

**Summary of Consolidated Financial Results
for the Six Months Ended February 28, 2022
(Japanese GAAP)**

April 13, 2022

Company name: MEIKO NETWORK JAPAN CO., LTD.
 Listing: Tokyo
 Securities code: 4668 (URL: <https://www.meikonet.co.jp>)
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 Scheduled date to file quarterly securities report: April 14, 2022
 Scheduled date to commencement dividend payment: May 9, 2022
 Preparation of supplementary material on quarterly financial results: Available
 Holding of quarterly financial results briefing: Scheduled (for analysts and institutional investors)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the Six months ended February 28, 2022 (from September 1, 2021 to February 28, 2022)

(1) Consolidated operating results (cumulative)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
February 28, 2022	9,927	1.9	1,265	36.1	1,326	30.6	1,227	84.2
February 28, 2021	9,744	(6.5)	930	(27.4)	1,016	(26.6)	666	(15.8)

(Note) Comprehensive income: Six months ended February 28, 2022: ¥1,285 million [83.5 %]

Six months ended February 28, 2021: ¥700 million [(36.0) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
February 28, 2022	48.94	—
February 28, 2021	26.57	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
February 28, 2022	15,750	11,045	70.1
August 31, 2021	14,649	10,025	68.4

(Reference) Equity: As of February 28, 2022: ¥11,045 million

As of August 31, 2021: ¥10,025 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2021	—	10.00	—	10.00	20.00
Fiscal year ending August 31, 2022	—	11.00			
Fiscal year ending August 31, 2022 (Forecast)			—	11.00	22.00

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

3. Consolidated Financial Results Forecast for Fiscal Year Ending August 31, 2022 (from September 1, 2021 to August 31, 2022)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full-year	19,800	4.0	1,040	7.3	1,114	0.0	1,025	(10.1)	40.86

(Note) Revision to the financial results forecast announced most recently: None

***Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in the scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies caused by revision of accounting standards: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2022	27,803,600 shares
As of August 31, 2021	27,803,600 shares

(ii) Number of treasury shares at the end of the period

As of February 28, 2022	2,720,058 shares
As of August 31, 2021	2,720,058 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended February 28, 2022	25,083,542 shares
Six months ended February 28, 2021	25,083,599 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in the document, such as earnings forecasts, are based on the information currently available and certain assumptions that the company thinks reasonable. Actual results may differ remarkably from the statements due to variety of different factors.

(Reference) Trend of numbers of Meiko Gijuku schools and registered students and system-wide sales

Term	Six months ended February 28, 2021		Six months ended February 28, 2022	
Fiscal Period	From Sep. 1, 2020 to Feb. 28, 2021		From Sep. 1, 2021 to Feb. 28, 2022	
	Operating results	YOY comparison	Operating results	YOY comparison
Number of Meiko Gijuku directly operated schools	208	(15)	214	+6
Number of Meiko Gijuku directly operated schools (MAXIS)	93	(1)	95	+2
Number of Meiko Gijuku directly operated schools (KLINE)	41	(2)	41	-
Number of Meiko Gijuku directly operated schools (TOMONI)*1	42	(1)	42	-
Number of Meiko Gijuku directly operated schools (One link)	21	+21	21	-
Number of Meiko Gijuku directly operated schools (Cooth) *2	-	-	15	+15
Number of Meiko Gijuku directly operated schools	405	+2	428	+23
Number of Meiko Gijuku franchised schools	1,404	(125)	1,350	(54)
Total number of Meiko Gijuku schools	1,809	(123)	1,778	(31)
Number of registered students of Meiko Gijuku directly operated schools	14,315	(755)	14,817	+502
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,824	(254)	6,744	(80)
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,694	+96	2,736	+42
Number of registered students of Meiko Gijuku directly operated schools (TOMONI)*1	2,159	(69)	2,168	+9
Number of registered students of Meiko Gijuku directly operated schools (One link)	832	+832	899	+67
Number of registered students of Meiko Gijuku directly operated schools (Cooth) *2	-	-	1,077	+1,077
Number of registered students of Meiko Gijuku directly operated schools	26,824	(150)	28,441	+1,617
Number of registered students of Meiko Gijuku franchised Schools	75,935	(9,155)	71,241	(4,694)
Total number of registered students of Meiko Gijuku schools	102,759	(9,305)	99,682	(3,077)
Sales from Meiko Gijuku directly operated schools (Millions of yen)	5,877	+198	6,134	+257
Sales from Meiko Gijuku franchised schools *3 (Millions of yen)	2,159	(233)	2,281	+121
Sales from Japanese language schools (Millions of yen)	475	(264)	330	(144)
Sales from others (Millions of yen)	1,231	(378)	1,180	(51)
Total Sales (Millions of yen)	9,744	(677)	9,927	+182
Sales from Meiko Gijuku directly operated schools (Millions of yen)	5,877	+198	6,134	+257
System-wide sales from Meiko Gijuku franchised schools (Millions of yen)	13,424	(1,525)	12,793	(630)
Total system-wide sales from Meiko Gijuku schools *4 (Millions of yen)	19,302	(1,326)	18,928	(373)

* 1 K.M.G Corporation Co., Ltd has changed its name to TOMONI Co., Ltd. as of September 1, 2021.

2 Cooth CO., LTD. was included in the scope of consolidation on December 1, 2021 due to the acquisition of shares.

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

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

Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated statement of Balance Sheets

(Millions of yen)

	As of August 31, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	8,727	9,660
Accounts receivable - trade	767	—
Accounts receivable and contract assets	—	728
Securities	200	—
Merchandise	114	106
Work in process	13	7
Supplies	7	13
Advance payments to suppliers	19	5
Prepaid expenses	303	280
Other	322	387
Allowance for doubtful accounts	(33)	(31)
Total current assets	10,441	11,158
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,145	1,308
Accumulated depreciation	(676)	(755)
Buildings and structures, net	469	552
Tools, furniture and fixtures	375	390
Accumulated depreciation	(322)	(332)
Tools, furniture and fixtures, net	52	57
Land	0	49
Leased assets	10	35
Accumulated depreciation	(1)	(21)
Leased assets, net	8	14
Total property, plant and equipment	531	674
Intangible assets		
Goodwill	203	188
Software	190	140
Software in progress	4	31
Telephone subscription right	4	4
Total intangible assets	402	364
Investments and other assets		
Investment securities	2,022	2,249
Long-term prepaid expenses	42	38
Deferred tax assets	226	190
Leasehold and guarantee deposits	942	934
Long-term time deposits	—	100
Other	40	40
Total investments and other assets	3,274	3,553
Total non-current assets	4,207	4,591
Total assets	14,649	15,750

(Millions of yen)

	As of August 31, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	119	214
Accounts payable - other	102	184
Accrued expenses	1,139	924
Income taxes payable	427	717
Accrued consumption taxes	331	457
Advances received	1,242	—
Contract liabilities	—	852
Lease obligations	1	1
Deposits received	54	152
Provision for bonuses	404	367
Other	51	19
Total current liabilities	3,876	3,891
Non-current liabilities		
Long-term borrowings	—	56
Retirement benefit liability	111	116
Provision for share awards for directors (and other officers)	11	19
Provision for share awards	34	34
Long-term accounts payable-other to employees	104	90
Long-term accounts payable-other to officers	117	117
Deferred tax liabilities	18	10
Lease obligations	7	13
Asset retirement obligations	339	351
Long-term guarantee deposits	1	1
Total non-current liabilities	747	812
Total liabilities	4,624	4,704
Net assets		
Shareholders' equity		
Share capital	972	972
Capital surplus	909	909
Retained earnings	10,529	11,491
Treasury shares	(2,779)	(2,779)
Total shareholders' equity	9,632	10,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	377	436
Foreign currency translation adjustment	15	14
Total accumulated other comprehensive income	392	450
Total net assets	10,025	11,045
Total liabilities and net assets	14,649	15,750

(2) Quarterly Consolidated statements of profit or loss and comprehensive income
Quarterly Consolidated statements of profit or loss

(Millions of yen)

	For the six months ended February 28, 2021 (from Sep. 1, 2020 to Feb. 28, 2021)	For the six months ended February 28, 2022 (from Sep. 1, 2021 to Feb. 28, 2022)
Net sales	9,744	9,927
Cost of sales	6,897	7,033
Gross profit	2,846	2,894
Selling, general and administrative expenses	1,916	1,628
Operating profit	930	1,265
Non-operating income		
Interest income	6	5
Dividend income	7	10
Share of profit of entities accounted for using equity method	—	18
Rental income	10	7
Reversal of allowance for doubtful accounts	13	2
Subsidy income	47	5
Other	7	12
Total non-operating income	93	62
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	4	—
Rental expenses	3	0
Other	0	0
Total non-operating expenses	7	1
Ordinary profit	1,016	1,326
Extraordinary income		
Gain on sale of investment securities	53	—
Gain on sale of shares of subsidiaries and associates	—	623
Total extraordinary income	53	623
Extraordinary losses		
Loss on retirement of property, plant and equipment	0	0
Extra retirement payments	—	24
Other	—	3
Total extraordinary losses	0	28
Profit before income taxes	1,069	1,921
Income taxes - current	388	675
Income taxes - deferred	14	18
Total income taxes	402	694
Profit	666	1,227
Profit attributable to owners of parent	666	1,227

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended February 28, 2021 (from Sep. 1, 2020 to Feb. 28, 2021)	For the six months ended February 28, 2022 (from Sep. 1, 2021 to Feb. 28, 2022)
Profit	666	1,227
Other comprehensive income		
Valuation difference on available-for-sale securities	32	58
Share of other comprehensive income of entities accounted for using equity method	2	(0)
Total other comprehensive income	34	58
Comprehensive income	700	1,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	700	1,285

Segment Information

I Six months ended February 28, 2021 (September 1, 2020 to February 28, 2021)

1. Information related to net sales, profit or loss for each reportable segment.

(Millions of yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales				x		
external sales	5,877	2,159	475	8,512	1,231	9,744
Inter-segment sales and transfers	—	405	—	405	14	420
Total	5,877	2,565	475	8,918	1,245	10,164
Segment profit (loss)	878	671	(71)	1,479	7	1,486

(Note)* “Others” consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Waseda Academy Kobetsu Schools, MEIKO Kids e business, Jiritsugausyu RED and other businesses of consolidated subsidiaries Koto & Company and Tokyo Ishin Gakuin.

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)

(Millions of yen)

Profit (Loss)	Amount
Reportable segment total	1,479
Profit (Loss) for “Others” category	7
Corporate expenses*	(556)
Operating profit reported on quarterly statements of income	930

(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.

3. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

No applicable items.

II Six months ended February 28, 2022 (September 1, 2021 to February 28, 2022)

1. Information about Segment Sales and Income (Loss)

(Millions of yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Goods or services that are transferred at a point in time	364	812	—	1,177	707	1,884
Goods or services that are transferred over a fixed period of time	5,770	1,468	330	7,569	473	8,042
Revenue from a contract with a customer	6,134	2,281	330	8,746	1,180	9,927
Other income	—	—	—	—	—	—
Sales to external customers	6,134	2,281	330	8,746	1,180	9,927
Intersegment sales and transfers	—	454	—	454	4	459
Total	6,134	2,736	330	9,201	1,184	10,386
Segment profit (loss)	861	1,042	(105)	1,798	61	1,859

(Note)* "Others" consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Waseda Academy Kobetsu Schools, Meiko Kids e Business, Jiritsugakusyu RED, HR solution Business and other businesses of consolidated subsidiaries Koto & Company.

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)

(Millions of Yen)

Profit (Loss)	Amount
Reportable segment total	1,798
Profit (loss) for "Others" category	61
Corporate expenses*	(593)
Operating profit reported on quarterly statements of income	1,265

(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.

3. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Effective from the second quarter of the current consolidated fiscal year, the Company acquired all outstanding shares of Cooth Co., LTD., and Cooth Co., LTD. has been included from the scope of consolidation.

As a result, goodwill increased by 23 million yen in the "Meiko Gijuku directly operated schools" segment.

4. Matters related to changes in reportable segments

As described in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year. The method of calculating profit or loss for business segments has been changed as well.

As a result of this change, net sales and segment income of the Meiko Gijuku franchised school business for the second quarter of the fiscal year under review were 5 million yen higher than they would have been under the previous method. Net sales and segment income of "Other" increased by 12 million yen each.

(Significant subsequent events)

At a meeting of the Board of Directors held on March 31, 2022, the Company resolved to acquire all outstanding shares of Simple Inc.

On the same day, the Company entered into a share transfer agreement and made the company a consolidated subsidiary by acquiring its shares as of April 1, 2022.

1. Outline of Business Combination

(1) Name of acquired company and its business content

Name of acquired company: Simple Inc.

Business content: Fee-charging employment agency

(2) Main reasons for the business combination

Simple Inc. has developed career change support services: "SIMPLE NURSERY" for nursery and kindergarten teachers and "SIMPLE DIETITIAN" for dietitians. Simple Inc. is highly regarded as a human resource placement company that puts job seekers, nursery schools, and kindergartens first.

In addition, the corporate culture of Simple Inc., which is dedicated to maintaining a better state for the future than when we first met, has a strong affinity with the Company's Vision: "Bright Light for the Future."

Therefore, we believe that the acquisition of shares in Simple Inc. will generate synergistic effects and drive the growth of the corporate group that extracts the potential in people.

The Company hold that it is an important business strategy for the Company to create the educational business and transform the business portfolio into one that is resilient to changes in the social environment by strengthening initiatives in the new human resources business.

As part of the implementation of this strategy, we will strengthen our human resource placement business in the childcare industry to resolve the social issue of job losses and accelerate our transformation into a business portfolio that is resilient to changes in the social environment.

(3) Date of business combination

April 1, 2022 (Date of share acquisition)

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name of company after combination

Simple Inc.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company acquired the shares for cash consideration.

2. Breakdown of acquisition cost and type of consideration for the acquired company

Consideration for acquisition: Cash 210,000 thousand yen

3. Amount of goodwill incurred, reason for incurrence, and amortization method and period of amortization

Not yet determined as the details are under scrutiny.