

Financial Results Presentation for Q3, Fiscal Year Ending December 2022

November 2022

KIYO Learning Co., Ltd.

Growth (Tokyo Stock Exchange): 7353

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Financial Results Presentation for Q3, Fiscal Year Ending December 2022

FY2022 Q3 Performance Highlights

- **Net sales increased 23% year on year (Q3 cumulative)**

Net sales of 2,093 million yen (up 403 million yen year on year), continued high growth

- **Advertising expense ratio was lower compared with Q2**

Operating loss was 234 million yen (-307 million year on year), mainly due to aggressive investments in TV commercials in Q1

- **Studying Business net cash-based sales began to recover in Q3**

Net cash-based sales for the Studying Business increased 17.1% year on year to 835 million yen

New paid members increased by 37.5% year on year to 18,055

- **Corporate education business continued high growth**

Net sales in the Corporate Education Business increased 52.6% year-on-year to 164 million yen

Contracted companies with AirCourse increased by +168 versus the end of the previous fiscal year

FY2022 Q3 (Cumulative)

Net sales increased +23.8% year-on-year to 2,093 million yen

Operating loss improved over Q2 but fell 307 million year on year, amounting to -234 million yen

Performance is strong compared with our revised performance forecast published on 8/12

(Millions of yen)

Category	FY2021 Q3 (Results)	FY2022 Q3 (Results)	FY2022 (Performance Forecast)*	Year-on- year change	Progress (%)
Revenues	1,690	2,093	2,820	23.8%	74.2%
Studying Business	1,582	1,928	2,565	21.9%	75.2%
Corporate Education Business	107	164	255	52.6%	64.4%
Cost of sales	274	309	444	12.7%	69.6%
Gross profit	1,416	1,783	2,375	25.9%	75.1%
SG&A	1,342	2,017	2,631	50.3%	76.7%
Operating income	73	-234	-255	-	-
Ordinary income	72	-238	-255	-	-
Net income	61	-274	-291	-	-

*We revised our performance forecasts as of August 12, 2022.

Sales by Business Q3 (Cumulative)

Studying Business sales rose +21.9% year on year

Year-on-year increase in Q3 net cash-based sales was higher than the Q2 increase year on year

Corporate Education Business sales continued to rise significantly at +52.6% year on year

(Millions of yen)

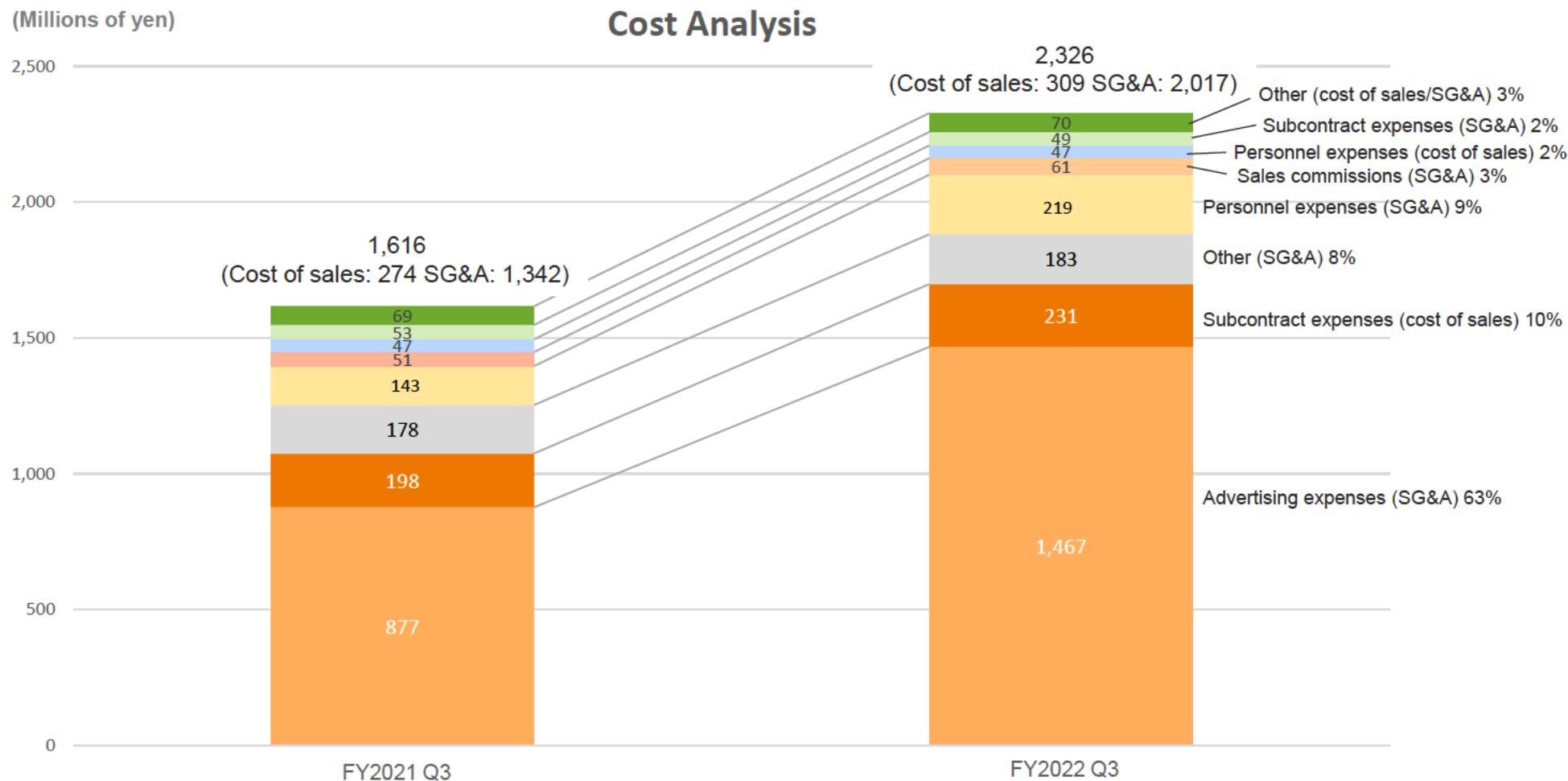
Category	FY2021 Q3 (Results)	FY2022 Q3 (Results)	FY2022 (After Performance Forecast Revisions)*	Year-on- year change	Progress (%)
Revenues	1,690	2,093	2,820	23.8%	74.2%
Studying Business	1,582	1,928	2,565	21.9%	75.2%
Corporate Education Business	107	164	255	52.6%	64.4%

*We revised our performance forecast as of August 12, 2022.

Cost Structure (FY2022 Q3 Cumulative)

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

Advertising expense ratio was lower compared with Q2



*63 employees (including part-timer) as of September 2022 (+18 year on year; 59% male, 41% female)

Q3 Performance (Jul-Sep)

Q3 (July-September) net sales increased +15.3% year on year to 840 million yen

Q3 (July-September) operating income amounted to 168 million yen in conjunction with strong net cash-based sales

Steady growth in our Corporate Education Business at a +49.5% increase in sales

(Millions of yen)

Category	FY2021 Q3 (Jul-Sep Results)	FY2022 Q3 (Jul-Sep Results)	Year-on- year change
Revenues	729	840	15.3%
Studying Business	686	777	13.3%
Corporate Education Business	42	63	49.5%
Cost of sales	109	110	1.2%
Gross profit	619	730	18.0%
SG&A	473	562	18.8%
Operating income	145	168	15.9%
Ordinary income	145	166	14.9%

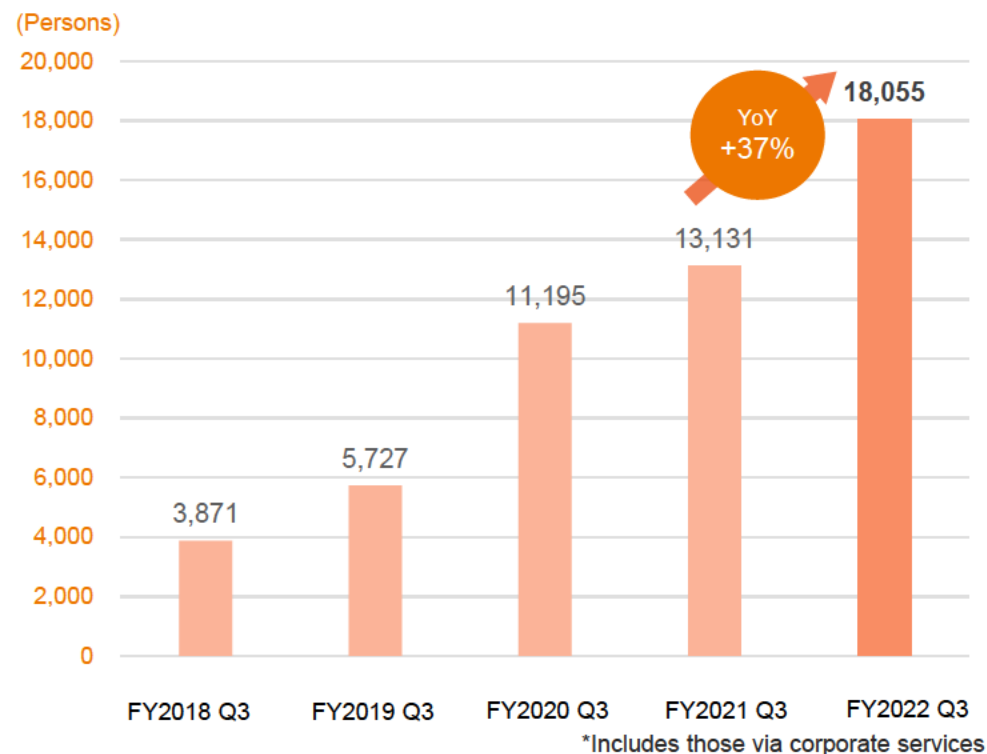
KPIs and Topics by Business

Studying Business: KPIs (Jul-Sep Comparison)

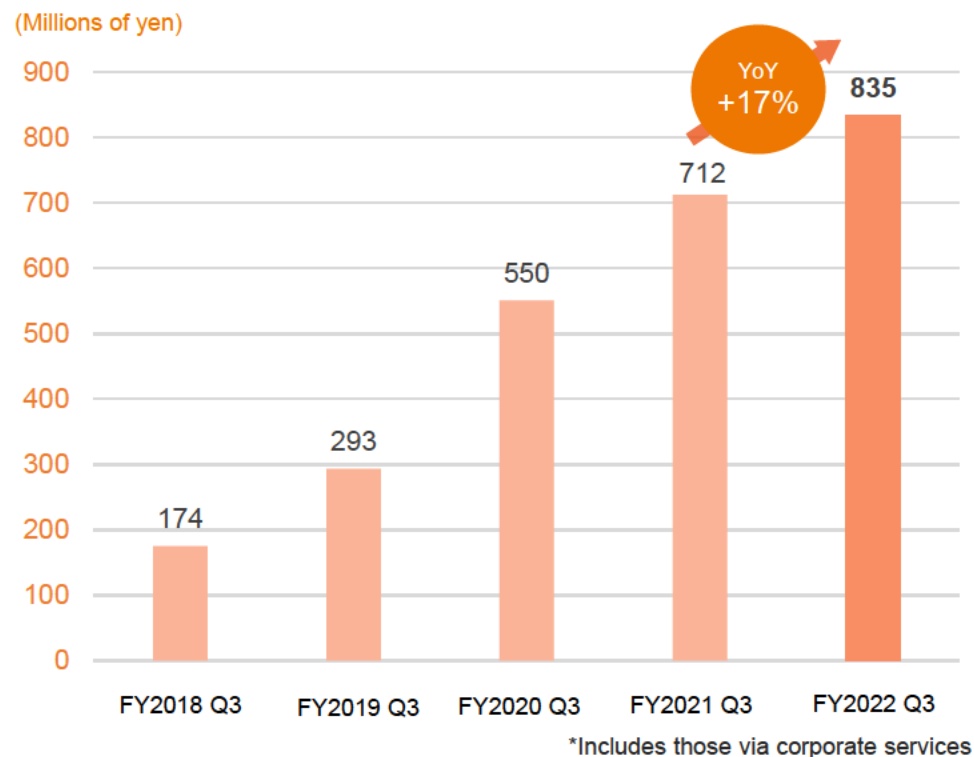
New paid members increased significantly by 37.5% year on year; Studying Business orders via corporations contributed to the increase

Net cash-based sales increased 17.1% year on year; growth trending higher than Q2 year-on-year rate (+15%)

Number of New Paid Members



Net Cash-Based Sales



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

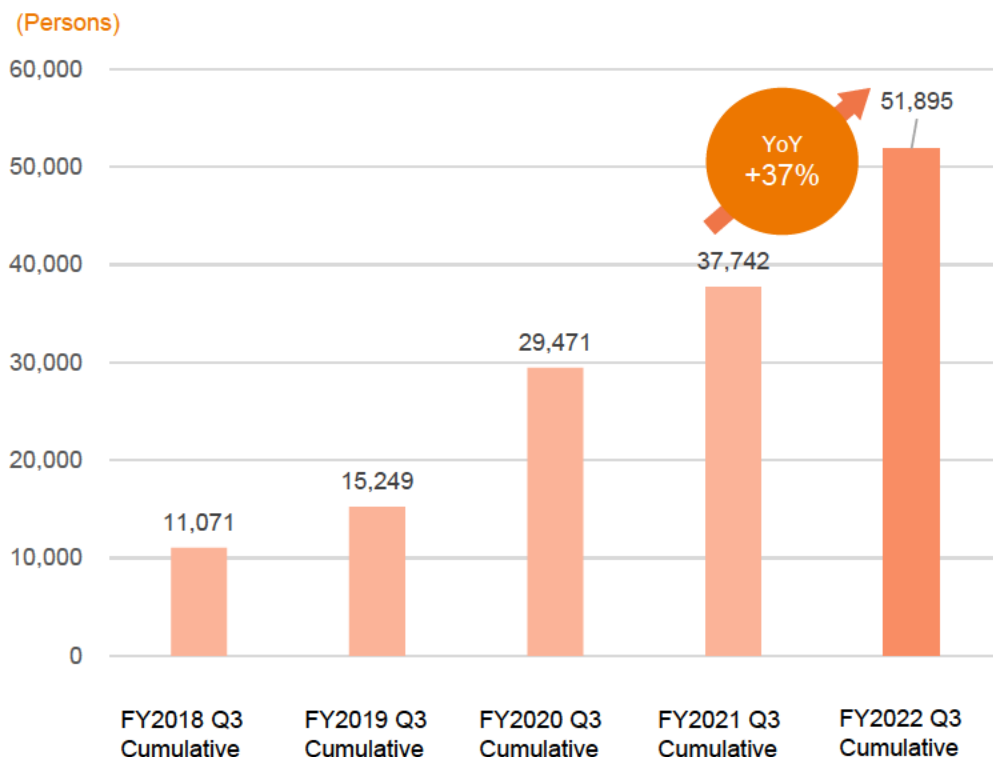
² Net cash-based sales refers to the amount of orders received during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)

Studying Business: KPIs (Jan-Sep Cumulative Comparison)

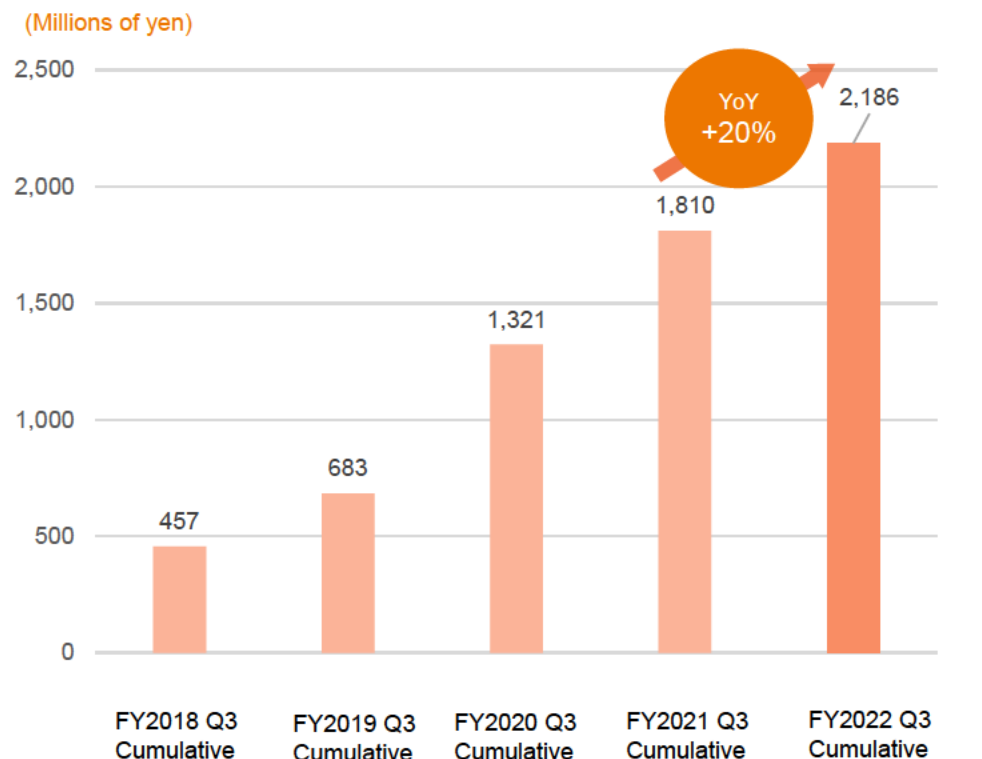
New paid members (cumulative) increased significantly by 37.5% year on year; Studying Business orders via corporations contributed to the increase

Net cash-based sales grew 20.8% year on year, outperforming projected growth in our revised performance forecasts

Number of New Paid Members



Net Cash-Based Sales



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

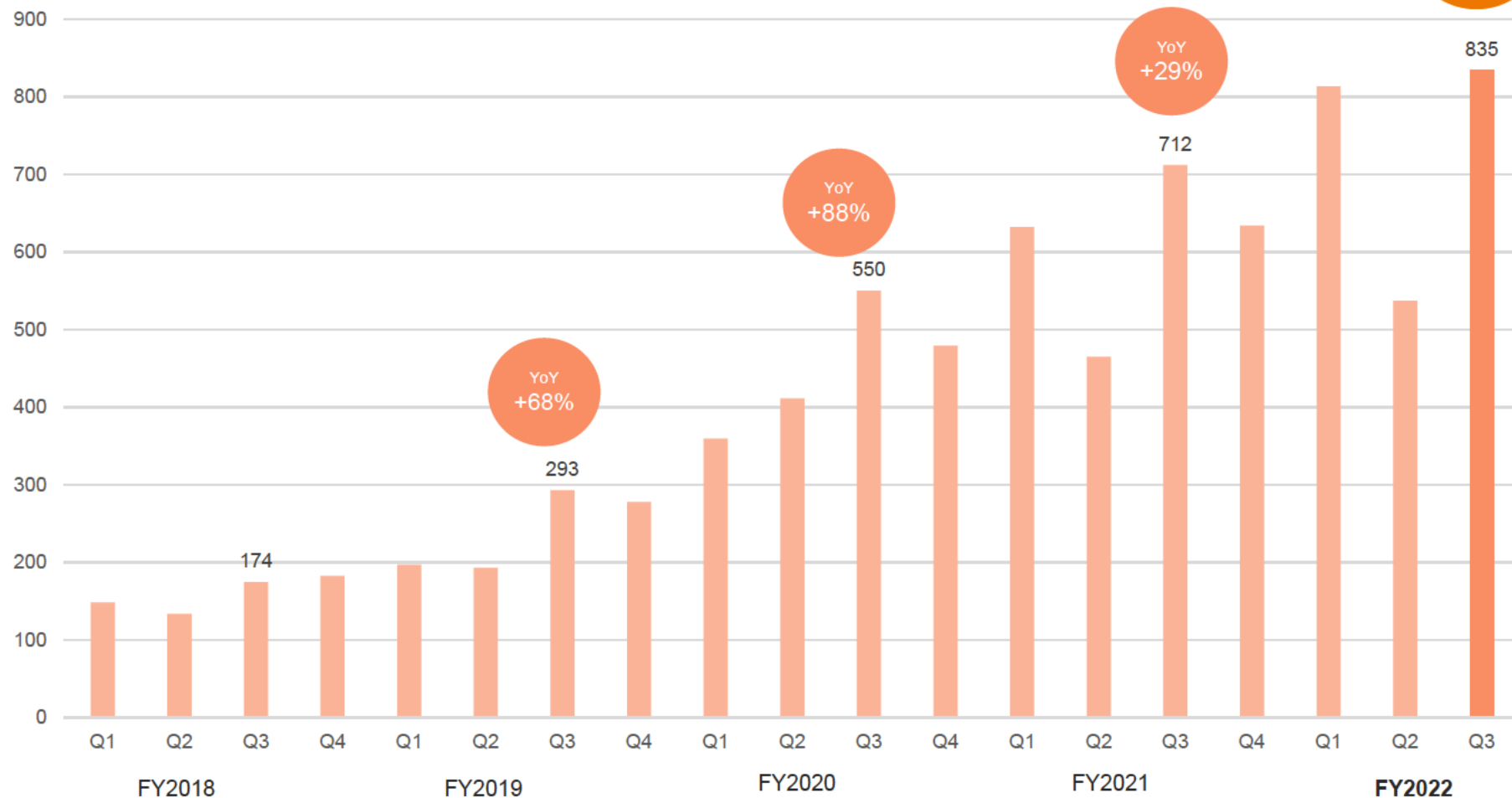
² Net cash-based sales refers to the amount of orders received during the period (net sales are apportioned across periods over the periods of the corresponding courses taken)

Studying Business: Quarterly Net Cash-Based Sales Over Time

Net cash-based sales in Q3 (July-September) increased +17.1% year on year to 835 million yen

We achieved a quarterly record high for net cash-based sales

(Millions of yen)



¹ 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

	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
Net 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 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
Profit trend	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%

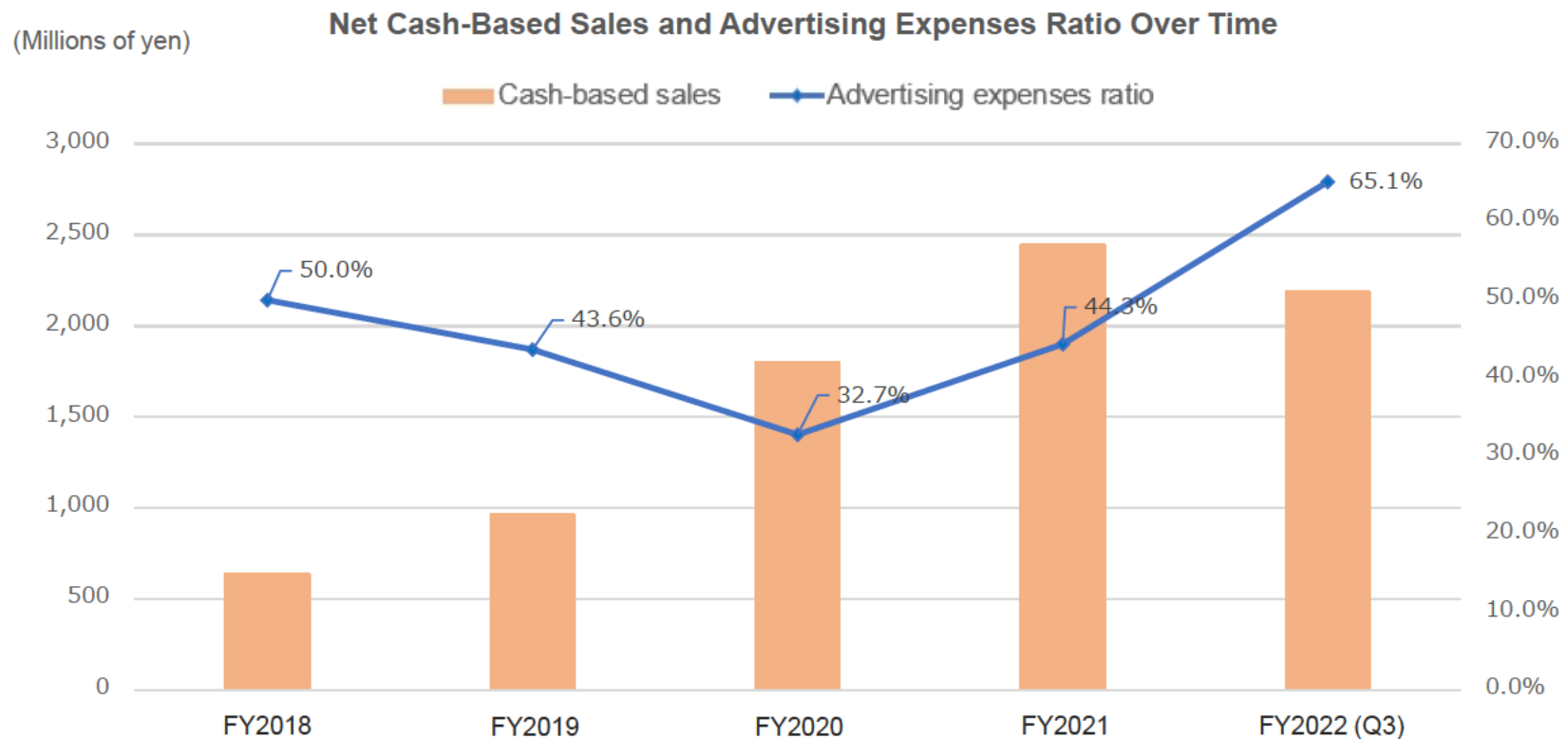
*The average range above is the average range of the previous fiscal year; there is no guarantee that the trend noted will be the same in future years.

Studying Business: Advertising Expenses Ratio

Advertising expense ratio* rose higher than in past fiscal years due to aggressive spending in Q1 on TV commercials

TV commercials have increased awareness of our services

Advertising expense ratio decreased compared with Q2



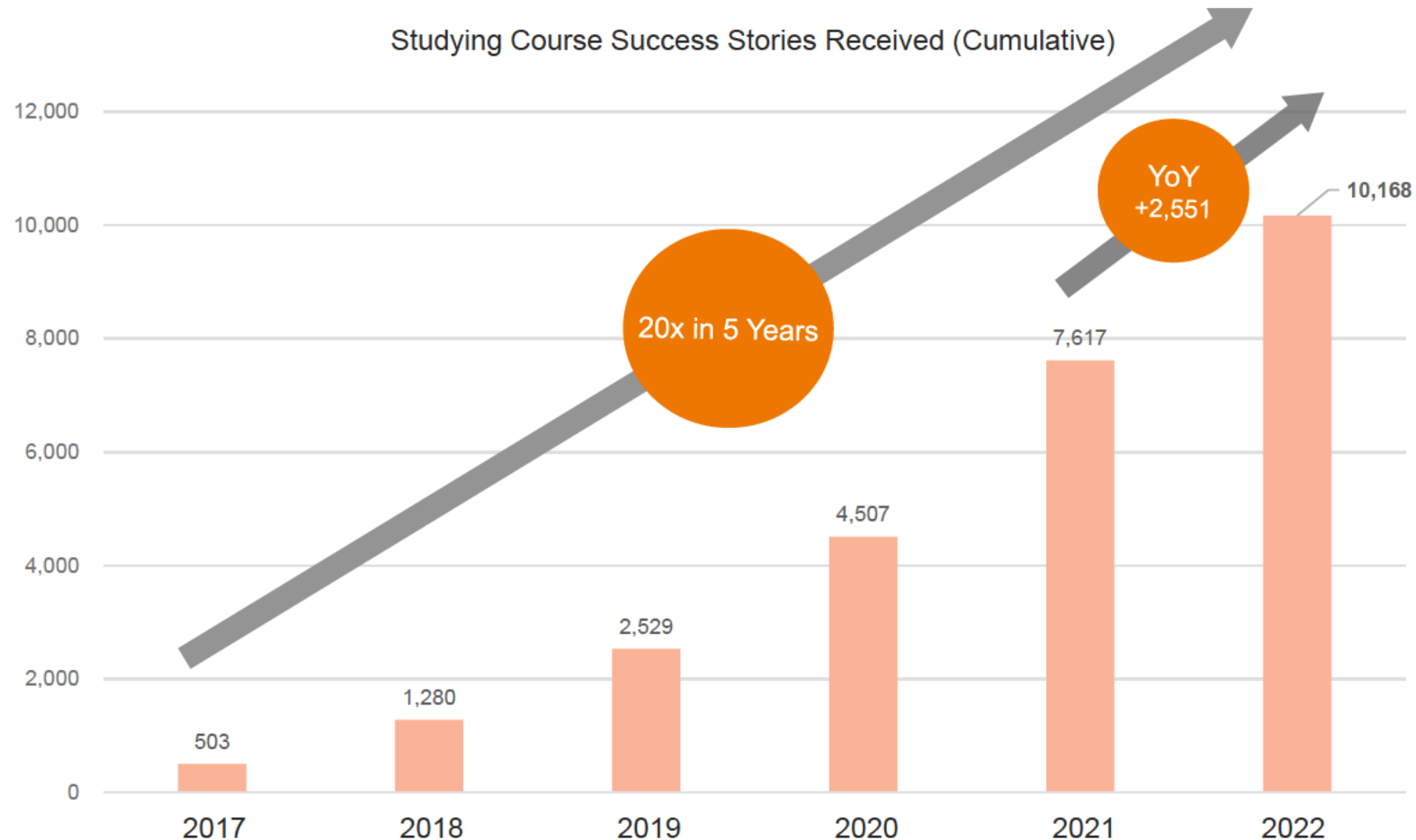
*The same ratio in Q1 was 92.1%; Q2 was 78.3%

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

Studying Business: Feedback From Successful Students

As of October 2022, feedback from successful students (cumulative) surpassed 10,000, representing an increase of 2,551 candidates

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.

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: Strengthening the Use of AI

Began using the AI competency score function for the Basic Information Technology Specialist and Applied Information Technology Specialist courses

Used in IT Passport and expanding to other IT courses. Actively capturing demand for reskilling

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



*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
- Basic Information Technology Specialist
- Applied Information Technology Specialist

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

Studying Business: Improving Service Levels Through AI

Using AI (machine learning) to offer optimized study plans for each student

Gaining advantage by using patent as a service and mastering usage

- **AI Question Review (Patent No. 7112694)**



- **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; simple questions are 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.

- **AI Study Plan (Patent No. 6661139)**



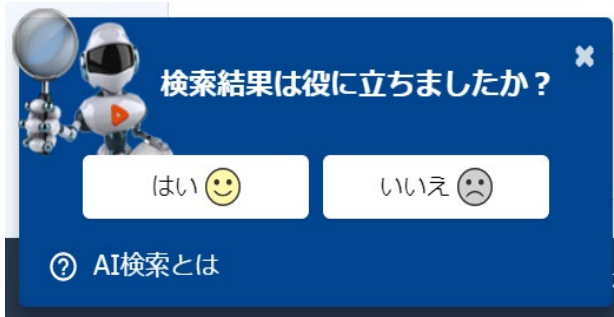
- **AI creates a study plan for the study, facilitating sufficient study to pass exams**

In conventional certification courses, the decision of *when*, *what*, and *how long* to study is left to the student. This method requires the student to think about their study schedule and manage progress on a daily basis. The AI Study Plan creates a plan expected to result in 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.

Studying Business: Improving Service Levels Through AI

• AI Search



■ Cross-display of optimal content for questions during study

The AI search function searches for and displays the most appropriate study content when the student enters the keywords he or she wants to look up. Instead of simply searching for search keywords as with conventional search functions, AI is used to score each page based on the relevance of the search keyword and the student's evaluation. Content most appropriate to the individual student's search is displayed at the top of the list.

This method allows students to check questions they do not understand quickly and more precisely, improving learning efficiency further.

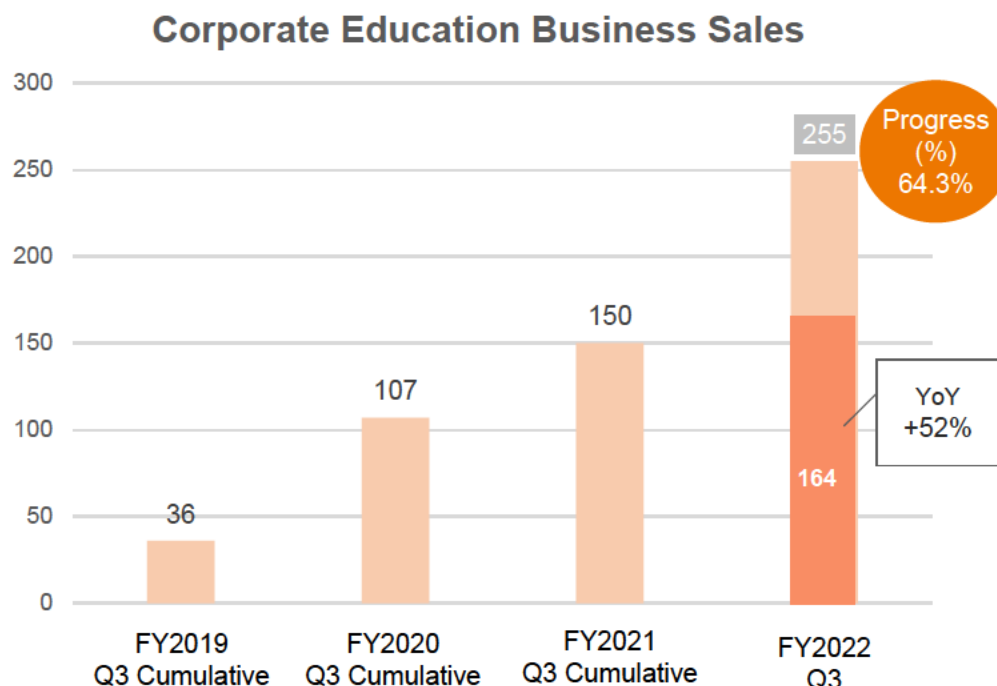
Corporate Education Business: KPIs

With Corporate Education Business sales growth (+ 52.6% year on year), the number of AirCourse subscriber companies increased significantly to 388 companies (+168 companies year on year)

Average churn rate* for AirCourse in Q3 FY2022 was 1.06%, reflecting the development of a stock business model with a high retention rate

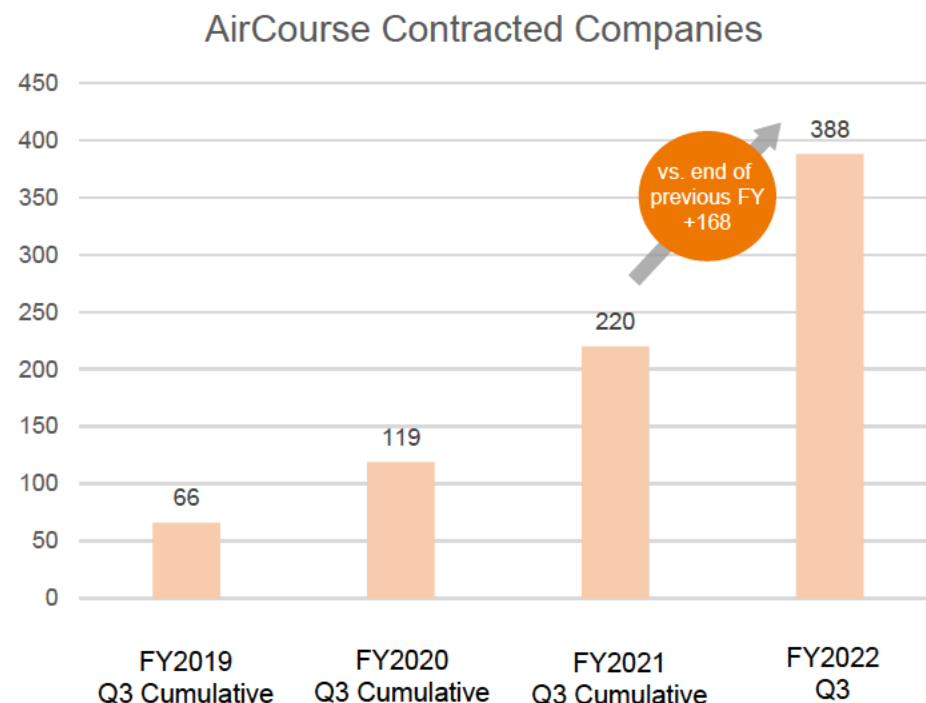
Corporate Education Business Sales

(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.



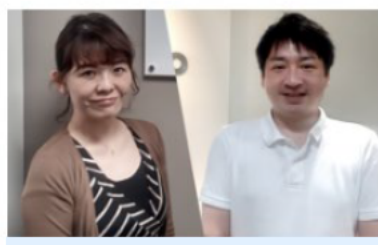
Growing our organization and strengthening our education system!

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

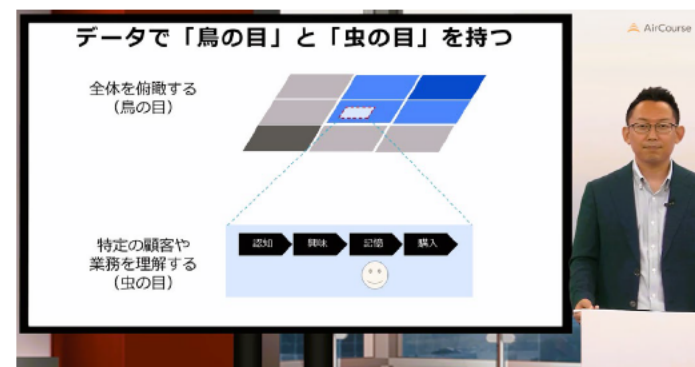
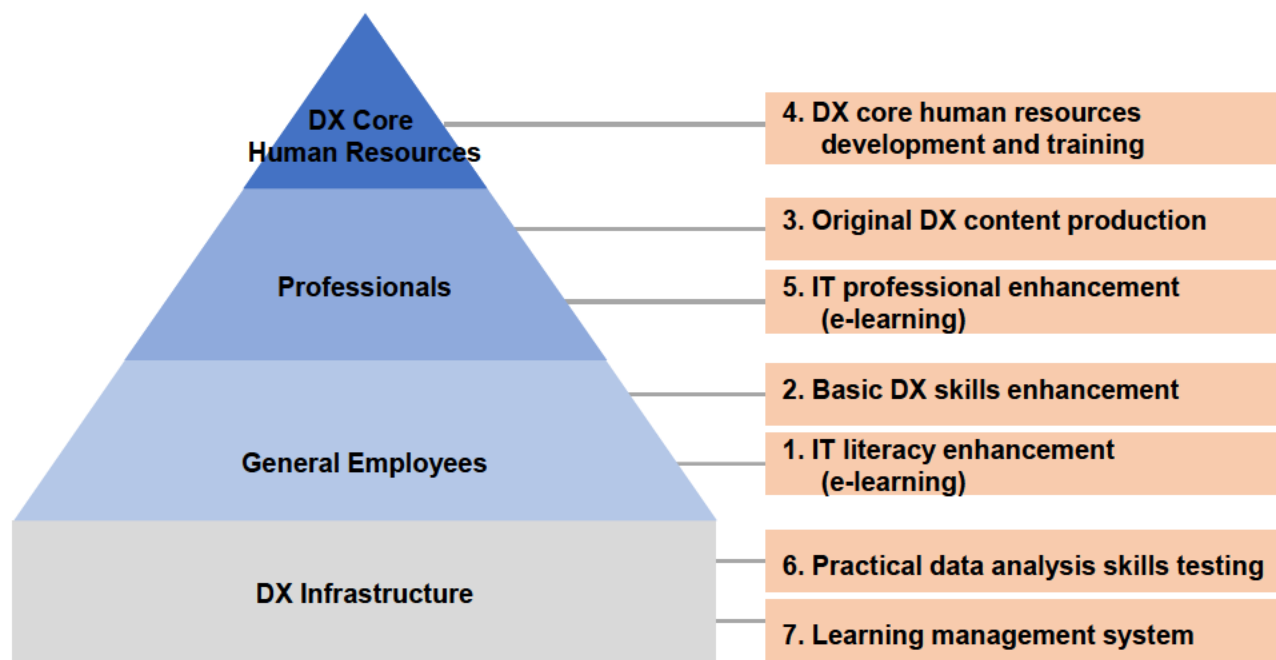
Human Capital Consulting Corporation

Corporate Education Business: Major expansion of standard courses

Significantly expanded the number of courses offered from 405 at the end of December 2021 to 605 (+200) at the end of October 2022

Began offering Introduction to Data Science* series to capture corporate reskilling demand and position the series as an e-learning program for the development of DX human resources






*Joint courses with DATAMIX, a capital and business alliance partner



Business Environment

Changes in the Corporate Environment and Changes in Human Resources Development

Increased demand for skill development for reskilling and human capital management, etc., leading to expanded market opportunities for our online business

	Changes in the Environment	Changes in Human Resources Development
COVID-19 Pandemic	<ul style="list-style-type: none">Accelerated shift to telework in response to COVID-19	 <ul style="list-style-type: none">Accelerated shift from group training to online education
Changes in Work Styles	<ul style="list-style-type: none">Individualization of work hours, work locations, etc.	 <ul style="list-style-type: none">Development measures independent from time or locationIndividualization (personalization) of development
DX, reskilling	<ul style="list-style-type: none">Transformation caused by technological innovations and changes in the competitive environment (Digital Transformation)	 <ul style="list-style-type: none">Employees must change skills and relearn to achieve DX
Skills Development Rising in Importance (Human Capital Management)	<ul style="list-style-type: none">Intensifying global competitionDecline in working population in Japan	 <ul style="list-style-type: none">Development of employee skills and abilities, work productivity is increasingly important
Evolution of IT, AI and Other Technologies	<ul style="list-style-type: none">Evolution and practical application of IT and AI technologies	 <ul style="list-style-type: none">Change to individually optimized training and education using IT and AI technology

Business Risks

- **Sharp Fluctuations in Exchange Rates**

Since our services are produced and provided domestically, exchange rate fluctuations have almost no impact

- **Soaring Raw Materials and Supplies Prices due to Inflation**

Our services are not affected by inflation, as we do not purchase materials

- **Controlling Expenses in Response to Worsening Business Confidence**

In the Studying Business, demand for certifications tends to increase during recessions

In the Corporate Business, e-learning offers a price advantage over training and will have little impact

- **Spread of COVID-19**

Demand for online learning has increased regardless of the status of COVID-19 infections due wider adoption

Disclaimer

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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.

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