

Presentation for FY February 2016, 3Q (March – November 2015)

January 7, 2016

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.”



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

FY 2/16 3Q Summary

Fourth consecutive year of growth in sales and income

- vs. previous 3Q (YoY) Net sales +¥883 million (+8.1%)
Operating income +¥169 million (+32.8%)
- Number of students enrolled as of November 30, 2015 up 8.2% YoY
- Increased cost-effectiveness of marketing and reduced general expenses with “cross-media advertising strategy” and “urban area dominance strategy”

Increase in number of students enrolled, which will lead to growth in next FY

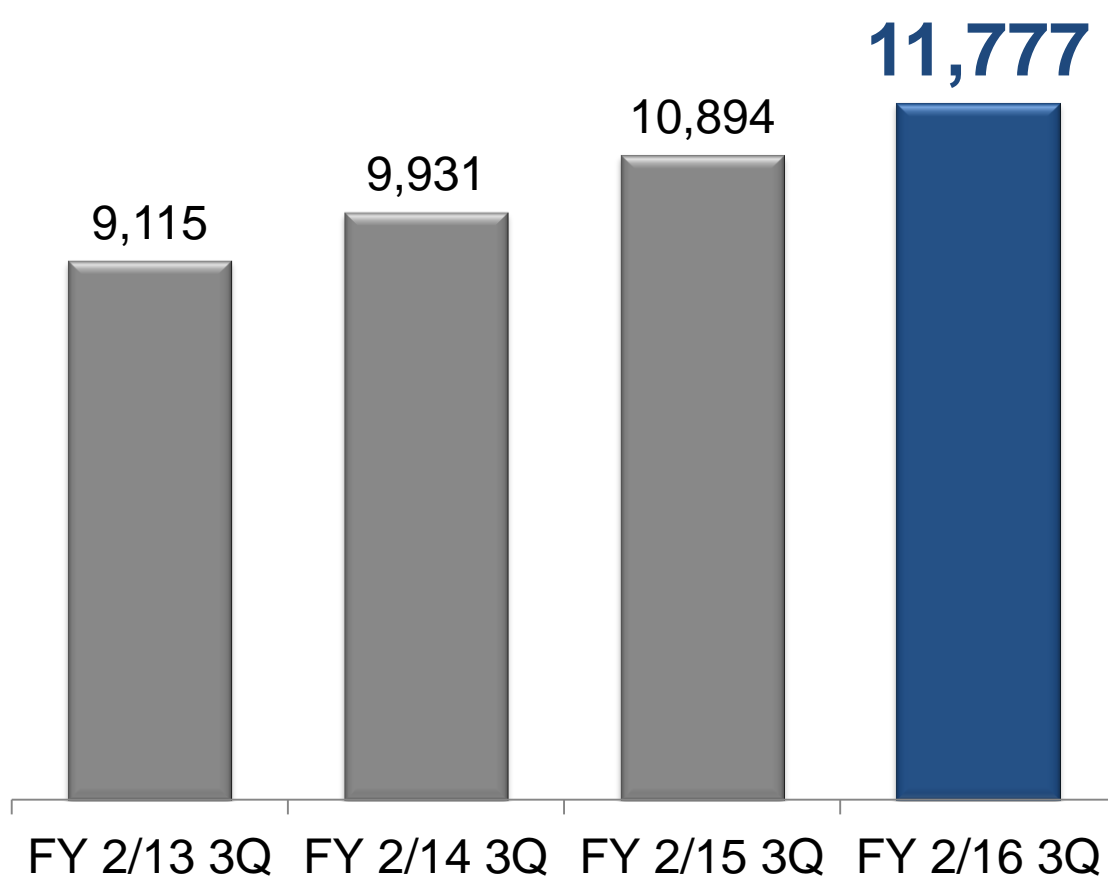
- Record-high numbers of inquiries and new students
Cumulative number of new students from March to November up 12.4% YoY
- Number of students enrolled at end of 3Q set a new record high, exceeding 30,000

Execution of strategies for sustained growth

- Expanded customer contact in high-need areas with proactive openings of dominant schools.
Began expanding number of existing individualized instruction schools with Benesse Writing Classes.
- Strengthened measures for enhancement of educational capabilities and for collaboration with Benesse to increase added value.

1. FY 2/16 3Q Results and Full-Year Forecast

FY 2/16 3Q Net Sales



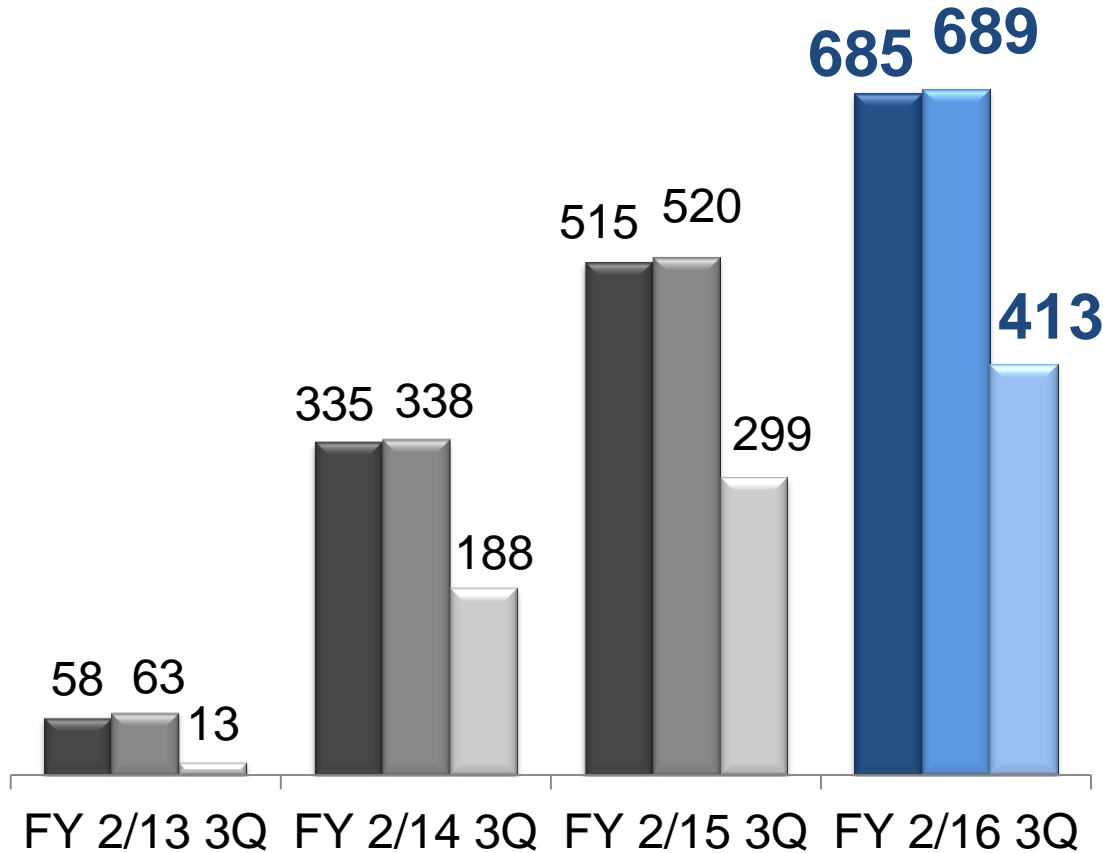
(Millions of yen)

8.1% increase
compared with same
period of previous
fiscal year

4 consecutive
years of
sales growth

FY 2/16 3Q Income

Operating income Ordinary income Net income



(Millions of yen)

32.8% increase
in operating income
compared with same
period of previous
fiscal year

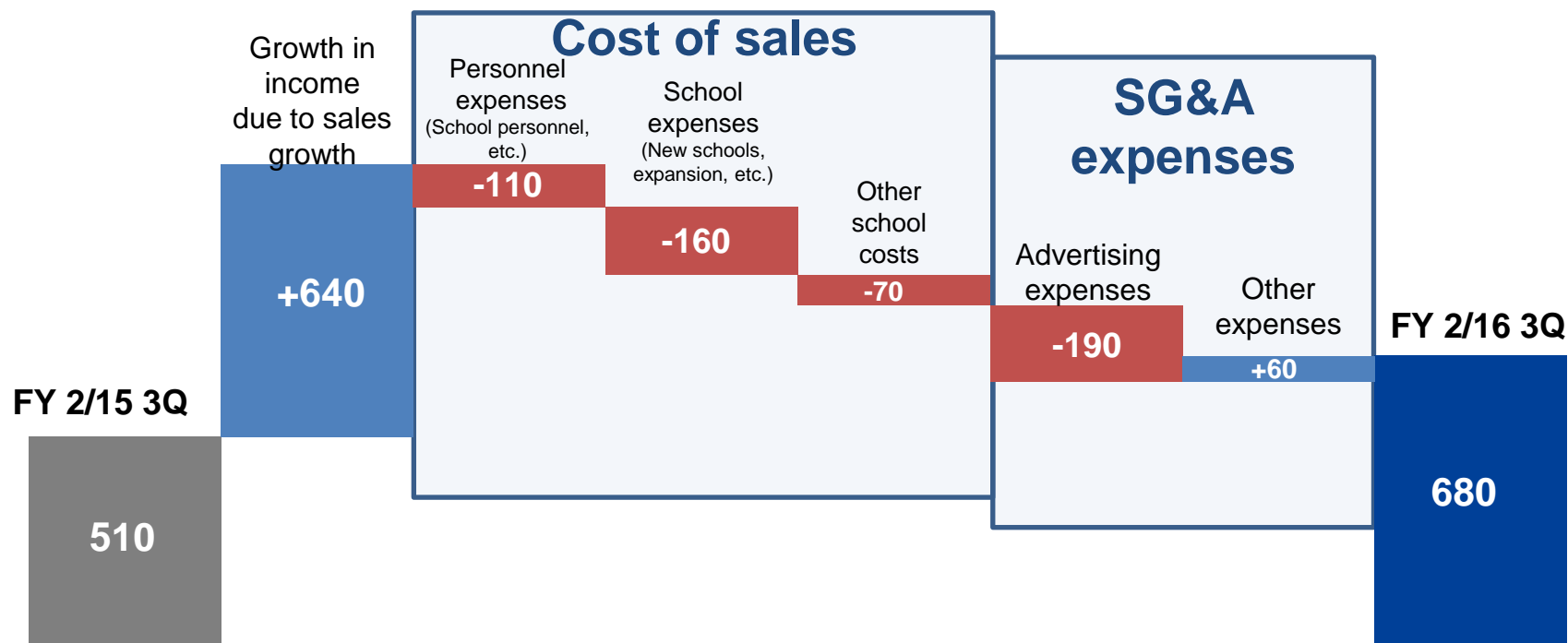
4 consecutive
years of
income growth

Operating Income Analysis of Changes

Raised investment efficiency while opening new schools and enhancing sales with advertising, etc.

1. Growth in income from sales growth due to increases in numbers of new and enrolled students
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. Promoted greater efficiency in administrative departments

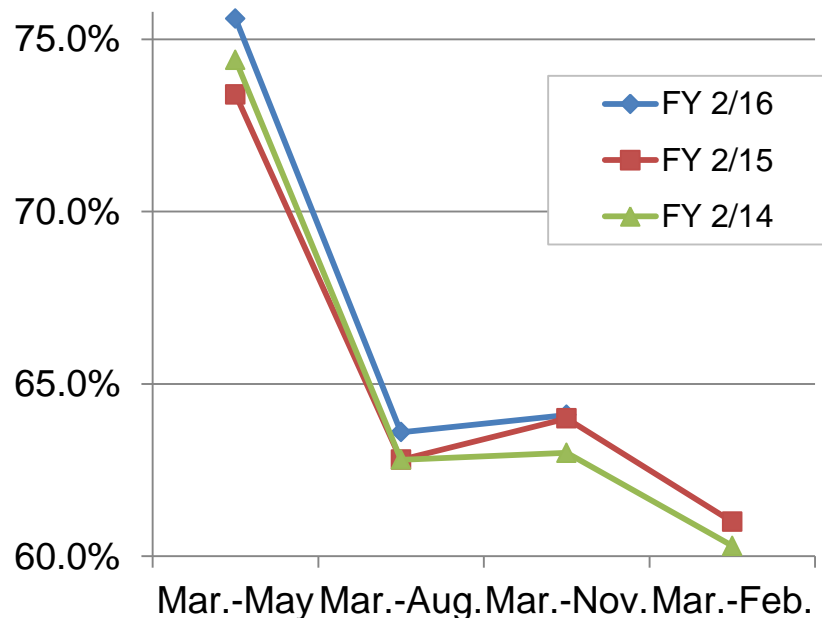
(Millions of yen)



Cost of Sales and SG&A Expenses Ratios

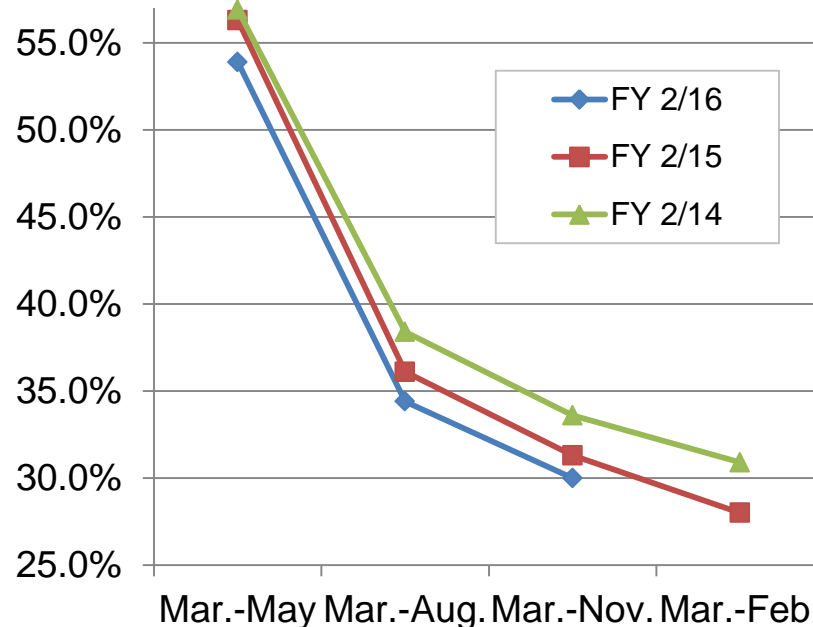
Improved SG&A expenses ratio by reducing general expenses, etc.

Quarterly Cost of Sales Ratio



**Cost of sales ratio
0.1% increase YoY**

Quarterly SG&A Expenses Ratio



**SG&A expenses ratio
1.2% improvement YoY**

FY 2/16 3Q Performance Summary

(Millions of yen)

	FY 2/15 3Q Result	FY 2/16 3Q Result	Change	% Change
Net sales	10,894	11,777	+883	+8.1%
Cost of sales	6,969	7,550	+581	+8.3%
<i>Cost of sales ratio</i>	<i>64.0%</i>	<i>64.1%</i>		
Gross profit	3,924	4,227	+302	+7.7%
<i>Gross profit margin</i>	<i>36.0%</i>	<i>35.9%</i>		
SG&A expenses	3,409	3,541	+132	+3.9%
<i>SG&A expenses ratio</i>	<i>31.3%</i>	<i>30.1%</i>		
Operating income	515	685	+169	+32.8%
<i>Operating income margin</i>	<i>4.7%</i>	<i>5.8%</i>		
Ordinary income	520	689	+169	+32.5%
<i>Ordinary income margin</i>	<i>4.8%</i>	<i>5.9%</i>		
Net income	299	413	+114	+38.3%
<i>Net income margin</i>	<i>2.7%</i>	<i>3.5%</i>		

Balance Sheet and Cash Flow Statement

(Millions of yen)

	FY 2/15 Result	FY 2/16 3Q Result	Change
Current assets	7,829	6,630	-1,199
Fixed assets	2,068	2,224	+155
Total assets	9,898	8,854	-1,043
Current liabilities	2,223	1,644	-578
Long-term liabilities	18	8	-9
Total liabilities	2,241	1,653	-588
Net assets	7,656	7,201	-455
Total liabilities and net assets	9,898	8,854	-1,043

Forecast for FY 2/16

(Millions of yen)

	FY 2/16 Forecast	Change	% Change	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>	<i>13.6%</i>	<i>+2.6 pt.</i>		<i>11.0%</i>
Ordinary income	2,304	+574	+33.2%	1,729
<i>Ordinary income margin</i>	<i>13.6%</i>	<i>+2.6 pt.</i>		<i>11.0%</i>
Net income	1,397	+321	+29.9%	1,075
<i>Net income margin</i>	<i>8.3%</i>	<i>+1.4 pt.</i>		<i>6.8%</i>

Note: No revision from the most recently announced forecast.

Dividend Outlook

We will enhance shareholder returns as we expect medium-to-long-term growth to continue.

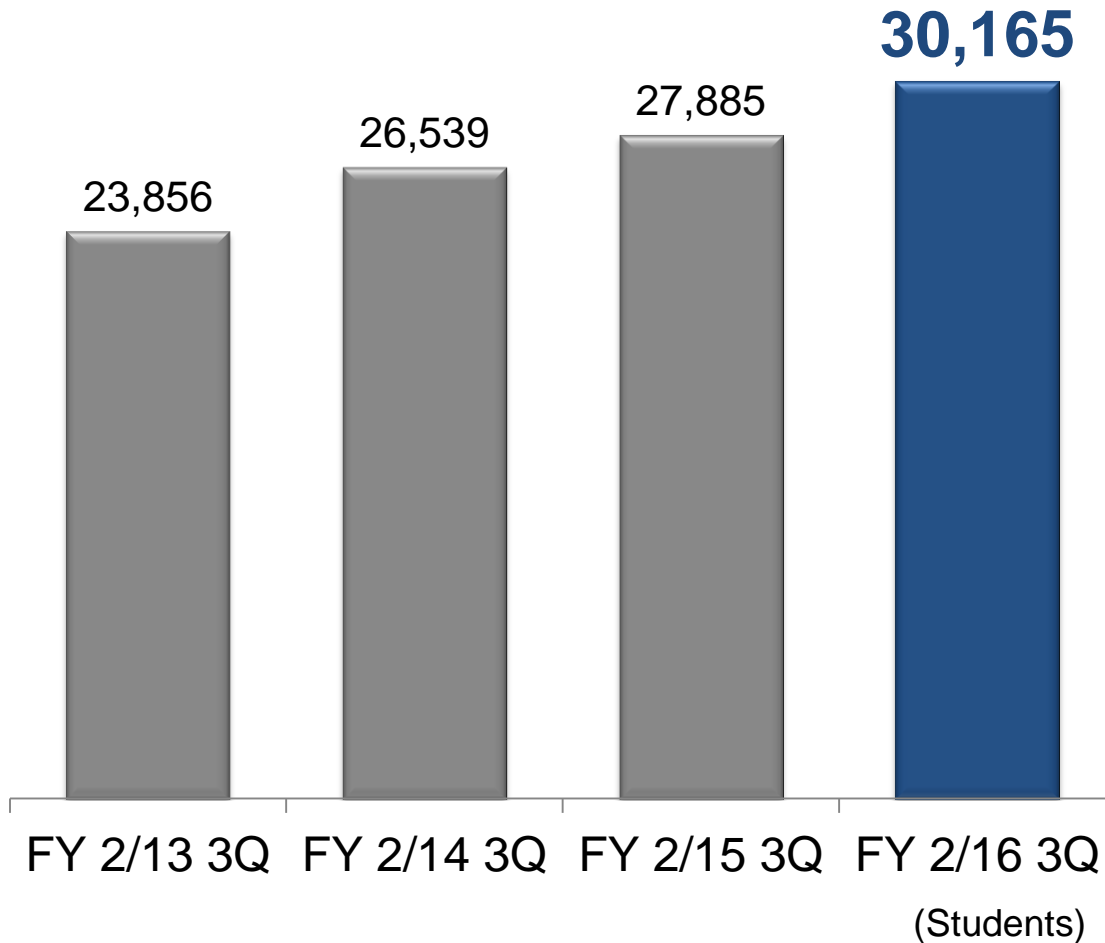
(Yen)

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
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* Regular dividend of 8 yen + commemorative dividend of 4 yen
Full-year dividends	6	6	6	8	24* Regular dividend of 16 yen + commemorative dividend of 8 yen
Payout ratio	245.4%	90.9%	44.1%	40.4%	93.3%*

* No revision from the most recently announced forecast.

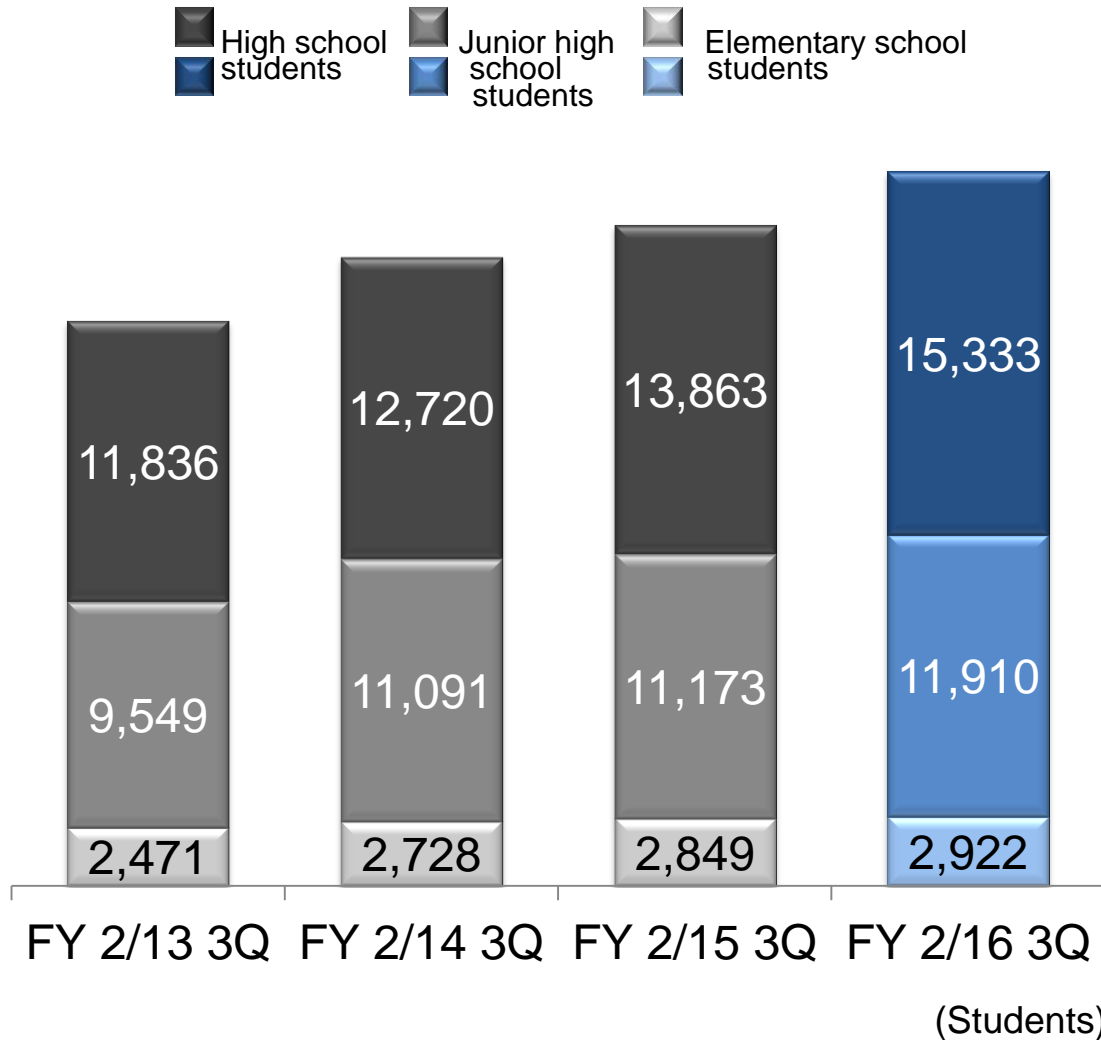
2. FY 2/16 3Q Highlights

Number of Students Enrolled at End of Period



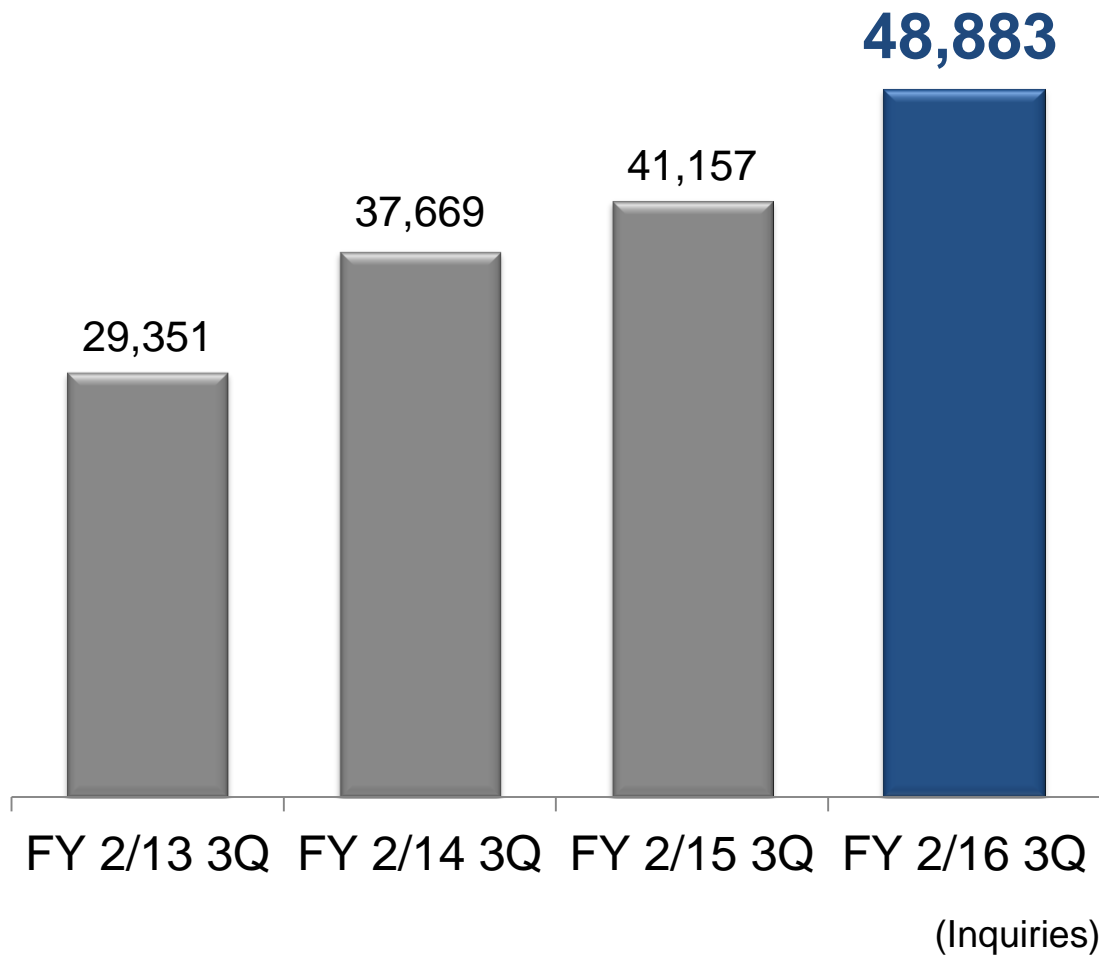
The number of students enrolled reached a **record high**, exceeding 30,000

Composition of Enrolled Students (Average for the Year)



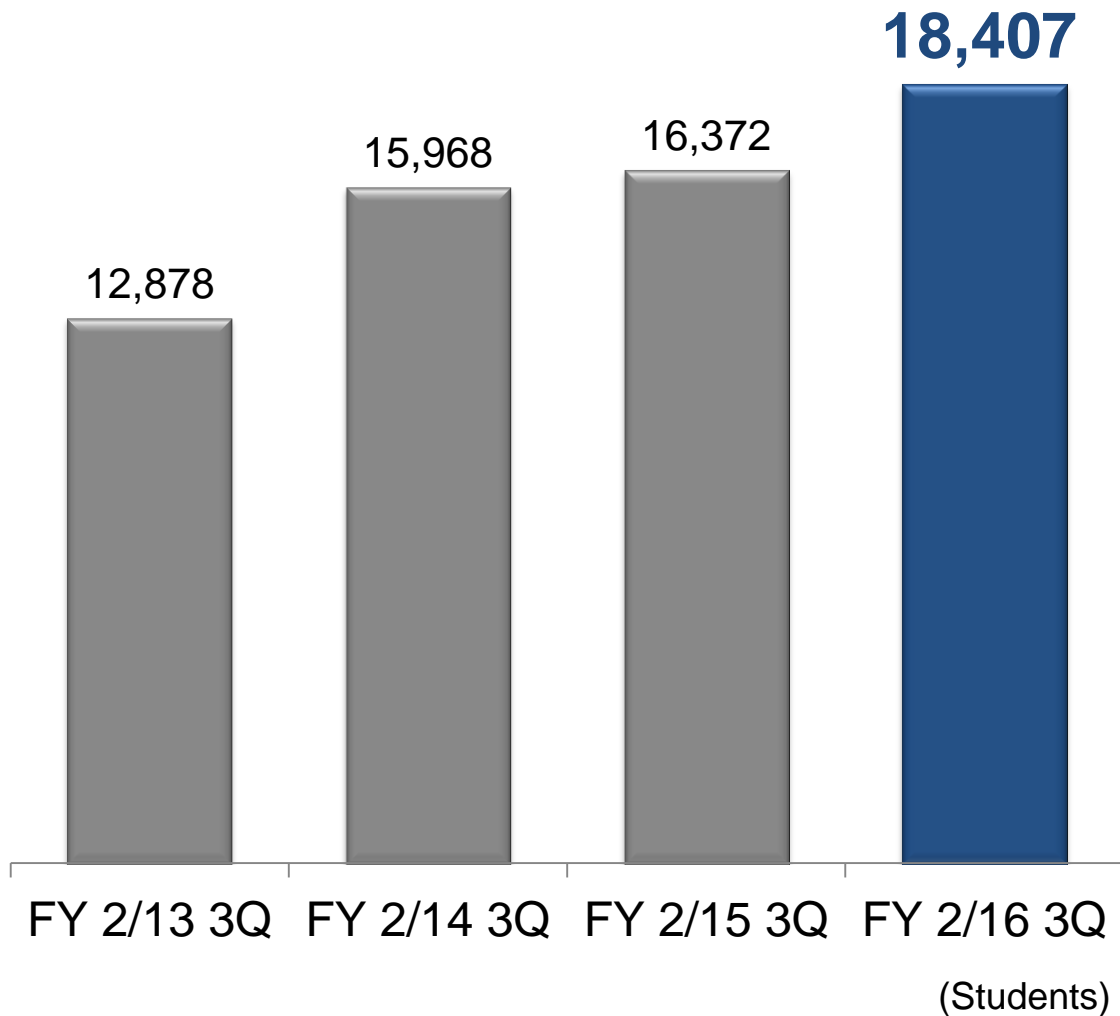
Substantial growth
in number of students
not taking
entrance exams,
such as
1st and 2nd year
high school students

Number of Inquiries



Reached a
record high driven
by the success of
our cross-media
strategy

Cumulative Number of New Students



Reached a
record high
due to
improved
call center
productivity

Net Sales per Student

3Q Net Sales per Student (Individualized Instruction Only)

	Net Sales per Student (Yen)
FY 2/12	410,540
FY 2/13	416,773
FY 2/14	420,178
FY 2/15	425,872
FY 2/16	430,070

Growth in net
sales per student
together with
increase in
number of students

New Schools Opened

Opened seven individualized instruction schools compared with a plan for six school openings during the year

Kawasaki Nishiguchi
(March 19)

Shakujii-Koen
(June 26)

Tsudanuma
Minamiguchi
(June 1)

**Class Benesse
Shakujii-Koen
(July 7)**

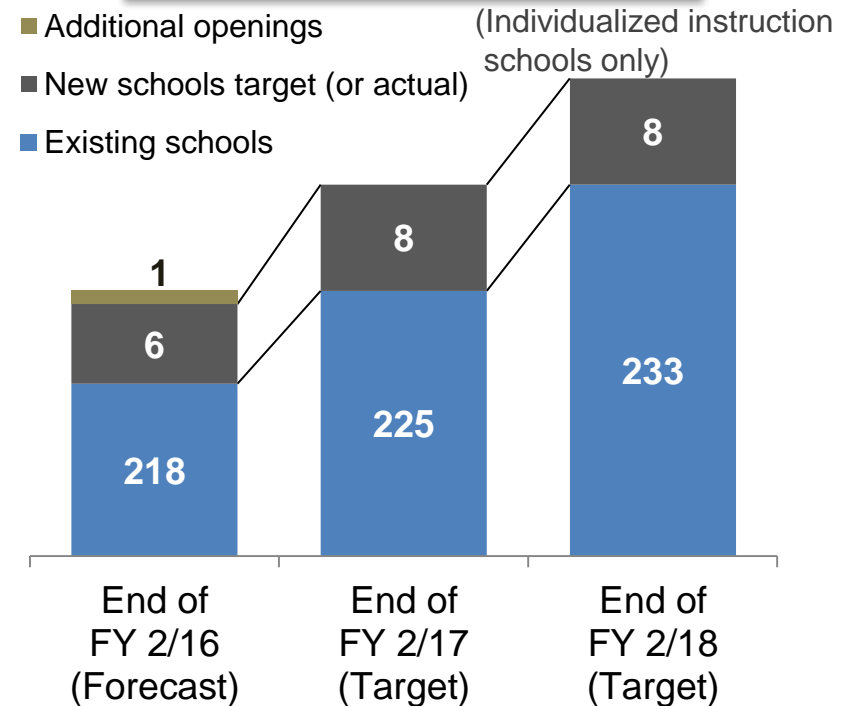
Kichijoji Honcho
(June 8)

Musashi-Sakai
(September 10)

Sengawa
(June 11)

Chofu Kitaguchi
(October 10)

Progress of Yearly Plans for School Openings



(As of November 30, 2015)

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

Dynamic Challenge 2017

Aiming for sustained growth

Target payout ratio of 50% or higher

(Billions of yen)

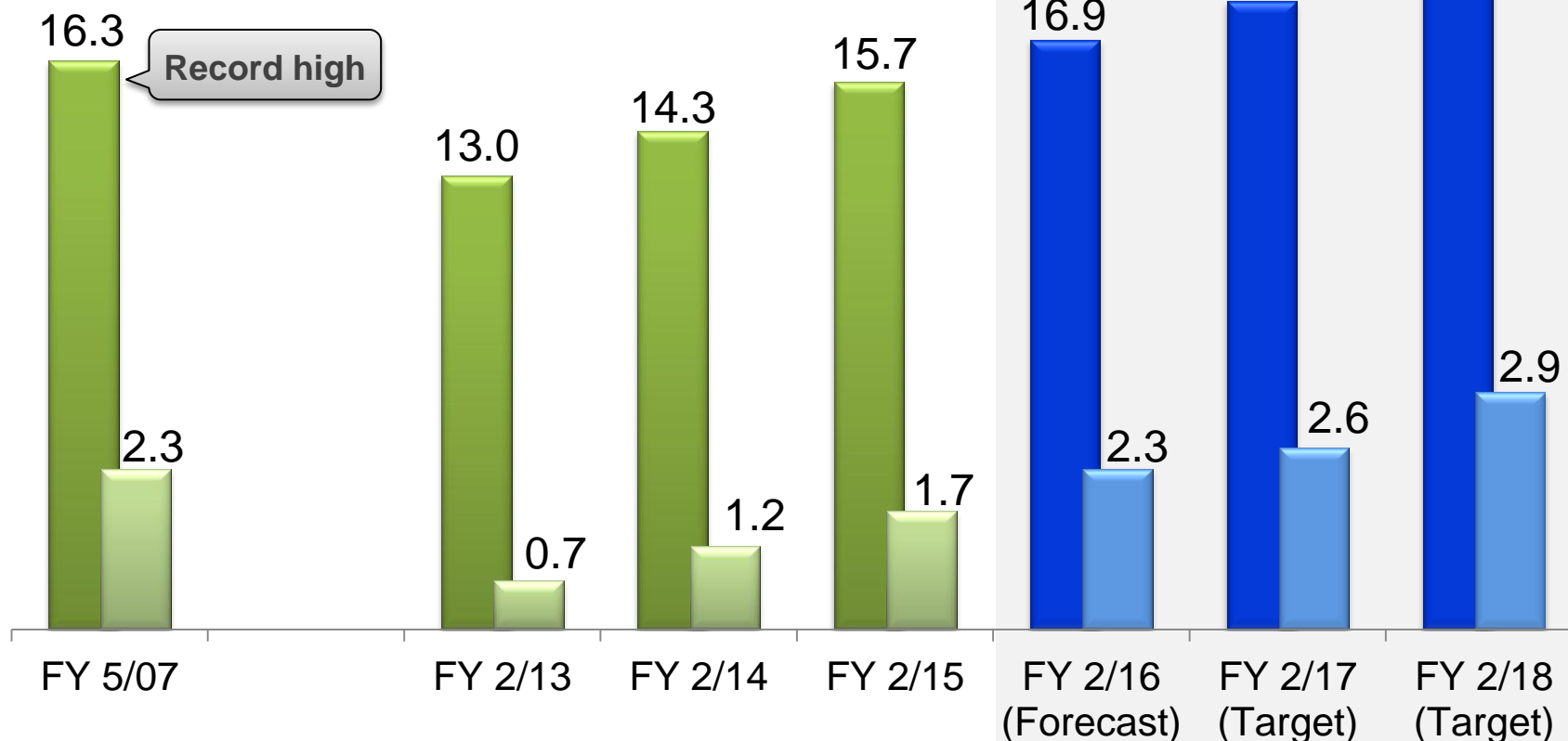
■ Net sales (left scale)

■ Operating income (right scale)

Dynamic Challenge 2017

Shining☆2015

Record high



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

Enhancement of Educational Capabilities

Recognition of measures to improve educational 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

Expanding 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

Proactively refurbish existing schools

- Conduct refurbishments to increase floor space, seating, etc., to adjust school size in line with the growth in the number of students

Conducted at 27 schools as of FY 2/16 3Q

Example

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

With the increase in the number of students at the existing Tsudanuma School (Tsudanuma Station north exit), we opened the Tsudanuma Minamiguchi School in June 2015 under the dominance strategy

Tsudanuma School (existing)	+12.1%
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2 Tsudanuma schools (total)	+45.4%
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All 225 schools	+8.2%
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Service Portfolio Expansion

Benesse Writing Classes to open 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 to begin 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)



Collaboration with Benesse to Increase Added Value

Trial initiatives to increase added value through Group collaboration

Direct marketing information about TIEI for current and former Shinkenzemi members

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

Promotes the Benesse Group's total support and accompaniment for third-year junior high school students, who are anxiously facing their first entrance exams, and their parents

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
- Winter-term course for first and second-year high school students attending TIEI
 - 4-Day Intensive Lesson in Listening and Speaking
 - Held at Meguro School and Kichijoji Ekimae School

Measures to Enhance Corporate Governance

Because of TIEI's February year-end, disclosure of a corporate governance report is required by November 2016. However, TIEI plans to move its submission period ahead to March 2016.

Response to the Corporate Governance Code (CGC)

Main Points of TIEI's Formulation of a Basic Policy on Corporate Governance

TIEI plans to formulate and disclose a basic policy covering not only the 11 specified items, but all 73 principles of the CGC.

- Strengthening the supervisory functions of the Board of Directors
- Use of independent outside directors
- Adoption of director nomination and remuneration committees

We aim to strengthen engagement by further enhancing dialogue with shareholders, investors and analysts in line with the CGC policies.

Financial Strategy

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	¥24 ¥16 regular dividend + ¥8 commemorative dividend	— Note: Dividends are set taking into account expected performance trends and investment strategy.	—

Sustained
growth

Strategic
investment

Improvement of
operating
efficiency

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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