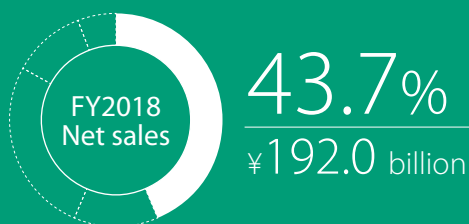


Overview of Business Segments

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.



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

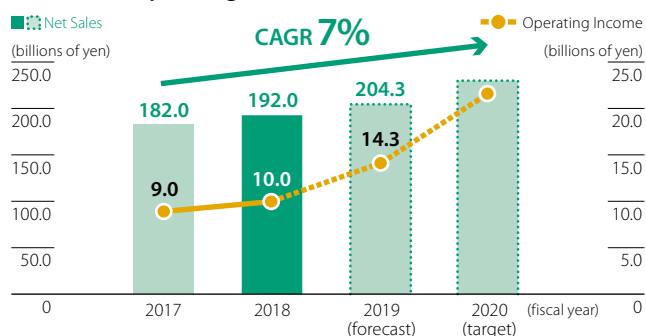
Net sales CAGR **7%**

- 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.

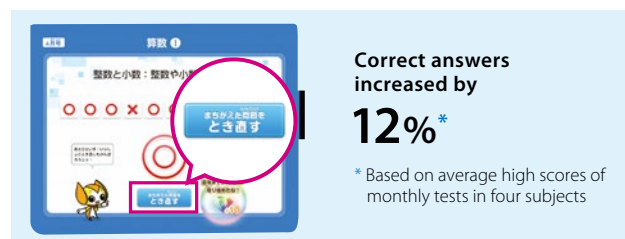


Compatible with your own computer or smartphone in addition to dedicated Shinkenzemi tablets, making it possible to study on your own anywhere, at any time

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

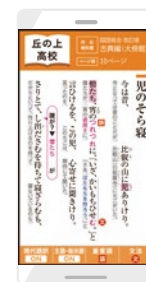
Overview of Business Segments | Domestic Education (Japan)

Highlights

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

We are focusing on developing smartphone-based learning for our Shinkenzemi 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 Shinkenzemi 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

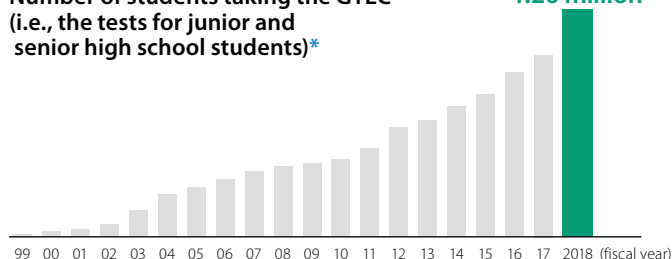
Highlights

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

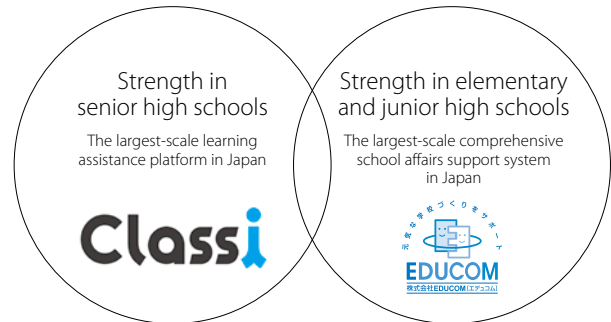
Highlights

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 Shinkenzeremi 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

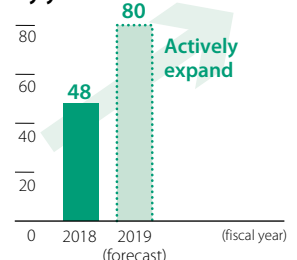
Highlights

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 Shinkenzeremi 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 Shinkenzeremi and original learning material.



Number of classrooms by year



Overview of Business Segments | Domestic Education (Japan)

Arata Yamamoto

General Manager, Philippines
Overseas Office,
Benesse Corporation

Sachiko Mitsuhashi

Director, Product & Service
Development Department,
Benesse Corporation

Nobue Tominaga

General Manager, Learning
Materials Development
Department,
Benesse Corporation

Yuto Ono

Manager, Information System
Department,
Benesse Corporation

Focus

1

Setting sights on the future of English language education reform

Shinkenzemi: Developing learning material for English four skills

Material to teach each child English that is actually useful

Leveraging knowledge and expertise from correspondence course support to adapt our materials to changes in English language education

Education develops the skills that children will need to be successful members of society in the future. Children living in this age of rapid globalization and technological innovation have a greater need than ever for the skills to think on their own and collaborate with others while carving out the future. Japan is reforming its education system and entrance examinations in order to help students acquire these skills.

With more emphasis on this future vision, English language education in Japan is now undergoing drastic change. The new university entrance examination to be implemented in the 2021 academic year will comprehensively evaluate examinees on all four English language skills, including listening and speaking in addition to reading and writing which the examination has tested up to now. This is because Japan needs human resources who are just as capable of confident communication in English, with people from other countries, as they are at communicating in Japanese.

In April 2019, Benesse released Level-Specific English Four Skills Training, a digital learning material made continuously available to



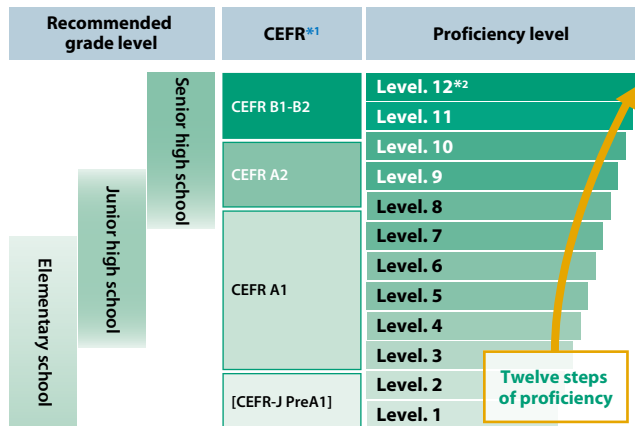
See articles featuring interviews with members of this project team, check here
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/index.html>

Shinkenzemi enrollees at no additional charge. Through Shinkenzemi, Benesse has long been supporting correspondence courses which are the cornerstone of self-study and self-learning. Some parents have voiced anxiety and confusion about the changes in English language education. Benesse developed English Four Skills Training in response to their concerns.

Providing close support to each enrollee to steadily raise their proficiency

Enrollees have different skill levels, and English Four Skills Training is designed to allow each of them to advance level-by-level starting from the level they can currently handle. The defining characteristic of this training is that it provides a service broken down into 12 stages according to the proficiency level of the enrollee, rather than learning materials according to grade level as the practice has been in the past. The level assessment test determines the English level of each enrollee and offers lessons that match their individual levels. Starting in 2020 elementary schools in Japan will begin teaching Foreign Language Activities in third and fourth grades to familiarize students with English and will begin teaching English as a subject in fifth and

Twelve proficiency level training progression



^{*1} European standards for measuring English language proficiency

^{*2} Level 12 is in development, to be ready in 2020

sixth grades. Students will be graded in English as a subject. Due to varied learning opportunities each student has had until now, right now English skill levels vary significantly even between students in the same grade. For that reason, there is good reason to be optimistic about lesson material tailored to different proficiency levels which can effectively boost English skills starting with what students can currently handle.

Another feature of the learning material is its emphasis on output. Lessons encourage students to organize their thoughts and ideas then communicate them in their own words by enabling them to communicate back and forth with their instructors.

The learning cycle is also designed to enable enrollees to steadily acquire greater English skills. They can set their own achievement goals based on the results of the level assessment test, and the cycle is supported by highly detailed suggestions about when and how to use the learning materials. Designed to keep each enrollee on track while learning on their own, follow-ups and re-assessments determine the optimal level to proceed according to the progress and proficiency of the learner.

Other companies also offer English four skills learning materials, but Benesse has its greatest strength in continuously being able to facilitate the progress of each and every enrollee from elementary school students through senior high school students with a streamlined service. Combining the knowledge and expertise we

have built over the years in materials development and academic skill assessment, we attentively guide enrollees along their learning paths.

Tremendous response immediately after release Steady use by enrollees remains strong

Response to English Four Skills Training immediately after its release was tremendous. And while data on usage trends is still accumulating, actual usage has shown to be even greater than we initially expected.

One example is that over 50% of enrolled elementary school first graders have started using it. Having analyzed the situation, we believe this is a result of large numbers of parents coming on board in the leadup to English becoming a required subject.

At the same time, we have also come to understand what challenges we will need to overcome to further expand enrollment. Since junior and senior high school enrollees have expressed desire to use this training to prepare for English four skills proficiency tests and for entrance examinations, we will be providing one-on-one online lessons with foreign instructors who know how to address the specific test format, timed according to the testing schedule. We will also work on improving the assessment test by analyzing past data to be able to produce highly accurate assessments even with a small number of questions.

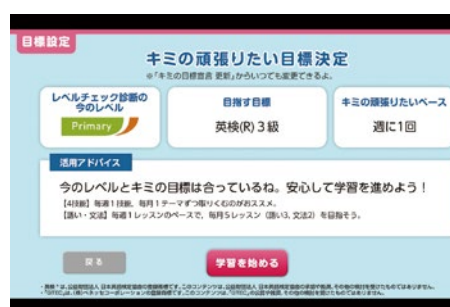
Seeking progress and evolution in the form of English learning material that is genuinely useful

Benesse has accumulated enrollee response data from having provided Shinkenzeremi and upwards of 900,000 online English conversation lessons per year, in addition to a vast collection of learning history including data of conversations with foreign instructors. Utilizing this data along with our customer base, we will aim to achieve further progress and evolution. We will execute phased implementations of learning through conversation with AI. Some children want to boost their spoken English skills but find it difficult to engage in conversation with foreign instructors. In cases such as these, we could reduce their resistance to English conversation by having English-speaking AI characters that can present the right topics for the enrollee.

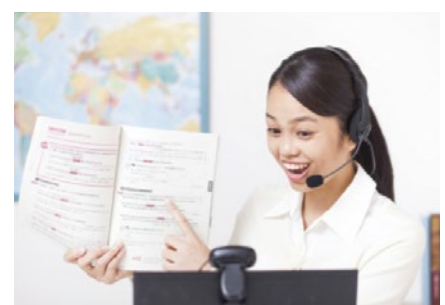
We will enhance our learning materials for improving scores on tests and entrance examinations, but that is only one side of things. "Fostering the skills in children that will be useful for their future." Based on this strong conviction, Benesse will utilize the learning data it has accumulated to create learning material to acquire useful English, which takes four skills learning to the next level for all enrollees while also being receptive to their opinions and those of their parents.



Proficiency level assessment by checklist



Setting goals for each test to enable structured learning



Online English conversation with foreign instructors for a fee is available, allowing for personalized instruction

Shoichi Ishikawa

Classi Marketing Section,
School ICT Business Division,
Benesse Corporation/
Area Manager, Marketing
Department, Classi Corp.

Hideaki Yoshida

Teacher and Career
Guidance Counselor, Noshiro
Senior High School of
Akita Prefecture

Focus 2

Setting sights on future education reform in Japan

Classi implementation at Noshiro Senior High School of Akita Prefecture Pioneering a new education format that trains the ability to learn independently

The future of schools that aspire to be “regional prep schools”

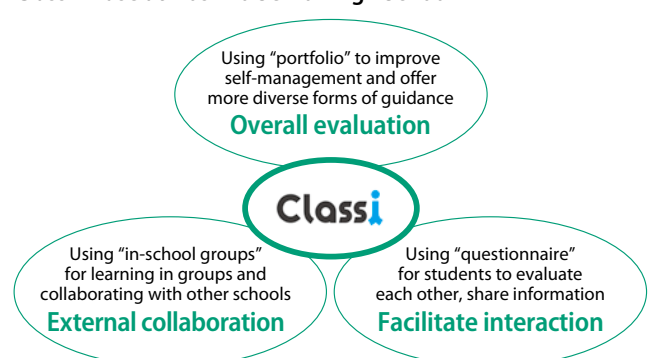
As part of educational reforms, more universities will be requiring students to take the written Japanese language section of the entrance examination in addition to an English four skills (listening, reading, speaking, writing) test starting with the entrance examinations in the 2020 academic year. There will be more emphasis than ever on students retaining what they have learned and being able to produce output. Amidst this growing demand for new-age education, more and more schools are implementing Classi, an educational platform that leverages ICT (Information and Communication Technologies). One such school is Noshiro Senior High School, a prefectural preparatory school belonging to Akita Prefecture in Northern Japan.

Noshiro Senior High School teacher Hideaki Yoshida, who is in charge of career guidance, shared why his school chose Classi, explaining that, “For some time, we had been teaching students to think on their own and incorporate what they learn from ‘inquiry’ within conversations. Classi was appealing because it includes features to help accomplish that.”

Using Classi to connect, reflect, and mutually improve

“Inquiry” involves discovering problems on your own and training the ability to learn while experiencing the process of solving those problems. Starting in the 2022 academic year, a new subject under the name “Tankyu” (inquiry) will be established among courses taught in senior high schools in Japan. Noshiro Senior High School

Classi in use at Noshiro Senior High School



was designated by Akita Prefecture as a "model school for the practice of inquiry-related activities" in 2017. The school used this designation as an opportunity to get a step ahead and proceed with activities such as inquiries for solving problems in the community. "Since implementing Classi, we have been able to 'connect,' 'reflect,' and 'mutually improve,' which are valuable aspects of conducting inquiries." (Mr. Yoshida)

The communication functions of Classi are useful for "connecting." In addition to learning in groups within the school, these functions also enable us to collaborate with other schools to give students a deeper learning experience. For "reflecting," we use the portfolio function. Students can easily input and store their inquiry findings and their own revelations through their smartphones, which also makes it easy to reflect on what exactly they learned. Based on this data, teachers can also give the proper advice, guidance, and evaluations. As for "mutual improvement," in addition to the functions



Keeping learning records and reflections via smartphone



Keeping records of realizations and lessons learned in group work



Teachers can access data recorded by students at any time



Improve the quality of lectures with on-the-spot questionnaire totals

I've already mentioned we also utilize the questionnaire and ballot box functions. Questionnaires facilitate interaction, allowing students to evaluate each other, share information, and even write their impressions of presentations made by other students.

Utilizing these functions, they have also started using Classi to keep learning records for lessons other than the inquiries at the school, and as a communication bulletin board.

Expand the horizons of student learning

Classi is an ICT tool that has evolved while helping to solve problems in educational settings that are undergoing reform, serving as a close companion for teachers. Classi enables more comprehensive collection of individual student data through linkage with assessments such as Shinken Simulated Exams and Study Support which Benesse has long provided, making it a tool that supports guidance for both education and career planning.

We are also reviewing new features that can be equipped to make it easier for schools to communicate with each other to facilitate even more collaborative education in the future. If we can achieve this, it will help rectify regional disparities in education and information.

We will continue to develop and evolve this educational platform in order to unlock students' potential and provide new forums for learning.



See more about this project in easy-to-understand format with these videos and HTML articles
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/classi.html>



TESTIMONIALS

Opinions and impressions of others can quickly be shared, allowing for more in-depth learning through mutual interaction.

Ms. A, Teacher

Interacting with universities and other schools is easy, making it possible to learn of different perspectives and approaches to a variety of things and expanding our horizons.

B, Second Year Senior High School Student

I want to use ICT to assist schools and change education in Japan.

Hisashi Inoue

Director, Classi Corp.
 Director of Digital Business Development Department, Benesse Corporation



Our mission at Classi Corp. is to unlock the infinite potential of children and transform learning. We are actively striving to provide new forms to support in school education to make schools the training grounds for students to thoroughly acquire

the abilities that future society will require.

One illustration of this is the wide-open learning environment that transcends individual schools which Classi's group function enables as we have seen at Noshiro Senior High School, including interaction with people in the community and professionals outside the school, and collaborative learning with schools in other prefectures.

Receive feedback from peers. Go even more in-depth with new realizations and studies that transcend school boundaries. We intend to provide even more learning opportunities made possible through ICT, and learning opportunities that Classi in particular can create to unlock the potential in children.

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

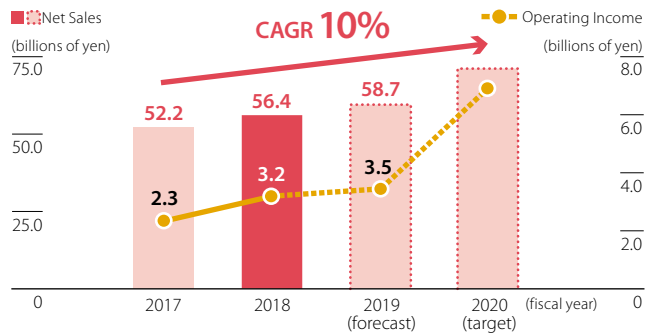
Haruna Okada

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

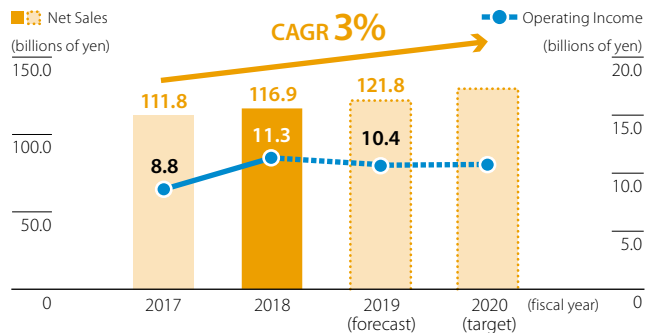
Achieve steady growth through differentiation created by further developing the Benesse Method

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



The 2018 IT Awards organized by the Japan Institute of Information Technology (JIIT) recognized the Service Navigation System as a system that could change the future of nursing care and gave it the "IT Business Award."

Ken Iwaida

General Manager, Service Promotion Division
Executive Officer, Benesse Style Care Co., Ltd.

Takemasa Harada

Service Navigation Systems Training Director, Tokyo Area 1 Business Division,
Nursing Care Area 2 Company, Benesse Style Care Co., Ltd.

Focus 3

Setting sights on greater numbers of people who need nursing care

Implementing the Service Navigation System

Changing the future of the nursing care setting with the Benesse Method

At the core of system development is the conviction that nursing care is a creative line of work

In 2017, Benesse Style Care developed the Service Navigation System, a recordkeeping platform for nursing and caregiving that would revolutionize the style of services provided in nursing care settings. Developing this platform in-house, the development project was launched in 2012 and after five years of repeated testing and validations it was ready to fully go live. Currently the platform has been rolled out to all of the company's roughly 320 nursing homes throughout Japan, with the exception of two Li-Re locations, and it is being used for the services provided to over 16,000 residents (as of August 2019).

At the core of the Service Navigation System is the conviction at Benesse Style Care that nursing care is a creative line of work. You need to have specialized knowledge and skills to be able to work in nursing care, and nursing and caregiving staff, care managers, rehabilitation therapists, and other specialists form teams to create the services that allow each of the residents to live in ways that suit their own personalities. Because of their conviction to deliver such services, the greatest emphasis in development was not simply to accomplish the goal of improved productivity, but rather to produce

a tool that would enhance the quality of nursing care services.

The defining feature of the platform is that it executes PDCA cycles to establish services that have never been provided before, based on various resident care data gathered on a daily basis. As such, the Service Navigation System really is a tool that amplifies the creativity of nursing care staff.

Leveraging the realizations and actions of staff to improve quality of life for residents

Nursing care settings have traditionally maintained recordkeeping sheets for each floor, on which staff would write down the names of the residents and things like what they ate and their water intake. Because of that, keeping and checking the records consumed a significant amount of time. The Service Navigation System centrally manages all of this information for each floor and makes the information available for viewing and sharing at any time on computers and smartphones. Details of the care being provided can be entered simply by touching the corresponding location on the screen, and the status of residents is displayed in the form of easy-to-understand icons.

However, the purpose of this system is not simply to take work that was analog and convert it to digital format. Rather, it aims to encourage staff to “realize” things and be the impetus for turning these realizations into “actions.” Just as its name implies, the system is implemented with the intention of guiding (= navigating) staff toward exercising more creativity in their work. Staff can provide services based on what the Service Navigation System informs them about things like changes in the weight of residents over certain periods of time, and points to be aware of when providing care to them, thereby improving their quality of life (QOL).



Care that should be provided is listed as icons on timetables

New “realizations” are achieved through communication within nursing homes

Implementation of the Service Navigation System has brought about big changes in the nursing care settings at Benesse Style Care. This can be observed in how staff now communicate with each other more actively than ever before, and in how the new realizations that this leads to are being put into practice by each and every staff member. The system also comes with a function to record and verify future recurrence prevention measures step-by-step whenever accidents occur, which is also helping to pre-emptively prevent the

occurrence of other accidents. The timing to perform procedures to renew nursing care insurance plans has also been made clearer. Since the life circumstances of residents and the points to be aware of in caring for them can now be recorded accurately and in detail, all staff members can immediately share this information and use it to take even more appropriate action.

Of course, the system is also generating productivity and efficiency effects. Time and effort spent checking record sheets and reports has been reduced, while information is now shared and coordinated more smoothly. Each staff member can now take the time that would have gone toward these tasks and use it instead to revise care methods or spend more time with residents. This is how services are being improved for the nursing homes as a whole.

Leading the path to an ideal future for the nursing care industry

Benesse Style Care will continue working to develop and evolve the Service Navigation System as a tool for seeking out ways to provide nursing care services that are even more in tune with residents and can continuously support them in the lifestyles they want to live. For example, we would like to work on connecting it to other IT solutions to improve the accuracy and efficiency of nursing care operations, such as analyzing accumulated data to find ways to reduce accident occurrences.

With our vision of leading the path to an ideal future for the nursing care industry, we will set ourselves at the forefront of the industry by developing, evolving, and utilizing the Service Navigation System.



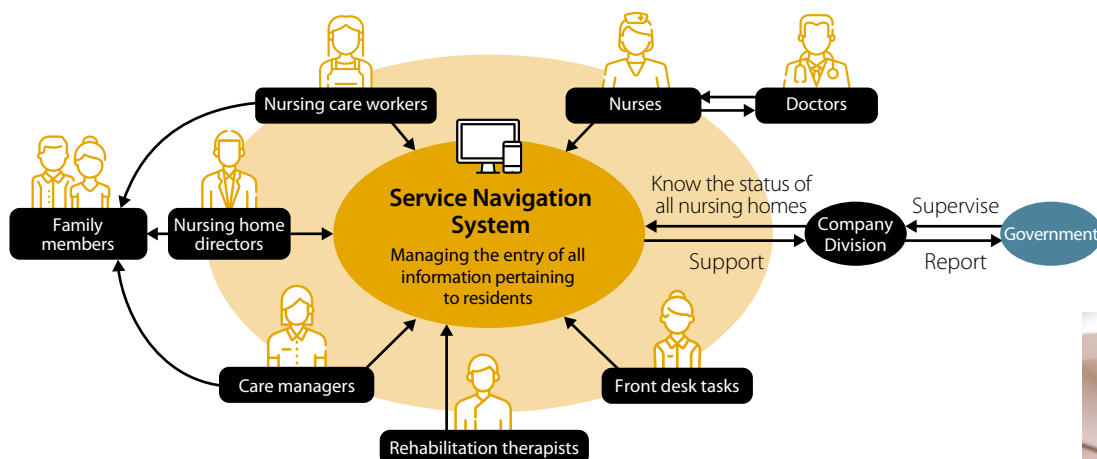
See more about this project in easy-to-understand format with these videos and HTML articles
<https://www.benesse-hd.co.jp/en/ir/library/ar/2019/focus/service.html>



Five characteristics of the Service Navigation System

- (1) Improved productivity
- (2) Compliance
- (3) Information sharing and coordination
- (4) “Realizations” about residents
- (5) Accident recurrence prevention

Information sharing and coordination between different job types in the Service Navigation System



Smooth information sharing and coordination during shift changes



Check and enter information via smartphone

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

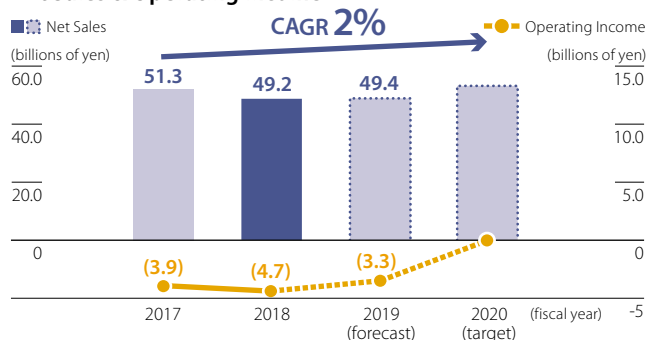
Putting the finishing touches on restructuring, while pursuing initiatives aimed at growth

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

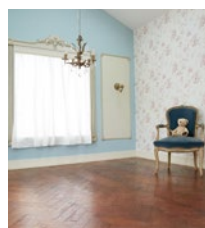
Utilizing feedback from women who are pregnant or raising children, we provide information and products that are helpful to such women in their day-to-day lives.



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)