

Corporate Governance

Corporate governance

The Company continuously appoints both directors in charge of business execution and multiple, highly independent outside directors. This ensures that meetings of the Board of Directors cover lively, multifaceted discussions that go beyond internal circumstances, assuring that the supervisory function of the Board of Directors is maintained and improved, and that the Company also conducts effective audits by standing Audit & Supervisory Board members who are knowledgeable about the Company, as well as outside Audit & Supervisory Board members who are attorneys or certified public accountants.

Board of Directors

In principle, the Board of Directors meets monthly led by the Chairman of the Board to deliberate on important matters for the management of the Company and the Benesse Group, make key management decisions, and supervise the business execution of the operating companies. Since 2003, the Company has appointed multiple outside directors. Five of the Board's ten directors are outside directors (four are independent outside directors), and an outside director is Chairman of the Board.

Appointing multiple directors and multiple highly independent outside directors, the Company assures the Board's supervisory function and executes business appropriately.

Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The chairman is an outside director and the majority of the Committee's members are outside directors. In the appointment and dismissal of directors and of the director and president/CEO, the Committee deliberates and submits its opinion to the Board of Directors, which makes the final decision.

The Committee also deliberates on the compensation system for directors and submits its opinions on this to the Board of Directors, and is delegated by the Board of Directors to decide the compensation of individual directors.

Management Council

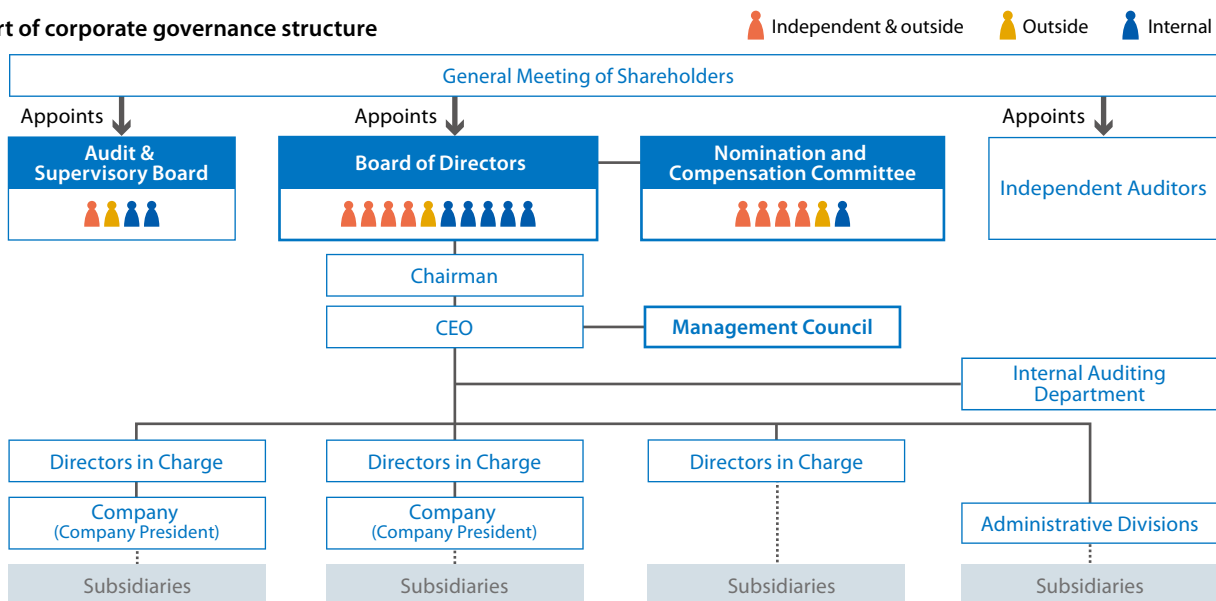
The Management Council generally meets monthly, chaired by the president and attended by the executive vice president, directors in charge, heads of companies, vice heads of companies, those responsible for administrative divisions, and individuals designated by the president. Council members share important Benesse Group issues and information and deliberate on important matters for the Group.

Audit & Supervisory Board

In accordance with the Code of Audit and Supervisory Board Member Auditing Standards, the policy of the Audit & Supervisory Board is to assume responsibility for establishing a good corporate governance structure worthy of the trust that society places in the Company, with emphasis on preventive auditing. The Company also conducts effective audits via standing members of the Board who are knowledgeable about the Company, and via outside Board members who are attorneys or certified public accountants.

The Board meets once a month, in principle, and individual Board members share their awareness of key management issues by attending important management meetings such as Board of Directors, Nomination and Compensation Committee, and Management Council meetings, and by exchanging opinions with senior management. Two standing members of the Board and one part-time member also serve as auditors for major subsidiaries while actively receiving verbal business reports from operating companies investigating business, and other tasks.

Chart of corporate governance structure



Corporate Governance

In addition to appointing dedicated audit staff to enhance its audit system, the Company also has the Benesse Group Audit Committee (adding standing members of audit & supervisory

boards at subsidiaries) to strengthen cooperation among the Group's audit systems.

Improving the effectiveness of the Board of Directors

In FY2015, the Company began carrying out an annual assessment of the Board of Directors. In FY2018, the Board administered a questionnaire to all 14 Board directors and members of the Audit & Supervisory Board. The Board then analyzed the responses, carried out self-assessment with regard to the Board's effectiveness, and deliberated concerning the results.

As a result of the deliberations, some suggestions were made including for more substantial discussions on matters such as capital policy toward achieving the objectives of the medium-term management plan, but the Board of Directors overall was found to have further enhanced its effectiveness, including significant

improvement over the previous year in assessments pertaining to training and the provision of information to directors.

Items assessed in Board of Directors effectiveness assessments

- (1) Overall effectiveness of the Board
- (2) Composition of the Board
- (3) How the Board operates
- (4) Quality of discussions in the Board
- (5) Training and the provision of information

FY2018 initiatives and future actions

FY2018 Initiatives

The following items were priority actions

- Joint considerations with the Nomination and Compensation Committee about the grooming of successors, and diversifying the composition of the Board
- More extensive discussions on matters such as capital policy and business evaluation indexes from a medium- to long-term perspective
- Have outside directors and outside Audit & Supervisory Board members engage in ongoing dialogue with employees in the workplaces and provide them with workplace-based perspectives and experiences of our products and services (hold officer study sessions and provide opportunities to participate in success story presentations organized by each division)

Overview of the FY2018 assessment

The Board of Directors overall was found to have maintained a high level of effectiveness, and corporate governance has been strengthened

- **[Significant improvement]** Free, open, and constructive discussions are taking place thanks to supportive practices such as briefing sessions, advance distribution of documents and other materials, and holding officer study sessions
- **[High level maintained]** The Board has attained an appropriate composition, with half of its members being outside directors boasting a variety of experience and expertise, and with the chairman himself being an outside director
- **[Issues]** More substantial discussions are desired on matters such as capital policy toward achieving the objectives of the medium-term management plan

Actions in FY2019

The following items are priority actions

- Monitor the medium-term management plan
- Continue discussions on matters such as capital policy from a medium- to long-term perspective, and make these discussions more extensive

Note: The questionnaire was administered from the end of March to mid-April, 2019.

Composition of directors and how they are appointed

The Company employs the following method of appointing directors in order to ensure proper supervision over management from the standpoint of achieving sustained growth for the Benesse Group.

• Number of Board members

No more than 10 directors.

• Diversity

The Board seeks to maintain a good balance among its directors, appointing directors with diverse types of expertise and experience without being too heavily weighted in any specific field. At the Ordinary General Shareholders' Meeting on June 22, 2019, the Company newly appointed a female to the Board, thus ensuring diversity in terms of gender. The Board is also improving the effectiveness of its supervision by appointing multiple outside directors who have experience in managing companies or who have high levels of insight and expert knowledge in sectors such as global business and IT/digital, in which the Company aims to grow in the future.

• Outside directors/independence

In order to ensure proper supervision over management, at least half of the Board is composed of outside directors, and at least one-third are independent outside directors.

• Requirements of directors

The following requirements have been established for directors to be able to properly handle the role.

1. Deep understanding and empathy for the corporate philosophy of the Benesse Group
2. Outstanding leadership befitting of a manager
3. Outstanding character and insight, as well as mental and physical health
4. Meets legal requirements for eligibility as a director

• Appointment process

The Nomination and Compensation Committee, in which the chairman is an outside director and the majority of the Committee's members are outside directors, deliberates on the nomination of directors and submits its opinion to the Board of Directors, which then makes a final decision. This format ensures transparency, fairness, and objectivity in the appointment of directors.

Expertise of Board of Directors and Audit & Supervisory Board members

Directors of the Board	Management	Education	Nursing care	Global experience	Digital
Tamotsu Adachi	●			●	
Hitoshi Kobayashi	●	●	●	●	
Shinya Takiyama	●		●		
Masaki Yamasaki	●	●			●
Haruna Okada	●	●		●	
Shinjiro Iwata	●			●	●
Kiyoyuki Tsujimura	●			●	●
Hideaki Fukutake	●			●	
Ryuji Yasuda	●			●	
Katsumi Ihara	●			●	●

Audit & Supervisory Board members	Accounting	Law
Yoshinori Matsumoto		●
Naoto Saito	●	
Eiichi Izumo	●	
Miyuki Ishiguro		●

Corporate Governance

Officer compensation

The Benesse Group aims to achieve sustained medium- to long-term growth for the entire Group. Our basic policy for the compensation of directors (excluding outside directors) is to provide incentive for sustained improvement of corporate value. At the same time, compensation for outside directors is comprised only of basic compensation, so as not to obstruct their supervision of management.

Compensation for directors is set to competitive levels in commensurate with the roles, skills, responsibilities expected of directors who manage the Group, based on median levels found for Japanese companies of similar size using externally-conducted compensation surveys as a reference. At the same time, compensation for Audit & Supervisory Board members is decided through consultation with those members, and is comprised only of basic compensation.

Compensation system for directors (excluding outside directors)

Fixed Compensation	Performance-linked Compensation	
Basic Compensation 50–55% Set based on expectations for the role	Bonus 35% Paid taking the Company's business performance into account	Restricted Stock Compensation 10–15% Compensation linked to stock price

Bonuses

These are performance-linked bonuses that are paid based on the Company's business performance in the fiscal year, fluctuating within a range of 0 to 200 percent. Bonuses are comprised of three portions, (a) a portion linked to the performance of the Company, (b) a portion linked to the performance of the business domain of the director, and (c) a qualitative evaluation portion. The ratios of these three parts for each director depend on whether the director is responsible for a business domain, as well as their actual responsibilities and other details. The contributions of each director are then evaluated in many ways to determine the amounts of their bonuses.

[Details of the performance-linked portions]

(a) The portion linked to the performance of the entire Company: This part is linked to the rate to which the consolidated performance forecast (consolidated sales, consolidated operating income) is achieved. Evaluation is performed according to a table created by the Nomination and Compensation Committee at the beginning of the fiscal year. (b) Performance of the business domain which the director is responsible for: This part is linked to the rate to which the performance targets (sales, operating income, Shinkenzemi and Kodomo Challenge enrollment in Japan, etc.) are achieved in the field each director is responsible for. Evaluation is performed according to a table created by the Nomination and Compensation Committee at the beginning of the fiscal year. (c) The qualitative evaluation portion: This part evaluates the level or achievement at the end of the fiscal year relative to qualitative targets for organizational contributions or brand enhancements which were set for each director at the beginning of the fiscal year. These qualitative targets include specific efforts such as grooming successors and cultivating organizational culture. Evaluations of the rate to which these targets are achieved (performance) are decided by the Nomination and Compensation Committee after hearing the self-evaluation of each director.

Restricted stock compensation

A restricted stock compensation plan was introduced in FY2017 to better link compensation to medium- to long-term performance and as an incentive for directors to continuously improve corporate value, as well as to further promote shared values between shareholders and directors. The transfer restriction period is set at three years, restricting transfers and other dispositions during this time. If a director (excluding outside directors) is found by the Board of Directors to have committed a major violation of the rules of the Company during their term in office, that director (excluding outside directors) may be ordered to return their stock compensation within this predetermined transfer restriction period even if no longer serving as a director.

Total compensation by officer category (FY2018)

Officer Category	Directors (excluding Outside Directors)	Outside Directors	Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	Outside Audit & Supervisory Board Members
Amount of Compensation (millions of yen)	235	61	62	20
Amount of Compensation by Type (millions of yen)	Basic Compensation	106	61	20
	Stock Options*	5	–	–
	Bonuses	75	–	–
	Restricted Stock Compensation	47	–	–
Number of Eligible Officers	5	5	2	2

* The Company has no plans for new allocation of stock options to directors and Audit & Supervisory Board members.

Reasons outside directors and Audit & Supervisory Board members were appointed

Directors of the Board

Shinjiro Iwata	Mr. Iwata has acquired a great deal of company-management experience and knowledge at global corporations in the telecommunications industry. In addition, in his role as an outside director, he is contributing to improving the transparency of both the Company's managerial supervision and the decision-making processes used in managing the Company. For example, as chairman of the Board of Directors he conducts meetings of the Board, and as chairman of the Nomination and Compensation Committee he states his views without hesitation.
Kiyoyuki Tsujimura	Mr. Tsujimura acquired a great deal of company-management experience and knowledge at global corporations in the telecommunications industry, and in his role as outside director he carries out appropriate supervision of the Company's management. At meetings of the Board, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company.
Hideaki Fukutake	In his role as an outside director, Mr. Fukutake makes use of his experience as outside director of a major Group subsidiary and his perspective as a shareholder to carry out appropriate supervision of the Company's management. At meetings of the Board of Directors, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company. And as a member of the Nomination and Compensation Committee, he takes an active, vocal part in meetings of the Committee, contributing to improving the transparency of the decision-making processes used in managing the Company.
Ryuji Yasuda	Mr. Yasuda has extensive experience, having served in roles such as management consultant at a global consulting firm, professor at a university, and outside director at another company, and has profound professional knowledge as well. In his role as an outside director, he carries out appropriate supervision of the Company's management. At meetings of the Board, he draws on his experience and knowledge to offer opinions and recommendations in a forthright way regarding important questions about the management of the Company. And as a member of the Nomination and Compensation Committee, he plays an active, vocal part in meetings of the Committee, contributing to improving the transparency of the decision-making processes used in managing the Company.
Katsumi Ihara	Utilizing extensive company management experience and knowledge gained at global corporations, Mr. Ihara has been judged as capable of exercising appropriate supervision of the Company's management in his role as an outside director.

Audit & Supervisory Board members

Eiichi Izumo	Mr. Izumo, formerly a partner at Deloitte Touche Tohmatsu LLC, possesses the professional knowledge of a certified public accountant and experience acquired working with many different companies in various roles as an auditor and consultant. Utilizing this knowledge and experience, he actively provides opinions and recommendations on important matters for the management of the Company in the Board of Directors and the Audit & Supervisory Board.
Miyuki Ishiguro	Ms. Ishiguro, a partner in the law firm of Nagashima Ohno & Tsunematsu, has a great deal of practical experience and excellent ability and insight in the field of corporate legal affairs. She also draws on her experience as an outside director at other companies to participate in the auditing work of the Company from a neutral and objective perspective.

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board members

The Company shall determine that the Company's Outside Directors, Outside Audit & Supervisory Board Members and the respective candidates for those posts possess a high degree of independence when all of the following criteria are satisfied:

1. The individual has not served as business personnel of the Company or its Group companies (collectively "the Benesse Group") in the current fiscal year or the past nine fiscal years.
2. Individuals who have satisfied all of the following conditions (A) through (H) for the past three fiscal years:
 - A. The individual is not an entity for which the Benesse Group is a major client and does not serve as business personnel thereof.
 - B. The individual is not a major client of the Benesse Group and does not serve as business personnel thereof.
 - C. The individual is not a major shareholder (directly or indirectly holding a voting interest of 10% or more) of the Company and does not serve as business personnel thereof.
 - D. The individual does not serve as business personnel of an entity that is a major investee of the Benesse Group (in which the Benesse Group directly or indirectly holds a voting interest of 10% or more).
 - E. The individual is not a consultant, accounting expert or legal expert who has received compensation in the form of a large amount of money or other assets, other than officer's compensation from the Benesse Group

(or an individual belonging to an entity such as a corporation, association, or other group that has received such assets).

- F. The individual has not received a large charitable donation or subsidy from the Benesse Group and does not serve as business personnel of such a recipient.
 - G. The individual is not an independent auditor of the Benesse Group and does not belong to a corporation, association or other group that serves as an independent auditor of the Benesse Group.
 - H. In cases where the business personnel of the Benesse Group have been appointed as outside officers of other companies, the individual does not serve as business personnel of the other company.
3. The individual is not a relative of a person who meets either of the following conditions "a." or "b."
 - a. An individual who does not satisfy any of the foregoing conditions (A) through (H) in (2) above for one of the past three fiscal years. However, the business personnel stipulated in conditions (A) through (D) and (F) and (H) shall refer only to key business personnel. Condition (E) shall apply only to persons with specialized qualifications, such as certified public accountants and lawyers. Condition (G) shall apply only to key business personnel and persons with specialized qualifications, such as certified public accountants and lawyers, in the individual's organization.
 - b. Key business personnel of the Benesse Group in the current fiscal year or any of the past three fiscal years.

Corporate Governance

Directors and Audit & Supervisory Board members (As of June 22, 2019) ■ Outside ■ Independent ■ Newly Appointed

Directors



Tamotsu Adachi
Representative Director,
President and CEO

In 1977 joined Mitsubishi Corporation. Went on to serve as a Partner at McKinsey & Company, Inc. Japan, President and CEO of Japan Lease Auto Co., President and CEO of GE Fleet Services Co., Managing Director and Japan Representative of Carlyle Japan LLC, and in other positions. Since 2003 he has been a Director of the Company, a position which he has held intermittently for a total of 11 years. Since 2016 he has been the Company's Representative Director and President, CEO.

- Current responsibilities
Berlitz Corporation

Attendance at Board of Directors meetings: 14/14



Shinjiro Iwata
Director and Chairman

■ ■ In 1972 joined Hitachi, Ltd. Went on to serve as CEO of Hitachi Data Systems Corporation, EVP of Hitachi Global Storage Technologies, Inc., and Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd., and held other positions as well. He has been a Director of the Company since 2014, and has been Director and Chairman of the Company since 2016.

- Other current key positions
Outside Director at JVC KENWOOD Corporation
Outside Director at A.L.I. technologies Inc.

Attendance at Board of Directors meetings: 14/14



Hitoshi Kobayashi
Representative Director and
Executive Vice President

Joined the Company in 1985. After having served as Representative Director and President of Benesse Style Care Co., Ltd., in 2012 became a Director of the Company, a position that he continues to serve in. Went on to lead the Company's Corporate Planning Division, Overseas Business Company, Zemi Business Company, etc. Currently serves as Representative Director and Executive Vice President of the Company, and as Representative Director and President of Benesse Corporation.

- Other current key positions
Representative Director and President of Benesse Corporation
- Current responsibilities
Zemi Business Company, School and Teacher Support Business Company, Area and Classroom Education Business Company, Global Kodomo Challenge Company, and Kids & Family Division

Attendance at Board of Directors meetings: 14/14



Shinya Takiyama
Director

Joined the Company in 1996. Has been Representative Director and President of Benesse Style Care Co., Ltd., since 2013, and has been a Director of the Company since 2016. Currently serves as a Director and Corporate Executive Vice President of the Company, Head of the Company's Nursing Care and Childcare Business Company, and Representative Director and President of Benesse Style Care Co., Ltd.

- Other current key positions
Representative Director and President of Benesse Style Care Co., Ltd.
- Current responsibilities
Nursing Care and Childcare Business Company

Attendance at Board of Directors meetings: 14/14



Masaki Yamasaki
Director

Joined the Company in 1989. After having served as head of the Group's school and teacher support business, Representative Director and President of Ochanomizu Seminar Co., Ltd., Representative Director and President of Classi Corp., Representative Director and President of Benesse i-Career Co., Ltd., and in other roles, in 2017 became a Director of the Company, a position he continues to serve in. Currently serves as a Director and Corporate Executive Vice President of the Company, Head of the Company's School and Teacher Support Business Company, Director and Executive Vice President of Benesse Corporation, and Representative Director and President of Classi Corp.

- Other current key positions
Director and Executive Vice President of Benesse Corporation, and Representative Director and President of Classi Corp.
- Current responsibilities
Zemi Business Company (deputy), School and Teacher Support Business Company (deputy), and Area and Classroom Education Business Company (deputy)

Attendance at Board of Directors meetings: 14/14



Haruna Okada
Director

■ Joined the Company in 1982. Since becoming an executive officer in 2005 she has held a wide variety of posts, from being a Member of the Labour Policy Council at the Ministry of Health, Labour and Welfare to serving as the Company's Chief Human Officer (CHO), becoming Head of the Kids & Family Company. She became a Senior Executive Officer of the Company in 2018 and a Director of the Company in June 2019. Currently she is a Corporate Executive Vice President and the President of Global Kodomo Challenge Company.

- Other current key positions
Director of Benesse Corporation
- Current responsibilities
Global Kodomo Challenge Company (deputy)

Attendance at Board of Directors meetings: -



Kiyoyuki Tsujimura
Director

In 1975 joined NTT Public Corporation. In 2001 became a Member of the Board of Directors of NTT DOCOMO, Inc., in 2008 became Senior Executive Vice President and Member of the Board of Directors of NTT DOCOMO, Inc., and in 2012 became President and Chief Executive Officer and Member of the Board of Directors of DOCOMO Engineering Inc. Since 2014, he has been a Director of the Company. In 2014 he served as a Professor at Tokyo Institute of Technology, and after leaving that position he in 2015 became Representative Director and CEO of CarpeDiem, Inc., a position he continues to serve in.

• Other current key positions
Representative Director and CEO of CarpeDiem, Inc.

Attendance at Board of Directors meetings: 14/14



Hideaki Fukutake
Director

In 2000 joined KEYENCE CORPORATION. In 2006 joined SMS CO., LTD., and subsequently became Division President of Nursing Care and Medical Care, and Media at that company. Since 2009, has been Director of efu Investment Limited. Since 2012, has been Vice Chairman of the Board of Fukutake Foundation, and since 2013 has been a Director of Berlitz Corporation. After having served as an Outside Director of Benesse Corporation, since 2014 he has been a Director of the Company. In 2018 he became Director of Kings Plant Barn Ltd., a position he currently serves in.

• Other current key positions
Vice Chairman of the Board of Fukutake Foundation and Director of efu Investment Limited

Attendance at Board of Directors meetings: 14/14



Ryuji Yasuda
Director

In 1979 joined McKinsey & Company Inc, Japan and in 1991 became a Director of that company. In 1996 became Managing Director and Chairman of A.T. Kearney, Asia, and subsequently served as Chairman of J-Will Partners Co., Ltd. In 2004 became Professor at the Graduate School of International Corporate Strategy at Hitotsubashi University, and since 2015 has been Adjunct Professor at the same Graduate School (now known as the Graduate School of Business Administration, Hitotsubashi University Department of International Corporate Strategy). Since 2015, has been a Director of the Company.

• Other current key positions
Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University Department of International Corporate Strategy; Outside Director at Yakult Honsha Co., Ltd.; Outside Director at ORIX Corporation; Outside Director at Kansai Mirai Financial Group, Inc.

Attendance at Board of Directors meetings: 14/14



Katasumi Ihara
Director

In 1973 joined Mitsui Knowledge Industry Co., Ltd. After joining Sony Corporation in 1981 he has served as Group Chief Strategy Officer (CSO), Chief Financial Officer (CFO), and Executive Deputy President then as Representative Director and President of Sony Financial Holdings Inc., and later also as Director and Chairman of the same company. Starting in 2018 he has been an outside director at Hitachi Ltd., and in June 2019 he became a Director of the Company.

• Other current key positions
Outside Director of Hitachi, Ltd.

Attendance at Board of Directors meetings: -

Audit & Supervisory Board members



Yoshinori Matsumoto
Standing Audit & Supervisory Board Member

In 1977 joined Daio Paper Corporation. In 1991 joined the Company, and went on to serve as Manager of the General Affairs Department, as Manager of the Human Resources Department, and in other positions before becoming a Corporate Executive Vice President in 2003. Since 2008, has been a Standing Member of the Audit & Supervisory Board.

Attendance at Board of Directors meetings: 14/14
Attendance at Audit & Supervisory Board meetings: 16/16



Naoto Saito
Standing Audit & Supervisory Board Member

Joined the Company in 1986. After working in the Finance & Accounting and Auditing & Business Administration Departments in the Group, he later became General Manager of the Finance & Accounting Division, General Manager of the Internal Auditing Division, and then General Manager of the Business Administration Division. In 2015 he became an Audit & Supervisory Board Member at Tokyo Individualized Educational Institute, Inc., and in 2017 became a Senior Executive Officer of the Company before also being appointed as a Standing Audit & Supervisory Board Member starting in June 2019.

• Other current key positions
Audit & Supervisory Board Member of Tokyo Individualized Educational Institute, Inc.

Attendance at Board of Directors meetings: -
Attendance at Audit & Supervisory Board meetings: -



Eiichi Izumo
Audit & Supervisory Board Member

In 1995 joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC). Since 1998, has been registered as a certified public accountant. In 2010 became a Partner at Deloitte Touche Tohmatsu LLC, and after leaving that position, in 2015 became Representative of Izumo CPA Office, a position he currently holds. Since 2015, has been a Member of the Company's Audit & Supervisory Board.

• Other current key positions
Representative of Izumo CPA Office, and Outside Audit and Supervisory Board Member at TORII PHARMACEUTICAL CO., LTD.

Attendance at Board of Directors meetings: 14/14
Attendance at Audit & Supervisory Board meetings: 16/16



Miyuki Ishiguro
Audit & Supervisory Board Member

In 1991, registered as a lawyer and joined the firm Tsunematsu Yanase & Sekine (now Nagashima Ohno & Tsunematsu). Since 1999, has been a partner at that firm. Since 2017, has been a Member of the Company's Audit & Supervisory Board.

• Other current key positions
Partner at the law firm of Nagashima Ohno & Tsunematsu, Outside Director at Miraca Holdings Inc., and Outside Member of Audit and Supervisory Board at Lasertec Corporation

Attendance at Board of Directors meetings: 14/14
Attendance at Audit & Supervisory Board meetings: 14/16

Corporate Governance

Enhancing internal control

At a meeting of the Board of Directors held in May 2006, the Company passed a resolution establishing a system (internal control system) to ensure compliance with the stipulations of the Companies Act and the Ordinance for Enforcement of the Companies Act. Said resolution received final revision in a resolution passed at a meeting of the Board held on March 29, 2019.

In addition, a project team was set up at the Company for the purpose of creating and operating internal controls relating to financial reporting under the Financial Instruments and Exchange Act, and the team's activities extend to the entire Group.

Ensuring compliance

The Company has established the Benesse Group Principles, which are rooted in the Group's corporate philosophy. The principles indicate how all the Group's executive officers and employees should behave, for the purpose of ensuring that the operations of the Group be performed in an appropriate and ethical manner that goes beyond just legal compliance. In accordance with these Principles, the individual companies establish standards of conduct or internal rules of their own that have more specific content suited to the conditions, nature, and size of their businesses, ensuring that their operations are carried out in an appropriate manner and thereby ensuring compliance.

Compliance administrators are appointed at each company to identify the risks within their respective businesses and implement measures to counteract them. For these activities, they work closely with the administrative office in charge of compliance for the Company (Compliance Division) to devise ways to fortify the systems on-site, such as sending staff on assignment to take charge according to the circumstances. Various types of training are also provided for the purpose of raising employee awareness, and the Internal Auditing Division monitors how thoroughly compliance is implemented at our business sites.

In addition, the Group set up the Benesse Group Speak-Up Line as an internal reporting mechanism to be used whenever illegal conduct, improper conduct, or conduct that violates the Group's articles of incorporation or internal rules may be

discovered. The Audit & Supervisory Board Member Hotline has also been set up for cases in which someone in the Company's management might be involved in the conduct being reported. These mechanisms are set up externally and managed to be worry-free for those who use them, including the ability to remain anonymous when reporting, thus ensuring the effectiveness of the Group's compliance monitoring.

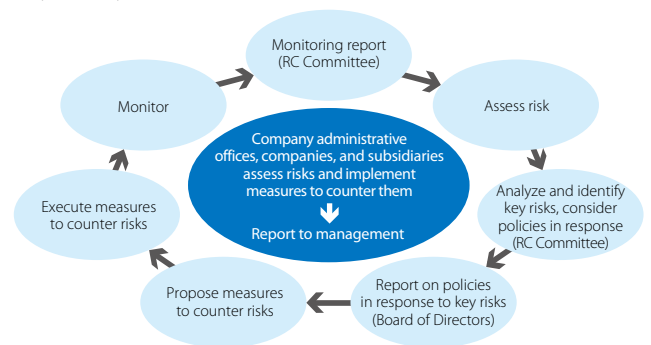
Risk management

The Company has established the Benesse Group Risk Management and Compliance Rules to further our efforts in risk management and compliance.

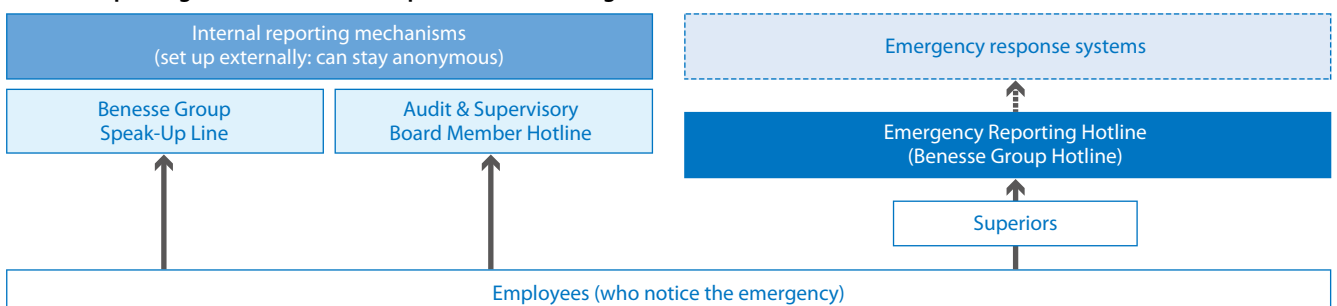
The Risk and Compliance (RC) Committee handles day-to-day risk management. Attended by full-time directors, general managers, and company heads, the RC Committee analyzes key risks within the Group and considers policies in response based on the assessments by Company administrative divisions in charge of each type of risk and by each respective company and subsidiary. The RC Committee then reports to the Board of Directors on the key risks they identified and policies to deal with them, and risk-related measures are then implemented at Company administrative divisions, companies, and subsidiaries while Compliance Division serves to monitor their progress.

When emergencies occur, we set up the Emergency Reporting Hotline for reporting circumstances to management right away, and in more severe situations we convene the Emergency Task Force and put systems in place for dealing with the emergencies.

Day-to-day risk management



Internal reporting mechanisms and responses when emergencies occur



Interview with an Outside Audit & Supervisory Board member

Striving to gather information at every occasion, and make objective decisions



Eiichi Izumo
Audit & Supervisory
Board Member

Listening to diverse information is fundamental in auditing

The word “auditor” is said to derive from “audi” (“to listen”), an origin shared with the words audience and audio. I believe that listening is fundamental in auditing. In addition to meetings of the Audit & Supervisory Board and Board of Directors, I also attend other meetings such as Management Council where members of the executive team come together. I listen to what many people have to say and do my best to judge things from an objective standpoint.

At Benesse I think that enough information is provided at the proper time to enable such objectivity. Explanations are provided to members of the Board of Directors days prior to their meetings, and our administrative office provides explanations on the content of proposals. Officer study sessions are then held after Board of Directors meetings, where those in charge at executive departments explain the business details, current status, and challenges. I also have opportunities to hear directly from employees and obtain information on auditing site visits, observation tours at the worksites, and at various events. Therefore, meetings of the Audit & Supervisory Board and Board of Directors are always lively, while covering a diverse range of issues. Occasionally, critical opinions of the president are even expressed with no reservations.

Cooperation is strong between the so-called three audit parties, the Internal Auditing Division, Audit & Supervisory Board members, and independent auditors. We also have mechanisms in place for sharing the information learned from audits, as reports on audit results are always received from the Internal Auditing Division, and independent auditors provide information not only around the time of financial reports but pretty much at all times.

I also think that the internal reporting mechanisms are functioning effectively. When reports are received, the contact office for reporting and Audit & Supervisory Board members investigate the matter on their own, then report to the executive department in charge and work toward

self-correction by taking measures before any major problems arise.

The challenge now is to develop human resources capable of working beyond the boundaries of divisions

One of the main focal points in the audits performed in FY2018 was the progress of the medium-term management plan. To put it bluntly, our company set numerical targets that were simply too ambitious. Sales and income both increased in FY2018, but we conducted the audit with the awareness that employees in the workplaces might be overburdened having to overextend themselves in efforts to achieve the targets for FY2020, and we looked into whether these and other circumstances could be leading people to take improper actions.

Another area we focused on was the acquisition of EDUCOM Corporation by Classi Corp. We received detailed explanations on many occasions for this transaction, about the business plan and financial information which were the basis for decisions, and about the setting of the asking price and the status of progress leading up to bids. I think the business opportunities and risks were also thoroughly discussed in the Board of Directors.

Looking at the Benesse Group going forward, I will be paying particular attention to business creation through M&A, the “third business pillar” as advocated in the medium-term management plan, and the degree to which the resulting synergy effects can boost business value as well as whether the risk of goodwill impairment can be avoided. The key to this is having the systems and people in place to run business properly in new fields, so in that respect I think human resources will probably be the issue for the Benesse Group going forward.

In both education and nursing care, the Group has so many people with strong awareness of being helpful to others, and they are putting everything they have into their work. However, I fear that in doing so, they may sometimes be unable to see their surroundings. Going forward, I think the focus will have to be not only on human resources development within each business division, but also on employee growth through organic connections between the various types of business within the Group. I believe this ultimately connects to the Benesse corporate philosophy of well-being.