

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="display: flex; flex-direction: column;"> <div style="border-bottom: 1px dashed gray; padding: 5px 0;"> <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: 5px 0;"> <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 style="padding: 5px 0;"> <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> </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 business companies: Benesse Corporation Benesse Corporation China</p>	<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



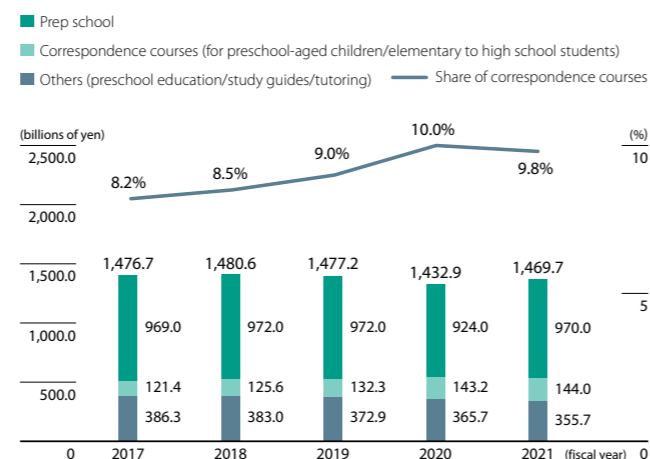
Market

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.

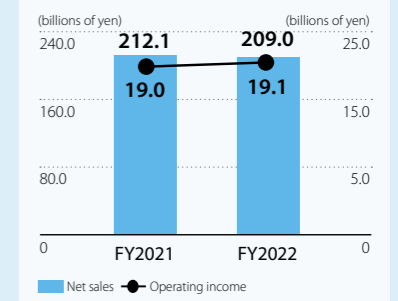
Trends in the out-of-school learning market in Japan*



* 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.

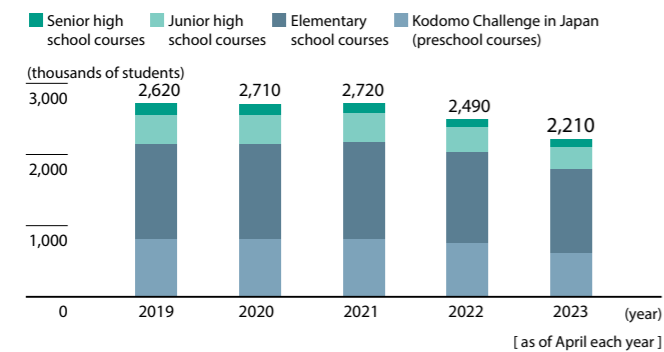
Furthermore, we are exploring the possibility of new methods and settings for out-of-school learning, focusing on combining Shinkenzemi's correspondence education platform and the classroom's in-person setting to create an Online Merges with Offline model that takes full advantage of the Benesse Group's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

Education Business in Japan

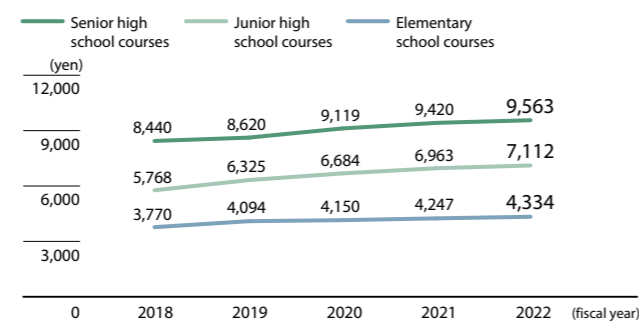
Out-of-School Learning Business

Related business data

Shinkenzemi and Kodomo Challenge enrollments in April

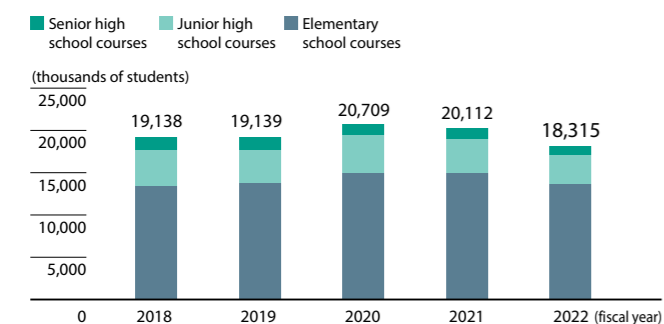


Shinkenzemi average monthly fee per person

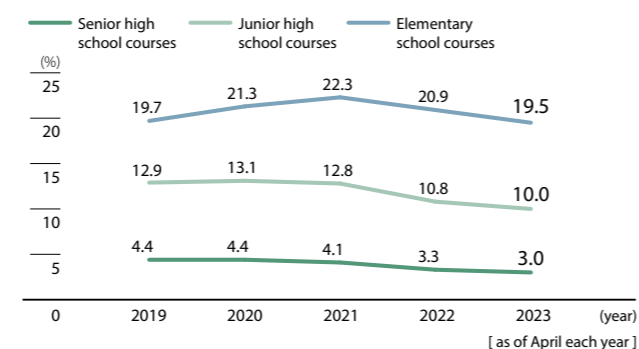


Note: The average monthly fee is calculated by dividing the net sales of each course by the cumulative enrollment.

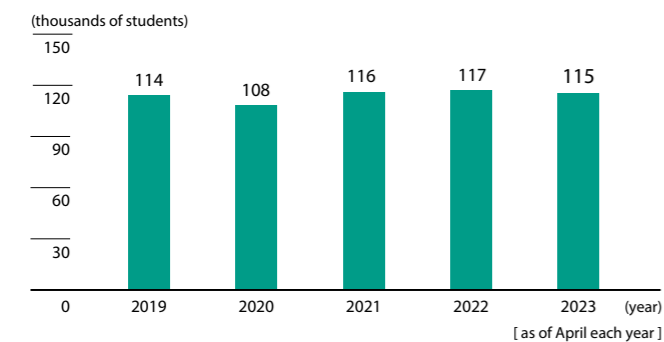
Cumulative enrollments in Shinkenzemi over a full year



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.

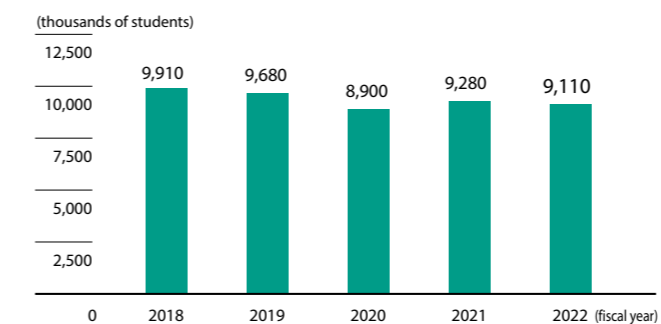
In fiscal 2022, in the area of elementary and junior high schools, the number of schools adopting our Mirai Seed ICT learning support software continued to grow on the back of the GIGA School Program implemented to introduce PCs and tablets to these levels of schools.

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.

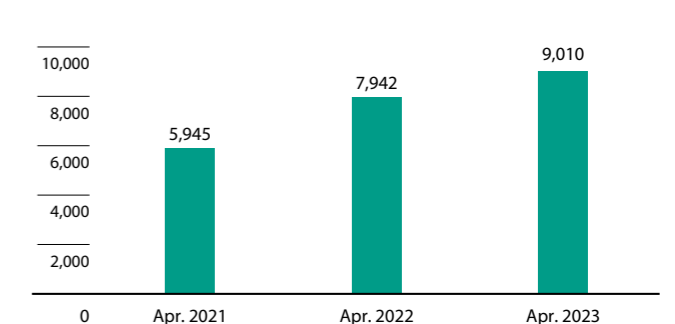


Related business data

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

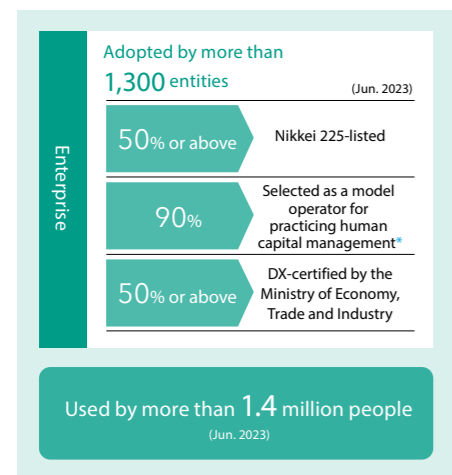
increasing their investment in personnel recruitment and development for sustainable growth and the government is enforcing investment policies to promote reskilling.

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.

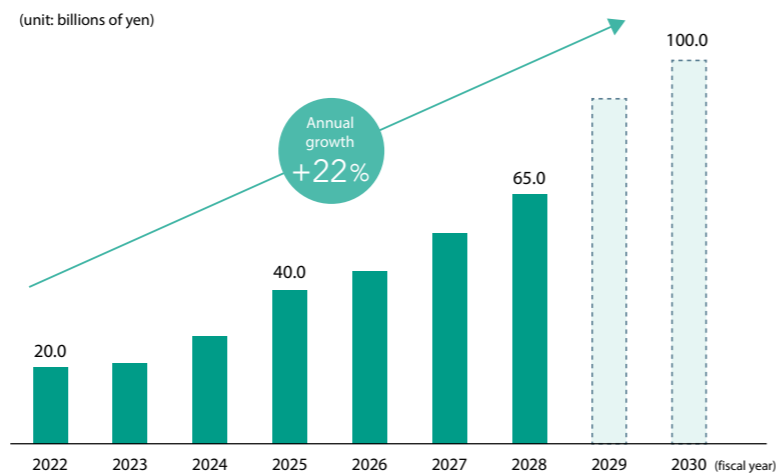


Related business data

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

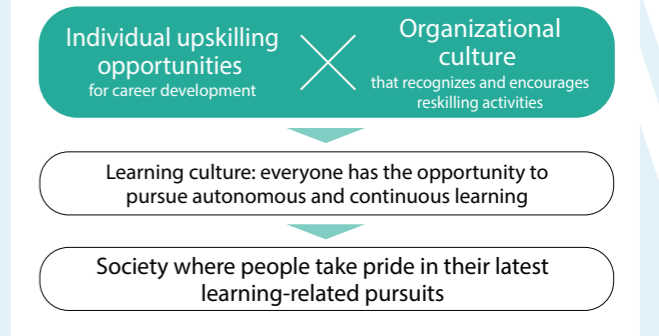
Enriching lifestyles and society

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

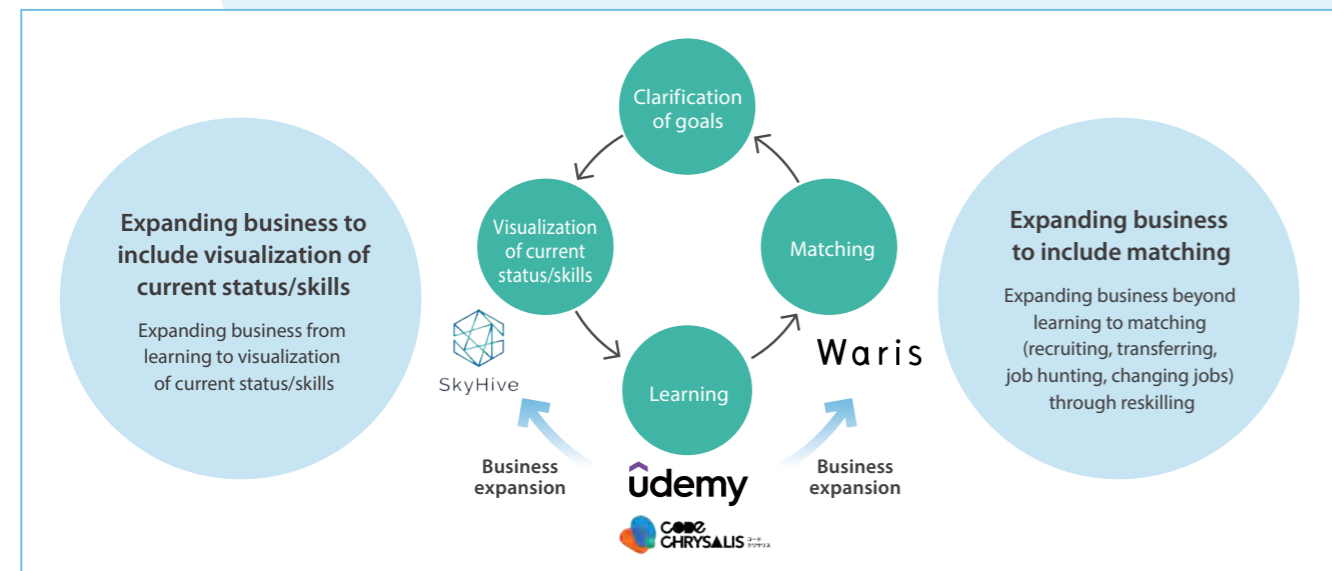
In May 2023, the Company formed the National Municipal Reskilling Network to support municipal governments with their reskilling efforts. This action was planned in response to our recognition of the specific challenges faced by many municipalities in promoting reskilling activities, which we identified 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.

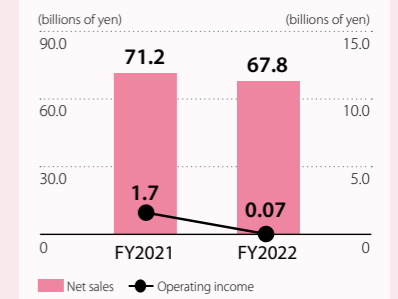


Kids & Family Business



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



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.

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

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.

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.

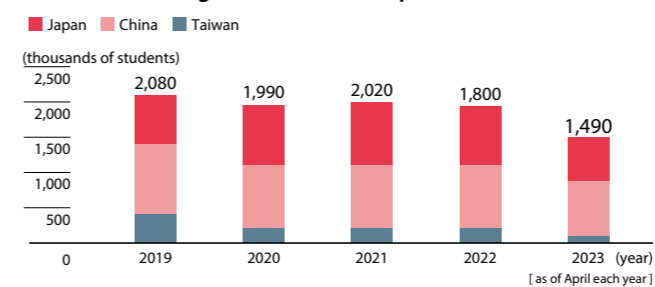
The policy includes restrictions on prep schools and other education providers at the compulsory education level. In response to this situation as well as to stay-at-home orders related to COVID-19, a number of businesses are scaling back or withdrawing from the market.

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.

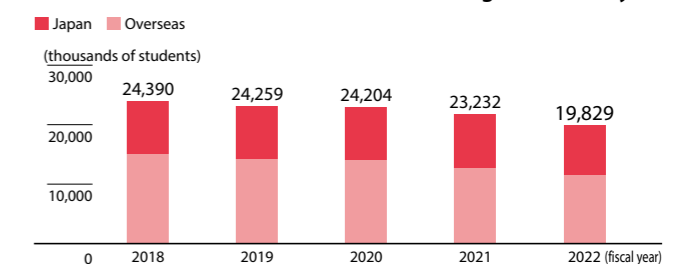
Due to these factors, needs for preschool education in China are changing significantly while also becoming more diverse and individualized.

Related business data

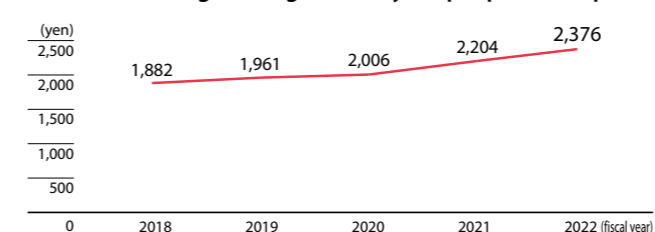
Kodomo Challenge enrollments in April



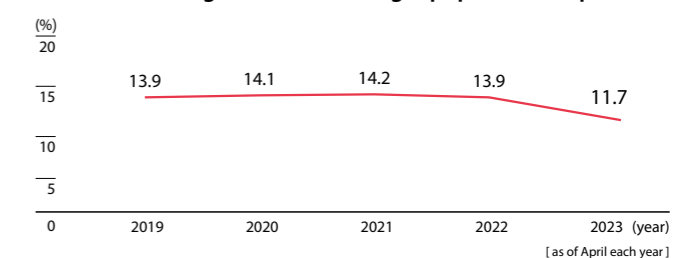
Cumulative enrollments in Kodomo Challenge over a full year



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



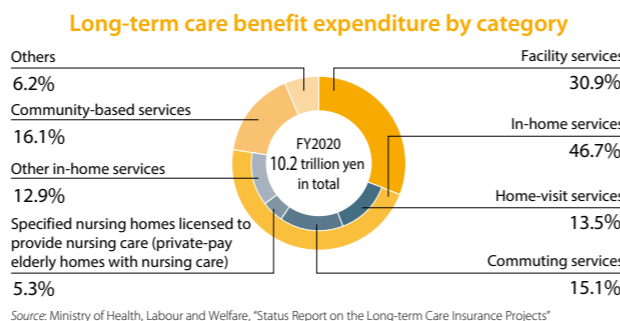
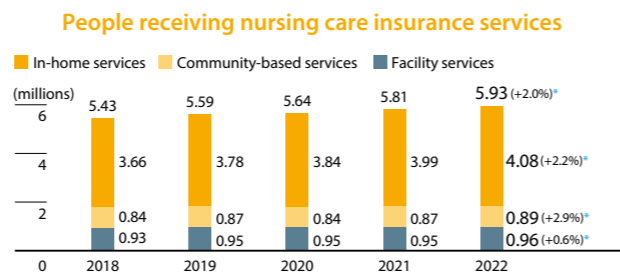
Market

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.

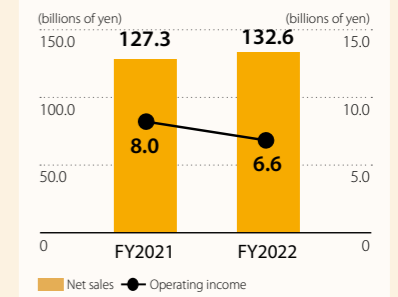
*1 Source: Ministry of Health, Labour and Welfare, "Status Report on the Long-term Care Insurance Projects"

*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.

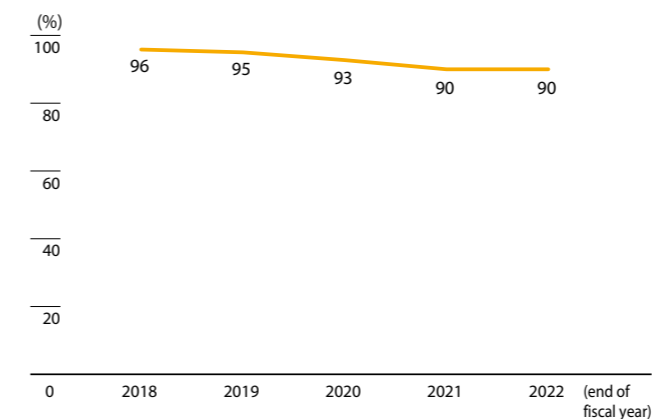
In fiscal 2022, the occupancy rates of our nursing homes

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.

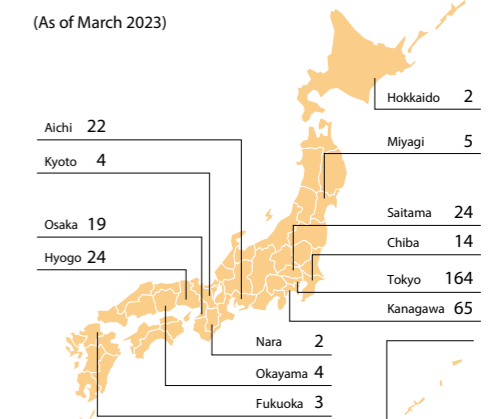
At the same time, we are steadily moving forward with new initiatives, namely new area development strategies for expanding the number of facilities as well as human capital investment and DX promotion plans for improving the quality of nursing care services. Going forward, we are planning to focus more 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



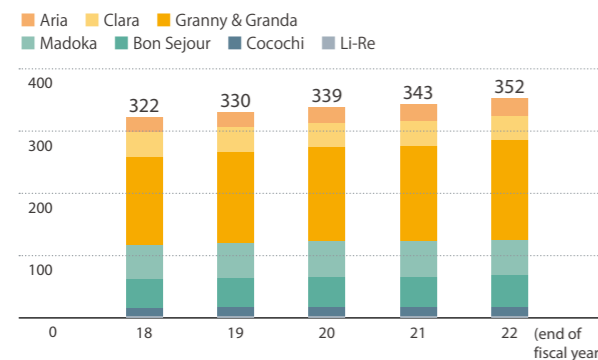
Distribution of our nursing homes



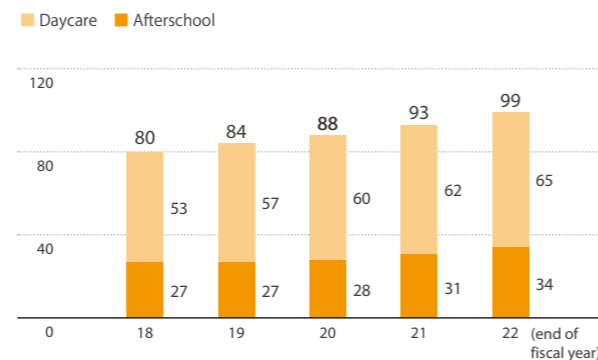
Nursing Care and Childcare Business

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

》》》 Focusing on nursing care HR and nursing care meal services

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.

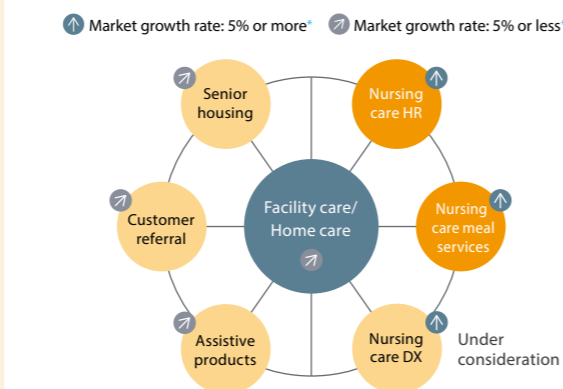
In this situation, we are seeing good opportunities to develop business related to nursing care HR (matching care providers with job seekers) and nursing care meal services (providing prepared meals to make up for a shortage of cooks). We will focus on expanding into these two fields, which have strong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

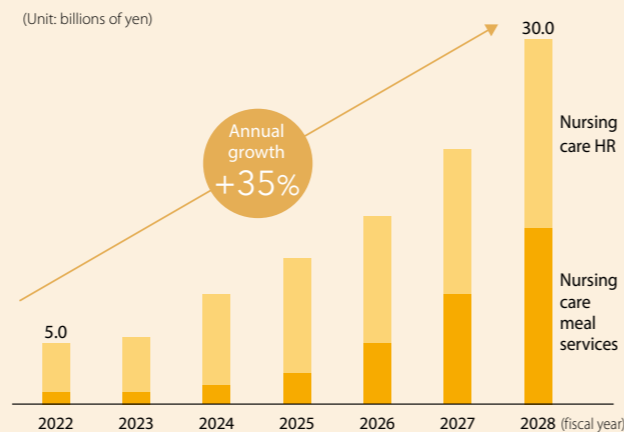
*1 The value of the nursing care HR market has been calculated based on the number of people eligible to receive nursing care services.
 *2 The value of the pre-prepared nursing care meal market is an estimate that factors in the shifting of cooking operations from in-house kitchens to off-site commercial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

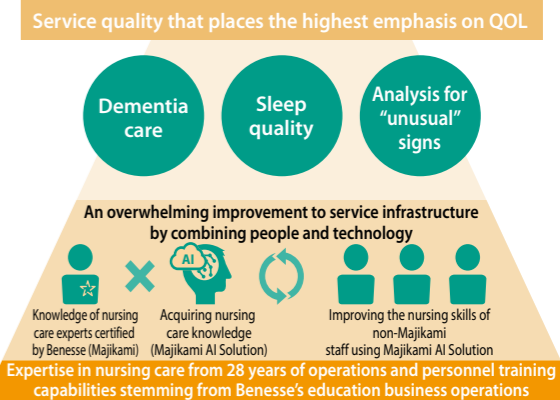
》》》 Developing the Majikami nursing care expert and Majikami AI to increase the quality of nursing care

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.