

## Summary Report on Financial Results for the Second Quarter of the Year Ending August 2020 (Japanese Accounting Standards)

April 10, 2020

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: April 13, 2020  
 Scheduled date for commencement of dividend payment: May 8, 2020  
 Supplementary material development: Yes  
 Financial results meeting: None

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Second quarter of the year ending August 2020 (September 1, 2019 through February 29, 2020)

(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 2020	10,422	3.3	1,280	(17.2)	1,384	(13.9)	791	(18.5)
Second quarter of the year ended August 2019	10,092	3.3	1,547	30.4	1,608	27.5	971	42.1

(Note) Comprehensive income:

Second quarter of the year ending August 2020: 1,094 million yen, (4.8%)

Second quarter of the year ended August 2019: 1,149 million yen, 7.4%

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2020	29.81	—
Second quarter of the year ended August 2019	36.58	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2020	20,366	15,111	74.2
Year ended August 2019	19,765	14,414	72.9

(Reference) Shareholders' equity:

Second quarter of the year ending August 2020: 15,102 million yen

Year ended August 2019: 14,399 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 2019	—	15.00	—	15.00	30.00
Year ending August 2020	—	15.00			
Year ending August 2020 (estimate)			—	15.00	30.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2020 (September 1, 2019 through August 31, 2020)

(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	—	—	—	—	—	—	—	—	—

(Note) Revision of consolidated earnings forecast' numerical values in the current quarter: Yes

Due to the impact of the spread of the infection of COVID-19, there are many indeterminate factors and hard to disclose the earnings forecast in the numerical value. We will disclose the forecast of consolidated financial results once it is able to disclosure based on the reasonable and predictable information.

(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)

Second quarter of the year ending August 2020: 27,803,600 shares

Year ended August 2019: 27,803,600 shares

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

Second quarter of the year ending August 2020: 1,246,574 shares

Year ended August 2019: 1,246,574 shares

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

Second quarter of the year ending August 2020: 26,557,026 shares

Second quarter of the year ended August 2019: 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	Second quarter of the year ended August 2019		Second quarter of the year ending August 2020	
Fiscal Period	From September 1, 2018 to February 28, 2019		From September 1, 2019 to February 29, 2020	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	231	(2)	223	(8)
Number of Meiko Gijuku directly operated schools (MAXIS)	94	(1)	94	—
Number of Meiko Gijuku directly operated schools (KLINE)	42	+42	43	+1
Number of Meiko Gijuku directly operated schools (KMG)	—	—	43	+43
Total number of Meiko Gijuku directly operated schools	367	+39	403	+36
Number of Meiko Gijuku franchised schools ※1	1,653	(85)	1,529	(124)
Total number of Meiko Gijuku schools	2,020	(46)	1,932	(88)
Number of registered students of Meiko Gijuku directly operated schools	15,584	(799)	15,070	(514)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,548	(60)	7,078	+530
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,752	+2,752	2,598	(154)
Number of registered students of Meiko Gijuku directly operated schools (KMG)	—	—	2,228	+2,228
Total number of registered students of Meiko Gijuku directly operated schools	24,884	+1,893	26,974	+2,090
Number of registered students of Meiko Gijuku franchised schools	92,420	(9,634)	85,090	(7,330)
Total number of registered students of Meiko Gijuku schools	117,304	(7,741)	112,064	(5,240)
Sales from Meiko Gijuku directly operated schools (million yen)	5,273	+450	5,679	+405
Sales from Meiko Gijuku franchised schools ※1 (million yen)	2,568	(37)	2,393	(174)
Sales from Japanese language schools (million yen)	674	+21	739	+64
Sales from others (million yen)	1,575	(112)	1,610	+34
Total Sales (million yen)	10,092	+322	10,422	+329
Sales from Meiko Gijuku directly operated schools (million yen)	5,273	+450	5,679	+405
System-wide sales from Meiko Gijuku franchised schools (million yen)	16,049	(1,235)	14,950	(1,099)
Total system-wide sales from Meiko Gijuku schools ※2	21,323	(784)	20,629	(694)

※ 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, 2019)	End of second quarter of the fiscal year (As of February 29, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	7,495	7,911
Accounts receivable - trade	1,294	1,018
Securities	200	399
Merchandise	391	406
Work in process	14	9
Supplies	12	12
Advance payments - trade	21	31
Prepaid expenses	280	302
Other	124	147
Allowance for doubtful accounts	(100)	(51)
Total current assets	9,734	10,189
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,537	1,600
Accumulated depreciation	(821)	(854)
Buildings and structures, net	715	746
Tools, furniture and fixtures	372	377
Accumulated depreciation	(313)	(324)
Tools, furniture and fixtures, net	59	52
Land	446	446
Total property, plant and equipment	1,220	1,244
Intangible assets		
Goodwill	3,046	2,810
Software	133	293
Software in progress	125	—
Telephone subscription right	5	5
Total intangible assets	3,311	3,109
Investments and other assets		
Investment securities	4,075	4,387
Long-term prepaid expenses	68	62
Deferred tax assets	138	140
Leasehold and guarantee deposits	978	995
Long-term time deposits	200	200
Other	36	36
Total investments and other assets	5,497	5,822
Total non-current assets	10,030	10,176
Total assets	19,765	20,366

Liabilities

Current liabilities		
Accounts payable - trade	199	244
Short-term borrowings	132	132
Accounts payable - other	146	199
Accrued expenses	1,209	1,040
Income taxes payable	618	634
Accrued consumption taxes	179	291
Advances received	1,480	1,118
Deposits received	124	163
Provision for bonuses	352	371
Provision for sales returns	28	28
Other	35	33
Total current liabilities	<u>4,506</u>	<u>4,260</u>
Non-current liabilities		
Long-term borrowings	64	58
Retirement benefit liability	94	100
Long-term accounts payable-other to employees	111	110
Long-term accounts payable-other to officers	117	117
Deferred tax liabilities	136	280
Asset retirement obligations	300	309
Long-term guarantee deposits	17	17
Total non-current liabilities	<u>843</u>	<u>994</u>
Total liabilities	<u>5,350</u>	<u>5,254</u>
Net assets		
Shareholders' equity		
Share capital	972	972
Capital surplus	909	909
Retained earnings	13,317	13,710
Treasury shares	(1643)	(1643)
Total shareholders' equity	<u>13,556</u>	<u>13,949</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	830	1,139
Foreign currency translation adjustment	12	13
Total accumulated other comprehensive income	<u>843</u>	<u>1,153</u>
Non-controlling interests	15	8
Total net assets	<u>14,414</u>	<u>15,111</u>
Total liabilities and net assets	<u>19,765</u>	<u>20,366</u>

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

(Million yen)

	Second quarter of the previous consolidated term (From September 1,2018 to February 28,2019)	Second quarter of the consolidated term (From September 1,2019 to February 29,2020)
Net sales	10,092	10,422
Cost of sales	6,590	7,143
Gross profit	3,501	3,278
Selling, general and administrative expenses	1,954	1,997
Operating profit	1,547	1,280
Non-operating income		
Interest income	9	8
Dividend income	15	19
Share of profit of entities accounted for using equity method	—	3
Rental income	9	10
Reversal of allowance for doubtful accounts	18	55
Other	11	12
Total non-operating income	65	109
Non-operating expenses		
Interest expenses	0	0
Rental expenses	3	3
Other	0	1
Total non-operating expenses	4	5
Ordinary profit	1,608	1,384
Profit before income taxes	1,608	1,384
Income taxes - current	635	593
Income taxes - deferred	9	5
Total income taxes	645	599
Profit	963	785
Loss attributable to non-controlling interests	(8)	(6)
Profit attributable to owners of parent	971	791

**Consolidated statements of comprehensive income**

	(Million yen)	
	Second quarter of the previous consolidated term (From September 1,2018 to February 28,2019)	Second quarter of the consolidated term (From September 1,2019 to February 29,2020)
Profit	963	785
Other comprehensive income		
Valuation difference on available-for-sale securities	186	309
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	186	309
Comprehensive income	1,149	1,094
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,157	1,101
Comprehensive income attributable to non-controlling interests	(8)	(6)

## Segment Information

I Six months ended February 28, 2019(From September 1, 2018 to February 28, 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	Japanese language schools	Total		
Net sales						
Sales to third party	5,273	2,568	674	8,516	1,575	10,092
Intersegment sales	—	303	—	303	67	370
<b>Total</b>	<b>5,273</b>	<b>2,871</b>	<b>674</b>	<b>8,820</b>	<b>1,642</b>	<b>10,462</b>
Segment income(loss)	657	1,184	105	1,947	146	2,094

(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.

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	1,947
Income (Loss) for “Others” category	146
Corporate expenses*	<b>(546)</b>
Operating income reported on quarterly statements of income	1,547

(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 29, 2020 (From September 1, 2019 to February 29, 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	5,679	2,393	739	8,812	1,610	10,422
Intersegment sales	—	387	—	387	51	438
<b>Total</b>	<b>5,679</b>	<b>2,780</b>	<b>739</b>	<b>9,199</b>	<b>1,661</b>	<b>10,861</b>
Segment income(loss)	672	1,003	116	1,792	75	1,867

(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.



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	1,792
Income (Loss) for "Others"category	75
Corporate expenses*	(586)
Operating income reported on quarterly statements of income	1,280

(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.