



Financial Results for FY2021

May 12, 2022

Benesse Holdings, Inc.

This presentation contains forward-looking statements concerning the future plans, strategies, beliefs and performance of Benesse Holdings, Inc. and its subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks, uncertainties and assumptions. As such, actual results may differ materially from those projected.

Financial Results Summary for FY2021

Shinsuke Tsuboi
Managing Executive Officer, CFO (Chief Financial Officer),
Executive General Manager of Finance and Accounting
Benesse Holdings, Inc.

■ Increase in sales and income YoY

Net sales up ¥4.4bn, 1.0%, Operating income up ¥7.0bn, 54.1%, YoY
But net income down ¥2.0bn, 65.9%, YoY on loss from transfer of Berlitz

■ Large increase in income vs. forecast

Operating income ends at ¥20.1bn, beating initial forecast of ¥17.5bn
Transfer of Berlitz secures NP of ¥1.0bn vs. forecast of ¥0.0bn

■ Steady progress on [V-shaped recovery in phase 1 (FY21-FY22)]

- V-shaped recovery in first year in the Education Business in Japan
(Operating income ¥13.8bn in FY19→¥19.0bn in FY21)
- Income down in **Nursing Care Business on fall in occupancy rate from COVID-19**
(Operating income shrinks ¥3.3bn vs. FY19, ¥2.3bn YoY)

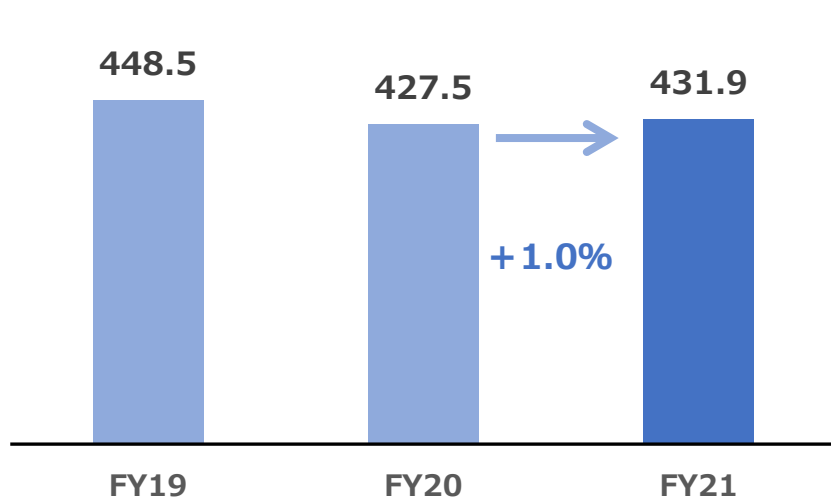
■ One-time special loss in FY21 on [transfer of Berlitz]

However, expect lower tax burden from FY22 to add to ongoing profit growth to help improve capital efficiency and CF

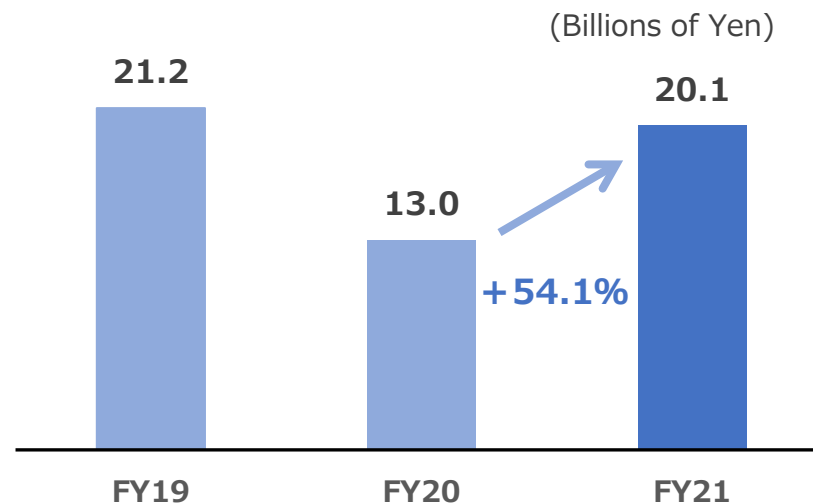
Highlights for FY21

Steady progress toward V-shaped recovery, net income down on one-time loss from transfer of Berlitz

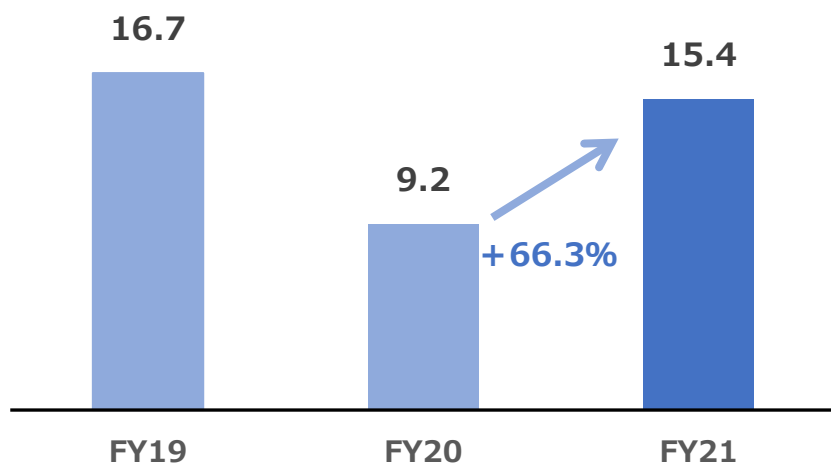
Net sales



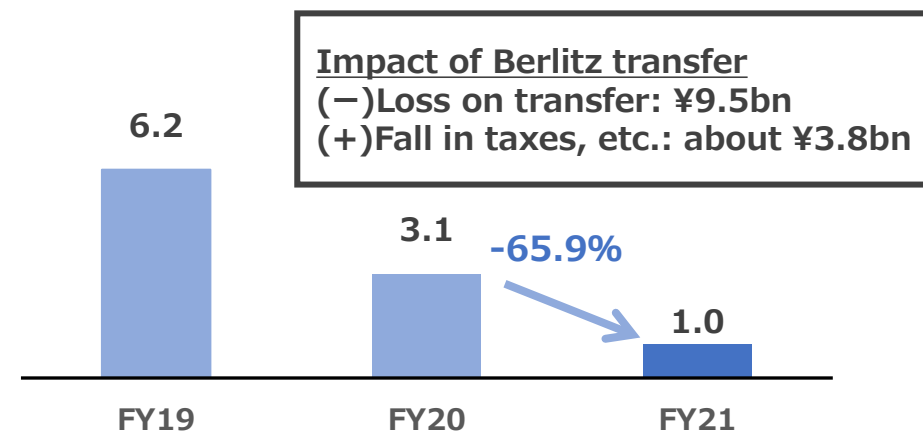
Operating income



Ordinary income



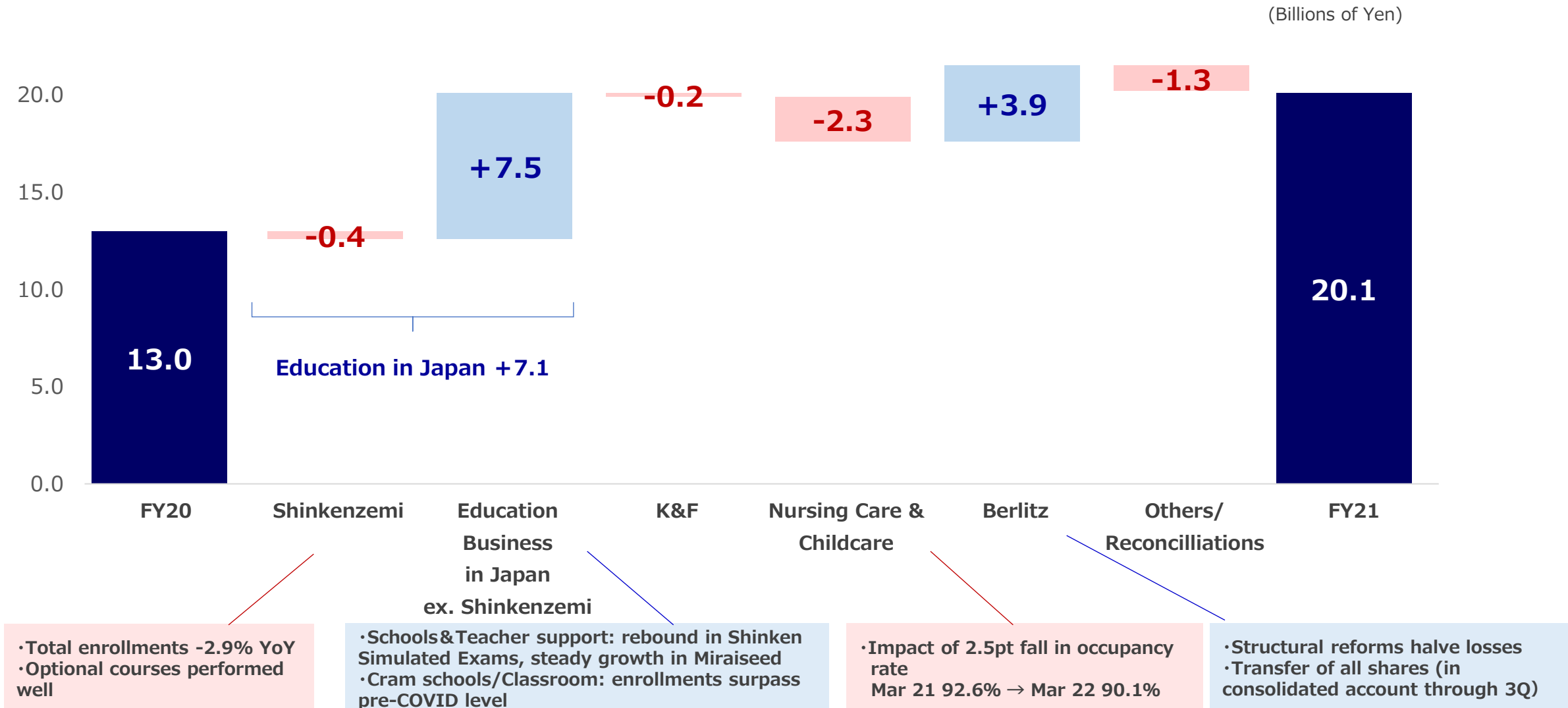
Net income*



*Net income attributable to owners of the parent

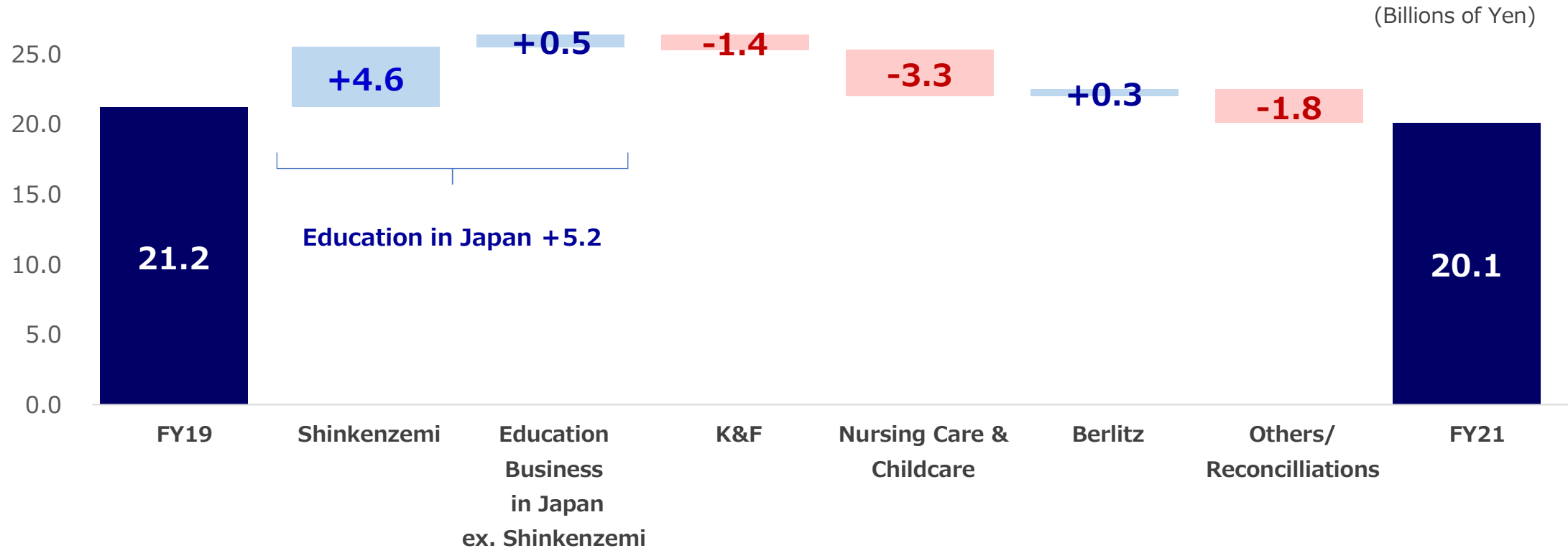
Change in FY21 operating income by segment (YoY)

Large income increase on recovery in the School & Teacher Support business, and Cram School/Classroom businesses, halving of losses at Berlitz



Change in FY21 operating income by segment (vs. FY19)

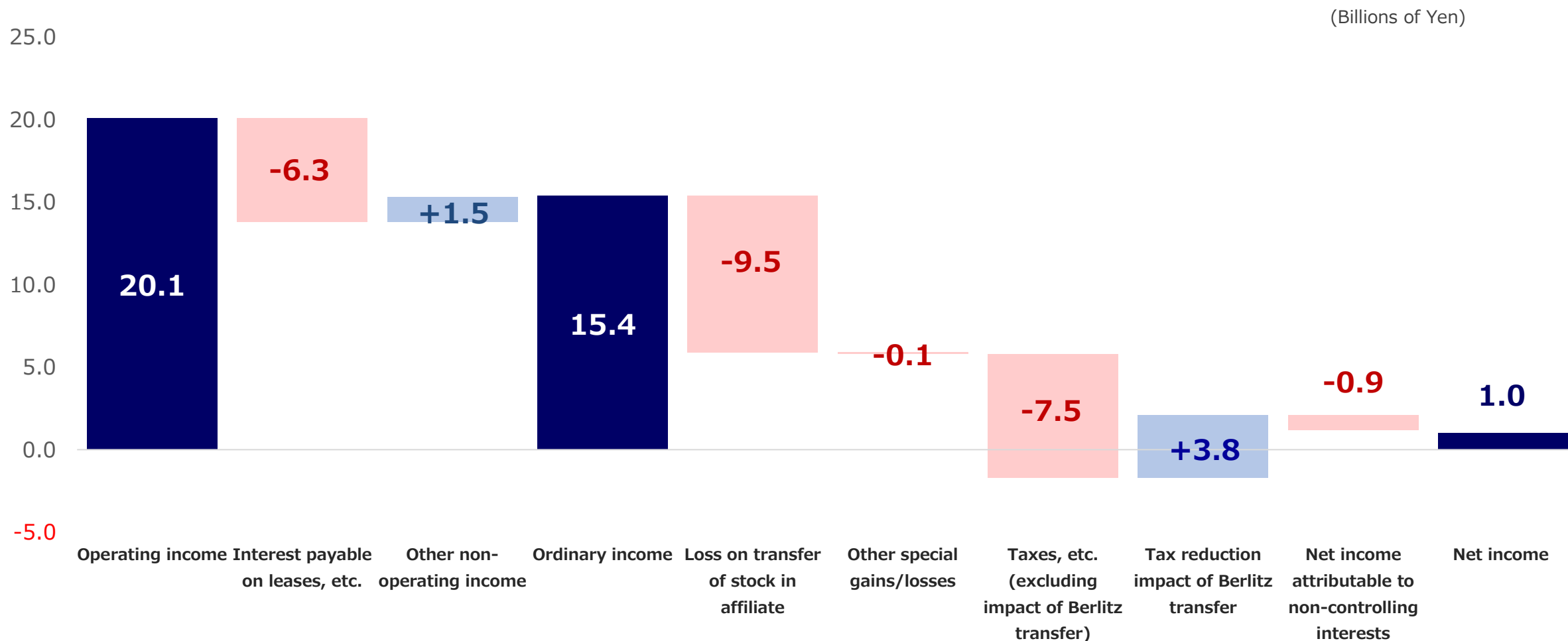
Overall steady progress toward V-shaped recovery in FY22, Education Business in Japan surpasses pre-COVID level
However, ongoing COVID negative impact on Nursing Care & Childcare, K&F also still recovering



FY21 net income (changes from Operating income)



Net income of ¥1.0bn includes ¥9.5bn loss on transfer of stock in affiliates from transfer of Berlitz



FY21 Net income

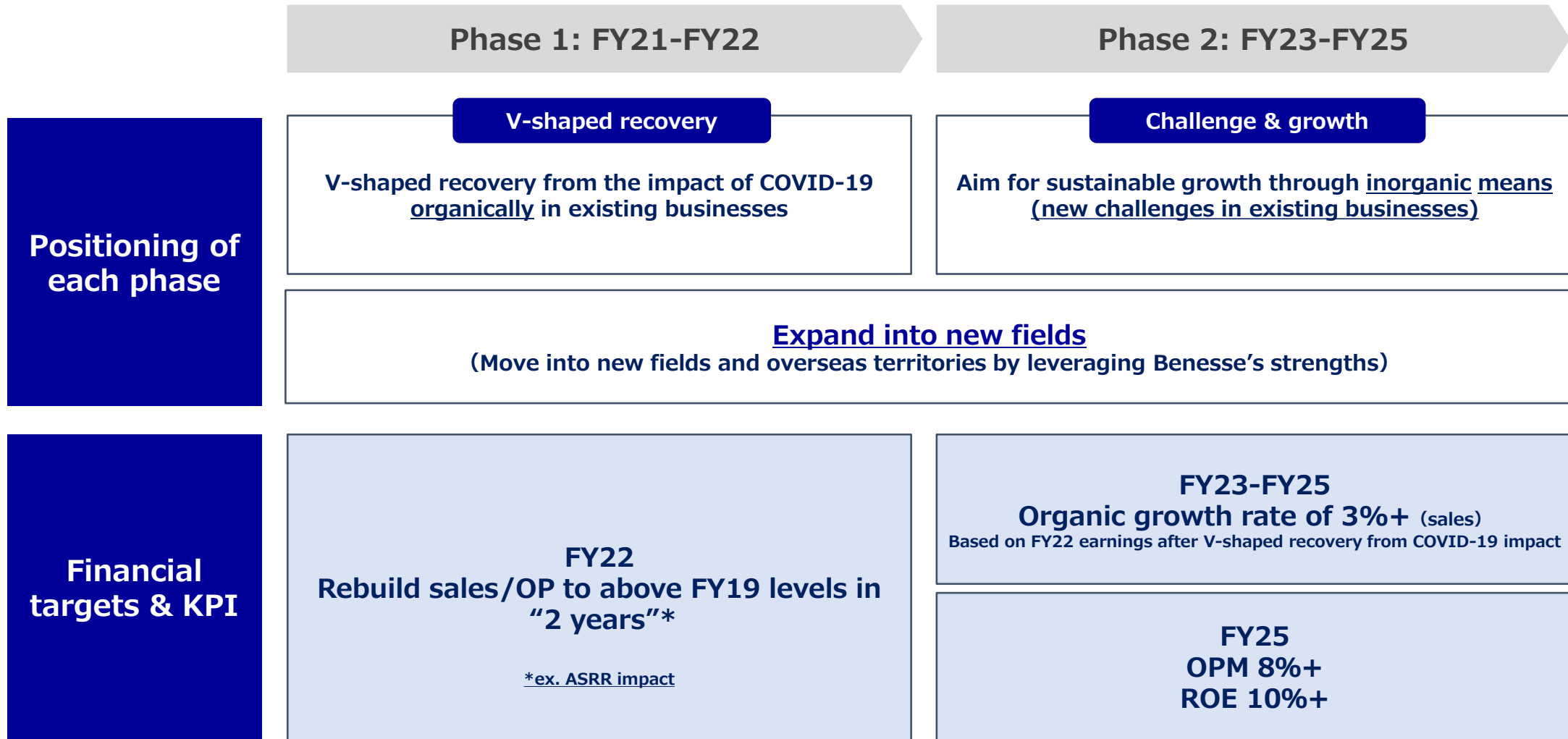
Toward reform and growth of the Benesse Group

Hitoshi Kobayashi
Representative Director and President, CEO
Benesse Holdings, Inc.

【Repost】Targets of the medium-term management plan



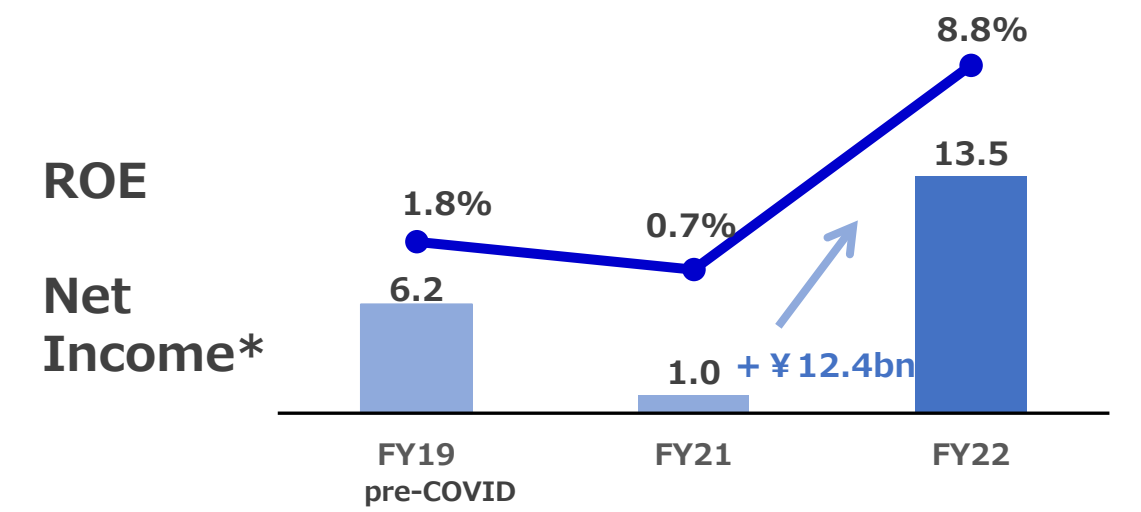
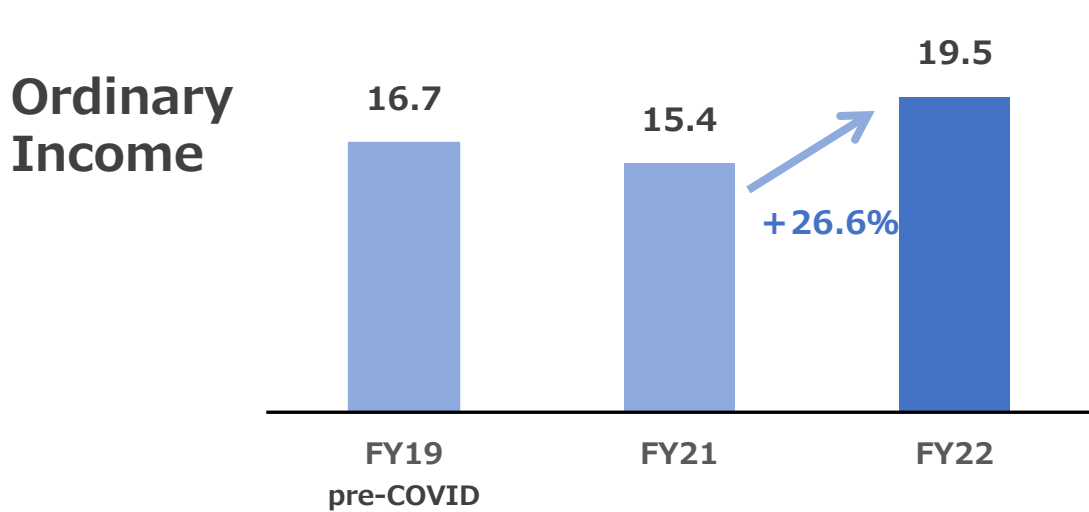
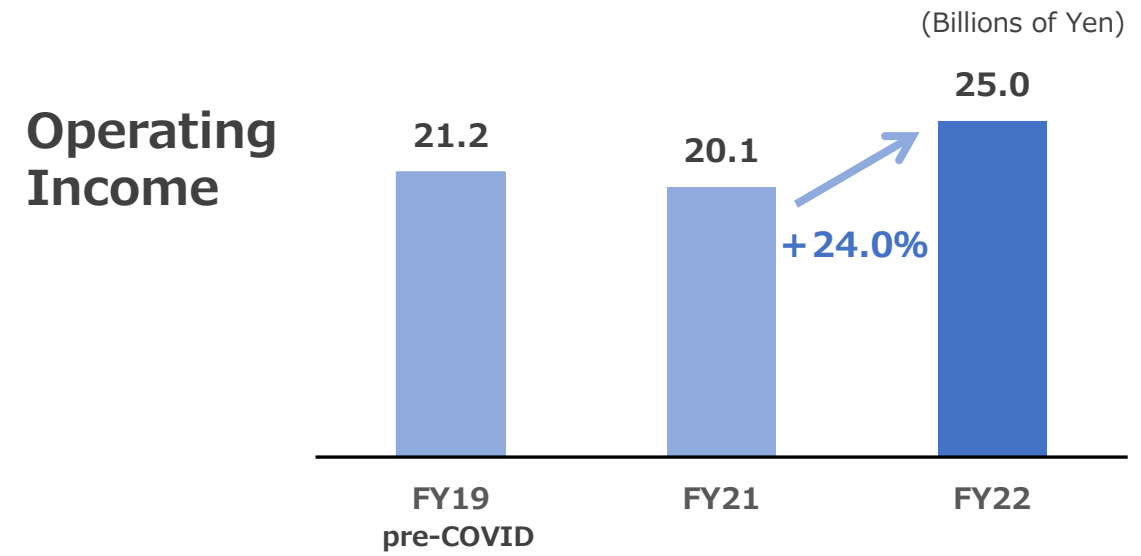
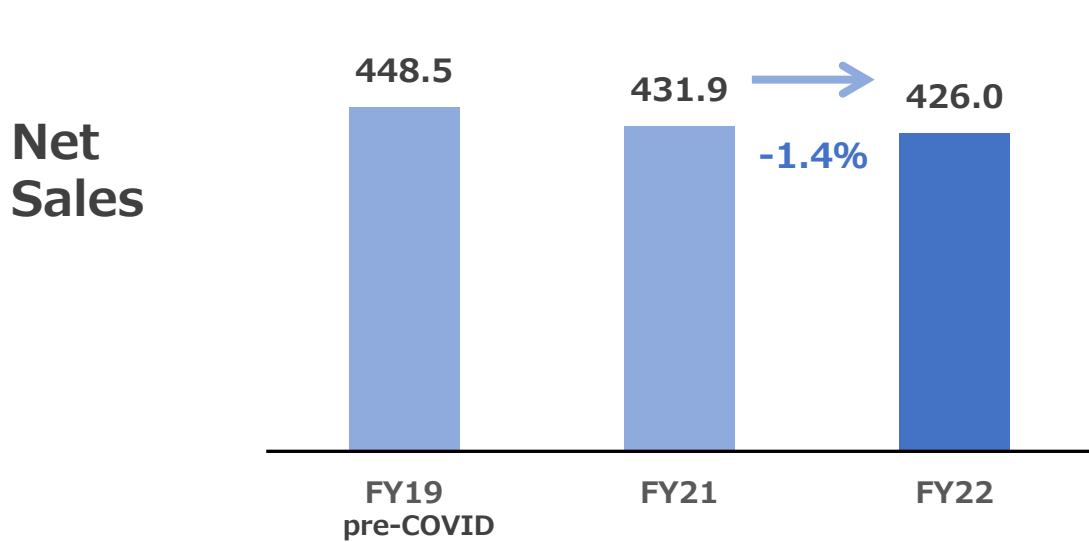
FY22 the final year of Phase 1, accelerate “reform and growth” as we move toward Phase 2



- **Target V-shaped recovery in FY22, major improvement in ROE from transfer of Berlitz**
- **Aim for further growth from reform of existing businesses, proactive stance on new themes (inorganic + new fields)**
- **Clarify financial strategy, implement strategic investment in new growth**

FY22 earnings forecasts highlights

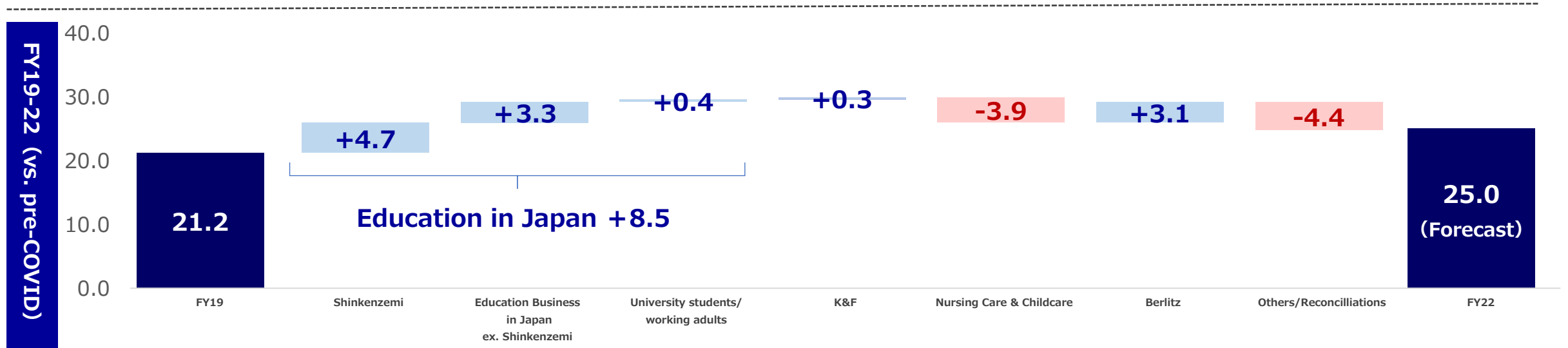
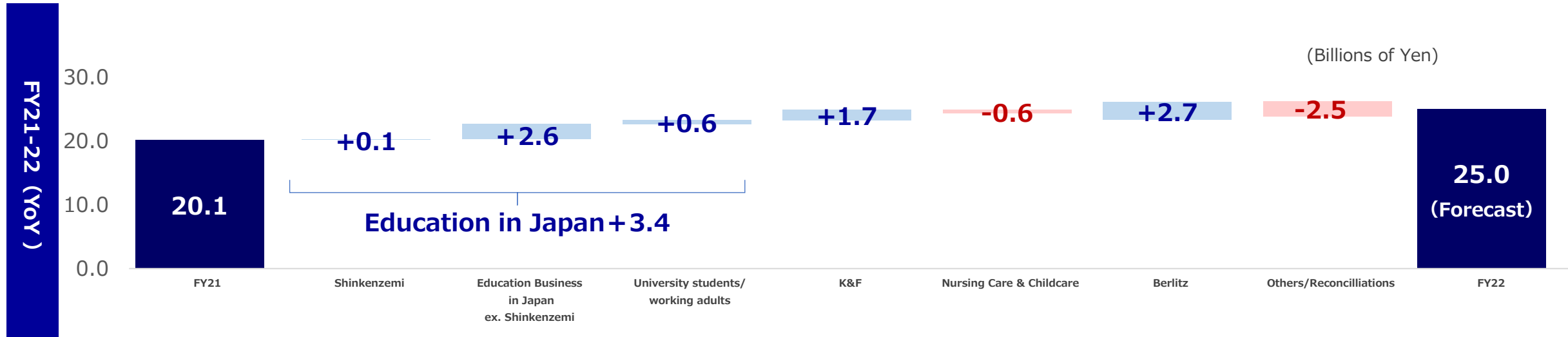
Expect net sales to fall on impact of Berlitz transfer (-45.0bn vs. FY19, -¥20.0bn YoY), but major improvement in income and rise in ROE to 8.8%



*Net income attributable to owners of the parent

FY22 Operating income by segment (YoY and vs. pre-COVID)

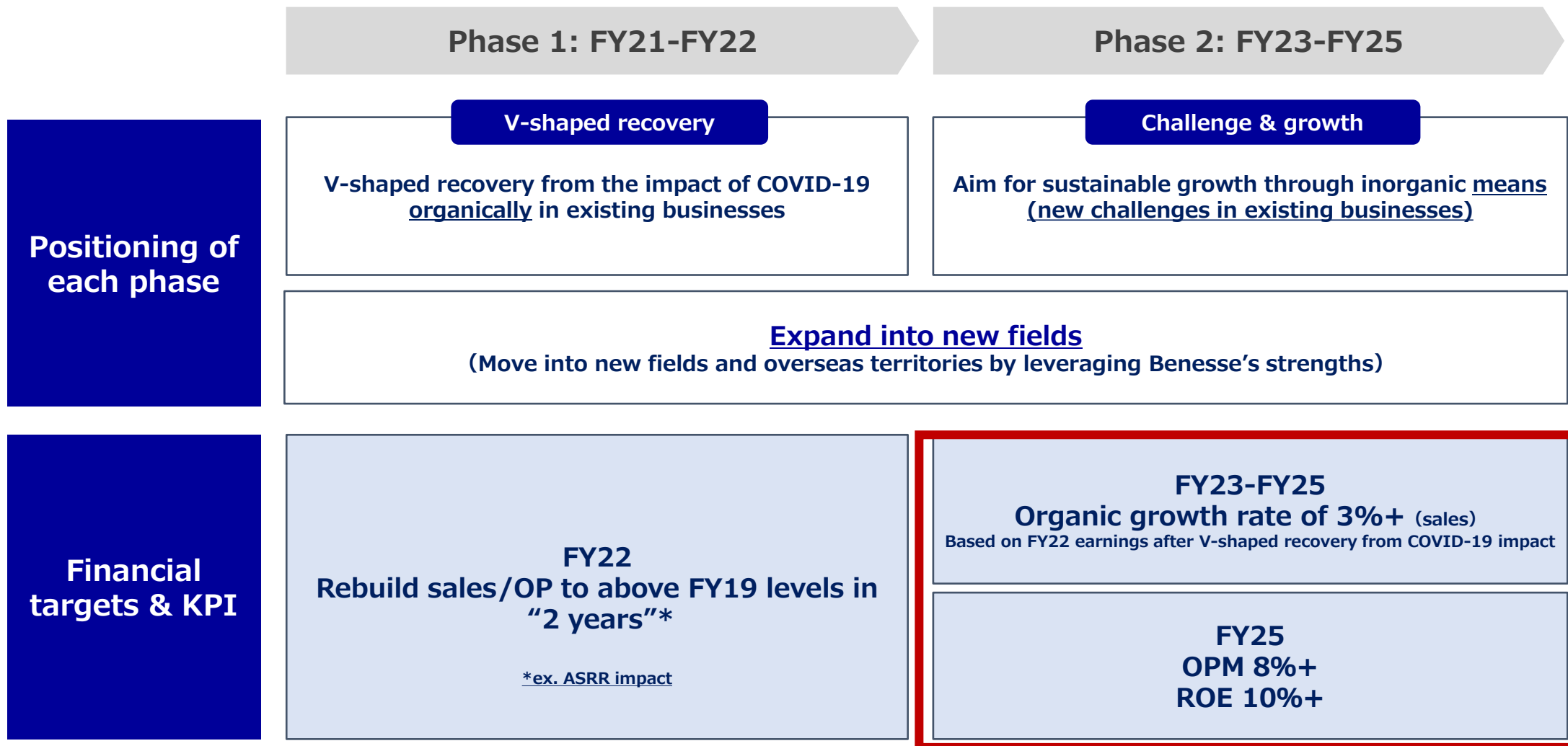
Occupancy rate in Nursing Care business lower-than-expected at start of year in impact of COVID-19, but expect achievement of V-shaped recovery on profitability improvement in Education in Japan and transfer of Berlitz



【Repost】Targets of the medium-term management plan



FY22 the final year of Phase 1, accelerate “reform and growth” as we move toward Phase 2

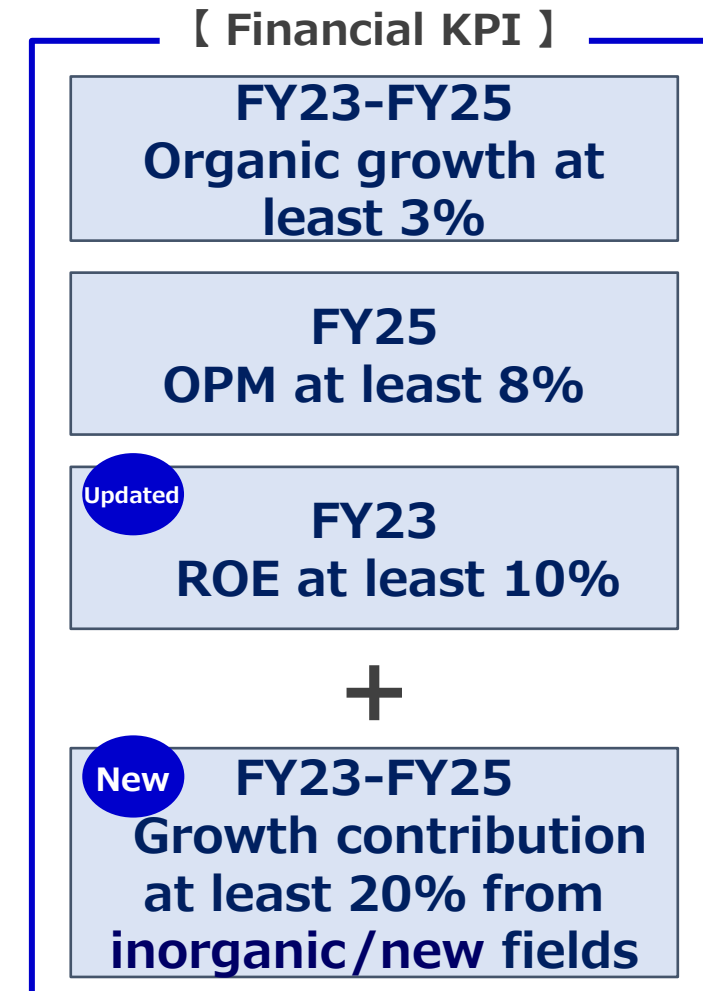


Set out roadmap for achievement of financial KPI

Update on financial KPI for FY25

Plan to add to steady organically-driven growth by realizing new medium-to-long-term growth from taking on new challenges

	【Net sales】	【Operating income】
FY22 forecast	¥426.0bn	¥25.0bn
FY25 PL estimate	¥500.0bn+	¥40.0bn+
Contribution ration to growth in FY23-25 (breakdown)		
Organic	+50.0~60.0bn	Organic 80%
Inorganic/ New fields	+10.0~15.0+a	Inorganic/ New fields 20%



Proactively undertake measures to create organic growth and new growth

	Organic	Inorganic
■ Shinkenzeni	<ul style="list-style-type: none"> Raise profitability via improvement of retention rate and reform of marketing BYOD-based tablet strategy 	<ul style="list-style-type: none"> Develop platform business to address diverse learning needs
■ K&F	<ul style="list-style-type: none"> Raise profitability via improvement of retention rate and reform of marketing 	<ul style="list-style-type: none"> Overhaul model to focus on “multi-layered” product services
■ School & Teacher support	<ul style="list-style-type: none"> Stabilize Mirai Seed earnings (Elem/J. High schools) Boost product attractiveness via assessment x ICT (High schools) 	<ul style="list-style-type: none"> Bolster service model for schools with diverse students’ education advancement (development + advancement support)
■ Cram schools/ Classrooms	<ul style="list-style-type: none"> Grow number of schools and strengthen uniqueness of each cram school 	<ul style="list-style-type: none"> Further increase industry share (M&A)
■ Nursing Care & Childcare	<ul style="list-style-type: none"> Rebuild occupancy rate, expand strategic locations 	<ul style="list-style-type: none"> Grow peripheral businesses with focus on HR business (M&A)
New fields		
■ University students/ Working adults	<ul style="list-style-type: none"> Move into new markets (M&A), expand into recurrent education/reskilling markets utilizing Group’s strengths 	
■ Overseas development	<ul style="list-style-type: none"> Move into school assessment in India, consider and evaluate nursing care in China 	

Foundation: strongly pursue DX based on cross-organizational DIP (digital innovation partners)

April enrollee down 8.3% YoY overall, but forecast only 4.9% YoY decrease in sales due to higher spending per enrollee

	2019 (pre-COVID)	2021 (last year)	2022 (this year)	YoY change	Change (%)
High school courses	150,000	140,000	110,000	(30,000)	(21.2)
Junior high school courses	420,000	410,000	350,000	(60,000)	(14.8)
Elementary school courses	1,240,000	1,360,000	1,280,000	(80,000)	(5.8)
Kodomo Challenge	810,000	810,000	750,000	(60,000)	(7.2)
Total for Japan	2,620,000	2,720,000	2,490,000	(230,000)	(8.3)
Sales (Shinkenzemi + Kodomo Challenge)	¥113.4bn	¥122.9bn	¥116.9bn	(¥6.0bn)	(4.9%)

April enrollment weaker than expected, but target YoY increase in profit

Causes of enrollment fall

External

- Protracted impact from COVID-19...fall in children's learning motivation*, increased economic uncertainty, acceleration in birthrate decline
- Increased competition with digital learning and online classes

Internal

- Retentions: rise in high-activity enrollees in digitalization, but low-activity members still make up 30-40% ⇒ rise in numbers not studying outside school, outflow to cram schools/low-priced products
- New enrollments: rise in Kodomo Challenge/Elementary school digital courses, but further fall in paper courses

Marketing reform still ongoing ⇒ sales expenses allocated to various trials, but lowered efficiency

Measures

- Retentions: cater to low-activity enrollees ⇒ **encourage them to utilize Shinkenzeni with human support**
- New enrollments: establish trial marketing model ⇒ **spread successful patterns, eliminate inefficient measures**
- Expand peripheral businesses to address diverse learning needs

Secure YoY profit increase in FY22 by developing further retention measures and increasing marketing efficiency during the year

Gradually move to "next-generation Shinkenzeni model" from FY23 onward

Establish high-margin business model by making effective use of customer base and addressing diverse learning needs

Raise LTV by growing peripheral businesses
FY25 target: net sales of ¥10.0bn+, OPM of 20%+

Steady growth in peripheral business from rise in high-activity enrollees and loyal users

Lineup expansion plans

Challenge School

•FY22 6 genres

「Dance」「Art」「Abacus」「Calligraphy」
 「Programming」「Careers」

•FY23 12 genres

Expand by assessing market trends and customer needs

Expand genres as a platform via in-house development and provision of accredited services



Growth and margin increase from sales expansion

② Sales to potential customers (PCL*: about 9mn)

Current Shinkenzeni/
 Kodomo Challenge
 enrollment
 (about 2.5mn)

① Sales to members

① Sales using customer base

• Personalized proposals based on customer behavior history

High-margin model from efficiency in sales

② Sales using digital means

• Personalized proposals utilizing “Learning Pocketbook”, “Shimajiro App”

Scale-up business

*PCL = Potential Customer List

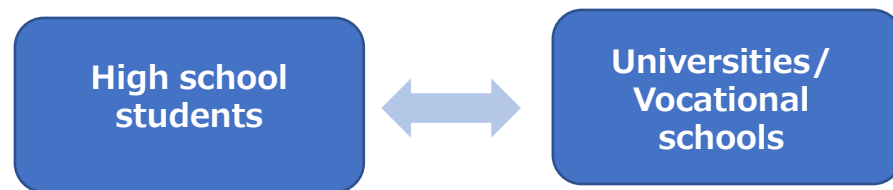
High school business

Strengthen education advancement support and high school-university linkages

- Begin support for high school students' education advancement in new areas in response to expansion in admissions before December.

→Support for discovery of “learning catalyst” to enable high school students to quickly discern the university/vocational school that is the best fit for them

→Achieve both reduced guidance burden on high school teachers and improved promotional impact for universities/vocational schools

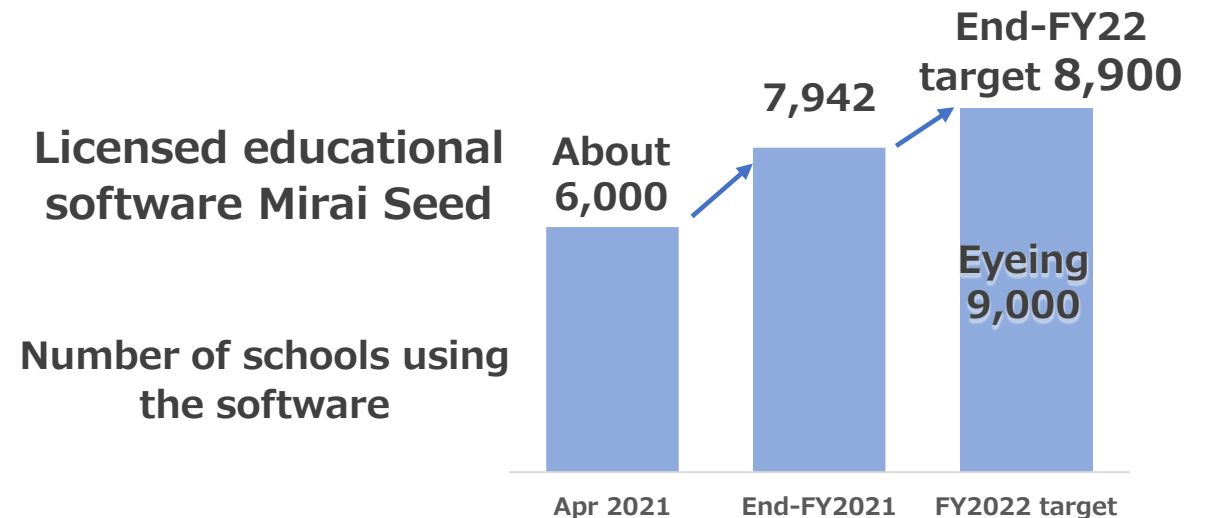


Use “Careered support program” to realize high level of satisfaction for university/school matches

Elementary/Junior high school business

Continue to expand number of elementary/junior high schools using Mirai Seed in response to GIGA School Program

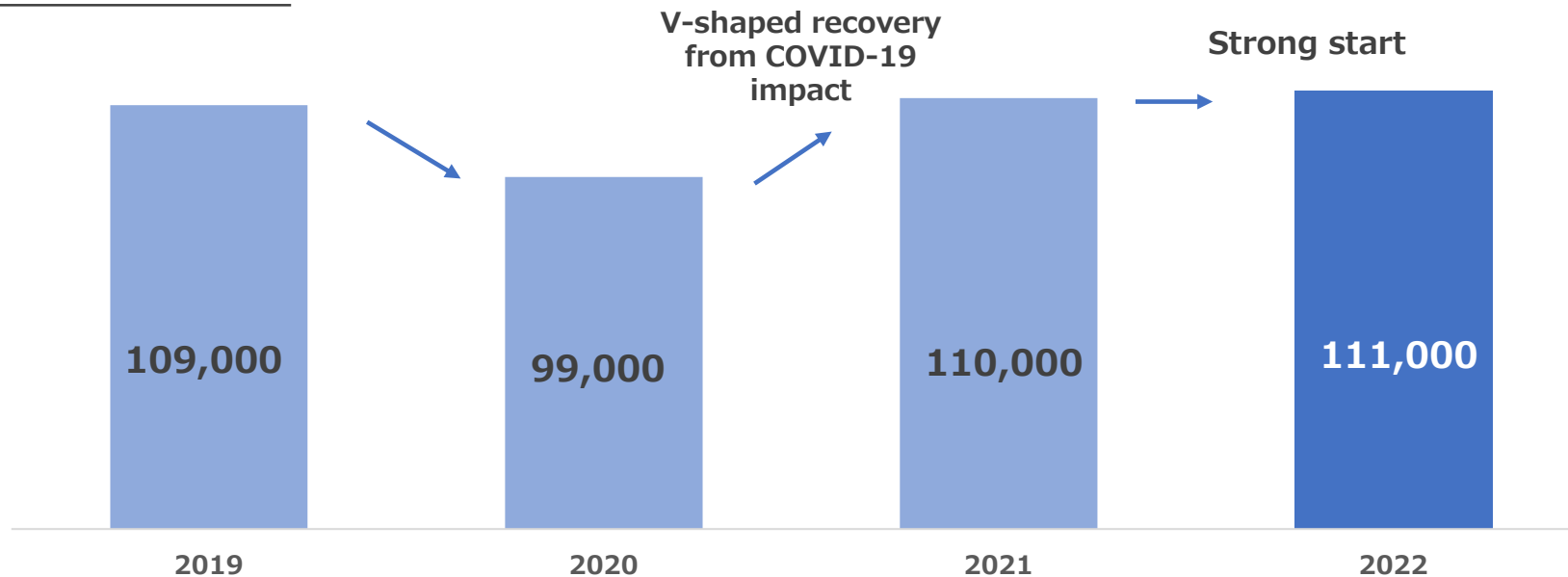
- Momentum remains brisk at start of FY22. **Eyeing about 9,000 schools** vs. rollout target of 8,900
- Progress on paid software introduction at elementary/junior high schools in the market as a whole, **about 75% of local authorities now using paid software**



V-shaped recovery in FY21, continued brisk momentum at start of FY22

- Achieved V-shaped recovery in one year in FY21 (operating income up ¥3.5bn YoY)
- Mirroring last year, student numbers off to strong start amid ongoing COVID-19 impact

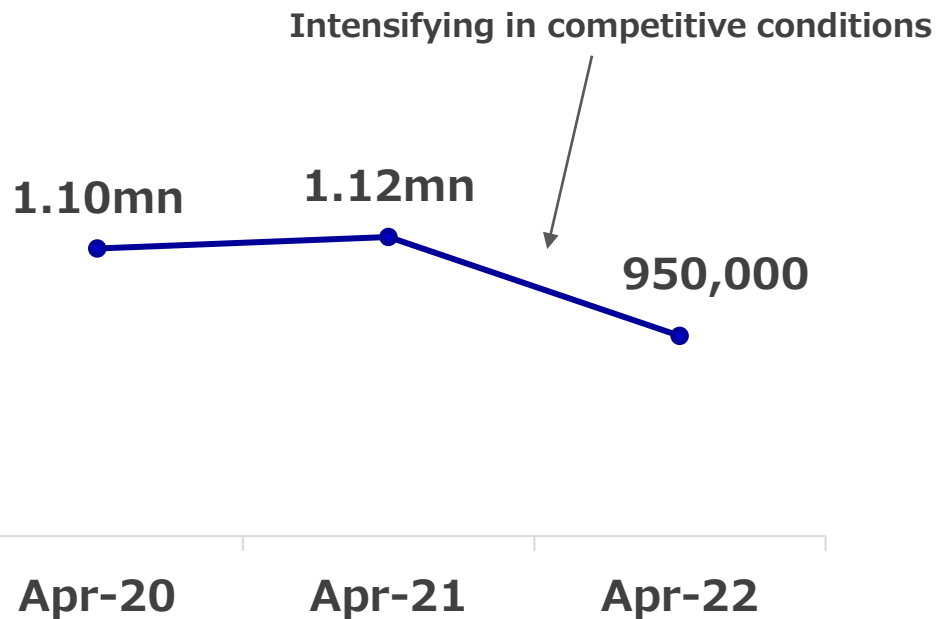
April enrollments



*April enrollments the combined total for Tokyo Individualized Educational Institute, UP, Tetsuryokukai, Ochanomizu Seminar, and Benesse BE studio

Recent easing in competitive conditions, greater lockdown impact from late-March

Enrollment in China



Recent conditions

■ Easing in competitive conditions owing to govt. policy change (double reduction policy)

- Succession of competitors shrinking or exiting business (easing in marketing competition)
- Benesse so far not affected by restrictions due to its kindergarten basic education and publishing operations

■ New enrollments and retentions brisk through early-March but increased impact from COVID-19 lockdowns from mid-March

- +6% vs. March new enrollment target through 2nd week, retentions also brisk
- Negative effect on enrollment from marketing suspension due to increase in COVID-19 infections from late-March

*Lockdown of 45 cities, including Shanghai



Recovery measures

- Bolster implementation of new marketing measures (member proposal sales, etc.)
- Develop more basic educational materials and increase parental support

Bolster marketing strategy to improve occupancy rate. Target profitability recovery.

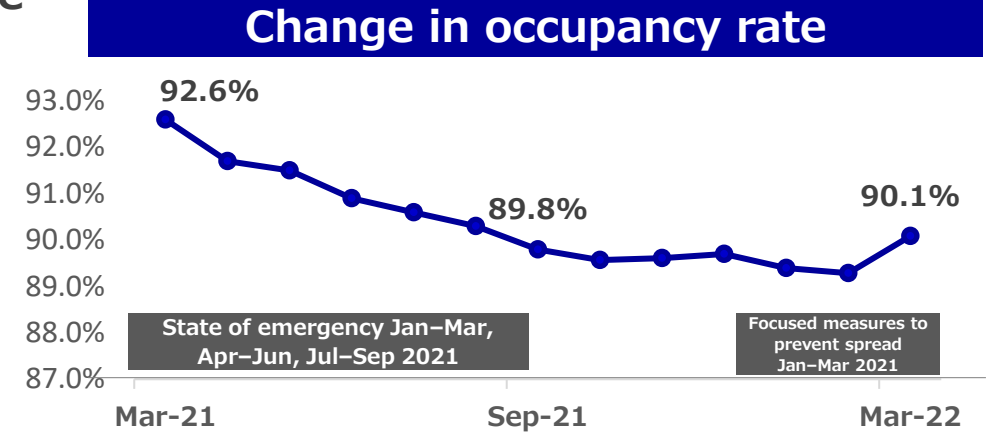
Recent conditions (in-facility care business)

- Occupancy rate regains 90% level amid re-expansion in COVID-19

→Occupancy rate -2.5pt YoY (92.6% → 90.1%)

- Recent uptick in pre-occupancy tours, document requests also steady, so customer interest levels high

→Pre-occupancy tour volume up 20% vs. FY20
(March tours at existing homes)



Strategy for improving occupancy rate

Building relationships with local hospitals and care managers



Short stays (trials)

Measures

【Utilizing Benesse's unique strengths】

- ① Can market at the area level

(create dominance in large urban areas)

- ② Use of icebreaker offerings

(for hospitals: elderly home introduction center, for homes: meal deliveries)



【FY21: impact】

- Rise in long-term contract volume via hospitals/care managers

*Oct-Mar totals(FY20:353→FY21:604)

【FY22: bolster marketing strategy mostly in 1H】

- Short stay trial campaign→ long-term contracts

Aim to improve QOL for residents by fusing IT and human knowledge

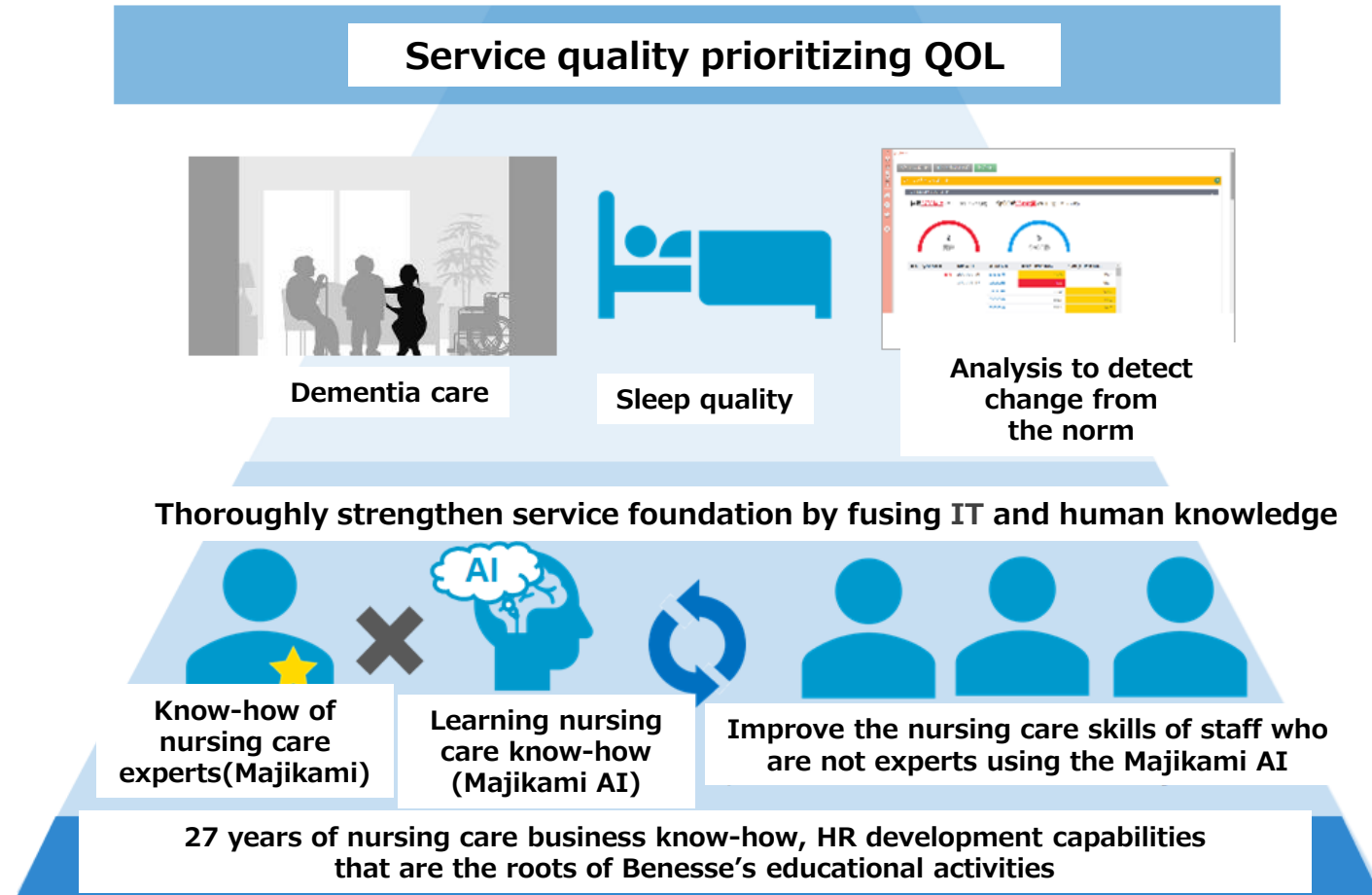
Sensing homes



nursing home **Granda Yotsuya**

- First Benesse-style sensing home opened in March 2022, plans to shift existing 55 homes to sensing homes by FY23
- Created an AI solution based on teacher data from the know-how of nursing care experts (Majikami)

Majikami AI solution



Establish new company, challenge the solutions of issues in the university students/working adults field

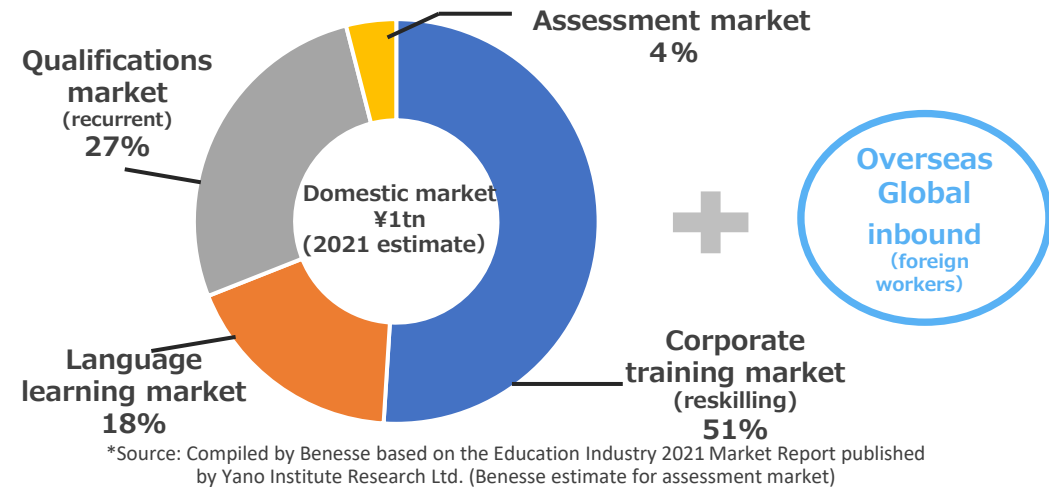
Social issues

In this era of living to 100, Japan lags behind US/Europe in “learning for a fruitful life”

Benesse intends to tackle solving the social structure issues in the university students/working adults field head on

Establish new company for university students/working adults

Market for working adults



Growth in existing fields and new fields

Existing fields

- **Further growth focused on Udemy**
Corporate use FY19: 80 firms → FY21: at least 650 firms
(Used by at least 45% of Nikkei 225 firms)
Further strengthen services for local authorities

New fields

- **Examine new fields, particularly corporate training, qualifications, assessment, and inbound markets**
(begin exploring M&A, partnerships, DIF alliances)

Target FY25 sales of about ¥40.0bn driven by new growth fields in the education market in Japan

Financial strategy ① Stance on cash position

Transfer of Berlitz stabilized operating CF, expect business recovery/growth and lower tax costs to improve operating CF

<Financial discipline: stance on cash holdings>

Funds equivalent to “customer deposits”, such as advances received, to be used for working capital and as funds to ensure liquidity/stability

However, about ¥40.0~¥50.0bn designated as investment standby funds will be used to actively explore investment opportunities

<Cash for strategic investment and shareholder returns>

~FY25 adjusted operating CF

Total ¥130.0bn

<Adjustment>

- FY22~FY25 Total operating CF ¥170.0bn
- Rise in advances received+repayment of lease liabilities=¥40.0bn

+

End-FY21 Investment standby funds

¥50.0bn

- Total of cash/cash equivalents and highly-liquid marketable securities about ¥160.0bn
- Advances received, Advances received from nursing home residents, etc. about ¥110.0bn

Assume a cash position of ¥180.0bn for the next four years

In parallel with investments in reform/growth and strategic investments, we target both shareholder returns and strengthening of the financial foundation

Total four-year cash position around ¥180.0bn

Use① Investments in reform/growth of existing businesses

- Business investment (capex, etc.
*excluding lease assets)

(estimate) **¥70.0bn**

Use② Strategic investments in the future

- M&A/Digital Innovation Fund
(estimate) **¥50.0bn**

Use③ Shareholders return and strengthening of financial foundation

【Shareholder returns】

- Based on 35% lower limit for dividend payout ratio, aim to continuously raise dividends by growing post-tax net income

¥25.0~¥30.0bn

【Financial foundation strengthening】

Regain equity ratio of 30% by FY25 and retain some capital for future investments

¥25.0~¥30.0bn

Scheduled IR events for FY22

■ **Business briefings for each segment**

Business briefings focused on medium to long-term market trends for Education Business in Japan, Nursing Care & Childcare Business

■ **ESG briefing**

Establishment of ESG & Sustainability Office (Apr 2022)

Reform

Consider reform of business models for existing businesses to adapt to changing markets
Pursue productivity increases and more robust structure

Growth

Add to organic growth
by growing existing inorganic (peripheral) businesses and challenging new fields



Clarify and swiftly achieve financial KPI

**Target FY22 dividend per share of ¥60,
up ¥10 YoY**

