



**Benesse Holdings, Inc.**

Financial Results Briefing for the Fiscal Year Ended March 2020

May 25, 2020

## Event Summary

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<b>[Company Name]</b>	Benesse Holdings, Inc.	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2020	
<b>[Fiscal Period]</b>	FY2019 Annual	
<b>[Date]</b>	May 25, 2020	
<b>[Venue]</b>	Dial-in	
<b>[Number of Speakers]</b>	4	
	Tamotsu Adachi	Representative Director and President
	Hitoshi Kobayashi	Representative Director and Executive Vice President
	Shinya Takiyama	Director
	Katsuhiko Masumoto	Executive Officer

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## Presentation

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**Adachi:** This is Adachi of Benesse. Thank you for participating in this conference call.

I will first explain the financial summary for the fiscal year ended March 31, 2020. My presentation will follow along the material we sent to you.

## Overview of FY2019

Transform and Grow  
Benesse 2022

### Net sales and operating income up YoY Steady progress on structural reform

- Shift from enrollment growth to profit growth at Shinkenzemi, and pursuit of product digitalization
- Had made advances in response to changes in university entrance-exam system in the School and Teacher Support Business, but overhauled Education reforms
- Product revisions and expansion of EC channel in the Kodomo Challenge in China
- Structural reform at Berlitz, including move to franchises and closure of centers
- Steady expansion of the Nursing Care Business (+8 homes), improvement in wages for staff
- Selection and concentration policy of withdrawing from noncore businesses and investing in growth areas, including sale of Simul International Inc., acquisition of Study Hacker Inc., taking of stake in Udemy Inc.

### Limited impact on FY2019 results from COVID-19



2

First, please turn to page two of the material. The summary shows that both net sales and operating income increased from last year. We posted both sales and profit growth, suggesting that the results were solid. The details are also sufficiently good, and we have steadily promoted structural reforms.

I will go over some key points.

First, in Shinkenzemi, we have been pursuing profits, rather than the number of enrollments, since the previous year, such as through price revisions and the curtailment of marketing expenses. As a result, profits have been increasing steadily.

Also, we have been steadily promoting the digitalization of products.

In the school business, we have been taking steps to expand the business, leveraging the university entrance exam reforms as a starting point, but as we have notified, these reforms themselves are unfortunately being reviewed. The use of private-sector English exams and the introduction of essay questions scheduled for the university entrance exam system were postponed, but our basic approach to education is unchanged. We will continue to conduct activities based on this approach.

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In the China business, we have struggled in recent years due to tough competition, but we are gradually beginning to get a clearer outlook on the business to an extent, such as through product revisions and the expansion of ecommerce channels.

In the Berlitz segment, we are actively promoting the franchising of centers. We have also been closing centers in unprofitable locations, and other structural reforms are underway.

The nursing care business has continued to expand steadily. In the last year, the number of facilities increased to about eight nursing homes. Meanwhile, we improved the compensation of staff to care for them. As we will show later, profits were flat.

In addition, we sold Simul International Inc. acquired Study Hacker Inc. and invested in Udemy Inc as part of our efforts to dispose non-core businesses and invest in growth areas. We are making good progress in selection and concentration.

As for the impact of COVID-19, we were impacted by school and cram school closures from late February through March, but the overall impact was limited.

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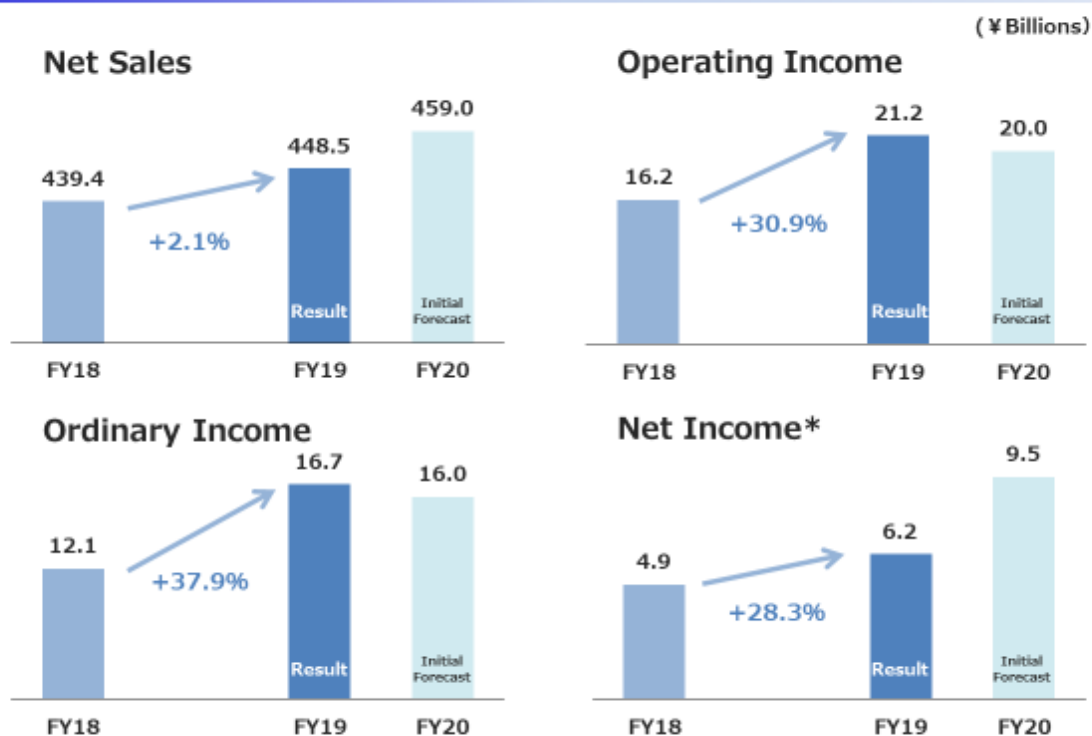
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# FY2019 Results (YoY)

Transform and Grow  
Benesse 2022



\*Net Income Attributable to Owners of the Parent 3

Next, please turn to page three for the full-year highlights.

Net sales were JPY448.5 billion, up 2.1% YoY. Although we fell short of the initial forecast, growth was steady. Operating income was JPY21.2 billion, up 30.9% YoY, exceeding the initial forecast of JPY20 billion. Ordinary income was JPY16.7 billion, up 37.9% YoY, also above the initial forecast.

Meanwhile, net income grew YoY but came in below the initial forecast of JPY9.5 billion.

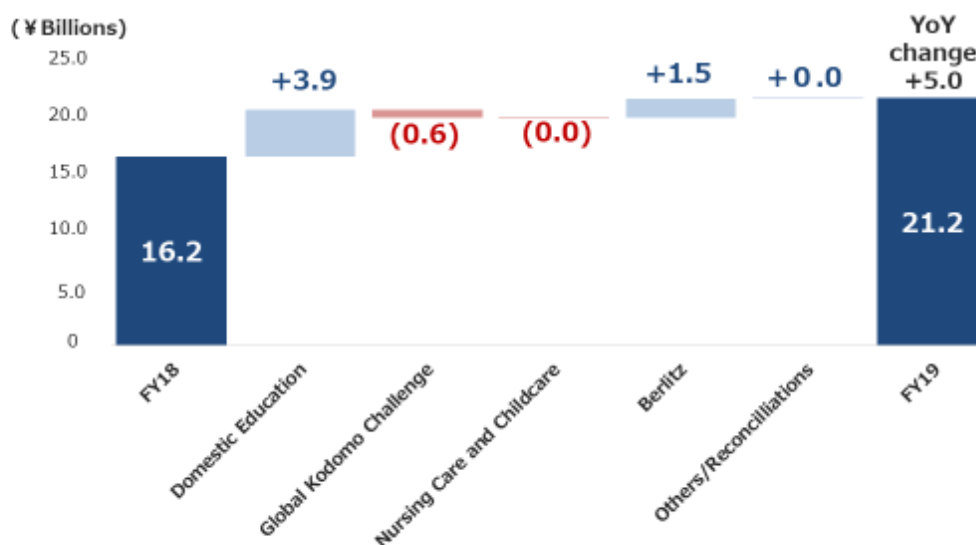
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## Growth YoY on higher income from Domestic Education and narrower loss at Berlitz



Next, please turn to page four for the reasons behind the change in operating income.

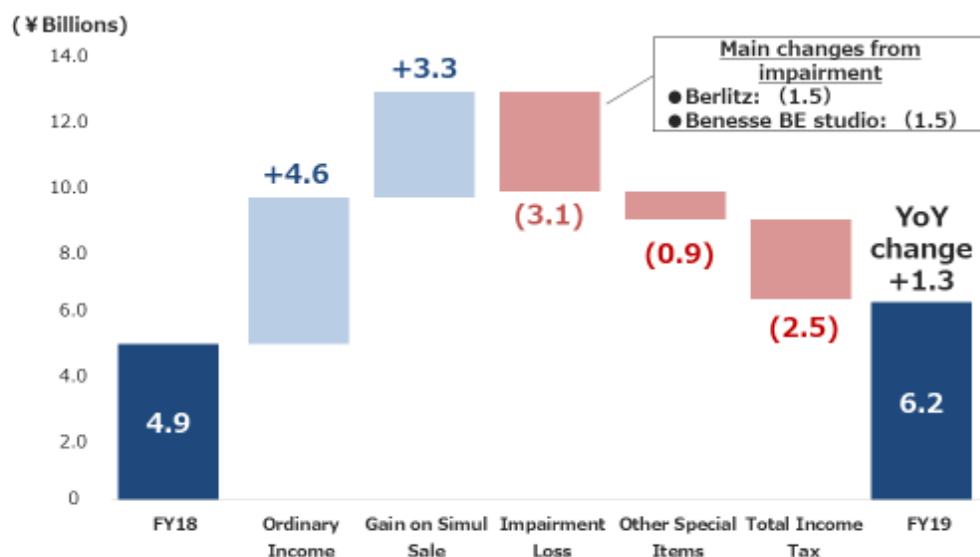
This chart explains the factors behind the increase from JPY16.2 billion in FY2018 to JPY21.2 billion in FY2019. A major contributor was the domestic education business, particularly the profit contributions from Shinkenzemi, as we will explain later. Also, the loss from Berlitz decreased.

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## Growth YoY due to higher ordinary income and gain on Simul sale, despite recording of impairment loss



Next, on page five, we show the reasons for the change in net income.

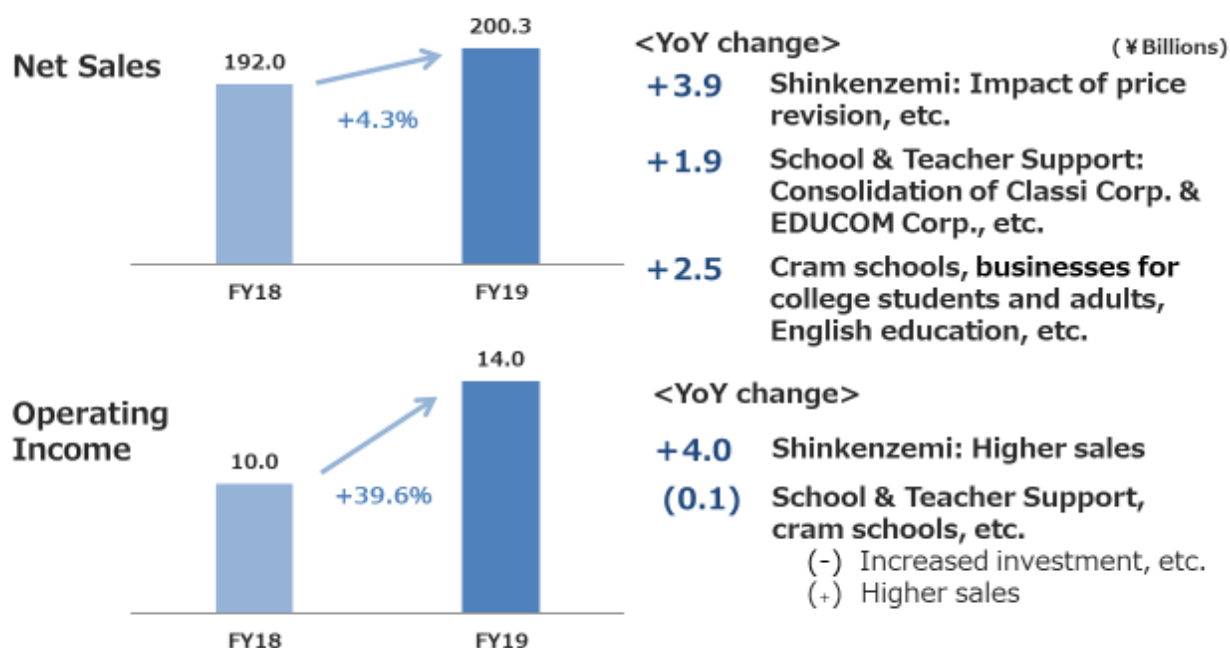
Although ordinary income lifted net income by JPY4.6 billion, and the sales of Simul also contributed JPY3.3 billion to the JPY4.9 billion posted in FY2018, impairments were recorded for Berlitz and BE studio for a combined loss of JPY3.1 billion. In addition, extraordinary items, and an increase in income tax, stemming from the rise in ordinary income and gains on sales of Simul, resulted in net income of JPY6.2 billion, up JPY1.3 billion YoY.

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## Net sales up 4.3%, Operating income up 39.6% YoY



Next, I will go over the segment performance. Please turn to page six.

In the Domestic Education segment, net sales were up 4.3% YoY, and operating income was up 39.6%. As a result, operating income came to JPY14 billion. Contributing significantly to net sales was Shinkenzemi, especially the price revision. Net sales in School & Teacher Support business increased by JPY1.9 billion, mainly attributable to consolidating subsidiaries, Classi and EDUCOM Corp. In addition, sales increased for cram schools, college students and adult support, and English education operations.

Operating income increased by JPY4 billion, thanks to the sales growth in Shinkenzemi, as mentioned earlier, but all other factors basically neutralized each other.

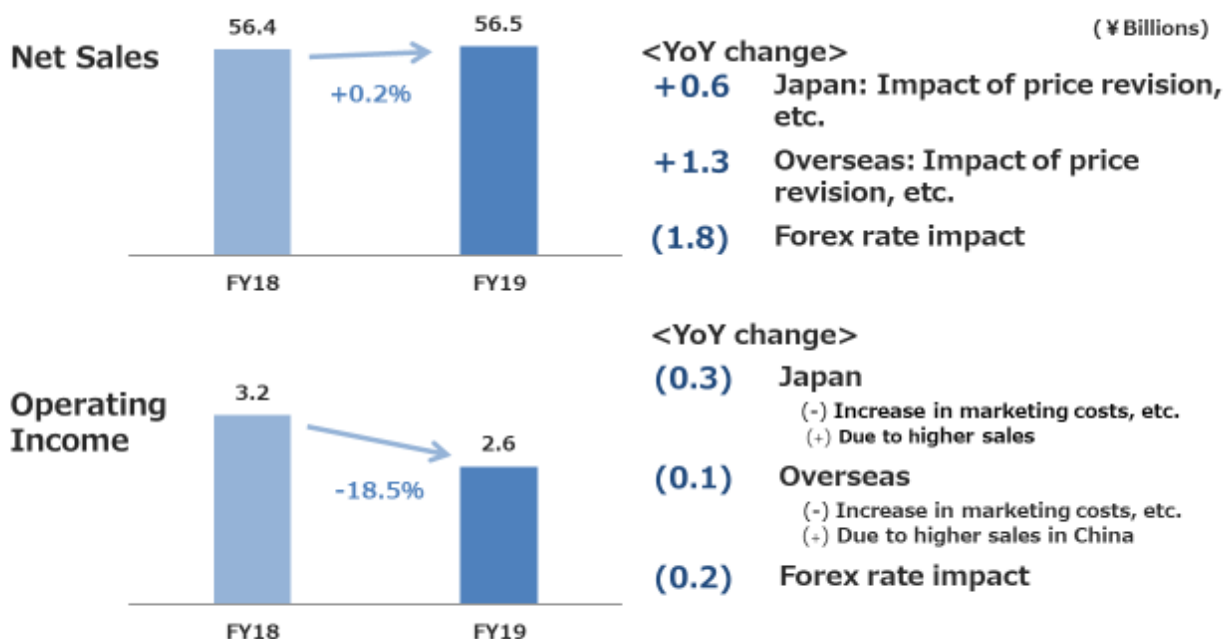
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## Net sales up 0.2%, Operating income down 18.5% YoY



Next, page seven describes the Global Kodomo Challenge segment.

Net sales increased by 0.2% YoY, while operating income decreased by 18.5%. As a result, operating income came to JPY2.6 billion.

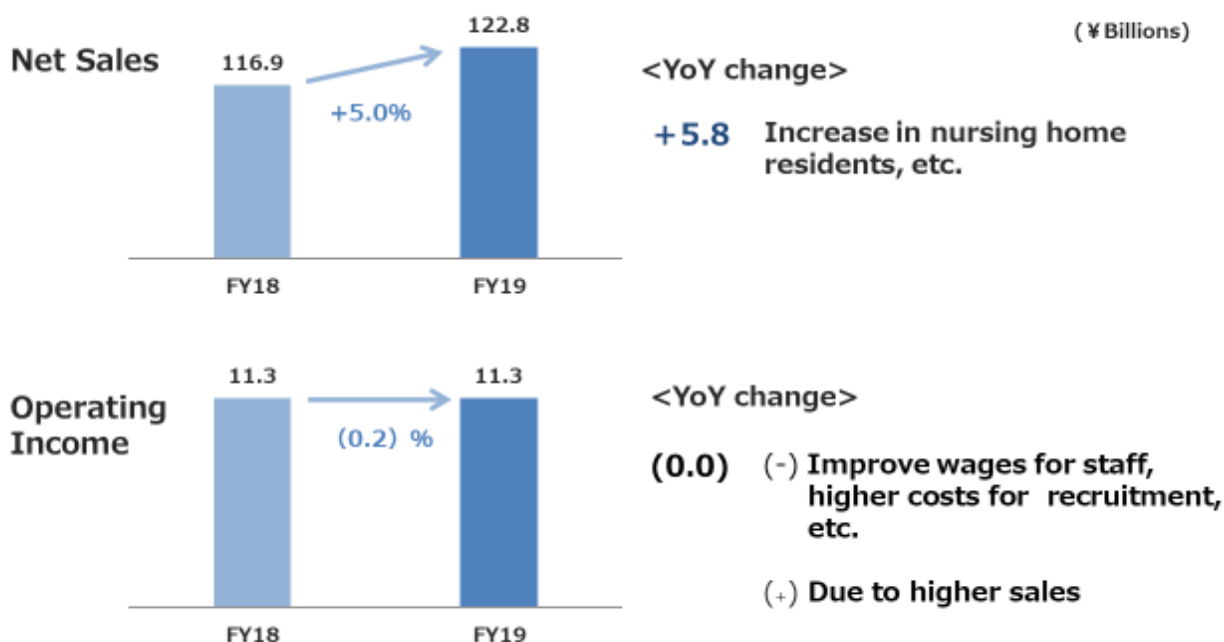
Contributing to net sales were price revisions in Japan and overseas, especially China. Meanwhile, the foreign exchange impact was about JPY1.8 billion. As for operating income, the increase in SG&A expenses in Japan and China, outweighed the boost to operating income from increased sales, resulting in operating income below the level of the previous year.

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## Net sales up 5.0%, Operating income down 0.2% YoY



Please turn to page eight for the Nursing Care and Childcare segment.

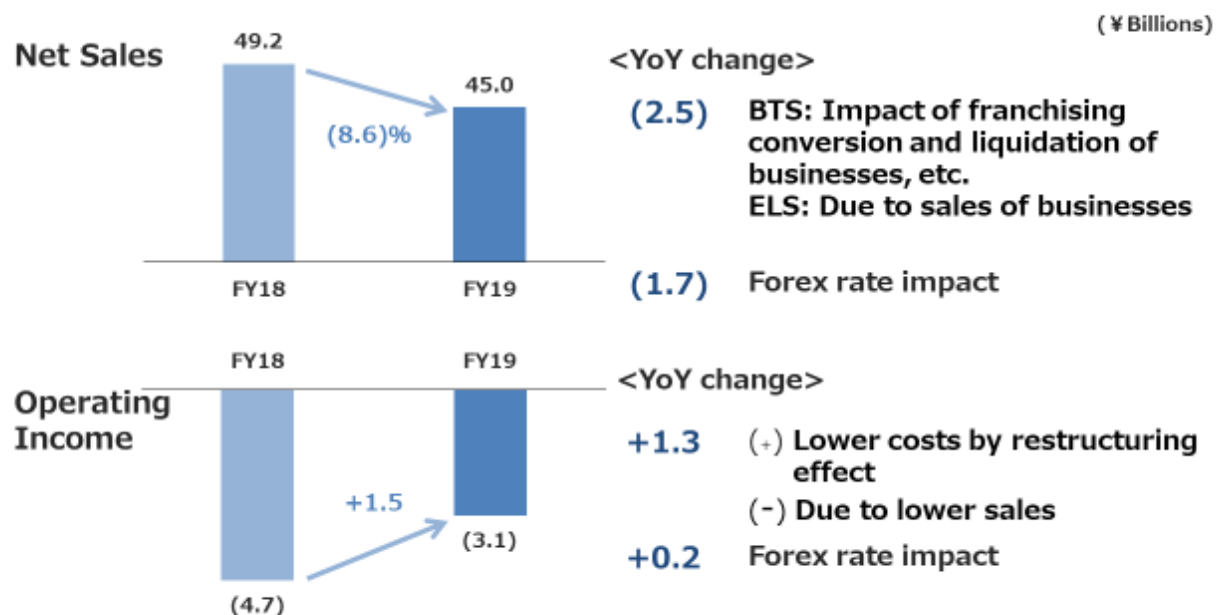
Although net sales grew steadily, up 5.0% YoY, increases in costs due to improved compensation for staff, as mentioned earlier, and recruitment resulted in profits being virtually flat from last year.

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## Net sales down 8.6%, Operating loss narrows ¥1.5bn YoY



In the Berlitz segment, we promoted the franchising and closure of centers. As a result, net sales dropped sharply by 8.6% to JPY45 billion. Meanwhile, the operating loss was reduced by roughly JPY1.5 billion, owing to major contributions from center closures and corresponding reductions in fixed costs. As a result, the operating loss came to JPY3.1 billion.

## Postponing disclosure of FY20 forecasts Intend to revise plan in autumn

### Earnings forecasts

- Postponing disclosure on current difficulty of making reasonable assessment owing to COVID-19 impact
- Intend to make disclosure as soon as reasonable assessment is possible

### MTMP

- May 2020 MTMP revision postponed
- Intend to revise in autumn after full assessment of COVID-19 impact

## Prioritizing measures to recover from COVID-19

Next, I will discuss the earnings forecast for the fiscal year ending March 31, 2021 and the medium-term management plan.

First, as for our earnings forecast for FY2020, we decided to refrain from issuing guidance. The impact of the COVID-19 outbreak has made it impossible to calculate reasonable projections at this point. We plan on disclosing the forecast as soon as we are able to develop reasonable estimates.

As for the medium-term management plan, we plan to disclose the plan this fall after assessing the impact of COVID-19. For the time being, we intend to prioritize measures aimed at recovering from COVID-19.

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## Irreversible changes from COVID-19

- Has reset the global economy, decline in worldwide growth rates likely to continue in the long term
- Extinguishing of traditional boundaries could produce new opportunities and growth paths
  - ➔ Expansion in online activities/services including consumption, education, business activity, some medical and public services
- Ingraining of heightened hygiene awareness and behavior that avoids disease transmission factors
- Rise in working from and time spent at home to create new values and needs

Before we go into the details about business, I would like to talk a little about how we intend to manage the Company and operations at Benesse under the current situation of COVID-19.

First, as for changes in the business environment, as you all know, the state of emergency will most likely be lifted today in the Greater Tokyo area, meaning that economic activity will gradually be restored.

That said, there are significant concerns that the outbreak will occur again. As a result, it will become very important that we conduct our social activities and business operations in coexistence with the virus. In that sense, I believe that there will be irreversible changes in the world, where we will probably never return to the pre-COVID-19 days.

As stated in various places, the world economy will probably hit the reset button. In my opinion, there is a high probability that the global economic growth will continue to decelerate for a prolonged period from here, as many businesses and markets shrink.

Meanwhile, various barriers that existed in the past will likely be removed, creating new opportunities. I think it is true that new growth trajectories have been taking shape. This has been particularly true in the online domains, such as digital consumption and education, sales activities, and some medical fields. Change will likely occur in many ways.

Much has been said of changes in lifestyle, as well. The heightened awareness of hygiene will likely make it the norm to avoid san-mitsu (enclosed, crowded, or nearby spaces). In addition, the increase in the time we spend at home, including for remote work, is bringing about new values.

The current situation calls for business operations to be premised on such changes. Moreover, these changes will certainly be major changes we have never experienced in recent years.

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Next, on page 13, we describe some important projects we are accelerating to survive under these circumstances.

First, we are working to shift our existing business model. We have already been implementing various kinds of online and digital education, but we will speed up these initiatives even further, in a bid to transform the business model.

We are also planning to change the way we work in a more hybrid way that combines both work from home and at the office. Ever since the state of emergency was declared, we shifted to remote work, though this of course excludes service-driven businesses that are conducted in classrooms. The percentage of people who came to the office was 15% on average.

Rather than returning this back to how things used to be, we want to permanently shift to a hybrid model, where we combine work done from home and at the office. We are exploring options to realize this shift.

Third, as mentioned earlier, many of our businesses will inevitably be faced with tough market conditions. Against this backdrop, the reduction of fixed costs will be crucial.

When actually implementing this hybrid style of work, we will probably need less office space. Through such measures, we aim to reduce fixed costs.

Lastly, in times of uncertainty like this, an important point is for the Company to uphold its values. At the same time, it is essential for these values of the Company to be shared by employees.

As you know, Benesse’s corporate philosophy is “well-being.” We are a group of highly motivated employees. We will leverage this strength to promote our values further. In addition, we will ensure that employees are

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firmly aware that we are a Company that contributes to society, as we make our way forward. We will also take action so that these values will strengthen the brand.

That concludes the explanation of the bigger picture we envision for the future.

Now, we will talk about the strategy for each business in light of the response to COVID-19. This section of the presentation will be covered by Kobayashi.

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## School closures due to COVID-19 have raised concerns about educational gaps between families, schools, and regions

	Current change		Near-term business reform
Shinkenzemi	Raised expectations for correspondence courses, increased need for online content	×	Change in correspondence course needs, further rise in online demand
Cram schools, English education	Cram school closures have halted face-to-face teaching, shift demand to online lessons and video distribution	×	Face-to-face teaching changes to avoid close contact, mix of face-to-face and digital lessons
Schools	School closures have halted educational functions, shift to online lessons	×	Adapt to the changing school operations, shift toward digitalization such as individualized instruction and CBT

## Need business reform to match expected new environment

**Kobayashi:** Hi, this is Kobayashi of Benesse.

Please turn to page 15 of the material. This page describes the changes in the market environment due to COVID-19. First, I will go over the Domestic Education segment.

As you know, there are considerable regional and school differences, where some schools have restarted in some areas, while others are still closed. Against this backdrop, we have described on page 15 about the changes occurring right now, and what we need to think about in the future, through three approaches, including the Shinkenzemi, cram school & English education, and school businesses.

As for Shinkenzemi, we recognize the growing expectations for correspondence courses, boosted by demand for learning at home, especially during this busy season, ever since schools have been closed. Against this backdrop, the number of people using online content has grown robustly.

That said, schools will eventually be restarted, and it will certainly be crucial that we have students continue to learn from home with Shinkenzemi even after schools restart. Nonetheless, we think the demand for online education will likely grow even further.

In the cram school & English education business, we have discontinued all face-to-face education in tandem with the closure of virtually all cram schools in the Group following the state-of-emergency declaration. Meanwhile, we have already begun shifting cram school classes to online lessons, including the distribution of lessons as videos.

Going forward, even if classes were to restart, we would probably need to change the way we conduct classes, where we used to have a lot of children sitting nearby in an enclosed space.

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Again, this is an area where we will need to adopt a hybrid approach of physical and digital, and these changes will need to be made permanently. We also think the demand will change in that way, and we have currently begun to implement changes in anticipation of this shift.

As for the school and teacher support business, as stated earlier, school closures and restarts have varied widely nationwide, depending on each region and school. Also, there have been schools that shifted to online classrooms despite school closures, and this has mainly been the case at private schools in the Greater Tokyo area. However, we understand that the shift to online classrooms has not taken hold on a national level.

Accordingly, even after the state of emergency is lifted, and school operations are gradually restarted nationwide, we believe it will be necessary to exercise even greater care in responding to the needs of each area and school.

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**Enrollments up 3.3% YoY**  
**Reappraisal of Shinkenzemi's value as social infrastructure**

(Thousands of Students)	2018	2019	2020	YoY difference	YoY Change (%)	Market share change (%)
Senior High School	160	150	150	(0)	(1.6)	+0.0
Junior High School	420	420	420	+0	+0.5	+0.2
Elementary School	1,200	1,240	1,330	+9	+6.7	+1.5
Kodomo Challenge (preschool)	790	810	810	+0	+0.5	+0.3
<b>Total</b>	<b>2,570</b>	<b>2,620</b>	<b>2,710</b>	<b>+9</b>	<b>+3.3</b>	<b>+0.7</b>

Please turn to page 16. This page shows the number of enrollments in Shinkenzemi as of April. Total enrollments increased to 2.71 million from 2.62 million, up 90,000 or 3.3%, from last year.

We have four types of courses, including senior high school, junior high school, elementary school, and Kodomo Challenge. The course that has shown the greatest increase in enrollments was the elementary school course. The number of enrollments increased from 1.24 million last year to 1.33 million as of April this year, demonstrating that many children and parents chose our service. Page 16 also shows that we have reached this April with the number of enrollments surpassing the year-earlier level for junior high school, elementary school, and Kodomo Challenge.

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Steady progress in digitalization strategy  
Brisk new enrollments, steady retention in April 2020

<b>New</b>	<ul style="list-style-type: none"> <li>● <b>New annual enrollments up YoY</b> ·2018: 1.01mn ⇒ 2019: 1.05mn</li> <li>● <b>New enrollments in April up YoY (+100,000 : +19.4%)</b> ·Inquiries/enrollments increase after nationwide school closures, declaration of state of national emergency ·Rise in new digital students, ratio of digital students up to 61% (+9p YoY)</li> </ul>
<b>Retention</b>	<ul style="list-style-type: none"> <li>● <b>Rate of annual retention steady YoY</b></li> <li>● <b>Brisk retention rate in May-June, up 1.0p YoY</b> ·Up YoY for all courses (elementary, junior high, senior high school) ·Rise in submissions for Red-pen Teacher service (digitalized content for Yr3-6 elementary school students), rise in rate of usage of Shinkenzeni materials</li> </ul>

Please turn to page 17. On this page, we have organized the status of new enrollments and retention at Shinkenzeni.

Significant progress has been made in digitalization, with the ratio of people choosing digital course material increasing by roughly 10% compared to last year.

Please look at the section that says new enrollments. The number of annual new enrollments was 1.01 million in 2018 and 1.05 million in 2019, with the increase in enrollments this April being particularly strong, up by about 100,000 enrollments compared to last year.

We have seen an increase in inquiries and enrollments after the nationwide school closures and the state-of-emergency declaration. The number that stands out is the particularly robust increase in the ratio of students choosing to use digital course materials.

Regarding the retention rate, we were able to post a retention rate roughly equivalent to the year-earlier level throughout last year. Although we have constantly been striving to improve the products and services while increasing the price, we have been able to achieve a retention rate on par with the previous year.

In 2020, we have seen an increase in the usage rate of course materials, and this can already be confirmed in data for May, June, and part of July. The retention rate is also extremely steady, with the retention rate higher than the year-earlier level for all grade levels.

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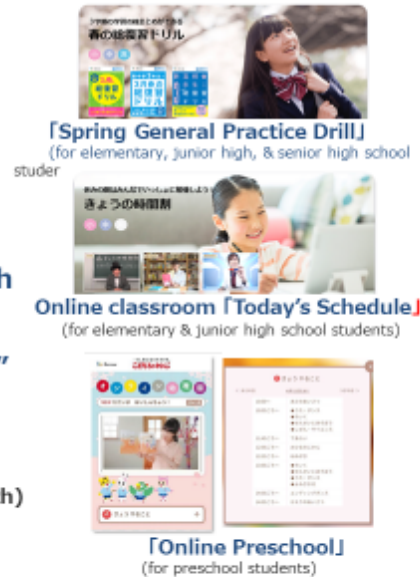
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## Responding to school and preschool closures through educational support for students/preschoolers

### Main activities in March/April



- General practice drills made free (300,000 paper + 700,000 downloads = **1mn**)
- Online classroom "Today's Schedule" made free (**350,000** users in 7 days)
- Start of "Online lessons" for junior high (**200,000** views)
- Distribution of "Prepare for University" as part of senior high school course
- Opening of "Online Preschool" (**200,000** views from 90 countries during first month)



Provide ongoing support aiming to solve home study issues



Please turn to page 18. The outbreak of COVID-19 and the resulting temporary school closures, including at kindergartens, suddenly created a situation where children across Japan were unable to attend school. On this page, we have compiled the actions we have taken in the ShinkenZemi business at Benesse in response to this situation.

The first thing we did at ShinkenZemi was to offer study materials "Spring General Practice Drill" reviewing all topics for each grade level to people nationwide, including members and non-members, in light of the situation where most schools had suddenly been closed with almost all of the final lessons of the third semester being cut short. As shown in this table, we distributed one million copies in total.

As a next step, we started offering online lessons called "Today's Schedule" to help students who were spending a lot of time studying at home. Many parents told us they were concerned about the disruption of their children's learning rhythm due to learning at home. Thus, we created online time slots, just like school, so that students can learn from home while following a schedule. We had 350,000 in 7days people use these lessons.

Third, in the junior high school course of ShinkenZemi, we developed online lessons for members using course materials of ShinkenZemi. A total of 200,000 members of the junior high school course nationwide listened to these online lessons.

We asked parents how their children were spending time at home in light of the closure of kindergartens, and we had heard that they were struggling a lot.

Against this backdrop, we developed an "Online Preschool" available to both members and non-members. Because the lessons can be listened to online, we had 200,000 people from over 90 countries around the world listen to the lessons in one month.

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COVID-19 has had a serious impact on both children and parents, resulting in many new troubles that had not surfaced previously. Page 18 describes how we have conducted activities to support parents and students in an ongoing manner, in response to the troubles that have emerged and evolved over time.

These troubles will not end just because schools restart. I think there will be an ongoing impact on the educational gap and achievement gap. We intend to continue to provide support in response to each problem that arises in the future.

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## Accelerate mix of face-to-face and digital lessons with an eye on expected new environment

### Change in business environment

- Schools closed, marketing for new enrollments halted
  - Face-to-face teaching expected to change after ending of state of emergency
- ⇒ Students to be spread out to avoid close contact (classroom efficiency an issue)

### Response

- Boost marketing after end of state of emergency
- Bolster hybrid services mixing “on-site” and “video /online”

Tokyo Individualized Educational Institute

**Planned release of 1:2 online instruction**  
(June 2020)

UP/Ochanomizu Seminar

Group lessons to shift to video teaching, individual instruction to move online

BE studio

**Release of online + video lessons**  
(May 2020)

Please turn to page 19. This page describes the cram schools & English education business.

As for the changes in the classroom environment, all classrooms are currently closed, and sales activities for new enrollments have been suspended. After the lifting of the state-of-emergency declaration, face-to-face classes will likely need to be held in formats that prevent the crowding of students in close proximity.

As a countermeasure, we intend to reinforce hybrid services that combine physical classroom lesson “on site” with “video / online” lessons at cram schools and English classes. These initiatives have already been taken for some of our classes.

At the bottom, we have written what we are currently doing and what we plan to do at three of our brands, including Tokyo Individualized Education Institute, UP / Ochanomizu Seminar, and BE studio.

At Tokyo Individualized Education Institute, we released one-on-two individualized online lessons starting from June 1. At UP / Ochanomizu seminar, we have already distributed lesson videos for group lessons and started online lessons for tutoring. At BE studio, an English class for children, we released online and video lessons starting from May.

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## Integration of Zemi Company and Area and Classroom Education Company in April 2020

### Blended learning to support each individual



Please turn to page 20. At Benesse, we have been dividing school education and out-of-school education in planning operation from this April. We integrated Zemi Company and Area and Classroom Education Company from April as Out-of-school learning company.

As shown in the figure on page 20, the lessons at home on the left and the lessons in classes on the right will be combined according to each student's learning situation, offering a blended education. By actively promoting this shift, we hope to provide a more individualize education to each student, and the organization has been undergoing major changes towards this end.

We hope to promote this shift actively, even amidst the COVID-19 turbulence, as we implement classes that combine home learning, online lessons, and classes lessons.

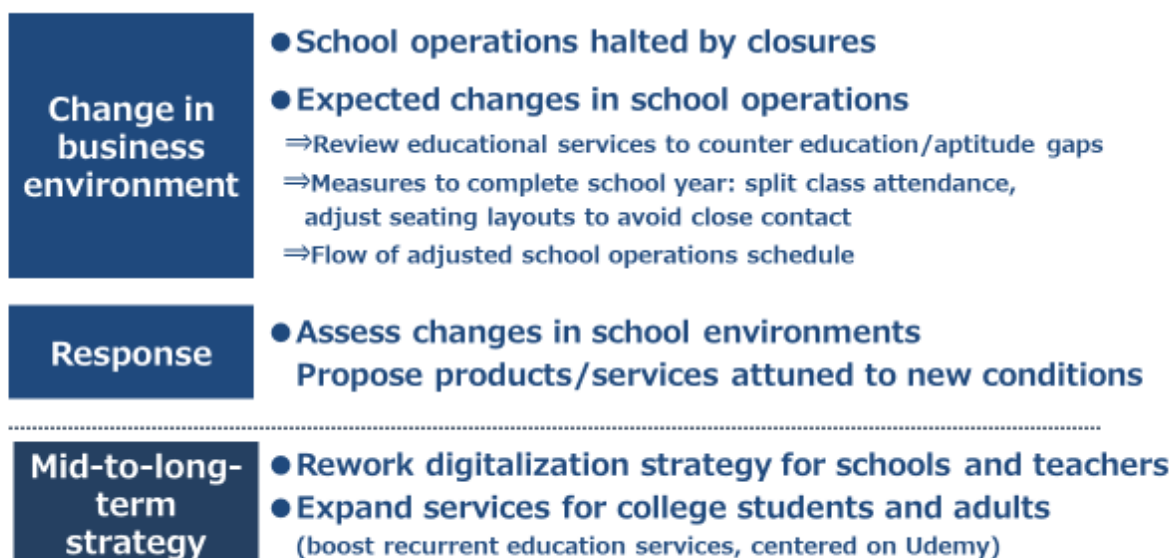
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## Regional differences in timing of school restarts Bolster support for school changes



Please turn to page 21. This page describes the school and teacher support business.

As for changes in the business environment, school operations have stopped, due to school closures. Depending on the area, some schools have gradually restarted, while others have not restarted at all. Gaps exist depending on various areas and schools.

Changes we expect in school operations revolve around educational and aptitude gaps. When schools restart, teachers will need a way of knowing the situation of each student. Once they do so, they will then need to determine how to conduct classes. These will be major themes as schools restart.

Schools also face issues of being unable to conduct classes like in the past, such as introducing split class attendance and adopting classroom allocations that avoid san-mitsu (enclosed, crowded, or nearby spaces), as they tackle delays in curricula.

Against this backdrop, as we have written, there will be changes in school management schedules. Some areas have already announced such schedules and summer break is expected to be significantly shortened in this school year. As a result, it is already expected that there will be major changes in school classes toward the end of the school year and the school management.

Under these circumstances, in the school and teacher support business, Benesse will work to catch up with the situation of each student by area and school, as there will likely be significant changes and gaps. We will likely be providing support by area, school, and individual using digital technology and our various products.

Meanwhile, we are working to reinforce the Udemy business, and we intend to strengthen the business, focusing on recurrent education targeting college students and adults.

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## Business activity almost back to normal Enrollments down in April, but rebounding



This is the last part of my presentation.

In the China business of the Global Kodomo Challenge segment, we actually saw the earliest impact of COVID-19 in the world. In February, production and sales activities were suspended, and warehouses were stopped. The situation has settled down now, with business activities other than concerts and classrooms almost normalized.

Unfortunately, the situation in February and March has resulted in the number of enrollments as of April falling short of the year-earlier level, but the pain had not been as serious as we expected. The business withstood the damage, primarily through ecommerce sales.

Going forward, we will further strengthen our sales channels and ecommerce channels in China, and we will drive forward product reforms, mainly targeting children before entering elementary school. By doing so, we hope to stage a recovery.

This concludes my section of the presentation. Thank you.

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## Prioritize risk response to COVID-19

### Change in business environment

- Self restraint in advertising and other marketing
- Large cut in new admissions to prevent infections (face-to-face consults down 70-80% YoY in Mar/Apr)

### Response

- Prioritize care of existing residents
  - ⇒ Thorough measures to prevent COVID-19 spread (restrictions on family and other visits)
  - ⇒ Improve family interaction/residents' QOL when restrictions eased
- Restart admissions marketing when restrictions eased

### Mid-to-long- term strategy

- Bolster high-end homes
- Develop/expand dominance strategy (link hiring strategy to entry into regions with no current homes)
- Rebuild HR development structure to focus on specialism

**Adachi:** I will explain the remainder of the presentation.

In the nursing care business, we are first prioritizing the risk response related to COVID-19, as the spread of infections would have serious consequences.

Accordingly, like any other nursing home, we restrict or prohibit visits, and sales activities have been substantially reduced.

The acceptance of new residents has declined sharply, with the number of admission consultations and visits down 70% to 80% YoY for March and April. As a result, the number of residents has dropped significantly, along with a corresponding decrease in the occupancy rate.

As for the response, we are prioritizing care for occupants and the implementation of thorough measures to prevent infection. We have restricted visits and entry into the homes, and even when these restrictions are lifted, we intend to focus on responding to family needs and improving the QOL of residents.

The restrictions on visits will not be lifted at the same time as the state-of-emergency declaration. The Ministry of Health, Labor and Welfare will likely issue a separate policy. We plan to resume sales activities for new residents once the state of emergency is lifted.

As for our medium-term strategy, nothing has changed from what we have mentioned before. We intend to further strengthen high-end homes and expand our strategic dominance to gain a foothold in untapped areas. We also look to reinforce personnel training.

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## Had steadily decreased losses via structural reform, but greater changes needed in light of COVID-19

### Change in business environment

Steady structural reform progress through Feb, but

- BTS: Worldwide school closures from April beginning in China
- ELS: Halt to school lectures for exchange students in US

### Response

- All-out shift to online lessons worldwide
- Large reduction in costs

Major layoffs (esp. in ELS), restructuring, rent reductions  
Use of government support programs for employment aid

### Mid-to-long-term strategy

- Accelerate shift to online/hybrid courses (Berlitz 2.0) in response to extended limits on human contact and movement
- Streamline further by reducing/franchising brick-and-mortar schools

Next, on page 24, we describe the Berlitz segment. In the Berlitz segment, we pushed ahead with structural reforms last year, resulting in a steady reduction of losses. However, due to the impact of COVID-19, the situation has, unfortunately, become extremely tough once again.

In the current fiscal year, we expected to keep losses lower than JPY1 billion, though we would not be able to break even. However, we were faced with the closure of classrooms globally in April, starting with closures in China early on, as well as the suspension of all classes for the ELS study abroad support business.

As for our countermeasures against this situation, we have implemented a full shift to online classes. As of April, we successfully shifted approximately 55% of all classes to online classes. However, the current situation remains extremely tough, and we are conducting sharp cost cuts.

We have implemented layoffs, restructuring, and negotiations for rent reductions wherever possible, especially in the ELS business. We are also utilizing government support programs, such as employment subsidies, mainly in Japan and Europe.

Regarding our medium-term strategy, we expect heightened awareness toward hygiene, likely resulting in physical restrictions. As such, we have long been promoting Berlitz 2.0, but we will be accelerating these efforts even further toward the adoption of a hybrid approach that integrates online classes. Meanwhile, we will likely head in the direction of reducing physical classrooms.

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## Establish overseas business development HQ

- Added to group structure from April 1, 2020
- Drive to focus and expand efforts on targeted new overseas areas

## Pursue new growth strategy via M&A

- Bolster competitiveness of existing businesses
- Create “third business pillar” to add to education and nursing care

Next, on page 25, we have described our measures to expand the business domain. On April 1, we established an overseas business development headquarters. We created a new headquarters aimed at the aggressive and cross-organizational design of overseas business development across all of Benesse’s operations. We intend to drive forward the expansion of overseas businesses led by this headquarters.

As before, with regard to our new growth strategy leveraging M&A, we intend to make progress on further enhancing the competitiveness of existing businesses and creating a third business pillar in addition to education and nursing care.

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## Plan to maintain DPS at ¥ 50 in FY2020

### with a view to ensuring dividend stability

Lastly, on page 26, we plan to maintain a dividend of JPY50 per share for FY2020 from the standpoint of maintaining stable dividends in terms of our capital policy.

This concludes our presentation.

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**Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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