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

July 9, 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
Contact: Osamu Ogita, General Manager, Corporate Planning Department
Tel: +81-3-5860-2111

Scheduled date for filing the securities report: July 11, 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 Third quarter of the year ending August 2014 (September 1, 2013 through May 31, 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	%
Third quarter of the year ending August 2014	11,009	3.2	2,090	(4.8)	2,158	(8.1)	1,371	(3.0)
Third quarter of the year ended August 2013	10,672	4.4	2,197	4.6	2,348	5.2	1,414	14.6

(Note) Comprehensive income:
Third quarter of the year ending August 2014: 1,355 million yen : (16.5%)
Third quarter of the year ended August 2013: 1,623 million yen : 35.0%

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending August 2014	49.70	—
Third quarter of the year ended August 2013	51.25	51.25

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Third quarter of the year ending August 2014	15,068	12,340	81.6
Year ended August 2013	16,557	11,813	71.2

(Reference) Shareholders' equity:
Third quarter of the year ending August 2014: 12,303 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)

	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)
Third 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:
Third 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)
Third quarter of the year ending August 2014: 27,603,473 shares
Third quarter of the year ended August 2013: 27,597,916 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	Third quarter of the year ended August 2013		Third quarter of the year ending August 2014	
Fiscal Period	From September 1, 2012 to May 31, 2013		From September 1, 2013 to May 31, 2014	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of company-owned Meiko Gijuku cram schools	211	(3)	218	+7
Number of franchised Meiko Gijuku cram schools	1,886	+47	1,909	+23
Total number of Meiko Gijuku cram schools	2,097	+44	2,127	+30
Number of registered students of company-owned Meiko Gijuku cram schools	14,516	+898	15,116	+600
Number of registered students of franchised Meiko Gijuku cram schools	103,530	(1,834)	102,909	(621)
Total number of registered students of Meiko Gijuku cram schools	118,046	(936)	118,025	(21)
Sales from company-owned cram school business (million yen)	4,706	(65)	4,887	+181
Sales from cram school franchise business ※1 (million yen)	4,811	(63)	4,753	(58)
Sales from prep school business (million yen)	410	+33	419	+9
Sales from other businesses (million yen)	743	+547	948	+204
Total Sales (million yen)	10,672	+452	11,009	+337
Sales from company owned Meiko Gijuku cram schools (million yen)	4,706	(65)	4,887	+181
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	29,691	(388)	29,101	(589)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	34,397	(454)	33,989	(407)

※ 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 third quarter of the fiscal year under review (As of May 31, 2014)
Assets		
Current assets		
Cash and deposits	7,122,513	6,055,613
Accounts receivable-trade	1,093,081	933,263
Securities	399,991	599,992
Merchandise	306,195	330,440
Supplies	14,302	18,978
Advance payments-trade	10,713	28,489
Prepaid expenses	126,553	131,612
Deferred tax assets	229,718	226,338
Other	72,675	79,713
Allowance for doubtful accounts	(77,756)	(79,883)
Total current assets	9,297,989	8,324,558
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	766,912	809,191
Accumulated depreciation	(371,402)	(403,680)
Buildings and structures, net	395,510	405,510
Tools, furniture and fixtures	225,330	237,942
Accumulated depreciation	(174,749)	(191,278)
Tools, furniture and fixtures, net	50,581	46,663
Land	283,540	283,540
Total property, plant and equipment	729,631	735,714
Intangible assets		
Goodwill	80,647	65,526
Software	179,618	297,030
Telephone subscription right	20,282	20,061
Total intangible assets	280,548	382,618
Investments and other assets		
Investment securities	3,952,540	3,470,372
Long-term loans receivable	114,232	63,055
Long-term prepaid expenses	11,578	11,433
Deferred tax assets	203,866	199,127
Lease and guarantee deposits	511,983	522,476
Real estate for investment	967,332	968,462
Accumulated depreciation	(181,552)	(199,564)
Real estate for investment, net	785,779	768,897
Long-term time deposits	600,000	520,000
Other	69,437	70,659
Total investments and other assets	6,249,418	5,626,023
Total noncurrent assets	7,259,598	6,744,355
Total assets	16,557,587	15,068,914

(Thousand yen)

	End of previous fiscal year (As of August 31, 2013)	End of third quarter of the fiscal year under review (As of May 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	144,513	150,586
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	1,600,000	—
Accounts payable-other	63,759	33,309
Accrued expenses	631,207	492,392
Income taxes payable	660,365	189,850
Accrued consumption taxes	81,770	70,180
Advances received	320,842	421,525
Deposits received	205,052	218,415
Provision for bonuses	320,825	449,235
Provision for sales returns	17,750	17,750
Other	14,784	19,817
Total current liabilities	4,130,871	2,133,063
Noncurrent liabilities		
Provision for retirement benefits	14,484	15,617
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	31,346
Asset retirement obligations	150,477	156,224
Long-term guarantee deposited	68,060	52,522
Other	8,783	6,050
Total noncurrent liabilities	613,692	595,774
Total liabilities	4,744,563	2,728,837
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	9,939,732	10,483,435
Treasury stock	(143,612)	(143,612)
Total shareholders' equity	11,684,136	12,227,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,842	62,542
Foreign currency translation adjustment	7,838	12,935
Total accumulated other comprehensive income	97,681	75,478
Minority interests	31,206	36,759
Total net assets	11,813,023	12,340,077
Total liabilities and net assets	16,557,587	15,068,914

(2-1) Quarterly Consolidated Statements of Income

(Thousand yen)

	First nine-month period of previous fiscal year (September 1, 2012- May 31, 2013)	First nine-month period of the fiscal year under review (September 1, 2013- May 31, 2014)
Net sales	10,672,667	11,009,788
Cost of sales	6,546,902	6,916,064
Gross profit	4,125,765	4,093,723
Selling, general and administrative expenses	1,928,562	2,002,878
Operating income	2,197,202	2,090,845
Non-operating income		
Interest income	35,553	34,751
Dividends income	27,146	21,735
Gain on reversal of loss on valuation of investment securities	77,400	35,940
Rent income	59,339	44,819
Other	36,684	27,691
Total non-operating income	236,124	164,938
Non-operating expenses		
Interest expenses	12,598	3,654
Equity in losses of affiliates	43,290	64,682
Rent expenses	27,218	27,891
Other	1,883	1,404
Total non-operating expenses	84,990	97,632
Ordinary income	2,348,336	2,158,151
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	2,343,269	2,251,624
Income taxes-current	891,267	851,209
Income taxes-deferred	38,939	23,102
Total income taxes	930,207	874,312
Income before minority interests	1,413,062	1,377,312
Minority interests in income (loss)	(1,284)	5,505
Net income	1,414,346	1,371,807

(2-2) Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	First nine-month period of previous fiscal year (September 1, 2012- May 31, 2013)	First nine-month period of the fiscal year under review (September 1, 2013- May 31, 2014)
Income before minority interests	1,413,062	1,377,312
Other comprehensive income		
Valuation difference on available-for-sale securities	189,976	(27,252)
Share of other comprehensive income of associates accounted for using equity method	20,372	5,097
Total other comprehensive income	210,349	(22,155)
Comprehensive income	1,623,411	1,355,157
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,624,423	1,349,603
Comprehensive income attributable to minority interests	(1,011)	5,553

Segment Information

I First nine-month period of previous fiscal year (From September 1, 2012 to May 31, 2013)

1. Information about Segment Sales and Income (Loss)

(Thousand Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	4,706,168	4,811,967	410,635	9,928,771	743,895	10,672,667
Intersegmet sales	—	—	—	—	40,185	40,185
Total	4,706,168	4,811,967	410,635	9,928,771	784,711	10,713,483
Segment income(loss)	805,434	2,296,612	(3,526)	3,098,520	(143,394)	2,955,126

(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 Yen)

Income(Loss)	Amount
Reportable segment total	3,098,520
Income(Loss) for "Others"category	(143,394)
Amortization of goodwill	(15,121)
Reconciliations of fixed assets	2,068
Corporate expenses*	(744,860)
Operating income reported on quarterly statements of income	2,197,202

(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 First nine-month period of fiscal year under review (From September 1, 2013 to May 31, 2014)

1. Information about Segment Sales and Income (Loss)

(Thousand Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	4,887,714	4,753,877	419,667	10,061,259	948,528	11,009,788
Intersegmet sales	—	—	—	—	62,894	62,894
Total	4,887,714	4,753,877	419,667	10,061,259	1,011,423	11,072,683
Segment income(loss)	772,174	2,116,523	35,666	2,924,365	(54,918)	2,869,446

(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 Yen)

Income(Loss)	Amount
Reportable segment total	2,924,365
Income(Loss) for “Others”category	(54,918)
Amortization of goodwill	(15,121)
Reconciliations of fixed assets	2,588
Corporate expenses*	(766,067)
Operating income reported on quarterly statements of income	2,090,845

(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.