



**Benesse Holdings, Inc.**

FY2022 1H Consolidated Financial Results Briefing

November 9, 2022

## Event Summary

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<b>[Company Name]</b>	Benesse Holdings, Inc.	
<b>[Company ID]</b>	9783-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	FY2022 1H Consolidated Financial Results Briefing	
<b>[Fiscal Period]</b>	FY2022 1H	
<b>[Date]</b>	November 9, 2022	
<b>[Number of Pages]</b>	23	
<b>[Time]</b>	16:00 – 17:00 (Total: 60 minutes, Presentation: 47 minutes, Q&A: 13 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Hitoshi Kobayashi	Representative Director, President, and CEO
	Shinsuke Tsuboi	Managing Executive Officer, CFO, Executive General Manager of Finance and Accounting

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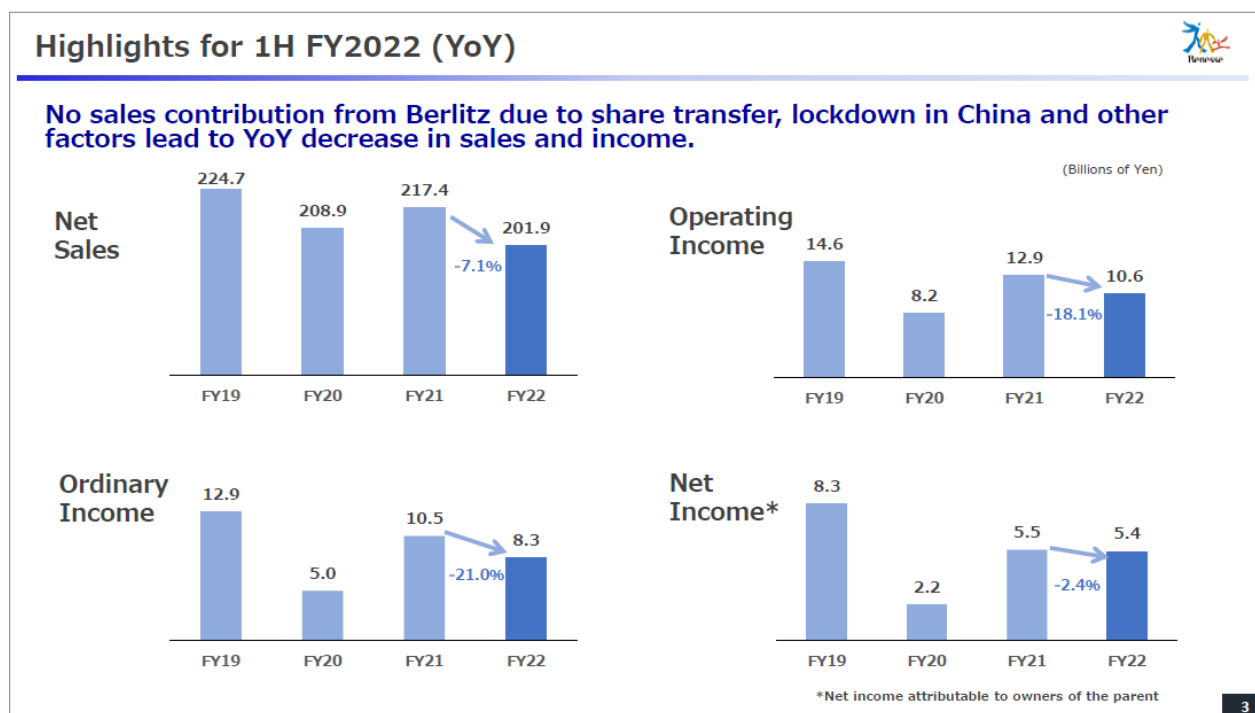
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## Presentation



**Tsuboi:** I will now give an overview of our business performance for Q2 of the fiscal year ending March 31, 2023, and the outlook for the full fiscal year.

In our consolidated results for Q2 of this fiscal year, unfortunately, both sales and profits declined on year.

Net sales decreased JPY15.4 billion, or 7.1%, from the previous year. In addition to the impact of the sale of Berlitz in the previous fiscal year, which reduced revenues by JPY13.1 billion and had the greatest impact, there was also the impact this current fiscal year of the COVID-19 pandemic, which reduced revenues in the Kids and Family business segment by approximately JPY3.5 billion due to lockdowns in major cities in China, particularly Shanghai.

Overall sales in the Education Business in Japan segment fell by JPY1 billion as sales declined by more than JPY4 billion due to a decrease in Shinkenzeni enrollments, while sales in business for University students and Working adults increased significantly by JPY2.8 billion from the previous fiscal year.

In the Nursing Care and Childcare business, the seventh wave of COVID-19 delayed the improvement of the occupancy rate, but the increase in new locations and the effect of the M&A of a nursing care staffing company resulted in a JPY1.7 billion increase in revenues.

On the other hand, operating income decreased by JPY2.3 billion versus the previous year. Originally, we had expected a slight decrease in profits in 1H of this fiscal year, but the negative impact of the COVID-19 pandemic on China and the Nursing Care and Childcare businesses was significant, resulting in a larger-than-expected decrease in profits.

Ordinary income was down JPY2.2 billion as well.

Net income decreased by JPY132 million from the previous year, with the depth of decline reduced by the effect of lower tax expenses due to the sale of Berlitz.

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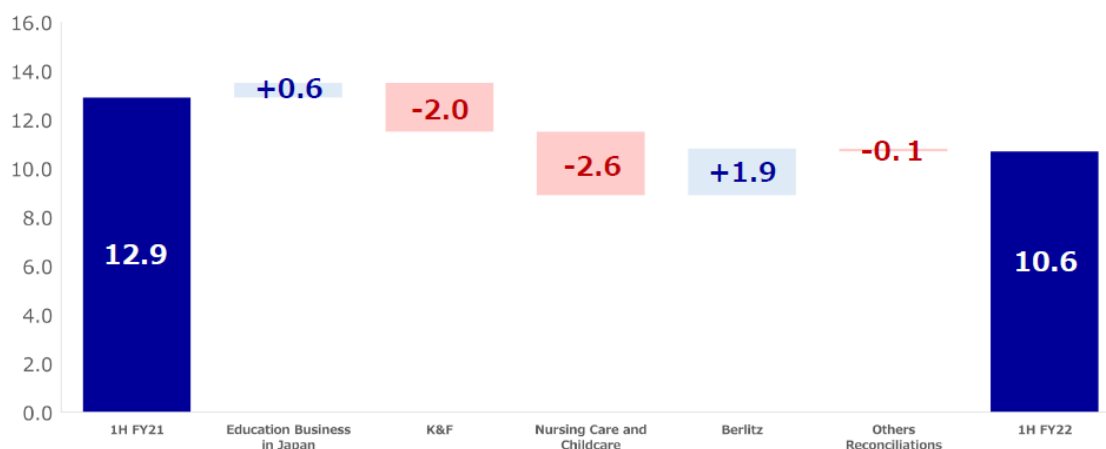
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## Change in 1H FY22 operating income by segment (YoY)



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)



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This is a waterfall chart of operating income by business segment for 1H of the year compared to the previous year.

The main reason for the decrease in profit was the impact of lockdowns on our China business. One of the reasons for this was a JPY2 billion decrease in earnings in the K&F business, mainly due to shipment delays caused by lockdowns, and the impact of enrollments withdrawal from the K&F business caused by these delays. In addition, in the Nursing Care and Childcare business, there was the negative effect of the occupancy rate at the beginning of this fiscal year, which started at 90.1%, a decrease of 2.5% from the previous fiscal year.

In addition to this, there was a significant decrease in profit to JPY2.6 billion, due to soaring utility costs, increased personnel costs in response to the seventh wave of COVID-19, and up-front expenses for sales promotion to raise the occupancy rate during the current fiscal year.

Regarding this, in addition to loss reduction due to the sale of Berlitz, which added JPY1.9 billion, there was an increase of JPY0.6 billion in total Education Business in Japan in 1H of the year, but this was not enough to offset the negative impact.

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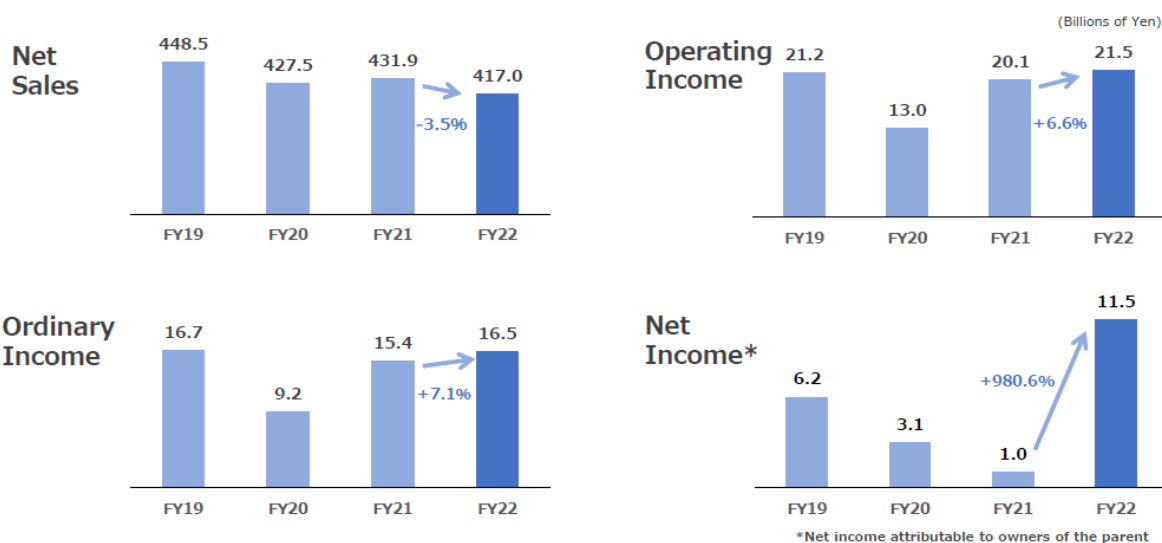
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## Highlights of FY22 full-year forecasts (YoY)



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.



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I would like to continue with the announcement of our full-year earnings forecast.

In light of the situation in 1H of the fiscal year, we regret to announce a downward revision of our full-year earnings forecast.

The new forecast is for net sales of JPY417 billion, a decrease of JPY9 billion from the initial forecast and a decrease of JPY14 billion from the previous fiscal year; operating income of JPY21.5 billion, a decrease of JPY3.5 billion from the initial forecast and an increase of JPY1.3 billion from the previous year; ordinary income of JPY16.5 billion, a decrease of JPY3 billion from the initial forecast and an increase of JPY1.1 billion from the previous year; and net income of JPY11.5 billion, a decrease of JPY2 billion from the initial forecast and an increase of JPY10.4 billion from the previous year.

Although it is a downward revision, except for net sales, which will be significantly affected by Berlitz, we expect the profit base to increase from the previous year, with operating income and ordinary income increasing for the second consecutive year, and net income improving significantly due to the absence of loss on sales of shares of affiliates resulting from the sale of Berlitz.

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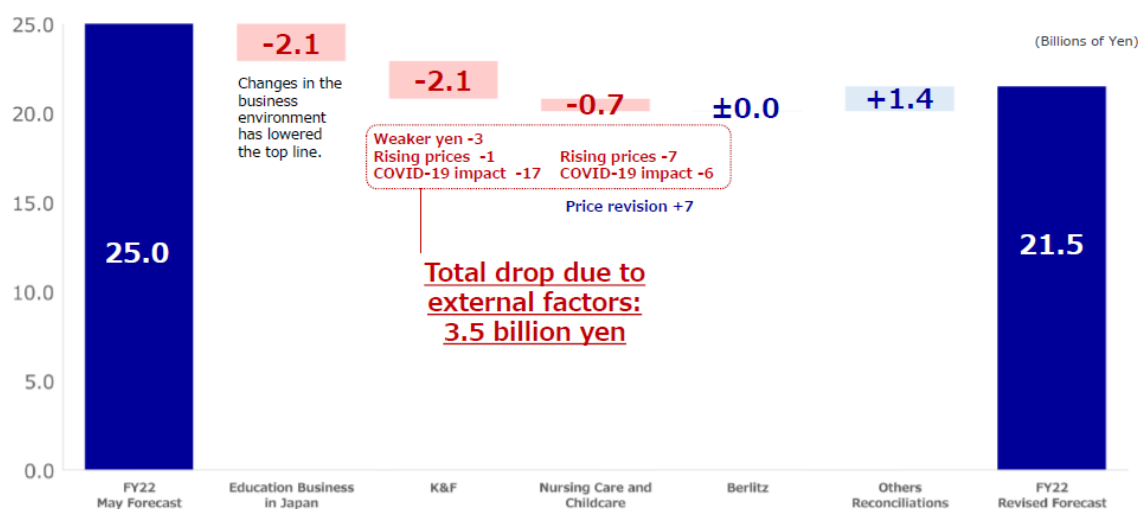
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## Change in FY22 operating income forecasts (vs. May Forecasts)



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.



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Next, I will use this waterfall chart to explain how the initial forecast for operating income was changed to the revised forecast.

First, as mentioned in the 1H results, the negative impact of the lockdown in China and the effect of the seventh wave of COVID-19 in Japan on the full year is expected to be negative JPY1.7 billion in the K&F business, and negative JPY0.6 billion in the Nursing Care business, for a total negative impact of JPY2.3 billion. The impact of price hikes and foreign exchange rate fluctuations is estimated to be minus JPY0.4 billion for the K&F business and minus JPY0.7 billion for the Nursing Care and Childcare business, for a total negative impact of JPY1.1 billion. The total amount of uncontrollable factors caused by changes in the external environment that may cause a decrease in profits is JPY3.5 billion.

In the Nursing Care and Childcare business, in response to soaring prices, we will implement a uniform price increase at all facilities starting this December, which is expected to have an effect of increasing profits by JPY700 million for four months in the current fiscal year.

On the other hand, in the Education Business in Japan, although we expect profit for the full year to be higher than in the previous year, the impact of changes in the business environment, mainly the acceleration of intra-year university entrance exams; non-general entrance selection held earlier than general exams, has slowed profit growth in the Shinkenzenmi business, School & Teacher Support business, and Prep School business, as top-line growth is not expected to be as strong as we had expected at the beginning of the fiscal year. The full-year forecast includes the impact of this slowdown.

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## 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.



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This is the last part of my explanation, and it is a waterfall chart of the revised forecast by business segment, this time comparing it to the previous year.

Education Business in Japan business, which was negative in the initial forecast, will secure an increase of JPY1.3 billion in profit compared to the previous year. While the Shinkenzei business is expected to see a slight decrease in profit, the business aimed at university students and working adults, which is positioned as a growth area, is expected to increase profit by about JPY900 million. The Prep School and Classroom business and the school business are also expected to maintain profit growth.

K&F expects a much smaller decline in profit for the full year, although the impact of the China lockdown will remain.

In addition, full-year loss is expected to be narrower than in 1H due to price hikes in the Nursing Care and Childcare businesses starting in December.

After bottoming out in FY2020, there have been two consecutive terms of profit increase. Although the level of operating income will unfortunately decline, we hope to achieve the target set in phase one of the medium-term management plan of operating income exceeding FY2019 in two years.

That is all from me.

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## Executive Summary



- 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

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**Kobayashi:** Tsuboi just explained the details of the figures, but I would like to focus on the progress of our current strategy and what we are thinking about now.

I'll begin with an executive summary.

First of all, as Tsuboi mentioned, we have revised our forecast for FY2022 due to the significant impact of external factors. It revises the operating income forecast from JPY25 billion to JPY21.5 billion.

As Tsuboi said, the reason for the revision is our recognition that external environmental factors, such as the impact of Covid-19, rising prices, and the weaker yen, as well as changes in the business environment for the education business, have had an impact.

The second point here is that the Education business in Japan is facing changes in education, and some alarms have been raised, which I will talk about later. We are currently considering taking measures to address this issue as soon as possible, and are about to begin work on it.

The third point is that, as I have been saying for some time, we will focus on the area of university and working adults support, and we have seen steady growth in this area during the past half-year. We have identified sufficient opportunity points and would like to strengthen them further.

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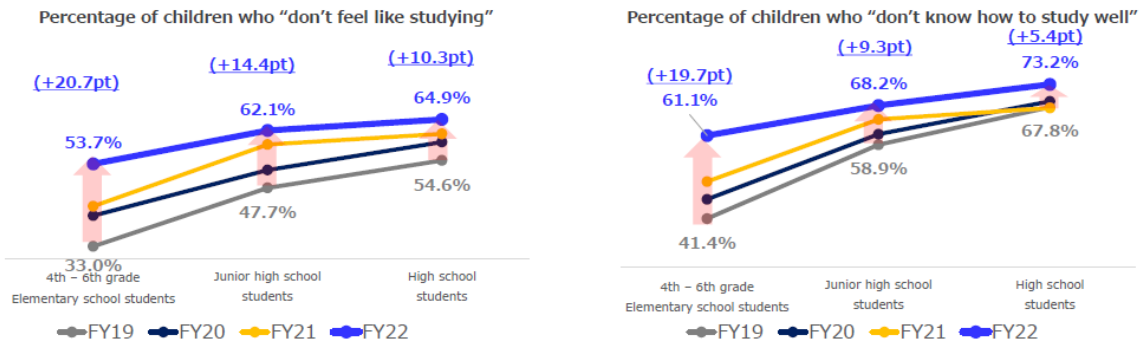
<Changing environment①>  
Decline in children's motivation to learn

※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" %



<b>Threats</b>	<ul style="list-style-type: none"> <li>Decline in learning motivation affects mainly out-of-school learning</li> </ul>	<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Expanding need for parents to motivate their children to learn</li> <li>Expanding diverse learning beyond coursework</li> </ul>
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First, I would like to discuss three changes in the environment in the Education business in Japan area, especially those that we see as changes that we should pay attention to.

The first is that children are less motivated to learn, and it has already been three years since COVID-19 began. We believe that it is very significant that children's motivation to learn is not rising, but rather falling, as changes in lifestyle and in school education are being explored due to COVID-19.

The diagram on the left shows the percentage of children who say they have no desire to study, which in FY2019 was 33% for fourth to sixth graders, is now 53.7%. This has happened over the past three years, going up 20 points.

In particular, the percentage of children in the fourth through sixth grades has increased by 10% compared to a year ago, showing that the percentage of children who are not easily motivated to study has increased. This was three years ago, so these children were in first and second grade when the COVID-19 started. COVID-19 occurred when their learning style was still not fully developed, and the students were not able to stabilize their learning at school or develop their own learning style. The percentage is largest for students going into grade four to grade six.

In junior high and high school students as well, this year's survey is the worst, as the numbers here remain poor.

The table on the right shows the percentage of children who do not know how to study well, and here, too, the largest gap appears in grades four through six. The reason, as I mentioned earlier, is that during these three years of growing from first through second grade to fourth through sixth grade of elementary school, they still have not fully established their own learning style. Or I think it may be an indication that the children are affected by the fact that school learning was being explored in the midst of so many changes.

As for the threat from this change, the decline in motivation to learn has naturally affected the focus on out-of-school learning. For example, specific figures are available on the intention to join or continue Shinkenzenmi.

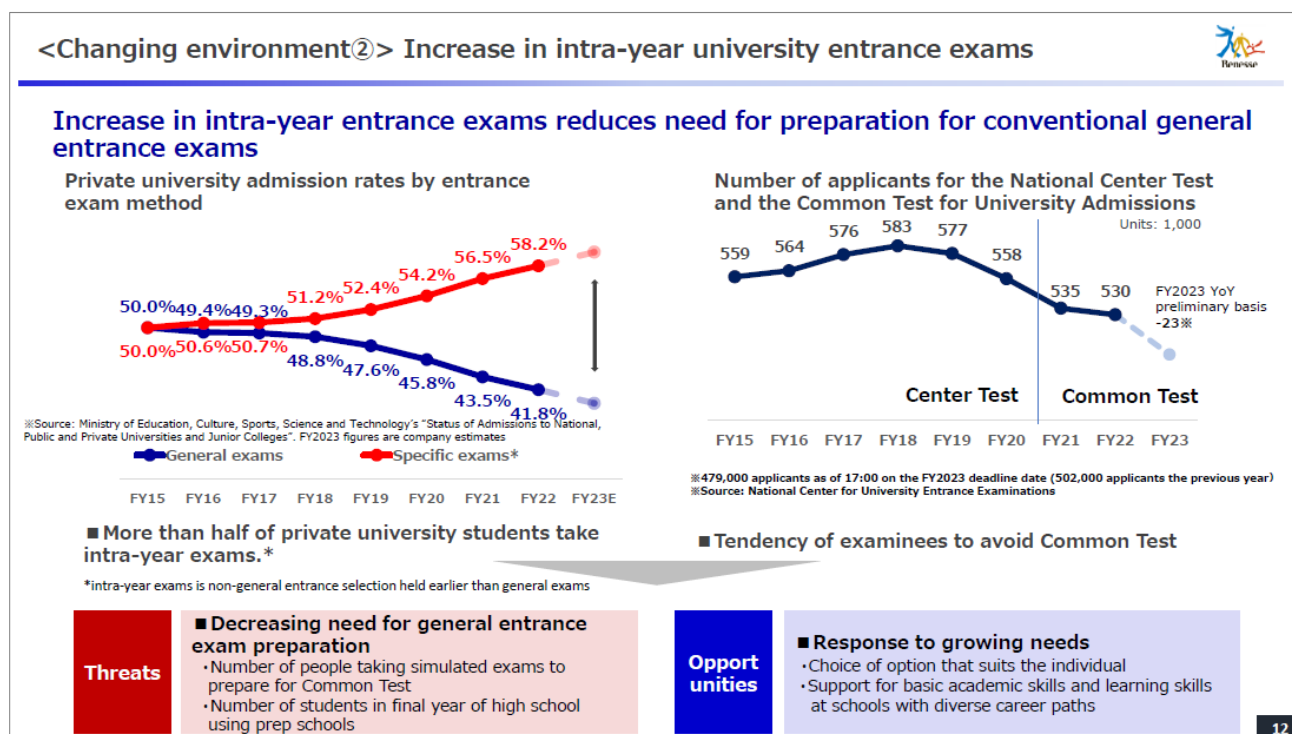
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When asked about their next study method after withdrawing from Shinkenzenji, we found that a large number of students planned to do nothing.

So, of course, there is an opportunity here. This kind of situation is occurring among children all over Japan, and I also believe that this is a social issue. We will squarely face this issue and motivate children to learn. We are aware that the needs of parents and guardians are growing, and we would like to address this issue by expanding the scope of learning beyond academic subjects. This will help deal with changes in the environment.



The second area is environmental change.

This shows what we call intra-year university entrance exams, which is generally referred to as the recommendation entry exams. The percentage here is spreading year by year, and furthermore, that spread is likely to continue in the future.

The table on the left shows the percentage of students admitted to private universities by entrance examination type, and the red line shows the percentage of those admitted to private universities through intra-year entrance exams. It has already exceeded 50% and has done so for quite some time, and now it is approaching 60%. These numbers are expected to spread further in the future.

The table on the right side shows the number of applicants for the National Center Test for University Admissions, the common test held in January. Of course, the number of students who take the common test will decrease in proportion to the increase in the percentage of private university intra-year entrance exams. This year has not yet been finalized. The number of people surveyed is estimated to decrease from 530,000 last year by 23,000 or more this fiscal year.

As for what will happen as a result of this, the threat is naturally a decrease in the need for general entrance exam preparation. The number of students who take the Shinken Simulated Exam to prepare for the common test will be impacted, and the number of students in the third year of high school will have a rough idea of their entrance exams by summer, which naturally poses a threat.

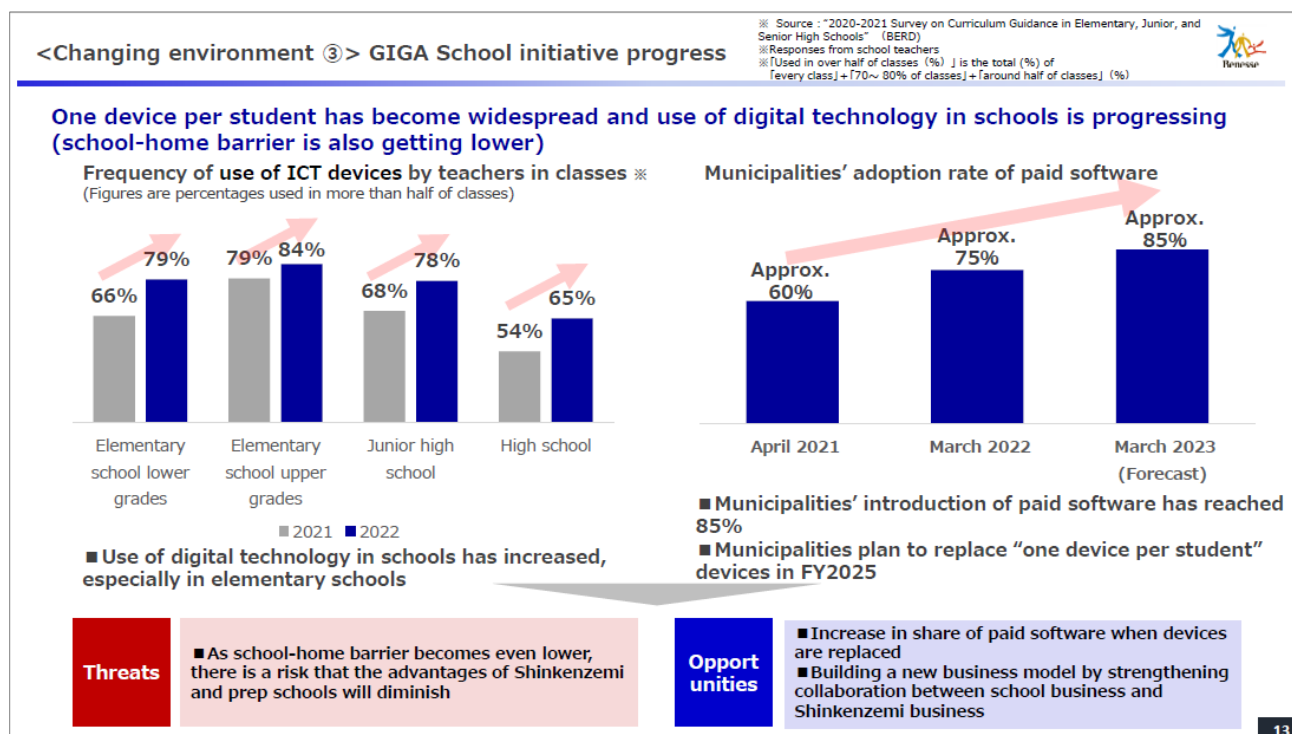
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Conversely, this is an opportunity. It is an opportunity to respond to expanding needs, which means that it will become more necessary to choose a college with a clear idea of future career paths first. How can you make the right career choice for yourself with a sense of fulfillment? Or, support for basic academic and study skills in schools with diverse career paths.

The willingness, or necessity to learn falls away because of the intra-year entrance exams. In that case, without having acquired sufficient basic academic skills, they would pass the intra-year entrance exams and enter university life. This will be a very big social issue, and I believe that there are ample opportunities in addressing this issue, and that it must be faced.



The third and final point regarding environmental change is the progress of the GIGA school initiative. One terminal per person became that norm during the COVID-19 pandemic. The use of digital technology in schools has come a long way in the past three years. We recognize that the barriers between school and home are becoming lower, and that such changes are taking place.

The table on the left shows the frequency of teachers' use of ICT equipment in the classroom, from lower elementary school to upper secondary school. This is a two-year comparison, of 2021 and 2022, that shows considerable progress.

The table on the right shows the percentage of municipalities that have introduced purchased software. In April 2021, about 60% of municipalities had adopted it. We already estimated that 60% of municipalities adopted paid software by March, but this figure is expected to increase to 85%. The threat here is that the barriers to learning at school and at home will become even lower. Our view is that the advantage of Shinkenzemi and Prep school and classroom businesses may decline.

Conversely, it is an opportunity. These terminals are actually due for replacement in 2025. The replacement would involve distributing terminals again, or purchasing them at personal expense. Although this has not yet been fully decided as a national policy, we believe that there is a good possibility of expanding the market

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share of paid-for software at the time of replacement of Mirai Seed, which currently has the largest market share.

To be more precise, when municipalities install paid software now, it is based on a five-year contract. Recently, there has been a slight increase in one- and two-year contracts, which means that at the end of this five-year contract, there is an opportunity to further increase market share.

Another opportunity is the creation of a new business model that strengthens the collaboration between the School & Teacher Support and Shinkenzeni businesses more strongly. To be a little more specific, for example, the dedicated tablet PC is now included in the Shinkenzeni course fee. This is also where a BYOD type of system becomes possible for the Shinkenzeni business, if the device really becomes a personal expense at the time of replacement. In a BYOD environment, we believe there is a good chance of connecting school learning and Shinkenzeni contents on a single device. We will take these points of opportunity into careful consideration.

**Education Business in Japan : Initiatives based on the current situation of Shinkenzeni**

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**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

⇒「Shinkenzeni 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

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

Responses

Supporting people with data



**チャレンジ サポート電話**

Learning like never before using VR



**ハイリウム学習 VR studyゴグル**

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

Tie-up with Nintendo Switch

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

Learn alone      Learn together



Only for new 5<sup>th</sup> grade ~junior high 1<sup>st</sup> grade Shinkenzeni members

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In the midst of these three major changes in the environment, I would like to introduce what we are currently thinking about, or taking steps for, in each business.

First, I would like to introduce an approach based on the current status of Shinkenzeni.

The most immediate thing that Shinkenzeni needs to address in the changing environment that I mentioned earlier is the need to respond to children's lack of interest and motivation in learning.

In that sense, as we have already announced, we are now thinking about incorporating new learning into the Shinkenzeni starting this March or April. We are preparing to launch a new service that will motivate children to learn through VR learning or through a tie-up with Nintendo Switch, and are working on its release.

The challenge is that children are less motivated to learn, given the decrease in the competitive rate of examinations and the prolonged COVID-19 pandemic. We are firmly facing this issue through Shinkenzeni. As

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for the campaign, we would like to respond to the feelings of the children and their parents by launching the new marketing campaign during this peak time.

We are now considering three specific areas for this approach.

The first, which is shown on the left, is the consulting service, which is supporting people with data. We not only send out Shinkenzeimi, but we also know the status of its utilization. In this context, we are trying to enhance our efforts to work directly with children by providing learning advisors based on each student's learning data.

The second point is that we will develop unprecedented learning using VR. We are planning to start offering the program beginning with the junior high school preparatory course. to develop a new type of learning, where students can enter into learning by seeing and experiencing for themselves, rather than abstract learning.

The third point is that, as we announced today in a press release, a new service called Shinkenzeimi Score Boost Series for Nintendo Switch. We hope that this service will provide an opportunity for students to study on a daily basis, and to create many experiences in which they can learn and enjoy studying. First, we are considering releasing a service within tuition fees, exclusive to Shinkenzeimi members, for the three grades from new fifth graders to new junior high school first graders.

## Education Business in Japan : Shinkenzeimi marketing transformation



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



[Examples of high school courses]

- Send authentic hands-on teaching materials to experience the value of Shinkenzeimi 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**

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Regarding a marketing transformation for Shinkenzeimi, we also face the problem of how to improve marketing efficiency while encouraging people to consider enrolling in Shinkenzeimi.

Currently, we can actually see one major achievement in summer sales. That is experiential-style marketing that allows people to get a firm grasp of the evolving value of Shinkenzeimi. We have always offered hands-on experience, but this summer we took on the challenge of sending the entire trial materials so that students can experience more than ever how easy it is to understand Shinkenzeimi explanations and how easy it is to use the materials.

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Comparing the results of using that approach and not using it, we can see that the student acquisition cost per person, or CPO, improved by about 40%. We would like to introduce this approach during this peak time as well, while pursuing more efficient sales of Shinkenzeni.

## Education Business in Japan : School business

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**High school business**

**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

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Next is the School and Teacher support business.

For the high school business, we have just talked about the issue of intra-year entrance exams as a challenge and environmental change. I believe it is very important to face this first.

In the elementary and junior high school business, I mentioned the changes with the GIGA School initiative, and that tablet replacement in 2025 is a major opportunity. With this in mind, we see this as a challenge to thoroughly strengthen the product power of Mirai Seed, which currently has the number one market share.

First, in the high school business, due to the expansion of intra-year entrance exams, the number of students taking the Shinken Simulated Exam has slightly decreased again this year, mainly among high school seniors. The total number of examinees in 1H of the year was 1.5% lower than the previous year. Within that, since the impact of the declining birthrate was about minus 0.9%, we understand that there was an impact of about 0.6% from the intra-year entrance exams.

In such a situation, it is a fact that the number of children who will take intra-year entrance exams is increasing. We are determined to meet the needs of such children by preparing them to face the intra-year entrance exams and to prepare them to study for college. We will strengthen the contents of the Career Achievement Program and the Personal Statement and Self-Promotion Preparation Pack, which are designed to firmly meet those needs. In the high school area, that is what we are trying to prepare.


Now for the elementary and junior high school area. Here, for Mirai Seed, we are still steadily increasing the number of orders we receive, in line with progress in the GIGA school initiative. We started with 6,000 schools in April 2021, and are currently looking at 9,000 schools at the end of March 2023. In addition, we will

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strengthen our products so that our customers will choose Mirai Seed when they replace their terminals in 2025. We will take a solid approach to this.


### Education Business in Japan: : Prep School and Classroom Business




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

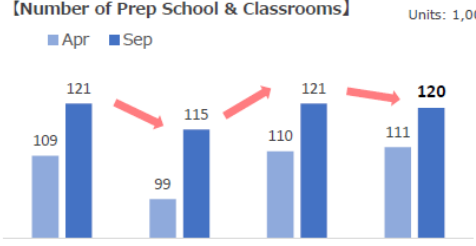
Enhance guidance for intra-year entrance exams, expand support for junior high school entrance exams, and reform the enrollment structure

Current situation	Initiatives
<p>■ September enrollment</p> <ul style="list-style-type: none"> <li>·Tetsuryokukai : Steady growth over previous year</li> <li>·Tokyo Individualized Educational Institute, Inc., UP Inc., and Ochanomizu Seminar Co., Ltd. :Struggling, mainly at high school level</li> </ul>	<p>■ Initiatives</p> <p><u>Enrollment structure reform aiming for regrowth of Tokyo Individualized Educational Institute, Inc. and UP Inc.</u></p> <p>■ Progress</p> <p>UP Inc. enters Tokyo metropolitan area junior high school Entrance exam business (Shingakukan Rootas)</p> <p>Integration of UP Inc. and Ochanomizu Seminar Co., Ltd. (Ochazemi Rootas)</p>

**進学館** 

**お茶ゼミ** 

■ [Number of Prep School & Classrooms] Units: 1,000



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

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Next is Prep School and Classroom business.

In the Prep school and Classroom business, we also saw TKG Inc, Tokyo Individualized Educational Institute and UP Inc. struggle in 1H of the year, especially for high school students, due to the expansion of intra-year entrance exams. By strengthening guidance for intra-year entrance exams and expanding support for junior high school entrance exams, we are also trying to reform the enrollment structure of our prep schools, which used to be centered on high school students. That is the kind of challenge we intend to take on.

The graph on the left shows the current status of enrollment. Enrollment in September and for Tetsuryokukai are still doing very well, exceeding the previous year’s enrollment. On the other hand, TKG, UP, and Ochazemi are currently struggling a bit, especially among high school students.

We will expand our business by firmly establishing a new structure in growth areas, such as junior high school entrance exams or intra-year entrance exams, instead of focusing mainly on high school students. This is an area where there is competition, especially in preparation for hard-to-enter universities in the Tokyo metropolitan area. We will be sure to do a thorough job here as well, as these are the two points we are thinking of.

Specifically, UP and Ochazemi will merge, and we will bring UP’s know-how in the Kansai region to the Tokyo metropolitan area. We will start a new school in February next year called Shingakukan Rootas, which has already been announced as an entry into the junior high school entrance exam market in the metropolitan area. We will newly develop prep schools that can firmly meet the needs of junior high school entrance exams here.

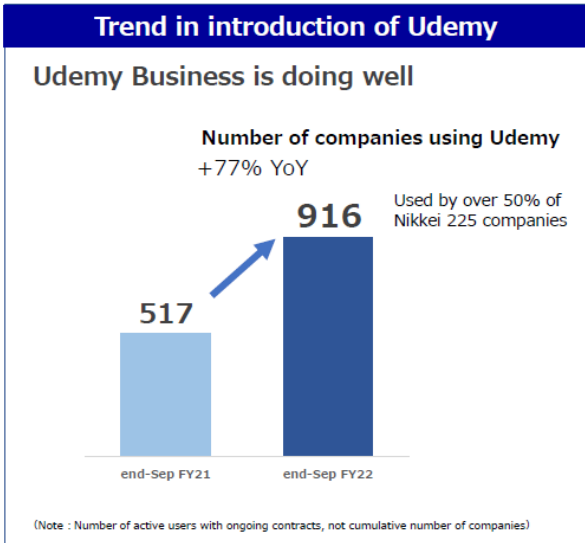
Also, with the integration of UP and Ochzemia, we will be able to strengthen the entrance exams for hard-to-enter universities in the Tokyo metropolitan area. We are already taking concrete steps in this regard.

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



### 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**

Next is the University and Working Adult business area.

In the summary, it was noted that the University and Working adult business area posted solid growth. I said that we will further strengthen our efforts in this area. We are currently making good progress in this area. We will continue to strengthen our efforts in this field, utilizing the opportunities of high re-skilling needs and increased within-the-year entrance exams.

On the left you can see the status of the Udemy implementation. We are developing Udemy business for corporations, and in 2021, one year ago, 517 companies had adopted the service. Currently, at the end of this past September, there were 916 companies, a very large increase. This is a 77% increase. We are confident that we will be able to expand our business in this area, as the need for this service is further increasing.

In addition, the expansion of intra-year entrance exams is actually a very favorable tailwind for this college and working adult area. An increase in pre-entry education needs is occurring. For intra-year entrance exams, the high school students decided which universities or colleges to go in the fall or so, and they enter the school the following April. Among them, the number of university students who have inevitably not accumulated sufficient learning and are not prepared is increasing, and universities are facing challenges in this area. We want them to be well educated and learn before they enter college. Pre-entrance education needs in this sense are increasing.

The company in charge of this program is Shinken Ad, a Benesse Group company. Shinken Ad is developing a pre-university education needs program called the Gakumon Sakidori Program. Already, 13,731 people in 368 departments at universities and colleges across the country have received this program. We see this need as an opportunity as well, as it will spread further with the expansion of intra-year entrance exams.

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

Changing environment

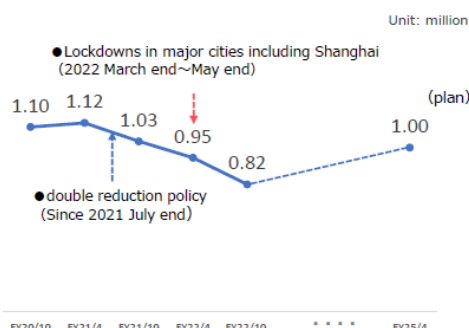
■ Negative impact of lockdowns

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>



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

Now I will discuss Kodomo Challenge business in China .

The lockdown effects on Kodomo Challenge in China is actually one of the main reasons for the downward revision. The negative impact of the lockdown occurred from the end of March to the end of May, and the first thing that happened at that time was that educational materials could not be sent. Also, in the case of China, continuance is not automatic as in Japan. There is a process to confirm whether or not to continue, but this was also not done sufficiently during the lockdown period. New ones were also stopped. This had an extremely large impact on the business and led to the downward revision.

However, as for the current situation, I believe that there is a solid need for education. As I mentioned last year, the competitive environment is very severe. Due to policy changes and the policy of double reduction, competitors' businesses are actually continuing to shrink.

Therefore, I see the market as being in a very positive turnaround at the moment. New enrollment in September increased by about 13.3% from the previous year. What is also very significant is that the retention rate for the upper grades and pre-school grades is recovering. I believe this is a very big deal.

In that sense, the lockdown really hurt us, but we will take this market environment in stride and get back into recovery shape once again. If we can do that kind of thing well enough, that is how we view our China business.

Due to the nature of some of the projects, we will not make that recovery all at once. We will continue to work on the China business with a view to achieving 1 million people again by 2025. Since selling expenses will accrue, while watching our profit balance, we will firmly grow and recover.

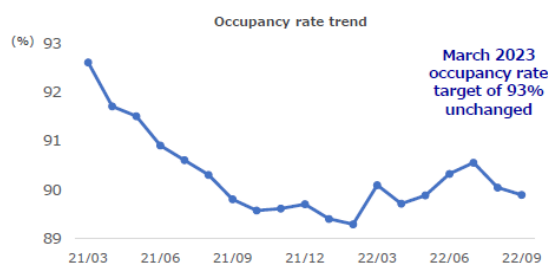
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Quick recovery of occupancy rates, which had declined due to COVID-19, and response to soaring prices

**Changing environment and impact**

- **Occupancy rate lower than expected since August due to 7<sup>th</sup> 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

The last category by business is Nursing Care and childcare.

Nursing Care and Childcare business is also similar to what I mentioned earlier in China, and the impact of COVID-19 here is a major factor in the downward revision. Inevitably, when COVID-19 spreads quickly, observation tours stop and then less new residence in facilities as we expect. Moreover, sharp rise in prices were very significant in terms of profits this time around. We are dealing with the issues swiftly to achieve early recovery in this area.

The impact of the seventh wave of pandemic was significant this time, but the seventh wave has subsided a little and we have resumed operations since then. The number of visitors is currently even higher than the pre-COVID-19 level, and we are currently working to strengthen our sales activities to increase the occupancy rate.

In addition, the rising cost of utilities has been very severe this year affecting this business. We have already acted to raise the price of this area to cover the increase in the cost of utilities starting in December. Since we are in the middle of the current fiscal year, it will not cover everything, but from next fiscal year, we believe that the negative impact of the utility cost hike on the profit and loss statement will be erased by this price increase.

In addition to this, 2H of the year will also see an expansion in occupancy due to the approach of trial short stays. The number of users of the Trial Short Stay program is currently at an all-time high. We will make every effort to link that to long-term stays. In addition, we introduced age-based occupancy fees in October for high-end home series; Aria and high-end Granda. Through this process, we are also taking steps to make it very easy for people 91 years of age and older to move in.

We are now considering measures to increase the occupancy rate and profit and loss statement of the Nursing care and Childcare business through such efforts.

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## 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 the Education Business in Japan segment**

**[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**

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However, as I have just discussed by company and by business, it is true that major changes are taking place in education in Japan. I believe that it is necessary to accurately grasp the changes that need special attention, and put in place an all-Benesse strategy to respond to those changes that transcend the boundaries of each company. Beginning with a horizontal strategy for our education business area, we are now beginning that work.

The theme is the GIGA terminal replacement for FY2025, which I mentioned earlier, for mandatory education. This is an opportunity not only for our school business, but also for the Shinkenzeni business. We will create a firm all-Benesse strategy to deal with this.

Also, the area of connection between high school and university, I mentioned the spread of intra-year entrance exams, and it would be necessary to create a new business model within this area. We are thinking of making an all-Benesse effort to address this issue as well.

Another key word is actually “region.” Each region has taken considerably different steps toward educational reform. Regional disparities are also occurring. I believe that it is also an extremely important proposition for us to create a model to firmly support regional education.

The Management Reform Promotion Headquarters was established at the beginning of October under the direct supervision of the President, and all Benesse companies are now working on these three themes.

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## 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

As I mentioned earlier, Saitama City is said to be the city with the most advanced approach in Japan. In fact, there is a movement to further enhance and strengthen local education in Saitama City through collaboration between the city and four private companies. The project is called the Saitama City Smart School Project, and I participated in the signing of it the other day.

Through this kind of project, we would like to think about how school and home learning should be, and how our schools business and out-of-school learning programs should be organized in such a context. I think it is also an extremely important theme to raise this issue not only with Saitama City, but also with local governments throughout Japan, and to firmly support education in the local community. We will approach this enhancement as a key point in our horizontal strategy for our Education business in Japan.

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

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In this context, regarding dividends, there is no change to the dividend plan of JPY60 per share for the current fiscal year. We would like to increase the dividend by JPY10 from the previous fiscal year.

There are many changes, but I believe that we can improve the current situation further by taking the necessary measures. In this context, we would like to firmly implement the dividend of JPY60 and further build on this in the new fiscal year and beyond.

### 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

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I would like to reiterate here that this is the Benesse Group's goal.

It is true that changes are significant. How do we think about sustainable society or sustainable growth as Benesse, and how to achieve this? I believe that this is the very question that is being asked now, and that we must think about it carefully. We will contribute to solving social issues related to people at all stages. We hope to realize this as Benesse and as a group.

What is happening in the changes in education, and this naturally affects Benesse's business, is also the very social issue of education in Japan. Opportunities have been created in the business for university students and working adults, and we will make sure to create a society where working adults can learn as well. I believe this is truly one of Japan's social issues. For senior citizens, of course, we will continue to provide solid, unique, and high-quality services to residents, but I believe that another theme, the shortage of caregivers, will also become a very big social issue because it relates to people.

We believe that what we need to do now is to tackle social issues that affect people at every stage of their lives, in a comprehensive manner. We will not forget this broad perspective and aspiration as we thoroughly implement our efforts toward the latest changes in education.

## Announcement



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

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This will be my final point.

As for education, as I mentioned, we are now in the phase of formulating a business plan for this transformation, while also firmly setting the themes for horizontal implementation. We need to ensure that we put this together properly, and we will not settle for half measures. In May, I would like to take a little of your time to announce to you what initiatives Benesse will take in the midst of this change.

I mentioned to you that we are going to give thorough business briefings this year, and especially in this education area, I feel the necessity to make the kind of initiatives mentioned today. After firmly implementing them, we will present our business plan for this transformation in May in place of an explanation of the Education Business in Japan.

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That is all. Thank you very much.

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