

Overview of Business Segments

Domestic Education (Japan)

Domestic Education is 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.



43.7%
¥192.0 billion



Strengths

- Customer trust built up over many years in the education field, with an overwhelmingly large customer base
- The largest business scale in the industry, and collective capability that covers schools from elementary through junior and senior high, plus extracurricular education for elementary, junior high, and senior high school students
- Extensive educational knowledge from helping “bolster children’s motivation and ability to learn on their own” through the development of learning materials, entrance exam preparation, learning and career counseling, and more
- Diverse personnel and corporate culture that embody our customer-centric philosophy

Social Changes

Opportunities

- Reforms to university entrance examinations and enactment of new educational guidelines
- Progress in English four skills and the accelerated start of English education
- Change in parent attitudes due to larger numbers of four-year university graduates and double-income households
- Larger disparities between schools, and between the education level in different regions

Risks

- Market stagnation and contraction due to the decreasing birthrate
- Intensifying competition from digital technology companies entering the market, and increased activity by competitors
- Commodification of educational content and price collapse due to the advancement of digital mediums

FY2020 Targets

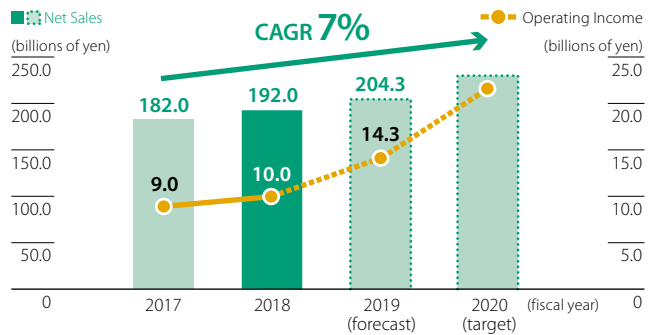
Net sales CAGR **7%**

- Leverage the educational and entrance-exam reforms to push ahead with growth strategies in each business segment
- Use our collective capabilities to promote the GTEC proficiency tests in the four English skills

FY2018 Results

- Shinkenzemi total enrollment increased steady business growth in school support, and cram schools
- Absorbed investments for bolstering Shinkenzemi product offerings and for education reform-related initiatives such as GTEC, and increased both revenues and profit

Net Sales & Operating Income



Shinkenzemi Business

**Enrollment increased despite price revisions
We will continue to grow profitability while
focusing on retention rate**

Michiaki Yamamoto Corporate Executive Vice President, President of Zemi Business Company



FY2018 Results

- Average annual retention rate remained steady while new enrollment increased year-on-year while falling short of plan
- Released Level-Specific English Four Skills Training [Page 25](#)

FY2019 Initiatives

- Shift strategy to focus more on profit growth rather than increasing enrollment. Pursue customer satisfaction
- Shift to digital products and services for more individualization

Highlights

The release of Level-Specific English Four Skills Training

In April 2019, we began offering Level-Specific English Four Skills Training to Shinkenzemi enrollees in elementary, junior high, and senior high schools. They appreciate how it allows them to learn the four skills of English—listening, reading, speaking, and writing—at home, in a balanced manner according to their own capabilities.



Compatible with your own computer or smartphone in addition to dedicated Shinkenzemi tablets, making it possible to study on your own anywhere, at any time

Highlights

Improving the functions of Challenge Touch

An increasing number of users are utilizing Challenge Touch dedicated learning tablets to take Shinkenzemi Elementary School Courses. This method is boosting lesson completion rates and overall scores by taking advantage of the digital medium to get them to try again at solving previously attempted problems, which is essential to retaining what is learned. In 2019, we also added the Double Try Again function, which allows students to try solving important problems again at certain intervals. Enhancing the learning effects of enrollees will lead to further improvement in retention rate.



Challenge Touch helps improve retention rate

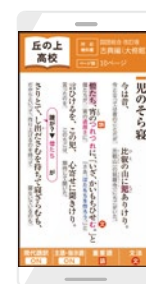
Overview of Business Segments | Domestic Education (Japan)

Highlights

Prep & Review App makes effective use of students' free time

We are focusing on developing smartphone-based learning for our Shinkenzei high school courses. In April 2019, we released the Prep & Review App, an effective tool that students use during their free time. Not only does the app support efficient investigative learning for preparation, review, and homework involving the textbooks and other materials that students use at their schools, but it also offers video lectures that offer deeper understanding of the problem solving process. We put ingenuity into designing this app to adapt to the lifestyles and learning needs of high school students who are constantly busy with club activities and friends.

Attentive support is also available through in-app questions to Shinkenzei advisors when information in the app is not enough to help students understand. Simultaneously, we now actively promote use of the app, including an introductory video being streamed on YouTube as of June, produced through collaboration with a video creator who is a high school student and is popular with junior and senior high school students.



Hold a smartphone up to the page number in a textbook or reference book, and the optimal content will be displayed

School & Teacher Support Business

Offering new forms of learning in educational settings by moving quickly to prepare for the educational and entrance-exam reforms

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



FY2018 Results

- GTEC test takers and schools using Classi steadily increased
- Converted school affairs support system provider EDUCOM Corporation into a subsidiary, concluded a strategic partnership with Classi Corp.

FY2019 Initiatives

- Move quickly to prepare for the educational and entrance-exam reforms
- Bolster our support for schools and expand the business

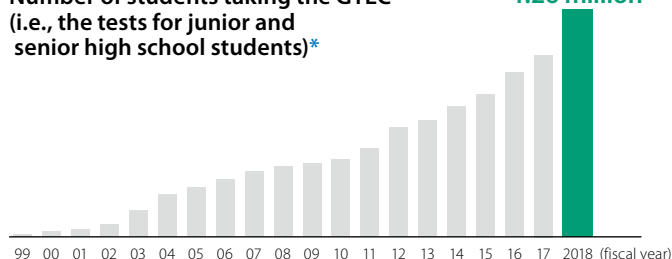
Highlights

Further elevating our predominance in high school 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 test is gaining prevalence, now in use at approximately 1,850 senior high and other schools throughout Japan and with more than 1.26 million total test takers per year. We will continue fulfilling our responsibility as part of the entrance examination process while helping children learn English they can actually use.

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

1.26 million



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

Highlights

Launching computer programming education support at 1,600 elementary schools throughout Japan

The new educational guidelines that go into effect in FY2020 make computer programming a mandatory subject at elementary schools. While exploration into specific initiatives for programming in the school setting will now begin, putting these initiatives into practice involves a variety of challenges. One major challenge is the importance of having people available to support instruction. To help solve this, Benesse is combining in-house developed original learning material for programming with ICT services deployed on-site to support high-quality programming education at no cost for around 1,600 schools.



"Mirai Seed" dedicated programming content

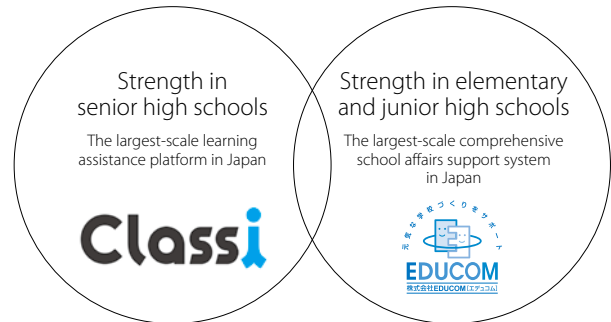
Highlights

Helping to improve the quality of school education with school affairs support + learning assistance

Classi is a cloud-based learning assistance platform service that supports the shift to ICT in school education in four areas—adaptive learning, active learning, portfolio, and communication. Classi currently has around 2,500 member schools and approximately 1.16 million individual paid members. Efforts are being dedicated to offering functions in Classi that deliver what the times require, such as the portfolio function, for the multifaceted and comprehensive evaluations that will go into place along with the educational and entrance-exam reforms. Classi Corp. has also entered into a strategic partnership with EDUCOM Corporation, which provides integrated support systems for school affairs in elementary and junior high schools. This will allow us to deliver high-quality, highly-detailed school guidance support by using the educational and learning assistance data of Classi in tandem with the various types of school affairs data of EDUCOM. Reducing the workload involved

in learning assistance and school affairs, we will help create school environments where teachers spend more time interacting with the students while leveraging the strengths of digital mediums to create new forms of learning.

Classi and EDUCOM enter into a strategic partnership



Area and Classroom Education Business

Solid growth in cram schools and better English learning services

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



FY2018 Results

- Numbers of students increased at Tokyo Individualized Educational Institute and *Tetsuryokukai*
- New service Class Benesse combining Shinkenzeni with face-to-face learning guidance expanded to 48 classrooms
- Expanded the number of locations of BE Studio English services for kids

FY2019 Initiatives

- Utilize our unique strengths to further expand cram schools
- Increase the number of Class Benesse classrooms through franchising
- Collaborate more with other cram schools on proficiency tests in the English four skills

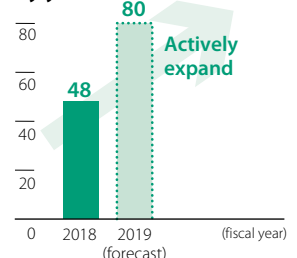
Highlights

Increase the number of Class Benesse individual instruction classrooms through franchising

The combined number of directly-managed and franchised Class Benesse classrooms reached a total of 50 in June 2019. Combining Shinkenzeni learning material with individualized face-to-face learning guidance, Class Benesse provides individualized guidance with the philosophy of educating children to learn independently. Based on this philosophy we will work to expand franchises while aiming to have 80 classrooms in operation throughout Japan by spring of 2020, with a focus on small class sizes that combine Shinkenzeni and original learning material.



Number of classrooms by year



Overview of Business Segments

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.



12.8%
¥56.4 billion



Strengths

- Over 2 million members in Japan and around the world, plus the expertise of 30 years in business educating preschoolers
- The brand power of Shimajiro, which is well-known and well-liked in Japan and internationally
- Learning solutions for each stage of development
- Solid customer base in business related to pregnancy, childbirth, and parenting

Social Changes

Opportunities

- Changes in attitudes toward education and raising children due to more mothers having graduated from four-year universities and more double-income households
- Increasing perception that English should be taught from early ages
- Trends toward making preschool education free

Risks

- Accelerated decline in Japan's birthrate and stagnation in educational investment
- Intensifying competition from the shift to digital
- Accelerated intensity of educational consciousness in China

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

FY2018 Results and FY2019 Initiatives

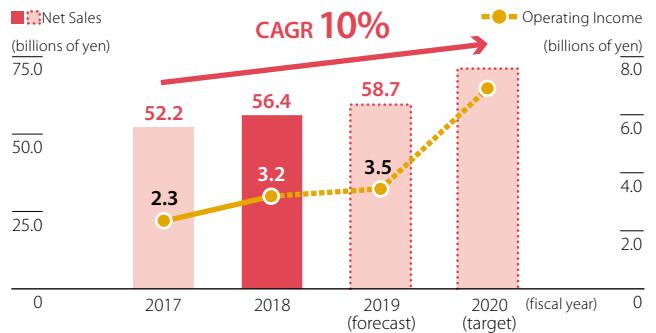
Leveraged the strength of the Shimajiro brand to create new value in preschool education domestically and abroad

Haruna Okada Corporate Executive Vice President
Director and President of Global Kodomo Challenge Company



- Increased both revenues and profit, as total enrollment grew both domestically and globally (+580,000 YoY), while changes in course prices in China also had a positive effect

Net Sales & Operating Income



FY2018 Results

In Japan

- Leveraged the Shimajiro brand to establish more contact points with customers (films, a YouTube channel, Amazon Prime Video, concerts, etc.)

Abroad

- Engineered a full product update for prekindergarten courses for ages between 7 and 35 months old in China, enrollment growth and retention rates were strong in April
- Launched Kodomo Challenge in Indonesia
- Began broadcasting animation and entered into a product commercialization licensing agreement in Thailand

FY2019 Initiatives

- Establish more contact points with customers through cooperation with other companies

- Accelerate revisions to Kodomo Challenge products in China
- Use the production committee format to produce and distribute Qiaohu (Shimajiro) videos in China
- Expand E-commerce channels

Highlights

Leverage Shimajiro to establish more customer contact points

The year 2018 marked the 30th anniversary of Kodomo Challenge. The main character Shimajiro has been utilized in a wide range of business geared toward preschool-age children, from broadcasted programs to concerts, movies, themed playgrounds, and streaming apps. We strive to raise the recognition level of Kodomo Challenge overall while attracting quality customers by providing diverse products and services that match the growth and development of children.



Collaboration with JAL for airplane wrap advertisements and distribution of toys and merchandise by airline crews



Streaming English language and intellectual development apps on Amazon FreeTime Unlimited

Highlights

Improving our products according to needs in Japan and abroad

For Kodomo Challenge in China we pioneered the market in online courses for preschoolers which had not previously existed in the country and achieved significant growth while establishing presence in more locations. However, that pace has slowed in recent years as we have lagged at updating our products in accordance with the new needs that parents have in China's rapidly changing market. In response, we fully updated our material for prekindergartens (ages between 7 and 35 months old) in April 2019. We are now seeing steady results, as enrollment in April was 6.6% higher than the previous year, and retention rate had also increased by 6.1%.

We are also updating our products in Japan, with sights set on changes in the domestic market such as larger numbers of working mothers.

Overview of Business Segments

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.



Strengths

- Nursing home management from the resident's perspective, seeking to "being closely tuned in to how people are"
- Benesse Methods: Systematized scientific approaches based on 20 years of practical knowledge
Examples: Dementia Care Method, pattern language, Service Navigation System
- Improved, differentiated service quality through application of the method
- Strategic hiring and human resources development
- Daycare center and afterschool childcare club management from the children's perspective, with seeking to "help children grow as their own unique individuals"

Social Changes

Opportunities

- Increasing elderly population in big cities
- More recipients of nursing care services covered by nursing care insurance
- New additional compensation conditions for nursing care workers
- Children waiting for openings at daycare centers and afterschool childcare centers around Tokyo

Risks

- Serious shortage of nursing care and daycare staff
- Escalating building and construction costs, and shortage of usable land
- Intensified competition from the market entry of large capital from other industries
- Increasingly tight finances in social security

FY2020 Targets

Net sales CAGR **3%**

- More nursing homes, higher occupancy rates
- Differentiate service quality by establishing Benesse Methods and deploying them organization-wide

FY2018 Results and FY2019 Initiatives

Achieve steady growth through differentiation created by further developing the Benesse Method

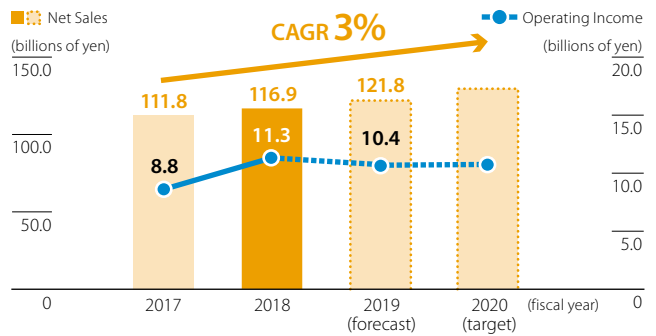
Shinya Takiyama

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



- Increased numbers of residents as nursing homes increase
- Increased revenue, maintaining occupancy rate over 95%
- Significantly higher profit due to decreased labor cost

Net Sales & Operating Income



FY2018 Results

- Six more homes and residences for the elderly were added
- Recognized with an Information Technology Award for the Service Navigation System, which exemplifies Benesse Methods and enhances the value of services in the nursing care setting [Page 33](#)

FY2019 Initiatives

- Continue to build about 10 nursing homes annually
- Establish high-end nursing homes in cities outside of central Tokyo
- Continue to differentiate services by entrenching Benesse Methods throughout the organization and maintain a high occupancy rate
- Focus on planning new human resources systems and training personnel, which includes verbalizing our high level of expertise, and creating new in-house qualification standards linked to salaries and job positions

Highlights

Benesse Method childcare pattern language “words that continuously expand a child’s universe”

Following up on the Benesse Method: *Tips for Shaping Environments for the Elderly, Closely in Tune with How the People Are* which established patterns from successful examples of shaping such environments in homes for the elderly, Benesse Style Care has now released the Benesse Method: *Words that Continually Expand Child’s Universes*. Using pattern language*, this method establishes records of common language supporting our business philosophy of “helping children grow as their own unique individuals” in the practical childcare setting.

This method compiles seven things that have been highly valued over 20-plus years in Benesse Childcare and verbalizes them in the form of 40 tips. Sharing this knowledge openly and

putting it into continued practice, we will add even more depth to this Benesse Method going forward.

* A theory related to construction and urban planning which was advocated by Christopher Alexander. This theory was utilized as the framework for verbalizing the 40 tips



Words that Continually Expand a Child’s Universe is a booklet offering a compilation of common language to improve childcare for children whose potential is as endless as the universe itself and make their childcare more in-depth

Overview of Business Segments

Berlitz

One of the largest language-education companies in the world.
Under a new CEO, we are moving ahead with radical reforms.



11.2%
¥49.2 billion



Strengths

- 461 language centers in over 70 countries and regions worldwide
- The Berlitz Method of learning a target language through immersion in life situations using that language only
Verified as effective with a 140-year track record of success in the world
- Able to offer language learning through intercultural understanding
- Extensive track record in language training for companies, schools, and public offices,
implemented at more than 4,800 companies in Japan and over 20,000 around the world

Social Changes

Opportunities

- Language learning needs are increasing around the world due to the globalization of business
- More students going to study abroad as economies of developing countries grow
- Increasing needs for language learning and the intercultural understanding that accompanies it

Risks

- Diversification and intensifying (price) competition in products and services due to the shift to digital mediums
- Intensifying competition from new entrants coming from sectors other than the existing education field
- Increasing needs of customers who want to take lessons through more flexible methods

FY2020 Targets

Net sales CAGR **2%**

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

FY2018 Results and FY2019 Initiatives

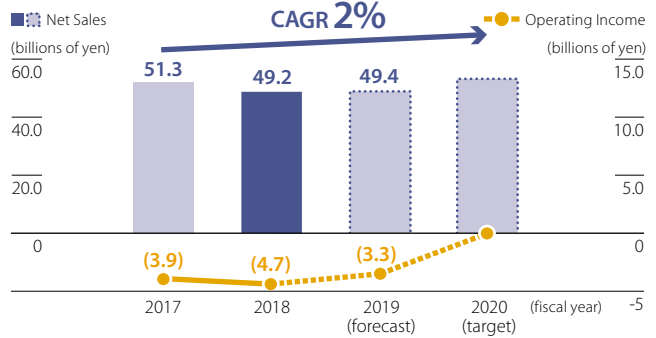
Putting the finishing touches on restructuring, while pursuing initiatives aimed at growth

Curtis Uehlein CEO, Berlitz Corporation



- Revenues decreased mainly due to less language lessons taking place in Europe, and less Chinese students going to study abroad
- Profit significantly decreased due to an additional rise in restructuring costs, resulting in a second consecutive year of operating loss

Net Sales & Operating Income



FY2018 Results

- Pushed through cost reductions with thorough restructuring mainly at US headquarters and ELS centers
- Performance within Japan was strong, including more business with corporate customers
- Launched the Berlitz 2.0 project to develop and launch new products, improve business processes, and boost satisfaction with the customer experience
- Entered into a master franchise agreement with CIIC Co., Ltd. in China

FY2019 Initiatives

- Enhance the product and solutions portfolio, including the launch of Berlitz 2.0
- Upgrading operational infrastructure and optimizing systems and processes
- Improve business efficiency by franchising in low-earnings countries and concentrating operational resources in strategically important countries
- Develop marketing and optimize business processes

Highlights

Planning to roll out Berlitz 2.0 to all regions around December 2019

Seeking to radically update our products, the goal of Berlitz 2.0 is to maintain the positive aspects of face-to-face language learning while allowing students to choose learning styles and content that match their own schedules. While offering curriculum that utilizes AI and voice recognition technologies to cater to various language learning needs, we are also developing interfaces that make it simple for students to choose and schedule the lessons they want to take.

As the only language services company to conclude a global alliance agreement with Google, Berlitz is also harnessing the world's highest level of digital marketing skills.

Berlitz 2.0 overview



Overview of Business Segments

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.



Business Related to Pregnancy, Childbirth, and Child-Rearing

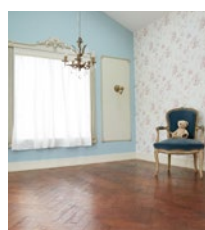
Utilizing feedback from women who are pregnant or raising children, we provide information and products that are helpful to such women in their day-to-day lives.



Tamago Club



Hiyoko Club



tamahiyo photo studio

Lifestyle-Related Business

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



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)