

Summary Report on Financial Results for the First Quarter of the Year Ending August 2021 (Japanese Accounting Standards)

January 14, 2021

Company name: MEIKO NETWORK JAPAN CO., LTD.
 Stock exchange listing: The First Section of the Tokyo Stock Exchange
 Stock code: 4668 (URL: <https://www.meikonet.co.jp>)
 Representative: Kazuhito Yamashita, President
 Contact: Kouyuki Sakamoto, General Manager, Corporate Planning Department
 Tel: +81-3-5860-2111
 Scheduled date for filing the securities report: January 14, 2021
 Scheduled date for commencement of dividend payment: -
 Supplementary material development: None
 Financial results meeting: None

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the First quarter of the year ending August 2021 (September 1, 2020 through November 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of the year ending August 2021	4,502	(5.1)	396	21.0	450	13.0	311	59.0
First quarter of the year ended August 2020	4,743	3.3	327	(23.8)	398	(12.0)	195	(25.0)

(Note) Comprehensive income:

First quarter of the year ending August 2021: 302 million yen (57.2%)
 First quarter of the year ended August 2020: 708 million yen 98.5%

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2021	12.41	—
First quarter of the year ended August 2020	7.37	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2021	14,002	9,399	67.1
Year ended August 2020	14,041	9,473	67.5

(Reference) Shareholders' equity:

First quarter of the year ending August 2021: 9,399 million yen
 Year ended August 2020: 9,473 million yen

2. Dividends

	Yearly Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	Annual
	yen	yen	yen	yen	yen
Year ended August 2020	—	15.00	—	15.00	30.00
Year ending August 2021	—				
Year ending August 2021 (estimate)		5.00	—	5.00	10.00

(Note) Revision of dividend forecast in the current quarter: None

3. Forecast of consolidated financial results for fiscal year ending August 2021 (September 1, 2020 through August 31, 2021)

(Percentages represent increases or decreases from the previous year for the full-year figures, and from the second quarter of the previous year for the second quarter figures.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Second quarter (cumulative)	9,300	(10.8)	667	(47.9)	689	(50.2)	333	(57.9)	13.28
Full-year	18,300	0.4	264	22.9	319	(29.4)	270	—	10.76

(Note) Revision of consolidated earnings forecast' numerical values in the current quarter: None

(Notes)

- (1) Changes of important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies and changes or restatement of accounting estimates
 - (i) Changes in accounting policies caused by revision of accounting standards: None
 - (ii) Changes in accounting policies other than (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of outstanding issues (common stock)
 - (i) Number of outstanding shares at the end of the period (including treasury stock)

First quarter of the year ending August 2021:	27,803,600 shares
Year ended August 2020:	27,803,600 shares
 - (ii) Number of shares of treasury stock at the end of the period:

First quarter of the year ending August 2021:	2,720,024 shares
Year ended August 2020:	2,719,974 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)

First quarter of the year ending August 2021:	25,083,622 shares
First quarter of the year ended August 2020:	26,557,026 shares

※ This financial summary falls outside the scope of quarterly review procedures.

※ Explanation of the appropriate use of the forecasts of financial results, and other noteworthy matters

Forward-looking statements in the document, such as earnings forecasts, are based on the information currently available and certain assumptions that the company thinks reasonable. Actual results may differ remarkably from the statements due to variety of different factors.

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

Term	First quarter of the year ended August 2020		First quarter of the year ending August 2021	
Fiscal Period	From September 1, 2019 to November 30, 2019		From September 1, 2020 to November 30, 2020	
	Operating results	Same period of the previous year	Operating results	Same period of the previous year
Number of Meiko Gijuku directly operated schools	223	(8)	208	(15)
Number of Meiko Gijuku directly operated schools (MAXIS)	92	(1)	93	+1
Number of Meiko Gijuku directly operated schools (KLINE)	41	(1)	41	—
Number of Meiko Gijuku directly operated schools (KMG)	43	+43	42	(1)
Number of Meiko Gijuku directly operated schools (One link)	—	—	21	+21
Number of Meiko Gijuku directly operated schools	399	+33	405	+6
Number of Meiko Gijuku franchised schools	1,530	(125)	1,437	(93)
Total number of Meiko Gijuku schools	1,929	(92)	1,842	(87)
Number of registered students of Meiko Gijuku directly operated schools	15,636	(433)	14,523	(1,113)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,008	+296	6,977	(31)
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,709	(106)	2,766	+57
Number of registered students of Meiko Gijuku directly operated schools (KMG)	2,351	+2,351	2,187	(164)
Number of registered students of Meiko Gijuku directly operated schools (One link)	—	—	867	+867
Number of registered students of Meiko Gijuku directly operated schools	27,704	+2,108	27,320	(384)
Number of registered students of Meiko Gijuku franchised schools	89,293	(6,815)	81,310	(7,983)
Total number of registered students of Meiko Gijuku schools	116,997	(4,707)	108,630	(8,367)
Sales from Meiko Gijuku directly operated schools (million yen)	2,392	+177	2,605	+213
Sales from Meiko Gijuku franchised schools ※1 (million yen)	1,101	(90)	1,026	(75)
Sales from Japanese language schools (million yen)	381	+37	191	(189)
Sales from others (million yen)	867	+28	679	(188)
Total Sales (million yen)	4,743	+151	4,502	(240)
Sales from Meiko Gijuku directly operated schools (million yen)	2,392	+177	2,605	+213
System-wide sales from Meiko Gijuku franchised schools (million yen)	6,911	(493)	6,408	(502)
Total system-wide sales from Meiko Gijuku schools ※2	9,303	(316)	9,014	(288)

- ※ 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.

Summary of consolidated financial statements
(1) Consolidated balance sheets

	(Million yen)	
	End of previous fiscal year (As of August 31, 2020)	End of first quarter of the fiscal year (As of November 30, 2020)
Assets		
Current assets		
Cash and deposits	7,015	7,237
Accounts receivable - trade	845	886
Securities	300	300
Merchandise	137	129
Work in process	11	10
Supplies	7	9
Advance payments - trade	14	21
Prepaid expenses	279	286
Other	282	181
Allowance for doubtful accounts	(46)	(33)
Total current assets	8,848	9,028
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,508	1,566
Accumulated depreciation	(789)	(846)
Buildings and structures, net	719	720
Tools, furniture and fixtures	350	364
Accumulated depreciation	(321)	(336)
Tools, furniture and fixtures, net	28	27
Land	385	385
Leased assets	10	10
Accumulated depreciation	(0)	(0)
Leased assets, net	9	9
Total property, plant and equipment	1,142	1,142
Intangible assets		
Goodwill	277	259
Software	255	236
Software in progress	8	8
Telephone subscription right	4	4
Total intangible assets	545	508
Investments and other assets		
Investment securities	2,120	1,961
Long-term prepaid expenses	41	36
Deferred tax assets	198	235
Leasehold and guarantee deposits	1,006	953
Long-term time deposits	100	100
Other	37	37
Total investments and other assets	3,504	3,323
Total non-current assets	5,192	4,974
Total assets	14,041	14,002

(Million yen)

	End of previous fiscal year (As of August 31, 2020)	End of first quarter of the fiscal year (As of November 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	119	137
Accounts payable - other	134	70
Accrued expenses	1,055	831
Income taxes payable	287	240
Accrued consumption taxes	198	254
Advances received	1,537	1,568
Lease obligations	1	1
Deposits received	45	141
Provision for bonuses	423	598
Other	43	30
Total current liabilities	3,847	3,876
Non-current liabilities		
Retirement benefit liability	104	106
Long-term accounts payable-other to employees	108	107
Long-term accounts payable-other to officers	117	117
Deferred tax liabilities	32	36
Lease obligations	9	8
Asset retirement obligations	346	347
Long-term guarantee deposits	1	1
Total non-current liabilities	720	726
Total liabilities	4,568	4,603
Net assets		
Shareholders' equity		
Share capital	972	972
Capital surplus	909	909
Retained earnings	10,140	10,075
Treasury shares	(2,903)	(2,903)
Total shareholders' equity	9,119	9,054
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	342	333
Foreign currency translation adjustment	11	11
Total accumulated other comprehensive income	354	345
Total net assets	9,473	9,399
Total liabilities and net assets	14,041	14,002

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

	(Million yen)	
	First quarter of the previous consolidated term (September 1, 2019 - November 30, 2019)	First quarter of the consolidated term (September 1, 2020 - November 30, 2020))
Net sales	4,743	4,502
Cost of sales	3,482	3,336
Gross profit	1,260	1,166
Selling, general and administrative expenses	932	769
Operating profit	327	396
Non-operating income		
Interest income	2	2
Dividend income	6	6
Rental income	5	5
Subsidy income	—	23
Reversal of allowance for doubtful accounts	55	15
Other	3	2
Total non-operating income	73	55
Non-operating expenses		
Interest expenses	0	—
Rental expenses	1	1
Other	0	0
Total non-operating expenses	2	1
Ordinary profit	398	450
Extraordinary income		
Gain on sales of investment securities	—	53
Total extraordinary income	—	53
Extraordinary losses		
Loss on retirement of property, plant and equipment	—	0
Total extraordinary losses	—	0
Profit before income taxes	398	503
Income taxes - current	246	220
Income taxes - deferred	(39)	(28)
Total income taxes	206	192
Profit	191	311
Loss attributable to non-controlling interests	(3)	—
Profit attributable to owners of parent	195	311

Consolidated statements of comprehensive income

	(Million yen)	
	First quarter of the previous consolidated term (September 1, 2019 - November 30, 2019)	First quarter of the consolidated term (September 1, 2020 - November 30, 2020)
<u>Profit</u>		
Other comprehensive income	191	311
Valuation difference on available-for-sale securities	517	(8)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	516	(8)
Comprehensive income	708	302
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	711	302
Comprehensive income attributable to non-controlling interests	(3)	—

Segment Information

I Three months ended November 30, 2019(From September 1, 2019 to November 30, 2019)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	2,392	1,101	381	3,875	867	4,743
Intersegment sales	—	188	—	188	27	216
Total	2,392	1,290	381	4,064	895	4,959
Segment income(loss)	(30)	498	43	511	117	629

(Note)* “Others” consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Sports Business (Meiko Soccer School), Waseda Academy Kobetsu Schools and other businesses of consolidated subsidiaries.

2. Difference between the Total of the Reportable Segments’ Measures of Profit or Loss and Income according to Consolidated Quarterly Statements of Income, and the Main Components of the Difference (Matters related to Adjustment of Difference)

(Million of Yen)

Income(Loss)	Amount
Reportable segment total	511
Income(Loss) for “Others”category	117
Corporate expenses*	(301)
Operating income reported on quarterly statements of income	327

(Note)* Corporate expenses are mainly expenses that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.

II Three months ended November 30, 2020 (From September 1, 2020 to November 30, 2020)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	2,605	1,026	191	3,823	679	4,502
Intersegment sales	—	203	—	203	6	210
Total	2,605	1,230	191	4,027	685	4,713
Segment income(loss)	145	462	(22)	584	77	662

(Note)* “Others” consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Sports Business (Meiko Soccer School), Waseda Academy Kobetsu Schools and other businesses of consolidated subsidiaries.

2. Difference between the Total of the Reportable Segments' Measures of Profit or Loss and Income according to Consolidated Quarterly Statements of Income, and the Main Components of the Difference (Matters related to Adjustment of Difference)

(Million of Yen)

Income(Loss)	Amount
Reportable segment total	584
Income(Loss) for "Others"category	77
Corporate expenses*	(265)
Operating income reported on quarterly statements of income	396

(Note)* Corporate expenses are mainly expenses that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.