

# CSO MESSAGE

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



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## Key points of the Transformation Business Plan

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

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

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

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

## Approach to the structural reform of the portfolio

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

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

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

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

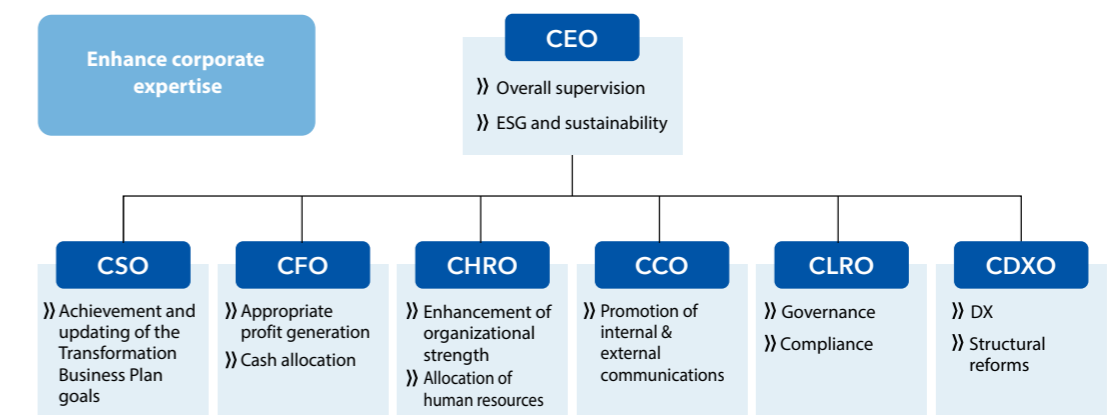
### Key points in portfolio transformation

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

### Management and corporate transformation

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

### Enhancement of the CXO system Rebuilding the CXO system and clarifying the CXOs' missions and KPIs



Enhance cross-organizational cooperation for speedier implementation

#### Establishment of the Transformation Management Committee

- Participants: All CXOs
- Purpose: Promote discussion for the CXOs to share issues and information for closer cooperation and optimal decision making
- Frequency: Every week

Increase the precision of progress monitoring

#### Organization of the CXO Monitoring Meeting (monthly)

- Held immediately after the end of the monthly Company Management Committee meeting for the CXOs to discuss necessary corporate support in reference to the business progress report made at the committee meeting

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

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

**For the stable growth of the Core Nursing Care business**

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

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

**For the acceleration of growth in New Fields**

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

**University and Working Adult Business**

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

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

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

**Nursing Care Peripheral Business**

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



**Overseas Business**

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

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

