

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

April 12, 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
 Contact: Osamu Ogita, Executive officer
 , General Director of the Corporate Headquarters
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 Scheduled date for filing the securities report: April 12, 2019
 Scheduled date for commencement of dividend payment: May 8, 2019
 Supplementary material development: Yes
 Financial results meeting: Yes (for analysts and institutional investor)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for the Second quarter of the year ending August 2019 (September 1, 2018 through February 28, 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	%
Second quarter of the year ending August 2019	10,092	3.3	1,547	30.4	1,608	27.5	971	42.1
Second quarter of the year ended August 2018	9,769	(3.7)	1,186	(41.8)	1,261	(41.7)	683	(60.1)

(Note) Comprehensive income:

Second quarter of the year ending August 2019: 1,149 million yen, 7.4%
 Second quarter of the year ended August 2018: 1,070million yen, (43.3%)

	Net income per share	Fully diluted net income per share
	yen	yen
Second quarter of the year ending August 2019	36.58	—
Second quarter of the year ended August 2018	25.73	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the year ending August 2019	19,829	14,928	75.2
Year ended August 2018	18,683	14,336	76.6

(Reference) Shareholders' equity:

Second quarter of the year ending August 2019: 14,906 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

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.)

	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

(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 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:

Second 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)

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

Second 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.

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

Term	Second quarter of the year ended August 2018		Second quarter of the year ending August 2019	
	From September 1, 2017 to February 28, 2018		From September 1, 2018 to February 28, 2019	
Fiscal Period	Operating results	Same period the previous year	Operating results	Same period the previous year
	Number of Meiko Gijuku directly operated schools	233	+2	231
Number of Meiko Gijuku directly operated schools (MAXIS)	95	+1	94	(1)
Number of Meiko Gijuku directly operated schools (KLINE)	—	—	42	+42
Number of Meiko Gijuku franchised schools ※1	1,738	(42)	1,653	(85)
Total number of Meiko Gijuku schools	2,066	(39)	2,020	(46)
Number of registered students of Meiko Gijuku directly operated schools	16,383	(1,367)	15,584	(799)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,608	(326)	6,548	(60)
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	—	—	2,752	+2,752
Number of registered students of Meiko Gijuku franchised schools ※1	102,054	(6,280)	92,420	(9,634)
Total number of registered students of Meiko Gijuku schools	125,045	(7,973)	117,304	(7,741)
Sales from Meiko Gijuku directly operated schools (million yen)	4,822	(321)	5,273	+450
Sales from Meiko Gijuku franchised schools ※2 (million yen)	2,606	(209)	2,568	(37)
Sales from Supplemental education (million yen)	233	(96)	216	(17)
Sales from others (million yen)	2,107	+251	2,034	(72)
Total Sales (million yen)	9,769	(375)	10,092	+322
Sales from Meiko Gijuku directly operated schools (million yen)	4,822	(321)	5,273	+450
System-wide sales from Meiko Gijuku franchised schools (million yen)	17,285	(1,036)	16,049	(1,235)
Total system-wide sales from Meiko Gijuku schools ※3 (million yen)	22,107	(1,358)	21,323	(784)

※ 1 The number is included 43 schools and 2,262 students of KMG Corporation which is included in the scope of consolidation by acquisition of shares at the end of second quarter.

2 Sales from Meiko Gijuku franchised schools represent royalty revenues and sales of products.

3 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

(Million yen)

	End of previous fiscal year (As of August 31, 2018)	End of second quarter of the fiscal year (As of February 28, 2019)
Assets		
Current assets		
Cash and deposits	6,508	7,645
Accounts receivable - trade	1,286	1,071
Securities	200	200
Merchandise	369	400
Work in process	11	1
Supplies	11	14
Advance payments - trade	107	35
Prepaid expenses	263	301
Other	269	55
Allowance for doubtful accounts	(67)	(88)
Total current assets	8,959	9,637
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,397	1,553
Accumulated depreciation	(769)	(818)
Buildings and structures, net	627	734
Tools, furniture and fixtures	365	392
Accumulated depreciation	(304)	(317)
Tools, furniture and fixtures, net	60	74
Land	446	446
Total property, plant and equipment	1,134	1,255
Intangible assets		
Goodwill	3,251	3,282
Software	178	151
Software in progress	—	36
Telephone subscription right	6	6
Total intangible assets	3,436	3,477
Investments and other assets		
Investment securities	3,724	3,992
Long-term loans receivable from subsidiaries and associates	20	—
Long-term prepaid expenses	85	77
Deferred tax assets	148	157
Lease and guarantee deposits	937	995
Long-term time deposits	200	200
Other	36	36
Total investments and other assets	5,152	5,458
Total non-current assets	9,723	10,191
Total assets	18,683	19,829

(Million yen)

	End of previous fiscal year (As of August 31, 2018)	End of second quarter of the fiscal year (As of February 28, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	184	223
Short-term loans payable	70	102
Accounts payable - other	145	148
Accrued expenses	1,018	958
Income taxes payable	209	708
Accrued consumption taxes	68	204
Advances received	1,379	1,081
Deposits received	83	124
Provision for bonuses	350	366
Provision for sales returns	29	29
Other	23	37
Total current liabilities	<u>3,563</u>	<u>3,986</u>
Non-current liabilities		
Long-Term loans payable	—	71
Net defined benefit liability	72	89
Long-term accounts payable-other to employees	130	118
Long-term accounts payable-other to officers	176	117
Deferred tax liabilities	111	190
Asset retirement obligations	273	308
Long-term guarantee deposited	17	17
Other	—	—
Total non-current liabilities	<u>782</u>	<u>914</u>
Total liabilities	<u>4,346</u>	<u>4,900</u>
Net assets		
Shareholders' equity		
Capital stock	972	972
Capital surplus	909	909
Retained earnings	13,315	13,729
Treasury shares	(1,643)	(1,643)
Total shareholders' equity	<u>13,554</u>	<u>13,967</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	738	924
Foreign currency translation adjustment	14	14
Total accumulated other comprehensive income	<u>752</u>	<u>939</u>
Non-controlling interests	<u>30</u>	<u>21</u>
Total net assets	<u>14,336</u>	<u>14,928</u>
Total liabilities and net assets	<u>18,683</u>	<u>19,829</u>

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

(Million yen)

	Second quarter of the previous consolidated term (From September 1,2017 to February 28,2018)	Second quarter of the consolidated term (From September 1,2018 to February 28,2019)
Net sales	9,769	10,092
Cost of sales	6,291	6,590
Gross profit	3,478	3,501
Selling, general and administrative expenses	2,291	1,954
Operating income	1,186	1,547
Non-operating income		
Interest income	12	9
Dividend income	24	15
Share of profit of entities accounted for using equity method	3	—
Rent income	8	9
Reversal of allowance for doubtful accounts	21	18
Other	7	11
Total non-operating income	78	65
Non-operating expenses		
Interest expenses	—	—
Rent expenses	3	3
Other	—	—
Total non-operating expenses	3	4
Ordinary income	1,261	1,608
Extraordinary losses		
Loss on retirement of property, plant and equipment	2	—
Total extraordinary losses	2	—
Income taxes - current	494	635
Income taxes - deferred	77	9
Total income taxes	571	645
Profit	686	963
Profit (loss) attributable to non-controlling interests	3	(8)
Profit attributable to owners of the parent	683	971

Consolidated statements of comprehensive income

(Million yen)

	Second quarter of the previous consolidated term (From September 1,2017 to February 28,2018)	Second quarter of the consolidated term (From September 1,2018 to February 28,2019)
Profit	686	963
Other comprehensive income		
Valuation difference on available-for-sale securities	380	186
Share of other comprehensive income of entities accounted for using equity method	2	—
Total other comprehensive income	383	186
Comprehensive income	1,070	1,149
Comprehensive income attributable to		
Owners of the parent	1,066	1,157
Non-controlling interests	3	(8)

Segment Information

I Six months ended February 28, 2018(From September 1, 2017 to February 28, 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	4,822	2,606	233	7,662	2,107	9,769
Intersegment sales	—	227	—	227	70	298
Total	4,822	2,834	233	7,890	2,177	10,067
Segment income(loss)	672	885	(16)	1,541	279	1,820

(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	1,541
Income(Loss) for “Others”category	279
Corporate expenses*	(634)
Operating income reported on quarterly statements of income	1,186

(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, 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	Supplemental education	Total		
Net sales						
Sales to third party	5,273	2,568	216	8,058	2,034	10,092
Intersegment sales	—	303	—	303	67	370
Total	5,273	2,871	216	8,361	2,101	10,462
Segment income(loss)	657	1,184	(4)	1,836	257	2,094

(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	1,836
Income(Loss) for "Others" category	257
Corporate expenses*	(546)
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.