

Meiko Network Japan4668 Tokyo Stock Exchange
First Section

5-Dec.-14

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato**■ New businesses have been steadily expanded. Sales and current net profit have surpassed their past records.**

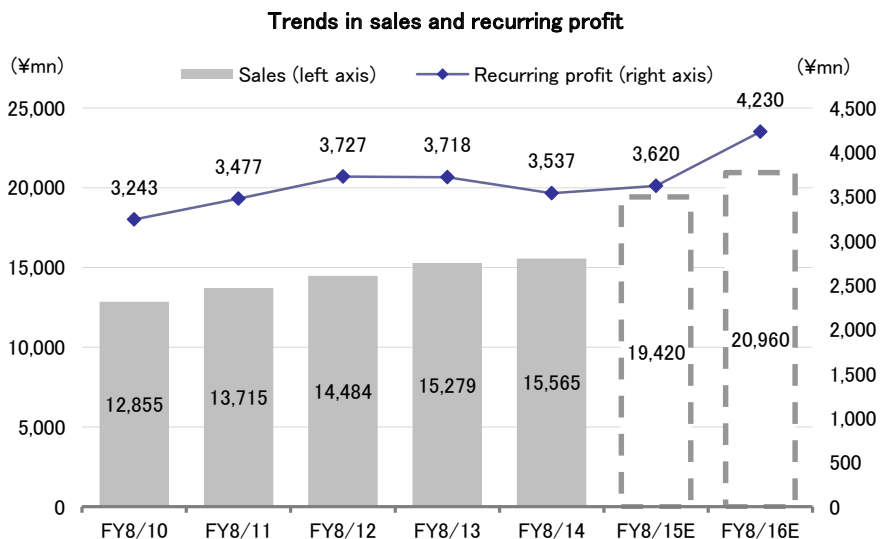
On October 9, 2014, Meiko Network Japan (4668) announced its consolidated results for the fiscal year ended August 2014. Its consolidated sales increased by 1.9% YOY to ¥15,565mn, its recurring profit decreased by 4.9% YOY to ¥3,537mn and current net profit increased by 1.4% YOY to ¥2,199mn. While its Meiko Gijuku franchised schools business was sluggish, new businesses such as Meiko Kids Schools business steadily expanded, and as a result the Company's sales and current net profit surpassed their past records.

For the fiscal year ending August 2015, the Company is forecasting its sales increase by 24.8% YOY to ¥19,420mn and recurring profit increase by 2.3% YOY to ¥3,620mn. Its sales are inflated as the Company acquired MAXIS Group, Meiko Gijyuku's largest franchisee, into its subsidiary. The sales increase would be by net 5% with this influence excepted. As its steps to take for the current fiscal year, the Company will establish an appropriate structure for making its slumping Meiko Gijyuku business regrow. Specifically, besides restructuring the Company organization and improving its service quality, the Company will implement "Meiko-style! Self-supported Learning" thoroughly again as a differentiation strategy for expanding the number of students. Further, the Company is developing new services one by one for increasing students' motivation and supporting their learning management, which will be tested step by step from the spring of 2015. As for new businesses, the Company will advance foundations for business as all of Waseda Academy Kobetsu Schools, Meiko Soccer Schools and Meiko Kids Schools are expecting to increase their numbers of schools.

The Company revised its medium-term three-year business plan at the time of announcement of its consolidated financial results. For its final fiscal year ending August 2016, the Company revised sales from ¥18,720mn to ¥20,960mn and recurring profit from ¥4,500mn to ¥4,230mn. This revision was made in view of the expected financial results for the preceding year and the influence of having acquired MAXIS Group as a subsidiary, but the Company has maintained its basic strategies. Also, regarding dividend policy, its basic policy is to maintain continuous dividends and the Company plans a dividend increase by ¥2 YOY to ¥34 per share for the fiscal year ending August 2015. The Company also plans to raise gradually its dividend payout ratio to about 50%. Thus, the Company will continue to attract attention as a corporation that is aggressive about shareholder returns including its shareholder special benefit plan (a QUO card worth ¥3,000 to be presented per share unit).

■ Check Point

- Its sales and current net profit have surpassed the past records for two consecutive fiscal years.
- Its financial standing has been strengthened and its high profit structure has been maintained.
- From the latter half of the current fiscal year, the Company is expected to turn into the trend of "increase of both sales and profit."



■ Description of Businesses

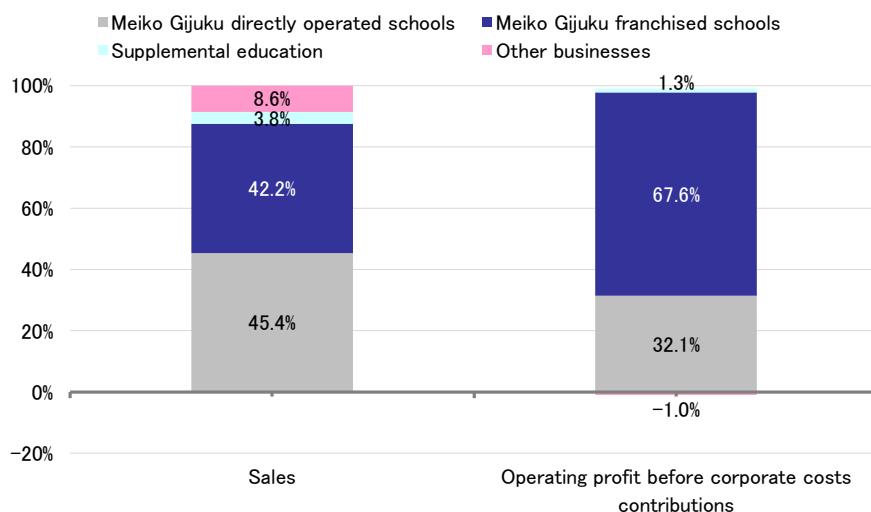
“Meiko Gijuku” as an industry leader in the private tutorial schools industry is the primary source of sales

“Meiko Gijuku,” the leading brand of the private tutorial schools industry, has both directly operated schools and franchised schools and those are the primary sources of sales. Also, it owns a subsidiary “Tokyo Ishin Gakuin” (Tokyo Medical School Preparatory Institute) that operates preparatory schools for medical course examinations and other businesses.

Its other businesses include “Meiko Soccer Schools,” soccer schools for children, “Waseda Academy Kobetsu Schools,” for individualized coaching preparatory schools for students preparing for entrance examinations for competitive schools, “Meiko Kids Schools” for nursery care, “Abakadoodle Art Studios,” an art class for infants and elementary school children and “MEIKO PLUS Academy” as a private tutorial school for Korean students and other educational service businesses. Its other businesses include publishing entrance examination information magazines, designing trial examination questions, sales of educational materials and offering private tutoring within ordinary schools by its subsidiary Youdec Co. Further, it has a business of publishing academic books by Koyo Shobo Co., Youdec’s subsidiary.

The Company’s segment-wise percentages are shown in the graphic chart below. Meiko Gijuku accounts for most of its sales and profits. Its medium-term strategy is to grow the entire group by expanding other educational service businesses on top of the sustained growth of Meiko Gijuku businesses.

Percentage distribution by businesses (FY8/14 actual results)



■ Financial Results

Sales and current net profit have shown all-time record highs for two consecutive fiscal years

(1) Consolidated financial results for the fiscal year ended August 2014

The consolidated financial results announced as of October 9, 2014 showed sales of ¥15,565mn or 1.9% increase YOY, operating profit of ¥3,416mn or 4.6% decrease YOY, recurring profit of ¥3,537mn or 4.9% decrease YOY and current net profit of ¥2,199mn or 1.4% increase YOY. Although both sales and profit were short of its accounting plan with sluggish Meiko Gijuku businesses as its main reason, sales and current net profit showed all-time highs for two consecutive fiscal years.

Financial results for FY8/14 (Consolidated)

	FY8/13		FY8/14			
	Actual	vs Sales	Budget	Actual	vs Sales	YOY
Sales	15,279	-	16,470	15,565	-	1.9%
Cost of goods sold	8,995	58.9%	-	9,399	60.4%	4.5%
SGA	2,703	17.7%	-	2,750	17.7%	1.8%
Operating profit	3,580	23.4%	3,780	3,416	21.9%	-4.6%
Recurring profit	3,718	24.3%	3,880	3,537	22.7%	-4.9%
Net extraordinary gain or loss	-110	-0.7%	-	-24	-	-
Current net profit	2,169	14.2%	2,330	2,199	14.1%	1.4%

As of the end of August, the number of Meiko Gijuku schools was 2,137 (increased by 30 YOY) and the number of registered students was 135,731 (decreased by 507 YOY). This was the first time its registered students had decreased from the previous year. This is due to severe competitions among the private tutorial school operators under the continuing downward trend in the birth rate. Particularly for the current fiscal year, students decreased sharply in the Kyushu region by 1,784, which affected the total badly. Without the Kyushu region, the number of students would have increased. The decline in the number of students in Kyushu could be due to the student acquiring campaigns with lowered fees by a number of competing school operators. However, such price-cutting competition with total disregard for profitability seems to have calmed down as those school operators are said to be closing some of their schools.

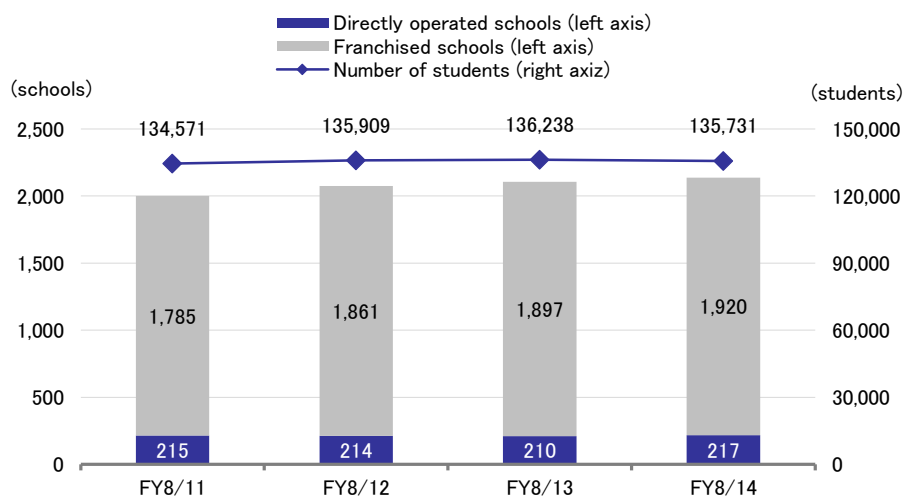


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Trends in the number of Meiko Gijuku schools and students



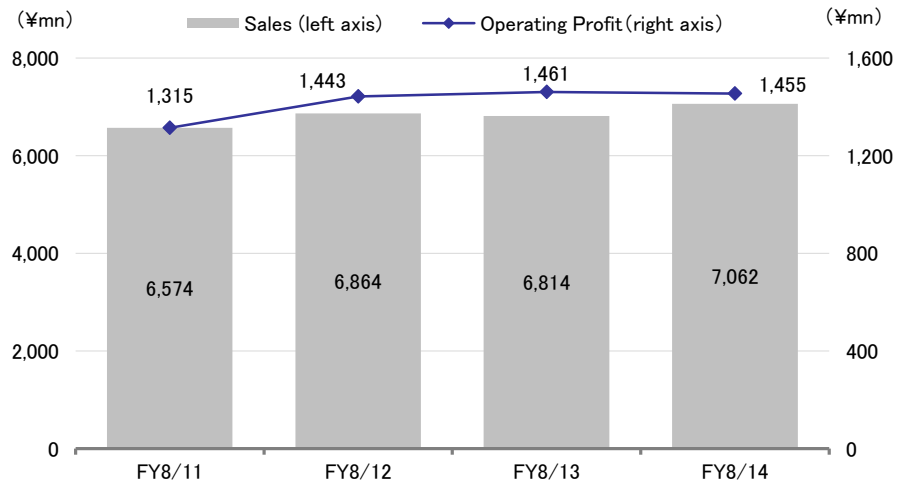
Operating profit decreased by 4.6% YOY and operating profit margin turned to be 21.9% which is down by 1.5 points YOY. This is due to the increased ratio of cost of sales by 1.5 points. This cost increase was mainly caused by the increase in the fixed costs such as man power and room rents for increased schools operated directly by Meiko Gijuku as well as changes in the sector-wise. With regard to the cost of goods sold, there were expenses (plus ¥31mn) due to the increased shareholders and expenses for equity offering, but owing to the expense control measures across the Company, the total SGA ratio was maintained as 17.7%, same as for the previous year.

For the current year, the Company sold all the shares of Life Support, an equity method affiliate till the previous year, and Recorded ¥111mn as gain on sale of investment securities. Business segment-wise trends are as follows:

Meiko Gijuku directly operated schools

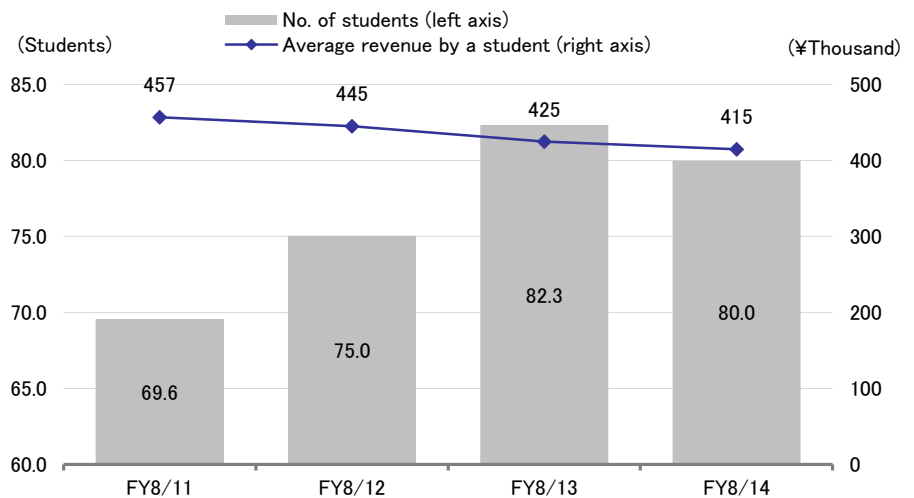
Sales of Meiko Gijuku directly operated schools business increased by 3.6% YOY to ¥7,062mn and the segment's profit decreased by 0.4% YOY to ¥1,455mn. The number of its schools as of the end of August 2014 increased by 7 YOY to 217 schools and the number of its registered students as of the end of August 2014 increased by 66 YOY to 17,357 students. These expansions were the factors for the increased sales. The reasons for a slight decrease in the profit were increases in the fixed costs such as for manpower and room rents due to increased number of schools and in the costs for seminars and other events for school principals and instructors, which were implemented to strengthen school management.

Sales and Operating Profit of Meiko Gijyuku directly operated schools

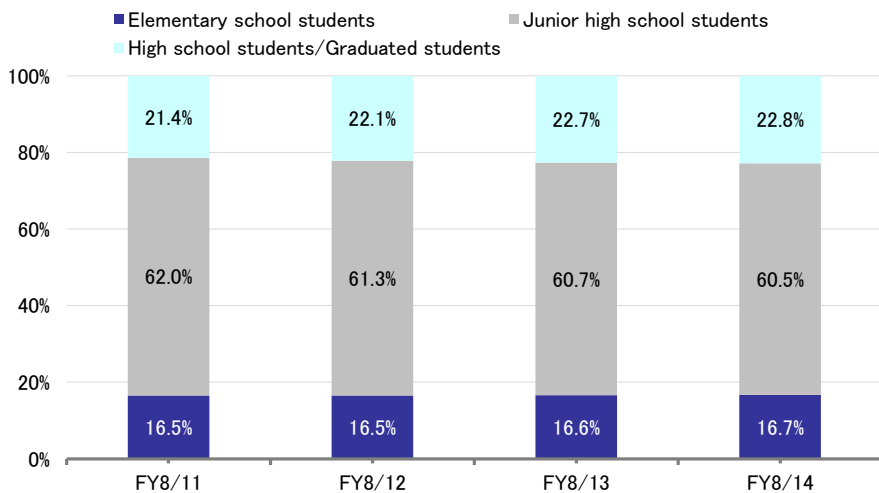


The number of students per school and sales per student dropped slightly. The decrease in sales per student seems to be attributed to a lowered ratio of senior high school students with higher unit prices and also to lowered visits to the schools. But, as for the period of 4Q (June to August), it increased slightly from the same period a year ago, so the declining trend now seems to have been curbed. On the other hand the number of students per school was 80.0. Although this is a small decline from the same period a year ago, it has been kept on a high level through the improved skills of school enrolling counseling and efforts for improved customer satisfaction by intensive communications with students and parents.

Number of Students per School and Average revenue per Student



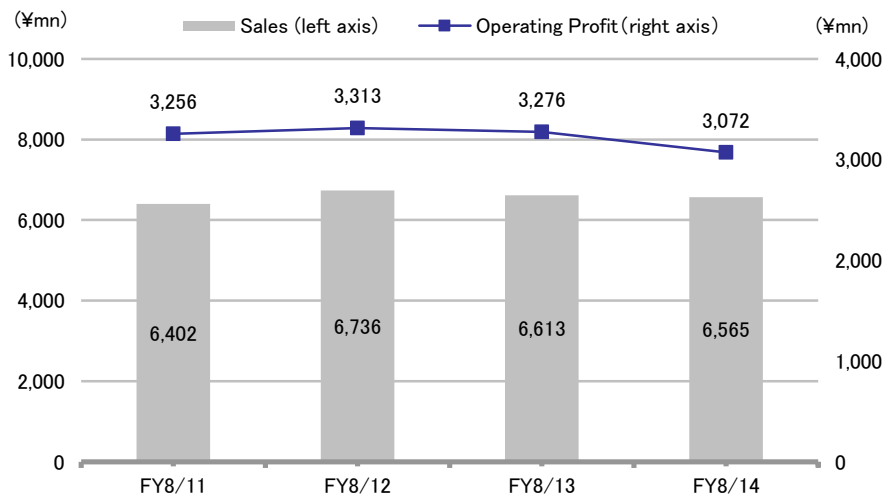
Proportion of students (average by fiscal years)



Meiko Gijuku franchised schools

Sales of Meiko Gijuku franchised schools decreased by 0.7% YOY to ¥6,565mn and the segment’s profit also decreased by 6.2% YOY to ¥3,072mn. These have marked the second consecutive declines in both sales and profit. As of the end of August 2014 the number of schools increased by 23 YOY to 1,920. However, the number of registered students decreased by 507 YOY to 135,731 under the fierce competition for acquisition of students due to the continued low birth rate.

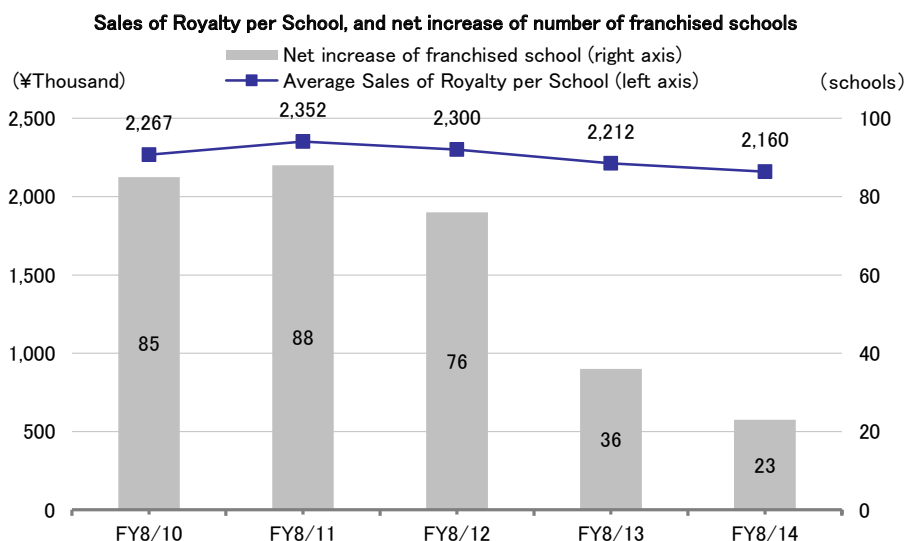
Sales and Operating Profit of Meiko Gijuku franchised schools



Breaking down the sales would show the following: Sales of educational materials and equipment to FC schools increased by 3.7% YOY to ¥2,123mn, but sales by royalties (a certain ratio of FC school sales) decreased by 1.0% to ¥4,130mn and further, sales by contracts also decreased owing to a decrease in the new accidence to the FC schools. In terms of profit, on top of the factors for decreased sales, there was reinforced manpower at the headquarters for strengthening school management which has become a factor for decreased profit.

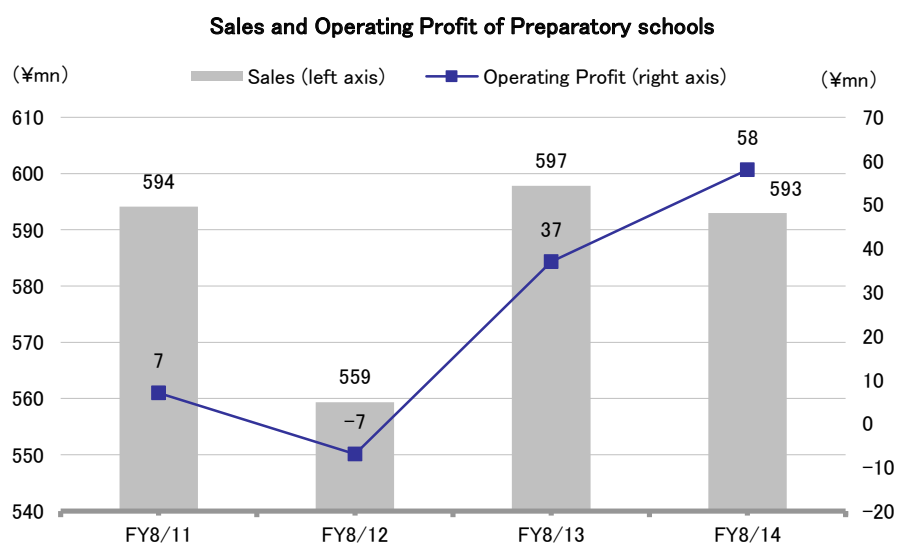
Decreases in the number of students per school and in the sales per student were direct factors for decreased royalty sales. On the other hand, slowing down in the expansion of FC schools can be considered as another factor. The number of FC schools had expanded by 90 to 100 schools yearly at average till the fiscal year ended August 2011, so even if the royalty sales per school decreased, it used to be covered by the expansion of the number of schools. However, for the last two fiscal years.

The increasing pace of the schools slowed down to about 30 schools per year, which would not be able to cover decreases in royalty sales per school.



○Preparatory school business

Sales of the business operated by Tokyo Ishin Gakuin (Tokyo Medical School Preparatory Institute) decreased by 0.8% YOY to ¥593mn while the segment's profit increased by 53.9% YOY to ¥58mn. Although sales declined slightly due to lowered entries in the past spring, profit increased owing to the reduction of fixed costs (-¥23mn YOY) by the merger of schools (5 schools to 4 schools) implemented in the previous fiscal year. Meanwhile, the number of students as of the end of August 2014 was 134 which is fewer by 10 YOY.



Other businesses

Sales for other businesses increased by 7.4% YOY to ¥1,345mn and the segment resulted in the loss of ¥44mn (the loss was ¥126mn for the previous fiscal year).

Other businesses

	FY8/12	FY8/13	FY8/14	Remarks
Sales	324	1,253	1,345	
Meiko Soccer	104	128	131	17 schools (incl.FC2, +3 YOY)
Waseda Academy Kobetsu Schools	199	254	258	24 schools (Direct 4, FC13, WA direct 7 +4 YOY)
Kids	12	39	70	3 schools (+2 YOY)
Meiko Plus Academy	-	1	11	For tutorial institute for Korean students (2/13 ~)
Youdec/Koyo Shobo	-	828	871	
Operating profit	-120	-126	-44	

Meiko Soccer Schools had an increase of three schools for its direct operation, making the total increased to 17 schools including franchised schools. The number of students as of the end of FY August 2014 was 874 which is a decrease by 22 YOY. However, it maintained increased sales owing to the increase of its directly operated schools. Operating loss increased slightly to ¥20mn (loss was ¥13mn for the previous FY) due to increased costs for the new schools it acquired.

Waseda Academy Kobetsu Schools increased the number of schools by 4 YOY to 24 and the number of students by 412 YOY to 1,546 as of the end of FY8/14. The breakdowns of schools for the type are as follows. Meiko Gijuku directly operated schools had an increase of 2 YOY to a new total of 4 schools, Franchised schools had a decrease of 1 YOY to a new total of 13 schools and Waseda Academy's directly operated schools had an increase of 3 YOY to a new total of 7 schools. This business was started in FY8/11 and has been increasing students as it has been gaining recognition with its students' good results of passing entrance examinations for competitive junior and senior high schools in the metropolitan region. This business had sales of ¥258mn and operating profit of ¥4mn having moved into the black for the first time since the start of its business.

Meiko Kids Schools opened 2 schools making the number of schools 3. Those newly opened schools have making good progress with their capacities almost filled from the beginning with the background of increased demand for after-school care for children. The number of students at the end of FY8/14 increased by 254 YOY to 355 and its sales increased from ¥39mn to ¥70mn. It is yet below the surface in terms of profit as it is still at the stage of upfront investments.

Consolidated subsidiary Youdec Co. ended FY8/14 with both sales and profit increased YOY as results of continued strong sales of trial entrance examination questions and smooth sales of educational materials for private tutoring schools and sales of private tutoring within ordinary schools.

Financial standing further solidified, High profit structure maintained

(2) Financial status and management indicators

As of the end of August 2014, the Company's total assets increased by ¥11mn YOY to ¥16,568mn. As for its main factors, increased or decreased, current assets increased by ¥409mn YOY due to increases in accounts such as cash and deposits and accounts receivable, while fixed assets decreased by ¥398mn due to decreases in investment securities and long-term deposits.

Liabilities decreased by ¥1,366mn YOY to ¥3,377mn due to a decrease in interest-bearing debt although overdue taxes increased. Net assets increased by ¥1,378mn YOY to ¥13,191mn due to increased retained earnings.

In terms of management indicators, equity ratio increased from 71.2% for the previous FY to 79.4% for the current FY due to decreased interest-bearing debt and current ratio increased from 225.1% to 349.8%. That is to say, all of the factors for safety being increased, it can be said that the Company's financial status has been further solidified. On the other hand, ROE and operating profit on sales as indicators of profitability both decreased from the previous fiscal year. However, they both far exceed 10% and therefore the Company still maintains its high profit structure.

Consolidated balance sheet and management indicators

					(¥mn)
	FY8/12	FY8/13	FY8/14	Changes	Factors for change
Current assets	7,890	9,297	9,707	409	Accounts receivable +124
(cash and deposits)	5,931	7,122	7,363	240	
Fixed assets	7,304	7,259	6,860	-398	Investment securities ▲337, Long term deposit ▲68
Total assets	15,195	16,557	16,568	11	
Current liabilities	2,713	4,130	2,774	-1,355	Interest-bearing debt ▲1,600, Payable taxes +221
Fixed liabilities	2,331	613	602	-11	
(Interest-bearing debt)	1,902	1,670	70	-1,600	
Total liabilities	5,045	4,744	3,377	-1,367	
Net assets	10,149	11,813	13,191	1,378	Retained profit +1,371
[Management indicators]					
(Safety)					
Equity ratio	66.6%	71.2%	79.4%		
Current ratio	290.8%	225.1%	349.8%		
Ratio of interest-bearing debt to total assets	12.5%	10.1%	0.4%		
(Profitability)					
ROE	20.9%	19.8%	17.6%		
Operating profit margin	24.5%	23.4%	21.9%		

■ Financial Outlook and Future Actions

Turning to “increased sales and increased profit” is expected in or after the latter half of the current fiscal year

(1) Financial outlook for fiscal year ending August 2015

Consolidated financial results for the fiscal year ending August 2015 are estimated as follows: Sales will increase by 24.8% YOY to ¥19,420mn, operating profit will increase by 2.5% YOY to ¥3,500mn, ordinary profit will increase by 2.5% YOY to ¥3,620mn and current net profit will increase by 2.7% YOY to ¥2,260mn.

Meiko Gijuku acquired its largest franchisee MAXIS Group into its subsidiary last September, which is expected to increase sales by ¥2,998mn. Eliminating this factor, it would be a 5.5% increase in real terms. Goodwill amortization expenses for the above acquisition is estimated to be a little less than ¥180mn per year (10-year equal-installment depreciation) and thus, its operating profit before such depreciation would see an about 8% increase in real terms.



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MAXIS Group's business results and asset situation

	(¥mn)		
	FY8/11	FY8/12	FY8/13
Sales	2,790	2,813	2,663
Operating profit	45	112	4
Recurring profit	69	125	23
Net profit	34	58	11
Net assets	562	606	618
Total assets	946	983	958

※ Meiko Gijuku Schools/87 schools, Waseda Academy Kobetsu Schools/2 schools, Share acquisition expenses/¥1,800mn (100%)

Sales by Segment

	(¥mn)				
	FY8/11	FY8/12	FY8/13	FY8/14	FY8/15 Plan
Meiko Gijuku directly operated business	6,574	6,864	6,814	7,062	7,300
Meiko Gijuku FC business	6,402	6,736	6,613	6,565	6,885
MAXIS		-	-	-	2,998
Preparatory school business	594	559	597	593	600
Other businesses	143	324	1,253	1,345	1,638
Sales total	13,715	14,484	15,279	15,565	19,420

Operating profit by Segment

	(¥mn)				
	FY8/11	FY8/12	FY8/13	FY8/14	FY8/15 Plan
Meiko Gijuku directly operated business	1,315	1,443	1,461	1,455	
Meiko Gijuku FC business	3,256	3,313	3,276	3,072	
Preparatory business	7	(7)	37	58	
Other businesses	(174)	(120)	(126)	(44)	
Company-wide expenses, Goodwill depreciation and others	(1,041)	(1,086)	(1,068)	(1,126)	
Operating profit total	3,363	3,543	3,580	3,416	

As for segment-wise sales prospects, an increase by 3.4% YOY is estimated for Meiko Gijuku directly operated business and by 4.9% YOY for Meiko Gijuku FC business (royalty sales of about ¥300mn from MAXIS Group is included in the sales for Meiko Gijuku FC business). The number of schools as the basis for sales estimation is assumed to increase by 60 YOY with the Company's aggressive development policy. The number of students is also expected to increase in two fiscal years. Sales per student are assumed to remain unchanged from the previous year.

The preparatory school business is estimated to remain stagnant due to decreased students in the first half of the fiscal year. However in the full fiscal year its sales is estimated to increase by 1.2% YOY as results of improved popularity and increased students through aggressive development of various events including information dispatch via internet and collaborations with universities.

With regard to other businesses, at each of Meiko Soccer Schools, Waseda Academy Kobetsu Schools and Meiko Kids Schools, the Company intends to increase the number of students and thus plans increased sales by the expansion in number of students. Meiko Kids Schools, in particular, is set to open three new schools in April, 2015 and can expect further sales growth. In terms of operating profit for the segment of other businesses, a slight loss is estimated to continue for the fiscal year ending August 2015 due to advance investment in opening new schools.

Meanwhile, business plan for the second quarter of this fiscal year includes increased sales and decreased profit with an increase for sales by 22.2% YOY to ¥9,580mn and a decrease for operating profit by 13.0% YOY to ¥1,730mn. On a half-year basis, it is estimated to move into the basic pattern of “increased sales and increased profit” in or after the latter half of this fiscal year as it is believed that the management policies implemented in the past for Meiko Gijuku Schools business are now beginning to elicit effects in stages. Further, it plans to curb employment of new graduates next spring (20 for this spring → 5 for next spring) while advancing moderation in manpower for the purpose of improvement in productivity, which should cause an effect on curbing manpower costs in or after the third quarter of the fiscal year.

Drastic firmer measures to be implemented for Meiko Gijuku Schools business

(2) Measures toward the regrowth of Meiko Gijuku Schools business

The Company is starting to tackle drastic firmer measures which may include restructuring of its organization during the fiscal year ending August 2015 as a result of sluggish growth of Meiko Gijuku Schools business for the past two years or so. As the background for the sluggish growth of Meiko Gijuku business is cited intensified competition for acquisition of students as results of increased competition among the tutorial types of private schools including large discount offers seen in some districts in the context of the falling birth rates.

Under the circumstances, the Company is tackling such issues as vitalization of its organization by restructuring, strengthening competitiveness by improved service quality and enhancement of management abilities. Also, the Company is taking strategies of initiating a renewed focus on its educational policy of “Meiko-style! Self-supported learning” in an aim to increase the number of students. If the number of students per school is increased, it will give FC owners extra reserve and it can be expected to see movements for added schools activated again to be returned to a growing cycle after sluggish two years. Let us take a look at specific challenges the Company is taking on.

OVitalization by organizational restructure

With regard to organizational restructure, the Company has taken three actions if largely grouped. First, it consolidated Meiko Gijuku directly operated business and Meiko Gijuku franchised business, and has restructured it into seven areas (No. 1 ~ 7 Business Divisions). Previously, there was not enough information sharing though there was some, so this time the Company has laid out the organization for making information sharing thorough and working as one on increasing numbers of schools and students. Previously, information was not speedily shared as for instance area meetings were held separately for the directly operation business and the FC business schools business, and there were few opportunities where FC owners could exchange information. This time, the organizations were merged so that thorough and speedy information sharing can be made for leading to increasing schools and students. Also, one of the purposes of having acquired MAXIS last September as a subsidiary was to pass MAXIS' know-how of FC operation to other FC owners, so its spreading effects are expected.

The second action taken is the establishment of “Meiko Support Center” for improving business efficiency and customer satisfaction. “Meiko Support Center” consists of Customer Support Section, School Support Section and Policy and Manual Section. There were such functions within the Company but now newly established as a specialized unit, it is expected to enhance its supporting functions. School Support Section is a section in charge of supporting FC schools which supports newly opened FC Schools by sending its SV to each school for a certain period of time.

The third action was adequate repositioning of human resources for pushing forward organizational vitalization and improvement of productivity. All executive officers’ responsibilities have been changed and divisional heads have been transferred, which would make reengineering within the Company be made more easily. Also, as has been explained previously, it is pursuing improvement of productivity through curbing manpower.

○Strengthening competitiveness by way of improving quality of service

For strengthening competitiveness of Meiko Gijuku Schools business, improvement of quality of service is most essential. Under the circumstances where competition is intensified and where there emerged competitors offering lowered prices to acquire more students, the Company is taking a strategy of improving the quality of its service for increasing the number of students. The first step is to bring forth the Company’s educational policy “Meiko-style! Self-supported learning” as a differentiating strategy in the very competitive private preparatory school industry. The characteristics of “Meiko-style! Self-supported learning” are “to foster students’ ability to think and solve questions for themselves.” The lecturer is expected to give his student, not the answer to the question, but a clue leading to the answer so that it will foster the lecturer to extract the answer resulting in improving their motivation to learn.

To implement “Meiko-style! Self-supported learning,” it is necessary to improve the quality of classes and the quality of lecturers. Thus, the Company is trying to improve the quality levels by giving lecturers group training seminars and streamlining its manuals.

Also, the Company plans to vitalize communications with students and parents. Besides streamlining the aforementioned “Meiko Support Center,” the Company intends to improve customer satisfaction by closer communications with school heads and lecturers. The Company has decided to conduct a customer satisfaction survey two times a year regularly from this fiscal year, which used to be executed on an irregular basis previously.

○Improvement of FC school operating ability by enhanced training

Under the sluggish growth of its FC schools, the Company started to give a training seminar to FC school owners from FY 2014 for the purpose of improving school operation ability. In concrete terms, the Company compiles operational measures by successful excellent FC school owners into manuals to convey the know-how to other FC owners through training seminars. In FY 2014 it held a training seminar three times with the theme of “counseling for signing up for FC school.” It is a training seminar for the know-how for making an inquiry for signing up for enrollment in an aim to increase the enrollment ratio. It would not have instant effects but it is surely expected to lead to an increased enrollment ratio.

The theme for the seminar is planned to be “Communications with students and parents” for FY 2015 and “Lecturer management” for FY 2016. If communications with students and parents are improved, it could be expected to curb students’ withdrawal from the school. Also, “Lecturer management” would increase lecturers’ motivation, which in turn would improve the quality of classes.



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Three-year medium-term business plan, sales to be increased but profits to be slightly decreased

(3) Three-year medium-term business plan revised

At the time of announcement of its official financial results, the Company revised the performance goal figures as per the table in its three-year medium-term business plan for the last fiscal year ending August 2016. The revision was made because the results for FY8/2014 fell below those for the original plan and because consideration was given to the acquisition of MAXIS Group into a subsidiary. Profits were all revised slightly downward. However, there was no change in the basic business strategies and the Company intends to secure the stable growth for Meiko Gijuku business and the establishment of sales bases for its new businesses

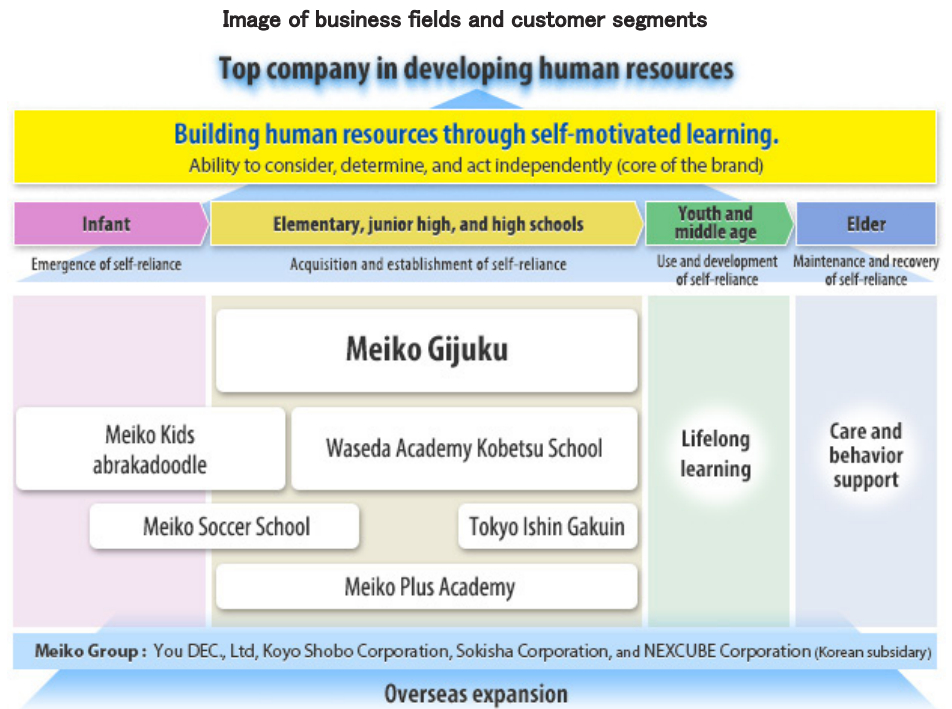
Medium-term business plan (3 years)

	(¥mn)							
	FY8/13	FY8/14		FY8/15		FY8/16		
	Actual	Original plan	First year	Progress	Second year	Third year		
	Actual	Original plan	Actual	Progress	Original plan	Revised plan	Plan	Current estimate
Sales	15,279	16,470	15,565	94.5%	17,430	19,420	18,720	20,960
Meiko Gijuku businesses	13,428	14,387	13,627	94.7%	15,030	14,185	15,768	14,908
Directly operated schools	6,814	7,437	7,062	95.0%	7,808	7,300	8,199	7,665
FC	6,613	6,950	6,565	94.5%	7,222	6,885	7,569	7,243
MAXIS	-	-	-	-	-	2,998	-	3,089
Preparatory school business	597	623	593	95.2%	740	600	870	870
Other businesses	1,253	1,460	1,345	92.1%	1,659	1,638	2,081	2,093
Operating profit	3,580	3,780	3,416	90.4%	4,030	3,500	4,380	4,120
Operating profit margin	23.4%	23.0%	21.9%	-	23.1%	18.0%	23.4%	19.7%
Recurring profit	3,718	3,880	3,537	91.2%	4,130	3,620	4,500	4,230
Recurring profit margin	24.3%	23.6%	22.7%	-	23.7%	18.6%	24.0%	20.2%
Net profit	2,169	2,330	2,199	94.4%	2,470	2,260	2,840	2,460
Net profit margin	14.2%	14.1%	14.1%	-	14.2%	11.6%	15.2%	11.7%

For Meiko Gijuku Schools business, the Company is developing next-generation learning models. It plans to develop such systems as would correspond to diversifying needs in education and such learning systems as would lead to increasing students' motivation, or such systems as would support students' learning management, and it intends to begin operations tests in a step-by-step manner from the spring of 2015.

As for new businesses, for Meiko Soccer Schools, creation of a support system is planned for extending it across the country and for Waseda Academy Kobetsu Schools it intends to expand and upgrade FC schools in collaboration with Waseda Academy. For Meiko Kids Schools, the Company will seek to establish a business base that will contribute to profits with a strategy of aggressively expanding the number of schools toward dominancy benefiting from the increased demand for after-school care for children.

For other issues, the Company will continue to positively study M&A opportunities. The target will be the field of educational service. In other words, the candidate will be businesses for senior citizens such as lifelong learning and care and behavior support which are blank areas. Further, as an overseas project, the Company opened a kindergarten in Singapore for Japanese living there in spring, 2014. It is too small as a business scale to affect the Company's business results. But subject to demand, the Company has their eyes set on expanding it to each country in Southeast Asia.



Source: HP

Shareholder Return Policy

With continued dividend increases as its basic policy, raising dividend payout ratio to 50% is targeted as a policy

The Company has been recording continued dividend increases since it was listed on the stock market, and for FY8/15 it plans an increase of ¥2 YOY to ¥34. Thus, the Company is highly regarded as a company that is proactive for shareholder return. The Company has set up a policy of raising its dividend payout ratio in steps to 50% with continuous increases in dividend as its basic policy from now on.

Also, the Company has a shareholder special benefit plan of giving shareholders a QUO card worth ¥3,000 per share unit. On the basis of the closing share price of ¥1,148 on October. 21, 2014, the gross investment rate per share unit is 5% or more, which far exceeds the average gross investment rate of about 1.7% for the listed companies.

The Company has established stable high profitability and a sound financial standing through its unique franchise system in the fiercely competitive educational service industry. Thus, the Company is estimated to expand steady earnings and, at the same time, to increase its dividends. Also, with regard to ROE (Return On Equity), which is gaining importance as an investment indicator, the Company's actual figure was 17.6% for the previous fiscal year which far exceeds the average 8.5 % for the companies listed on the first section of the Tokyo Stock Exchange and thus will gain continued attention as an attractive company to invest.

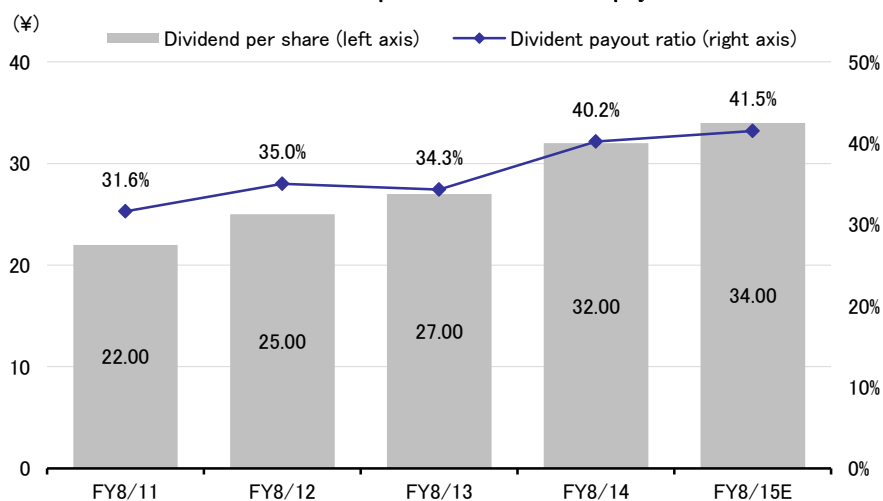


Meiko Network Japan

4668 Tokyo Stock Exchange
First Section

5-Dec.-14

Transition in dividend per share and dividend payout ratio



Consolidated Profit and Loss Statement

	FY8/11	FY8/12	FY8/13	FY8/14	FY8/15 (Plan)
Sales	13,715	14,484	15,279	15,565	19,420
(YOY growth)	6.4%	5.6%	5.5%	1.9%	24.8%
Cost of goods sold	7,922	8,403	8,995	9,399	-
(Ratio on sales)	57.8%	58.0%	58.9%	60.4%	-
SGA	2,429	2,537	2,703	2,750	-
(Ratio on sales)	17.7%	17.5%	17.7%	17.7%	-
Operating profit	3,363	3,543	3,580	3,416	3,500
(YOY growth)	8.2%	5.3%	1.1%	-4.6%	2.5%
(Ratio on sales)	24.5%	24.5%	23.4%	21.9%	18.0%
Recurring profit	3,477	3,727	3,718	3,537	3,620
(YOY growth)	7.2%	7.2%	-0.2%	-4.9%	2.3%
(Ratio on sales)	25.4%	25.7%	24.3%	22.7%	18.6%
Extraordinary profit	26	24	0	111	-
Extraordinary loss	169	166	110	24	-
Profit before tax	3,334	3,585	3,608	3,623	-
(YOY growth)	3.9%	7.5%	0.6%	0.4%	-
(Ratio on sales)	24.3%	24.8%	23.6%	23.3%	-
Corporate taxes	1,411	1,616	1,433	1,413	-
(Effective tax rate)	42.3%	45.1%	39.7%	39.0%	-
Current net profit	1,922	1,969	2,169	2,199	2,260
(YOY growth)	1.4%	2.4%	10.2%	1.4%	2.7%
(Ratio on sales)	14.0%	13.6%	14.2%	14.1%	11.6%
[Key indicators]					
Earnings per share (¥)	69.55	71.38	78.60	79.70	81.90
Dividend per share (¥)	22.0	25.0	27.0	32.0	34.0
Net asset per share (¥)	316.93	366.72	426.82	476.40	-
Dividend payout ratio (%)	31.6	35.0	34.3	40.2	41.5
ROE (%)	23.9	20.9	19.8	17.6	-

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