



April 30, 2010

**FINANCIAL REPORT FOR FISCAL 2009 ENDED MARCH 31, 2010**

Securities Traded: The First Section of the Tokyo Stock Exchange

The First Section of the Osaka Securities Exchange

Code Number: 9783

URL: <http://www.benesse-hd.co.jp/en/>

Figures have been rounded down to eliminate amounts less than one million yen.

**CONSOLIDATED PERFORMANCE****1. Business Results**

|   | Year Ended March 31, |           |                   |
|---|----------------------|-----------|-------------------|
|   | 2009                 | 2010      | Percentage Change |
|   | (Millions of Yen)    |           | (%)               |
| <b>Operating Results:</b>                       |                      |           |                   |
| Net Sales                                       | ¥ 412,711            | ¥ 406,602 | (1.5) %           |
| Operating Income                                | 39,125               | 37,889    | (3.2)             |
| Ordinary Income                                 | 39,276               | 39,165    | (0.3)             |
| Net Income                                      | 10,678               | 21,874    | 104.8             |
| <b>Financial Position (end of fiscal year):</b> |                      |           |                   |
| Total Assets                                    | ¥ 343,128            | ¥ 356,153 | —                 |
| Total Equity                                    | 168,497              | 183,169   | —                 |
| <b>Cash Flows:</b>                              |                      |           |                   |
| Net Cash Provided by Operating Activities       | ¥ 38,664             | ¥ 30,310  | —                 |
| Net Cash Used in Investing Activities           | (5,217)              | (36,449)  | —                 |
| Net Cash Used in Financing Activities           | (23,261)             | (11,711)  | —                 |
| Cash and Cash Equivalents, End of Year          | 77,581               | 60,174    | —                 |
| <b>Per Share Data:</b>                          | (Yen)                |           |                   |
| Net Income                                      | ¥ 106.98             | ¥ 221.65  | —                 |
| Fully Diluted Net Income                        | 106.80               | 221.55    | —                 |
| Total Equity                                    | 1,646.83             | 1,792.80  | —                 |
| <b>Certain Ratios and Other:</b>                | (%)                  |           |                   |
| Return on Equity                                | 5.9 %                | 12.9 %    | —                 |
| Ordinary Income to Total Assets                 | 11.1                 | 11.2      | —                 |
| Operating Income to Net Sales                   | 9.5                  | 9.3       | —                 |
| Equity Ratio                                    | 47.5                 | 49.7      | —                 |

Notes: 1. Equity in net earnings of non-consolidated subsidiaries and affiliates:

For the fiscal year ended March 31, 2010: ¥96 million

For the fiscal year ended March 31, 2009: ¥81 million

2. Equity: March 31, 2010: ¥176,835 million

March 31, 2009: ¥162,885 million

3. Changes in major subsidiaries during the fiscal year (change in specified subsidiaries due to changes in the scope of consolidation):

|     |                     |                     |
|-----|---------------------|---------------------|
| Yes | Increase            | 1 company           |
|     | Name of the company | Benesse Corporation |

4. Changes in accounting principles, procedures or methods of presentation associated with consolidated financial statements

(significant changes in basis for preparation of consolidated financial statements)

1) Revisions associated with accounting standards: Yes

2) Other changes: No

5. Issued and outstanding shares (common stock)

1) At fiscal year-end (including treasury stock) March 31, 2010: 106,353,453 shares March 31, 2009: 106,353,453 shares

2) Treasury stock at fiscal year-end March 31, 2010: 7,717,445 shares March 31, 2009: 7,444,575 shares

**2. Dividends**

| (Record date)                                | Dividends Per Share          |                               |                              |          |        | Total Dividends (Annual) | Dividend Payout Ratio (Consolidated) | Dividend on Equity Ratio (Consolidated) |
|--|------------------------------|-------------------------------|------------------------------|----------|--------|--------------------------|--------------------------------------|---|
|  | The end of the first quarter | The end of the second quarter | The end of the third quarter | Year-end | Annual |                          |                                      |   |
|  | Yen                          |                               |                              |          |        | Millions of Yen          | %                                    | %                                       |
| Fiscal Year Ended March 31, 2009             | —                            | 45.00                         | —                            | 45.00    | 90.00  | 8,933                    | 84.1                                 | 5.0                                     |
| Fiscal Year Ended March 31, 2010             | —                            | 45.00                         | —                            | 45.00    | 90.00  | 8,876                    | 40.6                                 | 5.2                                     |
| Fiscal Year Ending March 31, 2011 (Forecast) | —                            | 47.50                         | —                            | 47.50    | 95.00  |                          | 41.5                                 |   |

**CONSOLIDATED FORECAST OF RESULTS FOR FISCAL 2010, ENDING MARCH 31, 2011**

|                      | First Six Months  |         | Entire Period |         |
|----------------------|-------------------|---------|---------------|---------|
|                      | (Millions of Yen) |         |               |         |
| Net Sales            | ¥                 | 207,200 | ¥             | 421,500 |
| Operating Income     |                   | 25,900  |               | 41,000  |
| Ordinary Income      |                   | 26,100  |               | 41,300  |
| Net Income           |                   | 14,200  |               | 22,600  |
|                      |                   |         | (Yen)         |         |
| Net Income per Share | ¥                 | 143.96  | ¥             | 229.13  |

Note: These forecasts are based on information available to the company as of the date of release of this document and are subject to a number of risks, uncertainties and assumptions. As such, actual results may differ materially from those projected.

**NON-CONSOLIDATED PERFORMANCE****Business Results**

|   | Year Ended March 31, |           |                   |
|---|----------------------|-----------|-------------------|
|   | 2009                 | 2010      | Percentage Change |
|   | (Millions of Yen)    |           | (%)               |
| <b>Operating Results:</b>                       |                      |           |                   |
| Net Sales                                       | ¥ 243,319            | ¥ 129,123 | (46.9) %          |
| Operating Income                                | 29,775               | 27,587    | (7.3)             |
| Ordinary Income                                 | 31,125               | 29,523    | (5.1)             |
| Net Income                                      | 11,622               | 19,188    | 65.1              |
| <b>Financial Position (end of fiscal year):</b> |                      |           |                   |
| Total Assets                                    | ¥ 293,205            | ¥ 179,089 | —                 |
| Total Equity                                    | 173,400              | 173,798   | —                 |
| <b>Per Share Data and Other:</b>                |                      | (Yen)     |                   |
| Net Income                                      | ¥ 116.43             | ¥ 194.43  | —                 |
| Fully Diluted Net Income                        | 116.23               | 194.34    | —                 |
| Total Equity                                    | 1,747.56             | 1,755.26  | —                 |
| Equity Ratio                                    | 59.0 %               | 96.7 %    | —                 |

Note: Equity: March 31, 2010: ¥173,131 million  
March 31, 2009: ¥172,849 million

**PERFORMANCE** (Year Ended March 31, 2009 vs. March 31, 2010)**Net Sales by Segment**

(Millions of Yen)

|   | For the fiscal year<br>ended March 2009 (A) | For the fiscal year<br>ended March 2010 (B) | (B)/(A) |
|---|---|---|---------|
| Education Group                               |   |   |         |
| Senior High School Courses                    | ¥ 27,755                                    | ¥ 28,550                                    | 102.9%  |
| Junior High School Courses                    | 44,053                                      | 45,069                                      | 102.3   |
| Elementary School Courses                     | 68,831                                      | 70,593                                      | 102.6   |
| Preschool Courses ( <i>Kodomo Challenge</i> ) | 26,869                                      | 26,652                                      | 99.2    |
| School & Teacher Support Company              | 36,388                                      | 37,323                                      | 102.6   |
| Other   | 40,626                                      | 42,249                                      | 104.0   |
| Subtotal                                      | 244,525                                     | 250,439                                     | 102.4   |
| Women & Family Company                        | 26,408                                      | 27,423                                      | 103.8   |
| Senior Company                                | 40,354                                      | 44,612                                      | 110.6   |
| Language Company                              | 68,394                                      | 53,879                                      | 78.8    |
| AVIVA Business                                | 8,147                                       | 6,086                                       | 74.7    |
| Others  | 24,881                                      | 24,160                                      | 97.1    |
| Total   | ¥ 412,711                                   | ¥ 406,602                                   | 98.5%   |

Note: Net sales by segment do not include internal sales.

**(Shinkenzeni Correspondence Courses)**

The mainstay *Shinkenzeni* is a system of correspondence courses that start with preschool courses for children and continue with courses for elementary, junior high school and senior high school students.

*Shinkenzeni* students complete monthly assignments that are personally reviewed by a teacher. The following table shows a breakdown of cumulative enrollment by *Shinkenzeni* course:

**Total Shinkenzeni Enrollment**

(Thousands)

| Course  | For the fiscal year ended<br>March 2009 (A) | For the fiscal year ended<br>March 2010 (B) | (B)/(A) |
|---|---|---|---------|
| Senior High School Courses                    | 3,279                                       | 3,418                                       | 104.2%  |
| Junior High School Courses                    | 7,967                                       | 8,113                                       | 101.8   |
| Elementary School Courses                     | 18,395                                      | 18,911                                      | 102.8   |
| Preschool Courses ( <i>Kodomo Challenge</i> ) | 14,257                                      | 13,811                                      | 96.9    |
| Total   | 43,900                                      | 44,255                                      | 100.8%  |

**Number of Lessons in Berlitz Own-Operated Language Centers**

(Thousands)

| Region        | For the fiscal year ended<br>December 31, 2008 (A) | For the fiscal year ended<br>December 31, 2009 (B) | (B)/(A) |
|---------------|--|--|---------|
| North America | 906  | 756  | 83.4%   |
| Asia          | 2,051  | 1,636  | 79.8    |
| Latin America | 1,453  | 1,174  | 80.8    |
| Europe        | 2,844  | 2,649  | 93.1    |
| Total         | 7,256  | 6,216  | 85.7%   |

**CONSOLIDATED BALANCE SHEETS**

Benesse Holdings, Inc. and Consolidated Subsidiaries

| <b>Assets</b>                         | March 31,         |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2009              | 2010              |
|                                       | (Millions of Yen) | (Millions of Yen) |
| <b>Current Assets:</b>                |                   |                   |
| Cash and time deposits                | ¥ 42,784          | ¥ 48,877          |
| Notes and accounts receivable – trade | 24,400            | 24,218            |
| Marketable securities                 | 43,517            | 31,631            |
| Merchandise and finished goods        | 14,112            | 13,969            |
| Work in progress                      | 3,685             | 3,334             |
| Raw materials and supplies            | 1,780             | 1,707             |
| Deferred tax assets                   | 5,758             | 5,230             |
| Accounts receivable—other             | 38,318            | 42,032            |
| Other current assets                  | 7,281             | 10,426            |
| Allowance for doubtful receivables    | (1,788)           | (1,740)           |
| Total Current Assets                  | 179,850           | 179,687           |
| <b>Fixed Assets:</b>                  |                   |                   |
| <b>Tangible Fixed Assets:</b>         |                   |                   |
| Buildings and structures              | 29,223            | 29,016            |
| Land                                  | 36,092            | 36,106            |
| Other tangible fixed assets           | 9,293             | 10,871            |
| Total Tangible Fixed Assets           | 74,609            | 75,994            |
| <b>Intangible Fixed Assets:</b>       |                   |                   |
| Goodwill                              | 13,157            | 18,537            |
| Software                              | —                 | 22,405            |
| Other intangible fixed assets         | 16,737            | 1,557             |
| Total Intangible Fixed Assets         | 29,895            | 42,500            |
| <b>Investments and Other Assets:</b>  |                   |                   |
| Investment securities                 | 29,374            | 25,101            |
| Deferred tax assets                   | 4,391             | 3,260             |
| Prepaid pension expenses              | 4,461             | 4,442             |
| Other assets                          | 20,818            | 25,259            |
| Allowance for doubtful receivables    | (272)             | (93)              |
| Total Investments and Other Assets    | 58,773            | 57,970            |
| Total Fixed Assets                    | 163,278           | 176,466           |
| <b>Total</b>                          | ¥ 343,128         | ¥ 356,153         |

**CONSOLIDATED BALANCE SHEETS**

Benesse Holdings, Inc. and Consolidated Subsidiaries

| Liabilities and Equity                                  | March 31,         |                   |
|---|-------------------|-------------------|
|   | 2009              | 2010              |
|   | (Millions of Yen) | (Millions of Yen) |
| <b>Current Liabilities:</b>                             |                   |                   |
| Notes and accounts payable – trade                      | ¥ 12,398          | ¥ 12,025          |
| Short-term debt   | 1,628             | 1,447             |
| Current portion of long-term debt                       | 281               | 122               |
| Accounts payable—other                                  | 24,655            | 24,483            |
| Accrued income taxes                                    | 11,458            | 4,864             |
| Advances received                                       | 79,596            | 78,691            |
| Reserve for after-service costs                         | 768               | 770               |
| Reserve for employees' bonuses                          | 6,174             | 6,178             |
| Reserve for directors' bonuses                          | 287               | 188               |
| Reserve for goods return                                | 522               | 474               |
| Other current liabilities                               | 10,055            | 10,144            |
| Total Current Liabilities                               | 147,825           | 139,389           |
| <b>Long-Term Liabilities:</b>                           |                   |                   |
| Long-term debt, less current portion                    | 269               | 219               |
| Guarantee deposits received from nursing home residents | —                 | 21,099            |
| Deferred tax liabilities                                | 301               | 668               |
| Reserve for employees' retirement benefits              | 2,774             | 2,835             |
| Reserve for directors' retirement allowances            | 1,547             | 1,405             |
| Other long-term liabilities                             | 21,913            | 7,364             |
| Total Long-Term Liabilities                             | 26,806            | 33,593            |
| Total Liabilities                                       | 174,631           | 172,983           |
| <b>Total Equity:</b>                                    |                   |                   |
| Equity:   |                   |                   |
| Common stock  | 13,600            | 13,600            |
| Capital surplus   | 29,358            | 29,358            |
| Retained earnings                                       | 152,239           | 165,372           |
| Treasury stock, at cost                                 | (25,451)          | (26,527)          |
| Total Shareholders' Equity                              | 169,746           | 181,803           |
| Valuation and translation adjustments:                  |                   |                   |
| Unrealized gain on available-for-sale securities        | (1,634)           | 88                |
| Foreign currency statements translation adjustments     | (5,226)           | (5,056)           |
| Total valuation and translation adjustments             | (6,860)           | (4,967)           |
| Stock acquisition rights                                | 551               | 667               |
| Minority Interests                                      | 5,059             | 5,667             |
| Total Equity  | 168,497           | 183,169           |
| <b>Total</b>  | ¥ 343,128         | ¥ 356,153         |

**CONSOLIDATED STATEMENTS OF INCOME**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|  | Year Ended March 31, |                   |
|--|----------------------|-------------------|
|  | 2009                 | 2010              |
|  | (Millions of Yen)    | (Millions of Yen) |
| <b>Net Sales</b>   | ¥ 412,711            | ¥ 406,602         |
| <b>Cost of Sales:</b>  | 204,148              | 199,883           |
| Gross profit   | 208,562              | 206,718           |
| Reversal of reserve for goods return                                 | 555                  | 522               |
| Provision for reserve for goods return                               | 522                  | 474               |
| Adjusted gross profit  | 208,595              | 206,766           |
| <b>Selling, General and Administrative Expenses:</b>                 |                      |                   |
| Direct mail expenses   | 28,495               | 30,340            |
| Advertising expenses   | 14,741               | 13,207            |
| Transportation and communication expenses                            | 20,280               | 20,757            |
| Customer management expenses   | 11,245               | 12,007            |
| Wages and salaries   | 34,380               | 34,126            |
| Provision for reserve for employees' bonuses                         | 3,512                | 3,638             |
| Provision for reserve for directors' bonuses                         | 287                  | 238               |
| Provision for reserve for employees' retirement benefits             | 877                  | 844               |
| Provision for reserve for directors' retirement allowances           | 166                  | 133               |
| Provision for allowance for doubtful receivables                     | 751                  | 706               |
| Other  | 54,729               | 52,876            |
|  | 169,469              | 168,877           |
| <b>Operating Income</b>  | 39,125               | 37,889            |
| <b>Non-Operating Income:</b>   |                      |                   |
| Interest income  | 1,372                | 681               |
| Dividend income  | 197                  | 173               |
| Rent income  | 456                  | 431               |
| Foreign exchange gain  | —                    | 646               |
| Equity in net earnings of unconsolidated subsidiaries and affiliates | 81                   | 96                |
| Gain on derivatives  | 749                  | —                 |
| Other  | 361                  | 337               |
|  | 3,219                | 2,367             |
| <b>Non-Operating Expenses:</b>                                       |                      |                   |
| Interest expense   | 58                   | 64                |
| Depreciation and expenses on leased assets                           | 177                  | 164               |
| Foreign exchange loss  | 2,002                | —                 |
| Loss on derivatives  | —                    | 517               |
| Other  | 830                  | 344               |
|  | 3,069                | 1,091             |
| <b>Ordinary Income</b>   | ¥ 39,276             | ¥ 39,165          |

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**CONSOLIDATED STATEMENTS OF INCOME (continued)**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Special Gains:</b>   |                      |                   |
| Gain on sales of fixed assets                                   | ¥ 9                  | ¥ 1               |
| Gain on sales of investments of a consolidated subsidiary       | 2,737                | 1,152             |
| Gain on transfer of business                                    | 100                  | —                 |
| State subsidy   | —                    | 114               |
| Gain on change in equity  | —                    | 2                 |
| Other   | 1                    | 23                |
|   | 2,848                | 1,294             |
| <b>Special Losses:</b>  |                      |                   |
| Loss on sales and disposal of fixed assets                      | 601                  | 491               |
| Loss on reduction of non current assets                         | —                    | 114               |
| Amortization of goodwill  | 7,619                | —                 |
| Loss on impairment of long-lived assets                         | 587                  | 33                |
| Valuation loss on investment securities                         | 2,154                | 17                |
| Loss on restructuring of business                               | 150                  | 1,105             |
| Business structure improvement expenses                         | 420                  | —                 |
| Litigation loss   | 277                  | —                 |
| Other   | 330                  | 81                |
|   | 12,141               | 1,843             |
| <b>Income before Income Taxes and Minority Interests</b>        | 29,983               | 38,615            |
| <b>Income Taxes:</b>  |                      |                   |
| Current   | 20,389               | 14,548            |
| Deferred  | (1,736)              | 1,363             |
|   | 18,652               | 15,911            |
| <b>Minority Interests in Gains of Consolidated Subsidiaries</b> | 652                  | 829               |
| <b>Net Income</b>   | ¥ 10,678             | ¥ 21,874          |

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|  | Year Ended March 31, |                   |
|--|----------------------|-------------------|
|  | 2009                 | 2010              |
|  | (Millions of Yen)    | (Millions of Yen) |
| <b>Shareholders' Equity</b>  |                      |                   |
| <b>Common stock:</b>   |                      |                   |
| Balance at end of previous fiscal year                                   | ¥ 13,600             | ¥ 13,600          |
| Change in the period   |                      |                   |
| Total change in the period   | —                    | —                 |
| Balance at end of the year   | 13,600               | 13,600            |
| <b>Capital surplus:</b>  |                      |                   |
| Balance at end of previous fiscal year                                   | 29,358               | 29,358            |
| Change in the period   |                      |                   |
| Total change in the period   | —                    | —                 |
| Balance at end of the year   | 29,358               | 29,358            |
| <b>Retained earnings:</b>  |                      |                   |
| Balance at end of previous fiscal year                                   | 170,337              | 152,239           |
| Effect of changes in accounting policies applied to foreign subsidiaries | (19,418)             | —                 |
| Change in the period   |                      |                   |
| Cash dividends   | (9,065)              | (8,888)           |
| Net income   | 10,678               | 21,874            |
| Disposal of treasury stock   | (175)                | (100)             |
| Pension liability adjustments in the foreign consolidated subsidiary     | (117)                | 247               |
| Total change in the period   | 1,320                | 13,132            |
| Balance at end of the year   | 152,239              | 165,372           |
| <b>Treasury stock at cost:</b>   |                      |                   |
| Balance at end of previous fiscal year                                   | (12,773)             | (25,451)          |
| Change in the period   |                      |                   |
| Purchases of treasury stock  | (13,264)             | (1,514)           |
| Disposal of treasury stock   | 586                  | 438               |
| Total change in the period   | (12,678)             | (1,076)           |
| Balance at end of the year   | (25,451)             | (26,527)          |
| <b>Total shareholders' equity:</b>                                       |                      |                   |
| Balance at end of previous fiscal year                                   | 200,522              | 169,746           |
| Effect of changes in accounting policies applied to foreign subsidiaries | (19,418)             | —                 |
| Change in the period   |                      |                   |
| Cash dividends   | (9,065)              | (8,888)           |
| Net income   | 10,678               | 21,874            |
| Purchases of treasury stock  | (13,264)             | (1,514)           |
| Disposal of treasury stock   | 410                  | 338               |
| Pension liability adjustments in the foreign consolidated subsidiary     | (117)                | 247               |
| Total change in the period   | (11,357)             | 12,056            |
| Balance at end of the year   | ¥ 169,746            | ¥ 181,803         |

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|  | Year Ended March 31, |                   |
|--|----------------------|-------------------|
|  | 2009                 | 2010              |
|  | (Millions of Yen)    | (Millions of Yen) |
| <b>Valuation and Translation Adjustments</b>                             |                      |                   |
| <b>Unrealized gain on available-for-sale securities</b>                  |                      |                   |
| Balance at end of previous fiscal year                                   | ¥ (473)              | ¥ (1,634)         |
| Change in the period   |                      |                   |
| Net changes of items other than shareholders' equity                     | (1,160)              | 1,722             |
| Total change in the period   | (1,160)              | 1,722             |
| Balance at end of the year   | (1,634)              | 88                |
| <b>Foreign currency statements translation adjustments</b>               |                      |                   |
| Balance at end of previous fiscal year                                   | (1,526)              | (5,226)           |
| Change in the period   |                      |                   |
| Net changes of items other than shareholders' equity                     | (3,700)              | 169               |
| Total change in the period   | (3,700)              | 169               |
| Balance at end of the year   | (5,226)              | (5,056)           |
| <b>Total valuation and translation adjustments</b>                       |                      |                   |
| Balance at end of previous fiscal year                                   | (1,999)              | (6,860)           |
| Change in the period   |                      |                   |
| Net changes of items other than shareholders' equity                     | (4,861)              | 1,892             |
| Total change in the period   | (4,861)              | 1,892             |
| Balance at end of the year   | (6,860)              | (4,967)           |
| <b>Stock Acquisition Rights</b>  |                      |                   |
| Balance at end of previous fiscal year                                   | 304                  | 551               |
| Change in the period   |                      |                   |
| Net changes of items other than shareholders' equity                     | 247                  | 115               |
| Total change in the period   | 247                  | 115               |
| Balance at end of the year   | 551                  | 667               |
| <b>Minority Interests</b>  |                      |                   |
| Balance at end of previous fiscal year                                   | 3,514                | 5,059             |
| Change in the period   |                      |                   |
| Net changes of items other than shareholders' equity                     | 1,545                | 607               |
| Total change in the period   | 1,545                | 607               |
| Balance at end of the year   | 5,059                | 5,667             |
| <b>Total Equity</b>  |                      |                   |
| Balance at end of previous fiscal year                                   | 202,342              | 168,497           |
| Effect of changes in accounting policies applied to foreign subsidiaries | (19,418)             | —                 |
| Change in the period   |                      |                   |
| Cash dividends   | (9,065)              | (8,888)           |
| Net income   | 10,678               | 21,874            |
| Purchases of treasury stock  | (13,264)             | (1,514)           |
| Disposal of treasury stock   | 410                  | 338               |
| Pension liability adjustments in the foreign consolidated subsidiary     | (117)                | 247               |
| Net changes of items other than shareholders' equity                     | (3,068)              | 2,616             |
| Total change in the period   | (14,426)             | 14,672            |
| Balance at end of the year   | ¥ 168,497            | ¥ 183,169         |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Operating Activities:</b>  |                      |                   |
| Income before income taxes and minority interests   | ¥ 29,983             | ¥ 38,615          |
| Depreciation and amortization   | 13,600               | 13,156            |
| Loss on impairment of long-lived assets   | 587                  | 33                |
| Amortization of goodwill  | 7,619                | —                 |
| (Decrease) increase in allowances and reserves – net  | 751                  | (340)             |
| Loss on restructuring of business   | 150                  | 1,105             |
| Gain on sales of investments of a consolidated subsidiary                                       | (2,737)              | (1,152)           |
| Other non-cash income and expenses – net  | 2,247                | 407               |
| Decrease in notes and accounts receivable – trade   | 2,741                | 648               |
| Increase in inventories   | (2,671)              | (158)             |
| Increase in accounts receivable – other   | (6,466)              | (3,315)           |
| (Decrease) increase in notes and accounts payable – trade                                       | 817                  | (598)             |
| (Decrease) increase in accounts payable – other   | 263                  | (195)             |
| Increase in advances received   | 3,819                | 817               |
| Decrease (increase) in prepaid pension expenses   | (120)                | 18                |
| Changes in other assets and liabilities – net   | 3,184                | 1,675             |
| Subtotal  | 53,770               | 50,717            |
| Interest and dividends received   | 1,593                | 907               |
| Interest paid   | (57)                 | (64)              |
| Income taxes paid   | (16,642)             | (21,250)          |
| Net Cash Provided by Operating Activities   | 38,664               | 30,310            |
| <b>Investing Activities:</b>  |                      |                   |
| Purchases of marketable securities  | (66,034)             | (59,169)          |
| Proceeds from sales of marketable securities  | 73,881               | 55,177            |
| Purchases of tangible fixed assets  | (7,454)              | (5,350)           |
| Proceeds from sales of tangible fixed assets  | 37                   | 4                 |
| Purchases of software   | (6,083)              | (13,680)          |
| Purchases of investment securities  | (4,854)              | (2,965)           |
| Proceeds from sales of investment securities  | 3,878                | 5,034             |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation           | —                    | (5,725)           |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | —                    | (1,000)           |
| Proceeds from sales of investments of a consolidated subsidiary                                 | 4,470                | —                 |
| Payments for transfer of business   | (690)                | —                 |
| Proceeds from transfer of business  | 100                  | —                 |
| Payments for absorption – type of company split   | —                    | (1,681)           |
| (Increase) decrease in time deposits over 3 months – net  | 911                  | (2,510)           |
| Other – net   | (3,378)              | (4,581)           |
| Net Cash Used in Investing Activities   | ¥ (5,217)            | ¥ (36,449)        |

(Continued on next page)

**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

Benesse Holdings, Inc. and Consolidated Subsidiaries

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Financing Activities:</b>  |                      |                   |
| (Decrease) increase in short-term debt – net                        | ¥ 440                | ¥ (722)           |
| Repayment of long-term debt   | (668)                | (280)             |
| Dividends paid  | (9,065)              | (8,888)           |
| Proceeds from exercise of stock options                             | 408                  | 337               |
| Purchases of treasury stock   | (13,264)             | (1,514)           |
| Purchases of treasury stock by consolidated subsidiaries            | (668)                | (0)               |
| Other – net   | (443)                | (642)             |
| Net Cash Used in Financing Activities                               | (23,261)             | (11,711)          |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b> | (4,380)              | 443               |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b>             | 5,803                | (17,406)          |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                 | 71,777               | 77,581            |
| <b>Cash and Cash Equivalents, End of Year</b>                       | ¥ 77,581             | ¥ 60,174          |

**SEGMENT INFORMATION****1. Performance by Business Segment**

Year Ended March 31, 2010

(Millions of Yen)

|                          | Sales        |               |             | Operating expenses | Operating income (loss) | Assets    | Depreciation and amortization | Capital expenditures |
|--------------------------|--------------|---------------|-------------|--------------------|-------------------------|-----------|-------------------------------|----------------------|
|                          | To customers | Inter segment | Total sales |                    |                         |           |                               |                      |
| Education Group          | ¥ 250,439    | ¥ 70          | ¥ 250,510   | ¥ 206,962          | ¥ 43,548                | ¥ 129,945 | ¥ 6,598                       | ¥ 7,101              |
| Women & Family Company   | 27,423       | 23            | 27,447      | 28,597             | (1,150)                 | 11,557    | 520                           | 523                  |
| Senior Company           | 44,612       | 38            | 44,651      | 41,641             | 3,009                   | 59,055    | 1,242                         | 8,940                |
| Language Company         | 53,879       | 87            | 53,967      | 53,731             | 236                     | 41,161    | 3,428                         | 2,649                |
| AVIVA Business           | 6,086        | 13            | 6,100       | 5,807              | 293                     | —         | 116                           | 49                   |
| Others                   | 24,160       | 20,017        | 44,177      | 43,655             | 522                     | 18,659    | 1,214                         | 2,223                |
| Corporate (Eliminations) | —            | (20,252)      | (20,252)    | (11,682)           | (8,569)                 | 95,773    | 36                            | 6,640                |
| Consolidated             | ¥ 406,602    | —             | ¥ 406,602   | ¥ 368,712          | ¥ 37,889                | ¥ 356,153 | ¥ 13,156                      | ¥ 28,128             |

Notes: 1. Method of Business Segment Classification

Benesse's business segment classifications are based on those used internally (in accordance with the customer-oriented in-house company system).

2. Main products in each business segment

| Segment Name           | Primary Business   |
|------------------------|--|
| Education Group        | <i>Shinken</i> correspondence courses for preschool, elementary, junior and senior high school students, <i>Shinken Simulated Exams</i> , student pocketbooks, dictionaries for elementary, junior and senior high school students, learning reference books, educational aids and support materials, management of preparatory schools and cramming schools |
| Women & Family Company | Magazines and general publications and mail order sales  |
| Senior Company         | Management of nursing homes, home-help services  |
| Language Company       | Language instruction and interpretation services   |
| AVIVA Business         | Operations of PC schools   |
| Others                 | Telemarketing and information processing services  |

- Unappropriated operating expenses included in Corporate (eliminations) primarily consist of costs incurred by the human capital, accounting and finance departments at the parent company and consolidated subsidiary Benesse Corporation. (¥9,694 million for fiscal 2009.)
- Assets included in Corporate (eliminations) primarily consist of surplus funds (cash and cash equivalents; marketable securities), held by the parent company and consolidated subsidiary Benesse Corporation, long-term investments (investment securities) and other items held by the parent company. These assets totaled ¥98,927 million for fiscal 2009.
- Capital expenditures include intangible fixed assets, rental and guarantee deposits related to the opening of new Senior Company nursing homes, and other items in addition to tangible fixed assets. For the Education Group, the Senior Company and the Language Company, capital expenditure include ¥1,043 million, ¥6,067 million and ¥853 million respectively in goodwill. For the Education Group and the Language Company, depreciation and amortization include ¥156 million and ¥70 million respectively, representing the amortization of this goodwill to the fiscal year under review. The ¥6,879 million in capital expenditures included in Corporate (eliminations) is primarily attributable to expenditures related to the construction of company-wide infrastructure systems at consolidated subsidiary Benesse Corporation.
- The AVIVA Business has since been excluded from the consolidation scope in March 2010.

Year Ended March 31, 2009

(Millions of Yen)

|                          | Sales        |               |             | Operating expenses | Operating income (loss) | Assets    | Depreciation and amortization | Capital expenditures |
|--------------------------|--------------|---------------|-------------|--------------------|-------------------------|-----------|-------------------------------|----------------------|
|                          | To customers | Inter segment | Total sales |                    |                         |           |                               |                      |
| Education Group          | ¥ 244,525    | ¥ 71          | ¥ 244,596   | ¥ 204,585          | ¥ 40,011                | ¥ 127,668 | ¥ 7,168                       | ¥ 8,185              |
| Women & Family Company   | 26,408       | 3             | 26,412      | 27,190             | (778)                   | 11,785    | 437                           | 930                  |
| Senior Company           | 40,354       | 0             | 40,354      | 37,719             | 2,635                   | 42,589    | 952                           | 4,771                |
| Language Company         | 68,394       | 85            | 68,479      | 64,481             | 3,998                   | 43,778    | 3,750                         | 2,632                |
| AVIVA Business           | 8,147        | 20            | 8,168       | 7,921              | 246                     | 1,491     | 495                           | 97                   |
| Others                   | 24,881       | 20,351        | 45,233      | 45,542             | (309)                   | 19,712    | 745                           | 2,219                |
| Corporate (Eliminations) | —            | (20,533)      | (20,533)    | (13,854)           | (6,678)                 | 96,102    | 50                            | (36)                 |
| Consolidated             | ¥ 412,711    | —             | ¥ 412,711   | ¥ 373,585          | ¥ 39,125                | ¥ 343,128 | ¥ 13,600                      | ¥ 18,801             |

## Notes: 1. Method of Business Segment Classification

Benesse's business segment classifications are based on those used internally (in accordance with the customer-oriented in-house company system).

Effective from the period under review, the Company changed the name of the Lifetime Value Company to the Women & Family Company.

## 2. Main products in each business segment

| Segment Name           | Primary Business   |
|------------------------|--|
| Education Group        | <i>Shinkenzeremi</i> correspondence courses for preschool, elementary, junior and senior high school students, <i>Shinken Simulated Exams</i> , student pocketbooks, dictionaries for elementary, junior and senior high school students, learning reference books, educational aids and support materials, management of preparatory schools and cramming schools |
| Women & Family Company | Magazines and general publications and mail order sales  |
| Senior Company         | Management of nursing homes, home-help services  |
| Language Company       | Language instruction and interpretation services   |
| AVIVA Business         | Operations of PC schools   |
| Others                 | Telemarketing and information processing services  |

- Unappropriated operating expenses included in Corporate (eliminations) primarily consist of costs incurred by the human capital, accounting and finance departments at the parent company's head office. (¥7,702 million for fiscal 2008.)
- Assets included in Corporate (eliminations) primarily consist of surplus funds (cash and cash equivalents; marketable securities), long-term investments (investment securities) and other items held by the parent company. These assets totaled ¥102,740million for fiscal 2008.
- The Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006), and made the necessary adjustments in consolidated financial statements in the fiscal period under review.  
As a result of this change, operating income for the Language Company declined by ¥2,051 million and assets decreased by ¥21,469 million for the year ended March 31, 2009.
- Capital expenditures include intangible fixed assets, rental and guarantee deposits related to the opening of new Senior Company nursing homes, and other items in addition to tangible fixed assets. For the Language Company and the Others, capital expenditure include ¥921 million and ¥352 million respectively in goodwill. Depreciation and amortization include ¥161 million and ¥58 million respectively, representing the amortization of this goodwill to the fiscal year under review.
- Pursuant to Article 32 of JICPA Accounting Standards Committee Report No. 7, "Implementation Guidelines on Elimination of Investments and Equity in Consolidated Financial Statements," the Company has enacted the lump-sum amortization of goodwill for Tokyo Individualized Educational Institute, Inc. (TKG) by ¥7,619 million in line with the application of impairment accounting with respect to the company's non-consolidated financial statements, decreasing assets by the same amount.
- In the Senior Company a loss on impairment of fixed assets amounted ¥229 million was recorded, decreasing assets by the same amount.
- In the AVIVA Business a loss on impairment of goodwill amounted to ¥347 million was recorded, decreasing assets by the same amount.

## 2. Geographical Segments

Year Ended March 31, 2010

(Millions of Yen)

|                          | Sales        |               |             | Operating expenses | Operating income (loss) | Assets    |
|--------------------------|--------------|---------------|-------------|--------------------|-------------------------|-----------|
|                          | To customers | Inter segment | Total sales |                    |                         |           |
| Japan                    | ¥ 359,800    | ¥ 203         | ¥ 360,004   | ¥ 322,587          | ¥ 37,417                | ¥ 224,996 |
| North America            | 13,702       | 2             | 13,705      | 12,374             | 1,330                   | 18,752    |
| Others                   | 33,098       | 4,570         | 37,669      | 38,527             | (858)                   | 14,347    |
| Corporate (Eliminations) | —            | (4,776)       | (4,776)     | (4,776)            | —                       | 98,056    |
| Consolidated             | ¥ 406,602    | —             | ¥ 406,602   | ¥ 368,712          | ¥ 37,889                | ¥ 356,153 |

Notes: 1. The method of geographic segmentation and the principal countries or areas in each region:

(1) Method of segmentation: Geographic proximity

(2) The principal countries or areas in each region:

Japan: Japan

North America: United States and Canada

Others: United Kingdom, Germany, France and Asian countries (except Japan)

2. Principal assets of the Company included in Corporate (eliminations) assets (¥98,927 million as of March 31, 2010) include operational funds (cash and marketable securities) held by the parent company and consolidated subsidiary Benesse Corporation and long-term investments (investment securities) held by the parent company.

Year Ended March 31, 2009

(Millions of Yen)

|                          | Sales        |               |             | Operating expenses | Operating income (loss) | Assets    |
|--------------------------|--------------|---------------|-------------|--------------------|-------------------------|-----------|
|                          | To customers | Inter segment | Total sales |                    |                         |           |
| Japan                    | ¥ 355,536    | ¥ 121         | ¥ 355,658   | ¥ 318,565          | ¥ 37,092                | ¥ 205,993 |
| North America            | 16,854       | 4             | 16,858      | 14,058             | 2,800                   | 20,734    |
| Others                   | 40,320       | 4,379         | 44,699      | 45,466             | (766)                   | 14,387    |
| Corporate (Eliminations) | —            | (4,504)       | (4,504)     | (4,504)            | —                       | 102,013   |
| Consolidated             | ¥ 412,711    | —             | ¥ 412,711   | ¥ 373,585          | ¥ 39,125                | ¥ 343,128 |

Notes: 1. The method of geographic segmentation and the principal countries or areas in each region:

(1) Method of segmentation: Geographic proximity

(2) The principal countries or areas in each region:

Japan: Japan

North America: United States and Canada

Others: United Kingdom, Germany, France and Asian countries (except Japan)

2. Principal assets of the Company included in Corporate (eliminations) assets (¥102,740 million as of March 31, 2009) include operational funds (cash and marketable securities) and long-term investments (investment securities) held by the parent company.

3. The Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign

Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006), and made the necessary adjustments in consolidated financial statements in the fiscal period under review.

As a result of this change, operating income for Japan and North America declined by ¥326 million and ¥1,725 million, respectively, for the year ended March 31, 2009.

**3. Sales to Foreign Customers**

Year Ended March 31, 2010

(Millions of Yen)

|               | Sales to foreign customers (A) | Consolidated sales (B) | (A) / (B) |
|---------------|--------------------------------|------------------------|-----------|
| North America | ¥ 13,707                       |                        | 3.4 %     |
| Others        | 33,141                         |                        | 8.1       |
| Total         | ¥ 46,849                       | ¥ 406,602              | 11.5 %    |

Year Ended March 31, 2009

(Millions of Yen)

|               | Sales to foreign customers (A) | Consolidated sales (B) | (A) / (B) |
|---------------|--------------------------------|------------------------|-----------|
| North America | ¥ 16,861                       |                        | 4.1 %     |
| Others        | 40,363                         |                        | 9.8       |
| Total         | ¥ 57,224                       | ¥ 412,711              | 13.9 %    |

Notes: 1. The method of geographic segmentation and the principal countries or areas in each region:

(1) Method of segmentation: Geographic proximity

(2) The principal countries or areas in each region:

North America: United States and Canada

Others: United Kingdom, Germany, France and Asian countries (except Japan)

2. Sales by the parent company and its consolidated subsidiaries in countries and regions outside Japan are classified as overseas sales.

**NON-CONSOLIDATED BALANCE SHEETS**

Benesse Holdings, Inc.

| <b>Assets</b>                                  | March 31,         |                   |
|--|-------------------|-------------------|
|  | 2009              | 2010              |
|  | (Millions of Yen) | (Millions of Yen) |
| <b>Current Assets:</b>                         |                   |                   |
| Cash and time deposits                         | ¥ 6,521           | ¥ 2,934           |
| Notes receivable – trade                       | 0                 | —                 |
| Accounts receivable – trade                    | 10,011            | —                 |
| Marketable securities                          | 43,517            | 16,132            |
| Merchandise and finished products              | 13,107            | —                 |
| Work in progress                               | 2,458             | —                 |
| Raw materials and supplies                     | 1,610             | —                 |
| Advance payments                               | 11                | —                 |
| Prepaid expenses                               | 2,337             | —                 |
| Deferred tax assets                            | 3,126             | 182               |
| Accounts receivable—other                      | 36,724            | 1,625             |
| Other current assets                           | 2,378             | 3,954             |
| Allowance for doubtful receivables             | (872)             | —                 |
| Total Current Assets                           | 120,935           | 24,828            |
| <b>Fixed Assets:</b>                           |                   |                   |
| <b>Tangible Fixed Assets:</b>                  |                   |                   |
| Buildings                                      | 16,689            | 2,590             |
| Structures                                     | 546               | —                 |
| Machinery and equipment                        | 539               | —                 |
| Vehicles and delivery equipment                | 45                | —                 |
| Furniture and fixtures                         | 931               | —                 |
| Works of art                                   | 4,658             | 4,758             |
| Land   | 32,812            | 1,790             |
| Construction in progress                       | 62                | —                 |
| Other  | 28                | 555               |
| Total Tangible Fixed Assets                    | 56,313            | 9,695             |
| <b>Intangible Fixed Assets:</b>                |                   |                   |
| Trademarks                                     | 74                | 19                |
| Software                                       | 15,306            | 20                |
| Other intangible fixed assets                  | 127               | —                 |
| Total Intangible Fixed Assets                  | 15,509            | 39                |
| <b>Investments and Other Assets:</b>           |                   |                   |
| Investment securities                          | 28,648            | 24,287            |
| Investments in subsidiaries and affiliates     | 54,204            | 113,120           |
| Investments in a subsidiary—other              | 68                | 42                |
| Investments in capital                         | 4                 | —                 |
| Investments in capital of a subsidiary         | 762               | 762               |
| Long-term loans receivable                     | 155               | —                 |
| Long-term loans receivable from employees      | 16                | —                 |
| Long-term loans receivable from subsidiaries   | 10,042            | 7,693             |
| Receivables outstanding for more than one year | 0                 | —                 |
| Prepaid pension expenses                       | 3,777             | —                 |
| Long-term prepaid expenses                     | 1,350             | —                 |
| Deferred tax assets                            | 3,072             | 2,928             |
| Refundable deposits                            | 5,021             | —                 |
| Other assets                                   | 1,108             | 44                |
| Allowance for doubtful receivables             | (7,785)           | (4,353)           |
| Total Investments and Other Assets             | 100,447           | 144,525           |
| Total Fixed Assets                             | 172,270           | 154,260           |
| <b>Total</b>                                   | ¥ 293,205         | ¥ 179,089         |

**NON-CONSOLIDATED BALANCE SHEETS**

Benesse Holdings, Inc.

| Liabilities and Equity                                       | March 31,         |                   |
|--|-------------------|-------------------|
|  | 2009              | 2010              |
|  | (Millions of Yen) | (Millions of Yen) |
| <b>Current Liabilities:</b>                                  |                   |                   |
| Accounts payable – trade                                     | ¥ 8,942           | ¥ —               |
| Short-term debt  | 3,000             | —                 |
| Accounts payable – other                                     | 20,156            | 1,947             |
| Consumption taxes payable                                    | 865               | —                 |
| Accrued expenses   | 757               | —                 |
| Accrued income taxes   | 9,744             | 966               |
| Advances received  | 64,137            | —                 |
| Deposits received  | 423               | —                 |
| Reserve for after-service costs                              | 768               | —                 |
| Reserve for employees' bonuses                               | 3,940             | 117               |
| Reserve for directors' bonuses                               | 219               | 105               |
| Reserve for goods return                                     | 522               | —                 |
| Other current liabilities                                    | 195               | 126               |
| Total Current Liabilities                                    | 113,674           | 3,264             |
| <b>Long-Term Liabilities:</b>                                |                   |                   |
| Reserve for employees' retirement benefits                   | 1,781             | —                 |
| Reserve for directors' retirement allowances                 | 1,416             | 1,292             |
| Provision to the allowance for loss on support to affiliates | 2,863             | 521               |
| Other long-term liabilities                                  | 69                | 212               |
| Total Long-Term Liabilities                                  | 6,130             | 2,026             |
| Total Liabilities  | 119,805           | 5,290             |
| <b>Total Equity:</b>   |                   |                   |
| Equity:  |                   |                   |
| Common stock   | 13,600            | 13,600            |
| Capital surplus:   |                   |                   |
| Additional paid-in capital                                   | 29,358            | 29,358            |
| Total Capital Surplus  | 29,358            | 29,358            |
| Retained earnings:   |                   |                   |
| Legal reserve  | 3,400             | 3,400             |
| Other retained earnings:                                     |                   |                   |
| Reserve for dividend equalization                            | 3,000             | 3,000             |
| General reserve  | 132,880           | 132,880           |
| Retained earnings brought forward                            | 17,895            | 17,533            |
| Total Retained Earnings                                      | 157,175           | 156,813           |
| Treasury stock, at cost                                      | (25,451)          | (26,527)          |
| Total Shareholders' Equity                                   | 174,682           | 173,243           |
| Valuation and translation adjustments:                       |                   |                   |
| Unrealized gain on available-for-sale securities             | (1,833)           | (112)             |
| Total valuation and translation adjustments                  | (1,833)           | (112)             |
| Stock acquisition rights                                     | 551               | 667               |
| Total Equity   | 173,400           | 173,798           |
| <b>Total</b>   | ¥ 293,205         | ¥ 179,089         |

**NON-CONSOLIDATED STATEMENTS OF INCOME**

Benesse Holdings, Inc.

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Net Sales</b>  | ¥ 243,319            | ¥ 125,976         |
| <b>Operating Revenue:</b>                                       |                      |                   |
| Royalty income  | —                    | 2,544             |
| Dividends from subsidiaries                                     | —                    | 100               |
| Other   | —                    | 501               |
| Subtotal  | —                    | 3,146             |
| Total Operating Revenue   | 243,319              | 129,123           |
| <b>Cost of Sales:</b>   |                      |                   |
| Merchandise and finished goods, beginning of year               | 11,929               | 13,107            |
| Production costs  | 66,002               | 30,904            |
| Service costs   | 28,638               | 14,572            |
| Subtotal  | 106,571              | 58,584            |
| Charges to expense accounts                                     | 815                  | 242               |
| Decrease by corporate division                                  | —                    | 10,576            |
| Merchandise and finished goods, end of year                     | 13,107               | —                 |
| Net   | 92,648               | 47,766            |
| Gross Profit  | 150,671              | 78,210            |
| Reversal of reserve for goods return                            | 555                  | 522               |
| Provision for reserve for goods return                          | 522                  | 449               |
| Adjusted Gross Profit   | 150,704              | 78,283            |
| <b>Selling, General and Administrative Expenses:</b>            |                      |                   |
| Direct mail expenses  | 27,786               | 8,874             |
| Advertising expenses  | 8,993                | 2,628             |
| Sales promotion expenses  | 11,885               | 4,375             |
| Transportation and communication expenses                       | 18,819               | 9,979             |
| Customer management expenses                                    | 10,815               | 5,076             |
| Compensation for directors and corporate auditors               | 305                  | 150               |
| Bonuses to directors  | 28                   | 16                |
| Stock compensation expense for directors and corporate auditors | 205                  | 75                |
| Wages and salaries  | 17,532               | 9,652             |
| Provision for reserve for employees' bonuses                    | 2,789                | —                 |
| Provision for reserve for directors' bonuses                    | 219                  | —                 |
| Provision for reserve for employees' retirement benefits        | 759                  | 462               |
| Provision for reserve for directors' retirement allowances      | 127                  | 65                |
| Employee benefits expense                                       | 2,141                | 970               |
| Rental expenses   | 2,041                | 1,066             |
| Taxes on property and others                                    | 629                  | 431               |
| Research and development expenses                               | 2,302                | 1,027             |
| Depreciation expenses   | 4,125                | 2,123             |
| Provision for allowance for doubtful receivables                | 605                  | 488               |
| Other   | 8,814                | 4,083             |
| Total Selling, General and Administrative Expenses              | ¥ 120,929            | ¥ 51,549          |

(Continued on next page)

**NON-CONSOLIDATED STATEMENTS OF INCOME (continued)**

Benesse Holdings, Inc.

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Operating Expenses:</b>  |                      |                   |
| Advertising expenses  | ¥ —                  | ¥ 87              |
| Transportation and communication expenses                                 | —                    | 56                |
| Business consignment expenses   | —                    | 470               |
| Entertainment expenses  | —                    | 101               |
| Compensation for directors and corporate auditors                         | —                    | 139               |
| Share based compensation expense for directors and corporate auditors     | —                    | 31                |
| Wages and salaries  | —                    | 255               |
| Provision for reserve for employees' bonuses                              | —                    | 117               |
| Provision for reserve for directors' bonuses                              | —                    | 105               |
| Provision for reserve for directors' retirement allowances                | —                    | 30                |
| Rental expenses   | —                    | 59                |
| Taxes on property and others  | —                    | 62                |
| Contribution  | —                    | 149               |
| Consulting expenses   | —                    | 166               |
| Depreciation expenses   | —                    | 141               |
| Other   | —                    | 320               |
| Total Operating Expenses  | —                    | 2,293             |
| Total Selling, General and Administrative Expenses and Operating Expenses | 120,929              | 53,842            |
| <b>Operating Income</b>   | 29,775               | 27,587            |
| <b>Non-Operating Income:</b>  |                      |                   |
| Interest income   | 392                  | 331               |
| Interest on marketable securities   | 709                  | 436               |
| Dividend income   | 757                  | 1,015             |
| Rent income   | 859                  | 418               |
| Foreign exchange gain   | —                    | 512               |
| Gain on derivatives   | 749                  | —                 |
| Other   | 269                  | 140               |
|   | 3,738                | 2,854             |
| <b>Non-Operating Expenses:</b>  |                      |                   |
| Interest expense  | 27                   | 10                |
| Depreciation and expenses on leased assets                                | 325                  | 167               |
| Foreign exchange loss   | 1,564                | —                 |
| Loss on derivatives   | —                    | 517               |
| Other   | 470                  | 222               |
|   | 2,387                | 918               |
| <b>Ordinary Income</b>  | ¥ 31,125             | ¥ 29,523          |

(Continued on next page)

**NON-CONSOLIDATED STATEMENTS OF INCOME (continued)**

Benesse Holdings, Inc.

|  | Year Ended March 31, |                   |
|--|----------------------|-------------------|
|  | 2009                 | 2010              |
|  | (Millions of Yen)    | (Millions of Yen) |
| <b>Special Gains:</b>  |                      |                   |
| Gain on sales of fixed assets                                | ¥ 0                  | ¥ —               |
| Gain on sales of investments in a consolidated subsidiary    | 4,344                | —                 |
| Reversal of reserve for allowance for doubtful receivables   | 398                  | —                 |
| Reversal of provision for loss to cover subsidiaries         | —                    | 2,341             |
|  | 4,743                | 2,341             |
| <b>Special Losses:</b>                                       |                      |                   |
| Loss on sales and disposal of fixed assets                   | 359                  | 74                |
| Impairment loss  | 123                  | —                 |
| Valuation loss on investment securities                      | 2,145                | 14                |
| Valuation loss on investments in subsidiaries and affiliates | 7,650                | —                 |
| Loss on sales of stocks of subsidiaries and affiliates       | —                    | 29                |
| Provision for allowance for doubtful receivables             | —                    | 750               |
| Bad debts written off  | —                    | 1,200             |
| Provision for loss to cover subsidiaries                     | 387                  | —                 |
| Loss on restructuring of business                            | 150                  | —                 |
| Other  | 126                  | —                 |
|  | 10,944               | 2,069             |
| <b>Income before Income Taxes</b>                            | 24,924               | 29,795            |
| <b>Income Taxes:</b>   |                      |                   |
| Current  | 14,877               | 8,730             |
| Deferred   | (1,575)              | 1,876             |
|  | 13,301               | 10,607            |
| <b>Net Income</b>  | ¥ 11,622             | ¥ 19,188          |

Note: Operating revenue is not included in the calculations of gross profit and balance of gross profit.

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Benesse Holdings, Inc.

|  | Year Ended March 31, |                   |
|--|----------------------|-------------------|
|  | 2009                 | 2010              |
|  | (Millions of Yen)    | (Millions of Yen) |
| <b>Shareholders' Equity</b>            |                      |                   |
| <b>Common stock:</b>                   |                      |                   |
| Balance at end of previous fiscal year | ¥ 13,600             | ¥ 13,600          |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 13,600               | 13,600            |
| <b>Capital surplus:</b>                |                      |                   |
| Additional paid-in capital             |                      |                   |
| Balance at end of previous fiscal year | 29,358               | 29,358            |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 29,358               | 29,358            |
| Total capital surplus                  |                      |                   |
| Balance at end of previous fiscal year | 29,358               | 29,358            |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 29,358               | 29,358            |
| <b>Retained earnings:</b>              |                      |                   |
| Legal reserve                          |                      |                   |
| Balance at end of previous fiscal year | 3,400                | 3,400             |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 3,400                | 3,400             |
| Other retained earnings                |                      |                   |
| Reserve for dividend equalization      |                      |                   |
| Balance at end of previous fiscal year | 3,000                | 3,000             |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 3,000                | 3,000             |
| General reserve                        |                      |                   |
| Balance at end of previous fiscal year | 132,880              | 132,880           |
| Change in the period                   |                      |                   |
| Total change in the period             | —                    | —                 |
| Balance at end of the year             | 132,880              | 132,880           |
| Retained earnings brought forward      |                      |                   |
| Balance at end of previous fiscal year | 15,515               | 17,895            |
| Change in the period                   |                      |                   |
| Dividends from retained earnings       | (9,065)              | (8,888)           |
| Net income                             | 11,622               | 19,188            |
| Disposal of treasury stock             | (175)                | (100)             |
| Reversal due to corporate division     | —                    | (10,562)          |
| Total change in the period             | 2,380                | (362)             |
| Balance at end of the year             | 17,895               | 17,533            |
| Total retained earnings                |                      |                   |
| Balance at end of previous fiscal year | 154,795              | 157,175           |
| Change in the period                   |                      |                   |
| Dividends from retained earnings       | (9,065)              | (8,888)           |
| Net income                             | 11,622               | 19,188            |
| Disposal of treasury stock             | (175)                | (100)             |
| Reversal by corporate division         | —                    | (10,562)          |
| Total change in the period             | 2,380                | (362)             |
| Balance at end of the year             | ¥ 157,175            | ¥ 156,813         |

(Continued on next page)

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Benesse Holdings, Inc.

|   | Year Ended March 31, |                   |
|---|----------------------|-------------------|
|   | 2009                 | 2010              |
|   | (Millions of Yen)    | (Millions of Yen) |
| <b>Treasury stock:</b>                                  |                      |                   |
| Balance at end of previous fiscal year                  | ¥ (12,773)           | ¥ (25,451)        |
| Change in the period                                    |                      |                   |
| Purchases of treasury stock                             | (13,264)             | (1,514)           |
| Disposal of treasury stock                              | 586                  | 438               |
| Total change in the period                              | (12,678)             | (1,076)           |
| Balance at end of the year                              | (25,451)             | (26,527)          |
| <b>Total shareholders' equity:</b>                      |                      |                   |
| Balance at end of previous fiscal year                  | 184,980              | 174,682           |
| Change in the period                                    |                      |                   |
| Dividends from retained earnings                        | (9,065)              | (8,888)           |
| Net income  | 11,622               | 19,188            |
| Purchases of treasury stock                             | (13,264)             | (1,514)           |
| Disposal of treasury stock                              | 410                  | 338               |
| Reversal due to corporate division                      | —                    | (10,562)          |
| Total change in the period                              | (10,297)             | (1,438)           |
| Balance at end of the year                              | 174,682              | 173,243           |
| <b>Valuation and Translation Adjustments</b>            |                      |                   |
| <b>Unrealized gain on available-for-sale securities</b> |                      |                   |
| Balance at end of previous fiscal year                  | (672)                | (1,833)           |
| Change in the period                                    |                      |                   |
| Net changes of items other than shareholders' equity    | (1,160)              | 1,721             |
| Total change in the period                              | (1,160)              | 1,721             |
| Balance at end of the year                              | (1,833)              | (112)             |
| <b>Total valuation and translation adjustments</b>      |                      |                   |
| Balance at end of previous fiscal year                  | (672)                | (1,833)           |
| Change in the period                                    |                      |                   |
| Net changes of items other than shareholders' equity    | (1,160)              | 1,721             |
| Total change in the period                              | (1,160)              | 1,721             |
| Balance at end of the year                              | (1,833)              | (112)             |
| <b>Stock Acquisition Rights</b>                         |                      |                   |
| Balance at end of previous fiscal year                  | 304                  | 551               |
| Change in the period                                    |                      |                   |
| Net changes of items other than shareholders' equity    | 247                  | 115               |
| Total change in the period                              | 247                  | 115               |
| Balance at end of the year                              | 551                  | 667               |
| <b>Total Equity</b>                                     |                      |                   |
| Balance at end of previous fiscal year                  | 184,611              | 173,400           |
| Change in the period                                    |                      |                   |
| Cash dividends  | (9,065)              | (8,888)           |
| Net income  | 11,622               | 19,188            |
| Purchases of treasury stock                             | (13,264)             | (1,514)           |
| Disposal of treasury stock                              | 410                  | 338               |
| Reversal due to corporate division                      | —                    | (10,562)          |
| Net changes of items other than shareholders' equity    | (913)                | 1,837             |
| Total change in the period                              | (11,211)             | 398               |
| Balance at end of the year                              | ¥ 173,400            | ¥ 173,798         |

(Other Matters)

(1) Personnel Changes in Directors

1. Changes in Representatives  
Not applicable

2. Other Changes in Directors (scheduled for June 26, 2010)

i. Prospective new director  
Not applicable

ii. Retiring Director

Director Sakie T. Fukushima

Note: Sakie T. Fukushima meets the requirements for an Independent Director as defined in Article 2, Paragraph 15 of the Japanese Companies Act.