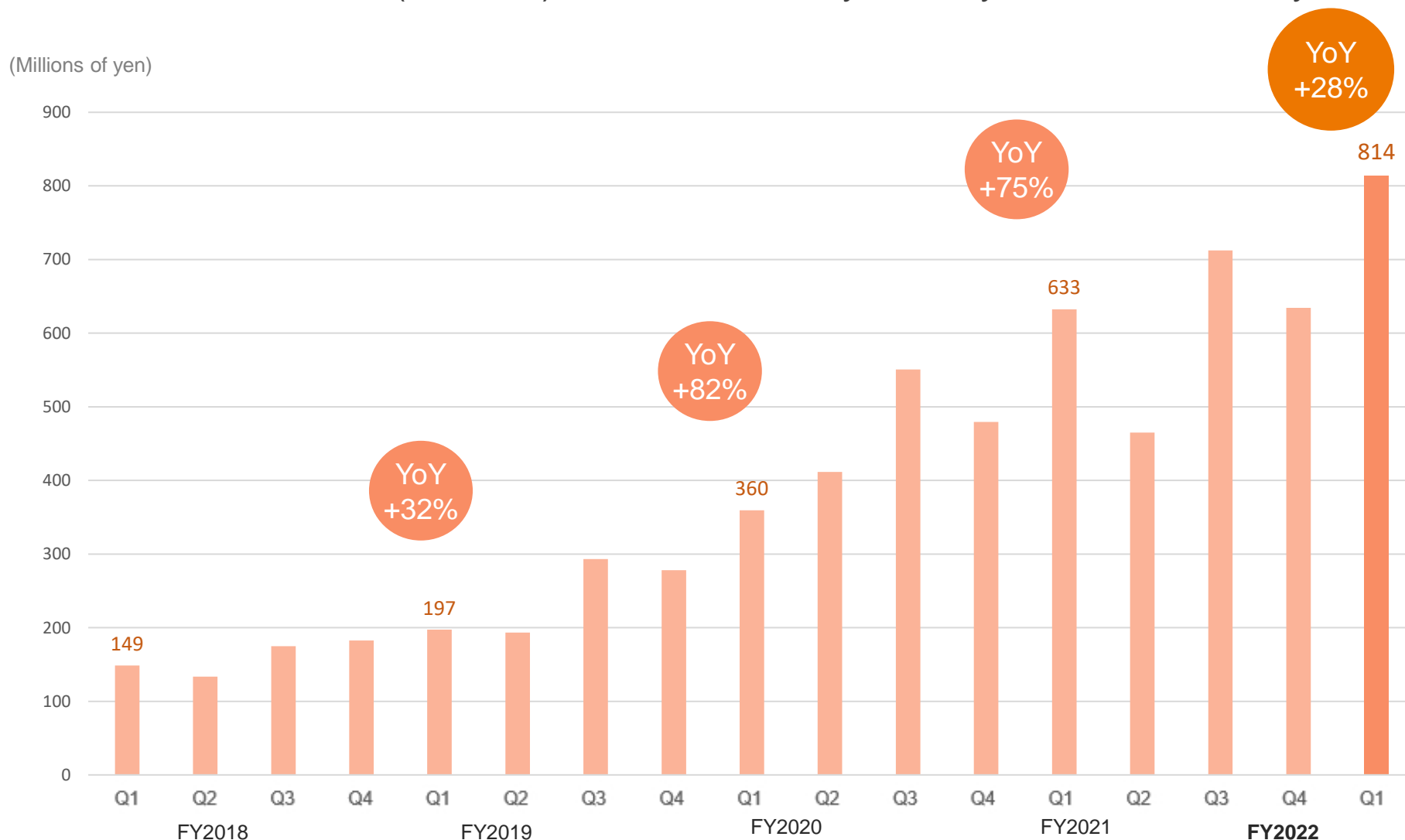
*Includes those via corporate services

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 Q1 (Jan-Mar) increased +28% year-on-year to 814 million yen



¹ Percentage notations show growth rates compared to quarterly cash-based sales for each fiscal year (including those via corporate services)

Studying Business: Quarterly Trends in Sales and Profit

Quarterly trends in sales and profit for previous years are as described below.

We post sales on a cash basis when courses are purchased.

Cash-based sales are divided evenly into accrued sales every month until the end of the course. In this way, the percentage of the sales accrual declines toward the second half of the fiscal year.

	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
Ratio of cash-based sales (quarterly) to accrual-based sales (full year) (average range in previous years)	75% to 85%	70% to 80%	40% to 50%	15% to 25%

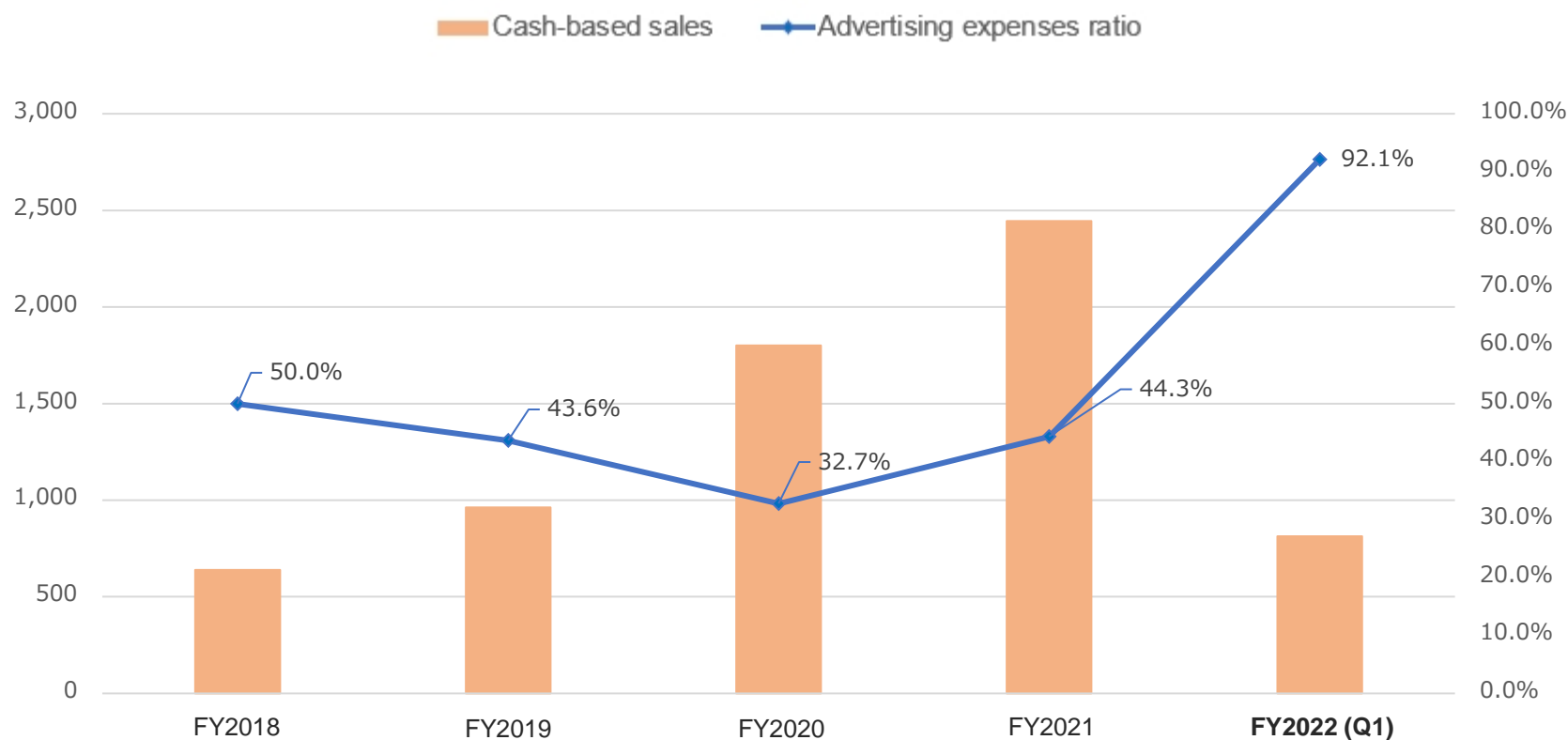
*The average range above is the average range of the previous fiscal year; there is no guarantee that the trend noted will be the same in future years.

Studying Business: Advertising Expenses Ratio

Advertising expense ratio¹ increased due to aggressive spending, including TV commercials
TV commercials have increased awareness of our services

(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: Growing Recognition Through TV Commercials

In January 2022, we launched a TV commercial featuring Hiroshi Tamaki as the main character. Aiming for medium- to long-term growth by establishing a brand image and raising recognition.



Through Mr. Tamaki, who has played a wide range of roles on screen, we convey the message that we support people who aspire to new things.

The new commercial, titled, *What is Your Aspiration*, begins with a striking scene of Hiroshi Tamaki standing against the backdrop of the vast ocean, lighted in the morning glow.

Mr. Tamaki says, “Adults who aspire to something new are pretty amazing.” He then asks, “What is your aspiration?” Welcomed The New Year, we encouraged people to take note of Mr. Tamaki's powerful message and positive attitude, urging on people who aspire to new things and considering new challenges.

Studying Business: Expanded course lineup

Following the 1st class architect course, 2nd class architect course started in April
Expanded pyramid structure for qualifications ranging from easy to difficult



Business and Management

- Small and Medium Enterprise Management Consultant
- Professional Engineer
- Sales Professional
- Hazardous Materials Engineer
- Mental Health Management® Qualification



IT

- IT Passport
- Basic Information Technology Specialist
- Applied Information Technology Specialist



Law

- Bar Examinations and Preliminary Examinations
- Judicial Scrivener
- Administrative Scrivener
- Labor and Social Security Attorney
- Patent Attorney
- Japan Business Law Examination®
- Intellectual Property Management Skills Test®
- Personal Information Protection Officer



Medical

- National Nurse Examination
- Registered Distributor



Accounting and Finance

- Certified Public Tax Accountant
- Bookkeeper
- FP
- Securities Broker Representative
- Loan Officer



Real Estate

- Real Estate Broker
- Registered Architect
- Licensed Strata Management Consultant/
Building Manager
- Certified Property Manager



Civil Servant

- Civil Servant



Business Skills

- Consultant Training Course



Languages

- TOEIC® TEST Preparation



High unit price: High revenue per course

Fewer examinees



Step up from easy qualifications

Low unit price, small revenue per course

More examinees

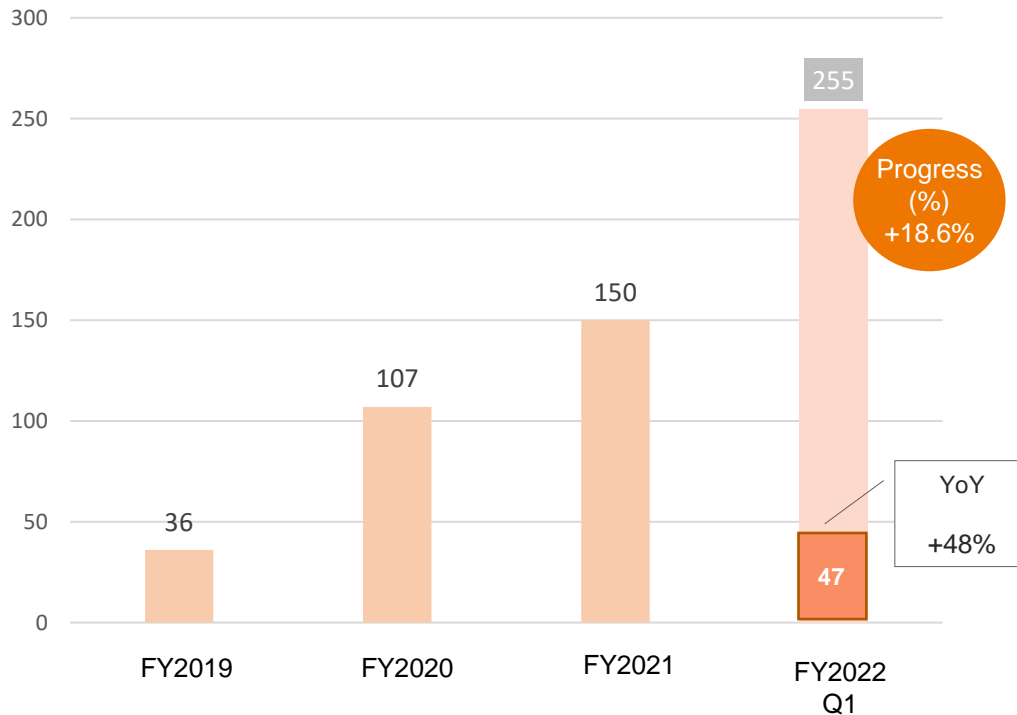
Corporate Education Business: KPIs

With Corporate Education Business sales growth (+48.5% year on year), the number of AirCourse contracted companies increased by +72 companies

Average churn rate for AirCourse in Q1 FY2021 was 1.90%*, reflecting the development of a stock business model with a high retention rate

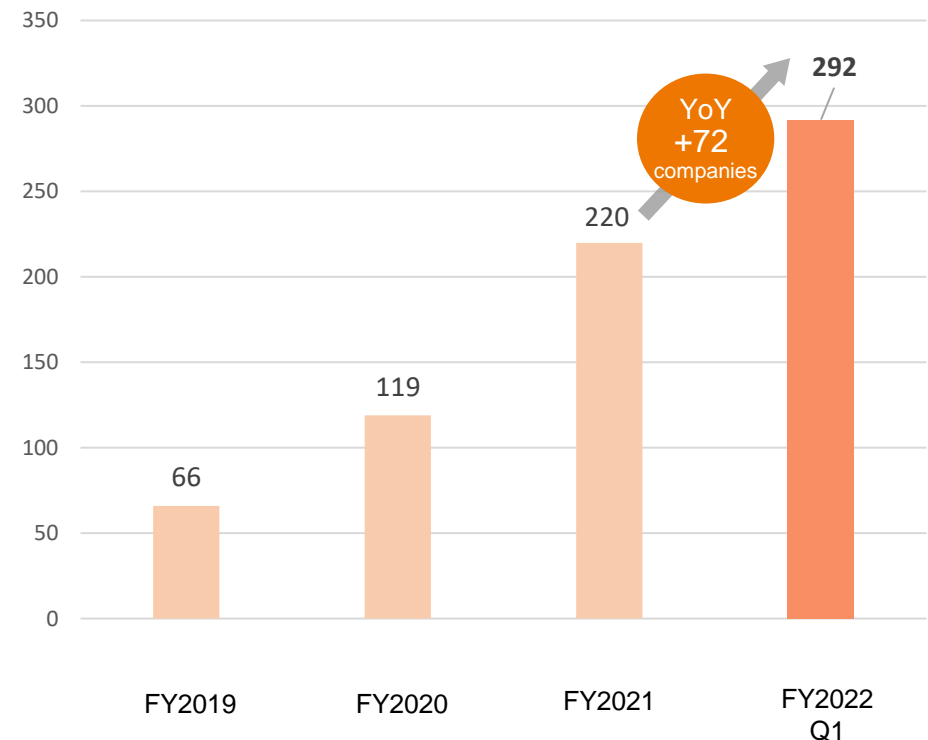
Corporate Education Business Sales

(Millions of yen)



AirCourse Contracted Companies

(No. of companies)



*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:

Moving into a phase of rapid growth driven by gains in large-scale customers

Increase in orders from large companies in addition to medium-sized companies

Increase in expertise in employee training through successful customer case studies, and increase in impact of case study-based sales activities

AirCourse User Companies (Partial)



Full utilization of e-learning promotes growth of each individual

NEO CAREER CO., LTD.



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

SHIFT Inc.



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

Nichii Carepalace Company



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

Gurunabi, Inc.

Corporate Education Business: Major expansion of standard courses

- Significantly expanded the number of courses offered from 405 at the end of December 2021 to 450 as of March 31, 2022
- Actively expanding content to include practical work-based courses compatible with the latest Microsoft 365 apps, basic production management, IT skills, harassment, MBA series, mental health and Revised Act on the Protection of Personal Information

From new recruits to managers Full range of hierarchy-specific education

Management	Coaching, team/staff development, etc.
Mid-level employees	Leadership, project management, etc.
Less-experienced employees	Logical thinking, external communications, etc.
New hires	Business manners, English, telephone skills, business card exchange, etc.

Wide range of applications Education by topic



IT skills



Compliance



Anti-harassment



AirCourse MBA



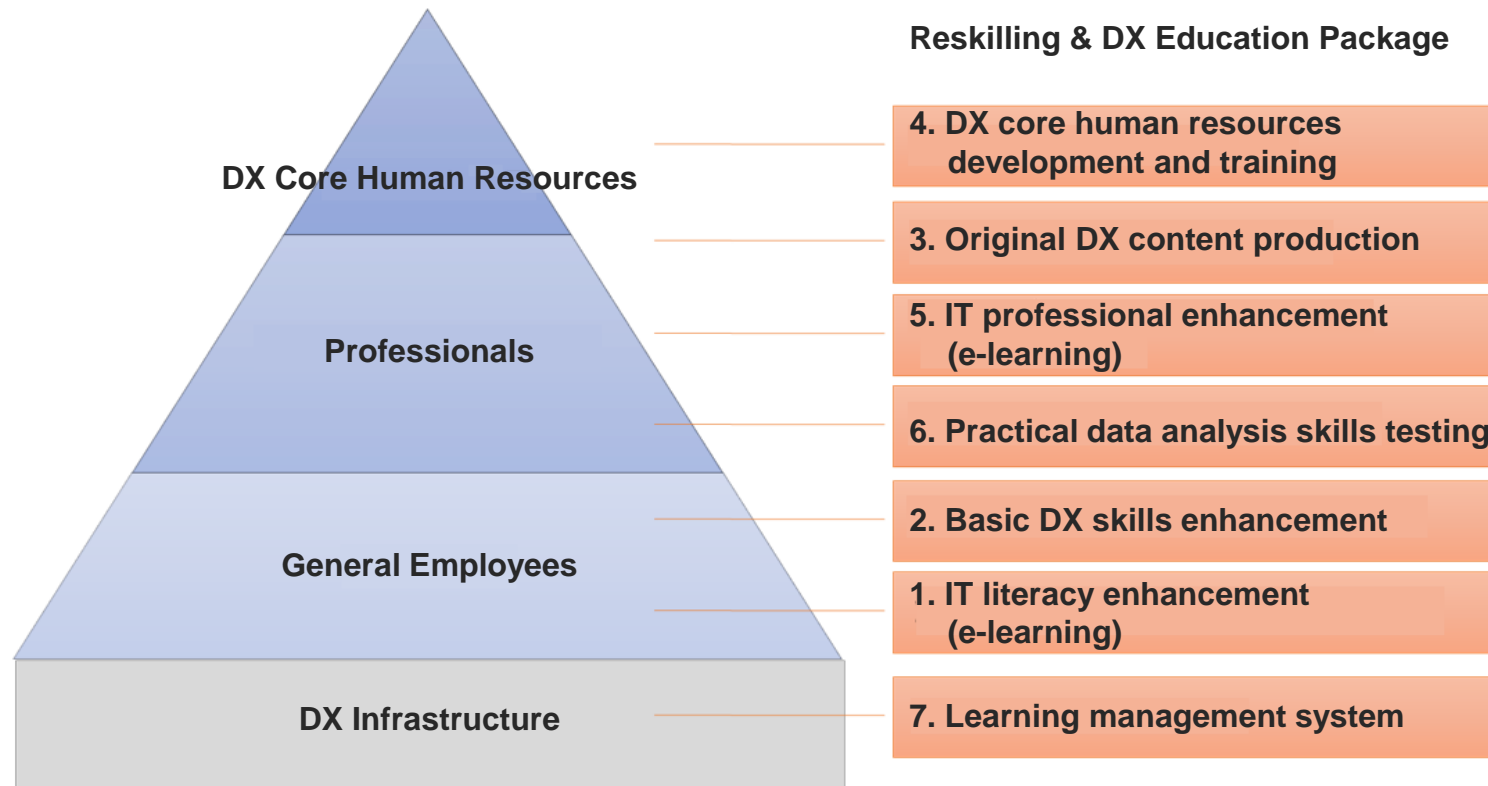
Sales



Human resources and
labor relations

Reskilling and DX Education Package Launch*

- The first phase of collaboration with DATAMIX, with whom we entered into a capital and business alliance in January 2022
- Offering e-learning content, DX human resources development education, skill tests, learning management systems (LMS), and original DX content production services; facilitating the systematic reskilling of employees at companies pursuing DX

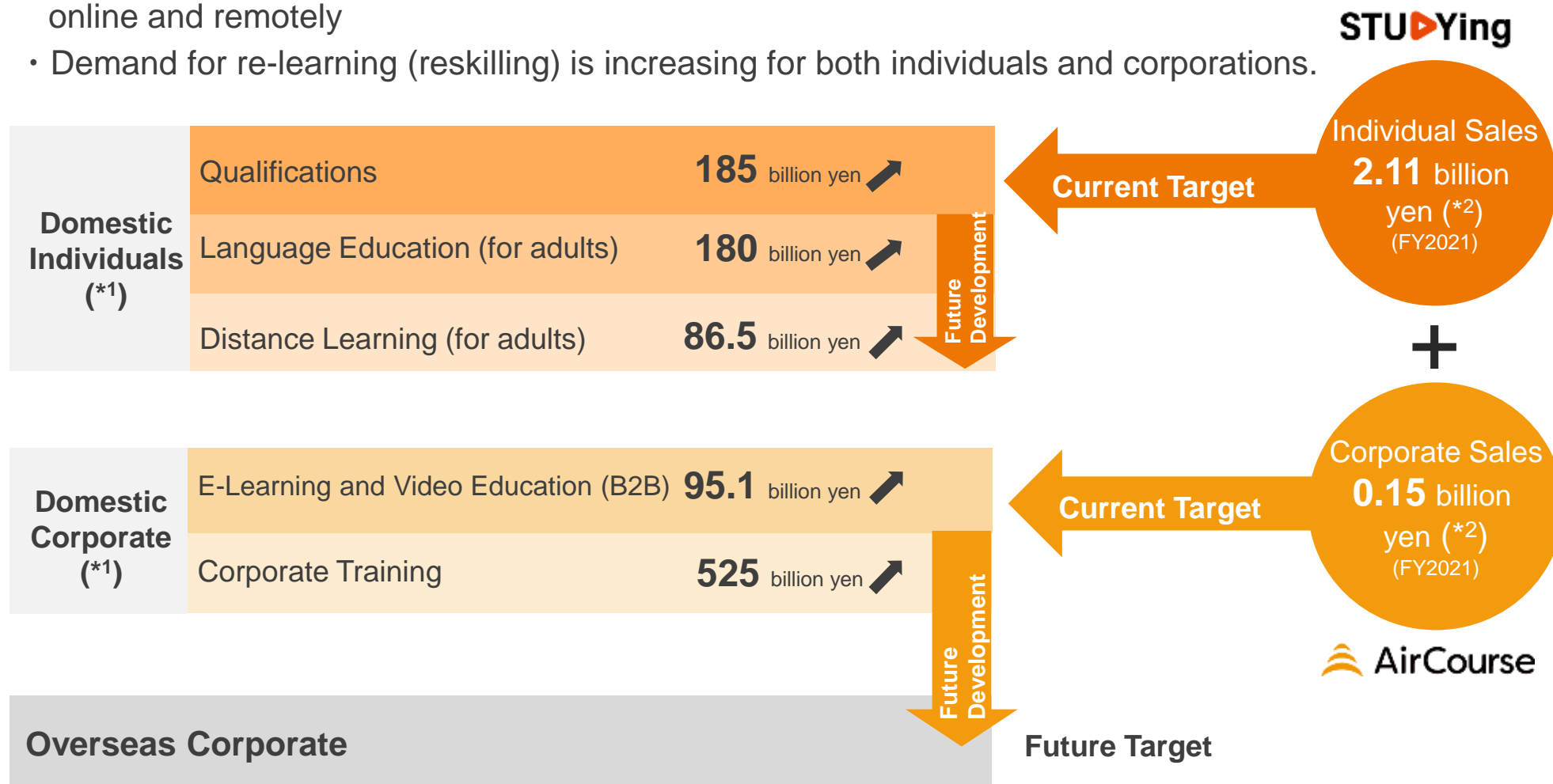


*This service will be available beginning March 2022

Future Policies (Revisited)

Market Potential and Direction of Business Development

- We expect the qualification market for individuals to recover compared with FY2020, when the market declined due to the COVID-19 pandemic
- The shift to online training is gaining wider acceptance in the corporate market. Demand in the e-learning and video education markets is also growing rapidly, as services are conducted online and remotely
- Demand for re-learning (reskilling) is increasing for both individuals and corporations.



*1: Figures are forecasts for fiscal 2021 based on *White Paper on the Education Industry, Fiscal 2021 Edition* by Yano Research Institute.

*2: Figures are rounded to the nearest million yen.

Further Acceleration of a Digital Transformation in Learning

1. Reskilling and relearning

An era in which people continue to learn throughout their lives

2. Acceleration of the shift toward digital-based learning

Online learning is becoming more common, and we are entering an era of learning through digital means

3. An era in which data has value

A transition away from conventional instruction based on intuition and experience to content and services that utilize accumulated data

4. Advancements in AI-based individual learning optimization and visualization

Learning efficiency improves through personalized learning for each user based on data and AI, rather than the conventional uniform learning model

5. Recruitment and training of human resources has become a top priority for companies

In the age of digital transformation (DX), the ability to develop excellent human resources is becoming an important management strategy

➔ **KIYO Learning is looking at a tremendous opportunity**

Objectives and Purpose in Updating the Medium-Term Management Plan 2023

Objectives

- To invest in growth and implement strategies to become No.1 in our target markets

Background

- The market opportunity is growing with DX and the online shift in learning
- The online learning market is expanding rapidly, and investment to enhance products and services is becoming more important
- Competition in the market is intensifying in terms of marketing

Purpose in Updating the Medium-Term Management Plan

- Focus on growth potential and increase investment to become No.1 in the shortest time possible
- Increase marketing costs in a flexible manner to survive the market competition
- Increase investment to strengthen products and services
- Our forecast for each profit measure in 2022 will be lower than the initial target due to an increase in investments
- Targets for 2023 are shown as a range to allow for flexible response to changes in the competitive environment and other circumstances
- The emphasis is on speed, including alliances, to capture reskilling demand

Initiatives and Policies in Our Current Medium-Term Management Plan Toward Our Long-Term Vision

Under our current medium-term management plan, we have positioned the growth of existing businesses (Studying Business and Corporate Education Business) as the most important targets.

- As there is plenty of room for growth in existing businesses, we will place the highest priority on growth through investments in existing businesses and becoming, striving to carve a place as market leader.

As we pursue the measures above, we will acquire the organizational capabilities and management resources necessary to develop new businesses

- Strengthen existing organizational capabilities (learning systems, AI and data utilization, content development, marketing and sales, low-cost operations)
- Acquire business management systems and further expertise

Our search for new businesses will begin under the current medium-term management plan

- Search for and develop new business when promising opportunities are found
- According to the nature of the business in question, we will consider in-house development (organic growth), business alliances, equity tie-ups (investments), M&A, etc.
- We expect to begin the development of new businesses in earnest under the next medium-term management plan (2024-2026); however, we may begin during the current medium-term management plan depending on the nature of the business and the opportunities involved

Under the current medium-term management plan period, we will prioritize investment in growth over dividends

- As long as we maintain a high growth rate through investment, we will increase corporate value by investing in growth rather than emphasizing dividends

Disclaimer

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