

If you want to launch business in Japan, let us hear your desire!



Kyoto Home Office



Tokyo Office



Data Center

MIYAKO SOLUTIONS - WE CHANGE FIXED COST TO VARIABLE COST!

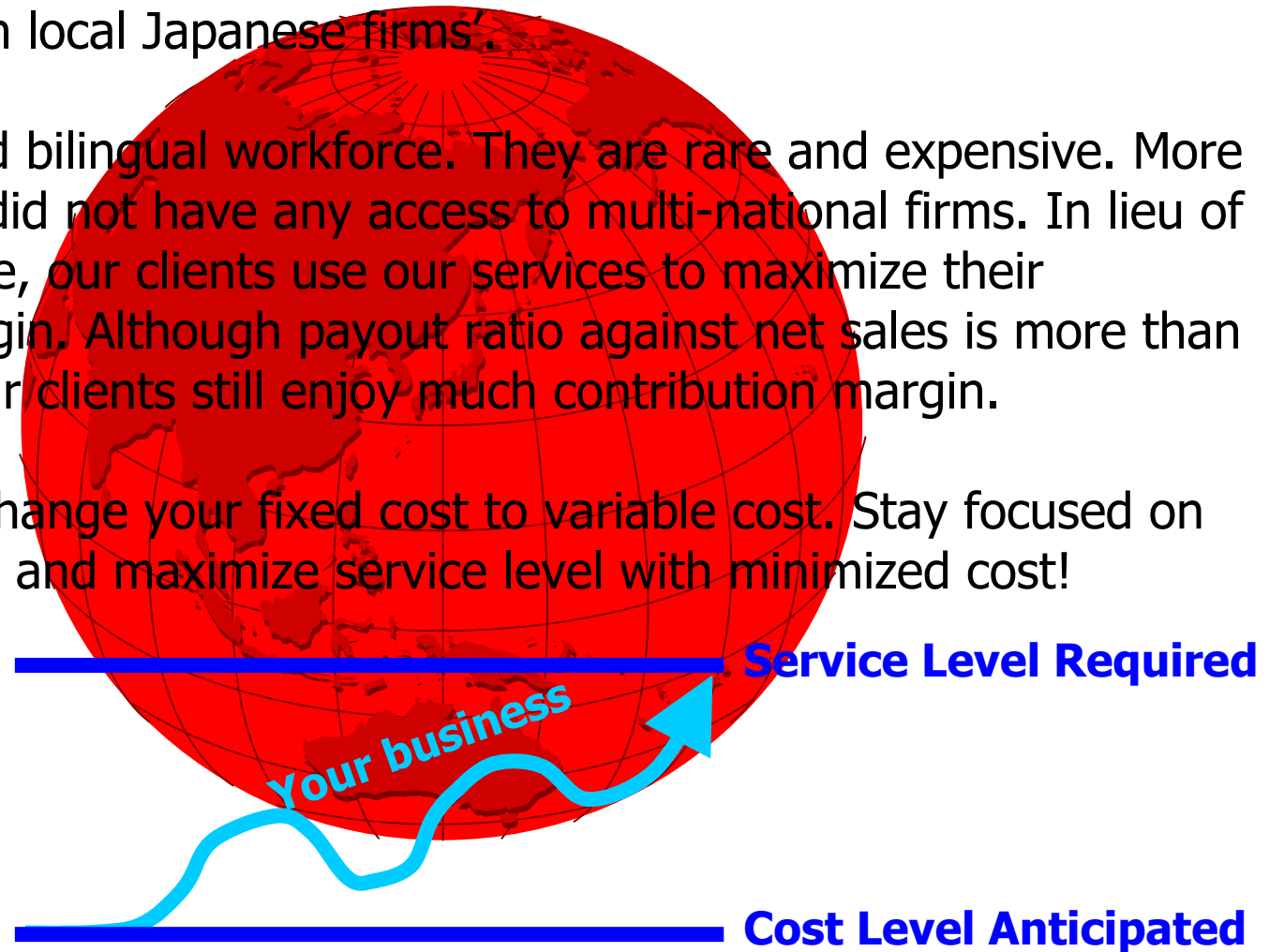


DESIGNING YOUR BUSINESS

It is everyone's business goal to maximize the sales with the minimum cost. Multi-national firms have challenges in common: SG&A tends to be much bigger than local Japanese firms.

WHY? - You need bilingual workforce. They are rare and expensive. More importantly, we did not have any access to multi-national firms. In lieu of hiring own people, our clients use our services to maximize their contribution margin. Although payout ratio against net sales is more than 60%, some of our clients still enjoy much contribution margin.

We are here to change your fixed cost to variable cost. Stay focused on growth initiatives and maximize service level with minimized cost!



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1. UNCOMPROMISING CUSTOMER SERVICES

It's our industry standard to have an ability to design compensation plan and its driving MLM software development. But Miyako Solutions is the one and only agent who offers in-house Customer Services. We do not outsource call center duties, which results in accumulated MLM knowledge and expertise.



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WHAT WE DO AT CUSTOMER SERVICES

1. Work-flow development
Business Rules, Work Flow, Compensation Plan & related Business Rules
Training, System Specification, Call Center Script Writing
2. Application Handling
Key-in DistApp & Order Form, Order Audits, Change Request Processing
3. Call Center Task
Order Taking, All Distributor Relations, Compliance cases
4. Order Processing
Account Receivable, Volume Points Finalization (Batch Run), Shipping Instruction
5. Autoship Control
Autoship Creation / Changes / Cancel Processing, Account to Account Transfer
Processing
6. Shipping Instructions
Shipping Invoice, Picking, Courier Management, Inventory Management, QA/QC
7. Bonus Calculation
Commission Calculation Run*, Commission Statement
8. Product Return
Cooling-off, Returned Inventory Audit, Negative Adjustment

*For local clients that we offer packaged software & customer services

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2. MARKETING SERVICES THAT WORK

To raise Brand Loyalty within distributor minds, it's crucial to provide appropriate marketing services. Marketing services may include:

1. Easy-to-understand "How-to-Do Business" Brochure
2. Well illustrated, yet Pharmaceutical Law compliant Product Catalogue
3. Periodical release of a newsletter that increases retention
4. Event initiatives to motivate business builders
5. Movie files that represent company vision and mission statement
6. Interface development that helps distributor daily activities

Please bear in mind that Japanese people have different spots to hit. You may need to modify your marketing materials to hit their spots. Some localizations will make a huge difference.

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3. COMPLIANCE SERVICES THAT SECURE BUSINESSES

To run Network Marketing in Japan, the Act on Specified Transactions and the Pharmaceutical Law are 2 major regulations you have to be fully compliant with. Expressions that are allowed in the US may not be appropriate in Japan. To be specific, major differences are:

1. You must discover your "Will" as to approach prospects. You must NOT hide your reason of your approach.
2. You must hand out a legal document "Gaiyo-shomen*" before signing up.
3. You "almost" cannot illustrate income numbers on any advertisement.

To reduce risk, you need to be familiar with Consumer Affairs Centers. In accordance with the Consumer Affairs Fundamental Act, they handle consumer issues or conflict cases. Our 12 years of experience has created a good nose to confirm any risks before it would be detrimental.

Gaiyou-Shomen describes the key factors of the MLM businesses, e.g. products, prices, special burden (required initial amount), how to order, product return and buy back policies, marketing plans and its conditions to receive commissions and so forth.

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4. SYSTEM DEVELOPMENT for MAKING A DIFFERENCE

We have been in industry as a Network Marketing System Developer since our start. Our experience and expertise might be helpful for below key areas:

1. Double byte Distributor information table for printing materials such as shipping invoice and Commission / Bonus Statement
2. A/R function – Cash on Delivery, Account-to-Account Transfer, etc.,
3. TAX Withdrawal – Not compulsory, yet it is highly recommended from compliance point of view
4. Maintenance duties for IT-related items such as staff PCs and servers

Large multi-national firms have experienced system challenges in common. As they grow and expand into new markets, their enterprise systems also grow big. Each market has cultural preferences, which reflects to system developments exclusively for them. It will be so difficult to upgrade the whole system once it would have been over-stretched.

We believe you need core & fringe 2-sphere design in system development. We can help to develop a fringe sphere for local market.

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5. CONSULTING for INTERNATIONAL SERVICES

Language is always a big barrier in international businesses. Because of language and cultural differences, you need to hire expensive bilingual staffs. You might think of having a Japanese staff in home office who serves as a liaison arrangement. You might also think of utilizing international business agents with very expensive service fees. All of these initiatives are expensive and require time-consuming processes.

You now have a different option – We are just gaining international communication ability. We have got working resources containing past international business experiences such as former General Managers of multi-national corporations.

Trust who knows the market – And we are the ones who know it the best!

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TYPICAL CHALLENGES in JAPAN

Recruitment

You won't see ample candidates with MLM experiences. In many cases, US companies do not have any access to local agents like us, so they spend a lot to hire through multi-national recruiting firms. Their commission rate is very high.

Layoff

Once you have employed, it's really difficult to layoff. The thought of lifetime employment is still strong in Japanese labor standard act. To proceed optimization, you must spend additional \$ for an attractive severance package. This is the typical law-suit avoiding method.

Retention

You will face with staff retention problem. Current human resource is limited so that quality candidates won't join in "unpopular" MLM environment. You would probably hire one from a dispatch company after interviewing 5 to 10 candidates. Once you will get a new staff, you will see 50% chance of survival over a year effort of training.

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TYPICAL CHALLENGES in JAPAN

Rent

Office in Tokyo is expensive. Not just cost, but your challenge is going to be the landlord of the tenant you are looking for. Because of negative reputation regarding MLM business in Japan, it tends to be challenging to contract with the landlord who often shows negative response and avoids MLM business operators.

Example below is an office for annual sales of JPY 1 Trillion in middle-graded price range. With this cost, you can give your office great accessibility to public transportations and you can build up company branding image.

Grade	Intermediate	
Monthly Cost/Tsubo	207	<u>Sq.ft</u>
Office Space	10,787	1,850
Walk-in Counter	3,112	534
Salon Space	8,713	1,494
Storage	3,112	534
Seminar Room	10,787	1,850
Monthly Rent	36,718	6,262
Annual Rent	440,612	

(Cost in USD)

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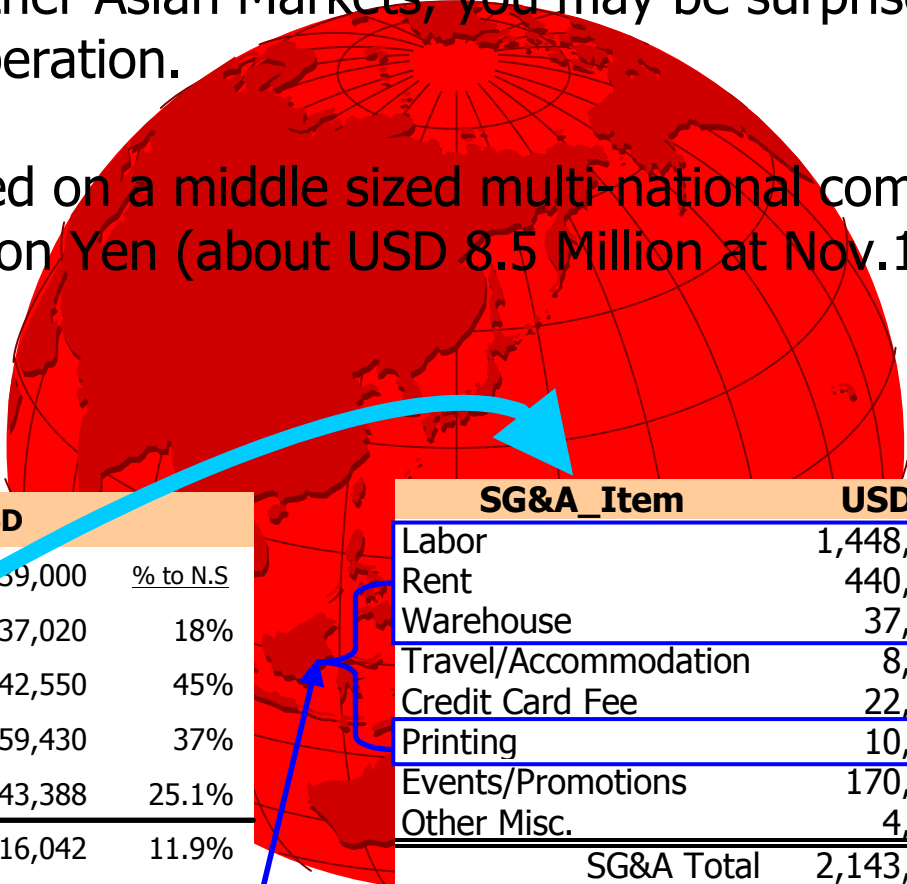


TYPICAL CHALLENGES in JAPAN

SG&A

Compared with other Asian Markets, you may be surprised at much higher SG&A in Japan operation.

P&L below is based on a middle sized multi-national company annually generating 1 Trillion Yen (about USD 8.5 Million at Nov.19 2014 FX Rate) in Japan.



P&L			SG&A_Item		
	USD			USD	
Net Sales	8,539,000	% to N.S	Labor	1,448,740	
COGs	1,537,020	18%	Rent	440,612	Central Tokyo, 6262 sq.ft.
Distributor Incentives	3,842,550	45%	Warehouse	37,002	Sagawa Global Logistics
Operating Profit	3,159,430	37%	Travel/Accommodation	8,539	
SG&A	2,143,388	25.1%	Credit Card Fee	22,771	Paymentech
Contribution Margin	1,016,042	11.9%	Printing	10,674	
			Events/Promotions	170,780	2.0% to N.S
			Other Misc.	4,269	Depreciated Assets
			SG&A Total	2,143,388	25.1%

We can less optimize

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TYPICAL CHALLENGES in JAPAN

Labor Cost

Table below shows Labor break-down. To run annual 1 Trillion Yen business, this would be the base line to secure reasonable Customer Service quality.

Labor_USD	Base Salary	Social Felfare	Annualized	Profit Sharing	Total
1 General Manager	15,370	3,843	230,553	21,282	251,835
2 Finance Director	10,247	2,562	153,702	14,188	167,890
3 Sales Manager	6,831	1,708	102,468	9,459	111,927
4 Compliance Manager	6,404	1,601	96,064	8,867	104,931
5 Creative Specialist	4,440	1,110	66,604	6,148	72,752
6 Warehouse Supervisor	4,440	1,110	66,604	6,148	72,752
7 Technical Supervisor	4,269	1,067	64,042	5,912	69,954
8 IT Supervisor	4,440	1,110	66,604	6,148	72,752
9 Fin (A/P)	3,159	790	47,391	4,375	51,766
10 Fin (A/R)	2,903	726	43,549	4,020	47,569
11 Marketing Rep	2,989	747	44,830	4,138	48,968
12 Sales Rep	2,732	683	40,987	3,783	44,771
13 CS Leader	3,586	897	53,796	4,966	58,761
14 CS Leader	3,586	897	53,796	4,966	58,761
15 CS Rep	3,159	790	47,391	4,375	51,766
16 CS Rep	2,732	683	40,987	3,783	44,771
17 CS Rep (Dispatch)	3,245		38,938		38,938
18 CS Rep (Dispatch)	3,245		38,938		38,938
19 CS Rep (Dispatch)	3,245		38,938		38,938
Annualized Total Labor					1,448,740

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WE CAN HELP YOU!

Visible Cost Benefit: Miyako Solutions may cover below tasks!

Miyako Solutions Optimization Plan

Customer Service Fee 341,560 4% to Net.Sales

With this cost, what you can remove

1. CS Leader(2) Reps(5)	330,873	
2. Compliance Manager	31,479	30% of Compliance Manager
3. Creative Specialist	72,752	
4. Marketing Rep	48,968	
5. Warehouse Supervisor	21,826	30% of Warehouse Supervisor
6. IT Supervisor	72,752	
7. Space	132,184	30% of Office Space
Total removable	710,834	

COST LESS Optimized 17.2%

1. Compliance Manager

We take care Customer Service Center matter. This tends to be a large portion of compliance task. Estimated at 30% of less optimization.

2. Creative Specialist & Marketing

We can handle all printing materials and product related tasks.

3. Warehouse Supervisor

We can provide better deal regarding warehouse management through volume merit contract. Estimated at 30% of less optimization.

4. IT Supervisor

We can take care of IT-related tasks such as PC & Server maintenance.

Invisible Cost

Above table just shows visible cost that directly affect your P&L. Please bear in mind that you also need to spend ample time and money on invisible matter. Supervisors need to sacrifice his / her precious time to train new work force. Also they need to pay a lot of effort to keep motivating their people. You will enjoy being free from these difficult tasks.

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OUR HISTORY

Last year alone, we have supported over 50 companies. Their accumulated net sales have recorded over 100 Million US Dollars. We believe we are playing a crucial role in contribution of Japan's Network Marketing Industry. It is our mission to bring the best services possible to Network Marketing Companies with the competitive pricing.

- 2002 Flex-I was founded on a vision of being the best consulting company
Launched System Development & Outsourcing Services
- 2004 Tokyo Branch Opened
Packaged software "Miyakomaru 2004™" released
Kyoto Home Office moved to the current larger facility
Opened Data Center
- 2006 Expansion of Customer Service Center
- 2007 "Miyakomaru 2007™" released
- 2008 Certified by [Japan Information Processing Development Center \(JIPDEC\)](#)
"Miyakomaru 2007™ SE" released
- 2009 Miyako Solutions was established as a subsidiary of Flex-I
MLM business functions transferred from Flex-I to Miyako Solutions
- 2011 "Miyakomaru™ APP PACKAGE for iPhone" released
- 2013 "Miyakomaru 3.0™" released
- 2014 Tokyo Branch moved due to business expansion

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