

Summary Report on Financial Results for the Third Quarter of the Year Ending August 2019
(Japanese Accounting Standards)

July 11, 2019

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: Kazuhito Yamashita, President
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 , Director of the Corporate Headquarters

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Scheduled date for filing the securities report: July 12, 2019

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 2019 (September 1, 2018 through May 31, 2019)

(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 2019	14,051	3.5	893	34.4	978	29.1	461	68.9
Third quarter of the year ended August 2018	13,573	(3.2)	664	(61.9)	757	(60.1)	273	(81.3)

(Note) Comprehensive income:

Third quarter of the year ending August 2019: 364 million yen, (55.7%)

Third quarter of the year ended August 2018: 822 million yen, (50.7%)

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending August 2019	17.38	—
Third quarter of the year ended August 2018	10.29	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Third quarter of the year ending August 2019	18,113	13,745	75.8
Year ended August 2018	18,683	14,336	76.6

(Reference) Shareholders' equity:

Third quarter of the year ending August 2019: 13,724 million yen

Year ended August 2018: 14,306 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 2018	—	21.00	—	21.00	42.00
Year ending August 2019	—	15.00	—		
Year ending August 2019 (estimate)				15.00	30.00

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

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3. Forecast of consolidated financial results for fiscal year ending August 2019 (September 1, 2018 through August 31, 2019)

(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	20,320	6.3	1,860	29.0	1,940	24.5	1,020	55.2	38.41

(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: 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 2019: 27,803,600 shares

Year ended August 2018: 27,803,600 shares

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

Third quarter of the year ending August 2019: 1,246,574 shares

Year ended August 2018: 1,246,573 shares

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

Third quarter of the year ending August 2019: 26,557,026 shares

Third quarter of the year ended August 2018: 26,557,027 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.

(About change of money unit)

The amounts of items and other matters listed in the Company's quarterly consolidated financial statements have been stated in thousands of yen, but from the first quarter of the fiscal year ending August 2019, we changed it to be stated in million yen unit.

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

Term	Third quarter of the year ended August 2018		Third quarter of the year ending August 2019	
Fiscal Period	From September 1, 2017 to May 31, 2018		From September 1, 2018 to May 31, 2019	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	234	+1	221	(13)
Number of Meiko Gijuku directly operated schools (MAXIS)	93	(2)	92	(1)
Number of Meiko Gijuku directly operated schools (K.Line)	—	—	41	+41
Number of Meiko Gijuku directly operated schools (K.M.G)	—	—	43	+43
Number of Meiko Gijuku directly operated schools	327	(1)	397	+70
Number of Meiko Gijuku franchised schools	1,705	(42)	1,549	(156)
Total number of Meiko Gijuku schools	2,032	(43)	1,946	(86)
Number of registered students of Meiko Gijuku directly operated schools	13,936	(900)	13,719	(217)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	5,618	(233)	5,787	+169
Number of registered students of Meiko Gijuku directly operated schools (K.Line)	—	—	2,397	+2,397
Number of registered students of Meiko Gijuku directly operated schools (K.M.G)	—	—	1,944	+1,944
Number of registered students of Meiko Gijuku directly operated schools	19,554	(1,133)	23,847	+4,293
Number of registered students of Meiko Gijuku franchised schools	83,091	(5,747)	74,591	(8,500)
Total number of registered students of Meiko Gijuku schools	102,645	(6,880)	98,438	(4,207)
Sales from Meiko Gijuku directly operated schools (million yen)	6,446	(400)	7,228	+782
Sales from Meiko Gijuku franchised schools ※1 (million yen)	3,829	(232)	3,620	(208)
Sales from Supplemental education (million yen)	313	(104)	276	(37)
Sales from others (million yen)	2,984	+282	2,926	(57)
Total Sales (million yen)	13,573	(455)	14,051	+478
Sales from Meiko Gijuku directly operated schools (million yen)	6,446	(400)	7,228	+782
System-wide sales from Meiko Gijuku franchised schools (million yen)	23,245	(1,247)	21,414	(1,830)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	29,691	(1,647)	28,643	(1,047)

※ 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.

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Summary of consolidated financial statements
(1) Consolidated balance sheets

(Million yen)

	End of previous fiscal year (As of August 31, 2018)	End of third quarter of the fiscal year (As of May 31, 2019)
Assets		
Current assets		
Cash and deposits	6,508	6,518
Accounts receivable - trade	1,286	942
Securities	200	200
Merchandise	369	408
Work in process	11	6
Supplies	11	20
Advance payments - trade	107	19
Prepaid expenses	263	281
Other	269	134
Allowance for doubtful accounts	(67)	(129)
Total current assets	8,959	8,403
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,397	1,570
Accumulated depreciation	(769)	(830)
Buildings and structures, net	627	739
Tools, furniture and fixtures	365	397
Accumulated depreciation	(304)	(330)
Tools, furniture and fixtures, net	60	67
Land	446	446
Total property, plant and equipment	1,134	1,253
Intangible assets		
Goodwill	3,251	3,164
Software	178	157
Software in progress	—	90
Telephone subscription right	6	6
Total intangible assets	3,436	3,419
Investments and other assets		
Investment securities	3,724	3,597
Long-term loans receivable from subsidiaries and associates	20	—
Long-term prepaid expenses	85	77
Deferred tax assets	148	145
Lease and guarantee deposits	937	979
Long-term time deposits	200	200
Other	36	36
Total investments and other assets	5,152	5,036
Total non-current assets	9,723	9,709
Total assets	18,683	18,113

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(Million yen)

	End of previous fiscal year (As of August 31, 2018)	End of third quarter of the fiscal year (As of May 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	184	152
Short-term loans payable	70	132
Accounts payable - other	145	95
Accrued expenses	1,018	760
Income taxes payable	209	276
Accrued consumption taxes	68	110
Advances received	1,379	1,429
Deposits received	83	99
Provision for bonuses	350	502
Provision for sales returns	29	29
Other	23	36
Total current liabilities	3,563	3,625
Non-current liabilities		
Long-term loans payable	—	68
Net defined benefit liability	72	94
Long-term accounts payable-other to employees	130	111
Long-term accounts payable-other to officers	176	117
Deferred tax liabilities	111	33
Asset retirement obligations	273	299
Long-term guarantee deposited	17	17
Other	0	—
Total non-current liabilities	782	742
Total liabilities	4,346	4,367
Net assets		
Shareholders' equity		
Capital stock	972	972
Capital surplus	909	909
Retained earnings	13,315	12,821
Treasury shares	(1,643)	(1,643)
Total shareholders' equity	13,554	13,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	738	651
Foreign currency translation adjustment	14	14
Total accumulated other comprehensive income	752	665
Non-controlling interests	30	20
Total net assets	14,336	13,745
Total liabilities and net assets	18,683	18,113

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

(Million yen)

	Third quarter of the previous consolidated term (From September 1,2017 to May 31,2018)	Third quarter of the consolidated term (From September 1,2018 to May 31,2019)
Net sales	13,573	14,051
Cost of sales	9,517	10,027
Gross profit	4,055	4,024
Selling, general and administrative expenses	3,390	3,131
Operating profit	664	893
Non-operating income		
Interest income	16	12
Dividend income	24	15
Share of profit of entities accounted for using equity method	3	—
Rent income	13	14
Reversal of allowance for doubtful accounts	24	24
Other	16	25
Total non-operating income	99	93
Non-operating expenses		
Interest expenses	0	0
Rent expenses	4	4
Other	1	2
Total non-operating expenses	6	8
Ordinary profit	757	978
Extraordinary losses		
Loss on retirement of property, plant and equipment	4	1
Total extraordinary losses	4	1
Profit before income taxes	753	977
Income taxes - current	395	541
Income taxes - deferred	78	(16)
Total income taxes	473	524
Profit	279	452
Profit (loss) attributable to non-controlling interests	6	(9)
Profit attributable to owners of parent	273	461

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Consolidated statements of comprehensive income

(Million yen)

	Third quarter of the previous consolidated term (From September 1,2017 to May 31,2018	Third quarter of the consolidated term (From September 1,2018 to May 31,2019)
Profit	279	452
Other comprehensive income		
Valuation difference on available-for-sale securities	542	(87)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	542	(87)
Comprehensive income	822	364
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	816	373
Comprehensive income attributable to non-controlling interests	6	(9)

Segment Information

I Nine months ended May 31, 2018 (From September 1, 2017 to May 31, 2018)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	6,466	3,829	313	10,588	2,984	13,573
Intersegment sales	1	336	—	337	104	441
Total	6,447	4,165	313	10,926	3,088	14,014
Segment income(loss)	265	1,115	(36)	1,344	211	1,556

(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)

(Million of Yen)

Income(Loss)	Amount
Reportable segment total	1,344
Income(Loss) for “Others” category	211
Corporate expenses*	(891)
Operating income reported on quarterly statements of income	664

(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. Due to the K.Line which is included in the scope of consolidation by acquisition of its all shares at the third quarter of 2018, the increase of goodwill is 594 million yen in the segment of Meiko Gijuku directly operated schools.

II Nine months ended May 31, 2019 (From September 1, 2018 to May 31, 2019)

1. Information about Segment Sales and Income (Loss)

(Million of Yen)

	Reportable segment				Others*	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	7,228	3,620	276	11,125	2,926	14,051
Intersegment sales	—	453	—	453	90	543
Total	7,228	4,073	276	11,578	3,017	14,595
Segment income(loss)	188	1,373	(28)	1,532	194	1,727

(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.

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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	1,532
Income(Loss) for "Others"category	194
Corporate expenses*	(833)
Operating income reported on quarterly statements of income	893

(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. Due to the K.M.G Corporation which is included in the scope of consolidation by acquisition of its all shares at the end of second quarter, the increase of goodwill is 255 million in the segment of Meiko Gijuku directly operated schools.