

Meiko Network Japan Co., Ltd.

**Consolidated financial results for the fiscal Year ended
August 2019**

October 10, 2019

Kazuhito Yamashita, President

Performance Report for the Fiscal Year ended August 31, 2019

Highlights of the fiscal year 2019 (consolidated)

(Unit: million yen)

	Results of FY 2019	YoY		Against plan**		
		Amount	Percentage	Planning	Amount	Percentage
Net sales	19,967	+851	+ 4.5%	20,320	△ 352	△ 1.7%
Operating income	1,775	+333	+ 23.1%	1,860	△ 84	△ 4.6%
Ordinary income □	1,907	+349	+22.4%	1,940	△ 32	△ 1.7%
Net Income*	958	+301	+45.8%	1,020	△ 61	△ 6.1%

* Net income attributable to owners of the Company (The same applies to the remaining slides.) ** The plan was announced on October 11, 2018.

• Against plan, both Sales and Income are unachieved, but over the YoY, increase in sales and profits.

• **Meikogijyuku** **【number of schools】 1,937** (YoY △92)
 (August 2019) (MNJ △12 MAXIS △1 K.Line △1 FC△78)
【number of students】 113,081 (YoY △3,293)
 (MNJ 15,572 MAXIS 6,821 K.Line 2,734 KMG 2,303
 FC 85,651)

Financial summary of FY 2019 (consolidated P/L)

(unit: million yen)

	FY 2018	FY 2019	YoY	
			Change	Percentage change
Net sales	19,116	19,967	851	+4.5%
Cost of sales	13,020	13,744	724	+5.6%
Cost of sales percentage (%)	68.1%	68.8%		+0.7pt
Gross profit	6,096	6,222	126	+2.1%
Gross profit ratio (%)	31.9%	31.2%		△ 0.7pt
SGA	4,654	4,447	△206	△4.4%
SGA percentage(%)	24.3%	22.3%		△2.1pt
Operating income	1,441	1,775	333	+23.1%
Operating income ratio(%)	7.5%	8.9%		+1.4pt
Non-operating income	133	140	7	+5.4%
Non-operating expense	17	8	△9	△53.5%
Ordinary income	1,558	1,907	349	+22.4%
Ordinary income ratio(%)	8.2%	9.6%		+1.4pt
Net Income	657	958	301	+45.8%
Net Income ratio(%)	3.4%	4.8%		+1.4pt

■ Sales

- The increase of consolidated subsidiary + 1,126 million yen
(K.Line + 844、KMG + 414、
the increase of intercompany transaction
△132 million yen)
- Meiko network Japan △ 99million yen
- The decrease of consolidated subsidiary
△176 million yen
(Youdec △112million yen etc.)

■ Cost of sales

- The increase of consolidated subsidiary + 653 million yen (Personal cost + 539、
Rent + 114 million yen)

■ SGA

- Sales promotion expense △459 million yen
(Sales promotion expense decrease due to
reforming the brand previous year.)
- The increase of consolidated subsidiary +
160
(Advertising expense + 63、The depreciation
of goddwill +57
Rent +40 million yen)
- Commission fee + 52 million yen

* K.Line's statement of income is included in the scope of consolidation from the 4rd quarter, FY2018

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

Financial summary of FY 2019 (consolidated B/S)

(Unit: million)

	FY 2018	FY 2019	YoY	
			Change	Percentage change
Current assets	8,959	9,734	+774	+8.6%
Property, plant and equipment	1,134	1,220	+86	+7.6%
Intangible assets	3,436	3,311	△124	△3.6%
Investments and other assets	5,152	5,497	+345	+6.7%
Total assets	18,683	19,765	+1,081	+5.8%
Current liabilities	3,563	4,506	+943	+26.5%
Non-current liabilities	782	843	+60	+7.7%
Total Liabilities	4,346	5,350	+1,003	+23.1%
Total net assets	14,336	14,414	+77	+0.5%
Total liabilities and net assets	18,683	19,765	+1,081	+5.8%

■ Assets

(Current assets)

- An increase in cash and deposits + 987million yen
- A decrease of others △ 145 million yen (decrease due to the receiving of tax refund)
- (Intangible assets) △ 204million yen
 - new goddwill + 255 million yen (KMG)
 - depreciation of goodwill △ 459 million yen
(MAXIS143, KLine59, KMG12, Waseda EDU45, JCLI123, Kotoh jimusho74)

(Investment and other assets)

- An increase in Investment securities + 350million yen

■ Liabilities

(Current liabilities)

- An increase in Income tax payable + 408million yen (Due to the increase of taxable income)
- An increase in prepaid + 100million yen (Due to the new subsidiary of KMG)

■ Net assets

- An increase in valuation difference on available-for-sale securities + 92 million yen (due to the rise of market value)

* K.Line's balance sheet is included in the scope of consolidation at the end of May 31, 2018.
(Statement of income is included in the scope of consolidation from the 4rd quarter.)

* 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 2019 (consolidated C/F)

(Unit: million yen)

	FY 2018	FY 2019	Change from the same period of the previous year
Net cash provided by (used in) operating activities	405	2,505	+2,100
Net cash provided by (used in) investing activities	△505	△347	+158
Net cash provided by (used in) financing activities	△1,088	△829	+259
Net increase (decrease) in cash and cash equivalents	△1,189	1,328	+2,518
Cash and cash equivalents at beginning of period	7,306	6,116	△1,189
Cash and cash equivalents at end of period	6,116	7,445	+1,328

■ Operating activities

- An increase in net income + 387 million yen
- An increase in cash due to the decrease in the payment of Income tax + 1,125 million yen

■ Investing activities

- Due to the decrease of cash out for acquisition of subsidiary. + 291 million yen
- ※Acquisition of stock FY 2018 K.Line, FY 2019 KMG

■ Financing activities

- The decrease of payment of dividend. + 131 million yen
- Cash in due to the borrowing + 240 million yen
- Cash out due to the payment △ 112 million yen

■ Cash and cash equivalents

- The balance + 1,328 million yen

Sales and operating income by segment

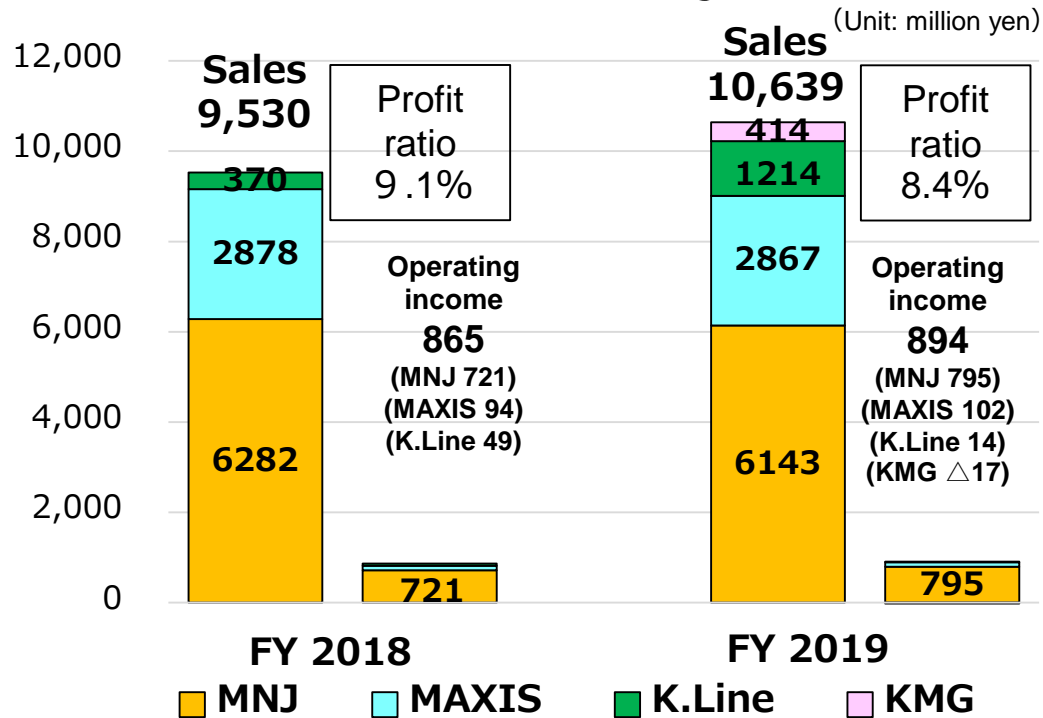
(unit: million yen)

		Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Others※1	Corporate expense	Total
FY 2019	Sales ※2	10,639	5,035	371	3,921	-	19,967
	(YoY)	+1,108	△206	△72	+21	-	+851
	Operating income	894	1,993	△29	186	△1,269	1,775
	(YoY)	+29	+263	△8	+34	+14	+334
	Operating income ratio	8.4%	39.6%	-	4.8%	-	8.9%
FY 2018	Sales ※2	9,530	5,242	443	3,899	-	19,116
	Operating income	865	1,729	△21	151	△1,283	1,441
	Operating income ratio	9.1%	33.0%	-	3.9%	-	7.5%

※1 Waseda Academy Kobetsu School, Meiko Kids, Meiko Soccer School, and businesses of consolidated subsidiaries (Waseda EDU, Kokusai Jinzai Kaihatsu, Kotoh&Company, You DEC, Koyoshobou)etc.

※2 Intra-group transactions are eliminated from sales amounts. Deducted amounts are 684 million yen in Meiko jiyuku franchised (527 million yen year on year), and 117 million yen in other segments (140 million yen year on year).

Meiko Gijuku directly operated school business



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

■ Number of Meiko Gijyuku Schools : 397 (+29)

- MNJ : $\Delta 12$ MAXIS : $\Delta 1$ K.Line : $\Delta 1$ KMG : +43
- Due to the acquisition of Shares of KMG (PL is included in the scope of consolidation from 3Q FY2019)

■ Sales +1,108 million yen

- Increase due to the acquisition the shares of subsidiary +1,258 million yen (K.Line : +844million yen KMG : +414million yen)

※K.Line is included in consolidated PL from 4 Q FY2018 and KMG is included in consolidated PL from 3 Q FY2019.

■ Operating income +29 million yen

- MNJ : +74million yen
- ※The decrease of sales promotion expense $\Delta 62$ million yen increase (There was sales promotion cost due to the renewal of branding FY2018.)
- MAXIS : +7 • K.Line : $\Delta 35$ • KMG : $\Delta 17$ million yen

MNJ

(Unit: schools, people, thousand yen)

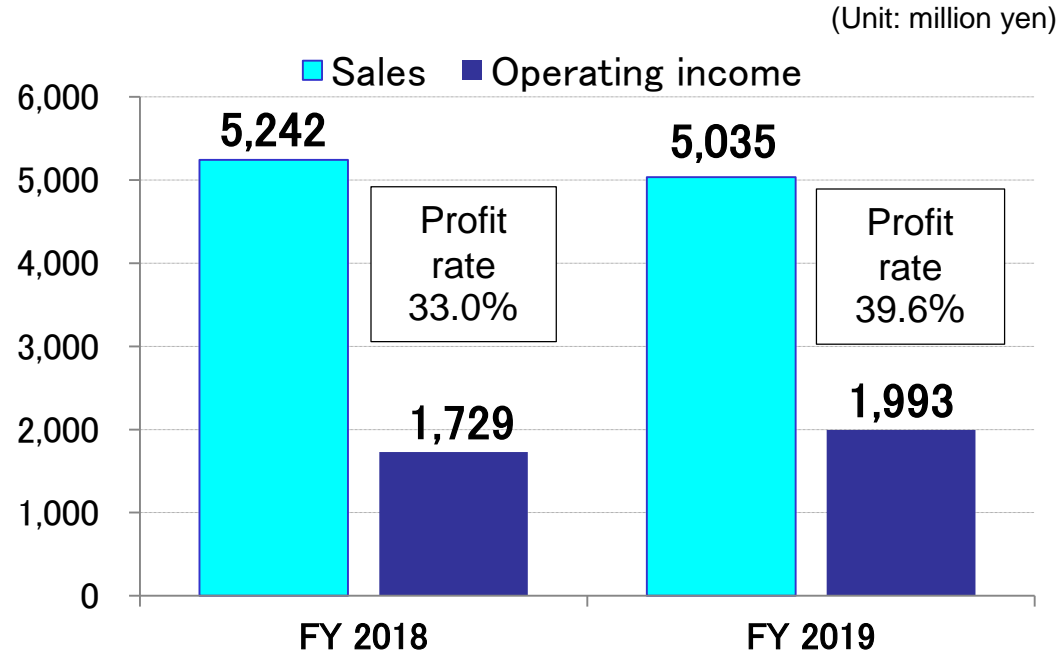
	FY 2018	FY 2019	Percentage change	Change
Number of schools (as of Aug.)	233	221	-5.2%	$\Delta 12$
Number of students (average of the term)	15,974	15,281	-4.3%	$\Delta 693$
Average number of students	68.6	67.4	-1.7%	$\Delta 1.1$
Average sales per students	393.3	402.0	2.2%	+8.8

MAXIS · K.Line · KMG

(Unit: schools, people, thousand yen)

	FY 2018 MAXIS	FY 2019 MAXIS	Percentage change	Change	FY 2018 4Q ケイライン	FY 2019 ケイライン	FY 2019 3Q-4Q KMG
Number of schools (as of Aug.)	93	92	-1.1%	$\Delta 1$	42	41	43
Number of students (average of the term)	6,438	6,482	0.7%	+44	2,680	2,689	2,143
Average number of students	68.3	69.8	2.2%	+1.5	63.8	64.5	49.8
Average sales per students	447.2	442.4	-1.1%	$\Delta 4.8$	138.0	451.6	193.4

Meiko Gijuku franchised school business



■ Number of schools : : 1,540 (△ 121)

- New open/ Renewal open + 7
- Transfer from directly operated school + 7
- Transfer to directly operated school △ 7
- Closed/Cancellation △ 85
- Acquisition of Shares of KMG △ 43

■ Sales △ 206 million yen

- Royalty income △247million yen
- F C advertisement income △136 million yen
- F C material income + 103 million yen
- Contract deposit + 67 million yen

■ Operating income +263 million yen

- Due to the decrease in sales promotion expense (△339million yen)
(※ There was sales promotion cost due to the renewal of branding FY2018.)

(Unit: schools, people, thousand yen)

Franchised	FY 2018	FY 2019	Percentage change	Change
Number of schools (as of Aug.)	1,661	1,540	-7.3%	△ 121
Number of students	96,456	87,387	-9.4%	△ 9,069
Average number of students	56.3	54.4	-3.4%	△ 1.9
Royalty revenues (million yen)	3,317	3,069	-7.5%	△ 247
Average royalty revenues per school (thousand yen)	1,935.6	1,911.5	-1.2%	△ 24.1

Supplemental education business/Other Business

(Unit: million yen)

		FY 2018	FY2019			
			Results	YoY		Special notes():YoY
				Change	Percentage change	
	Sales	443	371	△72	△16.2%	Number of schools : 2 (△1) Students : 69 (previous year 78) Sales has been decreased due to the number of student has been decreased, The loss has been increased thought the cost cutting.
	Operating income	△ 21	△ 29	△8	-	
O t h e r s	Sales	3,899	3,921	+21	+0.5%	
	· Waseda Academy Kobetsu School	502	532	+29	+5.9%	Number of schools : Directly operated by Meiko 13 (included MAXIS 5 , Directly operated by Waseda Kobetsu 13, F C9. Students : 3,120(+ 281)
	· Meiko Kids	298	390	+92	+30.9%	Number of schools 25 (+ 6) , Students 1,144 (+ 142)
	· Meiko Soccer School	141	141	△0	△0.2%	Number of schools 14 (included FC1) , Students 870 (+ 27)
	· Waseda E D U	453	488	+35	+7.8%	Japanese language schools, Students 697 (+ 11)
	· Kokusai Jinzai Kaihatsu	864	872	+8	+0.9%	Japanese language schools, Students 1,085 (△46)
	· Kotoh Jimusho	518	531	+13	+2.6%	Business relating to university entrance exam Both sales and profit are proceeding according to the plan.
	· You DEC	633	540	△92	△14.6%	Sales at cram schools, sales of practice tests The sales of practice tests has been decreased.
	· Koyoshobou	352	315	△36	△10.5%	Sales of Academic books. The sales has been decreased due to the decreases in new book publication.
	· Others	135	108	△27	△20.4%	ESLClub, overseas business, Study club, etc
	Operating income	151	186	+34	+22.8%	

※ (Note) Sales amounts exclude intra-group transactions

※ Number of schools · students are based on the data at the end of August, 2019.

Performance and dividend forecast for FY 2020

Investment plan for FY 2020

- Development of information system of Meikogijyuku business and ICT contents : 0.15billion yen
- English business related investment (English kids school, ESL Club) : 0.15billion yen
- Business development expense of new style cram school : 0.1billion yen



Total 0.4 billion yen investment plan for FY 2020

Performance forecast for FY 2020

(Unit: million yen)

	FY 2019 Consolidated results	FY 2020 performance forecast	YoY	
Net sales	19,967	21,000	1,033	+5.2%
Operating income	1,775	1,570	△ 205	△ 11.6%
Ordinary income	1,907	1,690	△ 217	△ 11.4%
Net income*	958	840	△ 118	△ 12.3%

* Net income attributable to owners of the Company

- Net sales for FY 2020 plan is to be increased 1.03 billion yen YoY.

breakdown : KMG 5.4, MNJ 4.5 (Meiko Gijyuku2.0, Meiko Kids1.2, Waseda Kobetsu 0.6)

Other subsidiaries 0.4billion yen

- Net income for FY 2020 plan is to be decreased 0.2 billion yen YoY.

breakdown : Investment △4.0 billion yen, Net sales increase + 0.2 billion yen

Dividend forecast for FY 2020

	FY 2019 Results	FY 2020 Forecast
Dividend per share	30 Yen	30 Yen
Consolidated payout share	83.1%	94.8%

- The dividend for the term ending August 2020 is expected to be kept **30 yen per share as last year**. (the interim dividend will be 15 yen, year end dividend will be 15 yen), **dividend payout ratio is expected to be 94.8%**.

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