Financial Summary of First Two Quarters of Fiscal Year Ending July 2018 (Japanese GAAP) (Consolidated)

March 15, 2018

Name of listed company:	Meiho Enterprise Co., Ltd.			Listing exchange:	Tokyo Stock Exchange
Code:	8927			URL:	http://www.meiho-est.com/
Representative:	(Name)	Takahiro Umeki	(Position)	President & Representative Director	
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Scheduled date for submission of quarterly report:				March 16, 2018	
Scheduled date for start of dividend payment:				-	
Supplementary explanatory materials created for accounts?			Yes/No:	No	
Accounts briefing meeting held?			Yes/No:	No	

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the first two quarters of fiscal year ending July 2018 (from August 1, 2017 to January 31, 2018)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First two quarters of fiscal year ending July 2018	6,333	92.5	1,325	355.9	1,254	467.7	1,117	490.8
First two quarters of fiscal year ended July 2017	3,290	171.3	290	—	220	—	189	—

Note: Comprehensive income
First two quarters of fiscal year ending July 2018: 1,120 million yen [483.3%]
First two quarters of fiscal year ended July 2017: 192 million yen [—%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First two quarters of fiscal year ending July 2018	45.74	—
First two quarters of fiscal year ended July 2017	7.67	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First two quarters of fiscal year ending July 2018	9,834	3,697	37.5
First two quarters of fiscal year ended July 2017	8,495	3,043	35.7

Reference: Equity
First two quarters of fiscal year ending July 2018: 3,685 million yen
Fiscal year ended July 2017: 3,032 million yen

2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended July 2017	—	0.00	—	0.00	0.00
Fiscal year ending July 2018	—	0.00	—	0.00	0.00
Fiscal year ending July 2018 (Forecast)		0.00	—	5.00	5.00

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

3. Consolidated earnings forecast for fiscal year ending July 2018 (from August 1, 2017 to July 31, 2018)
(% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	15,100	101.4	2,470	266.0	2,300	329.1	1,850	147.7	77.02

(Note) Revisions to the most recent earnings forecast: Yes

* Explanatory notes

(1) Changes in significant subsidiaries during the first two quarters (Changes in specified subsidiaries resulting in change in scope of consolidation): None
Newly included: － companies (Company name) －
Excluded: － companies (Company name) －

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement
1) Changes in accounting policies due to amendment of accounting standards, etc.: 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 (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of period	First two quarters of fiscal year ending July 2018	24,661,000 shares	Fiscal year ended July 2017	24,661,000 shares
2) Number of treasury shares at end of period	First two quarters of fiscal year ending July 2018	1,047,160 shares	Fiscal year ended July 2017	359 shares
3) Average number of shares during period (quarterly cumulative)	First two quarters of fiscal year ending July 2018	24,421,697 shares	First two quarters of fiscal year ended July 2017	24,660,641 shares

* Quarterly Financial Summary is outside the scope of the quarterly review.
This quarterly financial summary is not subject to quarterly review process pursuant to the Financial Instruments and Exchange Act.

* Explanation regarding appropriate use of earnings forecasts, and other notes
The earnings outlook and other forward-looking statements contained in this document are based on information currently available to 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 reasons. 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 5.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first two quarters of the fiscal year ending July 2018, the Japanese economy has continued to see a recovery trend against the backdrop of buoyed individual consumption and strong corporate earnings amid ongoing improvement in the employment and income environment. On the other hand, overseas economic trends continue to be unpredictable requiring careful attention to the impact of uncertainties from economic and monetary policies.

In the real estate industry in which our Group is involved, while there were concerns over surging sales prices due to ongoing upward trends in land prices, the business environment is generally favorable as actual demand continues to be strong backed by the Bank of Japan's monetary easing policy.

Under these business circumstances, the Group has implemented what it believes are the best exit strategies and sales plans with regards to its owned properties and has actively advanced movements to purchase, develop and sell profitable real estate and lots for new business, etc. while working to stabilize the financial base in view of maintaining profitability and recovering early. In the first two quarters of the fiscal year ending July 2018, we completed the transfer of 4 properties, MIJAS URAYASU (Urayasu City, Chiba), MIJAS ICHIKAWA (Ichikawa City, Chiba), MIJAS SANGENJAYA (Setagaya Ward, Tokyo) and MIJAS NISHIOCHIAI (Shinjuku Ward, Tokyo) in inner city neighborhoods. Furthermore, as a secondhand property renovation resale project we converted an apartment into an accommodation facility in Nakagyo-ku, Kyoto City, Kyoto Prefecture and completed its transfer.

As a result of the above, in the first two quarters of the fiscal year ending July 2018, the Group recorded net sales of 6,333 million yen (up 92.5% year-on-year), operating income of 1,325 million yen (up 355.9% year-on-year), ordinary income of 1,254 million yen (up 467.7% year-on-year) and profit attributable to owners of parent of 1,117 million yen (up 490.8% year-on-year).

The performance of the segments is as follows.

[Real estate sales business]

In the real estate sales business, we sold 4 properties of MIJAS series, the apartment development project, and transferred 1 property as a secondhand property renovation resale project. As a result, net sales totaled 5,205 million yen (up 134.7% year-on-year) and segment income totaled 1,287 million yen (up 377.6% year-on-year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 962 million yen (up 2.0% year-on-year) and segment income totaled 101 million yen (up 42.1% year-on-year).

[Real estate brokerage business]

In the first two quarters of the fiscal year ending July 2018, there were no brokerage fees and such arising in the real estate brokerage business.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 161 million yen (up 53.9% year-on-year) and segment income totaled 15 million yen (up 107.2% year-on-year).

[Other]

This section refers to business segments not included in the segments to be reported. The main contribution was insurance agency operations, etc., and net sales totaled 16 million yen (up 38.4% year-on-year) and segment income totaled 16 million yen (up 39.4% year-on-year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first two quarters of the fiscal year ending July 2018 increased by 1,338 million yen compared to the end of the previous fiscal year to 9,834 million yen. This is mainly due to real estate for sale and real estate for sale in process increasing by 714 million yen in total with the acquisition of new business lots, secondhand condominium resale project properties, etc.; and business loans receivable increasing by 475 million yen.

(Liabilities)

Liabilities increased by 684 million yen from the end of the previous fiscal year to 6,137 million yen. Contributing to this is mainly the decrease of 1,002 million yen in short-term with repayments alongside the sale of properties, etc. as well as the increase in long-term loans payable (including current portion of long-term loans payable; the same follows hereafter) by 1,377 million yen for funds to acquire new development business lots, etc.

(Net assets)

Net assets increased by 653 million yen compared to the end of the previous fiscal year to 3,697 million yen while the equity ratio increased by 1.8 percentage points from the end of the previous fiscal year to 37.5%.

(Status of Cash Flow)

Cash and cash equivalents at the end of the first two quarters of the fiscal year ending July 2018 increased by 221 million yen from the same quarters in the previous fiscal year to 1,599 million yen.

[Cash flows from operating activities]

Cash flows from operating activities recorded an income of 648 million yen (the same quarters in the previous fiscal year recorded an expenditure of 1,585 million yen) due to profit before income tax increasing by 1,254 million yen and the decrease of 715 million yen as a result of increased inventories.

[Cash flows from investing activities]

Cash flows from investing activities recorded an expenditure of 474 million yen (the same quarters in the previous fiscal year recorded an income of 6 million yen) mainly due to the decrease of 475 million yen as a result of business loans receivable.

[Cash flows from financing activities]

Cash flows from financing activities recorded an expenditure of 102 million yen (the same quarters in the previous fiscal year recorded an income of 1,933 million yen). This is mainly due to the decrease of 467 million yen as a result of the purchase of treasury shares as well as short-term loans payable decreasing by 1,002 million yen and long-term loans payable decreasing by 814 million yen alongside the sale of properties and such, even though long-term loans payable increasing by 2,192 million yen for funds for the acquisition of development business lots, etc.

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

As to consolidated earnings forecasts for the fiscal year ending July 2018, please refer to “Notice Concerning Difference Between Earning Forecasts and Actual Results for First Two Quarters of Fiscal Year Ending July 2018; and Revision to Full-Year Earnings Forecasts” (Japanese only) separately announced today (March 15, 2018).

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2017 (as of July 31, 2017)	First two quarters of fiscal year ending July 2018 (as of January 31, 2018)
Assets		
Current assets		
Cash and deposits	1,558,814	1,632,970
Accounts receivable	40,502	105,397
Real estate for sale	1,008,169	2,413,994
Real estate for sale in process	4,536,114	3,844,680
Deferred tax assets	337,709	340,387
Other	125,448	611,095
Allowance for doubtful accounts	(644)	(3,062)
Total current assets	7,606,115	8,945,462
Non-current assets		
Property, plant and equipment	13,577	16,143
Intangible assets	3,434	3,076
Investments and other assets		
Investment securities	55,308	59,949
Long-term loans receivable	436,964	430,408
Long-term accrued revenue	422,800	421,500
Other	227,669	228,113
Allowance for doubtful accounts	(270,005)	(270,005)
Total investments and other assets	872,736	869,965
Total non-current assets	889,748	889,185
Total assets	8,495,863	9,834,648

(Unit: thousand yen)

	Fiscal year ended July 2017 (as of July 31, 2017)	First two quarters of fiscal year ending July 2018 (as of January 31, 2018)
Liabilities		
Current liabilities		
Accounts payable	179,762	181,509
Short-term loans payable	2,779,200	1,776,705
Current portion of long-term loans payable	1,273,266	2,010,116
Current portion of bonds	20,000	20,000
Lease obligations	695	532
Income taxes payable	2,825	139,504
Provision for bonuses	34,270	18,802
Other	311,608	513,294
Total current liabilities	4,601,627	4,660,465
Non-current liabilities		
Long-term loans payable	552,912	1,193,304
Bonds payable	70,000	60,000
Lease obligations	180	-
Other	227,542	223,434
Total non-current liabilities	850,634	1,476,738
Total liabilities	5,452,262	6,137,203
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,582,685	1,495,610
Retained earnings	1,333,492	2,450,588
Treasury shares	(485)	(380,474)
Total shareholders' equity	3,015,691	3,665,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,637	19,662
Total accumulated other comprehensive income	16,637	19,662
Non-controlling interests	11,271	12,057
Total net assets	3,043,600	3,697,444
Total liabilities and net assets	8,495,863	9,834,648

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

(Quarterly Consolidated Statement of Income)

(First two quarters of fiscal year)

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2017 (August 1, 2016 to January 31, 2017)	First two quarters of fiscal year ending July 2018 (August 1, 2017 to January 31, 2018)
Net sales	3,290,284	6,333,489
Cost of sales	2,571,412	4,525,694
Gross profit	718,871	1,807,795
Selling, general and administrative expenses	428,028	481,934
Operating income	290,842	1,325,860
Non-operating income		
Interest income	247	5,400
Penalty income	458	-
Reversal of provision for point card certificates	552	-
Other	971	986
Total non-operating income	2,230	6,386
Non-operating expenses		
Interest expenses	43,347	49,805
Commissions paid	24,655	26,988
Other	4,125	1,158
Total non-operating expenses	72,128	77,952
Ordinary income	220,944	1,254,293
Extraordinary losses		
Provision of allowance for doubtful accounts	6,750	-
Total extraordinary losses	6,750	-
Profit before income taxes	214,194	1,254,293
Income taxes - current	2,488	139,518
Income taxes - deferred	21,254	(3,106)
Total income taxes	23,743	136,411
Profit	190,450	1,117,881
Profit attributable to non-controlling interest	1,360	786
Profit attributable to owners of parent	189,090	1,117,095

(Quarterly Consolidated Statement of Comprehensive Income)

(First two quarters of fiscal year)

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2017 (August 1, 2016 to January 31, 2017)	First two quarters of fiscal year ending July 2018 (August 1, 2017 to January 31, 2018)
Profit	190,450	1,117,881
Other comprehensive income		
Valuation difference on available-for-sale securities	1,727	3,025
Total other comprehensive income	1,727	3,025
Comprehensive income	192,177	1,120,907
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	190,817	1,120,121
Comprehensive income attributable to non-controlling interests	1,360	786

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2017 (August 1, 2016 to January 31, 2017)	First two quarters of fiscal year ending July 2018 (August 1, 2017 to January 31, 2018)
Cash flows from operating activities		
Profit before income taxes	214,194	1,254,293
Depreciation loss	2,365	2,417
Increase (decrease) in allowance for doubtful accounts	6,658	2,418
Interest and dividend income	(267)	(5,419)
Interest expenses and interest on corporate bonds	43,347	49,986
Increase (decrease) in provision for bonuses	(29,082)	(15,467)
Decrease (increase) in notes and accounts receivable - trade	16,983	(64,894)
Decrease (increase) in inventories	(1,733,848)	(715,118)
Increase (decrease) in accounts payable	(19,375)	1,747
Increase (decrease) in advances received	554	178,093
Increase (decrease) in deposits received	(34,663)	35,323
Other	42,024	(27,904)
Subtotal	(1,491,109)	695,475
Interest and dividend income received	267	150
Interest expenses paid	(48,591)	(47,549)
Income taxes paid	(46,118)	(3,064)
Income taxes refund	102	3,795
Net cash provided by (used in) operating activities	(1,585,450)	648,808
Cash flows from investing activities		
Other payments into deposits	(5,282)	(2,380)
Other proceeds from withdrawal of deposits	15,930	-
Acquisition of golf membership	(1,888)	-
Acquisition of property, plant and equipment and intangible assets	(3,440)	(5,023)
Proceeds from sales of property, plant and equipment and intangible assets	-	253
Payments of loans receivable	-	(475,000)
Proceeds from collection of loans	843	7,876
Financing expenditure	(30)	(100)
Net cash provided by (used in) investing activities	6,131	(474,374)

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2017 (August 1, 2016 to January 31, 2017)	First two quarters of fiscal year ending July 2018 (August 1, 2017 to January 31, 2018)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,768,775	(1,002,494)
Repayments of lease obligations	(323)	(342)
Proceeds from long-term loans payable	1,194,000	2,192,200
Repayments of long-term loans payable	(1,127,350)	(814,958)
Redemption of bonds	-	(10,000)
Proceeds from issuance of bonds	100,000	-
Expenditure for purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,000)	-
Purchase of treasury shares	-	(467,063)
Net cash provided by (used in) financing activities	1,933,101	(102,658)
Net increase (decrease) in cash and cash equivalents	353,783	71,775
Cash and cash equivalents at beginning of period	1,024,653	1,528,100
Cash and cash equivalents at end of period	1,378,437	1,599,875

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)
Not Applicable.

(Notes on Substantial Changes in Amount of Shareholders' Equity)
The Company purchased 8,707 treasury shares pursuant to the resolution made at the Board of Directors meeting held on June 22, 2017 pursuant to Article 11-6 of the Company's Articles of Incorporation. As a result of the purchase, treasury shares increased by 87,074 thousand yen in the first two quarters of the fiscal year ending July 2018.

In addition, the Company retired 8,707 treasury shares on August 1, 2017 pursuant to the resolution by the Board of Directors meeting held on June 22, 2017. As a result of the retirement, capital surplus and treasury shares each decreased by 87,074 thousand yen in the first two quarters of the fiscal year ending July 2018.

Moreover, the Company purchased 1,046,800 treasury shares on December 18, 2017 pursuant to the resolution by the Board of Directors meeting held on December 15, 2017. As a result of the purchase, treasury shares increased by 379,988 thousand yen in the first two quarters of the fiscal year ending July 2018.

As a result of the above, capital surplus decreased by 87,074 thousand yen and treasury shares increased by 379,988 thousand yen in the first two quarters of the fiscal year ending July 2018, and capital surplus at the end of the first two quarters of the fiscal year ending July 2018 stands at 1,495,610 thousand yen and treasury shares at 380,474 thousand yen.

(Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements)
Not Applicable.

(Changes in Accounting Policies)
Not Applicable.

(Changes in Accounting Estimates)
Not Applicable.

(Segment Information, etc.)

(Segment Information)

I. First Two Quarters of the Previous Fiscal Year (from August 1, 2016 to January 31, 2017)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: thousand yen)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	2,218,281	933,115	35,131	91,721	3,278,250	12,034	3,290,284	—	3,290,284
Intersegment net sales or transfers	—	10,046	—	13,344	23,391	—	23,391	(23,391)	—
Total	2,218,281	943,161	35,131	105,066	3,301,641	12,034	3,313,675	(23,391)	3,290,284
Segment income	269,530	71,538	33,230	7,439	381,738	11,592	393,331	(102,488)	290,842

(Note 1) The reconciliation of segment income of -102,488 thousand yen is comprised of -5,124 thousand yen of elimination of inter-segment transactions and -97,364 thousand yen of company expenses not distributed to the reporting segments. Company expense are primarily general and administrative expenses that are not attributable to the reporting segments.

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

(Note 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 by Reporting Segment, Etc.

Not Applicable.

II. First Two Quarters of the Fiscal Year Ending July 2018 (from August 1, 2017 to January 31, 2018)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: thousand yen)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	5,205,490	962,224	—	149,124	6,316,839	16,650	6,333,489	—	6,333,489
Intersegment net sales or transfers	—	—	—	12,615	12,615	—	12,615	(12,615)	—
Total	5,205,490	962,224	—	161,740	6,329,454	16,650	6,346,105	(12,615)	6,333,489
Segment income	1,287,244	101,628	—	15,417	1,404,289	16,157	1,420,447	(94,586)	1,325,860

(Note 1) The reconciliation of segment income of -94,586 thousand yen is comprised of 3,846 thousand yen of elimination of inter-segment transactions and -98,433 thousand yen of company expenses not distributed to the reporting segments. Company expenses are primarily general and administrative expenses that are not attributable to the reporting segments.

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

(Note 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 by Reporting Segment, Etc.

Not Applicable.