



# Financial Results for the First Six Months of FY2020

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**Benesse Holdings, Inc.**  
**November 6, 2020**

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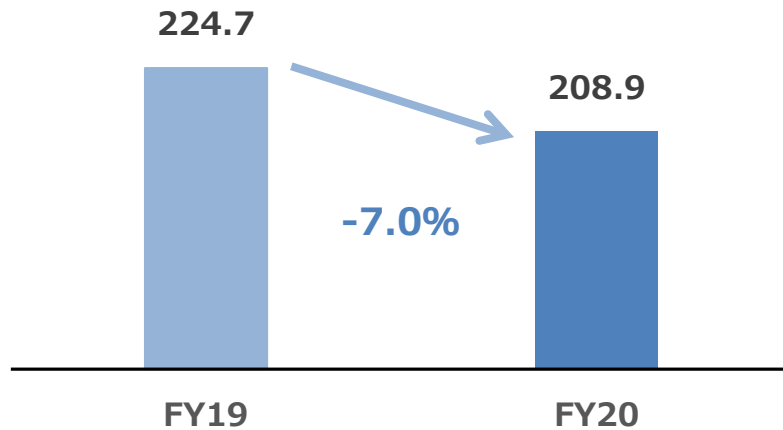
# **Results for the First Six Months of FY2020 and Full-Year Forecast**

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# YoY Comparison of 1H Results

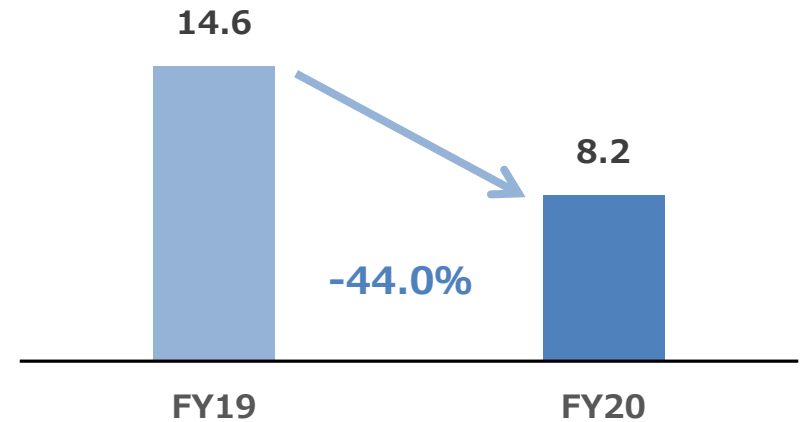
Sales and profits down YoY, but net sales decline narrows from -9.9% in 1Q and operating income returns to profit after 1Q loss of Yen 5.2bn

## Net sales

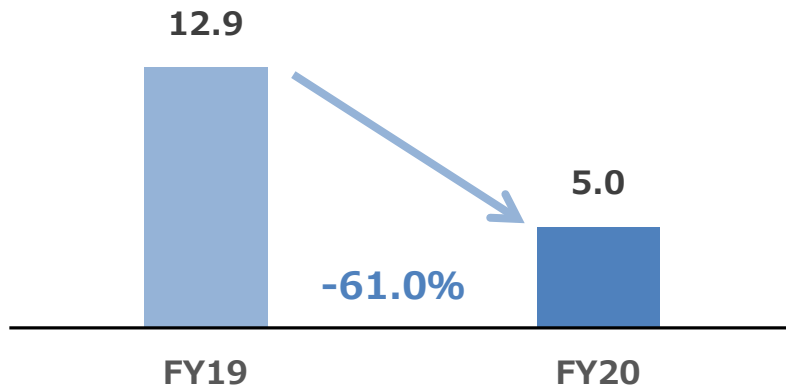


## Operating income

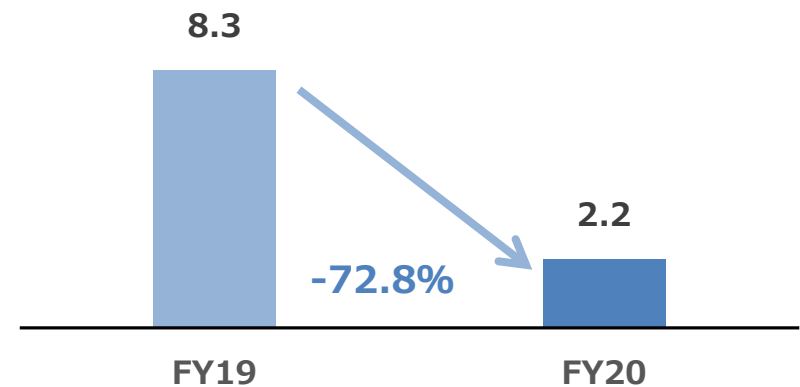
(Billions of Yen)



## Ordinary income



## Net income\*



# 1H FY2020 Highlights

## Brisk earnings at Shinkenzemi, recovery trends in the School & Teacher Support business and the Cram School and English Education businesses

- **Steady growth in new enrollments and retentions at Shinkenzemi, sales and profit up on rise in total enrollments**
  - Enrollment growth YoY: April +3.3% → October +8.1%
- **Sales/profits down in the School & Teacher Support business and Cram School and English Education businesses on COVID-19 impact, but gradual recovery underway**
  - Sales (YoY) School & Teacher Support: 1Q -¥4.1bn → 2Q +¥0.5bn  
Cram School & English Education: 1Q -¥2.9bn → 2Q +¥0.2bn
- **Total enrollments fall in China Kodomo Challenge business, concert cancellations also weigh on sales, but profit up on lower costs; scale of enrollment decline narrowing recently**
  - Enrollment growth YoY: April -6.7% → October -3.6%
- **Sales up but profit down in Nursing Care and Childcare business, occupancy rate falls on halt in marketing despite expansion in home network and labor costs rise on improvement of wages for staff; gradual restart of marketing activities recently**
  - Occupancy rate: End-March 95% → End-September 93%
- **Increased loss at Berlitz on worldwide impact of COVID-19**

# 1H (1Q/2Q) Results

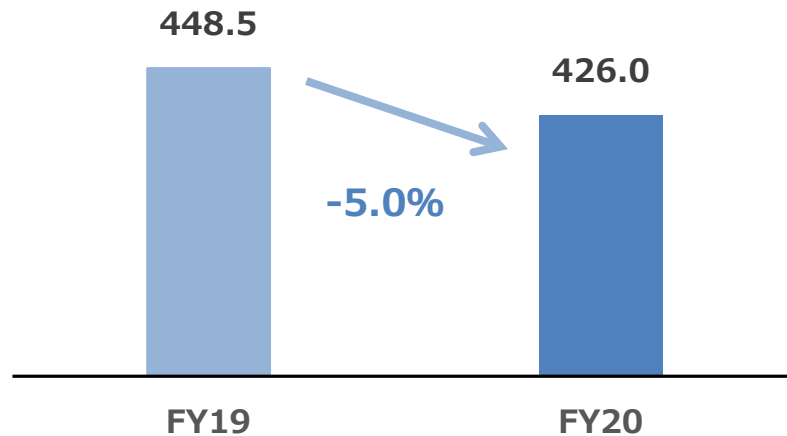
## Scale of decline in net sales and operating income narrows QoQ

	1H			1Q	2Q	(Billions of Yen)
	FY19	FY20	Change	Change	Change	
Education business in Japan	101.4	99.4	(1.9)	(5.1)	+3.2	
Global Kodomo Challenge	27.8	27.1	(0.7)	(0.8)	+0.1	
Nursing Care and Childcare	60.7	60.8	+0.0	(0.1)	+0.2	
Berlitz	23.0	13.6	(9.3)	(2.3)	(6.9)	
Others	11.5	7.8	(3.7)	(2.1)	(1.6)	
<b>Total net sales</b>	<b>224.7</b>	<b>208.9</b>	<b>(15.7)</b>	<b>(10.7)</b>	<b>(5.0)</b>	
Education business in Japan	9.1	6.4	(2.6)	(3.8)	+1.1	
Global Kodomo Challenge	2.9	3.0	+0.1	(0.3)	+0.4	
Nursing Care and Childcare	5.7	4.1	(1.5)	(0.6)	(0.8)	
Berlitz	(2.0)	(3.7)	(1.7)	(0.1)	(1.5)	
Others/Reconciliations	(1.0)	(1.6)	(0.5)	(0.3)	(0.2)	
<b>Total operating income</b>	<b>14.6</b>	<b>8.2</b>	<b>(6.4)</b>	<b>(5.4)</b>	<b>(1.0)</b>	

# Full-year Forecast for FY2020

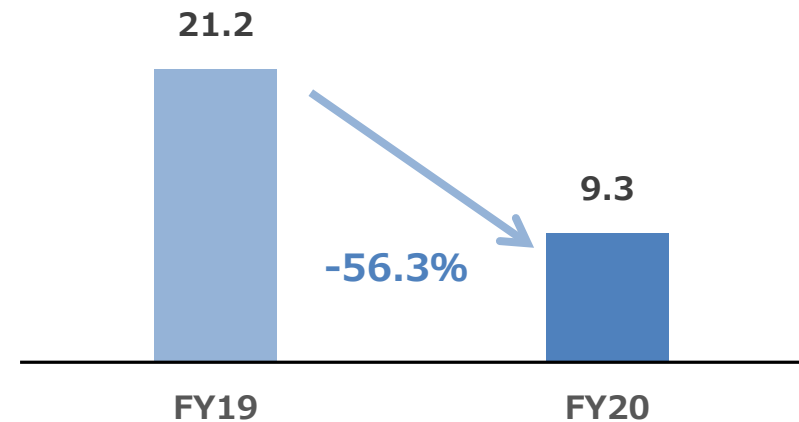
## Sales and profit down YoY owing to COVID-19

Net sales

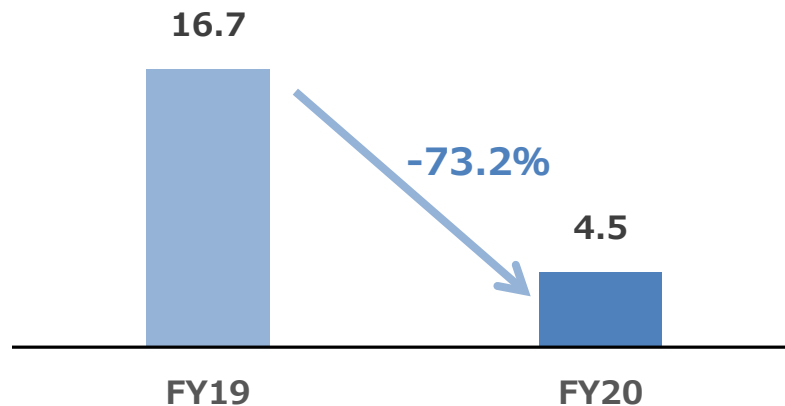


Operating income

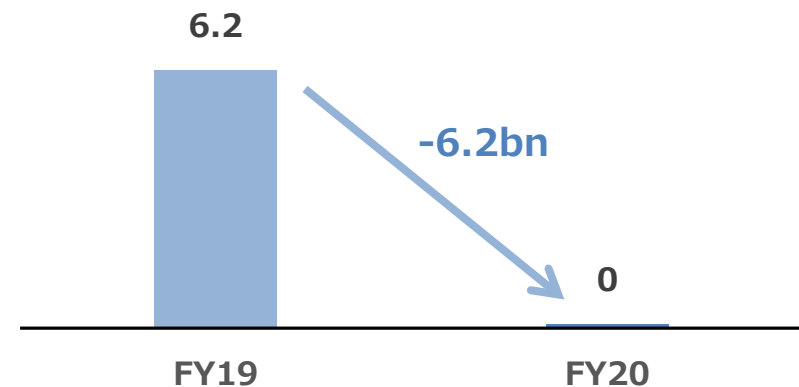
(Billions of Yen)



Ordinary income



Net income\*



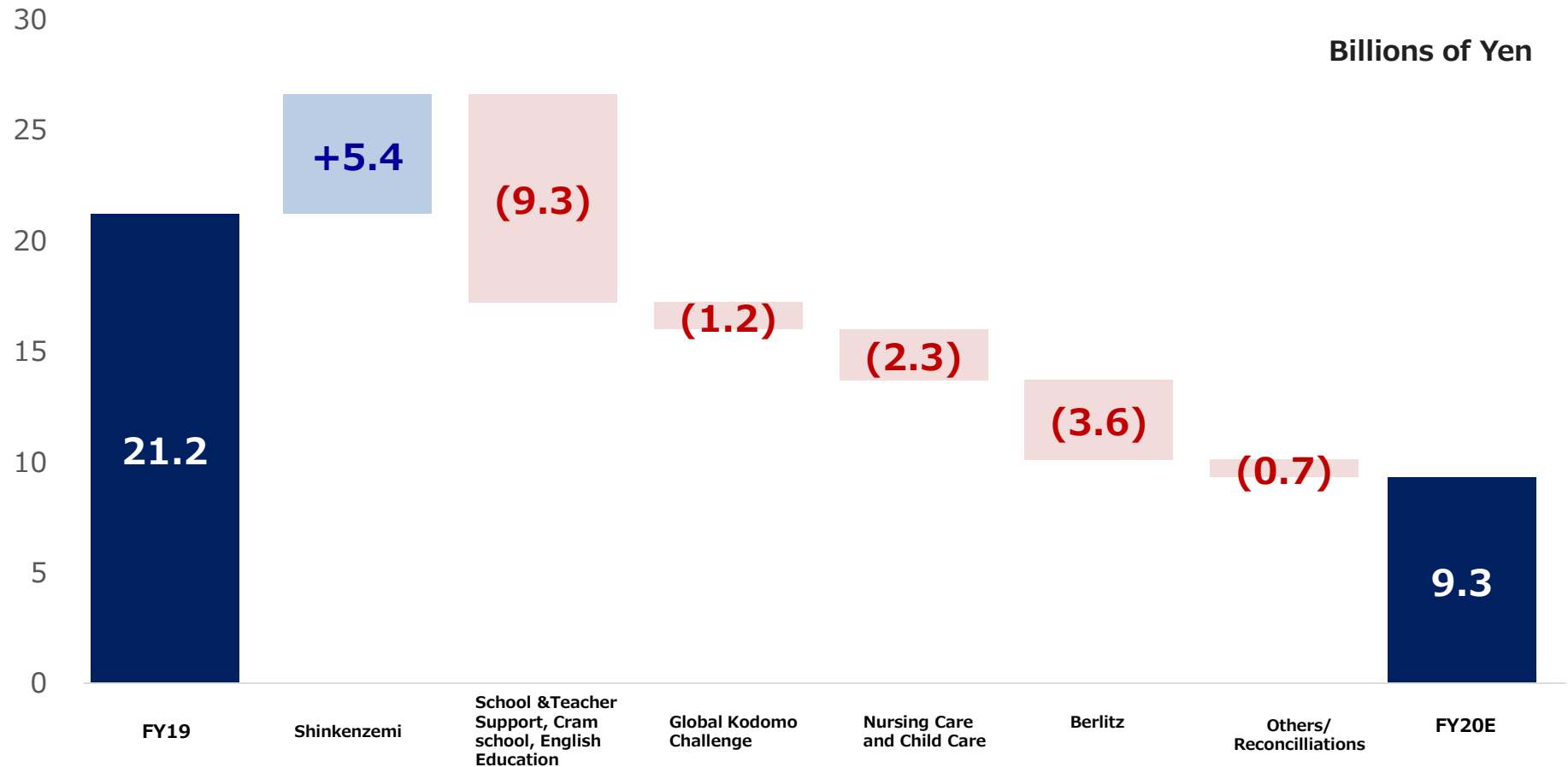
# Full year Forecast for FY2020 (1H/2H)

Expect net sales decline to narrow HoH,  
only slight improvement in operating income

	Full year			1H	2H	(Billions of Yen)
	FY19	FY20	YoY	YoY	YoY	
Education business in Japan	200.3	203.2	+2.8	(1.9)	+4.7	
Global Kodomo Challenge	56.5	55.5	(1.0)	(0.7)	(0.2)	
Nursing Care and Childcare	122.8	124.2	+1.3	+0.0	+1.2	
Berlitz	45.0	26.9	(18.1)	(9.3)	(8.7)	
Others	23.7	16.2	(7.5)	(3.7)	(3.7)	
<b>Total net sales</b>	<b>448.5</b>	<b>426.0</b>	<b>(22.5)</b>	<b>(15.7)</b>	<b>(6.7)</b>	
Education business in Japan	14.0	10.1	(3.9)	(2.6)	(1.2)	
Global Kodomo Challenge	2.6	1.4	(1.2)	+0.1	(1.3)	
Nursing Care and Childcare	11.3	9.0	(2.3)	(1.5)	(0.8)	
Berlitz	(3.1)	(6.8)	(3.6)	(1.7)	(1.9)	
Others/Reconciliations	(3.6)	(4.4)	(0.7)	(0.5)	(0.1)	
<b>Total operating income</b>	<b>21.2</b>	<b>9.3</b>	<b>(11.9)</b>	<b>(6.4)</b>	<b>(5.5)</b>	

# 【Forecast】 Change in Operating Income by Segment

Brisk earnings at Shinkenzemi, but large negative impacts from Classroom & Nursing Home business

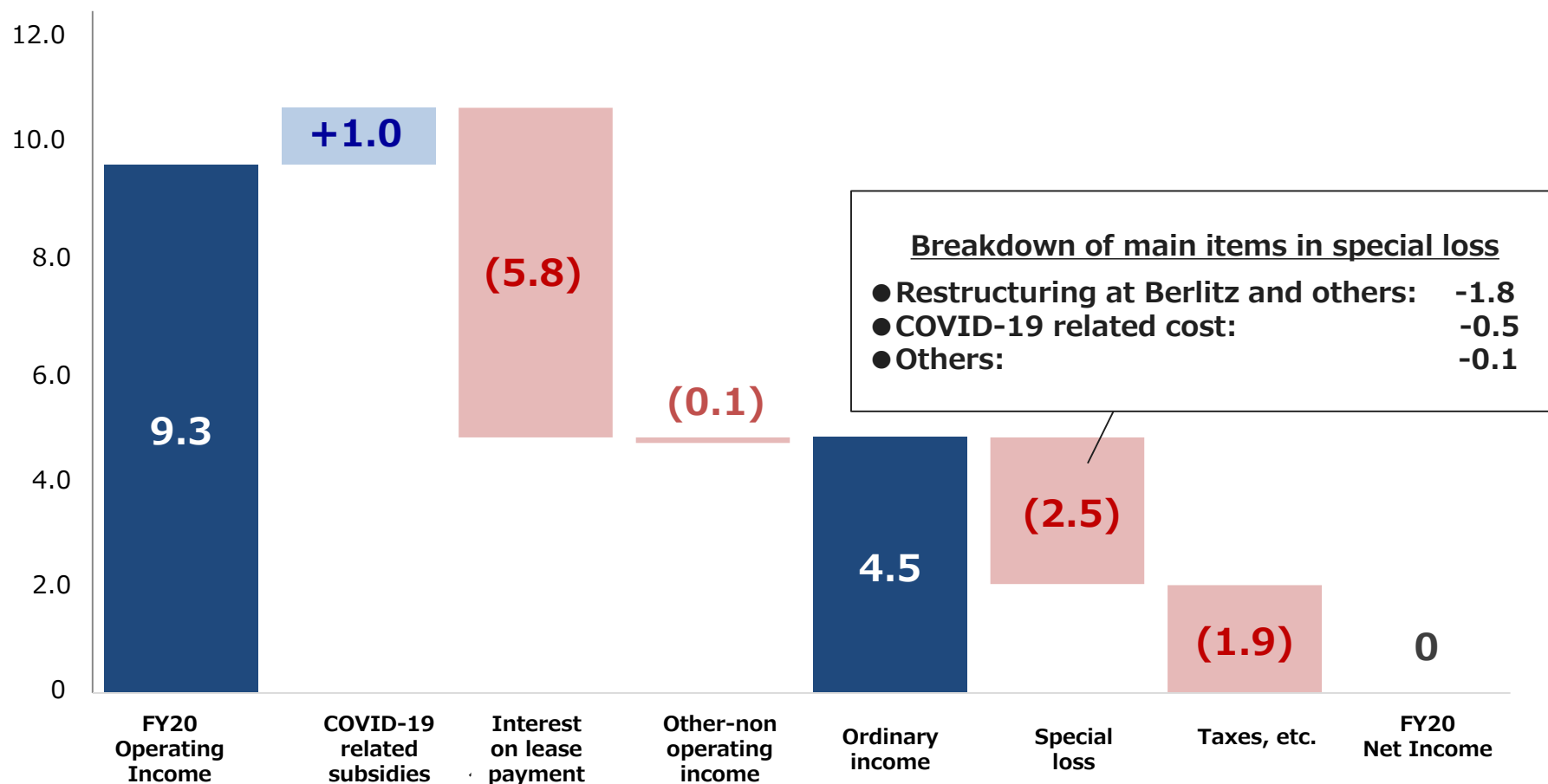




# Forecast for FY2020 in Net Income

## Expect net income of zero despite operating income of around ¥10bn

(Billions of Yen)





# **New Medium-Term Management Plan FY2021-2025**

**-Evolve core businesses & Challenge new fields-**

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# Goals of the New Medium-Term Management Plan

Clarify what kind of social issues the Benesse Group will aim to solve in view of likely structural changes in society over the next 5-10 years

**Short  
term**

- 1** **Swiftly recover earnings from the impact of COVID-19**

**Medium  
and long  
term**

- 2**
  - Evolve core businesses**
  - Challenge new fields with prospects for fresh growth**

# Timing for the New Medium-Term Management Plan

## Past 5 years

Achieved recovery from the earnings downturn caused by a personal data breach in 2014

Strengthened corporate structure and entered a phase targeting further growth, but faced significantly altered conditions owing to COVID-19

## Next 5 years

Aim for sustainable growth by evolving core businesses and challenging new growth fields with prospects for fresh growth

# Targets of the New Medium-Term Management Plan

Aiming for a V-shaped recovery in Phase 1,  
growth from new challenges in Phase 2

Phase 1: FY21-22

Phase 2: FY23-25

Position  
of each  
phase

**V-shaped recovery**

V-shaped recovery from the  
impact of COVID-19 organically  
in existing businesses

**Challenge & growth**

Sustainable growth through  
inorganic means (new challenges in  
existing businesses)

Challenge new fields

(Moving into new fields and overseas territories by leveraging  
Benesse's strengths)

Financial  
targets  
&  
KPI

**FY22**

Rebuild sales/OP to above  
FY19 levels in 2 years

※After adjustment for  
revenue recognition standards

**FY23-FY25**

**Organic growth 3%+** (sales)  
Benchmarked to FY22 level after V-shaped  
recovery from COVID-19

**FY25**

**OPM 8%+**  
**ROE 10%+**

# **Solving Social Issues**

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# Societal Conditions in 2030

## Deepening structural problems in Japanese society

### Falling birthrate

# of under-18s  
2020→2030  
**-12%**



Source: "Population Projections for Japan: 2016 to 2065 (2017)"  
National Institute of Population and Social Security Research

### Graying of society

Elderly to be  
**1 / 3**  
of Japan's  
population



Source: "Population Projections for Japan: 2016 to 2065 (2017)"  
National Institute of Population and Social Security Research

### Labor shortage

Labor force  
**6.44mn**  
shortage



Source: "Labor Market Outlook 2030" Persol Research and  
Consulting Co., Ltd. and Chuo University

**Benesse will have even greater responsibilities as one of Japan's leading education and nursing care companies**

# Company Image for 2030

**Benesse has pursued its corporate philosophy of “well-being” for 30 years**



**By leading efforts to solve educational and nursing care issues in Japan and the rest of the world, Benesse supports all people in their continued efforts to improve themselves and have a way of life that suits them**

## **Benesse Group’s social contributions**

**As one of Japan’s leading education and nursing care companies**

**Providing learning to aid individual growth and fuller lives**

**Supporting seniors in having a way of life that suits them**

**New challenges on global issues**

**Applying educational and nursing care assets cultivated in Japan to global educational and nursing care issues**

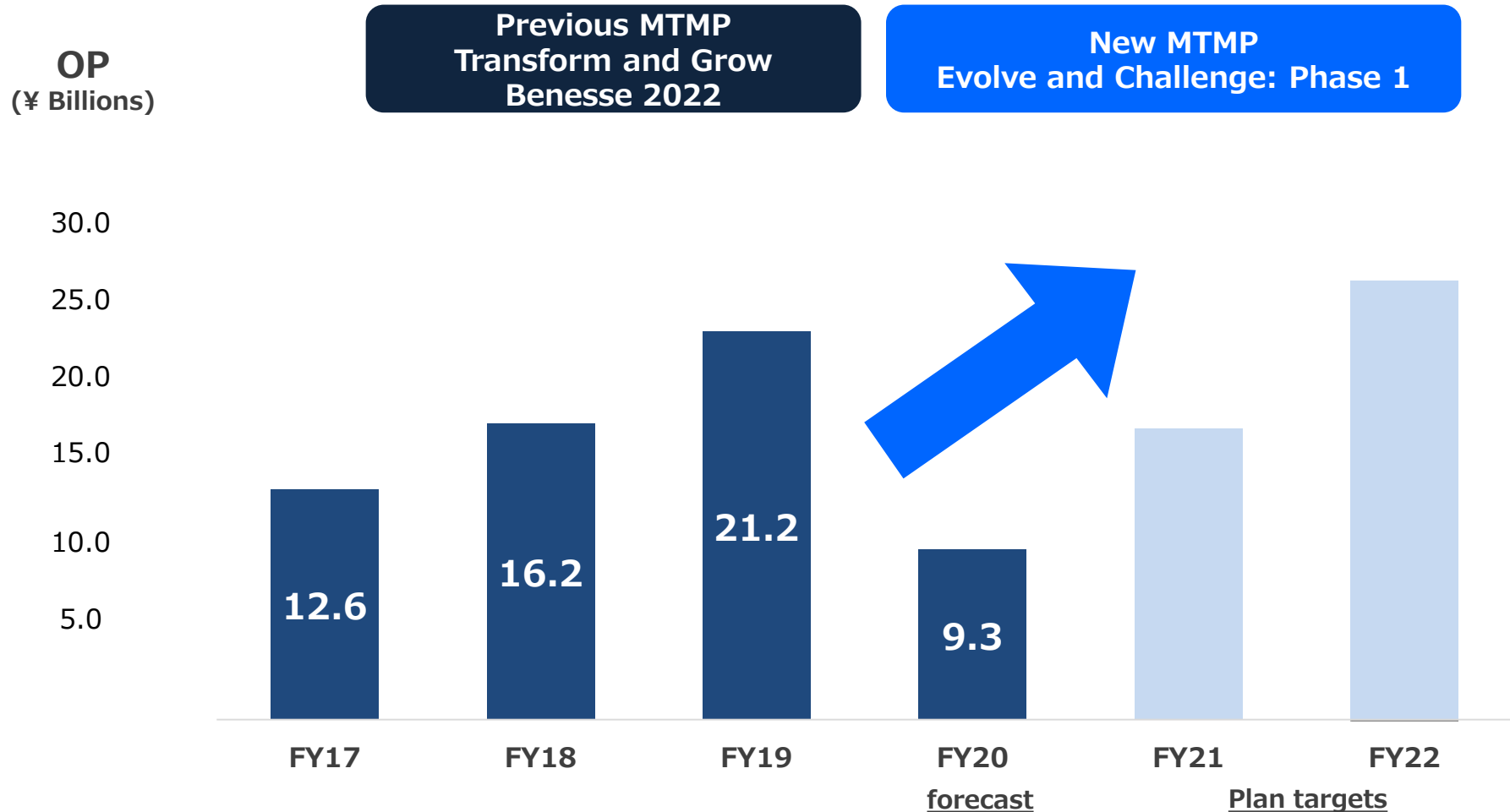


# **Swiftly Recovering from COVID-19**

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# Swift Earnings Recovery

Steadily recovering profit to above FY19 levels in FY22



# Measures for Swift Recovery

## Gradual recovery trend recently

Create recovery via rebound in school/nursing care businesses and further growth at Shinkenzenemi

### Shinkenzenemi

- Greater needs for correspondence courses due to COVID-19
- Brisk materials usage and retentions (1H monthly avg. retention rate +0.7pt YoY)

### School & teacher support

- Gradually restore assessment at schools (Shinken Simulated Exams almost back to FY19 levels since July, Oct, 99% of last year)
- Restore to FY19 levels at Shinken Simulated Exams by FY21, GTEC by FY22

### Cram schools

- Schools reopened in June, students attendance also gradually recovering
- Completed online systems, hybrid instruction of face-to-face and online lessons ready for a possible 2<sup>nd</sup> wave of COVID-19
- Restore profit to FY19 level by boosting marketing in 2H, returning April enrollments to FY19 level in FY21

### Nursing care

- Marketing for new residents restarted in July
- Further strengthening of new marketing and restore occupancy rate over next two years while prioritizing transmission countermeasures

### Berlitz

- Online & digital shift for products and marketing via start of Berlitz 2.0
- Optimization of classroom network and increased franchising
- Return to profit in FY22

# **Evolve Core Businesses**

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Strategic measures

Establish blended learning combining digital/online/class rooms and create platforms providing diverse learning

Swiftly establish blended learning

- Individual learning through digital sources
- Optimize instruction via video/online/instructors

→ Raise retention rate at Shinkenzenmi



Create platforms to support diverse learning

- Respond to growing learning needs (skills, career education, etc.)
- Widen use of more than 0.5mn/pa supplied dedicated tablets



Develop net-based nationwide cram school network

- Expand services for regions with no cram schools too



**Parental support app**  
Propose optimal learning for each student

↓

Increase customer contact points to build new marketing base (target 10mn DLs)

# Global Kodomo Challenge Business

## Strategic measures

Expand Shimajiro World to support families  
Strengthen products/services and grow contact points via digital

## Japan

### ● Strengthen products through digitalization

- Launch of Shimajiro Club app linked to Tamahiyo
- Start of digital lessons



### ● Expand products/services

- Online learning business via partner alliances
- Start of music streaming, video streaming services
- Develop new support services for parents

## China

### ● Reform sales structure through digitalization

- Grow EC channel further
- Digitalization of outbound (raise efficiency via AI-based automatic calling)
- **New AI recorded lesson service using digital**
  - Online lessons using AI recognition and SNS support



AI recorded lesson

# Nursing Care Business

## Strategic measures

Increase # of new homes by moving into new areas  
 Aim for non-contiguous growth in peripheral business

## Expand home network

- **Increase # of new homes**  
 10/yr→12/yr
- **Move into new areas (2 of targeted 12)**  
 Area growth linked to hiring strategy
- **Create distinctive new homes**  
 Boost high-end homes, develop Benesse-version of sensing homes

<High-end home "Aria Ichiban-kan">



## Expand peripheral business

- **Increase scale of HR recruitment business**  
 Aim for non-contiguous growth, e.g. expand nursing fields, move into the child daycare field

## Boost HR training

- **HR training centered on development of specialties**  
 Boost training of in-house qualification holders (dementia, care techniques, safety management and recurrence prevention)

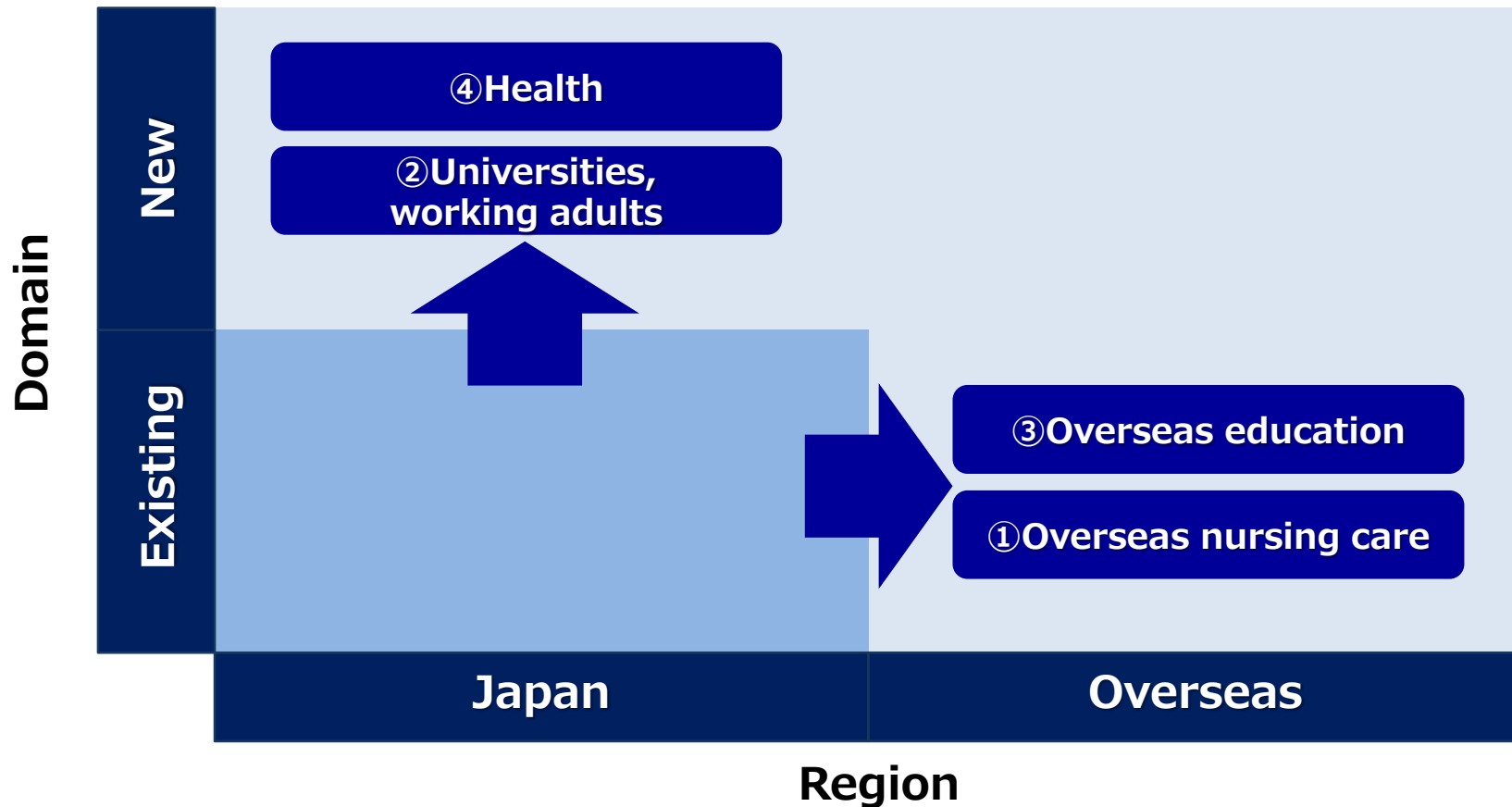
# **Challenge New Fields**

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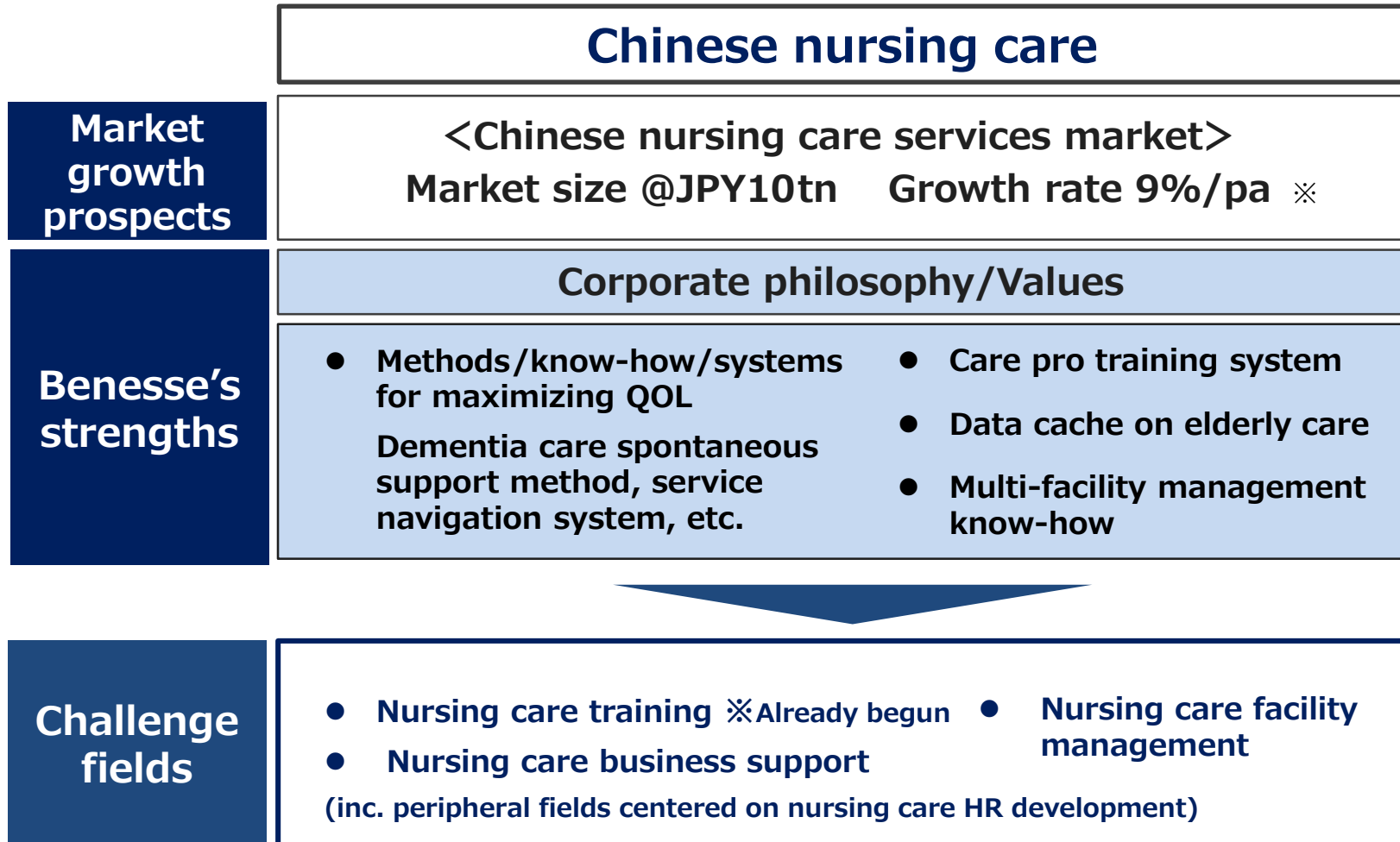
# Challenge Themes for New Fields

Seek new challenges in the [Overseas x existing] and [Japan x new] markets



# Growing the Overseas Nursing Care Business

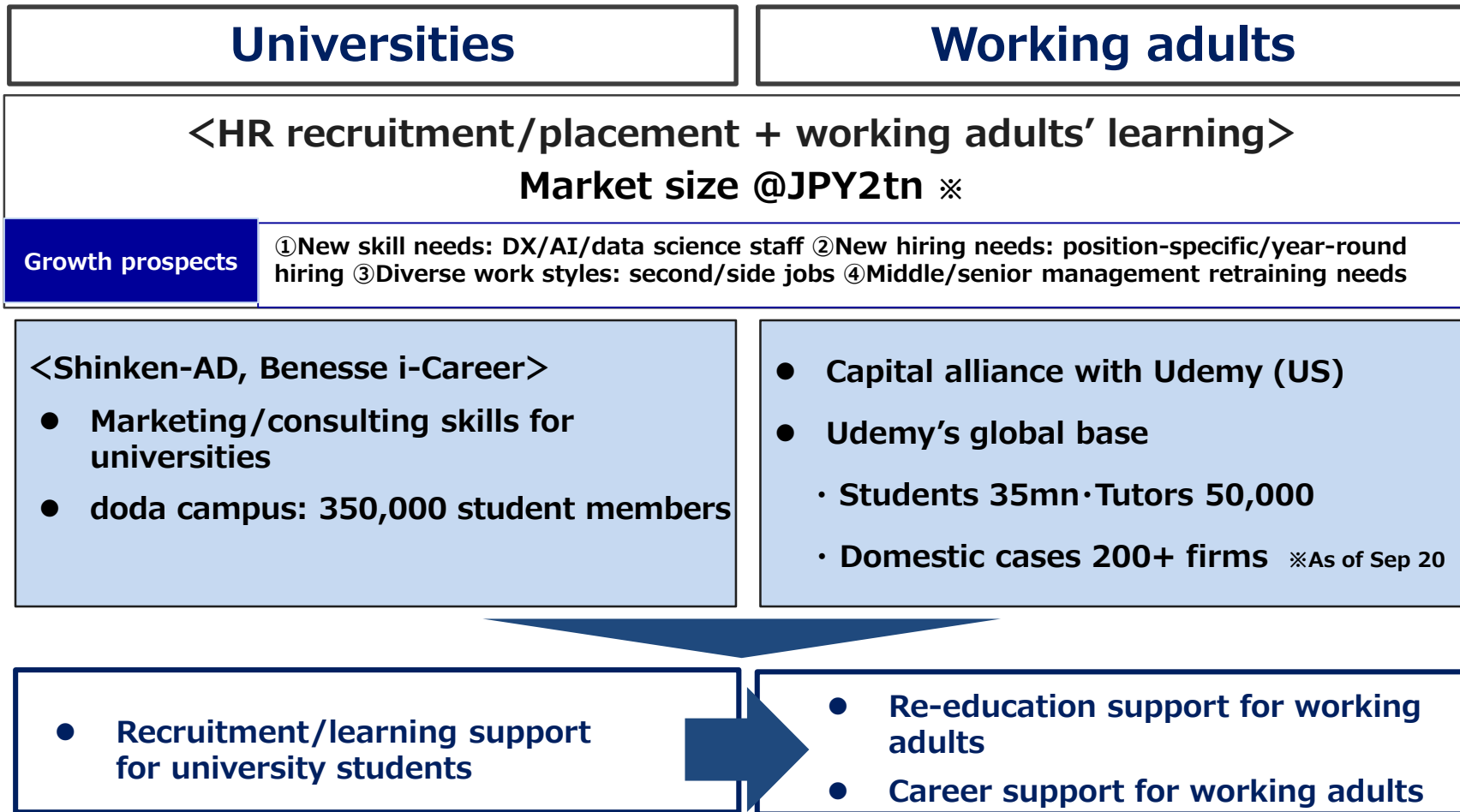
## Using Group strengths to enter the Chinese nursing care market



※Facilities and visitation services for those requiring long-term care; market size as of 2020; growth rate 2020→2030

# Universities, Working Adult Fields

Support for lifelong learning and diverse work styles in the field of universities and working adults, a growing social issue



※ Market size as of 2020

# **Business base / Capital strategies**

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# Digital Education Services

Further evolve services using extensive digital education service know-how/PF

0.5mn/pa  
3mn total  
Dedicated tablet  
supply

3,000 high schools  
(60%)  
1.45mn students

9,000 ele./junior  
high schools (30%)  
435 local govts

200+ firms  
60,000+ workers

進研ゼミ  
小学講座  
進研ゼミ  
中学講座



※As of Oct 20

**Classi**

※As of Oct 20



※As of Sep 20



## e-Learning Awards

**Classi**



2015 METI Minister Award



2019 METI Minister Award  
JEP A Chairman's Award



Shinken zemi HS Course "AI StLike"



2020 METI Minister Award

# Systems to Promote DX

Create systems to promote robust Group DX



## Assembly/dispatch of in-house & external specialists

- Data/AI usage
- Architecture redesign
- DevOps
- Digital marketing
- Productivity/RPA
- R&D
- Hiring/training DX staff

# Capital Strategies

Invest in growth based on Group portfolio and financial strategies while maintaining a dividend payout ratio of at least 35%

## Portfolio strategy adjustment

Determine main investment areas

## Creation of financial strategy

Calculate investment capability inc. fund procurement based on operating CF and cash-in-hand

## Determine fund allocations

### Target dividend payout ratio 35%+

Stable shareholder returns linked to profit growth

### Aggressive investment in growth

Investment in next generation of core businesses and in new fields, inc. M&A

# Benesse Group's approach to SDGs Contributions





# **New Medium-term Management Plan**

**FY2021-2025**

**Evolve core businesses**

**Challenge new fields**

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