

May 12, 2023
Benesse Holdings, Inc.

FY2022 4Q Results Briefing Q&A Summary

■ **Date and Time : Friday, May 12, 2023, 16:00 – 17:00**

■ **Respondents: Hitoshi Kobayashi,**

Representative Director and President, CEO

Shinsuke Tsuboi, Managing Executive Officer, CFO,

Executive General Manager of Finance and Accounting

※ We have taken excerpts from the Q&A session and summarized them. Some of the wording and the order have been modified for ease of understanding.

Q. The decline in Shinkenzemi April enrollment is significant, having fallen by 140,000 members year on year. What is your forecast for future enrollment? When do you expect enrollment to bottom out, and what measures are you taking to deal with the decline?

A. It is true that we have had a rough start to FY2023. When looking at annual enrollment fluctuations under the current conditions, including the issues of children's motivation and busy school classes, we have seen the progression of two extremes in frequency of using Shinkenzemi. Therefore, we will increase our efforts more than ever before to create triggers that motivate children to start studying and to watch over them and provide support while they are studying.

We will provide a more detailed explanation at our announcement of the Transformation Business Plan. To begin with, we would like to put a stop to the downward trend in enrollment within two years. The replacement of tablet devices in FY2025 is a big opportunity for Shinkenzemi, so we are also thinking about what to do for the next generation model of Shinkenzemi. We are considering the future in two stages: what we can accomplish in the next two years, and how we can develop the Shinkenzemi business beyond that.

Regarding our forecast for Shinkenzemi enrollment, we have usually not disclosed such information in the past, so we will not disclose it this time.

Q. The amount for Others/Reconciliations is higher than it has been in the past. What is the reason for this?

Also, I believe it will be necessary to invest in overseas business and DX in the next fiscal year and beyond, but is the investment amount sustainable?

A. We are planning to increase the overall investment amount for FY2023 by ¥3.0bn year on year, and some of that are included in the forecasts for each segment and some are included in Others/Reconciliations. Others/Reconciliations is down ¥2.3bn year on year, and it includes ¥0.3-0.4bn for reinforcing the India business, as well as some for DX human resource investments, corporate strategic investments, and buffers.

For the next fiscal year and beyond, we would like to maintain roughly the same level of investment. We are hoping to see the India business become profitable in around FY2025.

Q. Are you expecting to achieve the FY2025 operating income target of ¥32.0bn through gradual profit increases in the latter half of the next three years?

A. We are expecting two growth fields, the Nursing Care business and University and Working Adult Business, to contribute to operating income. We will also slightly increase operating income in the Education Business in Japan not including the University and Working Adult Business, by implementing cost structure reforms and making necessary investments.

Q. For your FY2023 earnings forecasts, can you give us the breakdown for the investments of ¥1.1bn in the School & Teacher Support Business and ¥0.9bn in the University and Working Adult Business?

A. In the School & Teacher Support Business, investments are split evenly between in ICT software for growth and increase in number of personnel. In the University and Working Adult Business, investments are primarily focused on Udemy, and since we are still in the stage of growing its customer base, there will be increases in selling expenses and number of staff to reinforce the organization, among other investments.

Q. As Shinkenzemi enrollment is experiencing a downward trend, what is your forecast for the enrollment or sales required to maintain income levels?

A. Shinkenzemi April enrollment in FY2023 was down slightly from the decrease of

8% we had last year. However, because there was a review of the cost burden of selling expenses among our Business Companies, the Shinkenzemi division's ¥1.4bn decrease in operating income was actually a decrease of about ¥0.4bn. Despite of low enrollment in Shinkenzemi, we are anticipating a slight increase in income in FY2023 in light of the completion of system amortization and cost structure reforms. We have no intention of allowing further decline in enrollment, so we are first of all considering what is happening in Shinkenzemi, and what fundamental changes need to be made. April enrollment retention was an improvement on the previous fiscal year. As for new enrollees, we are trying to change our products to match their needs, as they are becoming increasingly diverse. In marketing, we are seeing the effects of experiential marketing, so I think we will shift in that direction.

For FY2023, rather than asking how far we can allow enrollment and sales to fall, we intend to maintain and increase income by reforming our cost structure, even though we have decreased April enrollment. At the same time, we will work hard on the essentials to stop the downward trend in enrollment.