

CDXO MESSAGE



In response to the changes of the times, we will further promote our DX strategy and its growth.

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Executive General Manager of Digital Innovation Partners

► DIP organizational structure

DIP DIGITAL INNOVATION PARTNERS	
DX Strategy Office	Formulates and promotes Group-wide DX strategy
DX Human Resources Development Department	Recruits and cultivates DX human resources and updates human resource systems
DX Consulting Department	Advances and promotes participation in digital shift projects and formulates disruption countermeasures
Data Solutions Department	Promotes data usage at each in-house company
Digital Marketing Department	Promotes digital marketing at each in-house company
IT Governance Department	Formulates and promotes IT strategy, and improves the quality, cost and delivery standards for IT-related development, costs and personnel
Infrastructure Solutions Department	Gives technical support for the establishment and operation of IT infrastructure and DX promotion
Corporate System Solutions Department	Develops and operates Group-wide systems and the administrative departments' systems
Out-of-School Learning Business Company's System Solutions Headquarters	Develops and operates systems for the Out-of-School Learning Business Company
School and Teacher Support Business Company's System Solutions Headquarters	Develops and operates systems for the School and Teacher Support Business Company
Nursing Care and Childcare System Solutions Department	Develops and operates systems for the Nursing Care and Childcare Business Company
Kodomo Challenge System Solutions Department	Develops and operates systems for the Kodomo Challenge business
SCM Department	Designs, builds and operates the procurement, production and logistics infrastructures to support business operations
Benesse BASE COM Co., Ltd.	Builds, operates and improves systems for sales management, logistics management and student assessment for Benesse's school business
Benesse Hong Kong Co., Ltd.	Improves the quality, cost, delivery and safety standards in the development and procurement of educational toys

venture companies, thereby making the Benesse Group more open to approach by a wider range of parties. Going forward, we will shift our focus to the improvement of skills for DX promotion and the generation of synergies for the creation of new businesses. Powerful venture companies can provide us with great value through their technologies and growth potential, and the Benesse Group will be able

to offer even greater value to society by achieving growth together with such venture companies. We have already successfully launched some collaborative projects that utilize advanced technology of investee companies. We will continue to offer the Benesse Group's long-accumulated expertise and know-how to the greatest extent possible to these partner companies to achieve mutual growth.

► Partners that have received investment and support through the DIF

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

» Outline of the Benesse Group's DX strategy

In 2021, the Benesse Group launched Digital Innovation Partners (DIP) as a virtual organization to plan and implement the Group's DX strategy. In 2022, DIP became an actual Group-wide organization that has digital, IT, human resources, and DX promotion consulting departments within it. As such, DIP has been leading the Group's DX strategy, from making plans and allocating resources and funds to implementing specific measures across the businesses and companies of the Group.

In July 2023, Benesse Corporation merged Benesse InfoShell Co., Ltd., and integrated the supply chain management function of this IT company, which was engaged in the development, maintenance and operation of systems and the implementation of security measures for the entire Benesse Group. As a result, DIP became an organization with more than 800 staff members.

Based on the business plans made by each of the in-house companies, the staffs of the business departments and DIP have been collaborating as a joint project team to steadily promote the DX of Benesse's products and services.

On my part, I frequently visit Group sites to talk with key persons on pushing ahead with innovation onsite. Moreover, I check the progress of a range of related projects on a weekly basis to propel the implementation of the DX strategy, while focusing on promoting the sharing of specific successful examples across the Group.

Under the leadership of DIP, we will continue to further promote the entire Group's DX.

» Recent results achieved through the DX strategy

In fiscal 2022, as in fiscal 2021, the Benesse Group was highly rated for its DX initiatives by multiple external organizations. For example, at the 19th Japan e-Learning Awards held in 2022, we received the grand prize for MARUG land, which is an ICT-based teaching app that provides children with learning experiences in reading and writing that are tailored to their individual developmental characteristics. Also, at the 40th Information Technology Awards, we received prizes such as one for DIP in recognition of its consistent promotion of DX projects across the Group, and another for the development of Majikami AI.

Further, in fiscal 2022, coverage of our DX initiatives by mass media such as newspapers, magazines, TV broadcasting stations and online media in their DX-related articles/programs increased by as much as 266% year on year. Also, we were more frequently asked to give training and speeches on our DX strategy and specific DX promotion cases. I therefore feel that we have substantially increased our public profile as a company advanced in DX. Partially thanks to these achievements, we also increased the number of applicants to our DX-related job offers targeting experienced workers by 150%, whereas companies are generally facing difficulties in securing personnel for DX.

We also established the Digital Innovation Fund (DIF) in November 2021 to promote DX for our existing businesses and services and to promote the co-creation of new businesses. The number of companies in which we invest through this fund increased by six over the past one year and totaled nine as of July 2023. Since the establishment of the DIF, we have been proactively broadening our network with

》 Making more effective use of generative AI

The technological innovation of generative AI has been attracting much attention, and the Benesse Group thinks that such innovation could pose serious threats, but also bring about great opportunities to its businesses. Accordingly, we are working to promptly acquire external knowledge and the development of new partners to incorporate new generative AI technologies into the Group. We also hold discussions on generative AI regularly between the management team and staff of DIP.

One specific measure involves starting the operation of the AI-based Benesse Chat service for Group employees in April 2023. It took only two weeks for engineers from DIP to develop this in-house service, which is intended to provide employees with an environment that helps them to increase their business productivity and conduct examinations for new products and services. This chat service is provided in a closed environment to offer high security and ensure that no information will leak outside the Company. Employees

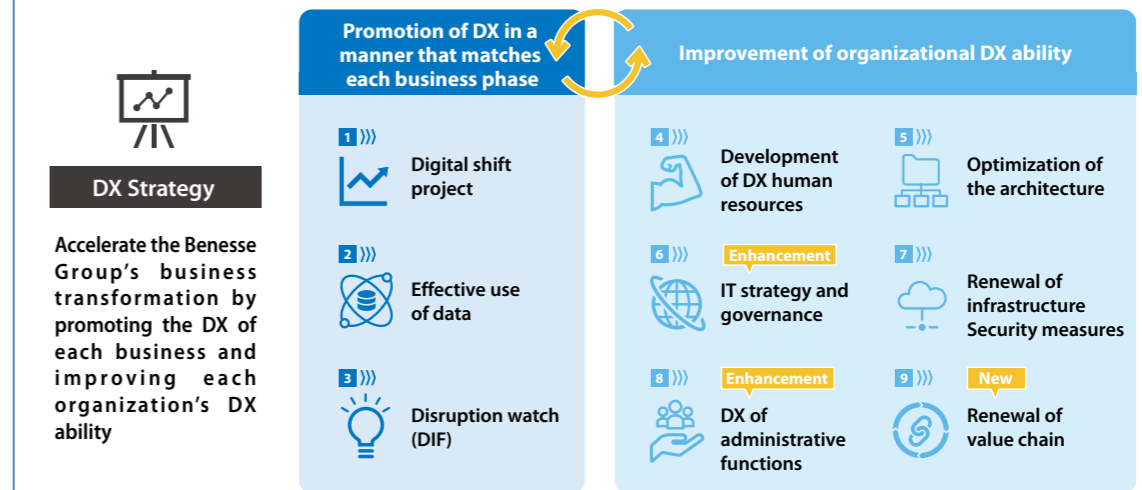
can therefore use the service safely with peace of mind. The chat service is facilitating verification and planning for the use of generative AI by each business department and has led to the launch of many projects. For example, in June 2023, the Next-Generation Contact Center Project was launched, which was followed by the provision of the Jiyu Kenkyu Otasuke AI service in July to assist elementary school students with independent research in the Shinkenzeni business. Further, we launched the Next-Generation Website Project as well.

When starting a project of unprecedented innovation, some might think it is necessary to clarify the purpose of the project first. However, for DX, it is also important to try a string of emerging technologies first, and then think about their specific usage. I think we need to use the technologies ourselves to truly understand the opportunities and risks they might bring about. Although we have improved our internal environment so that employees can use such new technologies proactively over the recent year or two, I would also like to build a corporate culture that allows Group employees to use such technologies even more freely and proactively.

For the corporate transformation and cost structure reform as described in the Transformation Business Plan, I am convinced that the effective use of generative AI will help us generate innovation. As an organization to facilitate this, we established the Operation Transformation Office within Benesse Corporation in June 2023.

In the face of the decreasing birthrate and further diversification of society, the Company needs to transform its conventional business models, change its way of doing business, and increase its productivity, thereby further evolving its business. By promoting automation and mechanization, we will be able to provide customers with necessary information and solutions in an even more timely manner and can also reduce the time required for employees to do their jobs and shift their focus onto more creative operations. I also think that promoting DX not only

DX strategy and priority measures (FY2023-2025)



helps us to make effective use of AI but also to enhance the services that only human beings can offer, in which Benesse's strength lies.

this fact gives us a great advantage in the recruitment and retention of DX human resources, for which there is intense competition among companies.

》 Development of human resources for DX

As for the development of DX human resources, we first defined the skills required for different job types and introduced a process to optimize the assignment and development of personnel. Specifically, we identified the seven job types that are essential for the Group's DX and have visualized the level of skills required for each of the types in the form of a skill map. We have also identified DX-related jobs for which we will face labor shortages in consideration of our future business plans, and are promoting the reskilling of existing employees for the jobs. We will give priority to such reskilling even if it takes a long time, and will employ experts from the outside only if we still have a shortage of personnel for the jobs after making the reskilling efforts.

In fiscal 2022, the number of employees attending the DX training program reached 6,504, up 180% year on year. We created about 60% of the content of the program internally, and employees themselves serve as lecturers for the program to share their own related experiences with trainees. In general DX knowledge, we are making effective use of Udemy as a self-learning tool for employees. We also plan to provide the know-how to develop DX human resources at other companies through the Udemy business.

The Benesse Group is engaging in a wide range of businesses and can thus provide DX personnel with lots of growth opportunities. The Group offers services to infants, students, working adults, and senior citizens and has a broad range of business models. We can therefore provide DX personnel with an environment where they can hone their business skills from various aspects and create a range of business value based on their accumulated skills. Indeed,

》 Policies for DX strategy in fiscal 2023

In fiscal 2023, we will focus on the development of human resources through reskilling, the implementation of priority measures set for fiscal 2023, and on the enhancement of our organizational strength for DX. The Benesse Group is conducting businesses that are deeply related to social issues. Amid dramatic changes in society, we need to transform ourselves as a precondition to make our business transformation strategy more persuasive: no strategy, even if it is a good one, will be widely accepted unless it is supported by evidence. I therefore think it is critical to show how our DX promotion measures are linked to the betterment of our business performance.

We have no goals for DX. In response to changes in the world, we need to make use of new technologies to change our businesses and services to continue providing customers with new value, and I regard it my role as CDXO to pursue the methodology to respond to environmental changes and transform our organization into one that can continue to grow.

The Benesse Group has expanded its business scope gradually from the education business. As the corporate size increases, I am afraid that its ability to respond to changes in society is diminishing. In this unpredictable age of VUCA, we need adequate ability to respond to changes in society as a prerequisite for sustainable growth. If we can recover that ability once again, we will be able to increase our service quality even more in the future. By launching DIP and putting DIF on track, the Group's business transformation speed has steadily increased. Going forward, we will further reform the entire Group's business foundation and boost the growth of its businesses.



Initiatives and services based on the use of generative AI

