Financial Summary of First Quarter of Fiscal Year Ending July 2019
(Japanese GAAP) (Consolidated)

December 14, 2018

Name of listed company: Meiho Enterprise Co., Ltd. Listing exchange: Tokyo Stock Exchange
Code: 8927 URL: https://www.meiho-est.com/
Representative: (Name) Takahiro Umeki (Position) President & Representative Director
Contact for inquiries: (Name) Shunji Yasuda (Position) Director and Executive Officer, Management Dept. TEL: 03 (5434) 7653
Scheduled date for submission of quarterly report: December 14, 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 first quarter of fiscal year ending July 2019 (from August 1, 2018 to October 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 quarter of fiscal year ending July 2019	1,385	(63.7)	17	(98.1)	(18)	—	(43)	—
First quarter of fiscal year ended July 2018	3,813	159.0	939	913.3	908	—	788	—

Note: Comprehensive income
First quarter of fiscal year ending July 2019: -49 million yen [—%]
First quarter of fiscal year ended July 2018: 789 million yen [—%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of fiscal year ending July 2019	(1.84)	—
First quarter of fiscal year ended July 2018	31.98	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First quarter of fiscal year ending July 2019	10,964	4,016	36.5
Fiscal year ended July 2018	10,310	4,257	41.2

Reference: Equity
First quarter of fiscal year ending July 2019: 4,006 million yen
Fiscal year ended July 2018: 4,244 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 2018	—	0.00	—	8.00	8.00
Fiscal year ending July 2019	—				
Fiscal year ending July 2019 (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 2019 (from August 1, 2018 to July 31, 2019)

(% figures for the full fiscal year show the rate of increase (decrease) compared with the previous fiscal year, and % figures for the first two quarters show the rate of increase (decrease) compared with the same period of the previous 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
First two quarters	3,200	(49.5)	(110)	—	(190)	—	(220)	—	(9.31)
Full year	14,000	(3.3)	920	(66.5)	710	(72.9)	600	(64.2)	25.40

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

* Explanatory notes

(1) Changes in significant subsidiaries during the first quarter (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 quarter of fiscal year ending July 2019	24,661,000 shares	Fiscal year ended July 2018	24,661,000 shares
2) Number of treasury shares at end of period	First quarter of fiscal year ending July 2019	1,047,160 shares	Fiscal year ended July 2018	1,047,160 shares
3) Average number of shares during period (quarterly cumulative)	First quarter of fiscal year ending July 2019	23,613,840 shares	First quarter of fiscal year ended July 2018	24,660,641 shares

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

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

The earnings outlook and other forward-looking statements contained 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.

Contents of Attachments

1. Qualitative Information on Quarterly Financial Results 4
(1) Explanation of Operating Results 4
(2) Explanation of Financial Position 4
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information 5
2. Quarterly Consolidated Financial Statements and Main Notes 6
(1) Quarterly Consolidated Balance Sheet 6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 8
(3) Notes to Quarterly Consolidated Financial Statements 9
(Notes Related to Going Concern Assumption) 9
(Notes on Substantial Changes in Amount of Shareholders' Equity) 9
(Additional Information) 9
(Segment Information, etc.) 10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first quarter of the fiscal year ending July 2019, 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 quarter of the fiscal year ending July 2019, we completed the transfer of MIJAS Minami-Karasuyama (Setagaya Ward, Tokyo). Furthermore, as a secondhand property renovation resale project we completed the transfer of 2 properties in inner city neighborhoods.

As a result of the above, in the first quarter of the fiscal year ending July 2019, the Group recorded net sales of 1,385 million yen (down 63.7% year-on-year), operating income of 17 million yen (down 98.1% year-on-year), ordinary loss of 18 million yen (ordinary income of 908 million yen in the same period of the previous fiscal year) and loss attributable to owners of parent of 43 million yen (profit attributable to owners of parent of 788 million yen in the same period of the previous fiscal year).

The performance of the segments is as follows.

[Real estate sales business]

In the real estate sales business, we sold 1 property of MIJAS series, the apartment development project, and transferred 2 properties as a secondhand property renovation resale project. As a result, net sales totaled 768 million yen (down 76.7% year-on-year) and segment income totaled 3 million yen (down 99.6% year-on-year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 547 million yen (up 13.8% year-on-year) and segment income totaled 40 million yen (up 6.5% year-on-year).

[Real estate brokerage business]

In the real estate brokerage business, due to brokerage fees of properties located in Tokyo, net sales totaled 3 million yen and segment income totaled 2 million yen. In the same period of the previous fiscal year, 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 52 million yen (up 32.3% year-on-year) and segment loss totaled 0 million yen (0 million yen of segment income in the same period of the previous fiscal 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 15 million yen (up 95.3% year-on-year) and segment income totaled 14 million yen (up 155.6% year-on-year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending July 2019 increased by 653 million yen compared to the end of the previous fiscal year to 10,964 million yen.

Moreover, liabilities increased by 894 million yen from the end of the previous fiscal year to 6,947 million yen.

Contributing to this is the increase of 123 million yen in long-term loans payable as funds to acquire new development business lots, etc. and increase of 1,032 million yen in short-term loans payable (including current portion of long-term loans payable).

Net assets decreased by 240 million yen compared to the end of the previous fiscal year to 4,016 million yen while the equity ratio decreased by 4.7 points from the end of the previous fiscal year to 36.5%.

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

Regarding the outlook for the future, we will actively promote lot purchasing and sales activities in the real estate sales business with the rental apartment brand “MIJAS” project (20 properties already supplied in the fiscal year ended July 2018) as the main business and as a “comprehensive developer focusing on manufacturing,” setting a annual supply target of around 25 properties, in order to become a partner for life which is our corporate philosophy. Furthermore, in addition to the “MIJAS” project, we will implement product development addressing various customer needs and expand business activities such as the rental apartment development business, real estate securitization business and real estate development and renovation business with an aim to further secure stable income.

As for the consolidated earnings forecast for the fiscal year ending July 2019, net sales of 14,000 million yen (down 3.3% from the previous fiscal year), operating income of 920 million yen (down 66.5% from the previous fiscal year), ordinary income of 710 million yen (down 72.9% from the previous fiscal year) and profit attributable to owners of parent of 600 million yen (down 64.2% from the previous fiscal year) are projected.

As to consolidated earnings forecasts for the fiscal year ending July 2019, there is no change from the full-year forecasts announced on September 14, 2018. In case any revision to the full-year forecasts is judged to be necessary due to factors such as changes in circumstances in the future, such shall be promptly announced.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2018 (as of July 31, 2018)	First quarter of fiscal year ending July 2019 (as of October 31, 2018)
Assets		
Current assets		
Cash and deposits	1,640,084	1,207,120
Accounts receivable	47,026	29,038
Real estate for sale	3,219,651	3,554,621
Real estate for sale in process	2,746,548	3,712,391
Short-term loans receivable from subsidiaries and associates	1,925,000	1,700,000
Other	196,781	246,545
Allowance for doubtful accounts	(2,908)	(3,073)
Total current assets	9,772,184	10,446,643
Non-current assets		
Property, plant and equipment	14,735	19,258
Intangible assets	2,379	2,031
Investments and other assets		
Investment securities	57,621	49,439
Long-term loans receivable	430,184	430,071
Long-term accrued revenue	422,200	420,850
Deferred tax assets	223,599	201,370
Other	234,651	240,495
Allowance for doubtful accounts	(847,200)	(845,850)
Total investments and other assets	521,056	496,376
Total non-current assets	538,172	517,666
Total assets	10,310,356	10,964,309

(Unit: thousand yen)

	Fiscal year ended July 2018 (as of July 31, 2018)	First quarter of fiscal year ending July 2019 (as of October 31, 2018)
Liabilities		
Current liabilities		
Accounts payable	157,415	95,482
Short-term loans payable	1,079,913	1,630,353
Current portion of long-term loans payable	2,038,516	2,520,316
Current portion of bonds	20,000	20,000
Lease obligations	180	1,193
Income taxes payable	247,819	285
Provision for bonuses	55,030	15,056
Other	490,335	545,680
Total current liabilities	4,089,210	4,828,366
Non-current liabilities		
Long-term loans payable	1,680,196	1,804,192
Bonds payable	50,000	50,000
Lease obligations	-	4,514
Other	233,659	260,286
Total non-current liabilities	1,963,855	2,118,993
Total liabilities	6,053,065	6,947,359
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	3,010,515	2,778,195
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,225,651	3,993,331
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,005	12,765
Total accumulated other comprehensive income	19,005	12,765
Non-controlling interests	12,634	10,853
Total net assets	4,257,291	4,016,949
Total liabilities and net assets	10,310,356	10,964,309

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

(Quarterly Consolidated Statement of Income)

(First quarter of fiscal year)

(Unit: thousand yen)

	First quarter of fiscal year ended July 2018 (August 1, 2017 to October 31, 2017)	First quarter of fiscal year ending July 2019 (August 1, 2018 to October 31, 2018)
Net sales	3,813,401	1,385,279
Cost of sales	2,648,080	1,133,321
Gross profit	1,165,320	251,958
Selling, general and administrative expenses	226,261	234,119
Operating income	939,058	17,839
Non-operating income		
Interest income	1,935	14,302
Other	612	1,282
Total non-operating income	2,547	15,584
Non-operating expenses		
Interest expenses	21,735	34,826
Commissions paid	11,350	17,042
Other	370	198
Total non-operating expenses	33,455	52,066
Ordinary income (loss)	908,149	(18,643)
Profit (loss) before income taxes or loss before income taxes	908,149	(18,643)
Income taxes - current	111,873	375
Income taxes - deferred	7,274	24,171
Total income taxes	119,148	24,547
Profit (loss)	789,001	(43,190)
Profit attributable to non-controlling interest	306	218
Profit (loss) attributable to owners of parent	788,695	(43,409)

(Quarterly Consolidated Statement of Comprehensive Income)

(First quarter of fiscal year)

(Unit: thousand yen)

	First quarter of fiscal year ended July 2018 (August 1, 2017 to October 31, 2017)	First quarter of fiscal year ending July 2019 (August 1, 2018 to October 31, 2018)
Profit (loss)	789,001	(43,190)
Other comprehensive income		
Valuation difference on available-for-sale securities	75	(6,240)
Total other comprehensive income	75	(6,240)
Comprehensive income	789,077	(49,431)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	788,771	(49,649)
Comprehensive income attributable to non-controlling interests	306	218

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)
Not Applicable.

(Notes on Substantial Changes in Amount of Shareholders' Equity)
Not Applicable.

(Additional Information)
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the fiscal year ending July 2019 and deferred tax assets are classified as investments and other assets.

(Segment Information, etc.)

I First Quarter of the Previous Fiscal Year (from August 1, 2017 to October 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	3,295,743	474,636	—	34,843	3,805,222	8,178	3,813,401	—	3,813,401
Intersegment net sales or transfers	—	6,388	—	4,711	11,100	—	11,100	(11,100)	—
Total	3,295,743	481,024	—	39,555	3,816,322	8,178	3,824,501	(11,100)	3,813,401
Segment income	958,509	37,744	—	549	996,803	5,760	1,002,564	(63,506)	939,058

(Note 1) The reconciliation of segment income of -63,506 thousand yen is comprised of -10,185 thousand yen of elimination of intersegment transactions and -53,321 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

Not Applicable.

II First Quarter of the Fiscal Year Ending July 2019 (from August 1, 2018 to October 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	768,192	547,342	3,000	50,770	1,369,305	15,974	1,385,279	—	1,385,279
Intersegment net sales or transfers	—	—	—	1,563	1,563	—	1,563	(1,563)	—
Total	768,192	547,342	3,000	52,333	1,370,868	15,974	1,386,843	(1,563)	1,385,279
Segment income (loss)	3,388	40,196	2,917	(936)	45,566	14,726	60,293	(42,454)	17,839

(Note 1) The reconciliation of segment income (loss) of -42,454 thousand yen is comprised of 11,627 thousand yen of elimination of intersegment transactions and -54,081 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 (loss) 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

Not Applicable.