

**FY2020 Financial Results Briefing Q&A
Summary**

■Date and time: May 11, 2021 16:00 - 17:00

■Respondents:

**Tamotsu Adachi, Representative Director and Chairman, CEO
Hitoshi Kobayashi, Representative Director and President, COO
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※ Excerpts from the Q&A session are summarized below with some additions and revisions for ease of understanding.

**Q: FY20 capital expenditure of 29.2 billion yen seems high. What are your plans for FY21 regarding capital expenditure and depreciation?
And what was the scale of investment in the digitalization of Shinkenzeni?**

A: While 29.2 billion yen capital expenditure may appear large on the surface, over 11 billion yen was under finance lease accounting for lease assets for nursing care facilities, and investment in tangible assets is just over 17 billion yen. In FY21, we plan to increase the base level of capital expenditure by 4 billion yen. As for the scale of investment in Shinkenzeni, more than half of Education Business expenditure was for digitalization investment.

Q: Is Berlitz on track to reach the target of halving the YoY loss?

A: The fiscal year for Berlitz runs from January through December. At the end of the 1Q net sales were as expected, and as for the profitability, we are making savings on an EBITDA basis.

At the moment, we are on track to achieve the target by the end of the fiscal year. However, as already noted, the extended state of emergency in Japan, and the extension of the May lockdown in Europe mean that nothing is set in stone and we continue to monitor the situation closely.

Q: Retention rate for Shinkenzeni in following March from April was up by 4% YoY in FY20, contributing to 2.8 billion yen increase in operating income. Is it fair to say that 1% is equal to a 700 million yen increase in operating income? Which do you consider a KPI: annual retention rate from April, or the monthly retention rate?

A: Yes, an increase of 1% will contribute that much to the bottom line.

Annual retention rate from April is a more significant indicator as it helps us keep track of how many students who enrolled in April (the start of the Japanese school year) continue to use Shinkenzeni. While members' monthly retention rate is still something we are aware of, retention rate from April is an easier target to set and we have brought it to the forefront to use as a more transparent communication tool within the company.

Q: Will promoting digitalization in the Education Business in Japan lead to an increase in profitability?

A: Advancing digitalization of Shinkenzeni allows us to understand the individual learning status of our more than two million students, enabling us to tailor our service to their needs. This has dramatically changed the perspective of Shinkenzeni, and will eventually be reflected in our retention rates, leading to a positive impact on profitability. We have seen more effects in this area in the last year than ever before and we intend to leverage this opportunity.

Today many schools face a lot of difficulties. They need to not only reform teachers' workstyle, but also introduce a means of digital technology for education at the same time. As for our Schools & Teacher Support Business, how the private sectors like us can contribute to this area, especially in the area of digital technology, will be significant going forward. We are confident that Miraseed (for elementary and junior high schools) and Classi (for high schools) offer an attractive solution. By promoting and advancing these services, we can support schools effectively, and we are confident that we can and will seek new ways to make the business profitable.

Q: Can M&A bring opportunities to strengthen domestic business?

A: M&A is one way to further strengthen our existing business areas, as well as our digitalization strategy, and is a feasible option if we make a connection that has potential.

At the same time, we have been able to solidify our classroom-based businesses by providing services unique to the Benesse Group, and leveraging this is also a way to pursue new opportunities. In addition, there is still significant untapped potential in the area of universities and working adults.

Q: When will you be able to determine the possibility of Berlitz turning a profit in FY22?

A: We are determined to achieve profitability in the next fiscal year and are monitoring the situation to that aim. However, the COVID-19 pandemic means that any prediction comes with a great deal of uncertainty.

Naturally, we are assessing the current situation, while also preparing a Plan B, in the event that profitability is not achievable. We cannot at the present time say at what point we would be able to make that decision.

Q: Is the operation policy of Berlitz intent of achieving profitability for FY22 no matter what it takes, including Plan B?

A: Yes. Turning a profit in the next fiscal year is essential to continuing this business.

Q: To clarify, is it correct to assume that there is a possibility Berlitz may not achieve profitability in the next fiscal year?

A: As the fiscal year for Berlitz ends in December, we will be aware of this possibility early on. For now, we are monitoring the situation, with an eye to how new products are selling, the impact of COVID-19 on sales in Japan, the extension of the lockdown in Germany and other uncertainties. If sales for the current fiscal year do not go as planned, or if the situation means the next fiscal year will be a struggle, we will be in a position to make a swift decision.

Q: There is a lot of potential in the area of School & Teacher Support, including the GIGA school initiative. How do you see the medium-to-long term growth in this area?

A: During COVID-19, tablets were distributed to schools as part of the GIGA school initiative. However, government-led initiatives alone are not enough to promote the advantages of tablets in school education, and it is imperative for Benesse to leverage its experience in the education field to support this initiative.

In the area of high schools, there has been a change in the trend for university applications, with an increase in universities preferring recommendation letters or independent selection processes over exams. However, there is currently nothing in Japan that offers effective support or education for students who chose this path. We understand the importance of being first on the field and to that aim, we hope to develop a service as early as possible, while communicating closely with teachers to ensure an effective support system.

Ultimately, the key to the field of education is digitalization. With Miraiseed, EDUCOM and Classi, we are gradually growing the services we offer and are working on developing these into a platform that can address the needs of schools and teachers, and bring new contributions to education.

Q: Is there a concern that as the School & Teacher Support Business expands, it might have a negative effect on Shinkenzenmi and other after school education businesses?

A: This is something that we need to watch closely.

Around 30% of schools in the GIGA School initiative allow children to take tablets home. However, whether or not teachers can effectively monitor the child's learning or

if the learning experience can be recreated in the home is yet to be seen, and something we need to watch. It is a difficult task to accomplish and places an even greater burden on teachers.

Under these circumstances, how we position our after-school education business will be incredibly significant, and is something we are currently discussing in the company.

At the same time, there is also the question of whether schools will continue to distribute tablets, and whether a Bring Your Own Device (BYOD) program will be implemented in the future. Every year, 500,000 tablets are distributed via the Shinkenzei program and we are working on developing a strategy to make tablets compatible with in-school education.

Considering all of this, we think it is unlikely that the success of School & Teacher Support Business will negatively impact the after-school education business soon. We will follow the development of digitization in school education, and continue to develop our after-school programs to provide effective support for children and parents.