

MEIKO Network Japan Co., Ltd.
**Consolidated financial results for the second
quarter of the fiscal year ending August 2016**

April 8, 2016

Setsuro Tagami, President

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Highlights of 2Q of the year ending August 2016 (consolidated)

(million yen)

	2Q of FY 2016	YoY	Against plan
Net sales	9,419	+50 (+0.5%)	△363 (△3.7%)
Operating income	1,551	△566 (△26.7%)	△53 (△3.4%)
Ordinary income	1,578	△720 (△31.4%)	△78 (△4.7%)
Net income	540	△963 (△64.0%)	△124 (△18.7%)

- Although sales increased by 0.5%, operating income and net income decreased by 26.7% and by 64.0% YoY, respectively. Adjustment for tutors' salary and sales promotion expenses reduced profits.
- Meiko Gijuku (end of the term)
Number of schools 2,126 (down 11 YoY)
(new open +8, close △19)
Number of students 138,250 (down 1,265 YoY)
(directly operated(MNJ) +164, directly operated(MAXIS) +8, franchised △1,437)

Financial summary of 2Q of FY 2016 (consolidated P/L)

(million yen)

	2Q of FY 2015	2Q of FY 2016	YoY	
			Change	Percentage change
Net sales	9,368	9,419	50	+0.5%
Cost of sales	5,672	5,983	310	+5.5%
Cost of sales percentage(%)	60.5%	63.5%		
Gross profit	3,695	3,435	△259	△7.0%
Gross profit ratio(%)	39.5%	36.5%		
SGA	1,578	1,884	306	+19.4%
SGA percentage(%)	16.8%	20.0%		
Operating income	2,117	1,551	△566	△26.7%
Operating income ratio(%)	22.6%	16.5%		
Non-operating income	203	123	△80	—
Non-operating expenses	22	96	74	—
Ordinary income	2,298	1,578	△720	△31.4%
Ordinary income ratio(%)	24.5%	16.8%		
Extraordinary income	106	45	△60	—
Extraordinary losses	15	530	515	—
Net income	1,504	540	△963	△64.0%
net income ratio(%)	16.1%	5.7%		

■ Sales

- Meiko Gijuku directly operated △21M
- Meiko Gijuku franchised △97M
- Supplemental education +58M
- Waseda Academy Kobetsu School +34M
- Meiko Kids +27M
- Meiko Soccer +3M

■ Cost of sales

- Increase in personnel expenses +211M

■ SGA

- Increase in selling expenses +172M
(Additional sales promotion expenses +210M)
- Increase in administrative expenses +133M
(Incidental expenses to acquire newly consolidated subsidiaries +64M, expenses for lawyers +17M)

■ Non-operating income and expenses

- Gain on reversal of loss on valuation of investment securities △67M
- Provision of allowance for doubtful accounts +71M

■ Extraordinary losses

- Adjustment for tutors' salary +449M
- losses about affiliated companies +80M

Financial summary of 2Q of FY 2016 (consolidated B/S)

(million yen)

	August 2015	February 2016	From the end of the previous term	
			Change	Percentage change
Current assets	9,828	8,690	△1,138	△11.6%
Property, plant and equipment	1,128	1,118	△10	△0.9%
Intangible assets	2,257	2,159	△98	△4.4%
Investments and other assets	5,465	4,994	△471	△8.6%
Total assets	18,680	16,961	△1,719	△9.2%
Current liabilities	3,357	3,091	△266	△7.9%
Non-current liabilities	694	683	△10	△1.6%
Total liabilities	4,052	3,775	△276	△6.8%
Total net assets	14,628	13,186	△1,442	△9.9%
Total liabilities and net assets	18,680	16,961	△1,719	△9.2%

■ Assets

(Current assets)

- Decrease in cash and deposits △716M due to purchase of treasury shares etc.

(Intangible assets)

- Decrease in goodwill △104M
【amount of goodwill】
MAXIS 1,222M
Waseda EDU 539M, You DEC 30M

(Investment and other assets)

- Decrease in investment securities △230M
Sales of stocks 94M
Redemption of bonds 100M
- Long-term time deposits △196M

■ Liabilities

(Current liabilities)

- Advances received △215M

■ Net assets

- Increase in treasury shares △1,499M
Purchase 1,046 thousand shares from October 2015 to December 2015 (3.8% of outstanding shares)

Financial summary of 2Q of FY 2016 (consolidated C/F)

(million yen)

	2Q of FY 2015	2Q of FY 2016	Change from the same period of the previous year
Net cash provided by (used in) operating activities	1,374	880	△494
Net cash provided by (used in) investing activities	△1,438	357	+1,795
Net cash provided by (used in) financing activities	△445	△1,976	△1,530
Net increase (decrease) in cash and cash equivalents	△509	△738	△229
Cash and cash equivalents at beginning of period	5,563	5,623	+60
Cash and cash equivalents at end of period	5,053	4,885	△168

■ Operating activities

- 880M (down 494 YoY)
Profit reduced due to payment of adjustment for tutors' salary

■ Investing activities

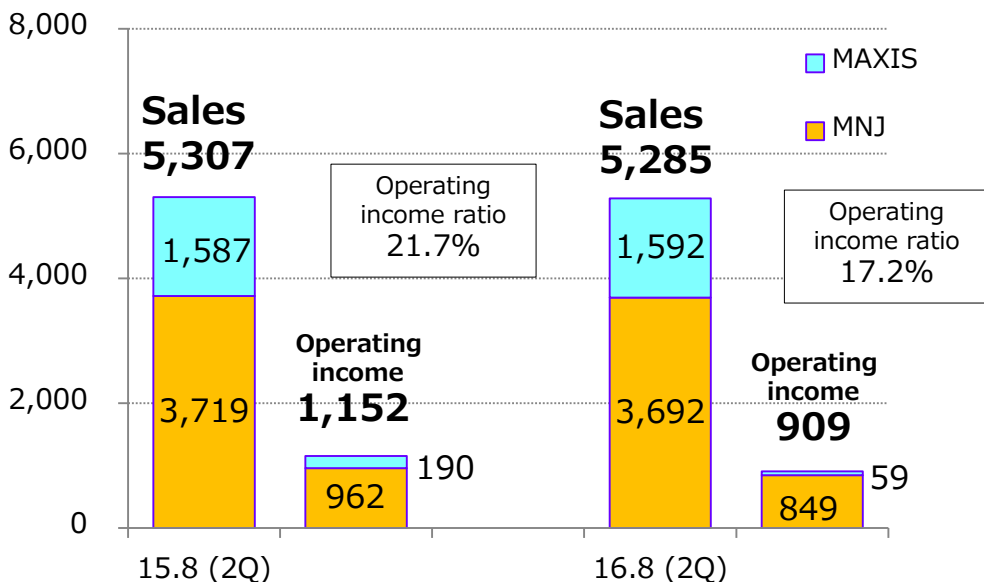
- Proceeds from sales and redemption of securities +640M
- Purchase of securities △337M

■ Financing activities

- Cash dividends paid △468M
- Purchase of treasury shares △1,499M

Meiko Gijuku directly operated school business

(million yen)



Number of schools: 312 (+3)

- MNJ: unchanged YoY MAXIS: +3

Sales: down 21M YoY

- Although number of schools and students increased, average sales per students decreased.

Operating income: down 242M YoY

- (MNJ: down 113M, MAXIS: down 131M)
- personnel expenses: up 148M YoY
- general expenses: up 77M YoY

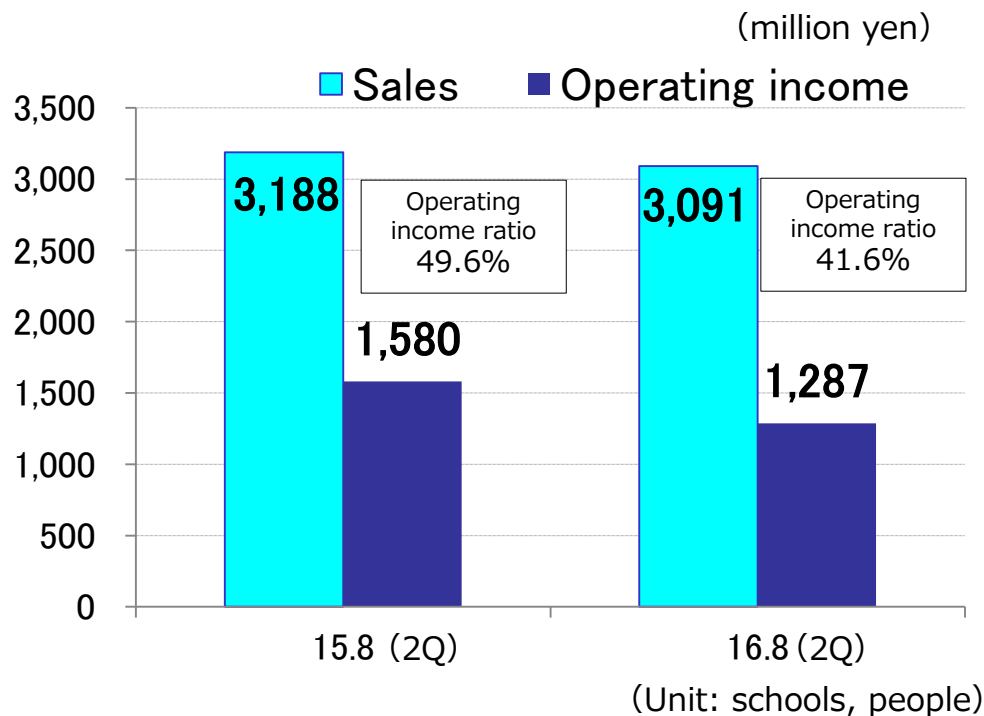
* Sales per student during the fiscal year

(Unit: schools, people, thousand yen)

MNJ directly operated	2Q of FY2015	2Q of FY2016	Change from the same period of the previous year
Number of schools (end of the term)	220	220	0
Number of students (average of the term)	17,842	18,316	+474
Average number of students	81.2	83.0	+1.8
Average sales per students *	208.5	201.6	△6.8

MAXIS directly operated	2Q of FY2015	2Q of FY2016	Change from the same period of the previous year
Number of schools (end of the term)	89	92	+3
Number of students (average of the term)	7,143	7,391	+248
Average number of students	80.9	80.6	△0.2
Average sales per students *	222.3	215.5	△6.8

Meiko Gijuku franchised school business



■ Number of schools: 1,814
(down 14 YoY)

- New open +5
 - Transfer from directly operated +1
 - Close Δ 20
- strategic scrap and build of schools

■ Sales: down 97M YoY

including internal transactions(289M)
such as MAXIS royalty sales

- Decrease of sales of advertisement
- Decrease of sales of fixtures

■ Operating income: 293M YoY

- Decrease of sales
- Increase of cost such as additional sales promotion expenses (210M)

franchised	2Q of FY 2015	2Q of FY 2016	Change from the same period of the previous year
Number of schools (end of the term)	1,828	1,814	Δ 14
Number of students (average of the term)	117,627	116,779	Δ 848
Average number of students	64.4	64.2	Δ 0.2
Royalty revenues (million yen)	1,996	1,981	Δ 14
Average royalty revenues per school (thousand yen)	1,092	1,088	Δ 4

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

(million yen)

	2Q of FY 2015	2Q of FY 2016	Change from the same period of the previous year
Sales	296	354	+57
Operating income	27	61	+34
Operating income ratio	9.2%	17.5%	+8.3pt

■ Sales up 57M YoY

- Due to increase in number of students

■ Operating income up 34M YoY

- Sales increased, and personnel expenses kept at the level of the previous year

■ Number of students: 149

up 13 YoY(end of the term)

■ Results of this year

Successful candidates: 85 (up 5 YoY)
Keio-Gijuku, Tsukuba, Jyuntendo
Nihon-Ikadai, Nihon, Kitazato
Tokyo-Ikadai, Tokyo-Joshiika etc.



【Obligatory dormitory system】 Mitaka School

Other business (Waseda Academy Kobetsu School)

(million yen)

	2Q of FY 2015	2Q of FY 2016	Change from the same period of the previous year
Sales	143	177	+33
Operating income	△12	△20	△7
Number of schools (end of the term)	27	30	+3
Number of students (end of the term)	1,562	1,913	+351
Average number of students	57.9	63.8	+5.9

■ Sales up 33M YoY

- Due to increase in number of students

■ Operating income up 7M YoY

- Increase of cost surpassed increase of sales
Increase of personnel expenses,
Expenses to construct new school buildings

■ Results of this year (YoY)

【Junior high school entrance exam】

Gosanke, Tsukukoma, difficult 6 schools:18 (+6)
Soukei-fuzoku:20 (+9) GMARCH:93 (+32)

【High school entrance exam】

Kaisei, National institution:7 (+7)
Soukei-fuzoku:47 (+16) GMARCH:90 (+41)

【University entrance exam】

National and public institution:18 (+14)
Waseda, Keio-Gijuku, Sophia:32 (+30)
GMARCH, Rika-dai:73 (+52)



Other businesses

(million yen)

	2Q of FY 2015	2Q of FY 2016		
		Results	YoY	Special notes
Sales	823	1,048	+225	
Waseda Academy Kobetsu School	143	177	+33	The number of students:1,913 (MNJ directly operated:364, Waseda Academy directly operated:783, franchised:766)
Meiko Soccer	67	70	+3	The number of schools:16 (down 1 YoY) The number of students:1,054 (up 43 YoY)
Meiko Kids	43	70	+27	The number of schools:7 (up 4 YoY) The number of regular students:184 (up 82 YoY)
You DEC Co., Ltd.	381	420	+38	Sales of cram schools within campus:105M (up 16 YoY) Sales of trial examinations:139M (up 14 YoY) etc.
Koyoshobou Co., Ltd.	63	72	+8	Sales of books:72M (up 8 YoY) Increase of sales of new publications
Waseda EDU Co., Ltd.	67	149	+81	Consolidated Dec.2014 → FY2015(3months), FY2016(6months) The number of students:478 (up 73 YoY)
MAXIS Education Co., Led. (Excluding Meiko Gijuku business)	51	73	+22	MAXIS' business except Meiko Gijuku directly operated business
others	4	14	+10	Overseas business (Taiwan joint venture) etc.
Operating income	△80	△27	+53	Goodwill amortization (Waseda EDU) 22M

※ Sales are presented before offsetting inter-company transactions.

Sales and operating income by segment

(million yen)

		Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Others ※1	Inter-company transactions, etc.	Across the board
2Q of FY 2016	Sales	5,285	3,091	354	1,048	△360	9,419
	(Change from the previous year)	(△21)	(△97)	(+57)	(+225)	—	(+50)
	Operating income	909	1,287	61	△27	△680	1,551
	(Change from the previous year)	(△242)	(△293)	(+34)	(+53)	—	(△566)
	Operating income ratio	17.2%	41.6%	17.5%	△2.6%	—	16.5%
2Q of FY 2015	Sales	5,307	3,188	296	823	△247	9,368
	Operating income	1,152	1,580	27	△80	△562	2,117
	Operating income ratio	21.7%	49.6%	9.2%	△9.8%	—	22.6%

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

Earnings forecasts for fiscal year ending August 2016

(million yen)

	2Q				Full year	
	Plan*	Results	Against plan		Plan*	Complete percentage
Sales	9,782	9,419	△ 363	△3.7%	19,639	48.0%
Operating income	1,605	1,551	△ 53	△3.4%	2,870	54.0%
Ordinary income	1,656	1,578	△ 78	△4.7%	2,990	52.8%
Net income	665	540	△ 125	△18.7%	1,442	37.5%

* This plan was announced in summary report on financial results for the first quarter of the year ending August 2016 (January 12, 2016).

Dividend policy

【Basic policy】

Continued dividend increase

【Annual payout ratio】

Increase from around 35% to around 80% in stages

【Dividend trend】

	FY2012	FY2013	FY2014	FY2015	FY2016
(mid-term dividend)	(12yen)	(13yen)	(16yen)	(17yen)	(19yen)
Dividend per share	25yen	27yen	32yen	34yen	38yen
Payout ratio (consolidated)	35.0%	34.3%	40.2%	39.6%	70.6%

We plan to increase the dividend **by 4yen to 38yen** in FY2016.

We plan to **increase dividends for the 18th consecutive fiscal year** since the year following our listing on JASDAQ in April 1997.

Note: Plan figures for FY2016

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