



Financial Results for FY2022

May 12, 2023
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.

Financial Results Summary for FY2022

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

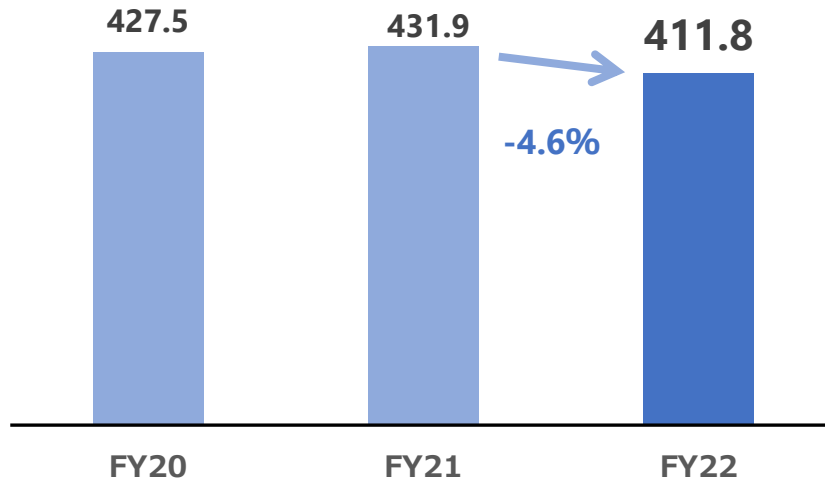
Financial Results Summary for FY2022

Highlights for FY22

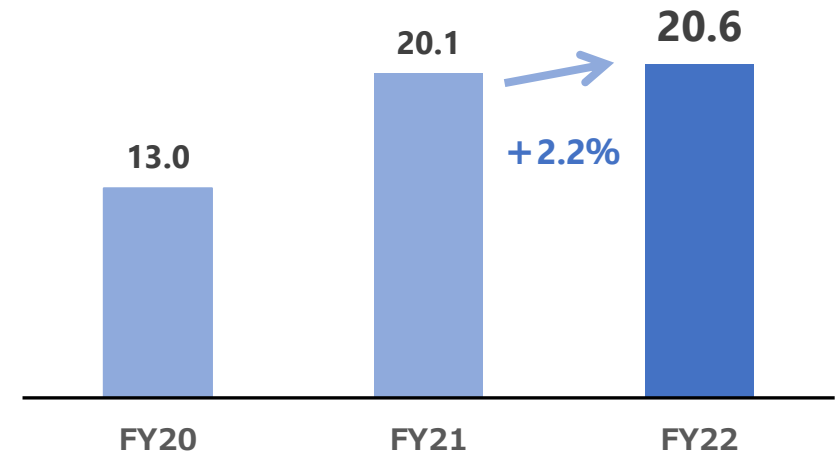
Decreased sales and increased income; significant increase in net income thanks to elimination of one-time loss incurred in the previous fiscal year from the transfer of Berlitz.

(Billions of Yen)

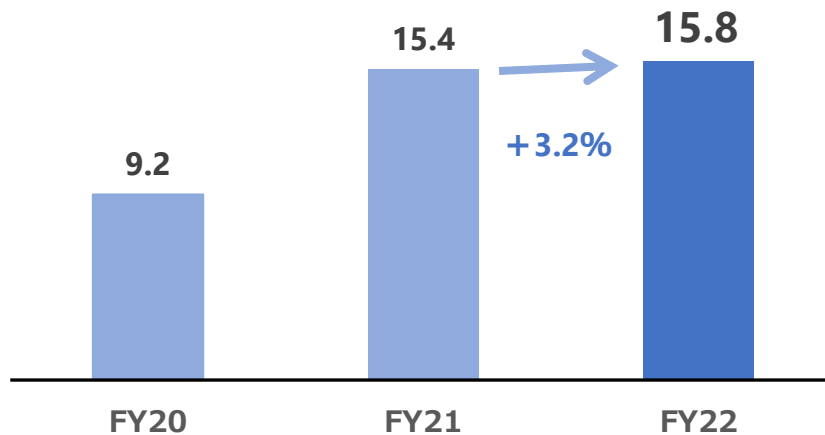
Net Sales



Operating Income

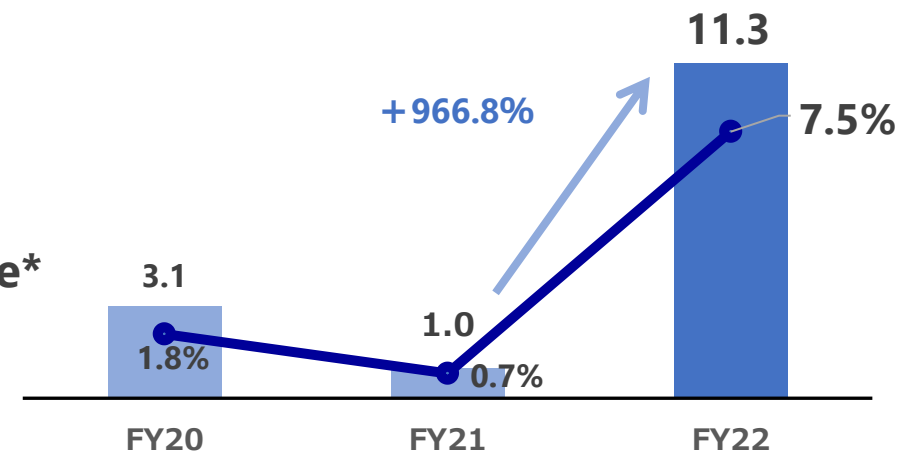


Ordinary Income



ROE

Net Income*



* Net income attributable to owners of the parent

Decreased sales and increased income YoY; results not reaching the forecast.

(Billions of Yen)

	FY21 results	FY22 results	YoY	FY22 forecast (Announced in November)	Results vs. forecast (Announced in November)
Net sales	431.9	411.8	-20.0	417.0	-5.1
Operating income	20.1	20.6	+0.4	21.5	-0.8

* Impact from transfer of Berlitz (YoY) : Net sales down ¥20.0bn, Operating income up ¥2.7bn

■ YoY

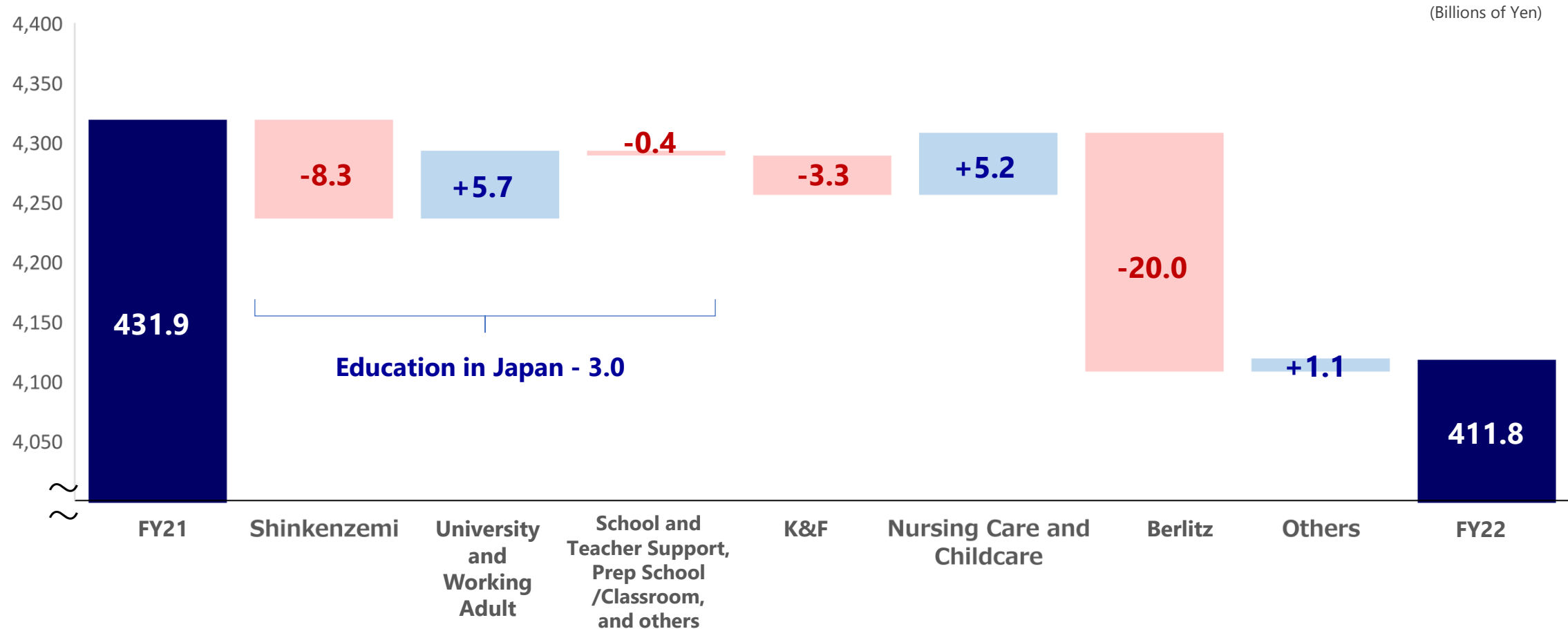
- Net sales down ¥20.0bn due to transfer of Berlitz, etc.
- Operating income up ¥0.4bn due to:
 - (+) Elimination of deficit thanks to share transfer of Berlitz. (+ ¥2.7bn)
 - (+) Expansion of University and Working Adult Business with focus on Udemy. (+ ¥1.1bn)
 - (+) Japan Kodomo Challenge (+ ¥0.6bn), Naoshima (+ ¥0.5bn), etc.
 - (-) Decreased enrollment in China Kodomo Challenge due to Zero-COVID Policy in China (- ¥2.4bn)
 - (-) Shinkenzeni: Review of segment burden of selling expenses, etc. (- ¥1.4bn)
 - (-) Prolonged impact of COVID-19 in the Nursing Care Business; increased utilities and sales promotion expenses, etc. (- ¥1.3bn)

■ Results vs. forecast (announced in November)

- Net sales decreased by ¥5.1bn
- Operating income decreased by ¥0.8bn due to results not reaching the forecast in K&F Business and Tokyo Individualized Educational Institute, etc.

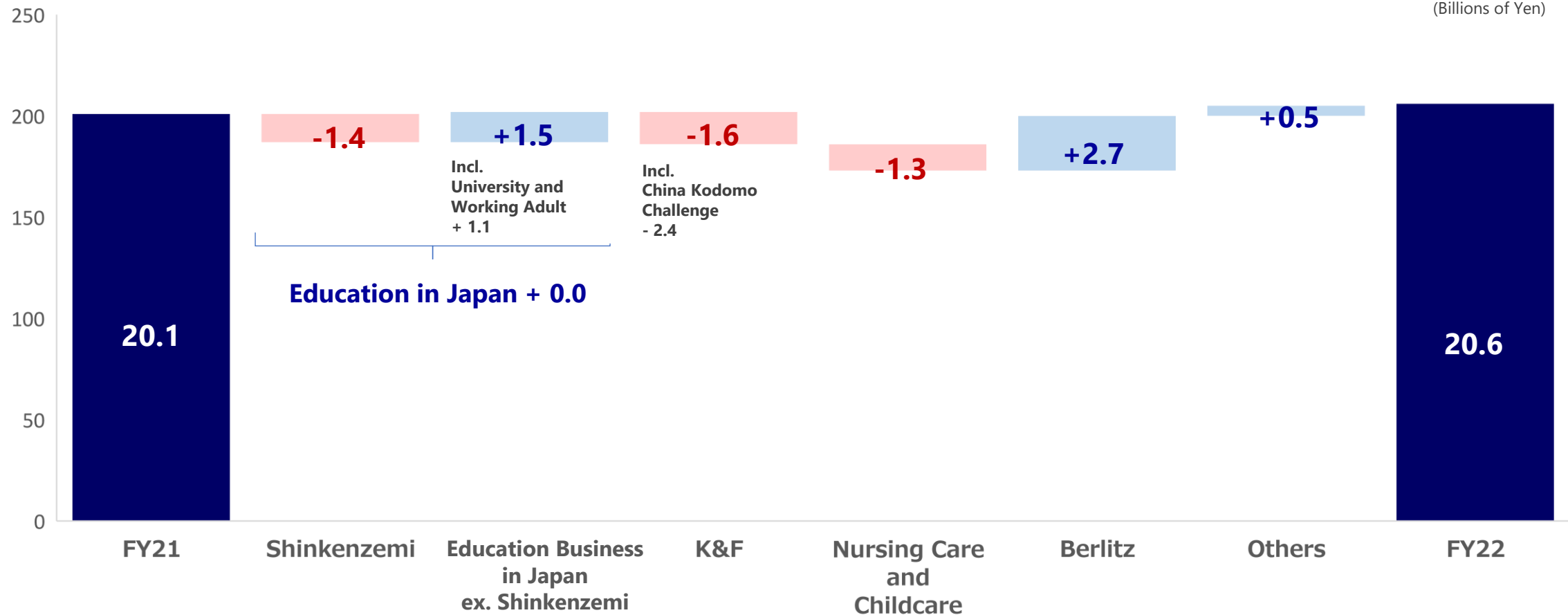
Change in FY22 net sales by segment (YoY)

Overall decline in sales despite increased sales in University and Working Adult Business and Nursing Care and Childcare Businesses, due to sales eliminated by the share transfer of Berlitz and enrollment declined in Shinkenzemi.



Change in FY22 operating income by segment (YoY)

Overall increase in income thanks to increased income in University and Working Adult Business and eliminated operating loss due to share transfer of Berlitz offsetting the declined income in the China and Nursing Care and Childcare Businesses caused by COVID-19 and other factors.



* YoY decline in Shinkenzemi is due mainly to review of segment burden of selling expense.

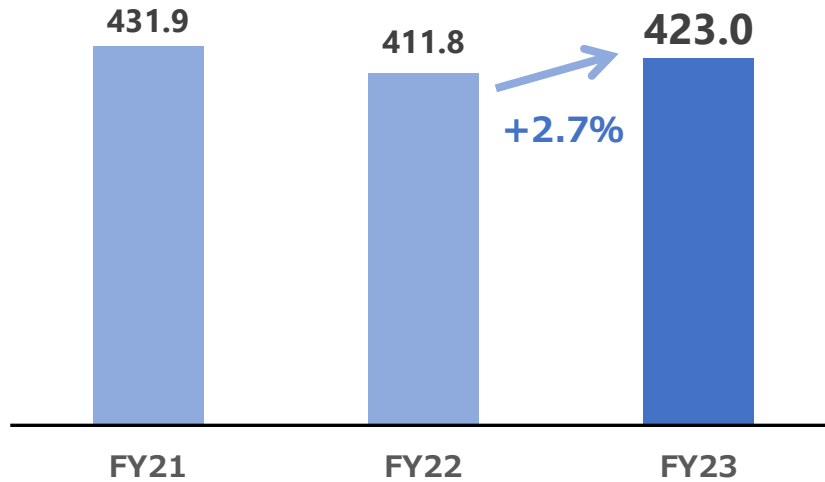
Earnings Forecasts for FY2023

FY23 earnings forecasts highlights

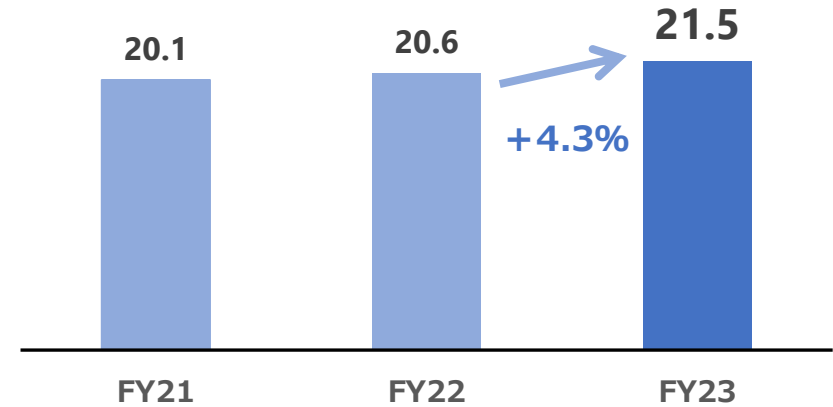
Forecast of increased sales and income, ROE of 7.3%

(Billions of Yen)

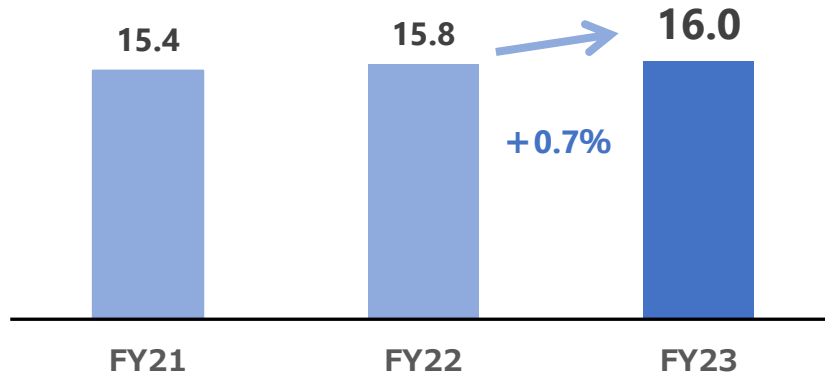
Net Sales



Operating Income

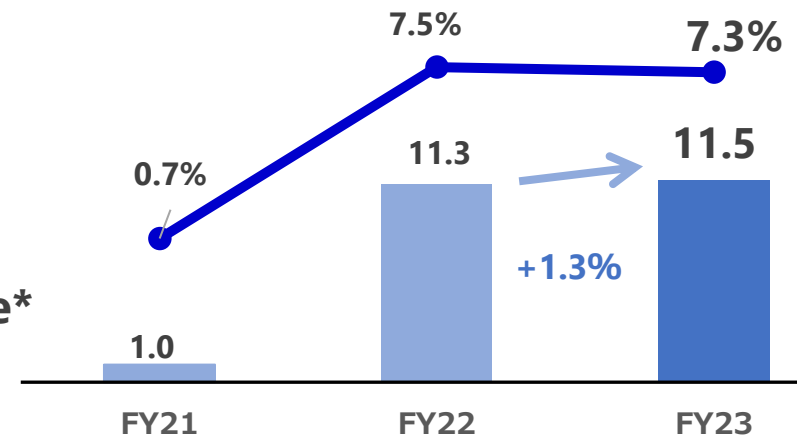


Ordinary Income



ROE

Net Income*



* Net income attributable to owners of the parent

YoY increase in sales and income

(Billions of Yen)

	FY22 Results	FY23 Forecast	YoY
Net sales	411.8	423.0	+11.1
Operating income	20.6	21.5	+0.8

- **Recovery from the impact from COVID-19 in the Nursing Care and Childcare Business drives income growth.**

Operating income: +¥2.8bn YoY

- **Despite of declined enrollment, price revisions and cost reductions increase income in Shinkenzeni.**

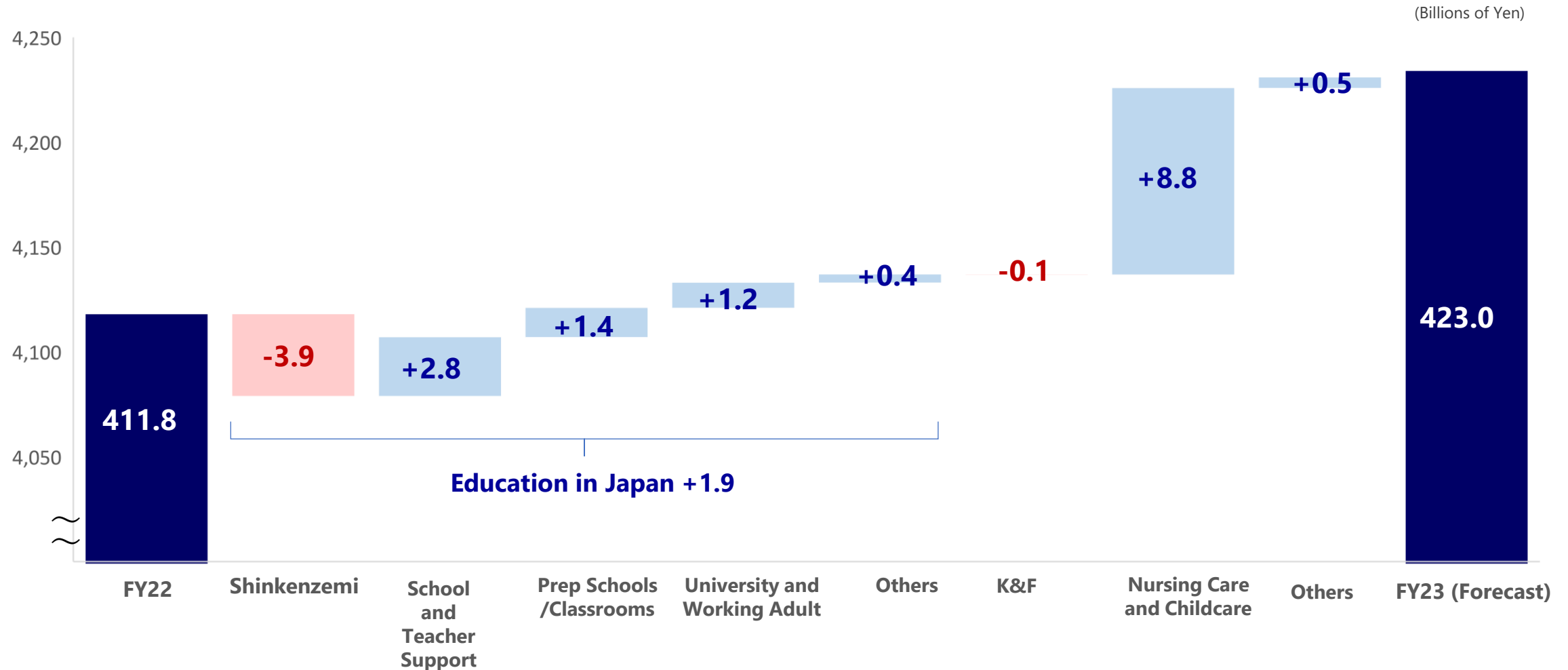
- **University and Working Adult Business expects growth of Udemy and expansion into “New fields” through M&A and alliances.**

- **Execution of investment for growth limits the amount of income increase.**

Improving the products and foundation for elementary and junior high school business; enhancing the University and Working Adult Business and Area Business Promotion system; developing India business, investing into DX human resources, etc.

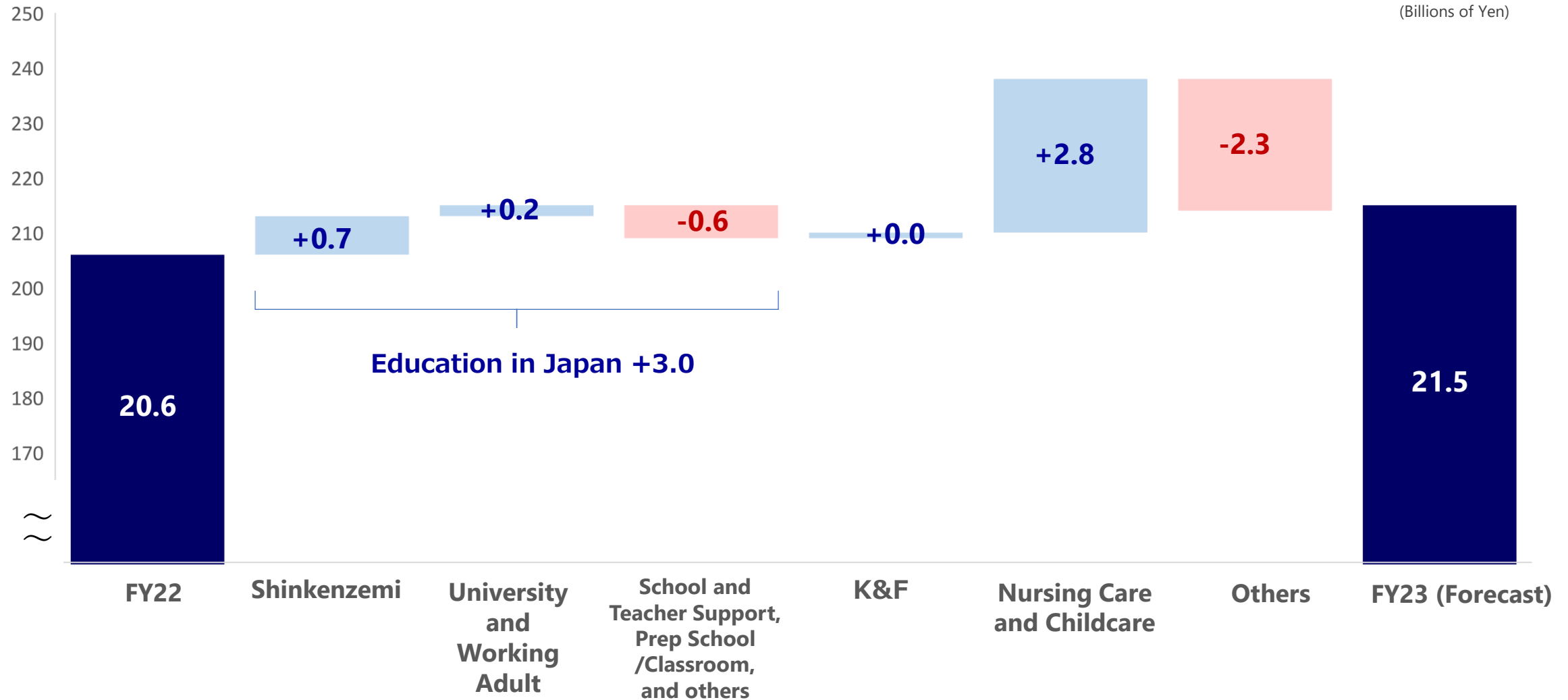
FY23 net sales forecasts by segment (YoY)

Forecast of increased sales despite of lower sales in Shinkenzemi, thanks to sales growth in the Nursing Care and Childcare, School and Teacher Support, Prep Schools and Classrooms, and University and Working Adult Businesses.



FY23 operating income forecasts by segment (YoY)

Forecast of increased income thanks to income growth in Nursing Care and Childcare Business and Shinkenzeni.



FY23 earnings forecasts by segment (YoY)



(Billions of Yen)

Segment/Business		Change in net sales	
Education Business in Japan	Shinkenzemi	-3.9	Lower sales due to a decrease in cumulative enrollment, partially offset by an increase in sales due to price revision.
	School and Teacher Support	+2.8	Higher sales in high school business.
	Prep Schools and Classrooms	+1.4	Higher sales in prep schools.
	University and Working Adult, Other	+1.2	Higher sales from expansion of Udemy, etc.
	Others	+0.4	Challenge Schools, etc.
K&F	Japan	+0.3	Higher sales thanks to price revision and recovery of Tamahiyo business, etc., offsetting lower sales in Kodomo Challenge due to decrease in cumulative enrollment.
	Overseas	-0.3	Lower sales due to decreased enrollment at beginning of period.
Nursing Care and Childcare		+8.8	Higher sales thanks to increased nursing homes, improved occupancy rate, and price revision.
Others/Reconciliations		+0.5	Higher sales in Naoshima business, etc.

Change in operating income	
+0.7	Positive effects from lower system amortization expenses and cost reduction expected to offset lower income from lower sales.
-0.6	Higher sales in high school business offset by expected increase in upfront investment (¥1.1bn) in elementary and junior high school business aiming for FY25 and beyond.
-0.2	Lower income from Tokyo Individualized Educational Institute and start-up costs of "UP" junior high school entrance exam business in the Tokyo metropolitan area expected.
+0.2	Higher income mainly from Udemy, i-Career, etc. to offset investment for growth (¥0.9bn).
+0.2	Higher income due to higher sales.
+0.7	Sales recovery and cost reductions in non-course business, Tamahiyo business, etc. expected to offset lower income due to lower sales in course business.
-0.6	Lower income due to lower sales and enhanced sales promotion expected for early business recovery.
+2.8	Higher income due to higher sales.
-2.3	Strategic investment, India business development, etc.

April Enrollment for Shinkenzemi and Kodomo Challenge

Emphasis on balance between enrollment and income:

April enrollees down 11.5% YoY overall, but income growth expected with price revisions and cost reductions.

	2022 (April)	2023 (April)	YoY Change	Change (%)
High school courses	110,000	100,000	-10,000	-8.9
Junior high school courses	350,000	320,000	-30,000	-8.6
Elementary school courses	1,280,000	1,180,000	-100,000	-8.0
Kodomo Challenge	750,000	610,000	-140,000	-19.0
Total for Japan	2,490,000	2,210,000	-290,000	-11.5
Sales (Shinkenzemi + Kodomo Challenge)	¥113.8bn	¥109.5bn	¥-4.2bn	-3.8%

*2023 sales figures are forecasts

**Decreased enrollment in paper courses has large impact while decline is subtle in digital courses.
Current retention rate exceeds that of the same month last year.**

Future Business Policy

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

1. Looking back on Phase 1 of the medium-term management plan

2. Positioning of FY23 and key measures in main businesses

3. Key points in the Transformation Business Plan

Looking back on the medium-term management plan

November 2020 (Mid-term management plan)

[Repost] Targets of the medium-term management plan

FY22 the final year of Phase 1, accelerate "reform and growth" as we move toward Phase 2

	Phase 1: FY21-FY22	Phase 2: FY23-FY25
Positioning of each phase	<p>V-shaped recovery</p> <p>V-shaped recovery from the impact of COVID-19 organically in existing businesses</p>	<p>Challenge & growth</p> <p>Aim for sustainable growth through <u>inorganic means</u> (new challenges in existing businesses)</p>
	<p>Expand into new fields</p> <p>(Move into new fields and overseas territories by leveraging Benesse's strengths)</p>	
Financial targets & KPI	<p>FY22 Rebuild sales/OP to above FY19 levels in "2 years"*</p> <p>*ex. ASRR impact</p>	<p>FY23-FY25 Organic growth rate of 3%+ (sales) Based on FY22 earnings after V-shaped recovery from COVID-19 impact</p> <p>FY25 OPM 8%+ ROE 10%+</p>

See next slide for the review on Phase 1.

May 2022 (Update on Financial KPI updated)

Update on financial KPI for FY25

Plan to add to steady organically-driven growth by realizing new medium-to-long-term growth from taking on new challenges

	[Net sales]	[Operating income]
FY22 forecast	¥426.0bn	¥25.0bn
FY25 PL estimate	¥500.0bn+	¥40.0bn+

Contribution ration to growth in FY23-25 (breakdown)		
Organic	+50.0~60.0bn	Organic 80%
Inorganic/ New fields	+10.0~15.0+a	Inorganic/ New fields 20%

[Financial KPI]

- FY23-FY25 Organic growth at least 3%
- FY25 OPM at least 8%
- Updated** FY23 ROE at least 10%
- New** FY23-FY25 Growth contribution at least 20% from inorganic/new fields

May 2023 (Transformation Business Plan)

Achieve portfolio transformation for sustainable income growth

Review strategies and KPIs for this purpose

Changes in environment

Financial targets

Slightly missing target in Phase 1: V-shaped recovery from COVID-19 impact

- Operating income:
FY19 (pre-COVID): ¥21.2bn → FY20: ¥13.0bn → FY22: ¥20.6bn

Slightly missed target

Evolution of core businesses

V-shaped recovery in Education Business in Japan;

Recovery to come in Nursing Care and China; Launched initiatives for Inorganic growth

- As of FY22, Education Business in Japan achieved V-shaped recovery from F19. (Operating income = FY19: ¥14.0 bn ⇒ FY20: ¥11.9 bn ⇒ FY22: ¥19.1 bn)
- Full-scale activities launched for inorganic growth. (Diverse of learning support businesses launched; Heart Medical Care made a consolidated subsidiary.)
- Businesses of Nursing Care and China Kodomo Challenge still recovering from lingering COVID-19 impact.

Partially lingering impact from COVID-19

Expansion into new fields

New organization established to take on full-scale challenge for the growth

- University and Working Adult Business Company established. Steady expansion of Udemy business. (Adopted by over 1,000 companies.)
- Further acceleration of growth launched in fields of University and Working Adult. (Investment and alliance with SkyHive; acquisition of Waris.)
- In field of overseas education, Benesse India established and local school education support business launched.

Steady progress

Management foundation

Problematic businesses organized; DX promoted

- Profitability improved with the sale of the underperforming Berlitz business.
- DIP (Digital Innovation Partners), a cross-Group organization, established to promote DX.

Steady progress

1. Looking back on Phase 1 of the medium-term management plan

2. Positioning of FY23 and key measures in main businesses

3. Key points in the Transformation Business Plan

- Proactive investment in growth fields for future growth
- Initiatives to resolve issues in core business
- Execution of measures to strengthen management foundation (area, human resources, DX)



And aim for higher sales and income

Promote product value and sales method redesigns and cost structure reform

Challenges and opportunities

- Acceleration in declining birthrate; Diversification of needs.
- Major shift in school education.
(Intra-year entrance exams; GIGA School Program)
- Measures against fall in children's learning motivation.

Recent conditions

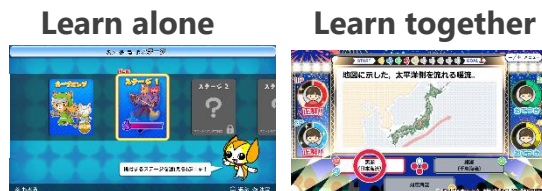
- Enrollment in Shinkenzeni/Kodomo Challenge: -11.5% YoY (Apr. 2023)
- High school assessment: -1.8% YoY (FY22)
- Number of schools adopting Mirai Seed: 9,010 schools +1,068 schools YoY (April 2023)

Key measures for FY23

✓ Enrich educational materials and services

- Take more decisive measures against fall in children's learning motivation.
(Expansion of target grades to tie-up with Nintendo Switch)

Shinkenzeni score improvement series for Nintendo Switch



- Make upfront investments for future replacement of GIGA device and cloud migration of school administration support (Mirai Seed, EDUCOM, etc.).

✓ Respond to diversification of needs

- Provide diverse learning opportunities by leveraging customer base.
(Expand EVERES, Challenge School, etc.)
- Enhance products for schools with diverse students' education advancement.
(Careered support program, etc.)
- Promote proposals for regionally diverse needs of local authorities and schools.
(Establish Area Business Promotion Headquarters)

✓ Promote cost structure reform

- Conduct company-wide review on cost structure

Proactive investment as this is the key area in growth fields

Challenges and opportunities

- Expansion of needs for corporate and individual reskilling and HR-related services.

Recent conditions

- Net sales growth rate: +40.1% YoY (FY22)
- Steady expansion of Udemy
 - Corporate users in Japan: 1,000+ (Nikkei 225 Companies: 50%+) (March 2023)
 - Enrollees in Japan: 1.3mn+ (March 2023)
- Capital alliance with SkyHive (April 2023)
Acquisition of Waris (planned for in June 2023)

Key measures for FY23

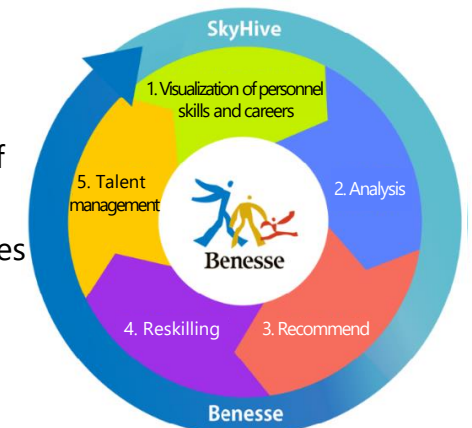
- ✓ **Strategic resource allocation for business expansion**
 - Increase the number of staff, particularly in corporate sales: +60% YoY
(Accelerate recruitment to strengthen the functions including corporate sales, government, public information, data science, corporate, and other functions.)
 - Enhance sales promotion
- ✓ **Effective utilization of the company's foundation and acceleration of M&A strategy**

Capital and business alliance with SkyHive

SkyHive owns the world's largest database of labor market information.

We will launch a service in FY23 for companies using or considering Udemy Business, and develop and roll out new program with SkyHive.

We will provide a full range of services necessary for human capital management from skill assessment to talent management.



Nursing Care and Childcare Business

Quick recovery of the occupancy rate in nursing-care facility business and acceleration in the development of peripheral businesses

Challenges and opportunities

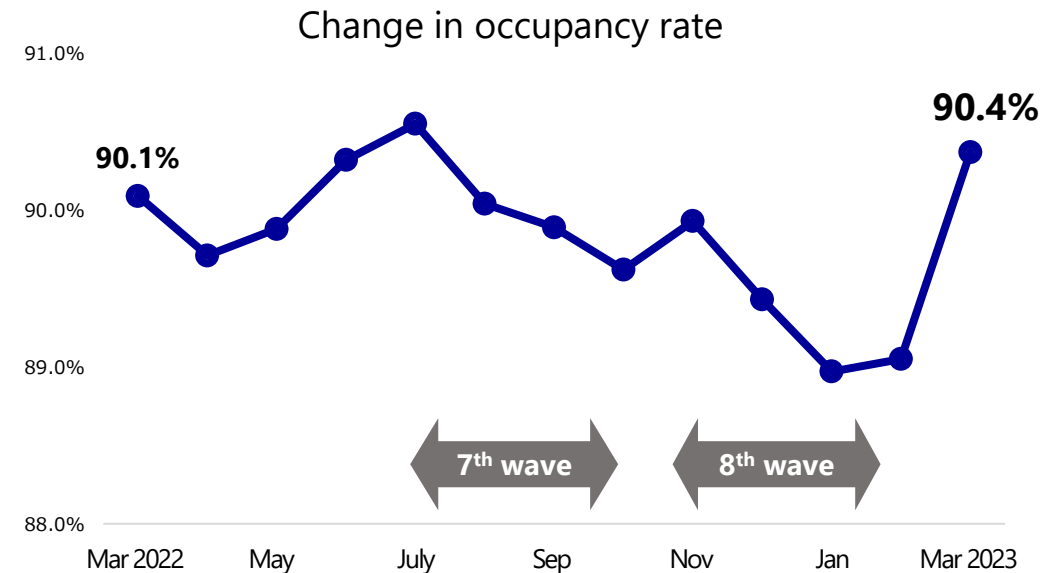
- Recovery from impact of COVID-19.
- Resolving growing social issues such as the shortages of caregivers.

Key measures for FY23

- ✓ **Quick recovery of the occupancy rate in nursing-care facility business**
 - Build relationship with local hospitals and care managers; Short stays (trials).
 - Enhance sales system.
 - Target occupancy rate at March 31, 2024: 93.9%.
- ✓ **Promotion of strategic plan to open new nursing homes**
 - Start expanding service areas (Kanazawa, Hiroshima, and Kumamoto) ⇒ Link to recruitment strategy.
 - Open new and distinctive nursing homes.
- ✓ **Initiation of new business development in nursing care peripheral fields**

Recent conditions (nursing-care facility business)

- Occupancy rate: 90.4% on March 31, 2023 (90.1% March 2022)
- Number of requests for materials: March 2023 +6.6% YoY



Investments aimed at recovery from impact of COVID-19

Challenges and opportunities

- Decreased enrollee due to impact of COVID-19.
- Rapid acceleration in declining birthrate.
- Easing competitive conditions owing to “double reduction policy.”
- Transition from fixed-cost sales to variable-cost sales.

Recent conditions

- Enrollment:-16.5% YoY (April 2023)
- Current retention rate and number of new enrollees exceeding those of the same period last year.

Key measures for FY23

✓ **Recovery of enrollment with emphasis on balanced income**

- Post-pandemic recovery of enrollment.
- Sales structure reform.
(Expansion of variable cost sales such as e-commerce and member proposal sales, etc.)
- Cost structure reform.
(Delivery, IT development costs, etc.)

✓ **Increasing LTV (life time value)**

- Expansion of peripheral businesses.
(Expansion of thinking skills courses, development of new courses, etc.)
- Revitalization of KIDS business.
(Recovery from store closures and suspension of operations due to COVID-19.)



1. Looking back on Phase 1 of the medium-term management plan

2. Positioning of FY23 and key measures in main businesses

3. Key points in the Transformation Business Plan

1. In order to keep striving to achieve the Group purpose in a business environment undergoing various structural changes, it is essential to **transform into a portfolio structure that allows sustainable income growth over the medium to long term.**
2. **By FY28, portfolio structure is to be achieved with the three pillars of income consisting “Core Education”, “Core Nursing Care”, and “New fields”.**
3. The Transformation Business Plan strives for the initiatives “**transformation of core businesses**” and “**challenges for new growth.**” The plan executes a reform in corporate management structure, namely **management system transformation** and **corporate transformation**, which are necessary for achieving those initiatives.

This Transformation Business Plan is an updated version of the medium-term management plan considering the various peripheral conditions surrounding the company.

Outline of Transformation Business Plan (to be announced on May 19th)



To continue pursuing the Group purpose, we will execute “transformation of core businesses” and “challenges for new growth,” both aiming for establishment of a portfolio structure for sustainable income growth, as well as “transformation of management system” to enable execution thereof.

Portfolio strategy

Three-pillared income structure supported by “Core Education”, “Core Nursing Care”, and “New fields” to be established in FY28 by reinforcing and allocating corporate resources to stabilize profitability in the “Core Education”, stabilize growth in the “Core Nursing Care”, and accelerate growth of “New fields”

Transformation of core businesses

- “Core Education”: Reform cost structure across organizational boundaries; restructure product value and sales methods; reform business model.
- “Core Nursing Care”: Rebuild dominance; reinforce sales and management.
- China: Reform structures; expand into 3rd to 4th tier cities; expand LTV.

Challenges for new growth

- University and Working Adult: Corporate and individual learning; and HR support business.
- Nursing Care peripheral: New business development.
- Overseas: Expand into specific countries based on core strengths (e.g., India).

Transformation of management systems to achieve the above

- Management system transformation: Management where top management allocates resources across the company.
- Corporate transformation: Reconstruction and enforcement of CXO structure to drive execution.

Review target figures in light of recent conditions of existing businesses and investment in new businesses for growth in FY25 and beyond



	Last time		This time
FY25 operating income target	¥40.0bn+	⇒	¥32.0bn+

FY25 ROE target remains at 10% or higher

**In order to provide stable dividends,
an annual dividend of 60 yen per share is
planned for FY23**

