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

April 10, 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)
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Scheduled date for filing the securities report: April 11, 2014
Scheduled date for commencement of dividend payment: May 8,2014
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 2014 (September 1, 2013 through February 28, 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	%
Second quarter of the year ending August 2014	7,837	2.0	1,987	(4.8)	2,043	(6.7)	1,321	(0.7)
Second quarter of the year ended August 2013	7,680	6.9	2,088	8.9	2,189	9.4	1,331	18.6

(Note) Comprehensive income:
Second quarter of the year ending August 2014: 1,305 million yen(negative 12.9%)
Second quarter of the year ended August 2013: 1,130 million yen(32.5%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2014	47.88	—
Second quarter of the year ended August 2013	48.25	48.25

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2014	15,885	12,731	80.0
Year ended August 2013	16,557	11,813	71.2

(Reference) Shareholders' equity:
Second quarter of the year ending August 2014: 12,705 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	—	16.00			
Year ending August 2014 (estimate)			—	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
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)
Second 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:
Second 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)
Second quarter of the year ending August 2014: 27,603,473 shares
Second quarter of the year ended August 2013: 27,595,091 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 2013		Second quarter of the year ending August 2014	
Fiscal Period	From September 1, 2012 to February 28, 2013		From September 1, 2013 to February 28, 2014	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	205	(10)	213	+8
Number of franchised Meiko Gijuku cram schools	1,892	+57	1,924	+32
Total number of Meiko Gijuku cram schools	2,097	+47	2,137	+40
Number of registered students of company-owned Meiko Gijuku cram schools	16,067	(137)	17,299	+1,232
Number of registered students of franchised Meiko Gijuku cram schools	124,621	(1,677)	122,780	(1,841)
Total number of registered students of Meiko Gijuku cram schools	140,688	(1,814)	140,079	(609)
Sales from company-owned cram school business (million yen)	3,504	(11)	3,650	+146
Sales from cram school franchise business ※1 (million yen)	3,371	+90	3,276	(95)
Sales from prep school business (million yen)	295	+22	313	+18
Sales from other businesses (million yen)	509	+392	596	+87
Total Sales (million yen)	7,680	+494	7,837	+156
Sales from company owned Meiko Gijuku cram schools (million yen)	3,504	(11)	3,650	+146
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	22,166	(169)	21,717	(449)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	25,670	(180)	25,367	(303)

※ 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, 2013)	End of second quarter of the fiscal year under review (As of February 28, 2014)
Assets		
Current assets		
Cash and deposits	7,122,513	6,627,418
Accounts receivable-trade	1,093,081	1,153,213
Securities	399,991	499,992
Merchandise	306,195	328,043
Supplies	14,302	24,934
Advance payments-trade	10,713	20,016
Prepaid expenses	126,553	132,022
Deferred tax assets	229,718	217,641
Other	72,675	128,208
Allowance for doubtful accounts	(77,756)	(76,592)
Total current assets	9,297,989	9,054,898
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	766,912	779,239
Accumulated depreciation	(371,402)	(392,669)
Buildings and structures, net	395,510	386,569
Tools, furniture and fixtures	225,330	233,486
Accumulated depreciation	(174,749)	(185,472)
Tools, furniture and fixtures, net	50,581	48,014
Land	283,540	283,540
Total property, plant and equipment	729,631	718,124
Intangible assets		
Goodwill	80,647	70,566
Software	179,618	296,746
Telephone subscription right	20,282	20,282
Total intangible assets	280,548	387,595
Investments and other assets		
Investment securities	3,952,540	3,587,437
Long-term loans receivable	114,232	62,321
Long-term prepaid expenses	11,578	11,405
Deferred tax assets	203,866	196,116
Lease and guarantee deposits	511,983	514,357
Real estate for investment	967,332	968,462
Accumulated depreciation	(181,552)	(193,552)
Real estate for investment, net	785,779	774,910
Long-term time deposits	600,000	508,000
Other	69,437	70,319
Total investments and other assets	6,249,418	5,724,868
Total noncurrent assets	7,259,598	6,830,588
Total assets	16,557,587	15,885,486

(Thousand yen)

	End of previous fiscal year (As of August 31, 2013)	End of second quarter of the fiscal year under review (As of February 28, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	144,513	282,203
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	1,600,000	—
Accounts payable-other	63,759	117,008
Accrued expenses	631,207	554,378
Income taxes payable	660,365	805,351
Accrued consumption taxes	81,770	83,177
Advances received	320,842	145,795
Deposits received	205,052	179,331
Provision for bonuses	320,825	292,869
Provision for sales returns	17,750	17,750
Other	14,784	11,281
Total current liabilities	4,130,871	2,559,149
Noncurrent liabilities		
Provision for retirement benefits	14,484	15,604
Long-term accounts payable-other to employees	178,637	172,362
Long-term accounts payable-other to officers	161,650	161,650
Deferred tax liabilities	31,599	31,478
Asset retirement obligations	150,477	153,886
Long-term guarantee deposited	68,060	52,522
Other	8,783	6,924
Total noncurrent liabilities	613,692	594,428
Total liabilities	4,744,563	3,153,578
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	9,939,732	10,874,905
Treasury stock	(143,612)	(143,612)
Total shareholders' equity	11,684,136	12,619,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,842	71,629
Foreign currency translation adjustment	7,838	14,098
Total accumulated other comprehensive income	97,681	85,728
Minority interests	31,206	26,871
Total net assets	11,813,023	12,731,908
Total liabilities and net assets	16,557,587	15,885,486

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

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2012- February 28, 2013)	First six-month period of the fiscal year under review (September 1, 2013- February 28, 2014)
Net sales	7,680,274	7,837,236
Cost of sales	4,351,300	4,572,760
Gross profit	3,328,973	3,264,475
Selling, general and administrative expenses	1,240,309	1,276,738
Operating income	2,088,664	1,987,737
Non-operating income		
Interest income	24,366	23,477
Dividends income	25,616	21,735
Gain on reversal of loss on valuation of investment securities	47,070	31,200
Rent income	41,264	32,163
Other	15,363	23,187
Total non-operating income	153,681	131,764
Non-operating expenses		
Interest expenses	8,929	3,360
Equity in losses of affiliates	23,826	54,878
Rent expenses	17,918	17,015
Other	1,679	1,036
Total non-operating expenses	52,354	76,290
Ordinary income	2,189,992	2,043,211
Extraordinary income		
Gain on sales of investment securities	—	111,110
Total extraordinary income	—	111,110
Extraordinary loss		
Loss on change in equity	—	17,636
Loss on redemption of investment securities	5,067	—
Total extraordinary losses	5,067	17,636
Income before income taxes and minority interests	2,184,925	2,136,684
Income taxes-current	807,257	789,611
Income taxes-deferred	43,021	29,843
Total income taxes	850,279	819,455
Income before minority interests	1,334,646	1,317,228
Minority interests in income (loss)	3,189	(4,392)
Net income	1,331,457	1,321,620

(2-2) Quarterly Consolidated Statements of Comprehensive Income

First six-month period

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2012-February 28, 2013)	First six-month period of the fiscal year under review (September 1, 2013-February 28, 2014)
Income before minority interests	1,334,646	1,317,228
Other comprehensive income		
Valuation difference on available-for-sale securities	147,955	(18,156)
Share of other comprehensive income of associates accounted for using equity method	15,153	6,260
Total other comprehensive income	163,109	(11,895)
Comprehensive income	1,497,755	1,305,333
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,494,347	1,309,667
Comprehensive income attributable to minority interests	3,408	(4,334)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2012-February 28, 2013)	First six-month period of the fiscal year under review (September 1, 2013-February 28, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,184,925	2,136,684
Depreciation and amortization	83,049	73,790
Amortization of goodwill	10,080	10,080
Increase (decrease) in allowance for doubtful accounts	(2,527)	(1,163)
Increase (decrease) in provision for bonuses	(34,640)	(27,955)
Increase (decrease) in provision for retirement benefits	1,670	1,120
Interest and dividends income	(49,983)	(45,212)
Interest expenses	8,929	3,360
Equity in (earnings) losses of affiliates	23,826	54,878
Rent income	(41,264)	(32,163)
Rent expenses	17,918	17,015
Loss (gain) on sales of investment securities	—	(111,110)
Loss (gain) on valuation of investment securities	(47,070)	(31,200)
Loss (gain) on redemption of investment securities	5,067	—
Loss (gain) on change in equity	—	17,636
Decrease (increase) in notes and accounts receivable-trade	(45,557)	(60,131)
Decrease (increase) in inventories	(37,769)	(32,479)
Increase (decrease) in notes and accounts payable-trade	92,134	137,690
Increase (decrease) in accrued consumption taxes	685	1,406
Increase (decrease) in accrued expenses	(12,457)	(77,508)
Decrease (increase) in other assets	24,501	(7,295)
Increase (decrease) in other liabilities	(91,689)	(196,372)
Subtotal	2,089,829	1,831,070
Interest and dividends income received	50,793	46,508
Interest expenses paid	(8,255)	(2,782)
Income taxes paid	(885,115)	(639,552)
Net cash provided by (used in) operating activities	1,247,251	1,235,244

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2012-February 28, 2013)	First six-month period of the fiscal year under review (September 1, 2013-February 28, 2014)
Net cash provided by (used in) investing activities		
Purchase of securities	—	(100,000)
Purchase of property, plant and equipment	(21,538)	(19,858)
Proceeds from sales of property, plant and equipment	1,747	—
Purchase of intangible assets	(74,688)	(151,256)
Proceeds from sales of intangible assets	655	—
Purchase of investment securities	(314,304)	(248,939)
Proceeds from redemption of investment securities	212,768	100,000
Proceeds from sales of investment securities	—	520,000
Payments of loans receivable	(1,000)	—
Collection of loans receivable	31,390	41,556
Payments for guarantee deposits	(15,038)	(8,876)
Proceeds from collection of guarantee deposits	6,044	3,900
Decrease (increase) in time deposits	88,000	(220,000)
Other, net	36,331	27,185
Net cash provided by (used in) investing activities	(49,633)	(56,287)
Net cash provided by (used in) financing activities		
Repayments of loans payable	(6,006)	(1,600,000)
Proceeds from issuance of common stock	10,585	—
Cash dividends paid	(361,191)	(386,051)
Net cash provided by (used in) financing activities	(356,611)	(1,986,051)
Net increase (decrease) in cash and cash equivalents	841,005	(807,094)
Cash and cash equivalents at beginning of period	4,431,048	5,434,505
Cash and cash equivalents at end of period	5,272,054	4,627,410

Segment Information

I Six months ended February 28, 2013 (From September 1, 2012 to February 28, 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	3,504,323	3,371,760	295,073	7,171,158	509,115	7,680,274
Intersegmet sales	—	—	—	—	25,358	25,358
Total	3,504,323	3,371,760	295,073	7,171,158	534,473	7,705,632
Segment income(loss)	907,679	1,766,118	2,982	2,676,780	(68,158)	2,608,621

(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	2,676,780
Income(Loss) for "Others"category	(68,158)
Amortization of goodwill	(10,080)
Reconciliations of fixed assets	1,372
Corporate expenses*	(511,248)
Operating income reported on quarterly statements of income	2,088,664

(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, 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
Intersegmet sales	—	—	—	—	40,732	40,732
Total	3,650,700	3,276,450	313,156	7,240,307	637,662	7,877,969
Segment income(loss)	888,913	1,627,155	49,659	2,565,727	(41,559)	2,524,168

(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)
Operating income reported on quarterly statements of income	1,987,737

(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.