

TSE1 4745 Tokyo Individualized Educational Institute INC. Sector: Services 2-Feb-09

Top runner of individual tutoring private school capable of responding to educational environmental change

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report@ftg.jp**Company profile****Representative** Shinji BabaURL: <http://www.kobetsu.co.jp/>**Established**

May 1994

Head Office Pier West Square 2 nd Floor, Tsukuda 1-11-8, Chuo-ku, Tokyo, Japan**Listed**

March 2000

Business line Education business focused on education through individual tuition**Shares issued** 65,269,500 shares (2/29/2008)

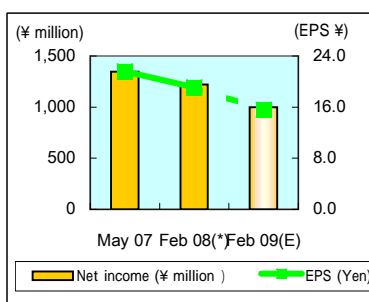
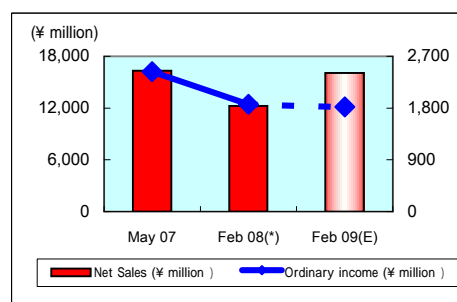
Special owners 60.1%, Foreign owners 11.7%, Japanese Funds 2.2%

Major Holders Benesse Corporation 51.5%, Shinji Baba 10.8%, Credit Suisse

(HongKong) Limited 8.1%, S.B. Asset Management 5.0%

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
May 07	16,318	2,435	1,348	6	21.6	23.4
Feb 08(*)	12,259	1,864	1,220	5	19.1	23.5
Feb 09(E)	16,055	1,818	1,000	6	15.6	15.3
Aug 08(Interim)	8,199	981	539	3	8.4	

Feb 08(*) : FY February 2008 is an irregular 9-month accounting period due to fiscal year change.



12-May-08	
Stock price (¥)	221
PER(E)	13.1
ROE(E)	15.3%
Market cap (¥ million)	14,425
Volume	26,100
Trade Unit	100

**Industry trend**

Private school market of 2006 was ¥955 billion, 0.5% decrease YoY. The overall market continued to shrink due to decrease of the number of students. However, the shrinkage was minimal due to favorable market of junior high school entrance course and individual tutoring course. The industrial reorganization accelerated. Specifically, large-scale M&A (Benesse corporation, Gakken etc.) was executed one after another mainly by private school and course materials dealer. While traditional private school, correspondence course and course materials business seem to enter into stagnation period, peripheral business such as learning game software and e-learning started to grow. The market for elementary school students expanded owing to diversified services provided by major private schools to increase junior student customers. On the other hand, the market for junior high and high school students stagnated mainly due to the following reasons. Sharp decrease of high school graduate who failed in and prepare for the university entrance exam. Drop of tuition fee due to excessive new opening by major schools. Accelerated population decrease of junior high and high school students in the regional cities. (Population of junior high and high school students in metropolitan areas (Tokyo, Kanagawa, Saitama, Chiba) almost remained unchanged) Although individual tutoring grows, the shrinkage of overall market remains unchanged.

(Source : Yano Research Institute Research express Survey of educational industry market 2007)

Business strategy

Tokyo Individualized Educational Institute INC. is a private school for after-school tutoring, founded by CEO Shinji Baba in 1985. Main customers are junior high and high school students. Schools are mainly located in metropolitan areas (Tokyo, Kanagawa, Saitama, Chiba). The lecture-style private school was main in the past. Recently, needs for individual tutoring and e-learning via internet are growing due to the change of students' characteristics. The private schools are required to provide various services (e-learning etc.) to various customers (from elementary school to high school students) in many ways (lecture, individual tutoring and correspondence course etc.). To meet these requirements, M&A and business alliances are increasing among the education industry. Because the number of customer students ceases to fall, the company is going to promote renewal and new opening of classroom. Moreover, the company became a consolidated subsidiary of Benesse corporation (9783) in June 2007. The aim of the consolidation are as follows. ① Enrichment of services such as materials ② Increase of customer base by alliance with Benesse whose main business is correspondence course ③ Reinforcement of brand by integration with [Benesse] brand. The business results forecast for FY Feb. 2009 is as follows. Sales ¥16 billion. Ordinary income ¥1.8 billion. Net income ¥1.0 billion. (YoY change is unavailable due to the fiscal year end change from May to February)

Corporate analysis by IR STREET

Strength	Opportunity
1. Sufficient accomplishments of individual tutoring	1. Market expansion of individual tutoring private school
2. Business development in metropolitan areas (Tokyo, Kanagawa, Saitama, Chiba)	2. Business development in metropolitan areas (Tokyo, Kanagawa, Saitama, Chiba)
3. Capital and business alliance with Benesse corporation	3. Various needs for services provided by private school
Weakness	Risk
1. Provision of services other than individual tutoring	1. Development of low birthrate more than estimation
2. Business development in areas other than metropolitan areas (Tokyo, Kanagawa, Saitama, Chiba)	2. Decrease of household expenditures for education
3. Increase of staff and advertising costs more than plan due to business growth	3. Unattainment of staff hiring and fostering plan

Peer comparison

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
TIEI(4745)	Feb 09(E)(*)	16,055	-	1,818	-	11.3%	15.6
Eikoh Inc.(9789)	Mar 08(E)	40,984	0.5%	2,471	66.1%	6.0%	50.3
Nagase Brothers Inc.(9733)	Mar 08(E)	31,179	51.4%	4,494	29.2%	14.4%	201.1
ICHISIN CO., LTD.(4645)	Feb 09(E)	20,830	3.5%	1,130	23.5%	5.4%	58.6

TIEI > Feb 09(*) : Year-on-year comparisons are not presented since FY February 2008 is an irregular 9-month

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