

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

April 9, 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>)
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 Scheduled date for filing the securities report: April 12, 2021
 Scheduled date for commencement of dividend payment: May 7, 2021
 Supplementary material development: Yes
 Financial results meeting: Yes (for analysts and institutional investor)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Second quarter of the year ending August 2021 (September 1, 2020 through February 28, 2021)

(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	%
Second quarter of the year ending August 2021	9,744	(6.5)	930	(27.4)	1,016	(26.6)	666	(15.8)
Second quarter of the year ended August 2020	10,422	3.3	1,280	(17.2)	1,384	(13.9)	791	(18.5)

(Note) Comprehensive income:

Second quarter of the year ending August 2021: 700 million yen (36.0%)

Second quarter of the year ended August 2020: 1,094 million yen (4.8%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2021	26.57	—
Second quarter of the year ended August 2020	29.81	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2021	15,288	9,797	64.1
Year ended August 2020	14,041	9,473	67.5

(Reference) Shareholders' equity:

Second quarter of the year ending August 2021: 9,797 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	—	10.00			
Year ending August 2021 (estimate)			—	5.00	15.00

(Note) Revision of dividend forecast in the current quarter: Yes

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
Full-year	18,600	2.1	630	193.3	760	68.2	700	—	27.91

(Note) Revision of consolidated earnings forecast' numerical values in the current quarter: Yes
Regarding the revision of the consolidated earnings forecast, please refer to the "Notice of Upward Revision of Full-year Earnings and Dividend of Surplus" announced on April 9th, 2021.

(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)
 - Second 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:
 - Second 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)
 - Second quarter of the year ending August 2021: 25,083,599 shares
 - Second 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	Second quarter of the year ended August 2020		Second quarter of the year ending August 2021	
Fiscal Period	September 1, 2019 - February 29, 2020		September 1, 2020 - February 28, 2021	
	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)	94	—	93	(1)
Number of Meiko Gijuku directly operated schools (KLINE)	43	+1	41	(2)
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	403	+36	405	+2
Number of Meiko Gijuku franchised schools	1,529	(124)	1,404	(125)
Total number of Meiko Gijuku schools	1,932	(88)	1,809	(123)
Number of registered students of Meiko Gijuku directly operated schools	15,070	(514)	14,315	(755)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,078	+530	6,824	(254)
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,598	(154)	2,694	+96
Number of registered students of Meiko Gijuku directly operated schools (KMG)	2,228	+2,228	2,159	(69)
Number of registered students of Meiko Gijuku directly operated schools (One link)	—	—	832	+832
Number of registered students of Meiko Gijuku directly operated schools	26,974	+2,090	26,824	(150)
Number of registered students of Meiko Gijuku franchised schools	85,090	(7,330)	75,935	(9,155)
Total number of registered students of Meiko Gijuku schools	112,064	(5,240)	102,759	(9,305)
Sales from Meiko Gijuku directly operated schools (million yen)	5,679	+405	5,877	+198
Sales from Meiko Gijuku franchised schools ※1 (million yen)	2,393	(174)	2,159	(233)
Sales from Japanese language schools (million yen)	739	+64	475	(264)
Sales from others (million yen)	1,610	+34	1,231	(378)
Total Sales (million yen)	10,422	+329	9,744	(677)
Sales from Meiko Gijuku directly operated schools (million yen)	5,679	+405	5,877	+198
System-wide sales from Meiko Gijuku franchised schools (million yen)	14,950	(1,099)	13,424	(1,525)
Total system-wide sales from Meiko Gijuku schools ※2	20,629	(694)	19,302	(1,326)

- ※ 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 second quarter of the fiscal year (As of February 28, 2021)
Assets		
Current assets		
Cash and deposits	7,015	8,493
Accounts receivable - trade	845	693
Securities	300	200
Merchandise	137	134
Work in process	11	7
Supplies	7	11
Advance payments - trade	14	18
Prepaid expenses	279	304
Other	282	474
Allowance for doubtful accounts	(46)	(39)
Total current assets	8,848	10,297
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,508	1,594
Accumulated depreciation	(789)	(838)
Buildings and structures, net	719	756
Tools, furniture and fixtures	350	369
Accumulated depreciation	(321)	(335)
Tools, furniture and fixtures, net	28	34
Land	385	385
Leased assets	10	10
Accumulated depreciation	(0)	(0)
Leased assets, net	9	9
Total property, plant and equipment	1,142	1,184
Intangible assets		
Goodwill	277	240
Software	255	229
Software in progress	8	0
Telephone subscription right	4	4
Total intangible assets	545	475
Investments and other assets		
Investment securities	2,120	2,014
Long-term prepaid expenses	41	48
Deferred tax assets	198	174
Leasehold and guarantee deposits	1,006	955
Long-term time deposits	100	100
Other	37	38
Total investments and other assets	3,504	3,330
Total non-current assets	5,192	4,990
Total assets	14,041	15,288

(Million yen)

	End of previous fiscal year (As of August 31, 2020)	End of second quarter of the fiscal year (As of February 28, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	119	167
Short-term borrowings	—	1,000
Accounts payable - other	134	205
Accrued expenses	1,055	1,170
Income taxes payable	287	426
Accrued consumption taxes	198	446
Advances received	1,537	853
Lease obligations	1	1
Deposits received	45	100
Provision for bonuses	423	381
Other	43	13
Total current liabilities	3,847	4,768
Non-current liabilities		
Retirement benefit liability	104	108
Long-term accounts payable-other to employees	108	107
Long-term accounts payable-other to officers	117	117
Deferred tax liabilities	32	35
Lease obligations	9	8
Asset retirement obligations	346	342
Long-term guarantee deposits	1	1
Total non-current liabilities	720	722
Total liabilities	4,568	5,490
Net assets		
Shareholders' equity		
Share capital	972	972
Capital surplus	909	909
Retained earnings	10,140	10,430
Treasury shares	(2,903)	(2,903)
Total shareholders' equity	9,119	9,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	342	374
Foreign currency translation adjustment	11	13
Total accumulated other comprehensive income	354	388
Total net assets	9,473	9,797
Total liabilities and net assets	14,041	15,288

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

	(Million yen)	
	Second quarter of the previous consolidated term (September 1, 2019 - February 29, 2020)	Second quarter of the consolidated term (September 1, 2020 - February 28, 2021)
Net sales	10,422	9,744
Cost of sales	7,143	6,897
Gross profit	3,278	2,846
Selling, general and administrative expenses	1,997	1,916
Operating profit	1,280	930
Non-operating income		
Interest income	8	6
Dividend income	19	7
Share of profit of entities accounted for using equity method	3	—
Rental income	10	10
Subsidy income	—	47
Reversal of allowance for doubtful accounts	55	13
Other	12	7
Total non-operating income	109	93
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	—	4
Rental expenses	3	3
Other	1	0
Total non-operating expenses	5	7
Ordinary profit	1,384	1,016
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	1,384	1,069
Income taxes - current	593	388
Income taxes - deferred	5	14
Total income taxes	599	402
Profit	785	666
Loss attributable to non-controlling interests	(6)	—
Profit attributable to owners of parent	791	666

Consolidated statements of comprehensive income

(Million yen)

	Second quarter of the previous consolidated term (September 1, 2019 - February 29, 2020)	Second quarter of the consolidated term (September 1, 2020 - February 28, 2021)
Profit	785	666
Other comprehensive income		
Valuation difference on available-for-sale securities	309	32
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	309	34
Comprehensive income	1,094	700
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,101	700
Comprehensive income attributable to non-controlling interests	(6)	—

Segment Information

I Six months ended February 29, 2020 (September 1, 2019 - February 29, 2020)

1. Information about Segment Sales and Income (Loss)

(Million yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	5,679	2,393	739	8,812	1,610	10,422
Intersegment sales	-	387	-	387	51	438
Total	5,679	2,780	739	9,199	1,661	10,861
Segment income(loss)	672	1,003	116	1,792	75	1,867

(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 yen)

Income(Loss)	Amount
Reportable segment total	1,792
Income(Loss) for "Others" category	75
Corporate expenses*	(586)
Operating income reported on quarterly statements of income	1,280

(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 Six months ended February 28, 2021 (September 1, 2020 - February 28, 2021)

1. Information about Segment Sales and Income (Loss)

(Million yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	5,877	2,159	475	8,512	1,231	9,744
Intersegment sales	-	405	-	405	14	420
Total	5,877	2,565	475	8,918	1,245	10,164
Segment income(loss)	878	671	(71)	1,479	7	1,486

(Note)* "Others" consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Waseda Academy Kobetsu Schools, Meiko Kids e, Jiritsugakusyuu RED, 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 yen)

Income(Loss)	Amount
Reportable segment total	1,479
Income(Loss) for "Others" category	7
Corporate expenses*	(556)
Operating income reported on quarterly statements of income	930

(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.