



Presentation of Financial Results for FY2019

May 25, 2020

Benesse Holdings, Inc.

Tamotsu Adachi

Representative Director, President & CEO

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. Accordingly, users are requested to refrain from making investment decisions solely on the basis of the earnings forecasts contained in this presentation.

Overview of FY2019 Results

Net sales and operating income up YoY Steady progress on structural reform

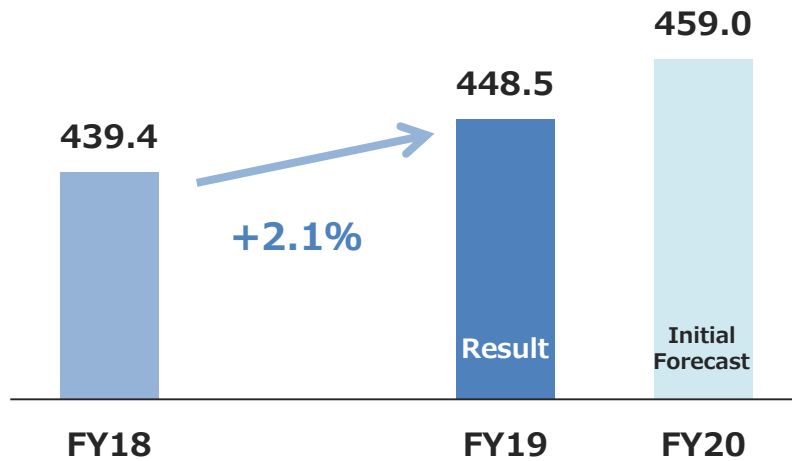
- Shift from enrollment growth to profit growth at Shinkenzemi, and pursuit of product digitalization
- Had made advances in response to changes in university entrance-exam system in the School and Teacher Support Business, but overhauled Education reforms
- Product revisions and expansion of EC channel in the Kodomo Challenge in China
- Structural reform at Berlitz, including move to franchises and closure of centers
- Steady expansion of the Nursing Care Business (+8 homes), improvement in wages for staff
- Selection and concentration policy of withdrawing from noncore businesses and investing in growth areas, including sale of Simul International Inc., acquisition of Study Hacker Inc., taking of stake in Udemy Inc.

Limited impact on FY2019 results from COVID-19

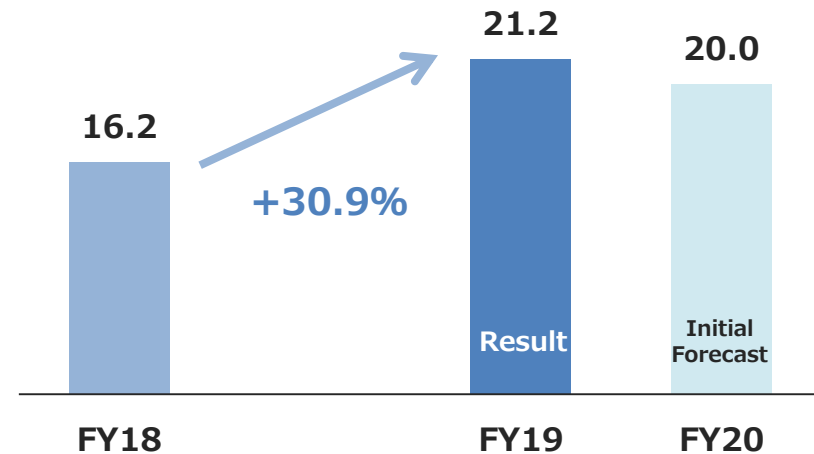
FY2019 Results (YoY)

(¥ Billions)

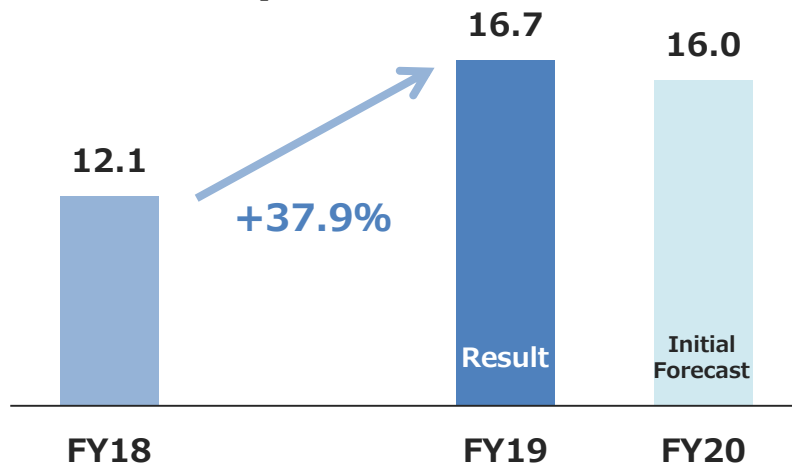
Net Sales



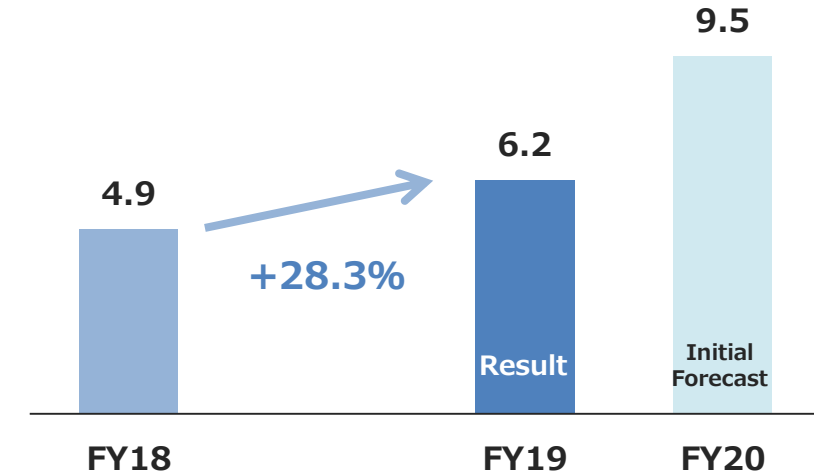
Operating Income



Ordinary Income



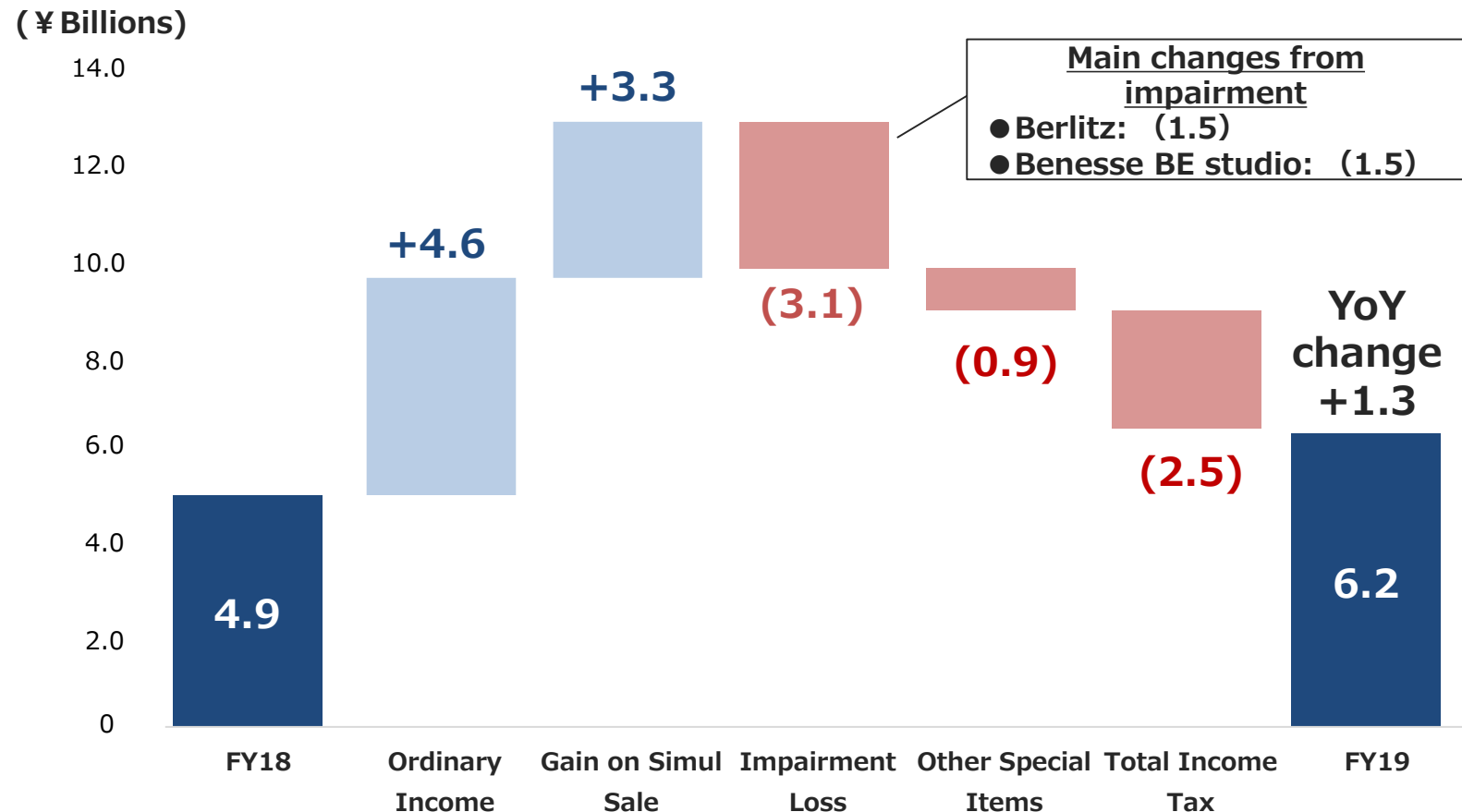
Net Income*



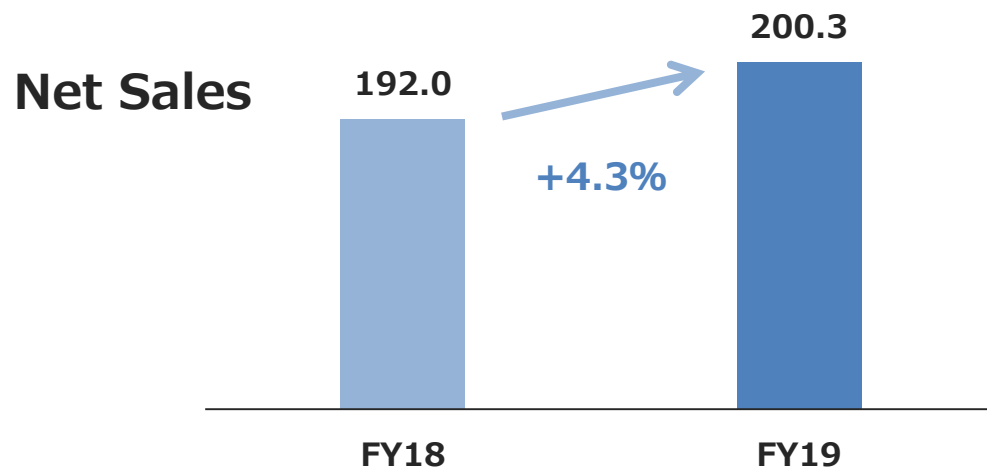
Growth YoY on higher income from Domestic Education and narrower loss at Berlitz



Growth YoY due to higher ordinary income and gain on Simul sale, despite recording of impairment loss



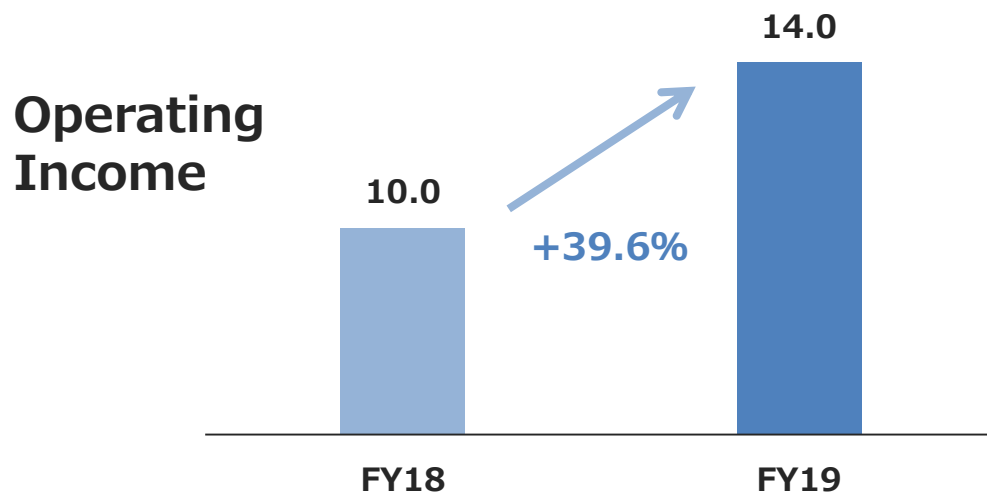
Net sales up 4.3%, Operating income up 39.6% YoY



<YoY change>

(¥ Billions)

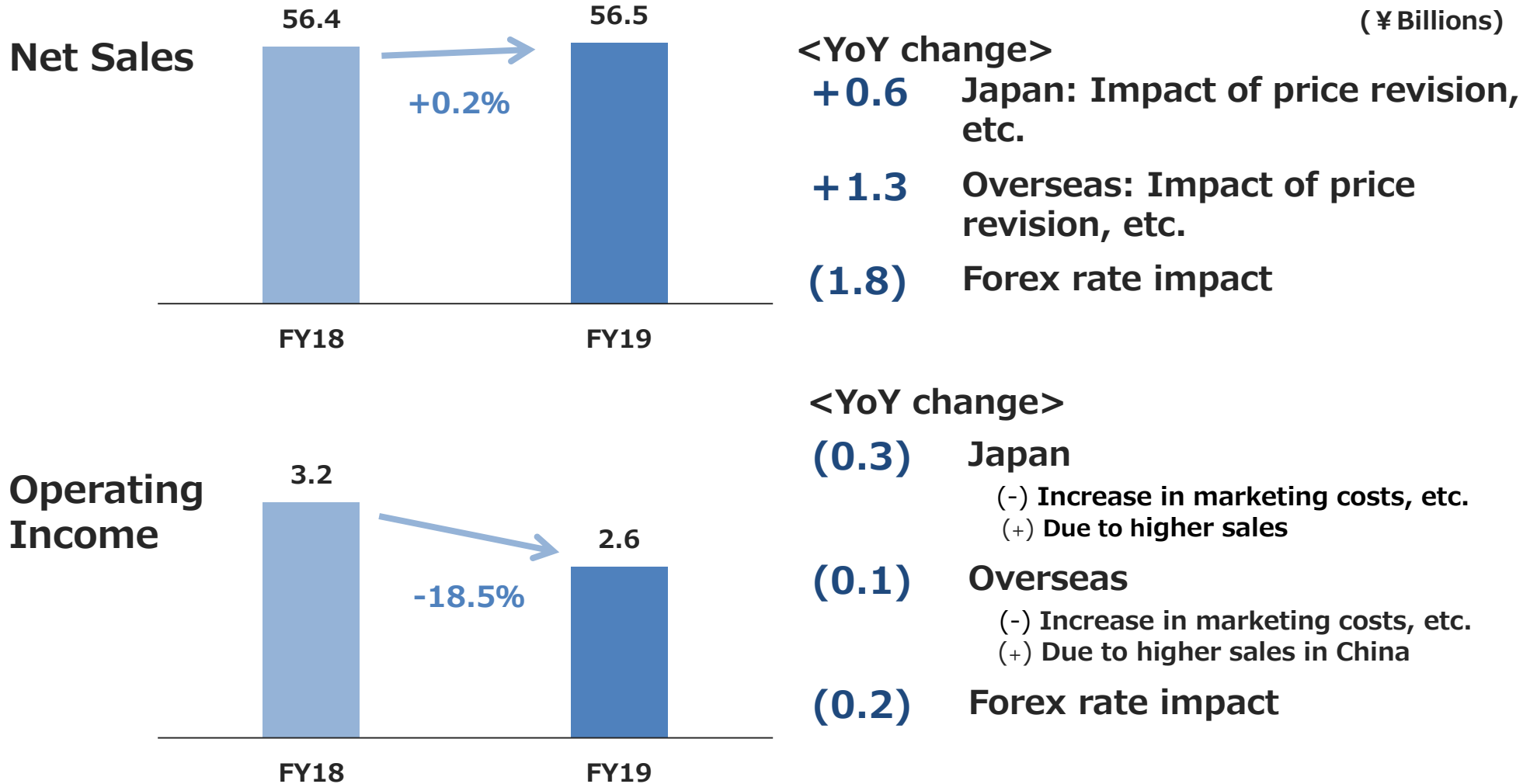
- +3.9** Shinkenzemi: Impact of price revision, etc.
- +1.9** School & Teacher Support: Consolidation of Classi Corp. & EDUCOM Corp., etc.
- +2.5** Cram schools, businesses for college students and adults, English education, etc.



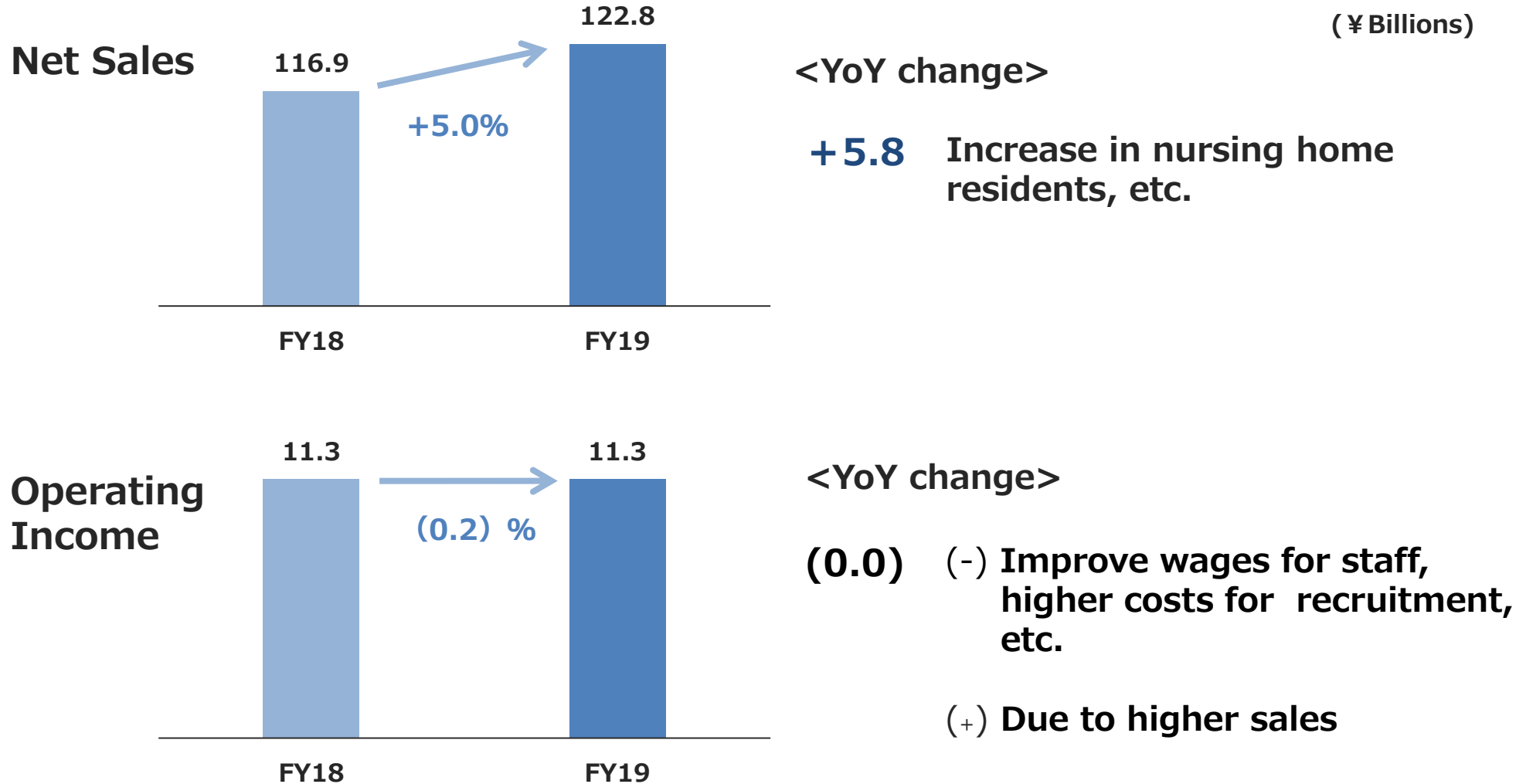
<YoY change>

- +4.0** Shinkenzemi: Higher sales
- (0.1)** School & Teacher Support, cram schools, etc.
 - (-) Increased investment, etc.
 - (+) Higher sales

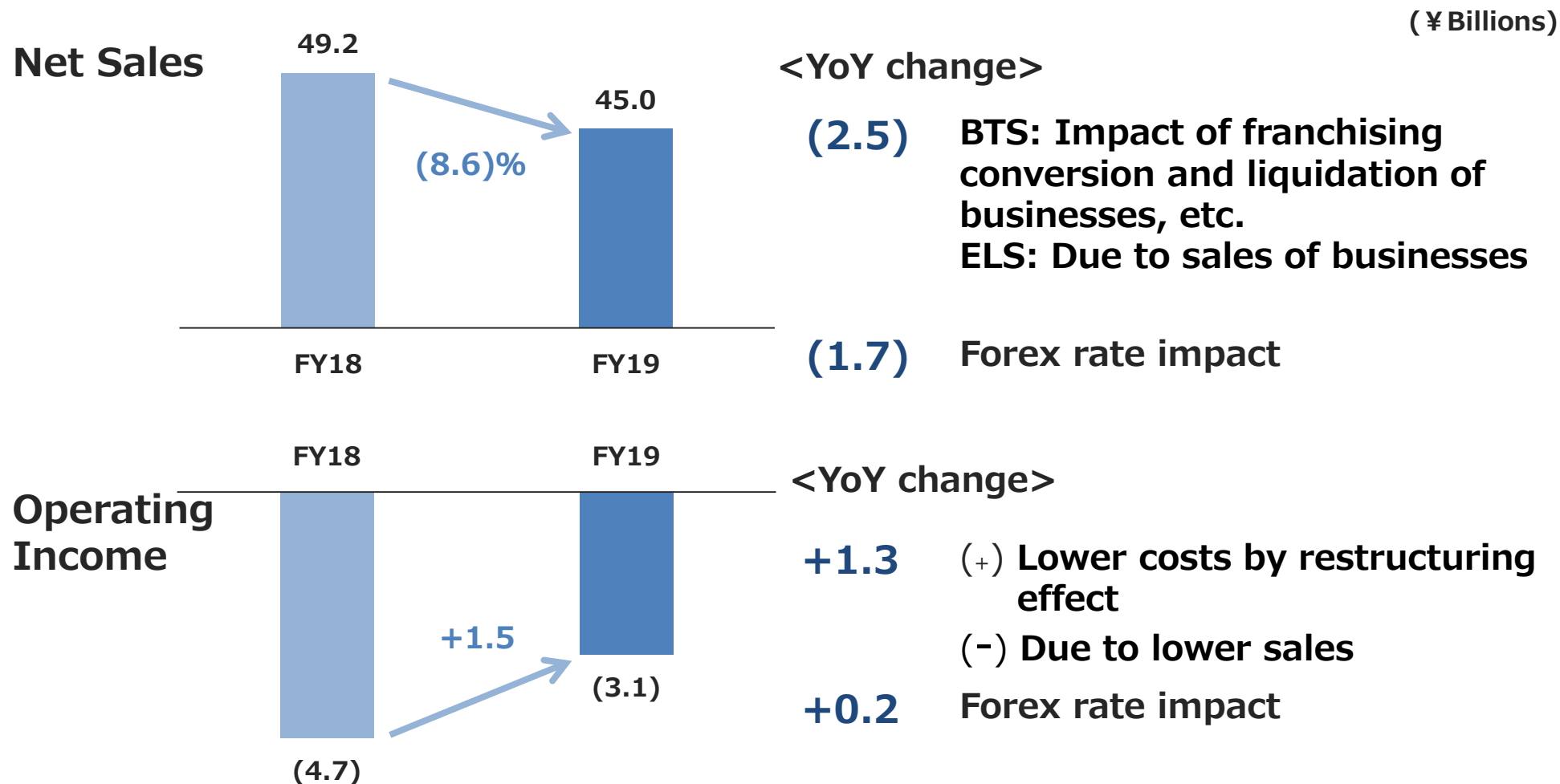
Net sales up 0.2%, Operating income down 18.5% YoY



Net sales up 5.0%, Operating income down 0.2% YoY



Net sales down 8.6%, Operating loss narrows ¥1.5bn YoY



FY2020 Forecasts and Medium-Term Management Plan

Postponing disclosure of FY20 forecasts Intend to revise plan in autumn

Earnings forecasts

- Postponing disclosure on current difficulty of making reasonable assessment owing to COVID-19 impact
- Intend to make disclosure as soon as reasonable assessment is possible

MTMP

- May 2020 MTMP revision postponed
- Intend to revise in autumn after full assessment of COVID-19 impact

Prioritizing measures to recover from COVID-19

Irreversible changes from COVID-19

- **Has reset the global economy, decline in worldwide growth rates likely to continue in the long term**
- **Extinguishing of traditional boundaries could produce new opportunities and growth paths**
 - ➔ **Expansion in online activities/services including consumption, education, business activity, some medical and public services**
- **Ingraining of heightened hygiene awareness and behavior that avoids disease transmission factors**
- **Rise in working from and time spent at home to create new values and needs**

**Change in
existing
business
model**

Accelerate transformation of the business model to further boost strengths in online/digital education

**Hybrid work
styles**

Introduce work styles that combine working from home and commuting while raising the value we provide to society

**Reducing
fixed costs**

Promote fixed cost cutting and pursue streamlined management

**Spread of
Benesse
values**

Spread Benesse values rooted in sustainability, boost brand power, instill employee pride as a “company that is indispensable for society”

COVID-19 Adaptation Strategies for Each Business

School closures due to COVID-19 have raised concerns about educational gaps between families, schools, and regions

	Current change		Near-term business reform
Shinkenzemi	Raised expectations for correspondence courses, increased need for online content	×	Change in correspondence course needs, further rise in online demand
Cram schools, English education	Cram school closures have halted face-to-face teaching, shift demand to online lessons and video distribution	×	Face-to-face teaching changes to avoid close contact, mix of face-to-face and digital lessons
Schools	School closures have halted educational functions, shift to online lessons	×	Adapt to the changing school operations, shift toward digitalization such as individualized instruction and CBT

Need business reform to match expected new environment

Enrollments up 3.3% YoY

Reappraisal of Shinkenzeni's value as social infrastructure

(Thousands of Students)	2018	2019	2020	YoY difference	YoY Change (%)	Market share change (%)
Senior High School	160	150	150	(0)	(1.6)	+0.0
Junior High School	420	420	420	+0	+0.5	+0.2
Elementary School	1,200	1,240	1,330	+9	+6.7	+1.5
Kodomo Challenge (preschool)	790	810	810	+0	+0.5	+0.3
Total	2,570	2,620	2,710	+9	+3.3	+0.7

Steady progress in digitalization strategy Brisk new enrollments, steady retention in April 2020

New

- **New annual enrollments up YoY**
 - 2018: 1.01mn ⇒ 2019: 1.05mn
- **New enrollments in April up YoY (+100,000 : +19.4%)**
 - Inquiries/enrollments increase after nationwide school closures, declaration of state of national emergency
 - Rise in new digital students, ratio of digital students up to 61% (+9p YoY)

Retention

- **Rate of annual retention steady YoY**
- **Brisk retention rate in May-June, up 1.0p YoY**
 - Up YoY for all courses (elementary, junior high, senior high school)
 - Rise in submissions for Red-pen Teacher service (digitalized content for Yr3-6 elementary school students), rise in rate of usage of Shinkenzeni materials

Responding to school and preschool closures through educational support for students/preschoolers

Main activities in March/April

ShinkenZemi

Kodomo Challenge

- General practice drills made free (300,000 paper + 700,000 downloads = **1mn**)
- Online classroom “Today’s Schedule” made free (**350,000** users in 7 days)
- Start of “Online lessons” for junior high (**200,000** views)
- Distribution of “Prepare for University” as part of senior high school course
- Opening of “Online Preschool” (**200,000** views from 90 countries during first month)



「Spring General Practice Drill」 (for elementary, junior high, & senior high school student)



Online classroom 「Today's Schedule」 (for elementary & junior high school students)



「Online Preschool」 (for preschool students)

Provide ongoing support aiming to solve home study issues

Accelerate mix of face-to-face and digital lessons with an eye on expected new environment

Change in business environment

- Schools closed, marketing for new enrollments halted
 - Face-to-face teaching expected to change after ending of state of emergency
- ⇒ Students to be spread out to avoid close contact (classroom efficiency an issue)

Response

- Boost marketing after end of state of emergency
- Bolster hybrid services mixing “on-site” and “video/online”



Tokyo Individualized Educational Institute

Planned release of 1:2 online instruction (June 2020)

UP/Ochanomizu Seminar

Group lessons to shift to video teaching, individual instruction to move online

BE studio

Release of online + video lessons (May 2020)

Integration of Zemi Company and Area and Classroom Education Company in April 2020

Blended learning to support each individual

Self study



Face-to-face

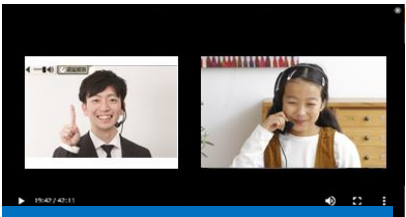


Home



Classes

Integrated Learning Management System (LMS)



Online instruction



Distance learning

Regional differences in timing of school restarts Bolster support for school changes

**Change in
business
environment**

- School operations halted by closures
- Expected changes in school operations
 - ⇒ Review educational services to counter education/aptitude gaps
 - ⇒ Measures to complete school year: split class attendance, adjust seating layouts to avoid close contact
 - ⇒ Flow of adjusted school operations schedule

Response

- Assess changes in school environments
 - Propose products/services attuned to new conditions

**Mid-to-long-
term
strategy**

- Rework digitalization strategy for schools and teachers
- Expand services for college students and adults
(boost recurrent education services, centered on Udemy)

Business activity almost back to normal Enrollments down in April, but rebounding



Change in business environment

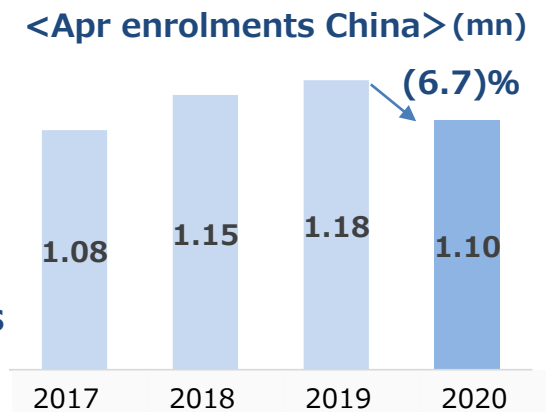
- Feb: Some production/business halted, peripheral business including concerts banned
- Mar: Faster-than-expected rebound from COVID-19 impact
- Now: business back to normal; people back to work, shipment, and stores open
- April enrollments -6.7% YoY (better than expected)
- Change in consumption patterns (EC shopping +55% YoY)

Response

- Reopen peripheral businesses like study schools

Mid-to-long-term strategy

- Rework sales channels (expand EC)
- Drive to make products fit consumers needs



Prioritize risk response to COVID-19

Change in business environment

- Self restraint in advertising and other marketing
- Large cut in new admissions to prevent infections (face-to-face consults down 70-80% YoY in Mar/Apr)

Response

- Prioritize care of existing residents
 - ⇒ Thorough measures to prevent COVID-19 spread (restrictions on family and other visits)
 - ⇒ Improve family interaction/residents' QOL when restrictions eased
- Restart admissions marketing when restrictions eased

Mid-to-long-term strategy

- Bolster high-end homes
- Develop/expand dominance strategy (link hiring strategy to entry into regions with no current homes)
- Rebuild HR development structure to focus on specialism

Had steadily decreased losses via structural reform, but greater changes needed in light of COVID-19

Change in business environment

Steady structural reform progress through Feb, but

- BTS: Worldwide school closures from April beginning in China
- ELS: Halt to school lectures for exchange students in US

Response

- All-out shift to online lessons worldwide
- Large reduction in costs

Major layoffs (esp. in ELS), restructuring, rent reductions

Use of government support programs for employment aid

Mid-to-long-term strategy

- Accelerate shift to online/hybrid courses (Berlitz 2.0) in response to extended limits on human contact and movement
- Streamline further by reducing/franchising brick-and-mortar schools

Establish overseas business development HQ

- Added to group structure from April 1, 2020
- Drive to focus and expand efforts on targeted new overseas areas

Pursue new growth strategy via M&A

- Bolster competitiveness of existing businesses
- Create “third business pillar” to add to education and nursing care

**Plan to maintain DPS at ¥ 50 in
FY2020**

**with a view to ensuring dividend
stability**

