

ON THE COVER

Pumpkin Yayoi Kusama

Benesse Art Site Naoshima is the collective name for the art-related activities we conduct in conjunction with the Fukutake Foundation on the islands of Naoshima, Teshima, and Inujima in the Seto Inland Sea. We have been promoting the ongoing activities as an approach to *Benesse=well-being*, our motto embodying the Benesse Group's corporate philosophy.



Benesse Holdings, Inc.

Investor Relations Department
1-34, Ochiai, Tama-shi, Tokyo 206-0033, Japan
Phone: +81-42-357-3656
Email: tokyoir@mail.benesse.co.jp
URL: <https://www.benesse-hd.co.jp/en/>

Empowering lifelong growth

Benesse Report 2023



bene (well) + esse (being)
Benesse (Well-being)

Benesse Group Corporate Philosophy

bene (well) + esse (being)

Benesse (Well-being)

What is “Benesse”? The heart of Benesse is enjoying the process of moving forward step by step, with resolve, toward the realization of your dreams and aspirations. Benesse empowers people to solve issues for themselves and to enjoy life to the full at every stage by offering them the tools and support they need to create well-being.

We aim to be a globally respected corporate group that is supported by and indispensable to customers, communities, and society.

We will contribute positively to society now and in the future.

* Benesse is a word coined from the Latin words “bene” (well) and “esse” (being).

Benesse Group Principles

The Benesse Group is a global corporation with a people-oriented culture.

We believe that before we become good business people, we must live as responsible members of society and that all of our actions should lead to “Benesse” (Well-being). In order to achieve this, we adhere to the following principles and promises.

Our Principles

Act sincerely; Build trust; Pursue challenges and innovation

Promise to our:

- Customers** We develop and maintain long-term relationships with our customers by offering them truly valuable solutions to their present and future needs.
- Colleagues** We value teamwork, people development, fairness, and active participation in the workplace.
- Business Partners** We foster mutual trust and growth with our business partners, thus creating the best value for our customers.
- Community and Society** We aim to create an environment in our communities where people of all ages can enjoy life through our services.
- Shareholders** We seek to grow and develop in a way that earns our shareholders' long-term trust.



Benesse
Group
Purpose



Benesse Group Purpose

Anybody can enjoy lifelong growth.
Toward a world in which everyone
can live their own life.

Benesse will continue to aim for
these ideals.

Based on the corporate philosophy of “Benesse=well-being,”
we have announced our Group’s purpose as our management mission.

We are an earnest and tireless advocate of the potential of people collectively and individually.
Against a background of rapidly changing social conditions, we will persist in pursuing a world
in which each person can live in a way that is true to themselves,
while looking to the future, globalization, and social systems.

We are eager to take on new challenges to realize such a world,
and are committed to solving various social issues associated with the different stages of life.
The Group’s purpose is what guides our passion and commitment.



Pumpkin Yayoi Kusama ©YAYOI KUSAMA

**Benesse
Art Site
Naoshima**



Benesse Report 2023: background theme

Benesse Art Site Naoshima

||

Place for lifelong growth

We established the Group's purpose in April 2023, and the Transformation Business Plan aimed to achieve the Group's purpose in May the same year. *Benesse Report 2023* is centered on the new Group's purpose and Naoshima, a place where we put our corporate philosophy of "Benesse=well-being" into practice.

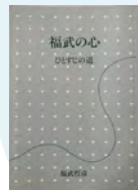


Benesse's history of growing in step with people and society

»»» Founding (1955 onward)

Founder Tetsuhiko Fukutake's strong belief in education

▶ Began in Okayama as a business providing simulated exams for high school students and correspondence courses that were the precursor to today's *Shinken*zemi. By releasing products that embodied new concepts and expanding our enrollments, we laid the groundwork for the correspondence education business before the market appeared in Japan.



Left: Tetsuhiko Fukutake, who established Fukutake Publishing Co., Ltd. after engaging in a number of jobs including elementary school teacher.

Right: *Fukutake no kokoro: hitosuji no michi*, a book created to compile the founder's thoughts. His spirit has been passed down to today as the Company's DNA.

»»» 1990s

Diversifying businesses under the "Benesse" banner

- ▶ In 1995, the company was renamed Benesse Corporation.
- ▶ Taking note of trends related to demographic aging and the increasing number of two-income households, entered the nursing care and childcare business, and published *Tamago Club* and *Hiyoko Club*, magazines on pregnancy, childbirth, and parenting.
- ▶ Launched overseas expansion and the language business against the backdrop of increasing globalization.



New company brand logo and character

»»» 2000s onward

Evolving education and nursing care businesses

- ▶ Expanded the education business even further through measures such as growing the school and teacher support business and bringing prep school operators into the Group.
- ▶ Made a full-scale entry into the elderly housing business, with the nursing care business growing into our second pillar.
- ▶ Worked to regain the trust lost due to a leak of personal information, and implemented thoroughgoing measures to prevent the occurrence of similar incidents.
- ▶ In the education business, further increased utilization of digital technology and pursued individualized learning support services.



»»» 2020s onward

Announcing the Transformation Business Plan in 2023

- ▶ In 2023, announced the Group's purpose.
- ▶ In 2023, announced the Transformation Business Plan, an upgrade of the Medium-Term Management Plan made in response to major changes in the business environment.

Founded in 1955

1962 Launched Kansai Simulated Exams for senior high school students (now Shinken Simulated Exams).

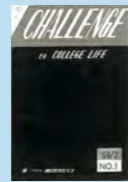
1969 Launched Correspondence Education Seminar for senior high school students (now Shinken zemi Senior High School Courses).

1972 Launched Correspondence Education Seminar for junior high school students (now Shinken zemi Junior High School Courses).

1980 Launched Shinken zemi Elementary School Courses.

1988 Launched Shinken zemi Preschool Courses (now Kodomo Challenge).

1989 Launched preschool courses in Taiwan.



Correspondence Education Seminar (first issue)



Shogo Challenge (first issue)



Shinken zemi Preschool Course (first issue)

1990

2000

2003 Introduced proficiency-based educational materials to Shinken zemi courses.

2006 Acquired Ochanomizu Seminar Co., Ltd. as a subsidiary, thereby entering the prep school business.

2006 Launched preschool courses in China.

2007 Acquired Tokyo Individualized Educational Institute, Inc. as a subsidiary.

2008 Launched "Shinken zemi Junior High School Course +i," the next-generation version.

2009 Established Tokyo Educational Institute Co., Ltd. to take over the business of Tetsuryokukai.

2010

2011 Benesse Corporation opened a representative office in Indonesia.

2012 Acquired UP Inc. as a subsidiary.

2014 Acquired Minerva Intelligence Co., Ltd. (now Benesse BE studio Inc.) as a subsidiary.

2015 Established Benesse i-Career Co., Ltd.

2015 Concluded a comprehensive business alliance agreement with US-based Udemy, Inc.

2019 Acquired Classi Corp. and EDUCOM Corporation as subsidiaries.

2020

2023 Concluded a business and capital alliance agreement with SkyHive Technologies Inc.

2023 Acquired Waris Co., Ltd. as a subsidiary.

Education

Lifestyles

Nursing care/
childcare



Tamago Club (first issue)



Hiyoko Club (first issue)



THANK YOU! (first issue)

1993 Launched *Tamago Club* and *Hiyoko Club*, magazines on pregnancy, childbirth, and parenting.

1996 Launched lifestyle magazine *THANK YOU!*

2002 Launched *Inu no Kimochi* (pet magazine).

2004 Launched Tamahiyo no Uchiwai (gift shopping site).

2004 Launched *Neko no Kimochi* (pet magazine).

2019 Concluded a business and capital alliance agreement with CoDMON, Inc. and started the Childcare Documentation service.

1995 Launched the Home Helper Level 2 Training Course.

1997 Opened Benesse Home Clara Okayama.

2000 Established Benesse Care Corporation to provide nursing care services. Acquired Shinkoukai Co., Ltd. as a subsidiary.

2003 Consolidated the Group's nursing care service companies to form Benesse Style Care Co., Ltd.

2010 Acquired Bon Sejour Corporation as a subsidiary.

2012 Merged Bon Sejour Corporation into Benesse Style Care Co., Ltd.

2013 Established Benesse Palette Co., Ltd. to provide meal delivery services.

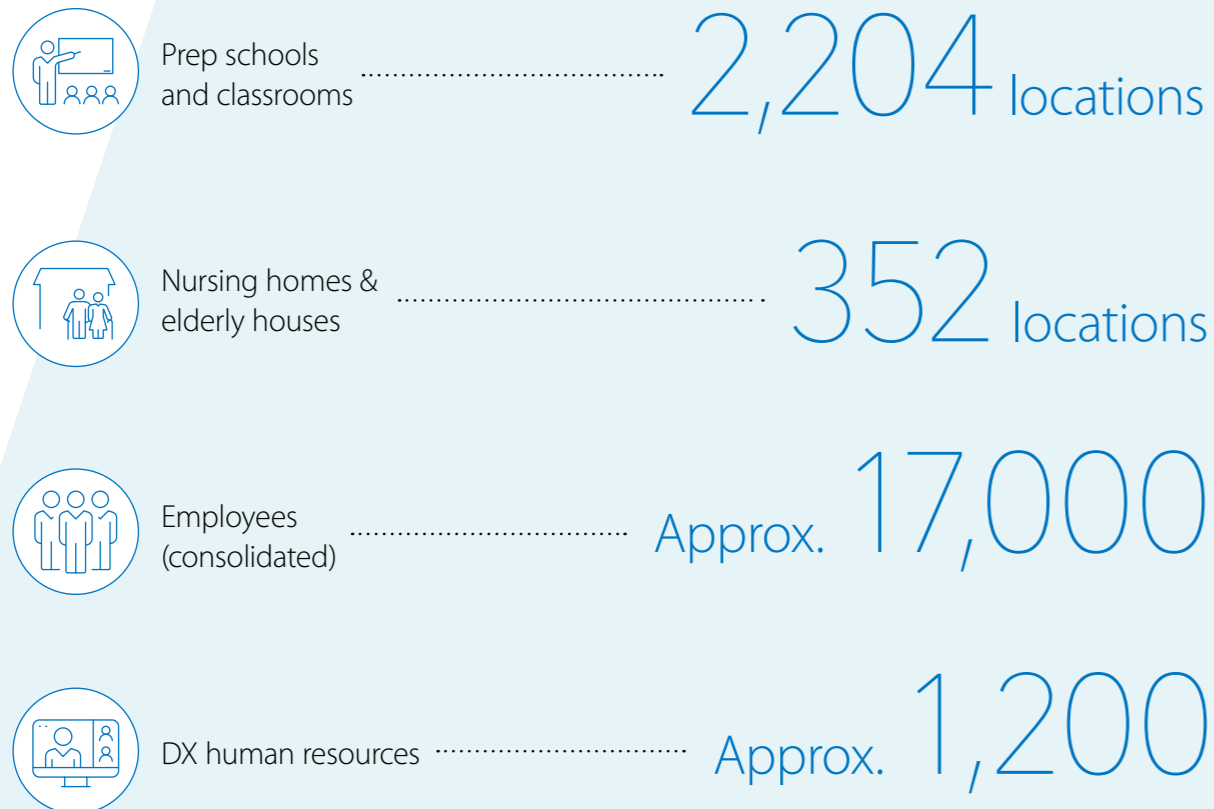
2014 Established Benesse Senior Support Co., Ltd. to operate a nursing care consultation service.

2021 Acquired Proto Medical Care Co., Ltd. (now Heart Medical Care Co., Ltd.) as a subsidiary.

Benesse's strengths for growing in step with people and society



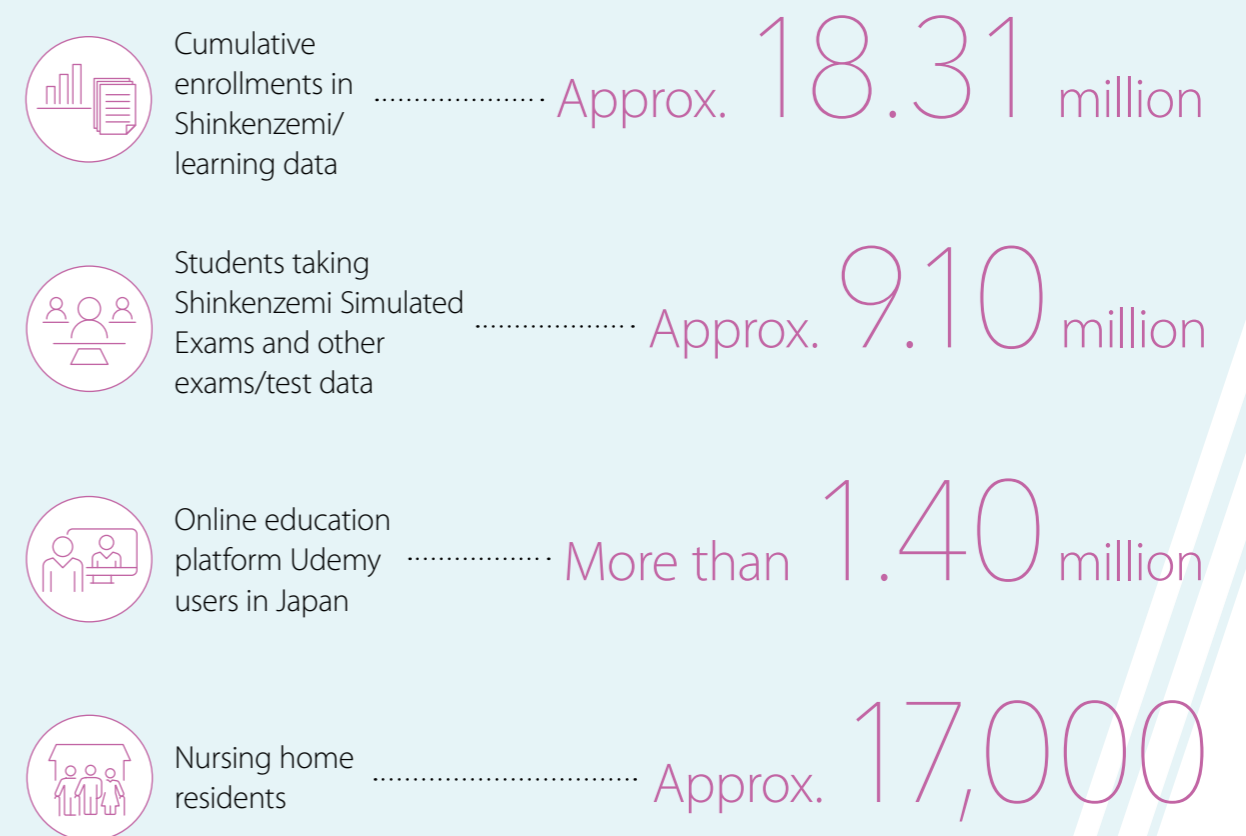
Material Productive/human capital



Brand Intellectual capital

-  Strong brands for childcare, education, and nursing care
-  Teaching materials and methods for instilling the ability to learn
-  Expertise in developing and grading simulated exams
-  Unique nursing care methods and mechanisms
-  Multifaceted surveys and research in the education field

Network Social capital



CONTENTS

- 01 Benesse Group Corporate Philosophy & Principles
- 03 Benesse Group Purpose
- 05 Benesse Report 2023: background theme
- 07 Benesse's History
- 09 Benesse's Strengths
- 11 Contents

- 82 Special Feature: Benesse Art Site Naoshima

- 51 At a Glance
- 53 Education Business in Japan
- 58 Special Feature: University and Working Adult Business
- 61 Kids & Family Business
- 63 Nursing Care and Childcare Business

- 68 Corporate Governance
- 79 Communication with Shareholders and Investors
- 80 Investor Information
- 81 Group Information

CHAPTER 01

Supporting lifelong growth to forge a new future

Our Vision and Business Strategies

What future does the Benesse Group envision for itself, and how is the Group aiming to achieve that vision? In this chapter we describe the medium- to long-term vision and strategies that the Group is pursuing for value creation.

- 15 Benesse's Value Creation Process
- 17 CEO Message
- 23 CSO Message
- 27 CFO Message
- 30 Financial Highlights
- 31 CDXO Message

CHAPTER 02

Supporting lifelong growth to shape the next era

Materiality

While analyzing the dramatic changes of the current era, we held repeated discussions to identify our materiality in order to resolutely make it through to the next era. New endeavors of the Benesse Group have already begun.

- 37 Revision of Materiality
- 39 Toward the Achievement of our Purpose
- 41 Supporting Diversified and Multilayered Learning Experiences to Provide Motivational Education Services
- 42 Supporting Sustainable Corporate Growth and Personal Career Development through Learning Experiences
- 43 Respecting the Unique Individuality of the Elderly while Resolving Structural Nursing Care Issues
- 44 Nurturing Organizations and People as Drivers of Transformation
- 46 Preserving a Sustainable Global Environment
- 48 Non-Financial Information

CHAPTER 03

Empowering people to pursue lifelong growth in the age of the 100-year life

How We Create Value

Reviewing and enhancing each of the activities, and taking on new challenges proactively, the Benesse Group continues to create new value in order to support each person in pursuing their goals at each stage of life.

CHAPTER 04

For greater lifelong growth potential

Enhancing Operational Resources

In order to achieve sustainable growth with all stakeholders, the Benesse Group is continuing to enhance the effectiveness of its corporate governance toward solidifying its management foundation and further increasing its corporate value.

Editorial Policy

We publish this report to help investors and other stakeholders understand the Benesse Group's medium- to long-term strategies and initiatives for creating value, based on our FY2021-2025 Medium-Term Management Plan, "Evolve core businesses & Expand into new fields" (released in November 2020) and on the Transformation Business Plan, which is an update of the Management Plan. In editing the report, we have kept in mind the reporting frameworks of the International Integrated Reporting Council and the Guidance for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry (METI), limiting the content to items of particular importance while striving to structure the report in a way that is concise and easy to understand. More detailed investor-relations information and information related to environmental, social, and governance (ESG) matters is published on our website.

●Period covered

This report covers primarily activities carried out in fiscal 2022 (i.e., from April 2022 through to March 2023), though it also includes some information on initiatives from prior to that period and activities taking place after April 2023. The organization names and the job titles used are current as of June 24, 2023.

●Activities covered

The report covers the activities of Benesse Holdings, Inc. and its consolidated subsidiaries. If the discussion at any point references any other particular scope of coverage, this will be indicated on the pages concerned.

Note regarding forward-looking statements

This report includes statements regarding current plans, forecast, strategies, etc. Any of these statements that are not historical facts are forecasts of future performance; these statements are based on the judgment that the Company has formed using the information currently available, so they involve risks and uncertainties. Please be aware that, for a variety of reasons, actual performance may differ from current forecasts.

CHAPTER
01

Supporting lifelong growth to forge a new future

Our Vision and Business Strategies

What future does the Benesse Group envision for itself, and how is the Group aiming to achieve that vision?

In this chapter we describe the medium- to long-term vision and strategies that the Group is pursuing for value creation.

Benesse's Value Creation Process

We seek sustainable growth for both the Benesse Group and society by bringing people "Benesse = well-being" through our business and social activities, and continuously creating new value that helps solve social problems.

INPUT (FY2022)

Financial capital

Total assets 541.5 billion yen
Shareholders' equity 152.3 billion yen

Productive capital

Prep schools and classrooms 2,204 locations
(Total for Tokyo Individualized Educational Institute, UP, Ochanomizu Seminar, Tetsuryokukai, Benesse BE studio, and StudyHacker)

Nursing homes 352 locations

Human capital

Employees (consolidated) Approx. 17,000
Digital transformation (DX) human resources Approx. 1,200

Intellectual capital

Strong brands for childcare, education, and nursing care
Teaching materials and methods for instilling the ability to learn
Expertise in developing and grading simulated exams
Unique nursing care methods and mechanisms
Multifaceted surveys and research in the education field

Social capital

Cumulative enrollments in Shinkensemi / learning data Approx. 18.31 million members
Students taking Shinken Simulated Exams and other exams / test data Approx. 9.10 million people
Number of UdeMy users in Japan More than 1.40 million people (as of June 2023)
Nursing home residents Approx. 17,000 people

Transformation Business Plan

Portfolio strategy

Transformation of core businesses (Core Education)

Transformation of core businesses (Core Nursing Care)

Challenges for new growth (New Fields)

Management system transformation
Corporate transformation

Promotion of DX mainly through the Group-wide organization DIP*

*DIP: Digital Innovation Partners

Financial key performance indicator (KPI)

Operating income* FY2025
32 billion+ yen

Return on equity (ROE) FY2025
10%+

Sales growth in New Fields FY2022-2025
Doubled as of FY2025 (Relative to FY2022)

+

Portfolio structure vision for FY2028:
Well-balanced profit generation from three pillars:
Core Education, Core Nursing Care, and New Fields

*Goodwill from future M&As are excluded.

Materiality (See page 37 for details.)

Toward the achievement of our purpose

Supporting diversified and multilayered learning experiences to provide motivational education services

Supporting sustainable corporate growth and personal career development through learning experiences

Respecting the unique individuality of the elderly while resolving structural nursing care issues

Foundation that underpins the above

Nurturing organizations and people as drivers of transformation

Preserving a sustainable global environment

Cultivating a corporate culture conducive to serving society and customers with integrity

Achievement of the Benesse Group's Purpose

Anybody can enjoy lifelong growth. Toward a world in which everyone can live their own life.

Benesse will continue to aim for these ideals.



CEO MESSAGE

We will boldly undertake a transformation to achieve growth hand in hand with employees.

Hitoshi Kobayashi

Representative Director and President, CEO

business, we launched a local subsidiary in India to start the school education support business in the country. Also, we improved our profitability by selling the Berlitz business, which had been a management issue for many years. Moreover, we established Digital Innovation Partners (DIP) as a Group-wide organization to promote digitalization for the further development of each of our businesses, and have been steadily implementing relevant measures. For fiscal 2022, we recovered our operating income to nearly the pre-COVID-19 fiscal 2019 level by posting income of 20.6 billion yen. Although operating income is still below its record high, the Group has proved that it can make a profit of 20 billion yen or more even when it faces difficulties in its core businesses, such as the Shinkenzemi and Komodo Challenge businesses. Indeed, the Group has a business portfolio that helps secure this profit level.

According to the explanations that I have given above, you might wonder why it was necessary for the Group to review the Medium-Term Management Plan. The reason is that the market growth rate of the education business will decline due to a decrease in the birthrate, although the business is still providing the Group with a major source of revenue. We need to think about how to build a robust revenue base for 10 years in the future while we still have enough earning power in the business. To meet this requirement, we conducted examinations from a new viewpoint and new angle, rather than regarding the future as an extension of the present, and this led us to review and update the Management Plan.

Helping individuals to lead their own lives

The Benesse Group has long been widely recognized as a leading enterprise in the educational field, and has steadily achieved growth based on its unique business model. However, the numbers of enrollments and students registered with Shinkenzemi and Kodomo Challenge have been decreasing. This raises concerns about the growth potential of the Group to some people, and our stock price has been halved compared with its record high for the recent decade. What should we do to increase the expectations of our stakeholders, including our investors, for the Group's long-term growth and gain their medium- to long-term support? How should we help Group employees, who are facing a range of challenges, to demonstrate their passion and potential for their jobs? We held many discussions to find the answers to these questions for ourselves, and these efforts culminated in the formulation of the Transformation Business Plan. Based on the Group's purpose, we will make full use of our strength and expand our business domains in line with the strategies set in the Plan, which are not simple extensions of our conventional management strategies that focus on the education business.

As implied by the term Benesse (well-being), which we uphold in our corporate philosophy, the entire Group is committed to supporting individuals in leading their own lives at each life stage from birth to the last moment. However, we were trapped in a past of successfully achieving growth by conducting a unique education business, and we also needed to

respond to a personal information leak that occurred from within the Group. Under these circumstances, we tended to take a narrow view and focus on the immediate results of our work, although we were aware of the importance of implementing our corporate philosophy. On the other hand, the pandemic caused a range of social issues to surface, and the business environment surrounding the Group is continuing to change dramatically. We can no longer deal with such changes only by making improvements to our existing businesses. We should be bold enough to break the business model that we have built, regarding it as a precondition to meet our customers' needs on a continual basis. We must have enough courage to break away from our past success to be a corporate group that can continue to win public support and trust in a very steady manner. To this end, we will promote our own evolution in line with the Group's purpose and the Transformation Business Plan.

Embodiment of the corporate philosophy through business operations

The Benesse Group includes Benesse Style Care, a company engaged in the nursing care business. In 2000, I was transferred to the predecessor of this company (Benesse Care) to serve as one of its directors. At that time, many people both inside and outside the Group objected to the Group's engagement in the nursing care business, and I was surprised and embarrassed at my own transfer to the company. However, when I visited a nursing home operated by the company as director, I was impressed with the attitude of the company's staff. They were embodying our corporate philosophy by being committed to supporting residents of the home in leading their own lives beyond the framework of their jobs. I was so inspired by them that I involuntarily exclaimed, "Amazing!" I strongly remember that to this day. Now there are many companies operating in the nursing care business. At that time, however, very few companies were doing the business and the quality of the services provided by these companies was generally not very high. But the staff of Benesse Care was thoroughly devoted to helping residents of the home to lead their own lives while also striving to meet the needs of their families. Both the residents and staff of the nursing home that I visited looked happy. This experience led me to uphold the idea that we can offer the ideal service by helping our users to continue living their own lives. When starting to provide welfare and nursing care services, you usually employ people who have experience in the industry. However, we have been proactively employing people who have diverse experience in fields other than the welfare and nursing care industry, in order to provide individual customers with the ideal service that truly fits their individual needs. I think this is an unusual practice in the industry.

It is essential for the Group to 1) achieve business growth, 2) contribute to solving social issues, and 3) help its users continue to live their own lives. In order to do all of these three good things as our unique initiative, I believe it is important to help all Benesse Group

Announcement of the Transformation Business Plan

In May 2023, the Benesse Group announced the Transformation Business Plan for fiscal 2028, which is aimed at increasing its corporate value on a medium- to long-term basis. For the Medium-Term Management Plan that was released in November 2020, we completed phase 1 of the plan, or its first two years, in March of this year. Also, back in May 2022, we updated some of the financial KPIs set under the Management Plan. Then, we formulated the Transformation Business Plan as an update of the Management Plan in view of changes to the business environment surrounding the Company and its businesses.

In the Medium-Term Management Plan, we aimed to

achieve a V-shaped recovery from the business impact of COVID-19 and increase our operating income for fiscal 2022 to exceed the 21.2 billion yen we had posted in fiscal 2019, before the outbreak of the pandemic. For core businesses, we were unable to make a recovery as planned in the nursing care business and the Kodomo Challenge business in China. However, we were able to achieve a V-shaped recovery in the education business in Japan by exceeding the profit that we had posted for 2019, before the outbreak of COVID-19. Also, in New Fields, we newly established the University and Working Adult Business Company, and in particular, we have been steadily expanding the Udemu business. Further, to speed up our growth in the university and working adult field, we invested in two companies, one of which joined the Group. For the overseas education

employees to have the self-confidence that they can embody the corporate vision and philosophy through their own jobs, as already demonstrated by our staff that engages in the nursing care business.

Grasping new business opportunities at the turning point of school education

Education is one of our main businesses, and we have already taken measures to respond in a timely manner to changes in the field's business environment, including shortening the time required for the creation of teaching materials. I regard 2025 as a turning point for school education in Japan, which is undergoing various changes including those related to children's motivation for learning, their parents' values, the guiding principles adopted at educational facilities, and the university admission system. In December 2019, the Japanese Ministry of Education, Culture, Sports, Science and Technology announced its intention to promote the introduction of ICT to schools under its GIGA School Program. While the introduction of a "one device to one student" policy was planned for the end of fiscal 2023, it was implemented under the program three years earlier than planned to meet the need for online education caused by the pandemic.

Starting in 2025, students will receive new replacement devices under the Next GIGA Program formulated as the second phase of the Ministry's aforementioned initiative. Also, school administration support systems will be updated to cloud-based systems, the assessment of students through computer-based testing (CBT) will expand, and the application and effective use of educational data will be further promoted. On the other hand, we face threats and risks, including the reduction of the budget allocated by local governments to software applications and the shrinkage of the out-of-school learning market following the spread of devices. While keeping these challenges in mind, we should further promote the transformation of our education business in fiscal 2026 and onward to grasp

new opportunities provided by the need to reduce the additional burdens imposed on teachers, and also narrow regional gaps in terms of education and increase the device possession rate. To this end, we will take the following three approaches.

First, we will take a Bring Your Own Device (BYOD) approach mainly in the Shinkenzeni business, thereby transforming it into a next-generation business model with a focus on serving more diverse households and children in the business. As the second approach, we will help schools shift to cloud-based school administration. We will make more effective use of relevant data to help schools provide a new type of education, thereby contributing to the reduction of burdens imposed on their teachers. Third and last, we will promote CBT for educational assessments. The Benesse Group has unique expertise and know-how in educational assessments. Accordingly, we can provide schools with the services that will help them to promote daily learning, show them education courses that match individual students, and support their students in taking intra-year entrance exams. We will expand the use of CBT in these services to promptly find more business opportunities.

The Benesse Group has accumulated know-how and a proven track record in the creation of paper-based teaching materials that are useful for children. Now, amidst the rapid progress of digitalization, we need to do more than simple digitalization. Specifically, we need to take advantage of the features of digital media to create new teaching materials that will give children more motivation to learn. For the creation of such materials, the Group is focusing on reskilling Group employees. In addition to acquiring new skills, Group employees are required to make efforts to view things beyond the scope and framework of the Group's conventional businesses.



Left: Final screening session for the B-Stage internal proposal system Upper right: Benesse Group's monthly morning meeting held to promote transformation Lower right: President's roundtable meeting report in the online in-house newsletter



Involving employees for speedier transformation

It is not easy for us to dramatically change the Shinkenzeni and Shinken Simulated Exams businesses, which have long provided us with a great driving force for growth based on the quite unique business models. We have a total of more than two million enrollments in the businesses, and we require great courage to adopt the opinions of people who are not registered members of the services while continuing to meet the expectations of the members. It would also be difficult for each of our employees to search for new business ideas from a broader perspective while performing their daily operations. I therefore decided to provide employees with special opportunities to get inspired and think deeply, including establishing the B-Stage internal proposal system. In fiscal 2022, the number of proposals made under the system reached 3,427, almost doubling from that in fiscal 2021 (1,782). Although many companies have their own in-house proposal systems, it seems rare for the number of proposals made under such a system to double in the second year. But we have achieved it, which is attributable to the great efforts made by the secretariat. Also, the heads of the in-house companies steadily responded to all proposals and ideas submitted by employees, including minor ones, in a very sincere manner. Due to these two factors, employees felt more encouraged to make proposals under the system, which in turn increased the number of entries.

The Benesse Group has established a CXO-based system, placing importance on cross-organizational functions, but it still has a vertical organizational structure. However, through the B-Stage system, it has been clearly revealed that employees working onsite have a range of ideas and thoughts regardless of their affiliation in the Group, and this is indeed a great finding for us. Of course, we need to do more than just encourage employees to make proposals. It is also important for the management side to respond to

their proposals in a sincere manner, and I have asked the heads of the in-house companies to avoid simply ignoring any proposals. Under the B-Stage system, which is now three years old, we ask employees to make proposals in two separate divisions, which we call the "free competition" and "compulsory competition" divisions. In the compulsory competition, we solicit proposals in the business domains important for the Group's sustainable growth as described in the Transformation Business Plan. We will examine each of the submitted proposals in consideration of its business size and social impact.

Building a corporate culture that promotes the growth of both the Company and employees

Since joining the Company in 1985, I have been achieving self-growth with the growth of the Company. The Company respects the opinions of employees, and it used to be included in the job of the president to read all employees' daily reports by noon the next day and then give comments to the reports written with a red pen, just like a teacher does for their students. Also, at the end of each year, employees used to write a letter to the president to describe the challenges that they want to embrace and propose their new ideas. The president would read all the letters during New Year's vacation, which must have been time- and labor-consuming. However, thanks to this culture, onsite employees felt a sense of unity with the management team and were highly motivated. As the Company went through the growth phase and faced changes in the business environment, this culture was unfortunately lost. I would like to bring back this culture to the Company. In your daily operations, you might feel uneasy as you cannot boost revenue as planned. But I want all employees to embrace challenges with self-confidence to help the Benesse Group





push ahead with measures to compete in a more robust manner. When onsite employees do not feel enough motivation or passion for their work, no management plans will function well, even if they are excellent plans. This has been proven in the Group's history. I have learned that the insights, creative measures, and passion of onsite employees provide a driving force for the Group to increase corporate value, and this should be a part of our corporate culture. For our customers, not the words of the management, but those of onsite employees and staff members are what matter. All officers and employees must clearly recognize this fact.

However, I do not mean to say that onsite employees are allowed to do only what they want to do. In order to please our customers, we need to inspire them and encourage their self-confidence, and their needs change constantly. In particular, children are placed in a dramatically changing environment, and there are children who have lost their self-confidence or motivation for learning. For the onsite staff to help these children out of such a situation, the staff members need to change themselves, even by discarding their past successful experiences. All officers and employees must understand the fact that these changes revitalize our sites. As I often say, Benesse can maximize its strength by helping its sites demonstrate their respective strength. I would like to have more opportunities to communicate this directly to more employees.

Never making my own limits the Group's limits

I am strongly committed to transforming our business in cooperation with onsite employees. However, I do not think that I can lead the entire Group's transformation on my own. In other words, I should never make my own limits the Group's limits. I have therefore rebuilt and enhanced the CXO system as part of the management and corporate transformation process. The Benesse Group had highly professional administrative departments even before the establishment of the system. However, for the Group to transform its business portfolio and urge employees to embrace new challenges in their respective business fields, the administrative departments need to work in cooperation with the upper management team while understanding the challenges embraced by the onsite staff. However, if the administrative staff need to ask me to check everything, they will be unable to work speedily to make reforms in a timely manner, and this implies the risk of making my own limits the Group's limits. On the other hand, there have been more cases in which advice and support need to be given to onsite employees from a broader perspective rather than focusing on one specific business area. In consideration of these facts, I have been leading the organization of a cross-departmental meeting for the administrative staff since fiscal 2022. The CXO structure shown in the Transformation Business Plan has been built against this backdrop. As a result of changing the organizational structure, I think both the CXOs and staff of the administrative departments are becoming more strongly committed to leading the Group's transformation. As CEO, I used to make decisions in a range of cases, but now, those around me are making decisions instead of me more frequently than before, which sometimes gives me a sense of loss, but I believe such empowerment is necessary for the Company to exceed my limits.

Conclusion

What the Group should aim for is thus summarized in the Transformation Business Plan. The Group's purpose and the purpose set for each business have been gradually shared more widely across the Group. Fiscal 2023 is the first year of the Plan, and is an important year in achieving the targets set for 2025 and 2028, which are milestone years under the Plan. If we fail to implement measures as planned in the first year, it will be quite difficult for us to complete the plan by the deadline. It is of course difficult to make achievements as

planned for all the measures, but I am determined to build a corporate culture that encourages all employees and officers to boldly promote transformation on a full scale.

I am also committed to further promoting meaningful dialogue between the Group and its shareholders, investors and other stakeholders, and would like to ask all our stakeholders for their continued support for the Group.

Goals of the Transformation Business Plan and Outline of the Plan

Goals of the Transformation Business Plan

1. Be a corporate group devoted to solving social issues centered on people
2. Pursue sustainable profit growth through portfolio structure transformation
3. Establish three pillars of income with Core Education, Core Nursing Care, and New Fields

Direction

Group's purpose

Anybody can enjoy lifelong growth. Toward a world in which everyone can live their own life. Benesse will continue to aim for these ideals.

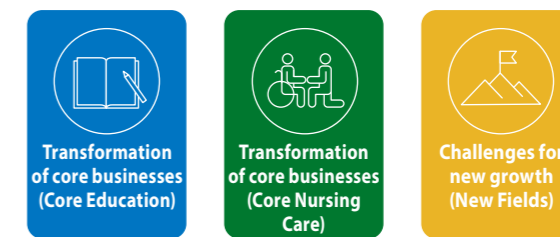
Portfolio transformation

Financial KPI	Operating income*	ROE	Sales growth in New Fields
	FY2025	FY2025	FY2022-2025
	32 billion+ yen	10%+	Doubled as of FY2025 (Relative to FY2022)

Portfolio structure vision for FY2028:
Well-balanced profit generation from three pillars:
Core Education, Core Nursing Care, and New Fields

*Goodwill from future M&As are excluded.

Portfolio strategy



Management systems to achieve the plan

Management system transformation

Corporate transformation

CSO MESSAGE

We will appropriately allocate our managerial resources from a firmwide viewpoint to achieve sustainable profit growth.



Koutarou Ueda

Managing Executive Officer, CSO,
Executive General Manager of Corporate
Planning and Promotion

Key points of the Transformation Business Plan

As clearly stated in the Group's purpose, the Benesse Group is constantly working to solve social issues centered on people based on its belief in the potential of people. Mainly in the fields of education and nursing care, we have been sincerely serving customers by attributing importance to onsite activities and have proven track records for the quality, know-how and reliability of our services, with our employees being committed to providing such services by sharing the values of the Group. All the quality, know-how, and reliability are important assets of the Group, as are our employees. I believe that by capitalizing on these assets the Group can become a corporate entity that is deemed necessary for the solution of global issues both within and outside Japan.

On the other hand, the fields of education and nursing care are undergoing changes at an even greater speed. The Company used to formulate its firmwide medium-term management plan based on the strategies and business plans made by each business department in line with the firmwide policies. This approach was quite effective in enabling the Company to respect the opinions of those working onsite and make improvements to provide more customer value over the decades. However, Japan's formerly rising population began to decrease, and digitalization started to be promoted dramatically. We can no longer depend on a conventional approach, because if we do, we are likely to make strategies and plans that are simple extensions of the conventional ones.

Against this backdrop, in the Transformation Business Plan, we clearly show the goals to be achieved by the entire company under the plan, indicate the "targeted status" of each business for our business portfolio, and then make our strong

commitment to transforming our management approach and system. Specifically, we uphold, "Establish three pillars of income with Core Education, Core Nursing Care, and New Fields for sustainable, profitable growth" as one of the goals and clarify the time frame for the achievement of the goal. We will push ahead with the structural reform of our business portfolio under this plan.

Approach to the structural reform of the portfolio

It will take us more than one to two years to complete the structural reform of the portfolio. For the reform, we will first define the targeted status for each of the businesses and then appropriately set the tasks to be performed, the goals to be reached, and the timeframe for the attainment of each goal. Then, the management team will lead the reform for years, while allocating the necessary resources with total commitment.

In the Transformation Business Plan, we set the targeted status of the following businesses that comprise New Fields to be the growth driver: the University and Working Adult Business, the Nursing Care Peripheral Business, and Overseas Business. We will input resources intensively in New Fields. For example, for human resource development, which is being promoted under the leadership of the Chief Human Resource Officer (CHRO), we will implement a range of measures to help employees develop their career with strong ownership and support their reskilling while showing, more clearly than before, the organizational abilities and types of personnel that we need to have to achieve rapid growth in New Fields. Moreover, we will introduce a career development meeting in which the management team furthers their understanding

of employees beyond the divisional framework as well as a system to ensure that the human resource development department will receive fair evaluations. We will thereby increase the precision of matching between our employees and business opportunities beyond the simple allocation of personnel. As for the organizational abilities and key human resources that we clearly lack, I will cooperate with the CHRO and the Chief Financial Officer (CFO) to acquire them from the outside through a special employment program, strategic investments, and M&A. Furthermore, I expect that the structural reform of the core businesses and the improvement of our corporate productivity, both of which are promoted under the leadership of the Chief DX Officer (CDXO), will help us secure more resources.

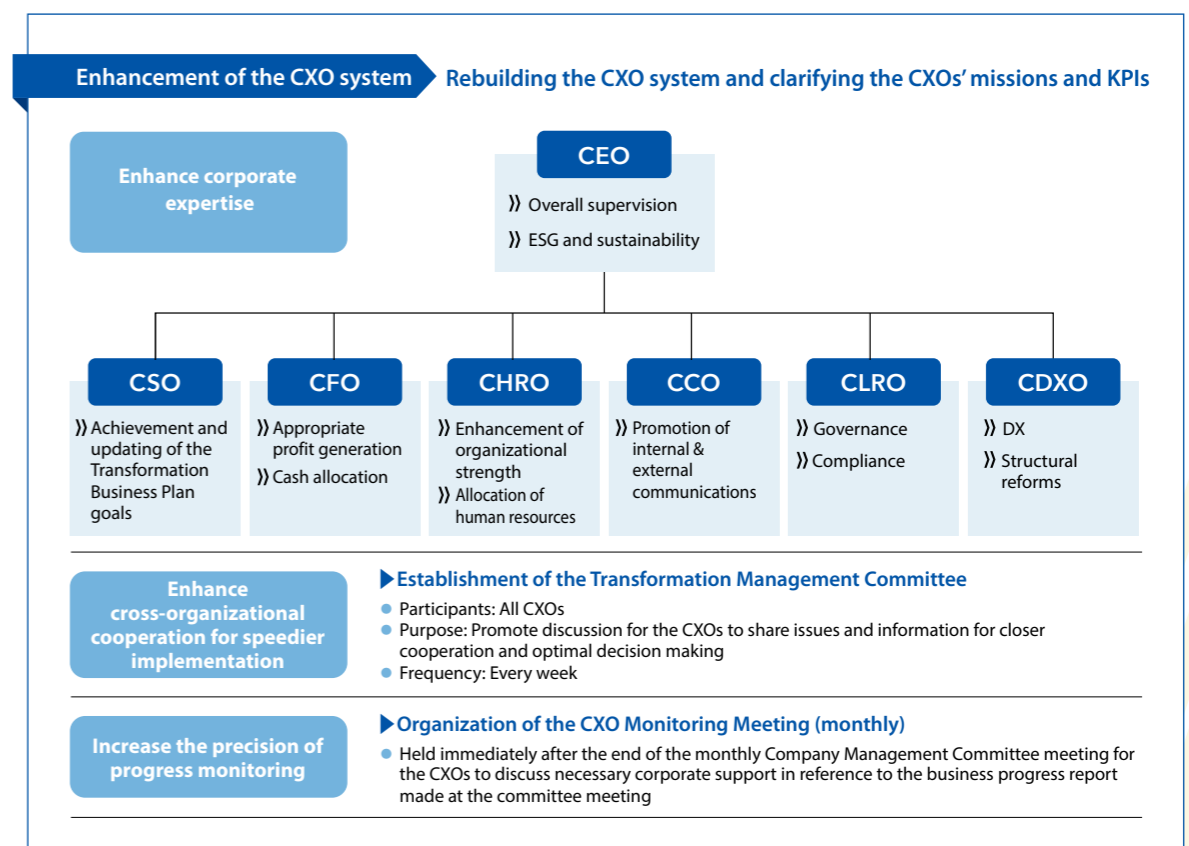
As described above, the CXOs need to collaborate and enhance their teamwork to implement the Transformation Business Plan. Already, only several months after the announcement of the Plan, we have promoted mutual collaboration and cooperation in an unprecedented manner. To achieve the structural reform of the business portfolio, it is important to promote management and corporate transformation mainly by enhancing the CXO system, while promoting the transformation of the businesses.

Key points in portfolio transformation

- Strengthening resources and optimizing their allocation from a company-wide, medium- to long-term perspective
- Management decision-making based on appropriate evaluation of return on investment (ROI) of key measures in core businesses and business potential of low-profit businesses
- Improvement of management team's capacity, expertise, and productivity to drive achievement of Transformation Business Plan goals

Management and corporate transformation

- Reconstruction and reinforcement of system led by CXO to achieve the goals of Transformation Business Plan
- Construction of management system where top management allocates resources across the company
- Improvement of corporate productivity



steadily made to the lives of our customers and their learning environment, including an increase in the number of working mothers and the decline and diversification of people's motivation for learning. Under these circumstances, we need to maintain and enhance our customer base, which is one of our strengths, respond to the diversification of customers' needs, steadily grasp the opportunities brought about by the Next GIGA Program and other social reform initiatives, and transform our strengths gained in the age of expanding population into those that match the age of data, depopulation and digitalization, thus creating a next-generation business model.

In consideration of these changes and challenges, we will examine our ROI first, and then implement measures and make investments effectively to maintain and enhance our customer base and to respond to diversified customer needs. At the same time, we will proactively utilize the technologies that are dramatically changing, such as generative AI systems, across the organization to promote structural reforms. In the progress of digitalization, we will transform our products and services into those that better match our customers, including children, their parents and schools, while responding to the diversification of their needs by further developing peripheral services such as EVERES, Challenge School and MARUG land. Further, in anticipation of the dramatic changes to be made starting in 2025 following those made under the Next GIGA Program, we will work on the Mirai Seed software and C4th as strategic products and strive to create the next-generation versions of Shinkenzeni and Shinken Simulated Exams in the Core Education business.

For the stable growth of the Core Nursing Care business

In the Core Nursing Care business, we will focus on recovering the occupancy rate at our nursing care facilities, which has yet to recover from the impact of COVID-19. However, the occupancy rate is steadily increasing along with an increase

in the number of inquiries from people who want to visit the facilities for a tour. We will make even more efforts to strengthen relationships with hospitals and care managers while enhancing our sales activities and providing short-term nursing care services to boost the occupancy rate as soon as possible. On a medium- to long-term basis, the population of people aged 85 and older will continue to increase up to 2065. In view of this fact, we aim to achieve stable growth in the business by improving the quality of our nursing care services and helping our customers improve their quality of life (QOL) through innovative measures such as offering Majikami AI solutions based on the expertise of *Majikami* (Benesse's specialists in nursing care).

For the acceleration of growth in New Fields

For New Fields, which comprises the university and working adult field, the nursing care peripheral field, and the overseas field, we set the targeted status to be a growth driver for the entire Group up to fiscal 2028.

University and Working Adult Business

In the university and working adult field, the markets will steadily expand for learning, career development and the matching of human resources, amid the remarkable change and diversification of people's work styles and necessary skills. In response, we will make strategic investments and proactive use of the Group's assets and resources to rapidly develop the business in a manner unique to Benesse, specifically by assisting both companies and individuals with reskilling and thereby more closely linking learning and working.

The Benesse Group did not have a robust customer base for businesses targeting companies and working adults in the past. However, by making strategic investments in Udemy to form business partnerships with this online learning platform provider, we now have more than 1,300 corporate customers, including more than 50% of the Nikkei 225 Index constituents and more than 1.4 million personal users of the business in Japan, and the

number of customers is continuing to increase. Also, we have recently made announcements about Waris joining the Benesse Group and about our strategic investment in SkyHive to form a business partnership with the company. We will continue to speed up our growth in the business by forming strategic capital and business partnerships including M&A, freeing ourselves from not-invented-here syndrome. Further, to propel the growth of our University and Working Adult Business, we will make effective use of the powerful assets possessed by the Benesse Group, including Manavision, through which we have contact with almost all senior high school students in Japan; Shinken-AD, through which we offer support to universities across Japan; doda campus, a joint venture with PERSOL CAREER Co, Ltd. to support new graduates in finding jobs, the Tamahiyo and Kodomo Challenge businesses, and "Thank You!" magazine, which helps us further our relationships with parents, particularly mothers.

Nursing Care Peripheral Business

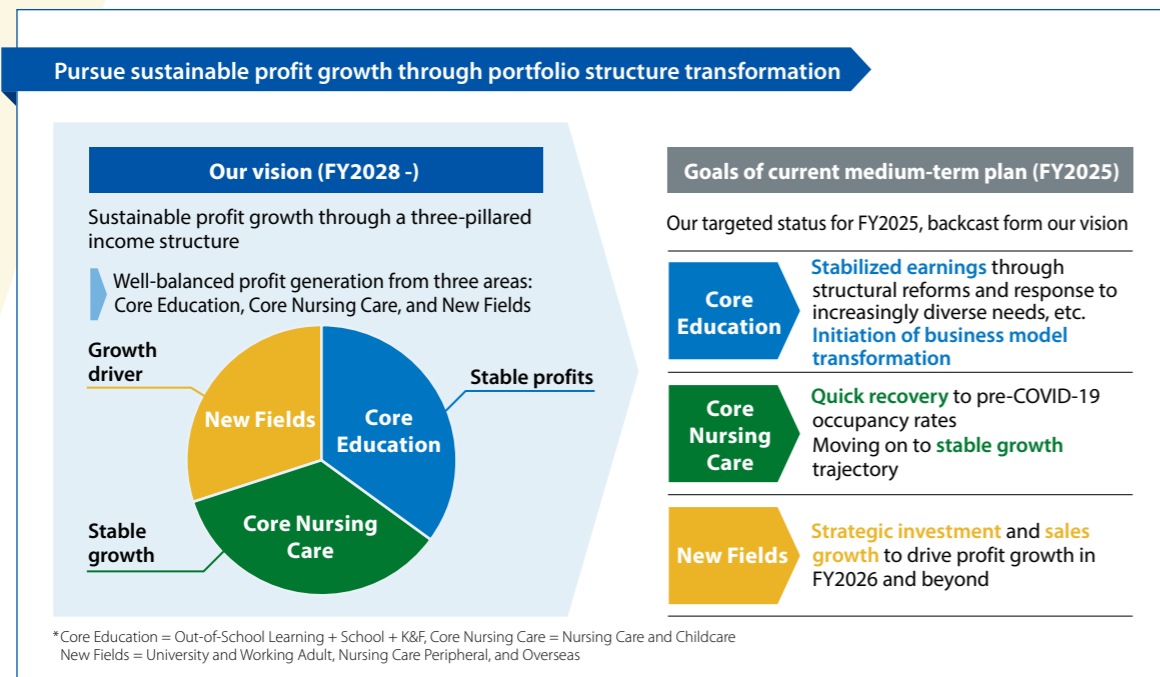
The Benesse Group has long accumulated a range of expertise and know-how as a leading enterprise in the industry of nursing care facilities. We regard the nursing care peripheral business, in which we have unique strengths, as an important growth business for us. The nursing care market is expected to expand on a medium- to long-term basis. However, due to the serious shortage of labor in Japan, it is becoming a great social challenge to secure staff for nursing care service and to serve high quality meals, which have a direct impact on health and QOL, to the residents of nursing care facilities. In the Transformation Business Plan, we have made our first clear statement that the nursing care peripheral field is an important growth field for the entire Group. We will take on the challenge of promoting the nursing care peripheral business by making effective use of the Group's assets, including the industry top-level know-how that we have gained through our business operations as well as Group personnel well-versed in digital technologies.



Overseas Business

The Benesse Group has been making examinations to build a new pillar for the Group's profit growth outside of Japan since before the outbreak of COVID-19. The education and nursing care fields, in which the Group is operating, strongly reflect the culture, tradition, values and social systems of each country, and we cannot simply apply the methods used in the fields in Japan in other countries. However, the Benesse Group's business know-how and assets, which we have accumulated over decades, are on an incomparably high level globally, and many people from leading companies overseas and foreign governments are surprised at the level of our assets when I talk with them. The Benesse Group is thus attracting much attention from overseas as a leading company in Japan, which is facing social challenges ahead of other companies and which also boasts high quality product brands. Therefore, I think that we have great business potential in the countries where our products and services are closely matched to help local communities and people solve their issues and where we can find a market with substantial size and growth potential.

Based on these ideas, we have already expanded the Kodomo Challenge business in China and have also started to embrace the challenge of conducting the school support business in India with a focus on the assessment of students. Japan and India have much in common in terms of school entrance examination systems. Moreover, India announced its intention to reform its entrance examination system in 2020 and has been implementing measures for the reform. We can steadily support the reform based on Benesse's know-how and expertise in the field and will take on the challenge of serving local customers in a manner unique to Benesse in the country where the education market will grow at an overwhelmingly high pace. Also, in the nursing care field, including both the operation of nursing care facilities and the peripheral business, we will promote dialogue and the implementation of pilot projects with candidates for our leading business partners in overseas countries and particularly in China, for which we have been making examinations with a focus on the human resource development field.



CFO MESSAGE



We will proactively make growth investments and boldly promote transformation.

Shinsuke Tsuboi

Managing Executive Officer, CFO,
Executive General Manager of Finance and Accounting

Important points of the Transformation Business Plan from the CFO's viewpoint

Fiscal 2025 and fiscal 2028 are milestone years for the Transformation Business Plan. In consideration of the present situation for our existing businesses and the investments to be made in new businesses for future growth starting in fiscal 2025, we set the operating income target for fiscal 2025 at 32 billion yen. For the ROE target for fiscal 2025, we strive to increase the return to 10% or more. Also, through the transformation of our business portfolio, we aim for well-balanced profit generation from three pillars: Core Education, Core Nursing Care and New Fields, by setting the targeted status of the three to be stable profits, stable growth and growth driver, respectively. Specifically, for Core Education, we will boldly transform the business model up to fiscal 2025 and onwards, while drastically making structural reforms, enhancing the customer base, and responding to the diversification of market needs, thereby stabilizing our foundation to generate profits. In order to achieve the targeted status (stable profits), we must maintain the current profit level, for which we will implement measures as required. Although the education business remains a core business for the Group, the market growth rate will inevitably drop due to the decreasing birthrate. For the time being, we will continue to make prior investments to grasp opportunities given by the Next GIGA Program to be implemented starting in 2025, while also steadily evaluating ROI for well-balanced investments.

In Core Nursing Care, the market will continue to expand in line with the aging of society. Also, we can see signs of bottoming out regarding the occupancy rates at our nursing care facilities, which had been falling due to COVID-19. We are offsetting the increase of costs caused by the recent inflation by raising our own service prices and saving costs and are nearly on the path to boost our profit substantially. First, we will achieve recovery to the pre-COVID-19 level for the occupancy rates and profits toward building a robust business foundation for stable growth.

For New Fields, we regard these fields as those that will drive the Benesse Group's profit growth starting in fiscal 2026. Accordingly, we will make proactive investments in the fields, including those for M&A.

We held some meetings with investors after the announcement of the Transformation Business Plan, and I think the investors largely agree with the direction of the strategies that we are upholding. However, to further increase their expectations for our growth potential, we need to demonstrate that we do have such potential by making achievements.

For the sustainable improvement of our capital efficiency and earning power

In fiscal 2022, we recorded 7.5% for ROE, up as much as 6.8 percentage points year on year. For fiscal 2023, we will post ROE of 7.3%. The attainment of 10%, which is our ROE target for fiscal 2025, is within reach if we can steadily increase our profit in line with the Transformation Business Plan in addition to gaining a tax effect from the sale of the Berlitz business.

As for cash allocation for three years from fiscal 2023 to fiscal 2025, we will allocate a total of about 124 billion yen

to transform the core businesses, make growth investments in New Fields, and to return profits to shareholders. For the breakdown, we will allocate a total of 103 billion yen to making investments at the rates of 30%, 20% and 50% in Core Education, Core Nursing Care and New Fields. Specifically, we will invest 50 billion yen in the transformation of the core businesses, and the remaining 53 billion yen in the growth of New Fields. Then we will use the remaining 21 billion yen to return profits to shareholders and to solidify our financial foundation. We used to categorize the use of fund into the following: 1) CAPEX and other investments in existing businesses, 2) growth investments in new business fields and M&A, 3) return of profit to shareholders, and 4) internal reserves. Going forward, we will prioritize investments in the Core Nursing Care business in which we are aiming for stable growth, and in New Fields which have market growth potential, while making more selective investments in the Core Education business than in the past. We will not cut the number of necessary investments, but will strictly check the returns on each to make well-balanced investments, which I will lead as a responsibility to be fulfilled by the CFO.

As for the balance sheet, we secure about 150 billion yen as cash on hand and bank deposits. Relative to the amount of our interest-bearing debt, we have adequate cash and bank deposits. However, advance payments received from our customers amount to 100 billion yen or more, and funds that we can immediately spend total 40 billion yen to 50 billion yen. It might be possible to invest the funds from advance payments also in our businesses, but as a corporate group engaging in the social infrastructure business, we have consistently adhered to the policy of retaining all the cash gained from advance payments. The Benesse Group thus has enough surplus fundraising capacity, while the interest rates remain at a very low level. Against this backdrop, when making a large investment such as for an M&A, we will consider raising our financial leverage on a temporary basis, while giving due consideration to the availability of working capital.

For the maximization of shareholders' value

In returning profit to shareholders, we aim to continuously increase the dividend payout ratio by increasing our profit, setting the lower limit of the ratio at 35%, and enhancing our financial foundation mainly by recovering the equity ratio to 30%. Recently, our dividend payout ratio has remained at 45% to 50%, and we will allocate the balance between the total amount of profit gained and the amount paid to shareholders as dividends to internal reserves and as a fund for future investments. For the repurchase of our own shares, which we have been conducting, we will consider shifting our focus to the payment of dividends in view of the increased number of personal shareholders and with a focus on encouraging our customers to become our shareholders and our shareholders to become our customers. Our equity ratio is currently slightly below 30% due to changes made to the lease accounting method and because of the introduction of the revenue recognition standard. To maintain our corporate rating, we need to recover the ratio to at least 30%, for which we will focus on dividends as a means of returning profits to shareholders.

Summary of results for fiscal 2022 and outlook for fiscal 2023

Fiscal 2022 was the final year for phase 1 of the current medium-term management plan. For the fiscal year, we posted net sales of 411.8 billion yen, down 20 billion yen (4.6%) year on year, operating income of 20.6 billion yen, up 400 million yen (2.2%) year on year, and net income of 11.3 billion yen, up 10.2 billion yen (966.8%), year on year. The decrease in net sales is attributable to the sale of the Berlitz business. In operating income, we were able to achieve an increase of 400 million yen. Although the lingering pandemic caused a delay in the improvement of the occupancy rates in the nursing care and childcare business, and the enrollment rate in the Kodomo Challenge business in China decreased due to the country's zero COVID-19 policy, we were able to increase profit by selling the unprofitable Berlitz business and expanding the University and Working Adult Business, in particular the Udeemy business. The environment surrounding our businesses, including the education business in Japan, is becoming harsher, and in response we are further enhancing our business performance management function. We have been dispatching employees in charge of managing business performance under the CFO to each of the in-house companies and have been appointing some staff members to more than one job while implementing a job rotation system among them. In fiscal 2022, we also started to implement measures to increase the frequency of reporting from onsite staff to the management team and enhance communication between the two sides. As a result, the management and onsite staff began to share a commitment to numerical targets and a sense

of crisis that were stronger than before. They have been more stringently reviewing measures for each in-house company, working to reduce costs, and striving for more drastic full-year profit and loss management in addition to ensuring the conventional monthly profit and loss management. I think these improvements have contributed to increasing our operating income.

As for our performance in fiscal 2023, the first year of the Transformation Business Plan announced in May 2023, we expect that net sales will reach 423 billion yen, up 11.1 billion yen (2.7%) year on year, and operating income will also increase by 800 million yen (4.3%) to 21.5 billion yen, mainly driven by the recovery from the impact of COVID-19 in the Nursing Care and Childcare Business. In the Shinkenzeni business, we will face a decrease in the number of enrollments. To counter this, we will work to increase profit through our own price revisions and cost reductions.

For fiscal 2023, we will also make investments in future growth. Specifically, we will allocate funds mainly to enhance our products and operational foundation in the business targeting elementary and junior high schools, where replacement of devices will be promoted based on the "one terminal per student" principle under the Next GIGA Program starting in fiscal 2025; promote sales and develop human resources for the speedier growth of the Udeemy business; enhance the area business promotion system; develop business in India; and develop human resources for DX. For the fiscal year, we thus plan to increase the investment amount by a total of about three billion yen year on year.

While proactively making investments in future growth, we will also strive to keep increasing our profit.



can make business and investment plans and formulate financial strategies based on the understanding of worksite atmospheres and situations.

The Benesse Group's price-earnings ratio (PER) and price-to-book ratio (PBR) are about 15 and 1.1, respectively, and are thus on an average level in the market. However, our PER used to be 20, and compared with that time, the Group's rating in the capital market is not very high. Also, I am not at all satisfied with our current stock price. We have been presenting detailed explanations to investors about the growth strategies described in the Transformation Business Plan, while providing them with relevant quantitative information to help them further their understanding of the Group. However, it is not enough, and we need to implement strategies to make achievements. If we can successfully transform our business portfolio under the Plan, investors will have more expectations for the Benesse Group's future growth. Accordingly, it is becoming even more important for us to report the progress with the Plan to them continuously through proactive IR activities.

I would ask all our stakeholders, including shareholders and investors, to give your frank opinions to the Group, and ask for your continued support for us.

Conclusion

The Benesse Group is strongly committed to serving society and our customers. On the other hand, the Group tends to be not very sensitive to numerical figures that reflect its business performance. In order to implement the Group's corporate philosophy through its business operations as a going concern, I strongly feel it necessary for the Group to develop human resources who can help the Group increase its corporate value financially. To this end, for the education business in Japan, employees working under the CFO are given multiple jobs and are transferred to make the business more financially robust. I would like to expand this practice to across the Group to develop personnel who

Cash and investment allocation

The investment plan allocates approx. 50% of them to New Fields. We also make investments in core business transformation while verifying ROI.

Cash allocation (FY2023-2025)

Three-year cumulative cash position in FY2023-2025: **approx. 124 billion yen**

Use 1 Core business transformation

Business investment
(CAPEX etc.)
*Excluding lease assets, long-term prepaid expenses, etc.

(Approx.) 50 billion yen

Use 2 New fields growth

Business investment
(M&A, CAPEX, etc.)

(Approx.) 53 billion yen

Use 3 Shareholder returns and strengthening of financial base

Shareholder returns

With lower limit of dividend payout ratio at 35%, dividends to increase continuously thanks to increase in net income after taxes

Strengthening of financial base

Some retained earnings for recovery of 30% equity ratio in FY2025 and for future investments

Investment plan (FY2023-2025)

Percentage of total

Core Education 30%

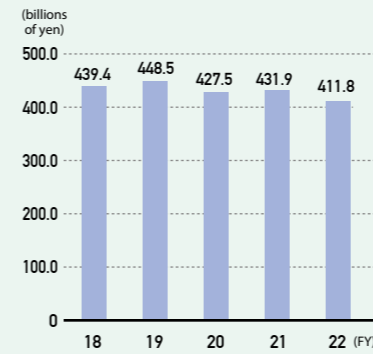
Core Nursing Care 20%

New Fields 50%

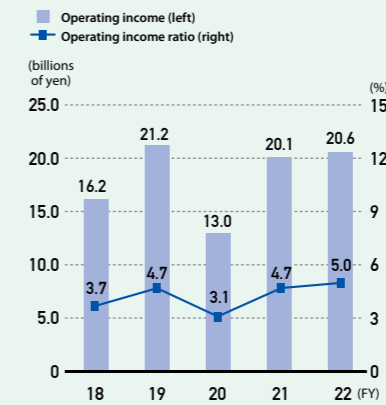
100%

Financial Highlights

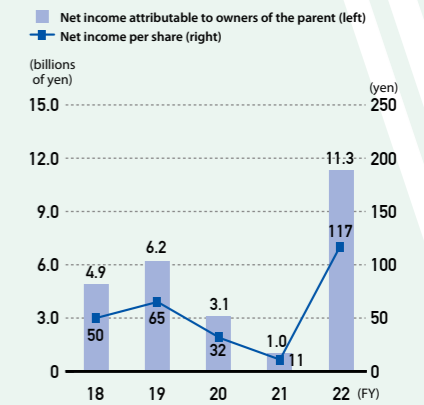
Net sales



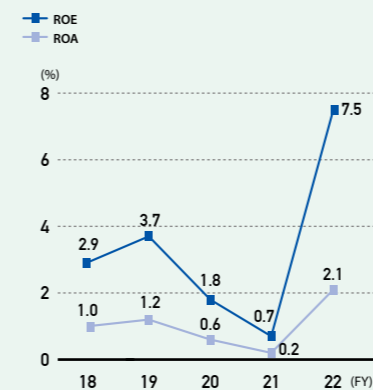
Operating income/ Operating income ratio



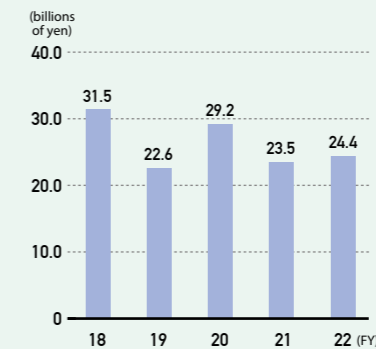
Net income attributable to owners of the parent/Net income per share



ROE/ROA

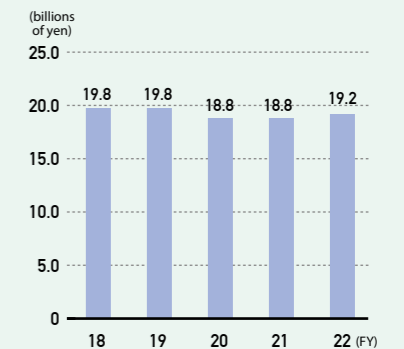


CAPEX



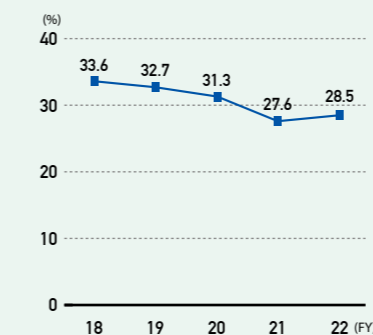
Note: CAPEX shows the "increase in tangible fixed assets and intangible fixed assets" as listed in summaries of financial results.

Depreciation & amortization

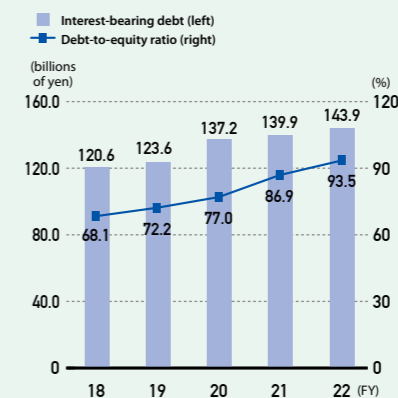


Note: Depreciation & amortization shows the total amount of "depreciation and amortization" and "amortization of goodwill" as listed in summaries of financial results.

Equity ratio

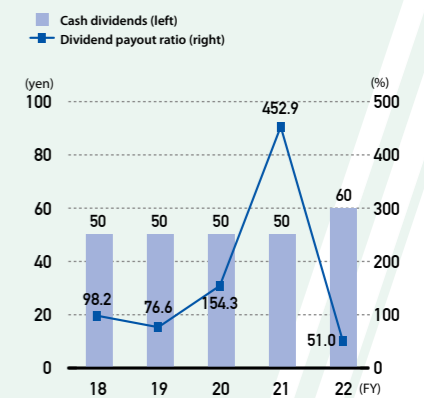


Interest-bearing debt/ Debt-to-equity ratio



Note: Interest-bearing debt includes lease obligations.

Cash dividends/Dividend payout ratio



CDXO MESSAGE



In response to the changes of the times, we will further promote our DX strategy and its growth.

Hidetomo Hashimoto
Senior Managing Executive Officer, CDXO,
Executive General Manager of Digital Innovation Partners

► DIP organizational structure

DIP DIGITAL INNOVATION PARTNERS	
DX Strategy Office	Formulates and promotes Group-wide DX strategy
DX Human Resources Development Department	Recruits and cultivates DX human resources and updates human resource systems
DX Consulting Department	Advances and promotes participation in digital shift projects and formulates disruption countermeasures
Data Solutions Department	Promotes data usage at each in-house company
Digital Marketing Department	Promotes digital marketing at each in-house company
IT Governance Department	Formulates and promotes IT strategy, and improves the quality, cost and delivery standards for IT-related development, costs and personnel
Infrastructure Solutions Department	Gives technical support for the establishment and operation of IT infrastructure and DX promotion
Corporate System Solutions Department	Develops and operates Group-wide systems and the administrative departments' systems
Out-of-School Learning Business Company's System Solutions Headquarters	Develops and operates systems for the Out-of-School Learning Business Company
School and Teacher Support Business Company's System Solutions Headquarters	Develops and operates systems for the School and Teacher Support Business Company
Nursing Care and Childcare System Solutions Department	Develops and operates systems for the Nursing Care and Childcare Business Company
Kodomo Challenge System Solutions Department	Develops and operates systems for the Kodomo Challenge business
SCM Department	Designs, builds and operates the procurement, production and logistics infrastructures to support business operations
Benesse BASE COM Co., Ltd.	Builds, operates and improves systems for sales management, logistics management and student assessment for Benesse's school business
Benesse Hong Kong Co., Ltd.	Improves the quality, cost, delivery and safety standards in the development and procurement of educational toys

venture companies, thereby making the Benesse Group more open to approach by a wider range of parties. Going forward, we will shift our focus to the improvement of skills for DX promotion and the generation of synergies for the creation of new businesses. Powerful venture companies can provide us with great value through their technologies and growth potential, and the Benesse Group will be able

to offer even greater value to society by achieving growth together with such venture companies. We have already successfully launched some collaborative projects that utilize advanced technology of investee companies. We will continue to offer the Benesse Group's long-accumulated expertise and know-how to the greatest extent possible to these partner companies to achieve mutual growth.

► Partners that have received investment and support through the DIF

CODE CHRYsalis	Code Chrysalis Japan Co., Ltd.	Hmcomm	Hmcomm Inc.
Fourth Valley	Fourth Valley Concierge Corporation	paiza	Paiza, Inc.
Arsaga Partners, Inc.	Arsaga Partners, Inc.	learning BOX	LearningBOX, Inc.
LX DESIGN	LX DESIGN Inc.	beBit	beBit, Inc.
Natee	Natee Co., Ltd.		

» Outline of the Benesse Group's DX strategy

In 2021, the Benesse Group launched Digital Innovation Partners (DIP) as a virtual organization to plan and implement the Group's DX strategy. In 2022, DIP became an actual Group-wide organization that has digital, IT, human resources, and DX promotion consulting departments within it. As such, DIP has been leading the Group's DX strategy, from making plans and allocating resources and funds to implementing specific measures across the businesses and companies of the Group.

In July 2023, Benesse Corporation merged Benesse InfoShell Co., Ltd., and integrated the supply chain management function of this IT company, which was engaged in the development, maintenance and operation of systems and the implementation of security measures for the entire Benesse Group. As a result, DIP became an organization with more than 800 staff members.

Based on the business plans made by each of the in-house companies, the staffs of the business departments and DIP have been collaborating as a joint project team to steadily promote the DX of Benesse's products and services.

On my part, I frequently visit Group sites to talk with key persons on pushing ahead with innovation onsite. Moreover, I check the progress of a range of related projects on a weekly basis to propel the implementation of the DX strategy, while focusing on promoting the sharing of specific successful examples across the Group.

Under the leadership of DIP, we will continue to further promote the entire Group's DX.

» Recent results achieved through the DX strategy

In fiscal 2022, as in fiscal 2021, the Benesse Group was highly rated for its DX initiatives by multiple external organizations. For example, at the 19th Japan e-Learning Awards held in 2022, we received the grand prize for MARUG land, which is an ICT-based teaching app that provides children with learning experiences in reading and writing that are tailored to their individual developmental characteristics. Also, at the 40th Information Technology Awards, we received prizes such as one for DIP in recognition of its consistent promotion of DX projects across the Group, and another for the development of Majikami AI.

Further, in fiscal 2022, coverage of our DX initiatives by mass media such as newspapers, magazines, TV broadcasting stations and online media in their DX-related articles/programs increased by as much as 266% year on year. Also, we were more frequently asked to give training and speeches on our DX strategy and specific DX promotion cases. I therefore feel that we have substantially increased our public profile as a company advanced in DX. Partially thanks to these achievements, we also increased the number of applicants to our DX-related job offers targeting experienced workers by 150%, whereas companies are generally facing difficulties in securing personnel for DX.

We also established the Digital Innovation Fund (DIF) in November 2021 to promote DX for our existing businesses and services and to promote the co-creation of new businesses. The number of companies in which we invest through this fund increased by six over the past one year and totaled nine as of July 2023. Since the establishment of the DIF, we have been proactively broadening our network with

》 Making more effective use of generative AI

The technological innovation of generative AI has been attracting much attention, and the Benesse Group thinks that such innovation could pose serious threats, but also bring about great opportunities to its businesses. Accordingly, we are working to promptly acquire external knowledge and the development of new partners to incorporate new generative AI technologies into the Group. We also hold discussions on generative AI regularly between the management team and staff of DIP.

One specific measure involves starting the operation of the AI-based Benesse Chat service for Group employees in April 2023. It took only two weeks for engineers from DIP to develop this in-house service, which is intended to provide employees with an environment that helps them to increase their business productivity and conduct examinations for new products and services. This chat service is provided in a closed environment to offer high security and ensure that no information will leak outside the Company. Employees

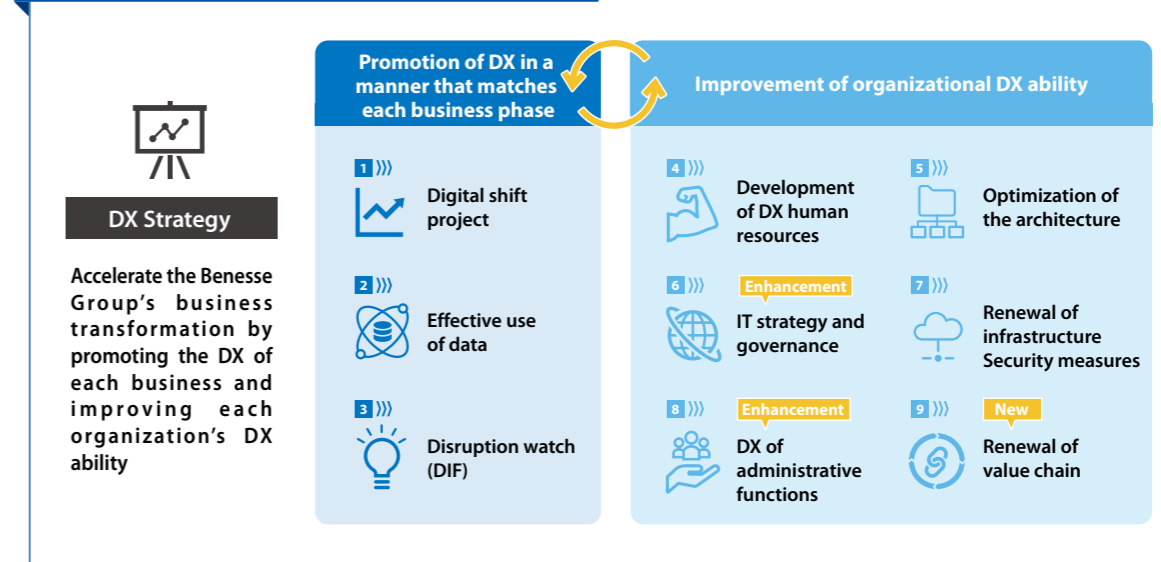
can therefore use the service safely with peace of mind. The chat service is facilitating verification and planning for the use of generative AI by each business department and has led to the launch of many projects. For example, in June 2023, the Next-Generation Contact Center Project was launched, which was followed by the provision of the Jiyu Kenkyu Otasuke AI service in July to assist elementary school students with independent research in the Shinkenzeni business. Further, we launched the Next-Generation Website Project as well.

When starting a project of unprecedented innovation, some might think it is necessary to clarify the purpose of the project first. However, for DX, it is also important to try a string of emerging technologies first, and then think about their specific usage. I think we need to use the technologies ourselves to truly understand the opportunities and risks they might bring about. Although we have improved our internal environment so that employees can use such new technologies proactively over the recent year or two, I would also like to build a corporate culture that allows Group employees to use such technologies even more freely and proactively.

For the corporate transformation and cost structure reform as described in the Transformation Business Plan, I am convinced that the effective use of generative AI will help us generate innovation. As an organization to facilitate this, we established the Operation Transformation Office within Benesse Corporation in June 2023.

In the face of the decreasing birthrate and further diversification of society, the Company needs to transform its conventional business models, change its way of doing business, and increase its productivity, thereby further evolving its business. By promoting automation and mechanization, we will be able to provide customers with necessary information and solutions in an even more timely manner and can also reduce the time required for employees to do their jobs and shift their focus onto more creative operations. I also think that promoting DX not only

DX strategy and priority measures (FY2023-2025)



helps us to make effective use of AI but also to enhance the services that only human beings can offer, in which Benesse's strength lies.

this fact gives us a great advantage in the recruitment and retention of DX human resources, for which there is intense competition among companies.

》 Development of human resources for DX

As for the development of DX human resources, we first defined the skills required for different job types and introduced a process to optimize the assignment and development of personnel. Specifically, we identified the seven job types that are essential for the Group's DX and have visualized the level of skills required for each of the types in the form of a skill map. We have also identified DX-related jobs for which we will face labor shortages in consideration of our future business plans, and are promoting the reskilling of existing employees for the jobs. We will give priority to such reskilling even if it takes a long time, and will employ experts from the outside only if we still have a shortage of personnel for the jobs after making the reskilling efforts.

In fiscal 2022, the number of employees attending the DX training program reached 6,504, up 180% year on year. We created about 60% of the content of the program internally, and employees themselves serve as lecturers for the program to share their own related experiences with trainees. In general DX knowledge, we are making effective use of Udemy as a self-learning tool for employees. We also plan to provide the know-how to develop DX human resources at other companies through the Udemy business.

The Benesse Group is engaging in a wide range of businesses and can thus provide DX personnel with lots of growth opportunities. The Group offers services to infants, students, working adults, and senior citizens and has a broad range of business models. We can therefore provide DX personnel with an environment where they can hone their business skills from various aspects and create a range of business value based on their accumulated skills. Indeed,

》 Policies for DX strategy in fiscal 2023

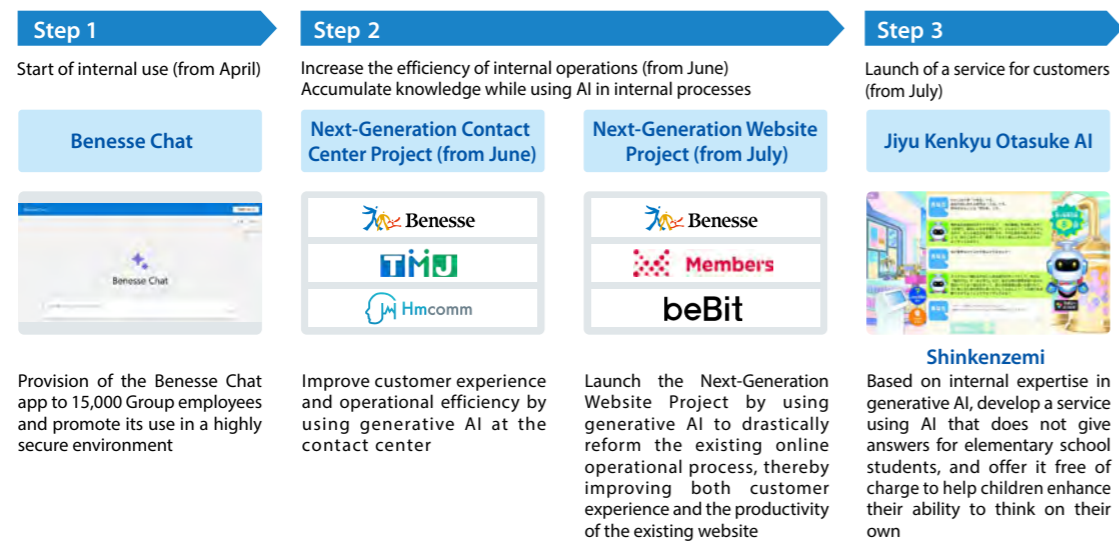
In fiscal 2023, we will focus on the development of human resources through reskilling, the implementation of priority measures set for fiscal 2023, and on the enhancement of our organizational strength for DX. The Benesse Group is conducting businesses that are deeply related to social issues. Amid dramatic changes in society, we need to transform ourselves as a precondition to make our business transformation strategy more persuasive: no strategy, even if it is a good one, will be widely accepted unless it is supported by evidence. I therefore think it is critical to show how our DX promotion measures are linked to the betterment of our business performance.

We have no goals for DX. In response to changes in the world, we need to make use of new technologies to change our businesses and services to continue providing customers with new value, and I regard it my role as CDXO to pursue the methodology to respond to environmental changes and transform our organization into one that can continue to grow.

The Benesse Group has expanded its business scope gradually from the education business. As the corporate size increases, I am afraid that its ability to respond to changes in society is diminishing. In this unpredictable age of VUCA, we need adequate ability to respond to changes in society as a prerequisite for sustainable growth. If we can recover that ability once again, we will be able to increase our service quality even more in the future. By launching DIP and putting DIF on track, the Group's business transformation speed has steadily increased. Going forward, we will further reform the entire Group's business foundation and boost the growth of its businesses.



Initiatives and services based on the use of generative AI



CHAPTER
02

Supporting lifelong growth to shape the next era

Materiality

While analyzing the dramatic changes of the current era, we held repeated discussions to identify our materiality in order to resolutely make it through to the next era. New endeavors of the Benesse Group have already begun.

Revision of Materiality

When formulating our Transformation Business Plan by updating our medium-term management plan announced in 2020 in view of diverse changes in the business environment, we also revised our materiality in line with the current situation. Our new materiality is composed of three business themes aimed at achieving the Group's purpose, underpinned by a foundation of ESG promotion.



»»» Toward the Achievement of our Purpose

We will provide products and services to help resolve key social issues in the fields of learning support for children, career development support for working adults, and nursing care. Furthermore, we will establish and maintain a solid foundation for achieving our purpose, and will aim for sustainable growth while earning the trust of society.

»»» Supporting diversified and multilayered learning experiences to provide motivational education services

Amid dramatic societal changes affecting children and schools, we will provide education services that accommodate diversity and disparity of opportunity, with the aim of helping more children to thrive as they grow. Specifically, we will fulfill varied needs by harnessing our customer base, professional insight, and digital transformation (DX); support the diversifying choices of postgraduation pathways and changes in the way teachers work; and provide accessible educational opportunities.

»»» Supporting sustainable corporate growth and personal career development through learning experiences

In a society where the qualities and abilities required of workers are changing and autonomous career development is called for, companies will need to foster individuals who can take ownership of their own career/life as drivers of sustainable corporate growth. We will lead the reskilling market by leveraging our rapidly growing UdeMy user network, and expand our human resource matching business (recruitment, transfers, job searches, job changes) by providing reskilling and skill development services.

»»» Respecting the unique individuality of the elderly while resolving structural nursing care issues

In the face of the increasing number of senior citizens requiring nursing care, a shortage of nursing care staff, and delays in DX, we will develop more nursing care workers who can serve as role models while also enhancing the quality of life (QOL) of the elderly, making nursing care a more attractive career choice. To this end, we will proactively develop professional care staff and widely share their expertise with society at large, and visualize the tacit knowledge of care experts through the use of technology, thereby contributing to easing staff shortages.

»»» Nurturing organizations and people as drivers of transformation

We aim to strengthen the leadership of our employees in driving transformation as well as their specialized expertise in an effort to become a company capable of developing diverse personnel who can take the lead in resolving social issues through business. We will enhance employee engagement by visualizing the key positions and specialized expertise required for transformation and implementing training accordingly, promoting diversity, creating a comfortable workplace environment, supporting career development, and ensuring appropriate placement, among others.

»»» Preserving a sustainable global environment

We make concerted efforts to preserve the environment with the aim of providing a secure world for the children of the future to grow up in. To this end, we have endorsed the Task Force on Climate-related Financial Disclosures (TCFD) and conducted scenario analysis/action/disclosure, set greenhouse gas (GHG) emissions targets, and acquired Science Based Targets initiative (SBTi) certification. In addition, we promote environmental education by providing related materials and services and recycling of tablets and toys.

»»» Cultivating a corporate culture conducive to serving society and customers with integrity

Toward the achievement of our purpose, our Group makes unified efforts to promote honest and sound management and maximize customer value through our business. For this, we set codes of conduct for each Group company based on the Group's purpose and Principles, conduct ongoing compliance activities based on a PDCA cycle, ensure increasingly rigorous information security, and implement human rights measures, among others.

We have revised our materiality in consideration of the changes in the social environment surrounding the Benesse Group.

Haruna Okada
Managing Executive Officer
Executive General Manager
of Sustainability



Upholding "Benesse (Well-Being)" as its corporate philosophy, the Benesse Group engages in a variety of commercial activities, including in the fields of education and nursing care, in the belief that its business is synonymous with resolving social issues. In keeping with this belief, we formulated our Sustainability Vision in 2019 and our five areas of Materiality (key issues) in 2020 following discussion of the specific themes and basic policies of the Group in relation to our efforts to help resolve the ever-evolving array of issues facing society.

Jumping ahead three years, the social environment surrounding the Group has changed more than ever, and unprecedented perspectives have emerged in tackling the social issues that our businesses seek to address. When formulating the Transformation Business Plan as an updated version of our medium-term management plan announced in 2020, we concluded that our materiality also needed to be revised in line with the current situation, and proceeded with discussions.

»»» To become a corporate group devoted to solving social issues centered on people

Under the Transformation Business Plan, we considered the various social changes that will impact our sustainable growth and that of society and, by backcasting from the future society of 2028 and beyond, redefined one of our Group visions as "a corporate group devoted to solving social issues centered on people."

society of 2028 and beyond; and (3) Promoting ESG as the foundation underpinning (1) and (2). Subsequently, we closely examined and discussed the significance of (2) and (3) at the Management Council and the Sustainability Promotion Committee, and then drafted our new materiality.

In our efforts to achieve this vision, we decided to revise our materiality by focusing on the following points: (1) Fulfilling the Benesse Group's corporate philosophy, "Benesse (Well-Being)," and our Group purpose; (2) Social issues faced by people at each stage of life, which we identified by backcasting from the future

Based on the draft materiality formulated through such internal discussions, we held dialogues with experts, members of NPOs, and other external stakeholders to ascertain their expectations and demands for our Group from an outside perspective, and incorporated the outcomes into our revision process.

»»» Materiality that sustains the achievement of the Group's purpose and business

The revised materiality is configured with the aim of achieving the Group's purpose by resolving key social issues through the Group's core businesses—supporting children's learning experience, supporting working adults' career development, and nursing care—with such endeavors underpinned by a foundation of material issues related to the "development of transformational human resources" as well as the "preservation of the global environment" and "corporate culture of integrity," which are prerequisites of economic activities.

"human resources development," "preservation of the global environment," and "corporate culture of integrity" are pivotal in that they build and maintain a solid foundation for pushing forward our efforts to achieve our purpose through business. If we are to become "a corporate group devoted to solving social issues centered on people," our corporate activities should earn the trust of society and maintain impetus. We regard the theme-specific goals to be indispensable for the Group's sustainable growth.

We provide products and services for the future to help resolve social issues with the aim of further achieving sustainable growth as a corporate group devoted to solving social issues centered on people.

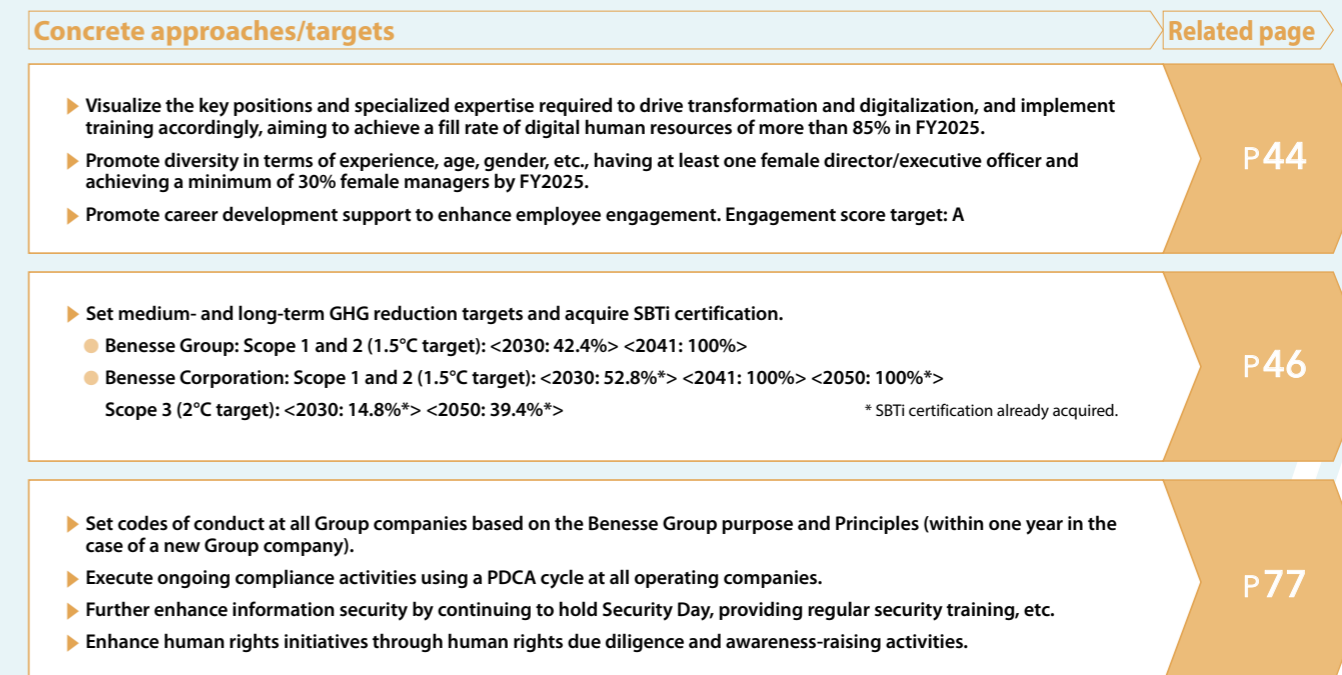
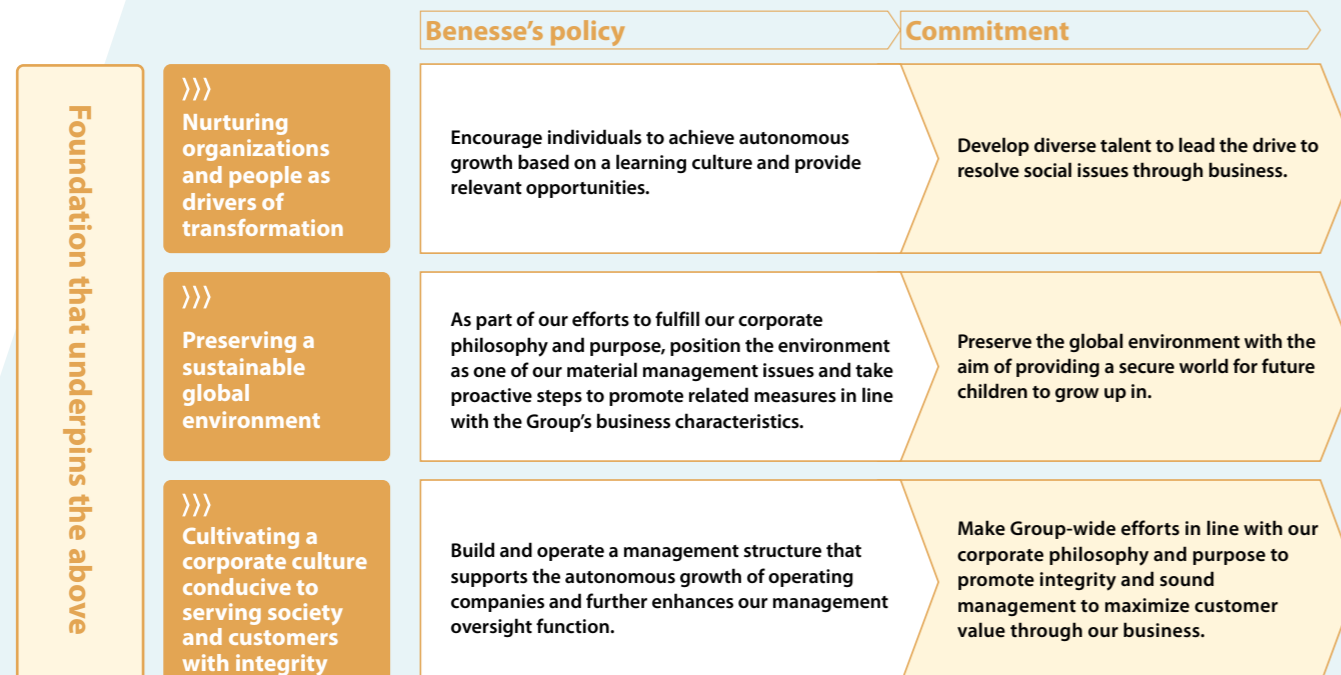
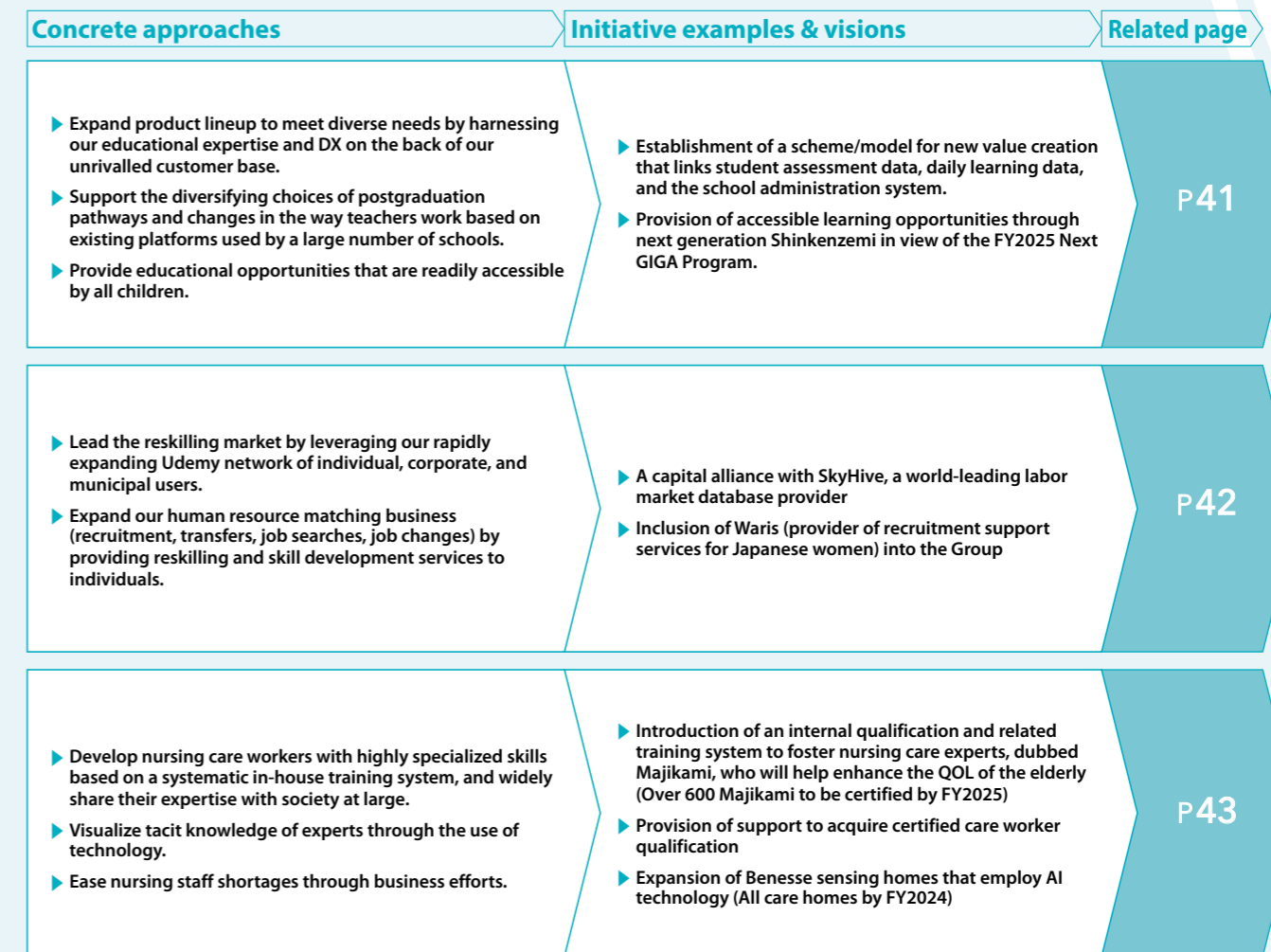
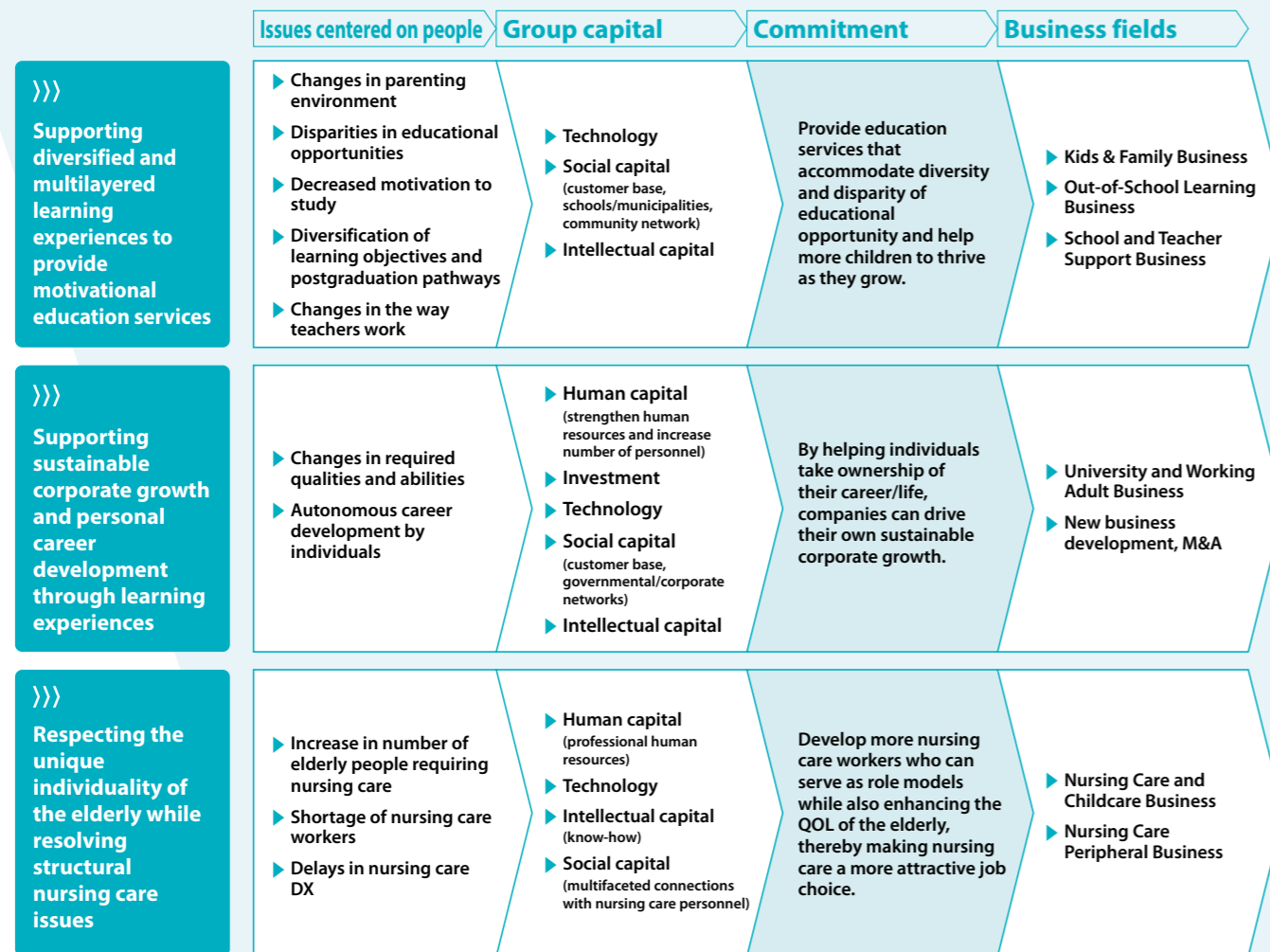
The Benesse Group will promote the redesigned materiality and pursue our vision under the Transformation Business Plan and the Group's purpose in an effort to achieve sustainable growth.

Meanwhile, the supporting materiality items concerning

»»» Process of materiality revision



»»» Toward the Achievement of our Purpose



Supporting diversified and multilayered learning experiences to provide motivational education services



Changes in the environment surrounding children and their lack of motivation to study

As birthrates decline and the numbers of working mothers and double-income households increase, the parenting environment is changing dramatically. Household income disparities are affecting the learning experience of children, leading to gaps in educational opportunities.

At educational settings, needs are rising for special education and support tailored to the distinctive features of diverse children including those with developmental disabilities and attendance issues. Meanwhile, the way teachers work also needs to change so that their excessive work hours can be rectified. Disparities among regions and municipalities are also observed in the progress of

digitalization and ICT introduction at schools, which points to another kind of gap in educational opportunity.

Post-learning pathways are also becoming diversified. One of the major issues is the conspicuous decline in children's motivation to study. The percentage of children who lack a sense of purpose or direction and "do not feel like studying" has increased from 45.9% in 2019 to 60.2% in 2022, according to a survey* conducted under a joint research project by the Institute of Social Science, the University of Tokyo, and Benesse Educational Research and Development Institute.

* 2022 survey of parents and children: children's lifestyles and studying

Leveraging the Benesse Group's strengths to deliver education catered to diverse learners

As a way to address the above issues, the Benesse Group will be able to deliver personalized learning opportunities optimized to each child's needs, while also making these opportunities widely accessible. For this, we will draw on our unrivalled customer base established through Shinkenzenmi and other services, as well as the knowledge and technology acquired through our education business.

In addition, we can contribute to transforming school education for the next generation while reducing teachers' workload and catering to students' varying academic abilities. To do

this, we will harness our extensive networks of municipalities and schools that use our learning support and school administration software and platforms, and pursue customer success by responding to diversified region-specific needs.

We aim to capitalize on such unique strengths of the Group to deliver, on a broad scale, education that motivates diverse children to learn and grow, thereby helping more children to thrive in the future.

To resolve social issues centered on children, we uphold the following three major themes, with concrete approaches and initiatives for each theme to be implemented through our Kids & Family Business, Out-of-School Learning Business, and School and Teacher Support Business.

Bridging opportunity gaps in education and fostering learning motivation through unrivalled number of customer contacts

We will develop widely accessible and low-priced next-generation models for our core education services, which maintain an unrivalled customer base. We will also provide a wide range of information including high-quality free-of-charge learning contents via Kodomo Challenge TV and others.



Kodomo Challenge TV

Businesses and services in support of changing school education

We will promote computer based testing and further strengthen our digital services such as Mirai Seed, Classi, and EDUCOM Manager C4th, which are used at numerous schools, to help change the way teachers work and provide personalized support in daily study and student assessment.



Mirai Seed / Classi

Products that meet diverse needs of children and families

We will expand MARUG land, an ICT learning support service catered to different development characteristics, and enrich our personalized learning support service optimized for individual attributes and challenges. Our efforts will also focus on increasingly popular private lessons and creating spaces for children experiencing attendance issues at school.



MARUG land

Supporting sustainable corporate growth and personal career development through learning experiences



Reskilled workforce needed by society; career design required of individuals

The rapid evolution of digital technology and AI is bringing global changes to the way people work and the qualities and abilities required of them. At the 2020 Annual Meeting of the World Economic Forum in Davos, it was reported that one in two workers will need to be reskilled, and the reskilling of one billion people was advocated* by 2030.

In Japan, given the shrinking workforce due to its aging population and declining birthrate, companies are required to enhance productivity. Meanwhile, their need for talent equipped with the skills and knowledge required for them to achieve

sustainable growth and globalize their businesses is increasing rapidly. Against such backdrop, companies view human capital as their most important asset for maintaining competitiveness and instigating innovation, and employee reskilling has therefore become an urgent agenda for the business community.

In an age in which lifespans of a century are expected, people must cast off conventional notions of lifetime employment and instead design a longer career plan while acquiring new skill sets that will allow them to adapt to change.

* The Future of Jobs Report 2020, Davos conference

Supporting individuals who take ownership of their lives to drive sustainable corporate growth

Amid dramatic societal changes, the Benesse Group formed a partnership in 2015 with Udemy, an online video learning platform service launched in the United States, and expanded the service into the corporate market as its business operator in Japan. We have therefore been building a track record in supporting corporate DX/reskilling in addition to services for individual customers.

Drawing on our know-how and advantages acquired through such existing businesses, we are strengthening strategic investments in the ever-expanding learning market for working adults. By leveraging our various resources within the Group,

including our unrivalled customer base, and by collaborating with external partners for co-creation, we will proactively roll out new initiatives, thereby offering a one-stop multifaceted reskilling support service.

Based on this plan, we will help more people cultivate fulfillment through lifelong learning in Japan, firmly sustaining the generation of a positive value creation cycle through reskilling, whereby the growth capacity of companies is enhanced, with positive effects rippling out to the broader society.

By upholding the following three themes, we will implement strategic initiatives based on educational businesses for universities and working adults and collaborations with co-creation partners. Our aim is to support the career development of individuals who acquire new skills in response to changes, and help companies achieve sustainable growth.

Supporting students and working adults to learn and develop their career

We will strive to promote the Udemy online video learning platform service in Japan and provide students and working adults with greater support for their education and career development. Multifaceted support will be provided to individuals who are eager to shape their circumstances by gaining a variety of new learning experiences and achieving personal growth throughout their lives.



Udemy

Providing education services that underpin corporate human capital management

To strengthen human capital as the key for sustainable corporate growth, we will provide education services including a new offering that visualizes the skills of each employee and provides them with optimal learning services, which will be made available in collaboration with SkyHive, a global AI-based reskilling support provider.



Alliance with SkyHive

Expanding our matching business that connects individuals with companies

Amid a decline in the working-age population, we are expanding our matching business to tap into the potential of the female workforce. In collaboration with Waris, which joined our Group in June 2023, we will provide companies and individuals with learning services and employment/career support services by assisting with recruitment, transfers, job searches, and job changes.



Waris

Respecting the unique individuality of the elderly while resolving structural nursing care issues



As the first nation to experience a super-aging society, Japan will face a nursing care staff shortage of approx. 690,000 in 2040.

As Japan's declining birthrate and transformation into a super-aging society is occurring ahead of other nations, an overwhelming shortage of nursing care staff is emerging as a serious problem. In 2040, when second-generation baby boomers reach the age of 65, there will be a shortage of approximately 690,000* nursing care workers vis-à-vis the number of older persons in need of long-term nursing care.

Against this backdrop, nursing care services are chronically short-staffed, causing excessive workloads, which in turn is leading to greater job turnover. The vicious circle is making it difficult to secure enough nursing care staff to meet the growing care needs.

Develop more nursing care workers who can serve as role models while also enhancing the QOL of the elderly, making nursing care a more attractive career choice.

Upholding the business principle of showing "deep respect for the person's individuality," our Group company Benesse Style Care pursues high-quality nursing care tailored to the needs of each individual. Building on its know-how accumulated through long years of business operation, the nursing care service provider develops highly specialized human resources. The company also focuses on implementing DX in nursing care, visualizing the tacit knowledge of highly specialized care workers with the use of technology in an industry-first initiative.

Furthermore, we are looking to resolve not only our own issues, but those shared by the entire nursing care industry. Openly

There are high hopes that AI and other technologies can alleviate staff workloads while enhancing the quality of service. But it will be a tremendous challenge to uniformly mechanize or automate nursing care, considering the varied physical conditions and needs of each elderly individual, which require advanced skills, knowledge, and experience on the part of caregivers. The situation is causing delays in DX across the entire nursing care industry, which is exacerbating the staff shortage issue.

* Source: "Required number of nursing care workers based on the 8th Long-term Care Insurance Business Plan" by the Ministry of Health, Labour and Welfare.

providing useful information on our website for care workers is just one of our measures. We also engage in temporary staffing and placement services in support of healthcare and nursing care services, forging multifaceted and extensive connections with nursing care workers. As the leading company in the nursing care industry, we intend to draw on inputs from these workers, achieve a greater degree of fusion of people and technology, enhance the QOL of elderly people, increase the number of role model nursing care workers, and make nursing care a more attractive career choice to help resolve the serious societal issue of staff shortages.

We strengthened our initiatives under the following three themes with the aim of pursuing the QOL of elderly people, fostering highly specialized nursing care workers, and enhancing the quality of our nursing care services, thereby contributing to resolving the serious societal issue of nursing care staff shortages.

Developing Majikami, or highly skilled nursing care experts

Aiming to develop workers who will contribute to enhancing the QOL of care home residents, we are advancing our own system for fostering Majikami, experts certified as practicing high-quality nursing care. We also help our staff to acquire the certified care worker qualification, motivate them to become highly skilled care experts, and offer a desirable workplace where they can thrive, seeking to thereby create a virtuous cycle.



Majikami system

Developing and proliferating an AI solution that capitalizes on the expertise of Majikami

We have developed an AI solution by verbalizing the tacit knowledge of Majikami, and are aiming to introduce the solution to all our nursing care facilities. The AI solution provides newer staff with nursing care hints and tips from Majikami, which leads to care services of a higher quality.



Utilizing AI at nursing care homes

Sharing expertise and developing a new business to help resolve staff shortages

We share our nursing care expertise on our Nursing Care Antenna website for everyone engaged in nursing care in Japan to access free of charge. In addition, in an effort to address nursing care staff shortages, we will develop a new business that fulfills the diverse needs of workers and employers.



Nursing Care Antenna website

Nurturing organizations and people as drivers of transformation



Empowering employees to empathize with our corporate philosophy in order to strengthen our human capital

Hisano Murakami
Executive Officer, CHRO, Executive General Manager of Human Resources and General Affairs



Embracing "well-being," a hallmark of our people

The Benesse Group has put people at the center of its business ever since its foundation. We have likewise long valued our workforce of like-minded people who share our goals as a confirmed asset. In achieving our Transformation Business Plan, we must continue to put people first while also becoming a team of goal achievers. Another wonderful quality that our people share is their firm embrace of our corporate philosophy

of "well-being" and their deeply ingrained eagerness to engage with and support our customers' well-being and growth across every business that we operate. Our philosophy resonates with our employees because we teach the story of how it was developed in our training programs.

The key to enhancing organizational capacity lies with each and every employee.

"Nurturing organizations and people as drivers of transformation" was newly added to our materiality. If we are to achieve our Transformation Business Plan, we need a major upswing in capacity. In addition to our education and nursing care businesses, we therefore intend to establish businesses in new fields. Skills and leadership required for transformation cannot be developed overnight, however. First and foremost, we crucially need to clarify the nature of our organizations and

reinforce the areas where we are lacking. And we already have the means to acquire the missing capacity and skills. Given the Group's purpose of "Anybody can enjoy lifelong growth," I am certain that each and every employee will participate in reskilling to update their capabilities.

Concrete measures to achieve our visions

There are three particularly important measures that must be taken to execute the Transformation Business Plan. One is the development of digital talent. The Group has already started visualizing its DX personnel and is now striving to speed up development to meet division-specific targets. The second measure is diversity promotion, especially in regard to gender. The percentage of female employees has traditionally been high at the Group, which is why we were quick to introduce maternity leave and childcare leave programs, with the latter also offered to male employees. A high proportion of our female employees

choose to return to work after taking such leave. Now that maternity and childcare leave has become the norm, we have taken a further step to empower employees to pursue their career and family goals. We also need to further increase the percentage of female managers, which is already higher than the industry average, by strengthening the candidate pipeline. The third measure is about enhancing engagement. Our employees greatly empathize with the Benesse Group's philosophy, as evidenced by their extremely high engagement scores. This is a unique advantage that we hope to build on.

Achieving transformation by unleashing the power of employees who strongly embrace the Group's philosophy

The B-Stage internal proposal system is helping us enhance employee engagement. A total of 3,427 new business and operational reform proposals were submitted in fiscal 2022 under the system. Many of the proposals, which are based on ideas and awareness of workers, have already been implemented in our business. We firmly believe that the initiative is bringing vibrant energy to the entire Group. As I mentioned, the Benesse

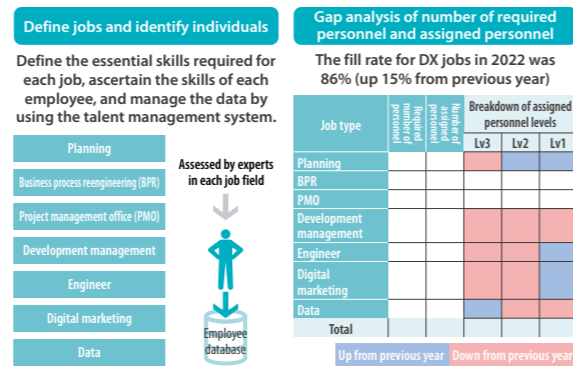
Group is centered on its people. Our employees have embraced our corporate philosophy to an unimaginable degree, giving us our most powerful advantage. Going forward, we will capitalize on this strength and deliver to each employee a message that inspires further change, while at the same time transforming our management structures and HR programs, thereby making step-by-step progress toward our goals.

» Nurturing organizations and people as drivers of transformation

In an effort to nurture organizations and people as drivers of the Benesse Group's transformation, we define the skills required for transformation and visualize our employees' existing skills, thereby creating a culture of learning in which the autonomous career development of individuals is respected.

» Visualize the key positions and specialized expertise required for transformation

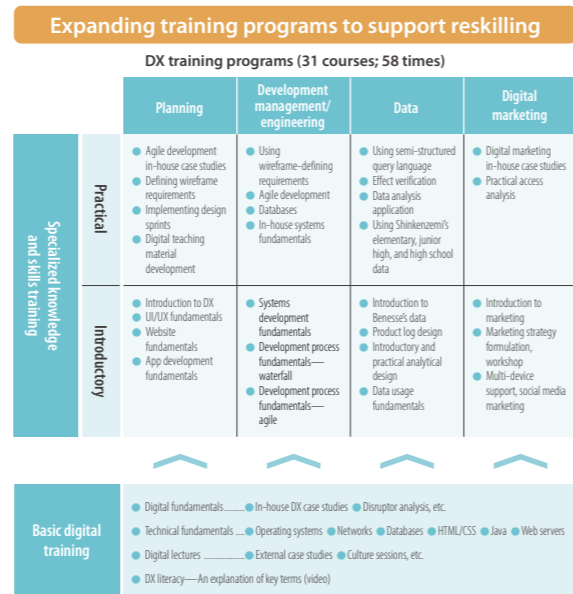
At the Benesse Group, we identify the hiring and development of digital talent as a key organizational capacity required for realizing the medium-term management plan. As we see a rising need to utilize IT and digital technology across our businesses, we are striving to secure the necessary DX human resources by defining the essential skills required for each DX job, keeping track of the skills already existing in our workforce, and calculating the number of DX personnel required based on our business needs, thereby visualizing the fill rates. To fill vacant positions, we are working to reskill our existing employees.



» Human resources development and career support

We focus on reskilling our existing employees to foster the development of a workforce able to drive transformation. In addition to on-the-job-training, we help employees develop their capabilities by, for example, offering training programs that include abundant internal case studies. The training programs provide access to UdeMy Business, a digital video platform with over 210,000 business-related courses. In fiscal 2022, a total of 6,504 employees* participated in the programs, up 80% from the previous fiscal year. We also started granting a reskilling leave of three days a year from fiscal 2022 to provide employees with an opportunity to reflect on their career and deepen their learning. The leave system was used by 522 employees* in the first year of introduction. By promoting the systematic use of the leave, we aim to foster a corporate culture where reskilling is the norm.

(* Benesse Corporation)



» Enhancing engagement by respecting the autonomous career development of individuals

Employees who have acquired new skills and knowledge by taking reskilling leave and participating in training programs are provided with various opportunities for self-fulfillment, such as the opportunity to spontaneously submit an internal transfer request, whether solicited or not, to pursue a different role, the opportunity to participate in a milestone career training program and one-on-one interview, and the opportunity to seek career advice, if they so wish. Such systems are based on our policy of respecting each employee's autonomous career development. The policy, as well as our employees' distinctive embrace of the Benesse Group's philosophy, has led to high levels of employee engagement, generating a virtuous cycle that pushes transformation forward with greater energy.



» Preserving a sustainable global environment



Seeking the sustainable growth of society and the Benesse Group, we formulate medium- to long-term environmental targets and actively strive to reduce our environmental footprint while improving external assessments of our activities.

» Environmental policy

In March 2021, the Group revised the Environmental Policy that it formulated in 2011. The Group will not only work to promote climate control and environmental consciousness in products and services, as well as in sales and other activities, but also engage with society to encourage energy conservation and waste reduction for climate control, recycling, the preservation of biodiversity, and the conservation of water resources, including the efficient use of water.

Reduction rate for greenhouse gas emissions (Years ended March 31)

Reduction from base year 2018	2019	2020	2021	2022	2023
Scope 1 and 2 (1.5°C targets)	12.0%	20.8%	30.5%	39.8%	59.3%
Scope 3 (2°C targets)	-2.7%	-3.9%	5.4%	13.8%	26.8%

Note: The figures for 2023 are subject to change as third-party verification is in progress.

Reduction targets for the entire Benesse Group (Years ending March 31)

Base year: 2022	2030	2041
Scope 1 and 2	42.4%	100%

*Scope 3 targets under preparation

» Promotion systems

The Sustainability Promotion Committee, with the managing executive officer for sustainability as its chair and members that include full-time directors including the representative director and president and the heads of business divisions, meets regularly to make decisions about policies and initiatives concerning sustainability issues, including environmental ones, and to monitor the status of activities. The Committee's activities are reported to the Board of Directors.

» Climate control measures

Benesse Corporation had previously set medium- to long-term reduction targets for GHG emissions, but we have further revised our Scope 1 and 2 targets upward from the well-below 2°C level to reduction targets in accordance with the 1.5°C level. In order to meet these targets, we moved forward with measures such as reducing paper consumption by promoting the digitization of products and services, reducing office space by adopting a hybrid working style of office attendance/working at home, and implementing a medium- to long-term repair plan for our own buildings.

Medium- to long-term reduction targets for greenhouse gas emissions (Years ending March 31)

Reduction from base year 2018	Every year*	2030*	2041	2050*
Scope 1 and 2	4.4%	52.8%	100%	100%
Scope 3	1.23%	14.8%	—	39.4%

* Reduction targets have been certified by SBTi.

» Evaluation by the Carbon Disclosure Project (CDP)

In the CDP's 2022 climate change survey, we were chosen as a company with a leadership level of A-, a grade given to companies that conduct excellent activities in areas such as reducing greenhouse gas emissions and implementing measures to mitigate and adapt to climate change. In addition, in the CDP's Supplier Engagement Valuation, we were chosen as a CDP 2022 Supplier Engagement Leader—the highest evaluation—for the fourth straight year. Our previous CDP climate change evaluations are as follows.



CDP climate change evaluations (Years ended March 31)

2018	2019	2020	2021	2022
A	A	A	A-	A-

» Biodiversity measures

To proceed with initiatives to promote biodiversity, Benesse has set forth a procurement policy, based on which we procure materials, design products, discuss transportation methods, and conduct recycling/reuse activities.

» Endorsement of the Keidanren Initiative for Biodiversity

We have endorsed the Keidanren Initiative for Biodiversity as part of our measures for biodiversity.



》》 Preserving a sustainable global environment

》 Conducted a scenario analysis in accordance with TCFD recommendations

In 2019, the Benesse Group expressed its agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the first education business operator in Japan to do so. With regard to the education business in Japan, we are analyzing scenarios in accordance with TCFD recommendations, and conducting deeper analyses of the risks and opportunities to our business due to climate change.

The levels of impact and probability of occurrence are defined as follows.

Level of Impact—Large: 100 million JPY or more; Medium: 10 million JPY or more to less than 100 million JPY; Small: less than 10 million JPY

Probability of Occurrence [Transition Risks] 3: Already present/most likely; 2: Partially present/likely; 1: Latent/less likely

Probability of Occurrence [Physical Risks] 3: Once every few years; 2: Once in 10 years; 1: Once in 100 years

The following have been identified to have a large impact and a level 2 or 3 probability of occurrence.

Analytical estimation of risks and opportunities

Analysis of the risks and opportunities that affect the Group is conducted on two key points: Probability of occurrence and level of impact.

Transitional Risks	<ul style="list-style-type: none"> Switch to alternative materials (recycled plastics, etc.) Increase in shipping costs (by truck) Increase in energy costs Risk to the Group's reputation if we cannot meet consumers' expectations with regard to environmental awareness
Physical Risks	<ul style="list-style-type: none"> Procurement failures from suppliers Changes in shipping methods due to suspension of the logistics network Major damage at logistics hubs Restructuring of the logistics network due to environmental changes and the spread of infectious diseases
Opportunities	<ul style="list-style-type: none"> Changes in the environmental awareness of consumers Competitive advantages through innovations in environmental technology Initiatives towards global environmental preservation Highly resilient logistics base

Future strategies and initiatives

The Group will promote the following strategies and initiatives in the future based on the results of our climate change-induced risk-opportunity analysis.

Transitional Risks	Research into alternative materials that take CO ₂ emissions reductions into account, resource circulation initiatives (recycling), reductions in shipping fees through the adoption of digital educational materials, reductions in GHG emissions due to office activities such as energy saving and other initiatives, establishment of targets and promotion of initiatives for the introduction of renewable energy, consideration of a bring your own device (BYOD) policy for tablets, etc.
Physical Risks	Reduction in risks through the decentralization of production bases, securement of alternate means of transport, strengthening of flood control measures at logistics hubs, etc.
Opportunities	The promotion of new environmental education, and reflecting innovations in environmental technology, etc., in products, services, and marketing activities based on changes in consumer behavior

》 Business initiatives Support for environmental education

Benesse has long supported environmental education. Benesse STEAM Festa is an exploratory learning event where junior high and high school students gather from across Japan to discuss various subjects including the SDGs, a topic that has proven particularly popular. Some students conduct investigations and experimental studies while others develop apps. In fiscal 2022, the event was held on March 18 and 25, 2023, attracting a large number of students eager to tackle environmental issues.



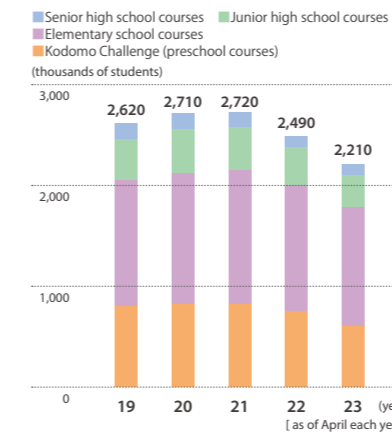
Benesse STEAM Festa

Visit the following website for information on our response to climate change.
<https://benesse-hd.disclosure.site/en/themes/148#1002>

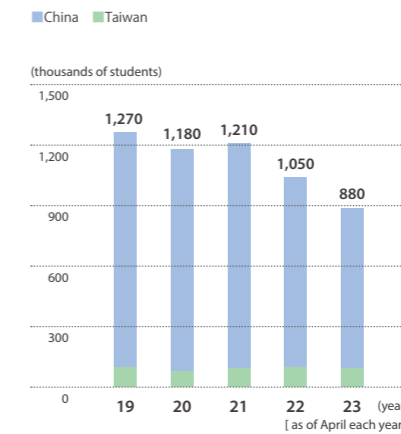
Non-Financial Information

Business-Related

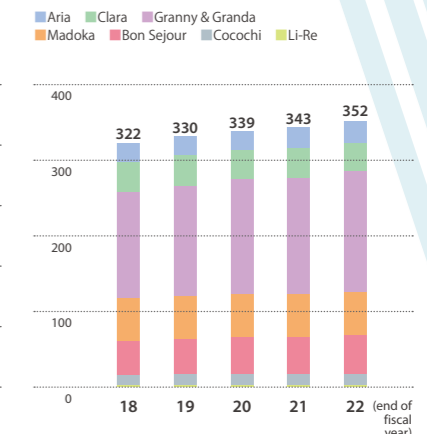
Shinkenzemi and Kodomo Challenge enrollments in April (Japan)



Kodomo Challenge enrollments in April (Overseas)

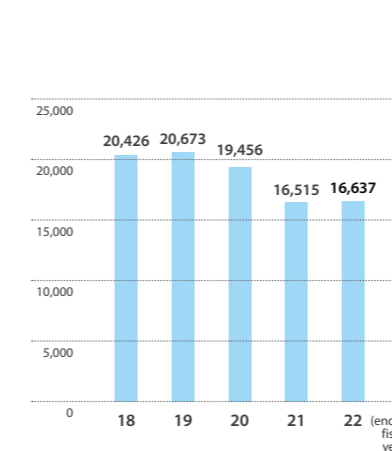


Nursing homes & elderly homes by brand



Human Resources

Employees on consolidated basis



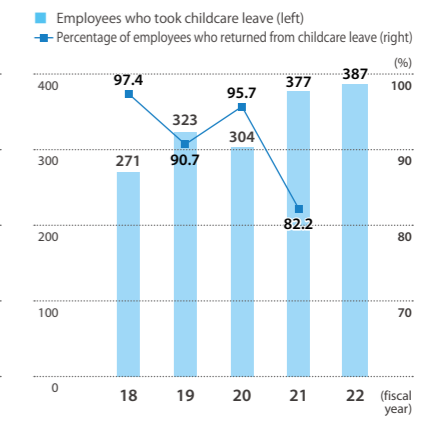
Note: Berlitz Corporation was sold during fiscal 2021.

Ratio of female employees/managers



Note: Figures are for Benesse Corporation and Benesse Style Care combined.

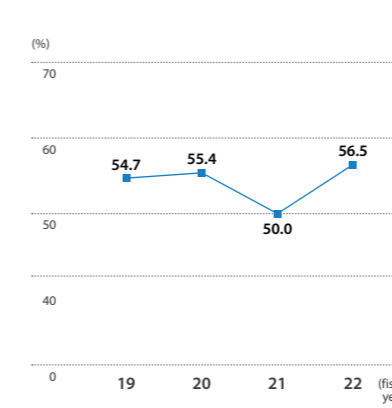
Employees who took childcare leave / Returned from leave



Note: Figures are for Benesse Corporation and Benesse Style Care combined.

Human Resources

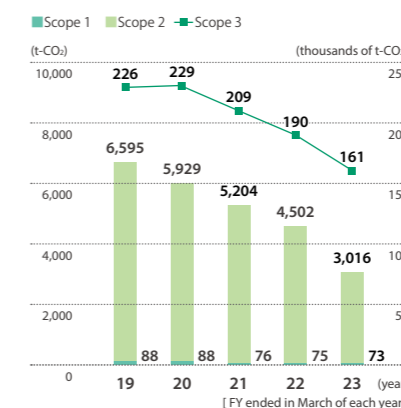
Male employees who took childcare leave



Note: Figures are for Benesse Corporation and Benesse Style Care combined.

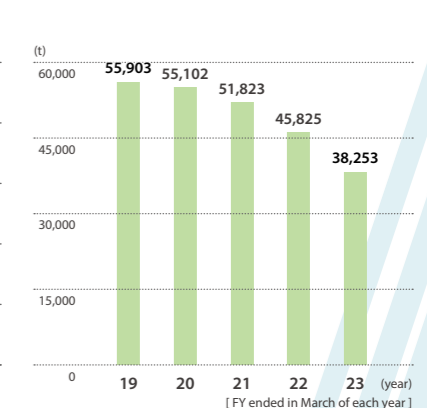
Environment

Amount of GHG emissions



Note: 1. GHG emissions are those of Benesse Corporation. 2. The figures for 2023 are subject to change as third-party verification is in progress.

Paper consumption



Note: Paper consumption excludes printing paper for use in offices.

Visit the following website for the latest ESG-related information.
<https://benesse-hd.disclosure.site/en/themes/168>

CHAPTER
03



Empowering people to pursue lifelong growth in the age of the 100-year life

How We Create Value

Reviewing and enhancing each of the activities, and taking on new challenges proactively, the Benesse Group continues to create new value in order to support each person in pursuing their goals at each stage of life.

At a Glance

We are strongly committed to tackling the social challenges currently facing many people and helping our customers live well (to achieve "Benesse"). To this end, the Benesse Group provides services in the areas of education (in Japan and overseas), nursing care and childcare, and lifestyle in order to meet people's needs at different stages of life and help solve social challenges.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Education in Japan</p>	<p>Percentage of consolidated net sales</p> <p>50.8%</p> <p>Fiscal year ended March 2023</p>	<p>We conduct activities in our Out-of-School Learning Business, School and Teacher Support Business, and University and Working Adult Business.</p> <div style="border-bottom: 1px dashed gray; padding-bottom: 10px;"> <p>Out-of-School Learning Business</p> <ul style="list-style-type: none"> Provide Shinkenzenmi correspondence courses targeted at elementary to high school students; and run prep schools and classrooms through Tokyo Individualized Educational Institute, Tetsuryokukai, BE studio (English classroom), and others <p>Major business companies: Benesse Corporation Tokyo Individualized Educational Institute, Inc. UP Inc. Tokyo Educational Institute Co., Ltd. (Tetsuryokukai) Benesse BE studio Inc.</p> </div> <div style="border-bottom: 1px dashed gray; padding-bottom: 10px;"> <p>School and Teacher Support Business</p> <ul style="list-style-type: none"> Offer Shinken Simulated Exams (mock university entrance exams for high school students), Study Support and Course Map (materials for learning and choosing a postgraduation pathway), GTEC (Global Test for English Communication), Mirai Seed (ICT education support service for elementary and junior high schools), school study drills and tests, etc. Provide services to support cloud-based learning and school administration operations <p>Major business companies: Benesse Corporation Classi Corp. EDUCOM Corporation</p> </div> <div> <p>University and Working Adult Business</p> <ul style="list-style-type: none"> Operate online education platform Udemy for working adult learners; and provide study abroad support Offer university administration support services Offer career development support services <p>Major business companies: Benesse Corporation Shinken-AD Co., Ltd. Benesse i-Career Co., Ltd.</p> </div>	<p>Major products and services</p>	<p>Net sales breakdown</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Kids & Family</p>	<p>Percentage of consolidated net sales</p> <p>16.5%</p> <p>Fiscal year ended March 2023</p>	<p>We engage principally in offering Kodomo Challenge, correspondence courses aimed at preschoolers, mainly in Japan, China, and Taiwan.</p> <p>Japan</p> <ul style="list-style-type: none"> Offer Kodomo Challenge correspondence courses for preschoolers and Kodomo Challenge English, and operate related businesses Publish magazines: <i>Tamago Club</i> and <i>Hiyoko Club</i> (pregnancy, childbirth, parenting); <i>THANK YOU!</i> (lifestyle information); <i>Inu no Kimochi</i> and <i>Neko no Kimochi</i> (direct selling) Operate online-order services, such as Tamahiyo Shop and Tamahiyo no Uchiwai <p>China</p> <ul style="list-style-type: none"> Operate correspondence courses and classrooms, mainly for preschoolers <p>Taiwan</p> <ul style="list-style-type: none"> Operate correspondence courses mainly for preschoolers 	<p>Major products and services</p>	<p>Net sales breakdown</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Nursing Care and Childcare</p>	<p>Percentage of consolidated net sales</p> <p>32.2%</p> <p>Fiscal year ended March 2023</p>	<p>We engage in the care business centering on nursing home care and related services such as home help, meal delivery, and nursing care consultation as well as nurse and caregiver referral and staffing. We also operate daycare and after-school childcare centers.</p> <ul style="list-style-type: none"> Nursing home care service: Operate nursing homes for the elderly under six brands: Aria, Clara, Granny & Granda, Madoka, Bon Sejour, and Cocochi and elderly housing under Li-Re Home help services Adult daycare services, nursing care training courses Daycare and afterschool childcare Referral to and staffing of nurses and caregivers Meal delivery and nursing care meals Nursing care consultation services <p>Major business companies: Benesse Style Care Co., Ltd. Benesse MCM Corp. Benesse Palette Co., Ltd. Benesse Senior Support Co., Ltd. Heart Medical Care Co., Ltd.</p>	<p>Major products and services</p>	<p>Net sales breakdown</p>

Education Business in Japan



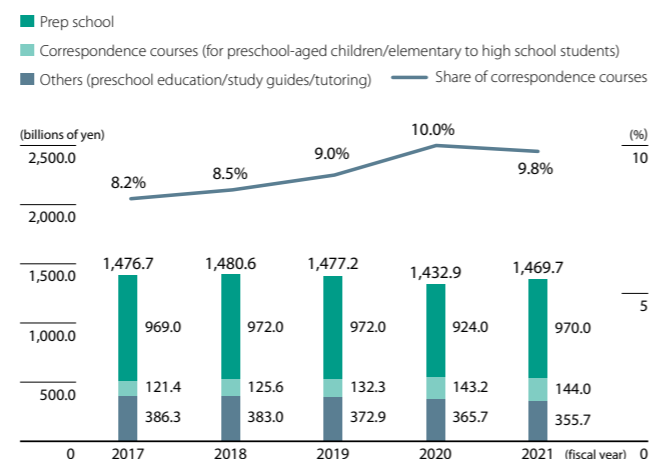
Market

The annual number of births in Japan peaked at two million in 1975 and has been declining ever since, dipping below 0.8 million in 2022. Going forward, the number of babies born in Japan is projected to decline by around 1.0% per year on average.

Despite this ongoing demographic decline, the scale of Japan's out-of-school learning market has remained unchanged in recent years. In fiscal 2020, however, market performance of prep schools and other services weakened due to the impact of the spread of COVID-19. In fiscal 2021, performance improved as a result of business activities being continued with a managed response to the COVID-19 situation and the provision of systems for providing online and offline services in combination. As a result, the market in fiscal 2021 grew year on year to 1,469.7 billion yen*.

In addition, with the coming of the so-called "era when anyone can get into college" due to the decline in births, the needs of children and parents with regard to learning are growing more diverse, as formats for entrance examinations are becoming more varied. Furthermore, the COVID-19 pandemic has also triggered the emergence of new digital products and services which have not been fully captured in the traditional out-of-school learning market survey, shown to the right, and competition among companies is growing fiercer. The same movement toward digitalization is also taking place in school activities, and it is gaining momentum against the backdrop of the GIGA School Program.

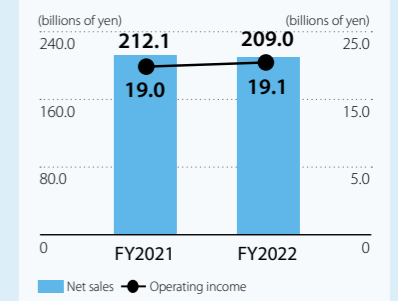
Trends in the out-of-school learning market in Japan*



* The figures were calculated by Benesse based on data from Education Industry 2022, surveyed by Yano Research Institute Ltd.

Review of fiscal 2022

In the Education Business in Japan, net sales decreased by 1.4% year on year to 209 billion yen. This is chiefly attributable to a decrease in revenues from Shinkenzemi due to reduced cumulative enrollments, which was not offset by the increase in orders received by the University and Working Adult Business. Operating income grew by 0.4% year on year to 19.1 billion yen, owing to efficiency improvements in selling expenses for Shinkenzemi and the effect of expenses having been posted in the previous year to respond to the revision of school textbooks, which more than offset the decrease in profit accompanying the fall in revenue. The total enrollment for the Shinkenzemi correspondence course in Japan was 1.6 million as of April 2023, a 140,000 decrease from the same month in the previous year.



Out-of-School Learning Business

Business overview and future prospects

Enhancing products and services in order to raise motivation for learning and respond to diverse learning needs

Yumi Narushima
 Managing Executive Officer
 Head of the Out-of-School Learning Business Company of Benesse Corporation



As opposed to the correspondence education business and school and teacher support business, the prep school and classroom business offers education services to students directly in real physical spaces. At present, we operate prep schools and English classrooms through five group companies.

The Out-of-School Learning Business Company runs Shinkenzemi correspondence courses as well as prep schools and classrooms to support out-of-school learning activities in a comprehensive manner.

Shinkenzemi in particular uniquely possesses the key skills and infrastructure to provide instruction and services, with a history of around 1.6 million enrollments, a wealth of systematic content, and a network of around 8,000 Red-Pen Teachers and 1,500 coaches in charge of different high schools. By combining these long-cultivated strengths with the individualization efforts that we have been focusing on in recent years with our push into digital, we provide individualized teaching materials and programs according to learners' interests and concerns, learning progress, and academic level. By doing so, we are working to increase the retention rate of enrollments and maintain and expand cumulative enrollments. Despite our efforts, cumulative enrollments for fiscal 2022 did decrease due to a number of factors, such as diversifying needs for learning, changes in school education methods, and declining motivation for learning, in addition to the accelerating trend towards decrease in the number of children.

Going forward, Shinkenzemi will further enhance its teaching materials and services to raise motivation to learn while developing and offering products and services to respond to diverse learning needs.

In fiscal 2022, cumulative enrollments reduced year on year, driven mainly by a fall among senior high school students. This was chiefly an outcome of the early scheduling of a growing number of university entrance exams (intra-year entrance exams). In the out-of-school learning market, demand related to junior high school entrance exams is rising, mainly in urban areas. In response, in February 2023, Benesse opened a Shingakukan Rootasu classroom specializing in junior high school entrance exams in Shibuya. Also joining the Group was Kyoto Rakusai Yobikou Co., Ltd., known for its high examination pass rate for public senior high schools and integrated junior and senior high schools in Kyoto, which will help us address a broader range of entrance exam-related needs.

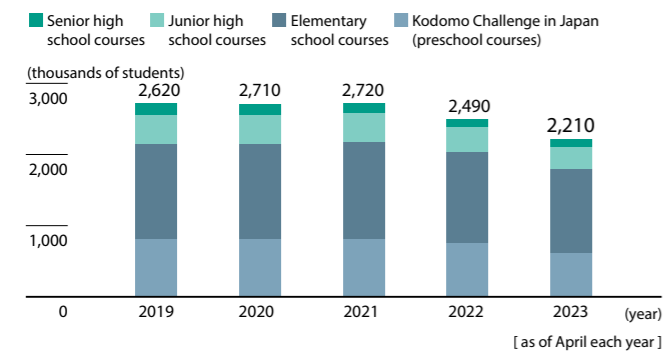
Furthermore, we are exploring the possibility of new methods and settings for out-of-school learning, focusing on combining Shinkenzemi's correspondence education platform and the classroom's in-person setting to create an Online Merges with Offline model that takes full advantage of the Benesse Group's out-of-school learning-related assets.

Education Business in Japan

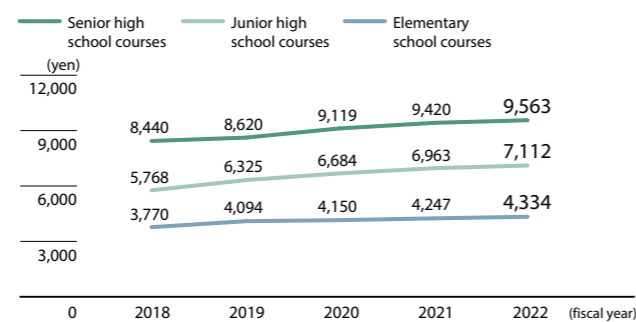
Out-of-School Learning Business

Related business data

Shinkenzemi and Kodomo Challenge enrollments in April

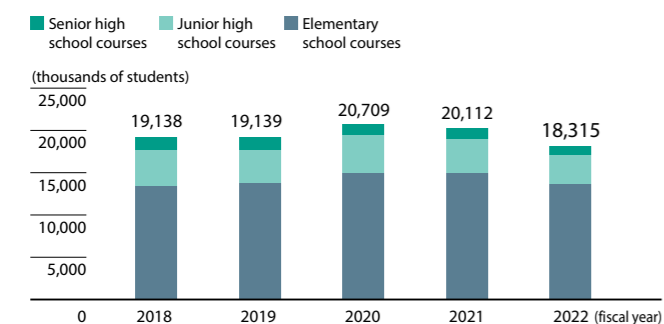


Shinkenzemi average monthly fee per person

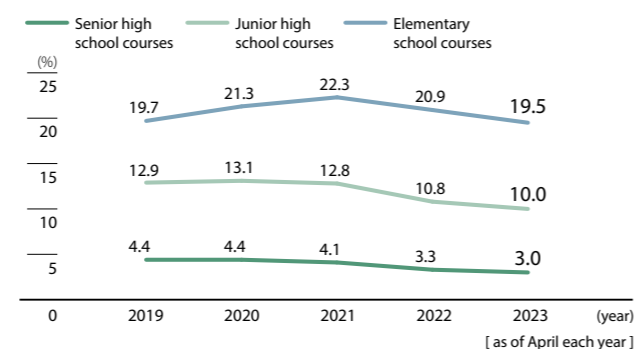


Note: The average monthly fee is calculated by dividing the net sales of each course by the cumulative enrollment.

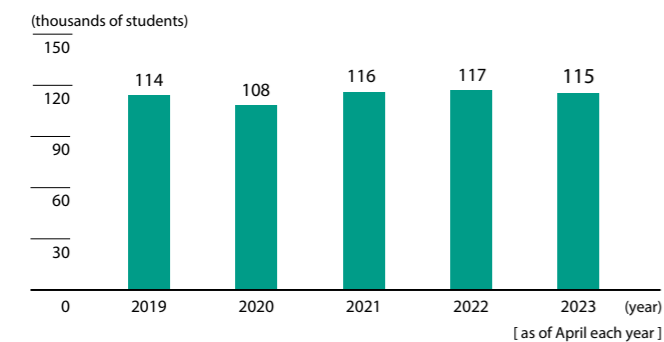
Cumulative enrollments in Shinkenzemi over a full year



Shinkenzemi share of the target population



Prep school and classroom enrollments in April



School and Teacher Support Business

Business overview and future prospects

Responding to the GIGA School Program for elementary and junior high schools as well as enhancing products catering to needs specific to senior high schools with the aim of maintaining and strengthening our position as a partner for public education

Takanori Tamura
Executive Officer
Head of the School and Teacher Support Business Company of Benesse Corporation

The School and Teacher Support Business offers Shinken Simulated Exams (mock university entrance exams for high school students), Study Support and Course Map (materials for learning and choosing a postgraduation pathway), GTEC (Global Test for English Communication), Mirai Seed (ICT learning support service for elementary and junior high schools), and other products including school study drills and tests. Within this segment, Classi Corp. and EDUCOM Corporation provide services to support cloud-based learning and school administration operations. Through these offerings, we aim to maintain and strengthen our position as a reliable partner for public

education. We are speeding up digitalization initiatives and increasing capabilities for broad area coverage, diverse solutions, and quick submission of proposals, which constitute our key growth strategies, in order to respond to individual challenges faced by schools and municipalities.

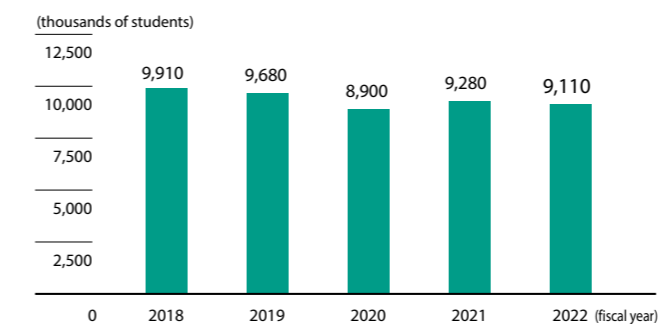
In fiscal 2022, in the area of elementary and junior high schools, the number of schools adopting our Mirai Seed ICT learning support software continued to grow on the back of the GIGA School Program implemented to introduce PCs and tablets to these levels of schools.

Meanwhile, in the senior high school segment, where we count around 90% of the schools in Japan as our customers, enrollments for Shinken Simulated Exams and other assessment programs trended downward, principally as a result of demographic decline and the increasing number of university entrance exams that were scheduled for earlier than the standard time (intra-year entrance exams). Against this backdrop, we will enhance products for schools facing issues with providing advice on diverse postgraduation pathways as part of our efforts to offer services more attuned to the needs of individual schools. By promoting these activities while maintaining our long-established strong assessment services, we aim to maintain and bolster our competitiveness.

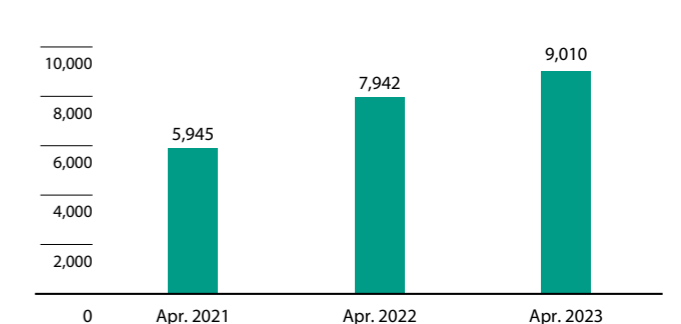


Related business data

Students taking Shinken Simulated Exams and other exams



Number of schools using Mirai Seed



Education Business in Japan

University and Working Adult Business

Business overview and future prospects

Aiming to build a business model that can provide reskilling support for businesses and consumers along with HR services in an integrated fashion

Masaki Yamasaki
 Managing Executive Officer
 Head of the University and Working Adult Business
 Company of Benesse Corporation

The Benesse Group is focusing efforts on expanding into new fields as a driver of long-term profit growth. Among a number of target fields, the highest priority is given to the University and Working Adult Business.

In many countries, DX and GX initiatives are driving major social transformations, giving rise to needs for different work methods and job skills. Japan, while facing a dwindling birthrate and aging population and shrinking working-age population, is entering the era of the 100-year life. Against this backdrop, people are calling for an environment conducive to lifelong learning and career development, while many enterprises are

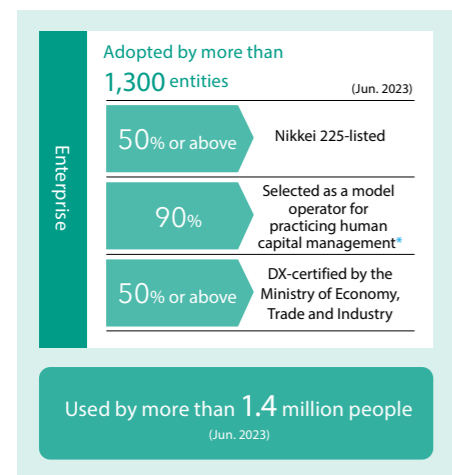
increasing their investment in personnel recruitment and development for sustainable growth and the government is enforcing investment policies to promote reskilling.

Given these factors, the University and Working Adult Business anticipates that Japan's reskilling market will expand significantly toward 2030, and plans to increase net sales from 20 billion yen in fiscal 2022 to 100 billion yen in fiscal 2030. The key tool for promoting this plan is the online learning platform Udemy, for which Benesse Corporation is Japan's sales agent. Our Udemy business in Japan is steadily growing, with a total number of users exceeding 1.4 million and 1,300 companies registered, which will provide a solid customer base for expanding the reskilling business. Centering on this tool, we are working to build a business model that can offer reskilling support and matching services for businesses and consumers in an integrated manner while also seeking partnership and M&A opportunities.

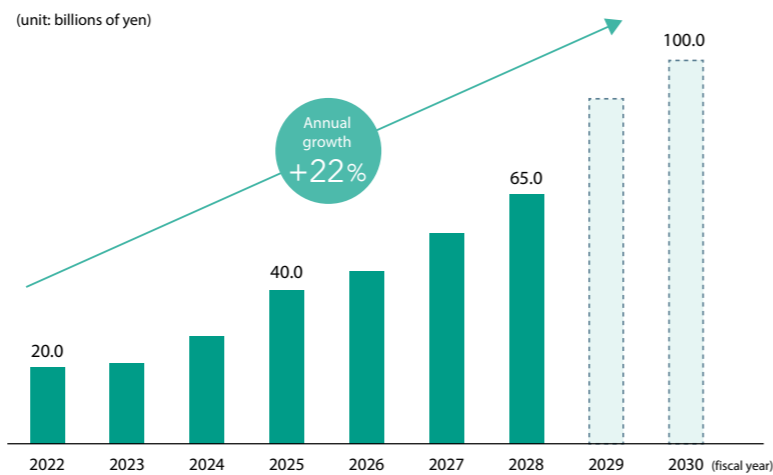


Related business data

Udemy customer base



Net sales plan for the University and Working Adult Business



*19 entities named in ITO Report for Human Capital Management, issued by the Ministry of Economy, Trade and Industry

Special feature: University and Working Adult Business

Based on Udemy, we are starting to take on new challenges

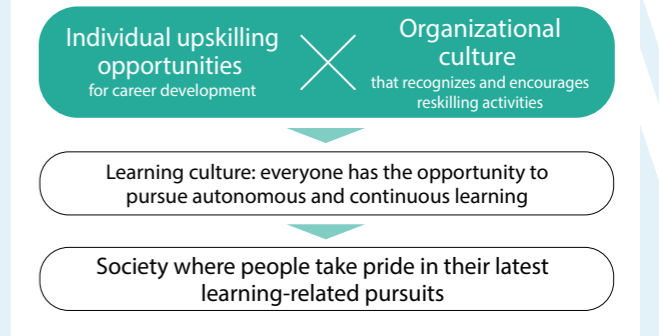
Enriching lifestyles and society

In Japan, which is entering the era of the 100-year life, relatively few adults engage in learning activities aimed at personal fulfillment as compared with people in the US and Europe. We believe it is important to establish a culture of learning where adults can have routine opportunities to continue learning, not only at university but also after graduation, in order to pursue their individual career or life goals. In April 2022, backed by this belief and a commitment to squarely tackle the challenges of social structure related to university and working adult segment, Benesse established the University and Working Adult Business Company and set forth its purpose to support people to "continue learning throughout life, thus enriching individual lives and society at large."

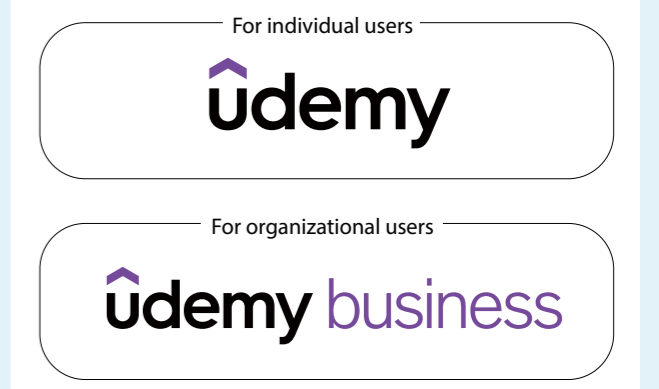
Business alliance with US-based Udemy, Inc.

We promote the Udemy business as one of our key initiatives to achieve a "society where people take pride in their latest learning pursuits." In 2015, Benesse entered into a business alliance agreement with Udemy, Inc, a US-based company that operates the world's largest online education platform, and launched services to provide working adults in Japan with opportunities to acquire skills at the world's most advanced levels. Udemy represents an online consumer-to-consumer (C-to-C) marketplace that connects teachers and learners from around the world. Users access the program via their computer or smartphone to pursue their chosen learning activities in an efficient way, particularly by utilizing their unscheduled space of time. In addition to services for individual users, we offer corporate users a broad spectrum of business skills learning programs to choose from through Udemy Business.

What working adults in Japan need most right now



One of the world's largest online education platform



More than 1,300 companies and 1.4 million users registered in Japan

The major strengths of the Udemy services operated in Japan are the speedy content delivery via the C-to-C platform, curricula for practical business skills, and the extensive lineup of programs. Our offerings cover courses on technology, coaching and 1:1 meetings, and mental health, and they are all cutting edge in every field, from business communication to health. For example, courses on generative AI were already available from Udemy when the technology began to draw public attention overseas. Learning programs are constantly updated with the newest information, enabling users to stay one step ahead. This feature is made possible by the use of the C-to-C model, which is well suited to autonomous content creation planning and implementation.

As of June 2023, Udemy Business has a customer base consisting

of more than 1,300 enterprises of all sizes in Japan, and the combined total number of people using Udemy Business and/or Udemy for individual users exceeds 1.4 million. Our analysis indicates that the major reasons for adopting the tool are its ability to offer a solution to the issue of developing DX personnel, which is common to many companies across different industries, and its flexibility, which suits the needs of many companies that have begun to prefer online training in the wake of COVID-19. The growing user count moreover testifies to the appeal of the product, which provides easy access to high-quality curricula from anywhere in Japan. Going forward, we will create more user-friendly functions to meet the needs of corporate users regardless of industry and organization size.

Special feature: University and Working Adult Business

Forming the National Municipal Reskilling Network, an off-shoot from the UdeMy business

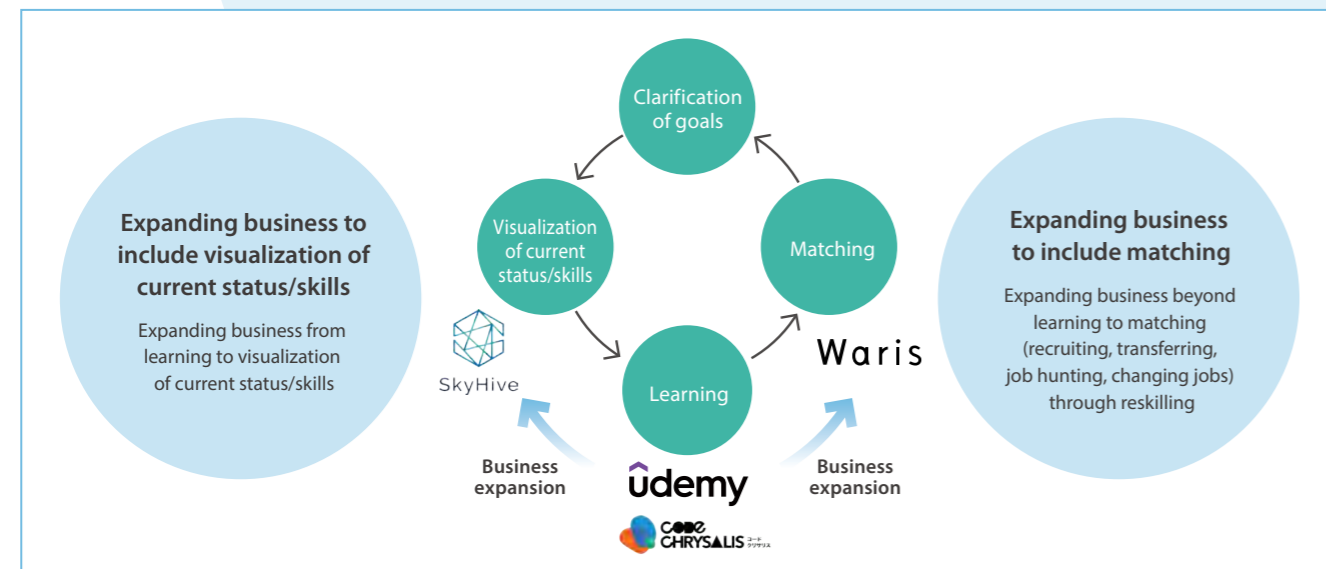
In May 2023, the Company formed the National Municipal Reskilling Network to support municipal governments with their reskilling efforts. This action was planned in response to our recognition of the specific challenges faced by many municipalities in promoting reskilling activities, which we identified by examining the use of UdeMy Business services by certain municipal officers, and we found them of a different nature from those of business companies. The new project is designed to provide solutions to these challenges by sharing know-how and insights with participating municipalities.

Specifically, major activities are: actively publishing a booklet on reskilling activities to share best practices and challenging projects among participating municipalities; hosting webinars featuring public figures and guest experts; and organizing networking sessions to help participating municipalities form closer ties with one another. It is expected that needs for similar networking activities will grow in the future, and we hope to act as a catalyst in forming appropriate structures.

Building a business model capable of providing comprehensive reskilling support services

Our goal as the University and Working Adult Business is to match the needs of companies and individuals by providing support for reskilling through UdeMy. In this business field, demand is growing from various sectors such as government (To G) and schools (To S) in addition to business (To B) and consumers (To C), and we will respond to this demand by expertly drawing on the wealth of know-how that we have accumulated over the years. At present, we are expanding the business centering on UdeMy-based learning support while

investing in SkyHive Technologies Inc. and acquiring Waris Co., Ltd. SkyHive, which possesses the world's largest labor market database, will engage in skills visualization while Waris will play a key role in expanding into the matching market for female workers (recruiting, transferring, job hunting, changing jobs) through reskilling services. With these functions in place, we aim to build a business model capable of providing comprehensive support for a full range of reskilling processes related to human capital management.



Pursuing possibilities beyond the ideal learning culture

In October 2022, the Japanese government announced its plan to invest a total of one trillion yen in reskilling promotion over five years. This will serve as a tailwind for our business based on UdeMy. On the back of this situation, we are promoting the UdeMy business to achieve an environment where practical hands-on learning opportunities are easily accessible and available to willing adult

learners, with a view to building an ideal learning culture. At the same time, we are looking beyond this goal to the possibility of developing new business models using datasets obtained from the UdeMy business, such as about individual learners' characteristics, interests and concerns, and actions and behaviors, which constitutes a source of business growth with immeasurable potential.

Committed to achieving a “society where people take pride in their latest learning pursuits”



Tomonori Iida
Executive General Manager in charge
of Working Adult Education Business
and UdeMy business in Japan
Benesse Corporation

Launching the UdeMy business, a demonstration of Benesse's innovative power

The UdeMy business represents a new global partnership project, a business development format that generally poses formidable challenges for Japanese companies. We also had a hard time launching the UdeMy business, spending much time and energy on a process of trial and error that lasted nearly one year. At that time, we were simultaneously engaged in a total of 13 new project developments and viewed UdeMy as one of the most promising among them. As it turned out, my confidence was well-placed, as the

project has subsequently developed into a successful platform business, winning numerous corporate and individual customers. This achievement exemplified Benesse's ability to achieve innovation through a new partnership and develop it into a new business.

We are a company engaging in social value creation

Since announcing the Transformation Business Plan we have received inquiries about it from many companies. The Plan describes our future business visions and approaches toward them. In the future, when cooperation with several companies is realized, we would like to think further about what role Benesse will play. In the UdeMy business, for example, we promote a co-branding strategy to represent UdeMy and Benesse in combination. I think it appropriate for Benesse to play alternating roles in public exposure, either in the spotlight or behind the curtain.

name to the achievement. This means that Benesse must be willing to perform its role from behind the scenes, particularly with respect to realizing various social ideals or achieving the well-being of society in general. I think this could be a worthy way of Benesse. Of course, as a business entity, it is ideal to create social value while at the same time adding economic value.

With regard to this, we are primarily pursuing our goal of creating a “society where people take pride in their latest learning pursuits,” while not necessarily seeking to attach our



Aiming to provide one-stop solutions to human capital management issues

Toward the goal of realizing a “society where people take pride in their latest learning pursuit,” we are striving to build appropriate learning infrastructure. To this end, the University and Working Adult Business is solidifying its foundation based on the UdeMy business in order to expand into new fields. Our plans include helping companies to address issues related to human capital management by providing one-stop solutions. We are committed to successful performance in this field.



Kids & Family Business



Market

Japan

Due to both demographic decline and the impact of COVID-19, the needs of parents in regard to their children's education are significantly changing.

In the domestic preschool education market, mainstream teaching materials have been shifting from print to digital tools such as tablets, reflecting a shift from the values of older generations as well as social conditions. In addition, learning needs of preschoolers are becoming more diverse and individualized against the backdrop of a rising employment rate for women and a growing percentage of female university graduates with four-year degrees. Demand for English learning and STEAM as well as other education activities is also increasing.

China

In China too, the decline in the birthrate is picking up speed. The annual number of births continued to fall for the sixth year to below the 10 million level, specifically, 9.56 million, or a 50% reduction from the 17.86 million recorded in 2016, the most recent peak. The annual figure is expected to continue to decrease in 2023.

One factor contributing to the declining birthrate is the excessive cost of education. In July 2021, to address this issue, the government announced the "Double Reduction" policy to reduce the burden on students in terms of homework and out-of-school education during the years of compulsory education.

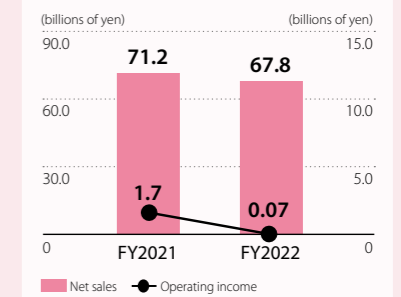
The policy includes restrictions on prep schools and other education providers at the compulsory education level. In response to this situation as well as to stay-at-home orders related to COVID-19, a number of businesses are scaling back or withdrawing from the market.

On the other hand, consumer enthusiasm for education remains high, and it is expected that the preschool education market for character cultivation will continue to trend at a certain level.

Due to these factors, needs for preschool education in China are changing significantly while also becoming more diverse and individualized.

Review of fiscal 2022

In the Kids & Family Business, net sales decreased by 4.7% year on year to 67.8 billion yen. This is principally attributable to a decline in revenue, reflecting reduced cumulative enrollments for Kodomo Challenge both in Japan and China. In China in particular, the reduced revenue resulted from the temporary suspension of business activities due to the country's zero-COVID policy, and could not be offset by the positive effect of currency exchange accompanying the weaker yen. Operating income declined by 95.9% year on year to 70 million yen due to decreased revenue and profit despite a boost in profit resulting from the reallocation of the burden of selling expenses between the Kid's & Family Business and the Education Business in Japan.



Business overview and future prospects

Responding to diversifying needs to improve customer's lifetime value

Toshihiko Nishimura

Executive Officer

Head of the Kids & Family Business Company of Benesse Corporation

The pillar of the Kid's & Family Business is Kodomo Challenge, the correspondence course designed to help children acquire developmentally appropriate lifestyle habits and knowledge. We are expanding the market for this product in Japan, China, and Taiwan.

In fiscal 2022 in Japan, cumulative enrollments decreased due to the accelerating trend toward lower birthrates, changes in the economic environment, and diversifying needs. Despite this, however, operating income grew, thanks to cost-cutting measures and the increase in unit price per student following a price revision. Going forward, while focusing on improving our product retention rate by

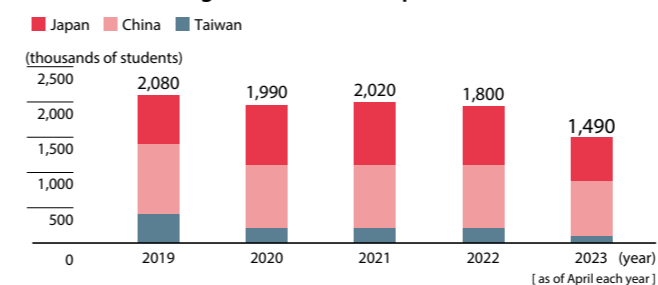
increasing customer loyalty, we will create multilayered value and price structures for our products and promote combination options to respond to diversifying needs in an effort to achieve growth despite the demographic challenges.

In China, our cumulative enrollments in fiscal 2022 decreased, primarily due to a plunging birthrate and the effect of the COVID-related lockdown policy on sales and delivery operations, even with the fierce market competition having begun to ease due to the Double Reduction policy. In response to these changes in the environment, we will strive to evolve our products to cater to preschool education needs that are becoming more diverse and individualized while aiming to recover Kodomo Challenge enrollments for character cultivation and improve customer lifetime value.

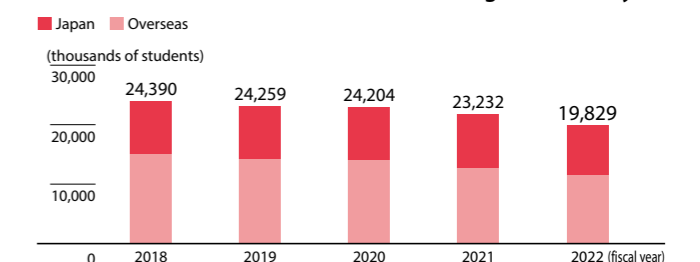


Related business data

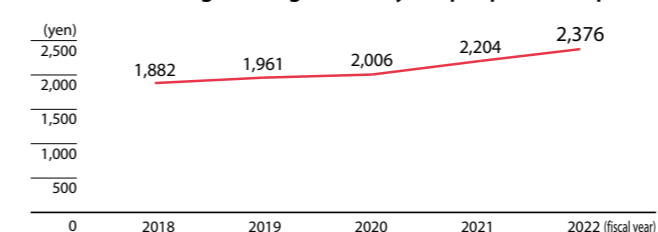
Kodomo Challenge enrollments in April



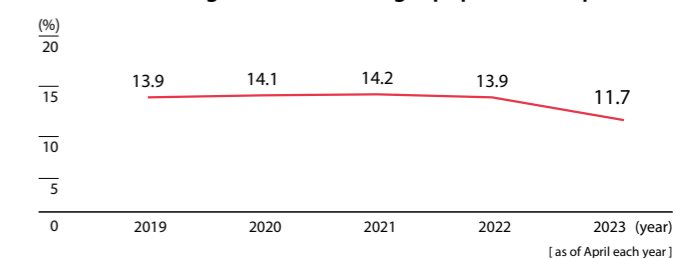
Cumulative enrollments in Kodomo Challenge over a full year



Kodomo Challenge average monthly fee per person (Japan)



Kodomo Challenge share of the target population (Japan)



Note: The average monthly fee is calculated by dividing the net sales of each course by the cumulative enrollment.

Nursing Care and Childcare Business



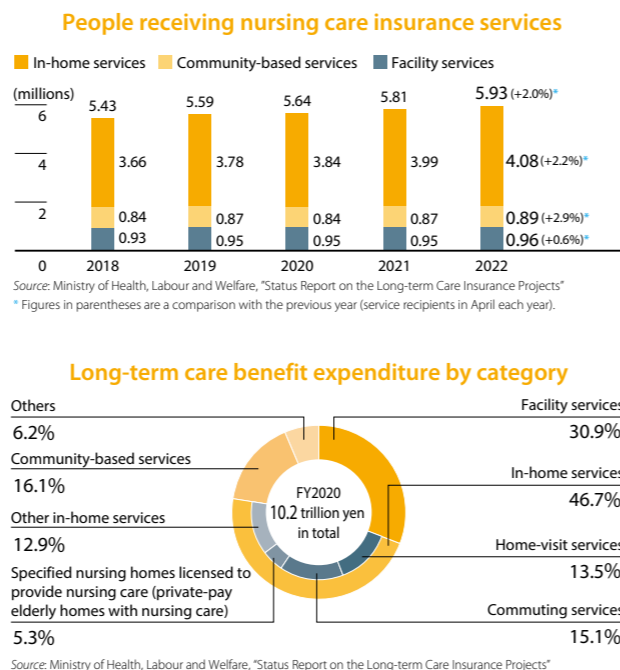
Market

With the ongoing aging of the population in Japan, the number of people who require nursing care has also continued to increase. To resolve the issue of nursing care for elderly, the nursing care insurance system under the social insurance system was enacted in 2000. Since then, the domestic nursing care market*1 has expanded rapidly, with the long-term care benefit expenditure in fiscal 2020 at 10.2 trillion yen, a 2.6% increase over the previous year. As of April 2022, the number of people receiving nursing care insurance services was 5.93 million, a 2.0% increase from a year earlier. The number of elderly aged 65 and over increased to 29.1% of the total population*2 as of September 15, 2022, a 0.3pt increase over the previous year. It is expected that in 2040, the percentage of elderly people will have hit 35.3%.

As the birthrate declines, the population ages, and we enter the era of the 100-year life, in order to improve the quality of life of the elderly and solve the social issue of a shortage of human resources for nursing care services, the nursing care industry needs to leverage digital technology to improve the quality and efficiency of services.

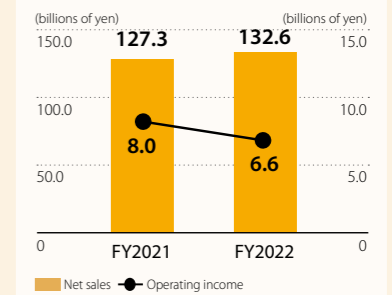
*1 Source: Ministry of Health, Labour and Welfare, "Status Report on the Long-term Care Insurance Projects"

*2 Source: Statistics Bureau, Ministry of Internal Affairs and Communications, "The Elderly in Japan from a Statistical Standpoint (as of September 15, 2022)"



Review of fiscal 2022

In the Nursing Care and Childcare Business, net sales increased by 4.2% year on year to 132.6 billion yen. This is largely attributable to an increase in the number of customers resulting from the addition of nine new nursing home and elderly housing facility locations and six new daycare and afterschool childcare centers. Operating income decreased by 17.0% year on year to 6.6 billion yen due to increased utility costs connected to rising energy prices as well as increased sales promotion costs for the enhancement of related activities.



Business overview and future prospects

Aiming for further growth by achieving recovery from the impact of COVID-19 and expanding peripheral businesses

Shinya Takiyama
Director and Senior Managing Executive Officer
Head of the Nursing Care and Childcare Business Company of Benesse Style Care Co., Ltd.

The Nursing Care and Childcare Business engages primarily in providing facility-based nursing care and related services such as home help, meal delivery, and nursing care consultation as well as nursing and medical professional referral and staffing. We also operate daycare and afterschool childcare centers. Utilizing advanced digital technology and unique methods based on the verbalized know-how of our staff, we are committed to offering high-quality service to each of our elderly and young customers. We have thus established a solid position in the nursing care and childcare markets.

In fiscal 2022, the occupancy rates of our nursing homes

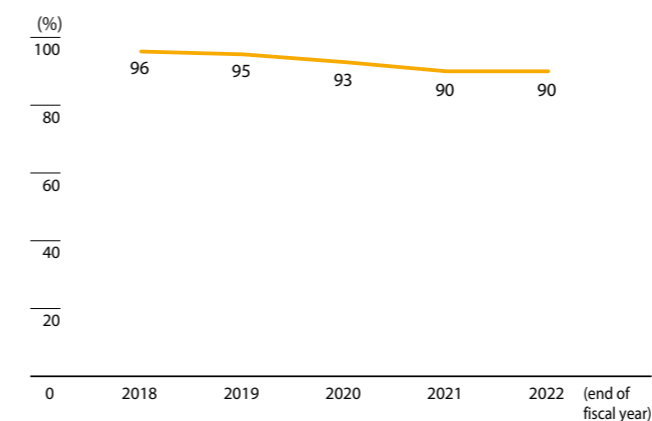
continued to decline due to the impact of the COVID-19 outbreak, mainly affecting our high-end facilities. Striving to improve the occupancy rate, our highest-priority issue at present, we are carrying out a number of measures, such as expanding trial short-stay programs and boosting sales capabilities, in the context of the pandemic's waning effects on economic and social activities. We are looking to restore the occupancy rate to the pre-COVID level by the end of fiscal 2024.



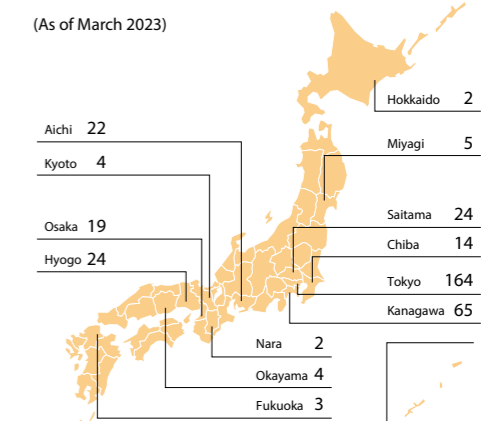
At the same time, we are steadily moving forward with new initiatives, namely new area development strategies for expanding the number of facilities as well as human capital investment and DX promotion plans for improving the quality of nursing care services. Going forward, we are planning to focus more efforts on expanding peripheral businesses in markets with strong growth potential where we can leverage the Company's advantages to best effect, such as nursing care HR and nursing care meal services.

Related business data

Occupancy rate of our existing facilities



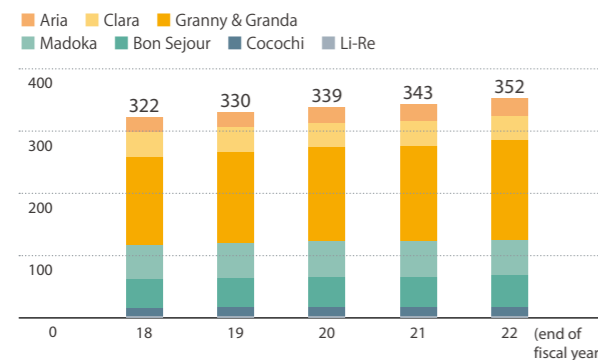
Distribution of our nursing homes



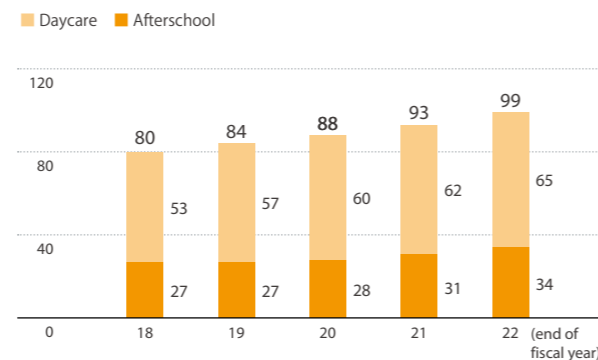
Nursing Care and Childcare Business

Related business data

Nursing homes & elderly homes by brand



Number of daycare and afterschool childcare centers



New challenges for growth: expanding Nursing Care Peripheral Business

Developing the Majikami nursing care expert and Majikami AI to increase the quality of nursing care

The Benesse Group is pursuing the extensive development of its nursing care business centering on facility-based care and a diverse range of related services.

In Japan, demand for nursing care professionals is increasing with the growth of the elderly population and personnel shortages will likely become more severe.

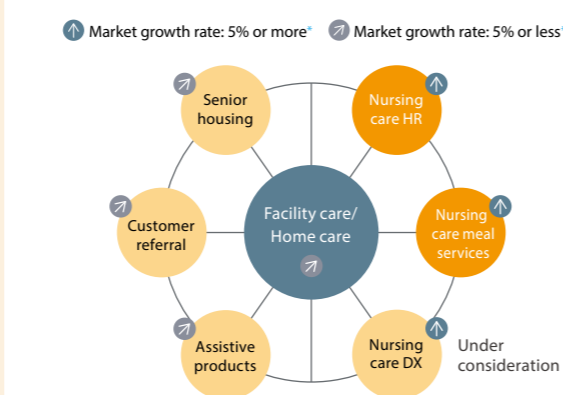
In this situation, we are seeing good opportunities to develop business related to nursing care HR (matching care providers with job seekers) and nursing care meal services (providing prepared meals to make up for a shortage of cooks). We will focus on expanding into these two fields, which have strong market growth potential and are likely to provide us with opportunities to take advantage of our strengths.

Market growth potential and our strategies for nursing care HR/meal services businesses

	Market growth potential (FY2022–FY2028)	Present operations	Benesse's strengths	Future development direction
Nursing care HR	Annual growth +5% ^{*1}	Benesse MCM engaged in staffing; Heart Medical Care in personnel placement and media relations	<ul style="list-style-type: none"> Deep understanding of customers cultivated through facility-based service operations Knowledge gained from existing nursing care personnel business 	Will create new personnel services businesses to meet a diverse array of employment-related needs, while expanding existing businesses
Nursing care meal services	Annual growth +10% ^{*2}	Benesse Palette engaged in meal delivery services for the elderly at homes and provides nursing care meals for Benesse Style Care homes	<ul style="list-style-type: none"> Adept cooking techniques (taste and safety) honed through operations to provide nursing care meals at our own facilities 	Will create a B-to-B business to provide pre-prepared nursing care meals to facilities operated by other companies

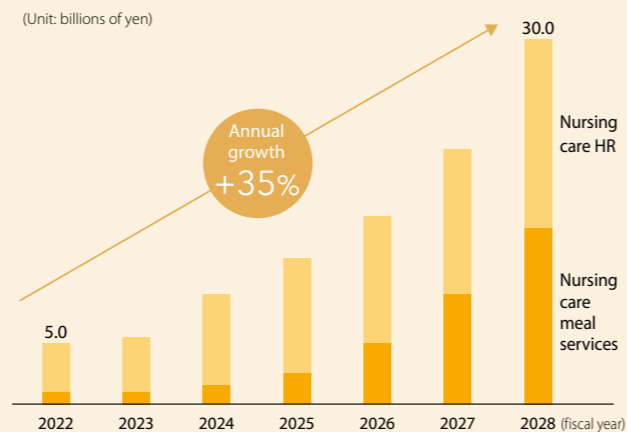
*1 The value of the nursing care HR market has been calculated based on the number of people eligible to receive nursing care services.
 *2 The value of the pre-prepared nursing care meal market is an estimate that factors in the shifting of cooking operations from in-house kitchens to off-site commercial kitchens in addition to existing demand.

Benesse Group's nursing care business



* Both figures are forecasts for 2022 to 2028.

Net sales plan



Facility-based nursing care business: improving the quality of nursing care

Benesse's unique nursing care DX for increasing the QOL of residents

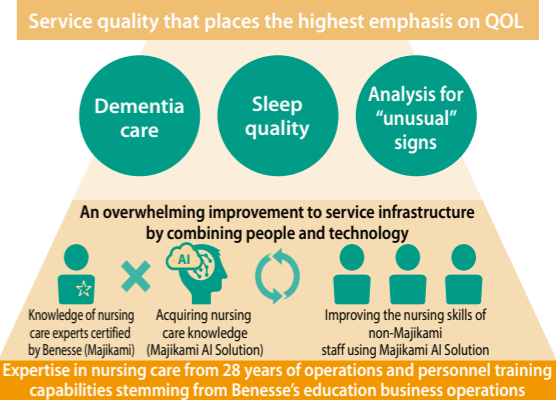
Developing the Majikami nursing care expert and Majikami AI to increase the quality of nursing care

With the aim of improving the quality of life (QOL) of elderly residents of nursing homes, Benesse Style Care is promoting the development of the Majikami nursing care expert and the Majikami AI digital tool.

Majikami is an internal nursing care qualification system to certify employees with a high level of expertise and practical skills, and a total of more than 220 Majikami experts have been certified to date.

Majikami AI is being developed by quantifying the factors that contribute to improving the QOL of residents and then employing the insights and behavior of Majikami experts as instructional data to train the system. By effectively combining human and technological capabilities, this system aims to enable even less-experienced staff to provide nursing care of a quality close to that provided by Majikami.

Overview of Benesse-style nursing care DX



Expanding the Benesse's "sensing home"

In March 2022, we opened the first Benesse's "sensing home," Granda Yotsuya. We are also rolling out the relevant technology to existing facilities to expand the use of this model in a bid to make our products more appealing. Our plan is to expand the coverage to 56 locations in total by the end of fiscal 2023. In the sensing home, each resident's room is equipped with sensors that collect information on the resident's status in relation to sleep and toileting, and the collected data is processed for visualization. Using this data and Majikami's know-how, we will further accelerate the development of AI solutions that realize quality of service with the highest priority on QOL.



Granda Yotsuya, opened in March 2022 as the first Benesse's "sensing home"

Support and increase nursing care personnel

Nursing Care Antenna for making nursing care knowledge publicly available

While committed to improving the quality of nursing care provided at its own facilities, Benesse Style Care is also sharing its accumulated knowledge in an effort to contribute to the industry as a whole.

As part of such effort, we run Nursing Care Antenna, a portal site that provides comprehensive information needed by caregivers in Japan.

The website makes available for free expertise on nursing care techniques that was previously limited to internal use as well as the Benesse Methods knowledge base that Benesse Style Care has built up over its 28 years of nursing home operations. Posts also include information on seminars, recreational and other activity materials for use in nursing care settings, and information on common geriatric disorders and related medicine.

Site membership has expanded to reach 120,000 as of July 2023.

Offering free access to practical knowledge assets built through 28 years of operations



Nursing care techniques Benesse's nursing care techniques Nursing care technical guidelines (with video)	Outing destinations Wheelchair-accessible popular destinations Accessibility information	Nursing care recreational activity materials Recreational activity materials for nursing care: More than 5,000 items
Benesse Methods Free access to Benesse's nursing care expertise and methods Toileting care Dementia care	Emergency preparedness measures Protection against infectious disease Disaster preparedness/response	Visual materials Free-of-charge, copyright-free Visual materials for use in nursing care settings: More than 1,000 items

etc.

CHAPTER 04

For greater lifelong growth potential

Enhancing Operational Resources

In order to achieve sustainable growth with all stakeholders, the Benesse Group is continuing to enhance the effectiveness of its corporate governance toward solidifying its management foundation and further increasing its corporate value.

Corporate Governance

Corporate governance

The Company, as a holding company, is committed to ensuring the appropriate governance of the entire Benesse Group through its Board of Directors and Audit & Supervisory Board. The Board of Directors (the Board) makes it a rule to maintain the proportion of outside directors at 50% or more and that of independent outside directors at one-third or more of the total number of sitting directors. The Company continuously appoints directors in charge of business execution, multiple highly independent outside directors, and non-executive directors who disseminate our founding spirit in addition to leveraging stockholder viewpoints to supervise management. This ensures that meetings of the Board consist of lively, multifaceted discussions that go beyond internal circumstances and that the supervisory function of the Board is maintained and improved. The Company also ensures that effective audits are conducted by standing Audit & Supervisory Board Members who are knowledgeable about the Company and outside Audit & Supervisory Board Members who are attorneys or certified public accountants.

Board of Directors

The Board is composed of three directors in charge of business execution, one non-executive director, and four highly independent outside directors. In principle, the Board, led by a non-executive director, meets monthly to deliberate on matters important for the management of the Company and supervises the business execution of the Company and of Benesse Group companies. Since 2003, the Company has appointed multiple outside directors, thereby ensuring the appropriate fulfillment by the Board of its supervisory and business execution functions.

Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an advisory committee to the Board. The chair is an outside director, and the majority of the Committee's members are outside directors. In the appointment and dismissal of directors and of the director and president/CEO, the Committee deliberates and submits its opinions to the Board, which makes the final decision. The Committee also deliberates on the compensation system for directors and submits its opinions to the Board. It is delegated by the Board to decide the compensation of individual directors.

Management Council

The Management Council is chaired by the CEO and attended by heads of companies, those responsible for administrative divisions, and individuals designated by the CEO. Group management leaders share important issues and information and deliberate on important matters for the Group.

Audit & Supervisory Board

In accordance with the Audit & Supervisory Board Member Auditing Standards, the policy of the Audit & Supervisory Board is to assume responsibility for establishing a good corporate governance structure worthy of the trust that society places in the Company, with emphasis on preventive auditing. The Company also conducts effective audits via standing Audit & Supervisory Board Members who are knowledgeable about the Company, and via outside Audit & Supervisory Board Members who are attorneys or certified public accountants.

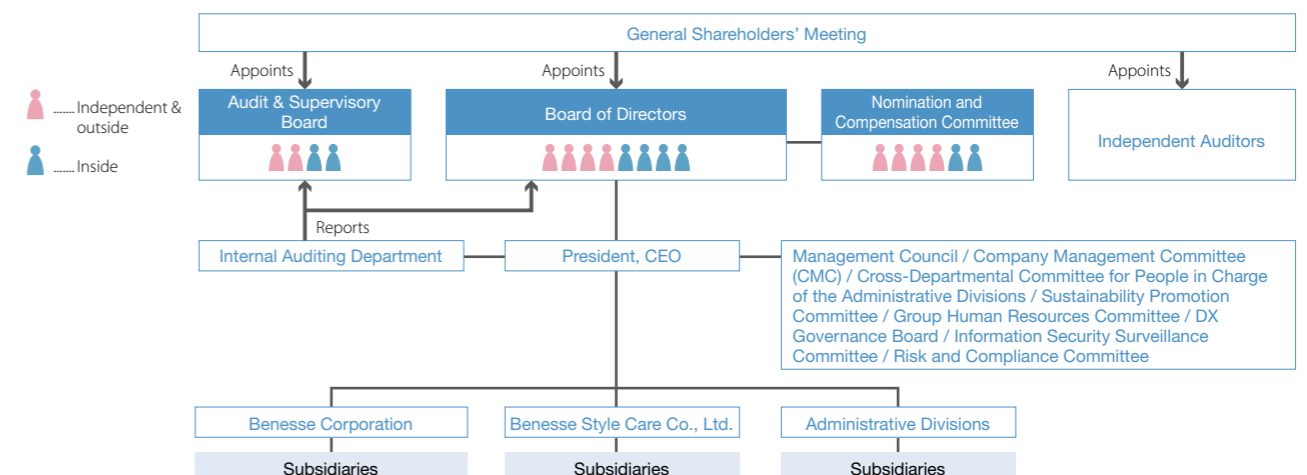
The Audit & Supervisory Board meets once a month, in principle, and individual Board Members share their awareness of key management issues by attending important management meetings such as Board of Directors, Nomination and Compensation Committee, and Management Council meetings, and by exchanging opinions with senior management. Two standing Audit & Supervisory Board Members and one part-time Member also serve as auditors for major subsidiaries while actively receiving verbal business reports and the results of investigations of business conditions by operating companies.

In addition to appointing two dedicated audit staff members to enhance its audit system, the Company has established the Benesse Group Audit Committee (which also includes standing members of Audit & Supervisory Boards at subsidiaries) to strengthen cooperation among the Group's audit systems.

Other optional committees

The Company has established the Sustainability Promotion Committee, Information Security Surveillance Committee, and Risk and Compliance Committee as optional committees.

Corporate governance structure (As of March 31, 2023)



Corporate Governance

Directors and Audit & Supervisory Board Members (As of June 2023)



Hitoshi Kobayashi
Representative Director and President, CEO

Joined the Company in 1985. After having served as Representative Director and President of Benesse Style Care Co., Ltd., in 2012 became a Director of the Company, a position that he continues to serve in. Went on to lead the Company's Corporate Planning Division, Overseas Business Development Company, Zemi Business Company, etc. Has served as the Representative Director and President of Benesse Corporation (current) since 2016. Became the Representative Director and President, COO of the Company in 2021, and became the Representative Director and President, CEO of the Company (current) starting in 2022.



Shinya Takiyama
Director

Joined the Company in 1996. Has been Representative Director and President of Benesse Style Care Co., Ltd. (current) since 2013, and a Director of the Company since 2016 (current). Became a Group Executive Officer of the Company in 2021, and became a Senior Managing Executive Officer of the Company (current) starting in 2022.



Kenji Yamakawa
Director

Joined the Company in 1986. Served as Director of Benesse Corporation in 2012. Has served in the position of Director of Tokyo Individualized Educational Institute, Inc. since 2016, and the position of Executive Vice President of Benesse Corporation (current) since 2020. Became Group Executive Officer of the Company in 2021. Has served as Director and Senior Managing Executive Officer of the Company (current) since 2022 and Executive General Manager of Area Business Promotion of Benesse Corporation (current) since 2023.



Hideaki Fukutake
Director

In 2000, joined KEYENCE CORPORATION. In 2006, joined SMS CO., LTD. and subsequently became Division President of Nursing Care and Medical Care Media at that company. Since 2009, has been Director of efu Investment Limited (current). After having served as Outside Director of Benesse Corporation, became Director of the Company in 2014. Has served as Representative Director of Minamigata Holdings Ltd. (current) and Non-executive Director of the Company (current) since 2021. Has been Chairman of the Board, Fukutake Foundation (current) and Outside Director of Foodson, Inc. (current) since 2023.



Mutsuo Iwai
Director

Joined the Japan Tobacco and Salt Public Corporation in 1983. Served as Director and Managing Executive Officer of Japan Tobacco Inc., Executive Vice President of JT International S.A., and Representative Director and Executive Vice President of Japan Tobacco Inc. Was appointed as Deputy Chairperson of the Board of Japan Tobacco Inc. and Outside Director of the Company in 2020 (current). Was appointed as Outside Director at TDK Corporation in 2021 (current). Has served as Chairperson of the Board of Japan Tobacco Inc. (current) since 2022 and as Vice Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current) since 2023.



Yumiko Noda
Director

Joined Bank of America Corporation, Tokyo Branch, in 1982. After serving in positions such as Deputy General Manager of London branch of the Long-Term Credit Bank of Japan, and advisory partner with PwC Financial Advisory Services, Deputy Mayor of Yokohama City, and a senior fellow at the Tsinghua University Research Center for Japanese Studies, became Representative Director and President at Veolia Japan K.K. in 2017, then Chairman and Representative Director in 2020 (current). Became Director of the Company in 2021 (current). Has been Vice Chair and Director, KEIDANREN (Japan Business Federation) (current) and Outside Director of Mizuho Financial Group, Inc. (current) since 2023.



Kohey Takashima
Director

Joined McKinsey & Company Inc Japan in 1998. Became Representative Director and President of Oisix Inc. (now Oisix ra daichi Inc.) in 2000 (current). Became Director of the Japan Wheelchair Rugby Federation in 2018 (current). Became Outside Director of CARTA HOLDINGS, INC. in 2020. Has served as Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) (current), as well as Outside Director of the Company (current) since 2021. Has been Joint Representative Director of Data for Social Transformation (current) since 2022 and External Director of SHIDAX CORPORATION (current) since 2023.



Masaru Onishi
Director

Joined Japan Airlines Co., Ltd. in 1978. Became President, JAL Aircraft Maintenance Narita in 2007. Became Representative Director, President, Japan Air Commuter Co., Ltd. in 2009. Became Representative Director, President, Japan Airlines International Co., Ltd. (currently Japan Airlines Co., Ltd.) in 2011, before becoming Representative Director, Chairman for Japan Airlines Co., Ltd. in 2012. Became Senior Representative, External Affairs, Japan Airlines Co., Ltd. in 2018. Has served as an Outside Director of the Company since 2022 (current).



Yoshinori Matsumoto
Standing Audit & Supervisory Board Member

Joined Daio Paper Corporation in 1977. Joined the Company in 1991 and went on to serve as Manager of the General Affairs Department, as Manager of the Human Resources Department, and in other positions before becoming Corporate Executive Vice President, General Manager of the Personnel & General Affairs Division and Legal & Compliance Department in 2003. Became President, Representative Director of Benesse Business-mate, Inc. in 2005. Has served as Standing Audit & Supervisory Board Member of the Company (current) since 2008.



Naoto Saito
Standing Audit & Supervisory Board Member

Joined the Company in 1986. After working in the Finance and Accounting and Auditing & Business Administration Departments in the Group, he became Manager of the Accounting Department, Executive General Manager of the Finance and Accounting, Executive General Manager of the Internal Auditing Division, and then Executive General Manager of the Business Administration Division. In 2015, became an Audit & Supervisory Board Member at Tokyo Individualized Educational Institute, Inc. (current), and in 2017, became a Senior Executive Officer of the Company, before also being appointed as a Standing Audit & Supervisory Board Member starting in 2019 (current).



Eiichi Izumo
Audit & Supervisory Board Member

Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) in 1995. Since 1998, has been registered as a certified public accountant. In 2010, became Partner at Deloitte Touche Tohmatsu LLC, and in 2015, after leaving that position, became Representative of Izumo CPA Office (current) and Outside Audit & Supervisory Board Member of the Company (current). Became Outside Director serving as Outside Audit & Supervisory Board Member of Torii Pharmaceutical Co., Ltd. and Audit & Supervisory Committee Member of Intage Holdings Inc. in 2016 (current). Has been Outside Audit & Supervisory Board Member of Lasertec Corporation (current) since 2020.



Miyuki Ishiguro
Audit & Supervisory Board Member

In 1991, enrolled as a lawyer and joined Tsunematsu Yanase & Sekine (currently Nagashima Ohno & Tsunematsu). In 1999, became a partner at that firm (current). In 2017 became Outside Audit & Supervisory Board Member of the Company (current). Became Vice President, Tokyo Bar Association in 2018. Has been President Elect, Inter-Pacific Bar Association (IPBA) (current) since 2022 and Outside Director of Nomura Holdings, Inc. (current) since 2023.

Expertise, experience and activity status of Directors and Audit & Supervisory Board Members

(As of June 2023)

■ Outside ■ Independent

Name/Affiliation	Years in office	Other major current positions	State of attendance for FY2022		Necessary expertise and experience						
			Board of Directors meetings	Audit & Supervisory Board	Leadership	Industry expertise			Strategy		
					Corporate management	Education	Nursing care	B-to-C business	Global	Digital	Finance
Directors of the Board											
Hitoshi Kobayashi Representative Director and President, CEO • Member of the Nomination and Compensation Committee	11 years	Representative Director and President of Benesse Corporation	13/13	—	●	●	●	●	●		
Shinya Takiyama Director	7 years	Representative Director and President of Benesse Style Care Co., Ltd.	13/13	—	●		●	●			
Kenji Yamakawa Director	1 year	Executive Vice President of Benesse Corporation	11/11	—	●	●		●			
Hideaki Fukutake Director ■ Non-executive Director • Chair of the Board • Member of the Nomination and Compensation Committee	9 years	Chairman of the Board, Fukutake Foundation Director of efu Investment Limited Representative Director of Minamigata Holdings Ltd.	13/13	—	●				●		
Mutsuo Iwai Director ■ ■ ■ • Chair of the Nomination and Compensation Committee	3 years	Chairperson of the Board of Japan Tobacco Inc. Outside Director of TDK Corporation	13/13	—	●			●	●		
Yumiko Noda Director ■ ■ ■ • Member of the Nomination and Compensation Committee	2 years	Chairman and Representative Director, Veolia Japan K.K. Outside Director of Idemitsu Kosan Co., Ltd. Outside Director of Mizuho Financial Group, Inc.	13/13	—	●				●		●
Kohey Takashima Director ■ ■ ■ • Member of the Nomination and Compensation Committee	2 years	Representative Director and President of Oisix ra daichi Inc. External Director of SHIDAX CORPORATION	12/13	—	●			●	●	●	
Masaru Onishi Director ■ ■ ■ • Member of the Nomination and Compensation Committee	1 year	Outside Director, TEIJIN LIMITED Outside Director, Mitsui O.S.K. Lines, Ltd. Outside Director, Kadoya Sesame Mills Inc.	10/11	—	●			●	●		

Audit & Supervisory Board Members					Accounting	Legal
Yoshinori Matsumoto Standing Audit & Supervisory Board Member	15 years	—	13/13	16/16		●
Naoto Saito Standing Audit & Supervisory Board Member	4 years	Audit & Supervisory Board Member of Tokyo Individualized Educational Institute, Inc.	13/13	16/16	●	
Eiichi Izumo Audit & Supervisory Board Member ■ ■ ■	8 years	Certified Public Accountant Outside Audit & Supervisory Board Member at TORII PHARMACEUTICAL CO., LTD. Outside Audit & Supervisory Board Member of Lasertec Corporation	13/13	16/16	●	
Miyuki Ishiguro Audit & Supervisory Board Member ■ ■ ■	6 years	Lawyer Outside Audit & Supervisory Board Member of Lasertec Corporation Outside Director of Nomura Holdings, Inc.	13/13	16/16		●

Visit the website for details about other major current positions.
<https://www.benesse-hd.co.jp/en/about/management/executive.html>

Corporate Governance

The expertise and experience demanded of directors, and reasons for their selection

The Company specifies the skills required of directors from the following viewpoints so that the Board will continue to fulfill and enhance its important managerial decision-making and supervisory functions through high-quality discussions toward the achievement of the Medium-Term Management Plan.

- (1) The Company deems it essential that candidates for director have actual management experience, and requires each candidate for director to have experience in corporate management, in order to perform management supervisory functions even more effectively.
- (2) In order for the Board to perform its function, while keeping the customer's perspective as the starting point of all the actions taken by the Company, the candidates for director are required to have experience in B-to-C business, and in particular, knowledge and experience in the education and nursing care businesses, which are the two pillars of the Company's business, are required of the candidates for executive director.
- (3) From a strategic point of view, emphasis is placed on global, digital, and financial skills, in order to promote the use of digital technologies in business, new domain and overseas development, and portfolio management, with the aim of realizing the Medium-Term Management Plan.

Reasons for the appointment of outside directors and outside Audit & Supervisory Board Members

Outside Directors

Mutsuo Iwai	Mr. Iwai has a wealth of corporate management experience in companies that carry forward B-to-C business globally, as well as extensive specialized knowledge. He is using this extensive experience and specialized knowledge to contribute to supervision of management for medium- to long-term improvement of corporate value, as well as to improve the transparency of the decision-making processes regarding management of the Company as a director and the chair of the Nomination and Compensation Committee.
Yumiko Noda	Ms. Noda has a wealth of corporate management experience in companies that carry forward business globally and extensive specialized knowledge of finance. In the Board and the Nomination and Compensation Committee, she is using this extensive experience and specialized knowledge to contribute to supervision of management for medium- to long-term improvement of corporate value, as well as to improve the transparency of the management decision-making processes regarding the management of the Company.
Kohey Takashima	Mr. Takashima has a wealth of corporate management experience in companies that are engaged in B-to-C business, and specialized knowledge of e-commerce business. In the Board and the Nomination and Compensation Committee, he is using this extensive experience and specialized knowledge to contribute to supervision of management for medium- to long-term improvement of corporate value, as well as improvement of the transparency of the management decision-making processes regarding the management of the Company.
Masaru Onishi	Mr. Onishi has a wealth of corporate management experience in companies that are engaged in B-to-C business globally, and broad experience and extensive specialized knowledge gained as outside director of other companies. In the Board and the Nomination and Compensation Committee, he is using this extensive experience and specialized knowledge to contribute to supervision of management for medium- to long-term improvement of corporate value, as well as to improve the transparency of the management decision-making processes regarding the management of the Company.

Outside Audit & Supervisory Board Members

Eichi Izumo	Mr. Izumo has expert knowledge as a Certified Public Accountant and experience in accounting audits and consulting services for many companies. In meetings of the Board and the Audit & Supervisory Board, he is drawing on his experience and expertise and actively presenting opinions and suggestions regarding important management matters.
Miyuki Ishiguro	As a partner at a leading law firm, Ms. Ishiguro has extensive experience and a high level of insight into corporate legal affairs as well as experience as an outside officer at other companies. In meetings of the Board and the Audit & Supervisory Board, she is drawing on her experience and expertise and actively presenting opinions and suggestions regarding important management matters.

Visit the following website for the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
https://www.benesse-hd.co.jp/en/about/management/corp_governance.html

Improving the effectiveness of the Board

In fiscal 2015, the Company began carrying out an annual assessment of the Board to ensure that the Board is able to fulfill its strategic and supervisory functions in a more effective manner. Since fiscal 2016, the findings of these assessments have been used to make improvements to the Board.

In fiscal 2022, as well, a questionnaire was administered to all 12 directors and Audit & Supervisory Board Members. Based on these results, the Board's effectiveness was analyzed, and the Board

evaluated itself and deliberated concerning the results. The questionnaires found the Board to have maintained a high level of effectiveness and confirmed that the Board engages in substantive discussions. However, they also confirmed further issues to be tackled in order to raise the effectiveness of the Board and continue increasing the Company's value. These issues will be resolved through further deliberation by the Board.

Fiscal 2022 initiatives and how to respond going forward, with the aim of improving effectiveness

Fiscal 2022 initiatives for addressing major fiscal 2021 issues

<p>Initiatives targeted at challenges</p> <ol style="list-style-type: none"> (1) Through utilizing executive workshops and holding executive camps, depending on the circumstances, continue to have more in-depth discussions regarding what the Company's business portfolio should be Group-wide and the allocation of management resources, after organizing the necessary information (2) Have more in-depth discussions regarding ESG and sustainability at the Board, taking the results of deliberations by the Sustainability and ESG Promotion Committee into account (3) Make reports and have discussions at the Board regarding the content of discussions on diversity and inclusion at the Nomination and Compensation Committee (4) Promote business understanding through measures such as online participation in various internal events, resumption of site visits, and networking events with relevant parties at business sites 	<p>Major progress on initiatives</p> <ul style="list-style-type: none"> ▶ The Company held executive workshops and camps to foster discussions on the desirable business portfolio and the allocation of managerial resources, and then formulated the Transformation Business Plan as an update of the existing Medium-Term Management Plan. ▶ The Company had in-depth discussions on ESG issues and sustainability and held a briefing session on these issues for shareholders and investors in February 2023. The details of the session were subsequently posted on the official website.
--	--

Fiscal 2022 assessment

<p>High level maintained</p> <ul style="list-style-type: none"> ▶ Directors and Audit & Supervisory Board Members have constructive discussions based on their experience and expertise. ▶ Medium-term Group strategies are discussed proactively to increase corporate value. 	<p>Issues to be intensively addressed based on the analysis and evaluation results</p> <ul style="list-style-type: none"> ▶ Further foster in-depth discussions on the capital cost as well as on the Company's desirable business portfolio and the allocation of resources based on an understanding of the major KPIs set for targets and challenges, status of market competition, and status of risks posed to each business. ▶ Promote business understanding through measures such as participation in various internal events, resumption of site visits and networking events with relevant parties at business sites as was done before the outbreak of COVID-19.
---	--

Matters deliberated by the Board

Matters related to management strategy 46%	Matters related to governance 17%	Report on the status of business execution 37%
<ul style="list-style-type: none"> ▶ Deliberations on budgets and business plans; approval of financial statements ▶ Matters related to capital policy ▶ Matters related to M&A, etc. 	<ul style="list-style-type: none"> ▶ Matters related to management structure, organizational changes, and human resources ▶ Report on the Nomination and Compensation Committee activities ▶ Matters related to the evaluation of the effectiveness of the Board 	<ul style="list-style-type: none"> ▶ Matters related to the Corporate Governance Code ▶ Matters related to business risks ▶ Matters related to internal audits, etc.

Corporate Governance

Training for directors and Audit & Supervisory Board Members

Upon their appointments, new outside directors and outside Audit & Supervisory Board Members are briefed on various matters and regulations such as company profile, corporate philosophy, management situation, and corporate governance. Furthermore, after they have assumed their roles, the Company explains business activities, industry characteristics and trends, and management environment to deepen their understanding of the Company, and regularly invites them to presentations of best practices at each business site, as well as other internal events. The Company conducted the following activities in fiscal 2022.

Format	Theme	Date of session	Time required
Preliminary briefings on the Board	Preliminary briefings on the content of the Board of Directors proposals to directors and Audit & Supervisory Board Members who are not in charge of business execution	In principle, to be held one week before Board of Directors meetings	Approximately 90 minutes
Executive study sessions	Discussions about topics such as business portfolio, sustainability, and corporate governance, targeted at all directors and Audit & Supervisory Board Members, toward the formulation of the Transformation Business Plan (announced in May 2023)	Executive workshop: Conducted after Board of Directors meetings (5 times) Executive camp: Held in October 2022	Executive workshop: Approximately 60 to 90 minutes Executive camp: Two days

Composition of directors, method and process for appointment and dismissal of directors

The Company employs the following method of appointing directors in order to ensure proper supervision over management from the standpoint of achieving sustained growth for the Benesse Group.

Number of Board members

No more than 10 directors.

Diversity

With a view to achieving sustainable growth, the Company specifies the skills required of the Board to ensure that the Board fulfills and enhances its important managerial decision-making and supervisory functions through high-quality discussions (see The expertise and experience demanded of directors, and reasons for their selection on p. 71). It then appoints directors who have the right balance of the required skills and expertise to enable the Board to fulfill its supervisory functions in an even more effective manner. The Company also appoints female directors for gender diversity.

Outside directors/independence

In order to ensure proper supervision over management, at least half of the Board is composed of outside directors, and at least one-third is composed of independent outside directors.

Requirements of directors

In order to fulfill their roles appropriately, directors of the Company must meet the following requirements in addition to having the expertise and knowledge necessary to solve its medium- to long-term management issues and respond to social issues (see The expertise and experience demanded of directors, and reasons for their selection on p. 71):

1. Deep understanding and empathy for the corporate philosophy of the Benesse Group
2. Outstanding leadership befitting of a manager
3. Outstanding character and insight, as well as mental and physical health
4. Meets legal requirements for eligibility as a director

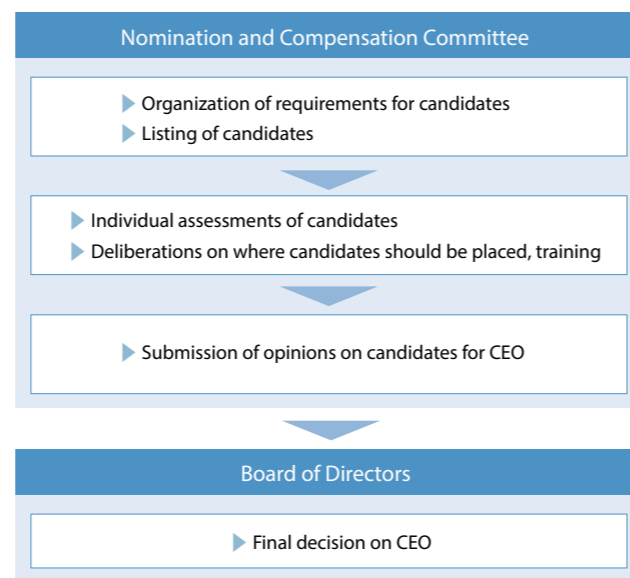
Appointment and dismissal process

Concerning the appointment and dismissal of senior management and nomination of director candidates by the Board, the Company will ensure transparency, fairness, and objectivity in the process by having the Nomination and Compensation Committee—where outside directors constitute the majority, and which is chaired by an outside director—hold discussions based on policies regarding requirements for directors, composition of directors, and other matters and submits its opinion to the Board, which then passes resolutions.

Succession plan

The Company, situating the matter of planning for and training successors to the position of representative director and president as a vital issue, has formulated a succession plan for the representative director and president and works to implement it. Specifically, the Company works to organize candidate requirements, list candidates and evaluate them on an individual basis, consider where they should be placed, and provide training. In formulating and implementing the succession plan for the representative director and president, the Nomination and Compensation Committee—where outside directors constitute the majority, and which is chaired by an outside director—deliberates to ensure transparency and objectivity in the formulation and implementation of the succession plan.

Process for selection of Chief Executive Officer



Activities of the Nomination and Compensation Committee

Activities in fiscal 2022

Date	2022: June 3, June 25, July 8, August 5, September 2, October 7, December 9 2023: February 8, March 31
Agenda Theme	[Issues related to nomination] ▶ Appointment and dismissal of the Company's directors and others ▶ Succession planning ▶ Signing of advisory contracts with former representative directors [Issues related to compensation] ▶ Resolution on the compensation for each director as delegated by the Board ▶ Examination of the compensation plan for officers

Officer compensation

The Company has established the Nomination and Compensation Committee, which is chaired by an outside director, to ensure transparency, fairness, and objectivity in the process of making decisions on compensation for directors. The Benesse Group aims to increase its corporate value continuously on a medium- to long-term basis. To this end, the Group has designed a system of compensation that focuses not only on short-term business performance but also on medium- to long-term results to encourage directors to work for the sustained improvement of corporate value.

For compensation for the representative director, the level of measures taken for ESG and sustainability issues is included in the

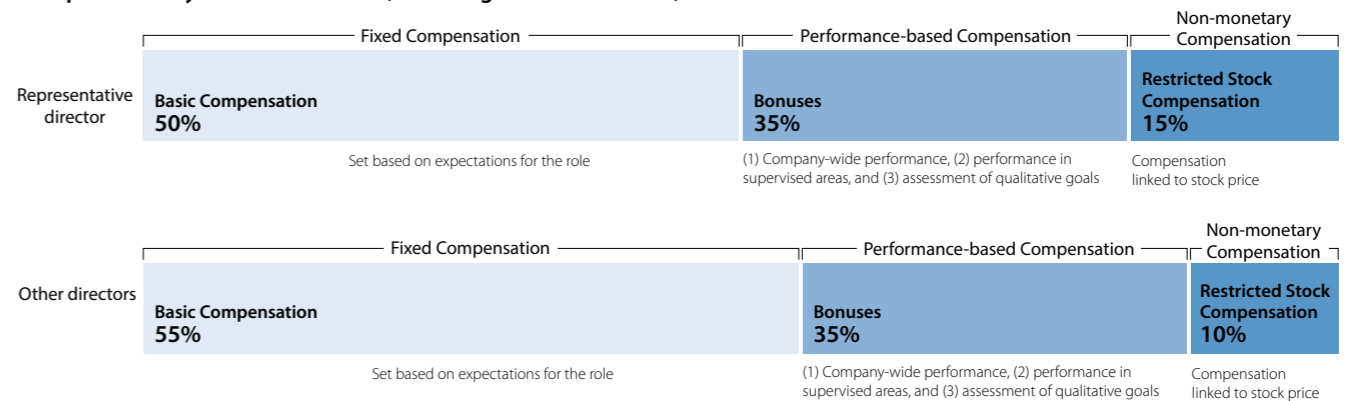
indicators set for performance-based compensation.

Compensation for directors in charge of business execution is set to competitive levels commensurate with the roles, skills, and responsibilities expected of directors who manage the Group, based on median levels found for Japanese companies of similar size using externally conducted compensation surveys as a reference.

The amount of basic compensation is decided based on the roles that are expected to be fulfilled by the directors for the term.

Bonuses comprise three sections and are weighted for each director individually, based on his or her area of responsibility, as follows: (1) the section on company-wide performance, which is the percentage of actual results achieved relative to the consolidated performance forecast; (2) the section on performance in supervised areas, which is the percentage of performance targets achieved in each director's area of responsibility; and (3) the section on qualitative assessment, which is the degree to which qualitative goals—organizational contributions such as training successors and working to reform organizational culture, as well as contributions to brand enhancement—were achieved. Restricted stock compensation was introduced in fiscal 2017 to link director compensation to medium- and long-term business performance to a greater extent, in order to provide directors with incentives to further engage in sustained efforts to improve corporate value, and to promote further value sharing with shareholders. Compensation for non-executive directors, including outside directors, is composed of only basic compensation, so as not to obstruct outside directors' supervision of management. At the same time, compensation for Audit & Supervisory Board Members is decided through consultation with those members and is composed of only basic compensation.

Compensation system for directors (excluding outside directors)



For more information about each element of Benesse's compensation structure, visit the following website for the Corporate Governance page.
https://www.benesse-hd.co.jp/en/about/management/corp_governance.html

Total compensation by officer category (fiscal 2022)

Officer Category	Amount of Compensation (millions of yen)	Amount of Compensation by Type (millions of yen)			Number of Eligible Officers
		Basic Compensation	Bonuses	Restricted Stock Compensation	
Directors (excluding outside directors)	105	63	15	26	5
Outside directors	50	50	—	—	5
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	64	64	—	—	2
Outside Audit & Supervisory Board Members	20	20	—	—	2

Dialogue between Two Outside Directors

For the sustainable growth of the Group, we will contribute to increasing the corporate value from an outside perspective



Yumiko Noda
Outside director

Masaru Onishi
Outside director

Q » Please frankly share with us your impressions of the Board

Onishi: The Benesse Group provides us outside directors with discussion opportunities not only through Board of Directors meetings but also through the advisory committee's meetings and the executive workshop. The Board commands a set of skills that are contributed by different directors in a well-distributed manner, and the directors can express their opinions firmly at the meetings, which is something I rate highly. Also, I think members of the Audit & Supervisory Board give their opinions more proactively than their counterparts at other companies.

Noda: I assumed the position two years ago, and feel that the outside directors, who have experience in corporate management in different industries, are revitalizing discussions by expressing opinions from their different standpoints. I think open discussion has been further promoted recently, relative to the situation in my first year as outside director of the Company.

Q » Could you give your frank rating of the Board in view of the process leading to the formulation of the Transformation Business Plan?

Noda: Toward the formulation of the Transformation Business Plan, the Board had profound discussions for the optimization of the business portfolio in consideration of social changes from a long-term perspective. The Benesse Group used to get more business opportunities thanks to an increasing population driven by Japan's high economic growth. Going forward, however, the Group needs to search for new business opportunities in the face of a falling birthrate and an aging society, which have come to the fore as social issues. The reskilling business will provide the Group with such opportunities. As for the nursing care business, the market will further expand while market needs will become more diversified as economic disparities widen. In such a market, the Group needs to transform its business model to meet the individual needs of customers in a more attentive

manner, as uniform and standard nursing care services will eventually be outdated.

Onishi: The Transformation Business Plan was announced around the end of phase 1 of the Medium-Term Management Plan, when the Group's business performance was good. How many people had expected that it would make such an announcement? I also think that the details of the Plan, which are quite different from the Group's past management strategies, surprised many people. That difference reflects the substantial changes undergone by our society and implies that the management team has a healthy sense of crisis that is urging them to take the required action now. In the Plan, the Group's businesses are roughly categorized into three, of which the management has the greatest concerns about the Core Education business. Unfortunately, I have to say that the Plan does not fully set out the path that the Group will follow going forward, but it is important in that it clearly specifies the systems and organizations necessary for the Group to find new business opportunities and to push ahead with reforms in a business environment that will continue to contain uncertainties. The Group also aims to optimize its business portfolio with a focus on new business areas that have sufficient affinity with its existing businesses and that can be developed by capitalizing on its existing strengths.

Q » What will it take for the Board to further enhance its effectiveness?

Onishi: As a requirement to enhance effectiveness, we need to make more effective use of the time allocated to us for discussions. At Board of Directors meetings, we focus on making resolutions as required, but at the meetings of the advisory committee and at the executive workshop, we hold intensive discussions. For these meetings, which are separate from Board meetings, I want the executive team to explain to us—in any format, including bullet points—what on-site problems and concerns they have prior to the meetings in addition to sharing with us the wealth of reporting materials prepared for the meetings, which are certainly very useful.

We can use the time allocated to the meetings more effectively by understanding the main points of the issues to be discussed in advance and then listening to the explanations about the reference materials at the meetings.

Noda: The management team and employees are all fulfilling their job duties conscientiously and they sincerely listen to our opinions, which pleases me a lot. At Board meetings, however, I think it is necessary to have even more constructive and in-depth discussions, although the time allocated for the meetings is limited. The executive team should not just respond to questions raised by outside directors and listen to the directors' opinions. They must also express their own opinions. Who are the true customers of the Benesse Group? The Group is conducting B-to-C business, but it is difficult for the Group to identify its true customers, and those with whom it has direct contact might not be decision-makers. It is difficult for the Group to decide whom it should satisfy as customers and whom the Group should please in terms of motivating staff. Customers who are satisfied tend to say nothing, while those who are dissatisfied tend to complain immediately. I am always worried that trying to placate the dissatisfied people may lead to the degradation of services that have been satisfactory to others. I always participate in discussions by keeping this in mind. The Group conducts the education business for children, but it is essential for the Group to deal with the problems faced by their parents. The same applies to the nursing care business. It is important to respond not only to the needs of the elderly who are using the services but also of their families. I feel very grateful for the explanations given to us about the analysis results at the time-constrained meetings, but I also want to have more discussions about who are the true customers of the Group.



Onishi: The needs that we are required to meet in the B-to-C business are becoming increasingly diversified and complicated. There are very few people who can communicate their needs clearly, and many of our customers are not aware of their true needs. Moreover, there are people who just stop using services when they feel dissatisfied with them, without making any complaints at all. How to make the Benesse Group's products and services shine more brightly? It is extremely important to obtain information through unofficial channels, for which it is absolutely necessary for staff to get out of the office and go looking for it. Based on my own experience in the airline industry, I would like to foster direct communication with staff who are serving customers on-site to help make the Group's products and services even more attractive. I hope that more time will be allocated to discussions on these issues at Board of Directors meetings and at the executive workshop.



Q » What challenges should the Benesse Group meet for sustainable growth?

Noda: It is still unclear in what way the Group's purpose will help the Benesse Group to increase its corporate value and what value could be produced by the achievement of the purpose. Also, what kinds of KPIs are needed to improve the business performance based on the purpose and mission? How should necessary measures be implemented? How much social value can be brought about as a result? I think the Group needs to find clear answers to these questions as the next challenge to be met. For example, in the nursing care business, the Group is implementing the Majikami AI project to enable an AI system to acquire the skills and know-how of an experienced caregiver with the aim of upgrading the skill level of the entire staff. In order to become the top leader in the industry, how should the Group utilize such AI systems and technology? I feel irritated at the fact that the project has not yet contributed to the Group's value creation and positive external evaluation, as I have seen the Group's on-site staff serving customers very attentively and making efforts to please the customers even more. Also, Benesse Corporation is doing much better than other listed companies in terms of female manager numbers, with a rate of around 30%. However, there are still no female employees who have been promoted to Board member after a long period of loyal service. I think the Group should promote more women who have lots of experience with on-site work to top management positions where they can make decisions, and it is good to have such a goal. However, having ESG-related goals is presently regarded as a management priority of all companies. I would like to have more in-depth discussions with other members of the Board to specify the path to be followed by the Group to achieve its goals and to examine how the Group can increase its financial performance and corporate value by implementing nonfinancial measures. I will also share with the Board members my own observations about how society and the business environment are changing from an outside perspective.

Onishi: In order to achieve true transformation and sustainable growth, the Group needs to foster internal reforms, including changing its corporate culture, in addition to reforming its business portfolio and business model. Under the leadership of President Kobayashi, the Group is pressing forward with measures to instill its corporate philosophy and vision across the board based on the Group's purpose, which I highly appreciate. According to my experience, it is critical to have a corporate purpose and mission that can be shared with on-site employees. No corporate reforms can be completed unless employees accept the corporate purpose and mission as their own. Conversely, employees who can take actions autonomously in line with the purpose and mission will provide a tremendous driving force for such reforms. I would like to discuss measures that will help the Group instill the corporate purpose across more of its workforce and will do anything that I can to contribute to the Group.

Corporate Governance

Enhancing internal control

With regard to the establishment of a system (internal control system) to ensure compliance with the stipulations of the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company passed a resolution at a meeting of the Board held in May 2006, and the latest revision of said resolution is dated April 1, 2022. In addition, the Company's Internal Auditing Division centrally manages the entire Group's activities involved in the creation and operation of internal controls relating to financial reporting under the Financial Instruments and Exchange Act.

Ensuring compliance

The Company has established the Benesse Group Principles, which are rooted in the Group's corporate philosophy. The principles indicate how all the Group's executive officers and employees should behave, for the purpose of ensuring that the operations of the Group be performed in an appropriate and ethical manner that goes beyond just legal compliance. The Company has established the Benesse Group Risk Management and Compliance Rules to further our efforts in risk management and compliance. In order to act in accordance with the Group's Principles, individual companies comply with laws and regulations and establish standards of conduct or internal rules of their own that have more specific content suited to the conditions, nature, and size of their businesses, ensuring that their operations are carried out in an appropriate manner and thereby ensuring compliance.

Compliance administrators are appointed at each company and in each important business department to identify the risks within their respective businesses and implement measures to counteract them. In these activities, they work closely with the administrative office in charge of compliance for the Company (Compliance Division) to devise ways to fortify the systems on-site, such as sending staff on assignment to take charge as dictated by the circumstances. Various types of training are also provided for the purpose of raising employee awareness, and the Internal Auditing Division monitors how thoroughly compliance is implemented at our business sites.

In addition, the Group set up the Benesse Group Speak-Up Line as an internal reporting mechanism to be used whenever illegal conduct, improper conduct, or conduct that violates the Group's articles of incorporation or internal rules may be discovered. The Audit & Supervisory Board Member Hotline has also been set up for cases in which someone in the Company's management may be involved in the conduct being reported. These mechanisms are operated outside

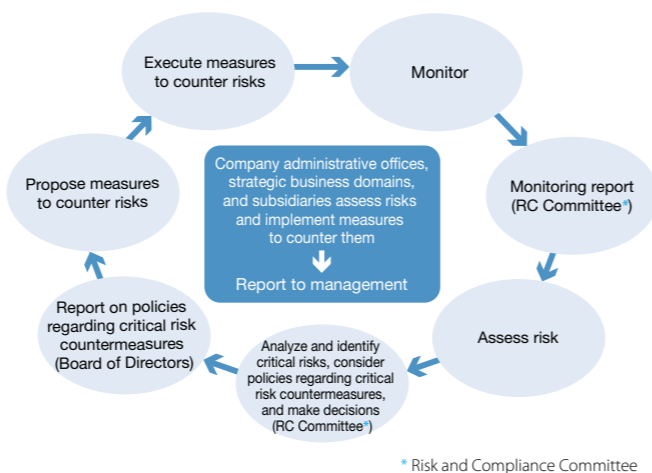
the Group and managed in such a way that they can be used without worry, such as by allowing anonymous reporting, thus ensuring the effectiveness of the Group's compliance monitoring.

Risk management

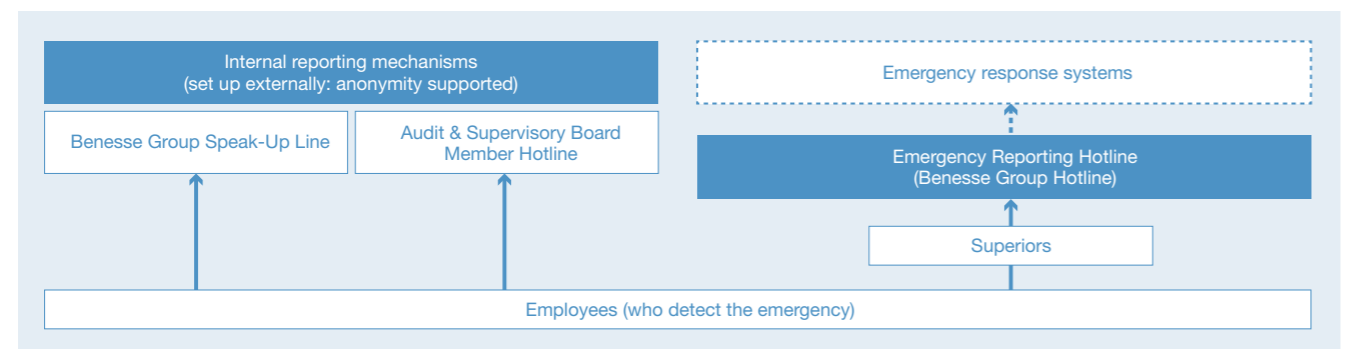
The Company visualizes the Group's critical risks by monitoring the administrative offices, as well as critical risk measures incorporated into business plans by subsidiaries, which manage each risk. The Risk and Compliance Committee, which is attended by directors in charge of business operations, the executive general managers of each administrative office, and the business managers responsible for strategic business areas, determines the major risks facing the Group each fiscal year and the policies for dealing with them. The results of those meetings are reported to the Board, then disseminated within the Company and to its subsidiaries on a regular basis. In conjunction with operation of a PDCA cycle to promote improvement activities and other important risk countermeasures, the Company also shares negative information and promotes risk management during normal times.

When emergencies occur, we set up the Emergency Reporting Hotline for reporting situations to management immediately. In more urgent situations, we convene an Emergency Task Force and put systems in place for dealing with the emergencies.

Day-to-day risk management



Internal reporting mechanisms and response in the event of an emergency



Information security

To earn our customers' trust, we have formulated the Benesse Group's Policy on Information Security and Personal Information and are working to maintain and improve our information security and the management and protection of personal information.

Specifically, we assign a Chief Legal & Risk Officer (CLRO), who also serves as the executive general manager of Compliance and Information Security. The Compliance and Information Security Division manages the plans and status of enforcement of information security and protection of personal information through management personnel in each operating company. An information security chief is appointed in each operating company, and we have created a system to promote information security, formulate emergency response plans, and define procedures for dealing with incidents. We have also established an information security surveillance committee composed of outside experts. It regularly checks the management, maintenance, and operation of data and systems within the Group and makes recommendations, which are reported to the Board and examined internally to enable the Group to build a world-class information security system.

Information Security Surveillance Committee members

Committee Chair Ryoichi Sasaki	Professor emeritus at Tokyo Denki University (TDU), as well as visiting professor at the TDU Cyber Security Laboratory/Honorary president of the Japan Society of Security Management/ Director and advisor at the Institute of Digital Forensics/Fellow at the Information Processing Society of Japan/Chief information security advisor at the Board of Audit of Japan
Committee Member Atsuo Inomata	Professor, Osaka University of Office for Information Security
Committee Member Tetsutaro Uehara	Professor, Ritsumeikan University College of Information Science and Engineering
Committee Member Harumichi Yuasa	Professor, Meiji University of Governance Studies, Graduate School

Security measures in system operations/ Strengthening our security environment

We are strengthening the operation and monitoring of our systems and increasing our system security with technological measures based on the latest information so that our customers will feel secure and trust the Benesse Group with their personal information. We are also advised and audited by outside experts to ensure that we maintain and improve our level of information security on a continual basis.

Employee awareness and training

Benesse Corporation has designated July 7, the day of the discovery of the personal information breach in 2014, as Security Day. The company carries out activities on and around Security Day each year in which all executives and employees reaffirm the importance of information security. These activities include morning meetings, presentations on internal initiatives, and lectures by outside specialists.

Benesse Holdings and Benesse Corporation implement web-based training, where attendance is required of all employees working at Benesse, including part-time staff, and work to reconfirm the skills, actions, and basic knowledge that must be followed by information security, focusing on personal information protection.

At the department that is responsible for the development, management, maintenance, and operation of the Group's systems, more stringent training is offered through a special program. We check on attendance until all target employees have completed the training, and our attendance rate is always 100%.

Visit the following website for more information on information security.
<https://benesse-hd.disclosure.site/en/themes/175>

Third-party certification

We obtain third-party certification with the aim of maintaining and improving our information security and the management and protection of personal information.

Registration as a business approved to display the PrivacyMark Symbol (November 2016) and continuation of actions to protect personal information

After being assessed by JIPDEC, Benesse Corporation was registered as a business approved to display the PrivacyMark symbol in November 2016. We will continue to work to maintain and improve our information security and the management and protection of personal information and to further increase our customers' trust.

November 2, 2016: Initial registration

November 1, 2024: Expiry date



ISMS Certification (March 2016) and Continuation of ISMS Action

Following the acquisition of ISO 27001 (ISMS) certification by Benesse Corporation School Headquarters and Benesse BASE COM in May 2015, Benesse Holdings, Benesse Corporation (excluding some offices), and Benesse InfoShell (merged into Benesse Corporation on July 1, 2023) acquired ISO 27001 (ISMS) certification in March 2016.

May 25, 2015: Initial registration

May 24, 2024: Expiry date



In December 2019, Benesse Style Care, Benesse MCM, Benesse Palette, Benesse Senior Support also acquired certification (registration number IC19J0497)

December 26, 2019: Initial registration

October 31, 2025: Expiry date

Communication with Shareholders and Investors

Benesse proactively discloses information to shareholders and investors. In addition to enhancing our IR disclosure tools, we emphasize mutual communication in our IR activities.

Striving to increase corporate value through dialog with shareholders and investors

The Company strives to maximize its corporate value by promptly and accurately disclosing and explaining information regarding its management policies, business strategies, forecasts, etc., to shareholders, investors, and securities analysts, and by reflecting their opinions and requests in our management.

The Company's top executive, the representative director and president, CEO, actively engages in dialog with shareholders, investors, and securities analysts through financial results briefings (held twice per year), small meetings, individual meetings, etc. outside directors and major shareholders also have face-to-face meetings. Roughly 200 IR meetings, including the aforementioned meetings, are conducted each year.

To ensure that the ordinary general shareholders' meeting can be conducted openly, we accept voting by mail or online and questions submitted in advance, and also stream the meeting live so that it can be viewed from people's homes, etc. Footage of the meeting, presentation materials, question and answer session summaries, and the like are available from our website.

Disclosures on our IR website

Guided by the principle of fair disclosure, we strive to provide an extensive range of information on our website. In addition to the proceedings from financial results briefings and General Shareholders' Meeting which we make available on our website, we also disclose various IR materials, financial data, and press releases in a timely manner.

We have also created a website geared toward individual investors, designed to help those unfamiliar with Benesse to gain a greater understanding of our company. It points out the strengths of Benesse and our strategies, as well as information about our business performance, presented in a way that is easy to understand.

- Online Investor Relations
<https://www.benesse-hd.co.jp/en/ir/>
- Introducing the Benesse Group
<https://www.benesse-hd.co.jp/en/ir/individual/index.html>
- Basic IR Policy
https://www.benesse-hd.co.jp/en/ir/strategy/ir_policy.html

Reflecting the results of dialog with investors and analysts in our corporate management

By engaging in dialogue with our shareholders and investors, we assess perception gaps between investors and the Company and use the results in our IR activities. The findings are also reported, shared, and deliberated at the Board meeting, and we are using them to assist with the future improvement of our management initiatives.

Main IR activities

We conduct the following activities over the course of the year.

- General Shareholders' Meeting
- Financial results briefings: Twice per year (interim and year-end)
- Activities for providing information: Roughly 200 activities per year (10 of these being SR meetings)
- IR pamphlet publication: Benesse Integrated Report, Shareholder News, Data Book, etc.
- IR site planning and operation

External assessments of our IR tools (FY2022)

- Gomez IR Site Ranking, Best Company Ranking 12th Place, Gold Award
- Nikko Investor Relations Co., Ltd. All Japanese Listed Companies' Website Ranking AAA Grade
- Daiwa Investor Relations Co., Ltd. Internet IR Excellence Award (Silver Award)



Investor Information

(As of March 31, 2023)

Shares issued 102,604,773 shares
 Listed date October 26, 1995
 Securities listing (Common stock) Tokyo Stock Exchange/Prime Market
 Securities code 9783
 ISIN code JP3835620000

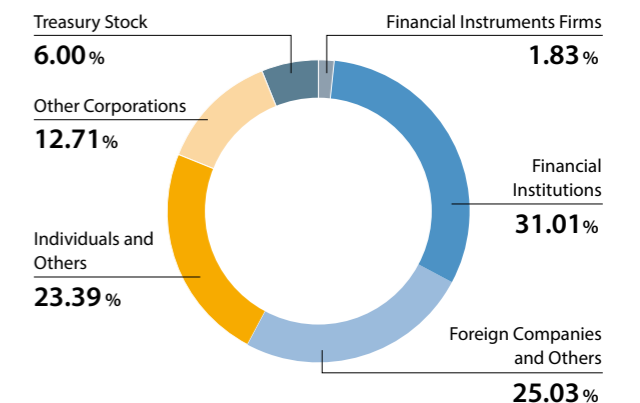
Unit of trading 100 shares
 Independent auditor Deloitte Touche Tohmatsu LLC
 Transfer agent Mitsubishi UFJ Trust and Banking Corporation
 Shareholders 93,785

Top 10 shareholders

	Shares (Thousand)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	19,463	20.18
efu Investment Limited	7,858	8.14
Fukutake Foundation	7,758	8.04
Custody Bank of Japan, Ltd.	5,510	5.71
The Chugoku Bank, Ltd.	2,787	2.89
FUKUTAKE EDUCATION AND CULTURE FOUNDATION	1,919	1.98
Minamigata Holdings Ltd.	1,836	1.90
Mizuho Trust & Banking Co., Ltd. (Retirement Benefit Trust Account, The Chugoku Bank, Ltd.)	1,600	1.65
Toshiaki Matsuura	1,396	1.44
Mitsuko Fukutake	1,375	1.42

Notes: 1. The shares held by The Master Trust Bank of Japan, Ltd. include 6,809 thousand Company shares (a 7.06% investment ratio) contributed by efu Investment Limited as trust assets. efu Investment is an asset management and investment corporation of which Hideaki Fukutake serves as representative. The decision-maker with respect to the execution of voting rights related to the consigned trust assets is efu Investment Limited.
 2. The Company owns 6,163 thousand shares of treasury stock which are not included above because they do not carry voting rights. These shares of treasury stock are also excluded from the calculation of percentages.
 3. The shareholding ratio has been rounded down to the second decimal place.

Shareholdings by type of shareholder



The percentage has been rounded down to the second decimal place.

Coverage in ESG indexes

MSCI ESG Index*

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX
 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

* The inclusion of Benesse Holdings, Inc. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Benesse Holdings, Inc. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

SOMPO Sustainability Index



Recognized as a leading "Prime" company in the ISS ESG Corporate Rating by the ISS ESG



FTSE4Good Index Series/FTSE Blossom Japan Index/ FTSE Blossom Japan Sector Relative Index



S&P/JPX Carbon Efficient Index



Morningstar Japan ex-REIT Gender Diversity Tilt Index



Corporate Information

As of March 31, 2023

Company name Benesse Holdings, Inc.

Employees (Consolidated) 16,637

Date established January 28, 1955

Capital 13,817 million yen

Headquarters 3-7-17 Minamigata, Kita-ku, Okayama-shi,
Okayama 700-0807, Japan

Fiscal year-end March 31

Representative Hitoshi Kobayashi
Representative Director and President, CEO
(As of June 24, 2023)

Consolidated subsidiaries

As of March 31, 2023

Name of company	Common stock (Millions of yen)	Ratio of shareholding (%)	Description of main business
Benesse Corporation	3,000	100.0	Shinkenzei correspondence courses for preschool, elementary, junior and senior high school students, Shinken Simulated Exams, magazines
Tokyo Individualized Educational Institute, Inc.	642	61.9	Education business focused on education through individual tuition
Benesse i-Career, Co., Ltd.	261	51.0	Provision of career-development and career educational support services to university students and adults
UP Inc.	100	100.0	Operation of schools providing educational guidance including preparation for entrance examinations, primary instructional science laboratories, and English conversation instruction
Classi Corp.	100	67.3	Development and operation of educational platform
Shinken-AD Co., Ltd.	65	100.0	Advertising services and creation of university information magazines
Plandit Co., Ltd.	40	100.0	Planning and editing of study materials
EDUCOM Corporation	33	100.0 ^{*1}	Developing school management support systems
Benesse BE studio Inc.	10	100.0	Operation of English schools and international preschools
Learn-S Co., Ltd.	10	100.0	Planning, editing, production and sales of study materials
Tokyo Educational Institute Co., Ltd.	10	100.0	Operation of Tetsuryokukai, a prep school which helps prepare students hoping to enter elite universities
Benesse Corporation China	125,000 Thousands of RMB	100.0	Sale of correspondence course materials for pre-schoolers
Benesse Style Care Co., Ltd.	100	100.0	Operation of nursing care business, childcare and afterschool care business
Benesse Senior Support Co., Ltd.	100	100.0 ^{*1}	Nursing home-search service, operation of consultation services for nursing care, hosting seminars on nursing care
Benesse Palette Co., Ltd.	100	80.0 ^{*1}	Delivery of prepared food for the elderly
Heart Medical Care Co., Ltd.	80	100.0	Providing recruitment services for medical, nursing, and welfare business
Benesse MCM Corp.	80	100.0 ^{*1}	Medical and nursing care recruitment and dispatch service business
PT. Benesse Indonesia	272,700 Million INR	100.0 ^{*2}	Operation of prep schools in Indonesia
Benesse InfoShell Co., Ltd. ^{*3}	150	100.0	Information system maintenance and operation business, information processing service business
Benesse Business-mate, Inc.	50	100.0 ^{*4}	Cleaning, mail services, OA, general affairs and accounting agencies
Naoshima Cultural Village Co., Ltd.	20	100.0	Operation and management of hotels
Benesse Base-Com, Inc.	20	100.0	Logistics and data processing of tests and teaching materials for schools
Benesse Hong Kong Co., Ltd.	3,600 Thousands of HKD	100.0	Sale and procurement of educational equipment, toys and other items

Plus 14 other subsidiaries.

^{*1} Indirect stock holding through a subsidiary

^{*2} Including an indirect stock holding of 0.1% through a subsidiary

^{*3} Benesse InfoShell Co., Ltd. was merged into Benesse Corporation on July 1, 2023

^{*4} Including an indirect stock holding of 2.0% through a subsidiary

Special Feature: Benesse Art Site Naoshima

Embodiment of Benesse (Well-Being) and Manifestation of Lifelong Growth Potential

Benesse Art Site Naoshima is the collective name for the art-related activities we conduct in cooperation with the Fukutake Foundation on the islands of Naoshima, Teshima, and Inujima in the Seto Inland Sea. Through Benesse Art Site Naoshima, we demonstrate how nature, art, and people can co-exist harmoniously and provide places where visitors can encounter the embodiment of Benesse (Well-being), which is our corporate philosophy, and a manifestation of the concept of lifelong growth potential. Since launching the project 30 years ago, we have been conducting a string of related activities. In this special feature we introduce some of these activities and our ideas reflected in them.

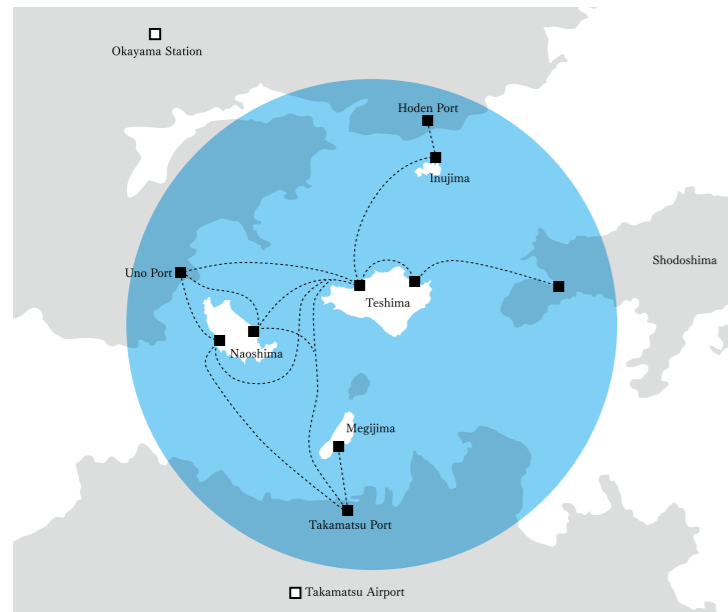


Pumpkin, Yayoi Kusama © YAYOI KUSAMA

Communicating the Significance of Sustainable Growth since the Pre-SDGs Era

Special places where nature, art and people co-exist in harmony

Benesse Art Site Naoshima was started in the 1980s, long before the term “SDGs” was coined. We started the activities in order to bring art to the Seto Inland Sea area, with a focus on Naoshima and Teshima in Kagawa Prefecture and Inujima in Okayama Prefecture and based on a policy of taking as much time as was needed and not trying to rush the process. Specifically, we aim to make artistic and architectural works an integral part of the local landscape and culture to turn the islands into special places. Through the artistic activities, we have been communicating the true meaning of affluence and sustainability. We hope that visitors to the area will start thinking about the meaning of well-being and how it applies to their own lives through contact with the local nature, people, and art.



Revitalizing local communities and solving local problems through art

Naoshima, Teshima, and Inujima each have a long history and are blessed with abundant nature, including virgin Japanese landscapes. On these islands, you may find answers to questions like: “Can people exist in areas with no history or nature?” and “What does well-being mean?” Although designated Japan’s first national park, the area also supported the country’s modernization and high economic growth of the postwar period, which left a negative legacy, including various environmental problems. Through the artistic activities, we are contributing to solving these problems and ensuring that the local nature, history, culture, and various other indigenous charms of the islands are passed on to the next generation.



Top: Teshima Art Museum Photo: Kenichi Suzuki
Bottom: Inujima Seirenscho Art Museum Photo: Daichi Ano

Photo: Shintaro Miyawaki

Creating unprecedentedly new value for sustainability and growth

The concept of Benesse Art Site Naoshima is “Use what exists to create what is to be.” In line with this concept, artistic works were created and installed on the islands. Creating unprecedentedly new value by making use of the local nature, history, culture, and others fosters sustainability and growth. In the following we introduce some of the works born out of the idea of sustainability.



Photo: Daichi Ano

Inujima Seirenscho Art Museum

Regional development from the perspectives of the environment, heritage, architecture, and art

The art museum was built on the site of an old copper refinery. The remains of the factory, which was built with *karami* bricks made from copper slag (a by-product of copper smelting), were preserved and incorporated into the design along with the chimney. The museum moreover utilizes natural energy, such as solar and geothermal heat, and operates an advanced water treatment system that uses plant life to purify water. With even its grounds planted with trees suited to the local climate, the museum represents a recycling society-oriented project implemented from the perspectives of the environment, heritage, architecture, and art.

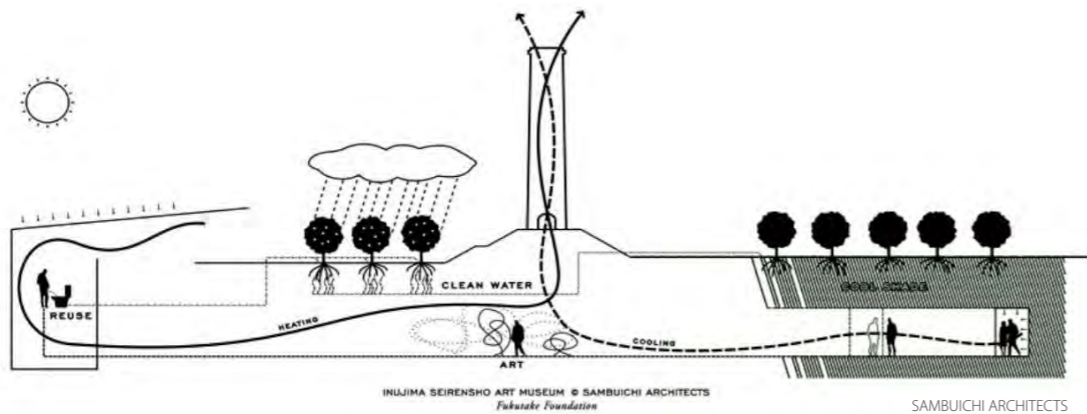


Photo: Noboru Morikawa

Teshima Art Museum

Harmony between rice terraces, art, and architecture

This museum, which is shaped like a water droplet, stands on the slope of a small hill in the Karato area, which is characterized by extensive rice terraces. The open section of the roof allows wind, sounds, and light to enter from the surrounding area as a means of embodying the limitless fusion of art, architecture, and nature. Moreover, for local revitalization, the neighboring rice terraces have been restored to provide opportunities for local people and visitors to the island to make exchanges through events, such as a harvest festival where they can enjoy the rice terrace scenery along with local food.



The Naoshima Plan “The Water”

Highlighting the nature and history of Honmura, Naoshima

An old house was renovated to take advantage of the island’s wind patterns and the groundwater network that lies beneath the local village. A basin filled with well water was installed to create an atmosphere of wind and water for visitors to enjoy. This project was intended to highlight the importance of design and the richness and beauty of nature.

The Naoshima Plan:
We have been implementing this project with architect Hiroshi Sambuichi since 2011. Under the project, the architect presented the Cockpit for Wind and Water in 2013, and Naoshima Hall (multipurpose facility) and Matabe (a private residence) in 2015. Following the presentation of The Naoshima Plan “The Water” in 2019, he also presented The Naoshima Plan “Ju” in 2022.



Photo: Shinkenchiku-Sha Co., Ltd.