



Financial Results for 1H FY2022

November 9, 2022
Benesse Holdings, Inc.

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

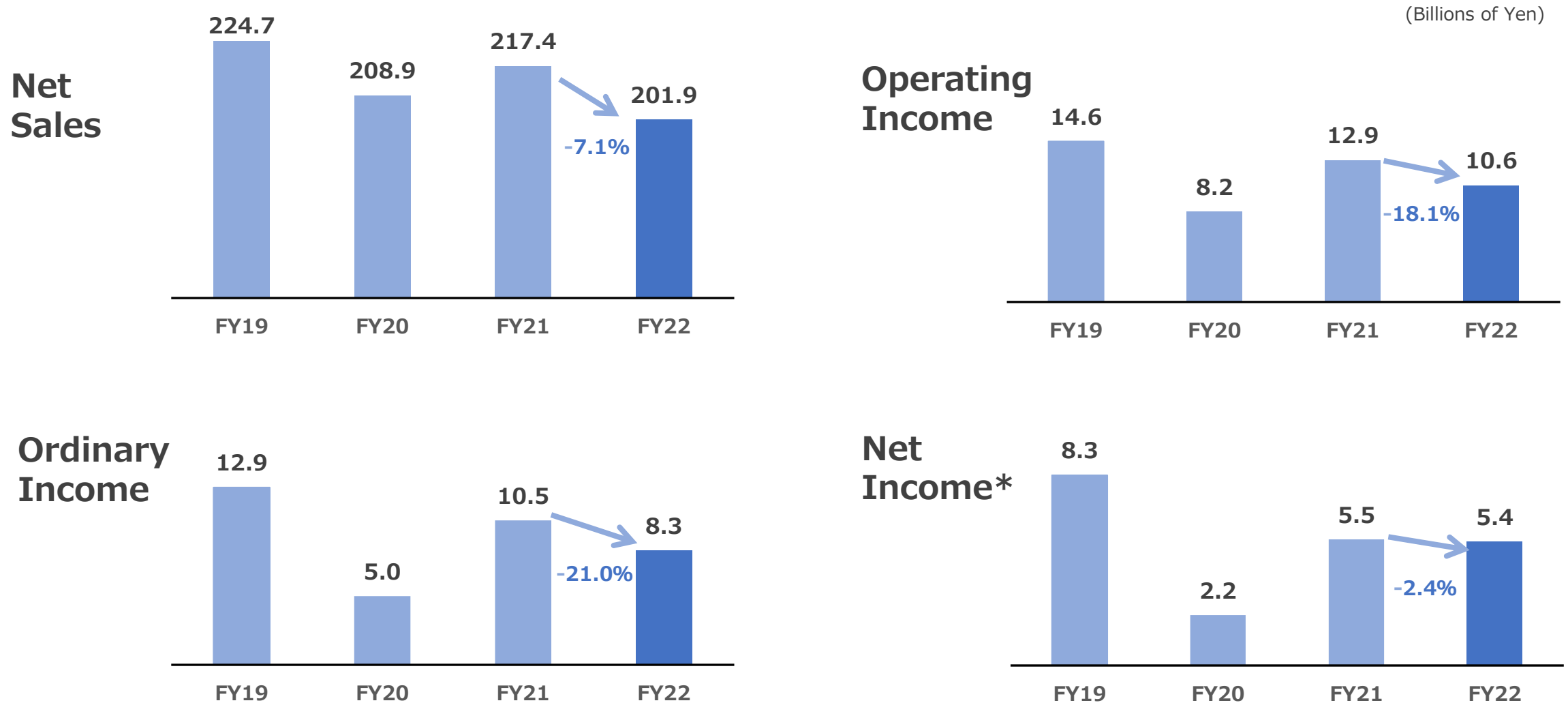
1H FY2022 Results Summary and Full-Year Forecasts

Shinsuke Tsuboi
Managing Executive Officer, CFO,
Executive General Manager of Finance & Accounting
Benesse Holdings, Inc.

Financial Results for 1H FY2022

Highlights for 1H FY2022 (YoY)

No sales contribution from Berlitz due to share transfer, lockdown in China and other factors lead to YoY decrease in sales and income.

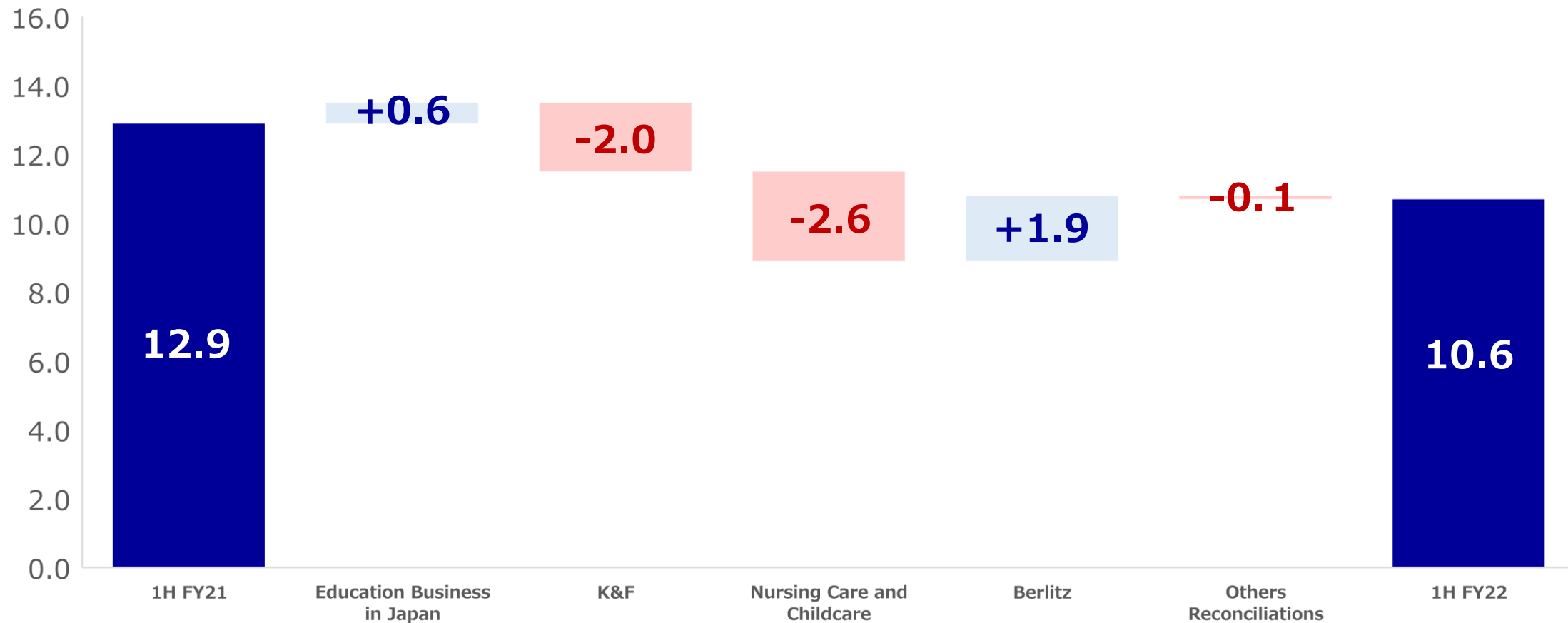


*Net income attributable to owners of the parent

Change in 1H FY22 operating income by segment (YoY)

Increase profits from Education Business in Japan and the sale of Berlitz could not make up for declining profit in K&F Business and Nursing Care and Childcare Business, caused by the pandemic of COVID-19 and other factors.

(Billions of Yen)

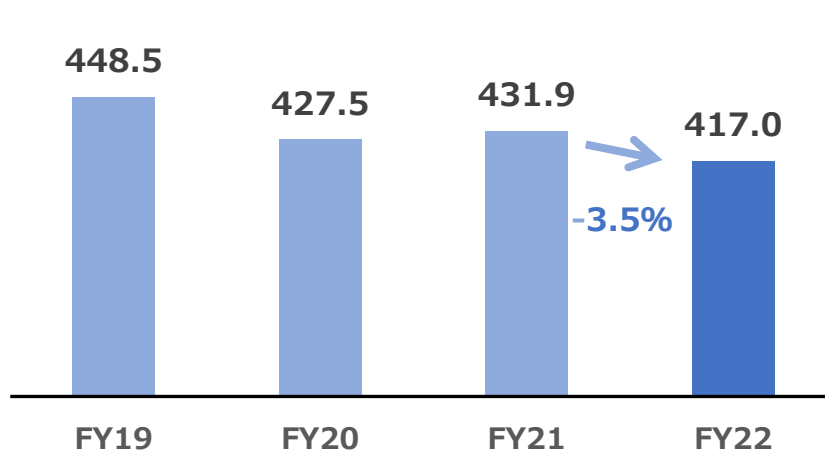


Full-Year Forecasts

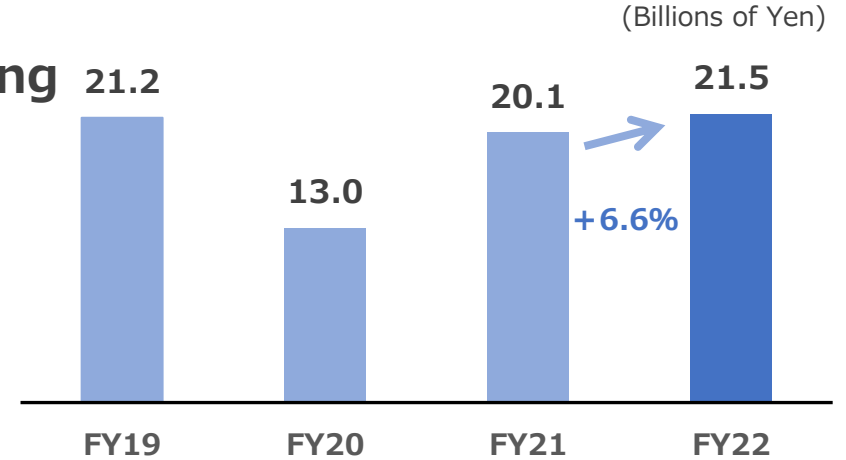
Highlights of FY22 full-year forecasts (YoY)

While the forecast has been revised down, operating income is still expected to rise, and net income to significantly improve, due to the absence of loss on sales of shares of affiliates resulting from the sale of Berlitz.

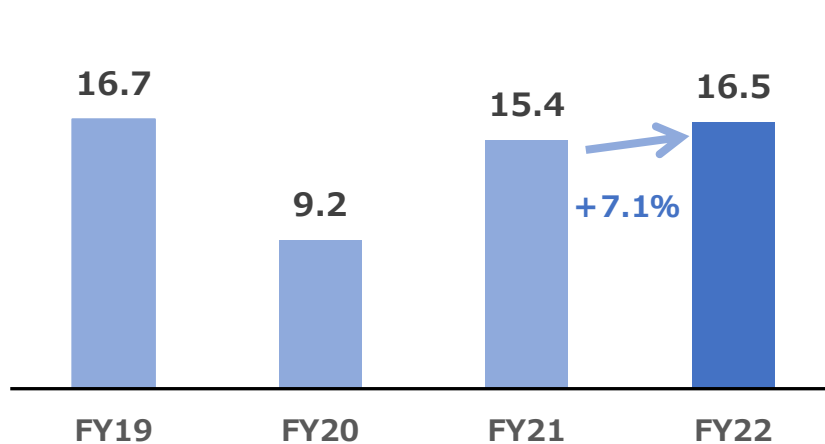
Net Sales



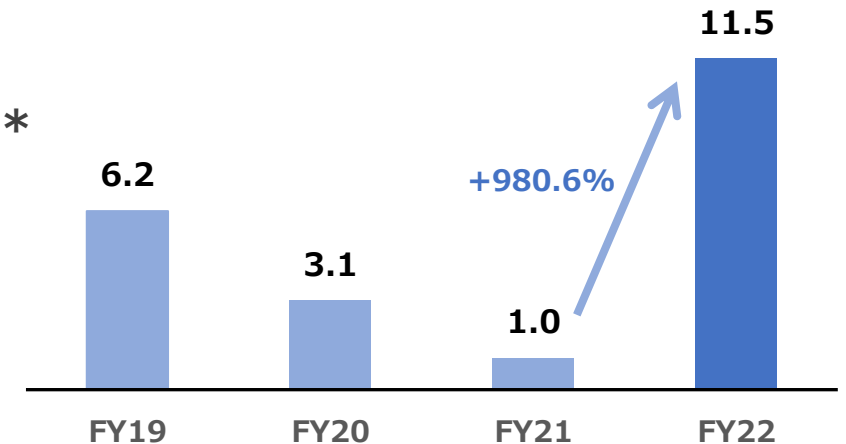
Operating Income



Ordinary Income



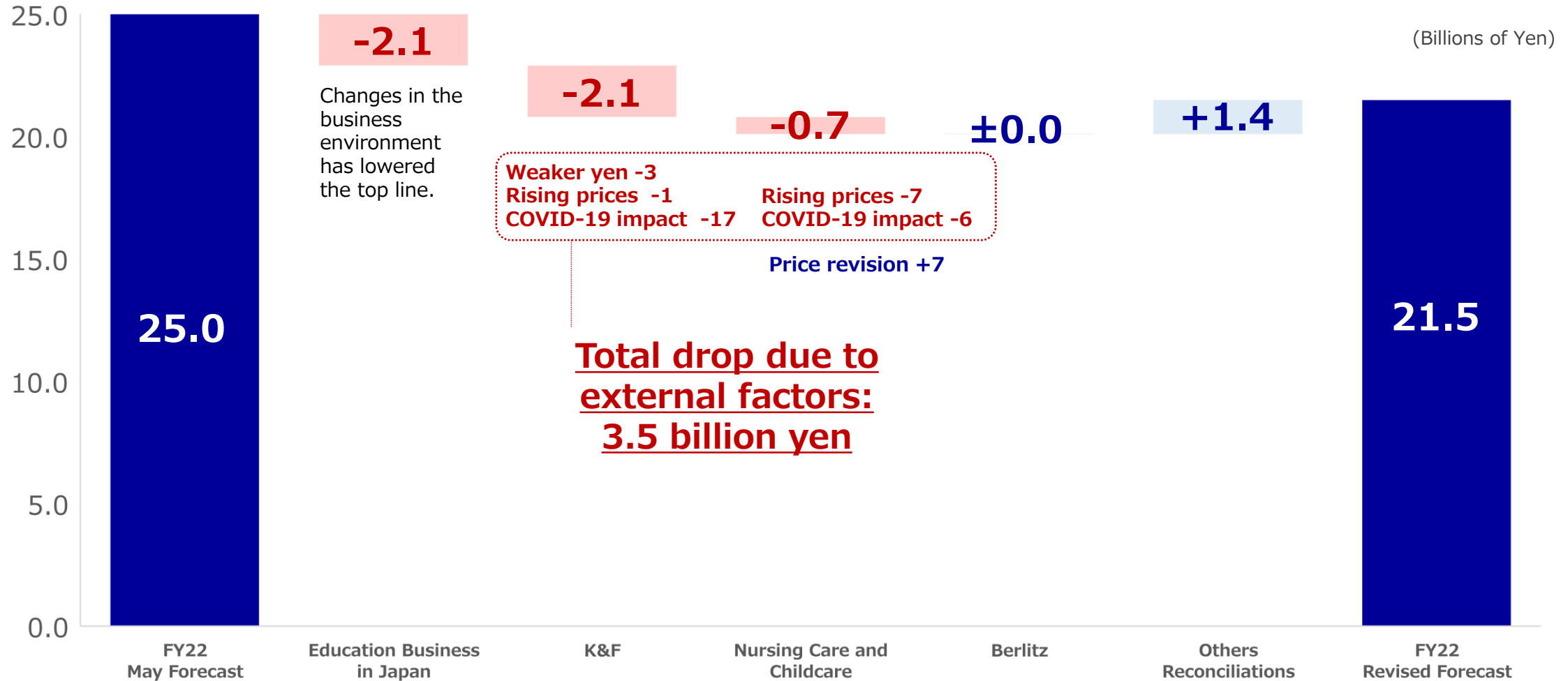
Net Income*



*Net income attributable to owners of the parent

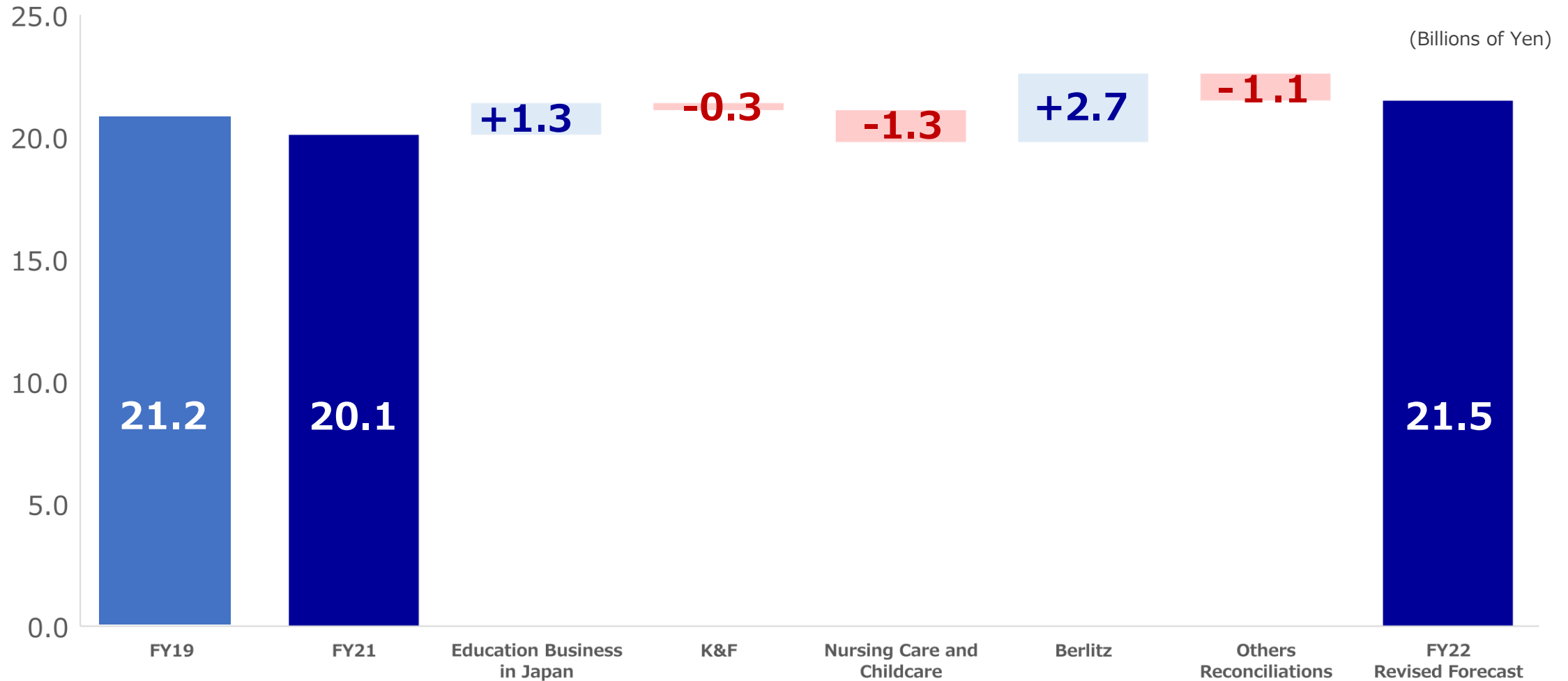
Change in FY22 operating income forecasts (vs. May Forecasts)

While the COVID-19 pandemic, rising prices, weaker yen and other temporary factors cannot be ignored, slower profit growth due to changes in the environment in the Education Business in Japan also had an impact.



Change in FY22 operating income forecasts by segment (YoY)

Smaller profit decline expected for K&F and Nursing Care Businesses compared to 1H. Operating income expected to exceed FY19 levels due to increased profit from Education Business in Japan, and the removal of Berlitz operating loss from the accounts.



Progress on Strategy

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

- The forecast for FY2022 has been revised down due to the significant impact of external factors (Operating Income : ¥25.0 billion→¥21.5 billion)
⇒Reasons for the revision are external factors such as the impact of COVID-19, rising prices, and the weaker yen, as well as the increasing impact of the changing education business environment
- In the Education Business in Japan, changes in education have set off some alarms and early action is being taken
- On the other hand, the University and Working Adult Business is growing steadily, and since ample opportunities can be identified, further efforts are being made to strengthen this business

<Changing environment①> Decline in children's motivation to learn

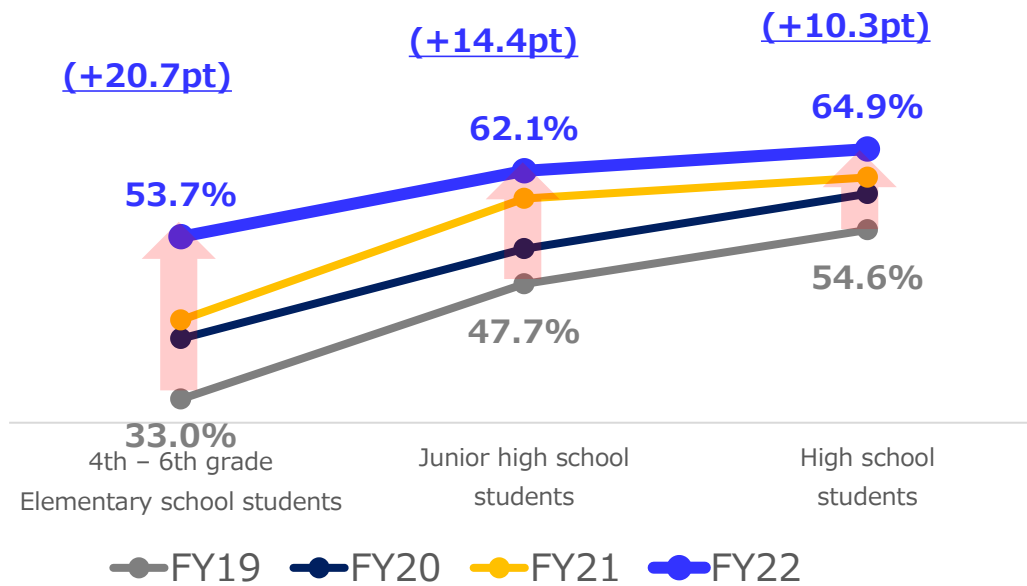
※Source : "Parent-Child Survey on Children's Life and Learning 2022" conducted by The Institute of Social Science, University of Tokyo, and Benesse Educational Research and Development Institute (BERD)



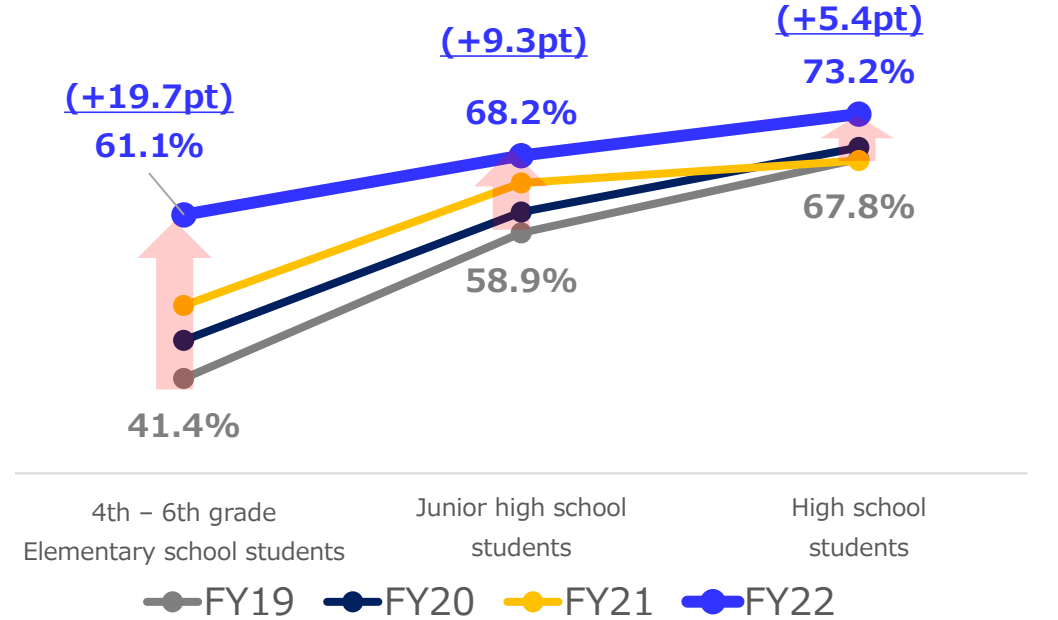
Children's motivation to learn is declining as a result of lifestyle changes brought on by COVID-19 and exploration of what school education should be

() = vs FY2019 ※"Very applicable"+"somewhat applicable" %

Percentage of children who "don't feel like studying"



Percentage of children who "don't know how to study well"



Threats

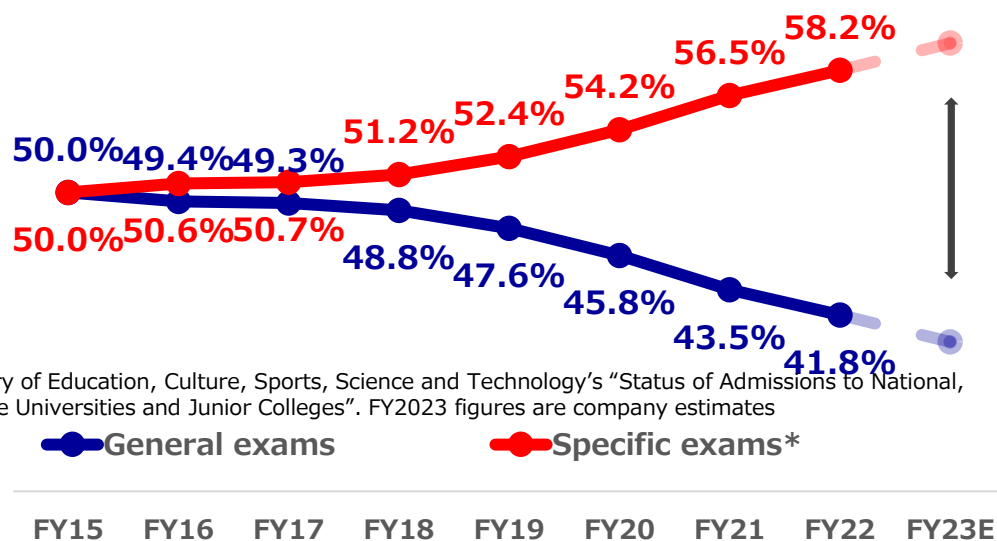
- Decline in learning motivation affects mainly out-of-school learning

Opportunities

- Expanding need for parents to motivate their children to learn
- Expanding diverse learning beyond coursework

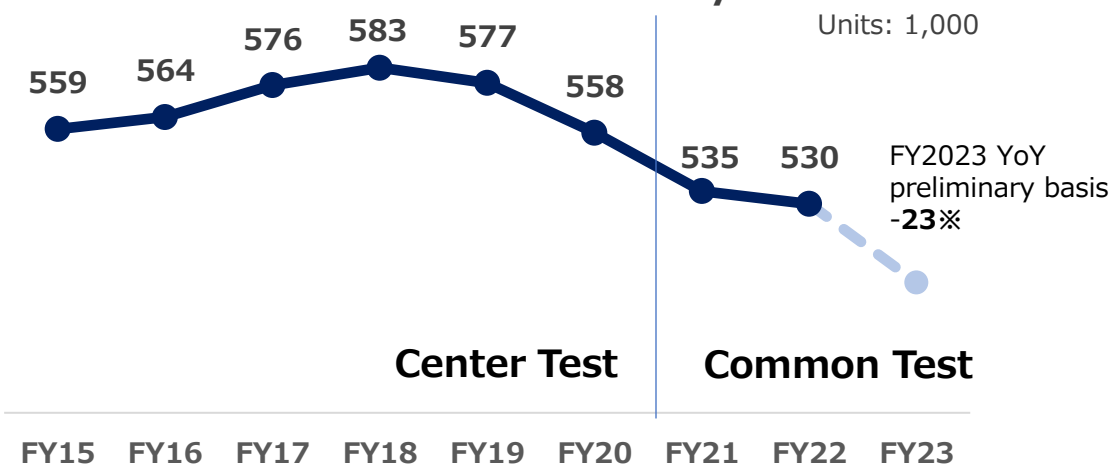
Increase in intra-year entrance exams reduces need for preparation for conventional general entrance exams

Private university admission rates by entrance exam method



※Source: Ministry of Education, Culture, Sports, Science and Technology's "Status of Admissions to National, Public and Private Universities and Junior Colleges". FY2023 figures are company estimates

Number of applicants for the National Center Test and the Common Test for University Admissions



※479,000 applicants as of 17:00 on the FY2023 deadline date (502,000 applicants the previous year)
 ※Source: National Center for University Entrance Examinations

■ More than half of private university students take intra-year exams.*

*intra-year exams is non-general entrance selection held earlier than general exams

■ Tendency of examinees to avoid Common Test

Threats

■ Decreasing need for general entrance exam preparation

- Number of people taking simulated exams to prepare for Common Test
- Number of students in final year of high school using prep schools

Opportunities

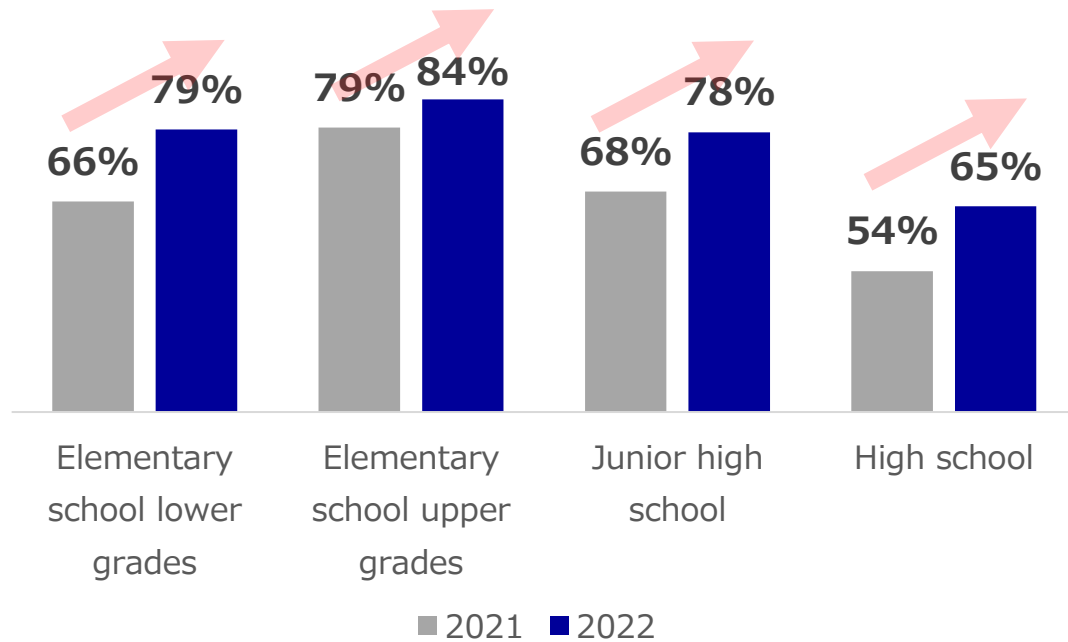
■ Response to growing needs

- Choice of option that suits the individual
- Support for basic academic skills and learning skills at schools with diverse career paths

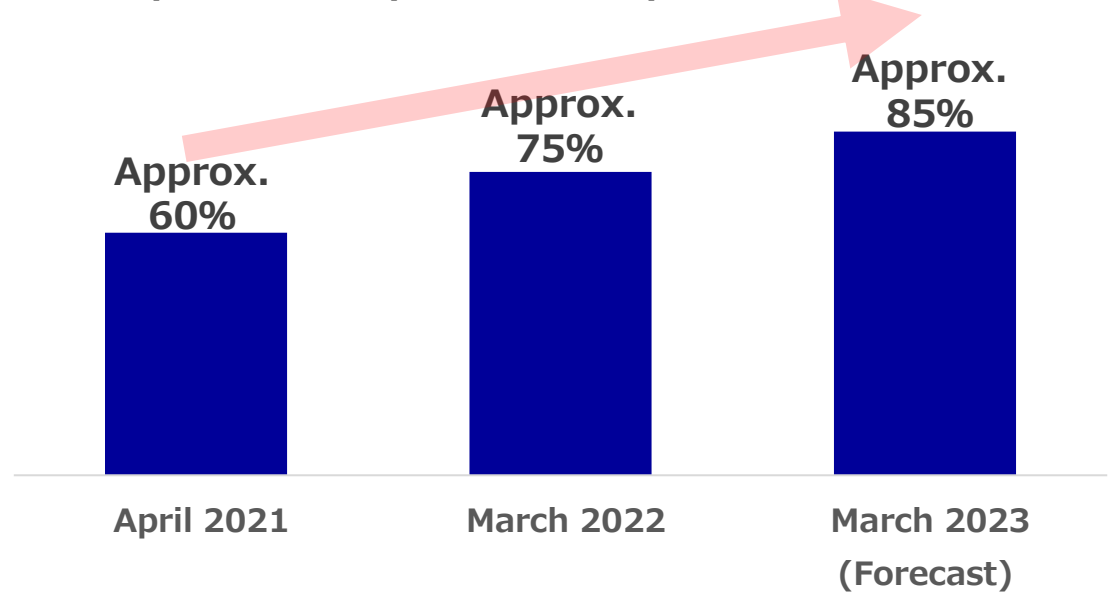


One device per student has become widespread and use of digital technology in schools is progressing (school-home barrier is also getting lower)

Frequency of use of ICT devices by teachers in classes ※
 (Figures are percentages used in more than half of classes)



Municipalities' adoption rate of paid software



■ Use of digital technology in schools has increased, especially in elementary schools

■ Municipalities' introduction of paid software has reached 85%

■ Municipalities plan to replace “one device per student” devices in FY2025

Threats

■ As school-home barrier becomes even lower, there is a risk that the advantages of Shinkenzeni and prep schools will diminish

Opportunities

■ Increase in share of paid software when devices are replaced
 ■ Building a new business model by strengthening collaboration between school business and Shinkenzeni business

Launch of new services to motivate children to learn, including VR learning and a tie-up with Nintendo Switch™

Issues

Decline in children's motivation to learn as a result of decrease in exam competition ratio and the prolonged COVID-19 pandemic

⇒「Shinkenzenmi enrollment down YoY (October -8.8% YoY for elementary, junior, and senior high school courses)
Junior and senior high school courses in line with plan, but new and continuing enrollment in elementary school courses falls short

Responses

Provide learning services that excite children and awaken their desire to learn

Supporting people with data



チャレンジ サポート電話

Learning like never before using VR



ハイリム学習 VR study ゴーグル

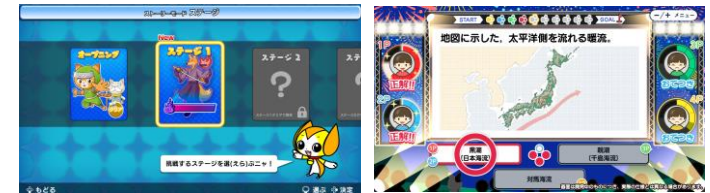
Start offering from the final grade (junior high school preparation courses)

Tie-up with Nintendo Switch

Learn by playing games alone or with friends
Shinkenzenmi score improvement series for Nintendo Switch

Learn alone

Learn together



Only for new 5th grade ~junior high 1st grade Shinkenzenmi members

Confirm effectiveness of experiential marketing that allows people to experience the evolving value of Shinkenzeni



【Examples of high school courses】

■ Send authentic hands-on teaching materials to experience the value of Shinkenzeni courses

⇒ Sending hands-on teaching materials improves sales efficiency (acquisition cost for each new enrollee reduced by around 40%)

Further strengthen experiential marketing in both scale and quality for the timing of advancement, when more people will consider using it

High school business : Development of study materials to support intra-year entrance exams

Compulsory education : Enhancement of Mirai Seed product lineup ahead of FY2025 replacement of GIGA terminals

High school business

Changing environment and impact

- Declining number of students taking Shinken simulated exams, mainly in last year of high school, due to increase in intra-year entrance exams
Cumulative number of examinees in 1H -1.5%(YoY)

Initiatives

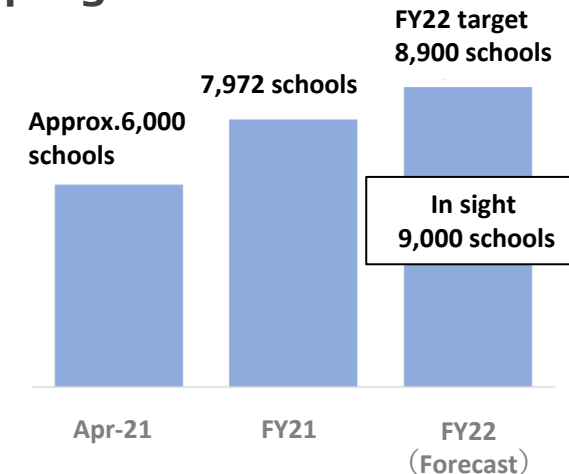
- Development and enhancement of products to prepare for intra-year entrance exams



Elementary and junior high school business

Changing environment and impact

- Steady growth of Mirai Seed as GIGA School initiative progresses



Initiatives

- Strengthen Mirai Seed product lineup in anticipation of replacement of terminals

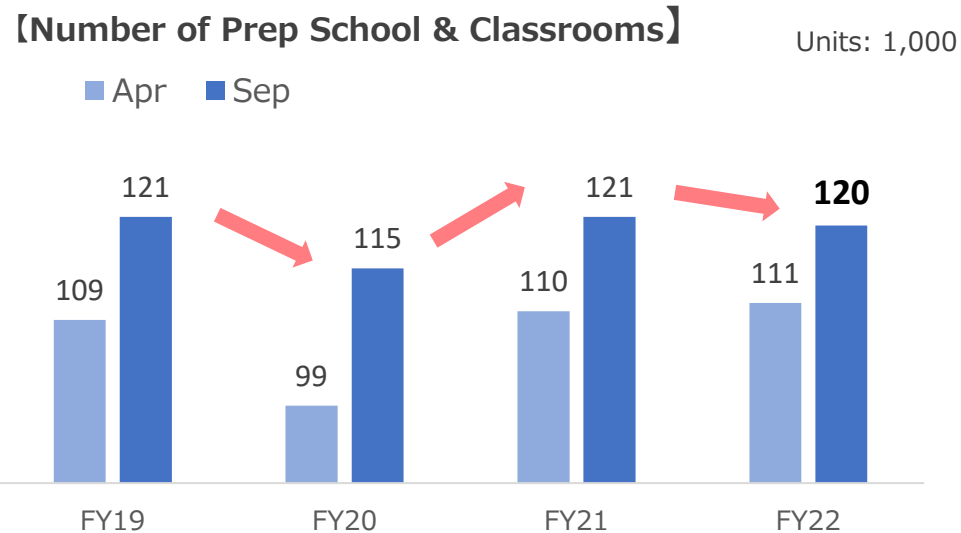
Tokyo Individualized Educational Institute, Inc. and UP Inc. are struggling, mainly for high school students, due to increase in intra-year entrance exams

Enhance guidance for intra-year entrance exams, expand support for junior high school entrance exams, and reform the enrollment structure

Current situation

■ September enrollment

- Tetsuryokukai : Steady growth over previous year
- Tokyo Individualized Educational Institute, Inc., UP Inc., and Ochanomizu Seminar Co., Ltd. : Struggling, mainly at high school level



※Enrollment numbers: Total of Tokyo Individualized Educational Institute, Inc., UP Inc, Tetsuryokukai, Ochanomizu Seminar Co., Ltd and Benesse BE studio Inc.(excluding franchises)

Initiatives

■ Initiatives

Enrollment structure reform aiming for regrowth of Tokyo Individualized Educational Institute, Inc. and UP Inc.

■ Progress

UP Inc. enters Tokyo metropolitan area junior high school Entrance exam business (Shingakukan Rootas)



Integration of UP Inc. and Ochanomizu Seminar Co., Ltd. (Ochazemi Rootas)

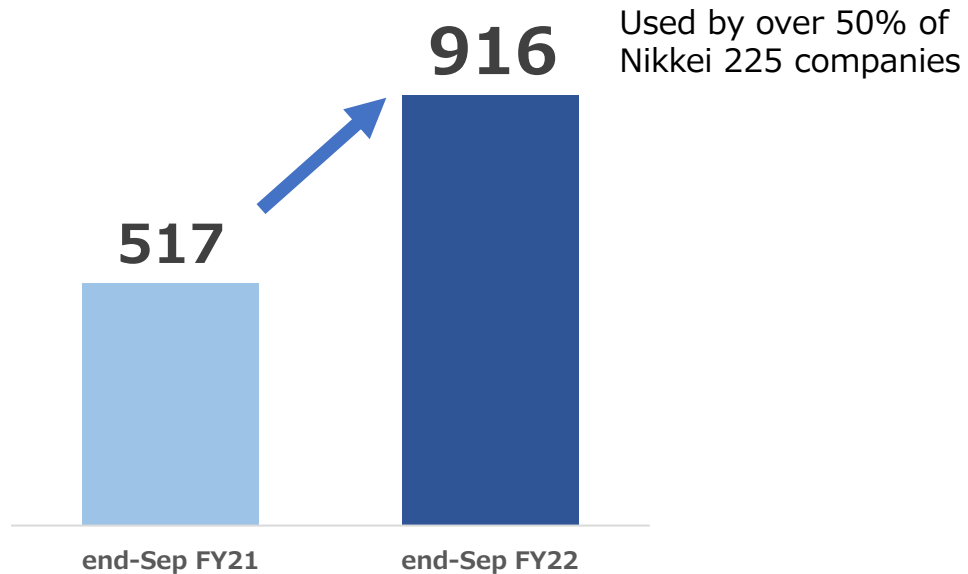


Steady progress focused on growing reskilling needs (DX, IT human resources development) and increasing intra-year entrance exams

Trend in introduction of Udemy

Udemy Business is doing well

Number of companies using Udemy
+77% YoY



(Note : Number of active users with ongoing contracts, not cumulative number of companies)

Developmental education (Shinken-AD)

Increasing need for developmental education

•Used by 13,731 people in 368 subjects in universities and junior colleges nationwide ※As of September 2022



Pre-entry and introductory education for universities and junior colleges
Gakumon Sakidori Program

Recovery from the impact of COVID-19 will take time, but the current market environment is improving

Changing environment

■ Negative impact of lockdowns

From the end of March to the end of May, lockdowns due to the COVID-19 policy had a negative impact on enrollment, including suspension of operations and delivery delays

■ Market is improving thanks to steady demand for education and an easing competitive environment

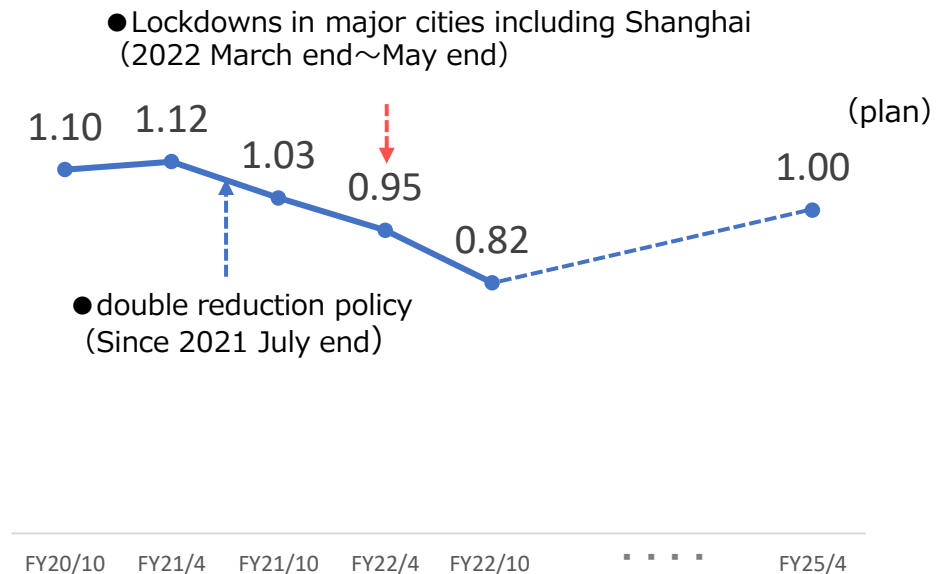
- Competitors' trend to downsize their business after the policy change (double reduction policy)
- Consumers' willingness to invest in education remains high

⇒ - Even with lockdowns in Chengdu and Dalian and restrictions on activities in Beijing etc., **the number of members in September rose 13.3% YoY**

- **Recovery in preschool retention rates** which had been affected by competition

<Number of members in China>

Unit: million



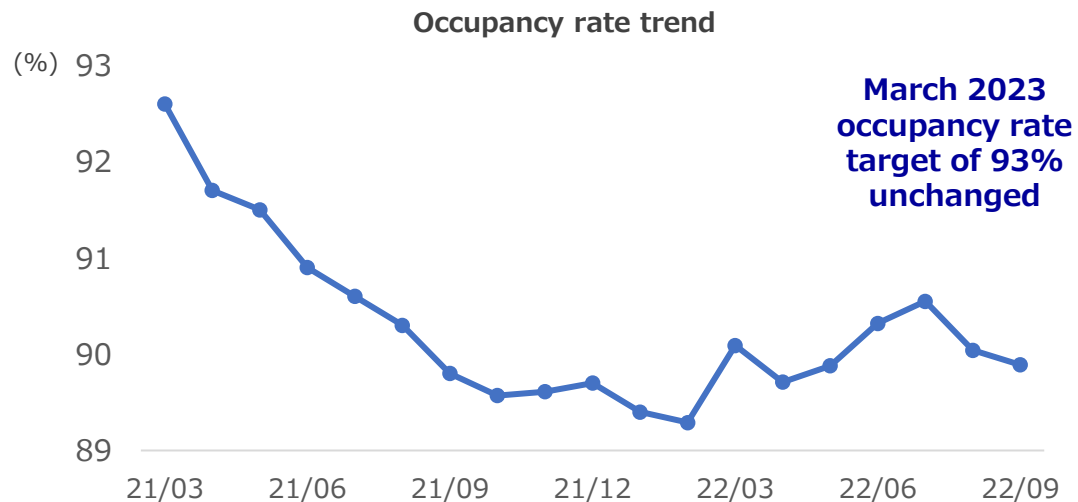
Initiatives

- Development of new sales methods (offering incentives to existing users for introducing new users, e-commerce sales on Tik Tok and other new digital platforms)
- Expanding products in the area of thinking skills
- Continuous reinforcement through 1-to-1 communication measures

Quick recovery of occupancy rates, which had declined due to COVID-19, and response to soaring prices

Changing environment and impact

- **Occupancy rate lower than expected since August due to 7th wave of COVID-19**
(September occupancy rate: 90%)
※Recent visit numbers have increased as COVID-19 calmed down (October visits on existing home basis +25% from 2019)
- **Costs higher than expected due to soaring utility costs**



2H initiatives

- **Occupancy increased thanks to trial short stays**
Record high number of people tried short stays
- **Effective pricing strategies**
Age-based occupancy fees introduced in high-end homes (Aria and high-priced Granda) from October, and occupancy fees reduced for those over 91 years old
- **Resident nursing care price increase in response to soaring costs (from December)**
Absorb the impact of soaring costs by raising usage fees

Significant changes in education in Japan of particular note

- ① Compulsory education : With the replacement of GIGA terminals in FY2025, the educational environment will change significantly at the municipal level
- ② High school-university connection : Expansion of intra-year entrance exams, major changes in content and learning methods in high school as well as in motivation for learning

**Enhance strategies not only within each business
but also across domestic education spheres**

【Compulsory education】

Creation of new business model that transcends boundaries between school and out-of-school

【High school – university connection】

Creation of new business model compatible with intra-year entrance exams

【Regional strategy】

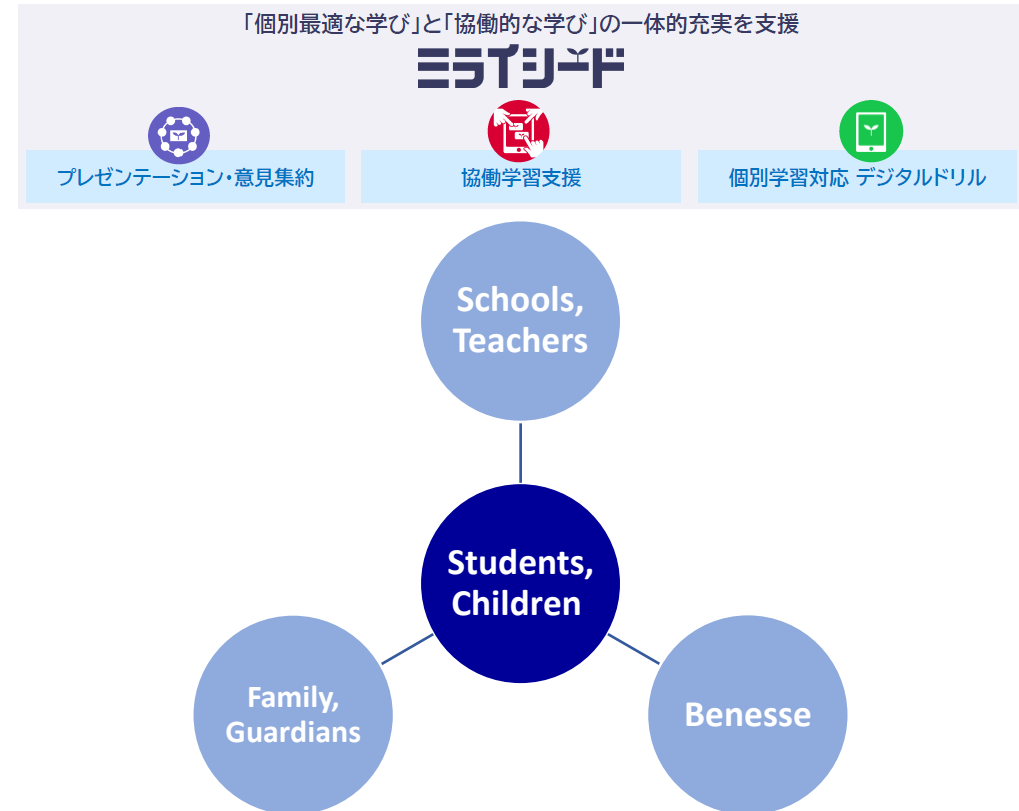
Creation of a regional support model to eliminate educational disparities

Establish Management Reform Promotion Headquarters directly under President

Saitama City and four companies are collaborating to support local education (Saitama City Smart School Project: abbreviated as "SSSP")



October 31, 2022 SSSP signing ceremony
Left : Mayumi Hosoda, Saitama City Board of Education Superintendent
Right : Hitoshi Kobayashi, President of the Company



Analyzing and utilizing Mirai Seed's learning log data (learning history and status) to make effective learning content tailored to each student possible

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

Toward attainment of a sustainable society and sustainable growth To become a corporate group that contributes to solving social issues people face at every stage of life

Infants~High school students



- Diverse learning and paths in addition to academic skills
- Support for teachers and classes in addition to students

University students & working adults



- The purpose of learning has shifted from university admission to employment and cultivation of work skills relevant to the times

Seniors



- In addition to residents' happiness, caregivers' training and improvement in their working environment

**In view of changes in the business environment,
a Transformation Business Plan is being
formulated which we expect to announce in
May 2023**

