

Summary Report on Financial Results for the First Quarter of the Year Ending August 2018 (Japanese Accounting Standards)

January 10, 2018

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 12, 2018
 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 2018 (September 1, 2017 through November 30, 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	%
First quarter of the year ending August 2018	4,411	(1.4)	401	(26.2)	427	(28.6)	229	(29.6)
First quarter of the year ended August 2017	4,476	8.9	544	43.4	599	62.0	326	—

(Note) Comprehensive income:

First quarter of the year ending August 2018: 520 million yen 25.3%
 First quarter of the year ended August 2017: 415 million yen —

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of the year ending August 2018	8.66	—
First quarter of the year ended August 2017	12.29	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the year ending August 2018	18,556	14,405	77.5
Year ended August 2017	19,314	14,416	74.5

(Reference) Shareholders' equity:

First quarter of the year ending August 2018: 14,381 million yen
 Year ended August 2017: 14,391 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
Year ended August 2017	—	20.00	—	20.00	40.00
Year ending August 2018	—				
Year ending August 2018 (estimate)		21.00	—	21.00	42.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2018 (September 1, 2017 through August 31, 2018)

(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)	10,054	(0.9)	924	(54.7)	968	(55.2)	525	(69.3)	19.78
Full-year	20,415	5.3	2,011	(23.1)	2,100	(25.2)	1,191	(41.7)	44.85

(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)

First quarter of the year ending August 2018:	27,803,600 shares
Year ended August 2017:	27,803,600 shares
 - (ii) Number of shares of treasury stock at the end of the period:

First quarter of the year ending August 2018:	1,246,573 shares
Year ended August 2017:	1,246,573 shares
 - (iii) Average number of shares during the period (accumulated consolidated quarter)

First quarter of the year ending August 2018:	26,557,027 shares
First quarter of the year ended August 2017:	26,557,093 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 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 2017		First quarter of the year ending August 2018	
	From September 1, 2016 to November 30, 2016		From September 1, 2017 to November 30, 2017	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	231	+10	233	+2
Number of Meiko Gijuku directly operated schools (MAXIS)	93	+1	95	+2
Number of Meiko Gijuku franchised schools	1,777	(40)	1,741	(36)
Total number of Meiko Gijuku schools	2,101	(29)	2,069	(32)
Number of registered students of Meiko Gijuku directly operated schools	18,063	(388)	17,076	(987)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	7,065	(448)	6,769	(296)
Number of registered students of Meiko Gijuku franchised schools	111,943	(6,271)	107,222	(4,721)
Total number of registered students of Meiko Gijuku schools	137,071	(7,107)	131,067	(6,004)
Sales from Meiko Gijuku directly operated schools (million yen)	2,137	(14)	2,025	(111)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	1,265	(84)	1,199	(66)
Sales from Supplemental education (million yen)	146	(5)	102	(43)
Sales from others (million yen)	927	+470	1,083	+156
Total Sales (million yen)	4,476	+365	4,411	(64)
Sales from Meiko Gijuku directly operated schools (million yen)	2,137	(14)	2,025	(111)
System-wide sales from Meiko Gijuku franchised schools (million yen)	8,392	(615)	7,983	(409)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	10,529	(630)	10,008	(520)

※ 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 fees, and examination fees, and the total sales of Meiko Gijuku franchised schools, including 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, 2017)	End of first quarter of the fiscal year (As of November 30, 2017)
Assets		
Current assets		
Cash and deposits	7,822,906	6,782,315
Accounts receivable - trade	1,300,368	1,310,944
Securities	400,000	200,000
Merchandise	296,806	299,989
Work in process	10,241	7,749
Supplies	19,474	8,888
Advance payments - trade	40,161	13,431
Prepaid expenses	289,258	273,633
Deferred tax assets	246,274	263,287
Other	101,890	63,685
Allowance for doubtful accounts	(96,004)	(96,977)
Total current assets	10,431,378	9,126,948
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,339,922	1,400,215
Accumulated depreciation	(687,711)	(704,102)
Buildings and structures, net	652,210	696,112
Tools, furniture and fixtures	348,941	354,029
Accumulated depreciation	(283,054)	(284,605)
Tools, furniture and fixtures, net	65,886	69,423
Land	446,059	446,059
Total property, plant and equipment	1,164,156	1,211,595
Intangible assets		
Goodwill	3,058,517	2,961,677
Software	268,962	249,171
Telephone subscription right	20,737	20,737
Total intangible assets	3,348,217	3,231,586
Investments and other assets		
Investment securities	3,088,091	3,649,811
Long-term prepaid expenses	35,794	90,694
Deferred tax assets	60,293	58,429
Lease and guarantee deposits	849,188	849,780
Long-term time deposits	302,150	302,150
Other	35,322	35,360
Total investments and other assets	4,370,840	4,986,225
Total non-current assets	8,883,214	9,429,406
Total assets	19,314,592	18,556,355

	(Thousand yen)	
	End of previous fiscal year (As of August 31, 2017)	End of first quarter of the fiscal year (As of November 30, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	167,398	228,295
Short-term loans payable	70,000	70,000
Accounts payable - other	86,057	58,376
Accrued expenses	973,531	765,419
Income taxes payable	1,000,176	232,137
Accrued consumption taxes	263,011	176,181
Advances received	1,155,960	1,030,691
Deposits received	63,126	160,617
Provision for bonuses	343,195	525,874
Provision for sales returns	23,800	23,800
Other	22,585	27,834
Total current liabilities	4,168,844	3,299,227
Non-current liabilities		
Net defined benefit liability	49,938	46,250
Long-term accounts payable-other to employees	146,744	143,387
Long-term accounts payable-other to officers	177,980	177,980
Deferred tax liabilities	87,846	217,422
Asset retirement obligations	245,302	246,498
Long-term guarantee deposited	18,122	17,622
Other	3,161	2,400
Total non-current liabilities	729,095	851,562
Total liabilities	4,897,940	4,150,790
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	909,768	909,768
Retained earnings	13,747,327	13,446,124
Treasury shares	(1,643,787)	(1,643,787)
Total shareholders' equity	13,985,821	13,684,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	392,014	682,506
Foreign currency translation adjustment	13,707	14,034
Total accumulated other comprehensive income	405,722	696,541
Non-controlling interests	25,109	24,405
Total net assets	14,416,652	14,405,565
Total liabilities and net assets	19,314,592	18,556,355

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

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2016 to November 30,2016)	First quarter of the consolidated term (From September 1,2017 to November 30,2017)
Net sales	4,476,483	4,411,629
Cost of sales	3,021,033	3,063,422
Gross profit	1,455,449	1,348,207
Selling, general and administrative expenses	911,047	946,669
Operating income	544,401	401,538
Non-operating income		
Interest income	6,368	6,760
Dividend income	2,270	1,807
Rent income	26,286	4,310
Reversal of allowance for doubtful accounts	22,425	12,988
Other	5,873	2,027
Total non-operating income	63,224	27,893
Non-operating expenses		
Interest expenses	152	128
Rent expenses	6,518	1,528
Other	1,866	11
Total non-operating expenses	8,537	1,668
Ordinary income	599,088	427,763
Income (loss) before income taxes and non-controlling interests	599,088	427,763
Income taxes - current	304,865	212,364
Income taxes - deferred	(27,490)	(13,824)
Total income taxes	277,375	198,540
Profit	321,713	229,223
Profit (loss) attributable to non-controlling interests	(4,761)	(714)
Profit attributable to owners of the parent	326,474	229,937

Consolidated statements of comprehensive income

(Thousand yen)

	First quarter of the previous consolidated term (From September 1,2016 to November 30,2016)	First quarter of the consolidated term (From September 1,2017 to November 30,2017)
Profit	321,713	229,223
Other comprehensive income		
Valuation difference on available-for-sale securities	92,800	290,502
Share of other comprehensive income of entities accounted for using equity method	641	327
Total other comprehensive income	93,442	290,829
Comprehensive income	415,156	520,053
Comprehensive income attributable to		
Owners of the parent	419,910	520,756
Non-controlling interests	(4,754)	(703)

Segment Information

I 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	544,401

(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, 2017 (From September 1, 2017 to November 30, 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	2,025,679	1,199,106	102,948	3,327,734	1,083,894	4,411,629
Intersegment sales	—	121,767	—	121,767	39,079	160,847
Total	2,025,679	1,320,874	102,948	3,449,502	1,122,973	4,572,476
Segment income(loss)	29,263	574,790	(10,450)	593,602	154,657	748,260

(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	593,602
Income(Loss) for "Others"category	154,657
Corporate expenses*	(346,722)
Operating income reported on quarterly statements of income	401,538

(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.