

CEO MESSAGE

We will boldly undertake a transformation to achieve growth hand in hand with employees.

Hitoshi Kobayashi

Representative Director and President, CEO

business, we launched a local subsidiary in India to start the school education support business in the country. Also, we improved our profitability by selling the Berlitz business, which had been a management issue for many years. Moreover, we established Digital Innovation Partners (DIP) as a Group-wide organization to promote digitalization for the further development of each of our businesses, and have been steadily implementing relevant measures. For fiscal 2022, we recovered our operating income to nearly the pre-COVID-19 fiscal 2019 level by posting income of 20.6 billion yen. Although operating income is still below its record high, the Group has proved that it can make a profit of 20 billion yen or more even when it faces difficulties in its core businesses, such as the Shinkenzemi and Komodo Challenge businesses. Indeed, the Group has a business portfolio that helps secure this profit level.

According to the explanations that I have given above, you might wonder why it was necessary for the Group to review the Medium-Term Management Plan. The reason is that the market growth rate of the education business will decline due to a decrease in the birthrate, although the business is still providing the Group with a major source of revenue. We need to think about how to build a robust revenue base for 10 years in the future while we still have enough earning power in the business. To meet this requirement, we conducted examinations from a new viewpoint and new angle, rather than regarding the future as an extension of the present, and this led us to review and update the Management Plan.

Helping individuals to lead their own lives

The Benesse Group has long been widely recognized as a leading enterprise in the educational field, and has steadily achieved growth based on its unique business model. However, the numbers of enrollments and students registered with Shinkenzemi and Kodomo Challenge have been decreasing. This raises concerns about the growth potential of the Group to some people, and our stock price has been halved compared with its record high for the recent decade. What should we do to increase the expectations of our stakeholders, including our investors, for the Group's long-term growth and gain their medium- to long-term support? How should we help Group employees, who are facing a range of challenges, to demonstrate their passion and potential for their jobs? We held many discussions to find the answers to these questions for ourselves, and these efforts culminated in the formulation of the Transformation Business Plan. Based on the Group's purpose, we will make full use of our strength and expand our business domains in line with the strategies set in the Plan, which are not simple extensions of our conventional management strategies that focus on the education business.

As implied by the term Benesse (well-being), which we uphold in our corporate philosophy, the entire Group is committed to supporting individuals in leading their own lives at each life stage from birth to the last moment. However, we were trapped in a past of successfully achieving growth by conducting a unique education business, and we also needed to

respond to a personal information leak that occurred from within the Group. Under these circumstances, we tended to take a narrow view and focus on the immediate results of our work, although we were aware of the importance of implementing our corporate philosophy. On the other hand, the pandemic caused a range of social issues to surface, and the business environment surrounding the Group is continuing to change dramatically. We can no longer deal with such changes only by making improvements to our existing businesses. We should be bold enough to break the business model that we have built, regarding it as a precondition to meet our customers' needs on a continual basis. We must have enough courage to break away from our past success to be a corporate group that can continue to win public support and trust in a very steady manner. To this end, we will promote our own evolution in line with the Group's purpose and the Transformation Business Plan.

Embodiment of the corporate philosophy through business operations

The Benesse Group includes Benesse Style Care, a company engaged in the nursing care business. In 2000, I was transferred to the predecessor of this company (Benesse Care) to serve as one of its directors. At that time, many people both inside and outside the Group objected to the Group's engagement in the nursing care business, and I was surprised and embarrassed at my own transfer to the company. However, when I visited a nursing home operated by the company as director, I was impressed with the attitude of the company's staff. They were embodying our corporate philosophy by being committed to supporting residents of the home in leading their own lives beyond the framework of their jobs. I was so inspired by them that I involuntarily exclaimed, "Amazing!" I strongly remember that to this day. Now there are many companies operating in the nursing care business. At that time, however, very few companies were doing the business and the quality of the services provided by these companies was generally not very high. But the staff of Benesse Care was thoroughly devoted to helping residents of the home to lead their own lives while also striving to meet the needs of their families. Both the residents and staff of the nursing home that I visited looked happy. This experience led me to uphold the idea that we can offer the ideal service by helping our users to continue living their own lives. When starting to provide welfare and nursing care services, you usually employ people who have experience in the industry. However, we have been proactively employing people who have diverse experience in fields other than the welfare and nursing care industry, in order to provide individual customers with the ideal service that truly fits their individual needs. I think this is an unusual practice in the industry.

It is essential for the Group to 1) achieve business growth, 2) contribute to solving social issues, and 3) help its users continue to live their own lives. In order to do all of these three good things as our unique initiative, I believe it is important to help all Benesse Group

Announcement of the Transformation Business Plan

In May 2023, the Benesse Group announced the Transformation Business Plan for fiscal 2028, which is aimed at increasing its corporate value on a medium- to long-term basis. For the Medium-Term Management Plan that was released in November 2020, we completed phase 1 of the plan, or its first two years, in March of this year. Also, back in May 2022, we updated some of the financial KPIs set under the Management Plan. Then, we formulated the Transformation Business Plan as an update of the Management Plan in view of changes to the business environment surrounding the Company and its businesses.

In the Medium-Term Management Plan, we aimed to

achieve a V-shaped recovery from the business impact of COVID-19 and increase our operating income for fiscal 2022 to exceed the 21.2 billion yen we had posted in fiscal 2019, before the outbreak of the pandemic. For core businesses, we were unable to make a recovery as planned in the nursing care business and the Kodomo Challenge business in China. However, we were able to achieve a V-shaped recovery in the education business in Japan by exceeding the profit that we had posted for 2019, before the outbreak of COVID-19. Also, in New Fields, we newly established the University and Working Adult Business Company, and in particular, we have been steadily expanding the Udemu business. Further, to speed up our growth in the university and working adult field, we invested in two companies, one of which joined the Group. For the overseas education

employees to have the self-confidence that they can embody the corporate vision and philosophy through their own jobs, as already demonstrated by our staff that engages in the nursing care business.

» Grasping new business opportunities at the turning point of school education

Education is one of our main businesses, and we have already taken measures to respond in a timely manner to changes in the field's business environment, including shortening the time required for the creation of teaching materials. I regard 2025 as a turning point for school education in Japan, which is undergoing various changes including those related to children's motivation for learning, their parents' values, the guiding principles adopted at educational facilities, and the university admission system. In December 2019, the Japanese Ministry of Education, Culture, Sports, Science and Technology announced its intention to promote the introduction of ICT to schools under its GIGA School Program. While the introduction of a "one device to one student" policy was planned for the end of fiscal 2023, it was implemented under the program three years earlier than planned to meet the need for online education caused by the pandemic.

Starting in 2025, students will receive new replacement devices under the Next GIGA Program formulated as the second phase of the Ministry's aforementioned initiative. Also, school administration support systems will be updated to cloud-based systems, the assessment of students through computer-based testing (CBT) will expand, and the application and effective use of educational data will be further promoted. On the other hand, we face threats and risks, including the reduction of the budget allocated by local governments to software applications and the shrinkage of the out-of-school learning market following the spread of devices. While keeping these challenges in mind, we should further promote the transformation of our education business in fiscal 2026 and onward to grasp

new opportunities provided by the need to reduce the additional burdens imposed on teachers, and also narrow regional gaps in terms of education and increase the device possession rate. To this end, we will take the following three approaches.

First, we will take a Bring Your Own Device (BYOD) approach mainly in the Shinkenzeni business, thereby transforming it into a next-generation business model with a focus on serving more diverse households and children in the business. As the second approach, we will help schools shift to cloud-based school administration. We will make more effective use of relevant data to help schools provide a new type of education, thereby contributing to the reduction of burdens imposed on their teachers. Third and last, we will promote CBT for educational assessments. The Benesse Group has unique expertise and know-how in educational assessments. Accordingly, we can provide schools with the services that will help them to promote daily learning, show them education courses that match individual students, and support their students in taking intra-year entrance exams. We will expand the use of CBT in these services to promptly find more business opportunities.

The Benesse Group has accumulated know-how and a proven track record in the creation of paper-based teaching materials that are useful for children. Now, amidst the rapid progress of digitalization, we need to do more than simple digitalization. Specifically, we need to take advantage of the features of digital media to create new teaching materials that will give children more motivation to learn. For the creation of such materials, the Group is focusing on reskilling Group employees. In addition to acquiring new skills, Group employees are required to make efforts to view things beyond the scope and framework of the Group's conventional businesses.



Left: Final screening session for the B-Stage internal proposal system Upper right: Benesse Group's monthly morning meeting held to promote transformation Lower right: President's roundtable meeting report in the online in-house newsletter



» Involving employees for speedier transformation

It is not easy for us to dramatically change the Shinkenzeni and Shinken Simulated Exams businesses, which have long provided us with a great driving force for growth based on the quite unique business models. We have a total of more than two million enrollments in the businesses, and we require great courage to adopt the opinions of people who are not registered members of the services while continuing to meet the expectations of the members. It would also be difficult for each of our employees to search for new business ideas from a broader perspective while performing their daily operations. I therefore decided to provide employees with special opportunities to get inspired and think deeply, including establishing the B-Stage internal proposal system. In fiscal 2022, the number of proposals made under the system reached 3,427, almost doubling from that in fiscal 2021 (1,782). Although many companies have their own in-house proposal systems, it seems rare for the number of proposals made under such a system to double in the second year. But we have achieved it, which is attributable to the great efforts made by the secretariat. Also, the heads of the in-house companies steadily responded to all proposals and ideas submitted by employees, including minor ones, in a very sincere manner. Due to these two factors, employees felt more encouraged to make proposals under the system, which in turn increased the number of entries.

The Benesse Group has established a CXO-based system, placing importance on cross-organizational functions, but it still has a vertical organizational structure. However, through the B-Stage system, it has been clearly revealed that employees working onsite have a range of ideas and thoughts regardless of their affiliation in the Group, and this is indeed a great finding for us. Of course, we need to do more than just encourage employees to make proposals. It is also important for the management side to respond to

their proposals in a sincere manner, and I have asked the heads of the in-house companies to avoid simply ignoring any proposals. Under the B-Stage system, which is now three years old, we ask employees to make proposals in two separate divisions, which we call the "free competition" and "compulsory competition" divisions. In the compulsory competition, we solicit proposals in the business domains important for the Group's sustainable growth as described in the Transformation Business Plan. We will examine each of the submitted proposals in consideration of its business size and social impact.

» Building a corporate culture that promotes the growth of both the Company and employees

Since joining the Company in 1985, I have been achieving self-growth with the growth of the Company. The Company respects the opinions of employees, and it used to be included in the job of the president to read all employees' daily reports by noon the next day and then give comments to the reports written with a red pen, just like a teacher does for their students. Also, at the end of each year, employees used to write a letter to the president to describe the challenges that they want to embrace and propose their new ideas. The president would read all the letters during New Year's vacation, which must have been time- and labor-consuming. However, thanks to this culture, onsite employees felt a sense of unity with the management team and were highly motivated. As the Company went through the growth phase and faced changes in the business environment, this culture was unfortunately lost. I would like to bring back this culture to the Company. In your daily operations, you might feel uneasy as you cannot boost revenue as planned. But I want all employees to embrace challenges with self-confidence to help the Benesse Group





push ahead with measures to compete in a more robust manner. When onsite employees do not feel enough motivation or passion for their work, no management plans will function well, even if they are excellent plans. This has been proven in the Group's history. I have learned that the insights, creative measures, and passion of onsite employees provide a driving force for the Group to increase corporate value, and this should be a part of our corporate culture. For our customers, not the words of the management, but those of onsite employees and staff members are what matter. All officers and employees must clearly recognize this fact.

However, I do not mean to say that onsite employees are allowed to do only what they want to do. In order to please our customers, we need to inspire them and encourage their self-confidence, and their needs change constantly. In particular, children are placed in a dramatically changing environment, and there are children who have lost their self-confidence or motivation for learning. For the onsite staff to help these children out of such a situation, the staff members need to change themselves, even by discarding their past successful experiences. All officers and employees must understand the fact that these changes revitalize our sites. As I often say, Benesse can maximize its strength by helping its sites demonstrate their respective strength. I would like to have more opportunities to communicate this directly to more employees.

Never making my own limits the Group's limits

I am strongly committed to transforming our business in cooperation with onsite employees. However, I do not think that I can lead the entire Group's transformation on my own. In other words, I should never make my own limits the Group's limits. I have therefore rebuilt and enhanced the CXO system as part of the management and corporate transformation process. The Benesse Group had highly professional administrative departments even before the establishment of the system. However, for the Group to transform its business portfolio and urge employees to embrace new challenges in their respective business fields, the administrative departments need to work in cooperation with the upper management team while understanding the challenges embraced by the onsite staff. However, if the administrative staff need to ask me to check everything, they will be unable to work speedily to make reforms in a timely manner, and this implies the risk of making my own limits the Group's limits. On the other hand, there have been more cases in which advice and support need to be given to onsite employees from a broader perspective rather than focusing on one specific business area. In consideration of these facts, I have been leading the organization of a cross-departmental meeting for the administrative staff since fiscal 2022. The CXO structure shown in the Transformation Business Plan has been built against this backdrop. As a result of changing the organizational structure, I think both the CXOs and staff of the administrative departments are becoming more strongly committed to leading the Group's transformation. As CEO, I used to make decisions in a range of cases, but now, those around me are making decisions instead of me more frequently than before, which sometimes gives me a sense of loss, but I believe such empowerment is necessary for the Company to exceed my limits.

Conclusion

What the Group should aim for is thus summarized in the Transformation Business Plan. The Group's purpose and the purpose set for each business have been gradually shared more widely across the Group. Fiscal 2023 is the first year of the Plan, and is an important year in achieving the targets set for 2025 and 2028, which are milestone years under the Plan. If we fail to implement measures as planned in the first year, it will be quite difficult for us to complete the plan by the deadline. It is of course difficult to make achievements as

planned for all the measures, but I am determined to build a corporate culture that encourages all employees and officers to boldly promote transformation on a full scale.

I am also committed to further promoting meaningful dialogue between the Group and its shareholders, investors and other stakeholders, and would like to ask all our stakeholders for their continued support for the Group.

Goals of the Transformation Business Plan and Outline of the Plan

Goals of the Transformation Business Plan

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

Direction

Group's purpose

Anybody can enjoy lifelong growth. Toward a world in which everyone can live their own life. Benesse will continue to aim for these ideals.

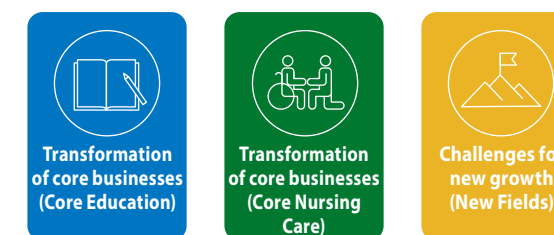
Portfolio transformation

Financial KPI	Operating income*	ROE	Sales growth in New Fields
	FY2025	FY2025	FY2022-2025
	32 billion+ yen	10%+	Doubled as of FY2025 (Relative to FY2022)

Portfolio structure vision for FY2028:
Well-balanced profit generation from three pillars:
Core Education, Core Nursing Care, and New Fields

*Goodwill from future M&As are excluded.

Portfolio strategy



Management systems to achieve the plan

Management system transformation

Corporate transformation