

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

January 11, 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>)
 Representative: Setsuro Tagami, President
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 Scheduled date for filing the securities report: January 13, 2017
 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 First quarter of the year ending August 2017 (September 1, 2016 through November 30, 2016)

(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	%
First quarter of the year ending August 2017	4,476	8.9	544	43.4	599	62.0	326	—
First quarter of the year ended August 2016	4,111	6.0	379	14.4	369	(19.2)	(94)	—

(Note) Comprehensive income:

First quarter of the year ending August 2017: 415 million yen —
 First quarter of the year ended August 2016: (61) million yen —

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2017	12.29	—
First quarter of the year ended August 2016	(3.43)	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2017	17,184	13,120	75.9
Year ended August 2016	16,970	13,209	77.4

(Reference) Shareholders' equity:

First quarter of the year ending August 2017: 13,046 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	—				
Year ending August 2017 (estimate)		20.00	—	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, and from the second quarter of the previous year for the second quarter 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
Second quarter (cumulative)	9,891	5.0	1,349	(13.0)	1,406	(10.9)	754	39.5	28.42
Full-year	20,041	7.3	2,560	17.7	2,650	13.9	1,510	59.9	56.86

(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)

First 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:

First 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)

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

First quarter of the year ended August 2016: 27,391,347 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	First quarter of the year ended August 2016		First quarter of the year ending August 2017	
	From September 1, 2015 to November 30, 2015		From September 1, 2016 to November 30, 2016	
Fiscal Period	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	221	—	231	+10
Number of Meiko Gijuku directly operated schools (MAXIS)	92	+3	93	+1
Number of Meiko Gijuku franchised schools	1,817	(4)	1,777	(40)
Total number of Meiko Gijuku schools	2,130	(1)	2,101	(29)
Number of registered students of Meiko Gijuku directly operated schools	18,451	+386	18,063	(388)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,513	+278	7,065	(448)
Number of registered students of Meiko Gijuku franchised schools	118,214	(578)	111,943	(6,271)
Total number of registered students of Meiko Gijuku schools	144,178	+86	137,071	(7,107)
Sales from Meiko Gijuku directly operated schools (million yen)	2,152	+71	2,137	(14)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	1,349	+20	1,265	(84)
Sales from Supplemental education (million yen)	151	+20	146	(5)
Sales from others (million yen)	457	+121	927	+470
Total Sales (million yen)	4,111	+234	4,476	+365
Sales from Meiko Gijuku directly operated schools (million yen)	2,152	+71	2,137	(14)
System-wide sales from Meiko Gijuku franchised schools (million yen)	9,008	(84)	8,392	(615)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	11,160	(12)	10,529	(630)

※ 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 first quarter of the fiscal year (As of November 30, 2016)
Assets		
Current assets		
Cash and deposits	4,633,718	4,772,090
Accounts receivable - trade	1,270,738	1,281,715
Securities	200,000	200,000
Merchandise	323,364	325,868
Work in process	11,217	11,469
Supplies	7,226	17,585
Advance payments - trade	30,713	72,711
Prepaid expenses	219,463	239,976
Deferred tax assets	201,757	258,421
Other	83,820	53,189
Allowance for doubtful accounts	(116,733)	(119,527)
Total current assets	6,865,287	7,113,499
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,278,674	1,286,635
Accumulated depreciation	(625,220)	(642,897)
Buildings and structures, net	653,454	643,737
Tools, furniture and fixtures	330,139	328,692
Accumulated depreciation	(267,852)	(267,982)
Tools, furniture and fixtures, net	62,286	60,710
Land	446,059	446,059
Total property, plant and equipment	1,161,800	1,150,507
Intangible assets		
Goodwill	3,466,039	3,364,158
Software	296,100	271,095
Telephone subscription right	20,737	20,737
Total intangible assets	3,782,877	3,655,991
Investments and other assets		
Investment securities	3,083,115	3,452,859
Long-term prepaid expenses	28,013	28,281
Deferred tax assets	150,512	75,343
Lease and guarantee deposits	779,610	780,732
Real estate for investment	968,462	968,462
Accumulated depreciation	(247,346)	(251,888)
Real estate for investment, net	721,115	716,573
Long-term time deposits	328,000	140,000
Other	70,279	70,648
Total investments and other assets	5,160,646	5,264,438
Total non-current assets	10,105,324	10,070,937
Total assets	16,970,611	17,184,437

	(Thousand yen)	
	End of previous fiscal year (As of August 31, 2016)	End of first quarter of the fiscal year (As of November 30, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	150,293	227,453
Short-term loans payable	70,000	70,000
Current portion of long-term loans payable	4,416	—
Accounts payable - other	48,003	57,747
Accrued expenses	914,355	680,639
Income taxes payable	230,111	327,268
Accrued consumption taxes	99,425	199,594
Advances received	1,095,231	1,074,518
Deposits received	47,781	156,248
Provision for bonuses	350,716	525,551
Provision for sales returns	24,990	24,990
Other	24,369	31,414
Total current liabilities	3,059,694	3,375,425
Non-current liabilities		
Long-term loans payable	8,248	—
Net defined benefit liability	42,850	44,523
Long-term accounts payable-other to employees	155,995	153,417
Long-term accounts payable-other to officers	178,980	178,980
Deferred tax liabilities	17,735	12,724
Asset retirement obligations	215,567	218,247
Long-term guarantee deposited	75,087	75,087
Other	6,684	5,690
Total non-current liabilities	701,148	688,671
Total liabilities	3,760,842	4,064,096
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,740,222	12,562,111
Treasury shares	(1,643,708)	(1,643,708)
Total shareholders' equity	12,984,528	12,806,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	135,328	228,123
Foreign currency translation adjustment	11,127	11,769
Total accumulated other comprehensive income	146,456	239,893
Non-controlling interests	78,783	74,028
Total net assets	13,209,769	13,120,340
Total liabilities and net assets	16,970,611	17,184,437

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

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2015 to November 30,2015)	First quarter of the consolidated term (From September 1,2016 to November 30,2016)
Net sales	4,111,115	4,476,483
Cost of sales	2,949,741	3,021,033
Gross profit	1,161,373	1,455,449
Selling, general and administrative expenses	781,661	911,047
Operating income	379,712	544,401
Non-operating income		
Interest income	6,917	6,368
Dividend income	2,142	2,270
Share of profit of entities accounted for using equity method	1,573	—
Rent income	21,327	26,286
Reversal of allowance for doubtful accounts	21,203	22,425
Other	5,442	5,873
Total non-operating income	58,606	63,224
Non-operating expenses		
Interest expenses	221	152
Rent expenses	7,285	6,518
Provision of allowance for doubtful accounts	57,200	—
Other	3,790	1,866
Total non-operating expenses	68,497	8,537
Ordinary income	369,821	599,088
Extraordinary income		
Gain on sales of investment securities	45,469	—
Total extraordinary income	45,469	—
Extraordinary losses		
Adjustment for tutors' salary	449,409	—
Total extraordinary losses	449,409	—
Income (loss) before income taxes and non-controlling interests	(34,119)	599,088
Income taxes - current	266,373	304,865
Income taxes - deferred	(201,410)	(27,490)
Total income taxes	64,962	277,375
Profit (loss)	(99,082)	321,713
Profit (loss) attributable to non-controlling interests	(5,054)	(4,761)
Profit (loss) attributable to owners of the parent	(94,027)	326,474

Consolidated statements of comprehensive income

	(Thousand yen)	
	First quarter of the previous consolidated term (From September 1,2015 to November 30,2015)	First quarter of the consolidated term (From September 1,2016 to November 30,2016)
Profit (loss)	(99,082)	321,713
Other comprehensive income		
Valuation difference on available-for-sale securities	40,228	92,800
Share of other comprehensive income of entities accounted for using equity method	(2,614)	641
Total other comprehensive income	37,613	93,442
Comprehensive income	(61,468)	415,156
Comprehensive income attributable to		
Owners of the parent	(56,391)	419,910
Non-controlling interests	(5,077)	(4,754)

Segment Information

I Three months ended November 30, 2015 (From September 1, 2015 to November 30, 2015)

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	2,152,109	1,349,747	151,895	3,653,752	457,362	4,111,115
Intersegment sales	—	141,158	—	141,158	35,399	176,557
Total	2,152,109	1,490,905	151,895	3,794,911	492,761	4,287,672
Segment income(loss)	52,550	711,178	13,272	777,001	(58,736)	718,265

(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	777,001
Income(Loss) for “Others” category	(58,736)
Amortization of goodwill	(5,040)
Corporate expenses*	(333,512)
Operating income reported on quarterly statements of income	379,712

(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 Three months ended November 30, 2016 (From September 1, 2016 to November 30, 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	2,137,176	1,265,740	146,115	3,549,032	927,450	4,476,483
Intersegment sales	—	122,686	—	122,686	32,783	155,469
Total	2,137,176	1,388,426	146,115	3,671,718	960,233	4,631,952
Segment income(loss)	105,438	661,545	23,549	790,534	81,200	871,734

(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	790,534
Income(Loss) for "Others" category	81,200
Amortization of goodwill	(5,040)
Corporate expenses*	(322,292)
Operating income reported on quarterly statements of income	544,402

(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.