



Presentation of Financial Results for the First Six Months of FY2019

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The earnings forecasts, future plans, and planned strategies described in this presentation are forward-looking statements concerning the Company's future performance and, therefore, are not statements of historical facts. They were deemed reasonable by the Company's management based on information available at the time of publication, but are subject to risks and uncertainties. Accordingly, users are requested to refrain from making investment decisions solely on the basis of the earnings forecasts contained in this presentation.

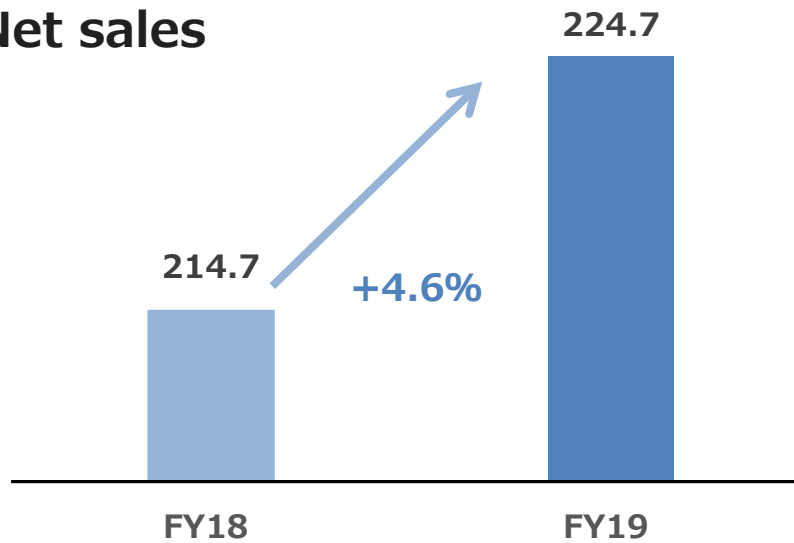
1. Results for the First Six Months of FY2019 and Full-Year Forecast

Sales and income up YoY, steady progress on this year's plans

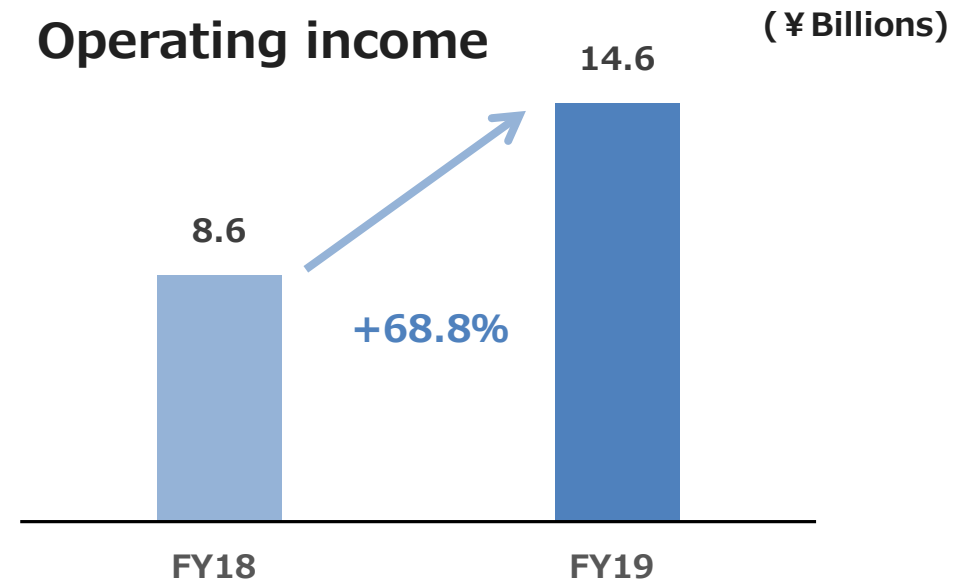
- **Implementing strategies prioritizing profit growth at Shinkenzemi**
- **Steady expansion in the school and teacher support business and the cram school business**
- **Reformed Berlitz and Kodomo Challenge in China**
- **Solid results in the nursing care and childcare business**

YoY Comparison of 1H Results

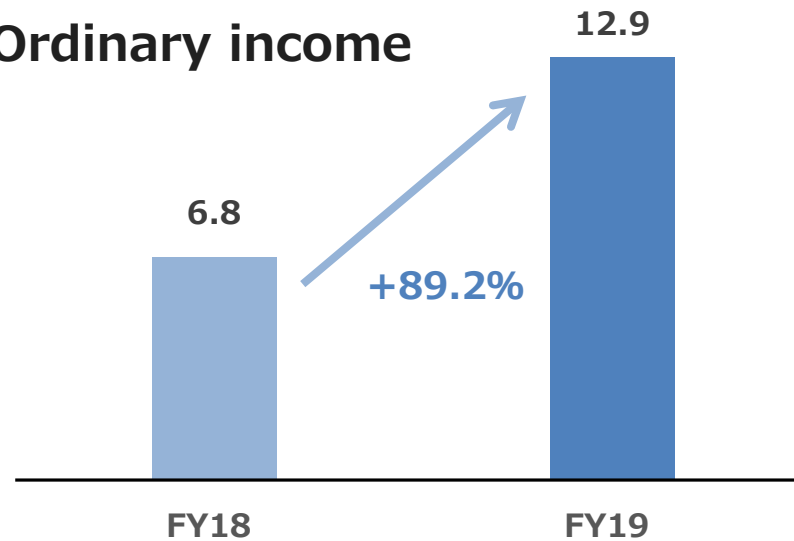
Net sales



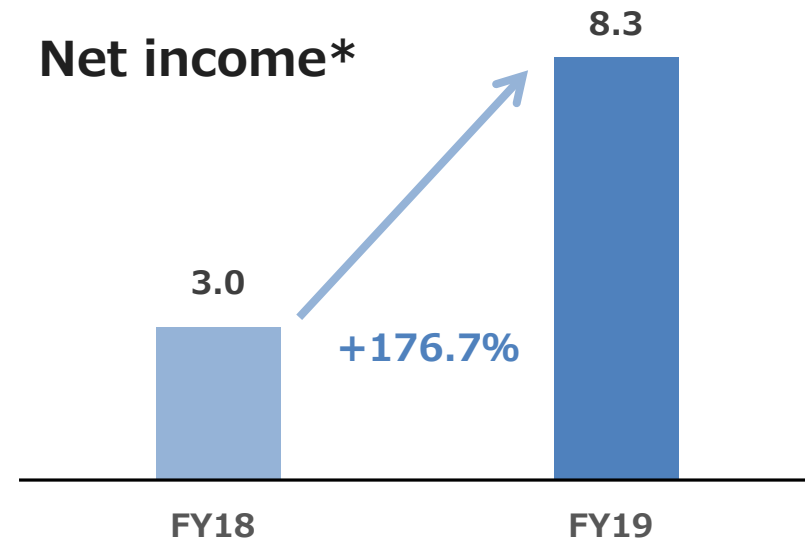
Operating income



Ordinary income



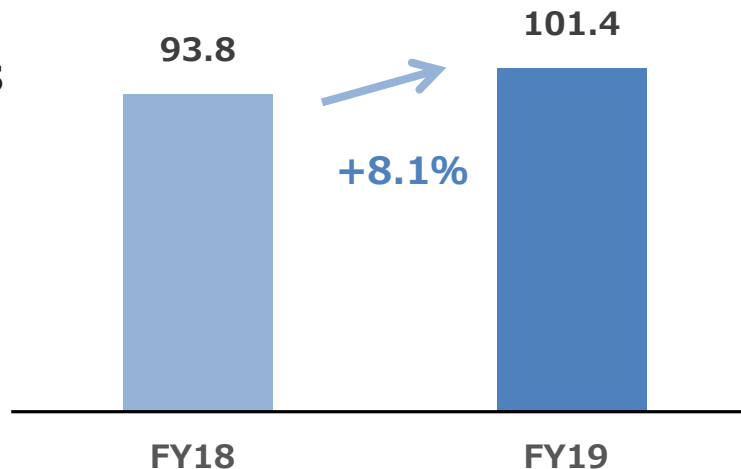
Net income*



1H Results: Domestic Education

Net sales up 8.1%
Operating income up 95.7%

Net sales

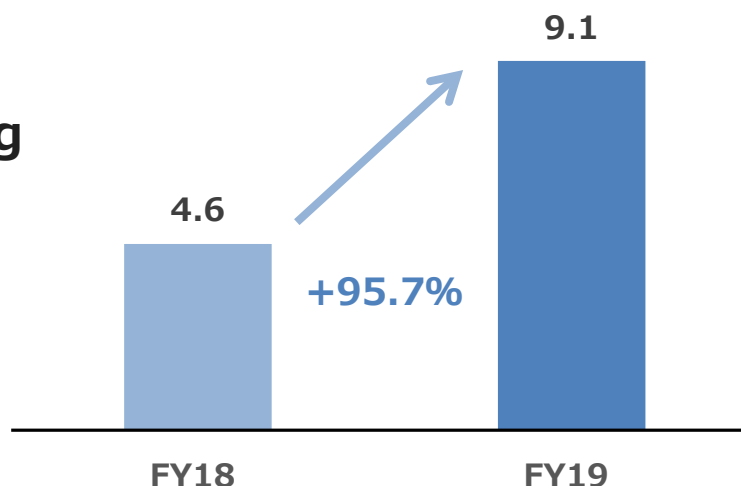


<Factors for change>

(¥ Billions)

- +2.3 Shinkenzemi
- +3.5 School and teacher support business, consolidation of Classi Corp. and EDUCOM Corp.
- +1.7 Cram schools, English education business

Operating income

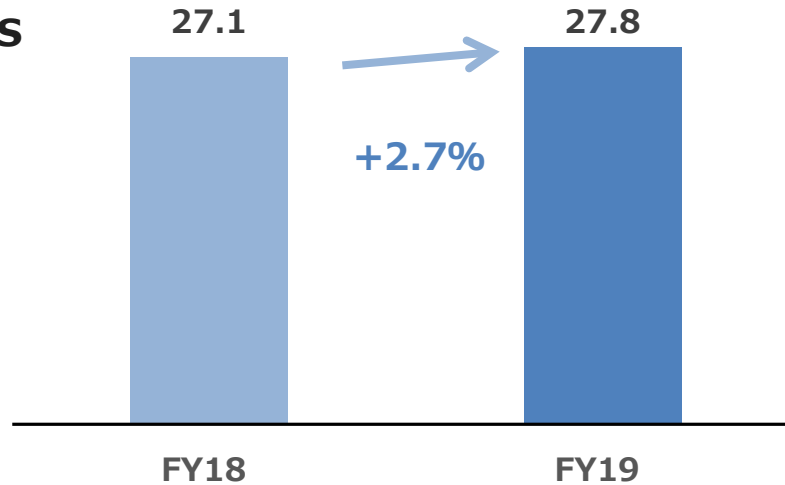


- +3.4 Shinkenzemi
(+) Higher sales, lower marketing costs
- +1.0 School and teacher support business, cram school business
(+) Higher sales

1H Results: Global Kodomo Challenge

Net sales up 2.7%
Operating income down 1.4%

Net sales

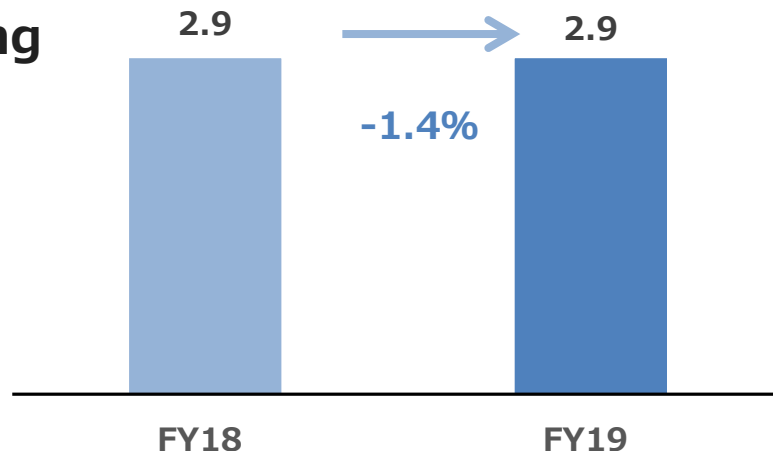


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(¥ Billions)

- +0.4 Japan: price revision
- +1.0 Overseas: price revision
- 0.7 Foreign exchange rate impact

Operating income

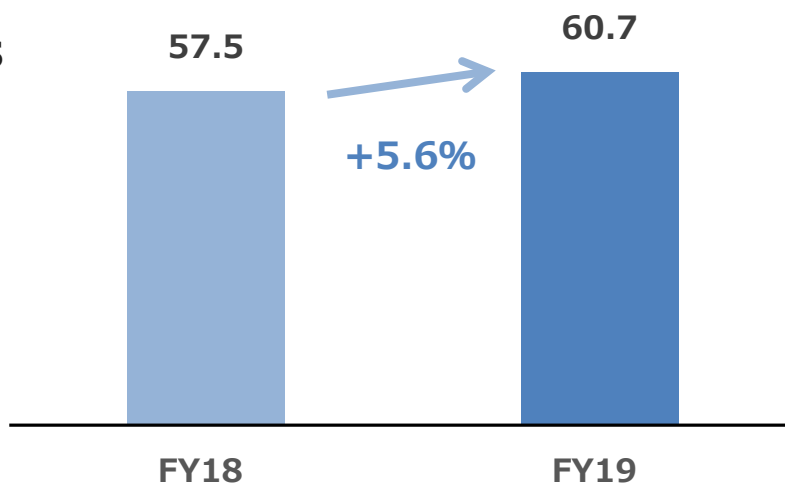


- 0.1 Japan:
(+) Higher sales
(-) Higher marketing costs
- +0.1 Overseas: higher sales in China
- 0.1 Foreign exchange rate impact

1H Results: Nursing Care and Childcare

Net sales up 5.6%
Operating income up 9.4%

Net sales

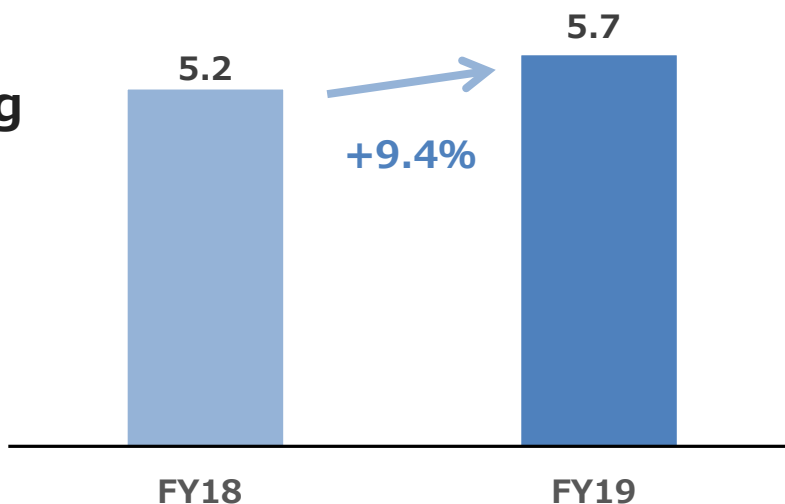


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(¥ Billions)

+3.2 Increase in nursing home resident numbers

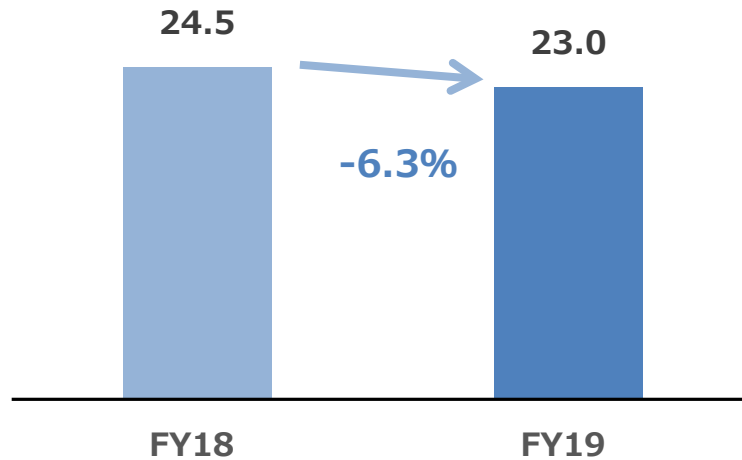
Operating income



+0.4 Higher sales

Net sales down 6.3% Operating loss shrank by ¥ 0.3bn

Net sales

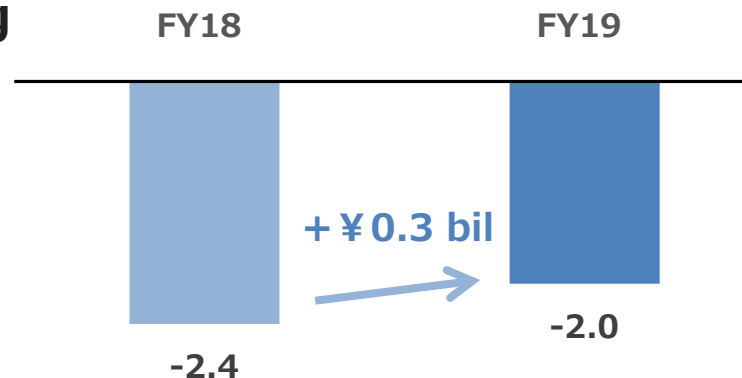


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(¥ Billions)

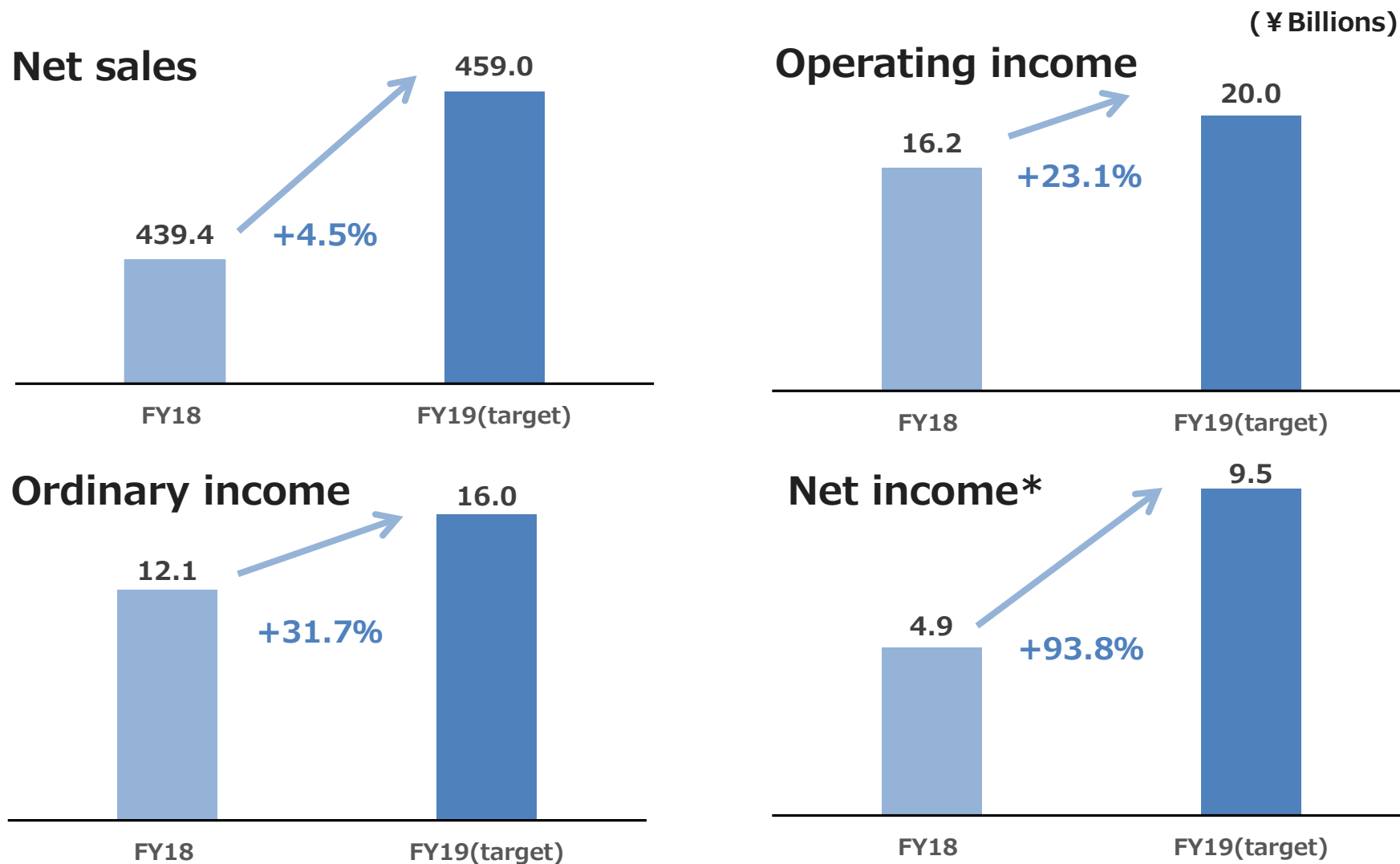
- 0.8 Impact of franchising conversion in Scandinavia in BTS, lower sales from ELS
- 0.7 Foreign exchange rate impact

Operating income



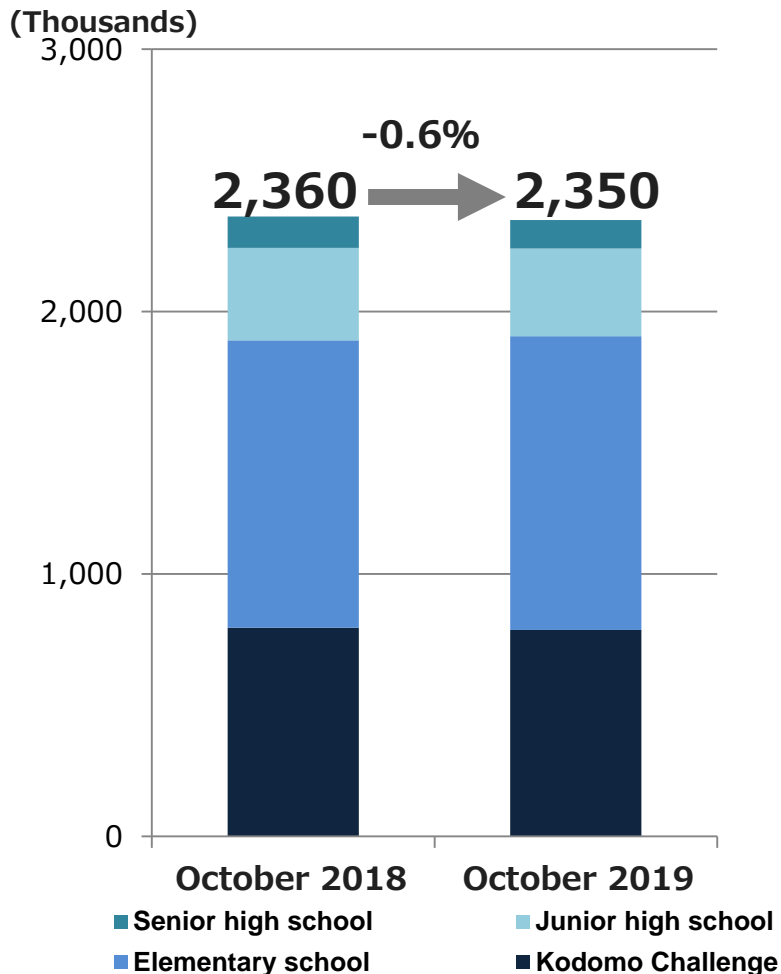
- +0.3 (-) Lower sales
(+) Reduction of fixed costs by closing schools

Targets announced on May 10, 2019 unchanged



2. Strategies Going Forward

Profit growth on target from reduction in ineffective marketing, despite YoY fall in total enrollees



As of October

(Thousands)

Courses	2018	2019	Change	%
Senior high school	120	110	-10	-9.0
Junior high school	350	330	-20	-5.1
Elementary school	1,100	1,120	+20	+2.1
Kodomo Challenge (preschool)	800	790	-10	-1.2
Total	2,360	2,350	-10	-0.6

On track to meet targets despite decrease in new enrollees in the summer

- **Operating income up strongly YoY as targeted**
 - Boost from price revisions in April
 - Cutback ineffective marketing
- **Average retention rate stable despite price revisions**
 - Steady YoY, exclusive of April new enrollee campaign impact
 - Some grade levels slow in 1H, but rate rose each month
- **Decrease in new enrollees in the summer**
 - Prioritized retention rate, curbed marketing expenses and new enrollee campaigns from August
 - Negative impact from stronger campaigns by competitors

Digitalizing Senior High School Course

Strategy for Junior and Senior High School Courses

From the presentation on
FY2018 financial results

Increase customer satisfaction and profitability,
with the digitalization of products and services

2018



- School homework increased
- Enrollees who did not have enough time to use materials increased
- Smartphone usage rates were high among students

2019



- Shift from some paper materials to smartphone apps
→ More personalized learning and featured better search functions
- The cost structure improved

Renewed sequentially from
the 1st grade

- Increased course material usage
 - Up 10%
 - Both digital and pen-and-paper materials
- Retention rates also up YoY
- Profitability increased

Also digitalizing junior high school courses
from April 2020

Senior high school

- Essay questions to develop critical thinking, decision making skills and expressiveness
- Learning methods tailored to each high school



Junior high school

- Digitalize to improve user friendliness
- Adaptive learning curriculum
- An AI speaker as a learning assistant



Elementary school

- Tailor English study materials to fit school curriculum changes
- Develop computer programming lessons
- Provide lessons on creative writing




All

- Provide support for improving practical English capability

Registrations for April 2020 on track to reach record-high levels
Strengthen marketing to attract new enrollees in April

Expanding business with a broad lineup of services from schools to adult education

School and teacher support	Shinken Simulated Exams	<ul style="list-style-type: none"> • 5.6 million examinees in FY2018
		<ul style="list-style-type: none"> • 2,500 school users for Classi* +400 schools YoY Now used by almost 50% of all high schools in Japan • 7,500 elementary and junior high school users for EDUCOM*
English education	GTEC	<ul style="list-style-type: none"> • Examinees: 1.26 million in FY2018 +230,000 students YoY
Support college students and adults	Benesse i-Career	<ul style="list-style-type: none"> • Net sales* up 39.2% YoY
	Shinken-Ad. Co., Ltd.	<ul style="list-style-type: none"> • Net sales* up 6.6% YoY

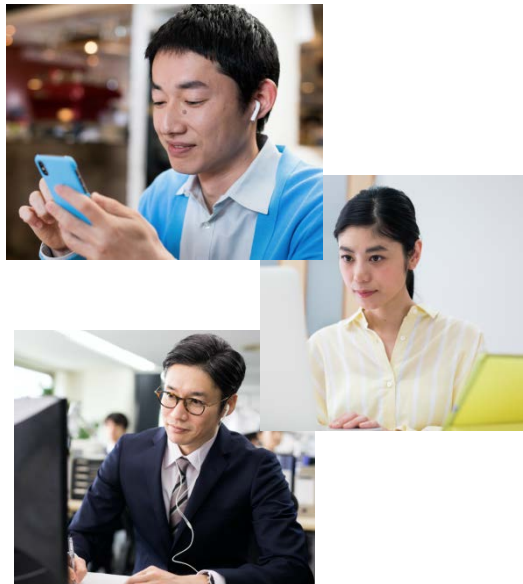
* As of May 2019

* 1H FY2019 results

Scaling up adult education services in partnership with Udemy, one of the world's largest online learning platforms



- Over 40 million users in 190+ countries
- Launched services for corporations in June 2019 in Japan
 - 50+ companies registered in four months after the launch
- Received awards from METI and the Japan Electronic Publishing Association at an awards event held by e-Learning Initiative Japan



*Benesse Corporation has been Udemy's exclusive partner in Japan since 2015

Steady growth in English education and cram schools, strengthening Class Benesse

English education

- Increase in students at BE Studios
294 outlets (excluding franchise operations)*
25,000 enrollees* **+9.1% YoY**

* As of September 30, 2019



ベネッセの英語教室

BE studio

Group's cram schools

- Steady sales growth at the Group's cram schools*
Combined net sales of four cram schools up 3.0% YoY

*Tokyo Individualized Educational Institute, Tetsuryokukai, Up Inc., and Ochanomizu Seminar



**Benesse Group
cram schools**

Class Benesse

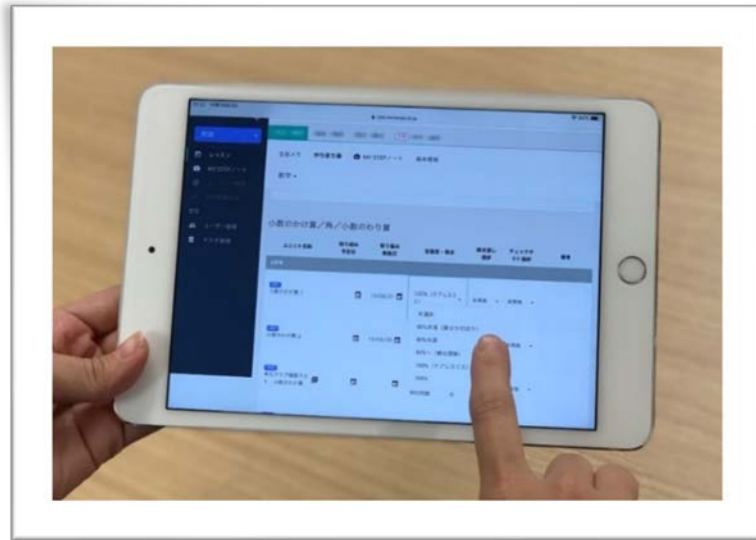
- Expanding links with Shinkenzemi
59 locations* **+22 locations YoY**
4,135 students* **+32.0% YoY**

* As of September 30, 2019



**Class Benesse
cram schools**

Introduce digitalized learning system to enhance the linkage with Shinkenzei for Class Benesse



Main features and initiatives

- Enable personal management of scholastic achievements
- Provide tests and review videos for each subject
- Share information among instructors
- Analyze results and data with a view to use AI in the future

New learning systems compatible with Shinkenzei

- Improve teaching quality and scholastic productivity



Reform Kodomo Challenge in China to revitalize growth

Product Strategies

- Renew course materials
 - Renewed products in FY2018
 - Renewed product lineups for the lowest age category of 7 to 35 months
 - Total enrollment in 2Q up 6.6% YoY
 - Renewed products in September 2019
 - 3 Courses for children age 2 to 5
 - Aiming to increase the retention rate going forward



Kodomo Challenge in China

Marketing Strategies

- Strengthen sales via E-commerce channels through partnerships with other companies
 - Rising ratio of E-commerce sales to total sales
 - From 7% in FY2018 to 13% in FY2019



AI speaker developed in collaboration with Alibaba Group Holding Ltd.



Video app developed by Tencent Holdings Ltd.

Increase the No. of high-end nursing homes and maintain high occupancy rates

- **Steadily grow nursing homes numbers and increase the No. of high-end nursing homes**

- **No. of nursing homes: 326 as of Sep 30 2019**
+9 nursing homes YoY (of which 5 were high end)

- **Maintain high occupancy rates by differentiating services**

- **Received Good Design awards for the Benesse Method in nursing care and childcare business**

- First award for the Granda Inamuragasaki nursing home

- Second award for a booklet, cards and website based on the Benesse Method for childcare

Granda Ashiya
Opened in April 2019



Note: A nursery school was built at the Granda Ashiya

Urawa Seishotei
Opened in September 2019



The Benesse Method for childcare



Words that Continually Expand a Child's Universe is a booklet that encapsulates about 25 years of practicing the Benesse Method in nursery schools

Overhauled personnel systems to develop and retain human resources

- **Improved salaries and wages for nursing care staff and revised the personnel system in October 2019**
- **Annual investment totaled about ¥ 1.4 billion, including government subsidies**

Residential nursing home services

- Increased salaries of full-time nursing care employees who are certified care workers (to at least ¥ 5 million for team leaders, at least ¥ 4.4 million for others)
- Established a new professional qualification system
- Raised wages for part-time staff

Home nursing care services

- Raised salaries of managers in charge of service provision
- Higher salaries and wages were extended to care managers not covered by benefits

Additional Restructuring

- **Additional cost reduction by franchising and closing schools in countries with poor profitability**

BTS (Language services)

- **Concluded franchise agreements in 4 countries in Scandinavia and for 2 schools in Mexico. Agreements in more countries are planned this year.**
- **Closed most schools in France (with some turned into franchises), and plan to close 23 schools in the U.S.**

ELS (Study abroad support)

- **Closed (or scheduled to close) 9 schools in the U.S. and sold off schools in Australia.**

- **Reorganize management structure of BTS in North and South America**

Berlitz 2.0 leads to the next stage of growth

- **Offering an all-new student experience to meet the needs of customers worldwide**
 - Improve flexibility with a new learning platform
 - New online courses to realize individualized study attuned to specific study goals, paces and preferences
 - Enhance productivity and convenience with new CRM/ERP systems (new website to aid communication with potential customers)
 - Widen customer base and increase margins with new pricing strategy

An all-new student experience

- Services optimized for smartphones
- Easy to manage lesson schedules and online review
- New Berlitz Method based self-study materials to enhance service quality and to realize consistency of learning with classroom lessons and online study

In FY2019, we intend to take account of changes in the business environment by swiftly enacting full-fledged reforms designed to achieve medium-term growth

