



Financial Results for 2Q FY2021

November 5, 2021

Benesse Holdings, Inc.

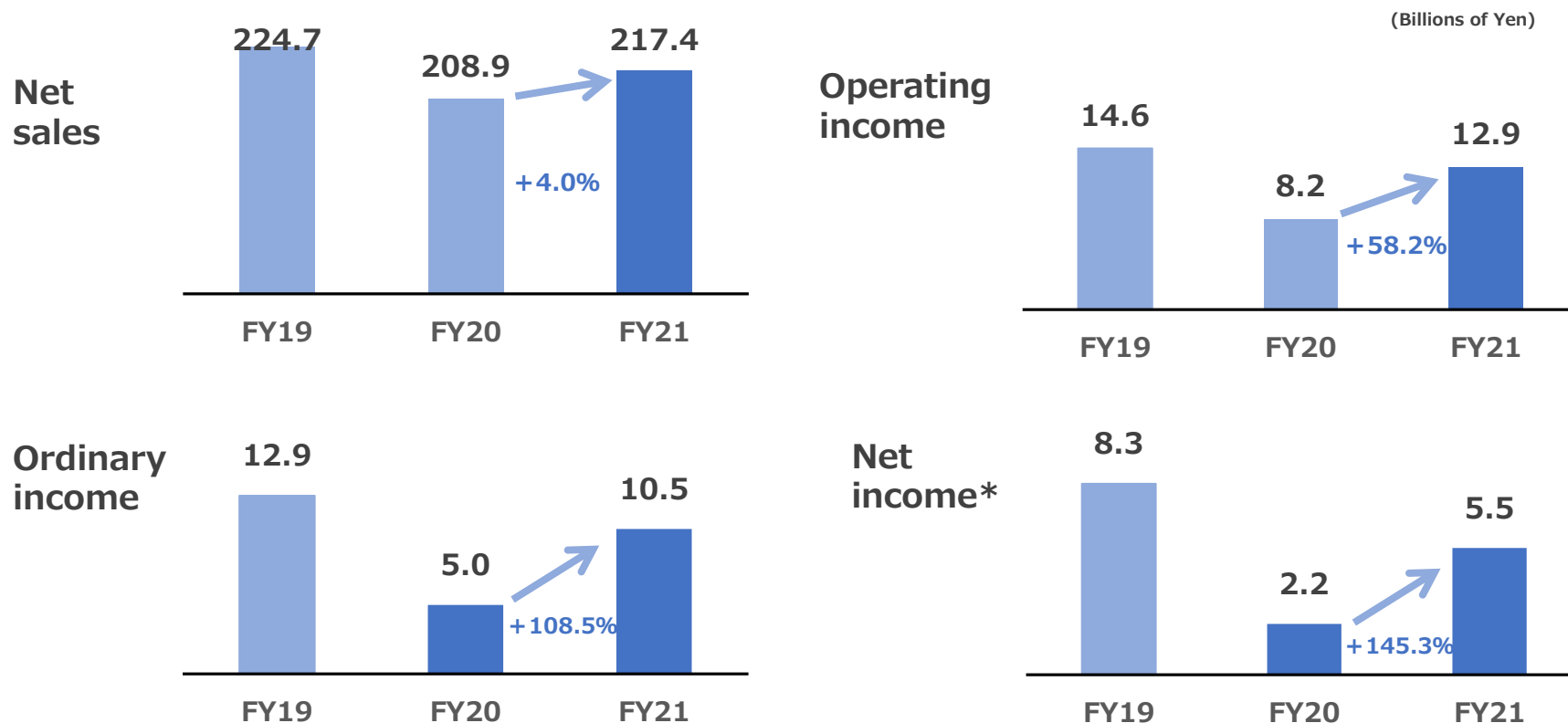
This presentation contains forward-looking statements concerning the future plans, strategies, beliefs and performance of Benesse Holdings, Inc. and its subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information 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.



2Q FY2021 Results Summary and Full-Year Forecasts

Shinsuke Tsuboi
Executive Officer, CFO,
Managing Director of Finance and Accounting
Benesse Holdings, Inc.

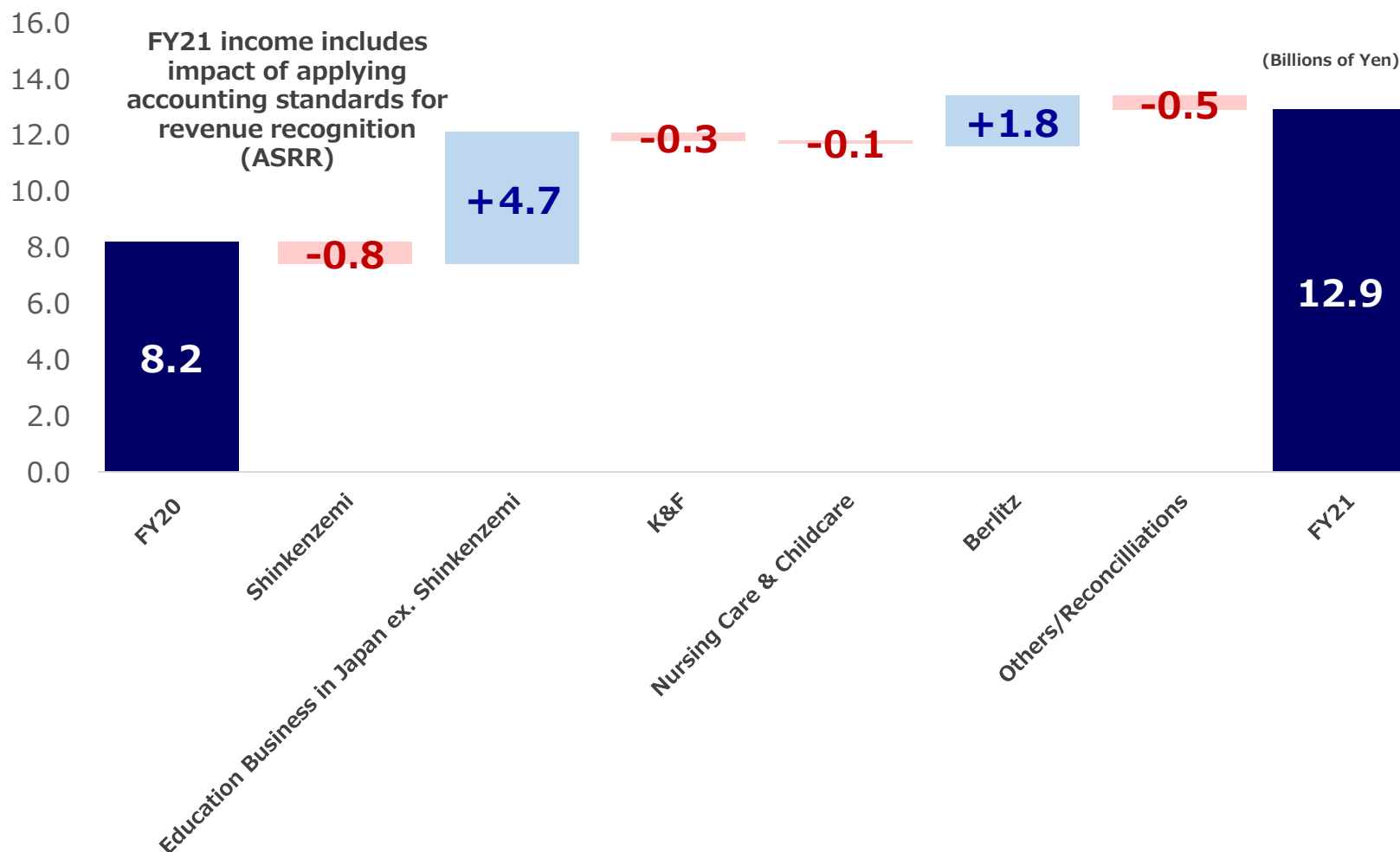
Sales and income both up strongly YoY



*Net income attributable to owners of the parent

Change in 1H operating income by segment (YoY)

Large increases in income in the School and Teacher Support business and Cram Schools and English Education business on recovery from COVID-19 impact



Despite fall in cumulative enrollment on reaction to last year, new revenue streams such as programming have emerged

By business	vs. FY20			vs. FY19 pre-COVID
	YoY	ASRR impact	ex. ASRR impact	
Net sales	-0.7	(-0.9)	+0.2	+3.7
Operating income	-0.8	(-0.6)	-0.2	+1.5

(Billions of Yen)

*Approximate figures for FY19 owing to change in segment classification

● YoY fall in total enrollment

(YoY: April enrollment +0.9% → 1 Q total enrollment -0.2% → 2 Q total enrollment -1.6%)

• Retention rate was expected to be midway between FY19 and FY20 levels, but was slightly below the expectation
(recovery from October)

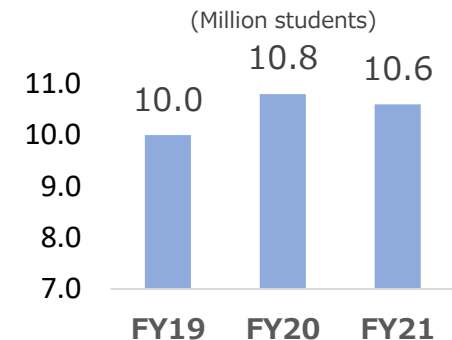
● Strong start for extra-curricular diverse learning courses (programming course)

● Rise in expenses to bolster investment

(inc. textbook revisions and investment in tablets)

● Increase in average revenue per customer on impact of price rise for some product lines

【Cumulative enrollment in 1H】



Income in Cram Schools & English Education Business above pre-COVID level, steady recovery also in School and Teacher Support Business

By business	vs. FY20			vs. FY19 pre-COVID
	YoY	ASRR impact	ex. ASRR impact	
Net sales <small>(School and Teacher Support)</small>	+1.8	(+0.1)	+1.7	-1.7
Net sales <small>(Cram Schools/English Education)</small>	+5.4	(+0.0)	+5.4	+2.6
Operating income <small>(Total)</small>	+4.7	(+0.1)	+4.6	-0.2

(Billions of Yen)

*Approximate figures for FY19 owing to change in segment classification

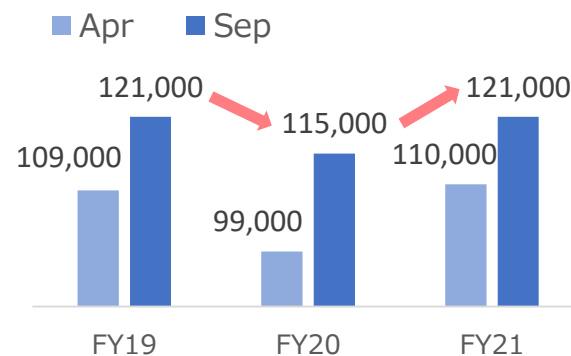
School/
Teacher
Support

- Steady recovery at Shinken Simulated Exams
(future measures needed to respond to decline in birthrate)
- Steady sales of products such as Miraised to elementary and junior high schools

Cram
Schools/
English
Education

- Enrollment (Apr/Oct) regains pre-COVID level
(mainstay TKG, Testsuryokukai above FY19 levels)
- Inquiries now recovering after dip in summer months

[Enrollment in Cram Schools & English Education Business]



Progress in K&F (Kodomo Challenge & Tamahiyo)

Enrollment down YoY in both Japan and China, income down on higher sales expenses and other costs despite higher average spend per customer

By business	vs. FY20			vs. FY19 pre-COVID
	YoY	ASRR impact	ex. ASRR impact	
Net sales	-0.1	(-1.1)	+0.9	-0.6
Operating income	-0.3	(-0.0)	-0.2	-0.0

(Billions of Yen)

*Approximate figures for FY19 owing to change in segment classification

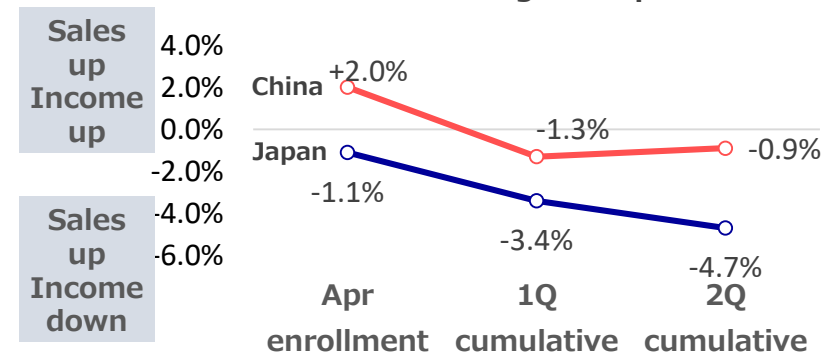
Kodomo Challenge Japan

- Sales up on higher average spend despite fall in cumulative enrollment
- Concert business up YoY

Kodomo Challenge China

- Sales up on forex impact despite fall in cumulative enrollment
- Planning strategy shift in 2H

[YoY enrollment change in Japan and China]



Sales up on YoY expansion in nursing home network but income down on fall in occupancy rate

By business	vs. FY20			vs. FY19 pre-COVID
	YoY	ASRR impact	ex. ASRR impact	
Net sales	+2.5	(+0.8)	+1.7	+2.6
Operating income	-0.1	(+0.8)	-0.9	-1.6

(Billions of Yen)

- Sales up on expansion in home network

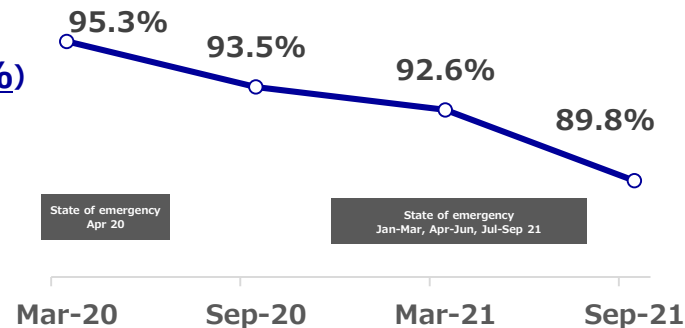
(end-1H FY21: 342 homes +8 YoY)

- Fall in occupancy rate due to COVID-19 (end-Sep 89.8%)

- ASSR impact a plus in 1H (may change in 2H depending on occupancy rate)

(inc. lump-sum write off on exit during depreciation period)

[Change in occupancy rate]



Slowing in topline owing to structural reforms, but operating loss narrows YoY

(Billions of Yen)

By business	vs. FY20			vs. FY19
	YoY	ASRR impact	ex. ASRR impact	pre-COVID
Net sales	-0.5	-	-0.5	-9.9
Operating income	+1.8	-	+1.8	+0.1

- **Topline slows owing to structural reforms**

BTS : Sales up YoY despite major fall vs. FY19
 ELS : Ongoing decline owing to COVID-19 impact

- **Operating loss narrows due to fall in fixed costs from structural reform**

- **Launch of Berlitz 2.0 globally**

【Change in 1H net sales and operating income】

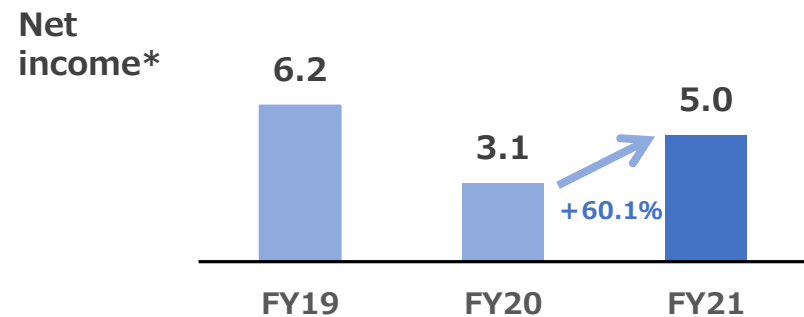
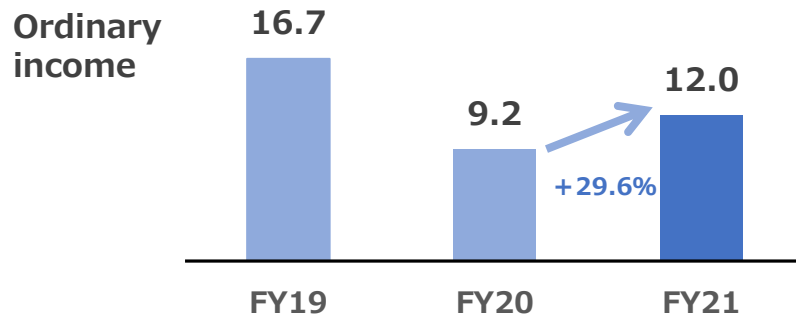
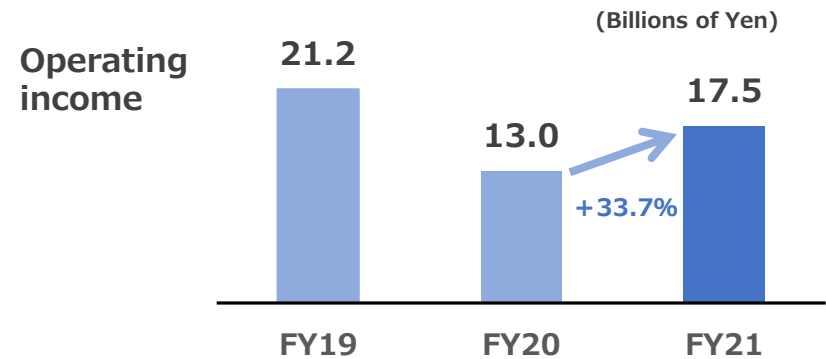
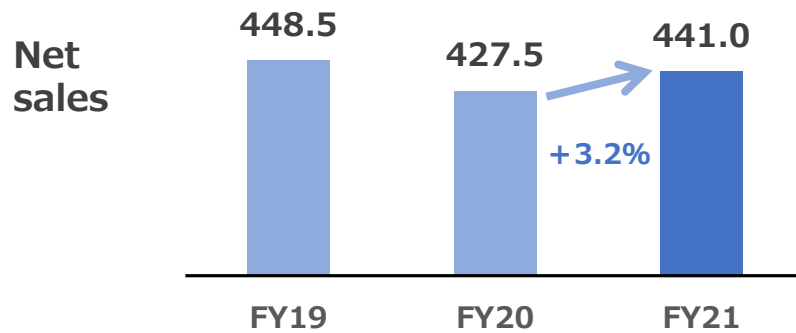
(Billions of Yen)

	FY19	FY20	FY21
Net Sales	23.0	13.6	13.1
Operating Income	-2.0	-3.7	-1.9

Highlights of FY21 Full-year Forecasts (YoY)

No change in forecasts

Aim to achieve initial operating income forecast of ¥17.5bn while investing for growth in future years



*Net income attributable to owners of the parent

**Aim to keep dividend per share
at ¥50 in FY21**

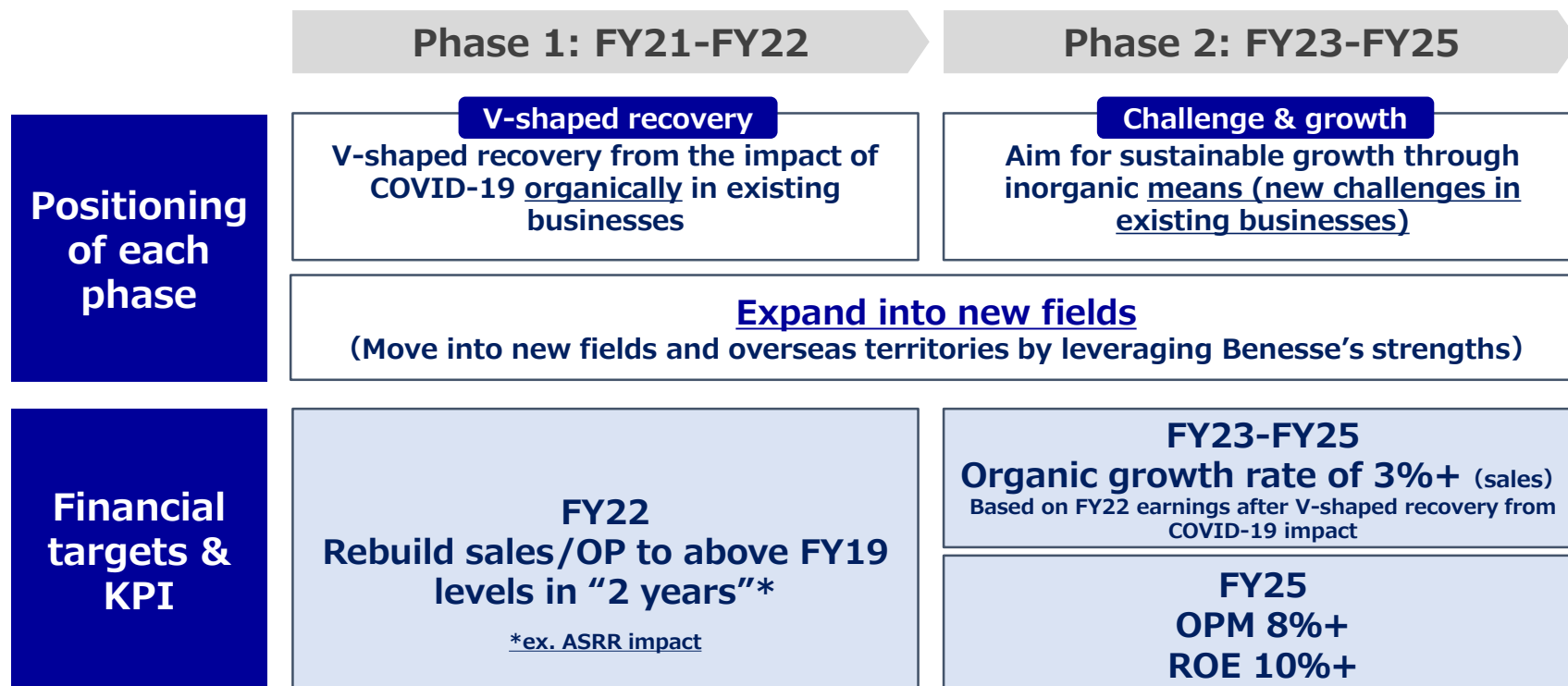
**from the perspective of
maintaining stable dividends**



Progress on strategy

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

Target V-shaped recovery in phase 1, growth via new challenges in phase 2



Direction of phase 1 unchanged, steadily implementing plans

Shinkenzeni	<ul style="list-style-type: none">● Grow income by strengthening digital courses and raising retention rate● Efficiently expand contact points via reform of marketing● Expand platform for diverse learning
Cram Schools & English Education	<ul style="list-style-type: none">● Recover from the impact of COVID-19 and create further growth● Strengthen the hybrid strategy using online courses
School & Teacher Support	<ul style="list-style-type: none">● Respond to changes in school learning resulting from COVID-19 and educational reform<ul style="list-style-type: none">→Measures for the GIGA School Project→Overhaul assessment operations
K&F	<ul style="list-style-type: none">● Japan: boost links between Tamahiyo and Kodomo Challenge, make a start on digital courses● China: adjust business model to respond to increasing competition
Nursing Care & Childcare	<ul style="list-style-type: none">● Countermeasures for COVID-19, expand network of strategic facilities
Berlitz	<ul style="list-style-type: none">● Discussing business's positioning within the group with the aim of making a swift decision

Shinkenzemi/Kodomo Challenge in Japan: October enrollment



Total October enrollment -4.4% vs. FY20

	2019	2020	2021	YoY	Change(%)
High school courses	110,000	110,000	90,000	-20,000	-15.1
Junior high school courses	330,000	360,000	330,000	-30,000	-8.1
Elementary school courses	1,120,000	1,240,000	1,230,000	-10,000	-1.2
Kodomo Challenge	790,000	830,000	780,000	-50,000	-6.3
Total for Japan	2,350,000	2,540,000	2,430,000	-110,000	-4.4

New enrollment and retention both slightly below target in 1H, but upturn in retention rate from October thanks to retention improvement strategy

Aim to achieve targets for new enrollment and retention during high-time period*

*high-time period: the peak Nov-Apr marketing period

1H progress

- Slight fall in new enrollment vs. FY20/FY19 was expected
 - May-Sep new enrollment: -10,000 vs. FY20, -5,000 vs. FY19
- Retention up on FY19, down on brisk FY20 figure
 - May-Sep average retention rate: -0.8% vs. FY20, +0.1% vs. FY19
 - **Improved retention rate since October on upgrades to UI/UX (e.g. revised home screen) and accelerated measures to promote usage**
⇒ **October retention rate: +0.2% vs. FY20, +0.6% vs. FY19**
- 1H average user spending **+1.8% vs. FY20** *ex. ASRR impact
 - Due to revised course prices, popularity of optional courses

2H outlook

- Expect new enrollment midway between FY19 and FY20 levels
- Aim to achieve target for retention on brisk level since October

Initiatives to improve suitability for each student and cater to highfliers amid diversification in learnings needs

Challenges

Elementary school courses

- Grow share of market for highfliers

Junior high school courses

- Decline in studying motivation

High school courses

- Increasing importance of guidance suited to each student

Initiatives

- Launch 「non-graded learning」 for Japanese and mathematics



- Raise motivation through use of “online live lessons” and “proficiency score”



- Introduce “dedicated coaches for each high school”



- Actively propose the “elite EVERES Course” for highfliers

Expand sales and raise profitability by leveraging our customer base (including the distribution of 500,000 dedicated tablets a year)

Expansion in “optional courses”

Programming course for elementary school students (launched April 2021)

Popular, attracting 30,000 enrollees, and highly profitable



Development of “online extra-curricular business”

Currently being trialed
ahead of official start in April 2022

Developed in collaboration with experts in each field

- Dance course
 - Developed with
Avex Dance Master
- Art course
 - Developed with
Education Through
Art, Ltd.



Other courses include abacus, calligraphy, careers,
and programming for junior high and high school students

Education business in Japan: growth strategy for School and Teacher Support business

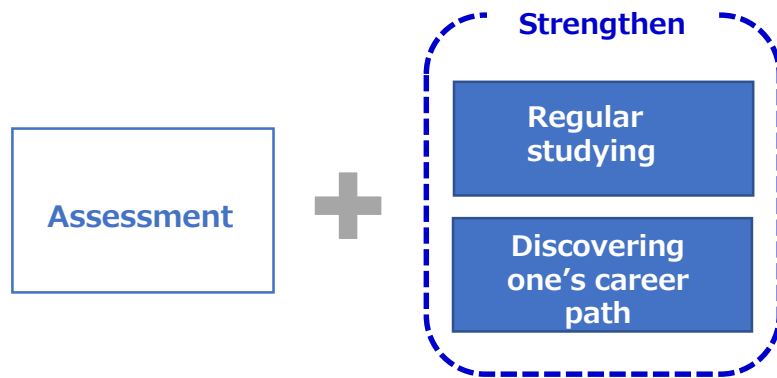
For high school, pursue changes in service aligned with situation at high schools
 For elementary/junior high schools, expand number of schools using Miraised as part of GIGA School Project

High schools

<Market environment>

Diversification in students/university entrance exams
 making guidance difficult, especially for mid-tier schools
 Increased need for support for individual guidance attuned to academic abilities and pathways

⇒ Strengthen support for regular studying and learning about one's career path
 Integrated support from assessment through to guidance



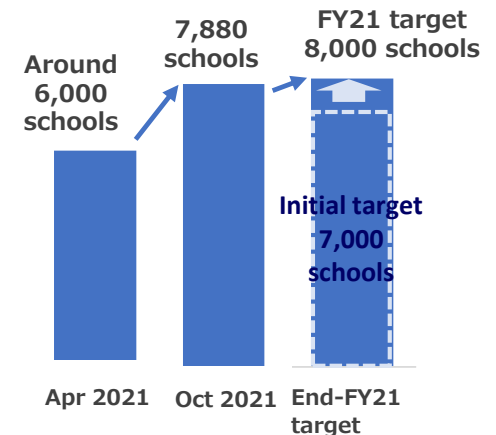
Elementary/Junior high

<Market environment>

PCs installed at almost all the nationwide 29,000 elementary schools/junior high schools under the GIGA School Project
 Licensed educational software **installed at around 70% of schools**

⇒ Number of schools installing licensed educational software Miraised continues to run ahead of target pace since April

Number of schools using Miraised



Strengthen links and retention between Tamahiyo, Kodomo Challenge, and elementary school course Challenge Touch

Links between Tamahiyo and Kodomo Challenge

● Create membership pathway from Tamahiyo to Kodomo challenge Baby

- Set target for carryover customers from Tamahiyo to Kodomo Challenge Baby
- Raise interest in Kodomo Challenge via Tamahiyo media
Implement brand trials and pathway to Kodomo Challenge Baby membership

⇒ Strengthen route via rapid implementation while upgrading



Strengthen retention from Kodomo Challenge to elementary school course

● Launched digital course Jump Touch (Apr 22)

- Ease parent/caregiver burden via individual course design
- Differentiate course from competition through mix of digital + paper materials/equipment, fostering thinking abilities/STEAM

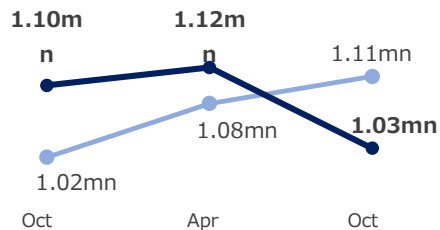
⇒ Enable smooth transition to Challenge Touch elementary school course



Membership fall due to sudden change in the environment, reform of business model an urgent issue

Recent membership (vs. four years ago)

Large decline in membership



10月 4月 10月

● Oct 16→Apr 17→Oct 17

● Oct 20→Apr 21→Oct 21

Challenges

(change in environment)

Need to respond to sudden change in the environment

● Macroeconomic impact Declining birthrate

of births in 2020 12.48mn (-27.6% vs. 2017)

Impact of COVID-19,
higher operating cost

● Competition

Excessive capital inflow, rise in
advertising costs

● Regulation in China

Double reduction policy

Future direction

Reform of business model an
urgent issue

- 1) Grow by focusing on retention
- 2) Reform cost structure
- 3) Peripheral businesses
 - Strengthen cross-selling

Initial priority to rebuild facilities business from impact of COVID-19. No major change in strategy.

Organic

Facilities business

- **Recent rebound in pre-occupancy tours**
→ Back to 107% of FY19 level (as of Oct: tours of existing homes)
- **Improve occupancy rate by strengthening marketing**
→ Find new residents via hospitals/care managers
- **No change in medium/long-term strategy**
→ Development of strategic facilities
→ Nursing care DX “Benesse Sensing Home”

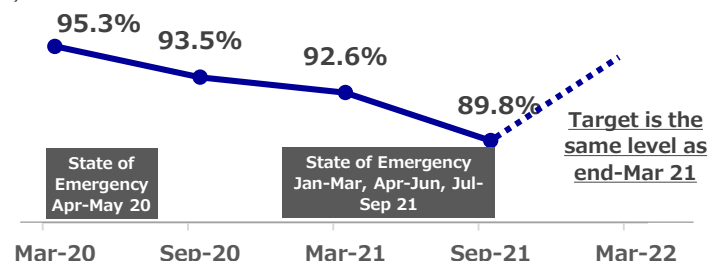


Inorganic

Peripheral businesses

- **Proto Medical Care brought into Group** (recruitment company)
→ New medium-term management plan to begin in October
- **Continue to expand scale and strengthen non-contiguous growth in peripheral businesses**

Change in occupancy rate



[Development of strategic facilities]

Aria Takarazuka opened Sept 1
First Aria series home in Hyogo Prefecture



Initial

Implementing measures to rebuild topline for return to profit in FY22 while holding discussions on the positioning of Berlitz in the Group's business portfolio

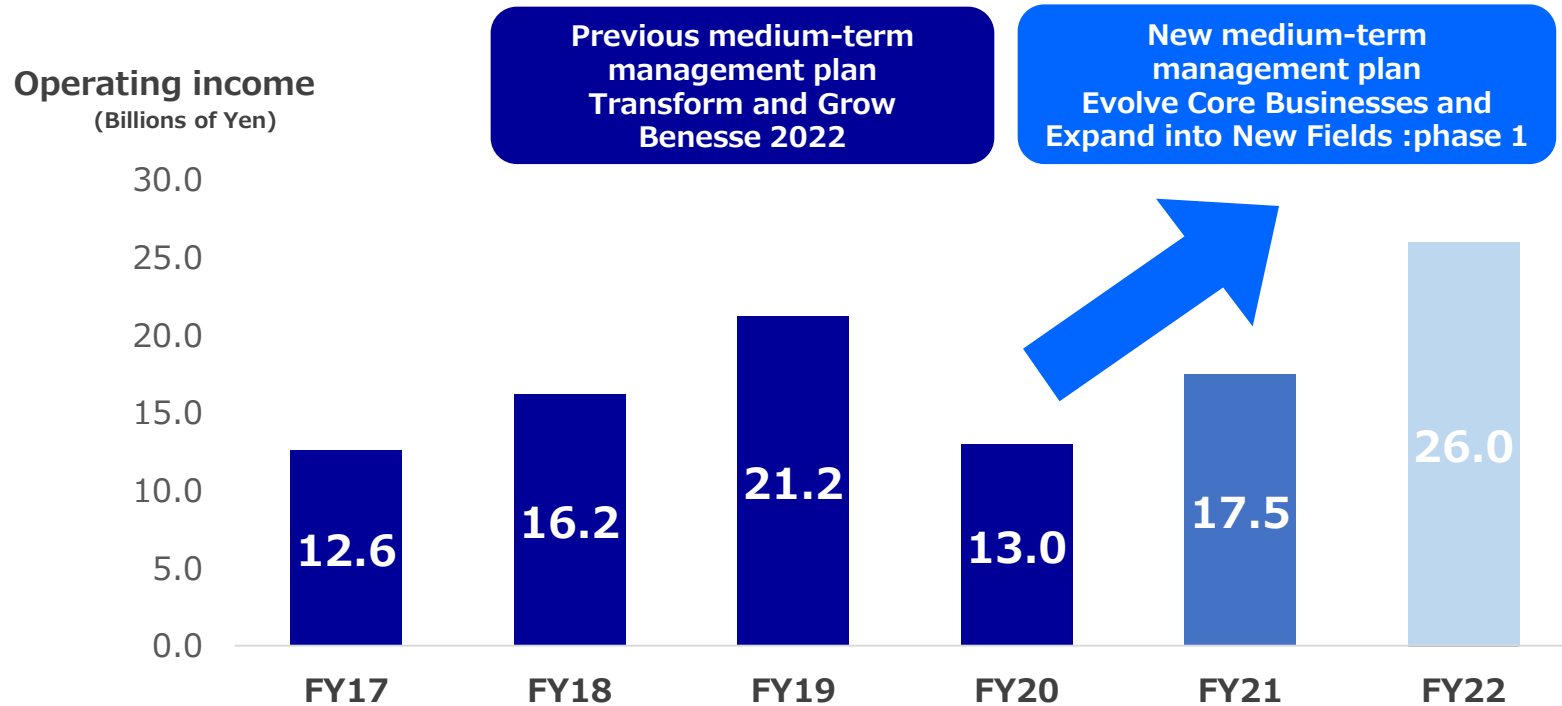


Current

Under discussion toward a swift conclusion

V-shaped recovery in FY22

No change in forecasts for FY22



Start of "DIP", a new structure to promote Group DX, selected as DX stock for first time in 2021



Double win at Japan e-Learning Awards 2021

Minister for Internal Affairs
and Communications Award
Speaking Quest



English performance tests
for elementary schools
(supplied as part
of Miraised)

Education BCP
Special Division Award
Manabi No Techo



Education information sharing
app for parents and
other caregivers
(supplied free)

Awarded grant by Japan Science and Technology Agency

Selected as "Business pursuing the development of
robotic care devices" by the
Japan Agency for Medical Research and Development



Benesse Style Care



Development of system for identifying factors
and detecting symptoms of PBS
(behavioral and psychological symptoms of dementia)
using AI

Establishment of Digital Innovation Fund (DIF)

Creation of new investment functions to further accelerate DX and strengthen joint development, collaboration, and alliances with external partners

Established DIF in Nov 2021

Will invest up to ¥5bn over five years
to boost inorganic growth and challenge new fields



 Benesse
**Digital Innovation
Fund**

Plan to invest in two companies as first projects



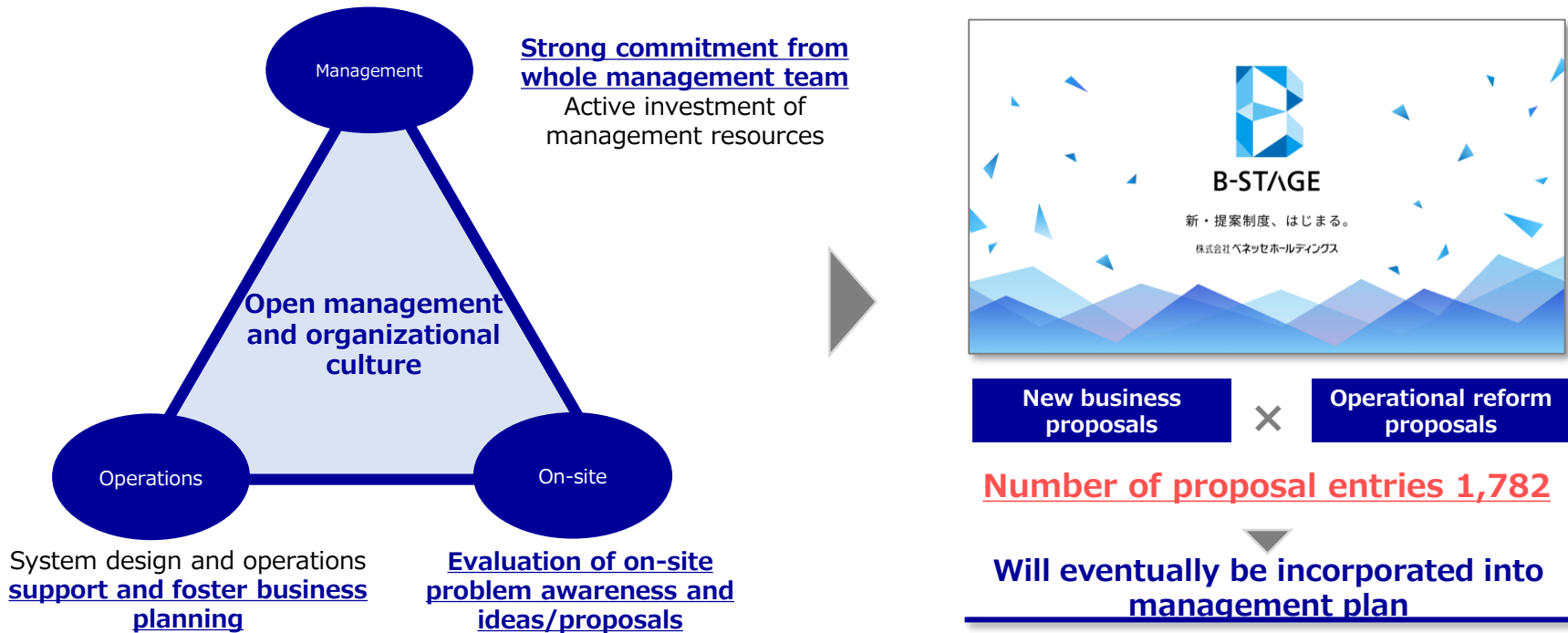
- Provides training bootcamps for high-level IT staff
- Target synergies between CC's strong products and Udemy's marketing for working adults



- Industrial research venture strong in data analysis and AI
- Target increased pace of data and AI utilization in businesses in the education, lifestyle, and nursing care spheres

New proposal system “B-STAGE”

New proposal system targeting an open management and organizational culture begun in FY21



Aims to reform Benesse by “unifying management and on-site operations” and to contribute to the resolution of social issues

● Direction of medium- and long-term growth

Deepen consideration of each business's growth strategy through end-FY21 and reaffirm

"direction of medium- and long-term growth" for FY22 onward

- Inorganic for existing businesses
- Concrete start on overseas business
- Expand and solidify business domains with potential for continuity

● Value creation model centered on three core values

Will set out an overall image for value creation centered around the three core values of "customer value," "social value," and "economic value."
Will focus particularly on ESG and sustainability.

● Management focused on capital efficiency

Essential to raise **efficiency expressed by ROE.**

This will be achieved by setting of quantitative targets and active dialog on the **required format of the business portfolio.**

< Three core values >

