

FY Ended February 2016 (FY 2/16) Presentation

April 6, 2016



Tokyo Individualized Educational Institute
(TSE 1st Section 4745)

President's Message ①

Dynamic Challenge 2017

FY 2/16 Results (Actual)

Set a new record high for sales

**Sales
growth**

8.8%

**Profit
growth**

28.6%

(Operating income)

- 4th consecutive year of growth in sales and profit

FY 2/17 Results (Forecast)

Aim for new record highs

**Sales
growth**

5.3%

**Profit
growth**

17.2%

(Operating income)

- Toward a sustainable growth cycle

President's Message ②

Dynamic Challenge 2017

FY 2/16 Dividend (Planned)

Increase in regular
dividend

Commemorative dividend

¥24 (Annual)

**Payout
ratio**

94.2%

➤ Commemorative dividend for 30th anniversary
(¥8 increase in regular dividend
plus ¥8 commemorative dividend)

FY 2/17 Dividend (Forecast)

Increase in regular
dividend

Exceeding previous year's
commemorative dividend

¥26 (Annual)

**Payout
ratio**

84.7%

➤ Dividend increase exceeding previous year's
commemorative dividend
(¥10 increase in regular dividend from ¥16 to ¥26)

President's Message ③

Dynamic Challenge 2017

Increase in Number of Students Enrolled Will Lead to Growth in the Coming Year

- Number of inquiries and new students both reached record highs
Number of New Students for the Year:
+11.3% from previous year
- Number of students enrolled exceeded 30,000 at end of October and reached record high of 30,493 as of December 31
- Average number of students for the year: 27,036
Record high; +7.0% from previous year
- Increased from previous year in all segments (elementary, junior high and senior high)

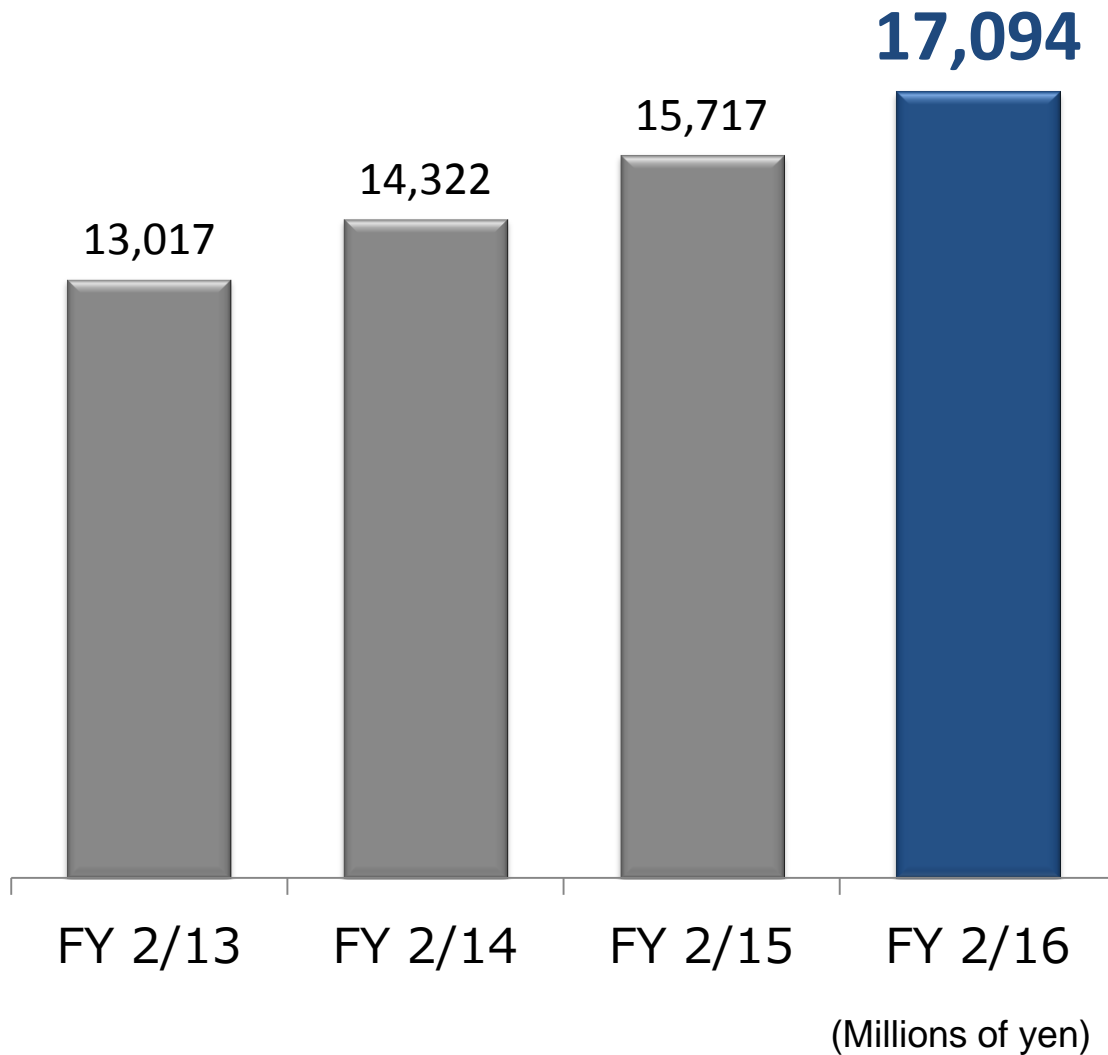
Execution of Growth Strategies for Sustainable Growth

- Expanded customer contacts in high-need areas by proactively opening schools with area dominance
- Conducted school refurbishment in tandem with growth in number of students
- Increased writing classes at existing individualized instruction schools (service portfolio expansion)
- Further strengthened measures for enhancing educational capabilities and collaborating with the Benesse Group to increase added value

- 1. FY 2/16 Results and FY 2/17 Forecast**
- 2. FY 2/16 Highlights**
- 3. Progress and Future Development of
“Dynamic Challenge 2017”**

1. FY 2/16 Results and FY 2/17 Forecast

FY 2/16 Net Sales

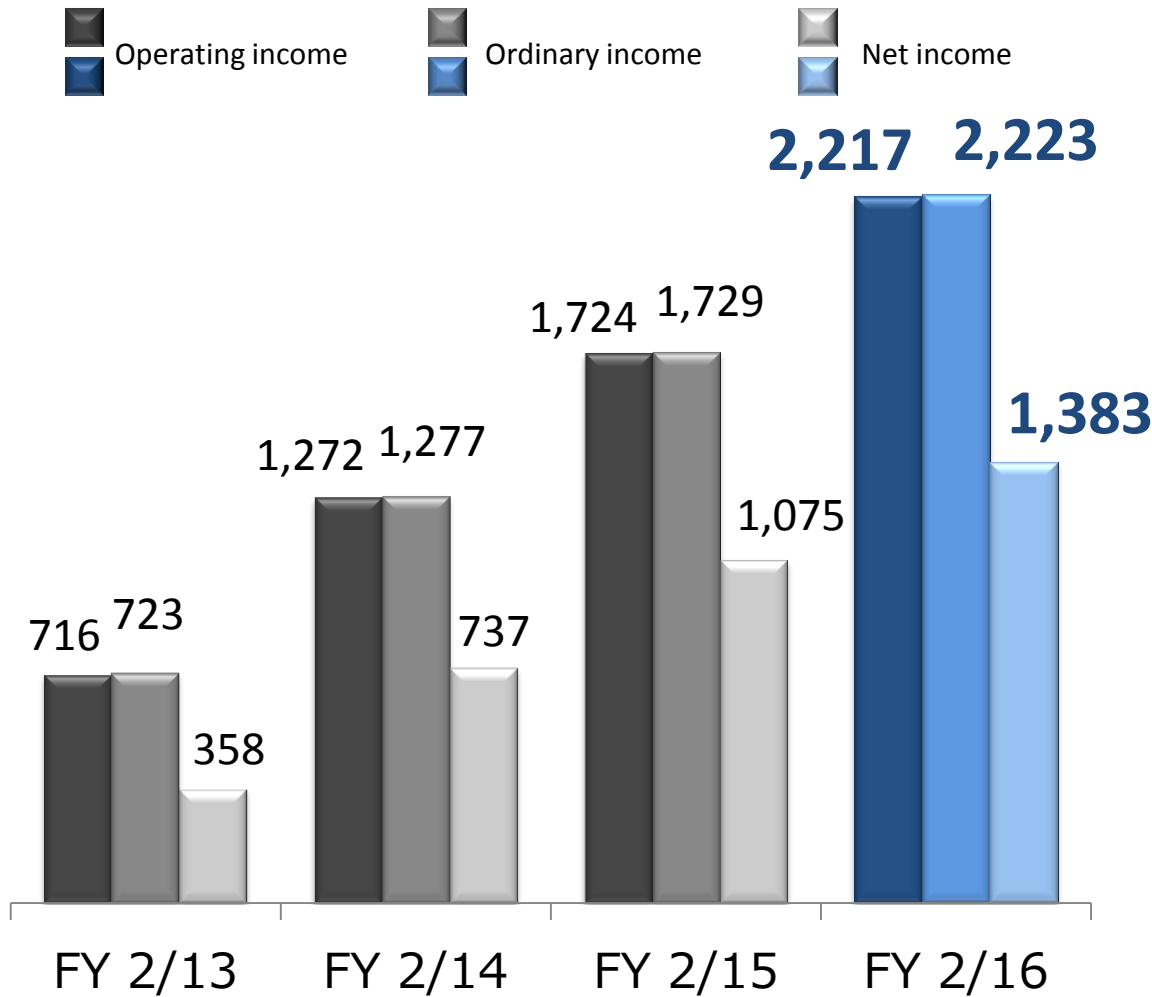


8.8% increase over
previous year

4th consecutive year
of sales growth

Achieved a
record high

FY 2/16 Profit



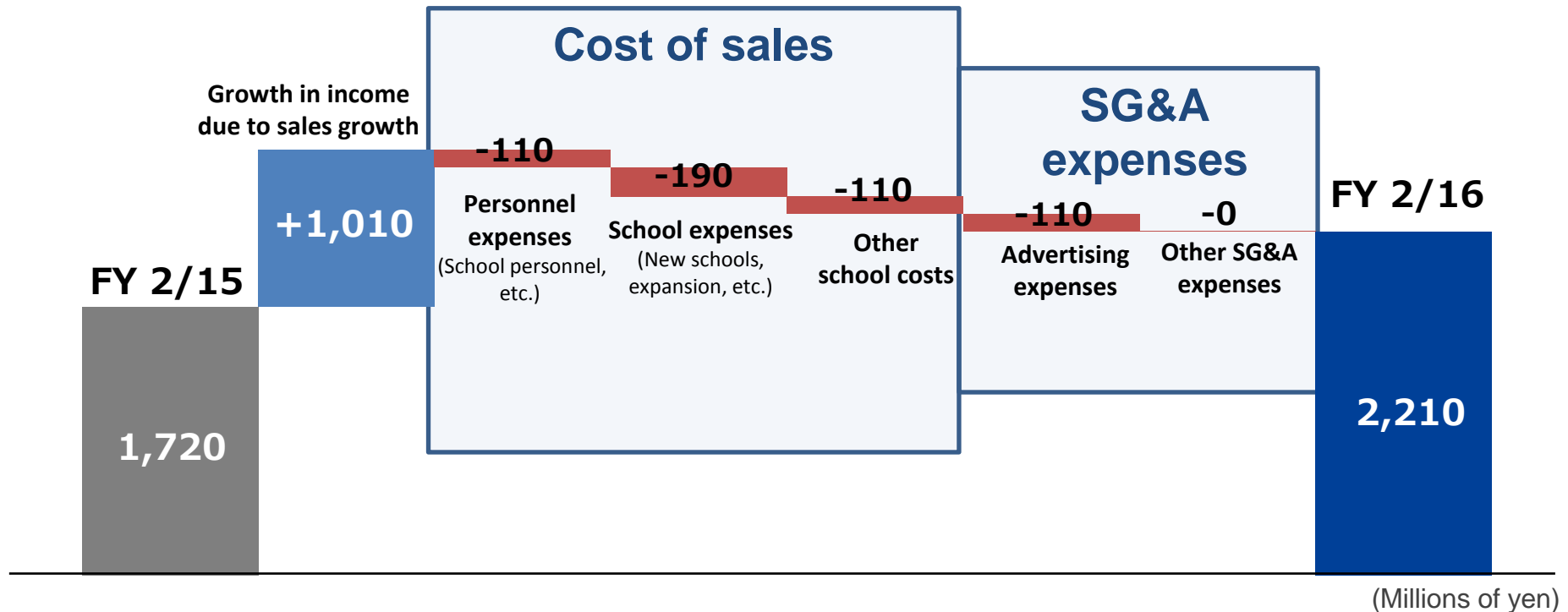
28.6% increase
in operating income
from previous year

4th consecutive year
of profit growth

Operating Income: Analysis of Changes

Operating income margin increased to 13.0% from 11.0% in previous year

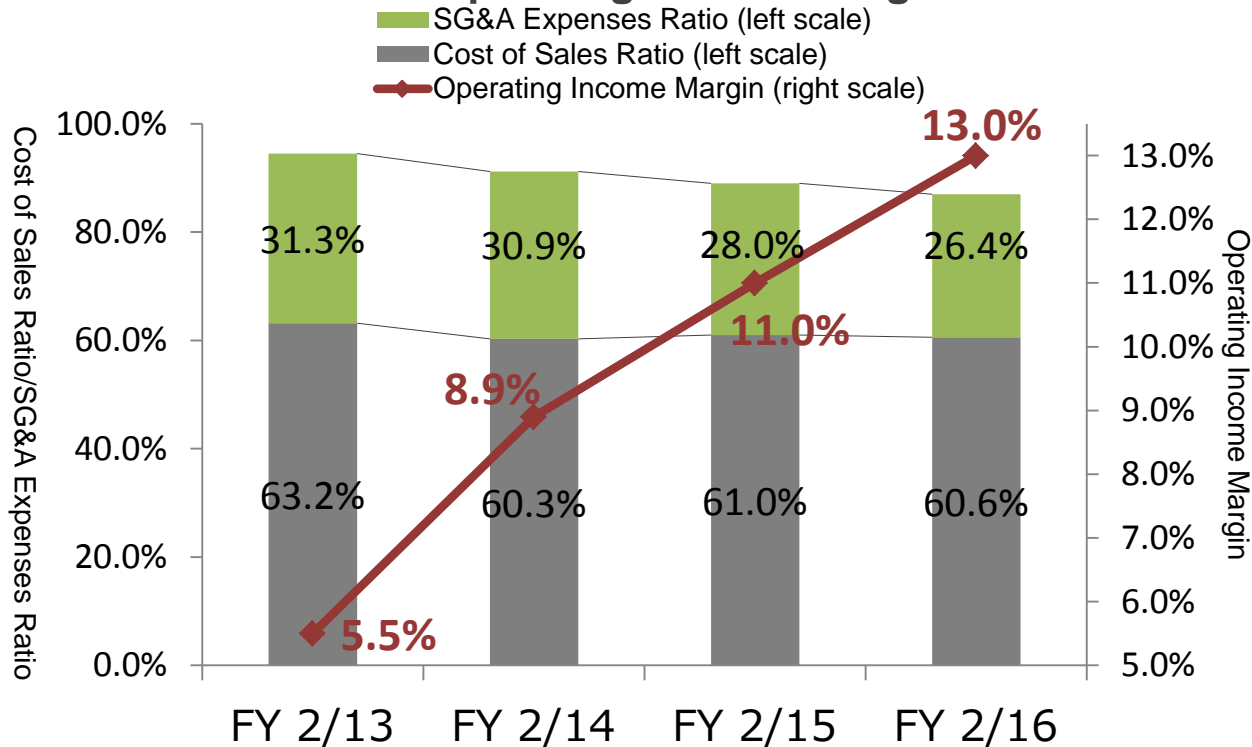
1. Growth in income from sales growth due to increases in numbers of new and enrolled students
2. Increases in school expenses for new openings/refurbishment, teacher salaries and personnel expenses were covered by sales growth
3. The increase in advertising expenses to strengthen sales was covered by sales growth
4. Promoted greater efficiency in administrative departments



Cost of Sales and SG&A Expenses Ratios

Cost of sales ratio and SG&A expenses ratio both improved

Cost of Sales Ratio, SG&A Expenses Ratio and Operating Income Margin



Cost of Sales Ratio (YoY)

0.4 pt. improvement

- Decreases in facility expenses, commissions paid, etc.

SG&A Expenses Ratio (YoY)

1.6 pt. improvement

- More efficient deployment of headquarters costs, management expenses, etc.

**Increase in operating income margin
(+2.0 points YoY)**

FY 2/16 Results

(Millions of yen)

	FY 2/15 Results	FY 2/16 Results	Change	% Change	FY 2/16 Plan
Sales	15,717	17,094	+1,376	+8.8%	16,900
Cost of sales	9,593	10,364	+770	+8.0%	—
Cost of sales ratio	61.0%	60.6%	-0.4 pt.	—	—
Gross profit	6,124	6,730	+605	+9.9%	—
Gross profit margin	39.0%	39.4%	+0.4 pt.	—	—
SG&A expenses	4,400	4,512	+112	+2.6%	—
SG&A expenses ratio	28.0%	26.4%	-1.6 pt.	—	—
Operating income	1,724	2,217	+493	+28.6%	2,300
Operating income margin	11.0%	13.0%	+2.0 pt.	—	—
Ordinary income	1,729	2,223	+494	+28.6%	2,304
Ordinary income margin	11.0%	13.0%	+2.0 pt.	—	—
Net income	1,075	1,383	+307	+28.6%	1,397
Net income margin	6.8%	8.1%	+1.2 pt.	—	—

Balance Sheet and Cash Flow Statement

(Millions of yen)

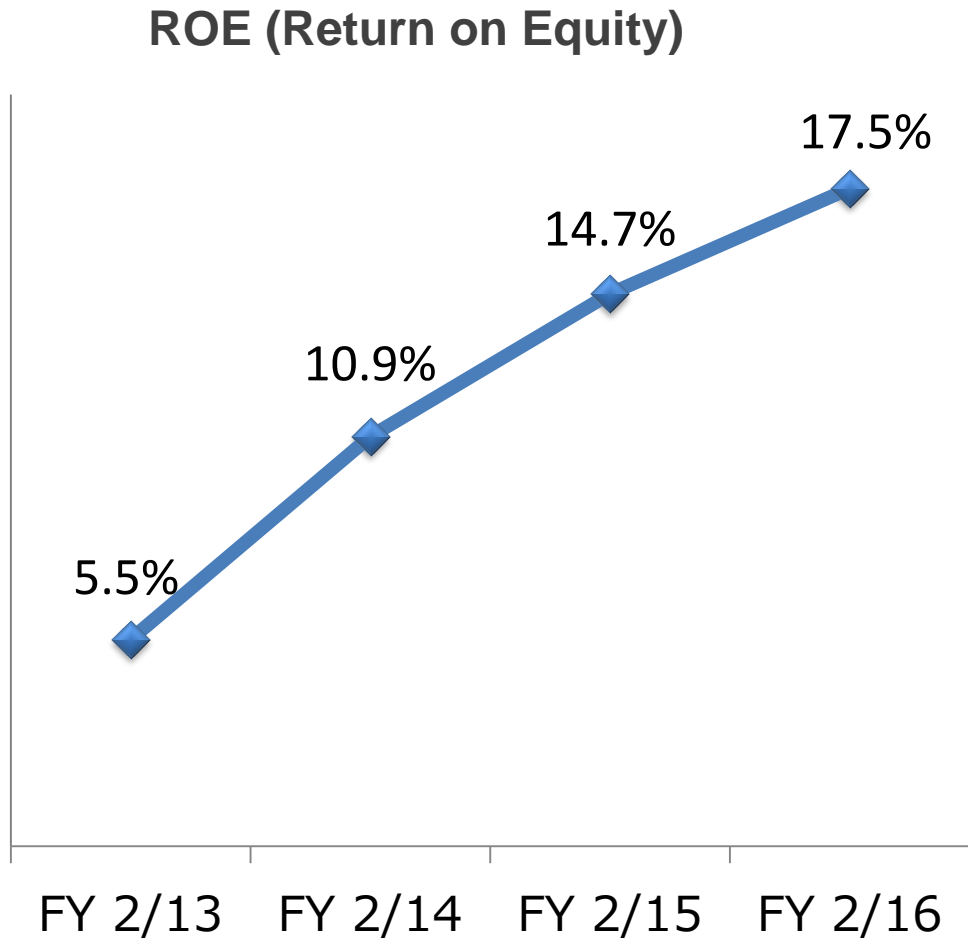
	FY 2/15 Results	FY 2/16 Results	Change
Current assets	7,829	8,168	+338
Fixed assets	2,068	2,247	+178
Total assets	9,898	10,415	+517
Current liabilities	2,223	2,234	+11
Long-term liabilities	18	9	-8
Total liabilities	2,241	2,244	+2
Net assets	7,656	8,171	+514
Total liabilities and net assets	9,898	10,415	+517

(Millions of yen)

	FY 2/15 Results	FY 2/16 Results	Change
Cash flow from operating activities	1,509	1,644	+134
Cash flow from investing activities	(4,483)	(513)	+3,969
Cash flow from financing activities	(380)	(868)	-488
Increase (decrease) in cash and cash equivalents	(3,353)	262	+3,616
Cash and cash equivalents at beginning of period	6,490	3,136	-3,353
Cash and cash equivalents at end of period	3,136	3,399	+262

ROE

Management practices that increase ROE and further improve corporate value



Selected as a company implementing management practices geared toward enhancing corporate Value in the fiscal 2015 Corporate Value Improvement Awards held by the Tokyo Stock Exchange (**49 companies** selected for second-round screening)

Forecast for FY 2/17

(Millions of yen)

	FY 2/17 Forecast	Change	% Change	FY 2/16 Results
Net sales	18,000	+905	+5.3%	17,094
Operating income	2,600	+382	+17.2%	2,217
<i>Operating income margin</i>	14.4%	—	—	13.0%
Ordinary income	2,603	+379	+17.0%	2,223
<i>Ordinary income margin</i>	14.5%	—	—	13.0%
Net income	1,665	+282	+20.4%	1,383
<i>Net income margin</i>	9.3%	—	—	8.1%

Note: Forecast announced on April 6, 2016.

Dividend Outlook

We will increase the regular dividend for FY 2/17 by ¥10, targeting a payout ratio of 50% or higher.

Dynamic Challenge 2017

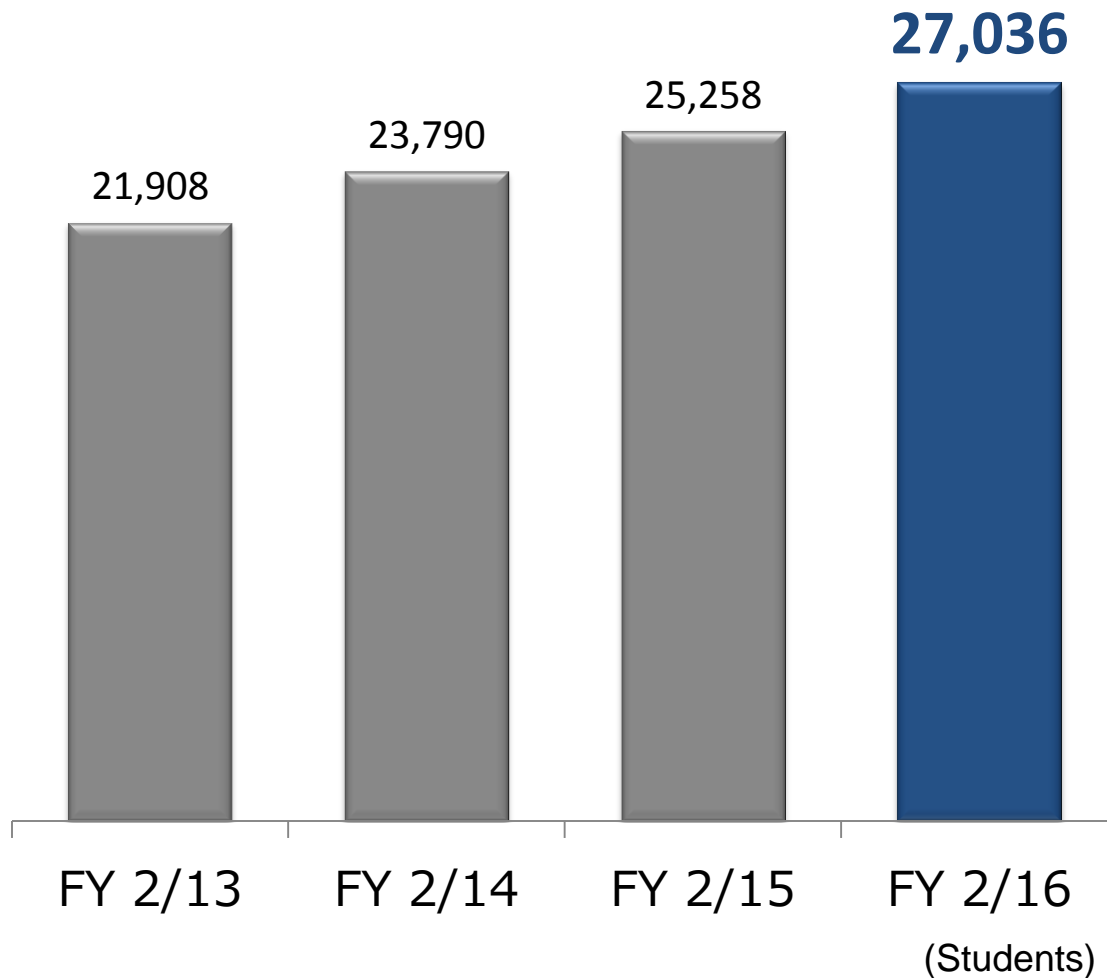
Dividends per Share (Yen)	FY 2/13 Mar. 31, 2012 to Feb. 28, 2013	FY 2/14 Mar. 31, 2013 to Feb. 28, 2014	FY 2/15 Mar. 31, 2014 to Feb. 28, 2015	FY 2/16 Mar. 31, 2015 to Feb. 29, 2016	FY 2/17 Mar. 31, 2016 to Feb. 28, 2017
Interim dividend	3	3	4	¥12 Regular dividend of ¥8 + commemorative dividend of ¥4	¥13 ²
Year-end dividend	3	3	4	¥12 ¹ Regular dividend of ¥8 + commemorative dividend of ¥4	¥13 ²
Full-year dividends	6	6	8	¥24 ¹ Regular dividend of ¥16 + commemorative dividend of ¥8	¥26 ²
Payout ratio	90.9%	44.1%	40.4%	94.2%	84.7% ²

Notes:

1. No revision from the most recently announced forecast.
2. Forecast announced on April 6, 2016.

2. FY 2/16 Highlights

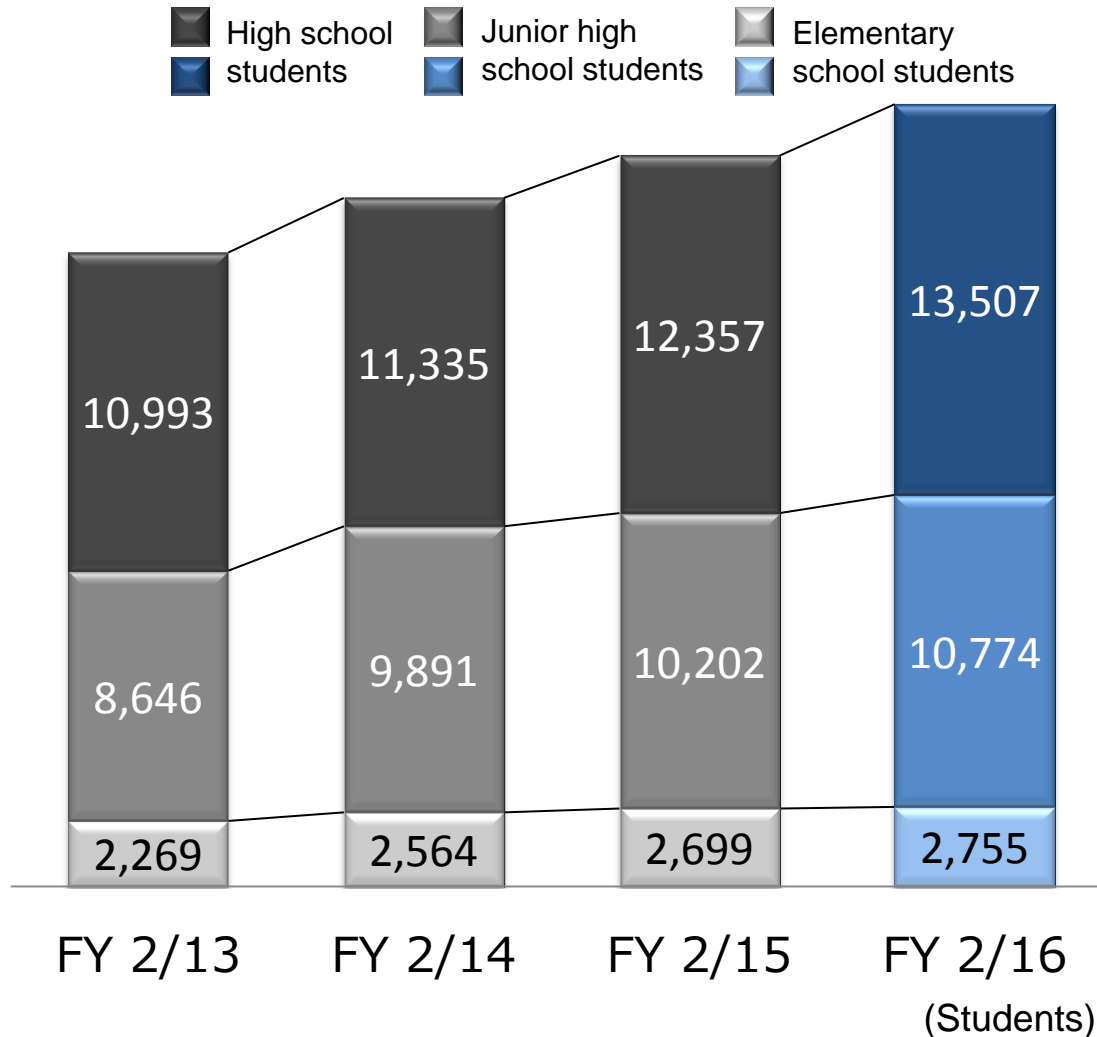
Average Number of Students Enrolled during the Year



7.0% increase from
previous year

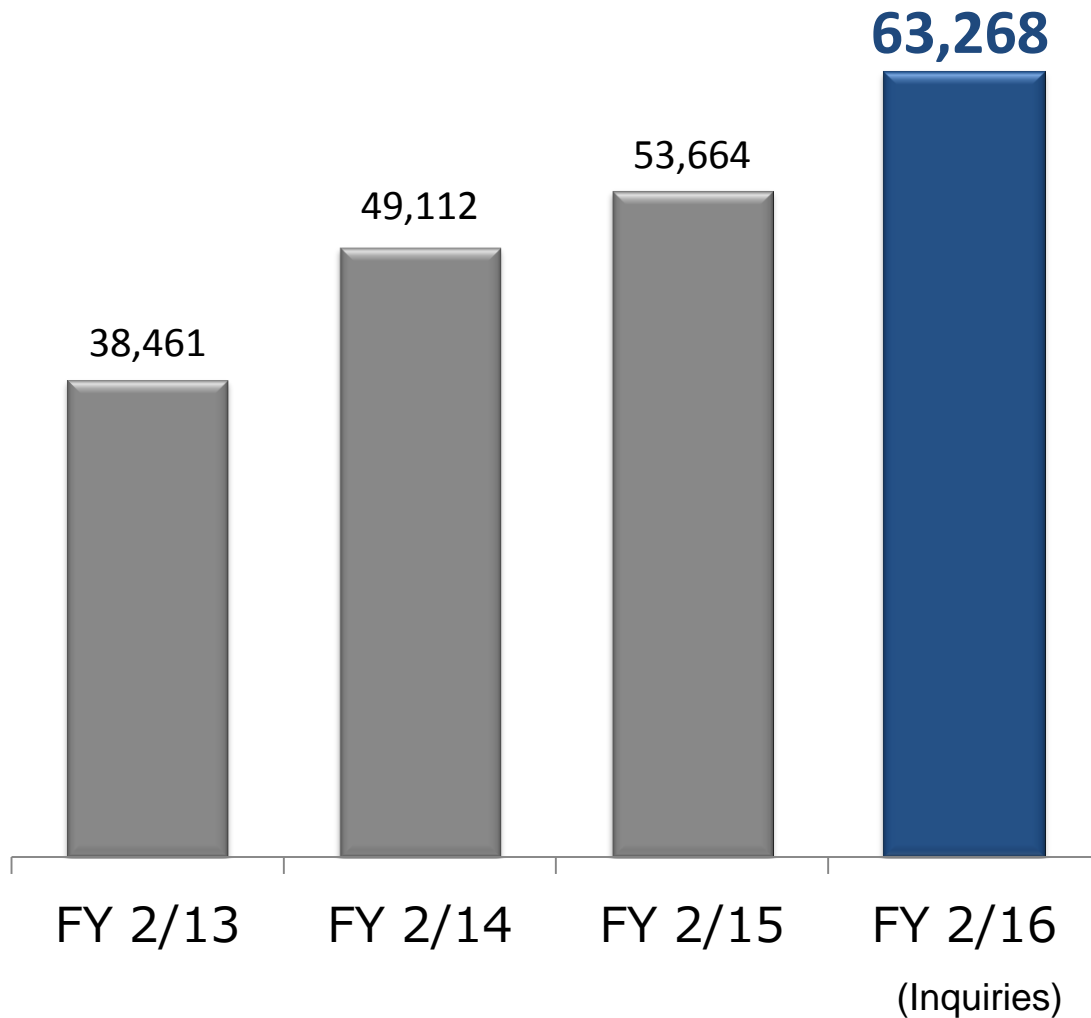
Achieved a
record high

Average Number of Students Enrolled during the Year by Grade



Increases
in each segment
(elementary,
junior high school
and
high school)

Number of Inquiries during the Year

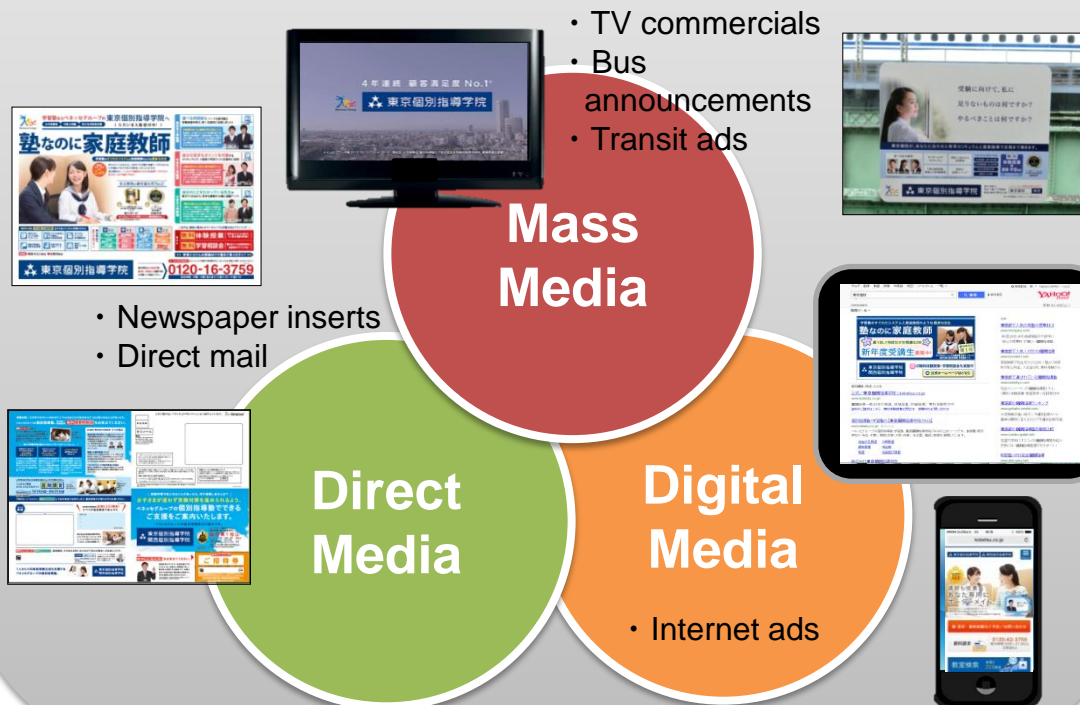


Achieved a
record high
by strengthening
marketing reforms

Strengthening and Continuing Marketing Reforms

Record High Number of Inquiries due to an Approach Tailored to Customer Needs

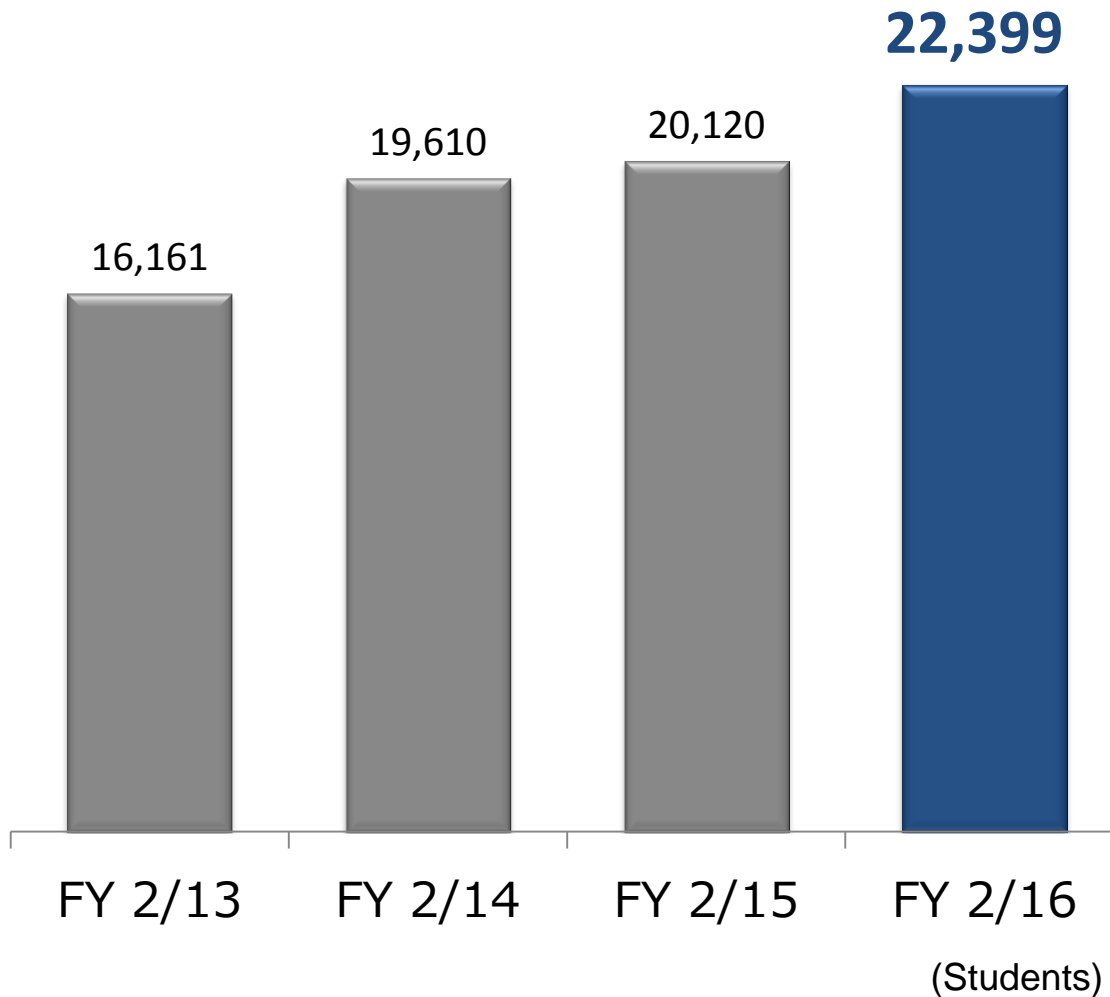
Increasing Mind Share by Strengthening Our Cross-Media Approach



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**Increased
call center
productivity**

Number of New Students during the Year



11.3% increase
from previous year

Achieved a
record high

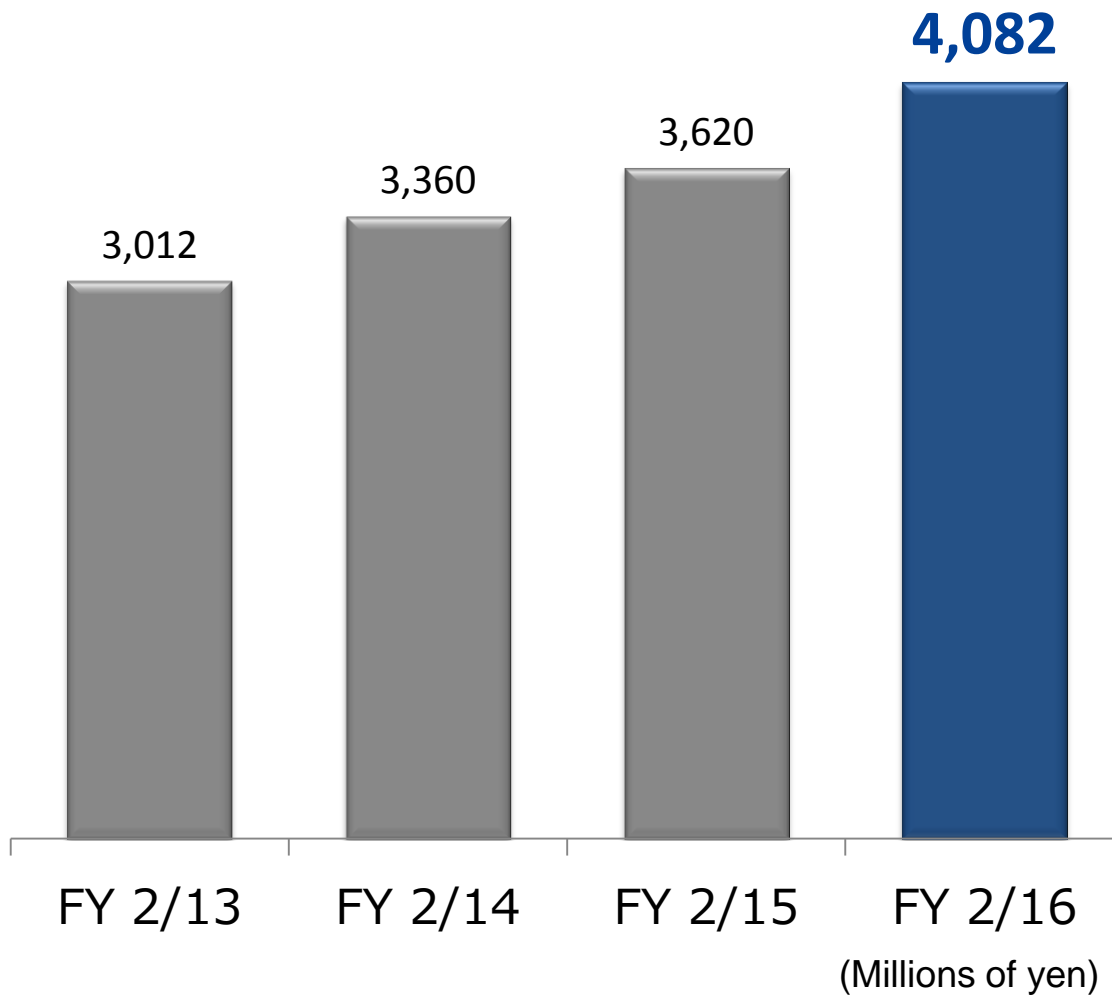
Net Sales per Student

Net Sales per Student (Individualized Instruction Only)

	Net Sales per Student
FY 2/13	¥594,187
FY 2/14	¥602,058
FY 2/15	¥614,395
FY 2/16	¥622,862

Increase
due to
strong sales of
summer and winter
short courses

Sales of Short Courses



12.8%, or
¥462 million
increase
from previous year

Achieved a
record high

New School Openings

Opened 7 individualized instruction schools,
compared with our plan to open 6 schools during FY 2/16

Kawasaki Nishiguchi
(March 19)

Shakujii-Koen
(June 26)

Tsudanuma
Minamiguchi
(June 1)

Class Benesse
Shakujii-Koen
(July 7)

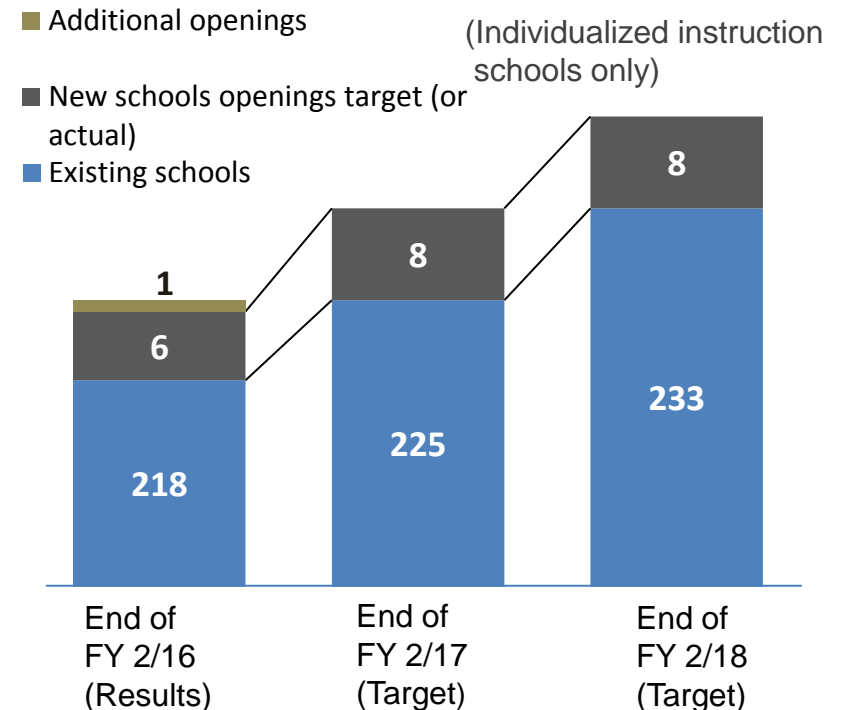
Kichijoji Honcho
(June 8)

Musashi-Sakai
(September 10)

Sengawa
(June 11)

Chofu Kitaguchi
(October 10)

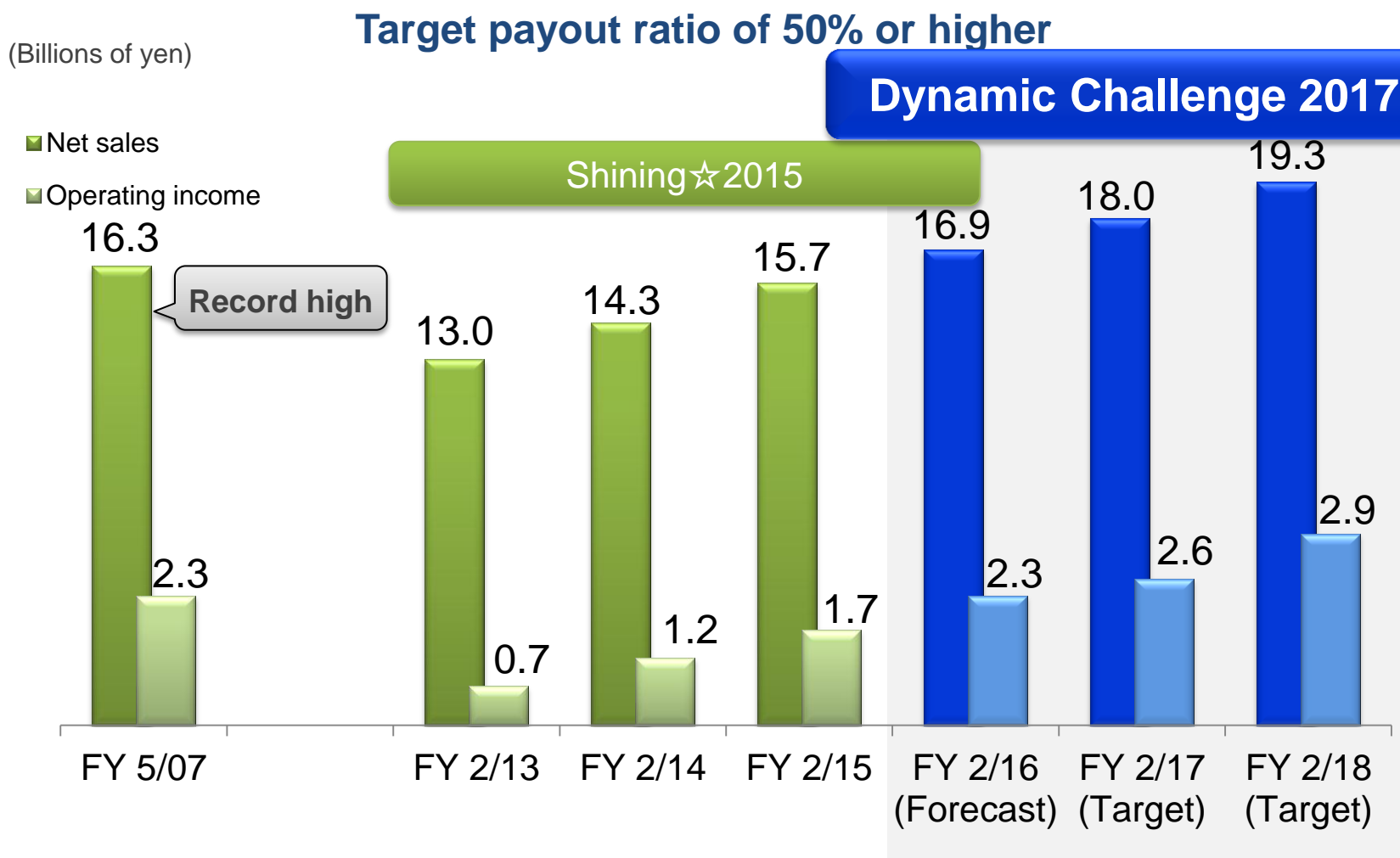
Progress of Yearly Plans for School Openings



3. Progress and Future Development of “Dynamic Challenge 2017”

Dynamic Challenge 2017 (Reprint)

Aiming for a sustained growth cycle



Note: Targets reprinted from announcement in “Notice Concerning the New Medium-Term Management Plan” dated April 8, 2015.

Outline of Medium-Term Management Plan

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

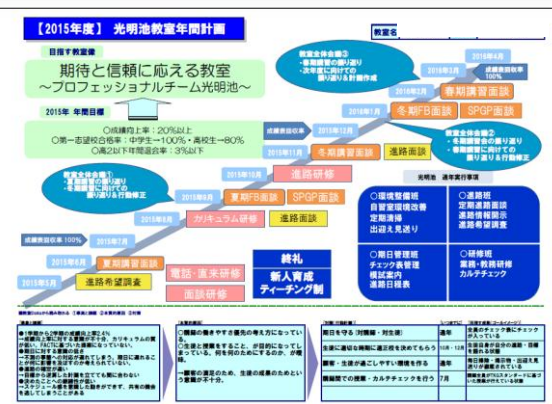
図 10-1-1 経営戦略の展開の3つの柱

この図は、経営戦略の展開の3つの柱を示しています。中央には「成長戦略」とあり、その下に「教育力の強化」が記されています。左側には「成長戦略」とあり、その下に「ドミナント × サービスポートフォリオ」が記されています。右側には「成長戦略」とあり、その下に「ヘネッセ連携付加価値向上」が記されています。これらの3つの柱は、下部の「経営基盤の強化・効率化」という基盤の上に立っています。

Raise awareness of targets and results and increase teaching ability through team growth



▲ Teachers' meeting



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Enhancement of Educational Capabilities ②



FY 2/16

Improve academic guidance capabilities by strengthening cooperation between the Academic Guidance Center and schools

Academic Guidance Center Established in June 2015

- Our advantage is as a hybrid that offers the strength of individualized instruction, which understands each student, and uses Benesse's entrance exam data
- Handles guidance for individual applications through cooperation between schools and the Academic Guidance Center
- Dramatically improves the precision of academic guidance

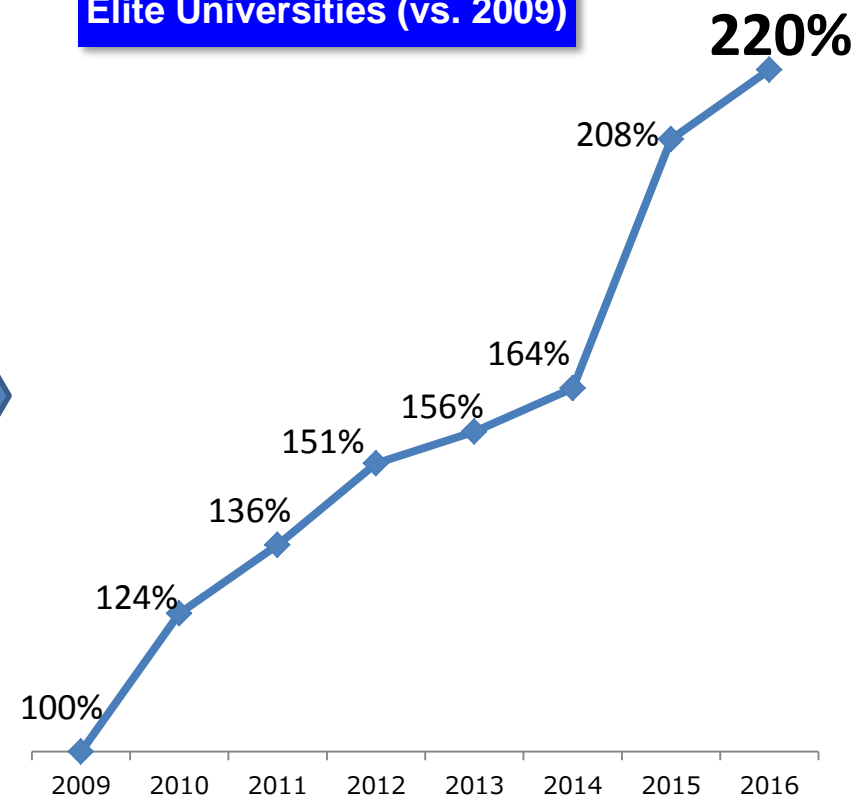


▲ Academic guidance session



▲ Academic Guidance Center

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 2016 as of March 31 (others as of the fiscal year end).

Enhancement of Educational Capabilities ③



FY 2/16

Recognition of measures to improve teaching and academic guidance capabilities

2015 Oricon Customer Satisfaction Ranking for “High School Entrance Exam Preparation, Individualized Instruction (Tokyo Area)”
First to Win Overall First Place for Three Consecutive Years

Categories in Which TIEI Won First Place
High School Entrance Exam Preparation, Individualized Instruction (Tokyo Area)

“Overall,” “Improvement in grades/results,” “Teacher quality,” “Quality of curricula,”
“Usability of study rooms,” “Classroom facilities/atmosphere,” “Accessibility/Safety”



2015 IID Awards for “High School/University Entrance Exam Preparation, Individualized Instruction”
First Place for Fourth Consecutive Year

Categories in Which TIEI Won First Place
High School/University Entrance Exam Preparation, Individualized Instruction

“Good teachers,” “Good materials,” “Good support,” “Improvement in grades,”
“Comprehensive information on tests/school entrance,” “Liked by students”



Urban Area Dominance Strategy ①



FY 2/16

Expand customer contact in high-need areas

Open new schools based on urban area dominance strategy

- Expand share in each area while controlling the increase in marketing expenses

Opened 7 individualized instruction schools

Adjust the size of existing schools in response to growth in the number of students

- Conduct expansions and refurbishment for large-scale seating capacity

Conducted at 29 schools

Seating capacity

YoY increase from 11,893 to 13,241 seats

Note: As of December 31, 2015

Example

YoY Growth in Number of Students at End of FY 2/16

Since opening the Mizonokuchi Minamiguchi School in July 2014, we have been increasing area share with multiple schools near the same station.

2 Mizonokuchi schools (total): **+21.9%**

2 Kawasaki schools (total): **+20.2%**

2 Tsudanuma schools (total): **+34.3%**

2 Kichijoji schools (total): **+11.5%**

2 Chofu schools (total): **+26.1%**

Urban Area Dominance Strategy ②



FY 2/17

Further strengthen our foothold with a regional model of a school that is dominant in its area

Opened 3 individualized instruction schools in March 2016

Opening of 4th school in Shinagawa-ku

Togoshi School
(March 10)

Opening of 9th school in Setagaya-ku

Soshigaya-Okura School
(March 17)

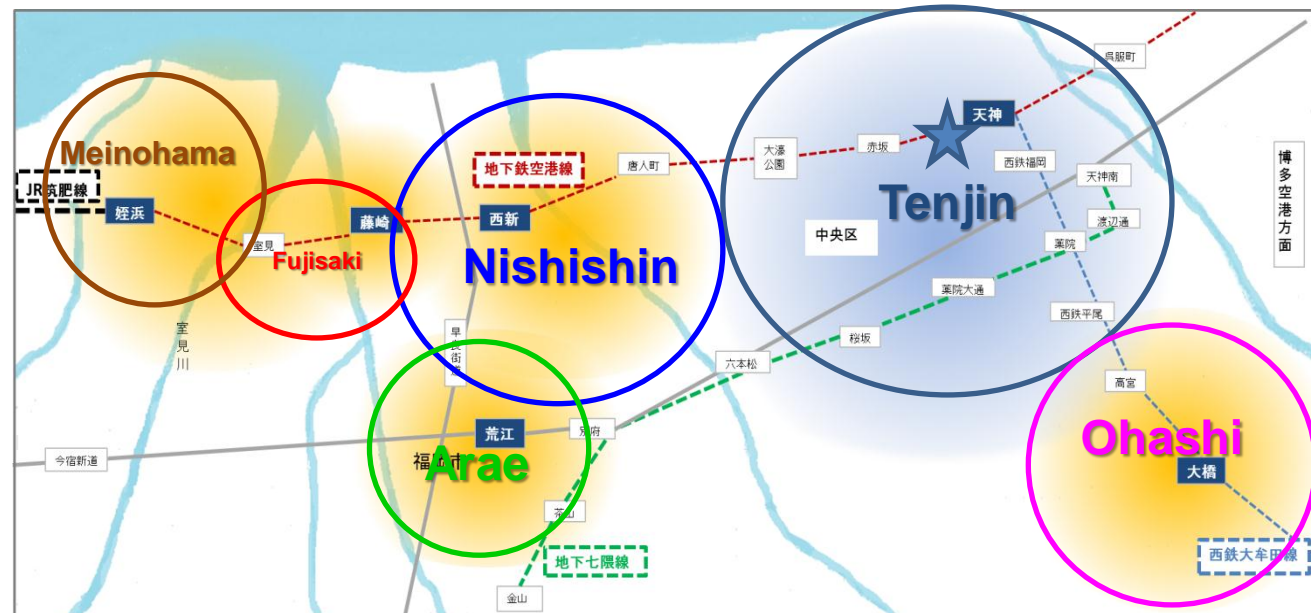
Opening of 6th school in Fukuoka City

Tenjin School
(March 17)

Regional City Dominance in Fukuoka Area with Opening of Tenjin School

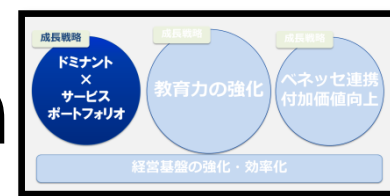
Example

Opened the Tenjin School as a flagship school in the Fukuoka region, where we have five existing schools.



▲ Schematic map of TIEI's schools in Fukuoka City

Service Portfolio Expansion



FY 2/17

Opening of Benesse Writing Classes at four schools in March 2016

Opening at existing **individualized instruction schools** with high customer needs

A program for elementary school children that improves their ability to think logically and to communicate with others by enriching their vocabulary and enhancing their listening skills to give them abilities that will help them make their way in the future.

Note: Joint service with Class Benesse in Sengawa only

Trial classes started in January 2016

- **Jiyugaoka School**

(Meguro-ku, Tokyo)

- **Hiroo School**

(Minato-ku, Tokyo)

- **Totsuka School**

(Totsuka-ku, Yokohama-shi, Kanagawa)

- **Class Benesse Sengawa School**

(Chofu-shi, Tokyo)



▲ Class in session

Collaboration with Benesse to Increase Added Value ①



From FY 2/16

Trial of Group collaboration as a measure for 4 English skills

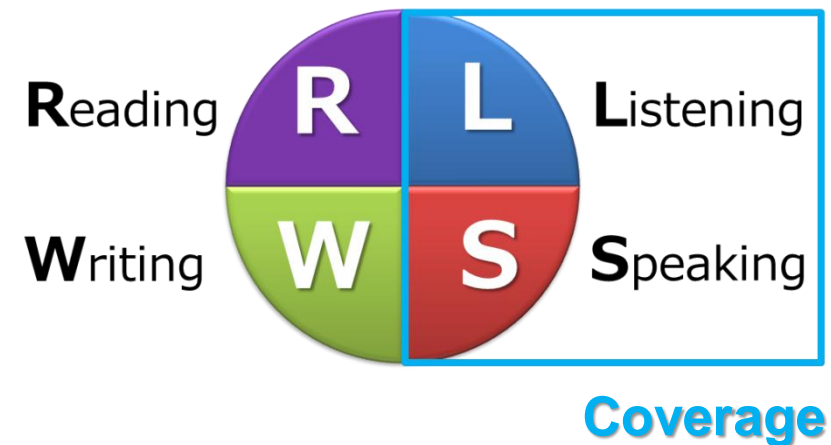
Ongoing trial collaboration with Berlitz Japan to prepare for entrance exam system reforms in 2020

- English seminar for university entrance exams held jointly by Berlitz Japan and TIEI
 - Motivation for learning for the future and for university entrance
- Summer- and winter-term short courses for first and second-year high school students attending TIEI
 - 4-Day Intensive Lesson in Listening and Speaking
 - Held at Shinyurigaoka, Meguro and Kichijoji Ekimae schools



Trial for the introduction of an online English conversation service

- Toward the entrance exam system reforms in 2020
 - Measures for 4 English skills**
- Introduction of Benesse Corporation's "Online English Conversation"
 - Test implementation at Asagaya School from March 2016



Collaboration with Benesse to Increase Added Value ②



From FY 2/16

Increase added value for Shinkenzenmi members

Direct mail information about TIEI for current and former Shinkenzenmi members

- Group-wide support for entrance exam preparation, targeting Shinkenzenmi members currently in their third year of junior high school



Joined Educational Business Consortium Evolution of Class Benesse

- Joined Benesse Holdings' Educational Business Consortium
 - Create an ecosystem and build a platform with the aim of establishing the education industry's most effective and advanced model for learning outside school
- Discussions underway on how to evolve Class Benesse into a format integrated with TIEI's core individualized instruction schools

Testing in collaboration with Call Center Offer multiple proposals through the Group

- Create new customer contacts with Shinkenzenmi members
 - Tests from February 1
 - Begin by targeting elementary and junior high school students in the Tokyo area



▲ Class Benesse Sengawa

Strengthening the Management Foundation ① Recruiting



FY 2/16

Promote engagement with personnel who share our philosophy

Strengthening Teacher Training

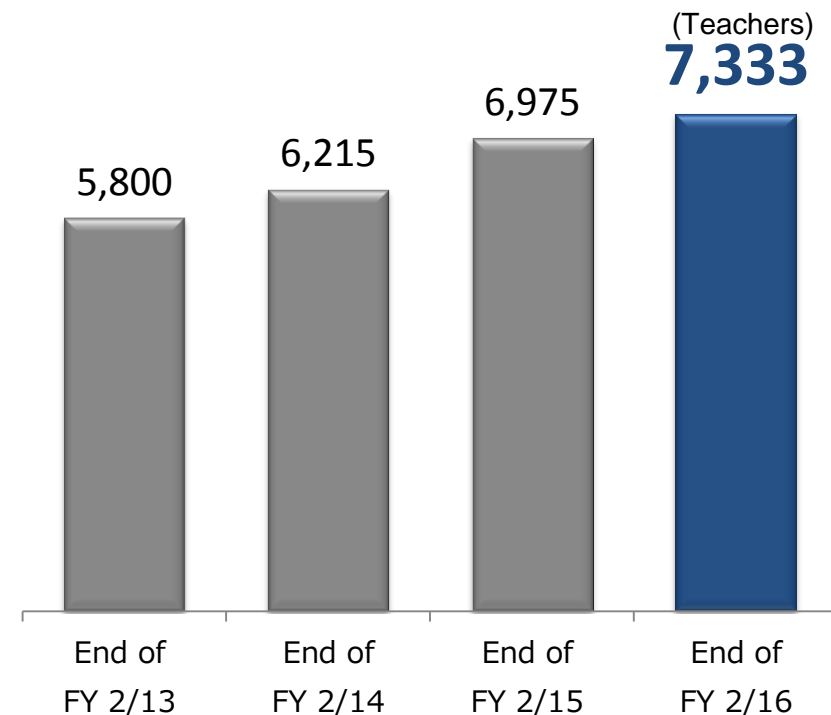
- Conduct selective recruiting at eight teacher recruiting centers
- Further enhance content of training
Complete training in 11 items by start of employment



▲ Teacher training

Number of Teachers at Fiscal Year-End

- The number of teachers is steadily increasing amid difficult conditions for hiring part-time workers



Number of Part-Time Teachers

Note: Does not include other partners

Strengthening the Management Foundation ② Systems, etc.



FY 2/17

Startup of new system in FY 2/17

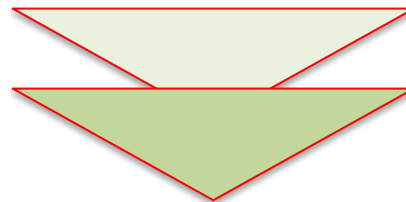
Increase productivity

Business process improvement

IT

Increase customer satisfaction

Customer service improvement



A stronger, more efficient operating foundation

Financial Strategy

From FY 2/16

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

Progress of Dynamic Challenge 2017

		Dynamic Challenge 2017		
	FY 2/15	FY 2/16 Actual	FY 2/17 Forecast	FY 2/18 Targets
Net sales	¥15.7 billion	¥17.0 bn	¥18.0 bn	¥19.3 bn+
Operating income	¥1.7 billion	¥2.2 bn	¥2.6 bn	¥2.9 bn+
Operating income margin	11.0%	13.0 %	14.4%	15.0%+
Payout ratio	40.4%	94.2 %	84.7%	50%+
Full-year cash dividends per share	¥8	¥24 ¥16 regular dividend + ¥8 commemorative dividend	¥26	Note: Dividends are set taking into account expected performance trends and investment strategy.

Sustained
growth

Strategic
investment

Improvement of
operating
efficiency

Topics: Recognition for Management That Improves Corporate Value

FY 2/16

Selected as a company implementing management practices geared toward enhancing corporate value

At the fiscal 2015 **Corporate Value Improvement Awards** held by the Tokyo Stock Exchange (TSE), following a preliminary screening of all TSE-listed companies (approximately 3,500), companies that made it through both the first and second rounds of screenings (**49 companies**) were announced as **companies implementing management practices geared toward enhancing corporate value**

TIEI was one of these companies.



Held for the fourth time this year to spread and promote management aimed at improving corporate value deemed desirable by TSE in its position as a market operator. Awards are given to listed companies with high corporate value and management practices deemed to contribute to the appeal of the TSE market, such as by improving corporate value through initiatives which consider capital cost and other investor concerns.

Topics: Partial Change to Operation of Shareholder Benefits Program

FY 2/17

Proactively enhancing returns to shareholders

We have made a partial change to the operation of our shareholder benefits program to further promote the use of shareholder discount coupons.

The change will be applied from the distribution at the end of May 2016.

TIEI's shareholder benefit program, which offers discounts on classes, was established to further deepen understanding of TIEI's operations by allowing shareholders to experience its individualized lessons and other educational services.

Main Points of Change

- Simplification by revising standards for presentation of discount coupons and increase in certain amounts presented
- Increase to a maximum amount of ¥48,000 in discount coupons
(Before change: ¥45,000)

Topics: Start of TKG Learning Academy Project

From FY 2/16

Strengthening engagement with former teachers

Building ongoing relationships to contribute to teacher growth

Creation of Website for Former Teachers

We have opened a membership website for former teachers. We plan to offer notifications of TIEI events, initiatives, etc. and provide special information.



▲Image of website for former teachers

Roundtable Meeting for Former Teachers

Ongoing dialogue with former teachers is used to strengthen teaching capabilities and for training teachers who are currently university students.



► Raise the value of working at TIEI and strengthen engagement

Topics: Promoting Links with Other Companies

From FY 2/16

Creation of a Corporate Benefit Program for Engagement with Other Companies

Customers in industries including finance, telecommunications, real estate, general trading, land and air transport, food, service, chemicals and electrical machinery

Number of Corporate
Contracts

49 groups

717 companies



▲ Education seminar at Softbank Corp.
(Held in January 2016)

Topics: Promoting CSV

From FY 2/16

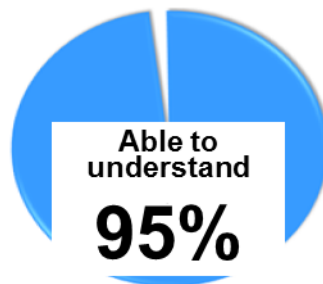
Create more opportunities for learning with CCDnet

Objective: Raise the quality and value of TIEI's business and create a true learning environment for children and opportunities to reevaluate their capabilities in order to resolve social issues.

Propose use of CCDnet to orphanages

Response of Children Who Took the Class

Understanding of
the Class



Satisfaction with
the Class



Note: Results of a survey of children in orphanages after taking the class

The Class Was "Satisfying and Easy to Understand"

Q. What are your impressions after taking the class?

- **Good.** I don't think I could have made such progress on my own.

Q. What did you like about it?

- **I enjoyed the class** because it was taught with a smile.
- **I could ask questions when I didn't understand** because the teacher was nice.
- I was able to **study on my own** for the test because it covered the content from the period when I could not attend school.

Q. Why did you decide to take the class?

- Since I have been studying, **I wanted a challenge.**

Q. What do you want to do after you are accepted into the school?

- I want to obtain various qualifications.

Use employee engagement as a source for improving corporate value



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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