

February 5, 2021

Benesse Holdings FY2020 3Q FAQ

We have prepared answers to some of the questions we anticipate from shareholders and investors regarding the announcement of FY2020 3Q results. Please refer to them in conjunction with the supplementary materials.

Results vs. forecast

1. How did 3Q results compare to the target?

In 3Q, both net sales and operating income exceeded our target. Results exceeded expectations mainly in the Education Business in Japan segment.

Shinkenzemi and Kodomo Challenge in Japan

2. Current enrollment status

FY2020 got off to a strong start with April enrollment up 3.3% YoY, and the student retention rate is gradually improving thanks to a higher utilization rate for teaching materials. As a result, the trend remains strong (3Q cumulative enrollment: +6.9% YoY).

School & Teacher Support, Cram Schools and English Education

3. Current status

In 1Q, sales and profit fell sharply YoY because of school closures and the temporary halt of Cram Schools and English Education operations due to COVID-19. The situation has been improving since the previous state of emergency was lifted in May.

China Kodomo Challenge

4. Current status

Our operations in China have a December 31 fiscal year-end. COVID-19 had a significant impact on 1Q (January - March), but since 2Q the impact has been diminishing.

Nursing Care and Childcare

5. Current status

Reduced marketing activities due to COVID-19 affected 1Q (April - June), but marketing activities gradually resumed from July. However, we have become cautious again concerning marketing activities following the declaration of a state of emergency in January 2021, and we expect it to remain difficult for occupancy rates to recover.

Berlitz

6. Current status

Berlitz Corporation's fiscal year-end is December 31. COVID-19 had a limited impact on 1Q (January - March). However, temporary language center closures in the Language Learning business and the suspension of marketing activities following the closure of university campuses in the US in the ELS business (Overseas Study Support) have had a significant impact since 2Q. Still, the YoY decline in sales is narrowing after bottoming out in 2Q (April - June).

Full year guidance

7. Why are you forecasting a sharp decline in operating income in 4Q (January - March) despite the positive turnaround in operating income YoY in 3Q (October -December)? Is there no change in full year (FY2020) guidance?

We are forecasting lower operating income in 4Q (January - March) due to planned expansion of strategic investments for FY2021 including selling expenses in each business segment, office and IT investment, and overseas R&D expenditures. Consequently, we have not changed our guidance for FY2020.