

Creating value in our education business



Capitalizing on Japan's educational reforms and laying a roadmap for the future

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Redefining Benesse's mission while executing growth strategies over three phases

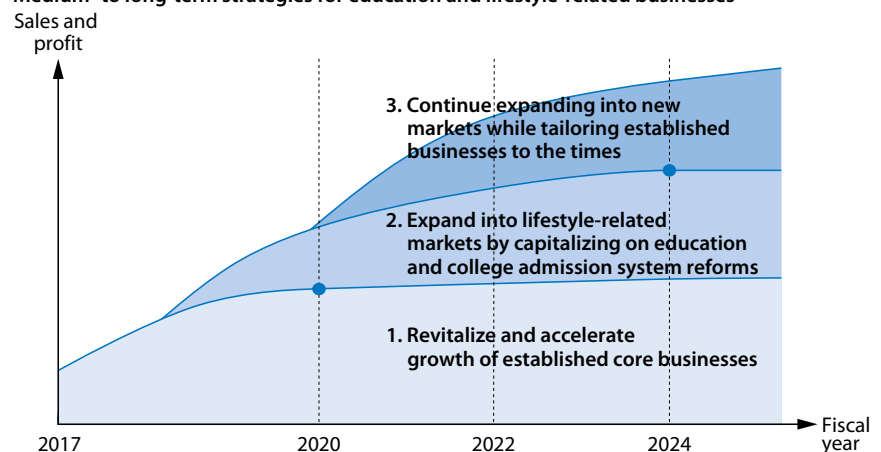
For the Benesse Group to realize sustainable growth in the future, it will be essential to restructure the education business, which is one of its core businesses. Education in Japan is currently undergoing rapid changes. Amid declining numbers of children and school enrollment, there is a widening gap between students who strive to enter scholastically competitive high schools and universities and students who do not. Meanwhile, digital technologies like AI and IoT have suddenly arisen as game-changers in education.

As a provider of educational services, Benesse Corporation has been at the forefront of Japan's education industry for many years. Amid major changes surrounding the industry, however, we recognize that it will be increasingly more difficult to maintain high levels of customer satisfaction just by offering the same products and services that we do now and did in the past.

At the heart of Benesse is a deep commitment to the well-being of customers. I believe that by revisiting this commitment, asking again what we should and can do for customers, and redefining our mission, we will be able to create genuinely beneficial products and services that satisfy our customers going forward. From that standpoint, we intend to execute growth strategies for the education business spanning over three distinct phases.

From the first phase, we plan to strengthen the Group's established businesses to lay a foundation for the subsequent phases. That will involve improving weak points and emphasizing competitive advantages in each of those businesses. For example, we must still regain public trust in the wake of a leak of customer information in 2014. At the same time, we will work to expand our Class Benesse courses in the Area and Classroom Education Business and promote our mock university entrance exams for high schools. In the second phase, we will aim to capitalize on opportunities for growth triggered by the major changes in the industry, particularly educational and college admission system reforms set to go into effect from 2020, and gain a foothold in new markets by developing highly competitive products, services, and businesses that make use of the Group's collective capabilities. In the third phase, from 2024 and beyond, we will

Medium- to long-term strategies for education and lifestyle-related businesses



Special Feature—Creating value in our education business

explore new challenges to pursue, formulate a new vision for achieving growth, examine new growth markets and refine the Benesse Group's businesses.

Phase 1

Building on results of mainstay businesses in the first year of the medium-term management plan and setting goals going forward

The first phase of our strategies commenced in FY2018, and we have already produced some promising results. Among them, the number of students taking our Global Test of English Communication (GTEC) has increased substantially. Developed by our education business, the test evaluates all four skills of English language proficiency (listening, reading, speaking, and writing). The fact that it was approved for newly reformed college entrance exams indicates its usefulness as an educational tool. Furthermore, we have seen a large increase in the number of cram schools that adopted our Class Benesse course, which began as an initiative for improving Shinkenzeni lineup. This success provides a basis for developing this business in the future.

On the other hand, our mainstay Shinkenzeni business did not grow as much as expected. In light of those results, we will change our basic strategies from FY2019. For example, instead of running up excessive marketing costs for attracting new enrollees, we will work to boost profits by raising the customer satisfaction of current enrollees.

As a matter of course, we will continue applying digital technology to enhance our correspondence courses. Benesse has been developing courses that use both paper and digital teaching materials, but in recent years, the ratio of digital to paper has been rising with each progressive school year.

The advantage of digital learning tools is that they can be personalized for each student. The time when a student turns on the tablet computer, which problems he or she solves and the time taken to solve them can all be recorded. Furthermore, mistaken answers and other detailed study history data can be analyzed, whether on an individual level or aggregate level involving millions of users. That allows us to create appropriate study questions and optimize learning methods.

One after another, competitors have recently been entering the market for digital teaching materials. Nevertheless, Benesse has an overwhelming edge in terms of assets, expertise, and know-how. For instance, we have compiled massive databases of test questions and study patterns derived from users over many years. Applying AI to this big data is just one way through which we can develop highly personalized services.

Digital tools alone, however, cannot provide children with a well-rounded education. People are essential for encouraging children to study and monitoring their progress. In this regard, as well, our education business has a long history of developing people-oriented services. For example, we have tutors provide written instructions and corrections on answer sheets submitted

by correspondence course students, and also have graduates of the courses provide mentoring to current enrollees. By integrating the extensive know-how of these educators with newly developed digital tools, I am confident that we can create original services far beyond the capabilities of our competitors.

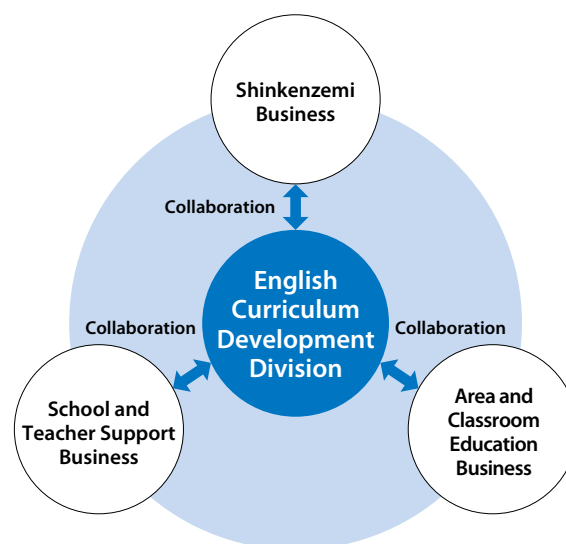
Phase 2

Leveraging collective capabilities in group-wide projects aimed at capitalizing on education and college admission system reforms

In the second phase, our biggest challenge will be to develop new products and services designed for all four skills of English language proficiency. We will aim to make these products and services more competitive in each of our language teaching-related businesses, including our firmly entrenched school and teacher support business, as well as Shinkenzeni and cram school businesses. Indeed, in each of these areas, curriculum covering all four skills will be central for achieving growth. Toward this end, our correspondence course business released curriculum designed to teach each of the four skills above the levels taught in school in April 2019. Moreover, our Area and Classroom Education Business adopted an online speaking program for school students that meets guidelines set by the government, and developed an English speaking course for cram and prep schools. This course is also being offered to cram schools operated by other companies.

To promote this shift to curriculum covering the four basic language skills throughout the company's domestic education business, we established an English curriculum development division in FY2018. This, however, is just one example of our recent initiatives. Aiming to create new value, we are carrying out

Framework for teaching English language skills



numerous projects that bring together the expertise and know-how of every relevant division. We are also accelerating initiatives in other spheres of education, including the development of tests for evaluating children based on a broader range of variables.

Along with these initiatives, we are also implementing internal branding activities to promote Benesse's mission to employees group-wide. To create new value, it is essential for every employee to fully understand and endorse the same ideals and vision of the Benesse Group. By expressing the Group's mission and creating a simple story, we hope to motivate employees to take action and consider how to contribute to creating new value. New products and services foster customer loyalty and increase the power of our brand, and when that success is celebrated within the Group, we can craft our next story and move forward. I hope all employees of the Group will share these ideals and vision with the goal of continuously creating new value going forward.

Phase3

Envisioning a new way forward from 2024 and beyond with a commitment to children's well-being

In preparation for the third phase of our growth strategies, we will invite key personnel and managers overseeing each business to participate in workshops aimed at envisioning the future of the Benesse Corporation.

The goal of our education business is to motivate children to study and equip them with the abilities to learn and think independently. I believe these abilities will be vital for leading an independent life upon reaching adulthood, when many jobs will be automated via digital technologies and AI, and also invaluable for helping make society more sustainable. What Benesse can do to achieve this goal and what new businesses can be created from 2024 onward will be discussed in the workshops.

As technological advancements reshape society, the STEAM educational approach of incorporating science, technology, engineering, arts, and mathematics into curriculum has been attracting attention. We are studying this kind of curriculum while considering which learning methods will be most effective for



children in five to ten years. We are also studying methods for offering education optimized for adults interested in recurrent education and for people with disabilities. In addition, driven by our commitment to creating brighter futures for children from other countries, particularly those in Asia, we plan to launch educational services designed to raise the scholastic abilities of children who aspire to work internationally, incorporating curriculum developed for Japanese primary and secondary education.

Over many years, Benesse Corporation has been providing services from the stages of pregnancy, childbirth and child rearing. In other words, we are there for our customers over their entire childhood. By utilizing data derived from educational services spanning across every stage of a child's life from preschool education to the time of entering college, it should be possible to help that child thrive in the world as a young adult. Benesse Corporation will strive to work alongside our customers and support the well-being of each individual while aiming for growth in the future.

Areas of focus for developing new businesses

1. STEAM-based education
2. Recurrent education
3. Education for people with disabilities
4. Global education for students in Asian countries