

# MEIKO NETWORK JAPAN

## Consolidated Financial Results Presentation Materials for the Fiscal Year Ended August 31, 2022

Meiko Network Japan Co., Ltd. (TSE Prime Market 4668)

Kazuhito Yamashita

President & Representative Director

October 13, 2022

# **1. Corporate Profile**

# **2. Summary of Financial Results**

**( Highlights and details of business results for the fiscal year ended August 31, 2022)**

# **3. Progress of the Mid-Term Management Plan**

# **4. Earnings and Dividend Forecasts**

**( Forecast for the fiscal year ending August 31, 2023)**

# **1. Corporate Profile**

## **2. Summary of Financial Results**

( Highlights and details of business results for the fiscal year ended August 31, 2022)

## **3. Progress of the Mid-Term Management Plan**

## **4. Earnings and Dividend Forecasts**

( Forecast for the fiscal year ending August 31, 2023)

# Corporate profile

Company Name	MEIKO NETWORK JAPAN CO.,LTD.
Head office Address	7-20-1 Nishi-Shinjuku, Shinjuku Ward, Tokyo, Japan.
Establishment	September 1984
Number of Employees	1,027 (consolidated) (as of Aug. 2022)
Representative	Kazuhito YAMASHITA (President & Representative Director)

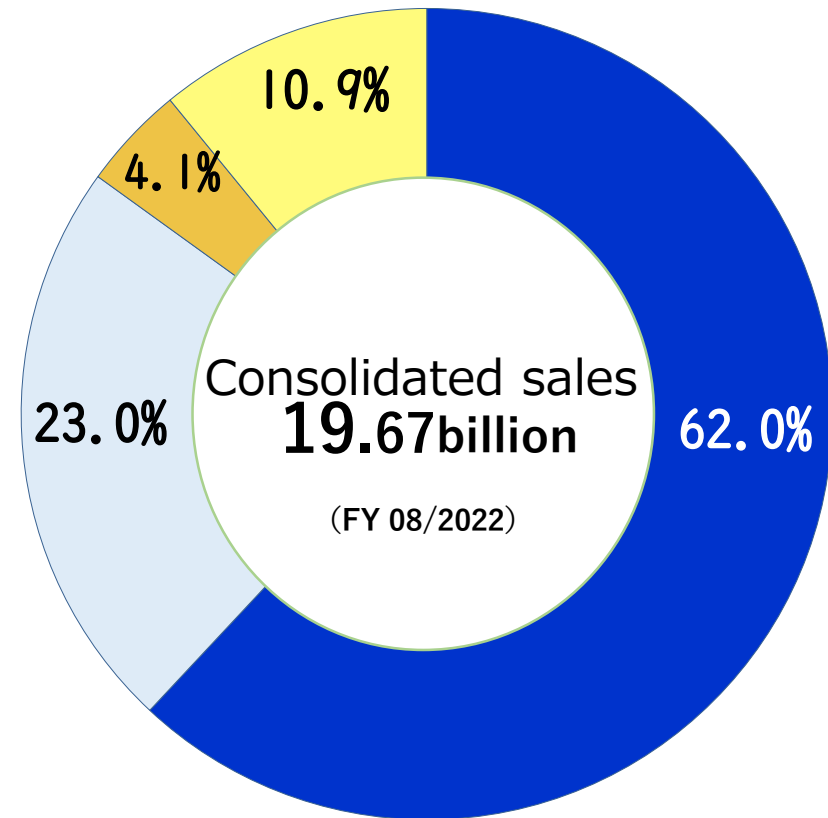
## Management Philosophy

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.

## Founding Spirit

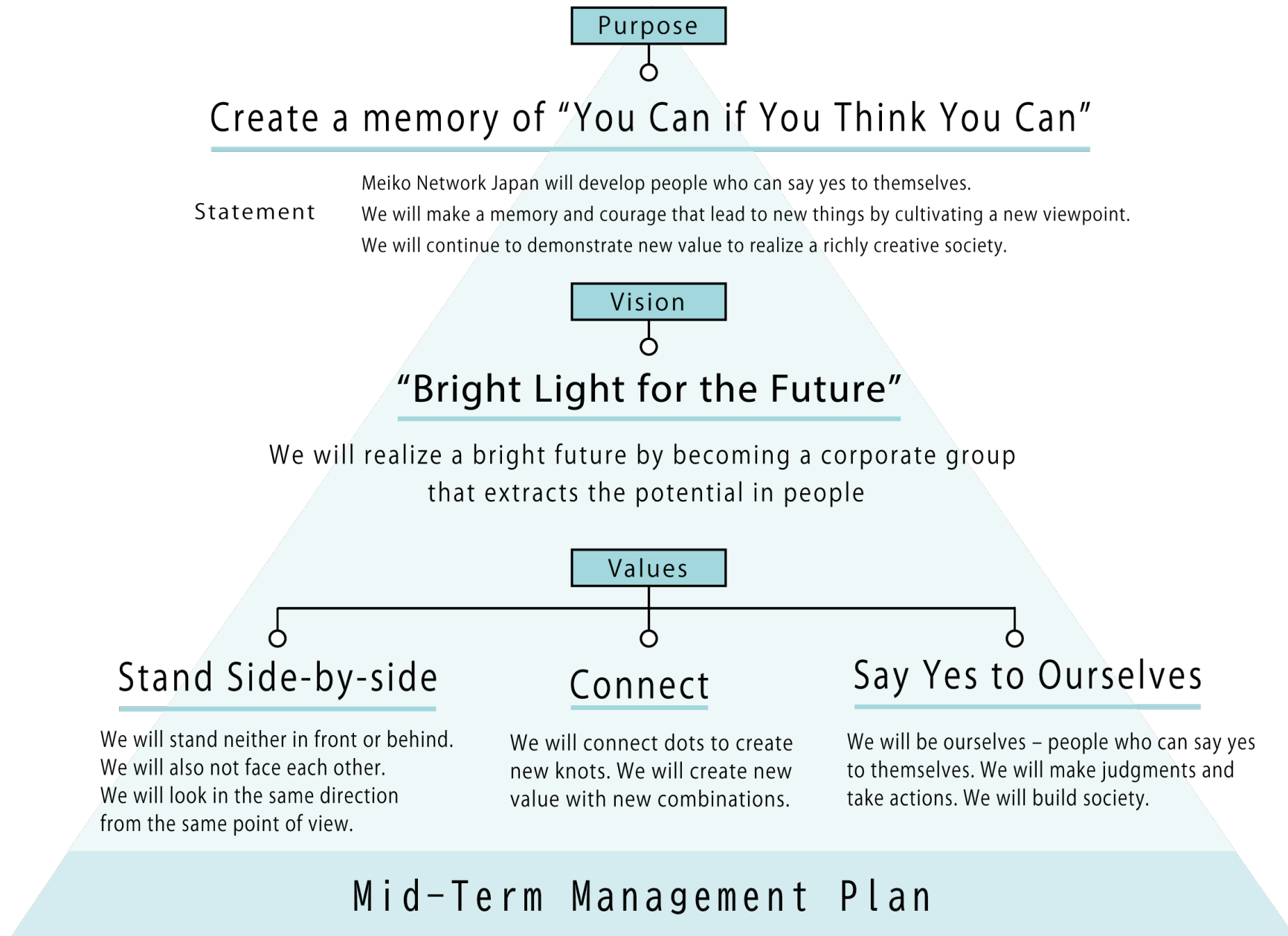
## Educational Philosophy

To nurture creative, independently-minded human resources for 21st century society through an individual tutoring service that promotes self-motivated learning.



- Meiko Gijuku (directly operated)
- Meiko Gijuku (FC)
- Japanese Language schools
- Others

# Purpose



# Our business

# Human Resource Development Business to “extracts the potential in people”

B to B  
new

Create a new earnings pillar following the education business  
→ Transformation into a business portfolio that is resilient to changes in the social environment

## Human resources business



B to C  
Existing

## Education business



DX  
Go!Good  
Digital Communication!

Pupils / Students

Working adults

# 1. Corporate Profile

## **2. Summary of Financial Results**

**( Highlights and details of business results for the fiscal year ended August 31, 2022)**

# 3. Progress of the Mid-Term Management Plan

## 4. Earnings and Dividend Forecasts

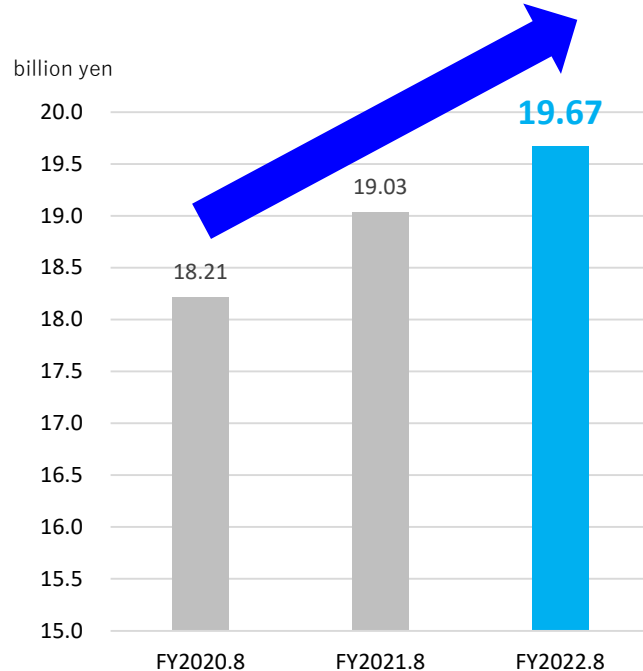
( Forecast for the fiscal year ending August 31, 2023)

# (1) Highlights of business results

First year of the mid-term management plan started with **increased sales and operating income**

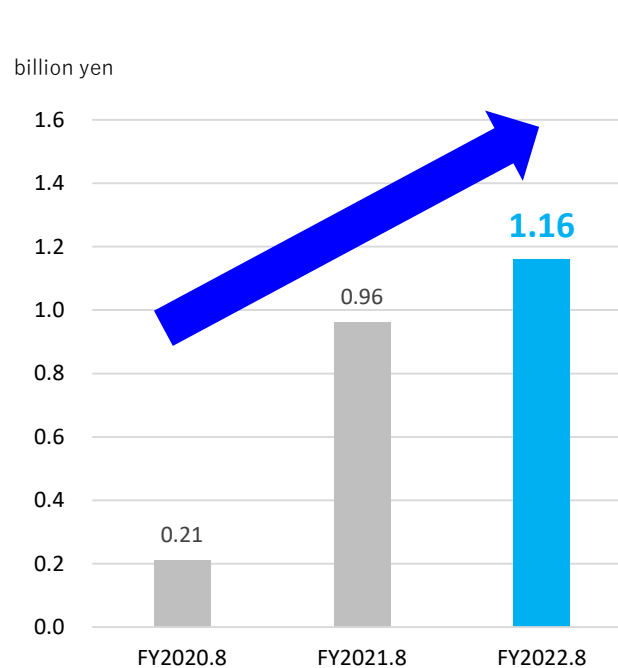
## Sales

**19.67** billion yen  
3.3% increased YoY



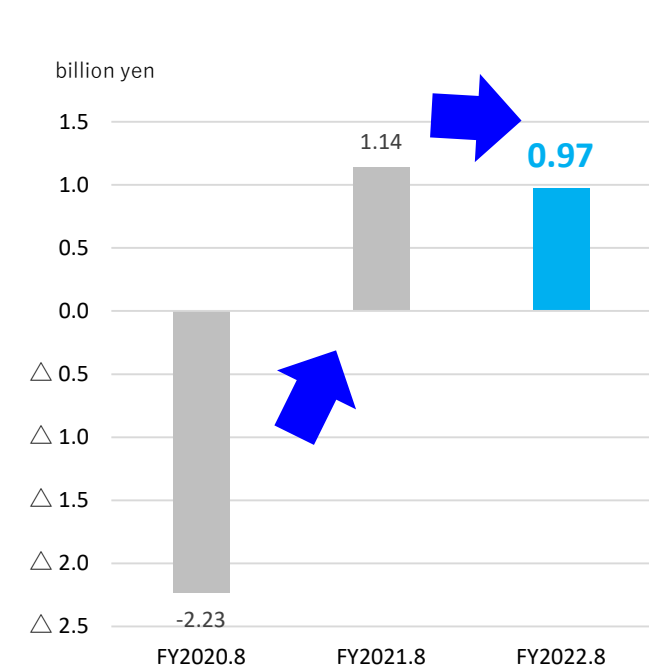
## Operating income

**1.16** billion yen  
20.6% increased YoY



## Net income

**0.97** billion yen  
14.5% decreased YoY



\* Net income attributable to shareholders of the parent company.



## (1) Highlights of business results (Number of Schools)

- Meiko Gijuku promoted scrap and build, and the number of schools **increased by 8 schools** net YoY.
- Jiritsugakushu RED was aggressively opened, and the number of schools **increased by 23 schools** net YoY.

	FY 08/2021	FY 08/2022		YoY	
	Number of Schools	Number of Schools	New Open		Close
<b>Meiko Gijuku</b>	<b>1,767</b>	<b>1,775</b>	+ 38	(30)	<b>+ 8</b>
<b>Jiritsu gakusyu RED</b> <small>※Shools under MNJ jurisdiction.</small>	<b>46</b>	<b>69</b>	+ 23	—	<b>+ 23</b>

## (2) Summary of Financial Results (P/L)

	FY 08/2021	FY 08/2022	YoY	
			Change	% of Change
Net sales	19,039	19,674	+635	+3.3%
Cost of sales	13,912	14,627	+714	+5.1%
(%)	73.1%	74.3%		+1.2pt
Gross profit	5,126	5,047	(79)	(1.5)%
(%)	26.9%	25.7%		(1.2)pt
Selling, general and administrative expenses	4,157	3,878	(278)	(6.7)%
(%)	21.8%	19.7%		(2.1)pt
Operating income	969	1,168	+199	+20.6%
(%)	5.1%	5.9%		+0.8pt
Non-operating income	157	132	(24)	(15.9)%
Non-operating expenses	12	11	(0)	(5.8)%
Ordinary income	1,113	1,289	+175	+15.8%
(%)	5.9%	6.6%		+0.7pt
Extraordinary income	696	623	(72)	(10.4)%
Extraordinary loss	65	143	+78	+119.6%
Net income	1,140	974	(165)	(14.5)%
(%)	6.0%	5.0%		(1.0)pt

### ■ Sales

(Unit: millions of yen)

- Meiko Gijuku Business **+629**  
Directly operated and Cooth Cop.

### ■ Cost of Sales

- Purchase **+100**
- Personnel expenses **+290**  
Meiko Gijuku directly operated, HR solution
- Expenses **+323**  
HR solution (EPA), Meiko Gijuku Headquarter, DX etc.

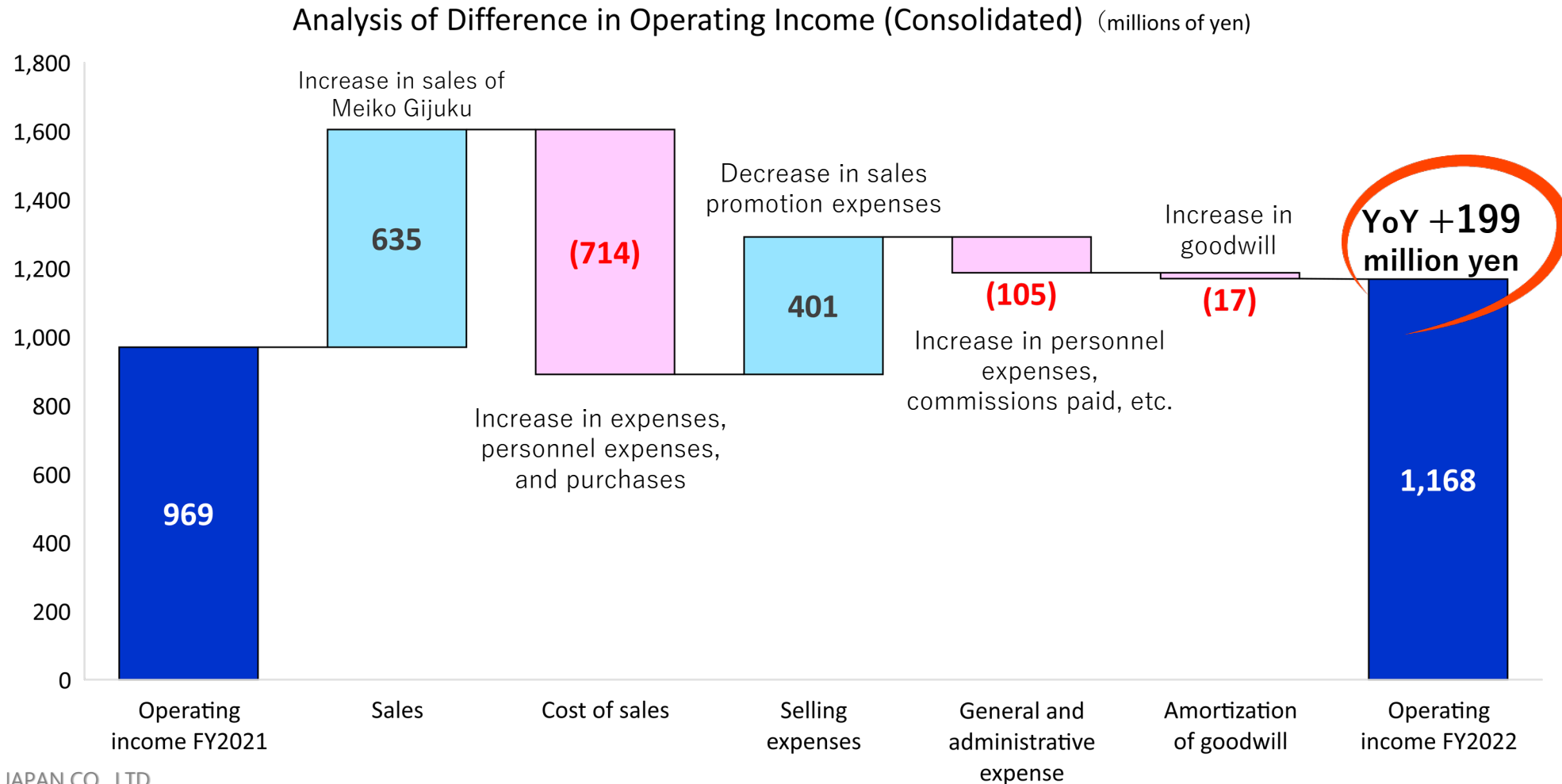
### ■ Selling and Administrative expenses

- Sales promotion expenses **(455)**  
Franchise support, TV CM, Web advertising etc.
- Advertising expense **+50**
- Personnel expenses **+49**
- Commission expenses **+20**
- Amortization of goodwill **+17**

## (2) Summary of Financial Results (P/L)

### ~Analysis of Difference in Operating Income ~

Operating income increased due to sales growth in directly operated Meiko Gijuku schools and control of sales promotion expenses.



## (2) Summary of Financial Results ( B / S )

(Unit: millions of yen)

	End of FY 08/2021	End of FY 08/2022	Y-to-Y comparison	
			change	Percentage of change
Current assets	10,441	10,405	(35)	(0.3)%
Property, plant and equipment	531	624	+92	+17.5%
Intangible assets	402	607	+205	+51.2%
Investments and other assets	3,274	3,801	+527	+16.1%
Total assets	14,649	15,439	+790	+5.4%
Current liabilities	3,876	4,019	+143	+3.7%
Non-current liabilities	747	813	+65	+8.8%
Total liabilities	4,624	4,833	+209	+4.5%
Total net assets	10,025	10,606	+581	+5.8%
Total liabilities and net assets	14,649	15,439	+790	+5.4%

### ■ Assets

(Unit: millions of yen)

#### (Property, plant and equipment)

- Increased in land + 48
- Increased in buildings and structures + 40

#### (Intangible fixed assets)

- Increased in goodwill +219

#### (Investments and other assets)

- Increased in investment securities +430
- Increased in long-term deposits +100

### ■ Liabilities

#### (Current liabilities)

- Increased in accounts payable – other +128
- Increased in accrued expenses + 39
- Increased in income taxes payable +143
- Increased in accrued consumption taxes (135)
- Decreased in advances received and contract liabilities (94)
- Increased in deposits received +31
- Increased in provision for bonuses +29

### ■ Net assets

- Increased in retained earnings +430
- Increase in unrealized gains on available-for-sale securities +144

## (2) Summary of Financial Results (C/F)

(Unit: millions of yen)

	FY 08/2021	FY 08/2022	YoY
C/F from operating activities	742	489	(253)
C/F from investing activities	1,697	150	(1,547)
C/F from financing activities	(628)	(653)	(25)
Cash and cash equivalents	1,811	(13)	(1,825)
Balance at beginning of period	6,765	8,577	+ 1,811
Balance at end of period	8,577	8,563	(14)

### ■ Cash flows from operating activities

(Unit: millions of yen)

- Gain on sale of shares of subsidiaries and associates (623)
- Loss (gain) on sale of property, plant and equipment +531
- Gain (loss) in accrued consumption taxes (280)

### ■ Cash flows from investing activities

- Proceeds from sales of property, plant and equipment (1,235)
- Purchase of investment securities (158)
- Proceeds from sales of investment securities +505
- Purchase of investments in subsidiaries resulting in change in scope of consolidation (233)
- Decrease (increase) in time deposits (305)

### ■ Cash flows from financing activities

- Proceeds from borrowing (1,000)
- Repayment of loans +883
- Dividends paid +94

### ■ Cash and cash equivalents

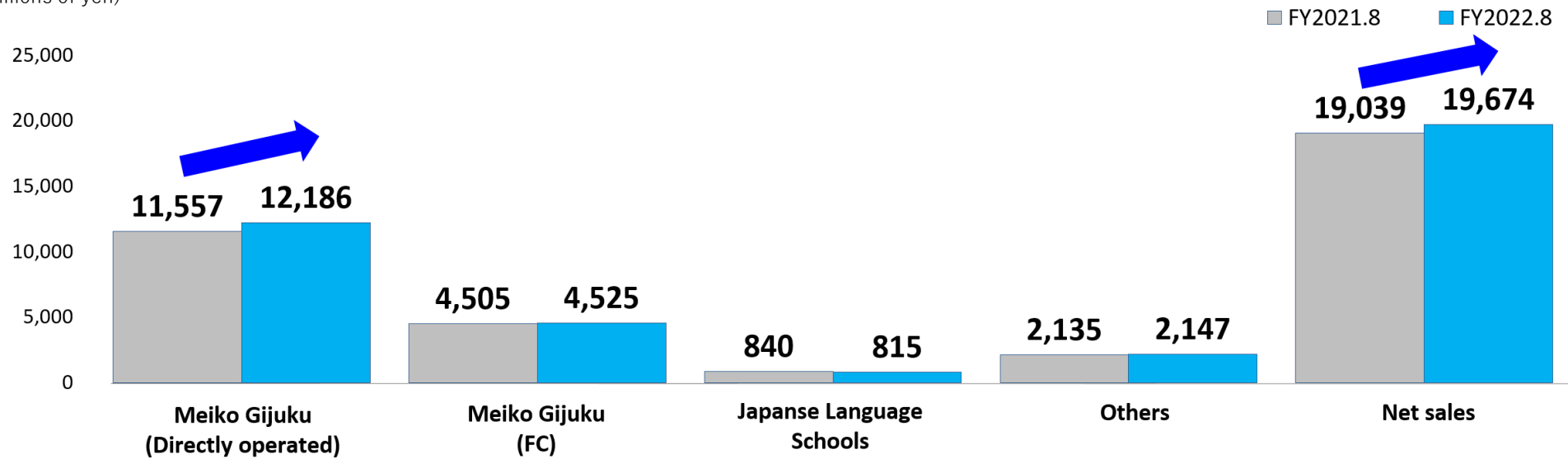
- Balance at beginning of period (14)

# (3) Results by Segments

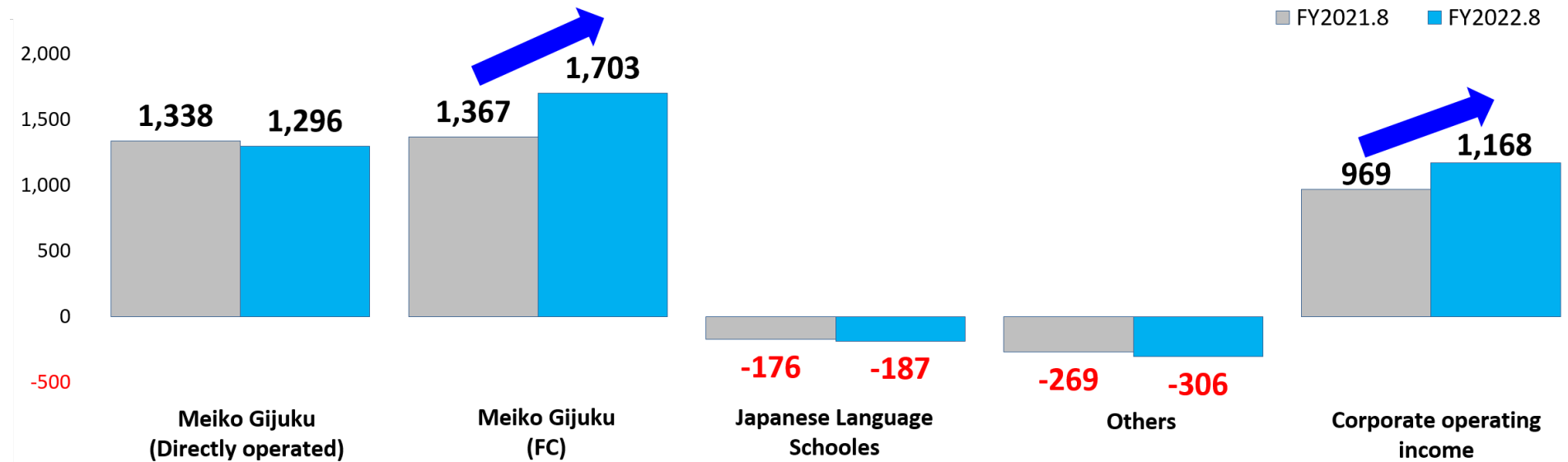
# Sales and Operating Income

(Unit: millions of yen)

Sales



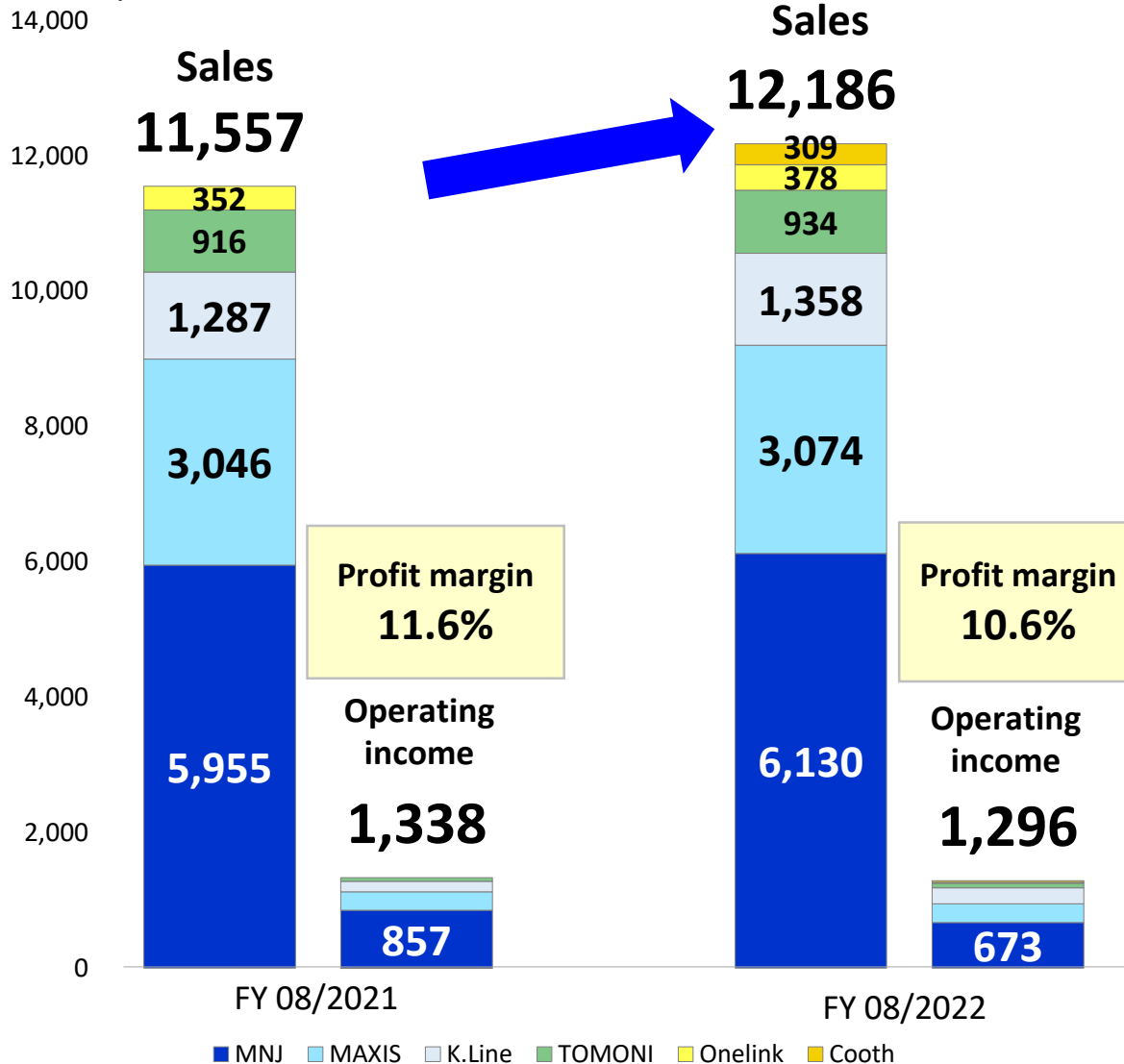
Operating Income



### (3) Results by Segments

### Meiko Gijuku Directly Operated

(Unit: millions of yen)



#### ■ Number of schools : 436 schools(YOY +35)

•MNJ : +15 schools

(New open or Transfer from FC: +18, Closed or Transfer to FC: (3))

•MAXIS : +2 schools

•One link : +2 schools

•Cooth : +16 schools

(2021.12 consolidated subsidiary: +15, new open +1 )

#### ■ Sales : 629 million yen increased

•MNJ : +175 million yen    MAXIS : +27 million yen

K.Line : +71 million yen    TOMONI : +18 million yen

One link: +26 million yen

Cooth : +309 million yen

#### ■ Operating Income : 41 million yen decreased

•MNJ : (183) million yen

(Increase in personnel expenses, supplies, student recruitment advertising expenses, etc. due to the opening of new schools)

MAXIS : +7 million yen

K.Line : +81 million yen

TOMONI: +13 million yen

One link: +15 million yen

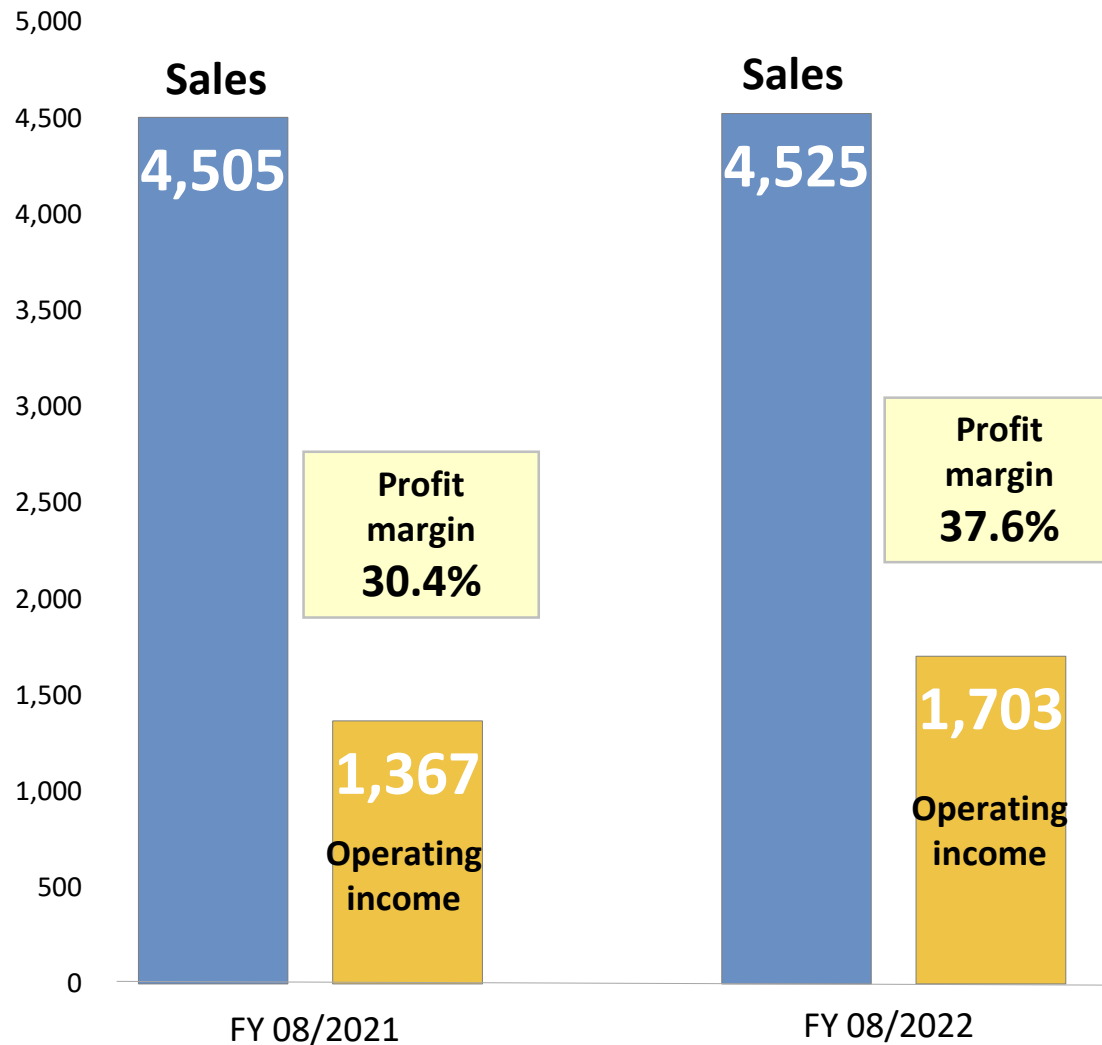
Cooth : +25 million yen

※MAXIS, K.Line, TOMONI, One link, and Cooth are consolidated subsidiary.

### (3) Results by Segments

### Meiko Gijuku Franchise

(Unit: millions of yen)



■ **Number of schools** : **1,339** schools ((27) YoY)

- New open / reopen : +19 schools
- Transfer from MNJ : +1 schools
- Closed : (29) schools
- Transfer to MNJ : (3) schools
- Cooth : (15) schools

(Counting in Meiko Gijuku directly operated)

■ **Sales** : **20** million yen increased

- Royalty income : (86)
- Sales of educational materials to franchisees : +115  
(Provide packaged ICT teaching materials and revision of textbooks in line with revised Courses of Study.)

■ **Operating income** : **+335** million yen increased

- Decreased in sales promotion expenses : (433)  
→ Promotional support to franchisees was systematically controlled.
- Commission expenses: +80

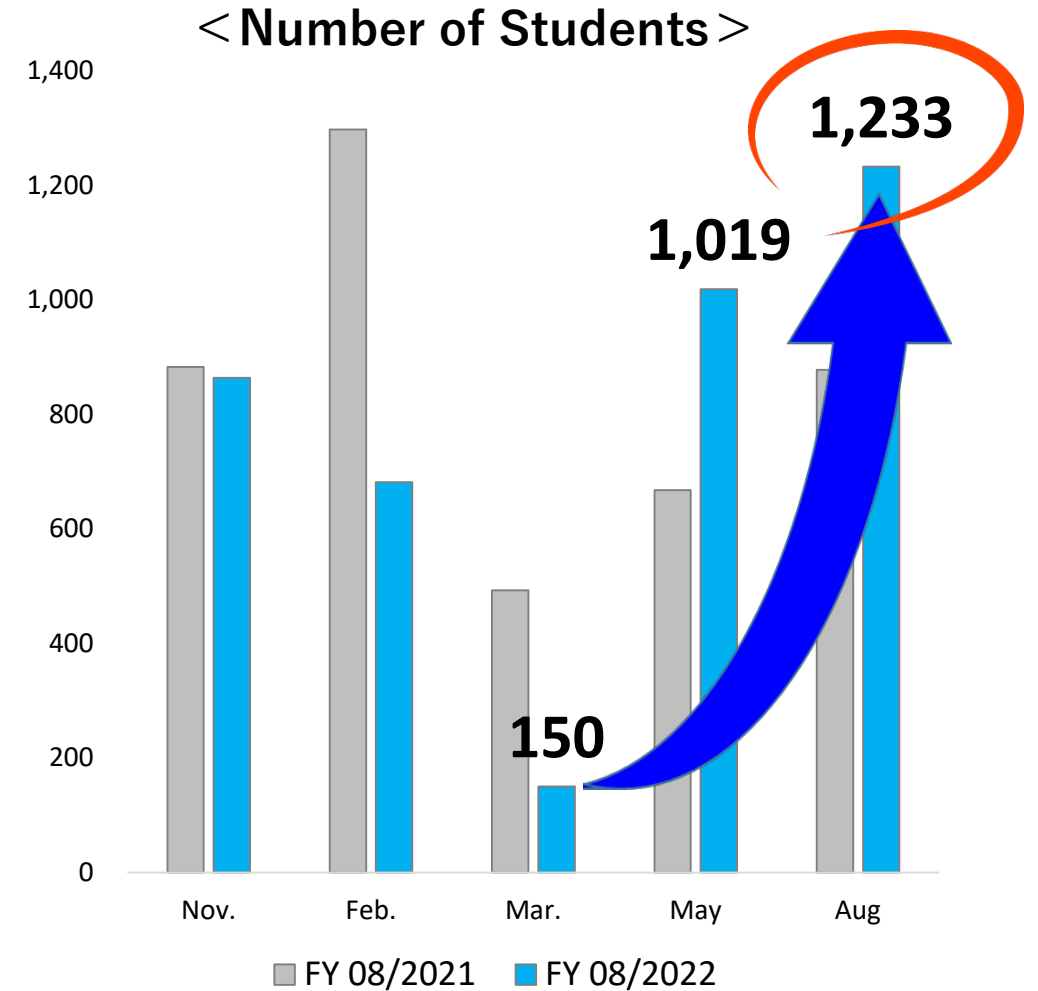
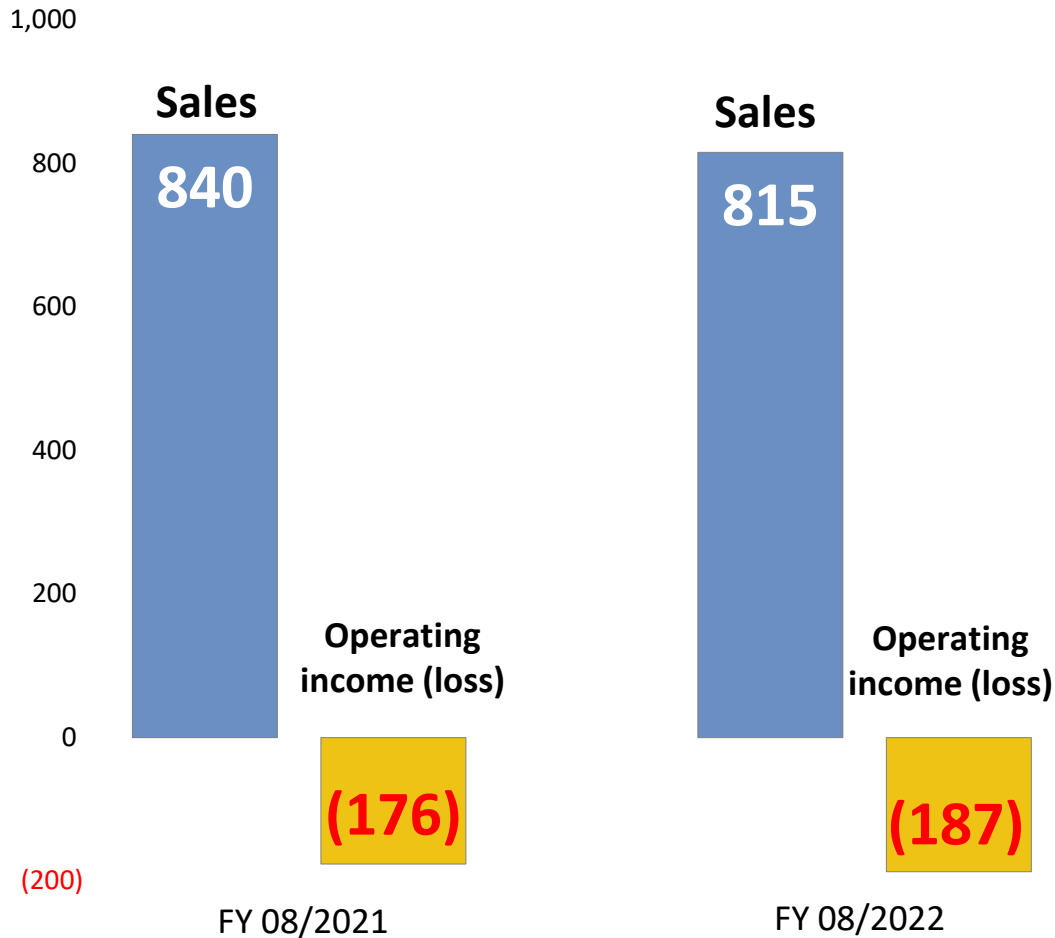


### (3) Results by Segments

### Japanese Language Schools

The number of students recovered significantly due to the easing of immigration restrictions. Net sales recovered to a level close to that of the previous fiscal year.

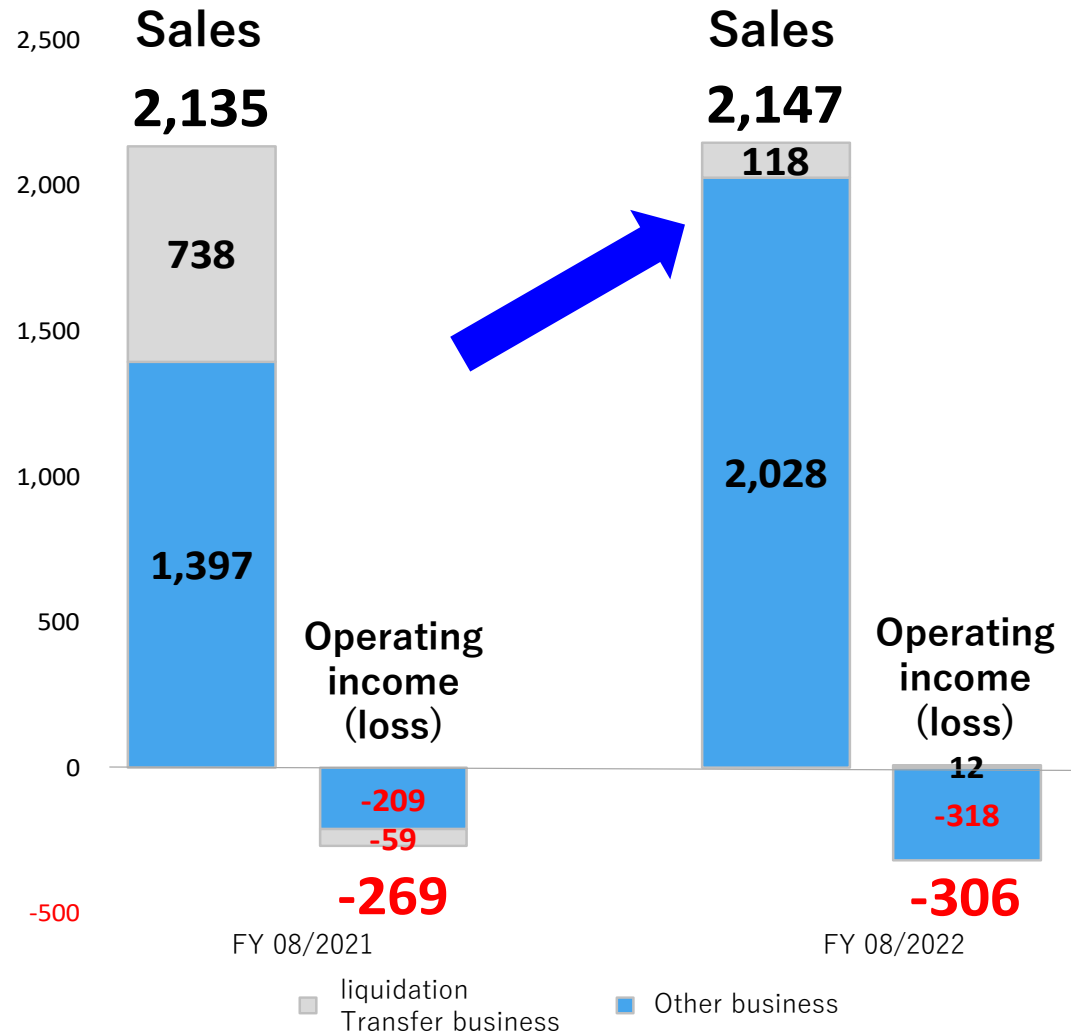
(Unit: millions of yen)



### (3) Results by Segments

### Others

Decrease in revenue due to transfer and liquidation was offset by **increase in revenue from new businesses such as HR Solution business**



#### ■ Sales : increased by 11 million yen

- Waseda Academy Kobetsu school (transferred at the end of Nov. 2021) **(501)** million yen
- Tokyo Ishin Gakuin (liquidation at the end of Jun. 2021) **(118)** million yen
- HR Solution • RED • Kids • Koto & Company ESL • Simple Inc. **+ 634** million yen

#### ■ Operating Income : decreased by 36 million yen

- Tokyo Ishin Gakuin, Koto & Company, and Kids contributed positively to the segment. HE Solutions, Simple Inc. RED and Kidse are in the investment phase.

# 1. Corporate Profile

# 2. Summary of Financial Results

( Highlights and details of business results for the fiscal year ended August 31, 2022)

# **3. Progress of the Mid-Term Management Plan**

# 4. Earnings and Dividend Forecasts

( Forecast for the fiscal year ending August 31, 2023)



## Fan · Fun Innovation

The Company is aiming to be a corporate group that extracts the potential of people while repeatedly transforming with its purpose as its origin. It will achieve sustainable improvement in corporate value and growth by making fans through innovation (= new combination) that links Fan and Fun.

### Basic Policy

#### 1. Make Funs

Make new fans by promoting digital transformation and deepening and exploring the Meiko brand.  
Unfold 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.

## First Year of Mid-Term Management Policy

Operating income landed at **1.16 billion yen**, 120 million yen higher than the planned 1.04 billion yen.

	FY 08/2022		
	Plan	Actual	Plan ratio
Sales	19.80 billion yen	19.67 billion yen	(120) million yen
Operating income	1.04 billion yen	1.16 billion yen	+ 120 million yen
Operating income margin	5.3%	5.9%	—



**FY 08/2022**

**Start ! “Fan · Fun Innovation”**

**FY 08/2023**

**Accelerate ! “Fan · Fun Innovation”**

To be chosen by students and parents in each region, we have been working on classroom management with the needs of the field as the top priority.

- **29 directly operated schools achieve record-high enrollment**
- **Enrollment at our directly operated schools increased 6% from the previous year** (from 15,002 to 15,902)

「やればできる」の記憶をつくる



# Meiko Gijuku × Accelerate ~ Transition to a regional company system~

Promoting Local Policies for Integration of  
Direct operated and Franchise schools

「やればできる」の記憶をつくる



Meiko Gijuku Business  
Headquarters



## Purpose :

Redefine the strengths of the Meiko Gijuku business and the strengths of individualized instruction, and **differentiate from competing schools in each region**

## Policy :

**To strengthen operations by controlling directly operated and franchised schools at the company level**

To this end, we will

- (1) **Accelerate decision-making by delegating a large amount of authority**
- (2) **Implement bold regional strategies** to become the No. 1 company in each region
- (3) **Develop human resources and achieve organizational growth** by clarifying authority and responsibility
- (4) **Transform headquarters functions and roles** to support the Company by grasping and flexibly responding to diversifying classroom issues and on-site needs.



Accelerate scrap-and-build for both directly operated and franchise schools  
by transitioning to a company system

「やればできる」の記憶をつくる



Aiming for **1,800 schools**  
in FY 08/2023



	FY 08/2022		
	New open	Closed	Total
Schools	38	(30)	1,775

# DX Strategy x Accelerate ~Meiko DX Strategy Roadmap~

- Meiko DX Strategy Roadmap, originally planned for three years, **reaches Step 3 in the first year of the mid-term business plan**
- Sequentially expanding the number of classrooms using the app student ID  
→ **Accelerate the improvement of CX for students and parents by promoting DX in classroom operations**

## Step1

Full cloud computing of mission-critical systems and data maintenance

- Vulnerability support in the latest full-cloud environment
- Latest browser support
- Improved security measures
- Failure support by strengthening operation and maintenance system

## Step2

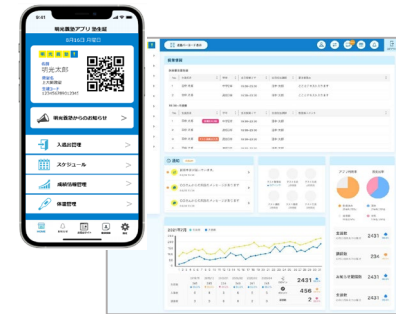
Seamlessly link various types of data  
Establishment of DX data platform

- Integrated distribution of various types of data
- Strengthening of various system linkages
- Implement management decisions based on various data
- Visualization of policy effects and implementation of measures

## Step3

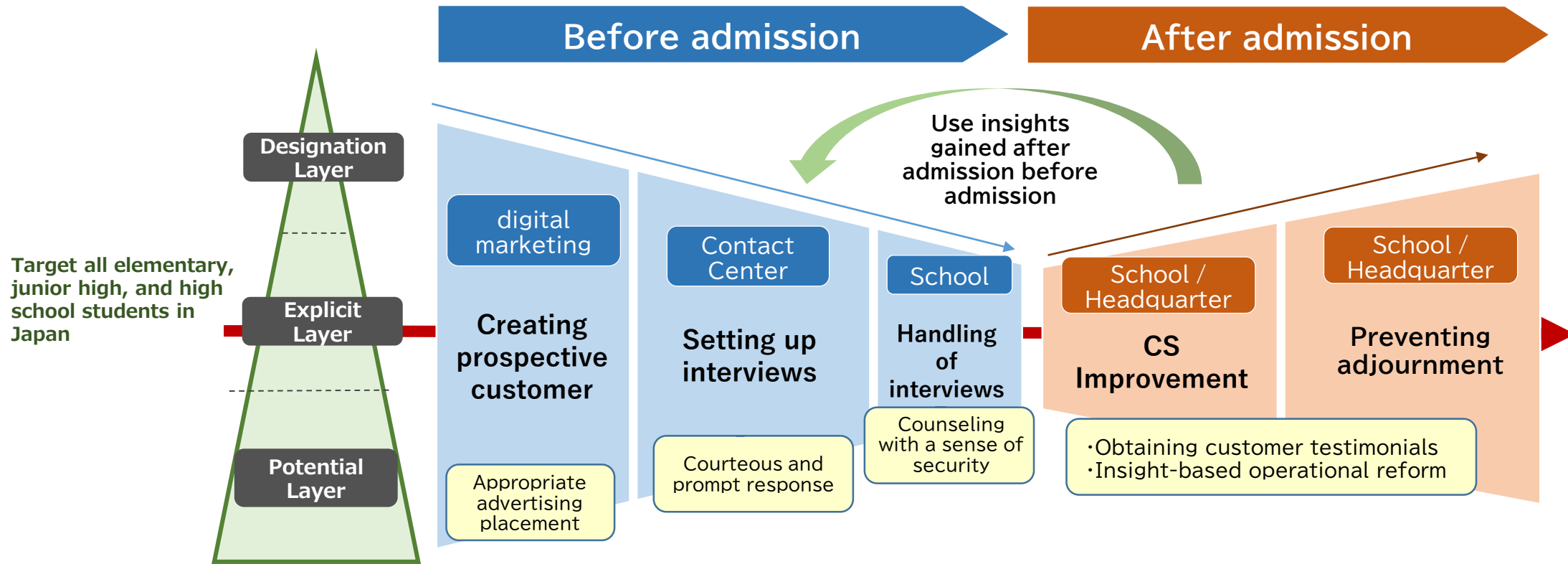
Developing applications that use data

- Develop applications to support students
- Deployment of class information management
- Utilization in retargeting advertisements
- Developing other business applications



# DX Strategy x Accelerate ~CX Improvement Initiatives~

- Accelerate efforts to improve CX (customer experience value) for students/parents to create added value in the increasingly commoditized tutoring school industry



※UX(User Experience) : Customer experience value at each stage  
 ※CX(Customer Experience) : Customer experience value of the entire process

**Raising the CX\* level by accumulating high-quality UX\***

~The power of digital technology to “Create a memory of "You Can if You Think You Can"”~

June 30, 2022

Group's First In-House Venture Company Established

# Go!Good

## Digital Communication!

Go Good Corporation aims to be a company that connects people with people through digital communication, imagining a Go Good future, while promoting the transformation of its business structure (=DX) through digital technology based on the know-how and data of Meiko Network Japan's education and franchise businesses that have been cultivated over many years.

Exclusive sales of STUDY SWITCH's smartphone learning app

**Advertising Business**

**Contracted**

advertising and DX area business for Meiko Gijuku

**Development business**

in the digital marketing domain for innovation creation Development business

# RED business × Accelerate ~Expanding the Education Infrastructure~

Promoting the opening of new independent learning schools, **Jiritsugakusyu RED**, where students learn through an AI-based, individually optimized curriculum.

自ら学ぶ力で可能性を広げる



Aiming for more than **100 schools**<sup>\*</sup>  
in FY 08/2023 \*Directly operated and franchised classrooms under our jurisdiction



	FY 08/2022	
	New Open	Total
Directly operated	4 Schools	20 Schools
FC	19 Schools	49 Schools
Total	23 Schools	69 Schools

**Meiko Career Partners Co., Ltd.** was established on September 5, 2022.

Clarification of growth strategy / Increase decision-making speed / Optimize cost structure

Aiming for **achieve sustainable growth**



**MEIKO GLOBAL**

**Japany**



**明光キャリアエージェント**



**明光スタッフィング**

# HR Solution Business × Accelerate ~EPA business~

~Trusted by the Ministry of Foreign Affairs of Japan for the Vietnam EPA project for two consecutive terms (11th batch)~

BIÊN CHỈ DẪN KHÁCH HÀNG (TM1) TENANT DIRECTORY BOARD (E1)	
TẦNG 5 5TH FLOOR	PHÒNG HỌC LÒI LOO CLASS ROOM
TẦNG 4 4TH FLOOR	CÔNG TY CỔ PHẦN MEIKO NETWORK JAPAN EPA PROJECT VIETNAM OFFICE (E1)
TẦNG 3 3RD FLOOR	KY TUC XA LÒI LOO DINH
TẦNG 2 2ND FLOOR	PHÒNG HỌC EPA EPA CLASS ROOM
TẦNG 1 1ST FLOOR	THƯ VIỆN LIBRARY



The Ministry of Foreign Affairs of Japan (MOFA) entrusted us with the "FY2022-2023 Pre-Visit Japanese-Language Training Program for Vietnamese Nurses and Care Workers under the Economic Partnership Agreement (EPA) (11th batch)".

## ■Outline of the Training Program

Period: December 2022 - March 2024

Place: Assumed to be Hanoi, Vietnam

Form: 12 months training camps and 4 months online training



We will **provide high-quality education** by making the most of the know-how and experience of MEIKO GLOBAL and the experience we have gained through our 10th contract.

## ■ Establishment of Nomination and Compensation Committee

(To be established after the 38th Annual General Meeting of Shareholders on November 18, 2022)

【Purpose】 To strengthen the fairness, transparency and objectivity of the decision-making process regarding the appointment, dismissal and remuneration of directors.

【Role】 In consultation with the Board of Directors, to deliberate on matters related to the election and dismissal of directors and executive officers, compensation for directors and executive officers, training of directors and executive officers, succession planning, and other matters, and to provide advice and recommendations to the Board of Directors.

## ■ Transition to a Company with an Audit and Supervisory Committee

(To be established after the 38th Annual General Meeting of Shareholders on November 18, 2022)

- 【Purpose】
- The audit and Supervisory Committee of the Board of Directors will be strengthened through the exercise of voting rights by the Audit and Supervisory Board Members, who are also directors.
  - To accelerate decision-making and business execution by delegating authority from the Board of Directors to directors.

The Company aims to **further enhance corporate governance and increase corporate value.**



## ■ Establishment of Sustainability Committee

\*To be established after the 38th Annual General Meeting of Shareholders on November 18, 2022

【Purpose】 To accelerate our efforts to realize a sustainable society by recognizing issues related to sustainability that must be resolved through our business activities as new earnings opportunities.

【Role】

- Determined important issues to realizing sustainable management and formulated the **“Basic Policy on Sustainability.”**
- **Achievement of both corporate value and environmental and social value** under the "Basic Sustainability Policy"

## ■ Support the recommendations of the TCFD\*

\*Task Force on Climate-Related Financial Information Disclosure

→Promote voluntary and proactive information disclosure based on the recommendations.



# 1. Corporate Profile

# 2. Summary of Financial Results

( Highlights and details of business results for the fiscal year ended August 31, 2022)

# 3. Progress of the Mid-Term Management Plan

# **4. Earnings and Dividend Forecasts**

( Forecast for the fiscal year ending August 31, 2023)

## Forecast for the Fiscal Year Ending August 31, 2023

- Net sales are expected to **increase 6.7% YoY to 21 billion yen** due to the growth of new businesses and new companies, the renewed growth of Meiko Gijuku schools, and a recovery in the number of students at Japanese language schools.
- Operating income is expected to increase **11.2% YoY to 1.3 billion yen** due to an expected decrease in losses at Japanese language schools, while investments will be made in each business for the final year of the mid-term management plan.

(Unit : millions of yen)

	Consolidated results FY 2022.8	Consolidated forecast FY 2023.8	YoY	
			Change	Percentage of change
Sales	19,674	21,000	+ 1,325	+ 6.7%
Operating income	1,168	1,300	+ 132	+ 11.2%
Ordinary income	1,289	1,350	+ 61	+ 4.7%
Net income*	974	800	(174)	(17.9)%

\* Net income attributable to shareholders of the parent company

## Forecast of Dividends for the Fiscal Year Ending August 31, 2023

Dividends are expected to be **12 yen** at the end of the second quarter and **12 yen** at the end of the fiscal year, for an annual dividend of **24 yen** (an increase of 2 yen).

(Unit : millions of yen)

Cut off date	Dividend per share of stock			Consolidated payout ratio
	2Q of FY	End of year	Total	
Dividend actual FY 08/2022	11 yen	11 yen	22 yen	56.6%
Dividend forecast FY 08/2023	12 yen	12 yen	24 yen	75.3%

# Disclaimer

This material is provided solely for the purpose of providing information to investors and is not intended as a solicitation to buy or sell.

The information and forward-looking statements in this material are based on information available at the time the material was prepared and include risks and uncertainties.

Please be aware that changes in various factors may cause actual results and achievements to differ materially from these statements.

## **Contact**

Corporate planning department:

Sakamoto / Koyano

Email : [mnj\\_info@meikonetwork.jp](mailto:mnj_info@meikonetwork.jp)

WEB : <https://www.meikonet.co.jp/>

**MEIKO  NETWORK JAPAN**