February 2022
Benesse Holdings, Inc.

Summary of analysts meeting regarding「Transfer of shares of Berlitz Corporation」

■**Date : February 14, 2022 (Monday) 17:00－17:30**
■**Respondents : Tamotsu Adachi, Chairman and CEO**
Shinsuke Tsuboi, Executive Officer, CFO and Managing Director of Finance and Accounting
Hiroshi Nishimura, Executive Officer, Managing Director of the Office of the CEO/COO

■**Tamotsu Adachi, Chairman and CEO**
I will explain the transfer of shares of the Berlitz announced today.
The Board of Directors has resolved today to waive debts owed by Berlitz Corporation, and to transfer all shares of Berlitz which Benesse holds to a special

purpose company owned by ILSC Holdings LP in Canada, the holding company of the ILSC Education Group, which is in the language education business including study abroad support services.

Berlitz, which was considered the world's largest language education enterprise, was founded in 1878 and became a consolidated subsidiary of Benesse in 1993. Berlitz became a wholly owned subsidiary of Benesse in 2001. Through the implementation of its proprietary language learning method – the "Berlitz Method" – its communications business centered on language education pioneered business models that contributed to the developmental growth and globalization of individuals and businesses around the world.

In addition, ELS Educational Services, Inc., an entity indirectly wholly-owned by Berlitz, is the largest college-prep English language school in the United States and supports a multitude of international students with their English language studies. The Benesse Group has integrated ELS in its business growth plans by partnering them with Benesse's study abroad support services.

Berlitz has made a significant contribution to the development of the Benesse Group's language education business and study abroad support business. It also created synergies with teacher placement services for universities and GTEC English language testing.

Over the years, however, the business recorded operating losses and performance struggled as it fell behind in new product development to counter rising competition and the number of international students from the Middle East declined.

In 2017, new management was brought in from outside the company, and drastic restructuring including franchising was carried out in addition to product development and marketing reforms in an all-out effort to become profitable.

Thanks to those efforts, in FY2020 business recovered to a point where profitability was in sight, but then the global COVID-19 pandemic broke out and the Berlitz business was hit hard.

Amidst the prolonged impact of COVID-19, there was a shift to online classes, the global launch of the new product Berlitz 2.0, enhanced digital marketing, and further structural reform, and this year losses have been gradually shrinking.

In November 2020, Benesse formulated a medium-term management plan for fiscal years 2021 to 2025. While Benesse is committed to the pursuit of sustainable growth via initiatives such as evolving our core businesses of education and care services and exploring new areas of growth potential, we are also continuing a policy of business selection and concentration.

After deliberating on the role Berlitz plays in the business portfolio of the Benesse Group, and determining that the overseas language education business is not necessarily our core business, we began negotiations with multiple candidates last year. We reached the conclusion that synergies exist between Berlitz and ILSC and that accelerating Berlitz's growth with ILSC's support will bring about Berlitz's further development. As such, it has been resolved as of today that all shares of Berlitz held by Benesse will be transferred to ILSC SPC.

Even after the share transfer, the Benesse Group will continue to maintain a cooperative relationship with the Berlitz Group for its study abroad support services and other relevant businesses.

Next, our CFO Shinsuke Tsuboi will explain the financial impact.

Transfer of shares of Berlitz Corporation

Benesse

On 14 February, a resolution was passed to transfer all shares of consolidated subsidiary Berlitz Corporation, and an announcement was made to that effect

- **Resolution** : Debt Waiver of around ¥17.8 billion for consolidated subsidiary Berlitz Corporation
  Transfer all shares of consolidated subsidiary Berlitz Corporation
- **Date of transfer** : 14 February, 2022
- **Transfer to** : ILSC SPC

Who is ILSC SPC ?

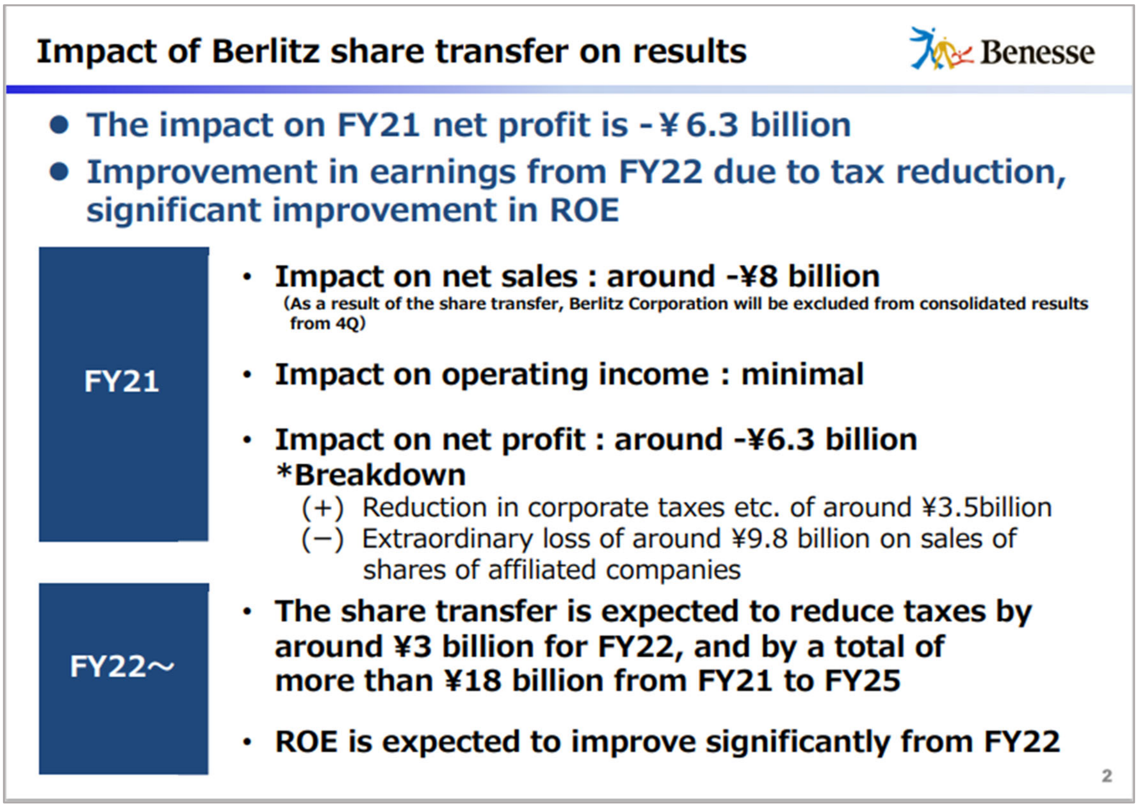
A special purpose company owned by ILSC Holdings LP in Canada. Its affiliate ILSC Education Group is in the language education business including overseas study support.
ILSC Education Group operates eight language schools in Canada, Australia, and India. It provides language education services to 12,000 people per annum, for a total of 300,000 students.

1

■Shinsuke Tsuboi, Executive Officer, CFO and Managing Director of Finance and Accounting

I will explain the revised forecast disclosed today and the impact from a numerical aspect.

The matters decided on and disclosed today are the transfer of all shares of Berlitz Corporation held by Benesse as Mr. Adachi has explained, and the waiver of approximately ¥17.8 billion in debts owed by Berlitz. The date of transfer is today, February 14 and the shares are transferred to ILSC SPC. ILSC SPC is a special purpose company owned by ILSC Holdings LP in Canada, the holding company of the ILSC Education Group, which is in the language education business including study abroad support services.



Next, I will explain the impact of this news on earnings, divided into this year (FY2021) and next year (FY2022) and beyond.

As mentioned in the Notice of Revision to Full-Year Consolidated Financial Results Forecast, Berlitz, whose fiscal year ends in December is included in consolidated accounts until the end of September (3Q) but as a result of the share transfer, net sales, operating income, and net income are excluded from our results from 4Q. This will negatively impact net sales by ¥8.0 billion from the forecast announced in May 2021. Berlitz was included in consolidated results through 3Q, and the impact on the full-year operating income forecast is minimal. The debt waiver and the resulting extraordinary loss of around ¥9.8 billion will have a significant impact on net income. However, the reduction in corporate taxes as a result of the share transfer will have a positive impact of around ¥3.5 billion. We are forecasting the overall negative impact on net income to be around ¥6.3 billion.

Looking at the impact on next year and beyond, we expect the impact of reduced taxes to be around ¥18.0 billion over 5 years, including this term’s ¥3.5 billion. We also expect a positive impact of around ¥3.0 billion on net income next term. Consequently, we expect ROE to improve substantially from FY2022.

In concrete terms, our capital base is around ¥150.0 billion, and if the positive impact of ¥3.0 billion every year continues, ROE will increase by around 2%.

Highlights of FY2021 Full-year Forecast

Benesse

- **Due to the transfer of shares of consolidated subsidiary Berlitz Corporation, the full-year forecast for FY2021 released on May 11, 2021 has been revised as shown below.**
- **No change in the forecast of ¥25 per share year-end dividend (¥50 for full year)**

(Unit : Millions of yen)

	FY20	FY21 (Forecast)	Change	Change (%)	FY21 (as of May 2021)	Change	Change (%)
Net sales	427,531	433,000	5,469	1.3	441,000	(8,000)	(1.8)
Operating income	13,089	17,500	4,411	33.7	17,500	–	–
Operating Income ratio (%)	3.1	4.0	0.9	–	4.0	–	–
Ordinary income	9,260	12,000	2,740	29.6	12,000	–	–
Net income attributable to owners of the parent	3,122	0	(3,122)	–	5,000	(5,000)	–
Exchange Rate (USD/JPY)	106.67	109.50	2.83	–	108.00	1.50	–

3

Next is the forecast for FY2021. The outlook for net sales has been revised downward by ¥8.0 billion from the previous forecast of ¥441.0 billion to ¥433.0 billion. The operating income and ordinary income forecasts are unchanged.

The initial forecast for net income attributable to owners of the parent was ¥5.0 billion, but taking recent performance trends and the share transfer and debt waiver into consideration, we have reduced our net income forecast to zero.

There is no change in the forecast of ¥25 per share year-end dividend (¥50 for full year).