

Consolidated Financial Summary for the First Three Quarters of the Fiscal Year Ending July 2023 (Japanese GAAP)

June 14, 2023

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

Listing exchange: Tokyo Stock Exchange

Code 8927

URL <https://meiho-est.com>

Representative: (Position) Chairman & Representative Director (Name) Mitsuru Yabuki

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Scheduled date for submission of quarterly report: June 14, 2023

Creation of supplementary explanatory materials: None

Holding of accounts briefing meeting: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the first three quarters of the fiscal year ending July 2023 (from August 1, 2022 to April 30, 2023)

(1) Consolidated operating results (cumulative) (% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First three quarters of fiscal year ending July 2023	9,727	63.3	860	135.8	656	168.9	433	163.0
First three quarters of fiscal year ending July 2022	5,958	(15.9)	365	(46.1)	244	(64.5)	164	(74.4)

(Note) Comprehensive income First three quarters of fiscal year ending July 2023 424 million yen (155.3%) First three quarters of fiscal year ending July 2022 166 million yen ((74.4)%)

	Basic profit per share		Basic profit per share (diluted)	
	yen	sen	yen	sen
First three quarters of fiscal year ending July 2023	16.68	-	-	-
First three quarters of fiscal year ending July 2022	6.98	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	million yen		million yen		%	
First three quarters of fiscal year ending July 2023	20,855		6,803		32.6	
Fiscal year ended July 2022	13,987		5,530		39.5	

(Reference) Equity capital First three quarters of fiscal year ending July 2023 6,802 million yen Fiscal year ended July 2022 5,530 million yen

2. Dividends

	Annual dividend									
	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
Fiscal year ended July 2022	-		0.00		-		8.00		8.00	
Fiscal year ended July 2023	-		0.00		-					
Fiscal year ending July 2023 (Forecast)							8.00		8.00	

(Note) Revisions to the most recent dividend forecast: None

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

(% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full year	18,000	61.3	1,070	(4.2)	770	(17.4)	490	(23.5)	20.75

(Note) Revisions to the most recent earnings forecast: None

* Explanatory notes

(1) Changes in significant subsidiaries during the period : Yes

(Changes in specified subsidiaries resulting in a change in scope of consolidation)

Newly included: 1 company (Company name) Kyoiegumi Co., Ltd., Excluded: — companies (Company name)

(2) Application of accounting method specific to the preparation of quarterly consolidated financial statements : None

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

1) Changes in accounting policies with revision of accounting standards : None

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

3) Changes in accounting estimates : None

4) Restatement : None

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

1) Number of shares issued and outstanding (including treasury shares) at the end of the period	Third quarter of FY ending July 2023	30,539,900 shares	Fiscal year ended July 2022	24,661,000 shares
2) Number of treasury shares at the end of the period	Third quarter of FY ending July 2023	1,047,160 shares	Fiscal year ended July 2022	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	Third quarter of FY ending July 2023	26,004,161 shares	Third quarter of FY ending July 2022	23,613,840 shares

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

* Explanation regarding the 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 "Attachment 1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on page 2.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the current consolidated cumulative third quarter (August 1, 2022, to April 30, 2023), economic conditions in Japan have been showing signs of a gradual recovery, and socioeconomic activities are showing progress toward normalization as the impact of the COVID-19 pandemic is coming to an end and the easing of border measures resulting in a gradual recovery of inbound demands. Meanwhile, overseas economies, the deepening crisis in Ukraine, and other factors are driving up the costs of energy and raw materials, so the outlook remains uncertain.

In the real estate industry in which the Meiho Group operates, regarding real estate investments, mainly residential real estate, foreign investors are showing strong interest in Japanese real estate against the backdrop of the continuing low-interest rate environment and the weak yen, and both supply and demand continue to be strong. However, high real estate prices due to soaring land prices and construction costs and other situations continue to require attention.

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. In addition, the Group is striving to enhance inbound sales by conducting seminars outside Japan in addition to sales activities within Japan. As a result, regarding the sales activities of our main brands, MIJAS and EL FARO, we completed the delivery of eight properties in the EL FARO series within 23 districts of Tokyo and sold an additional property 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 worked to increase earnings through the completion and delivery of three buildings and the design and construction of seven buildings in the “MIJAS” and “EL FARO” series, along with other remodeling and renovation projects tailored to the characteristics of properties under our management.

As a result of the above, in the consolidated cumulative third quarter of the current fiscal year, revenues stood at 9,727 million yen (up 63.3% year on year), operating profit stood at 860 million yen (up 135.8% year on year), ordinary profit stood at 656 million yen (up 168.9% year on year), and profit attributable to owners of parent amounted to 433 million yen (up 163.0% year on year).

The performance of each segment is as follows.

[Real estate sales business]

In the real estate sales business, we delivered eight properties in the EL FARO series (rental apartment project) and sold an additional property for development projects. As a result, net sales totaled 7,068 million yen (up 76.7% year on year) and segment income totaled 1,036 million yen (up 250.3% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and other factors, net sales totaled 1,583 million yen (up 3.3% year on year), and segment income totaled 187 million yen (up 0.6% year on year).

[Real estate brokerage business]

In the real estate brokerage business, net sales totaled 2 million yen (down 89.0% year on year) and segment income totaled 2 million yen (down 87.7% year on year), reflecting real estate brokerage fees.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts and renovation works, net sales totaled 1,042 million yen (up 172.6% year on year) and segment loss totaled 119 million yen (segment income of 19 million yen in the same period of the previous year).

[Other]

This section refers to business segments not included in the reportable segments. Mainly due to insurance agency services, net sales totaled 36 million yen (up 59.2% year on year) and segment income totaled 35 million yen (up 61.2% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the current fiscal year increased by 6,867 million yen from the end of the previous consolidated fiscal year to 20,855 million yen.

(Liabilities)

Liabilities increased by 5,594 million yen from the end of the previous consolidated fiscal year to 14,051 million yen. This was mainly attributable to a 2,905 million yen increase in long-term borrowings (including the current portion of long-term borrowings) and a 1,652 million yen increase in short-term borrowings to fund the acquisition of land for new development projects, etc.

(Net assets)

Net assets increased by 1,273 million yen from the end of the previous fiscal year to 6,803 million yen, while the equity ratio decreased by 6.9 percentage points from the end of the previous consolidated fiscal year to 32.6%.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

With respect to consolidated earnings forecasts, there is no change in the consolidated earnings forecast for the fiscal year ending July 31, 2023, which was announced in the “Consolidated Financial Summary for the Fiscal Year Ended July 31, 2022,” dated September 14, 2022.

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.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2022)	First three quarters of the current fiscal year (April 30, 2023)
Assets		
Current assets		
Cash and deposits	3,528,925	2,934,760
Accounts receivable - trade and contract assets	93,625	554,367
Real estate for sale	2,222,879	1,748,158
Real estate for sale in process	6,075,515	12,495,627
Short-term loans receivable	725,500	558,154
Other	334,414	379,587
Allowance for doubtful accounts	(668)	(20,177)
Total current assets	12,980,191	18,650,479
Non-current assets		
Property, plant and equipment	646,123	1,860,231
Intangible assets	4,993	20,934
Investments and other assets		
Investment securities	19,800	16,700
Long-term loans receivable	428,349	429,012
Long-term accounts receivable	395,440	387,930
Deferred tax assets	66,770	30,662
Other	266,355	272,337
Allowance for doubtful accounts	(820,440)	(812,930)
Total investments and other assets	356,276	323,713
Total non-current assets	1,007,393	2,204,879
Total assets	13,987,584	20,855,358

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2022)	First three quarters of the current fiscal year (April 30, 2023)
Liabilities		
Current liabilities		
Notes payable and accounts payable	278,927	619,606
Short-term borrowings	884,500	2,536,691
Current portion of long-term borrowings	1,994,094	3,856,727
Current portion of bonds payable	16,000	16,000
Lease obligations	1,807	1,144
Income taxes payable	258,723	91,706
Provision for bonuses	72,973	24,180
Allowance for compensation for completed construction	-	964
Allowance for order losses	-	2,223
Other	513,161	1,269,527
Total current liabilities	4,020,187	8,418,772
Non-current liabilities		
Long-term borrowings	4,212,341	5,254,724
Corporate bonds	16,000	-
Retirement benefits liabilities	-	77,957
Lease obligations	1,365	677
Deferred tax liabilities	-	108,531
Other	207,486	191,335
Total non-current liabilities	4,437,193	5,633,226
Total liabilities	8,457,381	14,051,999
Net assets		
Shareholders' equity		
Share capital	100,000	614,403
Capital surplus	1,500,411	2,014,814
Retained earnings	4,306,266	4,551,173
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	5,526,203	6,799,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,000	2,200
Total accumulated other comprehensive income	4,000	2,200
Non-controlling interests	-	1,241
Total net assets	5,530,203	6,803,359
Total liabilities and net assets	13,987,584	20,855,358

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

Quarterly Consolidated Statement of Income

Consolidated cumulative third quarter

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2022 (August 1, 2021, to April 30, 2022)	First three quarters of fiscal year ending July 2023 (August 1, 2022, to April 30, 2023)
Revenues	5,958,316	9,727,433
Cost of sales	4,794,007	7,631,955
Gross profit	1,164,308	2,095,477
Selling, general and administrative expenses	799,146	1,234,570
Operating profit	365,161	860,907
Non-operating income		
Interest income	21,573	29,342
Penalty income	3,275	2,491
Surrender value of insurance policies	1,287	10,991
Reversal allowance for doubtful accounts	7,510	7,510
Compensation for damage	-	48,744
Other	3,576	2,394
Total non-operating income	37,222	101,473
Non-operating expenses		
Interest expenses	110,494	193,711
Commissions expenses	47,157	102,858
Other	614	9,426
Total non-operating expenses	158,265	305,996
Ordinary profit	244,118	656,384
Extraordinary income		
Gain on sale of investment securities	-	245
Gain on bargain purchase	-	16,183
Total extraordinary income	-	16,429
Extraordinary losses		
Loss on retirement of non-current assets	3,419	-
Total extraordinary losses	3,419	-
Profit before income taxes	240,699	672,814
Income taxes - current	47,647	211,370
Income taxes - deferred	26,818	35,101
Total income taxes	74,465	246,472
Profit	166,234	426,341
Profit (loss) attributable to non-controlling interests	1,305	(7,475)
Profit attributable to owners of parent	164,928	433,817

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative third quarter

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2022 (August 1, 2021, ending July 2023 (August 1, 2022, to April 30, 2022)	First three quarters of fiscal year ended July 2023 (August 1, 2022, to April 30, 2023)
Profit	166,234	426,341
Other comprehensive income		
Valuation difference on available-for-sale securities	50	(1,800)
Total other comprehensive income	50	(1,800)
Quarterly comprehensive income	166,284	424,541
(Breakdown)		
Comprehensive income attributable to owners of parent	164,978	432,017
Comprehensive income attributable to non-controlling interests	1,305	(7,475)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in Amount of Shareholders' Equity)

First three quarters of fiscal year ended July 2022 (August 1, 2021 to April 30, 2022)

1. Dividends paid

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of Dividends
October 27, 2021 Ordinary general meeting of shareholders	Ordinary shares	188,910	8.00	July 31, 2021	October 28, 2021	Retained earnings

2. Dividends with a record date falling in the third quarter of the current consolidated fiscal year but an effective date which comes after the end of the third quarter of the current consolidated fiscal year

Not applicable.

3. Substantial Changes in Shareholders' Equity

Not applicable.

First three quarters of fiscal year ending July 2023 (August 1, 2022 to April 30, 2023)

1. Dividends paid

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of Dividends
October 27, 2022 Ordinary general meeting of shareholders	Ordinary shares	188,910	8.00	July 31, 2022	October 28, 2022	Retained earnings

2. For dividends for which the record date belongs to the current consolidated cumulative third quarter but the effective date comes after the end of the third quarter of the current fiscal year

Not applicable.

3. Substantial Changes in Shareholders' Equity

On January 10, 2023, the Company received payment for a third-party allotment of new shares from Mitsuru Yabuki, Chairman and Representative Director of the Company, and one other person. As a result, capital stock and capital surplus increased by 514,403 thousand yen and 514,403 thousand yen, respectively, during the first three quarters of the current fiscal year, resulting in 614,403 thousand yen in share capital and 2,014,814 thousand yen in capital surplus as of the end of the third quarter of the current fiscal year.

(Additional Information)

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

The Company and its consolidated subsidiaries will transition to a non-consolidated tax payment system from the current consolidated fiscal year. Accordingly, 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), the deferred tax assets and deferred tax liabilities since the end of the previous consolidated fiscal year are recorded as if the non-consolidated tax payment system were applied from the current consolidated fiscal year.

(Change in scope of consolidation or scope of application of equity method)

In the first quarter of the current fiscal year, Kyoiegumi Co., Ltd. was included in the scope of consolidation following the acquisition of its shares. Furthermore, as September 30, 2022 is the deemed acquisition date, only the balance sheet was consolidated in the first quarter of the current fiscal year, while from the second quarter of the current fiscal year, the income statement is also included in the consolidated financial statements.

Also, from the first quarter of the current fiscal year, Meiho Engineering Corporation has been included in the scope of consolidation due to its establishment.

(Segment Information, etc.)

I. First three quarters of fiscal year ended July 2022 (August 1, 2021 to April 30, 2022)

1. Information on Revenues and Income or Loss Amounts by Reportable Segment and Revenue Disaggregation

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (*1)	Amount recorded in quarterly consolidated statement of income (* 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Revenues									
MJAS/EL FARO	3,633,865	-	-	-	3,633,865	-	3,633,865	-	3,633,865
Other	366,005	396,611	25,249	376,735	1,164,601	23,080	1,187,681	-	1,187,681
Revenue from customer contracts	3,999,870	396,611	25,249	376,735	4,798,466	23,080	4,821,547	-	4,821,547
Other revenue	-	1,136,768	-	-	1,136,768	-	1,136,768	-	1,136,768
Net sales to external customers	3,999,870	1,533,379	25,249	376,735	5,935,235	23,080	5,958,316	-	5,958,316
Transactions with other segments	-	-	-	5,664	5,664	-	5,664	(5,664)	-
Total	3,999,870	1,533,379	25,249	382,400	5,940,900	23,080	5,963,981	(5,664)	5,958,316
Segment profit	295,917	186,661	22,018	19,895	524,493	21,759	546,253	(181,091)	365,161

(Note) 1. The segment income adjustment of (181,091) thousand yen consists of the elimination of inter-segment transactions of 6,981 thousand yen and corporate expenses of (188,072) thousand yen not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.

2. Segment income is adjusted to the operating profit in quarterly consolidated statement of income.

3. The "Other" section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

2. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

Not applicable.

II. First three quarters of fiscal year ending July 2023 (August 1, 2022 to April 30, 2023)

1. Information on Revenues and Income or Loss Amounts by Reportable Segment and Revenue Disaggregation

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (*1)	Amount recorded in quarterly consolidated statement of income (*2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Revenues									
MIJAS/EL FARO	5,588,749	-	-	-	5,588,749	-	5,588,749	-	5,588,749
Other	1,479,788	461,422	2,787	1,036,989	2,980,988	36,749	3,017,738	-	3,017,738
Revenue from customer contracts	7,068,537	461,422	2,787	1,036,989	8,569,737	36,749	8,606,487	-	8,606,487
Other revenue	-	1,120,945	-	-	1,120,945	-	1,120,945	-	1,120,945
Net sales to external customers	7,068,537	1,582,367	2,787	1,036,989	9,690,683	36,749	9,727,433	-	9,727,433
Transactions with other segments	-	977	-	5,386	6,363	-	6,363	(6,363)	-
Total	7,068,537	1,583,345	2,787	1,042,376	9,697,046	36,749	9,733,796	(6,363)	9,727,433
Segment profit or loss	1,036,576	187,754	2,712	(119,786)	1,107,256	35,075	1,142,331	(281,424)	860,907

(Note) 1. The segment income (loss) adjustment of (281,424) thousand yen consists of the elimination of inter-segment transactions of 5,122 thousand yen and corporate expenses of (286,547) thousand yen not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.

2. Segment income (loss) is adjusted to the operating profit in quarterly consolidated statement of income.

3. The "Other" section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

2. Disclosure of assets in reportable segments

Due to the acquisition of Kyoeigumi Co., Ltd. as of September 30, 2022 (deemed acquisition date) and its inclusion in the scope of consolidation, segment assets in the "Contracting Business" segment increased by 2,095,545,000 yen from the end of the previous fiscal year.

3. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

(Significant gain on bargain purchase)

In the "Contracting Business" segment, gain on bargain purchase of 16,183 thousand yen was recorded as extraordinary income following the acquisition of Kyoeigumi Co., Ltd. Also, the gain on bargain purchase is not allocated to any reportable segment.

(Significant events after the reporting period)

Not applicable.