Summary Report on Financial Results for Fiscal Year Ended August 2014 (Japanese Accounting Standards)

October 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
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Tel: +81-3-5860-2111
Scheduled date for the ordinary general meetingof shareholders: November21, 2014
Scheduled date for commencement of dividend payment: November25, 2014
Scheduled date for filing the securities report: November25, 2014
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for analysts)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for year ended August 2014 (September 1, 2013 through August 31,2014)

(1) Consolidated operating results (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	%
Year ended August 2014	15,565	1.9	3,416	(4.6)	3,537	(4.9)	2,199	1.4
Year ended August 2013	15,279	5.5	3,580	1.1	3,718	(0.2)	2,169	10.2

(Note)Comprehensive income:
Year ended August 2014: 2,206 million yen (7.5%)
Year ended August 2013: 2,384 million yen 17.2%

	Net income per share	Fully diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended August 2014	79.69	—	17.6	21.4	21.9
Year ended August 2013	78.60	78.60	19.8	23.4	23.4

(Reference) Profit or loss on equity method investments:
Year ended August 2014: (58)million yen
Year ended August 2013: (60)million yen

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2014	16,568	13,191	79.4	476.38
Year ended August 2013	16,557	11,813	71.2	426.82

(Reference) Shareholders' equity:
Year ended August 2014: 13,149 million yen
Year ended August 2013: 11,781 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from Investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	million yen	million yen	million yen	million yen
Year ended August 2014	2,294	262	(2,427)	5,563
Year ended August 2013	2,269	(293)	(1,033)	5,434

2. Dividends

	Dividends per share					Total dividends (for the year)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	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	million yen	%	%
Year ended August 2013	—	13.00	—	14.00	27.00	745	34.3	6.8
Year ended August 2014	—	16.00	—	16.00	32.00	883	40.2	7.1
Year ending August 2015 (estimate)	—	17.00	—	17.00	34.00		41.5	

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
Consolidated second quarter	9,580	22.2	1,730	(13.0)	1,800	(11.9)	1,160	(12.2)	42.02
Full-year	19,420	24.8	3,500	2.5	3,620	2.3	2,260	2.7	81.87

※Other Information

(1) Change in significant subsidiaries during the year under review: None
Newly added: — (Name of company) Excluded: — (Name of company)

(2) 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

(2) Number of shares outstanding (common stock):

(i) Number of shares outstanding at the year-end (including treasury stock):
Year ended August 2014: 27,803,600 shares
Year ended August 2013: 27,803,600 shares

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

(iii) Avarage number of shares outstanding during the term:
Year ended August 2014: 27,603,473 shares
Year ended August 2013: 27,599,317 shares

（Reference）Overview of non-consolidated financial results

1．Non-consolidated financial results for fiscal year ended August 2014 （September 1, 2013 through August 31, 2014）

(1) Non-consolidated operating results （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	%
Year ended August 2014	14,101	1.8	3,327	(5.6)	3,515	(5.9)	2,108	(4.4)
Year ended August 2013	13,853	(0.5)	3,525	(2.7)	3,734	(1.5)	2,205	22.0

	Net income per share	Fully diluted net income per share
	yen	yen
Year ended August 2014	76.38	—
Year ended August 2013	79.93	79.92

(2) Non-consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2014	15,765	13,023	82.6	471.82
Year ended August 2013	15,872	11,753	74.1	425.81

(Reference) Shareholders' equity:
Year ended August 2014: 13,023 million yen
Year ended August 2013: 11,753 million yen

2．Forecast of non-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.)

	Net sales		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Full-year	14,890	5.6	3,520	0.1	2,220	5.3	80.42

※ Statement Relating to the Execution Status for Audit Procedures

- This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

※ Explanation about 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	29th term		30th term	
Consolidated Fiscal Year	From September 1, 2012 to August 31, 2013		From September 1, 2013 to August 31, 2014	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Year-end number of company-owned Meiko Gijuku cram schools	210	(4)	217	+7
Year-end number of franchised Meiko Gijuku cram schools	1,897	+36	1,920	+23
Year-end total number of Meiko Gijuku cram schools	2,107	+32	2,137	+30
Year-end number of registered students of company-owned Meiko Gijuku cram schools	17,291	+1,231	17,357	+66
Year-end number of registered students of franchised Meiko Gijuku cram schools	118,947	(902)	118,374	(573)
Year-end total number of registered students of Meiko Gijuku cram schools	136,238	+329	135,731	(507)
Sales from company-owned cram school business (million yen)	6,814	(49)	7,062	+247
Sales from cram school franchise business ※1 (million yen)	6,613	(123)	6,565	(48)
Sales from prep school business (million yen)	597	+38	593	(4)
Sales from other businesses (million yen)	1,253	+929	1,345	+92
Total Sales (million yen)	15,279	+794	15,565	+286
Sales from company owned Meiko Gijuku cram schools (million yen)	6,814	(49)	7,062	+247
System-wide sales from franchised Meiko Gijuku cram schools (million yen)	41,850	(573)	41,015	(834)
Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen)	48,665	(622)	48,077	(587)

※ 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.

Consolidated financial statements

(1) Consolidated balance sheets

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Assets		
Current assets		
Cash and deposits	7,122,513	7,363,158
Accounts receivable - trade	1,093,081	1,217,188
Securities	399,991	301,523
Merchandise	306,195	312,693
Supplies	14,302	14,545
Advance payments - trade	10,713	87,549
Prepaid expenses	126,553	128,107
Deferred tax assets	229,718	266,316
Other	72,675	88,992
Allowance for doubtful accounts	(77,756)	(72,252)
Total current assets	9,297,989	9,707,823
Non-current assets		
Property, plant and equipment		
Buildings and structures	766,912	803,855
Accumulated depreciation	(371,402)	(409,704)
Buildings and structures, net	395,510	394,151
Tools, furniture and fixtures	225,330	179,965
Accumulated depreciation	(174,749)	(134,967)
Tools, furniture and fixtures, net	50,581	44,998
Land	283,540	283,540
Total property, plant and equipment	729,631	722,689
Intangible assets		
Goodwill	80,647	60,485
Software	179,618	289,397
Telephone subscription right	20,282	19,915
Total intangible assets	280,548	369,799
Investments and other assets		
Investment securities	3,952,540	3,615,500
Long-term loans receivable	114,232	62,840
Long-term prepaid expenses	11,578	9,770
Deferred tax assets	203,866	182,134
Lease and guarantee deposits	511,983	522,338
Real estate for investment	967,332	968,462
Accumulated depreciation	(181,552)	(205,577)
Real estate for investment, net	785,779	762,884
Long-term time deposits	600,000	532,000
Other	69,437	81,000
Total investments and other assets	6,249,418	5,768,470
Total non-current assets	7,259,598	6,860,959
Total assets	16,557,587	16,568,782

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	144,513	138,079
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	1,600,000	—
Accounts payable - other	63,759	78,934
Accrued expenses	631,207	674,966
Income taxes payable	660,365	765,565
Accrued consumption taxes	81,770	198,425
Advances received	320,842	273,888
Deposits received	205,052	197,318
Provision for bonuses	320,825	341,029
Provision for sales returns	17,750	18,180
Other	14,784	18,537
Total current liabilities	4,130,871	2,774,924
Non-current liabilities		
Provision for retirement benefits	14,484	-
Net defined benefit liability	-	16,016
Long-term accounts payable-other to employees	178,637	168,768
Long-term accounts payable-other to officers	161,650	161,650
Deferred tax liabilities	31,599	31,433
Asset retirement obligations	150,477	156,576
Long-term guarantee deposited	68,060	62,822
Other	8,783	5,115
Total non-current liabilities	613,692	602,382
Total liabilities	4,744,563	3,377,306
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	9,939,732	11,311,303
Treasury shares	(143,612)	(143,612)
Total shareholders' equity	11,684,136	13,055,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,842	80,200
Foreign currency translation adjustment	7,838	13,835
Total accumulated other comprehensive income	97,681	94,035
Minority interests	31,206	41,733
Total net assets	11,813,023	13,191,475
Total liabilities and net assets	16,557,587	16,568,782

(2-1) Consolidated statements of income

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Net sales	15,279,029	15,565,848
Cost of sales	8,995,031	9,399,382
Gross profit	6,283,998	6,166,466
Selling, general and administrative expenses		
Advertising expenses	535,496	517,687
Promotion expenses	869,188	829,797
Provision of allowance for doubtful accounts	14,478	39,959
Directors' compensations	241,045	233,700
Salaries and allowances	223,941	246,229
Bonuses	34,774	29,625
Provision for bonuses	29,917	37,641
Retirement benefit expenses	2,252	1,955
Commission fee	117,887	150,818
Depreciation	21,994	20,141
Rent expenses	168,879	167,739
Amortization of goodwill	20,161	20,161
Other	423,059	454,986
Total selling, general and administrative expenses	2,703,077	2,750,445
Operating income	3,580,921	3,416,021
Non-operating income		
Interest income	48,987	45,890
Dividend income	31,416	32,361
Gain on reversal of loss on valuation of investment	57,570	53,940
Rent income	80,166	60,749
Other	42,829	37,555
Total non-operating income	260,970	230,497
Non-operating expenses		
Interest expenses	16,983	3,804
Share of loss of entities accounted for using equity method	60,485	58,537
Rent expenses	43,680	44,132
Other	1,928	2,406
Total non-operating expenses	123,077	108,880
Ordinary income	3,718,813	3,537,638
Extraordinary income		
Gain on sales of investment securities	-	111,110
Total extraordinary income	-	111,110
Extraordinary losses		
Loss on change in equity	-	17,636
Loss on sales of property, plant and equipment	14,215	-
Loss on retirement of property, plant and equipment	2,143	1,208
Loss on valuation of investment securities	10,958	6,063
Loss on redemption of investment securities	5,067	-
Impairment loss	64,488	-
Loss on closing of stores	13,597	-
Total extraordinary losses	110,470	24,909
Income before income taxes and minority interests	3,608,342	3,623,839
Income taxes - current	1,432,539	1,423,459
Income taxes - deferred	1,249	(9,662)
Total income taxes	1,433,788	1,413,796
Income before minority interests	2,174,554	2,210,042
Minority interests in income	5,154	10,368
Net income	2,169,399	2,199,674

(2-2) Consolidated statements of comprehensive income

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Income before minority interests	2,174,554	2,210,042
Other comprehensive income		
Valuation difference on available-for-sale securities	189,216	(9,483)
Share of other comprehensive income of entities accounted for using equity method	20,502	5,996
Total other comprehensive income	209,719	(3,487)
Comprehensive income	2,384,273	2,206,555
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,378,766	2,196,028
Comprehensive income attributable to minority interests	5,507	10,526

(3)Statements of changes in shareholders' equity

Year ended August 31, 2013

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earning	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	966,600	909,591	8,496,240	△143,612	10,228,819
Changes of items during the period					
Issuance of new shares	5,912	5,912			11,824
Dividends from surplus			△717,493		△717,493
Net income			2,169,399		2,169,399
Change of scope of consolidation			△8,413		△8,413
Net changes of items other than shareholders' equity					
Total changes of items during the period	5,912	5,912	1,443,491	－	1,455,316
Balance at the end of current period	972,512	915,503	9,939,732	△143,612	11,684,136

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	△99,021	△12,664	△111,685	1,805	30,618	10,149,559
Changes of items during the period						
Issuance of new shares						11,824
Dividends from surplus						△717,493
Net income						2,169,399
Change of scope of consolidation						△8,413
Net changes of items other than shareholders' equity	188,864	20,502	209,366	△1,805	587	208,148
Total changes of items during the period	188,864	20,502	209,366	△1,805	587	1,663,464
Balance at the end of current period	89,842	7,838	97,681	－	31,206	11,813,023

Year ended August 31, 2014

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earning	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	972,512	915,503	9,939,732	△143,612	11,684,136
Changes of items during the period					
Dividends from surplus			△828,104		△828,104
Net income			2,199,674		2,199,674
Net changes of items other than shareholders' equity					
Total changes of items during the period	−	−	1,371,570	−	1,371,570
Balance at the end of current period	972,512	915,503	11,311,303	△143,612	13,055,706

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	89,842	7,838	97,681	−	31,206	11,813,023
Changes of items during the period						
Dividends from surplus						△828,104
Net income						2,199,674
Net changes of items other than shareholders' equity	△9,642	5,996	△3,645	−	10,526	6,881
Total changes of items during the period	△9,642	5,996	△3,645	−	10,526	1,378,451
Balance at the end of current period	80,200	13,835	94,035	−	41,733	13,191,475

(4) Consolidated statements of cash flows

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	3,608,342	3,623,839
Depreciation	187,279	174,448
Impairment loss	64,488	-
Amortization of goodwill	20,161	20,161
Increase (decrease) in allowance for doubtful accounts	7,662	(5,504)
Increase (decrease) in provision for bonuses	6,757	20,203
Increase (decrease) in provision for sales returns	2,250	430
Increase (decrease) in provision for retirement benefits	297	-
Increase (decrease) in net defined benefit liability	-	1,531
Interest and dividend income	(80,403)	(78,252)
Interest expenses	16,983	3,804
Share of (profit) loss of entities accounted for using equity method	60,485	58,537
Rent income	(80,166)	(60,749)
Rent expenses	43,680	44,132
Loss (gain) on sales of property, plant and equipment	14,215	-
Loss on retirement of non-current assets	2,143	1,208
Loss (gain) on sales of investment securities	-	(111,110)
Loss (gain) on valuation of investment securities	(46,611)	(47,876)
Loss (gain) on redemption of investment securities	5,067	-
Loss (gain) on change in equity	-	17,636
Decrease (increase) in notes and accounts receivable -	(46,947)	(124,107)
Decrease (increase) in inventories	(15,302)	(6,740)
Increase (decrease) in notes and accounts payable - trade	(28,231)	(6,434)
Increase (decrease) in accrued consumption taxes	(5,420)	116,654
Increase (decrease) in accrued expenses	69,941	43,759
Decrease (increase) in other assets	15,574	(86,009)
Increase (decrease) in other liabilities	35,370	(72,857)
Other, net	13,597	-
Subtotal	3,871,216	3,526,707
Interest and dividend income received	82,642	80,342
Interest expenses paid	(14,543)	(3,225)
Income taxes paid	(1,669,439)	(1,309,525)
Net cash provided by (used in) operating activities	2,269,875	2,294,297

(Thousand yen)

	Year ended August 31, 2013	Year ended August 31, 2014
Cash flows from investing activities		
Purchase of securities	-	(100,000)
Purchase of property, plant and equipment	(59,939)	(58,156)
Proceeds from sales of property, plant and equipment	13,747	1,280
Purchase of intangible assets	(118,162)	(203,446)
Proceeds from sales of intangible assets	655	145
Purchase of investment securities	(520,787)	(365,868)
Proceeds from sales of investment securities	-	574,514
Proceeds from redemption of investment securities	507,701	400,000
Payments for investments in capital	-	(10,000)
Payments of loans receivable	(1,000)	(1,000)
Collection of loans receivable	31,548	41,772
Payments for guarantee deposits	(29,952)	(21,158)
Proceeds from collection of guarantee deposits	44,521	7,480
Decrease (increase) in time deposits	(224,000)	(44,000)
Other, net	62,522	40,595
Net cash provided by (used in) investing activities	(293,146)	262,159
Cash flows from financing activities		
Proceeds from loans payable	70,000	-
Repayments of loans payable	(394,155)	(1,600,000)
Proceeds from issuance of common shares	10,585	-
Cash dividends paid	(720,279)	(827,810)
Net cash provided by (used in) financing activities	(1,033,849)	(2,427,810)
Net increase (decrease) in cash and cash equivalents	942,878	128,646
Cash and cash equivalents at beginning of period	4,431,048	5,434,505
Increase in cash and cash equivalents from newly consolidated subsidiary	60,577	-
Cash and cash equivalents at end of period	5,434,505	5,563,151

Segment Information

1. Information about Segment Sales and Income (Loss)

Year ended August 31, 2013

(Thousand of Yen)

	Reportable segment				Others ＊1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	6,814,648	6,613,408	597,812	14,025,868	1,253,160	15,279,029
Intersegmet sales	－	－	－	－	66,300	66,300
Total	6,814,648	6,613,408	597,812	14,025,868	1,319,461	15,345,329
Segment income(loss)	1,461,923	3,276,516	37,715	4,776,154	(126,422)	4,649,732
Other items						
Depreciation and Amortization	41,225	88,233	9,560	139,019	14,311	153,331

(Note)

1. “Others” consists of the operating segments not included in reportable segments. It includes Meiko Soccer Schools, Waseda Academy Kobetsu Schools, Meiko Kids, Abrakadoodle Art Studios,consolidated subsidiary Youdec Co., consolidated subsidiary Koyoshobo Co.,and other businesses.

Year ended August 31, 2014

(Thousand of Yen)

	Reportable segment				Others ＊1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	7,062,015	6,565,061	593,076	14,220,153	1,345,694	15,565,848
Intersegmet sales	－	－	－	－	88,921	88,921
Total	7,062,015	6,565,061	593,076	14,220,153	1,434,616	15,654,770
Segment income(loss)	1,455,986	3,072,315	58,053	4,586,354	(44,032)	4,542,322
Other items						
Depreciation and Amortization	40,153	83,826	11,194	135,173	15,431	150,605

(Note)

1. “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. Reconciliation of Difference Between Reportable Segment Totals and Consolidated Financial Statement Totals (Matters relating to reconciliation of differences)

(Thousand of Yen)

Sales	Year ended August 31, 2013	Year ended August 31, 2014
Reportable segment total	14,025,868	14,220,153
Sales for “Others”category	1,319,461	1,434,616
Intersegment eliminations	(66,300)	(88,921)
Net sales in financial statements	15,279,029	15,565,848

(Thousand of Yen)

Income(Loss)	Year ended August 31, 2013	Year ended August 31, 2014
Reportable segment total	4,776,154	4,586,354
Income(Loss) for "Others"category	(126,422)	(44,032)
Amortization of goodwill	(20,161)	(20,161)
Reconciliations of fixed assets	3,359	3,451
Corporate expenses	(1,052,008)	(1,109,590)
Operating income in financial statements	3,580,921	3,416,021

(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.

(Thousand of Yen)

Other Items	Reportable segment total		Others		Reconciliations		Amount in consolidated financial statements	
	Year ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013	Year ended August 31, 2014	Year ended August 31, 2013	Year ended August 31, 2014
Depreciation and amortization	139,019	135,173	14,311	15,431	13,212	11,268	166,543	161,873

(Note) The reconciliation for depreciation and amortization are mainly depreciation and amortization for assets that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.