

Benesse Holdings FY2020 1Q FAQ

August 7, 2020

We have prepared answers to some of the questions we anticipate from shareholders and investors regarding the announcement of FY2020 1Q results. Please refer to them in conjunction with the supplementary materials.

1. What was the reason for the sharp 5.2 billion yen operating loss in 1Q?

In the Domestic Education business, structurally speaking 1Q profits are low due to the increase in production costs for educational materials for the start of the new school year. This year, the novel coronavirus (COVID-19) pandemic has had a significant impact, mainly in the School & Teacher Support, Cram Schools/English Language Education, and Nursing Care and Childcare businesses, resulting in losses.

2. What is the outlook for 2Q?

It is highly likely that net sales and operating income will decline YoY in 1H. However, since the 1Q operating loss was largely due to structural factors, we expect the operating loss to narrow in 1H.

3. What is the situation for Shinkenzemi and the Kodomo Challenge business in Japan?

April enrollment rose 3.3% YoY, a good start. 1Q cumulative enrollment was even higher than April's growth at +5.2% YoY thanks to higher retention rates as usage rates improved, resulting in continued strong growth.

4. What is the situation for the School & Teacher Support and Cram Schools/English Language Education businesses?

1Q net sales and operating income fell sharply YoY following school closures and a voluntary halt in cram schools and English language classes due to COVID-19. Since the state of emergency was lifted, there are signs of recovery.

5. What is the situation for the Kodomo Challenge business in China?

The fiscal year-end for the business in China is December 31. COVID-19 had a major impact on 1Q (January ~March), but the impact is expected to weaken in 2Q (April ~June).

6. What is the situation for the Nursing Care and Childcare business?

In 1Q (April~June) the reduction in marketing activities due to COVID-19 had an impact, but from July marketing activities have been resuming gradually.

7. What is the situation for the Berlitz business?

Berlitz Corporation's fiscal year-end is December 31. COVID-19 had limited impact on 1Q (January ~March) results. However, the impact of COVID-19 has been increasing since April, and the YoY decline in net sales and operating income in 2Q (April~June) widened due to the suspension of marketing activities following the temporary closure of language centers in the Language Learning business and the closure of University campuses in the US in the ELS business (Overseas Study Support).

8. Please explain the decision not to release FY2020 earnings forecasts

At this time, it is difficult to properly and reasonably calculate the impact that COVID-19 will have on the full year. We are therefore not providing guidance for FY2020. In the Domestic Education business, Shinkenzeni is doing well. However, the process of trial and error in the school environment continues, including shortening of the summer vacation period for elementary, junior high and high schools, and scheduling for the second semester and beyond, and we cannot predict the impact on the School & Teacher Support business and the Cram Schools/English Language Education business.

In the Nursing Care and Childcare business, the top priority is preventing the spread of infection from COVID-19 and it continues to be difficult to plan marketing activities.

Moreover, a further spread of COVID-19 could mean a further reduction in business activities in all our businesses.

9. Are there any changes to the dividend policy?

In anticipation of a recovery in business performance from FY2021, the company plans to maintain a dividend of ¥50 per share.

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