

## **FY2019 Financial Results Briefing Q&A Summary**

■ **Date and time: Monday May 25, 2020 16:30 – 17:30**

■ **Respondents:**

**Tamotsu Adachi, Representative Director and President, CEO**

**Hitoshi Kobayashi, Representative Director and Executive Vice President, COO**

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

**Q : You did not provide guidance this time, but could you discuss positive and negative factors for the results of individual business segments?**

**A :**

**[Shinkenzemi, Kodomo Challenge business in Japan]**

The number of enrollees in April 2020 increased by 90,000 YoY. Looking at retention in May, June, and the first part of July, the business is doing relatively well. Accordingly, if cumulative enrollment continues to outpace the previous year through next March, we expect it to be a significant plus factor.

One risk factor is the possibility that when schools reopen, there will be a gap between progress in school courses and the contents of Shinkenzemi teaching materials. In addition to providing teaching materials, we plan to fill in the individual gaps by increasing the frequency of assessments and adding online classes.

**[Cram schools, English language education]**

We are about to enter June following a state of emergency which closed down almost all cram schools and English language classes in April and May. In addition to classroom learning where close contact in small spaces will be avoided, services combining online classes will be enhanced. Once classrooms reopen, the extent to which the return of old students, the welcoming of new students, and hybrid services combining online learning lead to net sales will be a major challenge. In any case, the fact that classes could not be held in April and May was a negative factor compared to a normal year.

**[Nursing care]**

Advertising at nursing homes has been suspended since March. As our social responsibility, we are accepting inquiries from clients with priority needs, but in order to prevent infection we are not accepting inquiries from other clients. The number of inquiries which have led to face-to-face consultations has dropped by 70 or 80% YoY. However, since we have only been accepting

inquiries from clients with priority needs, the rate at which such inquiries have led to admissions has increased by more than 1.5x.

However, since new admissions are declining while there are also departures, the occupancy rate is on a declining trend. Once the state of emergency has been lifted and families can visit residents again, these effects are likely to continue for some time, depending on when marketing activities can resume.

**【Berlitz】**

On a single month basis, in April the percentage of sales secured online was 55%. In Europe, economic activity has rebounded considerably, and in May classrooms have been reopening. In June most classrooms are expected to reopen. In Japan as well, the state of emergency is being lifted so we expect all classrooms to open, but given the significant impact from March and April, we anticipate wider operating losses.

Taking into account the situation for each business segment outlined above, we are predicting a large decline in overall operating profit.

**Q : Please redefine your future business policies. Taking post-COVID-19 consumption trends into consideration, will you continue to promote IT in the face-to-face cram school business and Shinkenzenmi?**

**A :** We are upgrading our online and digital services which will be the key to education related businesses. We had already been developing these services, and are further enhancing our strategies as an out-of-school Learning Business company with integrated education programs outside of school. We have been working on this even before COVID-19, and we believe our approach will be a significant plus factor for us.

We plan to announce further strategies as part of our medium-term management plan when we report 1H results.

**Q : Will the trend in Shinkenzenmi new enrollments since April continue longer than in a normal year as a result of school closures? Also, what preparations are you making to attract enrollment in the summer or for withdrawals?**

**A :** There was no significant activity to attract new enrollment in May and June, and any new enrollment has been organic. June and July are strong compared to one year ago. We are not providing concrete numbers, but new enrollment through organic growth has increased from last year.

At the same time, retention is steady in May, June, and the first part of July, and we feel we are off to a good start.

We have traditionally promoted summer as an opportunity for an overall review of the first semester. As classes resume after the school closures, how far along courses progressed before the first semester ended will likely be completely different than in the past. Summer holidays could also be shortened.

Accordingly, we are considering a new approach of having all students undergo an assessment once before summer in order to understand each individual's learning situation and to provide as

much individual learning support as possible.

We are developing a plan as one of the sales opportunities in the summer to track and provide support for disparities in aptitude and education by region, school and individual.

**Q : Will the results of cost-cutting efforts at Berlitz be a significant factor for profit increases in 2H or next term? Even if net sales do not recover, can you reduce costs enough to make a profit next term?**

**A :** It is still not clear how quickly the business can recover from the effects of COVID-19. In the ELS business (Overseas Study Support) in particular, students all have very negative feelings about going overseas. Under such circumstances, we don't expect the top line to recover so easily. Consequently, our current assumption is that it will take 2 or 3 years to return to the business plan we envisioned before COVID-19, and at this point we unfortunately don't expect to be profitable next year or the following year.