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

April 8, 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)
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Scheduled date for filing the securities report: April 12, 2016
Scheduled date for commencement of dividend payment: May 6, 2016
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 2016 (September 1, 2015 through February 29, 2016)

(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	%
Second quarter of the year ending August 2016	9,419	0.5	1,551	(26.7)	1,578	(31.4)	540	(64.0)
Second quarter of the year ended August 2015	9,368	19.5	2,117	6.5	2,298	12.5	1,504	13.8

(Note) Comprehensive income:
Second quarter of the year ending August 2016: 527 million yen, (65.1%)
Second quarter of the year ended August 2015: 1,508 million yen, 15.6%

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2016	20.03	—
Second quarter of the year ended August 2015	54.49	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2016	16,961	13,186	77.3
Year ended August 2015	18,680	14,628	78.0

(Reference) Shareholders' equity:
Second quarter of the year ending August 2016: 13,119 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	—	19.00			
Year ending August 2016 (estimate)			—	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.)

	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
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: None

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)
Second 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:
Second quarter of the year ending August 2016: 1,246,427 shares
Year ended August 2015: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)
Second quarter of the year ending August 2016: 27,010,532 shares
Second 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	Second quarter of the year ended August 2015		Second quarter of the year ending August 2016	
Fiscal Period	From September 1, 2014 to February 28, 2015		From September 1, 2015 to February 29, 2016	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	220	+7	220	—
Number of Meiko Gijuku directly operated schools (MAXIS)	89	+89	92	+3
Number of Meiko Gijuku franchised schools	1,828	(96)	1,814	(14)
Total number of Meiko Gijuku schools	2,137	—	2,126	(11)
Number of registered students of Meiko Gijuku directly operated schools	17,633	+334	17,797	+164
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,244	+7,244	7,252	+8
Number of registered students of Meiko Gijuku franchised schools	114,638	(8,142)	113,201	(1,437)
Total number of registered students of Meiko Gijuku schools	139,515	(564)	138,250	(1,265)
Sales from Meiko Gijuku directly operated schools (million yen)	5,307	+1,656	5,285	(21)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	2,991	(284)	2,802	(189)
Sales from Supplemental education (million yen)	296	(16)	354	+57
Sales from others (million yen)	772	+175	976	+204
Total Sales (million yen)	9,368	+1,531	9,419	+50
Sales from Meiko Gijuku directly operated schools (million yen)	5,307	+1,656	5,285	(21)
System-wide sales from Meiko Gijuku franchised schools (million yen)	19,756	(1,960)	19,479	(276)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	25,063	(304)	24,764	(298)

※ 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 second quarter of the fiscal year under review (As of February 29, 2016)
Assets		
Current assets		
Cash and deposits	7,345,308	6,628,684
Accounts receivable - trade	1,300,723	1,031,607
Securities	399,960	299,981
Merchandise	308,453	348,767
Supplies	17,178	30,643
Advance payments - trade	30,821	10,864
Prepaid expenses	195,431	187,029
Deferred tax assets	206,494	229,834
Other	117,378	23,336
Allowance for doubtful accounts	(93,208)	(100,704)
Total current assets	9,828,543	8,690,044
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,161,170	1,191,038
Accumulated depreciation	(557,051)	(588,026)
Buildings and structures, net	604,118	603,012
Tools, furniture and fixtures	311,578	315,849
Accumulated depreciation	(232,932)	(246,651)
Tools, furniture and fixtures, net	78,645	69,198
Land	446,059	446,059
Total property, plant and equipment	1,128,823	1,118,269
Intangible assets		
Goodwill	1,897,308	1,792,352
Software	339,894	346,428
Telephone subscription right	20,480	20,480
Total intangible assets	2,257,683	2,159,260
Investments and other assets		
Investment securities	3,157,886	2,926,981
Long-term loans receivable	57,200	71,900
Long-term prepaid expenses	21,764	27,353
Deferred tax assets	215,929	196,792
Lease and guarantee deposits	705,108	740,391
Real estate for investment	968,462	968,462
Accumulated depreciation	(227,359)	(237,353)
Real estate for investment, net	741,102	731,108
Long-term time deposits	500,000	304,000
Other	66,879	67,561
Allowance for doubtful accounts	-	(71,900)
Total investments and other assets	5,465,870	4,994,189
Total non-current assets	8,852,378	8,271,719
Total assets	18,680,921	16,961,763

(Thousand yen)

	End of previous fiscal year (As of August 31, 2015)	End of second quarter of the fiscal year under review (As of February 29, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	194,664	259,434
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	13,386	8,238
Accounts payable - other	110,037	165,455
Accrued expenses	971,411	983,183
Income taxes payable	628,319	567,392
Accrued consumption taxes	287,410	154,047
Advances received	637,060	421,401
Deposits received	65,924	77,345
Provision for bonuses	337,659	309,745
Provision for sales returns	25,030	25,030
Provision for loss on business of subsidiaries and associates	-	29,883
Other	16,585	20,234
Total current liabilities	3,357,489	3,091,392
Non-current liabilities		
Long-term loans payable	12,664	10,456
Net defined benefit liability	39,020	40,194
Long-term accounts payable-other to employees	165,107	159,963
Long-term accounts payable-other to officers	179,380	178,980
Deferred tax liabilities	26,755	18,177
Asset retirement obligations	191,351	199,023
Long-term guarantee deposited	67,422	67,122
Other	12,918	9,893
Total non-current liabilities	694,620	683,810
Total liabilities	4,052,110	3,775,202
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,770,002	12,841,700
Treasury shares	(143,612)	(1,643,607)
Total shareholders' equity	14,514,405	13,086,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,994	19,555
Foreign currency translation adjustment	16,068	14,003
Total accumulated other comprehensive income	55,063	33,559
Non-controlling interests	59,342	66,894
Total net assets	14,628,811	13,186,561
Total liabilities and net assets	18,680,921	16,961,763

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2014- February 28, 2015)	First six-month period of the fiscal year under review (September 1, 2015- February 29, 2016)
Net sales	9,368,436	9,419,062
Cost of sales	5,672,504	5,983,090
Gross profit	3,695,931	3,435,972
Selling, general and administrative expenses	1,578,076	1,884,579
Operating income	2,117,855	1,551,392
Non-operating income		
Interest income	34,737	16,643
Dividend income	20,763	22,714
Gain on reversal of loss on valuation of investment securities	67,680	-
Share of profit of entities accounted for using equity method	8,797	7,026
Rent income	38,638	42,392
Reversal of allowance for doubtful accounts	21,442	25,142
Other	11,188	9,302
Total non-operating income	203,247	123,222
Non-operating expenses		
Interest expenses	465	470
Rent expenses	17,557	15,806
Provision of allowance for doubtful accounts	-	71,900
Other	4,241	8,333
Total non-operating expenses	22,265	96,510
Ordinary income	2,298,838	1,578,104
Extraordinary income		
Gain on sales of investment securities	-	45,469
Surrender value of insurance	106,048	-
Total extraordinary income	106,048	45,469
Extraordinary losses		
Loss on retirement of property, plant and equipment	-	1,100
Loss on valuation of investment securities	-	50,212
Loss on valuation of golf club membership	15,513	-
Adjustment for tutors' salary	-	449,409
Provision for loss on business of subsidiaries and associates	-	29,883
Total extraordinary losses	15,513	530,606
Income before income taxes and non-controlling interests	2,389,372	1,092,967
Income taxes - current	735,000	547,714
Income taxes - deferred	150,279	(3,382)
Total income taxes	885,280	544,331
Profit	1,504,092	548,635
Profit attributable to non-controlling interests	73	7,679
Profit attributable to owners of the parent	1,504,019	540,956

Consolidated statements of comprehensive income

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2014-February 28, 2015)	First six-month period of the fiscal year under review (September 1, 2015-February 29, 2016)
Profit	1,504,092	548,635
Other comprehensive income		
Valuation difference on available-for-sale securities	1,509	(19,566)
Share of other comprehensive income of entities accounted for using equity method	2,917	(2,064)
Total other comprehensive income	4,426	(21,631)
Comprehensive income	1,508,519	527,004
Comprehensive income attributable to		
Owners of the parent	1,508,389	519,452
Non-controlling interests	129	7,551

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2014- February 28, 2015)	First six-month period of the fiscal year under review (September 1, 2015- February 29, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	2,389,372	1,092,967
Depreciation	90,730	103,335
Amortization of intangible assets	30,258	7,407
Amortization of goodwill	93,477	104,956
Increase (decrease) in allowance for doubtful accounts	(8,086)	79,396
Increase (decrease) in provision for bonuses	(34,902)	(27,914)
Increase (decrease) in provision for loss on business of subsidiaries and associates	-	29,883
Increase (decrease) in provision for directors' retirement benefits	(260,000)	-
Increase (decrease) in net defined benefit liability	894	1,173
Interest and dividend income	(55,500)	(39,358)
Interest expenses	465	470
Share of (profit) loss of entities accounted for using equity method	(8,797)	(7,026)
Rent income	(38,638)	(42,392)
Rent expenses	17,557	15,806
Surrender value of insurance	(106,048)	-
Adjustment for tutors' salary	-	449,409
Loss (gain) on sales of investment securities	-	(45,469)
Loss (gain) on valuation of investment securities	(67,680)	50,212
Loss on retirement of property, plant and equipment	-	1,100
Loss on valuation of golf club memberships	15,513	-
Decrease (increase) in notes and accounts receivable - trade	113,596	269,115
Decrease (increase) in inventories	(44,172)	(53,777)
Increase (decrease) in notes and accounts payable - trade	62,867	61,451
Increase (decrease) in accrued consumption taxes	(17,377)	(133,362)
Increase (decrease) in accrued expenses	(156,862)	11,384
Decrease (increase) in other assets	69,521	47,713
Increase (decrease) in other liabilities	(123,177)	(169,877)
Subtotal	1,963,012	1,806,606
Interest and dividend income received	55,281	39,410
Interest expenses paid	(477)	(470)
Proceeds from insurance income	106,048	-
Adjustment for tutors' salary paid	-	(356,902)
Income taxes paid	(749,297)	(608,368)
Net cash provided by (used in) operating activities	1,374,567	880,276

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2014- February 28, 2015)	First six-month period of the fiscal year under review (September 1, 2015- February 29, 2016)
Cash flows from investing activities		
Purchase of securities	-	(200,000)
Proceeds from redemption of securities	-	200,000
Purchase of property, plant and equipment	(77,859)	(28,065)
Proceeds from sales of property, plant and equipment	1,803	-
Purchase of intangible assets	(110,330)	(136,398)
Proceeds from sales of intangible assets	72	-
Purchase of investment securities	(101,074)	(137,821)
Proceeds from sales of investment securities	-	140,000
Proceeds from redemption of investment securities	304,856	300,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,513,648)	-
Payments of loans receivable	(5,000)	(14,700)
Collection of loans receivable	52,916	62,153
Payments for guarantee deposits	(20,627)	(40,716)
Proceeds from collection of guarantee deposits	23,552	1,904
Decrease (increase) in time deposits	(24,900)	174,400
Other, net	32,033	36,945
Net cash provided by (used in) investing activities	(1,438,204)	357,702
Cash flows from financing activities		
Repayments of loans payable	(3,678)	(7,356)
Purchase of treasury shares	-	(1,499,995)
Cash dividends paid	(441,851)	(468,848)
Net cash provided by (used in) financing activities	(445,529)	(1,976,200)
Net increase (decrease) in cash and cash equivalents	(509,167)	(738,221)
Cash and cash equivalents at beginning of period	5,563,151	5,623,734
Cash and cash equivalents at end of period	5,053,984	4,885,513

Segment Information

I Six months ended February 28, 2015 (From September 1, 2014 to February 28, 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	5,307,396	2,991,673	296,674	8,595,743	772,692	9,368,436
Intersegment sales	—	196,846	—	196,846	50,415	247,261
Total	5,307,396	3,188,519	296,674	8,792,590	823,107	9,615,697
Segment income(loss)	1,152,486	1,580,782	27,196	2,760,464	(80,865)	2,679,599

(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	2,760,464
Income(Loss) for "Others"category	(80,865)
Amortization of goodwill	(10,080)
Reconciliations of fixed assets	1,716
Corporate expenses*	(559,458)
Other adjustments	6,078
Operating income reported on quarterly statements of income	2,117,855

(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 29, 2016 (From September 1, 2015 to February 29, 2016)

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	5,285,682	2,802,057	354,484	8,442,225	976,837	9,419,062
Intersegment sales	—	289,082	—	289,082	71,538	360,620
Total	5,285,682	3,091,140	354,484	8,731,307	1,048,375	9,779,683
Segment income(loss)	909,521	1,287,433	61,944	2,258,899	(27,455)	2,231,444

(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	2,258,899
Income(Loss) for "Others"category	(27,455)
Amortization of goodwill	(10,080)
Reconciliations of fixed assets	1,709
Corporate expenses*	(612,808)
Other adjustments	(58,870)
Operating income reported on quarterly statements of income	1,551,392

(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.