

**Meiko Network Japan co.,Ltd.**

**Consolidated financial results for the Second Quarter of the Year  
ending August 2019**

**April 12,2019**

**Kazuhito Yamashita,President**

# Performance Report for the Second Quarter of the Year ending August 31, 2019

# Highlights of the 2Q of the year ending August 2019 (consolidated)

( Unit: million yen )

	2Q of FY 2019	YoY		Against plan **	
Net sales	10,092	+322	(+3.3%)	△147	(△1.4%)
Operating income	1,547	+360	(+30.4%)	+307	(+24.8%)
Ordinary income	1,608	+346	(+27.5%)	+328	(+25.6%)
2Q Net Income*	971	+288	(+42.1%)	+281	(+40.8%)

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

\*\* The plan was announced on October 11, 2018.

◆ **Over the YoY, Increase in income and profit. Against plan, the net sales is slightly unachieved and the income was achieved.**

◆ **Meikogijyuku 【number of schools】2,020 (YoY △46)**

**(February 2019) (New open +8, Closed △54)**

**【number of students】117,304 (YoY △7,741)**

**(MNJ 15,584, MAXIS 6,548, KLine2,752, FC 92,420)**

# Financial summary of the 2Q of FY 2019 (consolidated P/L)

(Unit: million yen)

	2Q of FY 2018	2Q of FY 2019	YoY	
			Change	Percentage change
<b>Net sales</b>	<b>9,769</b>	<b>10,092</b>	<b>322</b>	<b>+3.3%</b>
<b>Cost of sales</b>	<b>6,291</b>	<b>6,590</b>	<b>298</b>	<b>+4.7%</b>
Cost of sales percentage (%)	64.4%	65.3%		+0.9pt
<b>Gross profit</b>	<b>3,478</b>	<b>3,501</b>	<b>23</b>	<b>+0.7%</b>
Gross profit ratio (%)	35.6%	34.7%		△ 0.9pt
<b>SGA</b>	<b>2,291</b>	<b>1,954</b>	<b>△336</b>	<b>△14.7%</b>
SGA percentage (%)	23.5%	19.4%		△4.1pt
<b>Operating income</b>	<b>1,186</b>	<b>1,547</b>	<b>360</b>	<b>+30.4%</b>
Operating income ratio (%)	12.1%	15.3%		+3.2pt
<b>Ordinary income</b>	<b>78</b>	<b>65</b>	<b>△13</b>	<b>△17.0%</b>
<b>Ordinary losses</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>+13.9%</b>
<b>Extraordinary income</b>	<b>1,261</b>	<b>1,608</b>	<b>346</b>	<b>+27.5%</b>
Extraordinary income ratio (%)	12.9%	15.9%		+3.0pt
<b>2Q Net Income</b>	<b>683</b>	<b>971</b>	<b>288</b>	<b>+42.1%</b>
2Q Net income ratio (%)	7.0%	9.6%		+2.6pt

## ■ Sales

- Meiko Gijuku directly operated 5,273million yen (+9.3%)
- Meiko Gijuku franchised 2,568million yen (△1.5%)
- Supplemental education 216million yen (△7.5%)
- Others 2,034million yen (△3.5%)

## ■ Cost of sales

- An increase of Personal cost +209million yen  
(Due to subsidiary acquisition of K.Line, etc.)

## ■ SGA

- An decrease of SGA △336million yen  
(Sales promotion expense △390million yen)
- \*Sales promotion expense due to reforming the brand  
previous year.
- Administration cost was almost same as last year.

# Financial summary of the 2Q of FY 2019

## (consolidated B/S)

(Unit: million yen)

	The end of August 2018	The end of August 2019	YoY	
			Change	Percentage change
<b>Current assets</b>	<b>8,959</b>	<b>9,637</b>	<b>+677</b>	<b>+7.6%</b>
Property, plant and equipment	1,134	1,255	+121	+10.7%
<b>Intangible assets</b>	<b>3,436</b>	<b>3,477</b>	<b>+41</b>	<b>+1.2%</b>
Investments and other assets	5,152	5,458	+306	+5.9%
<b>Total assets</b>	<b>18,683</b>	<b>19,829</b>	<b>+1,145</b>	<b>+6.1%</b>
<b>Current liabilities</b>	<b>3,563</b>	<b>3,986</b>	<b>+422</b>	<b>+11.9%</b>
Non-current liabilities	782	914	+131	+16.8%
<b>Total liabilities</b>	<b>4,346</b>	<b>4,900</b>	<b>+553</b>	<b>+12.7%</b>
<b>Total net assets</b>	<b>14,336</b>	<b>14,928</b>	<b>+591</b>	<b>+4.1%</b>
<b>Total liabilities and net assets</b>	<b>18,683</b>	<b>19,829</b>	<b>+1,145</b>	<b>+6.1%</b>

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

### ■ Assets

(Current assets)

- An increase in cash and deposits + 1,136million yen
- A decrease in Accounts receivable  $\Delta$ 428million yen

(Intangible assets)

- An increase in goodwill + 31million yen  
New goodwill +255million yen(KMG Corporation)  
Amortization of goodwill  $\Delta$ 223million yen  
(MAXIS: 71million yen, K.Line: 29million yen, WASEDA EDU: 22million yen, Kokusai Jinzai Kaihatsu:61million yen, KOTOH&Company: 37million yen)

(Investment and other assets)

- An increase in Investment securities +267million yen  
(An increase in difference in valuation 268million yen)
- The increase of lease and guarantee deposits  
(An increase due to new consolidated company of KMG Corporation)  
+ 57million yen

### ■ Liabilities

(Current liabilities)

- An increase in Income tax payable +499million yen

### ■ Net assets

- An increase in Retained earnings +413million yen
- An increase in valuation difference on available-for-sale securities +186million yen

# Financial summary of the 2Q of FY 2019

## (consolidated C/F)

(Unit: million yen)

	2Q FY 2018	2Q FY 2019	Change from the same period of the previous year
Net cash provided by (used in) operating activities	579	1,903	+1,324
Net cash provided by (used in) investing activities	145	△13	△159
Net cash provided by (used in) financing activities	△531	△453	+77
Net increase (decrease) in cash and cash	193	1,435	+1,241
Cash and cash equivalents at beginning of period	7,306	6,116	△1,189
Cash and cash equivalents at end of period	7,500	7,552	+52

### ■ Operating activities

- An increase in net income +349million yen
- An increase in cash due to the decrease in the payment of Income tax +841million yen

### ■ Investing activities

- The cash out due to the subsidiary acquisition of KMG Corporation △227million yen\*

\*The amount is 300 million yen of acquisition price subtracted cash and deposit.

# Sales and operating income by segment

(Unit: million yen)

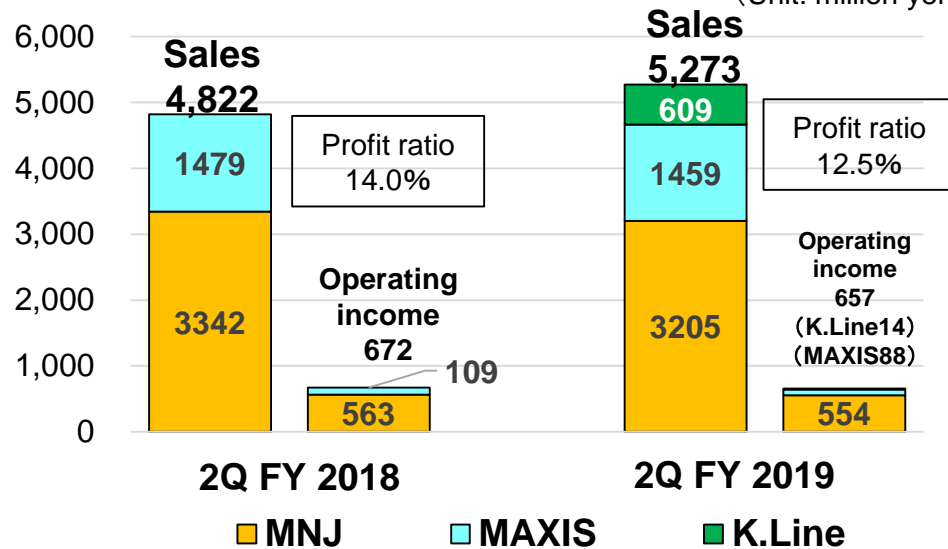
		Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Others *1	Inter-company transactions, etc.	Across the board
2Q FY 2019	Sales *2	5,273	2,568	216	2,034	–	10,092
	(YoY)	(+450)	(△37)	(△17)	(△72)	–	(+322)
	Operating income	657	1,184	△4	257	△546	1,547
	(YoY)	(△15)	(+299)	(+12)	(△22)	(+88)	(+361)
	Operating income ratio	12.5%	46.1%	–	12.6%	–	15.3%
2Q FY 2018	Sales *2	4,822	2,606	233	2,107	–	9,769
	Operating income	672	885	△16	279	△634	1,186
	Operating income ratio	14.0%	34.0%	–	13.2%	–	12.1%

※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 303 million yen in Meiko Gijuku franchised (227 million yen year on year), and 67 million yen in other segments (70 million yen year on year).

# Meiko Gijuku directly operated school business

(Unit: million yen)



■ Number of Meiko Gijyuku Schools: 367 (+39)

• MNJ:  $\Delta 2$  MAXIS:  $\Delta 1$  K.Line: +42

Due to the acquisition of Shares of K.Line (PL is included in the scope of consolidation from 4Q,2018)

■ Sales +450 million yen

• MNJ:  $\Delta 137$ million yen • MAXIS:  $\Delta 20$ million yen

• K.Line: +609million yen

■ Operating income  $\Delta 15$ million yen

• MNJ :  $\Delta 8$ million yen • MAXIS:  $\Delta 20$ million yen

• K.Line : +14million yen

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

## MNJ

(Unit: schools, people, thousand yen)

	2Q FY 2018	2Q FY 2019	Percentage change	Change
Number of schools (as of Feb.)	233	231	-0.9%	$\Delta 2$
Number of students (average of the term)	16,967	15,933	-6.1%	$\Delta 1,034$
Average number of students	72.9	68.9	-5.5%	$\Delta 3.9$
Average sales per students	197.0	201.2	2.1%	+4.2

## MAXIS・K.Line

(Unit: schools, people, thousand yen)

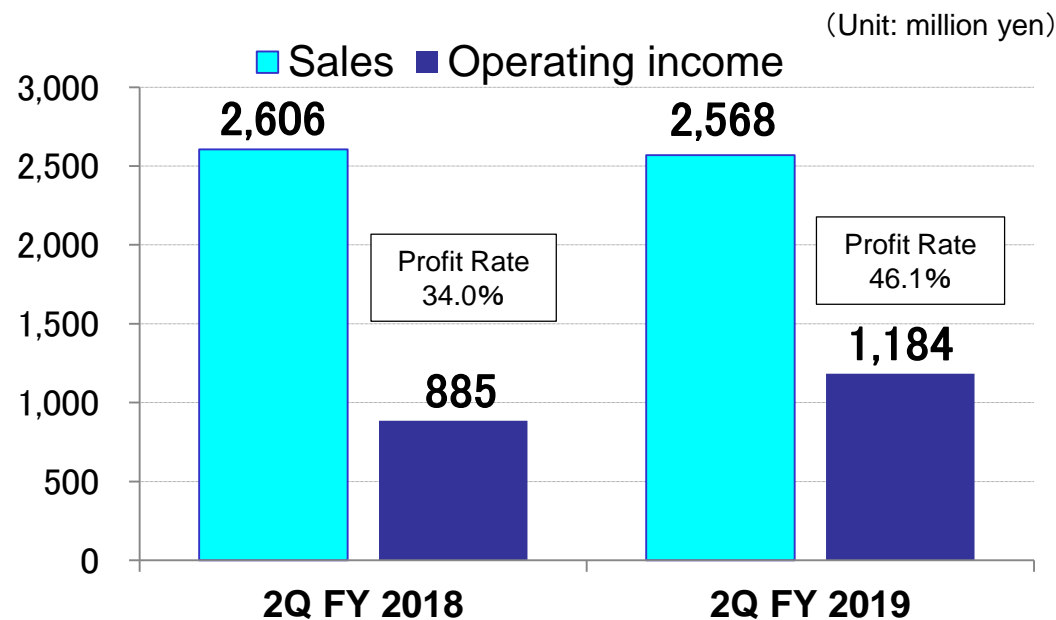
	2Q FY 2018 MAXIS	2Q FY 2019 MAXIS	2Q FY 2019 K.Line	2Q FY 2019 Total	Percentage change	Change
Number of schools	95	94	42	136	-1.1%	+41
Number of students (average of the term)	6,748	6,672	2,791	9,463	-1.1%	2,715
Average number of students	71.0	71.6	66.5	70.0	0.8%	$\Delta 1.0$
Average sales per students	219.3	218.7	218.2	218.6	-0.3%	$\Delta 0.7$

\* KMG Corporation's balance sheet is included in the scope of consolidation at the end of February 28, (Statement of income will be included in the scope of consolidation from the end of 3rd quarter. ) and this is not included in Number of Meiko Gijyuku directly operated schools・Sales・Operating income at the end of 2Q.

Number of schools: 43(end of February) Number of students (average of the term): 2,318 Average number of students for one school: 53.9



# Meiko Gijuku franchised school business



## Number of schools: 1,653 (Δ85)

- New open/ Renewal open + 5
- Transfer from directly operated school + 4
- Transfer to directly operated school Δ3
- Closed/Cancellation Δ49
- Acquisition of Shares of K.Line Δ42

## Sales Δ 38million yen

- Royalty income Δ132million yen
- FC material income +101million yen
- FC advertisement income Δ 81million yen

## Operating income +299million yen

- Due to the decrease in sales promotion expense (285million yen)

An increase of net income (※There was sales promotion expense for reforming brand previous year)

(Unit: schools, people)

Franchised	2Q FY 2018	2Q FY 2019	Percentage change	Change
Number of schools (as of Feb.)	1,738	1,653	-4.9%	Δ 85
Number of students	105,797	95,115	-10.1%	Δ 10,682
Average number of students	60.8	57.5	-5.4%	Δ 3.3
Royalty revenues (million yen)	1,783	1,651	-7.4%	Δ 132
Average royalty revenues per school (thousand yen)	1,024.8	997.7	-2.6%	Δ 27.1

# Supplemental education business/Other Business

( Unit: million yen )

	2Q FY 2018	2Q FY 2019			
		Results	YoY		Special notes(): YoY
			Change	Percentage change	
<b>Sales</b>	233	216	△17	△7.5%	Number of schools : 3 (±0) Students : 79 (△18)
<b>Operating income</b>	△ 16	△ 4	+12	-	Sales has been decreased due to the number of student has been decreased, still the loss is 12 million yen improvement in profitability by the cost cutting.
<b>Sales (Note)</b>	2,107	2,034	△73	△3.5%	
· Waseda Academy Kobetsu School	269	265	△4	△1.3%	Number of schools : Directly operated by Meiko 12(included MAXIS5) 、 Directly operated by Waseda Kobetsu 12、 F C 11、 Students : 2,577 (+ 155)
· Meiko Kids	126	167	+41	+32.7%	Number of schools 19、 Students 1,009 (+ 67)
· Meiko Soccer School	68	65	△3	△4.1%	Number of schools 13 (included FC1) 、 Students 906 (△38)
· Waseda E D U	218	226	+8	+3.5%	Japanese language schools, Students 643 (△13)
· Kokusai Jinzai Kaihatsu	434	448	+14	+3.3%	Japanese language schools, Students 1,231 (+ 48)
· Kotoh Jimusho	403	416	+13	+3.3%	Business relating to university entrance exam Both sales and profit are proceeding according to the plan.
· You DEC	354	276	△78	△22.1%	Sales at cram schools, sales of practice tests The sales of practice tests has been decreased.
· Koyoshobou	157	116	△41	△26.2%	Sales of books The sales has been decreased due to the decrease in new book publication.
· MAXIS (other business)	17	20	+3	+19.5%	
· Others	56	29	△27	△47.4%	Study club,etc
<b>Operating income</b>	279	257	△22	△8.0%	

※ (Note) Sales amounts exclude intra-group transactions

※ Number of schools・students are based on the data at the end of February, 2019.

# Performance and dividend forecast for August, 2019

(Unit: million yen)

	2Q 2019(cumulated)				Full year
	Plan*	Actual	Against plan		Plan *
Net sales	10,240	10,092	△ 148	△ 1.4%	20,320
Operating income	1,240	1,547	307	+24.8%	1,860
Ordinary income	1,280	1,608	328	+25.6%	1,940
2Q Net Income	690	971	281	+40.7%	1,020

\* The plan was announced on October 11, 2018

- For reconstruction of Meiko, we are working on our issues, also considering the decrease of school, we decided to keep the full year forecast announced on last October.
- The dividend for the term ending August 2019 is expected to be 30 yen per share.( the interim dividend will be 15 yen, year end dividend will be 15 yen), dividend payout ratio is expected to be 78.1%.

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