

Consolidated Financial Summary for the Fiscal Year Ended July 31, 2022 (Japanese GAAP)

September 14, 2022

Name of listed company: Meiho Enterprise Co., Ltd.

Listing
exchange:

Tokyo Stock Exchange

Code

URL <https://meiho-est.com>Representative: (Position) Chairman & (Name) Mitsuru Yabuki
Representative DirectorContact for inquiries: (Position) General Manager, (Name) Ayako Iwasaki Tel: 03-5434-7653
Management Dept.Scheduled date for the ordinary general meeting of shareholders: October 27, 2022
Scheduled date for start of dividend payment: October 28, 2022

Scheduled date for submission of annual securities report: October 31, 2022

Creation of supplementary explanatory materials: Yes

Holding of accounts briefing meeting: : None

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the fiscal year ended July 2022 (from August 1, 2021 to July 31, 2022)

(1) Consolidated operating results (% figures show the rate of increase (decrease) from the previous fiscal year)

| | Revenues | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-----------------------------|-------------|-----|------------------|------|-----------------|-------|---|--------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Fiscal year ended July 2022 | 11,160 | 9.6 | 1,116 | 13.6 | 932 | (3.0) | 640 | (22.4) |
| Fiscal year ended July 2021 | 10,181 | 2.8 | 982 | 78.1 | 961 | 116.3 | 825 | 169.7 |

(Note) Comprehensive income Fiscal year ended July 2022 645 million yen ((22.5)% Fiscal year ended July 2021 832 million yen (174.9%)

| | Basic earnings per share | Basic profit per share (diluted) | Equity capital Current profit margin | Total assets Ordinary profit ratio | Revenues Operating profit ratio |
|-----------------------------|--------------------------|----------------------------------|--------------------------------------|------------------------------------|---------------------------------|
| | yen sen | yen sen | % | % | % |
| Fiscal year ended July 2022 | 27.11 | - | 12.1 | 7.3 | 10.0 |
| Fiscal year ended July 2021 | 34.95 | - | 17.5 | 8.3 | 9.7 |

(Reference) Equity in earnings (losses) of Fiscal year ended July 2022 - million yen Fiscal year ended July 2021 - million yen
affiliates

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|-----------------------------|--------------|-------------|-----------------------|----------------------|
| | million yen | million yen | % | yen sen |
| Fiscal year ended July 2022 | 13,987 | 5,530 | 39.5 | 234.19 |
| Fiscal year ended July 2021 | 11,607 | 5,085 | 43.7 | 214.75 |

(Reference) Equity capital Fiscal year ended July 2022 5,530 million yen Fiscal year ended July 2021 5,071 million yen

(3) Consolidated cash flow status

| | Cash flows from (used in) operating activities | Cash flows from (used in) investing activities | Cash flows from (used in) financing activities | Ending balance for cash and cash equivalents |
|-----------------------------|--|--|--|--|
| | million yen | million yen | million yen | million yen |
| Fiscal year ended July 2022 | (1,888) | 667 | 1,337 | 3,500 |
| Fiscal year ended July 2021 | 1,454 | 144 | (494) | 3,382 |

2. Dividends

| | Annual dividend | | | | | Total dividends (Total) | Payout ratio (Consolidated) | Net assets Dividend rate (Consolidated) |
|---|----------------------|-----------------------|----------------------|----------|---------|-------------------------|-----------------------------|---|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Total | | | |
| | yen sen | yen sen | yen sen | yen sen | yen sen | million yen | % | % |
| Fiscal year ended July 2021 | - | 0.00 | - | 8.00 | 8.00 | 188 | 22.9 | 4.0 |
| Fiscal year ended July 2022 | - | 0.00 | - | 8.00 | 8.00 | 188 | 29.5 | 3.6 |
| Fiscal year ending July 2023 (Forecast) | - | 0.00 | - | 8.00 | 8.00 | | 38.5 | |

3. Consolidated earnings forecast for the fiscal year ending July 2023 (from August 1, 2022 to July 31, 2023)

(% figures show the rate of increase (decrease) from the previous fiscal year)

| | Revenues | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|------------------------------------|-------------|-------|------------------|-------|-----------------|--------|---|--------|--------------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen sen |
| End of second quarter (cumulative) | 2,700 | (6.8) | (260) | - | (380) | - | (410) | - | (17.36) |
| Full year | 18,000 | 61.3 | 1,070 | (4.2) | 770 | (17.4) | 490 | (23.5) | 20.75 |

* Explanatory notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries : None accompanied by changes in the scope of consolidation)

Newly included: — companies (Company name), Excluded: — companies (Company name)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies with revision of : : Yes
accounting standards

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Restatement : None

(3) Number of shares issued and outstanding (ordinary shares)

| | | | | |
|---|-----------------------------|-------------------|-----------------------------|------------------|
| 1) Number of shares issued and outstanding (including treasury shares) at end of the period | Fiscal year ended July 2022 | 24,661,000 shares | Fiscal year ended July 2021 | 24,661,000shares |
| 2) Number of treasury shares at end of the period | Fiscal year ended July 2022 | 1,047,160 shares | Fiscal year ended July 2021 | 1,047,160shares |
| 3) Average number of shares during the period | Fiscal year ended July 2022 | 23,613,840 shares | Fiscal year ended July 2021 | 23,613,840shares |

(Reference) Overview of unconsolidated financial results

Unconsolidated results for the fiscal year ended July 2022 (from August 1, 2021 to July 31, 2022)

(1) Unconsolidated operating results (% figures show the rate of increase (decrease) from the previous fiscal year)

| | Revenues | | Operating profit | | Ordinary profit | | Profit | |
|-----------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Fiscal year ended July 2022 | 8,585 | 11.0 | 889 | 32.5 | 1,614 | 125.0 | 1,405 | 113.8 |
| Fiscal year ended July 2021 | 7,737 | 4.1 | 671 | 133.5 | 717 | 181.7 | 657 | 209.6 |

| | Basic earnings per share | Basic profit per share (diluted) |
|-----------------------------|--------------------------|----------------------------------|
| | yen sen | yen sen |
| Fiscal year ended July 2022 | 59.50 | - |
| Fiscal year ended July 2021 | 27.82 | - |

(2) Unconsolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|-----------------------------|--------------|-------------|-----------------------|----------------------|
| | million yen | million yen | % | yen sen |
| Fiscal year ended July 2022 | 10,322 | 3,874 | 37.5 | 164.06 |
| Fiscal year ended July 2021 | 7,405 | 2,655 | 35.9 | 112.44 |

(Reference) Equity capital Fiscal year ended July 2022 3,874 million yen Fiscal year ended July 2021 2,655million yen

* Financial Summary is outside the scope of the review by a certified public accountant or audit firm.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained herein are based on information currently available and certain assumptions that are thought to be reasonable by the Company. Accordingly, actual business performance and other results may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see "Overview of Operating Results, etc." on page 1 of the attachment.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results

During the consolidated fiscal year, the Japanese economy showed signs of economic recovery with a gradual easing of restrictions on business activities amid the prolonged impact of the COVID-19 pandemic, backed by the establishment of infection control measures and implementation of various measures including vaccination. However, the outlook remains unpredictable, as the number of new infections has begun to rise again due to a new variant of the virus. In addition, the outlook remains uncertain because of soaring raw material and crude oil prices associated with the prolonged situation in Ukraine and the concerns over currency fluctuations caused by the rapid depreciation of the yen.

The real estate industry, in which the Company operates, has been relatively unaffected by the COVID-19 pandemic, with backing from various government support programs and continued low interest rates, and willingness to buy remains at a high level. On the other hand, the supply of construction materials and housing equipment has been restricted due to land prices and the tense global situation, raising concerns about the impact on real estate prices due to further increases in construction costs.

Under these business circumstances, the Group made the following efforts in each business segment.

In the real estate sales business, the Group is proceeding to enhance its ability to procure properties by leveraging its strengths in information analysis and business planning to its fullest while strengthening its resistance to market fluctuation risks by carefully selecting locations and reducing procurement costs. Regarding the sales activities of our main brands MIJAS and EL FARO, since March the Group has been striving to find potential customers and strengthen sales activities by holding real estate investment seminars for individual investors in the Head Office's newly opened customer service/seminar room. We also delivered nine buildings, including Mijas Nakano Arai Yakushi II (Nakano-ku, Tokyo), ten buildings including El Faro Yoyogi Uehara II (Shibuya-ku, Tokyo) constructed by Kyoeigumi Co., Ltd., which became a Group company in August, one building in the ME BLD. (M.E. Build) series, a real estate revitalization business, and two properties for development projects.

In the real estate leasing business, in order to maximize profits for existing owners, in addition to area marketing, we aim to eliminate vacancies by setting the optimal rent based on the AI assessment system and contract execution examples and by proposing leasing strategies utilizing our network of brokerage firms in the Tokyo metropolitan area, thereby achieving high occupancy rates in the properties managed by the Group. We have also introduced an application for information exchange with owners and continue to share and exchange information through CS surveys and other measures. For our main brands, the MIJAS and EL FARO series, the Group offers a one-stop service, from the creation of products to their management, thereby endeavoring to maintain high quality and high occupancy rates. Consequently, the series is creating synergies within the Group, with their positive recognition as highly profitable real estate investment products, triggering repeated purchases of real estate investment product series.

In the real estate brokerage business, the Group is working to increase revenues by introducing properties in line with customer needs through the use of its unique information network comprising real estate sales business and other businesses.

In the contracting business, the Group completed and delivered four buildings in the MIJAS and EL FARO series, designed and constructed three buildings, and renovated and remodeled other properties under management to suit their characteristics in an effort to generate profits.

As a result of the above, revenues for the fiscal year under review were 11,160 million yen (up 9.6% year on year) as the sales of real estate investment products in the main brands, MIJAS and EL FARO, secured higher profit margins and amounts than originally expected. For the profit at each stage, operating profit was 1,116 million yen (up 13.6% year on year), ordinary profit was 932 million yen (down 3.0% year on year), and profit attributable to owners of the parent was 640 million yen (down 22.4% year on year).

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year. For details, please refer to “3. Consolidated Financial Statements and Main Notes and (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)”.

The performance of each segment is as follows.

[Real estate sales business]

In the real estate sales business, we sold nine buildings in the MIJAS series of apartment development projects and ten buildings in the EL FARO series of rental condominiums. We also sold one building in the ME BLD. series in the real estate revitalization business and an additional two properties for development projects. As a result, revenues were 8,553 million yen (up 10.4% year on year), and segment profit was 1,050 million yen (up 33.4% year on year).

[Real estate leasing business]

In the real estate leasing business, revenues were 2,036 million yen (down 3.8% year on year), and segment profit was 219 million yen (down 34.9% year on year), due to property management fees for the management business of the real estate management company, a Group company.

[Real estate brokerage business]

In the real estate brokerage business, revenues were 28 million yen (down 50.7% year on year), and segment profit was 25 million yen (up 37.7% year on year), reflecting real estate brokerage and other fees.

[Contracting business]

In the contracting business, revenues were 506 million yen (up 107.5% year on year) and segment profit was 21 million yen (up 621.1% year on year) due to construction contracts and renovation work.

[Other]

This section refers to business segments not included in the reportable segments. Due mainly to insurance agency services, revenues were 45 million yen (up 32.3% year on year) and segment profit was 43 million yen (up 31.3% year on year).

(2) Overview of Financial Position

(Status of Assets, Liabilities and Net Assets)

The balance of total assets at the end of the current fiscal year was 13,987 million yen, up 2,380 million yen from the end of the previous consolidated fiscal year. The main contributing factor was an increase of 2,597 million yen in inventories due to the acquisition of land for new development projects despite the decrease of 724 million yen due to the collection of short-term loans receivable.

The balance of liabilities increased by 1,935 million yen from the end of the previous consolidated fiscal year to 8,457 million yen. The main contributing factor was an increase of 1,168 million yen in long-term borrowings (including the current portion of long-term borrowings; the same applies hereinafter.) and 397 million yen in short-term borrowings to fund the acquisition of land for development projects, etc.

Net assets increased 445 million yen from the previous consolidated fiscal year to 5,530 million yen, and the equity-to-asset ratio decreased by 4.2 percentage points to 39.5%. The main contributing factors were an increase of 640 million yen due to the posting of profit attributable to owners of parent, and a payment of 188 million yen as dividends.

(3) Overview of Cash Flow

The balance of cash and cash equivalents (hereinafter referred to as "net cash") at the end of the current consolidated fiscal year totaled 3,500 million yen, an increase of 117 million yen from the end of the previous consolidated fiscal year. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

[Cash flows from (used in) operating activities]

Net cash used in operating activities amounted to 1,888 million yen (versus an inflow of 1,454 million yen in the previous consolidated fiscal year). This was mainly due to a decrease of 127 million yen from the expenditure of advance payments to suppliers regarding the acquisition of land for development projects, etc. and a decrease of 2,597 million yen from the acquisition of inventories, despite an increase of 928 million yen from profit before income taxes and minority interests.

[Cash flows from (used in) investing activities]

Net cash provided by investing activities totaled 667 million yen (144 million yen in the previous consolidated fiscal year). This was mainly due to an increase of 874 million yen from the recovery of existing loans receivable, despite a decrease of 150 million yen from new loans receivable and 68 million yen from expenditures on streamlining facilities for the service/seminar room in the head office.

[Cash flows from (used in) financing activities]

Net cash provided by financing activities amounted to 1,337 million yen (versus an outflow of 494 million yen in the previous consolidated fiscal year). This was mainly due to an increase of 1,565 million yen in total due to income from short-term and long-term borrowings to fund the acquisition of land for development projects, etc. and repayment by property sales, and a decrease of 188 million yen from dividend payments.

(Reference) Trends in cash flow-related indicators

| | Fiscal year ended July 2019 | Fiscal year ended July 2020 | Fiscal year ended July 2021 | Fiscal year ended July 2022 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Equity-to-asset ratio (%) | 36.3 | 38.1 | 43.7 | 39.5 |
| Equity-to-asset ratio based on market value (%) | 53.9 | 42.1 | 46.2 | 31.4 |
| Cash flow versus interest bearing liabilities ratio (year) | - | 5.4 | 3.8 | - |
| Interest coverage ratio (times) | - | 8.9 | 12.3 | - |

(Note) Equity-to-asset ratio = equity / total assets

Equity-to-asset ratio based on market value = Market capitalization / Total assets

Cash flow to interest-bearing liabilities ratio = Interest-bearing liabilities / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest payments

* All calculations are based on consolidated financial figures.

* The market capitalization is calculated based on the number of ordinary shares issued, excluding treasury stock.

* Operating cash flow and interest payments refer to "Cash flows from (used in) operating activities" and "Interest paid" as reported in the consolidated statement of cash flows.

(4) Future Outlook

Regarding the outlook for the future, we will actively promote lot purchasing activities and sales activities in the real estate sales business with a planned annual supply target of around 25 properties, focusing on the rental apartment project under the brand name MIJAS, which performed well (nine properties were supplied in the fiscal year ended July 2022) and the rental apartment project EL FARO (10 properties were supplied in the fiscal year ended July 2022), as a comprehensive developer focusing on manufacturing in order to become a partner for life, as in our corporate philosophy. In the next fiscal year, with the aim of securing a more stable income, we will work on the development of products that will meet a wide range of customer needs and promote business activities such as the EL FARO rental apartment series project, the ME BLD. real estate revitalization project, and the real estate securitization business, in addition to our mainstay MIJAS project.

As for the earnings forecast for the next fiscal year (ending July 2023), revenues of 18,000 million yen (up 61.3% from the current consolidated fiscal year), operating profit of 1,070 million yen (down 4.2% from the current consolidated fiscal year), ordinary profit of 770 million yen (down 17.4% from the current consolidated fiscal year), and profit attributable to owners of parent of 490 million yen (down 23.5% from the current consolidated fiscal year) are projected.

The business base, including the markets for the Group's main line of businesses, remains firm, and its purchasing and sales conditions are favorable. We will work together to promote business activities to further increase profitability.

The Group promotes operating activities while actively introducing a range of measures to prevent the spread of COVID-19, such as staggered working hours, working from home, and teleworking, in consideration of the health of its officers, employees, and customers. At this point, it is difficult to predict the impact of the new coronavirus infection on the consolidated business performance of the Group, including future conditions of the real estate market. However, if we determine that revisions to the full-year consolidated business performance forecast are necessary, we will make announcements in a timely manner, depending on changes in conditions.

(5) Important Notes Related to Going Concern Assumption, etc.

Not applicable.

2. Basic Approach Related to the Selection of Accounting Standards

The Group's policy, for the time being, is to prepare its consolidated financial statements in accordance with Japanese GAAP, in light of the comparability of consolidated financial statements between periods and between companies.

With regard to the adoption of IFRS, the Group intends to consider various conditions in Japan and overseas and respond appropriately.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

| | Previous consolidated fiscal year (July 31, 2021) | Current consolidated fiscal year (July 31, 2022) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,404,314 | 3,528,925 |
| Accounts receivable | 31,669 | - |
| Accounts receivable - trade and contract assets | - | 93,625 |
| Real estate for sale | 1,730,826 | 2,222,879 |
| Real estate for sale in process | 3,969,645 | 6,075,515 |
| Short-term loans receivable | 1,450,000 | 725,500 |
| Other | 100,147 | 334,414 |
| Allowance for doubtful accounts | (188) | (668) |
| Total current assets | 10,686,414 | 12,980,191 |
| Non-current assets | | |
| Property, plants and equipment | | |
| Buildings and structures | 185,595 | 220,443 |
| Accumulated depreciation | (22,332) | (29,494) |
| Buildings and structures, net | 163,263 | 190,949 |
| Land | 428,215 | 428,215 |
| Leased assets | 8,061 | 8,061 |
| Accumulated depreciation | (3,682) | (5,294) |
| Leased assets, net | 4,378 | 2,766 |
| Construction in progress | - | 5,060 |
| Other | 17,811 | 34,476 |
| Accumulated depreciation | (15,691) | (15,344) |
| Other, net | 2,119 | 19,132 |
| Total property, plant and equipment | 597,976 | 646,123 |
| Intangible assets | 160 | 4,993 |
| Investments and other assets | | |
| Investment securities | 36,900 | 19,800 |
| Long-term loans receivable | 428,815 | 428,349 |
| Long-term accounts receivable | 405,440 | 395,440 |
| Deferred tax assets | 40,438 | 66,770 |
| Other | 241,309 | 266,355 |
| Allowance for doubtful accounts | (830,440) | (820,440) |
| Total investments and other assets | 322,463 | 356,276 |
| Total non-current assets | 920,600 | 1,007,393 |
| Total assets | 11,607,015 | 13,987,584 |

(Unit: thousand yen)

| | Previous consolidated fiscal year (July 31, 2021) | Current consolidated fiscal year (July 31, 2022) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 105,544 | 278,927 |
| Short-term borrowings | 487,500 | 884,500 |
| Current portion of long-term borrowings | 1,012,839 | 1,994,094 |
| Current portion of bonds payable | 26,000 | 16,000 |
| Lease obligations | 1,759 | 1,807 |
| Income taxes payable | 14,848 | 258,723 |
| Provision for bonuses | 70,552 | 72,973 |
| Other | 527,818 | 513,161 |
| Total current liabilities | 2,246,863 | 4,020,187 |
| Non-current liabilities | | |
| Long-term borrowings | 4,024,839 | 4,212,341 |
| Corporate bonds | 32,000 | 16,000 |
| Lease obligations | 3,173 | 1,365 |
| Other | 215,133 | 207,486 |
| Total non-current liabilities | 4,275,146 | 4,437,193 |
| Total liabilities | 6,522,009 | 8,457,381 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 1,495,610 | 1,500,411 |
| Retained earnings | 3,854,929 | 4,306,266 |
| Treasury shares | (380,474) | (380,474) |
| Total shareholders' equity | 5,070,065 | 5,526,203 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,100 | 4,000 |
| Total accumulated other comprehensive income | 1,100 | 4,000 |
| Non-controlling interests | 13,840 | - |
| Total net assets | 5,085,005 | 5,530,203 |
| Total liabilities and net assets | 11,607,015 | 13,987,584 |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Unit: thousand yen)

| | Previous consolidated fiscal year (August 1, 2020 to July 31, 2021) | Current consolidated fiscal year (August 1, 2021 to July 31, 2022) |
|--|--|---|
| Revenues | 10,181,094 | 11,160,825 |
| Cost of sales | 8,147,257 | 8,890,851 |
| Gross profit | 2,033,837 | 2,269,974 |
| Selling, general and administrative expenses | 1,051,077 | 1,153,556 |
| Operating profit | 982,759 | 1,116,417 |
| Non-operating income | | |
| Interest income | 46,404 | 26,934 |
| Penalty income | 8,033 | 3,275 |
| Compensation received | 78,167 | - |
| Compensation for damage | - | 3,000 |
| Insurance claim income | 84 | - |
| Surrender value of insurance policies | 1,207 | 1,775 |
| Reversal allowance for doubtful accounts | 16,580 | 10,000 |
| Other | 8,700 | 4,637 |
| Total non-operating income | 159,177 | 49,623 |
| Non-operating expenses | | |
| Interest expenses | 125,049 | 158,022 |
| Commissions expenses | 49,382 | 74,620 |
| Other | 5,588 | 734 |
| Total non-operating expenses | 180,021 | 233,377 |
| Ordinary profit | 961,915 | 932,664 |
| Extraordinary income | | |
| Gain on sale of investment securities | 195 | - |
| Total extraordinary income | 195 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | - | 3,691 |
| Total extraordinary losses | - | 3,691 |
| Profit before income taxes | 962,110 | 928,973 |
| Income taxes - current | 26,868 | 312,928 |
| Income taxes - deferred | 105,919 | (26,332) |
| Total income taxes | 132,787 | 286,595 |
| Profit | 829,323 | 642,377 |
| Profit attributable to non-controlling interests | 3,993 | 2,128 |
| Profit attributable to owners of parent | 825,330 | 640,248 |

Consolidated statement of comprehensive income

(Unit: thousand yen)

| | Previous consolidated fiscal year (August 1, 2020 to July 31, 2021) | Current consolidated fiscal year (August 1, 2021 to July 31, 2022) |
|--|--|---|
| Profit | 829,323 | 642,377 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,766 | 2,900 |
| Total other comprehensive income | 2,766 | 2,900 |
| Comprehensive income | 832,089 | 645,277 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 828,096 | 643,148 |
| Comprehensive income attributable to non-controlling interests | 3,993 | 2,128 |

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (August 1, 2020 to July 31, 2021)

(Unit: thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Beginning balance | 100,000 | 1,495,610 | 3,147,668 | (380,474) | 4,362,804 |
| Changes during period | | | | | |
| Profit attributable to owners of parent | | | 825,330 | | 825,330 |
| Dividends of surplus | | | (118,069) | | (118,069) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | - | 707,260 | - | 707,260 |
| Ending balance | 100,000 | 1,495,610 | 3,854,929 | (380,474) | 5,070,065 |

| | Accumulated other comprehensive income | | Non-controlling interests | Total net assets |
|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income | | |
| Beginning balance | (1,666) | (1,666) | 11,847 | 4,372,984 |
| Changes during period | | | | |
| Profit attributable to owners of parent | | | | 825,330 |
| Dividends of surplus | | | | (118,069) |
| Net changes in items other than shareholders' equity | 2,766 | 2,766 | 1,993 | 4,759 |
| Total changes during period | 2,766 | 2,766 | 1,993 | 712,020 |
| Ending balance | 1,100 | 1,100 | 13,840 | 5,085,005 |

Current consolidated fiscal year (August 1, 2021 to July 31, 2022)

(Unit: thousand yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Beginning balance | 100,000 | 1,495,610 | 3,854,929 | (380,474) | 5,070,065 |
| Changes during period | | | | | |
| Profit attributable to owners of parent | | | 640,248 | | 640,248 |
| Dividends of surplus | | | (188,910) | | (188,910) |
| Acquisition of additional shares of a subsidiary | | 4,800 | | | 4,800 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | 4,800 | 451,337 | - | 456,138 |
| Ending balance | 100,000 | 1,500,411 | 4,306,266 | (380,474) | 5,526,203 |

| | Accumulated other comprehensive income | | Non-controlling interests | Total net assets |
|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income | | |
| Beginning balance | 1,100 | 1,100 | 13,840 | 5,085,005 |
| Changes during period | | | | |
| Profit attributable to owners of parent | | | | 640,248 |
| Dividends of surplus | | | | (188,910) |
| Acquisition of additional shares of a subsidiary | | | | 4,800 |
| Net changes in items other than shareholders' equity | 2,900 | 2,900 | (13,840) | (10,940) |
| Total changes during period | 2,900 | 2,900 | (13,840) | 445,198 |
| Ending balance | 4,000 | 4,000 | - | 5,530,203 |

(4) Consolidated Statement of Cash Flows

(Unit: thousand yen)

| | Previous consolidated fiscal year (August 1, 2020 to July 31, 2021) | Current consolidated fiscal year (August 1, 2021 to July 31, 2022) |
|--|--|---|
| Cash flows from (used in) operating activities | | |
| Profit before income taxes | 962,110 | 928,973 |
| Depreciation | 12,799 | 15,161 |
| Increase (decrease) in allowance for doubtful accounts | (16,604) | (9,520) |
| Increase (decrease) in provision of bonuses | 24,747 | 2,420 |
| Interest and dividend income | (46,905) | (27,567) |
| Interest expenses on borrowings and bonds | 125,347 | 158,183 |
| Decrease (increase) in trade receivables | (892) | (61,955) |
| Decrease (increase) in advance payments to suppliers | (21,296) | (127,529) |
| Decrease (increase) in inventories | 709,869 | (2,597,638) |
| Increase (decrease) in trade payables | (21,532) | 173,383 |
| Loss (gain) on sales of investment securities | (195) | - |
| Increase (decrease) in advances received | 1,819 | (15,042) |
| Increase (decrease) in deposits received | (212,681) | 63,005 |
| Other | 40,644 | (200,709) |
| Subtotal | 1,557,231 | (1,698,838) |
| Interest and dividends received | 46,905 | 27,386 |
| Interest paid | (118,653) | (169,070) |
| Income taxes paid | (51,769) | (68,596) |
| Income taxes refund | 20,502 | 20,983 |
| Cash flows from (used in) operating activities | 1,454,217 | (1,888,134) |
| Cash flows from (used in) investing activities | | |
| Other payments into deposits | (4,140) | (34,230) |
| Other proceeds from withdrawal of deposits | 49,096 | 27,320 |
| Purchase of property, plant and equipment and intangible assets | (1,386) | (68,134) |
| Proceeds from sale of investment securities | 1,054 | 20,000 |
| Payments for loans receivable | - | (150,000) |
| Proceeds from collection of loans receivable | 100,456 | 874,960 |
| Payments for investment | (100) | (2,000) |
| Cash flows from (used in) investing activities | 144,981 | 667,916 |
| Cash flows from (used in) financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,109,007) | 397,000 |
| Repayments of lease obligations | (1,713) | (1,759) |
| Proceeds from long-term borrowings | 4,387,565 | 5,026,500 |
| Repayments of long-term borrowings | (3,614,836) | (3,857,742) |
| Redemption of bonds | (36,000) | (26,000) |
| Dividends paid | (118,069) | (188,910) |
| Dividends paid to non-controlling interests | (2,000) | (2,000) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | - | (9,168) |
| Cash flows from (used in) financing activities | (494,061) | 1,337,919 |
| Net increase (decrease) in cash and cash equivalents | 1,105,137 | 117,701 |
| Beginning balance for cash and cash equivalents | 2,277,337 | 3,382,474 |
| Ending balance for cash and cash equivalents | 3,382,474 | 3,500,175 |

(5) Notes to Consolidated Financial Statements

(Notes – Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the current fiscal year, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc., to recognize revenue at the amount expected to be received in exchange for promised goods or services when control of the promised goods or services has been transferred to the customer.

In applying the Revenue Recognition Accounting Standard, etc., the Company has followed the transitional handling as stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative impact of retroactively applying the new accounting policy prior to the beginning of the current fiscal year has been added to or deducted from retained earnings at the beginning of the current fiscal year, while the new accounting policy was applied from the balance at the beginning of the current period. However, the Company has applied the method set forth in Paragraph 86 of the Revenue Recognition Accounting Standard and has not applied the new accounting policy retrospectively to contracts in which almost all the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. The Company has also applied the method stipulated in Paragraph 86, Clause (1) of the Revenue Recognition Accounting Standard, and performed accounting based on the contract terms after reflecting all contractual changes for contractual changes made prior to the beginning of the current fiscal year. The cumulative impact was added to or deducted from the retained earnings at the beginning of the current fiscal year.

As a result, there is no impact on profits/losses or balance of retained earnings at the beginning of the current fiscal year.

Due to the application of the Revenue Recognition Accounting Standard, etc., "Accounts receivable - trade" in "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year is presented as "Accounts receivable - trade and contract assets" from the current fiscal year. In accordance with the transitional handling stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the consolidated financial statements for the previous consolidated fiscal year to conform to the new presentation method. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standard, no information is presented that breaks down revenue from contracts with customers for the previous consolidated fiscal year.

(Application of Accounting Standards for Calculation of Fair Value, etc.)

The Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Calculation"), etc. were applied from the beginning of the current consolidated fiscal year, and in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc. will be applied in the future. The adoption of this accounting standard had no impact on the consolidated financial statements.

(Additional Information)

(Application of tax effect accounting for the transition from a consolidated tax payment system to a group aggregation system)

1) Application of the consolidated tax payment system

The Company applies the consolidated tax payment system. Note that the Company will transition to the non-consolidated tax payment system from the next consolidated fiscal year.

2) Accounting for income taxes and local income taxes, or tax effect accounting regarding these taxes

The Company and our consolidated subsidiaries traditionally applied the consolidated tax payment system. However, having filed the non-application of the Group Aggregation System during the current consolidated fiscal year, we will transition to the non-consolidated tax payment system from the next consolidated fiscal year. In line with this, for tax effect accounting regarding income taxes and local income taxes, the Company performs accounting and disclosure on the premise

of applying the non-consolidated tax payment system from the next consolidated fiscal year, based on the Treatment of Accounting and Disclosure in the Case of Applying the Group Aggregation System (Practical Issues Report No. 42, August 12, 2021).

As the consolidated tax payment system is applied to accounting and disclosure regarding income taxes and local income taxes for the current consolidated fiscal year, we followed Tentative Treatment of Tax Effect Accounting in the Case of Consolidated Tax Payment System (Part 1) (Practical Issues Report No. 5, February 16, 2018) and Tentative Treatment of Tax Effect Accounting in the Case of Consolidated Tax Payment System (Part 2) (Practical Issues Report No. 7, February 16, 2018).

(Increase and decrease in loans receivable)

A consolidated subsidiary of the Company collected 874,500 thousand yen from our major shareholder, House Saison Co. Ltd. in the current consolidated fiscal year as a partial recovery of short-term loans receivable. As a result, the remaining balance of loans receivable from the counterparty is 575,500 thousand yen at the end of the current consolidated fiscal year.

On the other hand, the Company has provided a loan of 150,000 thousand yen as operating capital to Kyoiegumi Co., Ltd., which became our consolidated subsidiary through the acquisition of shares on August 31, 2022. As a result, the remaining balance of loans receivable from the counterparty is 150,000 thousand yen at the end of the current consolidated fiscal year.

As a result, the remaining balance of the Group's short-term loans receivable is 725,500 thousand yen at the end of the current consolidated fiscal year.

(Segment information, etc.)

(Segment information)

1. Disclosure of Sales, Profit (Loss), Assets, Liability, and Other Items for Each Reportable Segment and Revenue Disaggregation
Previous consolidated fiscal year (August 1, 2020 to July 31, 2021)

(Unit: thousand yen)

| | Reportable segment | | | | | Other | Total | Adjustments (Note) | Amount recorded in the consolidated financial statements |
|---|----------------------------------|------------------------------------|--------------------------------------|-------------------------|------------|--------|------------|-----------------------|--|
| | Real estate sales business | Real estate leasing business | Real estate brokerage business | Contracting business | Total | | | | |
| Revenues | | | | | | | | | |
| Net sales to external customers | 7,746,865 | 2,117,123 | 57,919 | 225,052 | 10,146,961 | 34,133 | 10,181,094 | - | 10,181,094 |
| Transactions with other segments | - | - | - | 18,833 | 18,833 | - | 18,833 | (18,833) | - |
| Total | 7,746,865 | 2,117,123 | 57,919 | 243,886 | 10,165,795 | 34,133 | 10,199,928 | (18,833) | 10,181,094 |
| Segment profit | 787,396 | 337,578 | 18,229 | 2,922 | 1,146,127 | 32,942 | 1,179,069 | (196,310) | 982,759 |
| Segment assets | 8,040,029 | 1,611,376 | 20,905 | 308,645 | 9,980,956 | 12,590 | 9,993,546 | 1,613,468 | 11,607,015 |
| Other items | | | | | | | | | |
| Depreciation | 64 | 9,668 | - | - | 9,733 | - | 9,733 | 3,065 | 12,799 |
| Interest expenses | 112,643 | 4,931 | - | - | 117,575 | - | 117,575 | 7,474 | 125,049 |
| Increase in property, plant and equipment and intangible assets | - | 386 | - | - | 386 | - | 386 | 1,000 | 1,386 |

(Note) Adjustments are as follows.

- (1) The segment income adjustment of -196,310 thousand yen consists of the elimination of inter-segment transactions of 5,296 thousand yen and corporate expenses of -201,606 thousand yen not distributed to the reportable segments. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.

- (2) The segment assets adjustment of 1,613,468 thousand yen includes the elimination of inter-segment transactions of -3,661 thousand yen and corporate assets of 1,617,130 thousand yen not distributed to the reportable segments. Corporate assets include short-term loans, investment securities, and assets related to general and administrative departments.
- (3) The adjustment of depreciation of 3,065 thousand yen and the adjustment of increase in property, plant and equipment and intangible assets of 1,000 thousand yen are all related to corporate assets.
- (4) The adjustment of interest expenses of 7,474 thousand yen includes interest on borrowings other than those for specified properties.

Current consolidated fiscal year (August 1, 2021 to July 31, 2022)

(Unit: thousand yen)

| | Reportable segment | | | | | Other | Total | Adjustments (Note) | Amount recorded in the consolidated financial statements |
|---|----------------------------------|------------------------------------|--------------------------------------|-------------------------|------------|--------|------------|-----------------------|--|
| | Real estate sales business | Real estate leasing business | Real estate brokerage business | Contracting business | Total | | | | |
| Revenues | | | | | | | | | |
| MIJAS · EL FARO | 7,275,929 | - | - | - | 7,275,929 | - | 7,275,929 | - | 7,275,929 |
| Other | 1,277,327 | 529,785 | 28,555 | 497,517 | 2,333,185 | 45,154 | 2,378,340 | - | 2,378,340 |
| Revenue from contracts with customers | 8,553,257 | 529,785 | 28,555 | 497,517 | 9,609,115 | 45,154 | 9,654,270 | - | 9,654,270 |
| Other revenue | - | 1,506,555 | - | - | 1,506,555 | - | 1,506,555 | - | 1,506,555 |
| Net sales to external customers | 8,553,257 | 2,036,340 | 28,555 | 497,517 | 11,115,670 | 45,154 | 11,160,825 | - | 11,160,825 |
| Transactions with other segments | - | - | - | 8,585 | 8,585 | - | 8,585 | (8,585) | - |
| Total | 8,553,257 | 2,036,340 | 28,555 | 506,103 | 11,124,256 | 45,154 | 11,169,411 | (8,585) | 11,160,825 |
| Segment profit | 1,050,118 | 219,691 | 25,101 | 21,075 | 1,315,987 | 43,255 | 1,359,242 | (242,825) | 1,116,417 |
| Segment assets | 10,941,889 | 1,524,375 | 17,334 | 472,064 | 12,955,663 | 14,573 | 12,970,237 | 1,017,347 | 13,987,584 |
| Other items | | | | | | | | | |
| Depreciation | 64 | 9,110 | - | - | 9,174 | - | 9,174 | 5,986 | 15,161 |
| Interest expenses | 145,854 | 4,675 | - | - | 150,530 | - | 150,530 | 7,491 | 158,022 |
| Increase in property, plant and equipment and intangible assets | - | - | - | - | - | - | - | 68,134 | 68,134 |

(Note) Adjustments are as follows.

- (1) The segment profit adjustment of -242,825 thousand yen consists of 11,493 thousand yen for the elimination of inter-segment transactions and -254,319 thousand yen in company-wide expenses that are not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.
- (2) The segment assets adjustment of 1,017,347 thousand yen includes the elimination of inter-segment transactions of -2,657 thousand yen and corporate assets of 1,020,004 thousand yen not distributed to the reportable segments. Corporate assets include short-term loans, investment securities, and assets related to general and administrative departments.
- (3) The adjustment of depreciation of 5,986 thousand yen and the adjustment of increase in property, plant and equipment and intangible assets of 68,134 thousand yen are all related to corporate assets.
- (4) The adjustment of interest expenses of 7,491 thousand yen includes interest on borrowings other than those for specified properties.

(Per share information)

| | Previous consolidated fiscal year (August 1, 2020 to July 31, 2021) | Current consolidated fiscal year (August 1, 2021 to July 31, 2022) |
|--------------------------|---|--|
| Net assets per share | 214.75yen | 234.19yen |
| Basic earnings per share | 34.95yen | 27.11yen |

(Note) 1. Diluted earnings per share is not disclosed because there are no potentially dilutive shares.

2. The basis for calculating basic profit per share is as follows.

| Items | Previous consolidated fiscal year (August 1, 2020 to July 31, 2021) | Current consolidated fiscal year (August 1, 2021 to July 31, 2022) |
|---|---|--|
| Basic earnings per share | | |
| Profit attributable to owners of parent (thousand yen) | 825,330 | 640,248 |
| Amount not attributable to ordinary shareholders (thousand yen) | - | - |
| Profit attributable to owners of parent attributable to ordinary share (thousand yen) | 825,330 | 640,248 |
| Average number of ordinary shares during the period (shares) | 23,613,840 | 23,613,840 |

3. The basis for the calculation of net assets per share is as follows.

| Items | Previous consolidated fiscal year (July 31, 2021) | Current consolidated fiscal year (July 31, 2022) |
|--|---|--|
| Total net assets (thousand yen) | 5,085,005 | 5,530,203 |
| Amount to be deducted from total net assets (thousand yen) | 13,840 | - |
| (Of which, non-controlling interests (thousand yen)) | (13,840) | (-) |
| Net assets at the end of the period pertaining to ordinary share (thousand yen) | 5,071,165 | 5,530,203 |
| Number of ordinary shares at the end of the period used to calculate net assets per share (shares) | 23,613,840 | 23,613,840 |

(Significant events after reporting period)

(Business combination through acquisition)

At the Board of Directors meeting held on August 25, 2022, the Company resolved to acquire shares of Kyoeigumi Co., Ltd. (hereinafter referred to as "Kyoeigumi") and acquired its shares on August 31, 2022.

(1) Overview of the business combination

1) Name of the acquired company and its business

Name of the acquired company: Kyoeigumi Co., Ltd.

Business: Contracting for construction work, etc.

2) Main reasons for the business combination

Kyoeigumi is a general construction company headquartered in Setagaya-ku, Tokyo, with 70 years of history since its establishment in 1952.

Kyoeigumi has many certified construction-related personnel and engineers and has completed a large number of construction jobs, mainly for public buildings, condominiums, commercial buildings, and large-scale renovations.

The Group currently consists of the Company and three consolidated subsidiaries, and operates a planning and sales business for whole-building investment products, a property management business, a construction contracting business, and so on.

In particular, one of our subsidiaries, Meiho Properties Co., Ltd., constructs five to six buildings per year in our mainstay MIJAS and EL FARO series, which are newly-constructed whole-building investment apartments for rent. However, to counter the shortage and aging of construction engineers and the rising construction costs in the future, as well as to further increase the number of buildings we supply and expand the scale of our sales, we need to secure a construction company that can continuously and stably undertake our construction work. We believe that Kyoeigumi's participation in the Group will greatly contribute in this regard.

This also helps Kyoeigumi and the Group share designing and construction technology by collaborating in the construction of commercial buildings and development of real estate, and enables us to improve construction technology and expand sales scale Group-wide by exchanging employees, mainly engineers, within the Group.

For the above reasons, we determined that making Kyoeigumi our subsidiary will contribute to the enhancement of the Group's business foundation and the expansion of our business in the medium to long term, and decided to acquire its shares.

3) Date of business combination

August 31, 2022 (share acquisition date)

September 30, 2022 (deemed acquisition date)

4) Legal form of business combination

Acquisition of shares

5) Name of the company after combination

Unchanged.

6) Ratio of voting rights acquired

92%

7) Primary basis for determining the acquiring company

By the Company's acquiring shares for cash consideration.

(2) Cost of acquiring the acquired company and breakdown by type of consideration

Not disclosed, due to the non-disclosure agreement with the counterparty.

(3) Details and amount of major acquisition-related costs

Not confirmed at this time.

(4) Amount of goodwill accrued, reason for the accrual, amortization method and amortization period

Not confirmed at this time.

4. Unconsolidated financial statements and main notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

| | Previous fiscal year (July 31, 2021) | Current fiscal year (July 31, 2022) |
|---|---|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,241,412 | 2,421,065 |
| Accounts receivable | 3,740 | 2,163 |
| Real estate for sale | 822,920 | 1,157,267 |
| Real estate for sale in process | 3,994,032 | 5,938,962 |
| Supplies | 1,887 | 1,940 |
| Advance payments to suppliers | 50,431 | 178,421 |
| Prepaid expenses | 7,364 | 13,970 |
| Accounts receivable | 49,161 | 51,581 |
| Other | 44,876 | 295,803 |
| Total current assets | 7,215,828 | 10,061,175 |
| Non-current assets | | |
| Property, plants and equipment | | |
| Buildings | 8,964 | 25,096 |
| Accumulated depreciation | (3,399) | (2,525) |
| Buildings (net amount) | 5,564 | 22,571 |
| Tools, furniture and fixtures | 3,266 | 12,526 |
| Accumulated depreciation | (2,764) | (3,353) |
| Tools, furniture and fixtures, net | 501 | 9,173 |
| Leased assets | 5,264 | 5,264 |
| Accumulated depreciation | (2,983) | (4,036) |
| Leased assets, net | 2,281 | 1,228 |
| Total property, plant and equipment | 8,347 | 32,972 |
| Intangible assets | 102 | 16 |
| Investments and other assets | | |
| Investment securities | 35,600 | 18,500 |
| Shares of subsidiaries and associate | 73,601 | 82,769 |
| Long-term loans receivable | 425,000 | 425,000 |
| Long-term loans receivable from employees | 3,815 | 3,349 |
| Long-term accounts receivable | 405,440 | 395,440 |
| Deferred tax assets | 22,263 | 52,207 |
| Other | 46,333 | 71,728 |
| Allowance for doubtful accounts | (830,440) | (820,440) |
| Total investments and other assets | 181,612 | 228,555 |
| Total non-current assets | 190,062 | 261,544 |
| Total assets | 7,405,890 | 10,322,720 |

(Unit: thousand yen)

| | Previous fiscal year (July 31, 2021) | Current fiscal year (July 31, 2022) |
|---|---|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 76,279 | 85,825 |
| Short-term borrowings | 487,500 | 884,500 |
| Current portion of long-term borrowings | 966,607 | 1,942,688 |
| Current portion of bonds payable | 26,000 | 16,000 |
| Lease obligations | 1,158 | 1,179 |
| Accounts payable | 24,862 | 22,269 |
| Accrued expenses | 6,976 | 8,454 |
| Advances received | 25,171 | 10,117 |
| Deposits received | 21,487 | 28,608 |
| Provision for bonuses | 45,709 | 53,325 |
| Income taxes payable | - | 246,179 |
| Other | 59,197 | 3,691 |
| Total current liabilities | 1,740,949 | 3,302,838 |
| Non-current liabilities | | |
| Long-term borrowings | 2,968,239 | 3,108,876 |
| Corporate bonds | 32,000 | 16,000 |
| Lease obligations | 1,378 | 198 |
| Guarantee deposits received | 8,242 | 20,649 |
| Total non-current liabilities | 3,009,859 | 3,145,724 |
| Total liabilities | 4,750,809 | 6,448,562 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | | |
| Other capital surpluses | 1,488,913 | 1,488,913 |
| Total capital surpluses | 1,488,913 | 1,488,913 |
| Retained earnings | | |
| Legal retained earnings | 25,000 | 25,000 |
| Other retained earnings | | |
| Retained earnings brought forward | 1,420,542 | 2,636,718 |
| Total retained earnings | 1,445,542 | 2,661,718 |
| Treasury shares | (380,474) | (380,474) |
| Total shareholders' equity | 2,653,980 | 3,870,157 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,100 | 4,000 |
| Total valuation and translation adjustments | 1,100 | 4,000 |
| Total net assets | 2,655,080 | 3,874,157 |
| Total liabilities and net assets | 7,405,890 | 10,322,720 |

(2) Statement of Income

(Unit: thousand yen)

| | Previous fiscal year (August 1, 2020 to July 31, 2021) | Current fiscal year (August 1, 2021 to July 31, 2022) |
|--|---|--|
| Revenues | | |
| Real estate sales | 7,607,680 | 8,535,503 |
| Real estate lease revenue | 123,064 | 36,876 |
| Real estate brokerage revenue | 2,581 | 149 |
| Other | 3,684 | 12,685 |
| Total revenues | 7,737,011 | 8,585,215 |
| Cost of sales | | |
| Real estate cost of sales | 6,395,018 | 7,009,403 |
| Cost of real estate lease revenue | 46,007 | 24,185 |
| Cost of real estate brokerage revenue | 18 | - |
| Total cost of sales | 6,441,043 | 7,033,588 |
| Gross profit | 1,295,967 | 1,551,626 |
| Selling, general and administrative expenses | 624,736 | 662,484 |
| Operating profit | 671,230 | 889,141 |
| Non-operating income | | |
| Interest income | 749 | 686 |
| Dividends received | 100,500 | 930,818 |
| Penalty income | 7,884 | - |
| Compensation received | 78,167 | - |
| Surrender value of insurance policies | 1,189 | 1,770 |
| Reversal allowance for doubtful accounts | 15,960 | 10,000 |
| Other | 6,661 | 3,157 |
| Total non-operating income | 211,112 | 946,431 |
| Non-operating expenses | | |
| Interest expenses | 116,328 | 147,135 |
| Commissions expenses | 47,190 | 73,083 |
| Other | 1,302 | 734 |
| Total non-operating expenses | 164,822 | 220,953 |
| Ordinary profit | 717,520 | 1,614,619 |
| Extraordinary income | | |
| Gain on sale of investment securities | 195 | - |
| Total extraordinary income | 195 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | - | 1,906 |
| Total extraordinary losses | - | 1,906 |
| Profit before income taxes | 717,716 | 1,612,713 |
| Income taxes - current | (49,240) | 237,571 |
| Income taxes - deferred | 109,903 | (29,944) |
| Total income taxes | 60,662 | 207,626 |
| Profit | 657,053 | 1,405,087 |

(3) Statement of Changes in Equity

Previous fiscal year (August 1, 2020 to July 31, 2021)

(Unit: thousand yen)

| | Shareholders' equity | | | | | |
|--|----------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|
| | Share capital | Capital surplus | | Retained earnings | | |
| | | Other capital surpluses | Total capital surpluses | Legal retained earnings | Other retained earnings | Total retained earnings |
| | | | | Retained earnings brought forward | | |
| Beginning balance | 100,000 | 1,488,913 | 1,488,913 | 25,000 | 881,558 | 906,558 |
| Changes during period | | | | | | |
| Profit | | | | | 657,053 | 657,053 |
| Dividends of surplus | | | | | (118,069) | (118,069) |
| Net changes in items other than shareholders' equity | | | | | | |
| Total changes during period | - | - | - | - | 538,984 | 538,984 |
| Ending balance | 100,000 | 1,488,913 | 1,488,913 | 25,000 | 1,420,542 | 1,445,542 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Beginning balance | (380,474) | 2,114,996 | (1,666) | (1,666) | 2,113,330 |
| Changes during period | | | | | |
| Profit | | 657,053 | | | 657,053 |
| Dividends of surplus | | (118,069) | | | (118,069) |
| Net changes in items other than shareholders' equity | | | 2,766 | 2,766 | 2,766 |
| Total changes during period | - | 538,984 | 2,766 | 2,766 | 541,750 |
| Ending balance | (380,474) | 2,653,980 | 1,100 | 1,100 | 2,655,080 |

Current fiscal year (August 1, 2021 to July 31, 2022)

(Unit: thousand yen)

| | Shareholders' equity | | | | | |
|--|----------------------|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | Share capital | Capital surplus | | Retained earnings | | |
| | | Other capital surpluses | Total capital surpluses | Legal retained earnings | Other retained earnings Retained earnings brought forward | Total retained earnings |
| Beginning balance | 100,000 | 1,488,913 | 1,488,913 | 25,000 | 1,420,542 | 1,445,542 |
| Changes during period | | | | | | |
| Profit | | | | | 1,405,087 | 1,405,087 |
| Dividends of surplus | | | | | (188,910) | (188,910) |
| Net changes in items other than shareholders' equity | | | | | | |
| Total changes during period | - | - | - | - | 1,216,176 | 1,216,176 |
| Ending balance | 100,000 | 1,488,913 | 1,488,913 | 25,000 | 2,636,718 | 2,661,718 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Beginning balance | (380,474) | 2,653,980 | 1,100 | 1,100 | 2,655,080 |
| Changes during period | | | | | |
| Profit | | 1,405,087 | | | 1,405,087 |
| Dividends of surplus | | (188,910) | | | (188,910) |
| Net changes in items other than shareholders' equity | | | 2,900 | 2,900 | 2,900 |
| Total changes during period | - | 1,216,176 | 2,900 | 2,900 | 1,219,076 |
| Ending balance | (380,474) | 3,870,157 | 4,000 | 4,000 | 3,874,157 |

5. Other

(1) Changes in Officers

(Scheduled for October 27, 2022)

Mitsuru Yabuki: Concurrently serving as President (currently Chairman & Representative Director)

Takahiro Umeki: Resigning as President and Director