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■ Rapid growth of new businesses to be reflected in next medium-term plan

In the first three quarters of the fiscal year through August 2013, i.e., in September 2012-May 2013 (Q1-3 FY8/13), Meiko Network Japan's consolidated sales rose 4.4% year-on-year (YOY) to ¥10,672mn, while its recurring profit grew 5.2% YOY to ¥2,348mn. The sales growth was primarily attributable to new businesses, such as Meiko Soccer Schools, and to the contribution of Youdec Co., which became a fully consolidated subsidiary at the end of July 2012. Profit growth was led by Meiko Gijuku directly operated schools. At the end of Q3 FY8/13, 2,097 Meiko Gijuku schools were in operation, combining directly operated schools and franchised schools. This was 22 more schools than had been in operation at the end of FY8/12. This pace of growth in the number of Meiko Gijuku schools is somewhat slower than the pace of growth over recent years, but new businesses have expanded briskly.

In Q1-3 FY8/13, Meiko Network Japan recorded 67% of the sales the company has forecast for the entire fiscal year and 60% of the recurring profit. In the four fiscal years through FY8/12, on average, the company generated 70% of the company's forecasted sales in the first three quarters of the fiscal year and 60% of the recurring profit. By comparison, sales in Q1-3 FY8/13 lagged behind those in the previous four fiscal years. However, the company plans to compensate for this lag by strengthening its sales of summer courses.

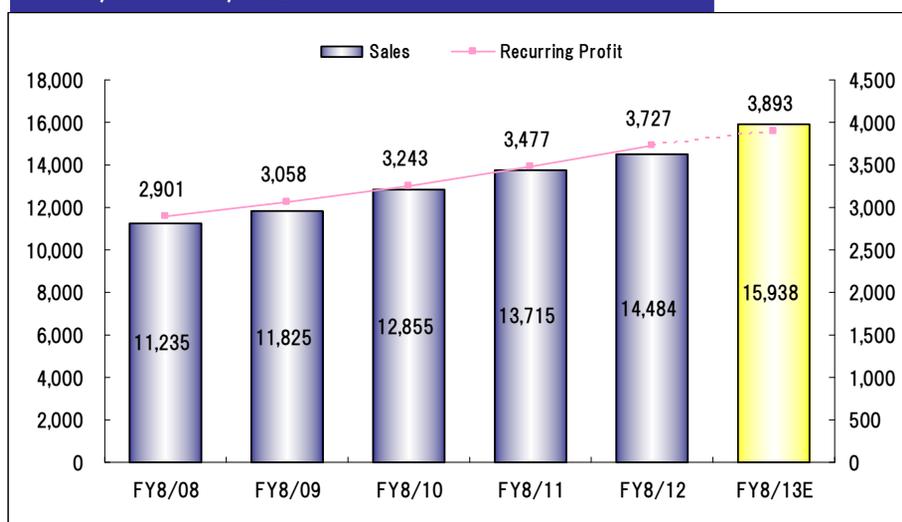
As the number of children in Japan continues to decline, the company foresees greater competition in private educational services, but by promoting its approach to education, embodied in the slogan, "Meiko Style! Independent Study", it intends to continue to increase the number of its Meiko Gijuku schools and the number of students at these schools. Among the new businesses the company has nurtured in recent years, Meiko Soccer Schools and Waseda Academy Kobetsu Schools are expected to contribute to profits soon. With a stronger profit base, the company will probably continue to increase its profits.

The company plans to announce its FY8/13 results and its new medium-term plan on October 11, 2013. The new medium-term plan should detail the company's strategy for expansion.

■ Check Points

- In Q1-3 FY8/13, sales and profits hit record highs for the first three quarters of a fiscal year
- Company should benefit over the medium term from stricter educational standards and from a new tax break for education
- The total return to shareholders exceeds 4%, and company regularly raises its dividend per share

Consolidated Sales and Recurring Profit (¥mn), FY 8/08 - FY8/13E



Business Trends

Record-high Q1-3 sales and profits

(1) Results in Q1-3 FY8/13

As the company announced on July 9, 2013, in Q1-3 FY8/13, its sales grew by 4.4% YOY to ¥10,672mn, its operating profit increased by 4.6% YOY to ¥2,197mn, its recurring profit advanced by 5.2% YOY to ¥2,348mn, and its net profit rose by 14.6% YOY to ¥1,414mn. Thus, sales and profits reached record highs for the first three quarters of a fiscal year.

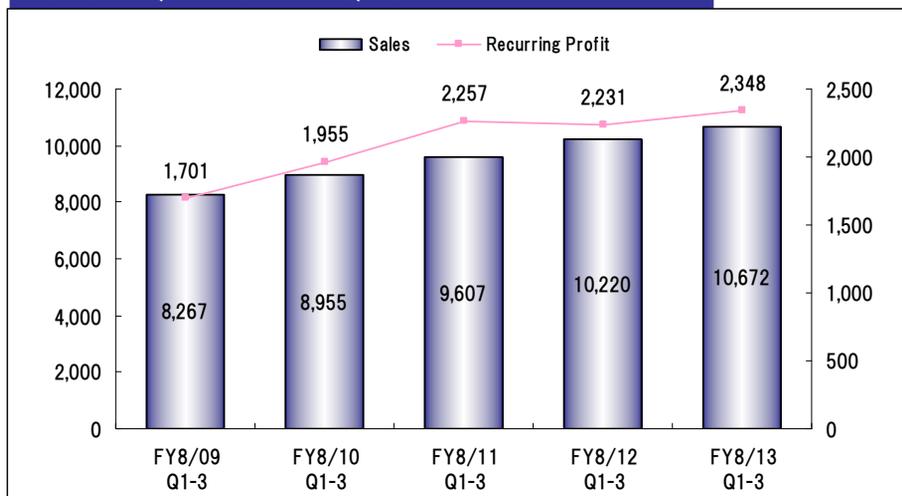
Other businesses were primarily responsible for the sales growth. Of these businesses, newly consolidated subsidiary Youdec Co. contributed about ¥475mn of sales, including ¥40mn of sales to other businesses of Meiko Network Japan, while Meiko Soccer Schools, Waseda Academy Kobetsu Schools, Meiko Kids, Mirai Kids Clubs, etc. raised their sales by about 80% YOY. Youdec Co. publishes the Gakuan magazine, which conveys information about the content of entrance examinations for junior high schools and high schools, sells educational materials to students of private schools, and offers private instruction to students at their schools. It was made a fully consolidated subsidiary at the end of July 2012. Tokyo Ishin Gakuin (Tokyo Medical School Preparatory Institute) also increased its sales. Meiko Gijuku directly operated schools were the main contributor to profit growth.

Consolidated Sales and Operating Profit (¥mn) by Business, Q1-3 FY8/12 & Q1-3 FY8/13

	FY8/12 Q1-3	FY8/13 Q1-3	Absolute change YOY	% change YOY
Sales				
Meiko Gijuku directly operated schools	4,771	4,706	-65	-1.4%
Meiko Gijuku franchised schools	4,875	4,811	-63	-1.3%
Supplemental education	377	410	33	8.8%
Other businesses	196	743	547	279.1%
Total sales	10,220	10,672	452	4.4%
Operating profit				
Meiko Gijuku directly operated schools	733	805	71	9.8%
Meiko Gijuku franchised schools	2,311	2,296	-14	-0.6%
Supplemental education	-35	-3	-	-
Other businesses	-101	-143	-	-
Company-wide operating costs, goodwill expense, etc.	-807	-757	-	-
Total operating profit	2,100	2,197	96	4.6%



Business Trends

Consolidated Sales and Recurring Profit (¥mn),
Q1-3 FY8/09 - Q1-3 FY8/13

The cost of goods sold ratio rose by 0.4ppt YOY to 61.3% because the costs of personnel and educational materials rose when Youdec Co. was made a subsidiary. However, the SGA cost ratio declined by 0.4ppt to 18.1% because the number of Meiko Gijuku directly operated schools decreased, reducing the costs of operating such schools, and because only seven directly operated schools were renovated or relocated in Q1-3 FY8/13, compared with 50 in Q1-3 FY8/12, greatly cutting costs, mainly advertising cost. The operating profit margin remained unchanged YOY at 20.6%.

Summary Consolidated Income Statement (¥mn),
Q1-3 FY8/12 & Q1-3 FY8/13

	FY8/12 Q1-3	FY8/13 Q1-3	Absolute change YOY	% change YOY
Sales	10,220	10,672	452	4.4%
Cost of goods sold	6,225	6,546	321	5.2%
Cost of goods sold ratio	60.9%	61.3%		+0.4pt
SGA cost	1,894	1,928	33	1.8%
SGA cost ratio	18.5%	18.1%		-0.4pt
Operating profit	2,100	2,197	96	4.6%
Operating profit margin	20.6%	20.6%		+0.0pt
Recurring profit	2,231	2,348	116	5.2%
Recurring profit margin	21.8%	22.0%		+0.2pt
Net profit	1,233	1,414	180	14.6%
Net profit margin	12.1%	13.3%		+1.2pt

At the end of Q1-3 FY8/13, the company's current assets were ¥315mn smaller than they had been at the end of FY8/12, mainly because of declines in cash and cash equivalents and in marketable securities. However, investments increased by ¥268mn, due primarily to a ¥451mn rise in long-term investments in securities. Although current liabilities at the end of Q1-3 FY8/13 were ¥743mn larger than they had been at the end of FY8/12, fixed liabilities were ¥1,723mn smaller. These changes reflected mainly the transfer of ¥1.6bn of long-term borrowings to short-term borrowings. Furthermore, income taxes due, a current liability, decreased by ¥793mn. Total interest-bearing debt decreased by ¥196mn to ¥1,670mn.

■ Business Trends

Total equity grew by ¥915mn from the level at the end of FY8/12, reflecting a ¥696mn rise in retained earnings and a ¥189mn valuation gain on securities holdings. The equity ratio at the end of Q3 FY8/13 was 72.9%, which was 6.3ppts higher than it had been at the end of FY8/12 and 2.8ppts higher than it had been at the end of Q3 FY3/12.

Summary Consolidated Balance Sheet (¥mn), at FY8/12 & Q3 FY8/13

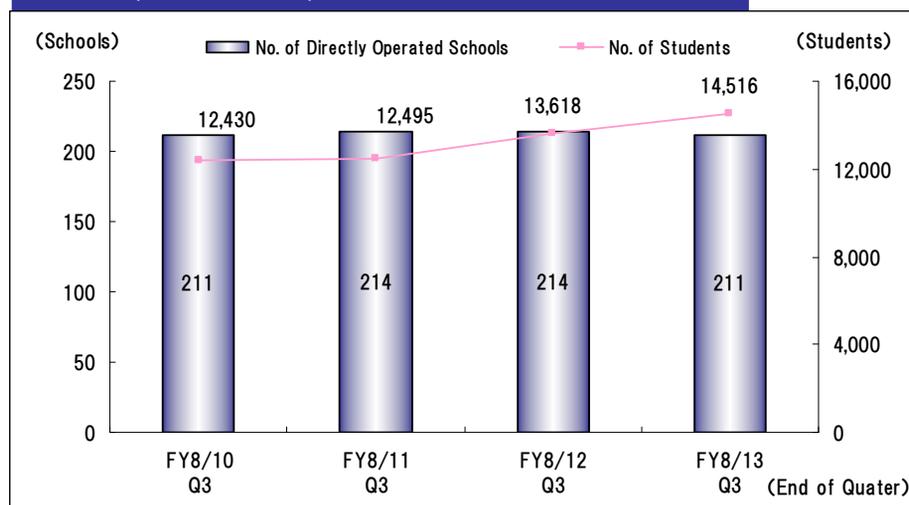
	FY8/12	FY8/13 Q3	Absolute change YOY	% change YOY
Current assets	7,890	7,575	-315	-4.0%
(Cash, cash equivalents, marketable securities)	6,430	6,244	-186	-2.9%
Tangible fixed assets	718	725	6	1.0%
Intangible fixed assets	313	288	-25	-8.0%
Investments, etc.	6,271	6,540	268	4.3%
Total assets	15,195	15,130	-64	-0.4%
Current liabilities	2,713	3,456	743	27.4%
Fixed liabilities	2,331	607	-1723	-73.9%
(Interest-bearing debt)	1,866	1,670	-196	-10.5%
Total liabilities	5,045	4,064	-980	-19.4%
Equity	10,149	11,065	915	9.0%
Total liabilities & equity	15,195	15,130	-64	-0.4%
Equity ratio	66.6%	72.9%		+6.3pt

Brisk enrollment of new students

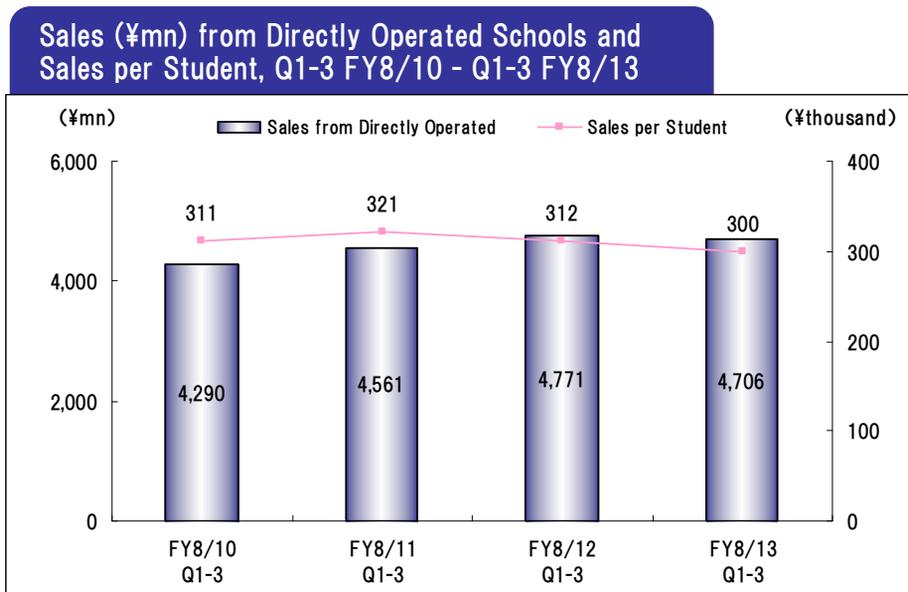
(a) Meiko Gijuku directly operated schools

In Q1-3 FY8/13, sales from Meiko Gijuku directly operated schools decreased by 1.4% YOY to ¥4,706mn, but operating profit rose by 9.8% to ¥805mn. Nine Meiko Gijuku directly operated schools were converted to franchised schools, so the number of directly operated schools declined by 3 YOY to 211. However, the number of students enrolled in these schools rose to 14,516, a record high for the first three quarters of a fiscal year, reflecting the brisk enrollment of new students in the spring. Despite the increase in the number of students, sales fell, primarily because the proportion of students accounted for by elementary school students, who attend schools less frequently than junior high school students, increased. Operating profit from Meiko Gijuku directly operated schools grew, mainly because the cost of renovating and relocating schools decreased.

No. of Directly Operated Schools and No. of Students, Q3 FY8/10 - Q3 FY8/13



Business Trends

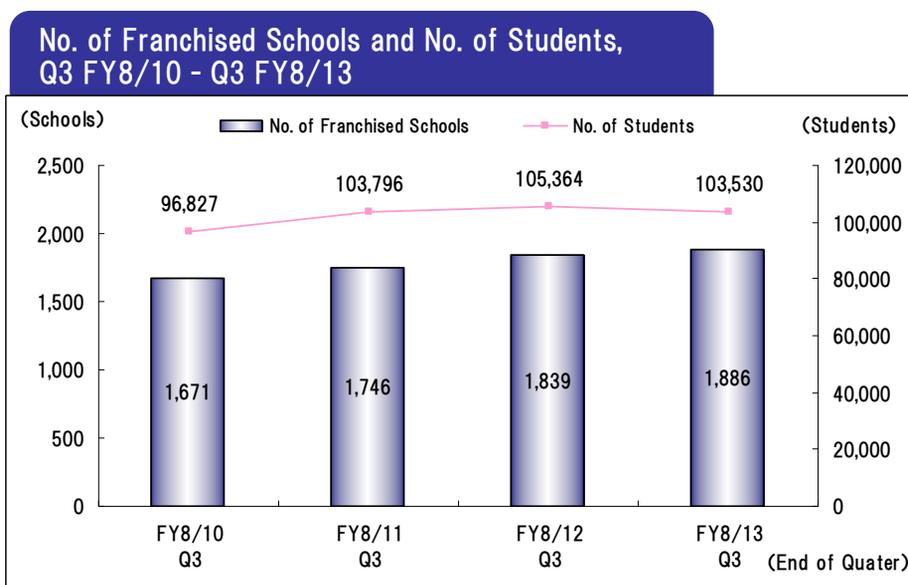


Note: Sales per student = sales ÷ average number of students enrolled during the period

Sales and number of students decreased slightly

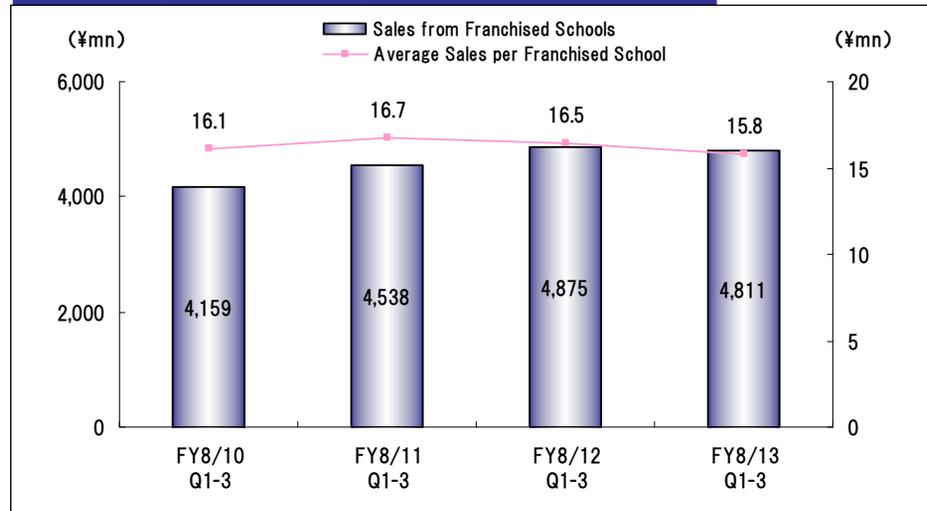
(b) Meiko Gijuku franchised schools

In Q1-3 FY8/13, sales from Meiko Gijuku franchised schools declined by 1.3% YOY to ¥4,811mn and operating profit from these schools fell by 0.6% to ¥2,296mn. The number of Meiko Gijuku franchised schools increased by only 47 YOY to 1,886, which was a slower rate of expansion than in the past. Furthermore, the number of students at these schools declined YOY. Thus, royalty income from franchised schools, equivalent to about 10% of the sales generated by these schools, decreased, as did sales of equipment for new franchised schools and sales of goods for advertising and sales promotion. The number of students at Meiko Gijuku franchised schools and sales at these schools decreased because of intensified competition among private schools offering individual instruction.



Business Trends

Sales (¥mn) from Franchised Schools and Average Sales per Franchised School, Q1-3 FY8/10 - Q1-3 FY8/13



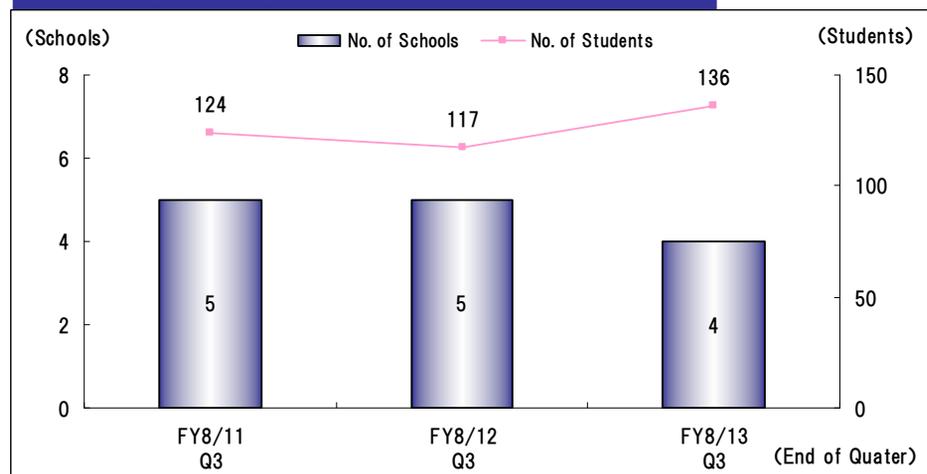
Note: Average sales per franchised school include entrance fees and tuition, but exclude the costs of educational materials and tests

Reduced losses by integrating schools

(c) Supplemental education

This division is operated by consolidated subsidiary Tokyo Ishin Gakuin (Tokyo Medical School Preparatory Institute), which prepares students for entry into medical school. In Q1-3 FY8/13, sales at this unit rose by 8.8% YOY to ¥410mn and the unit suffered an operating loss of only ¥3mn, compared with an operating loss of ¥35mn in Q1-3 FY8/12. This loss shrank because of structural reform. The institute established a committee to encourage students to enroll and a portal site for medical workers, and spent more to advertise and promote enrollment in specialty magazines. Thus, it attracted more students in spring, and at the end of Q3 FY8/13, it had 136 students, 19 more than it had at the end of Q3 FY8/12. It also reduced its fixed costs by closing its residential school in Tamagawa and transferring the faculty and students at this school to its residential school in Mitaka.

No. of Schools of Tokyo Ishin Gakuin and No. of Students, Q3 FY8/11 - Q3 FY8/13



■ Business Trends

New businesses expanded and may become a new pillar of profit

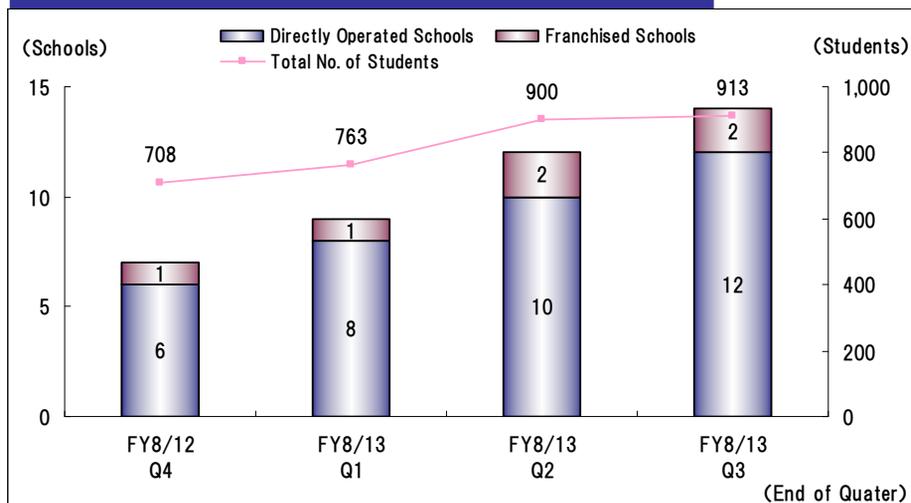
(d) Other businesses

In its other business division, Meiko Network Japan operates several new businesses, such as Waseda Academy Kobetsu Schools and Meiko Soccer Schools, and consolidated subsidiary Youdec Co., described previously. In Q1-3 FY8/13, these other businesses recorded sales of ¥743mn, which was 3.8 times their sales in Q1-3 FY8/12. However, they suffered an operating loss of ¥143mn, compared with an operating loss of ¥101mn in Q1-3 FY8/12.

Youdec Co. made an initial contribution to Q1-3 sales of ¥475mn, including ¥40mn of sales to other members of the Meiko Network Japan group, and essentially broke even at the operating profit level. Youdec derived about 30% of its sales from mock examinations for school advancement, and the company received many orders for such exams, mainly from large, private companies offering supplementary educational services. Sales of educational materials to students at private schools declined in reaction to strong demand a year earlier due to a modification of textbooks for junior high schools. Youdec also provides supplementary education at schools as a relatively new service, and this service accounted for about 20% of its sales. At the end of Q3 FY8/13, Youdec supplied this service to 15 schools, which is three more than it supplied at the end of FY8/12.

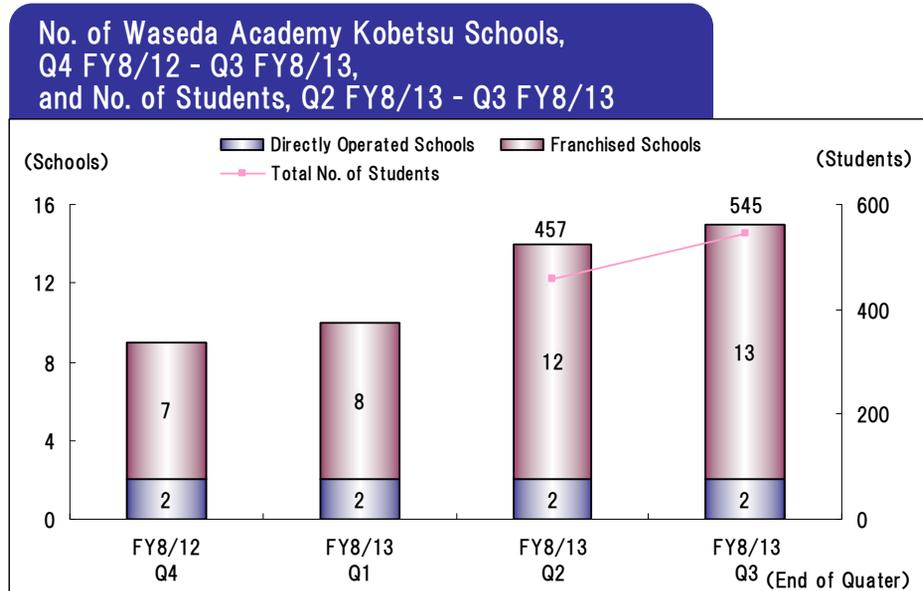
The Meiko Soccer School business raised its sales by 24.0% YOY to ¥93mn, but the business suffered an operating loss of ¥11mn, compared with an operating profit of ¥1mn in Q1-3 FY8/12. At the end of Q3 FY8/13, this business had 12 directly operated schools, six more than at the end of Q3 FY8/12, and two franchised schools, whereas it had no franchised schools at the end of Q3 FY8/12. Of the 14 schools in business, two were acquired from other companies. At the end of Q3 FY8/13, this business enrolled 913 students, continuing to grow rapidly. Heavy investment in new schools caused the business' s operating loss, but all the schools in operation by the end of FY8/12 were profitable by Q3 FY8/13, and the schools opened in FY8/13 are projected to turn profitable soon as they attract more students.

No. of Meiko Soccer Schools and Number of Students, Q4 FY8/12 - Q3 FY8/13



Business Trends

The Waseda Academy Kobetsu School business concentrated on opening franchised schools in Q1-3 FY8/13. Thus, at the end of this term, it had 13 franchised schools, and two directly operated schools, unchanged YOY. In addition, Waseda Academy operated four schools. In spring 2013, the number of students enrolled at the schools operated jointly by Meiko Network Japan and Waseda Academy increased as junior high school and high school graduates sought to enter competitive schools. Thus, at the end of Q3 FY8/13, the two directly operated schools had 175 students, 22 more than they had a year earlier, and the 13 franchised schools had 370 students, up from 129 students enrolled at the end of FY8/12. In Q1-3 FY8/13, this business approximately doubled its sales YOY.



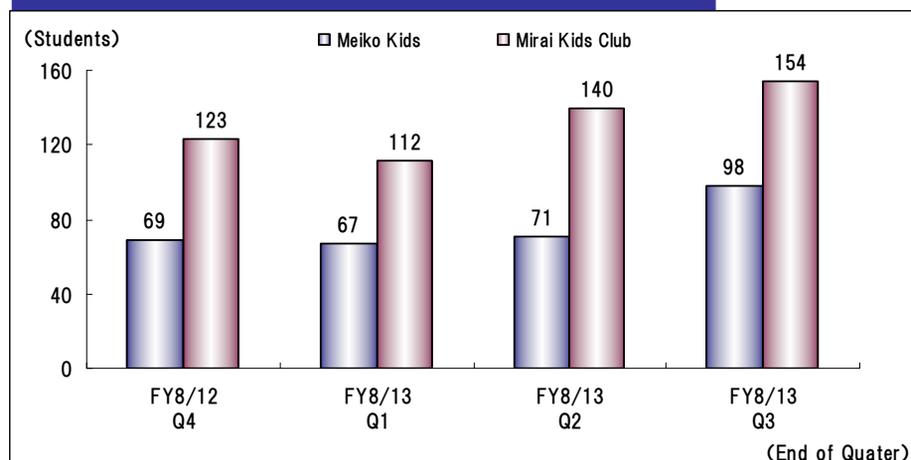
The Meiko Kids service supervises elementary school children after school hours and assists them with their studies. In Q1-3 FY8/13, this service restructured its learning programs and began a bus service for picking up and sending home students. The Meiko Kids service also operates the Pre-Kids Association for pre-school children who are likely to enroll in the Meiko Kids service when they start school. As a result of such measures as holding a picnic to welcome new students to the Meiko Kids service, this service attracted more children from the Pre-Kids Association. Thus, at the end of Q3 FY8/13, the service had 98 students, up from 53 at the end of Q3 FY8/12.

Another new business is the Mirai Kids Club, which was established in April 2012 and subsequently absorbed the Meiko-ALC English Language Studio and Abrakadoodle Art Studios. The Mirai Kids Club aims to prepare children from preschool to elementary school ages for life in the future. It is now experimenting with different business models, including classroom studios and detached studios, testing them for commercial viability and preparing to establish franchises of the business. At the end of Q3 FY8/13, the Mirai Kids Club enrolled 154 students, 14 more than it had at the end of Q2 FY8/13.



Business Trends

No. of Students in the Meiko Kids Service and the Mirai Kids Club, Q4 FY8/12 - Q3 FY8/13



Note: The figures for the Mirai Kids Club for Q4 FY8/12 and Q1 FY8/13 are for the Abrakadoodle Art Studios only.

Profits growing normally, so company is likely to achieve its profit forecasts

(2) Company Forecasts for FY8/13

For FY8/13, the company maintained its original forecasts, shown in the table below. In Q1-3 FY8/13, it achieved 67.0% of the sales and 60.3% of the recurring profit projected for the full fiscal year. In the four fiscal years through FY8/12, the company generated 70.0% of its full-year sales forecast and 60.2% of its full-year recurring profit forecast, on average, in the first three quarters. In Q1-3 FY8/13, sales fell somewhat short of this average, due to a sales decline in the Meiko Gijuku school business, while recurring profit equaled the average.

The company's results in Q4 FY8/13 and in the full fiscal year are likely to depend on its success in attracting students to its summer courses. Fisco estimates that sales may fall somewhat short of the company's forecast but expects the company to achieve its profit forecasts, as it continues to control costs well.

Company Results (¥mn) in Q1-3 FY8/13 and Forecasts for FY8/13

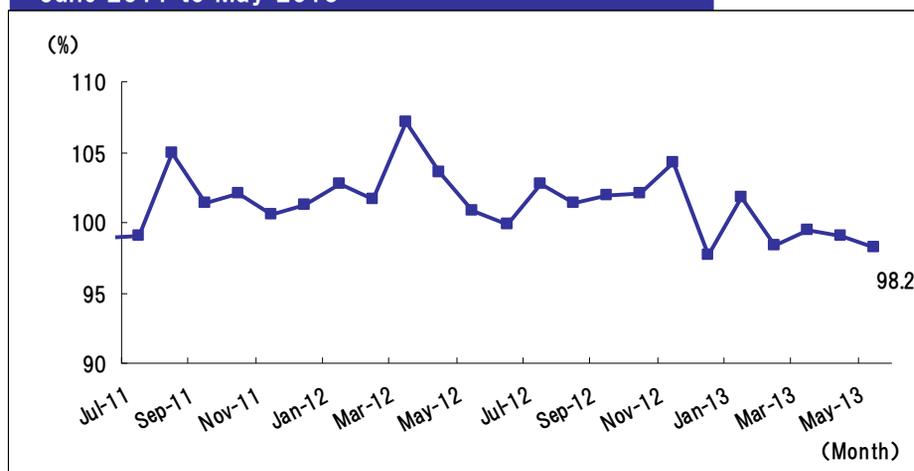
	Sales		Op. Profit		Rec. Profit		Net Profit		EPS
	(¥mn)	YOY	(¥mn)	YOY	(¥mn)	YOY	(¥mn)	YOY	(¥)
Q1-3 FY8/13 (Ratio to FY8/13E)	10,672	4.4	2,197	4.6	2,348	5.2	1,414	14.6	51.42
		67.0		57.1		60.3		60.9	-
FY8/13E	15,938	10.0	3,846	8.6	3,893	4.5	2,323	18.0	84.23

According to the Ministry of Economy, Trade and Industry, sales by Japan's supplementary education industry have been shrinking moderately YOY since February 2013. Most likely, this reflects a drop in the number of students accompanying the continuing decline in the number of children in Japan. However, Japan is tightening its educational standards, requiring more classroom time and better instruction. Therefore, supplementary private education is likely to become more important. In addition, in its fiscal 2013, ending in March 2014, the Japanese government enacted tax reforms to stimulate economic growth. One such reform allows elderly citizens to deduct from taxable income their contributions to the education of their grandchildren, up to a certain amount. Meiko Network Japan is likely to benefit from this tax change.



■ Business Trends

YOY Rate of Change in Sales by Japan's Supplementary Education Industry, June 2011 to May 2013



Source: Ministry of Economy, Trade and Industry, Survey of Designated Service Industries

Pursuing new students through many avenues, including the Internet and mobile communications services

(3) FY8/13 Forecasts by Business

The company's Meiko Gijuku directly operated schools are expanding their range of courses to satisfy diverse needs. For example, they are offering a new, low-cost course for elementary school students on an experimental basis in order to provide similar new services commercially later this fiscal year. They have also begun to offer video instruction to high school students. At the same time, they are improving their services. For example, they have advanced their ability to improve grades by introducing uniform tests for all Meiko Gijuku directly operated schools, they have identified factors contributing to success through data analysis, and they are promoting effective instruction based on the slogan "Meiko Style! Independent Study".

These schools are pursuing many avenues to attract more students. They place TV commercials, distribute flyers inside newspapers, and enter promotions on the Internet and mobile communications services. They have re-launched their Meikomyu website for parents of their students, contributing to a sense of community and to better educational services.

The company projects sales of ¥578mn and operating profit of ¥5mn for its supplemental education business in FY8/13. To reduce its fixed costs, in March 2013, the Tokyo Medical School Preparatory Institute closed its residential school in Tamagawa and merged the students and facilities at this school with its school in Mitaka. It also transferred its instruction hall to its head office building. The company estimates that these measures will lower the institute's fixed costs by ¥40mn per year. In the final five months of FY8/13, fixed costs should be cut by about ¥17mn. These cuts, plus profit growth accompanying sales growth, should enable the business to achieve the company's operating profit forecast for FY8/13. The Tokyo Medical School Preparatory Institute specializes in pre-medical education and is staffed by experienced professors who are supported by a system that enables them to impart advanced knowledge. As the medical profession is becoming more popular among young adults, the institute should attract more students in the future and expand its profits.



■ Business Trends

Since April 2013, Youdec Co. has been expanding its supplementary education service, primarily at private high schools in Greater Tokyo. The Meiko Soccer School business is acquiring futsal courts to increase the number of directly operated schools. In spring 2013, the Waseda Academy Kobetsu School business began to place students in competitive schools and universities. Therefore, the business is attracting more students, and it plans to develop more franchised schools.

The current Meiko Kids school is profitable and is attracting more students, so the company plans to open another school in FY8/14. Mirai Kids Club is building a composite business model combining its operations with those of Abrakadoodle Art Studios and the Meiko-ALC English Language Studio. In April 2013, it also opened an art studio at its Ginza culture school, called Ginza Otonajuku, and plans to open similar studios on a spot basis in areas with demand for them.

Meiko Network Japan's new businesses are still investing in facilities and staff, so the company does not expect them to be profitable in FY8/13. However, these businesses are expanding, so they will probably turn profitable from FY8/14. As the Meiko Kids school and the Mirai Kids Club target children of the same age group, the company merged these two services in July 2013.

Consolidated Sales and Operating Profit (¥mn) by Business, FY8/10 - FY8/13E

Sales	FY8/10	FY8/11	FY8/12	FY8/13E	YOY
Meiko Gijuku directly operated schools	6,287	6,574	6,864	14,244	4.7%
Meiko Gijuku franchised schools	5,846	6,402	6,736		
Supplemental education	633	594	559	578	3.3%
Other businesses	87	143	324	1,116	244.1%
Total sales	12,855	13,715	14,484	15,939	10.0%
Operating Profit					
Meiko Gijuku directly operated schools	1,128	1,315	1,443	4,996	5.0%
Meiko Gijuku franchised schools	3,055	3,256	3,313		
Supplemental education	40	7	-7	5	-
Other businesses	7	-174	-120	-50	-
Company-wide operating costs, goodwill expense, etc.	-1,123	-1,041	-1,086	-1,100	-
Total operating profit	3,108	3,363	3,543	3,846	8.6%
Operating Profit Margin					
Meiko Gijuku directly operated schools	17.9%	20.0%	21.0%	35.0%	-
Meiko Gijuku franchised schools	52.3%	50.9%	49.2%	-	-
Supplemental education	6.5%	1.3%	-	0.8%	-
Other businesses	8.0%	-	-	-	-
Total operating profit margin	24.2%	24.5%	24.5%	24.1%	-



■ Growth Strategy

Likely to benefit over the medium term from stricter educational standards and a new tax break for education

FY8/13 is the final year of the company's current three-year plan, which was announced in October 2010. As detailed in the table below, the company's current forecast of sales for FY8/13 is somewhat lower than its original target, but its current profit forecasts are close to its original targets. The plan had three basic strategies: build new businesses, develop personnel and reorganize to support a new growth path, and establish a new growth path for the Meiko Gijuku school business. It appears that the company has realized the first two of these strategies, but has fallen short somewhat in the achievement of the third.

Initially, the company had planned to measure growth in the Meiko Gijuku school business by the number of schools in operation, but it subsequently modified this parameter to base growth on the number of schools in operation, the number of students enrolled per school, and the number of classes offered. Unfortunately, the company is not achieving its targets for these three parameters. As of July 1, 2013, 2,106 Meiko Gijuku schools were in operation, whereas the company had targeted 2,200 schools by the end of FY8/13. The number of students enrolled per school and the number of classes offered are declining. These shortfalls reflect the increase in competition in private educational services, stemming largely from the decline in the number of children in Japan.

**FY3/18 Targets (¥mn) in Original Three-year Plan
versus Current Company Forecasts**

	FY8/13	Current forecast
	Original target	
Sales	16,307	15,938
Recurring profit	3,877	3,893
Net profit	2,206	2,323
Basic strategies		
<ul style="list-style-type: none"> ▪ Establish a new growth path for the Meiko Gijuku school business ▪ Expand range of customers by building new businesses ▪ Develop personnel and reorganize to support a new growth path 		

Given this situation, the company is revising its strategy for its Meiko Gijuku schools in the medium-term plan it is compiling for FY8/14-FY8/16. As mentioned previously, it is broadening its approach to business promotion to include Internet access, offering more courses, and strengthening the Meiko Gijuku brand. The company believes it can profitably expand its Meiko Gijuku school network to 2,500 schools, so it will probably continue its growth strategy for this business.

Since the government's fiscal 2009, the Ministry of Education has been requiring schools to implement stricter standards of education. Accompanying these reforms, the number of pages in schoolbooks has increased substantially, and a growing number of students find that they cannot master the required material during ordinary school hours. Thus, the importance of additional study at private educational companies is likely to grow. This prospect should help the Meiko Gijuku school business remain Japan's top provider of individual instruction as it stresses its unique approach to learning.

■ Growth Strategy

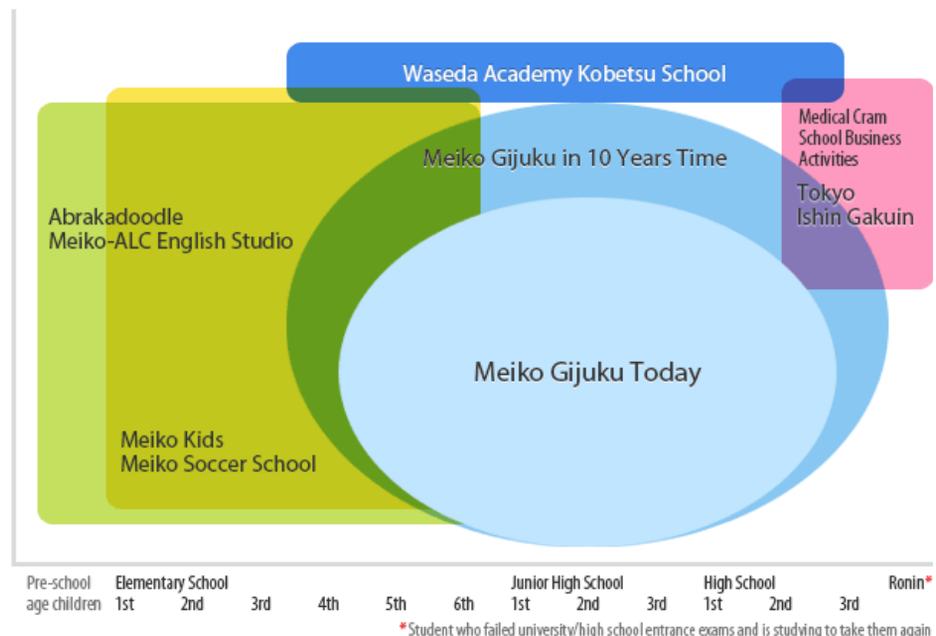
Youdec Co. will continue to expand its service of offering instruction at schools not affiliated with the Meiko Network Japan group. With the long-term decline in the number of children in Japan, it has become difficult for even private schools to enroll the desired number of students. To attract students, all schools have been trying to improve their academic excellence and the acceptance rate of their students by leading universities. In recent years, an increasing number of schools has introduced instruction by private educational service companies, achieving the desired result. Therefore, the use of such companies is likely to grow.

Youdec’s service offers a one-way syllabus which designs instruction to match progress with a student’s learning ability. The company first confirms the aims of a school and its curriculum committee, then jointly develops topics and goals to achieve the school’s objectives and devises an approach that maximizes the effectiveness of instruction. The company acquires teachers from employee dispatch services, but it is able to obtain teachers from famous preparatory schools to offer comprehensive instruction, enabling students to enter leading universities.

Youdec’s education service targets the same students as Waseda Academy Kobetsu Schools, but these businesses offer different services, enabling the group to meet a wide range of customer needs. Thus, Youdec’s service contributes to larger group profits.

As stated earlier, Meiko Network Japan is likely to benefit from the fiscal 2013 tax reform allowing elderly citizens to deduct from taxable income their contributions to the education of their grandchildren, up to a certain amount, because the company offers a wide range of educational experiences to a broad range of age groups.

Company Projection of Customer Base by Business in 2023



Source: Company



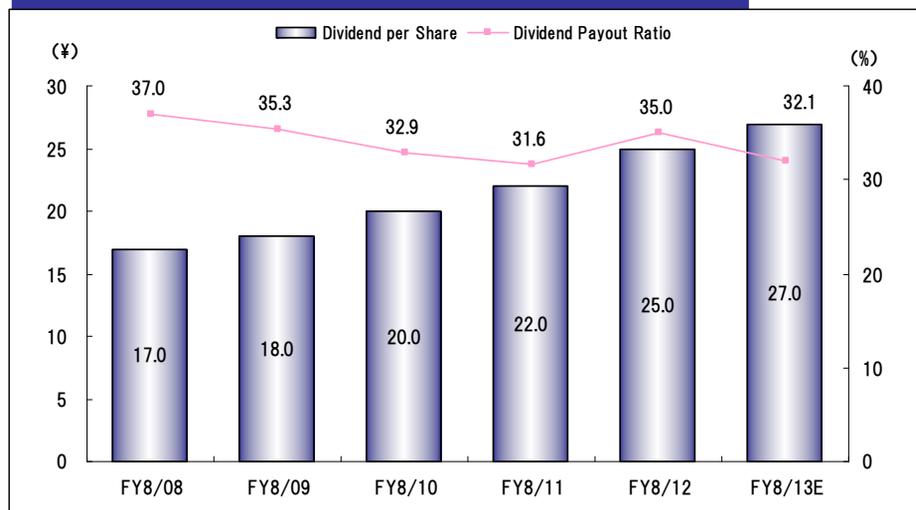
Shareholder Return Policy

Total shareholder return exceeds 4% and dividend is growing

Meiko Network Japan has increased its dividend per share every year since listing its shares. For FY8/13, the company plans to raise its dividend per share by ¥2 to ¥27. Thus, FY8/13 will be the fifteenth straight year of dividend increases by the company. Based on the company's current forecast of net profit, this dividend payment would result in a dividend payout ratio of only 32%, lower than the company's target, of 35%. Thus, if company profits in FY8/13 exceed the company's forecasts, there is a good chance that the company will increase its dividend per share by more than ¥2.

The company also plans to continue a shareholder award program begun in FY8/12 through which each shareholder of a minimum lot receives a ¥3,000 QUO card. Based on the company's closing share price on July 12, 2013, of ¥1,345, the proposed dividend per share payment of ¥27 and the shareholder award, the total yield to holders of a minimum unit of shares (100 shares) exceeded 4%. With a business model that has allowed it to the top share of Japan's market for private educational services, Meiko Network Japan is likely to continue to grow over the medium-to-long term and to increase its dividend payment.

Dividend per Share (¥) and Dividend Payout Ratio (%), FY8/08 - FY8/13E



Prospective PERs and Shareholder Yields of Leading Japanese Providers of Educational Services and of Other Listed Companies Growing through Franchising

Company Code	Company	Share Price (31/7/2013)	Projected EPS	Planned DPS	Prospective PER	Dividend Yield	Total Yield	Shareholder Award Program
4668	Meiko Network Japan	1,245	84.2	27.0	14.8	2.2%	4.2%	¥3,000 QUO cards to holders of 100 shares
4714	Riso Kyoiku	7,760	445.9	380.0	17.4	4.9%	4.5%	
4645	Ichishin Holdings	258	11.2	10.0	23.0	3.9%	11.1%	¥10,000 discount coupons to holders of 500 shares
4745	Tokyo Individualized Educational Institute	199	9.2	6.0	21.7	3.0%	3.3%	¥1,000 discount coupons for classes
6053	Eikoh Holdings Inc.	779	74.0	24.0	10.5	3.1%	3.1%	
2651	Lawson, Inc.	7,680	359.4	210.0	21.4	2.7%	2.6%	
2702	McDonald's Holdings	2,718	106.1	30.0	25.6	1.1%	2.2%	¥3,000 coupons for food purchase
7611	Hiday Hidaka	2,058	149.6	36.0	13.8	1.7%	2.6%	¥2,000 coupons for purchase of food or rice

Notes: EPS and DPS are projected or planned by each company. The shareholder awards are for holders of minimum share units for all companies except Ichishin Holdings.

Consolidated Income Statement (¥mn), FY8/09 - FY8/13E

	FY8/09	FY8/10	FY8/11	FY8/12	FY8/13E
Sales	11,825	12,885	13,715	14,484	15,938
(YOY growth)	5.3	9.0	6.4	5.6	10.0
Cost of goods sold	6,644	7,323	7,922	8,403	9,426
(Cost of goods sold ratio)	56.2	56.8	57.8	58.0	59.1
SGA cost	2,203	2,423	2,429	2,537	2,666
(SGA cost ratio)	18.6	18.8	17.7	17.5	16.7
Operating profit	2,977	3,108	3,363	3,543	3,846
(YOY growth)	5.6	4.4	8.2	5.3	8.6
(Operating profit ratio)	25.2	24.1	24.5	24.5	24.1
Non-operating income	187	236	212	238	107
Non-operating expenses	106	102	98	53	60
Recurring profit	3,058	3,243	3,477	3,727	3,893
(YOY growth)	5.4	6.0	7.2	7.2	4.5
(Recurring profit ratio)	25.9	25.2	25.4	25.7	24.4
Extraordinary profits	119	47	26	24	0
Extraordinary losses	241	81	169	166	9
Pretax profit	2,935	3,209	3,334	3,585	3,884
(YOY growth)	9.4	9.3	3.9	7.5	8.3
(Pretax profit ratio)	24.8	24.9	24.3	24.8	24.4
Corporate taxes	1,233	1,312	1,411	1,616	1,560
(Effective tax rate)	42.0	40.9	42.3	45.1	40.2
Net profit	1,702	1,897	1,922	1,969	2,323
(YOY growth)	11.5	11.5	1.3	2.5	18.0
(Net profit ratio)	14.4	14.8	14.0	13.6	14.6
Number of shares outstanding (thousand)	34,756	34,759	27,785	27,789	27,603
EPS (¥)	50.95	60.82	69.55	71.38	84.20
DPS (¥)	18.0	20.0	22.0	25.0	27.0
BPS (¥)	301.11	267.76	316.93	366.72	-
CFS (¥)	52.3	60.3	75.1	76.4	-
Dividend Payout Ratio (%)	35.3	32.9	31.6	35.0	32.1
ROE (%)	18.0	25.8	23.9	20.9	-

Note: Figures for FY9/08 are non-consolidated.



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