



Financial Results for FY2020

Hitoshi Kobayashi
Representative Director and President, COO
Benesse Holdings, Inc.
May 11, 2021

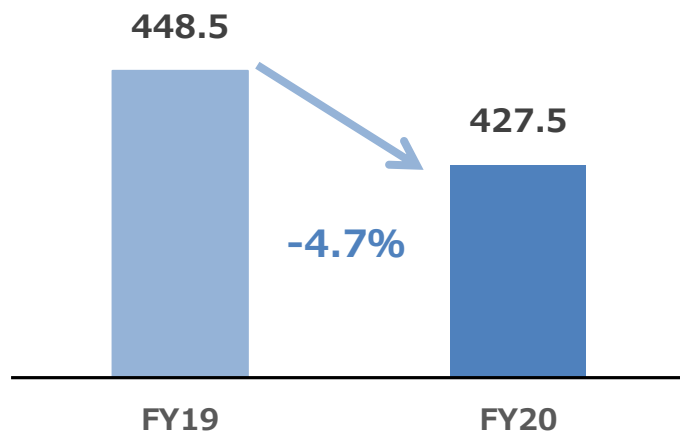
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FY2020 Overview and Results Summary

【Results】 Highlights for FY2020 (YoY)

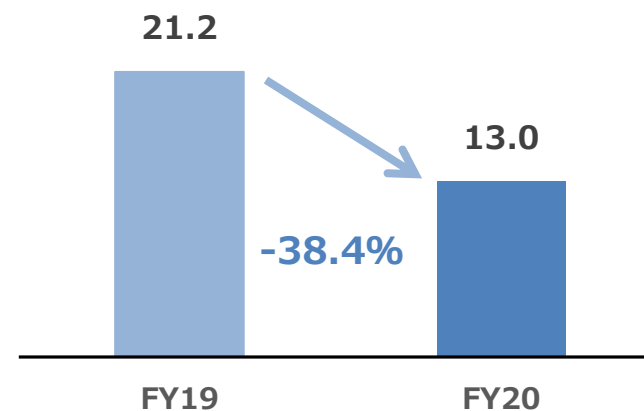
Sales and income down YoY in the full year on the impact of COVID-19

Net sales

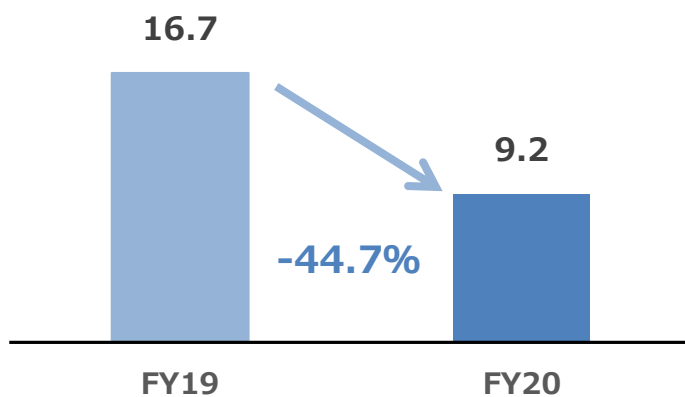


Operating income

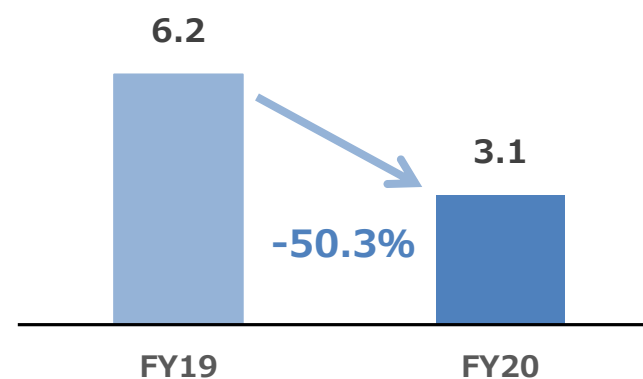
(Billions of Yen)



Ordinary income

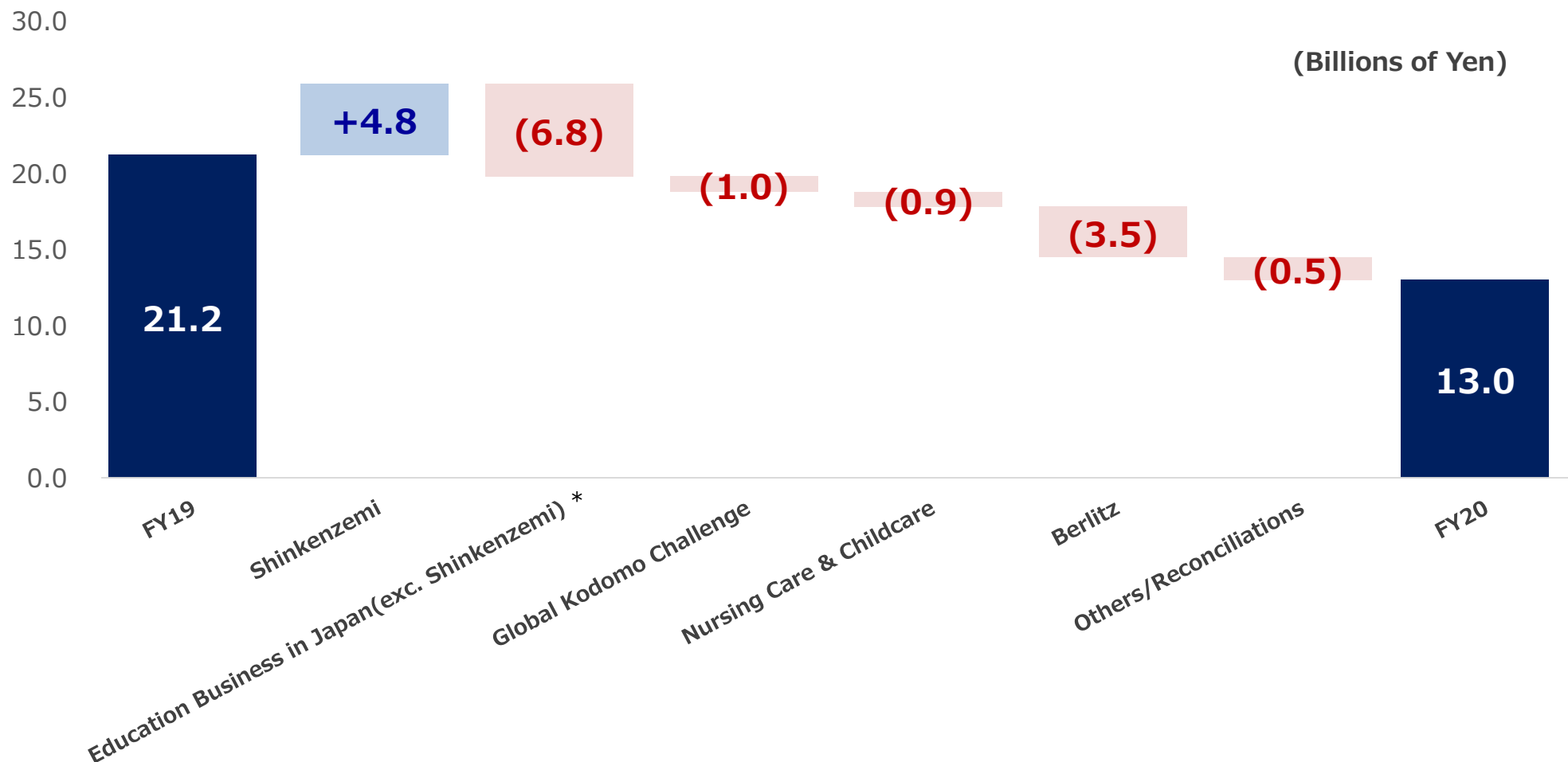


Net income*



[Results] Change in Operating Income by Segment (YoY)

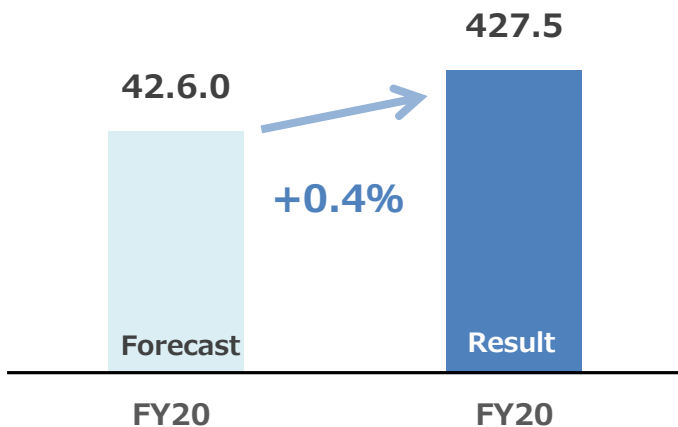
School & Teacher Support Business, Classroom Business, Nursing Care Business and Berlitz negatively affected by COVID-19



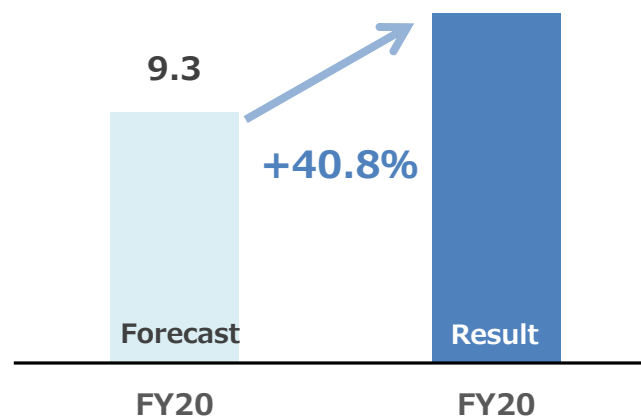
[Results] Highlights (vs. initial forecast)

Earnings ended higher than initial forecasts

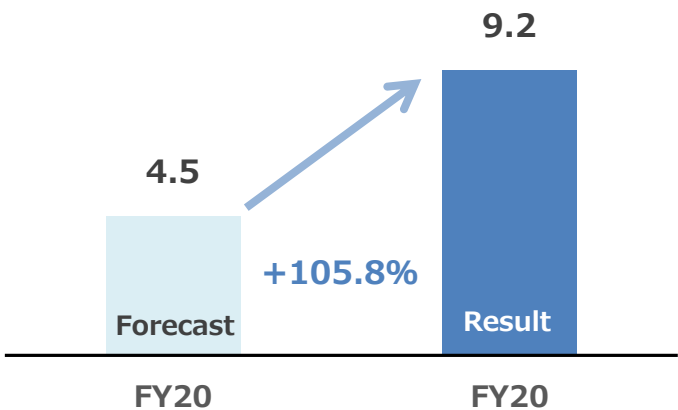
Net sales



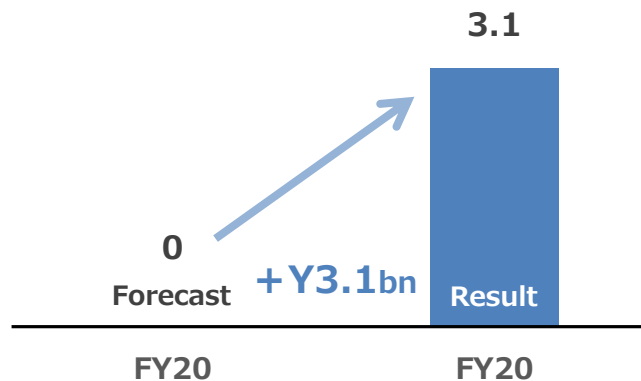
Operating income (Billions of Yen)



Ordinary income

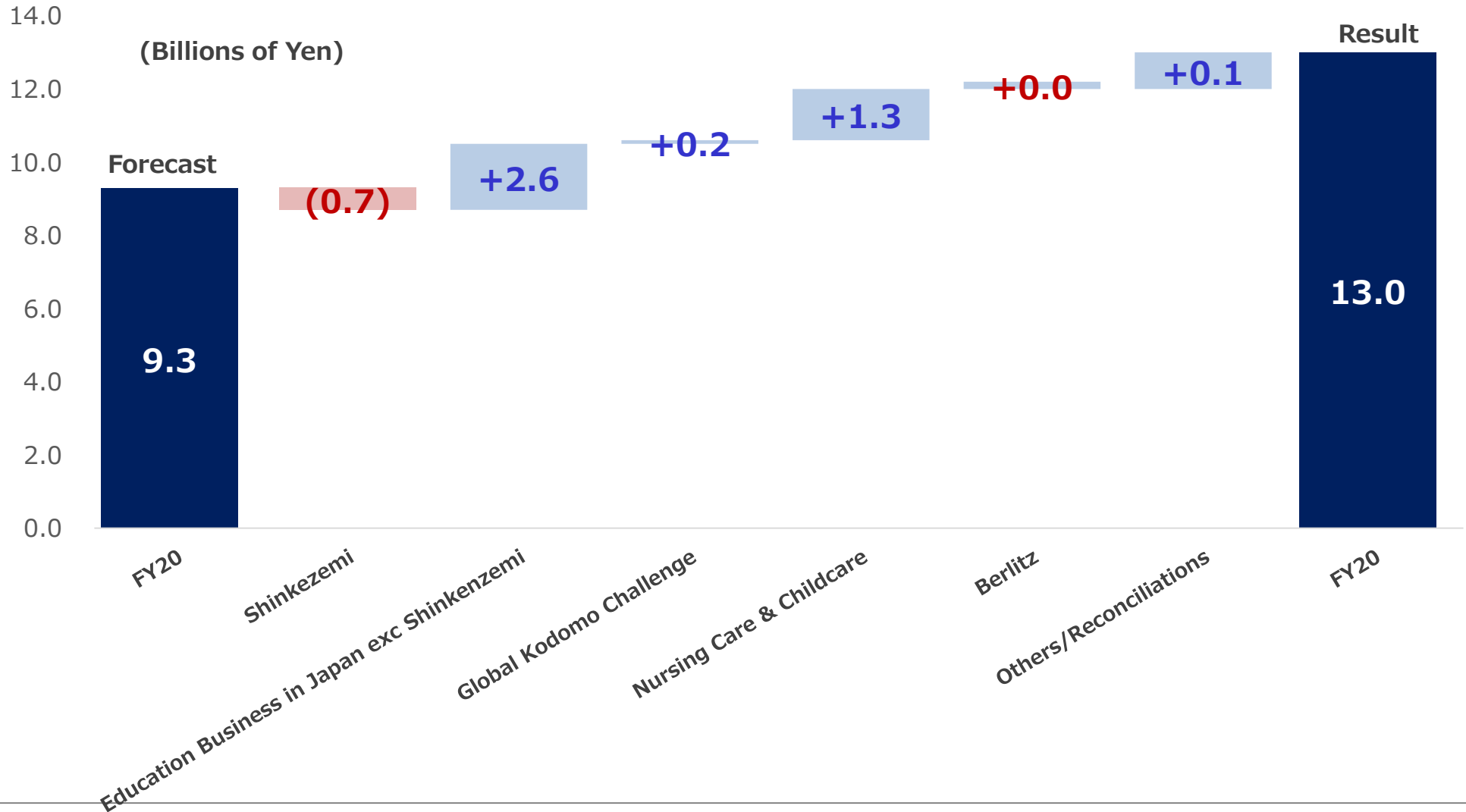


Net income*



[Results] Change in Operating Income by Segment (vs. initial forecast)

Recovery better than initially expected in School & Teacher Support Business, Classroom Business, Nursing Care business investments made in Shinkenzei



FY20 overview: Trends in each segment given the impact from COVID-19

Billions of Yen

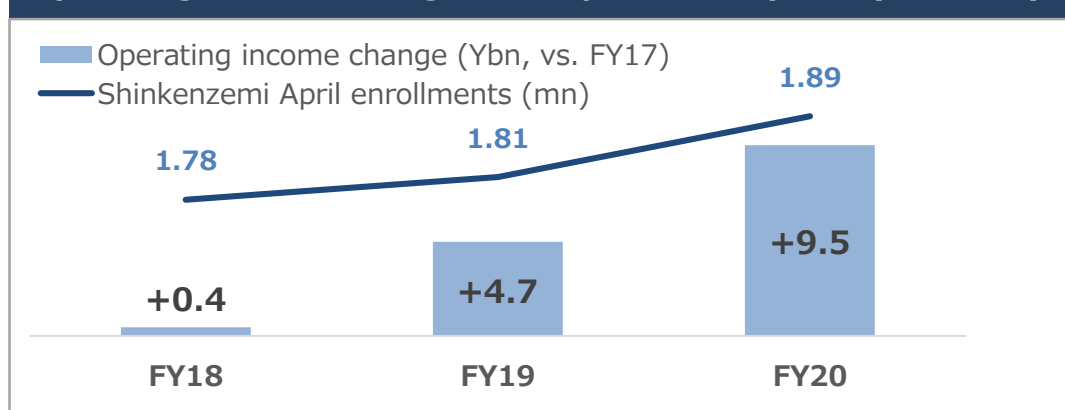
		State of business		Operating income YoY			
		1H	2H	1H		2H	
Education Business in Japan	Shinkenzeni	Brisk April enrollments and retentions	Retention rate remains strong	+1.0	+1.2	+1.5	+0.9
	School & Teacher Support	Negative from school closures	Recovery at Shinken Simulated Exams Negative at GTEC	(4.8)	(0.1)	+0.4	(2.3) Increased investment
	Cram Schools	Negative from school closures	Recovery				
Global Kodomo Challenge		Enrollments up in Japan, down in China Negative from concert cancellations	Moderate recovery in Chinese enrollments Negative from concert cancellations	(0.3)	+0.4	(0.1)	(0.9) Increased investment
Nursing Care		Negative from marketing restraint	Gradual recovery, but occupancy rate down	(0.6)	(0.8)	(0.2)	+0.8 Reduction of labor cost
Berlitz		Negative from school closures	Moderate recovery	(0.1)	(1.5)	(1.7)	+0.0

FY20 overview

Brisk start to enrollments in April 2020, retention rate also up on rise in materials usage rate, major improvement in profitability

- Shift to profit growth strategy at Shinkenzeni from FY19, profitability improving
- April 2020 enrollments up 19.4% YoY (+100,000) on growing needs for home learning because of school closures
- Retention rate in following March from April enrollments +4% YoY overall, +5% YoY for tablet based courses
 - Rise in retention rate from April enrollments boosted FY20 income by Y2.8bn

Operating income change in the past three years (vs. FY17)

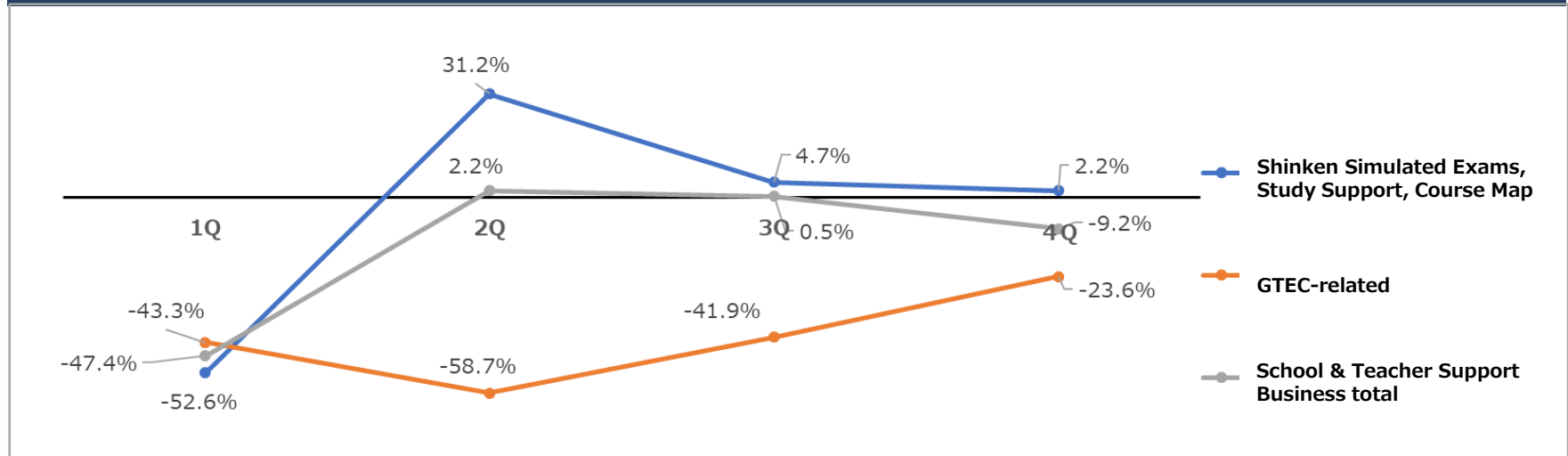


FY20 overview

Assessments for Shinken Simulated Exams and other services recovered to year-earlier levels from 2Q GTEC recovery needs more time

- Simulated exam sales to high schools down by half in 1Q on impact of school closures
- Rebound from 2Q on school re-openings apart from for GTEC
- GTEC sales remain down heavily YoY affected by the change of university entrance exams reform

FY20 YoY change in High School Business sales by quarter

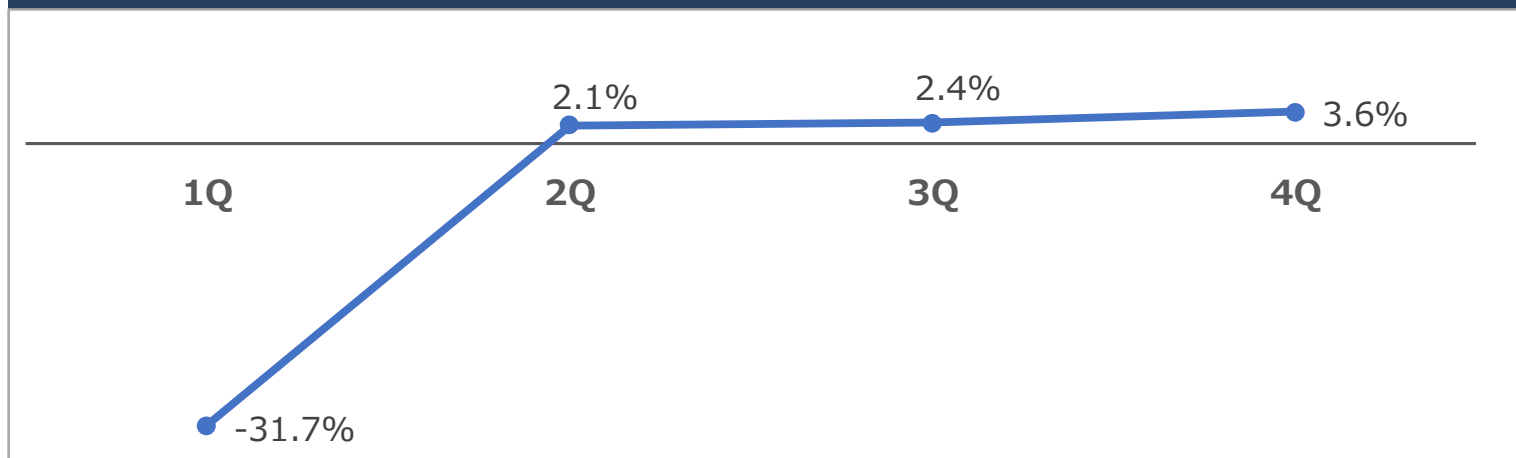


FY20 overview

Large earnings decline in 1Q on impact of school closures Return to year-earlier level from 2Q, investments made with an eye on FY21

- Major impact from school closures in 1Q
Profit negatives: Y1.9bn from refunds, etc.
Y2.0bn from decline in enrollments at start of the year due to marketing restraint
- Enhanced COVID-19 response including video/online lessons
- Stepped up sales to aid April enrollment recovery

FY20 YoY change in Cram Schools/English Education Business sales by quarter



FY20 overview

In Japan, course business brisk, but profit down on concert cancellations due to COVID-19

In China, threat from new market entrants adds to COVID-19 impact

Japan

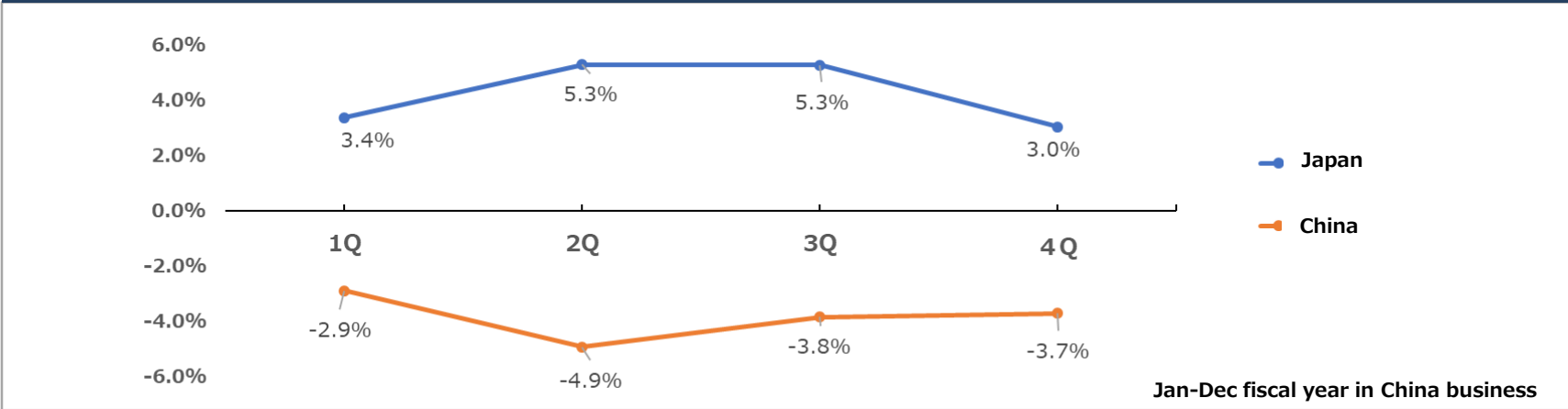
- Course enrollments brisk throughout year
- Fall in profit from concert business, a key revenue stream, due to COVID-19 impact

Profit decline in concert business: -Y0.6bn

China

- Course enrollments down YoY on shrinking in sales channels due to COVID-19
- Threat of increased competition from new entrants

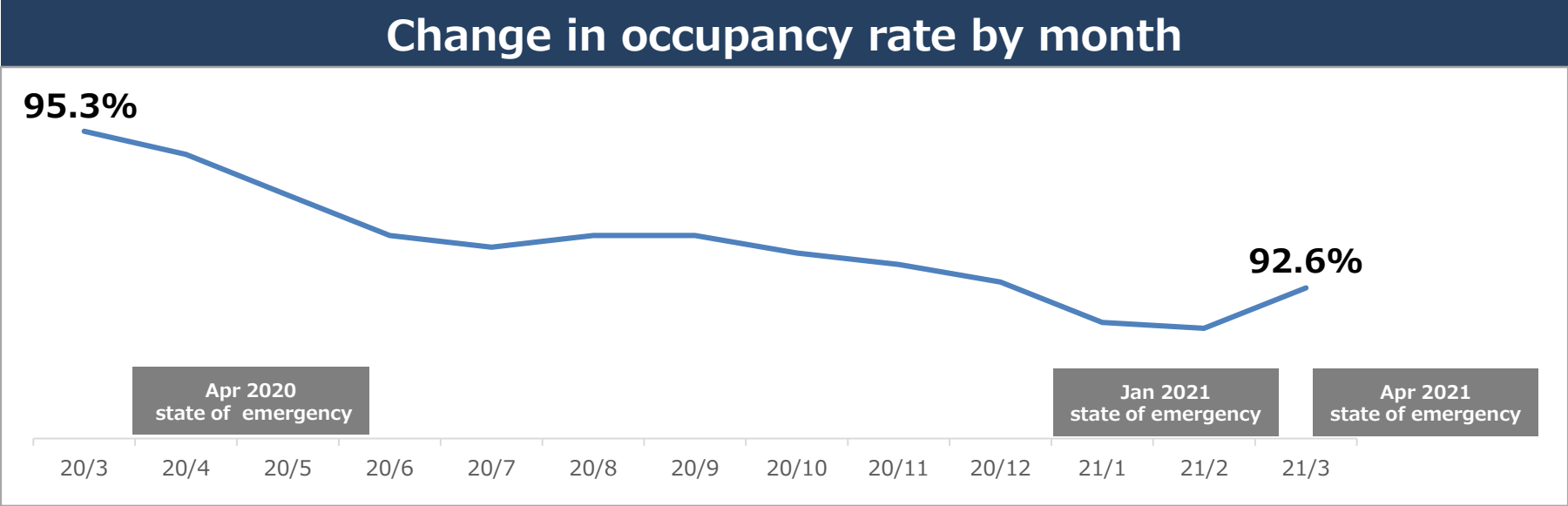
YoY change in cumulative enrollments by quarter



FY20 overview

Occupancy rate down on 1Q marketing restraint, rise in people postponing pre-occupancy tours

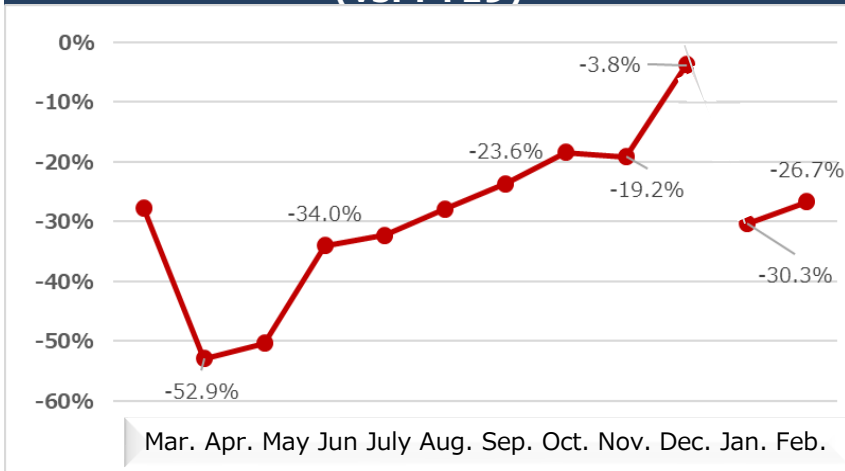
- Decline in occupancy rate on marketing restraint in 1Q
- Occupancy rate fails to recover, down 2.7pt from 95.3% in Mar 2020, even after marketing restart as more people put off occupancy due to increase in COVID-19 infections nationwide
- Pre-occupancy tours have also fallen to around 70% of pre-COVID levels recently after January state of emergency
- Profit exceeds initial forecast on reduction in labor costs and hiring costs from higher staff retention rate



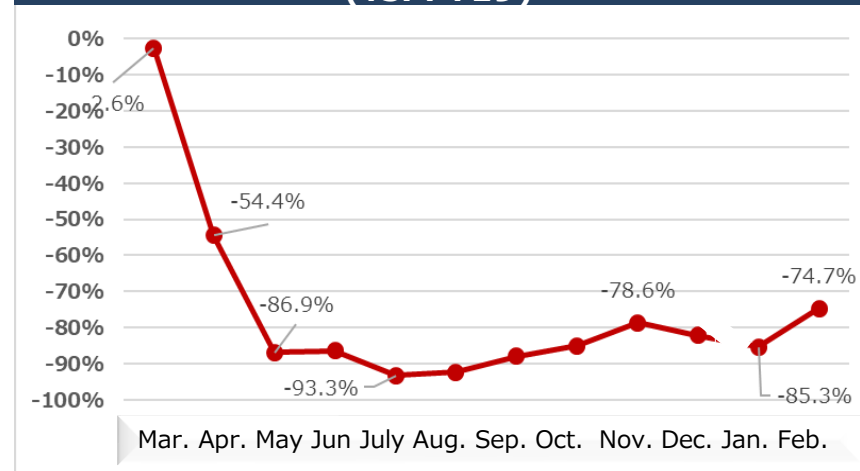
Sales down sharply in FY20 on COVID-19 impact Restructuring significantly lowers fixed costs

- Sales remain down heavily on FY19 levels in BTS and ELS
- Introduction of Berlitz 2.0 delayed due to COVID-19 impact
Launched in North/South America, global roll out scheduled to be completed during FY21
- Fixed costs reduced through restructuring
FY21 breakeven point to be well below that of FY18 (around Y20bn lower)

Like-for-like monthly sales in BTS business
(vs. FY19)



Like-for-like monthly sales in ELS business
(vs. FY19)

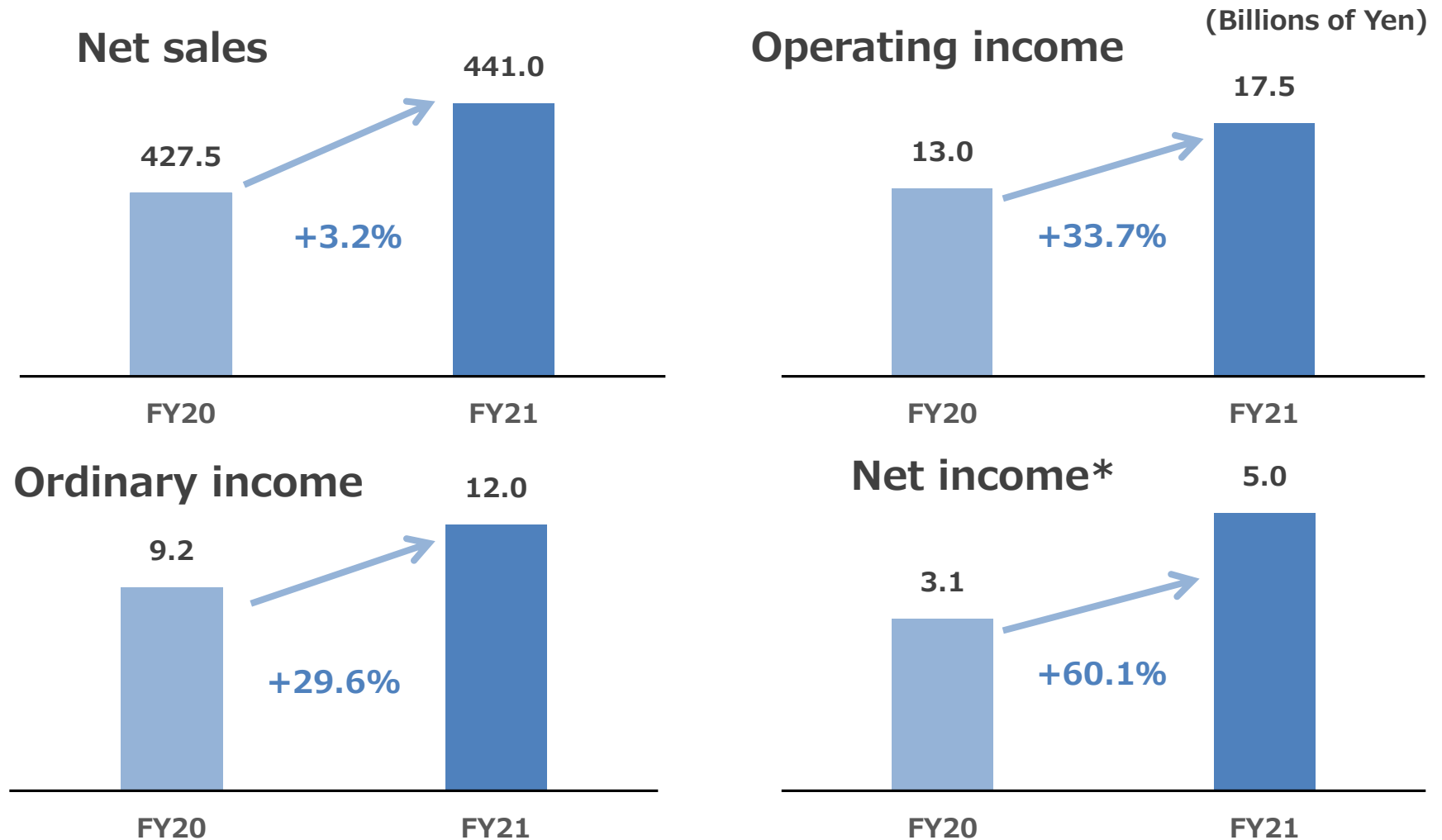


*Like-for-like monthly sales exclude sales from schools turned into franchises and sales from countries where Berlitz has completely withdrawn

FY2021 Financial Forecasts and Future Strategies (FY21-22)

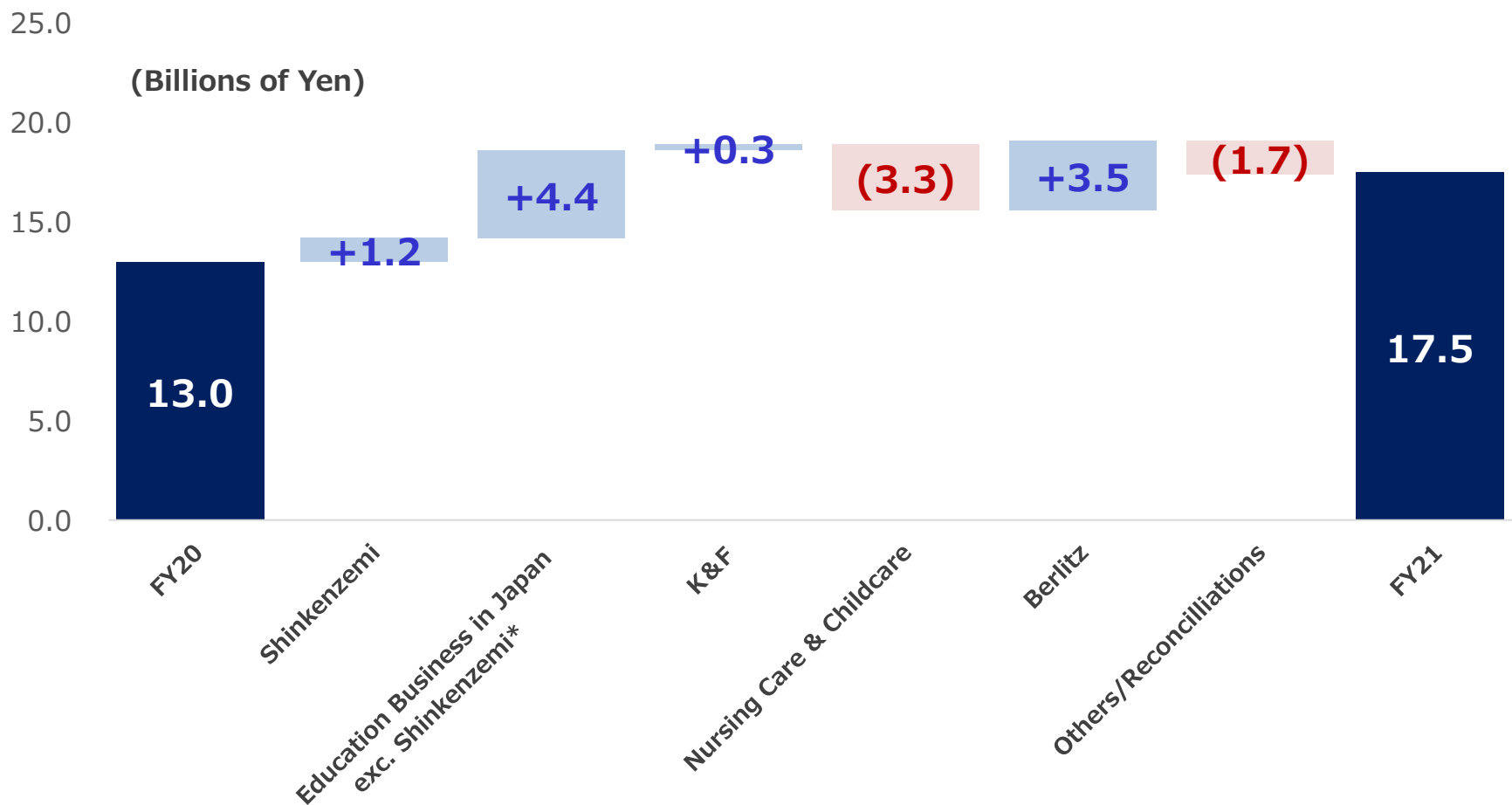
[Forecast] FY21 Highlights

Aim to steadily recover from the impact of COVID-19



【Forecasts】 FY21 Change in Operating Income by Segment (YoY)







Amid recent continued expansion in COVID-19 infection rates, there has been a steady recovery in the School & Teacher Support Business and the Classroom Business, but a negative impact on the Nursing Care Business from COVID-19 infections and change in revenue recognition standards



Strategy Summary (FY21)

Recover to FY19 levels by FY22

Gradually recover and grow via organic and inorganic growth

Business	Strategy summary	FY21 momentum (Operating income vs. FY19)
Shinkenzemi	<ul style="list-style-type: none"> • Grow profit by strengthening tablet based courses and raising retention rate • Efficiently increase engagement points via reform of marketing 	 Large profit increase
Cram School & English Education	<ul style="list-style-type: none"> • Swiftly recover from COVID-19 impact • Strengthen hybrid strategy via online lessons 	 Recover to FY19 level
School & Teacher Support	<ul style="list-style-type: none"> • Measures for the GIGA School concept • Further promote platform business for schools 	 Recovery to take another year
K&F (Global Kodomo Challenge + K&F)	<ul style="list-style-type: none"> • Japan: Bolster ties by merging structures of Tamahiyo business and Kodomo Challenge business • China: Strengthen digital content to respond to increasing competition 	 Revise strategy for China
Nursing Care & Childcare	<ul style="list-style-type: none"> • Respond to COVID-19, expand strategic properties 	 Depends on COVID-19 impact
Berlitz	<ul style="list-style-type: none"> • Clarify roadmap and possibilities for return to profit in FY22 	 Recover to FY19 level

April Enrollments in the Shinkenzemi and Kodomo Challenge (Japan)

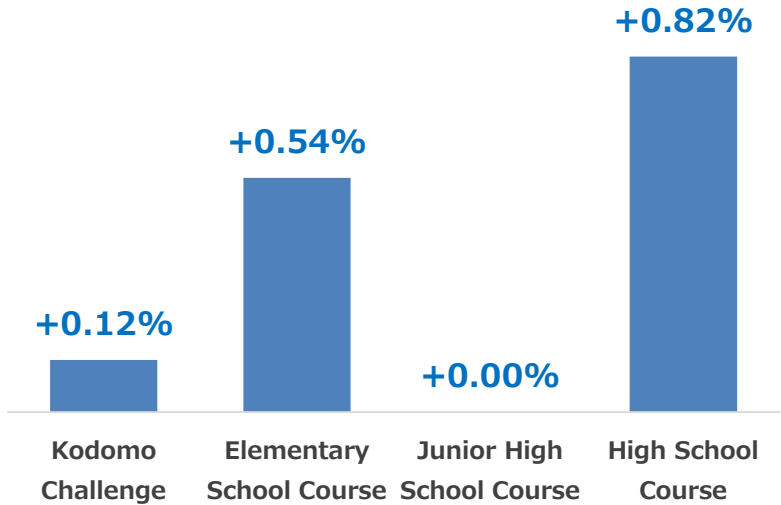
Total enrollments up 0.3% YoY
Expansion in elementary school course, but April new enrollments down slightly in other courses on change in market conditions

(thousand)	2019	2020	2021	YoY	Change (%)	Change in share (%)
High School Course	150	150	140	(10)	(9.4)	(0.3)
Junior High School Course	420	420	410	(10)	(1.8)	(0.3)
Elementary School Course	1,240	1,330	1,360	(30)	+2.9	+1.0
Kodomo Challenge	810	810	810	(0)	(1.1)	+0.0
Domestic Total	2,620	2,710	2,720	+10	+0.3	+0.2

Factors for Change in April Enrollments (April Retention Rate/April New Enrollments)

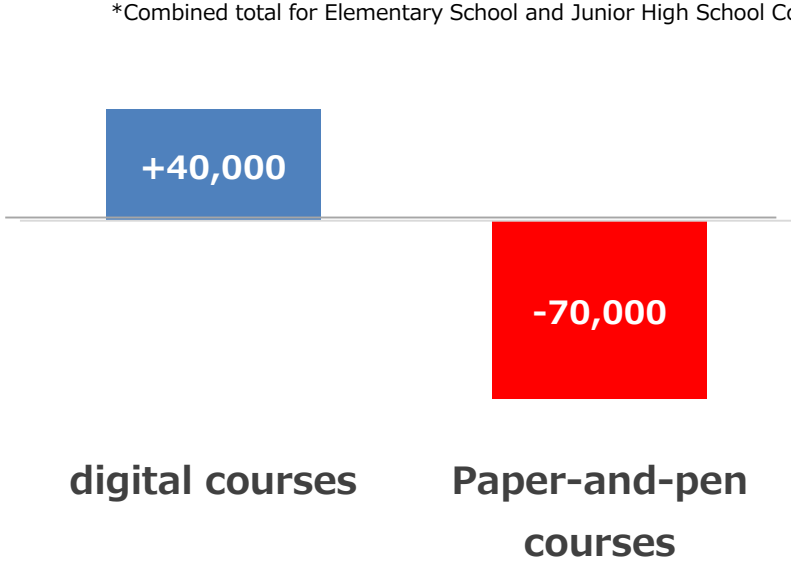
**Brisk April retention as existing students increase service usage
Growth in new April enrollments for digital courses but large fall for
paper-and-pen courses**

April retention rates by course (YoY)



**Rise in usage of study material services
Brisk April retention rates in all courses**

New April enrollments by course type (vs.FY19)



**Expansion in digital courses on improved services, greater client acceptance
Decline in paper-and-pen courses**

**Around 70% of April elementary school and junior high school course enrollees choose digital courses
(a sharp 20ppt increase compared to that of FY19)**

April new enrollment momentum brisk through February, declined from March

- Engaged with highly-motivated students, unable to stimulate volume zone containing the less motivated
- Rise in deferment/wait-and-see approach to out-of-school learning due to economic uncertainty, fall in children's motivation
 - Economic uncertainty = felt by around 30% *based on Benesse market surveys
 - Fall in children's motivation = rise of 30-40% compared to other years *based on Benesse surveys of teachers
 - Deferment/wait-and-see on out-of-school learning = around 30% *based on Benesse market surveys
 - Ratio of new enrollments paying monthly (pay-as-you-go) down around 10%
- Fall in contact with Kodomo Challenge materials at home of friend or acquaintance
 - Down around 10% vs. pre-COVID-19 (Compared to FY19)

Rise in usage thanks to strengthening of digital services for
FY20 courses
Steady improvement in courses offering deeper learning and
further growth



Digital Red Pen Teacher



Review lessons for all topics

- Digitalization and monthly implementation of Red Pen Teacher
 - Easier submissions
 - Instruction based on daily progress
- Rapid provision of digital lessons to offset major disruption to academic progress from school closures

■ 6% rise in enrollees continuing to use materials and contents
(5th yr. elem. s tudents)

■ 3 times increase in digital course enrollees submitting to Red Pen Teacher (5th yr. elem. students)

⇒ 4% YoY rise in following-March retention rate for April elementary school digital course enrollees

Growth Strategy for Shinkenzenmi

Aim to grow Shinkenzenmi using the following three strategies

Organic

Inorganic

Raise retention rate for enrollees digital courses

Marketing reform

Respond to diverse learning needs



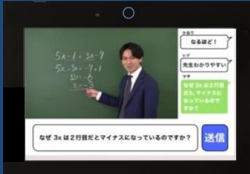
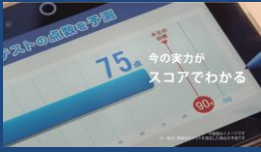

- Advance digital + human instruction
- Production of study materials based on data
DX and online shift

- Increase guardian engagement points
⇒ Learning notebook
- New marketing using trials, evidence, personalized proposals

- Leverage annual distribution of 500,000 dedicated tablets
 - Programming lessons launched in April 2021

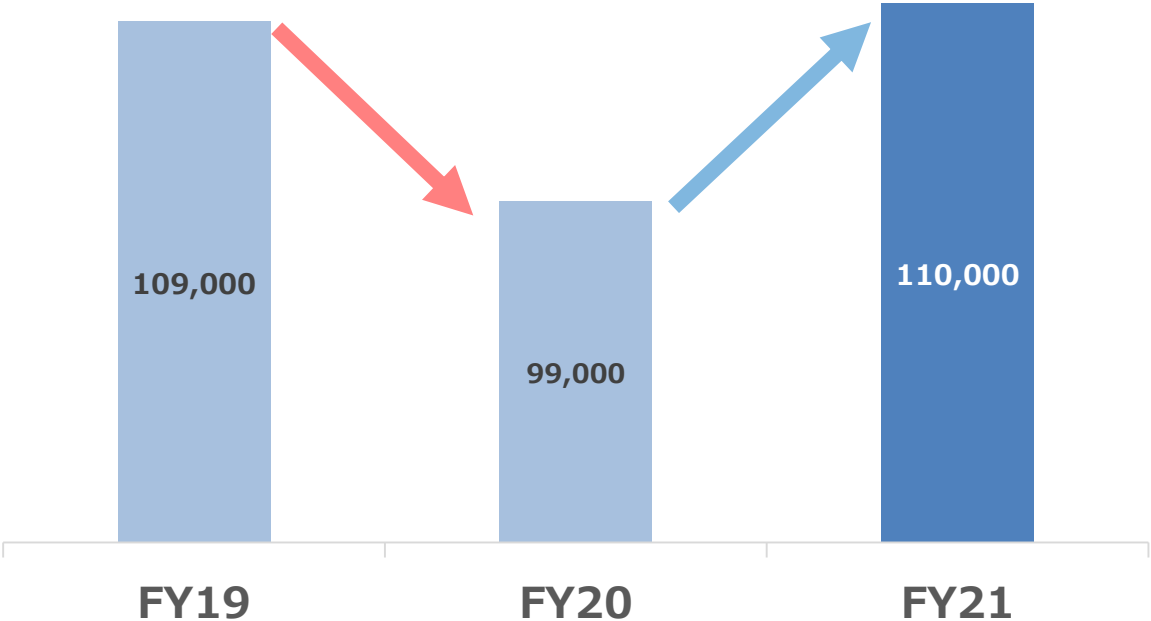
DX advances for Shinkenzeni

Advances in digital + human instruction to enable personalized learning and support motivation toward learning

		FY20	FY21	
<p>Online live lessons</p> <ul style="list-style-type: none"> ■ Promotes understanding ■ Pace of learning supports motivation 		Around 600 lessons	Around 4,200 lessons	Combined total for Elementary to High School courses
<p>Digital learning</p> <ul style="list-style-type: none"> ■ Personalized learning 		Rule-based (learning map)	AI personalized lessons based on proficiency	In the case of the Junior High School course
<p>Digital Red Pen Teacher</p> <ul style="list-style-type: none"> ■ Convenience ■ Instruction based on learning record 		Elementary Yrs. 3-6	All years in Elementary and Junior High	

Rapid V-shaped Recovery (Total April Enrollments)

Steady recovery in enrollments by strengthening COVID-19 countermeasures, bolstering new admissions, and increasing service satisfaction levels for current enrollees

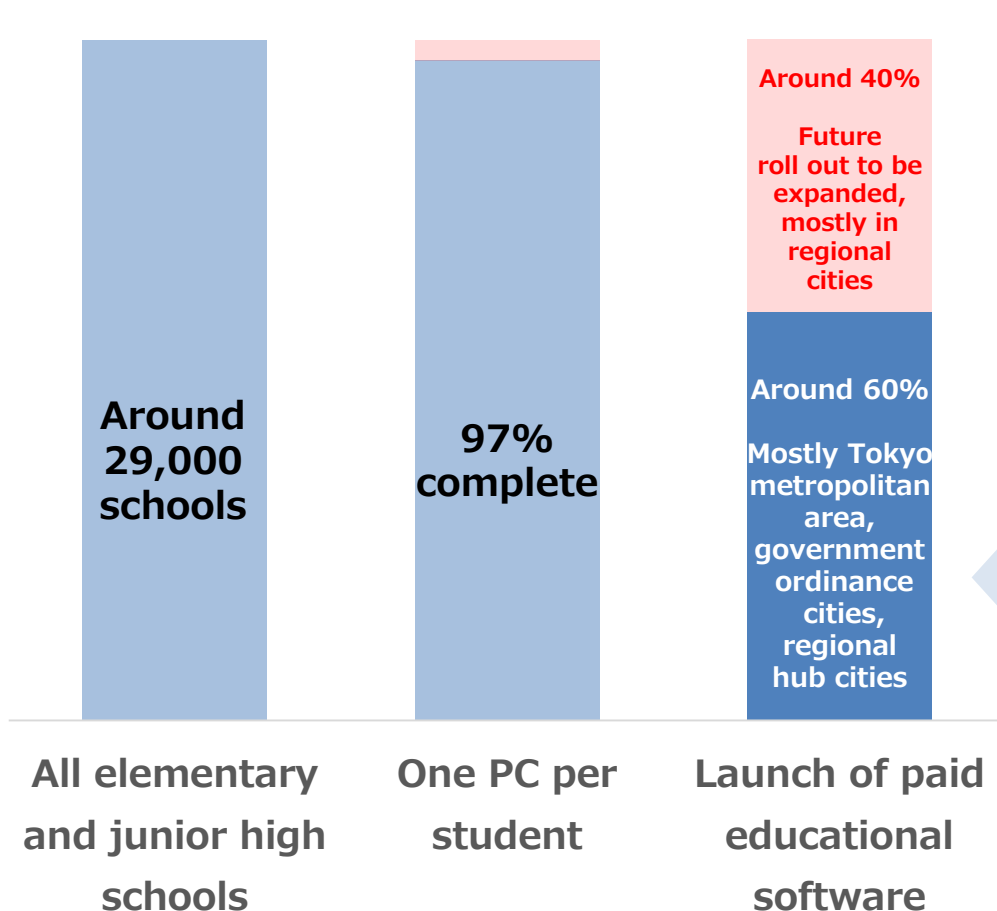


Having completed conversion to online lessons we expect to be able to curtail the future impact of COVID-19

*Total number of Group cram school enrollees as of April

State of GIGA School Project and New Measures

Amid rapid progress on the one PC per student movement by the government, an increasing number of schools are using Miraiseed



エヌイーエフ
Miraiseed

- Paid software for elementary and junior high schools
- Used by around 6,000 schools (2.4mn students)
*As of April 2021
- Uptake increasing owing to usability in classrooms, service design, and sense of security from around 900 ICT supporters
⇒ Target growth to 7,000 schools by end-FY21

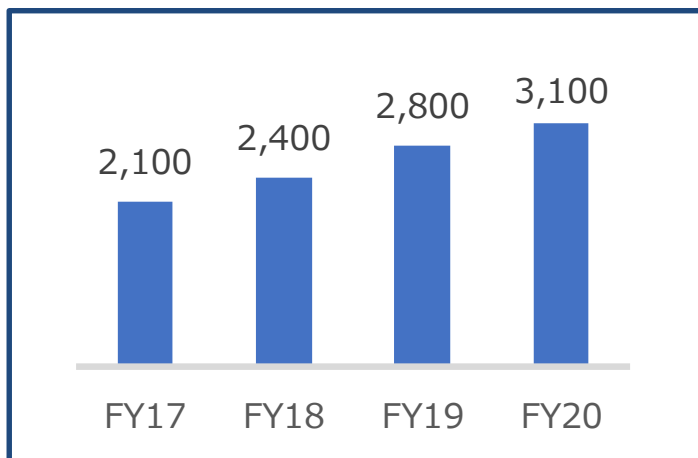
Platform Business for Schools

Creating value through synergies gleaned from customer engagement points

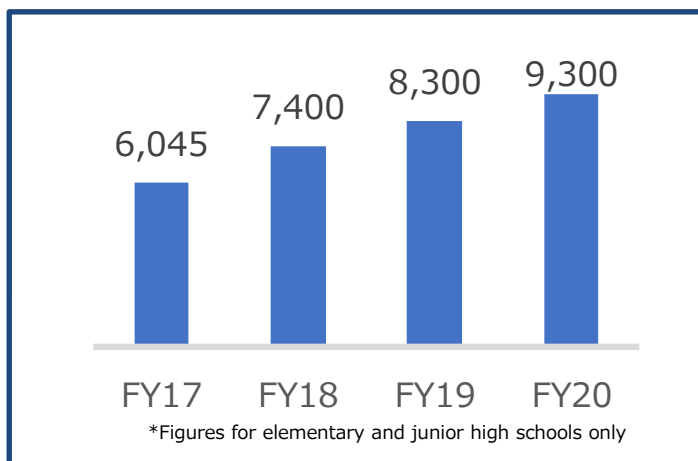
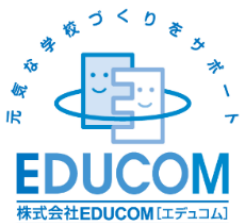
No. of schools using

Strategy

Classi



- Realize personalized learning linked to Benesse assessment
- Strengthen support for personal usage aimed at problem solving and shift to ICT
- Product development with schools
Empirical research focused on school issues conducted in cooperation with schools



- Expand support for existing admin and provide reliable user support through CS activities
- Realize school net concept
Link related services with a focus on school admin support, and support teachers' everyday instruction using ICT
- Expand support for high school administration

Tamahiyo and Kodomo Challenge (Japan)

Merge the structures of Tamahiyo (K&F division) and Kodomo Challenge (Global Kodomo Challenge Company) (planned change in segment name)

Cooperate, mainly through apps, with the aim of expanding customer engagement points and providing wide-ranging support

Targets

- Increase new customers in joint effort by Tamahiyo World and Kodomo Challenge World
- New business development (including support for guardians)
- Raise sales efficiency via mutual use of customer data

Pregnancy

Baby

Ages 1-6



こどもちゃれんじ

Tamahiyo app

450,000 downloads a year

Shimajiro Club app

Apps for members and non-members launched in FY21

Amid significant change in the business environment, pursue product digitalization and transformation of the sales structure

Key issues

Overheating and increasing competition in target markets due to entry of new players

Digital + activation of preschool education market

Decline in sales efficiency

Measures

Redesign business strategy
(start from course focus)

<Measures for FY21>

- Raise product value via digital + people (product adjustments from Sep 21)

Develop AI video lessons



- Reform sales structure (expand EC, increase digital engagement points, use data)

Steadily implement the strategies of the medium-term management plan while responding to COVID-19

Expand No. of homes

- **Develop strategic properties**
 - Strengthen unique high-end homes
 - Deepen and expand dominance strategy
 - Area growth linked to hiring strategy



Aria Ichiban
(opened Feb 2021)



Strengthen HR training

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

Grow peripheral businesses (medium- and long-term)

- **Grow peripheral businesses**
 - Increase scale of HR recruitment business, non-contiguous growth
 - Formulate method for “Benesse sensing homes” using technology

Swiftly determine prospects for return to profit in FY22

Recent momentum

- Additional structural reforms of FY20 to lower costs YoY in FY21
- Major fall in breakeven point on cumulative impact of restructuring measures
- Berlitz 2.0 to launch fully in FY21, targeting topline recovery

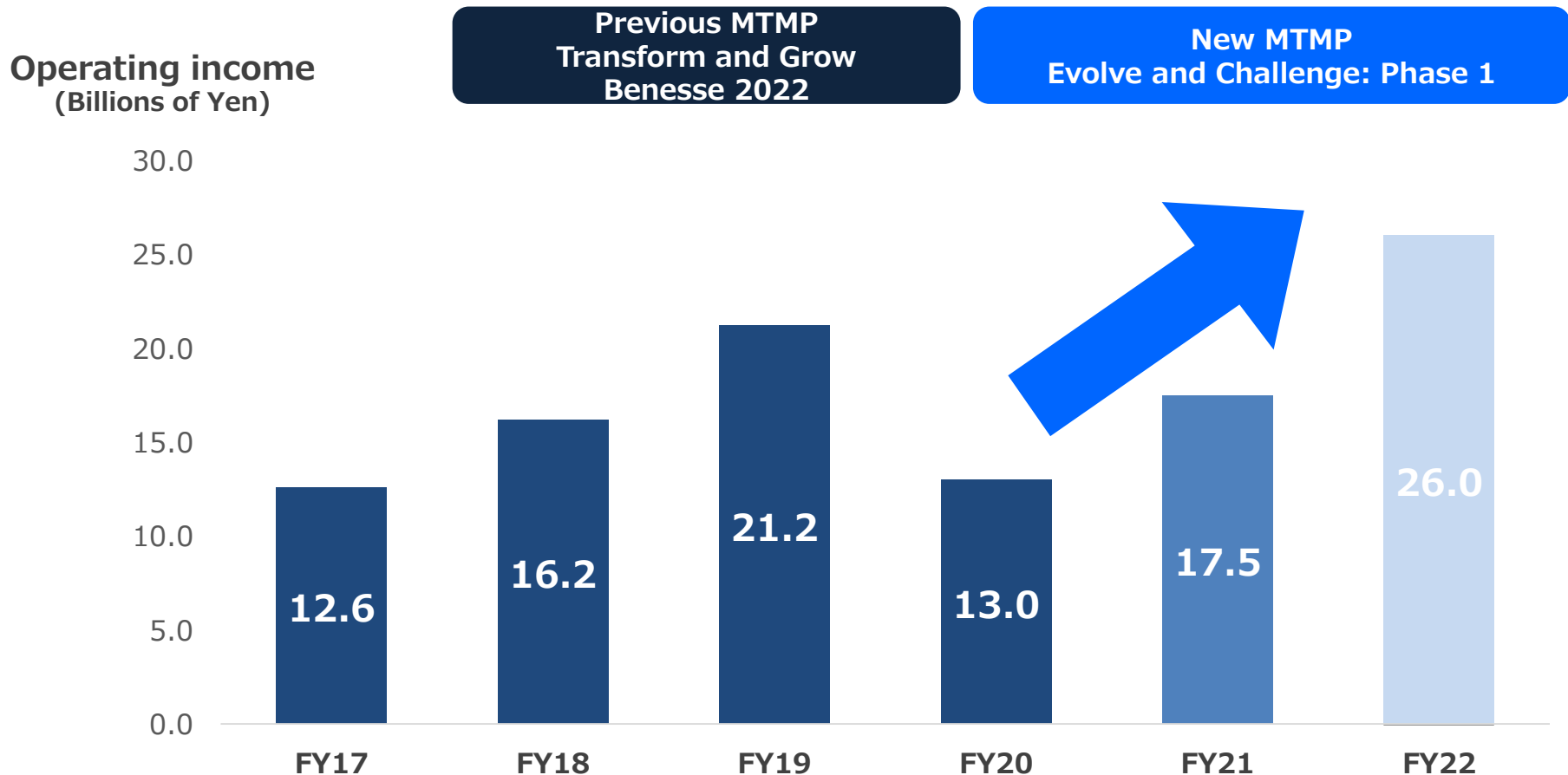


Targeting return to profit in FY22, recent progress as expected

While monitoring sales growth and initial student enrollments from new products aim to swiftly gauge prospects for FY22 return to profit during FY21

Expect V-shaped Recovery in FY22

Target FY22 operating income of Y26bn



Medium- and Long-term Growth Strategies

Addendum: 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

To achieve a V-shaped recovery from the impact of COVID-19 organically in existing fields

Challenge & growth

Aim for further 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

To 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

OIM 8%+
ROE 10%+

Medium- and Long-term Societal Issues

Deepening structural problems in Japanese society in the educational and nursing care spheres over the next 5-10 years

Learning & childcare

- Decline in school entry competition due to falling birthrate → Loss of concepts of goals/competition
- Diverse learning will be important to navigate the future
- Need to develop human resources who can operating in a global environment
- Acceleration in digital/AI usage
- Strong possibility of widen in educational inequality owing to income disparities/regional disparities

University students & working adults

- Universities without a unique selling point to wither away
- University ratings to shift from “entry level” to “post-graduation pathways”
- Lifelong learning to become important for working adults too

Nursing care

- Elderly population to rise by 2040, especially in city centers
- Supply shortage of nursing care services, acute shortage of nursing care human resources
- Longer healthy expectancy to become a major issue

Medium- and Long-term Business Growth Strategies

Grow inorganically in existing businesses, plant more seeds for new business fields

Inorganic growth

- **Shinkenzeni** : Develop platform business attuned to diverse learning
- **K&F** : Online lessons (for caregivers and children)
- **School & Teacher Support** : Bolster instruction and training for Shinken Simulated Exams through links with Classi (LMS)
- **Nursing Care** : Expand peripheral businesses (HR recruitment business)

Online lessons
(dance class)



Challenge new fields

- **University students & working adults** : Develop new revenue model centered on Udemy
- **Overseas expansion** : Consider overseas development around the periphery of core businesses

Create systems to promote robust Group DX in support of efforts to “evolve core businesses” and “challenge new fields”



Assembly/dispatch of in-house & external specialists

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



Digital Transformation Certification

Obtained DX Certification from METI on May 1st.

ESG: 「S」 Boost Skills Development Among Staff

Not only recruiting DX staff, but promoting DX skills development among all employees

HR
development
policies

- Gauge organization capabilities, promote desire for self-improvement and challenge among employees
- Prepare “Job + skill level” specific training, improve while monitoring impact

Job
definitions

Define positions needed for Benesse DX

Skill maps

Create skill map for each position
Provide visibility on required skill levels

Assessment

Stress objectivity and market value appraisal
Also use external assessment

Management

Manage via talent management system

Training
programs

Original programs based on in-house cases + use of Udemy
*No. of Udemy trainees at Benesse Corporation: 2,065 (93% of total headcount)



**Aim to keep dividend per share
at Y50 in FY21**

**from the perspective of
maintaining stable dividends**

