

**Meiko Network Japan Co., Ltd.**  
**Consolidated financial results**  
**for the Second Quarter of the Year**  
**ending August 2021**

**April 9, 2021**

**Kazuhito Yamashita, President**

# MEIKO Group

## Corporate Philosophy

### Management Philosophy

We aim to nurture human resources through our contribution to educational and cultural programs. We help achieve goals through our development and diffusion of franchise know-how.

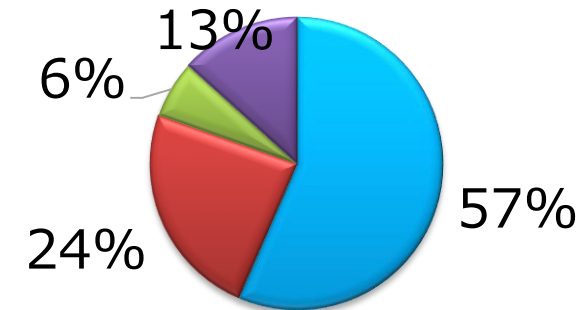
### Educational Philosophy

To nurture creative, independently-minded human resources for 21st century society through an individual tutoring service that promotes self-motivated learning.

## Revenue structure

Year ended August 2020

Consolidated sales : **18.2billion**



- Meiko Gijuku directly operated schools
- Meiko Gijuku franchised schools
- Japanese language schools
- Others

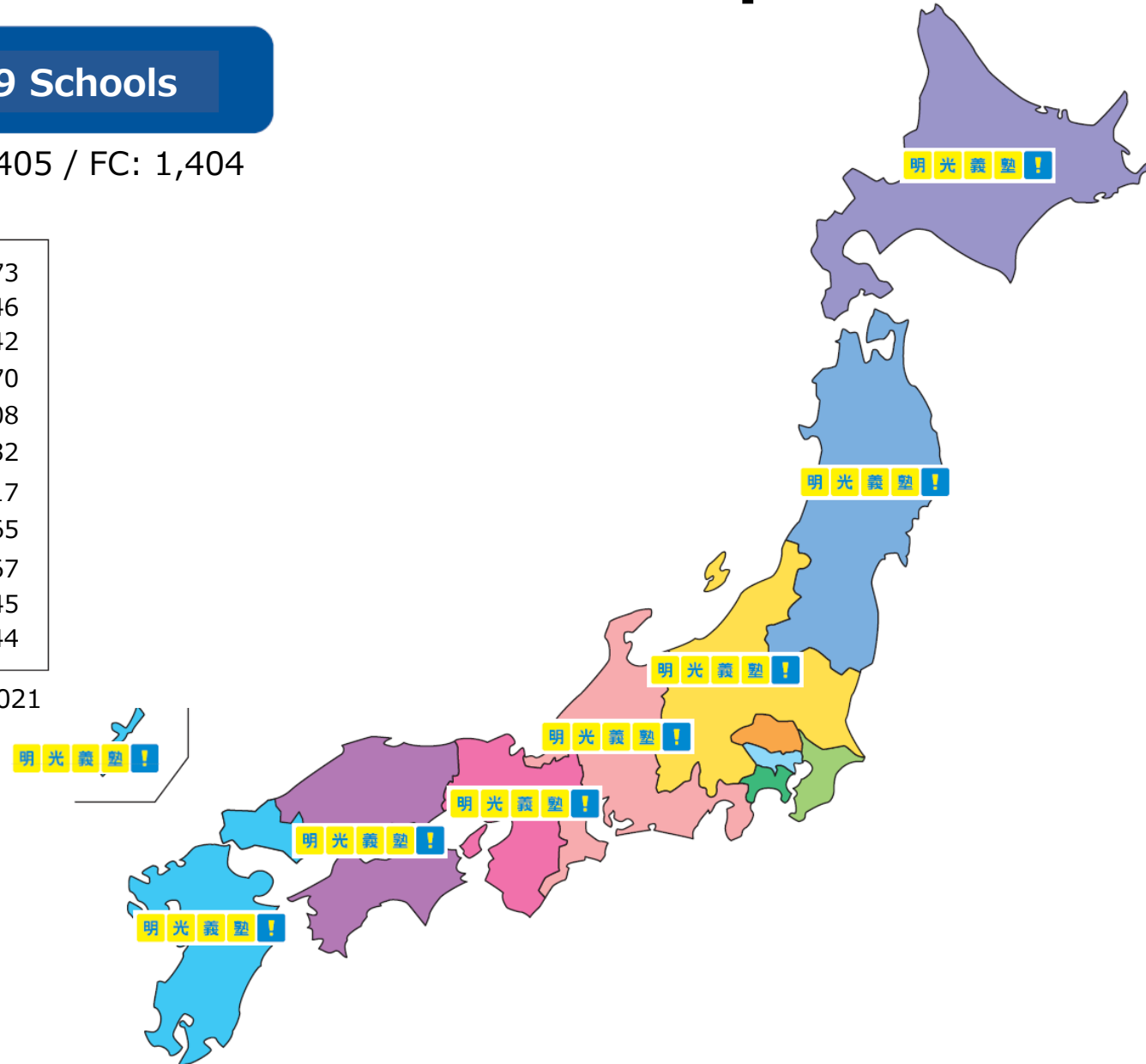
# MEIKO GIJUKU Classroom Operations

Meiko Gijuku 1,809 Schools

Direct operating classroom: 405 / FC: 1,404  
(include 4 subsidiaries)

Hokkaido	73
Tohoku	146
North-Kanto/Koushinetsu	242
Tokyo	170
Kanagawa	108
Chiba	132
Saitama	117
Cyubu/Tokai/Hokuriku	265
Kinki	267
Chugoku/Shikoku	145
Kyusyu/Okinawa(inc.Yamaguchi)	144

as of Feb.28, 2021



# Performance Report for the Second Quarter of the Year ending August 2021

# Highlights of the fiscal year 2021 (consolidated)

(Unit: million yen)

	2Q of FY 2021**	Against plan***			YoY	
		Plan	Change	percentage change	Change	Percentage change
Sales	<b>9,744</b>	9,300	+444	+4.8%	△677	△6.5%
Operating income	<b>930</b>	667	+263	+39.4%	△350	△27.4%
Ordinary income	<b>1,016</b>	689	+327	+47.5%	△368	△26.6%
2Q Net income*	<b>666</b>	333	+333	+100.0%	△125	△15.8%

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

\*\* Announced on October 15, 2020

\*\*\*Same as the revision to the earnings forecast on March 31, 2021

- **【Against plan】** Higher than the initial forecast by the business recovery of Meiko Gijuku business
- **【YoY】**
  - Decrease of subsidiaries → Factor for the decrease in sales
  - Japanese language school entry restrictions → Factor for the decrease in sales and profits
  - Strengthen support for FC (increase in sales promotion costs) → Factor for the decrease in profits

- Meiko Gijuku (as of Feb. 2021)
  - 【number of schools】** 1,809 (YoY △123)
  - 【number of students】** 102,759 (YoY △9,305)

# Financial summary of the 2Q of FY 2021 (consolidated P/L)

(Unit: million yen)

	2Q FY 2020	2Q FY 2021	YoY	
			Change	Percentage change
Net sales	10,422	9,744	△677	△6.5%
Cost of sales	7,143	6,897	△245	△3.4%
(%)	68.5%	70.8%		+2.3pt
Gross profit	3,278	2,846	△431	△13.2%
(%)	31.5%	29.2%		△2.3pt
SGA	1,997	1,916	△81	△4.1%
(%)	19.2%	19.7%		+0.5pt
Operating income	1,280	930	△350	△27.4%
(%)	12.3%	9.5%		△2.8pt
Non-operating income	109	93	△15	△14.1%
Non-operating expense	5	7	2	+35.9%
Ordinary income	1,384	1,016	△368	△26.6%
(%)	13.3%	10.4%		△2.9pt
2Q Net income	791	666	△125	△15.8%
(%)	7.6%	6.8%		△0.8pt

## ■ Sales

- Meiko Gijuku business (Directly operated•FC) △ 35 million yen
  - Japanese language school business △ 264 million yen
  - Other business △ 378 million yen\*
- \*exclude consolidations of Youdec and Koyo : △ 378 million yen

## ■ Cost of sales

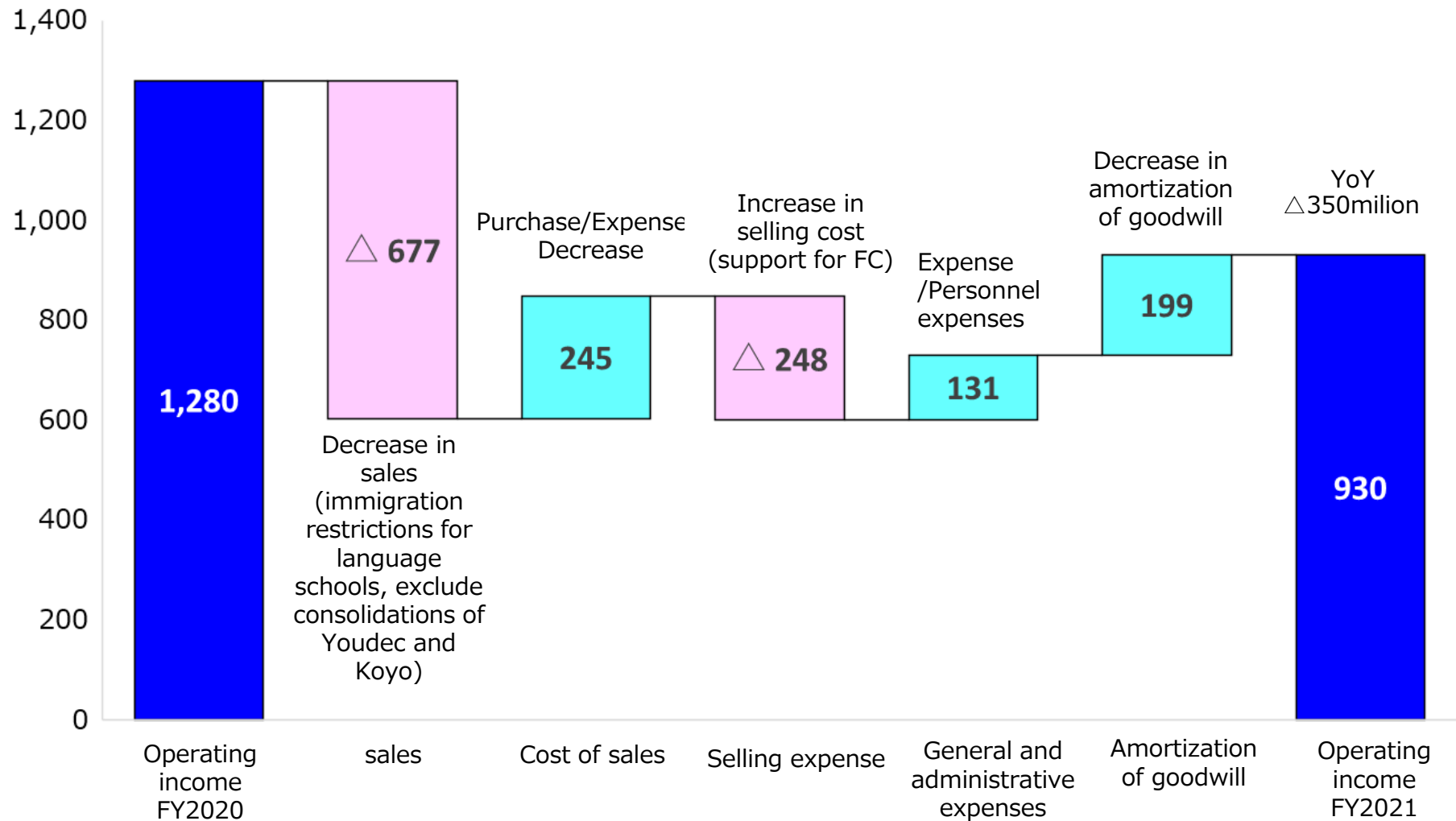
- Purchase △ 261 million yen
- Personnel expenses + 109 million yen
- Expenses △ 93 million yen

## ■ SGA

- Selling expenses (Strengthen support for FC) + 248 million yen
- Amortization of goodwill  
(Impairment in the previous term) △ 199 million yen
- Personnel expenses △ 69 million yen
- Rent (Reduction of Headquarter floor) △ 36 million yen

# Difference analysis of operating income YoY

(Unit: million yen)



# Financial summary of the 2Q of FY 2021 (consolidated B/S)

(Unit: million yen)

	The end of August 2020	2Q FY 2021	YoY	
			Change	Percentage change
<b>Current assets</b>	<b>8,848</b>	<b>10,297</b>	<b>+1,448</b>	<b>+16.4%</b>
Property, plant and equipment	1,142	1,184	+41	+3.7%
<b>Intangible assets</b>	<b>545</b>	<b>475</b>	<b>△70</b>	<b>△12.9%</b>
Investments and other assets	3,504	3,330	△173	△5.0%
<b>Total assets</b>	<b>14,041</b>	<b>15,288</b>	<b>+1,246</b>	<b>+8.9%</b>
<b>Current liabilities</b>	<b>3,847</b>	<b>4,768</b>	<b>+921</b>	<b>+23.9%</b>
<b>Non-current liabilities</b>	<b>720</b>	<b>722</b>	<b>+1</b>	<b>+0.2%</b>
<b>Total Liabilities</b>	<b>4,568</b>	<b>5,490</b>	<b>+922</b>	<b>+20.2%</b>
<b>Total net assets</b>	<b>9,473</b>	<b>9,797</b>	<b>+324</b>	<b>+3.4%</b>
<b>Total liabilities and net assets</b>	<b>14,041</b>	<b>15,288</b>	<b>+1,247</b>	<b>+8.9%</b>

## ■ Assets

(Current assets)

- Decreased in cash and deposits + 1,477 million yen

(Investments and other assets)

- Decreased in investment securities (Transfer of corporate bonds) △ 105 million yen

## ■ Liabilities

(Current liabilities)

- Increased in short-term borrowings + 1,000 million yen

## ■ Net assets

- Increased in retained earnings + 290 million yen



# Financial summary of the 2Q of FY 2021 (consolidated C/F)

(Unit: million yen)

	2Q FY 2020	2Q FY 2021	Change from the same period of the previous year
Net cash provided by (used in) operating activities	1,031	588	△443
Net cash provided by (used in) investing activities	△310	365	+676
Net cash provided by (used in) financing activities	△404	623	+1,028
Net increase (decrease) in cash and cash equivalents	316	1,577	+1,261
Cash and cash equivalents at beginning of period	7,445	6,765	△679
Cash and cash equivalents at end of period	7,761	8,343	+581

## ■ Operating activities

- Decreased in profit before income taxes △ 315 million yen
- Decreased in amortization of goodwill △ 199 million yen

## ■ Investing activities

- Decreased in time deposit + 200 million yen
- Expenditure on acquisition of investment securities + 163 million yen
- Income from sale and redemption of investment securities + 202 million yen

## ■ Financing activities

- Income from borrowing + 1,000 million yen

## ■ Cash and cash equivalents

- Balance at end of year + 581 million yen

# Sales and operating income by segment

(Unit: million yen)

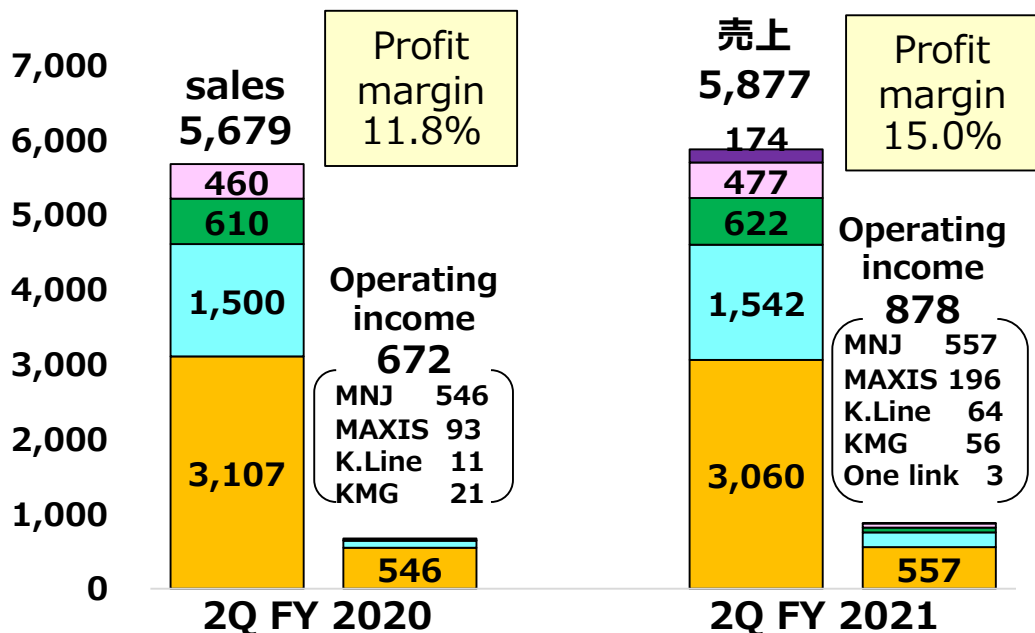
		Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Others*	Corporate expense	Total
2Q FY 2021	Sales**	5,877	2,159	475	1,231		9,744
	(YoY)	+198	△233	△264	△378		△677
	Operating income	878	671	△71	7	△556	930
	(YoY)	+206	△331	△187	△68	+29	△350
	Operating income ratio	15.0%	31.1%	△15.0%	0.6%		9.5%
2Q FY 2020	Sales**	5,679	2,393	739	1,610		10,422
	Operating income	672	1,003	116	75	△586	1,280
	Operating income ratio	11.8%	41.9%	15.7%	4.7%		12.3%

\* Waseda Academy Kobetsu School, Jiritsugakusyu RED, Meiko Kids, Meiko Kids e, and businesses of consolidated subsidiaries (Kotoh&Company, Ishin gakuin)etc.

\*\* Intra-group transactions are eliminated from sales amounts. Deducted amounts are 405 million yen in Meiko Gijuku franchised schools (387 million yen YoY), and 14 million yen in others (17 million yen YoY).

# Meiko Gijuku directly operated school business

(Unit: million yen)



■ Number of Meiko Gijuku Schools : 405 (+2 YoY)

■ Sales +198 million yen

- MNJ :  $\Delta$  46 million yen
- K.Line : + 11 million yen
- One link : + 174 million yen
- MAXIS : + 42 million yen
- KMG : + 16 million yen

■ Operating income +206 million yen

- MNJ : + 10 million yen
- K.Line : + 52 million yen
- One link : + 3 million yen
- MAXIS : + 103 million yen
- KMG : + 34 million yen

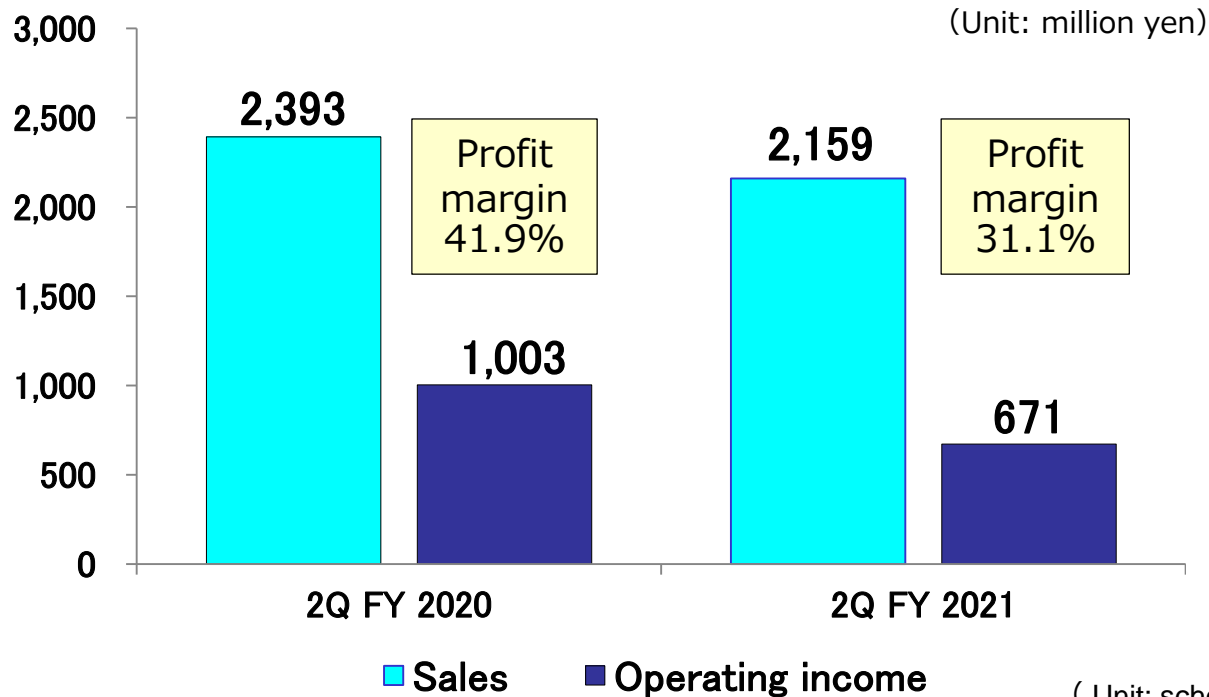
( 114 million yen decrease in amortization of goodwill of MAXIS, K.Line and KMG )

■ MNJ ■ MAXIS ■ K.Line ■ KMG ■ One link

( Unit: schools, people, thousand yen )

	MNJ			MAXIS			K. Line			KMG			One link
	2Q FY 2020	2Q FY 2021	change	2Q FY 2020	2Q FY 2021	change	2Q FY 2020	2Q FY 2021	change	2Q FY 2020	2Q FY 2021	change	2Q FY 2021
Number of schools (as of Feb.)	223	208	$\Delta$ 15	94	93	$\Delta$ 1	43	41	$\Delta$ 2	43	42	$\Delta$ 1	21
Number of students (average of the term)	15,536	14,472	$\Delta$ 1,064	7,025	6,897	$\Delta$ 128	2,688	2,748	60	2,312	2,175	$\Delta$ 137	855
Average number of students per school (average of the term)	69.6	69.3	$\Delta$ 0.3	76.1	73.9	$\Delta$ 2.2	65.0	67.0	2.0	53.8	51.8	$\Delta$ 2.0	40.7
Average sales per students	200.0	211.5	11.5	213.6	223.7	10.1	227.2	226.5	$\Delta$ 0.7	199.3	219.4	20.1	203.7

# Meiko Gijuku franchised school business



(Unit: schools, people)

FC Business	FY 2019	FY 2020	Change
Number of schools (as of Feb.)	1,529	1,404	△125
Number of students (Average)	88,407	79,471	△8,936
Average number of students per school (Average of term)	57.8	55.7	△2.1
Royalty revenues (million yen)	1,537	1,405	△132
Average royalty revenues per school (thousand yen)	1,004.8	985.3	△19.5

## ■ Number of schools : 1,404 ( △ 125)

- New open/ Renewal open + 3
  - Transfer from directly operated school + 8
  - Transfer to directly operated school △ 25
  - Closed and cancellation △ 111\*
- \*include Kuyushu △34

## ■ Sales △ 233 million yen

- Royalty income △ 132 million yen
- FC Equipment sales △ 51 million yen
- FC teaching material sales △ 37 million yen

## ■ Operating income △ 331 million yen

- The impact of decreased sales promotion (Strengthen support for FC affected by COVID-19)

# Japanese language schools・Other Business

(Unit: million yen)

		2Q FY 2020	2Q FY 2021			
			Results	YoY		Special notes ():YoY
				Change	Percentage change	
Japanese language schools	Sales (two schools total)	739	475	△264	△35.7%	The number of students decreased due to immigration restrictions imposed by COVID-19.
	Operating income (two schools total)	116	△71	△187	△161.4%	WASEDA EDU Number of students 585 (△159) Kokusai Jinzai Kaihatsu(JCLI) Number of students 713 (△539)
O t h e r s	Sales	1,610	1,231	△378	△23.5%	
	• Waseda Academy Kobetsu School	313	307	△6	△2.0%	Number of schools : MNJ 12 ( include MAXIS 5 ) / Waseda Academy directly operated 28 / FC11 Number of students : 4,195 ( + 277 )
	• Jiritsugakusyuu RED		42	+42		Number of schools : 28 Number of students : +555
	• Meiko Kids	196	248	+52	+26.4%	Number of schools : 34 Number of students : 1,806 ( +543 )
	• Meiko Kids e		38	+38		Number of schools : 3 Number of students : 123
	• KOTOH Jimusho	438	414	△24	△5.5%	Business relating to university education. Both sales and profit are proceeding according to the plan.
	• Tokyo Ishin Gakuin	164	113	△51	△30.8%	Number of schools : 2 Number of students : 45 ( △18 ) *The company dissolved at March, 2021
	• Others	497	66	△431	△86.6%	The previous term includes Youdec and Koyoh's 376 million yen. Soccer school, ESL club, Oversea businesses etc.
	Operating income	75	7	△68	△90.6%	Profit decreased due to upfront investment in new business.

\* Sales amounts exclude intra-group transactions

Number of schools and students are based on the data at the end of February, 2021.

# Measures to improve corporate value under the influence of COVID-19

# Measures to improve corporate value

date	Contents	Description
May 2020	Structural reform	Transfer of shares of Youdec and Koyo shobo, a consolidated subsidiary
Jun. 2020	Capital policy	The share buyback (1,473,000 / 1,259million yen)
Aug. 2020	Corporate governance	Sale of investment securities (Policy-holding shares)
	E S (Employee satisfaction)	Introduction of stock compensation plan for employee
		Create a farm for employment of handicapped people
	Structural reform	Reduction of Headquarter floor / Relocation and consolidation of group company headquarters
Sep. 2020	E S	Institutionalize work from home
Nov. 2020	Corporate governance	Introduction of a performance-linked stock compensation plan for directors
Dec. 2020	Digital transformation	DX promotion office newly organized
Jan. 2021	E S	Declaration of health management for employee
Mar. 2021	Structural reform	The dissolution of a consolidated subsidiary of Tokyo Ishin Gakuin
Apr. 2021	E S	Introduction of discount for employee

# Structural reform

～ Promotion of measures to enhance the inside the company ～

- Transfer of shares of Youdec and Koyo shobo, a consolidated subsidiary
- The dissolution of a consolidated subsidiary of Tokyo Ishin Gakuin

Dispose of  
unprofitable  
business

- Reduction of Headquarter floor and relocation and consolidation of group company headquarters

Cost  
reduction  
Small but strong  
headquarters



# Capital policy

## The share buyback

( 1,473,000 shares / 1,259 million yen )



Introduction of stock  
compensation plan for all  
employees of the Meiko  
Group

Introduction of a  
performance-linked  
stock compensation  
plan for directors

Consideration of  
effective utilization for  
M & A  
(Reduce procurement  
costs)

# Corporate governance

## ➤ Corporate Governance system

Director : 6 (Two women out of two outside directors)

Auditor : 4 (One woman out of four outside auditors)

## ➤ Executive remuneration

- configuration of director's remuneration : 

Basic remuneration	stock compensation plan (Fixed)	stock compensation plan (Performance-linked)
--------------------	---------------------------------	--
- Introduction of a performance-linked stock compensation plan for directors  
→ Raise awareness of contributing to increasing corporate value and mid and long-term improvement of business performance

## ➤ Policy on policy-holding shares

- The necessity of reduction of holding shares owned for policy purposes, from the perspective of whether there are any funds we can utilize effectively, the examination will be executed by the board of directors appropriately
- Sale of one listed stock (gain on sale of 994 million yen) in the FY 2020

# ES ( employee satisfaction )

~Aiming to be a corporate group that develops rewarding people~

- Institutionalize work from home
- Introduction of flextime system (under verification)
- Improve productivity with IT tools



Promote work style reforms

Creating a workplace that is easy to work and rewarding

- Introduction of stock compensation plan for employee
- Introduction of discount for employee  
The company pays a part of the expenses for attending the cram school or after school care that operated by our company



Increased engagement

Promotion of business execution aimed at improving business performance

- Create a farm for employment of handicapped people
- Creating a system and culture that allows human resources to maximize their abilities  
Employees with restrictions such as childcare, long-term care or medical treatment  
Employees such as foreigners, seniors, non-regular employees



Diversity & Inclusion

# ES ( employee satisfaction )

## Declaration of health management for employee

Meiko Network Japan will work to maintain and promote the health of employees who support its growth as a company that fulfills its social mission of developing independent human resources, based on the philosophy of "human resources development" from its founding.

We aim to be a company that contributes to society by creating a "well-being" workplace where employees are physically and mentally healthy, maximize their individuality and abilities, and work lively.

January 4, 2021  
Meiko Network Japan.Co.LTD  
Kazuhito Yamashita, President

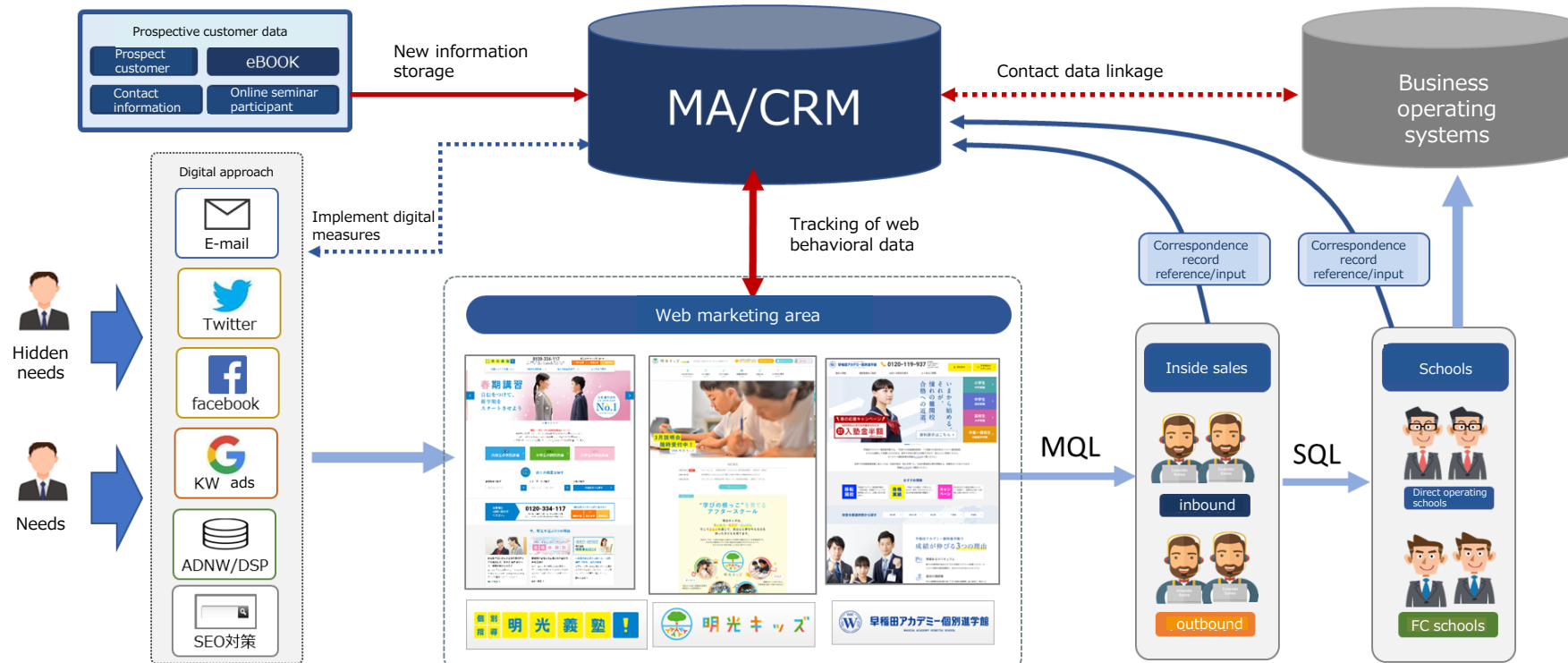
### 【Health management policy】

- 1 . Promotion of maintaining physical and mental health of employees
- 2 . Promotion of work style reform
- 3 . Create a culture that values the health of employees

Increase employee engagement by promoting health management and work style reforms, aiming to increase corporate value

# Overview of DX promotion office

- Automate and reconstruct business processes based on data by utilizing digital
  - ① Customer management by MA / CRM as a marketing platform for all businesses
  - ② Digitally visualize the process up to enrollment with an efficient digital approach



- Observance and thorough implementation of security guidelines for promoting DX

# **Performance and dividend forecast for FY 2021**

# Performance forecast for FY 2021

(Unit: million yen)

	2Q (Total)				Full-year forecast			
	previous forecast	Results	change		previous forecast	Revised **	change	
<b>Sales</b>	9,300	9,744	+444	+4.8%	18,300	18,600	+300	+1.6%
<b>Operating income</b>	667	930	+263	+39.4%	264	630	+366	+138.6%
<b>Ordinary income</b>	689	1,016	+327	+47.5%	319	760	+441	+138.2%
<b>Net income</b>	333	666	+333	+100.0%	270	700	+430	+159.3%

\* Earning forecast announced on October 15, 2020

\*\* Full-year earning forecast announced on April 9, 2021

- As a result of investigating business performance trends, both sales and profits are expected to exceed the initial forecast, and the forecast value has been revised upward.

# Dividend forecast for FY 2021 / Shareholder benefit program

Cut off date	Dividend per share of stock		
	End of the Second Quarter	End of the fiscal year	Total
Dividend estimate (2 Q performance, year end forecast)	<del>5 yen</del> → <u>10 yen</u> *	5 yen	15 yen
Dividend in the previous fiscal year	15 yen	15 yen	30 yen

\*Announced on April 9, 2021

- Dividend per share at the end of the Second Quarter of the fiscal year ending August 2021 has been revised upward from the initial forecast of 5 yen to **10 yen**.



Contact information

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