

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

March 15, 2024

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: March 15, 2024

Scheduled date to commence dividend payment: March 28, 2024

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 second quarter of the fiscal year ending July 2024 (from August 1, 2023 to January 31, 2024)

(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	%
Second quarter of fiscal year ending July 2024	10,868	221.1	1,374	-	1,192	-	835	-
Second quarter of fiscal year ended July 2023	3,385	16.8	89	22.7	(67)	-	(46)	-

(Note) Comprehensive income Second quarter of fiscal year ending July 2024 835 million yen (-%) Second quarter of fiscal year ended July 2023 (52) million yen (-%)

	Basic earnings per share	Diluted earnings per share
	yen sen	yen sen
Second quarter of fiscal year ending July 2024	28.34	-
Second quarter of fiscal year ended July 2023	(1.90)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
Second quarter of fiscal year ending July 2024	23,774	7,576	31.9
Fiscal year ended July 2023	22,480	7,006	31.2

(Reference) Equity capital Second quarter of fiscal year ending July 2024 7,576 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	-	4.50			
Fiscal year ending July 2024 (Forecast)			-	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
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 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 : 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	Second 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	Second 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)	Second quarter of FY ending July 2024	29,492,740 shares	Second quarter of FY ended July 2023	24,316,751 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 "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on page 3 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the current consolidated cumulative second quarter (August 1, 2023 to January 31, 2024), 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 13 buildings including EL FARO Sangenjaya II (Setagaya-ku, Tokyo) (two buildings in the same period of the previous fiscal year) and completed the delivery of one other income-producing real estate property 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 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 three buildings in the MIJAS series (two buildings under construction) and 17 buildings in the EL FARO series (12 buildings under construction and five 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 second quarter of the current fiscal year, revenues stood at 10,868 million yen (up 221.1% year on year), operating profit stood at 1,374 million yen (up 1,432.7% year on year), ordinary profit stood at 1,192 million yen (ordinary loss of 67 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 835 million yen (loss attributable to owners of parent of 46 million yen in the same period of the previous fiscal year).

Operating results by segment are as follows.

[Real estate sales business]

In the real estate sales business, during the second quarter of the current consolidated fiscal year, we delivered eight buildings in the EL FARO series (rental apartment project) and sold other properties for development projects. As a result, revenues were 8,898 million yen (up 358.5% year on year), and segment profit was 1,622 million yen (up 894.1% year on year).

[Real estate leasing business]

In the real estate leasing business, revenues were 999 million yen (down 1.9% year on year), and segment profit was 18 million yen (down 79.9% 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 period of the previous fiscal year, revenues were 2 million yen, and segment profit was 2 million yen.

[Contracting business]

Regarding the contracting business, revenues were 951 million yen (up 147.5% year-on-year) due to new construction contracts, renovation works, etc., but as a large percentage of new construction contracts were to be completed in the third and fourth quarters, the Company was unable to absorb higher construction costs due to soaring raw material costs and higher selling, general and administrative expenses. This resulted in a segment loss of 180 million yen (a segment loss of 40 million yen in the same period of the previous fiscal year).

[Other]

This section refers to business segments not included in the reportable segments. Due mainly to insurance agency services, revenues were 30 million yen (down 22.9% year on year), and segment profit was 30 million yen (down 20.2% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter of the current consolidated fiscal year increased by 1,294 million yen from the end of the previous consolidated fiscal year to 23,774 million yen. This was due to an increase in inventories of 1,040 million yen resulting from the acquisition of properties for new development projects, investment properties under construction, etc.

(Liabilities)

Liabilities increased by 723 million yen from the end of the previous consolidated fiscal year to 16,197 million yen. This was mainly due to an increase of 809 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)

Net assets increased by 570 million yen from the end of the previous consolidated fiscal year to 7,576 million yen, and the equity-to-asset ratio decreased by 0.7 percentage points from the end of the previous consolidated fiscal year to 31.9%.

(Cash flow status)

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 90 million yen from the end of the previous consolidated fiscal year to 3,347 million yen.

[Cash flows from (used in) operating activities]

Net cash used in operating activities amounted to 783 million yen (6,111 million yen in the same period of the previous fiscal year), mainly due to an increase of 1,455 million yen in inventories and a decrease of 267 million yen in advances received.

[Cash flows from (used in) investing activities]

Net cash provided by investing activities totaled 173 million yen (171 million yen in the same period of the previous fiscal year), mainly due to an increase of 106 million yen from other proceeds from withdrawal of deposits and an increase of 105 million yen from proceeds from the collection of loans receivable.

[Cash flows from (used in) financing activities]

Net cash provided by financing activities totaled 519 million yen (4,437 million yen in the same period of the previous fiscal year), mainly due to an increase of 4,198 million yen in proceeds from long-term borrowings to fund the acquisition of properties

for development projects despite an increase of 3,484 million yen in repayments of long-term borrowings along with property sales, etc.

(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)	Second quarter of the current consolidated fiscal year (January 31, 2024)
Assets		
Current assets		
Cash and deposits	3,662,815	3,478,359
Accounts receivable - trade and contract assets	274,663	327,561
Real estate for sale	2,209,126	1,828,545
Real estate for sale in process	13,259,154	14,680,534
Short-term loans receivable	498,123	392,697
Other	315,833	398,548
Allowance for doubtful accounts	(643)	(549)
Total current assets	20,219,074	21,105,696
Non-current assets		
Property, plant and equipment	1,859,563	2,263,649
Intangible assets	19,072	18,552
Investments and other assets		
Investment securities	16,550	16,650
Long-term loans receivable	425,940	425,799
Long-term accounts receivable - other	385,440	380,420
Deferred tax assets	55,110	64,603
Other	310,063	304,572
Allowance for doubtful accounts	(810,440)	(805,420)
Total investments and other assets	382,663	386,626
Total non-current assets	2,261,300	2,668,828
Total assets	22,480,374	23,774,524

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2023)	Second quarter of the current consolidated fiscal year (January 31, 2024)
Liabilities		
Current liabilities		
Notes payable and accounts payable - trade	749,304	921,531
Short-term borrowings	1,816,630	1,796,450
Current portion of long-term borrowings	4,877,309	5,787,533
Current portion of bonds payable	16,000	8,000
Lease obligations	854	1,654
Income taxes payable	229,745	388,021
Provision for bonuses	100,432	39,952
Allowance for compensation for completed construction	964	964
Other	1,124,551	820,975
Total current liabilities	8,915,792	9,765,083
Non-current liabilities		
Long-term borrowings	6,191,871	6,091,481
Retirement benefits liabilities	70,735	68,482
Lease obligations	511	4,350
Deferred tax liabilities	108,028	107,021
Other	187,345	161,548
Total non-current liabilities	6,558,491	6,432,883
Total liabilities	15,474,284	16,197,966
Net assets		
Shareholders' equity		
Share capital	614,403	614,403
Capital surplus	2,014,814	2,014,814
Retained earnings	4,755,296	5,325,663
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	7,004,040	7,574,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,050	2,150
Total accumulated other comprehensive income	2,050	2,150
Total net assets	7,006,090	7,576,558
Total liabilities and net assets	22,480,374	23,774,524

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

Quarterly Consolidated Statement of Income

Consolidated cumulative second quarter

(Unit: thousand yen)

	Previous consolidated cumulative second quarter (August 1, 2022 to January 31, 2023)	Current consolidated cumulative second quarter (August 1, 2023 to January 31, 2024)
Revenues	3,385,244	10,868,811
Cost of sales	2,456,202	8,500,887
Gross profit	929,042	2,367,923
Selling, general and administrative expenses	839,339	993,031
Operating profit	89,702	1,374,891
Non-operating income		
Interest income	19,474	12,524
Penalty income	2,286	612
Surrender value of insurance policies	10,520	1,130
Reversal allowance for doubtful accounts	5,157	5,020
Compensation for damage	-	18,253
Business compensation income	-	40,000
Other	5,048	1,146
Total non-operating income	42,487	78,687
Non-operating expenses		
Interest expenses	120,993	179,606
Commissions expenses	71,800	80,221
Share issuance costs	6,735	-
Other	242	1,218
Total non-operating expenses	199,771	261,046
Ordinary profit (loss)	(67,580)	1,192,532
Extraordinary income		
Gain on sale of investment securities	245	-
Gain on bargain purchase	16,183	-
Total extraordinary income	16,429	-
Profit (loss) before income taxes	(51,151)	1,192,532
Income taxes - current	54,020	367,231
Income taxes - deferred	(54,889)	(10,500)
Total income taxes	(869)	356,730
Profit (loss)	(50,282)	835,802
Profit (loss) attributable to non-controlling interests	(4,084)	-
Profit (loss) attributable to owners of parent	(46,198)	835,802

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative second quarter

(Unit: thousand yen)

	Previous consolidated cumulative second quarter (August 1, 2022 to January 31, 2023)	Current consolidated cumulative second quarter (August 1, 2023 to January 31, 2024)
Profit (loss)	(50,282)	835,802
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,600)	100
Total other comprehensive income	(2,600)	100
Comprehensive income	(52,882)	835,902
(Breakdown)		
Comprehensive income attributable to owners of parent	(48,798)	835,902
Comprehensive income attributable to non-controlling interests	(4,084)	-

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Previous consolidated cumulative second quarter (August 1, 2022 to January 31, 2023)	Current consolidated cumulative second quarter (August 1, 2023 to January 31, 2024)
Cash flows from (used in) operating activities		
Profit (loss) before income taxes	(51,151)	1,192,532
Depreciation	17,746	28,886
Gain on bargain purchase	(16,183)	-
Loss (gain) on sales of investment securities	(245)	-
Share issuance costs	6,735	-
Interest and dividend income	(19,677)	(12,524)
Interest expenses on borrowings and bonds	121,043	179,606
Increase (decrease) in allowance for doubtful accounts	(5,157)	(5,113)
Increase (decrease) in provision of bonuses	(50,568)	(60,480)
Increase (decrease) in other provisions	(3,140)	(2,252)
Decrease (increase) in trade receivables	26,439	(52,897)
Decrease (increase) in inventories	(5,948,260)	(1,455,482)
Decrease (increase) in advance payments to suppliers	(62,873)	(60,280)
Increase (decrease) in trade payables	(79,439)	172,227
Increase (decrease) in advances received	218,259	(267,100)
Increase (decrease) in deposits received	11,582	(10,896)
Other	111,714	(126,620)
Subtotal	(5,723,176)	(480,396)
Interest and dividends received	13,993	12,207
Interest paid	(123,059)	(172,276)
Income taxes paid	(279,800)	(191,987)
Income taxes refund	52	52
Compensation received, etc.	-	49,162
Cash flows from (used in) operating activities	(6,111,991)	(783,238)
Cash flows from (used in) investing activities		
Other payments into deposits	(36,070)	(11,760)
Other proceeds from withdrawal of deposits	31,200	106,053
Purchase of property, plant and equipment	(14,805)	(14,870)
Purchase of intangible assets	-	(1,050)
Proceeds from sale of investment securities	1,545	-
Proceeds from collection of loans receivable	292	105,566
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	191,344	-
Payments for investment	(1,000)	(10,000)
Purchase of insurance funds	(1,335)	-
Cash flows from (used in) investing activities	171,171	173,938
Cash flows from (used in) financing activities		
Net increase (decrease) in short-term borrowings	737,871	79,820
Repayments of lease obligations	(897)	(682)
Proceeds from long-term borrowings	3,625,900	4,198,000
Repayments of long-term borrowings	(750,234)	(3,484,565)
Redemption of bonds	(8,000)	(8,000)
Dividends paid	(188,910)	(265,434)
Proceeds from issuance of shares	1,022,072	-
Cash flows from (used in) financing activities	4,437,801	519,136
Net increase (decrease) in cash and cash equivalents	(1,503,018)	(90,162)
Beginning balance for cash and cash equivalents	3,500,175	3,437,612
Ending balance for cash and cash equivalents	1,997,156	3,347,449

(4) 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 second quarter (August 1, 2022 to January 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 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 consolidated cumulative second quarter but an effective date which comes after the end of the consolidated second quarter

Not applicable.

3. Substantial changes in the amount of 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, share capital and capital surplus increased by 514 million yen and 514 million yen, respectively, during the consolidated cumulative second quarter, resulting in 614 million yen in share capital and 2,014 million yen in capital surplus as of the end of the consolidated second quarter.

Current consolidated cumulative second quarter (August 1, 2023 to January 31, 2024)

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 consolidated cumulative second quarter but an effective date which comes after the end of the consolidated second quarter

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of dividends
January 25, 2024 Board of Directors meeting	Ordinary shares	132,717	4.50	January 31, 2024	March 28, 2024	Retained earnings

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 second quarter of the current consolidated fiscal year is immaterial.

(Segment Information, etc.)

I Previous consolidated cumulative second quarter (August 1, 2022 to January 31, 2023)

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

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliatio n (*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	836,330	-	-	-	836,330	-	836,330	-	836,330
Other	1,104,524	278,801	2,787	383,531	1,769,645	39,521	1,809,166	-	1,809,166
Revenue from contracts with customers	1,940,855	278,801	2,787	383,531	2,605,976	39,521	2,645,497	-	2,645,497
Other revenue	-	739,746	-	-	739,746	-	739,746	-	739,746
Net sales to external customers	1,940,855	1,018,548	2,787	383,531	3,345,723	39,521	3,385,244	-	3,385,244
Transactions with other segments	-	977	-	1,030	2,008	-	2,008	(2,008)	-
Total	1,940,855	1,019,526	2,787	384,561	3,347,731	39,521	3,387,252	(2,008)	3,385,244
Segment profit (loss)	163,202	91,182	2,689	(40,138)	216,934	38,015	254,949	(165,247)	89,702

(Note) 1. The segment profit (loss) adjustment of (165,247) thousand yen consists of the elimination of inter-segment transactions of (2,008) thousand yen and corporate expenses of (163,239) 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

Segment assets in the "Contracting business" increased by 2,095,545 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 on September 30, 2022 (deemed acquisition date).

3. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. 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 second quarter (August 1, 2023 to January 31, 2024)

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

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliatio n (*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	7,900,036	-	-	-	7,900,036	-	7,900,036	-	7,900,036
Other	998,147	258,448	-	951,543	2,208,139	30,460	2,238,599	-	2,238,599
Revenue from contracts with customers	8,898,184	258,448	-	951,543	10,108,176	30,460	10,138,636	-	10,138,636
Other revenue	-	730,174	-	-	730,174	-	730,174	-	730,174
Net sales to external customers	8,898,184	988,623	-	951,543	10,838,350	30,460	10,868,811	-	10,868,811
Transactions with other segments	-	11,062	-	79	11,141	-	11,141	(11,141)	-
Total	8,898,184	999,685	-	951,622	10,849,492	30,460	10,879,952	(11,141)	10,868,811
Segment profit (loss)	1,622,347	18,294	-	(180,383)	1,460,259	30,323	1,490,582	(115,691)	1,374,891

(Note) 1. The segment profit (loss) adjustment of (115,691) thousand yen consists of the elimination of inter-segment transactions of (147) thousand yen and corporate expenses of (115,543) 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

Not applicable.

3. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. 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 where House Saison Enterprise Co., Ltd., a wholly owned subsidiary of the Company, would be the surviving company and Moon Asset Co., Ltd., also a wholly owned subsidiary of the Company, would be the absorbed company. They merged on the effective date of March 1, 2024.

As the merger was between the wholly owned subsidiaries of the Company, there was no issuance of new shares, increase in capital, merger grant, or any other consideration as a result of the merger.

1. Overview of the business combination

(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) Date of the business combination

March 1, 2024

(3) Legal form of business combination

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).