

# FY Ended February 2017 (FY 2/17) Presentation

April 5, 2017



Tokyo Individualized Educational Institute, Inc.  
(TSE 1st Section, Securities Code 4745)

Katsuki Saito, President and Representative Director



# Highlights of Results for FY 2/17

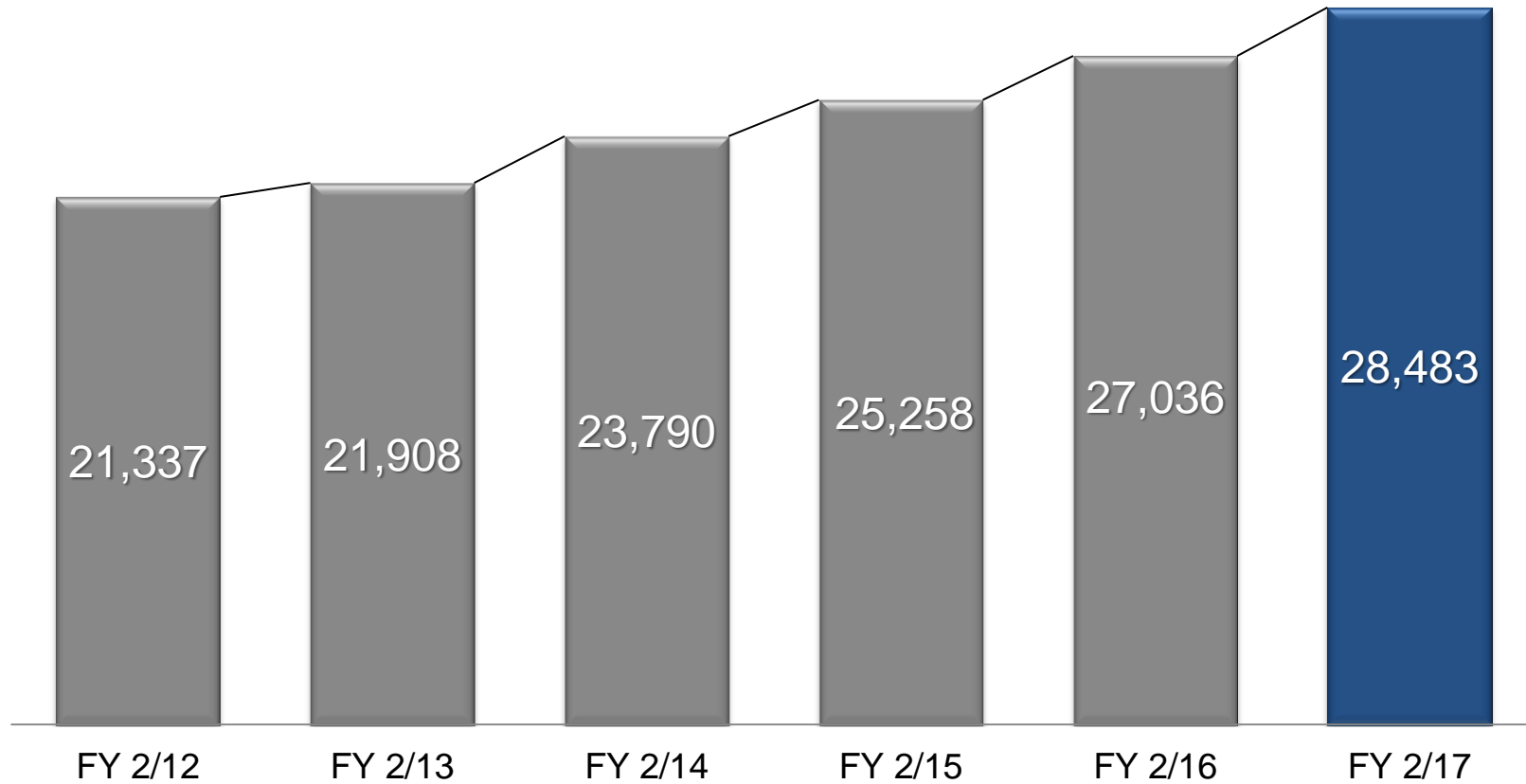
Investment Focused on Accelerating Growth in Number of Students Enrolled

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Shoichi Funato, Director  
Tokyo Individualized Educational Institute, Inc.

# New Record High Number of Students Enrolled

Average Number of Students during the Period from March to February

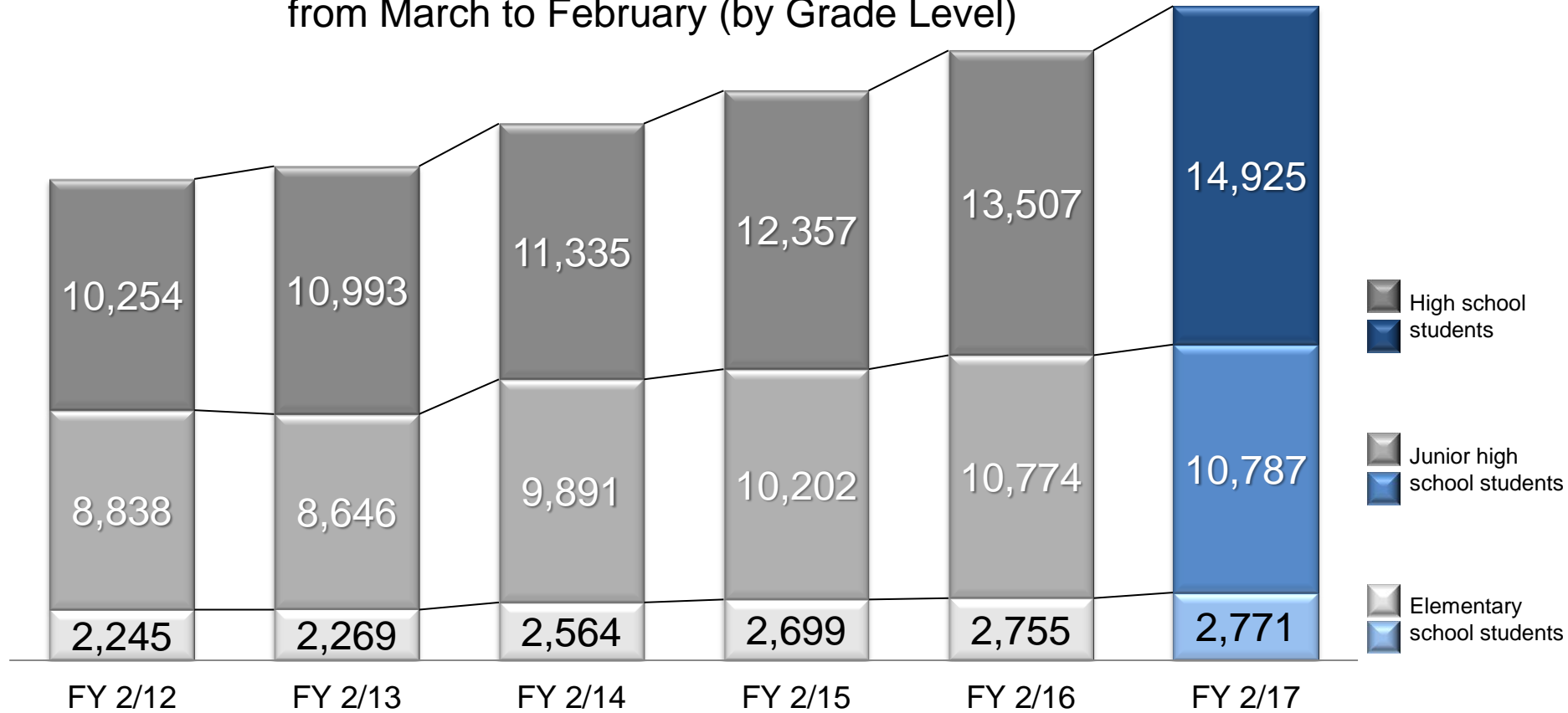


Note: Number of students enrolled in individualized instruction only

(Students)

# Substantial Increase in High School Student Enrollees

Average Number of Students during the Period from March to February (by Grade Level)

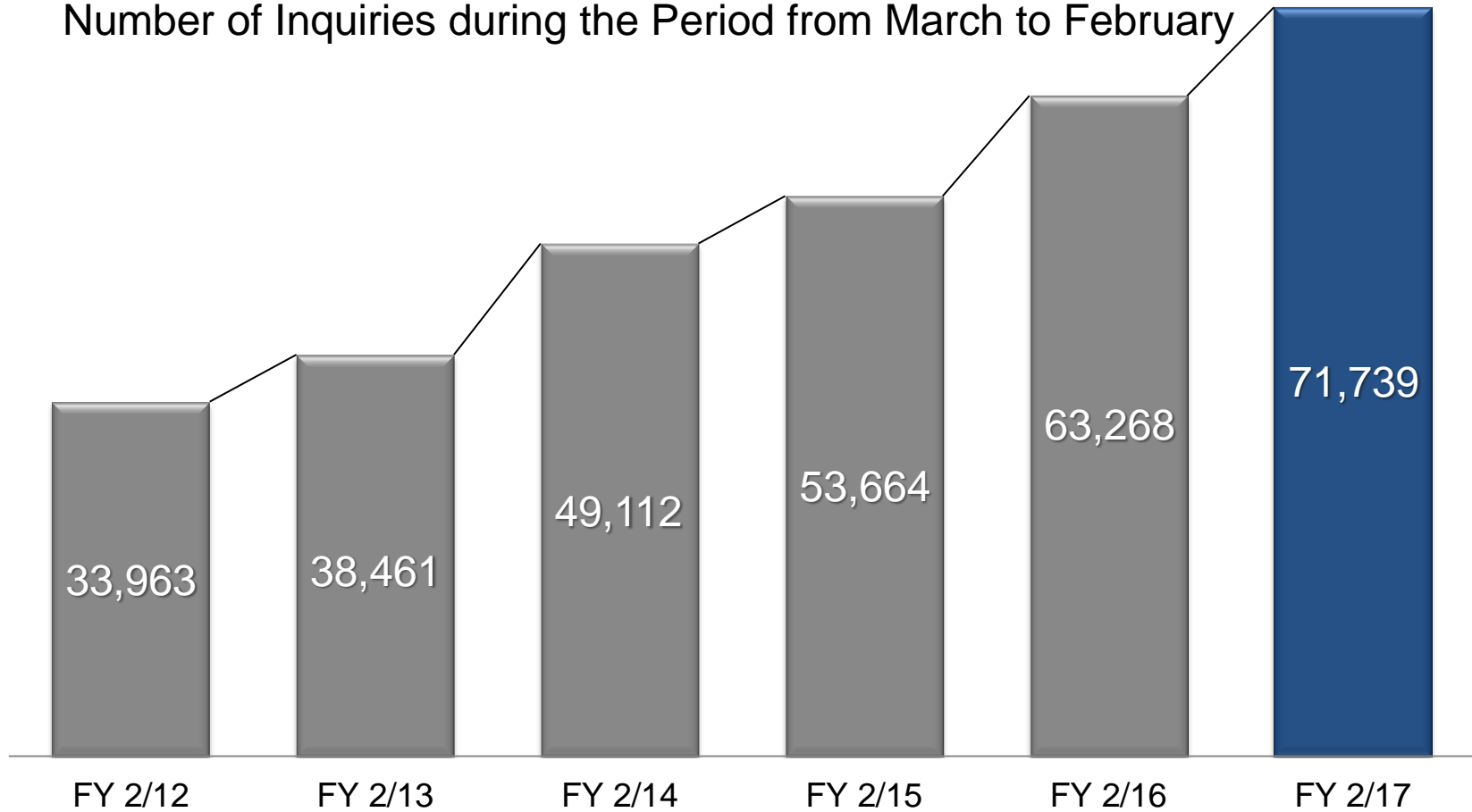


Note: Number of students enrolled in individualized instruction only

(Students)

# New Record High Number of Inquiries

Number of Inquiries during the Period from March to February

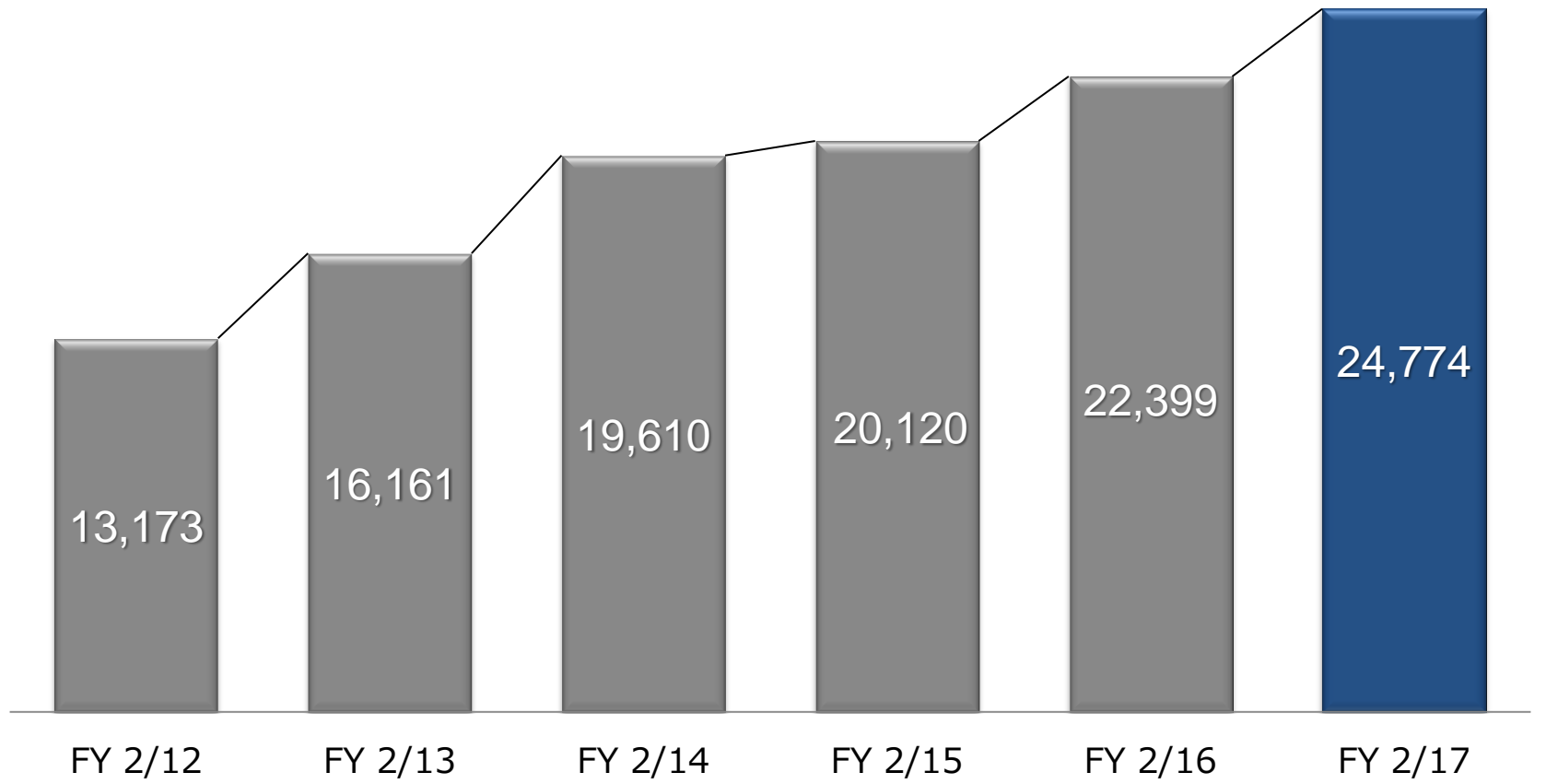


(Inquiries)

Note: Number of inquiries regarding individualized instruction only

# Number of New Students Also Reached a Record High

Cumulative Number of New Students from March to February



Note: Number of new students for individualized instruction only

(Students)

# FY 2/17 Results (vs. Previous Year)

(Millions of yen)

	FY 2/16 Results	FY 2/17 Results	Change	% Change
Net sales	17,094	17,909	+815	+4.8%
Cost of sales	10,364	11,049	+685	+6.6%
Cost of sales ratio	60.6%	61.7%	+1.1 pt.	-
Gross profit	6,730	6,859	+129	+1.9%
Gross profit margin	39.4%	38.3%	-1.1 pt.	-
SG&A expenses	4,512	4,553	+41	+0.9%
SG&A expenses ratio	26.4%	25.4%	-1.0 pt.	-
Operating income	2,217	2,305	+88	+4.0%
Operating income margin	13.0%	12.9%	-0.1 pt.	-
Ordinary income	2,223	2,308	+84	+3.8%
Ordinary income margin	13.0%	12.9%	-0.1 pt.	-
Net income	1,383	1,438	+55	+4.0%
Net income margin	8.1%	8.0%	-0.1 pt.	-

# Overview of FY 2/17 Results (vs. Previous Year)

	Net Sales	Operating Income
vs. Previous Year	<p><b>¥815 million increase</b></p> <ul style="list-style-type: none"><li>➤ Increase in sales from tuition fees due to an increase in the number of students enrolled arising from strong growth in the number of new students throughout the year</li><li>➤ Increase in sales from short courses in spring, summer and winter along with the increase in the number of students enrolled</li><li>➤ Increase in sales from growth in the number of students enrolled in Benesse Science Classes and Writing Classes</li></ul>	<p><b>¥88 million increase</b></p> <ul style="list-style-type: none"><li>➤ Income increased along with the increase in sales, even while making proactive investments focused on accelerating growth in the number of students enrolled, including hiring and training teachers to handle increased enrollment, expanding classroom capacity and conducting employee development for “enhancement of educational capabilities”</li></ul>



# FY 2/17 Results (vs. Plan)

(Millions of yen)

	FY 2/17 Plan	FY 2/17 Results	Difference from Plan	% Difference
Net sales	18,000	17,909	-90	-0.5%
Operating income	2,400	2,305	-94	-3.9%
Operating income margin	13.3%	12.9%	-0.4 pt.	-
Ordinary income	2,403	2,308	-95	-4.0%
Ordinary income margin	13.4%	12.9%	-0.5 pt.	-
Net income	1,533	1,438	-94	-6.2%
Net income margin	8.5%	8.0%	-0.5 pt.	-

Note: Announced October 5, 2016

# Overview of FY 2/17 Results (vs. Plan)

	Net Sales	Operating Income
vs. Plan	<p><b>¥90 million short of plan</b></p> <ul style="list-style-type: none"><li>➤ Although the number of new students grew steadily from December to February, the number of students enrolled weakened in the second half as high school seniors, the largest segment, finished prep school early upon university acceptance</li><li>➤ Weakening in junior high school student enrollment</li><li>➤ Decrease in unit price resulting from the above</li></ul>	<p><b>¥94 million short of plan</b></p> <ul style="list-style-type: none"><li>➤ Main cause was the shortfall in net sales</li><li>➤ Results were affected by factors such as an increase in teacher training expenses in line with operating the annual plan for schools, despite efforts to streamline head office and school costs</li></ul>

## Decisive Promotion of the Growth Strategies of the Medium-Term Management Plan

# Dynamic Challenge 2017

(FY 2/16 to FY 2/18)

Increase Corporate Social Value through Sustained Growth

— Set new record high results in each year —

- Growth Strategy 1 Enhance Educational Capabilities Centered on Teacher Quality
- Growth Strategy 2 Urban Area Dominance Strategy and Service Portfolio Expansion
- Growth Strategy 3 Increase Added Value through Collaboration with Benesse
- Growth Strategy 4 Build a Stronger, More Efficient Operating Foundation

Decisively Promote Growth Strategies in the  
Final Fiscal Year

# Revision of Medium-Term Management Plan Targets (Final Fiscal Year)

Reason for Revision of Medium-Term Management Plan Targets (Final Fiscal Year)

To push ahead with sound growth strategies in line with changes in enrollment composition since the start of Dynamic Challenge 2017 (Announced in April 2015) (Billions of yen)

	FY 2/16 Results	FY 2/17 Results	FY 2/18 Initial Targets		FY 2/18 Forecast	Note: vs. FY 2/15
Net sales	17.09	17.90	19.30	➔	18.80	+19.6%
Operating income	2.21	2.30	2.90		2.56	+48.5%
Operating income margin	13.0%	12.9%	15.0%		13.6%	+2.6 pt.

- **Net sales:** Added factors including withdrawals following university acceptance, in light of the substantial increase in high school seniors in the individualized education division  
Consideration of growth rate of new businesses such as CCDnet
- **Operating income:** Decrease due to decrease in net sales  
More proactive investment in employee growth/classroom capacity (10 new schools), etc.

Achieve new record highs for the sixth consecutive year of increases in sales and income

# FY 2/18 Forecast

(Millions of yen)

	FY 2/17 Results	FY 18/2 Forecast	Increase/ Decrease	% Increase/ Decrease
Net sales	17,909	18,800	+890	+5.0%
Operating income	2,305	2,560	+254	+11.0%
Operating income margin	12.9%	13.6%	+0.7 pt.	-
Ordinary income	2,308	2,561	+253	+11.0%
Ordinary income margin	12.9%	13.6%	+0.7 pt.	-
Net income	1,438	1,690	+251	+17.5%
Net income margin	8.0%	9.0%	+1.0 pt.	-
Earnings per share (Yen)	26.50	31.13	+4.63	-

# High Payout Ratio Again in FY 2/18

	FY 2/14	FY 2/15	FY 2/16	FY 2/17	FY 2/18 Forecast
Full-year dividends	¥6	¥8	¥24	¥26	¥26
Payout ratio	44.1%	40.4%	94.2%	98.1%	83.5%
Interim dividend	¥3	¥4	¥12	¥13	¥13
Year-end dividend	¥3	¥4	¥12	¥13	¥13

Note: Includes ¥8 (full-year) commemorative dividend for 30th anniversary

Note: No revision from forecast announced on April 6, 2016

Note: Forecast announced on April 5, 2017

# Further Improving Corporate Value

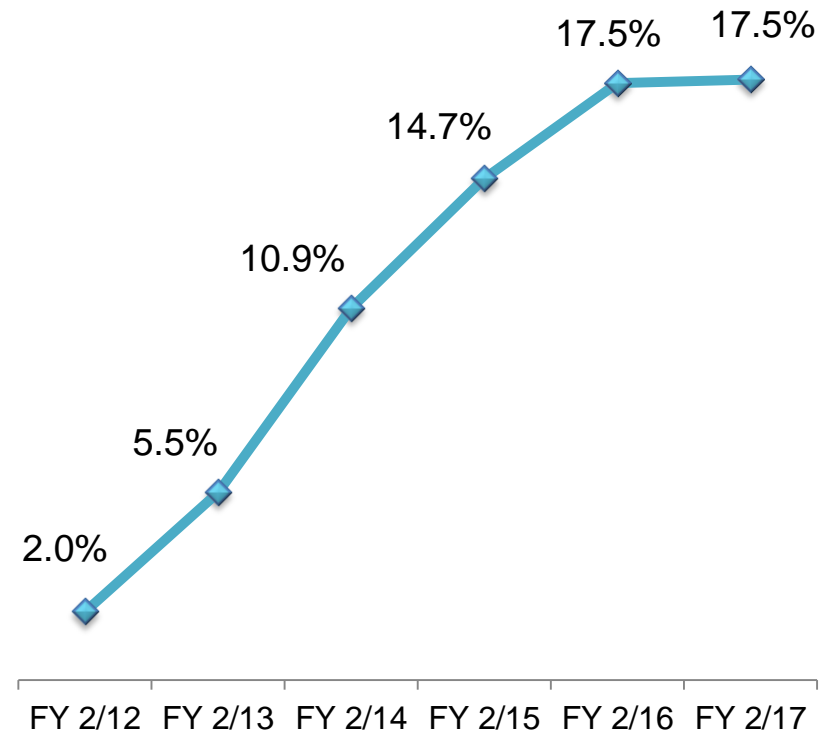
Selected as a Candidate (one of 50 companies) for a Corporate Value Improvement Award

At the Fifth **Corporate Value Improvement Awards** organized by the Tokyo Stock Exchange,

TIEI was one of **50 companies** selected from among all companies listed on the exchange (approx. 3,500) for second-round screening as a “listed company implementing management practices geared toward enhancing corporate value with a strong awareness of the viewpoints of investors.”

(Announced by Tokyo Stock Exchange, Inc, on September 26, 2016)

ROE (Return on Equity)





# Outlook for FY 2/18

## Medium-Term Management Plan Measures for Sustained Growth

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Katsuki Saito, President and Representative Director

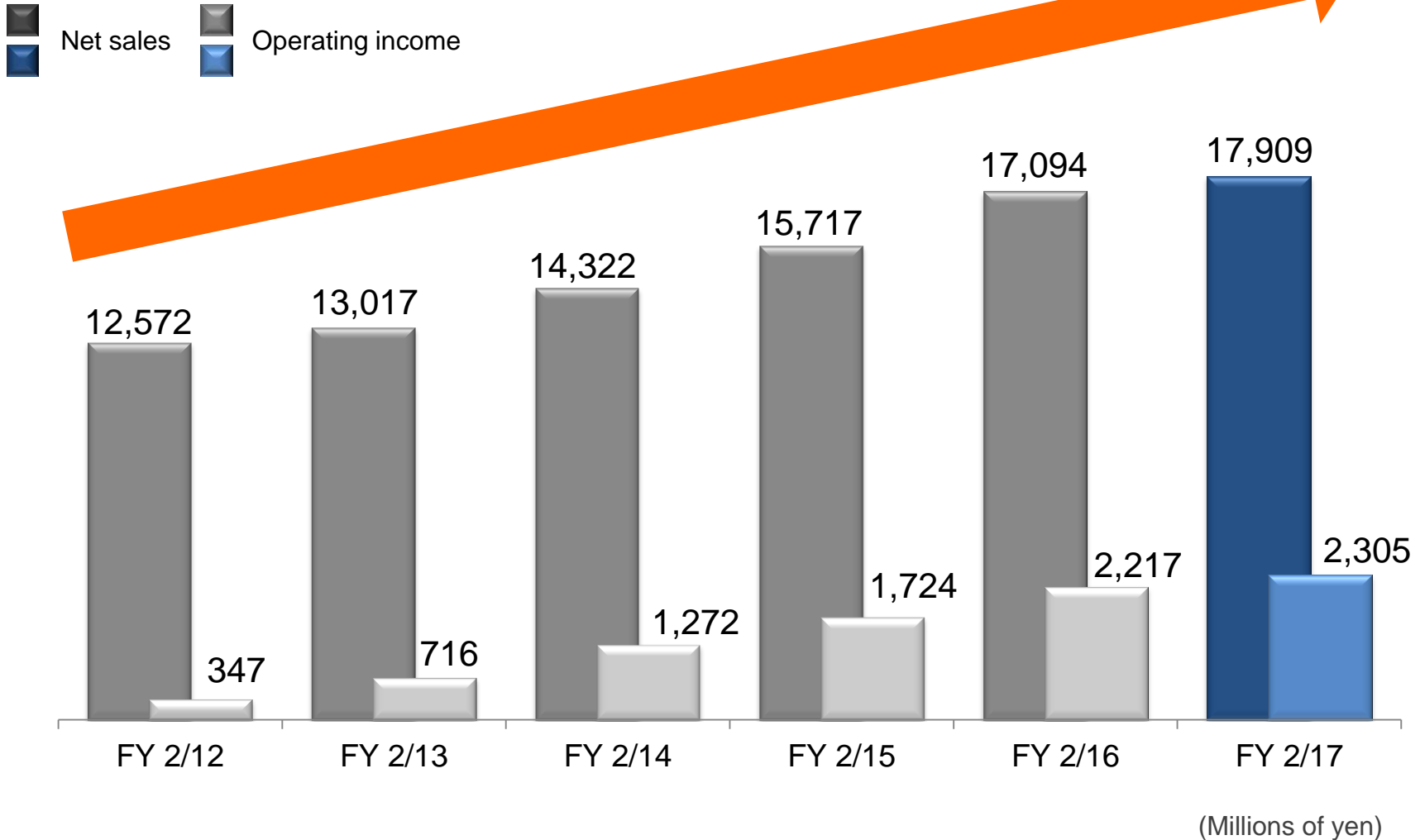
Tokyo Individualized Educational Institute, Inc.



New Record High for Net Sales

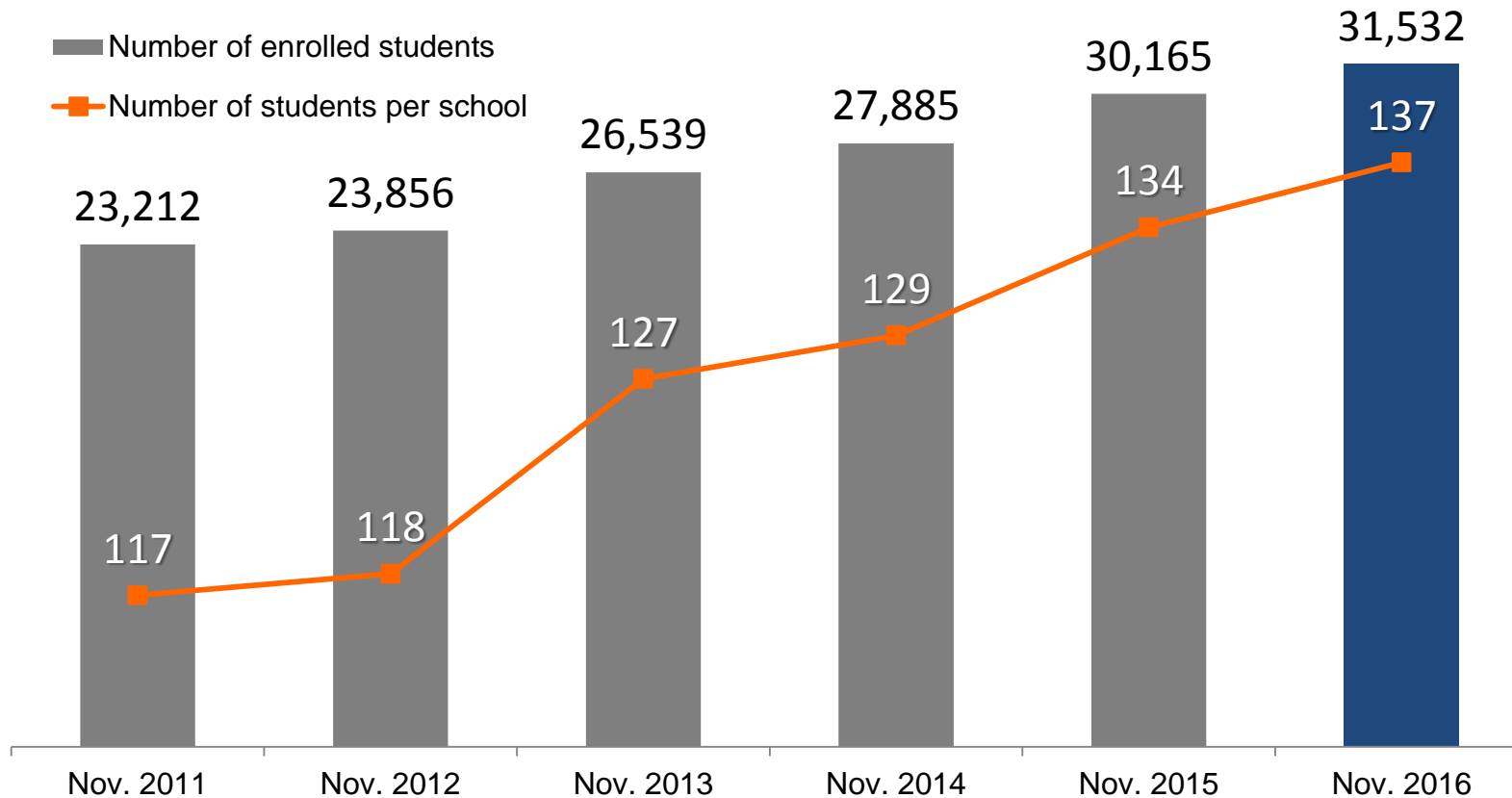
# Achieved Five Consecutive Years of Increases in Sales and Income

Net Sales and Operating Income



# A 20-Person Increase in Students per School over Five Years

Number of Enrolled Students and Number of Students per School



Note: Number of students enrolled in individualized instruction only

(Students)

# Investment Focused on Accelerating Growth in Enrollment

## Teacher Hiring/Training

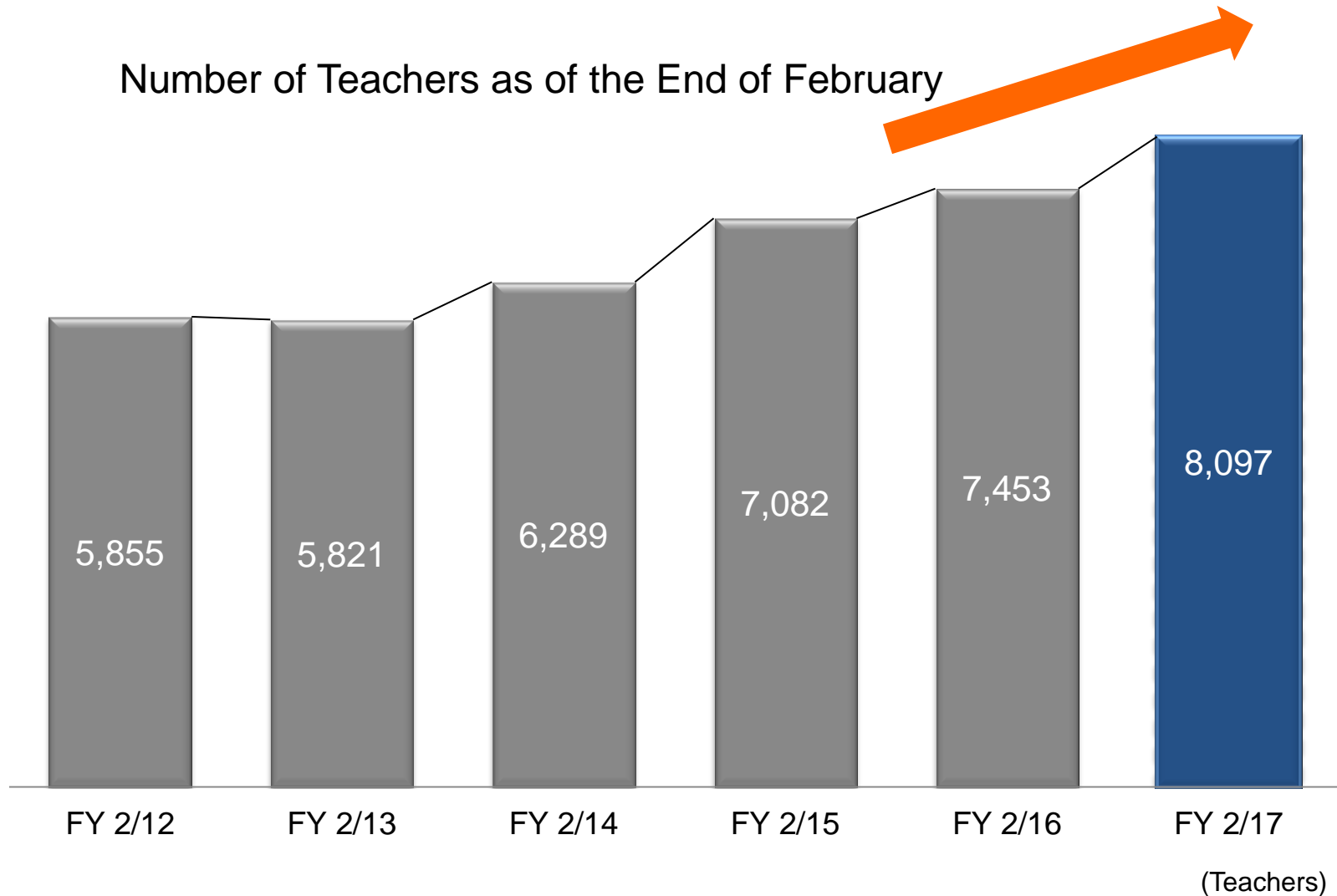


## Matching School Capacity



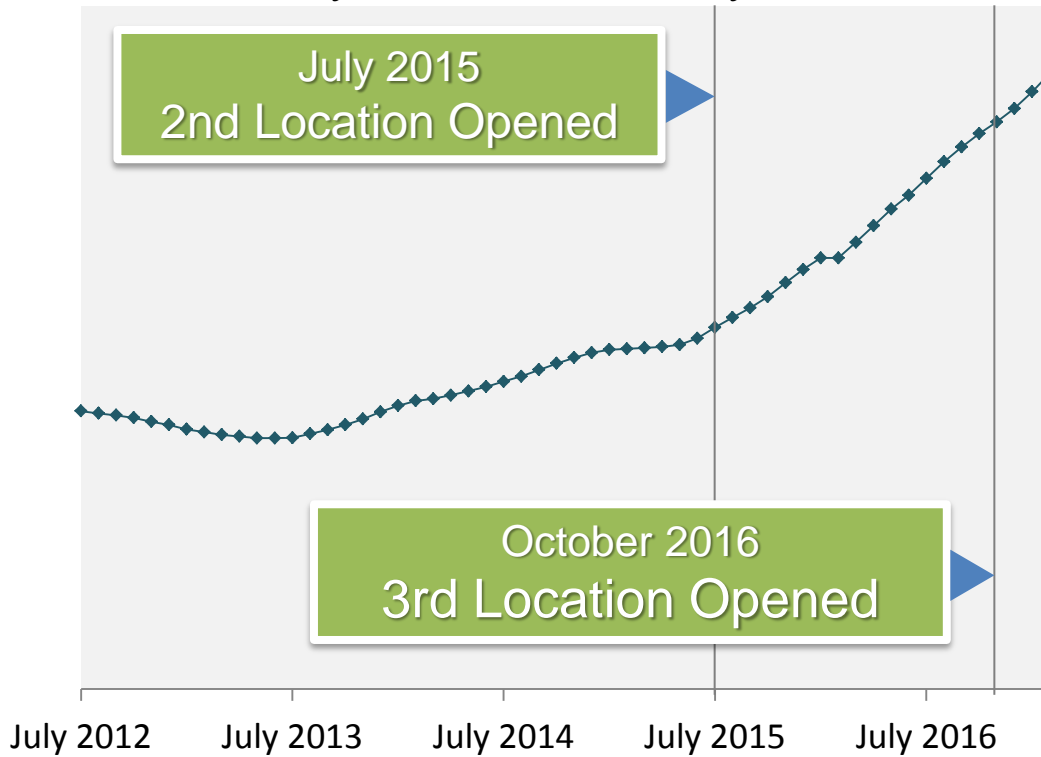
# Hiring and Training Capable Teachers

Number of Teachers as of the End of February



# Expanding School Capacity

Number of Students at Omiya School (Saitama) by Month



FY 2/17  
Schools That Expanded Floor Space or Moved to Larger Locations

- Koenji School (Tokyo)
- Ayase School (Tokyo)
- Urayasu School (Chiba)
- Kawasaki School (Kanagawa)
- Funabashi School (Chiba)
- Nishinomiya Kitaguchi School (Hyogo)
- Omiya School (Saitama)
- Takatsuki School (osaka)
- Ageo School (Saitama)
- Nishieifuku School (Tokyo)
- Nishijin School (Fukuoka)
- Kamiooka School (Kanagawa)
- Yokohama Nishiguchi School (Kanagawa)
- Hachioji School (Tokyo)

# The Primary Factor in Enrollment Growth is “Enhancement of Educational Capabilities”

## Dynamic Challenge 2017

Increase our corporate social value through sustained growth

Growth strategy

Area 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



# Developing Human Resources with Hospitality

## Teacher development through independent classroom management



▲Yearly school plan

## Development of management capabilities of school heads



## Acquisition of “Omotenashi Standard Certification 2017”

In March 2017,

**TIEI acquired “Omotenashi  
Standard Certification 2017”  
★ ★ (Blue) pilot certification**

from the Ministry of Economy, Trade and Industry (METI)



### Overview of Omotenashi Standard Certification 2017

■ A certification system that makes service quality visible:  
Established by METI to “visualize” the service quality of businesses in Japan’s service industry. After being evaluated on a list of 30 measures to improve satisfaction for customers, employees and local communities, companies that meet the standards required for the four types of certification receive a mark and registration or a certificate. “★★” (blue) is currently the highest level.



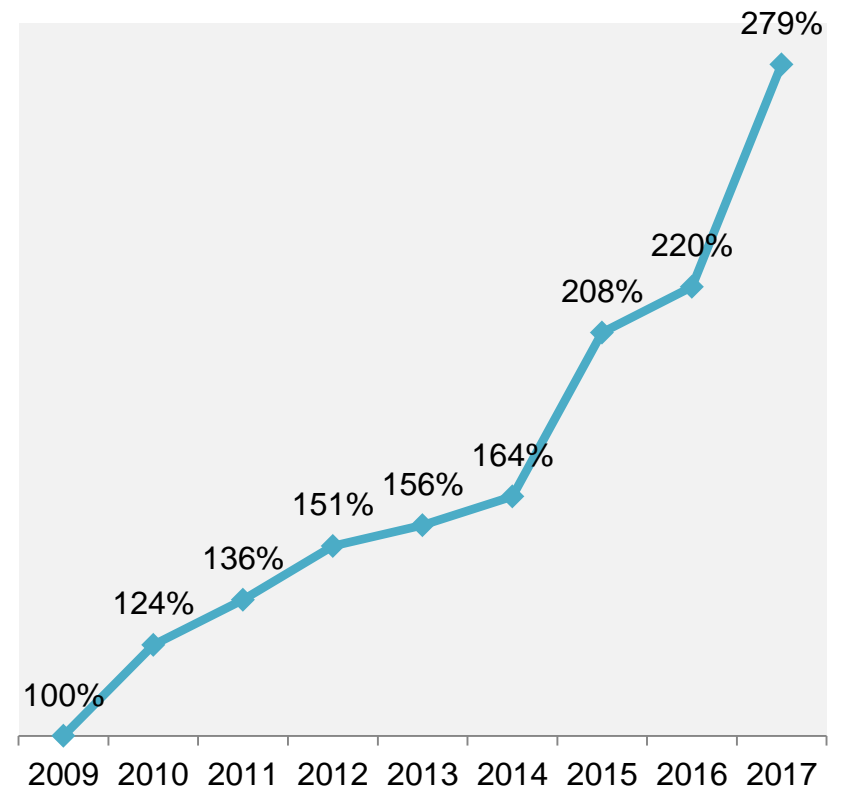
# Dramatic Increase in Acceptance Rate at Elite Universities

Strengthening the Academic Guidance Center and Deepening Cooperation with Schools



▲ Academic guidance session

Acceptance Rate at Elite Universities (vs. 2009)



Total number who passed exams for national, prefectural and other public universities, Waseda, Keio, Sophia, Gakushuin, Meiji, Aoyama Gakuin, Rikkyo, Chuo, Hosei, Kansai, Kansai Gakuin, Doshisha, Ritsumeikan, Seinan Gakuin and Nanzan universities. Includes admissions on recommendation. Total for 2017 as of April 1 (others as of the fiscal year end).

# High Ratings for Customer Satisfaction



2016 Oricon Customer Satisfaction Ranking for “University Entrance Exam Preparation, Individualized Instruction, Current High School Students, Tokyo Area”

## First Place

Categories in which TIEI won first place

“Entrance exam information,” “Teachers,” “Staff,” “Quality of curricula,” “Usability of study rooms,” “Classroom facilities/Atmosphere” and “Accessibility/Safety”



2016 Oricon Customer Satisfaction Ranking for “High School Entrance Exam Preparation, Individualized Instruction, Tokyo Area”

## First Place (First company to win first place for four consecutive years)

Categories in which TIEI won first place

“Improvement in grades/results,” “Reasonable tuition fees,” “Teachers,” “Quality of curricula,” “Usability of study rooms,” “Classroom facilities/atmosphere,” “Accessibility/Safety,” “Staff” and “Entrance exam information” (Total of 9 categories) By prefecture: Tokyo, Kanagawa

# Increasing Points of Contact with Customers

## Dynamic Challenge 2017

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Growth strategy

Enhancement of  
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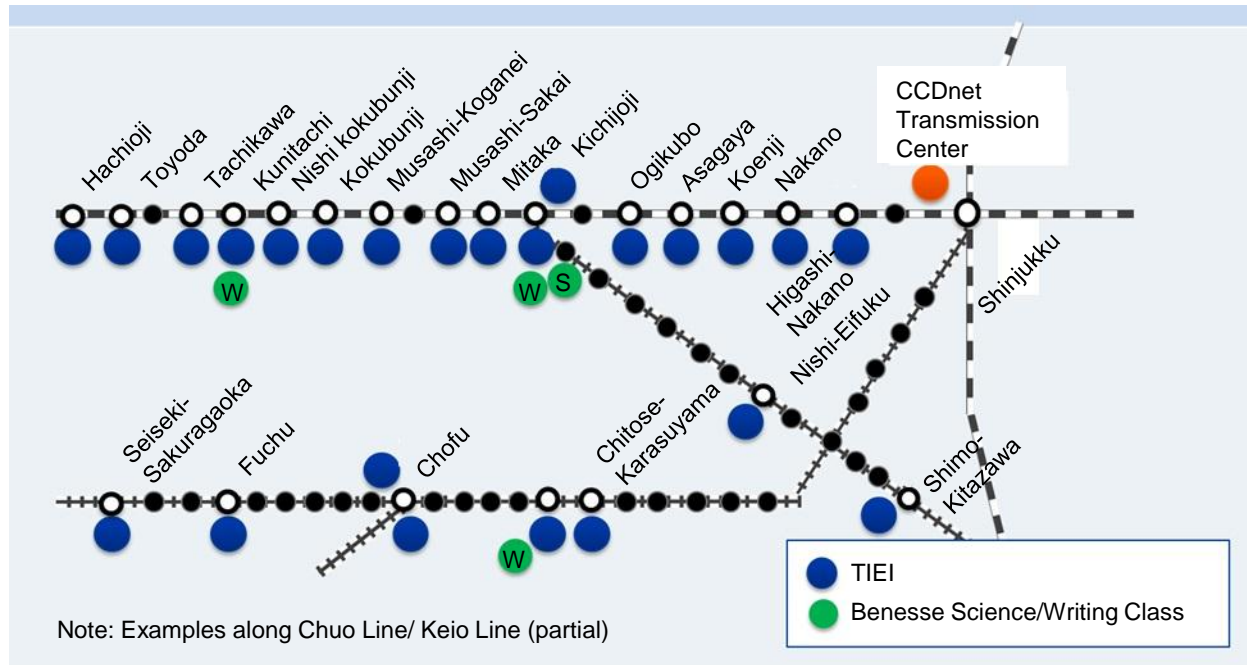
Growth strategy

Collaboration  
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Building a stronger, more efficient operating foundation

# School Openings Concentrated in High-Need Areas

Increase sales efficiency, recruiting efficiency and share in each area



## FY 2/17 New School Openings

Togoshi School (Tokyo)  
(March 2016)

Soshigaya-Okura School  
(Tokyo)  
(March 2016)

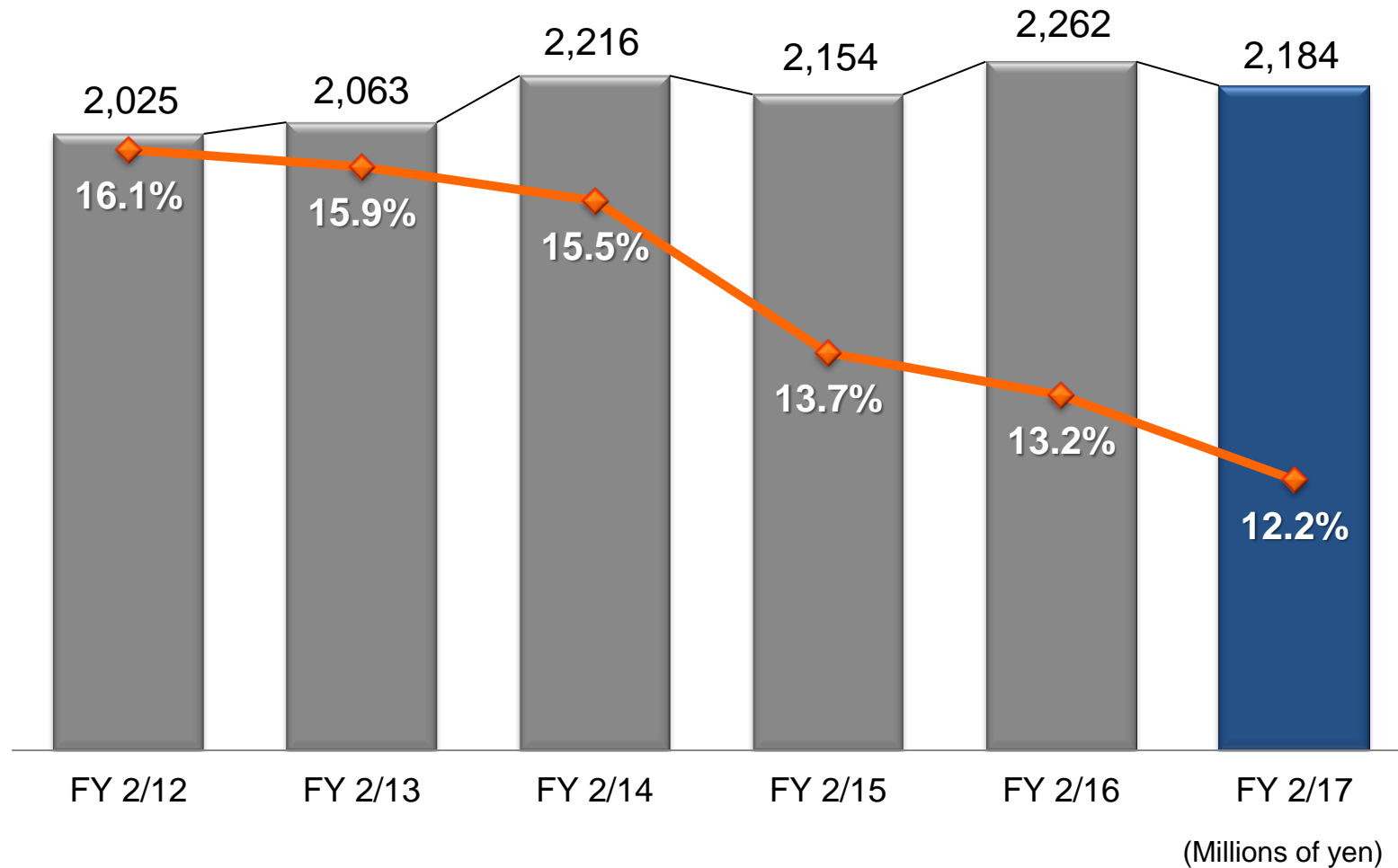
Tenjin School (Fukuoka)  
(March 2016)

Higashi Nakano School (Tokyo)  
(May 2016)

Nishi Kokubunji School  
(Tokyo)  
(June 2016)

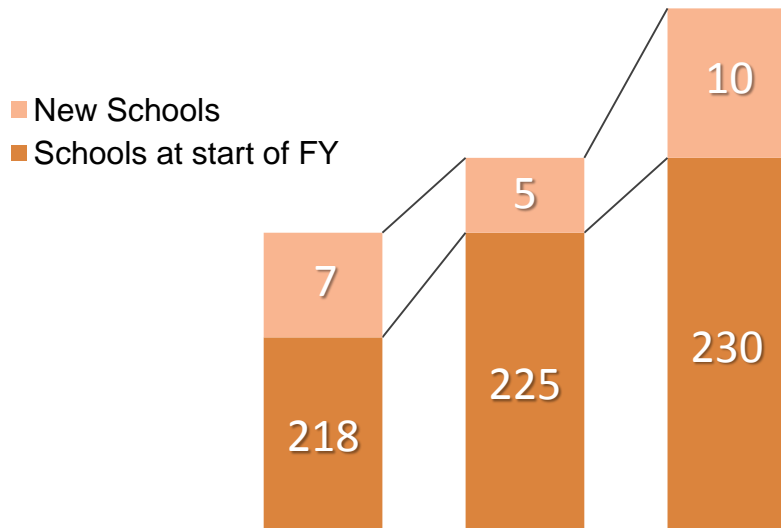
# Efficient Expansion of Points of Customer Contact

Advertising Expenses/Ratio of Advertising Expenses to Net Sales



# Ten New School Openings in FY 2/18

New School Openings



FY 2/18  
**New School Openings**

Ebisu School (Tokyo)  
 March 2017

Gotanda School (Tokyo)  
 March 2017

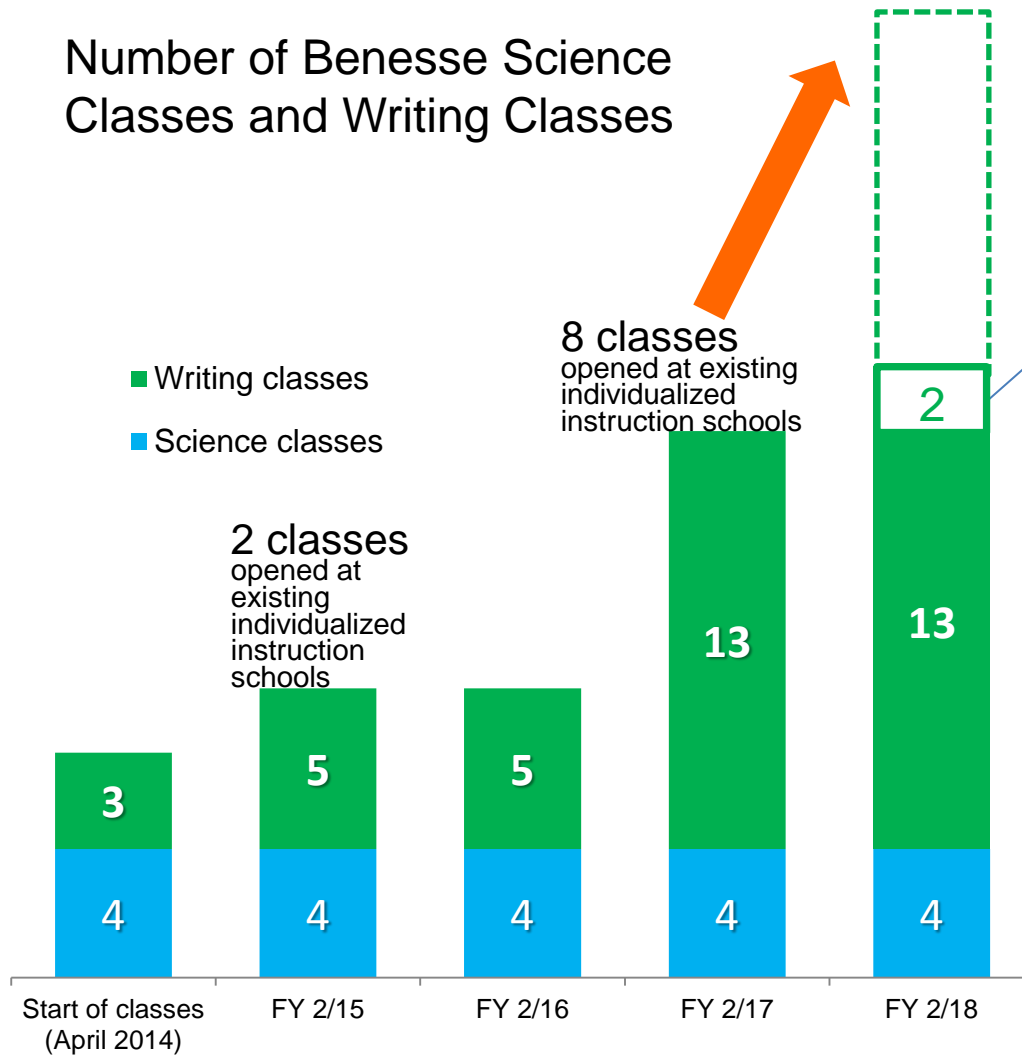
As of April 5, 2017, additional new school openings are planned in Osaka (1), Tokyo (3) and Hyogo (1).

	FY 2/16 (Actual)	FY 2/17 (Actual)	FY 2/18 (Plan)
Schools at start of FY	218	225	230
New schools	7	5	10
Difference from medium-term plan target	+1	-3	+2
Schools at end of FY	225	230	240

Continue proactive increases in floor space/ seating capacity and relocation of existing schools

# Accelerate Establishment of Writing Classes at Individualized Instruction Schools

## Number of Benesse Science Classes and Writing Classes





# Strengthening Collaboration for 2020

## Dynamic Challenge 2017

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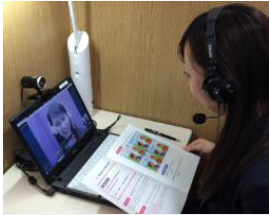
Growth strategy

Collaboration  
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increase  
added value

Building a stronger, more efficient operating foundation



# Collaboration with Benesse to Increase Added Value



## Increase Added Value through Services

### Expand trial introduction of online English conversation service

- Measures for 4 English skills toward the entrance exam system reforms in 2020
- Consider introduction of Benesse Corporation's "Online Speaking Training"\*

\* "Online Speaking Training" is a one-to-one course specially developed by Benesse for junior and senior high school students in an educational setting.



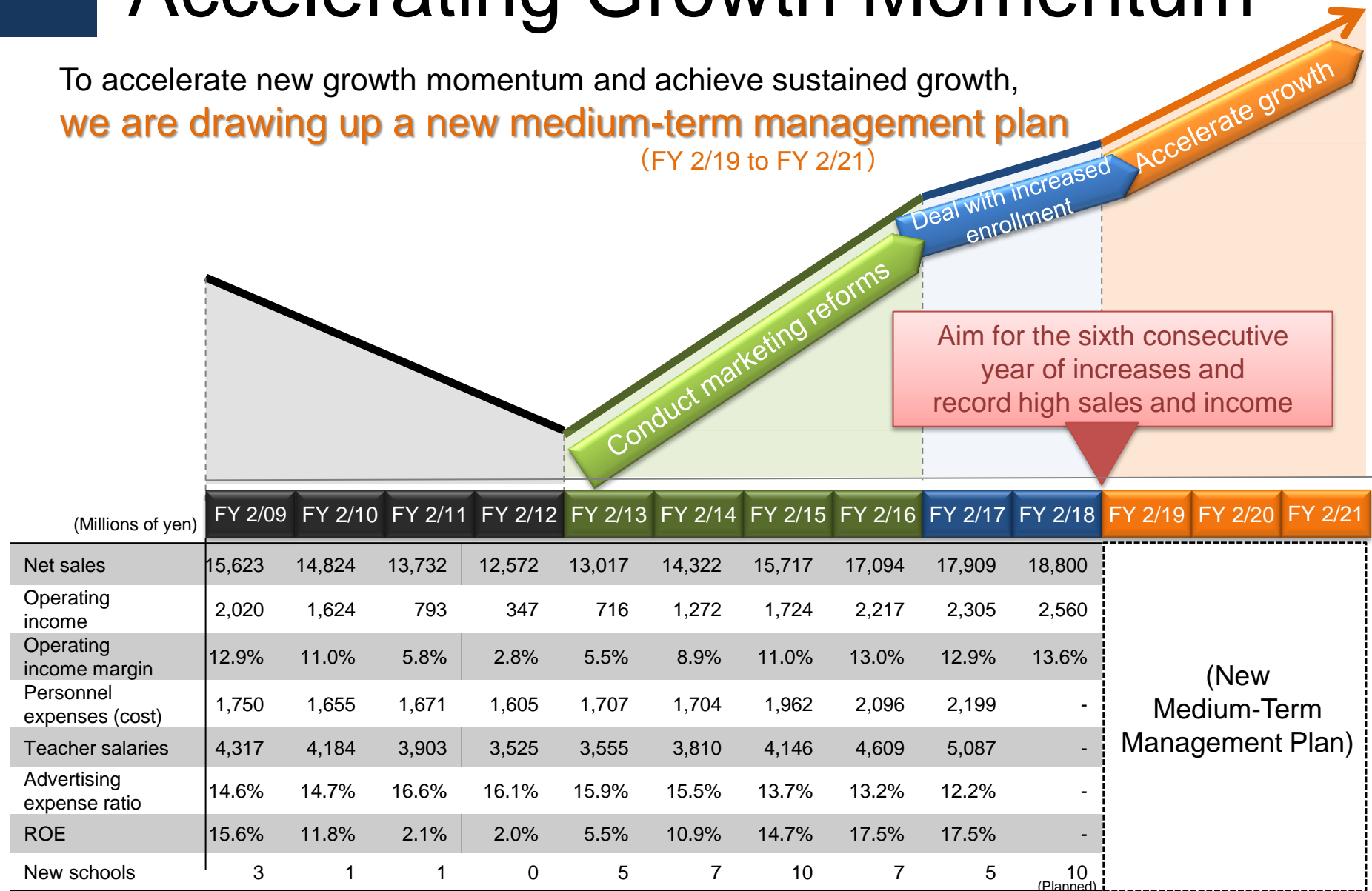
## Expand Communication Channels

### Direct mail information about TIEI for current and former Shinkenzemi members

- Promote Group-wide study support for current and former Shinkenzemi members (Current members in third year of junior or senior high during entrance exam prep only)
- Introduce Shinkenzemi individualized support classes for current Shinkenzemi members

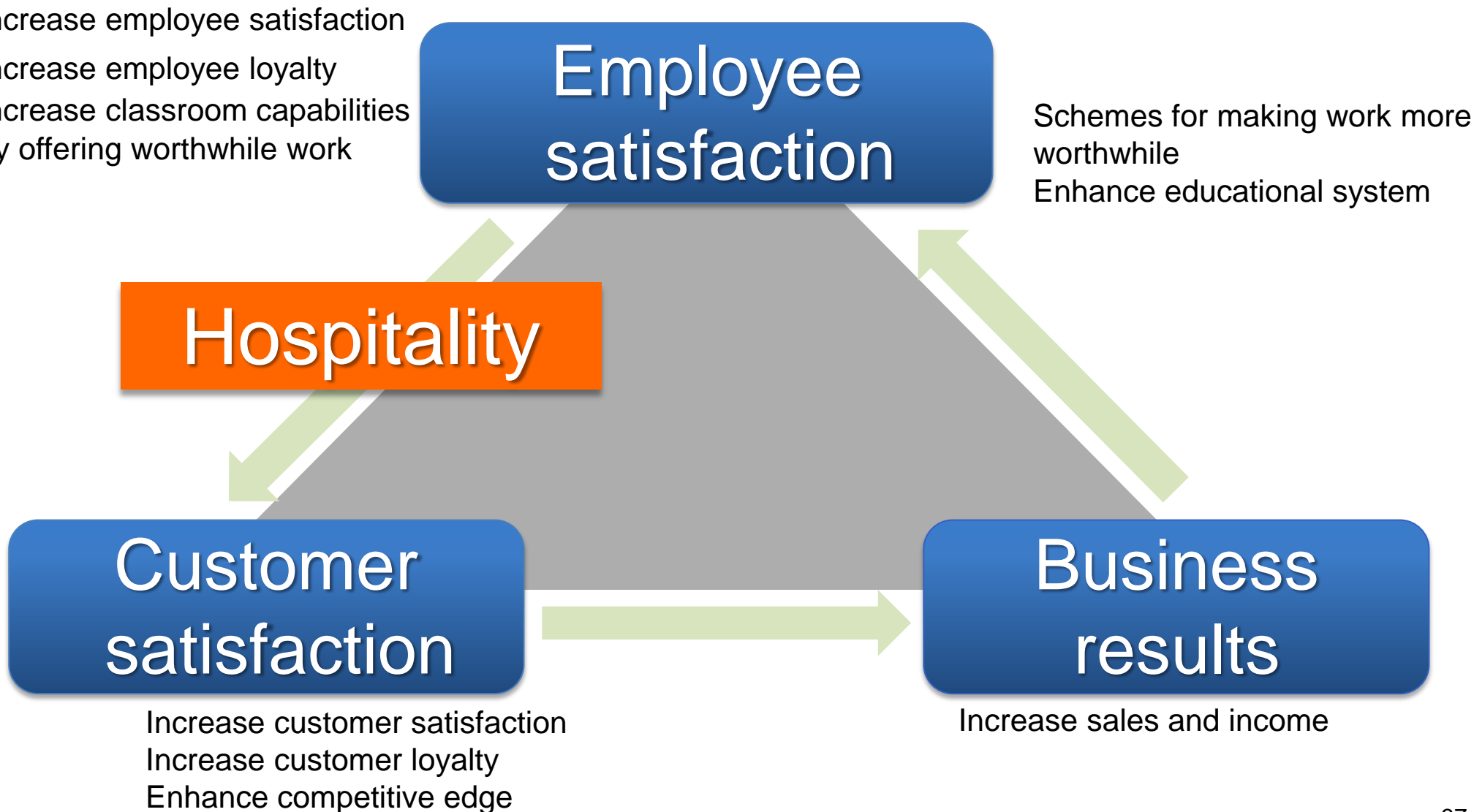
# Accelerating Growth Momentum

To accelerate new growth momentum and achieve sustained growth,  
**we are drawing up a new medium-term management plan**  
 (FY 2/19 to FY 2/21)



(Millions of yen)	FY 2/09	FY 2/10	FY 2/11	FY 2/12	FY 2/13	FY 2/14	FY 2/15	FY 2/16	FY 2/17	FY 2/18	FY 2/19	FY 2/20	FY 2/21
Net sales	15,623	14,824	13,732	12,572	13,017	14,322	15,717	17,094	17,909	18,800	(New Medium-Term Management Plan)		
Operating income	2,020	1,624	793	347	716	1,272	1,724	2,217	2,305	2,560			
Operating income margin	12.9%	11.0%	5.8%	2.8%	5.5%	8.9%	11.0%	13.0%	12.9%	13.6%			
Personnel expenses (cost)	1,750	1,655	1,671	1,605	1,707	1,704	1,962	2,096	2,199	-			
Teacher salaries	4,317	4,184	3,903	3,525	3,555	3,810	4,146	4,609	5,087	-			
Advertising expense ratio	14.6%	14.7%	16.6%	16.1%	15.9%	15.5%	13.7%	13.2%	12.2%	-			
ROE	15.6%	11.8%	2.1%	2.0%	5.5%	10.9%	14.7%	17.5%	17.5%	-			
New schools	3	1	1	0	5	7	10	7	5	10 (Planned)			

# Sustained Growth That Starts with Employee Development



# 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.

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