

最期の、ありがとう。

葬儀
会館 **TEAR**
テ ィ ア

“The Last Thank You.” Bringing Grateful and Moving Funerals to all over Japan.

Aiming to be the Most Appreciated Funeral Company in Japan

February 2016



TEAR Corporation (2485 listed on TSE/NSE First Section)

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Company Profile





Everyone has various feelings toward the deceased. Loneliness that they don't see him/her again, regret that promises did not come true, sadness that they lost someone to depend on.

Good things, other things, many memories will rush through everyone's mind.

But, we, TEAR, believe.

That when remembering someone's life, a life that only happens once, there will be gratefulness that naturally arises for the deceased.

“Thank you.”

TEAR's mission is to hold funerals where all the mourners can surely send their last “Thank you” messages to the deceased.

For that purpose, TEAR starts by carefully listening to stories of the deceased from the bereaved. We think about when the deceased was alive, and we do our best to ensure the funeral follows the wishes of the bereaved, and provides a suitable end for the deceased.

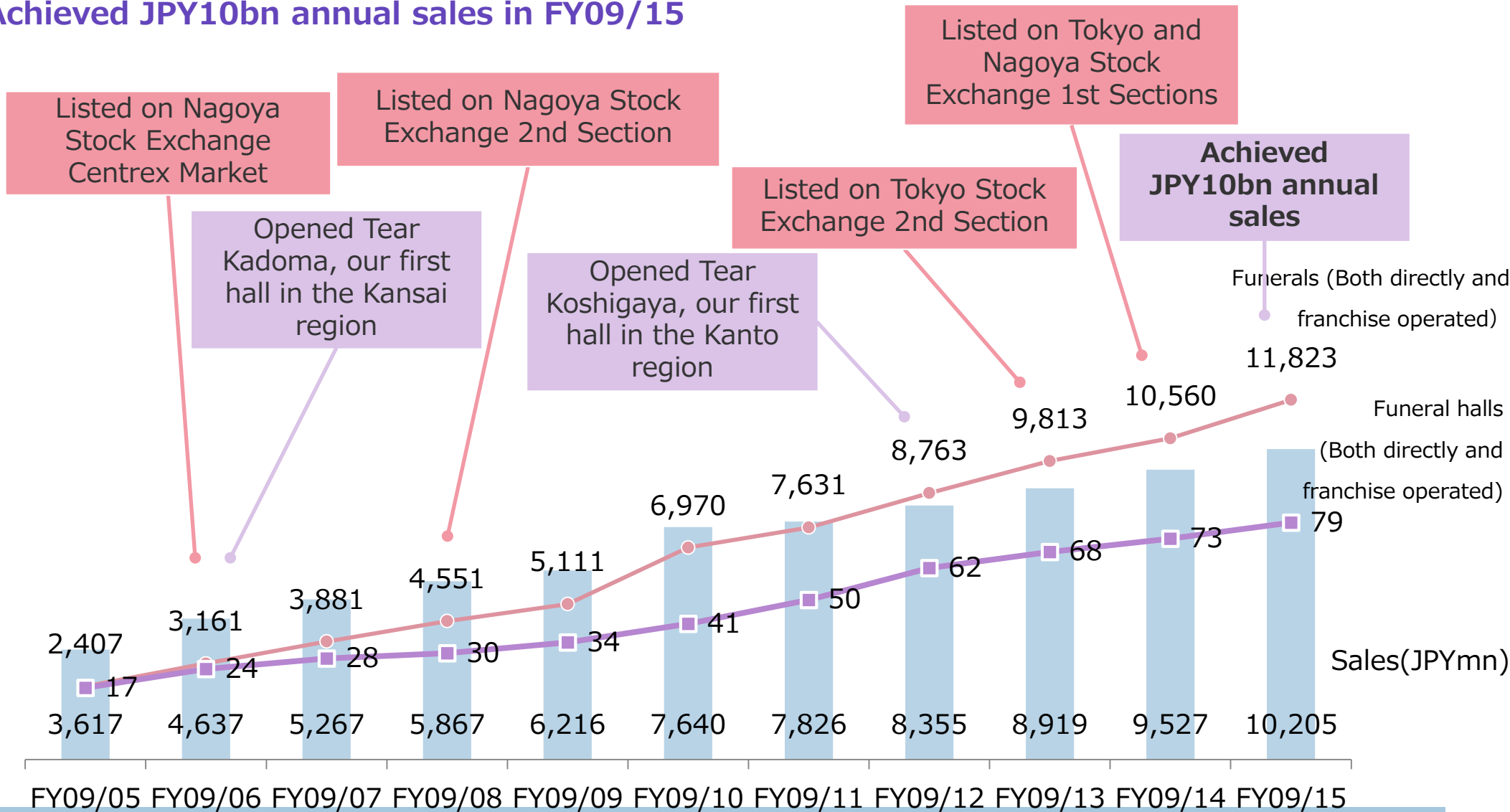
During the time of mourning, each one of TEAR's staff makes use of all the knowledge we have cultivated, and remembering the deceased from the bottom of our heart for the deceased, we hold each funeral so there is no regret.

Company Profile

Company Name	TEAR Corporation
Company President	Norihisa Tomiyasu
Head Office	3-35-1, Kurokawahondori, Kitaku, Nagoya city, Aichi, Japan
Capital	JPY1,159,794thousand (as of September 30, 2015)
Number of Employees	348 (as of September 30, 2015)
Number of Shares	20,167,200 (as of September 30, 2015)
Listed On	Tokyo Stock Exchange First Section Nagoya Stock Exchange First Section
Business	<ul style="list-style-type: none">• Providing a full range of funeral services including memorial services on important anniversaries.• Consulting with and aftercare for the bereaved• Operating both directly and franchise managed funeral halls in Chubu(central), Kanto(eastern), and Kansai(western) regions• Providing our funeral business operational skills to franchise companies.

Financial Trends and Topics

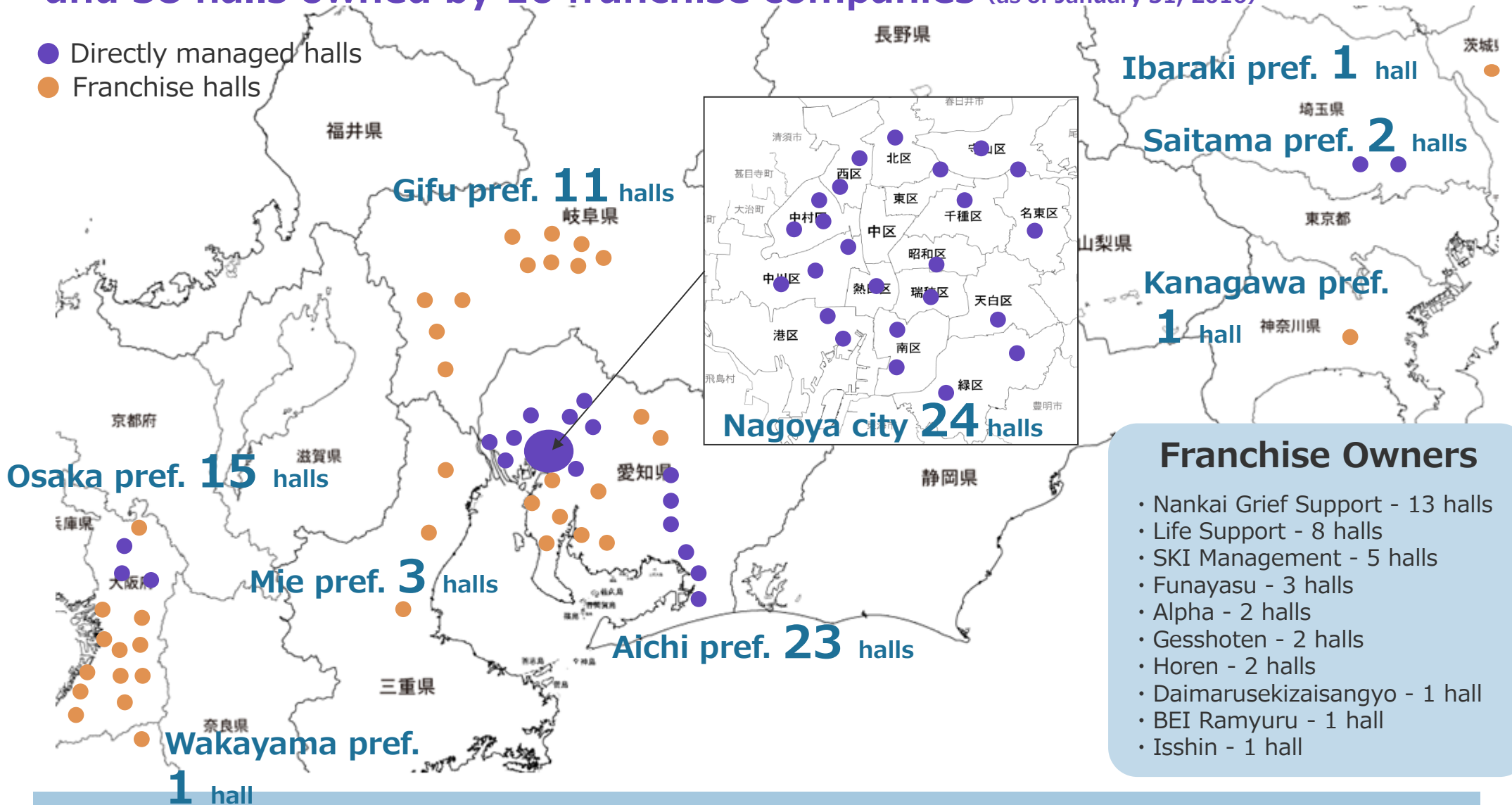
Listed on the Centrex Market, Nagoya Stock Exchange in 2006
 Listed on both Tokyo and Nagoya Stock Exchange First Sections in 2014
 Achieved JPY10bn annual sales in FY09/15



Funeral Hall "TEAR" Opening Areas

81 funeral halls in 8 prefectures including 43 directly managed halls, and 38 halls owned by 10 franchise companies (as of January 31, 2016)

- Directly managed halls
- Franchise halls



Franchise Owners

- Nankai Grief Support - 13 halls
- Life Support - 8 halls
- SKI Management - 5 halls
- Funayasu - 3 halls
- Alpha - 2 halls
- Gesshoten - 2 halls
- Horen - 2 halls
- Daimarusekizaisangyo - 1 hall
- BEI Ramyuru - 1 hall
- Isshin - 1 hall

TEAR's Strengths

As a rapidly growing funeral company, we draw much media attention

Opening many directly managed and franchise funeral halls

Through our dominant presence, we achieve efficient hall management and increase name recognition

As TEAR's brand recognition rises, our new halls quickly achieve profitability.

Service

- "Tear Academy"
- Strong staff training system

Price

- Transparent pricing
- "Tear Club"

Convenience

- "TEAR": funeral-only halls
- Dominant presence

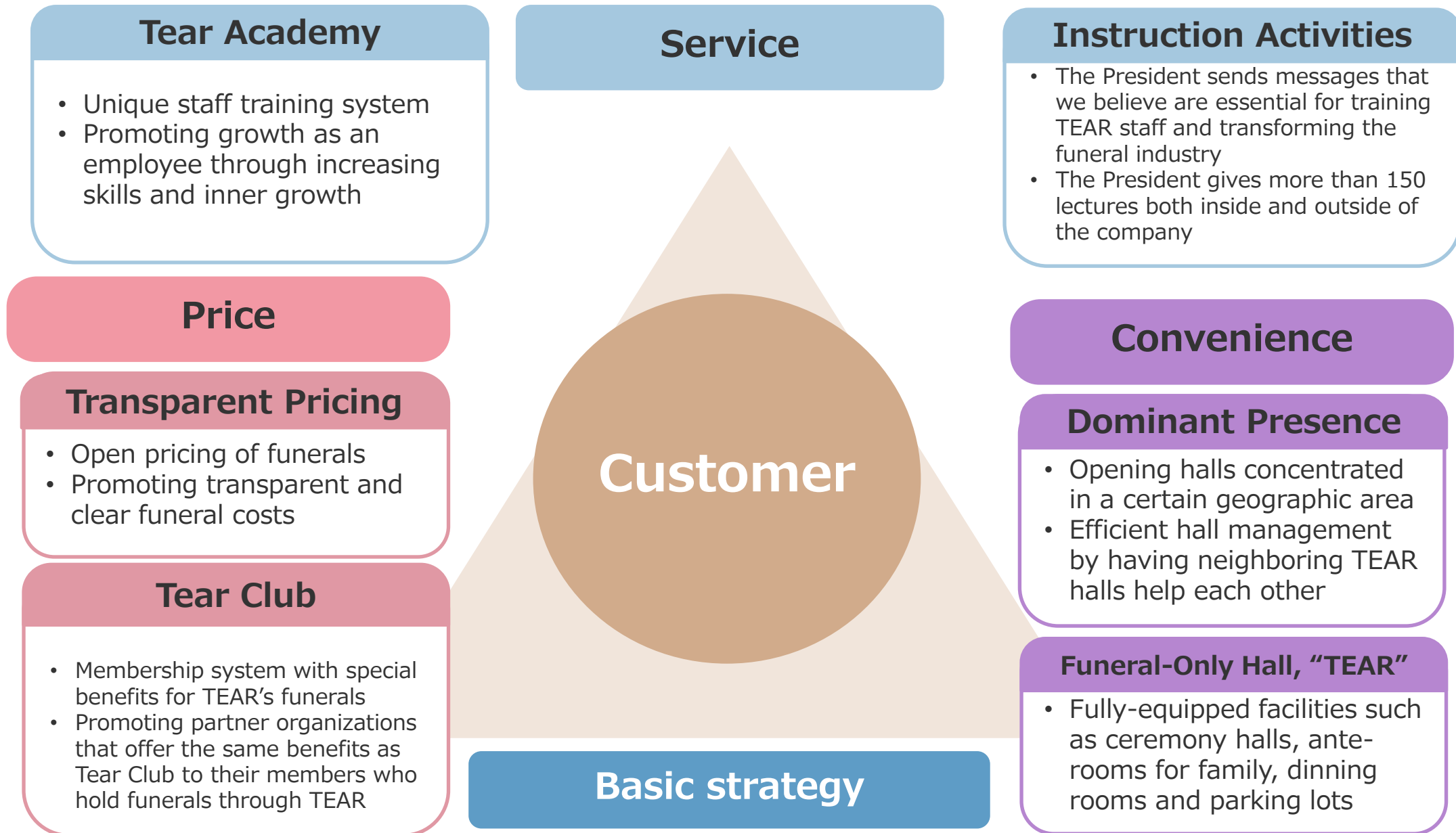
Sharing an enduring slogan with all staff

Through the staff training system, we share the enduring slogan with all TEAR staff

Our Strategy

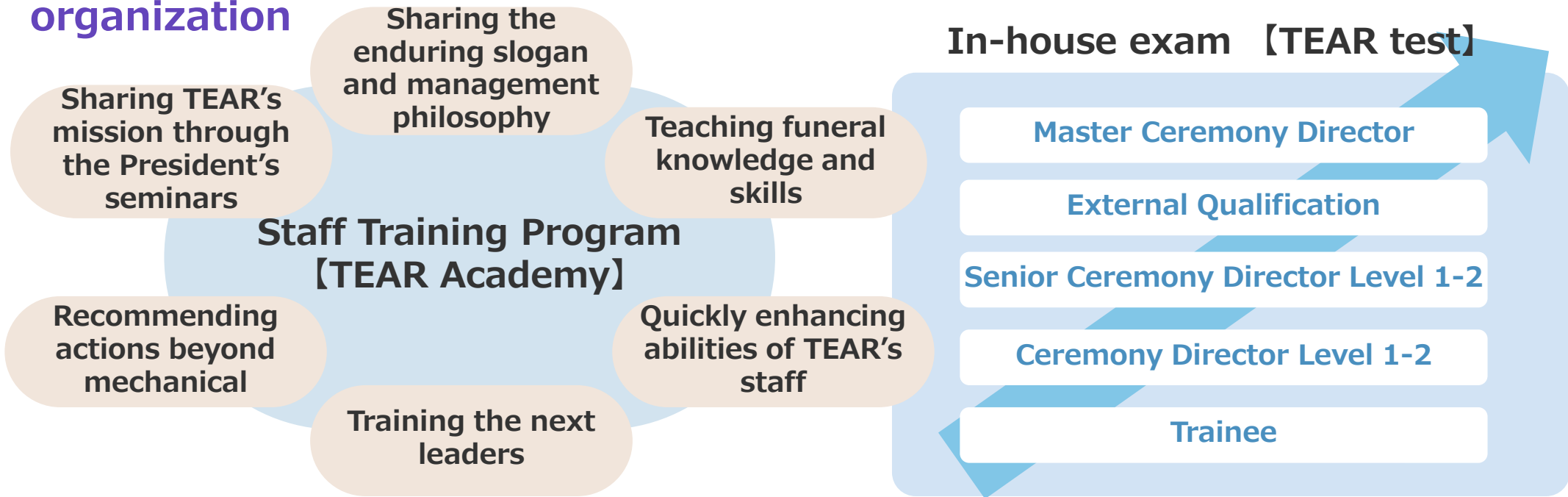


Basic Strategy

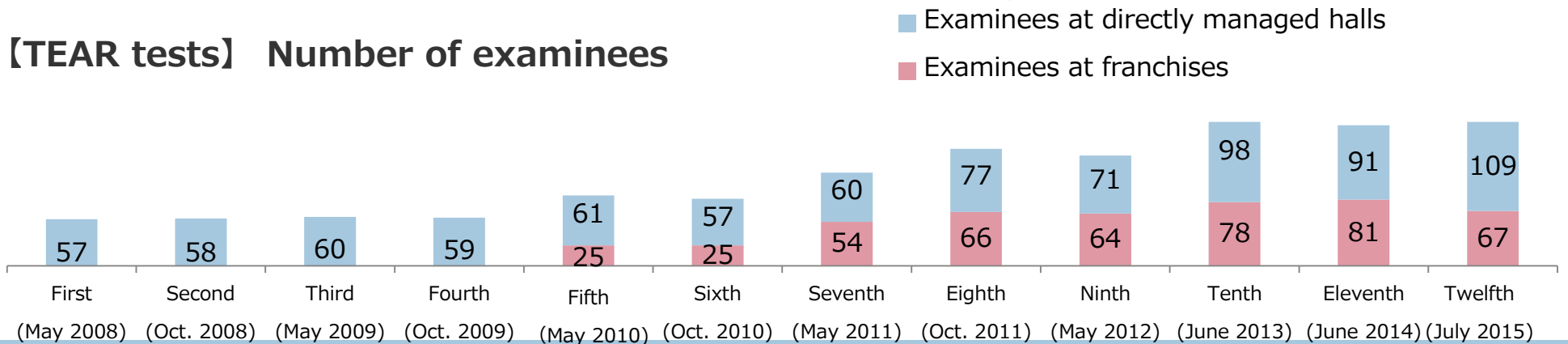


Service : Strong Staff Training System

Our unique staff training system promotes “inner growth” and “increasing skills,” and efficient staff training embodies strong organization



[TEAR tests] Number of examinees



Price : Transparent Funeral Pricing

The unique membership system "Tear Club" :Members receive special benefits on TEAR's funerals
 About 90 % of our customers are members or belong to partner organizations

1 Tear Club
263,233 members
 (As of September 30, 2015)

2 Partner Organizations
628

(As of September 30, 2015)
 ※Partner organizations: companies or organizations contracted to provide the same benefits as Tear Club to their members who hold funerals through TEAR.

3 Full range of discount services for members at 139 partner companies

(total **252** stores in Japan)
 (As of September 30, 2015)

※Members get discounts or special services at hotels, restaurants, shops, and other contracted leisure facilities.

Example of "Tear Club" funeral benefits (using the "Thank You Funeral 38" plan)

Non-member price	JPY678,200
Tear Club Gold Member price	JPY380,000
※Non-member price is including other funeral good expenses	

"Thank You Funeral 38" Altar **JPY380,000**



Basic funeral goods

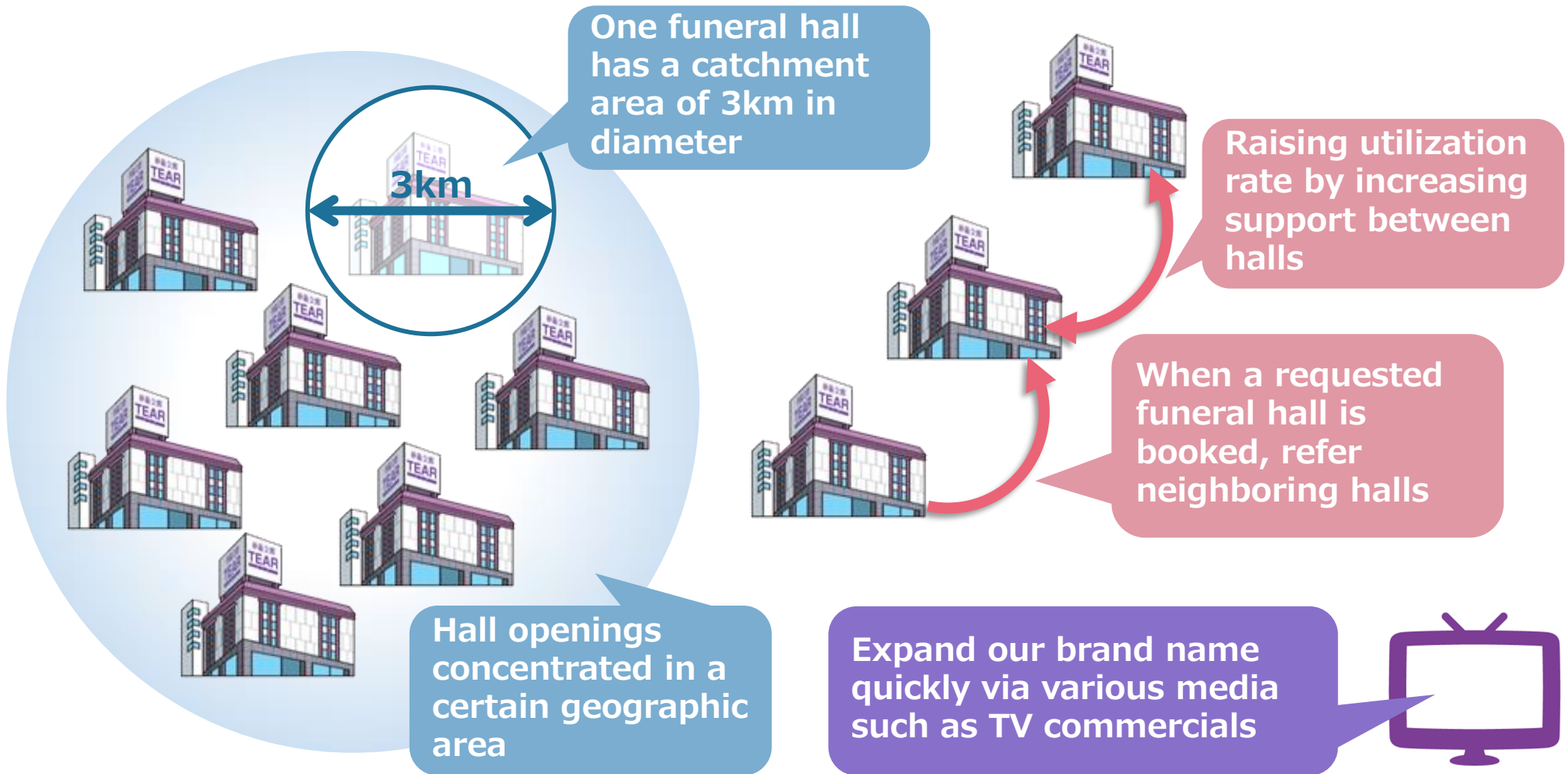
- Funeral hall use(two days)
- Delivery charges
- Futon for and photograph of the deceased
- Handouts in the hall
- Urn set
- Dry ice
- Hearse
- Coffin
- Service fees

Other expenses

- Thank you gifts, food, shuttle bus from the town to the hall

Convenience : Opening More Directly and Franchise Operated Halls

Opening directly and franchise managed halls to create a dominant presence
Reaching about 70% average utilization rate and increasing share in the catchment area



Trends and Outlook



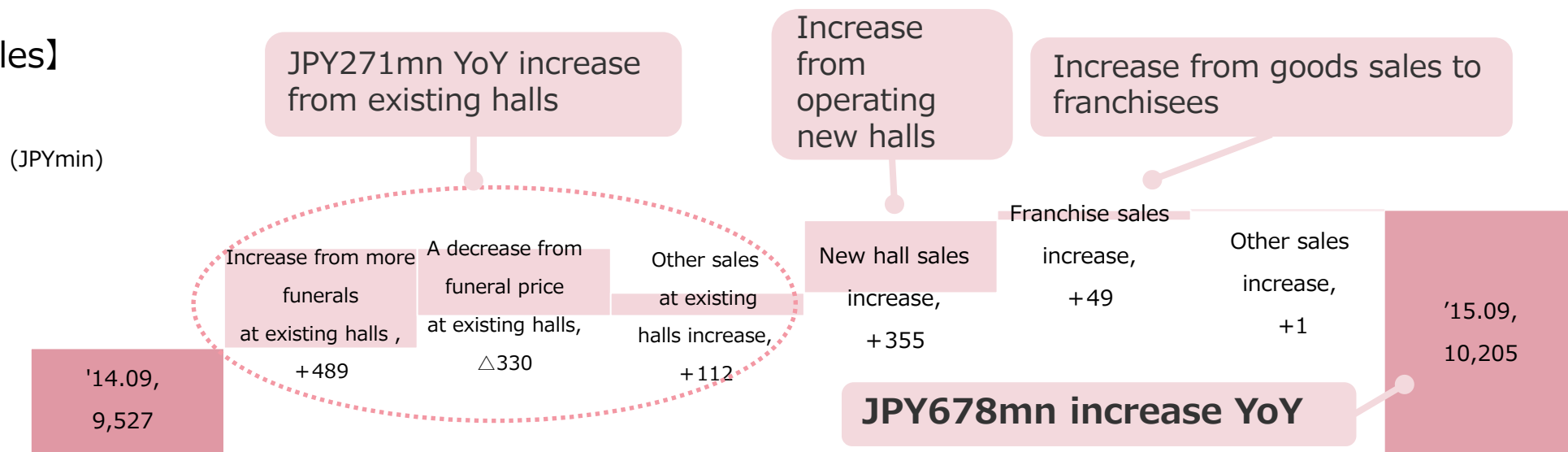
(JPYmn)	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	
					Results	YoY
Sales	7,826	8,355	8,919	9,527	10,205	+7.1
Operating Profit	735	869	939	992	1,077	+8.6
Recurring Profit	661	798	846	925	1,022	+10.5
Net Income	354	418	517	548	652	+19.0
EPS (JPY)(※1)	19.43	22.97	28.38	30.07	32.96	—
Funerals Held	6,021	6,417	6,862	7,301	8,019	+9.8
Average Funeral Price (JPY'000)	1,096	1,104	1,103	1,115	1,072	△3.8
ROE (%)	18.2	18.5	19.5	17.8	15.8	—

※1 : EPS is calculated according to the number of shares as of October 31, 2014.

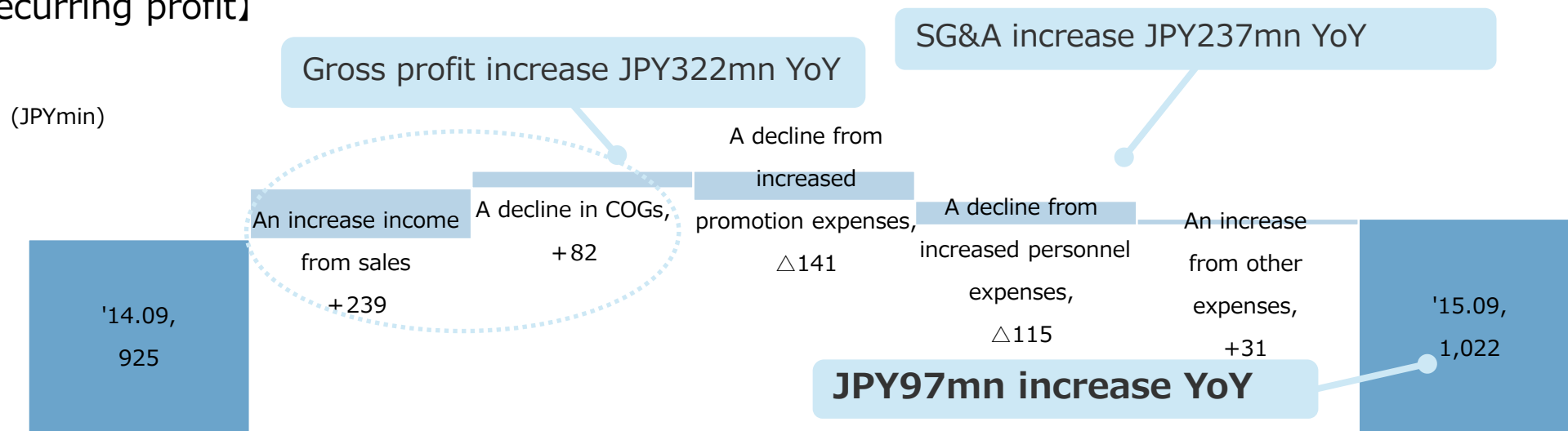
FY09/15: Analysis of Sales and Recurring Profit

Higher sales due to an increase in number of funerals at existing halls and start of new halls
Recurring profits up due to higher sales and lower COGS

【Sales】

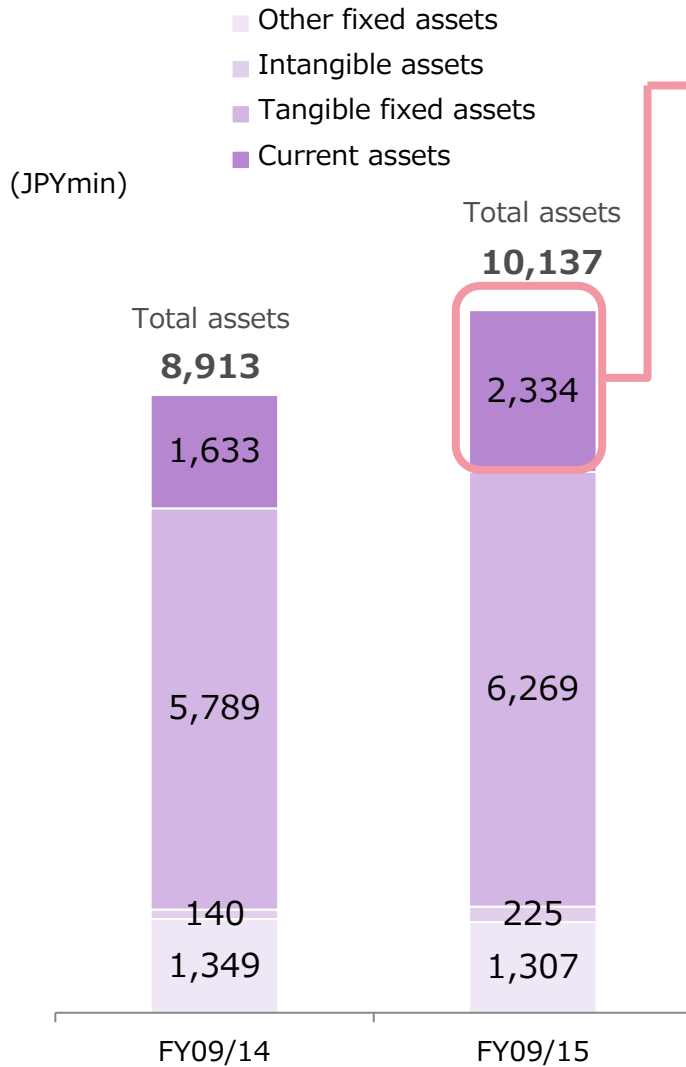


【Recurring profit】



FY09/15: Balance Sheet and Cash Flow

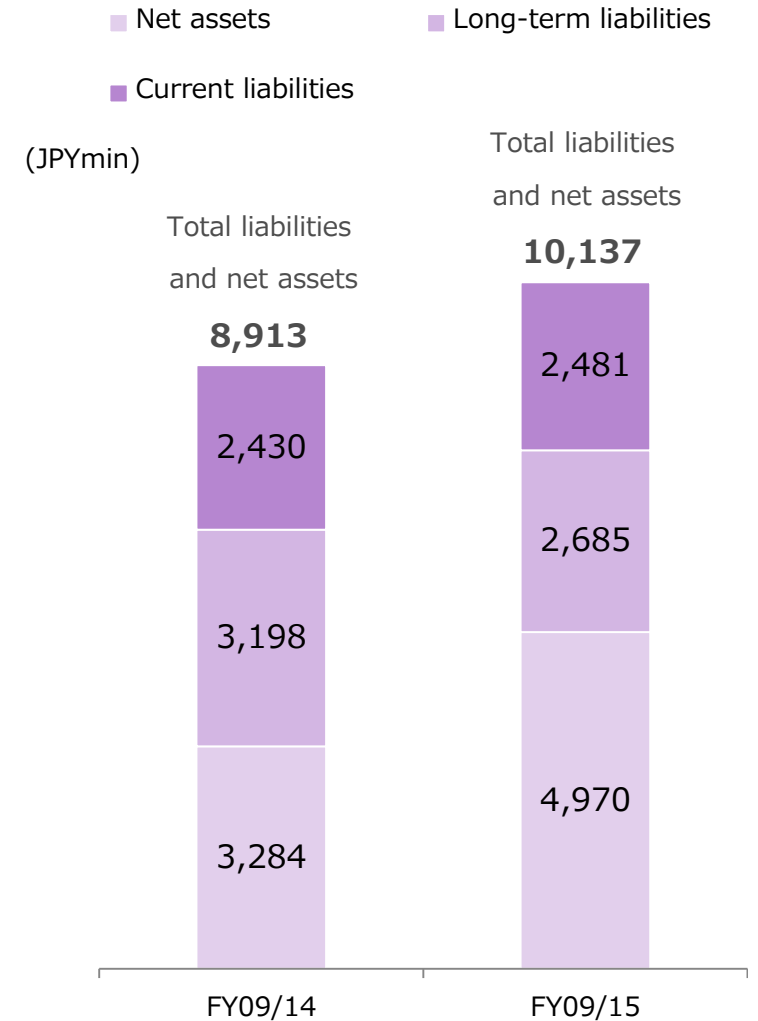
Assets



Cash Flow Statement

	(JPYmn)
Operating Cash Flow	1,177
Investment Cash Flow	△876
Financing Cash Flow	377
Total Cash Flow	679
Cash and Deposits	1,812

Liabilities and net assets



Outline of FY09/16 Full-year Outlook

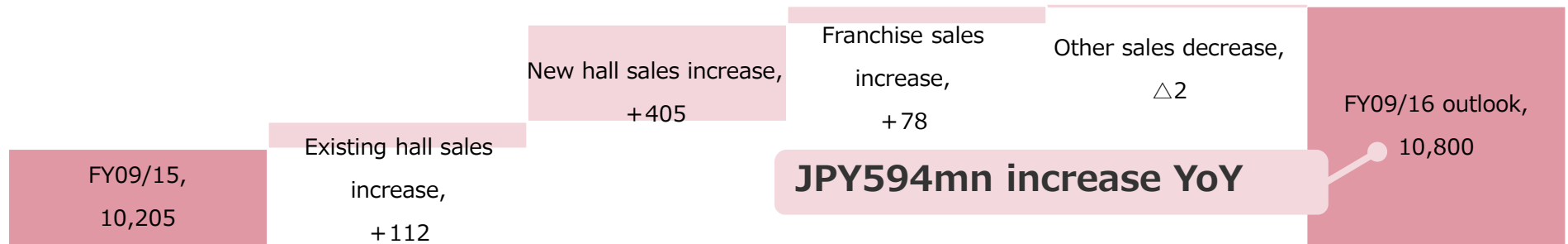
(JPYmn)	FY09/15 Results	FY09/16 Est.	YoY	
			Diff. (JPYmn)	Diff. (%)
Sales	10,205	10,800	+ 594	+ 5.8
Operating Profit	1,077	1,085	+ 7	+ 0.7
Recurring Profit	1,022	1,050	+ 27	+ 2.7
Net Income	652	690	+ 37	+ 5.8
EPS (JPY)	32.96	34.22	—	—
Dividend per Share (JPY)	6.00	6.00	—	—
Funerals Held	8,019	8,481	+ 462	+ 5.8
Average Funeral Prices (JPY'000)	1,072	1,073	+ 1	+ 0.1

FY09/16: Forecasts for Sales and Recurring Profit

We estimate an increase from sales at both existing and new halls
We expect SG&A expenses to increase due to a new backbone system,
and recurring profit to increase on higher sales

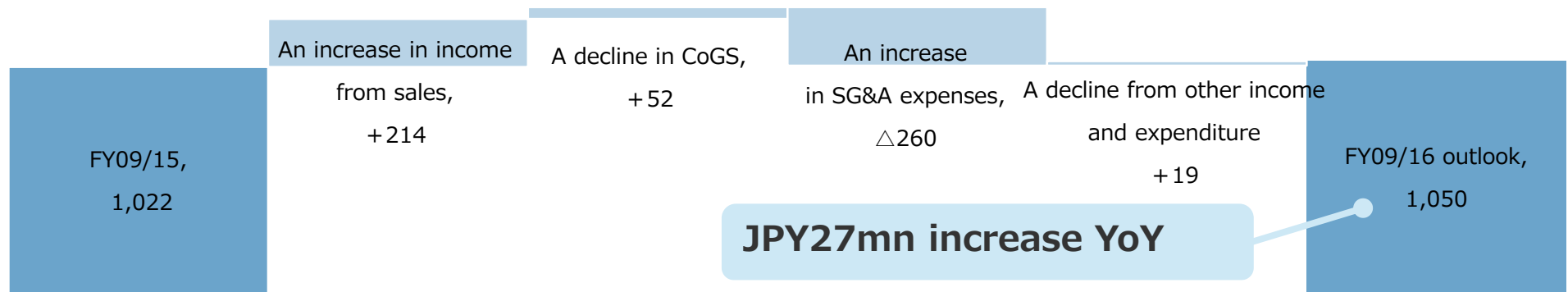
【Sales】

(JPYmin)



【Recurring profit】

(JPYmin)



Market Overview



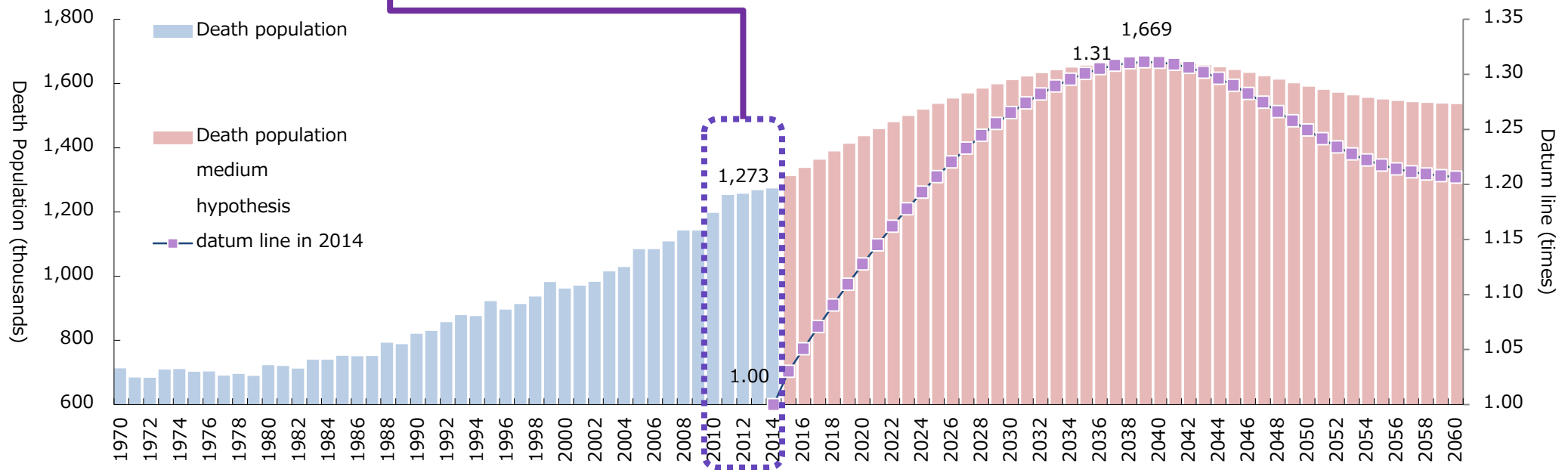
Demand Trends according to Demographic Changes

Demand for funeral services increases with the growing number of deaths, peaking in 2040 at 1.7mn(+30% versus 2014)

- Funeral business is **one of the few growth industries in Japan**

- **The number of deaths is estimated to grow until 2040, and at its peak demand for funerals will be plus 30% versus 2014**

[Number of deaths]



Source: Based on open data from “Ministry of Health, Labour and Welfare; Yearly Chart on Demographic Change” and “National Institute of Population and Social Security Research”

Changes in Japan's Funeral Industry



Creation of funeral industry

- Funeral companies generally just rented funeral-related goods
- Funerals held at home
- Funerals supported by neighborhood communities
- Emergence of mutual aid societies

Expanding roles of funeral companies

- More nuclear families and changes in living environment
- Weak relationships with neighborhood community
- Rising need for funeral-only halls
- Emergence and expansion of funeral halls

Diversification of funerals

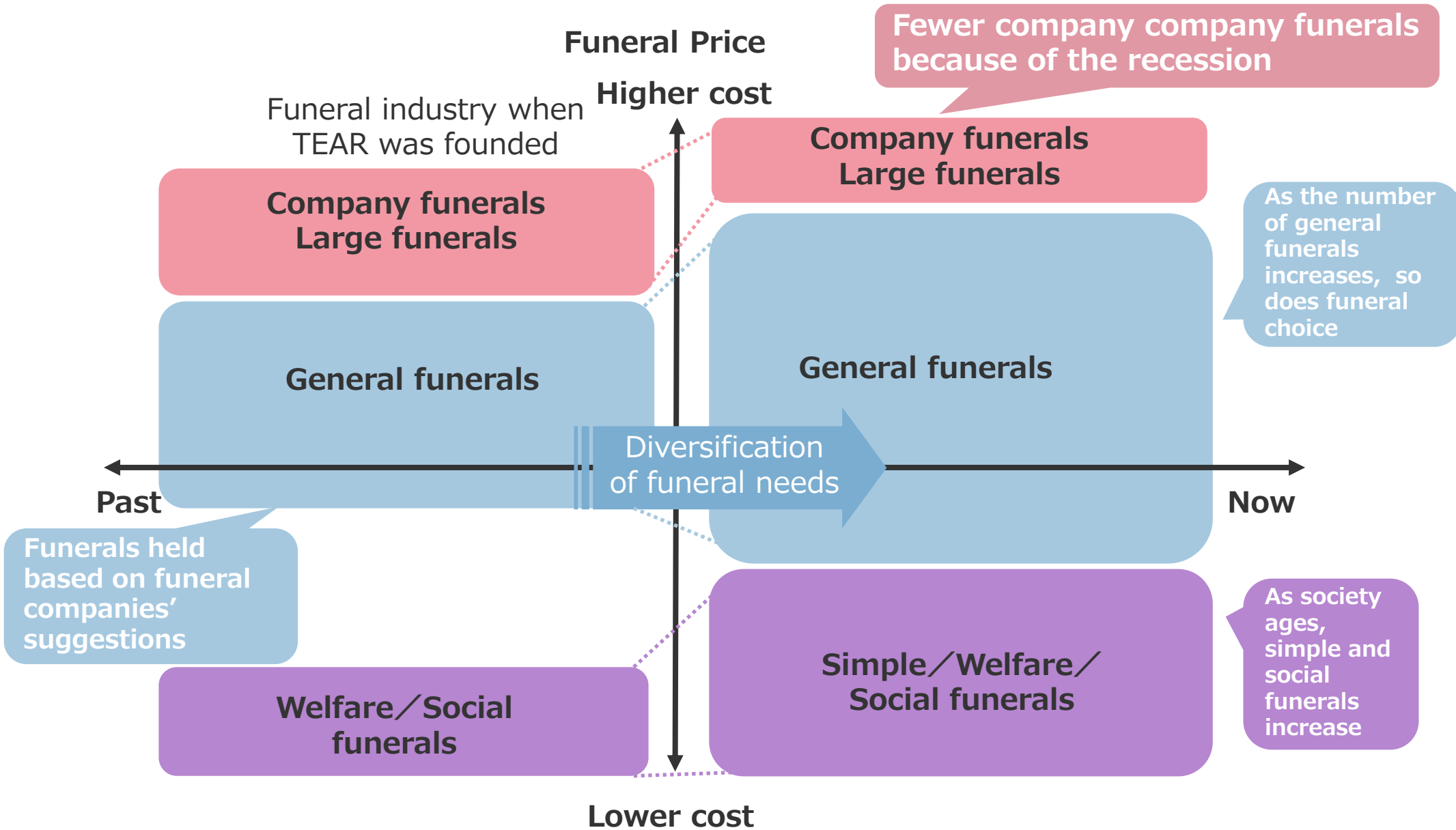
- Popularization of funerals held at funeral-only halls
- Emergence of planned funerals to meet individual preferences
- Unifying of mutual aid societies
- Emergence of listed funeral companies
- Emergence of many funeral-related services

Shrinking of funeral size

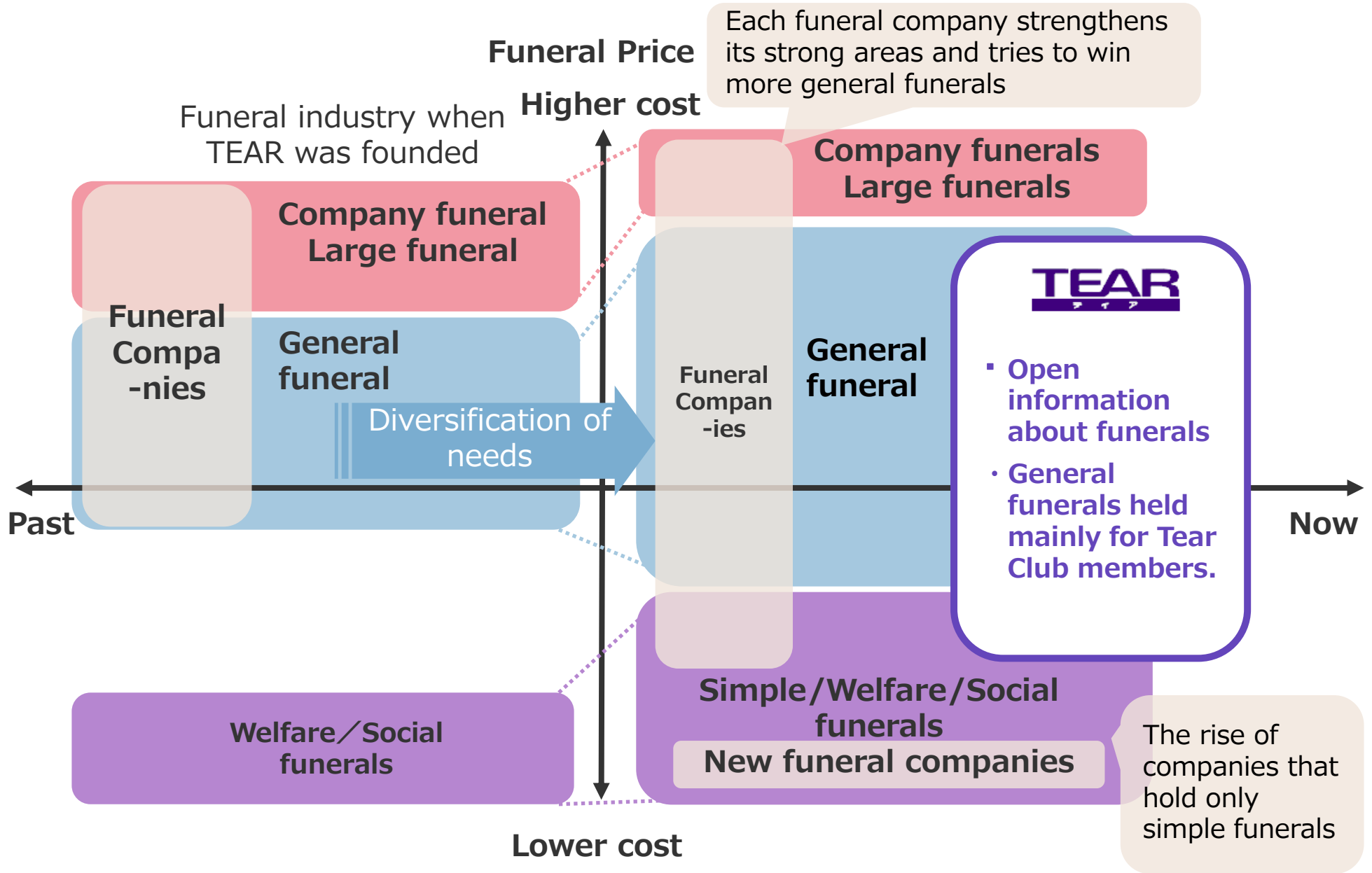
- Funerals held for the elderly by the elderly as society ages.
- Rise of companies offering simple/small funerals
- Other industry companies enter funeral business
- Activities to prepare for the end gathers attention of society

Source: Processed by TEAR, based on materials from Yano Research Institute Ltd.

Changes in Needs for Funeral Business



TEAR's Position in the Funeral Industry

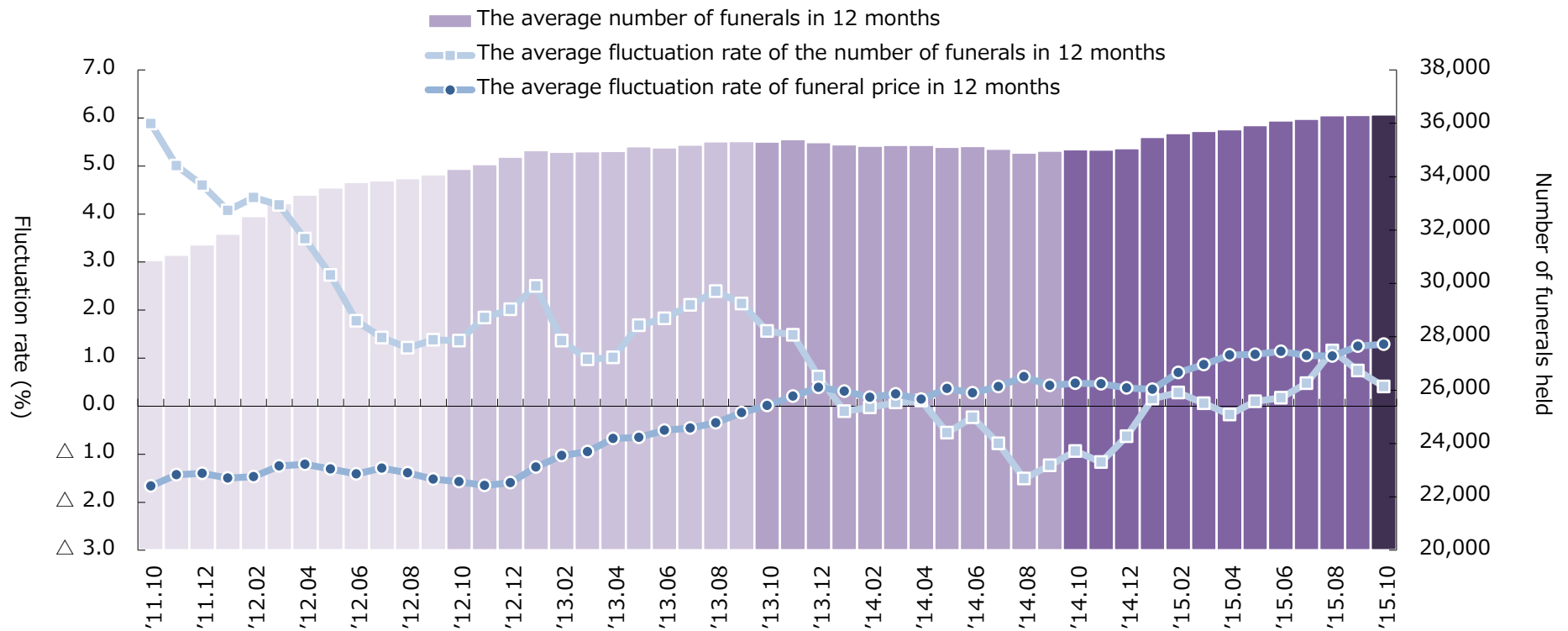


Trends in the Number of Funerals and Average Funeral Price

Number of funerals up +0.5%, funeral price up 1.3% to JPY1,435,000(Oct. 2015)

Number of funerals and average price	Sep. 2012	Sep. 2013	Sep. 2014	Sep. 2015	Oct. 2015
Number of funerals(YoY%)	+1.4	+2.1	△1.2	+0.7	+0.5
Funeral average price(YoY%)	△1.5	△0.1	+0.4	+1.3	+1.3
Funeral average price(JPY'000)	1,412	1,410	1,416	1,433	1,435

【Trends in the number of funerals held and funeral prices】



Source: TEAR's calculation based on METI's research on special service industry statistics survey / Year-on-year is calculated by 12 months change average

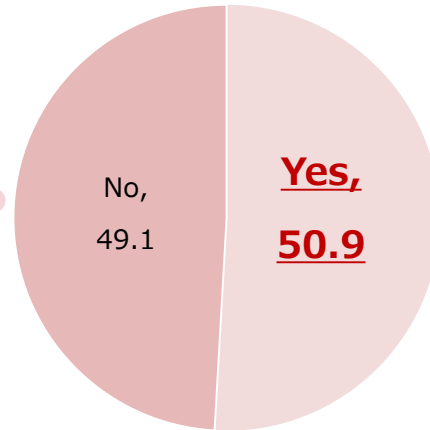
Research on People's Attitudes to Funerals

50.9% of people want a funeral after their death, 82.9% people want to have a funeral for their spouse

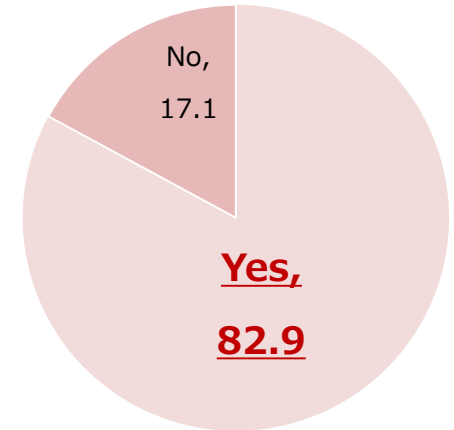
About 27% of people did not receive invitations to their close friends' funerals

Only about 10 % of people are preparing for their own funeral

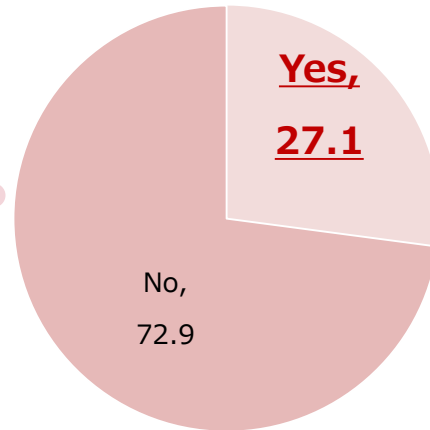
Q.1 "Do you want a funeral after your death?" Yes: 50.9%, No: 49.1%, the answers were split almost evenly.



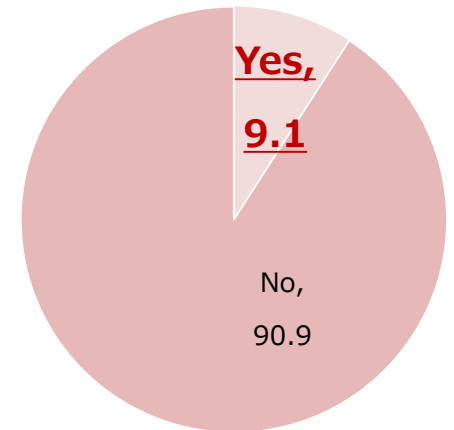
Q.2 "Do you want to have a funeral for your spouse after they pass away?" 82.9% said "Yes."



Q.3 "Have you ever not been invited to a close friend's funeral?" 27.1% replied "Yes." Many people did not get invitations to their close friends' funerals.



Q.4 "Are you preparing for your own funeral?" About 10% said "Yes." The most common preparation was an ending note.



Source : TEAR's online research on funerals for over 40-year-old people in Japan

Medium-term Management Plan



Background of the Medium-term Management Plan

To achieve our long-term target of 200 funeral halls, TEAR formulated a medium-term plan with the slogan, "TEAR, a unique brand"



※Considering recent trends and based on the certain assumptions, TEAR estimated the long-term sales target at the end of September 2012.

Outline of the Medium-term Management Plan

Aim to be a dominant presence in Japan! Train staff ! Build trust ! “TEAR, a unique brand”

【New】

3. Strategic development of products and M&A

Product strategy: Reducing the cost of sales ratio by diversifying procurement of TLC funeral goods, and conducting some funeral-related work in-house

M & A strategy: Developing an internal structure able to exploit M&A as a third growth driver

1. Opening funeral halls while growing profits and expanding the Franchise segment

Dominant presence strategy: Strengthening management base in central Japan to lay the groundwork for a dominant presence in Kanto and Kansai.

Franchise strategy: Operating in Kanagawa and Ibaraki as soon as possible and positioning the Pacific belt zone as an important area while promoting a proposal-based sales method to attract new clients in the area

【Existing】

4. Securing and developing human resources in view of the long-term

HR strategy: Recruiting based on the long-term plan, organizing human resource management, training Master Ceremony Directors who have in-depth knowledge about funerals

2. Enhancing sales measures according to industry changes and brand power

Sales strategy: Developing funeral-related services and improving usability of the customer service center, and refurbishing existing funeral halls as planned

Brand strategy: Continuing PR and IR activities to raise its name recognition and awareness nationwide

【Internal】

【External】

Hall Opening and Capital Investment Plan

	Act.	Medium-term Management Plan		
	FY09/15	FY09/16 Est.	FY09/17 Target	FY09/18 Target
Diff.	4	4	4	4
Directly Managed Halls	43	47	51	55
Diff.	2	4	4	4
Franchise Halls	36	40	44	48
Diff.	6	8	8	8
Number of Halls	79	87	95	103
Capital Investment (JPYmn)	915	1,130	900	900

【Breakdown of capital investment】

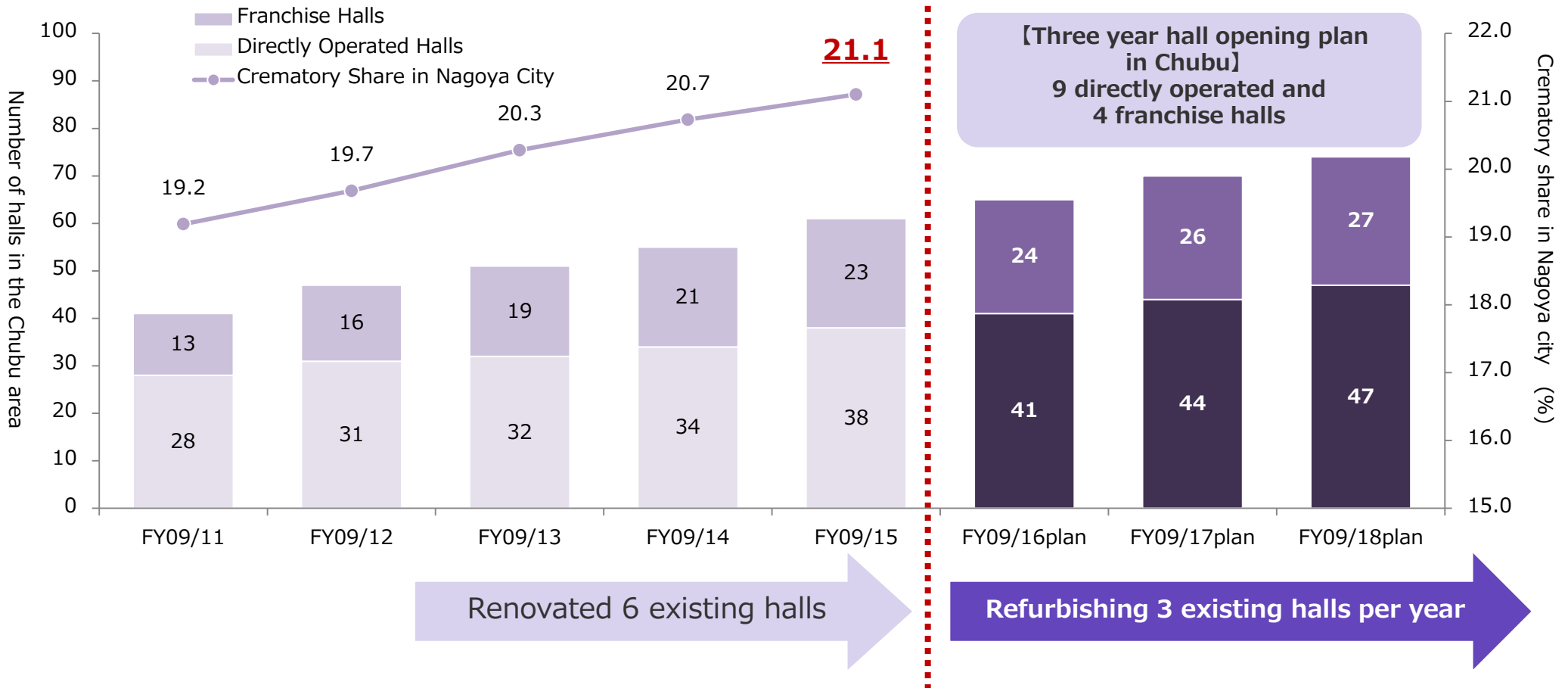
- FY09/16 forecasts
 JPY700mn for opening new halls/JPY324mn for refurbishment/JPY106mn for other
- Plans of FY09/17 and FY09/18
 JPY600mn for opening new halls/JPY234mn for refurbishment/JPY66mn for other

The Chubu (Central) Region Overview and Expansion

**61 directly and franchisee managed halls in Chubu. Crematory share in Nagoya city is 21.1%.
 TEAR plans to open 3 more directly managed halls and 1 or 2 more franchise halls**

【Halls in the Chubu area and crematory share】

※Crematory share in Nagoya city is based on TEAR research



The Kanto (Eastern) Region Overview and Expansion

By actively promoting business activities, Tear Koshigaya achieved profitability in FY09/15
 Planning to open our third hall in Kanto and considering opening a new hall in a new format

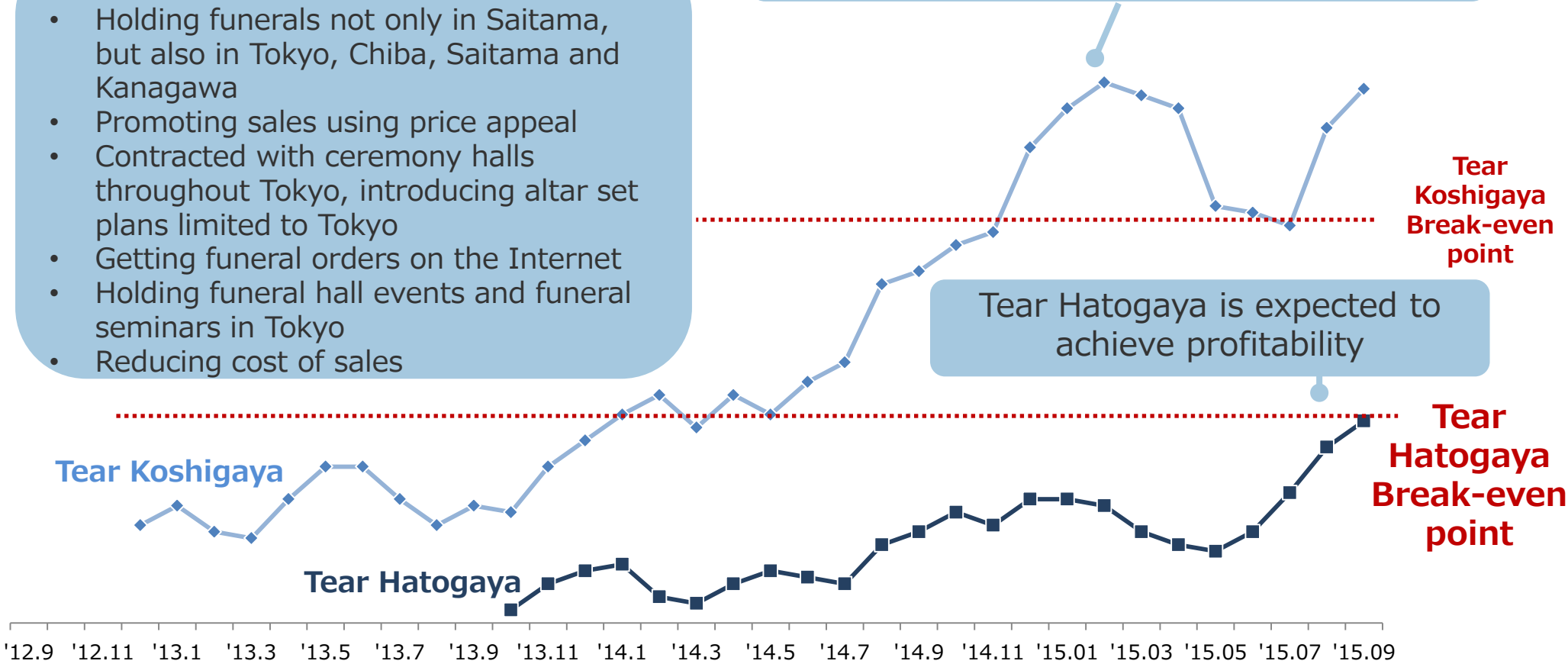
【Funerals held by TEAR in the Kanto region】

【Main Sales Measures】

- Holding funerals not only in Saitama, but also in Tokyo, Chiba, Saitama and Kanagawa
- Promoting sales using price appeal
- Contracted with ceremony halls throughout Tokyo, introducing altar set plans limited to Tokyo
- Getting funeral orders on the Internet
- Holding funeral hall events and funeral seminars in Tokyo
- Reducing cost of sales

Tear Koshigaya achieved profitability in FY09/15

Number of funerals (Three month change average)



Tear Hatogaya is expected to achieve profitability

Tear Koshigaya Break-even point

Tear Hatogaya Break-even point

Franchise Segment Overview and Expansion

Contracts with two new franchisees, expanding our halls to Kanagawa and Ibaraki prefectures. We position the Pacific belt zone as an important area for sales, and promote a proposal-based sales method to attract new potential franchisees in the area

Life Support 8 halls
(Nursing care service)
Funayasu 3 halls
(Wedding and catering)

Isshin 1 hall
(Nursing care service)
(Opened in January 2016)

Ibaraki pref.

BEI Ramyuru 1 hall
(Apparel)
(Opened in November 2015)

Nankai Grief Support 13 halls
(Subsidiary Nankai Electric Railway)

Kanagawa pref.

Aichi pref.

SKI Management 5 halls
(Cell phone agency)

Gesshoten 2 halls
(Gas station)

Horen 2 halls
(Temporary staff agency)

Daimarusekizaisangyo 1 hall
(Stone sales)

Osaka pref.
Wakayama pref.

Mie pref.

Alpha 2 halls
(Security service)

The Medium-term Management Plan Targets

	Record	Medium-term Management Plan		
	FY09/15 Act.	FY09/16 Est.	FY09/17 Target	FY09/18 Target
Funerals Held	8,019	8,481	9,000	9,564
YoY (%)	9.8	5.8	6.1	6.3
Sales (JPYmn)	10,205	10,800	11,470	12,190
YoY (%)	7.1	5.8	6.2	6.3
Operating Profit (JPYmn)	1,077	1,085	1,160	1,230
YoY (%)	8.6	0.7	6.9	6.0
Recurring Profit (JPYmn)	1,022	1,050	1,120	1,200
YoY (%)	10.5	2.7	6.7	7.1
Net Income (JPYmn)	652	690	740	790
YoY (%)	19.0	5.8	7.2	6.8

Shareholder Returns

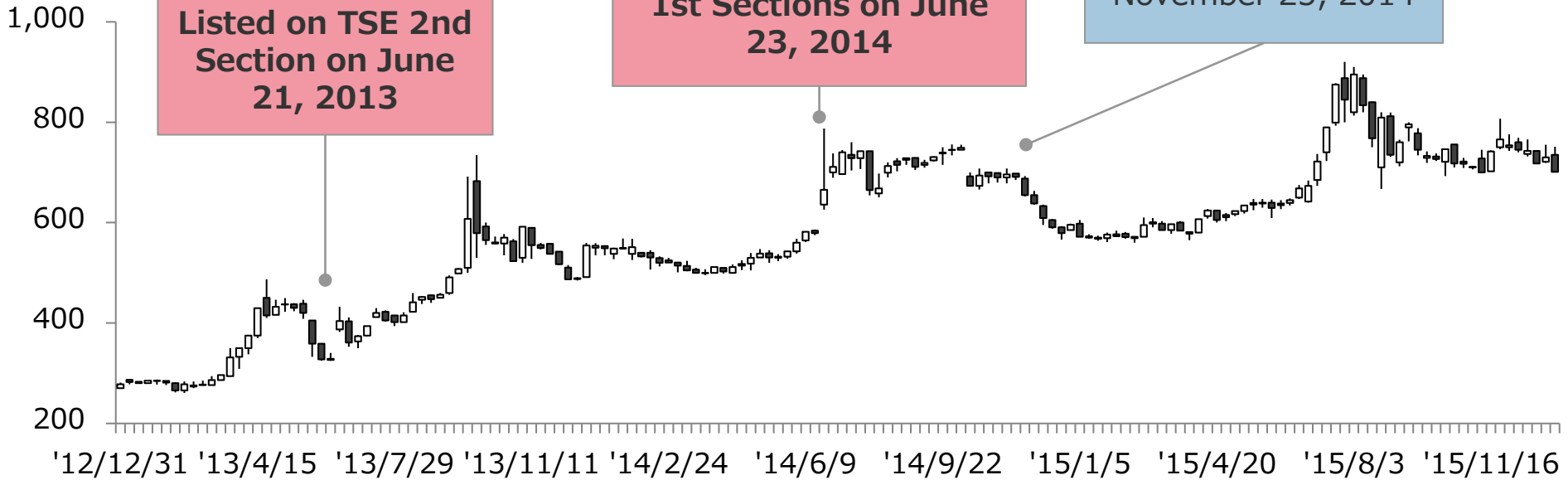


Share Price Trends

【Share Price Trends】

(Weekly: December 31, 2012 to January 8, 2016)

Share price (JPY)



【Key Data (Tokyo Stock Exchange 1st Section)】

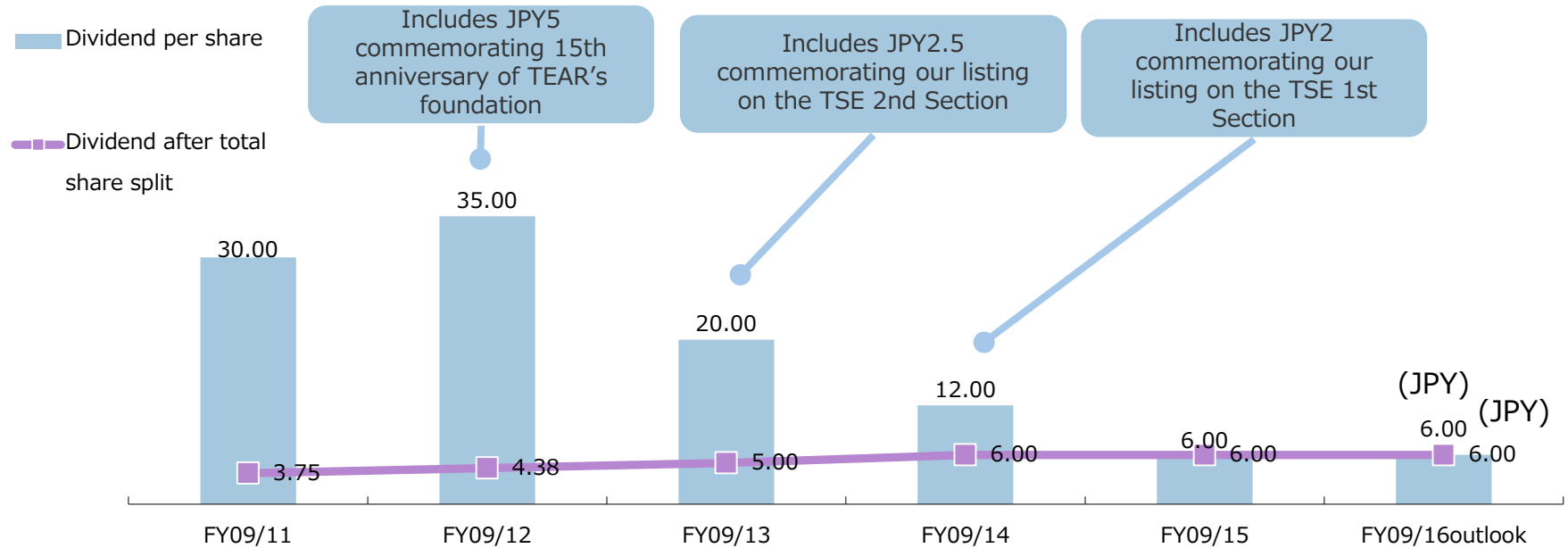
Highest Share Price in 2015 (July 27, 2015)	JPY920	Dividend Payment (FY09/16 estimate)	JPY6.00	Number of Shares	20,167,200
Lowest Share Price in 2015 (February 19, 2015)	JPY560	Dividend Yield (FY09/16 estimate) (Share price on November 2, 2015)	0.85%	Share Unit	100

※The share price is after the share split on October 1, 2014.

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Shareholder Return Policy

【Dividend Policy】 Our dividend policy is to give shareholders stable dividends each year, and we plan to boost shareholder returns through higher dividends when profits increase



【Shareholder benefit program】 We give rice to our shareholders enrolled as of the end of September



Number of shares held	Rice(once a year)
100 to less than 1,000 shares	3kg
1,000 to less than 3,000 shares	5kg
3,000 shares	10kg

Summary



- 1** TEAR was founded in 1997 with the aim of becoming the most appreciated funeral company in Japan. Our basic management strategy is "Service," "Price," and "Convenience." We are expanding the number of directly and franchisee managed funeral halls, and have established a strong management base in the Chubu (central) region in Japan.
- 2** Given the environment of growing demand for funerals, we have sustained profit growth, while in the phase of accelerating the pace of opening new halls and renovating old halls to achieve our long-term targets, "200 halls and sales of JPY 16.5bn."
- 3** We plan to reinforce our financial base by opening more halls in the Chubu region, aiming for a dominant presence in the Kanto region which is our new growth driver.
- 4** Our dividend policy is to give shareholders stable dividends each year, and we plan to boost shareholder returns through higher dividends when profits increase. We also give rice to our shareholders as part of our shareholder benefit program according to the number of shares owned.

Disclosure Policy

TEAR Corporation (hereinafter called “our company”) will swiftly provide shareholders and investors with information, while emphasizing transparency, fairness, and consistency. Our company will disclose information in accordance with the timely disclosure regulations specified by the Financial Instruments and Exchange Act and Tokyo Stock Exchange, and timely and proactively release the information that can be considered by our company as effective for facilitating the understanding of our company.

Method for disclosing information

Information will be disclosed through the timely disclosure network (TDnet) managed by Tokyo Stock Exchange, pursuant to the timely disclosure regulations. The released information will be quickly uploaded to the IR homepage of our company in principle. Information that is not subject to the timely disclosure regulations will be also released through documents and the IR homepage, so that the information will reach investors accurately and equally.

About future outlook

In addition to the earning forecasts submitted to Tokyo Stock Exchange in which our company is listed, our business forecast may be released in other ways. Our news release, Q&A sessions during results briefings, and analyst meetings, etc. may include our plans, outlooks, and strategies, etc. Such information is judged by the executives of our company as reasonable based on the available information, and includes risks and uncertainties. Please keep in mind that actual performance may differ significantly from estimates due to various factors.

About the silence period

In order to prevent the leakage of important corporation information and to secure fairness, our company in principle specifies the two weeks until the release of financial results as a silence period. In this period, our company refrains from answering questions regarding our financial information and giving related comments, except the case where there emerges future-related information and important facts that would influence investment judgments considerably.

[IR Contact]

TEAR Corporation

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Management Planning Division

Tsuji/Oshita

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