

	MEIKO NETWORK JAPAN CO., LTD. (4668)
	 明光ネットワークジャパン

Kazuhito Yamashita, President

Company Overview

Exchange	TSE 1st Section
Industry	Service
President	Kazuhito Yamashita
HQ Address	Sumitomo Fudosan Nishi-Shinjuku Bldg., Nishi-Shinjuku 7-20-1, Shinjuku-Ku, Tokyo
Year-end	August
HP	https://www.meikonet.co.jp/index-e/

Stock Information

Share Price	Shares Outstanding (end of the term)		Market Cap.	ROE (Act.)	Trading Unit
¥584	27,803,600 shares		¥16,237 million	11.7%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS(Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥22.00	3.8%	¥26.31	22.2x	¥399.67	1.5x

The share price is the closing price on October 22. The numbers are from the financial reports for Fiscal Year ended August 2021.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Profit	Ordinary Profit	Net Income	EPS (¥)	DPS (¥)
August 2018 (Act.)	19,116	1,441	1,558	657	24.74	42.00
August 2019 (Act.)	19,967	1,775	1,907	958	36.08	30.00
August 2020 (Act.)	18,218	214	451	-2,232	-85.21	30.00
August 2021 (Act.)	19,039	969	1,113	1,140	45.47	20.00
August 2022 (Est.)	19,800	1,040	1,100	660	26.31	22.00

*The forecasted values were provided by the company. Unit: Million yen, yen. Net profit means the profit attributable to owners of parent hereinafter.

This Bridge Report includes the overview of the financial results of MEIKO NETWORK JAPAN CO., LTD. for the fiscal year ended August 2021 and Medium-term Management Plan.

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Key Points

- In the FY ended August 2021, sales increased 4.5% from the previous fiscal year to 19,039 million yen. In addition to the sales of the Meiko Gijuku directly operated school business, the sales of the Meiko Gijuku franchised school business, whose sales had declined until the third quarter, increased. Operating income increased 351.2% year on year to 969 million yen. Sales promotion expenses increased approximately 400 million yen year on year due to the support for franchisees, and advertising expenses also increased, but overall SG&A expenses remained at the same level as those in the previous fiscal year, resulting in a significant increase in profit due to the increase in sales. Both sales and profit exceeded the revised forecasts announced in April 2021, as the number of enrollments and students exceeded the estimates.
- Measures to improve profitability per classroom, such as closing unprofitable classrooms, including FC classrooms, have been taken since around 2018, but progress was made more quickly after the occurrence of novel coronavirus pandemic. In addition, the company is working to attract new students through the introduction by their acquaintances and friends rather than relying on costly sales promotion activities, and is also making steady progress in supporting franchisees to improve their internal quality and content. The company believes that its various medium-term initiatives have led to a recovery in sales.
- For the FY ending August 2022, the company is forecasting sales of 19.8 billion yen, up 4.0% from the previous fiscal year, and an operating income of 1.04 billion yen, up 7.3% from the previous fiscal year. In addition to a continued recovery in the Meiko Gijuku directly operated school business and Meiko Gijuku franchised school business, the resumption of student enrollment in the Japanese language school business and contributions from the human resources business are expected to boost sales by about 800 million yen, but the start-up costs of new businesses and DX-related investments will limit operating income growth to 70 million yen. The company plans to pay an interim dividend of 11.00 yen per share and a year-end dividend of 11.00 yen per share, each up 1.00 yen per share from the previous fiscal year, for a total dividend of 22.00 yen per share. The expected dividend payout ratio is 83.6%.
- In October 2021, the company formulated new Purpose, Vision, Values, and a medium-term management plan (FY 8/2022-FY 8/2024). To remain a company of choice in response to the rapid changes in the social environment, while continuing to uphold the company's founding principles, the company has formulated a "Purpose", which is the company's raison d'être and way of being for the future society, Values, which are action guidelines, and Vision, which is the company's vision for the future. For the sake of Meiko Network Japan and the future ahead, the company has once again decided to declare where it is headed in its evolution.
- In addition to the existing education business, the company will strengthen its human resources business as a company that develops human resources to open up people's potential. However, rather than simply entering the already competitive human resources field, the company will develop its human resources business by utilizing the experience and knowledge it has accumulated in the education business to differentiate itself. By developing the BtoB human resources business in addition to the BtoC education business, the company will create a pillar of revenue to complement the education business and transform its business portfolio to be more resilient to changes in the social environment. The company is targeting sales of 21 billion yen, an operating income of 2 billion yen, and an operating income margin of 9.5% for the FY ending August 2024.

- **Despite the decrease of classrooms, the company believes that it has made steady progress in its mid-term goal of improving the profitability per classroom and has broken out of the contractionary balance. However, there is still a gap from the pre-pandemic level, and the key point for the future is how fast sales and profit will recover from this fiscal year. In this sense, we would like to see how much the existing business, Jiritsu Gakushu RED, and the new human resources business will be able to show their presence as a driving force over the next three years in the mid-term management plan and check its progress for each quarter. We will also keep an eye on the company's efforts in M&A and alliances, where it has taken a more proactive stance.**

1. Company Overview

MEIKO NETWORK JAPAN is a top-brand enterprise running the private tutoring school Meiko Gijuku as a pioneer in private tutoring since the start of its business in 1984. Private tutoring is attracting a lot of attention as a method for nurturing a sense of independence, autonomy, and creativity of children, and the company operates Meiko Gijuku directly and with a franchise system around Japan. In addition, the company conducts a broad range of businesses, including the after-school childcare business, the Japanese language school business, the school support business, etc. via subsidiaries while focusing on the fields of education and culture. Utilizing the knowledge nurtured in the education business, the company will develop the business of the placement and dispatch of human resources and the training business as new businesses.

[Management principles, educational ethos, and basic policy]

“We aim to nurture human resources through our contribution to educational and cultural programs.”

“We help achieve goals through our development and diffusion of franchise know-how”.

Under the above two management principles, MEIKO NETWORK JAPAN aims to contribute to society by fulfilling its role as “a private-sector educational business” and “a business assisting in goal achievement,” growing to become a business with high social existential value acknowledged by society.

Moreover, in its role as a part of a private-sector educational business, MEIKO NETWORK JAPAN has established the educational philosophy which is “To nurture creative, independently-minded human resources for 21st century society through an individual tutoring service that promotes self-motivated learning.”

Furthermore, all staff members join hands to actualize “an ideal company,” under the basic policy of “achieving the prosperity of customers, shareholders, and employees by contributing to the educational and cultural businesses.”

1-1 Business description

The reported segments are the three following businesses: Meiko Gijuku directly operated schools, Meiko Gijuku franchised schools, and Japanese language schools. The company operates Meiko Gijuku as a directly operated business using self-study and individual tutoring approaches based on the academic abilities of each student for all grade levels. Also, based on their unique franchise system, the company provides support for establishing classes and continuous guidance to their franchisees and also sell merchandise such as classroom equipment, devices, educational materials, exams, and goods, etc. to them.

As for the Japanese language schools, their consolidated subsidiary, Waseda EDU Co., LTD., manages “Waseda Edu Language School,” which has art classes. Also, Kokusai Jinzai Kaihatsu Co., Ltd. operates “JCLI Japanese Language School,” which has Japanese teacher training seminars for as well as Japanese language courses, etc. for the “Specified skills” visa system.

Aside from these businesses, there are other businesses such as extended-hours cram school performing the added function of after-school care “KIDS,” “Waseda Academy Kobetsu School,” which is an individual tutoring school for students with high academic performance, the “Jiritsu Gakushu RED” business, which uses AI to optimize the curriculum for each student; the “Meiko Kids e” business, which offers English-only childcare for schoolchildren; the business related to university entrance examinations and university education conducted by Kotoh & Company Co., Ltd., etc.

In addition, the company will leverage its knowledge in the education business to operate new businesses such as placement, temporary staffing, and training human resources, aiming to provide added value that only the company can provide.

Business segments and group companies

Segment		Major Business
Reported Segments	Meiko Gijuku directly operated schools	<ul style="list-style-type: none"> The individual tutoring schools “Meiko Gijuku” provides tutoring services for students at its directly operated classes and sell merchandise such as educational materials and exams. The company, MAXIS Education Co., Ltd., K. Line Co., Ltd, TOMONI Co., LTD. (former K.M.G CORPORATION Co. Ltd.) And One link Co., Ltd.
	Meiko Gijuku franchised schools	<ul style="list-style-type: none"> Establishing classes, management guidance, and sales of merchandise such as classroom equipment, devices, educational materials, exams, merchandise, etc. to “Meiko Gijuku” (the individual tutoring cram schools) franchise schools: The company
	Japanese language schools	<ul style="list-style-type: none"> Operating “Waseda Edu Language School”: Waseda EDU Co., Ltd. Operating “JCLI Japanese Language School”: Kokusai Jinzai Kaihatsu Co., Ltd.
Others	Other businesses	<ul style="list-style-type: none"> Extended-hours cram school performing the added function of after-school care “KIDS”: The company “Waseda Academy Kobetsu School,” an individual tutoring school for students with high academic performance: The company and MAXIS Education Co., Ltd. “Jiritsugakusyū RED,” where students learn through individually optimized curricula based on AI: The company “Meiko Kids e,” which offers English-only after-school childcare: The company Business related to university entrance exams and university education: by Kotoh & Company Co., LTD.

* As of the end of August 2021. Besides the above companies, there are the affiliated companies NEXCUBE Corporation, Inc. (South Korea: it operates a private tutoring school), the affiliated company Meiko Culture and Education Ltd (Taiwan: it operates a private tutoring school)

1-2 Strengths

The company's strengths are “Brand power of Meiko Gijuku”, “the unique franchise system that thrives to achieve prosperous coexistence with owners”, and “Top-ranked performance.” Meiko Gijuku operates in all prefectures and is recognized as familiar and accommodating cram schools. This sort of high reputation and brand power are the company's strengths.

Furthermore, as for the company's franchise system, the headquarters (the company) and the affiliated owners share the same philosophy and work together with the Meiko Owners Club, where all owners are members. Through this cooperation, they hold regular training and study sessions to improve and share the know-how of success, etc. leading them to achieve a prosperous coexistence.

In addition to the number of classrooms and the number of students, the company is top-ranked in the number of students passing high school and university entrance examinations in the individual tutoring school market, which leads to its strong competitive advantage.

1-3 Market trends

In pursuing growth, the company is aware of the following aspects of the environment in which it operates.

(1) Declining population and declining number of workers

As Japan's population and workforce continue to decline, the competition for customers and workers among companies is expected to accelerate, and the company strongly believes that customers and workers are the keys to its future strategy.

(2) The cram school and prep school market and individual tutoring schools

According to the company's data, the size of the market of cram schools and prep schools is expected to grow to 969 billion yen in FY 2021(as of September 2021). The stagnant trend has continued due to the declining birthrate.

On the other hand, except for the company, the number of classrooms of the top 15 private tutoring schools continues to increase, and the fierce competition continues.

Against this backdrop, the company has achieved the No. 1 position in terms of the number of classrooms, the number of students, and the number of students who have passed high school and university entrance exams, among private tutoring schools.

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1-4 ROE analysis

	FY 8/15	FY 8/16	FY 8/17	FY 8/18	FY 8/19	FY 8/20
ROE(%)	6.8%	14.8%	4.6%	6.7%	-18.7%	11.7%
Net income margin [%]	5.06	10.54	3.44	4.80	-12.25	5.99
Total asset turnover (times)	1.05	1.07	1.01	1.04	1.08	1.33
Leverage(x)	1.29	1.32	1.32	1.34	1.42	1.47

In the Mid-term Management Plan (FY 8/22-FY 8/24), the company aims to achieve 8% or higher.

2. Fiscal Year ended August 2021 Earnings Results

2-1 Consolidated results (accumulated total)

	FY 8/20	Ratio to sales	FY 8/21	Ratio to sales	YoY	Initial forecast ratio	Corrected forecast ratio
Sales	18,218	100.0%	19,039	100.0%	+4.5%	+4.0%	+2.4%
Gross Profit	4,401	24.2%	5,126	26.9%	+16.5%	-	-
SG&A	4,187	23.0%	4,157	21.8%	-0.7%	-	-
Operating Profit	214	1.2%	969	5.1%	+351.2%	+267%	+53.8%
Ordinary Profit	451	2.5%	1,113	5.8%	+146.5%	+248.9%	+46.4%
Net Income	-2,232	-	1,140	6.0%	-	-	-

* Unit: Million yen. Corrected forecast ratio is the number against corrected forecast ratio, published in April, 2021.

Sales and profit increased, which exceeds the corrected forecast.

Sales increased 4.5% from the previous fiscal year to 19,039 million yen. In addition to the sales of the Meiko Gijuku directly operated school business, the sales of the Meiko Gijuku franchised school business, whose sales had declined until the third quarter, increased. Operating income increased 351.2% year on year to 969 million yen. Sales promotion expenses increased approximately 400 million yen year on year due to the support for franchisees, and advertising expenses also increased, but overall SG&A expenses remained at the same level as those in the previous fiscal year, resulting in a significant increase in profit due to the increase in sales. Both sales and profit exceeded the revised forecasts announced in April 2021, as the number of enrollments and students exceeded the estimates. On a quarterly basis, sales and profits increased on a year-on-year basis for the third and fourth quarters in a row. The business has bottomed out from the previous year, which was strongly affected by the spread of the novel coronavirus, and is on the way to recovery.

Variations in quarterly sales and operating profit (million yen)



2-2 Sales and Profit by Segment

	FY 8/20	Ratio to sales	FY 8/21	Ratio to sales	YoY
Meiko Gijuku directly operated school business	10,297	56.5%	11,557	60.7%	+12.2%
Meiko Gijuku franchised school business	4,349	23.9%	4,505	23.7%	+3.6%
Japanese language school business	1,156	6.3%	840	4.4%	-27.3%
Other Business	2,414	13.3%	2,135	11.2%	-11.6%
Consolidated sales	18,218	100.0%	19,039	100.0%	+4.5%
Meiko Gijuku directly operated school business	294	2.9%	1,338	11.6%	+355.1%
Meiko Gijuku franchised school business	1,428	13.9%	1,367	11.8%	-4.3%
Japanese language school business	54	1.2%	-176	-	-
Other business	-276	-	-269	-	-
Adjustments	-1,287	-	-1,290	-	-
Consolidated operating profit	214	1.2%	969	5.1%	+352.8%

* Unit: Million yen. The composition of profit is the ratio of profit to net sales.

Meiko Gijuku directly operated school business

Sales and profit increased. While continuing to take thorough measures to prevent the spread of the new coronavirus infection, the company offered classes tailored to the goals of each student, mainly through face-to-face tutorials, such as, preparation for regular tests and entrance examinations. Furthermore, as a result of efforts to improve management efficiency and customer satisfaction by standardizing classroom operations and promoting knowledge sharing, the number of students enrolled in the school has increased from the previous fiscal year and is recovering steadily.

The number of classrooms were 401, down 20 year on year. The number of registered students were 28,074, up 1,757 year on year.

Meiko Gijuku franchised school business

Sales grew, but profit declined. To recover and strengthen the profitability of franchise schools affected by the coronavirus pandemic, the head office actively provided support for promotional activities related to student recruitment. In addition, to improve students' learning outcomes, the company worked to support them in achieving their goals by providing tailor-made learning plans that effectively utilize ICT content, along with face-to-face private tutoring.

Although annual profit decreased, quarterly sales and profit increased year on year in the third and fourth quarters in a row.

The number of classrooms were 1,366, down 75 year on year. The number of registered students were 74,377, down 579 year on year.



Japanese language school business (Waseda EDU Co., LTD. and Kokusai Jinzai Kaihatsu Co., Ltd.)

Sales declined, and losses were recorded. Restrictions on entry into Japan due to the spread of the novel coronavirus made it difficult for foreign students to enter the country, and the number of students remained at a low level like in the previous fiscal year.

In response to the novel coronavirus crisis, the school organized hybrid classes with the option of choosing between face-to-face lessons that undertook thorough infection prevention measures and online lessons.

The number of school buildings was 2 (unchanged from the same period of the previous year), and the number of enrolled students was 878 (down 76 year on year).

Other business

Sales decline, but the losses were unchanged from the previous year.

◎ KIDS (after-school) business

The company worked on providing services with high customer satisfaction and contributing to local communities through its various management forms, such as the directly operated school "Meiko Kids," private after-school care facilities (the subsidized type), facilities established by the public sector and operated by the private sector, facilities entrusted by private elementary schools and kindergartens, and franchised ones, while thoroughly implementing prevention measures against COVID-19.

For the FY ended August 2021, sales were 544 million yen (up 128 million yen year on year), and operating profit was 1 million yen (improved by 38 million yen year on year). The number of schools was 31 (3 schools decreased year on year), and the number of registered students was 1,529 (130 students increased year on year).

◎ Waseda Academy Kobetsu School business

As an individual tutoring brand for entrance exams for competitive schools, the company implemented measures to improve academic performance and enable students to pass their desired school's entrance exams by using the optimal tutoring method tailored to each student's needs.

For the FY ended August 2021, sales were 620 million yen (up 88 million yen year on year), and operating profit was 31 million yen (up 14 million yen year on year).

The number of school buildings was 56 (5 school buildings increased year on year), and the total number of students was 4,986 (860 students increased year on year).

◎ Jiritsugakusyū RED business

Along with using AI to provide individually optimized learning content based on each student's academic ability and characteristics, the company worked with SPRIX, Ltd. to operate the franchised classrooms.

For the FY ended August 2021, sales were 109 million yen, and operating loss was 145 million yen.

The number of classrooms was 46 (16 directly managed ones and 30 franchised ones).

◎ Meiko Kids e business

As preschools that offer English-only after-school childcare, the company opened two directly managed schools in the spring of 2020 and three schools (1 directly operated school and 2 franchised schools) in the spring of 2021 to respond to the growing interests in early childhood education of English due to the expansion of demand for after-school childcare and educational reform.

Preparations and sales activities were conducted for the opening of new franchised schools in the fall of 2021.

For the FY ended August 2021, sales were 106 million yen, operating loss was 80 million yen, and the number of schools was 5 (3 directly managed, 2 franchised).

◎ School support business (Entrance exam solution)

There were no major changes in the trend of orders received, and business conditions were healthy as a whole.

Total sales were 497 million yen, and operating profit was 184 million yen.

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© Crams school business

For the FY ended August 2021, sales were 118 million yen (down 186 million yen year on year), and operating loss was 91 million yen (a loss of 30 million yen year on year).

The liquidation of Tokyo Ishin Gakuin, which was engaged in this business, was completed in June 30, 2021.

Trend of numbers of Meiko Gijuku schools and registered students and system-wide sales

	FY 8/20	YoY	FY 8/21	YoY
Number of Meiko Gijuku directly operated schools	244	+23	205	-39
Number of Meiko Gijuku directly operated schools (MAXIS)	94	+2	93	-1
Number of Meiko Gijuku directly operated schools (KLINE)	41	-	41	-
Number of Meiko Gijuku directly operated schools (TOMONI)	42	-1	42	-
Number of Meiko Gijuku directly operated schools (One link)	-	-	20	+20
Number of Meiko Gijuku directly operated schools	421	+24	401	-20
Number of Meiko Gijuku franchised schools	1,441	-99	1,366	-75
Total number of Meiko Gijuku schools	1,862	-75	1,767	-95
Number of registered students of Meiko Gijuku directly operated schools	14,961	-611	15,002	+41
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,613	-208	7,007	+394
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,657	-77	2,952	+295
Number of registered students of Meiko Gijuku directly operated schools (KMG)	2,086	-217	2,228	+142
Number of registered students of Meiko Gijuku directly operated schools (One link)	-	-	885	+885
Number of registered students of Meiko Gijuku directly operated schools	26,317	-1,113	28,074	+1,757
Number of registered students of Meiko Gijuku franchised schools	74,956	-10,695	74,377	-579
Total number of registered students of Meiko Gijuku schools	101,273	-11,808	102,451	+1,178
Sales from Meiko Gijuku directly operated schools	10,297	-342	11,557	+1,260
Sales from Meiko Gijuku franchised schools*1	4,349	-685	4,505	+155
Sales from Japanese language schools	1,156	-205	840	-315
Sales from others	2,414	-516	2,135	-278
Total Sales (million yen)	18,218	-1,749	19,039	+821
Sales from Meiko Gijuku directly operated schools	10,297	-342	11,557	+1,260
System-wide sales from Meiko Gijuku franchised schools	26,386	-3,384	25,976	-409
Total system-wide sales from Meiko Gijuku schools *2 (million yen)	36,684	-3,726	37,534	850

*1 Sales from Meiko Gijuku franchised schools represent royalty revenues and sales of products.

*2 Total system-wide sales from Meiko Gijuku schools represent the sum of total sales of Meiko Gijuku directly operated schools, including tuition, materials fees, and examination fees, and the total sales of Meiko Gijuku franchised schools, including tuition. Materials fees and examination fees of franchised schools are excluded.

The number of classrooms decreased by 95, but the number of students enrolled and the number of students per classroom increased by 1,178 and 3.6, respectively.

Measures to improve profitability per classroom such as closing unprofitable classrooms, including FC classrooms, have been taken since around 2018, but with the novel coronavirus pandemic, measures were taken more quickly.

In addition, the company is making progress in recruiting new students through acquaintances and friends without relying on costly sales promotion activities and is also making steady progress in supporting franchisees to improve internal quality and content. The company believes that its various medium-term initiatives have led to a recovery in sales.

2-3 Financial standing

	Aug. 2020	Aug. 2021	Increase/decrease		Aug. 2020	Aug. 2021	Increase/decrease
Current Assets	8,848	10,441	+1,592	Current Liabilities	3,847	3,876	+28
Cash	7,015	8,727	+1,711	Accounts payable	119	119	0
Trade receivables	845	767	-78	Short term loans payable	-	-	0
Noncurrent Assets	5,192	4,207	-985	Noncurrent Liabilities	720	747	+27
Tangible Assets	1,142	531	-611	Asset retirement Obligation	346	339	-7
Intangible Assets	545	402	-142	Total Liabilities	4,568	4,624	+56
Investments, Other Assets	3,504	3,274	-229	Net Assets	9,473	10,025	+552
Investment securities	2,120	2,022	-98	Retained earnings	10,140	10,529	+389
Total Assets	14,041	14,649	+607	Total Liabilities, Net Assets	14,041	14,649	+607

* Unit: Million yen

Total assets increased 607 million yen year on year to 14,649 million yen.

Noncurrent assets decreased due to the sale of the land and buildings of Tokyo Ishin Gakuin, which was liquidated, while cash increased by 1,711 million yen year on year.

Total liabilities augmented 56 million yen from the end of the previous fiscal year to 4,624 million yen. Short-term loans payable rose 1 billion yen. Net assets were 10,025 million yen.

As a result, equity ratio was 68.4%, down 0.9 points from the end of the previous term.

◎Cash Flow

	FY 8/20	FY 8/21	Increase/decrease
Sales CF	140	742	+602
Investment CF	1,243	1,697	+454
Free CF	1,383	2,439	+1,056
Finance CF	-2,063	-628	+1,435
Cash/cash equivalent	6,765	8,577	+1,811

*Unit: million yen.

As a result of the increase in net income before income taxes and other adjustments, operating CF and free CF increased.

The cash position improved.

2-4 Topics

(1) Submitted a market selection application for the new market category Prime Market

In September 2021, the company decided to select the Prime Market under the new market classification of the Tokyo Stock Exchange, and submitted a market selection application to the TSE to make the Prime Market its market of choice.

(2) Launched Meiko Career Agent, an employment and career change agent service

In September 2021, the company began offering the Meiko Career Agent service, which is an employment/career change agent service that leverages the knowledge accumulated through the Meiko Gijuku private tutoring schools.

The company, with its educational philosophy of independent learning and future education, believes that its thoughts and knowledge can be applied not only to cram schools, but also to employment and has decided to provide recruitment services with the aim of providing consistent career support, from education to employment, in Japan.

It is characterized by (i) careful and attentive career counseling that makes use of the company's long-term educational knowledge and hospitality, (ii) support for first-time job seekers in creating resumes and CVs and interview preparation, and (iii) support that sees job changes as a line rather than a dot and looks to the future.

(3) Started a demonstration experiment for visualization of employees' stress to promote health-oriented management

In September 2021, to promote health-oriented management, the company started a demonstration experiment using the Mimamori-Gajyumaru® Office Plan provided by NTTPC Communications, Inc.

(Overview and features of the Mimamori-Gajyumaru® Office Plan)

The Mimamori-Gajyumaru® Office Plan, which NTTPC Communications has been offering since March 2021, determines the state of the autonomic nervous system based on fluctuations in the pulse rate collected by a wristband-type vital sensor, and visualizes mental stress in three levels (normal, light stress, and stressed). In addition, the system is capable of predicting body temperature based on pulse rate and based on their fever status, tracks the stress status of employees online.

This enables companies to provide line care for employees' mental stress conditions, which can be used for health management.

(Details of and plans for the verification experiment and future development)

Ten young and newly graduated employees who are active in the field as classroom managers or work at the head office will be targeted to visualize their mental stress using the Mimamori-Gajyumaru® Office Plan. As a result, the company will be able to analyze what kind of work increases stress in the daily work environment and to consider specific measures to promote health-oriented management. The verification period is three months from September 27, 2021 to December 26, 2021.

Through this demonstration experiment, the company will work on specific activities to further promote health-oriented management. NTTPC Communications will also use the knowledge gained from this demonstration experiment to develop services to support the health-oriented management initiatives of various companies.

3. Fiscal Year ending August 2022 Earnings Forecasts

3-1 Consolidated Business Results

	FY 8/21 (Act.)	Ratio to total sales	FY 8/22 (Est.)	Ratio to total sales	YoY
Sales	19,039	100.0%	19,800	100.0%	+4.0%
Operating Profit	969	5.1%	1,040	5.3%	+7.3%
Ordinary Profit	1,113	5.8%	1,100	5.6%	-1.2%
Net Income	1,140	6.0%	660	3.3%	-42.1%

* Unit: Million yen

Sales and profit increased

The company is forecasting sales of 19.8 billion yen, up 4.0% from the previous fiscal year, and an operating income of 1.04 billion yen, up 7.3% from the previous fiscal year. In addition to a continued recovery in the Meiko Gijuku directly operated school business and Meiko Gijuku franchised school business, the resumption of student enrollment in the Japanese language school business and contributions from the human resources business are expected to boost sales by about 800 million yen, but the start-up costs of new businesses and DX-related investments will limit operating income growth to 70 million yen. The company plans to pay an interim dividend of 11.00 yen per share and a year-end dividend of 11.00 yen per share, each up 1.00 yen per share from the previous fiscal year, for a total dividend of 22.00 yen per share. The expected dividend payout ratio is 83.6%.

4. Formulation of Purpose, Vision, Values and Medium-term Management Plan

In October 2021, the company formulated new Purpose, Vision, Values, and a medium-term management plan (FY 8/2022-FY 8/2024).

4-1 Assessment of the current situation

As mentioned in "Section 1-3 Market trends," the company is strongly aware that the keys to its future strategy are customers and workers as the population continues to shrink.

Although competition in the private tutoring school market is fierce, the company has the largest numbers of classrooms and students, and the largest number of students passing high school and university entrance exams among private tutoring schools.

4-2 Purpose, Vision, Values

Since its establishment, the company has been committed to improving its corporate value by adhering to two management philosophies: "to develop human resources through contribution to education and culture" and "to support self-realization through the development and dissemination of franchise knowledge," as well as an educational philosophy of "fostering human resources for the 21st century who are creative and self-reliant through independent learning using individualized instruction."

While inheriting this founding philosophy as the founding spirit of the company, in order to respond to the rapid changes in the social environment and to continue to be a company of choice, the company has formulated a Purpose, which is the company's raison d'être and way of being, Values, which are action guidelines, and Vision, which is the company's vision for the future, and has decided to reaffirm the direction of evolution for Meiko Network Japan, which is in course of evolution, and for the future.



(Taken from the reference data of the company)

The Purpose of the company is " Create a memory of ' You Can if You Think You Can ', " which expresses the company's desire to become a corporate group that opens up the possibilities of people and realizes a bright future.

Based on this Purpose, Vision, and Values, the company has formulated the mid-term management plan and will promote its business strategy, human resource strategy, and capital strategy.

4-3 Medium-term Management Plan (FY 8/2022-FY 8/2024)

(1) Medium-term management policy

The policy of the three-year medium-term management plan was set as "Fan-Fun Innovation."

With Purpose as the starting point, the company will use innovation to connect Fan and Fun to promote the creation of fans of their company and achieve sustainable growth and an improvement in corporate value.

The following are the three basic policies.

1) Make Fans

Make new fans by promoting digital transformation and deepening and exploring the Meiko brand
TUnfold learning infrastructure by proposing new value corresponding to changes in society

2) Make Fun

Foster fan engagement brimming with satisfaction and trust through excitement
Aim to make well-being workplaces where it is rewarding to work

3) Make Innovation (= New Combination)

Change awareness continually looking with a new viewpoint to make judgments and take actions

Reform business structure to further improve business profits

(2) Business strategy

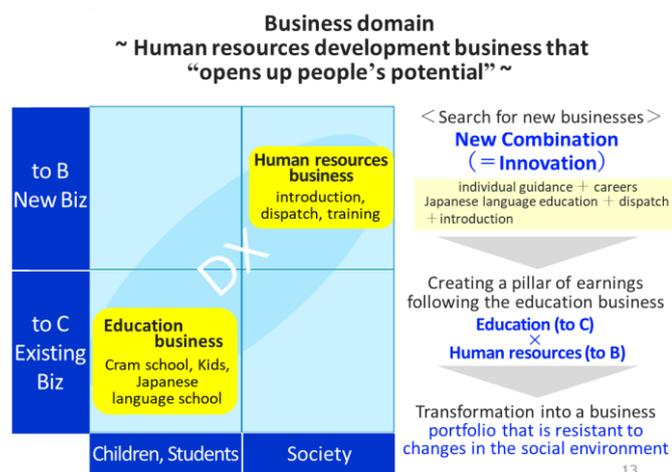
In addition to the existing education business, the company will strengthen its human resources business as a company that develops human resources to open up people's potential.

However, rather than simply entering the already competitive human resources field, the company will develop its human resources business as a "new combination" by utilizing the experience and knowledge it has accumulated in the education business to differentiate itself from other companies, such as Meiko Career Agent, which offers individual tutoring and career services, and MEIKO GLOBAL, which offers Japanese language education, dispatch, placement, and training human resources.

Rather than simply matching the needs of job seekers with those of recruiters and dispatchers, the company will develop an unconventional human resources business, differentiated by the provision of human resources development and career education, which only a company with many years of experience in the education business can provide.

The number of client companies that appreciate the fact that Meiko Gijuku, an education company, provides placement, temporary staffing, and training services has been steadily increasing.

By developing the BtoB human resources business in addition to the BtoC education business, the company will create a pillar of revenue to complement the education business and transform its business portfolio to be more resilient to changes in the social environment.



(Taken from the reference data of the company)

1) Deepening of existing businesses

◎ Cram school business

To strengthen efforts to open new schools with new classroom formats and measures to increase customer engagement.

Meiko Gijuku will strengthen its model for opening schools in rural areas, where the birthrate is declining. The important points for opening a new school are i) low investment: a business model with a quick return on investment, ii) low cost: a business model with low break-even point, and iii) simple: standardized operation (individual teaching and ICT). The first step is to build a model that is profitable even at low prices by reducing costs in their direct operated schools, and then to develop franchises.

In addition, the AI learning system Jiritsu Gakushu RED has been verified to improve performance and the business model has been established, so the company will actively promote the opening of schools through franchises.

For new memberships, the company will focus on the introduction by acquaintances and friends, which has the lowest unit cost of customer acquisition and the highest level of satisfaction, and will also use DX in analyzing and implementing customer satisfaction surveys to improve engagement.

To respond to educational reforms, the company will further promote the use of a number of ICT materials and strengthen the provision of individually optimized learning through individualized instruction and ICT materials.

◎ Kids business

In addition to the after-school businesses of Meiko Kids, a school-age childcare program, and Meiko Kids e, an English-only program, Meiko Kids Furetabi, a travel and event business for kids, will be launched. The company aims to enrich the growth of children by creating encounters that engage the five senses through travel and hands-on activities.

For working families who use school-age childcare, this kind of event is very popular, as the company is an educational company that incorporates the element of learning. Although the project is still in the verification and preparation stage, the company intends to steadily develop it as a way to contribute to society.

◎ Japanese language school business

Although the number of students enrolled in the school has decreased significantly due to the restrictions on entry to the country caused by the novel coronavirus, Waseda EDU Japanese Language School has increased students by raising the number of classrooms (from 780 to 960 in July 2021) to strengthen the system for accepting students, and will take advantage of its strong features in graduate school guidance, practical art skills, and EJU (Examination for Japanese University Admission for International Students).

JCLI Japanese Language School, which is strong in finding employment by providing Japanese language instruction to those who wish to work as caregivers on special skills visas, will further strengthen its employment support by promoting cooperation with vocational schools. Further, the company will accelerate its response to diverse needs.

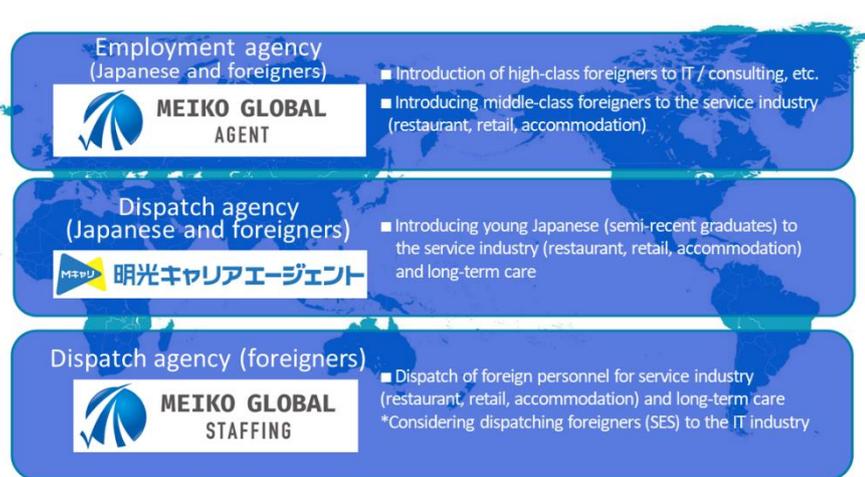
2) Search for new business

◎ Placement and recruiting business, temporary staffing business

Utilizing the knowledge accumulated through the existing education business, such as career counseling for students, the company will start providing recruiting services for working adults.

The company will strengthen its domestic foreign human resources service business, which is expected to grow in the future.

The target industries are not limited to service industries such as restaurants, retail, and lodging, but also include a wide range of industries such as IT and consulting.



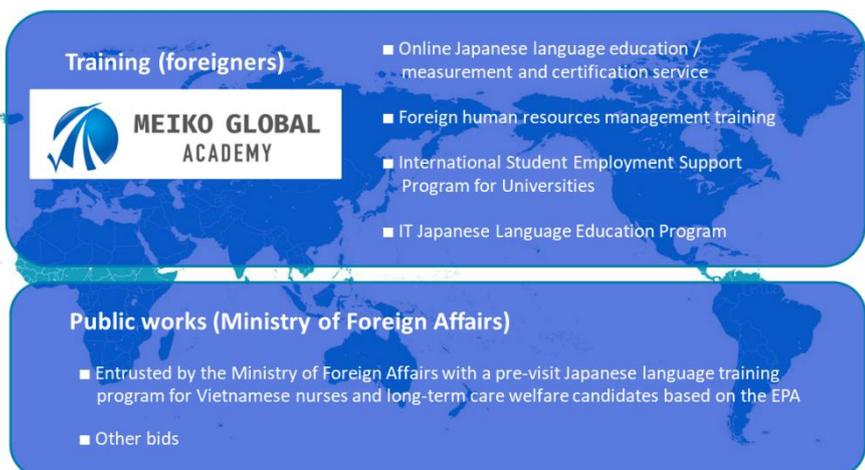
<p>Employment agency (Japanese and foreigners)</p> 	<ul style="list-style-type: none"> ■ Introduction of high-class foreigners to IT / consulting, etc. ■ Introducing middle-class foreigners to the service industry (restaurant, retail, accommodation)
<p>Dispatch agency (Japanese and foreigners)</p> 	<ul style="list-style-type: none"> ■ Introducing young Japanese (semi-recent graduates) to the service industry (restaurant, retail, accommodation) and long-term care
<p>Dispatch agency (foreigners)</p> 	<ul style="list-style-type: none"> ■ Dispatch of foreign personnel for service industry (restaurant, retail, accommodation) and long-term care *Considering dispatching foreigners (SES) to the IT industry

(Taken from the reference data of the company)

◎ Training programs and public works

In addition to developing the training business for working adults by utilizing the knowledge accumulated through the existing education business, such as student study guidance, the company will also strengthen its Japanese language training services for the growing number of foreign human resources in Japan.

In addition, the company was commissioned by the Ministry of Foreign Affairs to conduct a pre-visit Japanese language training program for Vietnamese candidates for nurses and care workers based on the EPA (Economic Partnership Agreement).



<p>Training (foreigners)</p> 	<ul style="list-style-type: none"> ■ Online Japanese language education / measurement and certification service ■ Foreign human resources management training ■ International Student Employment Support Program for Universities ■ IT Japanese Language Education Program
<p>Public works (Ministry of Foreign Affairs)</p>	<ul style="list-style-type: none"> ■ Entrusted by the Ministry of Foreign Affairs with a pre-visit Japanese language training program for Vietnamese nurses and long-term care welfare candidates based on the EPA ■ Other bids

(Taken from the reference data of the company)

(3) DX strategy

In the cram school business, in particular, the company will implement a company-wide digital marketing function that captures the entire life time value (LTV) of a customer, from the development of prospective customers to their enrollment. In addition to strengthening the contact center, the company aims to increase the number of inquiries and improve the enrollment rate.

Moreover, the company will promote the construction of a DX data platform. Furthermore, it accelerates efforts to utilize data across the entire company, enabling seamless data integration and data visualization through BI (Business Intelligence) tools.

The company is working to strengthen its human resources and systems under the leadership of Mr. Taniguchi, the head of the DX Strategy Headquarters, which was newly established in July 2021.

(4) Human resources strategy

The company promotes diversity management to create innovation and pursues well-being by reforming work styles.

In addition to further strengthening the business execution function by separating management and execution, the company will promote online learning through its in-house university, Meiko Academy, and strengthen the development of DX human resources. The Meiko Academy was launched in the previous fiscal year in response to the company's desire for its employees to become more externally focused learners, and will provide education by rank and assessment for promotion and advancement.

The company aims to keep the ratio of female board members at least 30% and achieve a ratio of female managers of 25% by the FY ending August 2024. Because cram schools, by their very nature, require a lot of night work, the company is working to create a unique environment where women can work comfortably, including maternity leave, childcare leave, and shorter working hours.

The company also aims to hire foreign personnel for management positions.

In terms of work style reforms, the company adopted the telework system in September 2020, followed by the flextime system in September 2021.

(5) Capital strategies

The company has reviewed the policies set forth in the previous mid-term plan and formulated a new capital and dividend policy.

The company will enhance its corporate value over the medium to long term through the enhancement of equity capital necessary to strengthen its business base and invest in growth, and through the stable and sustainable return of profits to shareholders.

Basic policy	The basic policy of the Company will be to enhance its corporate value on a mid- to long-term basis by strengthening its business foundations, enhancing its self-funding necessary for growth investment, and stably and continuously returning profit to shareholders.
Dividend Measures	The Company will determine its dividends upon taking into account an optimal balance linked to performance based on an annual dividend payout ratio of 35% or more under the basic policy.
Capital efficiency target	With return on equity (ROE) as its target value, the Company will strive to secure a ROE of at 8% or more.
Treasury Stock Purchase Policy	The basic policy of the Company will be to flexibly and nimbly determine whether to purchase treasury stock by comprehensively taking into account the business environment, the impact on the market price and its financial position.
M&As and Alliances	The Company considers M&As and alliances as an important means of management and will proactively pursue them including leveraging from the points of view of effective utilization of external resources and business expansion and growth.

With the understanding of the cost of capital deepened, the company has set its ROE target at 8% or higher.

In addition, although the company has been operating on a debt-free basis, it will aggressively use leverage when there is an opportunity to invest in growth. This is a major change in policy.

(6) Sustainability management

As part of the company's efforts to realize a sustainable society, it will promote initiatives for E (environment), S (society), and G (governance), as well as initiatives for SDGs as an infrastructure for learning, and initiatives related to human capital management.

ESG ~Promotion of companies toward the realization of a sustainable society~

	Measures
E (Environment)	Promotion of switching to paperless recycled paper
S (Society)	Fostering and securing diverse human resources, learning infrastructure, learning support for foreign children
G (Governance)	Appropriate response to the revised Corporate Governance Code Information security and personal information protection efforts

SUSTAINABLE DEVELOPMENT GOALS

	Measures	
Manabi infrastructure	<ul style="list-style-type: none"> Expansion of Meiko Gijuku to 47 prefectures nationwide Foreign child education support project BLIDGE 	
Human capital management	<ul style="list-style-type: none"> Creating a well-being workplace Responding to the diversity of officers Promotion of diversity & inclusion Improving WLB through work-style reform 	  

(Taken from the reference data of the company)

(7) Corporate governance

In response to the submission of the market selection application for the new market category Prime Market, the company will strengthen and promote efforts to provide higher standards of governance as a company listed on the Prime Market.

Regarding “Supplementary Principle 2-4 (1) Ensuring diversity within the company” in the Corporate Governance Report, the company will set up the acceleration of diversity as a source of innovation in its human resources strategy, and actively promote women, non-Japanese, and mid-career hires to key positions. In addition, the company plans to institutionalize flextime and telework, and promote work style reforms to achieve a better work-life balance.

Consideration of TCFD will begin this fiscal year.

The company intends to disclose a skills matrix that lists the knowledge, experience, and abilities of each director in the notice of the annual general meeting of shareholders to be held in November 2021.

(8) Numerical plan

The numerical targets for the fiscal year ending August 2024 are as follows.

	FY 8/21 (Act.)	FY 8/24 (Plan)	CAGR
Sales	190.3	210.0	3.3%
Operating profit	9.6	20.0	27.7%
Operating profit margin	5.1%	9.5%	-

* Unit: 100 Million yen

5. Conclusions

Despite the decrease of classrooms, the company believes that it has made steady progress in its mid-term goal of improving the profitability per classroom and has broken out of the contractionary balance. However, there is still a gap from the pre-pandemic level, and the key point for the future is how fast sales and profit will recover from this fiscal year. In this sense, we would like to see how much the existing business, Jiritsu Gakushu RED, and the new human resources business will be able to show their presence as a driving force over the next three years in the mid-term management plan and check its progress for each quarter. We will also keep an eye on the company's efforts in M&A and alliances, where it has taken a more proactive stance.

<Reference: Regarding Corporate Governance>

◎Organizational form and the composition of the boards of directors and auditors

Organizational form	Company with corporate auditors
Directors	6 directors, including 2 outside directors
Auditors	4 auditors, including 4 outside auditors

◎ Corporate governance reports

Last updated on Apr.12, 2021

Basic policy

Our company continuously promotes managerial structure reforms to construct a flexible and transparent management organization that adapts to the new era. Moreover, our company plans to further strengthen corporate governance focused on the shareholder value by ensuring the transparency, soundness, and fairness of its management, implementing thorough risk management and improving accountability. Furthermore, our company's basic policy is to maximize the corporate value for all stakeholders including shareholders through the sustainable growth of our company group, the enhancement of the business model which demonstrates unique added value, and the strengthening of profitability via the collaboration of all the group companies. Our company's basic policy also includes the improvement of management transparency and efficiency. Hence, the company is working to establish a swift and efficient management and execution systems while balancing the management supervision and business execution systems. The company is also making efforts to achieve highly transparent management through the participation of outside directors. Additionally, the company established "The MEIKO NETWORK JAPAN Group Corporate Governance Code Guideline" and published it on the company website to clarify the status of the efforts and policies related to each principle of the corporate governance code, fulfill the fiduciary responsibilities and to provide accountability.

<https://www.meikonet.co.jp/investor/governance/index.html>

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The company follows all the principles of the corporate governance code.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle 1-4 [The So-Called Strategically Held Shares]

The strategically held shares are shares held for purposes other than investment. We hold the shares of business partners for purposes such as business alliances, maintaining and strengthening transactions, and stabilizing shares. The board of directors examines the necessity of reducing these shares appropriately through considering whether these shares are important for the company's growth, whether there is a more effective use of funds, etc. Moreover, as for exercising voting rights for these shares, the approval for a proposal is decided by having the department in charge examine carefully the proposal content taking into consideration the conditions of the invested companies and the business relationship with these companies, etc.

Principle 1-7 [Transactions between Related Parties]

Transactions that would constitute competition or conflict of interest for the directors and the corporations that the directors substantially control should be deliberated and decided by the board of directors. Additionally, transaction conditions and policies for determining transaction conditions, etc. are disclosed in the notice of convocation of the general meeting of shareholders and annual securities reports, etc. The company has established a system that will not be disadvantageous to it in case the corporations that the company's officers and directors substantially control, and major shareholders do business as clients of the company.

Principle 5-1 [Policy on Constructive Dialogue with Shareholders]

Our company's corporate planning department is responsible for IR. The company holds financial results briefings for shareholders and investors once every six months and conducts regular individual interviews.

BRIDGE REPORT



This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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