

April 9, 2014

Preparation of Medium-term Plan Shining☆2015 Rolling Plan

Tokyo Individualized Educational Institute, Inc. ("TIEI") has decided to use a rolling plan for the quantitative targets of the medium-term plan "Shining ☆2015," which ends in February 2016, that was announced on October 9, 2013. This change is the result of thorough studies involving the current operating environment, progress concerning key strategies, performance in the past fiscal year and many other factors. There is no change in the fundamental strategic goals of Shining ☆2015.

[Original quantitative targets (announced October 9, 2013)]

	Shining☆2015			When plan started
	FY2/14 (est.)	FY2/15 (target)	FY2/16 (target)	Increase vs. FY2/12
Sales	¥142 bn	¥15.2 bn	More than ¥16.3 bn	130%
Operating income	¥1.18 bn	¥1.6 bn	More than ¥2.3 bn	676%
Operating margin	8.3%	10.5%	More than 14%	5 times
No. of schools	208 schools	215 schools	*219 schools	*Increase of 22 schools
Students (end of April)	20,663 students	22,800 students	More than 24,500	Increase of 5,300 students
Avg. students per school	114 students	118 students	More than 125	Increase of 15 students

*The number of schools was originally 220 (up 23), but this was reduced by one because two schools were combined.



[Revised quantitative targets]

	Shining☆2015			When plan started
	FY2/14 (est.)	FY2/15 (target)	FY2/16 (target)	Increase vs. FY2/12
Sales	¥14.3 bn	¥15.77 bn	More than ¥16.9 bn	135%
Operating income	¥1.27 bn	¥1.6 bn	More than ¥2.3 bn	676%
Operating margin	8.9%	10.2%	More than ¥13.6%	5 times
*No. of schools	208 schools	215 schools	219 schools	Increase of 22 schools
*Students (end of April)	20,663 students	22,800 students	More than 24,500 students	Increase of 5,300 students
*Avg. students per school	114 students	118 students	More than 125 students	Increase of 15 students

*Number of schools and students and average students per school do not include Benesse Science and Benesse Writing classes.

The sales forecast incorporates the April 2014 price revision and the operations of Benesse Science and Benesse Writing classes. The operating income forecast incorporates investments that are expected to contribute to future growth, such as expenditures to relocate the head office, open new schools, upgrade the quality of instructors and perform research concerning new business activities. As a result, the operating margin forecast has been revised, too.

[Reference] Fundamental Growth Strategy and Key Strategies of the Medium-term Plan “Shining ☆ 2015”

*Excerpts from the October 9, 2013 announcement titled “Notice concerning the New Medium-term Plan “Shining ☆ 2015” and new information

(5) Fundamental growth strategy and key strategies

Benefits produced by Shining *2016 thus far have confirmed that the strategic direction of this plan is on target. As a result, Shining * 2016 will be used as the basis for specific actions to be used concerning the fundamental growth strategy and key strategies of the new medium-term plan Shining * 2015. The objective is to continue to grow every year.

<Fundamental growth strategy> Grow every year by focusing on high quality and high added value

■ Key strategy 1: Clearly define targets and objectives

- Redefine the company’s mission
- Upgrade strategic thinking
- Delegate authority for self-reliant department and school operations
- Strengthen leadership by directors

TIEI will constantly work on raising awareness of its mission in order to create a more powerful “participatory management” structure centered on actions and thinking based on the management statement that was redefined in FY2/13. In addition, strategies for individual departments and areas will be reinforced. Business unit managers will have more authority so that decisions are made faster. Directors will provide stronger leadership for issues affecting the entire company. By taking these actions, TIEI will continue to increase the flexibility and speed needed for growth.

■ Key strategy 2: Strengthen entrance exam and career guidance skills

- Start using “V-style”
- Upgrade quality by collaborating with Benesse
- Change the concept for CONET STYLE
- More training for instructors and other employees

TIEI will upgrade its ability to meet the increasing demand among students to prepare for the entrance exams of prestigious universities. Actions include the “Speedy Study V-style,” a new study method that uses videos to strengthen individualized instruction, and upgrading career guidance by using the know-how of the Benesse assessment business. These measures are aimed particularly at increasing satisfaction among high school students with good grades. For CONET STYLE, which is for public junior high school students, operations will be shifted to emphasize support for independent study. This includes home study, a sector where interest among students is high. This is expected to increase the number of public junior high school students at TIEI. For Shinken-zemi members, TIEI has been conducting support plan tests for an extra fee at its schools. A study will be performed to determine if this plan can become a new service.

These new teaching materials and services will be used to increase the effectiveness and value of study at TIEI by offering classes led by instructors with a spirit of hospitality, which is core element of TIEI’s operations. These actions are aimed at improving customer satisfaction and raising the student retention rate. To accomplish this, more actions will be taken to strengthen training programs for instructors and other employees.

■Key strategy 3: Open and remodel schools faster

- Open about 20 schools between 2012 and 2015
- Remodel key schools, such as by adding self-study seats
- Relocate and remodel schools near major railway stations to reinvigorate these schools

Initial performance at all five schools opened in the FY2/13 (Toyoda, Shimoigusa, Center Kita, Sugamo, Oimachi) and five schools opened in FY2/14 (Wako, Mejiro, Musashiseki, Monzennakacho, Hoshigaoka) has been better than at new schools in prior years. New schools from now on will be located mainly in areas near existing schools, which will eliminate the need for additional advertising expenditures. Furthermore, TIEI will select sites only in areas with the potential to attract many students and recruit high-quality instructors. The plan is to open seven schools in FY2/14, seven in FY2/15 and four in FY2/16. The goal is to have 219 schools by the end of FY2/16.

In addition, there will be more measures to improve the learning environment at schools. Examples include increasing the number of self-study seats, which are very popular, and remodeling schools near major railway stations, which are locations with excellent potential for attracting more students.

■Key strategy 4: Upgrade added value to increase LTV

- Improve students' performance by increasing the number of classes
- Create new products and services
- Fewer administrative employees ⇒ Increased focus on schools to deliver more value

For each class, which is the basis for earnings customers' trust, TIEI will constantly seek new instruction methods that can give students a strong sense of progress and enable them to advance toward their targets step by step. This will permit building deeper, long-term relationships with each student. TIEI will continue to offer the "Last Spurt Study," which offers additional lessons at a reasonable cost for exam preparation students immediately before an entrance exam. This will include the revised CONET STYLE, upgraded V-style and other measures. Delivering concrete benefits from study at TIEI will contribute to increasing the student retention rate and revenue per student.

Another goal is increasing the efficiency of head office administrative departments. This will allow assigning more people to schools and creating the best possible environment for enabling school managers to focus on creating value. The ultimate objective is to raise customer satisfaction and increase the number of classes. In addition, TIEI will work on building a lean operating structure to preserve the balance of personnel and other fixed expenses as the company grows.

■Key strategy 5: Marketing reforms

- Suitable use of media and cost structural reforms
- Collaboration with Benesse
- Partially review the pricing policy
- Focus on student retention

TIEI will work even harder on the marketing reform activities that began in the previous year. There will be fewer newspaper inserts, which are inefficient at generating sales, and more marketing using the Internet, TV and other channels. The goal is to use selling expenses more efficiently. Furthermore, TIEI will start new marketing activities, like advertisements in trains and buses, and increase contact with Benesse Shinkenzeni members. Increasing points of contact with potential customers is expected to raise the number of inquiries.

In addition, TIEI will constantly reexamine its prices. The goals are to increase the number of new students and increase satisfaction with TIEI classes by creating an environment that is highly acceptable from the perspective of customers. Above all, the objective is to increase the retention rate and increase the number of students who start using TIEI at lower school grades. Accomplishing this will require increasing communication with students in school years with no entrance exams and their parents as well as improving the ability to offer proposals. At the same time, priority will be placed on enabling exam preparation students to achieve their goals.

(6) Research and development policy

- Create structure for TIEI know-how; perform research for horizontal utilization of this know-how
- R&D for education models other than the current business model

TIEI will perform R&D activities for the purposes of achieving constant progress and growth. One theme is building a structure for know-how in order to create a framework that will allow the even greater horizontal utilization of this know-how. Using TIEI's skill in individualized instruction methods to start operations outside Japan is one option. Another theme is research involving education models other than the current business model that will focus on the value of each instructor. TIEI also plans to start operating in regions of Japan where there are currently no schools, such as by using IT. One more research theme is creating ways to better meet new needs of students, such as for self-study and study at schools. How will Japanese society change over the next 10 or 20 years? What skills will students need to acquire in order to succeed in that society? TIEI believes that its obligation at the least is to answer these questions and use these answers to think about current operations. TIEI will continue to operate its schools while constantly looking into the future.

(7) Capital policy

- Maintain the soundness and consistency of operations
- Aim for long-term growth by using financial soundness that no other competitor can match

Since FY2/13, TIEI has been generating sufficient cash flows for the current dividend. The goal now is to increase the dividend payout ratio to at least 35% and pay a dividend continuously while retaining earnings for financial soundness to be prepared for natural disasters, an economic crisis and other events.