

FY February-2016, 2Q Presentation

October 7, 2015

Tokyo Individualized Educational Institute, INC.
(TSE 1st 4745)



We aim to instill in our students
“the confidence they can achieve their
goals,” “the satisfaction of taking on a
new challenge,” and “the importance of
having a dream.”



Tokyo Individualized Education Institute celebrated its 30th anniversary in August 2015. We are sincerely grateful for your support.

We have grown together with our many students and teachers. We will work to increase our corporate social value as we continue to grow.

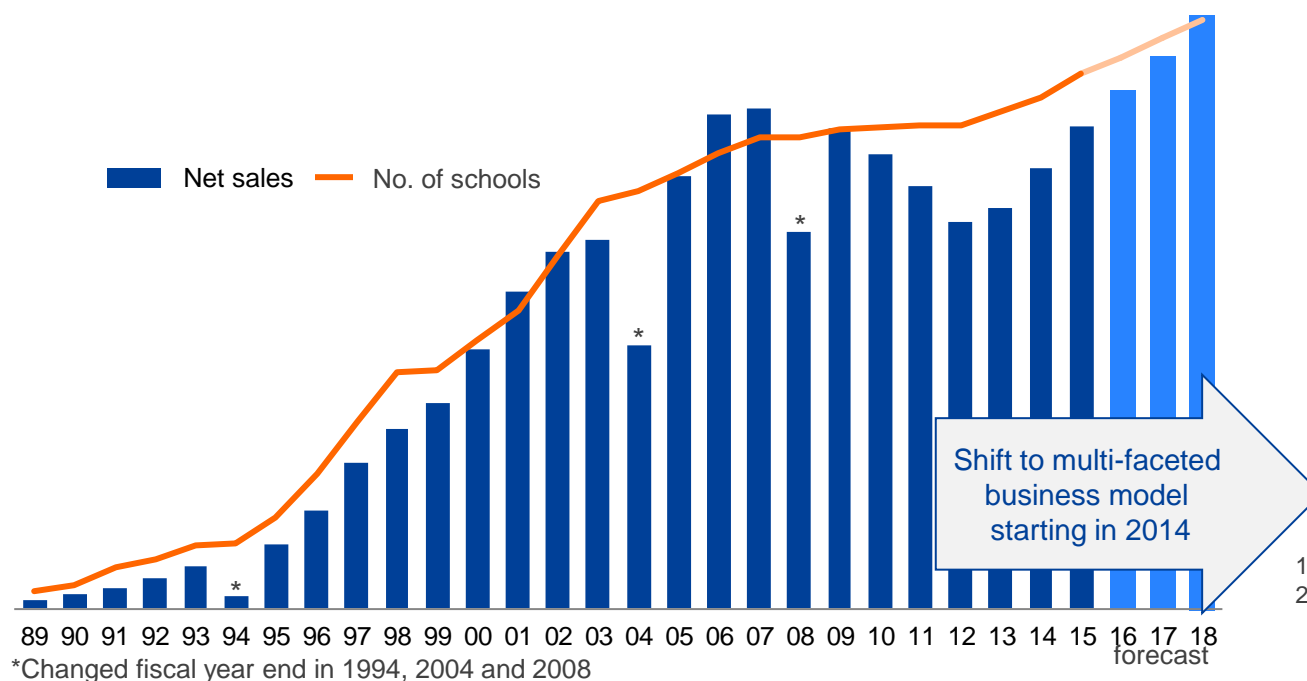
Total number of students

More than

300,000¹

Total number of teachers

Approx. 66,000²



1. Cumulative number of new students since establishment
2. Number of registered teachers since establishment

- 1. FY 2/16 2Q Results and FY 2/16 Forecast**
- 2. FY 2/16 2Q Highlights**
- 3. “Dynamic Challenge 2017”
Overview and Progress**

1. FY 2/16 2Q Results and FY 2/16 Forecast

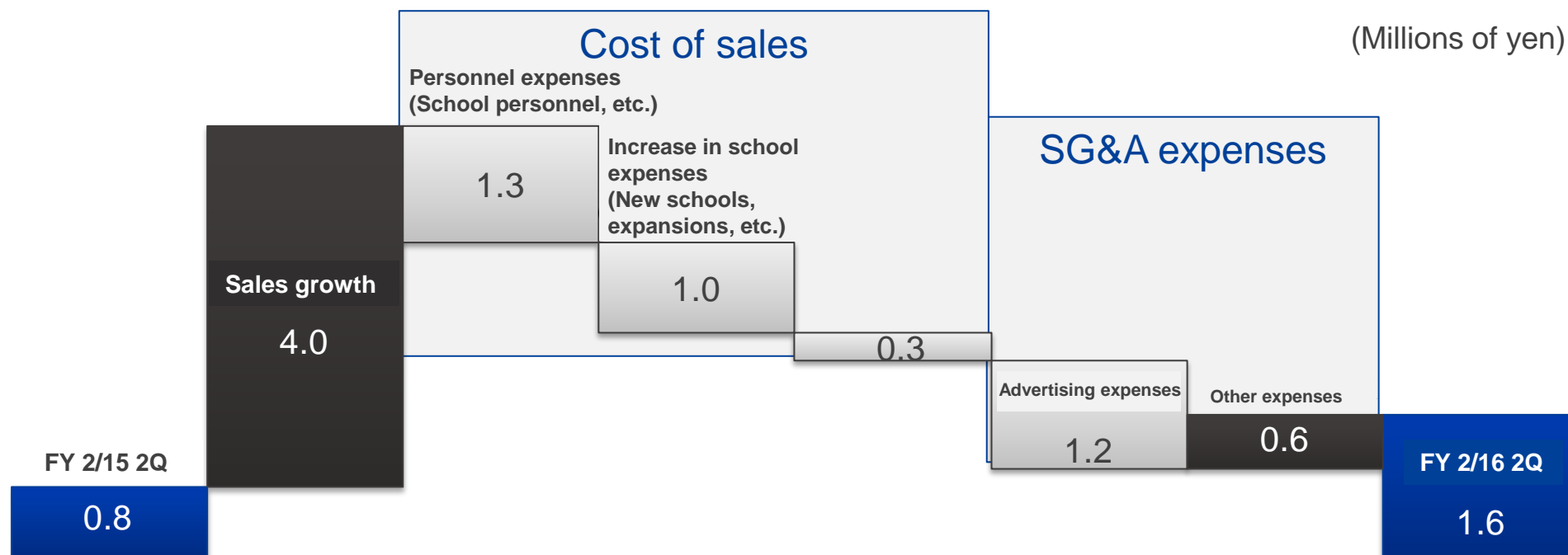
Upward Revision for 4th Consecutive Year

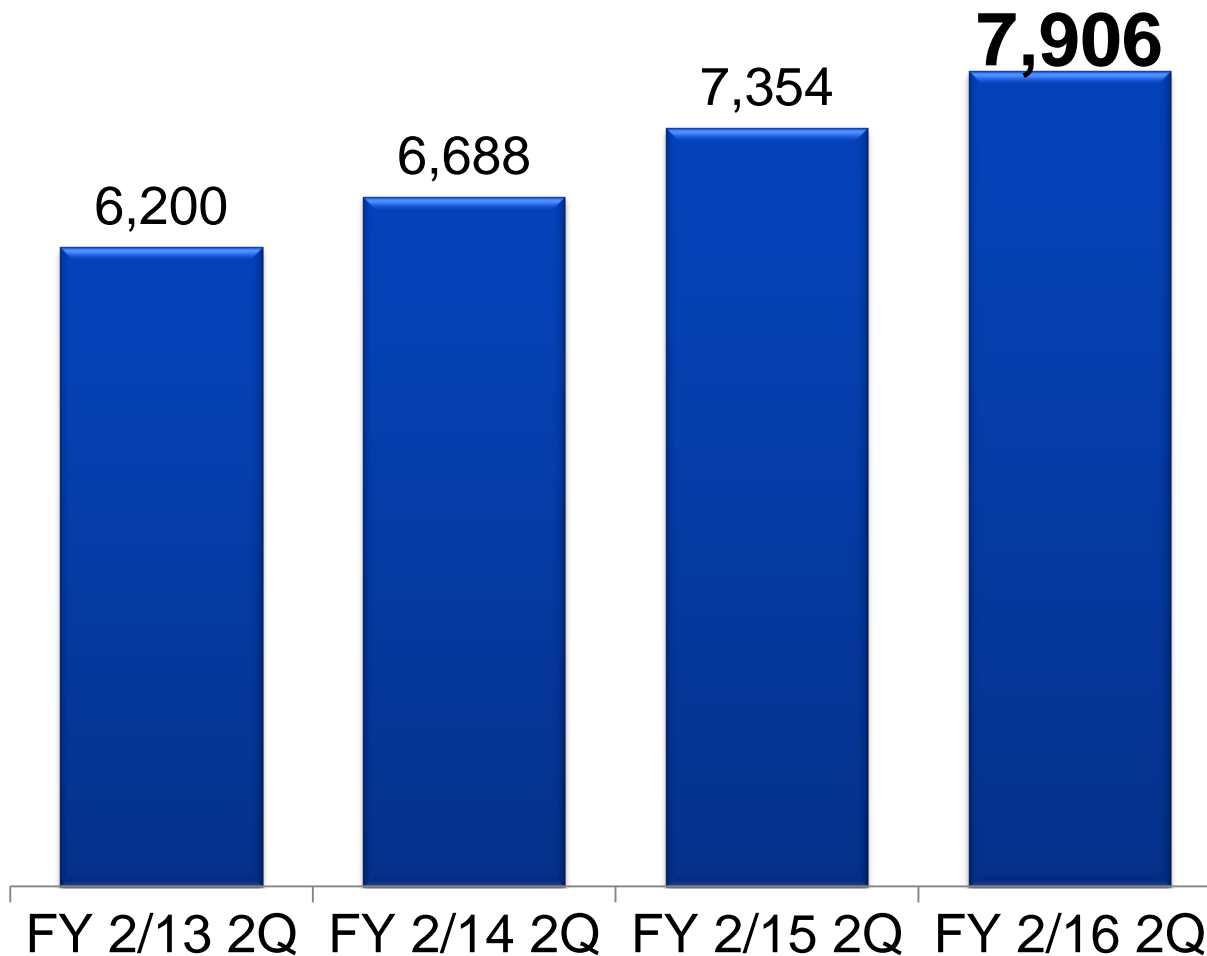
■ vs. plan	Net sales	+¥113 million, 1.5%
	Op. income	+¥77 million, 93.6%
■ YoY	Net sales	+¥552 million, 7.5%
	Op. income	+¥78 million, 96.3%

- Record-high number of inquiries and new students (number of new students up 11.2% YoY)
- Number of students enrolled as of the end of August also a record high (Number of students enrolled at August 31 up 7.5% YoY)
- Favorable results of summer school
- Five new school openings by 2Q out of target of six new openings for FY 2/16
- Increased cost-effectiveness of marketing and reduced general expenses with “cross-media advertising strategy” and “urban area dominance strategy”

Covered upfront investments by increasing sales and controlling costs, and exceeded the plan

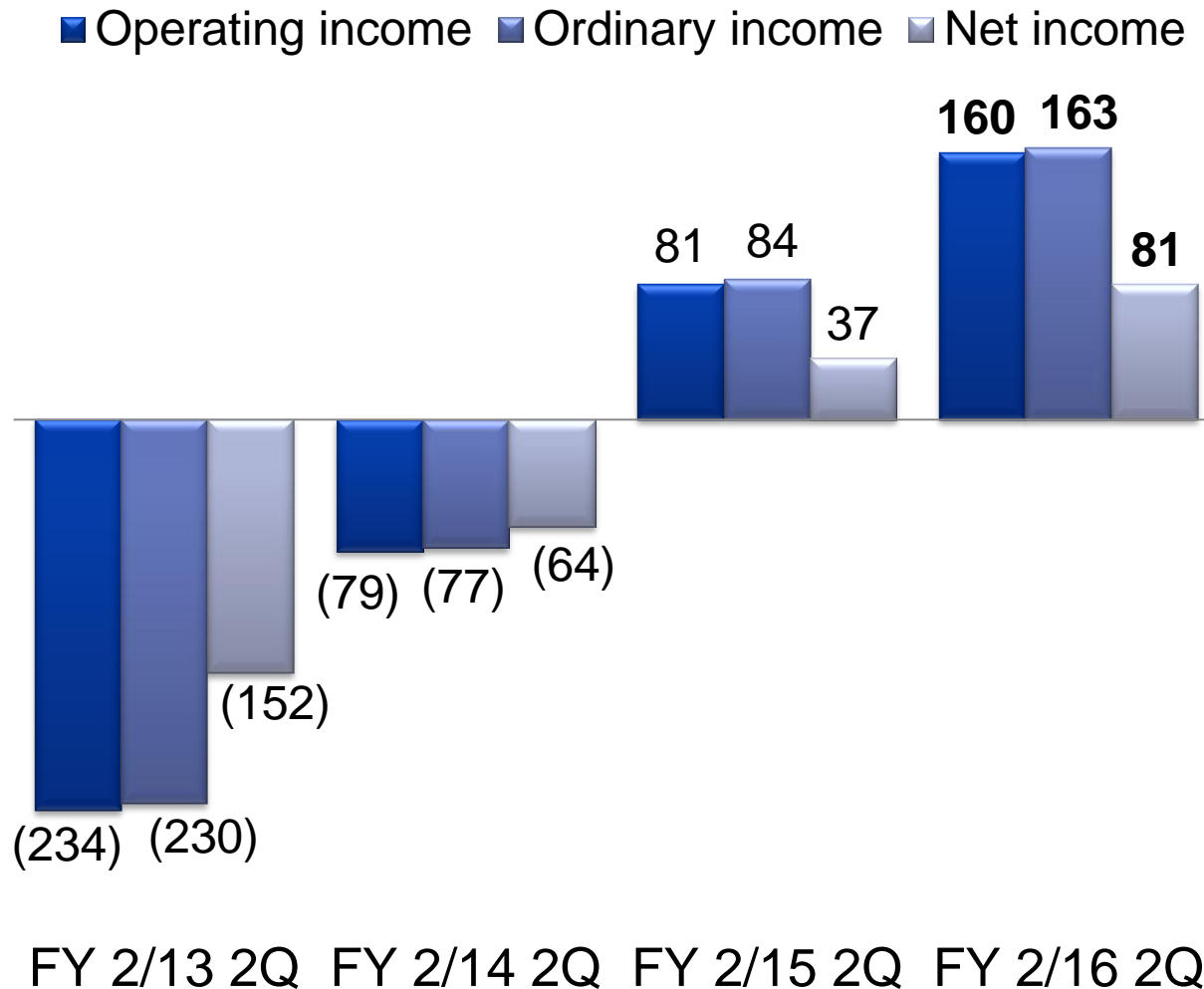
- ① Income increased due to sales growth reflecting an increase in new and enrolled students and a large increase in summer school sales
- ② School expenses for new openings and refurbishments and the increase in personnel expenses due to new school openings and new businesses were in line with the plan
- ③ The increase in advertising expenses due to enhanced sales efforts was also in line with the plan
- ④ The SG&A ratio improved 1.7 points year on year due to more efficient administrative operations





7.5% increase
compared with
previous fiscal year

4 consecutive
years of
sales growth



Profit
double
that of
FY 2/15 2Q

4 consecutive
years of
profit growth

FY 2/16 2Q Performance Summary

(Millions of yen)

	FY 2/15 2Q Result	FY 2/16 2Q Result	+/-	%	Initial Forecast for FY 2/16 2Q	+/-	Achievement Rate
Net sales	7,354	7,906	552	7.5%	7,793	113	101.5%
Cost of sales	4,617	5,029	412	8.9%			
Cost of sales ratio	62.8%	63.6%					
Gross profit	2,737	2,877	139	5.1%			
Gross profit margin	37.2%	36.4%					
SG&A expenses	2,655	2,716	60	2.3%			
SG&A expenses ratio	36.1%	34.4%					
Operating income	81	160	78	96.3%	82	77	193.6%
Operating income margin	1.1%	2.0%					
Ordinary income	84	163	78	93.0%	84	78	192.5%
Ordinary income margin	1.2%	2.1%					
Net income	37	81	43	115.4%	63	17	128.2%
Net income margin	0.5%	1.0%					

Balance Sheet and Cash Flow Statement

(Millions of yen)

	FY 2/15 Result	FY 2/16 2Q Result	+/-
Current assets	7,829	7,188	-640
Fixed assets	2,068	2,170	101
Current liabilities	2,223	1,826	-396
Long-term liabilities	18	11	-6
Net assets	7,656	7,520	-136
Total	9,898	9,358	-539

	FY 2/15 2Q Result	FY 2/16 2Q Result	+/-
Operating cash flow	(1,481)	(1,857)	-376
Investment cash flow	(3,217)	181	3,399
Financing cash flow	(163)	(217)	-54
Change in cash & cash equivalents	(4,862)	(1,893)	2,969
Cash & cash equivalents at beginning of year	6,490	3,136	-3,353
Cash & cash equivalents at end of 2Q	1,627	1,243	-384

Forecast for FY 2/16

(Millions of yen)

	FY 2/16 Forecast	+ / -	%	FY 2/15 Result
Net sales	16,900	1,182	7.5%	15,717
Operating income	2,300	575	33.4%	1,724
<i>Operating income margin</i>	13.6%	2.6%		11.0%
Ordinary income	2,304	574	33.2%	1,729
<i>Ordinary income margin</i>	13.6%	2.6%		11.0%
Net income	1,397	321	29.9%	1,075
<i>Net income margin</i>	8.3%	1.4%		6.8%

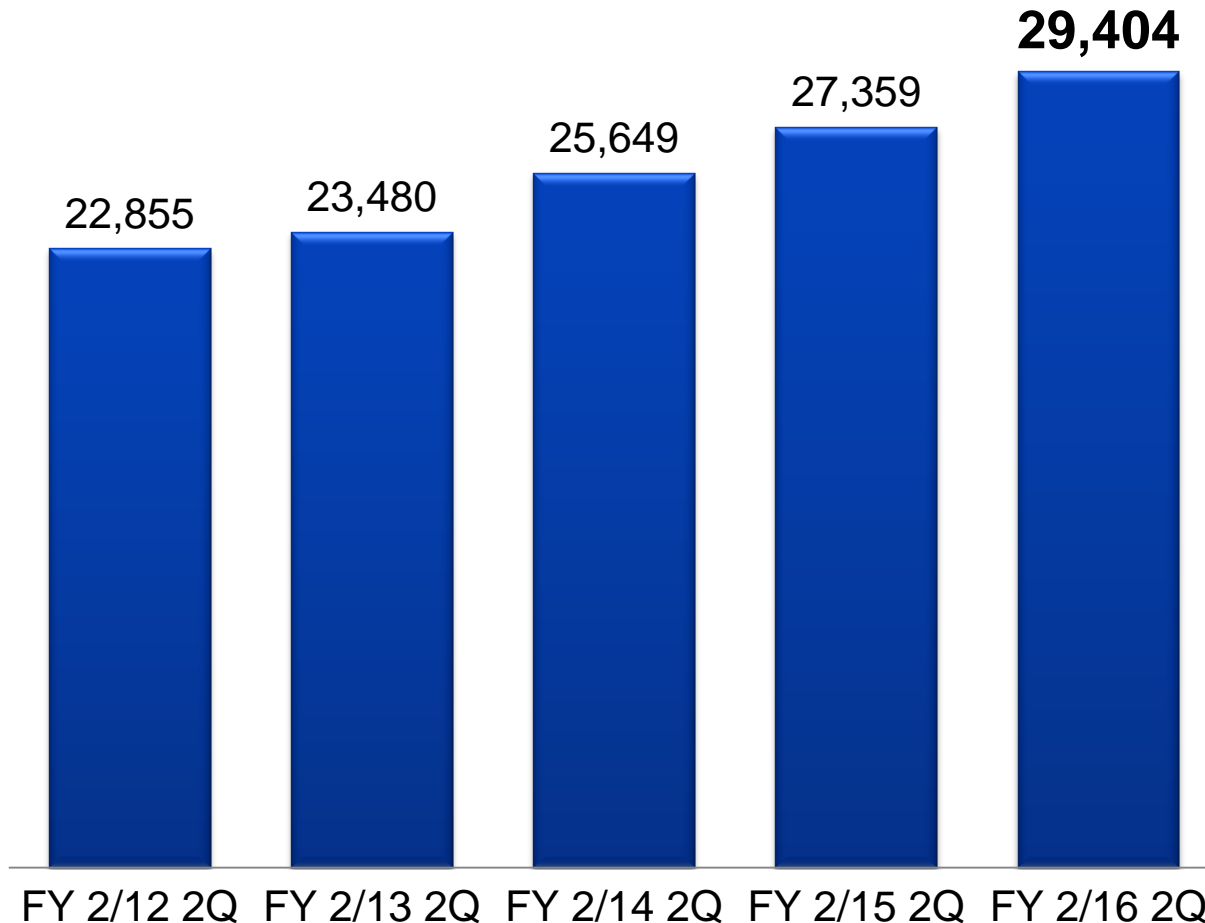
We will enhance shareholder returns as we expect medium-to-long-term growth to continue. The interim dividend will be 12 yen per share, including a commemorative dividend of 4 yen.

Dividends per Share (Yen)	29 th Period FY 2/12	30 th Period FY 2/13	31 st Period FY 2/14	32 nd Period FY 2/15	33 rd Period FY 2/16 (Includes commemorative dividend of 8 yen for the full year)
Interim dividend	3	3	3	4	12 Regular dividend of 8 yen + commemorative dividend of 4 yen
Year-end dividend	3	3	3	4	12 ¹ Regular dividend of 8 yen + commemorative dividend of 4 yen
Full-year dividends	6	6	6	8	24 ¹ Regular dividend of 16 yen + commemorative dividend of 8 yen
Payout ratio	245.4%	90.9%	44.1%	40.4%	93.3% ¹

1. Forecast announced on October 7, 2015

2. FY 2/16 2Q Highlights

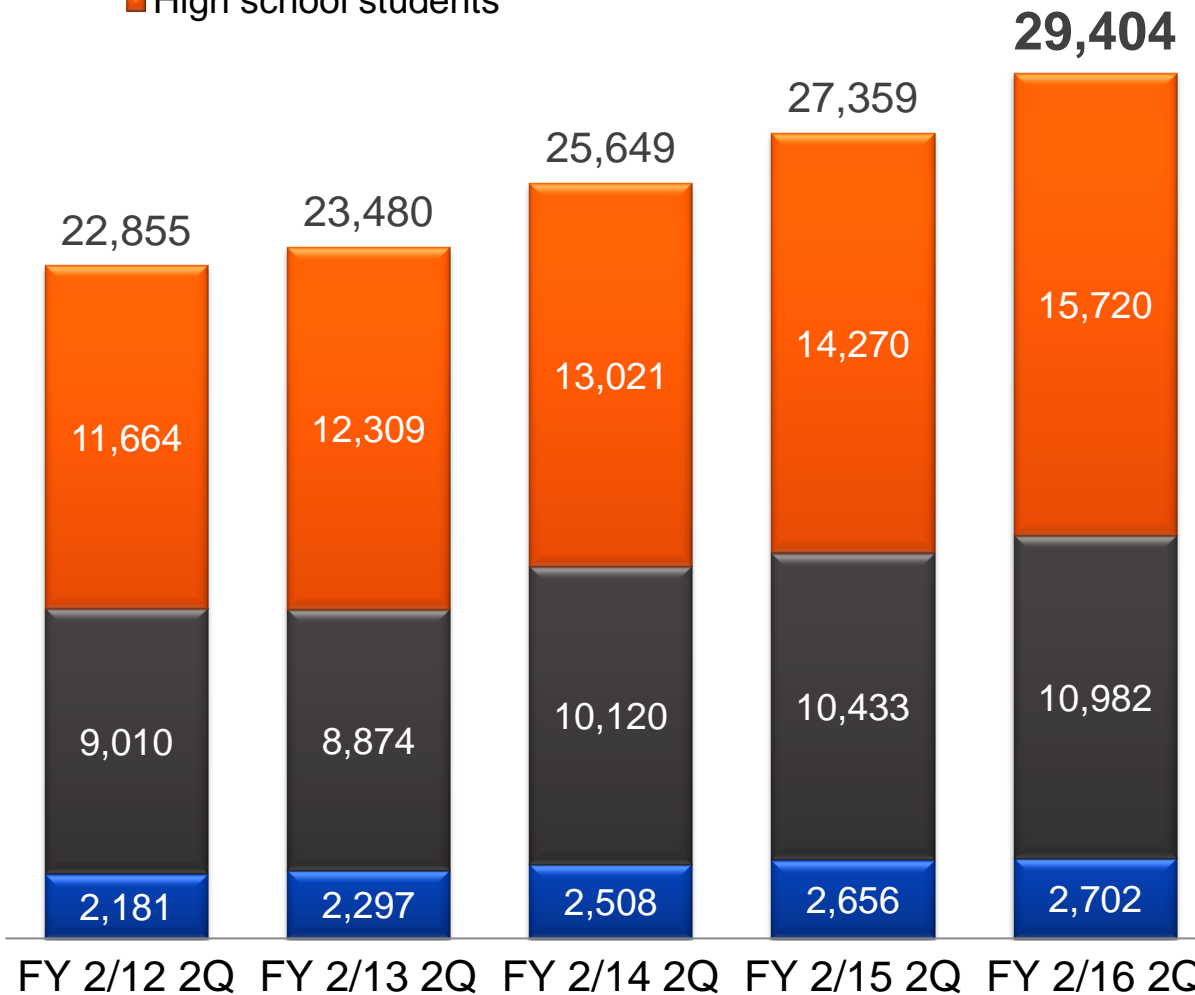
Number of Students Enrolled at End of Period



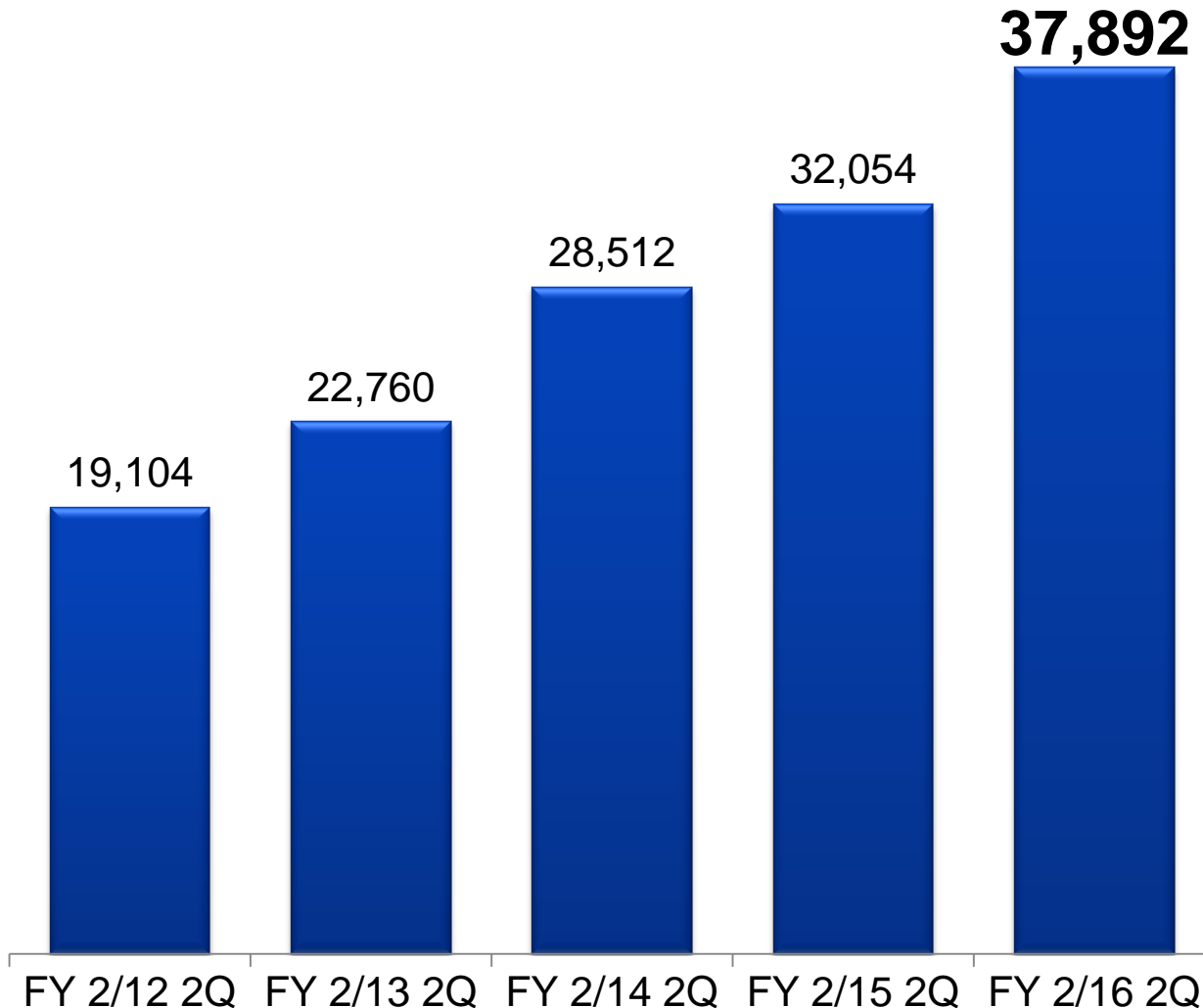
Number of students
enrolled at end of 2Q
reached a
record high

Composition of Number of Enrolled Students (Average for the Year)

- Elementary school students
- Junior high school students
- High school students



The number of
students is
increasing
at all
grade levels

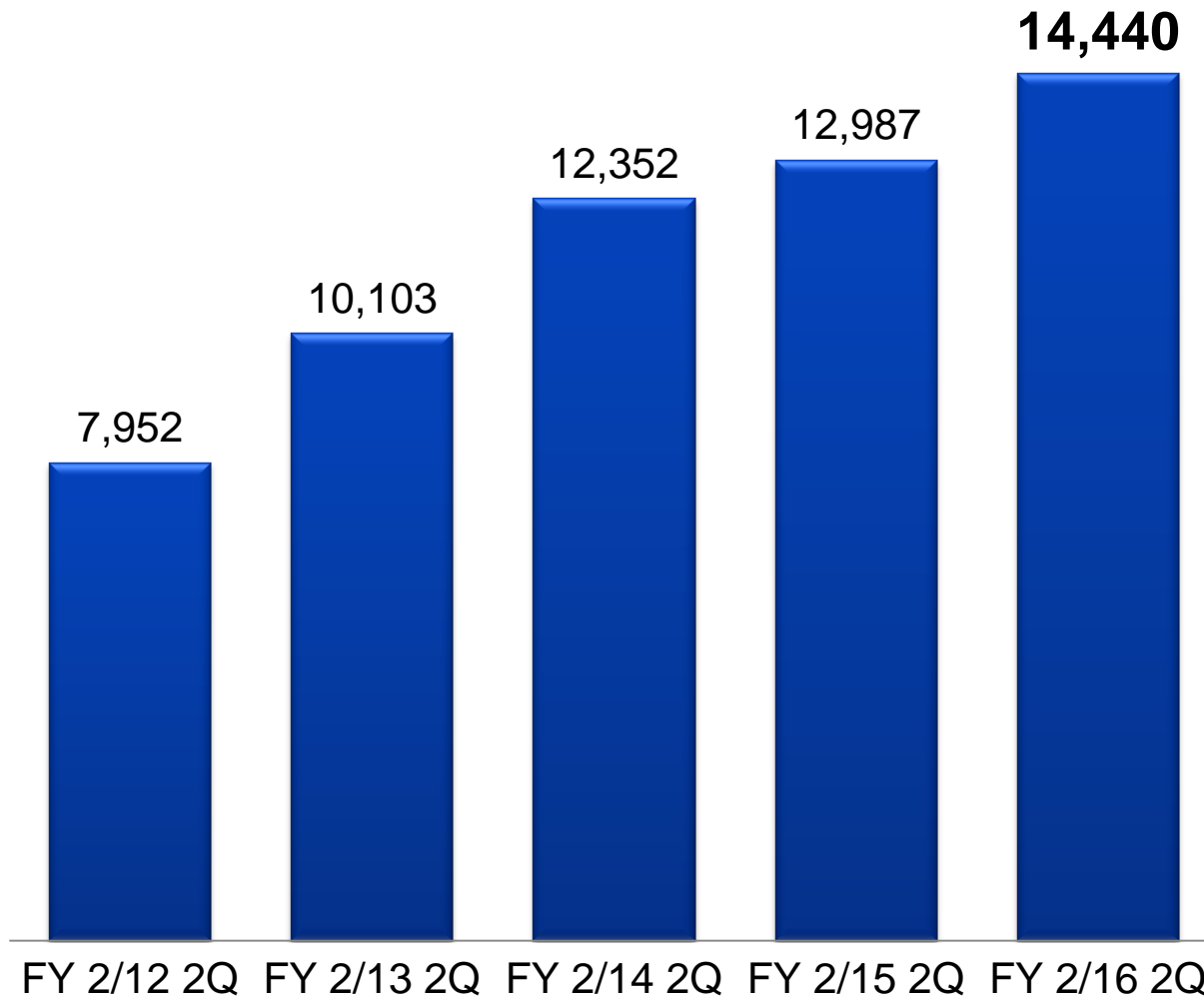


Record high

in FY2/16 2Q

driven by the success
of our cross-media
marketing strategy

Cumulative Number of New Students



Record high
in FY 2/16 2Q
reflecting strong
growth in inquiries

New Schools Opened

We have opened five new schools plus one Class Benesse out of our target of six new schools for this fiscal year.

School (Date opened)	Access	School (Date opened)	Access
Kawasaki Nishiguchi (March 19)	Saiwai-ku, Kawasaki Nearest stations: Kawasaki, Keikyu Kawasaki	Class Benesse Shakujii-Koen (July 7)	Shakujii-machi, Nerima-ku Nearest station: Shakujii-Koen
Tsudanuma Minamiguchi (June 1)	Yatsu, Narashino Nearest stations: Tsudanuma, Shin-Tsudanuma, Keisei Tsudanuma		
Kichijoji Honcho (June 8)	Kichijoji Honcho, Musashino Nearest station: Kichijoji		
Sengawa (June 11)	Sengawacho, Chofu Nearest station: Sengawa		
Shakujii-Koen (June 26)	Shakujii-machi, Nerima-ku Nearest station: Shakujii-Koen		



Openings in 3Q (including planned openings)

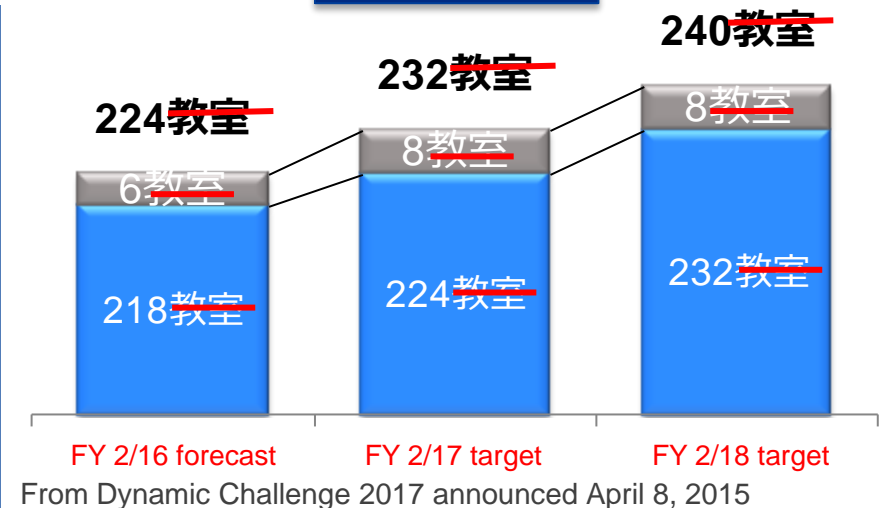
Musashi-Sakai (September 10)	Sakai, Musashino Nearest station: Musashi-Sakai
Chofu Kitaguchi (planned on Oct. 10)	Fuda, Chofu Nearest station: Chofu

Existing schools
New schools

既存店
新店

通期出店計画

School Opening Plan



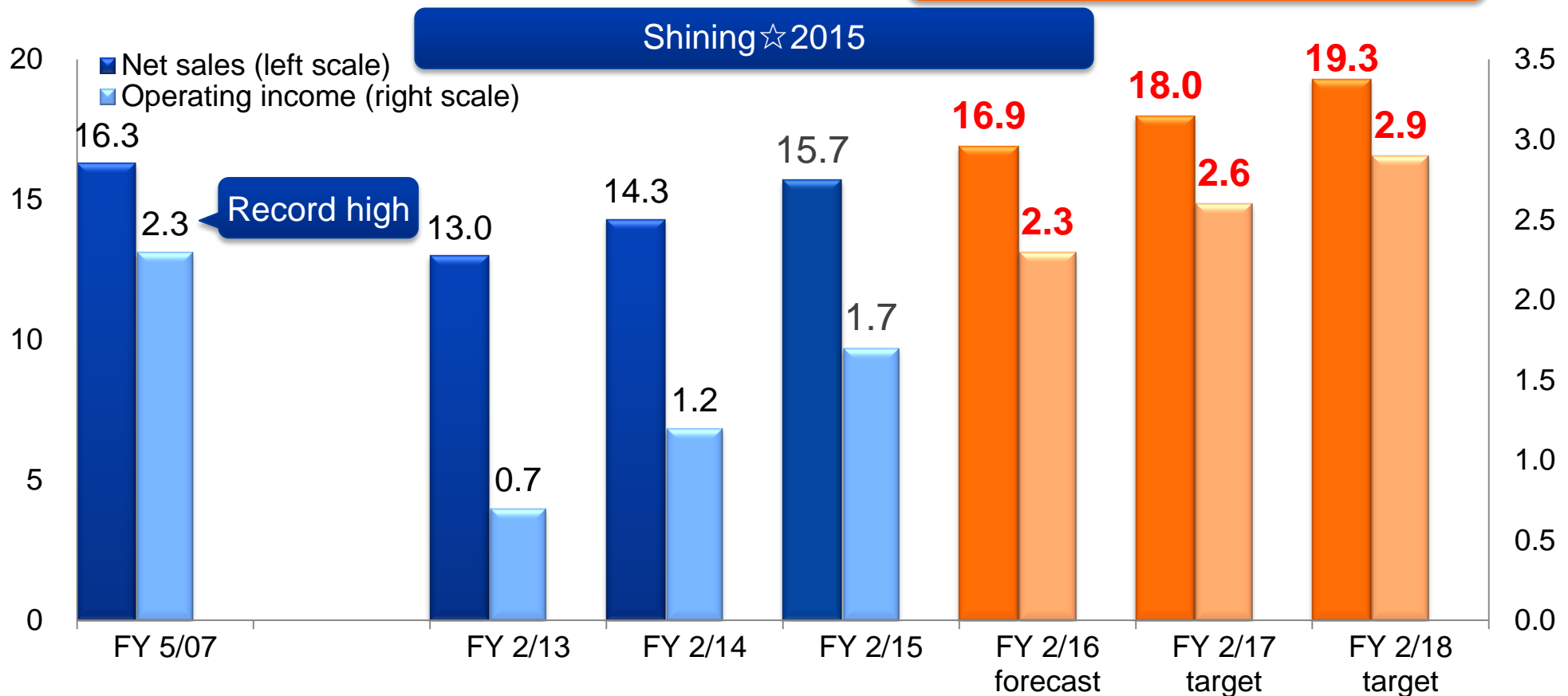
3. “Dynamic Challenge 2017” Overview and Progress

Aiming for sustained growth

Target payout ratio of 50% or higher

Dynamic Challenge 2017

(Billions of yen)



Dynamic Challenge 2017

Increase our corporate social value through sustained growth

Growth strategy

**Dominance
and
service portfolio**

Growth strategy

**Enhancement of
educational
capabilities**

Growth strategy

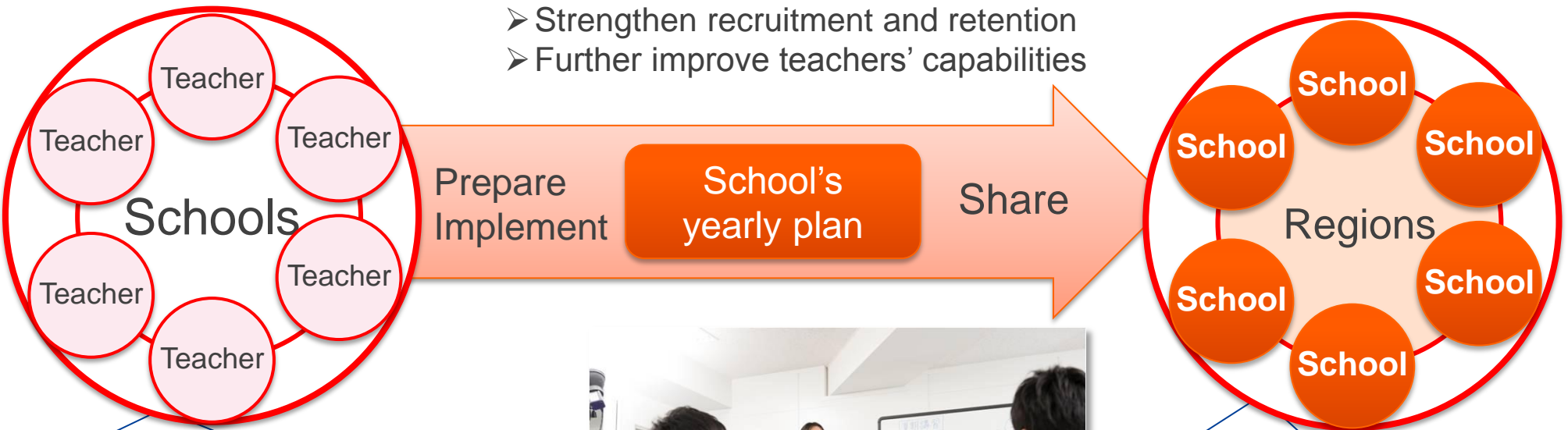
**Collaboration
with Benesse to
increase
added value**

Building a stronger, more efficient operating foundation

Nationwide rollout of the teacher training system that has proven successful in the Kansai area

- Enhance instruction capabilities and increase motivation by having teachers use the PDCA cycle for the school's yearly operation

- Strengthen recruitment and retention
- Further improve teachers' capabilities



- Examine each school's characteristic issues through communication with other teachers
- Elicit awareness, learning and know-how among teachers, schools and regions



- Voluntary observation of other schools by teachers
- Direct management enables sharing among schools

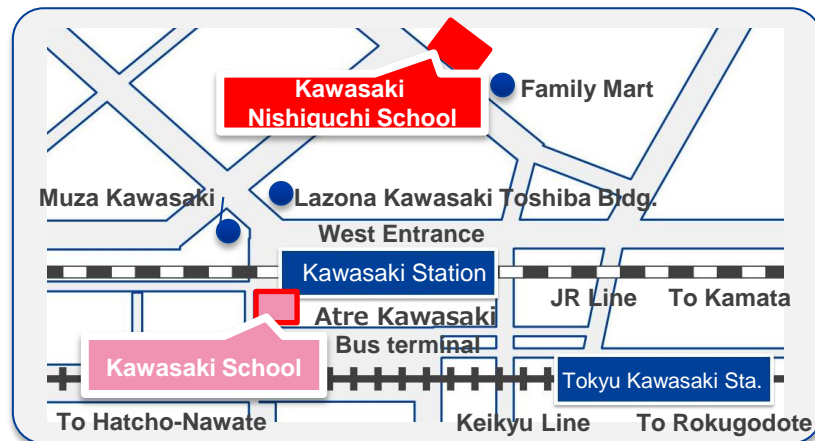
Brand penetration through intensive opening of schools in regions where needs are high

- Expand our share in each region while minimizing the increase in marketing costs

Example Kawasaki Nishiguchi School
(Opened in March 2015)

Background:

- The existing Kawasaki School opened in February 1998 on the east side of Kawasaki Station, and the number of students is expanding



YoY Rate of Growth in Number of Students at End of August 2015

■ Kawasaki School (existing) 10.1%

■ 2 Kawasaki schools – total 29.1%

■ All 223 schools 7.5%

Collaboration with Benesse to Increase Added Value

Conduct trial initiatives that will increase added value and lead to future collaboration

■ Use Group assets effectively

Provided information about our company in direct marketing materials for Shinkenzenmi members currently in 3rd year of junior high and 3rd year of high school

➤ Group-wide support for entrance exam preparation

Began trial collaboration with Berlitz to prepare for entrance exam system reforms in 2020

➤ Summer intensive listening and speaking lessons by Berlitz teachers in individualized instruction schools

受験対策、「このやり方いいのかな?」「ベネスはこれで充分かな?」など気になることがあったら、ベネッセグループの個別指導塾、**個別指導塾**をお役立てください。

個別指導塾とは? 1人ひとりの学力や志望校に合わせて、最適な学習プランを提案し、授業を行います。授業料も、お父さんお母さんの負担を軽減します。

個別指導塾のメリット

- 1人ひとりの学力や志望校に合わせて、最適な学習プランを提案し、授業を行います。
- 授業料も、お父さんお母さんの負担を軽減します。
- 個別指導塾の授業は、先生が1人ひとりの学力や志望校に合わせて、最適な学習プランを提案し、授業を行います。

7月14日~8月31日

1人ひとりの高校受験生活をサポートするベネッセグループの個別指導塾。

このご案内は、ベネッセコーポレーションより送付しています。

ゆうメール

このご案内は、ベネッセコーポレーションより送付しています。

受験対策で気になることがあったら、ぜひ相談しませんか? / お子さまが迷わず受験対策を進められるよう、ベネッセグループの個別指導塾でのご支援をご案内いたします。

ベネッセグループの個別指導塾をご紹介します。

東京個別指導学院 **関西個別指導学院**

個別指導塾をお役立てください。

ご招待券

Berlitz ベネッセグループの個別指導塾と提携する夏の限定企画のご案内

ベルリッツの外国人講師によるリスニングやスピーキング対策に特化した4日間集中レッスン

こんな方におすすめ

- 夏休み期間中に、リスニング対策をしたい方
- スピーキング対策をしたい方
- 夏休み期間中に、英語の勉強をしたい方

申し込み要領

対象学年	小学5年生~高校3年生
レッスン期間	7/17(土)~7/20(火) 全4日間
レッスン時間	12:30~13:10(40分)
会場	東京個別指導学院 吉祥寺校校舎内
費用	無料
申し込み	個別指導塾の先生から申し込みをお願いします。

(Kichijoji Ekimae School, Shinyurigaoka School)

Make more aggressive strategic investments for sustained growth in FY 2/17 and beyond

■ Investment in new openings and refurbishments

- Aggressively open new schools
- Relocation and refurbishment of schools (including expansion of floor space)
- Recruit mid-career employees and hire more teachers as number of schools increases
- Consider expansion of Benesse writing classes

■ Other initiatives

- Accelerate brand awareness through cross-media marketing strategy
- Enhance PR
 - Steady, ongoing efforts by management to communicate in mass media

■ Enhancement of educational capabilities

- Develop teachers' capabilities
 - Implement yearly school plan at all schools
- Enhance academic guidance and entrance exam guidance and start it earlier
- Consider response to 2020 educational reforms

Given our solid performance and stable financial position, we aim to balance shareholder returns and sustained growth.

Shareholder returns

From FY 2/16

Target payout ratio of **50** %
or higher

Investments for growth

We will consider **M&A** to
accelerate business growth

Targets of Dynamic Challenge 2017

	FY 2/15	Dynamic Challenge 2017		
		FY 2/16 forecast	FY 2/17 target	FY 2/18 target
Net sales	¥15.7 billion	¥16.9 bn	¥18.0 bn+	¥19.3 bn+
Operating income	¥1.7 billion	¥2.3 bn	¥2.6 bn+	¥2.9 bn+
Operating income margin	11.0%	13.6%	14.4%+	15.0%+
Payout ratio	40.4%	93.3%	50%+	50%+
Full-year cash dividends per share	8 yen	24 yen 16 yen regular dividend + 8 yen special dividend	—	—
Themes		Sustained growth	Strategic investment	Improvement of operating efficiency

Note: Dividends are set taking into account expected performance trends and investment strategy.

Thank you for your attention today.

Forward-Looking Statements

These materials include forward-looking statements concerning future financial performance, including business strategies and forecasts. Such statements are based on the Company's judgment at the time of publication, and include inherent risks and uncertainties. These strategies and forecasts may be amended due to changes in the external environment or other factors.

IR Inquiries:

Public Relations · IR section Tel: 03-6911-3216
E-mail: ir@tkg-jp.com