



Special Feature

Our strategies for creating value in the education business

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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

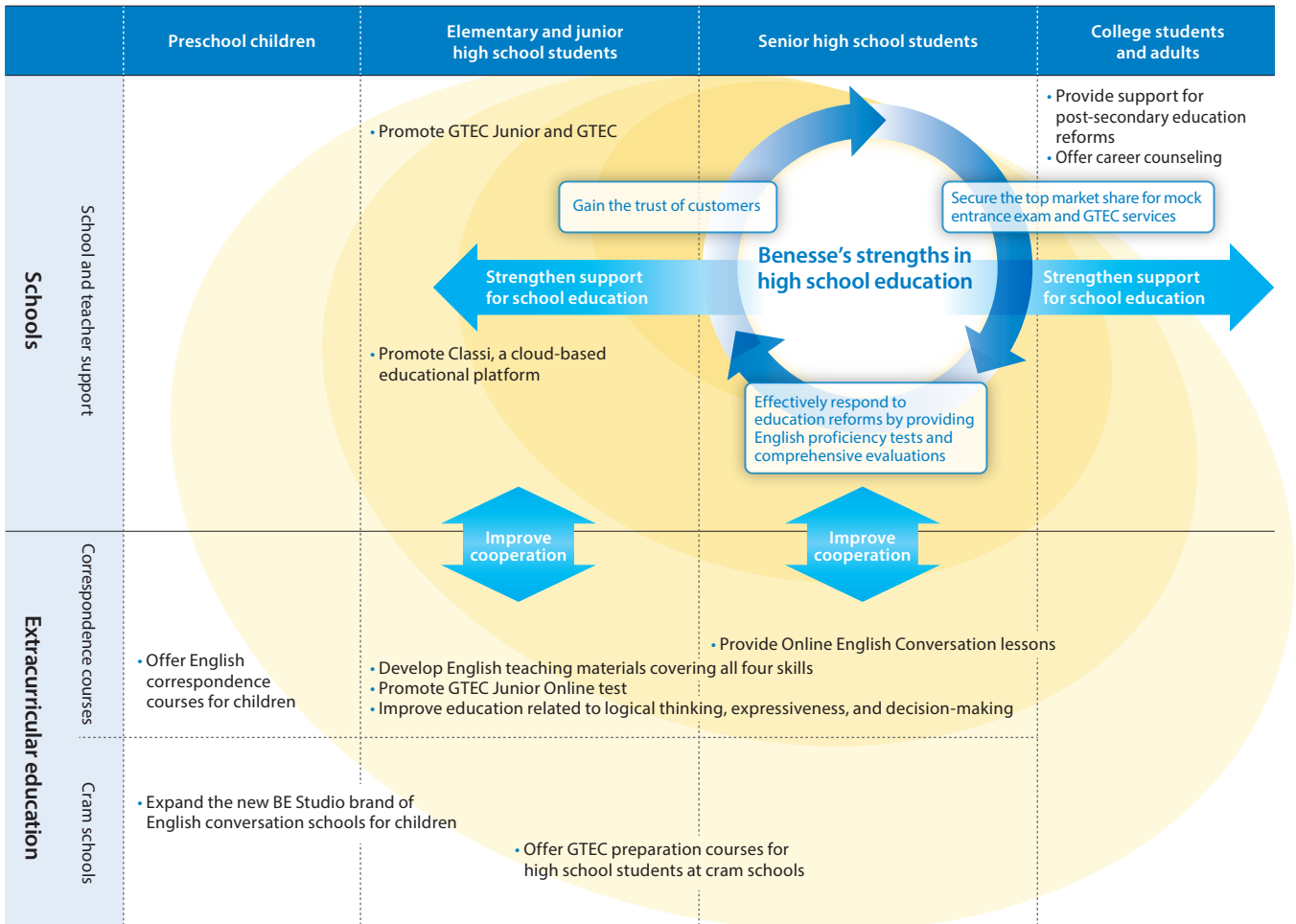
October 2017. Looking ahead, several of our businesses will work closely together to tailor the test and related services to the specific educational settings in which it is used.

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.