

February 14, 2022

Company: Benesse Holdings, Inc.

Representative name: Tamotsu Adachi, Chairman and CEO
(Securities code: 9783, Tokyo Stock Exchange First Section)

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Benesse Holdings, Inc. announces debt waiver and transfer of consolidated subsidiary

Benesse Holdings, Inc. (hereinafter “Benesse” and, collectively with its affiliates the “Benesse Group”) hereby announces that the Board of directors has resolved today to waive debts owed by its consolidated subsidiary Berlitz Corporation (Headquarters: Princeton City, New Jersey, USA; CEO: Curtis Uehlein, hereinafter “Berlitz”), and to transfer all shares (hereinafter “the share transfer”) of Berlitz which Benesse holds to a special purpose company (hereinafter “ILSC SPC”), which is owned by ILSC Holdings LP (Headquarters: Canada, hereinafter “ILSC”, the holding company of the ILSC Education Group, a language education business). Berlitz will be removed from the consolidated group of Benesse as a result of the share transfer.

1. Background of the debt waiver and share transfer

Berlitz, which was considered the world’s largest language education enterprise, was founded in 1878 and became a consolidated subsidiary of Benesse in 1993. Berlitz became a wholly owned subsidiary of Benesse in 2001. Through the implementation of its unique language learning method - the “Berlitz Method” - its communications business centered on language education pioneered business models that contributed to the developmental growth and globalization of individuals and businesses around the world.

In addition, ELS Educational Services, Inc., an entity indirectly wholly- owned by Berlitz, is the largest college-prep English language school in the United States and supports a multitude of international students with their English language studies. The Benesse Group had integrated ELS in its business growth plans by partnering them with Benesse’s study abroad support services.

In order to remain competitive despite a rise in technologically savvy competitors and the difficulties presented by the COVID-19 pandemic, Berlitz enhanced its business management frameworks, introduced new online education courses, bolstered its digital marketing of technology, and put into place other business reforms to strengthen its business position.

In November 2020, Benesse formulated a medium-term management plan for fiscal years 2021 to 2025. While Benesse will continue to be engaged in the pursuit of sustainable growth via initiatives such as evolving our core businesses, which is comprised of our education and care services, and exploring new areas, which focuses on exploring new areas of growth potential, Benesse is also continuing a policy of engaging in business selection and concentration.

After deliberating on the role Berlitz plays in the business portfolio of the Benesse Group, and after conducting negotiations with multiple candidates, Benesse reached the conclusion that synergies exist between Berlitz and ILSC and accelerating Berlitz’s growth with ILSC’s support will bring Berlitz’s further development. As such, it has been resolved as of today that all shares of Berlitz held by Benesse will be transferred to ILSC SPC.

The Benesse Group will continue to maintain the cooperative relationships among the Berlitz Group, its study abroad support services, and other relevant businesses of the Benesse Group, even after the share transfer.

In an effort to improve the financial position of Berlitz, and as agreed with ILSC per the terms of the share transfer, the share transfer will be conducted upon Benesse’s debt waiver of its outstanding loan and loan interest receivables in respect to Berlitz.

2. Overview of transferred subsidiaries

1.	Name	Berlitz Corporation		
2.	Location	7 Roszel Road, Princeton, NJ 08540, United States		
3.	Representative name and role	CEO Curtis Uehlein		
4.	Business description	Language education business, ELS business (study abroad support services), etc.		
5.	Capital	USD1 million		
6.	Date of establishment	July 1, 1878		
7.	Major shareholders and ownership ratios	Benesse Holdings, Inc. 100%		
8.	Relationship between Benesse and Berlitz	Capital relationships	Benesse holds 100% of the shares of Berlitz.	
		Personnel relationships	Benesse has dispatched 4 part-time directors to Berlitz.	
		Transaction relationships	Benesse has lent funds to Berlitz.	
9.	Business performance and financial position of Berlitz for 3 most recent years			
	Fiscal year-end	FYE Dec 2018	FYE Dec 2019	FYE Dec 2020
	Net Assets	USD17 million	▲USD42 million	▲USD107 million
	Total assets	USD248 million	USD196 million	USD183 million
	Net asset value per share	USD1.84	▲USD4.50	▲USD11.30
	Sales	USD462 million	USD431 million	USD253 million
	Operating income	▲USD43 million	▲USD29 million	▲USD63 million
	Ordinary income	▲USD50 million	▲USD33 million	▲USD62 million
	Net income	▲USD51 million	▲USD52 million	▲USD67 million
	Net income per share	▲USD5.43	▲USD5.55	▲USD7.07
	Dividend per share	—	—	—

Note: “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement” (ASBJ PITF No.18, June 28, 2019) has been applied and figures here include necessary adjustments for consolidated financial reporting.

3. Overview of the share transfer

Overview of transferee

1.	Name	Berlitz Holdings, Inc. (above referred to as ILSC SPC)
2.	Location	555 Richards St, Vancouver, British Columbia V6B 2Z5 CA
3.	Representative name and role	Paul Schroeder, CEO of ILSC Education Group
4.	Business description	Holding company
5.	Capital	USD100,000
6.	Date of establishment	January 25, 2022

7.	Major shareholders and ownership ratios	ILSC Holdings LP 100%	
8.	Relationship between Benesse and Purchaser	Capital relationships	N/A
		Personnel relationships	N/A
		Transaction relationships	N/A
		Relevant circumstances with related parties	N/A

Note: ILSC SPC is a special purpose company wholly owned by ILSC Holdings LP, established on January 25, 2022 for the purpose of acquiring the shares of Berlitz Corporation.

4. Number of shares to be transferred, transfer price, and ownership status before and after transfer

1.	Shares owned before transfer	9,546,536 shares (Ownership ratio : 100%)
2.	Shares transferred	9,546,536 shares (Ownership ratio : 100%)
3.	Transfer price	The transfer price shall not be disclosed due to obligations of confidentiality stipulated within the share transfer agreement. However, the transfer price was determined through fair negotiation processes and is recognized to be a fair value.
4.	Shares owned after transfer	0 shares (Ownership ratio : 0%)

5. Overview of debt waiver

1.	Type of debts	Loan and loan interest receivables
2.	Total amount of debts to be waived	Around JPY 17.8 billion

6. Dates

1.	Board of Directors meeting	February 14, 2022
2.	Agreement execution date	February 14, 2022
3.	Debt waiver date	February 14, 2022 (tentative)
4.	Share transfer date	February 14, 2022 (tentative)

7. Future outlook

The effect of the debt waiver and share transfer on the consolidated financials for FYE March 2022 has been explained in the “Notice of Revision to Extraordinary Losses and Full-Year Consolidated Financial Results Forecast” released on February 14, 2022.