

February 2022
Benesse Holdings, Inc.

Q&A Summary
「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

Excerpts from the Q&A session are summarized below with some additions and revisions for ease of understanding.

Q: Negotiations for the share transfer began last year, and the original plan was to make a decision after seeing this year's results. What significant factor led to the timing of this decision?

A: While considering the option of continuing the business, we also informed you of our intention to consider all possible alternative options to retaining the business, if it was not expected to be profitable next year. We continued negotiations with the transferee during this time, but ultimately, considering the global spread and prolonged nature of COVID-19, uncertainty remained regarding the next year's results. In addition, after deliberating the role of Berlitz and the implications on the business, we concluded that rather than keeping Berlitz within our group, operating it with ILSC's support would be better for Berlitz's further growth and development. We also concluded that maintaining a cooperative relationship with Berlitz while moving forward with our English and language businesses would not be a negative move for us.

We had planned to make the announcement with the third quarter results on 7 February, but as this was not possible, negotiations resulted in the announcement being made today.

Q: What influence will this share transfer have on Benesse's English education and programs in other language businesses? Will Benesse run the existing programs

alone?

A: Language education and English education are important topics in Japan, and we will continue to promote these businesses. We have a cooperative relationship with Berlitz and, as part of the sale agreement, are able to continue with our existing non-Berlitz businesses, and our English education business, including Benesse BE Studio, our English language school business for children, and Study Hacker, our business for working adults. Naturally, we will continue with the English language education in our School & Teacher Support business, and strengthen the Shinkenzenmi English educational program.

Q: What is the effect of the Berlitz share transfer on the cash flow?

A: Firstly, there has been a full waiver of all Berlitz debt, and no further working capital or other loans will be made to Berlitz in the future. There will also be around 1 billion yen decrease in capital expenditure on an annual consolidated basis. Regarding our profit and loss statement, while we expect around 40 billion yen less in net sales than initial forecast, we also expect operating income to come out even, thus resulting in minimal impact on the consolidated profit and loss. Taking everything into account, we expect the effect on cash flow to be insignificant.

Q: Recent shareholder returns are low compared to the past. Considering the reduction in tax and the debt waiver resulting from Berlitz share transfer, I think there is some room for improvement. What are your thoughts?

A: In the forecast for the next financial year, the second year of our Medium-Term Management Plan, we will factor in the effects of the Berlitz share transfer, including the reduction in tax, and consider at what stage it will be possible to increase the dividend while maintaining the payout ratio of 35%.