Summary Report on Financial Results for the Third Quarter of the Year Ending August 2016 (Japanese Accounting Standards)

July 8, 2016

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: July 12, 2016
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 Third quarter of the year ending August 2016 (September 1, 2015 through May 31, 2016)

(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	%
Third quarter of the year ending August 2016	13,073	(0.2)	989	(53.6)	1,011	(57.1)	148	(90.0)
Third quarter of the year ended August 2015	13,102	19.0	2,135	2.1	2,358	9.3	1,486	8.4

(Note) Comprehensive income:
Third quarter of the year ending August 2016: 185 million yen, (87.4%)
Third quarter of the year ended August 2015: 1,476 million yen, 8.9%

	Net income per share	Fully diluted net income per share
	yen	yen
Third quarter of the year ending August 2016	5.51	—
Third quarter of the year ended August 2015	53.86	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Third quarter of the year ending August 2016	16,014	12,340	76.6
Year ended August 2015	18,680	14,628	78.0

(Reference) Shareholders' equity:
Third quarter of the year ending August 2016: 12,265 million yen
Year ended August 2015: 14,569 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 2015	—	17.00	—	17.00	34.00
Year ending August 2016	—	19.00	—		
Year ending August 2016 (estimate)				19.00	38.00

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

3. Forecast of consolidated financial results for fiscal year ending August 2016 (September 1, 2015 through August 31, 2016)

(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
Full-year	18,988	1.2	2,225	(37.4)	2,212	(41.8)	866	(63.4)	32.36

(Note) Revision of consolidated earnings projections' numerical values in the current quarter: Exist

Please refer to attached reference material "Revision of Earnings Projections' Numerical Values".

4. Others

(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: Exist
(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)
Third quarter of the year ending August 2016: 27,803,600 shares
Year ended August 2015: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:
Third quarter of the year ending August 2016: 1,246,466 shares
Year ended August 2015: 200,127 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)
Third quarter of the year ending August 2016: 26,858,301 shares
Third quarter of the year ended August 2015: 27,603,473 shares

※ Implementation status of quarterly review procedures

This summary report on the quarterly financial results is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this summary report, the quarterly review procedures have not been completed for quarterly financial statements pursuant to the Financial Instruments and Exchange Act.

※ 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	Third quarter of the year ended August 2015		Third quarter of the year ending August 2016	
Fiscal Period	From September 1, 2014 to May 31, 2015		From September 1, 2015 to May 31, 2016	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	221	+3	230	+9
Number of Meiko Gijuku directly operated schools (MAXIS)	90	+90	93	+3
Number of Meiko Gijuku franchised schools	1,811	(98)	1,779	(32)
Total number of Meiko Gijuku schools	2,122	(5)	2,102	(20)
Number of registered students of Meiko Gijuku directly operated schools	15,660	+544	15,409	(251)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,350	+6,350	6,103	(247)
Number of registered students of Meiko Gijuku franchised schools	96,503	(6,406)	92,006	(4,497)
Total number of registered students of Meiko Gijuku schools	118,513	+488	113,518	(4,995)
Sales from Meiko Gijuku directly operated schools (million yen)	7,125	+2,238	7,091	(34)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	4,329	(424)	4,033	(295)
Sales from Supplemental education (million yen)	424	+5	474	+49
Sales from others (million yen)	1,222	+273	1,473	+251
Total Sales (million yen)	13,102	+2,092	13,073	(29)
Sales from Meiko Gijuku directly operated schools (million yen)	7,125	+2,238	7,091	(34)
System-wide sales from Meiko Gijuku franchised schools (million yen)	26,619	(2,481)	25,921	(698)
Total system-wide sales from Meiko Gijuku schools ※2 (million yen)	33,745	(243)	33,013	(732)

※ 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 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

(Thousand yen)

	End of previous fiscal year (As of August 31, 2015)	End of third quarter of the fiscal year under review (As of May 31, 2016)
Assets		
Current assets		
Cash and deposits	7,345,308	3,467,053
Accounts receivable - trade	1,300,723	984,278
Securities	399,960	199,998
Merchandise	308,453	331,525
Work in process	-	756
Supplies	17,178	24,392
Advance payments - trade	30,821	47,480
Prepaid expenses	195,431	218,859
Deferred tax assets	206,494	259,051
Other	117,378	317,983
Allowance for doubtful accounts	(93,208)	(136,698)
Total current assets	9,828,543	5,714,680
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,161,170	1,282,269
Accumulated depreciation	(557,051)	(623,194)
Buildings and structures, net	604,118	659,075
Tools, furniture and fixtures	311,578	340,163
Accumulated depreciation	(232,932)	(268,750)
Tools, furniture and fixtures, net	78,645	71,412
Land	446,059	446,059
Total property, plant and equipment	1,128,823	1,176,547
Intangible assets		
Goodwill	1,897,308	3,567,919
Software	339,894	322,296
Telephone subscription right	20,480	20,737
Total intangible assets	2,257,683	3,910,953
Investments and other assets		
Investment securities	3,157,886	3,088,488
Long-term loans receivable	57,200	90,900
Long-term prepaid expenses	21,764	30,284
Deferred tax assets	215,929	197,569
Lease and guarantee deposits	705,108	783,871
Real estate for investment	968,462	968,462
Accumulated depreciation	(227,359)	(242,349)
Real estate for investment, net	741,102	726,112
Long-term time deposits	500,000	316,000
Other	66,879	70,198
Allowance for doubtful accounts	-	(90,900)
Total investments and other assets	5,465,870	5,212,525
Total non-current assets	8,852,378	10,300,026
Total assets	18,680,921	16,014,706

(Thousand yen)

	End of previous fiscal year (As of August 31, 2015)	End of third quarter of the fiscal year under review (As of May 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	194,664	166,706
Short-term loans payable	70,000	70,130
Current portion of long-term loans payable	13,386	5,696
Accounts payable - other	110,037	67,736
Accrued expenses	971,411	728,708
Income taxes payable	628,319	86,098
Accrued consumption taxes	287,410	46,895
Advances received	637,060	1,170,016
Deposits received	65,924	69,805
Provision for bonuses	337,659	490,255
Provision for sales returns	25,030	25,030
Provision for loss on business of subsidiaries and associates	-	9,821
Other	16,585	30,287
Total current liabilities	3,357,489	2,967,187
Non-current liabilities		
Long-term loans payable	12,664	9,352
Net defined benefit liability	39,020	42,851
Long-term accounts payable-other to employees	165,107	159,562
Long-term accounts payable-other to officers	179,380	178,980
Deferred tax liabilities	26,755	18,239
Asset retirement obligations	191,351	214,175
Long-term guarantee deposited	67,422	75,087
Other	12,918	8,779
Total non-current liabilities	694,620	707,028
Total liabilities	4,052,110	3,674,216
Net assets		
Shareholders' equity		
Capital stock	972,512	972,512
Capital surplus	915,503	915,503
Retained earnings	12,770,002	11,944,254
Treasury shares	(143,612)	(1,643,655)
Total shareholders' equity	14,514,405	12,188,614
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,994	63,750
Foreign currency translation adjustment	16,068	12,644
Total accumulated other comprehensive income	55,063	76,395
Non-controlling interests	59,342	75,480
Total net assets	14,628,811	12,340,490
Total liabilities and net assets	18,680,921	16,014,706

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	First nine-month period of previous fiscal year (September 1, 2014 - May 31, 2015)	First nine-month period of the fiscal year under review (September 1, 2015 - May 31, 2016)
Net sales	13,102,768	13,073,545
Cost of sales	8,516,239	9,032,897
Gross profit	4,586,529	4,040,648
Selling, general and administrative expenses	2,451,514	3,050,942
Operating income	2,135,015	989,705
Non-operating income		
Interest income	41,668	22,665
Dividend income	20,763	22,714
Gain on valuation of investment securities	21,479	-
Gain on reversal of loss on valuation of investment securities	67,680	-
Share of profit of entities accounted for using equity method	4,262	6,870
Rent income	59,900	64,460
Reversal of allowance for doubtful accounts	21,760	24,302
Other	17,522	13,444
Total non-operating income	255,037	154,458
Non-operating expenses		
Interest expenses	775	690
Rent expenses	25,594	24,401
Provision of allowance for doubtful accounts	-	90,900
Other	4,948	16,684
Total non-operating expenses	31,318	132,675
Ordinary income	2,358,734	1,011,488
Extraordinary income		
Gain on sales of investment securities	-	45,469
Surrender value of insurance	106,048	-
Gain on extinguishment of asset retirement obligations	8,976	-
Total extraordinary income	115,024	45,469
Extraordinary losses		
Loss on retirement of property, plant and equipment	-	2,352
Loss on valuation of investment securities	-	50,212
Loss on valuation of golf club membership	15,513	-
Adjustment for tutors' salary	-	449,409
Provision for loss on business of subsidiaries and associates	-	9,821
Total extraordinary losses	15,513	511,796
Profit before income taxes	2,458,246	545,160
Income taxes - current	798,461	415,767
Income taxes - deferred	166,958	△34,964
Total income taxes	965,419	380,803
Profit	1,492,826	164,357
Profit attributable to non-controlling interests	6,063	16,260
Profit attributable to owners of the parent	1,486,763	148,097

Consolidated statements of comprehensive income

(Thousand yen)

	First nine-month period of previous fiscal year (September 1, 2014 - May 31, 2015)	First nine-month period of the fiscal year under review (September 1, 2015 - May 31, 2016)
Profit	1,492,826	164,357
Other comprehensive income		
Valuation difference on available-for-sale securities	(18,966)	24,634
Share of other comprehensive income of entities accounted for using equity method	2,408	(3,423)
Total other comprehensive income	(16,557)	21,210
Comprehensive income	1,476,268	185,567
Comprehensive income attributable to		
Owners of the parent	1,470,086	169,429
Non-controlling interests	6,181	16,138

Segment Information

I Nine months ended May 31, 2015 (From September 1, 2014 to May 31, 2015)

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	7,125,868	4,329,701	424,740	11,880,310	1,222,458	13,102,768
Intersegment sales	—	268,518	—	268,518	81,415	349,933
Total	7,125,868	4,598,219	424,740	12,148,828	1,303,873	13,452,702
Segment income(loss)	986,784	2,054,206	34,486	3,075,478	(123,756)	2,951,721

(Note)* "Others" consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, consolidated subsidiary Waseda EDU Co., consolidated subsidiary Youdec Co., consolidated subsidiary Koyoshobo Co., and other businesses.

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	3,075,478
Income(Loss) for "Others"category	(123,756)
Amortization of goodwill	(15,121)
Reconciliation of fixed assets	2,575
Corporate expenses*	(809,777)
Other adjustments	5,618
Operating income reported on quarterly statements of income	2,135,015

(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 Nine months ended May 31, 2016 (From September 1, 2015 to May 31, 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	7,091,756	4,033,757	474,041	11,599,556	1,473,989	13,073,545
Intersegment sales	—	412,133	—	412,133	104,795	516,929
Total	7,091,756	4,445,891	474,041	12,011,690	1,578,785	13,590,475
Segment income(loss)	551,657	1,413,356	59,264	2,024,278	(143,544)	1,880,734

(Note)* "Others" consists of the operating segments not included in reportable segments. It includes Meiko Soccer Business, Waseda Academy Kobetsu Schools, Kids Business, consolidated subsidiary Waseda EDU Co., consolidated subsidiary Youdec Co., consolidated subsidiary Koyoshobo Co., and other businesses.

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	2,024,278
Income(Loss) for "Others"category	(143,544)
Amortization of goodwill	(15,121)
Reconciliation of fixed assets	2,563
Corporate expenses*	(877,613)
Other adjustments	(857)
Operating income reported on quarterly statements of income	989,705

(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.

Revision of Earnings Projections' Numerical Values

1. (Consolidated) the full-year for fiscal year ending August 2016

(September 1, 2015 through August 31, 2016)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
The previous announcement (A)	19,639	2,870	2,990	1,442	53.85 yen
This time announcement (B)	18,988	2,225	2,212	866	32.36 yen
Change of amount (B-A)	(651)	(645)	(778)	(576)	—
Percentage change (%)	(3.3)	(22.5)	(26.0)	(39.9)	—
(Reference) Year ended August 2015	18,768	3,555	3,803	2,369	85.84 yen

2. (Non-consolidated) the full-year for fiscal year ending August 2016

(September 1, 2015 through August 31, 2016)

(Million yen)

	Net sales	Ordinary income	Net income	Net income per share
The previous announcement (A)	14,841	2,825	1,613	60.26 yen
This time announcement (B)	13,993	2,185	1,042	38.93 yen
Change of amount (B-A)	(848)	(640)	(571)	—
Percentage change (%)	(5.7)	(22.7)	(35.4)	—
(Reference) Year ended August 2015	14,223	3,421	2,117	76.73 yen