

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

April 10, 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> )  
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 Scheduled date for filing the securities report: April 13, 2015  
 Scheduled date for commencement of dividend payment: May 7, 2015  
 Supplementary material development: Yes  
 Financial results meeting: Yes(for analysts)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Second quarter of the year ending August 2015 (September 1, 2014 through February 28, 2015)

(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	%
Second quarter of the year ending August 2015	9,368	19.5	2,117	6.5	2,298	12.5	1,504	13.8
Second quarter of the year ended August 2014	7,837	2.0	1,987	(4.8)	2,043	(6.7)	1,321	(0.7)

(Note) Comprehensive income:

Second quarter of the year ending August 2015: 1,508 million yen(15.6%)  
 Second quarter of the year ended August 2014: 1,305 million yen(negative 12.9%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2015	54.49	—
Second quarter of the year ended August 2014	47.88	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2015	18,188	14,258	78.2
Year ended August 2014	16,568	13,191	79.4

(Reference) Shareholders' equity:

Second quarter of the year ending August 2015: 14,216 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	—	17.00			
Year ending August 2015 (estimate)			—	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
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)

Second 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:

Second 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)

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

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

※ Implementation status of quarterly review procedures

This summary report on the quarterly financial results is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Law. At disclosure of this summary report, the quarterly review procedures have not been completed for quarterly financial statements pursuant to the Financial Instruments and Exchange Law.

※ 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	Second quarter of the year ended August 2014		Second quarter of the year ending August 2015	
Fiscal Period	From September 1, 2013 to February 28, 2014		From September 1, 2014 to February 28, 2015	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	213	+8	220	+7
Number of Meiko Gijuku cram schools ( MAXIS )	—	—	89	+89
Number of franchised Meiko Gijuku cram schools	1,924	+32	1,828	(96)
Total number of Meiko Gijuku cram schools	2,137	+40	2,137	—
Number of registered students of company-owned Meiko Gijuku cram schools	17,299	+1,232	17,633	+334
Number of registered students of Meiko Gijuku cram schools ( MAXIS )	—	—	7,244	+7,244
Number of registered students of franchised Meiko Gijuku cram schools	122,780	(1,841)	114,638	(8,142)
Total number of registered students of Meiko Gijuku cram schools	140,079	(609)	139,515	(564)
Sales from company-owned cram school business (million yen)	3,650	+146	5,307	+1,656
Sales from cram school franchise business ※1 (million yen)	3,276	(95)	2,991	(284)
Sales from prep school business (million yen)	313	+18	296	(16)
Sales from other businesses (million yen)	596	+87	772	+175
Total Sales (million yen)	7,837	+156	9,368	+1531
Sales from company owned Meiko Gijuku cram schools (million yen)	3,650	+146	5,307	+1,656
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	21,717	(449)	19,756	(1,960)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	25,367	(303)	25,063	(304)

※ 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.

Quarterly Consolidated Financial Statements  
(1) Consolidated balance sheets

	End of previous fiscal year (As of August 31, 2014)	End of second quarter of the fiscal year under review (As of February 28, 2015)
(Thousand yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	7,363,158	6,919,584
Accounts receivable - trade	1,217,188	1,121,358
Securities	301,523	400,687
Merchandise	312,693	343,057
Supplies	14,545	29,756
Advance payments - trade	87,549	15,187
Prepaid expenses	128,107	184,542
Deferred tax assets	266,316	263,055
Other	88,992	95,108
Allowance for doubtful accounts	(72,252)	(72,008)
Total current assets	9,707,823	9,300,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	803,855	1,052,658
Accumulated depreciation	(409,704)	(553,617)
Buildings and structures, net	394,151	499,041
Tools, furniture and fixtures	179,965	288,645
Accumulated depreciation	(134,967)	(223,131)
Tools, furniture and fixtures, net	44,998	65,514
Land	283,540	283,540
Total property, plant and equipment	722,689	848,095
Intangible assets		
Goodwill	60,485	2,002,264
Software	289,397	317,173
Telephone subscription right	19,915	20,480
Total intangible assets	369,799	2,339,918
Investments and other assets		
Investment securities	3,615,500	3,294,301
Long-term loans receivable	62,840	18,100
Long-term prepaid expenses	9,770	23,429
Deferred tax assets	182,134	209,128
Lease and guarantee deposits	522,338	736,875
Real estate for investment	968,462	968,462
Accumulated depreciation	(205,577)	(216,468)
Real estate for investment, net	762,884	751,993
Long-term time deposits	532,000	600,000
Other	81,000	66,198
Total investments and other assets	5,768,470	5,700,026
Total non-current assets	6,860,959	8,888,040
Total assets	16,568,782	18,188,371

	(Thousand yen)	
	End of previous fiscal year (As of August 31, 2014)	End of second quarter of the fiscal year under review (As of February 28, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	138,079	293,217
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	—	14,972
Accounts payable - other	78,934	184,725
Accrued expenses	674,966	736,154
Income taxes payable	765,565	752,852
Accrued consumption taxes	198,425	230,383
Advances received	273,888	387,141
Deposits received	197,318	212,816
Provision for bonuses	341,029	306,126
Provision for sales returns	18,180	18,180
Other	18,537	11,755
<b>Total current liabilities</b>	<b>2,774,924</b>	<b>3,218,325</b>
<b>Non-current liabilities</b>		
Long-term loans payable	—	18,694
Net defined benefit liability	16,016	39,125
Long-term accounts payable-other to employees	168,768	165,107
Long-term accounts payable-other to officers	161,650	179,380
Deferred tax liabilities	31,433	27,921
Asset retirement obligations	156,576	205,367
Long-term guarantee deposited	62,822	67,422
Other	5,115	8,688
<b>Total non-current liabilities</b>	<b>602,382</b>	<b>711,706</b>
<b>Total liabilities</b>	<b>3,377,306</b>	<b>3,930,032</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	11,311,303	12,373,666
Treasury shares	(143,612)	(143,612)
<b>Total shareholders' equity</b>	<b>13,055,706</b>	<b>14,118,069</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	80,200	81,653
Foreign currency translation adjustment	13,835	16,752
<b>Total accumulated other comprehensive income</b>	<b>94,035</b>	<b>98,406</b>
<b>Minority interests</b>	<b>41,733</b>	<b>41,863</b>
<b>Total net assets</b>	<b>13,191,475</b>	<b>14,258,339</b>
<b>Total liabilities and net assets</b>	<b>16,568,782</b>	<b>18,188,371</b>

(2-1) Quarterly Consolidated Statements of Income  
First six-month period

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2013- February 28, 2014)	First six-month period of the fiscal year under review (September 1, 2014- February 28, 2015)
Net sales	7,837,236	9,368,436
Cost of sales	4,572,760	5,672,504
Gross profit	3,264,475	3,695,931
Selling, general and administrative expenses	1,276,738	1,578,076
Operating income	1,987,737	2,117,855
Non-operating income		
Interest income	23,477	34,737
Dividend income	21,735	20,763
Gain on reversal of loss on valuation of investment securities	31,200	67,680
Share of profit of entities accounted for using equity method	-	8,797
Rent income	32,163	38,638
Other	23,187	32,631
Total non-operating income	131,764	203,247
Non-operating expenses		
Interest expenses	3,360	465
Share of loss of entities accounted for using equity method	54,878	-
Rent expenses	17,015	17,557
Other	1,036	4,241
Total non-operating expenses	76,290	22,265
Ordinary income	2,043,211	2,298,838
Extraordinary income		
Gain on sales of investment securities	111,110	-
Surrender value of insurance	-	106,048
Total extraordinary income	111,110	106,048
Extraordinary losses		
Loss on change in equity	17,636	-
Loss on valuation of golf club membership	-	15,513
Total extraordinary losses	17,636	15,513
Income before income taxes and minority interests	2,136,684	2,389,372
Income taxes - current	789,611	735,000
Income taxes - deferred	29,843	150,279
Total income taxes	819,455	885,280
Income before minority interests	1,317,228	1,504,092
Minority interests in income (loss)	(4,392)	73
Net income	1,321,620	1,504,019

(2-2) Quarterly Consolidated Statements of Comprehensive Income  
First six-month period

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2013- February 28, 2014)	First six-month period of the fiscal year under review (September 1, 2014- February 28, 2015)
Income before minority interests	1,317,228	1,504,092
Other comprehensive income		
Valuation difference on available-for-sale securities	(18,156)	1,509
Share of other comprehensive income of entities accounted for using equity method	6,260	2,917
Total other comprehensive income	(11,895)	4,426
Comprehensive income	1,305,333	1,508,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,309,667	1,508,389
Comprehensive income attributable to minority interests	(4,334)	129

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2013- February 28, 2014)	First six-month period of the fiscal year under review (September 1, 2014- February 28, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	2,136,684	2,389,372
Depreciation	73,790	90,730
Amortization of intangible assets	-	30,258
Amortization of goodwill	10,080	93,477
Increase (decrease) in allowance for doubtful accounts	(1,163)	(8,086)
Increase (decrease) in provision for bonuses	(27,955)	(34,902)
Increase (decrease) in provision for directors' retirement	-	(260,000)
Increase (decrease) in provision for retirement benefits	1,120	-
Increase (decrease) in net defined benefit liability	-	894
Interest and dividend income	(45,212)	(55,500)
Interest expenses	3,360	465
Share of (profit) loss of entities accounted for using equity method	54,878	(8,797)
Rent income	(32,163)	(38,638)
Rent expenses	17,015	17,557
Surrender value of insurance	-	(106,048)
Loss (gain) on sales of investment securities	(111,110)	-
Loss (gain) on valuation of investment securities	(31,200)	(67,680)
Loss on valuation of golf club memberships	-	15,513
Loss (gain) on change in equity	17,636	-
Decrease (increase) in notes and accounts receivable -	(60,131)	113,596
Decrease (increase) in inventories	(32,479)	(44,172)
Increase (decrease) in notes and accounts payable - trade	137,690	62,867
Increase (decrease) in accrued consumption taxes	1,406	(17,377)
Increase (decrease) in accrued expenses	(77,508)	(156,862)
Decrease (increase) in other assets	(7,295)	69,521
Increase (decrease) in other liabilities	(196,372)	(123,177)
Subtotal	1,831,070	1,963,012
Interest and dividend income received	46,508	55,281
Interest expenses paid	(2,782)	(477)
Proceeds from insurance income	-	106,048
Income taxes paid	(639,552)	(749,297)
Net cash provided by (used in) operating activities	1,235,244	1,374,567



(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2013- February 28, 2014)	First six-month period of the fiscal year under review (September 1, 2014- February 28, 2015)
<b>Cash flows from investing activities</b>		
Purchase of securities	(100,000)	-
Purchase of property, plant and equipment	(19,858)	(77,859)
Proceeds from sales of property, plant and equipment	-	1,803
Purchase of intangible assets	(151,256)	(110,330)
Proceeds from sales of intangible assets	-	72
Purchase of investment securities	(248,939)	(101,074)
Proceeds from redemption of investment securities	100,000	304,856
Proceeds from sales of investment securities	520,000	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,513,648)
Payments of loans receivable	-	(5,000)
Collection of loans receivable	41,556	52,916
Payments for guarantee deposits	(8,876)	(20,627)
Proceeds from collection of guarantee deposits	3,900	23,552
Decrease (increase) in time deposits	(220,000)	(24,900)
Other, net	27,185	32,033
Net cash provided by (used in) investing activities	<u>(56,287)</u>	<u>(1,438,204)</u>
<b>Cash flows from financing activities</b>		
Repayments of loans payable	(1,600,000)	(3,678)
Cash dividends paid	(386,051)	(441,851)
Net cash provided by (used in) financing activities	<u>(1,986,051)</u>	<u>(445,529)</u>
Net increase (decrease) in cash and cash equivalents	<u>(807,094)</u>	<u>(509,167)</u>
Cash and cash equivalents at beginning of period	5,434,505	5,563,151
Cash and cash equivalents at end of period	<u>4,627,410</u>	<u>5,053,984</u>

## Segment Information

I Six months ended February 28, 2014 (From September 1, 2013 to February 28, 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	3,650,700	3,276,450	313,156	7,240,307	596,929	7,837,236
Intersegment sales	—	—	—	—	40,732	40,732
<b>Total</b>	<b>3,650,700</b>	<b>3,276,450</b>	<b>313,156</b>	<b>7,240,307</b>	<b>637,662</b>	<b>7,877,969</b>
<b>Segment income(loss)</b>	<b>888,913</b>	<b>1,627,155</b>	<b>49,659</b>	<b>2,565,727</b>	<b>(41,559)</b>	<b>2,524,168</b>

(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	2,565,727
Income(Loss) for "Others" category	(41,559)
Amortization of goodwill	(10,080)
Reconciliations of fixed assets	1,727
Corporate expenses*	(528,077)
<b>Operating income reported on quarterly statements of income</b>	<b>1,987,737</b>

(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 Six months ended February 28, 2015 (From September 1, 2014 to February 28, 2015)

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	5,307,396	2,991,673	296,674	8,595,743	772,692	9,368,436
Intersegment sales	—	196,846	—	196,846	50,415	247,261
<b>Total</b>	<b>5,307,396</b>	<b>3,188,519</b>	<b>296,674</b>	<b>8,792,590</b>	<b>823,107</b>	<b>9,615,697</b>
<b>Segment income(loss)</b>	<b>1,152,486</b>	<b>1,580,782</b>	<b>27,196</b>	<b>2,760,464</b>	<b>(80,865)</b>	<b>2,679,599</b>

(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., consolidated subsidiary Waseda EDU 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	2,760,464
Income(Loss) for “Others”category	(80,865)
Amortization of goodwill	(10,080)
Reconciliations of fixed assets	1,716
Corporate expenses*	(559,458)
Other adjustments	6,078
Operating income reported on quarterly statements of income	2,117,855

(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.