

Benesse Holdings, Inc.

Benesse
Integrated Report 2018



Creating new value for enriching people's lives

Japan and many other countries around the world are confronting major changes due to demographic shifts, globalization, and advancements in digital technologies. More than ever before, the Benesse Group is expected to tackle the issues of today as an enterprise that has become deeply involved in people's lives through its education and nursing care services. Accordingly, the Group has launched a new medium-term management plan, Transform and Grow Benesse 2022, as a roadmap for offering solutions needed in society going forward.

All of us are working to fulfill our unwavering commitment to well-being so that the Benesse Group can continue providing support to customers over their entire lives and be an indispensable group of companies for people and their communities.

We are striving to reach the next stage of bringing benefits to our customers in all-new ways





Benesse Group Corporate Philosophy

bene (Well) + esse (being) Benesse (Well-being)

What is “Benesse”? The heart of Benesse is enjoying the process of moving forward step by step, with resolve, toward the realization of your dreams and aspirations.

Benesse empowers people to solve issues for themselves and to enjoy life to the full at every stage by offering them the tools and support they need to create well-being.

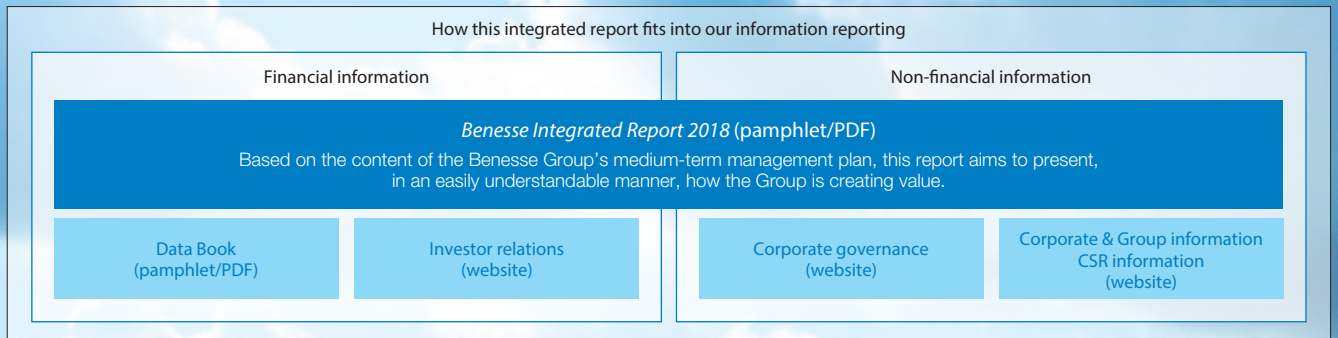
We aim to be a globally respected corporate group that is both supported by and indispensable to its customers, communities, and society in general.

Benesse Group Principles

The Benesse Group is a global corporation with a people-oriented culture. We believe that before we become good business people, we must live as responsible members of society and that all of our actions should lead to Benesse (well-being), and we act in accordance with these principles.

Editorial Policy

In 2018, the Benesse Group begins once again, after a lapse of five years, to publish integrated reports. We are publishing this report to let investors and other stakeholders understand the Group’s medium- to long-term strategies and initiatives for creating value, using as a basis the content of our medium-term management plan, Transform and Grow Benesse 2022, which we released in November 2017. In editing the report, we have kept in mind the Reporting Framework issued by the International Integrated Reporting Council (IIRC), and have limited the discussion to items of particular importance and strived to structure the report in a way that is concise and easy to understand. Material such as detailed investor-relations information and information related to environmental, social, and governance (ESG) matters that is not found in this report is published on our website.



Period covered

The report covers primarily activities carried out in fiscal year 2017 (i.e., from April 2017 through March 2018), though it also includes some information on initiatives from prior to that period and activities taking place after March 2018. The organization names and the job titles used are current as of April 1, 2018.

Activities covered

The report covers the activities of Benesse Holdings, Inc., and its consolidated subsidiaries. If the discussion at any point regards any particular scope of coverage, this will be indicated on the pages concerned.

Note regarding forward-looking statements

This report includes statements regarding current plans, forecasts, strategies, etc. Any of these statements that are not historical facts are forecasts of future performance; these statements are based on the judgment that the Company has formed using the information currently available, so they involve risks and uncertainties. Please be aware that, for a variety of reasons, actual performance may differ from current forecasts.

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Benesse's history: committed to well-being, ahead of the times

Founded in 1955 as an education company, Benesse Group was originally named Fukutake Publishing. Since that time, Benesse Group has pioneered new markets and expanded into new lines of business, while remaining devoted to solving social problems. Looking ahead, we will continue to conduct business with integrity and show steady growth, guided by our commitment to helping everyone, everywhere achieve well-being in their lives.

1950s & 1960s

Enters the simulated-exam business, expands nationwide

1955

Company founded in Okayama Prefecture as Fukutake Publishing Co., Ltd.

Begins publishing books and school ID/rule booklets for junior high school students.



Fukutake Publishing's main products at the time of its founding

1962

Begins simulated exams for senior high school students

(now Shinken Simulated Exams)

1969

Begins correspondence courses for senior high school students

(now Shinkenzeni Senior High School Courses)



First issue of Shinkenzeni Senior High School Course

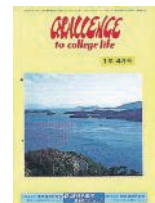
1970s & 1980s

Expands Shinkenzeni correspondence courses

1972

For junior high school students

(now Shinkenzeni Junior High School Courses)



First issue of Shinkenzeni Junior High School Course

1980

For elementary school students

(now Shinkenzeni Elementary School Courses)



First issue of Shinkenzeni Elementary School Course

1988

For preschoolers

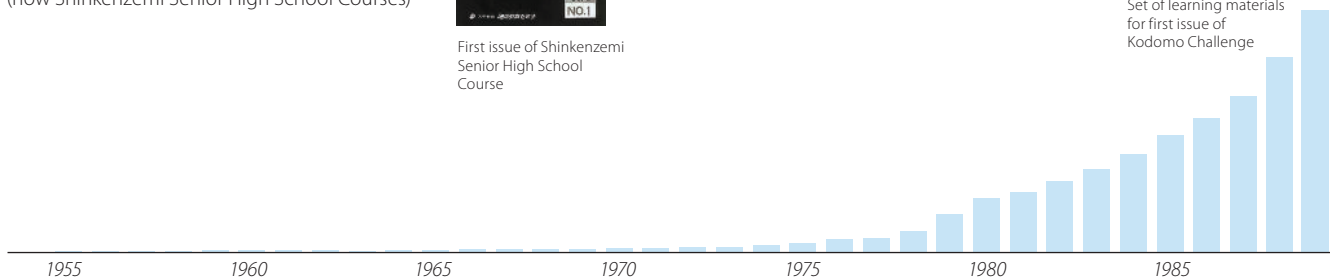
(now Kodomo Challenge)



Set of learning materials for first issue of Kodomo Challenge

1989

For preschoolers in Taiwan



The Early Years

Benesse's founder wanted to improve education for all students, regardless of where they lived. He decided to offer university admission mock exams for local high schools and exchanged test data to help students better understand their performance levels. Thanks to the trust built by his sales team, schools all over Japan adopted the exams.

Shinkenzeni Expansion Phase

The company pioneered correspondence education. After its success for senior high school students, the company expanded the courses for junior high schools, elementary schools, and preschools. Enrollees increased, and in 1989 the company entered the Taiwan market.

Sets a new goal: transform and grow

2017

New medium-term management plan, Transform and Grow Benesse 2022

Net sales
¥600 billion
Growth target projection for FY2022

2018

GTEC receives certification as private-sector test
Starting FY2020, GTEC will be a uniform test for university admissions.

2000–Today

Next-generation educational materials and global expansion

2000

Listed on the First Section of the Tokyo Stock Exchange

2006

Begins courses for preschoolers in China



Preschool courses in China

Enters the pre-school business

Acquires Ochanomizu Seminar Co., Ltd.

2008

Next generation of Shinkenzemi

Begins Shinkenzemi Junior High School Courses +i



Shinkenzemi Junior High School Courses +i

2009

Adopts a holding-company structure, changes name to Benesse Holdings, Inc.

2014

Suffers a personal data breach

1990s

Enters new fields of business

1990

Announces new Benesse corporate identity



Newspaper advertisement announcing Benesse corporate identity

1993

Enters the language-education business

Acquires Berlitz International (now Berlitz Corporation)

Begins pregnancy, childbirth, and childcare magazines
Tamago Club
Hiyoko Club



Berlitz acquisition signing ceremony

1995

Changes name to Benesse Corporation

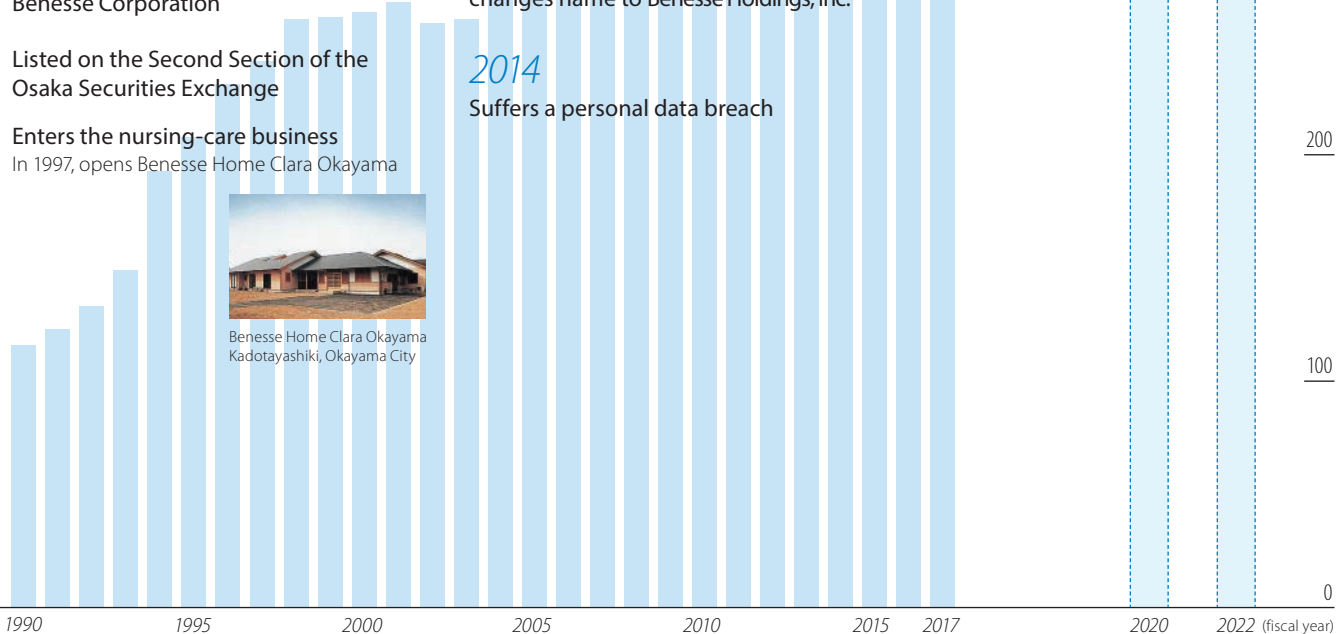
Listed on the Second Section of the Osaka Securities Exchange

Enters the nursing-care business

In 1997, opens Benesse Home Clara Okayama



Benesse Home Clara Okayama
Kadotayashiki, Okayama City



New Business Domains

The company moved into new business domains related to globalization and aging societies, guided by the idea to improve well-being for everyone. This period marks the transition from Fukutake Publishing to an enterprise focused on education and improving people's daily lives.

The Story Continues...

By accelerating digitization, entering pre-school businesses, and strengthening business in China, the company continues to respond to diverse learning needs. The new medium-term management plan, Transform and Grow Benesse 2022, will attain even more growth going forward.

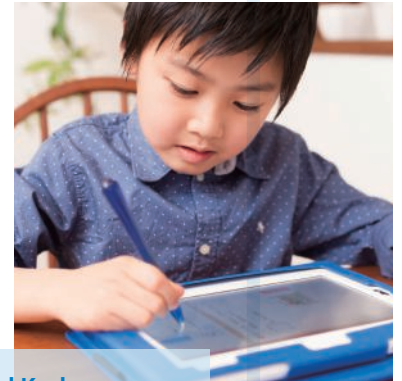
Our ties with people and society, our greatest strength

Since its founding, the Benesse Group has sought to realize well-being for everyone, together with its customers, the community, society, and our team. Over time, we have cultivated positive relationships with people and society. These ties are our greatest assets and the inspiration for us to create the new value that the future demands.

Customers: We will continue to provide broad and deep support to the lives of each one of our customers

Team: We work in union with our dedicated, diverse team

Community & society: We use our knowledge and expertise to repay society



Shinkenzeni and Kodomo Challenge enrollment in Japan

2.57 million

as of April 2018

With content upgrades coming in 2020, we offer correspondence courses for preschoolers through senior high school students, ages 0–18.

Senior high schools using our products

90%

as of April 2018

Roughly 4,500 Japanese senior high schools use our products, particularly Shinken Simulated Exams. By means of GTEC and Classi, we will be expanding our offered services.



Enrollment in Kodomo Challenge outside Japan

1.27 million*

as of April 2018

Overseas enrollment has reached approximately 1.27 million for our Kodomo Challenge business.

* For China and Taiwan. Excluded are correspondence courses offered in Korea via licensing agreements.



ESL classrooms for young learners

1,700

as of April 2018

With roughly 1,700 schools throughout Japan, BE Studio teaches English to everyone: from babies to junior high schools, as well as businesses and homeschool facilities that previously lacked English schools.



Berlitz's presence worldwide

70 countries & regions

as of end-December 2017

Berlitz teaches languages to everyone, in more than 70 countries and regions around the world.



Red-pen teachers

11,000

as of end-March 2018

About 11,000 Red-pen teachers assist Shinkenzemi enrollees with education tailored to their individual learning needs.



Employees (consolidated)

20,300

as of end-March 2018

A team of 20,387 work at Benesse Group.

Nursing-care staff

9,200

as of end-July 2018

Committed to occupational training, roughly 60% of our 9,232 caregivers are permanent employees and support over 300 nursing homes.



Nursing home residents

16,000

as of end-March 2018

Benesse Style Care provides homes and care for the elderly to ensure a secure, comfortable living environment.



Average monthly circulation

565,000 copies*

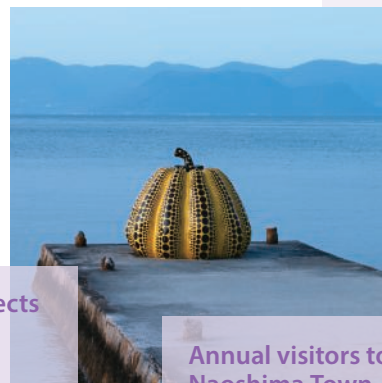
October–December, 2017

THANK YOU!, Tamago Club, and Hiyoko Club provide unique content to assist mothers and their families in their day-to-day lives.

* Certified number of copies printed, compiled by the Japanese Magazine Publishers Association.



Pumpkin by Yayoi Kusama, exhibited in 1994 © YAYOI KUSAMA



Surveys & research projects

400+

as of April 2018

Available to the general public, The Benesse Education Research and Development Institute has published over 400 surveys and research projects concerning pregnancy, childbirth, child-rearing, and education.



Annual visitors to Naoshima Town

500,000*

in 2017

Through art, together with Fukutake Foundation, the company leverages Benesse Art Site Naoshima to support the Naoshima community.

* Published by the Town-Naoshima Tourism Association



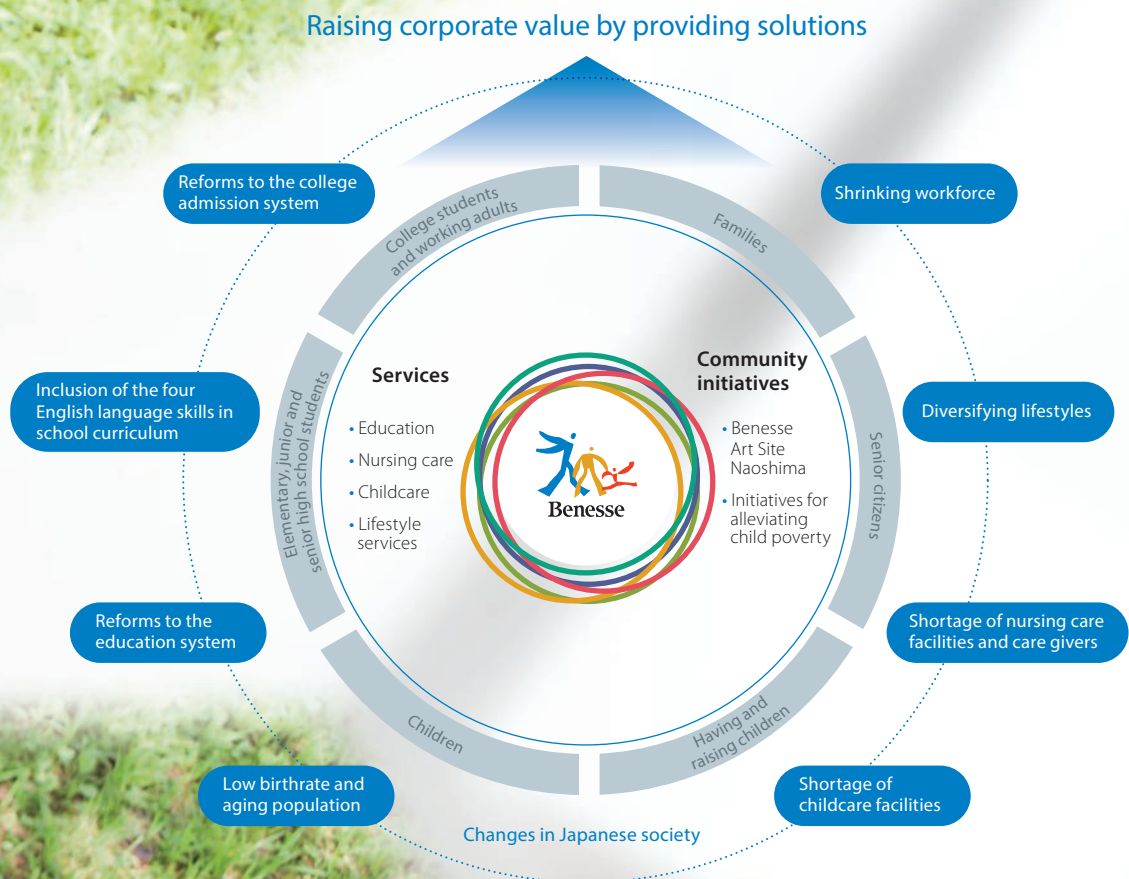
Considering the future of our communities

Part 1

Our Vision and Business Strategies

Japan's low birthrate and aging population are giving rise to various issues that must be dealt with in the future. In that context, the government will implement nationwide reforms of education and college admission systems in 2020. The Benesse Group is earnestly tackling these issues, responding to the reforms, and providing solutions through its business activities and community-based initiatives aimed at improving people's well-being. The Group has considered how society will continue to change in the years to come, and devised a vision and business strategies to reflect those trends. On that basis, the Group will aim to raise its corporate value by continuing to create new value and help find solutions for customers and their communities.

Trends in Japan affecting the Benesse Group's operating environment



Medium-Term Management Plan

Leveraging changes in the business environment in order to enhance corporate and brand value

Slogan

Transform and Grow Benesse 2022

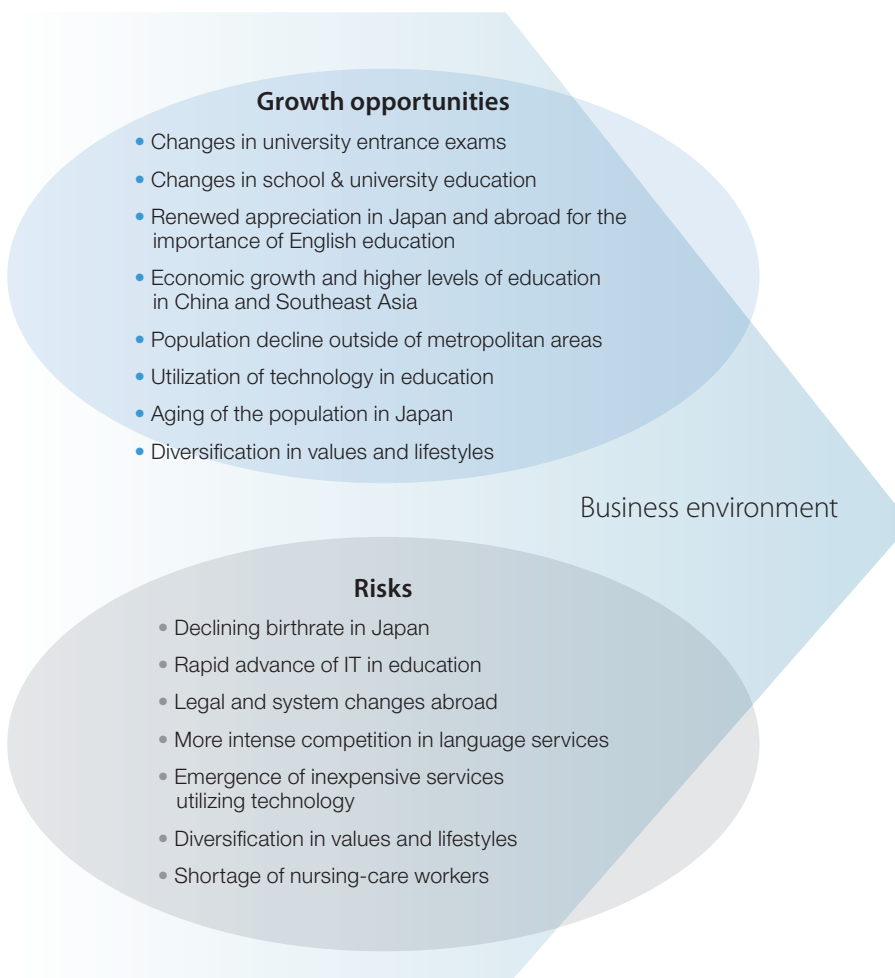
(FY2018–FY2022)

How we want the Company to be in FY2022

- A reputation as Japan's leading company for supporting rich lifestyles
- Recover status as a top Japanese company that is universally trusted
- Proud and motivated employees

Remain true to our commitments

The Company has launched a medium-term management plan for the five years beginning in FY2018, Transform and Grow Benesse 2022. As seen in phenomena like Japan's dwindling birthrate and aging population, educational and entrance-exam reforms, and diversification in learning, the external environment is undergoing great change. Taking as our slogan Transform and Grow, we aim to lead the Benesse Group to further growth in our existing businesses and expansion into new business areas via M&A.



Phase 1 FY2018–FY2020

Business strategy

Domestic Education (Japan)

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Global Kodomo Challenge

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Nursing Care and Childcare

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Berlitz

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Other/New Business Domains

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Numerical targets and roadmap

	FY2017	FY2020 (target)	FY2022 (envisaged target)
Net sales	¥434.4 billion	¥500.0 billion	¥600.0 billion
Operating income	¥12.6 billion	¥35.0 billion	¥60.0 billion
Operating margin	2.9%	7.0%	10.0%
ROE	7.3%	≥10.0%	≥10.0%



Grow by capitalizing on reforms of education and college admission systems

- Leverage the educational and entrance-exam reforms to push ahead with growth strategies in the Shinkenzemi, School & Teacher Support, and Area and Classroom Education businesses
- Use our collective capabilities to promote the GTEC proficiency tests in the four English skills

Expand the Kodomo Challenge brand of courses

- 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

Entrench the Group's leading position in the market by continuing to offer high-quality services

- Reinforce regional strategy by steadily increasing the number of nursing homes
- Promote differentiation in service quality by further developing the Benesse Method

Restructure operations under the direction of the new CEO

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

Create new businesses through mergers and acquisitions

- Consider health, lifestyle, and other business M&As

Enhancing operational resources

Human Capital

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- Train new management leaders to ensure sustainable growth
- Equip employees with the skills needed for implementing reforms
- Prepare personnel organizations for implementing human resources strategies

Intellectual Capital

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- Utilize intellectual capital to create new value
- Upgrade products and services using digital technologies

Social Capital

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- Support community development through Benesse Art Site Naoshima

Message from Management



Driven by our commitment to well-being, we have launched Transform and Grow Benesse 2022 with the goal of continuous growth as an indispensable group of companies that helps enrich people's lives.

We begin by helping find solutions for today's pressing issues.

The Benesse Group strives to inspire and assist its customers based on an unwavering commitment to their well-being. For more than six decades since the original company's establishment in 1955, the Group has grown by accumulating expertise in education and nursing care to help every customer live a better life.

Today, Japan is undergoing a time of major changes. The country's population structure is changing dramatically, with the balance between children and the elderly shifting rapidly towards the latter. For the Benesse Group, an educational service provider, the decreasing numbers of children is a serious issue that poses risks for sustainable business growth in the future.

Meanwhile, the most significant reforms to the country's education and college admissions systems in its postwar era are set to take effect in 2020. With globalization and digital technologies advancing faster than ever, there will be no easy answers in the future, so it is essential to equip children with critical thinking, decision-making, and communication skills. Accordingly, by leveraging the collective merits of its school and teacher support, correspondence courses, and cram schools, the Benesse Group will work to offer pertinent educational services suitable for every child and student along with educational support for individual customers and schools.

At the same time, as Japan's population ages rapidly, meeting growing demand for medical treatment, social welfare, and healthcare services is an urgent issue for the entire country. Established over two decades ago, the Benesse Group's nursing care business has grown as its second business pillar after education, and manages one of the largest chains of nursing homes in the industry. As the country's elderly population increases in the future, we recognize that in addition to providing outstanding nursing care services, it will also be important to explore ways for offering new services and solutions to the growing number of healthy senior citizens.

Responding to these major issues through our businesses is a central strategy of our medium-term management plan, Transform and Grow Benesse 2022, and another means for us to fulfill our commitment to well-being. We also believe that the Group's responses will contribute to accomplishing the Sustainable Development Goals set by the United Nations.

Regardless of how the Group's business portfolio evolves, our commitment to well-being will always remain firm because the services we offer are grounded in the lives of people, which are more entrenched than anything else in the world. Therefore, improving the well-being of all people we deal with, from children to the elderly, is the starting point for our business activities, regardless of the trends of the day.

Launched in April 2018, our new medium-term management plan is comprised of strategies for ensuring that the Benesse Group continues to grow in the future. Driven by our unwavering commitment to well-being, and leveraging our unrivaled customer base and intellectual and human assets, we will continue striving to be an indispensable group of companies that help enrichen people's lives.



Tamotsu Adachi

Representative Director, President and CEO

Message from Management

Looking back at my first few years as president

Sales and income up for the first time in several years

When I was appointed as president of Benesse Holdings in October 2016, the Benesse Group's business performance had seriously faltered. Due to a leak of customer information from Benesse Corporation in 2014, we lost a considerable amount of trust from our customers and our corporate brand was seriously damaged. Prospective customers also decreased due to the leak, resulting in a dramatic drop in enrollees of correspondence courses for children and students, and, consequently, a slowdown in our business.

In that context, after I took the helm as president, my biggest tasks were to put a halt to the business decline and revamp the Group's operations.

Accordingly, I narrowed down our objectives to just two top-priority goals. The first was to completely re-tailor our products and services for customers. That meant fixing whatever aspects of our products—particularly correspondence courses—were not meeting the needs of customers or regarded by them as deficient. The second goal was to increase the motivation of employees to provide customer service by promoting reforms in our corporate culture. The Benesse Group's business is all about people, so the key to its revival was to have highly motivated employees serve our customers. Therefore, we took a number of steps to stimulate communication throughout the Group. For instance, I visited workplaces involved in each of the Group's businesses and shared ideas and hopes with employees in roundtable discussions. My approach and plans were also regularly relayed to all employees via email.

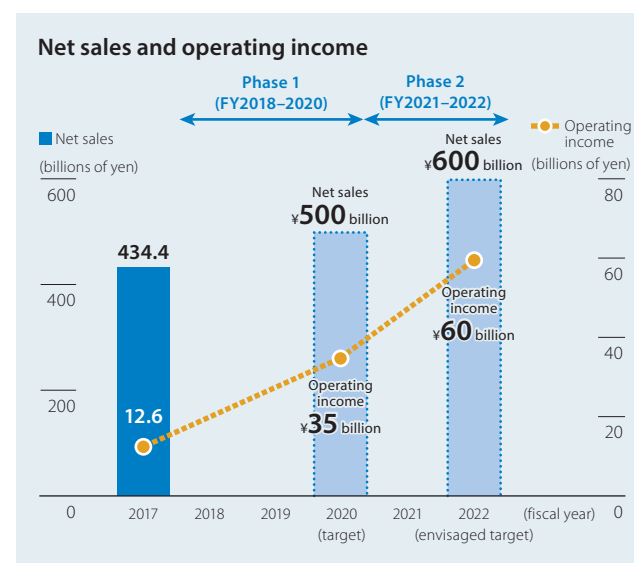
Through those efforts, the entire Benesse Group came together and focused on reviving its business. As a result, in fiscal 2017, net sales rose for the first time in four years, and both operating income and ordinary income increased for the first time in five years. By April 2018, the combined enrollees of the correspondence courses for children and students reached 2.57 million, growing by about 120,000 in a single year—the largest year-on-year growth in the past decade. For the first time in five years, the decline in enrollees had finally stopped, and then increased for the second consecutive year from fiscal 2016.

Moreover, although the Berlitz language school business had yet to regain profitability, solid earnings were posted by each of the Group's businesses, including school and teacher support, cram schools, correspondence courses for children, and nursing care and childcare. Accordingly, the Group had succeeded in laying a solid foundation for launching our new medium-term management plan in fiscal 2018.

Transform and Grow Benesse 2022 medium-term management plan

Executing key strategies for creating new value

Our new five-year medium-term management plan, Transform and Grow Benesse 2022, provides a roadmap for the Benesse Group to respond to emerging social trends and our changing customers and employees. During the first phase of the plan from fiscal 2018 to 2020, we are aiming to get earnings back on track and ensure steady growth as we deal with major shifts in our operating environment. During the second phase in the remaining years from fiscal 2021 to 2022, we will strive to maintain the growth of our established businesses and venture into new markets while setting ambitious goals and working to achieve them.



Formulating and executing strategies in response to changes in the operating environment

Our goal over the next three years is to return earnings to the levels attained before the leak of customer information in 2014. Specifically, we are targeting net sales of 500 billion yen and operating income of 35 billion yen by fiscal 2020. The entire Benesse Group is now focusing on achieving steady growth and securing profitability.

In Japan, we intend to develop new services to capitalize on the reforms of the education and college admission systems. With so many specialized schools, correspondence courses, and cram schools available today, customers have a wide range of educational options. Operating businesses in each of these markets, the Benesse Group can draw on its collective



To continue growing over the next 30 or even 50 years, we envision going beyond the scope of our operations today by creating a third business pillar.



capabilities to offer valuable services tailored to every type of customer. Indeed, these capabilities, which include diverse educational services and related know-how and data, are a source of the Group's value creation, and can be leveraged as overwhelming competitive advantages that other companies cannot imitate.

Outside Japan, we have been promoting correspondence courses in China since 2006, particularly courses for preschool children. As of April 1, 2018, the number of enrollees of these courses in the country reached 1.15 million, surpassing the total in Japan, and we are working to expand even more in the future. In addition, demand for nursing care in China is rising in line with its aging population, so we are exploring new business opportunities in this market with a long-term outlook.

Setting up a production plant in a foreign country is not easy, but establishing such customer service businesses in a foreign market is difficult in different ways. Nonetheless, we believe that the potential for success is relatively high in countries and regions that are culturally similar to Japan. Therefore, by applying the know-how we gained in China, we are expanding operations in Asia while searching for outstanding local business partners.

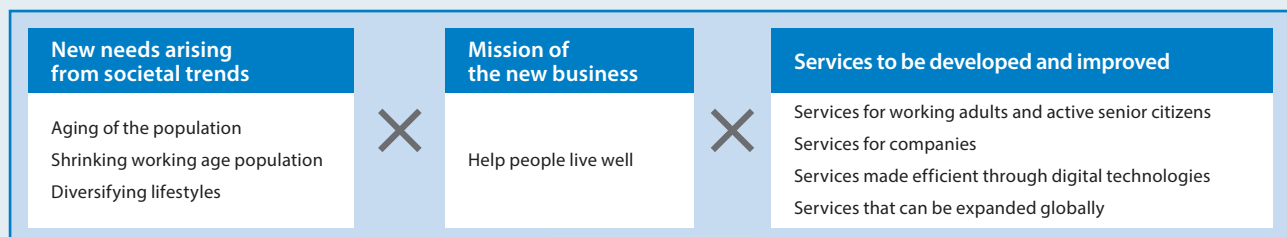
Meanwhile, we have already taken steps to bring Berlitz Corporation back to profitability. Under the strong leadership of a new CEO appointed from outside the Group in August

2017, the company has embarked on drastic reforms combining cost restructuring and changes to its services and operational processes.

Launching new businesses with a vision for the next 50 years

Anticipating a rebound in the Group's performance over the first three years of our medium-term management plan, we expect net sales and operating income to rise substantially during the final two years of the plan, and are targeting 600 billion and 60 billion yen, respectively, by fiscal 2022. While these targets might be regarded as overly ambitious, we are confident that the Group will effectively respond to shifting trends projected in Japan and take its first steps toward attaining sustainable growth over the next 30 or even 50 years. We understand that achieving the targets will be difficult if only the Group's already established businesses grow, so it will be essential to create a new business pillar. Therefore, by the final year of the plan, we will work to create a third business pillar that accounts for at least 10% of consolidated sales and operating income, respectively. For that purpose, we are considering how to develop services for working adults and healthy senior citizens in the areas of health and lifestyle services, which are closely related to our established businesses.

Possible new business areas



Business areas
Lifestyle and health services

“Grooming the next generation of leaders and equipping young employees with a mindset for creating the Benesse of tomorrow is a vital task today.”



To realize a big leap in growth, we are exploring opportunities for mergers and acquisitions. In my experience, many companies consider takeovers but are concerned about succession issues, or cannot find a strategic business partner. Nevertheless, I believe it is possible to bring a new company into the Benesse Group at an appropriate price as long as we negotiate directly with its top management and gain a consensus on management policies and strategies.

Raising capital for creating a third business pillar

We foresee investing between 50 and 100 billion yen in a merger or acquisition in the future. Our basic policy for securing that amount of capital is to focus on our profitable businesses and channel a larger proportion of profits into internal reserves. Therefore, management decided to reduce the planned dividend for fiscal 2018 to 50 yen per share, down from 95 yen per share paid in fiscal 2017. Because we now anticipate growth going forward, we want to bolster the Company's financial resources by reducing dividend payments so it can invest in the future. This will be the first time for management to reduce dividend payments since Benesse Holdings was publically listed, but we hope shareholders will understand that the reduction is a forward-looking measure aimed at investing in future growth.

Evolving our corporate culture

Promoting innovation while placing importance on customer contact points

In order to successfully carry out our medium-term management plan, the Benesse Group will need to become even stronger. Therefore, it will be very important for the Group to evolve its corporate culture. First and foremost, that means giving more importance to customer contact points than ever before. At its core, the service sector is about doing business with people, but

if a service provider takes that for granted and forgets the importance of customer contact points, it will tend to just focus on output. Especially at a time when the needs of customers are changing dramatically, it is essential to actively create more opportunities for dealing with customers. Based on information obtained directly from customers, we should always be considering what they need now and what value we can offer ahead of our competitors.

Furthermore, all divisions of the Group will need to work together to systematically integrate the diverse know-how, practical knowledge and information accumulated through the services they provide in order to develop brand-new services. I would like those kinds of initiatives to stimulate innovation and be expanded and passed down as components of our corporate culture going forward.

Strengthening our operational resources

Empowering employees —a source of value creation

It will be essential for the Benesse Group to enhance its operational resources so that it can transform and grow. Among such resources, I regard developing employees as particularly important, as they are a source of value creation. Indeed, training many future leaders from now will be the key to ensuring that the Benesse Group continues to grow. For that purpose, we established a group-wide human resources headquarters in April 2018 to oversee the execution of a diverse range of employee training programs, including a leadership training program for grooming the next generation of executive management over the next decade, and a program for training young employees called Benesse University. Actually, when management was formulating the new medium-term management plan, I asked employees to offer ideas on how to create the “Benesse of tomorrow,” and Benesse University originated from some of their proposals.

Developing digital technologies and innovative services

Along with human resources development, we are also focusing on stepping up initiatives for applying digital technologies and artificial intelligence (AI) in our businesses. Just like other industries, digital technologies are having a major impact on the education industry. Education, itself, is like a mass of information, for which digital technologies and AI can be used to make major advancements in related businesses and services.

The Benesse Group is already developing all-new and innovative educational services by combining big data and AI with the advanced expertise it has accumulated over many years in the education business. In its nursing care business, as well, the Group is making use of digital technologies to drive innovation, such as creating a platform for digitizing and sharing practical experience and know-how obtained from nursing care facilities. In connection with these initiatives, we established a new group-wide digital technology headquarters in January 2018. It will lead efforts to train and recruit employees with expertise in these technologies, and develop innovative new products and business models.

Contributing as a solutions provider

Helping people confront challenges through business and community initiatives

Through its businesses activities, the Benesse Group has been helping people and their communities confront challenges related to education and nursing care for many years. We intend to step up such initiatives in an effort to solidify the

Group's position as an industry leader.

The Group has also been actively promoting various community initiatives. For instance, we have been engaged in community development on the island of Naoshima in Japan's Seto Inland Sea through a variety of contemporary art projects for more than three decades. Naoshima's population had been aging and declining in number in the past, but many of its older residents are now feeling rejuvenated and actively involved in showcasing the island's traditional Japanese culture to visitors who come from around the world. We look forward to developing this initiative even further and helping make local communities sustainable.

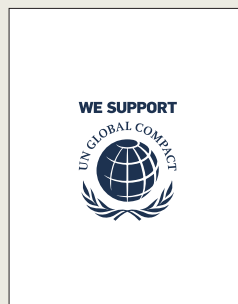
In addition, we have established research organizations that specialize in education and nursing care, and their research findings are widely published. For example, published research results related to methods for caring for people suffering from dementia have been highly evaluated in the nursing care field. We will continue making such findings available to the public in the future.

We understand, of course, that the impact of our actions is limited. Nevertheless, by forming partnerships with other companies and local governments, we hope to carry out community initiatives that contribute even more going forward.

Ultimately, we hope the Benesse Group will be indispensable for people around the world and trusted by all stakeholders. All of us will work together to transform the Group and ensure it grows for many years to come so that it can continue offering valuable services to people and their communities. We ask the Group's stakeholders to support us in these endeavors.

Participating in the UN's Global Compact and working to accomplish its Sustainable Development Goals

Benesse Holdings became a signatory of the United Nations Global Compact in March 2010, and has been working to help solve global issues as a good corporate citizen in accordance with the mission of the compact. By adhering to and putting into practice the compact's Ten Principles, the Benesse Group has been promoting responsible management and helping make communities more sustainable. As an international enterprise, the Benesse Group has focused on providing solutions to social issues through its business activities for many years, and is committed to actively devising solutions to issues specified in the UN's Sustainable Development Goals.





Special Feature

Our strategies for creating value in the education business

Hitoshi Kobayashi

Representative Director and Executive Vice President,
Benesse Holdings, Inc.

Representative Director and President, Benesse Corporation

Committed to the next generation's well-being

Our capacity to create value comes from the collective capabilities of the Benesse Group

Japan has recently embarked on the most drastic reforms of its education and the college admissions systems in the country's postwar era. The skills needed to survive in society have dramatically changed against the backdrop of globalization, advances in digitalization, shifts in the industrial structure, and a sudden decline in the country's working age population. Therefore, the main objective of the reforms, which are set to take effect from 2020, is to equip young people with such skills so they can lead successful lives in the future.

As a leading provider of education services in Japan, the Benesse Group constantly examines what skills young people actually need and what is best for its customers, and incorporates those findings in the strategies of its education business. Accordingly, we have organized the education business based on four different types of businesses: the school and teacher support business, correspondence courses, cram schools, and educational programs for preschool children. In each of these areas of

operations, it is vital for management to listen to employees in the workplace and act on decisions quickly in order to satisfy customers with our services and eventually win their trust.

Having provided such diverse educational services, the Benesse Group has accumulated a wide range of assets. The Group's collective ability to combine those assets and consistently offer those services is the source of its biggest competitive advantage—the capacity to create value. This advantage is overwhelming when it comes to high school education in Japan, in particular, which is undergoing its biggest changes ever due to the reforms of education and college admission systems. In fact, we deal with about 90% of all high schools in the country, which number about 5,000, through various services, including mock university entrance exams, Online English Conversation lessons, and career counseling. By directly and closely interacting with each of those schools, we can continue gaining their trust.

Based on that trust, we will tailor our services to the reforms and offer them to high schools while applying the information and know-how we acquire through that process to improve our correspondence courses and cram schools.

English language education is key to our growth strategy

Now that the reforms to Japan’s education and college admission systems are moving forward, English language education is one of the most promising business opportunities for Benesse. Beginning in 2020, college entrance examinations will evaluate all four skills of English language proficiency, namely listening, reading, speaking, and writing, compared with just the two skills of listening and reading at present. Furthermore, certified English examinations administered in the private sector will be used to assess these four skills. One of the approved exams is the Global Test of English Communication (GTEC), which was developed by Benesse. It covers all four language skills and certifies test-takers with an official score. In fiscal 2017, the number of junior and senior high school students who took the GTEC reached 1.02 million, and around 1,850 junior and senior high schools nationwide used this test (from the total of about 5,000). These facts indicate that our share of the market is very high. To leverage our leading position and expand this business, we set up a new department in Benesse Corporation for promoting GTEC in

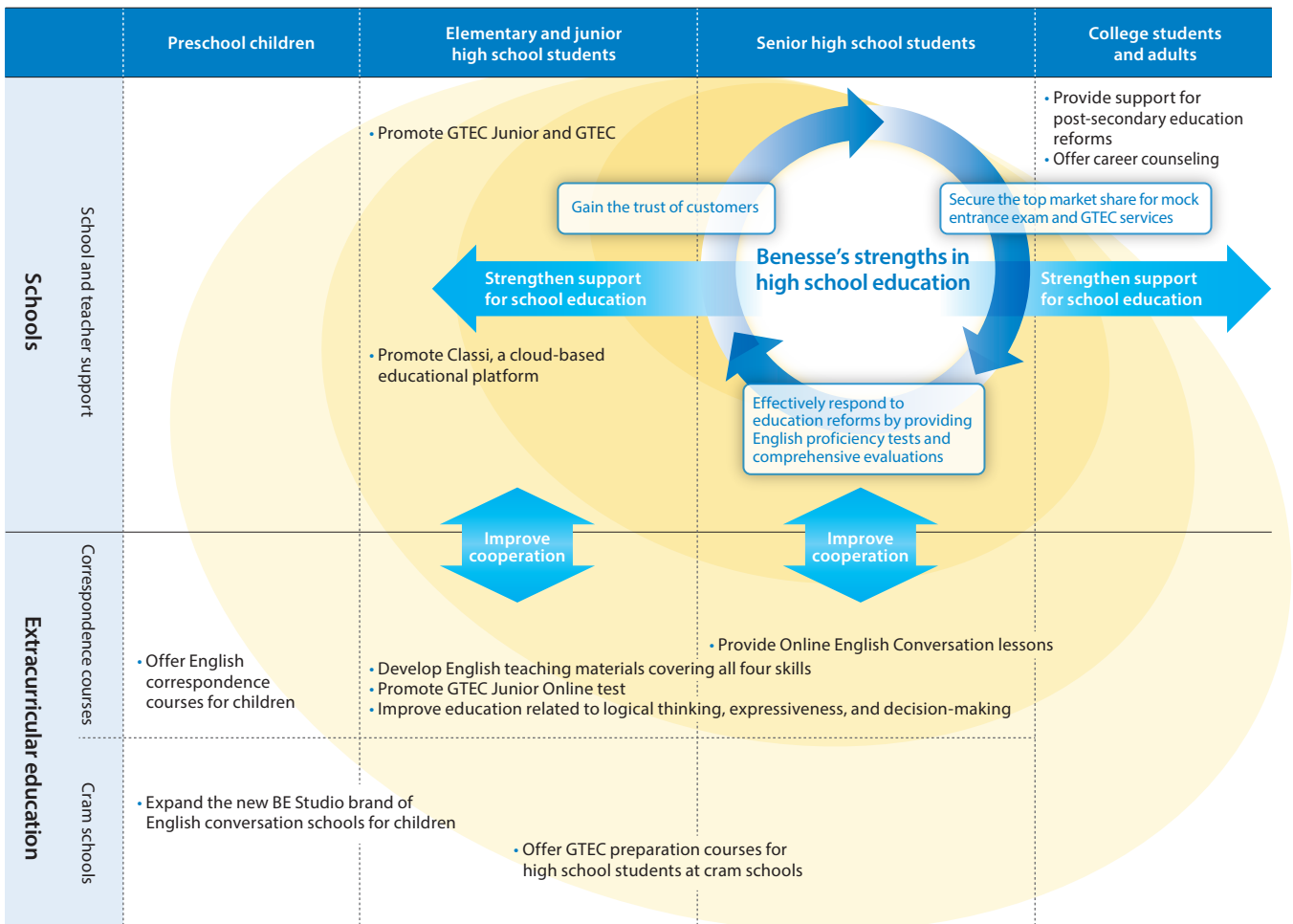
October 2017. Looking ahead, several of our businesses will work closely together to tailor the test and related services to the specific educational settings in which it is used.

All schools in Japan from elementary to senior high schools will be required to teach the four skills in English lessons, so we foresee major opportunities going forward. Therefore, we have been drawing on our know-how to offer even better support to these schools at every grade level. Through our correspondence courses for senior high school students, we have already provided Online English Conversation lessons, for which we utilized our past experience in providing similar service platforms. From the current fiscal year, we launched GTEC Junior Online as an English proficiency test covering all four skills for enrollees of our correspondence courses at the elementary school level. We intend to pursue synergy effects between these services from here onward.

Using data to better enable multifaceted testing

As part of the reforms to the college admissions system, methods for measuring scholastic ability will change substantially. For

Organization and strategies of the domestic education business





example, the standard entrance examination for all students will require written answers about the Japanese language and mathematics to assess not only knowledge but also each student's ability to think logically, communicate, and make decisions. Entrance exams for individual schools will include multifaceted and comprehensive evaluations, and applicants may be required to attend an interview and submit a research paper, cover letter, and short essay in the application process. That means importance will be given to various high school activities instead of only test scores.

We intend to expand our support for these changes to the admissions system through services like our cloud-based learning platform called Classi, which is now used at about 2,100 high schools nationwide—approximately 40% of the total. Through such services, besides collecting data needed for future university entrance exams, we can help students develop the ability to learn independently as they record what they learn and become aware of during daily school activities via smartphones and table computers.

Aiming for three million correspondence course enrollees by earning their trust

We have been making solid progress towards our fiscal 2020 goal of registering three million enrollees in our correspondence courses for children and students in Japan, a core part of the Group's education business. We have placed the highest priority on making these courses more satisfying and valuable for the enrollees who have chosen Benesse, recognizing that such efforts lead to higher renewal rates, foster customer loyalty, and allow the business to continue operating. Therefore, we constantly explore ways to enhance these courses so customers keep coming back. With all employees working together as a team while staying true to Benesse's corporate philosophy, we have

been developing products and services that are genuinely helpful for customers, and doing everything we can to make sure customers use them. Making the most of the advantages of digital teaching materials, we have been keeping track of the amount and time each student studies, and based on that data, we report to their parents by telephone or email as a way of providing full support to each customer. We found that the number of new enrollees has increased because people spread the word that our services were helpful.

Expanding correspondence course for children beyond Japan and accelerating growth by internationalizing our business

In addition to Japan, we are now offering correspondence courses for preschool children in China, Taiwan, and Indonesia. Our goal is to enroll a total of 2.5 million children internationally in these courses by fiscal 2020.

When we expanded the courses beyond Japan, instead of the conventional approach of establishing a platform specific to each country, our strategy was to develop the courses based on global standards mainly from our operations in Japan and then localize them in each country, thereby saving time and reducing costs. Our correspondence courses for children help build character by developing intellect and practical skills, and stimulate interaction between children and their parents. While maintaining those merits, we localized the courses in accordance with the culture and educational needs of each respective country after conducting surveys of their market environments. That allowed us to speed up the growth of this business outside Japan.

We also reorganized our operations to make them more effective. Specifically, we established a division within Benesse Corporation to promote the Kodomo Challenge brand internationally. The division is working to expand this business abroad, especially in China, as well as revive its growth in Japan.

For us, it is important to stay true to Benesse's commitment to well-being by developing products and services that are genuinely helpful for users and educators. Then those products and services will continue to be used and the Benesse Group will continue to be needed by society. Having been directly involved in the startup of our nursing care business and expansion into China, I am convinced that the common source of our capacity to create value in education and nursing care is the trust of our customers. That trust can only arise if we always strive to assist customers whenever they need help. Without such trust, a business is unsustainable. By having all members of the Benesse Group—from employees of every workplace right up to top management—tackle business reforms while sharing that conviction, I am confident we can completely revitalize Benesse's education business.

What are the 2020 educational and entrance-exam reforms?

The aims of the reforms in education and entrance exams

As world society goes through swift changes such as globalization and the evolution of AI, Japanese society is grappling with the issue of how to achieve sustainable growth in the face of a declining birthrate and an aging population. In this societal situation, children in the future will need to draw on the knowledge and skills they have

acquired so they can think on their own, express themselves, make judgments, and be of service to society. The educational and entrance-exam reforms for 2020 aim to boost the talents and abilities of children living in the 21st century so that they can take an active part in the society of the future.

Time schedule for educational and entrance-exam reforms

	FY2018	>	FY2019	>	FY2020	>	FY2021–
Elementary/junior high domain			▶ New elementary/junior high curriculum will commence		▶ New elementary school curriculum to include English as a new subject		▶ New junior high curriculum
Senior high school domain			▶ Incoming freshmen will be the first to take reformed college entrance exams		▶ Utilization of external English tests		▶ Basic Assessment of Learning goes into use
University domain			▶ Mandatory disclosure of the “three policies” (2017–)		▶ Introduction of the Common Test for University Admissions		

Key changes: Courses of Study and university entrance-exam system

The educational and entrance-exam reforms embody two main, specific changes. The first consists of revisions to the Courses of Study, i.e., to the standards for educational curricula. The revisions clarify what the learning should enable the children to do, and emphasize the use of active learning—which is subjective, interactive, and deep—to help children acquire the talents and abilities specified in the Courses of Study. Science and mathematics education will feature more investigations, experiments, etc., and will have a large number of language activities in which the students discuss things and summarize their thoughts in groups. And, to improve students’ abilities to utilize information, there will also be learning that trains students in programming-like thinking. The revisions also aim to enhance English education. To be specific, in elementary school, activities that make use of English will become compulsory starting in the middle grades, and English will begin to be taught as a regular subject in the higher grades.

Alongside these reforms to what is taught and how it is taught there will come the second main change, which regards the university entrance-exam system. Here, the most

significant change will be the replacement of the National Center Test for University Admissions with the Common Test for University Admissions. In the tests for Japanese Language and for Mathematics, in addition to the traditional multiple-choice questions, there will also be essay questions to test applicants’ abilities to think and express themselves. It has also been decided that for English, private-sector proficiency tests will be used to evaluate the four skills of listening, reading, speaking, and writing. In addition, in order that applicants may be evaluated in a multifaceted and comprehensive way, consideration is being given to making wide use of applicants’ records up through high school, such as their learning outcomes and school assessments. These two kinds of changes are expected to have a major impact on learning up through the end of high school.

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) has chosen as the basis for the reforms the realization of a “curriculum open to society,” so the private sector is also predicted to play a larger role in education.

Important prerequisites to making the reforms succeed

The new Courses of Study aim to foster diverse talents and abilities without decreasing the amount of knowledge or skills to be acquired. Yet, class hours cannot be extended much, so there are concerns that achieving the reform goals may mean increasing the burden on children by means such as unreasonable cramming and added homework. What is more, teaching methods for the fostering of diverse talents and abilities, as well as measurement methods for evaluation, will need to be developed. In order to achieve the teaching goals of the educational and entrance-exam reforms, teachers too will need to make preparations, but some

observers have pointed out that teachers have very little time available for making such preparations.

To achieve the aims of the educational and entrance-exam reforms, improvements will need to be made in teaching and evaluation, and it goes without saying that teachers will play a major role in such improvements. Also important, however, is what families, communities, and private businesses join together to do in support of the reforms. Rather than schools having to do everything, what is needed is for society as a whole to take responsibility for enriching the learning environment for children.

Haruo Kimura
Principal Researcher,

Benesse Educational Research & Development Institute

Corporate Governance

A message from the chairman of the Board of Directors

Dynamic discussions by the Board of Directors can eventually lead to the growth of the entire Benesse Group



Shinjiro Iwata

Outside Director and Chairman of the Board of Directors

After joining Hitachi, Ltd., in 1972, Mr. Iwata served as CEO of Hitachi Data Systems Corporation, executive vice president of Hitachi Global Storage Technologies, Inc., and representative executive officer and executive vice president of Hitachi, Ltd. He has been an outside director at Benesse Holdings since 2014 and is currently the chairman of the Board of Directors.

Making the most of diverse perspectives and views in management

At Benesse Holdings, half of the members of the Board of Directors are outside directors. Given their broad range of expertise and professional backgrounds, these outside directors can offer insights and useful ideas for important management decisions and the supervision of business execution. That, of course, requires that they receive sufficient information about operations and the specific workplaces that develop and offer services. Such information is regularly provided to the Company's outside directors, so they have been fully prepared in meetings. I hope that we outside directors will be given even more opportunities to visit workplaces and meet with young managers who will lead the Benesse Group in the future so that we can gain an even better understanding of front office operations.

An important responsibility of the Board's chairman is to elicit proposals and views from a variety of perspectives in order to make discussions more dynamic. With a keen awareness of that role, I try to create an atmosphere in which every director can candidly offer ideas and opinions when leading meetings of the Board. All directors are also given an

opportunity to give their views in an evaluation conducted by the Company every year for the purpose of enhancing the Board's effectiveness.

Aiming to contribute to the well-being of many more customers in the future

I think the focus on well-being in the Benesse Group's corporate philosophy is commendable. Through its education and nursing care services, the Group has grown by contributing to the well-being of people of every age, from children, college students, and young adults through to the elderly. I believe the Group can grow even more in the future by diversifying its services beyond the bounds of its current business portfolio, which means broadening the age groups it targets and expanding the areas where it offers services.

I would also like the Group to create new value through innovation, making more use of big data analysis and digital technologies like artificial intelligence and the internet of things. In my role as an outside director, I am committed to helping raise the value of the entire Benesse Group through such endeavors.

Corporate governance

The Company appoints, on a continuous basis, 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, thereby guaranteeing that the supervisory function of the Board of Directors is maintained and improved, and that business is executed under the aegis of that supervisory function. The Company also conducts effective audits by means of standing Audit & Supervisory Board members who are knowledgeable about circumstances inside the Company, as well as outside Audit & Supervisory Board members who are attorneys or certified public accountants.

Board of Directors

Chaired by the director and chairman, the Board of Directors meets once a month, in principle, to make important management decisions and to supervise the business execution of the operating companies. Since 2003, the Company has been appointing multiple outside directors on a continuous basis. Currently, five of the Board's ten directors are outside directors (of whom four are independent outside directors), and an outside director is serving as Chairman of the Board.

By appointing multiple directors and multiple highly independent outside directors, the Company guarantees the Board's supervisory function and carries out business execution appropriately.

Nomination and Compensation Committee

The Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The majority of the Committee's members are outside directors. In the appointment and dismissal of director candidates 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 concerning 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 meetings of the Management Council are chaired by the president and attended by the vice chairman, executive vice president, directors in charge, heads of companies, vice heads of companies, those responsible for administrative divisions, and individuals designated by the president. The Council shares among its members important Group issues and information, and deliberates regarding matters that are important for the Group.

Audit & Supervisory Board

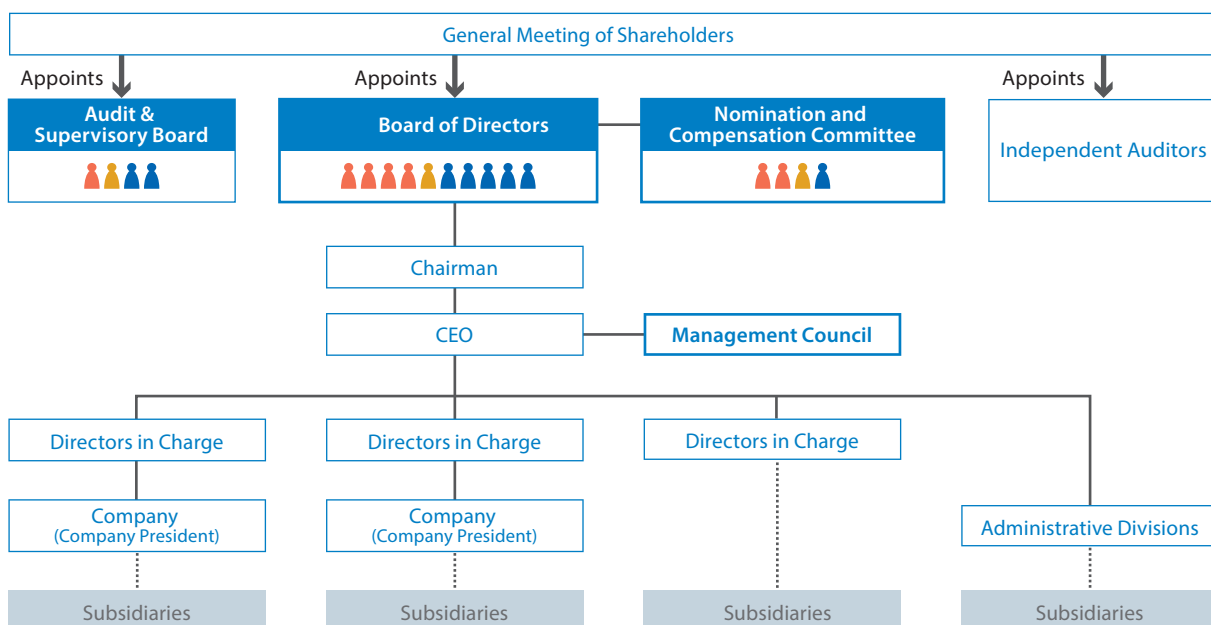
In accordance with the Code of Audit and Supervisory Board Member Auditing Standards, the auditing policy of the Audit & Supervisory Board is to assume responsibility for the establishment of a good corporate governance structure that measures up to the trust that society places in the Company, with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

The Board meets once a month, in principle, and by attending important management meetings, such as meetings of the Board of Directors, the Nomination and Compensation Committee, and the Management Council, and by periodically exchanging opinions with senior management, the individual Board members share with management their awareness of key management issues. The Board also actively engages in activities such as receiving oral business reports from persons in charge and other persons at operating companies and investigating the business situation.

In addition to appointing dedicated auditing staff to enhance its audit system, the Company has also established the Benesse Group Audit Committee (with the addition of standing members of audit & supervisory boards at subsidiaries) in order to strengthen cooperation among the Group's audit systems.

Chart of corporate governance structure

👤 Independent & outside 👤 Outside 👤 Internal



Improving the effectiveness of the Board of Directors

In FY2015, the Company began carrying out an annual assessment of the Board of Directors. In FY2017, the Board administered a questionnaire to all directors and all 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.

Summary of results of analysis and assessment

In the following areas, the effectiveness of the Board as a whole has increased and corporate governance has become stronger.

Board composition

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.

Quality of Board discussions

By means of practices such as advance distribution of briefing-session documents and other materials, and the holding of officer study sessions, thorough support is given to outside directors and to members of the Audit & Supervisory Board. As a result, directors and Audit & Supervisory Board members are able to put their experience and expertise to work, rendering the discussions of the Board of Directors free, open, and constructive.

Toward a more effective Board of Directors

FY2017 Initiatives

Management discussions

- Having outside directors and members of the Audit & Supervisory Board take part in discussions that regard management strategy and major risks, e.g., at meeting sessions regarding the formulation of the medium-term management plan.

Information and training

- Holding more study sessions, both to help outside directors and members of the Audit & Supervisory Board understand the business situation and to encourage discussion on key management topics. (Sessions were held on 14 topics in FY2017)
- Holding advance briefing sessions in order to explain major agenda items to outside directors and members of the Audit & Supervisory Board and to have participants exchange information. (Sessions were held one week prior to meetings of the Board of Directors.)

Assessment of FY2017 Initiatives

- Assessment results on items that regard strategic discussion of management issues from a medium-term perspective improved greatly.
- The Board of Directors ascertains the Group's performance before conducting appropriate supervision of implementation planning and business execution carried out in accordance with management strategy and business strategy, and this confirms that the Board's effectiveness has improved.

Actions and issues for the future

- In cooperation with the Nomination and Compensation Committee, carrying out continuous review of the attainment of greater diversity in Board composition and training of successors.
- Opportunities will be provided for outside directors and members of the Audit & Supervisory Board to inspect the Group's products and services onsite, and interact with employees on a regular basis.
- Entering into continuous dialog with employees in the field; inspecting facilities, classrooms, etc., that provide products and services; and providing opportunities to experience operations directly.

Note: The questionnaire was administered from the end of March to mid-April, 2018.

Composition of the Board of Directors

The size of the Board is set at no more than 10 directors. Given that the Group is involved in a variety of businesses, in order to achieve sustained growth, the Board seeks to maintain a good balance among its directors, appointing directors with diverse types of expertise and experience. 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.

In addition, in order to guarantee correct supervision of management by the Board, the Board has at least half of its members be outside directors, and at least one third of its members be independent outside directors.

Appointment of outside directors and outside Audit & Supervisory Board members

The Company has appointed five outside directors and two outside members of the Audit & Supervisory Board.

Reasons why outside directors and outside 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 a wide experience, having served in roles such as management consultant at an international 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.
Nobuo Kuwayama	Mr. Kuwayama acquired a great deal of business experience and knowledge at a global trading company, especially regarding business in China, and in his role as an outside director he draws on this experience and knowledge to carry 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.
Audit & Supervisory Board members	
Eiichi Izumo	Mr. Izumo, formerly a partner at Deloitte Touche Tohmatsu LLC, brings to the auditing work of the Company the professional knowledge of a certified public accountant and the experience that he has acquired at many companies by way of auditing and consulting.
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.

Officer compensation that is closely tied to performance

The Company has a compensation structure for directors' compensation that emphasizes medium- and long-term performance in conjunction with short-term business results. Furthermore, the Company has adopted competitive compensation standards commensurate with directors' roles, abilities, and responsibilities.

Compensation for directors (except for outside directors) consists of basic compensation, bonuses, and restricted stock compensation. The amount of basic compensation is set based on expectations for the director's role in the given fiscal year. The level of basic compensation is reviewed once every term of office. Bonuses consist of performance-linked bonuses that are paid taking into

account the Company's business results for the fiscal year. A restricted stock compensation plan was introduced in FY2017 to better link directors' compensation to medium- to long-term performance and as an incentive for directors to continuously improve corporate value, as well as to further promote the sharing of value between shareholders and directors. The amount of restricted stock compensation is based on the directors' annual salary.

Compensation for outside directors consists of basic compensation only. Compensation for Audit & Supervisory Board members is decided upon through discussion among the Audit & Supervisory Board members, and consists of basic compensation only.

Total compensation by officer category (FY2017)

Officer Category		Directors (excluding outside directors)	Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	Outside Officers
Amount of Compensation (millions of yen)		268	62	81
Amount of Compensation by Type (millions of yen)	Basic Compensation	108	62	81
	Stock Options	17	–	–
	Bonuses	94	–	–
	Restricted Stock Compensation	47	–	–
Number of Eligible Officers		5	2	8

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

Directors and Audit & Supervisory Board members (As of July 2018)

■ Outside ■ Independent

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, Managing Director of Business Development Department at GE Capital 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: 17/17



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 NACHI-FUJIKOSHI CORP., and
Outside Director at Aerial Lab Industries Inc.
- Attendance at Board of Directors meetings: 17/17



Kenichi Fukuhara
Representative Director
and Vice Chairman

In 1976 joined Nomura Securities Co., Ltd. Went on to serve as a Director at Nomura Securities Co., Ltd., and the President of Nomura Research & Advisory Co., Ltd., and held other positions as well. After joining the Company in 2004, he occupied a number of key posts at the Company and its consolidated subsidiaries, such as President of Benesse Style Care Co., Ltd., and Chairman of the Board & CEO of Berlitz Corporation. Currently he serves as Representative Director and Vice Chairman of the Company and as Chairman of the Board of Berlitz Corporation.

- Other current key positions
Chairman of the Board of Berlitz Corporation and Vice Chairman of the Board of Fukutake Foundation
- Current responsibilities
Berlitz Corporation (deputy), Simul International, Inc., and Naoshima business
- Attendance at Board of Directors meetings: 17/17



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, Preschool Education – Global Company, and Kids & Family Division
- Attendance at Board of Directors meetings: 17/17



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: 17/17



Masaki Yamasaki
Director

Joined the Company in 1989. After having served as head of the Group's school 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: 12/12



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: 17/17



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: 16/17



Ryuji Yasuda
Director

In 1979 joined McKinsey & Company, 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: 17/17



Nobuo Kuwayama
Director

In 1971 joined ITOCHU Corporation. At that company, went on to serve as Executive Officer, as General Manager for China, as Managing Executive Officer, as Senior Managing Executive Officer, and in other roles. In 2013, became Chairman of the Board of Directors of DESCENTE Ltd. Since 2016, has been a Director of the Company.

- Attendance at Board of Directors meetings: 17/17

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: 17/17
- Attendance at Audit & Supervisory Board meetings: 16/16



Kimie Sakuragi
Standing Audit & Supervisory Board Member

Joined the Company in 1981. After serving as Section Chief of the Junior High School Correspondence Courses Division, Supervisor of Book Businesses in the Publishing Division, Manager of the Business Ethics and Compliance Office, and in other positions, in 2003 she became a Standing Member of the Audit & Supervisory Board, the position she currently serves in.

- Attendance at Board of Directors meetings: 17/17
- Attendance at Audit & Supervisory Board meetings: 16/16



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: 17/17
- 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 Member of Audit and Supervisory Board at Lasertec Corporation, and Outside Director at Miraca Holdings Inc.
- Attendance at Board of Directors meetings: 12/12
- Attendance at Audit & Supervisory Board meetings: 11/11

Enhancing internal control

At a meeting of the Company's Board of Directors held in May 2006, the Group passed a resolution establishing the basic policies of its internal-control system as well as the general principles stipulated by the Ordinance for Enforcement of the Companies Act as necessary for the organizing of systems to ensure that duties be performed properly. Said resolution received final revision in a resolution passed at a meeting of the Board held on March 30, 2018.

In addition, a project team was set up at the Company for the purpose of creating internal controls and other measures 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. For the purpose of ensuring that the operations of the Group be performed in an appropriate and ethical manner, the principles indicate how all the Group's executive officers and employees should behave.

In order that Group companies conduct their operations in accordance with the Principles, the individual companies establish

standards of conduct or internal rules of their own that have more specific content that is suited to their respective business conditions, business characteristics, size, work environment, etc. By means of these internal rules, Group companies make sure that their operations are carried out in an appropriate manner, thereby ensuring compliance.

In addition, the Group set up the Benesse Group Speak-Up Line and the Audit & Supervisory Board Member Hotline as internal reporting mechanisms to be used whenever illegal conduct, improper conduct, or conduct that violates the Group's articles of incorporation or internal rules may be discovered, and these mechanisms ensure the effectiveness of the Group's compliance monitoring.

Risk management

The Group has designated those responsible for administrative divisions to assist the directors in the lawful and appropriate performance of duties and supervision, thereby ascertaining and handling, from an expert perspective, the risks that the Group faces. In addition, the Group has also created, on the basis of management rules regarding risk management and compliance for the entire Group, a system for the prompt reporting of information to top management at times of crisis.

A message from an outside director

Strategically enhancing the highly unique capabilities of Benesse's human resources will be crucial



Ryuji Yasuda
Outside Director

Mr. Yasuda joined McKinsey & Company, Inc., in 1979, after which he served as a general manager of A.T. Kearney, Inc. In 2004, he became a professor at Hitotsubashi University's Graduate School of International Corporate Strategy (currently the Department of International Corporate Strategy in the Graduate School of Business Administration). Since 2015, he has been an adjunct professor at the school while serving as an outside director of Benesse Holdings.

Since I was appointed as an outside director, I have visited a number of workplaces involved in the Benesse Group's various businesses. My impression is that the Group is an organization of people who really do contribute to people's well-being, and are doing their best to put the corporate philosophy into practice. Whether in education or nursing care services, I could see clearly that many employees in direct contact with children, students, senior citizens and other customers were motivated by a strong desire to be helpful in some way, rather than just by work obligations or quotas. Indeed, that strong commitment among employees may be the Benesse Group's biggest competitive advantage. In my view, each employee who has such strong dedication is

helping promote the Benesse brand and drive the Group's growth. In fact, the extent that human resources capabilities are such a key to growth for the Benesse Group is very rare among other companies, and I have observed many in my career as a consultant and corporate strategy researcher at a university.

For a company to grow, obviously it must generate as much profit as possible from its future investments. Accordingly, as the operating environments of each of the Benesse Group's businesses change along with Japan's declining birthrate and aging population, it will be essential to establish and continue strengthening a business model that can ensure enough earnings power to accumulate capital needed for growth-oriented investments. Nevertheless, over the medium to long terms, the most important tasks for management now are to expand business in accordance with its mission of contributing to people's well-being, and strategically enhance the capabilities of the Group's human resources—its biggest competitive advantage. To do so, it is essential to foster an organizational culture that allows employees to pursue their own ideas, expand their networks, and apply imagination and creativity. I will draw from my professional background to offer advice and fresh ideas so that we can move together towards creating such an enterprising corporate culture.

Measures taken to prevent the recurrence of an information leak

Information Security Inspection Committee established and a system put in place to securely manage, maintain and administer databases

After a database containing customer information was leaked in 2014, the Benesse Group took several important measures to improve its information security. First, an executive was appointed at Benesse Corporation to take charge of personal data management. Second, an Information Security Inspection Committee comprised of outside experts was established in October 2014, and tasked with leading periodic inspections to improve security monitoring.

The maintenance and administration of Benesse Corporation's databases has been transferred from Synform Co., Ltd., to Benesse InfoShell Co., Ltd., which was jointly established by Benesse Holdings and LAC Co., Ltd. Furthermore, Benesse Holdings created group-wide standards and policies for personal information protection, and is helping each group company implement the policy and conduct related inspections.

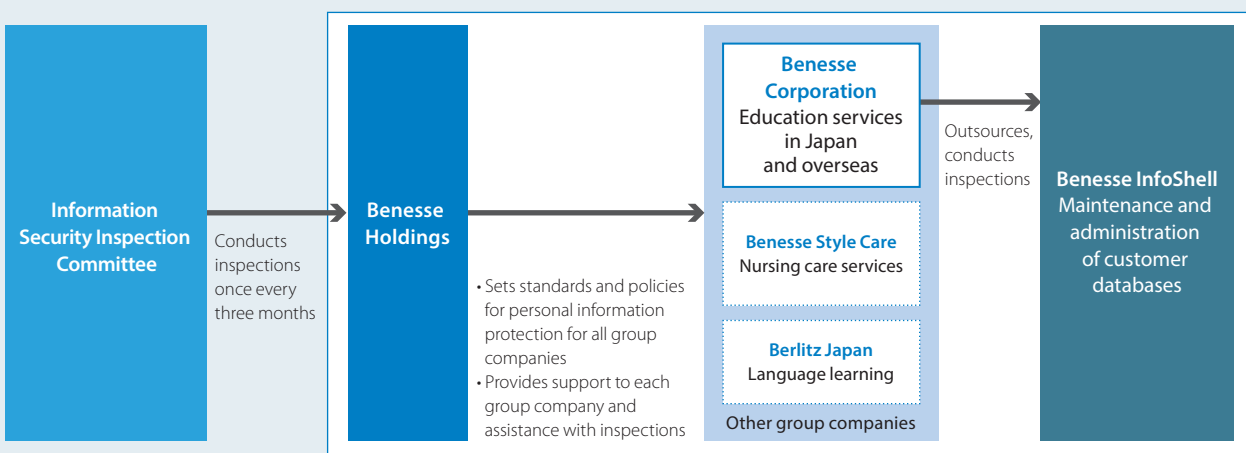
The Benesse Group set up its Information Security Inspection Committee in 2014 as part of efforts to prevent the recurrence of an information leak in the future. Comprised of members from outside the Benesse organization, the committee periodically verifies how the Group's data and systems are being managed, maintained, and administered from an impartial perspective, and proposes improvements when deemed necessary. Its members are scholars and leading experts in the fields of information security and personal data management. The Information Security Inspection Committee generally meets once every fiscal quarter, and is responsible for making fair decisions from the standpoint of customers and for overseeing strict inspections. It reports on the results of inspections and

offers related suggestions to the president of Benesse Holdings, and is responsible for promptly formulating appropriate countermeasures if the inspections uncover any problems.

Members of the Information Security Inspection Committee (As of April 1, 2018)

Chairperson	Shigeo Tsuji Professor emeritus, Tokyo Institute of Technology Research fellow and administrative professor, Research and Development Initiative, Chuo University Chief director, Secure IoT Platform Consortium Advisor, Foundation for MultiMedia Communications Chief director, Secure Broadcasting Authorization and Research Center Professor emeritus and inaugural president, Institute of Information Security
	Atsuo Inomata Professor, School of Science and Technology for Future Life, Tokyo Denki University
Members	Tetsutaro Uehara Professor, College of Information Science and Engineering, Ritsumeikan University
	Harumichi Yuasa Professor, Information Security Department, Institute of Information Security

Organizational structure for information security inspections





Staying involved in people's aspirations



Part 2 How We Create Value

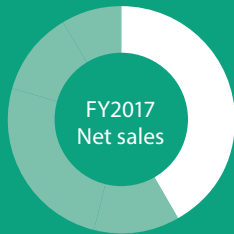
At the heart of the Benesse Group's business activities and philosophy is a desire to assist and inspire people over their entire lifetimes, whether they are children, young people, parents, or senior citizens, so that each person lives a more fulfilling life. The Group has devised strategies for creating value in each of its business domains, which, spanning from childcare to nursing care, provide services to people over their whole lives. All members of the Group are confident that the value it continues to create will help customers realize their dreams and aspirations.

Goals and strategies for each business

	Strategy	Sales growth target (CAGR, 2020)
 Domestic Education (Japan) Page 33	Grow by capitalizing on reforms of education and college admission systems	7%
Global Kodomo Challenge Page 37	Expand the Kodomo Challenge brand of courses	10%
Nursing Care and Childcare Page 39	Entrench the Group's leading position in the market by continuing to offer high-quality services	3%
Berlitz Page 41	Restructure operations under the direction of the new CEO	2%
Other/New Business Domains Page 43	Create new businesses through mergers and acquisitions	—

Domestic Education (Japan)

In the Domestic Education business—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.



41.9%
¥182.0 billion



Shinkenzeni Business

Shinkenzeni correspondence courses for students from elementary school through high school (ages 6–18)



Shinkenzeni Elementary School Courses

School & Teacher Support Business

Educational support for schools, including the Shinken Simulated Exams (mock university-entrance exams) and the GTEC proficiency tests covers the four English skills



GTEC Speaking Test

Area and Classroom Education Business

Operation of cram schools and prep schools
Operation of English language classes for children



A Tetsuyokukai class

Results and Forecasts

FY2017 Results

Net sales	¥182.0 billion
Operating income	¥9.0 billion

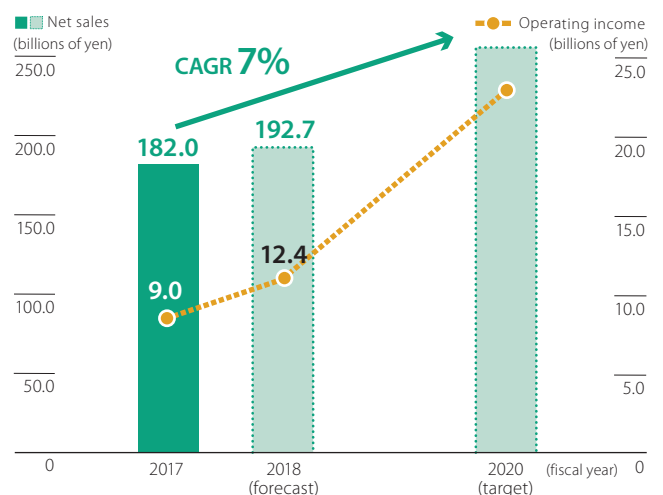
FY2020 Targets

Net sales CAGR 7%

- Leverage the educational and entrance-exam reforms to push ahead with growth strategies in the Shinkenzeni, School & Teacher Support, and Area and Classroom Education businesses
- Use our collective capabilities to promote the GTEC proficiency tests in the four English skills

Note: Starting in FY2018, we have modified the segmentation of the Group’s businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Shinkenzemi Business—Policies and Strategies Going Forward

Reaching our target of 3 million enrollees in FY2020

In the Zemi Business Company, we are pushing ahead with growth strategies that involve leveraging the educational and entrance-exam reforms as our most significant business opportunity, and working to make the most of the comprehensive strengths of Benesse. Numerically, our target is to have the combined enrollment of the Shinkenzemi and Kodomo Challenge correspondence courses be 3 million in April 2020. Maintaining a balance between boosting enrollment, on the one hand, and improving profitability through additional reform of our cost structure, on the other hand, we are aiming for greatly improved profitability in FY2020. This will be a challenging target to reach, but we aim to reach the target by accurately meeting the new customer needs that will emerge amid the various changes involved in the reforms, and by creating new value in advance of the competition.

Michiaki Yamamoto

Corporate Executive Vice President,
President of Zemi Business Company



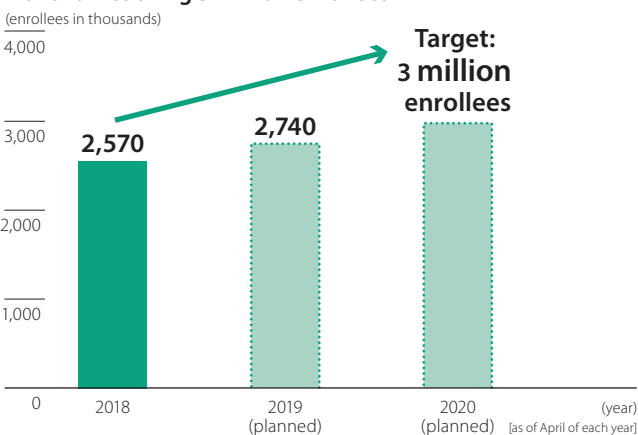
Boosting enrollment in Shinkenzemi

Achieving recovery in the number of correspondence-course enrollees is a major issue for Benesse. At Shinkenzemi, our highest priority is to increase customer satisfaction, so we believe that we will succeed in maintaining a high retention rate, which is a measure of customers’ trust and support.

The products for FY2017 were all redesigned exclusively from the customer’s perspective. In particular, a major reason for the recovery in enrollment was the change we made in our tablet strategy. Specifically, we carried out a radical overhaul of our teaching materials, moving to hybrid teaching materials that combine conventional, paper teaching resources with devices like dedicated tablet devices and smartphones.

In developing teaching materials, we strive for ease of understanding and ease of use, so that children will not get confused, and we incorporate at every turn features that will motivate the children and features that will get them to continue. As a result, retention rates for the April 2018 edition were up, year on year, for every school grade from 1st grade in elementary school through the 3rd year of senior high school.

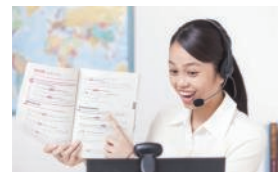
Plans for reaching 3 million enrollees*



* Combined enrollment of Shinkenzemi and of domestic Kodomo Challenge

Accelerating our preparations for the educational and entrance-exam reforms

In the university entrance exam that will begin to be implemented in FY2020, there will be tests to measure proficiency in the four skills of listening, reading, speaking, and writing in English. The first students to take the new entrance exam will be those who are currently freshmen in senior high school. To assist these current freshmen, in April 2018 we began supporting the requirements of the CEFR*1 in our senior high school courses by offering, at no additional charge, online speaking by foreign instructors as part of our new curriculum.



An online English conversation—taught by a foreign instructor—that is available in the senior high school courses

In addition, in FY2020 programming education is scheduled to become compulsory at elementary schools. In response, in FY2018 we have begun providing teaching material for programming-related education in our elementary school courses. This teaching material, which is easy to understand even for children who have no previous exposure to programming, is capable of firmly establishing the thinking cycle found in a programming-like way of reasoning*2.

In addition to developing our products and services in this way so as to increase customer satisfaction and keep retention rates high, we are also increasing the number of new enrollees by developing our direct marketing. In particular, we are establishing a stable enrollment-growth structure by focusing on increasing the numbers of enrollees in the first year of each of the courses.

Going forward, we will be fusing the strengths that Shinkenzemi has cultivated with the resources of other Benesse business companies or Group companies, and using these comprehensive strengths to provide new products and services that support development of the skills and abilities called for by the educational and entrance-exam reforms, with the aim of acquiring the trust of an even greater number of customers.

*1 A European standard for the measurement of ability to use a foreign language.

*2 When one intends to bring about a series of activities, the ability to reason logically about questions such as what sorts of actions need to be combined, how the symbols corresponding to the individual actions should be combined, and how the combination of symbols can be improved upon in order to come closer to bringing about the activities that one intends. (Ministry of Education, Culture, Sports, Science and Technology)

Domestic Education (Japan)

School & Teacher Support Business—Policies and Strategies Going Forward

Achieving growth by moving quickly to prepare for the educational and entrance-exam reforms

In order for Benesse to prepare for the major change represented by the educational and entrance-exam reforms, the School & Teacher Support Business Company, which is the business company most closely tied to the classroom environment, will have to take the initiative in changing. In that sense, the adoption of the GTEC as one of the private-sector proficiency tests for the four skills in English on the uniform test for university admissions constitutes a very significant turning point. Sales, Planning, Product Creation, and other departments at the Business Company are working together to listen to customers' views, hone our products and services, and provide learning in new forms (and with new content).

Masaki Yamasaki

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



Solidifying our predominance in high school and 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 GTEC, which in FY2017 was adopted by 1,850 senior high schools and combined junior-and-senior high schools throughout Japan, and which is taken by more than 1.02 million students per year, is a score-based proficiency test of the four English skills. We have been refining and improving the test since it was first developed, over 20 years ago. Since the very beginning, our focus has been on practical English.

The concept behind the GTEC meshes with the orientation of the reforms of English teaching, an orientation that focuses on the increase in globalization that is taking place in society.

The adoption of the GTEC imparts great predominance to the expansion of Benesse's business operations. By placing at the center of one's learning the GTEC, a test that envisions putting to actual use the English learned in class, it becomes possible for a student to learn English in a substantive manner without any distinction between day-to-day English learning via textbooks and English learning in preparation for the uniform test for university

admissions or for external proficiency tests. We will continue to shoulder our extremely important responsibility for one part of the university entrance exam while also helping children to learn English that they can use.

Benesse at schools

Benesse signs agreement with Tama City in Tokyo to assist in enhancing English education

In November 2017, Benesse and Tama City signed a Comprehensive Collaboration Agreement for the Promotion of Community Development. To kick off the collaboration, classes using Benesse's Online English Conversation have begun being taught at all of the City's municipal junior high schools. By providing one-on-one English conversation classes with foreign instructors via the Internet, we help improve the language skills of students and also contribute to improving the teaching skills of teachers.

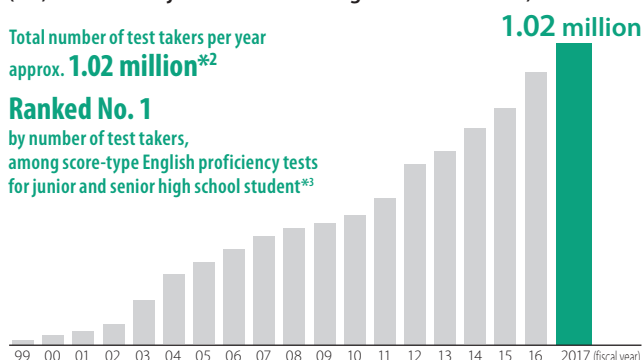


The signing ceremony with Tama City
Left: Hiroyuki Abe, Mayor of Tama
Right: Hitoshi Kobayashi, Representative Director and President, Benesse Corporation

Number of students taking the GTEC (i.e., the tests for junior and senior high school students)*1

Total number of test takers per year
approx. **1.02 million***2

Ranked No. 1
by number of test takers,
among score-type English proficiency tests
for junior and senior high school student*3



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

*2 Number of people who took the GTEC tests (including those who were tested on only three skills) for junior or senior high school students in FY2017

*3 Result in FY2017; sample limited to proficiency exams that in FY2017 satisfied the requirements for participation in the system for the providing of English grades for university entrance exams.

Providing Classi to meet the teaching needs of schools

Classi Corp., a company established by Benesse Holdings and Softbank Corp., has since 2014 been offering Classi, a learning-support platform service for schools. Nationwide, in FY2017 the number of schools (junior and senior high schools) using the service was approximately 2,100, and the number of paid enrollees was approximately 830,000.

Classi, which provides ICT support in adapting to the changing environment that schools find themselves in, is an educational platform for an increasingly digital age. It is quick to provide the features that the era is asking for, such as portfolio functions that let learning records be stored and reviewed for use in

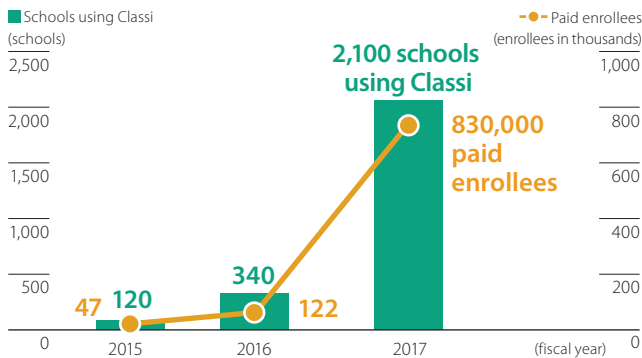


St. Catalina Gakuen High School is using ICT for the purpose of training students to have the strong academic abilities needed in the 21st century

the multifaceted and comprehensive evaluation that will be implemented with the educational and entrance-exam reforms.

Benesse looks on Classi as the nexus between the schools, where all education starts, and the Company's various services. Going forward, we will be boosting the value of Classi dramatically and increasing customer satisfaction by augmenting the sense of speed in our other teaching materials and services and linking them to Classi.

Trends in the number of schools using Classi and the number of paid enrollees



Note: Figures are out of a total of approximately 3.2 million senior high school students and 5,000 senior high schools in Japan

Benesse at schools

Benesse teams up with Meisei Junior and Senior High School to hold ICT Education Seminar

In March 2018, Classi Corp. and Meisei Junior and Senior High School jointly put on a seminar entitled ICT Education Seminar. At the seminar, reports were given on actual examples of the use of Classi's portfolio functions in teaching and on initiatives in ICT education, and presentations were made on the topic of ICT in education from the student's point of view.



The seminar was attended by a large number of educators from all over the country

Area and Classroom Education Business—Policies and Strategies Going Forward

Growing in the region and contributing to education in the region

As customers' needs and learning styles become more and more diverse, the Area and Classroom Education Business is providing a diverse assortment of products and services, such as cram schools, English schools for children, and English teaching materials for preschoolers, elementary schoolers, and junior high schoolers. The goals of the business are to use these products and services in order to create a model for continued growth on the part of Benesse and contribute to improving the ability of the region to educate. Going forward, we aim to achieve additional growth by building on the strengths of the different categories of content and sharing our knowledge of marketing and other areas.

Kenji Yamakawa

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



Expanding BE Studio, where students learn English skills that they can use

As globalization progresses, acquiring the ability to use English is becoming more and more important. In response to increasing demand for English education on the part of parents and the need for English learning to start younger, Benesse Corporation in April 2018 inaugurated a new brand, BE Studio Benesse English Schools.

The BE Studio schools were formed by uniting Benesse Children's English Classes and Minerva English Conversation for Children, and the aim is to provide services that make the most of the strengths of each of the chains. The schools will be offering services to fit customers' needs, such as courses taught by Japanese-national instructors in open, homelike classrooms and courses taught by native-speaker instructors at classrooms located in shopping centers.

Expanding the cram-school operations and Class Benesse

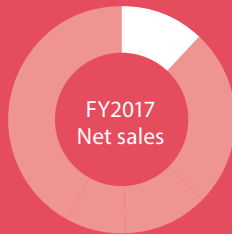
The cram schools run by individual Group companies have their own particular strengths. For example, *Tetsuryokukai* receives overwhelming support from students hoping to get into the University of Tokyo or into medical schools, while Tokyo Individualized Educational Institute every year receives high marks in private-sector rankings of customer satisfaction, and UP has strong roots in the Kansai region. To maintain their good reputations, the schools strive to further improve on the value that they offer.

In addition, we have inaugurated Class Benesse, individual-guidance schools using Shinkenzenmi that are based on a philosophy of training children to learn on their own. We aim to expand Class Benesse by means such as franchising.

In the future, we will continue to draw on our strength of having a real, physical presence in the region so as to help even more children to grow.

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.



12.0%
¥52.2 billion



Domestic Preschool Education Business (Japan)

Operation of Kodomo Challenge, a series of correspondence courses for preschoolers
Providing of concerts, movies and digital videos for enrollees



Kodomo Challenge

Overseas Preschool Education Business

Operation of correspondence courses, primarily for preschoolers in China, Taiwan, and Indonesia
Providing of concerts, movies and digital videos for enrollees



Preschool courses in China

Results and Forecasts

FY2017 Results

Net sales ¥52.2 billion
Operating income ¥2.3 billion

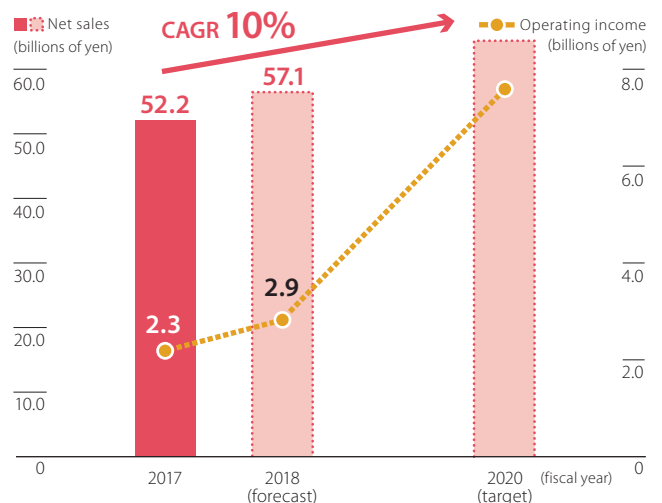
FY2020 Targets

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

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Policies and Strategies Going Forward

Uniting the Japanese market and overseas markets, and boosting competitiveness

The Global Kodomo Challenge Business Company was set up in April 2018 for the purpose of making Kodomo Challenge, a series of correspondence courses for preschoolers that was celebrating its 30th anniversary, grow into a more globally competitive business. Regardless of the country or region, our aim is always for Kodomo Challenge to be a product that children will enjoy, will become absorbed in, and will work on by themselves in accordance with their age and state of development. We aim to adapt the product to different cultures and values by means of painstaking localization, and make Kodomo Challenge into a business that broadens children’s possibilities.

Haruna Okada

Corporate Executive Vice President,
President of Global Kodomo Challenge Company



Expanding business overseas with global standard teaching materials

As of April 2018, domestic enrollment in Kodomo Challenge stood at approximately 790,000, representing an increase of 50,000 enrollees over one year earlier. This V-shaped recovery in enrollment was due to our expanding the points of contact with customers—such as by enhancing Shimajiro Concerts, movie screenings, and digital videos—and to our focusing on expanding the product lineup (e.g., starting up the new Thinking Skills Specialized Course).

To achieve additional growth, going forward we will be accelerating our expansion overseas, and our basic strategies for this will be to develop products by means of global standard (GS) teaching materials and to strengthen the brand using Shimajiro World.

In July 2018, we began offering Kodomo Challenge in Indonesia. For teaching materials, we took GS materials and partially localized them to fit local culture and values, our aim being to reduce development costs without sacrificing quality. One year prior to offering the courses in Indonesia, we began broadcasting Shimajiro Anime on television there. We are successfully increasing recognition of Shimajiro World both quickly and efficiently. Sales are carried out in collaboration with a partner in Indonesia.

From here on out, we will use these methods in countries and regions where there is a high probability of business success—primarily in Asia—in order to accelerate the overseas expansion of the Kodomo Challenge business.

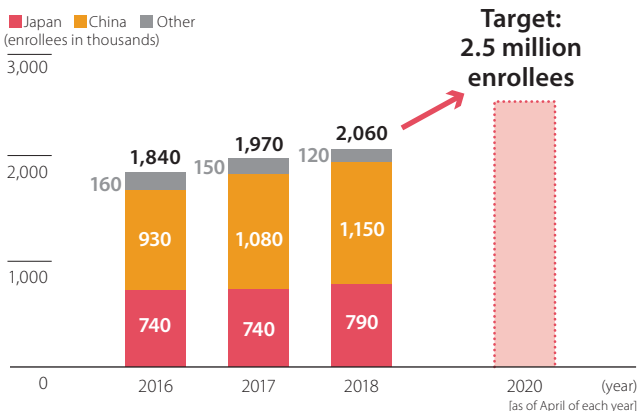
Aiming to reach 1.5 million enrollees in China

In China, as of April 2018 there were 1.15 million children taking Kodomo Challenge. We have set ourselves the target of increasing this to 1.5 million by FY2020.

Since entering the Chinese market 12 years ago, we have enjoyed steady growth. However, in recent years the rate of growth has slowed somewhat. The main reason for this is that rapid changes in Chinese society have given rise to a mismatch between what customers want and the products that Benesse offers. Shimajiro (marketed in China as Qiaohu) is enjoying increasing recognition, and the brand is coming to be seen as one that accompanies children as they grow and helps them acquire living habits. Nevertheless, in the midst of the sweeping changes that Chinese society is undergoing, the brand needs to offer the additional value of being an educational brand that broadens children’s future possibilities.

Global Kodomo Challenge Business Company is therefore radically overhauling its products one by one, starting with those for the youngest children. The age-in-months-line course for children aged between 1 and 2 years (i.e., for children aged 13–24 months), whose overhaul was completed in March 2018, has had excellent results, including a large year-on-year increase in enrollment. Going forward, we will be carrying on with these efforts so as to reach our target of 1.5 million enrollees.

April enrollment in Kodomo Challenge

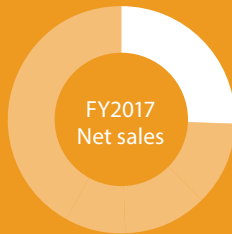


China business expansion model



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.



25.7%
¥111.8 billion



Nursing Home and Home Help Services Business

Operation of private-pay nursing homes and of elderly homes
Providing of home help services and daytime nursing care services



Nursing care service

アリア グラニー&グランダ
くらら まどか
ボンセジュール ここち
リレ

Our seven series of nursing homes and houses for the elderly

Food Delivery Services and Nursing Care Food Business

Door-to-door food delivery services for the elderly
Development and providing of nursing care food



Food delivery service

Daycare and Afterschool Care Business

Operation of daycare centers and afterschool childcare centers, mainly in the Tokyo metropolitan area



Childcare service

Results and Forecasts

FY2017 Results

Net sales ¥111.8 billion
Operating income ¥8.8 billion

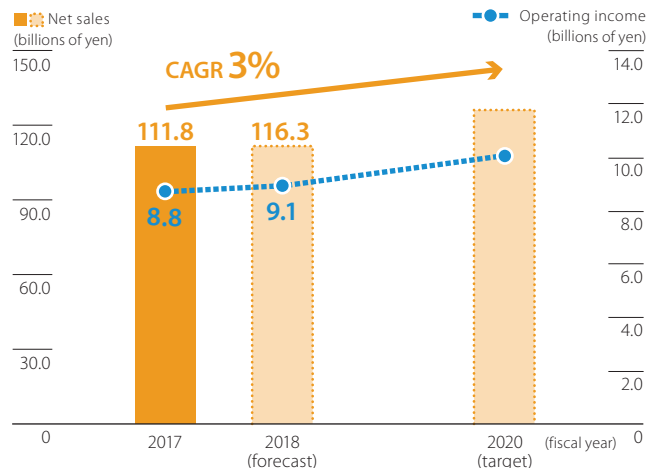
FY2020 Targets

Net sales CAGR 3%

- Reinforce regional strategy by steadily increasing the number of nursing homes
- Promote differentiation in service quality by further developing the Benesse Method

Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Net Sales & Operating Income



Policies and Strategies Going Forward

Differentiating by taking a scientific approach to nursing care and childcare

For the year ended March 2018, Benesse Style Care's homes achieved a high occupancy rate of 95%, indicating that the business as a whole is solid. Each of the homes uses the Benesse Method—a compilation of practical knowledge gained at our homes—to provide high-quality service, and residents are pleased with the service received. As a result, staff members feel their work to be worthwhile, and this in turn helps increase the occupancy rate. We aim to push ahead with this virtuous cycle so as to achieve steady growth.



Shinya Takiyama

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

Reinforcing regional strategy by increasing the number of nursing homes

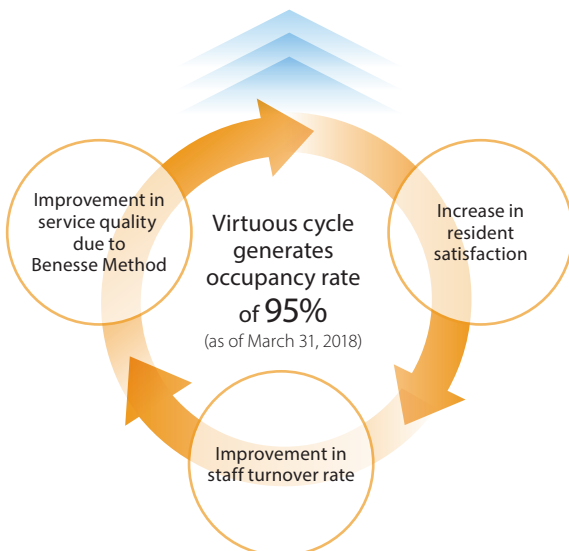
Although the change from an aging society to a super-aging one is making competition in the industry more intense, Benesse's nursing care business has an excellent reputation because it offers the highest quality of service in the industry. To improve the quality of service even more, the medium-term management plan lays out a strategic policy of using the Benesse Method to differentiate Benesse's services. While working to improve quality even further using the Benesse Method, which verbalizes and systematizes the practical knowledge Benesse has gained at its nursing homes, we are also expanding our personnel structure by continuously hiring and training staff.

Even after FY2018, we plan to continue opening roughly 10 new nursing homes per year, primarily in major urban areas.

Strategic policy of the nursing care business

Steadily increase the number of nursing homes

- Open approx. 10 new homes per year
- Strengthen position in high-end nursing homes



Differentiating in service quality by further developing the Benesse Method

The Benesse Method uses a scientific approach to verbalize and systematize a large number of successful examples from Benesse's nursing homes. It is a crystallization of wisdom and expertise that are grounded in 20 years of practice, and it contributes greatly to improving the quality of our service.

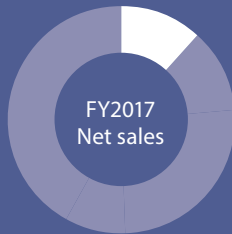
For example, the Dementia Care Method, which was enhanced in 2016, came into being when best practices from Benesse nursing homes nationwide that engage in self-reliance support and the encouraging of spontaneous efforts were analyzed, and 29 patterns for increasing the probability of success in dementia care were extracted and systematized. In addition, in pattern language we summarized in 65 patterns a variety of object- and space-related tips for making a home for the elderly a pleasant place; this book was awarded the 2017 Good Design Award, and since February 2018 we have made it available for free on our website. What is more, in FY2018 we plan to complete a pattern language for use in childcare. We have also developed, and put into complete operation in all our nursing homes, Service Navigation System, which records details of daily nursing care and nursing actions in digital format and uses a variety of functions to keep each member of a home's staff aware of what is going on.

The Benesse Method

Dementia Care Method	Expertise acquired in self-reliance support and the encouraging of spontaneous efforts is verbalized in the Dementia Care Method
+	
Pattern Language	Organizes into 65 patterns various tips for how to create an environment where people can be themselves
+	
Service Navigation System	Systematizes nursing-care records and nursing records, and shares the expertise of skilled employees with the entire staff

Berlitz

The core of our operations is Berlitz, one of the largest language-education companies in the world. Under a new CEO, we are moving ahead with radical reforms.



11.8%
¥51.3 billion



In 2018, Berlitz celebrated 140 years in business.



Language Instruction Business

Helping everyone from children through working adults to learn languages



A Berlitz lesson

ELS (Overseas Study Support) Business

Helping people who want to study abroad—in the US and elsewhere—to develop their language skills



An ELS lesson

Results and Forecasts

FY2017 Results

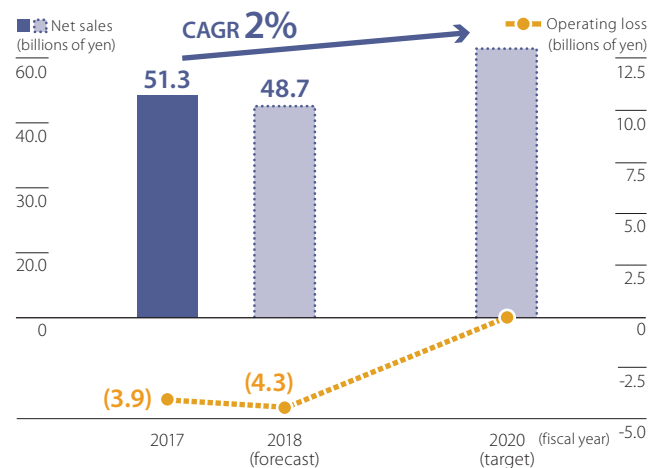
Net sales ¥51.3 billion
Operating loss ¥3.9 billion

FY2020 Targets

Net sales CAGR 2%

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

Net Sales & Operating Loss



Note: Starting in FY2018, we have modified the segmentation of the Group's businesses. The results for FY2017 are reclassified according to the new segmentation. Please note that the figures for FY2017 are unaudited, and may change later.

Policies and Strategies Going Forward

Under a new management team, we will revitalize Berlitz, a company with a 140 year history

Berlitz, which pioneered the industry-leading Berlitz Method* and has continuously maintained a strong brand, in 2018 celebrated 140 years in business. Berlitz's profits are currently low as a result of delays in undertaking reforms due to management issues, but I believe that every "issue" that can be improved through effort represents an "opportunity." In order to radically rebuild the business, I have brought together a number of individuals with expertise in revitalizing businesses and formed them into a new management team. Drawing on my own knowledge and experience in the education industry and on other resources, we have formulated a revitalization plan that centers on reforming the cost structure and transforming products and business processes, and we are implementing measures such as thoroughgoing cost reduction, product innovation that uses both face-to-face teaching and technology on a concurrent basis, and transformation of business processes through the use of IT. With these measures, we aim to return to profitability in FY2020 and contribute to the Group's profitability in FY2022.

* A proprietary method, used around the world for 140 years, in which learners do not use their native language at all, but only the language they are studying; the method enables the learners to understand things spoken in that language without any translation, and to respond in that language.

Curtis Uehlein
CEO, Berlitz Corporation

Served as CEO or COO at an IT consulting firm and at several companies in the field of education, including language companies that compete with Berlitz. With 20 years of experience in the education industry, he was named CEO of Berlitz Corporation in August 2017.



Transforming products and business processes in order to rebuild profit and reform cost structure

The reform of the cost structure aims to reduce fixed costs through downsizing, primarily at the US headquarters and at ELS centers. As a result of these efforts, costs in FY2018 have been cut by US\$6.7 million compared to a year earlier, and US\$13 million in cuts are planned from FY2019 onward.

To transform products and business processes, we have inaugurated "Berlitz 2.0." We are developing and launching new products that make use of both face-to-face teaching and technology, and are using an IT system to improve our business processes.

Specific structural-reform measures

Reforming the cost structure

Cutting costs drastically through downsizing

- Reducing staffing by roughly 520, mainly at US headquarters, and scaling back ELS centers
- Positive effects of the downsizing on profit (compared to FY2017)*
 - FY2018: US\$6.7 million
 - FY2019 onward: approx. US\$13 million
- Restructuring costs*
 - FY2018: US\$14.1 million
 - FY2019: US\$7.4 million

Significant reduction in fixed costs

Transforming products and business processes

Inauguration of Berlitz 2.0 project, which aims to develop and launch new products and to improve business processes

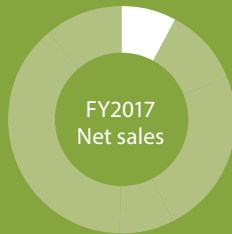
- Berlitz 2.0 project
 - Reforming products to have them use both face-to-face teaching and technology
 - Transforming business processes through the use of a new IT system
- Using digital marketing to boost sales
- Rebuilding the franchise strategy and putting it into operation
- Launching new ELS products (pathway programs)

Significantly increased product appeal and improved marginal profit ratio

* Calculated in accordance with US accounting standards

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.



8.5%
¥37.1 billion



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

Lifestyle-Related Business

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



THANK YOU!

THANK YOU! website

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)

Feedback from a Securities Analyst

An evaluation of the Benesse Group and expectations going forward

Hidekatsu Watanabe

Senior Analyst of the Healthcare and Service Sectors
Equity Research Department, Mizuho Securities Co., Ltd.

Hidekatsu Watanabe joined Nomura Research Institute, Ltd., after graduating from Keio University's Faculty of Economics in 1990. He was transferred to Nomura Securities Co., Ltd., in 1998, and worked in the financial research section of its corporate research division. He then joined IBJ Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.) in 2000, and was assigned to cover the healthcare and service sectors. Mr. Watanabe is currently regarded as a top securities analyst in Japan, having been voted the number-one overall analyst for three consecutive years from 2015 to 2017 in a ranking of securities analyst published by Nikkei Inc.



Valuable solutions needed for educational issues in Japan

Educational reforms are now underway in Japan, and a new university entrance exam system will take effect from 2020. In light of these major changes, I am most concerned about what kind of innovative ideas and strategies the Benesse Group will devise in response, and whether it can successfully monetize them through competitive services.

I believe education is at the root of some serious problems confronting Japanese society today, but practical solutions have yet to be put forward. Against that backdrop, the Benesse Group has been highly involved in educating children and teenage students for many years. In terms of fulfilling its role in this regard, the Group has consistently met my expectations for the past 20 years or so. Assuming it continues to generate revenues, the Group's education business will need to evolve so that its services become even more relevant for society and the entire country over the next two or three decades. For example, the English language ability of Japanese people is low compared with other Asian countries, and perhaps that is because we are not very good at thinking logically, which is essential. This is a big issue for education in Japan, including education in the home, so I hope the Group will find new and valuable ways to help solve it.

Proper levels of earnings and growth maintained in the nursing care business

Nursing care is one of the Benesse Group's main businesses, and I think it deserves top marks overall. Any given business has an optimal pace of growth, and I think the right pace is being maintained in this case. If the nursing care business was pressured to grow at an unreasonably fast pace for the sake of short-term profits, the quality of its services would likely decline, which could bring an end to its growth. Therefore, the Group should continue its approach of offering services to senior citizens who have a certain level of wealth while maintaining the current rate of earnings and growth.

Reducing the dividend signals determination to move forward on a path to growth

Quite frankly, when I first looked at Benesse Holdings' medium-term management plan in the autumn of 2017, I felt that its operating income target of 35 billion yen by the fiscal year ending March 31, 2021, would be very difficult to achieve, let alone its goal of 60 billion yen by the fiscal year ending March 31, 2023. After attending the company's briefing session for analysts last May, however, my opinion changed for a few reasons. First, the number of students enrolled in Shinkenzemi correspondence courses in Japan had grown by five percent as of April, around the same amount I had expected at the time the plan was announced. This result indicates that the company's management has a firm grasp of the market and took effective measures to tap it. Therefore, its 2021 target of 35 billion yen appears more credible and possible.

Another reason was the company's decision to reduce the next annual dividend amount. I was surprised when management announced that the dividend would be reduced despite its forecast of improved financial results, but I realized this decision was based on excellent judgements. I also sensed management's strong determination to get earnings capacity back on track by staying focused on achieving 35 billion yen in operating income within three years.

The issue of creating new businesses

I cannot really foresee the Benesse Group's next new business, and I think this is a serious issue. Although there is a merger and acquisition strategy in the medium-term management plan, costs associated with company acquisitions have increased sharply, and even if cash outflows from the lower dividend payments are strictly managed, it is questionable whether Benesse Holdings could acquire a good company. Assuming it could make such an acquisition, the question remains as to whether the new firm could be developed as a core business. Therefore, we have not integrated the effects of any mergers or acquisitions in our analyses at the present time, and, conversely, we regard that as part of the Benesse Group's upside potential.



Always looking far into the future



Part 3

Enhancing Operational Resources

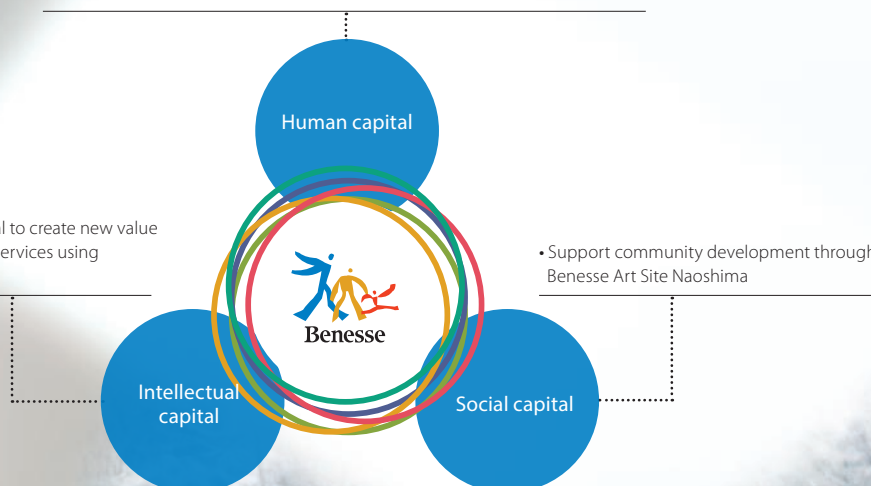
Companies, organizations and individuals around the world are committed to accomplishing the United Nations Sustainable Development Goals by 2030—including the Benesse Group. Under the banner of “Transformation and Growth,” all members of the Group have renewed their resolve to offer economic and social benefits to communities with a future-oriented and long-term outlook. To ensure that it can continue creating value going forward, the Benesse Group is currently working to enhance its human, social, and intellectual capital.

Three resources for creating value in the future

- Train new management leaders to ensure sustainable growth
- Equip employees with the skills needed for implementing reforms
- Prepare personnel organizations for implementing human resources strategies

- Utilize intellectual capital to create new value
- Upgrade products and services using digital technologies

- Support community development through Benesse Art Site Naoshima



Human Capital



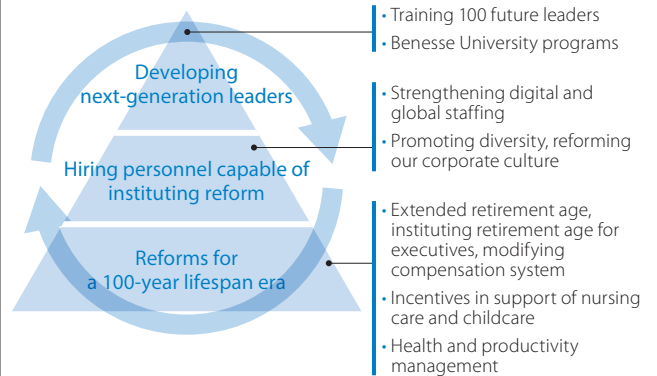
Fulfilling our mission to transform and grow by strengthening our employee base and organizational capabilities

Three policies to strengthen our human capital

In the Benesse Group's medium-term management plan, one of the major themes under Strengthening the Management Base is strengthening our human capital. The greatest single management resource of a company is its employee base, so developing our employee base and making our working environment pleasant will contribute greatly to the Group's mission, to transform and grow.

Accordingly, we are implementing three major policies: (1) developing next-generation leaders who will drive sustainable growth, (2) in response to changes in the business environment, hiring personnel capable of instituting reform, and (3) implementing personnel & organizational reforms that will form the foundation for pursuing our personnel strategy in preparation for an era when people will live to be 100 years old.

The Benesse Group's personnel & organization strategy



Developing our younger employees

Benesse University for our younger employees



Eriko Satonaka
General Manager of
Group Human Resources

As one part of the Benesse Group's development efforts for its younger employees, in April 2018 the Group started up Benesse University, a program for younger employees.

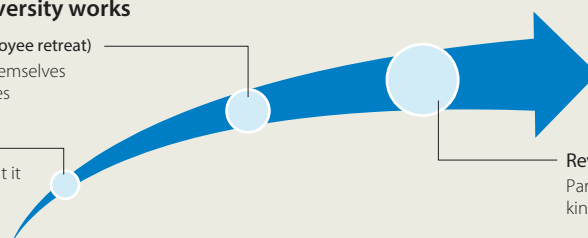
The program has its origins in a proposal made by employee volunteers in the *Building the Benesse of Tomorrow Project* (see p. 48), and consists of two components: group seminars and open courses. At the group seminars, we work to train the participants to take action. Senior managers or outside instructors give lectures to groups of roughly 20 of the Group's younger employees who also undergo training camps at Naoshima, and go through action learning to attempt to solve real problems. At the open courses, employees have the opportunity to come into contact with broader perspectives by having instructors from inside and outside the Company give them talks on societal trends, potential situations in the future, and so on, stimulating in the employees a desire to grow and leading them to become internally motivated.

How Benesse University works

Naoshima camp (employee retreat)
Participants reflect on themselves and define their principles

Leader sessions
Participants find out what it takes to be a true leader

Review of activities
Participants figure out what kind of leader they want to be



Developing next-generation leaders who will drive sustainable growth

Across the entire Benesse Group, we are developing management leaders who will lead Benesse Holdings over the next generation. We have identified, at various Group companies, approximately 100 management leader candidates, and we are having them go through a continuous, systematic development program. In addition, on a regular basis we give our executives the opportunity to share among themselves information on the candidates, get a clearer view of them from a variety of angles, and review the development program.

Going forward, in accordance with the development plans for the individual candidates, we plan to rotate them through different types of training and different Group companies, and assign them to a variety of projects within the Group. We are also considering having them undergo training outside the Group as well as executive coaching and mentoring.

Hiring personnel capable of instituting reform

We are focusing on hiring and developing two types of personnel capable of instituting reform: *digital staff* to take charge of the digitalization of services and operations, and *global staff* to take charge of business conducted in English. We are developing digital staff primarily at the Group Digital Division, a new organization that we launched in January 2018. Besides developing the abilities of the Group’s digital personnel, the division also collaborates with the individual business companies to develop new products and services that employ digital technology.

In order that these two types of personnel may use their abilities to the fullest, we are focusing on cultivating an organizational culture where diverse ideas and values are acknowledged and accepted.

Personnel and organizational reforms for implementing personnel strategy

We are also revamping our personnel system and organizational structure so that employees can feel proud and enthusiastic about their work, and will be able to use their capabilities to the fullest. In preparation for an era when people will live to be 100 years old, we are implementing policies to boost employee motivation and cultivate a corporate culture that is pleasant to work in, such as extending the retirement age, instituting a retirement age for executives, modifying our compensation system, offering telecommuting and flextime, offering incentives so that employees can work while providing childcare or nursing care, and providing work-life management and healthcare support. Furthermore, Benesse Holdings, which is devoting effort to health and productivity management, was recognized as a White 500 enterprise in the Ministry of Economy, Trade and Industry’s 2018 Certified Health and Productivity Management Organization Recognition Program.

We will continue to implement the PDCA cycle with regard to these policies for strengthening our employee base and our organizational capabilities, thereby creating new value and enhancing our competitiveness for the Group to grow in a sustainable fashion.

Implementing the *Building the Benesse of Tomorrow Project*, which provided opportunities for personal growth and networking

We carried out the *Building the Benesse of Tomorrow Project* throughout the entire Group for a period of three months beginning in July 2017, prior to the formulation of the medium-term management plan. In the Project, employee volunteers from different business departments came together into teams, and each team chose a topic in one of three areas—personnel, organization, and culture, corporate social responsibility (CSR), or new business—and proposed to management one or more ways to resolve issues related to that topic. Of the 13 teams that took part, 3 received awards for excellence for their proposals.

This project activity gave the younger employees who participated in it the opportunity to grow personally, and also fostered networking and camaraderie within the Group. In addition, out of the proposals that received awards, two proposals in the area of personnel, organization, and culture (dealing respectively with the topics of health and productivity management and development programs for younger employees) ended up being included in the personnel & organization strategies of the medium-term management plan.



CEO Tamotsu Adachi critiquing the final proposals

Employee proposals that won awards for excellence in the Project

Team	Topic	Main point of proposal
One Benesse	Developing younger employees	Launching Benesse University to help younger employees grow personally and tackle challenges
Waku-Waku 17	Health and productivity management	Redesigning the work environment and how employees work
Team Accessible	Providing teaching materials and books to persons with disabilities	Providing learning opportunities for persons with learning disabilities, with attention deficit hyperactivity disorder

Human Capital

Health and productivity management

Initiating health event trial activities in response to a proposal by employees

The Benesse Group is carrying out a variety of initiatives to make its employees healthier, such as revamping its industrial health system, setting up consultation desks, and making use of employee-assistance program (EAP) organizations.

Putting into practice a proposal that won an award for excellence in the *Building the Benesse of Tomorrow Project*, in 2018 we have enhanced our health and productivity management

Goals of health and productivity management



efforts. In January, Kenichi Fukuhara, Vice Chairman of the Company, issued the Benesse Group Health Declaration, stating, "in order that employees may be healthy in mind and body, and live each day in a vigorous, enthusiastic way, we will work to improve the health of employees and their families."

Following up on the declaration, in September 2018 we began holding trial activities—health events—throughout the entire Group. In these activities, we are tackling health problems by organizing employee volunteers at the Group's main companies into 20 teams, and assigning to each team a goal quitting smoking, improving their eating habits, or getting more exercise. Based on the results of the trial activities, in the near future we plan to expand these health events to the entire Group.



Members of the Health and Productivity Management Implementation Project

Developing our digital staff

Establishing Benesse's competitive advantage by combining both education and nursing care with digital technology



Hiroshi Sakakibara

General Manager of
Group Digital Division

Digital transformation is a trend that is sweeping the world, and Benesse, naturally, is a part of this. Benesse has already begun transforming its businesses by combining both its education and its nursing care with digital technology. The mission of the Group Digital Division is to accelerate this transformation, and improve Benesse Group's products and services with technological innovation to increase customer and business value.

Benesse's digital strategy includes a number of different approaches, and one of them is to boost the hiring and development of digital staff. In April 2018, we launched a staff-talent pooling system, the aim of which is to get our digital staff to use their full potential. We are accomplishing this by making their individual skills and aptitudes visible throughout the Group and moving these persons around freely among the Benesse Group's companies and departments, and their various lines of business.

We are also working on office reform, modifying office environments to make them fit the sensibilities and work styles of staff members whose strengths are in IT or in digital technology. One example of this is a new "digital native" office that we set up at our Tokyo Head Office in August 2018. At the same time, we are also using cutting-edge technologies such as AI and deep learning in research and development for the purpose of creating new opportunities and business in our educational and nursing care businesses.

Our intention is to harness digital transformation so as to take the strengths that Benesse has built up in a variety of fields of business and fuse them with advanced digital technology so as to create unprecedented strengths, thereby establishing a comprehensive competitive advantage in areas including personnel, organization, and corporate culture.

Diversity

Drawing on the individual strengths of the employees in our diverse workforce in order to create new value

The Benesse Group is promoting diversity with an eye to accepting differences regarding nationality, race, gender, age, and the presence or absence of physical limitations, and to make use of these differences.

Because the Group conducts business in a variety of countries and regions, the Group employs persons of various nationalities. Furthermore, in education, in nursing care and

childcare, and in other fields of business, many of our female employees put to use in their work their perspective as consumers. In a business environment that is undergoing sweeping changes, we are working to harness the diversity of employees like these in order to respond to the changes in a flexible manner and create new value.

Initiatives at Group companies for the strengthening of human capital**Benesse Corporation****Received Stage 3 certification under the Act on Promotion of Women's Participation and Advancement in the Workplace**

The Group's personnel system permits all employees, of either sex, to provide childcare or nursing care while working and advancing their careers. Under the certification system for the *Act on Promotion of Women's Participation and Advancement in the Workplace*, the Group has been certified as satisfying the criteria set down by the Ministry of Health, Labour and Welfare in the five areas of hiring, employment continuity, work style (including working hours), percentage of managerial positions, and variety of career paths, and has been awarded the highest level of certification, Stage 3.

Benesse Style Care**Supporting women's participation via a variety of occupations and working arrangements**

We are working to cultivate an environment where personnel who want to work in nursing care or childcare can keep on working and truly feel the importance of their work.

Roughly 70% of our employees are women, and many of our homes for the elderly and daycare centers are headed up by women. We offer our employees a variety of ways to work, enabling them to choose from among a variety of occupations and working arrangements the ones that fit their stage in life. Specifically, we offer childcare allowances that help permanent employees work full-time while they have children attending a daycare center, as well as shorter work hours during child-rearing that are available up through the time the child finishes 3rd grade in elementary school, and the number of our employees using these benefits is increasing each year.

Furthermore, for employees who would like to return to work after taking child-rearing leave but are unable to do so because they cannot find a daycare center for their child, in April 2018 we opened Benesse Noborito Daycare Center, a

daycare center for the use of our employees. The Center has been recognized as a Company-led type daycare facility of the kind that the Cabinet Office is promoting to eliminate the problem of children having to wait for admission to daycare centers and in order to support people who work while raising children, and represents the first daycare center of this kind that we have opened. And to help support child-rearing and the resolution of the waiting-list problem in the broader community, we have set aside a certain number of admission spots in the Center for use by community residents.

Benesse Style Care**Using the Benesse Method to improve employee motivation**

The Benesse Method, a tool that is unique to Benesse Style Care, uses a scientific approach so as to verbalize and systematize successful examples drawn from the experience Benesse has acquired at its nursing homes. We are applying the Method in our homes for the elderly, one by one, with excellent results. The Method indicates how to create an environment where residents will spontaneously want to do things, and in the homes where the Method is being applied, the creation of this environment leads to more residents gradually returning to living their own way, sometimes with less need for care. The use of the Method also leads to higher employee motivation and lower turnover.

Benesse Style Care**Substantially improving compensation for employees in nursing care and childcare positions**

We wish that our employees working in nursing care and childcare may live well—like our home residents and daycare children—and continue working with us for a long time. To that effect, in April 2017 we invested approximately ¥1.53 billion to substantially improve the compensation we pay to our employees in nursing care and childcare positions. Benesse Style Care is implementing measures like these to motivate our employees more and expand our personnel structure.

Intellectual Capital



Creating new value from our accumulated knowledge, expertise, and data

Putting intellectual capital to work for the sake of corporate growth

In the 1960s, the Benesse Group began offering simulated exams and correspondence courses for senior high school students. Since then, the Group has gone on to expand its business into fields such as languages and nursing care, thereby creating new markets. The marketing knowledge and the expertise in product and service development that we have acquired along the way in these different fields constitute valuable intellectual capital for the Group.

The Group has also accumulated a great deal of data that remains underutilized, such as children's learning histories and residents' life records, as well as implicit knowledge that has not been clearly verbalized, as for instance expertise based on long years of experience.

To put this intellectual capital to work for corporate growth, the Group is accelerating its digital transformation efforts. We are working to create new value by making active use of digital technology in order to analyze, verbalize, and systematize the variety of data and implicit knowledge that we possess.

Using digital technology to increase the sophistication of our products and services

At the Benesse Group, the Group Digital Division that we set up in January 2018 is taking the lead in using advanced digital technologies such as big data analysis and AI with aims to increase the value of the Group's diverse intellectual capital and materialize this capital in the form of products and services that have greater dominance.

First of all, we intend to develop new products and services for the teaching materials used in Shinkenzenmi, our main business. In addition to migrating our existing, paper-based teaching materials to tablets and other electronic media, we are considering adding functions that are not possible with paper media—such as audio and video—and introducing the sort of innovative user interface that is only possible with digital media. We are also making our products and services more sophisticated, such as by using AI to analyze in detail the learning situations of our individual Shinkenzenmi enrollees. This way, we will be able to provide them with learning advice and services that are just right for them.

Using agile development to overhaul our Sakutto Study smartphone app

In November 2017 we launched an overhauled version of the Sakutto Study smartphone app for Shinkenzenmi senior high school courses. In developing this version of the app, we did not subcontract the development work to an outside company as we had previously done, but instead assembled a project team in-house composed of planning staff, development staff, and engineers. On this occasion we used an agile development method, submitting each prototype we developed to repeated verification. From here on out, the Group Digital Division will take the lead in using development methods like this to quickly provide products and services that are closely linked to what customers have asked us for or are looking for.



Two think tanks that increase the Group’s intellectual capital

The Benesse Group has two think tanks, which carry out original surveys and research on the basis of the knowledge that the Group has built up in its educational and nursing care businesses: the Benesse Educational Research and Development Institute and the Benesse Senior/Nursing Care

Research Institute. The Group uses the research results of these two institutes to develop its own business, but it also widely disseminates the results in society by means such as reports, websites, and symposiums, thereby contributing to solving social problems involving education, and the elderly.

Benesse Educational Research and Development Institute (BERD)

Giving back to society the results of multifaceted surveys and research

This in-house think tank came into being in 2013 through the merging of the Benesse Group’s several research departments. Taking a comprehensive view of parenting and the educational environment, the BERD conducts multifaceted surveys and research in the field of education regarding a wide range of people, covering everyone from infants to college students, working adults, parents, and teachers.

The BERD is made up of six different research offices, each of which maintains collaboration with educational institutions and researchers in Japan and abroad. The research offices carry out research in their particular areas of specialization, e.g., the talents and abilities that will be needed in society in the future, ways for acquiring those talents and abilities, and assessment based on testing theory. Since the founding of the predecessor to this research institute in 1980, more than 400 studies have been carried out, the results of which are presently being put to actual use in parenting and education.

The six research offices that make up the BERD

-  Child Sciences and Parenting Research Office
-  Assessment Research and Development Office
-  Elementary and Secondary Education Research Office
-  Global Education Research Office
-  Higher Education Research Office
-  Curriculum Research and Development Office



VIEW21 (senior high school edition), a magazine providing educational information to senior high school teachers

Benesse Senior/Nursing Care Research Institute

Contributing to the industry’s development by actively disseminating information

We established the Institute in 2015 with a view to make society a place where the older that people get, the happier they will be. The Institute’s strengths are the knowledge that the Group has built up over more than 20 years in the course of operating nursing care facilities and the fact that the Group owns facilities where a large number of customers live. The Institute carries out surveys and research that are of use to an aging society, and disseminates information to society and to the entire nursing care industry.

Specifically, the Institute focuses on carrying out surveys and research on unresolved questions regarding the elderly and nursing care, disseminating information on what is going on at nursing homes and on the views of residents, their families, and nursing care staff, and researching the professional growth and careers of nursing care professionals. The Institute is also actively involved in joint research with businesses and corporations inside and outside the nursing care industry.



The website of the Benesse Senior/Nursing Care Research Institute

Social Capital

Dialogue

Soichiro Fukutake and Tadao Ando

Showing the world a way to make communities more sustainable

Benesse Art Site Naoshima lights the way forward with 30 years of success

Benesse Art Site Naoshima has grown in collaboration with residents of several islands in Japan's Seto Inland Sea, particularly the island of Naoshima. Tadao Ando, a leading architect who has been deeply involved in this project, and Soichiro Fukutake, honorary advisor to Benesse Holdings, shared their views on the significance of the project's activities and their hopes for the future.

Looking back on the creation of an island of contemporary art

Fukutake The island of Naoshima is where my father originally wanted to establish a campsite for children. Unfortunately he passed away right at the time he was about to get started, so I returned from Tokyo to our home in Okayama to carry out his dying wish. As I went ahead with the project, my bonds with the island residents and surrounding Seto Inland Sea grew deeper, and my desire to do more for the island became stronger. Fortunately, we contacted your architectural firm for assistance. Over 30 years have passed since then.

Ando At first, I was very surprised when you told me of your



Soichiro Fukutake

Honorary advisor to Benesse Holdings, Inc., chairman of the Fukutake Foundation, and managing director of the Setouchi Triennale

Born in Okayama Prefecture in 1945, Soichiro Fukutake has served as president, chairman, and representative director of Benesse Holdings. In 1988, he announced the plan to create Naoshima Cultural Village, and in 1995, he renamed the company he led, Fukutake Publishing, as Benesse Corporation to incorporate the word *benesse*, meaning "well-being" in Latin.

desire to build an art gallery in Naoshima. That's because the Seto Inland Sea was regarded as practically dead at that time, unlike its status now as one of the most beautiful inland seas in the world. Factories emitted sulfur dioxide gases and illegally dumped waste in the sea, so the islands were unattended and produced very little. Access to the islands was also limited, and the islanders were



The Chichu Art Museum
(photo courtesy of Seiichi Ohsawa)

not very active. I remember telling you repeatedly that your requests would be rather difficult, but you responded every time by telling me to continue anyway. That



About Benesse Art Site Naoshima

Benesse Art Site Naoshima is the general term for the artistic activities organized on the islands of Naoshima, Teshima, and Inujima in the Seto Inland Sea by Benesse Holdings and the Fukutake Foundation. These activities create unique and special places by showcasing contemporary art and architecture against the backdrop of the natural beauty of the Seto Inland Sea and the traditional culture of the islands.



Tadao Ando

Architect

Born in Osaka in 1941, Tadao Ando studied architecture independently and established Tadao Ando Architect & Associates in 1969. His best known works include the Church of Light, Pulitzer Arts Foundation, and Chichu Art Museum.



Pumpkin by Yayoi Kusama, exhibited in 1994 © YAYOI KUSAMA

intrigued me, and my enthusiasm gradually increased. Many well-known art galleries in modern times were built because of the strong passion and courage of their founders, and I imagined that was also the case with your Naoshima project.

Fukutake I was driven by my rebelliousness towards society. I enjoyed my time living in Tokyo from the time I went to university there until I reached the age of 40, but my involvement in the Naoshima project completely changed my life. Tokyo represented

the excesses of modernization and urbanization, but I only became aware of that after coming to Naoshima. In a sense, our modern society constantly destroys what exists and replaces it with something new, resulting in a decadent culture. Instead of that, I came to see the need for changing our approach by making use of what we already have and creating things we don't have. The Seto Inland Sea was the first area of Japan to be designated as a national park, even before Mount Fuji. In such a beautiful area, factories had been constructed, toxic pollution was illegally dumped, and people suffering from Hansen's disease were banished from society. Those actions were disgraceful in my mind. Had I been an artist, I would have expressed my feelings

- 1987** Opening of the first campground for visitors on the the island of Naoshima
- 1992** Opening of the Benesse House Museum
- 1998** Commencement of the Art House Project
- 2004** Opening of the Chichu Art Museum
- 2008** Opening of the Inujima Seirensho Art Museum
- 2009** Exhibitions held in Venice and Paris
- 2010** Openings of the Lee Ufan Museum, Les Archives du Cœur, Storm House, and Teshima Art Museum
Inaugural Setouchi Triennale 2010 held (and again in 2013 and 2016)

- 2011** Twentieth anniversary event held
- 2012** Lectures and seminars held in Paris
- 2013** Openings of the Ando Museum, Teshima Yokoo House, and Miyanoura Gallery 6
- 2015** Symposium held in New York
- 2016** Openings of the Teshima 8 Million Lab and Teshima Seawall House
La Forêt des Murmures and Needle Factory exhibitions held

Social Capital

through art, but since I wasn't an artist, I tried to get local people to work with me and create something completely new in Naoshima. Of course, you were a central figure among them.

Ando Although it is commonly believed that contemporary art cannot attract a lot of people, I thought your idea of designing buildings to showcase contemporary art was fantastic. I was also impressed that you only chose serious and uncompromising artists, such as James Turrell, Bruce Nauman, and Walter De Maria.

Fukutake My father collected paintings by Yasuo Kuniyoshi, who was born in Okayama. That is how I first became interested in art. When I first saw his paintings, I didn't know what to make of them, but as I looked at them more closely, I gained a sense of what he had intended to express in each work. So, when it was time to collect art for Naoshima, I looked for works that would suit the situation there. Just as I believed Picasso's *Guernica* was so relevant for Spain at the time, I wanted the art to be right for the island. I also thought that each work could send an even stronger message if it was exhibited in the most suitable setting.

Revitalizing communities through the Naoshima Method

Ando When Benesse House Museum opened, about 30,000 people visited in the first year, and it did not take long before 70,000 or 80,000 people were visiting, bringing a lot of energy to the island. Although the residents of the island were not very receptive to having many visitors at first, they began feeling the excitement, and some started talking about opening a restaurant, café, or lodging establishment. I was particularly surprised by how the elderly residents were energized. At that time, I thought things could turn out really well.

Fukutake To produce their works, various artists stayed on the island and got to know the local residents. Sometimes when young people visited the island to see the artwork, older residents would tell them about the artists and the meaning of the art, especially when the visitors were puzzled by its meaning. You can imagine how surprised those visitors were to discover such art on the island. With the influx of visitors, a growing number of elderly residents are feeling more alive, freely telling the visitors about the island's history and natural features. Some even renovated their homes to exhibit old items and art collections.

Ando I have always thought that people should be open to change and not be afraid of making mistakes. Many of Naoshima's residents had gotten stuck in their ways as they grew older, but then seemed to rediscover their youth. That amazed me, and is one of the greatest things I have ever witnessed in my life. As countries around the world today struggle to revitalize their provincial cities and towns, the revival of Naoshima offers an exemplary model to follow.

Fukutake It is simple to do. If you want people to be happy, they should live in a happy community. Religion claims that paradise is in the next world, but I wanted to help create such a community in this world. I became aware of that over the course of using contemporary art to bring joy to people in the community, including the elderly, which is kind of like paradise.

Ando One reason why Naoshima attracts international attention is because no other place is like it. Since it is so unique, people come to visit from around the world. It would be great if others would adopt the approach that has been taken on the island. Then more unique places would pop up around the world.



“Benesse’s commitment to well-being originated from the Naoshima project.”

“The islanders felt the excitement and the elderly residents became increasingly active. I was really surprised by that change.”



Fukutake I am often asked about Naoshima’s future, but that is quite different from carrying out a company’s business plan, so I cannot give a clear-cut answer. If, as you just implied, people in other areas of Japan and outside the country become interested in applying the Naoshima Method as a way to revitalize their communities, I would be happy to promote it even more.

A place for reflecting on well-being and the future

Fukutake I changed my company’s name to Benesse when the Naoshima project was underway. It could even be said that Benesse’s commitment to well-being originated from our initiatives in Naoshima, because, in a sense, the project embodied our business pursuits. Things like products, information, and IT are merely resources. The important thing was that our new businesses were increasingly developed from the concept of helping people live better lives.

Ando It is important for each person to consider well-being on a personal level. I think the island of Naoshima is a place for doing that. The works of art are permanently exhibited in the same locations. It is said that people will not go to such an art gallery twice, but, in fact, every year there are many people who visit for a second or third time, because they can experience the island differently each time they come. One can engage with the artwork, experience the natural environment and scenery, and interact with the local residents, so there are various aspects that

make each visit different. The island is not very accessible even for people living in Japan, so when visitors come back from places like Paris and New York, I think that all kinds of people are exploring more enriching ways to live.

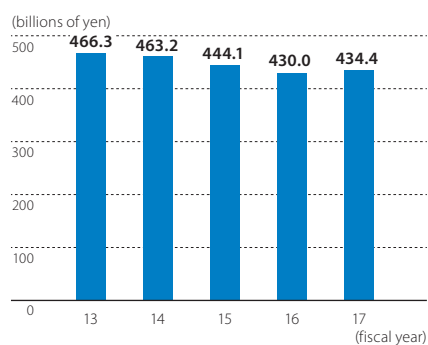
Fukutake Corporations operate according to economic principles, but the important thing is how they give back the wealth created through their business activities to society. Simply paying taxes is one way, but that is not what I mean. Corporations have a social obligation to promote community development and culture, and I believe they should be more committed to that. With the spread of financial capitalism around the world today, it seems impossible to foster societies in which all members are content. The Fukutake Foundation receives dividends from Benesse Holdings as a major shareholder, but instead of simply donating them to the Naoshima project, it serves as the core organization and creates a framework for the project’s activities to continue. That is one means of realizing the concept of public interest capitalism that we advocate.

Ando I believe companies are public institutions. Besides generating revenues and profits, if every company gave serious consideration to how to engage with communities as corporate citizens and fulfill their responsibilities, society would most certainly become a better place. I hope the Benesse Group’s employees, too, will experience that in Naoshima, because if they do not personally feel what it’s like to live well, it will be difficult to promote Benesse’s approach to well-being.

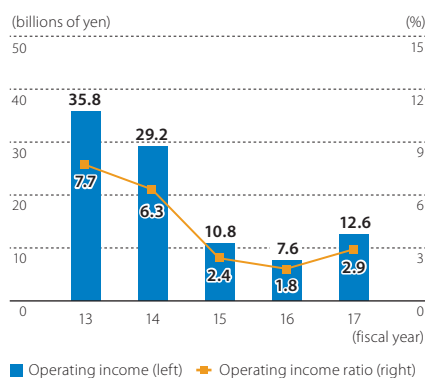
Financial and Non-Financial Highlights

Financial Information

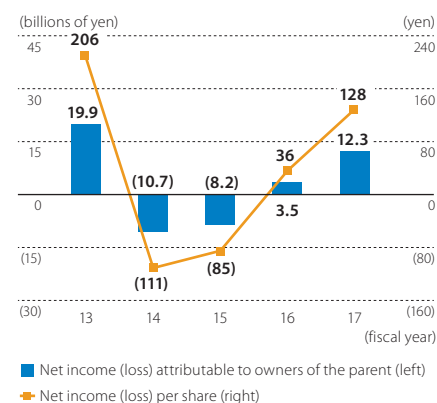
Net sales



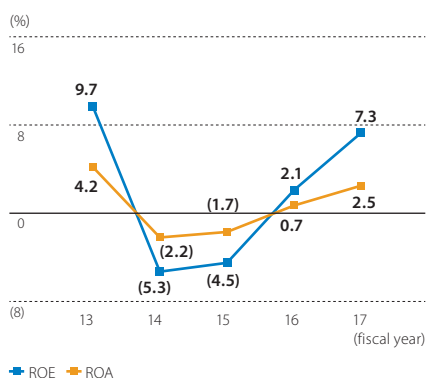
Operating income/ Operating income ratio



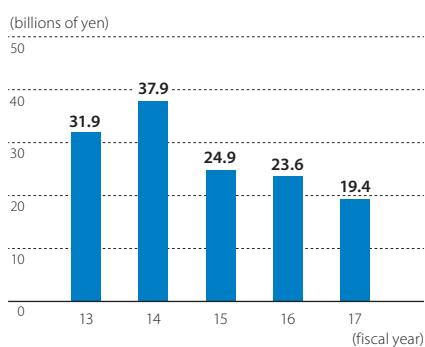
Net income (loss) attributable to owners of the parent/ Net income (loss) per share



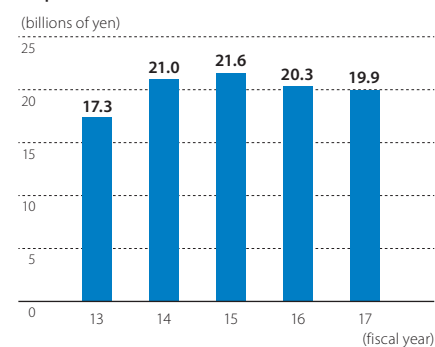
ROE/ROA



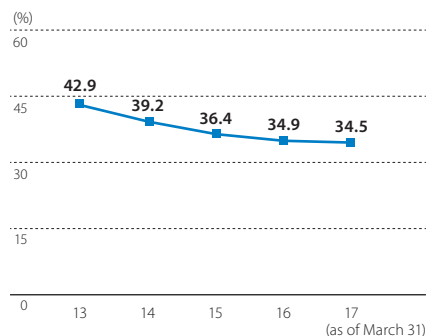
CAPEX



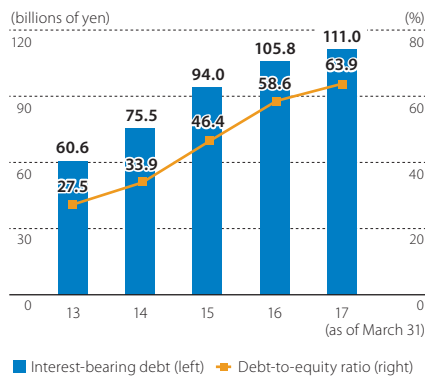
Depreciation & amortization



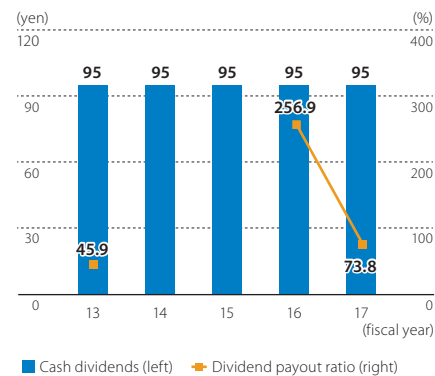
Equity ratio



Interest-bearing debt/ Debt-to-equity ratio



Cash dividends/Dividend payout ratio

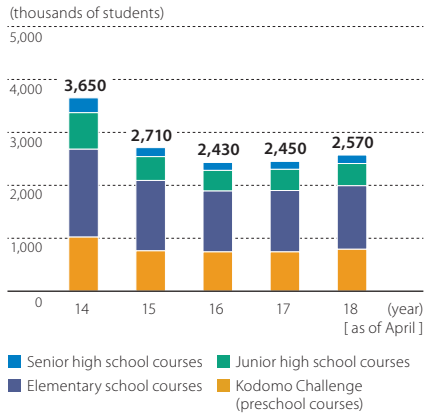


Note: Interest-bearing debt includes lease obligations.

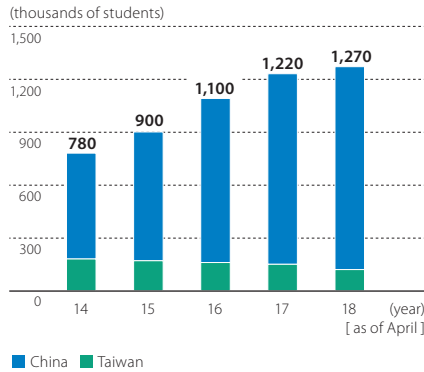
Non-Financial Information

Business-related

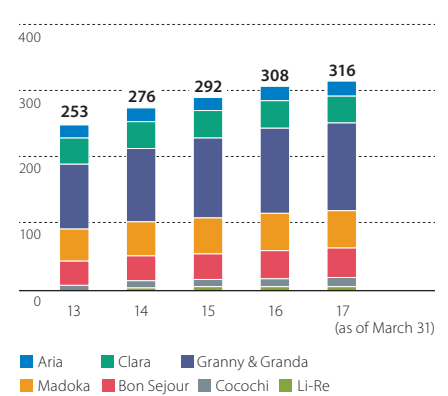
Shinkenzemi enrollments (domestic)



Kodomo Challenge enrollments (overseas)

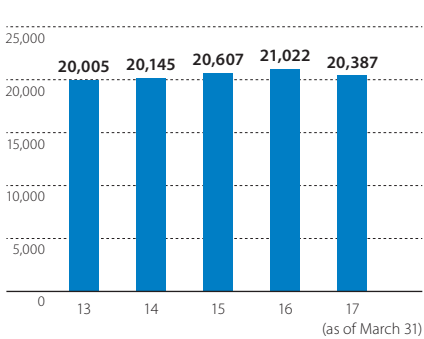


Nursing homes & elderly homes by brand

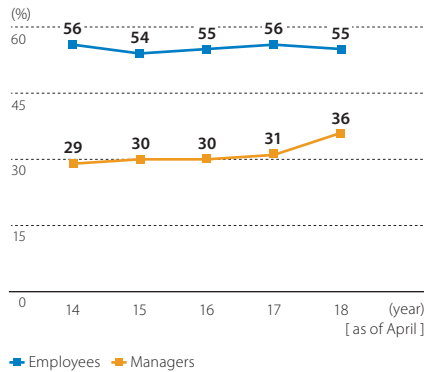


Human Resources

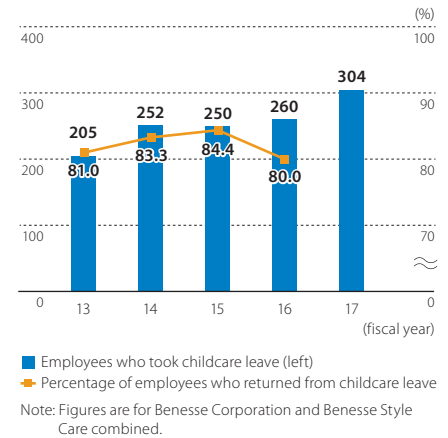
Employees on consolidated basis



Ratio of female employees/Managers

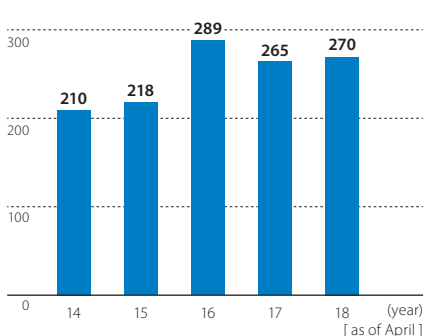


Employees who took childcare leave/ Returned from leave



Human Resources

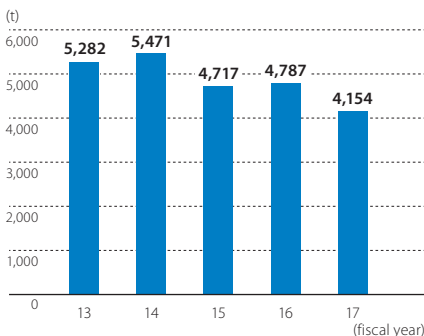
Employees taking shorter hours for child-rearing



Note: Figures are for Benesse Corporation and Benesse Style Care combined.

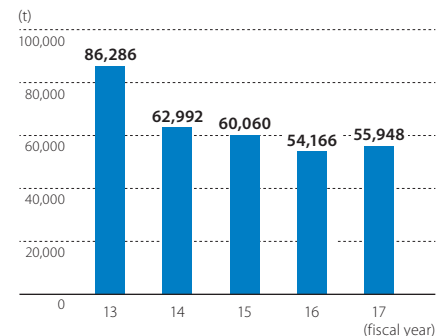
Environment

CO₂ emissions



Note: CO₂ emissions are for electricity consumption only.

Paper consumption



Note: Paper consumption excludes printing paper for use in offices.

Group Information

Corporate Information As of March 31, 2018

Name	Benesse Holdings, Inc.
Date established	January 28, 1955
Headquarters	3-7-17 Minamigata, Kita-ku, Okayama-shi, Okayama 700-0807, Japan

Representative	Representative Director, President and CEO Tamotsu Adachi (As of June 23, 2018)
Employees (Consolidated)	20,387
Capital	13,623 million yen
Fiscal year-end	March 31

Consolidated subsidiaries

As of March 31, 2018

Name of company	Common stock (Millions of yen)	Ratio of shareholding (%)	Description of business
Benesse Corporation	3,000	100.0	Education, publishing, mail-order sales, etc.
UP Inc.	1,667	100.0	Operation of prep schools
Tokyo Individualized Educational Institute, Inc.	642	61.9	Operation of prep schools
Benesse i-Career, Co., Ltd.	261	51.0	Career education and career building support services for university students and working adults
Shinken-AD Co., Ltd.	65	100.0	Advertising business specializing in higher education institutions
Plandit Co., Ltd.	40	100.0	Planning and editing of study materials
Minerva Intelligence Co., Ltd.	11	100.0	Operation of English-language schools up to age 15
Learn-S Co., Ltd.	10	100.0	Planning, editing, production and sales of study materials
Ochanomizu Seminar Co., Ltd.	10	100.0 ^{*1}	Operation of prep schools
Tokyo Educational Institute Co., Ltd.	10	100.0	Operation of prep schools
Benesse Corporation China	125,000 Thousands of RMB	100.0	Sales of correspondence course materials for preschoolers
PT. Benesse Indonesia	136,700 Million INR	100.0 ^{*2}	Operation of prep schools in Indonesia
Benesse Style Care Co., Ltd.	100	100.0	Nursing care services for the elderly business, childcare business
Benesse Senior Support Co., Ltd.	100	100.0 ^{*3}	Nursing care consultation service business
Benesse Palette Co., Ltd.	100	80.0 ^{*4}	Food delivery services and nursing care food for seniors business
Benesse MCM Corp.	80	100.0 ^{*3}	Introduction and temp staffing of nurses and human resources trained in nursing care
Berlitz Corporation	1,005 Thousands of U.S. dollars	100.0	Language instruction, global leadership training and support for study overseas
Simul International, Inc.	40	100.0	Interpretation, translation and language instruction business
Benesse InfoShell Co., Ltd.	150	70.0	Information system maintenance and operation business, information processing service business
Benesse Business-mate, Inc.	50	100.0 ^{*5}	Office operational management, outsourcing and support services
Naoshima Cultural Village Co., Ltd.	20	100.0	Hotel and campsite operation and management
Benesse Base-Com, Inc.	20	100.0	Production, distribution and sales of study materials and software
Benesse Insurance Services, Inc.	20	94.0 ^{*6}	Insurance agency business
Benesse Hong Kong Co., Ltd.	3,600 Thousands of H.K. dollars	100.0	General trading and quality assurance related to educational equipment, toys and other items

Plus 14 other subsidiaries.

^{*1} Including an indirect stock holding of 50.0% through a subsidiary. ^{*2} Including an indirect stock holding of 0.3% through a subsidiary. ^{*3} Indirect stock holding through a subsidiary.

^{*4} Indirect stock holding of 80.0% through a subsidiary. ^{*5} Including indirect stock holdings of 4.0% through subsidiaries.

^{*6} Including indirect stock holdings of 64.0% through subsidiaries and affiliates.

Benesse Holdings corporate website

www.benesse-hd.co.jp/en/

Our corporate website, which we overhauled in April 2018, provides comprehensive information on the Group as a whole.



Corporate and Group information



Investor relations



Corporate social responsibility (CSR) information

Investor Information As of March 31, 2018

Shares issued	102,464,061 shares
Listed date	October 26, 1995
Securities listing (Common stock)	Tokyo Stock Exchange, First Section
Ticker code	9783
Isin code	JP3835620000

Unit of trading	100 shares
Independent auditor	Deloitte Touche Tohmatsu LLC
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Shareholders	38,423

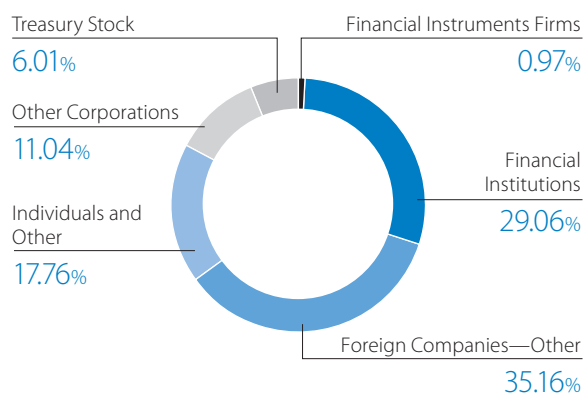
Top 10 shareholders

	Shares (Thousand)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	11,804	12.25
Japan Trustee Services Bank, Ltd.	10,311	10.70
efu Investment Limited	7,858	8.15
Fukutake Foundation	6,408	6.65
JP Morgan Chase Bank	3,288	3.41
The Chugoku Bank, Ltd.	2,787	2.89
State Street Bank West Client	2,343	2.43
Minamigata Holdings, Inc.	1,836	1.90
Nobuko Fukutake	1,769	1.83
Mizuho Trust & Banking Co., Ltd.	1,600	1.66

Notes: 1. The shares held by The Master Trust Bank of Japan, Ltd. include 6,809 thousand Company shares (a 7.07% investment ratio) contributed by efu Investment Limited as trust assets. efu Investment is an asset management and investment corporation of which Hideaki Fukutake serves as representative. The decision-maker with respect to the execution of voting rights' related to the consigned trust assets is efu Investment Limited.

2. The Company owns 6,156 thousand shares of treasury stock which are not included above because they do not carry voting rights. These shares of treasury stock are also excluded from the calculation of percentages.

Shareholdings by type of shareholder



Coverage in SRI indexes

MSCI ESG Index*1



FTSE*2



*1 The inclusion of benesse holdings, inc. in any msci index, and the use of msci logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of benesse holdings, inc. by msci or any of its affiliates. the msci indexes are the exclusive property of msci. msci and the msci index names and logos are trademarks or service marks of msci or its affiliates

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Benesse Holdings, Inc. has been independently assessed according to the FTSE4Good and FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE4Good Index Series and FTSE Blossom Japan Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. These indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

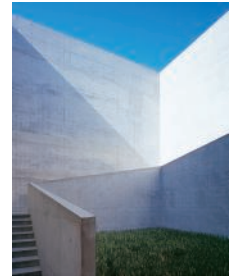


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206-0033, Japan
Phone: +81-42-357-3656
Email: tokyoir@mail.benesse.co.jp
URL: <https://www.benesse-hd.co.jp/en/>

About the cover photo

The photo shows a section of the Chichu Art Museum, which opened in 2004 as part of Benesse Art Site Naoshima, an art project primarily located on the island of Naoshima in Japan's Seto Inland Sea. Designed by renowned architect Tadao Ando as a space for contemplating nature and people, the museum was mostly built underground so it would not interfere with the surrounding scenery of the beautiful sea and islands. The Chichu Art Museum houses permanent exhibitions of works by Claude Monet, James Turrell, and Walter De Maria.



The Chichu Art Museum
Photograph:
Ken'ichi Suzuki

Benesse Art Site Naoshima website:
<http://benesse-artsite.jp/en/>

To find out more about the Benesse Group

On our website you will find content and videos that are linked to the content of this report. Feel free to look at them to complement this report.

Related videos



Concept video—medium-term management plan Transform and Grow Benesse 2022—

In this video the Benesse Group, which helps people attain well-being, shows what the Group aims to become in the future.
<https://www.benesse-hd.co.jp/en/about/management/middleplan/movie.html>



Benesse and Naoshima, a video dialogue between architect Tadao Ando and Soichiro Fukutake, honorary advisor to the Company

Their discussion, which took place on Naoshima Island, is in this report and also available on video. Not to be missed are the video's scenes of the natural and artistic beauties of Naoshima Island.
<https://www.benesse-hd.co.jp/en/ir/library/ar/2018/dialogue.html>

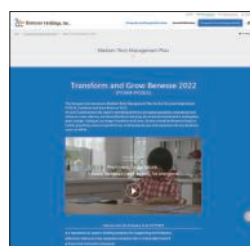
Webpages related to Benesse Integrated Report 2018



Benesse Integrated Report 2018

<https://www.benesse-hd.co.jp/en/ir/library/ar/2018/index.html>

A PDF file of the entire report is available on the website.



Medium-term management plan Transform and Grow Benesse 2022

<https://www.benesse-hd.co.jp/en/about/management/middleplan.html>

Explains the Company's medium-term management plan, Transform and Grow Benesse 2022.

