

**Meiko Network Japan Co., Ltd.**  
**Consolidated financial results**  
**for the fiscal Year ended August 2020**

**October 15, 2020**

**Kazuhito Yamashita, President**

# Performance Report for the fiscal Year ended August 2020

# Highlights of the fiscal year 2020 (consolidated)

(Unit: million yen)

	FY 2020	YoY			Against plan**		
		FY 2019	Change	Percentage change	Plan	Change	percentage change
Sales	18,218	19,967	△1,749	△8.8%	18,220	△1	△0.0%
Operating income	214	1,775	△1,560	△87.9%	△ 80	+294	—
Ordinary income	451	1,907	△1,455	△76.3%	100	+351	+351.9%
Net income*	△2,232	958	△3,190	—	240	△2,472	—

\*Net income attributable to owners of the Company (The same applies to the remaining slides.)

\*\* The plan was announced on July 10, 2020

- 【YoY】 Decline in sales and profit due to the classes cancelation as the outbreak of the COVID-19 pandemic
- 【Against plan】 Sales are mostly according to the forecast announced on July 10. The Ordinary income increase due to the cost control. Recorded a net loss due to extraordinary losses (impairment loss, etc.)
- Meikogijuku (Aug 2020)
  - 【number of schools】 1,862 (YoY △75)  
(MNJ +23 MAXIS +2 KMG △1 FC △99) ※K.Line ±0
  - 【number of students】 101,273 (YoY △11,808)  
(MNJ 14,961 MAXIS 6,613 K.Line 2,657 KMG 2,086 FC 74,956)

# Financial summary of FY 2020 (consolidated P/L)

(Unit: million yen)

## ■ Sales

- Meikogijuku business (Directly operated ・ F C)  $\triangle$  1,027 million yen
- Japanese language school business  $\triangle$  205million yen
- Other business  $\triangle$  516 million yen

## ■ Cost of sales

- Purchase (COGS)  $\triangle$ 284 million yen
- Personnel expenses (COGS) +370 million yen  
KMG becomes a subsidiary (2019.3Q~)  
MNJ ( Strengthening the personnel power)

## ■ SGA

- Advertising and sales promotion expenses  $\triangle$  134 million yen
- Provision of allowance for doubtful accounts  $\triangle$  42 million yen
- executive compensation  $\triangle$  37 million yen

## ■ Non-operating income

- Subsidy Income + 55 million yen
- Reversal of allowance for doubtful account + 53 million yen

## ■ Extraordinary income

- Gain on sale of investment securities (Listed 1 stock) + 994 million yen

## ■ Extraordinary loss

- Impairment loss (goodwill and fixed assets) +2,410 million yen
- Loss on valuation of investment securities (venture investment) + 468 million yen

	FY 2019	FY 2018	YoY	
			Change	Percentage change
<b>Net sales</b>	<b>19,967</b>	<b>18,218</b>	$\triangle$ 1,749	$\triangle$ 8.8%
<b>Cost of sales</b>	<b>13,744</b>	<b>13,816</b>	71	+0.5%
<b>Gross profit</b>	<b>6,222</b>	<b>4,401</b>	$\triangle$ 1,821	$\triangle$ 29.3%
<b>SGA</b>	<b>4,447</b>	<b>4,187</b>	$\triangle$ 260	$\triangle$ 5.9%
<b>Operating income</b>	<b>1,775</b>	<b>214</b>	$\triangle$ 1,560	$\triangle$ 87.9%
<b>Non-operating income</b>	<b>140</b>	<b>249</b>	109	+77.7%
<b>Non-operating expense</b>	<b>7</b>	<b>12</b>	4	+57.2%
<b>Ordinary income</b>	<b>1,907</b>	<b>451</b>	$\triangle$ 1,455	$\triangle$ 76.3%
<b>Extraordinary income</b>	<b>-</b>	<b>994</b>	994	-
<b>Extraordinary loss</b>	<b>48</b>	<b>2,983</b>	2,935	+6037.1%
<b>Net income*</b>	<b>958</b>	$\triangle$ 2,232	$\triangle$ 3,190	-

\* KMG Corporation's statement of income is included in the scope of consolidation from the 3rd quarter, 2019

# Extraordinary Losses

- Impairment losses were recorded as a result of a review of future business plans in light of the COVID-19

(Unit: million yen)

Breakdown	Amount	Note
Impairment loss	2,453	Goodwill impairment (five consolidated subsidiaries*) 2,296 million yen ( ※MAXIS、Kline、KMG、WASEDA EDU、JCLI ) Impairment of fixed assets 156 million yen
Loss on valuation of investments	468	Write-down of five venture-investment companies
Loss on sale of shares in subsidiaries	53	Sale of consolidated subsidiaries stock of Youdec, Koyoshobou
Loss on extinguishment of tangible fixed assets	8	
<b>Total</b>	<b>2,983</b>	

# Financial summary of FY 2019 (consolidated B/S)

(Unit: million yen)

	FY 2019	FY 2020	YoY	
			Change	Percentage change
<b>Current assets</b>	<b>9,734</b>	<b>8,848</b>	<b>△885</b>	<b>△9.1%</b>
Property, plant and equipment	1,220	1,142	△78	△6.4%
<b>Intangible assets</b>	<b>3,311</b>	<b>545</b>	<b>△2,766</b>	<b>△83.5%</b>
Investments and other assets	5,497	3,504	△1,993	△36.3%
<b>Total assets</b>	<b>19,765</b>	<b>14,041</b>	<b>△5,723</b>	<b>△29.0%</b>
<b>Current liabilities</b>	<b>4,506</b>	<b>3,847</b>	<b>△659</b>	<b>△14.6%</b>
Non-current liabilities	843	720	△122	△14.5%
<b>Total Liabilities</b>	<b>5,350</b>	<b>4,568</b>	<b>△782</b>	<b>△14.6%</b>
<b>Total net assets</b>	<b>14,414</b>	<b>9,473</b>	<b>△4,941</b>	<b>△34.3%</b>
<b>Total liabilities and net assets</b>	<b>19,765</b>	<b>14,041</b>	<b>△5,723</b>	<b>△29.0%</b>

## ■ Assets

(Current assets)

- A decrease in cash and deposits  $\triangle 479$  million yen
- A decrease in accounts receivable  $\triangle 448$  million yen

( Intangible Fixed Assets )

- Decrease in goodwill  $\triangle 2,769$  million yen  
 Impairment of MAXIS · Kline · KMG · WASEDA EDU · JCLI  $\triangle 2,296$  million yen  
 Amortization of goodwill  $\triangle 472$  million yen

( Investments and other assets )

- Decrease in investment securities  $\triangle 1,954$  million yen  
 Decrease in unrealized profits  $\triangle 702$  million yen  
 Sale (1 listed stock)  $\triangle 684$  million yen  
 Loss on valuation of investment securities  $\triangle 468$  million yen  
 bond transfer  $\triangle 199$  million yen

## ■ Liabilities

( Current liabilities )

- A decrease in income taxes payable  $\triangle 330$  million yen
- A decrease in accrued expenses  $\triangle 154$  million yen

( Fixed Liabilities )

- A decrease in deferred tax liabilities  $\triangle 104$  million yen

## ■ Net assets

- A decrease in retained earnings  $\triangle 3,177$  million yen
- Increase in treasury stock  $\triangle 1,259$  million yen

KMG Corporation's balance sheet is included in the scope of consolidation at the end of February 28, 2019. (Statement of income is included in the scope of consolidation from 3rd quarter, 2019 )

# Financial summary of FY 2020 (consolidated C/F)

(Unit: million yen)

	FY 2019	FY 2020	Change from the same period of the previous year
Net cash provided by (used in) operating activities	2,505	140	△2,364
Net cash provided by (used in) investing activities	△347	1,243	+1,590
Net cash provided by (used in) financing activities	△829	△2,063	△1,234
Net increase (decrease) in cash and cash equivalents	1,328	△679	△2,008
Cash and cash equivalents at beginning of period	6,116	7,445	+1,328
Cash and cash equivalents at end of period	7,445	6,765	△679

<Amount of change>

## ■ Operating activities

- Decrease in income before taxes and other adjustments (An increase in net loss )  
△3,397 million yen
- An increase in impairment losses +2,410 million yen
- Gains (losses) on sales of investment securities (△ is gain) △ 994 million yen

## ■ Investing activities

- Proceeds from sale of investment securities  
+ 1,674 million yen

## ■ Financing activities

- Purchase of treasury stock △1,259 million yen

## ■ Cash and cash equivalents

- Balance at end of year △ 679 million yen

# Sales and operating income by segment

(Unit: million yen)

		Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools※ 1	Others ※2	Corporate expense	Total
FY 2020	Sales ※3	10,297	4,349	1,156	2,414	–	18,218
	(YoY)	△342	△685	△205	△516	–	△1,749
	Operating income	294	1,428	54	△276	△1,287	214
	(YoY)	△599	△564	△28	△350	△17	△1,560
	Operating income ratio	2.9%	32.9%	4.7%	△11.4%	–	1.2%
FY 2019	Sales ※3	10,639	5,035	1,361	2,931	–	19,967
	Operating income	894	1,993	82	73	△1,269	1,775
	Operating income ratio	8.4%	39.6%	6.1%	2.5%	–	8.9%

※1. Considering the importance of Japanese language schools business which have been classified to “Others” so far, we have changed the presentation segment of Japanese language schools business as “Reportable segment”, and along with considering the decline of quantitative importance of Supplemental education business, we have included this as “Others”.

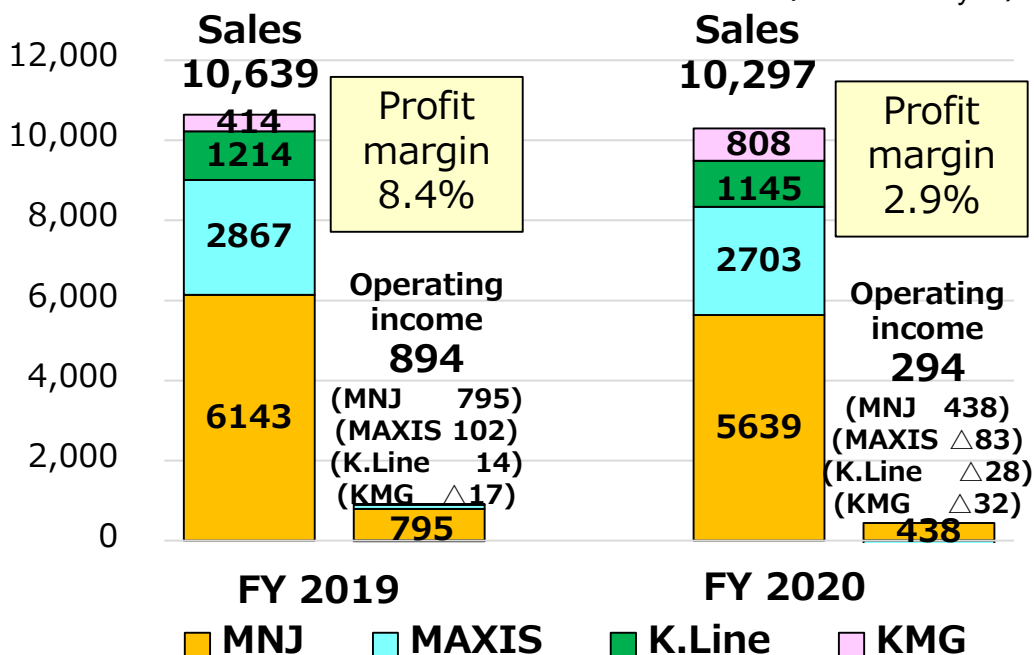
※2 Waseda Academy Kobetsu School, Meiko Kids, Sports business, and businesses of consolidated subsidiaries (Kotoh&Company, Ishin gakuin, Youdec, Koyoshobou)etc.

※3 Intra-group transactions are eliminated from sales amounts. Deducted amounts are 4 million yen in Meiko Gijuku directly operated schools (0 million yen year on year), 743 million yen in Meiko Gijuku franchised (684 million yen year on year), and 68 million yen in other segments (117 million yen year on year).



# Meiko Gijuku directly operated school business

(Unit: million yen)



## Number of Meiko Gijuku Schools : 421 (+24)

• MNJ※1 : +23 MAXIS : +2 K.Line : ±0 KMG : △1

※1 Increase due to transfer of franchise schools. One link Ltd., was newly established ( a wholly owned subsidiary) and has succeeded 21 classrooms on September 1, 2020.

## Sales △ 342 million yen

• MNJ : △504 million yen

• MAXIS : △163 million yen K.Line : △68 million yen KMG※2 : +394 million yen

※2 PL is included in the scope of consolidation from 3Q FY2019

## Operating income △ 599 million yen

• MNJ : △356 million yen

• MAXIS : △185 million yen K.Line : △42 million yen KMG : △14 million yen

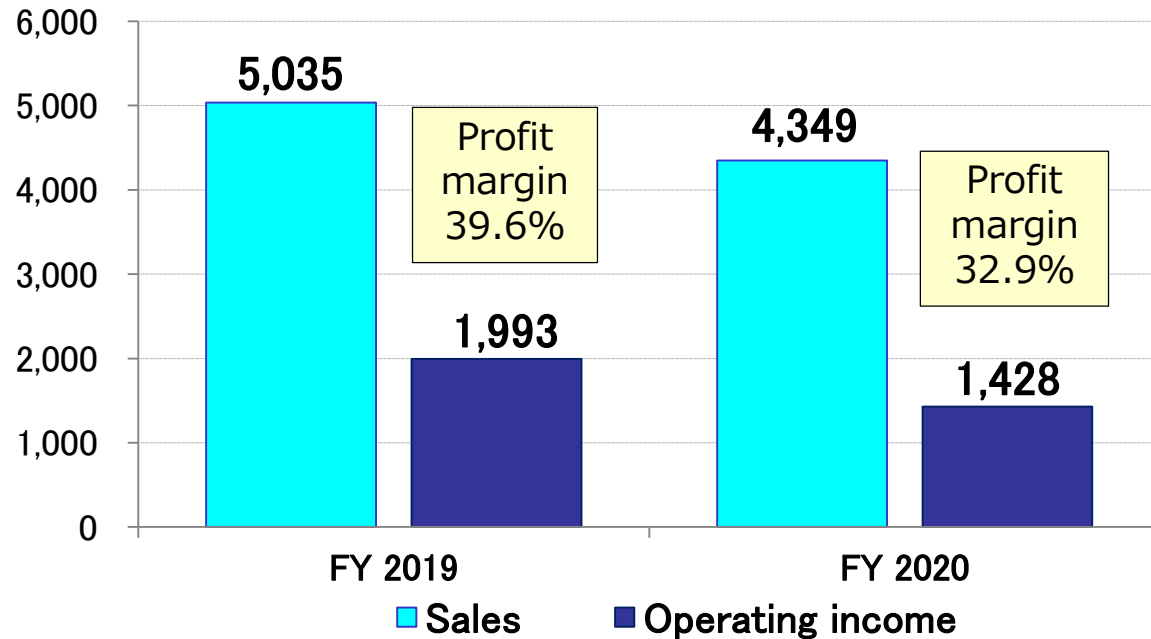
( The cost of MAXIS, K.Line and KMG included the Royalty and amortization of goodwill )

MNJ			
	( Unit: schools, people, thousand yen )		
	FY 2019	FY 2020	Change
Number of schools ( as of Aug. )	221	244	23
Number of students (average of the term)	15,281	14,491	△791
Average number of students per school (average of the term)	67.4	63.0	△4.5
Average sales per students	402.0	389.2	△12.9

MAXIS · K.Line · KMG								
	( Unit: schools, people, thousand yen )							
	FY 2019 MAXIS	FY 2020 MAXIS	Change	FY 2019 K.Line	FY 2020 K.Line	Change	FY 2019 3Q-4Q KMG	FY 2020 KMG
Number of schools ( as of Aug. )	92	94	2	41	41	0	43	42
Number of students (average of the term)	6,482	6,533	+51	2,689	2,535	△154	2,143	2,089
Average number of students per school (average of the term)	69.8	70.1	+0.4	64.5	61.0	△3.6	49.8	49.1
Average sales per students	442.4	414.2	△28.2	451.6	452.1	+0.6	193.4	388.0

# Meiko Gijuku franchised school business

(Unit: million yen)



## Number of schools : 1,441 (△ 99)

- New open/ Renewal open + 4
- Transfer from directly operated school + 1
- Transfer to directly operated school △ 29
- Closed and cancellation △ 75

## Sales △ 685 million yen

- Royalty income △ 341 million yen
- Contract Sales △ 95 million yen
- FC Equipment sales △ 80 million yen
- FC teaching material sales △ 77 million yen

## Operating income △ 564 million yen

- The impact of sales decrease of cancellation of classes due to COVID-19 and decline in the number of students.
- The impact of increased personnel expenses due to the strengthening of the personnel structure

( Unit: schools, people )

FC Business	FY 2019	FY 2020	Percentage change	Change
Number of schools (as of Feb.)	1,540	1,441	-6.4%	△ 99
Number of students (Average)	87,387	78,991	-9.6%	△ 8,396
Average number of students per school (Average of term)	54.4	52.8	-2.9%	△ 1.6
Royalty revenues (million yen)	3,069	2,727	-11.1%	△ 341
Average royalty revenues per school (thousand yen)	1,911.5	1,823.2	-4.6%	△ 88.4

# Japanese language schools · Other Business

(Unit: million yen)

		FY 2019	FY 2020			Special notes():YoY
			Results	YoY		
				Change	Percentage change	
Japanese language schools	Sales ( two schools total )	1,361	1,156	△205	△15.1%	WASEDA EDU Number of students 386 ( △311 )
	Operating income ( two schools total )	82	54	△28	△34.1%	Kokusai Jinzai Kaihatsu(JCLI) Number of students 568 ( △517 )
O t h e r s	Sales	2,931	2,414	△516	△17.6%	
	· Waseda Academy Kobetsu School	532	531	△1	△0.2%	Number of schools : 12(MAXIS 5)、Waseda Academy directly operated 28、F C 11、 Number of students : 4,126 ( + 1,006 )
	· Meiko Kids	390	416	+26	+6.7%	Number of schools 34、 Number of students 1,399 ( + 255 )
	· Meiko Sports	141	80	△61	△43.3%	Number of schools 14 ( FC 3 )、 Number of students 535 ( △335 )
	· KOTOH&Company	531	560	+29	+5.5%	Business relating to university education Both sales and profit are proceeding according to the plan.
	· Youdec	540	254	△286	△52.9%	Sales for inside school cram school, sales of mock tests Excluded from the scope of consolidation from 3Q.
	· Koyoshobou	315	121	△193	△61.5%	Sales of academic books Excluded from the scope of consolidation from 3Q.
	· Tokyo Ishin Gakuin	371	304	△67	△18.1%	Number of schools 2 Number of students 56 ( △16 )
	· Others	108	144	+36	+34.0%	Study club、 ESLClub、 RED、 tyotto、 Meiko Kids e、 overseas business, etc
	Operating income	73	△276	△350	-	Decrease due to prior investment in new business ( RED、 tyotto、 Meiko Kids e )

※ (Note) Sales amounts exclude intra-group transactions

※ Number of schools · students are based on the data at the end of August, 2020.

# **Performance and dividend forecast for FY 2021**

# Performance forecast for FY 2021

(Unit: million yen)

	FY 2020 Results	FY 2021 Consolidated Financial Forecast	YoY	
			Change	Percentage change
<b>Sales</b>	18,218	18,300	82	+0.4%
<b>Operating income</b>	214	264	50	+22.9%
<b>Ordinary income</b>	451	319	△ 132	△ 29.4%
<b>Net income*</b>	△ 2,232	270	2,502	-

\*Net income attributable to owners of the Company

## ■ Consolidated sales of FY 2021 increase 82 million yen YoY

Breakdown : **MNJ+ 420 million yen**

(Meikogijuku△140 million yen (One link incorporation-type company split, etc.), Kids + 180 million yen, New business (RED · tyotto · Kids e)+ 360 million yen )

**Consolidated subsidiary △340 million yen**

(Exclusion from the scope of consolidation of Youdec and Koyoshobou △410 million yen, Japanese language schools (restriction on entry into Japan) △340 million yen , One link + 360 million yen (incorporation-type company split), etc.)

## ■ Consolidated operating income of FY 2021 increase 50 million yen YoY

Breakdown : Decrease in goodwill amortization(Due to impairment loss) + 390 million yen, MNJ & FC four subsidiaries (Include the cost of COVID-19 counter measure cost) + 130 million yen

Exclusion from the scope of consolidation of Youdec and Koyoshobou + 50 million yen, Japanese language schools (restriction on entry into Japan)△510 million yen, etc.

# Dividend forecast for FY 2021/ Shareholder benefit program

	Dividend per share of stock			
Cut off date	2Q of FY 2020	Year end	Total	Payout ratio
Dividend estimate	5 Yen	5 Yen	10 Yen	92.9%
Dividend actual	15 Yen	15 Yen	30 yen	—

- We forecast a dividend of **10 yen** (5 yen for the interim and 5 yen for the year end) and a **payout ratio of 92.9%** for the annual dividend per share for the fiscal year ending August 31, 2021.
- The shareholder benefit program has been changed, the face value of the QUO card has been reduced to half, which awarded based on the number of shares held and the number of years the shares have been held.

\*Changes of shareholder benefit program applies to the shareholders as of August 31, 2020.

QUO cards will be rewarded by the new shareholder benefit plan on the fiscal year ending August 31, 2021.

Contact information

**Corporate Planning Department  
Sakamoto / Koyano**

T E L : 03 - 5860 - 2112

F A X : 03 - 5332 - 7091

E-mail : [info@meikonetwork.jp](mailto:info@meikonetwork.jp)

W E B : <https://www.meikonet.co.jp/>

The document is designed to provide information on operating results for the fiscal year ended August 2020 and not to solicit investments in securities issued by the company. This report is based on data as of end of August 2020. Opinions and estimates described in the document are our judgments as of its preparation and does not guarantee or promise the accuracy and completeness of those information. This document may be changed without notice.