

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.

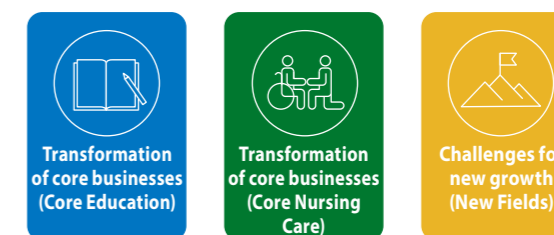
Portfolio transformation

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.

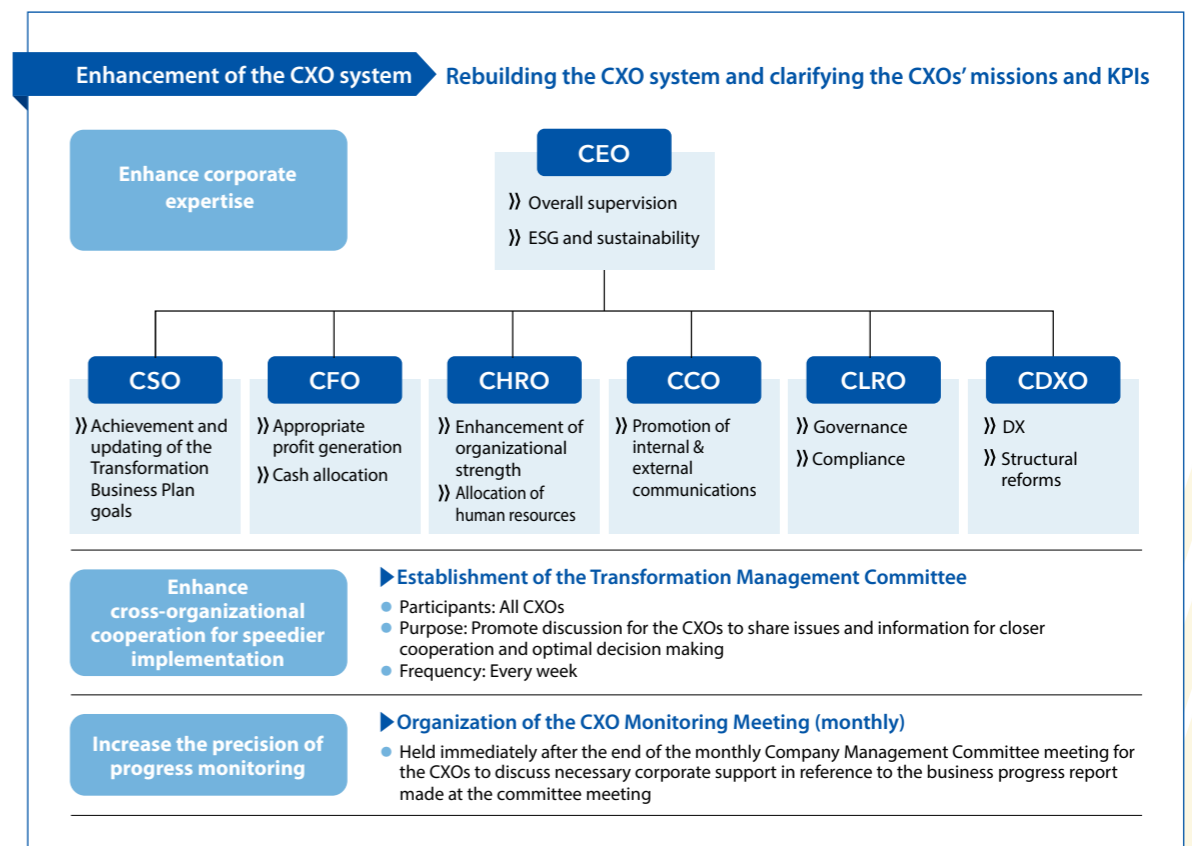
As described above, the CXOs need to collaborate and enhance their teamwork to implement the Transformation Business Plan. Already, only several months after the announcement of the Plan, we have promoted mutual collaboration and cooperation in an unprecedented manner. To achieve the structural reform 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

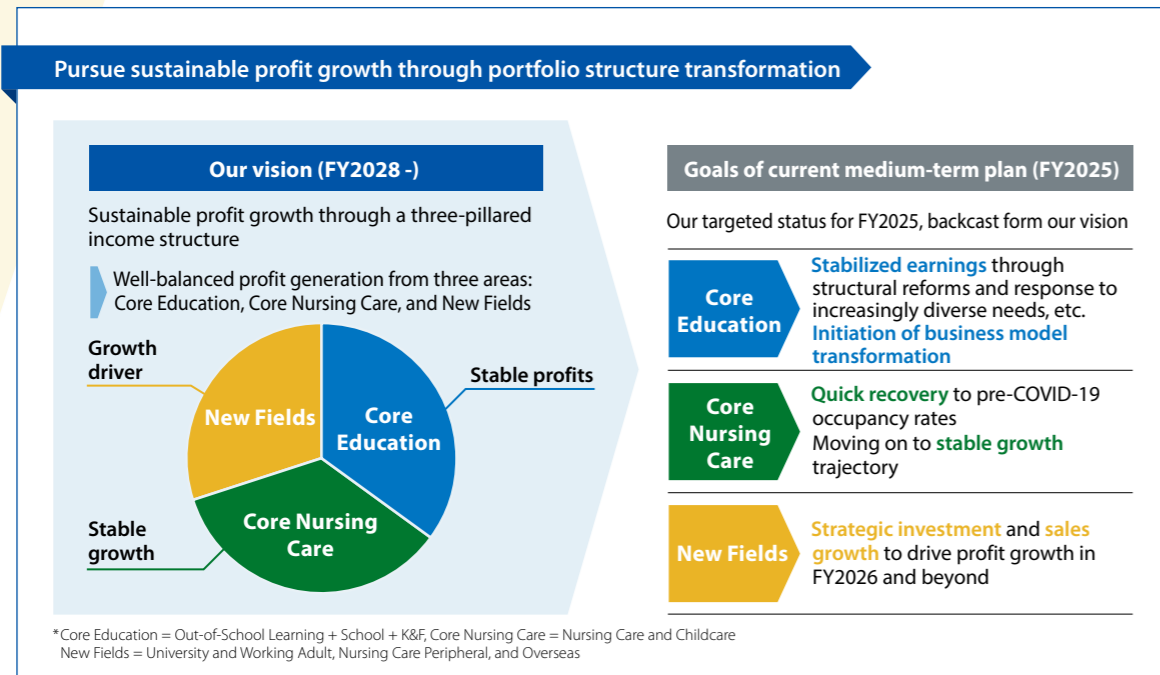
The Benesse Group has long accumulated a range of expertise and know-how as a leading enterprise in the industry of nursing care facilities. We regard the nursing care peripheral business, in which we have unique strengths, as an important growth business for us. The nursing care market is expected to 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 Shinkenzei 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

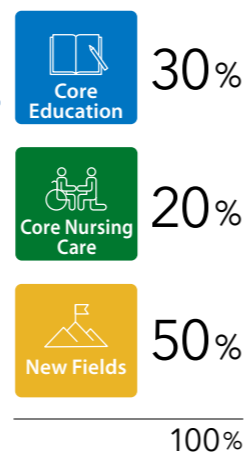
With lower limit of dividend payout ratio at 35%, dividends to increase continuously thanks to increase in net income after taxes

Strengthening of financial base

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

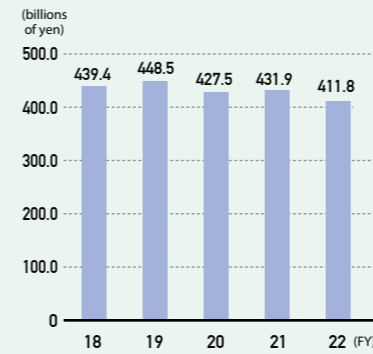
Investment plan (FY2023-2025)

Percentage of total

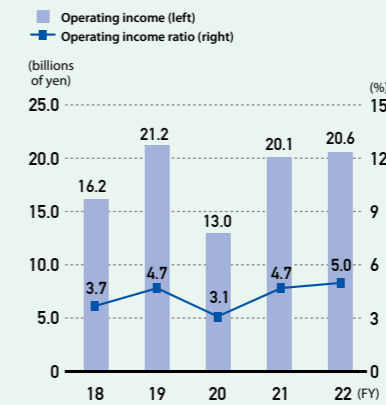


Financial Highlights

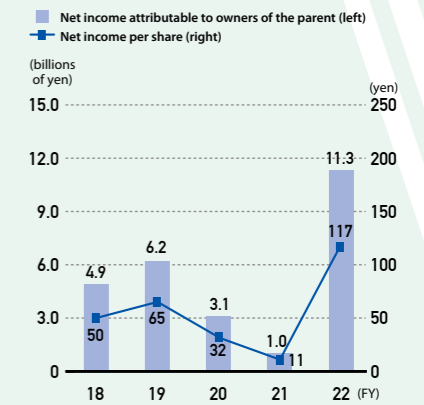
Net sales



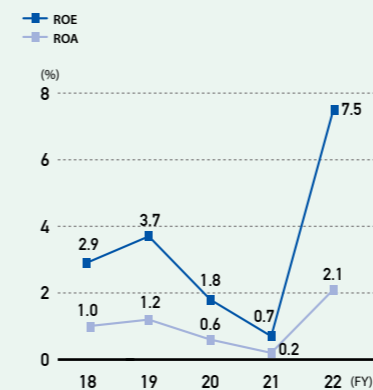
Operating income/ Operating income ratio



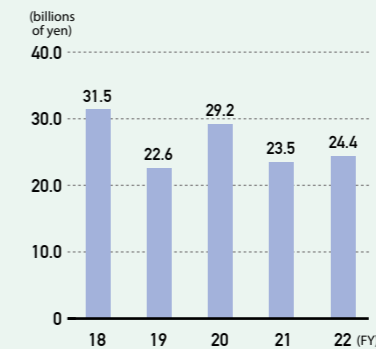
Net income attributable to owners of the parent/Net income per share



ROE/ROA

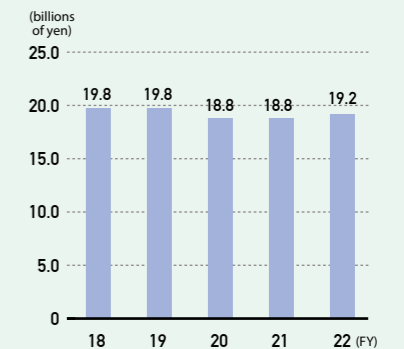


CAPEX



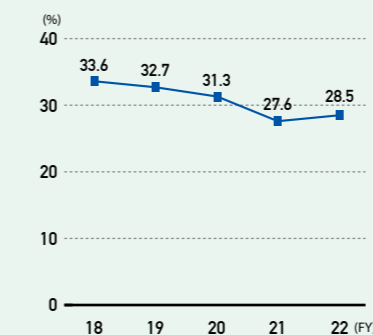
Note: CAPEX shows the "increase in tangible fixed assets and intangible fixed assets" as listed in summaries of financial results.

Depreciation & amortization

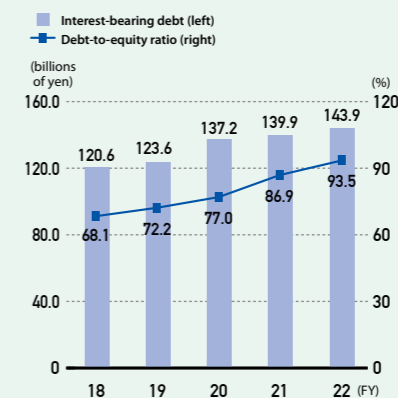


Note: Depreciation & amortization shows the total amount of "depreciation and amortization" and "amortization of goodwill" as listed in summaries of financial results.

Equity ratio

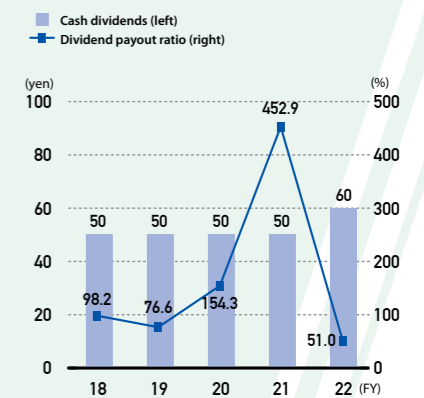


Interest-bearing debt/ Debt-to-equity ratio



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 Japan Co., Ltd.		Hmcomm Inc.
	Fourth Valley Concierge Corporation		Paiza, Inc.
	Arsaga Partners, Inc.		LearningBOX, Inc.
	LX DESIGN Inc.		beBit, Inc.
	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.

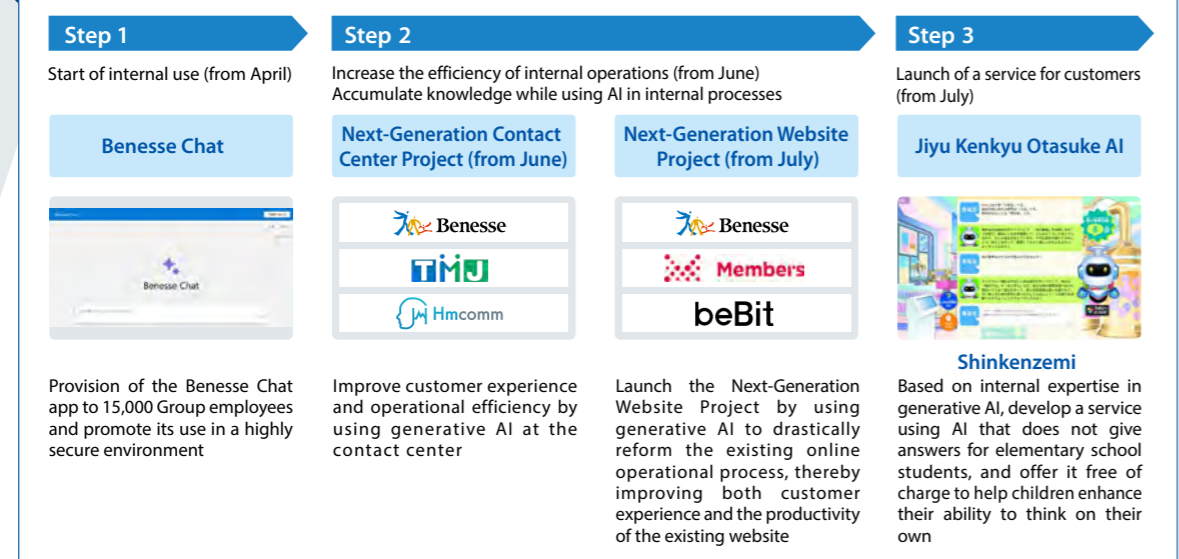
When starting a project of unprecedented innovation, some might think it is necessary to clarify the purpose of the project first. However, for DX, it is also important to try a string of emerging technologies first, and then think about their specific usage. I think we need to use the technologies ourselves 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.

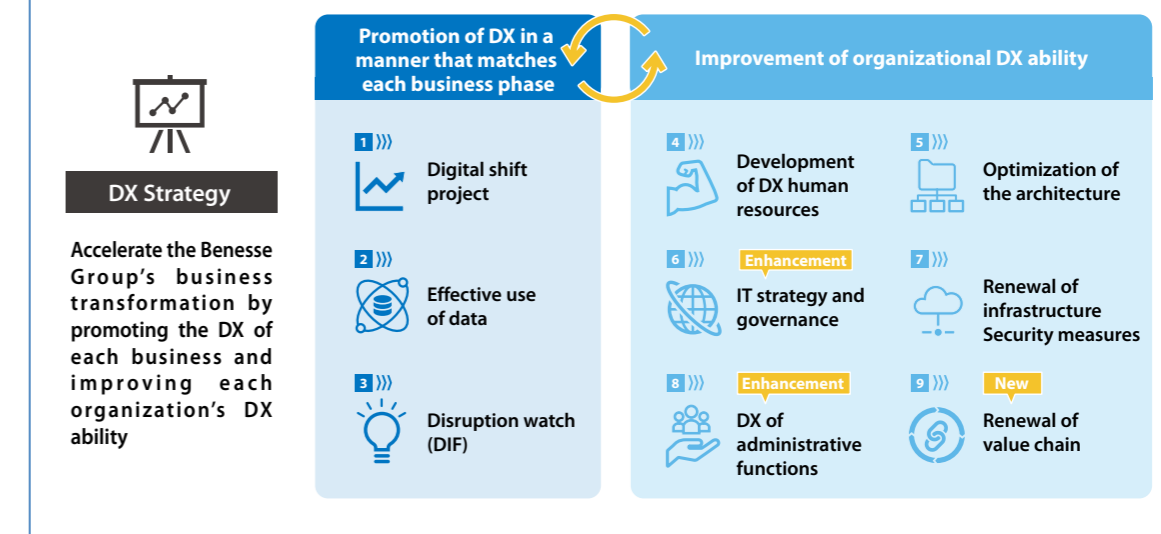
In the face of the decreasing birthrate and further diversification of society, the Company needs to transform its conventional business models, change its way of doing business, and increase its productivity, thereby further evolving its business. By promoting automation and mechanization, we will be 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



Initiatives and services based on the use of generative AI



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.