

Summary Report on Financial Results for the Second Quarter of the Year Ending August 2018  
(Japanese Accounting Standards)

April 12, 2018

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 13, 2018  
 Scheduled date for commencement of dividend payment: May 7, 2018  
 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 2018 (September 1, 2017 through February 28, 2018)

(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 2018	9,769	(3.7)	1,186	(41.8)	1,261	(41.7)	683	(60.1)
Second quarter of the year ended August 2017	10,145	7.7	2,039	31.4	2,164	37.1	1,713	216.7

(Note) Comprehensive income:

Second quarter of the year ending August 2018: 1,070 million yen, (43.3%)

Second quarter of the year ended August 2017: 1,887 million yen, 258.2%

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2018	25.73	—
Second quarter of the year ended August 2017	64.51	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2018	19,434	14,955	76.8
Year ended August 2017	19,314	14,416	74.5

(Reference) Shareholders' equity:

Second quarter of the year ending August 2018: 14,927 million yen

Year ended August 2017: 14,391 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 2017	—	20.00	—	20.00	40.00
Year ending August 2018	—	21.00			
Year ending August 2018 (estimate)			—	21.00	42.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2018 (September 1, 2017 through August 31, 2018)

(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	20,415	5.3	2,011	(23.1)	2,100	(25.2)	1,191	(41.7)	44.85

(Note) Revision of consolidated earnings projections'numerical values in the current quarter: None

(Notes)

- (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)
 

Second quarter of the year ending August 2018:	27,803,600 shares
Year ended August 2017:	27,803,600 shares
  - ( ii ) Number of shares of treasury stock at the end of the period:
 

Second quarter of the year ending August 2018:	1,246,573 shares
Year ended August 2017:	1,246,573 shares
  - (iii) Average number of shares during the period (accumulated consolidated quarter)
 

Second quarter of the year ending August 2018:	26,557,027 shares
Second quarter of the year ended August 2017:	26,557,093 shares

※ This financial summary falls outside the scope of quarterly review procedures.

※ 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 2017		Second quarter of the year ending August 2018	
Fiscal Period	From September 1, 2016 to February 28, 2017		From September 1, 2017 to February 28, 2018	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	231	+11	233	+2
Number of Meiko Gijuku directly operated schools (MAXIS)	94	+2	95	+1
Number of Meiko Gijuku franchised schools	1,780	(34)	1,738	(42)
Total number of Meiko Gijuku schools	2,105	(21)	2,066	(39)
Number of registered students of Meiko Gijuku directly operated schools	17,750	(47)	16,383	(1,367)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,934	(318)	6,608	(326)
Number of registered students of Meiko Gijuku franchised schools	108,334	(4,867)	102,054	(6,280)
Total number of registered students of Meiko Gijuku schools	133,018	(5,232)	125,045	(7,973)
Sales from Meiko Gijuku directly operated schools (million yen)	5,143	(141)	4,822	(321)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	2,815	+13	2,606	(209)
Sales from Supplemental education (million yen)	329	(24)	233	(96)
Sales from others (million yen)	1,855	+879	2,107	+251
Total Sales (million yen)	10,145	+726	9,769	(375)
Sales from Meiko Gijuku directly operated schools (million yen)	5,143	(141)	4,822	(321)
System-wide sales from Meiko Gijuku franchised schools (million yen)	18,322	(1,157)	17,285	(1,036)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	23,465	(1,298)	22,107	(1,358)

- ※ 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 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.

Summary of consolidated financial statements  
(1) Consolidated balance sheets

	End of previous fiscal year (As of August 31, 2017)	End of second quarter of the fiscal year (As of February 28, 2018)
(Thousand yen)		
<b>Assets</b>		
Current assets		
Cash and deposits	7,822,906	7,892,017
Accounts receivable - trade	1,300,368	1,197,627
Securities	400,000	200,000
Merchandise	296,806	340,118
Work in process	10,241	1,189
Supplies	19,474	16,341
Advance payments - trade	40,161	10,833
Prepaid expenses	289,258	260,159
Deferred tax assets	246,274	212,203
Other	101,890	25,528
Allowance for doubtful accounts	(96,004)	(86,477)
<b>Total current assets</b>	<b>10,431,378</b>	<b>10,069,541</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,339,922	1,404,134
Accumulated depreciation	(687,711)	(721,885)
Buildings and structures, net	652,210	682,249
Tools, furniture and fixtures	348,941	357,008
Accumulated depreciation	(283,054)	(291,096)
Tools, furniture and fixtures, net	65,886	65,911
Land	446,059	446,059
<b>Total property, plant and equipment</b>	<b>1,164,156</b>	<b>1,194,220</b>
Intangible assets		
Goodwill	3,058,517	2,864,837
Software	268,962	230,768
Telephone subscription right	20,737	20,737
<b>Total intangible assets</b>	<b>3,348,217</b>	<b>3,116,343</b>
Investments and other assets		
Investment securities	3,088,091	3,784,813
Long-term prepaid expenses	35,794	91,714
Deferred tax assets	60,293	48,633
Lease and guarantee deposits	849,188	892,112
Long-term time deposits	302,150	202,200
Other	35,322	35,397
<b>Total investments and other assets</b>	<b>4,370,840</b>	<b>5,054,871</b>
<b>Total non-current assets</b>	<b>8,883,214</b>	<b>9,365,435</b>
<b>Total assets</b>	<b>19,314,592</b>	<b>19,434,977</b>

	End of previous fiscal year (As of August 31, 2017)	End of second quarter of the fiscal year (As of February 28, 2018)
(Thousand yen)		
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	167,398	252,827
Short-term loans payable	70,000	70,000
Accounts payable - other	86,057	138,021
Accrued expenses	973,531	1,049,393
Income taxes payable	1,000,176	532,339
Accrued consumption taxes	263,011	103,575
Advances received	1,155,960	877,376
Deposits received	63,126	178,102
Provision for bonuses	343,195	309,805
Provision for sales returns	23,800	23,800
Other	22,585	28,501
Total current liabilities	4,168,844	3,563,744
Non-current liabilities		
Net defined benefit liability	49,938	46,168
Long-term accounts payable-other to employees	146,744	136,463
Long-term accounts payable-other to officers	177,980	177,980
Deferred tax liabilities	87,846	287,385
Asset retirement obligations	245,302	248,121
Long-term guarantee deposited	18,122	17,632
Other	3,161	1,638
Total non-current liabilities	729,095	915,390
Total liabilities	4,897,940	4,479,134
<b>Net assets</b>		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	909,768	909,768
Retained earnings	13,747,327	13,899,631
Treasury shares	(1,643,787)	(1,643,787)
Total shareholders' equity	13,985,821	14,138,125
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	392,014	772,547
Foreign currency translation adjustment	13,707	16,520
Total accumulated other comprehensive income	405,722	789,067
Non-controlling interests	25,109	28,651
Total net assets	14,416,652	14,955,843
Total liabilities and net assets	19,314,592	19,434,977

(2) Consolidated statements of income and comprehensive income  
Consolidated statements of income

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2016- February 28, 2017)	First six-month period of the fiscal year (September 1, 2017- February 28, 2018)
Net sales	10,145,393	9,769,858
Cost of sales	6,206,195	6,291,572
Gross profit	3,939,197	3,478,286
Selling, general and administrative expenses	1,900,195	2,291,656
Operating income	2,039,002	1,186,629
Non-operating income		
Interest income	14,558	12,647
Dividend income	25,188	24,704
Share of profit of entities accounted for using equity method	6,466	3,266
Rent income	48,505	8,621
Reversal of allowance for doubtful accounts	30,660	21,530
Other	9,743	7,595
Total non-operating income	135,123	78,367
Non-operating expenses		
Interest expenses	278	263
Rent expenses	7,109	3,340
Other	2,368	11
Total non-operating expenses	9,757	3,615
Ordinary income	2,164,369	1,261,381
Extraordinary income		
Gain on sales of non-current assets	544,907	—
Total extraordinary income	544,907	—
Extraordinary losses		
Loss on retirement of property, plant and equipment	—	2,801
Total extraordinary losses	—	2,801
Profit before income taxes	2,709,276	1,258,579
Income taxes - current	1,005,125	494,344
Income taxes - deferred	(7,774)	77,270
Total income taxes	997,351	571,615
Profit	1,711,925	686,964
Profit attributable to non-controlling interests	(1,181)	3,519
Profit attributable to owners of the parent	1,713,107	683,444

Consolidated statements of comprehensive income

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2016- February 28, 2017)	First six-month period of the fiscal year (September 1, 2017- February 28, 2018)
Profit	1,711,925	686,964
Other comprehensive income		
Valuation difference on available-for-sale securities	173,060	380,555
Share of other comprehensive income of entities accounted for using equity method	2,525	2,812
Total other comprehensive income	175,585	383,367
Comprehensive income	1,887,510	1,070,331
Comprehensive income attributable to		
Owners of the parent	1,888,592	1,066,789
Non-controlling interests	(1,081)	3,542

## Segment Information

I Six months ended February 28, 2017 (From September 1, 2016 to February 28, 2017)

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	5,143,944	2,815,802	329,799	8,289,545	1,855,847	10,145,393
Intersegment sales	—	256,327	—	256,327	66,077	322,404
<b>Total</b>	<b>5,143,944</b>	<b>3,072,130</b>	<b>329,799</b>	<b>8,545,873</b>	<b>1,921,925</b>	<b>10,467,798</b>
Segment income(loss)	916,999	1,474,459	63,541	2,454,700	203,361	2,658,061

(Note)\* “Others” consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, and other businesses of consolidated subsidiaries.

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	2,454,700
Income for “Others”category	203,361
Amortization of goodwill	(10,080)
Corporate expenses*	(608,977)
Operating income reported on quarterly statements of income	2,039,002

(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 28, 2018 (From September 1, 2017 to February 28, 2018)

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	4,822,865	2,606,097	233,798	7,662,761	2,107,097	9,769,858
Intersegment sales	—	227,903	—	227,903	70,201	298,105
<b>Total</b>	<b>4,822,865</b>	<b>2,834,000</b>	<b>233,798</b>	<b>7,890,664</b>	<b>2,177,299</b>	<b>10,067,964</b>
Segment income(loss)	672,824	885,362	(16,888)	1,541,298	279,427	1,820,726

(Note)\* “Others” consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, and other businesses of consolidated subsidiaries.



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	1,541,298
Income for "Others"category	279,427
Corporate expenses*	(634,097)
Operating income reported on quarterly statements of income	1,186,629

(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.