

Securities Code 4668
October 31, 2019

To All Shareholders With Voting Rights

Kazuhito Yamashita
President and Representative Director
MEIKO NETWORK JAPAN CO., LTD.
7-20-1 Nishi-Shinjuku, Shinjuku Ward, Tokyo, Japan

NOTICE OF THE 35TH ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 35th Annual Meeting of Shareholders of MEIKO NETWORK JAPAN CO., LTD. (hereinafter the “Company”) to be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet and other means as set forth in How to Exercise Your Voting Rights on pages 2-3. Please review the Reference Documents for the Annual Meeting of Shareholders, and cast your vote by 6:00 p.m. on Thursday, November 14, 2019 Japan time.

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| 1. Date and Time: | Friday, November 15, 2019 at 10:00 a.m. |
| 2. Place: | “Century Room,” B1 floor, Hyatt Regency Tokyo
2-7-2 Nishi-Shinjuku, Shinjuku Ward, Tokyo, Japan |
| 3. Agenda of the Meeting: | |
| Matters to be reported: | <ol style="list-style-type: none">1. Business Report, Consolidated Financial Statements for the 35th term (from September 1, 2018 to August 31, 2019) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements2. Non-consolidated Financial Statements for the Company’s 35th term (from September 1, 2018 to August 31, 2019) |
| Proposals to be resolved: | |
| Proposal No. 1: | Partial Amendments to the Articles of Incorporation |
| Proposal No. 2: | Election of Six (6) Directors |
| Proposal No. 3: | Election of One (1) Corporate Auditor |

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- © A small gift offered to the shareholders attending Annual Meeting of Shareholders has been discontinued. Your kind understanding is appreciated.
- © Shareholders attending the meeting are kindly requested to submit the enclosed Voting Right Exercise Form to the reception at the venue.
- © Of the documents to be presented along with this Notice, “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” are posted on the Company’s website (<http://www.meikonet.co.jp>) in accordance with laws and regulations, as well as Article 15 of the Company’s Articles of Incorporation, and are therefore not included in this Notice.
- © If there are any changes to the Reference Documents for Annual Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements, changes on the matters shall be posted on the Company’s website (<http://www.meikonet.co.jp>).
- © If a voting right is exercised in duplicate by the same shareholder through writing and electromagnetic means, the Company shall treat the latter as valid.
- © If an exercise of voting right through electromagnetic means was conducted for multiple times, and if there are conflicting votes to the same proposal, the last exercise of voting right through electromagnetic means shall be treated as valid.

How to Exercise Your Voting Rights

Voting rights are important rights that enable shareholders to participate in the management of the Company. There are three methods for exercising your voting rights.

For shareholders attending in person:

Submit your voting rights at the reception.

Please submit the Voting Right Exercise Form to the reception at the venue of Annual Meeting of Shareholders on the day of the meeting.

Date and time of the Annual Meeting of Shareholders:	Friday, November 15, 2019 at 10:00 a.m. (Reception is scheduled to start at 9:00 a.m.)
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For shareholders who are not able to attend the meeting:

If you are not able to attend the meeting, you may exercise your voting rights by either of the following methods:

Exercise of Voting Rights in Writing

Please indicate your approval or disapproval on the Voting Right Exercise Form, and return by post at your earliest convenience.

Deadline for Exercising Voting Rights:	To be received by the Company by Thursday, November 14, 2019 at 6:00 p.m.
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Exercise of Voting Rights via the Internet

<https://www.web54.net>

Please access the above website via the Internet.

Please exercise your voting rights following the instruction on the screen using the login ID and temporary password.

Deadline for Exercising Voting Rights:	Thursday, November 14, 2019 at 6:00 p.m.
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Please refer to the next page for details.

Treatment of voting rights exercised in duplicate

- © If a voting right is exercised in duplicate by the same shareholder through writing and electromagnetic means, the Company shall treat the latter as valid.
- © If an exercise of voting right through electromagnetic means was conducted for multiple times, and if there are conflicting votes to the same proposal, the last exercise of voting right through electromagnetic means shall be treated as valid.

Procedures for Exercising Your Voting Rights

For Institutional Investors

Apart from the exercise of voting rights via the Internet as follows, institutional investors are able to use an electronic platform for exercise of voting rights run by ICJ, Inc., sponsored by Tokyo Stock Exchange, Inc., etc. subject to prior application and registration.

Exercise of Voting Rights in Writing

Please indicate your approval or disapproval on the enclosed Voting Right Exercise Form, and return by post so that it is received by the Company by the following date.

Deadline for Exercising Voting Rights:	To be received by the Company by Thursday, November 14, 2019 at 6:00 p.m.
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Exercise of Voting Rights via the Internet

Please have your Voting Right Exercise Form ready.

Exercise of voting rights via the Internet is available only by accessing the website for exercising voting rights (<https://www.web54.net>) designated by the Company through a computer or smart phone.

While your exercises of voting rights via the Internet are accepted until Thursday, November 14, 2019 at 6:00 p.m., we suggest that you do so as early as possible. Should you have any inquiry, please contact our help desk.

1. Access the website for exercising voting rights **<https://www.web54.net>**
Click "Next"
2. Login
Enter the "Code for Exercising Voting Rights" printed on your Voting Right Exercise Form.
Click "Next"

Please follow instructions on the screen and enter your approval or disapproval.

- *1 *Exercise of voting rights by computer may not be possible depending on the Internet environment due to factors including usage of firewalls, etc. in connecting to the Internet, usage of anti-virus programs, and usage of proxy servers.*
- *2 *Costs incurred for accessing the website for exercising voting rights (Internet connection charges, phone charges, etc.) are to be borne by shareholders.*

Inquiries regarding operation of computers, etc. (Helpdesk)

Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited

Transfer Agency Web Support Service: 0120-652-031 (available from 9:00 a.m. to 9:00 p.m.)

Other inquiries: 0120-782-031 (available from 9:00 a.m. to 5:00 p.m., weekdays excluding holidays)

Reference Documents for the Annual Meeting of Shareholders

Proposals and References

Proposal No. 1

Partial Amendments to the Articles of Incorporation

1. Reasons for the Proposal

In order to prepare for future business diversification, the Company will add business purposes in Article 2 (Purpose) of the current Articles of Incorporation.

2. Detail of the Amendments

Details of the amendments are as follows:

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I. GENERAL PROVISIONS (Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses: 1. to 20. (Omitted) (Newly established) <u>21.</u> (Omitted)	CHAPTER I. GENERAL PROVISIONS (Purpose) Article 2. (Unchanged) 1. to 20. (Unchanged) <u>21. Employment referral business</u> <u>22.</u> (Unchanged)

Proposal No. 2

Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this Annual Meeting of Shareholders. Accordingly, the election of six (6) Directors is proposed.

The candidates are as follows:

No.	Name			Position in the Company	Number of years in office	Board of Directors meetings attendance
1	Hirotake Watanabe	Reappointment		Chairperson and Director	35 years	100% (17/17 times)
2	Kazuhito Yamashita	Reappointment		President and Representative Director	12 years	100% (17/17 times)
3	Koshi Horiuchi	Reappointment		Director	5 years	100% (17/17 times)
4	Yukie Osaka	Reappointment		Director	1 year	100% (14/14 times)*
5	Noriko Yao	Reappointment	Outside	Director	4 years	94% (16/17 times)
6	Chie Ikegawa	Newly appointed	Outside	-	-	-

* As Ms. Osaka assumed her position on November 22, 2018, the Board of Directors meetings held on and after November 22 are presented.

Reference Documents for the Annual Meeting of Shareholders

No. **1** **Hirotake Watanabe** (Date of birth: Sept. 19, 1942) **Reappointment**

Number of the Company's shares held

1,794,600 shares

Board of Directors meetings attendance

100% (17/17 times)

Brief personal record, position, responsibilities and important concurrent posts

Sept. 1984: Established the Company, Director of the Company

May 1985: President and Representative Director

Nov. 2015: Chairperson and Representative Director

Nov. 2018: Chairperson and Director (present)

[Important concurrent posts]

Representative Director of MEIKO KYOIKU KENKYUJO (Public Interest Incorporated Foundation)

No. **2** Kazuhito Yamashita (Date of birth: Dec. 7, 1959)

Reappointment

Number of the Company's shares held

21,200 shares

Board of Directors meetings attendance

100% (17/17 times)

■ Brief personal record, position, responsibilities and important concurrent posts

Mar. 2007: Joined the Company
Nov. 2007: Director
Nov. 2008: Managing Director
Sept. 2012: General Manager, Kobetsu School Business
In charge of Soccer School Business Division, in charge
of Meiko Kids Business Division and in charge of
Business Development Division
Jul. 2013: General Manager, Business Development Headquarters
Sept. 2014: General Manager, Meikogijuku Business Headquarters
(present)
In charge of FC Business Development Division
Nov. 2014: Senior Managing Director
Nov. 2015: Vice President and Director
Nov. 2018: President and Representative Director (present)

[Important concurrent posts]

Councilor of MEIKO KYOIKU KENKYUJO (Public Interest
Incorporated Foundation)

No.

3

Koshi Horiuchi (Date of birth: Dec. 5, 1969)

Reappointment

Number of the Company's shares held

400 shares

Board of Directors meetings attendance

100% (17/17 times)

Brief personal record, position, responsibilities and important concurrent posts

Oct. 1999: Joined the Company
 Nov. 2010: General Manager of 2nd Business Division, Meikogijuku Business Headquarters
 Sept. 2014: General Manager of 7th Business Division, Meikogijuku Business Headquarters
 Nov. 2014: Director (present)
 Sept. 2015: Deputy General Manager of Meikogijuku Business Headquarters
 Nov. 2015: In charge of Headquarters Office
 In charge of Meiko Support Center
 Sept. 2016: In charge of Academic Division
 Sept. 2017: In charge of Shinsei Meiko Business Development Office and in charge of Study Club Business Development Division
 Nov. 2017: General Manager, Kobetsu School Business (present)
 General Manager, Study Club Business Development Division
 (current General Manager, Study Club Business Division) (present)
 Nov. 2018: In charge of Information System Division (present)
 Sept. 2019: In charge of Business Development Division (present)

[Important concurrent posts]

Director of K.LINE Co., Ltd.
 Director of Kotoh Jimusho Co., LTD.

No. **4** Yukie Osaka (Date of birth: Mar. 15, 1956)

Reappointment

Number of the Company's shares held

- shares

Board of Directors meetings attendance

100% (14/14 times)

* As Ms. Osaka assumed her position on November 22, 2018, the Board of Directors meetings held on and after November 22 are presented.

■ Brief personal record, position, responsibilities and important concurrent posts

Apr. 1978: Joined Nihon Short-wave Broadcasting Co., Ltd. (current NIKKEI RADIO BROADCASTING CORPORATION)
Sept. 1994: Joined Tokyo Metropolitan Television Broadcasting Corporation
Sept. 1997: Joined Japan Satellite Broadcasting Inc. (current WOWOW Inc.)
Jun. 2014: Director, General Manager, Sales Division of WOWOW COMMUNICATIONS INC.
May 2016: Joined the Company
General Manager, Promotions Division (current Marketing Division)
Apr. 2017: Executive Officer
Sept. 2017: In charge of Headquarters Office (present)
Sept. 2018: In charge of Sales Planning Division (present)
Nov. 2018: Director (present)
Apr. 2019: In charge of Marketing Division (present)

No. **5** **Noriko Yao** (Date of birth: Aug. 27, 1967) **Reappointment** **Outside Director**

Number of the Company's shares held

- shares

Board of Directors meetings attendance

94% (16/17 times)

Brief personal record, position, responsibilities and important concurrent posts

Mar. 1995: Graduated Legal Training and Research Institute of the Supreme Court of Japan
 Apr. 1995: Registered as Attorney-at-Law in Fukuoka Bar Association
 Joined Fuji Law Office
 Jun. 2001: Graduated from Georgetown University Law Center (LL.M.)
 Sept. 2001: Joined Paul, Hastings, Janofsky & Walker LLP (Los Angeles Office)
 Oct. 2002: Registered as Attorney-at-law in Daini Tokyo Bar Association
 Joined Taiyo Law Office (current Paul Hastings Foreign Law Joint Enterprise)
 Registered as Attorney-at-law in New York State Bar Association
 Jul. 2007: Joined TMI Associates
 Jan. 2008: Partner of TMI Associates (present)
 Nov. 2015: Director of the Company (present)

[Important concurrent posts]

Partner of TMI Associates
 Outside Auditor of Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development
 External Audit & Supervisory Board Member of SATO HOLDINGS CORPORATION
 Non-executive Director of Asahi Net, Inc.

Reasons for selection as a candidate for Outside Director

Ms. Noriko Yao has an adequate insight for governing corporate management as she is familiar with corporate legal affairs, etc. as an attorney-at-law. As such, the Company has determined that the candidate will be able to contribute to ensuring management transparency and further strengthening of corporate governance. Although Ms. Yao is the candidate who does not have experience of being involved in corporate management in the past, considering the reasons stated above, the Company proposes the election of the candidate as Outside Director.

Ms. Yao will have served as Outside Director of the Company for four years at the conclusion of this Annual Meeting of Shareholders.

No. **6** **Chie Ikegawa** (Date of birth: Feb. 4, 1966)

Newly appointed

Outside Director

Number of the Company's shares held

- shares

Brief personal record, position, responsibilities and important concurrent posts

Apr. 1989: Joined Procter & Gamble Far East, Inc. (current The Procter & Gamble Company of Japan Limited (P&G Japan Limited))
Oct. 2006: Joined McDonald's Company (Japan), Ltd.
Feb. 2010: Joined Lenovo Japan Ltd., Director & CFO, General Manager of Finance Management Division
Oct. 2011: Auditor of NEC Personal Computers, Ltd.
Jan. 2014: Joined Kellogg (Japan) G.K., Executive Officer, General Manager of Business Administration and Finance Division
Dec. 2018: Vice President of Commercial Finance, Business Administration Division of Seiyu GK. (Walmart Japan)
May 2019: Representative Director of Strat Consulting Co., Ltd. (present)

[Important concurrent posts]

Representative Director, Strat Consulting Co., Ltd.

Reasons for selection as a candidate for Outside Director

Ms. Chie Ikegawa has a profound wealth of knowledge in business administration, planning, finance and accounting of corporations. The Company has determined that the candidate will be able to contribute to ensuring management of the Company by drawing on her accumulated experience and knowledge, and thereby proposes the election of the candidate as Outside Director.

- (Notes)
1. None of the candidates for Directors have special conflict of interest with the Company.
 2. The Company has concluded liability limitation agreement with Ms. Noriko Yao based on the provisions of Article 427, Paragraph 1 of the Companies Act, for the purpose of limiting the liability for damages arising from the act as set out in Article 423, Paragraph 1 of the Act; provided, however, that the limit of the liability shall be an amount stipulated in Article 425, Paragraph 1 of the Act. The Company plans to continue the agreement with her upon the approval on her reappointment. In addition, the Company plans to conclude liability limitation agreement with Ms. Chie Ikegawa upon the approval on her appointment, based on the provisions of Article 427, Paragraph 1 of the Companies Act, for the purpose of limiting the liability for damages set out in Article 423, Paragraph 1 of the Act; provided, however, that the limit of the liability shall be an amount stipulated in Article 425, Paragraph 1 of the Act.
 3. Ms. Noriko Yao and Ms. Chie Ikegawa are candidates for Outside Directors. All candidates for Outside Directors are required to meet the election criteria for independent outside officers set out by the Company, and both of the two candidates meet all such criteria.
 4. Ms. Noriko Yao meets the requirements for independent officer based on the regulations of Tokyo Stock Exchange, Inc. The Company has designated her as an independent officer and registered her as such at Tokyo Stock Exchange, Inc.
 5. Ms. Chie Ikegawa meets the requirements for independent officer based on the regulations of Tokyo Stock Exchange, Inc. The Company plans to designate her as an independent officer upon the approval on her appointment.

Reference Documents for the Annual Meeting of Shareholders

Proposal No. 3

Election of One (1) Corporate Auditor

As the terms of office of Corporate Auditor Mr. Takehiro Amemiya will expire at the conclusion of this Annual Meeting of Shareholders, the election of one (1) Corporate Auditor is proposed.

As for the submission of this proposal, consent has been obtained from the Board of Corporate Auditors.
The candidate is as follows:

Toshiichi Utsugi (Date of birth: Jun. 26, 1954)

Newly appointed

Outside Corporate Auditor

Number of the Company's shares held

- shares

■ Brief personal record, position and important concurrent posts

- Apr. 1978: Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)
- Jun. 2002: Manager, Ikebukuro Branch of The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.)
- May 2004: The head of General Affairs Office of The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.)
- Jan. 2006: General Manager, Administration Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
- Aug. 2007: President and Representative Director, Mitsubishi UFJ Staff Service Co., Ltd.
- Oct. 2010: Vice President and Representative Director, MU Frontier Servicer Co., Ltd.
- Dec. 2014: Audit & Supervisory Board Member, Mitsubishi Research Institute, Inc.
- Dec. 2018: Senior Counselor, Mitsubishi Research Institute, Inc. (present)

[Important concurrent posts]

Senior Counselor, Mitsubishi Research Institute, Inc.

■ Reasons for selection as a candidate for Outside Corporate Auditor

Mr. Toshiichi Utsugi has a wealth of experience and knowledge in banking, finance and corporate management gained from his long years of service at financial institutions, etc., and has experience serving as Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc. for four years. As such, while expecting the candidate to duly provide effective advice and opinion on important management issues of the Company, the Company has determined that the candidate will be capable of enhancing audit effectiveness in the Company, along with monitoring overall management, and thereby proposes the election of the candidate as Outside Corporate Auditor.

- (Notes)
1. The candidates for Corporate Auditor has no special conflict of interest with the Company.
 2. The Company plans to conclude liability limitation agreement with Mr. Toshiichi Utsugi upon the approval on his appointment, based on the provisions of Article 427, Paragraph 1 of the Companies Act, for the purpose of limiting the liability for damages set out in Article 423, Paragraph 1 of the Act; provided, however, that the limit of the liability shall be an amount stipulated in Article 425, Paragraph 1 of the Act.
 3. Mr. Toshiichi Utsugi is a candidate for Outside Corporate Auditor. All candidates for Outside Corporate Auditors are required to meet the election criteria for independent outside officers set out by the Company, and the candidate meets all such criteria.
 4. Mr. Toshiichi Utsugi meets the requirements for independent officer based on the regulations of Tokyo Stock Exchange, Inc. The

<Reference> “Criteria for Election of Independent Outside Officers”

1. Independent Outside Officers should not be currently serving or have served in the past as Director (excluding Outside Director, hereinafter the same shall apply), Corporate Auditor (excluding Outside Corporate Auditor, hereinafter the same shall apply), Executive Officer, Manager and other employee of the Company or the Group.
2. Independent Outside Officers should not be currently serving or have served in the past five years as Director, Corporate Auditor, Executive Officer, Manager and other employee of a major shareholder of the Company.
3. Independent Outside Officers should not be currently serving as Director, Corporate Auditor, Executive Officer, Manager and other employee of a company which, at present, is a principal shareholder of the Company.
4. Independent Outside Officers should not be currently serving or have served in the past three years as Director, Corporate Auditor, Executive Officer, Manager and other employee of a company which is a principal business partners (accounting for more than 2% of the consolidated gross sales of the Company in the previous fiscal year) of the Company or the Group.
5. Independent Outside Officers should not be currently serving as Director (referring to Executive Director only), or other executor of business (referring to officer, member or employee engaged in the execution of business) at an organization (such as public interest incorporated foundation, public interest incorporated association, non-profit corporation) that receives donation or subsidy in excess of certain amount (10 million yen on average over the past three years) from the Company or the Group.
6. Independent Outside Officers should not be currently serving as Director, Corporate Auditor or Executive Officer of a company or its subsidiary where the Company or the Group has seconded a Director or Corporate Auditor (whether full-time or part-time).
7. Independent Outside Officers should not be currently serving or have served in the past five years as Director, Corporate Auditor, Executive Officer, Manager and other employee of a principal financial institution of the Company or the Group (a financial institution vital for fund raising at the Company or the Group, conducting comprehensive review to determine whether there is a situation likely to give rise to an issue of conflicts of interest between the Company and shareholders (involving actual or potential insolvency), and other review, such as financial/credit rating, capital ratio, financing dependency on specific creditors or ability to repay loans of the Company or the Group).
8. Independent Outside Officers should not be currently serving or have served in the past five years as Director (excluding outside Director, hereinafter the same shall apply), Corporate Auditor (excluding outside Corporate Auditor, hereinafter the same shall apply), Executive Officer, Manager and other employee of a brokerage lead manager of the Company.
9. Independent Outside Officers should not be currently serving or have served in the past three years as member, partner or employee of the accounting auditor (or tax accountant's corporation) of the Company or the Group.
10. Independent Outside Officers should not be currently serving as professional service provider including attorney, certified public accountant, tax accountant and consultant of various natures, who receives compensation in excess of certain amount (10 million yen on average over the past three years) from the Company or the Group.
11. Independent Outside Officers should not be relatives within the second degree of kinship, or other relatives living together with the person concerned in each of the above 1 through 10.
12. However, a person who falls into any of the above may still be appointed as an Independent Outside Officer of the Company, as long as the person is deemed appropriate by the Company as an Independent Outside Officer of the Company in light of his/her character, insight and other qualities, subject to an external explanation justifying such reason for the appointment.
13. Apart from the qualifications listed above, Independent Outside Officers should not be determined to be questionable in terms of his/her independence as an Independent Outside Officer, and may cause substantive and permanent conflicts of interest with general shareholders.

Consolidated Financial Statements

Consolidated Balance Sheet (As of August 31, 2019)

(Unit: Million yen)

Item	Amount
Assets	
Current assets	9,734
Cash and deposits	7,495
Accounts receivable - trade	1,294
Securities	200
Merchandise	391
Work in process	14
Supplies	12
Advance payments - trade	21
Prepaid expenses	280
Other	124
Allowance for doubtful accounts	(100)
Non-current assets	10,030
Property, plant and equipment	1,220
Buildings and structures	715
Tools, furniture and fixtures	59
Land	446
Intangible assets	3,311
Goodwill	3,046
Software	133
Software in progress	125
Telephone subscription right	5
Investment and other assets	5,497
Investment securities	4,075
Long-term prepaid expenses	68
Deferred tax assets	138
Lease and guarantee deposits	978
Long-term time deposits	200
Other	36
Total assets	19,765

Item	Amount
Liabilities	
Current liabilities	4,506
Accounts payable - trade	199
Short-term loans payable	132
Accounts payable - other	146
Accrued expenses	1,209
Income taxes payable	618
Accrued consumption taxes	179
Advances received	1,480
Deposits received	124
Provision for bonuses	352
Provision for sales returns	28
Other	35
Non-current liabilities	843
Long-term loans payable	64
Net defined benefit liability	94
Long-term accounts payable - employees	111
Long-term accounts payable - directors	117
Deferred tax liabilities	136
Asset retirement obligations	300
Long-term guarantee deposited	17
Total liabilities	5,350
Net assets	
Shareholders' equity	13,556
Capital stock	972
Capital surplus	909
Retained earnings	13,317
Treasury shares	(1,643)
Accumulated other comprehensive income	843
Valuation difference on available-for-sale securities	830
Foreign currency translation adjustment	12
Non-controlling interests	15
Total net assets	14,414
Total liabilities and net assets	19,765

Consolidated Financial Statements

Consolidated Statement of Income (From September 1, 2018 to August 31, 2019)

(Unit: Million yen)

Item	Amount	
Net sales		19,967
Cost of sales		13,744
Gross profit		6,222
Selling, general and administrative expenses		4,447
Operating income		1,775
Non-operating income		
Interest income	18	
Dividend income	38	
Share of profit of entities accounted for using equity method	8	
Rent income	20	
Reversal of allowance for doubtful accounts	20	
Other	33	140
Non-operating expenses		
Interest expenses	1	
Rent expenses	6	
Other	0	7
Ordinary income		1,907
Extraordinary losses		
Loss on retirement of property, plant and equipment	6	
Impairment loss	42	48
Profit before income taxes		1,859
Income taxes - current	901	
Income taxes - deferred	14	915
Profit		943
Profit (loss) attributable to non-controlling interests		(14)
Profit attributable to owners of the parent		958

Consolidated Statement of Changes in Equity (From September 1, 2018 to August 31, 2019)

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	972	909	13,315	(1,643)	13,554
Changes of items during period					
Dividends of surplus			(956)		(956)
Profit attributable to owners of the parent			958		958
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2	(0)	2
Balance at end of period	972	909	13,317	(1,643)	13,556

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	738	14	752	30	14,336
Changes of items during period					
Dividends of surplus					(956)
Profit attributable to owners of the parent					958
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	92	(1)	90	(14)	75
Total changes of items during period	92	(1)	90	(14)	77
Balance at end of period	830	12	843	15	14,414

Non-consolidated Financial Statements

Balance Sheet (As of August 31, 2019)

(Unit: Million yen)

Item	Amount
Assets	
Current assets	5,035
Cash and deposits	3,526
Accounts receivable - trade	1,028
Securities	200
Merchandise	108
Supplies	10
Advance payments - trade	16
Prepaid expenses	158
Short-term loans receivable	32
Other	40
Allowance for doubtful accounts	(85)
Non-current assets	11,414
Property, plant and equipment	458
Buildings	276
Tools, furniture and fixtures	19
Land	163
Intangible assets	256
Software	126
Software in progress	125
Telephone subscription right	4
Investments and other assets	10,698
Investment securities	3,929
Shares of subsidiaries and associates	5,859
Investments in capital	10
Long-term loans receivable from subsidiaries and associates	245
Long-term prepaid expenses	50
Lease and guarantee deposits	527
Long-term time deposits	200
Other	24
Allowance for doubtful accounts	(148)
Total assets	16,450

Item	Amount
Liabilities	
Current liabilities	1,980
Accounts payable - trade	97
Accounts payable - other	41
Accrued expenses	787
Income taxes payable	457
Accrued consumption taxes	102
Advances received	72
Deposits received	84
Provision for bonuses	321
Other	15
Non-current liabilities	462
Long-term accounts payable - employees	111
Long-term accounts payable - directors	99
Deferred tax liabilities	101
Asset retirement obligations	147
Long-term guarantee deposited	1
Total liabilities	2,442
Net assets	
Shareholders' equity	13,177
Capital stock	972
Capital surplus	915
Legal capital surplus	915
Retained earnings	12,932
Legal retained earnings	54
Other retained earnings	12,878
General reserve	9,147
Retained earnings brought forward	3,731
Treasury shares	(1,643)
Valuation and translation adjustments	830
Valuation difference on available-for-sale securities	830
Total net assets	14,007
Total liabilities and net assets	16,450

Statement of Income (From September 1, 2018 to August 31, 2019)

(Unit: Million yen)

Item	Amount	
Net sales		12,893
Cost of sales		8,637
Gross profit		4,256
Selling, general and administrative expenses		2,700
Operating income		1,556
Non-operating income		
Interest income	4	
Interest on securities	17	
Dividend income	38	
Rent income	50	
Reversal of allowance for doubtful accounts	19	
Other	20	151
Non-operating expenses		
Rent expenses	33	
Provision of allowance for doubtful accounts	148	
Other	0	182
Ordinary income		1,525
Extraordinary losses		
Loss on retirement of property, plant and equipment	4	
Impairment loss	18	22
Profit before income taxes		1,503
Income taxes - current	635	
Income taxes - deferred	(23)	612
Profit		891

Non-consolidated Financial Statements

Statement of Changes in Equity (From September 1, 2018 to August 31, 2019)

(Unit: Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus	Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
				General reserve	Retained earnings brought forward			
Balance at beginning of period	972	915	54	9,147	3,796	12,997	(1,643)	13,242
Changes of items during period								
Dividends of surplus					(956)	(956)		(956)
Profit					891	891		891
Purchase of treasury shares							(0)	(0)
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	(64)	(64)	(0)	(64)
Balance at end of period	972	915	54	9,147	3,731	12,932	(1,643)	13,177

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of period	736	13,979
Changes of items during period		
Dividends of surplus		(956)
Profit		891
Purchase of treasury shares		(0)
Net changes of items other than shareholders' equity	93	93
Total changes of items during period	93	28
Balance at end of period	830	14,007