Summary Report on Financial Results for the First Quarter of the Year Ending August 2014 (Japanese Accounting Standards)

January 8, 2014

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
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Scheduled date for filing the securities report: January 10, 2014
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 2014 (September 1, 2013 through November 30, 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	%
First quarter of the year ending August 2014	3,316	(0.3)	612	(17.7)	641	(16.0)	382	(16.1)
First quarter of the year ended August 2013	3,327	10.6	744	35.2	763	30.8	456	36.9

(Note) Comprehensive income:
First quarter of the year ending August 2014: 423 million yen(negative 12.3%)
First quarter of the year ended August 2013: 482 million yen(70.8%)

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2014	13.86	—
First quarter of the year ended August 2013	16.53	16.53

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2014	16,312	11,849	72.5
Year ended August 2013	16,557	11,813	71.2

(Reference) Shareholders' equity:
First quarter of the year ending August 2014: 11,818 million yen
Year ended August 2013: 11,781 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 2013	—	13.00	—	14.00	27.00
Year ending August 2014	—				
Year ending August 2014 (estimate)		16.00	—	16.00	32.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2014 (September 1, 2013 through August 31, 2014)

(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	8,180	6.5	2,030	(2.8)	2,090	(4.5)	1,260	(5.3)	45.67
Full-year	16,470	7.8	3,780	5.6	3,880	4.3	2,330	7.4	84.43

(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 2014: 27,803,600 shares
Year ended August 2013: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:
First quarter of the year ending August 2014: 200,127 shares
Year ended August 2013: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)
First quarter of the year ending August 2014: 27,603,473 shares
First quarter of the year ended August 2013: 27,588,483 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	First quarter of the year ended August 2013		First quarter of the year ending August 2014	
Fiscal Period	From September 1, 2012 to November 30, 2012		From September 1, 2013 to November 30, 2013	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	205	(13)	210	+5
Number of franchised Meiko Gijuku cram schools	1,875	+67	1,902	+27
Total number of Meiko Gijuku cram schools	2,080	+54	2,112	+32
Number of registered students of company-owned Meiko Gijuku cram schools	16,490	+392	17,823	+1,333
Number of registered students of franchised Meiko Gijuku cram schools	129,550	(480)	126,996	(2,554)
Total number of registered students of Meiko Gijuku cram schools	146,040	(88)	144,819	(1,221)
Sales from company-owned cram school business (million yen)	1,393	+20	1,434	+41
Sales from cram school franchise business ※1 (million yen)	1,560	+96	1,447	(113)
Sales from prep school business (million yen)	126	+3	141	+14
Sales from other businesses (million yen)	246	+197	293	+47
Total Sales (million yen)	3,327	+317	3,316	(10)
Sales from company owned Meiko Gijuku cram schools (million yen)	1,393	+20	1,434	+41
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	10,186	+4	10,018	(167)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	11,579	+25	11,453	(126)

※ 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)

	Previous fiscal year (as of August 31, 2013)	Current fiscal year (as of November 30, 2013)
Assets		
Current assets		
Cash and deposits	7,122,513	6,813,581
Accounts receivable-trade	1,093,081	1,037,727
Securities	399,991	499,984
Merchandise	306,195	305,879
Supplies	14,302	17,935
Advance payments-trade	10,713	10,061
Prepaid expenses	126,553	123,024
Deferred tax assets	229,718	253,983
Other	72,675	66,284
Allowance for doubtful accounts	(77,756)	(76,052)
Total current assets	9,297,989	9,052,409
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	766,912	773,048
Accumulated depreciation	(371,402)	(382,205)
Buildings and structures, net	395,510	390,843
Tools, furniture and fixtures	225,330	231,966
Accumulated depreciation	(174,749)	(179,998)
Tools, furniture and fixtures, net	50,581	51,968
Land	283,540	283,540
Total property, plant and equipment	729,631	726,351
Intangible assets		
Goodwill	80,647	75,607
Software	179,618	163,239
Telephone subscription right	20,282	20,282
Total intangible assets	280,548	259,129
Investments and other assets		
Investment securities	3,952,540	4,112,464
Long-term loans receivable	114,232	114,205
Long-term prepaid expenses	11,578	11,326
Deferred tax assets	203,866	172,160
Lease and guarantee deposits	511,983	513,878
Real estate for investment	967,332	968,162
Accumulated depreciation	(181,552)	(187,549)
Real estate for investment, net	785,779	780,612
Long-term time deposits	600,000	500,000
Other	69,437	70,078
Total investments and other assets	6,249,418	6,274,725
Total noncurrent assets	7,259,598	7,260,206
Total assets	16,557,587	16,312,615

(Thousand yen)

	Previous fiscal year (as of August 31, 2013)	Current fiscal year (as of November 30, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	144,513	163,766
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	1,600,000	1,600,000
Accounts payable-other	63,759	45,392
Accrued expenses	631,207	542,210
Income taxes payable	660,365	280,439
Accrued consumption taxes	81,770	96,502
Advances received	320,842	247,381
Deposits received	205,052	289,891
Provision for bonuses	320,825	468,732
Provision for sales returns	17,750	17,750
Other	14,784	40,739
Total current liabilities	4,130,871	3,862,807
Noncurrent liabilities		
Provision for retirement benefits	14,484	15,615
Long-term accounts payable-other to employees	178,637	175,570
Long-term accounts payable-other to officers	161,650	161,650
Deferred tax liabilities	31,599	31,474
Asset retirement obligations	150,477	151,421
Long-term guarantee deposited	68,060	56,347
Other	8,783	7,854
Total noncurrent liabilities	613,692	599,932
Total liabilities	4,744,563	4,462,740
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	9,939,732	9,935,818
Treasury stock	(143,612)	(143,612)
Total shareholders' equity	11,684,136	11,680,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,842	124,763
Foreign currency translation adjustment	7,838	13,851
Total accumulated other comprehensive income	97,681	138,614
Minority interests	31,206	31,039
Total net assets	11,813,023	11,849,875
Total liabilities and net assets	16,557,587	16,312,615

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income(

(Thousand yen)

	Previous 3 months From September 1,2012 to November 30,2012	Current 3 months From September 1,2013 to November 30,2013
Net sales	3,327,217	3,316,600
Cost of sales	2,041,702	2,106,916
Gross profit	1,285,515	1,209,684
Selling, general and administrative expenses	541,056	597,310
Operating income	744,458	612,373
Non-operating income		
Interest income	9,426	10,292
Dividends income	5,248	1,859
Gain on reversal of loss on valuation of investment securities	16,710	29,940
Rent income	20,976	19,459
Other	4,265	9,016
Total non-operating income	56,627	70,568
Non-operating expenses		
Interest expenses	4,506	2,780
Equity in losses of affiliates	23,998	30,102
Rent expenses	8,702	8,077
Other	664	840
Total non-operating expenses	37,872	41,801
Ordinary income	763,213	641,141
Income before income taxes and minority interests	763,213	641,141
Income taxes-current	307,023	270,570
Income taxes-deferred	(2,796)	(11,787)
Total income taxes	304,226	258,782
Income before minority interests	458,987	382,358
Minority interests in income (loss)	2,843	(175)
Net income	456,143	382,533

Consolidated statements of comprehensive income

(Thousand yen)

	Previous 3 months From September 1,2012 to November 30,2012	Current 3 months From September 1,2013 to November 30,2013
Income before minority interests	458,987	382,358
Other comprehensive income		
Valuation difference on available-for-sale securities	22,400	34,929
Share of other comprehensive income of associates accounted for using equity method	1,206	6,012
Total other comprehensive income	23,606	40,941
Comprehensive income	482,593	423,300
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	479,724	423,466
Comprehensive income attributable to minority interests	2,869	(166)

Segment Information

I Three months ended November 30, 2012 (From September 1, 2012 to November 30, 2012)

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	1,393,283	1,560,871	126,980	3,081,134	246,083	3,327,217
Intersegmet sales	—	—	—	—	13,940	13,940
Total	1,393,283	1,560,871	126,980	3,081,134	260,023	3,341,158
Segment income(loss)	195,632	865,973	(8,421)	1,053,183	(31,933)	1,021,250

(Note) "Others" consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Meiko Kids, Abrakadoodle Art Studios,consolidated subsidiary Youdec 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	1,053,183
Income(Loss) for "Others"category	(31,933)
Amortization of goodwill	(5,040)
Reconciliations of fixed assets	686
Corporate expenses*	(272,437)
Operating income reported on quarterly statements of income	744,458

(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, 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
Intersegmet 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.