

Benesse Holdings, Inc.

Benesse  
Integrated Report 2019



# bene (Well) + esse (being) Benesse (Well-being)

What is “Benesse”? The heart of Benesse is enjoying the process of moving forward step by step, with resolve, toward the realization of your dreams and aspirations. Benesse empowers people to solve issues for themselves and to enjoy life to the full at every stage by offering them the tools and support they need to create well-being. We aim to be a globally respected corporate group that is both supported by and indispensable to its customers, communities, and society in general.

## Benesse Group Principles

The Benesse Group is a global corporation with a people-oriented culture. We believe that before we become good business people, we must live as responsible members of society and that all of our actions should lead to Benesse (well-being), and we act in accordance with these principles.

### Editorial Policy

We are publishing this report to let investors and other stakeholders understand the Benesse Group’s medium- to long-term strategies and initiatives for creating value, based on our medium-term management plan, Transform and Grow Benesse 2022, which we released in November 2017. In editing the report, we have kept in mind the reporting frameworks of the International Integrated Reporting Council (IIRC) and the “Guidance for Collaborative Value Creation” issued by the Ministry of Economy, Trade and Industry (METI), limiting the content to items of particular importance while striving to structure the report in a way that is concise and easy to understand.

More detailed investor-relations information and information related to environmental, social, and governance (ESG) matters is published on our website.



#### • Period covered

The report covers primarily activities carried out in FY2018 (i.e., from April 2018 through March 2019), though it also includes some information on initiatives from prior to that period and activities taking place after April 2019. The organization names and the job titles used are current as of June 22, 2019.

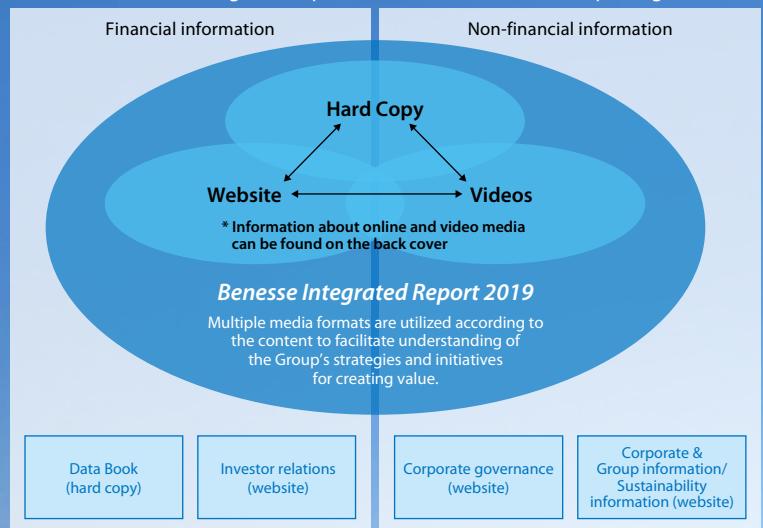
#### • Activities covered

The report covers the activities of Benesse Holdings, Inc., and its consolidated subsidiaries. If the discussion at any point regards any particular scope of coverage, this will be indicated on the pages concerned.

#### • Note regarding forward-looking statements

This report includes statements regarding current plans, forecasts, strategies, etc. Any of these statements that are not historical facts are forecasts of future performance; these statements are based on the judgment that the Company has formed using the information currently available, so they involve risks and uncertainties. Please be aware that, for a variety of reasons, actual performance may differ from current forecasts.

### How this integrated report fits into our information reporting



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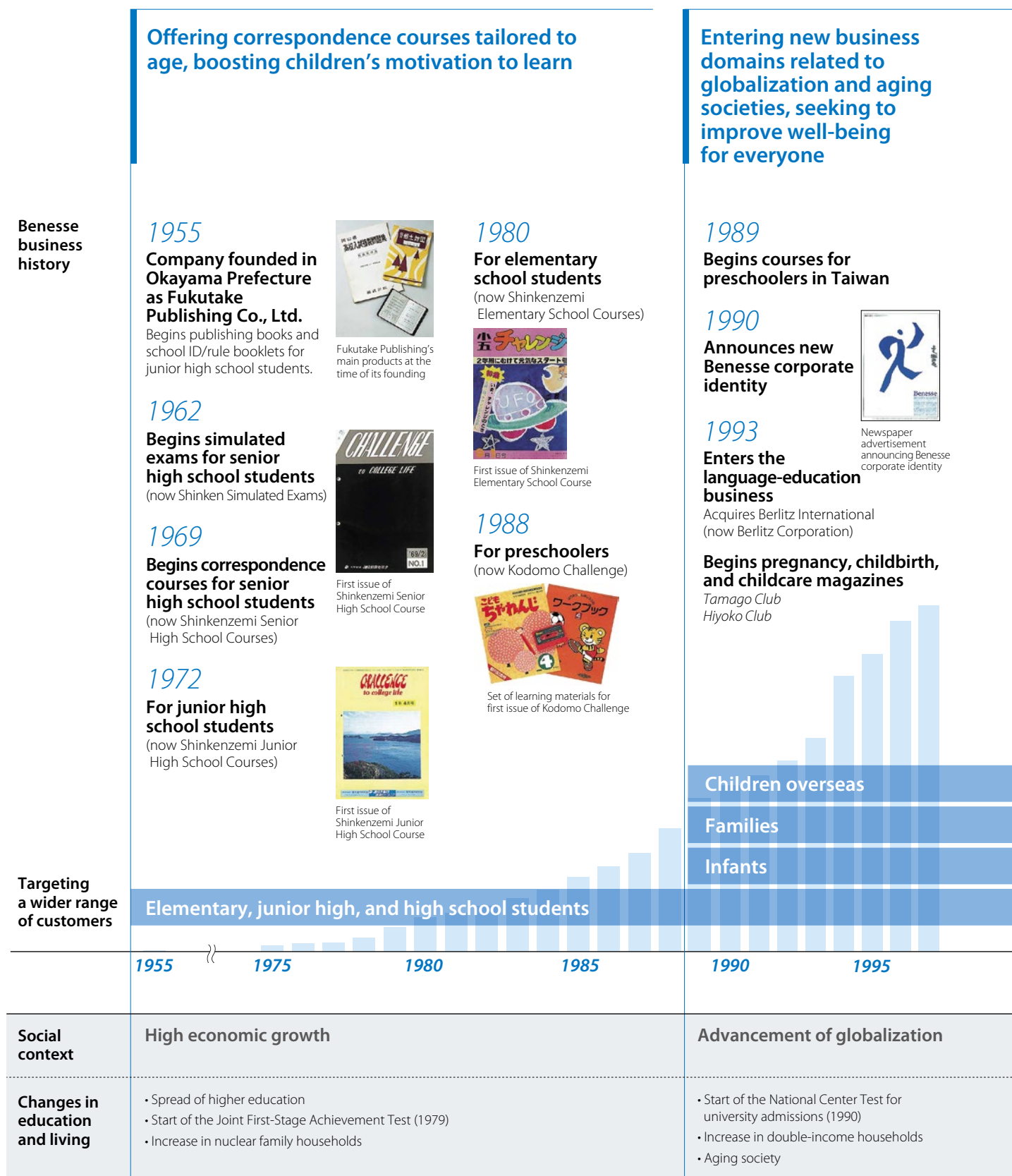


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# Steps in the History of Value Creation at Benesse

As the challenges facing society have changed with the times, Benesse has continuously strived to develop products and services that solve these problems in education and in life, based on our core principle of well-being.



**Catering to diversified needs with our established methods for more in-depth business**

**Net sales** (billions of yen)  
**¥600 billion**  
 Growth target projection for FY2022

**1995**  
**Changes name to Benesse Corporation**  
**Listed on the Second Section of the Osaka Securities Exchange**  
**Enters the nursing-care business**  
 In 1997, opens Benesse Home Clara Okayama



Benesse Home Clara Okayama  
 Kadotayashiki, Okayama City

**2000**  
**Listed on the First Section of the Tokyo Stock Exchange**

**Seniors**

**2006**  
**Begins courses for preschoolers in China**  
**Enters the prep-school business**  
 Acquires Ochanomizu Seminar Co., Ltd.



Preschool courses in China

**2008**  
**Next generation of Shinkenzemi**  
 Begins Shinkenzemi Junior High School Courses + i



Shinkenzemi Junior High School Courses + i

**2009**  
**Adopts a holding-company structure**  
**Changes name to Benesse Holdings, Inc.**

**2014**  
**Suffers a personal data breach**

**2015**  
**Establishes Benesse Senior/Nursing Care Research Institute**

**2017**  
**New medium-term management plan, Transform and Grow Benesse 2022**

**2018**  
**Begins courses for preschoolers in Indonesia**



2000 2005 2010 2015 2018 2020 (Target) 2022 (Target) (fiscal year)

**Toward a diverse, sustainable society**

- Education and entrance examination reform
- Rise of the digital native generation
- Increase in workloads

# The Benesse Value Creation Model

We seek sustainable growth for both the Benesse Group and society by bringing people well-being through our business and social activities, and continuously creating new value that helps solve social problems.

## INPUTS

### Business capital



### Financial capital

Total assets  
**¥504.6 billion**

Shareholders' equity  
**¥174.0 billion**



### Human capital

Employees (consolidated)  
**20,000**



### Intellectual capital

Survey reports  
**400**



### Social capital

Shinkenzemi enrollments in Japan (including Kodomo Challenge)  
**2.62 million**

Kodomo Challenge enrollments outside Japan  
**1.27 million**

Nursing home residents  
**16,000**

### Philosophy

 = well-being

#### Five business domains that support the well-being of everyone

**Domestic Education (Japan)**  
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**Global Kodomo Challenge**  
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**Nursing Care and Childcare**  
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**Berlitz**  
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**Other/ New Business Domains**  
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#### Community initiatives

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**Benesse Foundation for Children**

- Providing learning opportunities to children
- Creating environments for learning with peace of mind

**Fukutake Foundation**

- Supporting art
- Regional development

#### Strengthening corporate governance

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### Changes in society

- **Reforms to the education system**
  - Reforms to the college admission system
  - English language becoming a mandatory, graded subject in elementary school
  - Beginning of education in the basics of programming
  - Lesson and learning support
- **Diversification of learning**
  - Promoting active learning
- **Advancements in digital mediums**
- **China's growth and educational challenges**
- **More people who need nursing care**
- **The nursery school waiting list problem**
- **Greater language learning needs due to globalization**
- **Larger economic gaps between regions**
- **Climate change**

# OUTPUTS

## Value created

- Correspondence courses  
Shinkenzeni



- Mock university-entrance exams  
Shinken Simulated Exams



- Proficiency tests for the four skills  
Global Test of English Communication (GTEC)



- Operation of cram schools and prep schools



- Correspondence course for preschoolers  
Kodomo Challenge



- Japan version
- China version



- Managing residences for the elderly



- Operation of daycare centers and afterschool childcare centers



- Berlitz language services



- Informational magazines for pregnancy, childbirth, and parenting



- Magazines and websites about pets



# OUTCOMES

## Vision

### Financial targets

#### FY2022 (envisaged target)

Net sales

**¥600.0 billion**

Operating income

**¥60.0 billion**

Operating margin

**10.0%**

ROE

**≥10.0%**

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### Non-financial targets

#### Sustainability Vision

- Learning throughout life
- Preparation for the needs of a super-aged society
- Sharing of knowledge with society
- Value co-creation with communities
- Creation of a healthy society

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# Part 1

## Our Vision and Business Strategies

The Benesse Group engages in business activities and community-based initiatives aimed at improving people's well-being, based on a vision and business strategies focused on how society will continue to change in the years to come. Doing so, we will continue striving to create new value that delivers solutions for customers and their communities.





## Message from Management



# Pushing forward with business transformations for continued growth 10, and even 20 years into the future

### FY2018 Earnings and achievements

#### Adapting to changes in the business climate to grow steadily in each segment

Our consolidated sales grew for the second consecutive year (+1.1% year-on-year) to 439.4 billion yen in FY2018, the first year of our five-year medium-term management plan called Transform and Grow Benesse 2022. This may look like a small increase numbers-wise, but I wish to point out that this total no longer includes sales figures (12.6 billion yen from the previous year) from TMJ, Inc. which we sold off last year. This means that our other businesses have compensated for that amount and more to produce this increase.

In terms of income, we posted increases in both operating income and ordinary income, with 16.2 billion yen (+28.7%) and 12.1 billion yen (+31.3%) respectively. Net profit may have decreased to 4.9 billion yen (-60.5%) but the main reason for the large decrease was fallback after the extraordinary gain posted from the sale of TMJ, Inc. last year.

Looking back on FY2018, I consider it to have been a year in which both our achievements and challenges came into clearer focus. I will go into more detail later about the challenges that warrant immediate action, but I believe it is safe to say that the earnings of the group as a whole have grown because we have worked on initiatives in each segment that are adapted to changes in the market and business climate.

#### Year-on-year changes in each segment

	Net sales (YoY)	Operating income (YoY)
<b>Domestic Education</b>	5.5%	10.6%
<b>Global Kodomo Challenge</b>	8.1%	40.0%
<b>Nursing Care and Childcare</b>	4.6%	28.8%
<b>Berlitz</b>	4.0%	-¥700 million

## Message from Management

Numerous changes are sweeping through the domestic education market in which we do the bulk of our business in the Benesse Group. In addition to reforms of education and university admission systems starting in 2020, these also include emphasis on the four skills of English language proficiency (listening, reading, speaking, and writing), accelerating the start of mandatory, graded English education in elementary schools, and greater interest in making computer programming education compulsory. At the same time, the rapid spread of digital learning through smartphones and tablets is causing competition in the market to intensify.

With these changes taking place around us, we have actively extended our product and service offerings with the customer's point of view in mind in domestic education, including expanded adoption of the GTEC test for the four skills of English language proficiency, while also successfully growing our core Shinkenzeni business and our business in school and teacher support. Tokyo Individualized Educational Institute and Tetsuryokukai have also solidified their positions in the cram school industry. With use of ICT on the rise in school settings, we added EDUCOM Corporation to the group in January 2019 in order to leverage their strength in support systems for school affairs to expand the client base of the Classi learning platform for schools.

Benesse Style Care operates in nursing care and childcare, another of our business pillars, where steady increases in the number of our nursing and elderly homes plus improvements to their occupancy rates have led to stronger business performance amidst ever-increasing needs due to Japan's super-aged society. However, the shortage of available labor in nursing care is now a major problem, and Benesse Style Care is no exception. We began making advancements with better working conditions starting in 2017 that have stabilized staff retention, but unfortunately there was an increase in turnover for some staff in the second half of last fiscal year. We are planning new educational programs in FY2019, as we put systems in place that help us continue to offer our occupants a high level of service.



### Shinkenzeni enrollments

	April 2017 (Tens of thousands of enrollees)	April 2018 (Tens of thousands of enrollees)	April 2019 (Tens of thousands of enrollees)	YoY difference (Tens of thousands of enrollees)	Change (%)	Change in market share (%)
Senior high school	15	16	<b>15</b>	<b>(1)</b>	<b>(3.8)</b>	<b>(0.1)</b>
Junior high school	40	42	<b>42</b>	<b>(0)</b>	<b>(1.1)</b>	<b>0.1</b>
Elementary school	116	120	<b>124</b>	<b>4</b>	<b>3.3</b>	<b>0.8</b>
Kodomo Challenge (Preschool)	74	79	<b>81</b>	<b>2</b>	<b>2.7</b>	<b>0.5</b>
<b>Total</b>	<b>245</b>	<b>257</b>	<b>262</b>	<b>5</b>	<b>1.9</b>	<b>0.4</b>

Slogan

# Transform and Grow Benesse 2022 (FY2018–FY2022)

## How we want the Company to be in FY2022

- A reputation as Japan’s leading company for supporting rich lifestyles
- Recover status as a top Japanese company that is universally trusted
- Proud and motivated employees

Remain true to our commitments

### Focus on strategy and execution

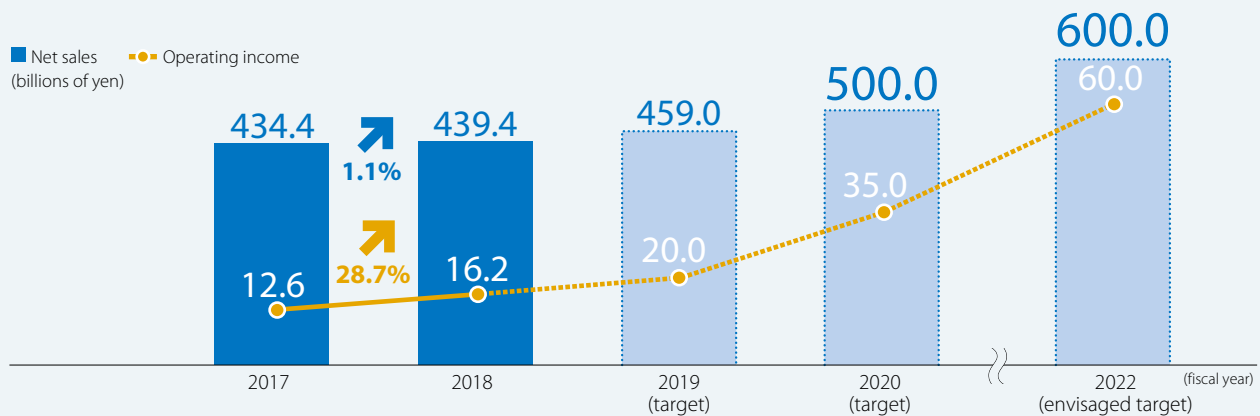
Propose and execute specific strategies to deal with changes in business environment

### Focus on growth

Grow existing businesses further and venture into new domains

Phase 1 FY2018–FY2020

Phase 2 FY2021–FY2022



<b>Domestic Education</b>	<p><b>Grow by capitalizing on reforms of education and college admission systems</b></p> <p><b>FY2018</b></p> <ul style="list-style-type: none"> <li>• Developing teaching materials for the four skills of English language proficiency (Shinkenzeni business)</li> <li>• Converted school affairs support system provider EDUCOM Corporation (school and teacher support business)</li> </ul> <p><b>FY2019 onward</b></p> <ul style="list-style-type: none"> <li>• Strategic shift of emphasis from “increasing enrollment” to “increasing profitability”</li> <li>• Expand Class Benesse through franchising and partnerships with cram schools</li> </ul>
<b>Global Kodomo Challenge</b>	<p><b>Expand the Kodomo Challenge brand of courses</b></p> <p><b>FY2018</b></p> <ul style="list-style-type: none"> <li>• Completely overhaul Kodomo Challenge teaching materials in China</li> <li>• Launch Kodomo Challenge in Indonesia</li> </ul> <p><b>FY2019 onward</b></p> <ul style="list-style-type: none"> <li>• Revamp products in phases to cater to changes in the Chinese market</li> </ul>
<b>Nursing Care and Childcare</b>	<p><b>Entrench our leading position in the market by continuing to offer high-quality services</b></p> <p><b>FY2018</b></p> <ul style="list-style-type: none"> <li>• Introduce the Service Navigation System in all nursing homes</li> </ul> <p><b>FY2019 onward</b></p> <ul style="list-style-type: none"> <li>• Establish high-end nursing homes outside of central Tokyo</li> </ul>
<b>Berlitz</b>	<p><b>Pursue structural changes</b></p> <p><b>FY2018</b></p> <ul style="list-style-type: none"> <li>• Enter into a master franchising agreement with CLIC Co., Ltd. in China</li> </ul> <p><b>Work toward becoming profitable and re-establishing growth</b></p> <p><b>FY2019 onward</b></p> <ul style="list-style-type: none"> <li>• Bring Berlitz 2.0 to all regions</li> </ul>
<b>Other/New Business Domains</b>	<p><b>Utilize M&amp;A to expand in new business domains</b></p>

## Message from Management

### Measures to address challenges and achieve further growth

#### Exercising leadership to take on three challenges

In addition to the aforementioned achievements, we are also aware of our challenges. The three major challenges which must be addressed promptly are as follows, and we will exercise leadership in pushing forward with reforms.

##### **Overhaul the Shinkenzemi business**

One of these challenges is to overhaul the Shinkenzemi business. The significant fall in enrollment suffered in this business following the leak of personal information in 2014 has bottomed out and has now turned toward recovery. In an effort to bolster our product offerings, we rolled out Level-Specific English Four Skills Training materials in FY2019. Our customers had a very positive response to how it enables individuals to learn according to their skill level, from the basics all the way up to university entrance examination material, regardless of their grade in school. Still, enrollment is not recovering at the pace we had initially anticipated. As of April 2019, enrollment remained at 2.62 million, an increase of 50,000 year-on-year which fell short of our target of 2.74 million.

We found the biggest problem to be that when comparing the new enrollment to the sales cost invested in attracting them, our sales efficiency is actually lower than expected. In our medium-term management plan, we set out the goal of increasing enrollment to 3 million by 2020, but if we were to lay out the sales costs to try to achieve this number it would significantly damage our profitability.

Having reached this conclusion, we decided to shift our strategy from “increasing enrollment” to “increasing profitability.” From now on, we will be seeking not only to boost new enrollment, but also to achieve steady growth in enrollment by emphasizing retention and not engaging too heavily in inefficient sales.

We see overhauling the Shinkenzemi business model itself to be a pressing concern. While Shinkenzemi is an iconic Benesse business, the market climate and the value that customers demand have been rapidly changing in recent years, and our competitors have expanded their presence. As Japan’s birthrate has continued to decline and we reach an age in which everyone can enter a university, student types have diverged faster than we expected into the extremes of children who aim high and work hard at their studies, and children who do not. We now need an approach tailored to each and every child, utilizing the respective characteristics of paper and digital mediums. As a result of these changes we have a strong awareness that we cannot



*From increasing enrollment to increasing profitability  
Accommodating the rapidly changing  
needs of our customers,  
with a commitment to boosting member satisfaction*

simply keep doing things the way we have before. Therefore, we will begin working on drastic reforms now with medium- to long-term growth in mind.

When I assumed the role of president two and a half years ago, it was my belief that we should get back to fundamentals and do business in a way that utilizes our strengths. However, I strongly believe now that we will need to create new strengths in order to overcome the immense turbulence immediately ahead. I intend to pursue drastic reforms of our products and sales methods, and work toward reforming our business model itself.

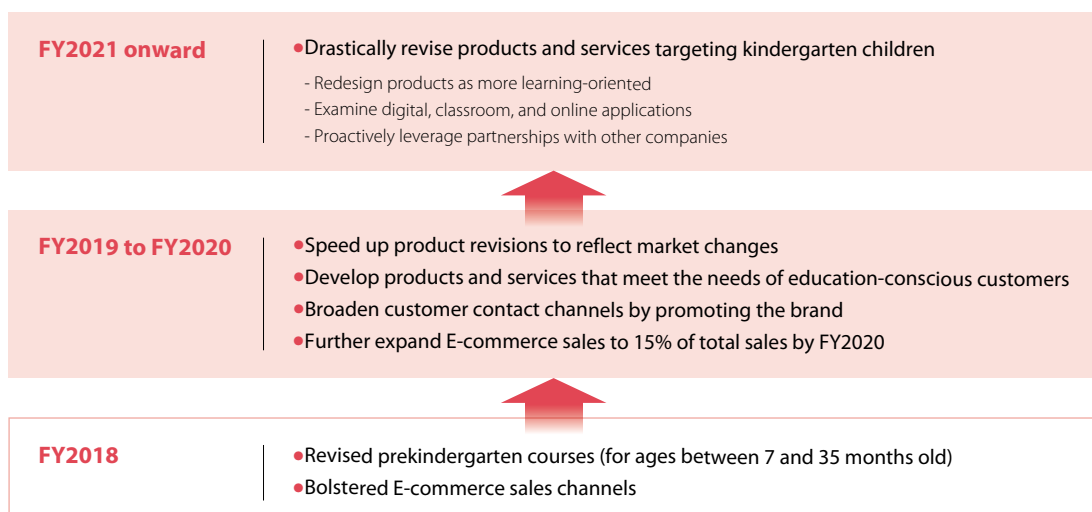
### New growth for Kodomo Challenge in China

Generating new growth for our Kodomo Challenge business in China is also a very significant challenge. Enrollment in China continued to increase in FY2018, but the pace of this growth has slowed down compared to the roughly 20% year-on-year growth we experienced several years ago. One reason is that we stopped expanding the regions where the service is available, but that was not the only reason. Our analysis shows another major reason was that we lagged at updating our products.

As backlash to overbearing emphasis on studying for entrance exams (examination-oriented education) starting in early childhood in China, the country is now turning to the importance of developing a variety of qualities and human character traits in children (quality education). Benesse is focusing on quality education utilizing Shimajiro (marketed in China as Qiaohu) just as we are doing in Japan, and response has been positive, but on the other hand we believe that we also have to satisfy the needs of education-conscious customers. Utilizing the expertise and digital technologies we have accumulated in Japan, we will develop educational materials catered to both examination-oriented and quality education, giving ourselves new strengths in Kodomo Challenge.

We already initiated reforms geared toward generating new growth last year, completing a full overhaul of our products for prekindergarten courses (for ages between 7 and 35 months old) while bolstering efforts in E-commerce channels. As a result, prekindergarten course enrollment in April 2019 was 6.6% higher than the previous year, and our retention rate had also increased by 6.1%. Going forward we are planning two phases of reforms to drastically restructure our business model in China with medium-term growth in mind.

### Future strategy for Kodomo Challenge in China



## Message from Management

For the first phase we plan to completely revise our products according to changes in the market over the next two years. We will develop products and services for education-conscious customers, broaden customer contact channels by promoting the brand, and expand our E-commerce channels even more. Then, for the second phase starting in FY2021 we will drastically reconceptualize our courses for kindergarten children according to the nature of the rapidly changing market in China.

Education-conscious customers in China have even more intense needs than in Japan. We will re-accelerate growth by thoroughly understanding and catering to their needs. In a way, we see this is a topic of even greater urgency than overhauling Shinkenzemi.

### Reform our Berlitz business

Another challenge is to reform our Berlitz business. Net sales for Berlitz in FY2018 were down 4% from the previous year, producing deeper losses with an operating loss of 4.7 billion yen. The main reasons were declines in the number of lessons in language services (BTS) and the number of students in our support for study overseas (ELS). In addition to declining revenues, restructuring costs were also one of the reasons for lower profitability. Of course, we naturally expect to see improvement effects from the restructuring, but those effects have not yet become apparent.

We believe that reforming the cost structure and transforming the products and business operations are issues that require urgent action within Berlitz. Since the market is steadily growing in Japan but there are various challenges standing in the way in other markets, we are pushing forward with major structural reforms to morph Berlitz into an entirely new company.

In terms of products and services, we are working to develop a new program as part of a company-wide reform project called Berlitz 2.0. This is an entirely new style of language learning program in which online lessons and e-learning are made available in addition to the traditional face-to-face classroom lessons, organically combined with the latest in digital learning material based on Berlitz courses of study. Connecting teachers with students through smartphones and computers makes it possible to utilize the high-quality language learning programs of Berlitz anytime, anywhere in the world.

Since no other industry players are providing high-quality services like these worldwide yet, we expect that the top line of Berlitz could grow again substantially if these efforts are successful. With soft launches currently under way on a regional basis, we plan to fully roll out these services to all regions around the end of the year.

Reforming the business of Berlitz means not only changing up the products but reforming the awareness of its employees as well. In May of this year we held a meeting with on-site staff at the head office of Berlitz in the US and found that the people currently in charge there are very highly motivated, with infectious ambition. The people they hired to lead their digital marketing are also extremely talented, with experience working in digital marketing for cutting-edge companies at the forefront of digital technology. They have already begun producing tangible results.

We must successfully achieve genuine transformation in response to the three challenges above in order to keep Benesse growing into the future. Internally we are also taking every possible opportunity to spread the awareness of 2019 being a “year of transformation.”



Berlitz employees

*Leveraging our advantage in collective capability to aim beyond our existing business fields and create value post-educational reforms*

### Medium- to long-term growth

#### Leveraging our collective capability to generate new forms of education

Expanding our main business in domestic education is essential for the Benesse Group to achieve medium- to long-term growth. With major changes sweeping through Japan's educational system, we will need to provide new services in each segment that cater to new demand. We know that this is not something we can accomplish simply by extension of our existing business operations. We need to make full use of the advantage Benesse has in collective capability to create new forms of education with medium- to long-term growth in mind, and we need to start doing so right now.

One path forward is developing the four skills of English language proficiency. We have already rolled out Level-Specific English Four Skills Training materials in Shinkenzeni and in school and teacher support. We are expanding our curriculum for the four English skills in cram schools as well. In this sense the four skills of English have an impact across all our business segments.

We also see tremendous potential in new business utilizing digital data. These initiatives leverage the vast data owned by Benesse, with our broad customer base.

Another path forward is supporting education for companies and working adults. As Japan's population ages and birthrate falls, we will bolster our approach to the educational and learning needs of working adults. While we already provide some services in this field, we are working toward creating and providing highly-marketable corporate curriculum based on an online education program for individuals which we are developing jointly with Udemy in the United States.

We are also working on organization-wide projects geared toward creating new business. As an example of this, in our "Future Learning Project" ("Kore-mana") we are reviewing the possibility of establishing new next-generation learning services that take place outside of school, and we have begun research on the topic of developing products for STEAM education.

Wide-ranging initiatives such as these can only truly be achieved by a company with the collective capabilities of Benesse, which can operate in fields ranging from correspondence courses to elementary, junior, and senior high schools, cram schools, universities, and even education for working adults.

### Bolster our non-financial assets

#### Integrating our accumulated knowledge and expertise into digital mediums

Our greatest strength at Benesse is the capability of our human resources, which is what fuels our growth. I have been continuously conducting round-table discussions, visiting different departments on a regular basis to share thoughts with our employees in their



## Message from Management

workplaces. In these discussions, our team members in school and teacher support have shared very serious opinions on the topics of how education should be conducted in Japan going forward, and how to give tangible form to educational goals in the classroom. The same is true in our nursing care and childcare settings. It truly struck me that every day these people are continuously asking themselves what they can do for children, what they can do for seniors, and what they can do for the future of Japan. This high level of motivation is the source of Benesse's strength. It is also what enables us to provide the high-quality services we are known for in educational and nursing care settings.

However, when thinking about sustainable growth going forward, we cannot assume that the knowledge and expertise we have accumulated in educational and nursing care settings will be enough. This is where possibilities such as so-called "digital transformation" come into play, integrating our products and services with digital technologies. I believe that this is something we need to be aware of in our overall strategy for the Benesse Group and all aspects of our business. With this in mind, I have been vigorously spreading the message throughout the company that "if we can't work with digital, our company will not survive."

Taking that into consideration, what our Group needs more than anything right now is human resources who not only possess knowledge and expertise in education, nursing care, and our other business areas, but who are also highly motivated and have skills in digital technology. Under the leadership of the Group Digital Division established in January of last year, we launched an initiative to educate employees that embody the Benesse philosophy so they can also be strong in digital. Doing things this way may take a little time. However, rather than simply relying on outside players, I believe this path will surely give us more of the human resources that Benesse truly needs.

I also think that we need to build mechanisms that help our staff stay highly motivated and successful in nursing care, where it has become particularly difficult to acquire human resources. Specifically, we will establish internal certifications for the Benesse Method which could be considered the fruit of our expertise in nursing care, while also creating specialized career paths, and establishing mechanisms to pay remuneration that is commensurate with skill improvements. This will ultimately boost our service level while at the same time improving our retention rate.

Another important human resources topic is developing the leadership for the future of the Benesse Group. In the next generation leadership development project that we launched last year, we provide leadership training to around 20 selected executive management candidates from each department every year. Additionally, the Benesse University development program for young employees which we also launched last year is still going strong.

Furthermore, the Benesse Group also carried out a major non-financial initiative with the establishment of our Sustainability Vision in January 2019. The purpose of this vision was to clearly demonstrate to everyone both internal and external that our group



*What can we do for the future of Japan?  
The source of our strength is  
the motivation each of our employees has  
to keep asking themselves this question each day*



## Sustainability Vision of the Benesse Group

We are committed to contributing to society now and in the future through all of our business activities and interactions with individuals, communities, and society by taking a fresh people-centered approach to all kinds of social issues and putting into practice the "Benesse = well-being" corporate philosophy in order to create a sustainable, affluent world in a society where change is the norm.

**Learning throughout life** ..... Embracing the concept of joyful learning, we will deliver high-quality learning for all generations in Japan, Asia, and the rest of the world.

**Preparation for the needs of a super-aged society** ..... We see meeting the needs of a super-aged society as an "eighteenth goal" to go with the 17 SDGs, and we will lead the world in providing supportive nursing care services for all.

**Sharing of knowledge with society** ..... We will share our experience and knowledge with society and work with our partners to generate "well-being" in order to address the challenges that people face.

**Value co-creation with communities** ..... We will work with local residents to generate new value in learning, culture, art, and other realms in order to build a more fulfilling society.

**Creation of a healthy society** ..... We will also actively develop business in new fields beyond education and nursing care that will be needed to generate "well-being" in the future.

is an enterprise that addresses social issues such as the SDGs head-on. Education and nursing care are both directly linked to social issues. Thus, expanding our businesses in these areas will in and of itself contribute to solutions for these issues. In this sense, Benesse can be considered a pioneer in sustainability. With this in mind, we have also established a Sustainability Committee to be the organization that spearheads activities based on the sustainability vision. Going forward, the Sustainability Committee will be instilling this vision throughout the company, while also clarifying specific key action items. We hope the committee can promote suggestions originating from the worksites, while also backcasting from our goal of what we aim to be in 2030 in order to clarify the key issues (materiality) that we need to address.

## Message to stakeholders

### Challenging ourselves to transform, with a sense of excitement and urgency

There were a number of circumstances arising in FY2018 that we did not anticipate at the outset of the medium-term management plan, and as a result we lowered our target operating income in FY2019 by 5 billion yen to 20 billion yen. First, I want us to achieve this goal with certainty, and then look to take on the next challenge.

For this next challenge we must not fail to take measures to address the issues that have been identified and work as hard as we can toward transformation. We need to build the foundation for new businesses that will be in place within two or three years and create the future for Benesse that will continue for the next 10, and even 20 years.

As I mentioned before, FY2019 is a year of transformation for Benesse. With a sense of excitement and urgency, we will push forward with these transformations.

# Part 2

## How We Create Value

The philosophy of the Benesse Group is to assist everyone whether they are children, young people, parents, or senior citizens, to live a more fulfilling life. The Group has begun strategically creating new value in each of its business domains that provide services to people over their whole lives, spanning from childcare to nursing care.



## Creating value in our education business



### Capitalizing on Japan's educational reforms and laying a roadmap for the future

#### Hitoshi Kobayashi

Representative Director and Executive Vice President,  
Benesse Holdings, Inc.  
Representative Director and President, Benesse Corporation

#### Redefining Benesse's mission while executing growth strategies over three phases

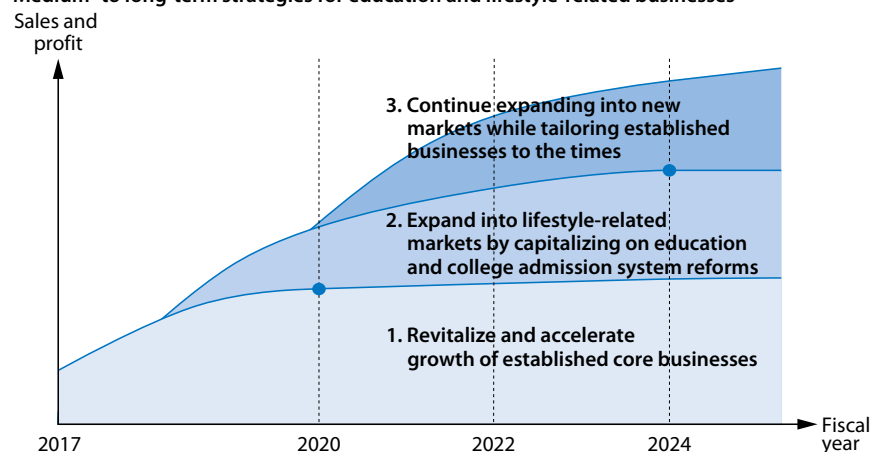
For the Benesse Group to realize sustainable growth in the future, it will be essential to restructure the education business, which is one of its core businesses. Education in Japan is currently undergoing rapid changes. Amid declining numbers of children and school enrollment, there is a widening gap between students who strive to enter scholastically competitive high schools and universities and students who do not. Meanwhile, digital technologies like AI and IoT have suddenly arisen as game-changers in education.

As a provider of educational services, Benesse Corporation has been at the forefront of Japan's education industry for many years. Amid major changes surrounding the industry, however, we recognize that it will be increasingly more difficult to maintain high levels of customer satisfaction just by offering the same products and services that we do now and did in the past.

At the heart of Benesse is a deep commitment to the well-being of customers. I believe that by revisiting this commitment, asking again what we should and can do for customers, and redefining our mission, we will be able to create genuinely beneficial products and services that satisfy our customers going forward. From that standpoint, we intend to execute growth strategies for the education business spanning over three distinct phases.

From the first phase, we plan to strengthen the Group's established businesses to lay a foundation for the subsequent phases. That will involve improving weak points and emphasizing competitive advantages in each of those businesses. For example, we must still regain public trust in the wake of a leak of customer information in 2014. At the same time, we will work to expand our Class Benesse courses in the Area and Classroom Education Business and promote our mock university entrance exams for high schools. In the second phase, we will aim to capitalize on opportunities for growth triggered by the major changes in the industry, particularly educational and college admission system reforms set to go into effect from 2020, and gain a foothold in new markets by developing highly competitive products, services, and businesses that make use of the Group's collective capabilities. In the third phase, from 2024 and beyond, we will

Medium- to long-term strategies for education and lifestyle-related businesses



## Special Feature—Creating value in our education business

explore new challenges to pursue, formulate a new vision for achieving growth, examine new growth markets and refine the Benesse Group's businesses.

### Phase 1

#### Building on results of mainstay businesses in the first year of the medium-term management plan and setting goals going forward

The first phase of our strategies commenced in FY2018, and we have already produced some promising results. Among them, the number of students taking our Global Test of English Communication (GTEC) has increased substantially. Developed by our education business, the test evaluates all four skills of English language proficiency (listening, reading, speaking, and writing). The fact that it was approved for newly reformed college entrance exams indicates its usefulness as an educational tool. Furthermore, we have seen a large increase in the number of cram schools that adopted our Class Benesse course, which began as an initiative for improving Shinkenzeni lineup. This success provides a basis for developing this business in the future.

On the other hand, our mainstay Shinkenzeni business did not grow as much as expected. In light of those results, we will change our basic strategies from FY2019. For example, instead of running up excessive marketing costs for attracting new enrollees, we will work to boost profits by raising the customer satisfaction of current enrollees.

As a matter of course, we will continue applying digital technology to enhance our correspondence courses. Benesse has been developing courses that use both paper and digital teaching materials, but in recent years, the ratio of digital to paper has been rising with each progressive school year.

The advantage of digital learning tools is that they can be personalized for each student. The time when a student turns on the tablet computer, which problems he or she solves and the time taken to solve them can all be recorded. Furthermore, mistaken answers and other detailed study history data can be analyzed, whether on an individual level or aggregate level involving millions of users. That allows us to create appropriate study questions and optimize learning methods.

One after another, competitors have recently been entering the market for digital teaching materials. Nevertheless, Benesse has an overwhelming edge in terms of assets, expertise, and know-how. For instance, we have compiled massive databases of test questions and study patterns derived from users over many years. Applying AI to this big data is just one way through which we can develop highly personalized services.

Digital tools alone, however, cannot provide children with a well-rounded education. People are essential for encouraging children to study and monitoring their progress. In this regard, as well, our education business has a long history of developing people-oriented services. For example, we have tutors provide written instructions and corrections on answer sheets submitted

by correspondence course students, and also have graduates of the courses provide mentoring to current enrollees. By integrating the extensive know-how of these educators with newly developed digital tools, I am confident that we can create original services far beyond the capabilities of our competitors.

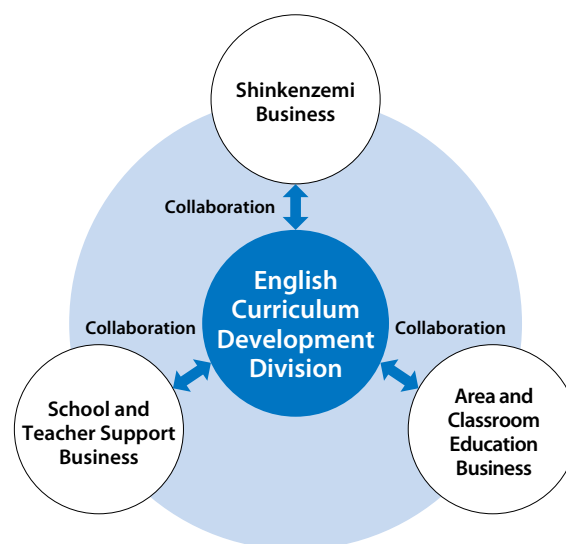
### Phase 2

#### Leveraging collective capabilities in group-wide projects aimed at capitalizing on education and college admission system reforms

In the second phase, our biggest challenge will be to develop new products and services designed for all four skills of English language proficiency. We will aim to make these products and services more competitive in each of our language teaching-related businesses, including our firmly entrenched school and teacher support business, as well as Shinkenzeni and cram school businesses. Indeed, in each of these areas, curriculum covering all four skills will be central for achieving growth. Toward this end, our correspondence course business released curriculum designed to teach each of the four skills above the levels taught in school in April 2019. Moreover, our Area and Classroom Education Business adopted an online speaking program for school students that meets guidelines set by the government, and developed an English speaking course for cram and prep schools. This course is also being offered to cram schools operated by other companies.

To promote this shift to curriculum covering the four basic language skills throughout the company's domestic education business, we established an English curriculum development division in FY2018. This, however, is just one example of our recent initiatives. Aiming to create new value, we are carrying out

#### Framework for teaching English language skills



numerous projects that bring together the expertise and know-how of every relevant division. We are also accelerating initiatives in other spheres of education, including the development of tests for evaluating children based on a broader range of variables.

Along with these initiatives, we are also implementing internal branding activities to promote Benesse's mission to employees group-wide. To create new value, it is essential for every employee to fully understand and endorse the same ideals and vision of the Benesse Group. By expressing the Group's mission and creating a simple story, we hope to motivate employees to take action and consider how to contribute to creating new value. New products and services foster customer loyalty and increase the power of our brand, and when that success is celebrated within the Group, we can craft our next story and move forward. I hope all employees of the Group will share these ideals and vision with the goal of continuously creating new value going forward.

### Phase3

## Envisioning a new way forward from 2024 and beyond with a commitment to children's well-being

In preparation for the third phase of our growth strategies, we will invite key personnel and managers overseeing each business to participate in workshops aimed at envisioning the future of the Benesse Corporation.

The goal of our education business is to motivate children to study and equip them with the abilities to learn and think independently. I believe these abilities will be vital for leading an independent life upon reaching adulthood, when many jobs will be automated via digital technologies and AI, and also invaluable for helping make society more sustainable. What Benesse can do to achieve this goal and what new businesses can be created from 2024 onward will be discussed in the workshops.

As technological advancements reshape society, the STEAM educational approach of incorporating science, technology, engineering, arts, and mathematics into curriculum has been attracting attention. We are studying this kind of curriculum while considering which learning methods will be most effective for



children in five to ten years. We are also studying methods for offering education optimized for adults interested in recurrent education and for people with disabilities. In addition, driven by our commitment to creating brighter futures for children from other countries, particularly those in Asia, we plan to launch educational services designed to raise the scholastic abilities of children who aspire to work internationally, incorporating curriculum developed for Japanese primary and secondary education.

Over many years, Benesse Corporation has been providing services from the stages of pregnancy, childbirth and child rearing. In other words, we are there for our customers over their entire childhood. By utilizing data derived from educational services spanning across every stage of a child's life from preschool education to the time of entering college, it should be possible to help that child thrive in the world as a young adult. Benesse Corporation will strive to work alongside our customers and support the well-being of each individual while aiming for growth in the future.

#### Areas of focus for developing new businesses

1. STEAM-based education
2. Recurrent education
3. Education for people with disabilities
4. Global education for students in Asian countries

# Overview of Business Segments

## Domestic Education (Japan)

Domestic Education is the Group's main business, accounting for more than 40% of consolidated sales. We aim to use the educational and entrance-exam reforms as an opportunity for further growth.



### Strengths

- Customer trust built up over many years in the education field, with an overwhelmingly large customer base
- The largest business scale in the industry, and collective capability that covers schools from elementary through junior and senior high, plus extracurricular education for elementary, junior high, and senior high school students
- Extensive educational knowledge from helping “bolster children’s motivation and ability to learn on their own” through the development of learning materials, entrance exam preparation, learning and career counseling, and more
- Diverse personnel and corporate culture that embody our customer-centric philosophy

### Social Changes

#### Opportunities

- Reforms to university entrance examinations and enactment of new educational guidelines
- Progress in English four skills and the accelerated start of English education
- Change in parent attitudes due to larger numbers of four-year university graduates and double-income households
- Larger disparities between schools, and between the education level in different regions

#### Risks

- Market stagnation and contraction due to the decreasing birthrate
- Intensifying competition from digital technology companies entering the market, and increased activity by competitors
- Commodification of educational content and price collapse due to the advancement of digital mediums

### FY2020 Targets

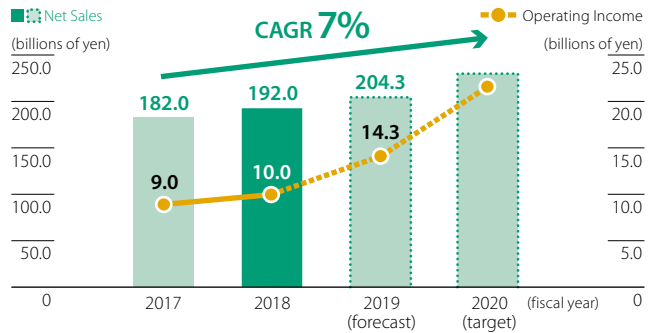
Net sales CAGR **7%**

- Leverage the educational and entrance-exam reforms to push ahead with growth strategies in each business segment
- Use our collective capabilities to promote the GTEC proficiency tests in the four English skills

## FY2018 Results

- Shinkenzemi total enrollment increased steady business growth in school support, and cram schools
- Absorbed investments for bolstering Shinkenzemi product offerings and for education reform-related initiatives such as GTEC, and increased both revenues and profit

### Net Sales & Operating Income



## Shinkenzemi Business

**Enrollment increased despite price revisions  
We will continue to grow profitability while focusing on retention rate**

Michiaki Yamamoto Corporate Executive Vice President, President of Zemi Business Company



### FY2018 Results

- Average annual retention rate remained steady while new enrollment increased year-on-year while falling short of plan
- Released Level-Specific English Four Skills Training [Page 25](#)

### FY2019 Initiatives

- Shift strategy to focus more on profit growth rather than increasing enrollment. Pursue customer satisfaction
- Shift to digital products and services for more individualization

### Highlights

## The release of Level-Specific English Four Skills Training

In April 2019, we began offering Level-Specific English Four Skills Training to Shinkenzemi enrollees in elementary, junior high, and senior high schools. They appreciate how it allows them to learn the four skills of English—listening, reading, speaking, and writing—at home, in a balanced manner according to their own capabilities.



Compatible with your own computer or smartphone in addition to dedicated Shinkenzemi tablets, making it possible to study on your own anywhere, at any time

### Highlights

## Improving the functions of Challenge Touch

An increasing number of users are utilizing Challenge Touch dedicated learning tablets to take Shinkenzemi Elementary School Courses. This method is boosting lesson completion rates and overall scores by taking advantage of the digital medium to get them to try again at solving previously attempted problems, which is essential to retaining what is learned. In 2019, we also added the Double Try Again function, which allows students to try solving important problems again at certain intervals. Enhancing the learning effects of enrollees will lead to further improvement in retention rate.



Challenge Touch helps improve retention rate

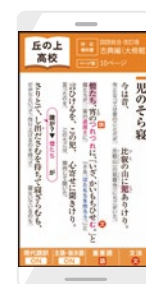
## Overview of Business Segments | Domestic Education (Japan)

### Highlights

#### Prep & Review App makes effective use of students' free time

We are focusing on developing smartphone-based learning for our Shinkenzei high school courses. In April 2019, we released the Prep & Review App, an effective tool that students use during their free time. Not only does the app support efficient investigative learning for preparation, review, and homework involving the textbooks and other materials that students use at their schools, but it also offers video lectures that offer deeper understanding of the problem solving process. We put ingenuity into designing this app to adapt to the lifestyles and learning needs of high school students who are constantly busy with club activities and friends.

Attentive support is also available through in-app questions to Shinkenzei advisors when information in the app is not enough to help students understand. Simultaneously, we now actively promote use of the app, including an introductory video being streamed on YouTube as of June, produced through collaboration with a video creator who is a high school student and is popular with junior and senior high school students.



Hold a smartphone up to the page number in a textbook or reference book, and the optimal content will be displayed

### School & Teacher Support Business

#### Offering new forms of learning in educational settings by moving quickly to prepare for the educational and entrance-exam reforms

**Masaki Yamasaki** Director and Corporate Executive Vice President,  
President of School and Teacher Support Business Company



#### FY2018 Results

- GTEC test takers and schools using Classi steadily increased
- Converted school affairs support system provider EDUCOM Corporation into a subsidiary, concluded a strategic partnership with Classi Corp.

#### FY2019 Initiatives

- Move quickly to prepare for the educational and entrance-exam reforms
- Bolster our support for schools and expand the business

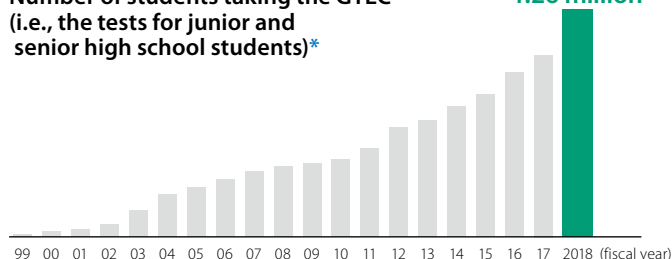
### Highlights

#### Further elevating our predominance in high school English education

The GTEC has been adopted as one of the private-sector proficiency tests—for the four skills in English—that will be used on the uniform test for university admissions to be implemented beginning in FY2020. The test is gaining prevalence, now in use at approximately 1,850 senior high and other schools throughout Japan and with more than 1.26 million total test takers per year. We will continue fulfilling our responsibility as part of the entrance examination process while helping children learn English they can actually use.

**Number of students taking the GTEC (i.e., the tests for junior and senior high school students)\***

**1.26 million**



\* In the case of a proficiency test with stand-alone score (including students who were tested on only three skills)

### Highlights

#### Launching computer programming education support at 1,600 elementary schools throughout Japan

The new educational guidelines that go into effect in FY2020 make computer programming a mandatory subject at elementary schools. While exploration into specific initiatives for programming in the school setting will now begin, putting these initiatives into practice involves a variety of challenges. One major challenge is the importance of having people available to support instruction. To help solve this, Benesse is combining in-house developed original learning material for programming with ICT services deployed on-site to support high-quality programming education at no cost for around 1,600 schools.



"Mirai Seed" dedicated programming content



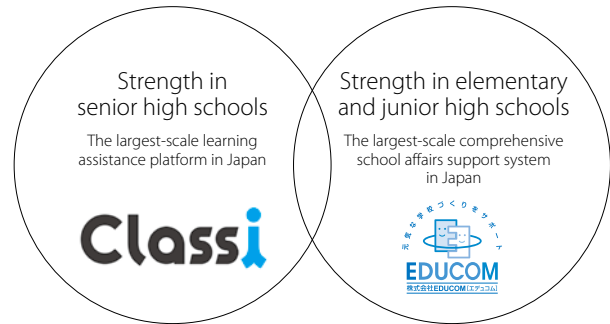
Highlights

Helping to improve the quality of school education with school affairs support + learning assistance

Classi is a cloud-based learning assistance platform service that supports the shift to ICT in school education in four areas—adaptive learning, active learning, portfolio, and communication. Classi currently has around 2,500 member schools and approximately 1.16 million individual paid members. Efforts are being dedicated to offering functions in Classi that deliver what the times require, such as the portfolio function, for the multifaceted and comprehensive evaluations that will go into place along with the educational and entrance-exam reforms. Classi Corp. has also entered into a strategic partnership with EDUCOM Corporation, which provides integrated support systems for school affairs in elementary and junior high schools. This will allow us to deliver high-quality, highly-detailed school guidance support by using the educational and learning assistance data of Classi in tandem with the various types of school affairs data of EDUCOM. Reducing the workload involved

in learning assistance and school affairs, we will help create school environments where teachers spend more time interacting with the students while leveraging the strengths of digital mediums to create new forms of learning.

Classi and EDUCOM enter into a strategic partnership



Area and Classroom Education Business

Solid growth in cram schools and better English learning services

Kenji Yamakawa Corporate Executive Vice President, President of Area and Classroom Education Business Company



FY2018 Results

- Numbers of students increased at Tokyo Individualized Educational Institute and *Tetsuryokukai*
- New service Class Benesse combining Shinkenzeni with face-to-face learning guidance expanded to 48 classrooms
- Expanded the number of locations of BE Studio English services for kids

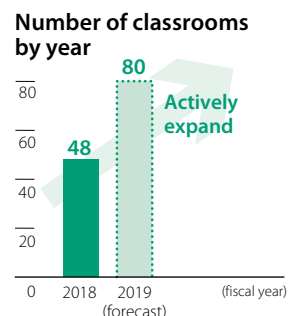
FY2019 Initiatives

- Utilize our unique strengths to further expand cram schools
- Increase the number of Class Benesse classrooms through franchising
- Collaborate more with other cram schools on proficiency tests in the English four skills

Highlights

Increase the number of Class Benesse individual instruction classrooms through franchising

The combined number of directly-managed and franchised Class Benesse classrooms reached a total of 50 in June 2019. Combining Shinkenzeni learning material with individualized face-to-face learning guidance, Class Benesse provides individualized guidance with the philosophy of educating children to learn independently. Based on this philosophy we will work to expand franchises while aiming to have 80 classrooms in operation throughout Japan by spring of 2020, with a focus on small class sizes that combine Shinkenzeni and original learning material.



## Overview of Business Segments | Domestic Education (Japan)

### Arata Yamamoto

General Manager, Philippines  
Overseas Office,  
Benesse Corporation

### Sachiko Mitsuhashi

Director, Product & Service  
Development Department,  
Benesse Corporation

### Nobue Tominaga

General Manager, Learning  
Materials Development  
Department,  
Benesse Corporation

### Yuto Ono

Manager, Information System  
Department,  
Benesse Corporation

Focus

1

Setting sights on the future of English language education reform

## Shinkenzeni: Developing learning material for English four skills Material to teach each child English that is actually useful

### Leveraging knowledge and expertise from correspondence course support to adapt our materials to changes in English language education

Education develops the skills that children will need to be successful members of society in the future. Children living in this age of rapid globalization and technological innovation have a greater need than ever for the skills to think on their own and collaborate with others while carving out the future. Japan is reforming its education system and entrance examinations in order to help students acquire these skills.

With more emphasis on this future vision, English language education in Japan is now undergoing drastic change. The new university entrance examination to be implemented in the 2021 academic year will comprehensively evaluate examinees on all four English language skills, including listening and speaking in addition to reading and writing which the examination has tested up to now. This is because Japan needs human resources who are just as capable of confident communication in English, with people from other countries, as they are at communicating in Japanese.

In April 2019, Benesse released Level-Specific English Four Skills Training, a digital learning material made continuously available to



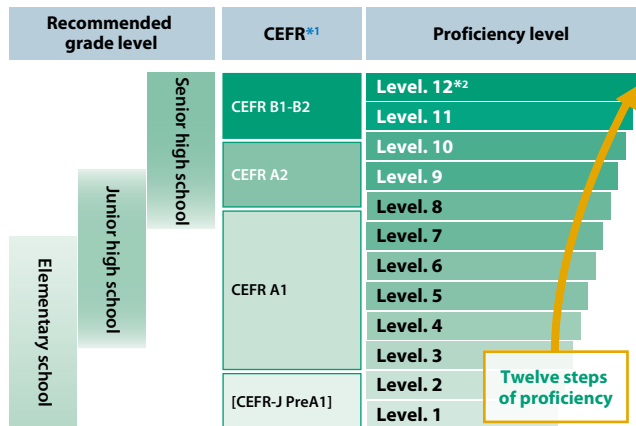
See articles featuring interviews with members of this project team, check here <https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/index.html>

Shinkenzeni enrollees at no additional charge. Through Shinkenzeni, Benesse has long been supporting correspondence courses which are the cornerstone of self-study and self-learning. Some parents have voiced anxiety and confusion about the changes in English language education. Benesse developed English Four Skills Training in response to their concerns.

### Providing close support to each enrollee to steadily raise their proficiency

Enrollees have different skill levels, and English Four Skills Training is designed to allow each of them to advance level-by-level starting from the level they can currently handle. The defining characteristic of this training is that it provides a service broken down into 12 stages according to the proficiency level of the enrollee, rather than learning materials according to grade level as the practice has been in the past. The level assessment test determines the English level of each enrollee and offers lessons that match their individual levels. Starting in 2020 elementary schools in Japan will begin teaching Foreign Language Activities in third and fourth grades to familiarize students with English and will begin teaching English as a subject in fifth and

**Twelve proficiency level training progression**



\*1 European standards for measuring English language proficiency  
 \*2 Level 12 is in development, to be ready in 2020

sixth grades. Students will be graded in English as a subject. Due to varied learning opportunities each student has had until now, right now English skill levels vary significantly even between students in the same grade. For that reason, there is good reason to be optimistic about lesson material tailored to different proficiency levels which can effectively boost English skills starting with what students can currently handle.

Another feature of the learning material is its emphasis on output. Lessons encourage students to organize their thoughts and ideas then communicate them in their own words by enabling them to communicate back and forth with their instructors.

The learning cycle is also designed to enable enrollees to steadily acquire greater English skills. They can set their own achievement goals based on the results of the level assessment test, and the cycle is supported by highly detailed suggestions about when and how to use the learning materials. Designed to keep each enrollee on track while learning on their own, follow-ups and re-assessments determine the optimal level to proceed according to the progress and proficiency of the learner.

Other companies also offer English four skills learning materials, but Benesse has its greatest strength in continuously being able to facilitate the progress of each and every enrollee from elementary school students through senior high school students with a streamlined service. Combining the knowledge and expertise we

have built over the years in materials development and academic skill assessment, we attentively guide enrollees along their learning paths.

**Tremendous response immediately after release  
 Steady use by enrollees remains strong**

Response to English Four Skills Training immediately after its release was tremendous. And while data on usage trends is still accumulating, actual usage has shown to be even greater than we initially expected.

One example is that over 50% of enrolled elementary school graders have started using it. Having analyzed the situation, we believe this is a result of large numbers of parents coming on board in the leadup to English becoming a required subject.

At the same time, we have also come to understand what challenges we will need to overcome to further expand enrollment. Since junior and senior high school enrollees have expressed desire to use this training to prepare for English four skills proficiency tests and for entrance examinations, we will be providing one-on-one online lessons with foreign instructors who know how to address the specific test format, timed according to the testing schedule. We will also work on improving the assessment test by analyzing past data to be able to produce highly accurate assessments even with a small number of questions.

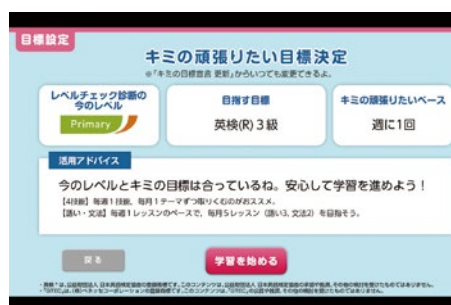
**Seeking progress and evolution in the form of  
 English learning material that is genuinely useful**

Benesse has accumulated enrollee response data from having provided Shinkenzeni and upwards of 900,000 online English conversation lessons per year, in addition to a vast collection of learning history including data of conversations with foreign instructors. Utilizing this data along with our customer base, we will aim to achieve further progress and evolution. We will execute phased implementations of learning through conversation with AI. Some children want to boost their spoken English skills but find it difficult to engage in conversation with foreign instructors. In cases such as these, we could reduce their resistance to English conversation by having English-speaking AI characters that can present the right topics for the enrollee.

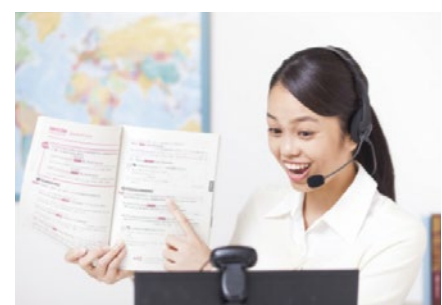
We will enhance our learning materials for improving scores on tests and entrance examinations, but that is only one side of things. “Fostering the skills in children that will be useful for their future.” Based on this strong conviction, Benesse will utilize the learning data it has accumulated to create learning material to acquire useful English, which takes four skills learning to the next level for all enrollees while also being receptive to their opinions and those of their parents.



Proficiency level assessment by checklist



Setting goals for each test to enable structured learning



Online English conversation with foreign instructors for a fee is available, allowing for personalized instruction

**Shoichi Ishikawa**

Classi Marketing Section,  
School ICT Business Division,  
Benesse Corporation/  
Area Manager, Marketing  
Department, Classi Corp.

**Hideaki Yoshida**

Teacher and Career  
Guidance Counselor, Noshiro  
Senior High School of  
Akita Prefecture

**Focus 2** Setting sights on future education reform in Japan

**Classi implementation at Noshiro Senior High School of Akita Prefecture**  
**Pioneering a new education format that**  
**trains the ability to learn independently**

**The future of schools that aspire to be “regional prep schools”**

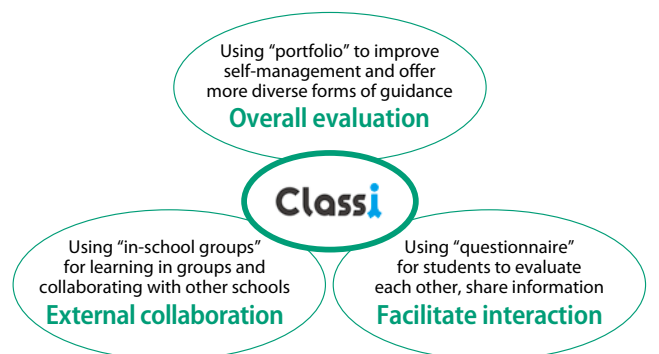
As part of educational reforms, more universities will be requiring students to take the written Japanese language section of the entrance examination in addition to an English four skills (listening, reading, speaking, writing) test starting with the entrance examinations in the 2020 academic year. There will be more emphasis than ever on students retaining what they have learned and being able to produce output. Amidst this growing demand for new-age education, more and more schools are implementing Classi, an educational platform that leverages ICT (Information and Communication Technologies). One such school is Noshiro Senior High School, a prefectural preparatory school belonging to Akita Prefecture in Northern Japan.

Noshiro Senior High School teacher Hideaki Yoshida, who is in charge of career guidance, shared why his school chose Classi, explaining that, “For some time, we had been teaching students to think on their own and incorporate what they learn from ‘inquiry’ within conversations. Classi was appealing because it includes features to help accomplish that.”

**Using Classi to connect, reflect, and mutually improve**

“Inquiry” involves discovering problems on your own and training the ability to learn while experiencing the process of solving those problems. Starting in the 2022 academic year, a new subject under the name “Tankyu” (inquiry) will be established among courses taught in senior high schools in Japan. Noshiro Senior High School

**Classi in use at Noshiro Senior High School**



was designated by Akita Prefecture as a "model school for the practice of inquiry-related activities" in 2017. The school used this designation as an opportunity to get a step ahead and proceed with activities such as inquiries for solving problems in the community. "Since implementing Classi, we have been able to 'connect,' 'reflect,' and 'mutually improve,' which are valuable aspects of conducting inquiries." (Mr. Yoshida)

The communication functions of Classi are useful for "connecting." In addition to learning in groups within the school, these functions also enable us to collaborate with other schools to give students a deeper learning experience. For "reflecting," we use the portfolio function. Students can easily input and store their inquiry findings and their own revelations through their smartphones, which also makes it easy to reflect on what exactly they learned. Based on this data, teachers can also give the proper advice, guidance, and evaluations. As for "mutual improvement," in addition to the functions



Keeping learning records and reflections via smartphone



Keeping records of realizations and lessons learned in group work



Teachers can access data recorded by students at any time



Improve the quality of lectures with on-the-spot questionnaire totals

I've already mentioned we also utilize the questionnaire and ballot box functions. Questionnaires facilitate interaction, allowing students to evaluate each other, share information, and even write their impressions of presentations made by other students.

Utilizing these functions, they have also started using Classi to keep learning records for lessons other than the inquiries at the school, and as a communication bulletin board.

### Expand the horizons of student learning

Classi is an ICT tool that has evolved while helping to solve problems in educational settings that are undergoing reform, serving as a close companion for teachers. Classi enables more comprehensive collection of individual student data through linkage with assessments such as Shinken Simulated Exams and Study Support which Benesse has long provided, making it a tool that supports guidance for both education and career planning.

We are also reviewing new features that can be equipped to make it easier for schools to communicate with each other to facilitate even more collaborative education in the future. If we can achieve this, it will help rectify regional disparities in education and information.

We will continue to develop and evolve this educational platform in order to unlock students' potential and provide new forums for learning.



See more about this project in easy-to-understand format with these videos and HTML articles  
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/classi.html>



### TESTIMONIALS

Opinions and impressions of others can quickly be shared, allowing for more in-depth learning through mutual interaction.

Ms. A, Teacher

Interacting with universities and other schools is easy, making it possible to learn of different perspectives and approaches to a variety of things and expanding our horizons.

B, Second Year Senior High School Student

### I want to use ICT to assist schools and change education in Japan.

#### Hisashi Inoue

Director, Classi Corp.  
 Director of Digital Business Development Department, Benesse Corporation



Our mission at Classi Corp. is to unlock the infinite potential of children and transform learning. We are actively striving to provide new forms to support in school education to make schools the training grounds for students to thoroughly acquire

the abilities that future society will require.

One illustration of this is the wide-open learning environment that transcends individual schools which Classi's group function enables as we have seen at Noshiro Senior High School, including interaction with people in the community and professionals outside the school, and collaborative learning with schools in other prefectures.

Receive feedback from peers. Go even more in-depth with new realizations and studies that transcend school boundaries. We intend to provide even more learning opportunities made possible through ICT, and learning opportunities that Classi in particular can create to unlock the potential in children.

## Overview of Business Segments

### Global Kodomo Challenge

Keeping our focus on Kodomo Challenge, a correspondence course for preschoolers that draws on the expertise of Benesse, we are pushing ahead with expanding this competitive brand globally.



12.8%  
¥56.4 billion



#### Strengths

- Over 2 million members in Japan and around the world, plus the expertise of 30 years in business educating preschoolers
- The brand power of Shimajiro, which is well-known and well-liked in Japan and internationally
- Learning solutions for each stage of development
- Solid customer base in business related to pregnancy, childbirth, and parenting

#### Social Changes

##### Opportunities

- Changes in attitudes toward education and raising children due to more mothers having graduated from four-year universities and more double-income households
- Increasing perception that English should be taught from early ages
- Trends toward making preschool education free

##### Risks

- Accelerated decline in Japan's birthrate and stagnation in educational investment
- Intensifying competition from the shift to digital
- Accelerated intensity of educational consciousness in China

#### FY2020 Targets

Net sales CAGR **10%**

- Focus on increasing the competitive edge and the number of enrollees in Kodomo Challenge, both in Japan and abroad (primarily China)
- Use global standard products and global alliances to expand

FY2018 Results and FY2019 Initiatives

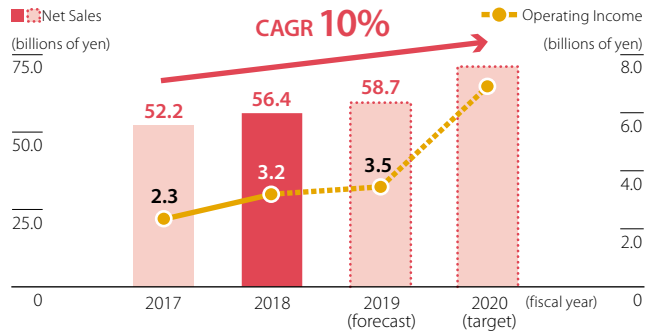
Leveraged the strength of the Shimajiro brand to create new value in preschool education domestically and abroad

Haruna Okada Corporate Executive Vice President  
Director and President of Global Kodomo Challenge Company



- Increased both revenues and profit, as total enrollment grew both domestically and globally (+580,000 YoY), while changes in course prices in China also had a positive effect

Net Sales & Operating Income



FY2018 Results

In Japan

- Leveraged the Shimajiro brand to establish more contact points with customers (films, a YouTube channel, Amazon Prime Video, concerts, etc.)

Abroad

- Engineered a full product update for prekindergarten courses for ages between 7 and 35 months old in China, enrollment growth and retention rates were strong in April
- Launched Kodomo Challenge in Indonesia
- Began broadcasting animation and entered into a product commercialization licensing agreement in Thailand

FY2019 Initiatives

- Establish more contact points with customers through cooperation with other companies

- Accelerate revisions to Kodomo Challenge products in China
- Use the production committee format to produce and distribute Qiaohu (Shimajiro) videos in China
- Expand E-commerce channels

Highlights

Leverage Shimajiro to establish more customer contact points

The year 2018 marked the 30th anniversary of Kodomo Challenge. The main character Shimajiro has been utilized in a wide range of business geared toward preschool-age children, from broadcasted programs to concerts, movies, themed playgrounds, and streaming apps. We strive to raise the recognition level of Kodomo Challenge overall while attracting quality customers by providing diverse products and services that match the growth and development of children.



Collaboration with JAL for airplane wrap advertisements and distribution of toys and merchandise by airline crews



Streaming English language and intellectual development apps on Amazon FreeTime Unlimited

Highlights

Improving our products according to needs in Japan and abroad

For Kodomo Challenge in China we pioneered the market in online courses for preschoolers which had not previously existed in the country and achieved significant growth while establishing presence in more locations. However, that pace has slowed in recent years as we have lagged at updating our products in accordance with the new needs that parents have in China's rapidly changing market. In response, we fully updated our material for prekindergartens (ages between 7 and 35 months old) in April 2019. We are now seeing steady results, as enrollment in April was 6.6% higher than the previous year, and retention rate had also increased by 6.1%.

We are also updating our products in Japan, with sights set on changes in the domestic market such as larger numbers of working mothers.

## Overview of Business Segments

### Nursing Care and Childcare

The Nursing Care and Childcare business constitutes the number-two pillar of the Benesse Group. We are focusing on improving quality and reinforcing our strategy of regional dominance.



#### Strengths

- Nursing home management from the resident's perspective, seeking to "being closely tuned in to how people are"
- Benesse Methods: Systematized scientific approaches based on 20 years of practical knowledge  
Examples: Dementia Care Method, pattern language, Service Navigation System
- Improved, differentiated service quality through application of the method
- Strategic hiring and human resources development
- Daycare center and afterschool childcare club management from the children's perspective, with seeking to "help children grow as their own unique individuals"

#### Social Changes

##### Opportunities

- Increasing elderly population in big cities
- More recipients of nursing care services covered by nursing care insurance
- New additional compensation conditions for nursing care workers
- Children waiting for openings at daycare centers and afterschool childcare centers around Tokyo

##### Risks

- Serious shortage of nursing care and daycare staff
- Escalating building and construction costs, and shortage of usable land
- Intensified competition from the market entry of large capital from other industries
- Increasingly tight finances in social security

#### FY2020 Targets

Net sales CAGR **3%**

- More nursing homes, higher occupancy rates
- Differentiate service quality by establishing Benesse Methods and deploying them organization-wide



FY2018 Results and FY2019 Initiatives

Achieve steady growth through differentiation created by further developing the Benesse Method

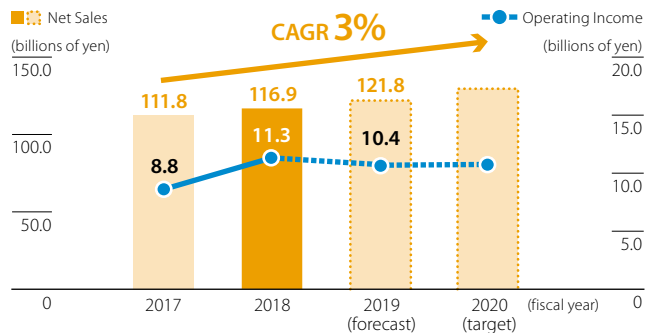
Shinya Takiyama

Director and Corporate Executive Vice President, President of Nursing Care and Childcare Business Company



- Increased numbers of residents as nursing homes increase
- Increased revenue, maintaining occupancy rate over 95%
- Significantly higher profit due to decreased labor cost

Net Sales & Operating Income



FY2018 Results

- Six more homes and residences for the elderly were added
- Recognized with an Information Technology Award for the Service Navigation System, which exemplifies Benesse Methods and enhances the value of services in the nursing care setting [Page 33](#)

FY2019 Initiatives

- Continue to build about 10 nursing homes annually
- Establish high-end nursing homes in cities outside of central Tokyo
- Continue to differentiate services by entrenching Benesse Methods throughout the organization and maintain a high occupancy rate
- Focus on planning new human resources systems and training personnel, which includes verbalizing our high level of expertise, and creating new in-house qualification standards linked to salaries and job positions

Highlights

Benesse Method childcare pattern language “words that continuously expand a child’s universe”

Following up on the Benesse Method: *Tips for Shaping Environments for the Elderly, Closely in Tune with How the People Are* which established patterns from successful examples of shaping such environments in homes for the elderly, Benesse Style Care has now released the Benesse Method: *Words that Continually Expand Child’s Universes*. Using pattern language\*, this method establishes records of common language supporting our business philosophy of “helping children grow as their own unique individuals” in the practical childcare setting.

This method compiles seven things that have been highly valued over 20-plus years in Benesse Childcare and verbalizes them in the form of 40 tips. Sharing this knowledge openly and

putting it into continued practice, we will add even more depth to this Benesse Method going forward.

\* A theory related to construction and urban planning which was advocated by Christopher Alexander. This theory was utilized as the framework for verbalizing the 40 tips



*Words that Continually Expand a Child’s Universe* is a booklet offering a compilation of common language to improve childcare for children whose potential is as endless as the universe itself and make their childcare more in-depth



The 2018 IT Awards organized by the Japan Institute of Information Technology (JIIT) recognized the Service Navigation System as a system that could change the future of nursing care and gave it the "IT Business Award."



### Ken Iwaida

General Manager, Service Promotion Division  
Executive Officer, Benesse Style Care Co., Ltd.

### Takemasa Harada

Service Navigation Systems Training Director, Tokyo Area 1 Business Division,  
Nursing Care Area 2 Company, Benesse Style Care Co., Ltd.

## Focus 3

Setting sights on greater numbers of people who need nursing care

### Implementing the Service Navigation System

## Changing the future of the nursing care setting with the Benesse Method

### At the core of system development is the conviction that nursing care is a creative line of work

In 2017, Benesse Style Care developed the Service Navigation System, a recordkeeping platform for nursing and caregiving that would revolutionize the style of services provided in nursing care settings. Developing this platform in-house, the development project was launched in 2012 and after five years of repeated testing and validations it was ready to fully go live. Currently the platform has been rolled out to all of the company's roughly 320 nursing homes throughout Japan, with the exception of two Li-Re locations, and it is being used for the services provided to over 16,000 residents (as of August 2019).

At the core of the Service Navigation System is the conviction at Benesse Style Care that nursing care is a creative line of work. You need to have specialized knowledge and skills to be able to work in nursing care, and nursing and caregiving staff, care managers, rehabilitation therapists, and other specialists form teams to create the services that allow each of the residents to live in ways that suit their own personalities. Because of their conviction to deliver such services, the greatest emphasis in development was not simply to accomplish the goal of improved productivity, but rather to produce

a tool that would enhance the quality of nursing care services.

The defining feature of the platform is that it executes PDCA cycles to establish services that have never been provided before, based on various resident care data gathered on a daily basis. As such, the Service Navigation System really is a tool that amplifies the creativity of nursing care staff.

### Leveraging the realizations and actions of staff to improve quality of life for residents

Nursing care settings have traditionally maintained recordkeeping sheets for each floor, on which staff would write down the names of the residents and things like what they ate and their water intake. Because of that, keeping and checking the records consumed a significant amount of time. The Service Navigation System centrally manages all of this information for each floor and makes the information available for viewing and sharing at any time on computers and smartphones. Details of the care being provided can be entered simply by touching the corresponding location on the screen, and the status of residents is displayed in the form of easy-to-understand icons.

However, the purpose of this system is not simply to take work that was analog and convert it to digital format. Rather, it aims to encourage staff to “realize” things and be the impetus for turning these realizations into “actions.” Just as its name implies, the system is implemented with the intention of guiding (= navigating) staff toward exercising more creativity in their work. Staff can provide services based on what the Service Navigation System informs them about things like changes in the weight of residents over certain periods of time, and points to be aware of when providing care to them, thereby improving their quality of life (QOL).



Care that should be provided is listed as icons on timetables

occurrence of other accidents. The timing to perform procedures to renew nursing care insurance plans has also been made clearer. Since the life circumstances of residents and the points to be aware of in caring for them can now be recorded accurately and in detail, all staff members can immediately share this information and use it to take even more appropriate action.

Of course, the system is also generating productivity and efficiency effects. Time and effort spent checking record sheets and reports has been reduced, while information is now shared and coordinated more smoothly. Each staff member can now take the time that would have gone toward these tasks and use it instead to revise care methods or spend more time with residents. This is how services are being improved for the nursing homes as a whole.

### New “realizations” are achieved through communication within nursing homes

Implementation of the Service Navigation System has brought about big changes in the nursing care settings at Benesse Style Care. This can be observed in how staff now communicate with each other more actively than ever before, and in how the new realizations that this leads to are being put into practice by each and every staff member. The system also comes with a function to record and verify future recurrence prevention measures step-by-step whenever accidents occur, which is also helping to pre-emptively prevent the

### Leading the path to an ideal future for the nursing care industry

Benesse Style Care will continue working to develop and evolve the Service Navigation System as a tool for seeking out ways to provide nursing care services that are even more in tune with residents and can continuously support them in the lifestyles they want to live. For example, we would like to work on connecting it to other IT solutions to improve the accuracy and efficiency of nursing care operations, such as analyzing accumulated data to find ways to reduce accident occurrences.

With our vision of leading the path to an ideal future for the nursing care industry, we will set ourselves at the forefront of the industry by developing, evolving, and utilizing the Service Navigation System.

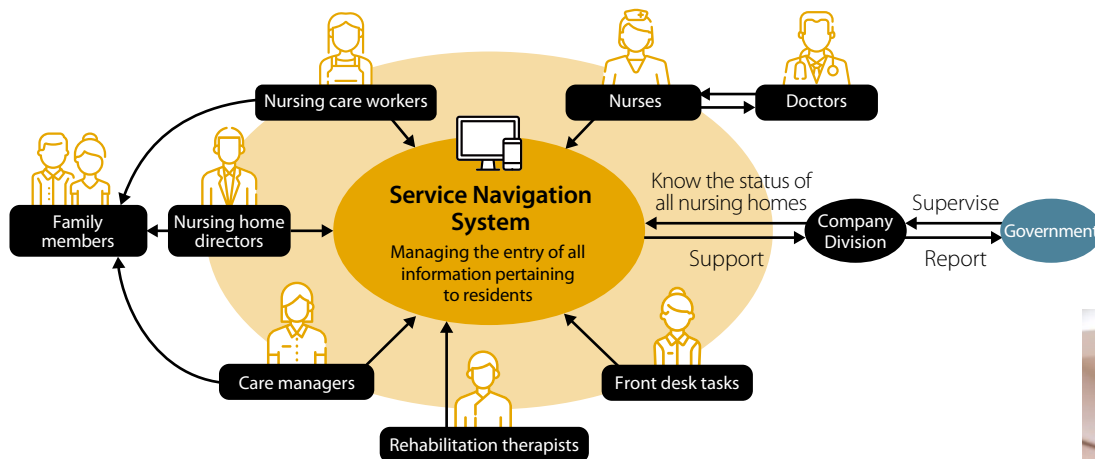
See more about this project in easy-to-understand format with these videos and HTML articles  
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/service.html>



#### Five characteristics of the Service Navigation System

- (1) Improved productivity
- (2) Compliance
- (3) Information sharing and coordination
- (4) “Realizations” about residents
- (5) Accident recurrence prevention

#### Information sharing and coordination between different job types in the Service Navigation System



Smooth information sharing and coordination during shift changes



Check and enter information via smartphone



## Overview of Business Segments

### Berlitz

One of the largest language-education companies in the world.  
Under a new CEO, we are moving ahead with radical reforms.



11.2%  
¥49.2 billion



#### Strengths

- 461 language centers in over 70 countries and regions worldwide
- The Berlitz Method of learning a target language through immersion in life situations using that language only  
Verified as effective with a 140-year track record of success in the world
- Able to offer language learning through intercultural understanding
- Extensive track record in language training for companies, schools, and public offices,  
implemented at more than 4,800 companies in Japan and over 20,000 around the world

#### Social Changes

##### Opportunities

- Language learning needs are increasing around the world due to the globalization of business
- More students going to study abroad as economies of developing countries grow
- Increasing needs for language learning and the intercultural understanding that accompanies it

##### Risks

- Diversification and intensifying (price) competition in products and services due to the shift to digital mediums
- Intensifying competition from new entrants coming from sectors other than the existing education field
- Increasing needs of customers who want to take lessons through more flexible methods

#### FY2020 Targets

Net sales CAGR **2%**

- Restore business performance by reforming the cost structure and transforming products and business processes

FY2018 Results and FY2019 Initiatives

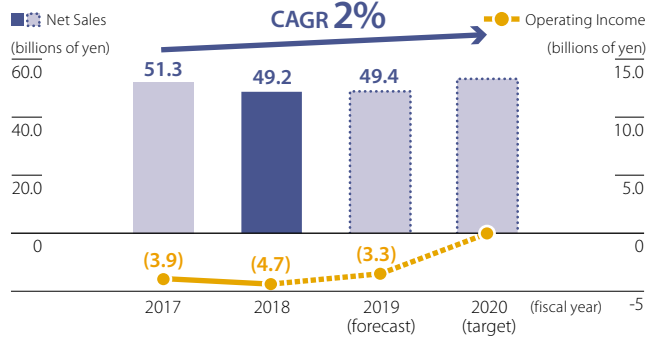
Putting the finishing touches on restructuring, while pursuing initiatives aimed at growth

Curtis Uehlein CEO, Berlitz Corporation



- Revenues decreased mainly due to less language lessons taking place in Europe, and less Chinese students going to study abroad
- Profit significantly decreased due to an additional rise in restructuring costs, resulting in a second consecutive year of operating loss

Net Sales & Operating Income



FY2018 Results

- Pushed through cost reductions with thorough restructuring mainly at US headquarters and ELS centers
- Performance within Japan was strong, including more business with corporate customers
- Launched the Berlitz 2.0 project to develop and launch new products, improve business processes, and boost satisfaction with the customer experience
- Entered into a master franchise agreement with CIIC Co., Ltd. in China

FY2019 Initiatives

- Enhance the product and solutions portfolio, including the launch of Berlitz 2.0
- Upgrading operational infrastructure and optimizing systems and processes
- Improve business efficiency by franchising in low-earnings countries and concentrating operational resources in strategically important countries
- Develop marketing and optimize business processes

Highlights

Planning to roll out Berlitz 2.0 to all regions around December 2019

Seeking to radically update our products, the goal of Berlitz 2.0 is to maintain the positive aspects of face-to-face language learning while allowing students to choose learning styles and content that match their own schedules. While offering curriculum that utilizes AI and voice recognition technologies to cater to various language learning needs, we are also developing interfaces that make it simple for students to choose and schedule the lessons they want to take.

As the only language services company to conclude a global alliance agreement with Google, Berlitz is also harnessing the world's highest level of digital marketing skills.

Berlitz 2.0 overview



## Overview of Business Segments

### Other/New Business Domains

We aim to conduct a variety of businesses that help make lives richer, and to establish new areas of business by means of M&As.



#### Business Related to Pregnancy, Childbirth, and Child-Rearing

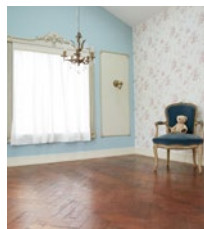
Utilizing feedback from women who are pregnant or raising children, we provide information and products that are helpful to such women in their day-to-day lives.



Tamago Club



Hiyoko Club



tamahiyo photo studio

#### Lifestyle-Related Business

We support day-to-day living by providing lifestyle information and forums for communicating with customers.



THANK YOU!

#### Pet-Related Business

Benesse offers magazines, websites, and more to make life with pets more enriching.



DOG'S HEART



CAT'S HEART

### Policies and Strategies Going Forward

#### Using M&As to create a third business pillar

During the five years of the medium-term management plan, to ensure recovery in performance and enable the Benesse Group to grow sustainably into the future, we intend to create a "third pillar" of business—following on our education business and our nursing care business—by means of mergers and acquisitions. We are giving consideration to going into new lines of business in health, lifestyle, and other areas, where there would be high affinity with our existing businesses, and the main target of these new lines of business would be working adults and healthy seniors.

The companies that we are looking for as potential M&A targets would have operating margins of 10% or more—as a rough guide—before amortization of goodwill, and the amount that we currently foresee investing would be ¥50–100 billion.

The sort of "third pillar" we are aiming for		Aiming to create new lines of business that would constitute <b>at least 10% of both the Company's net sales and its operating income</b> in the Company's FY2022 business portfolio
Consideration criteria	Area criteria	High priority given to consideration of companies <b>in the areas of health and lifestyles</b>
	Investment criterion	<b>Operating margin, before amortization of goodwill, of 10% or more (as a rough guide)</b>
	Investment amount	<b>¥50–100+ billion</b> foreseen (Options such as joint investment with other companies are also under consideration)



# Part 3

## Enhancing Operational Resources

The Benesse Group has renewed its resolve to produce a high level of economic and social benefits, under the banner “Transform and Grow.” As part of this resolve, the Benesse Group is working to further enhance its human, social, and intellectual capital that will drive the creation of value in the future.



## Dialogue Between Outside Directors



### Shinjiro Iwata

#### Outside Director and Chairman of the Board of Directors

After joining Hitachi, Ltd., in 1972, Mr. Iwata served as CEO of Hitachi Data Systems Corporation, executive vice president of Hitachi Global Storage Technologies, Inc., and representative executive officer and executive vice president of Hitachi, Ltd. He has served as an outside director at Benesse Holdings since 2014 and is currently the chairman of the Board of Directors.

### Ryuji Yasuda

#### Outside Director

Mr. Yasuda joined McKinsey & Company, Inc. Japan, in 1979, after which he served as a general manager of A.T. Kearney, Inc. In 2004, he became a professor at Hitotsubashi University's Graduate School of International Corporate Strategy (currently the Department of International Corporate Strategy in the Graduate School of Business Administration). Since 2015, he has been an adjunct professor at the school while serving as an outside director of Benesse Holdings.

## Improving the efficacy of the Board of Directors with a view to realize sustainable growth

### Increasing opportunities for dialogue with outside directors leads to a more effective Board of Directors

**Iwata** Compared with 2014, when I was appointed as an outside director, the way the Board of Directors operates and the content of our deliberations have changed considerably. When I first joined the Board, our meetings lasted about one to one and a half hours, and sometimes discussions were not very substantive. More recently, however, members of the Board are much keener to listen to the ideas of the outside directors and apply them in management.

**Yasuda** I joined the Board one year later in 2015, and since that time, preparatory meetings have been held in advance of board meetings, giving us opportunities to discuss various issues. At the

same time, the company's expectations for outside directors changed. In Board meetings, the president has been opening up the floor for discussion after making his usual opening remarks. He has been listening to the viewpoints of outside directors along with the input of board members who are directly involved in operations, which has initiated a dialogue of ideas from both inside and outside the company. It seems like the president has been trying to raise the efficacy of the Board of Directors by encouraging all of its members to contribute a wide range of views and debate openly while explaining their objectives.

**Iwata** I used to think a lot about how to encourage the outside directors to participate more in discussions, but now they offer many ideas, so I never worry about that anymore. I imagine that the outside directors feel at ease about participating more because the chairman, myself in this case, is also from outside the company.



**Yasuda** As the chairman of the Board, you take on the role of a company chairman who is not involved in business execution. You also place importance on having outside directors engage in dialogue with the president and executive officers. I believe that having many opportunities for such dialogue will lead to a more effective Board of Directors.

**Iwata** I agree, but if we look at the results of our annual evaluation of the Board's effectiveness, improvements were made up to FY2017, and then the results leveled off in FY2018. I think the results reflect the initial awareness among board members of the need to improve. If I am right about that, in retrospect, perhaps we should have set new goals for improvement and raised the bar even higher.

**Yasuda** Another reason is that the Board of Directors deliberated on many big issues three or four years ago, like strengthening the compliance system, restructuring core businesses to boost earnings, and monitoring the company's financial condition. Because improvements were made and everything has been getting back on track, input from outside directors has, in fact, decreased a little since then. Nevertheless, I hope that we outside directors offer even more ideas than before about the Benesse Group's future.

### Information sharing and training create a firm basis for deliberations by the Board of Directors

**Iwata** Outside directors now receive more information than in the past, especially in meetings held in advance of board meetings. We also regularly participate in various events and gatherings in order to get an inside look at the Group's businesses.

**Yasuda** I have visited workplaces of all of the Group's businesses a number of times, and, as you would expect, I can learn more from talking with people in those workplaces than I do from listening to a presentation in the board room.



**Iwata** What impressed me most recently was an initiative in the nursing care business. It has developed a method for caring for people with dementia and other illnesses based on best practices compiled from around 300 nursing homes. The head of this business is now talking about making this method open to the industry, saying that Benesse can raise standards in the entire nursing care industry while also taking the lead. I was very impressed by that level of confidence and determination.

**Yasuda** Employees in the nursing care business are very motivated, indeed. They independently decide on projects to pursue and set up workshops to exchange ideas and share expertise. That demonstrates the powerful sense of mission they have to help people. I think the same is true for employees involved in the correspondence and classroom courses of the education business. The strong dedication they have to their work is very evident in their workplaces. Over the years, I have always said that Benesse's greatest strength is its human resources. Realizing the capabilities of human resources, however, is not just about assembling people with skills; passion is what drives those capabilities, and Benesse has many passionate employees.

**Iwata** Officer study sessions provide a means of providing information to outside directors. They follow board meetings, and include a presentation by the officer in charge of a business or ongoing initiative. Requests from directors concerning matters they want to know more about, the feasibility of particular measures and so on, are drawn up based on board meeting minutes. Then responses to those requests are prepared for the study sessions. This procedure is a unique feature of the company's corporate governance.

**Yasuda** It is important that we do not simply adopt externally developed systems based on Japan's Corporate Governance Code. Moreover, we cannot really get a true sense of a company's workings just by reading documents in the boardroom. In other words, the meetings with executives are an excellent means of getting the information we need.

### Evolving discussions concerning the Board's diversity and succession planning

**Iwata** The five outside directors currently serving on the Board each come from different professional backgrounds, and I think this creates a good balance. Going forward, however, it will be necessary to invite new outside directors to the Board, so we should begin discussing what kind of background and experience we would like them to have.

**Yasuda** For Benesse Holdings, the composition of the Board of Directors should not only be based on the diversity of the outside

## Dialogue Between Outside Directors



directors' specialties, but also on the company's long-term strategies. That will mean appointing people who have international business experience and solid expertise in digital technology. Women should also be appointed as directors, as the company did this year.

**Iwata** Someone with global business experience, such as a former CEO of an American company, for instance, could bring a completely different dynamic to the Board. In some respects, Westerners have very different approaches to work and personal life than Japanese, but if Benesse is going to successfully compete globally in the future, I think it will be necessary to gradually incorporate elements of such approaches.

**Yasuda** Succession planning will also be important for the company's future, and the Nomination and Remuneration Committee has been leading discussions on appointing the president's successor and grooming the next generation of inside directors.

**Iwata** As you know, a leadership grooming program is being considered and candidates are being interviewed. From this year, all outside directors will serve as members of the Nomination and Remuneration Committee, so I expect more discussions of these issues than in the past.

**Yasuda** The Board of Directors is also comprised of inside directors, so it will be a little tricky to determine how much of the deliberations by the Nomination and Remuneration Committee can be reported to it. Nevertheless, the company is certainly taking succession planning more seriously, and is also operating programs for training new leaders, such as the Benesse University program.

**Iwata** Along with that, I believe the Board of Directors should engage in more discussions about how to use capital. Up to now, procuring capital has not been a major issue because the company receives admission fees from new enrollees of correspondence courses every April, and then uses that cash over the year. When the number of enrollees goes down due to

Japan's low birthrate, however, it will be necessary to determine how to procure and use capital for incorporating digital technology and establishing a new business as the Group's third pillar after the education and nursing care businesses.

**Yasuda** Asset replacement is an obvious means of ensuring sustainable growth. While enhancing businesses that are already strong, replacing businesses that no longer generate synergies and investing in new products and services for which demand is high are essential strategies for realizing growth. Mergers and acquisitions are being considered as ways for establishing a third pillar, so we can expect them to be discussed by the Board in the future.

### Tackling issues with a long-term perspective amid major changes in the operating environment

**Iwata** If we consider the Benesse Group's operating environment, the markets for correspondence courses and school support services are shrinking due to the country's declining population. Consequently, improving capital efficiency will become increasingly important in the future, and launching new businesses will be essential. As these trends play out, I believe the Board must debate on the future direction of the Group over the next five and ten years.

**Yasuda** I completely agree. The education market is contracting and, despite full enrollment at Japanese universities, the quality of education in Japan appears to be lagging behind other countries. At a time when major educational reforms will be needed in Japan, I think Benesse should rise up to the challenge of envisioning how it can contribute with an even longer term perspective. The company is well positioned to do that because it has a very clear *raison d'être* as an education and nursing care provider. Therefore, even if society changes, it should be obvious how to decide on what needs to be done and what mission to pursue next. For example, now that Japan is dealing with a rapidly aging population, Benesse should be able to offer more services related to nursing care, so we need to consider how to shift the company's human resources in that direction.

**Iwata** That's right, because improving education and helping the elderly live comfortably and securely will continue to be challenges for generations to come. Recurrent education could provide a way to bridge those challenges and meet growing demand in the future. By responding to such wide-ranging issues and needs of people and their communities, Benesse should be able to create new businesses. As an outside director, I hope to help the company take on such challenges in the future.

# Corporate Governance

## Corporate governance

The Company continuously appoints both directors in charge of business execution and multiple, highly independent outside directors. This ensures that meetings of the Board of Directors cover lively, multifaceted discussions that go beyond internal circumstances, assuring that the supervisory function of the Board of Directors is maintained and improved, and that the Company also conducts effective audits by standing Audit & Supervisory Board members who are knowledgeable about the Company, as well as outside Audit & Supervisory Board members who are attorneys or certified public accountants.

### Board of Directors

In principle, the Board of Directors meets monthly led by the Chairman of the Board to deliberate on important matters for the management of the Company and the Benesse Group, make key management decisions, and supervise the business execution of the operating companies. Since 2003, the Company has appointed multiple outside directors. Five of the Board's ten directors are outside directors (four are independent outside directors), and an outside director is Chairman of the Board.

Appointing multiple directors and multiple highly independent outside directors, the Company assures the Board's supervisory function and executes business appropriately.

### Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The chairman is an outside director and the majority of the Committee's members are outside directors. In the appointment and dismissal of directors and of the director and president/CEO, the Committee deliberates and submits its opinion to the Board of Directors, which makes the final decision.

The Committee also deliberates on the compensation system for directors and submits its opinions on this to the Board of Directors, and is delegated by the Board of Directors to decide the compensation of individual directors.

### Management Council

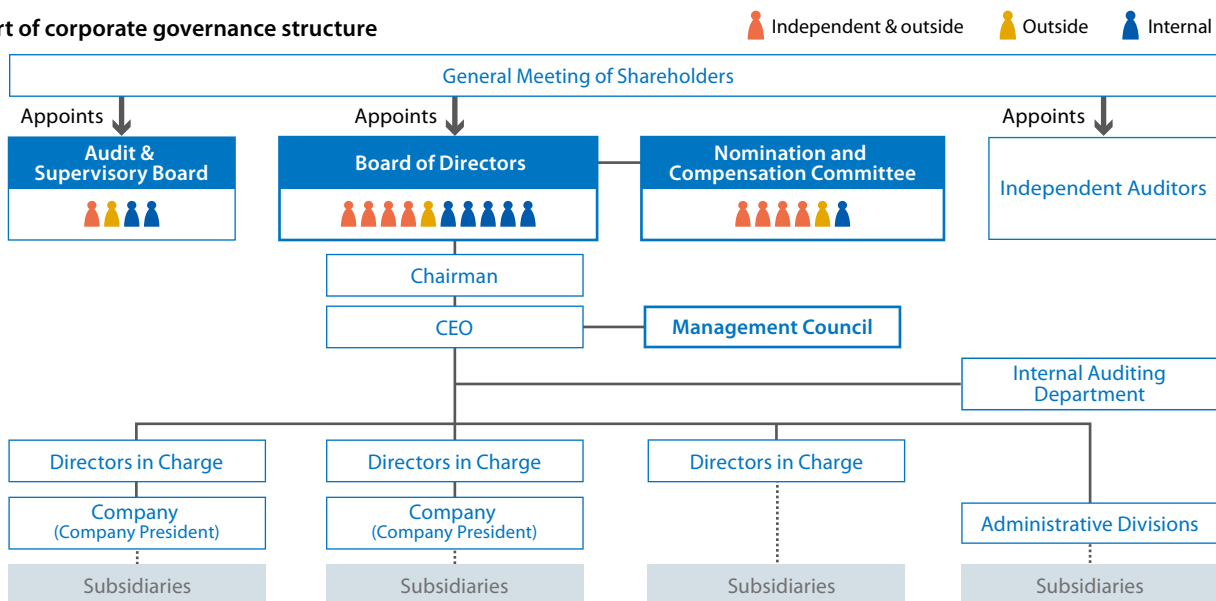
The Management Council generally meets monthly, chaired by the president and attended by the executive vice president, directors in charge, heads of companies, vice heads of companies, those responsible for administrative divisions, and individuals designated by the president. Council members share important Benesse Group issues and information and deliberate on important matters for the Group.

### Audit & Supervisory Board

In accordance with the Code of Audit and Supervisory Board Member Auditing Standards, the policy of the Audit & Supervisory Board is to assume responsibility for establishing a good corporate governance structure worthy of the trust that society places in the Company, with emphasis on preventive auditing. The Company also conducts effective audits via standing members of the Board who are knowledgeable about the Company, and via outside Board members who are attorneys or certified public accountants.

The Board meets once a month, in principle, and individual Board members share their awareness of key management issues by attending important management meetings such as Board of Directors, Nomination and Compensation Committee, and Management Council meetings, and by exchanging opinions with senior management. Two standing members of the Board and one part-time member also serve as auditors for major subsidiaries while actively receiving verbal business reports from operating companies investigating business, and other tasks.

Chart of corporate governance structure



## Corporate Governance

In addition to appointing dedicated audit staff to enhance its audit system, the Company also has the Benesse Group Audit Committee (adding standing members of audit & supervisory

boards at subsidiaries) to strengthen cooperation among the Group's audit systems.

### Improving the effectiveness of the Board of Directors

In FY2015, the Company began carrying out an annual assessment of the Board of Directors. In FY2018, the Board administered a questionnaire to all 14 Board directors and members of the Audit & Supervisory Board. The Board then analyzed the responses, carried out self-assessment with regard to the Board's effectiveness, and deliberated concerning the results.

As a result of the deliberations, some suggestions were made including for more substantial discussions on matters such as capital policy toward achieving the objectives of the medium-term management plan, but the Board of Directors overall was found to have further enhanced its effectiveness, including significant

improvement over the previous year in assessments pertaining to training and the provision of information to directors.

#### Items assessed in Board of Directors effectiveness assessments

- (1) Overall effectiveness of the Board
- (2) Composition of the Board
- (3) How the Board operates
- (4) Quality of discussions in the Board
- (5) Training and the provision of information

#### FY2018 initiatives and future actions

##### FY2018 Initiatives

##### The following items were priority actions

- Joint considerations with the Nomination and Compensation Committee about the grooming of successors, and diversifying the composition of the Board
- More extensive discussions on matters such as capital policy and business evaluation indexes from a medium- to long-term perspective
- Have outside directors and outside Audit & Supervisory Board members engage in ongoing dialogue with employees in the workplaces and provide them with workplace-based perspectives and experiences of our products and services (hold officer study sessions and provide opportunities to participate in success story presentations organized by each division)

##### Overview of the FY2018 assessment

##### The Board of Directors overall was found to have maintained a high level of effectiveness, and corporate governance has been strengthened

- **[Significant improvement]** Free, open, and constructive discussions are taking place thanks to supportive practices such as briefing sessions, advance distribution of documents and other materials, and holding officer study sessions
- **[High level maintained]** The Board has attained an appropriate composition, with half of its members being outside directors boasting a variety of experience and expertise, and with the chairman himself being an outside director
- **[Issues]** More substantial discussions are desired on matters such as capital policy toward achieving the objectives of the medium-term management plan

##### Actions in FY2019

##### The following items are priority actions

- Monitor the medium-term management plan
- Continue discussions on matters such as capital policy from a medium- to long-term perspective, and make these discussions more extensive

Note: The questionnaire was administered from the end of March to mid-April, 2019.

## Composition of directors and how they are appointed

The Company employs the following method of appointing directors in order to ensure proper supervision over management from the standpoint of achieving sustained growth for the Benesse Group.

### • Number of Board members

No more than 10 directors.

### • Diversity

The Board seeks to maintain a good balance among its directors, appointing directors with diverse types of expertise and experience without being too heavily weighted in any specific field. At the Ordinary General Shareholders' Meeting on June 22, 2019, the Company newly appointed a female to the Board, thus ensuring diversity in terms of gender. The Board is also improving the effectiveness of its supervision by appointing multiple outside directors who have experience in managing companies or who have high levels of insight and expert knowledge in sectors such as global business and IT/digital, in which the Company aims to grow in the future.

### • Outside directors/independence

In order to ensure proper supervision over management, at least half of the Board is composed of outside directors, and at least one-third are independent outside directors.

### • Requirements of directors

The following requirements have been established for directors to be able to properly handle the role.

1. Deep understanding and empathy for the corporate philosophy of the Benesse Group
2. Outstanding leadership befitting of a manager
3. Outstanding character and insight, as well as mental and physical health
4. Meets legal requirements for eligibility as a director

### • Appointment process

The Nomination and Compensation Committee, in which the chairman is an outside director and the majority of the Committee's members are outside directors, deliberates on the nomination of directors and submits its opinion to the Board of Directors, which then makes a final decision. This format ensures transparency, fairness, and objectivity in the appointment of directors.

## Expertise of Board of Directors and Audit & Supervisory Board members

Directors of the Board	Management	Education	Nursing care	Global experience	Digital
Tamotsu Adachi	●			●	
Hitoshi Kobayashi	●	●	●	●	
Shinya Takiyama	●		●		
Masaki Yamasaki	●	●			●
Haruna Okada	●	●		●	
Shinjiro Iwata	●			●	●
Kiyoyuki Tsujimura	●			●	●
Hideaki Fukutake	●			●	
Ryuji Yasuda	●			●	
Katsumi Ihara	●			●	●

Audit & Supervisory Board members	Accounting	Law
Yoshinori Matsumoto		●
Naoto Saito	●	
Eiichi Izumo	●	
Miyuki Ishiguro		●

## Corporate Governance

### Officer compensation

The Benesse Group aims to achieve sustained medium- to long-term growth for the entire Group. Our basic policy for the compensation of directors (excluding outside directors) is to provide incentive for sustained improvement of corporate value. At the same time, compensation for outside directors is comprised only of basic compensation, so as not to obstruct their supervision of management.

Compensation for directors is set to competitive levels in commensurate with the roles, skills, responsibilities expected of directors who manage the Group, based on median levels found for Japanese companies of similar size using externally-conducted compensation surveys as a reference. At the same time, compensation for Audit & Supervisory Board members is decided through consultation with those members, and is comprised only of basic compensation.

#### Compensation system for directors (excluding outside directors)

Fixed Compensation	Performance-linked Compensation	
<b>Basic Compensation</b> <b>50–55%</b> Set based on expectations for the role	<b>Bonus</b> <b>35%</b> Paid taking the Company's business performance into account	<b>Restricted Stock Compensation</b> <b>10–15%</b> Compensation linked to stock price

#### Bonuses

These are performance-linked bonuses that are paid based on the Company's business performance in the fiscal year, fluctuating within a range of 0 to 200 percent. Bonuses are comprised of three portions, (a) a portion linked to the performance of the Company, (b) a portion linked to the performance of the business domain of the director, and (c) a qualitative evaluation portion. The ratios of these three parts for each director depend on whether the director is responsible for a business domain, as well as their actual responsibilities and other details. The contributions of each director are then evaluated in many ways to determine the amounts of their bonuses.

[Details of the performance-linked portions]

(a) The portion linked to the performance of the entire Company: This part is linked to the rate to which the consolidated performance forecast (consolidated sales, consolidated operating income) is achieved. Evaluation is performed according to a table created by the Nomination and Compensation Committee at the beginning of the fiscal year. (b) Performance of the business domain which the director is responsible for: This part is linked to the rate to which the performance targets (sales, operating income, Shinkenzemi and Kodomo Challenge enrollment in Japan, etc.) are achieved in the field each director is responsible for. Evaluation is performed according to a table created by the Nomination and Compensation Committee at the beginning of the fiscal year. (c) The qualitative evaluation portion: This part evaluates the level or achievement at the end of the fiscal year relative to qualitative targets for organizational contributions or brand enhancements which were set for each director at the beginning of the fiscal year. These qualitative targets include specific efforts such as grooming successors and cultivating organizational culture. Evaluations of the rate to which these targets are achieved (performance) are decided by the Nomination and Compensation Committee after hearing the self-evaluation of each director.

#### Restricted stock compensation

A restricted stock compensation plan was introduced in FY2017 to better link compensation to medium- to long-term performance and as an incentive for directors to continuously improve corporate value, as well as to further promote shared values between shareholders and directors. The transfer restriction period is set at three years, restricting transfers and other dispositions during this time. If a director (excluding outside directors) is found by the Board of Directors to have committed a major violation of the rules of the Company during their term in office, that director (excluding outside directors) may be ordered to return their stock compensation within this predetermined transfer restriction period even if no longer serving as a director.

#### Total compensation by officer category (FY2018)

Officer Category	Directors (excluding Outside Directors)	Outside Directors	Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	Outside Audit & Supervisory Board Members	
Amount of Compensation (millions of yen)	235	61	62	20	
Amount of Compensation by Type (millions of yen)	Basic Compensation	106	61	62	20
	Stock Options*	5	–	–	–
	Bonuses	75	–	–	–
	Restricted Stock Compensation	47	–	–	–
Number of Eligible Officers	5	5	2	2	

\* The Company has no plans for new allocation of stock options to directors and Audit & Supervisory Board members.

## Reasons outside directors and Audit & Supervisory Board members were appointed

### Directors of the Board

Shinjiro Iwata	Mr. Iwata has acquired a great deal of company-management experience and knowledge at global corporations in the telecommunications industry. In addition, in his role as an outside director, he is contributing to improving the transparency of both the Company's managerial supervision and the decision-making processes used in managing the Company. For example, as chairman of the Board of Directors he conducts meetings of the Board, and as chairman of the Nomination and Compensation Committee he states his views without hesitation.
Kiyoyuki Tsujimura	Mr. Tsujimura acquired a great deal of company-management experience and knowledge at global corporations in the telecommunications industry, and in his role as outside director he carries out appropriate supervision of the Company's management. At meetings of the Board, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company.
Hideaki Fukutake	In his role as an outside director, Mr. Fukutake makes use of his experience as outside director of a major Group subsidiary and his perspective as a shareholder to carry out appropriate supervision of the Company's management. At meetings of the Board of Directors, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company. And as a member of the Nomination and Compensation Committee, he takes an active, vocal part in meetings of the Committee, contributing to improving the transparency of the decision-making processes used in managing the Company.
Ryuji Yasuda	Mr. Yasuda has extensive experience, having served in roles such as management consultant at a global consulting firm, professor at a university, and outside director at another company, and has profound professional knowledge as well. In his role as an outside director, he carries out appropriate supervision of the Company's management. At meetings of the Board, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company. And as a member of the Nomination and Compensation Committee, he plays an active, vocal part in meetings of the Committee, contributing to improving the transparency of the decision-making processes used in managing the Company.
Katsumi Ihara	Utilizing extensive company management experience and knowledge gained at global corporations, Mr. Ihara has been judged as capable of exercising appropriate supervision of the Company's management in his role as an outside director.

### Audit & Supervisory Board members

Eiichi Izumo	Mr. Izumo, formerly a partner at Deloitte Touche Tohmatsu LLC, possesses the professional knowledge of a certified public accountant and experience acquired working with many different companies in various roles as an auditor and consultant. Utilizing this knowledge and experience, he actively provides opinions and recommendations on important matters for the management of the Company in the Board of Directors and the Audit & Supervisory Board.
Miyuki Ishiguro	Ms. Ishiguro, a partner in the law firm of Nagashima Ohno & Tsunematsu, has a great deal of practical experience and excellent ability and insight in the field of corporate legal affairs. She also draws on her experience as an outside director at other companies to participate in the auditing work of the Company from a neutral and objective perspective.

### Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board members

The Company shall determine that the Company's Outside Directors, Outside Audit & Supervisory Board Members and the respective candidates for those posts possess a high degree of independence when all of the following criteria are satisfied:

1. The individual has not served as business personnel of the Company or its Group companies (collectively "the Benesse Group") in the current fiscal year or the past nine fiscal years.
2. Individuals who have satisfied all of the following conditions (A) through (H) for the past three fiscal years:
  - A. The individual is not an entity for which the Benesse Group is a major client and does not serve as business personnel thereof.
  - B. The individual is not a major client of the Benesse Group and does not serve as business personnel thereof.
  - C. The individual is not a major shareholder (directly or indirectly holding a voting interest of 10% or more) of the Company and does not serve as business personnel thereof.
  - D. The individual does not serve as business personnel of an entity that is a major investee of the Benesse Group (in which the Benesse Group directly or indirectly holds a voting interest of 10% or more).
  - E. The individual is not a consultant, accounting expert or legal expert who has received compensation in the form of a large amount of money or other assets, other than officer's compensation from the Benesse Group

(or an individual belonging to an entity such as a corporation, association, or other group that has received such assets).

- F. The individual has not received a large charitable donation or subsidy from the Benesse Group and does not serve as business personnel of such a recipient.
  - G. The individual is not an independent auditor of the Benesse Group and does not belong to a corporation, association or other group that serves as an independent auditor of the Benesse Group.
  - H. In cases where the business personnel of the Benesse Group have been appointed as outside officers of other companies, the individual does not serve as business personnel of the other company.
3. The individual is not a relative of a person who meets either of the following conditions "a." or "b."
    - a. An individual who does not satisfy any of the foregoing conditions (A) through (H) in (2) above for one of the past three fiscal years. However, the business personnel stipulated in conditions (A) through (D) and (F) and (H) shall refer only to key business personnel. Condition (E) shall apply only to persons with specialized qualifications, such as certified public accountants and lawyers. Condition (G) shall apply only to key business personnel and persons with specialized qualifications, such as certified public accountants and lawyers, in the individual's organization.
    - b. Key business personnel of the Benesse Group in the current fiscal year or any of the past three fiscal years.

## Corporate Governance

### Directors and Audit & Supervisory Board members (As of June 22, 2019) ■ Outside ■ Independent ■ Newly Appointed

#### Directors



**Tamotsu Adachi**  
Representative Director,  
President and CEO

In 1977 joined Mitsubishi Corporation. Went on to serve as a Partner at McKinsey & Company, Inc. Japan, President and CEO of Japan Lease Auto Co., President and CEO of GE Fleet Services Co., Managing Director and Japan Representative of Carlyle Japan LLC, and in other positions. Since 2003 he has been a Director of the Company, a position which he has held intermittently for a total of 11 years. Since 2016 he has been the Company's Representative Director and President, CEO.

- Current responsibilities  
Berlitz Corporation

**Attendance at Board of Directors meetings: 14/14**



**Shinjiro Iwata**  
Director and Chairman

■ ■ In 1972 joined Hitachi, Ltd. Went on to serve as CEO of Hitachi Data Systems Corporation, EVP of Hitachi Global Storage Technologies, Inc., and Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd., and held other positions as well. He has been a Director of the Company since 2014, and has been Director and Chairman of the Company since 2016.

- Other current key positions  
Outside Director at JVC KENWOOD Corporation  
Outside Director at A.L.I. technologies Inc.

**Attendance at Board of Directors meetings: 14/14**



**Hitoshi Kobayashi**  
Representative Director and  
Executive Vice President

Joined the Company in 1985. After having served as Representative Director and President of Benesse Style Care Co., Ltd., in 2012 became a Director of the Company, a position that he continues to serve in. Went on to lead the Company's Corporate Planning Division, Overseas Business Company, Zemi Business Company, etc. Currently serves as Representative Director and Executive Vice President of the Company, and as Representative Director and President of Benesse Corporation.

- Other current key positions  
Representative Director and President of Benesse Corporation
- Current responsibilities  
Zemi Business Company, School and Teacher Support Business Company, Area and Classroom Education Business Company, Global Kodomo Challenge Company, and Kids & Family Division

**Attendance at Board of Directors meetings: 14/14**



**Shinya Takiyama**  
Director

Joined the Company in 1996. Has been Representative Director and President of Benesse Style Care Co., Ltd., since 2013, and has been a Director of the Company since 2016. Currently serves as a Director and Corporate Executive Vice President of the Company, Head of the Company's Nursing Care and Childcare Business Company, and Representative Director and President of Benesse Style Care Co., Ltd.

- Other current key positions  
Representative Director and President of Benesse Style Care Co., Ltd.
- Current responsibilities  
Nursing Care and Childcare Business Company

**Attendance at Board of Directors meetings: 14/14**



**Masaki Yamasaki**  
Director

Joined the Company in 1989. After having served as head of the Group's school and teacher support business, Representative Director and President of Ochanomizu Seminar Co., Ltd., Representative Director and President of Classi Corp., Representative Director and President of Benesse i-Career Co., Ltd., and in other roles, in 2017 became a Director of the Company, a position he continues to serve in. Currently serves as a Director and Corporate Executive Vice President of the Company, Head of the Company's School and Teacher Support Business Company, Director and Executive Vice President of Benesse Corporation, and Representative Director and President of Classi Corp.

- Other current key positions  
Director and Executive Vice President of Benesse Corporation, and Representative Director and President of Classi Corp.
- Current responsibilities  
Zemi Business Company (deputy), School and Teacher Support Business Company (deputy), and Area and Classroom Education Business Company (deputy)

**Attendance at Board of Directors meetings: 14/14**



**Haruna Okada**  
Director

■ Joined the Company in 1982. Since becoming an executive officer in 2005 she has held a wide variety of posts, from being a Member of the Labour Policy Council at the Ministry of Health, Labour and Welfare to serving as the Company's Chief Human Officer (CHO), becoming Head of the Kids & Family Company. She became a Senior Executive Officer of the Company in 2018 and a Director of the Company in June 2019. Currently she is a Corporate Executive Vice President and the President of Global Kodomo Challenge Company.

- Other current key positions  
Director of Benesse Corporation
- Current responsibilities  
Global Kodomo Challenge Company (deputy)

**Attendance at Board of Directors meetings: -**





**Kiyoyuki Tsujimura**  
Director

In 1975 joined NTT Public Corporation. In 2001 became a Member of the Board of Directors of NTT DOCOMO, Inc., in 2008 became Senior Executive Vice President and Member of the Board of Directors of NTT DOCOMO, Inc., and in 2012 became President and Chief Executive Officer and Member of the Board of Directors of DOCOMO Engineering Inc. Since 2014, he has been a Director of the Company. In 2014 he served as a Professor at Tokyo Institute of Technology, and after leaving that position he in 2015 became Representative Director and CEO of CarpeDiem, Inc., a position he continues to serve in.

• Other current key positions  
Representative Director and CEO of CarpeDiem, Inc.

**Attendance at Board of Directors meetings: 14/14**



**Hideaki Fukutake**  
Director

In 2000 joined KEYENCE CORPORATION. In 2006 joined SMS CO., LTD., and subsequently became Division President of Nursing Care and Medical Care, and Media at that company. Since 2009, has been Director of efu Investment Limited. Since 2012, has been Vice Chairman of the Board of Fukutake Foundation, and since 2013 has been a Director of Berlitz Corporation. After having served as an Outside Director of Benesse Corporation, since 2014 he has been a Director of the Company. In 2018 he became Director of Kings Plant Barn Ltd., a position he currently serves in.

• Other current key positions  
Vice Chairman of the Board of Fukutake Foundation and Director of efu Investment Limited

**Attendance at Board of Directors meetings: 14/14**



**Ryuji Yasuda**  
Director

In 1979 joined McKinsey & Company Inc, Japan and in 1991 became a Director of that company. In 1996 became Managing Director and Chairman of A.T. Kearney, Asia, and subsequently served as Chairman of J-Will Partners Co., Ltd. In 2004 became Professor at the Graduate School of International Corporate Strategy at Hitotsubashi University, and since 2015 has been Adjunct Professor at the same Graduate School (now known as the Graduate School of Business Administration, Hitotsubashi University Department of International Corporate Strategy). Since 2015, has been a Director of the Company.

• Other current key positions  
Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University Department of International Corporate Strategy; Outside Director at Yakult Honsha Co., Ltd.; Outside Director at ORIX Corporation; Outside Director at Kansai Mirai Financial Group, Inc.

**Attendance at Board of Directors meetings: 14/14**



**Katasumi Ihara**  
Director

In 1973 joined Mitsui Knowledge Industry Co., Ltd. After joining Sony Corporation in 1981 he has served as Group Chief Strategy Officer (CSO), Chief Financial Officer (CFO), and Executive Deputy President then as Representative Director and President of Sony Financial Holdings Inc., and later also as Director and Chairman of the same company. Starting in 2018 he has been an outside director at Hitachi Ltd., and in June 2019 he became a Director of the Company.

• Other current key positions  
Outside Director of Hitachi, Ltd.

**Attendance at Board of Directors meetings: -**

## Audit & Supervisory Board members



**Yoshinori Matsumoto**  
Standing Audit & Supervisory Board Member

In 1977 joined Daio Paper Corporation. In 1991 joined the Company, and went on to serve as Manager of the General Affairs Department, as Manager of the Human Resources Department, and in other positions before becoming a Corporate Executive Vice President in 2003. Since 2008, has been a Standing Member of the Audit & Supervisory Board.

**Attendance at Board of Directors meetings: 14/14**  
**Attendance at Audit & Supervisory Board meetings: 16/16**



**Naoto Saito**  
Standing Audit & Supervisory Board Member

Joined the Company in 1986. After working in the Finance & Accounting and Auditing & Business Administration Departments in the Group, he later became General Manager of the Finance & Accounting Division, General Manager of the Internal Auditing Division, and then General Manager of the Business Administration Division. In 2015 he became an Audit & Supervisory Board Member at Tokyo Individualized Educational Institute, Inc., and in 2017 became a Senior Executive Officer of the Company before also being appointed as a Standing Audit & Supervisory Board Member starting in June 2019.

• Other current key positions  
Audit & Supervisory Board Member of Tokyo Individualized Educational Institute, Inc.

**Attendance at Board of Directors meetings: -**  
**Attendance at Audit & Supervisory Board meetings: -**



**Eiichi Izumo**  
Audit & Supervisory Board Member

In 1995 joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC). Since 1998, has been registered as a certified public accountant. In 2010 became a Partner at Deloitte Touche Tohmatsu LLC, and after leaving that position, in 2015 became Representative of Izumo CPA Office, a position he currently holds. Since 2015, has been a Member of the Company's Audit & Supervisory Board.

• Other current key positions  
Representative of Izumo CPA Office, and Outside Audit and Supervisory Board Member at TORII PHARMACEUTICAL CO., LTD.

**Attendance at Board of Directors meetings: 14/14**  
**Attendance at Audit & Supervisory Board meetings: 16/16**



**Miyuki Ishiguro**  
Audit & Supervisory Board Member

In 1991, registered as a lawyer and joined the firm Tsunematsu Yanase & Sekine (now Nagashima Ohno & Tsunematsu). Since 1999, has been a partner at that firm. Since 2017, has been a Member of the Company's Audit & Supervisory Board.

• Other current key positions  
Partner at the law firm of Nagashima Ohno & Tsunematsu, Outside Director at Miraca Holdings Inc., and Outside Member of Audit and Supervisory Board at Lasertec Corporation

**Attendance at Board of Directors meetings: 14/14**  
**Attendance at Audit & Supervisory Board meetings: 14/16**

## Corporate Governance

### Enhancing internal control

At a meeting of the Board of Directors held in May 2006, the Company passed a resolution establishing a system (internal control system) to ensure compliance with the stipulations of the Companies Act and the Ordinance for Enforcement of the Companies Act. Said resolution received final revision in a resolution passed at a meeting of the Board held on March 29, 2019.

In addition, a project team was set up at the Company for the purpose of creating and operating internal controls relating to financial reporting under the Financial Instruments and Exchange Act, and the team's activities extend to the entire Group.

### Ensuring compliance

The Company has established the Benesse Group Principles, which are rooted in the Group's corporate philosophy. The principles indicate how all the Group's executive officers and employees should behave, for the purpose of ensuring that the operations of the Group be performed in an appropriate and ethical manner that goes beyond just legal compliance. In accordance with these Principles, the individual companies establish standards of conduct or internal rules of their own that have more specific content suited to the conditions, nature, and size of their businesses, ensuring that their operations are carried out in an appropriate manner and thereby ensuring compliance.

Compliance administrators are appointed at each company to identify the risks within their respective businesses and implement measures to counteract them. For these activities, they work closely with the administrative office in charge of compliance for the Company (Compliance Division) to devise ways to fortify the systems on-site, such as sending staff on assignment to take charge according to the circumstances. Various types of training are also provided for the purpose of raising employee awareness, and the Internal Auditing Division monitors how thoroughly compliance is implemented at our business sites.

In addition, the Group set up the Benesse Group Speak-Up Line as an internal reporting mechanism to be used whenever illegal conduct, improper conduct, or conduct that violates the Group's articles of incorporation or internal rules may be

discovered. The Audit & Supervisory Board Member Hotline has also been set up for cases in which someone in the Company's management might be involved in the conduct being reported. These mechanisms are set up externally and managed to be worry-free for those who use them, including the ability to remain anonymous when reporting, thus ensuring the effectiveness of the Group's compliance monitoring.

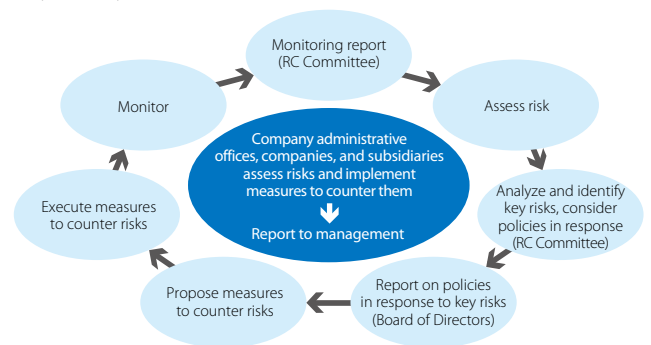
### Risk management

The Company has established the Benesse Group Risk Management and Compliance Rules to further our efforts in risk management and compliance.

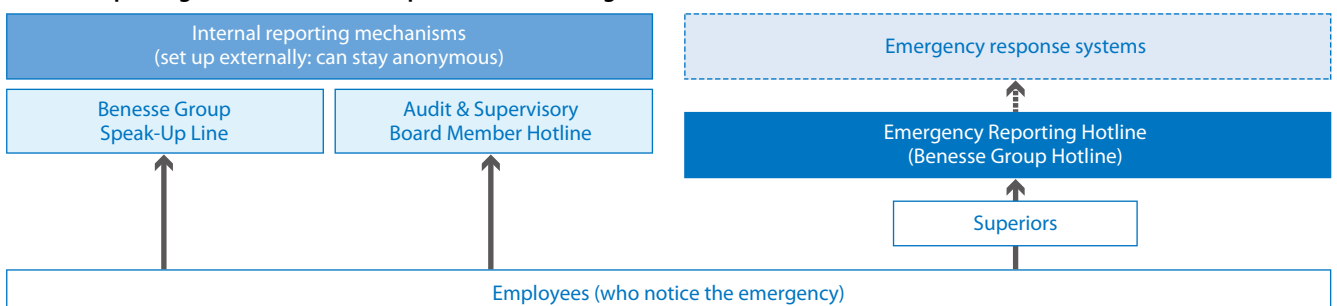
The Risk and Compliance (RC) Committee handles day-to-day risk management. Attended by full-time directors, general managers, and company heads, the RC Committee analyzes key risks within the Group and considers policies in response based on the assessments by Company administrative divisions in charge of each type of risk and by each respective company and subsidiary. The RC Committee then reports to the Board of Directors on the key risks they identified and policies to deal with them, and risk-related measures are then implemented at Company administrative divisions, companies, and subsidiaries while Compliance Division serves to monitor their progress.

When emergencies occur, we set up the Emergency Reporting Hotline for reporting circumstances to management right away, and in more severe situations we convene the Emergency Task Force and put systems in place for dealing with the emergencies.

#### Day-to-day risk management



#### Internal reporting mechanisms and responses when emergencies occur



## Interview with an Outside Audit & Supervisory Board member

### Striving to gather information at every occasion, and make objective decisions



**Eiichi Izumo**  
Audit & Supervisory  
Board Member

#### Listening to diverse information is fundamental in auditing

The word “auditor” is said to derive from “audi” (“to listen”), an origin shared with the words audience and audio. I believe that listening is fundamental in auditing. In addition to meetings of the Audit & Supervisory Board and Board of Directors, I also attend other meetings such as Management Council where members of the executive team come together. I listen to what many people have to say and do my best to judge things from an objective standpoint.

At Benesse I think that enough information is provided at the proper time to enable such objectivity. Explanations are provided to members of the Board of Directors days prior to their meetings, and our administrative office provides explanations on the content of proposals. Officer study sessions are then held after Board of Directors meetings, where those in charge at executive departments explain the business details, current status, and challenges. I also have opportunities to hear directly from employees and obtain information on auditing site visits, observation tours at the worksites, and at various events. Therefore, meetings of the Audit & Supervisory Board and Board of Directors are always lively, while covering a diverse range of issues. Occasionally, critical opinions of the president are even expressed with no reservations.

Cooperation is strong between the so-called three audit parties, the Internal Auditing Division, Audit & Supervisory Board members, and independent auditors. We also have mechanisms in place for sharing the information learned from audits, as reports on audit results are always received from the Internal Auditing Division, and independent auditors provide information not only around the time of financial reports but pretty much at all times.

I also think that the internal reporting mechanisms are functioning effectively. When reports are received, the contact office for reporting and Audit & Supervisory Board members investigate the matter on their own, then report to the executive department in charge and work toward

self-correction by taking measures before any major problems arise.

#### The challenge now is to develop human resources capable of working beyond the boundaries of divisions

One of the main focal points in the audits performed in FY2018 was the progress of the medium-term management plan. To put it bluntly, our company set numerical targets that were simply too ambitious. Sales and income both increased in FY2018, but we conducted the audit with the awareness that employees in the workplaces might be overburdened having to overextend themselves in efforts to achieve the targets for FY2020, and we looked into whether these and other circumstances could be leading people to take improper actions.

Another area we focused on was the acquisition of EDUCOM Corporation by Classi Corp. We received detailed explanations on many occasions for this transaction, about the business plan and financial information which were the basis for decisions, and about the setting of the asking price and the status of progress leading up to bids. I think the business opportunities and risks were also thoroughly discussed in the Board of Directors.

Looking at the Benesse Group going forward, I will be paying particular attention to business creation through M&A, the “third business pillar” as advocated in the medium-term management plan, and the degree to which the resulting synergy effects can boost business value as well as whether the risk of goodwill impairment can be avoided. The key to this is having the systems and people in place to run business properly in new fields, so in that respect I think human resources will probably be the issue for the Benesse Group going forward.

In both education and nursing care, the Group has so many people with strong awareness of being helpful to others, and they are putting everything they have into their work. However, I fear that in doing so, they may sometimes be unable to see their surroundings. Going forward, I think the focus will have to be not only on human resources development within each business division, but also on employee growth through organic connections between the various types of business within the Group. I believe this ultimately connects to the Benesse corporate philosophy of well-being.

## Human Capital



## Fulfilling our mission to transform and grow by strengthening our employee base and organizational capabilities

### Three policies to strengthen our human capital, our source of value creation



#### Eriko Satonaka

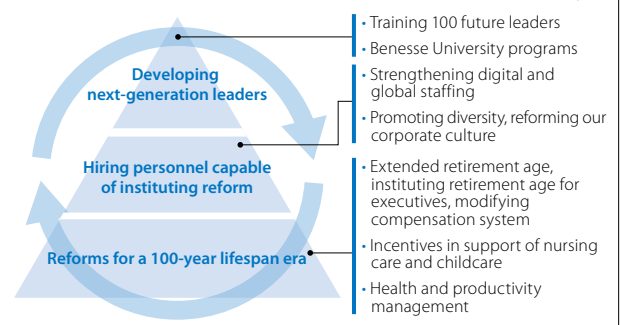
General Manager of  
Group Human Resources

Strengthening human capital is one of the most important topics in the Benesse Group medium-term management plan. People are our most important management resource, and we see them as our source of value creation. We aim to give ourselves the people, structures, and culture needed to “Transform and Grow.”

Based on that idea, our Human Resources Headquarters is working on three main initiatives. These are (1) developing

next-generation leaders, (2) hiring people capable of instituting reform, and (3) human resources and organizational reforms for a 100-year lifespan era.

#### The Benesse Group’s personnel & organization strategy



### Developing next-generation leaders

#### Grooming the next generation of senior management candidates

To lay the foundation for the future of the Group, we are working to groom the next generation of Benesse Holdings senior managers.

In FY2018 we started an initiative to continuously, systematically groom around 100 next generation senior management candidates that were identified by our Group companies. Each selected candidate undergoes a program according to his or her own development plan which includes group leadership skills training, external training assignments,

and coaching. At the same time, information is shared among management, and regular opportunities are allotted for management to review the program from multiple perspectives. Their development will then proceed systematically by gaining experience in various positions and tasks through assignments to various projects and locations.

These training efforts are continuously ongoing, as year-two training to deepen the talent pool is also being conducted for selected candidates in FY2019, the second year of the program.

## Opening Benesse University to train young employees

Benesse University is a Group-wide program that was launched in April 2018 as an initiative for developing young employees. The program consists of two components—group training, and open courses.

Around 20 employees from seven Group companies participated in the group training in FY2018, the first year of the program. Through four months of activities including lectures by senior managers and external instructors, training camp on Naoshima Island, and action-based learning that attempts to solve actual problems, participants were trained to become proactive action-takers. By also establishing deeper connections through extensive interactions with each other, the participants established cooperative working relationships that transcend the boundaries of individual companies. Twenty more employees were newly chosen to undergo the second year of this program

in FY2019. We are working to provide growth opportunities that involve all companies in the Group as means of ongoing professional development.

Meanwhile, for the open courses there are courses offered each year in which all Group employees can freely participate. These include multiple courses each year that introduce the world's latest technologies and information such as digital technology, AI, and EdTech, stimulating employees to ambitiously seek professional growth while also building their intrinsic motivation.



An open course taught by an outside expert, attended by 700 employees



Training camp on Naoshima Island



## Hiring personnel capable of instituting reform

### Working to strengthen digital staffing and institute office reform

Digital transformation (DX) is advancing in all types of industrial fields and the Benesse Group is also engaged in business transformation, combining education and nursing care with digital technologies. The Group Digital Division established in January 2018 is a new organization that collaborates with Group companies to accelerate the development of new products and services that employ digital technologies.

This division is also active in hiring and training so-called "DX personnel"—employees who shift our services and operations into digital mediums. In addition to our existing mid-career hiring, the division is also putting more effort into hiring new graduates as candidates to become next-generation DX leaders, and is developing special training programs utilizing platforms such as Udemy. Furthermore, they are also working to boost the skills of existing employees and strategically develop human resources capable of proactively planning and producing products and services that harness the attributes of digital technology.

Aside from these activities, the Group Digital Division is also actively improving the office environments that DX



At the Digital Development Company office

personnel work in. One example of such efforts is how the division is promoting internal and external collaboration by enlarging open spaces at the Digital Development Department of the Zemi Business Company established at Tokyo Head Office in 2018.

### Supporting the success of diverse personnel

The Benesse Group is determined to recognize diversity among human resources regardless of nationality, race, gender, or age, and to leverage their differences in positive ways. As our business expands globally and we take on more and more employees of diverse nationalities, we are doing our best to give them workplaces where they can utilize their respective capabilities and be active, while gaining a sense of fulfillment from their work.

The ratio of female employees in the Benesse Group is relatively high (around 50%). Many female employees play active roles utilizing the perspectives of consumers in our education, nursing care, and childcare business segments. In April 2016, the Benesse Corporation obtained grade three certification—the highest grade awarded—from Eruboshi, the recognition system based on the Act on the Promotion of Women's Participation and Advancement in the Workplace. As of April 2019, the percentage of manager positions held by females in the Group had risen to 36%.



The Eruboshi certification logo



## Reforms for a 100-year lifespan era

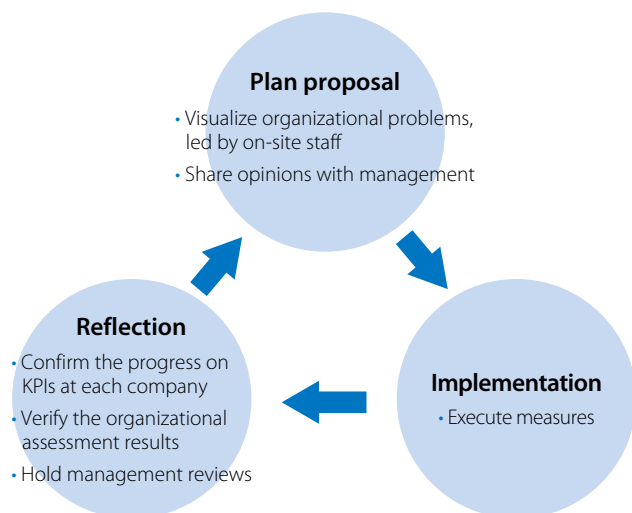
### Maximize organizational performance by improving productivity

Every year the Benesse Group has conducted the Gamba organizational assessment of employees, but the problem of low productivity in the assessment results has surfaced as a Group-wide problem in recent years. This is a major factor impeding job satisfaction and performance, so we initiated a company-wide activity under the theme of productivity improvement. The aim of the activity is to reduce work hours (input) while improving performance (output).

In May 2019, we gathered Group companies and major subsidiaries for a Kickoff Event in which we contemplated the challenges that must be overcome to improve productivity at every organization. The organizations pledged to take the initiative in working on these efforts.

We will be conducting quarterly reviews of KPIs that show specific plans (action plans) and achievement levels of those plans to confirm progress. In addition to the Gamba organizational assessment there will also be reviews involving management at the end of FY2019, the results of which will be reflected in plans for the subsequent year. Doing so, we will be facilitating PDCA cycles and improving the productivity of the Group as a whole on an ongoing basis.

#### Productivity improvement cycle



### Bolster work-life management initiatives

With Japan's 100-year lifespan era on the horizon, the Benesse Group is implementing a number of policies to boost employee motivation and create good work environments and culture. These include extending the retirement age and instituting a retirement age for executives, offering telecommuting and flextime, as well as offering incentives so employees can balance their work with parenting or providing nursing care, and providing healthcare support.

Recently the Group has been targeting workstyle reform in particular, setting out (1) working healthy and (2) balancing nursing care with work (success of diverse personnel) as the two banners for workstyle reform activities. Without good health, you cannot exercise your full capabilities, nor can you engage in your work with a positive frame of mind. Additionally, environments with diverse human resources are essential for fostering a company culture where people push each other to be better and grow together as professionals. With workstyle improvements, we are pursuing additional growth for the Group as a whole by boosting the performance of each and every employee.

#### Benesse Corporation

##### Data related to work-life management (full-time employees)

Overtime work hours (average/month in FY2017 ended March 2018)*	36 hours
Rate of paid leave taken (average/month in FY2017 ended March 2018)	60%
Number of employees who use telecommuting (FY2017 ended March 2018)	300
Number of male employees who took childcare leave (FY2017 ended March 2018)	15
Number of employees who took nursing care leave (FY2017 ended March 2018)	2
Average years of continuous service	Men 11.9 years Women 12.5 years

\* Regular working hours: 7 hours/day

## The Group-wide health management initiative



**Hiroki Nishiwaki**

Section Chief,  
Human Resources Division

The Benesse Group is pursuing a variety of initiatives aimed at promoting employee health, which include establishing an occupational health system and consultation desk and utilizing agencies that offer employee assistance programs (EASs). In January 2018, we issued the Benesse Group Health Declaration to add more momentum to our health management and following up on the declaration we began holding trial “health events” throughout the Group in September 2018. These activities involved tackling health

problems by organizing employee volunteers from the Group’s main companies into 20 teams and assigning each team to work on a health-related goal such as quitting smoking, improving eating habits, or getting more exercise.

We are also working on “Collabo-health” in collaboration with our health insurance association. To bolster our initiatives against metabolic syndrome among the Group as a whole, we are holding health seminars that promote lifestyle improvements in areas such as eating and sleeping habits. We will continue putting our ingenuity into devising ways to improve health that employees intuitively enjoy.



Benesse Holdings was recognized as a 2019 Certified Health and Productivity Management Organization

## Supporting employees in balancing their work with nursing care, so nobody has to leave their job to provide such care



**Yuko Onizawa**

Human Resources Division

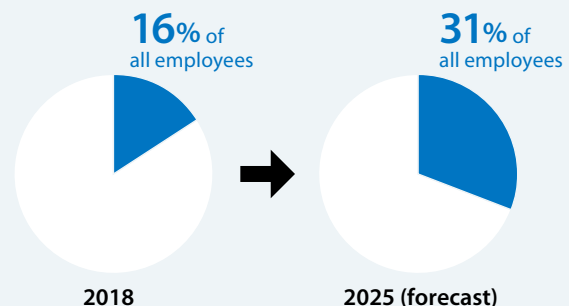
Nursing care is an issue that will face everyone at some point in their lives. Many Benesse Group employees likely have their own potential problems related to nursing care. People tend to put off dealing with the issue of nursing care until it directly relates to them, and they might not be very conscious or interested in it for the time being. However, we expect that more and more employees will be troubled with nursing care issues as time goes on.

With these circumstances in mind, the Benesse Group launched a Seminar for Balancing Work and Nursing Care for employees in FY2015. The seminar provides necessary and sufficient knowledge and information about balancing work with nursing care, including support

systems for achieving this balance and nursing care insurance systems. Online seminars are also available, which employees can join from their own seats at work or from meeting rooms by accessing the specified URL.

Seminar content is derived from various resources we at Benesse Style Care in the Benesse Group have accumulated through our nursing care operations. We will continue doing our best as specialists in nursing care services to support Group employees.

### Ratio of employees who are age 50 and older (Benesse Corporation)



# Intellectual Capital



## Combining our accumulated knowledge and expertise with digital to create new value

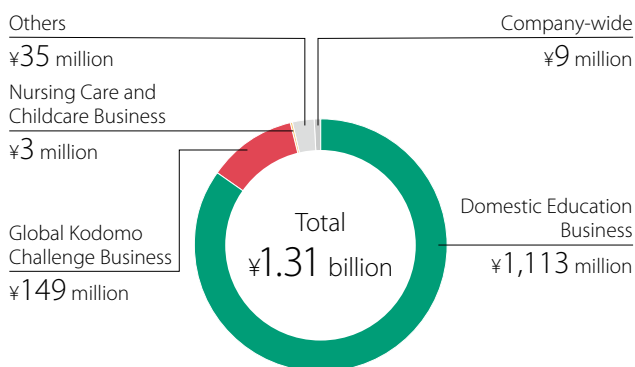
### Diverse intellectual capital as a foundation for value creation

#### Leveraging intellectual capital for the growth of the Benesse Group

In the 1960s, the Benesse Group began offering simulated exams and correspondence courses. Since then, the Group has gone on to expand its business into many other fields including languages and nursing care, thereby creating new markets. The marketing knowledge and expertise in product and service development that we have acquired along the way in these different fields constitute valuable intellectual capital for the Group. We are currently engaged in a variety of R&D activities including business research and questionnaire surveys, through which we will create superior products and services while growing our intellectual capital.

The Benesse Group has also accumulated big data from children’s learning histories and residents’ life records, in addition to a wealth of implicit expertise-type knowledge based on long years of business operations. Using advanced digital technology to analyze, verbalize, and systematize this big data and implicit knowledge, we aim to create new value that drives the growth of the Group.

#### Breakdown of Group R&D expenditures (Benesse Group, FY2018)



#### Leveraging digital technology to create even more value

We have been producing a variety of achievements by leveraging digital technology to further enhance the value of the intellectual capital we have accumulated. For example, in education we are providing products and services that have strong competitive advantage, such as Level-Specific English Four Skills Training materials which allows students to learn the four skills of English in a balanced manner through computers and tablets, Challenge Touch tablet-based learning materials, and Classi cloud service that supports operations in educational settings. Going forward, we are determined to continue making our products and services even more sophisticated, actively incorporating the functionalities and user interfaces that only digital can deliver, plus using AI to analyze the learning status of individual course takers in order to offer them the optimal advice.

Competition has intensified in the education business with digital technologies in recent years as more and more companies from other industries have entered the market. Benesse Corporation is working toward filing patent applications in order to differentiate ourselves from the competition and preemptively avoid the risk of rights infringements.



Students can take courses on Challenge Touch tablets



## Think tanks complement the Group's intellectual capital

The Benesse Educational Research and Development Institute and the Benesse Senior/Nursing Care Research Institute are our two laboratories which serve as think tanks, carrying out original surveys and research based on knowledge the group has accumulated in the education and nursing care businesses. These

laboratories not only utilize their research findings for the development of business in the Benesse Group, but they also widely disseminate their findings in society through reports, websites, and symposiums, thereby contributing to solutions for social problems involving education and the elderly.

### Benesse Educational Research and Development Institute (BERD)

#### Giving back to society the results of multifaceted surveys and research

This in-house think tank came into being in 2013 through the merging of the Benesse Group's several research departments. Taking a comprehensive view of parenting and the educational environment, the BERD conducts multifaceted surveys and research in the field of education regarding a wide range of people, covering everyone from infants to college students, working adults, parents, and teachers.

The BERD is made up of four different research offices, each of which maintains collaboration with educational institutions and researchers in Japan and abroad. The research offices carry out research in their particular areas of specialization, e.g., the talents and abilities that will be needed in society in the future, ways for acquiring those talents and abilities, and assessment based on testing theory. Since the founding of the predecessor to this research institute in 1980, more than 400 studies have been carried out, the results of which are presently being put to

actual use in parenting and education. In recent years BERD has also been dedicating efforts to supporting cross-organizational projects in the education business.

#### Examples of survey reports



Ability to Design Children's Learning Fostered by Visualizing the Learning Process (Joint research project with the Gifu City Board of Education)



International Survey on Early Childhood Home Education [2018]



2017 Parent and Child Survey on Children's Lifestyles and Learning (Joint research project with the Institute of Social Science at the University of Tokyo)

#### Panel surveys to visualize parent-child growth factors from infant age to high school graduation



#### Satoshi Okabe

Child Sciences and Parenting Research Office  
Benesse Educational Research and Development Institute

Breaking from traditional fixed-standpoint observation surveys that are conducted every few years, our panel surveys follow the same individuals year by year to identify when and through what events children grow and develop. For example, we have already known that on average, motivation to learn declines from higher grades of elementary school through junior high school. However, when we look at changes in individual students, we discover cases in which some of them have maintained or even increased their motivation despite entering junior high school. In what ways are children

like these learning, and what are their parents focusing on in their upbringing? Issues that parents and children are facing and hints toward solving them are lying hidden within our vast data remaining from roughly 20,000 groups of parents and children all over Japan. Conducting joint research with the University of Tokyo, we are academically analyzing and visualizing this information and sharing it with the world through academic conferences, projects, and the media.

We are currently conducting two panel surveys—one for infants and another for students in elementary, junior high, and senior high schools, with our plan being to connect the two surveys in 2023. Doing so, we will have an unprecedented survey that can trace the development and learning process from infancy all the way up to high school graduation. We intend to contribute even more toward improving the quality of evidence-based education.

## Social Capital



## Creating new value on the strength of relationships cultivated with people and society

### Domestic Education Business

#### Improving customer satisfaction and education in communities

We are working hard each day to maintain and improve customer satisfaction in Shinkenzenmi and Kodomo Challenge by providing educational materials that support each and every enrollee.

We are also contributing to education in communities in our cram-school operations with Class Benesse, accelerating the expansion of franchises while also collaborating more with other cram schools for English proficiency tests in the four skills.

- Dedicated smartphone app "Teiki Tesuto: Yoku Deru Kiso" (regular tests: basics that are frequently useful) offering courses for high school students: 90% or higher satisfaction rate<sup>\*1</sup>
- "Iid Awards" customer satisfaction survey for correspondence courses: Kodomo Challenge awarded the top prize<sup>\*2</sup>

<sup>\*1</sup> From 2,264 responses received from questionnaires for students enrolled in Shinkenzenmi

<sup>\*2</sup> From an internet survey for parents of 4,947 children taking correspondence courses. Published on the educational information website of IID Inc.



### Nursing Care and Childcare Business

#### Creating new value based on comments from our worksites

The Benesse Senior/Nursing Care Research Institute presented its own original Dementia Care Method at the inaugural Japan-UK Dementia Conference, held to spread awareness of the importance of international collaboration in combating dementia. As the internal think tank of Benesse Style Care, the institute created this methodology by analyzing and systematizing a series of case studies.

The institute also oversees product development together with residents of elderly homes through the use of living labs. Comments from residents are used in joint development with manufacturers to make slip-resistant socks that are easy to put on, offering the elderly more opportunities to be a part of society.



At the inaugural Japan-UK Dementia Conference

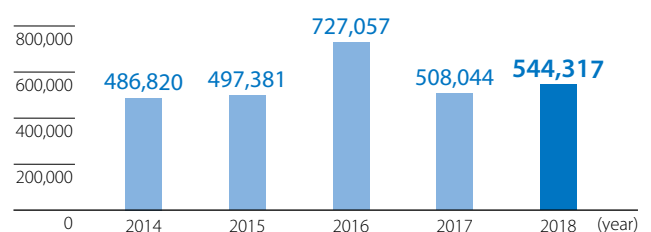
## Creating sustainable communities with Benesse well-being as a starting point

Benesse Art Site Naoshima is the collective name for our art-related activities taking place on the islands of Naoshima, Teshima, and Inujima on the Seto Inland Sea in conjunction with the Fukutake Foundation. These activities have been developing communities in the area for at least three decades.

Our objective is to make this a special place unlike any other by spending time creating art amongst the nature and unique culture of each island. Visitors can be inspired to reflect on the meaning of well-being as they mingle with the art products on each island, experience the classic Japanese landscapes of the Seto Inland Sea, and interact with people in the communities. Recent years have also seen high numbers of

visitors from Japan and overseas with at least 500,000 visitors annually to each island, invigorating the local economies and communities while at the same time demonstrating greater social value creation by the Benesse Group.

#### Annual tourist visitors to Naoshima Town



## An important expression of our Sustainability Vision



**Tamotsu Adachi**  
Representative Director,  
President and CEO

Since our Benesse Art Site Naoshima activities are deeply connected to Benesse’s corporate philosophy, we consider them important enough to refer to as part of our identity.

In March 2019 the Group announced our Benesse Group Sustainability Vision. One of the themes of this vision is “value co-creation with communities,” which we define as “working with local residents to generate new value in learning, culture, art, and other realms in order to build a more fulfilling society.” This theme was made part of our vision with the aim of finding solutions to learning problems in each community, while maintaining mutual relationships and growing together with them through our Benesse Art Site Naoshima activities.

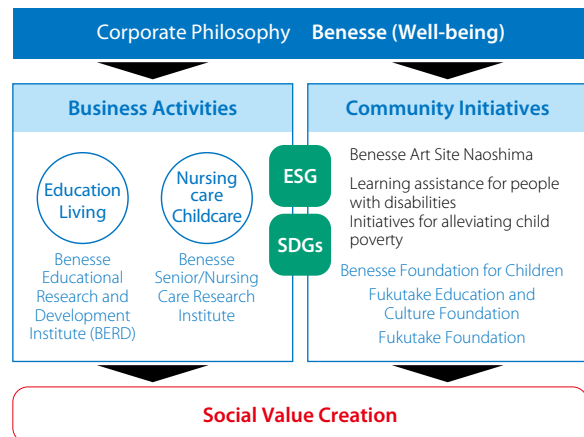
Together with our group employees, the Fukutake Foundation, local residents, visitors to Benesse Art Site Naoshima, and other stakeholders, we will reflect on what “well-being” means for people and engage in activities that turn this well-being into a reality.

### Foundation activities —Initiatives geared toward the creation of well-being—

Our commitment to the Benesse corporate philosophy of well-being is not limited only to our business activities, but also reflects in the activities of our foundations that engage in community initiatives. Our two foundations to create social value by aiding regional development and assisting children.

#### Fukutake Foundation

The Fukutake Foundation (formerly the Naoshima Fukutake Art Museum Foundation) was established along with the opening of the Chichu Art Museum in 2004 and assumed its current name after a merger of two aid foundations in October 2012. The foundation carries out three different types of activities, one of which is museum operations mainly in Naoshima, Teshima, and Inujima, the second being to assist culture- and art-driven regional development activities throughout Japan, and the third being to independently and jointly organize events such as Setouchi Triennale. We will continue working to build even better communities, where elderly people everywhere are happy, and everyone can think deeply about the Benesse principle of well-being.



#### Benesse Foundation for Children

The Benesse Foundation for Children was established in 2014 and changed into a public interest incorporated foundation by approval of the Cabinet Office on April 1, 2015. Since then, the Benesse Foundation for Children has been working to create environments where children can learn with peace of mind, to assist children dealing with economic issues, sickness, disabilities, or other obstructions to their learning, and to aid the learning and upbringing of children who have been affected by disasters (emergency assistance). The foundation is also ambitiously attempting to go beyond assistance for overcoming problems to also nurture and educate children who will play prominent roles in building an even better society.

## Communication with Shareholders and Investors

Benesse proactively discloses information to shareholders and investors, with superior IR disclosure tools and emphasis on mutual communication, while conducting IR.

### Active IR activities conducted openly and transparently

The president and executive vice presidents provide explanations of company performance and business strategy in their own words at financial results analyst meetings held twice a year. Proceedings from these sessions are also published and streamed online in the form of videos, transcripts of presentations, and question and answer session summaries. In FY2018, we held around 200 individual meetings and small meetings for institutional investors and securities analysts both in Japan and overseas, engaging in open, candid discussions about our performance and the direction of our business.

We also actively communicate with overseas institutional investors. The president and executive officers in charge of IR paid five visits to investors in Europe, North America, and Asia in FY2018. Participating in conferences organized by brokerages as well, our communication efforts reach a broad range of investor categories.

To enable even more people to attend our General Meetings of Shareholders, we hold the meetings on Saturdays. For stakeholders



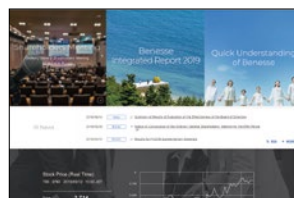
Financial results analyst meeting for FY2018 ended in March 2019 (Held on May 10, 2019)

who are unable to attend, we publish and stream videos, transcripts of presentations, question and answer session summaries, and other material from the meetings on our website just as we do for financial results analyst meetings.

### Disclosures on our IR website

With the principle of fair disclosures in mind, we strive to provide an extensive range of information on our website. In addition to the proceedings from financial results analyst meetings and General Meetings of Shareholders which we make available on the website, we also disclose various IR materials, financial data, and press releases in a timely manner.

We have also established a website geared toward individual investors, designed to help those unfamiliar with Benesse to gain a greater understanding of our company. It points out the strengths of Benesse and our strategies, as well as information about our business performance, presented in a way that is easy to understand.



Online Investor Relations



Introducing the Benesse Group

### External assessments of our IR tools (FY2018)

Our IR website, Integrated Report, and other IR tools have earned high praise from society.

#### IR Website

Gomez IR Site Ranking  
Best Company,  
Silver Award



Nikko Investor Relations Co., Ltd.  
All Japanese Listed Companies' Website  
Ranking AAA Grade



Daiwa Investor Relations Co., Ltd.  
Internet IR  
Excellence Award  
(Silver Award)



#### Integrated Report

LACP (League of American Communications Professionals)  
Gold Award  
(23rd place globally)  
2017/2018 Vision Awards  
Annual Report  
Competition



GPIF (Government Pension Investment Fund)  
Selected as an Excellent Integrated Report by asset managers entrusted with domestic equity investment



## Environmental Conservation Efforts

Seeking further growth, Benesse formulates medium- to long-term environmental targets and actively strives to reduce our environmental footprint while improving external assessments of our activities.

### Environmental action from a long-term perspective

Benesse actively engages in environmental conservation efforts in order to maintain our business and achieve sustainable growth. We formulate medium- to long-term environmental targets setting FY2050 as the final fiscal year, and work toward reducing the environmental impact of our business activities while aiming to improve external assessments of our environmental activities.

In FY2018 we performed a SWOT analysis with the achievement of these environmental targets in mind. Our analysis was based on environmental changes and stakeholder expectations and requirements such as the growth of ESG investment, TCFD\* recommendations, and the adoption of the SDGs (Sustainable Development Goals). From the results of the analysis, we identified reducing CO<sub>2</sub> emissions stemming from the use of paper and promoting environmental education as two particularly high-materiality items. With our Sustainability Committee established in September 2018 leading the way, we will be working to enhance the environmental management of the Benesse Group as a whole, and to achieve our medium- to long-term environmental targets.

\* Task Force on Climate-related Financial Disclosures. Established by the FSB (Financial Stability Board) in 2016, the TCFD issues recommendations that encourage companies to disclose information about climate-related risks and opportunities

### Medium- to long-term environmental targets

	2018	2019	2030	2050
Reduce CO <sub>2</sub> emissions (compared to FY2013)	10.1% reduction	12.0% reduction	31.0% reduction	55.0% reduction
External assessment (CDP Analysis)	Joined the A List	Stayed on the A List	Stay on the A List	-

Recognized by the CDP as a Climate Change 2018 A List company, and the first education or nursing care company from Japan to declare support for the TCFD recommendations.

The Benesse Group is working to reduce the environmental impact of our business activities, and to promote environmental education. Through these efforts, we have been recognized by the CDP\* as a Climate Change 2018 A List company, the highest possible rating, for displaying excellence in efforts to reduce greenhouse gas emissions and mitigate climate change.

### Reducing CO<sub>2</sub> emissions

Approximately 99% of our CO<sub>2</sub> emissions stem from the paper used for direct mail and educational materials, approximately 97% of which is comprised of emissions categorized as Scope 3 (transport and logistics, usage, disposal, etc.) by Japan's Ministry of Environment. In response, we are working to reduce the unnecessary use of paper in our offices, while also reducing the volume of paper we use by shifting products and services to digital and other mediums.

### Environmental education activities

Utilizing the knowledge and expertise we have established in the education business over the years, we are devoting our efforts to environmental education for children who represent our future.

#### • Kurukuru Recycling Program - Shimajiro Club

We collect and recycle used Kodomo Challenge course materials and toys at Shimajiro Concerts.

Cumulative total collected through FY2018 **14,774 kg**

#### • Ministry of the Environment (Sponsored) Essay Contest for High School Students

We conduct essay contests for students to write about environmental problems around them and propose potential solutions.

Entries in FY2018 **1,955**



Children put their educational materials in collection box for recycling



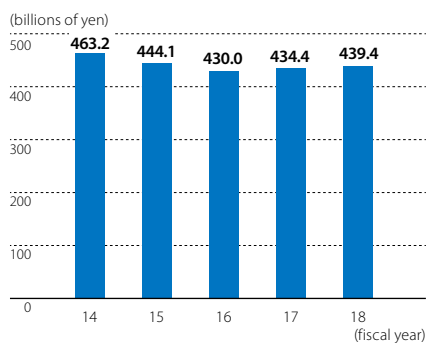
To also designate environmental issues as key management issues and bolster our environmental efforts, we became the first education or nursing care company from Japan to declare support for the TCFD recommendations.

\* Established in 2000, the CDP is an international non-profit organization which promotes greenhouse gas emissions reduction, protection of aquatic resources, and forest conservation by corporations and government agencies

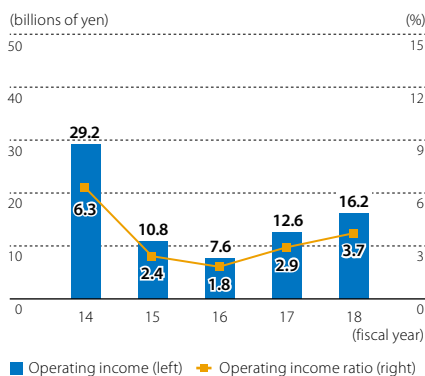
# Financial and Non-Financial Highlights

## Financial Information

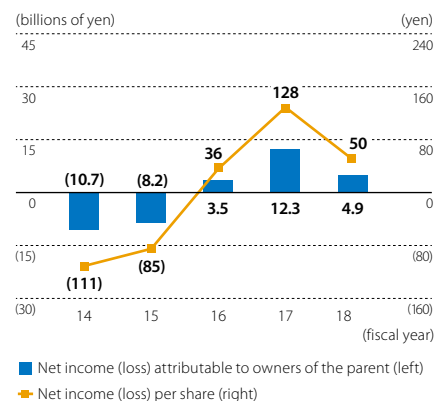
### Net sales



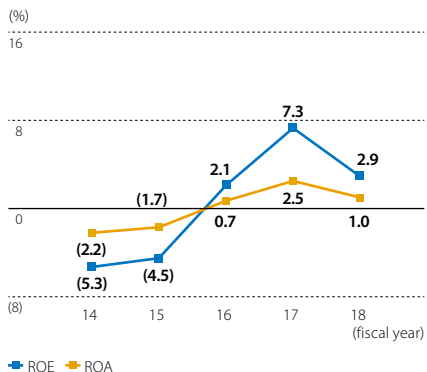
### Operating income/ Operating income ratio



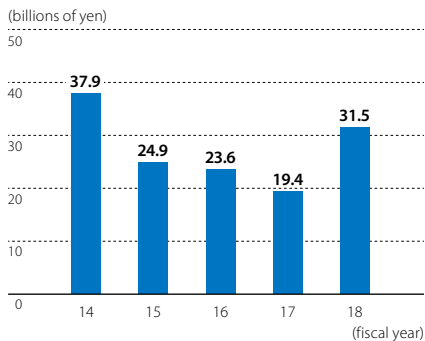
### Net income (loss) attributable to owners of the parent/ Net income (loss) per share



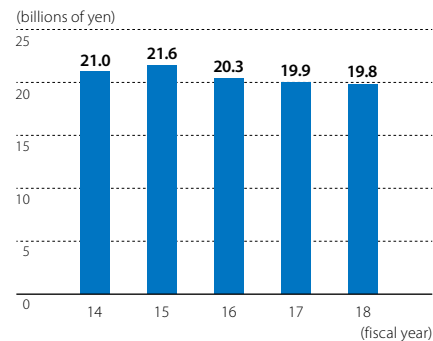
### ROE/ROA



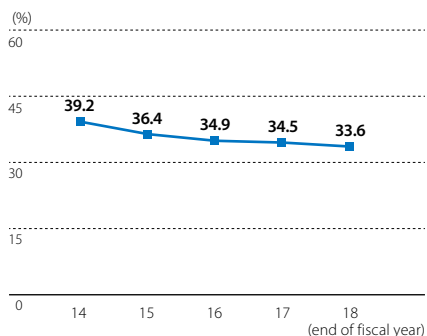
### CAPEX



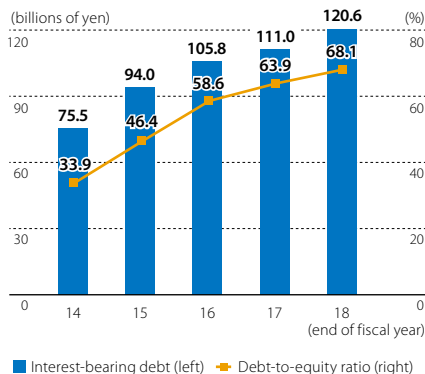
### Depreciation & amortization



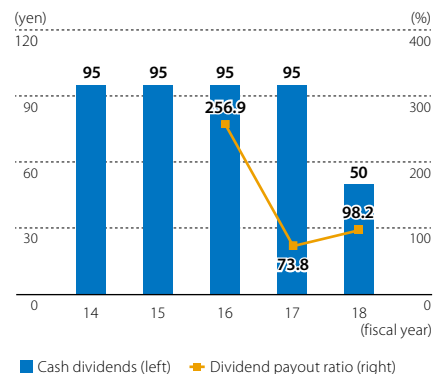
### Equity ratio



### Interest-bearing debt/ Debt-to-equity ratio



### Cash dividends/Dividend payout ratio

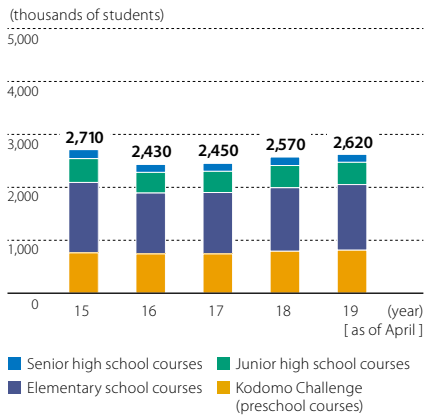


Note: Interest-bearing debt includes lease obligations.

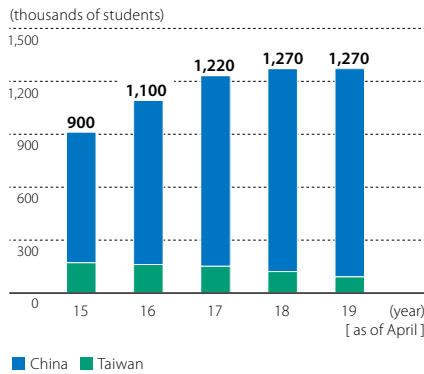
# Non-Financial Information

## Business-related

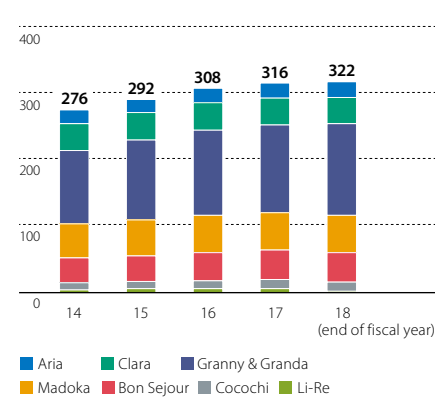
Shinkenzemi enrollments (domestic)



Kodomo Challenge enrollments (overseas)

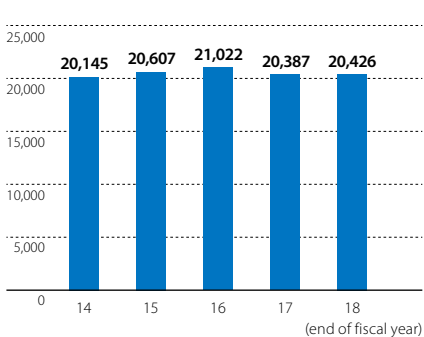


Nursing homes & elderly homes by brand

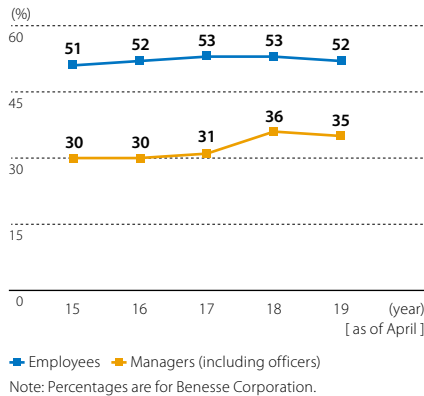


## Human Resources

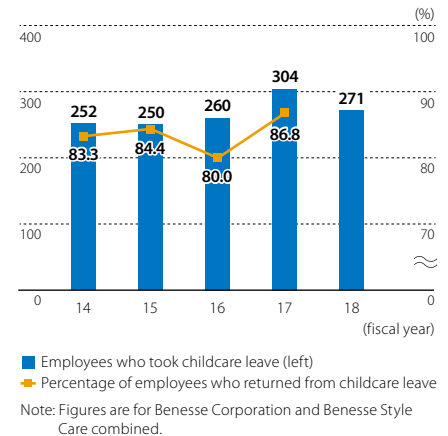
Employees on consolidated basis



Ratio of female employees/Managers

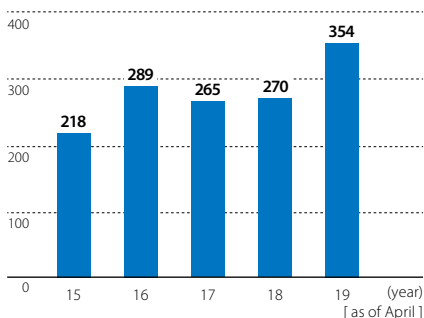


Employees who took childcare leave/ Returned from leave



## Human Resources

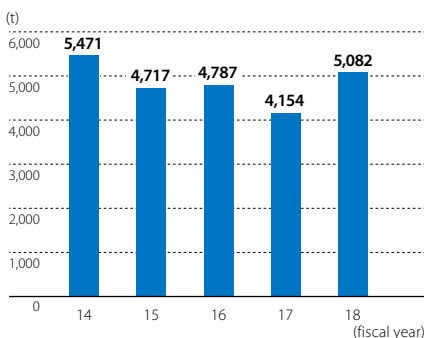
Employees taking shorter hours for child-rearing



Note: Figures are for Benesse Corporation and Benesse Style Care combined.

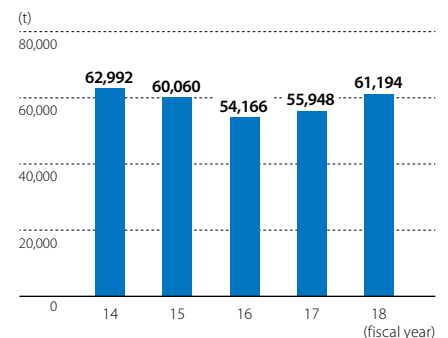
## Environment

CO<sub>2</sub> emissions



Note: CO<sub>2</sub> emissions are for electricity consumption only.

Paper consumption



Note: Paper consumption excludes printing paper for use in offices.

# Group Information

## Corporate Information As of March 31, 2019

<b>Name</b>	Benesse Holdings, Inc.
<b>Date established</b>	January 28, 1955
<b>Headquarters</b>	3-7-17 Minamigata, Kita-ku, Okayama-shi, Okayama 700-0807, Japan

<b>Representative</b>	Representative Director, President and CEO Tamotsu Adachi (As of June 22, 2019)
<b>Employees (Consolidated)</b>	20,426
<b>Capital</b>	13,661 million yen
<b>Fiscal year-end</b>	March 31

## Consolidated subsidiaries

As of March 31, 2019

Name of company	Common stock (Millions of yen)	Ratio of shareholding (%)	Description of business
Benesse Corporation	3,000	100.0	Education, publishing, mail-order sales, etc.
Classi Corp.	840	50.0	Development and operation of educational platform
Tokyo Individualized Educational Institute, Inc.	642	61.9	Operation of prep schools
Benesse i-Career, Co., Ltd.	261	51.0	Career education and career building support services for university students and working adults
UP Inc.	100	100.0	Operation of prep schools
Shinken-AD Co., Ltd.	65	100.0	Advertising business specializing in higher education institutions
Plandit Co., Ltd.	40	100.0	Planning and editing of study materials
EDUCOM Corporation	33	65.2 <sup>*1</sup>	Development and sales of school business support system
Benesse BE studio Inc.	10	100.0	Operation of English language schools for children
Learn-S Co., Ltd.	10	100.0	Planning, editing, production and sales of study materials
Ochanomizu Seminar Co., Ltd.	10	100.0 <sup>*2</sup>	Operation of prep schools
Tokyo Educational Institute Co., Ltd.	10	100.0	Operation of prep schools
Benesse Corporation China	125,000 Thousands of RMB	100.0	Sales of correspondence course materials for preschoolers
PT. Benesse Indonesia	136,700 Million INR	100.0 <sup>*3</sup>	Operation of prep schools in Indonesia
Benesse Style Care Co., Ltd.	100	100.0	Nursing care services for the elderly business, childcare business
Benesse Senior Support Co., Ltd.	100	100.0 <sup>*4</sup>	Nursing care consultation service business
Benesse Palette Co., Ltd.	100	80.0 <sup>*5</sup>	Food delivery services and nursing care food for seniors business
Benesse MCM Corp.	80	100.0 <sup>*4</sup>	Introduction and temp staffing of nurses and human resources trained in nursing care
Berlitz Corporation	1,005 Thousands of U.S. dollars	100.0	Language instruction, global leadership training and support for study overseas
Benesse InfoShell Co., Ltd.	150	90.0	Information system maintenance and operation business, information processing service business
Benesse Business-mate, Inc.	50	100.0 <sup>*6</sup>	Office operational management, outsourcing and support services
Simul International, Inc.	40	100.0	Interpretation, translation and language instruction business
Naoshima Cultural Village Co., Ltd.	20	100.0	Hotel and campsite operation and management
Benesse Base-Com, Inc.	20	100.0	Creation, sales and distribution of study materials
Benesse Hong Kong Co., Ltd.	3,600 Thousands of H.K. dollars	100.0	General trading and quality assurance related to educational equipment, toys and other items

Plus 15 other subsidiaries.

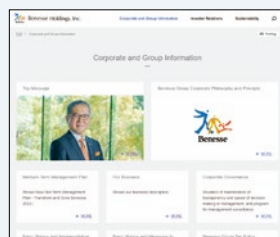
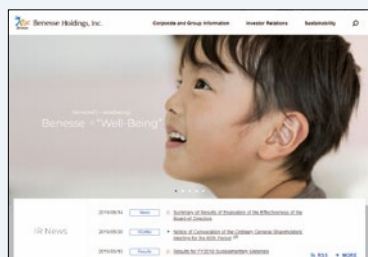
<sup>\*1</sup> Indirect stock holding of 65.2% through a subsidiary <sup>\*2</sup> Including an indirect stock holding of 50.0% through a subsidiary <sup>\*3</sup> Including an indirect stock holding of 0.3% through a subsidiary

<sup>\*4</sup> Indirect stock holding through a subsidiary <sup>\*5</sup> Indirect stock holdings of 80.0% through subsidiaries <sup>\*6</sup> Including indirect stock holdings of 2.0% through subsidiaries

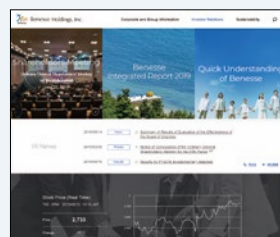
### Benesse Holdings corporate website

[www.benesse-hd.co.jp/en/](http://www.benesse-hd.co.jp/en/)

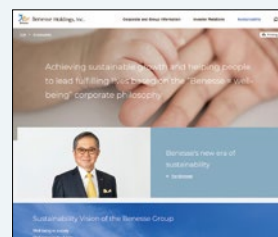
Our corporate website provides comprehensive information on the Group as a whole.



Corporate and Group information



Investor Relations



Sustainability



## Investor Information As of March 31, 2019

<b>Shares issued</b>	102,483,603 shares
<b>Listed date</b>	October 26, 1995
<b>Securities listing (Common stock)</b>	Tokyo Stock Exchange, First Section
<b>Ticker code</b>	9783
<b>Isin code</b>	JP3835620000

<b>Unit of trading</b>	100 shares
<b>Independent auditor</b>	Deloitte Touche Tohmatsu LLC
<b>Transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Shareholders</b>	40,573

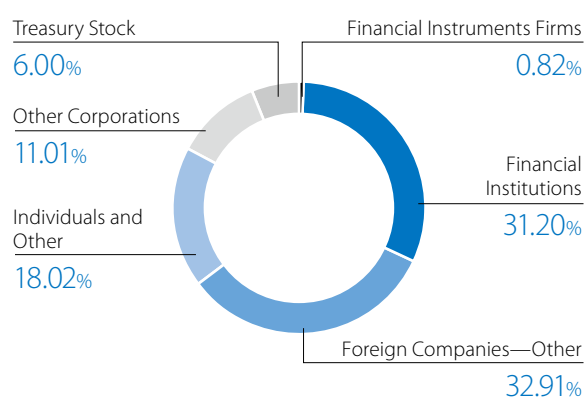
### Top 10 shareholders

	Shares (Thousand)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	12,743	13.22
Japan Trustee Services Bank, Ltd.	12,110	12.57
efu Investment Limited	7,858	8.15
Fukutake Foundation	6,408	6.65
The Chugoku Bank, Ltd.	2,787	2.89
JP Morgan Chase Bank 385635	2,475	2.57
SSBTC Client Omnibus Account	1,941	2.01
Minamigata Holdings, Inc.	1,836	1.90
Nobuko Fukutake	1,769	1.83
State Street Bank West Client - Treaty 505234	1,670	1.73

Notes: 1. The shares held by The Master Trust Bank of Japan, Ltd. include 6,809 thousand Company shares (a 7.06% investment ratio) contributed by efu Investment Limited as trust assets. efu Investment is an asset management and investment corporation of which Hideaki Fukutake serves as representative. The decision-maker with respect to the execution of voting rights related to the consigned trust assets is efu Investment Limited.

2. The Company owns 6,156 thousand shares of treasury stock which are not included above because they do not carry voting rights. These shares of treasury stock are also excluded from the calculation of percentages.

### Shareholdings by type of shareholder



### Coverage in SRI indexes

#### MSCI ESG Index\*1

**MSCI**  2019 Constituent  
MSCI ESG  
Leaders Indexes

**MSCI**  MSCI Japan Empowering  
Women Index (WIN)

#### FTSE\*2

  
FTSE4Good

  
FTSE Blossom  
Japan

\*1 The inclusion of Benesse Holdings, Inc. in any msci index, and the use of msci logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Benesse Holdings, Inc. by msci or any of its affiliates. the msci indexes are the exclusive property of msci. msci and the msci index names and logos are trademarks or service marks of msci or its affiliates

\*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Benesse Holdings, Inc. has been independently assessed according to the FTSE4Good and FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE4Good Index Series and FTSE Blossom Japan Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. These indices are used by a wide variety of market participants to create and assess responsible investment funds and other products



## Benesse Holdings, Inc.

Investor Relations Department  
1-34, Ochiai, Tama-shi, Tokyo  
206-0033, Japan  
Phone: +81-42-357-3656  
Email: [tokyoir@mail.benesse.co.jp](mailto:tokyoir@mail.benesse.co.jp)  
URL: <https://www.benesse-hd.co.jp/en/ir/index.html>

## About the cover photo

Benesse Art Site Naoshima is the collective name for our art-related activities taking place mostly on the island of Naoshima on the Seto Inland Sea. We aim for it to be a special place unlike any other, which inspires people to reflect on the meaning of "Well-being" by spending time creating art amongst the Seto Inland Sea scenery. Contributing to the society of the local community in all facets of the environment, culture, and economy, we are fostering a relationship of mutual growth between modern art and the region it encompasses.



Looking out over the Seto Inland Sea from Naoshima

Benesse Art Site Naoshima website:  
<http://benesse-artsite.jp/en/>

## To find out more about the Benesse Group

On our website you will find content and videos that are linked to the content of this report. Feel free to look at them to complement this report.

### Special Content

From the project featured in Focus within this report, we share ideas unique to Benesse and comments from people on-site about bringing about well-being.

#### Domestic Education

##### Developing learning material for English four skills

Material to teach each child English that is actually useful

- Interview article  
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/index.html>



#### Domestic Education

##### Implementing Classi

Pioneering a new education format that trains the ability to learn independently

- Digest article  
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/classi.html>



#### Nursing Care and Childcare

##### Implementing the Service Navigation System

Changing the future of the nursing care setting with the Benesse Method

- Digest article  
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/service.html>



### Online Version of Benesse Report 2019

HTML articles, PDF files, and videos of the report are available on the website.

<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/index.html>

