Always looking far into the future

# Part 3 Enhancing Operational Resources

Companies, organizations and individuals around the world are committed to accomplishing the United Nations Sustainable Development Goals by 2030—including the Benesse Group. Under the banner of "Transformation and Growth," all members of the Group have renewed their resolve to offer economic and social benefits to communities with a future-oriented and long-term outlook. To ensure that it can continue creating value going forward, the Benesse Group is currently working to enhance its human, social, and intellectual capital.

#### Three resources for creating value in the future



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### **Human Capital**

# Fulfilling our mission to transform and grow by strengthening our employee base and organizational capabilities

#### Three policies to strengthen our human capital

In the Benesse Group's medium-term management plan, one of the major themes under Strengthening the Management Base is strengthening our human capital. The greatest single management resource of a company is its employee base, so developing our employee base and making our working environment pleasant will contribute greatly to the Group's mission, to transform and grow.

Accordingly, we are implementing three major policies: (1) developing next-generation leaders who will drive sustainable growth, (2) in response to changes in the business environment, hiring personnel capable of instituting reform, and (3) implementing personnel & organizational reforms that will form the foundation for pursuing our personnel strategy in preparation for an era when people will live to be 100 years old.



#### Developing our younger employees

#### Benesse University for our younger employees



Eriko Satonaka General Manager of Group Human Resources

As one part of the Benesse Group's development efforts for its younger employees, in April 2018 the Group started up Benesse University, a program for younger employees.

The program has its origins in a proposal made by employee volunteers in the *Building the Benesse of Tomorrow Project* (see p. 48), and consists of two components: group seminars and open courses. At the group seminars, we work to train the participants to take action. Senior managers or outside instructors give lectures to groups of roughly 20 of the Group's younger employees who also undergo training camps at Naoshima, and go through action learning to attempt to solve real problems. At the open courses, employees have the opportunity to come into contact with broader perspectives by having instructors from inside and outside the Company give them talks on societal trends, potential situations in the future, and so on, stimulating in the employees a desire to grow and leading them to become internally motivated.

#### How Benesse University works



Leader sessions — Participants find out what it takes to be a true leader

• Review of activities Participants figure out what kind of leader they want to be

## Developing next-generation leaders who will drive sustainable growth

Across the entire Benesse Group, we are developing management leaders who will lead Benesse Holdings over the next generation. We have identified, at various Group companies, approximately 100 management leader candidates, and we are having them go through a continuous, systematic development program. In addition, on a regular basis we give our executives the opportunity to share among themselves information on the candidates, get a clearer view of them from a variety of angles, and review the development program.

Going forward, in accordance with the development plans for the individual candidates, we plan to rotate them through different types of training and different Group companies, and assign them to a variety of projects within the Group. We are also considering having them undergo training outside the Group as well as executive coaching and mentoring.

#### Hiring personnel capable of instituting reform

We are focusing on hiring and developing two types of personnel capable of instituting reform: *digital staff* to take charge of the digitalization of services and operations, and *global staff* to take charge of business conducted in English. We are developing digital staff primarily at the Group Digital Division, a new organization that we launched in January 2018. Besides developing the abilities of the Group's digital personnel, the division also collaborates with the individual business companies to develop new products and services that employ digital technology.

In order that these two types of personnel may use their abilities to the fullest, we are focusing on cultivating an organizational culture where diverse ideas and values are acknowledged and accepted.

## Personnel and organizational reforms for implementing personnel strategy

We are also revamping our personnel system and organizational structure so that employees can feel proud and enthusiastic about their work, and will be able to use their capabilities to the fullest. In preparation for an era when people will live to be 100 years old, we are implementing policies to boost employee motivation and cultivate a corporate culture that is pleasant to work in, such as extending the retirement age, instituting a retirement age for executives, modifying our compensation system, offering telecommuting and flextime, offering incentives so that employees can work while providing childcare or nursing care, and providing work-life management and healthcare support. Furthermore, Benesse Holdings, which is devoting effort to health and productivity management, was recognized as a White 500 enterprise in the Ministry of Economy, Trade and Industry's 2018 Certified Health and Productivity Management Organization Recognition Program.

We will continue to implement the PDCA cycle with regard to these policies for strengthening our employee base and our organizational capabilities, thereby creating new value and enhancing our competitiveness for the Group to grow in a sustainable fashion.

## Implementing the *Building the Benesse of Tomorrow Project*, which provided opportunities for personal growth and networking

We carried out the *Building the Benesse of Tomorrow Project* throughout the entire Group for a period of three months beginning in July 2017, prior to the formulation of the medium-term management plan. In the Project, employee volunteers from different business departments came together into teams, and each team chose a topic in one of three areas—personnel, organization, and culture, corporate social responsibility (CSR), or new business—and proposed to management one or more ways to resolve issues related to that topic. Of the 13 teams that took part, 3 received awards for excellence for their proposals.

This project activity gave the younger employees who participated in it the opportunity to grow personally, and also fostered networking and camaraderie within the Group. In addition, out of the proposals that received awards, two proposals in the area of personnel, organization, and culture (dealing respectively with the topics of health and productivity management and development programs for younger employees) ended up being included in the personnel & organization strategies of the medium-term management plan.



CEO Tamotsu Adachi critiquing the final proposals

#### Employee proposals that won awards for excellence in the Project

Team	Торіс	Main point of proposal
One Benesse	Developing younger employees	Launching Benesse University to help younger employees grow personally and tackle challenges
Waku-Waku 17	Health and productivity management	Redesigning the work environment and how employees work
Team Accessible	Providing teaching materials and books to persons with disabilities	Providing learning opportunities for persons with learning disabilities, with attention deficit hyperactivity disorder

#### **Human Capital**

#### Health and productivity management

#### Initiating health event trial activities in response to a proposal by employees

The Benesse Group is carrying out a variety of initiatives to make its employees healthier, such as revamping its industrial health system, setting up consultation desks, and making use of employee-assistance program (EAP) organizations.

Putting into practice a proposal that won an award for excellence in the *Building the Benesse of Tomorrow Project*, in 2018 we have enhanced our health and productivity management



efforts. In January, Kenichi Fukuhara, Vice Chairman of the Company, issued the Benesse Group Health Declaration, stating, "in order that employees may be healthy in mind and body, and live each day in a vigorous, enthusiastic way, we will



Members of the Health and Productivity Management Implementation Project

work to improve the health of employees and their families."

Following up on the declaration, in September 2018 we began holding trial activities—health events—throughout the entire Group. In these activities, we are tackling health problems by organizing employee volunteers at the Group's main companies into 20 teams, and assigning to each team a goal quitting smoking, improving their eating habits, or getting more exercise. Based on the results of the trial activities, in the near future we plan to expand these health events to the entire Group.

#### Developing our digital staff

# Establishing Benesse's competitive advantage by combining both education and nursing care with digital technology



Hiroshi Sakakibara General Manager of Group Digital Division

Digital transformation is a trend that is sweeping the world, and Benesse, naturally, is a part of this. Benesse has already begun transforming its businesses by combining both its education and its nursing care with digital technology. The mission of the Group Digital Division is to accelerate this transformation, and improve Benesse Group's products and services with technological innovation to increase customer and business value.

Benesse's digital strategy includes a number of different approaches, and one of them is to boost the hiring and development of digital staff. In April 2018, we launched a staff-talent pooling system, the aim of which is to get our digital staff to use their full potential. We are accomplishing this by making their individual skills and aptitudes visible throughout the Group and moving these persons around freely among the Benesse Group's companies and departments, and their various lines of business.

We are also working on office reform, modifying office environments to make them fit the sensibilities and work styles of staff members whose strengths are in IT or in digital technology. One example of this is a new "digital native" office that we set up at our Tokyo Head Office in August 2018. At the same time, we are also using cutting-edge technologies such as AI and deep learning in research and development for the purpose of creating new opportunities and business in our educational and nursing care businesses.

Our intention is to harness digital transformation so as to take the strengths that Benesse has built up in a variety of fields of business and fuse them with advanced digital technology so as to create unprecedented strengths, thereby establishing a comprehensive competitive advantage in areas including personnel, organization, and corporate culture.

#### Diversity

#### Drawing on the individual strengths of the employees in our diverse workforce in order to create new value

The Benesse Group is promoting diversity with an eye to accepting differences regarding nationality, race, gender, age, and the presence or absence of physical limitations, and to make use of these differences.

Because the Group conducts business in a variety of countries and regions, the Group employs persons of various nationalities. Furthermore, in education, in nursing care and childcare, and in other fields of business, many of our female employees put to use in their work their perspective as consumers. In a business environment that is undergoing sweeping changes, we are working to harness the diversity of employees like these in order to respond to the changes in a flexible manner and create new value.

#### Initiatives at Group companies for the strengthening of human capital

#### **Benesse Corporation**

#### Received Stage 3 certification under the Act on Promotion of Women's Participation and Advancement in the Workplace

The Group's personnel system permits all employees, of either sex, to provide childcare or nursing care while working and advancing their careers. Under the certification system for the Act on Promotion of Women's Participation and Advancement in the Workplace, the Group has been certified as satisfying the criteria set down by the Ministry of Health, Labour and Welfare in the five areas of hiring, employment continuity, work style (including working hours), percentage of managerial positions, and variety of career paths, and has been awarded the highest level of certification, Stage 3.

#### **Benesse Style Care**

### Supporting women's participation via a variety of occupations and working arrangements

We are working to cultivate an environment where personnel who want to work in nursing care or childcare can keep on working and truly feel the importance of their work.

Roughly 70% of our employees are women, and many of our homes for the elderly and daycare centers are headed up by women. We offer our employees a variety of ways to work, enabling them to choose from among a variety of occupations and working arrangements the ones that fit their stage in life. Specifically, we offer childcare allowances that help permanent employees work full-time while they have children attending a daycare center, as well as shorter work hours during child-rearing that are available up through the time the child finishes 3rd grade in elementary school, and the number of our employees using these benefits is increasing each year.

Furthermore, for employees who would like to return to work after taking child-rearing leave but are unable to do so because they cannot find a daycare center for their child, in April 2018 we opened Benesse Noborito Daycare Center, a daycare center for the use of our employees. The Center has been recognized as a Company-led type daycare facility of the kind that the Cabinet Office is promoting to eliminate the problem of children having to wait for admission to daycare centers and in order to support people who work while raising children, and represents the first daycare center of this kind that we have opened. And to help support child-rearing and the resolution of the waiting-list problem in the broader community, we have set aside a certain number of admission spots in the Center for use by community residents.

#### **Benesse Style Care**

#### Using the Benesse Method to improve employee motivation

The Benesse Method, a tool that is unique to Benesse Style Care, uses a scientific approach so as to verbalize and systematize successful examples drawn from the experience Benesse has acquired at its nursing homes. We are applying the Method in our homes for the elderly, one by one, with excellent results. The Method indicates how to create an environment where residents will spontaneously want to do things, and in the homes where the Method is being applied, the creation of this environment leads to more residents gradually returning to living their own way, sometimes with less need for care. The use of the Method also leads to higher employee motivation and lower turnover.

#### **Benesse Style Care**

### Substantially improving compensation for employees in nursing care and childcare positions

We wish that our employees working in nursing care and childcare may live well—like our home residents and daycare children—and continue working with us for a long time. To that effect, in April 2017 we invested approximately ¥1.53 billion to substantially improve the compensation we pay to our employees in nursing care and childcare positions. Benesse Style Care is implementing measures like these to motivate our employees more and expand our personnel structure.



### **Intellectual Capital**

### Creating new value from our accumulated knowledge, expertise, and data

## Putting intellectual capital to work for the sake of corporate growth

In the 1960s, the Benesse Group began offering simulated exams and correspondence courses for senior high school students. Since then, the Group has gone on to expand its business into fields such as languages and nursing care, thereby creating new markets. The marketing knowledge and the expertise in product and service development that we have acquired along the way in these different fields constitute valuable intellectual capital for the Group.

The Group has also accumulated a great deal of data that remains underutilized, such as children's learning histories and residents' life records, as well as implicit knowledge that has not been clearly verbalized, as for instance expertise based on long years of experience.

To put this intellectual capital to work for corporate growth, the Group is accelerating its digital transformation efforts. We are working to create new value by making active use of digital technology in order to analyze, verbalize, and systematize the variety of data and implicit knowledge that we possess.

## Using digital technology to increase the sophistication of our products and services

At the Benesse Group, the Group Digital Division that we set up in January 2018 is taking the lead in using advanced digital technologies such as big data analysis and AI with aims to increase the value of the Group's diverse intellectual capital and materialize this capital in the form of products and services that have greater dominance.

First of all, we intend to develop new products and services for the teaching materials used in Shinkenzemi, our main business. In addition to migrating our existing, paper-based teaching materials to tablets and other electronic media, we are considering adding functions that are not possible with paper media—such as audio and video—and introducing the sort of innovative user interface that is only possible with digital media. We are also making our products and services more sophisticated, such as by using Al to analyze in detail the learning situations of our individual Shinkenzemi enrollees. This way, we will be able to provide them with learning advice and services that are just right for them.

#### Using agile development to overhaul our Sakutto Study smartphone app

In November 2017 we launched an overhauled version of the Sakutto Study smartphone app for Shinkenzemi senior high school courses. In developing this version of the app, we did not subcontract the development work to an outside company as we had previously done, but instead assembled a project team in-house composed of planning staff, development staff, and engineers. On this occasion we used an agile development method, submitting each prototype we developed to repeated verification. From here on out, the Group Digital Division will take the lead in using development methods like this to quickly provide products and services that are closely linked to what customers have asked us for or are looking for.



#### Two think tanks that increase the Group's intellectual capital

The Benesse Group has two think tanks, which carry out original surveys and research on the basis of the knowledge that the Group has built up in its educational and nursing care businesses: the Benesse Educational Research and Development Institute and the Benesse Senior/Nursing Care Research Institute. The Group uses the research results of these two institutes to develop its own business, but it also widely disseminates the results in society by means such as reports, websites, and symposiums, thereby contributing to solving social problems involving education, and the elderly.

#### Benesse Educational Research and Development Institute (BERD)

#### Giving back to society the results of multifaceted surveys and research

This in-house think tank came into being in 2013 through the merging of the Benesse Group's several research departments. Taking a comprehensive view of parenting and the educational environment, the BERD conducts multifaceted surveys and research in the field of education regarding a wide range of people, covering everyone from infants to college students, working adults, parents, and teachers.

The BERD is made up of six different research offices, each of which maintains collaboration with educational institutions and researchers in Japan and abroad. The research offices carry out research in their particular areas of specialization, e.g., the talents and abilities that will be needed in society in the future, ways for acquiring those talents and abilities, and assessment based on testing theory. Since the founding of the predecessor to this research institute in 1980, more than 400 studies have been carried out, the results of which are presently being put to actual use in parenting and education.





VIEW21 (senior high school edition), a magazine providing educational information to senior high school teachers

#### Benesse Senior/Nursing Care Research Institute

#### Contributing to the industry's development by actively disseminating information

We established the Institute in 2015 with a view to make society a place where the older that people get, the happier they will be. The Institute's strengths are the knowledge that the Group has built up over more than 20 years in the course of operating nursing care facilities and the fact that the Group owns facilities where a large number of customers live. The Institute carries out surveys and research that are of use to an aging society, and disseminates information to society and to the entire nursing care industry.

Specifically, the Institute focuses on carrying out surveys and research on unresolved questions regarding the elderly and nursing care, disseminating information on what is going on at nursing homes and on the views of residents, their families, and nursing care staff, and researching the professional growth and careers of nursing care professionals. The Institute is also actively involved in joint research with businesses and corporations inside and outside the nursing care industry.



The website of the Benesse Senior/Nursing Care Research Institute

### **Social Capital**

### Dialogue Soichiro Fukutake and Tadao Ando

# Showing the world a way to make communities more sustainable

Benesse Art Site Naoshima lights the way forward with 30 years of success

Benesse Art Site Naoshima has grown in collaboration with residents of several islands in Japan's Seto Inland Sea, particularly the island of Naoshima. Tadao Ando, a leading architect who has been deeply involved in this project, and Soichiro Fukutake, honorary advisor to Benesse Holdings, shared their views on the significance of the project's activities and their hopes for the future.

## Looking back on the creation of an island of contemporary art

**Fukutake** The island of Naoshima is where my father originally wanted to establish a campsite for children. Unfortunately he passed away right at the time he was about to get started, so I returned from Tokyo to our home in Okayama to carry out his dying wish. As I went ahead with the project, my bonds with the island residents and surrounding Seto Inland Sea grew deeper, and my desire to do more for the island became stronger. Fortunately, we contacted your architectural firm for assistance. Over 30 years have passed since then.

Ando At first, I was very surprised when you told me of your



Honorary advisor to Benesse Holdings, Inc., chairman of the Fukutake Foundation, and managing director of the Setouchi Triennale

Born in Okayama Prefecture in 1945, Soichiro Fukutake has served as president, chairman, and representative director of Benesse Holdings. In 1988, he announced the plan to create Naoshima Cultural Village, and in 1995, he renamed the company he led, Fukutake Publishing, as Benesse Corporation to incorporate the word *benesse*, meaning "well-being" in Latin.

desire to build an art gallery in Naoshima. That's because the Seto Inland Sea was regarded as practically dead at that time, unlike its status now as one of the most beautiful inland seas in the world. Factories emitted sulfur dioxide gases and illegally dumped waste in the sea, so the islands were unattended and produced very little. Access to the islands was also limited, and the islanders were



not very active. I remember telling you repeatedly that your requests would be rather difficult, but you responded every time by telling me to continue anyway. That

The Chichu Art Museum (photo courtesy of Seiichi Ohsawa)



#### About Benesse Art Site Naoshima

Benesse Art Site Naoshima is the general term for the artistic activities organized on the islands of Naoshima, Teshima, and Inujima in the Seto Inland Sea by Benesse Holdings and the Fukutake Foundation. These activities create unique and special places by showcasing contemporary art and architecture against the backdrop of the natural beauty of the Seto Inland Sea and the traditional culture of the islands.





Pumpkin by Yayoi Kusama, exhibited in 1994 © yayoi kusama

intrigued me, and my enthusiasm gradually increased. Many well-known art galleries in modern times were built because of the strong passion and courage of their founders, and I imagined that was also the case with your Naoshima project.

**Fukutake** I was driven by my rebelliousness towards society. I enjoyed my time living in Tokyo from the time I went to university there until I reached the age of 40, but my involvement in the Naoshima project completely changed my life. Tokyo represented the excesses of modernization and urbanization, but I only became aware of that after coming to Naoshima. In a sense, our modern society constantly destroys what exists and replaces it with something new, resulting in a decadent culture. Instead of that, I came to see the need for changing our approach by making use of what we already have and creating things we don't have. The Seto Inland Sea was the first area of Japan to be designated as a national park, even before Mount Fuji. In such a beautiful area, factories had been constructed, toxic pollution was illegally dumped, and people suffering from Hansen's disease were banished from society. Those actions were disgraceful in my mind. Had I been an artist, I would have expressed my feelings

1987	Opening of the first campground for visitors on the the island of Naoshima
1992	Opening of the Benesse House Museum
1998	Commencement of the Art House Project
2004	Opening of the Chichu Art Museum
2008	Opening of the Inujima Seirensho Art Museum

- 2009 Exhibitions held in Venice and Paris
- 2010 Openings of the Lee Ufan Museum, Les Archives du Cœur, Storm House, and Teshima Art Museum
  - Inaugural Setouchi Triennale 2010 held (and again in 2013 and 2016)

2011 Twentieth anniversary event held
2012 Lectures and seminars held in Paris
<b>2013</b> Openings of the Ando Museum, Teshima Yokoo House, and Miyanoura Gallery 6

**2015** Symposium held in New York

**2016** Openings of the Teshima 8 Million Lab and Teshima Seawall House

La Forêt des Murmures and Needle Factory exhibitions held

#### **Social Capital**

through art, but since I wasn't an artist, I tried to get local people to work with me and create something completely new in Naoshima. Of course, you were a central figure among them. **Ando** Although it is commonly believed that contemporary art cannot attract a lot of people, I thought your idea of designing buildings to showcase contemporary art was fantastic. I was also impressed that you only chose serious and uncompromising artists, such as James Turrell, Bruce Nauman, and Walter De Maria. Fukutake My father collected paintings by Yasuo Kuniyoshi, who was born in Okayama. That is how I first became interested in art. When I first saw his paintings, I didn't know what to make of them, but as I looked at them more closely, I gained a sense of what he had intended to express in each work. So, when it was time to collect art for Naoshima, I looked for works that would suit the situation there. Just as I believed Picasso's Guernica was so relevant for Spain at the time, I wanted the art to be right for the island. I also thought that each work could send an even stronger message if it was exhibited in the most suitable setting.

## Revitalizing communities through the Naoshima Method

Ando When Benesse House Museum opened, about 30,000 people visited in the first year, and it did not take long before 70,000 or 80,000 people were visiting, bringing a lot of energy to the island. Although the residents of the island were not very receptive to having many visitors at first, they began feeling the excitement, and some started talking about opening a restaurant, café, or lodging establishment. I was particularly surprised by how the elderly residents were energized. At that time, I thought things could turn out really well.

**Fukutake** To produce their works, various artists stayed on the island and got to know the local residents. Sometimes when young people visited the island to see the artwork, older residents would tell them about the artists and the meaning of the art, especially when the visitors were puzzled by its meaning. You can imagine how surprised those visitors were to discover such art on the island. With the influx of visitors, a growing number of elderly residents are feeling more alive, freely telling the visitors about the island's history and natural features. Some even renovated their homes to exhibit old items and art collections.

**Ando** I have always thought that people should be open to change and not be afraid of making mistakes. Many of Naoshima's residents had gotten stuck in their ways as they grew older, but then seemed to rediscover their youth. That amazed me, and is one of the greatest things I have ever witnessed in my life. As countries around the world today struggle to revitalize their provincial cities and towns, the revival of Naoshima offers an exemplary model to follow.

Fukutake It is simple to do. If you want people to be happy, they should live in a happy community. Religion claims that paradise is in the next world, but I wanted to help create such a community in this world. I became aware of that over the course of using contemporary art to bring joy to people in the community, including the elderly, which is kind of like paradise.
Ando One reason why Naoshima attracts international attention is because no other place is like it. Since it is so unique, people come to visit from around the world. It would be great if others would adopt the approach that has been taken on the island. Then more unique places would pop up around the world.



"Benesse's commitment to well-being originated from the Naoshima project." "The islanders felt the excitement and the elderly residents became increasingly active. I was really surprised by that change."



**Fukutake** I am often asked about Naoshima's future, but that is quite different from carrying out a company's business plan, so I cannot give a clear-cut answer. If, as you just implied, people in other areas of Japan and outside the country become interested in applying the Naoshima Method as a way to revitalize their communities, I would be happy to promote it even more.

#### A place for reflecting on well-being and the future

Fukutake I changed my company's name to Benesse when the Naoshima project was underway. It could even be said that Benesse's commitment to well-being originated from our initiatives in Naoshima, because, in a sense, the project embodied our business pursuits. Things like products, information, and IT are merely resources. The important thing was that our new businesses were increasingly developed from the concept of helping people live better lives.

**Ando** It is important for each person to consider well-being on a personal level. I think the island of Naoshima is a place for doing that. The works of art are permanently exhibited in the same locations. It is said that people will not go to such an art gallery twice, but, in fact, every year there are many people who visit for a second or third time, because they can experience the island differently each time they come. One can engage with the artwork, experience the natural environment and scenery, and interact with the local residents, so there are various aspects that

make each visit different. The island is not very accessible even for people living in Japan, so when visitors come back from places like Paris and New York, I think that all kinds of people are exploring more enriching ways to live.

**Fukutake** Corporations operate according to economic principles, but the important thing is how they give back the wealth created through their business activities to society. Simply paying taxes is one way, but that is not what I mean. Corporations have a social obligation to promote community development and culture, and I believe they should be more committed to that. With the spread of financial capitalism around the world today, it seems impossible to foster societies in which all members are content. The Fukutake Foundation receives dividends from Benesse Holdings as a major shareholder, but instead of simply donating them to the Naoshima project, it serves as the core organization and creates a framework for the project's activities to continue. That is one means of realizing the concept of public interest capitalism that we advocate.

Ando I believe companies are public institutions. Besides generating revenues and profits, if every company gave serious consideration to how to engage with communities as corporate citizens and fulfill their responsibilities, society would most certainly become a better place. I hope the Benesse Group's employees, too, will experience that in Naoshima, because if they do not personally feel what it's like to live well, it will be difficult to promote Benesse's approach to well-being.