Summary Report on Financial Results for the First Quarter of the Year Ending August 2016 (Japanese Accounting Standards)

January 12, 2016

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: Setsuro Tagami, President
Contact: Osamu Ogita, General Manager, Corporate Planning Department
Tel: +81-3-5860-2111

Scheduled date for filing the securities report: January 13, 2016
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 2016 (September 1, 2015 through November 30, 2015)

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of the year ending August 2016	4,111	6.0	379	14.4	369	(19.2)	(94)	—
First quarter of the year ended August 2015	3,876	16.9	331	(45.8)	457	(28.6)	353	(7.7)

(Note) Comprehensive income:
First quarter of the year ending August 2016: (61) million yen —
First quarter of the year ended August 2015: 328 million yen (22.3%)

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2016	(3.43)	—
First quarter of the year ended August 2015	12.80	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2016	17,341	13,187	75.7
Year ended August 2015	18,680	14,628	78.0

(Reference) Shareholders' equity:
First quarter of the year ending August 2016: 13,133 million yen
Year ended August 2015: 14,569 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 2015	—	17.00	—	17.00	34.00
Year ending August 2016	—				
Year ending August 2016 (estimate)		19.00	—	19.00	38.00

(Note) Revision of dividend projections in the current quarter: None

3. Forecast of consolidated financial results for fiscal year ending August 2016 (September 1, 2015 through August 31, 2016)

(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 second quarter figures.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Second quarter (cumulative)	9,782	4.4	1,605	(24.2)	1,656	(27.9)	665	(55.8)	24.62
Full-year	19,639	4.6	2,870	(19.3)	2,990	(21.4)	1,442	(39.1)	53.85

(Note) Revision of consolidated earnings projections' numerical values in the current quarter: Exist

Please refer to attached reference material "Revision of Earnings Projections' Numerical Values".

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: Exist
(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 2016: 27,803,600 shares
Year ended August 2015: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:
First quarter of the year ending August 2016: 833,827 shares
Year ended August 2015: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)
First quarter of the year ending August 2016: 27,391,347 shares
First quarter of the year ended August 2015: 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 Act. At the time of disclosure of this summary report, the quarterly review procedures have not been completed for quarterly financial statements pursuant to the Financial Instruments and Exchange Act.

※ 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 schools and registered students and system-wide sales

Term	First quarter of the year ended August 2015		First quarter of the year ending August 2016	
Fiscal Period	From September 1, 2014 to November 30, 2014		From September 1, 2015 to November 30, 2015	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	221	+11	221	—
Number of Meiko Gijuku directly operated schools (MAXIS)	89	+89	92	+3
Number of Meiko Gijuku franchised schools	1,821	(81)	1,817	(4)
Total number of Meiko Gijuku schools	2,131	+19	2,130	(1)
Number of registered students of Meiko Gijuku directly operated schools	18,065	+242	18,451	+386
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,235	+7,235	7,513	+278
Number of registered students of Meiko Gijuku franchised schools	118,792	(8,204)	118,214	(578)
Total number of registered students of Meiko Gijuku schools	144,092	(727)	144,178	+86
Sales from Meiko Gijuku directly operated schools (million yen)	2,080	+645	2,152	+71
Sales from Meiko Gijuku franchised schools ※1 (million yen)	1,329	(118)	1,349	+20
Sales from Supplemental education (million yen)	131	(10)	151	+20
Sales from others (million yen)	335	+42	457	+121
Total Sales (million yen)	3,876	+560	4,111	+234
Sales from Meiko Gijuku directly operated schools (million yen)	2,080	+645	2,152	+71
System-wide sales from Meiko Gijuku franchised schools (million yen)	9,093	(925)	9,008	(84)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	11,173	(279)	11,160	(12)

※ 1 Sales from Meiko Gijuku franchised schools represent royalty revenues and sales of products.

2 Total system-wide sales from Meiko Gijuku schools represent the sum of total sales of Meiko Gijuku directly operated schools, including entrance fees, tuition, materials fees, and examination fees, and the total sales of Meiko Gijuku franchised schools, including entrance fees and tuition. Materials fees, and examination fees of franchised schools are excluded.

Summary of consolidated financial statements
(1) Consolidated balance sheets

(Thousand yen)

	End of previous fiscal year (As of August 31, 2015)	End of first quarter of the fiscal year (As of November 30, 2015)
Assets		
Current assets		
Cash and deposits	7,345,308	6,240,388
Accounts receivable - trade	1,300,723	1,129,237
Securities	399,960	299,981
Merchandise	308,453	298,574
Supplies	17,178	17,547
Advance payments - trade	30,821	42,148
Prepaid expenses	195,431	185,288
Deferred tax assets	206,494	425,045
Other	117,378	92,305
Allowance for doubtful accounts	(93,208)	(89,656)
Total current assets	9,828,543	8,640,859
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,161,170	1,178,071
Accumulated depreciation	(557,051)	(575,332)
Buildings and structures, net	604,118	602,739
Tools, furniture and fixtures	311,578	313,509
Accumulated depreciation	(232,932)	(240,012)
Tools, furniture and fixtures, net	78,645	73,496
Land	446,059	446,059
Total property, plant and equipment	1,128,823	1,122,295
Intangible assets		
Goodwill	1,897,308	1,844,830
Software	339,894	342,268
Telephone subscription right	20,480	20,480
Total intangible assets	2,257,683	2,207,578
Investments and other assets		
Investment securities	3,157,886	3,159,573
Long-term loans receivable	57,200	57,200
Long-term prepaid expenses	21,764	23,669
Deferred tax assets	215,929	171,379
Lease and guarantee deposits	705,108	712,617
Real estate for investment	968,462	968,462
Accumulated depreciation	(227,359)	(232,356)
Real estate for investment, net	741,102	736,105
Long-term time deposits	500,000	500,000
Other	66,879	67,220
Allowance for doubtful accounts	—	△57,200
Total investments and other assets	5,465,870	5,370,566
Total non-current assets	8,852,378	8,700,440
Total assets	18,680,921	17,341,299

(Thousand yen)

	End of previous fiscal year (As of August 31, 2015)	End of first quarter of the fiscal year (As of November 30, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	194,664	209,303
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	13,386	10,812
Accounts payable - other	110,037	84,292
Accrued expenses	971,411	1,205,167
Income taxes payable	628,319	275,904
Accrued consumption taxes	287,410	186,522
Advances received	637,060	679,095
Deposits received	65,924	164,963
Provision for bonuses	337,659	512,098
Provision for sales returns	25,030	25,030
Other	16,585	45,982
Total current liabilities	3,357,489	3,469,172
Non-current liabilities		
Long-term loans payable	12,664	11,560
Net defined benefit liability	39,020	37,421
Long-term accounts payable-other to employees	165,107	165,107
Long-term accounts payable-other to officers	179,380	179,380
Deferred tax liabilities	26,755	18,542
Asset retirement obligations	191,351	194,604
Long-term guarantee deposited	67,422	67,122
Other	12,918	11,007
Total non-current liabilities	694,620	684,746
Total liabilities	4,052,110	4,153,919
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,770,002	12,206,716
Treasury shares	(143,612)	(1,054,316)
Total shareholders' equity	14,514,405	13,040,415
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,994	79,244
Foreign currency translation adjustment	16,068	13,453
Total accumulated other comprehensive income	55,063	92,698
Non-controlling interests	59,342	54,265
Total net assets	14,628,811	13,187,379
Total liabilities and net assets	18,680,921	17,341,299

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2014 to November 30,2014)	First quarter of the consolidated term (From September 1,2015 to November 30,2015)
Net sales	3,876,984	4,111,115
Cost of sales	2,733,787	2,949,741
Gross profit	1,143,196	1,161,373
Selling, general and administrative expenses	811,368	781,661
Operating income	331,828	379,712
Non-operating income		
Interest income	9,121	6,917
Dividend income	887	2,142
Gain on valuation of investment securities	14,520	—
Gain on reversal of loss on valuation of investment securities	67,680	—
Share of profit of entities accounted for using equity method	2,189	1,573
Rent income	18,186	21,327
Reversal of allowance for doubtful accounts	21,231	21,203
Other	6,684	5,442
Total non-operating income	140,501	58,606
Non-operating expenses		
Interest expenses	147	221
Rent expenses	10,669	7,285
Provision of allowance for doubtful accounts	—	57,200
Other	3,830	3,790
Total non-operating expenses	14,647	68,497
Ordinary income	457,682	369,821
Extraordinary income		
Gain on sales of investment securities	—	45,469
Surrender value of insurance	101,491	—
Total extraordinary income	101,491	45,469
Extraordinary losses		
Adjustment for tutors' salary	—	449,409
Total extraordinary losses	—	449,409
Income (loss) before income taxes and non-controlling interests	559,174	(34,119)
Income taxes - current	194,531	266,373
Income taxes - deferred	11,103	(201,410)
Total income taxes	205,634	64,962
Profit (loss)	353,539	(99,082)
Profit (loss) attributable to non-controlling interests	345	(5,054)
Profit (loss) attributable to owners of the parent	353,194	(94,027)

Consolidated statements of comprehensive income

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2014 to November 30,2014)	First quarter of the consolidated term (From September 1,2015 to November 30,2015)
Profit (loss)	353,539	(99,082)
Other comprehensive income		
Valuation difference on available-for-sale securities	(25,530)	40,228
Share of other comprehensive income of entities accounted for using equity method	902	(2,614)
Total other comprehensive income	(24,627)	37,613
Comprehensive income	328,912	(61,468)
Comprehensive income attributable to		
Owners of the parent	328,586	(56,391)
Non-controlling interests	325	(5,077)

Segment Information

I Three months ended November 30, 2014 (From September 1, 2014 to November 30, 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	2,080,749	1,329,291	131,096	3,541,137	335,846	3,876,984
Intersegment sales	—	93,849	—	93,849	28,259	122,108
Total	2,080,749	1,423,141	131,096	3,634,987	364,106	3,999,093
Segment income(loss)	32,251	671,757	6,168	710,177	(51,918)	658,258

(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	710,177
Income(Loss) for "Others"category	(51,918)
Amortization of goodwill	(5,040)
Reconciliation of fixed assets	858
Corporate expenses*	(323,987)
Other adjustments	1,739
Operating income reported on quarterly statements of income	331,828

(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, 2015 (From September 1, 2015 to November 30, 2015)

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	2,152,109	1,349,747	151,895	3,653,752	457,362	4,111,115
Intersegment sales	—	141,158	—	141,158	35,399	176,557
Total	2,152,109	1,490,905	151,895	3,794,911	492,761	4,287,672
Segment income(loss)	52,431	711,178	19,433	783,043	(59,127)	723,916

(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 Waseda 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 of Yen)

Income(Loss)	Amount
Reportable segment total	783,043
Income(Loss) for "Others"category	(59,127)
Amortization of goodwill	(5,040)
Reconciliation of fixed assets	854
Corporate expenses*	(333,512)
Other adjustments	(6,505)
Operating income reported on quarterly statements of income	379,712

(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.

Revision of Earnings Projections' Numerical Values

1. (Consolidated) the second quarter for fiscal year ending August 2016

(September 1, 2015 through February 29, 2016)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
The previous announcement (A)	9,959	2,069	2,181	1,376	50.67 yen
This time announcement (B)	9,782	1,605	1,656	665	24.62 yen
Change of amount (B-A)	(177)	(464)	(525)	(711)	(26.05) yen
Percentage change (%)	(1.8)	(22.4)	(24.1)	(51.7)	(51.4)
(Reference) Second quarter of the previous year	9,368	2,117	2,298	1,504	54.49 yen

2. (Consolidated) the full-year for fiscal year ending August 2016

(September 1, 2015 through August 31, 2016)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
The previous announcement (A)	19,818	3,700	3,881	2,400	89.54 yen
This time announcement (B)	19,639	2,870	2,990	1,442	53.85 yen
Change of amount (B-A)	(179)	(830)	(891)	(958)	(35.69) yen
Percentage change (%)	(0.9)	(22.4)	(23.0)	(39.9)	(39.9)
(Reference) Year ended August 2015	18,768	3,555	3,803	2,369	85.84 yen

3. (Non-consolidated) the full-year for fiscal year ending August 2016

(September 1, 2015 through August 31, 2016)

(Million yen)

	Net sales	Ordinary income	Net income attributable to owners of the parent	Net income per share
The previous announcement (A)	15,049	3,625	2,334	87.07 yen
This time announcement (B)	14,841	2,825	1,613	60.26 yen
Change of amount (B-A)	(208)	(800)	(721)	(26.81) yen
Percentage change (%)	(1.4)	(22.1)	(30.9)	(30.8)
(Reference) Year ended August 2015	14,223	3,421	2,117	76.73 yen