

Financial Results Presentation for the Fiscal Year Ended December 2022

February 2023

KIYO Learning Co., Ltd.

Growth (Tokyo Stock Exchange): 7353

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Financial Results Presentation for the Fiscal Year Ended December 2022

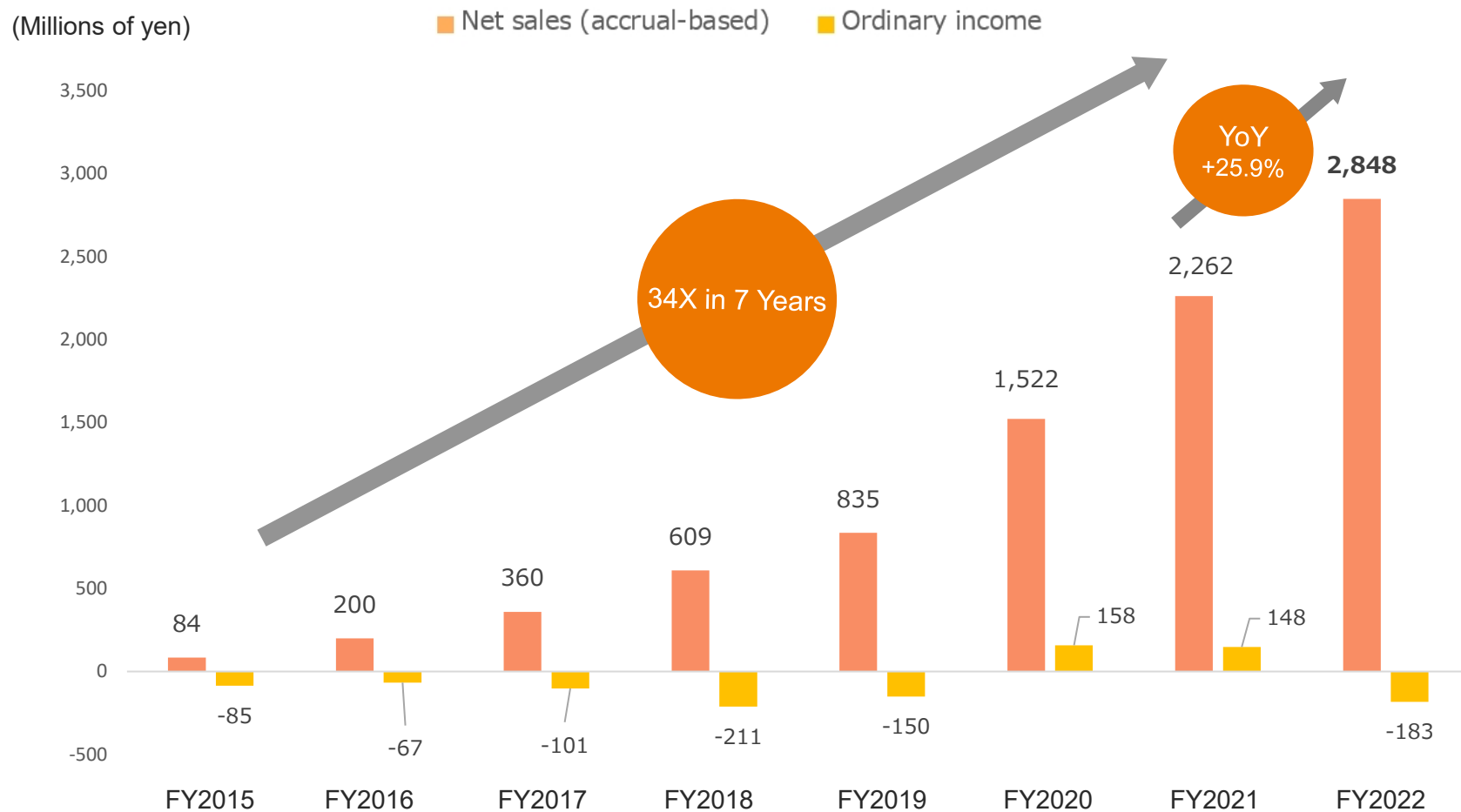
FY2022 Performance Highlights

- **Net sales increased 25.9% year on year for the full year, and 32.0% year on year in the Q4**
Net sales amounted to 2,848 million yen, restoring high growth in Q3 and Q4 despite a slowdown in Q2
- **Operating loss improved 72 million yen for the full year versus the performance forecast**
Profitability improved from Q3 onwards due to improved net sales and cost reductions
- **Beat both net sales and operating loss targets in the performance forecast (announced on August 14, 2022)**
Net sales were 101.0% of the performance forecast, with operating loss 72 million yen better than the forecast
- **Studying Business drove high growth**
Net cash-based sales in Q4 for the Studying Business increased 30.8% year on year
- **Revenue expansion and significant growth in Corporate Education Business**
Net sales in the Corporate Education Business increased 57.3% year on year to 237 million yen

Recovery in High Growth

Revenues increased approximately 25.9% year on year to 2,848 million yen, with net sales growing approximately 34x over seven years

In FY2022, revenue growth slowed due to poor performance up to Q2, resulting in a loss. However, from Q3 onward, revenue has been on a recovery trend, on the road to growth again



For the fiscal years ended December 2015 through December 31, 2017, the Company did not engage audits under the provisions of Article 193-2(1) of the Financial Instruments and Exchange Act.

FY2022 Performance Results

Net sales increased 25.9% year on year to 2,848 million yen, achieving 101.0% of the revised forecast*

Although the performance forecast was revised downward in Q2, recovered to growth in Q3 and Q4

Operating loss improved 72million yen versus the performance forecast due to improved revenue and cost reductions, etc.

(Millions of yen)

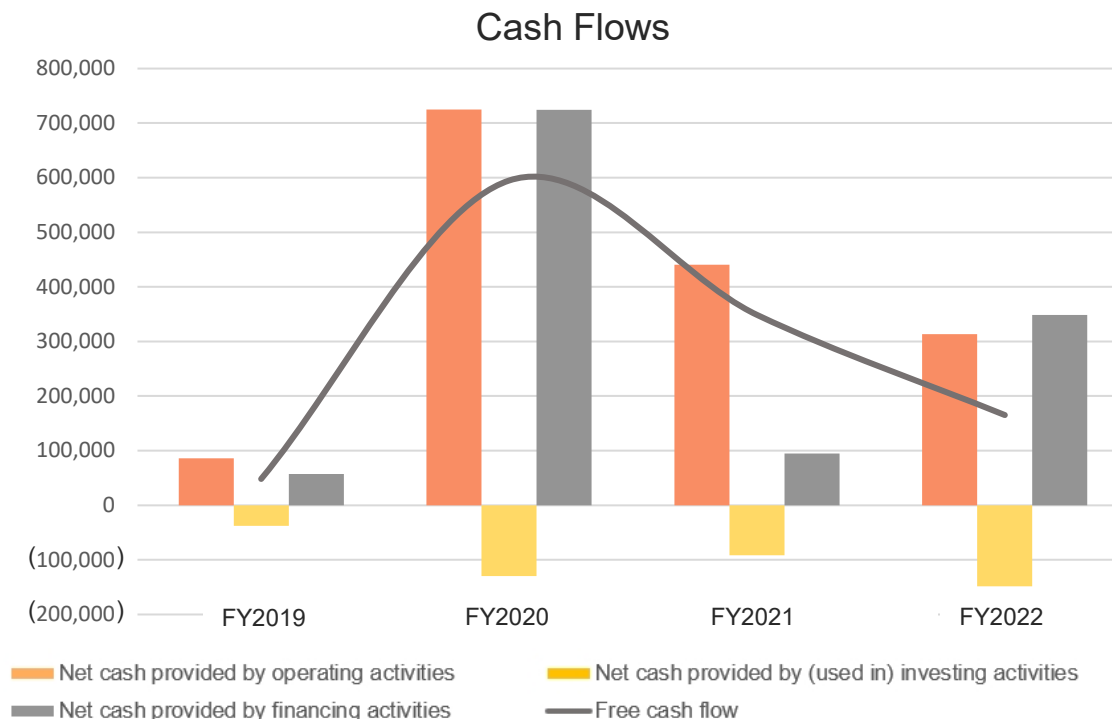
Category	FY2021 (Results)	FY2022 (After Performance Forecast Revisions)*	FY2022 (Results)	Year-on- year change	Forecast and comparison of Results
Revenues	2,262	2,820	2,848	+25.9%	101.0%
Studying Business	2,111	2,565	2,611	+23.6%	101.8%
Corporate Education Business	150	255	237	+57.3%	92.8%
Cost of sales	364	444	422	+15.9%	94.8%
Gross profit	1,898	2,375	2,426	+27.8%	102.1%
SG&A	1,750	2,631	2,609	+49.1%	99.2%
Operating income	148	-255	-183	-	-
Ordinary income	148	-255	-183	-	-
Net income	124	-291	-220	-	-

*We revised our initial performance forecast (announced February 14, 2022) as of August 14, 2022.

Cash Flows

In FY2022, despite a negative operating income due to investment in advertising and other factors, we secured a positive operating CF of 313 million yen due to an increase in cash-based sales (increase in advances received) and other factors

Investments in TV commercials will be a negative factor for profit in the short term; however, we intend to maximize corporate value by increasing free cash flow in the long term through acquiring recognition → customer growth



	FY2019	FY2020	FY2021	FY2022
Net cash provided by operating activities	85,889	724,927	440,409	313,605
Net cash provided by (used in) investing activities	(37,920)	(130,038)	(91,699)	(148,536)
Free cash flow	47,969	594,889	348,710	165,069
Net cash provided by financing activities	57,223	724,575	94,653	348,708
Cash and cash equivalents, end of period	510,726	1,830,191	2,273,554	2,787,332

Sales by Business

Studying Business revenue grew 23.6% year on year

Focused on rebuilding business following the downward performance revision in Q2, with Q3 and Q4 showing a recovery trend

Corporate Education Business sales grew significantly at 57.3% year on year

Orders increased in response to a major expansion in all-you-can-learn courses offered and our development of system functions for large companies

(Millions of yen)

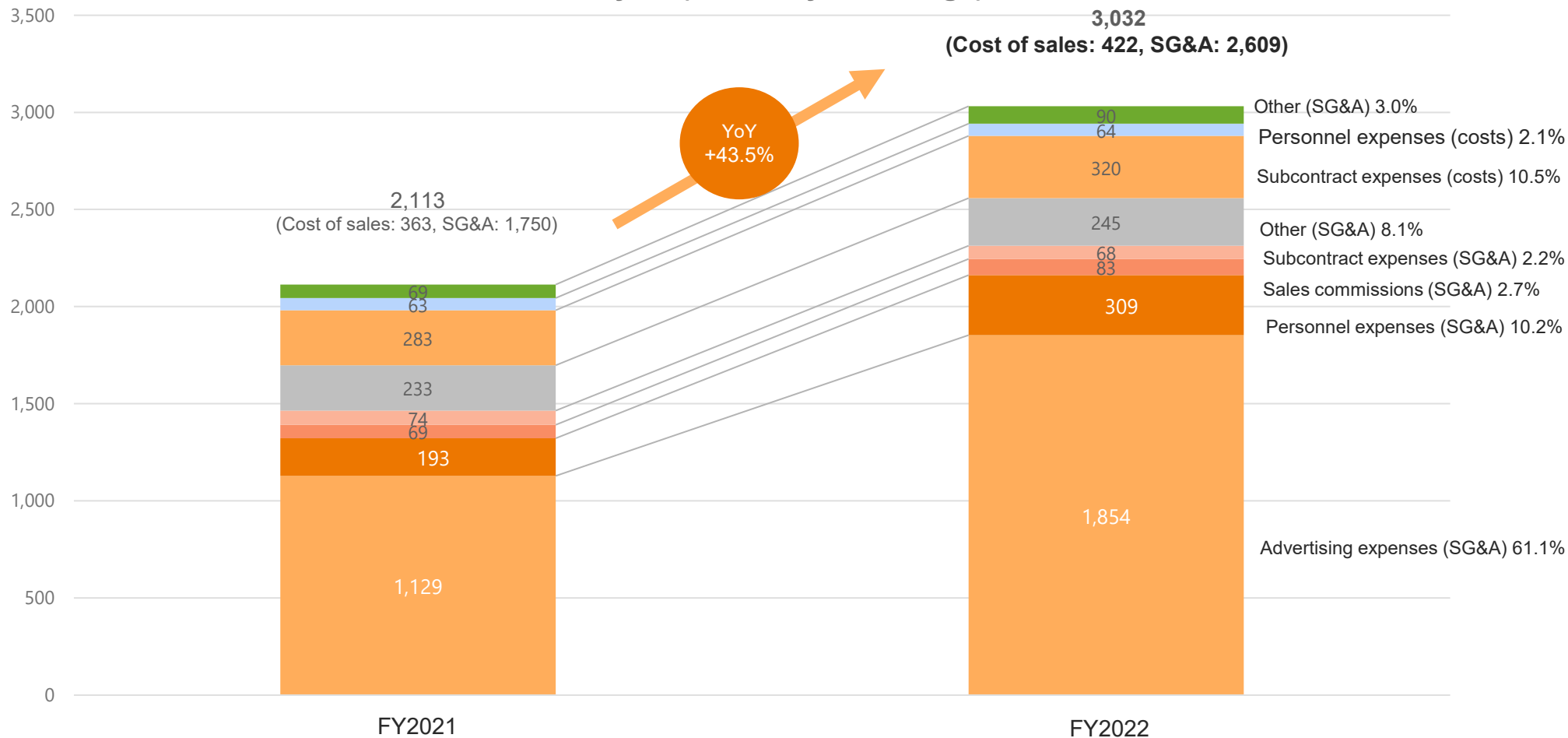
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Studying Business	2,111	2,565	2,611	+23.6%	101.8%
Corporate Education Business	150	255	237	+57.3%	92.8%

Cost Structure

Achieved high growth by taking advantage of a business model with a low cost of sales ratio through services and sales methods leveraging IT, and by investing heavily in advertising

In FY2022, we focused on hiring talented human resources and build our organizational strength, hiring 22 additional employees for a total of 67 by the end of the fiscal year

Cost Analysis (Year-on-year change)



*67 employees as of December 2022 (+22 year on year)

Q4 Performance (Oct-Dec)

Revenue (October-December) increased 32.0% year on year, recovering to growth
Significant growth of 69.0% in the Corporate Education Business and the Studying Business

(Millions of yen)

Category	FY2021 Q4 (Oct-Dec Results)	FY2022 Q4 (Oct-Dec Results)	Year-on- year change
Revenues	572	755	32.0%
Studying Business	529	682	29.0%
Corporate Education Business	43	72	69.0%
Cost of sales	90	112	24.7%
Gross profit	482	642	33.4%
SG&A	408	591	45.1%
Operating income	75	51	-32.0%
Ordinary income	76	55	-27.2%

FY2022 Topics

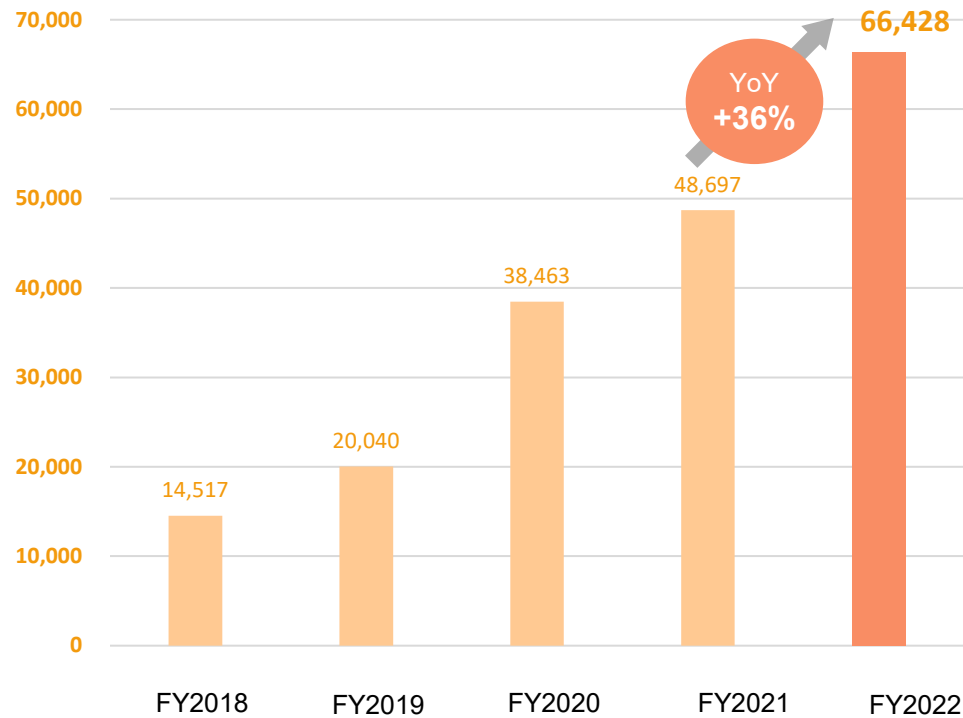
Studying Business: KPIs

New paid members¹ were up significantly, 36.4% year on year

Net cash-based sales² also achieved over 301 million yen (FY2022: 23.4% YoY)

Number of New Paid Members

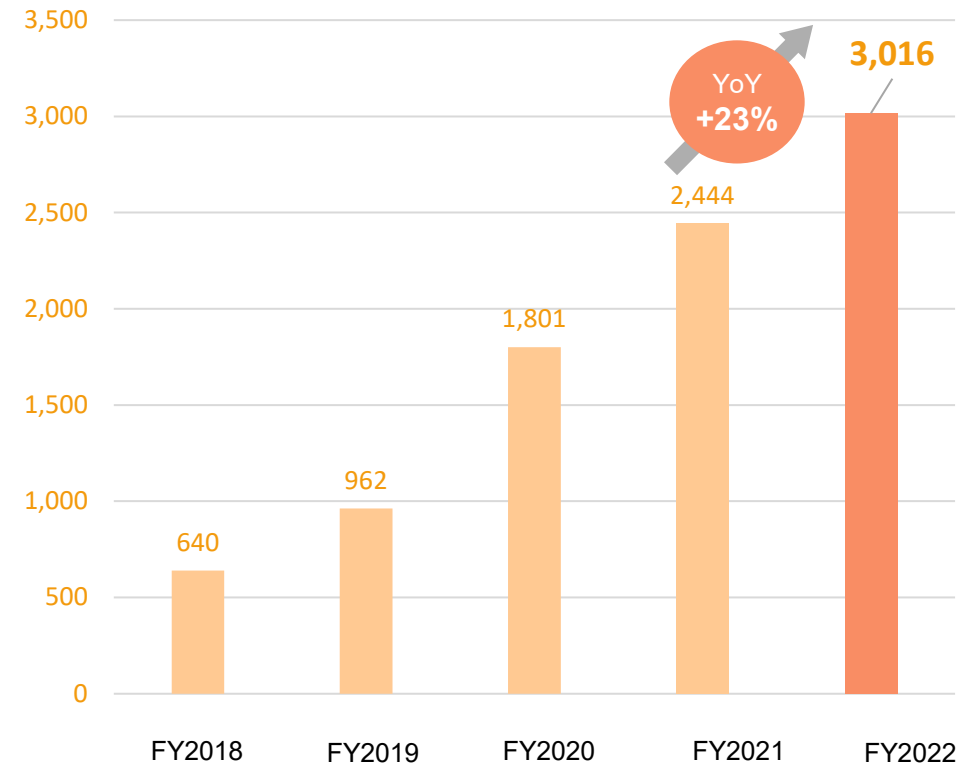
(Persons)



*Includes those via corporate services

Net Cash-Based Sales

(Millions of yen)



*Includes those via corporate services

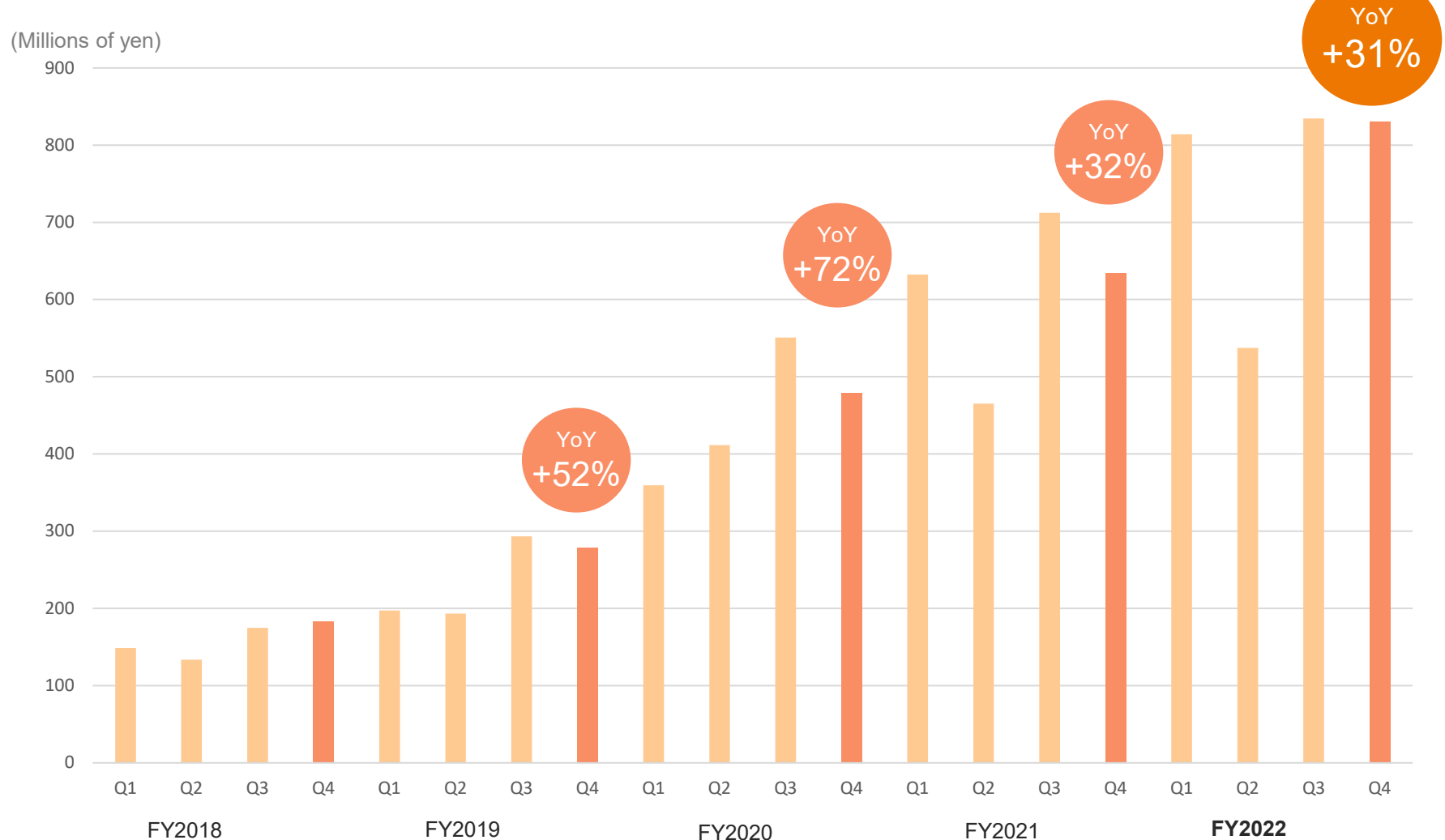
¹ The number of new paid members refers to the number of (unique) paid members newly acquired during the period

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 Q4 (Oct-Dec) grew 30.8% year on year to 830 million yen

Year on year growth was stronger in Q4 compared to in Q3



*Percentage notations show growth rates compared to Q4 net 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
(figures have been reviewed)

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

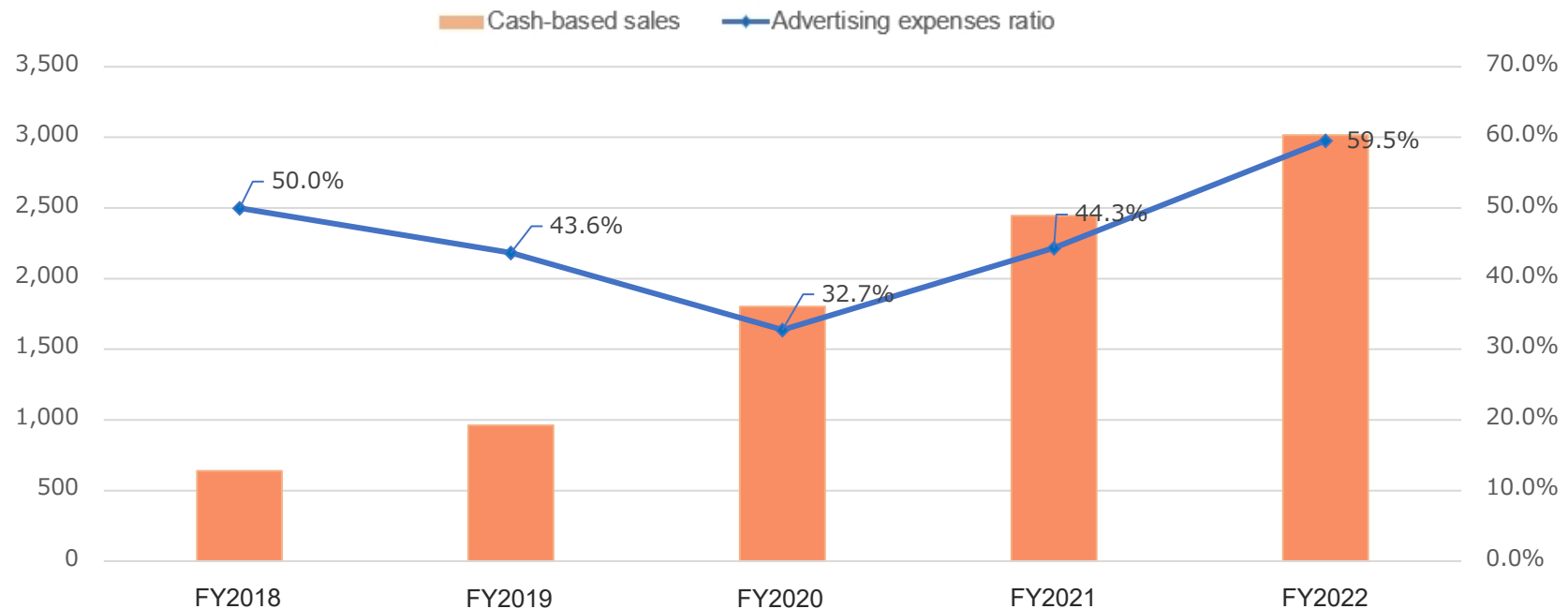
	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
Trends for Company courses	Many people start learning with aim of acquiring qualifications	Few test days	Most frequent test days for difficult qualifications	Somewhat frequent test days
Net cash-based sales	Sales high at the beginning of the year, trending 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%	60% to 75%	30% to 50%	10% 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 expenses* ratio increased by 15.2 points compared with the previous full year due to proactive investments in television commercials

Net Cash-Based Sales and Advertising Expenses Ratio Over Time

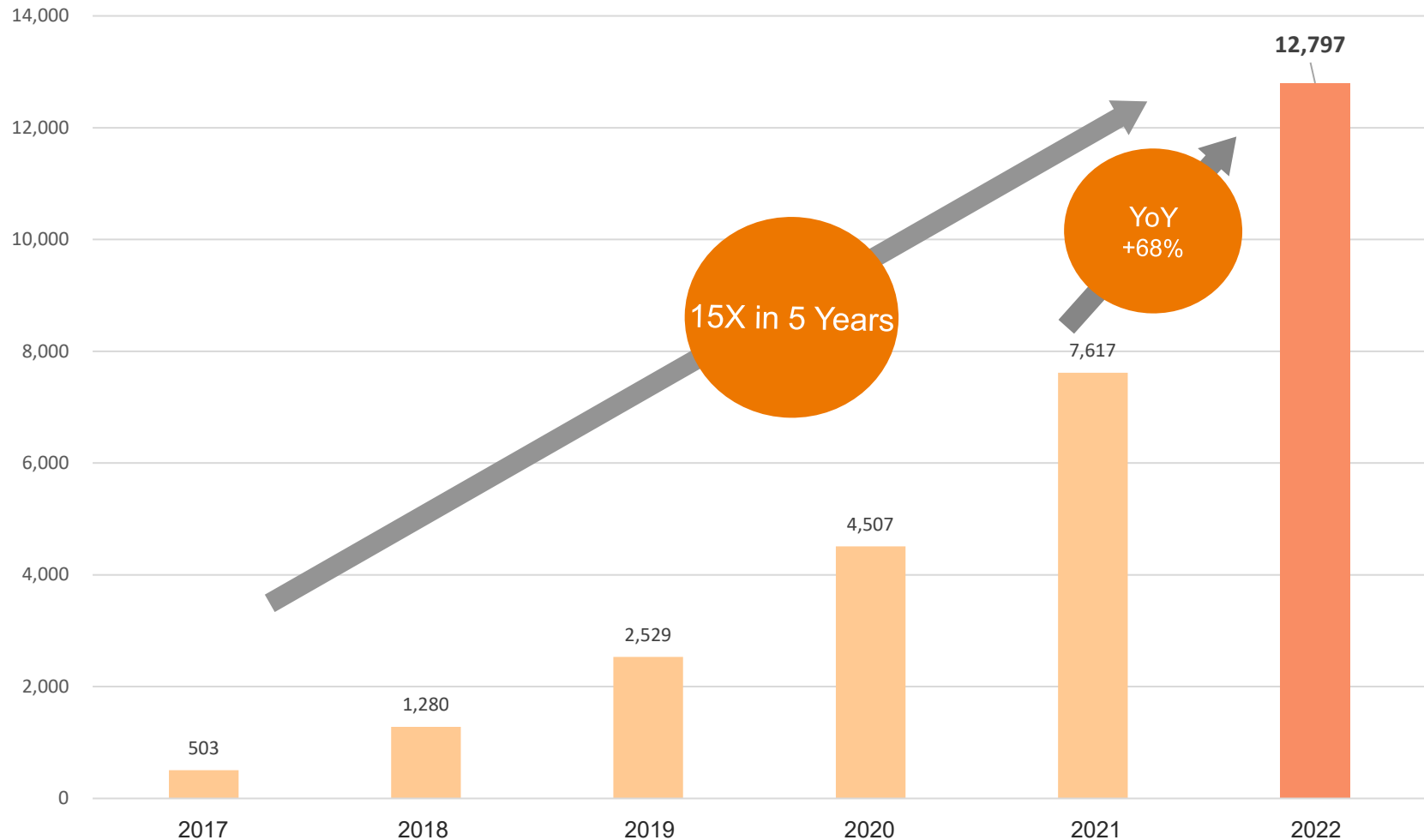


* Ratio per quarter: Q1 92.1%, Q2 78.3%, Q3 65.1%

Studying Business: Feedback From Successful Students (Cumulative)

Feedback from successful students increased 68.0% year on year, surpassing the 10,000 mark to reach 12,797

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



Studying Business: Expanded Course Lineup

With a lineup of 31 courses, we offer a wide range of certifications, from easy to difficult

Expanded courses in IT fields and launched the IT Strategist course Captured demand for DX and reskilling



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
- **IT Strategist**



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

Studying Business: Growing Recognition Through TV Commercials

Based on impact analysis of our 2022 TV commercials, we will utilize Haruna Kawaguchi as the main character in a TV commercial starting January 2023

Aiming for medium- to long-term growth by permeating a brand image and raising recognition as a certification success partner, capturing majority segments



Studying Business: Individual Optimization of Learning Through AI

Released AI Question Review, 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.

AI Question Review (Patent No. 7021758)*



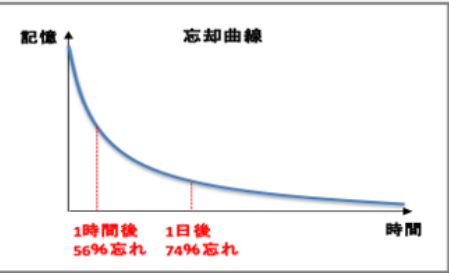
■ AI automatically sets the next review date for each question according to the individual's level of understanding

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

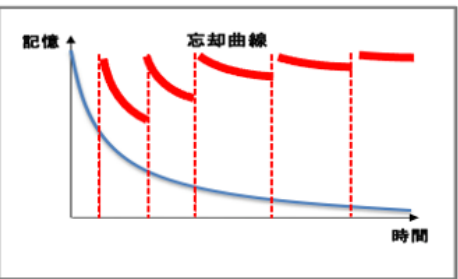
Conversely, questions that are easy for the student will be given at longer intervals

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



*The AI problem review system was patented in August 2022 (Patent No. 7112694), making it the fourth AI learning-related patent granted to the Company.

Studying Business: Individual Optimization of Learning Through AI

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

Gradually launching support for IT certifications and difficult certifications

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 going forward.

- Small and Medium Enterprise Management Consultant
- Real Estate Broker
- Labor and Social Security Attorney
- IT Passport
- Applied Information Technology Specialist
- Basic Information Technology Specialist
- Bar Examinations and Preliminary Examinations
- Japan Business Law Examination

Studying Business: Individual Optimization of Learning Through AI

Using AI and accumulated learning data to offer optimized study plans for each student
Gaining competitive advantage by patenting

• AI Study Plan (Patent No. 6661139)

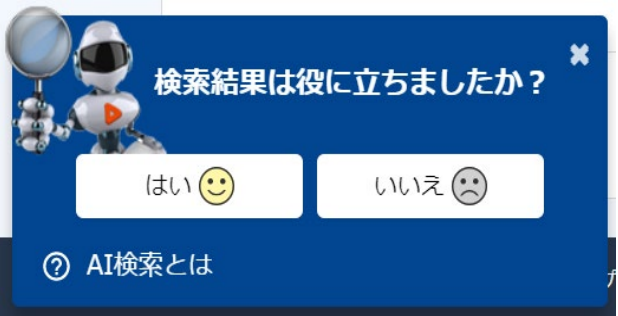


■ AI creates a study plan, facilitating sufficient study to pass exams

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.

• AI Search



■ Cross-display of optimal content for questions during study

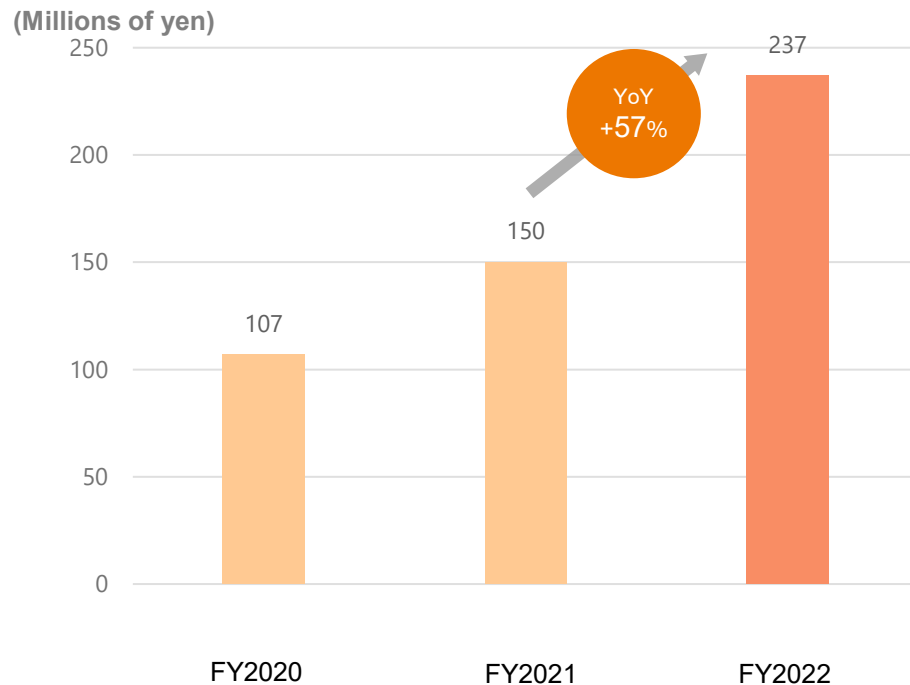
The AI search function searches for and displays the most appropriate study content when the student enters the keywords he or she wants to look up. Instead of simply searching for search keywords as with conventional search functions, AI is used to score each page based on the relevance of the search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

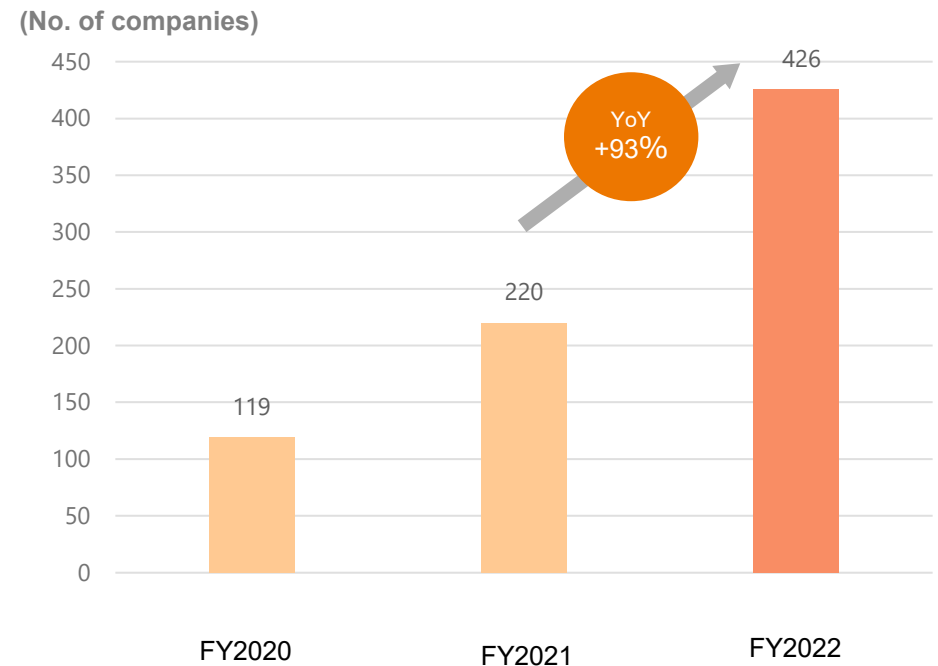
Corporate Education Business: KPIs

Revenue in the Corporate Education Business grew 57.3% year on year to 237 million yen
Contracted companies increased significantly, up 93.6% year on year

Corporate Education Business Sales



AirCourse Contracted Companies



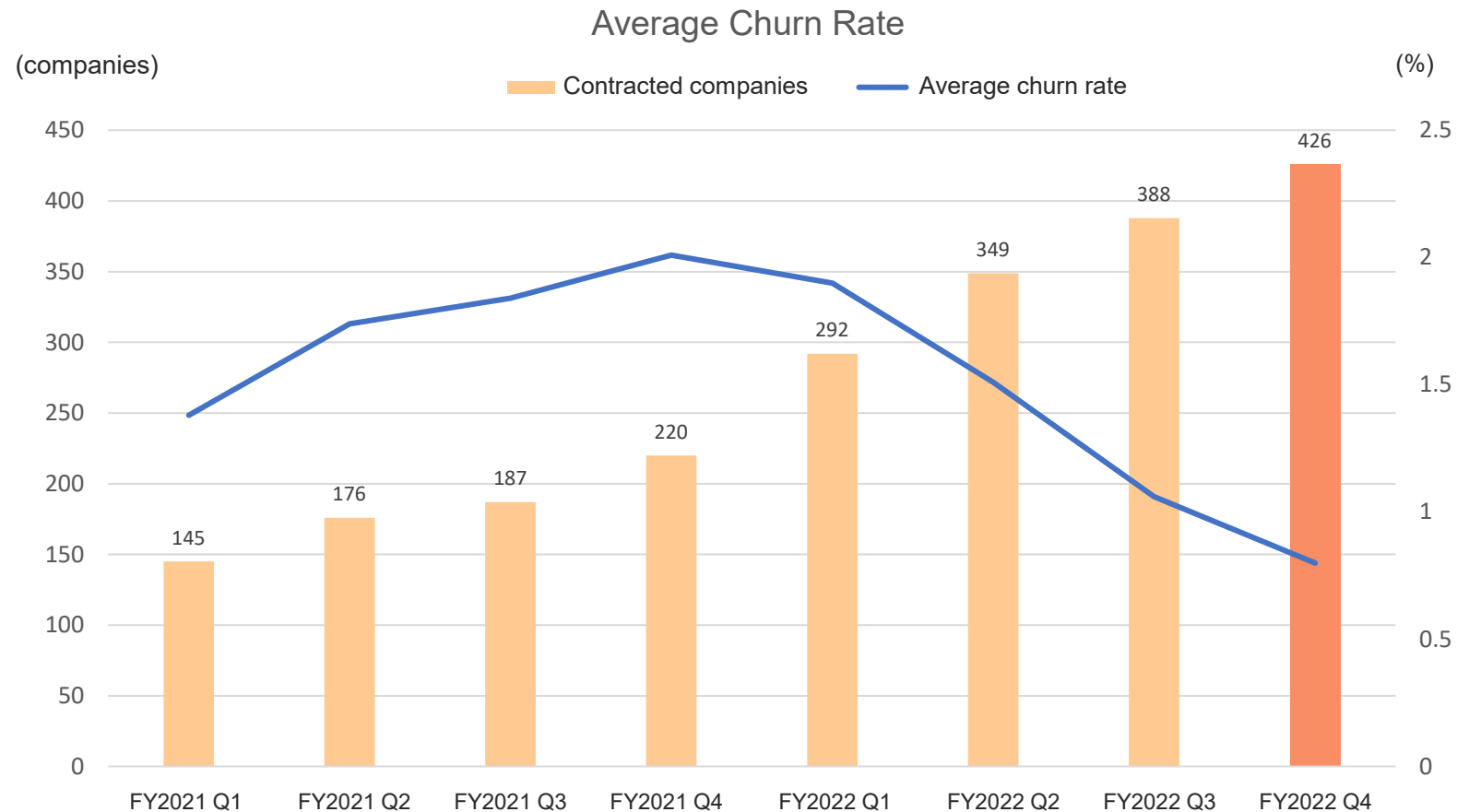
*The average churn rate is calculated by taking the monthly stock sales for AirCourse (monthly sales minus spot sales) and determining the rate of decrease from the previous month to the current month due to churn (= monthly termination rate), and averaging these numbers over a full year

Corporate Education Business:

Quarterly Trend in Contracted Companies/Average Churn Rate

Contracted companies with AirCourse increased by 206 companies year on year to 426 companies

Average churn rate for AirCourse in FY2022 was 0.80%*, reflecting the development of a stock business model with a high retention rate



*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: Accelerating 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)



Using e-learning to develop human resources who will create the future

Kanatsu Engineering Constructor



Rich support for developing the ideal career

PERSOL TEMPSTAFF CO., LTD.



Full utilization from various training to promotion of understanding of company policies in combination with in-house content

FMG & MISSION CO., Ltd.



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



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

Gurunavi, Inc.



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

Nichii Carepalace Company



Customer building an environment where each department voluntarily uses e-learning to improve educational efficiency and effectiveness

Tokyo Tama Intercity Monorail 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.



Achieved 50% reduction in training work time by introducing AirCourse

Renoveru, Inc.



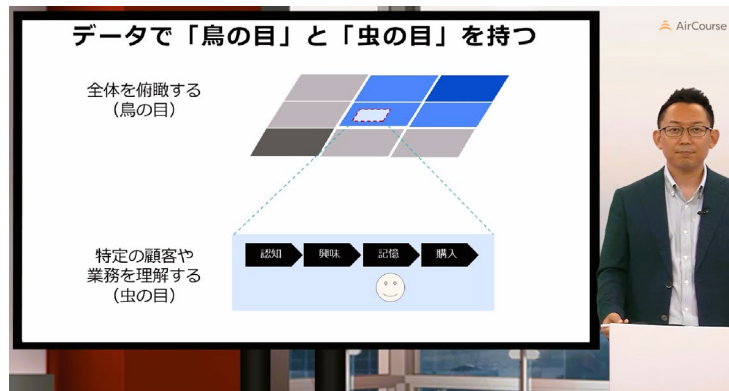
Full utilization of e-learning promotes growth of each individual

NEO CAREER CO., LTD.

Corporate Education Business: Major Expansion of Standard Courses

Significantly expanded the number of all-you-can-learn courses offered by +243 year on year, to **648** at the end of December 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



■ Introduction to Data Science

Chapter 1: Analytical Thinking to Drive DX

Chapter 2: Organizational Transformation to Leverage Data

Chapter 3: Getting Started with Programming in Python

Chapter 4: Introduction to Data Handling with R Programming and SQL

Chapter 5: Introduction to Data Science Starting with Excel: AI and Machine Learning

Chapter 6: Introduction to Data Science Starting with Excel: Statistics

Chapter 7: Learning by Example! Occupational Data Science

* Jointly developed courses with DATAMIX, a capital and business alliance partner

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



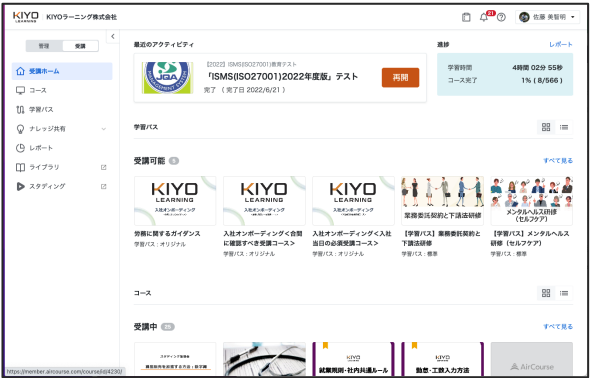
Human resources and labor relations

Corporate Education Business: Strengthen System Functions for Corporations

Conducted ongoing releases of new AirCourse features that meet the needs of large companies

UI/UX Redesign (January)

Made administration and course screens more intuitive and easy to use

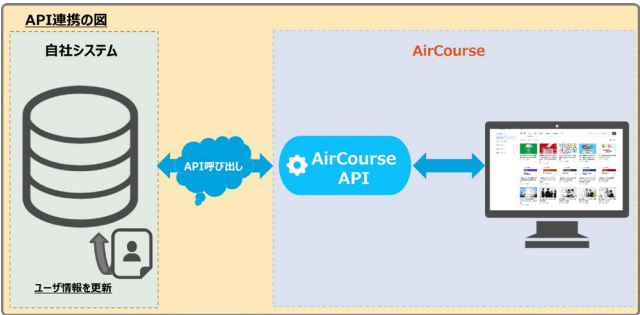


Strengthened login passwords (May) and IP address restrictions (June)

Strengthened security, with detailed password rules for logging in that can be configured by the user company

AirCourse API (June)

AirCourse may be linked to external systems
Automation and reduction of labor-hours for updating user information



Learning Pass (May)

Multiple courses may be combined to create a systematic curriculum
Standard Learning Pass now also available



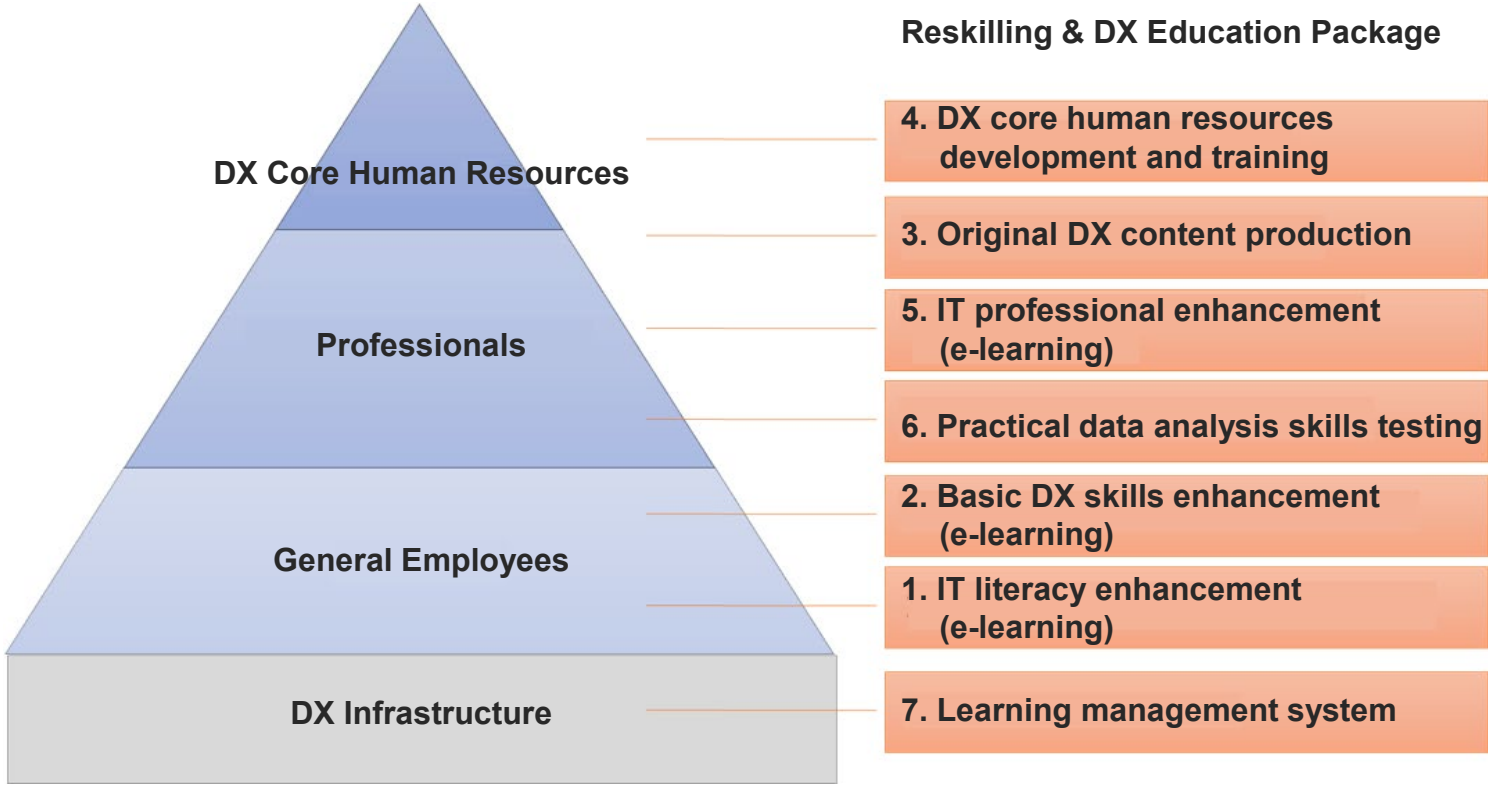
Course Function Enhancements (October)

Enabled lecture duplication and saving survey responses in progress
Provided test history authority settings
Enabled viewing restrictions per course (IP address restrictions)

Corporate Education Business: Reskilling & DX Education Package

Released the Reskilling & DX Education Package* with DATAMIX, with whom we entered into a capital and business alliance in January 2022

Encouraging orders from companies promoting DX by providing one-stop services including e-learning content, DX human resources development, learning management systems (LMS), and original DX content production services



*This service was launched March 2022

FY2023 Performance Forecast, Business Environment, and Key Topics

FY2023 Performance Forecast

Net sales increase 30.2% year on year to 3,707 million yen. Aiming to achieve steady revenue

Turning an operating profit while maintaining balance with investments for future growth

(Millions of yen)

Category	FY2022 (Results)	FY2023 (Forecast)	Year-on- year change
Net sales	2,848	3,707	30.2%
Studying Business	2,611	3,361	28.7%
Corporate Education Business	237	346	45.9%
Cost of sales	422	568	34.7%
Gross profit	2,426	3,139	29.4%
SG&A	2,609	3,038	16.4%
Operating income	-183	102	-
Ordinary income	-183	102	-
Net income	-220	80	-

FY2023 Sales Forecast by Business

In the Studying Business, we expect 28.7% revenue growth year on year
Strengthening sales by combining TV commercials and web ads, and strengthening product appeal through the use of AI

In the Corporate Education Business, we expect 45.9% revenue growth year on year
We expect revenue growth from strengthening the sales organization, customer success, and our products

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Corporate Education Business	237	346	45.9%

FY2023 Full-Year Performance Forecast by Half Year






As in previous years, the first half (Q1 and Q2) are expected to experience low revenue and operating income due to smaller numbers in connection with the shift from cash-based to accrual-based sales

The second half (Q3 and Q4) are expected to experience higher revenue and operating income due to larger numbers in connection with the shift from cash-based to accrual-based sales

(Millions of yen)	FY2023 (Forecast)				
	January-June	Year-on-year change	July-December	Year-on-year change	Full Year
Net sales	1,620	+29.1%	2,088	+30.9%	3,707
Operating income	-254	-	356	+62.6%	102

Changes in Our Business Environment

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

	<u>Changes in the Environment</u>	<u>Changes in Human Resources Development</u>
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 location• Individualization (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
Human Capital Management, Investment in Human Capital	<ul style="list-style-type: none">• Intensifying global competition• Decline in working population in Japan	 <ul style="list-style-type: none">• Investing in development of employee skills and abilities to increase productivity
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

Key Topics for FY2023: Studying Business

1. Establishing a Brand and Strengthening Customer Attraction

- Becoming a certification success partner for busy people
- Strengthening branding and attracting customers through a combination of TV commercials, web ads, social media, etc.

2. Individual Learning Optimization via AI and System Strengthening

- AI functions and enhanced learning systems enable personalized learning services
- Improving ease of use, ease of understanding, ease of sticking with it

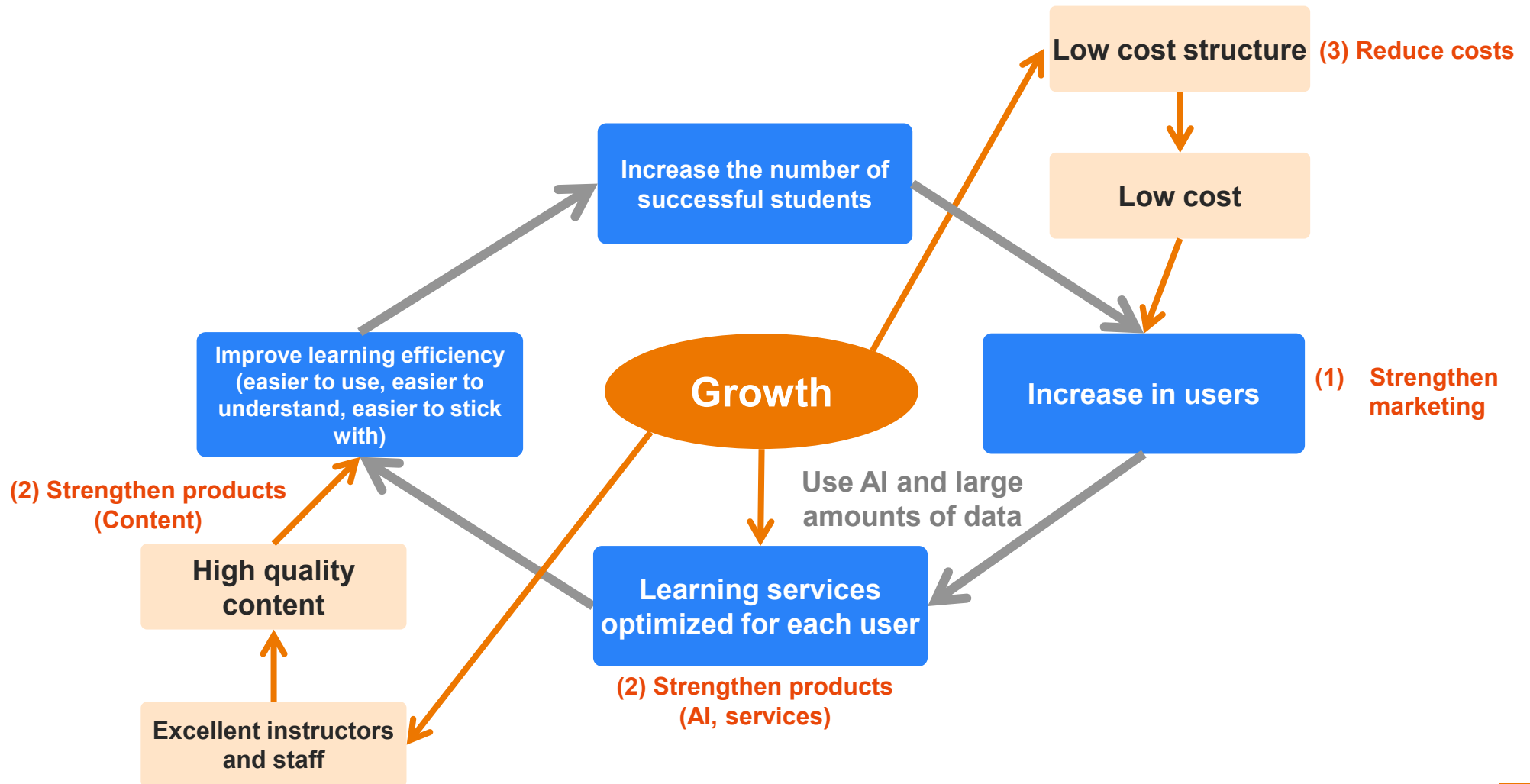
3. Enhancing Course Content and Support Capabilities

- Engaging in improvement activities to increase course pass rates
- Strengthening support capabilities such as QA services and coaching

➔ **Systematically implementing the above topics, aiming to be #1 in successful students**

Studying Business Basic Strategy

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



Key Topics for FY2023: Corporate Education Business

1. Strengthening Marketing and Sales Capability

- Strengthening sales and marketing structures to increase corporate orders
- Strengthening web advertising and partner channels to increase the number of potential customers

2. Enhancing Courses and Capturing Reskilling Demand

- Enhancing IT courses to capture reskilling demand
- Strengthening studying sales for corporations

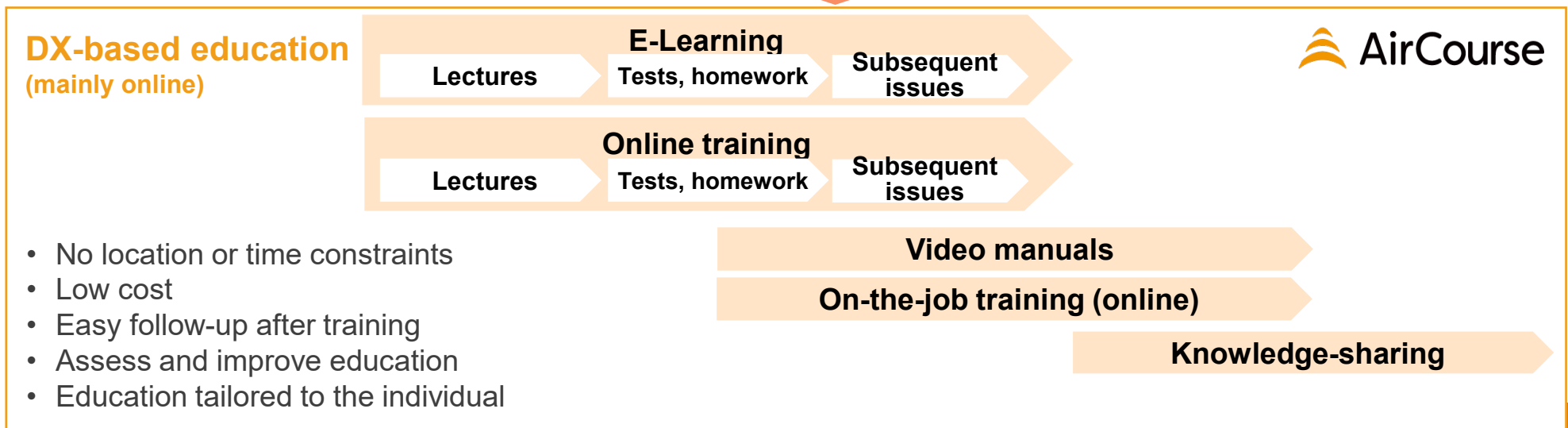
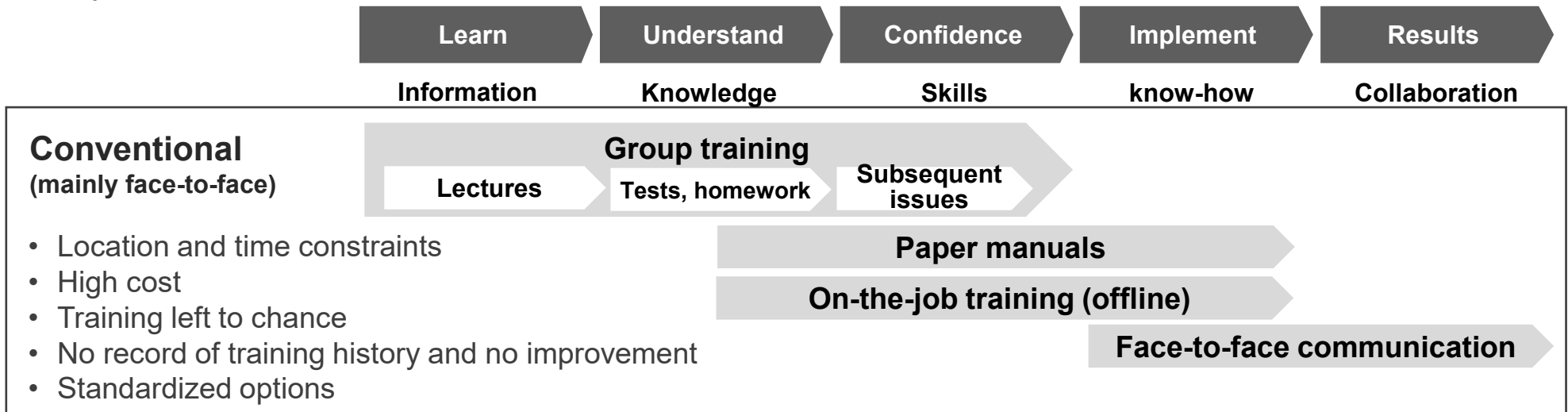
3. Expanding Sales Opportunities by Strengthening Systems

- Enhancing competitiveness through extended system functionality for large companies
- Investing in system functions to capture demand for human resource development from reskilling and companies promoting DX

➔ **Systematically implementing the above topics, aiming to be No.1 in SaaS-based e-learning**

Corporate Education Business Basic Strategy

Demand for online human resource development and reskilling is increasing among corporations, and we aim to achieve high growth by enhancing our sales, system, content, and organizational capabilities



About the Medium-Term Management Plan

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.

Although FY2023 is the final year of the Medium-Term Management Plan 2023, the financial forecast and basic strategies for FY2023 have been used to update the Financial Results Presentation for Fiscal Year Ended December 2022 section in this document.

The medium-term management plan for FY2024 and beyond will be prepared based on the business results and business environment for FY2023 and will be announced separately.

About Shareholder Benefits

1. Purpose of the Shareholder Benefit Program

To thank our shareholders for their day to day support and deepen their understanding of our services through the benefit program, and to encourage more people to own our shares over the medium to long term

2. Shareholder Benefit Program Details

(1) Scope

Shareholders holding at least five units (500 shares) of the Company's stock listed in the shareholders' register as of June 30 and December 31 of each year

(2) Benefits

Coupons that can be used for the purchase of products in the Studying Business lineup

Shares held	Benefits
500 shares (5 units) to 999 shares	10,000 yen discount coupon
1,000 shares (10 units) or more	20,000 yen discount coupon

3. Shareholder Benefit Program Start Date

Program begins for shareholders listed or recorded in the shareholders' register as of June 30, 2023

4. Benefit Period

Coupons are to be sent in August for shareholders on the register as of June 30, and in March for shareholders on the register as of December 31

5. Terms of Use, etc.

Details on how to use the shareholder benefits will be announced on the Company's IR website in mid-May 2023, as well as when the shareholder benefits are sent out

Disclaimer

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.

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