

# 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

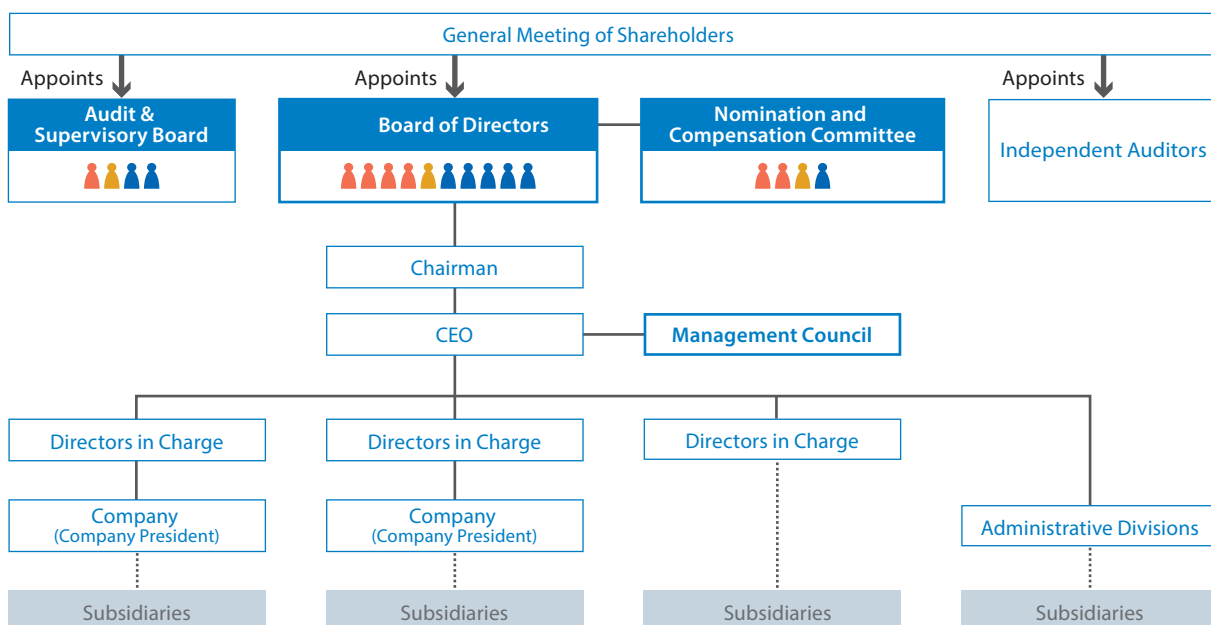
In accordance with the Code of Audit and Supervisory Board Member Auditing Standards, the auditing policy of the Audit & Supervisory Board is to assume responsibility for the establishment of a good corporate governance structure that measures up to the trust that society places in the Company, with 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

 Independent & outside  Outside  Internal



### 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	<b>Shigeo Tsuji</b> 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
	<b>Atsuo Inomata</b> Professor, School of Science and Technology for Future Life, Tokyo Denki University
Members	<b>Tetsutaro Uehara</b> Professor, College of Information Science and Engineering, Ritsumeikan University
	<b>Harumichi Yuasa</b> Professor, Information Security Department, Institute of Information Security

#### Organizational structure for information security inspections

