



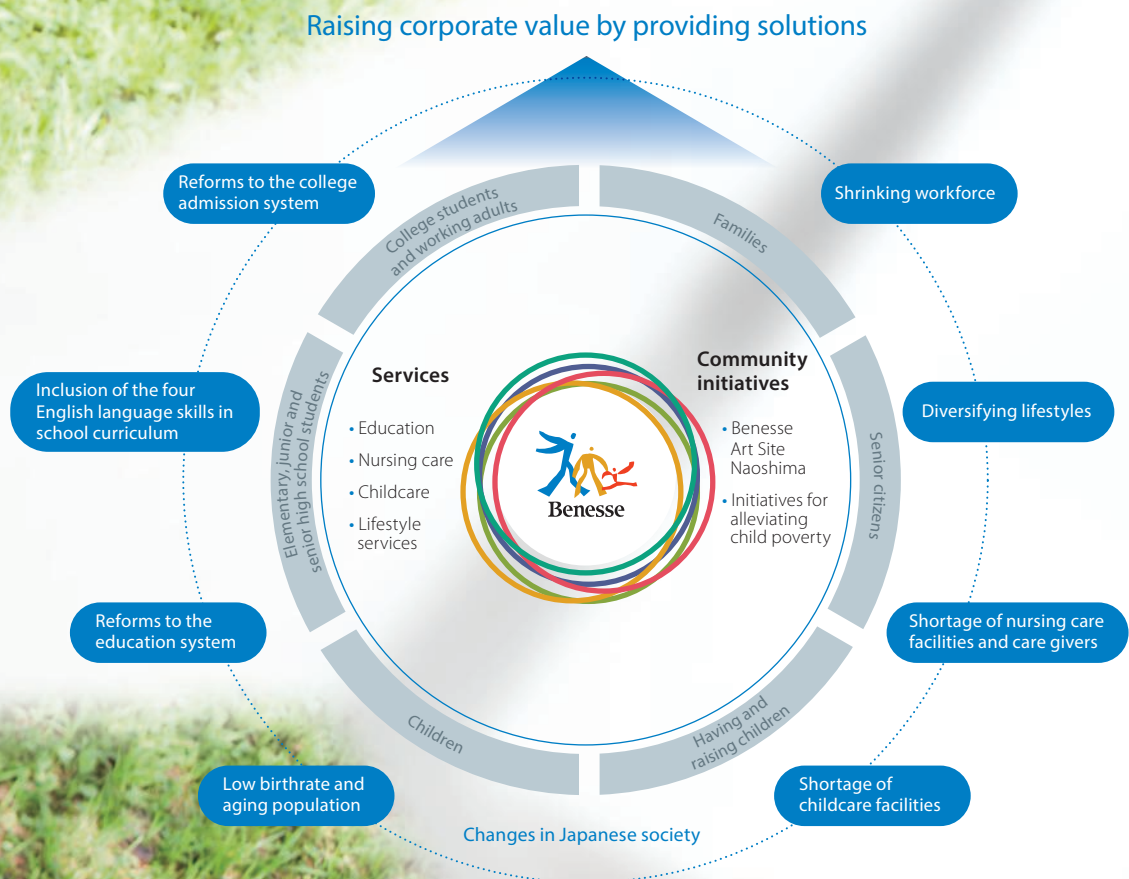
Considering the future of our communities

Part 1

Our Vision and Business Strategies

Japan's low birthrate and aging population are giving rise to various issues that must be dealt with in the future. In that context, the government will implement nationwide reforms of education and college admission systems in 2020. The Benesse Group is earnestly tackling these issues, responding to the reforms, and providing solutions through its business activities and community-based initiatives aimed at improving people's well-being. The Group has considered how society will continue to change in the years to come, and devised a vision and business strategies to reflect those trends. On that basis, the Group will aim to raise its corporate value by continuing to create new value and help find solutions for customers and their communities.

Trends in Japan affecting the Benesse Group's operating environment



Medium-Term Management Plan

Leveraging changes in the business environment in order to enhance corporate and brand value

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

The Company has launched a medium-term management plan for the five years beginning in FY2018, Transform and Grow Benesse 2022. As seen in phenomena like Japan's dwindling birthrate and aging population, educational and entrance-exam reforms, and diversification in learning, the external environment is undergoing great change. Taking as our slogan Transform and Grow, we aim to lead the Benesse Group to further growth in our existing businesses and expansion into new business areas via M&A.

Growth opportunities

- Changes in university entrance exams
- Changes in school & university education
- Renewed appreciation in Japan and abroad for the importance of English education
- Economic growth and higher levels of education in China and Southeast Asia
- Population decline outside of metropolitan areas
- Utilization of technology in education
- Aging of the population in Japan
- Diversification in values and lifestyles

Business environment

Risks

- Declining birthrate in Japan
- Rapid advance of IT in education
- Legal and system changes abroad
- More intense competition in language services
- Emergence of inexpensive services utilizing technology
- Diversification in values and lifestyles
- Shortage of nursing-care workers

Phase 1 FY2018–FY2020

Business strategy

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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Numerical targets and roadmap

	FY2017	FY2020 (target)	FY2022 (envisaged target)
Net sales	¥434.4 billion	¥500.0 billion	¥600.0 billion
Operating income	¥12.6 billion	¥35.0 billion	¥60.0 billion
Operating margin	2.9%	7.0%	10.0%
ROE	7.3%	≥10.0%	≥10.0%

Phase 1

FY2018–FY2020

Focus on strategy and execution

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

Phase 2

FY2021–FY2022

Focus on growth

Grow existing businesses further and venture into new domains

Grow by capitalizing on reforms of education and college admission systems

- Leverage the educational and entrance-exam reforms to push ahead with growth strategies in the Shinkenzemi, School & Teacher Support, and Area and Classroom Education businesses
- Use our collective capabilities to promote the GTEC proficiency tests in the four English skills

Expand the Kodomo Challenge brand of courses

- 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

Entrench the Group's leading position in the market by continuing to offer high-quality services

- Reinforce regional strategy by steadily increasing the number of nursing homes
- Promote differentiation in service quality by further developing the Benesse Method

Restructure operations under the direction of the new CEO

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

Create new businesses through mergers and acquisitions

- Consider health, lifestyle, and other business M&As

Enhancing operational resources**Human Capital****Page 47**

- Train new management leaders to ensure sustainable growth
- Equip employees with the skills needed for implementing reforms
- Prepare personnel organizations for implementing human resources strategies

Intellectual Capital**Page 51**

- Utilize intellectual capital to create new value
- Upgrade products and services using digital technologies

Social Capital**Page 53**

- Support community development through Benesse Art Site Naoshima

Message from Management



Driven by our commitment to well-being, we have launched Transform and Grow Benesse 2022 with the goal of continuous growth as an indispensable group of companies that helps enrichen people's lives.

We begin by helping find solutions for today's pressing issues.

The Benesse Group strives to inspire and assist its customers based on an unwavering commitment to their well-being. For more than six decades since the original company's establishment in 1955, the Group has grown by accumulating expertise in education and nursing care to help every customer live a better life.

Today, Japan is undergoing a time of major changes. The country's population structure is changing dramatically, with the balance between children and the elderly shifting rapidly towards the latter. For the Benesse Group, an educational service provider, the decreasing numbers of children is a serious issue that poses risks for sustainable business growth in the future.

Meanwhile, the most significant reforms to the country's education and college admissions systems in its postwar era are set to take effect in 2020. With globalization and digital technologies advancing faster than ever, there will be no easy answers in the future, so it is essential to equip children with critical thinking, decision-making, and communication skills. Accordingly, by leveraging the collective merits of its school and teacher support, correspondence courses, and cram schools, the Benesse Group will work to offer pertinent educational services suitable for every child and student along with educational support for individual customers and schools.

At the same time, as Japan's population ages rapidly, meeting growing demand for medical treatment, social welfare, and healthcare services is an urgent issue for the entire country. Established over two decades ago, the Benesse Group's nursing care business has grown as its second business pillar after education, and manages one of the largest chains of nursing homes in the industry. As the country's elderly population increases in the future, we recognize that in addition to providing outstanding nursing care services, it will also be important to explore ways for offering new services and solutions to the growing number of healthy senior citizens.

Responding to these major issues through our businesses is a central strategy of our medium-term management plan, Transform and Grow Benesse 2022, and another means for us to fulfill our commitment to well-being. We also believe that the Group's responses will contribute to accomplishing the Sustainable Development Goals set by the United Nations.

Regardless of how the Group's business portfolio evolves, our commitment to well-being will always remain firm because the services we offer are grounded in the lives of people, which are more entrenched than anything else in the world. Therefore, improving the well-being of all people we deal with, from children to the elderly, is the starting point for our business activities, regardless of the trends of the day.

Launched in April 2018, our new medium-term management plan is comprised of strategies for ensuring that the Benesse Group continues to grow in the future. Driven by our unwavering commitment to well-being, and leveraging our unrivaled customer base and intellectual and human assets, we will continue striving to be an indispensable group of companies that help enrichen people's lives.



Tamotsu Adachi

Representative Director, President and CEO

Message from Management

Looking back at my first few years as president

Sales and income up for the first time in several years

When I was appointed as president of Benesse Holdings in October 2016, the Benesse Group's business performance had seriously faltered. Due to a leak of customer information from Benesse Corporation in 2014, we lost a considerable amount of trust from our customers and our corporate brand was seriously damaged. Prospective customers also decreased due to the leak, resulting in a dramatic drop in enrollees of correspondence courses for children and students, and, consequently, a slowdown in our business.

In that context, after I took the helm as president, my biggest tasks were to put a halt to the business decline and revamp the Group's operations.

Accordingly, I narrowed down our objectives to just two top-priority goals. The first was to completely re-tailor our products and services for customers. That meant fixing whatever aspects of our products—particularly correspondence courses—were not meeting the needs of customers or regarded by them as deficient. The second goal was to increase the motivation of employees to provide customer service by promoting reforms in our corporate culture. The Benesse Group's business is all about people, so the key to its revival was to have highly motivated employees serve our customers. Therefore, we took a number of steps to stimulate communication throughout the Group. For instance, I visited workplaces involved in each of the Group's businesses and shared ideas and hopes with employees in roundtable discussions. My approach and plans were also regularly relayed to all employees via email.

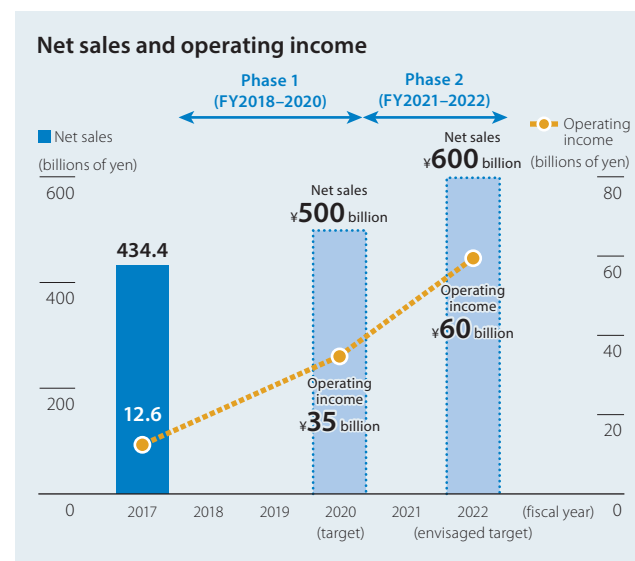
Through those efforts, the entire Benesse Group came together and focused on reviving its business. As a result, in fiscal 2017, net sales rose for the first time in four years, and both operating income and ordinary income increased for the first time in five years. By April 2018, the combined enrollees of the correspondence courses for children and students reached 2.57 million, growing by about 120,000 in a single year—the largest year-on-year growth in the past decade. For the first time in five years, the decline in enrollees had finally stopped, and then increased for the second consecutive year from fiscal 2016.

Moreover, although the Berlitz language school business had yet to regain profitability, solid earnings were posted by each of the Group's businesses, including school and teacher support, cram schools, correspondence courses for children, and nursing care and childcare. Accordingly, the Group had succeeded in laying a solid foundation for launching our new medium-term management plan in fiscal 2018.

Transform and Grow Benesse 2022 medium-term management plan

Executing key strategies for creating new value

Our new five-year medium-term management plan, Transform and Grow Benesse 2022, provides a roadmap for the Benesse Group to respond to emerging social trends and our changing customers and employees. During the first phase of the plan from fiscal 2018 to 2020, we are aiming to get earnings back on track and ensure steady growth as we deal with major shifts in our operating environment. During the second phase in the remaining years from fiscal 2021 to 2022, we will strive to maintain the growth of our established businesses and venture into new markets while setting ambitious goals and working to achieve them.



Formulating and executing strategies in response to changes in the operating environment

Our goal over the next three years is to return earnings to the levels attained before the leak of customer information in 2014. Specifically, we are targeting net sales of 500 billion yen and operating income of 35 billion yen by fiscal 2020. The entire Benesse Group is now focusing on achieving steadying growth and securing profitability.

In Japan, we intend to develop new services to capitalize on the reforms of the education and college admission systems. With so many specialized schools, correspondence courses, and cram schools available today, customers have a wide range of educational options. Operating businesses in each of these markets, the Benesse Group can draw on its collective

“To continue growing over the next 30 or even 50 years, we envision going beyond the scope of our operations today by creating a third business pillar.”



capabilities to offer valuable services tailored to every type of customer. Indeed, these capabilities, which include diverse educational services and related know-how and data, are a source of the Group's value creation, and can be leveraged as overwhelming competitive advantages that other companies cannot imitate.

Outside Japan, we have been promoting correspondence courses in China since 2006, particularly courses for preschool children. As of April 1, 2018, the number of enrollees of these courses in the country reached 1.15 million, surpassing the total in Japan, and we are working to expand even more in the future. In addition, demand for nursing care in China is rising in line with its aging population, so we are exploring new business opportunities in this market with a long-term outlook.

Setting up a production plant in a foreign country is not easy, but establishing such customer service businesses in a foreign market is difficult in different ways. Nonetheless, we believe that the potential for success is relatively high in countries and regions that are culturally similar to Japan. Therefore, by applying the know-how we gained in China, we are expanding operations in Asia while searching for outstanding local business partners.

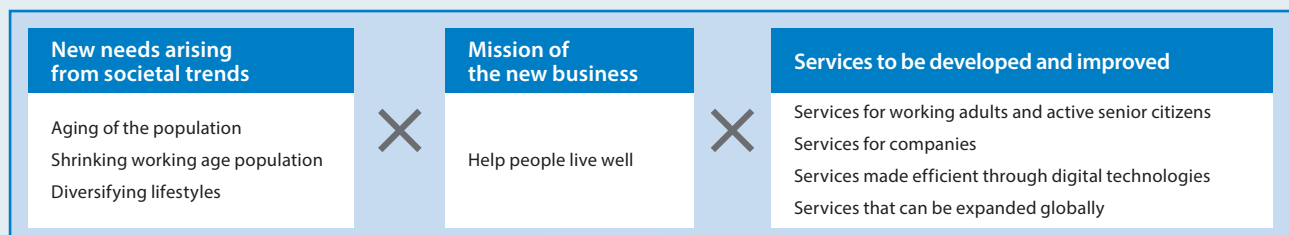
Meanwhile, we have already taken steps to bring Berlitz Corporation back to profitability. Under the strong leadership of a new CEO appointed from outside the Group in August

2017, the company has embarked on drastic reforms combining cost restructuring and changes to its services and operational processes.

Launching new businesses with a vision for the next 50 years

Anticipating a rebound in the Group's performance over the first three years of our medium-term management plan, we expect net sales and operating income to rise substantially during the final two years of the plan, and are targeting 600 billion and 60 billion yen, respectively, by fiscal 2022. While these targets might be regarded as overly ambitious, we are confident that the Group will effectively respond to shifting trends projected in Japan and take its first steps toward attaining sustainable growth over the next 30 or even 50 years. We understand that achieving the targets will be difficult if only the Group's already established businesses grow, so it will be essential to create a new business pillar. Therefore, by the final year of the plan, we will work to create a third business pillar that accounts for at least 10% of consolidated sales and operating income, respectively. For that purpose, we are considering how to develop services for working adults and healthy senior citizens in the areas of health and lifestyle services, which are closely related to our established businesses.

Possible new business areas



Business areas
Lifestyle and health services

“Grooming the next generation of leaders and equipping young employees with a mindset for creating the Benesse of tomorrow is a vital task today.”



To realize a big leap in growth, we are exploring opportunities for mergers and acquisitions. In my experience, many companies consider takeovers but are concerned about succession issues, or cannot find a strategic business partner. Nevertheless, I believe it is possible to bring a new company into the Benesse Group at an appropriate price as long as we negotiate directly with its top management and gain a consensus on management policies and strategies.

Raising capital for creating a third business pillar

We foresee investing between 50 and 100 billion yen in a merger or acquisition in the future. Our basic policy for securing that amount of capital is to focus on our profitable businesses and channel a larger proportion of profits into internal reserves. Therefore, management decided to reduce the planned dividend for fiscal 2018 to 50 yen per share, down from 95 yen per share paid in fiscal 2017. Because we now anticipate growth going forward, we want to bolster the Company's financial resources by reducing dividend payments so it can invest in the future. This will be the first time for management to reduce dividend payments since Benesse Holdings was publically listed, but we hope shareholders will understand that the reduction is a forward-looking measure aimed at investing in future growth.

Evolving our corporate culture

Promoting innovation while placing importance on customer contact points

In order to successfully carry out our medium-term management plan, the Benesse Group will need to become even stronger. Therefore, it will be very important for the Group to evolve its corporate culture. First and foremost, that means giving more importance to customer contact points than ever before. At its core, the service sector is about doing business with people, but

if a service provider takes that for granted and forgets the importance of customer contact points, it will tend to just focus on output. Especially at a time when the needs of customers are changing dramatically, it is essential to actively create more opportunities for dealing with customers. Based on information obtained directly from customers, we should always be considering what they need now and what value we can offer ahead of our competitors.

Furthermore, all divisions of the Group will need to work together to systematically integrate the diverse know-how, practical knowledge and information accumulated through the services they provide in order to develop brand-new services. I would like those kinds of initiatives to stimulate innovation and be expanded and passed down as components of our corporate culture going forward.

Strengthening our operational resources

Empowering employees —a source of value creation

It will be essential for the Benesse Group to enhance its operational resources so that it can transform and grow. Among such resources, I regard developing employees as particularly important, as they are a source of value creation. Indeed, training many future leaders from now will be the key to ensuring that the Benesse Group continues to grow. For that purpose, we established a group-wide human resources headquarters in April 2018 to oversee the execution of a diverse range of employee training programs, including a leadership training program for grooming the next generation of executive management over the next decade, and a program for training young employees called Benesse University. Actually, when management was formulating the new medium-term management plan, I asked employees to offer ideas on how to create the “Benesse of tomorrow,” and Benesse University originated from some of their proposals.

Developing digital technologies and innovative services

Along with human resources development, we are also focusing on stepping up initiatives for applying digital technologies and artificial intelligence (AI) in our businesses. Just like other industries, digital technologies are having a major impact on the education industry. Education, itself, is like a mass of information, for which digital technologies and AI can be used to make major advancements in related businesses and services.

The Benesse Group is already developing all-new and innovative educational services by combining big data and AI with the advanced expertise it has accumulated over many years in the education business. In its nursing care business, as well, the Group is making use of digital technologies to drive innovation, such as creating a platform for digitizing and sharing practical experience and know-how obtained from nursing care facilities. In connection with these initiatives, we established a new group-wide digital technology headquarters in January 2018. It will lead efforts to train and recruit employees with expertise in these technologies, and develop innovative new products and business models.

Contributing as a solutions provider

Helping people confront challenges through business and community initiatives

Through its businesses activities, the Benesse Group has been helping people and their communities confront challenges related to education and nursing care for many years. We intend to step up such initiatives in an effort to solidify the

Group's position as an industry leader.

The Group has also been actively promoting various community initiatives. For instance, we have been engaged in community development on the island of Naoshima in Japan's Seto Inland Sea through a variety of contemporary art projects for more than three decades. Naoshima's population had been aging and declining in number in the past, but many of its older residents are now feeling rejuvenated and actively involved in showcasing the island's traditional Japanese culture to visitors who come from around the world. We look forward to developing this initiative even further and helping make local communities sustainable.

In addition, we have established research organizations that specialize in education and nursing care, and their research findings are widely published. For example, published research results related to methods for caring for people suffering from dementia have been highly evaluated in the nursing care field. We will continue making such findings available to the public in the future.

We understand, of course, that the impact of our actions is limited. Nevertheless, by forming partnerships with other companies and local governments, we hope to carry out community initiatives that contribute even more going forward.

Ultimately, we hope the Benesse Group will be indispensable for people around the world and trusted by all stakeholders. All of us will work together to transform the Group and ensure it grows for many years to come so that it can continue offering valuable services to people and their communities. We ask the Group's stakeholders to support us in these endeavors.

Participating in the UN's Global Compact and working to accomplish its Sustainable Development Goals

Benesse Holdings became a signatory of the United Nations Global Compact in March 2010, and has been working to help solve global issues as a good corporate citizen in accordance with the mission of the compact. By adhering to and putting into practice the compact's Ten Principles, the Benesse Group has been promoting responsible management and helping make communities more sustainable. As an international enterprise, the Benesse Group has focused on providing solutions to social issues through its business activities for many years, and is committed to actively devising solutions to issues specified in the UN's Sustainable Development Goals.





Special Feature

Our strategies for creating value in the education business

Hitoshi Kobayashi

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

Representative Director and President, Benesse Corporation

Committed to the next generation's well-being

Our capacity to create value comes from the collective capabilities of the Benesse Group

Japan has recently embarked on the most drastic reforms of its education and the college admissions systems in the country's postwar era. The skills needed to survive in society have dramatically changed against the backdrop of globalization, advances in digitalization, shifts in the industrial structure, and a sudden decline in the country's working age population. Therefore, the main objective of the reforms, which are set to take effect from 2020, is to equip young people with such skills so they can lead successful lives in the future.

As a leading provider of education services in Japan, the Benesse Group constantly examines what skills young people actually need and what is best for its customers, and incorporates those findings in the strategies of its education business. Accordingly, we have organized the education business based on four different types of businesses: the school and teacher support business, correspondence courses, cram schools, and educational programs for preschool children. In each of these areas of

operations, it is vital for management to listen to employees in the workplace and act on decisions quickly in order to satisfy customers with our services and eventually win their trust.

Having provided such diverse educational services, the Benesse Group has accumulated a wide range of assets. The Group's collective ability to combine those assets and consistently offer those services is the source of its biggest competitive advantage—the capacity to create value. This advantage is overwhelming when it comes to high school education in Japan, in particular, which is undergoing its biggest changes ever due to the reforms of education and college admission systems. In fact, we deal with about 90% of all high schools in the country, which number about 5,000, through various services, including mock university entrance exams, Online English Conversation lessons, and career counseling. By directly and closely interacting with each of those schools, we can continue gaining their trust.

Based on that trust, we will tailor our services to the reforms and offer them to high schools while applying the information and know-how we acquire through that process to improve our correspondence courses and cram schools.

English language education is key to our growth strategy

Now that the reforms to Japan's education and college admission systems are moving forward, English language education is one of the most promising business opportunities for Benesse. Beginning in 2020, college entrance examinations will evaluate all four skills of English language proficiency, namely listening, reading, speaking, and writing, compared with just the two skills of listening and reading at present. Furthermore, certified English examinations administered in the private sector will be used to assess these four skills. One of the approved exams is the Global Test of English Communication (GTEC), which was developed by Benesse. It covers all four language skills and certifies test-takers with an official score. In fiscal 2017, the number of junior and senior high school students who took the GTEC reached 1.02 million, and around 1,850 junior and senior high schools nationwide used this test (from the total of about 5,000). These facts indicate that our share of the market is very high. To leverage our leading position and expand this business, we set up a new department in Benesse Corporation for promoting GTEC in

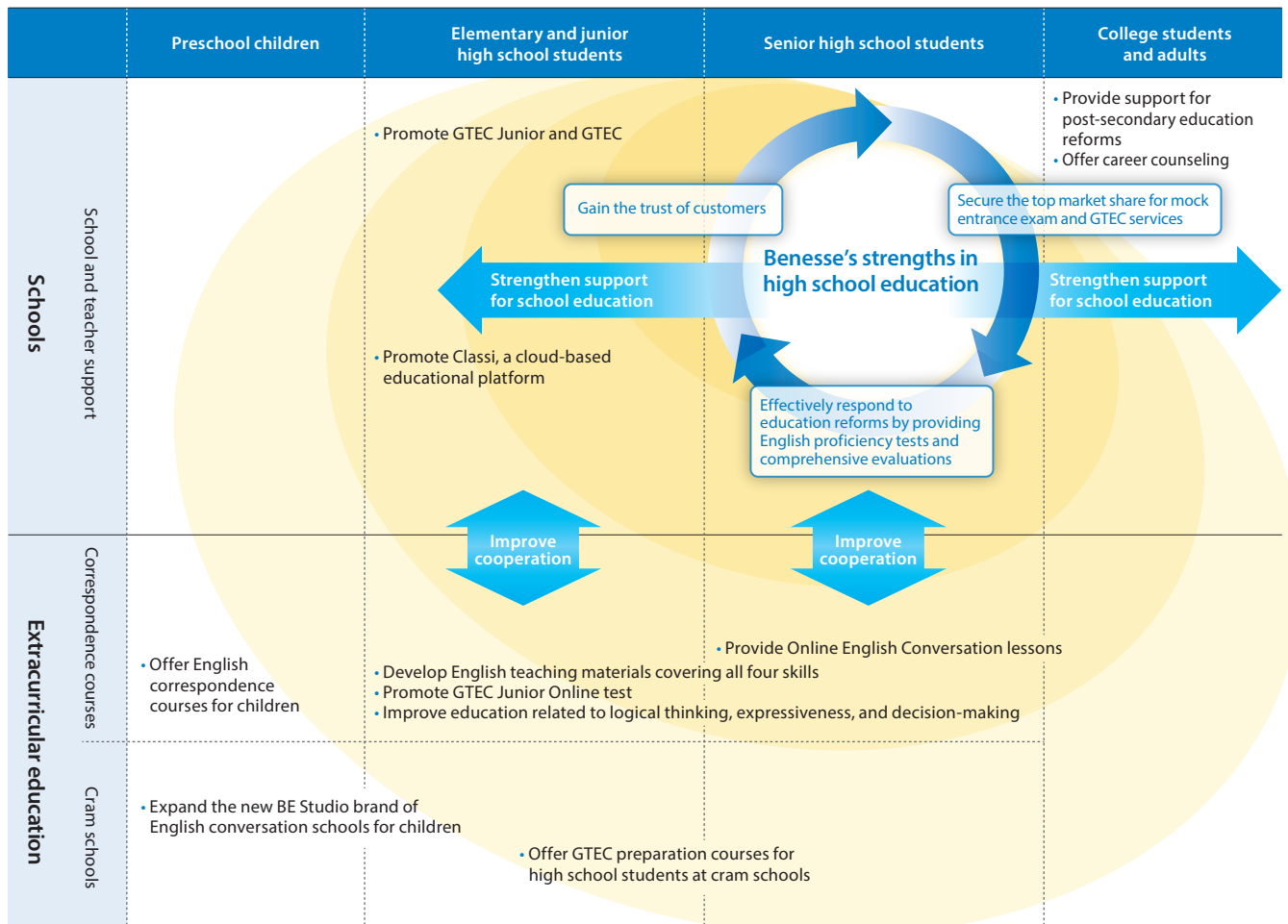
October 2017. Looking ahead, several of our businesses will work closely together to tailor the test and related services to the specific educational settings in which it is used.

All schools in Japan from elementary to senior high schools will be required to teach the four skills in English lessons, so we foresee major opportunities going forward. Therefore, we have been drawing on our know-how to offer even better support to these schools at every grade level. Through our correspondence courses for senior high school students, we have already provided Online English Conversation lessons, for which we utilized our past experience in providing similar service platforms. From the current fiscal year, we launched GTEC Junior Online as an English proficiency test covering all four skills for enrollees of our correspondence courses at the elementary school level. We intend to pursue synergy effects between these services from here onward.

Using data to better enable multifaceted testing

As part of the reforms to the college admissions system, methods for measuring scholastic ability will change substantially. For

Organization and strategies of the domestic education business





example, the standard entrance examination for all students will require written answers about the Japanese language and mathematics to assess not only knowledge but also each student's ability to think logically, communicate, and make decisions. Entrance exams for individual schools will include multifaceted and comprehensive evaluations, and applicants may be required to attend an interview and submit a research paper, cover letter, and short essay in the application process. That means importance will be given to various high school activities instead of only test scores.

We intend to expand our support for these changes to the admissions system through services like our cloud-based learning platform called Classi, which is now used at about 2,100 high schools nationwide—approximately 40% of the total. Through such services, besides collecting data needed for future university entrance exams, we can help students develop the ability to learn independently as they record what they learn and become aware of during daily school activities via smartphones and table computers.

Aiming for three million correspondence course enrollees by earning their trust

We have been making solid progress towards our fiscal 2020 goal of registering three million enrollees in our correspondence courses for children and students in Japan, a core part of the Group's education business. We have placed the highest priority on making these courses more satisfying and valuable for the enrollees who have chosen Benesse, recognizing that such efforts lead to higher renewal rates, foster customer loyalty, and allow the business to continue operating. Therefore, we constantly explore ways to enhance these courses so customers keep coming back. With all employees working together as a team while staying true to Benesse's corporate philosophy, we have

been developing products and services that are genuinely helpful for customers, and doing everything we can to make sure customers use them. Making the most of the advantages of digital teaching materials, we have been keeping track of the amount and time each student studies, and based on that data, we report to their parents by telephone or email as a way of providing full support to each customer. We found that the number of new enrollees has increased because people spread the word that our services were helpful.

Expanding correspondence course for children beyond Japan and accelerating growth by internationalizing our business

In addition to Japan, we are now offering correspondence courses for preschool children in China, Taiwan, and Indonesia. Our goal is to enroll a total of 2.5 million children internationally in these courses by fiscal 2020.

When we expanded the courses beyond Japan, instead of the conventional approach of establishing a platform specific to each country, our strategy was to develop the courses based on global standards mainly from our operations in Japan and then localize them in each country, thereby saving time and reducing costs. Our correspondence courses for children help build character by developing intellect and practical skills, and stimulate interaction between children and their parents. While maintaining those merits, we localized the courses in accordance with the culture and educational needs of each respective country after conducting surveys of their market environments. That allowed us to speed up the growth of this business outside Japan.

We also reorganized our operations to make them more effective. Specifically, we established a division within Benesse Corporation to promote the Kodomo Challenge brand internationally. The division is working to expand this business abroad, especially in China, as well as revive its growth in Japan.

For us, it is important to stay true to Benesse's commitment to well-being by developing products and services that are genuinely helpful for users and educators. Then those products and services will continue to be used and the Benesse Group will continue to be needed by society. Having been directly involved in the startup of our nursing care business and expansion into China, I am convinced that the common source of our capacity to create value in education and nursing care is the trust of our customers. That trust can only arise if we always strive to assist customers whenever they need help. Without such trust, a business is unsustainable. By having all members of the Benesse Group—from employees of every workplace right up to top management—tackle business reforms while sharing that conviction, I am confident we can completely revitalize Benesse's education business.

What are the 2020 educational and entrance-exam reforms?

The aims of the reforms in education and entrance exams

As world society goes through swift changes such as globalization and the evolution of AI, Japanese society is grappling with the issue of how to achieve sustainable growth in the face of a declining birthrate and an aging population. In this societal situation, children in the future will need to draw on the knowledge and skills they have

acquired so they can think on their own, express themselves, make judgments, and be of service to society. The educational and entrance-exam reforms for 2020 aim to boost the talents and abilities of children living in the 21st century so that they can take an active part in the society of the future.

Time schedule for educational and entrance-exam reforms

	FY2018	>	FY2019	>	FY2020	>	FY2021–
Elementary/junior high domain	▶ New elementary/junior high curriculum will commence				▶ New elementary school curriculum to include English as a new subject		
					▶ New junior high curriculum		
Senior high school domain	▶ Incoming freshmen will be the first to take reformed college entrance exams				▶ Utilization of external English tests		
			▶ Basic Assessment of Learning goes into use				
University domain	▶ Mandatory disclosure of the “three policies” (2017–)				▶ Introduction of the Common Test for University Admissions		

Key changes: Courses of Study and university entrance-exam system

The educational and entrance-exam reforms embody two main, specific changes. The first consists of revisions to the Courses of Study, i.e., to the standards for educational curricula. The revisions clarify what the learning should enable the children to do, and emphasize the use of active learning—which is subjective, interactive, and deep—to help children acquire the talents and abilities specified in the Courses of Study. Science and mathematics education will feature more investigations, experiments, etc., and will have a large number of language activities in which the students discuss things and summarize their thoughts in groups. And, to improve students’ abilities to utilize information, there will also be learning that trains students in programming-like thinking. The revisions also aim to enhance English education. To be specific, in elementary school, activities that make use of English will become compulsory starting in the middle grades, and English will begin to be taught as a regular subject in the higher grades.

Alongside these reforms to what is taught and how it is taught there will come the second main change, which regards the university entrance-exam system. Here, the most

significant change will be the replacement of the National Center Test for University Admissions with the Common Test for University Admissions. In the tests for Japanese Language and for Mathematics, in addition to the traditional multiple-choice questions, there will also be essay questions to test applicants’ abilities to think and express themselves. It has also been decided that for English, private-sector proficiency tests will be used to evaluate the four skills of listening, reading, speaking, and writing. In addition, in order that applicants may be evaluated in a multifaceted and comprehensive way, consideration is being given to making wide use of applicants’ records up through high school, such as their learning outcomes and school assessments. These two kinds of changes are expected to have a major impact on learning up through the end of high school.

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) has chosen as the basis for the reforms the realization of a “curriculum open to society,” so the private sector is also predicted to play a larger role in education.

Important prerequisites to making the reforms succeed

The new Courses of Study aim to foster diverse talents and abilities without decreasing the amount of knowledge or skills to be acquired. Yet, class hours cannot be extended much, so there are concerns that achieving the reform goals may mean increasing the burden on children by means such as unreasonable cramming and added homework. What is more, teaching methods for the fostering of diverse talents and abilities, as well as measurement methods for evaluation, will need to be developed. In order to achieve the teaching goals of the educational and entrance-exam reforms, teachers too will need to make preparations, but some

observers have pointed out that teachers have very little time available for making such preparations.

To achieve the aims of the educational and entrance-exam reforms, improvements will need to be made in teaching and evaluation, and it goes without saying that teachers will play a major role in such improvements. Also important, however, is what families, communities, and private businesses join together to do in support of the reforms. Rather than schools having to do everything, what is needed is for society as a whole to take responsibility for enriching the learning environment for children.

Haruo Kimura

Principal Researcher,

Benesse Educational Research & Development Institute

Corporate Governance

A message from the chairman of the Board of Directors

Dynamic discussions by the Board of Directors can eventually lead to the growth of the entire Benesse Group



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 been an outside director at Benesse Holdings since 2014 and is currently the chairman of the Board of Directors.

Making the most of diverse perspectives and views in management

At Benesse Holdings, half of the members of the Board of Directors are outside directors. Given their broad range of expertise and professional backgrounds, these outside directors can offer insights and useful ideas for important management decisions and the supervision of business execution. That, of course, requires that they receive sufficient information about operations and the specific workplaces that develop and offer services. Such information is regularly provided to the Company's outside directors, so they have been fully prepared in meetings. I hope that we outside directors will be given even more opportunities to visit workplaces and meet with young managers who will lead the Benesse Group in the future so that we can gain an even better understanding of front office operations.

An important responsibility of the Board's chairman is to elicit proposals and views from a variety of perspectives in order to make discussions more dynamic. With a keen awareness of that role, I try to create an atmosphere in which every director can candidly offer ideas and opinions when leading meetings of the Board. All directors are also given an

opportunity to give their views in an evaluation conducted by the Company every year for the purpose of enhancing the Board's effectiveness.

Aiming to contribute to the well-being of many more customers in the future

I think the focus on well-being in the Benesse Group's corporate philosophy is commendable. Through its education and nursing care services, the Group has grown by contributing to the well-being of people of every age, from children, college students, and young adults through to the elderly. I believe the Group can grow even more in the future by diversifying its services beyond the bounds of its current business portfolio, which means broadening the age groups it targets and expanding the areas where it offers services.

I would also like the Group to create new value through innovation, making more use of big data analysis and digital technologies like artificial intelligence and the internet of things. In my role as an outside director, I am committed to helping raise the value of the entire Benesse Group through such endeavors.

Corporate governance

The Company appoints, on a continuous basis, 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, thereby guaranteeing that the supervisory function of the Board of Directors is maintained and improved, and that business is executed under the aegis of that supervisory function. The Company also conducts effective audits by means of standing Audit & Supervisory Board members who are knowledgeable about circumstances inside the Company, as well as outside Audit & Supervisory Board members who are attorneys or certified public accountants.

Board of Directors

Chaired by the director and chairman, the Board of Directors meets once a month, in principle, to make important management decisions and to supervise the business execution of the operating companies. Since 2003, the Company has been appointing multiple outside directors on a continuous basis. Currently, five of the Board's ten directors are outside directors (of whom four are independent outside directors), and an outside director is serving as Chairman of the Board.

By appointing multiple directors and multiple highly independent outside directors, the Company guarantees the Board's supervisory function and carries out business execution appropriately.

Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The majority of the Committee's members are outside directors. In the appointment and dismissal of director candidates 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 concerning 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 meetings of the Management Council are chaired by the president and attended by the vice chairman, executive vice president, directors in charge, heads of companies, vice heads of companies, those responsible for administrative divisions, and individuals designated by the president. The Council shares among its members important Group issues and information, and deliberates regarding matters that are important for the Group.

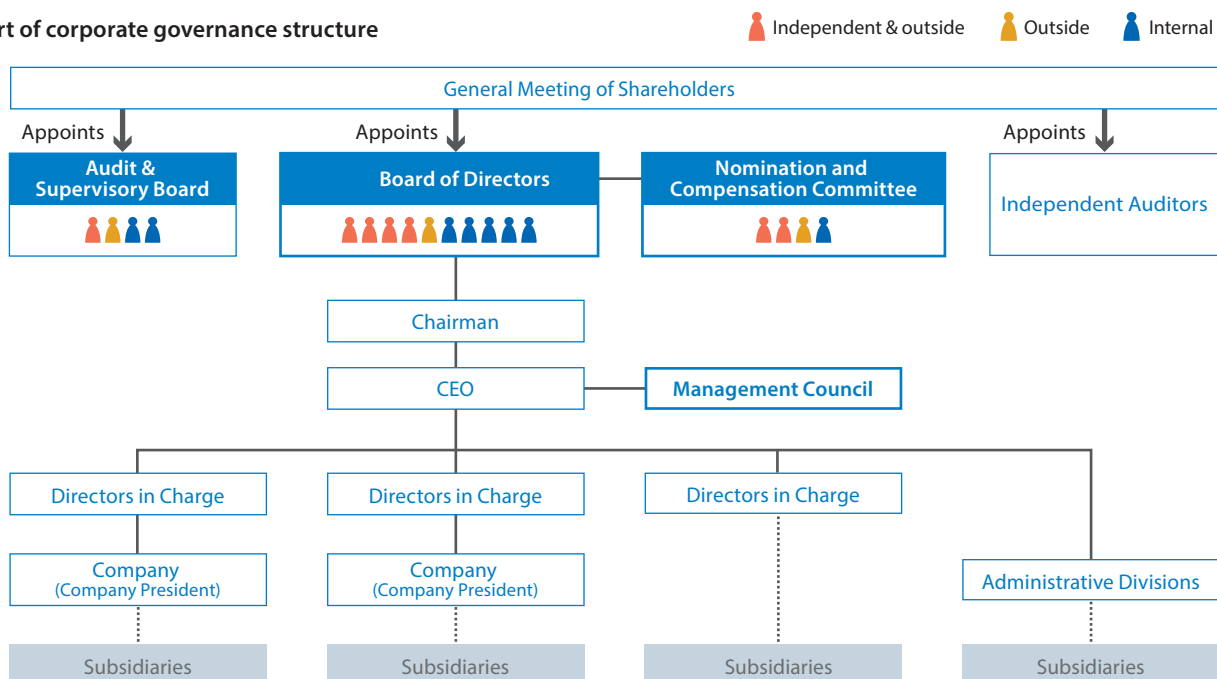
Audit & Supervisory Board

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

The Board meets once a month, in principle, and by attending important management meetings, such as meetings of the Board of Directors, the Nomination and Compensation Committee, and the Management Council, and by periodically exchanging opinions with senior management, the individual Board members share with management their awareness of key management issues. The Board also actively engages in activities such as receiving oral business reports from persons in charge and other persons at operating companies and investigating the business situation.

In addition to appointing dedicated auditing staff to enhance its audit system, the Company has also established the Benesse Group Audit Committee (with the addition of standing members of audit & supervisory boards at subsidiaries) in order to strengthen cooperation among the Group's audit systems.

Chart of corporate governance structure



Improving the effectiveness of the Board of Directors

In FY2015, the Company began carrying out an annual assessment of the Board of Directors. In FY2017, the Board administered a questionnaire to all directors and all 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.

Summary of results of analysis and assessment

In the following areas, the effectiveness of the Board as a whole has increased and corporate governance has become stronger.

Board composition

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.

Quality of Board discussions

By means of practices such as advance distribution of briefing-session documents and other materials, and the holding of officer study sessions, thorough support is given to outside directors and to members of the Audit & Supervisory Board. As a result, directors and Audit & Supervisory Board members are able to put their experience and expertise to work, rendering the discussions of the Board of Directors free, open, and constructive.

Toward a more effective Board of Directors

FY2017 Initiatives

Management discussions

- Having outside directors and members of the Audit & Supervisory Board take part in discussions that regard management strategy and major risks, e.g., at meeting sessions regarding the formulation of the medium-term management plan.

Information and training

- Holding more study sessions, both to help outside directors and members of the Audit & Supervisory Board understand the business situation and to encourage discussion on key management topics. (Sessions were held on 14 topics in FY2017)
- Holding advance briefing sessions in order to explain major agenda items to outside directors and members of the Audit & Supervisory Board and to have participants exchange information. (Sessions were held one week prior to meetings of the Board of Directors.)

Assessment of FY2017 Initiatives

- Assessment results on items that regard strategic discussion of management issues from a medium-term perspective improved greatly.
- The Board of Directors ascertains the Group's performance before conducting appropriate supervision of implementation planning and business execution carried out in accordance with management strategy and business strategy, and this confirms that the Board's effectiveness has improved.

Actions and issues for the future

- In cooperation with the Nomination and Compensation Committee, carrying out continuous review of the attainment of greater diversity in Board composition and training of successors.
- Opportunities will be provided for outside directors and members of the Audit & Supervisory Board to inspect the Group's products and services onsite, and interact with employees on a regular basis.
- Entering into continuous dialog with employees in the field; inspecting facilities, classrooms, etc., that provide products and services; and providing opportunities to experience operations directly.

Note: The questionnaire was administered from the end of March to mid-April, 2018.

Composition of the Board of Directors

The size of the Board is set at no more than 10 directors. Given that the Group is involved in a variety of businesses, in order to achieve sustained growth, the Board seeks to maintain a good balance among its directors, appointing directors with diverse types of expertise and experience. 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.

In addition, in order to guarantee correct supervision of management by the Board, the Board has at least half of its members be outside directors, and at least one third of its members be independent outside directors.

Appointment of outside directors and outside Audit & Supervisory Board members

The Company has appointed five outside directors and two outside members of the Audit & Supervisory Board.

Reasons why outside directors and outside 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 a wide experience, having served in roles such as management consultant at an international 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.
Nobuo Kuwayama	Mr. Kuwayama acquired a great deal of business experience and knowledge at a global trading company, especially regarding business in China, and in his role as an outside director he draws on this experience and knowledge to carry 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.
Audit & Supervisory Board members	
Eiichi Izumo	Mr. Izumo, formerly a partner at Deloitte Touche Tohmatsu LLC, brings to the auditing work of the Company the professional knowledge of a certified public accountant and the experience that he has acquired at many companies by way of auditing and consulting.
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.

Officer compensation that is closely tied to performance

The Company has a compensation structure for directors' compensation that emphasizes medium- and long-term performance in conjunction with short-term business results. Furthermore, the Company has adopted competitive compensation standards commensurate with directors' roles, abilities, and responsibilities.

Compensation for directors (except for outside directors) consists of basic compensation, bonuses, and restricted stock compensation. The amount of basic compensation is set based on expectations for the director's role in the given fiscal year. The level of basic compensation is reviewed once every term of office. Bonuses consist of performance-linked bonuses that are paid taking into

account the Company's business results for the fiscal year. A restricted stock compensation plan was introduced in FY2017 to better link directors' compensation to medium- to long-term performance and as an incentive for directors to continuously improve corporate value, as well as to further promote the sharing of value between shareholders and directors. The amount of restricted stock compensation is based on the directors' annual salary.

Compensation for outside directors consists of basic compensation only. Compensation for Audit & Supervisory Board members is decided upon through discussion among the Audit & Supervisory Board members, and consists of basic compensation only.

Total compensation by officer category (FY2017)

Officer Category		Directors (excluding outside directors)	Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	Outside Officers
Amount of Compensation (millions of yen)		268	62	81
Amount of Compensation by Type (millions of yen)	Basic Compensation	108	62	81
	Stock Options	17	—	—
	Bonuses	94	—	—
	Restricted Stock Compensation	47	—	—
Number of Eligible Officers		5	2	8

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

Directors and Audit & Supervisory Board members (As of July 2018)

■ Outside ■ Independent

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, Managing Director of Business Development Department at GE Capital 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: 17/17



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 NACHI-FUJIKOSHI CORP., and
Outside Director at Aerial Lab Industries Inc.
- Attendance at Board of Directors meetings: 17/17



Kenichi Fukuhara
Representative Director
and Vice Chairman

In 1976 joined Nomura Securities Co., Ltd. Went on to serve as a Director at Nomura Securities Co., Ltd., and the President of Nomura Research & Advisory Co., Ltd., and held other positions as well. After joining the Company in 2004, he occupied a number of key posts at the Company and its consolidated subsidiaries, such as President of Benesse Style Care Co., Ltd., and Chairman of the Board & CEO of Berlitz Corporation. Currently he serves as Representative Director and Vice Chairman of the Company and as Chairman of the Board of Berlitz Corporation.

- Other current key positions
Chairman of the Board of Berlitz Corporation and Vice Chairman of the Board of Fukutake Foundation
- Current responsibilities
Berlitz Corporation (deputy), Simul International, Inc., and Naoshima business
- Attendance at Board of Directors meetings: 17/17



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, Preschool Education – Global Company, and Kids & Family Division
- Attendance at Board of Directors meetings: 17/17



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: 17/17



Masaki Yamasaki
Director

Joined the Company in 1989. After having served as head of the Group's school 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: 12/12



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: 17/17



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: 16/17



Ryuji Yasuda
Director

In 1979 joined McKinsey & Company, 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: 17/17



Nobuo Kuwayama
Director

In 1971 joined ITOCHU Corporation. At that company, went on to serve as Executive Officer, as General Manager for China, as Managing Executive Officer, as Senior Managing Executive Officer, and in other roles. In 2013, became Chairman of the Board of Directors of DESCENTE Ltd. Since 2016, has been a Director of the Company.

- Attendance at Board of Directors meetings: 17/17

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: 17/17
- Attendance at Audit & Supervisory Board meetings: 16/16



Kimie Sakuragi
Standing Audit & Supervisory Board Member

Joined the Company in 1981. After serving as Section Chief of the Junior High School Correspondence Courses Division, Supervisor of Book Businesses in the Publishing Division, Manager of the Business Ethics and Compliance Office, and in other positions, in 2003 she became a Standing Member of the Audit & Supervisory Board, the position she currently serves in.

- Attendance at Board of Directors meetings: 17/17
- Attendance at Audit & Supervisory Board meetings: 16/16



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: 17/17
- 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 Member of Audit and Supervisory Board at Lasertec Corporation, and Outside Director at Miraca Holdings Inc.
- Attendance at Board of Directors meetings: 12/12
- Attendance at Audit & Supervisory Board meetings: 11/11

Enhancing internal control

At a meeting of the Company's Board of Directors held in May 2006, the Group passed a resolution establishing the basic policies of its internal-control system as well as the general principles stipulated by the Ordinance for Enforcement of the Companies Act as necessary for the organizing of systems to ensure that duties be performed properly. Said resolution received final revision in a resolution passed at a meeting of the Board held on March 30, 2018.

In addition, a project team was set up at the Company for the purpose of creating internal controls and other measures 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. For the purpose of ensuring that the operations of the Group be performed in an appropriate and ethical manner, the principles indicate how all the Group's executive officers and employees should behave.

In order that Group companies conduct their operations in accordance with the Principles, the individual companies establish

standards of conduct or internal rules of their own that have more specific content that is suited to their respective business conditions, business characteristics, size, work environment, etc. By means of these internal rules, Group companies make sure that their operations are carried out in an appropriate manner, thereby ensuring compliance.

In addition, the Group set up the Benesse Group Speak-Up Line and the Audit & Supervisory Board Member Hotline as internal reporting mechanisms to be used whenever illegal conduct, improper conduct, or conduct that violates the Group's articles of incorporation or internal rules may be discovered, and these mechanisms ensure the effectiveness of the Group's compliance monitoring.

Risk management

The Group has designated those responsible for administrative divisions to assist the directors in the lawful and appropriate performance of duties and supervision, thereby ascertaining and handling, from an expert perspective, the risks that the Group faces. In addition, the Group has also created, on the basis of management rules regarding risk management and compliance for the entire Group, a system for the prompt reporting of information to top management at times of crisis.

A message from an outside director

Strategically enhancing the highly unique capabilities of Benesse's human resources will be crucial



Ryuji Yasuda
Outside Director

Mr. Yasuda joined McKinsey & Company, Inc., 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.

Since I was appointed as an outside director, I have visited a number of workplaces involved in the Benesse Group's various businesses. My impression is that the Group is an organization of people who really do contribute to people's well-being, and are doing their best to put the corporate philosophy into practice. Whether in education or nursing care services, I could see clearly that many employees in direct contact with children, students, senior citizens and other customers were motivated by a strong desire to be helpful in some way, rather than just by work obligations or quotas. Indeed, that strong commitment among employees may be the Benesse Group's biggest competitive advantage. In my view, each employee who has such strong dedication is

helping promote the Benesse brand and drive the Group's growth. In fact, the extent that human resources capabilities are such a key to growth for the Benesse Group is very rare among other companies, and I have observed many in my career as a consultant and corporate strategy researcher at a university.

For a company to grow, obviously it must generate as much profit as possible from its future investments. Accordingly, as the operating environments of each of the Benesse Group's businesses change along with Japan's declining birthrate and aging population, it will be essential to establish and continue strengthening a business model that can ensure enough earnings power to accumulate capital needed for growth-oriented investments. Nevertheless, over the medium to long terms, the most important tasks for management now are to expand business in accordance with its mission of contributing to people's well-being, and strategically enhance the capabilities of the Group's human resources—its biggest competitive advantage. To do so, it is essential to foster an organizational culture that allows employees to pursue their own ideas, expand their networks, and apply imagination and creativity. I will draw from my professional background to offer advice and fresh ideas so that we can move together towards creating such an enterprising corporate culture.

Measures taken to prevent the recurrence of an information leak

Information Security Inspection Committee established and a system put in place to securely manage, maintain and administer databases

After a database containing customer information was leaked in 2014, the Benesse Group took several important measures to improve its information security. First, an executive was appointed at Benesse Corporation to take charge of personal data management. Second, an Information Security Inspection Committee comprised of outside experts was established in October 2014, and tasked with leading periodic inspections to improve security monitoring.

The maintenance and administration of Benesse Corporation's databases has been transferred from Synform Co., Ltd., to Benesse InfoShell Co., Ltd., which was jointly established by Benesse Holdings and LAC Co., Ltd. Furthermore, Benesse Holdings created group-wide standards and policies for personal information protection, and is helping each group company implement the policy and conduct related inspections.

The Benesse Group set up its Information Security Inspection Committee in 2014 as part of efforts to prevent the recurrence of an information leak in the future. Comprised of members from outside the Benesse organization, the committee periodically verifies how the Group's data and systems are being managed, maintained, and administered from an impartial perspective, and proposes improvements when deemed necessary. Its members are scholars and leading experts in the fields of information security and personal data management. The Information Security Inspection Committee generally meets once every fiscal quarter, and is responsible for making fair decisions from the standpoint of customers and for overseeing strict inspections. It reports on the results of inspections and

offers related suggestions to the president of Benesse Holdings, and is responsible for promptly formulating appropriate countermeasures if the inspections uncover any problems.

Members of the Information Security Inspection Committee (As of April 1, 2018)

Chairperson	Shigeo Tsuji Professor emeritus, Tokyo Institute of Technology Research fellow and administrative professor, Research and Development Initiative, Chuo University Chief director, Secure IoT Platform Consortium Advisor, Foundation for MultiMedia Communications Chief director, Secure Broadcasting Authorization and Research Center Professor emeritus and inaugural president, Institute of Information Security
	Atsuo Inomata Professor, School of Science and Technology for Future Life, Tokyo Denki University
Members	Tetsutaro Uehara Professor, College of Information Science and Engineering, Ritsumeikan University
	Harumichi Yuasa Professor, Information Security Department, Institute of Information Security

Organizational structure for information security inspections

