Summary Report on Financial Results for the Second Quarter of the Year Ending August 2013 (Japanese Accounting Standards)

April 10, 2013

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 12, 2013
Scheduled date for commencement of dividend payment: May 8,2013
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 2013 (September 1, 2012 through February 28, 2013)

(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 2013	7,680	6.9	2,088	8.9	2,189	9.4	1,331	18.6
Second quarter of the year ended August 2012	7,186	1.8	1,918	(4.3)	2,002	(4.3)	1,122	(2.8)

(Note) Comprehensive income:
Second quarter of the year ending August 2013: 1,497 million yen(32. 5%)
Second quarter of the year ended August 2012: 1,130 million yen(negative 5. 3%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2013	48.25	48.25
Second quarter of the year ended August 2012	40.71	40.71

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2013	16,202	11,298	69.5
Year ended August 2012	15,195	10,149	66.6

(Reference) Shareholders' equity:
Second quarter of the year ending August 2013: 11,264 million yen
Year ended August 2012: 10,117 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 2012	—	12.00	—	13.00	25.00
Year ending August 2013	—	13.00			
Year ending August 2013 (estimate)			—	14.00	27.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2013 (September 1, 2012 through August 31, 2013)

(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	15,938	10.0	3,846	8.6	3,893	4.5	2,323	18.0	84.23

(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: Yes
(ⅱ) Changes in accounting policies other than (ⅰ): None
(ⅲ) Changes in accounting estimates: Yes
(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 2013: 27,803,600 shares
Year ended August 2012: 27,788,500 shares

(ⅱ) Number of shares of treasury stock at the end of the period:
Second quarter of the year ending August 2013: 200,127 shares
Year ended August 2012: 200,127 shares

(ⅲ) Average number of shares during the period (accumulated consolidated quarter)
Second quarter of the year ending August 2013: 27,595,091 shares
Second quarter of the year ended August 2012: 27,585,749 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 2012		Second quarter of the year ending August 2013	
Fiscal Period	From September 1, 2011 to February 29, 2012		From September 1, 2012 to February 28, 2013	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	215	+1	205	(10)
Number of franchised Meiko Gijuku cram schools	1,835	+93	1,892	+57
Total number of Meiko Gijuku cram schools	2,050	+94	2,097	+47
Number of registered students of company-owned Meiko Gijuku cram schools	16,204	+1,161	16,067	(137)
Number of registered students of franchised Meiko Gijuku cram schools	126,298	+4,048	124,621	(1,677)
Total number of registered students of Meiko Gijuku cram schools	142,502	+5,209	140,688	(1,814)
Sales from company-owned cram school business (million yen)	3,515	+60	3,504	(11)
Sales from cram school franchise business ※1 (million yen)	3,281	+40	3,371	+90
Sales from prep school business (million yen)	272	(38)	295	+22
Sales from other businesses (million yen)	116	+67	509	+392
Total Sales (million yen)	7,186	+129	7,680	+494
Sales from company owned Meiko Gijuku cram schools (million yen)	3,515	+60	3,504	(11)
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	22,336	+936	22,166	(169)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	25,851	+997	25,670	(180)

※ 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) Quarterly Consolidated Balance Sheets

(Thousand yen)

	End of previous fiscal year (As of August 31, 2012)	End of second quarter of the fiscal year under review (As of Februaly 28, 2013)
Assets		
Current assets		
Cash and deposits	5,931,073	6,848,075
Accounts receivable-trade	967,848	1,013,405
Short-term investment securities	499,916	399,985
Merchandise	113,328	141,295
Supplies	18,456	28,259
Advance payments-trade	19,421	7,263
Prepaid expenses	124,164	116,188
Deferred tax assets	225,713	203,655
Other	60,473	68,460
Allowance for doubtful accounts	(69,490)	(66,963)
Total current assets	7,890,906	8,759,626
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	752,672	771,642
Accumulated depreciation	(339,757)	(353,911)
Buildings and structures, net	412,914	417,731
Tools, furniture and fixtures	202,931	207,062
Accumulated depreciation	(155,410)	(162,822)
Tools, furniture and fixtures, net	47,520	44,240
Land	257,986	257,986
Total property, plant and equipment	718,421	719,957
Intangible assets		
Goodwill	100,809	90,728
Software	192,969	195,412
Telephone subscription right	20,109	19,454
Total intangible assets	313,889	305,596
Investments and other assets		
Investment securities	3,808,709	4,273,093
Long-term loans receivable	205,236	164,394
Long-term prepaid expenses	83,865	80,144
Deferred tax assets	303,992	201,394
Lease and guarantee deposits	529,170	533,469
Real estate for investment	965,822	965,822
Accumulated depreciation	(155,336)	(168,407)
Real estate for investment, net	810,485	797,415
Long-term time deposits	464,000	300,000
Other	66,686	67,995
Allowance for doubtful accounts	(300)	(300)
Total investments and other assets	6,271,846	6,417,608
Total noncurrent assets	7,304,157	7,443,161
Total assets	15,195,063	16,202,788

(Thousand yen)

	End of previous fiscal year (As of August 31, 2012)	End of second quarter of the fiscal year under review (As of Februaly 28, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	165,448	257,582
Current portion of long-term loans payable	207,063	1,819,157
Accounts payable-other	49,730	110,610
Accrued expenses	511,830	501,457
Income taxes payable	906,166	823,820
Accrued consumption taxes	85,935	86,620
Advances received	310,416	166,440
Deposits received	151,908	153,107
Provision for bonuses	309,233	274,593
Other	16,185	10,810
Total current liabilities	2,713,918	4,204,200
Noncurrent liabilities		
Long-term loans payable	1,695,212	77,112
Provision for retirement benefits	14,187	15,857
Long-term accounts payable-other to employees	190,500	180,777
Long-term accounts payable-other to officers	161,650	161,650
Deferred tax liabilities	30,750	30,597
Asset retirement obligations	164,111	163,136
Long-term guarantee deposited	68,935	64,235
Other	6,239	6,536
Total noncurrent liabilities	2,331,586	699,903
Total liabilities	5,045,504	4,904,103
Net assets		
Shareholders' equity		
Capital stock	966,600	972,512
Capital surplus	909,591	915,503
Retained earnings	8,496,240	9,469,049
Treasury stock	(143,612)	(143,612)
Total shareholders' equity	10,228,819	11,213,452
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(99,021)	48,715
Foreign currency translation adjustment	(12,664)	2,489
Total accumulated other comprehensive income	(111,685)	51,204
Subscription rights to shares	1,805	—
Minority interests	30,618	34,027
Total net assets	10,149,559	11,298,684
Total liabilities and net assets	15,195,063	16,202,788

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

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2011- February 29, 2012)	First six-month period of the fiscal year under review (September 1, 2012- February 28, 2013)
Net sales	7,186,164	7,680,274
Cost of sales	4,011,225	4,351,300
Gross profit	3,174,938	3,328,973
Selling, general and administrative expenses	1,256,570	1,240,309
Operating income	1,918,367	2,088,664
Non-operating income		
Interest income	28,447	24,366
Dividends income	16,527	25,616
Gain on reversal of loss on valuation of investment securities	8,160	47,070
Rent income	44,521	41,264
Other	10,147	15,363
Total non-operating income	107,803	153,681
Non-operating expenses		
Interest expenses	6,031	8,929
Equity in losses of affiliates	125	23,826
Rent expenses	13,700	17,918
Other	4,298	1,679
Total non-operating expenses	24,155	52,354
Ordinary income	2,002,015	2,189,992
Extraordinary loss		
Loss on redemption of investment securities	—	5,067
Total extraordinary losses	—	5,067
Income before income taxes and minority interests	2,002,015	2,184,925
Income taxes-current	841,193	807,257
Income taxes-deferred	37,902	43,021
Total income taxes	879,095	850,279
Income before minority interests	1,122,920	1,334,646
Minority interests in income	—	3,189
Net income	1,122,920	1,331,457

(2-2) Quarterly Consolidated Statements of Comprehensive Income

First six-month period

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2011-February 29, 2012)	First six-month period of the fiscal year under review (September 1, 2012-February 28, 2013)
Income before minority interests	1,122,920	1,334,646
Other comprehensive income		
Valuation difference on available-for-sale securities	16,897	147,955
Share of other comprehensive income of associates accounted for using equity method	(9,442)	15,153
Total other comprehensive income	7,455	163,109
Comprehensive income	1,130,375	1,497,755
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,130,375	1,494,347
Comprehensive income attributable to minority interests	—	3,408

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2011-February 29, 2012)	First six-month period of the fiscal year under review (September 1, 2012-February 28, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,002,015	2,184,925
Depreciation and amortization	72,529	83,049
Amortization of goodwill	37,276	10,080
Increase (decrease) in allowance for doubtful accounts	2,537	(2,527)
Increase (decrease) in provision for bonuses	(29,735)	(34,640)
Increase (decrease) in provision for retirement benefits	1,354	1,670
Interest and dividends income	(44,974)	(49,983)
Interest expenses	6,031	8,929
Equity in (earnings) losses of affiliates	125	23,826
Rent income	(44,521)	(41,264)
Rent expenses	13,700	17,918
Loss (gain) on valuation of investment securities	(8,160)	(47,070)
Loss (gain) on redemption of investment securities	—	5,067
Decrease (increase) in notes and accounts receivable-trade	(65,921)	(45,557)
Decrease (increase) in inventories	(29,633)	(37,769)
Increase (decrease) in notes and accounts payable-trade	103,839	92,134
Increase (decrease) in accrued consumption taxes	(7,612)	685
Increase (decrease) in accrued expenses	(118,723)	(12,457)
Decrease (increase) in other assets	11,629	24,501
Increase (decrease) in other liabilities	(81,334)	(91,689)
Subtotal	1,820,420	2,089,829
Interest and dividends income received	45,794	50,793
Interest expenses paid	(5,933)	(8,255)
Income taxes paid	(566,672)	(885,115)
Net cash provided by (used in) operating activities	1,293,609	1,247,251

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2011-February 29, 2012)	First six-month period of the fiscal year under review (September 1, 2012-February 28, 2013)
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	240,000	—
Purchase of property, plant and equipment	(33,645)	(21,538)
Proceeds from sales of property, plant and equipment	87	1,747
Purchase of intangible assets	(26,476)	(74,688)
Proceeds from sales of intangible assets	72	655
Purchase of investment securities	(418,705)	(314,304)
Proceeds from redemption of investment securities	104,025	212,768
Payments of loans receivable	(500)	(1,000)
Collection of loans receivable	21,210	31,390
Payments for guarantee deposits	(9,408)	(15,038)
Proceeds from collection of guarantee deposits	3,136	6,044
Decrease (increase) in time deposits	88,000	88,000
Other, net	38,160	36,331
Net cash provided by (used in) investing activities	5,958	(49,633)
Net cash provided by (used in) financing activities		
Repayments of loans payable	(500,000)	(6,006)
Proceeds from issuance of common stock	2,432	10,585
Purchase of treasury stock	(41)	—
Cash dividends paid	(330,610)	(361,191)
Net cash provided by (used in) financing activities	(828,220)	(356,611)
Net increase (decrease) in cash and cash equivalents	471,348	841,005
Cash and cash equivalents at beginning of period	4,173,387	4,431,048
Cash and cash equivalents at end of period	4,644,735	5,272,054