

# **Financial Results Presentation for Q2, Fiscal Year Ending December 2022**

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August 2022

KIYO Learning Co., Ltd.

Growth (Tokyo Stock Exchange): 7353

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# **Financial Results Presentation for Q2, Fiscal Year Ending December 2022**

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# FY2022 Q2 Performance Highlights

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- **Net sales increased 30.3% year on year (Q2 cumulative)**  
Sales of 1,252 million yen (up 291 million yen year on year) ;continued high growth
- **Cost increase due to aggressive investment in advertising expenses**  
Operating loss was 331 million yen narrower year on year due to aggressive investments in TV commercials in Q1
- **Net sales increased 26.2% year on year (April-June)**  
April-June net sales of 664 million yen were higher year on year, but short of the target level
- **Studying Business net cash-based sales slowed in Q2**  
Net cash-based sales for the Studying Business increased 23.1% year on year to 1,351 million yen  
New paid members increased by 36.5% year on year to 15,883
- **Corporate education business continued high growth**  
Net sales in the Corporate Education Business increased 54.8% year-on-year to 101 million yen  
Contracted companies with AirCourse increased by +129 versus the end of the previous fiscal year

# FY2022 Q2 (Cumulative)

Net sales increased +30.3% year-on-year to 1,252 million yen

Operating income decreased 331 million yen year on year to -402million yen due to aggressive investment in TV commercials in Q1

(Millions of yen)

Category	FY2021 Q2 (Results)	FY2022 Q2 (Results)	FY2022 (Performance Forecast)*	Year-on- year change	Progress (%)
<b>Revenues</b>	<b>961</b>	<b>1,252</b>	<b>3,200</b>	30.3%	39.1%
Studying Business	896	1,151	2,945	28.5%	39.1%
Corporate Education Business	65	101	255	54.8%	39.6%
<b>Cost of sales</b>	<b>162</b>	<b>199</b>	<b>475</b>	23.0%	42.0%
<b>Gross profit</b>	<b>799</b>	<b>1,053</b>	<b>2,725</b>	31.8%	38.6%
<b>SG&amp;A</b>	<b>871</b>	<b>1,455</b>	<b>2,575</b>	67.1%	56.5%
<b>Operating income</b>	<b>-71</b>	<b>-402</b>	<b>150</b>	-	-
<b>Ordinary income</b>	<b>-72</b>	<b>-405</b>	<b>150</b>	-	-
<b>Net income</b>	<b>-61</b>	<b>-440</b>	<b>149</b>	-	-

\*We revised our performance forecasts as of August 12, 2022. For details, refer to *Difference Between Q2 Performance Forecasts and Results and Revision to Full-Year Earnings Forecasts*.

# Sales by Business Q2 (Cumulative)

Studying Business sales rose +28.5% year on year

Corporate Education Business sales grew significantly, up +54.8% year on year.

(Millions of yen)

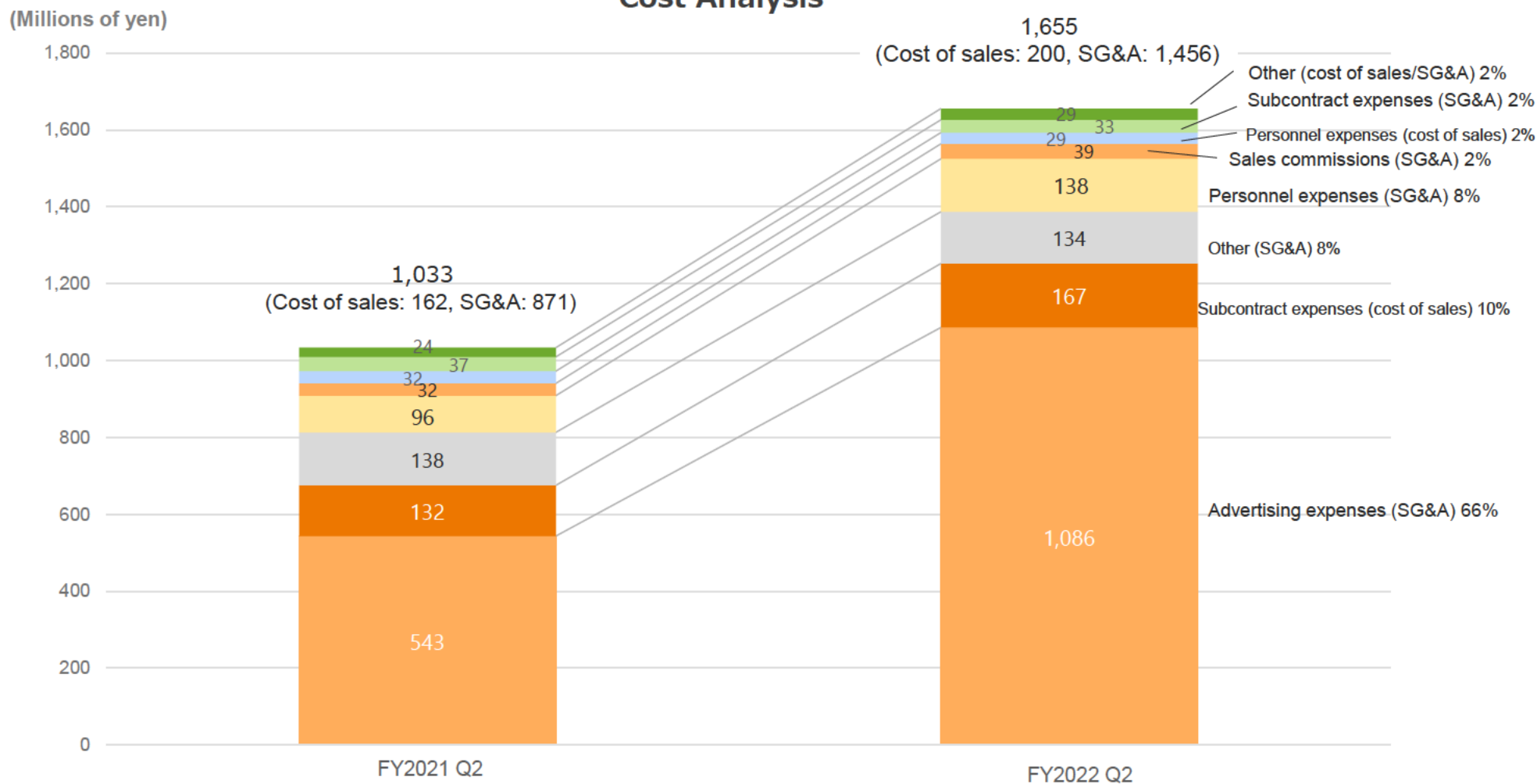
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Studying Business	<b>896</b>	<b>1,151</b>	2,945	28.5%	39.1%
Corporate Education Business	<b>65</b>	<b>101</b>	255	54.8%	39.6%

\*We revised our performance forecast as of August 12, 2022. For details, refer to *Difference Between Q2 Performance Forecasts and Results and Revision to Full-Year Earnings Forecasts*.

# Cost Structure (FY2022 Q2 Cumulative)

Proactive investments in advertising expenses, including TV commercials toward becoming the No.1 company in terms of successful students, and in securing talented personnel toward growth

## Cost Analysis



\* 61 employees (including part-timer) as of June 2022 (+16 year on year)

## Q2 Performance (April-June)

Q2 (April-June) net sales increased +26% year on year to 664 million yen

Q2 operating income (April-June) returned to positive territory at 62 million yen

Studying Business net cash-based sales growth was lower than initially expected, and could not recover, despite additional advertising expenses

Steady growth in our Corporate Education Business at a +60% increase in sales

(Millions of yen)

Category	FY2021 Q2 (Apr-Jun Results)	FY2022 Q2 (Apr-Jun Results)	Year-on- year change
<b>Revenues</b>	<b>526</b>	<b>664</b>	26.2%
Studying Business	<b>492</b>	<b>610</b>	23.9%
Corporate Education Business	<b>33</b>	<b>53</b>	60.9%
<b>Cost of sales</b>	<b>90</b>	<b>101</b>	12.4%
<b>Gross profit</b>	<b>435</b>	<b>562</b>	29.1%
<b>SG&amp;A</b>	<b>440</b>	<b>499</b>	13.4%
<b>Operating income</b>	<b>-4</b>	<b>62</b>	-
<b>Ordinary income</b>	<b>-5</b>	<b>61</b>	-



# KPIs and Topics by Business

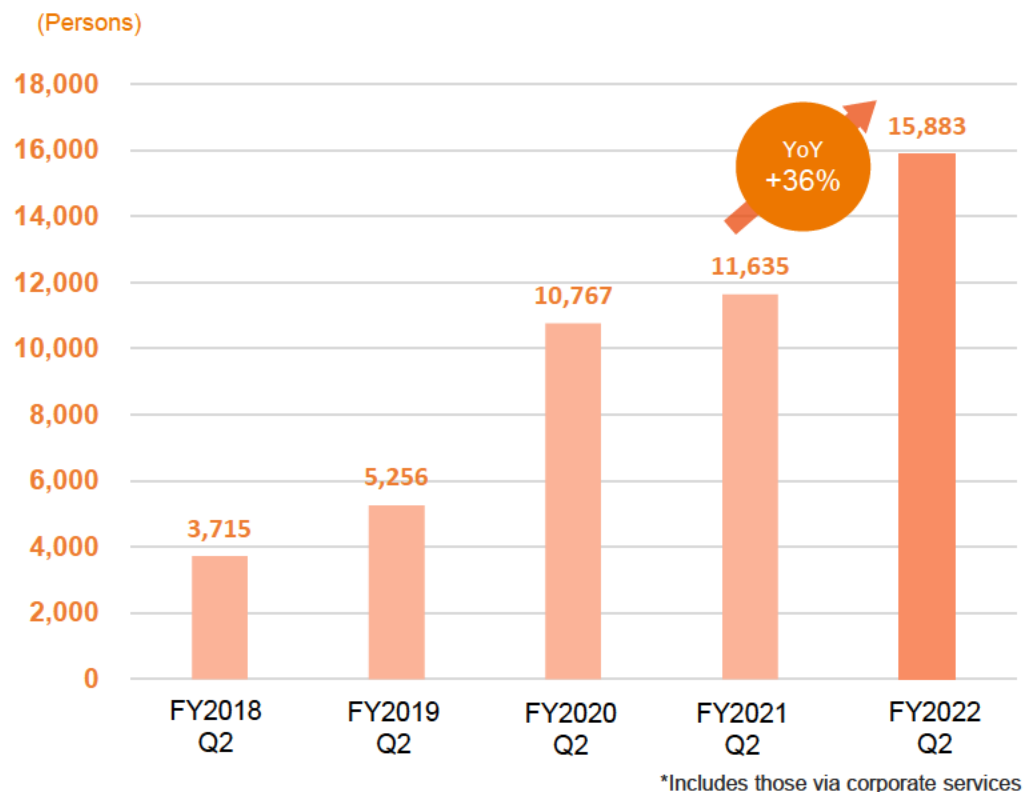
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# Studying Business: KPIs (Apr-Jun Comparison)

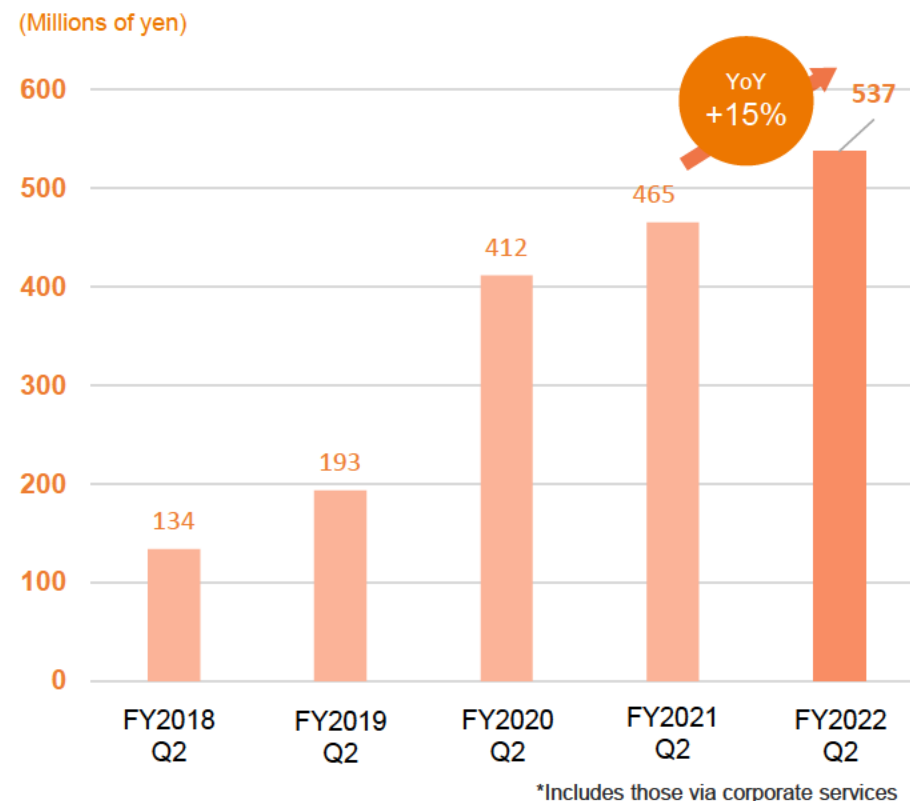
New paid members increased significantly by 36.5% year on year; Studying Business orders via corporations contributed to the increase

Net cash-based sales increased 15.5% year on year, but fell short of the target level

## Number of New Paid Members



## Net Cash-Based Sales



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

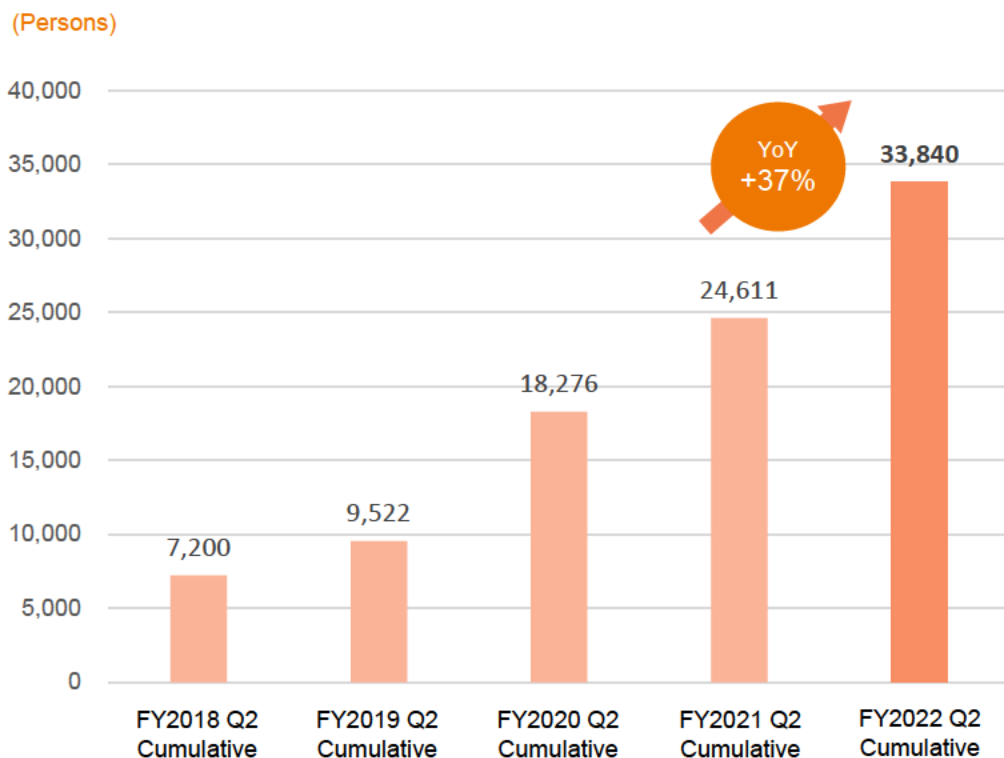
<sup>2</sup> Net cash-based sales refers to the amount of orders received during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)

# Studying Business: KPIs (Jan-Jun Cumulative Comparison)

New paid members increased significantly by 37% year on year; Studying Business orders via corporations contributed to the increase

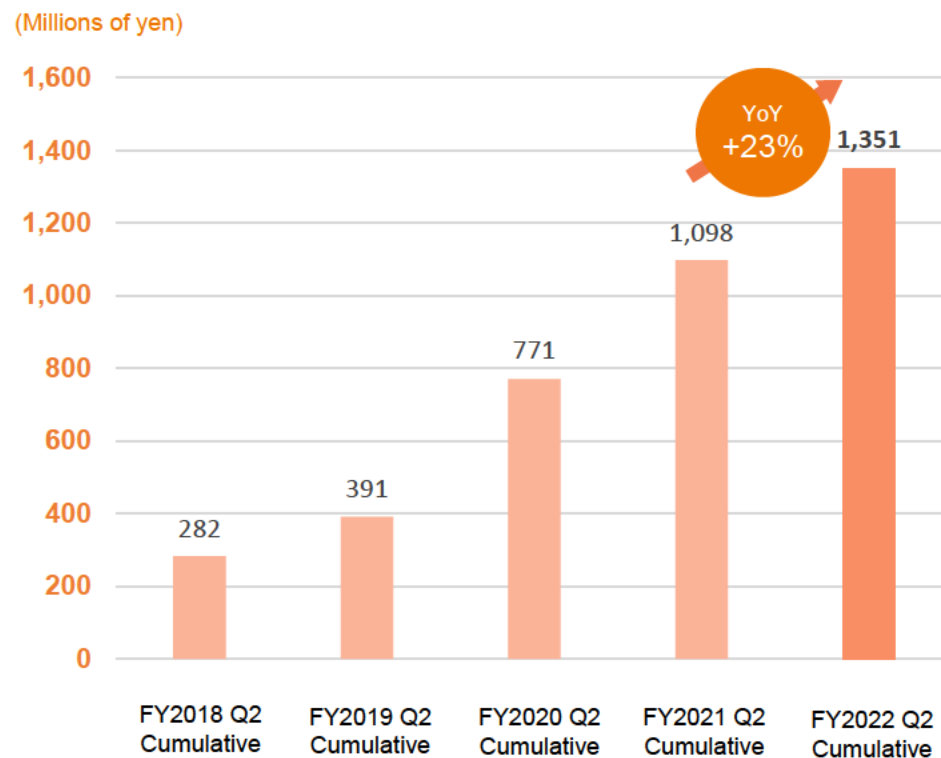
Net cash-based sales grew 23% year on year, but growth slowed as Q2 fell below target level

## Number of New Paid Members



\*Includes those via corporate services

## Net Cash-Based Sales



\*Includes those via corporate services

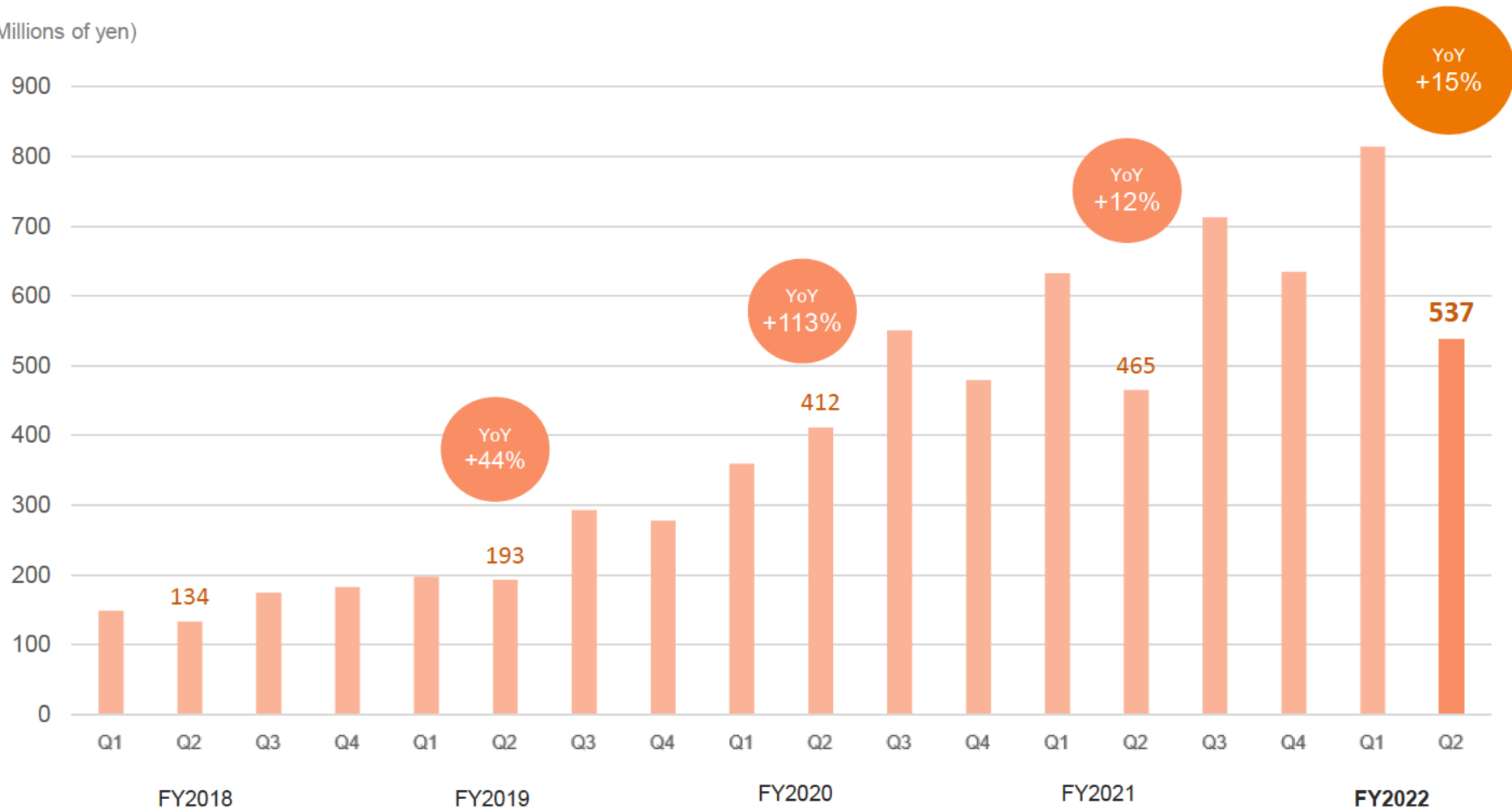
<sup>1</sup> The number of new paid members refers to the number of (unique) paid members newly acquired during the period

<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

Net cash-based sales in Q2 (April-June) increased +15% year on year to 537 million yen  
Even considering that Q2 is generally the slowest cash based quarter of the year, performance we fell short of our target level

(Millions of yen)



<sup>1</sup> Percentage notations show growth rates compared to quarterly net 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.

Net 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.

The contribution ratio in Q2 trended lower than in the previous year (see below for details)

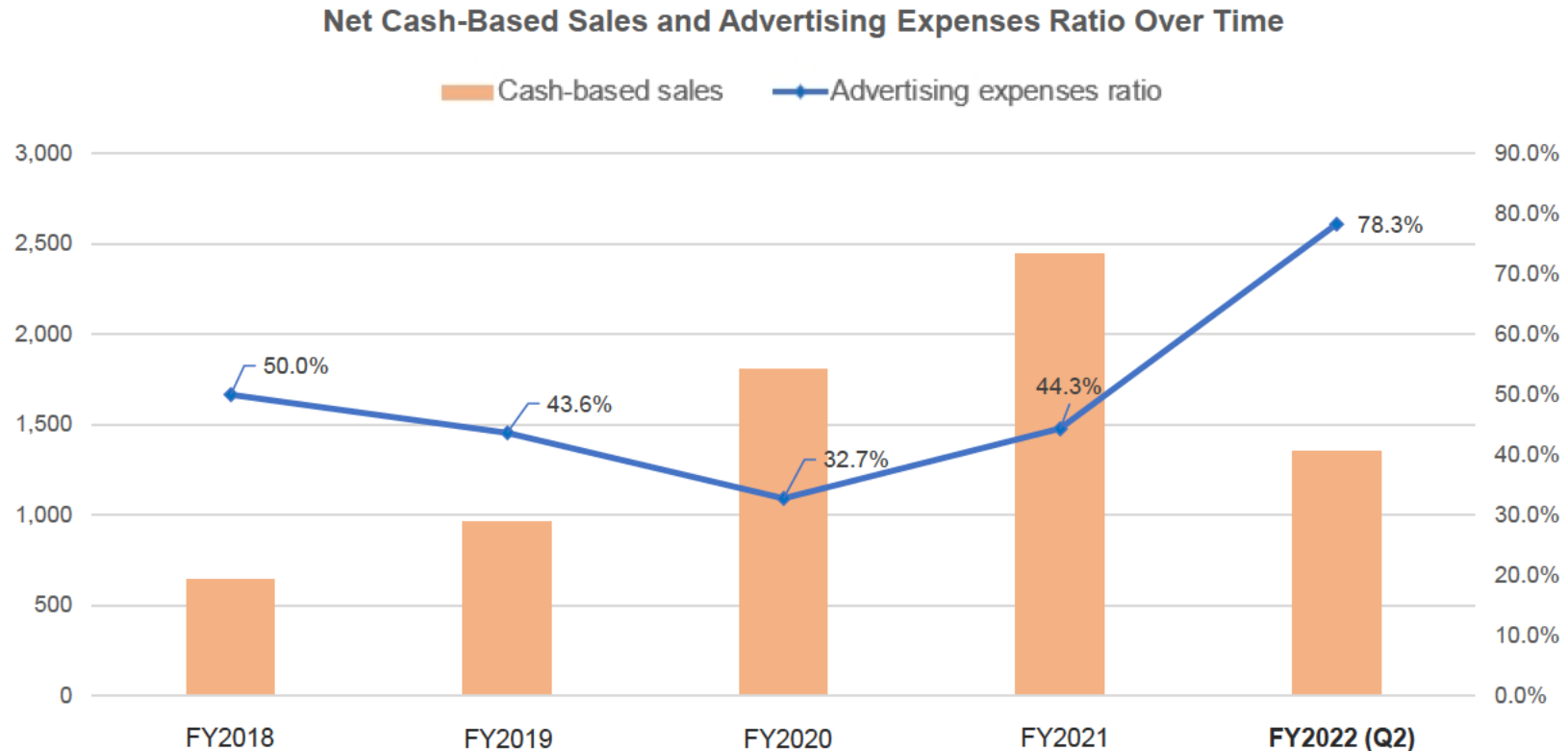
	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
<b>Trends for Company courses</b>	Many people start learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
<b>Net cash-based sales</b>	Sales high at the beginning 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
<b>Accrual-based sales</b>	Since net cash-based sales are apportioned over the long term, contributions from accrual-based sales tends to be small	Net 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 net cash-based sales are apportioned to the next period, the contribution of accrual-based sales to the current period is smaller
<b>Profit trend</b>	Poor	Middling	Great	Good
Ratio of net cash-based sales (quarterly) to accrual-based sales (contribution ratio) *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 ratio\* increased due to aggressive spending in Q1, including TV commercials  
TV commercials have increased awareness of our services

(Millions of yen)



\*Advertising expenses ratio = (Advertising expenses incurred in the Studying Business) ÷ (Net cash-based sales)

\*The same ratio in Q1 was 92.1%.

# 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



## Business Skills

- Consultant Training Course



## Civil Servant

- Civil Servant



## 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

# Studying Business: Release of AI Question Review, Patent No. 7112694

A function that uses AI (machine learning) to automatically provide review questions every day at the optimal timing for each student. The system is being deployed simultaneously across 29 courses.

This is the fourth patent we have acquired related to AI-based learning.



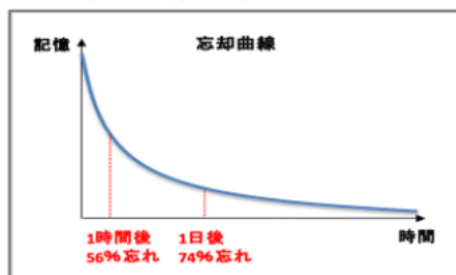
## ■ AI automatically sets the next review date for each question according to the individual's level of understanding

Questions that are answered incorrectly or questions that are answered correctly but found difficult are given at shorter intervals, as the level of student understanding is considered weak

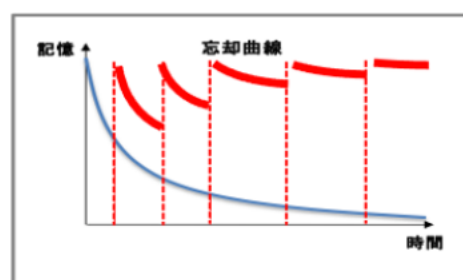
Conversely, questions that are easy for the student will be given at longer intervals

Spending less time on easy questions and more time on incorrect or difficult questions allows students to improve their skills efficiently in shorter periods of time

Humans Forget Over Time



Repetition Leads to Long-Term Memory





# Studying Business: Strengthening the Use of AI (Revisited)

Expanding features to optimize learning individually for each student by using AI and accumulated student data

Enables more efficient learning than the conventional uniform learning

## AI Competency Score (Patent No. 7021758)\*

AI analyzes a vast amount of study history data which is used by AI to predict current exam score if the exam were to be taken at that moment  
Instantly identifies strengths and weaknesses, enabling effective learning



## AI Search

Suggests the best content for questions during study  
The more the system is used, the more useful the search feature becomes



We have already introduced AI competency scores in the following courses, and we plan to extend use gradually to other courses.

Small and Medium Enterprise Management Consultant

Real Estate Broker

Labor and Social Security Attorney

IT Passport

\*A patent for the AI competency score mechanism was granted in February 2022 (Patent No. 7021758).

# Studying Business: Feedback From Successful Students

Compared to the end of 2021, the feedback from successful students increased by +1,562 as of June 2022, representing a significant increase\*

An increase in the number of successful students leads to a sense of security and increased name recognition. This in turn leads to a virtuous cycle of more students and more successful students.



\*After the results of each certification exam are announced, we send a questionnaire to confirm who has passed the exam. We list the exam takers who have contributed testimonials on our website. The number above is the number of testimonials from successful applicants posted on our website.

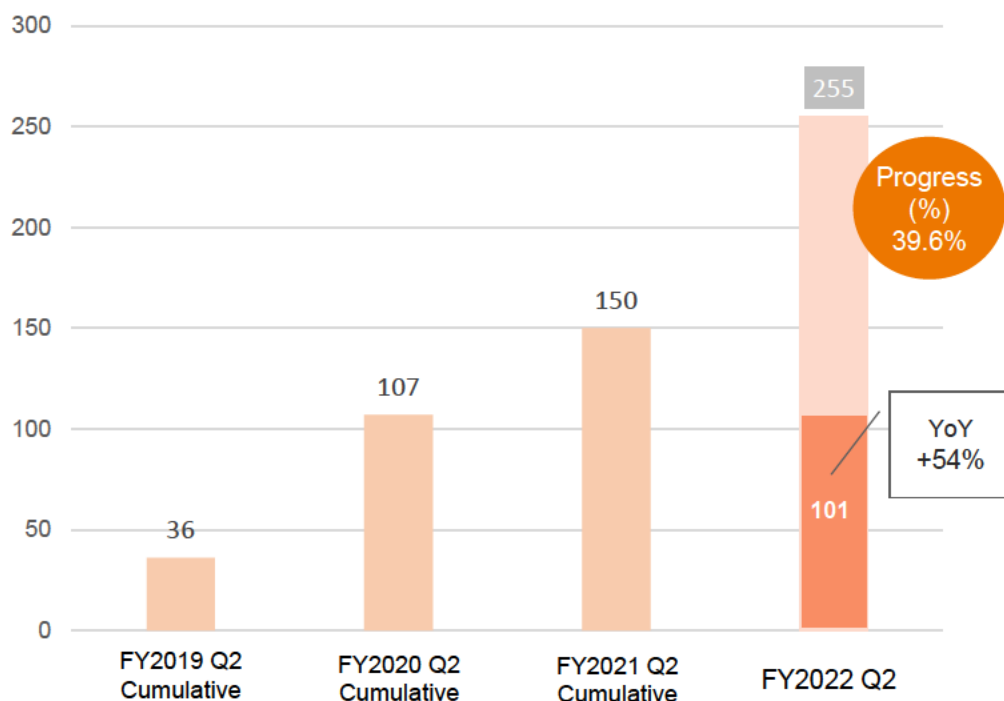
# Corporate Education Business: KPIs

With Corporate Education Business sales growth (+54.8% year on year), the number of AirCourse subscriber companies increased significantly (+129 companies year on year)

Average churn rate\* for AirCourse in Q2 FY2022 improved at 1.51%, reflecting the development of a stock business model with a high retention rate

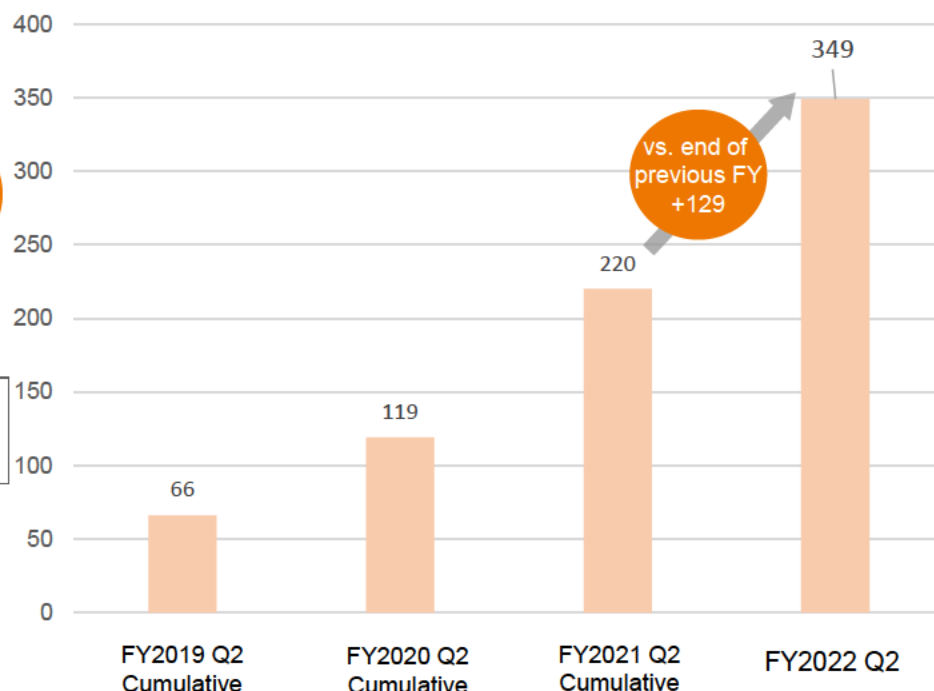
## Corporate Education Business Sales

(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 and increased use of the system after adoption. Increase in expertise in employee training through successful customer case studies across a wide range of industries, 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!

Gurunavi, Inc.



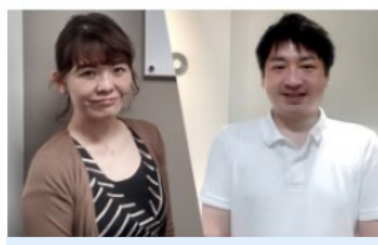
Growing our organization and strengthening our education system!

MS-Japan Inc,



Achieved 50% reduction in training work time by introducing AirCourse

Renoveru, Inc.



E-learning across a wide range of topics supports career development for our employees

Serio Inc.



E-learning offers a win-win educational environment for students and instructors

FUJI SANGYO CO., LTD.



AirCourse provides educational opportunities for all employees, even when not every employee has their own PC

FRESTA Co., Ltd



We are eliminating lost opportunities by using video content and e-learning in response to increasing requests from around the country

Human Capital Consulting Corporation

# Corporate Education Business: Strengthen System Functions for Large Companies

Release of new AirCourse features that meet the needs of large companies

## Learning Pass (released in May)

Multiple courses may be combined to create a systematic curriculum

Standard Learning Pass now also available

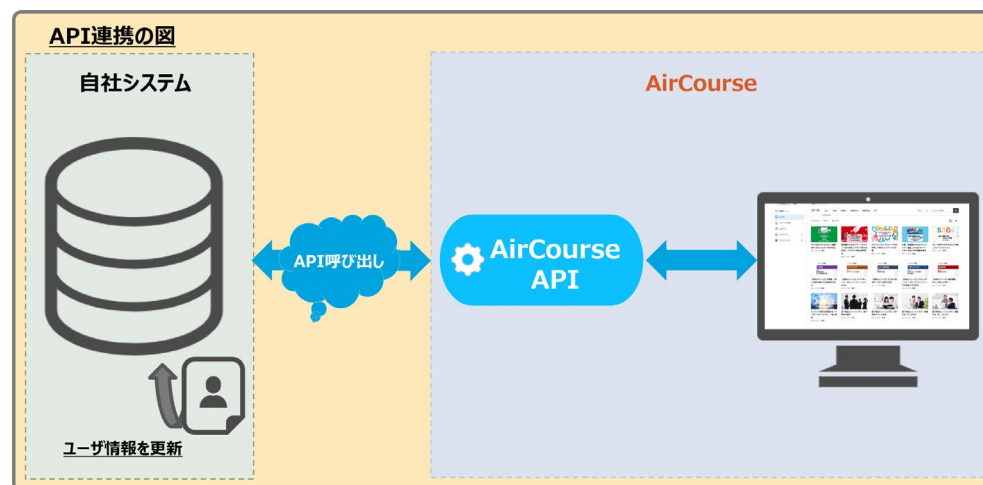
## AirCourse API (released in June)

AirCourse may be linked to external systems

Automation and reduction of labor-hours for updating user information

We will continue to develop platforms

### 学習パスを用いた場合 (例) ビジネスマナー教育



## UI/UX Redesign (released in January)

Made administration and course screens more intuitive and easy to use

## Strengthened IP address restrictions and login passwords (released in May)

Stronger security



# Corporate Education Business: Major Expansion of Standard Courses

Significantly expanded the number of courses offered from 405 at the end of December 2021 to 552 (+147) at the end of July 2022

Actively expanding content to include practical work-based courses related to IT skills, harassment, MBA series, mental health, Revised Act on the Protection of Personal Information, and insider training

## 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



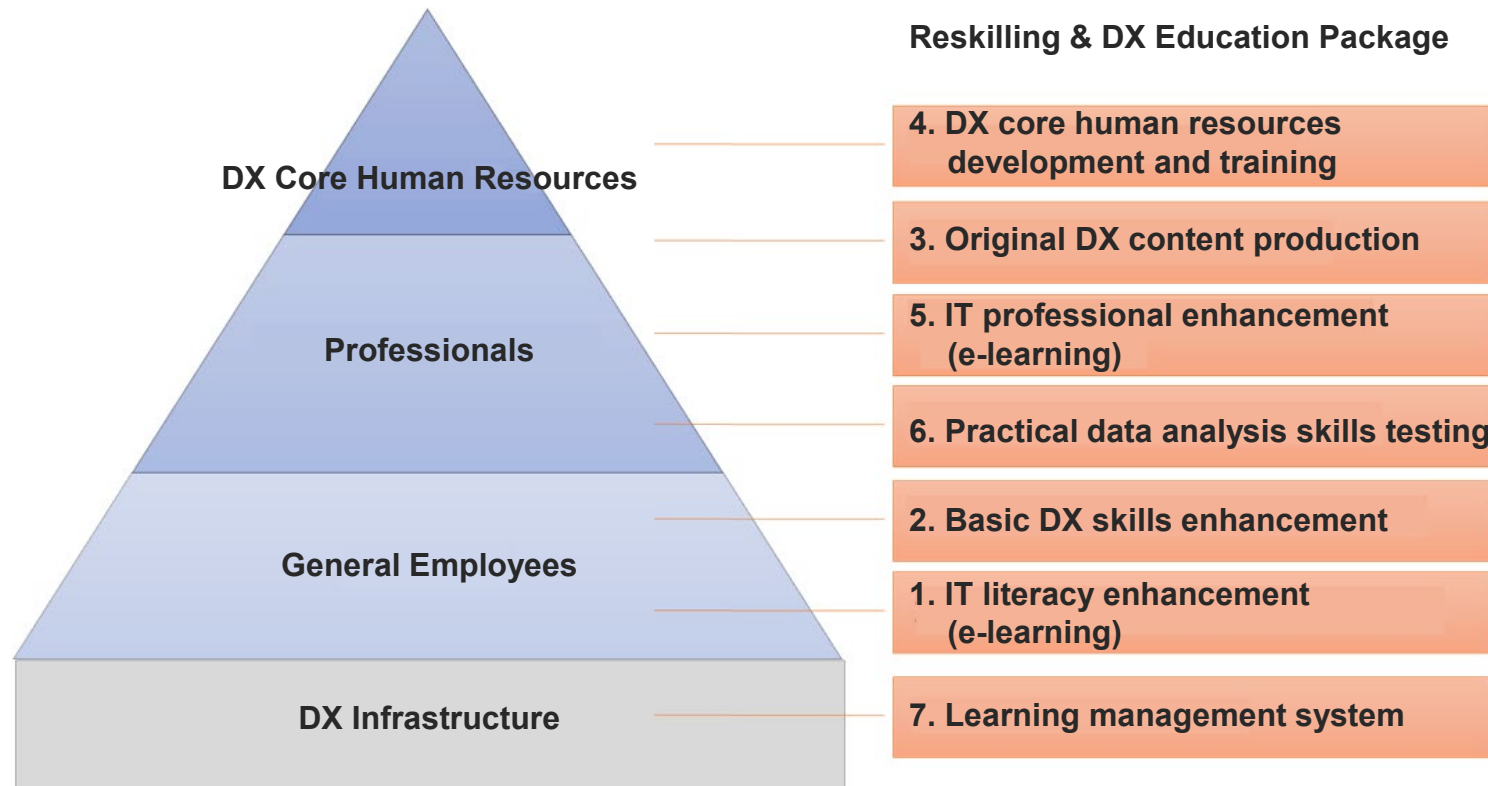
Sales



Human resources and  
labor relations

# Reskilling and DX Education Package Launch\* (Revisited)

- 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

# **FY2022 Performance Forecast Revisions and Future Measures**

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# FY2022 Performance Forecast Revisions

## Difference Between Forecasts and Results for the Cumulative Consolidated Second Quarter (January 1, 2022 to June 30, 2022)

	Revenues	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous Forecast (A) (Announced February 14, 2022)	<b>1,333</b>	<b>-314</b>	<b>-316</b>	<b>-268</b>	<b>-39.79</b>
Results (B)	<b>1,252</b>	<b>-402</b>	<b>-405</b>	<b>-440</b>	<b>-65.26</b>
Increase/Decrease (B-A)	<b>-80</b>	<b>-87</b>	<b>-88</b>	<b>-171</b>	—
Change (%)	<b>-6.1</b>	—	—	—	—
Prior-Year Q2 Results (FY2021 Q2)	<b>961</b>	<b>-71</b>	<b>-72</b>	<b>-61</b>	<b>-9.30</b>

\*Revision ratio of 64.1%; therefore, we revised quarterly net income

## Full-Year Performance Forecast Revisions (January 1, 2022 to December 31, 2022)

	Revenues	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous Forecast (A) (Announced February 14, 2022)	<b>3,200</b>	<b>150</b>	<b>150</b>	<b>149</b>	<b>22.11</b>
Forecast (B)	<b>2,820</b>	<b>-255</b>	<b>-255</b>	<b>-291</b>	<b>-43.21</b>
Increase/Decrease (B-A)	<b>-380</b>	<b>-405</b>	<b>-406</b>	<b>-440</b>	—
Change (%)	<b>-11.9</b>	—	—	—	—
(Reference) Prior-year results (FY2021)	<b>2,262</b>	<b>148</b>	<b>148</b>	<b>124</b>	<b>18.62</b>

# FY2022 Main Revisions to Performance Forecasts

## Main Revisions to Full-Year Performance Forecasts

- Decrease in net sales -380 million yen
- Weakening operating income (loss): -405 million yen
- Net sales +558 million yen (+24%)

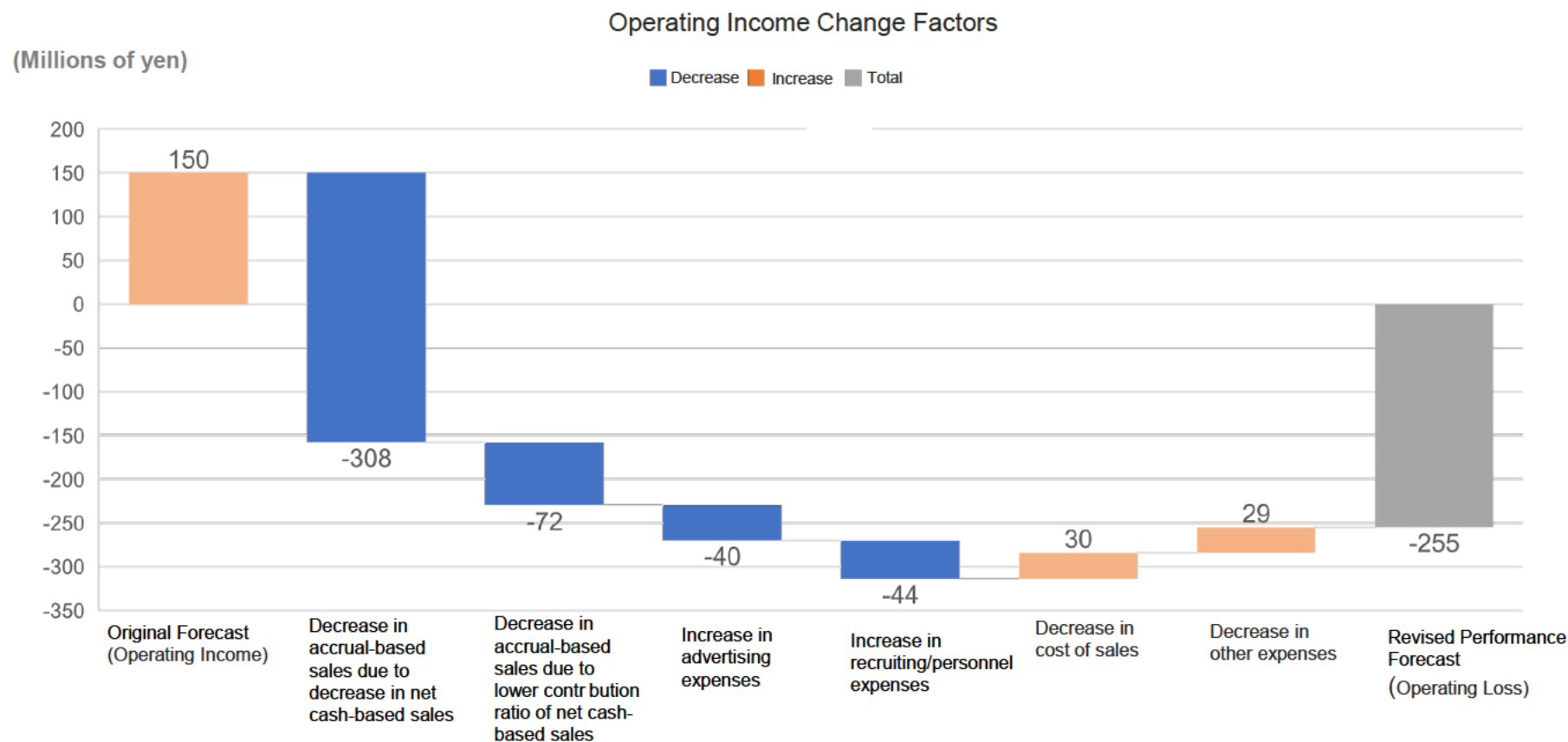
(Millions of yen)

Category	FY2022 (Performance Forecast)	FY2022 (Performance Forecast Revisions)	Change	Change (%)
<b>Revenues</b>	<b>3,200</b>	<b>2,820</b>	<b>-380</b>	-11.9%
Studying Business	2,945	<b>2,565</b>	-380	-12.9%
Corporate Education Business	255	<b>255</b>	0	0.0%
<b>Cost of sales</b>	<b>475</b>	<b>444</b>	<b>-30</b>	-6.4%
<b>Gross profit</b>	<b>2,725</b>	<b>2,375</b>	<b>-350</b>	-12.8%
<b>SG&amp;A</b>	<b>2,575</b>	<b>2,631</b>	<b>55</b>	2.2%
<b>Operating income</b>	<b>150</b>	<b>-255</b>	<b>-405</b>	-
<b>Ordinary income</b>	<b>150</b>	<b>-255</b>	<b>-406</b>	-
<b>Net income</b>	<b>149</b>	<b>-291</b>	<b>-440</b>	-

## FY2022 Main Factors Behind Performance Forecast Revisions

The main negative factors behind our performance forecast (operating income) revisions include a decrease in net cash-based sales causing a decrease in accrual-based sales (-308 million yen), a decrease in contribution ratio of net cash-based sales during the period causing a decrease in accrual-based sales (-72 million yen), an increase in advertising expenses (-40 million yen), and an increase in recruiting/personnel expenses (-44 million yen).

Positive factors include a decrease in cost of sales and a decrease in other expenses (+59 million yen).



# Analysis of Factors Behind Performance Forecast Revision (1)

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## Decrease in accrual-based sales due to decrease in net cash-based sales (impact of -308 million yen)

We expect the following two factors have a negative impact on our performance forecast for accrual-based sales.

### 1. Decline in Q2 net cash-based sales

- We experienced slow performance for free registrations in Q2 for certain courses, resulting in only a 15.5% year-on-year increase in net cash-based sales.
- We attempted to increase net cash-based sales by increasing advertising expenses, but results did not reach the pace we expected.

### 2. Decrease in projected net cash-based sales in the second half of the year

- The pace of net cash-based sales is currently recovering in response to short-term measures designed to strengthen online marketing.
- However, certain measures will require time to take effect, and we expect to take some time to return to the pace we expect. As a result, we expect net cash-based sales to be lower than initial forecast, particularly in the first part of the second half.
- The ratio of net cash-based sales to accrual-based sales (contribution ratio) will decrease in the second half of the year. In Q4, in particular, we expect the contribution ratio to be 15%-25% based on past years' trends; even if net cash-based sales increase in Q4, we do not expect such sales to contribute much, and we do not forecast an increase in accrual-based sales.

## Analysis of Factors Behind Performance Forecast Revision (2)

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### Decrease in accrual-based sales due to lower contribution ratio of net cash-based sales (impact of -72 million yen)

- Accrual-based sales decreased in Q2 due to a smaller-than-expected contribution ratio from net cash-based sales to current-period accrual-based sales.
- We expect the same trend was expected to continue in the second half of the year, weighing down on accrual-based sales for the full year.
- The main reason for this decline was that the duration of courses sold was longer than expected.
  - When a course is sold (posted as net cash-based sales), we record accrual-based sales in equal monthly installments until the course expiration date. Therefore, if a course expires in the following year, a portion of the net cash-based sales will be recorded as accrual-based sales for the current year and the remainder will be accrual-based sales for the next year.
  - Currently, courses with longer course durations are selling better than initially expected. Assuming that this trend continues for the foreseeable future, the percentage of accrual-based sales (contribution ratio) to be recorded in the current period will be lower than our initial assumption, resulting in lower estimated accrual-based sales for the current period.

## **Analysis of Factors Behind Performance Forecast Revision (3)**

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### **Increase in advertising expenses (impact of -40 million yen)**

- Advertising expenses increased in Q2 over the short term as we took measures to compensate for the decline in net cash-based sales.
- We plan to maintain total advertising expenses at initial budget levels over the second half of the fiscal year, as we found that improving web pages and advertising is more effective than simply increasing advertising expenses.

### **Increase in recruiting/personnel expenses (impact of -44 million yen)**

- To date, recruiting has been nearly in line with plan.
- At the same time, we intend to hire high-level personnel with more experience in marketing and product development to strengthen sales and product capabilities. We believe this will lead to high growth in the next fiscal year and beyond. To this end, we intend to increase recruitment/personnel expenses.

### **Decrease in cost of sales and certain other expenses (impact of +59 million yen)**

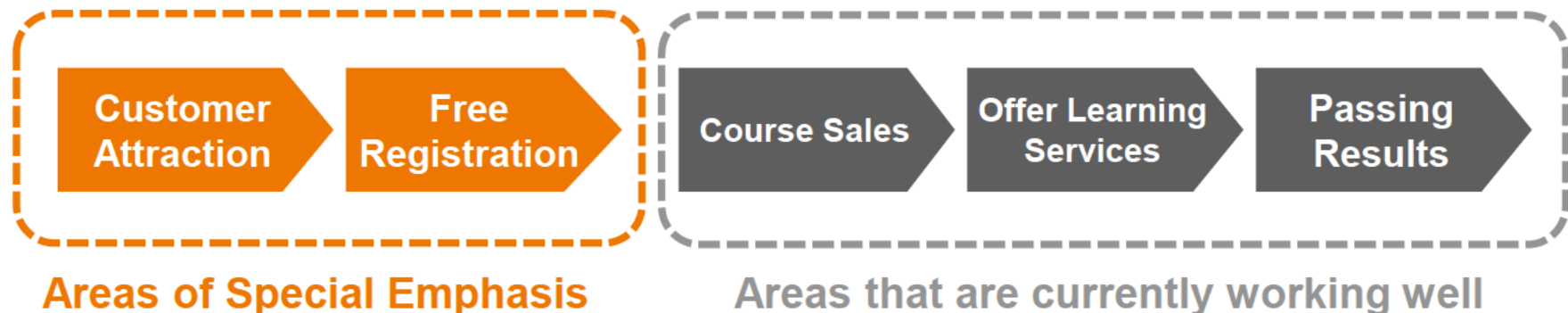
- We plan to reduce costs by improving efficiency in content development, operations, etc.

# Future Measures (1)

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## Increase sales through stronger marketing

- We believe the main reason for the slowdown in the pace of sales growth was the sluggish growth in free membership registrations (number of trial courses registered). Sales have proved to be steady after we capture a free membership registration. Therefore, the key point is to increase the number of free membership registrations.
- Therefore, the company plans to increase sales by strengthening marketing measures, such as Web advertising and measures to attract customers, to increase the number of free membership registrations.
- We intend to build a strong marketing system by hiring several professionals with extensive marketing experience, as well as by working with an advertising agency.



## Future Measures (2)

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### **Pursue ease of success for students by strengthening products, aiming to become No. 1 in the number of successful students**

- Aim to become No. 1 in the number of successful students by strengthening products to make our services even easier to learn, understand, and continue.
- Further optimize individualized learning using AI for efficient learning tailored to an individual's level of understanding.
- Increase the number of courses compatible with the Q&A service (question-and-answer service) to prevent students from becoming stumped if they do not understand a part of the course.
- Increase motivation to study and keep studying through the study buddy function, etc.
- Review the study content and curriculum to enable students to pass the exam more efficiently.



## Future Measures (3)

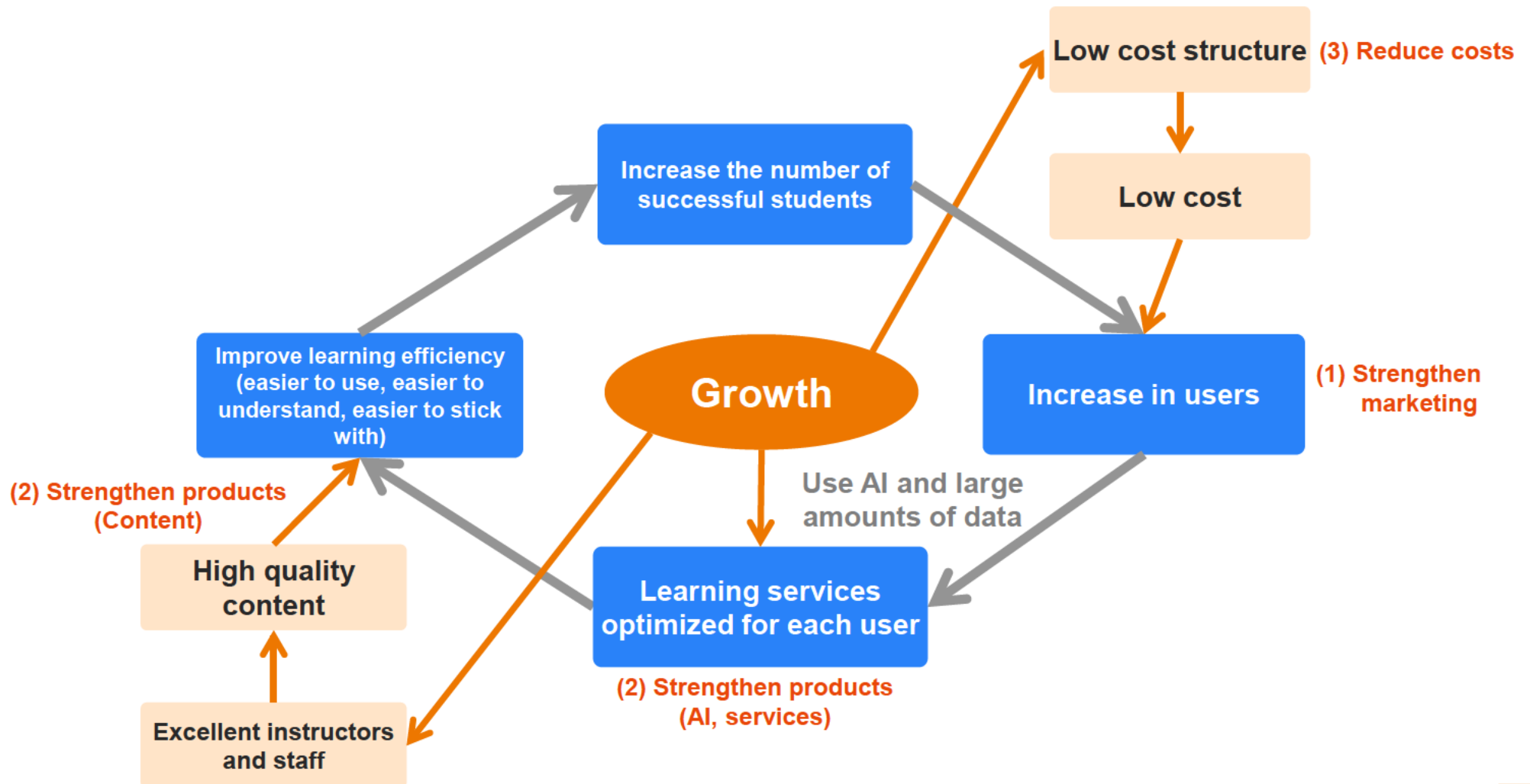
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### Review course development and management operations to reduce costs

- The Company operates our business by utilizing an in-house system for course development, revision, sales, and operations. We intend to reduce costs further by reviewing these development, revision, sales, and operation tasks, as well as by reducing wasteful work to improve work efficiency.
- Increase profits by reducing the above-mentioned regular costs.

## Growth Cycle: Overview of Future Measures

We expect to increase sales and profits by implementing three measures: (1) Strengthen marketing; (2) Strengthen products; and (3) Reduce costs.



# Impact on Medium-Term Management Plan 2023

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On February 12, 2021, the Company formulated and announced our Medium-Term Management Plan 2023. On February 14, 2022, we announced an updated version of the plan.

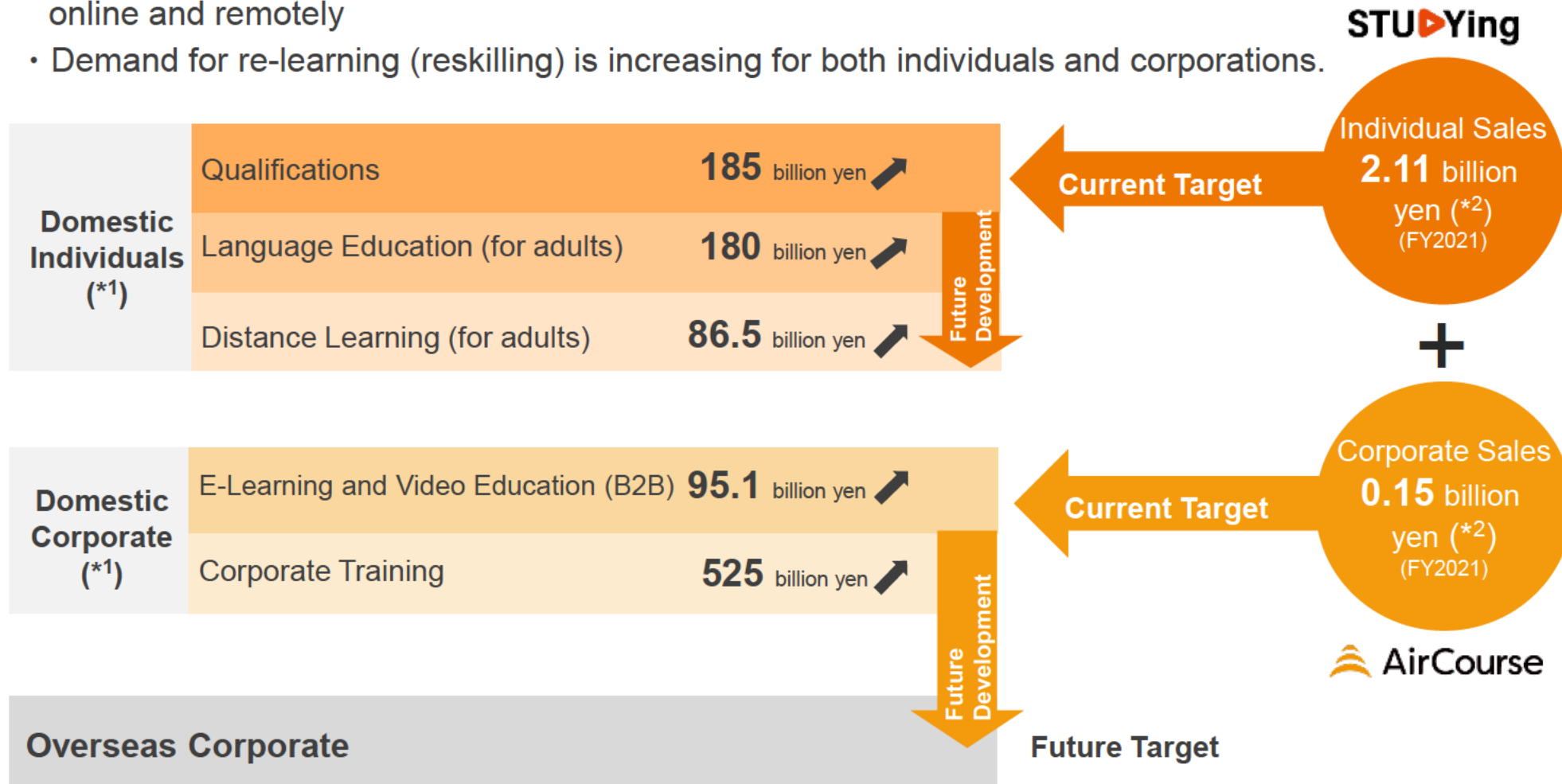
We have no plans at present to change our FY2023 performance forecast included in our Medium-Term Management Plan 2023. However, we will revise our plans as necessary and appropriate, as we must assess the recovery of business performance in FY2022 Q3 and later (based on measures discussed above), the future market environment, etc.

# **Supplementary Materials Future Policies (Revisited)**

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# 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

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## **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

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## 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

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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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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.

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