



# Benesse Group Transformation Business Plan

---

**Hitoshi Kobayashi**  
**Representative Director and President, CEO**  
**Benesse Holdings, Inc.**  
**May 19, 2023**

This presentation contains forward-looking statements concerning the future plans, strategies, beliefs and performance of Benesse Holdings, Inc. and its subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks, uncertainties and assumptions. As such, actual results may differ materially from those projected.

1. Background and positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan
4. Financial and non-financial targets
5. Future strengthening of engagement

# **1. Background and positioning of the Transformation Business Plan**

2. Goals of the Transformation Business Plan

3. Contents of the Transformation Business Plan

I. Overall structure of the Transformation Business Plan

II. Portfolio transformation

(1) Portfolio strategy

(2) Transformation of core businesses

(3) Challenges for new growth

III. Transformation of management systems to achieve the plan

4. Financial and non-financial targets

5. Future strengthening of engagement

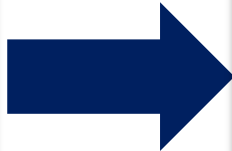
November 2020  
(Mid-term management plan)

May 2022  
(Final accounts: Financial KPI updated)

**[Repost] Targets of the medium-term management plan**

FY22 the final year of Phase 1, accelerate "reform and growth" as we move toward Phase 2

	Phase 1: FY21-FY22	Phase 2: FY23-FY25
<b>Positioning of each phase</b>	<p><b>V-shaped recovery</b></p> <p>V-shaped recovery from the impact of COVID-19 organically in existing businesses</p>	<p><b>Challenge &amp; growth</b></p> <p>Aim for sustainable growth through <u>inorganic means</u> (new challenges in existing businesses)</p>
	<p><b>Expand into new fields</b></p> <p>(Move into new fields and overseas territories by leveraging Benesse's strengths)</p>	
<b>Financial targets &amp; KPI</b>	<p>FY22</p> <p>Rebuild sales/OP to above FY19 levels in "2 years"*</p> <p><small>*ex. ASRR impact</small></p>	<p>FY23-FY25</p> <p>Organic growth rate of 3%+ (sales) <small>Based on FY22 earnings after V-shaped recovery from COVID-19 impact</small></p> <p>FY25</p> <p>OPM 8%+ ROE 10%+</p>



**Update on financial KPI for FY25**

Plan to add to steady organically-driven growth by realizing new medium-to-long-term growth from taking on new challenges

	[Net sales]	[Operating income]
<b>FY22 forecast</b>	¥426.0bn	¥25.0bn
<b>FY25 PL estimate</b>	¥500.0bn+	¥40.0bn+

**Contribution ratio to growth in FY23-25 (breakdown)**

	Net sales	Operating income
<b>Organic</b>	+50.0~60.0bn	Organic 80%
<b>Inorganic / New fields</b>	+10.0~15.0+α	Inorganic / New fields 20%

**[ Financial KPI ]**

- FY23-FY25 Organic growth at least 3%
- FY25 OPM at least 8%
- Updated** FY23 ROE at least 10%
- New** FY23-FY25 Growth contribution at least 20% from inorganic/new fields



**This Transformation Business Plan is an updated version of the medium-term management plan considering the various peripheral conditions surrounding the company.**

<b>Financial targets</b>	<p><b>Slightly missing target in Phase 1: V-shaped recovery from COVID-19 impact</b></p> <ul style="list-style-type: none"> <li>Operating income: FY19 (pre-COVID): ¥21.2bn → FY20: ¥13.0bn → FY22: ¥20.6bn</li> </ul>	<p><b>Slightly missed target</b></p>
<b>Evolution of core business</b>	<p><b>V-shaped recovery in Education Business in Japan; Recovery to come in Nursing Care and China; Inorganic growth started</b></p> <ul style="list-style-type: none"> <li>As of FY22, Education Business in Japan achieved V-shaped recovery from FY19. (Operating income = FY19: ¥14.0 bn ⇒ FY20: ¥11.9 bn ⇒ FY22: ¥19.1 bn)</li> <li>Full-scale activities launched for inorganic growth. (Variety of learning support businesses launched; Heart Medical Care made a consolidated subsidiary.)</li> <li>Businesses of Nursing Care and China Kodomo Challenge still recovering from lingering COVID-19 impact.</li> </ul>	<p><b>Partially lingering impact from COVID-19</b></p>
<b>Expansion into New Fields</b>	<p><b>New organization established to take on full-scale challenge for the growth</b></p> <ul style="list-style-type: none"> <li>University and Working Adult Business Company established. Steady expansion of Udemy business. (Adopted by over 1,000 companies.)</li> <li>Further acceleration of growth launched in fields of university and working adult. (Acquisition of Waris; investment and alliance with SkyHive.)</li> <li>In field of overseas education: Benesse India established, local school education support business launched.</li> </ul>	<p><b>Steady progress</b></p>
<b>Management foundation</b>	<p><b>Problematic businesses organized; DX (digital transformation) promoted</b></p> <ul style="list-style-type: none"> <li>Profitability improved with the sale of the underperforming Berlitz business.</li> <li>DIP (Digital Innovation Partners), a cross-Group organization, established to promote DX.</li> </ul>	<p><b>Steady progress</b></p>

1. Background and Positioning of the Transformation Business Plan

**2. Goals of the Transformation Business Plan**

3. Contents of the Transformation Business Plan

I. Overall structure of the Transformation Business Plan

II. Portfolio transformation

(1) Portfolio strategy

(2) Transformation of core businesses

(3) Challenges for new growth

III. Transformation of management systems to achieve the plan

4. Financial and non-financial targets

5. Future strengthening of engagement



**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

# Goal 1: Solve social issues centered on people at every stage of life

- We will use our business to solve social issues faced by people





(Enacted in April 2023)

**Anybody can enjoy lifelong growth.**

**Toward a world in which everyone can live their own life.**

**Benesse will continue to aim for these ideals.**



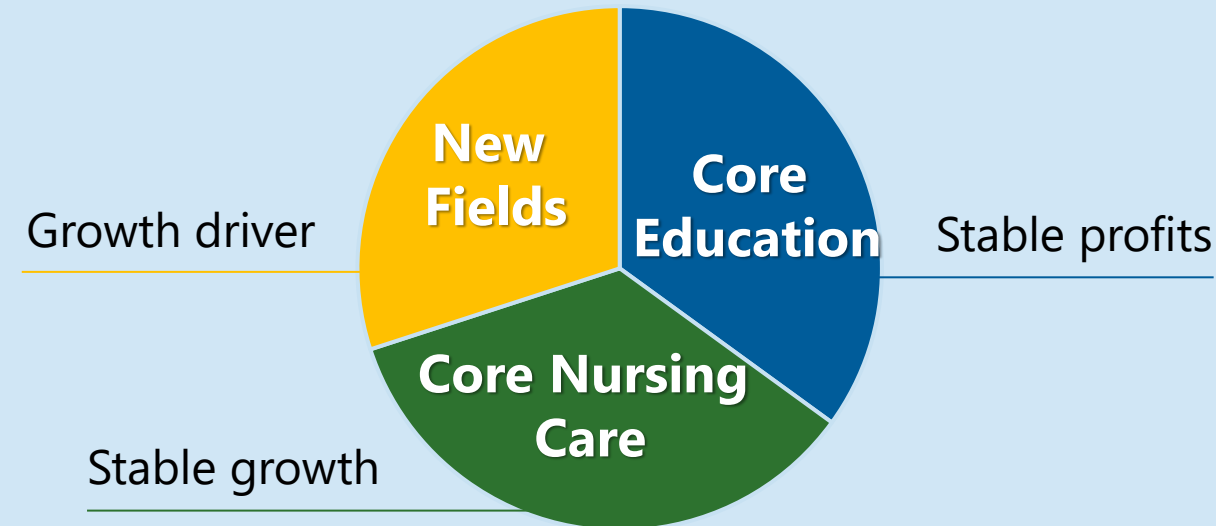
# Goal 3: Pursue sustainable profit growth through portfolio structure transformation

## Our vision (FY28~)

**Sustainable profit growth** through a **three-pillared income structure**

- **Well-balanced profit generation from three areas:** Core Education, Core Nursing Care, and New Fields

### Company-wide Portfolio



\*Core Education= Out-of-School Learning + School + K&F  
Core Nursing Care= Nursing Care and childcare facilities  
New Fields= University and Working Adult, Nursing Care peripheral, and Overseas

## Goals of current medium-term plan (FY25)

**Our targeted status for FY25, backcast from our vision**

### Core Education

**Stabilized earnings** through structural reforms and response to increasingly diverse needs, etc. **Initiation of business model transformation.**

### Core Nursing care

**Quick recovery** to pre-COVID-19 occupancy rates. Moving on to stable growth trajectory.

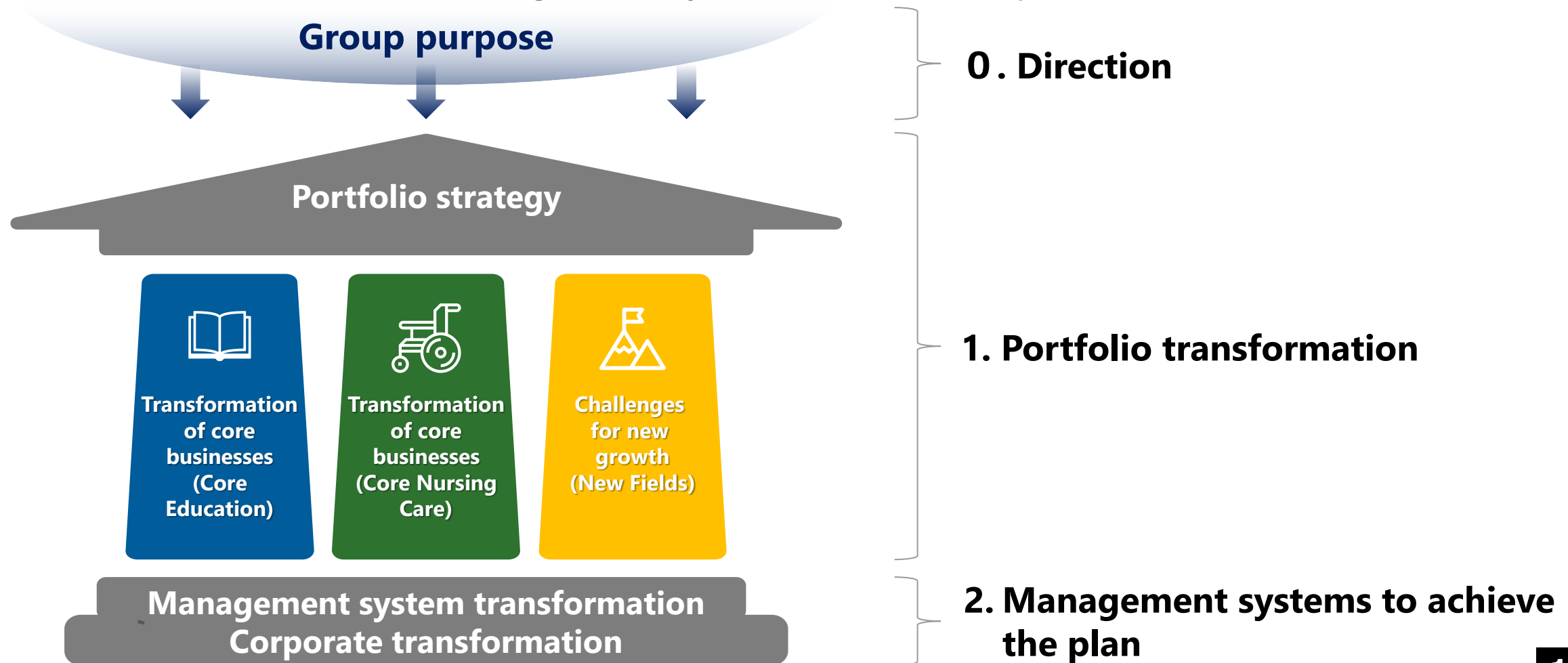
### New Fields

**Strategic investment** and **sales growth** to drive profit growth in FY26 and beyond.

1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
- 3. Contents of the Transformation Business Plan**
  - I. Overall structure of the Transformation Business Plan**
  - II. Portfolio transformation**
    - (1) Portfolio strategy**
    - (2) Transformation of core businesses
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan
4. Financial and non-financial targets
5. Future strengthening of engagement

# [I] Overall structure of the Transformation Business Plan

- In order to **achieve the Group purpose**, we will organize the direction of entire business through our **portfolio strategy**. Based on this, we will formulate **transformation plan on existing core businesses** and **transformation plan on new businesses**. We will allocate assets in a balanced manner and **restructure the management system** to realize the plans.



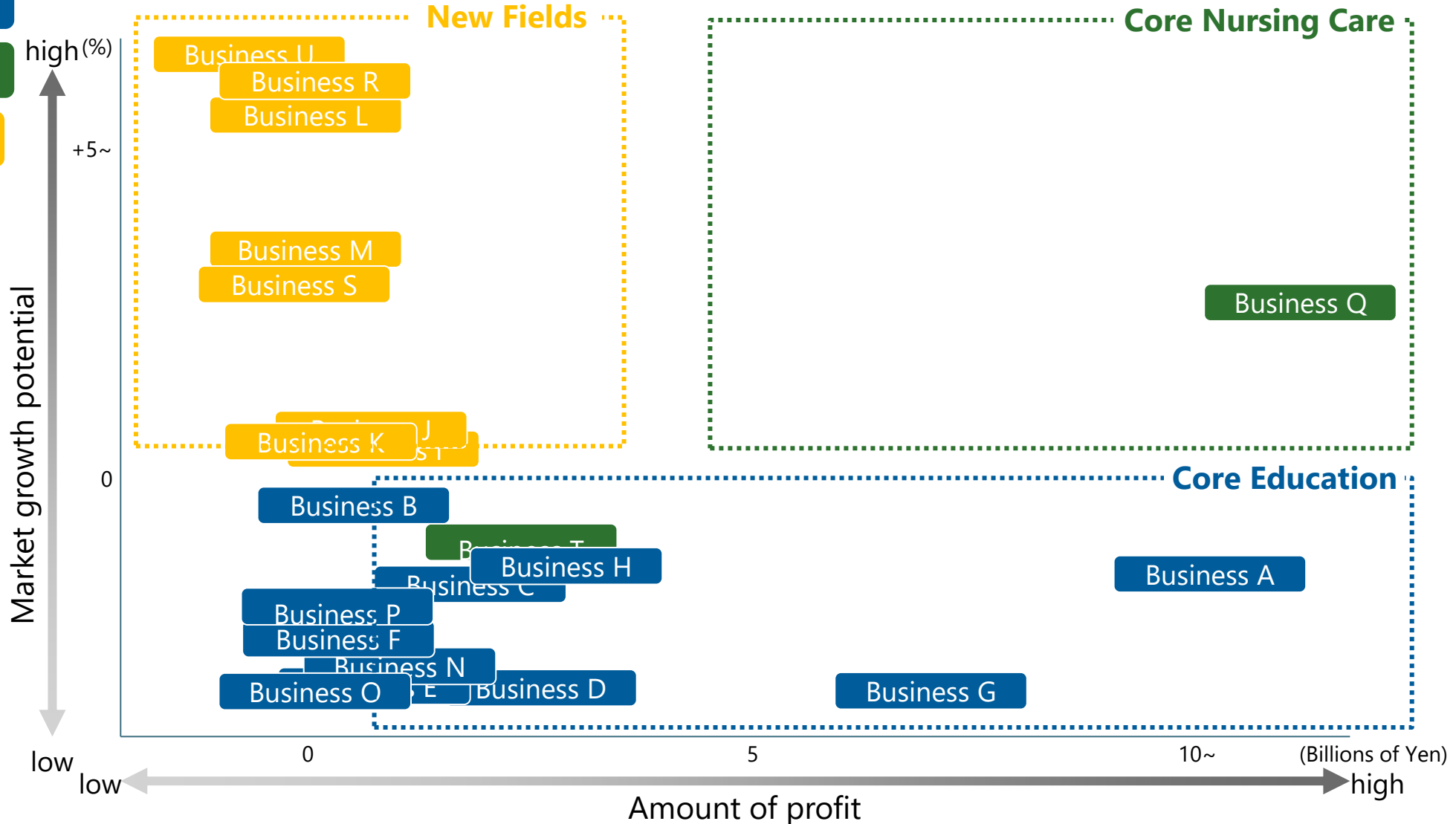
# [II-(1)] Current status of the business portfolio

Legend:

Core Education

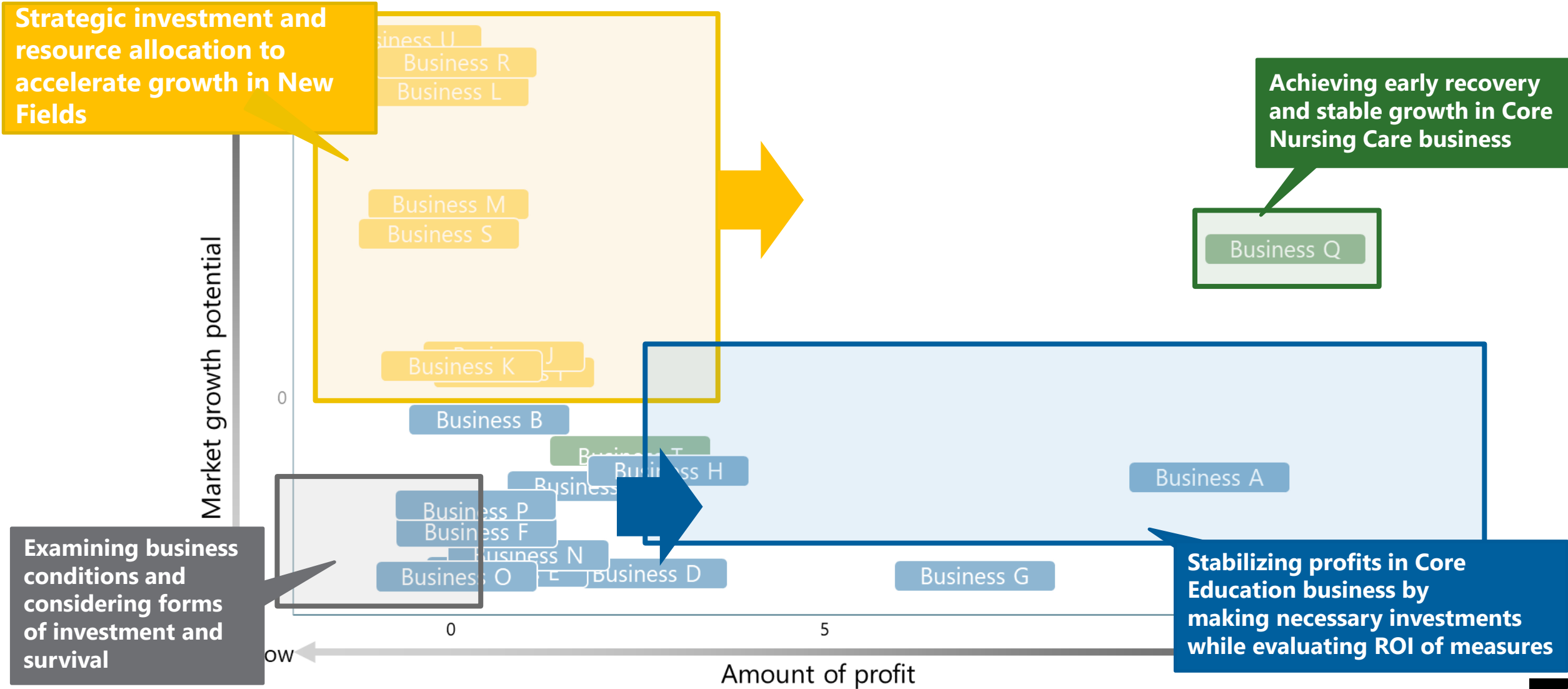
Core Nursing Care

New Fields



# [II-(1)] Basic policy for portfolio transformation

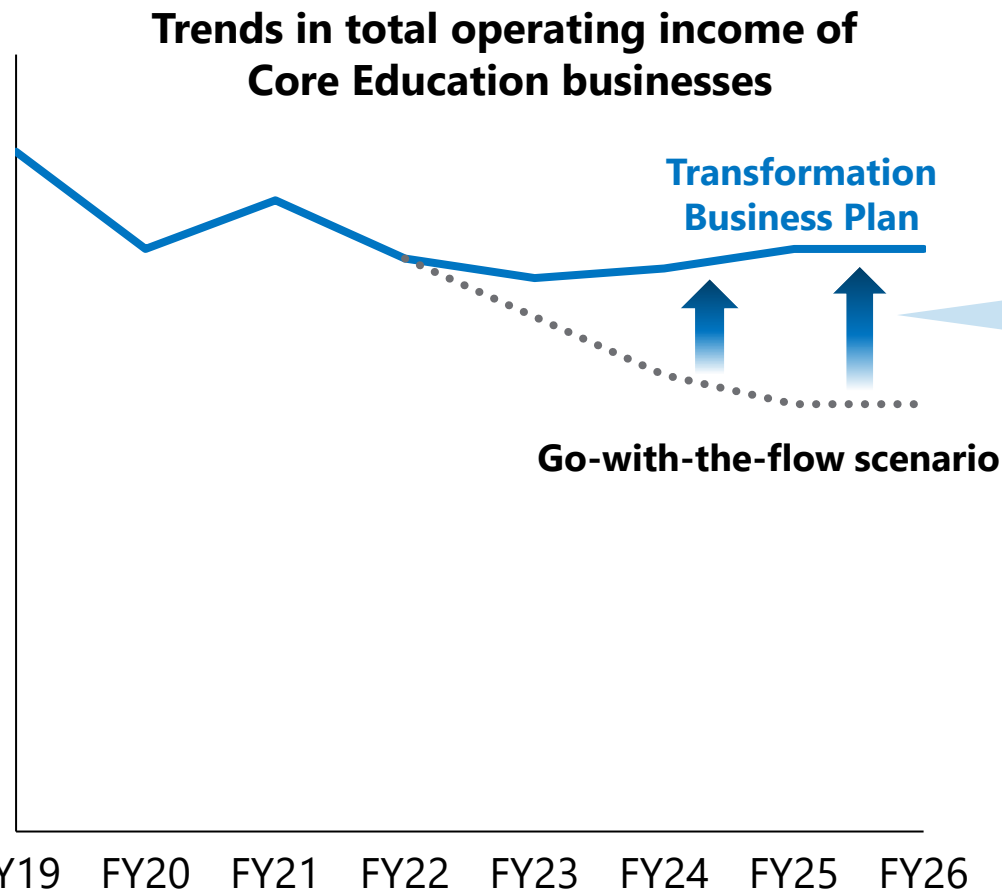
- Priorities of investment and resource allocation in each domain and business clarified.



1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses**
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan
4. Financial and non-financial targets
5. Future strengthening of engagement

# [II-(2)] Transformation of Core Education business

- Continuing conventional business operations (go-with-the-flow scenario) cannot prevent profitability decline.
- **With FY25 as a turning point**, we will **stabilize profitability** by completing a transformation in the entire Core Education business domain that transcends existing organizational boundaries **over the short-, medium-, and long-term**.



## Transformation of Core Education business

### Next GIGA Program

Long-term: FY26~

Short/medium-term: FY23~25

- 1 Product value and sales method redesigns**
  - Initiatives to maintain/strengthen customer base.
  - Response to increasingly diverse needs.  
⇒ Improvement in accuracy of above measures through ROI evaluation.

- 2 Cost structure reform**

We will review and reduce fixed cost structures across organizational boundaries throughout the Education Business in Japan.

- 3 Next generation adaptation and business model transformation**

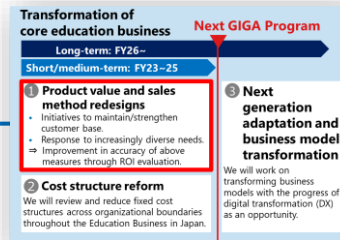
We will work on transforming business models with the progress of DX as an opportunity.



# [II-(2)] <Out-of-School Learning> Redesign products and sales: Maintain and strengthen customer base (Shinkenzeni)

**Children's motivation and learning ability are declining;  
needs are becoming more diverse**

The gap is widening between students who can self-study and those who cannot.  
It is necessary to focus on the latter to maintain the customer base.



**We will create triggers that pique children's interest and enhance individual communication afterwards to maintain the customer base.**

## Product

**Boost children's motivation and expectations toward learning with educational material service**

- Service through Nintendo Switch.™
- Results triggering new membership.
- Plan of expanding target grades and services.



## Communication

**Enhance individual communication tailored to the customer**

- Coaches for each high school.
- Challenge support calls.



## Marketing

**Provide constant opportunities to experience value**

- Free trial at the Nintendo Store.
- Free educational materials and trial content beginning with assessment.



# [II-(2)] <Out-of-School Learning> Redesign products and sales: Respond to increasingly diverse needs

- We aim to maximize LTV by enhancing services tailored to individuals by providing diverse learning opportunities on Shinkenzeni's customer base.



We will increase support for children and students with higher goals through Shinkenzeni upselling products for high level customers.

国公立高校への進学を報告した会員の  
第1志望校  
合格率 93.1%\*

ハイレベル EVERES  
オンライン塾 エベレス

Based on results in junior high courses, support will be expanded to high school students taking entrance exams to difficult universities and, by FY25, to 5th~6th graders, making it an elementary/junior/ high school integrated program.

## Challenge School

We will enhance online learning support for elementary and junior high school student members of Shinkenzeni.

ベネッセのオンラインならいごと  
チャレンジスクール

一人ひとりの「好き」や「得意」を見つけて、のぼす

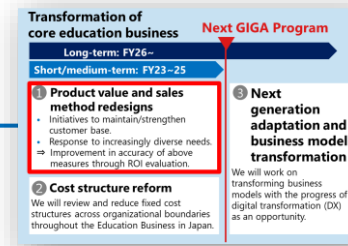
STEAM\* courses, for which there is great customer needs, will be expanded to include Shinkenzeni non-enrollments while target grades will also be expanded.

\* Science, Technology, Engineering, Art, Mathematics

\* The first-choice school acceptance rate (93.1%) is the percentage of students who had taken both EVERES and the Shinkenzeni Junior High School Course for at least 3 months and who took EVERES until February of their third year in junior high school (end of the course), who reported their high school and their choice of school in a questionnaire as of July 2022, and answered "passed as first choice" at a national or public high school.

# [II-(2)] <School> Redesign products and sales: Maintain and strengthen customer base

- Mirai Seed will be strengthened to take advantage of software switchover at local governments and schools, accompanying the device replacement in FY25, as an opportunity to grow.



## GIGA School Program (FY20~)

**One device per person**

Government-funded simultaneous deployment. 100% deployment.

**Paid software**

Approx. 90% of local governments have installed paid software.

**We will have more schools to adopt it, achieving top market share**

**Number of schools adopting Mirai Seed (share)**

**Approx. 9,000 schools (30%)**



## Next GIGA Program (FY25~)

Device replacement and software switchover

### Strategic investment toward next generation

Teaching and learning support software for elementary and junior high schools

### **Mirai Seed**

- Strengthen product appeals
- Strengthen follow-up system at schools (e.g., online training sessions)

**Further growth of market share**

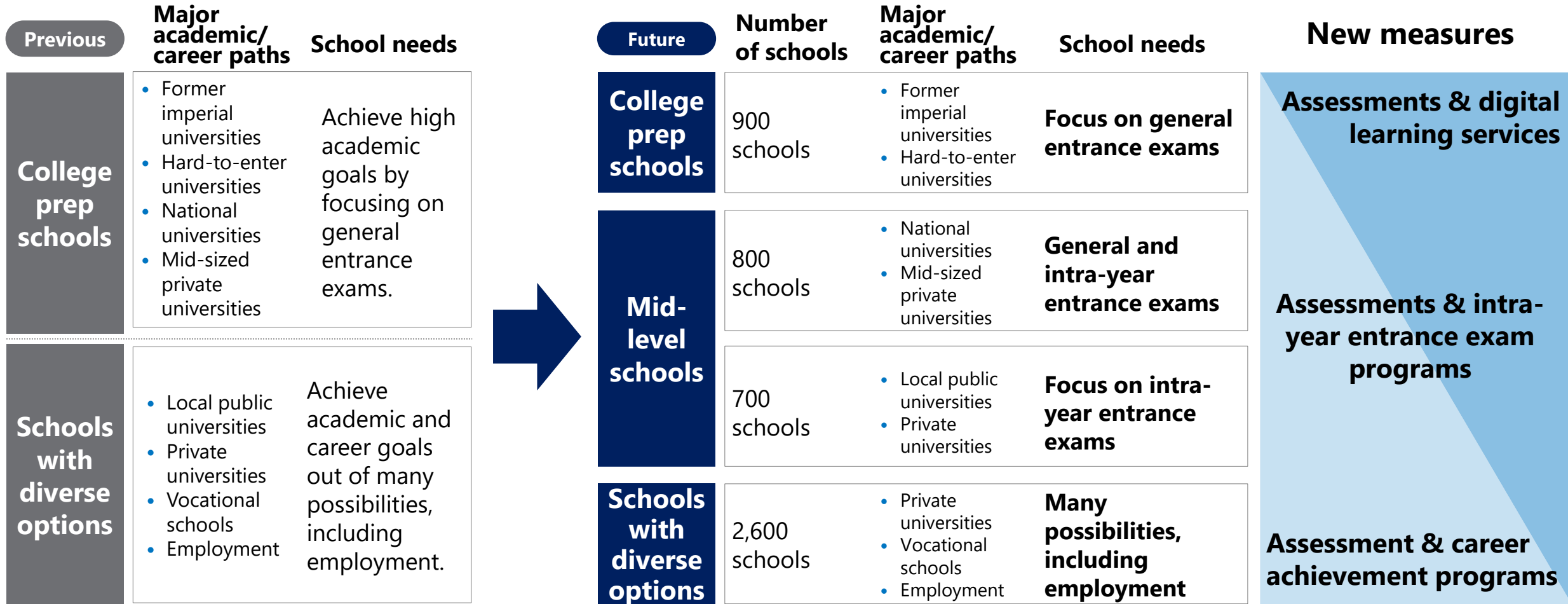
**12,000+ schools (Approx. 40%)**

\* No. of schools adopting it in five years from FY26

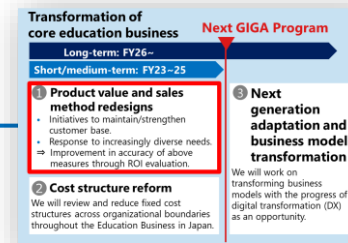
# [II-(2)] <School> Redesign products and sales: Maintain and strengthen customer base



- School segment will be reviewed in light of advancement of intra-year entrance exams and diversification of needs due to university education promoting distinctive features.
- We will link assessment and new services to help students achieve self-set career goals.



# [II-(2)] <Local Area> Redesign products and sales: Respond to increasingly diverse needs



- We will strengthen and reorganize branch office functions, which had been centered on high school sales, to better respond to needs of local governments, schools, etc. increasingly growing diverse in each region. (Establishment of Area Business Promotion Headquarters)

Regional differences in demographics, educational environments, working conditions, etc.  
Differences in how leadership responds to issues.

Diverse needs in different regions	
<b>Local governments</b>	ICT utilization, teacher recruitment, DX promotion
<b>Preschools</b>	Teachers' work style reforms, shortage of childcare workers
<b>Elementary and junior high schools</b>	Workstyle reform, inclusive education, curriculum development and classroom improvement, evaluation and academic improvement, academic advancement and career placement support
<b>High schools</b>	
<b>Universities</b>	Recruitment of exam students, entrance exam system, employment support and ability development
<b>Companies</b>	Regional recruitment, DX promotion, training and capacity building

Proposals based on diversified needs

## Measures combining Benesse's assets

**Nine branches nationwide**

↔

Supplementary education

Prep school/classroom

Schools

University & working adult

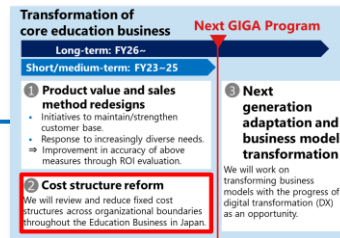
K&F

- ① Strengthening relationships with schools and local governments through new branch operations.
- ② Creating example cases of product use with innovative local governments and schools.
- ③ Providing products and create new business models that meet local needs.

(Example) Cooperation with Nara Prefecture's "Futoukou Shien Nara Netto (Nara Net Support for Non-Attending Students at School)"

# [[II-(2)] Cost structure reform: measures under consideration

- We will implement company-wide cross-organization cost structure reforms.



## Themes for cost structure reform

## Current scale of cost

## Measures to take for cost structure reform

IT	Approx. ¥34bn	<ul style="list-style-type: none"> <li>• Expand in-house development by integrating IT function subsidiaries.</li> <li>• Eliminate data centers (cut fixed cost and adopt variable cost).</li> </ul>	-¥3~5bn
Telephone contact		<ul style="list-style-type: none"> <li>• Review automatic operations and optimize "human touch" domains. *Core Education in Japan.</li> </ul>	
SCM		<ul style="list-style-type: none"> <li>• Integrate logistics hubs and streamline operations.</li> <li>• Integrate and streamline basic organizations including functional subsidiaries.</li> </ul>	
Marketing base		<ul style="list-style-type: none"> <li>• Centralize operations across organizations and promote BPR.</li> </ul>	
Editing		<ul style="list-style-type: none"> <li>• Further expand in-house development.</li> <li>• Standardize base systems for two editing function subsidiaries.</li> <li>• Reduce editing processes through automation.</li> </ul>	
Others		<ul style="list-style-type: none"> <li>• Review outsourcing operations of all divisions and Group companies. Optimize contracts, etc.</li> </ul>	

# [II-(2)] Important turning point in Core Education Business

- In our view, FY25 with a shift to the Next GIGA Program is a major opportunity. We will accordingly promote transformation.

## Changes in the business environment

FY25

### Next GIGA Program

- Replacement of devices, one device per person.
- Cloud migration of school administration support systems.
- Promotion of assessments with CBT, utilization of educational data, etc.

### Environmental changes to continue

- Widening regional disparities in educational opportunities.
- Development of distinctive school curriculums.
- Promotion of teachers' work style reforms.

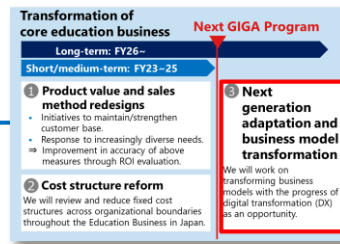
## Impact on school and supplementary education businesses

Opportunity

- Reduction of teacher workload.
- Widening regional disparities in educational opportunities.  
➔ Increased need for Mirai Seed.
- Increasing ownership rate of students' personal devices due to the expansion of at-home use of school devices.  
➔ Promotion of BYOD for Shinkenzeni.

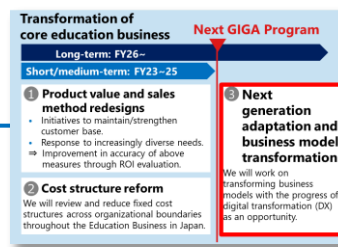
Threat

- Risk of local governments shrinking software budgets.
- Risk of shrinking supplementary education market due to the expansion of at-home use of school devices.



# [II-(2)] Long-term (FY26 and beyond) development of next generation services and business model transformation

- We take DX in education, such as the Next GIGA Program (FY25), as an opportunity, and pursue the development of next generation products and services and the transformation of business models.



A

## Development of next generation Shinkenzemi by leveraging an opportunity in BYOD

→ Creation of a business model supported by and used by **more families and children with more diverse backgrounds.**

B

## Development of next generation school education by leveraging an opportunity in cloud migration of school administration

→ Creation of a business model to **reduce teachers' workload** and **reform school education through data utilization.**

C

## Development of next generation school and student support by leveraging an opportunity in CBT

→ Creation of a business model that starts with assessment and **handles daily learning at school, academic and career paths, and intra-year entrance examinations.**



# [II-(2)](A) Development of next generation Shinkenzeni by leveraging an opportunity in BYOD

Transformation of core education business		Next GIGA Program
Long-term: FY26~		
Short/medium-term: FY23-25		
① Product value and sales method redesigns		③ Next generation adaptation and business model transformation
• Initiatives to maintain/strengthen customer base.		
• Response to increasingly diverse needs. → Improvement in accuracy of above measures through ROI evaluation.		
② Cost structure reform		
We will review and reduce fixed cost structures across organizational boundaries throughout the Education Business in Japan.		

- The "Next GIGA Program" of FY25 will be an opportunity for us to provide a new model of Shinkenzeni that solves current fundamental business challenges.

Fundamental business challenges

## Widening economic disparities

- No longer easy for everyone to take Shinkenzeni.

## Cost of providing our tablets

- ¥10.5bn per year. \*Amount of outflowed cash in FY22.

## Non-stopping decline in children's motivation and learning ability



Opportunities

## Next GIGA Program (FY25), increase in personal device ownership

- Possibility to engage Shinkenzeni via the Web on any device.

## Assuming BYOD, Shinkenzeni is a low-cost solution that families throughout Japan can rely on.

- Improved cash flow.

## Shinkenzeni, an "OMO" classroom, allows everyone to continue learning.

- Retention rate of those attending tutoring classes is 10%+ higher.

## Further enhanced contents/services in response to diverse needs.



New Shinkenzeni model (under consideration)

# [II-(2)] (B) Development of next generation school education starting with cloud-based school administration

- A cloud-based school administration support system will link assessment and daily learning data and create a new business model by transforming provided value to reduce teacher workload and develop the next generation of school education through data utilization.

**Transformation of core education business** Next GIGA Program

Long-term: FY26~

Short/medium-term: FY23-25

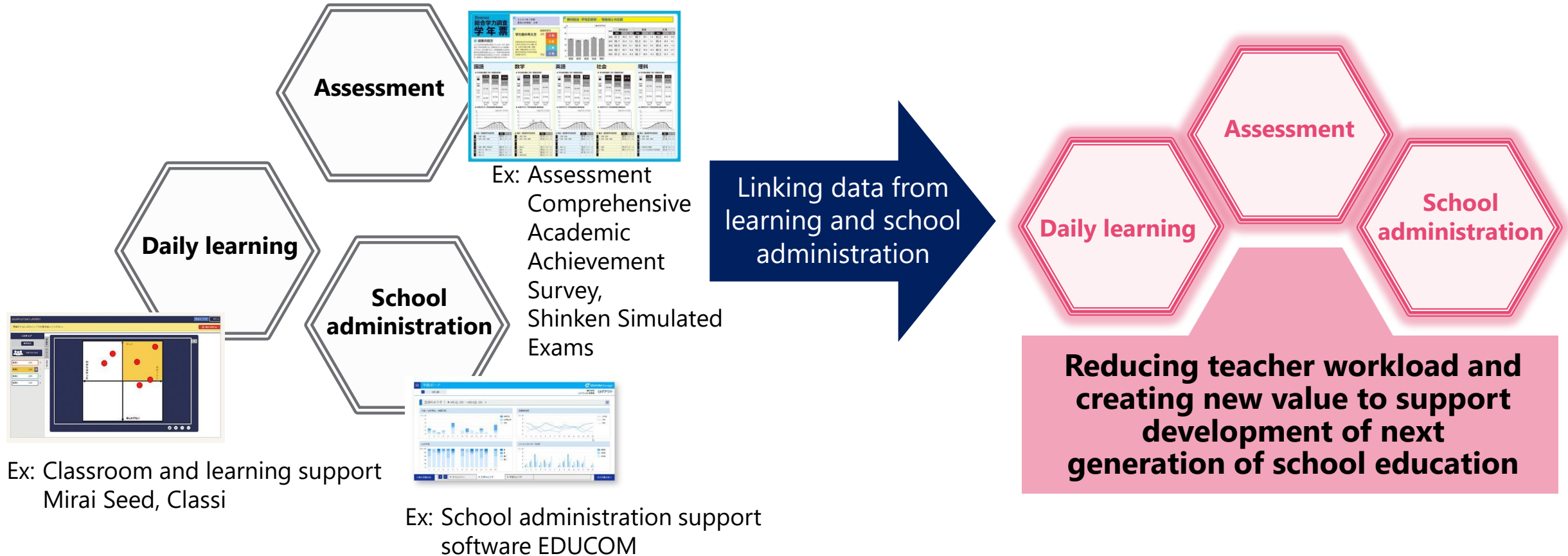
- Product value and sales method redesigns**
  - Initiatives to maintain/strengthen customer base.
  - Response to increasingly diverse needs.
  - Improvement in accuracy of above measures through ROI evaluation.
- Cost structure reform**

We will review and reduce fixed cost structures across organizational boundaries throughout the Education Business in Japan.
- Next generation adaptation and business model transformation**

We will work on transforming business models with the progress of digital transformation (DX) as an opportunity.

**FY23**

**FY26~**



# [II-(2)] Transformation of K&F China business: Environment changes, and recovery to grow

## Medium- to long-term business environment

While **birthrate is declining** (number of births fell below 10 million in 2022 (-1.06 million YoY)), there are **opportunities in improving LTV in the high-income bracket**, which is a growing proportion of the number of births, and **moving into lower-tier cities**.

## Short-term business environment

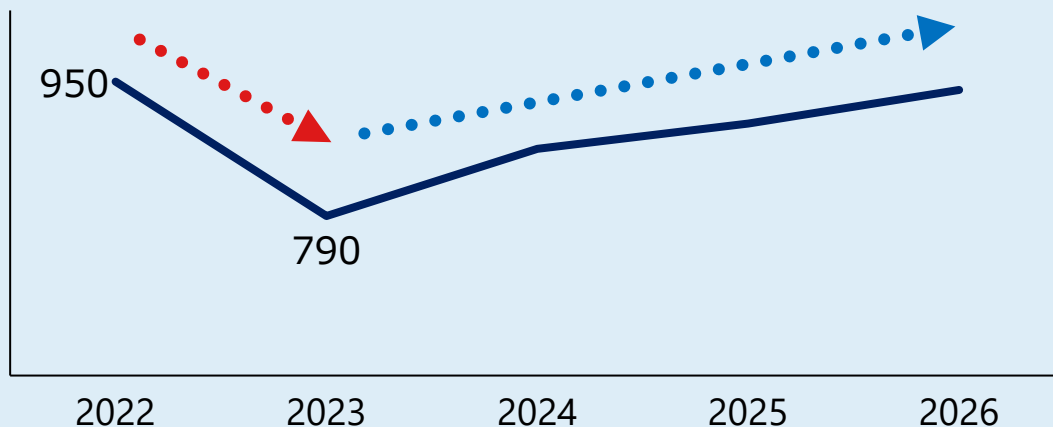
**Policy shift on COVID-19 and competing businesses scaling down due to “double reduction policy” significantly reduced business risk.**

**Enrollment to our courses suffered decline due to COVID-19 lockdowns, but there are signs of recovery in both retention and new enrollments.**

- FY23 April enrollment: -20% YoY.
- Retention recovering thanks to promotion of digital utilization; March new enrollment grew YoY.

## Growth through recovery in course enrollment and expansion in LTV by FY25 with focus on balanced profit

March enrollment (thousands)



Short-term

### Recovery in course business with focus on balanced profit.

- Improving retention rate by strengthening digital services and promoting their utilization.
- Reform in sales structure (variable cost sales such as e-commerce and member proposal sales, etc.).
- Fundamental review on cost structure.

**Expansion in course-type options, improved LTV in revitalizing KIDS business.**

Mid-to-long term

**Expansion into 3rd to 4th tier cities.**

**Further increase in LTV through expansion of peripheral business areas.**

# [[II-(2)] Transformation of Core Nursing Care Business: Environment changes, recovery, and growth

## Medium- to long-term business environment

**Population over 85 years old will increase until 2065<sup>1</sup>.  
(Stable demand growth)**

**Shortage of nursing care workers will further extend.  
(Growing social issue)**

- 690,000 more nursing care workers are needed in 2040 compared to 2019<sup>2</sup>.

## Short-term business environment

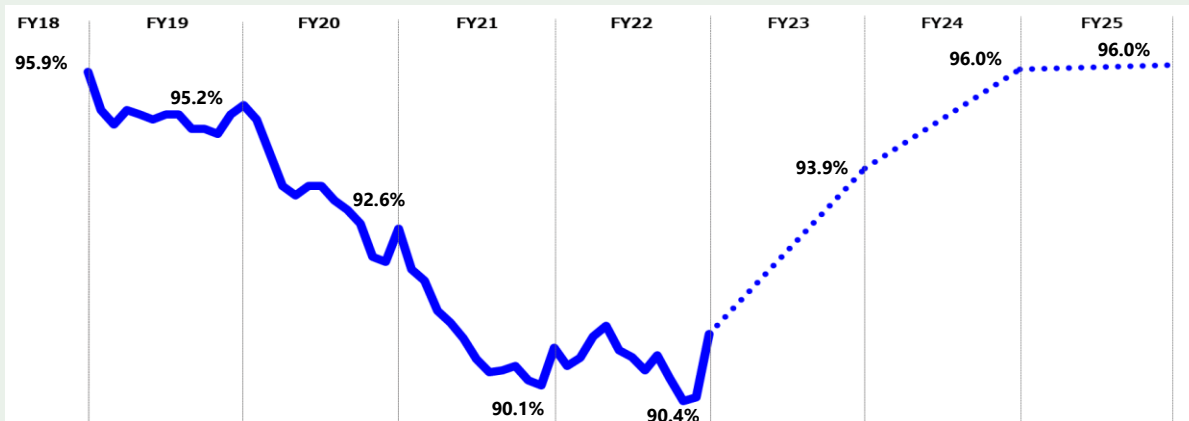
**Transition to "Class 5" status of COVID-19 expected to boost desire to move into facilities.**

- Steady recovery in number of inquiries and visitors.
- Occupancy rate growth from February to March was +0.53% YoY.

**In the vicinity of the area we are working on, there are opportunities in areas with many affluent seniors.**

## Recovery of occupancy rate through measures to encourage the desire to move into facilities and reinforced sales capabilities and management

Occupancy rate trends



Effect of COVID-19

**Building relationship with local hospitals and care managers;**

**Short stays (trials) to motivate moving in.**

- Short-stay users in FY22: 2,863 cases (+191% YoY).  
Of these, 665 (23%) became long-term contract users.

**Reinforcing sales capabilities and management.**

**Expanding new areas for property development.**

1. Source: National Institute of Population and Social Security Research website (<https://www.ipss.go.jp/>)

2. Source: Ministry of Health, Labour and Welfare, "The Number of Nursing Care Workers Needed Based on the Eighth Long-Term Care Insurance Project Plan (<https://www.mhlw.go.jp/content/12004000/000804129.pdf>)

1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses
    - (3) Challenges for new growth**
  - III. Transformation of management systems to achieve the plan
4. Financial and non-financial targets
5. Future strengthening of engagement

**Challenges for new growth:**

**University & Working Adult Business**

## Changes in the society

### Changes in the world

Drastic changes in the nature of work and skills required due to DX/GX and other major changes in society.

- World Economic Forum meeting at Davos promised to provide reskilling opportunities to 1 billion people.

### Changes in Japan

Demand for "creating a society where everyone can learn and build a career throughout their lives."

- With declining working population, there is a need for more people to hold secondary and concurrent jobs, and for women and seniors to actively participate in the workforce.

### Activities in private sector

Mandatory disclosure of human capital and enhanced investment and development of human resources for sustainable growth (compliance to DX/GX).

### Activities in governments

Announcement by government on reskilling: ¥1 trillion investment over 5 years.

## Benesse's unique strengths



### Easy-to-understand teaching techniques

- Utilization of teaching techniques that are easy for all to understand.



### Broad customer base

- Udemy customer base.
- Benesse's customer base (Students/Women).



### Support not only for learning, but also for career development

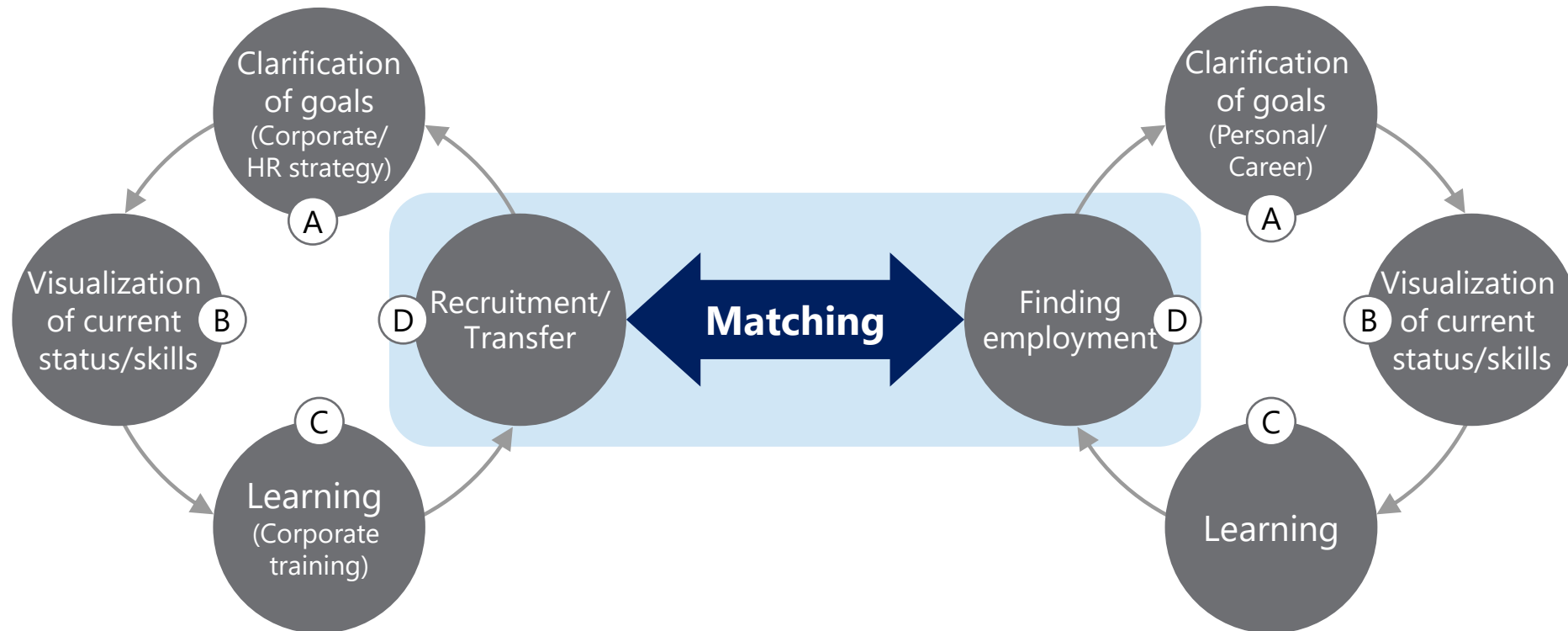
- Expansion of capabilities beyond "Learning" to "Visualization of current status/skills" and "Human resource matching business," and development of the business.

# Our vision as a University and Working Adult Business Company

- We will engage in **matching business** through supporting reskilling in **companies** (1) and for **individuals** (2).

## 1 Companies (To B)

## Individuals (To C) 2



**Government (To G)** Government announced ¥1 trillion investment in reskilling.

**Schools (To S)** Providing career support via schools.



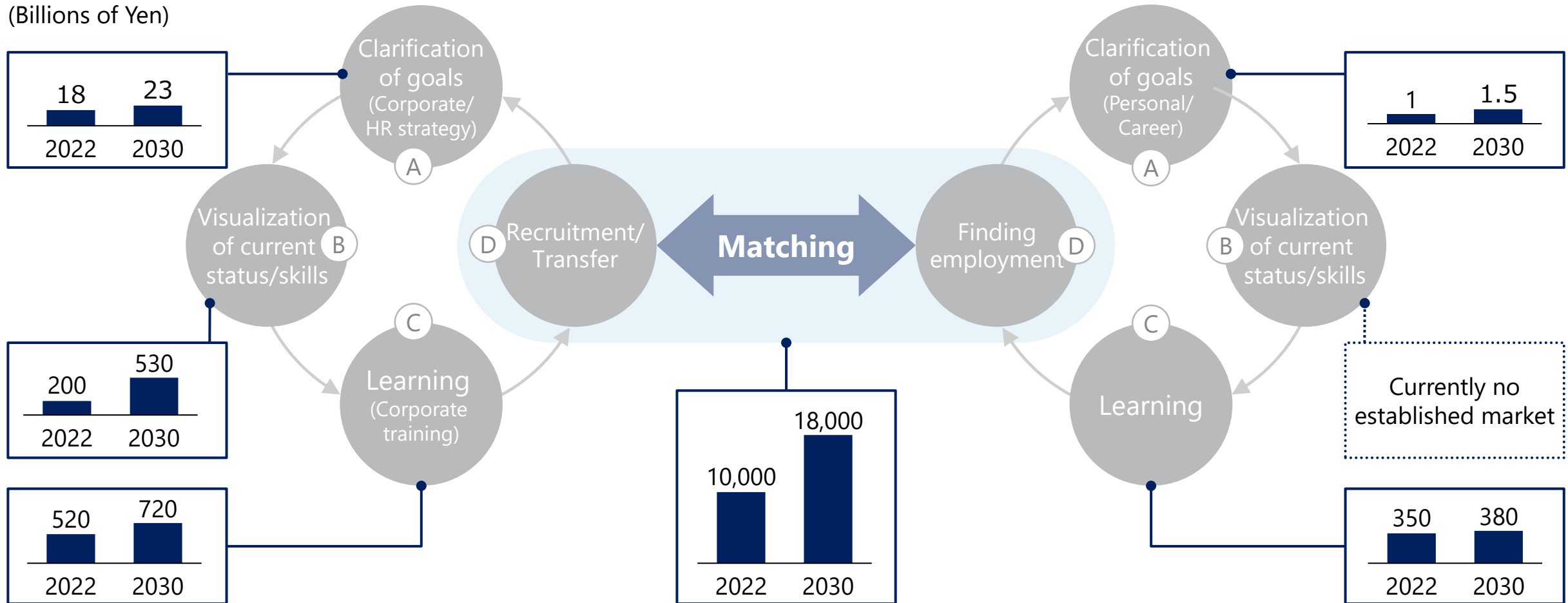
# Market outlook for 2030

- **All markets are expected to expand significantly toward 2030** in response to changes in society and demands from public and private sectors.

## 1 Companies (To B)

## Individuals (To C) 2

(Billions of Yen)



Currently no established market

A in ToB business is the HR/strategic consulting market, B is the talent management/assessment market, and C is the corporate training market.

A in ToC business is the career coaching market, and C is the personal learning market.

D (Matching) in ToB and ToC businesses is the temporary staffing, placement and crowdsourcing market (total for all industries).

# Process of reskilling support business's expansion

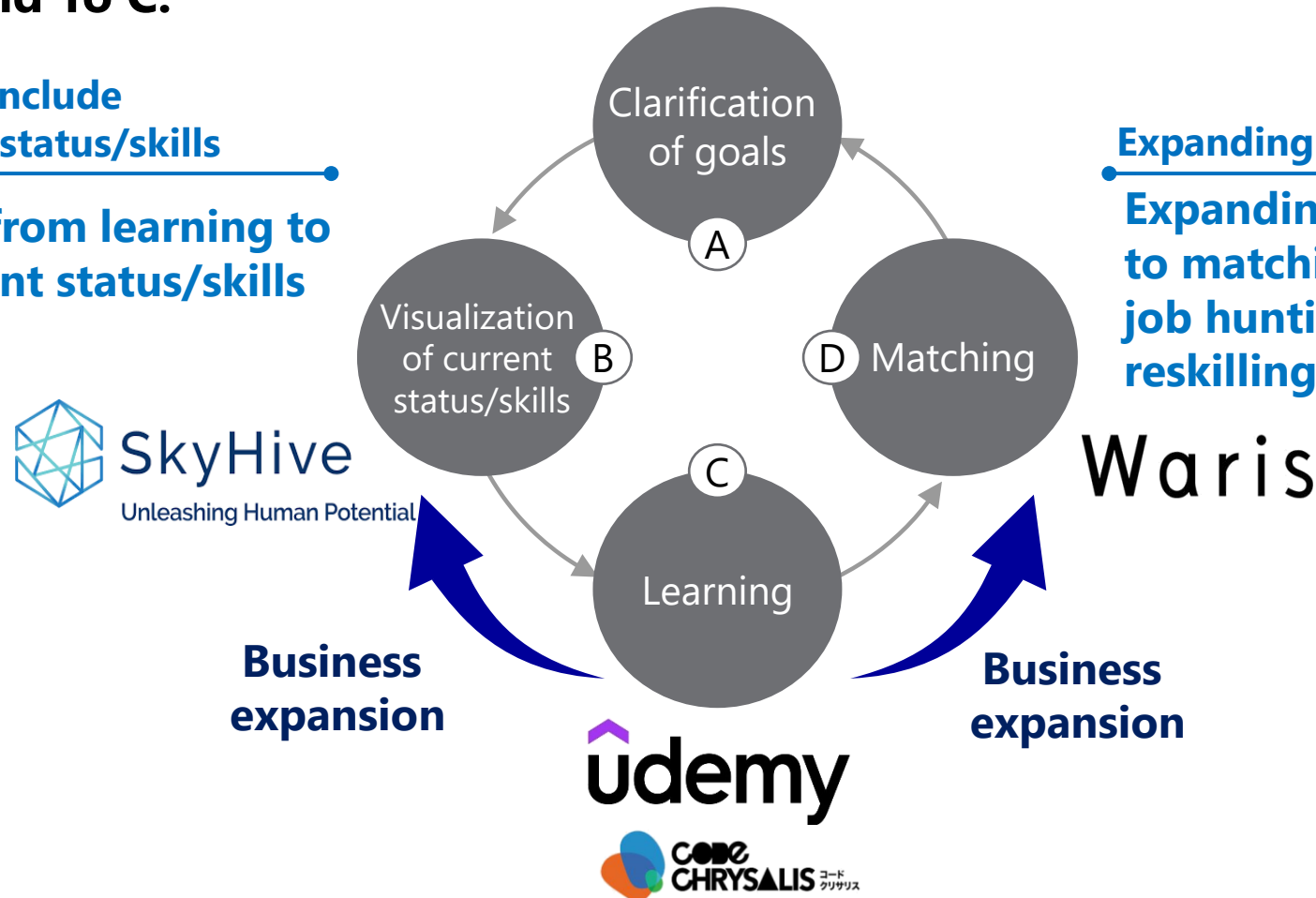
- **Starting with learning** centered on (C) Udemy, we will expand business by investing in (B) SkyHive and making (D) Waris a subsidiary.
- Our aim is to build a business model capable of providing **comprehensive support for reskilling both in To B and To C.**

Expanding business to include visualization of current status/skills

Expanding business from learning to visualization of current status/skills

Expanding business to include matching

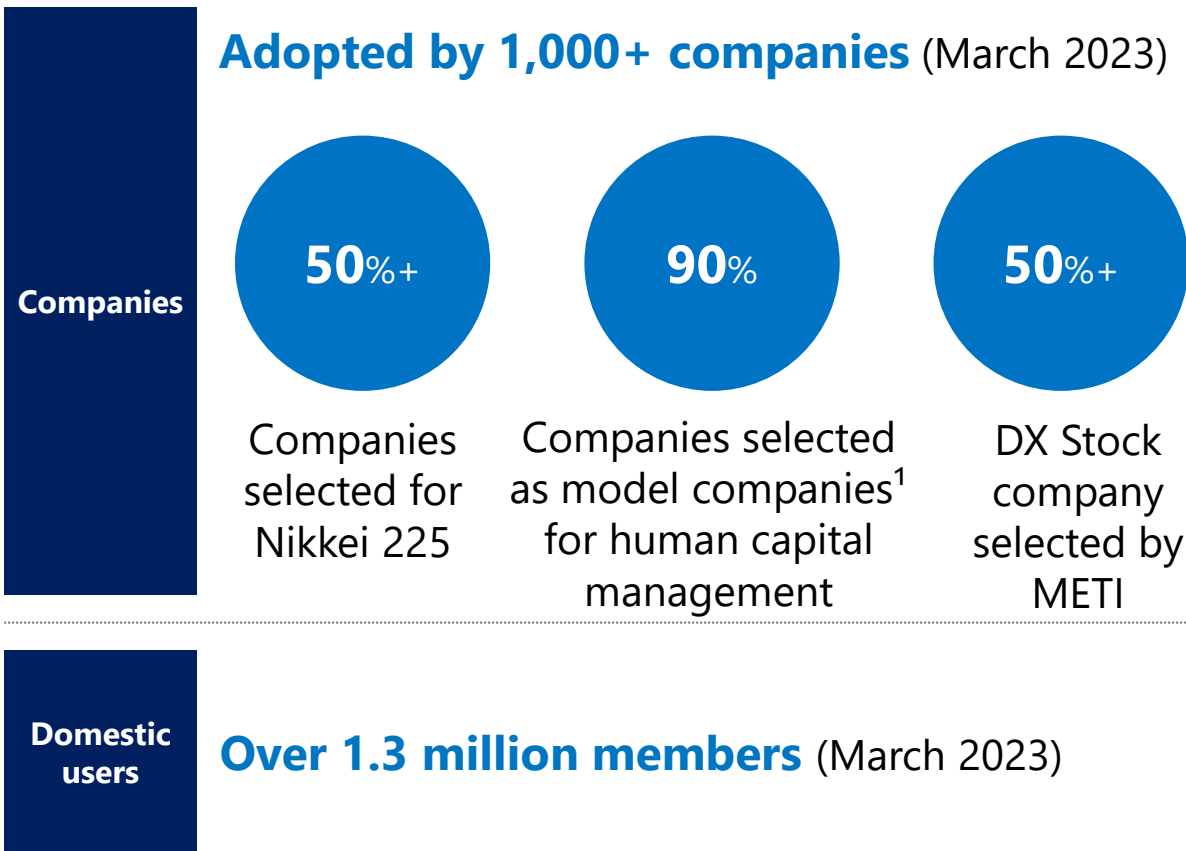
Expanding business beyond learning to matching (recruiting, transferring, job hunting, changing jobs) through reskilling



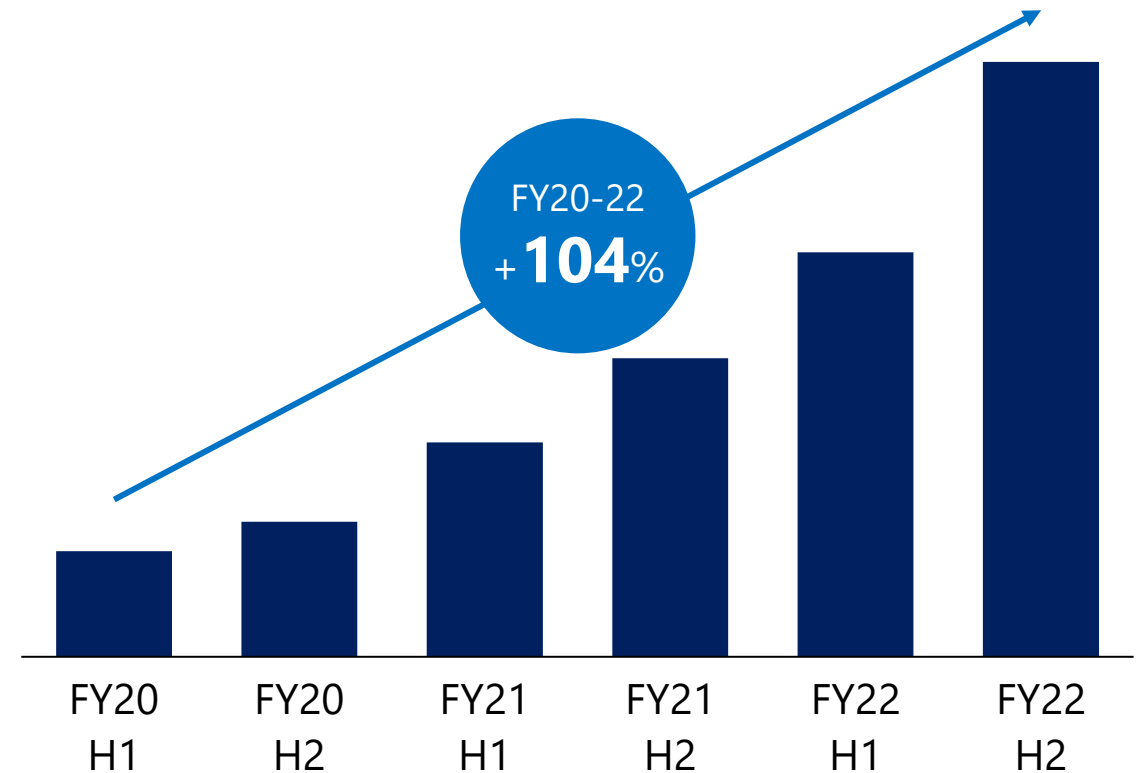
# Udemy's customer base and sales trends

- Udemy has been adopted by **over 1,000 companies** and has **over 1.3 million individual members**.
- Sales growth has been strong and steady with **triple-digit growth** in the last three years.

## Udemy's customer base



## Udemy's sales trends



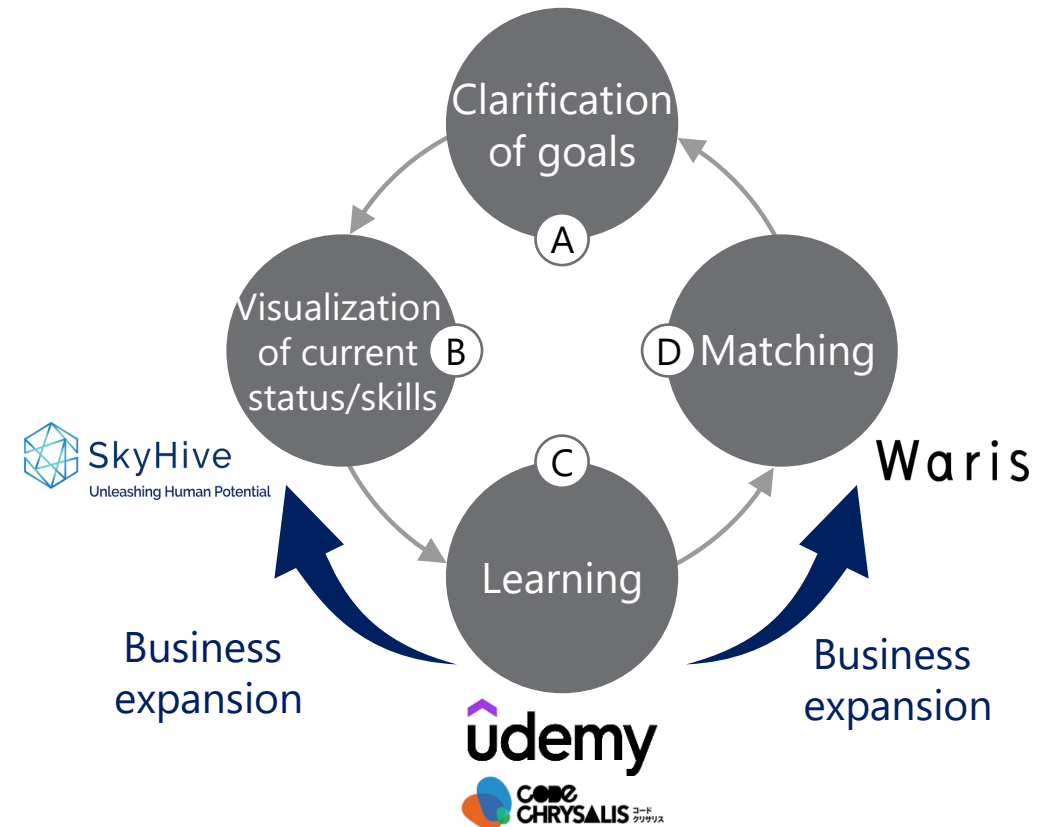
1. Nineteen companies in METI's "Report of the Study Group on Improvement of Sustainable Corporate Value and Human Capital."

# Leveraging Benesse's customer base

- Benesse has a broad customer base of high school students, university students, and working adults. Leveraging this customer base, Benesse is working to (B) visualize current status/skills through SkyHive and provide various types of (C) learning and (D) matching services.

## Benesse's customer base

<b>High school students</b>		Boasting approx. 1 million UU log-ins by members. <ul style="list-style-type: none"> <li>• Capable of reaching almost all high school students.</li> </ul>
<b>University students</b>		Job hunting support service for new graduates. Approx. 970,000 members.
<b>Working adults</b>		Used by 75% of first-time mothers.
		Media providing lifestyle information, with magazines of 1.64 million circulation (as of 2021) and website of 6.41 million visitors per month.



- We also provide **reskilling support in collaboration with the government through Udemy**. Further growth will be achieved with as a tailwind of the **government's ¥1 trillion investment**.

## Overview of Udemy's support for government

<b>1</b> <b>Company reskilling</b>	<b>For local companies</b> Government implements projects to support DX in SMEs. <ul style="list-style-type: none"> <li>• Tokyo, Saitama, Tottori prefectures, etc.</li> </ul>
	<b>For government personnel</b> Develop government personnel into DX human resources. <ul style="list-style-type: none"> <li>• Mie prefecture</li> </ul>

<b>2</b> <b>Personal reskilling</b>	Government pays for individual learning and supports job seekers' learning. <ul style="list-style-type: none"> <li>• Nara* and Tottori prefectures</li> </ul>
--	---

\* Executed in FY2022.

## Specific example

**Tokyo's DX Human Resources Reskilling Support Project**

- Developing DX human resource in 250 SMEs through Udemy.

**Nara Prefecture's\* Employment-based Recurrent Education Program**

- Paying salaries from subsidies to support job changes.
- Supporting job hunting with reskilling.

- Benesse leads support of reskilling activities in municipalities by establishing and operating National Municipal Reskilling Network of 45 municipalities across Japan that promotes the exchange of information among municipalities and the provision of information from experts.

## Outline of initiatives

### Benesse acts as a hub to establish National Municipal Reskilling Network to expand knowledge of reskilling in municipalities.

- Operation of an information sharing platform
  - Sharing examples of advanced municipalities and case studies.
  - Sharing information and best practices from experts.
  - Operating subcommittees based on themes.  
(DX promotion in local companies, government personnel development, and individual reskilling)

### Kick-off event held on May 10th

- Out of 45\* municipalities who announced participation in network, 14 participated in the event.



## Background of establishment

### Growing need for DX human resource development

- Needs for DX are expanding due to staff shortages and changes in the external environment.
- Increasing number of municipalities engaged in reskilling.

### Municipalities facing challenges in gathering information and sharing knowledge

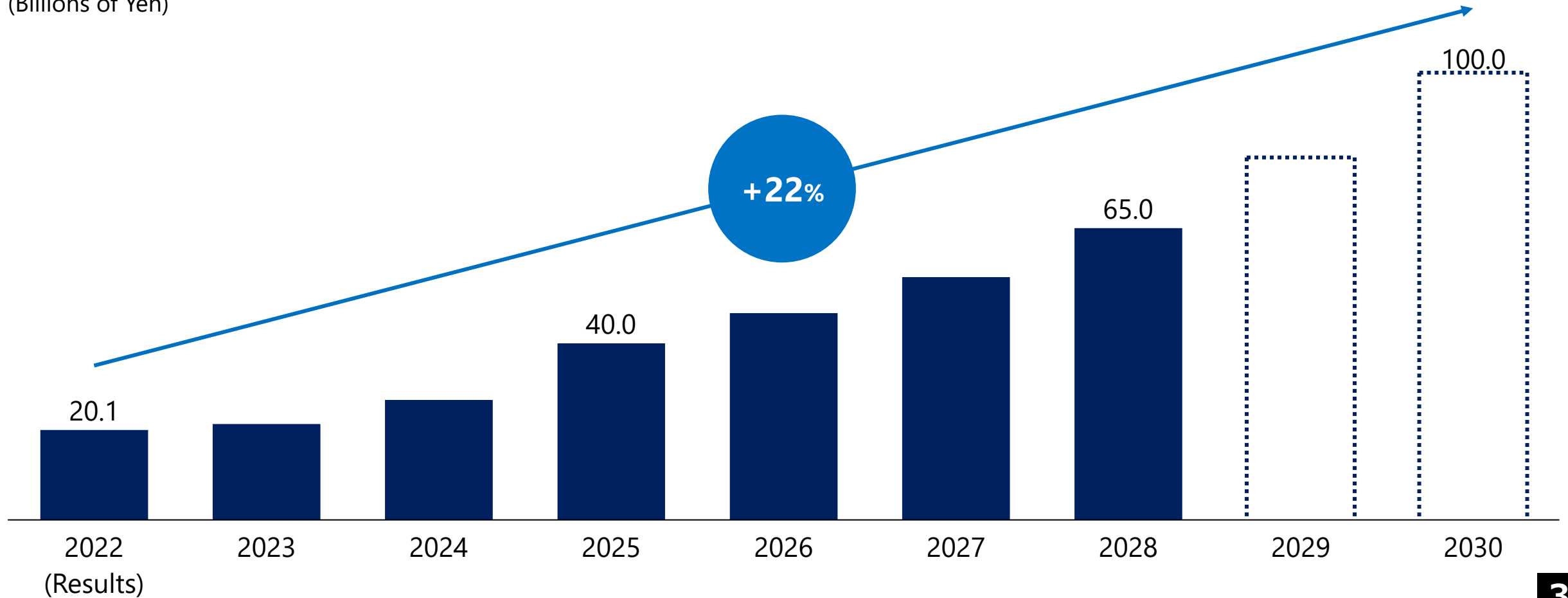
While many want to refer to prior examples, the lack of a place for exchanging information is an issue.

\*As of May 10, 2023

- We aim for **sales of ¥100bn in 2030** from current sales of ¥20.1bn.

## Sales plan for University and Working Adult Business

(Billions of Yen)



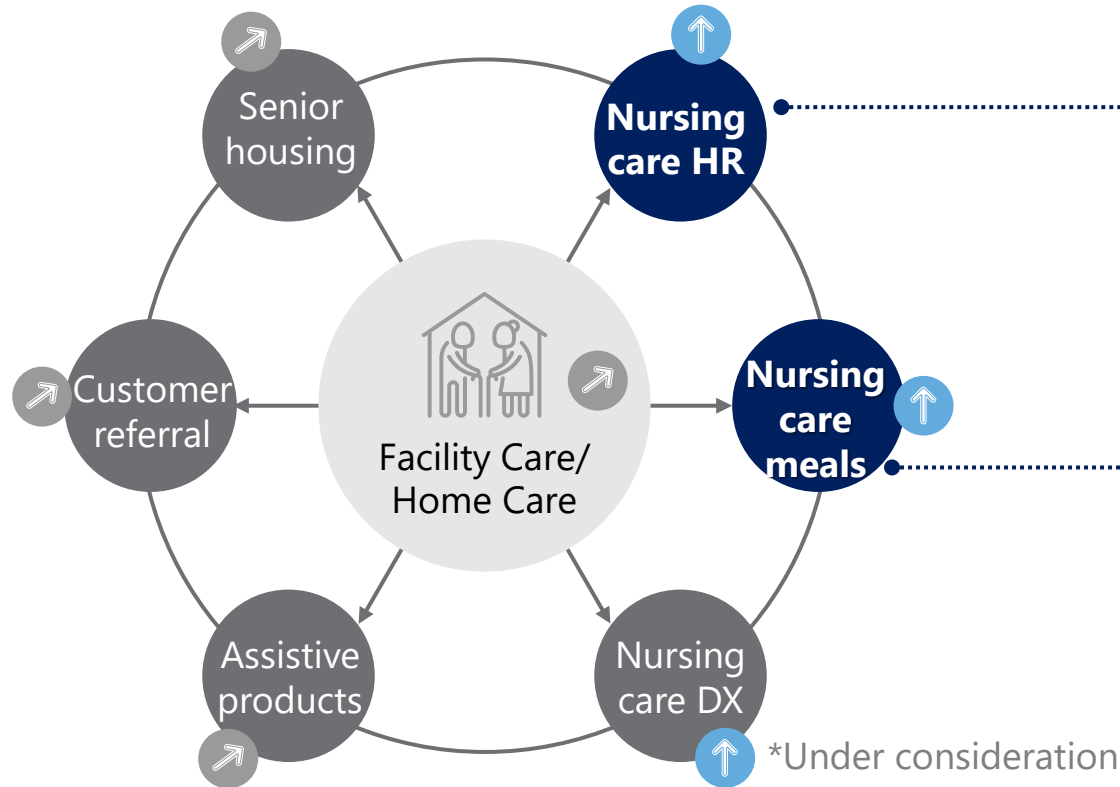
**Challenges for new growth: Nursing care peripheral**



# Growth direction of nursing care peripheral fields

- We will develop a diverse nursing care peripheral businesses centered on facility-based care.
- We will achieve further growth by focusing on **nursing care HR** and **nursing care meals**, which have **attractive market conditions** that allow us to leverage **our strengths**.

↑ : Market growth rate over 5%<sup>1</sup>
↗ : Market growth rate below 5%<sup>1</sup>



## A Nursing care HR business

- High market growth rate (5%)<sup>1</sup>
  - Opportunity in attractive matching of job seekers and care providers as demand for human resources increases.
- Strengths in knowledge cultivated through existing HR business and deep customer understanding.

## B Nursing care meals business

- High market growth rate (10%)<sup>1</sup>
  - Opportunity in prepared nursing care meals to make up for shortage of cooks.
- Strengths in difficult-to-imitate cooking techniques for delicious and safe food, honed through the provision of meals to patients at our own facilities.
  - 5,000 meals/day (8 year track record)

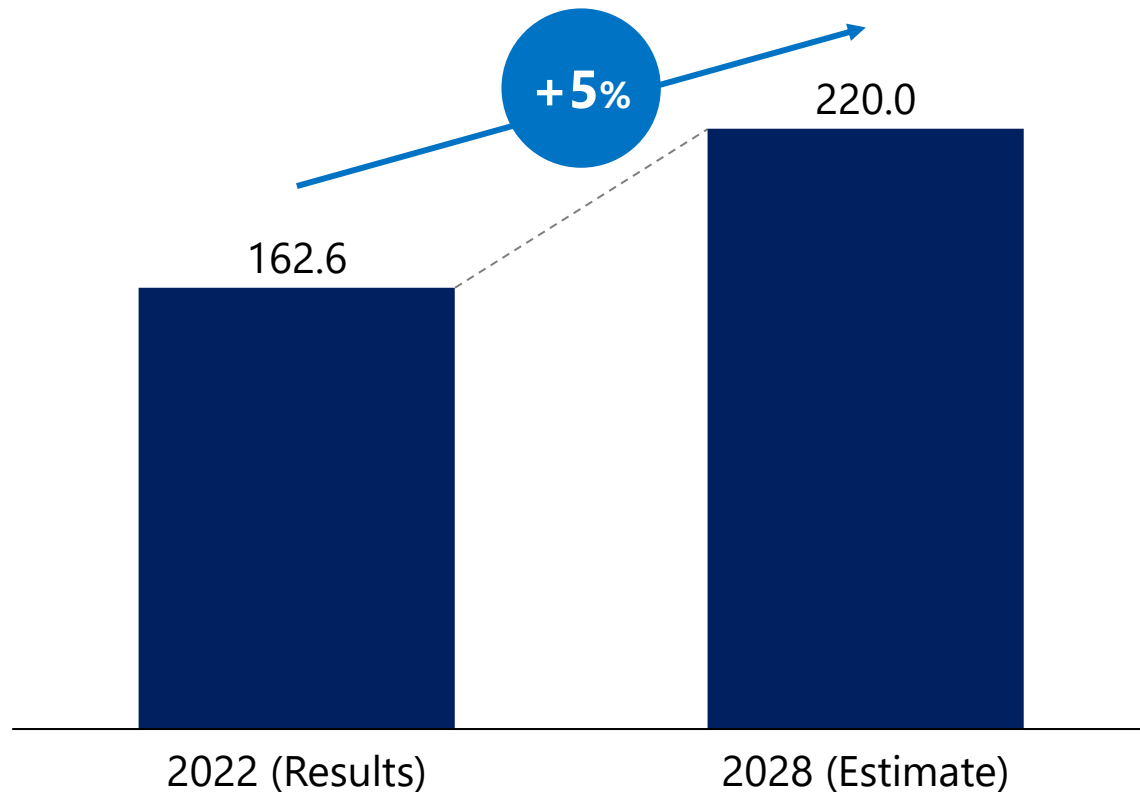
1. All market growth rates are forecasts for 2022 to 2028.

# A Approach to Nursing care HR business strategy

- Our aim is further business expansion based on a **deep understanding of customers** cultivated through the facility business and **knowledge gained from the existing nursing care HR business.**

## Scale of nursing care HR market<sup>1</sup>

(Billions of Yen)



## Outline of initiatives

We will pioneer the nursing care HR market by providing a variety of systems to meet diverse employment and work needs.

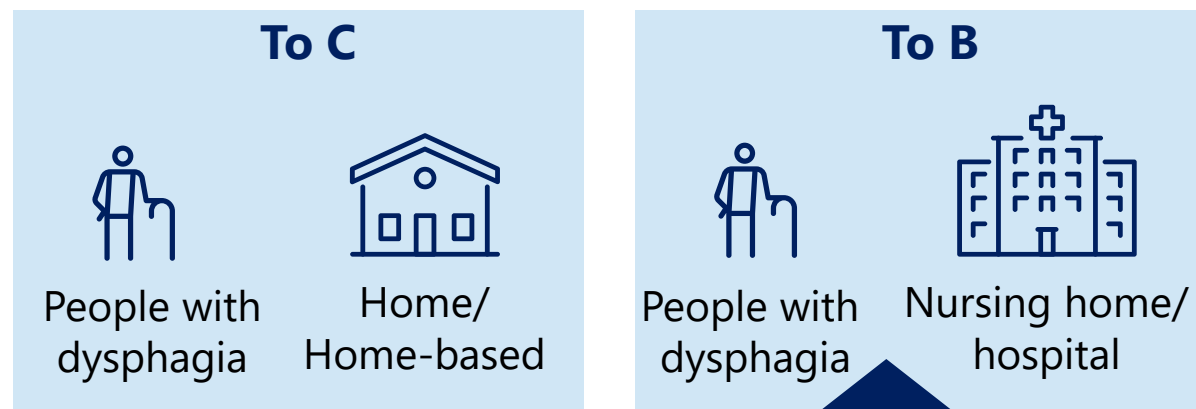
Existing businesses	Temporary staffing	Business expansion at Benesse MCM <ul style="list-style-type: none"><li>• Expanding business through geographic expansion.</li></ul>
	Personnel placement	Implementation at Heart Medical Care <ul style="list-style-type: none"><li>• Utilization of Nursing Care Antenna (110,000 registered users).</li></ul>
	Media business	Ad posting business conducted by Heart Medical Care <ul style="list-style-type: none"><li>• Expansion of Nursing Care Recruitment Navi.</li><li>• Expansion of municipalities issuing Heart Pages.</li></ul>
New businesses		Plans to work on new HR projects to meet more diverse needs of workers and employers.

1. The figures for nursing care HR market are calculated based on the number of people requiring nursing care services.

# B Approach to Nursing care meals business strategy

- We will expand the prepared nursing care meals business in a **B2B format** to meet growing needs due to the **increasing population of seniors** over 85 years old and **labor shortages**.

## Outline of initiatives



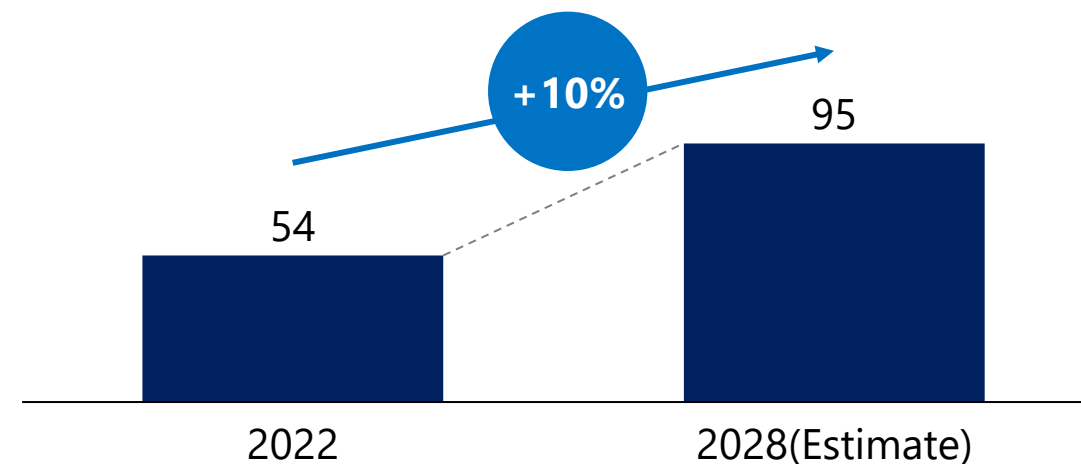
### Benesse Palette provides nursing care meals

- Nursing care facilities are shifting from on-site cooking to factory cooking (prepared nursing care meals) due to staff shortages.

## To B: Scale of prepared nursing care meals market<sup>1</sup>

(Billions of Yen)

- Population of seniors over 85 will reach 8.31 million in 2030.
- As a result, the number of people with dysphagia who need nursing care meals will increase.



1. The market for prepared nursing care meals is an estimated value calculated by taking into account the shift from on-site preparation to factory preparation, in addition to the increase in the need for nursing care meals.

- We will develop into the market by delivering products that enable **enjoyment of eating** and **high level of safety** that only Benesse can provide.

## Benesse's nursing care meals

Soft food



Pureed food



## Strength of our products

### Palatable

- Excellent flavor and appearance that makes eating enjoyable.
  - Prepared foods, not ingredients, are pureed
- Full lineup of 120 items.
  - Competitors offer 90 items at most.

### Safe

- Reducing aspiration risk with our unique know-how.
  - Individual adjustment for each dish to prevent water separation.
- Physical properties (hardness, etc.) in compliance with industry standard UDF<sup>1</sup>.

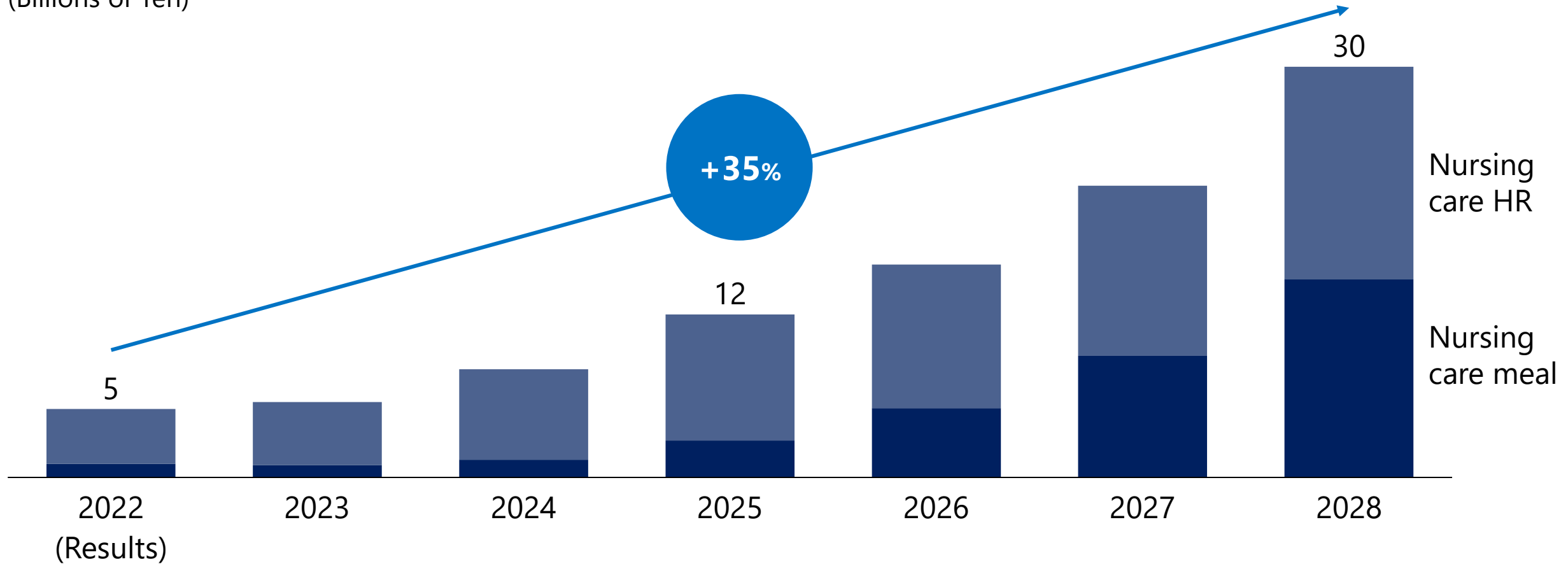
1. UDF (Universal Design Food) is a voluntary standard for commercial nursing food established in 2003 by the Japan Care Food Conference, an industry organization.

# Business plan figures for nursing care peripheral businesses

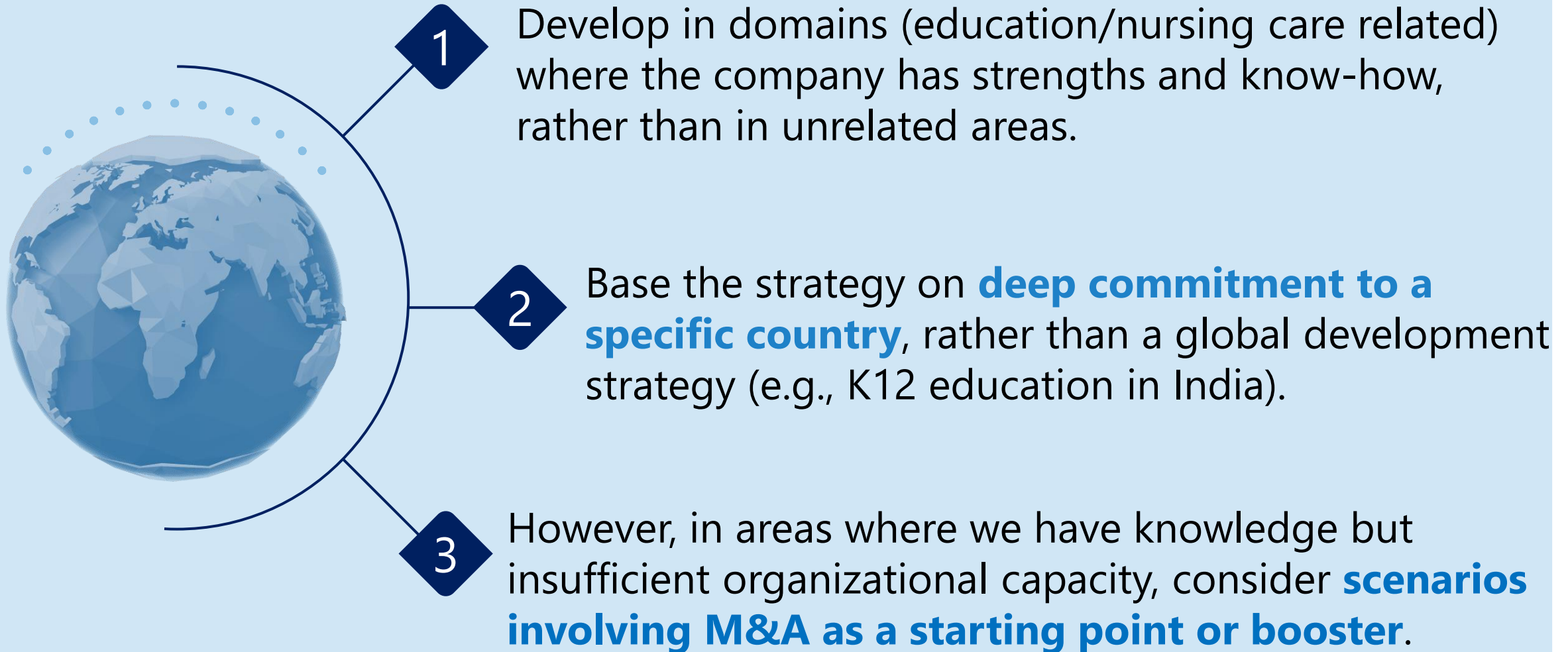
- We aim for **sales of ¥30bn by 2028** through expansion of nursing care HR and nursing care meal businesses.

## Sales plan

(Billions of Yen)



# Challenges for new growth: Overseas



- We established a local subsidiary in India in March last year and began a school education support business.

## India's appeal

### Vast student population and rapid market growth

⇒ Approx. 300 million students in elementary through high school. Yearly growth of school education market 10%+.

### Foreign investment unrestricted, no need for licenses

⇒ Educational publishing, IT/internet business also possible with own capital.

### Education and entrance exam system similar to Japan's

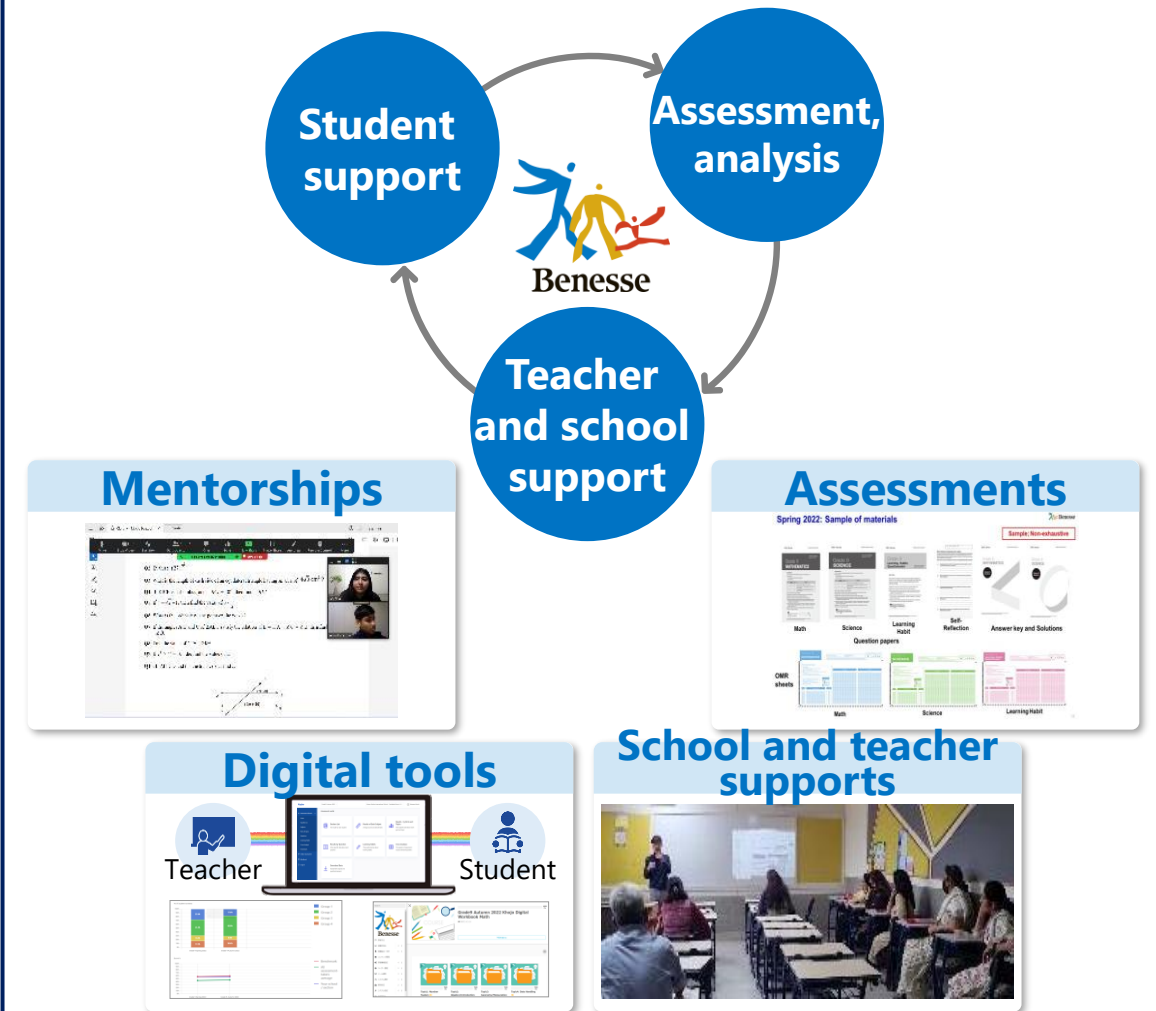
⇒ Benesse's know-how and strengths easy to utilize.

## Opportunities from changes in conditions

In 2020, the Indian government announced the **National Education Policy 2020**, the first major education reform in 34 Years.

- Reinforce "school-centered learning."
- Shift from knowledge-based education to **thinking ability-focused** education.
- Raise **university enrollment rate** from **26% to 50%**.
- Introduce **Common University Entrance Test around 2025**.
- Introduce the National Achievement Survey.

## Business overview





# [School education support business in India]

## Activities in the first year of establishment of local subsidiary

- We provided paid services to 20 schools in Delhi suburbs in the first year of establishment.

### New customer development



### Japanese Company to Work with Indian Schools



Benesse, Japan's leading education company, has entered the Indian education space. It organised a conference themed as 'Future of education and'

Speaking at the occasion on how to envisage working with schools, Mr. Hemant Joshi, Executive Director, Benesse India said, "One of our first offerings

### Assessment

to S

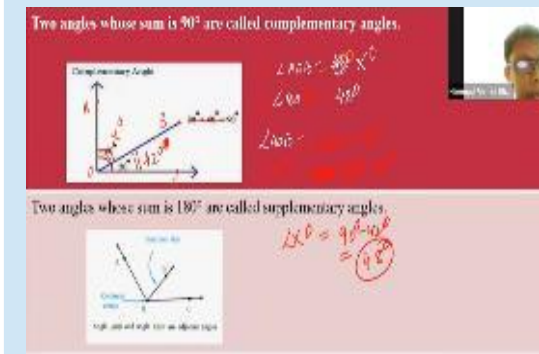


### Analysis session and teacher support



### Mentorship service

to C



## Priority activities for this year and the next



1. Refine customer value of assessment and produce (initial) customer success stories.



2. Expand customer base of assessment. (region/target grades/subjects)



3. Expand mentorships.



4. Launch products compatible with the Common University Entrance Test (CUET).



5. Strengthen organization and develop partners to scale up.

## Our vision

 パーパス・存在意義 (Ver.2.0) 

インドの学校が変わることは、  
インドの未来が変わること

歴史的な変革期を迎えるインドの教育において、  
学校が再び、生徒の学びの中心になることが期待されている

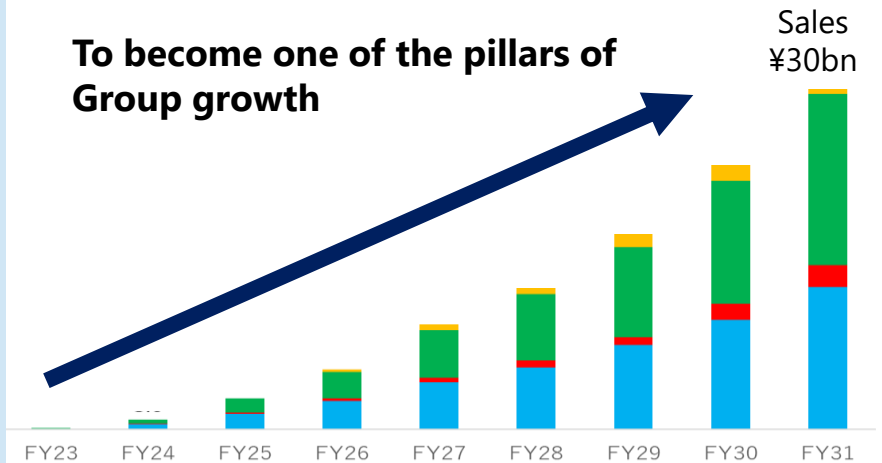
子供たちの成長や未来を想う学校・教員の皆様が  
憂いなくより良い指導の実現に向き合え、

そしてその生徒たちが、学校を軸とした学びを通して  
自分を理解し、進路を描き、成長を実感し、自らの可能性を拓いていける

そんな社会の実現に、“最も信頼できるパートナー”として貢献したい

**To become the most trusted partner**

**To become one of the pillars of  
Group growth**



1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan**
4. Financial and non-financial targets
5. Future strengthening of engagement

## [III] Transformation of management systems to achieve the plan

- To achieve portfolio transformation set forth in the Transformation Business Plan, we will establish, through management and corporate transformation, a system in which top management and CXO can drive execution.

### **Key points in portfolio transformation**

1. Strengthening resources and optimizing their allocation from a company-wide, medium- to long-term perspective.
2. Management decision-making based on appropriate evaluation of ROI of key measures in core businesses and business potential of low-profit businesses.
3. 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.

1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan
- 4. Financial and non-financial targets**
5. Future strengthening of engagement

# [Financial target (1)] November 2020 medium-term management plan vs. the Transformation Business Plan

## Current medium-term management plan

No.	Financial KPI	Timeframe	Numerical target
①	Net sales Operating income	FY25	¥500bn+ ¥40bn+
②	Operating income ratio	FY25	8%+
③	ROE	FY23 (Pulled in from FY25)	10%+
④	Net sales Organic growth rate	FY23-25	3%+
⑤	Operating income growth Contribution from inorganic means and new fields	FY23-25	20%+

## Transformation Business Plan

No.	Financial KPI	Timeframe	Numerical target
①	Operating income*	FY25	¥32bn+
②	ROE	FY25	10%+
③	Sales growth in new fields	FY22-25	Double FY22 sales as of FY25

**Portfolio structure vision for FY28:**  
**Well-balanced profit generation from three pillars: Core Education, Core nursing care, and new fields\***

\* Goodwill from future M&As are excluded.

# [Financial target (2)] Portfolio structure vision for FY28

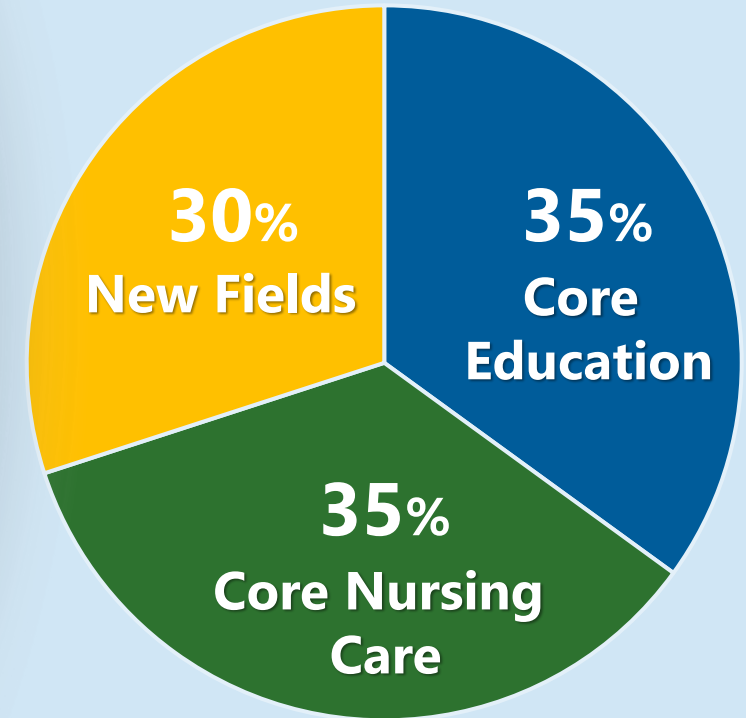
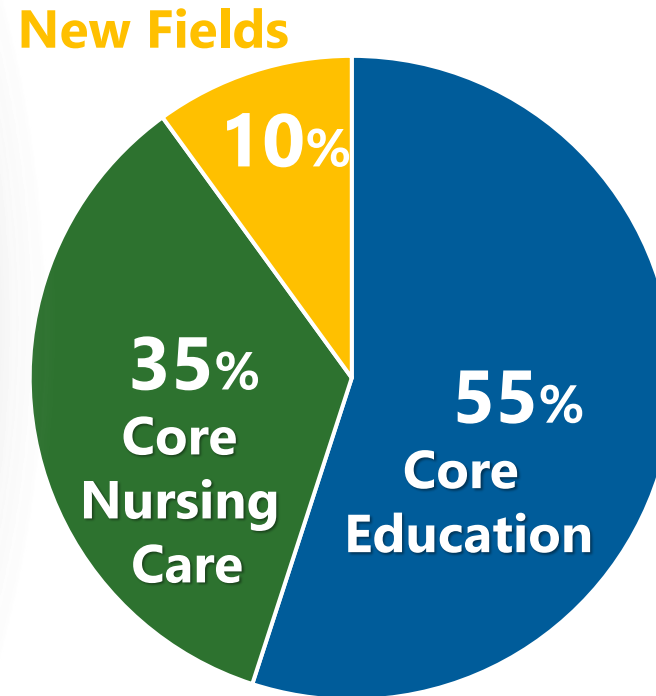
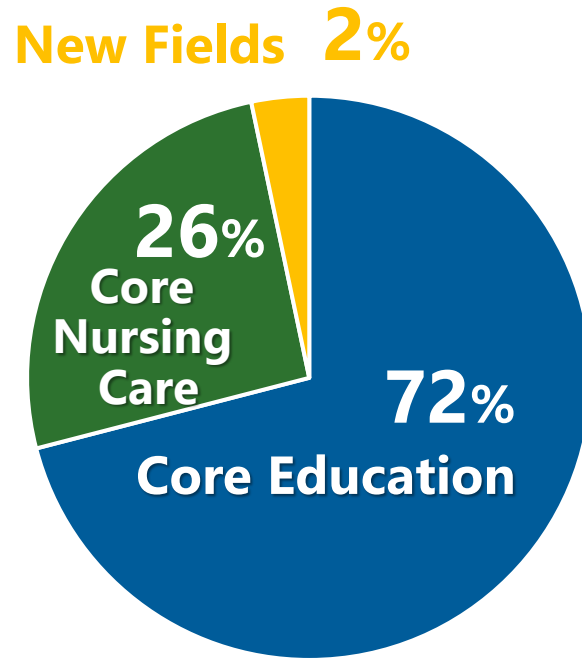
(Operating income for FY22-25-28)

- We aim for well-balanced profit generation from three pillars of operating income.

FY2022

FY2025

FY2028



# [Financial target (3)] 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 (FY23-25)

3-yr. cumulative cash position in FY23~25 : approx. ¥124bn

### Use 1: Core business transformation

#### Business investment

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

(Approx.) **¥50bn**

### Use 2: New field growth

#### Business investment

(M&A, CAPEX, etc.)

(Approx.) **¥53bn**

### 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 (FY23-25)

Percentage of total

Core Education	30%
Core Nursing Care	20%
New Fields	50%
	100%



# [Priority KPI by business field]

- To achieve the Transformation Business Plan, we will set priority KPIs for each business field according to the targeted status.

[Business fields]	[Targeted status]	[Priority KPI]
Core Education	Stable profits	<ul style="list-style-type: none"><li>■ Change from <b>quantitative indicators</b> (enrollment numbers, etc.) to <b>qualitative indicators</b> ⇒ Consider leading indicators (customer satisfaction, NPS, duration of continuous use, degree of learning, etc.)</li></ul>
Core Nursing Care	Stable growth	<ul style="list-style-type: none"><li>■ Add <b>qualitative indicators</b> to <b>quantitative indicators</b> ⇒ <b>Occupancy rate</b>: 96% at end of FY24 (Leading indicators: number of requests for materials, number of tours) ⇒ Also consider NPS and other indicators</li></ul>
New Fields	Growth driver	<ul style="list-style-type: none"><li>● Focus on <b>quantitative indicators</b> ⇒ <b>Sales</b> (Double FY22 sales by FY25, etc.)</li></ul>

1. Background and Positioning of the Transformation Business Plan
2. Goals of the Transformation Business Plan
3. Contents of the Transformation Business Plan
  - I. Overall structure of the Transformation Business Plan
  - II. Portfolio transformation
    - (1) Portfolio strategy
    - (2) Transformation of core businesses
    - (3) Challenges for new growth
  - III. Transformation of management systems to achieve the plan
4. Financial and non-financial targets
- 5. Future strengthening of engagement**

## IR events for FY23

### **Business briefings sessions by segment**

- Conducted in the Nursing Care Business in FY22

### **2nd ESG briefing session**

