

# MEIKO Network Japan Co., Ltd.

Consolidated financial results for the  
fiscal year ended August 2016

October 11, 2016

Setsuro Tagami, President

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**The 32nd term  
(year ended August 2016)  
Performance report**

# Highlights of the year ended August 2016 (consolidated)

(million yen)

|                         | FY 2016 | YoY             | Against plan**  |
|-------------------------|---------|-----------------|-----------------|
| <b>Net sales</b>        | 18,672  | △96 (△ 0.5%)    | △1,146 (△ 5.8%) |
| <b>Operating income</b> | 2,175   | △1,380 (△38.8%) | △1,525 (△41.2%) |
| <b>Ordinary income</b>  | 2,325   | △1,477 (△38.8%) | △1,556 (△40.1%) |
| <b>Net income*</b>      | 944     | △1,425 (△60.2%) | △1,456 (△60.7%) |

\* Profit attributable to owners of the parent

\*\* the plan announced in Oct. 2015

- Integrating Kokusai Jinzai Kaihatsu Co., Ltd. and Kotoh Jimusho Co., Ltd. since the 4Q, We became consolidated companies which consisted of the parent company and 7 consolidated subsidiaries, and a company accounted for using the equity method.
- Meiko Gijuku (end of FY 2016)
  - Number of schools 2,102 (down 35 YoY) (new open +23, close △58)
  - Number of students 130,259 (down 6,631 YoY)
  - (directly operated(MNJ) △225, directly operated(MAXIS) △485, franchised △5,921)

# Financial summary of FY 2016 (consolidated P/L)

(million yen)

|                               | FY 2015 | FY 2016 | YoY    |                   |
|-------------------------------|---------|---------|--------|-------------------|
|                               |         |         | Change | Percentage change |
| <b>Net sales</b>              | 18,768  | 18,672  | △96    | △0.5%             |
| <b>Cost of sales</b>          | 11,792  | 12,165  | 372    | +3.2%             |
| Cost of sales percentage(%)   | 62.8%   | 65.2%   |        |                   |
| <b>Gross profit</b>           | 6,975   | 6,506   | △469   | △6.7%             |
| Gross profit ratio(%)         | 37.2%   | 34.8%   |        |                   |
| <b>SGA</b>                    | 3,420   | 4,331   | 911    | +26.6%            |
| SGA percentage(%)             | 18.2%   | 23.2%   |        |                   |
| <b>Operating income</b>       | 3,555   | 2,175   | △1,380 | △38.8%            |
| Operating income ratio(%)     | 18.9%   | 11.6%   |        |                   |
| <b>Non-operating income</b>   | 295     | 225     | △69    | —                 |
| <b>Non-operating expenses</b> | 48      | 75      | 27     | —                 |
| <b>Ordinary income</b>        | 3,803   | 2,325   | △1,477 | △38.8%            |
| Ordinary income ratio(%)      | 20.3%   | 12.5%   |        |                   |
| <b>Extraordinary income</b>   | 115     | 67      | △47    | —                 |
| <b>Extraordinary losses</b>   | 19      | 575     | 556    | —                 |
| <b>Net income*</b>            | 2,369   | 944     | △1,425 | △60.2%            |
| net income ratio(%)           | 12.6%   | 5.1%    |        |                   |

## ■ Sales

- Meiko Gijuku directly operated △198M
- Meiko Gijuku franchised △314M
- Kokusai Jinzai Kaihatsu +172M
- Waseda EDU +88M
- Kotoh Jimusho +30M etc.

## ■ Cost of sales

- Increase in personnel expenses +348M  
(Due to newly consolidated subsidiaries and others)

## ■ SGA

- Increase in selling expenses +715M  
(Additional sales promotion expenses +547M)
- Increase in administrative expenses +195M  
(Incidental expenses to acquire newly consolidated subsidiaries +64M, Goodwill amortization +60M)

## ■ Non-operating income

- Gain on reversal of loss on valuation of investment securities △67M

## ■ Extraordinary losses

- Adjustment for tutors' salary +408M
- Losses about affiliated companies +154M

# Financial summary of FY 2016 (consolidated B/S)

(million yen)

|   | August 2015 | August 2016 | YoY    |                   |
|---|-------------|-------------|--------|-------------------|
|   |             |             | Change | Percentage change |
| <b>Current assets</b>                   | 9,828       | 6,865       | △2,963 | △30.1%            |
| Property, plant and equipment           | 1,128       | 1,161       | +32    | +2.9%             |
| Intangible assets                       | 2,257       | 3,782       | +1,525 | +67.6%            |
| Investments and other assets            | 5,465       | 5,160       | △305   | △5.6%             |
| <b>Total assets</b>                     | 18,680      | 16,970      | △1,710 | △9.2%             |
| <b>Current liabilities</b>              | 3,357       | 3,059       | △297   | △8.9%             |
| Non-current liabilities                 | 694         | 701         | +6     | +0.9%             |
| <b>Total liabilities</b>                | 4,052       | 3,760       | △291   | △7.2%             |
| <b>Total net assets</b>                 | 14,628      | 13,209      | △1,419 | △9.7%             |
| <b>Total liabilities and net assets</b> | 18,680      | 16,970      | △1,710 | △9.2%             |

## ■ Assets

(Current assets)

- Decrease in cash and deposits △2,711M  
( Due to purchase of treasury shares and shares of newly consolidated subsidiaries etc.)

(Intangible assets)

- Increase in goodwill +1,568M  
【Newly accrued】 +1,828M  
Kokusai Jinzai +1,235M, Kotoh Jimusho +592M  
【Amortization】 △259M  
MAXIS △143M, Waseda EDU △45M,  
Kokusai Jinzai △30M, You DEC △20M,  
Kotoh Jimusho △18M

(Investment and other assets)

- Decrease in investment securities △74M  
( Stocks sales 94M, Bonds redemption 100M )
- Decrease in Long-term time deposits  
△172M

## ■ Net assets

- Increase in treasury shares △1,500M  
Purchase 1,046 thousand shares  
from October 2015 to December 2015  
( 3.8% of outstanding shares )

## ■ Liabilities

(Current liabilities)

- Decrease in income taxes payable  
△398M

# Financial summary of FY 2016 (consolidated C/F)

(million yen)

|  | FY 2015 | FY 2016 | Change from the previous year |
|--|---------|---------|-------------------------------|
| Net cash provided by (used in) operating activities  | 2,443   | 937     | △1,506                        |
| Net cash provided by (used in) investing activities  | △1,460  | 115     | +1,575                        |
| Net cash provided by (used in) financing activities  | △922    | △2,486  | △1,564                        |
| Net increase (decrease) in cash and cash equivalents | 60      | △1,434  | △1,494                        |
| Cash and cash equivalents at beginning of period     | 5,563   | 5,623   | +60                           |
| Cash and cash equivalents at end of period           | 5,623   | 4,189   | △1,434                        |

## ■ Operating activities

- 937M (down 1,506M YoY)  
Due to profit reduced

## ■ Investing activities

- Drawback of time deposits  
+ 1,549M
- Purchase of shares of newly consolidated subsidiaries △1,528M

## ■ Financing activities

- Cash dividends paid △973M
- Purchase of treasury shares  
△1,500M

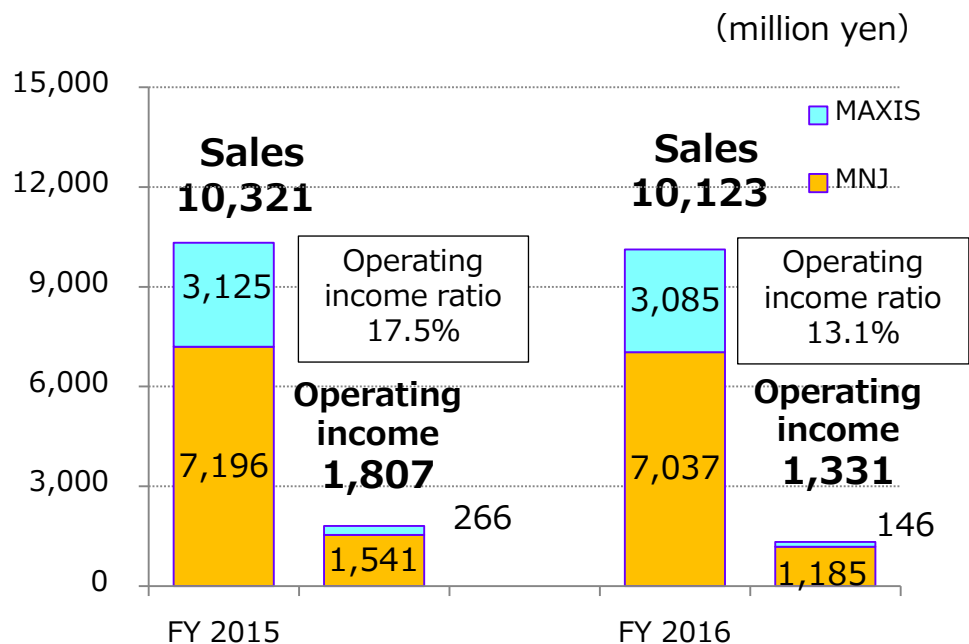
# Sales and operating income by segment

(million yen)

|                    |                                    | Meiko Gijuku<br>directly operated<br>schools | Meiko Gijuku<br>franchised<br>schools | Supplemental<br>education | Others<br>※1 | Inter-company<br>transactions,<br>etc. | Across<br>the<br>board |
|--------------------|------------------------------------|--|---------------------------------------|---------------------------|--------------|--|------------------------|
| <b>FY<br/>2016</b> | <b>Sales</b>                       | 10,123                                       | 6,144                                 | 689                       | 2,405        | △690                                   | 18,672                 |
|                    | (Change from<br>the previous year) | (△198)                                       | (△314)                                | (+49)                     | (+499)       | –                                      | (△96)                  |
|                    | <b>Operating income</b>            | 1,331  | 2,147                                 | 113                       | △178         | △1,238                                 | 2,175                  |
|                    | (Change from<br>the previous year) | (△476)                                       | (△865)                                | (+40)                     | (△88)        | –                                      | (△1,380)               |
|                    | <b>Operating income<br/>ratio</b>  | 13.1%  | 34.9%                                 | 16.4%                     | △7.4%        | –                                      | 11.6%                  |
| <b>FY<br/>2015</b> | <b>Sales</b>                       | 10,321                                       | 6,458                                 | 640                       | 1,906        | △558                                   | 18,768                 |
|                    | <b>Operating income</b>            | 1,807  | 3,012                                 | 73                        | △90          | △1,248                                 | 3,555                  |
|                    | <b>Operating income<br/>ratio</b>  | 17.5%  | 46.6%                                 | 11.4%                     | △4.8%        | –                                      | 18.9%                  |

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

# Meiko Gijuku directly operated school business



- **Number of schools: 323 (up 10 YoY)**
  - MNJ: +8                      MAXIS: +2
- **Sales: down 198M YoY**
  - Number of schools: up
  - Number of students
    - MNJ: up a little    MAXIS: down a little
  - Average sales per students: down
- **Operating income: down 476M YoY**
  - MNJ: down 356M    MAXIS: down 120M

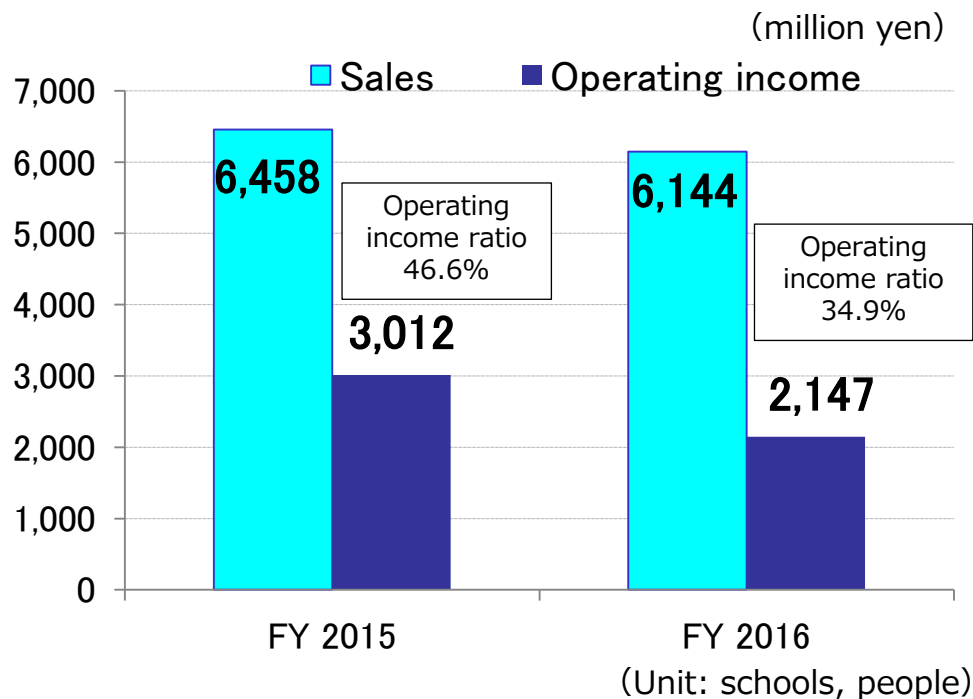
(Unit: schools, people, thousand yen)

| MNJ directly operated                    | FY 2015 | FY 2016 | Change from the previous year |
|--|---------|---------|-------------------------------|
| Number of schools (end of the term)      | 222     | 230     | +8                            |
| Number of students (average of the term) | 17,364  | 17,441  | +77                           |
| Average number of students               | 78.2    | 75.8    | △2.4                          |
| Average sales per students               | 414.4   | 403.5   | △10.9                         |

| MAXIS directly operated                  | FY 2015 | FY 2016 | Change from the previous year |
|--|---------|---------|-------------------------------|
| Number of schools (end of the term)      | 91      | 93      | +2                            |
| Number of students (average of the term) | 7,016   | 6,963   | △53                           |
| Average number of students               | 77.1    | 74.9    | △2.2                          |
| Average sales per students               | 445.4   | 443.1   | △2.3                          |



# Meiko Gijuku franchised school business



| franchised   | FY 2015 | FY 2016 | Change from the previous year |
|--|---------|---------|-------------------------------|
| Number of schools (end of the term)                | 1,915   | 1,872   | △43                           |
| Number of students (average of the term)           | 117,521 | 114,648 | △2,873                        |
| Average number of students                         | 61.4    | 61.2    | △0.2                          |
| Royalty revenues (million yen)                     | 3,810   | 3,686   | △124                          |
| Average royalty revenues per school (thousand yen) | 1,990   | 1,969   | △21                           |

■ Number of schools: 1,872  
(down 43 YoY)

- New open +21
  - Transfer from directly operated +2
  - Transfer to directly operated △9
  - Close △57
- for improvement of profitability, scrap and building of schools strategically

■ Sales: down 314M YoY

- Sales of fixtures and advertisement down 267M
- Royalty revenues down 124M etc.

■ Operating income: 865M YoY

- Decrease of sales
- Increase of cost such as additional sales promotion expenses (547M)

# Supplemental education business (Medical cram school "Tokyo Ishin Gakuin")

(million yen)

|                               | FY 2015 | FY 2016 | Change from the previous year |
|-------------------------------|---------|---------|-------------------------------|
| <b>Sales</b>                  | 640     | 689     | +49                           |
| <b>Operating income</b>       | 73      | 113     | +40                           |
| <b>Operating income ratio</b> | 11.4%   | 16.4%   | +5.0pt                        |

## ■ Sales up 49M YoY

- Due to good results of summer and winter course

## ■ Operating income up 40M YoY

- Sales increased and expenses decreased. Therefore income ratio rose greatly.

## ■ Number of students: 139

(end of FY 2016)



【the whole dormitory system】 Mitaka School

# Other businesses

(million yen)

|  | FY 2015 | FY 2016 |      |   |
|--|---------|---------|------|---|
|  |         | Results | YoY  | Special notes   |
| <b>Sales</b>   | 1,906   | 2,405   | +499 |   |
| Waseda Academy Kobetsu School                        | 298     | 355     | +57  | The number of schools:30 (including 9 franchised)<br>The number of students:2,355                   |
| <b>Meiko Kids</b>                                    | 124     | 179     | +55  | The number of schools:13<br>The number of students:608  |
| <b>Meiko Soccer</b>                                  | 140     | 147     | +7   | The number of schools:16 (including 1 franchised)<br>The number of students:971                     |
| <b>Waseda EDU</b>                                    | 205     | 294     | +89  | Consolidated Dec.2014 → FY2015(9months), FY2016(12months)<br>The number of students:461 (up 26 YoY) |
| <b>Kokusai Jinzai</b>                                |         | 172     | +172 | Consolidated Jun.2016 → FY2016 (3months)  |
| <b>Kotoh Jimusho</b>                                 |         | 30      | +30  | Consolidated Jun.2016 → FY2016 (3months)  |
| <b>You DEC</b>                                       | 810     | 815     | +5   | Sales of cram schools within campus,<br>Sales of trial examinations etc.                            |
| <b>Koyoshobou</b>                                    | 217     | 246     | +29  | Sales of books and others   |
| MAXIS Education (Excluding<br>Meiko Gijuku business) | 103     | 147     | +44  | MAXIS' business<br>except Meiko Gijuku directly operated business                                   |
| <b>Others</b>  | 4       | 16      | +12  | Overseas business (Taiwan joint venture) and others   |
| <b>Operating income</b>                              | △90     | △178    | △88  | Goodwill amortization: Waseda EDU +22M,<br>Kokusai Jinzai +30M, Kotoh Jimusho +18M                  |

(note) Sales are presented before offsetting inter-company transactions.

# **New medium-term management plan**

**The 33rd term (Year ending August 2017)  
– the 36th term (Year ending August 2020)**

# 2020 Vision

Striving for further growth  
with educational and cultural activities  
as the core,  
we aim to become the top human  
resources development company.

# New medium-term management plan (four years)

## <Management goals>

The 36th term (the year ending August 2020)

Number of schools: 2,180 across Japan

Number of students: exceeding 150,000

Sales: JPY 22.5 bn, Operating income: JPY 3.6 bn

Aim for successive growth of dividends

(Dividend growth for 18 consecutive years achieved in  
the 32nd term)

# New medium-term management plan (four years)

## <New medium-term management strategies>

(i) Enhance Meiko Gijuku  
business activities

(iv) Develop human  
resources

(ii) Improve profitability  
of all businesses

(v) Boost our corporate  
value

(iii) Expand business domains  
for the sustainable growth

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