Summary Report on Financial Results for the Third Quarter of the Year Ending August 2017 (Japanese Accounting Standards)

July 11, 2017

Company name:	MEIKO NETWORK JAPAN CO., LTD.					
Stock exchange listing:	The First Section of the Tokyo Stock Exchange					
Stock code:	4668 (URL: <u>http://www.meikonet.co.jp</u>)					
Representative:	Setsuro Tagami, President					
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Scheduled date for filing the s	July 12, 2017					
Scheduled date for commence	-					
Supplementary material deve	None					
Financial results meeting:						

(Amounts less than one million yen are discarded)

1 . Consolidated financial results for the Third quarter of the year ending August 2017 $\,$ (September 1, 2016 through May 31, 2017) $\,$

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)										
	Net sales		Net sales Operating income Ordin		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 2017	14,028	7.3	1,743	76.2	1,897	87.6	1,458	884.5		
Third quarter of the year ended August 2016	13,073	(0.2)	989	(53.6)	1,011	(57.1)	148	(90.0)		

(Note) Comprehensive income:

Third quarter of the year ending August 2017: Third quarter of the year ended August 2016: 1,667 million yen, 798.8% 185 million yen, (87.4%)

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending August 2017	54.90	_
Third quarter of the year ended August 2016	5.51	_

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Third quarter of the year ending August 2017	18,057	13,841	76.2
Year ended August 2016	16,970	13,209	77.4

(Reference) Shareholders' equity:

Third quarter of the year ending August 2017: Year ended August 2016: 13,751 million yen 13,130 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 2016	_	19.00	_	19.00	38.00		
Year ending August 2017	_	20.00	_				
Year ending August 2017 (estimate)				20.00	40.00		

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

3. Forecast of consolidated financial results for fiscal year ending August 2017 (September 1, 2016 through August 31, 2017)

	Net sales		Operating income		Ordinary income		Ordinary income Attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	20,041	7.3	2,560	17.7	2,650	13.9	1,886	99.9	71.05

(Percentages represent increases or decreases from the previous year for the full-year figures.)

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

4. Others

 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 2017:	27,803,600 shares					
Year ended August 2016:	27,803,600 shares					
(ii) Number of shares of treasury stock at the end of the period:						
Third quarter of the year ending August 2017:	1,246,573 shares					
Year ended August 2016:	1,246,507 shares					
(iii) Average number of shares during the period (accu	amulated consolidated quarter)					
Third quarter of the year ending August 2017:	26,557,082 shares					
Third quarter of the year ended August 2016:	26,858,301 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.

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.

Term		er of the year ugust 2016		er of the year 1gust 2017		
			From September 1, 2015 to May 31, 2016		From September 1, 2016 to May 31, 2017	
Fiscal Period		Operating results	Same period the previous year	Operating results	Same period the previous year	
Number of Meiko Gijuku directly operate	Number of Meiko Gijuku directly operated schools		+9	233	+3	
Number of Meiko Gijuku directly operate (MAXIS)	d schools	93	+3	95	+2	
Number of Meiko Gijuku franchised schoo	ols	1,779	(32)	1,747	(32)	
Total number of Meiko Gijuku schools		2,102	(20)	2,075	(27)	
Number of registered students of Meiko Gijuku directly operated schools	3	15,409	(251)	14,836	(573)	
Number of registered students of Meiko Gijuku directly operated schools	s (MAXIS)	6,103	(247)	5,851	(252)	
Number of registered students of Meiko Gijuku franchised schools		92,006	(4,497)	88,838	(3,168)	
Total number of registered students of Meiko Gijuku schools		113,518	(4,995)	109,525	(3,993)	
Sales from Meiko Gijuku directly operate	d schools (million yen)	7,091	(34)	6,846	(245)	
Sales from Meiko Gijuku franchised scho	ols ※1 (million yen)	4,033	(295)	4,062	+28	
Sales from Supplemental education	(million yen)	474	+49	418	(56)	
Sales from others	(million yen)	1,473	+251	2,702	+1,228	
Total Sales	(million yen)	13,073	(29)	14,028	+955	
Sales from Meiko Gijuku directly operate	d schools (million yen)	7,091	(34)	6,846	(245)	
System-wide sales from Meiko Gijuku franchised schools	(million yen)	25,921	(698)	24,492	(1,429)	
Total system-wide sales from Meiko Gijuk	tu schools ※2 (million yen)	33,013	(732)	31,338	(1,674)	

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

* 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

Assets Current assets Cash and deposits Accounts receivable - trade Securities Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other Allowance for doubtful accounts	(As of August 31, 2016) 4,633,718 1,270,738 200,000 323,364 11,217 7,226 30,713 219,463 201,757	(As of May 31, 2017) 6,660,332 970,660 100,000 357,326 4,034 16,275 29,012
Current assets Cash and deposits Accounts receivable - trade Securities Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	$\begin{array}{c} 1,270,738\\ 200,000\\ 323,364\\ 11,217\\ 7,226\\ 30,713\\ 219,463\end{array}$	$970,660\\100,000\\357,326\\4,034\\16,275$
Cash and deposits Accounts receivable - trade Securities Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	$\begin{array}{c} 1,270,738\\ 200,000\\ 323,364\\ 11,217\\ 7,226\\ 30,713\\ 219,463\end{array}$	$970,660\\100,000\\357,326\\4,034\\16,275$
Accounts receivable - trade Securities Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	$\begin{array}{c} 1,270,738\\ 200,000\\ 323,364\\ 11,217\\ 7,226\\ 30,713\\ 219,463\end{array}$	$970,660\\100,000\\357,326\\4,034\\16,275$
Securities Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	200,000 323,364 11,217 7,226 30,713 219,463	100,000357,3264,03416,275
Merchandise Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	323,364 11,217 7,226 30,713 219,463	357,326 4,034 16,275
Work in process Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	11,217 7,226 30,713 219,463	4,034 16,275
Supplies Advance payments - trade Prepaid expenses Deferred tax assets Other	7,226 30,713 219,463	16,275
Advance payments - trade Prepaid expenses Deferred tax assets Other	30,713 219,463	
Prepaid expenses Deferred tax assets Other	219,463	29.012
Deferred tax assets Other		
Other	201.757	237,542
• • • • • • • • • • • • • • • • • • • •		246,477
Allowers of fear developments	83,820	108,852
Allowance for doubtful accounts	(116,733)	(121,673)
Total current assets	6,865,287	8,608,839
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,278,674	1,329,862
Accumulated depreciation	(625,220)	(679,100)
Buildings and structures, net	653,454	650,762
Tools, furniture and fixtures	330,139	350,217
Accumulated depreciation	(267,852)	(281,677)
Tools, furniture and fixtures, net	62,286	68,540
Land	446,059	446,059
Total property, plant and equipment	1,161,800	1,165,361
Intangible assets		
Goodwill	3,466,039	3,160,397
Software	296,100	255,661
Telephone subscription right	20,737	20,737
Total intangible assets	3,782,877	3,436,796
Investments and other assets	,	
Investment securities	3,083,115	3,408,450
Long-term prepaid expenses	28,013	38,673
Deferred tax assets	150,512	73,924
Lease and guarantee deposits	779,610	852,387
Real estate for investment	968,462	
Accumulated depreciation	(247,346)	
Real estate for investment, net	721,115	
Long-term time deposits	328,000	401,900
Other	70,279	401,900 71,394
Total investments and other assets	5,160,646	4,846,731
Total non-current assets		9,448,889
Total assets	<u>10,105,324</u> 16,970,611	9,448,888

		(Thousand yen)
	End of previous fiscal year (As of August 31, 2016)	End of third quarter of the fiscal year under review (As of May 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	150,293	169,829
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	4,416	_
Accounts payable - other	48,003	78,066
Accrued expenses	914,355	675,901
Income taxes payable	230,111	667,064
Accrued consumption taxes	99,425	165,104
Advances received	1,095,231	1,109,199
Deposits received	47,781	78,578
Provision for bonuses	350,716	470,154
Provision for sales returns	24,990	24,990
Other	24,369	23,229
Total current liabilities	3,059,694	3,532,117
Non-current liabilities	· · · · · · · · · · · · · · · · · · ·	
Long-term loans payable	8,248	_
Net defined benefit liability	42,850	47,901
Long-term accounts payable-other to employees	155,995	149,255
Long-term accounts payable-other to officers	178,980	177,980
Deferred tax liabilities	17,735	60,058
Asset retirement obligations	215,567	224,618
Long-term guarantee deposited	75,087	19,122
Other	6,684	4,866
Total non-current liabilities	701,148	683,803
Total liabilities	3,760,842	4,215,920
Net assets		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,740,222	13,162,495
Treasury shares	(1,643,708)	(1,643,787)
Total shareholders' equity	12.984.528	13.406.724
Accumulated other comprehensive income		, , ,
Valuation difference on available-for-sale securities	135,328	329,674
Foreign currency translation adjustment	11,127	14,685
Total accumulated other comprehensive income	146,456	344,360
Non-controlling interests	78,783	90,723
Total net assets	13,209,769	13,841,808
Total liabilities and net assets	16,970,611	18,057,729
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(2) Consolidated statements of income and comprehensive income Consolidated statements of income

		(Thousand yen)
	_	First nine-month period of
	previous fiscal year	the fiscal year under review
	(September 1, 2015 -	(September 1, 2016 -
	May 31, 2016)	May 31, 2017)
Net sales	13,073,545	14,028,747
Cost of sales	9,032,897	9,331,894
Gross profit	4,040,648	4,696,852
Selling, general and administrative expenses	3,050,942	2,953,267
Operating income	989,705	1,743,585
Non-operating income		
Interest income	22,665	21,129
Dividend income	22,714	25,188
Share of profit of entities accounted for using equity method	6,870	6,605
Rent income	64,460	53,436
Reversal of allowance for doubtful accounts	24,302	38,580
Other	13,444	20,732
Total non-operating income	154,458	165,673
Non-operating expenses		
Interest expenses	690	404
Rent expenses	24,401	9,113
Provision of allowance for doubtful accounts	90,900	_
Other	16,684	2,396
Total non-operating expenses	132,675	11,915
Ordinary income	1,011,488	1,897,343
Extraordinary income		
Gain on sales of non-current assets	-	544,907
Gain on sales of investment securities	45,469	_
Total extraordinary income	45,469	544,907
Extraordinary losses	/	,
Loss on retirement of property, plant and equipment	2,352	_
Loss on valuation of investment securities	50,212	_
Adjustment for tutors' salary	449,409	_
Provision for loss on business of subsidiaries and associates	9,821	_
Total extraordinary losses	511,796	_
Profit before income taxes	545,160	2,442,250
Income taxes - current	415,767	984,071
Income taxes - deferred	(34,964)	(11,678)
Total income taxes	380,803	972,393
Profit	164,357	1,469,857
Profit attributable to non-controlling interests	16,260	11,857
Profit attributable to owners of the parent	148,097	1,458,000

Consolidated statements of comprehensive income

Consolidated statements of comprehensive income		
		(Thousand yen)
	First nine-month period of	First nine-month period of
	previous fiscal year	the fiscal year under review
	(September 1, 2015 -	(September 1, 2016 -
	May 31, 2016)	May 31, 2017)
Profit	164,357	1,469,857
Other comprehensive income		
Valuation difference on available-for-sale securities	24,634	194,428
Share of other comprehensive income of entities accounted	(3,423)	3,557
for using equity method	(3,423)	3,007
Total other comprehensive income	21,210	197,986
Comprehensive income	185,567	1,667,844
Comprehensive income attributable to		
Owners of the parent	169,429	1,655,903
Non-controlling interests	16,138	11,940

Segment Information

- I Nine months ended May 31, 2016 (From September 1, 2015 to May 31, 2016)
- 1. Information about Segment Sales and Income (Loss)

(Thousand of Yen)						
	Reportable segment					
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total	Others*	Total
Net sales						
Sales to third party	7,091,756	4,033,757	474,041	11,599,556	1,473,989	13,073,545
Intersegment sales	_	412,133	_	412,133	104,795	516,929
Total	7,091,756	4,445,891	474,041	12,011,690	1,578,785	13,590,475
Segment income(loss)	552,014	1,413,356	59,440	2,024,811	(142,370)	1,882,441

(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.

 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	2,024,811
Income(Loss) for "Others" category	(142,370)
Amortization of goodwill	(15,121)
Corporate expenses*	(877,613)
Operating income reported on quarterly statements of income	989,705

(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 Nine months ended May 31, 2017 (From September 1, 2016 to May 31, 2017)
- 1. Information about Segment Sales and Income (Loss)

(Thousand of Yen					usand of Yen)	
	Reportable segment					
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total	Others*	Total
Net sales						
Sales to third party	6,846,559	4,062,025	418,001	11,326,586	2,702,161	14,028,747
Intersegment sales	—	378,330	—	378,330	106,164	484,495
Total	6,846,559	4,440,356	418,001	11,704,917	2,808,325	14,513,243
Segment income(loss)	586,957	1,873,817	42,656	2,503,430	152,601	2,656,032

(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. 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)

Income(Loss)	(Thousand of Yen) Amount
Reportable segment total	2,503,430
·	, ,
Income(Loss) for "Others" category	152,601
Amortization of goodwill	(15,121)
Corporate expenses*	(897,325)
Operating income reported on quarterly statements of income	1,743,585

(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.