



Overview of 1H Results and Full-Year Forecast for FY2017

**November 6, 2017
Benesse Holdings, Inc.
President & CEO Tamotsu Adachi**

Forward-Looking Statements



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.

Executive Summary



**Strong performance overall, particularly the Domestic Education business
Berlitz and the China business are concerns**

- **Steady growth in *Shinkenzemi* business**
- **Brisk activity in the School & Teacher Support business and cram school business**
- **Steadily expanded nursing homes and improved employee benefits in the Nursing Care business**
- **Cost reduction progressing as planned**

- **Worsening losses at Berlitz due to steep decline in sales**
- **Stagnation seen in the China business**

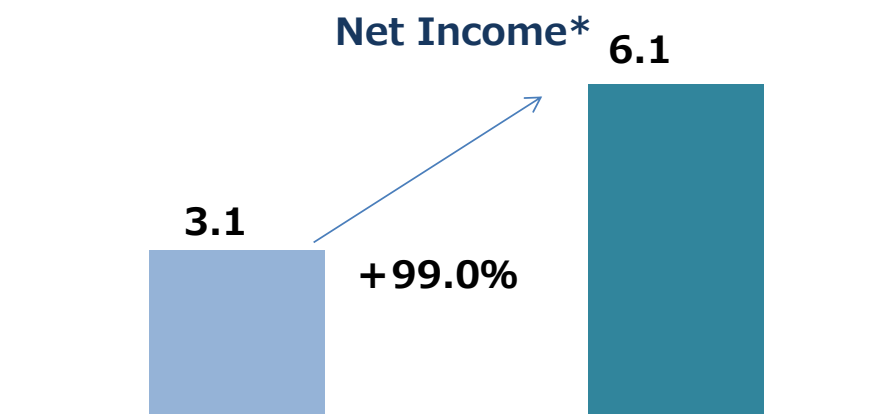
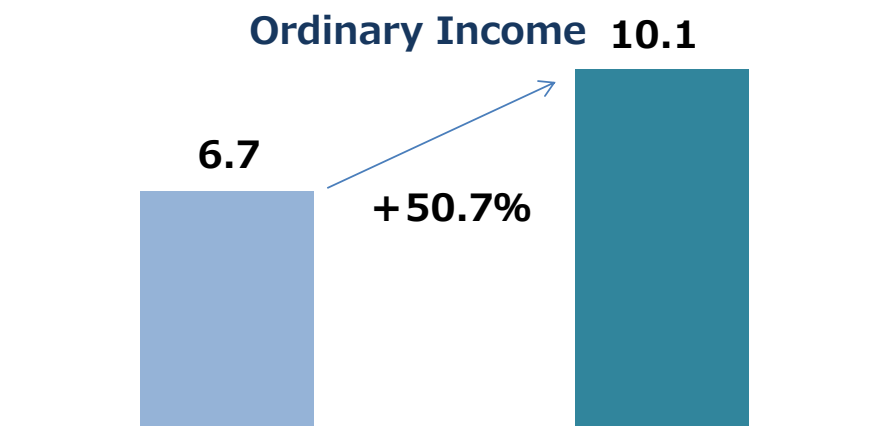
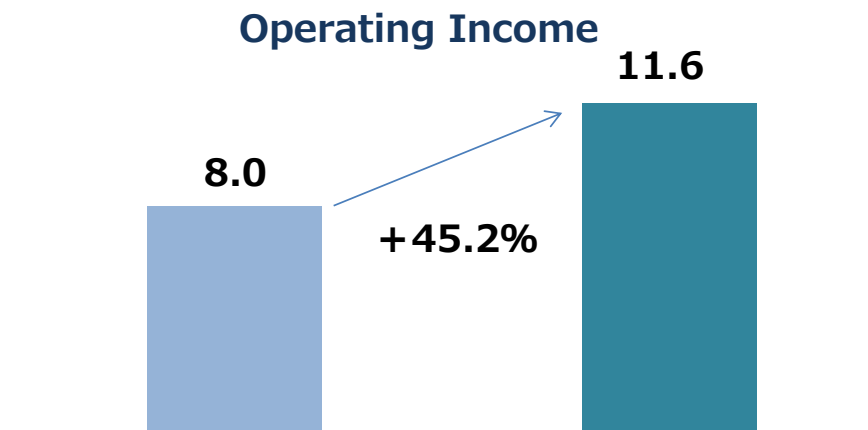
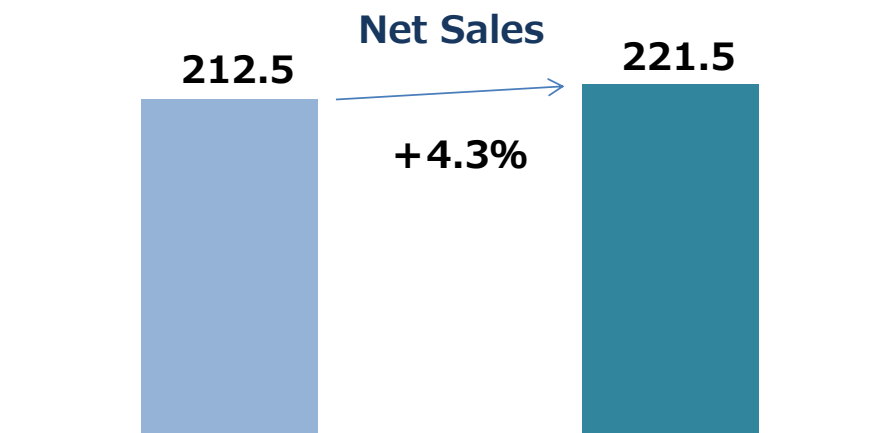
- **Sale of TMJ ⇒ focusing resolutely on core competence**

1H Results (YoY)



■ FY2016 ■ FY2017

(Bln Yen)



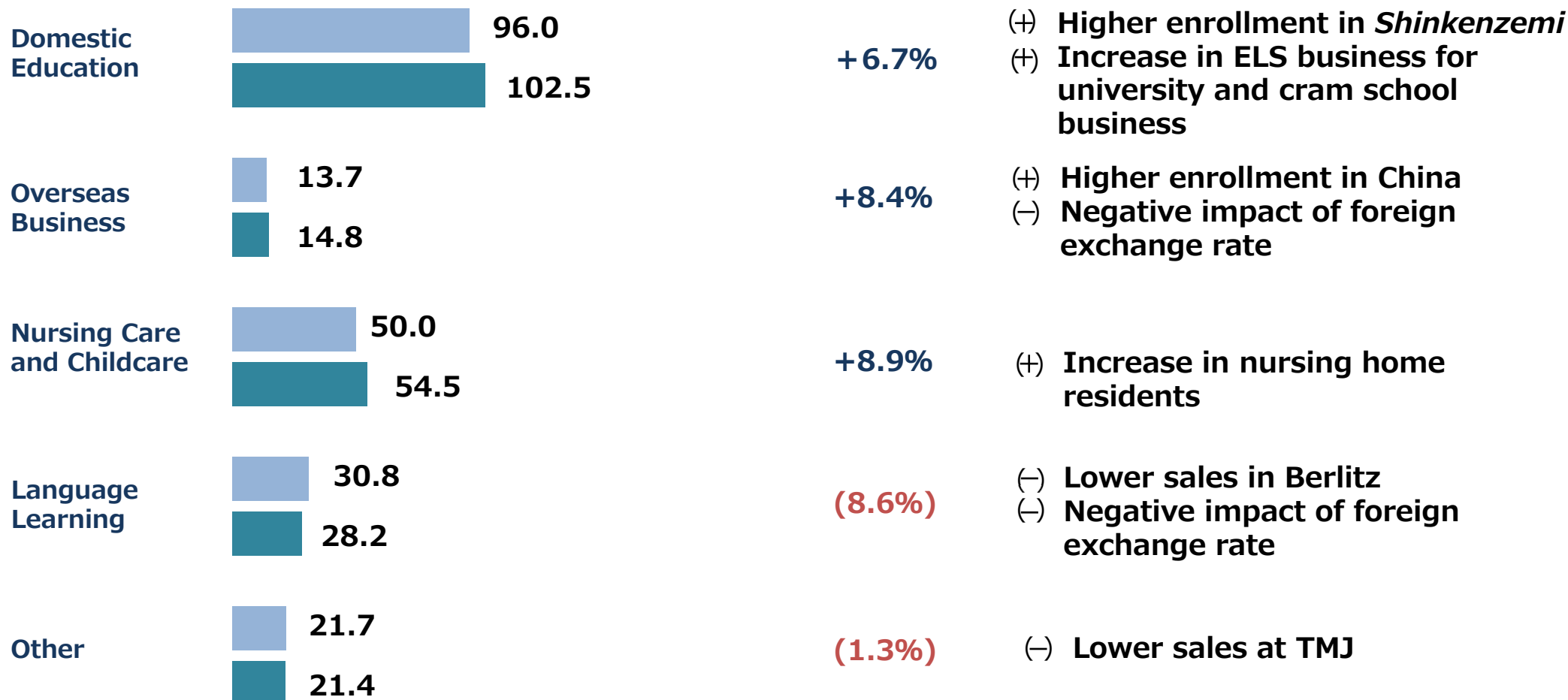
*Net income attributable to owners of the parent

1H Net Sales by Segment



(Bln Yen)

■ FY2016 ■ FY2017



1H Operating Income by Segment



(Bln Yen)

■ FY2016 ■ FY2017

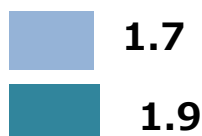
Domestic
Education



+88.1%

<Major factors>
(+) Increase in sales
(+) Reduction of *Shinkenzemi* costs

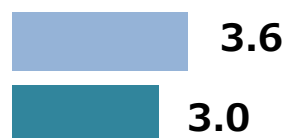
Overseas
Business



+7.4%

(+) Increase in sales
(-) Negative impact of foreign exchange rate

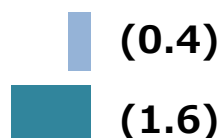
Nursing Care
and Childcare



(16.5%)

(-) Enhancement of employee benefit
(+) Increase in sales

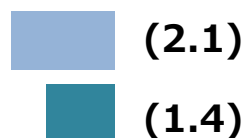
Language
Learning



—

(-) Decrease in sales
(-) Restructuring expenses

Other/
Adjustments

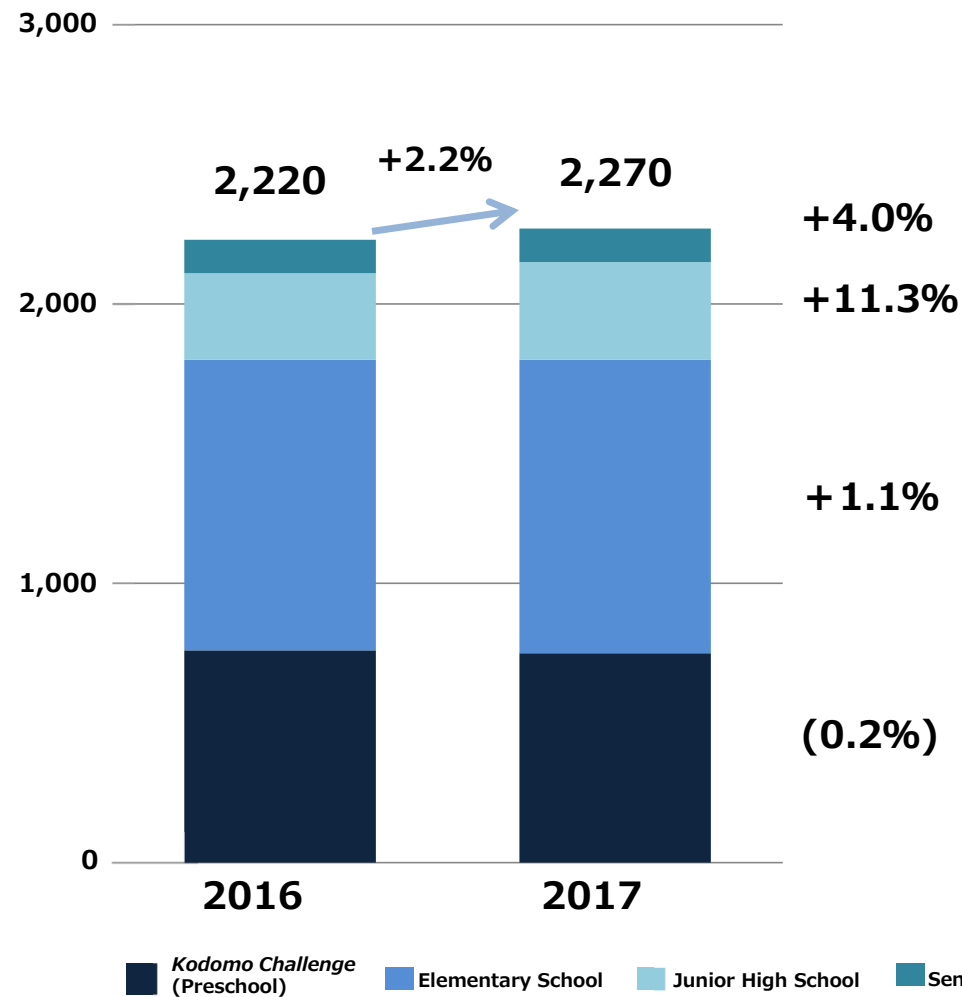


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(+) Reduction of HQ costs

Enrollment in *Shinkenzemi* as of October (Domestic) Benesse

(Thousands)

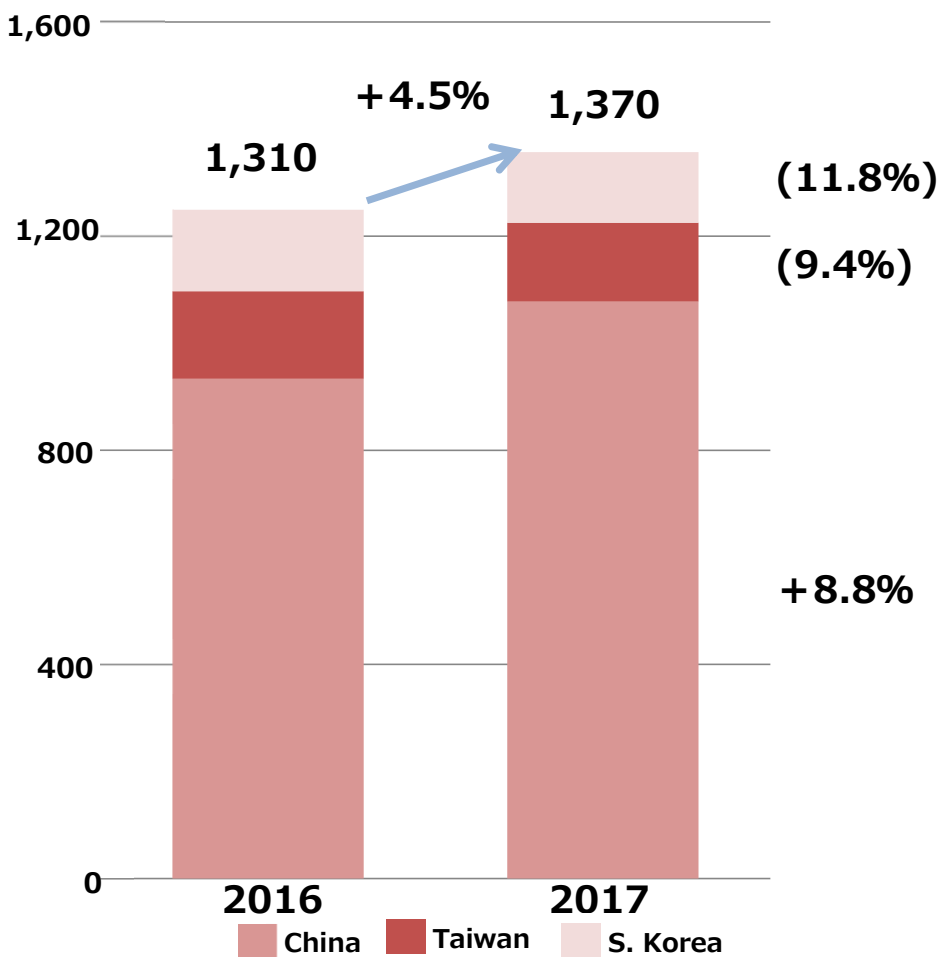


As of October	(Thousands)			
	2016	2017	Change	%
Senior High School	120	120	0	4.0
Junior High School	310	350	40	11.3
Elementary School	1,040	1,050	10	1.1
Kodomo Challenge (Preschool)	760	750	(10)	(0.2)
Total	2,220	2,270	50	2.2

Overseas Enrollment as of October



(Thousands)



As of October

(Thousands)

	2016	2017	Change	%
China	1,020	1,110	90	8.8
Taiwan	160	150	(20)	(9.4)
S.Korea	130	110	(20)	(11.8)
Total	1,310	1,370	60	4.5

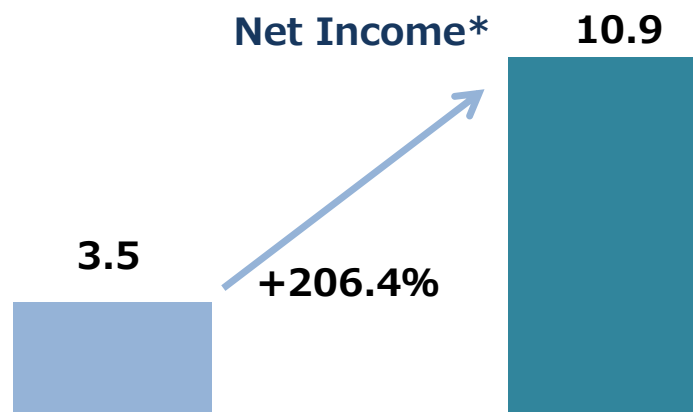
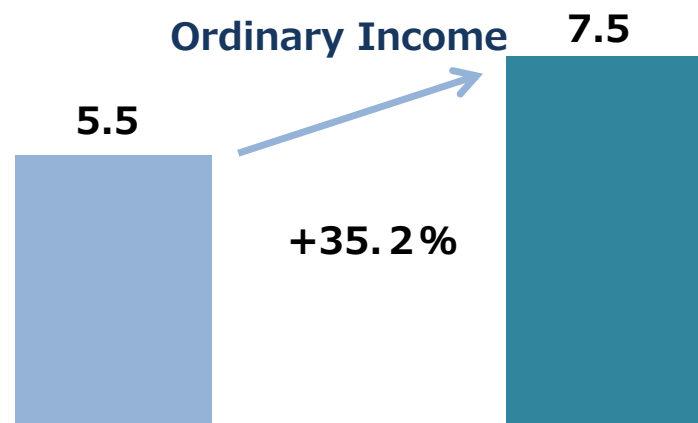
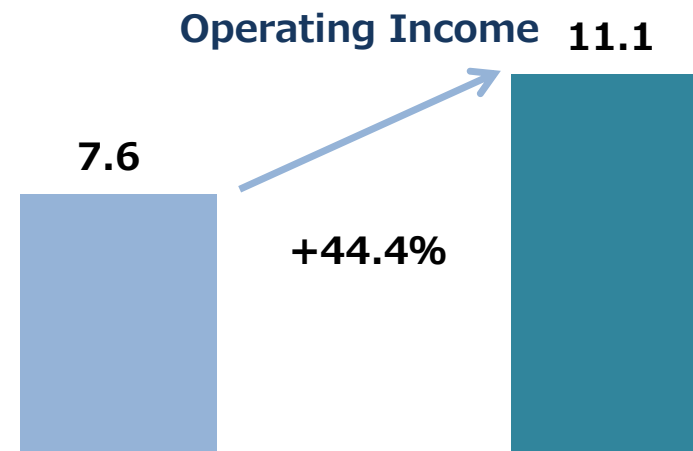
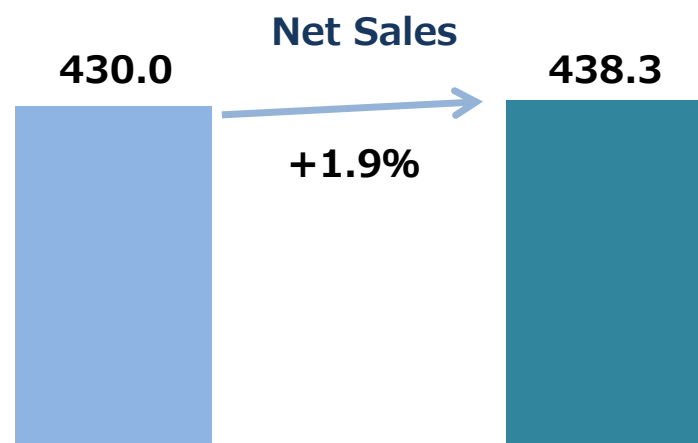
Note: Figures include enrollment in correspondence courses for preschoolers in South Korea based on a licensing contract.

FY2017 Forecast



■ FY2016 ■ FY2017

(Bln Yen)



*Net income attributable to owners of the parent

FY2017 Forecast of Net Sales by Segment



(Bln Yen)

■ FY2016 ■ FY2017

<Major factors>

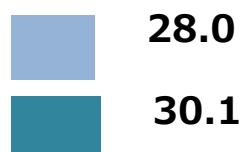
Domestic Education



+5.0%

- (+) Higher enrollment in *Shinkenzemi*
- (+) Increase in ELS business for university and cram school business

Overseas Business



+7.3%

- (+) Increase in enrollment in China
- (-) Negative impact of foreign exchange rate

Nursing Care and Childcare



+8.7%

- (+) Increase in nursing home residents

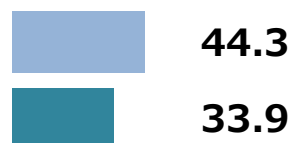
Language Learning



(3.5%)

- (-) Decrease in sales at Berlitz
- (+) Foreign exchange rate impact

Other



(23.5%)

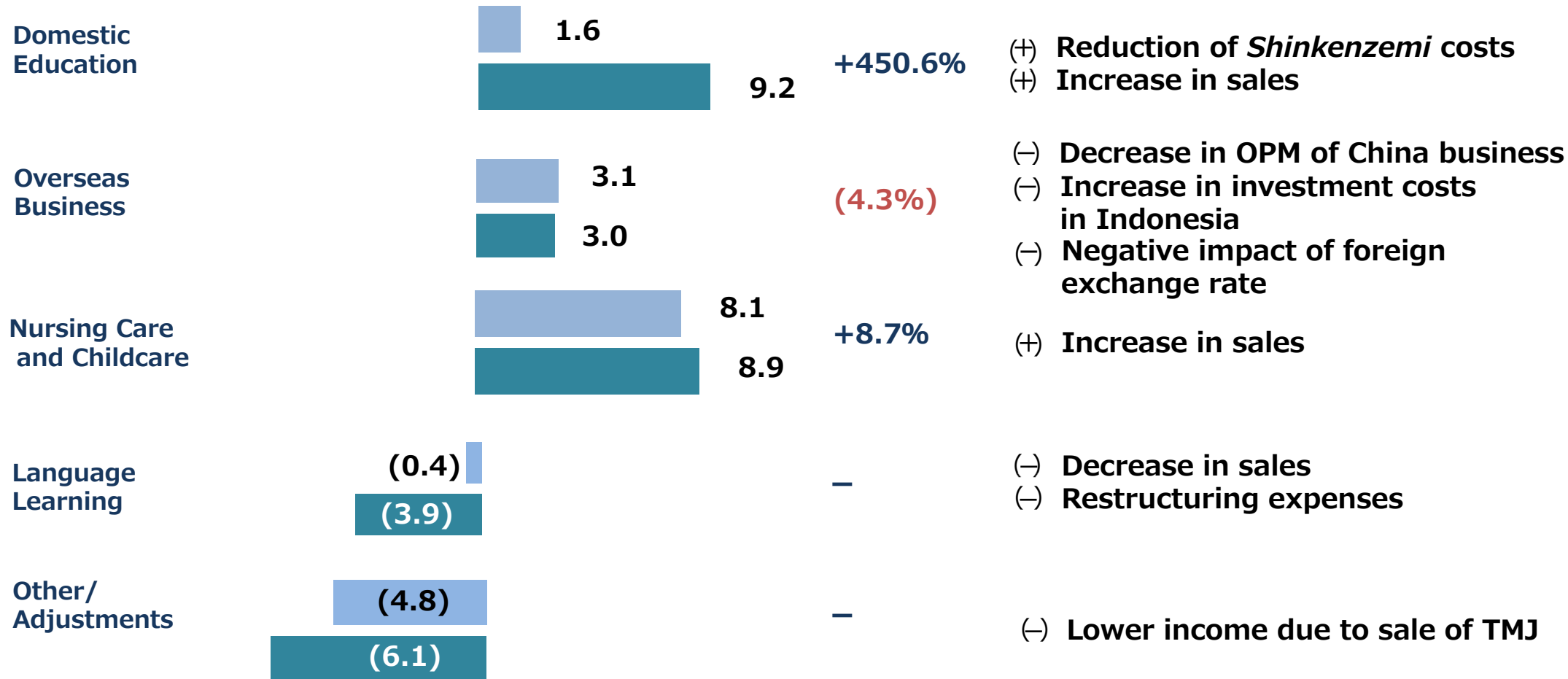
- (-) Lower income due to sale of TMJ

FY2017 Forecast of Operating Income by Segment Benesse

(Bln Yen)

■ FY2016 ■ FY2017

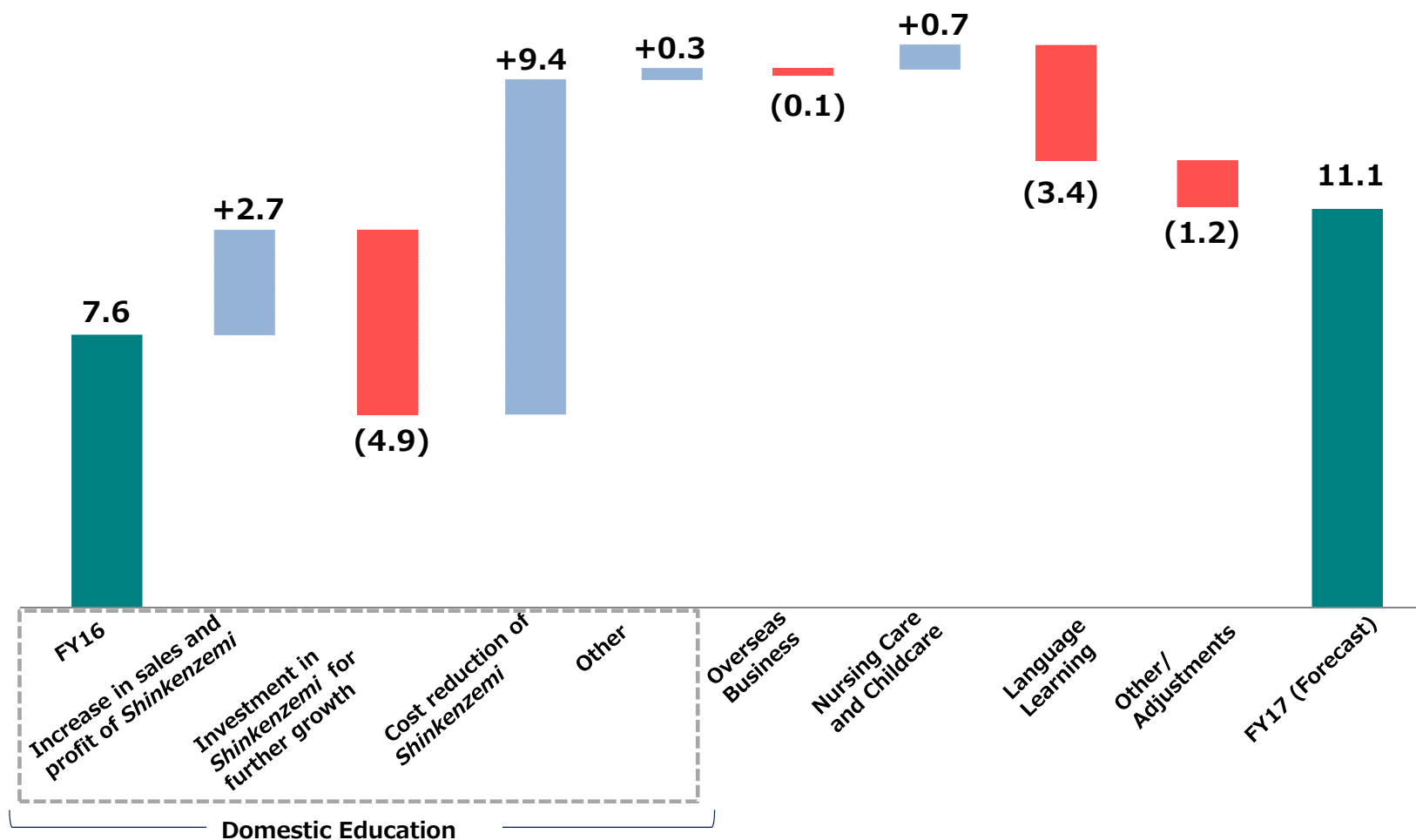
<Major factors>



FY2017 Operating Income Forecast



(Bln Yen)



New Mid-Term Management Plan

–Transform and Grow Benesse 2022–

Previous Plan
(October 2015)

Targets for FY20
Net sales: 600 Bln Yen ; EBITDA: 70 Bln Yen

Results

Group status

- FY16
Downturn in *Shinkenzemi* and Berlitz Management restructure
- FY17
Focus on reviving *Shinkenzemi*, halt April enrollment downtrend

External environment

- Education reform
- English language reform calls for 4 skills acquisition
English language to be a formal subject (4th and 6th grade)

New Plan

Set out a mid- to long-term management vision and business strategy under new management structure

Positioning of New Mid-Term Management Plan Benesse

FY18-22 (5 years)

Phase 1 (3 Years: FY18-20) Focus on strategy and execution

Phase 2 (2 Years: FY21-22) Focus on growth

	Phase 1: FY18-20	Phase 2: FY21-22
Plan theme	–Transform and Grow– Understand the changes in the business environment and transform the Company Formulate and advance business strategy for next growth phase	
Orientation of each phase	Propose and execute strategies in line with environmental changes	Grow existing businesses further and venture into new domains
Target	Earnings targets	Envisaged growth target

Benesse = Well-Being

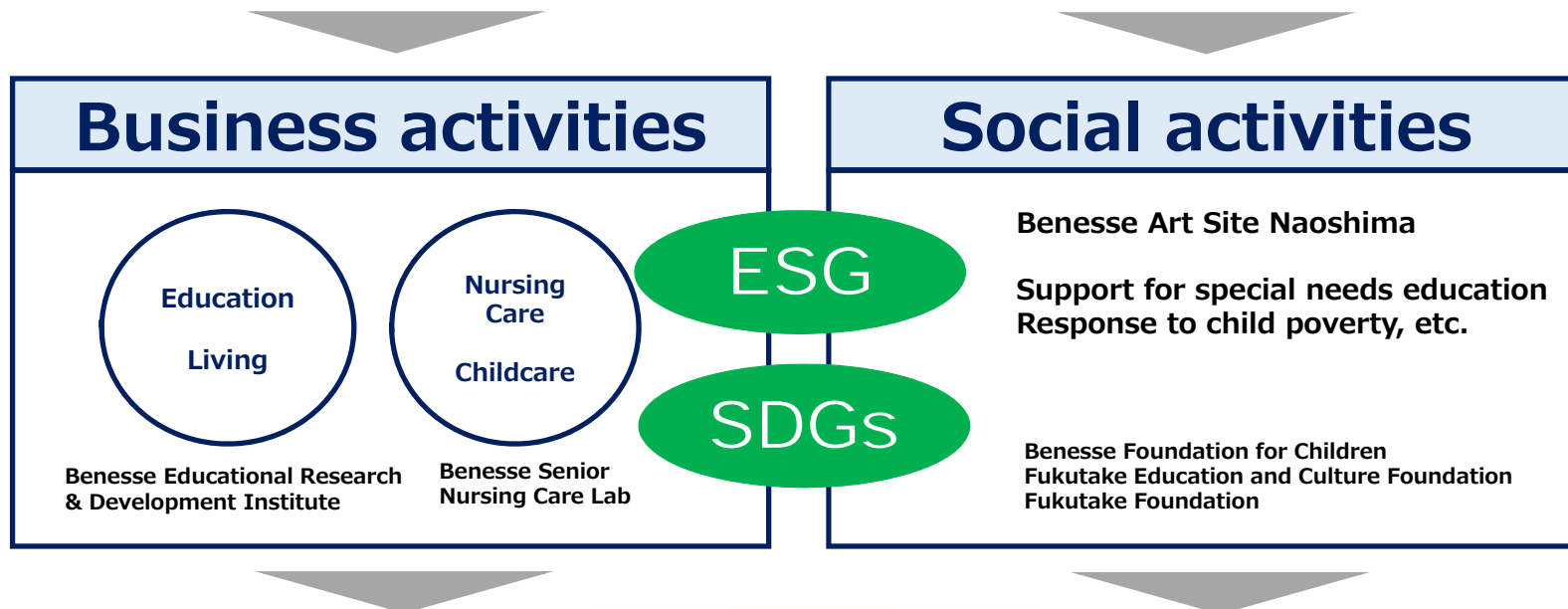
- Customers
- Society and Communities
- Employees

Resolve Social Issues and Increase Corporate Value



Working to solve social issues through the education and nursing care businesses

Corporate philosophy: Benesse = Well-Being



Enhance corporate value and the Benesse brand

- A reputation as Japan's leading company for supporting rich lifestyles
- Recover status as a top Japanese company that is universally trusted
- Proud and motivated employees

Remain true to “Benesse = Well-Being”

- **Achieving deep customer focus**
Refine product and service value
- **Stay ahead of the competition**
Create a WOW customer experience
- **Innovate products and services by combining Benesse's knowledge and digital technologies**



Provide high-value-added services
Achieve high profitability (OPM: 10%)

Transform and Grow Benesse 2022

Business Strategy

Performance Targets



	FY2017 (Forecast)	FY2020 (Targets)	FY2022 (Envisaged targets)
Net sales (Bln Yen)	438.3	500.0	600.0
Operating income (Bln Yen)	11.1	35.0	60.0
OPM	2.5%	7.0%	10.0%
ROE	6.4%	10.0%+	10.0%+

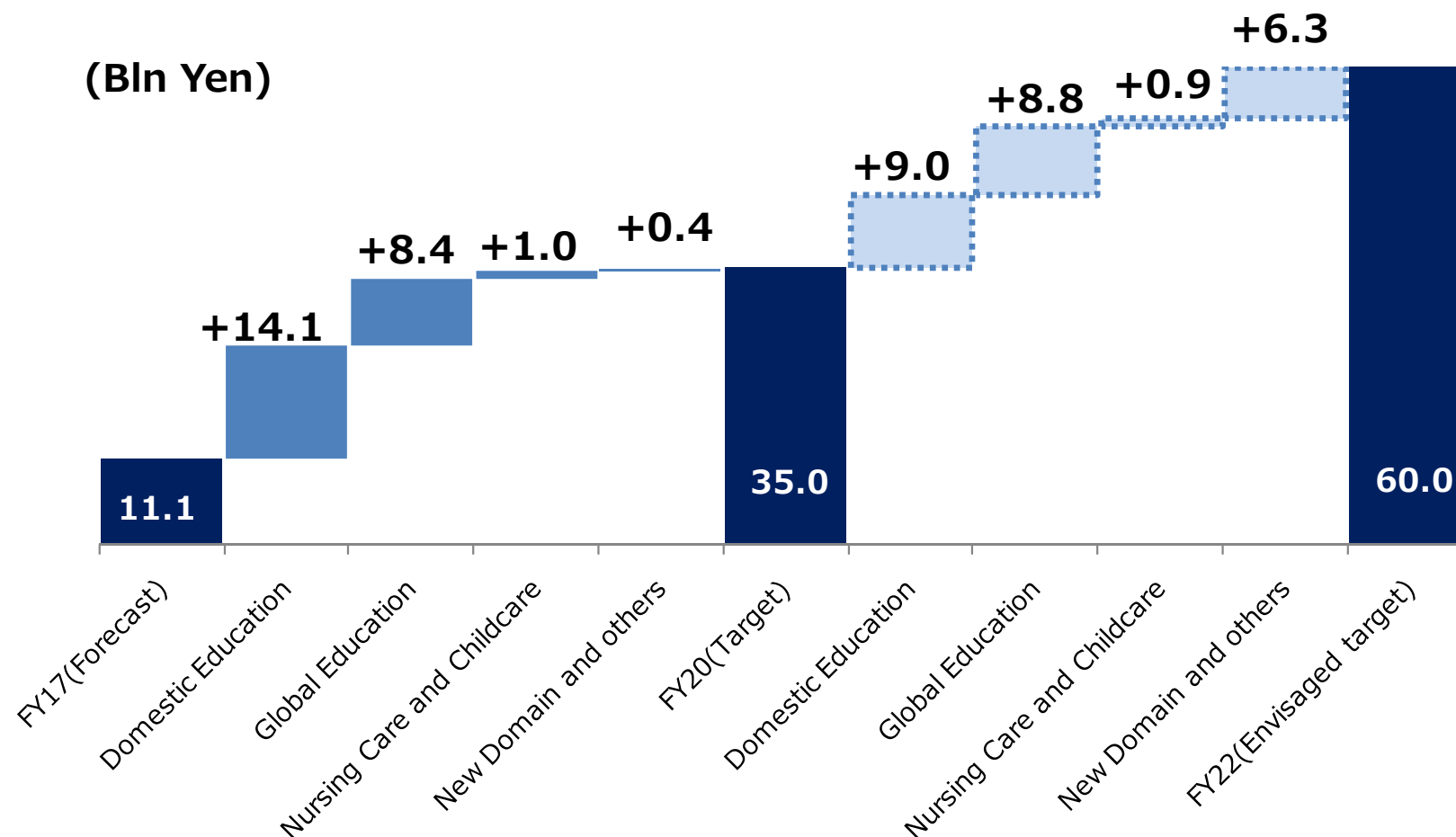
Strategy Summary by Business



	Strategic direction	Main businesses	Net sales CAGR FY2017→FY2022
Domestic Education	Leverage opportunity of education reforms	Correspondence courses (<i>Shinkenzeni</i>) School & Teacher Support business Cram schools / Classroom business	7%
Global Education	Global expansion by competitive brands	Preschool courses Berlitz	8%
Nursing Care and Childcare	Further develop “area dominance” strategy maintaining high quality	Nursing care Childcare	3%
New Domain (Third Business Pillar)	Expand new business domain through M&As	Lifestyle, health, human resource domains, etc.	—

*The *Kodomo Challenge* business is included within global education.

Envisaged Operating Income



Maximize opportunities arising from the education reform in 2020

Changes in university entrance exams

- Private-sector English tests that assess all 4 skills
- Essay questions for the Japanese and Math sections
- Multifaceted evaluation

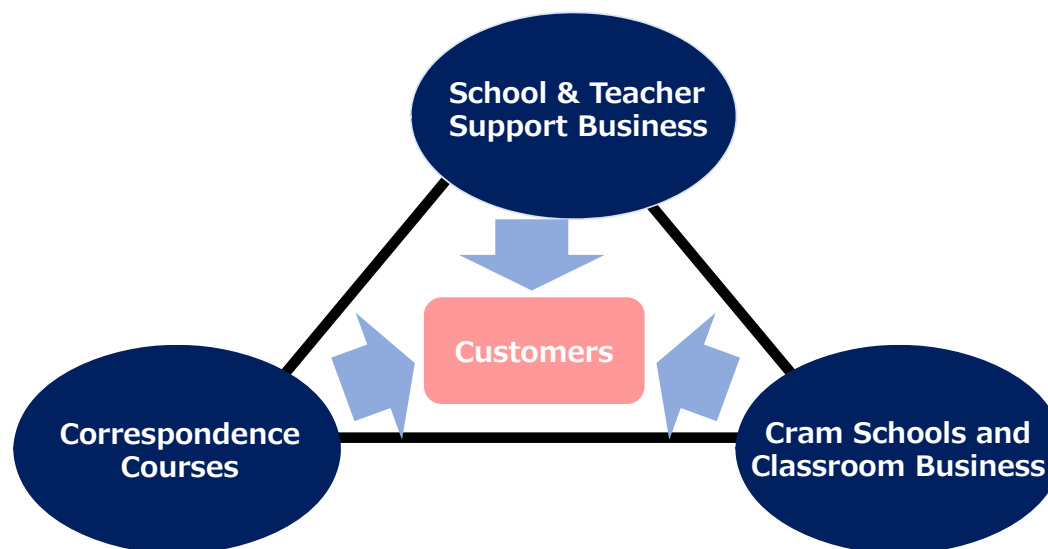
Changes in school education

- The powers of thinking, judgment and expression
- Active learning
- English language to be a formal subject (5th and 6th grade)

Changes at universities

- Clarification of three policies (admission, curriculum, diploma)

Leverage Benesse's total assets to become the "most trusted education company"



Promote
Company-
wide
strategy

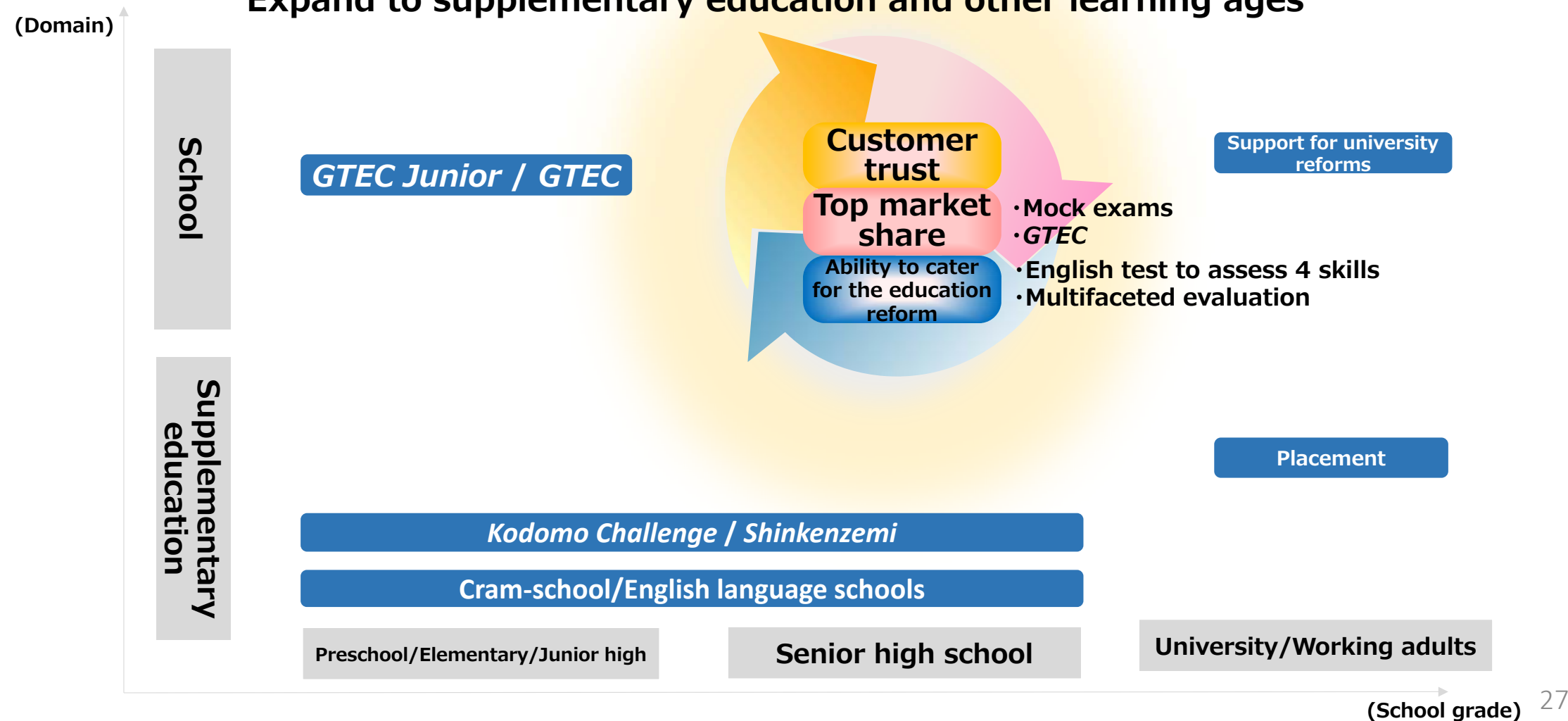
Step 1:
2017-

- English test to assess 4 skills (*GTEC*)
- New learning development/multifaceted evaluation
- Provide information on academic and career guidance

Step 2:
2021-

- Support for university reforms
- Support for academic/
career guidance

Strengthen the School & Teacher Support business (high school)
Expand to supplementary education and other learning ages



The greatest business opportunity is the shift in focus on the 4 skills
in English language education

Evaluation



- Increase adoption as university entrance exam
- Increase recognition among parents
- Expand business from elementary to lower secondary schools

Training

Evolve and Expand Training Services

Schools

Family
and
corres-
pondence
courses

Cram
schools
and
classes

- Expertise in CEFR*-compliant training
- Offer online lessons
- Release *GTEC* strategy course
- Accelerate expansion of English language classes
- Out-license to third-party cram schools

*CEFR : Common European Framework of Reference for Languages: Learning, teaching, assessment

Strategic direction

Rebuild *Shinkenzeni* by combining
all of Benesse's assets

Strengthen all 4 English skills

Combine all of Benesse's assets

- Online lessons
- New learning materials for all 4 English skills
- *GTEC Junior* web test

Increase customer satisfaction for the upper layer of academic skills

Utilize digital technology and content development capabilities

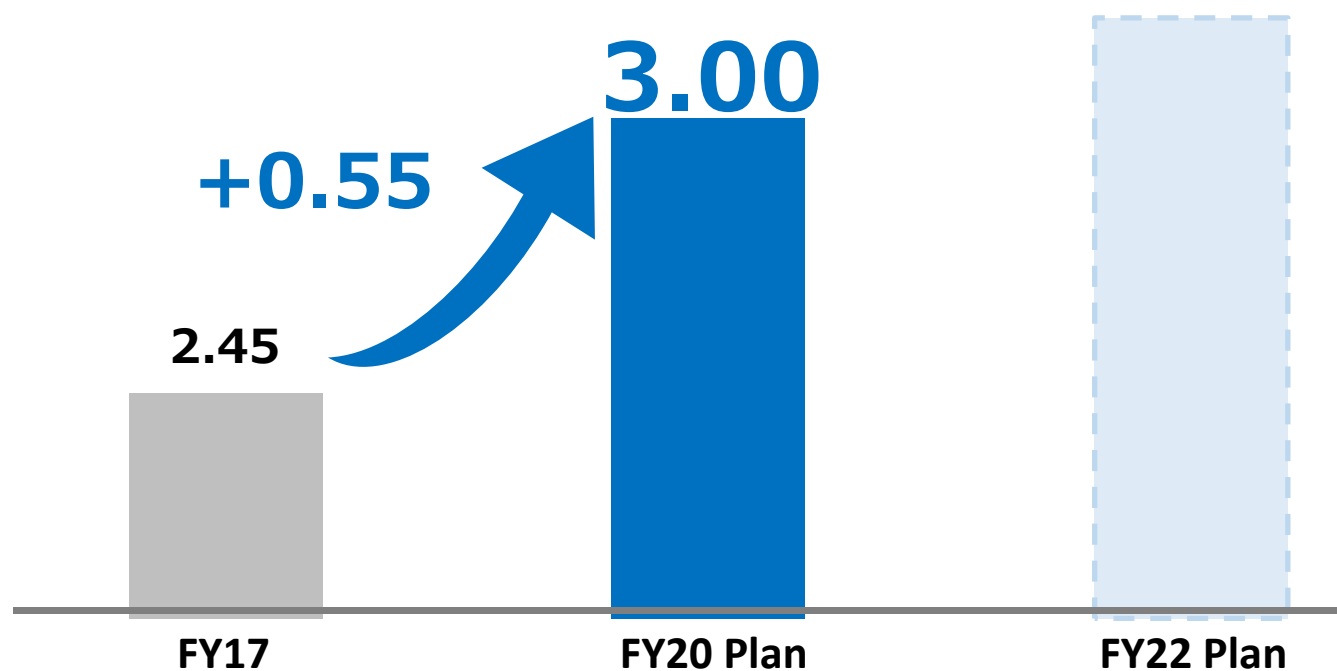
- Strengthening customization
 - regions/schools/academic skills



April Enrollment Targets

Achieve 3 million enrollments in FY20

(Million enrollees)



*Enrollment includes domestic *Kodomo Challenge* enrollments.

Strategic direction

Respond swiftly to education reform
Strengthen dominant position in high school
support and English language area

School support

- Optimize assessment tests to cater for new entrance exams
- Cater for multifaceted, comprehensive student evaluations
- Strengthen the cloud-based school support service *Classi*

English education

- Accelerate growth of English language test *GTEC*
- Expand training service for the 4 English skills

Support university students

- Expand university reform support domain
- Introduce new graduate job placement service

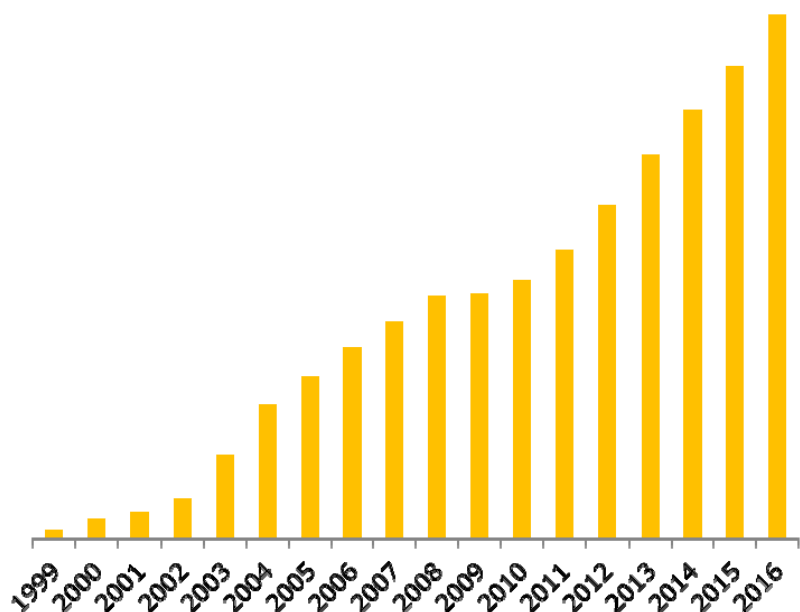
Strengthen incorporation
of digital technology

Over 1 million applicants expected in FY17; *GTEC* is becoming an English test standard

No. of applicants

Top share in the senior and junior high school market

940k



Score-type
test of 4
skills

All tests
conducted
simultaneously

GTEC

Usable
English/
task type

High-
quality
feedback

Cloud-based learning assistant services for teachers, students, and parents

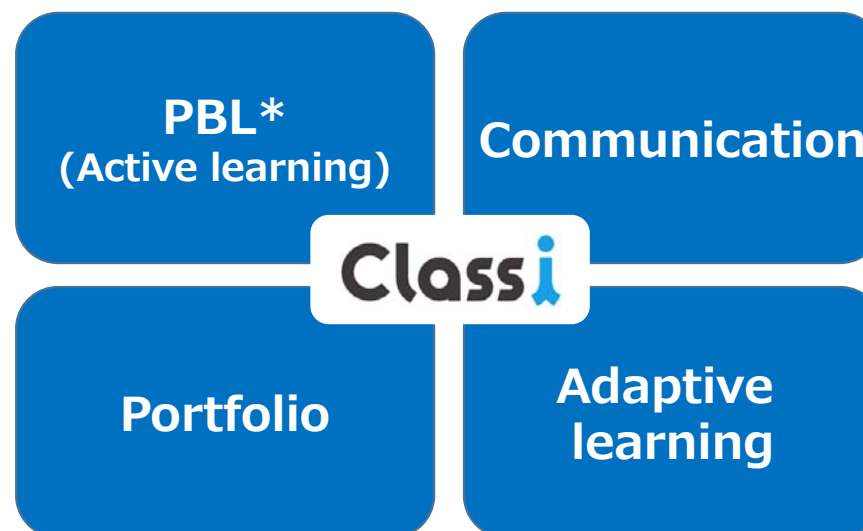
Rapid growth since establishment in 2014
Top share in the senior high school market

Approx. 800K
paying
members

Schools using
Classi (paying) **2,000**

Total number of
schools in Japan **5,000**

*As of August 2017



*PBL:Project-Based Learning

Expand Classroom Business

Strategic direction

Grow English service and cram school business

English education

- Integrate English-related brands (BE studio)
- Adapt to early childhood English language education

Cram school business

- Focus on cram schools providing high-value-added services (including through M&As)

Expansion of *Class Benesse*

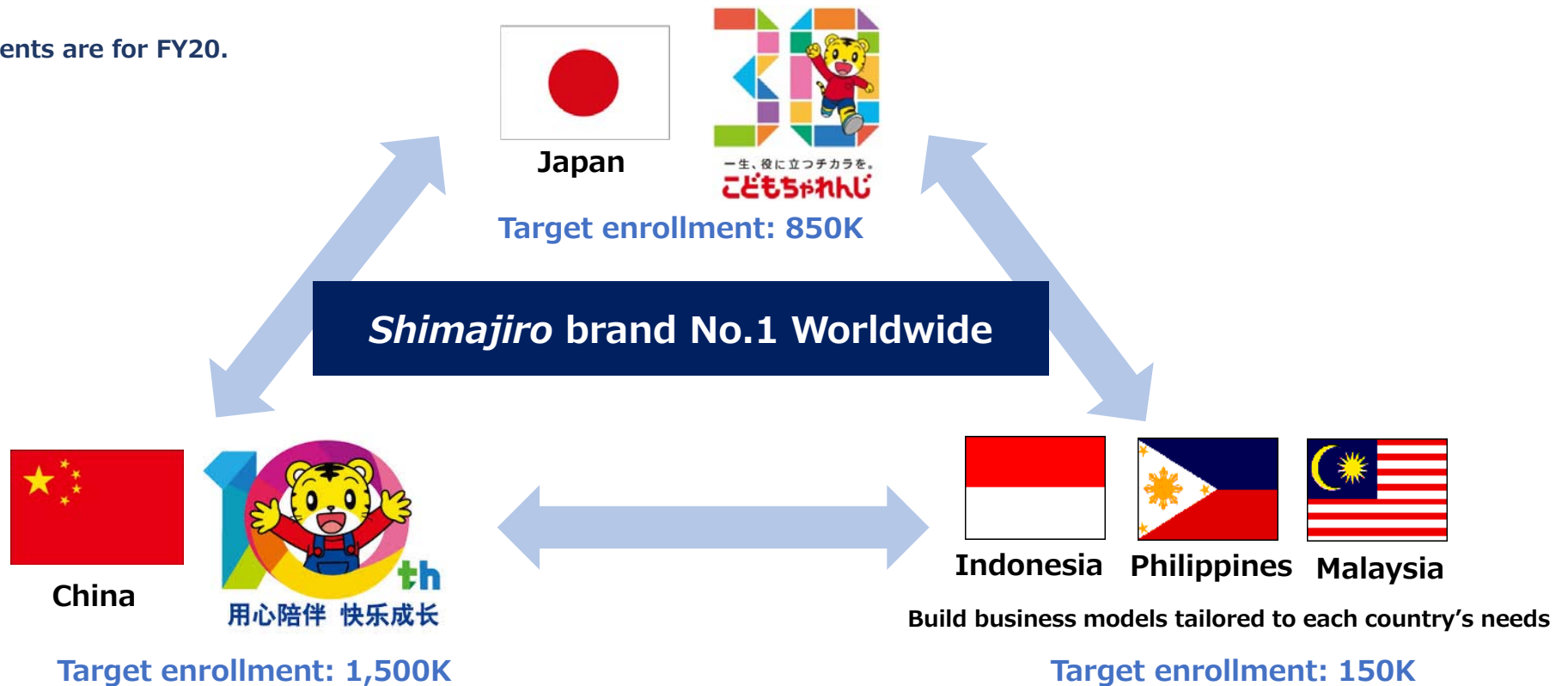
- Learning system linked with *Shinkenzeni*

Develop Global Education Business

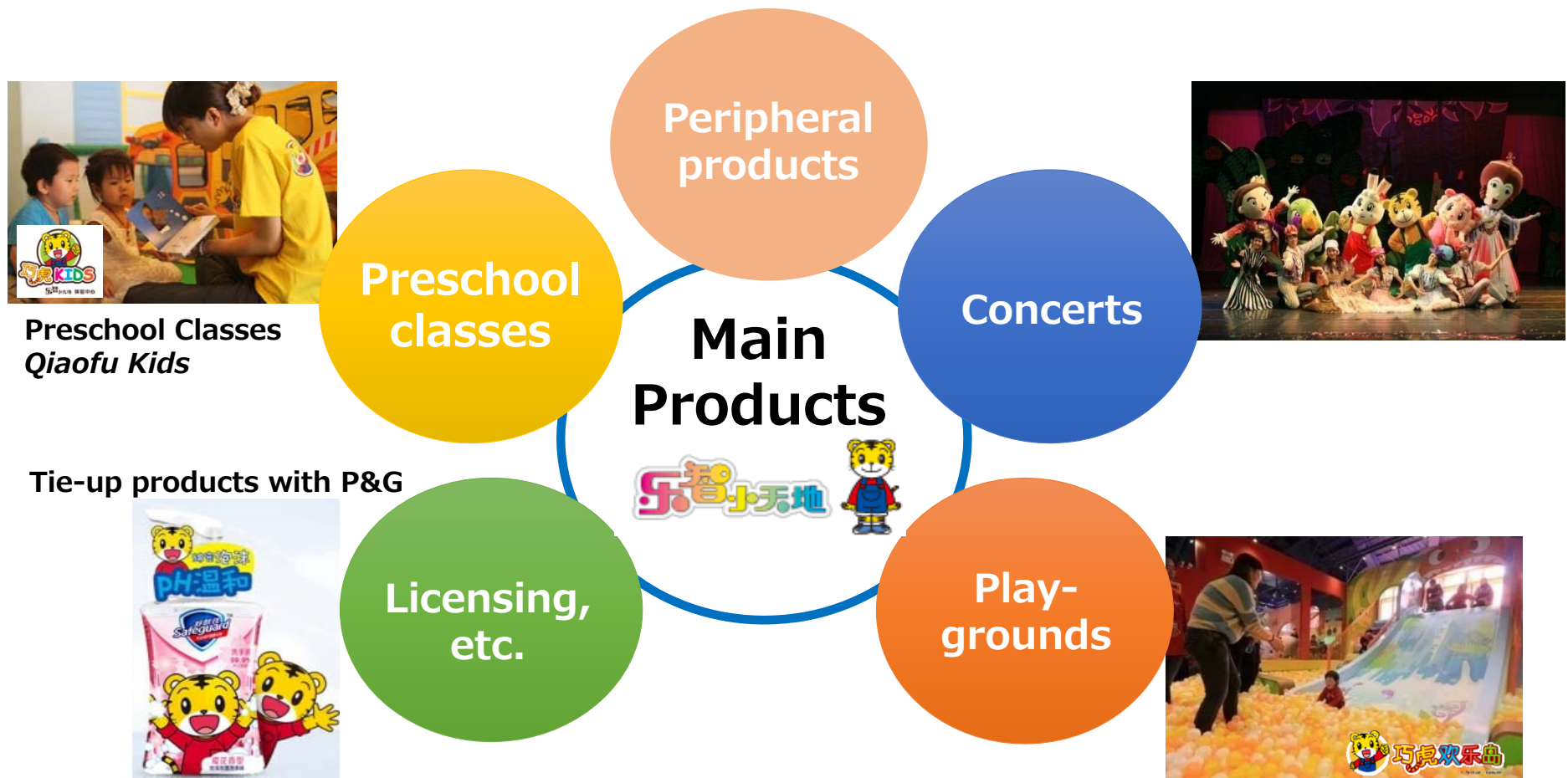
Strategic direction

- Geographic expansion with competitive brands and businesses
- Global standard products and marketing
- Develop *Shimajiro World*

*Target enrollments are for FY20.



China business expansion model



Slow reform resulted from management issues

BTS (Language service)

- Continued negative cycle of business weakening
 - Short-term strategies in severe competitive environment
 - Insufficient investment in development for new services and marketing
- Severe competition with peers with digital technologies

ELS (Support for overseas education)

- Structural reliance on students from Saudi Arabia
 - Over-capacity due to sharp downturn in student numbers
 - Failed strategies to untether from Saudi Arabia, mainly in sales
- Failed new product development

- **New CEO at Berlitz Corporation from Aug. 1, 2017**
- **New CEO has knowledge of the language school industry and strong track record in business revival**
- **Transform Berlitz through strong leadership of the new CEO**

Recovery possible through swift application of proper management Berlitz brand remains strong

BTS (Language service)

- Advance online products
- Classroom-focused
→ blended learning
- Strengthen digital marketing
- Directly operated classrooms
→ franchise development

Rebuild business model to provide
high-value-added services

ELS (Support for overseas education)

- Bolster sales force
- Revise the number of locations
- Capture new demand through
product development
- Accelerate Gateway model
introduction

Right-sizing
Launch new products

- **Expand current best practices throughout the entire company for the next 6 months**
- **Record restructuring costs and right-size business in FY18**
- **Complete new products and digital marketing measures in 12-18 months**
- **Achieve speedy recovery and generate appropriate profits going forward**

Strategic direction

Enhance added value to support stable growth, and strengthen a new highly profitable business model

Steady expansion of nursing homes

- 10 new homes per year

Strengthen high-end nursing homes

- High-end nursing homes outside the Tokyo metropolitan area

Achieve competitive edge through the “Benesse Method”

- Establish practical wisdom of the “Benesse Method” to connect philosophy with action

Competitive edge through the “Benesse Method” Benesse

Establish the “Benesse Method” to connect philosophy with action

Philosophy

Verbalization and visualization of 20 years' practical wisdom

Dementia care

- Living of the Year 2016



Pattern language

- Booklets providing 65 patterns of Benesse nursing care expertise



Original tablet-based system

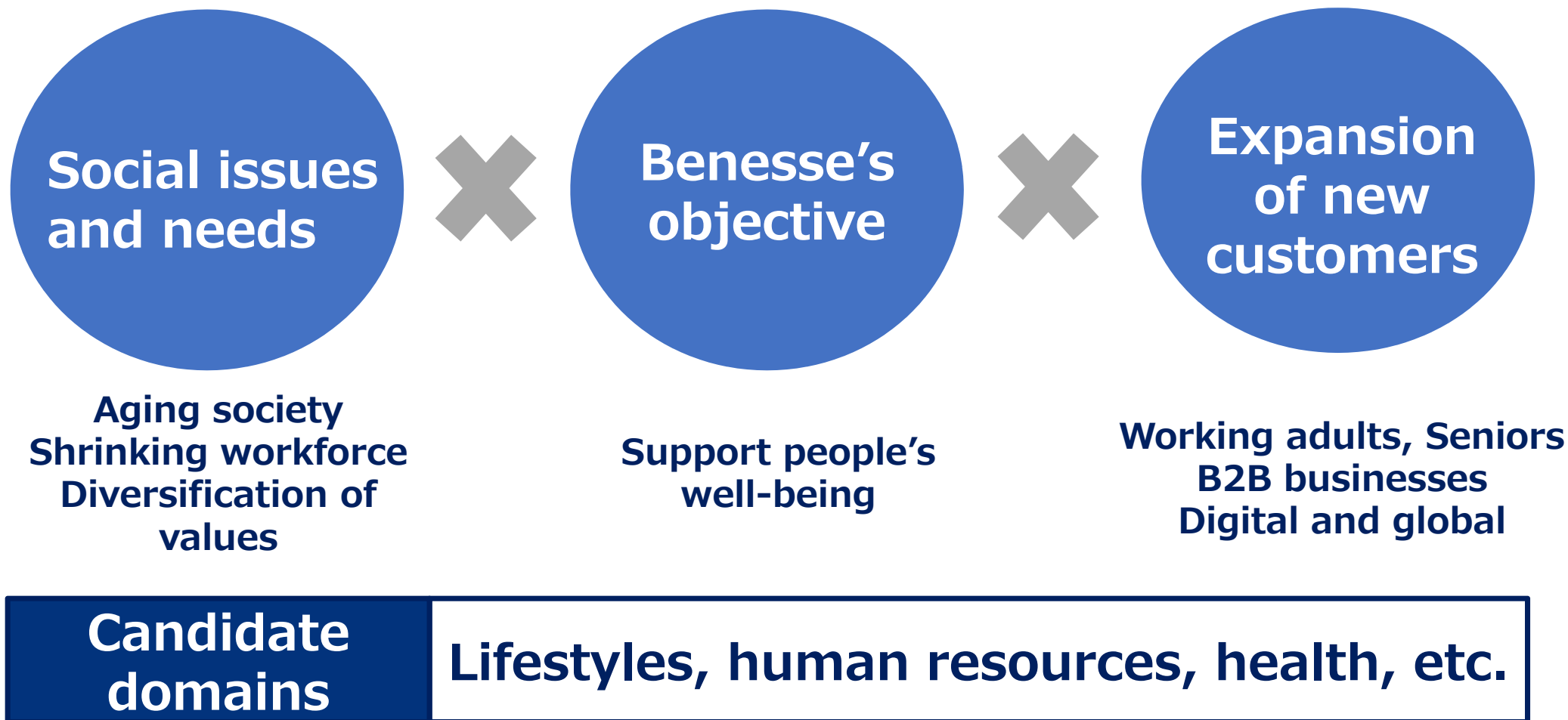
- A service system for systemizing nursing care and nursing service records and sharing expertise from veteran employees with all staff

Actions

Promote M&As with each phase

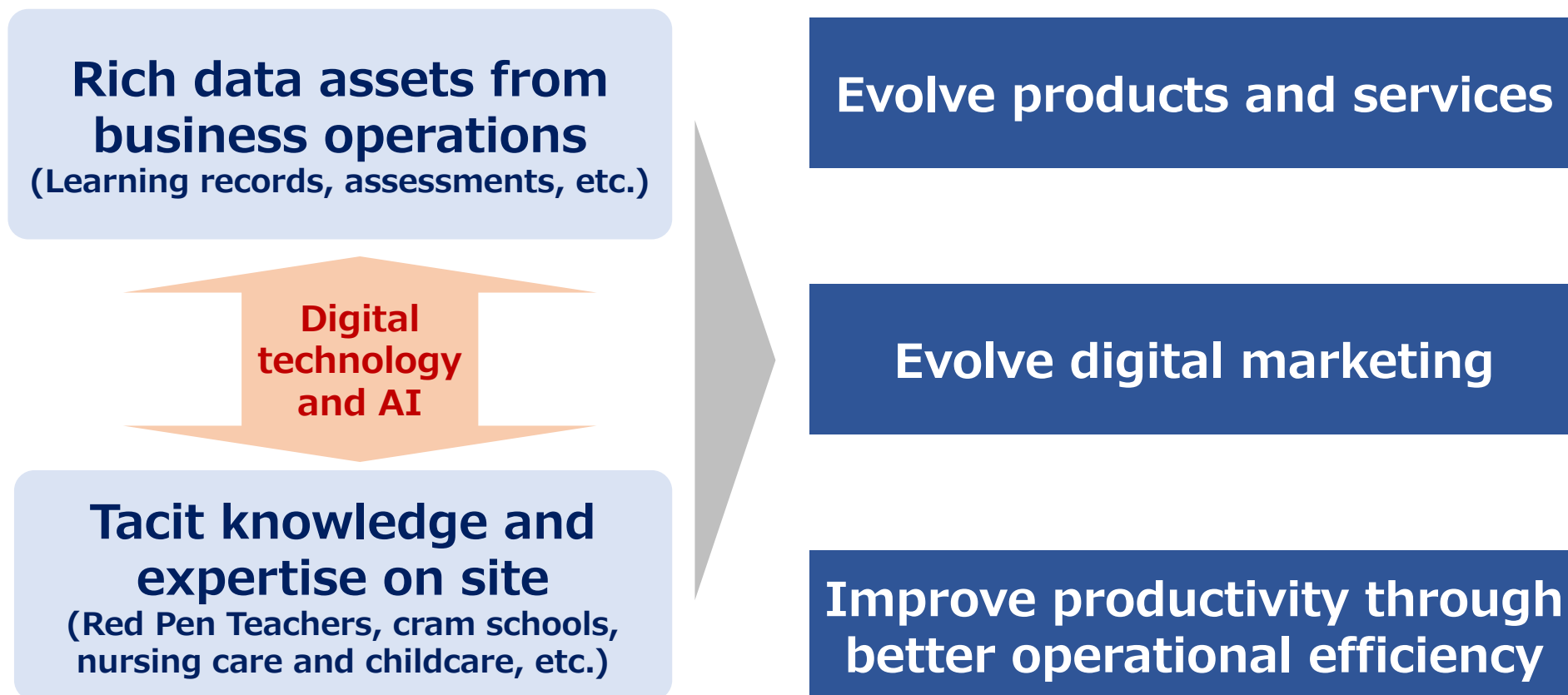
	M&As for realizing discontinuous growth of existing businesses	M&As for creating third-pillar businesses
Objective	Create business base to enhance competitive edge of existing business and weather environmental changes	Incorporate new business fields, business models, and customer base, stabilize earnings base
Target timing	Phase 1 (FY18-20)	Phase 2 (FY21-22)

Create New Business Domain to Become a Third Pillar

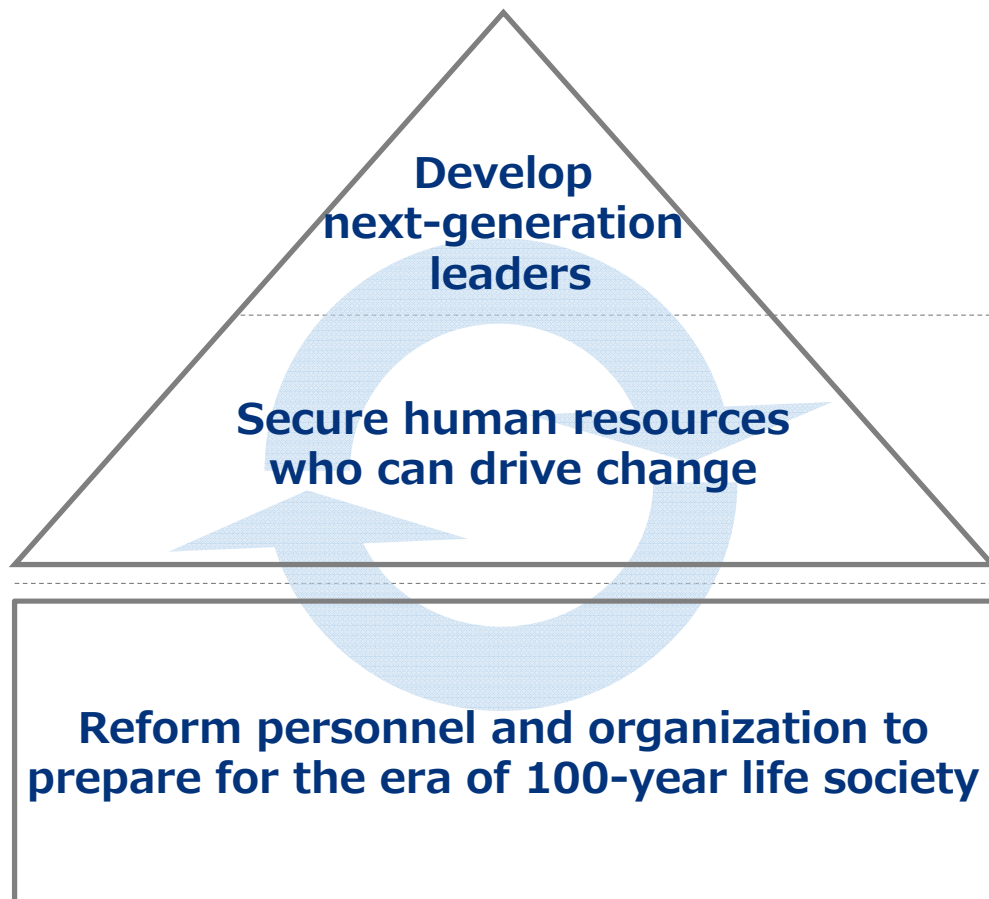


Strengthen the Management Base

Use digital technology and AI to enhance Benesse's unique value in education and nursing care domains



Realize “Benesse = Well-Being” among employees



- Select 100 next-generation leaders
 - Benesse University
-
- Secure IT and global experts
 - Promote diversity and reform corporate culture
-
- Raise retirement age, introduce position-specific retirement age, and change remuneration system
 - Support employees engaged in nursing care and childcare
 - Health and Productivity Management

Capital Policy

- **In principle, maintain current dividend level throughout the plan period**
- **However, consider reviewing when major M&As are conducted**

