

SENIOR/NURSING CARE

1. JAPAN'S LONG-TERM CARE INSURANCE SYSTEM

The long-term care insurance system was introduced in April 2000 as part of the Japanese government's attempt to deal with the country's increasingly serious nursing care issues. All Japanese citizens are enrolled in the system from the age of 40 and are required to pay insurance premiums. When nursing care becomes a necessity, individuals are required to pay only 10% of costs.

2. NURSING CARE MARKET IN JAPAN

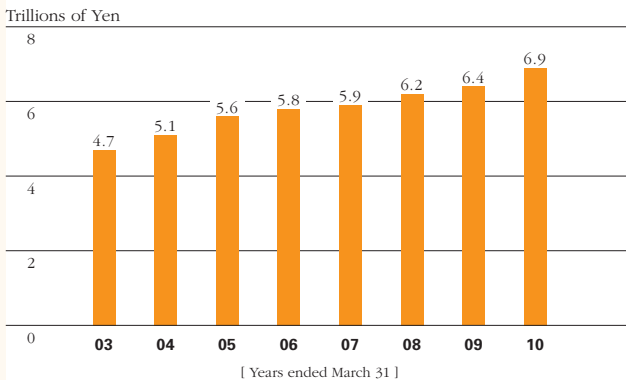
Japan's nursing care market is expanding rapidly as more Japanese reach old age and the long-term care insurance system becomes more established.

The long-term care insurance system covers the following main categories of care:

- Nursing home care:
 - Public care facilities (sector closed to private providers)
- Home-based care:
 - Home help services
 - Day services/Daycare
 - Private nursing homes, etc.
- Community-based services:
 - Group homes for the elderly with senile dementia, etc.

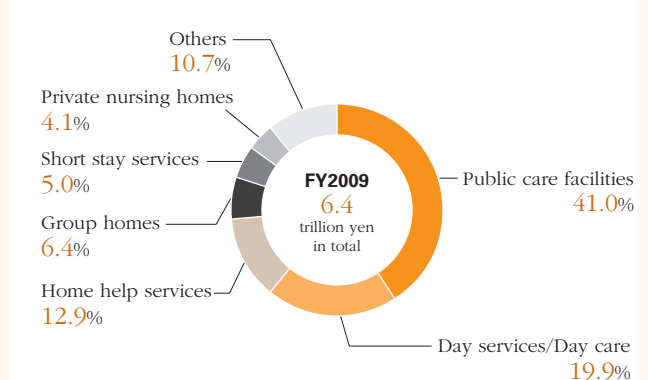
In the welfare field, Benesse is mainly involved in the operation of private nursing homes. This business is run by wholly owned subsidiaries Benesse Style Care Co., Ltd. and Bon Sejour Corporation, which was consolidated from March 2010.

TOTAL LONG-TERM CARE INSURANCE-PAID EXPENSES



Source: Ministry of Health, Labour and Welfare

LONG-TERM CARE INSURANCE-PAID EXPENSES BY CATEGORY



Source: Ministry of Health, Labour and Welfare

3. BENESSE'S NURSING CARE BUSINESS MODEL

1) Private Nursing Homes in Japan

Private nursing homes in Japan usually have at least 10 residents who receive meals and other necessary daily support. Benesse's nursing homes care for elderly residents requiring these services. Our nursing homes are certified facilities under Japan's long-term care insurance system.

2) Nursing Home Brands

Benesse has operated five different nursing home brands with different fee and service structures. In June 2011, Benesse opened *Cocochi* as the sixth brand.

3) Fee Structure

Benesse has created a nursing home business model that is not entirely reliant on income from the long-term care insurance system. For example, residents can receive a higher level of service than that determined by long-term care insurance in return for paying an extra nursing care fee. Residents are also required to pay accommodation costs not covered by the long-term care insurance system, such as utility bills and meals. An average of approximately 35% of revenue from our nursing homes is derived from the long-term care insurance system.



Aria



Bon Sejour

BENESSE'S NURSING HOMES

Brand Name	No. of Homes (As of end of FY10)	Fees	
		Initial Down Payment (Thousands of Yen)	Monthly Fees (Thousands of Yen)
<i>Aria</i>	15	20,000~30,000	280~
<i>Clara</i>	40	–	330~
<i>Granny & Granda</i>	77	8,000~18,000	180~
<i>Madoka</i>	43	–	230~
Benesse Style Care (total)	175		
<i>Bon Sejour</i>	29	5,000~8,000	170~
TOTAL	204		