

Summary Report on Financial Results for the Third Quarter of the Year Ending August 2021 (Japanese Accounting Standards)

July 8, 2021

Company name: MEIKO NETWORK JAPAN CO., LTD.
 Stock exchange listing: The First Section of the Tokyo Stock Exchange
 Stock code: 4668 (URL : <https://www.meikonet.co.jp>)
 Representative: Kazuhito Yamashita, President
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 Scheduled date for filing the securities report: July 12, 2021
 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 2021 (September 1, 2020 through May 31, 2021)

(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 | % |
| Third quarter of the year ending August 2021 | 13,505 | 1.0 | 269 | 620.2 | 370 | 103.6 | 672 | — |
| Third quarter of the year ended August 2020 | 13,365 | (4.9) | 37 | (95.8) | 181 | (81.4) | (9) | — |

(Note) Comprehensive income:

Third quarter of the year ending August 2021: 670 million yen, 114.2%

Third quarter of the year ended August 2020: 312 million yen, (14.1%)

| | Net income per share | Fully diluted net income per share |
|--|----------------------|------------------------------------|
| | yen | yen |
| Third quarter of the year ending August 2021 | 26.81 | — |
| Third quarter of the year ended August 2020 | (0.35) | — |

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio |
|--|--------------|-------------|----------------------------|
| | million yen | million yen | % |
| Third quarter of the year ending August 2021 | 14,497 | 9,516 | 65.6 |
| Year ended August 2020 | 14,041 | 9,473 | 67.5 |

(Reference) Shareholders' equity:

Third quarter of the year ending August 2021: 9,516 million yen

Year ended August 2020: 9,473 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 2020 | — | 15.00 | — | 15.00 | 30.00 |
| Year ending August 2021 | — | 10.00 | — | | |
| Year ending August 2021 (estimate) | | | | 10.00 | 20.00 |

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

3. Forecast of consolidated financial results for fiscal year ending August 2021 (September 1, 2020 through August 31, 2021)

(Percentages represent increases or decreases from the previous year.)

| | 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 | 18,600 | 2.1 | 630 | 193.3 | 760 | 68.2 | 700 | — | 27.91 |

(Note) Revision of consolidated earnings forecast' 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)

Third quarter of the year ending August 2021: 27,803,600 shares

Year ended August 2020: 27,803,600 shares

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

Third quarter of the year ending August 2021: 2,720,058 shares

Year ended August 2020: 2,719,974 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)

Third quarter of the year ending August 2021: 25,084,546 shares

Third quarter of the year ended August 2020: 26,557,026 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 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 | Third quarter of the year ended August 2020 | | Third quarter of the year ending August 2021 | |
|--|---|-------------------------------|--|-------------------------------|
| | From September 1, 2019 to May 31, 2020 | | From September 1, 2020 to May 31, 2021 | |
| | Operating results | Same period the previous year | Operating results | Same period the previous year |
| Fiscal Period | | | | |
| Number of Meiko Gijuku directly operated schools | 243 | +22 | 206 | (37) |
| Number of Meiko Gijuku directly operated schools (MAXIS) | 94 | +2 | 93 | (1) |
| Number of Meiko Gijuku directly operated schools (KLINE) | 42 | +1 | 41 | (1) |
| Number of Meiko Gijuku directly operated schools (KMG) | 42 | (1) | 42 | — |
| N Number of Meiko Gijuku directly operated schools (One link) | — | — | 20 | +20 |
| Total number of Meiko Gijuku directly operated schools | 421 | +24 | 402 | (19) |
| Number of Meiko Gijuku franchised schools | 1,450 | (99) | 1,370 | (80) |
| Total number of Meiko Gijuku schools | 1,871 | (75) | 1,772 | (99) |
| Number of registered students of Meiko Gijuku directly operated schools | 12,521 | (1,198) | 13,109 | +588 |
| Number of registered students of Meiko Gijuku directly operated schools (MAXIS) | 5,406 | (381) | 6,060 | +654 |
| Number of registered students of Meiko Gijuku directly operated schools (KLINE) | 2,217 | (180) | 2,561 | +344 |
| Number of registered students of Meiko Gijuku directly operated schools (KMG) | 1,711 | (233) | 1,900 | +189 |
| Number of registered students of Meiko Gijuku directly operated schools (One link) | — | — | 759 | +759 |
| Total number of registered students of Meiko Gijuku directly operated schools | 21,855 | (1,992) | 24,389 | +2,534 |
| Number of registered students of Meiko Gijuku franchised schools | 64,335 | (10,256) | 64,744 | +409 |
| Total number of registered students of Meiko Gijuku schools | 86,190 | (12,248) | 89,133 | +2,943 |
| Sales from Meiko Gijuku directly operated schools (million yen) | 7,211 | (16) | 8,041 | +829 |
| Sales from Meiko Gijuku franchised schools ※1 (million yen) | 3,264 | (355) | 3,162 | (101) |
| Sales from Japanese language schools (million yen) | 970 | (47) | 665 | (304) |
| Sales from others (million yen) | 1,918 | (266) | 1,635 | (282) |
| Total Sales (million yen) | 13,365 | (686) | 13,505 | +139 |
| Sales from Meiko Gijuku directly operated schools (million yen) | 7,211 | (16) | 8,041 | +829 |
| System-wide sales from Meiko Gijuku franchised schools (million yen) | 19,402 | (2,012) | 18,509 | (893) |
| Total system-wide sales from Meiko Gijuku schools ※2 (million yen) | 26,614 | (2,029) | 26,550 | (63) |

※ 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 and examination fees, and the total sales of Meiko Gijuku franchised schools, including tuition. Materials and examination fees of franchised schools are excluded.

Summary of consolidated financial statements
(1) Consolidated balance sheets

| | (Million yen) | |
|-------------------------------------|---|--|
| | End of previous fiscal year (As of August 31, 2020) | End of third quarter of the fiscal year (As of May 31, 2021) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,015 | 8,784 |
| Accounts receivable - trade | 845 | 513 |
| Securities | 300 | 200 |
| Merchandise | 137 | 126 |
| Work in process | 11 | 2 |
| Supplies | 7 | 14 |
| Advance payments - trade | 14 | 20 |
| Prepaid expenses | 279 | 317 |
| Other | 282 | 224 |
| Allowance for doubtful accounts | (46) | (39) |
| Total current assets | 8,848 | 10,163 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,508 | 1,140 |
| Accumulated depreciation | (789) | (669) |
| Buildings and structures, net | 719 | 471 |
| Tools, furniture and fixtures | 350 | 369 |
| Accumulated depreciation | (321) | (316) |
| Tools, furniture and fixtures, net | 28 | 52 |
| Land | 385 | 0 |
| Leased assets | 10 | 10 |
| Accumulated depreciation | (0) | (1) |
| Leased assets, net | 9 | 8 |
| Total property, plant and equipment | 1,142 | 532 |
| Intangible assets | | |
| Goodwill | 277 | 222 |
| Software | 255 | 209 |
| Software in progress | 8 | — |
| Telephone subscription right | 4 | 4 |
| Total intangible assets | 545 | 436 |
| Investments and other assets | | |
| Investment securities | 2,120 | 1,953 |
| Long-term prepaid expenses | 41 | 44 |
| Deferred tax assets | 198 | 272 |
| Leasehold and guarantee deposits | 1,006 | 954 |
| Long-term time deposits | 100 | 100 |
| Other | 37 | 40 |
| Total investments and other assets | 3,504 | 3,364 |
| Total non-current assets | 5,192 | 4,333 |
| Total assets | 14,041 | 14,497 |

(Million yen)

| | End of previous fiscal year (As of August 31, 2020) | End of third quarter of the fiscal year (As of May 31, 2021) |
|--|---|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 119 | 108 |
| Short-term borrowings | — | 1,000 |
| Accounts payable - other | 134 | 100 |
| Accrued expenses | 1,055 | 774 |
| Income taxes payable | 287 | 208 |
| Accrued consumption taxes | 198 | 199 |
| Advances received | 1,537 | 1,217 |
| Lease obligations | 1 | 1 |
| Deposits received | 45 | 79 |
| Provision for bonuses | 423 | 538 |
| Other | 43 | 56 |
| Total current liabilities | <u>3,847</u> | <u>4,286</u> |
| Non-current liabilities | | |
| Retirement benefit liability | 104 | 109 |
| Provision for share-based remuneration for directors (and other officers) | — | 8 |
| Long-term accounts payable-other to employees | 108 | 105 |
| Long-term accounts payable-other to officers | 117 | 117 |
| Deferred tax liabilities | 32 | 3 |
| Lease obligations | 9 | 8 |
| Asset retirement obligations | 346 | 340 |
| Long-term guarantee deposits | 1 | 1 |
| Total non-current liabilities | <u>720</u> | <u>694</u> |
| Total liabilities | <u>4,568</u> | <u>4,981</u> |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 972 | 972 |
| Capital surplus | 909 | 909 |
| Retained earnings | 10,140 | 10,061 |
| Treasury shares | (2,903) | (2,779) |
| Total shareholders' equity | <u>9,119</u> | <u>9,164</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 342 | 337 |
| Foreign currency translation adjustment | 11 | 14 |
| Total accumulated other comprehensive income | <u>354</u> | <u>351</u> |
| Total net assets | <u>9,473</u> | <u>9,516</u> |
| Total liabilities and net assets | <u>14,041</u> | <u>14,497</u> |

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

(Million yen)

| | Third quarter of the previous consolidated term (From September 1, 2019 to May 31, 2020) | Third quarter of the consolidated term (From September 1, 2020 to May 31, 2021) |
|--|--|--|
| Net sales | 13,365 | 13,505 |
| Cost of sales | 10,302 | 10,262 |
| Gross profit | 3,063 | 3,242 |
| Selling, general and administrative expenses | 3,025 | 2,972 |
| Operating profit | 37 | 269 |
| Non-operating income | | |
| Interest income | 11 | 9 |
| Dividend income | 19 | 7 |
| Share of profit of entities accounted for using equity method | 3 | — |
| Rental income | 15 | 14 |
| Reversal of allowance for doubtful accounts | 79 | 16 |
| Subsidy income | 8 | 51 |
| Other | 13 | 14 |
| Total non-operating income | 151 | 113 |
| Non-operating expenses | | |
| Interest expenses | 0 | 1 |
| Share of loss of entities accounted for using equity method | — | 4 |
| Rental expenses | 4 | 3 |
| Other | 1 | 4 |
| Total non-operating expenses | 6 | 13 |
| Ordinary profit | 181 | 370 |
| Extraordinary income | | |
| Gain on sales of property, plant and equipment | — | 531 |
| Gain on sales of investment securities | 71 | 164 |
| Total extraordinary income | 71 | 696 |
| Extraordinary losses | | |
| Loss on retirement of property, plant and equipment | 1 | 9 |
| Loss on sales of shares of subsidiaries and associates | 53 | — |
| Loss on withdrawal from business | — | 28 |
| Total extraordinary losses | 55 | 38 |
| Profit before income taxes | 197 | 1,028 |
| Income taxes - current | 266 | 455 |
| Income taxes - deferred | (53) | (99) |
| Total income taxes | 213 | 355 |
| Profit (loss) | (15) | 672 |
| Loss attributable to non-controlling interests | (6) | — |
| Profit (loss) attributable to owners of parent | (9) | 672 |

Consolidated statements of comprehensive income

(Million yen)

| | Third quarter of the previous consolidated term (From September 1,2019 to May 31,2020) | Third quarter of the consolidated term (From September 1,2020 to May 31,2021) |
|---|---|--|
| Profit (loss) | (15) | 672 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 329 | (5) |
| Share of other comprehensive income of entities accounted for using equity method | (1) | 3 |
| Total other comprehensive income | 328 | (2) |
| Comprehensive income | 312 | 670 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 319 | 670 |
| Comprehensive income attributable to non-controlling interests | (7) | — |

Segment Information

I Nine months ended May 31, 2020(From September 1, 2019 to May 31, 2020)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

| | Reportable segment | | | | Others* | Total |
|-----------------------------|--|---------------------------------|---------------------------|---------------|--------------|---------------|
| | Meiko Gijuku directly operated schools | Meiko Gijuku franchised schools | Japanese language schools | Total | | |
| Net sales | | | | | | |
| Sales to third party | 7,211 | 3,264 | 970 | 11,447 | 1,918 | 13,365 |
| Intersegment sales | 4 | 527 | — | 531 | 63 | 595 |
| Total | 7,216 | 3,792 | 970 | 11,979 | 1,981 | 13,961 |
| Segment income(loss) | (84) | 1,045 | 119 | 1,081 | (158) | 922 |

(Note)* “Others” consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Sports Business (Meiko Soccer School), Waseda Academy Kobetsu Schools and other businesses of consolidated subsidiaries. Youdec Ltd. and Koyo Shobo Co., Ltd. were excluded from the scope of consolidation from the third quarter of the current fiscal year.

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)

(Million of Yen)

| Income (Loss) | Amount |
|---|--------|
| Reportable segment total | 1,081 |
| Income (Loss) for “Others” category | (158) |
| Corporate expenses* | (885) |
| Operating income reported on quarterly statements of income | 37 |

(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 on impairment loss of fixed assets or goodwill by reportable segment: none

II Nine months ended May 31, 2021 (From September 1, 2020 to May 31, 2021)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

| | Reportable segment | | | | Others* | Total |
|-----------------------------|--|---------------------------------|---------------------------|---------------|--------------|---------------|
| | Meiko Gijuku directly operated schools | Meiko Gijuku franchised schools | Japanese language schools | Total | | |
| Net sales | | | | | | |
| Sales to third party | 8,041 | 3,162 | 665 | 11,869 | 1,635 | 13,505 |
| Intersegment sales | — | 608 | 3 | 612 | 32 | 644 |
| Total | 8,041 | 3,771 | 668 | 12,481 | 1,668 | 14,149 |
| Segment income(loss) | 597 | 855 | (125) | 1,327 | (179) | 1,147 |

(Note)* “Others” consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Waseda Academy Kobetsu Schools, Meiko Kids e, RED 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)

(Million of Yen)

| Income(Loss) | Amount |
|---|--------|
| Reportable segment total | 1,327 |
| Income (Loss) for “Others” category | (179) |
| Corporate expenses* | (868) |
| Other adjustments | (9) |
| Operating income reported on quarterly statements of income | 269 |

(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 on impairment loss of fixed assets or goodwill by reportable segment: none