

Consolidated Financial Summary for the First Quarter of the Fiscal Year Ending July 2024 (Japanese GAAP)

December 15, 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

Contact for inquiries: (Position) Executive Officer, Head of the Management Dept. (Name) Ayako Iwasaki Tel: 03-5434-7653

Scheduled date for submission of quarterly report: December 15, 2023

Scheduled date for start of dividend payment: -

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 quarter of the fiscal year ending July 2024 (from August 1, 2023 to October 31, 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 quarter of fiscal year ending July 2024	4,918	191.7	498	506.9	374	-	271	865.3
First quarter of fiscal year ended July 2023	1,686	0.2	82	(29.6)	14	(83.2)	28	(48.5)

(Note) Comprehensive First quarter of fiscal year ending July 2024 270 million yen (956.5%) First quarter of fiscal year ended July 2023 25 million yen ((53.5%) income

	Basic earnings per share		Diluted earnings per share	
	yen	sen	yen	sen
First quarter of fiscal year ending July 2024		9.19		-
First quarter of fiscal year ended July 2023		1.19		-

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	million yen		million yen		%	
First quarter of fiscal year ending July 2024	23,355		7,010		30.0	
Fiscal year ended July 2023	22,480		7,006		31.2	

(Reference) Equity capital First quarter of fiscal year ending July 2024 7,010 million yen Fiscal year ended July 2023 7,006 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 2023		-		0.00		-		9.00		9.00
Fiscal year ending July 2024		-								
Fiscal year ending July 2024 (Forecast)				4.50		-		4.50		9.00

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

3. Consolidated earnings forecast for the fiscal year ending July 2024 (from August 1, 2023 to July 31, 2024)

(% 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)	9,244	173.1	931	937.9	712	-	373	-	12.65
Full year	19,355	26.9	1,661	27.3	1,187	22.5	687	7.7	23.29

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

* Explanatory notes

(1) Changes in significant subsidiaries during the period : None

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

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

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

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

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

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

3) Changes in accounting estimates : Yes

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	First quarter of FY ending July 2024	30,539,900 shares	Fiscal year ended July 2023	30,539,900 shares
2) Number of treasury shares at the end of the period	First quarter of FY ending July 2024	1,047,160 shares	Fiscal year ended July 2023	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	First quarter of FY ending July 2024	29,492,740 shares	First quarter of FY ended July 2023	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 “Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 2 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the current consolidated cumulative first quarter (August 1, 2023 to October 31, 2023), the Japanese economy has been on a recovery path for economic activities across society thanks to a recovery of events held and domestic travel demand as well as inbound demand according to an increase in the number of tourists visiting Japan following the easing and lifting of various regulations imposed due to the COVID-19 pandemic. On the other hand, the outlook remains uncertain because of the concerns over soaring raw material and crude oil prices due to rapid changes in the state of the world associated with the prolonged situation in Ukraine and the unstable situation in Israel, price hikes caused by the excessive depreciation of the yen, and permanent labor shortage in all industries.

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, in the sales activities of our main brands, MIJAS and EL FARO, we completed the delivery of five buildings including MIJAS Mitaka (Mitaka-shi, Tokyo) (one building in the same quarter of the previous fiscal year) and completed the delivery of one other income-producing real estate property and one 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 maintaining 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 whole-building 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 design supervision and construction of two buildings in the MIJAS series (one building under construction and one building completed) and 14 buildings in the EL FARO series (11 buildings under construction and three buildings completed) 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 first quarter of the current fiscal year, revenues stood at 4,918 million yen (up 191.7% year on year), operating profit stood at 498 million yen (up 506.9% year on year), ordinary profit stood at 374 million yen (up 2,407.8% year on year), and profit attributable to owners of parent amounted to 271 million yen (up 865.3% year on year).

Operating results by segment are as follows.

[Real estate sales business]

In the real estate sales business, we delivered five buildings in the EL FARO series (rental apartment project) and sold other properties for development projects. As a result, revenues were 3,904 million yen (up 285.4% year on year), and segment profit was 576 million yen (up 536.3% year on year).

[Real estate leasing business]

In the real estate leasing business, revenues were 513 million yen (up 0.9% year on year), and segment profit was 20 million yen (down 47.7% year on year), due to property management fees and other factors.

[Real estate brokerage business]

No brokerage fees were generated in the real estate brokerage business. As for the brokerage fees in the real estate brokerage business in the same quarter of the previous fiscal year, revenues were 2 million yen, and segment profit was 2 million yen.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts and renovation works, revenues were 480 million yen (up 239.3% year on year), and segment loss was 62 million yen (segment profit of 11 million yen in the same quarter of the previous year).

[Other]

This section refers to business segments not included in the reportable segments. Due mainly to insurance agency services, revenues were 20 million yen (up 1.6% year on year), and segment profit was 20 million yen (up 6.1% year on year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current consolidated fiscal year increased by 875 million yen from the end of the previous consolidated fiscal year to 23,355 million yen. This was due to an increase in inventories of 1,481 million yen resulting from the acquisition of properties for new development projects, investment properties under construction, etc.

Liabilities increased by 870 million yen from the end of the previous consolidated fiscal year to 16,344 million yen. This was mainly due to an increase of 888 million yen in long-term borrowings (including the current portion of long-term borrowings) due to the procurement of funds for the acquisition of properties for new development projects, etc.

Net assets increased by 4 million yen from the end of the previous consolidated fiscal year to 7,010 million yen, and the equity-to-asset ratio decreased by 1.2 percentage points from the end of the previous consolidated fiscal year to 30.0%.

(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, 2024, which was announced in the “Consolidated Financial Summary for the Fiscal Year Ended July 31, 2023,” on September 14, 2023.

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.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2023)	First quarter of the current consolidated fiscal year (October 31, 2023)
Assets		
Current assets		
Cash and deposits	3,662,815	2,987,202
Accounts receivable - trade and contract assets	274,663	364,744
Real estate for sale	2,209,126	3,343,202
Real estate for sale in process	13,259,154	13,607,021
Short-term loans receivable	498,123	427,697
Other	315,833	403,858
Allowance for doubtful accounts	(643)	(632)
Total current assets	20,219,074	21,133,093
Non-current assets		
Property, plant and equipment	1,859,563	1,849,783
Intangible assets	19,072	18,307
Investments and other assets		
Investment securities	16,550	15,750
Long-term loans receivable	425,940	425,870
Long-term accounts receivable - other	385,440	382,950
Deferred tax assets	55,110	45,650
Other	310,063	292,218
Allowance for doubtful accounts	(810,440)	(807,950)
Total investments and other assets	382,663	354,488
Total non-current assets	2,261,300	2,222,579
Total assets	22,480,374	23,355,673

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2023)	First quarter of the current consolidated fiscal year (October 31, 2023)
Liabilities		
Current liabilities		
Notes payable and accounts payable - trade	749,304	999,667
Short-term borrowings	1,816,630	1,621,450
Current portion of long-term borrowings	4,877,309	6,162,429
Current portion of bonds payable	16,000	8,000
Lease obligations	854	663
Income taxes payable	229,745	102,486
Provision for bonuses	100,432	27,571
Allowance for compensation for completed construction	964	964
Other	1,124,551	1,271,625
Total current liabilities	8,915,792	10,194,858
Non-current liabilities		
Long-term borrowings	6,191,871	5,795,360
Retirement benefits liabilities	70,735	70,913
Lease obligations	511	342
Deferred tax liabilities	108,028	107,525
Other	187,345	175,787
Total non-current liabilities	6,558,491	6,149,928
Total liabilities	15,474,284	16,344,787
Net assets		
Shareholders' equity		
Share capital	614,403	614,403
Capital surplus	2,014,814	2,014,814
Retained earnings	4,755,296	4,760,891
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	7,004,040	7,009,635
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,050	1,250
Total accumulated other comprehensive income	2,050	1,250
Total net assets	7,006,090	7,010,885
Total liabilities and net assets	22,480,374	23,355,673

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

Quarterly Consolidated Statement of Income

Consolidated cumulative first quarter

(Unit: thousand yen)

	Previous consolidated cumulative first quarter (August 1, 2022 to October 31, 2022)	Current consolidated cumulative first quarter (August 1, 2023 to October 31, 2023)
Revenues	1,686,296	4,918,738
Cost of sales	1,265,973	3,859,174
Gross profit	420,322	1,059,563
Selling, general and administrative expenses	338,175	560,991
Operating profit	82,147	498,571
Non-operating income		
Interest income	9,854	6,043
Penalty income	-	612
Surrender value of insurance policies	10,192	663
Reversal allowance for doubtful accounts	2,490	2,490
Other	246	280
Total non-operating income	22,782	10,089
Non-operating expenses		
Interest expenses	52,506	85,247
Commissions expenses	37,357	48,748
Other	130	104
Total non-operating expenses	89,994	134,100
Ordinary profit	14,935	374,561
Extraordinary income		
Gain on bargain purchase	16,183	-
Total extraordinary income	16,183	-
Profit before income taxes	31,119	374,561
Income taxes - current	21,871	94,575
Income taxes - deferred	(18,828)	8,956
Total income taxes	3,042	103,531
Profit	28,077	271,029
Profit attributable to owners of parent	28,077	271,029

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative first quarter

(Unit: thousand yen)

	Previous consolidated cumulative first quarter (August 1, 2022 to October 31, 2022)	Current consolidated cumulative first quarter (August 1, 2023 to October 31, 2023)
Profit	28,077	271,029
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,500)	(800)
Total other comprehensive income	(2,500)	(800)
Quarterly comprehensive income	25,577	270,229
(Breakdown)		
Comprehensive income attributable to owners of parent	25,577	270,229
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

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

Previous consolidated cumulative first quarter (August 1, 2022 to October 31, 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, 2022 Ordinary general meeting of shareholders	Ordinary shares	188,910	8.00	July 31, 2022	October 28, 2022	Retained earnings

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

Not applicable.

3. Substantial changes in the amount of shareholders' equity

Not applicable.

Current consolidated cumulative first quarter (August 1, 2023 to October 31, 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 26, 2023 Ordinary general meeting of shareholders	Ordinary shares	265,434	9.00	July 31, 2023	October 27, 2023	Retained earnings

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

Not applicable.

3. Substantial changes in the amount of shareholders' equity

Not applicable.

(Changes in Accounting Estimates)

(Asset retirement obligations)

Under a building lease contract, the Group has an obligation to restore the office space to its original state when vacating it. However, since the period of use of the leased assets related to such obligation is uncertain, and there are no plans to relocate in the future, we could not reasonably estimate the asset retirement obligations and did not record the asset retirement obligations that are commensurate with such obligation.

During the first quarter of the current consolidated fiscal year, we made changes to the estimate regarding the restoration costs necessary when vacating the space and the estimated period of use based on the information newly obtained during the expansion of our office space.

Instead of recording as liabilities, the asset retirement obligations are accounted for by a simplified method in which we reasonably estimate the amount of security deposits related to the real estate lease contract that is not expected to be collected in the future and record the amount that is attributable to the current consolidated fiscal year.

The impact of the changes in the estimate on profit and loss in the first quarter of the current consolidated fiscal year is immaterial.

(Segment Information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (August 1, 2022 to October 31, 2022)

1. Information on Revenues and Profit or Loss 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	813,387	-	-	-	813,387	-	813,387	-	813,387
Other	199,882	136,054	2,787	141,601	480,326	19,865	500,191	-	500,191
Revenue from contracts with customers	1,013,269	136,054	2,787	141,601	1,293,713	19,865	1,313,579	-	1,313,579
Other revenue	-	372,717	-	-	372,717	-	372,717	-	372,717
Net sales to external customers	1,013,269	508,771	2,787	141,601	1,666,430	19,865	1,686,296	-	1,686,296
Transactions with other segments	-	281	-	81	362	-	362	(362)	-
Total	1,013,269	509,052	2,787	141,682	1,666,792	19,865	1,686,658	(362)	1,686,296
Segment profit	90,655	39,167	2,682	11,627	144,133	18,944	163,077	(80,930)	82,147

(Note) 1. The segment profit adjustment of (80,930) thousand yen consists of the elimination of inter-segment transactions of 5,607 thousand yen and corporate expenses of (86,538) 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 profit is adjusted to the operating profit in the quarterly consolidated statement of income.

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

2. Disclosure of Assets in Reportable Segments

In the first quarter of the current consolidated fiscal year, segment assets in the "Contracting business" increased by 2,125,989 thousand yen from the end of the previous consolidated fiscal year due to the acquisition of Kyoeigumi Co., Ltd. and its inclusion in the scope of consolidation.

3. Information on Impairment Loss on Non-Current Assets or Goodwill by Reportable 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.

II. Current consolidated cumulative first quarter (August 1, 2023 to October 31, 2023)

1. Information on Revenues and Profit or Loss 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	3,226,782	-	-	-	3,226,782	-	3,226,782	-	3,226,782
Other	678,133	136,221	-	480,784	1,295,138	20,179	1,315,318	-	1,315,318
Revenue from contracts with customers	3,904,916	136,221	-	480,784	4,521,921	20,179	4,542,101	-	4,542,101
Other revenue	-	376,637	-	-	376,637	-	376,637	-	376,637
Net sales to external customers	3,904,916	512,858	-	480,784	4,898,558	20,179	4,918,738	-	4,918,738
Transactions with other segments	-	951	-	-	951	-	951	(951)	-
Total	3,904,916	513,809	-	480,784	4,899,509	20,179	4,919,689	(951)	4,918,738
Segment profit or loss	576,853	20,489	-	(62,534)	534,808	20,103	554,911	(56,339)	498,571

(Note) 1. The segment profit (loss) adjustment of (56,339) thousand yen consists of the elimination of inter-segment transactions of 1,826 thousand yen and corporate expenses of (58,166) 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 profit (loss) is adjusted to the operating profit in the quarterly consolidated statement of income.

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

2. Information on Impairment Loss on Non-Current Assets or Goodwill by Reportable Segment

Not applicable.

(Significant Events After Reporting Period)

(Merger of consolidated subsidiaries)

At the Board of Directors meeting held on November 24, 2023, the Company resolved an absorption-type merger of Moon Asset Co., Ltd. and House Saison Enterprise Co., Ltd., which are wholly owned subsidiaries of the Company, with House Saison Enterprise Co., Ltd. as the surviving company and Moon Asset Co., Ltd. as the absorbed company (hereinafter referred to as the “Merger”). The effectiveness of the Merger is subject to the approval of the related proposals at the extraordinary general meetings of shareholders of both the surviving company and the absorbed company scheduled to be held in late February 2024.

In addition, as the Merger is between the wholly owned subsidiaries of the Company, there will be no issuance of new shares, increase in capital, merger grant, or any other consideration as a result of the Merger.

1. Overview of the transaction

(1) Name of the surviving company and its business

1) Name of the surviving company

House Saison Enterprise Co., Ltd.

2) Details of the business

Real estate sales business, management and operation of income-producing real estate properties

3) Name of the absorbed company

Moon Asset Co., Ltd.

4) Details of the business

Real estate sales business

(2) Overview of the business combination

Resolution at the Board of Directors (the merging companies) November 24, 2023

Resolution at the Board of Directors (the Company) November 24, 2023

Signing date of the merger agreement December 28, 2023 (scheduled)

Resolution at the general meeting of shareholders (the merging companies) February 20, 2024 (scheduled)

Scheduled date of the Merger (effective date) March 1, 2024 (scheduled)

(3) Legal form of business combination

The Merger will be an absorption-type merger, with House Saison Enterprise Co., Ltd. as the surviving company and Moon Asset Co., Ltd. as the absorbed company.

(4) Name of the company after combination

House Saison Enterprise Co., Ltd.

(5) Other matters concerning the overview of the transaction

The purpose of the Merger is to accelerate growth and increase profitability such as the enhancement of the management structure by unifying business activities, the improvement of productivity by streamlining operations, and the sharing and effective use of the management resources.

2. Overview of accounting processing

The Merger is expected to be processed as a transaction under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).