

November 10, 2023
Benesse Holdings, Inc.

FY2023 2Q Results Briefing Q&A Summary

- **Date and Time : Friday, November 10, 2023, 4:00 – 5:00 p.m.**
- **Respondents: Hitoshi Kobayashi,**
Representative Director and President, CEO
Shinsuke Tsuboi,
Managing Executive Officer, CFO, Executive General
Manager of Finance and Accounting

※ We have taken excerpts from the Q&A session and summarized them. Some of the wording and the order have been modified for ease of understanding

Q. In regard to MBO, I would like to know what kind of explanation was provided by the founding family members.

A. Kobayashi:

The founding family members presented us with a proposal after our announcement of the Transformation Business Plan last May.

The outline of the proposal was as follows:

- ◆ The business environment surrounding the Company is experiencing significant changes, such as declining birth rate, university entrance examination reforms, and shortage of human resource for nursing care.
- ◆ To realize the Transformation Business Plan we announced in May, a long-term and sustainable transformation is unavoidable. To this end, collaborating with an influential external partner to leverage their know-how and privatize the Company will help us to achieve the plan with a higher speed and feasibility and thus enhance the corporate value.
- ◆ EQT Group has founding principles and purpose that are similar to ours. It also possesses vast experience from developing education and elderly care platforms worldwide, teams with advanced digital knowledge, and a wealth of investment targets. Therefore, EQT is considered the best possible partner for the Company.

Additionally, the proposal stated that actively working on the company management under the Transformation Business Plan will increase the probability

of successful achievement of its goals, thereby contributing to further improvements in the corporate value of the Company.

Q. When did you start your consideration on MBO?

A. Kobayashi:

After the announcement of the Transformation Business Plan on May 19, 2023, the founding family and EQT presented us with the proposal on May 22, the next week.

Provided with their explanation at the end of May, the Company held 18 times of meeting of the Special Committee, which consisted of outside directors and outside statutory auditors to make considerations.

Our executive members also had some discussions with the founding family and EQT, and as consulted by the Special Committee, they expressed opinions on whether the proposal would contribute to enhancement of the corporate value or not.

Q. From now on, how will the founding family members involve in management of the Company?

A. Kobayashi:

As mentioned in the press release issued by EQT Group, under the new arrangement, Hideaki Fukutake and myself, currently both directors, plan to continue serving as directors of the Company. We are presented with their proposal of a troika system consisting of EQT Group, Mr. Fukutake, and myself. Under this system, the shareholders who are also investors and the executive members will work together on business issues and consider the path to take. In addition, we will invite other well-versed persons from outside the Company to the board of directors and improve the accuracy in decision making of the Company.

We have been presented with a proposal like this. For the detail, we will discuss them in the future.

Q. The tender offer price is 2,600 yen per share. How much will be the total amount?

A. Kobayashi:

According to the press release issued by EQT Group, the number of shares subject to the tender offer is 79,980,331. Multiplying this number by 2,600 yen,

the maximum amount of the tender offer will be 207.9 billion yen.

Q. You said that the Company will carry out the transformation that go beyond the transformation that has been executed so far. Did you mean to say that the Transformation Business Plan was insufficient?

A. Kobayashi:

We don't think that the Transformation Business Plan was insufficient. It means that we will implement the Transformation Business Plan through MBO and work on some extra matters as well. For instance, there is a proposal for rebuilding the Education Business in Japan that we might consider expanding it into wider scope. We will add proposed items to the plan as necessary.

After completion of MBO, we will start discussions on extra items that we should work on, with the Transformation Business Plan as the basic line.

Q. Shinkenzemi enrollment has been declining. I would like to know the current number of enrollments, since when and how much it has been declining, and how you think declining birthrate is affecting it.

A. Kobayashi and Tsuboi:

The number of enrollments declined significantly when the personal information leakage occurred in 2014. We have taken various measures since then and once succeeded to stop the decline. Under such a situation, we achieved an increase in enrollments in 2020. We believe that we were chosen as the learning partner at home during the school closures in the COVID-19 pandemic.

The number of Shinkenzemi enrollments in Japan was 2.49 million in April 2022 and 2.21 million in April 2023. It dropped significantly, more than the impact from the declining birthrate. We believe that the major issues are a decline in children's motivation to learn as well as weakening necessity of learning amid the university entrance examination reform. To address these issues, we will make innovations in sale and products in the coming one to two years. We will promote study on how we should provide education materials and how the learning should be to match the learning of today's children in next-generation models.

Q. I think you are hoping to rebuild Shinkenzemi business with MBO. How will you do that?

A. Kobayashi:

When we explained to you that leveraging know-how and network of EQT Group after this MBO will help us to achieve the plan with a higher speed and feasibility, we were not only talking about Shinkenzemi.

It is true we are considering for further digitalization of Shinkenzemi by leveraging know-how of EQT Group's global digital team. However, rebuilding Shinkenzemi is not the only purpose of MBO.

For example, we believe that, in transformation of University & Working Adult Business and in development of overseas businesses, we'll be able to count on advice and support from EQT Group and draw on its various knowledge and networks. Expectation for various opportunities for the entire Transformation Business Plan was the reason that we expressed our support for MBO.

Q. What kind of digital knowledge does EQT Group have, for example?

A. Kobayashi:

We cannot comment in detail, as the Company and EQT Group have not completed examination of each other at a sufficiently deep level. We have a picture of utilizing EQT Group's experience and know-how in various initiatives such as OMO (Online Merges with Offline). For specifics, we will consider them from now on.

Q. School and teacher support Business (elementary and junior high school business) has set a goal of further increasing the number of schools that have introduced Mirai Seed at the timing of the replacement of GIGA terminals in FY25. Digital materials and tablet devices, including those from competitors, are on the rise. I would like to know about your strategy on this point.

A. Kobayashi:

We will work on the transformation of core education in two phases. In regard to upgrading to next generation, we are considering new Shinkenzemi models including BYOD models. We are considering a fundamental review of the way learning is provided and way the terminals are used, to change them to forms that are easier for children to engage in.

If it is allowed to download out-of-school apps like Shinkenzeni onto GIGA terminals used at schools, both school studies and Shinkenzeni can be provided on one terminal. However, as different municipality has different regulations, we would like to think about which path we take, while monitoring the situation.

Q. While sales in mainstay Education Business are on decline, Nursing Care Business is doing well. Going forward, what will happen to the business portfolio after MBO?

A. Kobayashi:

In the Transformation Business Plan, the Core Education Business is positioned as a stable profit generator. In the Core Education Business, rather than increasing the top line of sales, we will transform our products and communication while addressing issues children and schools are experiencing so that we can continue to be an indispensable presence.

In the Core Nursing Care Business, we are considering increasing the top line of sales, with stable growth as the top priority. In addition, we will strengthen new areas of university & working adult, nursing care, and overseas businesses.

MBO will not significantly change the Company's goals. We will pursue the realization of the Transformation Business Plan with higher feasibility by capitalizing on EQT Group's know-how, knowledge, network, and expertise in M&A.

End