

## **Education Business in Japan: Key Research Findings 2009**

### **Research Outline**

**Yano Research Institute has conducted a study on the education business in Japan based on the following research outline.**

1. Research period: From June to September 2009
2. Research targets:  
Cram schools, private preparatory schools, language schools, further education schools, cooking schools, toddler groups, gymnastic schools, training service providers, e-learning providers, distance-learning service providers, learning game software vendors, manufacturers supplying toys for intellectual training, industry associations,
3. Research methodologies:  
Face-to-face interviews with relevant personnel by our specialized researchers, interviews via telephone and e-mail and literature researches utilizing statistic data provided by government agencies and industry associations, responsible ministries and agencies

#### **<What is the education business?>**

In this study, following twelve major fields of business constitute the education business. Namely, crams schools, private preparatory schools, language schools, schools for acquisition of qualification, qualifying examination, further education schools, toddler groups, corporate job trainings, e-learning, correspondence education for infants, correspondence education for students, correspondence education for working people and English learning materials.

### **Key Findings**

- ◆ Market size of the total education business (total of major 12 fields of business) in 2008 was 2 trillion and 624.2 billion JPY, 2.0% decrease compared to the previous year.
- ◆ The cram school market in 2008 was 924 billion yen, 1.7% decrease year-on-year. The market was shored up by strong junior high school entrance exam market and growth of college entrance exam taken by high-schoolers, but the end of growth of tutorial cram schools and decrease in average customer spend become factors for the shrinking of the market.
- ◆ The market of the schools for acquisition of qualification was 240 billion yen in 2008, 3.6% decrease from the year before. There is a sign that the diminution in the market size is bottoming out.
- ◆ The qualifying examination market was 42.4 billion yen in 2008, 2.2% increase from the previous year. The level of market size was raised by language examinations.
- ◆ The language school market was 296.2 billion yen in 2008, 6.6% decrease year-on-year, directly influenced by the recession.
- ◆ The correspondence education market for students was enhanced, but the market for working people dropped off.
- ◆ The corporate job training service market in 2008 was 564 billion yen, 1.9% decrease year-on-year. The market experienced negative growth as a result that the healthy growth in the first half was totally offset by the decline in the second half.
- ◆ The e-learning market registered 131.3 billion yen, 2.1% decrease from the year, as the learning software boom has slowed down.

### **Report format:**

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#### **Contacts:**

Public Relations

**Yano Research Institute Ltd. (URL: <http://www.yanoresearch.com>)**

Phone: +81-3-5371-6912

E-mail: [press@yano.co.jp](mailto:press@yano.co.jp)

## ➤ Research Summary

### 1. Overview of the education industry

The education industry in 2008 experienced slump in general, and the total market declined accordingly due to such factors as the influence of economic downturn on the language school market, the reduced market of the corporate job training services and the negative growth of the cram school market attributable to the decrease in the average customer spend. Although the education industry had been said to be 'resistant to downturns', impact of the recession was prominent in the second half of 2008 and especially in the period between January and March 2009.

Since the total market size has been on a downward trend, there have been moves toward alliances and mergers between cram school operators and providers of learning materials, and the major players were in collaboration with one another to scramble for larger slices of the smaller pie.

### 2. Market overview and future prospects by category

#### 2-1. Cram school market

The growth of the tutorial cram school market, which has supported the total cram school market, finally ended in 2008 due to the decrease in the average customer spend, conservative school openings by major players, etc. While junior high school examinations in Tokyo metropolitan area and Kansai region were steady, the growth of the cram schools providing large group classes for senior high school examination was very little, and preparatory schools and cram schools for collage entrance examination also experienced hard time in growing although the rate of market shrinkage was being reduced, and consequently, the size of the total cram school market shrank.

Large scale corporate acquisitions by major learning material providers and major cram school operators now has been slowing down, but there are some signs that they are still active. Although the growth of the market has already stopped, there is high possibility that the market get on the growth and expansion path after around 2011 with expected increase of students since there will be more items to be learned at school in future due to the revision of school curriculum guidelines done in response to the criticism toward the relaxed education policy.

#### 2-2. Market of schools for acquisition of qualification

The market shrunk in 2008 due to the decrease in consumer demand for acquisition of qualification under circumstance of the job market favorable for job seekers in addition to the revision of such qualifying examinations as the bar examination, examination of registered architect, etc. and nursing care qualifications which are not well-established. After the Lehman shock that happed in the fall of 2008, however, the range of reduction in market size is becoming smaller as the number of participants to the courses for the civil-service exam, bookkeeping classes, etc that are directly linked to employment has been rising.

#### 2-3. Language school market

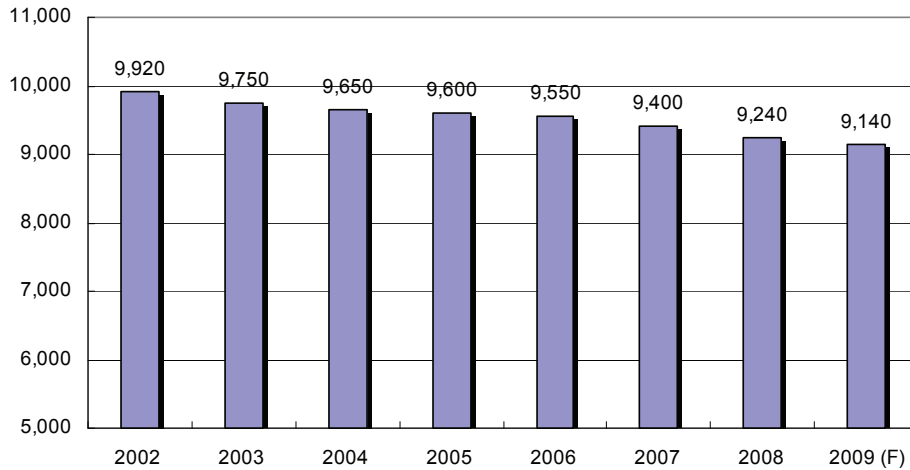
In 2008, the diminished consumer confidence due to the recession that began in fall of the year greatly impacted on language lessons especially for adults and constituted a major factor for the reduction in the market size. Furthermore, consumer confidence for English lessons for infants also diminished as the household disposable income decreased and this also contributed to the shrinkage of the market even though the impact is not as large as that of the lessons for adults.

#### 2-4. Corporate job training service market

In early spring of 2008, recruitment of major corporations was active, and corporate job trainings of any kinds of themes and forms, including training for new recruits or younger employees, various training programs for different levels of corporate ladder, trainings for manners and how to treat customers, IT trainings, logical thinking, etc. are in good demand in the first half of the year. However, the worsened business confidence that began in fall of 2008 largely decreased demand for corporate job training services, and as a result, the market size was reduced in 2008 totally offsetting the growth achieved in the first half of the year.

**Figure 1. Market Size: Cram Schools/ Private Preparatory Schools**

(100 mil. JPY)



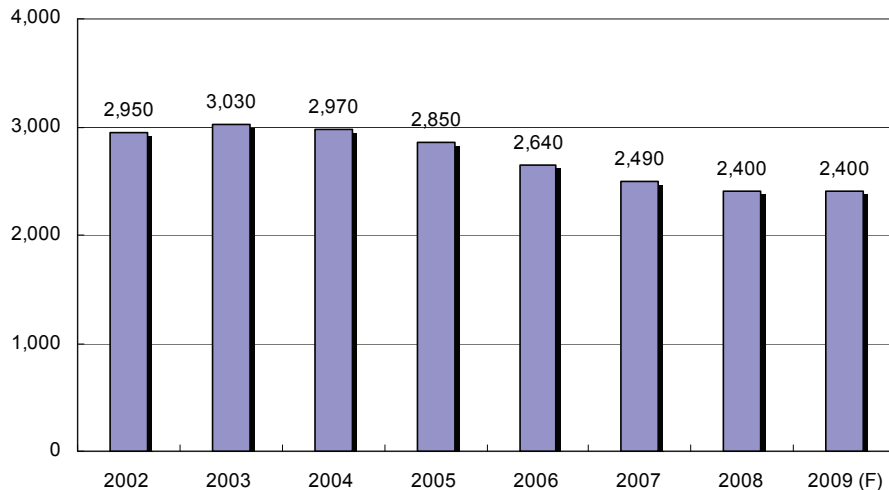
Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the school operators.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 2. Market Size: Schools for Acquisition of Qualification**

(100 mil. JPY)



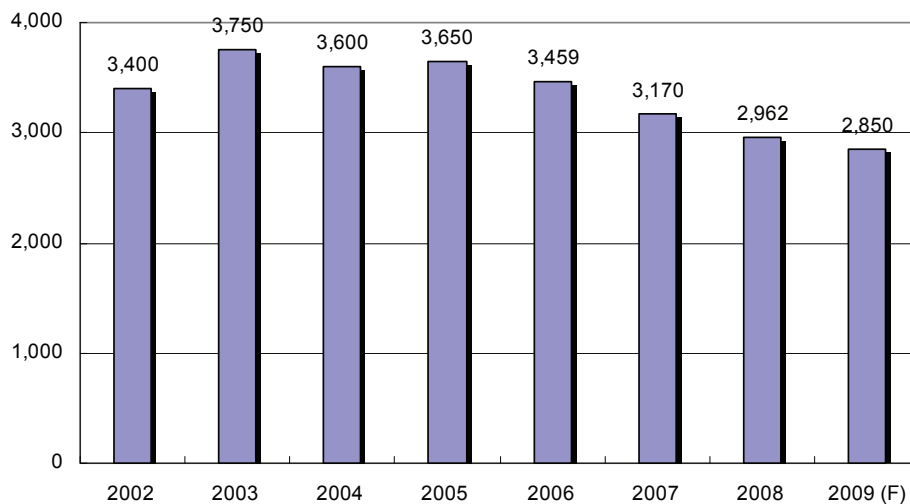
Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the school operators.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 3. Market Size: Language Schools**

(100 mil. JPY)

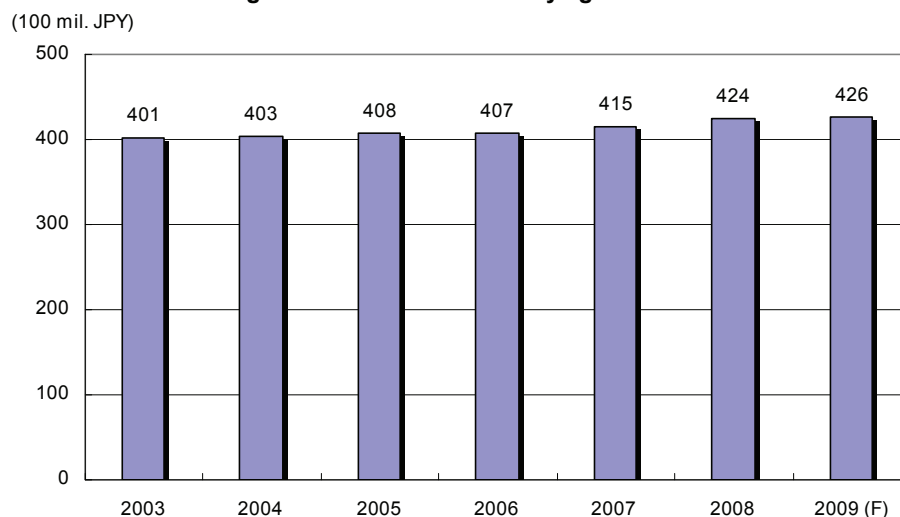


Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the school operators.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 4. Market Size: Qualifying Examination**

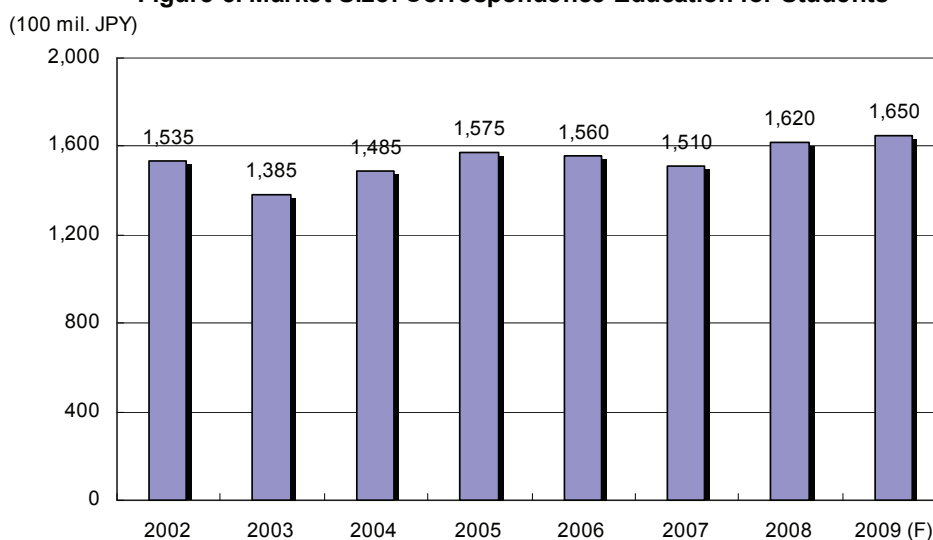


Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the service providers.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 5. Market Size: Correspondence Education for Students**

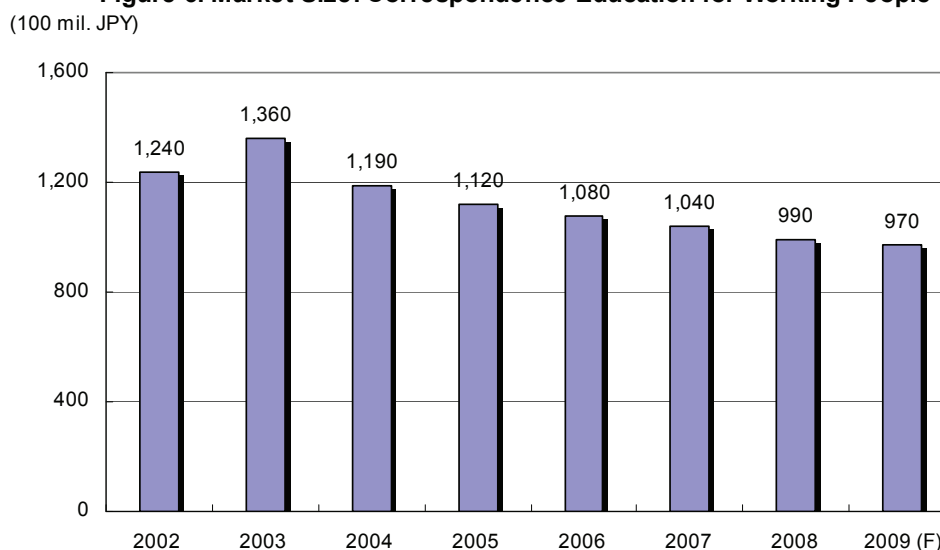


Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the service providers.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 6. Market Size: Correspondence Education for Working People**



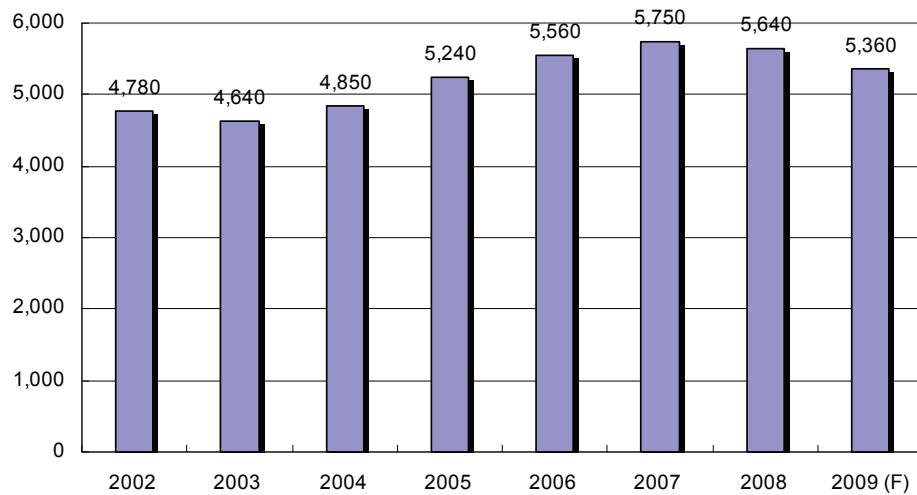
Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the service providers.

2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 7. Market Size: Corporate Job Training Services**

(100 mil. JPY)

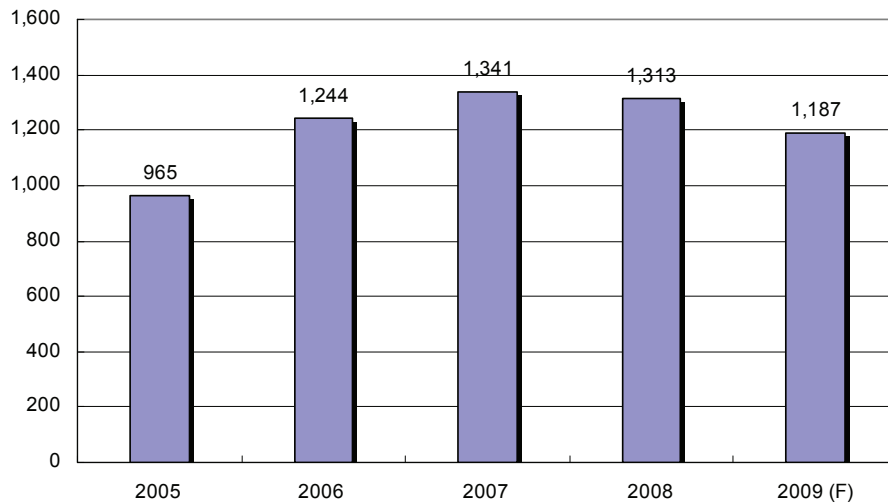


Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the service providers.  
2) (F) indicated with the year of 2009 stands for "Forecast".

**Figure 8. Market Size: E-learning**

(100 mil. JPY)



Estimated by Yano Research Institute Ltd.

NOTE: 1) The market size is based on the sale amount of the service providers.  
2) (F) indicated with the year of 2009 stands for "Forecast".  
3) "Learning systems/ services provided via internet or intranet", in addition to "learning software for PCs, learning systems provided via satellite communications and learning software for gaming machines" are included in the e-learning market.