

FY 2021 1Q FAQ

We have prepared answers to some of the questions we anticipate from shareholders and investors regarding the announcement of FY2021 1Q results. Please refer to them in conjunction with the supplementary materials.

Overall results

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

As a whole, sales and profits were in line with our targets. There was a 1.02 billion yen operating loss, but that was in line with expectations since 1Q is structurally a low profit quarter due to increased production costs for the start of the new year in the Domestic Education business.

2. Why was the YoY improvement in the quarterly net loss attributable to owners of the parent around 2 billion yen less than that of the ordinary loss?

The ordinary loss narrowed by 4.75 billion yen YoY. In comparison, the net loss attributable to owners of the parent narrowed by 2.63 billion yen YoY, falling short of the improvement in the ordinary loss by more than 2 billion yen.

The main reasons for that were higher income tax compared to the previous year when there was a tax refund for Berlitz as a result of COVID-19 and an increase in net income attributable to noncontrolling interests due to profit improvement at consolidated subsidiaries with external shareholders.

3. Have you changed your outlook for the full term (FY2021)?

We have not changed our outlook for the full term (FY2021).

Shinkenzemi and the Kodomo Challenge business in Japan

4. 1Q enrollment

Enrollment for Shinkenzemi and the Kodomo Challenge business in Japan started the quarter with a 0.3% YoY increase in April. However, due to a declining retention rate YoY, 1Q cumulative enrollment fell 1.2% YoY, slightly below target.

By improving issues in each of our courses and carrying out promotional activities, we expect recovery toward 2H.

Changes in revenue recognition standards have a negative impact on Shinkenzemi net sales and operating income, but in real terms excluding that factor, both net sales and operating income rose YoY thanks to price revisions and an increase in optional courses which had a greater impact than that of lower enrollment.

School & Teacher Support and Cram Schools/English Language Education

5. How is the School & Teacher Support business recovering from the impact of COVID-19?

In FY2020 1Q, COVID-19 resulted in school closures and sales in the high school business fell by around half. FY2021 1Q recovered to pre-COVID FY2019 levels if we exclude special factors such as a lag in the month in which sales from the Simulated Exams business were recorded.

6. How is the Cram Schools/ Classroom business recovering from the impact of COVID-19

Enrollment in the Cram Schools/Classroom business in April surpassed the pre-COVID FY2019 level and remained strong in 1Q.

1Q net sales and operating income recovered to pre-COVID FY2019 levels.

Kodomo Challenge business in China

7. What is the 1Q enrollment situation ?

The fiscal year-end for the business in China is December 31. Shrinking sales channels, due to the impact of a COVID-19, declining birth rate and intensifying competition resulted in a YoY decrease in cumulative enrollment in 1Q (January – March). Net sales increased compared to FY2020 1Q when shipments of school supplies were temporarily suspended because of COVID-19.

8. How will China’s announcement of regulatory measures in the education business affect you ?

The regulations target cram schools for elementary and junior high school students and early education for school subjects. Our Kodomo Challenge business is not subject to the regulations since it is for preschoolers and is not in the field of early education.

Nursing Care and Childcare

9. What is the current occupancy rate situation ?

Due to the spread of COVID-19 since April and the resulting declaration of a state of emergency in Tokyo and other prefectures, occupancy rates at the end of June fell by just over 1 point from the end of March. Occupancy rates are expected to fluctuate depending on the overall number of infected people and vaccination rates in the elderly population.

Berlitz

10. What is the current situation ?

Berlitz Corporation’s fiscal year-end is December. In 1Q (January - March), there were fewer language lessons and fewer international students in the ELS business due to COVID-19. As a result, net sales fell YoY, but losses narrowed thanks to cost reductions. Both net sales and operating income are on track with our targets.