

## SUMMARY BUSINESS PLAN

### 1. Company overview

R-Value Co., Ltd. (hereinafter called R-value) is a private company which specializes in creating and organizing events and educational/training courses for pupils and students in Japan. Our latest programs are “Real-Life Experiencing Trips” for schools’ pupils in which are to meet the high demand for such services of the current and next Japanese “king” kid generations.

| Company’s Organization                             |  |  |              |
|--|--|--|--------------|
|  | Name   | Qualification  | Owner equity |
|  | <u>5 students from International University of Japan</u> |  | 84%          |
| Management team                                    | Tran Tuan Cuong  | MBA in Finance and Marketing<br>3 years as Local Sales & Marketing Manager at Samsung Corporation    | 18%          |
|  | Jiro Egawa   | MBA in Finance and Marketing<br>7 years at Sales & Marketing Matsushita Electric Industrial          | 18%          |
|  | Sayavongsa Soulilack                                     | MBA in Marketing<br>3 years as Marketing Executive at Laos Mobile Company                            | 16%          |
|  | Liu Zhen   | MBA in Operational Management<br>10 years as Diplomat at Chinese Ministry of Foreign Affairs         | 16%          |
|  | Rosales Carlos Eduardo                                   | MBA in Finance and Marketing<br>5 years as Accounting Assistant at an Airline Company                | 16%          |
|  |  | <u>Others</u>  |              |
|  | Mr. Watanabe   | 5 years as Lawyer at Japanese Ministry of Education, Culture, Sports, Science, and Technology (MEXT) | 10%          |
|  | <u>Advisors</u>  |  | 6%           |
|  | Mr. Ueno   | Former Vice President of Tokyo Primary School, retired   | 2%           |
|  | Ms. Yamazaki   | 4 years as Officials at HIS Corporation, No.1 Travel agency  | 2%           |
|  | Mr. Sueda  | 20 years as Consultant at Japan External Trade Organization  | 2%           |
|  | Total  |  | 100%         |
| Note*: Subject to be excluded from 1000-word limit |  |  |              |

### 2. Purpose of the business plan

To create the supply for a huge demand from kids’ parents for - “...let kids go out from hands of parents and schools (under control) so that they could dynamically experience the natural environment and difficulty of real lives”

### 3. Concept of the new services

The nature of the trip is to make the kids stay with farmers' families and experience how to survive and coexist with the natural environment. Kids will join the farmers in their daily activities e.g. getting up early, working on the field, planting trees, feeding cattle, etc.

Primary schools' pupils: 3-5 days in really rural areas of Niigata and Hokkaido Prefecture

Junior high schools' pupils: 10-14 days in particular isolated islands of Okinawa Prefecture

#### **4. Benefits of the new services**

Firstly, it provides economic benefits for all stakeholders as R-Value's investors, local governments and host families who receive kids. Secondly, it provides social benefits by contributing to the educational system of Japan, educating kids about the real lives' value, and revitalizing the provincial economies.

#### **5. Market analysis**

##### **Japanese potential "6 - pocket" market**

Although Japan today finds itself struggling with the rapidly falling birthrate close to 1.32 and the number of children per household has decreased, the amount of money spending for them has been drastically increased recently. Together with developed economy with many more rich households, there are more kids who are treated as "kings" in the families. Actually kids get used to enjoying luxurious brand products (laptops, mobiles, cosmetics etc) without really acknowledging their values.

In contrast, according to some recent surveys, parents want their "dependable" children to learn and appreciate the true value of life, experience and understand the difficulty, put them closer to the natural environment and get away from modern life for sometimes (under

official school programs). This trend forms the potential “6-pocket” market where parents and grandparents (6 people) are willing to spend more money for a kid to get this valuable experience.

### **Government policy of new education system:**

In 2002, MEXT implemented complete five-day school week so that pupils could spend more time to learn, think, and act for themselves. MEXT’s new policy is also to let kids cultivate “zest of living” (IKIRUCHIKARA). In fact, MEXT introduced a new “Comprehensive Learning” course in both primary and junior high schools. Its main objective is to encourage students to participate in distinctive activities such as volunteered and environmental activities. Each school collaborates with local communities and decides its own unique programs.

Based on our overall market analysis, our business concept “real-life experiencing trips” corresponds with the government’s educational policy and recent trend of “6-pocket” market; thus, it makes us easily access to the customers (market) as of schools, parents, and grandparents.

| <b>SWOT analysis</b>   |   |
|--|---|
| <b>Strength</b> <ul style="list-style-type: none"> <li>- Professional businessman</li> <li>- Experienced in marketing and services</li> <li>- Expertise in education system and Japanese market</li> </ul> | <b>Weakness</b> <ul style="list-style-type: none"> <li>- Lack of initial investment for marketing campaign and commitments with local governments in Niigata and Okinawa</li> </ul> |
| <b>Opportunity</b> <ul style="list-style-type: none"> <li>- “Niche” market with potentially high demand</li> <li>- Possibly international expansion</li> </ul>   | <b>Threaten</b> <ul style="list-style-type: none"> <li>- Sudden changes in education policy and new requirements</li> </ul>   |
| <i>Note*: Subject to be excluded from 1000-word limit</i>  |   |

### **Back-up**

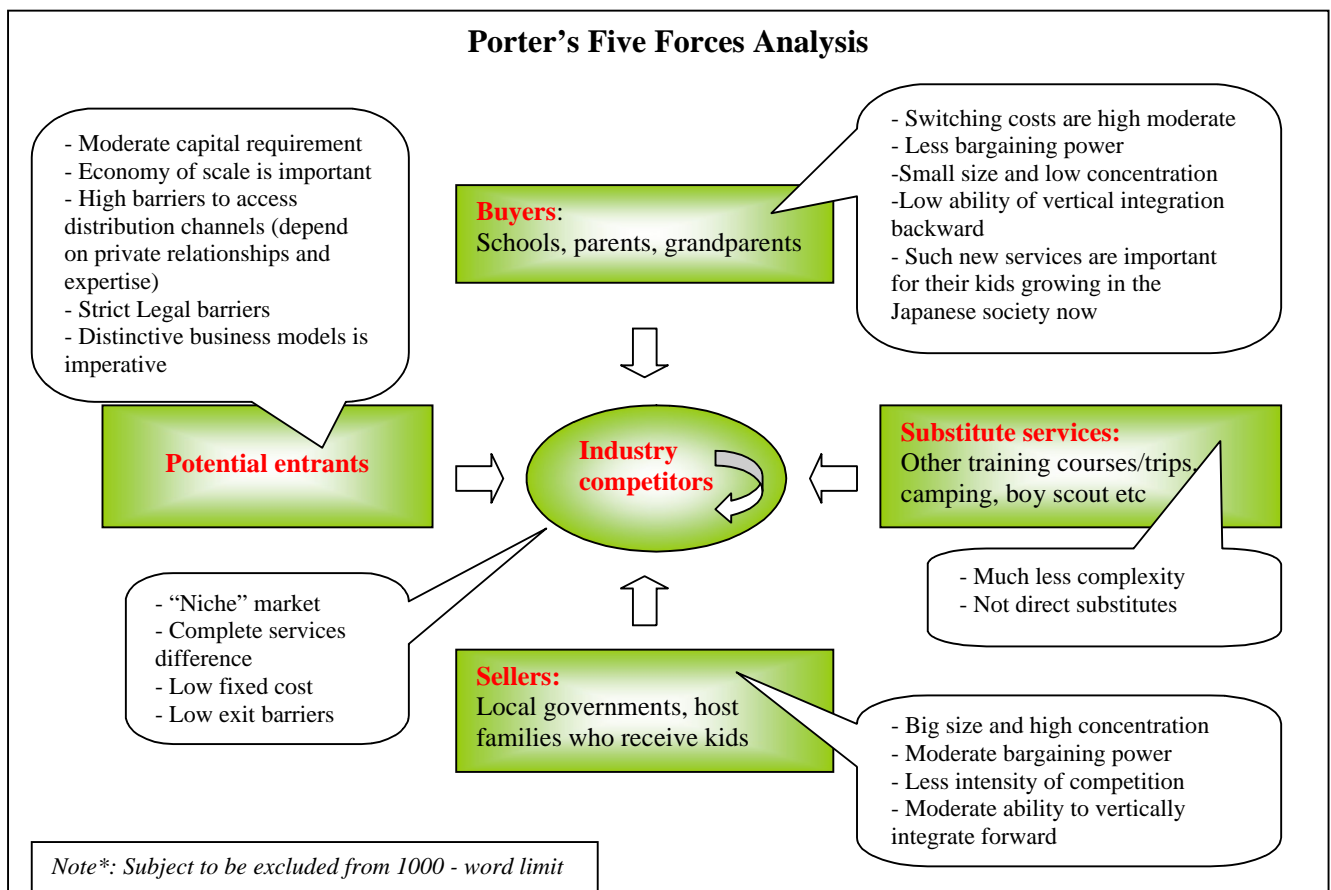
Excellent result from the pretest market survey implemented in the summer of 2007 with 200 sample private schools and their kids’ parents to define the potential market (rate of

responses was 85% in which 92% were positive feedbacks about our proposals and eager to join)

R-Value has already drafted 10-year contracts with Niigata Prefecture's and Okinawa Prefecture's local governments as providers of host families and other services for kids when they are in the program (first payment is \$1,300,000 within 3 years)

R-Value already achieved the business registration for educational/training services' programmer and organizer as well as transportation businesses

R-Value has already completed the first-round negotiation with first 9 private primary schools and 12 junior high schools in Tokyo and Osaka in which they accepted our draft programs and levels of profit margin we offered



## 6. Marketing strategy

### Targeted customers:

198 Private Primary schools in Japan with 73,070 pupils (especially 139 schools in selective urban areas)

726 Junior high schools in Japan with 247,348 pupils (especially 465 schools in selective urban areas)

**Positioning:**

*We all have responsibilities to help kids realize by themselves (Ahh...!! = "R") the REAL (= "R") Value or lives (R-Value)*

**Price:**

Japanese market is a high demanding for quality and security but really inelastic prices for kids' services. Therefore, we chose psychological pricing strategy with perceived - value effect which based on our specific survey to determine the customers' perceptions of our services offer's value for their kids.

**Marketing communications mix:**

Japanese is among the highest collectivist cultures and greatly influenced by the thoughts, desires, and opinions of in-group members or significant, respected individuals. Therefore, we strongly focus on personal selling, PR activities and publicity which mostly focus on PARENTS and GRANDPARENTS. Still, advertising is indispensable in Japanese market.

**Financial tools:**

Offer profit margins (1.5%-2% corresponding projects' net income) for SCHOOLS and LOCAL GOVERNMENTS.

**Expansion strategy:**

Apply the similar models to Chinese market after 2 or 3 years due to the facts of Chinese "1 - kid" policy, recently incredible growth of economy (especially in its urban area) the personal relationship/network and the knowledge of Chinese market from Mr. Liu Zhen.

## 7. Financial Projections

Our total owner equity is \$800,000 and our plan calls for \$1,700,000 more for the first 5 years period. The method we use here is Dual-Class stock recapitalization in which we will create a second class (Type B) of common share that has limited voting rights but a preferential claim to the company's cash flow.

| Share  | Type A  | Type B    |
|--|---------|-----------|
| # of outstanding shares                            | 800,000 | -         |
| # of new shares                                    | -       | 1,700,000 |
| Voting rights/share                                | 7       | 1         |
| Voting rights                                      | 76.7%   | 23.2%     |
| # of dividend/share                                | 1       | 3         |
| Benefit from dividends                             | 13.55%  | 86.46%    |
| Note*: Subject to be excluded from 1000-word limit |         |           |

After 10 years, investors can choose whether to sell their shares back to R-Value (with 259% premium price) or keep them but their number of dividend/share will be reduced to the normal level at 1 dividend/share.

| Financial Projections                              |                |       |       |       |       |        |        |        |        |          |        |
|--|----------------|-------|-------|-------|-------|--------|--------|--------|--------|----------|--------|
| Year   |                | 2008  | 2009  | 2010  | 2011  | 2012   | 2013   | 2014   | 2015   | 2016     | 2017   |
| # of kids  | Primary school | 3,200 | 4,500 | 5,300 | 8,500 | 10,750 | 13,000 | 15,570 | 19,200 | 22,050   | 23,550 |
|  | Junior school  | 4,000 | 4,800 | 7,000 | 8,980 | 19,080 | 35,780 | 50,980 | 55,300 | 59,800   | 63,220 |
| # of host families involved                        |                | 70    | 85    | 110   | 170   | 300    | 470    | 620    | 710    | 780      | 820    |
|  |                |       |       |       |       |        |        |        |        |          |        |
| Revenue (\$1,000)                                  |                | 2,040 | 2,580 | 3,510 | 4,843 | 8,828  | 15,123 | 20,957 | 23,195 | 25,340   | 26,837 |
| Profit contribution (\$1,000)                      |                | -75   | -15   | 835   | 1,225 | 1,730  | 3,560  | 4,870  | 5,790  | 7,749    | 8,867  |
| Terminal value (\$1,000)                           |                |       |       |       |       |        |        |        |        |          | 44,335 |
|  |                |       |       |       |       |        |        |        |        |          |        |
| Sensitivity analysis                               |                |       |       |       |       |        |        |        |        |          |        |
| Rate of return                                     |                | 30%   | 40%   | 50%   | 60%   | 70%    | 80%    | 90%    | 100%   | 310%=IRR |        |
| NPV (\$1,000)                                      |                | 8,022 | 4,425 | 2,608 | 1,628 | 1,068  | 730    | 517    | 377    | 0        |        |
| Note*: Subject to be excluded from 1000-word limit |                |       |       |       |       |        |        |        |        |          |        |