

Part 2

How We Create Value



At a Glance

Benesse Group Businesses That Support Every Stage of People's Lives in an Age of 100-Year Longevity

Education Business in Japan

Correspondence courses

進研ゼミ
ベネッセのオンラインならいごと
チャレンジスクール
EVERES
エベレス

Prep schools and classrooms

東京個別指導学院 研伸館 開進館 個別館 Benesse お茶の水ゼミナール
鉄緑会 ベネッセの英語教室 BE studio ベネッセサイエンス教室 ベネッセ文章表現教室

School and teacher support

進研模試 スタディーサポート 進路マップ GTEC Junior GTEC Classi ICTサポート
ベネッセの義務教育向けICTソフト Literas 論理言語力検定 プラス+ EDUCOM マネージャー Route H 海外トップ大進学塾

University and working adult

マナビジョン dodu キャブパス dodu 新卒エージェント GPS-Academic Global Proficiency Skills program GPS-Business Global Proficiency Skills program
Udemy Udemy business STUDY HACKER ENGLISH COMPANY ベネッセ 海外留学センター Benesse Study Abroad Center GLOBAL LEARNING CENTER

Kids & Family

たまひよ こどもちゃれんじ こどもちゃれんじ English Worldwide Kids
乐智小天地 巧連智 サンキュ! いぬのきもち ねこのきもち

Nursing Care and Childcare

アリア くらら グラニー&グランダ まどか ボンセジュール ここち
リレ ベネッセのおうちごはん ベネッセの介護相談室 看護師・介護士 お仕事サポート ハートページ
介護求人ナビ ベネッセの保育園 ベネッセの学童クラブ

Features of Each Business

We offer Shinken Zemi—correspondence teaching materials for home study—which are targeted at elementary, junior high and high school student enrollments, and are attuned to students' stages of development. For Shinken Zemi, we are moving forward with the digitization of our teaching materials. Combined with digital and paper teaching materials and the support of people who utilize educational knowledge cultivated over many years, such as corrections and guidance by Red Pen Teachers, we are continuing to work on the development of products and services that can respond to the needs of our increasingly diverse and unique enrollment with meticulous care.

Major business companies: Benesse Corporation

In addition to unique prep schools such as Tokyo Individualized Educational Institute, which is geared toward elementary, junior high and high school students, and Tetsuryokukai, which is for prospective the University of Tokyo applicants, we are expanding our BE studio English classrooms. We provide each student with careful guidance in accordance with their goals and level of understanding, both in-person and online, and have earned a solid reputation among students and parents.

Major business companies: Tokyo Individualized Educational Institute, Tokyo Educational Institute (Tetsuryokukai), UP, Ochanomizu Seminar, Benesse BE studio

Our offerings include Shinken Simulated Exams, which are mock university entrance exams for high school students, as well as Study Support, materials for learning and deciding on a path after graduation, which are intended to assist students in choosing their optimal path. We have business deals with approximately 90% of high schools nationwide. In addition, in response to the GIGA School Program, we are offering paid Mirai Seed tablet learning software to approximately 9,000 schools out of 30,000 elementary and junior high schools nationwide.

Major business companies: Benesse Corporation, Classi

We conduct services for university students and working adults which include our education business, study abroad support, and employment support. In particular, UdeMy—an online education service which mutually meets the needs of people who want to teach and people who want to learn—has expanded, and it has been adopted by over 800 companies in Japan as of the end of June 2022. Furthermore, we are aiming to make inroads into corporate-targeted services such as employee training, acquisition of qualifications, and assessment, as well as the inbound-targeted educational services sector.

Major business companies: Benesse Corporation, Shinken-AD, Benesse i-Career

We have leveraged our expertise in education for young children to offer Kodomo Challenge, correspondence courses aimed at preschoolers, in countries and regions that include Japan, China, and Taiwan. As of April 2022, Kodomo Challenge has 750,000 enrollments in Japan and 1,050,000 enrollments overseas. In addition, we are developing publishing and online sales businesses which offer useful lifestyle information on topics such as pregnancy, childbirth, parenting, day-to-day life, and pets.

Major business companies: Benesse Corporation, Benesse Corporation China

We operate businesses including the management of nursing homes and housing for the elderly, as well as the home help services, operation of daycare and afterschool childcare centers. As for nursing homes and housing for the elderly, we have established 343 facilities as of the end of March 2022, primarily in urban residential areas. Based on a guiding principle of "placing importance on deep respect for people's individuality," we have developed seven series with different price ranges and services to match the lifestyles of residents.

Major business companies: Benesse Style Care, Benesse MCM, Benesse Palette

Net sales / Operating income

	Net sales (billions of yen)		Operating income (billions of yen)	
	FY2020	FY2021	FY2020	FY2021
Education Business in Japan	204.4	212.1	11.9	19.0
Kids & Family Business	71.8	71.2	2.0	1.7
Nursing Care and Childcare Business	123.8	127.3	10.3	8.0
Berlitz Business	26.4	20.0	(6.7)	(2.7)

Note: Benesse Holdings divested its entire shareholding in Berlitz Corporation on February 14, 2022. For this reason, in fiscal 2021, Berlitz Corporation is only included in the cumulative consolidated results for the period up to the end of the third quarter.

Review of fiscal 2021

Education Business in Japan

Shinken Zemi had decreased revenue due to a decline in the total number of enrollments. On the other hand, through an increase in the number of customers in the prep school and classroom business and the number of orders in the school business, respectively, we made a steady recovery from the impact of the COVID-19 pandemic, and our business as a whole showed increased revenue and profit.

Kids & Family Business

Though we had increased revenue due to factors such as price revisions to Kodomo Challenge in Japan, the positive effect of the exchange rate in China, and the recovery of our domestic concert business which suffered cancellations due to the impact of the COVID-19 pandemic, our revenue as a whole decreased due to factors such as decreased revenue for our mail-order sales business caused by the application of the revenue recognition standard and the decrease in total enrollment for Kodomo Challenge in Japan and China. In addition, profits decreased due to lower sales and higher expenses for product and service development.

Nursing Care and Childcare Business

We increased revenue by making Heart Medical Care Co., Ltd. into a consolidated subsidiary and through growing our customer base by increasing the number of locations. However, due to factors such as a decline in occupancy rate for existing homes caused by the prolonged impact of COVID-19, as well as the increased labor costs as a result of the expanded number of locations, we showed a decrease in profits.

Education Business in Japan



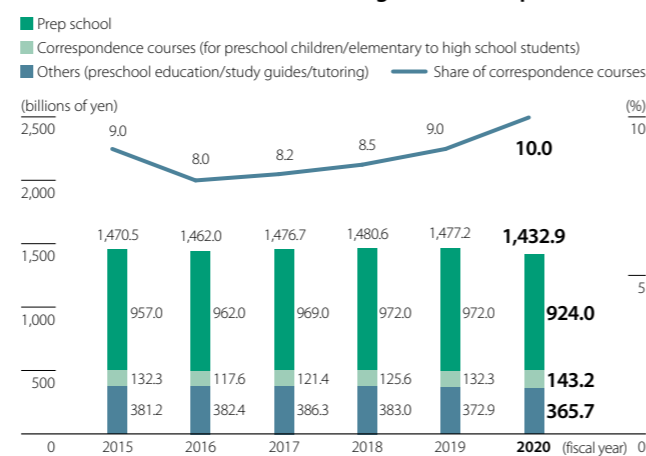
Market

The annual number of births in Japan peaked at two million in 1975, and has been on a downward trend ever since. In 2021, the number of births had decreased by about less than half of the peak level, at 0.81 million. Going forward, the number of children is expected to continue to decrease, with the annual number of births projected to decline by around 1.0% per year on average.

Although Japan's birthrate has continued to decline, the out-of-school learning market has remained flat in recent years. As for market scale in fiscal 2020, however, performance declined due to the impact of the spread of COVID-19 on prep schools and other out-of-school learning products, and the market shrank to 1.4329 trillion 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 in Yano Research Institute Ltd's "Education Industry 2021"

Business

Shinkenzeni Business

Business overview and future prospects

Focusing on providing new goods and services that improve people-reliant individual learning support and meet the need for diverse learning

Michiaki Yamamoto
 Managing Executive Officer,
 Head of the Out-of-School Learning Business Company of Benesse Corporation



Shinkenzeni possesses major advantages that other companies do not have, such as the learning history of about two million enrollments and a wealth of systematic content, as well as the ability and infrastructure to provide instruction and services via roughly 8,000 Red-Pen Teachers and about 1,500 coaches in charge at different schools. By combining these advantages—cultivated through many years of business development—with the individualization efforts that we have been focusing on in recent years by going digital, we will provide teaching

materials and programs according to each enrollment's interests and concerns, learning progress, and academic ability level. By doing so, we are working to increase the retention rate of enrollments and maintain and expand cumulative enrollments. However, school schedules were irregular in fiscal 2021 as a result of the prolonged COVID-19 pandemic. Due to factors such as restrictions on the time that children could spend on home learning, despite an increase in average spending per customer, the cumulative enrollments for the year decreased.

Based on these factors, we will continue to improve people-reliant individual learning support, and enhance our development and provision of goods and services which go beyond the realm of subject teaching and meet the need for diverse learning.

Opportunities and risks for businesses

Opportunities

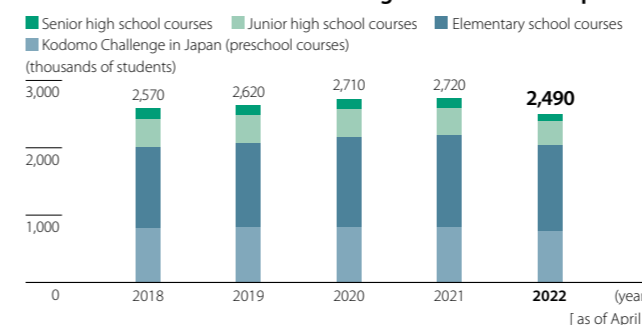
- Greater acceptance and demand for digital education
- Wider range of learning needs due to differing values and diversification of entrance exams

Risks

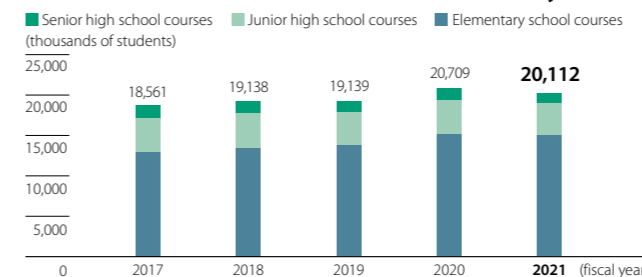
- Market contraction due to the decreasing birthrate
- Lower barriers to entry due to acceleration of educational DX and greater competition as a result

Related business data

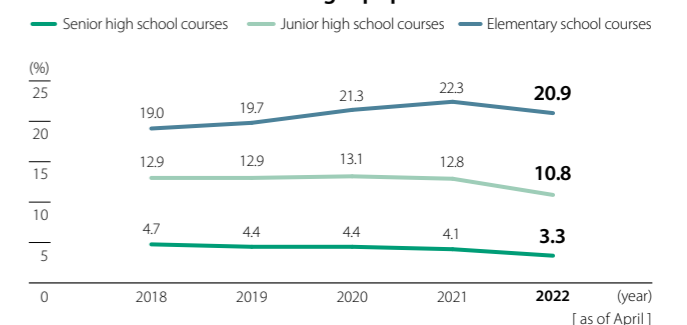
Shinkenzeni and Kodomo Challenge enrollments in April



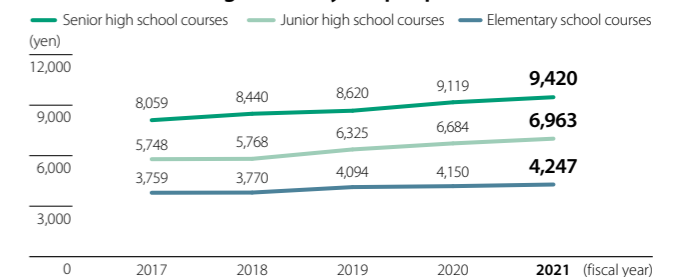
Cumulative enrollments in Shinkenzeni over a full year



Shinkenzeni share of the target population



Shinkenzeni average monthly fee per person



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

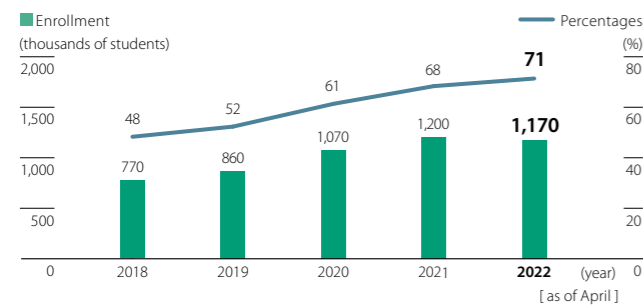
Education Business in Japan

Growth strategy

(1) Improved retention rates for digital course enrollments

As a result of becoming able to offer teaching materials which have dramatically improved at responding to individual learning progress and academic ability level by going digital, the retention rate of ShinkenZemi for highly motivated learners is steadily increasing. On the other hand, there are a certain number of students with unstable learning motivation and usage. In order to increase usage by customers whose use of ShinkenZemi is not steady, we detect signs of usage stagnation at an early stage from each person's learning history, encourage them via phone calls and other methods, and provide learning advice.

ShinkenZemi digital course enrollments and selection percentages



(2) Marketing reforms

Amidst the wide variety of digital and online products available on the market, which makes it difficult for customers to tell the difference between them, we are aiming to reform our marketing model to get customers to choose ShinkenZemi by experiencing the value of our products. We will establish several patterns for success, such as sending out products that can be held in customers' hands or providing places where they can be picked up, and reduce inefficient sales measures.

In addition, as more and more parents are concerned about their children's future and education, we are continuously distributing information to assuage their concerns and worries about career paths, education, and childrearing through our free support application for parents, Manabi no Techo. The number of customers who have downloaded the application has increased to 1.36 million, we will continue to further grow the trust and expectations of parents.

(3) Developing platform-type businesses to respond to diverse learning needs

We are working to develop platform-type businesses on the back of the increase in enrollments for ShinkenZemi digital courses. One of those businesses is the Challenge School, an online service which launched in April 2022. As of August 2022, we offer live lessons for two courses, dance and art, and we plan to continue to make our courses more substantial across a variety of genres, in collaboration with first-class partner companies.

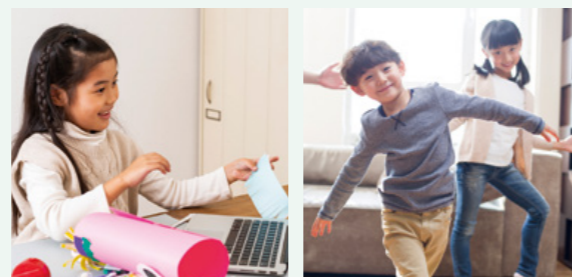
Topic

Challenge School, an online service where students can learn what they want to at home

In April 2022, Benesse Corporation launched Challenge School, which provides support for various types of children's learning.

Challenge School is an online course that pursues first-class instruction, a real feeling of growth, and a reduced burden on parents. Based on our expertise accumulated through digital learning and online classes centered around ShinkenZemi, we provide "authentic learning experiences," developed with partner companies that are experts in their respective fields. We set up nationally standardized tests and grade recognition, as well as recitals and other formal occasions where students can show off what they have learned, to provide support for their growth while attempting to boost their motivation. In addition to dance and art classes, starting in September 2022, we will offer classes for abacus, calligraphy, programming, and guidance counseling, and going forward, we will continue to expand the genres in which we offer courses.

We will expand the Challenge School—which differs from real classroom instruction in not imposing a transportation burden on parents and allowing students to learn easily at home, even in a household with working parents—to lead to growth for our ShinkenZemi and Kodomo Challenge businesses.



Students taking Challenge School art and dance classes

Business

School & Teacher Support Business

Business overview and future prospects

Speeding up initiatives toward digitalization and retaining our position as a reliable partner for public education

Hiroki Haruna

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

In the School and Teacher Support Business, we have set a goal of maintaining our position as a reliable partner for public education. We aspire to grow the business by speeding up initiatives toward digitalization and responding to individual challenges faced by schools and municipalities.

In 2021, with the introduction of PCs and tablets in the area of elementary and junior high schools due to the GIGA School Program, the number of schools that have adopted our tablet learning support

software, Mirai Seed, continued to grow.

In addition, in the high school area, where we do business with about 90% of the schools in Japan, while our performance in the previous fiscal year declined due to the impact of COVID-19, we realized a business recovery in fiscal 2021, centered around our traditional advantages such as our Shinken Simulated Exams and Study Support assessment services. In the future, we will work to maintain and improve our competitiveness by offering services that are more attuned to high schools' unique characteristics, such as assessment services and the Classi digital service, which provides total support for teachers, students and parents.



Opportunities and risks for businesses

Opportunities

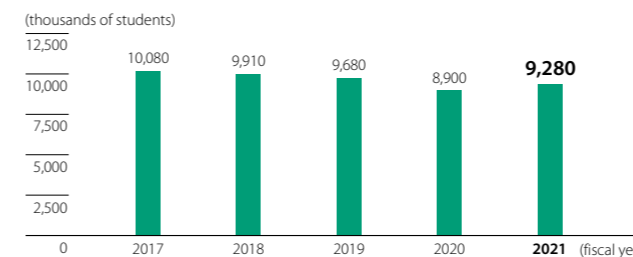
- Rising need for individualization due to the diversification of entrance examinations
- GIGA School Program and the use of ICT in school education

Risks

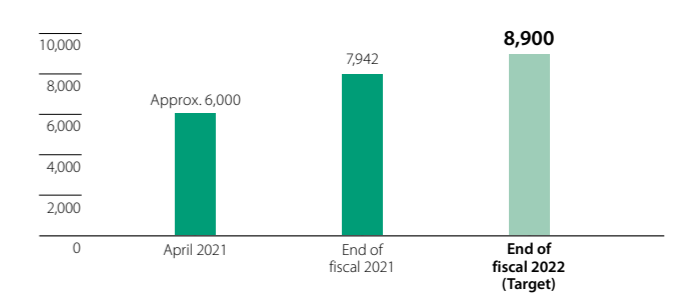
- ◆ Overworking of educators and handover to next generation
- ◆ The acceleration of DX in education lowers barriers to entry and intensifies competition

Related business data

Students taking Shinken Simulated Exams and other exams



Number of schools using Mirai Seed



Education Business in Japan

Growth strategy

(1) Promoting strategies suited to the characteristics of high schools

As the field of school education undergoes major changes in response to new curricula and the diversification of university entrance examinations, we are improving our approach which is tailored to the characteristics of high schools: high schools which prepare students for admission to top universities, high schools primarily aimed at admission to mid-tier universities, and schools where students have diverse career paths. We are also offering support for teachers, students and parents to address their respective challenges, by evolving each of our services and linking them together. As part of this strategy, we are working to achieve matches between students and universities and vocational schools that are highly satisfactory, as well as offering a "Future Path Achievement Program" to reduce the burden of instruction on teachers.

In addition, we will continue to implement speedy and optimal solutions to school issues on-site, while leveraging the information we have accumulated by offering services to high schools nationwide, as well as the Information Dashboard—which accumulates service

adoption information, visitation history, inquiry history and other information for each school—in order to make high-quality proposals in line with students' needs at the most appropriate time.

(2) Offering Mirai Seed, which maximizes educational results

There were approximately 6,000 high schools which had adopted the Mirai Seed tablet learning support software for elementary, junior high and high schools in April 2021, and that number had surpassed 7,900 at the end of fiscal 2021. A number of 9,000 schools is in sight for the end of fiscal 2022, which would exceed our target of 8,900 schools. When offering this Mirai Seed software, we established a new development team to respond to student and teacher feedback and quickly expand functions, which has led to further expansion of the number of schools adopting the software and promotion of its use. We are also proposing the adoption of Mirai Seed in conjunction with other services, such as the school management support system EDUCOM, and contributing to the maximization of learning results and work-style reforms for teachers.

Topic

The "Future Path Achievement Program" to boost students' interest in studying and provide support for continuous learning

Among high school students, there are some students who have not found something they want to do in the future, or do not really know about schools they want to be admitted to until right before entrance examinations. Students having a lack of interest in career paths is one factor that leads to them having low motivation.

For that reason, Benesse Corporation offers the Future Path Achievement Program, which stimulates students' interest and supports their ongoing learning and career choices by going through three steps: "knowing yourself," "creating your own point of

view," and "taking ownership." In a survey of students at high schools that have adopted and implemented the program, approximately 80% responded positively to the program's effectiveness, demonstrating that it has led to increased motivation.

Beginning in fiscal 2020, we began offering this service on a trial basis, and we proposed it to 2,000 high schools nationwide as test marketing in fiscal 2021. Our goal is to release the new service in conjunction with existing assessment services in fiscal 2023.

Future Path Achievement Program



Business

Prep School and Classroom Business

Business overview and future prospects

Growth strategies that leverage the unique features and advantages of each prep school company of the Benesse Group, and responses to environmental changes through Group cooperation

Kenji Yamakawa

Director and Senior Managing Executive Officer, Head of the Prep School and Classroom Business Company of Benesse Corporation

Our prep school and classroom business differs from our correspondence education business and school and teacher support business in that it offers education services to students directly in real physical spaces. For this reason, in fiscal 2020, the spread of COVID-19 infections forced us to close our classrooms and refrain from business activities, which had a significant impact on our business performance. However, even amidst the COVID-19 pandemic, we were able to continuously provide services and keep student retention steady by implementing thorough infection control measures and promoting new Group-wide initiatives, such as hybrid face-to-face and online classes, so that students could receive high quality services with peace of mind.

In fiscal 2021, the prep school industry as a whole is returning to an in-person approach, and the number of students enrolled in our Group's

prep schools has recovered to a level exceeding that before COVID-19, resulting in a significant improvement in net sales and operating income. In order to further solidify this growth trajectory, we will continue our growth strategy of leveraging the unique features and advantages of each prep school and classroom in our business.



Furthermore, we are approaching a period of major reforms for the educational environment, such as digital learning materials being used in schools and becoming widespread in homes due to the GIGA School Program, changes to school instruction caused by work-style reforms for teachers, and the trend toward students wanting to attend private junior and senior high schools becoming more pronounced as a result of the shift to free tuition and the COVID-19 pandemic. Using these changes as opportunities for growth, we will not only collaborate within the Group, but also actively engage in forming alliances, including M&A, and aim to grow our business, situating "people"—the greatest value of our prep school business—at our core, so that we can continue to respond to students' setting of higher goals and help them to achieve those objectives.

Opportunities and risks for businesses

Opportunities

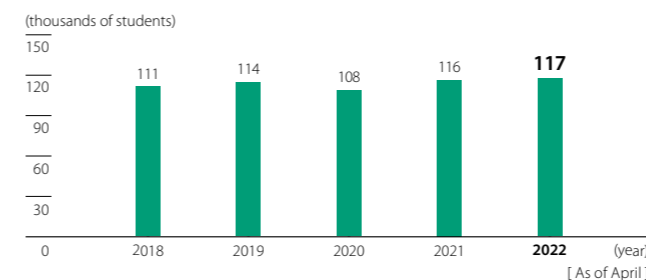
- Changes to the educational environment after the COVID-19 pandemic (interest in private schools, changes to school environments)

Risks

- The acceleration of education DX may blur the lines between school, prep schools, and home teaching, resulting in greater competition

Related business data

Prep school and classroom enrollments in April



Topic

The first Benesse Group prep school in the Tokyo metropolitan area to specialize in junior high school entrance examinations

UP Inc. of the Benesse Group, which develops classrooms in the Kansai area, has expanded into Tokyo and opened a classroom in Shibuya which specializes in junior high school entrance examinations. Shingakukan Rootasu is a new style of classroom which combines small group classes and individualized instruction.

Education Business in Japan

Growth strategy

(1) Growth of existing businesses

We aim to maintain and strengthen the competitive advantage of existing businesses by promoting the growth strategies of each Group company, each of which has its own unique characteristics and advantages, and by improving cooperation and information sharing among the companies. As one aspect of this endeavor, UP Inc., which develops Shingakukan tutoring for junior high school entrance examinations and Kenshinkan tutoring for university entrance examinations in the Kansai area, has made inroads into Tokyo. UP Inc. will open the first Benesse Group classroom in the Tokyo metropolitan area in Shibuya to specialize in junior high school entrance examinations.

Together with aiming for growth in the segment at each of our Group prep schools, which have their own unique features and advantages in the market, we will attempt to strengthen our businesses through greater cooperation than before.

(2) Expansion of our business through new M&A

Along with promoting growth strategies for our existing business, we will continue to actively pursue alliances with other companies and engage in M&A. Even business operators that have developed distinctive initiatives and established their own unique position are, in some cases, facing a decline in student numbers as well as the challenge of training and finding people to succeed them. In those circumstances, by being able to share the guiding principles of the Benesse Group with business operators who possess such advantages, and engaging in more in-depth cooperation, we will work toward greater growth.

Benesse Group prep schools and classrooms

■ Tokyo Individualized Educational Institute, Inc.

We have developed individual tutoring prep schools for elementary, junior high and high school students, mainly in the Tokyo metropolitan area and the Keihanshin area. We have earned a solid reputation for providing instruction that is fully customized to align with students' goals, academic ability, and personality.



■ UP Inc.

We operate prep schools and individual tutoring classrooms, as well as science experiment classes, English conversation classes, and sports classes, mainly in the Keihanshin area. We provide a variety of services for a wide range of students, from preschoolers to high school students preparing for university entrance examinations.



■ Tokyo Educational Institute Co., Ltd. (Tetsuryokukai)

We operate a prep school primarily for students who are attending a linked junior high/high school and are aiming for admission to the most difficult universities to enter, including the University of Tokyo, in Tokyo and Osaka. We produce a large number of students who are admitted to the University of Tokyo and the medical schools of public universities every year.



■ Ochanomizu Seminar Co., Ltd.

We operate a prep school for current students in Tokyo. With its thorough small-group instruction, we have maintained a high acceptance rate to difficult-to-enter universities, and are supported by many students and their guardians.



■ Benesse BE studio Inc.

We have established numerous English language classrooms throughout Japan, primarily targeted at students from preschoolers to junior high school students. We also operate international preschools and provide English lessons for kindergartens and nursery schools.



Newly establishing the University and Working Adult Business Company with the aim of inorganic growth

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



Establishing the University and Working Adult Business Company with the aim of business expansion

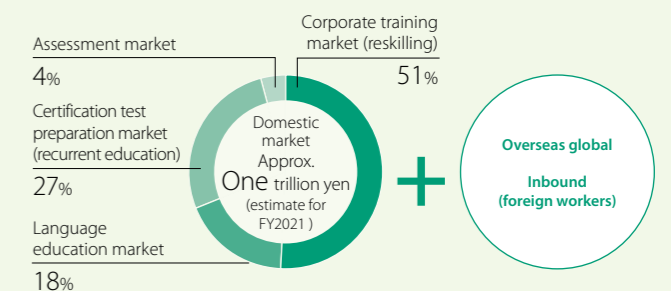
The Benesse Group, with the aim of achieving inorganic growth, is working to establish new business pillars in areas where it is possible to create synergy with existing businesses.

To realize this goal, our focus is on educational businesses for universities and working adults. As the social environment undergoes dramatic changes, and people's values and attitudes toward work and careers become more diverse, there is an ever-increasing need for products and services that will help individuals realize their dreams and aspirations and improve employees' knowledge and skills. In Japan, where the birthrate is declining, the market for learning by working adults is estimated to be worth approximately one trillion yen.

In response to these needs, we established the University and Working Adult Business Company in April 2022, in order to establish a solid position in the market. By consolidating the Group's accumulated resources into this company and accelerating efforts to expand the

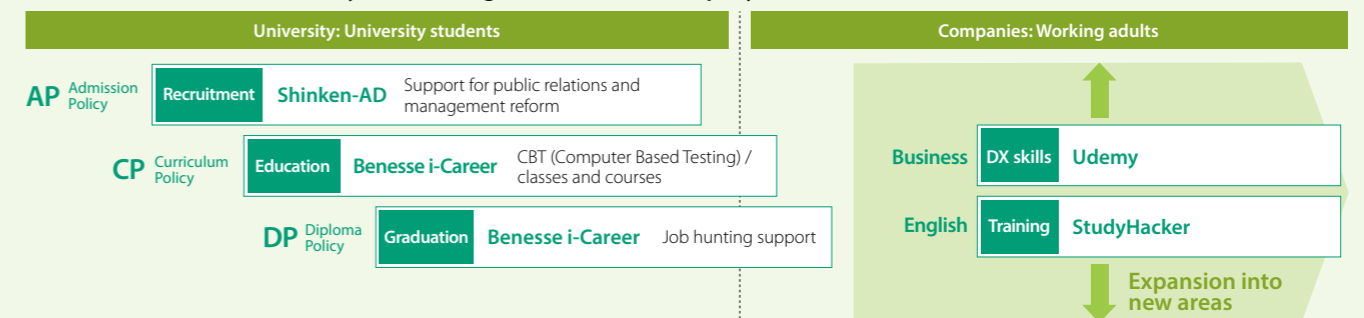
business, we aim to increase sales of the university and working adult business to 40 billion yen by fiscal 2025.

Market structure in the field of learning for working adults



Note: Reference : Calculated by Benesse based on data in Yano Research Institute Ltd.'s "Education Industry 2021" (Assessment market is based on our own research)

Business areas for the University and Working Adult Business Company

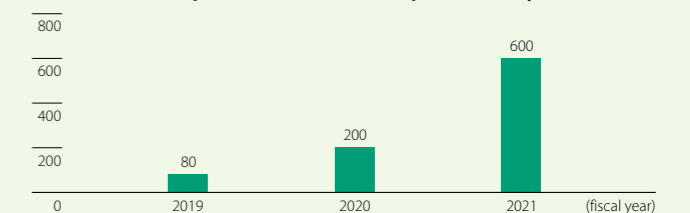


Utilizing the Group's resources to meet the needs of businesses and universities

At present, in the university and working adult business, we are establishing Udemy—an online video learning platform which connects people who want to teach and people who want to learn—as a pillar of our service for working adults, and we are working to expand the number of companies who have adopted it. At the end of fiscal 2019, there were 80 companies who had adopted Udemy. However, as companies expand their DX human resources and reform their work styles, the number of companies in Japan that have adopted it has increased to more than 800 as of the end of June 2022. Going forward, together with the expansion of Udemy, we will aim to create new businesses, including M&A and collaboration, such as a corporate assessment business, a certification test preparation business, and an education and training business for foreign workers.

In addition, for universities and university students, we will also use the resources of Group companies, including Shinken-AD and Benesse i-Career, to improve our services that provide support for public relations, management, student assessment and job placement at universities.

Number of companies who have adopted Udemy



Kids & Family Business



Market

Japan

Against the backdrop of a declining birthrate and changing values, parents' needs for their children's education are becoming more diverse and individualized.

Traditionally, there has been a trend in the domestic education market for preschoolers toward printed teaching materials. However, in accordance with changing values and a changing society in their parents' generation, teaching materials using digital tools are becoming increasingly mainstream. In addition, the learning needs of preschoolers are also increasing, amidst a rising employment rate for women and a growing percentage of four-year university graduates.

China

Even in China, the declining birthrate is picking up speed. The annual number of births declined by about 40% in five years, from 17.86 million in 2016 to 10.62 million in 2021.

One of the factors contributing to the declining birthrate is the excessive cost of education. In July 2021, a "double reduction" policy was announced to reduce the burden of homework and out-of-school education for students in the compulsory education stage.

The policy includes restrictions on prep schools and other education providers at the compulsory education stage, and 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 need for character cultivation for preschoolers will be maintained for the foreseeable future.

Business

Kids & Family Business

Business overview and future prospects

Shifting to a re-growth strategy, centered around improving the retention rate in Japan and China, to revitalize our Kodomo Challenge business

Toshihiko Nishimura

Executive Officer,
Head of the Kids & Family Business Company of Benesse Corporation

The Kids & Family Business situates the Kodomo Challenge correspondence course, which is useful for children to acquire lifestyle habits and knowledge that are developmentally appropriate, as the pillar of our operations, and we have expanded the course in Japan and China.

For fiscal 2021 in Japan, although cumulative enrollments declined amid the prolonged COVID-19 pandemic, the unit price per student increased, which led to an increase in sales. Going forward, with a central focus on improving the retention rate of our products by acquiring

customer loyalty, we will create several tiers for our products in terms of value and price, promote multiple-time usage along with responding to diversifying needs, and aim for growth, even as the birthrate continues to decline. In China, our cumulative enrollments in fiscal 2021 decreased, primarily due to a plunging birthrate and an increasingly competitive environment. In addition, sales, shipping and other operations were impacted by lockdowns which started in the latter half of March 2022 as a result of the COVID-19 pandemic. With the recent easing of the competitive environment due to the double reduction policy, the Benesse Group's business environment—centered around character cultivation—is improving, and we aim to achieve a quick recovery.



Business opportunities and risks

Opportunities

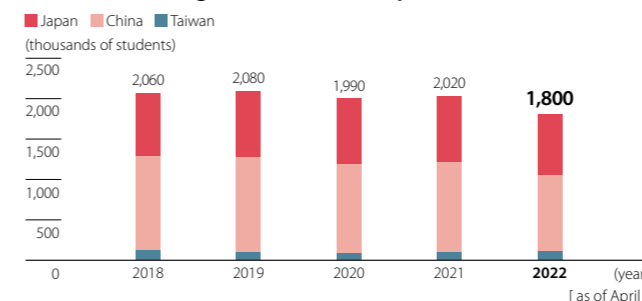
- Japan: Increased learning needs for preschoolers, greater usage of digital tools in childrearing
- China: An easing of the competitive environment due to the double reduction policy

Risks

- ◆ Japan and China: An acceleration of the declining birthrate, the spread of COVID-19 infections, the economic environment getting worse

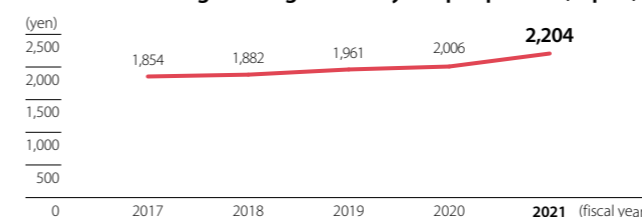
Related business data

Kodomo Challenge enrollments in April



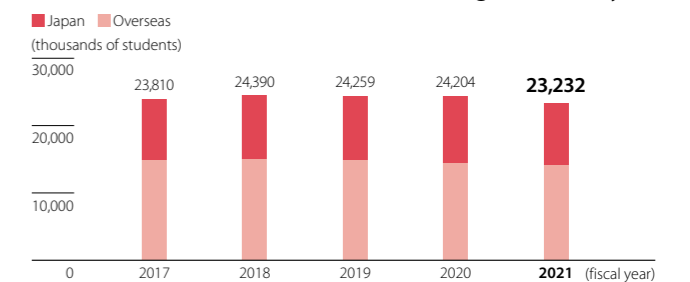
Note: Information is shown by country and region.

Kodomo Challenge average monthly fee per person (Japan)

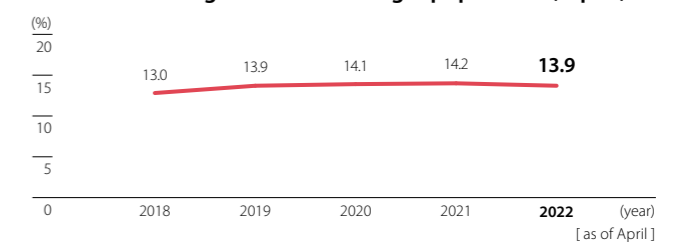


Note: The average monthly fee is calculated by dividing the net sales of each course by the cumulative enrollment.

Cumulative enrollments in Kodomo Challenge over a full year



Kodomo Challenge share of the target population (Japan)



Kids & Family Business

Growth strategy

(1) Kodomo Challenge Business: A growth strategy that emphasizes retention and reforming our sales methods

In an environment where the birthrate is declining, we are promoting a shift to a strategy that places more emphasis on increasing the retention rate. In Japan, we are creating several tiers for our composition of products and utilizing the data of customers to improve their customer experience and bolster their feelings of loyalty toward each product, while developing measures to promote the use of multiple products.

In China, with our efforts centered on improving the retention rate by leveraging applications used in conjunction with the main course, we will promote the taking of courses at peripheral businesses, increase sales per student, and further improve evolution by utilizing the digital



The set of "Kodomo Challenge" products in China

teaching materials for character cultivation that can be developed, even under the double reduction policy.

On the sales front, in Japan, we are working to improve the promotion of continuous product usage from pregnancy and childbirth through our Tamahiyo Business, as well as the development of experience-type DMs coupled with free teaching materials that are linked to digital marketing. In China, in addition to doing solicitation at shopping malls and through phone calls as we have previously done, we are working to improve methods such as one-to-one marketing on social media and recommended sales through "recommendation staff."

(2) Tamahiyo (Media) Business: Development of media that is close to our customers

Our Tamahiyo Business provides useful information on pregnancy, childbirth, and child-rearing through magazines and smartphone applications. Up until now, we had developed two monthly magazines, *Tamago Club* and *Hiyoko Club*, but we renewed our publications in April 2022. We divided the pregnancy and child-rearing periods into three periods—early, middle and late—and published a total of six quarterly magazines to provide information that would be more relevant to our readers (users) and promote multiple usage during pregnancy and childbirth by linking with our apps. In addition, we are working to improve coordination between Tamahiyo and Kodomo Challenge for sales, content development and data utilization.

Topic

"Kodomo Challenge Jump Touch," a tablet course for older preschoolers

Amidst the mainstreaming of digital teaching materials in households with preschoolers, Benesse Corporation launched Kodomo Challenge Jump Touch, a tablet course for older preschoolers, in April 2022.

Jump Touch consists of digital learning materials that are designed to spark children's curiosity and motivation, in addition to helping them acquire study habits and a foundation of academic skills in preparation for entering elementary school. Using the knowledge we have gained over the 33 years since creating Kodomo Challenge, the course does not solely use tablets, but also combines them with paper materials and educational toys in media designed to be appropriate for preschoolers, to foster basic letter and number skills as well as programming and thinking skills.

The use of special tablets with an emphasis on safety and security—which allows children to smoothly tackle their first tablet

learning experience by themselves—is gaining support from working mothers and other groups.



Jump Touch in use

Nursing Care and Childcare Business



Market

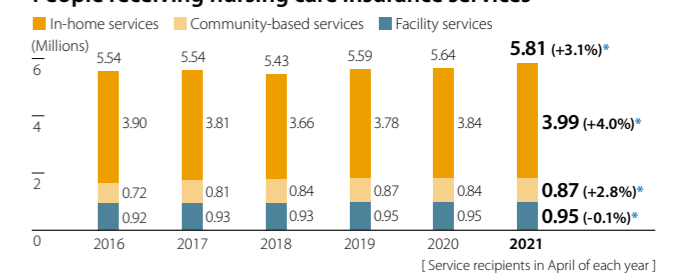
With the ongoing aging of the population in Japan, the number of people who require nursing care has also continued to increase. To resolve the issue of nursing care for elderly, the nursing care insurance system under the social insurance system was enacted in 2000. Since then, the domestic nursing care market^{*1} has expanded rapidly, with the total cost of nursing care in fiscal 2019 at 9.9 trillion yen, a 3.5% increase over the previous year. As of April 2021, the number of people receiving nursing care insurance services was 5.81 million, a 3.1% 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, 2021, a 0.3% 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 an era of 100-year longevity, in order to improve the quality of life of the elderly and solve the social issue of a shortage of nursing care service providers, 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: Ministry of Internal Affairs and Communications Statistics Bureau "The Elderly in Japan from a Statistical Standpoint (as of September 15, 2021)"

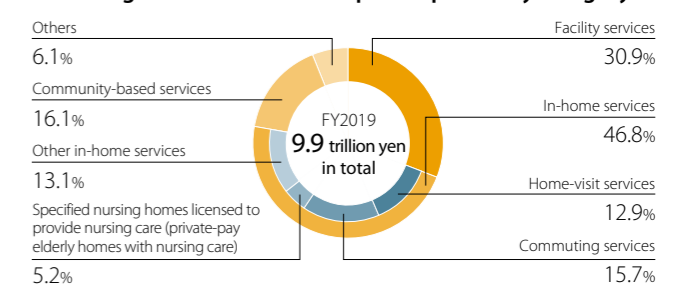
People receiving nursing care insurance services



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

* Figures in parentheses are a comparison with the previous year.

Total long-term care insurance-paid expenses by category



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

Nursing Care and Childcare Business

Business

Nursing Care and Childcare Business

Business overview and future prospects

Aiming for further business growth by improving occupancy rates in homes for the elderly and expanding peripheral businesses

Shinya Takiyama

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

For our nursing care and childcare business, we have established a solid position in the nursing care and childcare fields based on the high-quality service that is committed to each elderly person and child, and by utilizing our company's unique methods that articulate the know-how of our staff, as well as advanced digital technology. However, our business—which is conducted in real physical spaces—was heavily impacted by the spread of COVID-19 in fiscal 2021, as well. Notably, due to the decline in occupancy rates at high-end nursing homes, our overall business saw a year-on-year decline in income.

However, the Benesse Group's nursing care services, which implement quality of life improvements for residents, have the ability to compete, and our sales measures to improve occupancy rates are also beginning to produce results. Going forward, in addition to improving occupancy rates, increasing the number of homes—using measures making inroads into areas where we do not yet have a presence via our area-dominant strategy and recruitment strategy—and promoting the development of staff expertise, we will strengthen peripheral businesses such as temporary staffing and placement, which will also contribute to solving the shortage of workers in the nursing care industry and lead to the growth of our business.



Business opportunities and risks

Opportunities

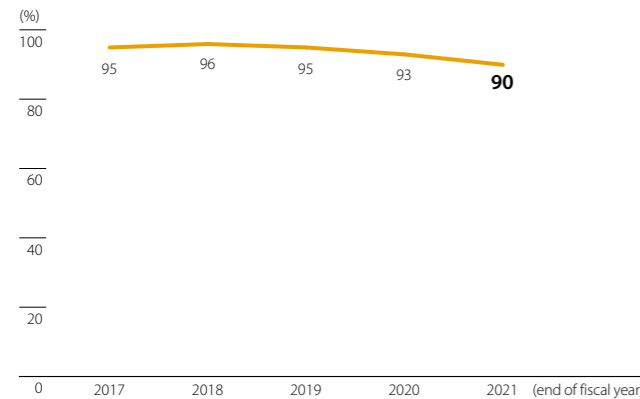
- Increasing elderly population in big cities
- More recipients of nursing care services covered by nursing care insurance
- Growing need for nursing care personnel

Risks

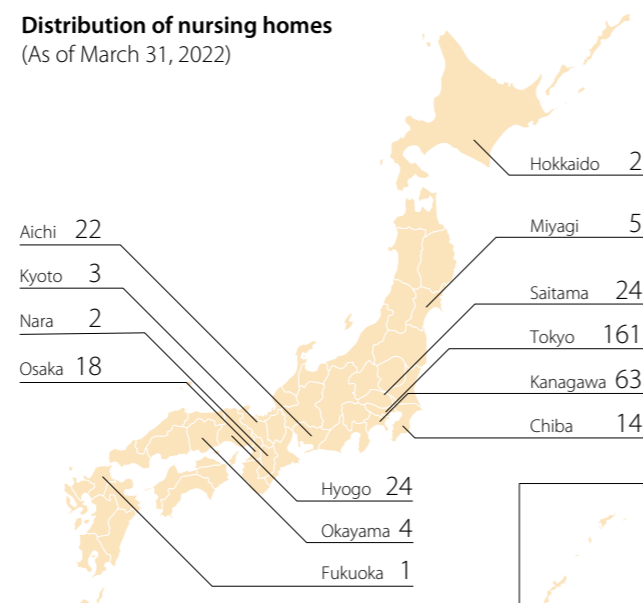
- ◆ Stagnation of customer behavior due to the spread of COVID-19
- ◆ Serious shortage of nursing care and daycare staff

Related business data

Occupancy rate of our existing facilities



Distribution of nursing homes (As of March 31, 2022)



Growth strategy

(1) Improving occupancy rates for our nursing care business

Due to the spread of COVID-19 infections, the number of customers who postpone consideration of moving into nursing homes—mainly high-end homes—has increased, which is a reason for the decrease in occupancy rates. We are therefore leveraging our advantage in promoting an area-dominant strategy to improve relationship building with local hospitals and care managers, with the aim of recovering to the pre-COVID levels by the end of fiscal 2023. We are working on approaches for those who are about to be discharged from a hospital but have difficulty returning home, or who are considering moving into a nursing home because at-home care has become difficult.

In addition, improving our trial move-in campaigns for homes has led to long-term contracts with customers, and we will continue these efforts as a measure to improve occupancy rates.

(2) Promotion of DX in Benesse-style nursing care

Through the fusion of human skills and know-how with technology, we are working to establish sensing homes that only Benesse could create, in order to improve the quality of life of our residents. In addition, as a

core tool for sensing home management, we are developing AI solutions that incorporate the knowledge and experience possessed by nursing care experts who have a wealth of wisdom and practical expertise and the ability to read and interpret nursing care records and data. We are promoting DX in the nursing business by continuing to adopt AI solutions in each sensing home, including Granda Yotsuya, which we opened in March 2022.

(3) Growing and accelerating our personnel business

With the aim of developing a new business to follow the nursing care and childcare business, we are focusing on growth of our dispatch and recruitment business in the nursing care and medical fields. As one aspect of this initiative, we transferred Heart Medical Care's personnel dispatch business to Benesse MCM in April 2022. We clarified their advantages—recruitment for Heart Medical Care and dispatch for Benesse MCM—and established a system to strengthen them. We aim to expand our personnel business, which contributes to solving the shortage of human resources, an issue facing the nursing care industry as a whole, and to achieve sales of 10 billion yen in this business by fiscal 2025.

Topic

Granda Yotsuya, a Benesse version of the sensing home



Exterior of "Granda Yotsuya"

In March 2022, Benesse Style Care opened a private-pay nursing home with nursing care, Granda Yotsuya, the first version of the sensing home by Benesse. By combining information obtained from various sensors with human skills and expertise and technology, we support residents so that as much as possible, they can continue to do what they would like to do on their own.

We have introduced the Service Navigation System, a platform for nursing care and nursing records, at all homes by Benesse Style Care, to digitize and collect various information. At sensing homes,

information stored in this system and information collected via sensors, such as residents' sleep and bodily discharges, are analyzed by AI, using the knowledge of nursing care experts as instructional data. By using this analytical data to carefully communicate with residents, the staff aims to improve their quality of life in the home, which includes their sleep and activities during the day.

DX in Benesse-style nursing care

