

Summary Report on Financial Results for Fiscal Year Ended August 2019  
(Japanese Accounting Standards)

October 10, 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  
, Director of the Corporate Headquarters

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Scheduled date for the ordinary general meeting of shareholders: November 15, 2019

Scheduled date for commencement of dividend payment: November 18, 2019

Scheduled date for filing the securities report: November 18, 2019

Supplementary material development: Yes

Financial results meeting: Yes(for analysts)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for year ended August 2019 (September 1, 2018 through August 31, 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	%
Year ended August 2019	19,967	4.5	1,775	23.1	1,907	22.4	958	45.8
Year ended August 2018	19,116	(1.4)	1,441	(44.9)	1,558	(44.5)	657	(67.8)

(Note) Comprehensive income:

Year ended August 2019: 1,033 million yen, 2.5%

Year ended August 2018: 1,009 million yen, (56.2%)

	Net income per share	Fully diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended August 2019	36.08	—	6.7	9.9	8.9
Year ended August 2018	24.74	—	4.6	8.2	7.5

(Reference) Profit or loss on equity method investments:

Year ended August 2019: 8 million yen

Year ended August 2018: (10) million yen

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2019	19,765	14,414	72.9	542.21
Year ended August 2018	18,683	14,336	76.6	538.72

(Reference) Shareholders' equity:

Year ended August 2019: 14,399 million yen

Year ended August 2018: 14,306 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	million yen	million yen	million yen	million yen
Year ended August 2019	2,505	(347)	(829)	7,445
Year ended August 2018	405	(505)	(1,088)	6,116

## 2. Dividends

	Dividends per share					Total dividends (for the year)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	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	million yen	%	%
Year ended August 2018	—	21.00	—	21.00	42.00	1,115	169.8	7.8
Year ended August 2019	—	15.00	—	15.00	30.00	796	83.1	5.6
Year ending August 2020 (estimate)	—	15.00	—	15.00	30.00		94.8	

## 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 for the full-year 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)	10,600	5.0	1,070	(30.8)	1,130	(29.7)	590	(39.3)	22.22
Full-year	21,000	5.2	1,570	(11.6)	1,690	(11.4)	840	(12.3)	31.63

(Notes)

(1) Changes of important subsidiaries during the period

(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) 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

(3) Number of outstanding issues (common stock)

(i) Number of outstanding shares at the end of the period (including treasury stock)

Year ended 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:

Year ended 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)

Year ended August 2019: 26,557,026 shares

Year ended August 2018: 26,557,027 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended August 2019 (September 1, 2018 through August 31, 2019)

(1) Non-consolidated operating results (Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended August 2019	12,893	(0.8)	1,556	42.9	1,525	25.5	891	32.4
Year ended August 2018	12,993	(4.9)	1,088	(52.6)	1,216	(50.8)	673	(65.6)

	Net income per share	Fully diluted net income per share
	yen	yen
Year ended August 2019	33.55	—
Year ended August 2018	25.35	—

(2) Non-consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2019	16,450	14,007	85.2	527.46
Year ended August 2018	15,905	13,979	87.9	526.38

(Reference) Shareholders' equity:

Year ended August 2019: 14,007 million yen

Year ended August 2018: 13,979million yen

※ This financial summary falls outside the scope of audit 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.

We're going to hold a financial results meeting to Analysts on October 10th, 2019. The materials of the financial results meeting will be posted on our company's homepage after the meeting.

(About change of money unit)

The amounts of items and other matters listed in the Company's consolidated financial statements have been stated in thousands of yen, but from the first quarter of the fiscal year ended 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	34th term		35th term	
	From September 1, 2017 to August 31, 2018		From September 1, 2018 To August 31, 2019	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	233	—	221	(12)
Number of Meiko Gijuku directly operated schools (MAXIS)	93	(2)	92	(1)
Number of Meiko Gijuku directly operated schools (K.Line)	42	+42	41	(1)
Number of Meiko Gijuku directly operated schools (K.M.G)	—	—	43	+43
Number of Meiko Gijuku directly operated schools	368	+40	397	+29
Number of Meiko Gijuku franchised schools	1,661	(85)	1,540	(121)
Total number of Meiko Gijuku schools	2,029	(45)	1,937	(92)
Number of registered students of Meiko Gijuku directly operated schools	15,942	(1,170)	15,572	(370)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,552	(110)	6,821	+269
Number of registered students of Meiko Gijuku directly operated schools (K.Line)	2,765	+2,765	2,734	(31)
Number of registered students of Meiko Gijuku directly operated schools (K.M.G)	—	—	2,303	+2,303
Number of registered students of Meiko Gijuku directly operated schools	25,259	+1,485	27,430	+2,171
Number of registered students of Meiko Gijuku franchised schools	91,115	(10,330)	85,651	(5,464)
Total number of registered students of Meiko Gijuku schools	116,374	(8,845)	113,081	(3,293)
Sales from Meiko Gijuku directly operated schools (million yen)	9,530	(116)	10,639	+1,108
Sales from Meiko Gijuku franchised schools ※1 (million yen)	5,242	(344)	5,035	(206)
Sales from Supplemental education (million yen)	443	(129)	371	(72)
Sales from others (million yen)	3,899	+323	3,921	+21
Total Sales (million yen)	19,116	(266)	19,967	+851
Sales from Meiko Gijuku directly operated schools (million yen)	9,530	(116)	10,639	+1,108
System-wide sales from Meiko Gijuku franchised schools (million yen)	32,106	(2,025)	29,771	(2,335)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	41,637	(2,141)	40,410	(1,226)

※ 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.

**Consolidated financial statements**

(1) Consolidated balance sheets

(Million yen)

	Year ended August 31, 2018	Year ended August 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	6,508	7,495
Accounts receivable - trade	1,286	1,294
Securities	200	200
Merchandise	369	391
Work in process	11	14
Supplies	11	12
Advance payments - trade	107	21
Prepaid expenses	263	280
Other	269	124
Allowance for doubtful accounts	(67)	(100)
<b>Total current assets</b>	<b>8,959</b>	<b>9,734</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,397	1,537
Accumulated depreciation	(769)	(821)
Buildings and structures, net	627	715
Tools, furniture and fixtures	365	372
Accumulated depreciation	(304)	(313)
Tools, furniture and fixtures, net	60	59
Land	446	446
<b>Total property, plant and equipment</b>	<b>1,134</b>	<b>1,220</b>
Intangible assets		
Goodwill	3,251	3,046
Software	178	133
Software in progress	—	125
Telephone subscription right	6	5
<b>Total intangible assets</b>	<b>3,436</b>	<b>3,311</b>
Investments and other assets		
Investment securities	3,724	4,075
Long-term loans receivable from subsidiaries and associates	20	—
Long-term prepaid expenses	85	68
Deferred tax assets	148	138
Leasehold and guarantee deposits	937	978
Long-term time deposits	200	200
Other	36	36
<b>Total investments and other assets</b>	<b>5,152</b>	<b>5,497</b>
<b>Total non-current assets</b>	<b>9,723</b>	<b>10,030</b>
<b>Total assets</b>	<b>18,683</b>	<b>19,765</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	184	199
Short-term loans payable	70	132
Accounts payable - other	145	146
Accrued expenses	1,018	1,209
Income taxes payable	209	618
Accrued consumption taxes	68	179
Advances received	1,379	1,480
Deposits received	83	124
Provision for bonuses	350	352
Provision for sales returns	29	28
Other	23	35
<b>Total current liabilities</b>	<b>3,563</b>	<b>4,506</b>
Non-current liabilities		
Long-term loans payable	—	64
Retirement benefit liability	72	94
Long-term accounts payable-other to employees	130	111
Long-term accounts payable-other to officers	176	117
Deferred tax liabilities	111	136
Asset retirement obligations	273	300
Long-term guarantee deposited	17	17
Other	0	—
<b>Total non-current liabilities</b>	<b>782</b>	<b>843</b>
<b>Total liabilities</b>	<b>4,346</b>	<b>5,350</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	972	972
Capital surplus	909	909
Retained earnings	13,315	13,317
Treasury shares	(1643)	(1643)
<b>Total shareholders' equity</b>	<b>13,554</b>	<b>13,556</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	738	830
Foreign currency translation adjustment	14	12
<b>Total accumulated other comprehensive income</b>	<b>752</b>	<b>843</b>
Non-controlling interests	30	15
<b>Total net assets</b>	<b>14,336</b>	<b>14,414</b>
<b>Total liabilities and net assets</b>	<b>18,683</b>	<b>19,765</b>

(2-1)Consolidated statements of income

(Million yen)

	Year ended August 31, 2018	Year ended August 31, 2019
Net sales	19,116	19,967
Cost of sales	13,020	13,744
Gross profit	<u>6,096</u>	<u>6,222</u>
Selling, general and administrative expenses		
Advertising expenses	446	509
Promotion expenses	1,597	1,138
Provision of allowance for doubtful accounts	21	61
Bad debts expenses	0	-
Remuneration for directors (and other officers)	360	335
Salaries and allowances	367	396
Bonuses	43	43
Provision for bonuses	42	42
Retirement benefit expenses	6	10
Commission expenses	213	265
Depreciation	54	36
Rent expenses	287	327
Amortization of goodwill	402	459
Other	808	818
Total selling, general and administrative expenses	<u>4,654</u>	<u>4,447</u>
Operating profit	<u>1,441</u>	<u>1,775</u>
Non-operating income		
Interest income	22	18
Dividend income	46	38
Share of profit of entities accounted for using equity method	-	8
Rent income	18	20
Reversal of allowance for doubtful accounts	23	20
Penalty income	3	-
Other	18	33
Total non-operating income	<u>133</u>	<u>140</u>
Non-operating expenses		
Interest expenses	0	1
Share of loss of entities accounted for using equity method	10	-
Rent expenses	6	6
Other	0	0
Total non-operating expenses	<u>17</u>	<u>7</u>
Ordinary profit	<u>1,558</u>	<u>1,907</u>
Extraordinary losses		
Loss on retirement of property, plant and equipment	23	6
Loss on retirement of software	13	-
Impairment loss	49	42
Total extraordinary losses	<u>86</u>	<u>48</u>
Profit before income taxes	<u>1,472</u>	<u>1,859</u>
Income taxes - current	711	901
Income taxes - deferred	98	14
Total income taxes	<u>810</u>	<u>915</u>
Profit	<u>662</u>	<u>943</u>
Profit (loss) attributable to non-controlling interests	4	(14)
Profit attributable to owners of parent	<u>657</u>	<u>958</u>

(2-2) Consolidated statements of comprehensive income

	(Million yen)	
	Year ended August 31, 2018	Year ended August 31, 2019
Profit	662	943
Other comprehensive income		
Valuation difference on available-for-sale securities	346	92
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	<u>347</u>	<u>90</u>
Comprehensive income	<u>1,009</u>	<u>1,033</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,004	1,048
Comprehensive income attributable to non-controlling interests	5	(14)

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(3) Statement of change in shareholder's equity.

Year ended August 31, 2018

(Million yen)

	Shareholder's equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	972	909	13,747	(1643)	13,985	392	13	405	25	14,416
Changes of items during period										
Dividends of surplus			(1088)		(1088)					(1088)
Profit attributable to owners of parent			657		657					657
Purchase of treasury shares					—					—
Net changes of items other than shareholders' equity						346	0	347	5	352
Total changes of items during period	—	—	(431)	—	(431)	346	0	347	5	(79)
Balance at end of current period	972	909	13,315	(1643)	13,554	738	14	752	30	14,336

Year ended August 31, 2019

(Million yen)

	Shareholder's equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	972	909	13,315	(1643)	13,554	738	14	752	30	14,336
Changes of items during period										
Dividends of surplus			(956)		(956)					(956)
Profit attributable to owners of parent			958		958					958
Purchase of treasury shares				0	0					0
Net changes of items other than shareholders' equity						92	(1)	90	(14)	75
Total changes of items during period	—	—	2	0	2	92	(1)	90	(14)	77
Balance at end of current period	972	909	13,317	(1643)	13,556	830	12	843	15	14,414



(4) Consolidated statements of cash flows

(Million yen)

	Year ended August 31, 2018	Year ended August 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,472	1,859
Depreciation	237	189
Impairment loss	49	42
Amortization of intangible assets	3	19
Amortization of goodwill	402	459
Increase (decrease) in allowance for doubtful accounts	(28)	33
Increase (decrease) in provision for bonuses	(1)	(5)
Increase (decrease) in provision for sales returns	5	(1)
Increase (decrease) in retirement benefit liability	(2)	7
Interest and dividend income	(69)	(57)
Interest expenses	0	1
Share of loss (profit) of entities accounted for using equity method	10	(8)
Rent income	(18)	(20)
Rent expenses	6	6
Loss on retirement of non-current assets	36	6
Decrease (increase) in notes and accounts receivable - trade	13	(2)
Decrease (increase) in inventories	(65)	(25)
Increase (decrease) in notes and accounts payable - trade	16	14
Increase (decrease) in accrued consumption taxes	(201)	100
Increase (decrease) in accrued expenses	16	136
Decrease (increase) in other assets	(49)	76
Increase (decrease) in other liabilities	35	25
Subtotal	<u>1,870</u>	<u>2,857</u>
Interest and dividend income received	71	60
Interest expenses paid	0	(1)
Income taxes paid	(1536)	(410)
Net cash provided by (used in) operating activities	<u>405</u>	<u>2,505</u>
Cash flows from investing activities		
Purchase of securities	-	(100)
Purchase of property, plant and equipment	(198)	(113)
Proceeds from sales of property, plant and equipment	0	-
Purchase of intangible assets	(42)	(181)
Purchase of investment securities	(449)	(312)
Proceeds from redemption of investment securities	500	200
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(519)	(227)
Payments of loans receivable	(20)	(1)
Collection of loans receivable	0	0
Payments for guarantee deposits	(79)	(32)
Proceeds from collection of guarantee deposits	63	63
Decrease (increase) in time deposits	227	341
Other, net	14	16
Net cash provided by (used in) investing activities	<u>(505)</u>	<u>(347)</u>
Cash flows from financing activities		
Proceeds from loans payable	-	240
Repayments of loans payable	-	(112)
Purchase of treasury shares	-	0
Cash dividends paid	(1088)	(956)
Net cash provided by (used in) financing activities	<u>(1088)</u>	<u>(829)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1189)</u>	<u>1,328</u>
Cash and cash equivalents at beginning of period	<u>7,306</u>	<u>6,116</u>
Cash and cash equivalents at end of period	<u>6,116</u>	<u>7,445</u>

## Segment Information

### 1. Information about Segment Sales and Income (Loss)

Year ended August 31, 2018

(Million of Yen)

	Reportable segment				Others ※1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	9,530	5,242	443	15,216	3,899	19,116
Intersegment sales	1	527	—	528	140	669
Total	9,531	5,770	443	15,745	4,040	19,786
Segment income(loss)	865	1,729	(21)	2,573	151	2,725
Other items						
Depreciation	61	64	10	136	88	225
Amortization of goodwill	158	—	—	158	243	402

(Note)

\* 1. "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.

Year ended August 31, 2019

(Million of Yen)

	Reportable segment				Others ※1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Supplemental education	Total		
Net sales						
Sales to third party	10,639	5,035	371	16,046	3,921	19,967
Intersegment sales	—	684	—	684	117	801
Total	10,639	5,719	371	16,730	4,038	20,769
Segment income(loss)	894	1,993	(29)	2,857	186	3,044
Other items						
Depreciation	63	55	9	127	49	177
Amortization of goodwill	216	—	—	216	243	459

(Note)

\* 1. "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. Reconciliation of Difference Between Reportable Segment Totals and Consolidated Financial Statement Totals (Matters relating to reconciliation of differences)

(Million of Yen)

Sales	Year ended August 31, 2018	Year ended August 31, 2019
Reportable segment total	15,745	16,730
Sales for "Others" category	4,040	4,038
Intersegment eliminations	(669)	(801)
Net sales in financial statements	19,116	19,967

Income(Loss)	Year ended August 31, 2018	Year ended August 31, 2019
Reportable segment total	2,573	2,857
Income(Loss) for "Others" category	151	186
Corporate expenses	(1,283)	(1,269)
Operating income in financial statements	1,441	1,775

(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.

(Million of Yen)

Other Items	Reportable segment total		Others		Reconciliations		Amount in consolidated financial statements	
	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2018	Year ended August 31, 2019
	Depreciation	136	127	88	49	12	11	237

(Note) The reconciliation for depreciation is mainly depreciation for assets that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.