

(Securities Code:4668)

# Meiko Network Japan co.,Ltd.

**Consolidated financial results for the Second Quarter  
of the Year ending August 2018**

**April 12,2018**

**Setsuro Tagami,President**

# Performance Report for the Second Quarter of the Year ending August 31, 2018

Note: “The second quarter” here means a period of six months from September 2017 to February 2018 (consolidated cumulative period).

# Highlights of the 2Q of the year ending August 2018 (consolidated)

(Unit: million yen)

|                  | 2Q of FY 2018 | Against plan  | YoY             |
|------------------|---------------|---------------|-----------------|
| Net sales        | 9,769         | △285 (△ 2.8%) | △375 (△ 3.7%)   |
| Operating income | 1,186         | +262 (+28.3%) | △852 (△41.8%)   |
| Ordinary income  | 1,261         | +292 (+30.2%) | △902 (△41.7%)   |
| 2Q Net Income*   | 683           | +158 (+30.1%) | △1,029 (△60.1%) |

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

## Plan for the FY 2018 ending August 2018

- ◆ The plan for sales reflects an expected decline because of a decrease in enrollment at the beginning of the year in the Meiko Gijuku Business.
- ◆ The plan for operating income includes upfront key expenditures for branding renovation, the strengthening of marketing, and the introduction of ICT content.

# Financial summary of the 2Q of FY 2018 (consolidated P/L)

(Unit: million yen)

|                              | 2Q of FY 2017 | 2Q of FY 2018 | YoY    |                   |
|------------------------------|---------------|---------------|--------|-------------------|
|                              |               |               | Change | Percentage change |
| <b>Net sales</b>             | 10,145        | 9,769         | △375   | △3.7%             |
| <b>Cost of sales</b>         | 6,206         | 6,291         | 85     | +1.4%             |
| Cost of sales percentage (%) | 61.2%         | 64.4%         |        | +3.2pt            |
| <b>Gross profit</b>          | 3,939         | 3,478         | △460   | △11.7%            |
| Gross profit ratio (%)       | 38.8%         | 35.6%         |        | △3.2pt            |
| <b>SGA</b>                   | 1,900         | 2,291         | 391    | +20.6%            |
| SGA percentage (%)           | 18.7%         | 23.5%         |        | +4.7pt            |
| <b>Operating income</b>      | 2,039         | 1,186         | △852   | △41.8%            |
| Operating income ratio (%)   | 20.1%         | 12.1%         |        | △8.0pt            |
| <b>Ordinary income</b>       | 2,164         | 1,261         | △902   | △41.7%            |
| Ordinary income ratio (%)    | 21.3%         | 12.9%         |        | △8.4pt            |
| <b>Extraordinary income</b>  | 544           | 0             | △544   | —                 |
| <b>Extraordinary losses</b>  | 0             | 2             | 2      | —                 |
| <b>2Q Net Income*</b>        | 1,713         | 683           | △1,029 | △60.1%            |
| 2Q Net income ratio (%)      | 16.9%         | 7.0%          |        | △9.9pt            |

## ■ Sales

- Meiko Gijuku directly operated △321 million yen
- Meiko Gijuku franchised △209 million yen
- Cram-school business △96 million yen
- Meiko Kids +37 million yen
- Waseda EDU +34 million yen
- Kokusai Jinzai Kaihatsu +39 million yen etc.

## ■ Cost of sales

- Waseda EDU +35 million yen
- Cost related to the relocation of school buildings, etc.

## ■ Non-operating income

- Cost related to new advertisements +371 million yen etc.

## ■ Extraordinary income

- The extraordinary income of the previous year shows a gain on the sale of fixed assets.

# Financial summary of the 2Q of FY 2018 (consolidated B/S)

(Unit: million yen)

|   | The end of August 2017 | The end of August 2018 | YoY    |                   |
|---|------------------------|------------------------|--------|-------------------|
|   |                        |                        | Change | Percentage change |
| <b>Current assets</b>                   | 10,431                 | 10,069                 | Δ 361  | Δ 3.5%            |
| Property, plant and equipment           | 1,164                  | 1,194                  | +30    | +2.6%             |
| <b>Intangible assets</b>                | 3,348                  | 3,116                  | Δ 231  | Δ 6.9%            |
| Investments and other assets            | 4,370                  | 5,054                  | +684   | +15.6%            |
| <b>Total assets</b>                     | 19,314                 | 19,434                 | +120   | +0.6%             |
| <b>Current liabilities</b>              | 4,168                  | 3,563                  | Δ 605  | Δ 14.5%           |
| <b>Non-current liabilities</b>          | 729                    | 915                    | +186   | +25.6%            |
| <b>Total liabilities</b>                | 4,897                  | 4,479                  | Δ 418  | Δ 8.6%            |
| <b>Total net assets</b>                 | 14,416                 | 14,955                 | +539   | +3.7%             |
| <b>Total liabilities and net assets</b> | 19,314                 | 19,434                 | +120   | +0.6%             |

## ■ Assets

(Current assets)

- A decrease in securities Δ200 million yen etc.  
Redemption of securities held, etc.

(Intangible assets)

- Amortization of goodwill Δ193 million yen etc.  
MAXIS Δ71 million yen  
Kokusai Jinzai Kaihatsu Δ61 million yen  
Kotoh Jimusho Δ37 million yen  
Waseda EDU Δ22 million yen

(Investment and other assets)

- An increase in the market value of shares held, etc. + 696 million yen

## ■ Liabilities

(Current liabilities)

- A decrease in income taxes payable Δ467 million yen etc.  
Due to reduced return

# Financial summary of the 2Q of FY 2018 (consolidated C/F)

(Unit: million yen)

|  | 2Q FY 2017 | 2Q FY 2018 | Change from the same period of the previous year |
|--|------------|------------|--|
| Net cash provided by(used in) operating activities | 2,117      | 579        | △ 1,537  |
| Net cash provided by(used in) investing activities | 1,555      | 145        | △ 1,409  |
| Net cash provided by(used in) financing activities | △ 517      | △ 531      | △ 14   |
| Net increase (decrease) in cash and cash           | 3,155      | 193        | △ 2,961  |
| Cash and cash equivalents at beginning of period   | 4,189      | 7,306      | +3,116   |
| Cash and cash equivalents at end of period         | 7,344      | 7,500      | +155   |

## ■ Operating activities

- 579 million yen, down 1,537 million yen on a year-on-year basis, due to a decrease in operating income

## ■ Investing activities

- 145 million yen, down 1,409 million yen on a year-on-year basis, due to impact of income of 1,300 million yen obtained from the sale of real estate held for investment in the previous year.

## ■ Financing activities

- Expenditures for financial activities were 531 million yen, up 14 million yen on a year-on-year basis, due to increased dividend payment

# Sales and operating income by segment

(Unit: million yen)

|               |                           | Meiko Gijuku<br>directly operated<br>schools | Meiko Gijuku<br>franchised schools | Supplemental<br>education | Others *1 | Inter-company<br>transactions, etc. | Across the board |
|---------------|---------------------------|--|------------------------------------|---------------------------|-----------|-------------------------------------|------------------|
| 2Q FY<br>2018 | Sales *2                  | 4,822  | 2,606                              | 233                       | 2,107     | –                                   | 9,769            |
|               | (YoY)                     | (△321)                                       | (△209)                             | (△96)                     | (+251)    | –                                   | (△375)           |
|               | Operating income          | 672  | 885                                | △16                       | 279       | △634                                | 1,186            |
|               | (YoY)                     | (△243)                                       | (△589)                             | (△80)                     | (+76)     | (△15)                               | (△852)           |
|               | Operating<br>income ratio | 14.0%  | 34.0%                              | –                         | 13.3%     | –                                   | 12.1%            |
| 2Q FY<br>2017 | Sales *2                  | 5,143  | 2,815                              | 329                       | 1,855     | –                                   | 10,145           |
|               | Operating income          | 916  | 1,474                              | 63                        | 203       | △619                                | 2,039            |
|               | Operating<br>income ratio | 17.8%  | 52.4%                              | 19.3%                     | 11.0%     | –                                   | 20.1%            |

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

\*2. Intra-group transactions are eliminated from sales amounts. Deducted amounts are 227 million yen in Meiko Gijuku franchised (256 million yen year on year), and 70 million yen in other segments (66 million yen year on year).

# Number of Meiko Gijuku Schools and Number of Students

(Unit: schools, people, million yen)

| as of Feb. 2018    | 2Q FY 2017 | 2Q FY 2018 | YoY     |
|--------------------|------------|------------|---------|
| Number of schools  | 2,105      | 2,066      | △39     |
| Number of students | 133,018    | 125,045    | △7,973  |
| System-wide sales  | 23,465     | 22,107     | △ 1,358 |

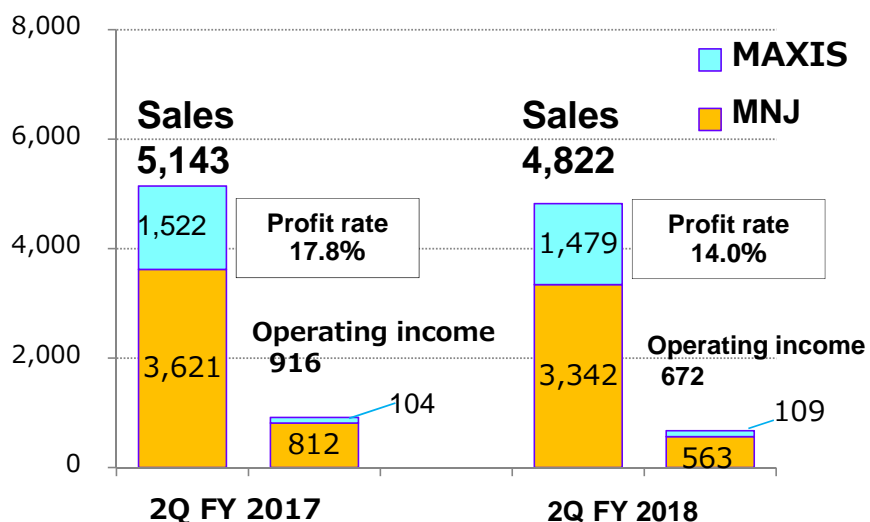
[Number of schools] (New open: +23, Close: △62)

[Number of students] (MNJ: △1,367, MAXIS: △326, FC: 6,280)



# Meiko Gijuku directly operated school business

(Unit: million yen)



■ Sales: 4,822 million yen

• YoY  $\Delta$  6.2% ( $\Delta$  321 million yen)

■ Operating income: 672 million yen

• YoY  $\Delta$  26.6% ( $\Delta$  243 million yen)

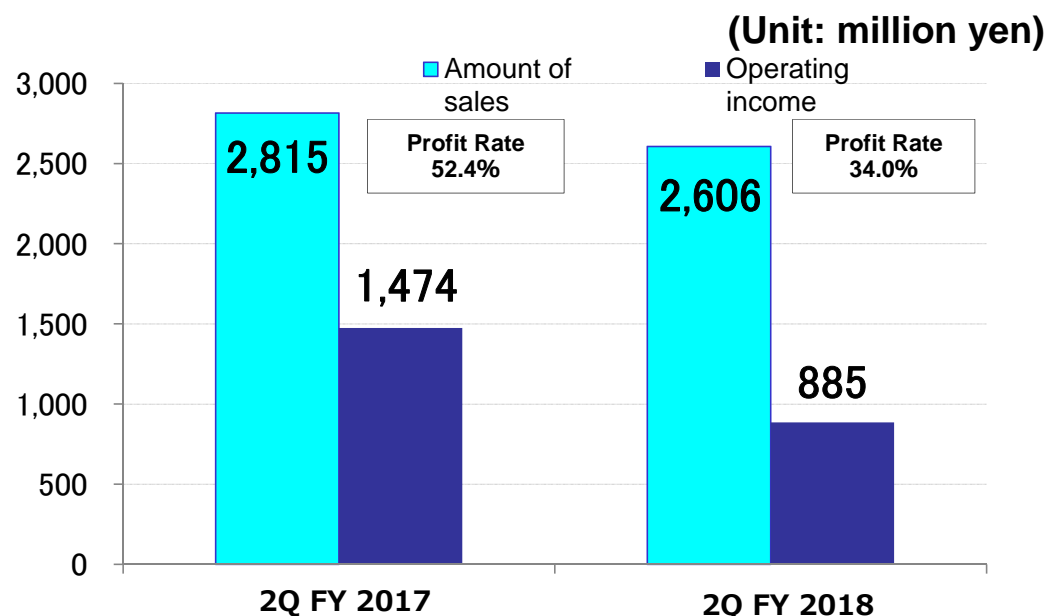
■ Number of schools: 328 (up 3 YoY)

• MNJ: +2      MAXIS: +1

| MNJ                                      |            | (Unit: schools, people, thousand yen) |                   |                |  |
|--|------------|---------------------------------------|-------------------|----------------|--|
|  | 2Q FY 2017 | 2Q FY 2018                            | Percentage change | Change         |  |
| Number of schools (as of Feb.)           | 231        | 233                                   | 0.9%              | +2             |  |
| Number of students (average of the term) | 17,997     | 16,967                                | -5.7%             | $\Delta$ 1,030 |  |
| Average number of students               | 78.0       | 72.9                                  | -6.5%             | $\Delta$ 5.1   |  |
| Average sales per students               | 201.2      | 197.0                                 | -2.1%             | $\Delta$ 4.2   |  |

| MAXIS                                    |            | (Unit: schools, people, thousand yen) |                   |              |  |
|--|------------|---------------------------------------|-------------------|--------------|--|
|  | 2Q FY 2017 | 2Q FY 2018                            | Percentage change | Change       |  |
| Number of schools (as of Feb.)           | 94         | 95                                    | 1.1%              | +1           |  |
| Number of students (average of the term) | 7,025      | 6,748                                 | -3.9%             | $\Delta$ 277 |  |
| Average number of students               | 75.3       | 71.0                                  | -5.7%             | $\Delta$ 4.2 |  |
| Average sales per students               | 216.7      | 219.3                                 | 1.2%              | +2.6         |  |

# Meiko Gijuku franchised school business



■ Sales: 2,606 million yen

• YoY  $\Delta$ 7.4% ( $\Delta$ 209 million yen)

■ Operating income: 885 million yen

• YoY  $\Delta$ 40.0% ( $\Delta$ 589 million yen)

A decrease in the profit rate by 18.4% due to an increase in fixed cost resulting from a decrease in sales and an increase in promotion expenditures due to brand renovation

■ Number of schools: 1,738 (down 42)

New open: +19, Close:  $\Delta$ 61

\* Sales amounts exclude intra-group transactions.

(Unit: schools, people)

| Franchised   | 2Q FY 2017 | 2Q FY 2018 | Percentage change | Change         |
|--|------------|------------|-------------------|----------------|
| Number of schools (as of Feb.)                     | 1,780      | 1,738      | -2.4%             | $\Delta$ 42    |
| Number of students (average of the term)           | 110,850    | 105,797    | -4.6%             | $\Delta$ 5,053 |
| Average number of students                         | 62.3       | 60.8       | -2.4%             | $\Delta$ 1.5   |
| Royalty revenues (million yen)                     | 1,876      | 1,783      | -5.0%             | $\Delta$ 93    |
| Average royalty revenues per school (thousand yen) | 1,055      | 1,024      | -2.9%             | $\Delta$ 31    |

# Supplemental education business/Other Business

(Unit: million yen)

|                        |                                 | 2Q FY 2017 | 2Q FY 2018 |                   |        | Special notes ( ): YoY                                    |
|------------------------|---------------------------------|------------|------------|-------------------|--------|---|
|                        |                                 |            | Results    | Percentage change | Change |   |
| Supplemental education | Sales                           | 329        | 233        | -29.2%            | △ 96   | Number of schools: 3 (±0), Students: 97 (△33)             |
|                        | Operating income                | 63         | -16        | -                 | △ 80   |   |
| Other Business         | Sales (Note)                    | 1,855      | 2,107      | 13.6%             | +251   |   |
|                        | · Waseda Academy Kobetsu School | 258        | 269        | 4.3%              | +11    | Number of schools: 35 (+4), Students: 2,422 (+258)        |
|                        | · Meiko Kids                    | 88         | 126        | 43.2%             | +37    | Number of schools: 15 (±0), Regular member: 360 (+132)    |
|                        | · Meiko Soccer School           | 70         | 68         | -2.9%             | △ 2    | Number of schools: 14 (△2), Students: 931 (△73)           |
|                        | · Waseda EDU                    | 184        | 218        | 18.5%             | +34    | Japanese language schools, Students: 656 (+94)            |
|                        | · Kokusai Jinzai Kaihatsu       | 394        | 434        | 10.2%             | +39    | Japanese language schools, Students: 1,183 (+91)          |
|                        | · Kotoh Jimusho                 | 385        | 403        | 4.7%              | +17    | Business relating to university entrance exam.            |
|                        | · You DEC                       | 361        | 354        | -1.9%             | △ 7    | Sales at cram schools, sales of practice tests            |
|                        | · Koyoshobou                    | 70         | 157        | 124.3%            | +86    | Sales of books  |
|                        | · MAXIS (other business)        | 19         | 17         | -10.5%            | △ 2    | Other businesses operated by a subsidiary MAXIS Education |
|                        | · Others                        | 20         | 56         | 180.0%            | +36    |   |
|                        | Operating income                | 203        | 279        | 37.4%             | +76    |   |

(Note) Sales amounts exclude intra-group transactions

# Growth of other businesses

| Business                      | Number of students<br>End of Feb. 2018 | Number of students<br>Year-on-year |
|-------------------------------|--|------------------------------------|
| Waseda Academy Kobetsu School | 2,422                                  | +258                               |
| Kids Business                 | 942                                    | +206                               |
| Waseda EDU Japanese School    | 656                                    | +94                                |
| JCLI Japanese School          | 1,183                                  | +91                                |



Waseda Academy Kobetsu School



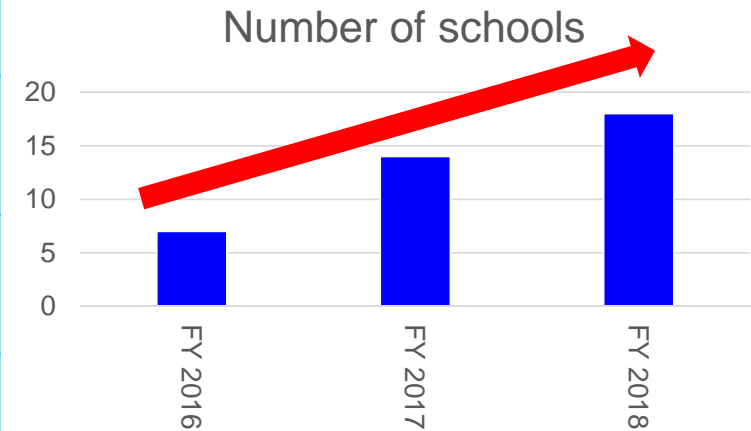
Kids business



Waseda EDU Japanese School

# Deployment of Meiko Gijuku in Taiwan

| Number of schools (end of Feb. 2018) |           |   |
|--------------------------------------|-----------|---|
| Direct operation                     | 10        | Taipei 6, Taichung 4  |
| FC school                            | 8         | Taipei 2, Taichung 3, Hsinchu 2, Kaohsiung 1                    |
| <b>Total</b>                         | <b>18</b> | <b>Expansion of both directly managed and franchise schools</b> |



\* Three schools opened in March 2018 and another three schools to open in April 2018.



# Acquisition of Shares of K. Line Co., Ltd.

|                       |  |
|-----------------------|--|
| <b>Name</b>           | K. Line Co., Ltd.  |
| <b>Location</b>       | Carrot Tower 17F, 4-1-1, Taishido, Setagaya-ku, Tokyo  |
| <b>Representative</b> | Misako Sugimoto, President   |
| <b>Capital</b>        | 10 million yen   |
| <b>Foundation</b>     | February 1990  |
| <b>Business</b>       | Operation of private-tutoring school, Meiko Gijuku<br>42 schools in Tokyo, Kanagawa, Shizuoka, and Aichi prefecture. |

**Further development of the Meiko Gijuku business  
and the strengthening of its franchise competitiveness.**

# Projected results for the year ending August 2018 and progress

(Unit: million yen)

|  | 2Q (Year to Date) |              |              |               | Full year     |              |
|--|-------------------|--------------|--------------|---------------|---------------|--------------|
|  | Plan **           | Results      | Comparison   |               | Plan **       | Progress     |
| <b>Sales</b>                                   | <b>10,054</b>     | <b>9,769</b> | <b>Δ 285</b> | <b>△2.8%</b>  | <b>20,415</b> | <b>47.9%</b> |
| <b>Operating income</b>                        | <b>924</b>        | <b>1,186</b> | <b>262</b>   | <b>+28.3%</b> | <b>2,011</b>  | <b>59.0%</b> |
| <b>Ordinary income</b>                         | <b>968</b>        | <b>1,261</b> | <b>292</b>   | <b>+30.2%</b> | <b>2,100</b>  | <b>60.0%</b> |
| <b>Net income for the year (2nd quarter)**</b> | <b>525</b>        | <b>683</b>   | <b>158</b>   | <b>+30.1%</b> | <b>1,191</b>  | <b>57.3%</b> |

\*\* The planned figures correspond to those announced on October 12, 2017.

# Dividend policy

## [Basic policy]

Continuous increase in dividends per share

## [Development of dividends]

|                             | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|-----------------------------|---------|---------|---------|---------|---------|
| Dividend per share          | 32 yen  | 34 yen  | 38 yen  | 40 yen  | 42 yen  |
| Payout ratio (consolidated) | 40.2%   | 39.6%   | 107.8%  | 52.0%   |         |

We plan to pay out 42 yen, an increase of 2 yen for the year ending August 2018

We aim to continue increasing dividend for consecutive 20 years from the following year of the JASDAQ listing in April 1997.

Note: the amount shown in the 2018 column is planned.



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The document is designed to provide information on operating results for the second quarter of the fiscal year ended August 2018 and not to solicit investments in securities issued by the company. This report is based on data as of end of February 2018. 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.