

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

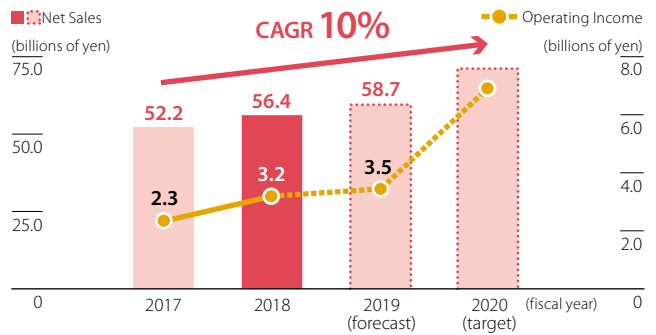
Leveraged the strength of the Shimajiro brand to create new value in preschool education domestically and abroad

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.