

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

April 12, 2017

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, 2017
 Scheduled date for commencement of dividend payment: May 8, 2017
 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 2017 (September 1, 2016 through February 28, 2017)

(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 2017	10,145	7.7	2,039	31.4	2,164	37.1	1,713	216.7
Second quarter of the year ended August 2016	9,419	0.5	1,551	(26.7)	1,578	(31.4)	540	(64.0)

(Note) Comprehensive income:

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

Second quarter of the year ended August 2016: 527 million yen, (65.1%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2017	64.51	—
Second quarter of the year ended August 2016	20.03	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2017	19,177	14,592	75.7
Year ended August 2016	16,970	13,209	77.4

(Reference) Shareholders' equity:

Second quarter of the year ending August 2017: 14,514 million yen

Year ended August 2016: 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)

(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	20,041	7.3	2,560	17.7	2,650	13.9	1,886	99.9	71.05

(Note) Revision of consolidated earnings projections'numerical values in the current quarter: Exist

Please refer to attached reference material " Revision of Earnings Projections' Numerical Values" .

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)

Second 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:

Second quarter of the year ending August 2017: 1,246,507 shares

Year ended August 2016: 1,246,507 shares

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

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

Second quarter of the year ended August 2016: 27,010,532 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. At the time of disclosure of this summary report, the quarterly review procedures have not been completed for quarterly financial statements 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.

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

Term	Second quarter of the year ended August 2016		Second quarter of the year ending August 2017	
Fiscal Period	From September 1, 2015 to February 29, 2016		From September 1, 2016 to February 28, 2017	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	220	—	231	+11
Number of Meiko Gijuku directly operated schools (MAXIS)	92	+3	94	+2
Number of Meiko Gijuku franchised schools	1,814	(14)	1,780	(34)
Total number of Meiko Gijuku schools	2,126	(11)	2,105	(21)
Number of registered students of Meiko Gijuku directly operated schools	17,797	+164	17,750	(47)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,252	+8	6,934	(318)
Number of registered students of Meiko Gijuku franchised schools	113,201	(1,437)	108,334	(4,867)
Total number of registered students of Meiko Gijuku schools	138,250	(1,265)	133,018	(5,232)
Sales from Meiko Gijuku directly operated schools (million yen)	5,285	(21)	5,143	(141)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	2,802	(189)	2,815	+13
Sales from Supplemental education (million yen)	354	+57	329	(24)
Sales from others (million yen)	976	+204	1,855	+879
Total Sales (million yen)	9,419	+50	10,145	+726
Sales from Meiko Gijuku directly operated schools (million yen)	5,285	(21)	5,143	(141)
System-wide sales from Meiko Gijuku franchised schools (million yen)	19,479	(276)	18,322	(1,157)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	24,764	(298)	23,465	(1,298)

※ 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

(Thousand yen)

	End of previous fiscal year (As of August 31, 2016)	End of second quarter of the fiscal year (As of February 28, 2017)
Assets		
Current assets		
Cash and deposits	4,633,718	7,738,176
Accounts receivable - trade	1,270,738	1,249,966
Securities	200,000	100,000
Merchandise	323,364	349,443
Work in process	11,217	1,565
Supplies	7,226	25,135
Advance payments - trade	30,713	27,844
Prepaid expenses	219,463	226,785
Deferred tax assets	201,757	242,906
Other	83,820	116,515
Allowance for doubtful accounts	(116,733)	(116,819)
Total current assets	6,865,287	9,961,521
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,278,674	1,295,623
Accumulated depreciation	(625,220)	(660,050)
Buildings and structures, net	653,454	635,573
Tools, furniture and fixtures	330,139	335,706
Accumulated depreciation	(267,852)	(274,246)
Tools, furniture and fixtures, net	62,286	61,459
Land	446,059	446,059
Total property, plant and equipment	1,161,800	1,143,092
Intangible assets		
Goodwill	3,466,039	3,262,278
Software	296,100	245,283
Telephone subscription right	20,737	20,737
Total intangible assets	3,782,877	3,528,299
Investments and other assets		
Investment securities	3,083,115	3,376,720
Long-term prepaid expenses	28,013	27,765
Deferred tax assets	150,512	72,321
Lease and guarantee deposits	779,610	796,542
Real estate for investment	968,462	—
Accumulated depreciation	(247,346)	—
Real estate for investment, net	721,115	—
Long-term time deposits	328,000	200,400
Other	70,279	71,006
Total investments and other assets	5,160,646	4,544,757
Total non-current assets	10,105,324	9,216,149
Total assets	16,970,611	19,177,670

	(Thousand yen)	
	End of previous fiscal year (As of August 31, 2016)	End of second quarter of the fiscal year (As of February 28, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	150,293	283,327
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	4,416	—
Accounts payable - other	48,003	138,733
Accrued expenses	914,355	837,057
Income taxes payable	230,111	1,062,176
Accrued consumption taxes	99,425	246,390
Advances received	1,095,231	822,507
Deposits received	47,781	105,354
Provision for bonuses	350,716	300,833
Provision for sales returns	24,990	24,990
Other	24,369	23,986
Total current liabilities	3,059,694	3,915,358
Non-current liabilities		
Long-term loans payable	8,248	—
Net defined benefit liability	42,850	46,004
Long-term accounts payable-other to employees	155,995	150,841
Long-term accounts payable-other to officers	178,980	177,980
Deferred tax liabilities	17,735	49,377
Asset retirement obligations	215,567	221,031
Long-term guarantee deposited	75,087	19,622
Other	6,684	4,759
Total non-current liabilities	701,148	669,617
Total liabilities	3,760,842	4,584,975
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,740,222	13,948,744
Treasury shares	(1,643,708)	(1,643,708)
Total shareholders' equity	12,984,528	14,193,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135,328	308,289
Foreign currency translation adjustment	11,127	13,652
Total accumulated other comprehensive income	146,456	321,941
Non-controlling interests	78,783	77,702
Total net assets	13,209,769	14,592,695
Total liabilities and net assets	16,970,611	19,177,670

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

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2015- February 29, 2016)	First six-month period of the fiscal year (September 1, 2016- February 28, 2017)
Net sales	9,419,062	10,145,393
Cost of sales	5,983,090	6,206,195
Gross profit	3,435,972	3,939,197
Selling, general and administrative expenses	1,884,579	1,900,195
Operating income	1,551,392	2,039,002
Non-operating income		
Interest income	16,643	14,558
Dividend income	22,714	25,188
Share of profit of entities accounted for using equity method	7,026	6,466
Rent income	42,392	48,505
Reversal of allowance for doubtful accounts	25,142	30,660
Other	9,302	9,743
Total non-operating income	123,222	135,123
Non-operating expenses		
Interest expenses	470	278
Rent expenses	15,806	7,109
Provision of allowance for doubtful accounts	71,900	—
Other	8,333	2,368
Total non-operating expenses	96,510	9,757
Ordinary income	1,578,104	2,164,369
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	1,100	—
Loss on valuation of investment securities	50,212	—
Adjustment for tutors' salary	449,409	—
Provision for loss on business of subsidiaries and associates	29,883	—
Total extraordinary losses	530,606	—
Profit before income taxes	1,092,967	2,709,276
Income taxes - current	547,714	1,005,125
Income taxes - deferred	(3,382)	(7,774)
Total income taxes	544,331	997,351
Profit	548,635	1,711,925
Profit attributable to non-controlling interests	7,679	(1,181)
Profit attributable to owners of the parent	540,956	1,713,107

Consolidated statements of comprehensive income

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2015- February 29, 2016)	First six-month period of the fiscal year (September 1, 2016- February 28, 2017)
Profit	548,635	1,711,925
Other comprehensive income		
Valuation difference on available-for-sale securities	(19,566)	173,060
Share of other comprehensive income of entities accounted for using equity method	(2,064)	2,525
Total other comprehensive income	(21,631)	175,585
Comprehensive income	527,004	1,887,510
Comprehensive income attributable to		
Owners of the parent	519,452	1,888,592
Non-controlling interests	7,551	(1,081)

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2015- February 29, 2016)	First six-month period of the fiscal year (September 1, 2016- February 28, 2017)
Cash flows from operating activities		
Profit before income taxes	1,092,967	2,709,276
Depreciation	103,335	104,454
Amortization of intangible assets	7,407	462
Amortization of goodwill	104,956	203,760
Increase (decrease) in allowance for doubtful accounts	79,396	86
Increase (decrease) in provision for bonuses	(27,914)	(49,883)
Increase (decrease) in provision for loss on business of subsidiaries and associates	29,883	-
Increase (decrease) in net defined benefit liability	1,173	3,154
Interest and dividend income	(39,358)	(39,747)
Interest expenses	470	278
Share of (profit) loss of entities accounted for using equity method	(7,026)	(6,466)
Rent income	(42,392)	(48,505)
Rent expenses	15,806	7,109
Adjustment for tutors' salary	449,409	-
Loss (gain) on sales of investment securities	(45,469)	-
Loss (gain) on valuation of investment securities	50,212	-
Loss (gain) on sales of non-current assets	-	(544,907)
Loss on retirement of property, plant and equipment	1,100	-
Decrease (increase) in notes and accounts receivable -	269,115	20,772
Decrease (increase) in inventories	(53,777)	(34,335)
Increase (decrease) in notes and accounts payable - trade	61,451	133,185
Increase (decrease) in accrued consumption taxes	(133,362)	146,965
Increase (decrease) in accrued expenses	11,384	(75,861)
Decrease (increase) in other assets	47,713	(87,939)
Increase (decrease) in other liabilities	(169,877)	(164,324)
Subtotal	1,806,606	2,277,538
Interest and dividend income received	39,410	39,894
Interest expenses paid	(470)	(271)
Adjustment for tutors' salary paid	(356,902)	-
Income taxes paid	(608,368)	(200,083)
Net cash provided by (used in) operating activities	880,276	2,117,076

(Thousand yen)

	First six-month period of previous fiscal year (September 1, 2015- February 29, 2016)	First six-month period of the fiscal year (September 1, 2016- February 28, 2017)
Cash flows from investing activities		
Purchase of securities	(200,000)	—
Proceeds from redemption of securities	200,000	—
Purchase of property, plant and equipment	(28,065)	(23,748)
Purchase of intangible assets	(136,398)	(4,875)
Purchase of investment securities	(137,821)	(235,538)
Proceeds from sales of investment securities	140,000	—
Proceeds from redemption of investment securities	300,000	300,000
Proceeds from sales of investments in real estates	-	1,300,000
Payments of loans receivable	(14,700)	—
Collection of loans receivable	62,153	—
Payments for guarantee deposits	(40,716)	(13,874)
Proceeds from collection of guarantee deposits	1,904	3,983
Decrease (increase) in time deposits	174,400	178,587
Other, net	36,945	50,842
Net cash provided by (used in) investing activities	357,702	1,555,376
Cash flows from financing activities		
Repayments of loans payable	(7,356)	(12,664)
Purchase of treasury shares	(1,499,995)	—
Cash dividends paid	(468,848)	(504,343)
Net cash provided by (used in) financing activities	(1,976,200)	(517,007)
Net increase (decrease) in cash and cash equivalents	(738,221)	3,155,445
Cash and cash equivalents at beginning of period	5,623,734	4,189,359
Cash and cash equivalents at end of period	4,885,513	7,344,804

Segment Information

I Six months ended February 29, 2016 (From September 1, 2015 to February 29, 2016)

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	5,285,682	2,802,057	354,484	8,442,225	976,837	9,419,062
Intersegment sales	—	289,082	—	289,082	71,538	360,620
Total	5,285,682	3,091,140	354,484	8,731,307	1,048,375	9,779,683
Segment income(loss)	909,758	1,287,433	62,677	2,259,870	(85,587)	2,174,282

(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	2,259,870
Income(Loss) for “Others”category	(85,587)
Amortization of goodwill	(10,080)
Corporate expenses*	(612,808)
Operating income reported on quarterly statements of income	1,551,392

(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, 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
Total	5,143,944	3,072,130	329,799	8,545,873	1,921,925	10,467,798
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(Loss) 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.

Revision of Earnings Projections' Numerical Values

1. (Consolidated) the full-year for fiscal year ending August 2017

(September 1, 2016 through August 31, 2017)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
The previous announcement (A)	20,041	2,560	2,650	1,510	56.86 yen
This time announcement (B)	20,041	2,560	2,650	1,886	71.05 yen
Change of amount (B-A)	0	0	0	376	—
Percentage change (%)	0.0	0.0	0.0	24.9	—
(Reference) Year ended August 2016	18,672	2,175	2,325	944	35.25 yen

2. (Non-consolidated) the full-year for fiscal year ending August 2017

(September 1, 2016 through August 31, 2017)

(Million yen)

	Net sales	Ordinary income	Net income	Net income per share
The previous announcement (A)	14,168	2,311	1,436	54.09 yen
This time announcement (B)	14,168	2,311	1,813	68.28 yen
Change of amount (B-A)	0	0	376	—
Percentage change (%)	0.0	0.0	26.2	—