

FY2021 3Q Results Q&A Summary

We have prepared answers to some of the questions we anticipate from shareholders and investors regarding the announcement of FY2021 3Q results. Please refer to them in conjunction with the supplementary materials.

Overall results

1. Were 3Q results in line with your targets?

As a whole, both sales and profits surpassed our targets.

2. 3Q cumulative operating income (nine months ended December 31, 2021) was ¥23.2 billion, greatly exceeding the full year forecast of ¥17.5 billion. Will there be an upward revision in the full year forecast?

In 4Q marketing activities normally ramp up towards the start of the new school year in the education business and Kodomo Challenge business in Japan. Accordingly, marketing costs increase and profit tends to be low. Also, occupancy rates are lower than our initial estimates in the nursing care business due to the impact of COVID-19, and we anticipate an increase in IT and digital related investment. Therefore, we have not changed our operating income forecast.

Education Business in Japan

3. What is the situation for 3Q cumulative?

All segments have surpassed targets and recovered to pre-COVID-19 FY2019 levels.

4. What is the current status of Shinkenzeni enrollment?

Tablet UI/UX upgrades and efforts to promote utilization have been

successful and the retention rate was improving from October. However, new enrollment and retention have been on a deteriorating trend since January. We believe this is the result of sudden changes at schools, including an increase in school events, a return to regular lessons, and increased homework as the COVID-19 situation calmed down from October. We are making efforts to recover through additional investment in marketing to stabilize enrollment in April, the start of the new school year.

5. What is the situation in the School and Teacher Support Business?

Business is steadily recovering from the impact of COVID-19. Also, with progress in the GIGA School Project* for elementary and junior high schools, the number of elementary and junior high schools using Mirai Seed software is steadily growing.

***GIGA School Project:** The effort started by Ministry of Education, Culture, Sports, Science and Technology, in 2019. It is aimed to develop a learning environment with a computer terminal for each child / student nationwide, a high-speed network and cloud.

6. What is the situation in the Cram schools/Classroom business ?

Up to 3Q, business has been recovering from the impact of COVID-19. This is a period when new enrollment increases ahead of the new school year, and we are currently paying close attention to the impact of the spread of the Omicron variant.

Kids & Family

7. What is the situation for Kodomo Challenge in Japan?

The YoY decline in enrollment numbers in the Kodomo Challenge business in Japan has been worsening since the beginning of FY2021. We believe one reason for that is the reduced opportunity for hands-on experience with Kodomo Challenge due to the spread of COVID-19. We are making efforts to recover by increasing opportunities to experience Kodomo Challenge through hands-on teaching materials and events.

8. Kodomo Challenge business in China

There has been no significant change since 2Q. We are working to transform the business model to respond to the rapid changes in the business environment, such as a declining birth rate, intensifying competition, and regulations for education companies.

Nursing Care and Childcare

9. What is the current occupancy rate situation?

Occupancy rates are falling, centering on more expensive nursing homes, as a result of COVID-19. The number of cases settled down from October and following the lifting of the declaration of a state of emergency in Tokyo and other regions, occupancy rates have been on a rising trend. However, the Omicron variant is currently spreading, and we are closely watching the impact.

Berlitz

10. What is the current situation?

3Q cumulative sales increased in the Language Instruction business as the number of lessons recovered YoY. However, sales continued to fall in the Overseas Study Support business due to the impact of COVID-19, and in real terms excluding the effect of foreign exchange rates, sales declined. In contrast, the operating loss improved significantly YoY thanks to cost reductions.

Both net sales and operating income are on track with our targets.