# 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



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) Page 33 Global Kodomo Challenge Page 37 Nursing Care and Childcare Page 39 Berlitz Page 41 Other/New Business Domains Page 43

### 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

- ${\color{blue} \bullet}$  Reinforce regional strategy by steadily increasing the number of nursing homes
- $\bullet \ Promote \ differentiation \ in \ service \ quality \ by \ further \ developing \ the \ Benesse \ Method$

### 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**



- 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**

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

### **Social Capital**

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• Support community development through Benesse Art Site Naoshima