

## Language Business: Key Research Findings 2009

*- Total market has shrunk in fiscal 2008 due to the economic downturns. Some market segments, however, such as business purpose lessons, one-on-one lessons and qualification examination market have been steady. -*

### ➤ Research Outline

Yano Research Institute has conducted a study on the language business in Japan as described below.

1. Research period: April to June 2009
2. Research targets: Foreign language schools, publishing companies, electronic dictionary manufacturers, software companies, e-learning service providers, correspondence education providers, language learning material distributors, qualification examination operating organizations, study abroad agencies, translation/interpreting service providers, etc.
3. Research methodologies: Face-to-face interviews with relevant personnel, supplemented by interviews via telephone and e-mail, and literature researches.

#### <What is the language business market?>

In this research, the language business market is defined as comprised of total foreign language classes, English teacher dispatching to kindergartens and nursing schools, correspondence courses, e-learning services, software, language examinations, study abroad agencies, translation/interpreting services, and foreign languages other than English (schooling/correspondence courses), in which language examinations, study abroad agencies and translation/interpreting services are classified as “peripheral business”.

Starting from this report, “English teacher dispatching to kindergartens and nursing schools” has been included in the language business, and the past market size data have been revised accordingly.

### ➤ Key Findings

- ◆ **The total language business market (including peripheral businesses) in fiscal 2008 has decreased by 5.2 percent from the preceding year to 767.2 billion yen.**

With the depressed consumer spending caused by the recession since the fall of 2008, and the cost reduction (language training, translation expenses, etc.) of corporate customers, in addition to the sense of distrust toward the language business industry still remaining among the users caused by the bankruptcy of the top player in October 2007, the total language business market in fiscal 2008 including peripheral business has shrunk by 5.2 percent from the previous year to 767.2 billion yen, and the net language business market without peripheral business by 5.5 percent to 515.8 billion yen.

- ◆ **In fiscal 2009, pre-school age children businesses and language examinations are strong, although the market in total is expected to continue shrinking.**

Continued from fiscal 2008, as the sales of many enterprises in the market will continue to be slow, the total language business market in fiscal 2009 expected to decrease by 3.7 percent from the previous year to 738.6 billion yen, and the net language business market without peripheral businesses to decrease by 4.0 percent to 495 billion yen.

However, businesses focused on pre-school children, such as (international) pre-school and English teacher dispatching to kindergarten and nursery school, and language examination business are expected to grow even in fiscal 2009.

### ➤ Report format:

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## ➔ Research Summary

### 1. Market overview

The total language business market in fiscal 2008 including peripheral business was 767.2 billion yen, decreased by 5.2 percent from the previous year, and the net language market\* without peripheral business was 515.8 billion yen, decreased by 5.5 percent.

Although the language business market had declined with the bankruptcy of the top player in October 2007 and the deteriorated image of the industry which followed, it was expected that the market will recover its sound business environment by the efforts of individual businesses reinforced by enhanced consumer protection movements. Following the fiscal 2007, however, the market has shrunk in fiscal 2008 again, due to the decrease of BtoB sales for cost reduction, such as translation and employee training demand for which had been strong until fiscal 2007, in addition to the decrease of private customers influenced by the depressed consumer spending and prolonged impact of the bankruptcy of the top player.

\*Starting from this report, “English teacher dispatch to kindergarten and nursing school” has been included in the language business, and therefore, the past market size data have also been revised accordingly.

### 2. Noteworthy trends in major market segments

Although the total language business market has shrunk in fiscal 2008, it is notable that the following market segments have grown or sustained steady.

- Language business targeted to pre-school age children, such as “(international) pre-school (where English is used instead of Japanese)” and English teacher dispatching to kindergartens and nursing schools has been strong, due to the growing interest in teaching English to infants and young children.
- Language examination market has been strong with the increasing demand for foreign language skills in business activities.
- Books and teaching materials market has expanded due to the many best selling items appeared on the market, such as books dealing with the speeches of the President.
- Although the foreign language classes for adults in total has decreased by 9.1 percent from the previous year to 200 billion yen, the market segments focused on business needs and one-on-one lessons have been relatively strong as opportunities are increasing for using foreign languages in business activities, along which the needs are being subdivided.

### 3. Future perspectives

As the business of many enterprises in the market will continue to be slow in fiscal 2009 as well under the prolonged negative impact of the recession, the net language business market without peripheral business is expected to decrease by 4.0 percent from the previous year to 495 billion yen, and the total market with peripheral business to decrease by 3.7 percent to 738.6 billion yen.

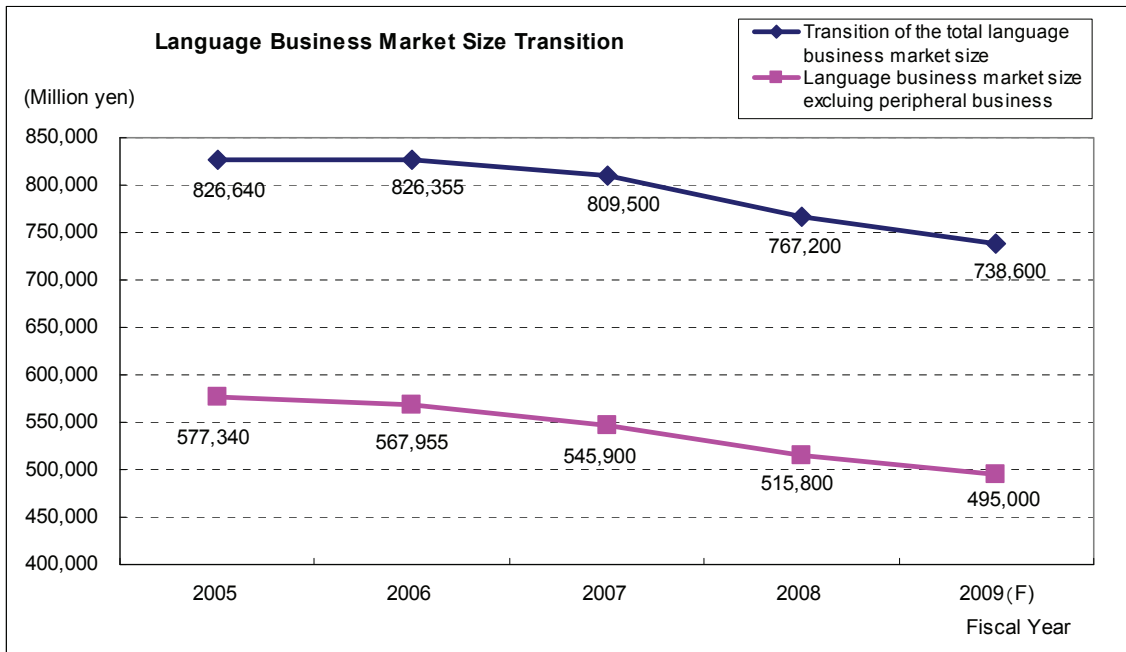
In the middle to long term view, however, the demand increase of language business for children (such as English conversation classes for infant and small children) can be expected before and after the implementation of new official guidelines for school-teaching (in fiscal 2011) which include the introduction of compulsory English teaching in the elementary school. Increasing needs for foreign language learning among the business persons can also be a factor for revitalizing the market.

Regarding the translation & interpreting market as well, although the market has been shrinking slightly in fiscal 2008 to 2009 due to the fact that, impacted by the recession, increasing portion of such works have been processed in-house, the market is expected to grow in the long run, as the globalization and overseas development of Japanese enterprises are progressing, and the trading with foreign enterprises increasing.

Table 1: Language Business Market Size by Segment

● Classification of language business used in this research				
Classification		Description	Market size in FY 2008 (Mil Yen)	% Increase from FY2007
<b>■ Language school</b>				
Total market of foreign language classes		Total foreign language classes including English and other multiple languages	320,700	-5.6%
Foreign language classes for adults		Foreign language classes designed for adults	200,000	-9.1%
{ Business needs market		Users attending foreign language classes for business use purpose	112,600	-1.5%
{ Hobby/cultural needs market		Users attending foreign language classes for the purposes other than business use, such as hobby, culture or preparation for studying abroad	87,400	-17.3%
{ One-on-one lessen market		One-on-one lessons	32,000	1.6%
{ Group lessen market		Lessons with 2 or more attendants in a class	168,000	-10.9%
English conversation classes for infants and children		Foreign language classes designed for infants and children	96,200	-0.8%
Pre-school market		Kindergartens and nursing schools where English is used instead of Japanese	24,500	8.4%
English teacher dispatching to kindergartens and nursing schools		English lessons provided at kindergartens and nursing schools as an in-school or after-school program	2,000	11.1%
<b>■ Language study materials</b>				
Language study books market		Total market of the language study materials in book form	44,000	3.5%
Text books		English text books for junior and senior high school students	5,398	-0.7%
Study guide books for students		Study guide materials for supplemental study, and preparation for entrance examination	15,200	1.3%
Dictionaries		Foreign language dictionaries in book form	7,100	-1.4%
Learning materials for qualification tests		Learning materials for the preparation of foreign language qualification examinations	1,740	3.1%
Business focused learning materials		Business-focused foreign language learning materials	2,100	45.8%
Learning materials for lessons on TV and radio		Text books for NHK foreign language lessons on TV and radio	12,500	5.9%
Equipment and software for language self-learning		Special equipment for learning language, and learning materials sold as a package	12,400	-8.8%
Electronic dictionaries market		Electronic dictionaries	68,000	-7.9%
English conversation learning materials designed for infants		Packaged learning materials designed for infants	30,800	-11.2%
Correspondence education market		Total market of the correspondence courses with castigation service	28,800	-1.7%
Correspondence courses for working people		Correspondence courses designed for working people	10,800	-4.4%
Correspondence courses for students		Correspondence courses designed for students	18,000	0.0%
e-learning market		Language learning materials/services designed to be used on PC	2,900	3.6%
Software market		Language learning materials (software) for use on PC and game machines	6,200	-20.5%
<b>■ Peripheral business</b>				
Language examination market		Total market of the qualification examinations on various foreign languages	17,900	1.1%
Study abroad agency market		Total market of the study abroad business/study abroad agency business	18,000	-13.9%
Translation and interpreting business market		Total market of the translation/interpreting businesses	215,500	-4.2%
<b>■ Multiple languages</b>				
Market for foreign languages other than English		Four languages listed in the right side column are reviewed in correspondence courses and schooling classes only.	9,850 (4 languages)	-1.5%
Chinese		As this market is included in "total market of foreign language classes" and "correspondence education market", the size of this market is not added to the total language business market size.	3,750	-1.3%
Korean (Hangul)			2,550	-1.9%
French			1,925	-1.3%
German			1,625	-1.5%
■ Total language business market (excluding peripheral business)		Total of all categories except the multiple language	515,800	-5.5%
■ Total language business market (including peripheral business)			767,200	-5.2%

**Fig. 1: Language Business Market Size Transition**



Estimated by Yano Research Institute

Note 1: (F) indicates forecast value

Note 2: Peripheral business is comprised of language examination market, study abroad agency and translation/interpreting market.

Note 3: Starting from this report, "English teacher dispatching to kindergarten and nursing school" has been included in the language business, and therefore, the past market size data have also been revised accordingly.

Note 4: Based on the sales of the companies

**Fig. 2: Market Size Transition for Foreign Language Classes for Adults**

Fig. 2-1: Market Size Transition by Type of Needs (Business or Hobby/Cultural Needs)

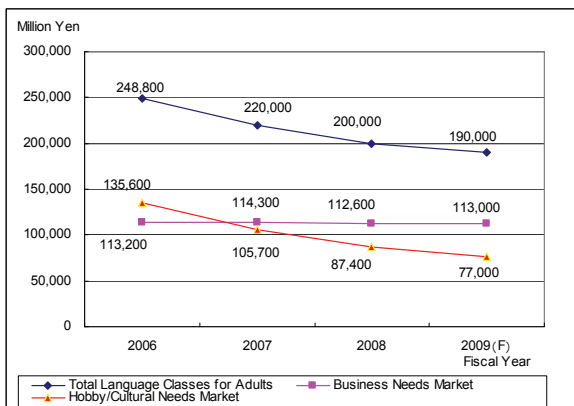
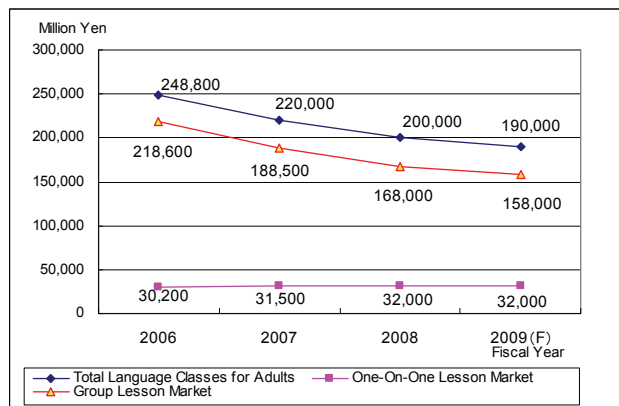


Fig. 2-2: Market Size Transition by Type of Needs (One-On-One or Group Lessons)



Estimated by Yano Research Institute

Note 1: (F) indicates forecast value

Note 2: Based on the sales of the companies