

Meiko Network Japan

4668 Tokyo Stock Exchange
 First Section

22-Aug.-16

Important disclosures
 and disclaimers appear
 at the end of this document.

FISCO Ltd. Analyst
 Yuzuru Sato

■ Aiming to “Become Japan’s leading human development company, centered on the education business”

Meiko Network Japan <4668> (hereafter, also “the Company”) offers a variety of educational services centered on the directly operated and franchised operations business for the Meiko Gijuku private tutorial schools, but that also include soccer schools, medical-related preparatory schools, after-school care, and Japanese language schools for overseas students. Its strengths include its expertise in franchised operations and its features are that its business is highly profitable and it has a strong financial position.

In the FY8/16 cumulative Q3 (September 2015 to May 2016) consolidated results, net sales decreased 0.2% year-on-year (YOY) to ¥13,073mn and operating income fell 53.6% to ¥989mn. In the mainstay Meiko Gijuku business, student numbers at the end of May were down 4.2%. The main factors behind this were that while on the one hand the Company actively invested in promotions in order to improve its brand power and strengthen measures to acquire students, on the hand it lost time in order to resolve the labor problem with part-time tutors and it also continued with the scrap & build of franchised operations schools.

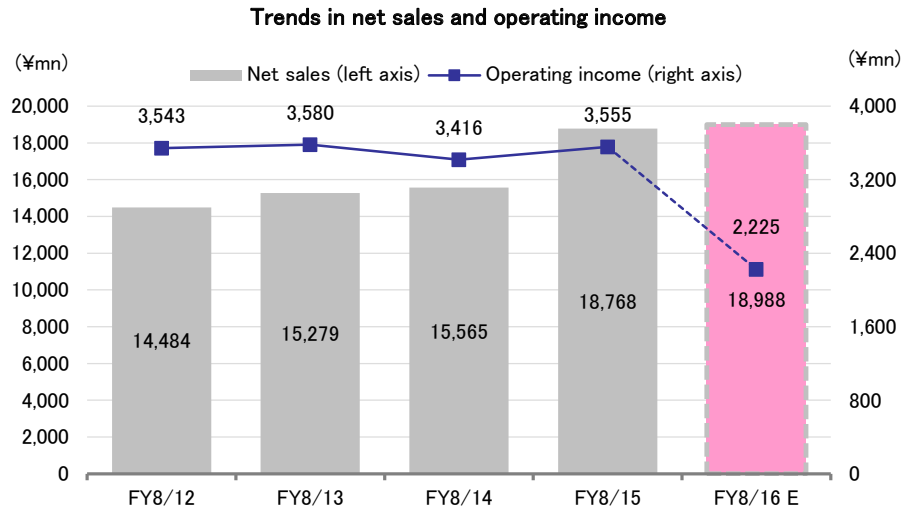
The Company has downwardly revised its FY8/16 results forecasts based on its earnings situation up to Q3, and is now forecasting net sales of ¥18,988mn, up 1.2% (previous target, ¥19,639mn) and operating income of ¥2,225mn, down 37.4% (¥2,870mn). Q4 results will include the sales of new subsidiaries Kotoh Jimsho Co., Ltd. and Kokusai Jinzai Kaihatsu Co., Ltd. In addition, in the Meiko Gijuku business, the Company is aiming to achieve sales on the same level as in the same period in the previous fiscal year by recovering student numbers through strengthening measures for summer classes and other services.

In the context of the continued decline in the birthrate in Japan and the intensification of competition in the private tutorial schools market, a pressing issue for the Company is getting its Meiko Gijuku mainstay business back on a growth track. In FY8/17, the impact of the labor problem with part-time tutors will have run its course, and also promotion expenses are expected to decline, so the forecast is for profits to once again increase. In addition to the stable growth of the Meiko Gijuku business, its other education-services businesses, such as its Kids Schools business and Japanese language schools business for overseas students, are growing steadily, and it intends to realize its 2020 vision and “Become Japan’s leading human development company, centered on the education business.”

The Company’s policy on returns to shareholders is to continue its current proactive stance. For dividends, it still has the same basic policy of increasing the dividend payout ratio in stages to around 80%, continuing the consecutive increases in dividends that it has maintained since its listing. For FY8/16, it is maintaining its initial plan of a dividend per share of an increase of ¥4.0 to ¥38.0 (dividend payout ratio of 117.4%). Moreover, under the shareholder benefit program, the Company will give QUO cards worth ¥1,000 to ¥5,000 to shareholders as of the end of August, according to the number of shares held and the length of time held. The gross investment yield per share unit, including the shareholder benefit program, is at the 4% to 6% level at the current share price (¥1,080 as of August 4).

■ Check Point

- Is developing a variety of education-services businesses in addition to the industry leading Meiko Gijuku tutorial schools
- Is continuing with measures to improve its share of student numbers in regional areas
- In March 2016, it acquired Kokusai Jinzai Kaihatsu, which operates the JCLI Japanese Language Schools



■ Description of Businesses

Is developing a variety of education-services businesses in addition to the industry leading Meiko Gijuku tutorial schools

The main revenue pillars are the Meiko Gijuku directly operated business and the franchised operations business, which lead the private tutorial schools industry. Based on its educational philosophy of developing human resources through independent learning, it is also actively developing educational-services businesses other than Meiko Gijuku.

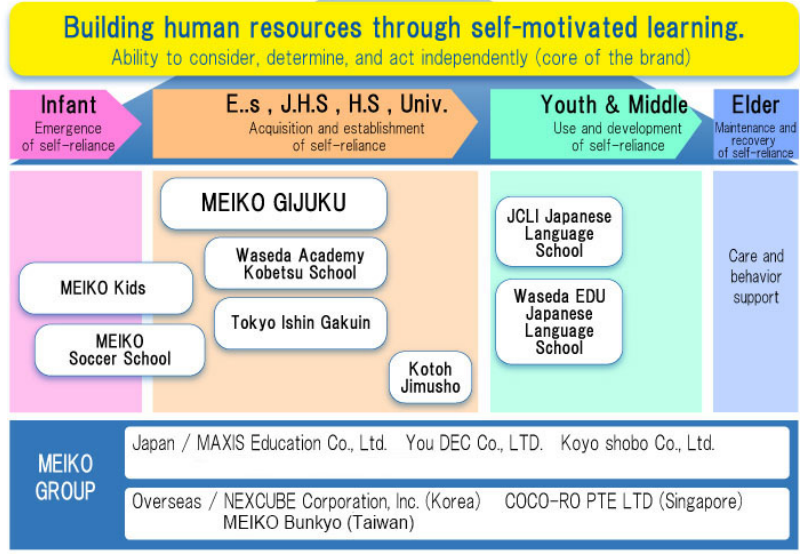
Specifically, it operates Meiko Soccer Schools for children; Waseda Academy Kobetsu Schools, which provide tutorial instruction to junior high school and high school students seeking entry into prestigious high schools and universities; and Meiko Kids Schools, which provide nursery care for preschool children and after-school care for elementary school children. Its subsidiaries operate specialist preparatory schools for students wishing to enter into medical universities and Japanese language schools for overseas students. Another of the Company's subsidiaries, Youdec Co., Ltd., publishes a magazine featuring information about the content of entrance examinations, produces model examination questions, sells educational materials, and offers private instruction to students at their schools. In addition, Youdec's subsidiary, Koyo Shobo Co., Ltd., is involved in the academic publishing business. In March 2016, it newly made a subsidiary of Kotoh Jimusho, which will operate a business for university entrance exams and university education.

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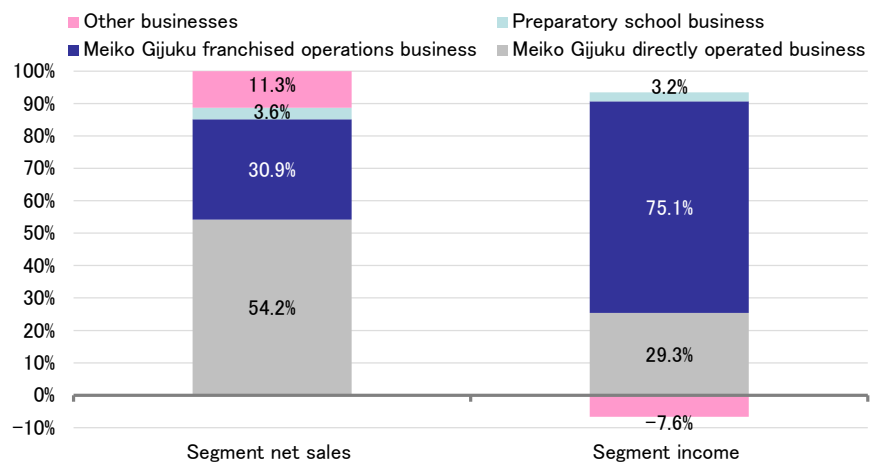
Top company in developing human resources



Source: the Company's website

As detailed in the bar chart below showing percentages according to business segment for the cumulative totals for Q3 in FY8/16, the mainstay Meiko Gijuku business (directly operated and franchised operations) is the source of the majority of Meiko Network Japan's total consolidated sales and profits. The Company's policy, as its medium-term strategy, is to aim for growth in the entire Group through maintaining the growth of the Meiko Gijuku business while developing its other educational-services businesses.

Percentage distributions by business segment
(cumulative totals for FY8/16 Q3)



Note: totals are after the removal of in-Group transactions

Business trends

Sales and profits declined in Q3 FY8/16

(1) Overview of the cumulative Q3 FY8/16 results

In the cumulative Q3 FY8/16 consolidated results, net sales decreased 0.2% YOY to ¥13,073mn, operating income fell 53.6% to ¥989mn, ordinary income declined 57.1% to ¥1,011mn, and net income attributable to owners of the parent decreased 90.0% to ¥148mn. Looking on a quarterly basis, due to the deterioration in earnings in the mainstay Meiko Gijuku business, from Q2 onwards profits started to decline compared to the same period in the previous fiscal years, while if looking only at Q3, the operating loss was ¥561mn (compared to operating income of ¥17mn in the same period in the previous fiscal year).

FY8/16 Q3 results (consolidated)

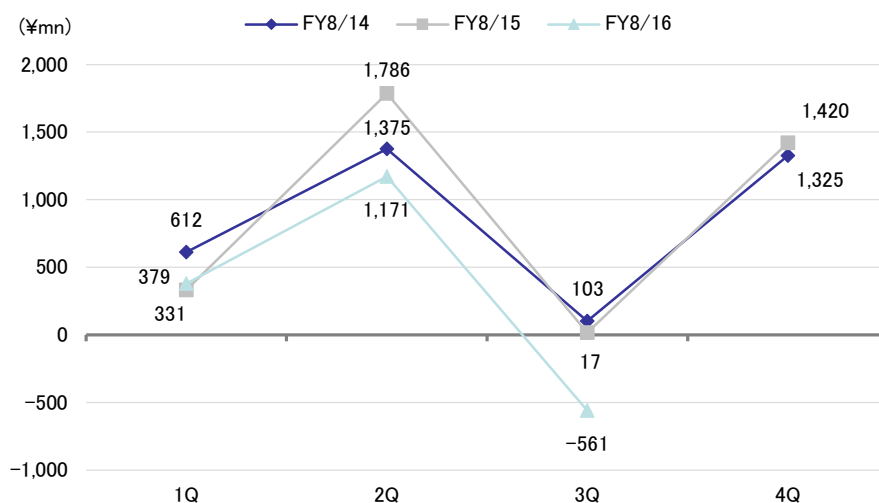
	Q3 FY8/15 cumulative totals		Q3 FY8/16 cumulative totals		
	Results	% of sales	Results	% of sales	YOY
Net sales	13,102	-	13,073	-	-0.2%
Cost of sales	8,516	65.0%	9,032	69.1%	+6.1%
SG&A expenses	2,451	18.7%	3,050	23.3%	+24.5%
Operating income	2,135	16.3%	989	7.6%	-53.6%
Ordinary income	2,358	18.0%	1,011	7.7%	-57.1%
Extraordinary income	99	0.8%	-466	-3.6%	-
Net income attributable to owners of the parent	1,486	11.3%	148	1.1%	-90.0%

Number of students enrolled at Meiko Gijuku schools, number of schools, total system-wide sales (directly operated and franchised operations)

	Q3 FY8/15	Q3 FY8/16	YOY
Number of schools (end of May)	2,122	2,102	-0.9%
Number of students (end of May)	118,513	113,518	-4.2%
Total system-wide sales	33,745	33,013	-2.2%

Note: Total system-wide sales = the sum of 1) total sales of directly operated schools, including admission fees, lesson fees, fees for educational materials, and test fees, and 2) total sales of franchised operations including admission fees and lesson fees.

Consolidated operating income (quarterly basis)



In the mainstay Meiko Gijuku business, student numbers at the end of May had fallen 4.2% YOY to 113,518 students, which was a factor behind the decline in net sales. The reasons for this fall in student numbers were that the number of schools at the end of May had declined by 20 YOY alongside the progress made in the scrap & build of schools. In addition, during March and April, which is the season to acquire new students, not enough time was spent on conducting admissions counselling. The background to this is that more time than expected was spent on the interviews relating to the management of working hours of part-time tutors. This was due to the fact that while to a certain extent the head office was able to organize and conduct these interviews in the directly operated schools, it did not have a support system fully in place for the franchised operations schools.

On entering 2016, the Company has been actively developing promotional measures to acquire students, including TV commercials and online advertising. The number of inquiries via the Internet has increased by approximately 20% YOY, so to a certain extent these measures are achieving results. In terms of profits, the prolonged labor problem has had an adverse impact, but the interviews with the part-time tutors are basically in their final stage and since May, an improvement trend has been seen in student numbers. So going forward, no further negative effects from this problem are expected, including on the admissions counselling.

In the cumulative Q3 results, SG&A expenses increased significantly, by 24.5% YOY, but this was due to factors such as the increases in expenses relating to promotions, personnel recruitment, and M&A. Also, the non-operating balance worsened slightly following the absence of the gain on the sale and the valuation of investment securities of ¥89mn that was recorded in the previous fiscal year, and also as an allowance for doubtful accounts of ¥90mn was recorded.

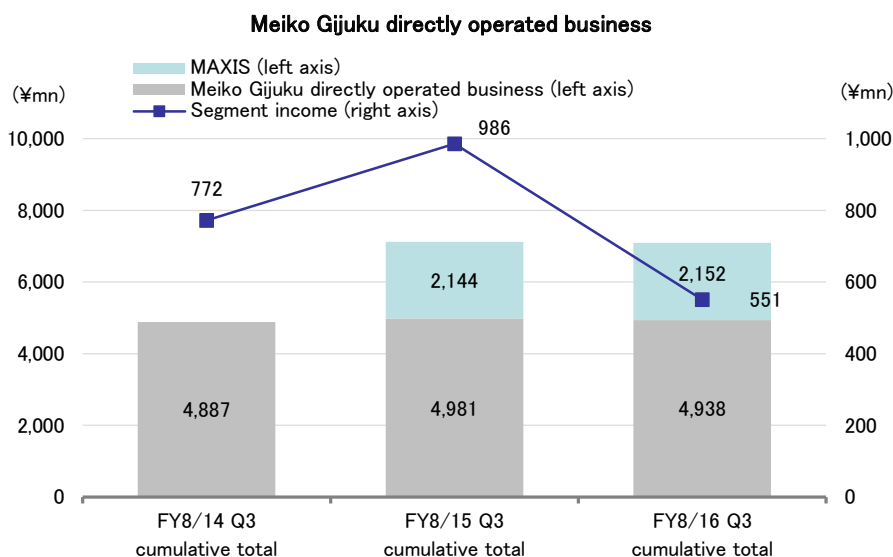
The Company also recorded extraordinary losses of ¥449mn as an adjustment for tutors' salaries and ¥50mn as a valuation loss for shares held by affiliates. With regards to the adjustment for tutors' salaries and the payment of wages for part-time tutors, the Company made one-time payments in Q1 to tutors for whom the adjustment was deemed necessary. Within the optimization of the management of working hours, the rise in the tutor (personnel) expenses ratio per school is having a negative effect on earnings, but going forward the Company will implement measures to increase both student numbers per school and the unit price per student, so these increases may absorb the rise in the personnel expenses ratio.

(2) Trends by segment

a) Meiko Gijuku directly operated business

In the Meiko Gijuku directly operated business, net sales decreased 0.5% YOY to ¥7,091mn and segment income fell 44.1% to ¥551mn. Within these amounts, in the Company's directly operated business, net sales were down 0.9% to ¥4,938mn and operating income declined 28.6% to ¥625mn. At the subsidiary MAXIS Education Co., Ltd. (hereafter, MAXIS), net sales increased 0.4% to ¥2,152mn, but operating income decreased 84.4% to ¥34mn. The amount of the amortization of goodwill for MAXIS was ¥107mn.

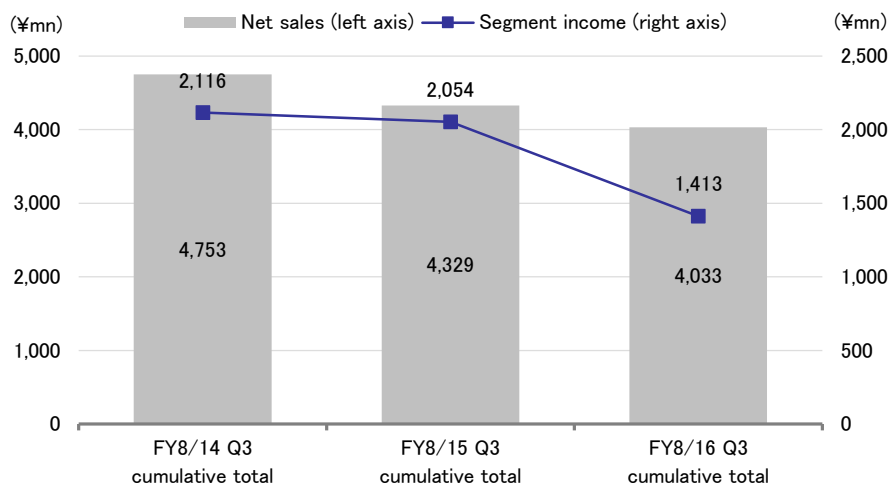
The number of schools at the end of May increased by 12 YOY to 323 schools, which included some transfers from the owners of franchise operations schools, but student numbers declined 2.3% to 21,512 students. The Company has been working on measures to improve customer satisfaction by enhancing communication with students and their guardians, and also to establish an environment conducive to learning through creating schools that are safer and easier for students to attend. It has also been conducting measures to improve the unit price per student, including introducing as a new service into all schools on online learning service for science and sociology, targeting junior high school students. Thanks to these efforts, the decline in net sales was negligible, but segment income fell by double digits due to factors including the increase in wages of part-time tutors, higher recruitment and promotions expenses, and the decline in student numbers per school.



b) Meiko Gijuku franchised operations business

In the Meiko Gijuku franchised operations business, net sales decreased 6.8% YOY to ¥4,033mn and segment income fell 31.2% to ¥1,413mn. The number of schools at the end of May was down 32 to 1,779 schools, while student numbers also fell 4.7% to 92,006 students. The average number of students per school declined from 53.3 students to 51.7 students. The main factors behind the decline in student numbers was the progress made in the scrap & build of schools, including the closure of unprofitable schools, and also as previously explained, that recruitment activities to acquire new students were not carried out sufficiently. Net sales fell alongside the reduction in student numbers, while profits were affected by the rise in promotional expenses, resulting in the double-digit decrease in segment income.

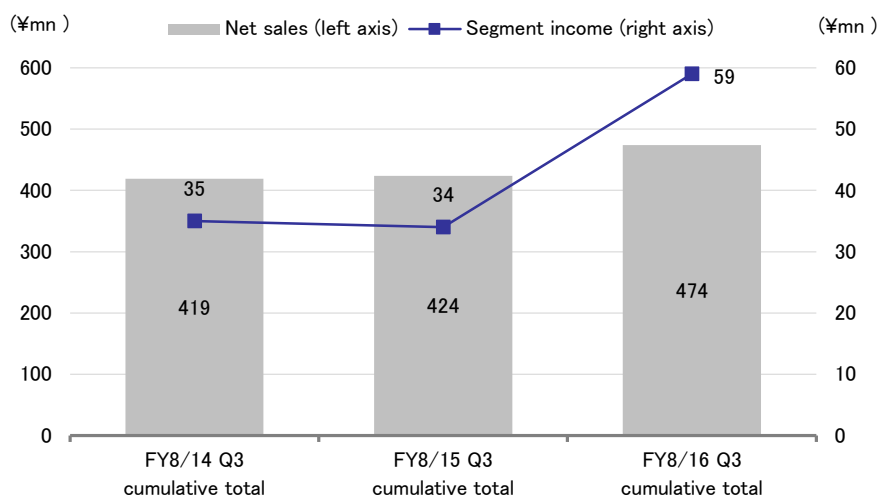
Meiko Gijuku franchised operations business



c) Preparatory school business

In the preparatory schools business operated by consolidated subsidiary Tokyo Ishin Gakuin Co., Ltd., net sales climbed 11.6% YOY to ¥474mn and segment income rose 71.8% to ¥59mn, for double-digit increases in sales and profits. The main reasons for the higher sales and profits were that up to Q2, student numbers trended at a pace in excess of the previous fiscal year, while, sales per student also increased thanks to the holding of special classes and enhancements to the curriculum. In addition, the Company succeeded in keeping personnel expenses and other costs to around the same level as the previous year. But looking only at Q3, net sales decreased 6.6% to ¥119mn and the segment loss was ¥2mn (compared to segment income of ¥7mn in the same period in the previous fiscal year), for the first decline in sales and profits in 5 quarters. This was due to the effects of the closure of the Yokohama school in March and the resulting establishment of a 3 school structure, and that student numbers fell by 13 YOY to 138 students. But that said, the number of students passing entrance exams in the spring of 2016 exceeded the number in the previous fiscal year, and going forward the Company intends to return to a track of increasing sales and profits by focusing its efforts onto acquiring students.

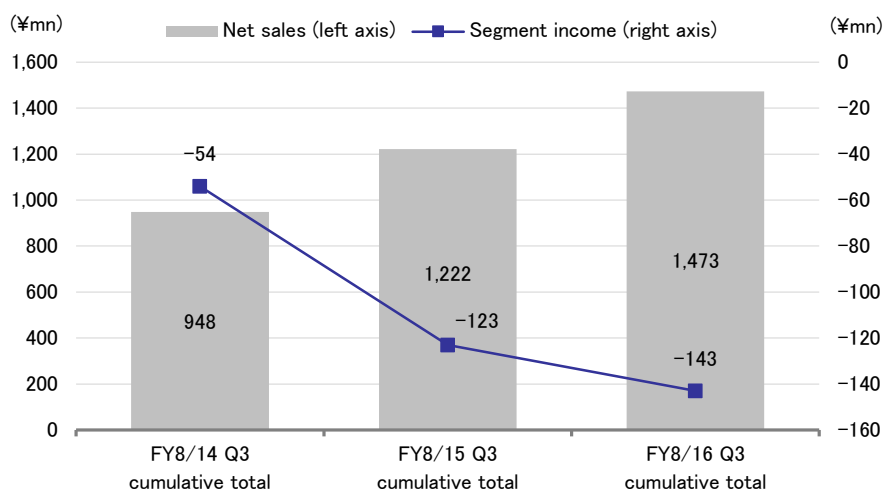
Preparatory school business



d) Other businesses

In other businesses, net sales rose 20.6% YOY to ¥1,473mn and the segment loss was ¥143mn (segment loss of ¥123mn in the previous fiscal year).

Other businesses



Looking at the trends according to business, the Waseda Academy Kobetsu Schools' net sales increased ¥49mn to ¥305mn and the operating loss was ¥66mn (a loss of ¥29mn in the same period in the previous fiscal year). At the end of May, the number of schools had increased by 5 (up 3 Company directly operated schools, up 2 MAXIS directly operated schools, up 1 Waseda Academy directly operated school, and down 1 franchised operations school) to 30 schools (7 Company directly operated schools, 4 MAXIS directly operated schools, 10 Waseda Academy directly operated schools, and 9 franchised operations schools) and the number of students enrolled in all schools increased 20.6% to 1,839 students. The average number of students per school also increased, if slightly, from 61.0 students in the same period in the previous fiscal year to 61.3 students. The Company ranked first within the private tutorial schools in terms of the number of students passing entrance exams in the spring of 2016 for GMARCH*. Reflecting this, student numbers are trending upward alongside the greater awareness of the schools' track recording in achieving pass results for its students to enter prestigious universities, which is a factor behind the higher sales. The operating loss grew slightly because of the impact of higher personnel and other expenses from the increase in the number of Company directly operated schools.

* The name is from the initials of Gakushuin, Meiji, Aoyama Gakuin, Rikkyo, Chuo, and Hosei universities.

Meiko Soccer Schools' net sales increased ¥6mn to ¥108mn and its operating loss was ¥5mn (a loss of ¥11mn in the same period in the previous fiscal year). The number of schools at the end of May was unchanged from the previous fiscal year at 16 (of which, 1 was a franchised operations school), while student numbers declined by 19 to 984 students. The Company is working to improve the schools' name recognition, including by implementing lessons at elementary schools by coaches who hold a FIFA (Fédération Internationale de Football Association) certified coaching license. It is also conducting measures toward achieving profitability at an early stage, such as strengthening its training for coaching staff and reviewing its operation system.

In the Kids Schools business, the number of schools increased by 1 following the opening of a new school in April 2016, creating a 7 school structure (6 schools in Nerima Ward and 1 school in Edogawa Ward, Tokyo). Student numbers also rose steadily following the opening of 3 schools in the spring of 2015, increasing by 52 YOY to 518 students. While sales have steadily increased to around ¥100mn, in terms of profits this business recorded a loss because it is still at the stage of upfront investment, but the extent of this loss is also trending downward. The target for the recovery period for the initial investment is around three fiscal years, and the first school is already profitable. Profits are expected to improve over the passage of time due to the active demand for after-school care for young children.

The one Japanese language school operated by consolidated subsidiary Waseda EDU is receiving more overseas students from countries such as China, Vietnam, and Nepal, and it has increased its capacity from 520 to 600 students. Student numbers at the end of May had fallen by 28 YOY to 365 students. But this was due to the large number of graduating students and it is expected to be at practically full capacity at the student-admission stage in October. Net sales are at the level of more than ¥200mn, while operating income is considered to be basically in the same range as the amount of the amortization of goodwill.

Elsewhere, results trended steadily for consolidated subsidiary Youdec, mainly from sales of model entrance exams, particularly to major cram schools. Private instruction to students at their schools also performed strongly and as a result, net sales rose YOY. In addition, sales from Koyo Shobo's academic publishing business for books and university textbooks were solid.

■ Outlook

Is continuing with measures to improve its share of student numbers in regional areas

(1) FY8/16 results outlook

The Company has downwardly revised its FY8/16 results forecasts based on its earnings situation up to Q3, and is now forecasting net sales of ¥18,988mn, up 1.2% YOY (down ¥651mn on the previous forecast), operating income of ¥2,225mn, down 37.4% (down ¥645mn), ordinary income of ¥2,212mn, down 41.8% (down ¥778mn), and net income attributable to owners of the parent of ¥866mn, down 63.4% (down ¥576mn). The reasons for the downward revisions are the decrease in student numbers in the Meiko Gijuku business and the increases in expenses, including labor and recruitment expenses.

Outlook for FY8/16 results (consolidated)

	FY8/15		FY8/16				
	Results	% of sales	Company targets	Revised targets	% of sales	YOY	Q3 progress rate
Net sales	18,768	-	19,639	18,988	-	+1.2%	68.9%
Operating income	3,555	18.9%	2,870	2,225	11.7%	-37.4%	44.5%
Ordinary income	3,803	20.3%	2,990	2,212	11.6%	-41.8%	45.7%
Net income attributable to owners of the parent	2,369	12.6%	1,442	866	4.6%	-63.4%	17.1%

(¥mn)

The rates of progress toward achieving the full-year targets in the results up to Q3 were 68.9% of net sales and 44.5% of operating income. Both are below the average for the last three years (70.1% of net sales and 60.9% of operating income), but the plan is to a certain extent to recover the rates of progress in Q4. Looking only at Q4, net sales are set to increase 4.4% YOY and operating income to decrease 13.1%. The reason for the increase in net sales is that they will include the sales of Kokusai Jinzai Kaihatsu and Kotoh Jimusho, which will enter the scope of consolidation from Q4 and will add more than ¥200mn to net sales. So on an existing business basis, the forecast is for a slight increase in net sales YOY. Therefore, the key point for whether or not the Company will be able to achieve its targets would seem to be whether it can recover student number in the Meiko Gijuku business in the near future, and also whether it can strengthen measures to improve the unit price per student, such as for summer classes and online learning courses.

As previously stated, from May onwards an improvement in the acquisition of new students has been seen and going forward, the Company intends to achieve its targets by strengthening its measures to acquire students. Looking at the trend in Meiko Gijuku student numbers, we see that it is not the case that they are declining in all areas and in all school years. Instead, the declines are particularly noticeable in areas where the competition is intensifying, of Kyushu and Kanagawa, and in contrast in other areas, such as Tokai, Hokuriku, Chugoku and Shikoku, and Hokkaido, numbers are steadily trending upward. Moreover, when looking at the averages during the fiscal period according to school year, high school student numbers increased by 1.7% YOY, while the numbers of junior high school students and elementary school students decreased by 1.4% and 4.5% respectively. It is considered that the increase in high school students is from the rise in the number of these students taking MUSE video lessons and also a result of the Company's focus on measures for 3rd year junior high school students to continue to attend its schools after they enter high school. It is thought that the Company is aiming to recover student numbers by sharing throughout the Group its model for successfully acquiring students.

With regards to the number of Meiko Gijuku schools, the Company's policy is to strengthen profitability per school through scrap & build, focused on the franchised operations schools. While under this policy there are little expectations for an increase in facilities by the owners of existing franchise schools, the Company is aiming to increase the number of schools in areas in which demand is expected by recruiting new franchise operations school owners, while its policy is also to continue with measures to improve its share of student numbers within regional areas.

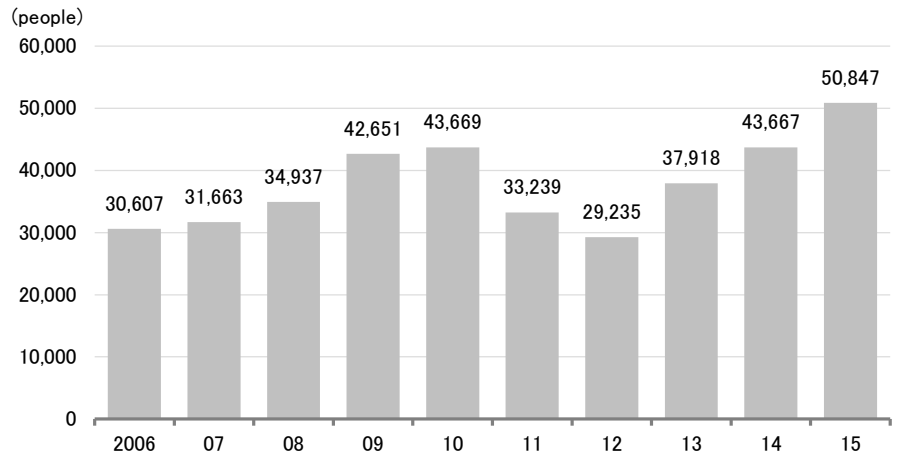
In March 2016, it acquired Kokusai Jinzai Kaihatsu, which operates the JCLI Japanese Language Schools

(2) M&A and overseas development

a) Japanese language schools business

To strengthen its Japanese language schools business, in March 2016 the Company acquired for ¥1,250mn all of the shares in Kokusai Jinzai Kaihatsu (Shinjuku Ward, Tokyo), which operates the JCLI Japanese Language Schools. In FY3/15, this company recorded net sales of ¥415mn. The JCLI Japanese Language Schools newly opened 1 school in July 2016 and currently operates a system of 3 schools with a capacity of 1,380 students. When combined with the capacity of Waseda EDU, the Group now operates Japanese language schools with a total capacity of around 2,000 students, which makes it the largest operator of such schools in Japan. In terms of net sales, 2,000 students would provide annual sales of ¥1,200mn, so in the future it is expected to become the Company's second business pillar after the Meiko Gijuku business. Kokusai Jinzai Kaihatsu's goodwill of ¥1,235mn will be amortized by the straight-line method over 10 years. As the amortization of goodwill will be incurred for the Japanese language schools business in combination with Waseda EDU, for the time being contribution to profits from this business' will be negligible. But in the next few years in the context of the rise in the number of students attending Japanese language schools, through the Company sharing the various types of expertise it will acquire and utilizing scale merits through operating Japanese language schools, profits can be expected to increase to the next level.

Number of students enrolled in Japanese language educational facilities



Source: Association for the Promotion of Japanese Language Education, as of the end of January for FY2015 (end of fiscal year)

b) Responding to the reforms in the university entrance exams

In order to respond to the reforms in the university entrance exams scheduled for 2020 onwards, in March 2016 the Company acquired all the shares of Kotoh Jimusho for ¥800mn and made it a subsidiary. This company recorded net sales of ¥405mn in FY3/15.

By making Kotoh Jimusho a subsidiary, the Company hopes not only to improve the level of quality of its teaching materials, but also that it will contribute to an improvement in the level of quality of the educational operations of the entire Group. Goodwill of ¥592mn will be amortized by the straight-line method over 8 years.

c) Measures for the overseas business

In November 2015, in order to develop the Meiko Gijuku directly operated and franchised operations schools business in Taiwan, the Company established Meiko Bunkyo as a joint venture company with a local educational services-related company, and it has concluded a master franchise agreement. As of Q3, it had newly opened 2 schools and made a fully-fledged start to services, and we will be paying attention to how its business develops in the future.

Will profits once again increase in FY8/17?

(3) FY8/17 outlook

At FISCO, we think that it is highly likely that profits will once again increase in FY8/17. While it seems that the key will continue to be the trend in student numbers in the Meiko Gijuku business, the reasons why we think this are that the Company has basically reached the final stage for its interview with part-time tutors relating to the labor problem, which has been one of the factors behind the deterioration in results, so it is thought this factor will not have any negative impact on results in FY8/17, apart from the increase in tutor-related personnel expenses. Another reason is that while the Company has been actively spending on promotions in FY8/16 (a planned increase of ¥650mn YOY) in FY8/17 this spending will be on the same level as a typical year, or at the very least will be less than in this fiscal year. However, the conditions in the market environment will continue to be severe, for example due to the decline in the birthrate and the intensification of competition in the private tutorial schools industry. If the downward trend in student numbers would seem likely to continue, it is possible that the slump in profits will become prolonged.

In the medium term, the Company is aiming to grow profits through expanding its other educational service business, including the Kids Schools business and the Japanese language schools business for overseas students, with the Meiko Gijuku business serving as the stable foundation for growth. In this way, it intends to realize its vision for 2020 and “Become Japan’s leading human development company, centered on the education business.”

■ Financial position

It is essentially debt free and its financial position is extremely sound

The Company's financial position at the end of May 2016 was that total assets decreased ¥2,666mn compared to the end of the previous fiscal period to ¥16,014mn. Breaking down the main increases and decreases, in current assets, cash and deposits fell ¥3,878mn, mainly due to the M&A and the acquisition of treasury stock, while in non-current assets, goodwill increased ¥1,670mn following the M&A.

Total liabilities decreased ¥377mn compared to the end of the previous fiscal period to ¥3,674mn, mainly due to an increase in advances received of ¥532mn on Kokusai Jinzai Kaihatsu being made a subsidiary, but accrued income taxes and accrued expenses fell by ¥542mn and ¥242mn respectively. In addition, net assets fell ¥2,288mn to ¥12,340mn due to a decrease in retained earnings of ¥825mn and also following the acquisition of treasury stock of ¥1,500mn.

Although the equity ratio fell from 78.0% at the end of the previous fiscal year to 76.6% due to the decrease in net assets, it continued to maintain its previous high level. Moreover, the interest-bearing debt ratio is 0.7% and the Company is essentially debt free, and its finances can be judged to continue to be in good condition.

Consolidated balance sheet and financial indicators

	FY8/15	FY8/16 3Q	Change	Change factors
Current assets	9,828	5,714	-4,113	
(cash and deposits)	7,345	3,467	-3,878	M&A (-2,050), Acquisition of treasury stock (-1,500)
Non-current assets	8,852	10,300	1,447	Goodwill (+1,670)
Total assets	18,680	16,014	-2,666	
Current liabilities	3,357	2,967	-390	Advances received (+532), Accrued income taxes (-542), Accrued expenses (-242)
Non-current liabilities	694	707	12	
(interest-bearing debt)	96	85	-10	
Total liabilities	4,052	3,674	-377	
Net assets	14,628	12,340	-2,288	Acquisition of treasury stock (-1,500), Retained earnings (-825)
(financial indicators)				
Equity ratio	78.0%	76.6%		
Interest-bearing debt ratio	0.7%	0.7%		

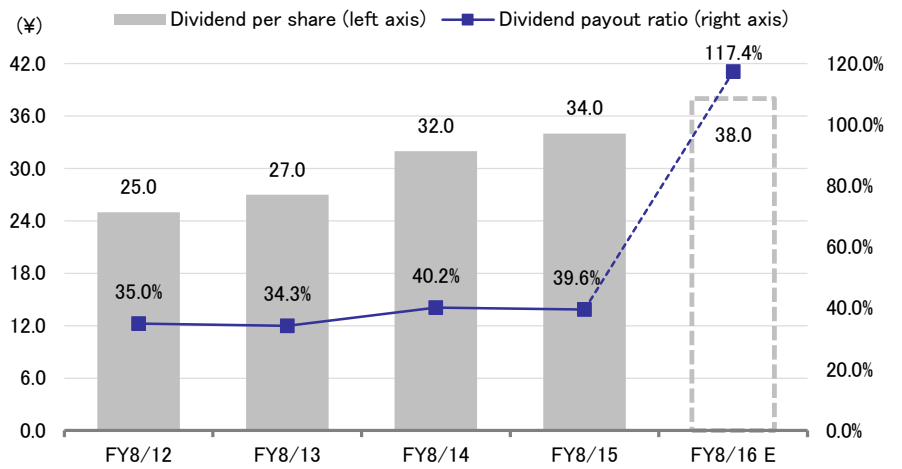
■ Dividend and capital policies

Actively returns profits to shareholders, including through continuing to pay higher dividends

The Company is considered to have taken an active stance on returning profits to shareholders since it listed on JASDAQ in April 1997. It has continued to consecutively increase dividends since its listing, and has also introduced a shareholder benefit program. The Company's basic policy on dividends is to continue increasing dividends in the future and to increase the dividend payout ratio in stages to around 80%. Although it has forecast a decrease in profits for FY8/16, the forecast for the dividend per share remains unchanged from the initial plan, of an increase of ¥4.0 YOY to ¥38.0 (dividend payout ratio of 117.4%), for the 18th consecutive fiscal period of higher dividends.

Moreover, under the shareholder benefit program, the Company gives QUO cards worth ¥1,000 to ¥5,000 to shareholders as of the end of August, according to the number of shares they hold and the length of time that they have held them. Those holding 100 shares for less than three years will receive a ¥1,000 QUO card, while those holding the same number of shares continuously for three years will receive cards with a value of ¥3,000. The Company's capital policy is to strengthen its equity and to flexibly acquire treasury stock when possible, taking into account the share price and financial position. It has already acquired treasury stock in FY8/16, of 1,040,000 shares for ¥1,499mn.

Dividend per share and payout ratio



Shareholder benefit program

QUO card distribution (once annually, for shareholders as of August 31)		
Number of shares held	Value of gift cards for holding stock for less than 3 years	Value of gift cards for holding stock for 3 years or more
100 to 499 shares	Equivalent to ¥1,000	Equivalent to ¥3,000
500 to 999 shares	Equivalent to ¥2,000	Equivalent to ¥4,000
1,000 or more shares	Equivalent to ¥3,000	Equivalent to ¥5,000

Note: The program will apply to shareholders as of the end of August 2016

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