# Summary Report on Financial Results for the Third Quarter of the Year Ending August 2015 (Japanese Accounting Standards)

July 10, 2015

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: July 13, 2015
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 2015 (September 1, 2014 through May 31, 2015)

(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 2015 | 13,102 | 19.0 | 2,135 | 2.1 | 2,358 | 9.3 | 1,486 | 8.4 |
| Third quarter of the year ended August 2014 | 11,009 | 3.2 | 2,090 | (4.8) | 2,158 | (8.1) | 1,371 | (3.0) |

(Note) Comprehensive income:
Third quarter of the year ending August 2015: 1,476 million yen : 8.9%
Third quarter of the year ended August 2014: 1,355 million yen : (16.5)%

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | yen | yen |
| Third quarter of the year ending August 2015 | 53.86 | — |
| Third quarter of the year ended August 2014 | 49.70 | — |

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio |
|---|---|---|---|
| | million yen | million yen | % |
| Third quarter of the year ending August 2015 | 17,095 | 13,756 | 80.2 |
| Year ended August 2014 | 16,568 | 13,191 | 79.4 |

(Reference) Shareholders' equity:
Third quarter of the year ending August 2015: 13,708 million yen
Year ended August 2014: 13,149 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 2014 | — | 16.00 | — | 16.00 | 32.00 |
| Year ending August 2015 | — | 17.00 | — | | |
| Year ending August 2015 (estimate) | | | | 17.00 | 34.00 |

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

3. Forecast of consolidated financial results for fiscal year ending August 2015 (September 1, 2014 through August 31, 2015)

(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 | 19,420 | 24.8 | 3,500 | 2.5 | 3,620 | 2.3 | 2,260 | 2.7 | 81.87 |

(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 2015: 27,803,600 shares
Year ended August 2014: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:
Third quarter of the year ending August 2015: 200,127 shares
Year ended August 2014: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)
Third quarter of the year ending August 2015: 27,603,473 shares
Third quarter of the year ended August 2014: 27,603,473 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 2014 | | Third quarter of the year ending August 2015 | |
|---|---|---|---|---|
| Fiscal Period | From September 1, 2013 to May 31, 2014 | | From September 1, 2014 to May 31, 2015 | |
| | Operating results | Same period the previous year | Operating results | Same period the previous year |
| Number of company-owned Meiko Gijuku cram schools | 218 | +7 | 221 | +3 |
| Number of Meiko Gijuku cram schools (MAXIS) | — | — | 90 | +90 |
| Number of franchised Meiko Gijuku cram schools | 1,909 | +23 | 1,811 | (98) |
| Total number of Meiko Gijuku cram schools | 2,127 | +30 | 2,122 | (5) |
| Number of registered students of company-owned Meiko Gijuku cram schools | 15,116 | +600 | 15,660 | +544 |
| Number of registered students of Meiko Gijuku cram schools (MAXIS) | — | — | 6,350 | +6,350 |
| Number of registered students of franchised Meiko Gijuku cram schools | 102,909 | (621) | 96,503 | (6,406) |
| Total number of registered students of Meiko Gijuku cram schools | 118,025 | (21) | 118,513 | +488 |
| Sales from company-owned cram school business (million yen) | 4,887 | +181 | 7,125 | +2,238 |
| Sales from cram school franchise business ※1 (million yen) | 4,753 | (58) | 4,329 | (424) |
| Sales from prep school business (million yen) | 419 | +9 | 424 | +5 |
| Sales from other businesses (million yen) | 948 | +204 | 1,222 | +273 |
| Total Sales (million yen) | 11,009 | +337 | 13,102 | +2,092 |
| Sales from company owned Meiko Gijuku cram schools (million yen) | 4,887 | +181 | 7,125 | +2,238 |
| System-wide sales from franchised Meiko Gijuku cram schools (million yen) | 29,101 | (589) | 26,619 | (2,481) |
| Total system-wide sales from Meiko Gijuku cram schools ※2 (million yen) | 33,989 | (407) | 33,745 | (243) |

※ 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, 2014) | End of third quarter of the fiscal year under review (As of May 31, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,363,158 | 6,096,399 |
| Accounts receivable-trade | 1,217,188 | 976,036 |
| Securities | 301,523 | 399,929 |
| Merchandise | 312,693 | 321,697 |
| Supplies | 14,545 | 18,421 |
| Advance payments-trade | 87,549 | 36,221 |
| Prepaid expenses | 128,107 | 190,710 |
| Deferred tax assets | 266,316 | 270,324 |
| Other | 88,992 | 110,217 |
| Allowance for doubtful accounts | (72,252) | (85,739) |
| Total current assets | 9,707,823 | 8,334,219 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 803,855 | 1,169,518 |
| Accumulated depreciation | (409,704) | (565,610) |
| Buildings and structures, net | 394,151 | 603,907 |
| Tools, furniture and fixtures | 179,965 | 303,994 |
| Accumulated depreciation | (134,967) | (230,372) |
| Tools, furniture and fixtures, net | 44,998 | 73,622 |
| Land | 283,540 | 446,059 |
| Total property, plant and equipment | 722,689 | 1,123,588 |
| Intangible assets | | |
| Goodwill | 60,485 | 1,949,786 |
| Software | 289,397 | 291,809 |
| Telephone subscription right | 19,915 | 20,480 |
| Total intangible assets | 369,799 | 2,262,076 |
| Investments and other assets | | |
| Investment securities | 3,615,500 | 3,089,776 |
| Long-term loans receivable | 62,840 | 47,200 |
| Long-term prepaid expenses | 9,770 | 23,863 |
| Deferred tax assets | 182,134 | 197,726 |
| Lease and guarantee deposits | 522,338 | 703,515 |
| Real estate for investment | 968,462 | 968,462 |
| Accumulated depreciation | (205,577) | (221,914) |
| Real estate for investment, net | 762,884 | 746,548 |
| Long-term time deposits | 532,000 | 500,000 |
| Other | 81,000 | 66,539 |
| Total investments and other assets | 5,768,470 | 5,375,168 |
| Total non-current assets | 6,860,959 | 8,760,833 |
| Total assets | 16,568,782 | 17,095,053 |

(Thousand yen)

| | End of previous fiscal year (As of August 31, 2014) | End of third quarter of the fiscal year under review (As of May 31, 2015) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 138,079 | 161,320 |
| Short-term loans payable | 70,000 | 70,000 |
| Current portion of long-term loans payable | — | 15,440 |
| Accounts payable-other | 78,934 | 72,266 |
| Accrued expenses | 674,966 | 585,611 |
| Income taxes payable | 765,565 | 138,566 |
| Accrued consumption taxes | 198,425 | 192,069 |
| Advances received | 273,888 | 758,782 |
| Deposits received | 197,318 | 132,549 |
| Provision for bonuses | 341,029 | 477,482 |
| Provision for sales returns | 18,180 | 18,180 |
| Other | 18,537 | 20,840 |
| Total current liabilities | 2,774,924 | 2,643,109 |
| Non-current liabilities | | |
| Long-term loans payable | — | 14,548 |
| Net defined benefit liability | 16,016 | 38,179 |
| Long-term accounts payable-other to employees | 168,768 | 165,107 |
| Long-term accounts payable-other to officers | 161,650 | 179,380 |
| Deferred tax liabilities | 31,433 | 24,475 |
| Asset retirement obligations | 156,576 | 192,435 |
| Long-term guarantee deposited | 62,822 | 67,422 |
| Other | 5,115 | 13,565 |
| Total non-current liabilities | 602,382 | 695,114 |
| Total liabilities | 3,377,306 | 3,338,223 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 972,512 | 972,512 |
| Capital surplus | 915,503 | 915,503 |
| Retained earnings | 11,311,303 | 11,887,151 |
| Treasury stock | (143,612) | (143,612) |
| Total shareholders' equity | 13,055,706 | 13,631,555 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 80,200 | 61,116 |
| Foreign currency translation adjustment | 13,835 | 16,243 |
| Total accumulated other comprehensive income | 94,035 | 77,359 |
| Minority interests | 41,733 | 47,914 |
| Total net assets | 13,191,475 | 13,756,829 |
| Total liabilities and net assets | 16,568,782 | 17,095,053 |

(2-1) Quarterly Consolidated Statements of Income

(Thousand yen)

| | First nine-month period of previous fiscal year (September 1, 2013- May 31, 2014) | First nine-month period of the fiscal year under review (September 1, 2014- May 31, 2015) |
|---|---|---|
| Net sales | 11,009,788 | 13,102,768 |
| Cost of sales | 6,916,064 | 8,516,239 |
| Gross profit | 4,093,723 | 4,586,529 |
| Selling, general and administrative expenses | 2,002,878 | 2,451,514 |
| Operating income | 2,090,845 | 2,135,015 |
| Non-operating income | | |
| Interest income | 34,751 | 41,668 |
| Dividend income | 21,735 | 20,763 |
| Gain on sales of investment securities | — | 21,479 |
| Gain on reversal of loss on valuation of investment securities | 35,940 | 67,680 |
| Share of profit of entities accounted for using equity method | — | 4,262 |
| Rent income | 44,819 | 59,900 |
| Other | 27,691 | 39,283 |
| Total non-operating income | 164,938 | 255,037 |
| Non-operating expenses | | |
| Interest expenses | 3,654 | 775 |
| Share of loss of entities accounted for using equity method | 64,682 | — |
| Rent expenses | 27,891 | 25,594 |
| Other | 1,404 | 4,948 |
| Total non-operating expenses | 97,632 | 31,318 |
| Ordinary income | 2,158,151 | 2,358,734 |
| Extraordinary income | | |
| Gain on sales of investment securities | 111,110 | — |
| Surrender value of insurance | — | 106,048 |
| Gain on Extinguishment of Asset Retirement Obligations | — | 8,976 |
| Total extraordinary income | 111,110 | 115,024 |
| Extraordinary loss | | |
| Loss on change in equity | 17,636 | — |
| Loss on valuation of golf club membership | — | 15,513 |
| Total extraordinary losses | 17,636 | 15,513 |
| Income before income taxes and minority interests | 2,251,624 | 2,458,246 |
| Income taxes-current | 851,209 | 798,461 |
| Income taxes-deferred | 23,102 | 166,958 |
| Total income taxes | 874,312 | 965,419 |
| Income before minority interests | 1,377,312 | 1,492,826 |
| Minority interests in income | 5,505 | 6,063 |
| Net income | 1,371,807 | 1,486,763 |

(2-2) Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

| | First nine-month period of previous fiscal year (September 1, 2013- May 31, 2014) | First nine-month period of the fiscal year under review (September 1, 2014- May 31, 2015) |
|---|---|---|
| Income before minority interests | 1,377,312 | 1,492,826 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (27,252) | (18,966) |
| Share of other comprehensive income of entities accounted for using equity method | 5,097 | 2,408 |
| Total other comprehensive income | (22,155) | (16,557) |
| Comprehensive income | 1,355,157 | 1,476,268 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 1,349,603 | 1,470,086 |
| Comprehensive income attributable to minority interests | 5,553 | 6,181 |

## Segment Information

I First nine-month period of previous fiscal year (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.

II First nine-month period of fiscal year under review (From September 1, 2014 to May 31, 2015)

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 | 7,125,868 | 4,329,701 | 424,740 | 11,880,310 | 1,222,458 | 13,102,768 |
| Intersegmet sales | — | 268,518 | — | 268,518 | 81,415 | 349,933 |
| Total | 7,125,868 | 4,598,219 | 424,740 | 12,148,828 | 1,303,873 | 13,452,702 |
| Segment income(loss) | 986,784 | 2,054,206 | 34,486 | 3,075,478 | (123,756) | 2,951,721 |

(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 Wasada EDU Co., 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 | 3,075,478 |
| Income(Loss) for “Others”category | (123,756) |
| Amortization of goodwill | (15,121) |
| Reconciliations of fixed assets | 2,575 |
| Corporate expenses* | (809,777) |
| Other adjustments | 5,618 |
| Operating income reported on quarterly statements of income | 2,135,015 |

(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.