



Staying involved in people's aspirations



Part 2 How We Create Value

At the heart of the Benesse Group's business activities and philosophy is a desire to assist and inspire people over their entire lifetimes, whether they are children, young people, parents, or senior citizens, so that each person lives a more fulfilling life. The Group has devised strategies for creating value in each of its business domains, which, spanning from childcare to nursing care, provide services to people over their whole lives. All members of the Group are confident that the value it continues to create will help customers realize their dreams and aspirations.

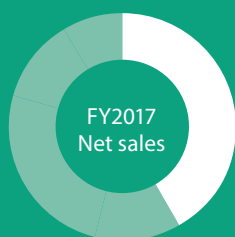
Goals and strategies for each business



	Strategy	Sales growth target (CAGR, 2020)
Domestic Education (Japan) Page 33	Grow by capitalizing on reforms of education and college admission systems	7%
Global Kodomo Challenge Page 37	Expand the Kodomo Challenge brand of courses	10%
Nursing Care and Childcare Page 39	Entrench the Group's leading position in the market by continuing to offer high-quality services	3%
Berlitz Page 41	Restructure operations under the direction of the new CEO	2%
Other/New Business Domains Page 43	Create new businesses through mergers and acquisitions	—

Domestic Education (Japan)

In the Domestic Education business—the Group's main business, accounting for more than 40% of consolidated sales—we aim to use the educational and entrance-exam reforms as an opportunity for further growth.



41.9%
¥182.0 billion



Shinkenzemi Business

Shinkenzemi correspondence courses for students from elementary school through high school (ages 6–18)



Shinkenzemi Elementary School Courses

School & Teacher Support Business

Educational support for schools, including the Shinken Simulated Exams (mock university-entrance exams) and the GTEC proficiency tests covers the four English skills



GTEC Speaking Test

Area and Classroom Education Business

Operation of cram schools and prep schools
Operation of English language classes for children



A Tetsuryokukai class

Results and Forecasts

FY2017 Results

Net sales	¥182.0 billion
Operating income	¥9.0 billion

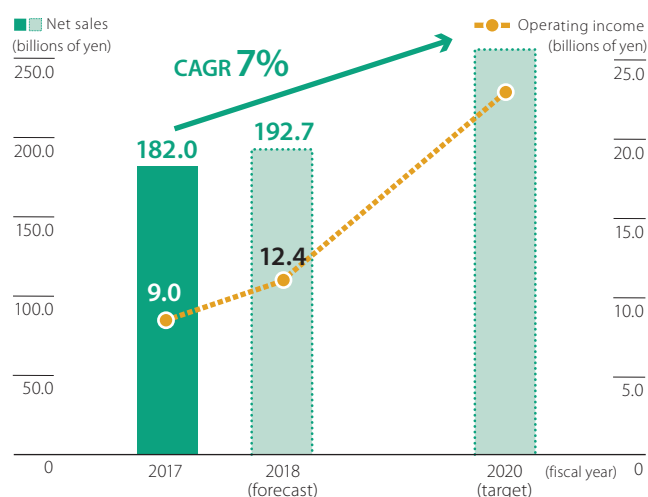
FY2020 Targets

Net sales CAGR 7%

- 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

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Shinkenzemi Business—Policies and Strategies Going Forward

Reaching our target of 3 million enrollees in FY2020

In the Zemi Business Company, we are pushing ahead with growth strategies that involve leveraging the educational and entrance-exam reforms as our most significant business opportunity, and working to make the most of the comprehensive strengths of Benesse. Numerically, our target is to have the combined enrollment of the Shinkenzemi and Kodomo Challenge correspondence courses be 3 million in April 2020. Maintaining a balance between boosting enrollment, on the one hand, and improving profitability through additional reform of our cost structure, on the other hand, we are aiming for greatly improved profitability in FY2020. This will be a challenging target to reach, but we aim to reach the target by accurately meeting the new customer needs that will emerge amid the various changes involved in the reforms, and by creating new value in advance of the competition.

Michiaki Yamamoto

Corporate Executive Vice President,
President of Zemi Business Company



Boosting enrollment in Shinkenzemi

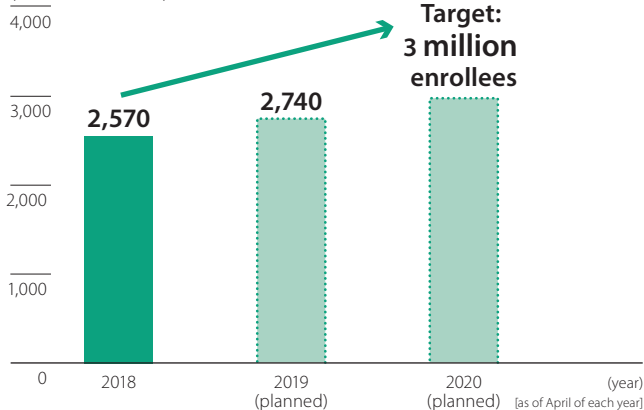
Achieving recovery in the number of correspondence-course enrollees is a major issue for Benesse. At Shinkenzemi, our highest priority is to increase customer satisfaction, so we believe that we will succeed in maintaining a high retention rate, which is a measure of customers' trust and support.

The products for FY2017 were all redesigned exclusively from the customer's perspective. In particular, a major reason for the recovery in enrollment was the change we made in our tablet strategy. Specifically, we carried out a radical overhaul of our teaching materials, moving to hybrid teaching materials that combine conventional, paper teaching resources with devices like dedicated tablet devices and smartphones.

In developing teaching materials, we strive for ease of understanding and ease of use, so that children will not get confused, and we incorporate at every turn features that will motivate the children and features that will get them to continue. As a result, retention rates for the April 2018 edition were up, year on year, for every school grade from 1st grade in elementary school through the 3rd year of senior high school.

Plans for reaching 3 million enrollees*

(enrollees in thousands)



Accelerating our preparations for the educational and entrance-exam reforms

In the university entrance exam that will begin to be implemented in FY2020, there will be tests to measure proficiency in the four skills of listening, reading, speaking, and writing in English. The first students to take the new entrance exam will be those who are currently freshmen in senior high school. To assist these



An online English conversation—taught by a foreign instructor—that is available in the senior high school courses

current freshmen, in April 2018 we began supporting the requirements of the CEFR^{*1} in our senior high school courses by offering, at no additional charge, online speaking by foreign instructors as part of our new curriculum.

In addition, in FY2020 programming education is scheduled to become compulsory at elementary schools. In response, in FY2018 we have begun providing teaching material for programming-related education in our elementary school courses. This teaching material, which is easy to understand even for children who have no previous exposure to programming, is capable of firmly establishing the thinking cycle found in a programming-like way of reasoning^{*2}.

In addition to developing our products and services in this way so as to increase customer satisfaction and keep retention rates high, we are also increasing the number of new enrollees by developing our direct marketing. In particular, we are establishing a stable enrollment-growth structure by focusing on increasing the numbers of enrollees in the first year of each of the courses.

Going forward, we will be fusing the strengths that Shinkenzemi has cultivated with the resources of other Benesse business companies or Group companies, and using these comprehensive strengths to provide new products and services that support development of the skills and abilities called for by the educational and entrance-exam reforms, with the aim of acquiring the trust of an even greater number of customers.

*1 A European standard for the measurement of ability to use a foreign language.

*2 When one intends to bring about a series of activities, the ability to reason logically about questions such as what sorts of actions need to be combined, how the symbols corresponding to the individual actions should be combined, and how the combination of symbols can be improved upon in order to come closer to bringing about the activities that one intends. (Ministry of Education, Culture, Sports, Science and Technology)

Domestic Education (Japan)

School & Teacher Support Business—Policies and Strategies Going Forward

Achieving growth by moving quickly to prepare for the educational and entrance-exam reforms

In order for Benesse to prepare for the major change represented by the educational and entrance-exam reforms, the School & Teacher Support Business Company, which is the business company most closely tied to the classroom environment, will have to take the initiative in changing. In that sense, the adoption of the GTEC as one of the private-sector proficiency tests for the four skills in English on the uniform test for university admissions constitutes a very significant turning point. Sales, Planning, Product Creation, and other departments at the Business Company are working together to listen to customers' views, hone our products and services, and provide learning in new forms (and with new content).

Masaki Yamasaki

Director and Corporate Executive Vice President,
President of School and Teacher Support Business Company



Solidifying our predominance in high school and English education

The GTEC has been adopted as one of the private-sector proficiency tests—for the four skills in English—that will be used on the uniform test for university admissions to be implemented beginning in FY2020. The GTEC, which in FY2017 was adopted by 1,850 senior high schools and combined junior-and-senior high schools throughout Japan, and which is taken by more than 1.02 million students per year, is a score-based proficiency test of the four English skills. We have been refining and improving the test since it was first developed, over 20 years ago. Since the very beginning, our focus has been on practical English.

The concept behind the GTEC meshes with the orientation of the reforms of English teaching, an orientation that focuses on the increase in globalization that is taking place in society.

The adoption of the GTEC imparts great predominance to the expansion of Benesse's business operations. By placing at the center of one's learning the GTEC, a test that envisions putting to actual use the English learned in class, it becomes possible for a student to learn English in a substantive manner without any distinction between day-to-day English learning via textbooks and English learning in preparation for the uniform test for university

admissions or for external proficiency tests. We will continue to shoulder our extremely important responsibility for one part of the university entrance exam while also helping children to learn English that they can use.

Benesse at schools

Benesse signs agreement with Tama City in Tokyo to assist in enhancing English education

In November 2017, Benesse and Tama City signed a Comprehensive Collaboration Agreement for the Promotion of Community Development. To kick off the collaboration, classes using Benesse's Online English Conversation have begun being taught at all of the City's municipal junior high schools. By providing one-on-one English conversation classes with foreign instructors via the Internet, we help improve the language skills of students and also contribute to improving the teaching skills of teachers.

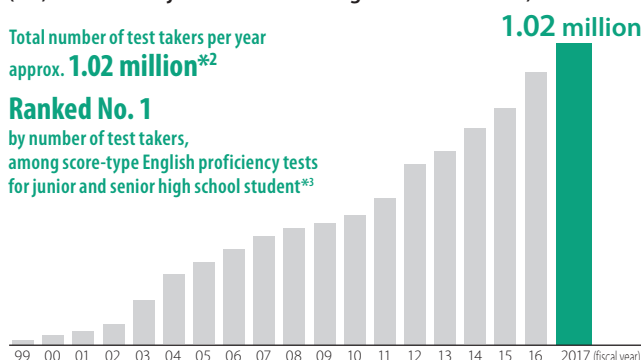


The signing ceremony with Tama City
Left: Hiroyuki Abe, Mayor of Tama
Right: Hitoshi Kobayashi, Representative
Director and President, Benesse Corporation

Number of students taking the GTEC (i.e., the tests for junior and senior high school students)*1

Total number of test takers per year
approx. 1.02 million*2

Ranked No. 1
by number of test takers,
among score-type English proficiency tests
for junior and senior high school student*3



*1 In the case of a proficiency test with stand-alone score (including students who were tested on only three skills)

*2 Number of people who took the GTEC tests (including those who were tested on only three skills) for junior or senior high school students in FY2017

*3 Result in FY2017; sample limited to proficiency exams that in FY2017 satisfied the requirements for participation in the system for the providing of English grades for university entrance exams.

Providing Classi to meet the teaching needs of schools

Classi Corp., a company established by Benesse Holdings and Softbank Corp., has since 2014 been offering Classi, a learning-support platform service for schools. Nationwide, in FY2017 the number of schools (junior and senior high schools) using the service was approximately 2,100, and the number of paid enrollees was approximately 830,000.

Classi, which provides ICT support in adapting to the changing environment that schools find themselves in, is an educational platform for an increasingly digital age. It is quick to provide the features that the era is asking for, such as portfolio functions that let learning records be stored and reviewed for use in

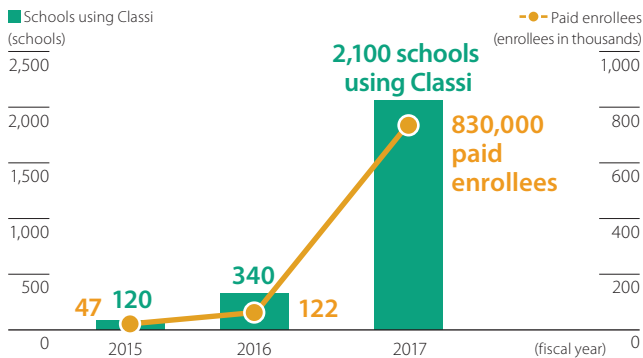


St. Catalina Gakuen High School is using
ICT for the purpose of training students to
have the strong academic abilities needed
in the 21st century

the multifaceted and comprehensive evaluation that will be implemented with the educational and entrance-exam reforms.

Benesse looks on Classi as the nexus between the schools, where all education starts, and the Company's various services. Going forward, we will be boosting the value of Classi dramatically and increasing customer satisfaction by augmenting the sense of speed in our other teaching materials and services and linking them to Classi.

Trends in the number of schools using Classi and the number of paid enrollees



Note: Figures are out of a total of approximately 3.2 million senior high school students and 5,000 senior high schools in Japan

Benesse at schools

Benesse teams up with Meisei Junior and Senior High School to hold ICT Education Seminar

In March 2018, Classi Corp. and Meisei Junior and Senior High School jointly put on a seminar entitled ICT Education Seminar. At the seminar, reports were given on actual examples of the use of Classi's portfolio functions in teaching and on initiatives in ICT education, and presentations were made on the topic of ICT in education from the student's point of view.



The seminar was attended by a large number of educators from all over the country

Area and Classroom Education Business—Policies and Strategies Going Forward

Growing in the region and contributing to education in the region

As customers' needs and learning styles become more and more diverse, the Area and Classroom Education Business is providing a diverse assortment of products and services, such as cram schools, English schools for children, and English teaching materials for preschoolers, elementary schoolers, and junior high schoolers. The goals of the business are to use these products and services in order to create a model for continued growth on the part of Benesse and contribute to improving the ability of the region to educate. Going forward, we aim to achieve additional growth by building on the strengths of the different categories of content and sharing our knowledge of marketing and other areas.

Kenji Yamakawa

Corporate Executive Vice President,
President of Area and Classroom Education Business Company



Expanding BE Studio, where students learn English skills that they can use

As globalization progresses, acquiring the ability to use English is becoming more and more important. In response to increasing demand for English education on the part of parents and the need for English learning to start younger, Benesse Corporation in April 2018 inaugurated a new brand, BE Studio Benesse English Schools.

The BE Studio schools were formed by uniting Benesse Children's English Classes and Minerva English Conversation for Children, and the aim is to provide services that make the most of the strengths of each of the chains. The schools will be offering services to fit customers' needs, such as courses taught by Japanese-national instructors in open, homelike classrooms and courses taught by native-speaker instructors at classrooms located in shopping centers.

Expanding the cram-school operations and Class Benesse

The cram schools run by individual Group companies have their own particular strengths. For example, *Tetsuryokukai* receives overwhelming support from students hoping to get into the University of Tokyo or into medical schools, while Tokyo Individualized Educational Institute every year receives high marks in private-sector rankings of customer satisfaction, and UP has strong roots in the Kansai region. To maintain their good reputations, the schools strive to further improve on the value that they offer.

In addition, we have inaugurated Class Benesse, individual-guidance schools using Shinkenzenmi that are based on a philosophy of training children to learn on their own. We aim to expand Class Benesse by means such as franchising.

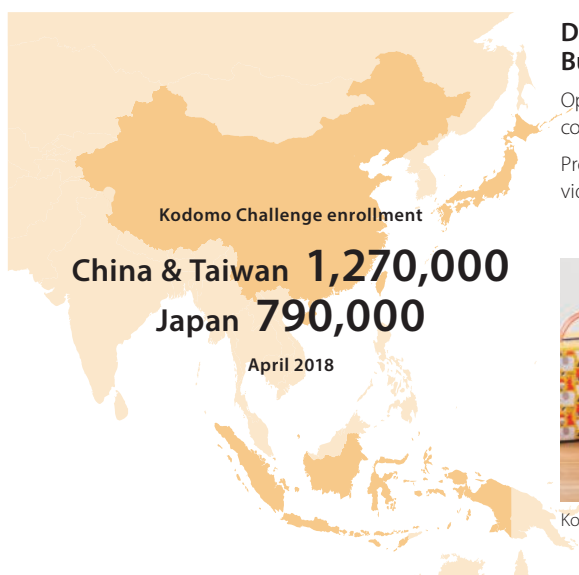
In the future, we will continue to draw on our strength of having a real, physical presence in the region so as to help even more children to grow.

Global Kodomo Challenge

Keeping our focus on Kodomo Challenge, a correspondence course for preschoolers that draws on the expertise of Benesse, we are pushing ahead with expanding this competitive brand globally.



12.0%
¥52.2 billion



Domestic Preschool Education Business (Japan)

Operation of Kodomo Challenge, a series of correspondence courses for preschoolers
Providing of concerts, movies and digital videos for enrollees



Kodomo Challenge

Overseas Preschool Education Business

Operation of correspondence courses, primarily for preschoolers in China, Taiwan, and Indonesia

Providing of concerts, movies and digital videos for enrollees



Preschool courses in China

Results and Forecasts

FY2017 Results

Net sales	¥52.2 billion
Operating income	¥2.3 billion

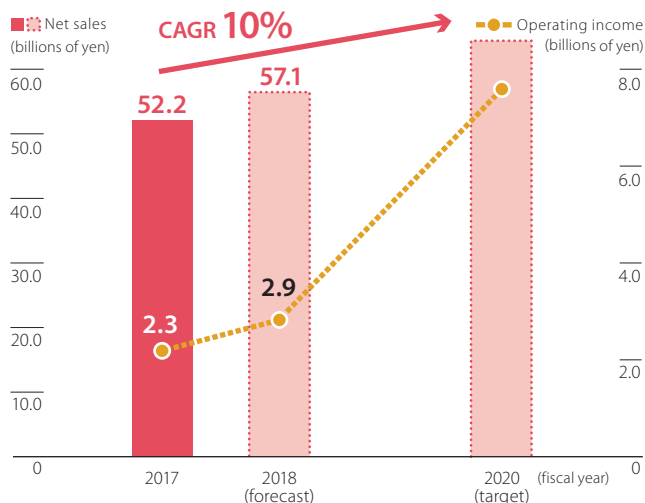
FY2020 Targets

Net sales CAGR 10%

- 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

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Policies and Strategies Going Forward

Uniting the Japanese market and overseas markets, and boosting competitiveness

The Global Kodomo Challenge Business Company was set up in April 2018 for the purpose of making Kodomo Challenge, a series of correspondence courses for preschoolers that was celebrating its 30th anniversary, grow into a more globally competitive business. Regardless of the country or region, our aim is always for Kodomo Challenge to be a product that children will enjoy, will become absorbed in, and will work on by themselves in accordance with their age and state of development. We aim to adapt the product to different cultures and values by means of painstaking localization, and make Kodomo Challenge into a business that broadens children's possibilities.

Haruna Okada

Corporate Executive Vice President,
President of Global Kodomo Challenge Company



Expanding business overseas with global standard teaching materials

As of April 2018, domestic enrollment in Kodomo Challenge stood at approximately 790,000, representing an increase of 50,000 enrollees over one year earlier. This V-shaped recovery in enrollment was due to our expanding the points of contact with customers—such as by enhancing Shimajiyo Concerts, movie screenings, and digital videos—and to our focusing on expanding the product lineup (e.g., starting up the new Thinking Skills Specialized Course).

To achieve additional growth, going forward we will be accelerating our expansion overseas, and our basic strategies for this will be to develop products by means of global standard (GS) teaching materials and to strengthen the brand using Shimajiyo World.

In July 2018, we began offering Kodomo Challenge in Indonesia. For teaching materials, we took GS materials and partially localized them to fit local culture and values, our aim being to reduce development costs without sacrificing quality. One year prior to offering the courses in Indonesia, we began broadcasting Shimajiyo Anime on television there. We are successfully increasing recognition of Shimajiyo World both quickly and efficiently. Sales are carried out in collaboration with a partner in Indonesia.

From here on out, we will use these methods in countries and regions where there is a high probability of business success—primarily in Asia—in order to accelerate the overseas expansion of the Kodomo Challenge business.

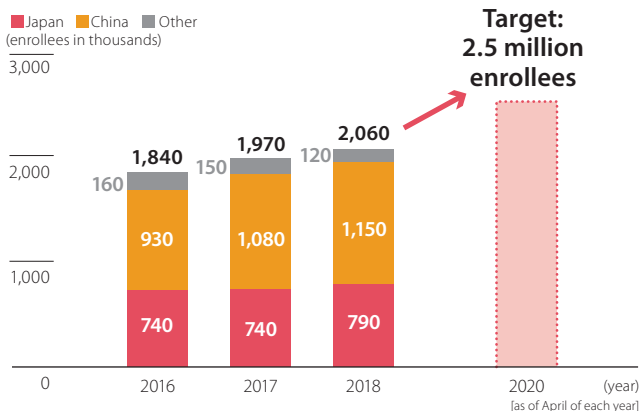
Aiming to reach 1.5 million enrollees in China

In China, as of April 2018 there were 1.15 million children taking Kodomo Challenge. We have set ourselves the target of increasing this to 1.5 million by FY2020.

Since entering the Chinese market 12 years ago, we have enjoyed steady growth. However, in recent years the rate of growth has slowed somewhat. The main reason for this is that rapid changes in Chinese society have given rise to a mismatch between what customers want and the products that Benesse offers. Shimajiyo (marketed in China as Qiaohu) is enjoying increasing recognition, and the brand is coming to be seen as one that accompanies children as they grow and helps them acquire living habits. Nevertheless, in the midst of the sweeping changes that Chinese society is undergoing, the brand needs to offer the additional value of being an educational brand that broadens children's future possibilities.

Global Kodomo Challenge Business Company is therefore radically overhauling its products one by one, starting with those for the youngest children. The age-in-months-line course for children aged between 1 and 2 years (i.e., for children aged 13–24 months), whose overhaul was completed in March 2018, has had excellent results, including a large year-on-year increase in enrollment. Going forward, we will be carrying on with these efforts so as to reach our target of 1.5 million enrollees.

April enrollment in Kodomo Challenge

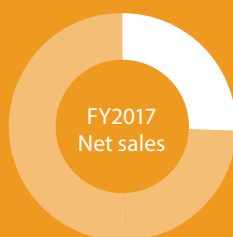


China business expansion model



Nursing Care and Childcare

The Nursing Care and Childcare business constitutes the number-two pillar of the Benesse Group. We are focusing on improving quality and reinforcing our strategy of regional dominance.



25.7%
¥111.8 billion



Nursing Home and Home Help Services Business

Operation of private-pay nursing homes and of elderly homes

Providing of home help services and daytime nursing care services



Nursing care service

アリア グラニー&グランダ
くら まどか
ボンセジュール ここち
リレ

Our seven series of nursing homes and houses for the elderly

Food Delivery Services and Nursing Care Food Business

Door-to-door food delivery services for the elderly

Development and providing of nursing care food



Food delivery service

Daycare and Afterschool Care Business

Operation of daycare centers and afterschool childcare centers, mainly in the Tokyo metropolitan area



Childcare service

Results and Forecasts

FY2017 Results

Net sales ¥111.8 billion
Operating income ¥8.8 billion

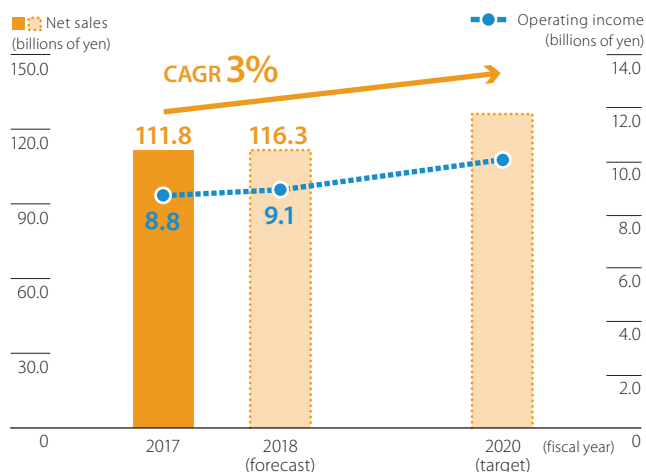
FY2020 Targets

Net sales CAGR 3%

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

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Policies and Strategies Going Forward

Differentiating by taking a scientific approach to nursing care and childcare

For the year ended March 2018, Benesse Style Care's homes achieved a high occupancy rate of 95%, indicating that the business as a whole is solid. Each of the homes uses the Benesse Method—a compilation of practical knowledge gained at our homes—to provide high-quality service, and residents are pleased with the service received. As a result, staff members feel their work to be worthwhile, and this in turn helps increase the occupancy rate. We aim to push ahead with this virtuous cycle so as to achieve steady growth.

Shinya Takiyama

Director and Corporate Executive Vice President,
President of Nursing Care and Childcare Business Company



Reinforcing regional strategy by increasing the number of nursing homes

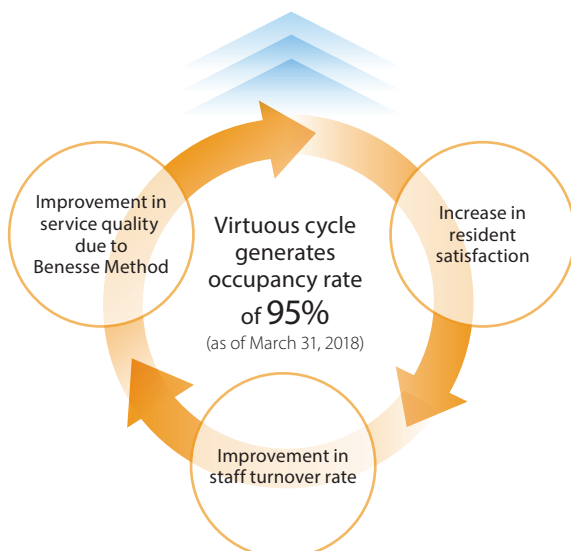
Although the change from an aging society to a super-aging one is making competition in the industry more intense, Benesse's nursing care business has an excellent reputation because it offers the highest quality of service in the industry. To improve the quality of service even more, the medium-term management plan lays out a strategic policy of using the Benesse Method to differentiate Benesse's services. While working to improve quality even further using the Benesse Method, which verbalizes and systematizes the practical knowledge Benesse has gained at its nursing homes, we are also expanding our personnel structure by continuously hiring and training staff.

Even after FY2018, we plan to continue opening roughly 10 new nursing homes per year, primarily in major urban areas.

Strategic policy of the nursing care business

Steadily increase the number of nursing homes

- Open approx. 10 new homes per year
- Strengthen position in high-end nursing homes



Differentiating in service quality by further developing the Benesse Method

The Benesse Method uses a scientific approach to verbalize and systematize a large number of successful examples from Benesse's nursing homes. It is a crystallization of wisdom and expertise that are grounded in 20 years of practice, and it contributes greatly to improving the quality of our service.

For example, the Dementia Care Method, which was enhanced in 2016, came into being when best practices from Benesse nursing homes nationwide that engage in self-reliance support and the encouraging of spontaneous efforts were analyzed, and 29 patterns for increasing the probability of success in dementia care were extracted and systematized. In addition, in pattern language we summarized in 65 patterns a variety of object- and space-related tips for making a home for the elderly a pleasant place; this book was awarded the 2017 Good Design Award, and since February 2018 we have made it available for free on our website. What is more, in FY2018 we plan to complete a pattern language for use in childcare. We have also developed, and put into complete operation in all our nursing homes, Service Navigation System, which records details of daily nursing care and nursing actions in digital format and uses a variety of functions to keep each member of a home's staff aware of what is going on.

The Benesse Method

Dementia Care Method

Expertise acquired in self-reliance support and the encouraging of spontaneous efforts is verbalized in the Dementia Care Method



Pattern Language

Organizes into 65 patterns various tips for how to create an environment where people can be themselves



Service Navigation System

Systematizes nursing-care records and nursing records, and shares the expertise of skilled employees with the entire staff

Berlitz

The core of our operations is Berlitz, one of the largest language-education companies in the world. Under a new CEO, we are moving ahead with radical reforms.



11.8%
¥51.3 billion



In 2018, Berlitz celebrated 140 years in business.



Language Instruction Business

Helping everyone from children through working adults to learn languages



A Berlitz lesson

ELS (Overseas Study Support) Business

Helping people who want to study abroad—in the US and elsewhere—to develop their language skills



An ELS lesson

Results and Forecasts

FY2017 Results

Net sales	¥51.3 billion
Operating loss	¥3.9 billion

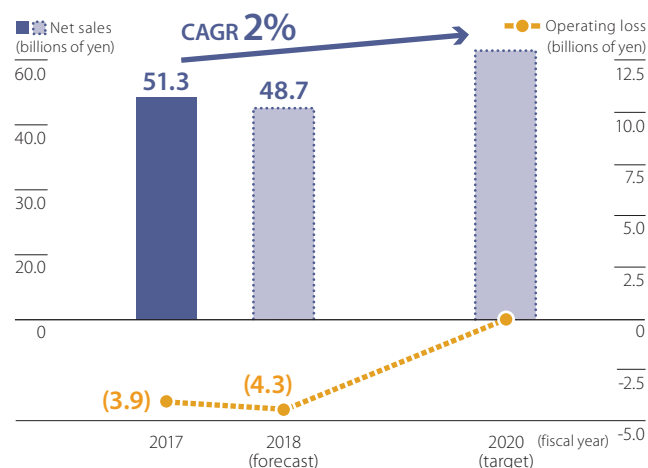
FY2020 Targets

Net sales CAGR 2%

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

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Loss



Policies and Strategies Going Forward

Under a new management team, we will revitalize Berlitz, a company with a 140 year history

Berlitz, which pioneered the industry-leading Berlitz Method* and has continuously maintained a strong brand, in 2018 celebrated 140 years in business. Berlitz's profits are currently low as a result of delays in undertaking reforms due to management issues, but I believe that every "issue" that can be improved through effort represents an "opportunity." In order to radically rebuild the business, I have brought together a number of individuals with expertise in revitalizing businesses and formed them into a new management team. Drawing on my own knowledge and experience in the education industry and on other resources, we have formulated a revitalization plan that centers on reforming the cost structure and transforming products and business processes, and we are implementing measures such as thoroughgoing cost reduction, product innovation that uses both face-to-face teaching and technology on a concurrent basis, and transformation of business processes through the use of IT. With these measures, we aim to return to profitability in FY2020 and contribute to the Group's profitability in FY2022.

* A proprietary method, used around the world for 140 years, in which learners do not use their native language at all, but only the language they are studying; the method enables the learners to understand things spoken in that language without any translation, and to respond in that language.

Curtis Uehlein

CEO, Berlitz Corporation

Served as CEO or COO at an IT consulting firm and at several companies in the field of education, including language companies that compete with Berlitz. With 20 years of experience in the education industry, he was named CEO of Berlitz Corporation in August 2017.



Transforming products and business processes in order to rebuild profit and reform cost structure

The reform of the cost structure aims to reduce fixed costs through downsizing, primarily at the US headquarters and at ELS centers. As a result of these efforts, costs in FY2018 have been cut by US\$6.7 million compared to a year earlier, and US\$13 million in cuts are planned from FY2019 onward.

To transform products and business processes, we have inaugurated "Berlitz 2.0." We are developing and launching new products that make use of both face-to-face teaching and technology, and are using an IT system to improve our business processes.

Specific structural-reform measures

Reforming the cost structure

Cutting costs drastically through downsizing

- Reducing staffing by roughly 520, mainly at US headquarters, and scaling back ELS centers
- Positive effects of the downsizing on profit (compared to FY2017)*
 - FY2018: US\$6.7 million
 - FY2019 onward: approx. US\$13 million
- Restructuring costs*
 - FY2018: US\$14.1 million
 - FY2019: US\$7.4 million

Significant reduction in fixed costs

Transforming products and business processes

Inauguration of Berlitz 2.0 project, which aims to develop and launch new products and to improve business processes

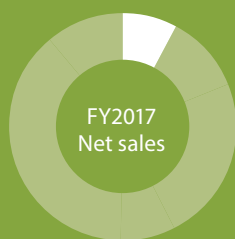
- Berlitz 2.0 project
 - Reforming products to have them use both face-to-face teaching and technology
 - Transforming business processes through the use of a new IT system
- Using digital marketing to boost sales
- Rebuilding the franchise strategy and putting it into operation
- Launching new ELS products (pathway programs)

Significantly increased product appeal and improved marginal profit ratio

* Calculated in accordance with US accounting standards

Other/New Business Domains

We aim to conduct a variety of businesses that help make lives richer, and to establish new areas of business by means of M&As.



8.5%
¥37.1 billion



Business Related to Pregnancy, Childbirth, and Child-Rearing

Utilizing feedback from women who are pregnant or raising children, we provide information and products that are helpful to such women in their day-to-day lives.



Tamago Club

Hiyoko Club

Lifestyle-Related Business

We support day-to-day living by providing lifestyle information and forums for communicating with customers.



THANK YOU! website

THANK YOU!

Pet-Related Business

Benesse offers magazines, websites, and more to make life with pets more enriching.



DOG'S HEART

CAT'S HEART

Policies and Strategies Going Forward

Using M&As to create a third business pillar

During the five years of the medium-term management plan, to ensure recovery in performance and enable the Benesse Group to grow sustainably into the future, we intend to create a "third pillar" of business—following on our education business and our nursing care business—by means of mergers and acquisitions. We are giving consideration to going into new lines of business in health, lifestyle, and other areas, where there would be high affinity with our existing businesses, and the main target of these new lines of business would be working adults and healthy seniors.

The companies that we are looking for as potential M&A targets would have operating margins of 10% or more—as a rough guide—before amortization of goodwill, and the amount that we currently foresee investing would be ¥50–100 billion.

The sort of "third pillar" we are aiming for

Aiming to create new lines of business that would constitute at least 10% of both the Company's net sales and its operating income in the Company's FY2022 business portfolio.

Consideration criteria

Area criteria	High priority given to consideration of companies in the areas of health and lifestyles
Investment criterion	Operating margin, before amortization of goodwill, of 10% or more (as a rough guide)
Investment amount	¥50–100+ billion foreseen (Options such as joint investment with other companies are also under consideration)

Feedback from a Securities Analyst

An evaluation of the Benesse Group and expectations going forward

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Hidekatsu Watanabe joined Nomura Research Institute, Ltd., after graduating from Keio University's Faculty of Economics in 1990. He was transferred to Nomura Securities Co., Ltd., in 1998, and worked in the financial research section of its corporate research division. He then joined IBJ Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.) in 2000, and was assigned to cover the healthcare and service sectors. Mr. Watanabe is currently regarded as a top securities analyst in Japan, having been voted the number-one overall analyst for three consecutive years from 2015 to 2017 in a ranking of securities analyst published by Nikkei Inc.



Valuable solutions needed for educational issues in Japan

Educational reforms are now underway in Japan, and a new university entrance exam system will take effect from 2020. In light of these major changes, I am most concerned about what kind of innovative ideas and strategies the Benesse Group will devise in response, and whether it can successfully monetize them through competitive services.

I believe education is at the root of some serious problems confronting Japanese society today, but practical solutions have yet to be put forward. Against that backdrop, the Benesse Group has been highly involved in educating children and teenage students for many years. In terms of fulfilling its role in this regard, the Group has consistently met my expectations for the past 20 years or so. Assuming it continues to generate revenues, the Group's education business will need to evolve so that its services become even more relevant for society and the entire country over the next two or three decades. For example, the English language ability of Japanese people is low compared with other Asian countries, and perhaps that is because we are not very good at thinking logically, which is essential. This is a big issue for education in Japan, including education in the home, so I hope the Group will find new and valuable ways to help solve it.

Proper levels of earnings and growth maintained in the nursing care business

Nursing care is one of the Benesse Group's main businesses, and I think it deserves top marks overall. Any given business has an optimal pace of growth, and I think the right pace is being maintained in this case. If the nursing care business was pressured to grow at an unreasonably fast pace for the sake of short-term profits, the quality of its services would likely decline, which could bring an end to its growth. Therefore, the Group should continue its approach of offering services to senior citizens who have a certain level of wealth while maintaining the current rate of earnings and growth.

Reducing the dividend signals determination to move forward on a path to growth

Quite frankly, when I first looked at Benesse Holdings' medium-term management plan in the autumn of 2017, I felt that its operating income target of 35 billion yen by the fiscal year ending March 31, 2021, would be very difficult to achieve, let alone its goal of 60 billion yen by the fiscal year ending March 31, 2023. After attending the company's briefing session for analysts last May, however, my opinion changed for a few reasons. First, the number of students enrolled in Shinkenzemi correspondence courses in Japan had grown by five percent as of April, around the same amount I had expected at the time the plan was announced. This result indicates that the company's management has a firm grasp of the market and took effective measures to tap it. Therefore, its 2021 target of 35 billion yen appears more credible and possible.

Another reason was the company's decision to reduce the next annual dividend amount. I was surprised when management announced that the dividend would be reduced despite its forecast of improved financial results, but I realized this decision was based on excellent judgements. I also sensed management's strong determination to get earnings capacity back on track by staying focused on achieving 35 billion yen in operating income within three years.

The issue of creating new businesses

I cannot really foresee the Benesse Group's next new business, and I think this is a serious issue. Although there is a merger and acquisition strategy in the medium-term management plan, costs associated with company acquisitions have increased sharply, and even if cash outflows from the lower dividend payments are strictly managed, it is questionable whether Benesse Holdings could acquire a good company. Assuming it could make such an acquisition, the question remains as to whether the new firm could be developed as a core business. Therefore, we have not integrated the effects of any mergers or acquisitions in our analyses at the present time, and, conversely, we regard that as part of the Benesse Group's upside potential.