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■ Profits likely to surpass forecasts in FY8/13

In the first half of the fiscal year through August 2013, i.e., in September 2012-February 2013 (H1 FY8/13), Meiko Network Japan's consolidated sales rose 6.9% year-on-year (YOY) to ¥7,680mn, while its recurring profit grew 9.4% YOY to ¥2,189mn. Both figures were record highs for the first half of a fiscal year. The sales growth was primarily attributable to new businesses and to the contribution of Youdec Co., which became a fully consolidated subsidiary at the end of July 2012. Profit growth was led by a 14.2% YOY jump in operating profit from Meiko Gijuku directly operated schools. Sales were ¥218mn smaller than the company had projected at the start of the fiscal year, but recurring profit was ¥185mn larger.

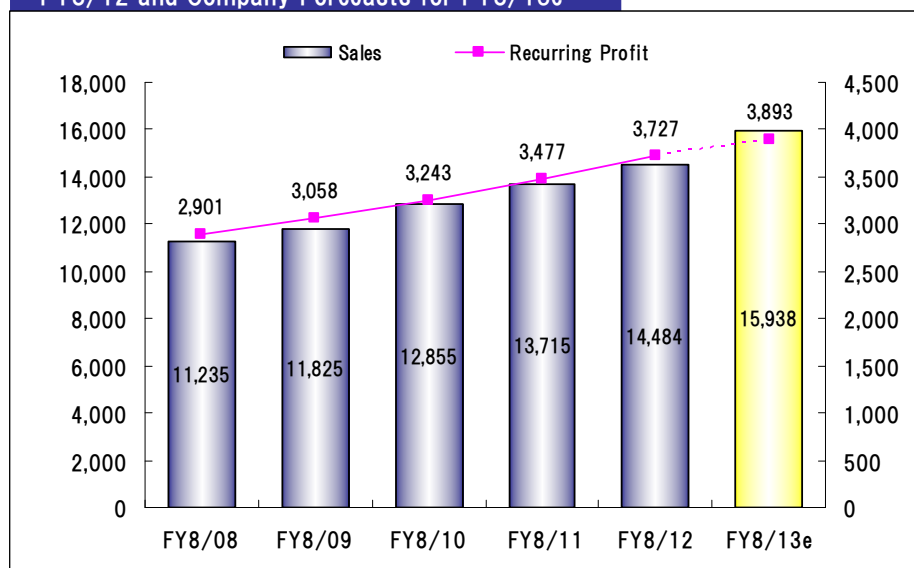
As Meiko Network Japan earned more profit in H1 FY8/13 than it had projected, it is likely to earn more profit in the full fiscal year than it forecasts. The company aims to maintain a dividend payout ratio of 35%, and given the likelihood of stronger profit growth this fiscal year than now projected by the company, management may raise its dividend for the current fiscal year.

Japan's tax system has recently been amended to the benefit of providers of supplementary education. One amendment allows elderly citizens to deduct from taxable income their contributions to the education of their grandchildren, up to a certain amount, starting in the Japanese government's fiscal 2013, which runs from April 2013 through March 2014. Meiko Network Japan offers many educational services to customers ranging in age from pre-schoolers to preparatory school students. These services include the stalwart Meiko Gijuku schools, Tokyo Ishin Gakuin (Tokyo Medical School Preparatory Institute), and the new businesses of Mirai Kids Clubs, Meiko Kids, Meiko Soccer Schools, and Waseda Academy Kobetsu Schools. Thus, the company is likely to grow further as a result of this tax change.

■ Check Points

- H1 FY8/13 sales and profits hit record highs for a first half
- By nurturing new businesses, the company is expanding the age range of its customer base
- The company may well raise its dividend per share for FY8/13 more than currently planned, as its profits will probably exceed its forecasts

Sales and Recurring Profit (¥mn) in FY8/08 to FY8/12 and Company Forecasts for FY8/13e



Results in H1 FY8/13

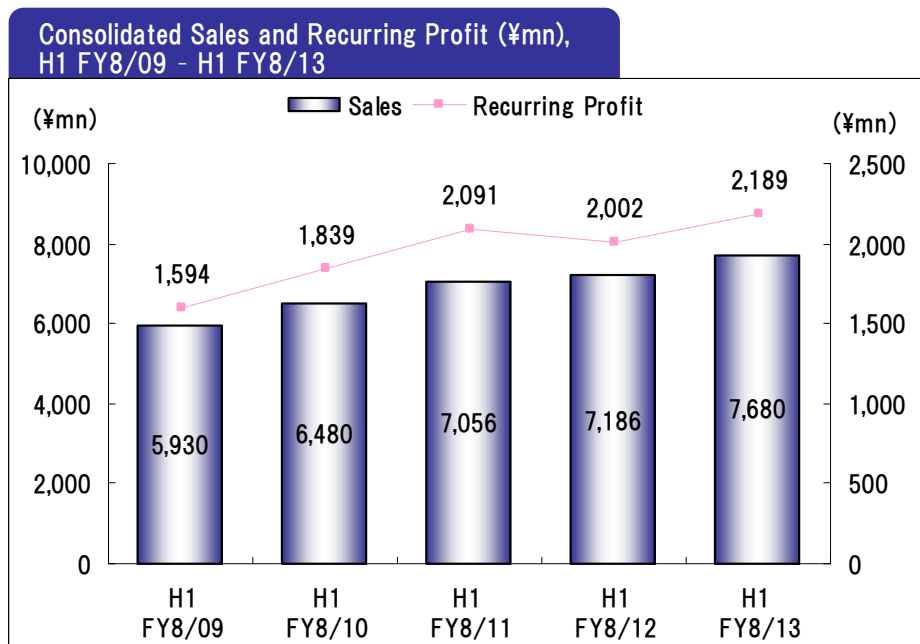
Record-high H1 sales and profits

As the company announced on April 10, 2013, in H1 FY8/13, its sales grew by 6.9% YOY to ¥7,680mn, its operating profit increased by 8.9% YOY to ¥2,088mn, its recurring profit advanced by 9.4% YOY to ¥2,189mn, and its net profit rose by 18.6% YOY to ¥1,331mn. Thus, sales and profits reached record highs for a first half.

Consolidated Results (¥mn), H1 FY8/12 & H1 FY8/13 versus Company's Forecasts for H1 FY8/13

	H1 FY8/12	H1 FY8/13			Co. plan H1 FY8/13 vs. Plan
		Results	YOY	Plan	
Sales	7,186	7,680	6.9%	7,898	△2.8%
Operating Profit	1,918	2,088	8.9%	1,967	6.2%
Recurring Profit	2,002	2,189	9.4%	2,004	9.2%
Net Profit	1,122	1,331	18.6%	1,191	11.8%

■ Results in H1 FY8/13



Sales grew because consolidated subsidiary Youdec Co. contributed about ¥302mn of sales and new businesses, led by Waseda Academy Kobetsu Schools, raised their sales by ¥89mn YOY, reflecting increases in the number of their students. Youdec Co. publishes magazines about the content of entrance examinations for junior high schools and high schools and sells educational materials. It was made a fully consolidated subsidiary at the end of July 2012. Meiko Gijuku directly operated schools lifted their aggregate operating profit by 14.2% YOY to ¥907mn and Youdec Co. contributed ¥7mn to group operating profit.

Sales in H1 FY8/13 fell ¥218mn below the company's forecast, but operating, recurring and net profits exceeded the company's forecasts by ¥121mn, 185mn and 140mn, respectively, because the company controlled costs, particularly personnel and advertising costs. Only Tokyo Ishin Gakuin (Tokyo Medical School Preparatory Institute) generated more sales than planned.

Sales (¥thousand) by Meiko Gijuku Schools and Relevant Ratios, H1 FY8/13 versus Company Plan

	Company plan	Results	Results vs. Plan
Sales by Meiko Gijuku directly operated schools	3,571,216	3,504,323	△66,892
Average sales per directly operated school	17,336	17,066	△270
Sales per student	220.1	214.6	△5.5
Average number of students per school	78.8	79.5	0.7
Sales by Meiko Gijuku franchised schools	3,527,318	3,371,760	△155,557
Average royalty income per school	1,222.2	1,166.9	△55.3
Number of affiliated schools	63件	67件	0
Sales of supplies and educational materials to franchised schools	1,001,465	946,309	△55,156



■ Results in H1 FY8/13

The gross profit margin fell by 0.9ppt to 56.7% because the costs of personnel and educational materials rose when Youdec Co. was made a subsidiary. However, the SGA cost ratio declined by 1.4pts to 16.1% 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 H1 FY8/13, compared with 50 in H1 FY8/12, greatly cutting costs, mainly advertising cost.

Summary Consolidated Income Statement (¥mn), H1 FY8/12 & H1 FY8/13

	H1	H1	YOY	
	FY8/12	FY8/13	Change	Ppt change
Sales	7,186	7,680	494	6.9%
Cost of goods sold	4,011	4,351	340	8.5%
Cost of goods sold ratio	55.8%	56.7%		0.9pt
SGA cost	1,256	1,240	△16	△1.3%
SGA cost ratio	17.5%	16.1%		△1.4pt
Operating profit	1,918	2,088	170	8.9%
Operating profit ratio	26.7%	27.2%		0.5pt
Recurring profit	2,002	2,189	187	9.4%
Recurring profit ratio	27.9%	28.5%		0.6pt
Net profit	1,122	1,331	208	18.6%
Net profit ratio	15.6%	17.3%		1.7pt

At the end of H1 FY8/13, the company's current assets were ¥868mn larger than they had been at the end of FY8/12, mainly because profit earned in H1 FY8/13 increased cash and cash equivalents. Although current liabilities at the end of H1 FY8/13 were ¥1,490mn larger than they had been at the end of FY8/12, fixed liabilities were ¥1,631mn smaller. These changes reflected mainly the transfer of long-term borrowings to short-term borrowings. Total interest-bearing debt increased only slightly to ¥1,896mn. Thus, the equity ratio rose by 2.9pts YOY to 69.5%.

Summary Consolidated Income Statement (¥mn), H1 FY8/12 & H1 FY8/13

	8/12	2/13	YOY	
			Change	Change Ratio
Current assets	7,890	8,759	868	11.0%
Tangible fixed assets	718	719	1	0.2%
Intangible fixed assets	313	305	△8	△2.6%
Investments, etc.	6,271	6,417	145	2.3%
Total assets	15,195	16,202	1,007	6.6%
Current liabilities	2,713	4,204	1,490	54.9%
Fixed liabilities	2,331	699	1,631	△70.0%
(interest-bearing debt)	1,866	1,896	30	1.6%
Total liabilities	5,045	4,904	△141	△2.8%
Equity	10,149	11,298	1,149	11.3%
Total liabilities & equity	15,195	16,202	1,007	6.6%
(equity ratio)	66.6%	69.5%		2.9pt



■ Business Trends by Division

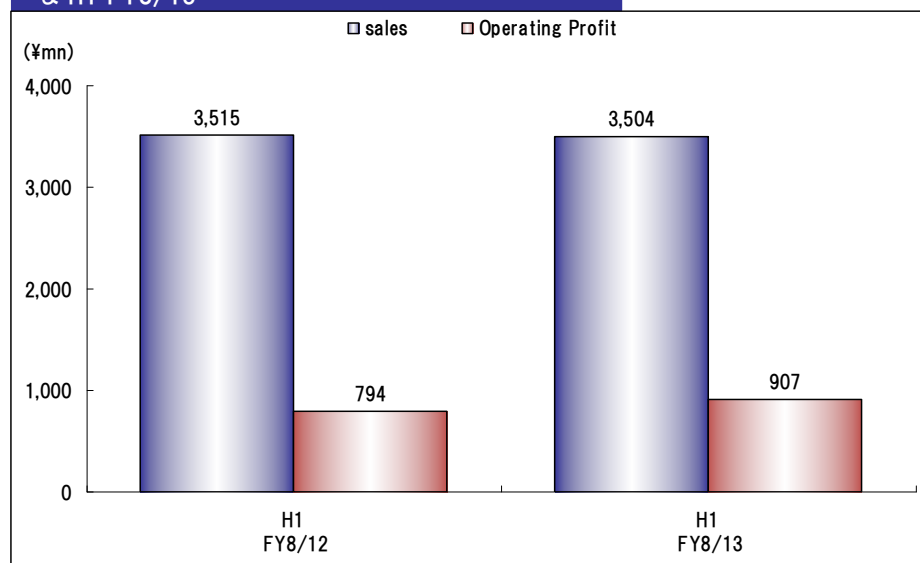
Increased profits by cutting costs

(1) Meiko Gijuku directly operated schools

In H1 FY8/13, sales from Meiko Gijuku directly operated schools decreased by 0.3% YOY to ¥3,504mn, but operating profit rose by 14.2% to ¥907mn. The number of Meiko Gijuku directly operated schools declined by 10 YOY to 205, and the number of students enrolled in these schools declined by 0.8% YOY to 16,067. For these reasons, sales fell. However, 9 of the 10 directly operated schools that were eliminated were converted to franchised schools.

As mentioned above, the Meiko Gijuku directly operated school business spent much less in H1 FY8/13 on relocating and renovating schools than it did in H1 FY8/12, which directly improved profits. The average sales per student at directly operated schools came to ¥215,000 in H1 FY8/13, which was ¥5,000 less than the corresponding figure for H1 FY8/12. This average declined because the student composition of ninth-graders, who normally attend schools often, declined, while the composition of other graders, who normally attend school less often, increased.

Sales and Operating Profit (¥mn) from Meiko Gijuku Directly Operated Schools, H1 FY8/12 & H1 FY8/13

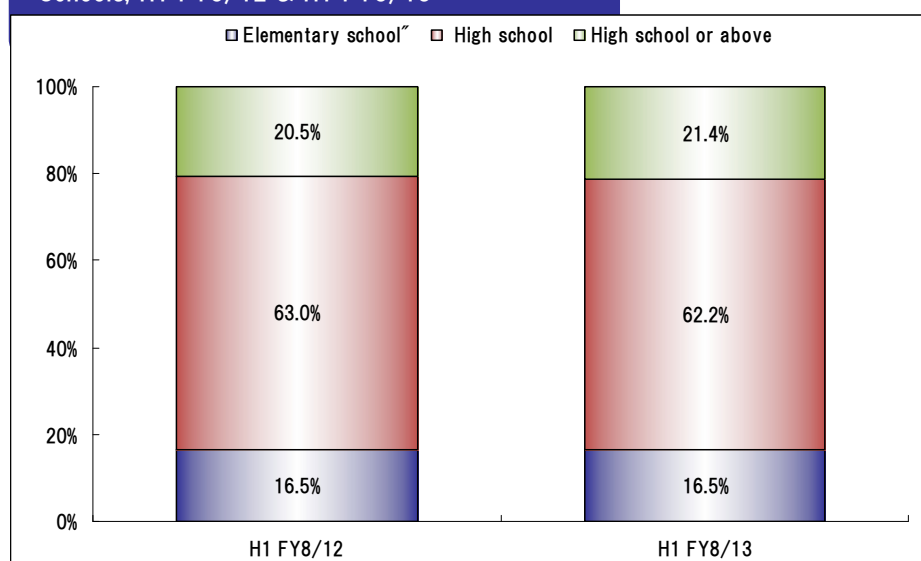


■ Business Trends by Division

Operating Statistics for Meiko Gijuku Directly Operated Schools, H1 FY8/12 & H1 FY8/13

	H1 FY8/12	H1 FY8/13	Change YOY
Number of schools	215	205	△10
Number of students	16,204	16,067	△137
Average number of students per school	74.7	78.4	3.7
Average sales per student (¥ thousand)	220	215	△5

Student Composition at all Meiko Gijuku Schools, H1 FY8/12 & H1 FY8/13



Note: Based on all students of Meiko Gijuku directly operated schools

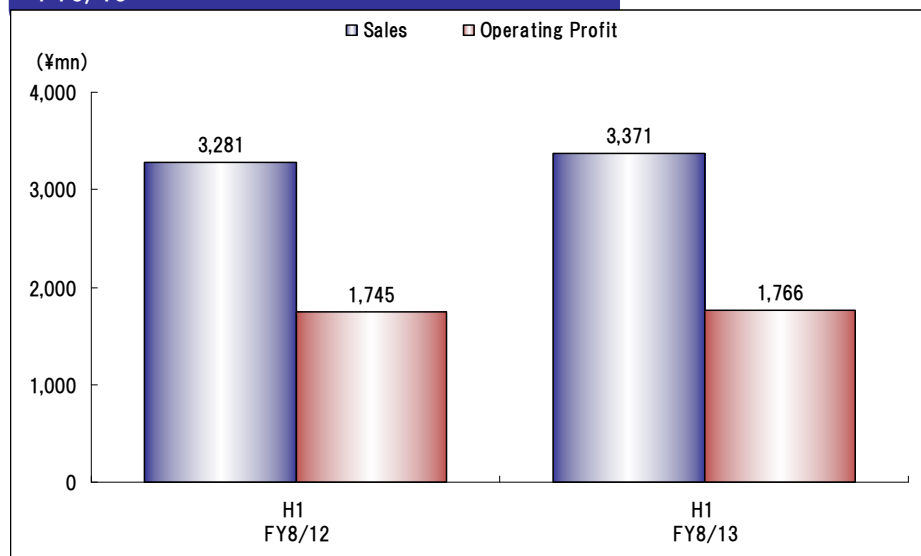
Increased sales and profits by expanding sales of educational materials

(2) Meiko Gijuku franchised schools

In H1 FY8/13, sales from Meiko Gijuku franchised schools grew by 2.8% YOY to ¥3,371mn and operating profit from these schools rose by 1.2% to ¥1,766mn. The number of Meiko Gijuku franchised schools increased by 57 YOY to 1,892, but the average number of students per school decreased from 68.8 in H1 FY8/12 to 65.8 in H1 FY8/13, so the royalty income generated by these schools declined by 0.5% YOY to ¥2,192mn. Total sales and operating profit from these schools increased, largely because of greater sales of educational materials.

■ Business Trends by Division

Sales and Operating Profit (¥mn) from Meiko Gijuku Franchised Schools, H1 FY8/12 & H1 FY8/13



Operating Statistics for Meiko Gijuku Franchised Schools,
H1 FY8/12 & H1 FY8/13

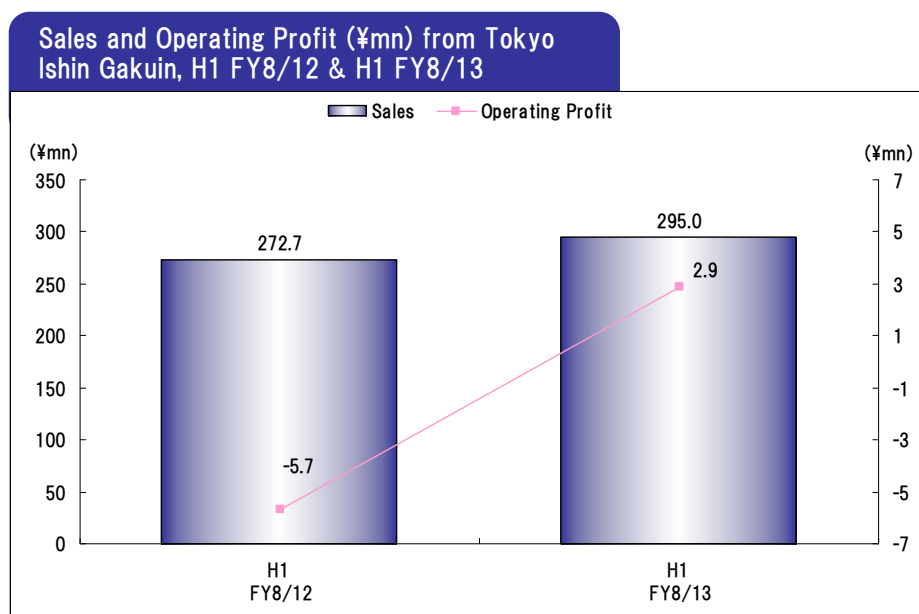
	H1 FY8/12	H1 FY8/13	Change YOY
Number of schools	1,835	1,892	57
Number of students	126,298	124,621	△1,677
Average number of students per school	68.8	65.8	△3.0
Royalty income (¥mn)	2,203	2,192	△11
Average royalty income per school (¥ thousand)	1,218	1,167	△51

In the five fiscal years through FY8/12, Meiko Network Japan increased the number of its Meiko Gijuku franchised schools by 85 schools per year, on average. The pace of increase has slowed in FY8/13, probably because of an increase in the number of competitors in areas served by the company's franchised schools.

Turned profitable by increasing the average sales per student

(3) 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 H1 FY8/13, sales at this unit rose by 8.2% YOY to ¥295mn and the unit earned an operating profit of ¥2.9mn, compared with an operating loss of ¥5.7mn in H1 FY8/12. In H1 FY8/13, 117 students were enrolled at this institute, unchanged YOY. However, more students enrolled in classes for the winter semester and in special lectures. Therefore, the average sales per student increased, supporting rises in overall sales and operating profit.



New businesses opening more schools and attracting more students

(4) 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 H1 FY8/13, these other businesses recorded sales of ¥509mn, which was 4.4 times their sales in H1 FY8/12. However, they suffered an operating loss of ¥68mn, compared with an operating loss of ¥58mn in H1 FY8/12.

■ Business Trends by Division

Youdec Co. made an initial contribution to H1 sales of ¥328mn, including ¥25mn of sales to other members of the Meiko Network Japan group, and earned an operating profit of ¥7mn. 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. 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 H1 FY8/13, Youdec supplied this service to 15 schools, which is three more than it supplied at the end of FY8/12.

The new businesses opened many new schools and enrolled more students in H1 FY8/13. During the half-year, the Meiko Soccer School business generated sales of ¥60mn, up from ¥48mn in H1 FY8/12, but the business suffered an operating loss of ¥5mn. At the end of H1 FY8/13, this business had 10 directly operated schools, six more than at the end of H1 FY8/12, and two franchised schools, whereas it had no franchised schools at the end of H1 FY8/12. Of the 12 schools in business, two were acquired from other companies. At the end of H1 FY8/13, this business enrolled 900 students, 245 more than at the end of H1 FY8/12.

The Waseda Academy Kobetsu School business concentrated on opening franchised schools in H1 FY8/13. Thus, at the end of this term, it had 12 franchised schools, up from none at the end of H1 FY8/12, and two directly operated schools. At the end of H1 FY8/13, these 14 schools enrolled 457 students, 2.4 times the 186 students enrolled at two schools at the end of H1 FY8/12. In H1 FY8/13, these 14 schools generated sales of ¥132mn, which was 2.1 times the sales generated in H1 FY8/12.

The Meiko Kids service supervises elementary school children after school hours and assists them with their studies. In H1 FY8/13, this service structured its learning programs, improved its marketing process, enrolled more students, and confirmed its commercial potential. During the half-year, this service generated sales of ¥6mn, up from ¥4mn in H1 FY8/12. This 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 strengthening the services provided to pre-school children, the number of such children in the Pre-Kids Association increased to 45 by the end of H1 FY8/13. Thus, the Meiko Kids service appears to have strong growth prospects.

Other new businesses include Mirai Kids Club, which absorbed the Meiko-ALC English Language Studio and Abrakadoodle Art Studios. These business aim to prepare children from preschool to elementary school ages for life in the future, and both are being tested for commercial viability. In H1 FY8/13, Mirai Kids Club generated aggregate sales of ¥7.3mn, up from ¥1.6mn in H1 FY8/12. At the end of H1 FY8/13, Mirai Kids Club enrolled 140 students, up from 26 students at the end of H1 FY8/12.



■ Business Trends by Division

Operating Statistics for Meiko Soccer Schools, H1 FY8/12, FY8/12, & H1 FY8/13

	H1 FY8/12	FY8/12	H1 FY8/13	YOY Change
Sales (¥mn)	48	104	60	12
Number of schools	4	7	12	8
(Number of franchised schools)	0	1	2	2
Number of students	655	708	900	245

Operating Statistics for Waseda Academy Kobetsu Schools, H1 FY8/12, FY8/12, & H1 FY8/13

	H1 FY8/12	FY8/12	H1 FY8/13	YOY Change
Sales (¥mn)	61	199	132	71
Number of schools*	2	9	14	12
(Number of franchised schools)	0	7	12	12
Number of students	186	334	457	271

Note: Excluding four schools directly operated by Waseda Academy

Operating Statistics for Meiko Kids, H1 FY8/12, FY8/12, & H1 FY8/13

	H1 FY8/12	FY8/12	H1 FY8/13	YOY Change
Sales (¥mn)	4	12	6	2
Number of schools	1	1	1	0
Number of students	52	69	71	19
Number of pre-school children	1	5	45	44

Note: Excluding four schools directly operated by Waseda Academy

Operating Statistics for Mirai Kids Club, H1 FY8/12, FY8/12, & H1 FY8/13

	H1 FY8/12	FY8/12	H1 FY8/13	YOY Change
Sales (¥mn)	1.6	7.7	7.3	5.7
Number of studios	1	3	3	2
Number of students	26	134	140	114



■ Company Forecasts for FY8/13

Profits likely to exceed company' s forecasts

For FY8/13, the company maintained its original forecasts, shown in the table below. In H1 FY8/13, it achieved 48.2% of the sales and 56.2% of the recurring profit projected for the full fiscal year. In the four fiscal years through FY8/12, the company generated 50.4% of its full-year sales forecast and 55.7% of its full-year recurring profit forecast, on average, in the first half. Thus, in H1 FY8/13, sales fell somewhat short of this average, while recurring profit exceeded the average a bit.

In April 2013, the number of new students entering schools run by Meiko Network Japan exceeded the number of new students in April 2012 by 20%, reflecting upturns in enrollment at Meiko Gijuku directly operated schools and at the Tokyo Medical School Preparatory Institute. Thus, sales growth in H2 FY8/13 should be robust. At the same time, the company foresees no extraordinary expenses for H2 FY8/13. Therefore, it appears likely to earn more profits in FY8/13 than it currently forecasts.

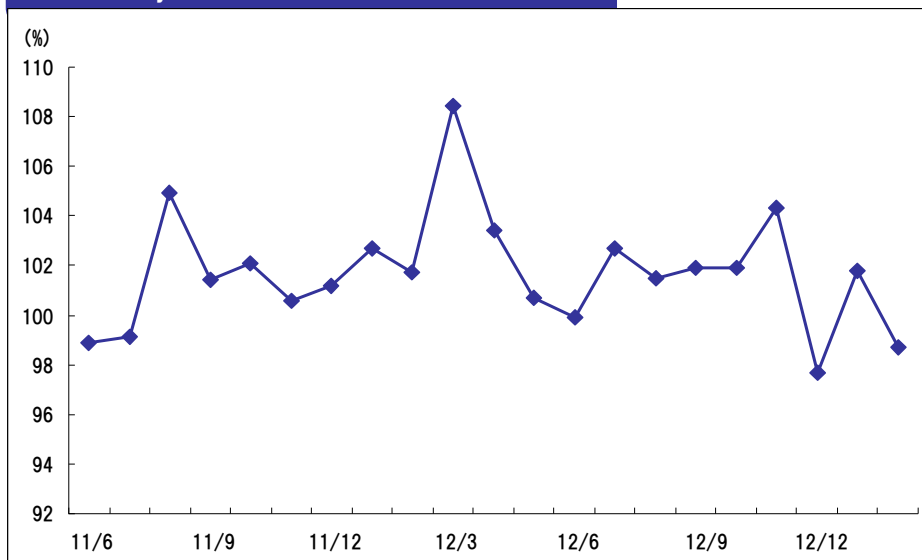
Company Forecasts for FY8/13 Versus Results in FY8/12

	Sales		Operating Profit		Recurring Profit		Net profit		EPS	DPS
	(¥mn)	(YOY)	(¥mn)	(YOY)	(¥mn)	(YOY)	(¥mn)	(YOY)	(¥)	(¥)
FY8/12	14,484	5.6	3,543	5.3	3,727	7.2	1,969	2.4	71.38	25.0
FY8/13E	15,938	10.0	3,846	8.6	3,893	4.5	2,323	18.0	84.23	27.0

According to the Ministry of Economy, Trade and Industry, Japan' s supplementary education industry continues to grow by modestly YOY. In addition, Japan' s ruling Liberal Democratic Party recently 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. As Meiko Network Japan offers many educational services to customers ranging in age from pre-schoolers to preparatory school students, the company is likely to grow further as a result of this tax change.

■ Company Forecasts for FY8/13

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



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

■ Forecasts for FY8/13 by Division

Youdec stressing supplementary education at schools outside the Meiko Network Japan group

Even though sales generated by the company's Meiko Gijuku directly operated schools fell by 0.3% YOY in H1 FY8/13, the company forecasts sales growth of 2.3% YOY for these schools in FY8/13. These schools enrolled 434 more new students in April 2013 than they did in April 2012, so the company's forecast seems plausible. In H1 FY8/13, the Meiko Gijuku franchised schools increased their sales by 2.8% YOY, and for the full fiscal year, the company foresees 7.7% YOY sales growth. These schools may fall short of the company's full-year sales forecast because they had to temporarily suspend student enrollment activity while they installed a new information system this spring. However, the company anticipates renewed sales growth from Meiko Gijuku franchised schools from FY8/14.



The company projects sales of ¥600mn and operating profit of ¥30mn for its supplemental education business in FY8/13. In H1 FY8/13, this business generated more sales than the company had forecast, and in April 2013, the Tokyo Medical School Preparatory Institute enrolled 20% more new students than it did in April 2012. To reduce its fixed costs, in March 2013, the institute closed its residential school in Tamagawa and merged the students and facilities at this school with its school in Mitaka. The school for high school students will merge and transferred its functions 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 was established 37 years ago as the pioneer in such education in Japan. It 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 may attract more students in the future.

From April 2013, Youdec Co. increased the pace of expansion of its supplementary education service, primarily at private high schools in Greater Tokyo. This 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.

The Meiko Soccer School business is acquiring futsal courts to increase the number of directly operated schools. In March 2013, the business opened two new directly operated schools, bringing the total of such schools to 12. The business also had two franchised schools as of April 2013. In spring 2013, the Waseda Academy Kobetsu School business began to place students in competitive schools and universities. This achievement is a prime measure of quality for preparatory schools, so the business will probably attract more students hereafter. In April 2013, the business opened a new franchised school, bringing the total of such schools to 13. The business also had two directly operated schools as of that month, while Waseda Academy operated four schools directly, for a total of 19 schools.

■ Forecasts for FY8/13 by Division

In April 2013, many children who had been members of the Pre-Kids Association entered first grade and joined Meiko Kids, so the number of students at Meiko Kids rose to 110. Also in April, Meiko Kids began pickup bus service for its students to expand the geographical area served, and this is likely to stimulate an increase in the number of students. The current Meiko Kids School is now profitable, 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 OTONAJYUKU" (Ginza adult school) 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, led by the Waseda Academy Kobetsu School business. Therefore, they will probably turn profitable within a year or two.

Performance (¥mn) by Division, 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	7,022	2.3%
Meiko Gijuku franchised schools	5,846	6,402	6,736	7,222	7.2%
Supplemental education	633	594	559	578	3.4%
Other businesses	87	143	324	1,116	244.3%
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	△31	7	△7	5	-
Other businesses	7	△174	△120	△50	-
Company-wide operating costs, goodwill expense, etc.	△1,082	△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%	35.1%	-
Meiko Gijuku franchised schools	52.3%	50.9%	49.2%		
Supplemental education	△4.9%	1.2%	0.0%	0.9%	-
Other businesses	8.0%	△121.7%	0.0%	0.0%	-
Total operating profit margin	24.2%	24.5%	△37.0%	24.1%	-

■ Strategy for the Medium-to-long Term

Continue to open 90-100 new schools per year

(1) Meiko Gijuku school business

Meiko Network Japan intends to increase the number of its Meiko Gijuku schools and the number of students at these schools. It plans to open 90-100 new schools per year, as it has in the past, and to maintain a strategy of concentrating schools in certain areas to raise its market share in each area. It will also scrap older schools and replace them with new ones and reorganize some of its service areas.

To improve its recruitment of students at Meiko Gijuku schools, the company will effectively use many types of advertising media, including Internet advertising, as well as flyers. It will promote the slogan “Meiko Gijuku Style! Independent Study” to differentiate Meiko Gijuku schools from competitors, develop new courses for elementary school students and new services, such as video instruction for high school students.

To strengthen the Meiko Gijuku brand and increase profitability, the company plans to manage schools more efficiently and to offer more effective instruction and counseling to improve the performance of students.

Nurture new businesses to expand the age range of its customer base

(2) Supplemental education and other businesses

Meiko Network Japan will take advantage of a supportive business environment to recruit students throughout the year for the Tokyo Medical School Preparatory Institute. It will also offer more special lectures at the institute. These measures should lift sales in the supplemental education business.

Youdec Co. will continue to expand its service of offering instruction at schools not affiliated with the Meiko Network Japan group. It will unify the content of tests conducted by Meiko Gijuku schools and improve their accuracy as predictors of suitability for advancement, thereby strengthening the Meiko Gijuku brand.

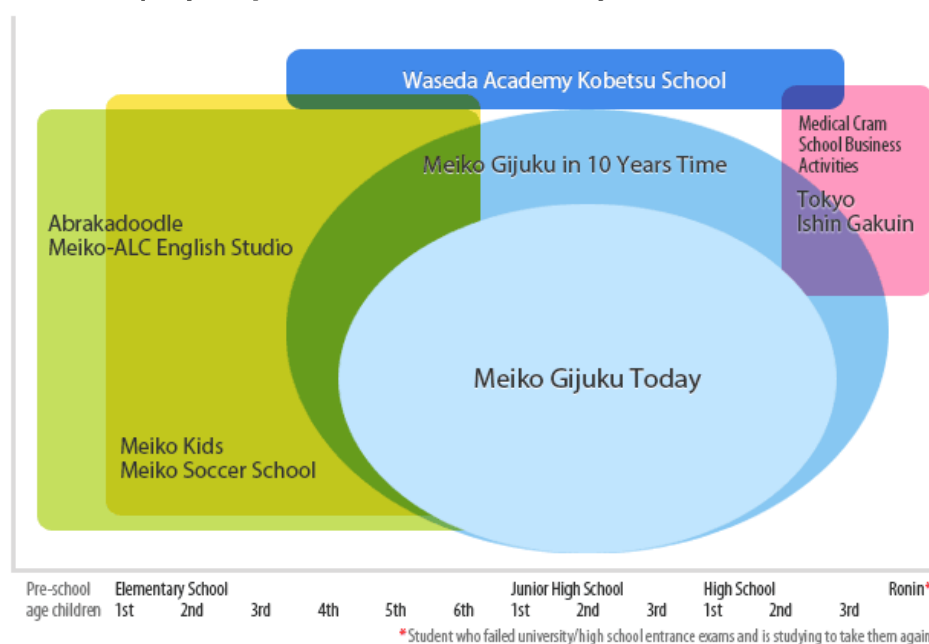
The Meiko Soccer School business will lay the groundwork for expansion by continuing to acquire futsal courts and superior coaches. The Waseda Academy Kobetsu School business will assist the formation of more franchised schools, and the Meiko Kids business plans to open its second school in FY8/14.

■ Strategy for the Medium-to-long Term

In February 2013, Meiko Network Japan started a new business of offering educational services to non-Japanese living in Japan when it opened the MEIKO Plus Academy in the Shinjuku district of Tokyo. This academy employs Korean teachers to offer individual instruction in Korean to Koreans of all ages living in Japan.

As detailed above, the company plans to continue to develop businesses based on its basic principles of nurturing human resources by contributing to educational and cultural programs and achieving goals by developing and diffusing franchising knowhow. While increasing the Meiko Gijuku school business as its core business, the company will expand the age range of its customer base by developing new businesses, thereby achieving growth through 2020.

Company Projection of Customer Base by Business in 2023



■ Shareholder Return Policy

The company may well raise its dividend per share for FY8/13 more than currently planned

Because of its concern for shareholder returns, Meiko Network Japan remains popular among equity investors. For FY8/13, the company plans to raise its dividend payment 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.

■ Shareholder Return Policy

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 May 14, 2013, of ¥1,417, 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 an effective franchise system, Meiko Network Japan is likely to continue to grow over the medium-to-long term and to increase its dividend payment.

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 (on May 14, 2013)	Projected EPS	Planned DPS	Prospective PER	Dividend Yield	Total Yield	Shareholder Award Program
4668	Meiko Network Japan Co., Ltd.	1,417	84.2	27.0	16.8	1.9%	4.0%	¥3,000 QUO cards to holders of 100 shares
4714	Riso Kyoiku Co., Ltd.	10,550	489.1	360.0	21.6	3.4%	3.4%	
4645	Ichishin Holdings Co., Ltd.	269	11.2	10.0	24.0	3.7%	10.8%	¥10,000 discount coupons to holders of 500 shares
4745	Tokyo Individualized Educational Institute, Inc.	238	9.2	6.0	26.0	2.5%	6.6%	¥1,000 discount coupons for classes
6053	Elkoh Holdings Inc.	816	67.8	24.0	12.0	2.9%	2.9%	
2651	Lawson, Inc.	7,640	359.4	210.0	21.3	2.7%	2.7%	
2702	McDonald's Holdings Company (Japan), Ltd.	2,857	106.1	30.0	26.9	1.1%	2.1%	¥3,000 coupons for food purchase
7611	Hiday Hidaka Corp.	2,264	149.6	36.0	15.1	1.6%	2.8%	¥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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