

## Dialogue between Two Outside Directors

## For the sustainable growth of the Group, we will contribute to increasing the corporate value from an outside perspective



Yumiko Noda  
Outside director

Masaru Onishi  
Outside director

Q » Please frankly share with us your impressions of the Board

**Onishi:** The Benesse Group provides us outside directors with discussion opportunities not only through Board of Directors meetings but also through the advisory committee's meetings and the executive workshop. The Board commands a set of skills that are contributed by different directors in a well-distributed manner, and the directors can express their opinions firmly at the meetings, which is something I rate highly. Also, I think members of the Audit & Supervisory Board give their opinions more proactively than their counterparts at other companies.

**Noda:** I assumed the position two years ago, and feel that the outside directors, who have experience in corporate management in different industries, are revitalizing discussions by expressing opinions from their different standpoints. I think open discussion has been further promoted recently, relative to the situation in my first year as outside director of the Company.

Q » Could you give your frank rating of the Board in view of the process leading to the formulation of the Transformation Business Plan?

**Noda:** Toward the formulation of the Transformation Business Plan, the Board had profound discussions for the optimization of the business portfolio in consideration of social changes from a long-term perspective. The Benesse Group used to get more business opportunities thanks to an increasing population driven by Japan's high economic growth. Going forward, however, the Group needs to search for new business opportunities in the face of a falling birthrate and an aging society, which have come to the fore as social issues. The reskilling business will provide the Group with such opportunities. As for the nursing care business, the market will further expand while market needs will become more diversified as economic disparities widen. In such a market, the Group needs to transform its business model to meet the individual needs of customers in a more attentive

manner, as uniform and standard nursing care services will eventually be outdated.

**Onishi:** The Transformation Business Plan was announced around the end of phase 1 of the Medium-Term Management Plan, when the Group's business performance was good. How many people had expected that it would make such an announcement? I also think that the details of the Plan, which are quite different from the Group's past management strategies, surprised many people. That difference reflects the substantial changes undergone by our society and implies that the management team has a healthy sense of crisis that is urging them to take the required action now. In the Plan, the Group's businesses are roughly categorized into three, of which the management has the greatest concerns about the Core Education business. Unfortunately, I have to say that the Plan does not fully set out the path that the Group will follow going forward, but it is important in that it clearly specifies the systems and organizations necessary for the Group to find new business opportunities and to push ahead with reforms in a business environment that will continue to contain uncertainties. The Group also aims to optimize its business portfolio with a focus on new business areas that have sufficient affinity with its existing businesses and that can be developed by capitalizing on its existing strengths.

Q » What will it take for the Board to further enhance its effectiveness?

**Onishi:** As a requirement to enhance effectiveness, we need to make more effective use of the time allocated to us for discussions. At Board of Directors meetings, we focus on making resolutions as required, but at the meetings of the advisory committee and at the executive workshop, we hold intensive discussions. For these meetings, which are separate from Board meetings, I want the executive team to explain to us—in any format, including bullet points—what on-site problems and concerns they have prior to the meetings in addition to sharing with us the wealth of reporting materials prepared for the meetings, which are certainly very useful.

We can use the time allocated to the meetings more effectively by understanding the main points of the issues to be discussed in advance and then listening to the explanations about the reference materials at the meetings.

**Noda:** The management team and employees are all fulfilling their job duties conscientiously and they sincerely listen to our opinions, which pleases me a lot. At Board meetings, however, I think it is necessary to have even more constructive and in-depth discussions, although the time allocated for the meetings is limited. The executive team should not just respond to questions raised by outside directors and listen to the directors' opinions. They must also express their own opinions. Who are the true customers of the Benesse Group? The Group is conducting B-to-C business, but it is difficult for the Group to identify its true customers, and those with whom it has direct contact might not be decision-makers. It is difficult for the Group to decide whom it should satisfy as customers and whom the Group should please in terms of motivating staff. Customers who are satisfied tend to say nothing, while those who are dissatisfied tend to complain immediately. I am always worried that trying to placate the dissatisfied people may lead to the degradation of services that have been satisfactory to others. I always participate in discussions by keeping this in mind. The Group conducts the education business for children, but it is essential for the Group to deal with the problems faced by their parents. The same applies to the nursing care business. It is important to respond not only to the needs of the elderly who are using the services but also of their families. I feel very grateful for the explanations given to us about the analysis results at the time-constrained meetings, but I also want to have more discussions about who are the true customers of the Group.



**Onishi:** The needs that we are required to meet in the B-to-C business are becoming increasingly diversified and complicated. There are very few people who can communicate their needs clearly, and many of our customers are not aware of their true needs. Moreover, there are people who just stop using services when they feel dissatisfied with them, without making any complaints at all. How to make the Benesse Group's products and services shine more brightly? It is extremely important to obtain information through unofficial channels, for which it is absolutely necessary for staff to get out of the office and go looking for it. Based on my own experience in the airline industry, I would like to foster direct communication with staff who are serving customers on-site to help make the Group's products and services even more attractive. I hope that more time will be allocated to discussions on these issues at Board of Directors meetings and at the executive workshop.



Q » What challenges should the Benesse Group meet for sustainable growth?

**Noda:** It is still unclear in what way the Group's purpose will help the Benesse Group to increase its corporate value and what value could be produced by the achievement of the purpose. Also, what kinds of KPIs are needed to improve the business performance based on the purpose and mission? How should necessary measures be implemented? How much social value can be brought about as a result? I think the Group needs to find clear answers to these questions as the next challenge to be met. For example, in the nursing care business, the Group is implementing the Majikami AI project to enable an AI system to acquire the skills and know-how of an experienced caregiver with the aim of upgrading the skill level of the entire staff. In order to become the top leader in the industry, how should the Group utilize such AI systems and technology? I feel irritated at the fact that the project has not yet contributed to the Group's value creation and positive external evaluation, as I have seen the Group's on-site staff serving customers very attentively and making efforts to please the customers even more. Also, Benesse Corporation is doing much better than other listed companies in terms of female manager numbers, with a rate of around 30%. However, there are still no female employees who have been promoted to Board member after a long period of loyal service. I think the Group should promote more women who have lots of experience with on-site work to top management positions where they can make decisions, and it is good to have such a goal. However, having ESG-related goals is presently regarded as a management priority of all companies. I would like to have more in-depth discussions with other members of the Board to specify the path to be followed by the Group to achieve its goals and to examine how the Group can increase its financial performance and corporate value by implementing nonfinancial measures. I will also share with the Board members my own observations about how society and the business environment are changing from an outside perspective.

**Onishi:** In order to achieve true transformation and sustainable growth, the Group needs to foster internal reforms, including changing its corporate culture, in addition to reforming its business portfolio and business model. Under the leadership of President Kobayashi, the Group is pressing forward with measures to instill its corporate philosophy and vision across the board based on the Group's purpose, which I highly appreciate. According to my experience, it is critical to have a corporate purpose and mission that can be shared with on-site employees. No corporate reforms can be completed unless employees accept the corporate purpose and mission as their own. Conversely, employees who can take actions autonomously in line with the purpose and mission will provide a tremendous driving force for such reforms. I would like to discuss measures that will help the Group instill the corporate purpose across more of its workforce and will do anything that I can to contribute to the Group.