

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 enrich 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.

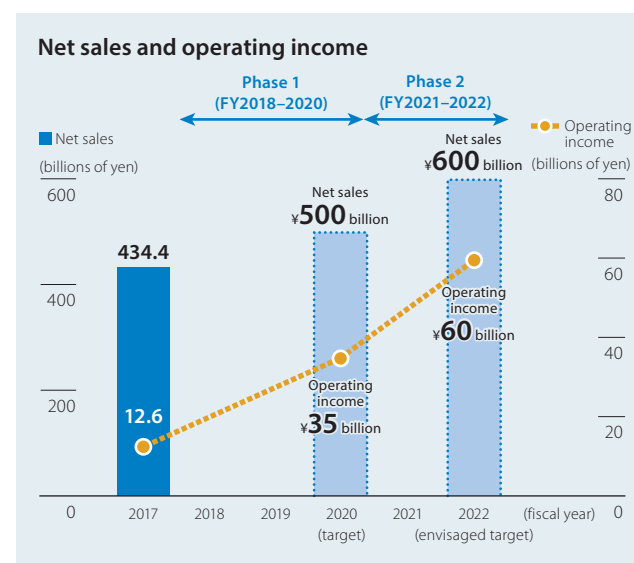
Through those efforts, the entire Benesse Group came together and focused on reviving its business. As a result, in fiscal 2017, net sales rose for the first time in four years, and both operating income and ordinary income increased for the first time in five years. By April 2018, the combined enrollees 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 steady 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.

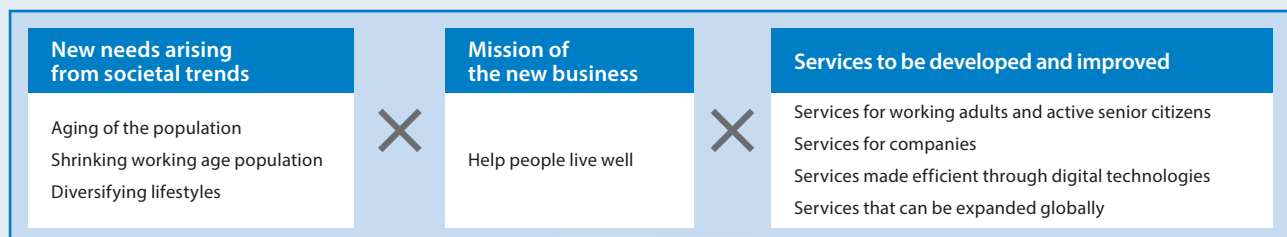
Meanwhile, we have already taken steps to bring Berlitz Corporation back to profitability. Under the strong leadership of a new CEO appointed from outside the Group in August

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.

