

Summary Report on Financial Results for the First Quarter of the Year Ending August 2015 (Japanese Accounting Standards)

January 14, 2015

Company name: MEIKO NETWORK JAPAN CO., LTD.
 Stock exchange listing: The First Section of the Tokyo Stock Exchange
 Stock code: 4668 (URL : <http://www.meikonet.co.jp>)
 Representative: Hirotake Watanabe, President
 Contact: Osamu Ogita, General Manager, Corporate Planning Department
 Tel: +81-3-5860-2111
 Scheduled date for filing the securities report: January 14, 2015
 Scheduled date for commencement of dividend payment: -
 Supplementary material development: None
 Financial results meeting: None

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the First quarter of the year ending August 2015 (September 1, 2014 through November 30, 2014)

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of the year ending August 2015	3,876	16.9	331	(45.8)	457	(28.6)	353	(7.7)
First quarter of the year ended August 2014	3,316	(0.3)	612	(17.7)	641	(16.0)	382	(16.1)

(Note) Comprehensive income:

First quarter of the year ending August 2015: 328 million yen(22.3%)
 First quarter of the year ended August 2014: 423 million yen(12.3%)

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2015	12.80	—
First quarter of the year ended August 2014	13.86	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2015	16,779	13,078	77.7
Year ended August 2014	16,568	13,191	79.4

(Reference) Shareholders' equity:

First quarter of the year ending August 2015: 13,036 million yen
 Year ended August 2014: 13,149 million yen

2. Dividends

	Yearly Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	annual
	yen	yen	yen	yen	yen
Year ended August 2014	—	16.00	—	16.00	32.00
Year ending August 2015	—				
Year ending August 2015 (estimate)		17.00	—	17.00	34.00

(Note) There have been no revisions of dividend projections in the current quarter.

3. Forecast of consolidated financial results for fiscal year ending August 2015 (September 1, 2014 through August 31, 2015)

(Percentages represent increases or decreases from the previous year for the full-year figures, and from the second quarter of the previous year for the consolidated second quarter figures.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Consolidated second quarter	9,580	22.2	1,730	(13.0)	1,800	(11.9)	1,160	(12.2)	42.02
Full-year	19,420	24.8	3,500	2.5	3,620	2.3	2,260	2.7	81.87

(Note) There have been no revisions of consolidated earnings projections'numerical values in the current quarter.

4. Others

(1) Changes of important subsidiaries during the period

(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

- (i) Changes in accounting policies caused by revision of accounting standards: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of outstanding issues (common stock)

(i) Number of outstanding shares at the end of the period (including treasury stock)

First quarter of the year ending August 2015: 27,803,600 shares

Year ended August 2014: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:

First quarter of the year ending August 2015: 200,127 shares

Year ended August 2014: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)

First quarter of the year ending August 2015: 27,603,473 shares

First quarter of the year ended August 2014: 27,603,473 shares

※ Implementation status of quarterly review procedures

The consolidated financial statement is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of the consolidated financial statement, the audit procedures of consolidated financial statements pursuant to the FIEA are already completed.

※ Explanation of the appropriate use of the forecasts of financial results, and other noteworthy matters

Forward-looking statements in the document, such as earnings forecasts, are based on current information in the possession of the company and certain assumptions the company thinks reasonable. Actual results may differ remarkably from the statements due to a variety of different factors.

(Reference) Trend of numbers of Meiko Gijuku cram schools and registered students and system-wide sales

Term	First quarter of the year ended August 2014		First quarter of the year ending August 2015	
	From September 1, 2013 to November 30, 2013		From September 1, 2014 to November 30, 2014	
Fiscal Period	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	210	+5	221	+11
Number of Meiko Gijuku cram schools (MAXIS)	—	—	89	+89
Number of franchised Meiko Gijuku cram schools	1,902	+27	1,821	(81)
Total number of Meiko Gijuku cram schools	2,112	+32	2,131	+19
Number of registered students of company-owned Meiko Gijuku cram schools	17,823	+1,333	18,065	+242
Number of registered students of Meiko Gijuku cram schools (MAXIS)	—	—	7,235	+7,235
Number of registered students of franchised Meiko Gijuku cram schools	126,996	(2,554)	118,792	(8,204)
Total number of registered students of Meiko Gijuku cram schools	144,819	(1,221)	144,092	(727)
Sales from company-owned cram school business (million yen)	1,434	+41	2,080	+645
Sales from cram school franchise business ※1 (million yen)	1,447	(113)	1,329	(118)
Sales from prep school business (million yen)	141	+14	131	(10)
Sales from other businesses (million yen)	293	+47	335	+42
Total Sales (million yen)	3,316	(10)	3,876	+560
Sales from company owned Meiko Gijuku cram schools (million yen)	1,434	+41	2,080	+645
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	10,018	(167)	9,093	(925)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	11,453	(126)	11,173	(279)

※ 1 Sales from the cram school franchise business represent royalty revenues and sales of products.

2 Total system-wide sales from Meiko Gijuku cram schools represent the sum of total sales of company-owned cram schools, including entrance fees, tuition, materials fees, and examination fees, and the total sales of franchised cram schools, including entrance fees and tuition, materials fees, and examination fees of franchised cram schools are excluded.

Summary of consolidated financial statements

(1) Consolidated balance sheets

(Thousand yen)

	End of previous fiscal year (As of August 31, 2014)	End of first quarter of the fiscal year under review (As of November 30, 2014)
Assets		
Current assets		
Cash and deposits	7,363,158	5,200,579
Accounts receivable - trade	1,217,188	1,069,935
Securities	301,523	300,620
Merchandise	312,693	333,540
Supplies	14,545	20,529
Advance payments - trade	87,549	47,106
Prepaid expenses	128,107	178,913
Deferred tax assets	266,316	310,759
Other	88,992	92,960
Allowance for doubtful accounts	(72,252)	(66,494)
Total current assets	9,707,823	7,488,450
Non-current assets		
Property, plant and equipment		
Buildings and structures	803,855	1,030,569
Accumulated depreciation	(409,704)	(540,339)
Buildings and structures, net	394,151	490,230
Tools, furniture and fixtures	179,965	281,441
Accumulated depreciation	(134,967)	(216,711)
Tools, furniture and fixtures, net	44,998	64,729
Land	283,540	283,540
Total property, plant and equipment	722,689	838,499
Intangible assets		
Goodwill	60,485	2,054,743
Software	289,397	288,499
Telephone subscription right	19,915	20,552
Total intangible assets	369,799	2,363,795
Investments and other assets		
Investment securities	3,615,500	3,558,238
Long-term loans receivable	62,840	75,224
Long-term prepaid expenses	9,770	22,428
Deferred tax assets	182,134	315,444
Lease and guarantee deposits	522,338	722,448
Real estate for investment	968,462	968,462
Accumulated depreciation	(205,577)	(211,022)
Real estate for investment, net	762,884	757,439
Long-term time deposits	532,000	544,000
Other	81,000	93,524
Total investments and other assets	5,768,470	6,088,748
Total non-current assets	6,860,959	9,291,044
Total assets	16,568,782	16,779,494

	(Thousand yen)	
	End of previous fiscal year (As of August 31, 2014)	End of first quarter of the fiscal year under review (As of November 30, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	138,079	212,933
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	—	14,712
Accounts payable - other	78,934	77,141
Accrued expenses	674,966	680,773
Income taxes payable	765,565	214,850
Accrued consumption taxes	198,425	173,349
Advances received	273,888	658,402
Deposits received	197,318	315,924
Provision for bonuses	341,029	509,433
Provision for sales returns	18,180	18,180
Other	18,537	42,570
Total current liabilities	2,774,924	2,988,272
Non-current liabilities		
Long-term loans payable	—	22,632
Net defined benefit liability	16,016	39,420
Long-term accounts payable-other to employees	168,768	167,411
Long-term accounts payable-other to officers	161,650	179,380
Deferred tax liabilities	31,433	27,818
Asset retirement obligations	156,576	203,528
Long-term guarantee deposited	62,822	62,322
Other	5,115	9,977
Total non-current liabilities	602,382	712,490
Total liabilities	3,377,306	3,700,762
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	11,311,303	11,222,841
Treasury shares	(143,612)	(143,612)
Total shareholders' equity	13,055,706	12,967,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	80,200	54,690
Foreign currency translation adjustment	13,835	14,737
Total accumulated other comprehensive income	94,035	69,428
Minority interests	41,733	42,058
Total net assets	13,191,475	13,078,732
Total liabilities and net assets	16,568,782	16,779,494

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2013 to November 30,2013)	First quarter of the consolidated term (From September 1,2014 to November 30,2014)
Net sales	3,316,600	3,876,984
Cost of sales	2,106,916	2,733,787
Gross profit	1,209,684	1,143,196
Selling, general and administrative expenses	597,310	811,368
Operating income	612,373	331,828
Non-operating income		
Interest income	10,292	9,121
Dividend income	1,859	887
Gain on valuation of investment securities	—	14,520
Gain on reversal of loss on valuation of investment securities	29,940	67,680
Share of profit of entities accounted for using equity method	—	2,189
Rent income	19,459	18,186
Other	9,016	27,915
Total non-operating income	70,568	140,501
Non-operating expenses		
Interest expenses	2,780	147
Share of loss of entities accounted for using equity method	30,102	—
Rent expenses	8,077	10,669
Other	840	3,830
Total non-operating expenses	41,801	14,647
Ordinary income	641,141	457,682
Extraordinary income		
Surrender value of insurance	—	101,491
Total extraordinary income	—	101,491
Income before income taxes and minority interests	641,141	559,174
Income taxes - current	270,570	194,531
Income taxes - deferred	(11,787)	11,103
Total income taxes	258,782	205,634
Income before minority interests	382,358	353,539
Minority interests in income (loss)	(175)	345
Net income	382,533	353,194

Consolidated statements of comprehensive income

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2013 to November 30,2013)	First quarter of the consolidated term (From September 1,2014 to November 30,2014)
Income before minority interests	382,358	353,539
Other comprehensive income		
Valuation difference on available-for-sale securities	34,929	(25,530)
Share of other comprehensive income of entities accounted for using equity method	6,012	902
Total other comprehensive income	40,941	(24,627)
Comprehensive income	423,300	328,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	423,466	328,586
Comprehensive income attributable to minority interests	(166)	325

Segment Information

I Three months ended November 30, 2013 (From September 1, 2013 to November 30, 2013)

1. Information about Segment Sales and Income (Loss)

(Thousand of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	1,434,811	1,447,507	141,159	3,023,478	293,122	3,316,600
Intersegment sales	—	—	—	—	22,910	22,910
Total	1,434,811	1,447,507	141,159	3,023,478	316,033	3,339,511
Segment income(loss)	140,228	766,482	17,907	924,618	(25,899)	898,718

(Note) "Others" consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, consolidated subsidiary Youdec Co., consolidated subsidiary Koyoshobo Co., and other businesses.

2. Difference between the Total of the Reportable Segments' Measures of Profit or Loss and Income according to Consolidated Quarterly Statements of Income, and the Main Components of the Difference (Matters related to Adjustment of Difference)

(Thousand of Yen)

Income(Loss)	Amount
Reportable segment total	924,618
Income(Loss) for "Others" category	(25,899)
Amortization of goodwill	(5,040)
Reconciliations of fixed assets	862
Corporate expenses*	(282,167)
Operating income reported on quarterly statements of income	612,373

(Note) Corporate expenses are mainly expenses that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.

II Three months ended November 30, 2014 (From September 1, 2014 to November 30, 2014)

1. Information about Segment Sales and Income (Loss)

(Thousand of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	2,080,749	1,329,291	131,096	3,541,137	335,846	3,876,984
Intersegment sales	—	93,849	—	93,849	28,259	122,108
Total	2,080,749	1,423,141	131,096	3,634,987	364,106	3,999,093
Segment income(loss)	32,251	671,757	6,168	710,177	(51,918)	658,258

(Note) "Others" consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, consolidated subsidiary Youdec Co., consolidated subsidiary Koyoshobo Co., and other businesses.

2. Difference between the Total of the Reportable Segments' Measures of Profit or Loss and Income according to Consolidated Quarterly Statements of Income, and the Main Components of the Difference (Matters related to Adjustment of Difference)

Income(Loss)	Amount
Reportable segment total	710,177
Income(Loss) for "Others" category	(51,918)
Amortization of goodwill	(5,040)
Reconciliations of fixed assets	858
Corporate expenses*	(323,987)
Other adjustments	1,739
Operating income reported on quarterly statements of income	331,828

(Note) Corporate expenses are mainly expenses that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.